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5 January 1982

# East Europe Report

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2217

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# EAST EUROPE REPORT

## ECONOMIC AND INDUSTRIAL AFFAIRS

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NEED FOR COOPERATION AMONG INDUSTRIAL AGRICULTURAL UNITS

Tirana ZERI I POPULLIT in Albanian 11 Nov 81 p 3

[Article by Petro Dode, chairman of the State Planning Commission: "The Expansion and Strengthening of Cooperative Ties--An Important Area for the Perfecting of the Organization and Management of the Economy"]

[Excerpts] Cooperation is not simply material-technical supply but an entire system of organic links between a number of production units, links which must be monitored with responsibility, step by step. But, although this activity is well represented in the plans which are drawn up and executed at the level of the national economy for large projects and activities, there are shortcomings in enterprises and cooperatives. The ministries and the executive committees of the districts must better execute their functions in this field in order to eliminate these shortcomings.

Cooperation is a serious problem for the machine industry, in particular. The production of machines and equipment will increase 58 percent during the period from 1981 to 1985, compared to the Sixth Five-Year Plan. For the expansion and reconstruction of existing projects and the construction of new projects, more than 25,000 tons of machinery and equipment of various types will be produced through multilateral cooperation among plants and machine bases in the entire country. During the five-year plan, about 500 types of key machinery and equipment, some 265,000 pieces, will be produced in order to raise the level of the technical equipping of work and production in various branches of the economy. These tasks are difficult since a good part of the machinery and equipment which will be produced is complex in regard to construction and production techniques and many pieces are one of a kind or are produced in small series.

The great dimensions which the production of machines and equipment has assumed emphasize the need for a further revolutionizing of the management and organization of the machine industry. The plants of the machine bases should comply better with the discipline of the plan and with strict technical and technological discipline in production. This can and must be achieved in the struggle with the artisan spirit and with the artisan-type organization of production in some plants and machine shops and in regard to manifestations of narrow interests on the part of enterprises and ministries.

In addition to strengthening ties of cooperation among the machine bases and the factories, there is still a need to ensure the complete coordination of tasks between the technological bureaus of the enterprises and the working groups charged with executing studies in cooperation with the Institute for Technical and Technological Designs and the better coordination of work between the investors and the design institutes in the Ministry of Construction.

In order to organize and expand planned cooperation in the machine industry it is necessary that the experiences gained in the construction of the industrial projects left half-finished by the Chinese revisionists be better utilized. These projects include the copper smelting plant in Lac, the ferrochrome plant, some projects in the "Steel of the Party" metallurgical combine. Also, the experience gained in the construction of other projects which are being built completely with our own forces should be better utilized.

Cooperation plays an important role in achieving the objectives in the extractive industry and in the ferrous and nonferrous metallurgical industries. The development of the extractive and processing industries during the Seventh Five-Year Plan will continue to be one of the main activities of the socialist industrialization of the country. In order to achieve the established objectives, a complex of problems and tasks have been set forth in the areas of prospecting, extraction and processing and greater cooperation is required. Special importance is assigned to the increasing of reserves in the existing mines and the preparation of these reserves for exploitation, issues which are directly related to increasing the effectiveness of investments. The cooperative ties in the areas of prospecting for, extracting and processing ores should be represented better and better in the plan and should be better affirmed by means of contracts between the enterprises and the scientific institutions in order to eliminate the spontaneous character which occurs in some instances.

In the framework of the entire activity for the further improvement of the coordination of duties among branches, a special role is played by agriculture which, in the process of intensification, is continually expanding and strengthening its cooperation with other branches of the economy and with many scientific research bodies.

In accordance with the directives of the 8th Party Congress for the Seventh Five-Year Plan, in 1985, industry will give agriculture chemical fertilizers, insecticides, pesticides, machinery and equipment and raw materials with a general value 55 percent higher than in 1980. In return, in 1985, agriculture will give industry about 50 percent more raw materials then in 1980, in order to base development on more rapid rates of production of consumer goods.

Therefore, the state and economic organs should work harder for the coordination, analysis and execution of the tasks of the five-year plan for the further strengthening of the technical-material bases of agriculture. Also, measures should be taken to increase the effectiveness of the technical-material base in ensuring the objectives specified for increasing agricultural and livestock products.

For the expansion and strengthening of cooperative ties in the economy, one must fight more strongly against subjectivism and liberalism which often appear, creating difficulties, breaking the chain of cooperative ties and, in some cases, preventing the fulfillment of the tasks of the plan.

While emphasizing these key areas, stress will be put on the planned implementation of cooperative ties, by all state and economic organs and there will be a continuing effort to ensure that these ties are better implemented in other sectors of the economy, such as light industry and the food industry, by coordinating tasks related to increasing the purchasing power of the people and providing sufficient consumer goods, as well as in financial and hard currency indicators and in transportation, by the coordination of the research work of the various scientific institutions and branches.

CSO: 2100/30

MANAGEMENT PERFORMANCE UNDER SET OF MEASURES CRITICIZED

Bratislava PRAVDA in Slovak 10 Nov 81 pp 1, 2

[Editorial: "Management"]

[Text] Among the issues most frequently discussed and most criticized at the recent Fourth Plenum of the CPCZ Central Committee was the problem of management. Let us recall several ideas on which attention focused.

In his concluding speech, Comrade Husak stated that the fundamental conclusion which was to be drawn from the Fourth Plenum was the requirement of a basic change in the standard and effectiveness of management along all channels and at all levels. On principle, it is necessary to apply demanding political, professional and moral criteria to workers and to judge them according to the practical results achieved in the area under their supervision. When they are not able to cope with their tasks, the appropriate conclusions must be drawn.

In his speech, Comrade Strougal stated that the weaknesses in the plan fulfillment and existing shortcomings are to be blamed on management of central agencies, VHJ [economic production units] and enterprises. A significant discrepancy has appeared between the proclaimed support of congress resolutions by many managers and the actual effort and results achieved by them. "We are of the opinion," he emphasized, "that this situation must be thoroughly analyzed at all levels and the necessary conclusions--including personnel changes--must be drawn."

In another context, Comrade Strougal said that the draft plans for 1982 submitted by almost 50 percent of VHJ not only ignored specific problems of the national economy and the guidelines for the preparation of the annual plan, but stubbornly insisted on the original requirements in all areas although they had not produced the required results...There is only one way out of this situation: either the attitude of ministries, VHJ and enterprises toward the implementation of economic policy will change or the respective managers will have to be replaced.

Let us restate the essential issues: to achieve a radical change in the standard and effectiveness of management along all channels and at all levels...to eliminate the significant discrepancy between the proclaimed support of congress resolutions and actual effort and results achieved by many managers. In other words, to achieve the unity of words and deeds.

It has been said and written hundreds of times that these demands represent the categorical imperative of the present times to which there is no other alternative. The same is true of the qualities with which the socialist manager should be endowed, of the style of his work, of the duties and tasks which he is to or should fulfill in the struggle for intensification, economy, efficiency and quality.

It sounds like a wornout phonograph record to say in our country today that we must demand of managers discipline, a principled approach, a sense for the new, creative initiative, resolution in eliminating red tape, stereotype and tolerance to shortcomings. Many people turn a deaf ear to the demand that such a style of work requires ability to think eclectically, to interpret broad political and social connections in the long term and to sensitively react to short-term problems and opportunities for innovation. At the same time, they must develop the ability to free themselves from intellectual and organizational stereotypes and to cultivate originality, healthy entrepreneurship, willingness to assume risks connected with the introduction of innovations and the art of combining creative imagination with the sense of reality. They must trust people and enhance their abilities, stimulate their activity, make room for their creative potential and systematically support it.

The application of "analysis in depth" appears to be a fashionable cliche rather than a practical method, although it represents the basic method of management. It must be used comprehensively in order to discover the causes of the present situation, of existing problems and shortcomings. It should be used to solve specific problems. There is more fiction than reality in the requirement that the manager must know how to calculate in order to produce most efficiently with maximum economy--from the standpoint of the entire society. At the same time, he must sensitively deal with social problems--people. He must learn to know and use--and not abuse and deform--the "soul" of the blue-collar workers for plan fulfillment and againt waste and malpractices of all kind.

The manager must know the laws [governing economic development], developmental tendencies, see the prospects, know how to achieve the goals. He must analyze management methods and economic results and strategically plan his own activities as well as activities of the workplace under his supervision. He must know, want and be able.

These attributes of managers' activities are, so to say, "eternal" truths. If they are just endlessly affirmed without a persistent, systematic effort to find rational ways and methods of implementing them in practice, they remain in the area of wishful thinking and recommendations. We thus have a situation in which some managers see their mission in service to the society and successfully cope with their tasks, while other managers endlessly insist on explanation of policy and party line, and act in the old way. Instead of solving problems and eliminating shortcomings, they merely try to explain them away. They are governed by the "theory" of self-satisfied, inactive people according to which the situation is allegedly "unresolvable" and do not admit that the low standard of their management is caused by subjective and egoistic reasons, and that it also stems, among other things, from the effort not to make any changes in well-established, traditional production and work organization. Still less do they

understand that internal cooperation and division of labor must be brought into harmony with production conditions and requirements so that the worker ceases to be merely an object, but becomes the subject of action, of struggles for the implementation of party economic policy.

These are economic managers who, though they live under socialism, enjoy its achievements and advantages, and work in socialist workplaces, do not manage and organize them in the socialist manner. This is the only possible logical explanation of the present situation.

Where are the causes and reasons for it to be found?

At the statewide meeting of activists in March 1980 which dealt with the improvement of the system of planned management, Comrade Strougal emphasized that the principal reasons for overall efficiency of our economy must be seen primarily in the subjective factor--in management in general. This means not only in the system, but also in management by managers, their staffs, low standard of analytical and decisionmaking activity, in their not always adequate qualification and competence, and in some instances also in their irresponsibility.

If the general conditions of economic and financial management permit such behavior, then the managers--people--adapt themselves to these conditions. It is namely always so that most people act normally, that is in accordance with the given conditions. If we want to change their behavior, thinking, attitudes and activity, we must first change the conditions and rules which will profoundly affect and determine their behavior.

This is the purpose of the Set of Measures.

Naturally, the Set of Measures is neither a penacea nor does it or will it ever work automatically. Each of its principles must be translated into reality by people, and by the management sphere, economic managers in the first place. These principles must be implemented in such a way that none of them may be circumvented, made softer or undermined in its effectiveness. They will fulfill their mission only if they are equally binding for all, if we do not try to mitigate and weaken their effect by exemptions and additional exemptions from exemptions.

What will the manager do under those circumstances?

He will have significantly less room for formalism, alibiism, inactivity, subjectivism, willfulness, anarchistic tendencies, opportunism in practice, concessions to and speculations about party policy, actions againt working-class policy. Are these hard words? Hard reality requires telling people the hard truth directly to their face. But that is still not enough. It is necessary to remedy the situation with persistent effort.

If the manager does not achieve the required results, there are only two possibilities: he demonstrates either his unwillingness or his inability to increase the standard and effectiveness of his managerial work, to think and act in the new way.

To lament over problems, to kill time by pointing out the impossibility of their solution, is an unconstructive approach and attitude. It amounts to writing an evaluation of one's own apolitical attitude, of one's immature thinking in general and economic thinking in particular.

And inability?

Sentimentality, liberalism and different criteria must not be part of principled personnel policy. Acute problems in this respect must be solved with tact toward individuals, but above all with a feeling of responsibility toward the interests and needs of the society. It was not by chance that we quoted Comrade Strougal's words at the beginning of this article and that we repeat them: "Either the attitude of ministries, VHJ and enterprises toward the implementation of economic policy will change or the respective managers will have to be replaced."

This is the solution--there is no third possibility. This applies also to those who, while emphasizing their past achievements and merits, are not able or do not want to contribute to the creative fulfillment of present tasks. In his speech to the Fourth Plenum of the CPCZ Central Committee, Comrade Husak reminded us all of V. I. Lenin's words: "To screen people and to check on the actual fulfillment of tasks--that is the core of our entire work and of our entire policy."

The logic of development is merciless. Our effort aimed at intensification, greater economy, higher efficiency and quality cannot be completely successful without rendering management more scientific and more effective. It must become more efficient, more purposeful, more rational and more competent. It is ineffective, if instead of pertinent analyses and evidence, instead of analyses of actual problems and existing possibilities, instead of open discussion of specific shortcomings and ways of eliminating them, matters are often "settled" only in a formal way--by "detailing" tasks, by "administrative" paper work. These are the methods which cannot be tolerated in management.

The party organs and organizations occupy an irreplaceable place in this struggle for a radical change in the standards and efficiency of management. At the Fourth Plenum of the CPCZ Central Committee, Comrade Husak rightfully pointed out that we must stress the leading role of the party and the control function of the party more consistently, in full scope and in correct form at all levels of management. This does not mean, however, that individual officials and workers and leading positions should be called to account from time to time only. Regardless of the sector in which they work, they must through systematic, everyday work with the communists defend the party policy, enforce the leading role of the party, implement its control function. This applies also--or above all--to the political attitude toward management.

The intensification of social production is the only possible way in which is appropriate to the building of developed socialism, to the internal logic of the socialist revolution. Its inevitability stems from the complex of objective processes which are reflected in the changed conditions of reproduction and of the present situation in the international class struggle. Due to these facts, the managerial sphere and especially economic managers face an indisputable task: the gravitation toward extensivity must be overcome by using science,

efficiency, quality, and by implementation of the program of specialization and cooperation with the Soviet Union and other countries of the socialist community.

It is up to all managerial workers to translate into the reality these words of the resolution passed by the Fourth Plenum of the CPCZ Central Committee: "Managerial workers at all levels must demonstrate high responsibility, an active attitude and one with initiative toward plan fulfillment and uncompromisingly fight for the consistent implementation of party policy."

10501
CSO: 2400/75

PRIVATE OWNERSHIP IN CSSR AGRICULTURE NOT ENCOURAGED

Prague ZEMEDELSKE NOVINY in Czech 14 Nov 81 p 7

[Article by Frantisek Savov: "Meat From Contract Feedlots"]

[Text] Large-scale socialist agriculture plays a critical role in producing food for the people of our country. Cooperatives, state farms, large-scale feedlots, and other socialist organizations, including service enterprises, account for more than 90 percent of all of the milk and meat that is produced in this country. However, the lessons learned in past years have also demonstrated that the owners of private plots who belong to cooperatives, as well as small-scale livestock breeders and growers, can also play a helpful role in putting all farmland to work for the purpose of producing foodstuffs.

This is why, during the final year of the Sixth Five-Year Plan, the practice was introduced of sending farm snimals, primarily cattle, sheep, and goats, to feedlots on a contractual basis. Last month the tax on incomes earned from this kind of activity was also abolished. This issue was also addressed at the fourth session of the CPCZ Central Committee by Central Committee secretary Frantisek Pitra who pointed out, among other things, that since the beginning of this year contract feedlots had produced 12,370 tons of animals for slaughter. At the same time, however, he stressed that opportunities for reaping benefits from nonmechanized farmlands that do not belong to agricultural enterprises have not yet been totally exhausted.

The truth of these words spoken at the fourth session of the CPCZ Central Committee is also borne out by the lessons that have been learned in the East Bohemia Kraj. In 1979, when the contract feedlot program was starting to become more widespread, there were 11 okreses in the East Bohemia kraj in which 3,169 contracts were entered into for the feeding of beef cattle and 125 contracts for the feeding of sheep. By 1980, there were 3,953 feedlot contracts for beef cattle and 3,953 feedlot contracts for sheep. There is not nearly as much interest in feedlot contracts for slaughter hogs. In 1980, small-scale contract feedlot breeders sold only 20 hogs to the meat-processing industry.

As was pointed out by Bretislav Macoun, deputy director of the BREZHRAD East Bohemia Meat-Processing Industry, during the last five-year plan the number of domestic hogs sold for slaughter dropped from 45,000 per year to a mere 18,000. In pace with the changing living standards of the rural population, there has

been a corresponding slackening of interest in the raising of animals on private plots. The abolition of the income tax was supposed to have been gradually reflected in the increased interest of people living in rural areas in entering into contracts for the feeding of farm animals. The many lessons that have been learned from the way the contract feedlot program is now organized also speak in favor of the expansion of this program.

The procurement agents of the meat-processing industry cannot get by without the cooperation of the national committees. According to what we were told by Lea Tomekova, sales manager in charge of the feedlot program for the management of the BREZHRAD East Bohemia Meat-Processing Industry, the enterprise wound up with a lot of nonagricultural acreage in certain okreses in the course of fulfilling its feedlot contract program targets for this year. The goal is to fulfill a target set by the CPCZ kraj committee and conclude 4,000 contracts this year for the feeding of beef cattle. By the third quarter of this year 2,767 contracts had been signed. That is not very much! Thanks to the efforts of purchasing agents the goal that was set has been fulfilled. However, their efforts in this direction are often at cross purposes with the contracts that are entered into by cooperatives and state farms with their members and employees.

"At the beginning of the year we assumed that most of these contracts would be concluded in foothill and mountain areas where most of the arable land does not belong to agricultural enterprises. In the meantime, things have turned out quite differently. For example, 365 contracts were signed in the Hradec Kralove okres, where there are only 350 hectares of nonagricultural farmland. On the other hand, in Rychnov nad Kneznou Okres, where there are 1,021 hectares of nonagricultural farmland, only 182 contracts were signed," said Lea Tomekova. At the same time, we are aware of the fact that in mountain communities and villages there are certain meadows, small plots, and forested areas that go uncultivated year in and year out. An effort should also be made to accommodate the requests made by the national committees so that each community could be provided with one manually operated power-driven mower for cutting grass. This would also benefit pensioners who are interested in the contract feedlot program, but are no longer strong enough to be able to cut a sufficient volume of fodder by themselves. There are still some national committees which are not allocating any land to persons who are interested in the contract feedlot program, land that is not otherwise being worked by anyone. This also holds true for the gardens of weekend cottage owners and recreationists, plots of land which in some cases are quite large.

There is still a great deal of debate surrounding the contract feedlot program. It needs to be said that under no circumstances is there any question of diminishing the role of socialist agriculture in the production of foodstuffs, just as there is no question of expanding or promoting the role of private farming. The development track for our country's agricultural sector was already mapped out at the Ninth CPCZ Congress in quite clear and succinct terms, and we were all persuaded that this is the correct course to follow. The contract feedlot program is dedicated first and foremost to making sure that all farmland is effectively exploited, that every acre of land is put to some good use. People who produce fodder for cattle and sheep are deserving of our gratitude for the work that they do, and they should not be objects of envy for the profits which they

reap from this activity. Finally, everyone could try once a day to cut some fresh grass for fodder, and at the same time they should try to set aside the necessary volume of hay for drying. The efforts of small-scale breeders and private plot owners are helping to improve the flow of quality meat supplies to the market, meat which is in fact being produced from the bulk fodders that would otherwise be going to waste.

In addition to the meat-processing industry, the national committees should also be held accountable for the performance record of the contract feedlot program. It is in fact the members of the national committees and their agents who know best the extent to which it is possible in each community to harvest hay from nonagricultural plots and plots which do not belong to agricultural enterprises, and, by the same token, they are also aware of the opportunities that exist for the signing of feedlot contracts. This general discussion of this issue should also discourage private plot owners and small-scale livestock breeders from keeping any more animals in their barns than they are able to feed.

11813
CSO: 2400/69

## LACK OF SCIENTIFIC ELECTRONIC LITERATURE DECRIED

AU271540 [Editorial Report] Prague RUDE PRAVO in Czech on 23 November on page 5 carries a 1,100-word "VC"-signed article entitled "Education Must Not Lag Behind." The article reviews readers' reaction to an article by Eng Antonin Martinec of the Federal Ministry for Technological and Investment Development, published by RUDE PRAVO on 12 October, in which the author stresses the importance of education for the development of electronics and microelectronics.

Quoting a letter from Frantisek Dvorak from Prague, the article states: "I believe that one of the reasons we are not achieving results in electronics that would be commensurate with the needs of the national economy is the lack of information about the state of electronics in the world, about its new trends and so forth. Only a few periodicals publish articles on electronics and only few books and manuals are being published. Some areas, precisely the most important ones, are not covered at all. For example, there is no periodical in our country that would focus exclusively on numerical technology, microcomputers and related fields. To the best of my knowledge, not a single book has been published so far dealing with microprocessor technology. It is not that we would not have enough competent authors but it takes the publishing houses for technical literature so long to produce the books that by the time they are published even the new publications are out of date in many respects.

"A very bad situation exists as regards books with a practical orientation (application manuals, catalogues). It frequently happens that we purchase some parts (this concerns especially some integrated circuits), for which it is often impossible to get hold of even the most basic catalogue data, to say nothing of patterns for connecting and applying them."

Because of the lack of technical literature, Dvorak goes on to say, "in enterprises in which the use of microprocessors or monochip microcomputers is envisaged for the future, little is known about the concrete method of applying those elements, or, too, the notions are considerably distorted and superficial, based on an incorrect perception of the function and potential of monochip microcomputers."

One problem that "must be solved immediately because otherwise we will lament in vain young people's lack of interest in technical matters" is, according to Dvorak, the "virtual nonexistence of suitable literature for beginners and moderately advanced students regarding the new branches of electronics."

Dvorak goes on to say: "Another reason for the fact that our electronics is trailing behind the rest, in my view, in the component basis. It is again the youth that is affected most. Especially integrated circuits of a higher degree of integration are, despite the reduction of prices for semiconductors, too expensive for them. The variety of semiconductors and other components is, moreover, insufficient when compared with the offer abroad and the most advanced components cannot even be bought in our country. On the other hand, stores for radio-amateurs in the GDR or in Hungary offer all kinds of both domestically produced and imported modern microprocessor circuits." As a result, "those interested in electronics cannot acquire the necessary practice," Dvorak adds and warns that "if the conditions do not radically change as soon as possible, we must anticipate that for the period to come we will not be able to train a sufficient number of experts."

Similar views are expressed by Miroslav Ptacek from Kladno, who also regards the price of components as an obstacle to a speedier development of microelectronics. He is quoted as having written: "The unfavorable ratio between the price of our and foreign microelectronic elements thwarts their application in planning new mass-produced products. Only with great difficulty can employees of the development sector get hold of imported components, which they could learn to handle and, possibly, even program. The logical consequence is that the producers are not interested in applying microelectronics to electronic consumer goods."

CSO: 2400/84

## BRIEFS

IRRIGATION EQUIPMENT FOR VIETNAM--Concern enterprise SIGMA OLOMOUC trains Vietnamese irrigation equipment specialists at its service center in Danang, SRV. In 1981, SIGMA OLOMOUC expects to deliver 300 irrigation units to the SRV. [Bratislava SMENA in Slovak 12 Dec 81 p 5]

CSO: 2400/97

SITUATION, IMPROVED PROSPECTS OF PRIVATE SECTOR SURVEYED

Budapest NEPSZABADSAG in Hungarian 2 Dec 81 p 10

[Article by Jozsef Molnar, chairman of the National Organization of Artisans: "Artisans Today and Tomorrow"]

[Text] On 5 and 6 December, the National Organization of Artisans (Kisiparosok Orszagos Szervezete) will hold its eighth national meeting of delegates. On this occasion it will be worthwhile to review the path that artisans have traveled, and to present their place and role in the economy. This is the more important because our sphere of activity, owing to its peculiarities, is still a subject of debate and a focus of conflicting views.

Fairly recently, about five or six years ago, the number of artisans providing services and producing goods dropped to 84,000. Society's judgment was adversely influenced by the generalization of isolated abuses. Legal and economic regulation reflected this judgment. In the area of services it was evident already then that the population's supply--particularly in small settlements--could not be solved effectively without artisans. The discriminatory measures and income regulation that did not provide adequate incentives failed to attract youths, and the average age of artisans rose. All this contributed toward the widespread unlicensed practice of trades. Today, unlicensed atisans, together with the population's do-it-yourself efforts, supply about one-third of the total demand.

Society's Judgment

The 11th MSZMP Congress triggered a favorable process in services provided by artsans, and in society's judgment of artisans. Subsequently, under the influence of more up-to-date legal and economic regulations, the number of artisans began to increase, and interest in practicing trades became more keen. The artisans' activity shifted toward services. Development of the number of artisans is summed up in the following table.

| Date | A | B | C | D |
|---|---|---|---|---|
| 31 Dec 1975 | 56,822 | 20,111 | 7,655 | 84,588 |
| 30 Jun 1981 | 65,604 | 29,931 | 11,870 | 107,404 |

where A - Full-time artisans,
B - Licensed part-time artisans,
C - Retirees licensed as artisans, and
D - Jointly,

At present there are about 19,000 employees working for artisans, and the number of family members who help out can be estimated at 20,000. Over 4,000 youths are apprenticed to artisans.

Parallel with the sharp rise, there is also considerable fluctuation. Each year more than 11,000 artisans turn in their licenses. One reason for this is that many artisans take out their licenses to pursue illusions of high incomes. But very soon they come to the sobering realization that also here above-average incomes can be achieved only through outstanding performances and honest effort. Anyone who attempts to attain high income dishonestly soon comes to grief, and also our organization strives to rid itself of such artisans.

In the second half of the Fifth Five-Year Plan, commodity production also opened up as another necessary area for the activity of artisans. The 12th MSZMP Congress unambiguously stated that artisans were an integral part of the economy, and that their activity could enhance the population's supply and the greater effectiveness of the enterprises and cooperatives. Based on reality, our economic policy provides a reliable indication that the increased inclusion of artisans in the realization of national economic tasks is not a short-term tactic.

The gross output of artisans exceeded 21 billion forints in 1980, having grown 87 percent in five years.

Economic Role

Consumer services provided by artisans have grown vigorously. Nationally their share reached 44 percent in 1980, and within this the artisans' share of services for the population reached 50 percent. Artisans operate 85 percent of the service centers and shops. Two-thirds of them live and work in small settlements where they are the sole suppliers of the demand.

Among the preferential services, 36 percent of the artisans are engaged in building-industry repairs and maintenance. Artisans perform 84 percent of the legal building repair and maintenance ordered by the population.

The value of motor vehicle repairs performed by artisans has doubled in five years, and the value of repairs on electroacoustical equipment and household appliances jointly has increased 60 percent during the same period. The value of dry-cleaning and laundering sevices shows a more modest growth, about 10 percent.

The traditional services retain their predominantly handicraft character. Twenty-four percent of the artisans are employed in this area. They provide 72 percent of all traditional services for the population, and their output has increased 150 percent in five years. In the branches of clothing, woodworking, plastics and sundry iron, metal and machinery repairs, the value added by artisans is greater than the value added jointly by the state enterprises and industrial cooperatives in these repair branches.

The proportion of artisans providing personal services is 5.7 percent. Their output increased 52 percent in five years. Their significance can be measured and evaluated primarily in that mostly they provide personal services in rural settlements.

The work of carters is significant particularly in villages. The value of their services increased 130 percent in the past five years.

The construction industry occupies a prominent place in the output of artisans. The value of its production increased 92 percent in five years, reaching 7.1 billion forints in 1980. Artisans are general contractors or subcontractors for 60 percent of the family homes built. They played an important role in the liquidation of the gypsy camps, and in rebuilding the homes destroyed by floods.

The output of industrial goods increased only 54 percent in five years, reaching 2.0 billion forints in 1980. In the interest of developing a more effective industrial structure and product structure, it is essential to develop the artisans' commodity production and coproduction that take into account also the needs of large-scale and intermediate industry.

An important factor of our economic progress is the output of products that incorporate a large proportion of intellectual effort, are suitable for export also to capitalist countries and can substitute import. More and more artisans are offering products produced on the basis of their own invention, design or composition. However, the activity and growth of such artisans are still hampered by many factors.

The output of folkcrafts also helps to foster peasant traditions. Regrettably, some of these crafts are dying out.

The considerable dispersion by trades and also by regions makes it difficult to gain an overview of commodity production for the population. Its gross value can be estimated at 200 million forints. Such production is characterized by flexible adaptation to the market demand, subsitution of shortage items, close monitoring of the latest fashion trends, and wider selection for the population.

About 85 to 90 percent of the total industrial commodity production is of a collective nature. It is the task of the Enterprise for Promoting Production by Artisans (Kisipari Termelteto Vallalat) to coordinate commodity production in a planned manner. The enterprise places orders with about 2,500 artisans each year. Its gross turnover in 1980 was 616 million forints. Parts and subassemblies are the dominant within these orders.

Many modern and well-equipped artisan shops ceased during the past decade, under the influence of the contradictions and disincentives in economic regulation. On the other hand, hardly any new shops were opened. Therefore the enterprise has been unable to fully utilize the possibilities inherent in expanding the practice of farming out production to artisans.

Machinery, Equipment, Parts

About 37 percent of the artisan shops can be termed obsolete. The sources for financing development are the artisans' own resources, and also OTP [National Savings Bank] and savings association credits. The limited supply of machinery and tools of suitable quality hampers efforts to raise the technical level. One of our important tasks is to improve the conditions of the artisan shops, to enable them to approximate the modern requirements in mechanization, and thereby to raise the quality, technical level and utility value of their goods and services.

During the past four years, 33 artisans' service centers, and three shop-building and shop-maintenance cooperative units were built, mostly with own resources. Under the Sixth Five-Year Plan, the expansion of artisans' service centers is being aided also with subsidies from the central fund for the development of services, and nearly 250 million forints has been allotted for this purpose.

Suitable supply of materials and parts is one of the prerequisites for work to create and preserve value. Despite our efforts, we cannot speak of any significant improvement in this field. Artisans spend 15 to 30 percent of their time procuring materials and parts. It has been a problem for decades that artisans generally are unable to buy wholesale. The ever-smaller allocations of foreign exchange are able to supply merely a proportion of the materials that can be obtained only through import.

There are commendable initiatives for cooperation between large-scale industry and artisans. Videoton, for example, trains color-TV repairmen in its own schools and organizes their supply with parts. The cooperatives in Bacs-Kiskun Megye and elsewhere have created new conditions for cooperation with artisans in the building trades, by accepting orders for the artisans' spare capacity at the cooperatives' contracting offices.

At the same time it is noticeable that the managers of some enterprises and cooperatives, and even very many of the artisans themselves, have not recognized the possibilities of mutually advantageous cooperation. We deem it important that the managers of industrial enterprises rely on artisans and small shops to produce parts that the enterprises themselves cannot make economically. Through sensible division of labor, it would be possible to raise the efficiency of industry as a whole, and to improve the level of supply and services for the population. Thus the promotion of cooperation is not an aim in itself, rather an important means of realizing our economic policy.

Our Tasks

Under the Sixth Five-Year Plan the supply of services by artisans must be increased by 65 to 80 percent; and construction and industrial commodity production by artisans, by 25 to 30 percent, in accordance with the needs of society. This includes, among services, the preferential development of home maintenance and renovation, and of motor vehicle repairs. In commodity production it is of outstanding importance to develop the construction of family homes and cooperative apartments; the production of goods suitable for export, import substitution, resolution of shortages and the expansion of the assortment; and folkcrafts of artistic value that preserve our traditions.

It is our duty, and in our interest as well, to have also artisans employ material-saving and energy-conserving technologies, process more recycled materials and scrap, and expand the output of goods and services related to environmental protection. Wider opportunity must be ensured for the realization and marketing of inventions, designs and compositions by artisans.

The recently promulgated legal and economic regulations will help achieve all these objectives. They provide incentives for the expansion of the number of artisans, the modernization of their shops, the application of new technologies

and materials, and the dissemination of more productive work methods and forms of cooperation.

Our organization regards as its duty to promote, in addition to the traditional forms of services, also the introduction of novel forms of cooperation, and the formation of all-round artisan brigades and economic partnerships. We must support the efforts of those artisans who wish to make their shops suitable for small-scale production. It is likewise our task to improve the supply of artisans with materials, parts and tools, by utilizing the regional opportunities.

While we will strive to promote in every possible way the effectiveness of the legal and economic regulations pertaining to artisans, we will also have to detect in due time the stresses caused by the regulations. We must strive to learn and perfect the action mechanism of the regulators also by continuously comparing the economic objectives with the facts and by analyzing the economic drawbacks of the missed opportunities. To this end we will monitor the functioning of the new economic forms. Our practice of economic management would benefit if the effects of the new elements of regulation that are deemed desirable could also be verified experimentally, on a limited number of artisans participating voluntarily.

The outlined tasks confronting artisans also indicate that practical realization of our economic policy is our common cause and common responsibility. Today's artisan is fully aware of this and will not lose sight of it in his work tomorrow.

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## NEW BUSINESS FORMATS MAY CAUSE CONFLICT, CONFUSION

Budapest FIGYELO in Hungarian 16 Dec 81 p 15

[Text] The more than two dozen laws passed last month reveal that we can count on a greater variety of business relations within the operational framework of the organs of management in 1982. We can and must agree with the motives and principles which attempt to renew and enrich small-scale production and auxilliary activities through establishment of new organizational forms.

These new forms give rise to new issues relating to the work and business organization of agricultural cooperatives. One of the goals of the regulations pertaining to small business is to draw private financial resources into the mainstream of the economy to a greater extent. For this reason, the laws recognize that those who take material risks in economic enterprises are entitled to greater shares in return for the money invested than the interest paid by the OTP [National Savings Bank].

Increased involvement of private savings in the economy is justified not only in the case of small cooperatives but for cooperatives in general. This is because identical economic forms are concerned in both cases insofar as ownership rights are concerned.

This again brings up the need to refine and elaborate property relations between members and cooperatives. The present framework allows limited latitude for individual interest, ownership ties. At agricultural cooperatives, members are currently permitted only shares equivalent to OTP interest for their contributions to development and production.

Work involving industrial activity has been and is playing ever-growing role in the results of agricultural cooperatives over the past 10 years. It is no exaggeration to say that profitable industrial activity of appropriate extent is a prerequisite to pursuit of basic activities at some of the cooperatives. The question is how the change that has taken place in business organizations--small cooperative, small company, specialized coop group, business work partnership--will affect this industrial activity.

It is obvious that the regulations for small cooperatives and small companies may have a detrimental effect on the industrial and service activity to the agricultural cooperatives. We could say that it will put an end to monopoly they

have enjoyed to date: In the future, a whole series of economic activities which will improve the profitability of the products of the large enterprises can be carried out by small companies or small cooperatives /not attached to agricultural cooperatives/. The large enterprises' freedom of choice as to which organization to to use in rationalizing their product structure will broaden. They can use either the auxilliary operations of the agricultural cooperatives or the small companies or cooperatives established for this purpose. Furthermore, the large enterprises can set up enterprise work partnerships or possibly sections with lump sum accounting which bind those involved more closely to the enterprise. All these setups will restrict the opportunities of the agricultural cooperatives for carrying out industrial and service type auxilliary activity.

Beyond the foregoing, many may fear that those who direct the industrial auxilliary activities of agricultural cooperatives and those engaged in the work may leave the cooperatives and continue their work in the form of small cooperatives or even work partnerships. However, this is merely an illusory threat: the decree governing work partnerships recognizes the small business and cooperative work partnership. In this case such operations may have a maximum of 30 employees all of whom must be either active or retired agricultural cooperative members. It then becomes possible for the workers to conduct traditional "auxilliary activities" which in addition to being to their financial benefit will keep them within the framework of the agricultural cooperative.

Great possibilities are inherent in the so-called lump sum accounting system which permits industrial service sections with a maximum of 15 members to work in the name of the cooperative in such a manner that the cooperative will derive profit from their activities also.

The drafters of the law, basing their ideas on the experiences of the agricultural specialized groups made it possible for future cooperatives and agricultural cooperatives to establish groups specializing in industrial services. Actually, beginning in January 1982, and kind of business activity can be performed by specialized groups within the agricultural cooperatives. In this way, the agricultural cooperatives can respond to the challenge of the opportunities of the small business and auxilliary organizations. Publication of the current legislation raises the question of its possible or necessary elaboration. For example, the regulations valid for the small cooperative model do not apply to agricultural activity. Yet, the small cooperative is not a form of cooperative which threatens the large cooperatives even indirectly. It is merely a work organization unit whose primary function is to rationalize operations and simplify the bookkeeping and accounting of the cooperatives.

New decrees also regulate integration of small-scale production and expansion of its activities. According to these decrees, cooperative groups specialized for industrial and service work are independent accounting organs with self-management and economic independence established by their members. However, the decrees differentiate between industrial and service-specialized groups. There is some danger that such separate regulation may cause problems in practice: In a given case, an industrial and an agricultural special group may be operating under differing stipulations. If, however, we presume that using possibilities provided by law, essentially the same terms are arrived at for those working in both groups, then the question is whether or not differing legal stipulations are actually needed. Presumably it would have been wiser to formulate a uniform basic law and differentiate within its framework as necessary.
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PROSPECTS FOR 1981-1990 ECONOMIC PLAN PUBLISHED

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[Article by Mieczyslaw Nasilowski: "Variant Hypothesis of the Ten-Year Plan in Poland in the Years 1981-1990"]

[Text] Forecasting the future is generally deceptive, because there is no scientific way to foresee the concommitance of diverse conditions which determine the scale of possible and necessary actions. From the scientific point of view it is permissible to assume various working hypotheses and on the basis of them to construct variants illustrating the fundamental relationships in a rather broad scale of probable actions.

I am reviewing three basic variants:

1. The variant of optimistic hopes.
2. The variant of moderate actions.
3. The variant of pessimistic anxieties.

These variants will be the hypothetical form of a look at future trends in development in the realm of the basic macroeconomic sizes related to the generation and distribution of national income. I do not intend to use any methods of econometric extrapolation which create the impression of depth but are unreliable for periods of forced rates of growth and deep breakdown. Such a distorted path of economic growth cannot be logically extrapolated into the future. For this reason the refined methods of estimating parameters which adapt the structure of theoretical function to empirical values are better replaced with intuition located in a rather broad but probably distribution of possible actions, closed in at the top by optimistic hope and limited at the bottom by pessimistic fears that it is not possible to obtain more than is dictated by the experience of the past, the initial state of the economy, and healthy reason.

The purpose of these hypothetical deliberations is to show the possibilities for an increase in the real consumption fund of the society under conditions where the country is in tremendous debt, a debt which was about 25 billion dollars in 1980 with a clear tendency towards further growth during the next few years. The necessity of repaying the financial

obligations weighing down the economy will have a major impact in the future on relations between generated income and the income remaining for distribution for accumulation and consumption and therefore on the possibilities for a rise in the society's living standard.

Overwhelmed by an excess of daily problems and the urgent difficulties to be resolved within the framework of what is called the program for the country's economic stability, we have no time to think about what we face in the long-range perspective of the 1980's, what price the society will still probably have to pay for an irresponsible policy of investment to accelerate economic growth based largely on the 1970's easy credit from western countries.

I begin with the assumption that in the 1980's, even the latter half, there are no possibilities for forcing the national income growth rate through a renewed extension of investment expansion and a rapid rise in employment. Freed production reserves in the fundamentally reformed economy will be able to provide for a 5-7 percent growth rate of national income in the most optimistic variant, but in the pessimistic variant this figure is 3-5 percent per year. In hypothetical calculations I start with the real value of generated national income in 1980 as expressed in constant 1977 prices and use chain indices of growth in the years 1981-1990 (See Table 1 [next page]).

There is some doubt as to whether the assumption of a growth rate of national income amounting to 5, 4, or 3 percent in the three successive variants already in 1982 and 1983 is correct. This positive rate, however, is calculated on the lowest level of national income reached in 1981 as the result of a decline of at least 10 percent in the optimistic variant and 15 percent in the pessimistic variant in the national inoome achieved in 1980. Given the assumed growth rates in the level of national income, the size of 1980 national income will not be reached before the beginning of 1984 in the optimistic variant or the end of 1986 in the pessimistic variant. Hence, a minimum of 2 years and a maximum of 5 years will be needed to make up merely for the losses in national income which occurred in 1981.

Insofar as the growth rate in national income up to the year 1985 will largely come from the conversion of production and investments in order to coordinate material demand with the production capacity of the national economy, during the last half of the 1980's an increasingly greater role should be played not so much by further expansion of the production apparatus as by its modernization above all. I think that an average growth rate of national income of 5.7 percent to 3.7 percent on the average throughout the year is a realistic assumption and overall rather optimistic.

In order to estimate the rate of growth of national income for distribution, first of all we need a variant analysis of the probable growth of imports and exports. All the variants start with the actual level of the

Table 1. Hypothetical Growth Rate of Generated National Income in Poland in the Years 1981-1990 (Fixed 1977 Prices)

| (a) Lata | (b) Tempo-wskaźniki łańcuchowe | | | (c) Dochód narodowy w mld zł | | |
|---|---|---|---|---|---|---|
| | $r_1$ | $r_2$ | $r_3$ | $D_1$ | $D_2$ | $D_3$ |
| 1980 | 100 | 100 | 100 | 1633,3 | 1633,3 | 1633,3 |
| 1981 | 90 | 88 | 85 | 1469,9 | 1437,3 | 1388,3 |
| 1982 | 105 | 104 | 103 | 1543,5 | 1494,8 | 1430,0 |
| 1983 | 105 | 104 | 103 | 1620,6 | 1554,6 | 1472,9 |
| 1984 | 105 | 104 | 103 | 1701,7 | 1616,8 | 1517,0 |
| 1985 | 105 | 104 | 103 | 1786,8 | 1681,4 | 1562,5 |
| 1986 | 105 | 104 | 103 | 1876,1 | 1748,7 | 1609,0 |
| 1987 | 106 | 105 | 104 | 1988,7 | 1836,1 | 1673,8 |
| 1988 | 106 | 105 | 104 | 2108,0 | 1927,9 | 1740,8 |
| 1989 | 107 | 106 | 105 | 2255,5 | 2043,6 | 1827,8 |
| 1990 | 107 | 106 | 105 | 2413,4 | 2166,2 | 1919,2 |
| (d) Średnie roczne tempo w latach 1981—1990 | | | | 5,7% | 4,7% | 3,7% |

[Key]:

(a) Year
(b) Rate -- chain indices
(c) National income in billions of zlotys
(d) Mean annual rate in the years 1981-1990

difference between imports and exports reached in 1980. Imports and exports are expressed in circulated zlotys in constant 1977 prices. The whole hypothetical calculation is based on the need for economical management to save as much as possible so that exports exceed imports by the greatest possible amount in order to regulate the debt service costs. This is why in all the variants I am assuming a higher growth rate for exports in relation to the assumed rate of imports (see Table 2).

In order to maximize the amount by which exports exceed imports, it is necessary on the one hand to minimize the growth rate of imports and to maximize the growth rate of exports, but too low a rate of growth for imports will cause the growth rate of national income to be lowed, while too high a rate of exports will mean restrictions related to the domestic demand for production and consumer goods being exported and also interfere with profitable sales of these goods on foreign markets. The maximizing then of the surplus of exports over imports in order to regulate the costs of debt service therefore is clearly in conflict with both the growth rate of national income and also the growth rate of the consumption of the society.

The difference adopted in the optimistic variant for growth rates of imports (6.7 percent) and exports (14.3 percent) seems great enough and by no means easy to make a reality in the light of the capabilities

Table 2. Hypothetical Dynamics of Imports (Im) and Exports (Ex)
(in fixed 1977 prices; zlotys in circulation)

| | ΔIm/Im | | | ΔEx/Ex | | | $Im_1$ | $Im_2$ | $Im_3$ | $Ex_1$ | $Ex_2$ | $Ex_3$ |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1 | 2 | 3 | 1 | 2 | 3 | | | | | | |
| 1980 | 100 | 100 | 100 | 100 | 100 | 100 | 644,8 | 644,8 | 644,8 | 591,8 | 591,8 | 591,8 |
| 1981 | 101 | 100 | 99 | 105 | 101 | 98 | 651,2 | 644,8 | 638,4 | 621,4 | 597,7 | 580,0 |
| 1982 | 103 | 102 | 101 | 110 | 104 | 102 | 670,8 | 657,7 | 644,8 | 683,5 | 621,6 | 591,6 |
| 1983 | 105 | 104 | 103 | 112 | 105 | 103 | 704,3 | 684,0 | 664,1 | 765,6 | 652,7 | 609,3 |
| 1984 | 105 | 104 | 103 | 113 | 107 | 105 | 739,5 | 711,4 | 684,1 | 865,1 | 698,4 | 639,8 |
| 1985 | 107 | 106 | 104 | 115 | 108 | 106 | 791,3 | 754,0 | 711,4 | 994,8 | 754,3 | 678,2 |
| 1986 | 107 | 106 | 104 | 105 | 110 | 108 | 846,7 | 799,3 | 739,9 | 1144,1 | 839,7 | 732,5 |
| 1987 | 108 | 106 | 105 | 115 | 112 | 108 | 914,4 | 847,2 | 776,9 | 1315,7 | 929,3 | 791,0 |
| 1988 | 108 | 107 | 105 | 116 | 112 | 109 | 987,6 | 906,6 | 815,7 | 1526,2 | 1040,8 | 862,3 |
| 1989 | 109 | 107 | 106 | 116 | 112 | 109 | 1076,5 | 970,0 | 864,6 | 1770,4 | 1165,7 | 939,9 |
| 1990 | 109 | 108 | 106 | 117 | 112 | 110 | 1173,4 | 1047,6 | 916,5 | 2071,3 | 1305,5 | 1033,8 |
| (a) Średnie roczne stopy wzrostu w latach 1981—1990 | | | | | | | 6,7 | 5,5 | 4,0 | 14,3 | 9,1 | 6,6 |

[Key]:

(a) Mean annual growth rate in the years 1981-1990

Table 3. Amount by Which Exports Exceed Imports in Billions of Circulating Zlotys (Constant 1977 Zlotys)

| Year | Variants | | |
|---|---|---|---|
| Lata | Wariant 1 | Wariant 2 | Wariant 3 |
| 1980 | —53,0 | —53,0 | —53,0 |
| 1981 | —29,8 | —47,1 | —58,4 |
| 1982 | 12,7 | —36,1 | —53,2 |
| 1983 | 61,3 | —31,3 | —54,8 |
| 1984 | 125,6 | —13,0 | —44,3 |
| 1985 | 203,5 | 0,3 | —33,2 |
| 1986 | 297,4 | 30,4 | —7,4 |
| 1987 | 401,3 | 82,1 | 14,1 |
| 1988 | 538,6 | 134,2 | 46,6 |
| 1989 | 693,9 | 195,7 | 75,3 |
| 1990 | 897,9 | 257,9 | 117,3 |

of the national economy and the emerging economic situation on the international markets. In the pessimistic variant, this difference is too small in relation to the country's financial obligations, although the assumed export growth rate, which averages 6.6 percent during the year is possible to achieve even if the concommitance of external and internal circumstances proves unfavorable.

Table 3 presents the size of the amount by which exports could exceed imports in the three variants being analyzed.

The adverse foreign trade balance in 1980 can be eliminated in the optimistic variant by 1982, but this will not occur in the pessimistic variant until 1987 and in the moderate variant until 1985. From the viewpoint of the need to regulate the high costs of foreign debt service, we cannot be satisfied with either the moderate or pessimistic variants. We must use maximum effort over the next 10 years to achieve an average of at least 14 percent annual growth rate for exports and at the same time a mean annual import growth rate approximating 6.7 percent. This is the basic condition for slowing the rise and then gradually reducing our indebtedness to our creditors.

Here an important question comes up, that of when there is the chance of gradually reducing our indebtedness. Not even a tentative answer can be based on translating the entire amount by which exports exceed imports into dollars. Instead we can count only that portion which applies to what we call II payments area, where the foreign trade balance is expressed in convertible foreign currency. To estimate this balance I am assuming a consistent decline in the share of imports from II payments area [capitalist countries] in the overall total of probably imports, from 44 percent in 1980 to 35 percent in 1990, and a consistent rise in the share of exports to II payments area in the overall total of exports from 44 percent in 1980 to 52 percent in 1990. The country's balance of payments situation will force us to this type of shift in the

Table 4. Hypothetical Estimate of Volume of Imports and Exports, and Export Surplus to Payments Area II

| (a) Lata | (b) Import | | | (c) Eksport | | | (d) Nadwyżka | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | (e) w mld zł | | | (f) w mld $ | | |
| | 1 | 2 | 3 | 1 | 2 | 3 | 1 | 2 | 3 | 1 | 2 | 3 |
| 1980 | 283,7 | 283,7 | 283,7 | 260,4 | 260,4 | 260,4 | —23,3 | —23,3 | —23,3 | —0,5 | —0,5 | —0,5 |
| 1981 | 273,5 | 270,8 | 268,1 | 279,6 | 269,0 | 261,0 | 6,1 | —1,8 | —7,1 | 0,1 | —0,04 | —0,16 |
| 1982 | 268,3 | 263,1 | 257,9 | 307,6 | 279,7 | 266,2 | 39,3 | 16,6 | 8,3 | 0,87 | 0,37 | 0,18 |
| 1983 | 267,5 | 260,0 | 252,3 | 352,2 | 300,2 | 280,3 | 84,7 | 40,2 | 28,0 | 1,88 | 0,89 | 0,62 |
| 1984 | 273,6 | 263,2 | 253,1 | 406,6 | 328,2 | 300,7 | 133,0 | 65,0 | 47,6 | 2,96 | 1,44 | 1,06 |
| 1985 | 284,9 | 271,4 | 256,1 | 477,5 | 362,1 | 325,5 | 192,6 | 90,7 | 69,4 | 4,28 | 2,02 | 1,54 |
| 1986 | 296,3 | 279,8 | 258,9 | 572,1 | 414,9 | 366,3 | 275,8 | 135,1 | 107,4 | 6,13 | 3,00 | 2,39 |
| 1987 | 320,0 | 296,5 | 271,9 | 657,9 | 464,7 | 395,5 | 337,9 | 168,2 | 123,6 | 7,51 | 3,74 | 2,75 |
| 1988 | 345,7 | 317,3 | 285,5 | 763,1 | 520,4 | 431,2 | 417,4 | 203,1 | 145,7 | 9,28 | 4,51 | 3,24 |
| 1989 | 376,8 | 339,5 | 302,6 | 920,6 | 606,2 | 488,7 | 543,8 | 266,7 | 186,1 | 12,1 | 5,93 | 4,14 |
| 1990 | 410,7 | 366,7 | 320,8 | 1077,1 | 678,9 | 537,6 | 666,4 | 312,2 | 216,8 | 14,8 | 6,94 | 4,82 |

[Key]:

(a) Year
(b) Imports
(c) Exports
(d) Surplus
(e) In billions of zlotys
(f) In billions of dollars

geographical structure of imports and exports. Given the assumption that the value of a dollar in imports and exports will amount to 45 circulating zlotys, the size of the surplus of exports over imports in dollars in the successive variants would be as in Table 4.

In foreign trade turnovers with capitalist countries, a favorable foreign trade balance can be achieved in 1982. Its absolute value expressed in dollars is very small at the outset even in the optimistic variant, but in all the variants the favorable balance will grow as time passes, as the result of the fact that there will be a more rapid growth rate for the volume of exports over imports. The above estimate does not take into account any possible price effect, because it is exceptionally difficult to forecast the structuring of the terms of trade. Nonetheless, it may be supposed that the price effect in the realm of imports and exports is more likely to make the favorable foreign trade balance worse than it is to make it better.

For convenience in reasoning, I am assuming that imports are financed from foreign-exchange income of exports (although they can be financed on credit), but the surplus of exports over imports is designated for what we call debt service. I do not have exact information as to the size and schedules of credit repayments or the interest rates to be applied. It may be assumed that up until 1985 the replayment of intermediate- and long-term credit will average 7.5 billion dollars during the year, growing to an average of about 11 billion dollars during the year in 1986-1990. The balance of the interest on credit will probably be an average burden of from 3 to 3.5 billion dollars per year on the country's balance of payments. If the assumptions made are realistic, then we come to the following conclusions:

In the pessimistic variant the surplus of exports over imports which can be achieved to the year 1988 is not adequate to pay even for the interest alone, to say nothing about the need to repay annual credit installments.

In the moderate variant, probably from 1987 on we would be able to pay the interest due our creditors out of the surplus obtained, and in 1989-1990 a certain part of the foreign-currency surplus could be used to replay a small portion of the annual credit installments.

In the optimistic variant the full cost of debt service would not be affordable for us until 1990, but the interest due could be repaid out of the surplus achieved tentatively beginning in 1985. This means that even in the most optimistic variant, we are not able to repay even the interest alone during the next few years. Therefore, where are we to get the funds to repay the annual installments on the credit itself?

I see no possibility of further reducing imports from II payments area, owing to the adverse consequences in the realm of the national income growth rate and the rate of utilization of the existing production system. The decline in the absolute level of imports compared to the 1980

level, as assumed in all three variants, would have to be compensated for to a certain extent by a corresponding rise in the share of imports from the socialist countries. Co-production imports of spare parts, machinery, and equipment necessary to modernize the production system, and so on, from II payments area, however, cannot be replaced by imports from the socialist countries. Further effort in this direction would have an impact on production quality and export capabilities of the national economy. Whatever we would gain from reducing imports we would lose to a greater extent from restrcting exports, to say nothing of the adverse consequences which would result from a restriction of imports. For this reason our main effort should be aimed at maximizing the export growth rate and not minimizing the sizes of imports. Nevertheless, it is difficult to expect that during the next few years the export growth rate can exceed an average of 12 percent per year or that after 1985 it can exceed an average of 16 percent per year, although we have to do everything possible and economically profitable to see that the hypothetical export growth rates assumed are exceeded. Only a dynamic increase in exports can insure that the national economy will be able to meet its payment obligations. This is an extremely difficult task in view of the distorted pro-export structure of the national economy, the low level of organizational efficiency of the foreign trade system, the low level of competence of a substantial share of the employees of that ministry, and also the anti-export attitudes of our society.

In this dramatic situation the only way out is to incur further debts to meet the current costs of debt service or ask for a moratorium, which means a further extension of the deadlines for repaying our obligations. In the opposite case we will be forced to declare bankruptcy, which means our national economy is insolvent vis-a-vis its creditors. The obtaining of new credit is more and more difficult given our limited solvency and the absence of political stability in our country. It can still be obtained, but at very high interest rates with a reliable guarantee or stock-in-trade, existing raw materials resources. For us a moratorium is a necessary evil. It only shifts the scale of difficulties to later years, in which it is true our balance-of-payments capabilities should be better, but not so much better that it would be possible to repay our increased debts in the future without great sacrifices from the society. The obtaining of a moratorium of way 3 billion dollars today means that in 3 years we will have to repay about 5 billion dollars. Hence, there is no reason to rejoice over obtaining a moratorium granted us by our western creditors, who in this way keep our economy out of bankruptcy, although in essence they are protecting their own interests, having greater hope of being repaid in the future.

The previous hypothetical calculation still does not take into account the consequences of the costs of debt servicing in the structuring of the consumption of the society. The realistic fund of consumption is a component part of national income for distribution. To this end, the hypothetical values of national income (see Table 5) should be

Table 5. Hypothetical Estimate of Distributed Income (in Fixed 1977 Prices)

| (a) Lata | (b) Dochód podzielony w mld zł | | | Tempo — wskaźniki (c) łańcuchowe | | |
|---|---|---|---|---|---|---|
| | $D_1$ | $D_2$ | $D_3$ | $r_1$ | $r_2$ | $r_3$ |
| 1980 | 1686,3 | 1o86,3 | 1686,3 | 100 | 100 | 100 |
| 1981 | 1499,7 | 1484,4 | 1446,7 | 89,0 | 88,0 | 85,6 |
| 1982 | 1530,8 | 1530,9 | 1483,2 | 102,1 | 103,1 | 102,5 |
| 1983 | 1559,3 | 1585,9 | 1527,7 | 101,9 | 103,6 | 103,0 |
| 1984 | 1576,1 | 1629,8 | 1561,3 | 101,1 | 102,8 | 102,2 |
| 1985 | 1583,3 | 1681,1 | 1595,7 | 100,5 | 103,1 | 102,2 |
| 1986 | 1578,7 | 1718,3 | 1616,4 | 99,7 | 102,2 | 101,3 |
| 1987 | 1587,4 | 1754,0 | 1659,7 | 100,6 | 102,1 | 102,7 |
| 1988 | 1569,4 | 1793,7 | 1694,2 | 98,8 | 102,3 | 102,1 |
| 1989 | 1561,6 | 1847,9 | 1752,5 | 99,5 | 103,0 | 103,4 |
| 1990 | 1515,5 | 1908,3 | 1801,9 | 97,0 | 103,3 | 102,8 |

[Key]:

(a) Year
(b) Distributed income in billions of zlotys
(c) Rate -- chain indices

Table 6. Accumulations and Their Share of National Income

| Year Lata | (a) w mld zł | | | (b) w % | | |
|---|---|---|---|---|---|---|
| | $A_1$ | $A_2$ | $A_3$ | $\frac{A_1}{D_1}$ | $\frac{A_2}{D_2}$ | $\frac{A_3}{D_3}$ |
| 1980 | 354,1 | 354,1 | 354,1 | 21,0 | 21,0 | 21,0 |
| 1981 | 269,9 | 237,5 | 217,0 | 18,0 | 16,0 | 15,0 |
| 1982 | 275,5 | 229,6 | 192,8 | 18,0 | 15,0 | 13,0 |
| 1983 | 296,3 | 269,6 | 229,2 | 19,0 | 17,0 | 15,0 |
| 1984 | 331,0 | 309,7 | 265,4 | 21,0 | 19,0 | 17,0 |
| 1985 | 364,2 | 353,0 | 303,2 | 23,0 | 21,0 | 19,0 |
| 1986 | 378,9 | 378,0 | 323,3 | 24,0 | 22,0 | 20,0 |
| 1987 | 396,9 | 403,4 | 348,5 | 25,0 | 23,0 | 21,0 |
| 1988 | 408,0 | 430,5 | 372,7 | 26,0 | 24,0 | 22,0 |
| 1989 | 421,6 | 462,0 | 403,1 | 27,0 | 25,0 | 23,0 |
| 1990 | 409,2 | 477,1 | 414,4 | 27,0 | 25,0 | 23,0 |

[Key]:

(a) In billions of zlotys
(b) Percentages

corrected to include the assumed balance of payments of foreign trade turnovers in the three variants being considered.

In the optimistic variant, despite the highest mean annual growth rate for generated national income, the growth rate of national income for distribution -- after taking into account the effects of the balance of payments of foreign trade turnovers -- would amount to barely 0.1 percent throughout the decade, beginning with its lowest level in 1981. Each year right up to the year 1990 income for distribution would nonetheless be smaller than the level achieved in 1980. In the moderate variant, the mean annual growth rate of income for distribution would amount to 2.8 percent, and in the pessimistic version it would be 2.5 percent in relation to 1981

This income would have to be distributed for the purposes of accumulation and consumption. In 1980 the share of accumulation in 1977 prices amounted to 21 percent, of which 18.5 percent was the net investment rate and only 2.5 percent was a rise in operating capital and reserves. During the next few years the rate of accumulation must be reduced, but even beginning in 1984-1985 this rate should gradually increase. This is justified by the needs to remove structural imbalances, to modernize the production system, to increase investment outlays for housing construction and the related technical and social infrastructure, and to invest far greater resources in the protection of the natural environment. The rise in the share of the national income devoted to accumulation during the latter half of the 1980's is also aimed at making up for a substantial decline in this share at the beginning of the 1980's and the creation of material conditions for increasing the growth rate of generated national income.

For a further hypothetical analysis I am assuming the following shares of accumulation in national income for distribution in the three variants we have been considering up until now (see Table 6).

I am assuming that even in the optimistic variant the share of accumulations in national income will not exceed 27 percent. Let us note that the significant rise in the share of accumulations in this variant is accompanied by a very low growth rate for the accumulation fund, which averages 1.5 percent compared to the 1980 level.

In the moderate variant, the share of accumulations is 2 points lower than in the optimistic variant, but the growth rate of the accumulation fund would already be double, averaging 3 percent per year, because in this variant I assumed the most favorable ratio of the rise in national income for distribution to the rise in generated national income.

The pessimistic variant projects the lowest share of accumulations in national income, although the accumulation fund in this variant will rise at an average rate of 1.6 percent per year, and hence somewhat more rapidly than in the optimistic variant.

Table 7. Hypothetical Level of Total Consumption and Consumption per Inhabitant

| Year Lata | (a) Konsumpcja w mld zł | | | Prognoza ludności (c) $L$ | (b) Konsumpcja na głowę | | |
|---|---|---|---|---|---|---|---|
| | $K_1$ | $K_2$ | $K_3$ | | $\frac{K_1}{L}$ | $\frac{K_2}{L}$ | $\frac{K_3}{L}$ |
| 1980 | 1332,2 | 1332,2 | 1332,2 | 35759,4 | 37254 | 37254 | 37254 |
| 1981 | 1229,8 | 1246,9 | 1229,7 | 36099,4 | 34067 | 34541 | 34064 |
| 1982 | 1255,3 | 1301,3 | 1290,4 | 36428,0 | 34460 | 35723 | 35423 |
| 1983 | 1263,0 | 1316,3 | 1298,5 | 36743,4 | 34374 | 35824 | 35340 |
| 1984 | 1245,1 | 1320,1 | 1295,9 | 37045,7 | 33610 | 35634 | 34981 |
| 1985 | 1219,1 | 1328,1 | 1292,5 | 37333,7 | 32654 | 35574 | 34620 |
| 1986 | 1199,8 | 1340,3 | 1293,1 | 37593,2 | 31915 | 35653 | 34397 |
| 1987 | 1190,5 | 1350,6 | 1311,2 | 37854,4 | 31449 | 35679 | 34638 |
| 1988 | 1161,9 | 1353,2 | 1321,5 | 38117,5 | 30469 | 35763 | 34669 |
| 1989 | 1140,0 | 1385,9 | 1349,4 | 38382,4 | 29701 | 36107 | 35157 |
| 1990 | 1106,3 | 1431,2 | 1387,5 | 38650,0 | 28624 | 37030 | 35899 |
| 1980—1990 | —2,0% | 0,7% | 0,4% | 0,77% | —2,6% | 0,0 | —0,4% |

[Key]:

(a) Consumption in billions of zlotys
(b) Forecast of population
(c) Per capita consumption

It may seem to more than one reader that the assumptions in the realm of the share of national income devoted to accumulation are not very realistic, inasmuch as all three variants show a growth rate of the accumulation fund which is very low in great contrast to past experience, but the country's investment needs are enormous and will be in the future. The assumptions adopted show that the volume of investment outlays and the rise in operating capital in 1990 will be far smaller than in 1979, but the consumption of the society is the barrier which restricts the possibility of increasing the share of national income devoted to accumulation. Even with such a low assumed growth rate for accumulation, consumption in the various variants would be structured as in Table 7.

In the optimistic variant, the consumption fund would decline in comparison to its 1980 level at a rate of -2 percent, and per capita on an average of -2.6 percent per year. In the other variants we would indeed obtain a favorable growth rate for the total consumption fund, but, on the other hand, consumption per inhabitant would remain stable or even show a slight decline.

The variant which is optimistic from the viewpoint of the assumed rate of growth for generated national income and the need to regulate financial obligations abroad becomes the pessimistic variant from the viewpoint of the possibility of increasing society's consumption. This paradox is merely an expression of the conflict not only between accumulation and consumption but also between the country's indebtedness and society's consumption. Whatever reservations we might formulate vis-a-vis the assumptions adopted in the different variants, they have this irrefutable virtue that they make it possible to replace general deliberations with more concrete analysis.

We have long been aware of the conflicts between accumulation and consumption and also between the country's indebtedness and consumption.* I was interested not in confirming these conflicts but in showing the severity, the degree of the impending tensions in the ten-year perspective, and the scale of probable sacrifices required of society.

Variant analysis shows that attempts to force the export growth rate and minimize the import growth rate in relation to the sizes assumed in the optimistic variant would indeed increase the total foreign-exchange funds necessary to cover the rising costs of debt servicing, but at the same time, through a further decline in the national income for distribution it would reduce even more the level of consumption of the society.

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*Only a small number of economists have tried to question it. Distinguishing himself among them was Prof A. Krawczeski in his article, "Errors in Theory, Corrections in Practice," ZYCIE GOSPODARCZE, 1972, No 49. I responded to these unjustified accusations creating a theoretical foundation for what is called "propaganda of success" in the article, "About Alleged Errors in the Theory of Socialist Accumulation," ZYCIE GOSPODARCZE, 1973, No 2.

The easier variants (that is, the moderate and pessimistic) of the growth of the favorable foreign trade balance of payments do indeed create the possibility of a minimal rise overall in consumption in relation to 1980, but they do not provide for a per capita rise in consumption. At the same time, for the next 7 years they do not guarantee the surplus necessary even to meet the interest alone to be paid on the credit.

This hypothetical variant analysis shows how slim the possibilities are for strategic maneuvering during the next 10 years, mainly because of the country's tremendous indebtedness. We have rather quickly come through the socioeconomic crises which have occurred in our country in the past, because the national economy was not in debt at all or not to a very great extent. The scale of indebtedness reached in the 1970's is blocking any sort of possibilities for free maneuvering for the next dozen and some years too. For this reason I think that out of all the errors committed by the Gierek-Jaroszewicz team, the most serious in its repercussions for the society have been the short-sighted, irresponsible policy of indebtedness and the careless use -- and actually waste -- of a substantial proportion of the credit obtained. Effects in the form of expansion of the producer production system are and will continue to be wasted as the result of the inability to use it, owing to glaring structural imbalances and exceptionally restricted possibilities for importing supplies and spare parts. Before new possibilities for using it appear, this system will already be largely obsolete technically speaking.

The society is amazed over the fact that certain "architects" of the credit policy waged during the 1970's still hold obvious positions in the government and have even played not such a small role in such watered down successive versions of the "Report on the State of the Economy," which are designed not to give the full truth about the country's actual economic situation or show who share the blame for the policy leading to bankruptcy, a policy which ultimately the nation will have to pay for in the form of a substantial decline in consumption.

For the sake of justice we should note that in the 1970's there was no article published nor public statement made of expert opinion which warned the leadership of the consequences of excessive indebtedness of the country. On the other hand there were various brands of "theory" strengthening the leadership in the conviction that they were doing the right thing, because imports were to spur exports, and inflation was to deflate the nominal value of indebtedness and to a great extent ease the burden of interest on credit. Thus, the concept of an open plan on the import of capital goods and supplies, which for many years eased and actually hid the growing structural imbalances. The technocratic concept of modernizing the national economy through imports of western technology and the easy repayment of credit through developed exports was intended to repudiate the concept of a decisive socioeconomic reform put forth by economists. A poor selection of technological imports which did not fit our technology or which were artificially glued

together into an ineffective, inefficient system in the sphere of production and a glaringly unjust system in the sphere of distribution led first of all to the extinction of the strategy of accelerated growth and then to a catastrophic breakdown of any sort of growth within a few years.

Some economists are now proposing that the way out of the catastrophic situation is a radical decline in the investment rate. They start with a realistic appraisal of the actual condition, in which the lack of materials, raw materials, fuel, power, and spare parts is seen as the main cause for the progressive decline in national income and the failure to make use of existing production capacity. For this reason, any further reduction in the investment rate, in their opinion, will make it possible to shift funds from investments to the supplies needed in plants in operation, which may become one of the deciding factors to bring health to the economy. This will lead, because of multiple effects (taken to be the ratio of final production to what is called raw-material input), to a far greater increase in production than the construction of new investment projects would.

There is no doubt that the net investment rate accomplished in 1980, 18.5 percent, was definitely too high considering the capabilities of the national economy. No country in the world invests so much during a period of economic crisis, although this crisis under our conditions has specific qualities not found in other countries. A reduction of this rate in 1981 to about 14 percent is also inadequate in my opinion.

The reduction of the investment rate will undoubtedly lead to certain untapped reserves for a rise in production, although it is exceptionally difficult to establish the extent to which the additional rise in production on the basis of shifting funds from investments to supplies of materials and spare parts can make up for the adverse economic effects and difficult-to-measure social consequences which will accompany a reduction of investment outlays. Here we should remember the limited extent to which many investment funds can be distributed and the very imperfect replaceability of these funds in relation to essential supplies. The failure to take this aspect into account can lead to an overestimation of the effects of converting investments and to the formulation of an excessively facile program for getting out of the crisis.

Let us take a hypothetical look at the variant of the strategy of development featuring a far greater limiting of the share of national income devoted to accumulation (and therefore investments) than the pessimistic variant previously examined (see Table 8). The lowest share, and therefore the level of accumulation, would come in 1982 and 1983, and then there would be a gradual rise in the share of distributed income devoted to accumulation up to the year 1990, in which the proportion of the final distribution of income would be the same as in 1980. The effect of this maneuver would be a significant acceleration in the growth rate of generated national income caused by better use of the production

Table 8. Hypothetical Effects of the Conversion of Investments

| (a) Lata | $r_4$ | Dochód wytworzony (b) $D_4$ w mld zł | $\frac{\Delta Jm}{Jm}$ | $Jm_4$ w mld zł (c) | $\frac{\Delta Ex}{Ex}$ | $Ex_4$ w mld zł (d) | Nadwyżka w mld zł (e) | Dochód podzielony $D_4$ w mld zł (f) | $\frac{A_4}{D_4}$ | $A_4$ | $K_4$ | $\frac{K_4}{L}$ |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1980 | 100 | 1633,3 | 100 | 644,8 | 100 | 591,8 | —53,0 | 1686,3 | 21 | 354,1 | 1332,2 | 37254 |
| 1981 | 85 | 1388,3 | 99 | 638,4 | 102 | 603,6 | —34,8 | 1423,1 | 12 | 170,8 | 1252,3 | 34699 |
| 1982 | 107 | 1485,5 | 102 | 651,0 | 105 | 633,8 | —17,3 | 1502,8 | 6 | 90,2 | 1412,6 | 38778 |
| 1983 | 108 | 1604,3 | 103 | 670,7 | 107 | 678,2 | 7,5 | 1596,8 | 8 | 127,7 | 1469,1 | 39982 |
| 1984 | 104 | 1668,5 | 103 | 690,8 | 108 | 732,4 | 41,6 | 1626,9 | 10 | 162,7 | 1464,2 | 39524 |
| 1985 | 103 | 1718,5 | 103 | 711,5 | 110 | 805,7 | 94,2 | 1624,3 | 12 | 194,9 | 1429,4 | 38287 |
| 1986 | 103 | 1778,1 | 104 | 740,0 | 111 | 894,3 | 154,3 | 1623,8 | 14 | 227,3 | 1396,5 | 37148 |
| 1987 | 103 | 1823,2 | 104 | 769,6 | 112 | 1001,6 | 232,0 | 1591,2 | 16 | 254,5 | 1336,6 | 35309 |
| 1988 | 103 | 1877 9 | 104 | 800,3 | 112 | 1121,8 | 321,5 | 1556,4 | 18 | 280,2 | 1276,2 | 33481 |
| 1989 | 104 | 1953,0 | 105 | 840,4 | 112 | 1256,4 | 416,0 | 1537,0 | 20 | 307,4 | 1229,6 | 32036 |
| 1990 | 104 | 2031,1 | 105 | 882,4 | 112 | 1407,2 | 524,8 | 1506,3 | 21 | 316.3 | 1190,0 | 30789 |

[Key]:

(a) Year
(b) Generated income $D_4$ in billions of zlotys
(c) $Jm_4$ in billions of zlotys
(d) $Ex_4$ in billions of zlotys
(e) Surplus in billions of zlotys
(f) Distributed income $D_4$ in billions of zlotys

system, as the result of improvement in supply. I am assuming that in the course of 2 years we could even make up for the losses in national income which occurred in 1981. A substantial decline in the share of national income devoted to investments, however, would be bound to have an impact on the growth rate of national income in years to come, when it would probably have to be somewhat lower than the growth rate assumed in the pessimistic variant. This variant of the strategy of development does not relieve us, however, of the need to maximize the surplus of exports over imports in order to cover the costs of debt servicing. I have assumed that we must achieve any additional surplus already in 1983. I think that this is a more realistic hypothesis than those which I presented earlier in the pessimistic variant and even in the moderate one. With these assumptions the prospects for a rise in the society's consumption are still disturbing. The effect of a substantial reduction in the share of distributed national income devoted to accumulation is a rise in per capita consumption at a rate of 11.8 percent in 1982 and 3.1 percent in 1983. This rise would make up for the inevitable decline in consumption in 1981 and then some. In later years, beginning in 1984 and continuing until 1990, there would be a systematic decline not only in per capita consumption but also in total consumption.

With the necessary restriction of the share of national income devoted to investments, therefore, we must exhibit the greatest possible care so protecting the level of consumption does not cost us too much in the somewhat distant future. With a low investment rate it will be difficult to overcome structural imbalances and liberate the multiple effects. The possibilities for modernizing the existing production system and for developing a proexport production structure will also be limited. Without shaping the proexport structure of the economy over the next 10 years we will have to export everything that can be sold on foreign markets, but not necessarily at profitable prices.

Since even a substantial reduction in the investment rate is no assurance of an easy way out of the crisis, we should seek solutions to the Gordian knot. Not the sword of Alexander the Great but joint cooperation between the government and the society simultaneously in all sectors can gradually but systematically lead to improving management efficiency in the various areas of the national economy, but the problematics of this fall in the sphere of an advanced program of action for the near and distant future.

A thorough reform of the system aimed at socializing the state, that is, giving the institution over to greater social control, socializing the means of production by introducing real employee self-government, and socializing our central planning (that is "debureaucratization" of the decision-making mechanism) can liberate initiative aimed at obtaining the greatest possible effects from the available resources. This would create institutional conditions for upgrading the quality of life, better meeting needs through better adaptation of the item-assortment structure and quality of production to the needs of customers, and also

more justly distributing the limited growth and even stabilizing the size of the real consumption fund. Great untapped reserves for improving the quality of our life are to be found only in the possibilities for making better use of existing production potential.

10790
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RESOLUTION BY COMMITTEE OF ECONOMIC SCIENCES PUBLISHED

Warsaw ZYCIE WARSZAWY in Polish 9 Dec 81 p3

[Resolution of the Polish Academy of Sciences' Committee of Economic Sciences: "Awaiting the Reform"]

[Text] Meeting at its first session of the new term on 6 November 1981, the Committee of Economic Sciences of the Polish Academy of Sciences expressed its dedided support for the demands of the community of Polish economists and the expectations of public opinion concerning acceleration of the decisive systems reform in Poland.

This reform should eliminate as soon as possible the directive-distribution methods of management and their corresponding power structures in the form of compulsory associations and industrial branch-type ministries. It should thereby prevent further direct interference on the part of the political and administrative apparatus in the matter of economic activity and the operations of enterprises and should change the nature and scope of authority of the Planning Commission. At the same time the decisive reform should lead to the speedy creation of a new economic mechanism based on principles of full self-financing and the independent making of decisions at the enterprise level and facilitate a direct relationship between suppliers and consumers. In the long range it is a question of seeing that the state can only indirectly, that is, solely through the use of economic instruments, exert an influence on self-governing enterprises in keeping with the goals accepted in the central plan as the result of general national discussion.

It is only a reform such as this which can create within the society a sense of joint management and joint responsibility for the decisions made, liberating entrepreneurship and initiative, and insuring that the working forces will have an interest in production which meets the needs of the society and in the thrifty use of resources. Hence the implementation of the reform is an essential condition to getting Poland out of the deep economic and sociopolitical crisis. Its economic effects will not be immediate, however. During the initial period it will create difficulties and tensions in the structuring of employment, market prices, and the income distribution ratios. It will also be a threat to the further

existence of the less efficient enterprises. We have no other way out, however, and this is the price we have to pay for the necessary transition to the rules of operation based on the complete principle of self-financing and material responsibility for the results achieved.

The current state of affairs is creating supreme anxiety within the community of economists. The old system of running things has already ceased to work, although the legal norms and organizational structures remaining as the result of it are paralyzing social initiative. On the other hand the new system is being introduced far later than the society had expected. Our economy is sensing ever more painfully the expanding systems gap, which has been making the crisis phenomena worse and has been building up the social pressures. The noticeable resistance of conservative elements in the leadership apparatus interested in keeping the previous positions and privileges is not only delaying the implementation of the reform initially projected for the beginning of 1982 but is also leading to a softening of its radical nature.

The country's exceptionally difficult economic situation is a circumstance which is contributing to the slowing effect of the conservative forces, because this situation calls for certain moves which are features characteristic to the management of shortages. Hence it justifies temporarily maintaining directive-distribution methods of allocating resources. On the other hand it may feed the justified fear that, under the influence of conservative elements, there may be a bolstering of tendencies to again solidify such methods of management of the economy.

Indeed what is called a systems provisorium does strive in its program propositions to create a new mechanism with certain essential but temporary limitations on it, but there is the real danger that in practice it may become a successive modified version of the former system.

The current efforts at stability undertaken by the authorities are not sufficiently energetic and effective either. This is linked not only to the absence of adequate reconstruction of the economic administration, especially the central administration, but also to the excessively slow replacement of those people who have been compromised in the public eye, or who have not matured sufficiently to the new conditions and tasks or who sometimes consciously undermine proper initiative undertaken by the central authorities. This is one of the important reasons why the efforts of the officials are not very reliable and why there is not much support for their program, the implementation of which requires redoubled efforts in the work and material sacrifices of a large proportion of the population. The society still has no assurance that the effect of its increased work and the sacrifices it makes will not be wasted. In order to dispell these fears, there should be full social control of the state's whole economic policy.

This is why the Committee of Economic Sciences fully shares the position taken by the National Congress of Economists, as well as that of the PTE officials and the leaders of the academic centers in the country, stating

that it is essential to implement quickly the entire set of decisive changes encompassing the reconstruction of the structure and methods of operation of the central level and also the new principles for the functioning of the enterprises, banks, local units, and so on. Today this is the only chance to liberate initiative and prevent massive waste of funds. We are convinced that the social costs of the radical reform will despite everything be less than the costs of maintaining the former system in this or any other form.

The Committee of Economic Sciences recognizes and welcomes the authorities' initiative in the realm of understanding and agreement with the major social forces in the country, anticipating that this idea will be quickly realized in practice. The new institutional and organizational forms of social understanding will favor the acceleration of the decisive socioeconomic reform in People's Poland which the society is anticipating.

10790
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## AREAS FOR IMPROVEMENT OF FINANCIAL OPERATIONS EXAMINED

Bucharest REVISTA ECONOMICA in Romanian No 44, 30 Oct 81 pp 10-11

[Article by Gh. Vilcu of the Ministry of Finance: "Requirements for Balancing the Budgets of Incomes and Expenditures"]

[Text] The economic-financial results obtained during the period covered this year show that the collective leadership and general assemblies in the socialist units worked responsibly to fulfill the 1981 plan tasks under the best possible conditions. In the center of the socialist units' concern was the implementation of the directives and guidelines issued by the top party and state leadership, and those personally by comrade Nicolae Ceausescu, and the decisions of the Second Congress of the Workers Councils with regards to increasing efforts to improve economic efficiency in all areas of activity and to increase the accumulation of funds through the better use of raw materials and materials, the maximum conservation of fuels and energy, the achievement of production according to the planned structure and with the lowest possible costs and highest quality, and so forth.

### The Full Achievement of Plan Tasks

In this regard, it is signigicant to note that over 57 percent of the total number of enterprises have exceeded their profits plan for the first 8 months of this year by over 10 billion lei, many economic units achieved production at lower costs than were planned and savings of hundreds of millions of lei were made as a result of reducing material costs. It is an incontestable fact that the exigent application of the economic-financial mechanism and the carrying out of activities according to the principle of economic-financial self-management and self-administration brought about a strengthening of the spirit of responsibility in the fulfillment of economic and financial indicators and the use of material and monetary resources with higher efficiency. At the basis of decisions in the financial field are, to a great degree, the criteria for economic efficiency.

Certainly, the accounting reviews completed at the end of the third quarter of this year offer a complete picture of the execution of the budgets of incomes and expenditures, but they especially show those sectors where arrears were recorded, as well as those factors that influence the fulfillment of the financial indicators for the current year. For example, despite all the good results recorded, some enterprises did not fulfill their profits plan, which affect both the creation of their development and incentive funds and the payment of funds into the budget, such as: payments

from profits, turning over to society a portion of the value of net production, the taxes on the flow of goods as well as other incomes. Other economic units did not succeed in covering their costs with the funds from their own incomes, a fact which causes financial difficulties. The causes for some of these situations are not hard to determine, if we keep in mind that these units are also recording shortfalls for the main indicators in the economic plan, such as physical and net production, sold and paid-for goods production, deliveries to domestic and customers and for export, and so forth.

Under these conditions, it is necessary for the organs of collective leadership and the workers collectives to work during the remaining period of this year to quickly apply the measures established this year and to resolve on a timely basis all those problems that influence the fulfillment of production tasks for this year. We are especially referring to those measures that are available to all the units and that, when firmly implemented, can contribute to eliminating shortcomings, such as: strengthening order and discipline in production, as well as reviewing the fulfillment of tasks down to the last worker, improving the supply of raw materials, materials, fuels, energy and so forth to the place of production, staying within the limits of planned production costs, eliminating stoppages, increasing the speed of turning over financial and material resources, and so forth. When the failure to achieve production is carefully and responsibly examined, one also finds solutions to correct the situation. With the help of financial-banking organs, this is what was done at the Arad Lathe Enterprise, the Bocsa Metallic Constructions Enterprise, the Focsanu Hydraulic Tools and Elements Enterprise and the Codlea Mechanical Enterprise, with possibilities being identified to recoup the shortfalls recorded in the first quarter of this year in goods production, net production and exports.

A more careful analysis of the economic-financial situation of certain enterprises having arrears under the heading of financial indicators pointed out the fact that although the industrial production plan was not achieved, nonetheless the so-called "common" and "general" expenditures were made at the planned level or even exceeded the planned level. In a number of cases, during the course of production the type of product was changed without also analyzing the financial effects of this switch. The result was that certain enterprises recorded unfavorable effects, with these being reflected as such in the financial results. At the same time, not staying within the limits of planned production costs or, to put it better, exceeding the mentioned costs directly influences the accumulation of monetary resources. The financial results of certain economic units continue to be negatively influenced by a series of costs related to losses caused by production rejects, interruptions in production, interest payments and penalties and so forth. Because of their content, the financial indicators are intertwined with the economic ones, they mutually influence each other and their level of fulfillment influences, for their part, other financial indicators. For example, profits are principally influenced by the level of completing the indicator of sold and paid-for goods production; the over-fulfillment or the failure to achieve profits affects the destinations approved in the plan. Many times, the sold and paid-for goods production is not fulfilled because of delays encountered in receiving payment for the delivered goods, services and projects from domestic and foreign clients.

The data supplied by the enterprises and centrals show the tendency towards increasing the volume of documents regarding delivered products and projects and services completed but not paid-for, which shows an insufficient activity in this sector if we keep in mind that the timely payment for goods sold influences the flow of all financial activities. Something else, some enterprises, because they did not proceed according to the regulations in effect regarding pursuing payments for delivered goods and completed services, are encountering financial difficulties, are diminishing their ability to make payments and are incurring unjustified interest payments and penalties. The financial and banking inspection organs, in pursuing this problem at 43 enterprises (in the sectors of machine building, light industry, the chemical industry, the metallurgical industry and so forth), helped the leaderships of the enterprises in question in establishing certain effective measures, which should that been taken long ago, that brought about payments from clients in the sum of approximately one-half billion lei, representing over 60 percent of the amount of money owed. From this one can draw the conclusion that it is to the benefit of each economic unit to undertake actions to speed the completion of products and projects that have been started, to strictly adhere to the schedules for deliveries to customers, to effectively pursue the means of payment for delivered goods, to draw up payment documents within a useful timeframe and to present these documents to the user units and banks that will ensure both the regular delivery of products and the carrying out of projects and services according to concluded contracts and orders, as well as the undelayed payment for them, in this way contributing to the improvement of the degree of fulfilling financial indicators and the financial situation.

The Efficient Use of Material and Financial Resources

An important chapter having far-reaching implications in the economic-financial activities of economic units is the manner of using material and financial resources, a field where some shortcomings have appeared. You do not have to be a specialist to understand that as material and financial resources go through a number of cycles in supply, production and sales activities they bring about a higher efficiency for each unit. The standard stock levels regarding raw materials, materials, unfinished products, finished products and so forth represent maximum limits within which the units must stay, regardless of the sector to which they belong.

Experience offers numerous examples where the appropriate attention was not paid to using material and financial resources with a maximum of efficiency, permitting, knowingly or unknowingly, costs that were later proven to be inopportune, uneconomical and inefficient, with unfavorable results spreading over all the activities of the units in question. The shortcomings in this area are reflected in the tying up of financial and material resources in stocks of raw materials and materials, unfinished production, finished goods and in debts from the delivery of products and the carrying out of projects and services, which produce a chain reaction of negative consequences of a financial nature, such as: the lack of available funds in accounts and the decrease in the ability to make payments, resorting to bank credits which bring about penalizing interest payments, the creation of financial difficulties for the suppliers that provided raw materials, materials and so forth. The data from the 30 September review show that in a series of cases the amount of financial and material resources tied up is being maintained at a high level, which requires measures to eliminate them without delay and to appropriately improve the financial situation.

It is in the interest of each economic unit to thoroughly examine its above-normal level of stocks. Depending upon this level, it will implement the most appropriate measures to eliminate these stocks and reconstitute its funds, at the same time working to prevent the formation of new stockpiles and permitting the flow of necessary supplies to carried out with the limits of approved norms and standards.

The overall group of measures regarding the concentration of forces to carry out activities this year under the best possible conditions will contribute without a doubt to the consolidation of the starting point for the tasks regarding finances in 1982. Financial activities next year must not, under any circumstances, support the effects of certain shortcomings from this year, once again showing the need to eliminate these shortcomings. The tasks in the 1982 budgets of incomes and expenditures must stay within the bounds of the qualitative facets of the current five year plan, with special stress being placed on the more rigorous sizing of resources and the fuller mobilization of reserves in all fields of activity, as well as the use of funds in strict correlation with plan provisions and under a severe regime of conservation.

Sizing Material and Financial Resources in Accordance With the Plan

A significant objective standing at the base of preparing the budgets of incomes and expenditures for 1982 is increasing the accumulation of funds in all socialist units through the improvement and upgrading of activities in all aspects and the growth of economic efficiency. Determining the size of the financial indicators in the budgets of incomes and expenditures for next year cannot be confined to translating the economic plan tasks into value expressions, but it must be the result of the economic thinking of the entire collective for the proper operation of the unit. Thus, the financial indicators will have to reflect to the highest degree the implementation and consolidation of economic-financial self-administration, according to which expenditures must be convered from one's own incomes, beginning with each product and production section up to the level of the enterprise. For this, there is need of much initiative and innovative spirit in approaching the problem of economic efficiency and in identifying the means of making all products profitable, eliminating uneconomical expenditures, rejects, overhead, penalties and so forth, with all these being reflected in an increase in financial results. Likewise, determing the level of the financial indicators for next year is taking place on the basis of updated prices and charges that will ensure in all cases a level of profitability and funds to cover expenditures from the incomes made. Despite all this, special attention will have to be given to eliminating the causes that currently still create losses, requiring measures of a technological, design and organizational nature in order to ensure the carrying out of all activities under conditions of profitability and efficiency.

The drafting and finalizing of the indicators that reflect the obligations of the units to the state budget and the creation of their own development funds must take place, according to the regulations in effect, in the sense that the net income outlined in the plan will provide, on a priority basis, the funds to repay those

funds received from society, to create their own funds for development, incentives and social actions and to make payments to the budget. Along this idea, it is necessary to stress the fact that deductions from profits for the material and financial resources fund, corresponding to these during the plan year, involve responsibilities with regards to setting the size of stocks and especially ensuring a more accentuated growth in the speed of turning over material and financial resources which, in the end, leads to freeing funds and not tying them up.

Similarly, it should still be kept in mind that in the future the economic units will receive credits only to the extent to which they can make repayments on time, requiring the existence of guarantees to this end. This is why we have concerns for determining the volume of the material and financial resources and including them in the budgets of incomes and expenditures for 1982 on the basis of mobilizing all reserves and improving all production and delivery activities, since only in this manner can we attain a better turn over of material and financial resources and, therefore, their use with better results.

Within the framework of concerns of the collectives of specialists, we should not forget the problem of determining the level of overhead costs and general management and administrative costs, requiring not an overall analysis, but rather an analytical one on each type of cost according to necessity and opportunity. We raise this problem since in this section of the budget of incomes and expenditures we can obtain significant reserves that can contribute to the reduction of costs and the increase of profits.

The preparation and finalization of the budgets of incomes and expenditures by the state institutions must be ensured on the basis of implementing measures to maximally restrict all costs, more completely using the already-existing material base, and increasing responsibilities in asking for and using budgetary funds. Providing each institute with the necessary funds will have to directly lead to the improvement of activities in the sense of better satisfying the requirements of the populace.

Without a doubt, the organs of collective leadership in the socialist units, with the broad assistance of the workers, will undertake all the measures that will ensure the achievement of the financial indicators for the current year, as well as prepare the budgets of incomes and expenditures for 1982 under the best possible conditions.

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INCREASE IN SAVINGS AND LOAN ACTIVITY ENCOURAGED

Bucharest REVISTA ECONOMICA in Romanian No 44, 30 Oct 81 pp 12-13

[Article by professor Dr Mircea Popovici: "Fruitful Work - Savings, Well-Being"]

[Text] During the years of socialism, especially during the last decade, savings activity in Romania has made special progress. This is due to the fact that the country's population has obtained larger and larger incomes, as a result of the work they have done themselves and the consistent policies of our party regarding the systematic improvement of the standard of living, that can cover the current, rational needs of a civilized life and, at the same time, have permitted them to set aside certain amounts of money which will ensure in the future a better and better quality of life for each family and each citizen. The desire of each citizen to have an ever higher standard of living, under the conditions of respecting the principles of socialist ethics and equity which govern all our social life, as well as the continually increased possibility to attain such a life are nothing more, when we extend this to the level of the entire society, than expressions of the natural requirement to increase the well-being of all the people - the supreme goal of the policies of our party and state.

Our party's concern for continually increasing the standard of living has resulted in the increased ability of the populace to save money and an increase in the amount of savings slated for future use deposited at savings and loan banks. The rise and development of the spirit of savings throughout the lifetimes of the people in the cities and the villages can be shown by the synthetic figures that outline the evolution of savings activity. Thus, the most graphic indicator which illustrates the degree of development of savings activity at savings and loan banks - the general balance of the people's savings - has shown an average annual rate of growth of 16.9 percent during the previous five year plan, and during the first three quarters of this year there has been an increase in the balance of the people's savings deposited at savings and loan banks that is 16.6 percent greater than during the same period last year. In addition to an increase in the monetary incomes and the standard of living of the people, this shows that the process of saving money has undergone a powerful development, constituting an efficient manner in which the people use their monetary incomes over time for the purpose of diversifying their consumption and ensuring an ever higher standard of living.

Significant increases have also been recorded with regards to the number of people involved in savings activity. Currently, in the populace there are over 18.5 million

active savings account passbooks, giving an average figure of 841 passbooks per 1,000 inhabitants. In urban areas, the number of savings account passbooks has exceeded the number of inhabitants, with 1,326 passbooks existing for every 1,000 inhabitants. In addition to this there are hundreds of thousands of other depositors who save at the savings and loan banks using current personal accounts and banks savings certificates, while young people and students use stamp savings certificates, school savings checks and student savings passbooks.

The increase in business with the people has been achieved by means of improving the forms and instruments of saving, popularizing permanently and specifically the advantages of saving at the savings and loan banks and expanding services offered to depositors by the savings and loan banks. Thus, in order to aid the workers who want to become consistent depositors at the savings and loan banks without having to travel to the banks themselves there is a simple and advantageous way to do this - regular deposits through the transfer of funds, on the basis of written approval. These deposits can be made at the request of workers in enterprises and institutes into any type of of passbook account or into current personal accounts.

At the same time, there is the possibility of using the current personal account, an instrument for saving and making payments. With current personal accounts, one can make cash deposits into the account or other persons can deposit money into the account at any office in the country or by way of transfers, as well as deposits from incomes (total or partial) stemming from salaries, pensions or other sources. From these accounts, the people can ask the savings and loan banks to carry out different types of services, for example, make payments on telephone bills, radio and television subscriptions, electricity and gas bills, rents, taxes, insurance premiums and others.

Similarly, for the purpose of forming and developing the spirit of saving in students, beginning in the 1978-1979 in some general schools, high schools and professional schools school savings banks were created. Organized on the principle of self-management by students, under the guidance and supervision of the faculty and the parents committees, the school savings banks are designed to teach the students, right from their first classes, to better manage their small savings and to fight against waste and the spending of money on non-useful things.

It is a known fact that a portion of the people's monetary resources temporarily held at the savings and loan banks is used in the development of the national economy, as well as by the people in the form of loans. Therefore, we can see that we are facing an economic process where, on the basis of commonality of interests, there is a temporary redistribution of the monetary funds of the people. Thus, just during the period of 1 January to 30 September 1981, 35,551 loans were made to build and buy private homes worth approximately 1,969 million lei. The total value of the loans made to people as of 30 September was approximately 27,630 million lei. The savings and loan banks have, thus, become the people's banks, places where people can deposit their savings and those who want to obtain a loan get funds to build or buy a private home.

The savings process in our country is also stimulated by the rights and advantages that all depositors enjoy at the savings and loan banks. One of the important advantages given to all depositors at the banks, regardless of the means used to save, is the state's guarantee on the sums that are deposited. This means that depositors can ask the banks at any time for all or some of their deposits and the banks are required to immediate return the deposits made through passbooks, current personal accounts, savings certificates and other means of saving, upon the request of the persons empowered to receive these funds. Depositors at the savings and loans have the right to obtain, as is fitting, I think, not only the sums that were deposited, but also, for an unlimited time, the interest and profits given by the banks, with the laws ensuring the imprescriptibility of these payments.

The state's guarantee on deposits in these banks is based upon the Constitution of the Socialist Republic of Romania itself, which states: "The right to private property is granted by law. Incomes and savings stemming from one's labors can constitute an object of the right to private property...".

The savings and loan banks ensure secrecy with regards to the names of the depositors and the holders of the deposits, the amount of savings and any other information regarding the operations carried out in their name. Depositors at these banks are also ensured of having other rights and advantages, such as: all the services performed by the banks are free and the sums saved, the interest and profits obtained are exempted from taxes or any other type of tax; the right to empower other persons to withdraw sums saved at the banks; the right to influence the payment of sums made in the names of other persons; interest and profits paid by the banks and others.

It is without a doubt that the development of savings activity is also stimulated by the improvements to the organization and operation of the banking units and to the forms and methods of saving and service. One sustained concern has been to broaden the sphere of activities, especially in the large enterprises, worksites and mining and forestry regions, as well as in the new housing developments in the cities and rural areas where service to depositors is not ensured by the postal units and credit cooperatives. Through these actions, the banks hope to provide to an ever greater degree services for the depositor where they work, thus eliminating the time needed to make deposits by going to the banking units.

Special stress will be placed on the development of the means of making deposits at the savings and loan banks on the basis of a written consent for the transfer of monies. This activity will hold a special place in the sphere of concern of the banking units which are operating or will begin operations in all the enterprises having a large number of workers, thus meeting the workers' request to have a banking unit at their place of work.

Keeping in mind that the decisive factor upon which the quality of work depends is, to a good degree, the professional training of all the personnel, special stress will be placed upon raising the level of professional knowledge in order to perfect the understanding of work legislation and standards and to increase the effectiveness in carrying out projects and educate the workers in the spirit of special care for resolving citizens' requests.

Permanently concerned about improving the quality of work, the savings and loan banks will organize their activities so as to carry out their important tasks, making their contribution, alongside all the people, to fulfilling the objectives stemming from the documents of the 12th Romanian Communist Party Congress.

8724
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POPULARITY OF ROMANIAN COMPUTERS IN PEOPLE'S REPUBLIC OF CHINA

Bucharest VEAC NOU in Romanian Oct 81 p 3

[Article by Livia Bob]

[Text] More than 10 years ago, several modern production units began operations at the Pipera site in Bucharest: Conect, Electronica, the Kinescope Plant, the Computer Enterprise, and the Enterprise for Computer Equipment Repair and Maintenance. The very names of these new factories heralded their leading role in advanced technology branches.

Several days ago, we stopped by the Computer Enterprise, which manufactures a wide range of computer equipment, products which Romania is presently exporting in many countries. This equipment involves large and intermediate capacity computing systems, minicomputers, billing and accounting systems, as well as peripherals and terminals which can be used with other computers than the ones manufactured by the enterprise.

Representative of the potential of Romania's industry, these computer products have been shown over the years at many international meetings and expositions. In 1981 for instance, they were seen at international fairs in Barcelona, Leipzig, Budapest, Brno, Zagreb, Salonica, and Hanover: in Leipzig, the M-118 computer was awarded the fair's gold medal. Two years earlier, the minicomputer Independent-100 also won a gold medal prize.

At the Romanian Industrial Show, held in Beijing during the spring of 1980, computer technology was one of the Romanian products which elicited a great interest among specialists and other visitors. In fact, the computers manufactured at Pipera are among the goods that are traded between Romania and the People's Republic of China (RPC). Actual exports began in 1974, when the chinese bought the Felix C-256 computer from Romania. For three years after 1975, the direct users in our friends' country verified in practice the qualities of the Bucharest-made computer, and beginning in 1978, ordered increasingly higher quantities of the machine. At present, three types of computers are being in constant use in various ministries, research and higher education institutes, and in plants in Beijing, Xian, Chengdu, Zhengzhou, Shanghai, and so on: they are the Felix C (156 and 512), the

Independent-100, and the M-18. By the end of this year, the outstanding contracts will bring to more than 50 the number of Romanian computers in RPC. Romanian specialists install the computers at their site, and then provide technical assistance for about one year. As a result, Romanian computer specialists are always in residence in the friends' country. However, the collaboration with our chinese partners does not stop there, but is much more complex. For instance, specialists from the Computer Technology Institute, together with those from the Computer Enterprise and from the Central Institute for Management and Data Processing, assure the training of the chinese personnel in the use of Romanian computers. Consequently, Chinese specialists who are taking specialized courses can also always be found in Bucharest.

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CONTRACTS CONCLUDED AT BUCHAREST INTERNATIONAL FAIR

Bucharest REVISTA ECONOMICA in Romanian No 44, 30 Oct 81 p 9

[Article by Nicolae Suciu, director of the Enterprise for Fairs and Expositions: "A Fruitful Result"]

[Text] On Friday, 23 October, the doors closed on the Seventh Bucharest International Fair, an important economic-commercial event hosted this fall in the capital city of Romania, an event that enjoyed a fruitful result.

The official opening was honored by the presence of comrade Nicolae Ceausescu, the secretary general of the Romanian Communist Party and president of the Socialist Republic of Romania, and other party and state leaders. His presence constitutes yet another proof of the country's president's interest and permanent care for the continuing economic-social development of Romania, for the expansion and furthering of foreign commercial relations and for the consolidation and broadening of economic collaboration with all the countries of the world in the spirit of mutual advantage, economic and social progress and the cause of peace.

The 1981 Bucharest International Fair [BIF] occasioned a synthetic and eloquent expression of the results acquired and significant progress obtained by Romania on multiple levels of its economic development, significant for the consistent continuation of the economic-social development of the country. It was an expression based on the prestigious results obtained by all the people to date in all the fields of activity, achievements accurately reflected by the Romanian exhibits.

The BIF, in its seventh edition, without a doubt constituted a broad and fertile framework for promoting trade and international economic cooperation, with Romanian industry exhibiting thousands of new products, some of which made their veritable industrial premieres. These products were made by approximately 400 production units, industrial centrals and research and design institutes in Romania, with many of these being included in the export lists of Romanian foreign trade enterprises, a shining example of the creative energies and and abilities of Romanian specialists and producers.

Romania's export program, expressed in the stalls of 45 foreign trade enterprises, covered all the categories of products included in the current, expanded make up of the BIF. These products included: machinery, installations, equipment and devices as well as studies, designs and licenses for the field of metals processing, for

telecommunications and the electrotechny, electronics and automation industry, for the production, transportation, distribution and control of electrical energy, and for nuclear technology, the metallurgical industry, the mining industry, the petroleum and gas industry, agriculture and the food industry, forestry, the wood, furniture, cellulose and paper industry, light industry, the construction materials industry, highway, rail, sea and air transportation (including equipment and machinery), and the printing and packaging industry; equipment and materials for tourism, restaurants, hospitals and schools; commercial equipment, installations and devices for human and veterinary medicine, and for medical and educational laboratories and research and production laboratories; machinery, equipment and installations for the chemical industry, the pharmaceutical industry, the cosmetics industry and the rubber and plastics industry; and machinery and devices for measuring, controlling and supervising products and items in all the above fields and industrial and agro-food industry consumer goods, as well as the necessary raw materials for all these sectors. The Romanian exhibits were of special interest to the businessmen and specialists at the fair and were the object of numerous and important commercial contracts.

The over 800 foreign exhibiters presented the products of the 42 participating countries, using a total surface area of over 31,000 square meters. There were 34 official pavilions from the following countries: Algeria, England, Australia, Austria, Bangladesh, Belgium, Brazil, Bulgaria, Canada, Czechoslovakia, Cuba, Denmark, Switzerland, GDR, FRG, India, Jordan, Iraq, Iran, Israel, Italy, Yugoslavia. Japan, Kuweit, Libya, Morocco, Nigeria, Poland, Portugal, Syria, the United States, Sudan, Turkey, Hungary and the Soviet Union. The PLO also had an official pavilion.

In addition to the official participants, numerous other companies were also present, having stalls and collective or individual pavilions, from England, Austria, Belgium, Ivory Coast, Denmark, Switzerland, Finland, France, FRG, Greece, Japan, Holland, Singapore, Spain, the United States, Sweden, Hungary and so forth.

For the first time at the BIF, there was participation by companies from Australia, Canada, Ivory Coast, Jordan, Iran, Singapore and Syria. Similarly, for the first time there was separate stall for the UNCTAD/GATT International Trade Center, together with the Romanian Foreign Trade Center.

Along this same line of high technology, the use of the newest technological procedures and the adherence to the current demands of the international market, the displays by the foreign companies at BIF-81 confirmed the recognition that many of them enjoy on the world market. For example, I.C.I., Rank Xerox and Norprint from England, Rhone-Poulenc, L'Air Liquide, Michelin and L'Oreal from France, Hoechst, Merck and Tuflin Mannes-Mann-Demag from the FRG, RAZNOEXPORT, AVTOEXPORT, TECHSNABEXPORT and STROJIMPORT from the Soviet Union, Montedison, Technomatic and Nuovo Pignine from Italy, MEDIMPEX from Hungary, TECHNOPOL from Czechoslovakia, Oerlikon from Switzerland and many others are, to a great degree, traditional participants in the expositions held in Bucharest and old trading partners of Romanian companies, with the others present for the first time wanting to enter the Romanian market and to directly know Romanian commercial offerings and cooperate with potential Romanian partners.

By carrying out is activities under these good auspices, the current edition of the Bucharest International Fair closed its doors having had fruitful results, as expressed in the conclusion of numerous import and export contracts in all the fields of the current BIF, thus effectively and directly contributing to the complete fulfillment of its purpose and the desires and interests of the participants.

The organizers, under the direct guidance and with the help of the Chamber of Commerce and Industry of the Socialist Republic of Romania, tried hard to offer all the means and experience accumulated to date in order to provide the participants an optimum framework for carrying out commercial activities under the best conditions, for concluding contracts and exchanges of specialized ideas and information and for completing transactions and concluding contracts. It should be mentioned that the current edition of the BIF attracted a record number of visitors - over 500,000, of which approximately 100,000 were Romanian specialists and foreign businessmen seeking to learn of the newest creations of the sectors of the Romanian economy present at the fair and of the foreign companies.

The preliminary data show that the value of the contracts concluded at this most recent edition of the fair is over 10 percent greater than the previous fair. I can mention that other contract negotiations are being carried out so that the results will continue to show up along the way. Among the principal contracts concluded by the Romanian foreign trade enterprises I can mention those regarding the export of utility vehicles to Italy and Cuba, trucks and dump trucks to Cuba, tractors to Yugoslavia, Egypt, Greece and Argentina, off-road vehicles to the PRC and Columbia, and bearings, petroleum equipment, and different types of machine-tools to the Soviet Union. Similarly, specialized Romanian enterprises will deliver furniture to Holland and the FRG and footwear to Syria, the Soviet Union and the FRG.

At the same time, during this period Romanian exporters completed contracts for building certain industrial projects and complex installations: in Egypt - a railcar repair factory; in Mozambique - a steel mill; and in India - a palletization installation. At the same time, different contracts were signed to import special laminated steel, machine-tools, bearings, spare parts for automobiles and so forth.

8724
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ENERGY DEVELOPMENT PROGRAM VIEWED IN WORLD CONTEXT

Bucharest ERA SOCIALISTA in Romanian No 18, 20 Sep 81 pp 20-24

[Article by engineer Dr Calin Mihaileanu, director general of the Central Institute of Energy Research, engineer Dr Mihai Pop and engineer Marius Dancila: "Romania's Energy Program and the Trends of World Energy Consumption"]

[Text] The idea of comparing our own national policies, programs and plans for development with the trends that one comes across within the framework of certain broad scientific encounters is the first impulse of any participant in the worldwide exchange of ideas and information. Certainly, from these confrontations, depending on the premises, one can confirm or refute ideas and hypotheses that have been created directly or indirectly by all the workers and that can require mid-course corrections that are not always easy to effect. At the same time, this is, however, an important criterion for checking our own options. As a result, from a scientific, moral and social point of view the comparison of all points of view and general trends with our own ideas represents an obligation.

As is known, in Munich in September 1980 the 11th World Energy Conference was held under the banner "Energy for Our World" - a banner which represents an imperative for the contemporary era, an imperative for which very many states are still looking for an answer for the current generation and especially for the future generations. In this regard, the energy problem is for the first time being considered in its intimate interaction with the economic and social affairs of the planet.

Two years prior to this conference, under the direct guidance of comrade Nicolae Ceausescu we began in our country to elaborate the Program-Directive for research and development in the field of energy for the 1981-1990 period and the principal orientations until the year 2000. This programmatic document, approved by the 12th Congress of the party, has as its purpose the harmonious economic and social development of the country on the basis of our own energy and raw material resources while attaining, under these conditions, the level of a medium-developed industrial country by the middle of this decade.

As a general evaluation, one confirmed in the discussions carried out with the specialists present at the World Energy Conference, we can say that the systematic treatment of social, political, economic and energy elements is optimally expressed in our country's energy program, a program which serves to emphasize the farsightedness of

our party's policies and the superiority of the social system which can truly achieve - because of the socialist ownership of the means of production - a happy blending of the premises necessary for the harmonious concomitant development of the four previously mentioned vectors.

A Basic Objective: Ensuring the Country's Energy Independence

The Program-Directive for research and development in the field of energy for the 1981-1990 period and the principal orientations until the year 2000 establishes the fundamental tasks for the development of the raw material base and energy resources through the intensification of geological research, the discovery and use of the country's classical energy resources, the conservation of energy through the implementation of certain measures to continue to reduce the specific consumption of energy in all fields and sectors of activity, the rational management of fuels and energy and the introduction of new energy sources at a sustained rate.

The conservation of energy is valid as the most important source of energy that we currently have and, as such, is the first path of action for the coming decade. Furthermore, this fact is valid for all the countries having economies that have gone beyond the stage of extensive energy development. In Romania, the aspects of the conservation and saving of energy were dealt with in all fields and on all the levels of energy reviews, going as far as to initiate certain actions to establish, rezolve and pursue the implementation of measures for the efficient use of energy. Certainly, the intervention of technological development is decisive in achieving the energy conservation policy. In this regard, the Directives of the 12th RCP Congress established the 1981-1990 decade as "the decade of science, technology, quality and efficiency" - inseparable premises for achieving the goals proposed in an evolving social and economic context.

Generally, we can note that although the solutions for industrial modernization are known, as well as those necessary for the development of new, inexhaustible sources of energy, economic market reasons have kept the developed capitalist countries from being able to take more decisive steps along the path of energy conservation. A study by the International Energy Agency (IEA) referring to the six main developed capitalist countries points out that the so-called "coefficient of elasticity" (the relationship between the growth in energy consumption and the growth of the gross national income during the same timeframe), which had been over 1.0 until 1973, gradually fell in value to the level of 0.9 to 0.91 in 1978.[1] Graph No 1 shows the comparative evolution of this coefficient for the countries mentioned and Romania during the same timeframe.

As a socialist country, Romania, because of the planned, proportional nature of its economic and social development, has the material and human resources necessary for certain broad technological and structural transformations required by the current energy situation. Although from a technological point of view we are still behind the developed countries in some sectors of our economy, our organizational ability and the scale of the transformations in Romania coincide with the scope of the changes required by the process of going from a dependency upon the "monoculture

of hydrocarbons" towards the multiple values of a balanced structure of primary energy sources. This is reflected in the relatively more pronounced decline in the coefficiency of elasticity in our country than in the industrially developed capitalist countries (see Graph No 2).

Graph No 1

Variations in the Coefficient of Elasticity in the Six Main Member Countries of the IEA and Romania During the Period 1973-1978

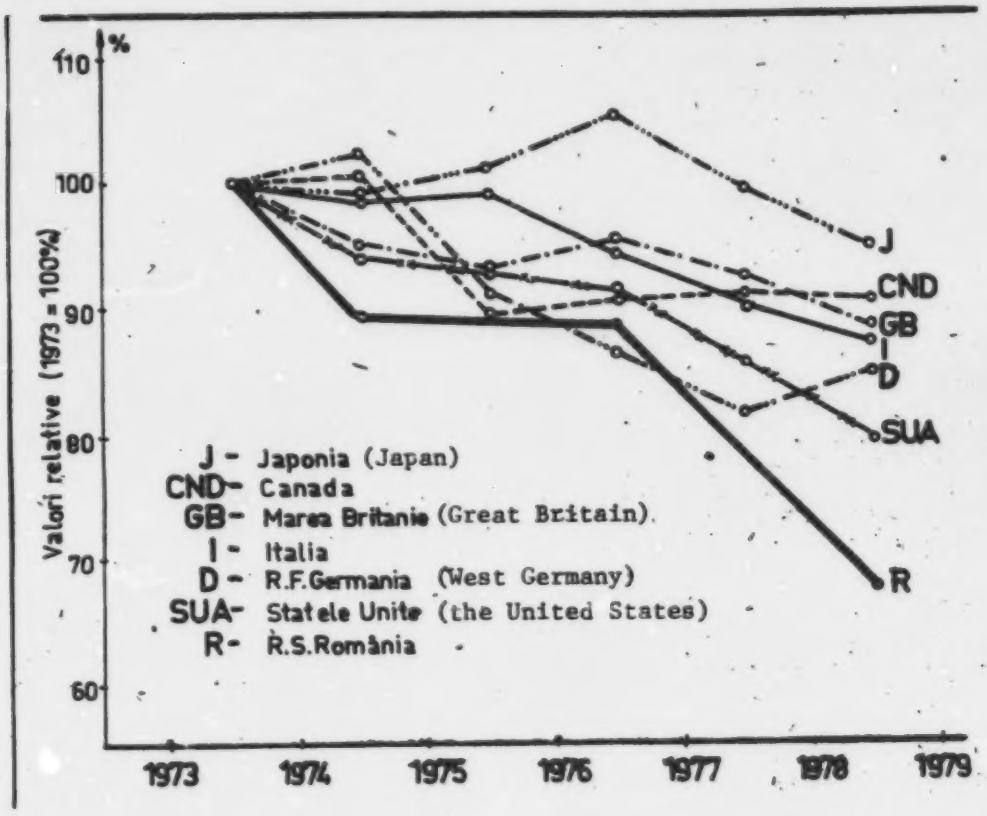


The International Energy Agency report we mentioned points out that "there was a lack of credibility felt in the energy programs in many of the member countries, with this making their implementation more difficult. An attempt to give more attention to the national efforts to stimulate public understanding for the need to conserve energy was made during the international meeting of the representatives of the agency member countries in October 1979." The report recognizes that because of differences in interpreting the diverse socioeconomic climates some countries have placed the center of gravity of their conservation policies in the area of voluntary measures while others have used measures of a legislative nature. In any case, the price of energy was considered the key factor in conservation policies.

Graph No 2

Variations in the Coefficient of Elasticity in Industry for the Six Main Member Countries of the IEA and Romania During the Period 1973-1978

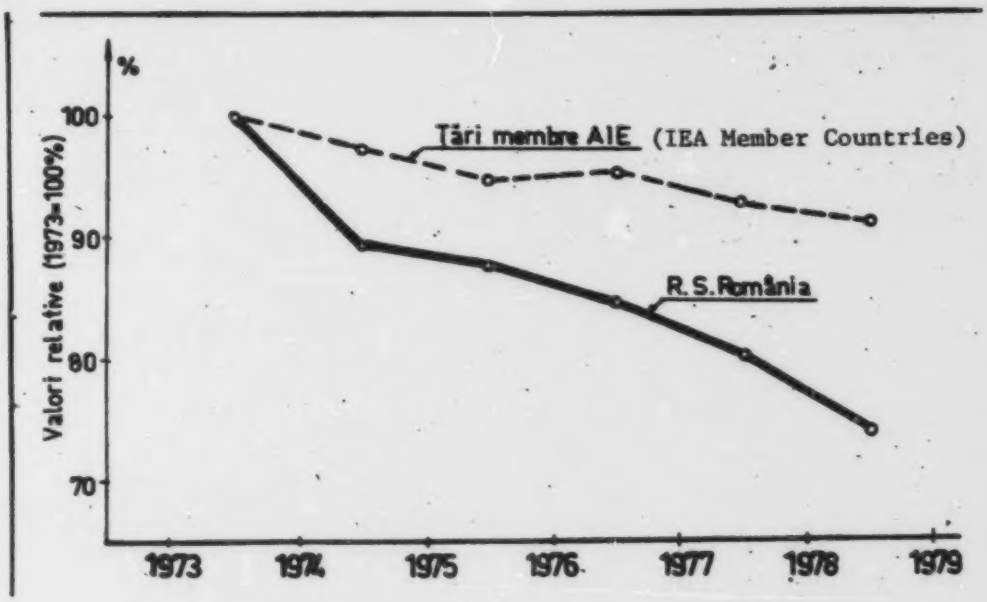


Despite all this, the point of view of the developing nations, well-illustrated by the OPEC report,[2] calls attention to the fact that "for such a vital product as petroleum we cannot leave things in absolute freedom. Economic growth and more exactly the growth of energy consumption must be continually modified. To this end, the principle energy-consuming developed countries must implement a more vigorous policy in the direction of: a) eliminating any forms of waste resulting from the irrational use of hydrocarbons; b) revising the structure of production for the purpose of eliminating current losses due to conversion, transportation and distribution of primary energy; c) integrating into the system other energy sources that can contribute to a balance."

In the current economic and political context, worldwide a continuing worsening of conditions is being felt with regards to access to the sources of raw and energy materials in the various regions of the world, combined with an aggravation of the stability of international relations.

Because of the continued increase in the per inhabitant consumption of energy in the powerfully developed industrialized countries, we have reached the paradoxical situation where just the per inhabitant increase in the consumption of petroleum in the United States during the period 1968 to 1978 was six times greater than the absolute value of the per inhabitant consumption in Africa and Asia, considered together, in 1978. According to OPEC's opinion, to which Romania as a developing nation

cannot but subscribe, the growth in the consumption of petroleum shows the following factors: "The consumption in many of the industrialized countries was much greater than the correct proportion that they should have from the world energy sources, and, secondly, all the important regions of the world still depend upon petroleum as a major source of energy." This once again stresses the correctness of the central idea of the energy development program in our country during the current decade - that of Romania achieving its energy independence. This idea, which is founded in a development based upon its own resources, intelligence and abilities, is gaining even more ground as the sole alternative to pursue in the achievement of the national independence and sovereignty of each country within the context of a multilateral balanced cooperation.

On the occasion of the World Energy Conference, it was proven that although the forecasts advanced by the industrialized countries and the international bodies show that in the future we will see a shift of the center of energy consumption from the developed countries towards the developing nations, during the 7 years since the opening of the oil crisis the energy consumption of the industrialized countries has continued to increase while the consumption of the majority of the developing nations has recorded only a relatively modest increase, despite the special financial efforts made by these nations to acquire certain energy raw materials, efforts that were sometimes beyond their capabilities. The situation was aggravated to the point where international banking organizations refused them credits for next year for certain energy development projects in these countries, with the sums being allocated to them serving to strictly maintain them at their current level of consumption. Thus, the developing nations will continue to remain tributaries to a technological model of thinking that is foreign to them, leaving open the problem of their finding their own means for attaining energy independence and economic development.

The achievement of energy independence is based upon two elements in the view of our party and state: the most diversified exploitation of the entire potential of classical resources concomitantly with the conservation of energy. The achievement of a balanced structure of primary energy resources in relationship with the current world energy situation will be helped during the next 10 years by the intensive development of coal extraction so that the percentage of lignite and combustible shale will increase in the structure of primary fuels for the production of electrical energy from 40 percent in 1980 to 55 percent in 1985.

Coal, The Main Element for Replacing Hydrocarbons

This drastic change, also emphasized by the size of the financial effort involved, the newness of the energy equipment produced entirely in-country and the severe problems of preserving the quality of the environment aroused numerous discussions during the period of completing the energy program. It is true that at that time the price of petroleum was only $14 to $16 per barrel, there was an estimate of a slow growth towards $30 per barrel around 1985, and our imports of petroleum did not exceed seven million tons. To this we can add the fact that a series of electrical power stations were still new or very new, and our experience in the construction of thermo-energy equipment using inferior coals was still suffering from the problems of infancy. In this situation, the view of the energy program could appear, at that time,

to have been very daring. We were actually talking about changing in just a decade the structure of the primary energy resources that had been created by a development policy for the entire energy infrastructure dating back over 25 years.

The following 2 years were marked, however, by the exploitation of the known petroleum resources in the world at an ever more intense rate and by the failure to make discoveries at a rate appropriate to the level of consumption in other petroleum regions, as well as by a troubling instability among the ranks of the oil-producing Arab nations, which brought about a continuing limitation on the delivery of oil to the world markets concomitantly with a spectacular increase in the price of crude oil. At the World Energy Conference this caused coal to appear to be the principal sustainer of the worldwide growth in energy consumption and the main element for replacing hydrocarbons, suggesting the intensification of the rate of extraction and the diversification of the technological processes for using coal.

In this regard, the forecast of the World Bank[3] seems suggestive regarding the growth of coal production in diverse large regions of the world, as shown by the table below:

Table No 1

The Outlook for Coal Production During the Period 1977 to 1990 (millions of tons of marketed coal)

| | 1977 | 1980 | 1985 | 1990 | (1) Creștere anuală (%) | |
|---|---|---|---|---|---|---|
| | | | | | 1977-1985 | 1985-1990 |
| Țări occidentale industrializate (2) | 1 134 | 1 265 | 1 476 | 1 752 | 3,3 | 3,5 |
| Țări socialiste (3) | 1 463 | 1 662 | 2 089 | 2 610 | 4,6 | 4,5 |
| Țări în curs de dezvoltare (4) | 137 | 233 | 304 | 440 | 7,1 | 7,6 |
| TOTAL MONDIAL (5) | 2 774 | 3 160 | 3 869 | 4 802 | 4,2 | 4,4 |

Key:
1. Annual Growth
2. Western Industrialized Countries
3. Socialist Countries
4. Developing Nations
5. World Total

For the next decade, it seems significant, therefore, to practically double the world coal production, with a special rate of growth taking place in the coal production of the developing nations, a level of production that will nearly triple by 1990. In accordance with this forecast, another report, quoting the opinions of the executive leadership of the International Energy Agency,[4] points out that "the production of coal must be tripled by the end of this century if we want to cover the energy requirements for moderate economic growth." Thus, coal will constitute and important energy source principally for those countries that have their own reserves since the potential market for the international trade of coal will not be able to represent but a quarter of that for petroleum at the end of the century.

The development of world trade in coal will accentuate, first of all, the problem of transportation - at sea and on the land. It should be mentioned that of the approximate 200 million tons of marketed coal in 1975 more than half was transported across the oceans. If in the future the largest portion of coal exports will come from Australia, India, Canada, the Republic of South Africa, China or Columbia, the level of maritime transportation will be approximately 170 million tons in 1985 and 400 million tons in 2000. That is why this forecast must be correlated with the necessary actions with regards to the construction of certain new port and transloading installations, as well as railroad transportation networks from the unloading site to the consumption centers. Today, industrialized countries like the United States, Italy and even the USSR do not have a railroad transportation capacity that can carry the necessary future amounts of coal. For these reasons, the idea of using hydraulic means of transportation to move coal through pipelines is gaining ground.

In the effort to use larger quantities of coal and to obtain from them higher forms of energy, procedures are being developed to enrich coal, as well as to gasify and liquify coal. In reference to the reconsideration of coal as a raw material for gasification and liquification, we can state that mankind was not taken by surprise. It had resorted to these techniques during World War II, but as a result of the later development of relatively cheap technologies based on petroleum they were abandoned during the 1950's and 1960's. The return to these technologies is tied to the closing of the gap that was created over the last quarter of a century between these technologies and those stemming directly from hydrocarbons. Precisely for that reason, the industrially advanced countries immediately reacted in the direction of improving the extraction methods for coal a great depths using classical procedures, as well as improving coal extraction equipment for use on the surface and, especially, in the direction of experimenting with and spreading the use of certain modern methods of higher use.[5]

Romania's energy program is firmly based in the above-mentioned trends, foreseeing an approximately 250 percent increase in the total production of coal in 1985 compared to the 1978 level and a tripling in the extraction of lignite over the same period. Special attention will also be given to exploiting combustible shale, which by 1985 is to reach approximately 10 million tons, an amount necessary for the high-power thermo-electrical power stations currently being built. This is one of the highest rates of development in coal production in the world, with special efforts being necessary, as well as a great mobilization of manpower in order to achieve this within the planned timeframes.

The Complex and Correlated Use of Classical Sources and New Sources of Energy

The 11th World Energy Conference marked a more indistinct interest with regards to hydroelectrical projects, which contrasts with the achievements, plans and programs presented at the Bucharest World Energy Conference (1971). This can be explained, on one hand, by the lack of the capital necessary for such an investment project as a result of the extended world economic crisis and, on the other hand, by the end of projects in the main hydrographic basins in the industrially advanced countries.

The developing nations, which have large, insufficiently exploited hydro-energy reserves, do not currently have their own economic strength that will allow them to achieve such projects.

A separate note accompanied the positions of Norway,[6] the USSR[7] and Romania, which felt it was especially important to fully develop and manage the national hydro-energy potential through all the means available. In this regard, our country proposed making all the financial and human efforts necessary so as to use approximately 30 percent of the country's hydro-energy potential in 1980, to reach 45 percent in 1985 and 65 percent in 1990. This will be achieved by the continued management of the Danube and the interior rivers, as well as by implementing a broad program of micro-hydroelectrical power stations.

All the recent energy studies show that nuclear energy is necessarily becoming one of the basic components of future energy supply. In connection with this, a number of important aspects are taken into consideration: the third world's dependency upon the energy programs of the industrialized countries; the tendency of an increased use of electrical power in all the economic sectors as energy vectors in the industrialized countries; the opportunities for petroleum supply, which in the coming decades will depend more upon political factors than existing resources.

The feeling that nuclear energy is in a crisis of faith is not valid for all mankind. The CEMA member countries and France have ambitious long-term nuclear programs; Great Britain, Spain and Japan, for example, are ready to further their nuclear programs and numerous developing nations, such as Argentina, Brazil or South Korea, are firmly pursuing their nuclear programs. The future of nuclear energy depends upon the faith placed in it by responsible politicians, the safety and security of its use, the means permitting the attainment of the objectives of nuclear arms non-proliferation and the opportunities to convince public opinion of the fact that their current fears are unfounded.

In the area of nuclear safety and the placement of nuclear-electrical power stations, three questions seem to disturb public opinion: the effects of radioactive emissions upon health during the normal operation of nuclear power stations, involuntary emissions as a result of accidents and the removal, treatment and storage of radioactive wastes having a long half-life. It is necessary to reinforce the trust of non-specialists and the broad masses in general, offering them objective information on the technical possibilities, their economic impacts and the risks that could appear after the long-term use of nuclear-electrical power stations.

With regards to Romania, the construction of nuclear-electrical power stations occupies an important place within the framework of measures calling for an increase in the energy base, in addition to the intensification of the use of coal in the production of electrical and thermal energy and the better use of the hydroelectrical potential. By the end of the 1981-1985 five year plan, the first nuclear-electrical power station of 660 MW will begin operations, followed by others, so that Romania will have 3,960 MW installed in 1990 and approximately 10,500 MW by the end of this century.

For the future decades it is foreseen that the supply of energy from nuclear power throughout the world will continue to be provided, for the most part (90 percent), by reactors operating on enriched uranium. At the same time, there will be an intensification and a concentration of technical and material efforts towards achieving fast breeder reactors (FBR) and high temperature reactors (HTR). The introduction of these types will lead to an important reduction in the consumption of natural uranium, which for its part is one of the planet's exhaustible energy resources.

With regards to the technologies for producing nuclear fuels, we should note the great efforts that are being made to obtain uranium having an enrichment level around 2.5 to 3 percent in facilities having a reduced level of consumption, in other words that is accessible to other countries besides the industrially developed countries. Actually, the existence to date of nuclear fuel enrichment facilities only in the very developed countries has created and developed a complicated system of nuclear relations and a dependency for those who receive enriched nuclear fuel upon those who possess such equipment. In this context, the development of reactors that operate on the basis of natural uranium (HWR reactors) is today the only path that permits the achievement of independence in the field of fuel supply for any country that has uranium resources. Our country has reserves of natural uranium, which makes it a logical option to develop HWR reactors in Romania within the context of ensuring a long-term energy independence.

For the developing nations, the problem of nuclear energy remains a still unresolved question, even if the outlook for increasing the installed nuclear-electrical capacity in these countries indicates the highest rates. Such a statement is based on the fact that there still are no small, unsophisticated nuclear-electrical installations using construction technologies that are accessible to these countries. The sole means of getting out of this impasse would be to rethink these technologies in order to make them adequate for the manpower and means available in the countries that are to use them. In this regard, Romania is to increase the degree of integration in the production of nuclear equipment so that by the second nuclear facility the Romanian industry's contribution will be larger and larger.

With regards to the new inexhaustible or renewable energy sources, first place is held by solar energy, whose most frequent current uses are in the area of the production of heat. In order to obtain electrical energy we have in mind either the thermodynamic route (solar energy-heat-mechanical energy-electrical energy) or the photovoltaic reaction for the direct conversion (solar energy-electrical energy). Currently, none of the models is competitive with the solutions for producing electrical energy using conventional means, a reason for which intensive research is being conducted for the purpose of raising the efficiency of both models.[8]

Among the other new sources, geothermal energy is currently the only competitive one with the classical solutions for producing electrical energy and heat, with its use being limited, however, to those geographical regions rich in this resource. With regards to the use of biomass, it is felt that within the geographic regions having a temperate climate this would be directed on a priority basis towards obtaining

synthetic fuels. Wave energy could be used conveniently in a technical-economic sense only in several regions of the globe where the characteristics of the dynamic conditions would permit an advantageous exploitation. On the other hand, wind power is accessible on a broad scale, with its intensive use being influenced only by the development of specific technologies.[9]

Generally, the dispersed nature of the new energy sources is stressed, as well as their reduced specific unified power, which favors the construction of certain projects for using low power output and the decentralized production of electrical energy or heat. With all the interest and hopes shown by mankind for the new energy sources, at the last World Energy Conference prudence was shown with regards to the future reserved for these sources. Although ever more important material and human efforts must be made in the research for new sources, it was felt that their contribution will become significant only towards the end of the century.

In connection with this, in Romania's energy program it is pointed out that special efforts are to be made with regards to the ever broader use of geothermal, solar, wind and biomass sources and that new technologies will stress the introduction of heat pumps for the use of waste heat independently of or together with the heat-producing networks. To date, solutions for using solar heat (using flat solar collectors or concentrators), geothermal waters, biogases and wind power have been implemented in over 400 projects in our country. The solar heating of household hot water is gaining more ground, with this solution being implemented in over 1,400 apartments in Timisoara, Constanta and other locations in five other counties in the country, with financial help coming from the budget. In Bucharest in 1981, we will finish the construction of over 1,000 apartments in the Baneasa region where there is no heating network and where this solution will be used.

With regards to the amount of fuel saved in 1985 as a result of the higher use of new energy sources, 22.5 percent will be in industry (processes for drying wood and ceramics, preheating, cooling, space heating and so forth), 24 percent in agriculture (drying, dehydrating, preserving foods, cleaning and so forth) and more than 50 percent in the household-buildings sector (especially for heating health-household water and partially for heating rooms).

Special attention will be given to the rapid improvement of technological solutions for the better use of new sources, as well as the introduction into series production of all the components necessary to increase the competitiveness of these sources. Under these conditions, Romania's energy program proposes that by 1990 the geothermal potential will be managed in the proportion of approximately 90 percent, the solar potential by 20 percent and wind power by 4 to 5 percent, with the observation that wind power will especially contribute to the production of electrical energy.

The 11th World Energy Conference placed stress in the area of international cooperation upon the commercial trade of primary fuels (natural gases and coal) between diverse countries or groups of countries, as well as upon the technical training of specialists from the developing nations and the export of advanced technologies

from the developed countries to the developing nations. We feel that this means of dealing with the problem of international cooperation is unsatisfactory because it does not start with the premise of ensuring on an equal basis the access of all the countries to energy resources and broad collaboration in the spirit of equality for the purpose of using these resources according the needs of development of the different countries. A better example in this regard is the ties in the energy field between the countries of Eastern and Western Europe,[10] where to date there are six distinct areas of cooperation: the exploration of petroleum, gas and coal reserves; refining technologies, including equipment and service operations; equipment and components for the transportation of energy products; petrochemical technologies; technologies for classical electrical and nuclear power stations; and scientific and technical cooperation.

With regards to Romania, where international cooperation has a separate chapter in its energy development program, it should be noted that currently we are giving technical assistance in the mining, geology and petroleum fields, as well as in other related sectors, on the basis of agreements concluded with dozens of developing nations. This takes place under conditions where we are witnessing in international affairs a deepening of the contradictions between countries and groups of countries and under conditions where the energy crisis has had negative consequences that are felt in all the countries of the world, including in Romania. Our country's means of dealing with the problem of international cooperation in the energy field represents an expression of Romania's consistent policy of actively collaborating with the socialist countries, the developing nations and all the countries of the world and of promoting certain new relations of equality and equity in international affairs.

Our treatment in this manner of the problem of energy resources and raw materials on a worldwide scale, beginning with the need for a judicious solution to the problems generated by the possession of these resources, the access to them and the satisfaction of all the countries' requirements for raw materials, is determined by the imperative of building a new international economic order and of having a broad cooperation of all the countries in satisfying the requirements and aspirations for progress of all mankind.

For Romania, a developing socialist nation whose rate of economic growth is among the highest in the world, the strategy for development established by the 12th Party Congress has a vital importance since it defines the path that must be followed to bring our country into the ranks of the developed countries in a relatively short period of time. The provisions of our energy program, compared to the forecasts prepared by specialist from around the world, as well as the results obtained to date in-country, demonstrate that in our country important steps are being taken to achieve the fundamental objective in the next decade: Romania's energy independence.

FOOTNOTES

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8. G. Toth, J. P. Causse, M. Claverle, "Solar Energy Production: French Thermodynamic Power Stations," 11th World Energy Conference Paper, Vol 1A, pp 665-683.

9. B. Stoy, J. E. Feustel, "Solar Energy and Wind Energy - Contribution to Covering Future Energy Demand," 11th World Energy Conference Paper, Vol 1A, pp 587-611.

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EXPERTS DISCUSS PROBLEM AREAS IN ANIMAL BREEDING SECTOR

Bucharest ERA SOCIALISTA in Romanian 20 Aug, 5 Sep 81

[Article by Mihai Mazanet]

[Part I, No 16, 20 Aug 81 pp 26-30]

[Text] In the intensive development of Romanian agriculture, zootechnics is and will continue to be a priority area. The requirement set by the party leadership for the share of animal production in coming years to represent 50 percent of overall agricultural production has deep social implications, particularly for providing a food consumption with high biological value as well as covering the greater and greater requirements of the various branches of industry.

Proceeding from the particularly important goals facing zootechnics in this five-year plan, it is necessary for the specialists in this area to give the greatest attention to complete utilization of the resources our country has available for developing animal production. At the current time, what are the most efficient ways to achieve an intensive and qualitative growth in zootechnical production? What reserves, still being used insufficiently, exist in this area and how can they be utilized? Such questions have been in the attention of the participants in the discussion entitled "Zootechnical Production, the Requirements for Intensive Development and Quality," organized by the editors in collaboration with the Academy of Agricultural and Silvic Sciences.

Participants in the discussion: Ion Moldovan, vice president of the Academy of Agricultural and Silvic Sciences; Dumitru Teaci, scientific secretary of the Academy of Agricultural and Silvic Sciences; academician Emil Negrutiu, of the Cluj-Napoca Agronomic Institute; Nicolae Oprea, director in the Department of State Agriculture; Petre Solyom, deputy general director in the General Directorate for Agriculture and the Food Industry in Mures County; Gheorghe Burlacu, scientific director of the Research Institute for Animal Nutrition; Florentin Cirpan, director of the Beregsau Hog-Raising Complex,Timis County.

Ion Moldovan: In the years of building socialism, agriculture in Romania has taken on a more and more intensive nature, while zootechnics has enjoyed special attention in the general process of making agriculture intensive, being a priority sector. This may be shown by several figures. In the last four decades, more exactly between 1938-1979, the value of total vegetable production has increased more than 2.2 times, while in the same period that of zootechnics has increased more than 3.7 times. The share of zootechnics in total agricultural production also has grown in time--from around 30 percent in 1938 to 45 percent in 1979. This development was sustained with greater and greater investment capital intended to extend the material base of zootechnics--approximately 12 billion lei in the 1966-1970 five-year plan, 21 billion in 1971-1975 and 23 billion in the 1976-1980 five-year plan, while more than 36 billion lei are forecast for this five-year plan.

I feel it necessary to stress that in the 1971-1980 decade zootechnical production reached the highest development rates in its entire history. This rapid growth was based on fulfilling the provisions in the national program for zootechnical development, compiled from the order and under the direct leadership of Comrade Nicolae Ceausescu, a program which, at the same time, establishes the contribution which other sectors in our country's economy must make, sectors involved in solving the main problems confronting zootechnical activity.

This policy of the priority development of zootechnics within the development of agricultural development is in full agreement with the needs of our economy. Zootechnics itself is a means for intensifying agricultural production, but only a growth in the share of animal production in agricultural production is not enough. Intensification of agricultural production as a whole, along with increasing the share of zootechical production, at the same time requires intensification of production within the zootechnical sector.

At the world level, intensification of agricultural production is very clear. Thus, in the 1963-1979 period, while agricultural area rose approximately 1.7 percent, arable land rose 5.6 percent and irrigated crops rose 34.4 percent, grain production increased 57 percent. This trend also is found in the animal production sector. The number of animals rose around 22 percent for cattle, 14 percent for sheep, 43 percent for hogs and more than 56 percent for poultry, while meat production increased 65 percent, milk production--29 percent and eggs--62 percent. Thus, in the zootechnical sector, too, we see a process of continued intensification of production, aimed not only at increasing the number of animals but also increasing their productivity and slaughtering weight. What I would like to emphasize in particular is that while the number of cattle rose 22 percent and that of sheep rose 14 percent, the breeds such as hogs and poultry, with faster reproduction possibilities, rose 43 and 56 percent, respectively, with the goal of satisfying the population's food needs in a shorter time.

Our country's policy of development of agricultural production and zootechnical production is in agreement with this world trend. Taking the 1938-1980 period into account, in Romania, while cattle numbers rose 78 percent and sheep rose 55 percent, the number of hogs rose 318 percent and poultry--157 percent. In the same period, meat production rose 221 percent, milk production--191 percent, eggs--398 percent, while special increases also are recorded for wool--161 percent.

This trend also is being maintained for the program to develop animal raising in the 1981-1985 period in Romania. In this regard it is important that, while

it is being kept in mind that the number of cattle should increase 12.6 percent, hogs--30 percent, sheep--32.6 percent and poultry--20.3 percent, it is being forecast that meat production should increase 64.2 percent, milk--69.2 percent, wool---62.3 percent and eggs--28.1 percent. As such, the development of zootechnical production in coming years in Romania will have an intensive nature, with particularly high annual rates for production compared with the growth rate for number of animals.

Emil Negrutiu: Truly, we have unprecedented achievements in animal raising and it is forecast that a very fast development rate will continue compared with world trends. However, I figure that we should mention the different zonal contribution to these achievements as well as their share by categories of farms.

In the recent past, the population's farms represented a large share in zootechnical production of numbers of animals as well as production. This share also is being maintained today, particularly in the pre-mountain and mountain zones. On the territory where the Maramures Brown breed of cow is zoned (Maramures County and counties placed on the exterior Carpathian arc), the population's farms hold or use on the average 31 percent of the agricultural area, with variations up to 45 percent, while the average for the country as a whole is around 15 percent. Whereas the number of cattle (and other animals) held by the socialist units at the national level today represent around 60 percent and around 40 percent on the population's farms, in the zone mentioned this ratio is nearly equal, emphasizing that in certain counties such as Gorj and Maramures, 66 and 74 percent, respectively, of total animals are found on the population's farms. This aspect also is reflected in milk and meat production in the zones I have referred to. A similar situation also is presented zonally in the counties placed on the interior Carpathian arc, where the Romanian speckled cow is raised.

But there are great differenceswith clear particular features which exist between the counties from the two zones as well as between other counties, features due in good measure to the numerous influencing factors and specific conditions of the natural background. I have given these examples to show two aspects; first, the importance of the zonal nature of agricultural production in general and, implicitly, of zootechnical production and, second, the large share which the population's farms have and will continue to have, differentiated microzonally. I think that account should be taken of these elements in connection with the requirement for the intensive development of zootechnical production.

Gheorghe Burlacu: Of course, also posed is the much discussed problem of the nutritional needs or scientifically established needs for normal nourishment for the population. Whereas at the world level a level has been reached in providing food ration considered generally to be appropriate, there still are big differences between zones and countries. One also may evaluate that the participation in nourishment from the animal products is still small with regard to calories as well as animal protein.

Emil Negrutiu: The differences of the kind you are referring to also have been found between some counties in Romania with regard to meat, milk, egg and wool production as well as their per capita consumption. Thus, just in the zones where the Maramures Brown breed is raised, per capita milk production varies between counties, due to various factors, from 108 to 379 liters, which requires intercounty deliveries of these products to balance the population's consumption.

Ion Moldovan: Yet, from the viewpoint of animal protein consumption, we have recorded particular progress in recent years. Between 1963 and 1977, the increase was 18 percent for total consumption of protein, of which 58 percent was of animal origin. Yet the level attained is just 39 percent animal protein compared with total protein consumed. Precisely for that reason, through the continued powerful development of zootechnics, we are seeking to achieve not only an intensification of overall agricultural production but also satisfaction of the population's consumption needs to a greater extent and rise in the people's standard of living.

Nicolae Oprea: From the viewpoint of concentration, specialization and integration of zootechnical production, very great steps have been taken in Romania. For example, we have built animal breeding farms which have among the highest concentrations of animals in the world. Construction and technological solutions permit a powerful intensification of zootechnical production and emphasis on the industrial nature of this production. Yet there still are many elements which make the investments we have achieved not be used well enough. In frequent cases, the animal breeds we are raising in these units are not expressing their maximum production capacity. Generally, the productivity and labor efficiency in this sector can be improved a lot.

Florentin Cirpan: An important means of increasing labor productivity and increasing economic efficiency in the industrial complexes for hogs--a means which should be generalized--is modernization of raising and exploitation techniques through the application of the newest solutions. In this regard I should mention our combine's experiences, a unit in which, under conditions of reducing the physical effort, labor productivity has risen 5 times on the average due to the modernizations made and the operating and construction techniques are the factor with which our own specialists take action.

But--and I emphasize this fact--the concentration of animals in the complexes in itself is merely a condition for achieving production with high efficiency. It is necessary for the intensification of production to be the factor with which priority action is taken in this regard--by increasing labor productivity as well as by reducing the material expenses incurred, particularly by optimization of the fodder recipes, reducing specific consumption, standardization of the modernization designs according to the newest techniques.

Ion Moldovan: The process of industrialization of animal raising has meant that in the last 15 years zootechnical production in Romania has recorded particularly high growth rates compared with those achieved at the world level. The figures are graphic. For example, between 1963 and 1979 meat production in Romania rose 165 percent compared with 65 percent at the world level, milk production rose 57 percent compared with 29 percent, egg production--176 percent compared with 63 percent, wool--54 percent compared with just 2 percent, the world average. This places Romania among the countries with the highest development rate for animal production in the last 15-16 years. Yet the plan tasks have not been fulfilled, with great reserves remaining unused. At the same time, many shortcomings were seen in the activity of this department of agricultural production, shortcomings which must be eliminated by solving the problems raised.

Editor: What is the cause for failure to fulfill animal production at the level of the forecasts established?

Ion Moldovan: The failure to fulfill the plan tasks which zootechnical production had and failure to carry out the programs according to which activity was conducted in this

area also had at their base some difficulties along with the shortcomings in the work of the specialists concerned with animal raising, and there were many of them, difficulties among which I would mention that the main one has been failure in recent years to provide only for approximately 80-85 percent of the necessary fodder. The planned production of fodder per unit of area was not carried out, either, for the fodder specific to each breed of animal and the areas of land needed for the fodder crops were not provided, either. In any case, as a specialist, I feel that the lack of fodder is the basic problem which has affected the level of zootechnical production and, in general, the efficiency with which animal products are obtained.

Emil Negrutiu: This is the great truth and, in my opinion, is the "basic problem" in the failure to achieve zootechnical production as well as in the insufficient utilization of the genetic potential of the animal breeds or hybrids. For many years and year after year we have not had a balanced fodder balance in useful elements, quantitatively and qualitatively. On various occasions I have referred to these aspects in the past, too, and I also published an article in ERA SOCIALISTA in 1980. Now, as then, if we wish to approach the basic problem of zootechnics in our discussion, I propose that, above all, we examine the main aspects of the production, preparation, storage and administration of fodder. Because neither "breed" nor "home" (shelter and technological factors) is the main guilty party in the failures to achieve our zootechnical production, but "food" (nourishment) is. In this connection a change in view, in concept is needed.

Florentin Cirpan: I think that the nutritional aspects of the fodder should be borne in mind, too. In this regard, as far as corn--our basic fodder--is concerned, there are opportunities to increase its protein content. Increasing this content by 1 percent would lead to around a 10-percent increase in meat production, using the same quantity of fodder, together with improving the quality of the meat and using the energy of the combined fodder more economically. At the same time, the animal breeds we work with, through this, would have all the necessary conditions created in order to actually carry out production at the level of their production capacity. So, with relatively small material investments we could achieve a substantial increase in production, with special efficiency economically and with regard to the quality of production.

Dumitru Teaci: Really, providing the fodder in necessary quantities and of appropriate quality plays a particularly important and, I would say, decisive role for all zootechnical activity. However, in this connection, a number of problems are raised, problems for which appropriate solutions must be found. Taking into account the country's ecological resources, today we can produce approximately 100 million tons of dry substance for the lands as a whole which are not covered with asphalt or used for construction. Of this total, approximately 65 million tons are achieved in agriculture, with the remainder belonging to silviculture or being products which do not enter into the circuit of transformation as food for man or animals. It is very important that approximately 85 percent of this biological mass or phytomass, as we say, is intended to feed the animals and only 15 percent directly enters into human consumption in the form of grains, vegetables, wine and so forth.

So, from this viewpoint, it seems we have rather large resources to feed the animals. And if we would achieve the fertilization of the land as we know it must be done today, with the means we know, and if we used natural and mineral fertilizers appropriately as we produce them in Romania we could nearly double the quantity of dry substance. That is, we could exceed those 100 million tons by a lot, of which around one-third

is grain and the other two-thirds are non-grain products, industrial products, forage, reusable residue for food for animals, for example, grist.

But there also is another aspect. I could state that we are using photosynthesized products, that is, the so-called green fodder in a proportion of only 55-60 percent, while the remainder is being lost because it remains ungathered in the fields and is not made available to the animals. Very much hay is not reaped and remains unused; also, many secondary products which represent food for the animals exist, but they are wasted because they are not utilized and preserved as they should be. As far as I am concerned, as a pedologist, I am happy that what the earth produces is returned to it, but this repayment can be made in a much more efficient way through the animals, at the same time obtaining meat, milk and so forth for human food.

Emil Negrutiu: The failure to harvest large areas of hay from the state ownership and from the communes' use to a large extent is due to the insufficient material incentives for the harvesters, in kind or in money. In the pre-mountain and mountain zones, the individual farms hold the most widespread areas of natural hayfields and these aspects are not seen there, but others are. In these zones, together with the exodus of the population to lower zones, the numbers of cattle and sheep are lower but, apparently paradoxically, the incentive to produce natural hay is rising, the hay utilized in the winter and spring at high prices and more easily than if they were used to raise the animals and obtain milk, meat, wool and so forth.

This type of eloquent example is found in the mountain counties, such as Maramures, Harghita, Hunedoara, Suceava and so forth, where, of total hayfield area, a very large share is held by the individual farms, farms where preservation of the hayfields, particularly the harvesting and preservation of the hay for their own needs and, in the end, for utilization, are a true "cult."

Editor: So the basic problem is that of producing more fodder but also of using the existing resources better and the fodder base we have available.

Ion Moldovan: We feel that zootechnics is a means for utilizing the production of the vegetable sector and, thus, actually is an industry for changing certain agricultural products into animal products. However, I would like to stress that, differing from the resources with which industry ordinarily changes various raw materials into products, the "animal machine" itself is a great consumer of raw materials. Above all, the animal consumes fodder and forage to live; it is what we call the "maintenance ration" which keeps it alive and is very high. Only what the animal consumes above the maintenance ration is changed into actual production--into meat, milk and other things. This surplus of forage and fodder, beyond the animals' physiological needs, is the "production ration."

Generally speaking, around 75 percent of the expenses in zootechnics is represented by expenses for the maintenance ration, care expenses, shelter, watering of the animals. But nothing is recovered by incurring just these expenses. What is decisive are the remaining 25 percent of the expenses, which represent the cost of the production ration, so only by ensuring this ration is it possible to recover all the expenses and achieve a gain. In other words, at least 4 lei are obtained with 1 leu invested in production ration.

Thus, it should be understood very well that if we do not ensure the production ration

in order to exploit the animals' production potential to maximum capacity, then zootechnics is changed from a source of profit into a source of losses.

Dumitru Teaci: Stating it graphically, it would be as if I filled the gas tank of the car, put it in the garage and let the motor run. The problems of environmental pollution also are stated in somewhat a similar manner.

Emil Negrutiu: And, yet, there still are many and frequent cases where not even the normal ration is ensured for maintaining vital functions, which causes an impermissibly large percentage of mortality and of slaughters. Also we are meeting rather many situations where, due to insufficient nourishment, quantitatively and qualitatively, during the winter period, the animals get so weak that their recovery to a normal physiological condition can only be achieved from spring up to the fall, with implications which are too well known in the reproduction and production process.

Gheorghe Burlacu: That is how it is and I feel that these are aspects we should discuss in depth in our discussion. Because, really, animal production is being achieved with a relatively low productivity, starting with vegetable production. This productivity varies between 3-5 percent, up to a maximum of 30 percent. From here we see that all those working in zootechnics must give the greatest attention to maintaining as high a level of efficiency as possible which, by its nature, is relatively low. Not more than 10-15 percent total productivity is obtained in the fattening of sheep and bulls. Only hogs are capable of giving a productivity of up to nearly 30 percent and milk cows with high productivity, that is, those with a daily production of 30-40 liters of milk.

Dumitru Teaci: Romania is extremely varied ecologically. As a result, by tradition as well as by the conclusions and recommendations of scientific research, certain types of diversified agriculture , according to the zone, have been organized. These types of agriculture cannot be mechanically transposed from one zone to another, particularly with regard to vegetable production, but--connected with it--also with regard to animal production.

Emil Negrutiu: The work of zoning agricultural production in many cases has been carried out forced in Romania, on the basis of plan indicators, which has damaged the achieving of parameters of normal production from a technical, social and economic viewpoint, particularly in the valley and pre-mountain zones. It is hard to understand why it is necessary in these zones to get agricultural products (with many compromises) through unsure crops or crops which are totally inefficient technically and economically. Is it not really cause for the national planning organs to take into account the recommendations resulting from scientific research?

Dumitru Teaci: It would be logical and efficient. Recently, as has been shown here, Romania has gone to a powerful intensification of zootechnics and its concentration in big industrial complexes. We were obligated to do this by the need to increase labor productivity and obtain as high an efficiency in this sector as possible.

However, some contradictions appear here. Production in agriculture is dispersed on the territory, not having a great density as in industry. Some 10 million tons of steel can be produced over a 10-hectare area, but it is far from possible to obtain the same quantity of grain. The concentration of agricultural production is achievable merely within certain limits. Because, above all, from the viewpoint of the overall entropy of the territory it is necessary to proceed so that the earth remains

productive for future generations, too. As a result, whereas a large quantity of vegetable mass is transported to a zootechnical complex to feed the animals, it is absolutely required that at least 30-40 percent of the nutritional substances be returned to the entire territory from which this vegetable mass was gathered. In the opposite case, the ground is spoiled, gradually impoverished, until it is exhausted.

But in this way, other aspects are raised. We must proceed so that very much energy is not spent to transport the fodder to the zootechnical complexes and then for the transport of the animal fertilizer from these complexes back to the field. Then the problem is raised of feeding the animals not only in the stables but also in the pastures. But how much for the stables and how much for the pastures? Proceeding from the need to save energy, the trend appears rational whereby the animals would be placed as much as possible to gather their food by themselves. But whereas in the past the achieving of irrigated pastures seemed to be an aberration, we see that, under current conditions, it is a truly efficient solution. Superintensive irrigated pastures can be created, where the animals would graze as long as our climate permits.

Emil Negrutiu: I agree, but from the research made right by your own collective, we clearly see that around 25 percent of the pasture areas are so destroyed that they need enormous investments and with unsure efficiency, investments which perhaps never would be recovered. The question has been and is being posed even today of whether these areas should not be withdrawn from agricultural circulation and given over to the forestry sector. These are beginnings, but very timid ones. I feel that this is how we should proceed, concentrating investments on a reduced area of hayfields, but with high technical and economic efficiency.

However, another aspect also should be brought out. The spectacular achievements achieved in raising the production of the natural hayfields by applying radical measures by the research units or specialized county offices have been carried out until now on insignificant areas. Practice proves that the improvement of all natural hayfields, particularly for the hilly and premountain zones, is a vital problem as well as that of their rational use.

Gheorghe Burlacu: A grazing animal expends more for his physiological needs, thus it needs 10-15-percent higher maintenance ration than a resting animal. In the case of highly productive animals, the grazing period should be more restricted, since they cannot assimilate the necessary quantity of food to satisfy all their needs. Of course, this does not mean that they should not be walked, precisely in order to avoid certain problems connected with their health and reproduction. But for the hilly and mountain zones, where it is relatively easy to obtain a daily increase in production of 600-700 grams for each cow being fattened, I feel that it is profitable for the animals to be kept under grazing conditions, however taking care that during the rainy time and during periods which are unfavorable for grazing there exist the opportunity to supplement their food from a stock. Because it happens that everything an animal has gained in weight during two weeks is lost in the next two-three days because it did not receive the maintenance ration necessary for it.

Dumitru Teaci: Both we and the world know that migration or moving of flocks of animals from one zone to another, depending on the season. This is an extensive system for raising animals and, of course, we cannot conceive of the intensification of

animal production using the features of extensive systems. But I believe that we must take some things into account. It is easier and, in any case, more economical for energy consumption to transport the animals to the source of food than food to the animals and then the garbage back to the field. Even here, in the hilly or mountain zone, if there is some poorer land with regard to the ability to produce fodder than the lands irrigated from the plains, yet in this zone there is a large, good-quality vegetable mass in the meadowlands and it could be utilized two-three times more efficiently directly in the field, through grazing. For that reason, I figure it is necessary that the concept of moving the flocks from one zone to another, of the animals' migration to the place where the fodder is produced should be reconsidered, achieving some stocks-warehouses of fodder, with semi-mobile sheltering of various categories of animals, by breeds, for maintenance and raising. This would facilitate the consumption of the vegetable mass where it is produced and the garbage would be left in place in order to avoid destruction of the soil.

Ion Moldovan: I feel that truly a major solution is maximum use of the natural meadowlands, but for this it is necessary for us to improve them, care for their regeneration, and provide the needed seed for this purpose. Generally a change in view is needed in connection with improvement of the meadowlands. Until now we have not been concerned with soil improvement where the meadows are in order to develop the production of graminaceae and leguminous plants. By regenerating a meadow without ensuring the appropriate soil conditions, the grass tends to return to what it was before in a short time. If the improvement projects are done solidly, then truly spectacular results are obtained.

For example, at the Salonta State Agricultural Enterprise, ordinarily 1,000-2,000 kg of grass per hectare was being obtained in May-June in 2-3 weeks on alkalized land; after that nothing grows until October. By applying some additions, by super-sowing and draining the land, production increased 5 times. Those in Salonta simply were able to have pastures for the grazing stage and hay. But, I repeat, we cannot raise the meadows' productivity merely with very simple resources.

Dumitru Teaci: With regard to using meadow resources, we should be very realistic. The 4.4 million hectares of pastures and hayfields in Romania are mainly marginal lands which could not be ploughed because they are inclined, hard to reach, they are lands with advanced salinization, with excess humidity and then there are the lands in the mountain and Alpine zones. Thus, these lands have fortuitously remained for pastures. It is precisely on these lands--which are "sick", the great majority of them--that the improvements must be applied. Also, when we speak of this great reserve of pastures, we must think of all the improvement resources, including investments. Since maximum productivity cannot be obtained without investments of work, materials, capital. And when the necessary expenses are incurred, the place actually changes. And we know that the pastures ensure the greatest productivity of changing fertilizers into agricultural products. A ton of meat can be obtained with a ton of fertilizer applied appropriately. But changing the productivity of the pastures is not possible only through simple measures of care. The production of seeds also is very important. And here we are very lacking. The production of seeds for the pastures was left way in the background.

Petre Solyom: Really, the expenses you referred to are necessary. Currently, the enterprises for pasture administration are being financed from the state budget. The reality is that the projects for complex improvement of a pasture area last 2-3 years and sometimes even 4, with 3,000-4,000 lei being spent for each hectare.

At this time, the pasture improves radically in productivity, efficiency, composition and so forth. After that the pasture is put into use by the agricultural production cooperation or producers' association, collecting an annual pasture tax of 75 lei for each animal.

In order to maintain pasture fertility the improvement projects must be repeated after 5-6 years. In Mures County there is a possibility for us to return to the same area about once every 10 years, with the condition that we also have the necessary material resources. Because these projects are exacting and need appropriate additions, seeds, equipment. So we cannot do much today with traditional, artisan resources and only with the aid of the village residents, Pioneers, UTC members.

Dumitru Teaci: If 75 lei per year is paid for pasturing one cow, taking into account that 2-3 cows are admissible on one hectare of pasture, we see that the enterprise for pasture management collects 300 lei from each hectare. Not one improvement technique, no matter how elementary, can be applied on one hectare of pasture by spending only 300 lei per year! The problem is that we must move from what is an ancestral practice in using pastures to the utilization of them as a means of production which directly affects the efficiency of animal raising.

Petre Solyom: In Mures County, having failed each time to intervene with improvement projects 5-6 years after certain pastures have been put into operation, large areas have become degraded with regard to productivity. We have tried to find some solutions which perhaps could be taken into consideration. For example, the Sighisoara State Agricultural Enterprise went with the idea of providing their own pastures. Intensive improvement projects were carried out on an area of 1,200 hectares of pasture from the DAIA [expansion unknown] with an average of 16,000 lei per hectare being invested and so they succeeded in solving the problem of maintaining the entire 1,900 young reproduction bulls. Working with specialized personnel, starting even with the head of the farm (who is a technician) and in a well-organized pasturing system, an average daily increase in weight of 620 grams per animal is being achieved.

On the other hand, we introduced a so-called "service system" in two enterprises for pasture administration. What does it consist of? These enterprises, concerned with the pastures, take over animals from some zootechnical units and provide for their maintenance on pastures from spring until fall. Depending on the weight gain of the animals throughout the entire grazing period, the zootechnical units pay the pasture enterprises around 10 lei for each kilogram.

Editor: Has this system you have experimented with proven to be efficient and is it working well now?

Petre Solyom: This is exactly what I wanted to say: this system does not operate too well, because some of the zootechnical units which could benefit from it have a small number of animals, while others do not have the money to pay for maintenance of the animals. In this situation we are going through a strange period, I would say. For us, in the conditions of Transylvania, where we have immense pastures but, of course, also for other zones, the maintenance of the pastures and appropriate organization of pasturing activities are basic to the continued development of animal production.

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[Text] Dumitru Teaci: Approximately two-thirds of existing pastures belong to the state, while the rest belong to the agricultural production cooperation, the animal-raising associations, the private sector and so forth. By tradition, pastures here--and not only here--were used in the past according to need by just anybody, like the water and air are used, and then they were divided by communes and communities. For the most part we inherited this system through the pastures which are the property of the people's councils and which continue to be used somewhat as a natural commodity, more or less freely. But under today's conditions, it is necessary for all the pastures to be used with maximum productivity and as rationally as possible. In my opinion, this is a problem of structure, of organization, a problem of attitude toward such an important wealth of the country and one which should enter into a number of well-established economic relations in relationship with the other sectors of agriculture, with the entire economy.

Petru Solyom: I think that the following is the conclusion which results: there should be somebody who would have the entire responsibility for the best maintenance and utilization of the pastures. Precisely for that reason I feel there is a need for greater attention to be given to the enterprises which manage the pastures and their appropriate organization. In my opinion, there should be more of these enterprises and they should not be financed from the state budget but should be changed into economic units operating on the basis of their own administration, eventually adopting a "service" kind of system similar to the one we experimented with. In this way, taking over the care of large numbers of animals in the May-October period, under pasture conditions, the activity of the zootechnical units would be reduced a lot and the overall productivity would be much higher. I am convinced that under Romania's conditions irrational pasturing may lead to a 40-percent loss in the resources of vegetable nourishment we have available.

Emil Negrutiu: Proceeding from the results of research and practice in organizing the administrationand improvement of the pastures, I am in full agreement with Comrade director Solyom. I see asone of the welcomed solutions for the zones with spread-out areas of pastures on the state's property and which today are being operated inefficiently that specialized enterprises should be established to operate on the basis of self-management and supplied and set up appropriately. In accordance with local conditions and needs, the utilization of the grass on these pastures could be carried out either directly with the animals, collecting taxes on the product achieved, or by harvesting the fodder prepared and delivered as hay. I feel that the organization of such specialized enterprises and having their own administration would eliminate at the same time one of the great defects which is frequently encountered by beneficiaries of the pastures improved by the county offices and that is that these beneficiaries have fully proven that they are succeeding in a very short period of time in bringing the pastures they use into a state of damage.

Gheorghe Burlacu: Since in our discussion we are dwelling on the fodder base--and I think that is natural--I want to pick up the idea presented by Comrade vice president Moldovan; that is, that the greatest portion of the cost of the animal product is represented by fodder. Really, between 65-70 percent of the cost goes for forage and from here we also have the importance which should be given to this truly basic element for zootechnics.

According to the program established for this five-year plan, achieving a continually increasing quantity of fodder is forecast--from 47 billion production units in 1981 to more than 54 billion in 1985. With regard to the overall structure of this quantity of fodder, ensuring concentrated forage in the proportion of 35 percent in 1981 and 37 percent in 1985 is being kept in mind. I am sure that with this fodder base the planned animal production can be achieved. It would be necessary for the percentage of concentrated forage to increase for an even greater production. But, from my viewpoint, the basic problem is not so much that of the concentrated forage but, in particular, that of the quality of the volume fodder (that is, the fodder crops from arable area, natural hayfields, successive crops, coarse fodder and so forth). Because it is one thing to produce volume fodder which represents .5-.6 nutritional units per kilogram, as usually occurs in Romania, and it is another thing to obtain this fodder with a nutritional value of .8-.9 per kilogram, as is being done in the countries with advanced agriculture. For example, not long ago I was part of a delegation sent to the GDR precisely to study certain of the aspects connected with the production and utilization of forage. In this country, volume fodder is being obtained with a nutritional value of .7-.9 nutritional units per kilogram. This means that it can be used for the chewing cows competitively with concentrated forage.

Editor: Why do we not reach this value in Romania for this quality of forage?

Gheorghe Burlacu: A first reason lies in the fact that green volume forage is not being exploited at its best point. This best point is at the earing in the case of graminaceae or at the start of budding when we are speaking of leguminous crops. In order to obtain the largest possible quantity of grass, this forage is harvested when it actually has exceeded its optimum nutritional value. Since, generally, the evaluation of fodder production is done in Romania not depending on the nutritional value of the fodder obtained but according to the quantity of green fodder produced.

I would like to make a sidenote, still referring to the GDR's experience. In this country, the evaluation of fodder production obtained throughout the territory is estimated not only as dry substance but also as nutritional value and price corrections are made for the forage producers in various zones depending on its quality. They have a scale of values for green forage expressed in five categories. The one producing fodder of quality I receives a 15-percent bonus, while up to 30 percent is withheld from the price for the one producing fodder of quality V. Through this system they have succeeded in improving the quality fof green forage very much.

Nicolae Oprea: A somewhat similar system is to be applied in Romania, also, with regard to evaluating fodder production, particularly volume forage, all over the country as well as with regard to differentiated payment depending on their quality.

Florentin Cirpan: Of course, the quantitative and qualitative aspect of the fodder which the zootechnical units have available is particularly important, but another decisive factor, with major share in animal production, also should be taken into consideration and that is technological discipline. In my opinion, technological discipline really is a component of the production force, particularly in the industrial complexes, for all breeds of animals.

One may specifically argue this fact through the various consumptions achieved in some of the hog complexes which have available biological material and identical fodder recipes. While consumption--taken totally--in these complexes is 4,600 kg of combined

fodder per ton of pork, in other units this consumption rises to 6,400-6,600 kg of combined fodder per ton of meat. It is precisely the lack of technological discipline which is an important cause of the inappropriate efficiency in some of the agricultural enterprises.

Coming back to the quality of the fodder, I feel that the losses in quality which occur during harvesting and their storage are a very serious problem rising under the conditions of reducing total consumption of conventional fuel.

Gheorghe Burlacu: I am coming back to the problem posed in connection with the poor quality of volume forage. Generally, any method for preserving the fodder, either through silos or through drying (like hay) leads to a very large reduction in their nutritional value--between 20-30 percent. Unfortunately, this loss, which is enormous if we put it into ratio with the entire quantity of forage produced, is not taken into consideration too much. The percentages of loss I have referred to are, I think, the best argument for generalizing as much as possible the use of green forage in feeding the chewing cows, so that the animals can be kept as much as possible in the pastures or be fed with green forage brought to the barns, depending on the possibilities and the needs.

In the siloing of forage the preparation techniques must be respected precisely because only in this way are the nutritional qualities preserved, of course with the losses I have spoken of. For example, corn for siloing must be chopped at 6-8 mm so that the kernel can be sectioned, too, which guarantees the quality of the siloing. But we are not succeeding in doing this. First, we are not succeeding in preparing the volume forage for siloing in such a way as to be able to preserve it under the best conditions. Second, we are not succeeding in filling the silos at the best time, within two, three or four days at the most; rather, especially in the case of the big silos the operations last more than two-three weeks, with very high risks of fermentation processes appearing and damage of the forage. Under such conditions, it is not an accident that the siloed forage we are producing has a low nutritional value and sometimes also contains toxic elements which may lead to all kinds of disturbances in reproduction and the health of the animals.

Nicolae Oprea: A diversified range of machinery must exist and be used rationally to harvest the fodder during the optimum period and silo it appropriately. Since only in this way can great efficiency of the work and high productivity be ensured. In the contrary case, the harvesting is not done on time or the work is done with improvised methods and low efficiency. These are problems which we must keep in mind and which depend on us to resolve them along the way.

Emil Negrutiu: I believe we have waited too long for the designers and industry to produce the machinery and necessary equipment of good quality for the fodder crops and pastures, in accordance with the natural setting and, in general, the requirements for mechanization in zootechnics.

Nicolae Oprea: However, I would like to raise yet another aspect connected with the best possible utilization of the material base of zootechnics, fodder resources and in general the growth potential of the animals we have. As Comrade vice president Moldovan has shown, we have placed a special emphasis on development of hog and poultry raising, of course, in a fully justified manner, because they are the breeds which reproduce in the shortest time. But actually the cow and sheep are the most valuable breeds in zootechnics. However, we have been less concerned with them. With regard

to conditions in Romania compared with conditions in other European countries, they are much more favorable for raising and utilizing these two breeds.

Ion Moldovan: Really, we see from the data we have presented that in order to ensure meat and egg production, the hog and poultry breeds have been developed on a priority basis, in agreement with the world trends in the last 15 years. Bearing in mind that Romania is the fourth corn-producing country in the world, I feel that this trend was completely appropriate and was scientifically well substantiated. On the basis of it we have succeeded in increasing meat and egg production a lot in a relatively short time. We have reached a production of around 75 kg of meat on the carcass per capita in Romania, a production which is close to that of the countries with developed zootechnics. As such, we also have reserves for export under the conditions of a scientifically established consumption.

However, I would like to stress a special orientation which comes in the 1981-1985 five-year plan. Whereas until now the growth in meat production in Romania mainly has been based on faster rate of development of the hog and poultry breeds, the five-year plan we have entered as well as the next one forecast that meat production will be carried out by better exploitation of the production potential of the two cud-chewing breeds--cattle and sheep. The following figures are graphic in this regard: While meat production overall is to increase around 64 percent in the current five-year plan, with this being the highest rate in the last 15 years, the increase for beef is forecast to be 87 percent, for mutton--also 87 percent (compared with around 14 percent achieved for both products in the prior five-year plan). As a result, completely special increases are being kept in mind, which also requires a basic change in the action of production and use of the fodder specific to these categories of animals.

Gheorghe Burlacu: Nearly doubling meat production in one five-year plan means achieving annual rates of nearly 20 percent, with great implications for the balance of meat for domestic consumption and for export. However, for this we need a change in the view of our specialists who, I would say, are promoting an anachronistic behavior compared with world trends in animal raising. In Romania, the cattle are fattened with increases which barely reach 500-600 grams, compared with the 1-1.5 kg which the genetic potential of the breeds we are promoting permits. Cattle in the world are raised in particular for meat production. Generally we have mixed breeds, with an equal potential for meat production and for milk, but we are exploiting the potential of these breeds for meat production in a totally insufficient way. The concept that fattening must be done with fodder rations which ensure merely increases of 500-600 grams has found its place.

Ion Moldovan: As such the problem of producing fodder for the cud-chewers is particularly acute. And I figure that it is good for us to dwell on these aspects of ensuring the fodder base in our discussion, seeking to discover what exactly should be done in the future. In this connection, I endorse the opinion held earlier by Comrade director Burlacu, that with regard to fodder production and utilization of it we must proceed from the scientific structure of the ration of forage, however not expressed in variety components but in nutritional needs, that is, in calories, proteins, vitamins and so forth, just as in human nourishment. The scientific concept of planning should be promoted on such a basis, and then that of evaluating the production of meat or other animal products not only according to the quantity of forage given to the animals but also depending on a certain zone or certain microclimate, depending on certain soil conditions and crops which can be planted in it. Going

further, I would propose an even more advanced planning system, that is, that meat, milk, wool production should be in proportion to the unit of area depending on the zone. This would permit other ratios of structure to be established between the fodder crops specific to various zones, would promote other thinking in the area of differentiated growth of animal breeds on certain structures of microclimate, including the soil.

I feel that the current situation is anachronistic, one in which what exact fodder may be used and what exact fodder may not be used are imposed on the animal fattening farms through the structure of the forage rations established for the animals, not taking into account the zone they are in. Utilizing the area affected for the fodder base in a differentiated way and with maximum efficiency, it is possible to obtain 2 and even 3 tons of meat from each hectare.

Dumitru Teaci: Vegetable production which can provide for obtaining 2.2 tons of meat and around 300 kg of wool per hectare are being obtained at the Research Institute for Sheep at Palas-Constanta.

Ion Moldovan: This is the concept which should guide the thinking and activity of the specialized and planning cadres in zootechnics in order to fulfill the forecasts of this five-year plan for animal production.

Emil Negrutiu: I am in perfect agreementwith you on the concept of the scientific establishment of rations as well as the planning system expressed by product and put in proportion to the unit of area, because, in both cases, a more realistic methodology can be achieved in zoning agricultural and zootechnical production. But there are differences between counties and even between units even within the same zone, such as, for example, the one bounded by the boundaries for raising the Maramures Brown breed, with a "microzonal" nature being demonstrated, one which actually substantiates the overall zoning. Thus, in the zone I have referred to, meat production per 100 hectares of agricultural area varies in various counties between 2.90 and 7.90 liveweight tons for cattle, while milk production per hectare of agricultural area varies from 206 to 631 liters, also. Proceeding from such results, basically modest, and analyzing the influencing factors more carefully, we can achieve a more rational zoning and planning for animal production.

Nicolae Oprea: Currently, of the 3.3 million cows we have in Romania, 1.7 million are on the population's farms. We have not been concerned with these farms enough, with there being place here for growing many more parallel with the development of the socialist sector of animal raising. Clearly, here there is a need to provide the volume fodder quantitatively as well as qualitatively. Currently, through the average production we are obtaining, we cannot provide the necessary quantity and quality of fodder on the area cultivated. Calculating the cow in units, we would need around 1.5 million hectares cultivated with fodder. Under the conditions where this area cannot be provided, the rations of feed are compensated with coarse fodder, with waste resulting from poultry raising and so forth. But, of course, the effects are much different if the animal eats mainly grass or if it eats straw , stalks and other subproducts.

Ion Moldovan: It is planned that in the 1982-1985 period the area cultivated with fodder should increase to nearly 1.2 million hectares. I feel that this area will not be entirely enough, which will require greater efforts to provide the necessary

by increasing fodder production per unit of area and to have appropriate supply for the units so that they can harvest all the fodder on time and preserve it in a form which ensures the highest nutritional value.

Nicolae Oprea: There are large reserves for providing the fodder by having the most efficient possible utilization of the hayfields and pastures and by increasing average per hectare production, as has been pointed out earlier. But we must bear in mind that there are other ways of providing the necessary volume fodder for cud-chewers. For example, if only 500 additional kilograms per hectare could be obtained on the approximately 6 million hectares on which we sow grains, then nearly 800,000 hectares would then become available, on which fodder could be cultivated. Obtaining an additional 500 kg of barley or grain per hectare depends on a number of technological elements which we know very well--utilization of fertilizers, pesticides, seeds from the valuable soil and so forth--but which are not being applied appropriately.

Dumitru Teaci: But corn, too, should be cultivated where it can be cultivated, where they know that it will give good production , and not just on any land!

Petre Solyom: As far as I am concerned, I could say that I am professionally inclined toward cows for many reasons. I work on a county where, above all, one talks of cows when discussing zootechnics. Second, I come from a peasant family who was concerned with raising cows. Third, because, in my opinion, cattle--although it is a breed which has been left in the background until now, despite all the investments made--should have the greatest future due mainly to the quality of the products they provide.

Gheorghe Burlacu: Not to mention the fact that, differing from hogs and poultry which consume corn and grains, cattle do not compete directly with man for a number of basic food products.

Petre Solyom: I shall not return to the problems of fodder but I do want to refer to the cattle-raising techniques. Discussing and judging with specialist colleagues about how we could continue to develop our activity, we have reached a kind of impasse.

Editor: What kind of impasse?

Petre Solyom: This kind. Beginning in the 50's when we started to fulfill the first national plan for development of zootechnics and animal production, what was achieved was good. New technologies were introduced, complexes were created for intensive animal raising, obtaining very large production. In our county we have this kind of unit, for 5,000 head of cattle, which has produced record meat production. Very much was produced under conditions in which there was precise respect for the technologies established. However, what is happening now? The technologies I am speaking of and which really are the technologies for intensive zootechnical production were worked out and introduced into practice before the start of the energy crisis. These technologies are large energy consumers. Let us think only how much energy is spent transporting fodder from the field to the big zootechnical complexes or the barn waste back to the field. Since, as Comrade secretary Teaci was saying, if you do not give back to the earth what it has produced, you weaken it, degrade it.

It should be very clear that what was done until now was done well, despite all the shortcomings which existed. But it also should be just as clearly understood that

if these kinds of technologies which we adopted cannot be applied from here on--I am convinced that it cannot be applied fully due to the energy crisis--then we must find other solutions. And these new technological solutions for cattle also should have the nature of intensive production. Making production extensive even under grazing conditions does not mean intensive production. The small individual farms, where the animals have begun to be foddered recently, but without a sufficient material base existing, are not achieving intensive production. There still are great opportunities which could be put to good use. Scientific research should be concerned more closely with these problems of intensifying zootechnical production at various dimensions, that is, with large concentrations of animals, small concentrations and even under conditions on the individual farms, taking into account the limitations imposed by the energy crisis.

Editor: It also is forecast that around 30 percent of the increase in animal production in this five-year plan, particularly for meat, should be achieved on the basis of resources existing on the individual farms.

Petre Solyom: My opinion is that this forecast can be fulfilled completely. With one condition, however, and that is that the farms for animal raising should be given incentives to carry out this work, in other words, that the ones dedicating themselves to this activity should be able to live from it, should be able to earn appropriately. Because animal raising is hard and it is not realistic to believe that someone is going to keep one, two or three cows just from conviction and just understanding that it is necessary so that he, too, has products and contributes for the needs of others, but he will also do additional to support himself.

Beginning in 1968 and up to 1980, milk production on the individual farms in Mures County rose from 120,000 hectoliters to 420,0000, with 1,120 liters of cow milk returning to the state fund. But last year the quantity of milk from the individual producers began to fall. Why? Because cows are not being kept on more and more farms in the villages. The producers see, they discuss that so-and-so gave up his cow, that so-and-so did the same and then one and then another follow the example. So a phenomenon has appeared, a trend which is food for thought. They are aspects which must be counteracted by using truly effective methods for this purpose. In my opinion, as I was saying earlier, the solution should be for the individual producers to be given incentives to raise animals. However, this cannot be done by bureaucratic measures. For example, we were told to plan that a cow should be required to be raised on the village farms which have land. But it is totally unprofitable to raise just one cow and it is in no way justifiable for the work which is done and the expenses incurred; it is a clearcut loss for the farmer.

Nicolae Oprea: Going through the villages, you see many barns on the farms which are empty or are being used to raise rabbits or nutria, where they keep their bicycles or are changed into garages. Really, I also feel that there cannot be appropriate development of animal raising on the individual farms without more sustained incentives for the producers. For example, in Hunedoara County, there are around 1,700 groups of dispersed pastures (between .5 and 3 hectares) which are not being utilized rationally in the state agricultural units alone.

Petre Solyom: Zootechnical production generally today is being confronted with technological obstacles, as I was saying, due to the energy crisis. But we also have difficulties due to the heavyhanded way in which work is done. There still is too

much bureaucracy. For example, in our county we must give operative reports three times a week. Instead of following up on the spot how production is going, what problems are rising, how they are being solved, a lot of work is done to draw up situations, tables and so forth. Sometimes you have the impression that the figures, the papers we produce are of more interest than the actual production of meat, milk and eggs achieved.

In my opinion, more room should be made for showing initiative and the organizational ability of those who know the local conditions best and have the necessary experience. I have held agrozootehcnical courses, on my own responsibility, on the village farms in several communes in order to provide an impetus for animal production. I showed how cows should be raised, presenting slides with construction and technological solutions, I spoke about how small farmers in Bavaria, in Austria, work. After that two farmers came to me and said that they would like to raise cows but they did not have anything to feed them. They thought a while and then decided to invest money. Really, they strove and succeeded in providing the necessary supply, they even built a silo, I helped them get triphase electric current. Today one of them has 12 cows and he makes a living from them. Last year he gave 35,000 liters of milk to the state fund and 2,200 kg of beef and also contracted two hogs, because the mayor said he would not give him pasture if he did not raise hogs. Now, another three appeared and at the beginning they did not believe it, but now they are convinced that they can do something good and they want to follow the example of the first two.

Florentin Cirpan: Undoubtedly, there still are big reserves on the populations' farms, but I cannot be in complete agreement with Comrade director Solyom, since intensification of production on the peasant farms does not mean giving up energy and on the contrary means increasing energy consumption per unit of product for the national economy as a whole--of course, if the problem of modernizing these small farms are left to chance. On the big zootechnical complexes and the industrial production complexes, the modernizations made in recent years also have meant reducing energy consumption by adopting very economical solutions, such as natural ventilation through large shutters operated mechanically and centralized, hydraulic evacuation of waste on a water-pillow and so forth.

As a result, I say we should not wait for progress on the population's farms to be achieved somehow by itself and unilaterally, but this progress must be provided an impetus and introduced by proceeding from the good experience of our industrial zootechnical units, comparable and even superior experience, from certain viewpoints, to that which is more advanded in the world right now.

Nicolae Oprea: There are very large reserves in the sector of the population's farms. Precisely for that reason it is important for the good results which some producers are obtaining to be known as broadly as possible, to be popularized and demonstrated concretely. Why am I saying this? Because the people are somewhat restrained as a result of the fact that some measures taken in the past to provide incentives for agrozootechnical production were not carried out as had been forecast initially. The producers must be convinced through the example of others of the advantages offered them by raising animals.

Petre Solyom: I would like to tell you that good results do not have to be awaited too m[illegible] if there is faith in people, if they are given incentives to demonstrate

their potential for thought and ability to act, if they are encouraged and given incentives accordingly, then things must be well thought out and understood well in all their complexity. In the contrary case, some lacks of correlation, so that I do not have to say strange occurrences, may appear.

For example, there are a number of provisions for the development and incentives for work at home and a payment schedule is established for raising poultry. If I were not afraid that tomorrow or the day after tomorrow someone would come and accuse me of obtaining illegal incomes, I would drop my job and start raising chickens . Because I have the opportunity--it is written black on white--to produce 10,000 chicks without too much effort under the conditions in which I have at my disposal the necessary technology, which means that in 52 days I would honestly earn 30,000 lei, figuring 3 lei per chick as clear income. However, at the same time, a producer who raises five steerlings with a much greater effort cannot earn more than 1,000-2,000 lei per month.

Emil Negruitu: Improvement in the forms of material incentives, with priority for the ones which aim at relations between the cooperatives and cooperative members but also individual growers in the mountain zone would be needed to promote animal raising not only in the socialist units but also on the population's farms, as was discussed here, along with well-integrated agroindustrial rural development through concrete and efficient measures. Proven productive initiatives coming from the production units or from the village farms can be promoted faithfully and with courage on mutually advantageous bases. With regard to the status of caretakers, cow-milkers and sheep-milkers, I think it would be necessary for their activity to fit into the category of hard labor. Because these zootechnical workers, the great majority of them, "do not have day or night or holidays" and they do difficult and responsible work.

Gheorghe Burlacu: In some cases we have awakened to find units without milkers, without caretakers, because it was not convenient for them to stay and they left to work in other areas.

Dumitru Teaci: What really is the sociomoral status of an animal caretaker? Somehow have we not remained followers of a past mentality when the very notion of a "cowherd" had a pejorative meaning, disconsideration of the miserable peasant, an illiterate seen from the position of the bovar or the industrialist? Currently work in the zootechnical complexes has a specific nature close to the industrial, while some of the workers working in these complexes have secondary school studies. So profound changes have occurred in this sector of the economy, including in the people working in animal production. Such changes should be investigated more profoundly in order to uncover the consequences resulting from them on various levels, and I think this belongs primarily to the sociologists.

Ion Moldovan: That really is how it is and in our zootechnics big changes took place years ago and there was much emphasis on the nature of industrial production in this sector. We built big animal-raising complexes and for some complexes we used designs from other countries and I must say that our specialists worked intensely to adapt these designs to the materials and conditions specific to Romania's climate and soil. However, with regard to our own scientific research for systematically promoting new technologies at the national scale and at the scale of the county microclimate for all breeds of animals, we cannot state we are satisfied with what has been done until now. From now on the problems linked with energy must be given priority attention by

research, in the sense of seeking and applying technological and construction solutions with the lowest possible energy consumption. An overall requirement is to strengthen a lot the technological engineering departments because the research institutes and stations must supply production not with the solutions themselves but designs of technological engineering, designs which can be carried out as efficiently as possible.

Florentin Cirpan: The development of zootechnical production as a whole and, in particular, in the industrial complexes, requires great efforts from research with a view to solving certain basic problems such as improvement of the animals' production potential, improvement in the conversion indi ator for fodder, productive early wieght gain, improvement in raising technologies and techniques for fodder production, construction solutions, more efficient health protection for the animals and so forth. Similar to the scientific research in other areas which is being carried out in the big industrial units, zootechnical research also should be organized in its applicational aspect in animal production complexes and combines. In this regard we have proposed that, within our combine, for example, our own scientific research center should operate (optimized production and quality control of the combined fodder; improvement in boar; production of the double industrial animal hybrid and genetics of the populations; improvement in meat quality; pilot station for production of propionic acid; computer station for keeping records and for optimization of improvement work with boar and transport; experimental technolgoical sector). The scientific research center integrated into the specialized institute must give concrete answers to all the problems raised by the production of 100,000 tons of pork annually in this combine, in accordance with the specific nature of our current activity and together with working out of technological engineering solutions for the future, with the goal of ensuring the highest possible economic efficiency and complete competitiveness of the products at the world level.

Dumitru Teaci: Research just for the sake of research is not being done anywhere in Romania or in zootechnics, but research in order to be able to answer the requirements of production. We know very much from the viewpoint of production, that is, there is no crisis of science in zootechnics but this is not enough. It is necessary for these known elements to be assembled into an operational system and be placed at the disposal of production in a form in which it can be taken and utilized as easily as possible.

Ion Moldovan: The measures established recently by the party and state leadership on better organization of research activity in this important sector of agriculture are of the greatest importance for substantially increasing the contribution of scientific research to fulfilling the tasks provided in the programs for development of zootechnical production in Romania. Thus, they provide for the creation of a united framework for following up on and applying the programs for development of animal raising along the line of research and production, through appropriate organization of activity in the ministry as well as of the research network in the area of zootechnics, animal nutrition and veterinary medicine. Together with better organization of the leadership of production and work in the animal raising sector, a direct integration of research into the process of big zootechnical production is being sought.

Extending the network of the research units for more complete inclusion of all breeds of animals and domestic poultry with economic importance, also taking into account the specific conditions for raising them in various zones of the country, will allow

corresponding development of basic and applicational research, shortening the time for generalizing the results of research in big production. Subordination of the entire network of units to the concerned institutes where the testing of reproducers is carried out as well as production of genetic material and of the units where research is done to find new construction solutions and improve fodder technologies and solutions for raising animals as well as prevention and combatting of diseases will permit unified coordination by each institute of the research in its own area, assuming specific responsibilities in the process of zootechnical production.

These measures are in full agreement with the concept of the revolutionization of agriculture, with the great task facing us--that of increasing the share of zootechnical production to 50 percent of the value of total agricultural production in Romania.

Editor: It seems we have reached the end of this discussion. One can feel that an entire series of basic problems in the development of zootechnical production in Romania has been raised and discussed, an area which, in accordance with the Directives of the 12th party congress and the tasks established for the current five-year plan, are to record high growth rates in overall agricultural production.

Of course, much more could have been discussed because we hardly touched some of the important aspects. Precisely for that reason we feel that it would be good to leave the discussion open.

As has been seen from the discussion, we have all the conditions so that the tasks drawn by the 12th party congress and the indications of Comrade Nicolae Ceausescu in the area of zootechnics are fully achievable. However, perseverent work must be done in this direction.

Thank you for your participation; I also wish to thank the Academy of Agricultural and Silvic Sciences for the help it gave in organizing this discussion.

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# East Europe Report

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2218

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# EAST EUROPE REPORT

## ECONOMIC AND INDUSTRIAL AFFAIRS

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DEVELOPMENT OF TELECOMMUNICATIONS SYSTEM DESCRIBED

Tirana ZERI I POPULLIT in Albanian 3 Dec 81 pp 2-3

[Article by Perikli Pani, director general of posts and telecommunications: "The Development and Continual Improvement of Postal and Telecommunication Services"]

[Excerpts] On 3 December the postal and telecommunications workers celebrate the 40th anniversary of the postal and telecommunications workers strike. Today our country has a communications system featuring a compact network of overhead and cable telephone lines, with much equipment and machinery which ensures communications for the people and the organs of the party, state and economy in the cities and in the villages and with points outside the country.

Our state has made considerable investments, which increase from year to year, for the strengthening and advancement of postal and telecommunications services. Today we have 580 postal and telecommunications offices, compared to 68 in 1938. The growth rates in the volume of services executed are great. In the telephone service the growth rate is 225 times what it was in 1938 and in the telegraph service it is 10 times. The number of telephones is 13 times what it was in 1950.

Some important successes in the area of posts and telecommunications during the years of the people's government include the fact that all villages of the country were linked by telephone in 1973, inter-urban cables have been laid in some districts, multi-channel high-frequency apparatus has been installed, posts and telecommunications offices were opened in all agricultural cooperative centers in 1976, thus satisfying the needs of the management organs in the villages and the needs of the cooperative members. Some recent achievements include the installation of automatic telephone centrals and the augmenting of their capacities in some of the larger cities and the installation of the "Telex" telegraph system in 1978. Together with the telephone and mail systems this service plays an important role in communications between our country and many other states. Through the automatic telegraph central which has been set up in Tirana, in addition to its service to points outside the country, the "Telex" telegraph service has been extended into 12 districts, thus ensuring direct communications between central organs and organs of the party and government in these districts.

The postal and telecommunications plant has played an important role in this development. It has been transformed from a primitive workshop to a technical base for the production of equipment and spare parts for communications. Today it produces automatic and manual telephones, inter-urban centrals and switchboards, relays, spare parts for teleprinters, equipment for the construction and installation of devices, etc.

These successes have been possible thanks to the work and struggle of the workers, specialists and cadres educated and trained by the party. These cadres and specialists have increased their technical knowledge and its practical expression in work and, in addition to servicing the repairing the machinery and equipment, have drawn up and executed plans for the installation of automatic centrals and other electronic equipment. They designed and constructed the lines for overhead and cable networks and these operations were executed by specialists in technicians in the districts.

In light of the duties assigned by the 8th party Congress, great importance is assigned to the further improvement of the technical readiness, and quality of the services, to the expansion of the system and to increasing the level of utilization of the existing means. Also, the inter-urban, urban and international communications systems will be further developed by the introduction of radio relay systems for increasing operational channels and by initiating the automation of communications, expanding the "Telex" and "Gentex" telegraphic communications systems, completing the reconstruction of communications systems in the villages, etc.

The successful execution of these tasks and the increase of the effectiveness of investments depend, to a great extent, on the good organization of research, scientific, and design work, on the efforts which are being made for the domestic production of spare parts and equipment, on the taking of all preparatory measures, from research and design to construction and commissioning of new projects.

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GOVERNMENT PROHIBITS EXPORTS OF CERTAIN CONSUMER GOODS

Sofia DURZHAVEN VESTNIK in Bulgarian 3 Nov 81 pp 1019-1020

[Text] Council of Ministers--Decree #36 of 29 October 1981, for the restriction of export of consumer goods by foreign citizens.

The correct socio-economic policy of the Bulgarian Communist Party ensures a constant increase in the living standard of the people. The internal market is becoming richer and more varied with consumer goods. The degree of satisfaction of the needs of the population with food and other goods is constantly increasing.

In recent years the purchases of food and other goods by foreign citizens have increased. They buy and export considerable quantities because of the much lower retail prices in our country in comparison with the prices in the neighboring countries as well as in some other countries. The measures for the protection of the internal market which have been taken by the customs officials until now are not efficient enough and do not bring about the required results. Because of this it is necessary to implement additional measures for the restriction of the export of consumer goods. Such measures have already been taken by other socialist countries.

In order to avoid difficulties which may arise in the supply of the population with basic consumer goods, the Council of Ministers decrees:

Art. 1 (1) Prohibits the export of food and non-food consumer goods by foreign citizens in accordance with appendix #1. The goods found at the customs checkpoints shall be confiscated by the state in accordance with the Customs Law and the statutes for its implementation.

(2) The Minister of Finances together with the Minister of Internal Trade and Public Services may, if necessary, make expedient changes in the list of goods which are prohibited for export by foreign citizens.

Art. 2 (1) Determines the duties to be imposed on goods exported or imported by physical persons according to appendix #2.

Final Ordinance

Par. 1 Repeals decree #46 by the Council of Ministers of 1979 and the approved with it tariff. (D.V., issue 80 of 1979)

Par. 2 The decree comes into effect with its publication in Durzhaven Vestnik.

President of the Council of Ministers: Grisha Filipov
Chief Secretary of the Council of Ministers: Ivan Shpatov

Appendix #1 to art. 1, par. 1

List of the goods which are forbidden for export by foreign citizens.

I. Food

1. Meat and meat products
2. Beans
3. Packeted flour
4. Sugar
5. Cooking oil
6. Imported spices
7. Baby foods
8. Rice

II. Other goods

1. Baby clothes and shoes
2. Cotton textiles
3. Natural silk textiles
4. Blankets--cotton and woolen
5. Underwear--cotton and woolen
6. Mens' and ladies' shoes (more than 2 pairs)
7. Electrical washing machines--all kinds
8. Electrical vacuum cleaners
9. Double rate electric meters and clocks
10. Household porcelain
11. Enamel and stainless household wares

Appendix #2 to art. 2, par. 1

Customs tariffs for levying duties on goods exported and imported by physical persons.

| Name of goods | Duty |
|---|---|
| **I. Export duties** | |
| 1. Milk products | 300 percent |
| 2. Cereals and baked products | " " |
| 3. Butter, lard, margarine | " " |
| 4. Sugar products | " " |
| 5. Honey | " " |
| 6. Canned fish and meat | " " |
| 7. Coffee, cocoa, tea--imported | " " |

| | | |
|---|---|---|
| 8. | Red pepper--ground | 300 percent |
| 9. | Wool, wool yarn, wool textiles | 200 percent |
| 10. | Outer woolen garments | " " |
| 11. | Carpets and carpet products--Persian type | " " |
| 12. | Natural, artificial and synthetic leathers and products from them | 200 percent |
| 13. | Detergents | 200 percent |
| 14. | Electrical heating and cooking stoves | " " |
| 15. | Crystal glassware | " " |
| 16. | Electrical drills and grinds | " " |
| 17. | Small processing machines | " " |
| 18. | Brass fixtures--for everyday necessities | 200 percent |
| 19. | Cutlery and silverware--stainless | 200 percent |
| 20. | Sewing machines--all types | " " |
| 21. | Color TV sets--"Sofia 81" | " " |
| 22. | Photomaterials | " " |
| 23. | Gas and diesel fuel in foreign registered vehicles in excess of their normal tanks | 200 percent |
| 24. | Other goods not mentioned here | 20 percent |

## II. Import duties

| | | |
|---|---|---|
| 1. | Stoves, installations etc. which use liquid fuels derivatives of oil | 100 percent |
| 2. | Engines, engine blocks, chassis and body for cars as well as musical systems | 60 percent |
| 3. | Machines and appliances for processing of wood and metals | 20 percent |
| 4. | Jewelry, cosmetics and perfumes, ethereal oils, alchoholic beverages, tobacco and tobacco products | 20 percent |
| 5. | Other goods not mentioned here | 10 percent |

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SLOVAIR OPERATIONS, 1981 PLAN DESCRIBED

Prague LETECTVI A KOSMONAUTIKA in Czech No 16, 1981 pp 620-622

[Article by Libuse Kavanova: "Presenting the Branches of Slovair"]

[Text] Asked to describe his country, probably every inhabitant of the CSSR would begin in a different way, but every one would be likely to give top priority to what was most important for his family and work life.

In our conversations with employees of Slovair, however, we encountered something different, for they all started in exactly the same way: "Are you aware that our republic's total area (12,787,700 hectares), more than half (6,868,400 hectares) is agricultural land?" This reaction and this degree of knowledge did not take us completely by surprise, because a sizeable number of the 1,200 employees had already made it crystal clear to us that they have direct ties to the land. Of our total land area, Slovair employees and equipment will service 5,160,000 standard hectares [defined in terms of quantity of material applied: 50 kilograms of material applied equals 1 standard hectare] this year.

This 5,160,000 standard hectares--which comes out to only a slightly smaller number of hectares of actual land area--is quite a bit of land. It is relatively easy to imagine these expanses of fields and meadows, and rather more difficult to conceive of them as a whole, but it is completely impossible to convey in a few words the amount of toil that is involved in servicing them.

But Slovair can do the job--on this the farmers rely implicitly.

But what can Slovair itself count on, and how must it proceed, since it has resolved to accomplish even more than it did last year? It can count only on its own "foreign exchange." It must observe a strict law of organization and division of labor at all its workplaces. This means that everyone, without exception, even though in differing forms, must concern himself constantly with the safety of flight operations, while also fulfilling a demanding work plan, of course.

The initial organizational structure, which went into effect on 1 July 1969, was geared to a certain volume of work, area of coverage, and number (319) of employees. It was essentially satisfactory for fully 10 years, even though the scope of work expanded from year to year to such an extent that today Slovair is a multipurpose enterprise. The new organizational structure, which has been in force since 1

February 1979, is suited to current responsibilities, conditions and needs. Since Sloviar carries on special avaition operations in all the krajs and almost all the okreses of Czechoslovakia, its organization is adapted to the territorial breakdown of the two republics.

The management of Slovair (Eng O. Hudoba, director), which is headquartered in Bratislava, has five branches subordinate to it. Four of these have a common characteristic: they work together to meet the enterprise's annual plan by carrying on aviation work in their assigned portions of the territory of the CSSR.

And now, we present Slovair's individual branches.

Branch 01: nationwide helicopter operations and air taxi service.

Administrative headquarters: at Ivanka airport in Bratislava

Director: Eng Jozef Biely;

Number of employees: 120;

Aircraft: Mi-2 helicopters (16), Mi-8 helicopters (2), L-200 Morava aircraft (6);

Total area covered: 3,733,300 hectares, or 29.9 percent of total CSSR area;

Amount of agricultural land: 2,196,600 hectares, or 31.9 percent of CSSR total;

Area suitable for servicing by helicopter: 2,115,000 hectares, or 30.8 percent of CSSR total;

Plan for 1981: Mi-2's are to service 185,000 standard hectares of agricultural, forest and aquatic products area; Mi'8's are to perform 250 productive hours of flights for geological purposes, 390 productive hours of construction and installation work, and 400,000 kilometers of commercial air taxi service, involving 1,667 productive hours and transport of 1,860 persons.

This branch received its present mission in 1972. It was created by the merger of Branch 05 (which provided taxi service with L-200B's and, starting in 1971, with L-410's, on regular domestic routes), and Branch 06 (for helicopter operations and charger flights). Since Branch 01's main program involves helicopters, we should briefly mention its beginnings. Two Mi-1's and two Mi-4's purchased from the Ministry of National Defense in 1961 were initially used on an experimental basis in various sectors of the national economy (film, topography, geological explotation, monitoring high-voltage transmission lines, construction and installation work), but only occasionally in agriculture. Later on, their activity was expanded to include monitoring of the through gas pipeline and measurement of the radiation characteristics of antennas. An SM-2 bought in 1971 took over monitoring of the pipeline and of high-voltage transmission lines; after the end of its service life it was given to the Kbel museum. Starting in 1974 the work of wornout Mi-1's, Mi-4's and SM-2's was gradually taken over by the first two Mi-2's from Poland. Currently the Mi-2's are the principal model, not only in numbers, but also in terms of their use in agriculture: in 1977, 8 Mi-2's flew 2,815 productive hours, and last year 16 of them flew 4,820 productive hours. Good experiences with helicopters in construction and installation work were reflected from the outset in increasingly important assignments and intensified demands. In its first years, Slovair met the

demand with helicopters leased from Interflug (Wirtschaftflug, Berlin) and from the Ministry of National Defense. Starting in 1974 a workload of 640 productive hours was taken on by two of Slovair's own Mi-8's. The air taxi service has two important milestones: 1965, when this branch of Agrolet became the center of Ivanka airport, and 1969, when the then Branch 05 took on this mission. In 1973, as part of Branch 01, 30 L-200's flew 1,288,793 person-kilometers and 4,758 productive hours, and transported 13,526 persons. About 80 percent of the flights were commercial in nature and about 15 percent were ambulance flights; the rest were private flights. Gradually the L-200's wore out; of the six now on hand, one is reserved for special work (measuring atmospheric purity), and the others, at stations in Prague, Bratislava and Martin, fly missions (70 percent of them ambulance missions) for contract partners. Agriculture's needs are met by eight stations in the Czech republic and five in the Slovak republic, while two Mi-2's are available for the needs of the through gas pipeline.

Branch 02: agricultural aviation work with fixed-wing aircraft in the CSR (except for the East Boehmian Kraj)

Management headquartered at Prague-Ruzyn

Director: Eng Petr Touzimsky;

Number of employees: 298;

Aircraft: Z-37 Cmelak (80), An-2 (12), Z-42 (1), L-60 (1);

Total land area covered: 4,152,800 hectares, or 32.5 percent of CSSR total;

Agricultural land: 2,119,500 hectares, or 30.9 percent of CSSR total;

Area suitable for servicing by aircraft: 2,199,100 hectares, or 32 percent of CSSR total; area suitable for servicing by fixed-wing aircraft: 31.6 percent;

Plan for 1981: servicing of 1,923,000 standard hectares of agricultural land, an increase of 11 percent over 1980.

This branch originated when Agrolet was separated from Czechoslovak Airlines in 1969. It received several Z-37 and L-60 aircraft and was assigned to service agricultural land in the Czech Republic. It carried out this task for fully 10 years through four LO's [aviation sections] in Rakovnik, Holesov, Mnichovo Hradiste and Marianske Lazne; then, in mid-1979 it divided its territory with the newly-created Branch 05 and handed over two LO's (Holesov and Mnichovo Hradiste) to the latter. In addition to the two remaining original LO's, the Hosin and Liberec LO's which were created as a result of reorganization within the enterprise have been helping it increase its work output since that time. Aviation work involving the tending of grains, beets, corn, hops and vegetables is performed by 80 crews from 35 main airfields. The branch is represented in almost all the okreses of three Bohemian krajs. For the LO's, as management centers, this creates an obligation to see that the agreed-upon amount of work is done on schedule. Moreover, for the second year in a row this branch has a greager obligation than the others, since it must strive for high performance levels in eradicating the leaf-roller moths in the Bohemian mountains.

This year, the An-2 crews have had a large share in the success of this program, with a performance level of 10,919 standard hectares. They spent only a few days away from their home bases, where they have the right to work year round, with precisely specified quantities of work. The same is true of the Z-37's, each of whose crews can, under good working and flying conditions, do the same amount of work as five agricultural machines brought in for the purpose.

Branch 03: agricultural aviation work in the Slovak Socialist Republic

Branch management headquartered at Ivanka airport, Bratislava

Director: Eng Lubomir Kovacik;

Number of employees: 240;

Aircraft: Z-37 Cmelak (71), An-2 (10);

Total land area covered: 4,901,000 hectares, or 38.3 percent of CSSR total;

Agricultural land: 2,554,300 hectares, or 37.2 percent of CSSR total;

Land suitable for servicing by aircraft: 2,067,100 hectares, or 36.6 percent of CSSR total;

Plan for 1981: service 1,664,000 standard hectares of agricultural land.

The branch received its commission at birth, along with the example that previously, in 1957, Agrolet had already been able to service 308,800 standard hectares! Some 70 Slovair pioneers at 26 stations set out to follow this worthy example. The quantities of work done, which have increased every year, may with complete justice be credited to the crews of the Z-37's; in 1977-1980 the An-2's were gradually put into service (initially they were Aeroflot's, but since last year Slovair has had 10 of its own). Both models are in the hands of three flight sections: LO 301 in Bratislava uses them for its work in Senica, Dunajska Streda, Trnava, Trencin, Galanta, Komarno and Semily okreses; LO 302 in Kosice is the contractor for the entire East Slovak Kraj; and LO 303 in Prievidza performs contract work for customers in the Central Slovak Kraj and three okreses of the West Slovak Kraj (Nitra, Topolcany and Levice). Thus Slovair's Branch 03 meets the requirements of 36 okreses, excluding Cadca Okres. It has 310 working airfields, 47 with hard surfaces, while its 67 crews are stationed on 34 main airfields. Each branch has its own specific character, and this branch's character has been determined once and for all by nature Except in the region along the Danube and in the East Slovak plain, meteorological consitions and terrain pose a difficult task for the management, because for safety's sake most of the work can be carried out only by skilled, experienced crews--and on tight agrichemical schedules, which the branch must fully respect and meet.

Branch 05: agricultural aviation work in Moravia and the East Bohemian Kraj

Branch management headquartered at Slatina airport in Brno

Director: Eng Aurel Cipak;

Number of employees: 231;

Aircraft: Z-37 Cmelak (53), An-2 (12), L-60 (2), Z-42 (1);

Total land area covered: 3,733,500 hectares, or 29.3 percent of CSSR total;

Agricultural land: 2,196,000 hectares, or 31.9 percent of CSSR total;

Land suited for servicing by aircraft: 1,798,000 hectares, or 31.8 percent;

Plan for 1981: servicing of 1,388,000 standard hectares of agricultural land.

Last year the branch's assignment was to service 1,318,000 standard hectares. It overfulfilled its plan by servicing 1,364,908 hectares, aided by eight An-2's from Aeroflot which turned in a performance level of 130,332 standard hectares. Naturally they took part in the leaf-roller-moth eradication program (covering 23,658 standard hectares). However, when we began to introduce aircraft into agriculture in 1951-1963, it appears that many of this branch's employees were children of school age; when the Z-37 was demonstrating its ability to do various types of aviation work (in 1964-1967) there was no such thing as Slovair, let alone a branch responsible for aviation services to customers in the South Moravian, West Moravian and East Slovak Krajs, who have since become accustomed to Slovair's assistance. They were not interested in a beginner's capabilities, for the farmers had to meet their annual plan for 1979 and assure that the 1980 plan would be fulfilled. And the branch got its certificate on 1 July 1979! This youngest branch could not let down the enterprise, which was already a successful and increasingly sought-after partner of the agricultural and industrial enterprises--and they did not let it down, thanks to the pilots, mechanics and administrative personnel. There is not and never will be time to appreciate their merits one by one, nor to listen to their experiences in tranquillity, for not one of the 75 crews from the branch's 49 stations has time to look back: aviations services are justly being demanded by both the Hana plain and (frequently with much more vehemence) by the farmers in the East Bohemian Kraj; bits of land in the Beskydy and Jeseniky Mountains also must be serviced; and carrying out large volumes of work in the Bohemian-Moravian highlands on suitable agrochemical schedules is a considerable problem. Nonetheless, the branch demonstrated its capabilities in the first year of its existence, which naturally results in an obligation to achieve even higher output this year--as is the case with all the others as well. Fulfillment of the branch's plan for this year is a matter of good organization and management of the work done for 33 customers in the territories covered by LO 501 in Brno, which runs the stations in the South Moravian Kraj, Lo 502 in Holesov, which is responsible for aviation work in the North Moravian Kraj, and LO 503 in Mnichovo Hradiste, which concludes and carries out contracts with enterprises in the East Bohemian Kraj.

Even this sketchy "year's portrait" makes it clear that each branch has its own concerns hanging over its head. But we can also see clearly that in spite of this they are able to help each other out when the SOS goes out, and that all four are directly dependent for their existence on the work of Branch 04 (described in LETECTVI A KOSMONAUTIKA No 57, 1981, p 20). All of them have great obligations, but none has ideal conditions or everything it needs in its assigned area. They welcome every additional helping hand, or more specifically, every person interested in the

profession of agricultural pilot or aircraft mechanic. But beyond further occupational growth, they can promise nothing else attractive: neither glory, nor comfort, nor wages that would allow the "sweet life." Only interesting work, real man's work, demanding flying work, and frequently, extra work beyond the planned quantity, if there is a flood, or if something happens in the mountains--or anywhere--and Slovair's employees can come to the rescue with their planes and helicopters. But let us not dwell on such unpleasant thoughts; for in any case, the crews are sure to achieve worthy high performance figures this year if they are resolved to fulfill the plan--and of that there is no doubt.

P.S. The performance plan specified that by 20 June, 3,229,540 standard hectares were to be serviced; but as of 20 June the employees of Slovair had managed by their joint effort to overfulfill the plan at the 101.2 percent level.

8480
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SMALL-PLOT PRODUCTION NOT STEP TOWARD PRIVATE OWNERSHIP

Prague ZEMEDELSKE NOVINY in Czech 28 Nov 81 p 1

[Article: "Every Area Counts"]

[Text] The task of increasing the production of foods and creating the conditions for the maximum degree of self-sufficiency is one of the key tasks of our agriculture as well as of the entire national economy, particularly of those branches of the economy on which agricultural production is directly dependent. Developments in recent years have shown that reaching that goal is a very demanding task. The key factor may be above all the level of the socialist large-scale production of the unified agricultural cooperatives [JZD], state farms and collective agricultural cooperatives. However, our society cannot be indifferent to the question as to how much yield is obtained even from the kind of soil which for various reasons cannot be cultivated on a large production scale.

After the 16th CPCZ Congress and during subsequent party discussions, the question came to the foreground as to what to do, and how to do it, for each are of soil to be utilized in the best possible way. In the interest of stimulating this effort, the CSSR government has outlined the principles for a much more intensive process of developing supplementary production. For example, the process of fattening domestic animals and production of fruits and vegetables on a contractual basis was being stimulated in Czechoslovakia for quite some time. This is only the beginning, of course, but one can say that the results are good. However, it should be noted that for the time being we are not taking advantage by any means of the great opportunities provided by the pieces of land owned by smallholders, even those pieces of land which cannot be cultivated by machinery, whether they be meadows or sometimes even arable land, or gardens, and so on. For years, we have been neglecting this source of enrichment of the market with foods, and above all the source of food used for the purpose of self-supply. Even agricultural management organs have not paid enough attention to it.

In the course of a few years, a situtation was created in which there was practically no source of food production in rural areas, except for cooperative and state-run facilities. As a result, the state had to take over the tremendous burden of procurement, when at the same time the amount of available land was greatly limited (there are only 32 ares of arable land per capita of population in our country today!). We have gradually reached a stage in which the citizens in our rural areas depend in many cases exclusively on buying milk, meat, eggs, and even vegetables in cooperative stores, while the price level of foods which could be obtained to a considerable extent from small-plot production is low. The smallholders of land and other interested parties are not at fault. They were brought into this

situation by various circumstances. For example, organizers of agricultural production have paid little attention so far to the question of how to create appropriate material conditions for the useful hobbies of persons interested in tilling the soil after work in cooperatives, on farms, and of many people working in industry who live in rural areas. For the time being, these conditions have been absent and continue to be absent. But if the federal government said "A" mainly be instructing the competent organs and organizations that they have to utilize much more even such opportunities of enriching the market, then it is not enough simply to let them have pieces of land. It is also necessary to implement promptly another government resolution which provides that the competent production and commercial organizations have to make sure that small cultivators and animal breeders can get various tools, grains, seeds, seedlings from tree nurseries, fertilizers, pesticides and protective devices for animal production, piglets, calves, and so on.

This is provided for in the principles approved recently by the federal government. Of course, the important thing is that these principles should be observed by lower organs, particularly in cooperatives and on state farms. We have found very often precisely in this area that management workers are not interested in promoting this initiative. They use all kinds of excuses, saying for example that small-plot production and so on could endanger production in JZD from the viewpoint of manpower, or that it would lead to misappropriation of fodders, fertilizers, and so on available in cooperatives or on state farms. Such an approach will not help a good cause.

That will be reflected in larger quantities of meat available on the market in those okreses where contractual fattening of farm animals is successfully expanded. This means direct incentives, and when some people contribute to the effort, they will derive an advantage from it. Even with regard to the growing of fruits and vegetables, national committees will be creating optimal conditions for direct sale of these products. This will undoubtedly also revive the good old tradition of market places, of stalls erected in shopping centers.

Administrative organs of animal breeders and owners of small plots are becoming very important. Very dedicated and experienced people work in them. Of course, willingness and effort are not enough to raise the level of supplementary production. It also requires timely undersanding by other people. That is the only way to include very rapidly tens of thousands of hectares of parcelled land in the food-production process.

However, nobody should interpret this intent as a step backward or actually as an effort to weaken socialist large-scale agricultural production. It definitely is not so and will not be so. Cooperation of cooperatives and state farms with small cultivators and animal breeders is being intensified more and more in all socialist countries. This applies, for example, to the program carried out after the 26th CPSU Congress in the Soviet Union, and in the same way in Bulgaria, Hungary, and other countries. Supplementary production of foods is playing its positive role everywhere. This process does not involve any kind of private enterprise activities. Instead, it involves, first of all, an effort to utilize the initiative of the people who show interest in this activity after they have finished their work in their principal employment in agriculture, industry and elsewhere. This interest will be commensurate with the way the task is handled, primarily by organizers of agricultural production, national committees, and processing and commercial organizations. Indeed, it will depend on them how succesful we are as early as next year in obtaining additional amounts of various agricultural products.

5668
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## OFFICIAL VIEWS PROSPECTS OF GRAIN INDUSTRY IN NEW PLAN PERIOD

Budapest ELEMEZESI IPAR in Hungarian No 10, 1981 pp 372-375

[Article by Dezso Tanito, Main Department of Plan Management of Ministry of Agriculture and the Food Industry: "Development of the Grain Industry in the Fifth Five-Year Plan and Its Goals for the Sixth Five-Year Plan"]

[Text] Summary: Our agricultural production grew to a significant degree and changed considerably in quality in the course of the Fifth Five-Year Plan. Grain production per capita reached 1,300 kilograms and meat production exceeded 140 kilograms by 1980. The dollar accounting balance of the branch is double that of 1975.

A dual task will continue to have to be solved in the course of the Sixth Five-Year Plan: we must further improve the supply of foodstuffs to the populace and we must increase branch exports dynamically.

The grain industry will have a leading role similar to that of the preceding plan period in achieving these basic important goals.

The chief line of the economic policy for the Sixth Five-Year Plan period is a vigorous improvement of the balance situation of the people's economy, including the foreign economic balance therein, by increasing international competitiveness and through the efficiency of social production. The tasks of both agriculture and the food industry must be defined in the interest of achieving these goals.

The gross production value of agriculture--calculated at unchanged prices--increased to 113.4 percent by 1980, as compared to 1975, and the Sixth Five-Year Plan prescribes a similar increase, 112-113 percent, for 1985.

The production of grains increased more than 6 million tons, increasing 11.2 percent, in the course of the Fifth Five-Year Plan as compared to the Fourth Five-Year Plan Period, reaching 62.5 million tons. This is about 3.5 million tons less than planned, because the area sown was less than had been calculated.

One of the important goals and tasks of the Sixth Five-Year Plan is a further increase in the production of grains at a pace similar to the preceding 5 years. In the period 1980-1985, we want to increase the production of grains by about

10 million tons, by 16.5 percent, on essentially the same sown area, by increasing yields per hectare. This is justified by the almost 40 percent increase in agricultural exports and a further dynamic growth in the production of animals and animal products prescribed in the plan.

Naturally the increase in the production of animals, animal products and grains fundamentally influences and defines the activity and tasks of the Grain Trust.

Weighing the achievements of the Fifth Five-Year Plan period, it can be established that the enterprises of the Grain Trust carried out their tasks well and were able to adapt to changing conditions and more strict requirements.

The link between industry and agricultural operations improved significantly in the course of the past 5 years. The substantive and formal development of state purchasing work and contract signing and good cooperation made it possible to place in central reserves a quantity sufficient--depending on production--to ensure balanced grain and fodder management.

Between 1975 and 1980, grain purchases by enterprises of the trust exceeded 5 million tons, as an annual average, and as a whole approached 27.5 million tons during the 5 years, which is 44 percent of the production.

In addition to grains, they also purchased 200,000-300,000 tons per year of other important agricultural products--sunflower seeds, rice, peas, green hay flour, etc.

By the end of the Fifth Five-Year Plan period it was necessary to receive wheat in three quality groups and perform full laboratory tests on wheat classified as strain-improving. It can be said of the classification done in the course of purchasing--recognizing also the results of complaint tests--that they were based on correct and valid measurements.

The most important task of the trust is to supply flour according to the needs of the food industry and the populace. In general the enterprises carried out this task without significant quality problems.

The quantity of bread grains milled hardly changed in the course of the past 5 years, decreasing about 2 percent. The total quantity of flour produced changed in accordance with changes in consumption habits, the moderate reduction in per capita cereal consumption. The production of bread flour decreased significantly--about 10 percent--while the production of fine flour increased in accordance with demand, by 7.5 percent. The quantity of flour ground from 100 kilograms of edible bread grain hardly changed despite the change in the ratio of flour types. Among other things, this is thanks to the constant technological modernization of the old mills and thanks to proper leadership of the mills.

In the course of the Fifth Five-Year Plan, rice production dropped for a number of reasons--economic, technological, biological and weather. The grain industry took care of supply by importing husked rice. The increase in pearled barley production, in addition to expanding variety, contributed to a moderation of the imports of rice. In addition to the production of a number of "traditional" food industry products--such as shelled peas--there was progress in the production and marketing of new products. Corn flour and meal, rice flour, pea flour, soy flour, wheat bran,

wheat germ, etc. are increasingly better known and a sample shop to introduce baking industry use of these products was opened in Budapest. Baking industry products made with various flours--such as soy bread--can be obtained in more and more places.

In addition to foodstuffs production, another very important task of the industry is the manufacture and marketing of feed mixes and feed concentrates. The gross production value of animal husbandry increased 17.5 percent between 1975 and 1980. This great increase is well illustrated by slaughter hog production which increased a total of about 8 million as compared to the Fourth Five-Year Plan, or by an annual average of 1.6 million. Such growth by animal husbandry would have been impossible without the feed manufacturing, marketing and market regulating activity of the grain industry. Supplying small producers with grain feed and mixed feed and the development of the producers and resale shop network contributed greatly to a dynamic and even development of animal husbandry.

In the course of the past 5 years, the industry produced more than 15.5 million tons of industrial fodder. Total sales, including grain feed, protein, feed mixes and milling industry feeds, exceeded 23 million tons of which 35 percent, or 8 million tons, was sold to small producers. Between 1975 and 1980, sales to small producers increased 60 percent, from 1.1 million to 1.8 million tons. The quantity of feed traded during the 5 years approached half of the feed used by agriculture. In this plan period the Animal Protein Feed Producing Enterprise came under the direction of the Grain Trust. It thus becamse the task of the industry to produce protein of domestic animal origin and to obtain the raw materials as well.

One base for feed production is the import of large quantitites of animal and plant proteins. During the 5 years, the industry imported about 2.5 million tons of plant protein and 300,000 tons of animal protein. As a result of a number of central economic and professional measures the rate of growth in protein use decreased while the production of animals and animal products increased--which was the result of efficiency in feeding and a reduction in specific feed use.

Grain is a product which can be exported in large volume and most economically for the economy and for our branch. In addition to satisfying domestic needs, an every greater proportion of the increasing production is exported. Between 1975 and 1980 we exported about 4 million tons of grain, which is 6.5 percent of the production. This quantity is well below what was planned. The reason for the shortfall was the dynamic growth of branches--hogs and poultry--based on large volumes of feed grain.

Based on broad food industry and commercial activity, the income of the grain industry enterprises from the export of other products is significant also. This is increased further by the income from transaction trade in grains. This usually involves the export of edible bread grain and the import of cheaper feed grain--barley.

The gross production value of the grain industry--calculated at unchanged prices--increased 11 percent between 1975 and 1980. The activity resulting in this growth was carried out without increasing personnel, while average personal income increased 30 percent.

Within the framework of a state special-purpose storage investment, the prescribed 700,000 tons of storage area was put into operation. But as a result of the dynamic increase in grain production, the shortage of storage space hardly decreased. Construction of the planned storage space was realized essentially within the prescribed framework of 3 billion forints, which was made possible by greater construction of light-frame storage and less construction of reinforced concrete silos.

Grinding takes place in 148 mills, with capacity utilization above 80 percent. Most of the mills are in old buildings which cannot be developed and they operate with amortized equipment. A total of three new mills have been built in Hungary in the past 35 years. One new mill each is under construction in Mohacs and Miskolc as part of investments in progress.

The Kecskemet concentrate manufacturing plant is being built in harmony with the rational organization of feed manufacture and marketing. The number of feed mixers exceeds 100. Most of these were set up in former mills; many of them are obsolete and working conditions are unfavorable. Most of the plants of the ATEV [Animal Protein Feed Producing Enterprise] are due for reconstruction, which is a most important task for the industry.

During the Sixth Five-Year Plan and beyond, the grain industry must also carry out more and greater tasks in a flexible way under economic conditions much more severe than heretofore. The existing and constantly changing regulator system compels better adaptability and more circumspect manufacturing and commerical activity. In addition to quantitative changes in production and export, there is need for significant progress in improving the quality of products and commercial work.

In the plan period up to 1985 the goal is a further vigorous increase in agricultural production. Within this the production of grains must exceed 15 million tons by 1985. The gross production value of animal husbandry will increase by more than 9 percent; within this the annual average production of slaughter hogs will exceed 10.7 million, which is 800,000 more than the average for the years 1975 to 1980.

The total export of the branch will increase by almost one-third; the export of agricultural products will increase more quickly, by 37.6 percent, and that of food industry products more moderately, by 29.8 percent.

The further dynamic growth of bread grain production, based on increasing yields, will be primarily for export. Internal use will not change substantially, as a result of a decrease in per capita cereal consumption, growth in the population and changes in consumer habits.

The task and goal of agricultural operations will be to produce the fodder needed for the livestock and to supply an even greater proportion of feed mixes. Thus we can decrease the superfluous movement of goods and improve the cost of fodder. The farms will market their extra feed grain through the enterprises of the Grain Trust. Manufacture of feed mixes by the industry will not increase but its role will remain very important, as in the previous plan period.

The grain industry will continue to supply feed for small producers, but to an increasing extent agricultural operations must be brought into supply in their own areas.

State purchasing will not increase at the same rate as production--because of the increase in fodders remaining in agricultural operations. Good contact between the industry and the grain producers will continue to be of great significance. Commercial, purchasing and production contacts based on medium- and long-term agreements and contracts are important. Based on the good examples and results thus far, they must take part in the development of agricultural production and in the spread of scientific achievements, technological and biological innovations, and types and techniques adapted to market needs.

The volume of milling will hardly change; according to our plans, central feed trade will not increase; but the export of grains will increase 2.5 times. Thus state purchasing, as an annual average, must reach 6.5 million tons, or 32 million tons total during the 5 years.

Based on an appropriate-type policy and quality acceptance and as a result of a further qualitative change in bread grain milling we must see to it that the quality of special-purpose flours always comes up to what is desired. It is necessary to develop even better contact with the baking industry. More even flour quality must be ensured by organizing deliveries. Parallel with the development of the baking industry, we must develop the transportation and storage of milled flour. This is a question not only of significant investments but also of organization and operation. The industry must make preparations for deciding on and carrying out the organization of flour supply to Budapest--where more than 20 percent of the population of the country lives and works--and for mill construction and reconstruction. The backwardness must be overcome as soon as possible; it is already very difficult to ensure development parallel with the baking industry.

The reconstruction program for rice production will continue during the Sixth Five-Year Plan and we are counting on the results which can be expected from the program. On the basis of this, demand will be satisfied with a decreasing volume of imports. The production and spread of new products for human use, expanding variety, continues to be a goal. We must adapt to changes in consumer habits quickly and flexibly and must influence them in advance also.

The importance of manufacture of and trade in feeds will not decrease despite the fact that we are not counting on an overall quantitative growth for the industry. Variety must increase, however; greater care must be turned to guaranteeing the content values and a more precise satisfaction of the needs of those keeping animals. We must begin manufacture of complete premixes and production of feed mixes on the basis of orders. Cooperation with the agricultural operations and production systems must be expanded. The quality of all this work will provide a foundation for the development of our animal husbandry.

The increase in the imports needed for production must be slower than the increase in the production and export of grains and animal products. Growth in the import of plant and animal proteins cannot exceed 3.5 percent. This means that we must increase the domestic protein base and the Animal Protein Feed Producing Enterprise will have an outstanding role in this. Its production must be expanded by at least 20 percent.

The import of plant proteins cannot really increase. The Vegetable Oil Industry and Laundry Products Manufacturing Enterprise must see to the production of first-class plant meals.

The quality and use of protein feeds significantly influences the efficiency of feeding and changes in specific grain feed use. The planned export of grain, animals and animal products can be achieved only by simultaneously reducing specific grain feed use.

While the production of grains will increase about 12.5 percent as compared to the actual production of 13.7 million tons in 1980, internal use will increase only 8 percent. The difference will make possible a 2.5-fold increase in current export. During the Fifth Five-Year Plan the food industry reserve fund was abolished; simultaneous with equalizing export price profits this covered, among other things, the reclassification of edible bread grain for fodder purposes. Now the export price profit stays with the grain industry and it must cover reclassification from its own resources. This has a favorable effect in more careful reclassification activity and in increased interest in export. The planned volume of grain export will require careful storage, handling, stockpiling, commercial work and transportation throughout the year. This calls attention to the need to create suitable storage areas and to an expansion of transportation and loading capacity, important for seller and customer alike. Thus it is possible--calculating at unchanged 1980 prices--that grain exports will provide about 17 percent of the export income of the branch and 40 percent of the export of agricultural products.

In the period 1980-1985, the developmental program for the state special purpose grain storage network can count on using 3 billion forints, the same as in the Fifth Five-Year Plan.

The construction of storage space must be realized in accordance with the trade in and use of grains. The type of storage to be built must be chosen on the basis of purpose, utility, specific investment cost, operating costs, life expectancy, and area and live work needs.

Working jointly and in association with the grain-producing agricultural operations to develop storage areas which best meet the goal and conditions, it is possible that in the course of the Sixth Five-Year Plan the grain industry will get more storage space by using state special-purpose money of the same amount as in the preceding plan period.

The goal must be to have both agricultural operations and industry contribute to an ever greater extent from their own resources to the construction of grain storage, thus increasing the size of storage capacity.

There will continue to be a need for the agricultural operations to undertake leased storage. In addition, in the coming plan period we will also not be able to do without emergency storage and storage methods depending on production results.

In addition to creating new storage areas, it will be necessary to realize significant developments in the Sixth Five-Year Plan. The goal will be to expand the capacity of the Animal Protein Feed Producing Enterprise and build a concentrate factory and a sack-decontamination station.

As an annual average, the utilization of milling industry capacity reached 80 percent. This high degree of use is coupled with a great exhaustion of milling equipment. Thus we must turn almost 13 percent of the gross value of fixed assets

(the gross value is 1.2 billion forints) to maintenance, while the value of the value reduction writeoff comes to about 4 percent. This justifies and makes necessary the creation and putting into operation, in the course of the Sixth Five-Year Plan, of milling capacity of at least 240 tons per hour. This will be covered primarily by their own resources and supplementary credits.

In the course of the plan period, in order to ensure an increase in personal income of a magnitude similar to the preceding plan period, we count on reducing personnel, now numbering 23,5000, by 2 percent, with an annual wage fund use of 105-106 precent.

Increasing gross production value more than 11 percent and realizing the described production and investment goals and tasks will continue to require responsible, outstanding work from every single worker of the industry.

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## BRIEFS

MANPOWER REDISTRIBUTION--The direction of labor force movement is revealed in that most manpower released from industry and the construction industry has found employment at agricultural producer cooperatives. Manpower at the said cooperatives has increased by 22,000. These workers have been absorbed chiefly by expanding auxilliary activities of cooperatives such as industrial work, construction or work related to consumer services. Regrouping carried out in enterprises has proved beneficial: There has been deliberate worker regrouping at the Telephone Factory, the Taurus Rubber Factory, the Lenin Metallurgical Works and elsewhere. At the Hungarian Ship and Crane Factory and the Cotton Textile Works, production of various commodities has been shifted rather than manpower in order to improve utilization of capacity. The trade unions approve of this method. At the congress, we emphasized that if possible, work rather than men should be moved to update the production structure. The future employment of superfluous manpower and its transfer must be carried out in a well-organized way. However, we must add that the method of asserting democracy in line with socially harmonized manpower regrouping is not entirely reassuring as yet. Therefore the presence of our trade unions is and will remain necessary. [Excerpt] [Budapest MUNKA in Hungarian No 11, 1981 p 1]

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VARIANT ECONOMIC REFORM PLAN BY TEAM 'NINE' PUBLISHED

Warsaw ZYCIE WARSZAWY in Polish (Supplement) 3 Dec 81 pp III-V

[Article by Wlodzimierz Bojarski et al: "Proposals by Team 'Nine': On the Threshold of the Reform"; passages enclosed in slantlines printed in boldface]

[Text] /The year 1982 is just around the corner--the year which was to initiate the economic reform which is being awaited by the entire nation with hope and some fear. Are we ready for the reform?/

The state of the preparations is alarming. Delays in preparing the necessary legislation are one cause of the uneasiness, while the critical start point, the state of the economy toward the end of this year, is another. The crisis is deepening! The supply of raw and other materials for industry is getting worse. The utilization of productive capacity is declining. The lack of foreign-exchange funds is reducing to a minimum the imports of materials and components, worsening the economic stagnation. The price regulations are a drain and completely destroy any sensible economic relations. The value of money is diminishing and trust in it has fallen to zero. Barter in kind is more and more effectively displacing money as a medium of exchange. Exports are further decreasing, thus depriving the economy of the possibility of imports. The confidence of creditors in our economy is declining.

In such a situation it is difficult to expect public contentment despite appeals and the search for new forms of national consensus and for a coalition of forces capable of jointly stopping the further growth of the crisis.

We are starting the reform under constantly UNFAVORABLE conditions. Should it then be postponed, delayed to a later period?

Such a trend is clearly emerging on the basis of economic emergency moves. This has certainly been the reason for the introduction of the concept of the so-called temporary systems-type measure. The critical economic situation SEEMINGLY prompts such reasoning. We believe that this premise is FALLACIOUS by its very nature because the resulting proposed solutions consist in the retention of the "old" system of economic management for an indefinite period of time and not just only in 1982. That is why the TEMPORARY MEASURE has been--irrespective of the intentions of its authors--negatively interpreted by the public as an attempt at a justified postponement of the reform proper to a later period.

Regardless of what they are called, interim solutions prolong the life of centralized allocation of material and financial (including foreign-exchange) resources. They prolong the entire ballast of the multiple-level, uncoordinated, countereffective price system. They change nothing in systems and price policies (further differentiation of wages not according to social and economic principles but according to force of duress, according to the effectiveness of "pressure groups" which now, for a change, act "from the bottom up"). Such interim solutions do not enhance exports either and, instead of causing the differentiation of production according to demand, they perpetuate the traditional structure of production. They do not stimulate innovations and technical progress either. They prevent money from fulfilling its function as a medium of exchange and a criterion of effectiveness, and they do not mobilize the cash resources of the enterprises and the public, especially the farmers.

The proposal of the "Nine" is diametrically OPPOSED to such an approach, such a policy.

Details of Our [Proposed] Reform

The economic reform of the 1980s MUST fulfill a dual role in Poland. As distinct from the reforms in other socialist countries and from our earlier reformist attempts, it should not only assure and perpetuate a rational functioning of the economy and accelerate its development but also at the same time break the back of the present crisis.

An interim alternative for a thus-construed nature of the reform is the introduction of a wartime-economy regime. This would bring temporary relief, but in the long run it would solve nothing. A wartime economy by its very nature is crisis-generating. After some time it creates new, deeper crisis situations. Thus this is an unacceptable alternative. There thus remains only a complete reform of the system such as would generate management mechanisms which are fundamentally different from their present-day counterparts.

This is because the crisis which we are now enduring is a total crisis. This means that it concerns the political sphere, the mechanisms and structure of power. It is a social crisis, a crisis of confidence, a source of the alienation of the authorities. It is also an economic crisis. It is thus an unconventional crisis, meaning that it cannot be eliminated through conventional means. First, its roots cannot be annihilated by means of the conventional methods of classical economics, because some laws of classical economics do not operate under certain conditions. Secondly, stopping this crisis requires a fundamental change in the system of functioning of the economy. And this entails the satisfaction of several requirements.

/Requirement 1./ The operating and financial autonomy of the enterprises should not merely be guaranteed by decrees like self-government but should become a universally OBLIGATORY rule from the very beginning of 1982. Any indispensable exceptions to this rule should be subordinated to it and closely defined in scope and time.

/Requirement 2./ The existing structural solutions and hierarchic system of direct administrative control must be rapidly and consistently ABOLISHED (being simply contrary to the rule specified in Requirement 1) instead of being merely reorganized!

/Requirement 3./ The state must perform a COMPLETE REORIENTATION OF ITS POLICY, that is, to completely alter its economic functions as reflected in the STIMULATION of the socially advantageous economic activities of autonomous units, protection of the nation against possible NEGATIVE consequences of these activities, and economic ACTIVIZATION of all social groups, especially of private farming, small industry, and services.

We are thus formulating a thesis which we consider justified and socially acceptable. That thesis is as follows:

THE ECONOMIC REFORM MUST BE INTRODUCED WITHOUT DELAY! AS OF THE BEGINNING OF 1982. THOSE PREMISES OF THE REFORM WHICH ARE NOT ADEQUATE TO THE NEEDS OR THE SITUATION AND THE POTENTIAL OF OUR NATION AND ITS ASPIRATIONS SHOULD BE IMMEDIATELY REVISED.

IN VIEW OF THE DIFFICULT CONDITIONS UNDER WHICH THE REFORM WOULD BE STARTED DURING THE PERIOD OF THE CRISIS AND OF ITS SURMOUNTING BY THE REFORM, AND IN VIEW OF THE NEED TO ASSURE THE EQUALIZATION OF OBJECTIVELY DIFFERENTIATED POSSIBILITIES OF DISCRETE ECONOMIC ORGANIZATIONAL UNITS [PLANT AND EQUIPMENT] IT IS NECESSARY TO INTRODUCE MECHANISMS THAT TEMPORARILY STIMULATE DESIRED ACTIVITIES AND INHIBIT SOCIALLY DISADVANTAGEOUS ACTIONS DURING THE INITIAL PERIOD OF OPERATION OF THE REFORM.

Below we present the correspondingly revised premises of the reform as well as the periodically necessary deviations from them.

No economic system can operate properly in the absence of an efficient monetary system. For this reason, we present below the following thematic arrangement of the economic system:

/--prices and wages;

/--taxes;

/--materials supply;

/--credit and savings;

/--foreign-exchange funds, foreign debts and their servicing./

Prices and Wages

Prices and wages are a fundamental element of the new economic system. This signifies the necessity of a fundamental change in prices and wages at the moment when the reform is started. Changes of this kind must be intended to:

1. establish a correct and internally harmonious structure of prices consonant with the needs created by the market economy. The period of time taken to reach the price structure proper to the Polish economy should be maximally short;

2. restore the market equilibrium and the proper price and wage-price relations;

3. adopt the supply-demand formula for price-formation and break once and for all with the outlay formula which by its very nature leads to a consistent rise in costs and an excessive depreciation of production factors;

4. restore to the prices--via the market mechanism--their informational function with regard to the profitability of economic undertakings;

5. eliminate, by means of price changes, product-type [goods and services] subsidies, inasmuch as price rises should be balanced by wage raises by virtue of the increase in living costs, although during the interim period the system of subsidies to the trading apparatus (but not to production) should be retained for a precisely defined period of time (e.g., 3 years).

The Incentive Function of Wages

The requirements for enhancing the incentive function of wages are, in our opinion:

1. assurance of the SOCIAL MINIMUM for all citizens who do not engage in economic activities on their own;

2. establishment of a coherent, simple, and nationally standardized wage system assuring every gainfully employed person with a much HIGHER INCOME than the minimum or the so-called guaranteed wage;

3. the abolition of any restrictions associated with the increase in wages for labor performed at the basic place of work.

Both in the structure and the level of wages we proposed the adoption of a model from a country that is comparable to Poland but in which the price and wage structure has evolved owing to the operation of market mechanisms. In such an economic system the fixing of prices for all or an overwhelming majority of goods is unnecessary. Only the prices of a limited number of goods crucial to the economy and consumers should be fixed; the prices of all other goods should be governed by the market mechanism. This would certainly result in the danger of an uncontrolled increase in prices by the enterprises because of the monopoly structure of our economy. The state should counteract this danger by intervening with the aid of economic instruments (taxes) and administrative decisions.

As for the wage issue, here the foremost question is the wage level. This is one of the topics being discussed with the public and the trade unions. The question of whether the initial wage level should be 100 percent or less of the model system is yet to be negotiated. Another important problem is the social minimum. The pertinent proposals and their acceptance by the public are indispensable prerequisites for taking steps in this field. The issue of the guaranteed wage also requires elucidation: it is obscured by many misconceptions rooted in the absolute ineffectiveness of the traditional wage systems which are completely unrelated to

the productivity and organization of labor, etc. We believe that the guaranteed wage should not be set at a high level (e.g., at the 1980 wage level), because there will not be enough funds for it. The guaranteed wage should be regarded as a means anticipating future efficient activity.

Taxes

The tax provisions adopted in the reform and in the so-called temporary measure result in that--in view of the size of taxes and their restrictive, fiscal nature based on a sharp progression--an increase in production can occur only in the presence of an unchanged structure of outlays and a blocked wage level per employee. Thus there are no incentives for increasing production and making it more profitable. Particularly dangerous is the fact that no priorities [tax exemptions] have been assigned to the production of food and the supply of consumers as well as to the mining and power industry.

In such a situation, the following changes would have to be made in the projected tax system:

1. elimination of taxes levied for the Occupational Activization Fund--funds for this purpose should be allocated from the universal equalizing income tax;

2. replacement of the progressive income tax formula with a degressive one stimulating an increase in production and a decrease in costs;

3. treatment of the turnover tax, whose expediency is unquestioned, as an active instrument of state policy, i.e., differentiation of tax rates depending on the nature of the activity taxed. Regular adjustment of the tax rates would reflect social priorities;

4. during the interim period, the property tax should play the role of an instrument equalizing the starting conditions of enterprises in view of the differences in their facilities, loan-repayment burden, etc.

Trade

This comprises domestic and foreign trade. The integration of both sectors would assure the adoption of the following operating principles:

1. the protection of the domestic market against impoverishment owing to excessive exports should be assured by means of export QUOTAS. The lists and scale of export quotas would be annually determined by the minister of trade and accepted by the Sejm, since such quotas represent restrictions on the legally guaranteed autonomy of enterprises;

2. the right to the direct conduct of FOREIGN trade activities should be granted to all socialized enterprises as an inherent attribute of their autonomy. Foreign-trade enterprises should become enterprises operating on the "36" principle [autonomy, self-government, and self-financing], and should be deprived of their monopoly position;

3. socialized enterprises should have the right to conclude export contracts at will, provided that they follow the restrictions ensuing from export quotas and the provisions governing the release of specified commodities for trade. The stimulators of exports should be customs policy and tax discounts granted for groups of commodities rather than to producers;

4. to protect the balance of payments, it is necessary to introduce import licenses, which should be granted by virtue of the law or upon submission of an export contract in the amount of, e.g., 30 percent of the amount of the contract. The right to utilize advance payments made by the foreign customer should not be restricted. Licenses granted by virtue of the law should be freely transferrable entirely or partially to coproducing enterprises. In addition, import licenses should be granted to private individuals upon examining the expediency of imports and the payment possibilities. Customs fees and treasury fees for private licenses should serve as regulators of imports. In cases of relinquishment of legally authorized import licenses, bonuses should be awarded;

5. enrichment of the domestic market with imported commodities should consist not only in imports of goods not produced in this country but also in imports of goods competing with their domestically made counterparts. This should serve to break the monopoly of domestic producers and streamline production. The list of preferred import goods should be determined by the minister of trade, and the granting of preferences to a commodity should entail customs and tax discounts for the importer.

Materials Supply

The supply of economic organizations, including private peasant farms as wll, should be based on the principle of free trade ensuing from the "3S" rule. The implementation of this solution hinges on adapting this principle to trading organizations. This means abandonment of the principle of trading monopoly.

During the interim period there would be centralized allocation of specific raw materials and products. This should entail meeting the following requirements:

1. the resources to be allocated would be annually determined by the Sejm in the form of COMMODITY LISTS. Such lists would be revised by the Sejm on the basis of the balance of needs and resources presented by the government following consultation with the appropriate organs (trade unions, chambers of industry and commerce--which should be established);

2. only such resources are subject to allocation as can be rationally addressed to the customer with respect to both quantity and kind. Allocation in terms of value or an overall basis according to mean statistical consumption is to be avoided as unsound;

3. only some of the commodity stocks may be subject to allocation. The allocation list should serve to specify and assure supply quotas for selected sectors, especially for the infrastructure and the nonproduction sphere, while the aggregate allocated quantity of a given commodity (or commodity group) should not exceed 50 percent;

4. the material resources comprised in the allocation quotas can be realized according to the exclusivity principle through allotment by a central authority to the trading organization. That organization, in its turn, is obligated to conclude contracts with suppliers for the entire quota, and contracts with customers mentioned in the allocation list;

5. the Materials Management Office would supervise the implementation of supply deliveries in accordance with the established quotas.

6. quota allotments and allocation lists should be addressed directly to producers in justified cases (e.g., upon transit of bulk goods directly to customers);

7. goods not included in quotas are freely traded. In the event that customers experience financial difficulties, suppliers have the right to demand bank letters of credit;

8. for goods coming under the quota system, customers should pay an advance deposit equal in value to that of the entire shipment ordered. This would discourage the collection of allotments for the purpose of resale rather than production. The question of refunding the deposit should be considered; this could be done upon purchase of the next shipment under the quota or upon presenting proof of consumption in the form of products sold;

9. goods outside the allocation lists may not be sold on the basis of the exclusivity [monopoly] principle. Margin discounts should be applied to encourage various trading organizations to sell such goods.

Loans and Savings

Loans and savings are a factor harnessing together the economic activity of economic organizations and the public. The possibility of financing economic activity with loans from public savings should be assured. This should be in the nature of a purposive depositing of savings without administrative duress.

Here the following measures are recommended:

1. banks should accept TIME DEPOSITS bearing an interest rate higher than the anticipated rate of inflation. This should halt the HOARDING of savings in the form of GOODS. The funds accruing from such deposits should be earmarked for granting loans for investments with a short recoupement period;

2. sale of treasury securities in the form of, e.g., an agricultural loan for enabling private farmers to purchase PFZ [State Land Fund] lands;

3. accumulation of BOND CAPTIAL by specified enterprises through the issuance and direct sale of their own bonds. Such accumulation should be made contingent on securing a guarantee from the state treasury. An interest rate higher than the term interest paid by banks on savings deposits should be fixed as as to provide savers with an appropriate incentive for investing in the securities and bonds of enterprises;

4. enterprises should be enabled to lend investment funds to each other; this would provide the chances for a more rapid development of the coproduction base and for improvements in the structure of production and of coproduction imports;

5. enterprises should be given the right to grant short-term commercial loans, particularly as regards exports of raw materials and coproduction components, as then the prices obtained are more advantageous than in cash transactions. In the event of problems due to inadequacy of working capital, refinancing of loans by banks on convenient terms should be made possible.

Currency and Foreign Debts and Their Servicing

These represent the buckle fastening together the monetary system. Here we offer the following recommendations:

1. POLISH CURRENCY--THE ZLOTY should become a domestically and internationally accepted currency. A necessary though insufficient condition is the legal EXCLUSIVENESS of the zloty as the sole medium of payment in this country. This would result in the obligation of implementing export transactions exclusively in zlotys, thus creating a demand for the zloty abroad and making ours a convertible currency;

2. the fixing of the zloty EXCHANGE RATE at the very commencement of the reform. We propose that the exchange rate be fixed arbitrarily and at such a high level as to cause a radical depreciation of the zloty. The price level would be determined by establishing the average price of coal as a function of the quotient of the initial exchange rate of the zloty and the average price of coal on the European market. Other prices would be determined in relation to the price of coal;

3. public acceptance of the depreciation of the zloty would be possible given an appropriate revalorization of savings, whose level should be determined on the basis of the "social minimum" requirement agreed upon with the trade union, in terms of "old" and "new" prices, i.e., in terms of the ratio between the old and new prices applying to that social minimum. Since revalorization will apply solely to savings deposited in the banks, the public has to be informed of it in advance. Mutual debts of legal entities and individuals should also be subjected to revalorization;

4. an appropriate BANKING SYSTEM is a prerequisite for the stability of the zloty. The central bank must be made independent of the state administration and the principles governing ISSUANCE and CIRCULATION of currency should be legislated. The criterion used should be the generated national income. The printing of currency with the object of meeting the obligations of the state treasury, which is a main cause of the current crisis, should be prohibited. In addition to the central bank and specialized state banks, commercial banks should be established for financing specific projects or groups of enterprises, etc. To coordinate these activities it would be necessary to set up a council of banks that would stand guard over the currency and financial system of the Polish People's Republic;

5. the balance of payments is a special concern of the minister of the treasury. In addition to the control of foreign-exchange operations, this involves contracting

FOREIGN LOANS and servicing them. The related interest payments should not cause a deficit in the balance of payments. This is associated with the advantages accruing to Poland should it join the IMF. We believe that the main advantages could be the possibility of mutual protection of the currencies of the member countries, which would be of special importance to the initially weak zloty. Considerable advantages could also accrue from the statitpru actovotoss of the IMF, chiefly from the purchase of the currencies of the other member countries with zlotys for the purpose of filling gaps generated by extensions of the interest-payment schedules with respect to payments for supplies financed on the principles of commercial credit. Here a basic problem is the accumulation of a SECURITIES RESERVE by the NBP [National Bank of Poland]. We believe that such a reserve can be accumulated in a perhaps sufficient amount if the public could be persuaded to entrust hoarded securities to the bank. Here, of course, a minimum of trust is needed, and this can be accomplished by placing the NBP under a statutory obligation to publish annual reports. Economic incentives could also be applied in the form of permits to take out of Poland an amount of zlotys equal in value to that of the securities sold to the bank, and by paying a specially advantageous interest rate on zloty deposits deriving from the sales of these securities.

Conclusion

We have presented here only a general outline of the new economic system for our economy. We will elaborate upon this sketch in the very near future, that is, when the economic reform is about to begin. Our elaboration will be linked to the SCENARIO OF TEAM NINE from barely 4 months ago--a scenario in which many topics have unfortunately remained quite current.

The proposals to be refined will apply in particular to:

--wage system and wage policy;

--price system;

--financial system of enterprises with income and funds;

--financing of central investments and enterprises;

--the banking system and the currency policy;

--the domestic market together with imports and exports;

--financing of technological progress and innovations;

--the tax system for enterprises and the population.

The foregoing proposals by the NINE [actually a 10-member group] were drafted by the team members: WLODZIMIERZ BOJARSKI, LEON BOJKO, ANDRZEJ BRATKOWSKI, JANUSZ GOSCINSKI (team leader), WITOLD MORAWSKI, and ANDRZEK ZAWISLAK. The following collaborated with the team and made decisive contributions, upon being invited to participate: WIKTOR ASKANAS, STANISLAW GRZYBOWSKI, KAZIMIERZ MYSLIWIEC, and TADEUSZ ZDZIARSKI.

1386
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TRANSPORTATION SECTOR FAILING TO OBSERVE JOB SAFETY RULES

Bucharest LUPTA CFR in Romanian 31 Oct 81 pp 1, 2

[Unsigned article]

[Text] Proceeding from regard for man which the leadership of our party and state has elevated to the status of top concern, from the tasks and directives personally given by party secretary general Nicolae Ceausescu and materialized in the Program of measures approved by the Political Executive Committee of the CC of the RCP, the collective leadership of the Ministry of Transportation and Telecommunications [MTT], at an enlarged special meeting held on 5 June, examined the activity conducted by the MTT departments, centrals and units in the area of labor safety.

Undoubtedly, the analysis spotlighted major achievements, the impressive amounts spent under the prior five-year plan and further appropriated for ensuring superior working and living conditions, for protecting the health of working people in the trasportation and telecommunications sector, and pointed out many aspects in which managerial and trade union officials, operating in compliance with the state laws, conducted vast projects to educate and train personnel exercising strict and effective supervision. But the focus was on what ought to be done further in terms of the measures which should be taken at each level so that in the transportation and telecommunications sector there should not be the slightest labor accident or any violation of the rules in force. In this connection, based on the analysis, the discussions and the proposals made and the conclusions drawn at the meeting, a comprehensive program of measures was worked out, with definite assignments, approved by the executive council and which, consequently, has become an order, binding for everyone. The program was also endorsed at the Plenary Session of the Committee of the Branch Trade Unions.

We must point out that in the units which displayed strictness and sense of responsibility in meeting the provisions of this order adequate results were obtained and the situation was better than that in the prior year. This was the case in the sector of automotive transportation, the sector of posts and telecommunications and of road transport, and in the sector of rolling stock enterprises no serious accident was registered this year. However, in some sectors, the situation is by no means satisfactory, the number of indisciplines and violations of job safety rules having resulted in serious accidents rose in the sector of railroad transport, the sector of naval transportation and in the automotive repairs units, and in units such as

those under the Central for Railroad Construction and of the Central of the Danube-Black Sea Canal where they remained at the same high level. How can this be explained?

Examining the stage in following the provisions of the ministry's order issued after the analysis of 5 June, we note that in many units people felt that the tasks incorporated in the order become resolved by themselves. Hence, measures were specified to the effect that all the units that do not have the final operation authorizations must immediately meet the legal provisions. Of course, this involves a number of strictly mandatory projects. With the exception of a few sectors, almost nothing was done in this area. Moreover, it was directed that all the central job safety departments, in basic enterprises and units, be staffed with proper personnel, with strictly defined tasks and powers assigned to these workers. The units where this order was followed can be counted on one's fingers, and the situation continues to be unsatisfactory at the central level as well. This also largely accounts for the fact that on many jobs technical assistance is unsatisfactory, the workers assigned these duties do not fully complete their tasks and therefore acts of indiscipline which sometimes result in labor accidents occur.

A new aspect of the above-mentioned order involves self-supervision projects, completed by the unit managers at the production site on the basis of well specified programs and subject matter. The directors general of railroad centrals and regional centers and their assistants, the directors and deputy directors in the ministry central apparatus should have performed special investigations or, during their trips to units, devoted a certain amount of time exclusively to job safety problems and taken direct action to do away with deficiencies. Their findings should have been reported immediately to the deputy minister who is in charge of the sector involved. With rare exceptions, this task, also, was not completed and the deputy ministers, also, did not request this type of information.

In this context, can we be surprised by the fact that in the railroad sector, for example, the number of fatal labor accidents went up by eight compared to last year? What explanation can be provided by the leading body of the Railroad Department, the leading bodies of the railroad regional centers and especially those of the regional centers of Timisoara, Bucharest, Craiova, Cluj, Constanta and Iasi, or the directors of the central directorates in the department where traffic and commercial affairs through the units which they represent, are holding an uncoveted top place? Similarly, what explanation can be provided by the leading bodies of the Department of Naval Transportation and that of the Industrial Central for Automotive Repairs where likewise the number of these accidents has increased? How do they plan to materialize the decisions of the ministry's leadership and those of their own bodies of collective leadership?

We must add that the directorates for technical matters and for organization and control, also, did not rigidly fulfill their duties in terms of monitoring the meeting of the ministry's leadership decisions on schedule, with reports to the minister of transportation and telecommunications on any deficiency. In their turn, the trade union bodies, in accordance with the rights granted them under the law and the decisions adopted, must act more firmly in any case of violation of job safety rules.

Consequently, we draw attention to the need for immediate compliance with the rules. Nobody has the right to ignore the matters that underlie the health, body wholesomeness or even the lives of people, nobody has the right not to fully carry out his duties. The minister's order must be followed exactly and on schedule, in the slightest details, with the same strictness with which all the orders in transportation and telecommunications must be followed.

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END

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# East Europe Report

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2219

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12 January 1982

# EAST EUROPE REPORT

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2219

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SUCCESSES, SHORTCOMINGS IN GEOLOGICAL PROSPECTING ACTIVITY

Tirana RRUGA E PARTISE in Albanian Sep 81 pp 15-24

[Article by Eshref Pumo: "New Horizons and New Ways in Geological Prospecting" passage between slantlines printed in boldface]

[Text] The geological service of our country is relatively new, the newest in Europe. Nevertheless, under the continuing care of the party, it grew and developed rapidly, and preceded the socialist industrialization of the country. If our country in the years of the party era recorded successes, incomparable with the past, in the development of industry, this fact was possible because of the correct and farsighted line perfected and executed by the party which created and developed, at rapid rates, the geological service of our country and the extraction and processing industry which played and will play a very important role in setting up and developing our multibranch industry with our own forces.

The geological workers, under the leadership of the party organizations, achieved very good results, especially, in the past 10 years in the field of prospecting, discovering and evaluating useful mineral ores of our country. Along with the further increase of reserves of useful mineral ores near the existing mineral-rich areas and new mineral-rich areas of petroleum, gas, chrome and copper, in the past 20 years, reserves of ferronickel and nickel-silicate, which guarantee the supply of the extraction and processing industry for a multiyear period, were discovered, placing our country in the third place in the world for chrome ores and among the main countries in Europe and the world for the production of nickel ores. During the same period, geological prospecting activities, especially, in the 1970's radically changed the conceptions about the capacity of coal in the country. Prospecting for phosphorites, bauxites, asbestos and other useful mineral ores is opening new roads for the development of the processing industry. Finding and discovering mineral-rich sources of clays, refractory and fire-resisting materials, marbles and decorational stones, drinking and industrial waters, mineral salt and so forth made it possible to create new branches for the economy and to insure revenues in hard currency.

During the period of about 30 years of the geological service many successes were recorded in the training of all levels of cadres who, confident in their own forces, solved complicated problems in the field of geological prospecting and discovering. Successfully confronting the difficulties of growth and struggling and rejecting the viewpoints and concepts of foreign geologists who, by various ways and forms ultimately tried to minimize or deny the prospects of the Albanian

subsoil, our geologists created correct and realistic views and concepts about the geological construction and metal resources of our country and, in their light, achieved important successes in the discovery of many treasures of our subsoil. The efforts of the foreign and domestic enemies to check our geological research activity failed shamefully. After the discovery of the great Khruschevite treachery in the 1960's, our geological service recorded very great successes in prospecting for the main useful ores such as chrome, copper, ferronickel and others. Also, after the denounciation of the hostile activity of the Chinese revisionists, especially after the denounciation of the hostile group of Abdyl Kellezi, Keco Theodhosi and of other elements, our geologists further increased their drive in work and delighted the people and the party by discovering new important fields of petroleum-rich areas, of gas-rich areas and of additional useful ores.

The drawing up of geological maps of the scale of 1: 25,000 and 1: 10,000 for special areas, the the generalization of the geological-technical knowledge of the country on geological maps of 1: 200,000, which will soon be put in the service of our geologists, speak in favor of the careful and fruitful work of our cadres in regard to a more complete and more accurate knowledge of the general geological construction of the country. In the achievements of these results, a noticeable contribution was made by the geophysical and geochemical studies which have been increased, quantitatively and qualitatively, from one five-year plan into another five-year plan. Also, the paleontological, minerological and petrographical definitions have further advanced the knowledge about the expanded geological study of the mineral-bearing capacity of the country.

Confronting the great results recorded by the geological service on the eve of the 40th anniversary of the founding of the party and of the Eighth Party Congress, we are proud of the very important measures adopted by the party for the continuing organization and strengthening of the National Geological Service. The present results in the field of geological prospecting have created a powerful support and sure premises for fulfilling the tasks foreseen by the draft directives of the Seventh Five-Year Plan, and also for further expanding the roads and opening new horizons and new ways in the 1980's and beyond.

/For Further Progress in prospecting and discovering useful ores/

The further and comprehensive improvement of the economy in the new five-year plan will be achieved through the rapid development of the different existing branches and the creation of new branches, on the basis of mineral raw materials coming from within the country.

The petroleum and gas industry, whose extra action will increase by 56-58 percent in 1985, will stand in the future, too, on top of all this development and improvement. This requires that the rates of discovery of industrial and future reserves of petroleum and gas be very high.

The results of the recent years in the prospecting of petroleum and gas strata prove that the future of our subsoil in regard to "black gold" [petroleum] is open. It is the task of our geologists, of the workers of the prospecting enterprises and of the institutions directly or indirectly connected with the great tasks of prospecting the oil-rich and gas-rich structures, which properly relying

on the present thematical generalizing work and on the experience acquired, especially, in the recent years, raising the complex of geological and geophysical works to a higher level and using technical and contemporary possibilities better and better and in a rational manner, with which the petroleum industry and its research study institutions are equipped, to struggle for recording and localizing the structures with prospect. This will make it possible, on the one hand, to speed up the evaluation of petroleum and gas-rich areas in the soil and to improve the effectiveness of deep drillings and the output of work for the discovery of new structures and, on the other hand, to increase the volume of complex prospecting operations in the sea, where problems and difficulties are greater, while our training and experience are still in the initial stages.

Very great tasks are assigned to geologists in the prospecting and discovery of coal reserves, whose extraction in 1985, compared to 1980, is scheduled to increase by 48 percent and with even higher rates in the distant future, because, in the coming decades, coal will play a very important role as an energy raw material, replacing petroleum and gas more and more which will be used in a more profitable manner as raw material for the chemical industry and other branches of the economy. For these reasons and in order to use coal not only as fuel, it is necessary, along with the invigoration of geological-discovery works for insuring industrial and perspective reserves with more rapid rates in the known mineral-rich areas and zones and in those near them that greater attention now be given to finding coal of higher quality.

The extraction of the main useful solid ores, such as chrome, copper, and ferronickel, in 1985 will be, respectively, 29 percent, 52 percent and 2.6 times more than in 1980. This sets forth before our geologists great and responsible tasks. In the light of the positive results achieved in recent years in chrome ores in Bulqize-Bater area and in the ultra-base areas in Tropoje, Shebenik and Pogradec; in copper ores, in the mineral-rich areas of Rubik, Kurbnesh, Perlat and in other places; in the ferronickel ores, in Guri i Kuq, Bitincke and elsewhere, all the opportunities exist with the geological works scheduled for this five-year plan, to guarantee the new reserves which will help the further development of the extraction of copper, chrome, ferronickel and nickel-silicate even after the year 2000. The further opening up of perspectives for these useful ores near the existing mineral-rich areas and in the new zones is scientifically based.

As a result of the determined work of our geologists, the correct guideline of the party that "our country is not lacking bauxites" was fully verified. During the past five-year plan, not only were important industrial reserves of bauxites discovered, but, also, the great prospects for this mineral ore for the economy of our country became apparent. Although, the industrial reserves and prospects for bauxites, known until now, guarantee the development of the aluminum extraction and processing industry, the future task of the geological service is the further increasing of the quantity of high quality reserves and prospecting in those zones and fields, unknown until now, where geological premises and data exist for possible findings of bauxite-rich areas.

Geological and generalizing research activities show that our country is rich in asbestos ores. Along with the asbestos-rich areas in Puke, Boboshtice, Qarrishte and other places, very interesting new zones were found which, in the

future, as a result of geological works to be carried out in them, will make it possible to further increase the quantity of reserves and improve the economic value of asbestos ores. The presence of accompanying minerals in asbestos ores further increases the value of the latter. Here, however, there are problems which have not been completely solved, such as, among other things, the technological studies for their processing and utilization.

In harmony with the rates of development of the extraction industry, geological data have been collected and premises have been clarified in regard to the possibility for finding other useful minerals needed for the various sectors of the industry and for further expanding the range of our exports. Thus, we may mention the argillaceous and fire-resisting minerals, mineral salt, and the new and perspective minerals of gypsum, dolomites and magnesites, marbles, decorational stones and construction materials, on the basis of which new industrial branches will be developed and new sources will be created or the existing ones will be expanded in order to increase the revenues in hard currency.

The fulfillment of the tasks assigned to the geological prospecting sector by the draft directives of the Eighth Party Congress for the Seventh Five-Year Plan will make it possible for the extraction and processing industry to increase rapidly on well based rates in the future. The fulfillment of the tasks of the plan for the first six-months of 1981 for the discovery of the main useful mineral reserves is a good starting point for fulfilling the 1981 plan and the entire five-year plan.

However, despite these achievements, the party teaches us not to be self-satisfied. This is not only because of the fact that the tasks are greater and more difficult, but also because, in some cases, there are deviations in regard to the fulfillment of the tasks and non-fulfillment in some indicators, especially, linked with the regular increase of reserves, with the fulfillment of the volume of drillings and with the timely execution of hydrogeological surveys during the discovery of mineral-rich areas and so forth. These shortcomings were also criticised during the people's examination of the draft directives for the Seventh Five-Year Plan, where concrete measures were set in order to eliminate them. Also, some technical and organizational measures were criticized and others were set in order to avert some shortcomings observed in some cases, for example, in the extraction of samples from drillings, in the execution of geological documentation and of the obtaining of tests, in the further perfection of drilling technology and in the improvement of the effectiveness of geological prospecting which, in regard to some useful mineral ores and in some enterprises, is still low.

During the past years, important steps were taken to invigorate the geological service in mines; however, one can still observe cases when the geological service is not at the proper level in some mines, and when the geological documentation is not always in order and systemized as required by the utilization of mines on scientific bases. Taking into consideration the fact that the mining geologist has responsible tasks so as to expand the life of the mine and to extract reserves with a minimum of losses in quantity and quality, it is necessary that the geological service in mines be further invigorated in all directions. The mining geologist executes his duty properly when he organizes the utilization of

minerals in an economic manner and in a scheduled manner and when he does not allow himself to remain in the position of a simple observer or of a registrar of minerals that are being utilized, but manages the current utilization of minerals and guides their future utilization and when he increases the quantity of reserves and the number of useful elements.

Achievements in engineering and hydrogeological studies to support constructional and agricultural operations are important. However, in these fields, too, shortcomings have been observed in regard to the execution of geological documentation on schedule and with good quality. From these shortcomings, the geological workers drew lessons and established tasks in order to improve the level of their engineering and geological studies. The new hydrotechnical projects to be added to our economy during this five-year plan, starting with the magnificent hydroelectric power project in Koman and Skavice and down to smaller projects, the important works for the systematization and expansion of ports, designing of railway and automobile roads and the construction of reservoirs, canals and of other important works for the further development of agriculture require not only a great number of surveys and conclusions of special responsibility, but also comprehensive training and accurate scientific experimentation under the conditions existing in our country. The many constructions in Karstic terrains, the supplying of drinking and industrial waters and other projects dictate the necessity to carry out special studies in the fields of karstology, geomorphology, of quaternary geology and of other similar studies which are at their initial stage; however, now we have the opportunity to drive them forward.

/Let us further expand complex and technological studies, properly basing geological works on scientific data/

Along with the solving of the present and near future tasks, the activities aiming at clarifying the more distant future tasks, in the light of which geological works will be better guided and better implemented, are of great importance. Without reducing the rate of prospecting for the useful minerals under utilization near the known mineral-rich areas and structures, the party has set the task so that research works for useful mineral ores, less known or unknown, such as in new areas, will be invigorated.

For the further clarification of the geological prospects of the country and in ord order to have the possibility of maneuvering in designing in regard to the development of the extraction and processing industry, which are rapidly developing, it is necessary that geological studies be more expanded and expanded at higher pace. Along with the physical volume of geological work, it is necessary for the geological workers to assimilate and fully implement the complex and progressive scientific methods for prospecting and discovering mineral-rich areas, so as to improve the effectiveness of their execution. Special tasks, it was stressed at the Tenth Plenum of the Party Central Committee, are assigned to the geological workers in regard to the evaluation of the prognosis of the perspective areas and zones, so that the geological service will precede production for a relatively longer period. However, the implementation of expanded geological studies, at the level of present achievements of science, and the discovery of subsoil resources at more rapid rates and with great effectiveness, are conditioned by the assimilation and complex utilization of sciences such as

geophysics, geochemistry and other sciences which today are undergoing great development and have promoted knowledge in regard to geology and useful minerals.

In prospecting for useful mineral ores in our country, various prospecting methods have been implemented, depending on the kind of useful mineral ores and on geological conditions of the milieu, starting with the simplest methods for the study of the sections of land where the people's researchers have made and are making a valuable contribution through the execution of geological excavations and the use of prospecting drillings, up to geological and geochemical methods for which specialized institutions have been created. Geophysical methods have been widely used in the study and preparation of petroleum and gas-rich structures (seismics and gravimetrics) and in the prospecting of mineral bodies of chrome, bauxites and phosphorites, and of copper-rich zones and so forth, utilizing, according to the case, gravimetric, electric, radiometric, and other methods.

In regard to prospecting for useful solid minerals, geophysical methods have preceded classical geological methods in many cases; while, in other cases, they have supported them, executing the complex of geological-physical works which helped to clarify the complicated geological situations. Nevertheless, this complex of studies still does not properly respond to the increasing demands for discovery of reserves in depth and in the new areas. In order to progress in accordance with the demands of the times, especially, to better solve the complicated problems of depth, it is necessary that more experimental works be undertaken, so as to find new methods in harmony with the geological construction of the special areas, with the kind of useful ore that is required and with the conditions of the relief and so forth. Geophysical works must be better organized and coordinated, starting with those covering large areas, with geological excavations on small scales and up to subsoil geophysical methods for solid ores.

Geochemical methods were introduced in the recent years for prospecting petroleum and gas strata, for prospecting the mineralization of copper and elsewhere. However, the lack of cadres and of experience hampered the execution of geochemical methods on a large scale. Concrete tasks have been set so that in the future these methods will be expanded more widely and more deeply in the prospecting of minerals, so that they will be tested under different conditions and, together with the geophysical methods and other geological methods, such as the petrological, structural and other methods, will better supplement the complex of prospecting methods so that geological prospecting and discovery will be implemented more rapidly and more effectively.

In regard to invigoration of geological prospecting, during this five-year plan and in the future, technological studies of raw material processing deserve to be given particular consideration. This is also because of the fact that, for some useful minerals, such as, for example, ferronickel, bauxites, titanic magnetites, asbestos, and gypsum ores, although important industrial reserves and prognoses have been insured, studies for learning their material composition and for finding the ways for their processing are still behind schedule, thus, creating a disharmony between geological results and technological studies. To eliminate this disharmony and so that the new minerals will be put to use for the people'e economy, it is necessary that, starting from this five-year plan, technological studies be increased at greater rates than geological prospecting and discovery activities.

Prospecting for useful rich minerals with simple processing technology remains the primary task of the geological service workers. However, we cannot rely only on these minerals, because, in some cases, our mineral ores have a low content of useful ingredients or have a lesser known technology. There also are cases, such as, for example, in the mineral-rich area in Bitincke where two kinds of mineral ores are situated one on top of the other, the nickel-silicate below and ferronickel on top and, therefore, there would not be any economic profit if one of them was exploited and not the other. Also, at the bauxite-rich area in Dajti, different kinds of mineral ores are mingled and, therefore, cannot be exploited separately. In these cases, technological studies are of particular importance, because, it is only on the basis of the positive results that can be obtained from these studies it would be possible to judge the intensification of prospecting works, the order to the objects to be discovered and the effectiveness of geological prospecting as a whole.

Therefore, the discovery of technological patterns opens new roads and opportunities to geological prospecting and creates possibilities for a complex utilization of mineral raw materials in the service of the people's economy. Invigoration of technical studies, as is known, also aids in the transition, step by step, to the complete processing of mineral raw materials within the country, as was done with copper, ferronickel and so forth.

Geological tasks, from the simple ones to the complicated, scientific and accurate ones are, in regard to their character, works requiring high scientific preparation, self-denial and determination in order to achieve success; these are requirements which become more acute at the present stage of development of geological prospecting on a broad and wide basis.

It is a fact that until now very good results have been achieved in the knowledge of geology of our country, but mainly on the upper surface of our territory. Also, prospecting for useful solid mineral ores has been mainly concentrated on the mineral-rich areas opening on the surface or which are situated in less complicated geological-technological conditions. The task assigned for the future is to shed light on geological constructions and on mineral-rich capacities in greater depth and in more complicated prospecting and discovery conditions. In this direction, the geological workers have taken some initiatives and have achieved some results. The positive experience acquired during the past years in prospecting for structures of petroleum and gas-rich areas in the Mesozoj deposits in depth, in searching for chrome in the "blind" zone between Bulqize-Bater mineral-rich areas, in the reopening of prospects with wider horizons of the copper mineral-rich area in Rubik and so forth deserve to be studied attentively and conclusions must be drawn in order to further improve the level of comprehensive and anticipatory studies, so as to make a better contribution to the opening and widening of prospects for mineral resources.

Good work has begun in regard to the exchange of positive experience through the exchange of ideas in scientific sessions, conferences and various seminars. Thus, for example, the conferences organized in Fier on the problems arising from the prospecting of petroleum and gas structures, in Bulqize on the problems of prospecting for and utilizing mineral-rich areas of chrome, and in Shkoder, on the results achieved and prospecting for bauxites; all have helped to clarify the main

problems. The exchange of ideas in these conferences, based on analyses of achievements and on known shortcomings, has made it possible to acquire a rich material of great theoretical and practical importance which helps to promote the problems analyzed. One can find many solutions and ideas in the regional geological studies and in the implementation of the study themes organized at different governmental, ministerial and other levels, and in the various dissertations. However, in these subjects, there also are shallow and unexpanded works and recommendations which are not completely documented. Therefore, it is necessary that debates on the problems discussed be better organized and a social, correct and scientific exchange of ideas be encouraged in these open exchanges; for all these things, better individual preparation and a more fruitful organization are required.

Exchanges and different forms of scientific information, organized in cooperation with the various institutions, showing the results, positive experience and data of science and technology, help in forming cadres and in making them more capable and in creating and perfecting Albanian geological literature. This literature, in some fields, such as, for example, in those of geological studies and so forth, has a definitive character of the Albanian language and culture and, as such, has drawn the attention of foreign scientists who have received and evaluated it highly. This, however, must be perfected and systematized so that it will serve the students of higher schools and the training of cadres for efficiency through organized forms of specialization and of training which have been created or which will be created in the future.

Life has shown that to make proper contribution to the implementation of various studies, to prepare a scientific report or discussion, to draft a geological report or study work with some value and to become skilled or specialized in a definite field or area, therefore, to solve the present and future tasks in accordance with the requirements of the time, it is necessary that all the people, starting with the workers of the geological departments at the university or of the sectors of the research and scientific institutions and down to the team geologist, must nourish themselves every day with the latest developments of science and technology. We stress this because in this field there are erroneous concepts and practices and manifestations of coziness, empiricism, voluntarism and satisfaction with little. There are cases when various specialistis complain that they have no favorable conditions or have no time to follow-up the latest developments of science. But, progressive experience shows that if the party recommendation is well understood, that is, that if one does not continually study, the tasks mentioned above cannot be fulfilled; therefore, conditions will be created and the necessary time will be found to study. Active involvement in present and future study problems, in solving technical and methodical tasks and in testing new geological, geophysical and geochemical methods obliges us to always keep the literature of science beside us and to continually expand our reading of it, especially, the basic formative literature which helps to further develop creative capacities and intuitions for scientific research, and to strengthen the imagination in order to shed more light on geological problems and unclear aspects.

The fulfillment of the great tasks scheduled for the new five-year plan require, first of all, that the very important recommendation of the party, that is, that we delve more deeply in geological sciences and in related sciences, be correctly

understood and implemented in order to properly understand the achievements of world science and technology, and to struggle for their use in accordance with the conditions in our country. So that the scientific thought may always lead us in any direction in such a manner that, as Comrade Enver Hoxha recommends /"we may better put science and technological progress in the service of the present and future development of the country, for the development of the economy, for the education of the new man and for the strengthening of the defense of the fatherland"/ (Enver Hoxha, "The Progress of the Country Is Inseparable from the Development of Science and Technology," pamphlet, p 4).

During this five-year plan, important progress will be achieved in the field of geology. Scientific thought will better support all designs, studies and achievements in the geological prospecting activity which will be carried out with our own forces, for the further clarification of the prospects and the economic value of subsoil resources.

The tasks assigned to the geological service of the country for the 1980's are great, but fully realizable. Their fulfillment requires the mobilization of all mental and physical capacities, the organization and coordination of the work of cadres and of the means, the follow-up and continual monitoring of their implementation, the execution of scientific discipline and the strengthening of the system of savings. It requires, above all, the further perfection of the leadership role of the party organizations for the fulfillment of the tasks of the Seventh Five-Year Plan in the field of geology.

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## 'REFINED METALLURGY' SEEN TO IMPROVE PRODUCTION QUALITY

East Berlin STANDARDISIERUNG UND QUALITAET in German Vol 27 No 7, Oct 81 (signed to press 27 Aug 81) pp 294-295

["In Focus" feature article: "Refinement--A Project of Economic Significance." A translation of a series of East Berlin EINHEIT articles on the subject is published under the heading, "Industry, Agriculture to Focus on 'Enhanced Refinement,'" in JPRS 79045, 23 Sep 81, No 2178 of this series, pp 67-90]

> [Text] The higher refinement of raw and production materials took on high priority in the economic strategy for the 1980's concluded at the tenth congress of the SED. From each kilogram of raw and production material a maximum of high quality products is to be generated through highly trained labor. What is at stake will always be the unification of scientific-technical peak performance and optimal economic values, so as to assure a new high level of technology and the transitions to qualitatively new stages of production. This transition to highly refined production will be most apparent in the further course of our metallurgy.

Refined metallurgy can be defined as the production of metallurgic products of high utility value on the basis of efficient processing of raw materials from imports and domestic production with the most efficient use of energy and with the application of modern processes and technologies.

Refined metallurgy produces goods which possess superior mechanical-technological properties, evidence minimal deviations of measurement and form and are capable of high quality surface treatment. They display good reforming properties and can be further and efficiently processed with minimal tolerances on assembly lines and by robots. All products with high resistance to corrosion and fatigue and metallurgic product lines which make possible high labor productivity from the user in further processing, with minimal inputs of material and energy, can be regarded as refined.

The basic conception of the development of refined metallurgy through 1985 poses the task of developing, as quickly as possible, the percentage of qualitatively high-value, semi-finished products, especially for the construction and metal working industries. The production of refined rolled steel will be increased from 4.33 million tons in 1980 to almost 7.4 million tons in 1985. The refined metallurgic product in ferrous metallurgy will make up 80 to 90 percent of total rolled steel production and in nonferrous metallurgy will reach 90 percent.

The demands of microelectronics for semi-finished materials have priority for the further development of non-ferrous metallurgy. Envisioned is a six-fold increase in production of carrier strip metal for microelectronics as well as an increase of 215 percent for copper, brass and aluminum wire, particularly in fine and superfine gauges.

A further priority is an increase in the production of domestic raw materials and the attainment of the highest possible efficiency in their processing. New extraction procedures in mining, new technologies and maximal performance in driving galleries, new patented solutions in the dressing of ore and of a technological and technical character in the roasting of tin have made it possible for 80 percent of the GDR's tin requirements to be met from its own raw material sources. The directives of the tenth congress of the SED now set the task of completely meeting the GDR's requirements from domestic sources by 1985.

The expansion of tin production in the VEB [state-owned firm] mining and smelting combine "Albert Funk" is geared not only to this task but has the added one of extracting all by-products of economic value from domestic ores. Many more problems remain to be solved, for example, questions of energy substitution.

Refined metallurgic products being to the metal working and construction industries high efficiencies with respect to economies of material, improvement of mass/performance proportions and the heightening of labor productivity. Plastic coated moldings, strip and sheet metal from the cold rolling plant of the steel mill combine Ost have found application primarily in construction and consumer goods industries. They are corrosion-resistant, require no special paint application and, upon request of the user, can be produced as ready-for-assembly construction components.

In the course of the 1976 to 1980 Five-Year Plan, the high strength concrete reinforcing steel St T IV was gradually introduced in place of the reinforcing steel St A III. Its higher strength makes possible a 15 percent savings in steel used in the construction industry. When used in multi-purpose structures the savings in steel amounts to as much as a quarter.

Steels for massive cold forming make possible the effective use of material of up to 95 percent in the metal working industry as compared to other processes such as turning and boring. As against the application of separation technology, a three-fold increase in labor productivity can be attained.

The cold rolling mill of the steel combine Ost in 1980 achieved a production increase of 6.5 million square meters of sheet metal through rolling in the minus tolerance range, using the same quantity of material. From this additional production of sheet metal some 1.65 million refrigerator housings could be produced, with a simultaneous lessening in weight of the finished product.

At the experimental wire rolling mill, now in continuous operation at the steel and rolling mill Brandenburg, it was possible this year to produce 12,000 more kilometers of wire with the same quantity of material and with enhanced application properties in contrast to production on the former rolling mill.

The refined steel works "8 May 1945" in Freital developed a steel for the standardized parts industry with a three-fold greater strength, from which screws will be produced. As in the past, screws will be produced for use in machinery construction

in the traditional dimensions. Here, the metal working industry is becoming faced with the task of modifying standards and construction guidelines that will make it possible for project directors, designers and mechanical engineers to make full use of the possible material/economic efficiencies of improved materials. One step toward the utilization of these efficiencies is the cooperation agreements between the metallurgical combines and their clients.

The best experiences in metallurgy have been garnered by the VEB strip steel combine "Hermann Matern." Along with research contracts for surface-refined sheet metal and strip steel, client consultations and conferences have proved to be the most effective form of assuring the material/economic processing of these products. Their material/economic use is linked to a demonstrably higher quality of the final products because costly refinement technologies, like lacquering and coating of finished products, can be eliminated.

The starting point and the goal of all refinement measures must be economic results. Whatever the technologies introduced, to whatever degree the palette of products is enlarged, whatever objectives are hereby realized--all of this can only be assessed and compared within the perspective of economic results for the increase in the net national product and with that the national income, the expansion of exports and the improvement of supplies for the population.

What is at issue with higher refinement is the advancement of the production process to higher stages, for which quality work is already a self-understood precondition in the preliminary stages. Light weight construction as applied to machinery and apparatus construction can only be achieved if metallurgy creates its preconditions through the production of high-strength and corrosion-resistant steels and other materials. In this sense refinement makes itself felt in the entire economic reproduction process from the first to the last stage. As a result, a substantial part of the demands for scientific-technical performance devolves upon the metallurgical combines. This holds true for the qualitatively and quantitatively more demanding requirements of micro-electronics.

A chief task of the mining and mill combines will be the development of the highest application properties with a minimal use of precious metals. For example, the silver component in contacts and switch elements in 1970 was still 48.6 percent. It was possible to reduce this by 1980 to 13.9 percent by scientific-technical development. The goal is to reduce it by 1985 to less than 11 percent while improving the physical and electrical properties of these products.

The development of communications technology, of electronics in its various application realms and of microelectronics also demands new as well as familiar production materials in hitherto unknown dimensions such as ultraprecision foils, materials for micromotors, etc. One new material for application in low voltage switching components for electrotechnology, mechanical engineering and plant installations was able to be created with dispersion hardened contact materials. A savings of 6 to 15 percent of silver is achieved and other material substituted. Most of the mechanisms with these contacts have received the quality designation "Q." The savings in silver amounts to some 5 tons per year.

The higher refinement of raw and production materials poses new and greater demands upon scientific-technical work. Here, in a sense, is where refinement begins and here the future level of products and technologies is decided as is performance and efficiency. For that reason it is urgent that every combine work more vigorously toward implementing scientific-technical as well as economic peak performances. One visible expression of higher refinement is stage-by-stage improvement of the quality of production material so that in the end a maximum of high quality products can be produced per ton of material used.

The application of the strip casting process at the VEB combine Wilhelm Pieck in Mansfeld for example, which consolidated casting and warm rolling processes, made it possible to eliminate 4 process steps. The material employed per ton of cold strip sank by 110 kilograms or 5.7 percent, the labor investment by almost a tenth and the use of electrical energy by 550 kWh. In 1981 the combine produced, from one ton of production material, 14 percent more aluminum foil, 7 percent more copper wire and 3 percent more copper tubing than in 1980.

An example of progressive production process in ferrous metallurgy is the manufacture of thin-walled pipes in the pipe works IV of the VEB pipe combine at the Riesa steel and rolling mill. The workers at this plant have proposed reducing the weight per meter of pipe from 3.5 to 2.5 kilograms. By 1985 several additional thousand kilometers of pipe can be produced by means of this material-efficient mode of production.

Pipes with interior plastic coating from the pipe combine are another expression of high refinement. They can be used with a five-fold longer life span than traditional pipes in the construction industry for hot water supply.

Refinement requires overall quality production on a higher level. It also calls for important changes in the production profile of the national economy. With refinement a great economic program has been marked out. We have--as Erich Honecker declared at the 10th congress of the SED--no time to lose in bringing it to pass within the whole breadth of our economy. It corresponds to the conditions of the GDR, a highly developed country with relatively few raw materials and whose significant strength is a highly trained population, experienced in modern socialist production.

9878
CSO: 2300/74

MINISTER DISCUSSES CONSTRUCTION PROBLEMS, SHORTAGES

Warsaw FUNDAMENTY in Polish No 47, 22 Nov 81 p 3

[Interview with Tadeusz Opolski, minister of construction [MB] and the Building Materials Center [CMB], by Zygmunt M. Stepinski, Andrzej Warminski]

[Text] [Question] Mr. Minister, had you expected to be appointed to this post or did it come as a surprise?

[Answer] Each person has his own ambitions. That is normal. What is important, on the other hand, is that one's ambitions not exceed one's abilities and competence. No one forced me into it and there were no pressures. Why did I decide to take the job, especially when the building trade is in a situation whose description would be a truism? That decision arose out of the conviction that I am not alone and that we would succeed in setting up a team of people who want to and are capable of leading the building industry out into tolerably calm waters.

[Question] Do you not see a need for a change in your co-workers, for letting in a little fresh blood, ideas and energy for the common good? Several days ago the "Solidarity" National Coordination Commission for the Construction Industry decided on a vote of censure regarding the Ministry of Construction [MB] and the Building Materials Center [CMB]. It would seem, then, that the simplest solution would be to introduce changes in personnel and thus avoid the criticisms of the present operation of the Ministry.

[Answer] It is possible that there will be some changes in the staff, but I certainly do not forsee a palace revolution. In my judgement, there was nothing personal in the resolution of "Solidarity" and questions of personnel were certainly not the most essential. The criticism included in that resolution was provoked by the present functioning of the Ministry of Construction, which was--and I am greatly oversimplifying--a gigantic, low-efficiency construction consortium that operates on traditional, low-efficiency directive-distribution methods.

[Question] The Sejm has entrusted you with this position at a very tense moment. In connection with the overall situation in the building industry, "Solidarity" announced a one-hour warning strike. It is true that the situation never came to that, but there were conflicts. We are interested in the operational strategy of the new head of the ministry. Do you want to begin the clean-up of the building

industry by "putting out the fires," or do you right off intend to pursue general structural changes?

[Answer] Both one and the other. There is no other alternative. Unless we find a common language with the labor unions, we shall never get off the ground. We must obtain some credit on faith, even short-term credit, and then pay it back as quickly as possible.

[Question] It is well known that discussions have been taking place between a government committee, which includes yourself, and the "Solidarity" National Commission of Independent Self-Governing Trade Unions. Is there a chance that these will lead to a favorable conclusion?

[Answer] I am an optimist. I believe that a chance does exist for an understanding.

[Question] Mr. Minister, do you not think that the most effective means of winning confidence in the present situation is to implement the understanding with "Solidarity" signed more than a year ago?

[Answer] The understanding of 29 October of last year has not been realized in its most important points and requires full and speedy implementation. In my judgement, however, it is not that that lies at the base of the threat of strikes and the discontent in the building industry.

[Question] What, in that case, is the reason for the actions protesting the media?

[Answer] At present, the unions consider the most important matter to be the creation of conditions for continuity in production, for normal work.

[Question] How do you rate the possibilities for fulfilling this requirement?

[Answer] We have taken steps to increase allotments of essential raw materials--coal for the cement plants, electric power, fuels and steel.

[Question] Have they had any effect?

[Answer] Gentlemen, do not push me to the wall, for certain matters have not yet been fully coordinated. I can say, however, that we will receive supplementary allotments for this year. Their purpose is to provide immediate improvement in the problem.

[Question] Then there is a chance for immediate improvement. Does this mean that the building industry will not be hit hard by reductions in employment? People are afraid that they will be out of work.

[Answer] Reductions cannot be avoided, but I would not hazard a guess as to any concrete number. However, we have to seek those solutions that do not carry negative consequences, that will not lead to a significant number of people leaving the plant.

[Question] How do you view the situation?

[Answer] We are working in three phases. First, a considerable number of people who will leave government construction enterprises will have to find employment in cooperative and private enterprises, which satisfy a consideralle portion of the demand of society for construction services.

Second, we are counting on exports. One thing, however, must be made clear now. With the present shortage of building materials in the country, this boils down only to the export of labor. One might say that these are trips for "seasonal lab labor," only they are organized by the government and thus ensure the jointly recognized conditions of labor. However, this will not solve the employment problem.

[Question] It will not solve the problem, but we have indications that at our building sites in the Arab countries, Philipinnos and Portuguese are employed. Why is this?

[Answer] Because we have a shortage of skilled workmen in certain fields of specialization, such as carpenters, masons and plasterers.

[Question] Why is there a shortage?

[Answer] These trades and crafts are scarce even here at home. It is all the more the case at building sites abroad, for the domestic enterprises are very unwilling to part with them. And here I should like to move to the third phase proposed. Well, we are considering training a portion of the workers during the winter season, when the construction industry is dead. We would hope that they would attain competence in the most needed specialities during this time. This will become more and more necessary, because we must more energetically set about making repairs and modernizing.

And here the next problem arises--introducing a uniform system of remuneration throughout the entire building industry, without regard to ministerial affiliation, as well as ending the disproportion in wages that arises in individual specialities. We are counting on the actions taken in this area winning the approval of the work force.

[Question] We have devoted a great deal of space to immediate actions. Let us now talk of what awaits us in the year to come.

[Answer] In the present crisis situation, the most important task is to halt the regression in the building industry. In 1982, this must be our minimum program. After all, we have been falling back steadily since 1978.

[Question] For the people, what is important is not the amount of goods, but simply shortening the waiting time for an apartment. Does this mean that next year we will build an equally small number of apartments?

[Answer] In the construction industry there is a chance that greater resources will be assigned to the most pressing social goals--apartments, hospitals, economic and service facilities, schools and land development. What is indispensable, however, is the proper distribution of all the resources which will continue to be divided up next year. They must be directed to a specific purpose.

Obviously, this is a temporary system, conditioned above all by the shortage in raw and other materials. Following the full implementation of economic reform, central distribution will be done away with.

[Question] We have a shortage in coal, energy, tar paper and brick. Of virtually everything. Do you see any possibility for radical improvement?

[Answer] Next year we want to increase the production of basic construction materials. To what extent, I am not yet in a position to say. But, after all, the economy functions on a basis of communicating vessels. There must be a uniform level in these vessels. Only this can ensure an improvement in supply, which everyone is complaining about. I shall give you an example. This year we were capable of producing more than 200 million $m^2$ of tar paper, but actually produced only 150 million, because we lacked asphalt and paper board.

[Question] We complain about the shortage of materials, which certainly would not have occurred if many years ago we had not liquidated private and cooperative factories, e.g., brick-making plants.

[Answer] I share that view. For that reason I also pin great hopes on the reactivation of plants producing construction materials, primarily from local raw materials.

Today it is generally well known in what short supply, for example, brick is; nevertheless, in our country there are around 100 old brick-making factories that are now not operating. We have to create credit terms, supplied in coal and energy, in order to reactivate their production. We are counting on these small factories providing a total production that will be quite significant in the overall balance of materials. The principles must be in effect that will generate the earning capacity for resuming this type of production.

[Question] We are also dealing with the creation of appropriate schemes for running private and cooperative construction enterprises. What role will the Ministry play in that?

[Answer] The Ministry will have to consider methods for realizing the social goals defined by the social and economic central plans, both yearly and long-term. As a consequence, the necessary organizational solutions will be initiated and the conditions created for running all of the socially indispensable units of production in the fields of construction and building materials. Let me add that I have already currently participated in making the decision to reactivate the Communal Construction Enterprise in Warsaw.

In the very near future, when certain raw and other materials will still be temporarily distributed, we shall be guided by the social usefulness of jobs without regard to the character of the enterprise—work contractor relationship.

[Question] What functions will it fulfill in connection with the change in the status and structure of the Ministry?

[Answer] We are supposed to be a government administrative agency with a two-fold legislative operation: to initiate (creating conditions for the proper running of

the construction industry, for forecasting and studying the market, and thus creating mechanisms that permit the development of that subsector of the economy); on the other hand, as they say in the jargon, to fulfill the role of construction policeman (compliance with legal acts, but obviously also with the principles of the building art). Without doubt, it is one of the most effective vehicles for improving the quality of the building industry.

[Question] The solutions presented here are model-types. Before they are functioning, a great deal more time will elapse. How long?-it is difficult to say in detail. There is, however, a need to undertake pressing immediate action. How do you view, for example, the question of dividing the property among the individual firms in the initial period of functioning or reform? And, after all, what sort of division should there be?

[Answer] You gentlemen want ready formulae from me. And I do not have them at this point. And I think that you would not take me seriously if I were to pull them, as it were, out of my sleeve. And on top of that, after only a few days of heading up the ministry. In this field there cannot be only one scheme. Experience will show which solutions will be adopted. In my judgement, in this area enormous flexibility is required, along with full knowledge of local conditions. This flexibility, by the way, will be required not only for the building industry, but also for the other subsectors of our economy.

[Question] Mr. Minister, all of the enterprises will shortly be independent, self-governing and financially independent. Some directors of construction enterprises panic at the very thought of that.

[Answer] Self-governance and independence are already regulated by appropriate laws. The situation is worse with self-financing. First, there is no law; second, doubts are on the increase. You can ask me, gentlemen, who will pay the debts of these enterprises, what of the agreements concluded many years ago and never fulfilled, what about defects in finished jobs that have to be repaired at our own expense. And I could go on.

[Question] An unusually difficult transitional period awaits the enterprises. How are they to be helped?

[Answer] All firms are supposed to be guaranteed--up to a point--equal conditions for starting up. Once again, however, I do not have a ready formula. On the other hand, I can assure you that we have submitted the needs of the enterprises in that area. At the present time, the means for satisfying those needs are being urgently considered. I hope that these solutions will shortly be worked out by the Ministry of Finance and then issued by the Council of Ministers.

[Question] Are you optimistic in general?

[Answer] Yes. Otherwise I would not be sitting here and talking with you gentlemen.

[Question] Thank you for talking with us.

3190
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## ZSMP-FDJ CONTACTS REPORTED

### ZSMP Visit to East Germany

Warsaw SZTANDAR MLODYCH in Polish 27 Oct 81 pp 1, 5

[Article by Jerzy Weber, permanent SZTANDAR MLODYCH correspondent in Berlin]

[Text] A ZSMP delegation, led by the chairman of the Main Board, Jerzy Jaskiernia, made a brief working visit to the GDR. The delegation was received by Paul Verner, Political Bureau member and SED CC secretary. The main subject of the meeting was the socio-professional initiatives of socialist youth organizations within the workers' and rural communities of both countries.

The ZSMP delegation was hosted by the Central Council of Free German Youth--FDJ. On the part of the hosts, the following participated in talks: Egon Krenz, Central Council first secretary, Wolfgang Herger, director, SED CC Youth Department and Hans Sattler, chief of the Office of Youth Affairs under the Council of Ministers. Questions associated with continuing ZSMP-FDJ cooperation were primarily discussed, given the new organizational conditions existing in the Polish youth movement with the dissolution of the FSZMP. The hosts broadly informed their Polish guests about the endeavors of the FDJ in the field of mobilization of GDR youth in the name of implementing the program of the 10th SED Congress and the resolutions of the last FDJ Parliament. The Polish delegation briefed their hosts concerning the program of ZSMP tasks following the fourth Plenum of the PZPR CC.

In a joint communique adopted following the talks, it was stressed that the meeting which had taken place was an expression of the friendship of PPR and GDR youth which has grown out of the history of the building of socialism in both countries. The development of fraternal relations between the youth of both countries, the communique states, is of great significance to the continued strengthening of friendship between the youth of countries of the socialist community to consolidate and defend socialism and peace in Europe.

The ZSMP and FDJ consider one of the mainstays of their activity to be fraternal relations with the Lenin Komsomol and other organizations of socialist countries.

The ZSMP delegation likewise met with the FDJ aktiv in Berlin's Wilhelm Pieck cable factory.

We asked Jerzy Jaskiernia, chairman of the ZSMP delegation, for a general evaluation of the GDR visit:

"I would like to stress that, despite the difficult situation in our country, FDJ-ZSMP contacts are thriving. The current visit is the third in a series of visits at the central level in the course of the past 4 months. We concerned ourselves with many issues. We spoke a great deal about youth law in operation in the GDR and the operational principles of the Office of Youth Affairs under the GDR Council of Ministers. It is a well-known fact that our union has made a proposal to appoint a similar office in Poland.

"The bulk of the time during the talks was spent, of course, in discussion of the question of the development of bilateral relations, particularly of decentralized contacts between the two unions. We came to the mutual conclusion that there is a need to update the agreement concluded between the FDJ and the FSZMP and to adapt it to the new organizational conditions existing within the Polish youth movement. We likewise broached questions associated with the effect of events in Poland on the so-called German problem and issues of the worldwide youth movement, particularly in the context of attempts to break up the international student movement.

"I would like to make special note of our hosts' cordiality, our farreaching concurrence of political opinions, our readiness to continue cooperation and their genuine interest in our affairs. In my opinion these things are essential from the viewpoint of the political vision of events in our country which is taking shape in the GDR."

## FDJ Visit to Warsaw

Warsaw SZTANDAR MLODYCH in Polish 12 Nov 81 p 4

[Interview with Ellen Brommbacher, first secretary, FDJ DC [District Committee], GDR by Kazimierz Zglejszewski; date and place not specified]

> [Text] At the invitation of the Warsaw Board [ZW] of the ZSMP, a delegation from the District Committee of the FDJ is visiting the capital from Berlin. We requested a statement from the chairperson of the delegation, first secretary of the FDJ DC, Ellen Brommbacher.

[Ellen Brommbacher]: I am very pleased to be in Warsaw, where we are always very cordially received, both by our friends from fraternal youth organizations and by our city hosts. Today we were received by the mayor of Warsaw, Jerzy Majewski. During this meeting we had an opportunity to become more familiar with the problems of your capital. We have also been the guests of the chairman of the Main Board, Jerzy Jaskiernia, who briefed us concerning the current tasks of the ZSMP in the context of the resolutions of the fourth and fifth Plenums of the PZPR CC and also informed us about preparations for the December convention [sejmik] of youth organizations of socialist countries. The idea of inviting the representatives of youth organizations to Poland arose during a recent visit made by Jerzy Jaskiernia to the GDR and out of discussions with the first secretary of the FDJ Central Council, Egon Krenz. Thus, it is a joint initiative. We also spoke of the

need to develop ZSMP-FDJ contacts at the district level. A positive example of these contacts is the relations which exist between Warsaw and Berlin.

[Question] In the GDR there is only one youth organization, the FDJ, while we have several. Do you anticipate meeting with the representatives of the other organizations?

[Answer] We are the guests of the Warsaw Board of the Union of Socialist Polish Youth and for the present we do not plan any contacts with other youth organizations active in the Warsaw district.

[Question] What is the basis of cooperation with the ZSMP/ZW?

[Answer] We have had very positive experiences in many fields, including tourist and cultural exchange and ideopolitical work. Other district organizations can benefit from these experiences. I am hopeful that the current visit will lead to the continued development of our contacts. We see the opportunity of expanding tourism, of increasing the number of persons for internships or contractual work and the hosting of more frequent meetings for the purpose of exchanging experiences gained in our political activities.

I would like to add that I am delighted with the possibility of meeting with the secretary of the PZPR Warsaw Committee, comrade Stanislaw Kociolek. We are very interested in the current tasks of the party following the Fourth and Fifth PZPR Plenums, and in the problems of party-youth organization bilateral relations.

[Kazimierz Zglejszewski] Thank you for the interview.

## Results of ZSMP-FDJ Contact

Warsaw SZTANDAR MLODYCH in Polish 19 Nov 81 p 4

[Article by (kaz)]

[Text] Last week, at the invitation of the Warsaw Board of the ZSMP, a delegation of the Berlin Committee of the FDJ visited the capital (we published an interview with the chairperson of the delegation, first secretary of the FDJ District Committee [DC] Ellen Brommbacher in SZTANDAR MLODYCH, 12 November 1981). A concrete result of this visit has been an agreement concerning cooperation between the FDJ/DC in Berlin and the Warsaw Board of the SZMP for the year 1982.

In addition to continued, traditionally favorable contacts in the area of the exchange of experiences in ideological-upbringing work in the communities of working and village youth, cooperation in the field of the development of science and technology will be expanded, with special consideration to be given to young inventors.

Following the conclusion of the voivodship edition of the Young Masters of Tomorrow Competition, the ZSMP/ZW delegation will depart for Berlin. FDJ/KO representatives on the other hand, will arrive in our capital for a summing up of the Young Masters of Technology Competition.

For the purpose of increasing tourist exchange and organizing additional trips to Berlin and Warsaw, both organizations will carry out a continual appraisal of youth tourist bureaus. Discussions with JUVENTUR [Office of Youth Tourism] and its German counterpart are already underway.

Contact between the FDJ and the ZSMP is not limited merely to contacts at the central and voivodship levels. Closer cooperation between basic echelons is likewise needed; the signing of agreements between regional and factory organizations is proposed.

During the course of working discussions, questions of sending interns to the GDR during vacation periods were also broached, as were guarantees of seasonal or contractual work for youth groups from Warsaw and the Warsaw Capital voivodship organized by the ZSMP/ZW. The Berlin FDJ organization has promised to support the ZSMP endeavors.

The Warsaw Board is conducting similar discussions with organizations in Hungary and Czechoslovakia. From an organizational viewpoint, the matter of such group trips will be all set up when the pertinent agreements are signed between the ministries.

8536
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FACTORS TO BE CONSIDERED IN IMPROVING PLANNING FUNCTION

Bucharest ERA SOCIALISTA in Romanian No 17, 5 Sep 81 pp 4-6, 44

[Article by Dr Iosif Dumitru Bati: "Equilibrium Problems in the Economic Growth Process"]

[Text] Under any political regime, the distribution of means of production and work force among production branches and spheres, as well as the organization of socioeconomic activities according to needs of society, are objective necessities. That is why proportional development is a compulsory necessity, implying the assurance of a correlation between social supply and demand, which in final analysis signifies general economic equilibrium. This equilibrium must be understood and achieved as a dynamic concept, so as to provide maximum satisfaction of social needs, whose volume and structure are constantly changing.

It is well known that the shares which are formed in our socialist economy, and which lie at the basis of general economic equilibrium, are of a planned nature. Consequently, one of the most important demands of planning methodology is to assure in the unified national plan of socioeconomic development, the necessary dynamic shares, and to maintain them at an appropriate level. These shares naturally change with the development and improvement of production forces, and in keeping with society's needs and capabilities. The foundation of these shares therefore implies an optimum correlation of production and consumption; the rational utilization of natural and labor resources; a balance between production capabilities, raw material resources, and the labor force; a more rapid growth in the production of technologically progressive sub-branches which generate relatively reduced specific consumptions; and harmonious and efficient development in all zones, thus assuring rates of development in accordance with needs at each step.

Imbalances can also occur in the development of the national economy, particularly resulting from the failure to achieve some plan indicators. They can arise as a result of natural disasters (floods, earthquakes, and other exceptional circumstances), or of an insufficient knowledge of situations, possibilities, and demands of the economy, or even of planning errors. These imbalances can and must be eliminated by improved methods of planned management, and by raising the scientific level at which plan decisions are made, correctly applying for this purpose the principles of worker self-management and economic-financial self-administration, as well as by assuring material and financial resources of rational magnitudes.

The complex problems of general economic equilibrium and of improvement planning, must of course be approached in the spirit of present social needs and of the aspirations of the working masses and our entire population. "It is entirely evident," Nicolae Ceausescu stated in his speech for the 60th anniversary of our party, "that the great discoveries of science and technology, and of human knowledge, lend new dimensions and allow a new understanding, both of natural laws and of social ones. We must not fear when any one law, or any one belief about socioeconomic development or the party, must be changed. This is an inherent truth of social dialectics." In this light, there appears a particularly strong need to conduct a dynamic study of Romania's economic reality, and on this basis, to multiply and deepen analyses of the situation in the economy and its sectors, to critically assess the phenomena and processes that are taking place, and to disclose that which is positive and negative, seeking the formulation of methods for increasingly better foundation of decisions, so that planned management will assure the maximum measure of general economic equilibrium, contribute in greater measure to the rational utilization and superior valorification of material resources and manpower, as well as improve the standard of living.

Last year saw the end of the 1976-1980 five-year plan, an important stage in the building of the multilaterally developed socialist society. The statement regarding the fulfillment of the plan stresses, as a predominant characteristic of the Romanian economy, the transition from extensive to intensive development, the emphasis placed on qualitative aspects, and the increased efficiency in all areas of activity. It points out the efforts made to consistently fulfill the party policy of socialist industrialization of the country, modernization of the production structure, superior valorification of material resources, and powerful development of agriculture. At the same time--in the words of the statement--a number of shortcomings and weaknesses occurred in some sectors, which, had they been avoided, would have allowed even better results in the country's socioeconomic development.

There is no doubt that significant growth rates were obtained for most industrial products during the five-year plan that closed, even though the plan's provisions were not fully achieved. The failure to reach the 1980 levels stipulated in the five-year plan for some major products in the extractive, metallurgical, machine construction, chemical, and food industries, has created difficulties in the smooth conduct of material production and investments, as well as in providing the necessary goods for domestic and foreign markets. This situation was due to delays in placing in operation some production capabilities, failure to reach planned parameters, improper use of some machines, tooling, and installations, as well as some shortcomings in the organization of production and labor.

During the five-year plan that just ended, agriculture obtained an average annual grain production of 19.4 million tons, or 4.5 million tons more than during the 1971-1975 five-year plan. Similar increases were recorded for the production of technical crops, potatoes, vegetables, fruits, and grapes. In animal farming, total numbers were increased for all species, and particularly for pigs, sheep, and fowl. These important achievements were obtained even though the plan's figures were not met for vegetal products and animals, except in the case of egg-layers, for which the plan was surpassed.

The fulfillment of the agricultural production plan was undoubtedly negatively influenced by the unfavorable climate of recent years. But as Nicolae Ceausescu has pointed out, the main cause for these shortcomings can be found in organizational defects in production management and organization, in serious bureaucratic manifestations in the activity of central and local agricultural organs, in the overconcentration of the labor force on unproductive tasks, in a weakened control over the manner in which are fulfilled the plan provisions, the country's laws, and party decisions, as well as in serious deficiencies in the distribution of material means and human resources.

The situations described show that reality has at times been different than planned. We believe that in some cases, along with other factors, these phenomena have been based on an inadequate knowledge of the situation, and of economic needs and possibilities. To the extent to which these objective needs are not taken into account, the economy is exposed, more or less intensely, to uncontrollable forces, and the direction of economic processes is made more difficult.

It is well known that the law of planning establishes the obligation that the foundation of production within the unified national plan for socioeconomic development, begin by assuring the distribution of production through economic contracts to be signed in June of the current year for the year to follow. The rigorous fulfillment of this legal obligation is intended to contribute to the proper and timely preparation of product fabrication, the satisfactory pursuit of technical and material supply, and finally, to the steady and satisfactory fulfillment of the plan.

Because the dynamic development of our national economy is based on a broad investment plan, new production units have been placed in operation every year. In planning practice, the production plans for these units are based on the provisions of approved technical-economic documentation. However, experience has shown that the approved technical-economic parameters are often achieved with long, and even very long delays. An analysis of the new major industrial production capabilities has shown that during last year, a number of units did not fulfill their established technical-economic indicators. The achievement of these indicators and the elimination of negative influences demands that some requirements of the highest importance be satisfied without fail; they are: supplying raw materials in time and according to stipulated structures; unconditional guarantee of production distribution on the basis of contracts negotiated in time; adequate operation of equipment and installations; availability of stipulated spare parts; assuring the presence of workers and their suitable professional qualification; effectively adapting technical-economic indicators to phenomena that may arise, such as changes in production models determined by consumer demand; carefully monitoring the fulfillment of all indicators; formulating and efficiently applying effective measures to prevent eventual malfunctions; and so on.

It is not always recommended to follow the trend of some enterprise managers and other staff members, which is to assume the highest possible financial obligations, using the argument that even if these are not met, the ensuing growth would be higher than if the tasks had been more moderate. Forcing production growth without a solid foundation and failing to fulfill a number of indicators--in some cases to

an appreciable extent and consistently--have in turn generated the practice followed by some units in the economy, including ministries, to assign the largest portion of the production growth to the second half of the year, or even to the last quarter, and within quarters, to excessively load last months. As Nicolae Ceausescu has stressed at the Workshop of the Central Committee of the RCP, held at the beginning of June of this year, this mistaken practice must be thoroughly eliminated.

The fulfillment of the plan indicators, as a condition for equilibrium in the process of economic growth, is closely associated with the judicious utilization of some economic-financial leverages available in our economy, including those of material incentives. Experience has shown, especially during the generalized application of the new economic-financial mechanism, that wherever these leverages are well known and used, the fulfillment of the plan is increasingly good. For instance, the fact that some forms of incentive remuneration did not receive the anticipated wide application, or that their area of inclusion (global contract, agreement, and so on) was restricted in some places, goes a long way toward explaining a number of shortcomings which arose in the utilization of fixed assets, in achieving labor productivity increases, and in reducing production costs. The shortage of qualified workers in the extractive industry, in assembly and installation, in steel plants, and in heavy trades in general, as well as the persistent fluctuation of these workers in some branches, cannot be considered as independent of the shortcomings in the area of material incentives.

These are realities which demonstrate that some elements of the work remuneration system, and to a large extent, the manner in which they are applied, do not yet contribute as they should to attracting and stabilizing the work force in certain branches of the economy and in trades, and to reducing work force fluctuations, nor does it sufficiently encourage higher qualifications and economic efficiency. As indicated by Nicolae Ceausescu at the Second Congress of Workers' Councils, improvements in the forms and contents of some material incentive leverages, and their correct application, could make a decisive contribution to fulfilling and surpassing the plan's provisions.

The planning activity of course assumes the existence of a well founded and sufficiently flexible system of indicators, to reflect basic movements and shares in the national economy. The number of compulsory plan indicators has increased in recent years, especially in the area of material balances, specific consumptions, investments, labor and remuneration, efficiency, and so on. Practice has shown that this increase in the number of indicators has not always and everywhere been accompanied by improved plan fulfillment and higher economic efficiency.

It is well known that our country has had considerable success in developing its production force and improving the standard of living. Over the years, extensive experience has also been gained in planning the national economy by applying the principle of democratic centralism. A realistically formulated plan, using the positive experience accumulated with time, enables the mobilization of reserves available in the economy, while assuring sufficient adaptability to fight and successfully stem the negative phenomena which to some extent have also been experienced here, phenomena generated by the oil crisis, the shortage of raw materials, the harsh competition, and the contradictions without number in the world economy.

Positive effects will be obtained by applying the indication of the party leadership, regarding a more judicious blending of centralized planning of the economy with enterprise autonomy, based on the principles of worker self-management and economic-financial self-administration, and greater encouragement of initiative on the part of workers, so as to obtain superior economic-financial results. In this way, planning maintains and strengthens is primordial role as instrument for managing the economy and the units which compose it. I believe it is useful to constantly remember that in our party's concept, a plan can be considered as viable and realistic when it is capable of efficiently mobilizing the huge mechanism of the national economy and the energy of which man is capable. With great perseverance, Nicolae Ceausescu insists on the need to formulate a balanced, realistic, and efficient plan, as a fundamental condition for the proper operation and application of the principles of self-management and financial-economic self-administration in all units of the national economy.

As the prices of raw materials have climbed throughout the world, and because of currency shortages, it has appeared necessary to assure a maximum growth in the domestic production of raw materials and a maximum valorification of the material and human resources available in our economy. Of particular importance in this respect is the orientation provided by our party's leadership and its secretary general, regarding the priority sectors for the current five-year plan. "We must place in the forefront," Nicolae Ceausescu has emphasized, "a higher production of raw materials, and in particular of oil and coal, and of other energy sources, while assuring a stronger development of agricultural production; these two sectors have priority, since they play a decisive role in the development of the economy and of society, and in fulfilling the plan for the entire five years."

The priority development of these production branches has of course implied the judicious foundation, by means of the plan, of their material base, as follows: discovering useful hydrocarbons and minerals, and work to exploit them; providing chemical fertilizers, pesticides, and herbicides for agriculture; placing investment objectives in operation on planned schedules and achieving planned parameters, including for irrigation projects; providing appropriate equipment, and recruiting and training the necessary work force in proper time; and so on. This has imposed the use of the price system and other financial leverages to stimulate the development of the domestic production of industrial and agricultural raw materials, and in particular to surpass the production plan, as well as the creation of more advantageous conditions for credit allowances. Similarly, it is very important to assure the continued strong growth of incentives for the discovery of new useful mineral deposits, and their exploitation in the shortest possible time, in order to achieve approved technical-economic indicators, surpass the production plan provisions, and so on.

The relatively restricted resources available to our national economy, the limited currency resources which we can use and still maintain a currency balance, as well as the specific consumptions of energy which are still high in some cases, have imposed and continue to impose the introduction of severe restrictions on planned production levels for such products as: metals, petrochemicals, cement, some large metal consuming products of the machine building industry, some products of the light production industry, and so on. The establishment of these restrictions, which are underlined in the documents of the 12th Party Congress, naturally imply a long range view which takes into consideration the real possibilities for assuring

necessary raw materials from domestic production or from importation, the profitability of foreign trade in such raw materials and products, predictable trends in world prices, and the maximum valorification of the resources of which we can realistically dispose. A critical examination of these possibilities and trends could eventually end the restrictions placed on investments for the development of new production capabilities in a number of industrial branches.

In the same light, it appears equally significant to reduce specific energy and raw material consumptions, at least as much as is provided in the plan, which seriously implies the perfection of existing technologies and the development of new and superior ones, the design and adoption of new products with technical-economic parameters that are competitive on the world market, and shortening to a minimum the time necessary to assimilate and place the new products in fabrication. This is a vast undertaking, of broad conceptual proportions, and high technical and economic responsibility; it requires the judicious use of specialized staffs in the economy and each separate production unit, as well as a successful collaboration between research, education, and production.

The periodic, systematic review of technologies and all technical-economic documents which lie at the basis of product fabrication, and which are aimed at a maximum growth of economic efficiency, must be accompanied by a correlation of efficiency elements with the tasks stipulated in the plan.

Of course, the redesign of technologies, and the updating and constant improvement of all technical-economic documents which form the foundations of product fabrication, require a huge conception effort, as well as great deal of competence, perseverance, and innovative spirit, in order to overcome the inertia of some people toward change, and to convince and teach them to abandon some traditional procedures. The solution to this problem is to a large extent associated with a realistic determination of the amount of design work, the assurance of the necessary specialists by means of the plan, the rational utilization of the work force in the economy and in each enterprise, and the use of specific material incentives. At the same time, this assumes a strong development of domestic scientific research, particularly in the new production domains which are presently emerging in the world and which have development perspectives, so that it will become possible, at least in some sectors and for some products, for our country to achieve a certain technologic progress and a more advantageous position in international economic relations.

An analysis of the structure for future material production in the national economy in general, as affected by necessary material resource restrictions introduced at the present stage, calls for the use of modern instruments which will allow the formulation and selection of the most adequate variations. One such instrument is the balance of shares among branches, which was formulated in our country for the first time on the basis of 1970 data. The formulation and utilization of this balance on the basis of 1981 data, for production prices obtained during this year, would make it possible to create better conditions for analyzing the structure of the national economy development, as well as for improving the foundations of decisions in this domain.

The improvement of planning activities, and the judicious blending of central planning with enterprise autonomy, as well as the application of the principles of worker self-management and economic-financial self-administration, as highly important factors in achieving equilibrium in development, are intimately associated with the continued improvement of the sytem of plan indicators. The formulation of the plan understandably requires the use of a broad and rationally dimensioned range of plan indicators and quotas. In turn, the use of this system of plan indicators and quotas presumes a judiciously organized informational system capable of efficiently providing real data for the determination--with the least amount of error--of preliminary plan fulfillment figures.

The large number of indicators currently used for planning, as well as some duplications in this domain, would make it useful to carry out a critical analysis of correlations between compulsory plan indicators and plan quotas. In my opinion, an increase in the jurisdiction assigned to collective management organs in economic and sociocultural units at all levels, is expected to lead to a consolidation of economic-financial self-administration. I also believe that a reduction in the number of compulsory indicators approved for the central plan is possible in many areas.

Once the five-year and annual plans are approved, it is most important that changes to plan indicators be made only in cases of utmost necessity, when the material basis cannot be assured, or when the approved indicators for investment objectives placed in operation cannot be met on schedule, or when foreign market influences intervene, and which cannot be eliminated through the use of plan reserves. In any case, given the accumulated experience, economic units should be assisted in devoting greater attention to the formulation of measures for a rigoruos fulfillment of the plan, while fully benefiting from the incentives provided for surpassing the plan under legal conditions. Naturally, greater emphasis must be placed on economic-financial leverages and banking control, so as to forestall the production of goods without assured distribution, the failure to achieve planned profits, failure to respect planned currency prices, and so on.

The fulfillment of the plan for all indicators assures a high efficiency for social labor, an essential condition for achieving the primary goal of our entire economic policy, which is an uninterrupted improvement in the standard of living. In final analysis, a high social labor efficiency is assured by man. That is why the plan seeks to create all the necessary conditions for properly training and improving the work force. Most significant in this respect are a continued modernization of the material basis of education at all levels, as well as that of research laboratories; a better and more efficient organization of technical and scientific documentation; a large scale dissemination and rapid application of inventions and efficient technologic innovations obtained throughout the world; exchanges of experience and specialization for the largest staffs, on mutually advantageous grounds, in institutions and enterprises here and abroad; and so on.

The problems of general economic equilibrium, of improved planning for our national economy, are of course extremely complex. The present article has sought to consider a necessarily small number of them, in a succinct manner. But in my opinion, they should receive a longer and more profound discussion, an assessment of the various possible opinions. I believe that the analysis of such problems by collective management organs in enterprises and institutions, as well as a greater contribution of scientific research in this domain, would help the continued improvement of methods for assuring the balanced, smooth, and efficient development of the national economy, and the continued improvement of scientific management of socioeconomic life.

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IMPROVED EQUIPMENT SUPPLY TO MINING INDUSTRY ESSENTIAL

Bucharest REVISTA ECONOMICA in Romanian No 45, 6 Nov 81 pp 9-10

/Article by Marin Stefanache, director in the Ministry of Mines: "The Achievement of Coal Production Necessitates the Providing and Rational Utilization of the Technical-Material Supply"/

/Text/ The development of the country's energy base to the level set for this 5-year period presupposes, among other things, the growth of coal production at a rate of over 20 percent, a rate that can and must be achieved both by putting the new production capacities into operation, using, maintaining and repairing better the equipment on hand and markedly increasing the labor productivity per man and work formation and by improving the technical-material supply of the necessities for each operation.

The raising of the economic activity to a qualitatively higher level and the growth of the efficiency in the context of the new economic and financial mechanism necessitate the strict and well-substantiated correlation of the technical-material supply with the production tasks, as well as the utilization of the means on hand and the available raw materials and supplies at a higher level, with maximum economic efficiency and productivity.

Correlations in the Dimensioning of Production and of Technical Equipping

The greater tasks that devolve upon the mining industry in the current 5-year period necessitated the preparation and substantiation of a program for equipping and mechanizing this sector of great importance for providing raw materials and fuel to the economy. The program contains the list of the basic technological and auxiliary implements, installations and equipment, according to suppliers and delivery dates, for all sectors of activity, including coal. In setting the equipment levels and selecting the types of equipment provided for assimilation into manufacture in the 1981-1985 period, the main objectives and plan targets were taken into account (Table 1).

The figures in the table show that coal production will register a 2.4-fold increase. This increase is based on introducing at suitable rates high-yield techniques and technologies both into the opening and preparation of the minework, in which an over 2-fold increase will be achieved, and especially of that in the mining faces, where the expansion of the extraction with mechanized complexes should provide a 2.5-fold rise, and the lignite production achieved in quarries with highly productive technologies should attain at least a 2.5-fold jump. It is clear that between the production set for each year of the period to which we are referring, and for all of the

current 5-year period, and the technical equipment expected to be provided there is a close correlation, a regularity that must be respected and put into practice in such a way as to not produce any kind of delay in supplying and operating the mechanized means and, in consequence, to not interrupt the coal production achieved in the mines and quarries.

Table 1. The Correlation of the Technical Equipping with the Production Tasks

| Category | Achievements 1980 | Provisions 1981 | Provisions 1985 | 1985/1980 (in %) |
|---|---|---|---|---|
| The development of coal production (thousands of tons) | 35,240 | 42,186 | 85,600 | 240 |
| The extraction of coal in faces equipped with mechanized complexes (thousands of tons) | 12,457 | 17,900 | 31,000 | 250 |
| The development of lignite production in quarries through mechanized technologies (thousands of tons) | 10,317 | 20,955 | 37,365 | 360 |
| The mechanized digging of opening and preparatory minework (thousands of cubic meters) | 917 | 1,390 | 1,990 | 205 |

The supply plans are based on the provisions in the equipping and mechanization program, adapted to the investment documentation approved. In carrying out the mechanization program, significant efforts were made, which, in the 1978-1980 period, caused the units in the coal branch to receive from domestic sources and through importation 109 mechanized face complexes, 79 face combines and 35 heading combines. At the same time, the lignite quarries took possession of 11 technological lines, with another 6 rotor excavators and 3 dumping machines being in the process of installation. For the immediate or more remote period, the further assimilation of many pieces of equipment is planned, of which the following are more important: model SMA-P [expansion unknown] and CMA-P [expansion unknown] mechanized face complexes for the extraction of thin layers of bituminous coal and lignite, model SMA-5H and CMA-5L mechanized face complexes for thick layers of bituminous coal and lignite, face combines for the whole range of heights, from thin layers to the working height of 5.4 meters, model 470 bucket-rotor excavators for improving the lignite-extraction technologies and so on.

But in the supplying of equipment there still are some deficiencies, caused by:

The sometimes tardy finalization and giving of advice--by the design institutes, the mining combines and the specialized bodies in the ministry--regarding the investment documentation, it thus not being possible to issue the orders to the suppliers at the proper time;

The failure of the machine-building industry to provide equipment on schedule (face combines and complexes, trench excavators, vulcanizing apparatus, pit lamps and so on) or the failure to deliver other equipment in the order of installation (rotor excavators, combines, centrifugal pumps, motors and so on);

The transfer of the production of equipment from one supplier to another without ensuring continuity in manufacture and delivery to customers. Thus, some pumps from

Bucharest "Averga" were transferred to the Botosani IUPS /Enterprise for Equipment and Spare Parts/ and the Medgidia IMU /Metallurgical Equipment Enterprise/, there thus being delays of over 1 year in the assimilation of their manufacture. The electropneumatic ventilators from Satu Mare "Unio" were transferred to the Ventilator Enterprise in Vaslui, which, besides the delay in assimilation, did not resolve certain aspects regarding quality;

The delivery of insufficiently inspected and adjusted installations and equipment. The necessary corrections requested by customers are not always made in the periods set, which hinders the mecharization of operations in the exploitation of coal. Consequently, we believe that the manufacturers of such equipment must respond to a greater extent to the justified demands concerning the functioning of the machines and installations delivered at the projected parameters and, together with the customers, must make every effort to remedy as soon as possible the defects pointed out and to put the respective equipment into operation.

Priorities for the Use of Equipment with Maximum Productivity

The efforts made to provide for the supplying of modern equipment, in order to introduce new technologies that would facilitate the operations with a high volume of labor and would provde a marked increase in productivity, have found a correspondent in the year-by-year increase in the degree of utilization and in their efficiency in the coal-extraction process. But these efforts have not always been supported by a corresponding concern on all levels for efficiently utilizing the technical equipment existing in the mining enterprises. This explains why, in some periods, the mechanized face complexes in the inventory, the face combines and the minework-digging combines are used only partially. On the other hand, with the equipment in operation, outputs below those planned are obtained--not in a few places--as a result of the frequent accidental interruptions in the operation of the technological equipment and the failure to properly maintain and repair it.

All these things have been the object of analyses at the level of the units and the ministry, with suitable measures being established for improving the activity in the respective field, of which we note:

1. The complete and regular fulfillment of the tasks with regard to assimilating and introducing into manufacture the machines, equipment and installations needed for mechanizing the minework, by testing and experimenting with the prototypes made and approving them, by the middle of 1982, and by making the improved prototypes of mechanized face complexes, organizing the experiments and approving them, by the end of the same year.

2. The continual improvement of the technical performances of the mining machines, equipment and installations and their quality and reliability, for which there must be: the organization of work conferences with the equipment designers, suppliers and customers regarding the qualitative deficiencies, including the interruptions due to the maintenance and operation of the equipment under the specific operating conditions; and actions regarding knowledge of the behavior of the equipment in operation, regarding documents in the field of the innovations appearing and regarding establishment of the necessary measures for modernizing the respective equipment.

3. The reduction of the accidental stoppages of equipment and installations, for which purpose it is necessary: to improve the quality of the mining chain and the

connective eyes for flight conveyors; to make as soon as possible the prototype of the vulcanizing installation and to supply to the mining units the tools and devices needed for properly organizing the activity of vulcanizing the rubber covers; to organize the activity of the whole existing stock of equipment on hand, there being drawn up the program for putting in working order particularly the hydraulic installations of the mechanized complexes; and to centralize in specialized units the manufacture of the gaskets for the whole range of hydraulic installations on the mining equipment.

4. The ensuring of the delivery of complete accessories, correlated with the dates for putting the planned capacities into operation. In order to do this, it is necessary to insist that the general suppliers keep track of the cooperation in production and that the stipulated sets be delivered on schedule, taking the necessary steps to make up the whole volume of arrears.

How Can the Spare Parts Be Provided?

In the mining industry, the level of stocking with equipment, machines and installations necessitates the manufacture, supplying and use of a large volume of spare parts, their value coming to over 1.5 billion lei in a year. Of them, 52 percent are made in its own units and the rest are furnished by the enterprises of the machine-building industry. In the preparation of the supply plans, however, some shortcomings are encountered, since lists of spare parts are not drawn up for the new equipment and, for the most part, they are not manufactured (for example, those for 50-ton dump trucks, A-3602 tractors and 2.4-cubic-meter excavators, which also have imported components). In order to reduce the dependency on suppliers for the supply some less complex spare parts are made and assimilation and, in particular, reconditioning are done in the units of the Ministry of Mines. The volume of the latter in 1982, for example, will be over 50 percent higher than in 1980. Special attention is being devoted to the assimilation of spare parts for imported equipment and installations, an action that is reflected in the reduction of the valuta effort (Table 2).

Table 2. The Reduction of the Valuta Effort for the Procurement of Spare Parts (1980 = 100)

| Specification | 1982 (in %) |
|---|---|
| Spare parts for complexes and combines | 48 |
| Spare parts for extraction machines, pumps, ventilators, compressors | 78 |
| Spare parts for rotor excavators, dumping machines, (foreze) | 68 |
| Spare parts for (trafo), electric cells, rectifiers, automation elements | 49 |
| Spare parts for laboratory apparatus and computers | 42 |
| Spare parts for automotive repairs, excavators, cranes | 44 |

Nevertheless, in the first 9 months of this year, too, as in past years, one notes that, in general, the deliveries of spare parts from the equipment suppliers were not achieved in conformity with the timetables, especially for mining equipment, where the arrears for the main components are 20 percent on the average, which leads to tieups of equipment, the failure to make the scheduled repairs and, ultimately, the failure to achieve the planned output.

In order to improve the situation in this regard, energetic measures that would eliminate some harmful practices are necessary. In this regard, the following are required:

The more precise establishment, by the specialized bodies, of the list of the parts that cannot be imported in the necessary quantities and the undertaking of the prompt assimilation of them;

The organization, by the Ministry of the Machine Building Industry (taking into account some discontinuations of the importation of equipment), of the production of spare parts for that on hand, adapting the indicators of the producing plants to the new structure of their production;

The supplying, for all new equipment assimilated, of indispensable spare parts whose price would be included in the cost of the equipment;

The takeover of a wider and more complex range of spare parts for execution in the units of the Ministry of Mines (through the development and tooling of its own plants).

The Supplies--Delivered on Time, Managed Efficiently

Although the mining industry is one of the biggest suppliers of raw materials for all economic sectors and branches, it is feeling the lack of special supplies that it cannot procure by itself. This is happening because some specialized enterprises are not achieving in the necessary time the assimilation targets set. This is the case with, among other things, the model D mining chain for flight conveyors, the steel section for reinforcing the minework under high-pressure conditions, and seamless pipe for hydraulic props--obligations assumed by the metallurgical industry--and the gaskets, the hose, the general-purpose rubber covers with big widths, the fireproof and antistatic rubber covers, and the solution for the cold-joining of rubber covers--tasks that devolve upon the chemical industries. Under these conditions, the producing units, the customer units and other elements of the technical-material-supply system must act steadily and quickly to assimilate and approve the scarce supplies, without which the production process encounters serious difficulties.

Analyzing, at the same time, the manner of fulfillment of the targets for recovery and delivery of reusable materials by the mining units--steel, used mineral oil, tires for retreading--it must be pointed out that there are some lags in this branch. Thus, in the first 9 months of 1981, the target for recovery and delivery of reusable materials to the collection enterprises was fulfilled only to the degree of 72-85 percent, with the recovery measures being intensified in the last part of the year, so that the obligations may be met completely.

The improvement of the supplying of materials in the mining field necessitates the taking of steps, of which the following seem to be more important:

The assignment of the quotas on the basis of the substantiations presented, after a thorough check, depending on the volume of production and the consumption standards, there being given up the statistical method applied in some situations;

The complete concluding of contracts by the supplying units for the allotments received. However, these units must provide earlier their production capacities needed for honoring the allotments given by the balance coordinators;

The matter of assimilating and producing in the country, as soon as possible and with suitable quality, the scarce supplies that are now procured through importation;

The utilization of recoverable materials to a greater extent by the mining units through the organization of belt- and cable-vulcanizing activities, the reconditioning of the metal reinforcements and the mine rail, and so on.

The intensification of the efforts of the suppliers of equipment, spare parts and materials, so that the contractual obligations may be met on time, and the combining of them with those of the miners to provide the production capacities and to rationally and efficiently use the technical-material base are creating the necessary conditions for fulfilling the coal-production plan, for satisfying the current requirements of the country's economy in this regard.

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USE OF ALTERNATE ENERGY SOURCES EXPLORED

Bucharest REVISTA ECONOMICA in Romanian No 45, 6 Nov 81 pp 11-12

/Article by Dr Eng Marius Dancila: "Requirements and Possibilities of Better Utilization of New Energy Sources"/

/Text/ The energy situation in recent years, caused by the prospect of the depletion, in the foreseeable future, of the main source of energy that mankind now uses--crude oil--(under the conditions of the maintenance of the current rate of consumption), has also brought to the attention of the political decisionmaking factors, the economists and the power engineers the advisability of utilizing other sources of energy, less or not at all used thus far, called generically "new, renewable sources." Viewed as technical curiosities only two decades ago, researched and--pretentiously said--developed more out of scientific considerations than for their technical reliability, the new sources of energy did not find the confirmation of their economic role except after the shock of the onset of the energy crisis in 1973. Sources still prohibitive from the viewpoint of the investment costs needed for utilizing them on an industrial scale, they have very rapidly covered the path to the ways of profitability in the past decade. In relation to just this criterion of evaluation, their percentage tends to become quantifiable in the energy scenarios drawn up for future periods, even in industrially developed countries, whose power-generation sector has been based predominantly on classic factors of primary energy thus far.

Starting from the necessity of providing the sources of energy for the fast economic and social progress of our country, the farsighted documents of the 12th Congress of the Romanian Communist Party, and among them, from a viewpoint of the energy policy, particularly the Directive Program for Research and Development in the Field of Energy in the 1981-1990 Period and the Main Orientations up to the Year 2000, establish the basic tasks with regard to providing the energy resources needed for rapidly developing the economy. The intensification of the concerns involving the utilization of unconventional sources of energy is also among the objectives considered--along with actions by means of which there are pursued the improvement of the organization of the national electric-power system, the matter of managing with maximum efficiency the entire power-generation potential that our country possesses, the rationalization of the production processes by continually reducing the energy consumption in all fields of activity, and so on. What are the ways by means of which, in the Romanian energy strategy, there is being pursued the growth of the participation of the new sources in providing the energy support for development in this 5-year period and, from a wider perspective, what is the level of the current achievements and how will the research activity be oriented?--these are a few problems on which we will try to dwell within the present article.

The New Sources--a Component Part of the Energy Support for Development

In contrast to the classic energy solutions, in the field of the new, unconventional sources and technologies--as, in fact, in other fields still in an initial stage of development--the providing of economic competitiveness and the reduction of the specific investment and the material resources needed, especially the energy-intensive ones, through new technical solutions that would permit the growth of the equipment's power outputs and reliability, through dimensional optimizations, through the devising of new technologies for achievement, through the typification of the dimensions and so on, are an essential objective. In past decades, the growth of the percentage of hydrocarbons in meeting the need for primary energy led to a drop in the interest in other energy bearers. Petroleum and natural gas were the ideal source of energy for creating a modern power-generation infrastructure that was able to provide rapid economic development in a short time. At the same time, the solutions adopted involved relatively small investments, with short amortization periods. However, the power systems based on this "monoculture of hydrocarbons" now seem to be elements with considerable inertia, whose modification can be done with high costs and in time, with the reduction of the dependency on hydrocarbons involving changes not only at the level of the power system as such but also at the production level, with many production technologies being adapted to the utilization of this category of fuels.

It is the incontestable merit of our state's energy policy to have promoted, in the past 15 years, a suitable way of development, by intensifying the efforts to utilize particularly its own coal reserves and hydropower potential, thus reducing the power-generation sector's dependency on the hydrocarbon market. Thus, the economic conditions suited to the penetration, on a national scale, of the new energy technologies, of the methods of utilizing the new, unconventional sources of energy, were foreshadowed even before the onset of the energy crisis. In this way, the foundations have been laid for a technical and organizational structure within which the curve, rising in time, of the costs of the energy obtained with classic solutions would intersect the evolution, falling in time, of the costs of the energy obtained with various new types of energy sources and technologies. In other words, there is being provided the interval of time needed for widely promoting the technical solutions in the field of the new sources of energy, within the limits of the production capacities and the specific raw materials that will be able to be allocated and within the limits of the national power-generation potential available for each type of new source.*

* Until reaching maturity or, in other words, in the process of going from a potential to a technical reality and economic competitiveness, the new proposals and ideas in power generation always go through a number of stages or levels of acceptability, characterized by a multitude of restrictions. Schematically, these levels of acceptability appear as follows: scientific acceptability--without which it is not possible to undertake discussion of the idea, an idea that must be compatible with the laws of general evolution of scientific thought; technological acceptability--a level at which the possibility of turning the idea into a reality (the prototype phase) is analyzed, that is, the proposal's compatibility with the economy's structure and technological possibilities in a given stage; industrial acceptability--a level that is reached when a number of restrictions of a technological nature with a temporary and relative value have been overcome, with the proposed objective being able to be achieved with industrial procedures, using available raw materials for this purpose; economic acceptability--a very important stage that involves the attainment of economic efficiency indicators competitive with those of classic

Among the new sources, geothermal energy has occupied thus far the leading spot under our country's conditions, it being at present the only one economically competitive with the classic heat-production solutions. However, its utilization is limited to the zones in which resources of geothermal water have been identified and evaluated (especially in the counties in the western part of the country). Thus far possessing approved reserves corresponding to a usable energy equivalent of about 700,000 tons of conventional fuel per year, the program provides for the expansion of the applications so as to go from about 120,000 tons of conventional fuel in 1980 to an annual contribution of about 500,000 tons of conventional fuel in 1985. The economic efficiency of the installations for making use of geothermal water must be analyzed in detail, for each site, with the level of efficiency being determined both by the source's temperature and by the salt content, which, in its turn, influences substantially the efforts needed to keep the producing installations in operation.

Besides the expansion of the range of facilities with thermal applications--such as the industrial uses employing low-temperature water, the applications in the agricultural and zootechnical sector, for the heating of spaces and the preparation of sanitary hot water for domestic use--the research in progress also involves the production of electric power, with low-capacity freon or isobutane turbogenerator installations for isolated consumers.

Under our country's climatic and geographical conditions, the uses of solar energy--an energy source with a theoretically high potential compared to that of the other unconventional sources but with a low specific unit power--favor low-power facilities for utilization and decentralized electric-power or heat production. In an initial stage--already in the phase of generalization--solar energy finds applications in the preparation of hot water for consumption, also participating in meeting part of the need for heat for the heating of dwelling spaces and industrial spaces, and in the industrial processes with a low thermal potential, with temperatures below 80°C.

Analyzing the structure of the energy consumption, on a national level, from the viewpoint of the main forms of energy-bearing substances consumed, one notes that, in 1980, about 26.5 percent of the fuel was consumed for electric-power production, 22 percent as raw material in industry and for non-power-producing purposes and 51.5 percent in the form of heat, including about half at a low potential (below 200°C). From precisely this perspective, we feel that in the field of the utilization of low-potential heat, in which there are included as main elements the preparation of domestic hot water, urban and industrial heating and the technological processes that require low-potential heat (washing, drying, dehydration and so on), solar energy will find a wide field of applicability in the future.* Regarding the conversion of solar energy into electric power, about 0.5 percent of the total area of the country

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solutions, regarded already as being "mature"; social acceptability--a stage that presupposes the conscious adherence of the majority of society, for the purpose of achieving the objective in view as far back as in the first stage: the idea's compatibility with the conception of general development of society.

* Solar heating of domestic hot water is gaining more and more ground, it now being the solution in the course of implementation in over 1,400 apartments in Timisoara, Constanta and localities in 5 other counties of the country. In Bucharest, in the Baneasa zone without district heating, the construction of over 1,000 apartments possessing the same type of technological equipment will be finished in 1981.

is estimated as a technically feasible potential, it clearly being a question of zones unfit for agricultural crops or other more advantageous uses of the land. Under our country's conditions, with an average specific electric-power output of about 275 kilowatt-hours per active square meter per year (using both the procedure of thermodynamic conversion and that of direct photovoltaic conversion, considering for both solutions an average gross output of 15 percent), it is possible, theoretically, to obtain a total electric-power output of 77 billion kilowatt-hours per year (in a ratio of S [area]/total employed/active S = 4.25).

Taking into account the evolution of the technologies and the possible conditions for implementing the solar-electric power stations (with a thermodynamic cycle and with direct photovoltaic conversion), it is predicted that an installed power of about 200 megawatts of electric power, a figure that represents the upper level of the economically feasible potential at the end of the century, will be in operation in the year 2000. An initial facility--the experimental solar power station of 30 kilowatts of electric power--was put into operation this year by the Institute for Energy Research and Modernization in Bucharest. Although modest in terms of parameters--in comparison with the classic high-output electric power stations--this materialization of our own research, achieved completely with equipment and subassemblies of Romanian devising and make, represents the first concrete step taken in our country in the field of solar-electric power generation. The merit is all the greater because, from a technological viewpoint, for this type of facility, the solar power station is on a par with similar achievements in countries that possess a considerably greater technical potential. The research program in progress also provides for the achievement of a high-output solar power station (1 megawatt of electric power), according to the concept of a central tower and focusing heliostats, by 1985.

We ought to mention the fact that the technologies for achieving the high-output solar-electric power stations are still far from the threshold of technical and economic maturity and not competitive with the classic solutions at present. However, it is felt that the potential of the source--solar energy--justifies the efforts made from now on in the area of technological research and development in this field. The transition to high-capacity industrial installations for electric-power production is considered possible after 1990.

Regarding wind energy, under our country's climatic conditions, in most cases this indirect form of manifestation of solar energy has an intermittent, unstable character, with big seasonal variations. Apart from the applications in the case of isolated consumers, the contribution of this form of energy to the electric-power system, on the basis of the current technologies, cannot be made except by means of hydraulic accumulation, through pumping, within the existing hydropower facilities.

The achievement of the first horizontal-shaft aerogenerator having an output of 20 kilowatts of electric power, installed at the testing grounds in the Petrimanu massif (near the Lotru hydropower facility), undergoing technological tests at present, goes into this category of facilities. The research in progress is pursuing the expansion of the range of rated powers, so that the conditions for achieving aerogenerators with outputs of up to 1,000 kilowatts of electric power may be provided during the current 5-year period.

The technically feasible potential of wind energy is given by the possible sites for collecting and converting this form of energy, also taking into account the

possibilities of setting up the pumping stations and of operating them, as well as the requirements regarding environmental protection. In establishing the economic efficiency, it is also necessary to take into consideration the material and financial effort for achieving the adjacent accumulation and pumping stations. It is predicted that the energy utilized with wind turbines will grow from 500 tons of conventional fuel per year in 1981 to 60,000 tons of conventional fuel per year in 1985. The research objectives involve the improvement of slow variable-geometry aerogenerators, of turbines with a vertical and horizontal shaft and so on.

Among the other new sources, the use of biomass especially for the production of synthetic fuel is proving to be promising under our country's conditions. The energy contribution of the biogas resulting from the processing of animal wastes, of residues from agriculture and the food industry and of sludge arising in the plants for treatment of urban residual water will reach the figure of about 450,000 tons of conventional fuel per year in the year 2000. Regarding the energy potential of the waves on the Black Sea, in the area of the Romanian coast, it is estimated that its gross value is relatively low--with the possibilities of utilization in power generation being able to be concretized especially in isolated low-power facilities.

New Elements in the Equation for the Organization of the National Power System

While classic power generation has demonstrated its maximum economic efficiency in the form of systems of high-power installations, interconnected by networks of high-voltage powerlines, under the conditions of the promotion of the new energy sources, the options are becoming diversified, with a number of established solutions coming to be reconsidered. For example, the current technologies for collecting solar energy are suited especially to decentralized installations of limited power. The raising of the capacity of the installations can be achieved only extensively, without thereby justifying the achievement of centralized high-power installations or of the transmission and distribution of the power produced. The installations driven by windpower allow the advantageous use of the mechanical power obtained, for example, for pumping water or generating electric power, also in a decentralized fashion, in low-power installations. At the same time, however, attempts are being made on a world level to achieve "giant" windpower installations of 1-2 megawatts of electric power. Similar trends are also appearing in the case of other energy sources. In fact, there is appearing a veritable symbiosis between "hard" power generation and the new sources, usable mainly with "soft" technologies, scattered territorially due to the dispersed character of the sources, with both complementing each other.

As a characteristic of the scientific activity in the energy field, its branching in many directions can be seen. The first, better known, has as an objective the devising of the concrete technical solutions for equipment and installations and the organization of the power system as a whole. The complexity and the systemic character of the energy problem necessitate at least one more essential attribute of the science of power generation, that of helping to substantiate and optimize the decisions regarding the organization of the national power system by combining flexibly, and in a prospective view, the classic power-generation structures with the new ones, under the conditions of providing for as efficient utilization as possible of the power at the level of the national economic complex.

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PRIVATE SECTOR AGRICULTURAL DEVELOPMENT IN MOUNTAIN AREAS

Bucharest REVISTA ECONOMICA in Romanian No 46, 13 Nov 81 pp 13-14, 16

[Article by N. Brasoveanu]

[Text] Agriculture is a basic branch in the general strategy of our party and state for development of all branches of material production, with its being given priority attention in this five-year plan as one of the main and permanent resources for economic growth in general and for providing food for the population and a broad range of raw materials for industry in particular. Having as its end a rise in agriculture's contribution within the national economy, the new agrarian revolution is emphasizing the orientation toward the need for necessary conditions to be ensured, parallel with the development of state and cooperative agriculture, for increasing agricultural production on the population's farms, too, within which a large place is held by the individual agricultural farms situated predominantly in the hill and mountain areas.

In its geographic position in the zone of interpenetration of Europe's large geographic units, by its temperate continental climate and the quality of its land, which is fertile for the most part, Romania's territory presents favorable conditions for the economic development of all the country's natural zones, including the hill and mountain regions. This territory has the following distribution by large areas of relief: the mountains occupy around 30 percent, the hills--approximately 37 percent and the fields--33 percent.

The hill and mountain zones occupy 44 percent of the country's agricultural area.

Economical Sizes for the Agriculture of Individual Farms

As an important component of the fourth sector of agriculture, the individual agricultural farms play an important social-economic role, together with the individual plots of the agricultural production cooperative members and farms of worker personnel in the rural environment, holding approximately 1.7 million hectares of agricultural land (of which 490,000 are arable, 560,000 are pastures, 670,000 are hayfields, 57,000 are orchards, 11,000 are vineyards) and a large number of animals (approximately 1 million cattle, 2.3 million sheeps, 900,000 hogs and around 11 million chickens).

Under the conditions of the state's contribution with superior biological material, average per hectare production in the 1965-1980 period rose from 5.5 to 12.3 tons for potatoes, from 6.6 to 15.0 tons for vegetables, while average animal production

rose from 1,294 to 2,363 liters per cow for milk, from 1.8 kg per sheep to 2.3 kg for wool, from 86 eggs per hen to 134 for eggs and from 10 kg to 17 kg for honey (from one family of bees). The production ceilings obtained by the individual agricultural farms are approaching some of the vegetable products and the majority of animal products are approaching the levels obtained for agriculture as a whole, with its being exceeded substantially for cow's milk. These achievements, obtained under conditions of a material-technical base which is much below what socialist agriculture has available, show the viability of the agricultural system practiced by the individual farms, which fully utilizes the natural hayfields as the material support for their economic activity and the barn waste as the pivot point for the fertilization process. In this context, against the backdrop of the main job of agriculture of providing the products needed for normal physiological consumption by all the population, the increase in animal and fruit production--decisive directions for the development of agriculture in the hill and mountain areas--emphasizes the important place and role of the individual agricultural farms in these zones in providing quantity and the qualitative structure needed for the food ration, which requires a greater proportion of animal products, fruits and vegetables.

At the level of the economic resources mentioned and in the agricultural system practiced, the individual agricultural farms are producing the following of total production for the country: approximately 7 percent of wheat and corn, 23 percent of potatoes, 9 percent of vegetables, 28 percent of fruit, 19 percent of milk, 12 percent of wool and 16 percent of the eggs. However, we should note that, compared with the quantity of production achieved, this agricultural sector is participating in the state fund with proportionally and considerably lower shares, particularly for milk and wool. Thus, we have large reserves for having the individual farms use certain agricultural products in the state's centralized fund, which would more substantially include the sector of small production of goods from agriculture in the area of provisions of the normative acts for establishment, distribution and use of resources in the counties to supply the population with meat, milk, vegetables and fruit within the sphere of measures established through the recent Council of State decrees on self-leadership and territorial self-supply as well as on providing agricultural products under good conditions.

The 1,561,000 individual agricultural farms located in 373 completely cooperativized localities and 227 partially cooperativized localities total a population of approximately 3.5 million people, of which, however, 62 percent are incapable of working (children and the elderly), with this characteristic of the structure of the labor force having clear economic and social implications.

Characteristics of the Natural, Economic and Social Framework

The high degree to which they are divided into lots and the high level of the incline create conditions which are less favorable to carrying out profitable agricultural activity in the mountain zones. As an example, we mention that the maximum areas for the individaul farm lots in Bistrita-Nasaud County vary by categories of use between .01 hectares for arable and .07 hectares for hayfields. In the same county, 83 percent of arable land and 100 percent of the vineyards in this agricultural sector are located on territories with a 19-26-percent incline and nearly 10 percent are also on territories with more than a 26-percent incline. The ground is poorly fertile, with excessive moisture and acids.

Under these conditions of the natural framework, the mountain areas in the process of economic growth for agriculture as a whole enter into an unequal competition as far as the possibilities with the other regions in the country, a fact because of which the individual agricultural farms in the hill and mountain areas must be helped by society. In this regard, the UN Food and Agricultural Organization program for development of the disfavored regions does not consider the state's aid for profitability of mountain agriculture as a subsistance allocation but as a means of compensating for the high costs and reduced level of production, with the goal of providing incentives for the farmers in these areas for fuller utilization of the natural and human resources. In the same framework of the problem we mention that Comrade Nicolae Ceausescu's profoundly humanist concept of the development of agriculture in the hill and mountain areas regarding the need for homogenization socially and economically at the territorial level and the need for equality primarily in the economic area lies at the base of our state's policy, emphasizing that there cannot be equality where there is economic inequality.

Whereas, due to the difference between working time and production time in agriculture in general, the stock of time is utilized incompletely, for the hill and mountain areas--as an effect of the relatively less intensive nature of the agriculture--the working time on the individual agricultural farms is of a pronouncedly partial nature. So, we have around a 40-percent utilization of their total stock of time, making a ratio between the total volume of work on the individual agricultural farms and the potential of annual work of the existing labor force. Under these conditions, the noncooperativized agriculture in these areas constantly frees the labor force for nonagricultural activities. Only to have the quality of the labor force remaining in agriculture deteriorate, establishing a process of growing older and more of them being women, in a number of hill-mountain locations, due to the too intense fluxes of migration of the agricultural population capable of working, particularly of the men. Within the phenomenon of migration of the agrarian population from the noncooperativized area of agriculture, temporary migration, in the form of daily or weekly commuting, is being seen more frequently.

With a view to establishing the labor force in the area needed to develop animal raising and fruit-tree growing--basic branches of agriculture on the individual agricultural farms--some complementary agricultural and nonagricultural activities are being practiced and must be intensified, such as artisan craftsman's work, gardening, beekeeping, sericulture, raising small animals for fur and meat. The organization of an adequate economic framework is being proposed, one which permits providing a volume of work in the noncooperativized locations according to the labor force potential existing in these locations through diversification of the jobs in the following ways: organization , transfer and development of industrial activities, thus setting upprojects in the noncooperativized areas; utilizing agricultural producers as forestry workers and cart drivers in the units for wood exploitation and processing; the organization of activities for processing and superior utilization of local raw materials and bringing up to date the traditional jobs in preparing certain milk products, various varieties of cheese and certain meat preparations; extending craftsman's activities (woodworking, wheelwright's work, ironmongery, locksmith's trade and so forth) as well as artisan work, providing services, with all these to be carried out in craftsmen's workshops, particularly work at home; the organization of tourist activity in the mountain locations with scenery value by providing the necessary comfort on the individual farms.

Zonal Types of Agriculture

Against the backdrop of the zonal nature of agriculture, determined by the natural, economic and social conditions, certain types of agriculture also are formed in the sector of individual agricultural farms, characterized by different structures of production. The determination of them has been made in selecting the substantiation for the territorial plan, differentiated by territory with regard to the structure and production ceiling, leading to the orientation of the structures and sizes of the contracts for the state fund and bringing directions and forms of cooperation between the individual agricultural farms and the socialist agricultural enterprises. The types of agriculture by territory of the individual agricultural farms, as mentioned in the table, have been determined in this selection.

With regard to the structure of the categories of use, the moderate continental climate of the Carpathian Transylvanian arc--characterized by the lack of heat and by excessive humidity, favoring large pastures--brings a predominantly pastoral agricultural production, along with tree growing. The continental climate with shades of excessiveness in the hill and mountain area in Oltenia, Muntenia and Moldova, bringing a more favorable hydrothermal relationship, leads to a more complex type of agriculture (pastoral-tree growing,agricultural).

With regard to the structure of the crops, we note at the national level a reduced proportion of grain in relationship to corn, which occupies more than half of total arable land . Territorially, both in the mountain areas as well as the plateau and plains areas, we find grain with a considerably greater share of the territorial area of Transylvania and Banat, while grain is merely symbolic in the agricultural areas of Oltenia, Muntenia, Moldova and Dobrogea. The factor of tradition partially explains such different proportions for the grain crop, under conditions in which the favorability of this crop is much greater in the last zones mentioned.

The generally reduced economic sizes of the grain crop currently on the individual agricultural farms are due to a number of socio-economic factors. The peasants in the noncooperativized zones of agriculture--particularly those working in nonagricultural activity in the cities but who live in the rural areas--until now were being supplied with flour, bread and other bread products from the village stores or from the city, thus not being given incentives to grow grain on the land which was their individual property. At the same time, the lack of means for job mechanization, which this crop requires, in the situation of the lack of capable labor force and necessary teams, is an important cause which has hindered the general extending of stalky grain crops, even rye, spring barley and oats, crops which find in these areas relatively better conditions for the crop than grain. The nonexistence of sowing machinery and reapers with animal traction and threshers, in the situation where the agricultural mechanization stations were not participating at all in the jobs or were doing them in an insignificant proportion, thus is one of the main limiting factors in extending the crop of stalky grains on the individual agricultural farms.

In the spirit of indications of the party's secretary general, it is necessary to speed up the application of a number of measures, starting with the mass introduction of grain varieties which are proper for mountain agriculture and ending with a more substantial contribution from the state units in the mechanization process and in supplying machinery for animal traction, with manual tools, pesticides and chemical fertilizers.

A reconsideration of the place for this crop in the agriculture of the hill and mountain zones will permit the individual agricultural farms to welcome the measures provided in the recent Council of State decree on providing quantities of bread and flour as completions from the state fund. The presence of the stalky grains in greater proportions also would mean a greater quantity of bran--a particularly important end under conditions of the insufficient supply of this category of agricultural farm with concentrated fodder.

At the same time, we find a very large percentage of corn, even exceeding the proportions appropriate for this crop in the irrigated agriculture of the plains areas. Clearly, at the level of reduced average production and big requests for this product (both for animal food as well as for industrialization and for human food), the individual agricultural farms are applying an extensive system, broadening the area meant for it with the purpose of satisfying the consumption needs as fully as possible. But this kind of economic practice includes a large element of risk, with the climate factors not justifying this kinds of sizes for this crop in mountain agriculture; most years corn did not reach maturity. Under these conditions, we feel that the state's contribution to providing individual peasants in the hill and mountain areas with corn should be more differentiated in proportion to the favorability of this crop on the territory. Reducing the percentage of corn in hill and mountain agriculture to the proportions determined by the ecological conditions would allow introduction of the rape crop for oil and of sugar beet in greater dimensions, thus facilitating the self-supply of this category of farm with oil and sugar.

By generalizing the aspects presented for organization of agricultural production on the individual farms in the hill and mountain zone we find that the main component of vegetable production is the meadows, and the crops which meet favorable ecological conditions are potatoes, oats, rye, grain and barley (especially the spring barley), beets, turnips, fodder cabbage and psychrophyll vegetables.

It is also planned to extend beans, potatoes and squash for the crops to be inserted. With the goal of providing the protein contribution to the animals' food, it is proving necessary to extend the red and white clover up to an altitude of around 1,200 meters.

Integration of the Process of Economic Growth

Considering that at the regional level the backwardness or development is a total phenomenon, the approach to the process of economic growth must be zonal and integral, viewing the economic and social activity of the entire given territory, of all the branches, for this purpose requiring that certain industrial, craftsmen's and service activities enter the rural environment. In order not to have agriculture suffer the influence of certain tieups upstream and down, it is necessary for it to be organically integrated into a program or plan for overall development of the rural environment, which would permit the supply of agriculture with necessary products and for the processing and sale of the agricultural products. In this context, proceeding from the consideration that an interaction--which causes a vicious circle--exists in the mountain area between total subdevelopment on one hand and the lag of agriculture on the other, the agriculture of this area can only be viable with the condition that it be integrated with total social-economic development, which also means achieving an adequate economic infrastructure--roads, local supply with water, providing of electric energy (primarily through utilization of water and wind force).

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15 January 1982

# East Europe Report

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2220

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# EAST EUROPE REPORT

## ECONOMIC AND INDUSTRIAL AFFAIRS

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# DEVELOPMENT, PROBLEMS OF POLISH ECONOMY EXPLAINED

## Causes of Crisis

Prague MLADA FRONTA in Czech 10, 13, 19, 24 Nov 81

[Interview with Vaclav Dvorak, economic attache of the embassy of the CSSR in Warsaw, by Karel Cech and Milan Syrucek; date and place not given]

[10 Nov 81 p 3]

> [Text] The complex situation in the People's Republic of Polant [PLR] recently has evoked the interest of everyone who is concerned about the fate of the neighbor with whom we have the longest common border and with whom we are also tied by the bonds of friendship between two socialist countries.
>
> We asked Vaclav Dvorak, the economic attache at our embassy in Warsaw for many years, to help our readers understand more precisely the causes and consequences of the process through which Poland is now passing, and above all the problems of its economy.

[Question] Let us begin with causes; is it possible to search for their roots over a longer historical period?

[Answer] After the Soviet Union, Poland was the country in Europe which endured the greatest material and human losses as a result of the second world war. Even after the end of the war, there was a difficult 3-year period of what, for practical purposes, amounted to a civil war, the consequences of which were felt even in liberated Czechoslovakia, where we had to deal with the liquidation of routed outlaw gangs which were fighting their way across our territory toward the western zones of Germany and American units. It is no surprise then that the leadership of the Polish United Workers Party [PZPR], which arose in 1948 after the merger of Polish communists and socialists, has always sought a resolution of its economic policy which would assure for Polish workers the rapid development of their living conditions, after the long years of wartime suffering and the bitter experiences from prewar Poland. To accomplish this, however, it was first necessary to create the material conditions, in the form of capital investment and the development of the raw materials base. This was a matter of difficult and costly investments, which are not always conducive, from an economic viewpoint, to an immediate rapid

increase in the standard of living. For this reason, in the whole postwar history of people's Poland one observes a recurrent conflict between the percentage of the national income applied to accumulation and the level of consumption. The periods from 1950-1958 and from 1959-1970 have been typical of this development, in the sense that the first years saw greatly intensified capital investment while the later years were times of increases in personal consumption as a percentage of national income, often under the pressure of growing worker dissatisfaction.

[Question] A similar trend--which appears to be still stronger--has been evident in Poland's economic policies in the seventies as well...

[Answer] At the Sixth PZPR Congress, the new leadership adopted the strategy of "the accelerated ssocioeconomic development " of the country. This was based on the assumption that relations between socialist and capitalist countries were entering an extended period of coexistence and cooperation, and that the conditions for the granting of credits in the capitalist world were relatively favorable (supply in excess of demand on the international financial market, and an increasing rate of inflation in the capitalist world, which made repayment easier). This new, seemingly attractive resource for the use of the national income was to be employed toward the further dynamization of capital investment, the goal of which was the development of additional structural changes to increase the export capabilities of Poland, making possible the subsequent repayment of the awarded credits and a more rapid increase in the standard of living. The necessity for creating 1.8 million new jobs for young people who were just entering their productive years was an additional important factor from 1971-1975.

[Question] When did errors in the implementation of this economic strategy begin to appear?

[Answer] The 1971-1975 five-year plan, which was fundamentally based on the proportional development of the national economy and which was in balance, began to be overfulfilled both in terms of the formation of resources and in terms of use. This overfulfillment did not take place in mutual proportions. The attempt by the PZPR leadership and the government to achieve a more rapid increase in living standards led gradually to a situation in which the rapid pace of capital investment was accompanied by a rapid increase in consumption, especially personal consumption. The major source of this overfulfillment began to be a more rapid drawing on foreign credits. The development of proportions in the national economy ceased to be evaluated. Various economic theories began to be propagated which did not prove calid. These were no analyses of economic development which would provide appropriate conclusions to serve as the basis for operative decisions concerning necessary corrections in the plan. During this period, accumulation increased as a percentage of national income from 26.1 percent in 1970 to 34.1 percent in 1976, reaching the highest level in the whole postwar existence of People's Poland. The average annual increase in the development of investment represented 16.3 percent from 1971-1976, as opposed to 8.3 percent for the years 1965-1970. Industrial production also reached a high growth rate. Its average annual growth rate amounted to 10.2 percent from 1971 to 1975, in comparison with 8.4 percent for the period 1965-1970.

[Question] But during this period the uncontrolled character of development increased. What caused this?

[Answer] A situation arose in which wages and overall personal incomes were increasing faster than deliveries of consumer goods for internal labor productivity. The average annual increase in personal income amounted to 13 percent, while deliveries to consumer goods inventories increased only 10 percent in constant prices. From 1971-1975 a 1 percent increase in the social productivity of labor was accompanied by a 1.7 percent increase in personal income. These "scissors" opened rapidly in 1975.

[Question] And how did development proceed in agriculture?

[Answer] The appearance of serious disproportions in the Polish national economy has been influenced likewise by unfavorable weather conditions which have caused a decline in the pace of agriculture, and especially of plant production. In order to maintain the growth rate of livestock production, the Polish leadership began, to an ever greater extent, to import grain and fodder from the capitalist countries. Between 1971 and 1975, 21.1 million tons of grain and fodder were purchased, with an increase occurring beginning in 1974. In 1975, three times as much grain and fodder were imported as in 1970.

[Question] What were the consequences for the domestic market?

[Answer] The per capita consumption of meat, which increased from 53 kilograms in 1970 to 70.3 kilograms in 1975, began to be more and more dependent on grain and fodder imports from capitalist countries. The growing imbalance on the domestic market was to have been partially compensated for by imports of consumer goods, which increased almost 80 percent from 1971-1975. This gradual weighing down of accounts with capitalist countries resulted in the building up, by 1975, of a trade deficit of almost 10 billion foreign-currency zlotys (more than 3 billion).

[Question] What errors were committed by the Polish leadership from 1976 to 1980 in regard to this dangerously increasing economic imbalance?

[Answer] A radical reduction in investments as a percentage of utilized national income did not help. An "economic manuever" which was to operatively shift labor and capital, among other reasons, to strengthen deliveries for domestic commerce and to increase Poland's export potential, did not have the expected effect. No improvements were achieved in either housing construction or the industrialization of agriculture. Throughout the national economy, the unfavorable results began to be felt of the obsolescence of construction, energy sources, and transportation, an obsolescence which has become chronic. Intensification of the mining of bituminous coal resulted in a failure to maintain its quality for specific power plants, which increased the amount of repairs of boilers and energy-generation equipment to a point at which they could not be handled. In comparison with this, wages and personal income continued to grow rapidly, while goods and paid services became shorter and shorter in supply. While in 1976 an 11.7 percent increase in incomes of 10.4 percent was accompanied by a gradual decline in the increase of deliveries for domestic commerce all the way to 1 percent in 1980 (calculated in constant prices). Indebtedness has continued, at the same time that its base, in terms of foreign creditors, has shifted from credits for investment to credits primarily to cover the importing of grain and fodder and everything that is connected with the feeding of the population. From 1976 to 1980, 40 million tons of grain and fodder were imported. Imports of these products for the whole decade, represented

an outlay of about 8.5 billion. Indebtedness to capitalist creditors in 1980 surpassed $20 billion, and a higher percentage of these were mid-term and short-term credits on which interest rates are very high (18-20 percent).

[Question] What caused this?

[Answer] At first, this came about as a result of improperly implemented efforts by the Polish leadership to accelerate the increase in living standards through a high percentage of investment in proportion to national income, and later by more serious errors which may be described in the aggregate as a deviation from the principles of democratic centralism, from the principles of a planned, proportional national economy. A number of specifically Polish problems have contributed to this as well, agriculture being without doubt one of them. The share of the private sector in agriculture has stagnated at about 75 percent. Three and a half million private farmers, most of them over-age and in many cases without heirs, have become in the past year, under the influence of rural Solidarity, a serious political obstacle which is resisting the supplying of the cities with meat and other agricultural products.

## Consequences of Crisis

Prague MLADA FRONTA in Czech 13 Nov 81 p 3

[Continuation of interview with Vaclav Dvorak by Karel Cech and Milan Syrucek]

> [Text] In the first segment of our interview with Vaclav Dvorak, the economic attache at our Warsaw embassy for many years, we discussed the long-term causes of the process that Poland is currently undergoing, especially in the economic sphere. Today's segment is devoted to the consequences of the Polish crisis in recent months.

[Question] The leadership of the so-called independent, self-governing trade union Solidarity has recently accused the PZPR leadership and government of being responsible, due to its leadership of the country, for the currently catastrophic state of the country, especially in the area of the economy and supply. Is this true?

[Answer] This is related to the question of whether the complex situation was resolvable in 1980. This question may be answered in the affirmative: on the condition, however, that the PZPR leadership return to Leninist norms in the life of the party and society; on the condition that matters be called by their true names; on the condition that the practice of living off foreign resources gradually end and that honorable work become the major, if not the only, source of an increase in the living standards of the entire population; on the condition that propaganda adapt to the new tasks and requirements of society, which in turn will focus on factors of intensive development under ever more complicated external and internal conditions.

In the middle of last year the Polish working people did not have an easy life, but were managing to get by. Only sugar was being rationed, and the amount of the allocation was sufficient. A group of Polish economists had formulated a plan and an approach to the development of the balance of payments with capitalist countries designed to slow down the indebtedness process and, by 1985, to shift to a gradual reduction in its credit dependence on capitalist lenders.

[Question] What, then, is making the implementation of this plan impossible?

[Answer] Above all, I want to emphasize that the government has approved this plan. The conditions of the economic process designed to assure the maintenance of the balance of payments were quite feasible, assuming the mobilization of all the creative energies of People's Poland and the unity of the leadership in words and deads.

This was prevented, however, by antisocialist forces, which promptly and cunningly exploited the dissatisfactions of a significant percentage of the workers and, by calling a wave of strikes on the Baltic coast, imparted a completely different direction to developments in the country, which we are witness to today. They founded an organization to which they gave the name Solidarity.

[Question] The government likewise proposed certain economic laws...

[Answer] Yes, in June it submitted to the Sejm a report on the condition of the Polish economy and proposals for two laws: one concerning the position of the enterprise, and one concerning workers self-management, both of which are components of the proposed economic reforms. The leadership of solidarity adopted a very critical view both of the report and especially of both proposed laws and demanded that the choice, appointment and dismissal of enterprise directors be under its control. The entire conception of the legal and economic standing of the enterprise and the jurisdiction of self-management, as enforced by the leadership of solidarity, is in opposition to the concept of socialist ownership by all the people of nationalized industry, and introduces the concept of group ownership with all of its consequences in terms of subsequent economic atomization and various forms of antagonism. At the same time, it strengthens the private ownership sentiments of the workers, characteristics which from historical perspective are foreign to the working class. The Sejm approved the proposals for both laws with changes which partially accommodated the leadership of solidarity. However, at the first nationwide gathering at Gdansk, the delegates were not content with a partial victory and demanded, after the fact, that the original requests of Solidarity also be included. They even threatened to conduct a nationwide referendum. The law concerning the enterprise and worker self-management became, then, one of the important means in the struggle for power in People's Poland.

[Question] What exactly has Solidarity represented?

[Answer] In these so-called self-governing, independent unions, there have merged under this name all of the previously hidden and clearly oppositional forces in People's Poland, which had lost their intense influence in Polish society during times of economic and political successes. The Polish Catholic Church represents an exception, in that with its traditions and strong influence, especially in the countryside, it has always been a serious problem in the progressive development of Poland. There has gathered in Solidarity a conglomeration of all possible ideological influences from Trotskyism, through anarchosyndicalism, to the philosophy of militant catholicism. An example of this is the program adopted at the first nationwise congress of solidarity in Gdansk. Its common denominator is antagonism toward socialism, which approaches the inveterate in some representatives of Solidarity.

[Question] How is it possible to explain the important influence, until recently, of Solidarity on the workers?

[Answer] This is due, above all, to the complicated socioeconomic situation in the past year in People's Poland, to mistakes in the economic policies of the previous leadership of the PZPR and the government, and to a low level of awareness of social processes, especially among the younger generation, which is predominant today in Poland (about one-half of all Poles are under 30 years of age). In the past 10 years, approximately 6 million Poles have entered the work force, most of them from the countryside where they lived under the influence of the Catholic Church. The result has been the ideological pulverization of the working class. It is no accident that the average age of the active functionaries of Solidarity is very low. Likewise, the active integration of unfriendly ideological diversionary centers in the process of the destabilization of socialism in People's Poland has born its own fruit.

[Question] Why, after a year, is Poland on the edge of an economic abyss?

[Answer] It is primarily the result of the systematically destructive actions of the leaders of Solidarity, which have been characterized by waves of repeated strikes (which are, by the way, paid), by the introduction of a 5-day workweek (which handicapped most of all the extraction of bituminous coal and, through this deeply reduced extraction, energy generation, industry, but also exports), by actions which result in an increasingly neurotic society, and by socially unjustified wage demands which have been implemented gradually (from July 1980 to March 1981, the total income of the population increased by approximately 140 billion zlotys). The disruption of labor and social discipline has also been a consequence of more than a year of Solidarity activity.

[Question] Is it possible to document this with some numbers?

[Answer] Industrial production in August of this year was 28.4 billion zlotys less than the comparable period in 1980, an 11.4 percent decline. The average level of employment was 0.3 percent lower in August of this year than a year ago, while wages paid from the wages payable account were 26.9 percent higher. Coal extraction declined 22.7 percent. From January to August 1981, industrial production was 13.2 percent lower than the comparable period last year, while pay increases from the wages payable fund increased 25.1 percent. Bituminous coal extraction decreased 21.4 percent in this period, and the production of copper declined 12.6 percent.

[Question] The decline in agriculture is, clearly, still more significant?

[Answer] Procurement of slaughter cattle was 32.3 percent lower in August of this year in comparison with August 1980, and 37.9 percent below the average August procurement of 1978-1980. The status of the signing of contracts for the September-November period gives little hope for an improvement of this situation. In August, the procurement of slaughter cattle was 2,000-3,000 tons lower per day than projected in the plan. It has become a paradox that the purchase of slaughtered meat in some oblasts is lower than the farmers themselves are consuming on their ration coupons. Therefore, it is not possible to assure throughout the country an amount of meat and meat products which will correspond to the number of issued ration coupons. The need to cover fully the coupons which have been issued has, so far,

not been resolved even by increased deliveries of meat from abroad (above all, from the Soviet Union, which has delivered 30,000 tons of meat and 30,000 tons of fish in excess of the amounts contracted for under the plan). From the above realities, I think it is evident where the cause for the current catastrophic situation in Poland lies. The workers are suffering the most, and their process of political differentiation is beginning to accelerate.

[Question] If, then, we were to summarize concisely: What are the main causes of the Polish crisis?

[Answer] It is necessary to emphasize that the results of social and economic development from 1971 to 1980 do not represent the incompetence of the socialist order in Poland but are, on the contrary, the result of a serious deviation from the constantly valid principles of the proportional development of a socialistic national economy and from Leninist norms in the life of the party and of society. Keep in mind that over the past 10 years the People's Republic of Poland has ranked among the 10 most industrialized countries in the world. The rapidity of the industrialization process undergone by Poland since the end of World War II could not have been carried out by any social order other than that of socialism. The question now in Poland is to decide first of all the issue of political power between the forces of progress and the coalition of reactionary antisocialist forces concentrated in the leadership of Solidarity. After the victory of all those forces committed to socialism, it will be necessary to embark on the path of concentrated effort toward the elimination of the economic, but also moral and political damage perpetrated since August 1980. At the same time, it will be necessary to proceed on the basis of the lessons learned from those shortcomings which accompanied the social and economic development of the past 10 years.

## Relations with West

Prague MLADA FRONTA in Czech 19 Nov 81 p 3

[Continuation of interview with Vaclav Dvorak by Karel Cech and Milan Syrucek]

[10 Nov 81 p 3]

> [Text] The economic policy of the accelerated social and economic development of the People's Republic of Poland, which we have attempted to characterize in the first parts of our interview with Vaclav Dvorak, the long-time economic attache of the embassy of the CSSR in Warsaw, has its own particular side in the area of foreign relations.

[Question] How has this crisis made itself evident in Polish foreign trade, in the development of its balance of payments with capitalist countries, and in the growth of Polish indebtedness?

[Answer] From 1971 to 1975, exports increased at an average annual rate of 10.7 percent and imports by 15.4 percent. Thus, much more was imported than was exported, the difference being covered with credits. This imbalance between the rate of growth of exports to capitalist countries and imports from them was maintained even in the next five-year plan. In the period 1971-1980, the foreign-currency contribution from the export of goods and construction work to capitalist countries represented 143 billion foreign-currency zlotys, and outlays for imports from these

areas amounted to 197 billion foreign-currency zlotys. The deficit for the entire period then, reached 54 billion foreign-currency zlotys, or approximately $16 billion. Foreign currency earnings from exports stopped covering foreign-currency requirements for imports in 1972. In 1975, exports covered only 59 percent of imports from capitalist countries. It was a dangerous signal.

[Question] In this regard, how did trade with socialist countries develop?

[Answer] Imports from CEMA countries declined from 65.9 percent of the total in 1970 to 43.8 percent of the total in 1975, and exports declined over the same period from 60.6 percent of the total to 56.9 percent. In later years, when the deficity and the level of indebtedness began reaching an alarming condition, Poland again began to orient itself to the socialist countries. In 1978, imports from these countries amounted to 51.9 percent of the total, and exports to them to 58 percent of the total. The original condition, however, has not been reached as yet.

[Question] It is well known that a characteristic feature of this period was the extensive purchase of foreign licenses, often tied to investment credits. Is it possible to present some facts regarding this?

[Answer] According to data from the Polish statistical office, 343 foreign licenses were purchased between 1971 and 1975, of which only 216 had been implemented as of 31 December 1975. One cannot say that there were no instances when the purchase of licenses speeded up modernization, raised technical sophistication, or that a credit connected to a license was not paid off in the agreed upon time. Nevertheless, there were cases when the purchase of foreign licenses was not thought through, and for which motivations other than economic efficiency and technical appropriateness played a role in the decisionmaking process. The purchase of the license for the production of city and long-distance buses from the French Berliet firm is such a case. Preparations for production began in 1973, but have been drawn out until just recently. The startup of this licensed production is interesting from our point of view also for the reason that it represented the forced conclusion of many years of successful cooperation between the CSSR and the PLR in bus production, which was efficient from the point of view of both sides.

[Question] How, then, may the overall license policy for this period be characterized?

[Answer] Basically, as unsuccessful. To be sure, it accelerated certain construction projects, or made possible the introduction of some new products, but it left behind a large share of imported raw materials, semifinished products, or cooperatively produced components from capitalist countries, which could not be realized in later years of increasing payment difficulties. This also rendered unfeasible the original intention of paying off a significant portion of the foreign credits with exports of licensed products. Nor did it fill the "vaccuum" in the scientific and technical backwardness of Poland.

[Question] How has this credit policy been evident in the Polish national economy?

[Answer] In the sense that the economy has become highly dependent on imports from capitalist countries. Imports necessary only for production consumption have reached 23 percent of the final value of industrial production. In 1980, the

Polish leadership formulated a plan to stop further indebtedness. There were to be gradual changes in the structure of the national economy with the objective of stabilizing the balance of payments by 1985. This year there was to be a turnaround, i.e., toward a gradual reduction in indebtedness and to the correction of errors perpetrated in economic policy of the previous period.

[Question] However, the events from the second half of 1980 ruined this precondition.

[Answer] The steep decline in production caused by strikes and an ongoing process of making society more neurotic, both brought on by the actions of so-called solidarity, deepened the crisis to such an extent that in January and February 1981 Poland was unable to fulfill its obligations to Western creditors. At this time, the Soviet Union provided Poland with important assistance with a loan to get over this dangerous situation. Other socialist countries also shared in the assistance of Poland. In March, Poland had officially to apply to the governments of the creditor nations, and later also to a consortium of private banks, to defer the payments falling in this year. In the first round of negotiations, deferral on the payment of government credits in the amount of $2.6 billion from 1981 to 1986 was achieved. In a further round, deferral was achieved of payment of bank credits in the amount of roughly $2.5 billion. The private banks, however, did not agree to the deferral of interest payments. On the contrary, they increased them.

[Question] What is the current status of Polish indebtedness to Western creditors?

[Answer] According to a preliminary evaluation by the Polish Ministry of Foreign Trade, it will amount to $26.5 billion at the end of this year. Since all exports to capitalist countries, for practical purposes, are devoted to covering Polish foreign obligations, imports from these countries must be financed with new credits. Given this situation it would be desirable for exports to increase. Instead, they continue to decline, a condition brought about by continuing declines in production, and especially by extraordinarily low extraction of bituminous coal. It is, therefore, necessary to further reduce imports, including those which are earmarked for production consumption, i.e., raw materials, semifinished goods, etc. This naturally further reduces production possibilities, which again makes exporting impossible. There are cases in which the level and term of deliveries of certain elements of production are not decided in Poland, but in the banks of creditors. It is a vicious circle, one which leads to economic extinction.

[Question] In this regard, how is the current Polish situation to be evaluated?

[Answer] The position taken by the leaders of Solidarity, that they are not interested in where or at what cost Poland obtains the resources to set in motion its already constructed, but largely unused productive capacity, a great part of which is modern, is totally incomprehensible. Their policy of constant strikes, national emotion, and antisocialist ambitions is causing irreplaceable material and moral losses for the Polish working people and is leading to the self-destruction of a nation. Polish experiences at the same time confirm that it is impossible to accelerate or to base the building of socialism on capitalist assistance. The overstepping of an economically bearable level of indebtedness causes a country to fall slowly but surely into the merciless clutches of capitalist banking interests, which are joined by a multitude of ties with political interests. The bankers

today are losing nothing on the unhappiness of the Polish people. The course of the Vienna negotiations on the deferral of loan payments was a convincing demonstration of this.

The victim, however, is the Polish working class, and with it the other workers, a significant portion of whom have submitted, in the hopelessness which has arisen, to demagogery, and is allowing itself for the time being to be led by anarchosyndicalist or nationalistic and religious phrases. It is possible to find in them all kinds of things, but nothing concerning the need to satisfy materially the living conditions of their own people, of their own nation.

## Poland and Socialist Countries

Prague MLADA FRONTA in Czech 24 Nov 81 p 3

[Conclusion of interview with Vaclav Dvorak by Karel Cech and Milan Syrucek]

[24 Nov 81 p 3]

> [Text] In the preceding segments of our interview with the long-time economic attache of our embassy in Warsaw, Vaclav Dvorak, we have discussed the postwar development of the Polish economy, with particular attention to the causes for its current crisis, and the economic and commercial ties between the PLR and foreign countries. The conclusion of our interview relates to the ties between Poland and the other socialist countries.

[Question] What does membership in the CEMA mean for Poland, especially in the light of the difficulties which the PLR has been undergoing recently?

[Answer] The socialist countries are the most important factor in Poland's external relations. This is demonstrated, among other things, by the share of Poland's total foreign-trade turnover that is conducted with CEMA countries, and which last year amounted to 56 percent. During the past decade, Polish trade turnover with these countries has been, basically, balanced, and only in recent years have Polish imports exceeded exports. Last year, Poland registered a deficit in exchanges of goods with CEMA countries of about 800 million rubles, of which about 700 million rubles was in trade with the USSR. This was the result of increased deliveries of a number of types of goods within the framework of assistance provided to Poland by socialist countries in its difficult economic situation.

This year, Poland has likewise received from socialist countries, and especially from the USSR, very valuable assistance in the form of supplementary increased deliveries on credit. In addition, Poland has also received from the USSR grants of financial assistance in the amount of half a billion dollars. According to recent data made public a month ago in Warsaw, Polish indebtedness to socialist countries amounts now to $2 billion.

[Question] You mentioned the assistance provided to Poland by the Soviet Union. Can you provide a more detailed characterization of the economic relationships between the two countries?

[Answer] At the beginning of this year, a loan from the USSR made it possible for Poland to honor its debt obligations to capitalist countries, because due to the continuing decline of production, the PLR was unable to cover its payments from its own resources. Also later, the postponement of payments on the remaining part of a loan by the Soviet Union had a positive effect on Western creditors, and was an important factor in the negotiations which Poland conducted with them regarding the deferral of payments.

The USSR has extraordinary importance for Poland in addition to being the supplier of more than 41 percent of its imported raw materials. Poland covers, for instance, with imports from the USSR, 80 percent of its crude oil consumption, 68 percent of its consumption of crude oil products, 100 percent of its natural gas requirements, 78 percent of its iron ore needs, 72 percent of its consumption of potash fertilizers, and 73 percent of its cotton consumption.

This year, despite the fact that due to a decline in production Polish deliveries to the USSR were reduced, the Soviet Union increased its deliveries to Polant above levels provided for by long-term agreements, beginning with cotton, fertilizers, and synthetic rubber right up through, for instance, televisions and refrigerators. Just as with other socialist countries, so-called "step prices" are used in trade with the USSR. These are prices which represent the average of world prices over the last 5 years. In view of the continual rise in world prices, especially for crude oil and for other raw materials, these prices are significantly lower. To illustrate--last year Poland paid the Soviet Union $110 for a ton of crude oil, while other suppliers were receiving $241 per ton. Growing expenditures caused by increasing world prices are covered with the aid of Soviet credit at low interest rates, specifically 10-year credits at 2 percent interest.

[Question] These are the commercial ties between the Soviet Union and Poland. Can you characterize concisely other forms of mutual economic relations between the two countries?

[Answer] The Soviet Union has played an important role, particularly in the last 10 years, in the construction of Polish industrial potential. Prior to 1975, for example, it delivered to Poland complete equipment for more than 100 industrial factories and the basic equipment for an additional 200 factories. It has been calculated that these factories were responsible for about 30 percent of Polish industrial output in the second half of the seventies.

To complete the information concerning the relations between Poland and the USSR, it is necessary to mention the characteristic position that Poland has established for itself as a supplier of turn-key projects to the USSR. The PLR has become for the Soviet Union the main supplier of such turn-key industrial projects as, for example, factories for the production of sulphuric acid, wood-fiber boards, sugar, and the like. Poland is also an important partner in multilateral investment projects of the CEMA in the Soviet Union which serve to accelrate the development of the raw materials base.

[Question] In the previous segments of our interview, you identified the roots and consequences of the crisis which Poland has been going through since last year. What effect has this complex development had on the economic relations between the PLR and Czechoslovakia?

[Answer] The protocol concerning mutual deliveries of goods for this year is about 7 percent below the one for 1980. This is the result, primarily, of the devline in traditional raw materials deliveries, especially of Polish coal and sulphur, but also of machinery and equipment from Czechoslovakia to Poland, brought about by sharp restrictions on investment activity in Poland. The implementation of this protocol is proceeding, after the overcoming of some initial difficulties in the first quarter, on the whole satisfactorily, especially in the area of greatest importance to us, raw materials. The final months of the year, however, remain an unknown, because this is when there is a concentration of the traditional and non-traditional difficulties in implementation.

The events in Poland have had the greatest impact on Czechoslovak-Polish cooperative relations and concluded specialization agreements. Mutual deliveries from concluded specialization and cooperation agreements represented 22.7 percent of the trade turnover between the two countries in 1979, which was approximately three times the level of 1970. Last year, however, this share declined to 21.2 percent, and is declining sharply this year as well. The main cause of this decline has been a sharp reduction in investment activities in the PLR and a chronic decline in the space of industrial production caused by the strict limitations on imports of raw materials and semifinished products from capitalist countries, repeated strikes and actions to make society neurotic undertaken by "Solidarity".

[Question] What may be projected for the future development of our economic relations with Poland?

[Answer] In the assurance of further economic cooperation, both sides are faced immediately with the very serious problem of adapting their needs and possibilities to altered conditions. It is necessary to count on a long-range reduction in the investment activity of the PLR and on a change in its structure in favor of investment in agriculture, the food industry, warehouse management, and, in part, the extration sector as well. The Polish side also offers participation in the gradual finishing up of uncompleted construction projects in the PLR. It is not out of the question that the Czechoslovak side may in the future be interested also in the use of certain production facilities of Polish industry, especially its chemical industry.

It is necessary to assume that the causes of the disruption in the agreed upon specialization and cooperation will be of a long-term character. It will not be easy to find appropriate paths to the kind of economic cooperation between the CSSR and the PLR which would correspond to their economic potentials as well as to the needs of both participating countries. For our part, the good will to achieve this will certainly not be lacking.

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## EXCESSIVE INDUSTRIAL BUREAUCRACY CRITICIZED IN MANAGEMENT SEMINAR

Prague RUDE PRAVO in Czech 1 Dec 81 p 3

[Roundtable discussion on the topic: "Can the Amount of Paper Work Be Reduced?"]

[Text] We frequently encounter the view that, although the "Set of Measures for Improving the Planned Management System" is a sensible thing, it has failed to specify in its provisions the means for taming burgeoning bureaucracy. When we study the Set of Measures thoroughly we cannot overlook that it does contain such directions and recommendations, but probably because they are not linked to material incentives they have not been very effective so far. The rationalization of management and simplification of reports and statements is absolutely imperative even without links to material incentives, and a new way of thinking and new approaches are necessary also in this area.

We attempted to disentangle the knot of problems and causes of rampant red tape, and to find some of the ways and possibilities of a desirable solution at the roundtable discussion in which the following persons took part: Eduard Podzemny, deputy head of a CPCZ Central Committee department; Ladislav Matejka, secretary of the Government Committee for the Problems of Planned Management of the National Economy; Frantisek Jandera, head of the secretariat of the chairman of the East Bohemian Kraj national committee; Vladimir Janicki, general manager of the VHJ [economic production unit] Metallurgical Secondary Production Prague; Hana Kobylkova, head of a department of ZVL [expansion unknown] information system. Klasterec nad Ohrl; Jiri Kyncl, economic deputy manager of the Rempo plant Pardubice; Marie Laskoszova, designer of the J. Fucik Electrotechnical Plants Brno; Ladislav Svoboda, economic manager of the VHJ Wool Industry Brno; Jiri Syblik, head of the department of Labor Economics of Construction Plants general directorate Prague.

Edited by Svatopluk Smutny and Miloslav Vltavsky.

[Question] Where do you see the possibilities of improving management of your organization by reducing the amount of paper work?

[Answers]

L. Svoboda: I think we must insist on the evaluation of every organization and its departments according to the actual achievements and not on the basis of paper documentation. As of now, all controls and checks focus on papers and not on actual results. This forces every organization to make ready all possible documents, preparation of some of which is rather time- and labor-consuming. The amount of paper work also increases because there must always be documentation at hand for potential defense, although many of these papers are never used.

V. Janicki: We have analyzed our production basis and reached the conclusion that we can go ahead with centralization and reduce the number of enterprises from 14 to perhaps 7. This alone will already result in considerable savings. The analysis has also revealed that 90 percent of paper work at the enterprise and VHJ levels is called forth by the central agencies. This applies not only to statistics--that would be understandable--but also to operative management. If we have accepted the principle that the VHJ is the principal unit of management, then it would be in my opinion only logical to link it directly to some central agencies and departments, and to bypass, for example, the intermediary level--the ministry. We would eliminate a great deal of duplication, "mailing" and formal planning and management. I can prove that thousands of documents and data are submitted which cannot be practically processed by the very organs which requested them. Furthermore, it must be taken into account that paper work is produced not only by the system, but by the quality of personnel in the first place. I can mention an example: the fact that three or four people failed to carry out an assignment with responsibility resulted in an immense amount of paper work in order just to remedy the situation. In other words, in order to cut down on paper work we must have qualified personnel.

F. Jandera: Some time ago, 58 statements in the area of national committees were abolished. But the bureaucratic habits are so deeply ingrained that four okres national committees continued to send us these statements, probably because they have a good supply of forms. I am convinced that we should not stop but persevere in further simplification of paper work. We have 883 local and municipal national committees in the East Bohemia kraj in which at least half of the officers are honest people. Now imagine the following situation, for example; the chairman of the MNV [local national committee] operates a tractor during the day. When he gets off his tractor in the evening, he goes to the office to work as MNV chairman. He has nobody to help him, but we swamp him with paper work. We should kiss his hands and not drive him mad by that mountain of papers. At the end of last year, we organized an exhibition--I admit that it was not open to the public--at which we displayed various documents, materials and papers. We demonstrated in graphic examples everything that we managed to "produce." In one section we exhibited the attitude of some workers of central agencies which was difficult to understand. They ask us to send them promptly rather complex analyses, but give us no time to do so. As a result, their request is complied with in a formal, often meaningless manner.

J. Syblik: The central agencies often set a limit for the number of technical and economic workers even in enterprises. They do not say, however, hos it should be done in order to reduce the amount of paper work. Some regulations are, in my opinion, too complex and the explanations of how this or that form should be filled

out are sometimes much longer than the statement itself. The tendency on the part of central organs to manage operatively is also a mistake. In addition, they ask for many reports which will not make them wiser anyway. Many reports are requested in a formal way merely as documentation for potential checks. But when the auditors come, they are not interested in how we implemented certain measures, but want to know whether we called a meeting and we must show them the formal invitation to the meeting, minutes of the meeting and so on.

H. Kobylkova: Ever since our VHJ ceased to be a sectorial unit and became part of a concern, our agenda increased considerably. We received more requests for analytical reports. We are asked to supply appendices to the routine accounting and statistical statements, and submit additional one-time statements and reports. The supervisory organ likewise advances the deadlines for submitting statistical statements: Prum 2-12 statement, for example, is to be submitted within 3 days. This is very strenuous for us and requires very intensive work. The number of technical-economic workers in our enterprise considerably declined--to 34--in the last 3 years. Some indicators are found in many statements. Thus, for example, commodity production in 8, gross production in 4, total sales and their breakdown in 10, number of workers in 7, adjusted value added in 5 statements or reports. We also have a statement on financing of capital investment projects, but the general directorate invents another table which contains essentially identical data, but wants to have them reported quarterly. This work could be cut down, simplified. In addition to the statements sent to the state agencies, we must send a large number of additional tables and reports to the kraj and okres statistical offices, bank and so on.

M. Laskoszova: To what has been said here so far, I can add some comments on our experiences from the area of design. Our enterprise receives poor design documentation. The design engineers then revise the design. Every change must be reflected in all departments, inall stages. Certain things are revised as much as three times. There are even projects in which something is being revised all the time. Every change costs approximately Kcs 340 in the used material aone, to say nothing of the losses in production capacity. This depreciates the work of the designer who actually performs the function of a controller instead of devoting himself to his basic activity--to think how to improve the quality of the product, how to achieve material savings and so on. The increase in paper work and other agenda is caused also by the poor technical documentation--manuals, catalogues. What is not there such as price, delivery term, must be found somewhere else and verified by the designer himself. And the resulting unnecessary correspondence or telephone calls are in the same category as unnecessary paper work caused by the fact that documentation is inadequate.

J. Kyncl: I have been employed in a subsidiary plant for 30 years and I am thus the last unit in which all demands from the center end. The only possibility I have is to search for ways in which the demands can be complied with. Thus, I have tried for years to find technical means which would have made it possible to meet these demands--although I think that these demands are superfluous, exaggerated and repeated in many instances. But if I tried to prove this to my supervisor who invented them he would stubbornly resist because he would be afraid that I threaten his usefulness. I am convinced that the excessive amount of paper work is caused by the progressing centralization of some activities. A general directorate and still less a ministry cannot control specific production or individual sales because they do not have enough information to do so, nor can they process it.

E. Podzemny: The 16th CPCZ Congress took a position on the problems of reducing and simplifying paper work. It stated that decisive and consistent measures had not been implemented. The reduction of paper work involved in management must be initiated and consistently carried out by the center which indeed issues many orders, various regulations, statements, methodological instructions and so on. With some variations, other levels of management--plant, operation--is then glutted by paper work. Instead of having more time for controlling production and economic processes, management personnel must do a great deal of paper work.

Among other causes unquestionably is the style and methods of work of key personnel--namely, how able they are to organize work, to manage, to control, how much they know about modern methods of organization and management. It is indisputable that much paper work is caused by lack of delimitation of jurisdication and responsibility. Problems should be solved where they arise, but many of them are unnecessarily referred to higher levels of management for solution.

There are, of course, more factors which contribute to the increase in paper work. It depends upon the quality of key, but also other personnel, their political attitude and professional background, their initiative, their ability to press for everything new and progressive in organization and management and to eradicate various ingrained habits. Unnecessary paper work unquestionably makes management more difficult because it robs the managers of precious time so necessary for economic decisions. Last but not least, administrative oversaturation diverts attention from direct work with people. One of the important qualities of the manager must be to know what does on in the workplace and to know the abilities of individual workers. This is the prerequisite for their management, supervision and control.

When we rightfully criticize the excessive amount of paper work and demand its reduction, this does not mean that we underestimate it. A certain amount of paper work is absolutely indispensable for management, because it establishes order and creates prerequisites for checking on work results. The important point is to decide what is and what is not necessary. I want to emphasize only that paper work cannot be underrated, but we must more vigorously combat excessive paper work.

L. Matejka: Many reasons were mentioned for extensive paper work involved in management. This has also been confirmed by the detailed analyses of this problem. The excessive amount of paper usually points to the low quality and low efficiency of management in this or that sector, and also to the fact that flexible, operative management is repleced by paper work, statements and reports, and shifts of responsibility for the solution of problems from one level of management to another. Among the causes already mentioned, I would like to emphasize especially one--namely, the lack of delimitation and consistent practical application of jurisdiction and responsibility of individual levels of management, of individual mangers, including their right to make final decisions. This results in the unnecessary delegation of decisionmaking authority to higher levels of management, duplication of work at several levels of management, excessive scope of operative management by the central agencies and thus ultimately in the dissipation of responsibility for the solution of individual problems. This approach is motivated by the deep-rooted idea that the more complex a problem is the higher the organ which must deal with it. The central control agencies are then overburdened also with questions of a quite specific or even technical nature which they cannot solve because they lack the

necessary knowledge. This is due to the simple fact that they were not solved by the enterprise and VHJ managers in their own jurisdiction, by agreement between customers and suppliers, between investors and construction organizations and so on. This is not only harmful to the operative nature and efficiency of management, but also calls for additional reports, statements and so on. On the other hand, the fundamental questions affecting the entire national economy must be decided by the center because no other level of management possesses the necessary knowledge to do so.

[Question] What prevents you from cutting down on paper work?

[Answers]

J. Kyncl: I will put it briefly--my supervisory organ, which tries to centralize at the general directorate all activities for which the plant should be responsible. This necessitates time-consuming elaboration of additional documents, first manually, then their transcription on special typewriters in order to make them suitable for automatic processing (if a mistake is made somewhere along the line, everything is sent back and the entire merry-go-round is set into motion again), the results are returned to the plants and can be used only with a considerable delay.

J. Syblik: We made an inventory of all reports required by the general directorate from the subordinate organizations, and we issue regularly a catalogue of statements which we want to receive in the future. We have abolished some information previously requested by various departments from the subordinate organizations because the respective information can be obtained from statistical reports and analyses. We will update this catalogue every year. We want eventually to reach a point where department heads do not require information which is not listed in the catalogue. I think that the center could also prepare a similar register of reports and of absolutely necessary indicators. Furthermore it is necessary to simplify wage regulations which are rather complicated. They should be more flexible and should not be revised as often as in the past. I am going to give you another example. We are trying to make transportation of concrete more efficient. The capacity of concrete mixers at construction sites is sometimes not efficiently used, so we want to centralize mixing and to transport the concrete mixture to individual building sites. But there is a catch: so long as the concrete mixer is on the building site the operator is paid according to a different wage scale than in the central mixing plant. He is paid higher wages on the construction site than he is entitled to in the mixing plant and must also pay for his lodging. These are the differences which amount to hundreds of Koruny monthly and are in conflict with the intention to rationalize production. I have yet another problem in mind. I set up a section with 10 people. This is enough to break the section into several departments and to appoint department heads. If the workers in the section manage to carry out specified work with fewer people, I must abolish the position of some department heads, reclassify them according to a new scale and pay them less, although it would be logical to pay them more for the higher output.

V. Janicki: Apart from the reduction of the number of enterprises, we have also taken economy measures in other fields. We have set up joint warehouses of spare parts and some instruments for several enterprises. Nothing prevents us from doing so and we can set up the norms and principles, and make decisions ourselves. Another area is planning. On the one hand, the plan must be simplified, on the

other hand, it is necessary to improve the standard of planning, to operate with truthful facts, with qualitative norms. Finally, in the third place, it is imperative to introduce khozraschet systematically. We will not be able to do without modeling khozraschet at the VHJ level. However, we are hindered in this by the fact that the lines of jurisdiction and responsibility between the VHJ and the center are not precisely defined. In the first place, we must know the long-term norms (this is the role of the center) and all indispensable principles in order to be able to model our khozraschet. I think we could all benefit if we put an end to ministerial particularism and compartmentalization and adopt some personnel policies which have not been customary so far: to select capable individuals, to set up teams around them and to assign to these task forces certain structures of problems or activities within the entire VHJ or enterprises. So long as we continue to compartmentalize and assign people to specific sections it happens that at times they have too much to do and at other times virtually nothing. We must not be afraid of reassigning people according to the actual need. This of course requires that they must possess a diversified professional background and be able to work on different jobs. The system of material incentives and related questions must be solved accordingly.

L. Svoboda: We have a pretty good idea of what must be significantly reduced. We do not want to acquire information whose practical purpose will not be defined in advance. This is important in view of the time-consuming labor involved in obtaining some information. This our internal affair without any limitation. We want to improbe analytical work so that the finished document must serve primarily that level of management by which it was produced and whose workers can get from the analysis stimuli for their decisionmaking. I deem it correct to devise methods of management according to goals and methods of evaluation according to results actually achieved. The prerequisite for rationalization of management, of course, is that the level of management or responsible worker who assigns the tasks and specifies the goal, must have at least one alternative for how to accomplish the task or attain the goal.

F. Jandera: In the area of records and internal instructions, we have decided within the KNV [draj national committee] to abolish 26 statements and 19 internal instructions and in addition to reduce the scope of some statements and instructions. We are also considering revising the timetable for certain activities. Many KNV do their business in the afternoon. The okres national committees should do the samesame. But we want to go even further. Until recently, the plenary sessions of municipal committees started at 1 pm. Why should they not start at 4 or 5 pm to make the participation of citizens possible? To make the most effective use of the time available to our staff, we intend to render more assistance to the basic units. We have dispatched, for example, more than 100 activists to the constituent plenary sessions and gained, without any paper work, valuable experience for our further work. We also monitor the number of meetings and have reduced by one-third the number of KNV meetings. We have also prepared some documents to demonstrate how the tax agenda could be simplified.

M. Laskoszova: In our enterprise, a number of operations are computer-controlled. To be able to do this, properly qualified personnel are required. I have the impression so far that most of the computers are used as calculators or printing machines for administrative purposes and only exceptionally for technical purpose. This is so probably because experts who could furnish the computer with such a

program are not available. We have young engineers in our enterprise who know how to do that and prepare the program for the computer although they personally do not operate it.

H. Kobylkova: About 1955, the view was widespread that anybody could work in the accounting department. As a result, our bookkeeping department was set up with people who had only basic education. Although they have already gained a great deal of practical experience, we still have problems. This is not to say that I would replace them if somebody properly qualified would apply for a job. On the other hand, however, I will not hire a new worker without the required education. In our effort to reduce the amount of paper work, we cannot, of course, abolish statistical records for the state or reports to the supervisory organ, but we try to eliminate the duplication of various supplementary reports, if we know that another department is preparing them. Although we have a small computer for specific agenda, we do not have adequate computer equipment and many things have to be done manually. Nevertheless, we are among the enterprises which meet the shorter deadlines set by the supervisory organ: for example, what we find by the seventh day of the month, another enterprise equipped with a computer does only on the tenth day of the month. This is not our idea of how the computer could help us.

J. Kyncl: We cannot complain about the computer in our enterprise. Its "feeding" ends at 12:30 pm of the first working day of the new month and we have perfect results by the fifth working day. This has been possible to achieve because we have qualified programmers and excellent computer equipment. I think that it was a prudent decision to build not enterprise centers, but centers for sectors, ministries or groups because they achieve the highest labor productivity and data processing can be properly coordinated and scheduled.

E. Podzemny: Among the stumbling blocks to the reduction of paper work, no mention has been made in the discussion so far of such things as alibiism. Many people literally produce administrative paper work simply to have an alibi to prove that they have done everything in their power to accomplish the assigned task. There are also people who invent paper work and maintain that it is absolutely indispensable simply to keep their jobs. And when a decision is made to abolish such paper work, nobody minds and savings are achieved.

The qualification of workers is important regardlessof the position they hold. We need more individuals who can think creatively and make a maximum contribution to the effort to reduce the amount of paper work by the use not only of computers but other equipment as well. This saves time and replaces many people, as is borne out by examples where output has increased although the administrative staff has not.

[Question] Indicate statements or reports which you regard as superfluous or unnecessary.

[Answers]

V. Janicki: I was heading a task force checking on the administrative procedures in metallurgy and engineering. We proposed both the abolition of some statements and simplification or more precise definition of others. Thus, for example, in the area of technology we have proposed abolishing seven, simplify three and defining with more precision three statements. In a similar way, we proceeded in other

areas and proposed abolishing five statements in the area of investments, two in power engineering, eight in the area of production, sales and supplies, and eight also in the area of economics. I do not enumerate how many statements we have recommended simplifying or defining with more precision in other areas apart from technology. I would like to say a few words, however, about the motives for our decision. In the area of technology, for example, we proposed abolishing statement Iv 1b-02 on breakdown of work and shipments by contractors (150 items) because it contains information which the general directorate does not need for management. In the area of energy, we recommended the simplification of the annual plan for the energy and water conservation sector, because the general directorate does not need more than 10 percent of currently reported data for management of enterprises. On the other hand, we recommended making Labor 2-04 statement more precise by shortening the period for processing this statement on the Inorgy computer because the tabulation produced by the computer is sent only after the period of analysis has elapsed and thus cannot be used for operative management. I think that similar checks in other sectors will likewise reveal some statements which can be discontinued.

L. Matejka: There are definitely big possibilities in every organization to reduce paper work in management. This is clear from the examples mentioned in this discussion. It is important to explore them and pay necessary attention to them in connection with the improvement of the management system and of methods of work in every VHJ, enterprise and organization. Closely related to it is the more rational use of computers. It is a fact that thusfar computers have not been used effectively for the rationalization of administrative work. The possibilities and needs of automation must be taken into account when decrees and other regulations are written. The computer mercilessly reveals the shortcomings and problems which exist in the regulations from this standpoint and which frequently create almost insurmountable stumbling blocks to the effective use of computers. In connection with the implementation of the Set of Measures, enterprises, VHJ and ministries have developed comprehensive programs for improvement of management this year. The measures designed to rationalize and cut down paper work in management, and to provide for more extensive use of computers should be incorporated in these comprehensive programs. The central agencies involved studied the problem of reducing the amount of paper work in the area of planning, financing, labor and wages, statistics and so on this year. On the basis of their conclusions, a program of measures will be developed for cutting down on paper work in individual areas of management. Unfortunately, I must say that the results achieved by this work have not been quite satisfactory so far and more detailed analyses are necessary to get at the roots of present excessive paper work in management.

H. Kobylkova: I would abolish, for example, statement Prum AZ 1b 1Z which is sent to the okres statistical departments and contains virtually the same data as statement Prum 2-12. Although AZ 1b 1Z also contains the breakdown of costs for calculation purposes, it would not be a problem to include it in statement Prum 2-12 which has some lines that are not currently used. Or another example: we send statement Prum RZ 1-12 to the okres statistical department. In my opinion, these two statements could be combined.

M. Laskoszova: I would abolish quite a few forms. We have, for example, some developmental or long-term assignments, but the progress reports must be submitted

at short intervals. In other words, the same data are copied again and again because there is no change between the short-term deadlines. It would be worthwhile also to do something about paper work connected with pledges. We send in many copies of personal pledges and then again colletive pledges to the comrade who compiles them for the entire enterprise. Altogether it amounts to a terribly big pile, but the very idea of socialist competition is lost.

J. Kyncl: Analyses, in my opinion, should mandatorily report only the deviations resulting in the worse implementation of tasks, and should not recount in what and how we succeeded in doing something. The text should not unnecessarily repeat the figures from the tables. If somebody insists that we must deal with every point, then of course we cannot be brief but, on the other hand, we are reproached for talkativeness. If much is wanted of something, then little is not enough.

L. Svoboda: I will give you a specific example. It concerns the calculation of aggregate consumption norms according to the uniform code of products and materials which is requested by the State Planning Commission obviously to make it possible for it to determine the limits of allocated raw materials in relation to production volume and performance. But, on the other hand, there is a decentralized coordination of balances carried out by the intermediate units of management which are responsible for the data on both resources and their use in individual balance sheets. When I analyzed this for the first time, I found that these figures could not be used by the center at all, because the changes between individual years, at least in our conditions, differ in terms of production structure to such an extent that the norm is unusable because it contains statistical data of the previous period. Moreover, how much time was spent on the preparation of all documents, how much paper was wasted in dealing with this problem! Form A3 has approximately 50 pages which list only 3-4 items each. This is superfluous and is caused, in my opinion, by a certain degree of mistrust in the above-described coordination.

J. Syblik: In the first place, I would somehow simplify the statement on wage regulation because I think that the center does not need so much data. In the second place, I would like to express my agreement with what has been said here by Comrade Kyncl. In addition to the analyses, brief reports are also submitted. In fact we thus have two analytical documents: one brief analysis and then a tremendously thick document. A brief report should, in my opinion suffice and the analysis should only refer to the failures to meet the planned goals, describe the reasons for them and the measures taken for the rectification of the situation.

[Question] Give us examples of how, even under the existing conditions, you are able to manage your organization more rationally than in the past.

[Answers]

J. Kyncl: Many years ago, when I took a job in the economic department of our plant, the department employed 69 people. There are 39 employees there today and perform much more work because the commodity turnover increased (not only in Korvny) several times. Yet, the intensity of work did not increase and the results are of substantially higher quality. All this has been achieved because we have inexpensive Czechoslovak-made computers.

L. Svoboda: I think that a question so simply posed cannot be simply answered because rationalization must cover a wider field. I say so because we have already prepared a definite program for this area. In the first place, we are interested in the objectification of needs research where we encounter a number of problems now which are reflected in the production process and cause difficulties. Closely related to it is the coordination of customers' demands with the requirements of production efficiency. In the third place, is the increase in the quality of products through the entire system of quality controls. Another point is the increase in the standard of balancing demands with available resources, improvement of general techniques of balancing. Another goal is achieving desirable interlocking of all types of plans. I would like to say in this connection that we successfully tested the method of permanent planning which we have already been practicing for the fourth year. This represents a step forward. Likewise, we try to shorten the period of negotiations with the contractors, and of the development of production and sales plans in general. This is a rather urgent problem whose solution will represent a step forward. We are interested in even and continuous production. Finally, I would like to say a few words about the computers which are frequently installed primarily for handling of wage problems. But we say: This is a mistake, this is the end of the entire process. The computer must control production and wages in order to obtain the final result. In other words, computers must be installed and used for controlling production processes.

J. Syblik: I would like to draw attention to the area of rationalization of intra-enterprise management. For every construction project, we work out the production calculation which gives us an idea of how much the materials will cost, what the wages will amount to, what equipment will be needed, how much we will pay for it, what kinds of manual workers will be needed for construction. This production calculation is then projected into the operations plan, evaluated first on the basis of the production invoice and then, after the completion of the project, on the basis of the resulting calculation. Together with the production calculation, the construction project supervisor or foreman receives the wage limits which are used as the working sheets at the same time. He also receives the limits for material consumption which he uses for orders.

L. Matejka: The discussion has confirmed that in the implementation of the Set of Measures and in search for ways of fulfillment of the demanding tasks of the Seventh Five-Year Plan, the central organs and every economic organization must find how the entire management process may be rationalized. Where do the biggest possibilities exist?

--in the improvement and simplification of the management system and its organizational structure from top to bottom, in the rational division of decisionmaking jurisdiction between individual levels of management. In increasing management workers' efficiency, qualification and responsibility and more consistent application of the merit principle in remuneration;

--in wider use of computers, rationalization of the decisionmaking processes, simplification of individual administrative activities and abolition of those which are not indispensable;

--in simplification and more effective coordination of regulations and methodological and other rules, and rationalization of records;

--in the rationalization of the organizational arrangement of economic and budgetary organizations and elimination of superfluous intermediate units and duplication.

We have enough possibilities for rationalizing paper work. The point is to make use of them rapidly and consistently both for the rationalization of administrative work and for increasing efficiency of the entire system of management.

> The 16th CPCZ Congress rightfully criticized the slow implementation of adopted measures designed to reduce and simplify administrative work. As of now, only partial results rather than a radical change have been achieved. Yet it is a political and economic task of great importance. The simplification of administrative work aims not only at the reduction of costs and labor force, but also at the strengthening of very urgent economic management and work with people in the workplaces. Judging from the progress in the implementation of these measures, we cannot speak of a quite responsible, committed and creative approach to these questions.
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> To reduce the excessive amount of paper work in management, the governments have adopted the entire complex of measures concerning all areas of administrative work. The central organs must play a decisive part in it. They must implement the assigned tasks with greater political responsibility, with appropriate knowledge of things and properly. Managers and supervisory personnel at lower levels of management must adopt the same attitude.
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> There are no reasons for and obstacles to the underestimation or delay in the implementation of tasks assigned to this area. Every member of management, every communist must feel direct responsibility for rationalization and greater efficiency of administrative work in the area under his supervision.
>
> The communists-management workers in the center as well as at lower levels of management must without delay evaluate the progress in reducing the amount of paper work and adopt necessary measures for the rapid implementation of tasks set for this area accordingly.
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> Our party organizations must pay increased attention to the reduction of administrative paper work. They must intensify their control over the implementation of tasks in the simplification of administrative work, provide stimuli for its reduction in order to improve management of production and economic processes and to achieve the desired economic effect.

10501
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STATE SECRETARY DISCUSSES ECONOMIC PROBLEMS

Budapest NEPSZABADSAG in Hungarian 25 Nov 81 p 10

[Interview with Janos Hoos, State Secretary, National Planning Office, by Katalin Borsanyi: "Adjusting to the New Conditions"]

[Text] This year, our national economy has been adversely affected by several external factors. In view of the complexity of the situation, the National Planning Office--departing from its practices of earlier years--has been making regular forecasts since the beginning of the year concerning prospective economic trends. Moreover, it began, as early as March, to formulate the main goals of next year's national economic plan, their in-process adjustment, and the development of central measures supporting those goals. We went to talk to Janos Hoos, State Secretary, National Planning Office, about some of the new aspects of their planning operations, the adaptability of our enterprises and about the world-economic tensions.

[Question] The Sixth Five-Year Plan is more open than the previous ones: the development of annual plans has made it possible to take into account world economic influences. This could also give our enterprises greater freedom of action. How much interest have our enterprises shown in these new planning methods, and to what extent have they been able to take advantage of them?

[Answer] The main indication of our plan's openness and flexibility is that it contains a built-in econo-political attitude which can adjust to possible--and, in the plan, unpredicted--changes in the conditions of economic development. It was partly for this reason, that some of our state decisions--i.e. those concerning major investments--have been specifically limited to cover only the first 2 years of the plan period. The rest will have to be made as we go along. Since our enterprises are planning independently, the openness of the national economic plan in itself is not sufficient to help our enterprises to adjust. The possibilities of adjustment, however, have increased due precisely to planning which takes into account the changes of the market. It is also important to point out, however, that the enterprises must also be able to flexibly respond to all changes which may occur in their own conditions.

Alternative Courses of Action

Right now, for example, they must face up to the fact that the conditions which have determined the economy this year will be even more severe next year. In order to offset any potential uncertainties, they are preparing alternative courses of action to meet all changes which might affect these conditions. This kind of open planning, which maintains several options, can be found at an increasing number of enterprises. A considerable number of them have been successful in applying modern methods of planning and analysis. These have produced more clearly defined technical concepts, an analytic examination of probable competitive efforts, real marketing work and a differentiation between strategic goals and "matters of calculation".

[Question] The problem, however, is that there are several points on which the national economic and the extended-term enterprise plans differ from, or are in direct conflict with one another. Can you tell us what these points are, and how the various differing views could be brought closer together?

[Answer] The basic vehicle for transmitting the requirements and goals of the national economic plan to the enterprises is the system of regulators; however, there are some important problems in which the enterprises directly affected also have to abide by certain binding state decisions. We have analyzed the extended-term plans of our enterprises according to a broader set of designs and efforts. It seems, that--at the time the plan was prepared--the production and marketing ideas that had been put forth, were in accordance with the goals of the national economic plan, both with respect to their direction and their proportions. While, however, they have called for increasingly greater investments and a larger work force, they have anticipated lower--although in the various branches of industry highly diverse--levels of exports. Consequently, their projected efficiency improvements have also fallen short of the targets laid down in the central plan. In order for economic guidance to be able to effectively stimulate and compel our enterprises to produce more efficiently, certain changes had to be made, first of all, concerning the degree of regulatory control. This, at the same time, is also the key to external and internal adaptability.

[Question] In many respects, therefore, this past year may also be viewed as a test of strength. What can you tell us about the initial experiences and about the adaptability of the enterprises?

[Answer] The Sixth Five-Year Plan has reconfirmed our commitment to the econo-political direction that has been in effect since 1979. The main goal of this policy has been to improve our economic balance and to preserve, as much as possible, our current standard of living. In this respect, therefore, this year's tasks have been closely connected with, and have been essentially a continuation of the 1979 and 1980 developments. The use of the term, test of strength, would be more appropriate for pointing out that the external political-economic conditions--thus, for example, the worsening of the international atmosphere, the prolonged recession in the capitalist countries and the difficulties which have hampered cooperation among the CEMA countries--have, unfortunately, not developed favorably for us. In spite of this, the condition of our economy's equilibrium has improved somewhat, and our goals with respect to the standard of living have been fulfilled. And this, I contend, in today's world is quite an accomplishment!

## Unfavorable Experiences

In 1981, even if only to a limited extent, industrial efficiency has improved, and some progress has been made toward transforming the product structure and toward becoming more flexible in responding to market demands. While, however, overall our adaptability may have improved, we have also had some unfavorable experiences. Specifically, there have been a significant number of enterprises, which instead of striving for lasting improvements in their qualitative economic factors, have chosen to focus on those possibilities which yield short term results. Among these we could mention the unfounded raising of producer prices and the discontinuation of exports which, while not very profitable, are still economical. It is precisely these kinds of possibilities which our revised regulators aim to limit, while--keeping our intentions in mind--trying to encourage our enterprises to adhere more closely to our national economic goals.

[Question] Being able to rapidly and flexibly react to market changes is one of our most compelling tasks. At the same time, however, it appears that in most cases--and this is something which our enterprises have been complaining about--the results of adjustment only make themselves felt after two or three years of persistent work. And yet, their economic performance is evaluated every year, reaching conclusions which, precisely because of the fluctuating nature of market opportunities, may be misleading at times.

[Answer] The validity of this familiar complaint, in my opinion, lies primarily in that our system of evaluation is indeed somewhat out of date, and as a result we are not always able to use world market standards to measure the rate of our product-changes and the modernization of our production structure. Just how confidently can we declare a given family of products to be profitable or unprofitable is similarly open to debate. Short-term judgments, of course, may also be questioned by new phenomena. We have had to accept that even in our system it is possible for a branch of industry--precisely as a result of world-market conditions--to temporarily get into a difficult situation. This year, for example, some of our large-scale metallurgical enterprises have been forced to slow down their production. It is obvious, that the only way to get a feel for these problems is by viewing them in terms of broader processes. An additional problem is that our rapidly developing enterprises are finding it increasingly difficult to cope with work force reductions, while the stagnating ones are finding it increasingly harder to keep their workers fully employed within the scope of their respective operations.

## We Must Concentrate on Production!

Of course, when faced with the dilemma of whether to make short- or long-term evaluations, our highest authorities--precisely because of their commitment to improving the economic balance--are, at times, also forced to take some involuntary steps. If we had larger reserves and a more competitive economy, perhaps we could free ourselves from the "bondage" of the annual-basis approach.

[Question] Our enterprises had prepared their extended-term plans by the middle of the year. As soon, however, as this work was completed, it became apparent that in view of the changes that have occurred in our foreign economic environment, but also due to our internal weaknesses, our system of regulators had to be revised, i.e. tightened.

[Answer] The 1980 revisions of our system of regulators have proven to be essentially correct, and the organizational changes introduced back then have not changed. As a result of the changes that have occurred in our economic processes, and in view of our enterprises' reactions, it has become necessary to revise our standards. In other words, last year, after the basic directions and means had been determined, we set up the machinery, and this year, having learned from its trial-run and from our experiences, we have "adjusted" it taking also into account the existing international conditions. This has been necessary, for our evaluations over the past year and a half have led us to believe that the original standards have been unable to ensure a parallel increase in national economic and enterprise revenues, and have failed to promote enterprise revenue-accumulations that would reflect performance. It must be stressed that one of the major reasons for this has been the fact that at the time these regulators were more favorable than those existing today. As a result of all these factors, enterprise profits have increased disproportionately faster than the revenues of the national economy.

This can be attributed partly to the fact that our regulations have not been very consistently strict; rather than aiming at the average--as our enterprises have tried to do--we have tailored our regulators to a group of low-efficiency activities. A clear indication of this is the fact that considering the actual revenue situation of the national economy, relatively few enterprises have had to face liquidity problems.

[Question] To what extent will next year's planning be affected by these changes? Will they not raise doubts as to the reality of our short- and long-term industrial-policy expectations?

[Answer] Since the decisions concerning the correction of the regulating elements had been made even before the detailed drafting of the 1982 enterprise plans was completed, future planning efforts can be pursued already with those decisions in mind; this can be further enhanced by disseminating information and by organizing consultations. These revisions, of course, are more like adjustments or readjustments of unfavorable courses of change that have resulted from the economic environment. If we take this into account, even our short-term industrial-policy goals for some necessary revising. If this is true, then —some intermittent contradictions notwithstanding--our regulators and short-term ideas can be brought into harmony. In the case of long-term ideas, the situation is different. In some enterprises, these ideas will have to be significantly revised. This may be done within the framework of our 1983-1985 planning work, and as part of our long-term planning.

[Question] What does our leadership expect from next year? What are the main tasks which our enterprises will have to focus on?

[Answer] Our primary goal for 1982 is to preserve and, as much as possible, to improve the economic balance, while at the same time preserving the population's standard of living. For we must keep in mind that the successes which we have had until now in trying to improve the foreign economic balance have been, for the most part, due to a reduction of domestic consumption, primarily

by way of restricting investments, and only to a considerably lesser extent than what we would need, to more efficient and better organized management by our enterprises. I believe--and our commitment to preserving the existing standard of living underlines this--that in the future we will have to concentrate more vigorously on the production sphere. This is what the correction of the system of regulators will help to promote. For if we had not raised the standard, it might have become a permanent practice to subsequently take away resources from the efficient and redistribute them to help keep the inefficient afloat. These tighter economic conditions--we expect--will lead to more distinct differentiations within the producing sphere. This--precisely in the interest of continued clear-sightedness--is absolutely necessary. If, however, we want to remain consistent in carrying it out, we must also be willing to deal with the tensions which all of this entails. The truth is, that these are still lesser tensions than the ones we would have to deal with if we refused to face the realities.

Tasks

The extent of economic growth is determined by the development of rubel-cleared imports and non-rubel-cleared exports. In order to increase our industrial production and the proportion of our profitable exports, a more modern product structure and a more self-starting and venturesome enterprise attitude will be required in all of our industrial organizations. In agriculture, too, we must take further steps toward making better use of our resources and toward adjusting our production structure to our natural potentials. In order to be able to produce more intensively than before, we will have to find more rational ways of utilizing the required means--machines, artificial fertilizers--and of improving our yields. Expanding our knowledge of the market, increasing our energy and material savings and continuing the development of our internal guidance and incentive systems, may prove to be decisive in both of the basic branches. We must continue to be flexible--precisely because of the uncertainties of the world market--in the way we handle our national economic plan. This does not lessen the role or the importance of the plan. On the contrary: it increases it, for the need to adjust to the changing circumstances is going to be increasingly greater, and only the plan can provide a truly appropriate basis and direction for making that adjustment. To ensure this, a constant eye must be kept on the way the plan is implemented, and in those cases where the real processes differ from our main goals, immediate action must be taken to carry out the necessary revisions. This also requires thorough analysis and a long-term forecast and outlook.

9379
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NATIONAL BANK REPORTS ON DOMESTIC FINANCES

Budapest FIGYELO in Hungarian 18 Nov 81 p 9

[Bulletin of the Hungarian National Bank: "Financial Situation Better Balanced"]

[Text] The profits of enterprises and cooperatives were higher than had been expected, particularly in the first half of the year. This created a financial situation better balanced than last year. The economic units' liquidity improved overall, and their payments discipline is satisfactory. However, the finances of certain branches and enterprises--particularly of the ones more sensitive to foreign-market effects (metallurgy, engineering, etc,)--did not develop quite smoothly also in the third quarter. In comparison with last year, the end-of-month net balance of the enterprises and cooperatives' accounts with the Hungarian National Bank rose more slowly in recent months (by 7 to 18 percent) than in the first half of the year. On the other hand, total circulating-captial credits outstanding on 30 September were only 1 percent higher than for the same period last year.

On the investment market the balance of supply and demand in January through September improved somewhat in comparison with last year. The self-financing ability of the enterprises and cooperatives broadened in many areas. Furthermore, demand for investment credit increased, mostly for capacity expansion to produce commodities that can be exported for convertible currency. When approving new credit applications, and also in advancing the schedule of repayment, the bank took into consideration the requirements of maintaining purchasing power within reasonable limits.

Circulating-Capital Credit

Commodity-money relations between enterprises and cooperatives were more lively and even than during the first three quarters of 1980. Improvement is noticeable also in meeting obligations toward the bank. As a result of stepped-up repayments, the rise in total circulating-capital credits outstanding was more moderate than last year, and both the drawing and repayment of credit resources conformed more closely to the plan. The bank organs strived to exert influence on reducing surplus inventories and on developing inventories of suitable composition, while aiding procurement essential to more efficient management. The economic organizations financed from their own resources a larger proportion of the permanent and temporary increases in inventories than in the past. However, the role of short term credits increased in financing accounts receivable and other assets.

The combined total of the applications for circulating-capital credit that the bank received during the first nine months was nearly 2 percent higher than a year ago.

The credit applications were prepared more carefully and were suitably substantiated economically. Consequently, the proportion of rejected credit applications dropped from 8 percent last year to 7 percent this year.

The 304 billion forints of approved credit was 3 percent more than a year ago; 88 percent represented new credits, and 12 percent represented renewals of existing credit relations. New credits declined in industry, but rose in agriculture, the food industry, and in the branches of circulation. Within the total credits approved, however, the shares of the individual branches did not change significantly from last year: industry accounted for 36 percent; agriculture and the food industry, for 33 percent; the branches of circulation, for 19 percent; the construction industry, for 10 percent; and other branches, for 2 percent.

Within the total credits approved from January through September, 97 percent was short-term credit, and merely 2 percent was intermediate-term credit to advance circulating capital, and 1 percent was so-called special credit.

This year about 60 percent of the short-term credits directly aided the material processes (procurement of materials and supplies, production in process, etc.). The demand for credits to advance profit earned during the year and to bridge cash-flow problems was smaller than last year (by 18 percent jointly). However, the need to finance receivables from export to capitalist countries rose.

The average term of short-term ad hoc credits was 6.4 months, about 10 percentage points longer than last year, but experience shows that repayments conformed more closely to this average term.

The drawing and repayment of circulating-capital credit in the first three quarters of 1981 were more lively than in the same period last year. Since borrowing exceeded repayment also this year, the combined total of circulating-capital credits outstanding was 13 percent higher than on 1 January (as compared with 23 percent last year). Within this the rate of borrowing declined in comparison with last year in the productive branches (because more own resources were available) but rose in the branches of circulation. Credit had to be rescheduled, or transferred to accounts on which punitive interest rates were charged, less frequently than last year, and the totals of such credits were considerably smaller.

Investment Credit

The total of offers that the bank received during the first nine months from state enterprises and farms to conclude investment-credit contracts exceeded 24 billion forints and was substantially more than last year. Nearly 60 percent of these investment credits aided the expansion of export capacity or the substitution of non-ruble-denominated import.

The approved investment credits totaled nearly 19 billion forints, in the following breakdown: industry, 70 percent; the state sector of agriculture, 11 percent; other investment-credit needs, 19 percent. The balance of investment credits still to be drawn in 1981 is 9.4 billion forints.

The agricultural cooperatives' applications for investment credits exceeded 9 billion forints, and the 4.4 billion forints of approved applications is about twice

the total last year. Most of these credits will make possible investments that directly or indirectly expand export, and their relatively short payback periods will help to restore equilibrium.

The average term of the investment credits approved in the first three quarters of 1981 is somewhat longer than a year ago: 94 months as compared with 92 last year. The terms are shorter than average in agriculture, and in transport and communications. The profit pledged per 100 forints of investment exceeded the prescribed minimum in every branch and averaged 21 forints, nearly 3 forints more than last year. The pledged profitability is more favorable in industry. However, the share of own resources is 15 percent of the investment costs, lower than last year.

The unalterably high total of pending investment-credit applications at the end of September reflects the development efforts of industrial enterprises, farms and cooperatives.

On 30 September, the enterprises and cooperatives' total investment credits outstanding was 3 percent higher than a year ago, but 5 percent lower than on 1 January. Of the total investment credits pledged for 1981, 47 percent was drawn by the end of September; and 81 percent of the repayments due in 1981 had been received.

Population's Money Income and Purchases

As the money supply accelerated during the year and the velocity of money remained high, the population's money income in comparison with the previous year developed more favorably than had been expected. A role in this was played also by a more moderate increase of consumer prices than had been planned originally.

The population's money income during the first three quarters rose 7 percent in comparison with the same period a year ago. Money wages (not including the wages of cooperative-farm employees) increased 4.6 percent; and other personal income, by more than 6 percent, due to larger premiums and bonuses than last year. On the basis of their wage reserves and attained profits, the enterprises and cooperatives raised their wage levels by more than had been planned. The relationship between performances and wages in industry improved in comparison with last year, but the desired ratios were not attained.

Within the population's income from farming, payments to cooperative-farm members increased nearly 7 percent. The wages of employees rose at an even faster rate (due to the work backlog from last year, to the progress in autumn farm chores, and to the expansion of auxiliary activities). The population's income from the sale of produce increased likewise by about 7 percent, predominantly as a result of higher state-purchasing prices for livestock this year. However, the quantity of livestock purchased was lower than last year. On the other hand, the volume of fruit and vegetables purchased rose, even at declining prices.

Transfer payments jointly rose by nearly 8 percent during the first three quarters of 1981 as compared with the same period of 1980. This is related, among other things, to raising the lower limit of pension increases from 70 to 100 forints, to an increase in the number of retired persons, and to higher average pensions.

Retail sales during the first 9 months increased by about 10 percent over last year's level that was already high as a result of substantial increases in consumer prices. Of every 100 forints of income, the population spent 83 forints on purchases, 2 forints more than a year ago. The savings rate was 2.70 forints per 100 forints of income, double last year's rate.

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PROFESSOR VIEWS TECHNICAL DEVELOPMENT IN AGROBIOLOGY, CHEMISTRY

Budapest ELEMEZESI IPAR in Hungarian No 10, 81 pp 361-364

[Article by Academician Janos Hollo, Department of Agrochemistry of Budapest Polytechnical University: "An Observation on the Report of Tibor Vamos, Member of the MTI (Hungarian Academy of Sciences), Titled 'Our Homeland and Technical Progress'"]

[Text] The general assembly of the MTI this year, when it chose the theme "Our Homeland and Technical Progress" as the central presentation, gave the unambiguous answer that technical sciences and technology itself are organic parts of the life of the academy, thus refuting the separation of the two cultures, technical culture and the humanities. Everyone recognizes that we owe our prosperity to the achievements of technology and yet the scientist of the end of the 20th century stands in a schizophrenic relationship to the technical sciences; he feels their importance and significance only if his customary ease is for some reason lacking or if the problems of industry--thus of the economy--have a "ripple effect" on his life via the daily papers or budgetary constraints.

In his report, Tibor Vamos outlined the chief problems of our technical life in a witty way, illuminating many original points of view--naturally, to a crucial extent, from his own perspective of computer technology. He who is well informed can work truly well. This might stand as a second slogan, following the motto of Agricola, behind the introductory words of Tibor Vamos. This is true in every area but it is especially true of technical life, which is so sensitive to new ideas and achievements, to innovation.

The price of equipment and tools connected with the transmission and processing of information is going down while their capacity is increasing by leaps and bounds. Technical development is also organic; thus a given developmental level is necessary for the actual use of the information transmitted. If this exists, then we have nothing else to do but link in to the international information, documentation data service system and say, "Open Sesame!" But 40 or more thieves are lying in wait for the contemporary Hungarian Ali Baba, thieves who want a share in the treasure!

The second group of phenomena mentioned by Tibor Vamos--energy, raw materials and markets--appear as constraints and warn us that we must step up our technical preparedness and, it appears, we do not have a slogan for this of a strength similar to the former! Intensification (of what?), quality (of what?), competitiveness (where?) and the speed with which new technologies are implemented (when?) are not enough to open the "cave" of a renewal of the economic structure.

Competitiveness or lack thereof is not only a question of technical level, however, just as the market (the world market) cannot be filled all at once and everywhere with goods of uniform "quality" nor can anyone always expect to return home with the best goods! The conduct of our selective industrial development policy always conceals the promise that we have things to seek in the world (markets and countervalue for goods).

What can we do? What can we not do? In any case, let us not condemn monoculture! There is a monoculture in our homeland also--we are producing grain or corn on half of our 5.5 million hectares of cultivatable plow land and even today we can sell this rather well in general, frequently without regard to quality.

An artisan industry based on international cooperation is an interesting idea. An astute "maszek" [private-sector business] can make a profit here too, usually in a symbiosis with large state enterprises. There is a similar situation in the household plot activity of Hungarian agriculture. Here also there is flexibility, ingenuity and an orientation toward exchange. One can mention as examples not only the Beckmann and Merck instrument and chemicals manufacturing firms but also the entire pharmaceutical industry of Denmark, which occupies a leading place in international pharmaceuticals trade and which, in addition to playing a significant role in developing and introducing medicines based on new molecules, has insulin making up nearly one-third and vitamins making up another 21 percent of its pharmaceuticals exports. One might also mention here the Swedish Pharmacia which developed molecular filters and occupies virtually a monopoly position in this area. These examples prove that these countries or firms work and do research not in general but rather very concretely in order to hold their leading positions. A small country like Hungary should show similar "delicacy" but our economy as a whole, including the astute "maszeks" and household plot farms, is unfortunately not yet flexible enough in realizing original ideas and inventions. Indeed!

I also, who stand closer to the producing sphere, must give an answer, going beyond generalities, to the question of what we should do. Among the many possibilities, I would like to supplement the report in regard to the role of biology. Even Tibor Vamos noted that biology, in addition to electronics, is characteristic of the technological progress of our age. So it might be interesting to point out here the role of biology in expanding the raw materials and products of the chemical and foodstuffs industry and the technical culture of agriculture.

It is now fashionable to mention the biomass produced by photosynthesis as a renewable raw material source. Even in developed agricultural systems, the production of dry material by photosynthesis, as compared to active radiation,

reaches an efficiency of only 1-2 percent. Even so, the academy committee surveying our agroecological potential has established that 93 million tons of vegetable dry material are generated on the area of our homeland each year, which is more than our total production of coal, oil, iron ore, crude iron, crude and rolled steel, bauxite, cement and baked bricks. On the basis of our natural conditions, it should be possible to increase our renewable vegetable production by 80 percent by the end of the century. This means that the area which now provides domestic food production and primary materials for a few branches of industry (the fiber, paper and furniture industries) can be reduced from the present 75 percent to 50 percent. Thus we can produce for export from about half of the area of the country; or can prepare for activities which will take the place of imports.

Thus the agricultural exploitation of the spectacular achievements of genetic research will be very important--primarily the recombinant hybridization of species far removed from one another. This can not only increase the quantity of production but can also increase resistance and other useful properties and can achieve better utilization of the biological binding of atmospheric nitrogen in the place of the artificial nitrogen fertilizers which require so much energy. In addition, we must continue to follow the achievements of genetics research being conducted with classical methods and these must be adopted immediately, as we have done in the case of hybrid corn, rape free of erucidic acid, broiler chickens and crossbreeds of cattle, among others. If one asks what plants or types of plants should be grown per unit area to produce the greatest biomass, the most sugar, the most carbohydrate or protein which can be extracted economically then we should certainly reexamine not only the plants already cultivated but also those growing in the wild because today the plants being grown in largest quantities and most extensively and with the best results are those which are not native to the area--with the exception of rice.

The task of agriculture is again different if the goal is processing by the food industry. In the future as well, food industry production will be a crucial factor for our economy and well-being because this does not involve fashionable articles and demand is probable over the long run, too. At the same time, our foodstuffs may belong to the front rank of the world, which cannot be said with the same certainty of the most of our technological products.

In regard to the development of our foodstuffs industry, we must reckon with the following external factors: foodstuffs laws or constant restrictions on imports, and state supports and intervention in the prices of agricultural articles in the economically developed countries; and the fact that the developing countries are increasingly becoming exporters not of primary materials but rather of very high-level finished products. We must take into consideration the scientific influence on the eating habits of the consumer society and changes in the population structure--more small families and an increasing number of pensioners and people living alone. The development in technological processes will be great also--automation, use of microprocessors and broad use of systems analysis and food science principles--because up to now foodstuffs production has been based on tradition and empirical rather than scientific principles.

What sort of tasks do we have in this area?

Compared to the developed countries, there is backwardness in our homeland in all those areas which come after agricultural production--warehousing and processing in the foodstuffs economy and not least of all the fact that the role of the food industry has not been given the weight it deserves, which would be necessary on the basis of the agricultural achievements and possibilities. According to an American study, total energy use by the foodstuffs chain in the United States is of the same order of magnitude as the energy needs for personal automobiles or consumption of heating energy by the populace--13-16 percent. Of this, use by agriculture itself is only 3 percent--similar to other developed countries. In contrast to this, 7.5 percent of all Hungarian energy use goes to agriculture and forestry and only 4.5 percent goes to the food industry. A consumer society makes demands in variety, packaging, hygiene and elimination of seasonal factors, all of which are energy demanding. So putting an end to the backwardness of our food industry will be a significant task of we are to satisfy the demands of the 21st century.

If we are to remain competitive, we must better recognize many scientific questions, because due to the complex properties of most foodstuffs it is difficult to discover the interdependencies between the qulaity of agricultural products, processing and the properties of the finished goods. In contrast to the chemical industry, it is more difficult to discover the operational interdependencies defining a process because in this case we are usually working with systems made up of solids or pastes, having many components of changing composition, and not with ideal systems. It would be useful to think of introducing new processes too, processes previously held to be uneconomical, such as ultrafiltering, reverse osmosis, multiple-stage evaporation for different purposes, drying, freeze concentration, immobilized enzymes and--last but not least--new packaging tools, in which our backwardness is greatest. In many cases, it would be useful to bring certain phases of the manufacturing process close to the place of production, but from the viewpoint of qulaity the strictest adherence to all technological parameters and hygiene is traditionally fundamental here also.

The marketing of the wastes and byproducts of agriculture, the large animal-raising operations and the foodstuffs industry is an important technical developmental goal. Every year 100,000 tons of wood industry wastes, 1 million tons of forestry wastes and 10 million tons of agricultural wastes are generated in our homeland. Use as fodder is the first thing to consider as a way of using them. The other great possibility is restoring the strength of the soil--as compost or organic fertilizer. In some cases, one might consider the manufacture of biogas, when energy is generated together with fodder or manure, but the economicalness of this must be examined closely because the process is very sensitive to the composition of the dry material, and especially to temperature control, and environmental effects cannot be ignored.

In addition to direct use of biomass to produce heat, we can read very much these days about its use as a chemical industry material or motor fuel. Here also we expect modern genetics to provide a solution to the key question--cellulose decomposition with the aid of micro-organisms. The substrate problem of the fermentation industry can be solved reassuringly and finally only in this way also.

Until we have large-scale enzyme decomposition of cellulose we cannot ignore fermentative processing of plants containing sugar or starch, to which they have turned already in Brazil with sugar cane and in the United States with grains and sorghum. It is primarily corn which could be interesting for us; in addition to starch, its other components can be sold on the world market more favorably than unprocessed corn. This fact, among others, ensures the economicalness of the plant now being started in Szabadegyhaza to produce liquid sugar and alcohol.

Less than 1 million tons of corn could produce the alcohol needed for a 20 percent gasoline replacement corresponding to the pre-war gasohol, which corresponds to about 12 percent of the quantity now produced; and we can count on this amount as the increment in the next five-year plan. So the production of motor fuel from biomass is not illusory for us either, especially if we consider that even now there is not much difference between the world market price of gasoline and the present domestic producers price of alcohol.

It is well known that, in addition to its use as a solvent and reagent, alcohol can serve as an initial material for many purposes in the synthetic chemical industry. Many believe in the pyrolysis of biomass, which means a decomposition taking place as a result of heat in an oxygen-free or oxygen-poor medium. Here it is enough for us to watch the broad research taking place throughout the world, but we must be ready for quick exploitation of results. It is not by chance that the English journal ECONOMIST wrote last year that the age of petrochemistry had ended in the chemical industry and the age of biotechnology was arriving.

Finally, let me say a few words about the problem which Tibor Vamos raised in regard to increasing creativity.

The general assembly of the METE, the Hungarian Food Industry Scientific Association, was held 2 weeks ago. Let me quote a few statements from the report of the presidium:

"A representative study shows that the average monthly earnings of engineers not in leading positions come to 101 percent of the earnings of skilled workers. There are not sufficient replacements for technical jobs demanding maturity, responsibility and professional experience and good experts are lacking in a number of areas. In addition to all this, some of our engineers still feel that they are not being employed in accordance with their training."

Going beyond a recognition of the permanence of training, further training and retraining, a lifetime of self-renewal, the methodology of our education is also problematic. The school-like methods must be ended in the universities. We lecture the students on our own subjects with strictly fixed content, and the students master this and are tested on it. We are careful not to leave out anything which we feel is necessary--not thinking about that fantastic development which the future engineers must keep up with in the course of their creative lives. We rarely give them time, the free time to think about what has been said, and they rarely receive tasks which would synthesize what has been learned. But life consists of complex problems and the recognition of interdependencies; the need and readiness to renew and use information is frequently more important

than the concrete information. In general, bad engineers are not bad engineers because they know too little but rather because they use incorrect methods in approaching and solving engineering problems. So if we want to radically improve our training of engineers we must sift through most carefully the quantity of material to be presented and must work out with the greatest care and love, with empathy, a way to master and constructively apply the material thus reduced to a minimum.

The other problem is that our students do not become aware of the real technology, of life, at the university. We demonstrate a technology abstracted from inconvenient reality, one which can be depicted with simple formulas in shining glass equipment, and they take this cosmetic picture, reduced to two dimensions, with them into the throbbing, problematic, three-dimensional reality.

I read in an issue of the journal VALOSAG last year that the linking of education to practice was unsolved--with the exception of the study system of the medical universities based on clinics. The article cited an unpublished study by Laszlo Nemeth: "Occupations are the best teachers; the kitchen teaches the apprentice more than the cook does, the violin teaches one with talent more than his master does. There is no kitchen or violin at the university. They have cooks and music teachers. The lecture hides the occupation from the student."

In the rarest case, we illuminate for our students the development of some speciality, its economic problems and international trends, so that they can prepare for their future tasks not only as experts but as citizens and leaders, so that they can interpret the social and economic interdependencies correctly. This is why there is a debate in many Western technical universities about introducing a "studium generale." From such a viewpoint we could be in a much more advantageous situation because the various social science subjects follow our students throughout their studies. We should try to change these, try to make them tools to educate leaders, to educate citizens with broad horizons rather than having them be subjects which have to be passed! We should strengthen the positive attempts to renew these subjects, for example, the decision to reintroduce sociology at the Polytechnical University. We should try to introduce the future engineers, even while at the university, to the joy and beauty of creative work. Without this they may become good experts, but they will never be real engineers who know how to guide processes. In this way, the young expert entering life will seek suitable tasks and not resign himself to mediocrity and tepid idleness. In this way, the university might draw people to industry. But industrial leadership also should create a situation where expertise and ability can realize themselves because of the demands of the market!

It is nearly half a millenium since Machiavelli explained, in his famous work "The Prince," the difference between "fortuna" and "virtu." One half of human action is guided by chance, in the other half, one guides himself deliberately. If our engineers are creative--and we must do everything to see that they are--then we have a hope of changing this balance!

8984

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ALTERNATIVE FUTURES FOR GRAIN PRODUCTION WEIGHED

Budapest FIGYELO in Hungarian 25 Nov 81 p 13

[Article by Dr Eva Borszeki and Margit Janky: "Prospects for Grain Production"]

[Text] An economical further development of grain production is justified by the need to produce exportable goods but not even the development of the production of animal products cannot be realized without a secure domestic base of fodder grain. When outlining the directions of development to be expected, one must reckon with the fact that in the years ahead we must produce developmental conditions for the branch whose level will stand closest, among our agricultural branches, to the international front rank.

Grain occupies 60-64 percent of plow land. Of this, wheat and corn account for 87 percent of the planted area and 92 percent of the yield.

Grain production developed dynamically in the past 5 years. Despite a 7 percent decrease in sown area, as compared to the Fourth Five-Year Plan, the quantity of production increased 10 percent. The results achieved in production by the two chief branches--wheat and corn--are especially significant. The spread of intensive wheat types and highly productive corn hybrids, the swift increase in artificial fertilizer use, the complex mechanization of production and the relatively favorable development of economic conditions for grain production all contributed to this. For example, between 1961 and 1965 average domestic wheat yields reached 80 percent of the European average but in 1978 they reached 119 percent. Last year they exceeded the average for the states of the Common Market by 7 percent.

Although grain production provides a significant part of the profit of the large farms engaged in agricultural activity, there are considerable differences between the profitability of the various types of grain. Between 1971 and 1980, the cost of wheat production rose 130 percent on producer cooperatives and rose 63 percent on state farms, from a substantially higher cost base. The cost increase in this same period for corn was 137 percent on producer cooperatives and 88 percent on state farms.

Thus, economical wheat production required average yields more than 2-3 tons per hectare and eocnomical corn production required average yields more than 3.5-4 tons per hectare. The price increases in 1979-1981 increased the cost

of producing corn, which is more demanding of industrial materials and energy, more than they did for wheat. State purchasing prices were increased by almost the same extent and this further increased the difference in the profitability of the two branches.

The ratio of human consumption within grain use decreases year by year. In 1960, this came to 80 percent of all production; it came to 60 percent in 1970 but hardly came to 30 percent in 1980. The crucial part of grain production--more than 60 percent--is used in animal husbandry.

Up to 1972, foreign trade in wheat and corn was characterized in general by imports. An export surplus developed from 1973 on. In the past 5 years--in addition to satisfying domestic needs--we exported a total of more than 3 million tons of wheat and 1.3 million tons of corn. Average annual grain export for the plan period approached 1 million tons.

In the period between 1976 and 1980, the economic effectiveness of exports of edible wheat was very favorable. According to calculations the "import" content of exported wheat is around 16 percent while that for corn is about 24 percent. Taking this into consideration and taking into consideration the more favorable world market price for wheat, the net foreign-exchange profit deriving from a hectare of wheat has been more than that for corn in recent years--despite the higher average yield for corn.

But conditions for storage of and trade in grains have lagged behind the development of production in both quantity and technical level. In the past plan period, the storage capacity of agricultural operations and the grain industry combined increased 11 percent as compared to a 28 percent increase in storage needs. Thus the shortage of storage space increased in both the absolute and relative sense. In 1980 it reached only 20 percent of the peak storage reserve.

Although more than half of the new storage space created in the Fifth Five-Year Plan was of the silo type (reinforced concrete and metal silos), almost 60 percent of total storage capacity is still made up of floored warehouses which require much live work.

The increased tasks of the foodstuffs and fodder industry were accompanied by an increase in the amount of transportation work. Almost three-quarters of the transportation is done with highway vehicles.

Energy conservation and a reduction in costs would both justify putting into -he fore the cheaper rail and water transportation for the bulky grain shipments. But this would make necessary the construction of loading stations and the creation of a special grain-transport vehicle park.

Domestic cereal consumption will probably decrease to a lesser extent than heretofore. But as a result of the great increase in the consumption of baker's wares and fine baked goods within baking industry products, the need for fine flours will increase, which the milling industry can ensure only from a larger amount of wheat of baking industry quality, perhaps with decreasing flour exports. Thus the domestic need for edible wheat may increase even with the same level of flour use.

Fodder needs may vary as a function of the development of meat production for export.

According to the plans, the grain industry was to increase primarily the production of concentrates and the large agricultural operations were to increase the production of supplements by making use of concentrates. But this division of labor was not realized in the past plan period--primarily for reasons of interest.

The increase in the production of concentrates by industry will be necessary over the long run, only to a lesser degree than originally thought. In the future, one can expect a further increase in the ratio of mixed feeds within total fodder demand, and in the years after 1985 this could reach 75-85 percent.

Over the long run as well, Hungarian grain can probably count on a demand market, primarily due to the quickly growing grain needs of the socialist countries which cannot be perfectly satisfied from their national production. In regard to export to other markets, it may be able to count only on bread grain of meliorating quality. Meliorating wheat can be sold at a price 25 percent higher than that of mill wheat and at a price 50 percent higher than that of durum wheat, but the yields are lower by 5-25 percent.

Two alternatives can be imagined for the development of grain production over the long run, presuming that total production will approach 20 million tons:

--an increase in yields at a rate more moderate than heretofore, with a moderate decrease in area, or

--more intensive production on an area which is decreasing to a greater extent.

The development of grain or meat exports is possible within both versions. In the case of a development oriented toward meat exports, the amount of grain being exported would be less by about 60 percent and the total foreign-exchange income of grain exports would be less by 55-60 percent, but the foreign-exchange income per unit area could increase by 8-13 percent--because of the change in the composition of the grain being exported--as compared to the version oriented toward grain exports. The ratio of wheat and corn one to another will depend on the demand and expenditures structure at the time (for example, a reduction in energy requirements).

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## CRITICAL INTERVIEW ON ECONOMIC REFORM PUBLISHED

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[Interview with Professor Zdzislaw Sadowski, deputy government plenipotentiary for economic reform, by Henryk Sadowski; date and place not given]

[Text] [Question] Professor, you were happy with the reputation of being a liberal, an adherent of deep economic reform until you assumed a government position. Now, sir, you have acquired a new title: brakeman. The general outline of principles for operating enterprises in 1982, which was worked out by a team which you, sir, headed, has been publicly proclaimed as a curb on reform.

[Answer] The social atmosphere surrounding the principles for operating enterprises in 1982 is really bad. Some people have purposely created a negative atmosphere toward these principles, by charging that they supposedly do not establish incentives for enterprises for growth in production and export. I think that such a charge is based on a false reading of those principles or a disregard for certain facts. However, facts, not fictions, are to be considered here.

[Question] How is it, sir, that you can characterize the intention of these principles as facts rather than just declarations?

[Answer] I would like it clearly emphasized that their intention and purpose is the beginning of a process of deep reform--I stress this strongly--the start of a completely new mechanism of management the likes of which we have never known. Many people fear it. Others don't want it, and they disguise their own disinclination in the form of criticism, often aimed at sins not committed.

[Question] What then do the main purposes of these provisions for 1982 really boil down to in practice?

[Answer] In the first place, they are meant to begin setting up a new mechanism consistent with reform, thus basing the operation of enterprises on principles of independence, self-government and self-financing. In the second place, they are meant to deal comprehensively with our country's current, dramatic situation and all the constraints ensuing from it.

[Question] Don't these constraints, however, result in a lack of stimulus in the whole plan for competent and decisive action, so that a crisis can be averted?

[Answer] In my opinion, the principal question is the incentive for rapid and noticeable growth in production and export. For this is the key to solving our difficulties. Like incentive for better work, in general. However, I do not see any substance to those charges which assert that we are slowing down the increase in wages too much, and, in the same breath, assert that we are creating too few safeguards against imminent rampant inflation. You have to realize that one of the major threats connected with introducing market mechanisms is the possibility of unleashing uncontrollable inflation. Instruments that slow down an excessive increase in prices and wages may be the only safeguard against this happening.

[Question] An economic mechanism is not art for art's sake. Does this conception which has been introduced serve a definite economic policy, and if so, what kind?

[Answer] Here, sir, you have called attention to a fundamental question. Systems-type designs of the new mechanism must be examined in a precise relationship to the concept of economic policy as quickly as possible. I would outline, in the most abbreviated form, the features of this policy in the following manner: First, in conditions of shortages in raw materials, the bringing about of growth in production and technical improvement in the consumption of limited material supplies. Second, effecting as quickly as possible a decided increase in exports, since only by this means can our payments situation be improved and the possibility for import supplies be created, thus setting in motion inactive potential. In addition, we want to achieve all of this without allowing uncontrolled increases in prices and wages to run rampant. And, furthermore, social goals must be realized at the same time; for example, ensuring that we maintain and even improve the conditions of life for people at the lowest rung of the social ladder. In all of this, we also want to curb a series of negative phenomena such as the growth of speculators' incomes or the excessive spreading of those incomes which are at variance with social equity. It is just this kind of thing that necessitates evaluating the applied systems-type designs.

[Question] These economic policy goals, in general, will not cause any controversy. Diversities of opinion, above all, have to do with the methods of attaining these goals.

[Answer] I am convinced that even in regard to methods there do not exist such profound differences as appear on the surface. I represent the view that whoever would be called on to solve these problems would confront exactly these same conditions and would have to act in a similar fashion. In large measure, this substantiates the thesis of a certain independence in the set of economic problems in relation to political ones.

[Question] Where then are these differences of opinion coming from?

[Answer] To a significant degree, they are not real differences. For example, I cannot acknowledge those differences of opinion voiced by some critics of our solutions to the problem of the distribution system as real differences. For these same critics when they begin to formulate concrete propositions also propose a distribution system in a period of transition. They are really only concerned about who is going to come forth with such a proposal. I have seen such purported charges on this subject in an article by Prof J. Goscinski in ZYCIA WARSZAWA [Warsaw Life], as well as in the so-called proposals of the "10"--"On the Threshold of Reform." I won't polemicize about these proposals, for they have no place here. What is important is that in the part in which there are concrete proposals--they are not really any different from those principles for operating enterprises in 1982 that have been criticized; and these proposals undertake the same kind of solutions--for instance, the introduction of a distribution system.

[Question] What is your opinion, sir, on the causes of this avalanche of criticism?

[Answer] I believe that this has to do with the adverse atmosphere which has been created toward the application of new economic mechanisms; and what's behind this, I just don't know.

[Question] However, let's return to the main charge that these new principles restrict the enterprises' field of action, especially in the area of finances, so much so that no incentive is created for thrift, thus deterring the implementation of the proposed goals.

[Answer] The point of the matter is that even after years of restrictions, directives and orders, enterprises are finally gaining ground in their independent activity as a result of the abolition of all planned directive-type tasks, while the application of economic mechanisms has been creating pressure for growth in production and productivity. It is mainly economic instruments, such as, for example, the principles for the formation of prices, salaries and a tax system that have served as a stimulus for thrift and initiative. In the field of foreign trade, one needs to add to these instruments for incentives the principle of granting concessions to enterprises for directly concluding agreements with foreign contractors, as well as the principle of the so-called foreign-exchange allowances or absolute powers of all exporters, without exception, to keep at their disposal some of the acquired outflow of foreign-exchange.

[Question] Let's return, however, to the charge of a lack of sufficient incentives. Are financial regulations so constructed that what little of it the enterprises economically manage will be left to their disposal? Whereas, in practice, it is the 3 "S" [abbreviation of this group] that exercises control over the actual implementation of these principles.

[Answer] This is, in point of fact, the main controversial element in the discussions with enterprises, and it is these discussions which I consider to be the most authoritative. In particular, there exist fears about excessive burdens with a progressive tax on the increase in the average wage. Misunderstandings have decidedly increased the fears expressed on this subject in the enterprises.

In the solutions that have been accepted, a firm principle has been followed which states that these tax burdens do not affect any payments determining compensations for the increase in maintenance costs. Therefore, in practice, tax burdens do not affect the increase in real wages. Since the entire inflationary pressure in our country comes from an increase in wages, we must, for the sake of protecting us from inflation, apply necessary safeguards. I think that anybody will understand this who has even a little goodwill. For these tax burdens can only be feared by those who do not understand this mechanism. Therefore, the choice is up to the staff, its self-governing body--whether the pressure for increased wages is worthwhile, or whether the increase in profit sharing is too.

[Question] Will this profit, however, be restricted by other taxes?

[Answer] Incentives for growth of profit are, after all, diverse, and, of course, they are the source of finance and expenditures involved in the development of an enterprise. If, on the other hand, it is a question of a progressive tax, then the progression will begin from a level of profitability that exceeds 5 percent. The progressive character of taxing profits is very often misread. Some people think that these high progressive rates relate to the entire economically managed profit, while they only affect the highest scales of profitability. A growth in profit up to 3 percent, generally, is not taxed. The application of a more vigorous progression of rates to high scales of profitability results from the fact that such high profitability in 1982 can be attained, in practice, solely through increased prices. And as a society we are not interested in increasing profits by this means. On the other hand, under the conditions we are in, the lowering of costs cannot produce as much of an increase in profits as progressive taxing could.

[Question] Sir, let's return once more to the question you mentioned about eliminating all directives in the plan. For the present, charges are being made that the directive-type system, though in another form, are prevailing.

[Answer] An enterprise does not receive directive-type tasks. This means that we have broken away from the usual practice, employed until just recently, of allotting tasks in the national plan for ministries and enterprises. The self-governing enterprise itself works out the plan and is its own instrument in aiding its own operations. An enterprise may receive a task only in those exceptional cases that are not provided for by the law governing enterprises. In this respect, nothing has been changed. There has been no departure from the principles of reform.

[Question] However, can't the distribution of raw material fulfill this same role?

[Answer] I have already stated once in the columns of ZYCIE that, in conditions of material shortages and with a need for complying with socially recognized priorities, no one could come up with a better idea than the distribution system. Even Prof Goscinski has not come up with another idea. Though he states that it would be better to abandon the distribution system, nevertheless he himself proposes it. Under present conditions in a transitional period, a distribution

system of limited scope must exist. The point is that this should not cause a return to the methods of a directive-type system. Some fears of critics result from a list of products included in the central balance. This is, however, another misunderstanding, inasmuch as the character of the balances have been changed. These balances stop functioning as directives and have an information character to them, indispensible for the needs of the central plan but not for enterprises. On the other hand, the distribution system affects only that group of articles which are very much in short supply. As far as some entries on the distribution list of raw materials, these may still be discussed. The main thing is that the distribution system which has been introduced is in its own way something completely different from the allotments in the directive-type system, a system many critics find so hard to break away from, even in their imagination. The whole arrangement of the program's operations is built on the creation of technological sequences, and the allotments of materials for these sequences differ from previous distribution lists. These will not be allotments for ministries, branches or enterprises, but will have a product-type character to them and affect specified products. Delivery of supplies for these products will be realized in the form of agreements between suppliers and consignees. Also the supervision by the Office of Materials Control will be different from the former industrial branch-type distribution system. The Office of Materials Control will be a ministerial function. No commands will be given to enterprises. Only norms for procedures will be set. For, you see, supply and sales centers will also be independent enterprises.

[Question] What method is being proposed to equalize the starting conditions of enterprises which still find themselves in a different situation?

[Answer] This is especially important in the principles which have been introduced. There is no method here changing matters; I can only mention that I foresee considerable burdens for enterprises from reimbursing previous investment credits, where this is justified. Also I anticipate that it will be easier for enterprises to finance working capital.

[Question] Does this mean, however, that the start will be easy?

[Answer] In our situation there are no easy solutions or any easy starts. It is obvious that many difficulties will arise and that enterprises will have to surmount them. These difficulties, however, do not result from the new system, but from our country's existing situation into which we are introducing reform. The new mechanism is an unusually difficult, daring and risky attempt at solving these complicated problems. We cannot escape from these problems, nor from the efforts needed to overcome them.

[Interviewer] Thank you for the interview.

9866
CSO: 2600/112

ONGOING OIL CRISIS, SHORTAGE ASSESSED

Warsaw ZYCIE GOSPODARCZE in Polish No 48, 29 Nov 81 p 7

[Article by Piotr Cegielski: "How Much Gasoline Do We Have?"]

[Text] There are more and more automobiles: the number of personal vehicles has already exceeded 2.5 million. That is, it has doubled since 1976, while the amount of crude oil, the only material to date from which we produce gasoline, has, because of known foreign-exchange difficulties, decreased substantially. (Production of gasoline from coal and gas on a commercial scale is still a dream of the distant future.) In practice, the amount available for refining is limited to 13.5 million tons imported from the USSR. The 0.2 million tons extracted in Poland, or the illusions associated with Karlino are hardly worthy of mention. However, as recently as 1978, we refined nearly 17 million tons of crude oil: 13.4 million of that from the Soviet Union, 3.2 million tons of Arabian, and 0.4 million tons of Polish oil.

In the course of distilling and cracking crude oil, we get light gasoline, naphtha, diesel oil, lubricating oils, paraffin, heavy fuel oil, asphalt and other products, and about 17 percent of motor gasoline.

In order to help the gasoline balance, exports began to be restricted as early as 1979 of what in the preceding year still was a substantial amount (422,000 tons). By simultaneously increasing imports from the USSR, instead of being an exporter of gasoline (net) we became an importer. (See Table 1).

Thanks to this manipulation, the amount of motor gasoline available to the national economy remains, practically speaking, at an unchanged level of about 3.3 million tons a year. However, as I have already mentioned, the number of vehicles powered by gasoline is increasing rapidly. Primarily, these are private automobiles. The number of official passenger cars fluctuates around 50,000 units, while at the same time 500,000 private vehicles have appeared. Also, the use of gasoline by the socialized economy is a constant value of its own with a small decrease tendency in the last 2 years (despite the fact that the number of trucks has increased). To be sure, even this is a significant amount. First, because of the nature of these vehicles. Many are powered by low-compression engines, and their number is not decreasing, if only because first, we continue to produce as well as import them from abroad and, second, the use of gasoline by military vehicles is included here. (See Table 2).

Thus, despite some decrease in the consumption of gasoline by official vehicles, the amount of gasoline earmarked for individual consumers constantly increases. To be sure, an opinion has recently surfaced that as the result of the introduction of strict limitations on the use of gasoline by socialized economy units, some gasoline is getting to them from the individual consumer market. However, taking into consideration the reverse situation, that is, the availability of cheaper "official" gasoline on the black market, perhaps, it is possible to consider the calculation referred to above as reliable.

But, did this increase in the sale of gasoline in generally accessible Petroleum Products Center (CPN) stations equal the increase in the number of automobiles?

We come here to what is the most essential question for the average car user. How much gasoline is there per car? Is the general feeling true that the average ration of "yellow" [regular gasoline] or "blue" [high-test gasoline] is smaller and smaller from year to year?

It turns out, beginning with the terminal year (1978), that this is so in reality. (See Table 3).

Motorcycles were omitted here to simplify the calculation and to show the trend itself. So were motorbikes and equipment powered by motor gasoline. To be sure, the number of motorcycles is getting smaller from year to year but it still is over the 1 million mark. Therefore, in actuality, the amount of fuel per vehicle is less.

Although we actually have to do with a couple of hundred percent drop in the amount of gasoline for the statistical gas tank, the extent of the slump on the gasoline market is substantially deeper. Perhaps the problem is not that the limits of gasoline consumption below which automobile users would not be likely to go have already been exceeded, but rather, that mechanisms have made themselves known that we have to cope with in the entire industrial (and nonindustrial) articles market. Because, in despite the Dantean scenes in front of CPN stations, the growth tendency of gasoline for individual customers does not undergo any change this year.

Of 3,097,000 tons provided in the plan, 1,626,000 tons were assigned for the individual motorized market, or for the first time, more than 50 percent (specifically, 52.5 percent), except that by a later decision of the Anticrisis Operation Staff [OSA], 100,000 tons of this was taken and trasnferred to the socialized section. As a consequence, the sale to private individuals was set at a level of 1,526,000 tons, or lower than the 1,537,000 in the preceding year. However, it again turned out that the plan, and even OSA decisions are one thing, and life is another. Thus, supplies for the market have already substantially exceeded the planned level. Of the 2,462,000 tons of gasoline sold in the course of the first 9 months, 1,401,000 tons wound up in private vehicles. Supplies in comparison with the same period last year were almost identical, except that the socialized economy got barely 79.1 of last year's allotment, and the individual market 123.6 percent.

In addition, under the pressure of kilomter-long queues, the percentage share of supplies for private buyers was increased as high as 57 percent. According to CPN and the Ministry of Light Industry and Chemistry [MPLiC] forecasts, individual buyers will purchase 1,735,000 tons of gasoline, or 53.5 percent of all the motor gasoline sold by the end of the year. Thus, as these prognoses indicate, the supply rate for private cars will weaken, which assuredly will further deepen the market chaos, that is, unless radical measures (such, for example, as drastic price increases) are taken in the interim.

Let us return, however, to the size of the allotment mentioned here--an allotment which is strongly promoted by the ministry and by CPN for private buyers in the gasoline market--53.5 percent. In comparison with the not quite 29 percent of 5 years ago, it does indeed appear imposing. Nonetheless, as is indicated from the figures on the amount of gasoline per vehicle given above, it is not an indication of any priority for individual motorization, but only a logical increase in supplies associated with the increase in the number of private vehicles. The point, however, is whether this trend can be maintained in the future.

Unfortunately, everything indicates that again, the only oil available to us in 1982 will be Soviet oil. Consequently, at best, that will be 13.5 million tons plus some symbolic amount of Polish oil. This means, that at the utmost we will again manage to produce about 2.33 million tons of gasoline. We can look for reserves only in foreign trade. We have already restricted our export to just about zero, and import is the only thing left. Again, the only certainty is purchases in the Soviet Union. Even if for a second time that will be as much as 860,000 tons, then altogether we will have about 3.2 million tons of gasoline next year. But of course, the number of passenger cars will increase in that time by another 200,000 to 250,000 units, and will reach a ceiling of 2.7 to 2.75 million units. As calculated by Andrzej Zimowski in ZYCIE WARSZAWY, dollar purchases which would permit a return in 1982 to the gasoline usage level of 1980, (calculated on the usage average per car) would amount to $51.5 million. Although this sum appears to be overly low, even so, in our present payments situation it operates to transplant us to a utopian world.

To be sure, consideration could be given to using the unutilized refining capacity of our petrochemical industry: buy crude oil, sell petroleum products and earn money for gasoline that way. However, what competitor in the world petroleum product market would allow us to do that?

Thus, unless the current proportions of the sale of gasoline on the private and socialized markets are changed (changes are being proposed in next year's plan), the allotment of fuel for those with cars will again become smaller. What is worse, everything points to such a trend maintaining itself in ensuing years. That will be the price of the intensive development of motorization without simultaneous consideration of the fuel base, and, of course, the entire crisis. We must remember that we are not in a position now to quickly correct the structural errors made during the last 10 years when we begin any kind of discussion about gasoline. For how are we to arrest the development of individual motorization when we have already taken orders for several hundred thousand automobiles, or develop petrochemistry without foreign exchange?

Thus, the field of maneuver is restricted to apportioning what we have. If we do not want to fall into a complete and very complicated absurdity with scores of preferential rationing loopholes, we must enforce conservation of gasoline on automobile users. It appears that we will not accomplish that in any way (not only in the socialized economy but also with respect to owners of private vehicles) other than through the price mechanism.

Table 1

| Item | Years 1979 | 1980 | 1981 (plan) |
|---|---|---|---|
| | In thousands of tons | | |
| Crude oil refining | 16,617 | 16,126 | 13,700 |
| Production of motor gasoline | 3,051 | 2,750 | 2,330 |
| Export of motor gasoline | 208 | 230 | 36 |
| Import of motor gasoline | 507 | 778 | 860 |
| Foreign trade balance | +299 | +548 | +824 |
| Reserves balance | -34 | +18 | +116 |
| Total for the country's needs | 3,316 | 3,316 | 3,270 |

Table 2

| Item | Years 1976 | 1977 | 1978 | 1979 | 1980 |
|---|---|---|---|---|---|
| | In thousands of tons | | | | |
| Motor gasoline consumption in Poland | 2,844 | 3,082 | 3,271 | 3,316 | 3,316 |
| Consumption by the socialized economy | 2,023 | 2,058 | 2,096 | 1,971 | 1,779 |
| Consumption by individual consumers | 821 | 1,024 | 1,220 | 1,345 | 1,537 |
| In percent | 28.8 | 33.2 | 37.2 | 40.5 | 46.3 |

Table 3

| Item | Years 1976 | 1977 | 1978 | 1979 | 1980 |
|---|---|---|---|---|---|
| Private passenger cars (in thousands of units) | 1,192 | 1,436 | 1,690 | 1,969 | 2,237 |
| Private trucks (in thousands of units) | 66 | 83 | 105 | 125 | 159 |
| Consumption of gasoline by individual consumers (in thousands of tons) | 821 | 1,024 | 1,220 | 1,345 | 1,537 |
| Average per car (in kg) | 654 | 674 | 680 | 642 | 616 |

Note: 1 kg of gasoline = about 1.37 liters

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CSO: 2600/92

ROLE PROBLEMS OF PRODUCER COOPERATIVES ANALYZED

Warsaw EXPRESS WIECZORNY in Polish 18 Nov 81 p 3

[Interview with Franciszek Teklinski, chairman of the Central Board of the Union of Agricultural Producer Cooperatives, by staff writer Kazimierz Krupa: "Every Tenth Kilogram of Grain and Slaughter Animals, Every Other Broiler Chicken--But in Agricultural Producer Cooperatives There Is also a Shortage of Tractors and Machinery;" date and place not given]

> [Text] Today the food supply occupies the center stage. More attention, therefore, is given to agriculture and the rural environment and particularly to private farming which, to a considerable degree, is responsible for supplying the stores. Attention is also given to other forms of [farm] ownership. We have written a lot about the State Farms [PGR], about the results of economic reform introduced there on 1 July. There is a third form of ownership--one with which go so many of our expectations--the Agricultural Producer Cooperatives [RSP]. We are now talking about conditions in the cooperative movement in the country with the chairman of the Central Board of the Union of RSP's--Franciszek Teklinski.

[Question] What is the actual status of RSP holdings?

[Answer] The last decade provided good developmental conditions for us. During 1976-1980, over 1,400 cooperatives were formed.

There are 2,410 producer cooperatives in the country with 172,000 members and an area of 876,000 hectares under cultivation. This amounts to 4.2 percent of the total cultivated acreage of the nation.

[Question] It appears that you have profited from the prosperous years of the decade...

[Answer] Following the breakdown of the cooperative movement during 1956-60, and for several years afterward, there was a regression. This was the result of collectivization during the 1950-56 years. After that we slowly had to restore public confidence.

Until 1975, cooperatives developed slowly. Only during these past few years, as a result of agricultural policy, many private farms fell out of production and their lands were transferred to the State Land Fund [PFZ]. The necessity of cultivating of these lands made it a more favorable condition for the formation of cooperatives.

Many cooperatives were formed from lands based on the Agricultural Circles' Cooperatives [SKR] whose activities far too often did not produce the desired results.

[Question] From time to time, farmers complain that they were refused an allocation of land for development because the land was given instead to the cooperatives.

[Answer] There have been some isolated cases of such conduct and we tried to solve them out of hand. Even in [farmland] integration the interests of the private farmers were taken into account. In order to avoid conflicts, agreements on [land] unification were concluded with them. Currently such conflicts do not take place, occasionally some unfounded complaints arise pertaining, for instance, to land which was already sold.

Reform Will Also Include RSP's

[Question] To what degree do the cooperatives participate in the total agricultural production of the country?

[Answer] In 1980, we sold to the state over 11 percent of their total grain purchases, about 9 percent of slaughter animals and over 40 percent of the entire national production of broiler chickens.

[Question] What is the immediate future of the cooperative movement?

[Answer] The majority of RSP's are young enterprises, no more than 5 years in existence.

The RSP Union must concentrate its efforts to help them, to strengthen them economically and organizationally. This is necessary in order to secure a continuing improvement in the cooperatives members' living conditions and in order to carry out their production tasks. If our cooperatives function satisfactorily, they will contribute to a further development of cooperatives among the farmers.

[Question] The planned economic reform will also have an impact on the cooperatives banded together in your union...

[Answer] We are placing great hopes on this. A strengthening of the RSP's independence and self-government should serve to initiate among cooperative members all kinds of initiatives aimed at a stabilization of the respective production directions, an increase in labor intensiveness and exploitation of all reserves.

[Question] Isn't it true that as yet there has been no direction of production given to the cooperative movement?

[Answer] Sowing limits have been imposed in proporction to the total sown acreage. Purchasing limits have been set and the cooperatives must later present a full accounting for them. This has limited independence in decisionmaking, however, those mechanics are no longer active and will have no bearing when the reform is introduced.

Are Subsidies a Privilege?

[Question] Individual [private] farmers were never too happy about the fact that RSP's were formed on their territory. They maintain that the RSP's are taking advantage of large state subsidies and receive larger allocations of construction materials and agricultural machinery.

[Answer] Such criticism is often undeserved and damaging. The subsidy system, such as it prevailed during the past period, was applicable to all sectors of the farming economy and was applied in various forms.

When the producer cooperatives had subsidies for their net, final production, the same as did the PGR's and SKR's, such subsidy was earmarked for the development fund while in the PGR's and SKR's it was to cover the high cost of production. Also subsidized were certain preferred sectors of farming (for example, sow raising) and those cooperatives which farmed on the worst types of soil.

On the other hand, the private farmers have also received this type of subsidy if only in the form of the continuance of very low prices for agricultural services provided by the SKR's. The operational system of subsidies was, at that time, developed to replace the policy of increasing the effectiveness of farming. This was unsuitable for all sectors of agriculture because concurrently with it the pricing policies caused cooperative production to become increasingly unprofitable.

[Question] How are the matters of deliveries of construction materials and farm machinery?

[Answer] The needs of cooperatives in the area of construction materials have never been fully satisfied. The fact that they could build at all was the result of formation of many cooperative construction-repair groups and the undertaking of local fabrication of many materials through their own efforts. Only the broiler-chicken farms were privileged and had, in principle, full deliveries of construction materials. The widespread opinion that preferential allotments of farm machinery were given to the cooperatives is unjustified. In proportion to the rate of growth of cultivated acreage, we had received far too few tractors and pieces of machinery. In the newly organized cooperatives, there is only one tractor per 50 hectares of plowed acreage.

Private farmers are still holding on to their horses. Agreed, it is often from sheer necessity, but also from an economic choice. On the other hand, it would be rather difficult now to introduce horses to high-volume farming.

Much Depends on Self-Government

[Question] During my conversations with private farmers, I have encountered an accusation against some cooperatives, they often excessively abuse their equipment and all field work is performed late, often after the agrotechnical term has passed by.

[Answer] Many new cooperatives do not have a technical support base at their disposal, they cannot always insure proper equipment maintenance. It also has to be stressed that the equipment used by the cooperatives is more intensively utilized, therefore,

it is quite possible that the prime movers are used up at a faster rate. But certainly, this does not apply to all the cooperatives. Additionally, the situation in this field is undergoing constant improvement from year to year.

Delays caused by subjective reasons in timely accomplishment of field work have to be disregarded--after all, this would influence the conclusions. The fundamental direction here is given by the self-government. The deciding factor is a conscious discipline of the cooperative leadership and everyone of its members. Wherever the self-government works well there are no delays.

[Question] What will be the role of the Central Union, which you are chairing, under the new independence and self-government conditions?

[Answer] The role of the union is changing. It will preserve its supervisory capacity, however the main thrust of our activities will be in providing the cooperatives with a consultative service.

The extent of the union's influence on economic activity is being limited. In relation to the SKR, the union must fulfill a service role and will also represent them to the outside interests.

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CSO: 2600/102

[Question] Surely some farmers treat grain as a peculiar capital investment; they do not have anything to spend money on, and therefore they prefer to store grain.

[Answer] Grain can be stored for a comparatively long time under the appropriate storage conditions, but a few farms have good warehouses. However, grain must not be nibbled away, for rodents and other warehouse vermin will work their own destruction.

Moreover, the potato, beet, and bulk fodder crops have been good, so there certainly will not be as many purchases on the free market as there were last spring.

[Question] And what are the prospects for further procurements? What are our chances for decreasing our grain import?

[Answer] We produce about 21 million tons of grain. We need 6 million tons for our own consumers. Unfortunately we do not collect that much; a lot of grain does and must remain on the farms, primarily for fodder. Last year we purchased very little grain, 2 million tons of it, while this year we are planning to purchase 3.6 million tons. The yields are greater, so a larger amount of grain will be earmarked for sale. Thus far this grain often has not been of the best quality; it has come straight from the harvesters. The grain from the later threshings certainly will be better. Moreover, we need grain not only for consumption, but also for fodder mixtures. These needs exceed the possibilities of procurement from our farmers several times over. Thus, import is indispensable. We are very far from being self-sufficient; our yields are too low. Thus, we have to import grain.

With the present grain-variety structure, we can only be self-sufficient with regard to rye. Even if our wheat yields increased significantly, we would have to continue to import a high-quality baking grain. Some of our varieties of wheat are disastrous for baking. Quantity will not take the place of quality. We are placing certain hopes in the new, valuable Begra and Modra varieties, but for the time being the Grana variety, beloved by the farmers, reigns supreme. One cannot bake good bread from its flour, however. On the other hand, macaroni-type wheat is not cultivated under our climatic conditions, so we have to import it.

[Question] How prepared are the procurement points, warehouses, dryers and cleaners in your enterprises?

[Answer] We have large-capacity warehouses prepared, and there is no fear that the farmers will overwhelm us with grain, in fact I wish they would try. Thus far, procurement has not been too great, and generally dry grain has been delivered, so we have been able to work calmly without overtaxing ourselves and, thus, without mishaps. Before the procurement campaign there was not as much grain in the warehouses as the press said there was, and now there is room for new grain.

[Question] Soon you will have unused strengths, so you could dry and clean grain as a service for the farmers. Was there some conflict in Mscice near Koszalin as a result of this fact?

[Answer] We see it this way: the farmer should set aside grain that has been contracted, and we can dry as much of his surplus for him as possible. But in Mscice the farmers wanted to dry and to take the grain, although it had been contracted for. A contractual agreement is binding on both parties.

[Question] Do you have enough warehouse area and equipment?

[Answer] We have enough for the present procurement. But if it is a wet year, our receiving and drying capabilities will not be sufficient. Therefore, since we do not know what the weather will be like, we have established allowances for storage in order to spread our deliveries out over time. We should have drying plants with a 50 percent larger capacity. But that will not happen right away. Rofama only develops production of domestic drying plants for grain, and for the time being we are not importing this equipment.

[Question] And what about drying grain in the drum-drying plants for green forage, which we have too many of in Poland?

[Answer] Drying by means of gas combustion in primitive drying plants of this type can only be an extreme step, with only fodder coming into play, when we are already facing a dilemma either of having grain spoil or of drying it in drum drying plants. There cannot be any rule.

[Question] In recent months, the milling of grain abroad has upset everyone. Is this a regular practice?

[Answer] We have not concluded any contracts since the contract concluded with Czechoslovakia at the beginning of 1981. At the present time, we are milling the grain ourselves. This is due mainly to our self-sacrificing labor forces, which have worked most free Saturdays and Sundays all along. Thanks to that, we have exceeded our production plans, which has permitted us to renounce our temporary departure from the norm with regard to the content of mineral salts. The flour was darker.

[Question] But dark flour is healthier, precisely from the standpoint of its higher mineral salt content.

[Answer] That is certainly true, but people demand white bread. Since we lowered the norm in May, complaints about the quality of bakery goods have intensified. But there was only a little grain; we had to proceed as we did. Thanks to that, we were able to produce 7,000 tons more flour monthly. However, let us not deceive ourselves that lighter flour will resolve the problem of the quality of bakery goods completely; there are many other factors that have an effect, and many deficiencies in bread baking must be eliminated.

[Question] And what is the situation with groats, particularly buckwheat groats, for buckwheat has been showing a good yield lately?

[Answer] Control has stabilized the market, and trade reserves have been built up again. Previously groats was made largely into fodder, so we were continually unable to satisfy demand. As for buckwheat groats, we can produce about 15,000 tons annually working almost 7 days a week. The reamining producers produce another 1,000 tons, and that is the total capacity. It is too little. Moreover, until 1 September 1981 prices were set paradoxically. One kilogram of groats cost 29 zlotys, and we pay farmers 30 zlotys per kilogram of buckwheat. And by weight we get 55 percent of our groats from buckwheat. Where is the production profitability here? Buckwheat has had a good yield lately and we have had fairly large reserves of it, so we shipped 20,000 tons to the USSR for processing. That was a favorable transaction.

[Question] Is the milling authority interested in the development of small mills? Are you helping them?

[Answer] We are interested in their development, especially where grain is available and where there is a demand for flour, so as not to cart grain unnecessarily to our warehouses. How can we help them? If we have some dispensable machinery, we are selling it. However, we ourselves are having much difficulty keeping supplied with the necessary machinery, spare parts and materials; therefore, the possibility of our helping them is limited, of necessity.

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CSO: 2600/115

SLOVENIAN EMPLOYMENT PROBLEMS

Belgrade BORBA in Serbo-Croatian 6 Dec 81 p 4

[Article by J. Pjevic: "New Policy, Old Practice"]

[Text] Ljubljana--In the discussions and agreements on socio-economic development and business activity in 1982, unemployment is being discussed a great deal because it is becoming an increasingly more complex and serious economic and social problem for the Slovene situation.

The first problem is the fact that a "surplus" of workers has appeared in Slovenia. This year the average monthly requirements of organizations of associated labor for new workers were around 9000 (a fifth less than last year), and the number of unemployed seeking work is between 13,000 and 14,000. The problem is also in the fact that among the unemployed who have been registered there is an increasing number of people seeking employment for the first time, among whom most are young people (around 3,500 per month) who have graduated from secondary schools, colleges, and universities. Many have non-productive specialties in which the OURs [organizations of associated labor] are least interested. The difficulty is also in the fact that the OURs still, in spite of all the planning and other documents, are seeking and employing workers with so-called narrow profiles and without qualifications.

In addition to ignoring the planned and agreed-upon orientation to improve the qualification structure, first of all by employing experts and workers with higher qualifications, the OURs are also not abiding by the social agreements and self-managing agreements to provide at least minimal housing and other living conditions for new employees, especially for workers from other republics. In fact, according to the planning documents and the social agreements and self-managing agreements that have been adopted, the OURs should not employ even one new worker if they are unable to provide him at the start with at least minimal living conditions and later on with "average normal conditions."

The deviations by the OURs from the policy that has been adopted are also demonstrated by the notices about the "requirements for workers" that are published once a week in the LJUBLJANA DELO [newspaper] by the Republican Alliance of Communal and Regional Communities for Employment, under the following very characteristic title: "Requirements for workers submitted by firms and private employers, which could not be covered from among the temprarily unemployed

in Slovenia who are seeking employment." These notices are thus exclusively directed toward workers from other republics who wish to be employed in Slovenia.

It turns out from these notices that the Slovenian OURs are seeking workers from other republics primarily with a so-called narrow profile and without qualifications. According to the latest "requirement" the OURs requested a total of 78 workers from the other republics, of which most were women to clean business premises and others for a monthly salary of 5,100 to 5,900 dinars (and in only one case up to 7,400), which is on the borderline of the guaranteed minimum salary in Slovenia. After all of the vacancies announced in these notices there is a comment: no apartment!

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EMPLOYMENT OUTLOOK FOR 1982 IN MACEDONIA

Belgrade BORBA in Serbo-Croatian 6 Dec 81 p 4

[Article by unidentified author: "Time For Real Moves"]

[Text] Skoplje--Explaining the Draft Social Plan for Macedonia for next year, the day before yesterday in the Assembly of Macedonia Blagoje Popov said that the most serious problems in development are expected in the area of employment. For the first time in a long time, said Popov, the 2 percent rate in growth of employment in the Republic does not make it possible to employ even the natural increase in the active population.

The number of those employed in 1982, according to the plan, would be only about 9 thousand people more and along with another approximately 6 thousand to replace those who are retiring, Macedonia would have a total of 444 thousand people employed at the end of next year.

The seriousness of this problem requires very extensive and energetic social action. To tell the truth, such actions have been conducted in Macedonia for several years, but the expected results, except in some communes, are almost lacking.

Therefore, 1982, according to President of the Republican Executive Council Blagoje Popov, must be a turning point in employment relations. This primarily has to do with the "factors" in the communes whose obligation and primary task is to carry out the agreements that were reached a long time ago on the retail economy, contractual organizations, the employment of returnees, and so forth. In this way, room would be created for a noticeable alleviation of unemployment, because the retail economy alone is offering several tens of thousands of new jobs. There are also very large unutilized possibilities in agriculture as was stated from the assembly rostrum.

Instead of "undertaking measures" one should expect a concrete reduction in overtime and additional work, work according to a contract for a job, the employment of retirees...

The problems and difficulties are not new ones. They are only increasing in acuteness and urgency. Even the obligations are not new ones. They are coming, however, at a time when the overall development and prosperity of the Republic depend on carrying out every obligation.

It is time for real action, especially in the communes, which today, when Macedonia has over 120,000 unemployed, are hindering more than aiding employment through their "instruments" and bureaucratic administration. At a time of a drastic reduction in new capacities in the economy and in other areas, the worst that can happen is that this action too will be short-lived.

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MEAT, FLOUR INDUSTRIES THREATENED IN BOSNIA-HERCEGOVINA

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 8 Dec 81 p 11

[Article by Marko Mirnic: "The Milling Industry Is the Most Threatened"]

[Excerpts] The shortage of raw materials with which numerous organizations in Bosnia-Hercegovina have been confronted in recent years has not bypassed the food industry of this republic either. Because of this several groups in particular are working with considerably reduced capacities. With respect to this, it is significant that these are raw materials of domestic origin, because this industry is much less dependent on imports in comparison with many other industries in the Republic.

The milling industry, which has already been working for a long time with limited possibilities, is in the most unenviable position. For example, last year only 80 percent of the existing capacity was employed, and now this percentage is even lower. This is because, in order to reduce wheat imports, there was an increase in the purchase of flour from domestic producers, whose shipments have in any case been stagnating since 1978 and have been reduced almost to the minimum.

Specifically, shipments from Vojvodina have been reduced from what they once were, about 120,000 tons, to 22,500 tons of wheat, and shipments from Croatia have been reduced from over 100,000 to only 6000 to 7000 tons of this grain. In supplying this basic raw material, the preference is boviously being given to one's own processing capacities, and flour is more willingly shipped to other areas.

Since the requirements of the milling industry cannot be compensated for even by purchases of wheat from the reserves, this product is being imported, and, for example, last year 180,000 tons were obtained from abroad, and this year about 200,000 tons of wheat are planned. These are, naturally, quantities that could not have been obtained in our country. Of this, 50,000 tons will be imported by the end of the year, and the remaining 150,000 tons will be imported in the first half of 1982.

Zdravko Galic and Azaudin Aganovic, from the Bosnia-Hercegovina Business Community for the Production and Sale of Food, feel that wheat is not being imported only in order to employ the mill capacities, but primarily to reduce the shortage of flour on the Bosnia-Hercegovina market, and to provide the necessary amounts. If there were enough flour, this grain would certainly not be imported, even at the cost of closing down some mill capacities, which has at any rate already been done. For example, because of the raw material shortage, which is undoubtedly the limiting factor in the development of the milling industry (which represents almost 50 percent of the total processing capacity of the Republic's food industry), the mills in Drvar, Gradacac, and Bosanska Krupa have ceased work. Only the mill in Bosanska Krupa has so far been reoriented toward another product, livestock feed.

The capacities for processing wheat and rye into flour in the other 20 mills, as many as there are all together in Bosnia-Hercegovina, amount to 450,000 to 460,000 tons, and working in four shifts, they can even process 500,000 tons of this grains. On the average, however, they process between 360,000 and 380,000 tons each year. From this year's harvest in the Republic, 60,000 tons of wheat has been bought, which is twice as much as last year; but this is only 10 percent of the republic's needs, which thus amount to about 600,000 tons of whe This great difference, 540,000 tons, must be provided from other sources. In addition to imports, it is expected that 130,000 tons of flour will be purchased in Vojvodina, 101,500 tons of flour and wheat in Croatia, etc.

Critical In the Meat Industry As Well

The meat industry is likewise in a difficult situation, because it is employing only half of the available processing capacity. The reason is that there is no material for processing, and livestock fattening is increasingly weaker. The costs of livestock fattening are significantly higher than the costs of meat and the final products of this industry. Thus, in this industry, which in any case imports little, the losses are growing along with increased production.

A similar thing is occurring with the livestock fodder industry, where the shortage of protein components is the greatest. There is especially a lack of corn, which constitutes 65 percent of the feed mixtures. It is believed that there is enough of this product in the country, but it is being kept in barns, because prices more favorable than the current purchase prices are anticipated. It is precisely for this reason that only 10 percent of the quantities with respect to the needs and possible supply has been obtained from individual producers in Bosnia-Hercegovina. Corn is in fact being sold on the open market, and is reaching a price of 12-15 dinars per kilogram at the market. The situation is no better in regard to the realization of contracts for shipping corn from this area outside its borders. For example, according to a contract, Vojvodina was supposed to send this republic about 125,000 tons of corn, but so far not even a kilogram has arrived.

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PLANS FOR DOMESTIC PRODUCTION OF RAILROAD EQUIPMENT

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 12-14 Dec 81 p 2

[Article by Dusan Ivanovic: "Great Expectation by the Community"]

[Text] One should not be a great optimist and believe that the agreement on cooperation between the producers of railroad vehicles and the Yugoslav railroads has solved the problem of modernizing transportation and developing domestic machine building all at one. It is quite certain that there will be some difficulties from what is written in the implementation documents. The two fields that are oriented toward each other showed full agreement and chose a joint path of development in the current medium-term period and later on; and although the fruits of their cooperation are beginning to appear, appropriate results must be awaited.

Normally such agreements are more easily followed by banks with credit participation, as well as foreign resources. This is not without significance in such large businesses. Such an approach will make possible the implementation of a production program for the necessary number of locomotives, passenger and freight cars, which will [in turn] make it possible to increase passenger transportation by 2.7 percent, and freight transportation by 5.4 percent.

From the standpoint of investments in production, this would be the minimum variant for the necessary transportation and traction equipment, although the Yugoslav railroads have developed a program and an optimum plan that would require 83 percent greater investments. In this variant, passenger transportation would increase at a rate of 10 percent, and freight transportation at 8 percent annually. The participants in implementation of the program for the production of railroad vehicles are not prepared for something like this, since there are simply no monetary funds or resources from which the financial structure could be completed.

Even acceptance of the minimum variant represents a success, however, since the railroads are to obtain 102 electric locomotives, 73 diesel transportation locomotives and 38 diesel switching ones, 61 electric motor trains and 46 diesel motor ones, 671 passenger cars, and 13,075 freight cars.

This would mean a great deal for the railroad rolling stock, since one should not lose sight of the fact that this is not only a question of modernization, but also of the safety of railroad transportation, as we are still using pre-war equipment that has worn out due to fatigue of the material.

Monetary Funds

According to an estimate, close to 34 billion dinars would have to be provided to implement the minimum variant. This sum will certainly be considerably higher, since the values were calculated on the basis of the prices in effect at the beginning of 1980. The prices now are about 40 percent higher; but at this time, no matter how unconvincing it may sound, this is not the most crucial thing. Some money will be found. More essential is the fact that there is almost complete agreement among the participants the adopted production program to be implemented--including producers of railroad vehicles, consumers and banks--that cooperation in resolving the problem must be fostered.

In any case, the procurement plan, and the plan for the production of the transportation and traction equipment, are to be implemented in accordance with the following financial structure: half of the necessary funds will be provided by the commercial banks of the producers, 25 percent by commercial banks loans of the railroad transportation organizations, 15 percent by Eurofima and other designated funds (a portion of the tax from liquid fuels), and 10 percent by the railroad transportation organizations. It was proposed that the commercial banks approve loans with a 7 to 10 year repayment period and an annual interest rate of 7 percent.

It was noted that there is a revival in the process of combining funds among the participants to implement the railroad equipment production program, and it is expected that the organizations concerned will continue in this direction. For the time being a sum of 20 percent of the total funds required is being discussed, but it is felt that this percentage will increase from year to year. It should be taken into account that a large number of entities--producers consumers and banks from all of our republics and provinces, are participating in the process to implement the plan. In effect a large part of the economy has been drawn into long-term cooperation.

Without going into exceptional cases, the entire program procurement of transportation and traction equipment would be carried out by domestic industry. For this purpose, a self-managing agreement has been adopted between the railroad transportation organizations and the associated labor organizations in the field of the railroad vehicle industry.

Effects of the Investments

The immediate effect of the development of railroad transportation is to be reflected in energy conservation and the replacement of imported energy raw materials by domestic ones. The fact is that on the average every highway vehicle requires 53 percent more liquid fuel than a diesel locomotive for the same transport task. It is well known, furthermore, that a diesel locomotive requires a 3.9 percent greater equivalent amount of liquid fuel than an electric locomotive requires electrical energy. From these comparisons it turns out that a highway vehicle requires about 6 times more electrical potential than an electric locomotive.

The value of the energy that would be saved in 6 years by increased use of rail transport in place of highway vehicles (calculated at current market prices) would be enough to cover the entire value of the investments for the procurement of the transportation and traction equipment. Furthermore one must always keep in mind the replacement of an imported energy raw material (oil) by domestic electrical energy.

It should be emphasized that transport reduces the share of transport costs in the price of a product. Estimates show that this makes up 20 percent using all types of transportation, but railroad transport reduces this share to 5 percent.

One must also take into account the incentive to railroad vehicle production, since 70 percent of the capacity of the finished product manufacturers will be involved, instead of the current 40 percent. This would make possible the employment of another 16,000 workers in this field: 4,000 in the operations of the finished product manufacturers, and 12,000 workers in the production of semi-finished products and components.

Comprehensive analyses also show other advantages, which it is not necessary to cite at this time. It is clear on the basis of some of the above-mentioned facts how much the railroad vehicle industry and the railroads will benefit from their joint development. Normally the full effects of cooperation cannot be expected at once, but, in any case, they will be demonstrated in the course of the current medium-term period; this will be a great contribution to the stabilization efforts.

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## BRIEFS

FALL IN LIVING STANDARD--The average net personal income for the first 8 months of 1981 amounted to 9,331 dinars, according to the Federal Bureau for Statistics; this indicates that the decline in the standard of living continued also in the summer months. Workers employed in the economy received an average of 9,172 dinars, while those in non-economic sectors received 990 dinars more on the average. The highest paid in the economic sectors were workers in financial services (11,698 dinars), while the lowest paid were hotel and restaurant facility operators (8,022 dinars). Nominal net incomes during this period increased 27 percent on the average over the same 1980 period. But comparing these to the cost of living index showed that personal incomes were in fact 7 percent less than the 1980 average for the same period. The results of inflation were evident most in Slovenia where personal incomes were 11 percent less, while they were least evident in Kosovo and Vojvodina where wages were only 3 percent less (in Kosovo) and 4 percent less (in Vojvodina). The Federal Bureau for Statistics also reported that gross incomes for the 8-month period averaged 13,455 dinars per month, showing that 4,124 dinars, or about 45 percent, of the average monthly income goes for contributions and taxes. [Excerpts] [Belgrade BORBA in Serbo-Croatian 5 Dec 81 p 5]

WHEAT PLANTING--As of 7 December wheat had been planted on a total of 1,482,500 hectares, or 95 percent of the planned area. This is a correction of the previous report that 94.3 percent of the plan had been fulfilled. The private farmers in Vojvodina met the plan 100 percent, while socialized farms exceeded the plan by 3.5 percent. In Serbia proper the plan was 93.5 percent fulfilled. [Excerpt] [Belgrade PRIVREDNI PREGLED in Serbo-Croatian 15 Dec 81 p 2]

RECORD CARGO TURNOVER AT RIJEKA--This year the port of Rijeka expects to have a record cargo turnover of about 7,620,000 tons (not including the Pula OOUR (basic organization of associated labor)); this is about 200,000 tons more than in 1980, and some 500,000 tons more than planned. The largest increase was bulk cargo handled in the port of Bakar, totaling more than 4 million tons. This year the port of Rijeka will earn a total of $46 million in foreign exchange, $36 million from the convertible area and the remainder from the clearing-account area; this is about 20 percent more foreign exchange than last year. Next year foreign exchange earnings are planned at $50 million, most from the convertible currency area. Calculations show that for one dollar that flows out, three dollars in foreign exchange come in. The share of transit freight was 75 percent of total turnover; this ratio will continue also in 1982. However, as a result of restrictions by many countries and reduced production predicted for Hungary, the CSSR, and Austria (the main shippers

through Rijeka), a certain stagnation is expected in transshipping next year. Nevertheless, the 1982 plan calls for a turnover of 7.2 million tons of cargo, as well as reconstruction of the rail track, most of which is over 80 years old, consturction of an RO-RO ramp at the Bakar terminal, and purchase of additional port area. [Excerpt] [Belgrade PRIVREDNI PREGLED in Serbo-Croatian 25 Dec 81 p 3]

ENERGY PRODUCTION, CONSUMPTION, IMPORTS--According to the corrected balance sheet, total imports of crude oil this year will be 10.1 million tons, in addition to 460,000 tons of oil derivatives; this is about 9 percent less than in 1980. If one adds to this the 4.3 million tons of oil planned for domestic production, the consumption of liquid fuels this year should be about 7.5 percent less than last year. But 1981 consumption has been a million tons of oil derivatives over the plan and about 800,000 tons over that of last year. Despite this, there has not been a day that some industrial plant or transportation facility somewhere has not been idled because of short [fuel] supplies. The shortage of derivatives, especially mazut, would have been even greater if some consumers had not been hooked up to gas pipelines. Re-orientation to this fuel, however, has been slow, although authorities say there are adequate supplies. This year 5 billion cubic meters of natural gas are planned for consumption (about 1.7 billion more than last year); in the first 9 months 2.5 billion cubic meters were consumed, approximately the same as in the first 9 months of 1980. More oil was consumed this year because industry was not technically prepared to use other fuels or to invest even minimal funds in preparing to use activated [coal] reserves from Gacko and the "Ugljevik" enterprise. While the total social product approximately met the planned increase of 3.5 percent, industrial production was considerably below the plan, and energy reserves were exhausted; moreover, production of energy raw materials did not increase. About 51.5 million tons of coal will be produced, instead of the planned 57.3 million tons. Suggested plans for 1982 call for importing 10.1 million tons of oil and 900,000 tons of derivatives, while domestic production will increase by only about 100,000 tons. This proposal depends on a 16.8-percent increase in coal production, a 6-percent increase in electric power production and a 23-percent increase in gas production over 1981. [Excerpt] [Belgrade PRIVREDNI PREGLED in Serbo-Croatian 19-21 Dec 81 p 1]

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# East Europe Report

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2221

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# EAST EUROPE REPORT

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2221

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TIES, ECONOMIC GROWTH RATE OF CEMA COUNTRIES DISCUSSED

Warsaw SPRAWY MIEDZYNARODOWE in Polish No 3, Mar 81 pp 25-34

[Article by Dr Gregorz W. Kolodko, lecturer, Department of Political Economy in the Faculty of Economics of Production of the Central School of Planning and Statistics (SGPiS): "Ties Between the CEMA Countries and Their Economic Dynamics"]

[Text] The level of development of the social productive forces in the member-countries of the Council for Mutual Economic Assistance (CEMA) during the first few years after its creation was varied. As a direct result of such a state of affairs there were and are significant differences in the magnitude of the national income; it is estimated that in the extreme cases the ratio of the per capita national income of a country on the highest level of development to the size of the national income of a country on the lowest level amounted to approximately 5:1. After 30 years of the group's existence this ratio has undergone a clearly expressed reduction and at present stands at something like 2:1.[1] A characteristic trait of the changes in this ratio is the higher dynamics of the growth rate in the states at a relatively lower level of economic development. Against this background and within the theory of the growth of a socialist economy the thesis was formulated regarding the gradual equalization of the levels of economic development of the socialist countries,[2] rating it at the same time as a general regularity. It is worthwhile, however, to emphasize here that this regularity has universal values, for it functions likewise in the capitalist economy, as well as partially in that of the countries of the "Third World."

The differentiation in the economic growth rate in the CEMA countries pertains not only to that aspect which may be defined as extended, but also to the altered developmental dynamics within the framework of the individual states at various periods.[3] A closer look at this process inclines one to conclude that this type of change in economic dynamics is characterized by a regularity in principle.[4] By applying as a criterion of periodicity of changes in the economic growth rate, one may derive--in regard to all the European CEMA states--a division of the last 30 years into periods, which are characterized by an altered appearance of higher and lower economic growth rates. However, certain exceptions also appear in this field. This pertains particularly to the latest period, when up to the mid-1970's one could note only one departure from the above-mentioned principle of regularity. We are speaking here about the formation of the economic growth rate in the German Democratic Republic (GDR), where since the mid-1960's one may observe an even-measured growth, approximately uniform. The dynamics of the national income in this country varies, with minimal deviations, around 5 percent of the growth rate.

The development of the process consisting of an alternation between periods of higher and lower growth dynamics is determined by a division of the mechanism of the cyclicity of economic growth; moreover, one cannot speak here of a single specific cause of this process. The periodic changes in economic dynamics are brought about by a whole set of internally-linked socioeconomic and political dependencies. The subjective factor (decisions by the political-economic center) is linked with the objective factor, i.e., the objectively acting laws of economics. In the presence of voluntaristic tendencies appearing in certain periods against the background of an incomplete recognition of objective socioeconomic laws and at times a downright disregard of their functioning, there appears a linking together of elements of planning and spontaneity in the national economy.

Among the above-mentioned dependencies the greatest importance must be ascribed to the discrepancy between consumption in the short run and in the long run, as well as to the appearance in practice of an overall investment cycle with its own particular postponement of effects and indivisibility of outlays. Furthermore, a large role is played by the following: the share of the economy in the international division of labor; the system of planning and management, as well as the changes in the program of growth.

The goal of economic activity in socialism is to maximize the satisfaction of society's needs. In practice this has often led to maximizing the national income, which is attained by raising the rate of accumulation and by directing increased investment outlays mainly into the sector which is producing the means of production. A powerful investment expansion was begun, that takes the shape of an overall investment cycle with the postponement of effects appropriate to it. The choice of such a strategy in many cases brought on a tendency toward centralization during the period of economic planning and management. Excessive--in relation to the actual possibilities of the national economy--broadening of the investment front causes difficulties in guaranteeing the delivery of investment goods and indispensable materials to continue undertakings which have been started. There is also an increase in tensions of a sociopolitical nature against the background of the low dynamics of consumption. At this time there is an approach, as a rule, to very serious difficulties in maintaining a market equilibrium. In such a situation the political-economic center undertakes the decision to change the structure of the final division of the national income, and this is accomplished either by means of lowering the rate of accumulation or by slowing down the rate of its growth. At the same time essential changes are taking place in the structure of investment outlays to the benefit of the sector producing the means of consumption, agriculture, and the nonproductive sphere. These moves--along with the appearance of production effects upon the expiration of the period of postponement--provide a dynamic thrust to the growth rate of the national income and, above all, to that of consumption. Also moving in this same direction are changes in the structure of foreign trade turnover which are advantageous for current consumption. There is a periodic weakening of investment expansion and an ensuing concentration of work to end investments which were inaugurated during the previous period. Tendencies also appear toward decentralization and increasing the independent activities of economic units. These phenomena--and, above all, setting in motion the stimulating function of consumption--free up initiative from below and improve efficient management, causing it to increase labor productivity. Under the conditions mentioned

profitable use may also be made of existing reserves. All these phenomena stimulate the acceleration process, bringing the economy to a state of dynamic equilibrium.

Table 1. Average Annual Growth Rates of National Income in European CEMA Countries (In percentages, at constant prices)

| Enumeration | Periods and Growth Rates | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Bulgaria | a | 1953—1956 | 1957—1959 | 1960—1963 | 1964—1967 | 1968—1971 | 1972—1975 | 1976—1980 |
| | | 6,5 | 14,0 | 6,0 | 9,1 | 7,4 | 8,3 | 7,9 |
| | | — | + | — | + | — | + | — |
| Czechoslovakia | 1950—1952 | 1953—1956 | 1957—1961 | 1962—1965 | 1966—1969 | 1970—1975 | 1976—1980 | |
| | 10,0 | 6,5 | 7,4 | 0,8 | 7,2 | 5,3 | 4,1 | |
| | | — | + | — | + | — | + | |
| GDR | 1950—1952 | 1953—1956 | 1957—1959 | 1960—1963 | 1964—1969 | 1970—1974 | 1975—1980 | |
| | 18,0 | 6,7 | 8,7 | 2,2 | 5,0 | 5,8 | 4,3 | |
| | | — | + | — | + | + | — | |
| Poland | 1950—1953 | 1954—1957 | 1958—1963 | 1964—1968 | 1969—1970 | 1971—1975 | 1976—1980 | |
| | 9,8 | 9,2 | 5,4 | 7,1 | 4,0 | 9,8 | 1,6 | |
| | | — | — | + | — | + | — | |
| Rumania | 1951—1953 | 1954—1956 | 1957—1959 | 1960—1962 | 1963—1966 | 1967—1970 | 1971—1976 | 1977—1980 |
| | 17,0 | 5,0 | 10,6 | 7,6 | 10,5 | 7,0 | 11,5 | 7,1 |
| | | — | + | — | + | — | + | — |
| Hungary | 1951—1953 | 1954—1956 | 1957—1960 | 1961—1965 | 1966—1969 | 1970—1974 | 1975—1980 | |
| | 9,3 | 2,0 | 11,0 | 5,4 | 7,2 | 6,2 | 3,8 | |
| | | — | + | — | + | — | — | |
| USSR | 1950—1951 | 1952—1953 | 1954—1956 | 1957—1963 | 1964—1968 | 1969—1973 | 1974—1980 | |
| | | 8,2 | 11,6 | 6,0 | 8,2 | 6,5 | 4,4 | |
| | 16,0 | — | + | — | + | — | — | |

"+" = Acceleration
"-" = Slowdown

a) There is a lack of accurate data for the years 1950-1952. It is obvious, however, that the growth rate of the national income in this period was much higher than during the years 1953-1956.

Source: Our own calculations, based on the GUS statistical yearbooks. Data for the year 1980, based on the assumptions of the national socioeconomic plans.

With the passage of time--in connection with the failure on the part of certain areas of the national economy to keep pace with the overall growth, especially the spheres of maintaining raw materials and power as well as the broadly understood socioeconomic infrastructure--the deepening of the imbalance in many sectors of the national economy has become an increasingly weighty factor in limiting the growth rate. It becomes necessary to change the program of economic growth; the more radical it is, the more obvious are the symptomatic traits of the period following the change in the program. It consists in a renewed acceleration of the growth rate of the production of the means of production. This brings with it another increase in encumbering the national income with accumulation and the beginning of a new, overall investment cycle. The rapid growth of

investment brings about a reduction in the dynamics of consumption--with all the consequences thereof. The national economy enters again into a period which is characterized by low growth dynamics; however, its traits need not be identified with the previous period of a lower economic growth rate. This results from the evident fact that in processes of social development some of their conditions disappear, while others, on the contrary, appear for the first time or play quite a changed role than in a different situation.

The development of the process of reproduction described above is composed of two consecutive phases. The first of these phases is marked by a relatively low growth rate of the national income and consumption as well as a rapid growth rate of accumulation and investment, while the second phase, in contrast, is characterized by a high growth rate of the national income and consumption along with a low dynamics of accumulation and investment. These phases create their own unique kind of entity, which may be designated as the general cycle of economic growth. Its trait--aside from the obvious regularity of the fluctuations of the growth rate of the basic macroeconomic categories--is the endogenic nature of the periodic pulsation; in the phase of rapid growth the objective premises for slowing down this rate in the following period and the reverse are already inherent. Thus understood, the endogenicity of the fluctuations clearly results from the described mechanism of periodic changes in the economy's dynamics.

The essence of this process is linked with the level of development of social productive forces in the transition period from capitalism to socialism as well as at the stage of creating the bases of socialism and adopting, in connection with this, the strategy of accelerated economic growth. It is difficult today--in view of the too little historical evidence--to synonomously prejudge the question of the nature of developmental processes in the future.

Many writers, however, are inclined to the view that such a development of the reproduction processes does not result from the essence of socialist economic relations and hence is not an inherent trait of the socialist method of production. With such an approach to the problem it is emphasized that when these conditions are fully mature and when the principles of a proper socialist economy are functioning completely, what--as a result of a correspondingly high level of social productive forces--will take place at the stage of developed socialism must anticipate a gradual departure from cyclicity in economic growth. Already today one can point to a whole span of possibilities of departing from periodic fluctuations in the future, as well as a number of roads leading to a softening of their course.[5] Hence the view that the cyclicity of the processes of economic growth in socialism is not something unavoidable[6] requires that further studies and verification be conducted.

The overall nature of the model of periodic changes in economic dynamics means that it does not correspond to each of the consecutive cycles which have appeared up to now in the European CEMA countries; in many cases one may point to differences in the actual course of phenomena from that which is represented in the model concept. Fundamentally these differences relate to the 1970's and pertain to the GDR, Czechoslovakia, Hungary, and the Soviet Union. In these countries during the last decade a long-range tendency has been observed toward lowering of

the economic growth rate. Furthermore, a series of particular traits appeared in Poland which has its own source primarily in the broad aspiration for external sources of developmental financing, fromwhich--because this is not a rule in the development of social productive forces in socialist countries--it is abstracted in the above-mentioned concept.

Observation of the phenomenon of periodic changes in economic dynamics has inclined certain authors to formulate the view that they develop within close time-frames.[7] This view is only partially right, while it would be more correct to say that they clearly illustrate cited data. Such a state of affairs results from a differentiated developmental dynamics at the moment of starting toward socialist industrialization, which was caused not only by the inheritance from capitalism in building an insufficiently developed material and technical base but, above all, by the great wartime destruction, in addition to the extensive differences in individual countries. Internal conditions likewise formed in a varied manner; the possibilities for accumulation in the national economy were unequal. In the early 1950's most of the states found themselves in the phase of rapid growth, which was a simple consequence of the developmental strategy which they had chosen, directed at an accelerated growth of the economy and a forced industrialization. The internal conditions of development appearing within the individual countries, however, influenced the differentiation of the length of the acceleration period. As a consequence the entry upon the next phase of the cycle, characterized by a lower growth rate, took place at various times; it occurred earliest in the Soviet Union (1952), and latest in Poland, Rumania, and Hungary (1954). The varying time-frames of the ensuing phases led during the first half of the 1970's to a situation in which four countries (Bulgaria, Poland, Rumania and Hungary) found themselves in a phase of a more rapid growth; in contrast, the three remaining countries (Czechoslovakia, the GDR, and the Soviet Union) were in a phase of decreasing economic dynamics.

Against the background of the remarks cited above the question suggests itself of what causes the concurrence of the time-frames of the individual phases in those cases when it actually takes place. One may formulate the thesis that a mutual impact on the changes of economic dynamics is only possible at such times when actual integrated ties appear among individual national economies. And hence the problem of the hypothetical synchronization of the growth cycle in a socialist economy on an international scale comes down primarily to answering the question of whether the mutual ties between subsystems such as are represented by the national economies within the framework of the entire CEMA system were strong enough to be capable of exerting a genuine influence on the periodic changes of the tendencies of forming developmental dynamics.

Within the historical process of the formation and development of CEMA one may distinguish several stages in which the group evolved for itself newer and newer goals. During the first few years of its functioning CEMA's main goal amounted to connecting and expanding economic contacts, primarily those involving trade, which served to implement the process of socialist industrialization and the solution of tasks which were typical of this transitional period. In 1954 the next joint goal was promoted, namely, organizing economic cooperation and proceeding to the coordination of national economic plans. The next essential step was

accomplished in 1961; at that time the basic principles of the international socialist division of labor were adopted.[8] It must be admitted, however, that for the first two decades of CEMA's functioning it was characterized by bilateral forms of economic cooperation, while the dominant form of this cooperation was trade exchange; on the other hand, joint investment ventures, industrial exploitation and cooperation played a secondary role.

The real process of integration began in principle just at the beginning of the 1970's. The basic tasks in this period were formulated at the 25th session of CEMA, which was held in 1971 in Bucharest, where the "Comprehensive Program for the Intensification and Improvement of Socialist Economic Cooperation and Integration of CEMA Member-Countries" was adopted.[9]

Despite the satisfying implementation of the Comprehensive Program during the past decade, the integration ties are certainly not that strong for the economic situation in individual member-countries to exert the most essential influence on economic processes--including changing their dynamics--in other states which are part of this group. The dominant form of cooperation continues to be bilateral contacts.

"The greater the preponderance that multilateral joint work assumes in many spheres in the near future, the more it will uniquely outweigh bilateral ties. But insofar as there is a further deepening of the socialist integration process, there will be a gradual broadening of those fields of economic activity in which the institutional forms of multilateral ties ensure their relative independent development (international programs, joint enterprises, financial institutions, scientific-research organizations)....For a lengthy period bilateral ties will remain the essential element of a realistic mechanism with the aid of which multilateral ties will be brought into being."[10]

Despite this, we cannot completely deny the mutual action of economic dynamics in the individual European countries of the socialist community. The level of this action, however, is not great. It turns out that it is proportional to the part of the mutual trade turnover in the national income of the countries under discussion. Yet it can be stated with certainty that the sphere of mutual dependencies in this field is far less in comparison with the highly developed capitalist states, and especially in relation to the member-countries of the European Economic Community (EEC).

During the second half of the 1970's in all the European CEMA countries there appeared a slowdown in the economic growth rate, and herein there is a varying scale of decrease in dynamics as compared to the preceding period within the compass of the individual states; likewise there is an essential differentiation of the growth rate within the spatial aspect.[11]

The reasons for this tendency are complicated. In all the countries under discussion there has appeared the phenomenon, which began in the second half of the 1970's, of a piling up of unprofitable internal and external developmental conditions. To the first group--aside from unconnected phenomena in the agriculture of most of the countries--we must enroll, first of all, the processes of the cyclicity of economic growth. On the other hand, the external factors are linked

with unprofitable business conditions in the world economy. And only in this sense can we speak about the internationalization of a growth cycle in a socialist economy. In other words, the socialist economy becomes a part of the world economy and, as such, cannot help but be subject to tendencies appearing on a global scale.

Table 2. Average Annual Growth Rates of National Incomes in Socialist European Countries During the Years 1971-1979 (In percentages, at constant prices)

| Country | 1971-1975 | 1976-1979 |
|---|---|---|
| Bulgaria | 7.8 | 6.2 |
| Czechoslovakia | 5.5 | 3.8 |
| GDR | 5.4 | 4.0 |
| Poland | 9.8 | 3.1 |
| Rumania | 11.3 | 8.2 |
| Hungary | 6.5 | 4.0 |
| Soviet Union | 5.7 | 4.4 |
| Total | 6.4 | 4.4 |

Source: Statistical Yearbook, 1980, p 509.

Consequently, we may formulate the thesis that the simultaneous decline in the economic growth rate in the socialist European countries does not result from a synchronization of the overall cycles of economic growth appearing within the framework of the particular countries because of the weak integration ties appearing between them. It is rather caused by the general situation in the world economy, on which the dependence of the socialist countries increases along with the steady growth of their participation in the international division of labor,[12] as well as the concurrence in time of the phases of the economic growth cycle which function autonomously within the limits of the individual national economies.

No matter what methods are used to estimate to what degree the effects of the socioeconomic development of the CEMA member-states are a function of their autonomous economic policy and to what degree, on the other hand, this is a result of cooperation and integration, it must be correct to recognize the thesis that the periodic changes in economic dynamics which have appeared in the history of the CEMA member-countries up to now are primarily the result of this autonomous policy, as well as the economic regularities within the framework of the individual states.

One of the new activities of the CEMA countries in regard to the planned shaping of the processes of socialist economic integration as well as the joint solution of the most important, strategic economic tasks of the entire group is to begin to work out long-range trend programs of cooperation.[13] The implementation of these programs, which, at the same time, are supposed to serve the creation of complementary--instead of the hitherto competitive economic structures within the framework of the community of socialist countries,[14] should considerably accelerate the integration process within the CEMA sphere. On this basis during the future years of the 1980's one can expect the appearance of genuine and powerfully acting

feedback between the formation of the economic dynamics--including its changes--of the entire group and its individual members. Moreover, the changes in the economic growth rate must not be--as indicated--of a cyclical nature. Furthermore, in all the CEMA states after a period lasting several years of a lower growth rate in the national income and elements of its distribution, i.e., accumulation and consumption, which is characteristic of the period from start-up to implementation of consecutive 5-year plans, one must expect a renewed acceleration of developmental dynamics. In relation to the entire group acceleration may occur during the final years of the 1981-1985 period. The question remains as to whether this will be only a temporary acceleration, encompassing a period of a few years, similar to what has taken place up to now.

While admitting the fact that the changes in the economic dynamics within the CEMA countries during the future years of the 1980's will be carried out in those same, or, more precisely, the very next few periods of time, we must point out three causes of this phenomenon, which reciprocally impinge on and reinforce each other. THe first of these--and this is continually of basic importance--is the action of the mechanism of the overall cycles of economic growth. The second pertains to the influence of the world economy on the economic growth rate within the socialist countries; the importance of this factor will increase. Finally, the third cause has to do with the bilateral and multilateral mutual influence of tendencies in the developmental processes which appear equally within the framework of individual countries as well as in the sphere of CEMA as a whole.

Hence, conclusions may be drawn for a policy in the area of the strategy of socio-economic development. A particularly great deal can be accomplished on this level in the area of coordinating multi-year plans and undertaking activities to create more complementary economic structures and the implementation of joint, large-scale investment undertakings (especially in the area of providing raw materials, fuel, and energy); moreover, they must not be subordinated exclusively to the system of 5-year planning. Such an approach facilitates truly cooperation in the area of coordinating national 5-year plans, but it also contributes in large measure to the cyclical nature of the growth process. This results from the tendency to link together the overall investment cycle within the framework of the 5-year plan, to which the logic of investment processes, as a rule, does not terminate the investment tasks which have been undertaken together with the ending of the 5-year period, causing at the same time a growth in costs and necessitating the commencement of the next investment effort during the years beginning the subsequent long-term plan.

The process of the macroeconomic reproduction of a cyclical nature brings about a series of economic, social, and political consequences. Their evaluation must be conducted through a prism of a unique "calculus of losses and gains." The endogenic nature of the formation of the tendencies and relations described above inclines one to conclude that unprofitable tendencies in one phase of growth then became positive tendencies during the extent of the following phase--and vice versa. Therefore, the negative consequences which are typical of the specified tendencies, were compensated by positive ones when the opposite tendencies appeared. The problem, therefore, leads to the following:

--What is the time span between the visible (invisible) losses and the future profits?

--To what degree are the anticipated profits larger than the losses which were suffered (additional costs)?

Less difficulties are offered by providing an answer to the first question. With the exception of the 1970's, the period in which there appeared positive results following negative ones amounted to from 3 to 4 years. With regard to the formation of certain categories we can, to a specific degree, recognize the above-mentioned consequences as well-founded and understandable, because certain objective limitations and premises of a purely technical and--partially--economic nature appeared. On the other hand, as pertains to implementing the goal of production, as well as the impact of these factors on the political situation, the negative consequences of periodic changes in the economic growth rate are unacceptable. They bring losses of equal value at all levels: political, social, and economic. Some of these losses may be difficult to work off even over a relatively lengthy period of time.[15] This is all the more so in that the anticipated profits have not yet compensated to a sufficient degree the losses suffered previously. It is also important that the "compensation periods" were of relatively brief duration, namely no longer than the "loss periods," and they have not always encompassed all the members of the community in the desired sphere.

Against this background the appearance of cyclicity in economic growth under socialism must be emphasized as unprofitable, while acknowledging, however, certain historical grounds for the cycle (the necessity of implementing a strategy for future growth).

There can be no doubt that there exists a profoundly well-founded purpose for abolishing macroeconomic reproduction processes of this kind. With this goal in mind we must undertake ex post undertakings minimalizing the negative consequences and ex ante conduct a policy aimed at eliminating the prime causes of this phenomenon. As is known, up to now there has been a preponderance of the first approach, which resulted--all things considered--from a failure to look within the economic policy at the question of the socioeconomic mechanism of growth cycles. This cannot bring any long-range effects.

FOOTNOTES

1. Omitting the non-European CEMA member-countries; nor are they the subject of further consideration in this article.

2. See, among others, L. Bialon and M. Roznowska, "Equaling the Economic Developmental Levels of the European Socialist Countries," NOWE DROGI, 1974, No 1.

3. These two concepts may be compared figuratively to driving along a main highway over which automobiles are rushing at different speeds in relation to each other, but at the same time they are traveling at different speeds in various places and at various times.

4. See M. Gruszczynski and G. W. Kolodko, "Regularity of Fluctuations in the Economic Growth Rate," GOSPODARKA PLANOWA, 1975, Nos 7-8, pp 426-427.

5. See G. W. Kolodko, "Wahania tempa wzrostu gospodarczego w PRL" [Fluctuations in the Economic Growth Rate in the Polish People's Republic], SGPiS, Warsaw, 1975, pp 191-208.

6. See, among others, M. Usiyevich and K. Mikulskiy, "Growth Rates in the World Economy of Socialism--Problems of Modern Times," MIROVAYA EKONOMIKA I MEZHDUNARODNIYE OTNOSHENIYA, 1967, No 12.

7. See J. Goldmann, "Developmental Rate and Periodic Fluctuations in the Economies of Certain Socialist Countries," GOSPODARKA PLANOWA, 1965, No 4, as well as R. Morsteen and R. P. Powell, "The Soviet Capital Stock: 1928-1962," Homewood, 1966.

8. For more on this topic see F. Kubiczek, "Socialist Economic Integration--Thirty Years of Achievement and Experience," GOSPODARKA PLANOWA, 1979, No 4, pp 186-187.

9. Further tasks resulting from the implementation of this program found expression at the 29th session of the Council, which enacted the coordinated Plan of Multilateral Integrated Undertakings for the Years 1976-1980.

10. H. Cholaj, "On the Drawing Closer Together of the Countries of the Socialist Community," GOSPODARKA PLANOWA, 1979, No 4, p 194.

11. According to the assumptions of the national socioeconomic plans for the year 1980, the growth rate of the national income was supposed to amount to from 1.3 percent in Poland to 8.8 percent in Romania. It is already known that these indicators have not been implemented, and in the case of Poland there even occurred a significant (approximately 4.5 percent) decline in the absolute level of national income.

12. For more on this topic see G. W. Kolodko, "The International Division of Labor and Regular Changes in the Economic Growth Rate Under Socialism," MONOGRAFIE I OPRACOWANIA SGPiS [Monographs and Papers of SGPiS], No 80, pp 116-122.

13. See F. Kubiczek, op. cit., pp 187-188. These programs pertain to the following: a) fuel, raw materials, and energy, b) agriculture and food industry, c) machinery industry.

14. P. Bozyk, "Poland's Economic Position Within CEMA," GOSPODARKA PLANOWA, No 4, p 196. This author asserts the following: "For with the passage of time there has formed in all the CEMA countries an analogous structure for creating national income. There has likewise ensued a drawing together of the structures of industrial production."

15. For more information on the topic of the consequences of cyclicity in the growth processes in a socialist economy see G. W. Kolodko, "Wahania tempa wzrostu....," pp 174-183. ["Fluctuations of the growth rate..."]

2384
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## MAIN ECONOMIC GOALS IN 1982 VIEWED

Budapest FIGYELO in Hungarian No 49, 9 Dec 81 p 3

[Article by Laszlo Ballai: "The Main Goals of Economic Work in 1982"]

[Text] Several days ago the Central Committee reviewed the experiences of economic building work in 1981 and set the state budgetary guidelines for next year's economic plan. The most important result in the first year of the Sixth Five-Year Plan period, as emphasized in the evaluation made at the session, was that the economic processes developed essentially in accordance with the two major goals of the plan. The equilibrium situation of the foreign economy is close to the goal. The living standards of the population, instead of being maintained, rose to a small extent, and living conditions improved.

### Main Features of This Year's Development

We fulfilled the basic goals of the plan despite a more moderate rate of economic growth than we estimated. It is expected that the national income will increase 1 percent, and industrial production about 2.5 percent. The increase was promoted by domestic consumption, while it restrained by external demand. In our trade with socialist countries, exports are developing in harmony with import possibilities. In the developed capitalist countries, the lag in demand is greater than we anticipated; the recession and crisis in certain industrial branches is prolonged. Discriminatory practices are being intensified, and this is affecting our exports more adversely than before and throwing more obstacles in the way of export growth and thereby of production expansion.

Production in the industrial branches is developing in a differentiated way in accordance with possibilities on foreign markets. The two most rapidly developing subbranches of industry--with their production growth exceeding 4 percent--are food processing and the machine industry. The chemical industry, electric energy industry and light industry are increasing production 2 to 3 percent. On the other hand, production in metallurgy, mining and the construction industry is declining.

The changes which have occurred in the production structure also have an important role in the moderation of the demand for energy and in increasing profitability. The greater part of the production increment has gone for domestic consumption, while exports have remained essentially at last year's level. Work productivity has exceeded production and increased about 4 to 5 percent, and the number of employees in industry has declined 2 percent. Most of the enterprises made significant efforts

to increase exports and profitability and to adjust more rapidly to the changing requirements, although their improvement in international competitiveness and their modernization of the production structure has not as yet kep pace with the greater requirements.

Production in the construction industry has declined because of the reduction in investments. The ratio of renovation-maintenance jobs and the ratio of jobs being done abroad have increased in accordance with demand and opportunities.

Agricultural production is somewhat greater than last year. The unfavorable weather significantly decreased wheat and grap yields. The production yield for corn is good, but total grain production is less than we had estimated. Livestock breeding is developing somewhat more rapidly than planned, and the production bent of small farms is reviving. Pig stocks continue to be high and the situation for pig breeding is particularly favorable.

Living standards are improving this year instead of maintaining their level as planned. Population incomes increased 7 percent, while the level of consumer prices rose about 4.6 percent. Thup per capita real income rose 2 percent. The population's money savings is greater than last year, while consumption rose about 2.5 percent and the volume of commodity trade more than 3 percent. It was chiefly the purchase of industrial items and demand for services that expanded. Commodity provisions and selection was generally good and commodity supply improved in various productions. The improvement in living conditions was helped by the fact that the conversion to the 5-day workweek is proceeding well among the workers who are on three shifts and continuous work duty. The targeted number of houses were built; more children's institutions, general-school classrooms and hospitals were established than planned.

We spent less on investments than last year. It was primarily state investments that declined. With the exception of the Paksi Nuclear Plant, the realization of large investments is entirely adequate. Enterprises and cooperatives devoted more to investments than planned. Various steps were taken to avoid an investment upswing not in harmony with our possibilities. The scope of state-supported investments was narrowed. The reconstruction nature of developments grew stronger.

Under substantially more difficult external conditions than had been assumed, our international economic relations continued to expand. The volume of ruble-account imports is less than last year, the volume of exports is greater. In nonruble-account trade, the volume of exports and imports increased in the same ratio, and the terms of trade were improved. Thus the import surplus was further moderated.

The Key Task of Execution

In harmony with the resolution of the 12th Congress, the coming annual economic plan regards the improvement of the foreign economic equilibrium--depending on international conditions and possibilities--and the maintenance of living standards as the primary tasks.

To attain the plan goals or to establish their basis, economic management and economic organizations must do everything possible to improve efficiency and international competitiveness more rapidly than heretofore, and to increase exports. All this requires the modernization of the production structure, the dynamic improvement of the technical level, and increased energy and material savings. Distribution

is continuing to develop in harmony with the main goals: Domestic consumption must be moderated primarily through selective moderation of investments, restraints on inventory accumulation and increased savings realizable in the field of social public expenditures. The world market changes which are unfavorably modifying the international conditions that promise to be permanent should also stimulat the enterprises to faster action, above all in increasing the production of qualitatively higher, more economical and more highly processed production, in market work, in cost reduction, and in improvement of the leadership level. Therefore, the key question in carrying out the 1982 annual plan is the development of industrial and agricultural production, primarily in the improvement of production efficiency. Our entire econoimc organizational activity and the consistent realization of modified regulators must promote the realization of these main tasks.

With attention to external and internal conditions and the expected efficiency improvement, the economic plan calls for a 1 to 1.5 percent increase in the national income and 2 to 2.5 percent increase in industrial production. For all this, it is necessary to increase the output ratio of those products which can be sold more economically on foreign markets, which can rationally replace imports, and which have a low specific energy and material demand. On this basis, industry should contribute more than heretofore to an improvement in the economic equilibrium and to a differentiation of enterprises and cooperatives according to their effectiveness and competitiveness. Organizations that meet economic political requirements should vigorously expand their production, and enterprises and cooperatives which are unprofitable or operate at low efficiency should work out and realize their plans and ideas designed to improve activity. Responsible, initiative-taking attitudes and actions serving to attain our economic political goals should be strengthened in all economic organizations. The modernization of the enterprise organizational system, the further development of internal management and organization, and the improvement of relationships among the enterprises should be continued.

The Role of Energy Supply and Utilization

The plan guidelines also include important requirements in regard to agricultural and food production. We must estalbish the basis for increasing the production of agricultural products 4 to 4.5 percent. In addition to maintaining a good domestic food supply, production expansion serves chiefly to expand exports. We must achieve a greater grain yield than heretofore. It is encouraging that with increased incentives the sowing areas for cereals was increased in the autumn of this year over what was planned, and the sowing was carried out at the most favorable time and in a higher than average quality. The production of oleaginous crops should be in harmony with processing capacities, and the composition of vegetable production should be in harmony with domestic demand and export possibilities. The basis for the development of livestock breeding must be established by increasing yields, by maintaining large stocks and the inclination for livestock breeding, by good foddering, and by improving the links between large farms and small farmers. In addition to increasing yields, it is also an important task that the expenditures should increase more moderately through increased energy and material savings, and better use of means and fertilizers.

Special importance will be attributedin the coming year to assuring a balanced energy supply. The fueld and energy consumption of the economy cannot, or can scarcely, increase over this year's. To this end, we must speed up in every area of the

economy the carrying out of the energy-management program. We must first of all put our efforts into reducing the consumption of petroleum products and replace these with something else.

It is necessary further to help the foreign economic equilibrium situation in the field of distribution, primarily with the further modernization of investments. The 178 to 180 billion forints which can be used in the socialist sector must be devoted chiefly to putting into operation investments already in process. Under such conditions, economic growth must be based on the vigorous investment activity of earlier years, on the broad and significant investments now being put into operation and on improved efficiency. We must give preference to the economic production of energy sources, to their rational use, and to developments serving the expansion of profitable exports.

Consumption, Real Income, and Price Level

We must create the conditions for maintaining living standards and for improving living conditions, not from external sources but by increasing production efficiency. Consumption by the population and per capita real income may continue to grow to a small degree. The average wage of workers and employees may increase approximately to the 5 percent rise in the consumer price level. The balanced maintenance of commodity supply and the maintenance of good selection is a basic requirement. Improvement of living conditions is assured by the combined expansion, development and rational uee of the institutional network serving infrastructural provisions.

Improvement of the effectiveness of employment requires that the manpower demand be adjusted in every area of the economy to the changes in production tasks. Accordingly, employees shoudl be shifted from uneconomic enterprises that are not permanently growing to large enterprises that are capable of dynamic development, to the auxiliary or supplementary economy, or to the service area. Conversion to the 5-day workweek, excepting education and agriculture, will be concluded in mid-1982. The conditions for this must be created by improved work organization and a decrease in worktime losses.

Economic and Expanding Export

The improvement of the foreign economic equilibrium situation makes it necessary to expand foreign trade more dynamically than this year, and to increase exports to an extent exceeding imports. We must work at one and the same time for the development of a more economic commodity structure in exports and for the expansion of trade. With purposeful economic organizational work we must achieve a moderation in the import-intensive nature of production and make it possible to satisfy the demand for some consumer items through economic domestic production rather than imports.

The tasks that are conceived in the guidelines of the 1982 economic plan are realistic and can be realized through disciplined, active and enterprising work. The condition for achieving the main economic political goals is that the price and modified regulator system should give incentive to and stimulate the vigorous increase of efficiencyand export, rational import replacement, and energy savings. In addition to all these things, we must consistently give force to measures serving the raising of requirements and the planned regulation of purchasing power. It is now the task

of the enterprises, the cooperatives and the councils to prepare their plans in harmony with economic political requirements and the goals of the economic plan, and to work accordingly. By adjusting to the changing conditions, by increasing flexibility, and by exploiting the possibilities and endowments assured in the regulator system, they should do everything possible for our further progress and for the successful solution to next year's economic problems.

6691
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## OPPOSITION TO NEW FORMS OF BUSINESS ADMITTED

Budapest NEPSZABADSAG in Hungarian 28 Oct 81 p 10

[Article by Dr Gyorgy Varga: "Let Us Clarify the Misunderstandings!"]

[Text] It has repeatedly been established that the new has difficulty making a way for itself. By this, the headway made by small businesses and new business forms is meant. The national economic debates in progress since the early 1970's have lacked neither vehemence nor even extremist opinions. Of course, there is nothing wrong in this. Actually, it is good if debate is impassioned and the correct view crystallizes out of the clash of opposing sides.

The debate touched on many elements of our social and economic life; it made a new approach to the social and institutional structure possible, and helped us to the recognition of connections which enriched our experience regarding our social and economic reality.

In the second half of the decade, many researchers in the economic and social sciences followed the enterprise-scale structure that developed in the first half of the 1970's and especially the initiators of criticism of the centralization then taking effect.

### Scientific Recognition

This can be said with confidence of the examination of the enterprise-scale structure: Science has reached such a level of recognition that economic politics and planning can rely on its findings.

Nor should we silence the fact that, paradoxically, the exterior and interior factors unfavorably influencing our economic development stimulated scientific research into the enterprise-scale structure. These factors also played a part in the fact that the debates were followed by the decision to end centralization, and from 1980 by economic planning measures which can provide a more sensible direction for organizational movements.

We must value the central provisions radically affecting the enterprise-scale structure as the recognition of social and economic necessity. We must view it as a step which strengthens the economic base of the socialist state and one which reestablishes harmony between productive forces on a given level and concretely materializing forms of production relations.

However, we cannot pretend that through the influence of the central measures, the balance of different business-scale categories and enterprise forms will be unobstructedly restored in Hungary. It is not as if there were not still many obstacles in the way of the process in such a direction.

It is not out of the question. There are signs which indicate that the earlier theoretical battle must now also be fought on practical grounds. Some line up economic arguments against small business: Small enterprises lure the work force, especially the experts, away from large businesses; "primitive" work conditions exist there; their productivity is lower than that of the large businesses; they pay two to three times as much as large businesses for equal or "poorer" work, etc. Those who do not have apparently acceptable economic arguments make their stand against small enterprises political, saying that we are opening the way to capitalization.

It is a fact that the same critical or anxious opinions which censured the 1968 economic planning reforms are again being heard in some places against the central decisions concerning enterprise structures. It has since been established, it is true, that the reform of the economic planning system singularly strengthened our socialist economy; and perhaps it is not an exaggeration to find that it is doubtful whether without this reform we could steer the ship of our production in world economic storms and obtain the same results.

Critical Voices

All this does not absolve us from the responsibility of replying to the critical voices regarding the enterprise-scale structure. Lack of understanding and opposition is not universal, but neither is it a single, isolated occurrence; and not only in industry is it thus. The experience is similar in certain research and development institutions as well as in foreign trade. Such internal regulations have already arisen in places that it would take quite a determined person to have the interest and courage to found an economic cooperative or a citizens' law association. One recently established nonspecialized foreign-trade company can hardly bear the constant explanations before its authorities, due to the flood of complaints pouring in against it. The plaintiffs are foreign-trade enterprises which enjoyed the former monopoly.

For large businesses, it is truly not an indifferent subject that many good specialists are thinking of "parting" or have already left them. For the most part, they offer as reasons for leaving the excessive rigidity of the large organization and the feeling of helplessness in its hierarchical structure. These prevent the specialists from releasing their constructive energy. Among technical experts complaints about "underutilization" and the narrow frame for individual self-realization are common. The desire and the hope that in smaller organizations, the possibilities of experiment and creative work are greater, are generally alive in young specialists.

I will note here that industrial staff reduction is not a new occurrence, especially among certain large enterprises that contend with prolonged economic worries. A reduction in the work force at a certain level of industry takes place worldwide, and this is happening in Hungary too.

How should we react to the periodic, but often disguised opposition to the new? We must react first of all with understanding, since it is natural that the existence of small enterprises and new business forms and the very possibility of the competition they create will elicit counterinterests and opposition. Let us just imagine

how unpleasant it is when a new, more flexible business appears beside one which has enjoyed a monopolistic situation for decades, and the new arrival wishes to prove its reason for existence. It also turns out that the new enterprise sells the same products from time to time at a higher price abroad, and buys for less on the foreign market than some specialized foreign trade firms. This is understandably unpleasant, since the old enterprise justly feels exposed, because it becomes evident that even in foreign market work the style can change.

The behavior of certain large industrial and service enterprises is motivated by similar factors. This is worthy of attention because improvement of the enterprise-scale structure, and in its framework the establishment of various business forms cannot take place from one day to the next. It is possible that we are speaking of the first step in a far-reaching process, and it is certain that, based on practical experience, some corrections will be needed. However, if even the first steps now meet with obstacles, it will be difficult to gain experience, and it will be hard to change the existing stiff, overcentralized business system.

In attitudes concerning small enterprise and new business forms, it is very important that we evaluate their future roles realistically; we must neither overestimate nor underestimate their place. Thus we try to allay the worries of certain large-business directors. (I say the directors because the new enterprises really do not hurt the interests of large-industry workers.)

## A Lasting Process

The liquidation of certain large economic organizations, or the making of independent enterprises from some of their constituents, as well as central measures regarding new business forms are all parts of the same process of rationalization. The comprehensively changed economic terms prepare us to reconsider the workings of national economic and business planning, methods of economic regulation and the institutional system. Under these circumstances, we must also think over how suitable the existing business framework and enterprise forms are for adaptation to the new terms. We are researching more rational planning and regulatory methods; for economic direction, we seek to establish a more rational institutional system than the previous one. This consideration is also the basis for the enterprise system changes.

Extensive examinations have shown that the present enterprise scales and business forms do not meet the claims for flexible adjustment, more rapid innovation and the fulfillment of differentiated consumer demand. The present enterprise scales are not optima; the goal of the measures in progress is to open a road for the establishment of optimal measures and forms of socialist enterprise. The possibility for a better unity than before between function, measure and business form arises. We are not speaking of a large action, but of the beginning of a lasting process.

## Healthy Competition

Besides this, the livening of competition in domestic economic life is a not-secret purpose. Without a competitive home market, operative procedures for forcing enterprises into competition achieve no or moderate results. Improved efficiency can only be reached through the strengthening of survival and business constraints. The central provisions which target the improvement of enterprise-scale relations and the creation of new business forms also mirror this goal.

Hopefully, the departure of some specialists and the growth of a choice by employees will cause large organizations to reexamine their currently still overcentralized internal directing system. They will determine that creative work has honor and a wide scope at the large enterprise, and they will recognize this creative activity.

A healthy competition can arise between "small" and "large," whose advantages the whole society can enjoy, provided that the security and enterprise opportunities of large businesses are not limited by formal and informal overregulation, especially stiff wage regulation.

The reason that we give emphasis to possible competition is that today our economy bears a competitive situation where the productive user and the consumer can select in hardly any of its areas. Furthermore, the challenge of new enterprises can threaten acquired monopolies that are considered eternal rights.

Mutual Advantages

It is hoped, though, that not much time must pass before cooperation develops between enterprises of different dimensions and types. Certain large businesses have already recognized the advantages in small enterprise, and help the cooperatives and auxiliary branches that ship to them with machines and technological and manufacturing advice. It is not rare either that large businesses, recognizing the possibilities that small enterprises offer, will hand over the manufacture of certain goods which experience demand on the market; the large business was forced to produce these goods, perhaps uneconomically, because of its "supply responsibility." Where the large industry is related to the small business in such a way, the latter advantageously serves the large enterprise in quality and price. It is impossible that the small fish should swallow the large fish, because in cooperation notonly does the small enterprise profit, but the large organization gains a more beneficial position as well. the example of these businesses should influence the other large enterprises to live with more flexible business forms as soon as possible; they should look not for avoidance, but for the possibilities of cooperation.

We have not yet addressed the individual-shaping effect of the small enterprise. More precisely, the framework of small business strengthens responsiveness to new things and individual shouldering of responsibility. In some cases, directors working at small enterprises may become eligible to fill directorial positions at large businesses.

The state's provisions concerning the renewal of the business organizational structure must be viewed together with other economic planning and institutional system decisions as part of a sweeping rationalization and reform program. On the part of social bodies and specialists, decided activism and cooperation is necessary. Cooperation is needed in the creation of a professional opinion and public feeling which prevents those who cast their vote for the revewal of the enterprise system from being put on the defensive. It is needed so that in time the development of endeavors or processes which could undermine the realization of the good issue can be prevented in the framework of large and small business. Nevertheless, it is certain that one cannot just half desire the new, one must work for it wholeheartedly.

9890
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DEBATE OVER SMALL BUSINESSES APPEARS SHARP

Budapest MAGYAR NEMZET in Hungarian 13 Dec 81 p 9

[Article by Istvan Hermann: "Counter Opinion Concerning Small Undertakings"]

[Text] Much less is written about small undertakings these days than should be and the debate concerning them is about what it should be. It has been shown in these debates that all those who are against the small undertakings start fundamentally from a way of thinking which has as its content fear for the socialist achievements. And there should be debates in this question because obviously they serve to prevent the development of some of the wild shoots which seem almost necessary concomitants of these undertakings. Of course, it must be admitted that there will be wild shoots and that from time to time these must be pruned; the original political conception must be reviewed again and again in the light of practice and where necessary legal or other means must be used lest unjustifiably large profits develop in the wake of some undertaking.

So we must think about these things. Despite this I have a counter opinion in connection with how many judge the question of these undertakings--whether this is manifested positively or negatively. And more should be written about this. Greater publicity should be given to debating an initiative of great social significance. And the great significance is not a matter of numbers. It applies to the process itself and it applies to those ideas which accompanied the process even before it got started.

But let us start at the beginning. It is frequently said in private conversations that to a certain extent the possibility of establishing the undertakings means adopting the methods of capitalism. This opinion fails to take into consideration a great number of things. It is hardly necessary to recall that these arguments have been heard already in connection with small gardens and the second economy, and that life has refuted them. I feel that if we were talking only about private undertakings, and not about possible small undertakings by state enterprises or the organization of work in enterprise form by cooperatives and other associations, then we might ask whether a private lathe operator on Lujza Street might somehow compete with Ganz-MAVAG. I think the question is ridiculous. And not even poetic.

In addition, it has been argued that according to Lenin small commodity production re-creates capitalism day by day. They are quite right, Lenin did say this. But Lenin was talking about an entirely different type of small commodity production than that which exists today or which is being prepared for today. The small commodity

production of that time, the Russian small commodity production of the 1920's, was the production of truly independent small producers. There is no small commodity production today which would not be profoundly interdependent with large socialist operations, whether agricultural or industrial small commodity production be involved. The truth is that in most cases--and in general this will continue to be true--the individual carrying out small commodity production is also an employee of a large socialist operation. The concept of personal union is well known in Hungary, but now this concept applies not to the ruler but rather to that worker who, in a personal union, is both a small commodity producer and a worker in large scale socialist production.

Socialist trade, the socialist production background, the plan goals of socialism, etc. are all factors without which no sort of small commodity production or undertaking can function at all. A significant part of small commodity production is done to order, and the orders come from socialist plants or the socialist trade network. Only the large socialist operations or socialist trade supply or can supply the primary materials for these operations. In a word, going beyond the personal union, a thousand threads bind every small and medium undertaking to the work of the large enterprises, indeed, we might say, to social planning as a whole. Might contradictions arise on this path? This is certain. But in the final analysis we must recognize that no large industry, no gigantic industrial undertaking, whether it be in Japan or the United States, can do without that small enterprise background the creation or development of which we are discussing today.

And there is something else we should not forget. That magnificant film by Andras Kovacs, "Difficult Men," in its time and a number of articles and reports raised the problem of how clumsily large socialist industry puts into practice and exploits all those intellectual accomplishments which are born in our homeland. And it is really true that we have been looking for years for ways, both technical and economic, to better aid the exploitation of innovations and new ideas. I cannot say that there have not been certain results in this area. But I can say that all that which "Difficult Men" said and everything which was said and written here in its wake continues to be timely. The greatest treasures of a country include that intellectual strength which is embodied in the imagination, knowledge and initiative of people. The failure to exploit this intellectual strength distrubed everyone, and does so today also.

What does all this have to do with the possibility of undertakings? I believe it has a lot to do with it. What is involved is that something which has trouble breaking through in a large scale operation--especially one where the large operation itself is more or less accustomed to the old plan directive system--might be realized very easily in a small undertaking whether the form of it be state, cooperative or even private.

And something which is almost obviously profitable for a small undertaking might represent a great loss and ten or more times the risk for a large enterprise which has relatively little capital by international standards. So the undertakings can certainly exploit--if not fully--the intellectual reserves, the ideas and technical knowledge which we have not yet made use of. In many cases we could not make use of them with the given structure. Of course, it does not follow from this that the undertakings are a panacea which will put in motion all real or imaginable intellectual reserves; but if they succeed in activating even a fraction of them this will be on the one hand a great profit to the national economy and, on the other hand, will be accompanied by great results from the viewpoint of social public feeling as well.

So it is clear that when I oppose a part of public opinion this is not because I do not appreciate, in the case of those opposed to the undertakings, that a fear for the values of socialism flows from their views. It is just that I would like to convince them that an industrial microstructure must operate even in the background of large socialist industry and that what is involved here is not only an economic question but something else as well. Namely that the most talented workers, technicians, intellectuals, etc. should not feel that there is no opportunity in our society for them to employ and prove the talents dormant in them. And the fact that a new way to do this is opening up, this also is part of socialism.

8984
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## EXPERIENCES OF SOCIALIST ECONOMY, MUTUAL COOPERATION VIEWED

Budapest VALOSAG in Hungarian No 11, 1981 pp 19-27

[Article by Oleg Timofeyevich Bogomolov director of Research Institute for World Economy of the Soviet Academy of Sciences: "Experiences Gained in Socialist Economy and in Mutual Cooperation"]

[Text] The congresses of fraterna parties held recently, summarized the social, economic and political growth of the socialist countries, designated the next domestic and foreign political tasks, and thoroughly analyzed the problems of international development. In a manner in harmony with the present stage, they characterized the new type of international links formed between the countries of the socialist alliance, uncovered for the socialist countries the mutual relationship between the process of getting closer to each other and and taking into consideration national characteristics, and emphasized the significance of mutually exchanging the experiences gained in building socialism.

In the coming times, we must complete the transition of the national economies to the path of intensive growth, and at the same time we must make the present decade the era of intensive production and scientific-technological cooperation among the socialist countries by supplementing the plan coordination of the fraternal countries with coordinating the entire economic policy. Studying and making use of the collective experiences gained in building the new society is among the extremely important factors of problem solving in the socialist alliance.

After October [1917], for almost three decades the Soviet Union was the only socialist country, and the Soviet experience represented the only example for socialist development. By the fact that socialism has become a world system, the experiences of socialist transformation have become significantly richer. Every single fraternal party has made contributions to the treasury of experiences of socialist construction; the exchange of experiences, and learning from each other are important factors in every way from the viewpoint of perfecting the existing socialism.

It was a very important achievement of the decade we have just left behind us that the economic potential of the socialist alliance's countries became significantly stronger. Between 1971 and 1980 the national income of the CEMA countries increased by two-thirds, and their industrial production by more than 85 percent. During this same period of time, the CEMA countries had about half of the total growth of the world's industrial production. And this makes a visible contribution of the growth of productive forces for the entire human race. During this decade, the average rate of economic growth was twice as high in the CEMA countries as in the developed capitalist countries.

These days the CEMA countries have a significantly greater economic potential than the EEC and by certain absolute indices they even significantly surpass the United States. The total volume of their industrial production is about two-thirds of the volume of the developed capitalist countries.

The agricultural growth of the European CEMA countries was characterized by broad application of industrial methods and by agroindustrial cooperation, which made it possible to achieve very high productivity indices in several countries. In Bulgaria, the GDR and Czechoslovakia, the average annual crop yield of grains approaches 40 quintals per hectare, and Hungary has already even passed this level. In per capita meat production, Hungary (140 kgs per year) has reached the world's most developed countries. The population's standard of living has continued to rise, and the process of solidifying and improving the socialist standard of living has continued.

However, at the end of the decade it began to show noticeably in the growth of the economic lives of the CEMA countries that they will have to conform to the new conditions of reproduction which are less favorable than before. The 1970's demonstrated that the countries of the socialist alliance have not been able to completely solve the problem of making economic growth intensive. The limited nature of the resources of extensive growth was being felt more and more. In general, they achieved only one-sided intensivity on the basis of increasing the productivity of work, but what the national economies gained by decreasing the live work spent on production they lost back because of the accelerated growth of the volume of objectified work: The increase in labor productivity was followed by a slowdown in basic return. The growth rate of work productivity also was not sufficient to implement the basic tasks related to the increase of production. The faster and faster loss of extensive factors, and the very slow addition of the intensive factors led to the point where the economic growth rate slowed down.

In this time period, the deterioration of economic equilibrium was an even more significant shortcoming of economic growth in most CEMA countries. The general economic inequalities (between the population's monetary income and the material coverage for incomes, and between production of the national income and its domestic utilization), as well as the most significant branch inequalities (between the producing branches and the infrastructural branches, in several countries particularly in transportation, between industry and agriculture, and between the various industrial branches) became deeper.

During the 1970's, the growth of socialist economic integration supported the correctness of the direction specified in the 1971 Complex Program, within the framework of mutual cooperation, insured the fulfillment of the basic needs and basically made it possible for u0 to protect the alliance's economic life during the time period in discussion from the effects of the sharpening global economic problems. But the new directions of cooperation did not grow sufficiently. There has been no change in the need to shift the emphasis of cooperation from the sphere of mutually supplying each other with heating materials and raw materials, to the sphere representing the creation of structures in the national economies which demand less energy and materials. We must develop and apply new technologies and techniques, and we must increase specialization and cooperation (primarily in machinery manufacture).

The fact that the foreign economic circumstances have become more complicated has further increased the sharpness of the situation. Foreign trade's lack of equilibrium and debts owed outside the country considerably increased. The independent production

of certain types of merchandise is insufficient, and their large-scale import cannot be classified either as reasonable or as unavoidable. More specifically: We are speaking about grain imports from the capitalist countries, and often this import must be paid for with the export of nonrenewable natural resources; [and] about the import of high-quality rolled products, while we have an extremely well-developed ferrous metallurgy of our own available to us. All this proves that we must more thoroughly consider the strategy of economic links we maintain with the West, we must better coordinate the steps of the CEMA countries in this area, and that better coordination is needed in the areas of basic directions of socialist integration and in the national economies in the areas of scientific and technological progress.

In many countries the increase in the population's monetary income was often coupled with a rise in retail prices, especially in 1978-1980, followed by deterioration of the merchandise supply. In several countries, a noticeable increase in the population's real income is not expected during the new five-year plan (1981-1985).

A common characteristic of the present stage is that many resolutions, and the implementation methods of these resolutions which were satisfactory in the past, are unsuitable to fulfill the urgent needs of the 1980's. We must develop new solutions without any delay.

The group of those most urgent and most significant tasks upon whose successful solution the perspective of our entire economic progress depends to the greatest extent at this time, stands out in the strategy related to the further growth of the economic lives of the CEMA countries. We speak first of all of the heating material and energetics problem; also of the problem of food; the problem connected with increasing the technological standards of the processing industry branches. Collective searching for solutions to these problems seems to be the most important area of cooperation and of exchanging experiences.

The joint efforts exerted in the area of solving the heating material and energetics problem resulted in the economic lives of the socialist countries growing mainly by means of national production and mutual transportation of energy. The advantage of such a solution to the energy problem in the CEMA countries became especially obvious in the 1970's when the capitalist countries and most developing countries found themselves facing the energy crisis while their own heating material and energy production stood at extremely low levels.

The Soviet Union occupies a special place in the energy production of the CEMA countries. The Soviet Union's shipments cover about 80 percent of the import needs of the CEMA countries for oil and oil derivatives, almost 70 percent of their electrical energy needs and practically the entire import needs for natural gas. Compared to 1951-1955, the average annual Soviet shipments to the CEMA countries increased by 1976-1980 by approximately the following volumes: Oil--from 1 million tons to 70 million tons; natural gass--from 0.1 billion cubic meters to 18 billion cubic meters; hard coal--from 1.5 million tons to 15 million tons; electrical energy--from a relatively small amount to 13-14 billion kilowatthours. The economic mechanism of mutual cooperation provides the CEMA countries with a very great advantage through Soviet energy imports. The purchase of oil and oil derivatives from the Soviet Union between 1976 and 1980 at prices below world market prices represented savings of over 15 billion rubles for these countries.

The high degree of energy availability to the CEMA countries is the result of national and international efforts. According to approximate evaluations, in most European CEMA countries the per capita average consumption of the basic energy types at the end of the 1970's surpassed the corresponding average index of the four main EEC countries (FRG, England, France and Italy), and in the other fraternal countries it strongly approximated the Western European indices. But this huge energy potential is not yet being exploited with the proper efficiency. In this respect the European CEMA countries are about 35 to 40 percent behind the EEC countries.

It became clear by the end of the 1970's that within the framework of CEMA the extensive path of solving the heating material and raw material problems had been practically exhausted. It became obvious that in the cases of most heating material and energy types [imported] from the Soviet Union the maximum practical levels of possibility had been reached by 1980 (with the exception of natural gas). And beyond this, the increase of contract prices for heating materials and raw materials due to the dynamic effect of the world market prices sharpened the equilibrium problems of the fraternal countries in the trade conducted with the Soviet Union.

For example, calculations showed that during the 1980's, in order to maintain the minimum acceptable rate of increasing the national income by 3 to 4 percent per year on the average, the energy consumption of the European CEMA countries will have to be increased during the decade to at least 1.3 times, and even this is possible only if the energy demand per unit amount of the national income is decreased. Such a large increase in energy consumption requires the European CEMA countries to increase their domestic energy production 1.4 times. But in order to do so they will have to increase their investments related to the heating material and energetics complex by a factor of 2.5 compared to the previous decade. Such a large increase of the investment burden may increase the tensions in the equilibria of the national economies which are there even now, and at the ultimate level it may exceed the economic strength of the fraternal countries. All these trigger the need for us to search for further reserves of growth in connection with the efficiency of CEMA's international economic complex, which is possible primarily if cooperation deepends between the fraternal countries and the Soviet Union. The most important one of these type of reserves is rationalization of the use of fuels and energy in all forms.

The sphere of the most important measures enacted in our countries in this area includes, first of all, the elimination of unreasonable and uneconomical use of heating materials and energy: Fuel waste in transportation, the heating material losses generated when rooms are heated, etc. But we must not forget that there are reasonable limits to further progress along this path.

In several socialist countries, for example, specific consumption of heating materials in the electrical power plants, or specific coke consumption in the casting of pig iron is 25 to 33 percent poorer than in the developed capitalist countries. Specific fuel and energy consumption are relatively high in the chemical industry, in the production of construction materials and in other branches. In many cases, the electrical motors and internal combustion engines used are uneconomical. One of the basic methods for solving the energetics problem and increasing economic operating efficiency is to implement technical changes in several branches based on multifaceted utilization of the mutual scientific-technical and economic cooperation by the CEMA countries and to introduce energy saving technologies.

We can and we must couple this direction with the structural modifications needed in the economic lives of our countries. Thus, for example, most of the CEMA countries need to expand the use of several high-energy-demand products--polimers, aluminum, electrolytic, steel, etc. But when the increase of energy consumption runs into limitations, the development of proper domestic production of the products in question cannot be considered in each country. Collaboration must be developed in the area of energy-demanding chemical industrial production.

Cooperation in the 1980's in the areas of frugal and reasonable utilization of energy sources, developing and employing energy-saving techniques and technologies, and improving economic structures can decrease the energy-demanding aspect of the national incomes of the CEMA countries at a faster rate than we had in the 1970's. By all means, this is the main perspective condition, even if not the only one, to insure the economic growth of the socialist countries from the aspect of energy resources.

We must also make great efforts in the interest of increasing the production of heating materials and energy. Nuclear energy will have a leading role in this area. Besides the construction of nuclear power plants, it will be characteristic for the 1980's that we will switch over to building thermoelectric centers and nuclear-powered boilers based on nuclear energy, and we will introduce the production of the new type reactors, including the accelerated-neutron reactors; combined production branches (nuclear metalurgy, nucleochemical industrial and other branches) will be developed. These circumstances make it indispensable to very soon begin developing the cooperative program in nuclear energetics, nuclear energy machinery manufacture, and in the long-range sphere of appropriate research to extend to the year 2000.

L. I. Brezhniev referred to it at the 26th CPSU Congress that the western Siberian natural gas reserves will insure both the country's domestic and export needs for many years. Further large-scale development of gas production and the construction of a new pipeline are in connection with this. Participation of the socialist countries in the implementation of this plan would be of essential importance from the viewpoint of our entire alliance.

The needs of the countries to use additional energy sources are growing at a rapid rate, but the losses generated during the course of the energy sources being used [conservation reasures] are decreasing only very slowly. Significant experience has been gained in the GDR, in Hungary and also in other countries in the area of decreasing energy losses.

In the 1970's, food production continued to increase in the CEMA countries, resulting in increased per capita consumption of the basic food items. At the same time, we saw certain difficulties in the growth of agriculture, which justifies mentioning also that the food problem has not been solved, and in some cases it has even increased. The growth rate of agricultural production is not high enough and in some areas it shows decreasing tendencies. For several very important product types, per capita consumption in many countries remains below the scientifically established standards, and we have also been unable to significantly improve the nutrition structure. Product loss rates are very high as a given product moves from the land which produced it, to the consumer's table. We saw in the 1970's that the capital and funding requirements of agricultural production significantly increased.

The CEMA countries are activating their efforts in the area of improving the economy's agricultural sphere, and countries like Hungary, Czechoslovakia, the GDR and Bulgaria have gained valuable experience in solving a number of problems. In this area especially Hungary's experiences are valuable.

According to the directions shown by collective experience, the strategic guidelines must start out from the point that we must increase the proportion of investments aimed at improving the quality of the branch's production apparatus. At the present time in the agriculture of the European CEMA countries, 50-60 percent of the branch's investments are spent to modernize fixed assets and improve quality, while in the United States, for example, four-fifths of annual investments were spent for such purposes during the 1970's.

We can also draw the conclusion from past experience that we must exploit every opportunity to increase production without significantly increasing the volume of investments. One of the ways of reaching this goal is to more fully utilize the already existing available potential which in the countries in question is far from being fully exploited. For example, even in Hungary where extremely rational economic operation is conducted, the large livestock-raising lots can produce only 85 percent of the planned number of animals, and only 70-71 percent of the irrigable acreage is cultivated.

An important question of investment policy--particularly with respect to livestock raising--is to develop the optimum relationship between new construction and the reconstruction and modernization of existing production facilities. Experience shows that the expenditures for reconstruction are very efficient. According to data from the GDR, in facilities included in reconstruction the efficiency of labor increases 100-150 percent, and in addition to this the basic return and profitability are much higher than on newly built facilities.

One extremely important problem of the 1980's is to eliminate the lack of proportion which exists in the growth of agriculture's material-technical foundation. We can mention three basic types of this lack of proportion: Lack of proportion between the supply of energy sources and the machinery performing the work, lack of proportion between the delivery of machinery and of the spare parts they need, and lack of proportion between the right kind of working equipment needed to industrialize production and the type of work done.

A reasonably relationship between large-scale industrialized operation and small farms represents an important problem in the present stage of agricultural growth in the CEMA countries. During the 1980's the individual household plot operations will fill an important role in supplying the population with food. The significance of these farms is emphasized not only in those countries where they have a large share of the gross agricultural production, such as the BNR [Bulgarian People's Republic], the MNK [Hungarian People's Republic], and in the Soviet Union, but also where it is of an insignificant order of magnitude, such as the GDR and the CSSR.

In increasing the level of food supply, it has exceptionally great significance in the socialist countries that we achieve balanced growth, not only in agriculture but also in the entire national agroindustrial complex. It is characteristic of the Soviet Union and also of several other countries that the growth of the agroinfrastructure and of the processing branches falls short of the desired extent. The experience of the MNK and of the GDR indicate that regrouping the investments between

the various spheres of the agroindustrial complex provide an opportunity to increase consumer end products within the very same available budgets. All in all, total expenditures related to the product produced (calculated per unit of production) are three or four times lower than expenditures spent to increase the volume of production. We can achieve a two- to three-fold decrease fo losses during the 1980's primarily on the basis of a more reasonable investment structure.

Of course, we cannot remove from the agenda the fact that we must insure maximum food supply from our own resources, but at the same time it is desirable to find opportunities to deepen cooperation among the CEMA countries in the food complex; namely: We must increase exports to the CEMA market from the BNR, the MNK, the RSR [Socialist Republic of Romania], and the Soviet Union. Obviously it will become necessary for this to improve the economic mechanism of cooperation in the agricultural sphere. The experiences of the CEMA countries regarding the assembly of development programs of the agroindustrial complex speak in favor of developing a joint CEMA policy for providing food, which also includes the coordinated development concept of relationships with third world countries.

Even though the problems of equilibrium of the domestic consumer market have not been completely solved in any CEMA country, overall balance has been reached in several countries, primarily in Hungary, the GDR, and in the CSSZR between the volumes of demand for which they are able to pay, and goods and services which they can offer. And this represents a great advantage economically and socially. But even in spite of this, the task of achieving greater harmony between the structure of solvent demand and the structure of doemstic market supply remains a timely one. Available experience shows that expanding the production of consumer goods, accelerating the growth of the sphere of services, flexible pricing policy, and development of new opportunities in the interest of utilization of personal incomes eased the tension which appeared in the sphere of financial supply.

As the experiences of the CEMA countries demonstrate, technical rejuvenation of the branches of the consumer sector leads to expansion of the production of consumer goods and to improvement of the quality of goods. As is well known, the sector's investments increased significantly during the 1970's, especially investments related to the reconstruction and modernization of existing enterprises. But even so, these branches still fall short of the needs.

Most of the domestic needs of each country are covered by domestic production. In this area, the cooperation among CEMA countries serves to expand selection and to increase the ratio of high-quality items and new items in the domestic consumption structure of the countries. On the other hand, as far as insuring the fulfillment of demand related to household appliances and other durable consumer goods is concerned, specialization and cooperation among the CEMA countries could play an even more important role in the future than in the past.

We could hardly overestimate the significance of collective experience in intensifying the economy's development on the basis of scientific and technical progress. Machinery manufacture is the very essence of the processing industry--and the task of machinery manufacturing is to open the gates wide for the application of new techniques and technology in the national economy. The following things are needed to select the strategy related to the further growth of machinery manufacture: 1) Opening up and analyzing the development tendencies and directions of international scientific-technical progress; 2) based on the uncovered tendencies, selecting the

preferred directions of scientific-technical progress in the CEMA countries; 3) based on the preferred directions of scientific-technical progress, determining the directions of central cooperation among the CEMA countries (considering the resources and opportunities of the individual countries); 4) determining the leading mechanisms and directions of international specialization and cooperation in the machine industrial complex.

During the course of analyzing the present situation of international manufacturing specialization and cooperation, many experts draw the conclusion that in spite of the unquestionable successes achieved in the area in question, cooperation falls short of the requirements which characterize the intensive type of economic growth. Our cooperation continues without change to serve primarily the goal of eradicating the various shortages with its help, and therefore it does not sufficiently promote the acceleration of scientific-technical progress, the improvement of technical production standards and of product quality.

In commercial sales in the alliance's countries, the share of machinery and equipment increased from 37 percent in 1965 to 42.4 percent in 1979. The CEMA countries fill 63.5 percent of their machinery and equipment import needs within the framework of exchange of goods; for example: 90 percent of the buses, 88 percent of the trucks, 95 percent of the passenger cars, 98 percent of the tractors and self-propelled machinery; this number is 69 percent in the case of energetics and electrotechnical equipment; etc. The most intensive growth of international manufacturing specialization and cooperation took place in the machine industrial complex of the CEMA countries. In 1980, more than 70 percent of the 120 multilateral international manufacturing specialization and cooperative agreements were in machinery manufacture. Between 1975 and 1979, the total export volume of the specialized machine manufacturing output of the CEMA countries increased by a factor of 2.6 while total machine industrial exports increased by a factor of 1.7.

Choosing the directions of international manufacturing specialization and cooperation takes place generally on the basis of the already operating branches. However, inasmuch as individual and complex specialization may stand at a low level of development at the national level, the level will also be low in the system of interrelationships on the international level. Among the CEMA member countries only 10-15 percent of the total volume of the specialized shipments of machinery and equipment covers complex units and subunits, which is much lower than the level achieved by the developed capitalist countries in their own manufacturing cooperation.

Since sufficiently effective organizational and economic conditions are absent, a certain rift may be observed between scientific-technical cooperation on the one hand, and international manufacturing specialization and cooperation, on the other. In practice, we are dealing with two such independent systems which from time to time grow in parallel with each other, and not in one single unified complex. We also have not fully exploited the opportunities in the international socialist distribution of labor to solve another problem of strategic importance in international manufacturing specialization and cooperation. We are referring here to the following: Development of expediently coordinated profiles in the branches, but first of all in the machine industrial complex, and eliminating the unjustified parallelisms within the branch and subbranch structures. International manufacturing specialization and cooperation has not yet become an effective factor to enable us to rebuild these structures and technologies in the direction of energy and material frugality.

We will eliminate these shortcomings obviously by improving the planning of international manufacturing specialization and cooperation, the legal foundations for cooperation, the pricing, especially with respect to complexes and spare-parts units, the organizational mechanism of cooperation, the financial, currency and credit relations, etc., both on the national and on the international level. The guideline of the CPSU and of the other fraternal parties is that the two five-year plans ahead of us should be a period of intensive production and scientific-technical cooperation among the socialist countries One important condition for successful implementation of this guideline is that we must work out the coordinated long-range development concept of international specialization and cooperation for the time period reaching to the year 2000, broken down for each branch. Thus, with the aid of this concept, it will be easier for us to determine the most reasonable profile-development directions of the machine industrial complexes for the CEMA countries.

In connection with improving economic operating methods, the experiences gathered so far in the CEMA countries provide the opportunity to bring up the question of bringing the structures of the economic mechanisms of the CEMA countries closer to each other--as was done at 26th CPSU Congress. We are viewing this problem within the relationship that the direct links between the ministries and the associations and enterprises participating in cooperation need further improvements, that joint enterprises will have to be created, etc., that is, solution of the problem is an indispensable condition for the integration processes to deepen at the lowest levels, where the desired deepening runs into obstacles in many respects in the present stage of our development.

In our view, the problem concerning bringing the economic mechanisms closer to each other involves three aspects: Bringing the mechanisms closer, bringing the foreign-trade blocks of the mechanisms closer, and finally bringing the normative economies of the CEMA countries, taken in the broad sense of the word, closer to each other.

The CEMA countries are not forcing onto each other any kind of models concerning the development of the economic mechanism, but they are interested in coordinating the operation of these mechanisms. We can save a tremendous amount of time and money in connection with searching for the optimum solutions if we actively study and make use of the collective experience of socialist economic operation.

The practice of recent years has proven convincingly that in the socialist countries the improvement of the economic operating mechanism with a promise of success is not possible without first meeting three basic conditions. First, the changes to be made in the economic operating mechanism must be in harmony with that economic development strategy worked out by our parties on the basis of recognizing society's objective development laws and analyzing the concrete situation. Second, no economic reform can lead to the expected positive results without appropriately insuring politically and ideologically the measures implementing it. Third, the effectiveness of the new economic mechanism depends on the appropriate preconditions of regeneration (first of all, on the balance between the amount of money in circulation and its coverage with goods); and besides this, it must by all means be taken into consideration that in the final analysis the job of balancing the national economy is a function of the economic mechanism.

It would be too early to talk about quality changes having taken place in our countries in the area of improving the economic operating methods: For the time being the economic operating mechanism is built everywhere for the most part on extensive growth

factors. Thus far we have not succeeded in developing a sufficiently effective mechanism to acclerate scientific-technical progress, we have not succeeded in eradicating the dispersed nature of investments, nor in insuring the necessary equilibrium.

The scientific institutions of the fraternal countries and CEMA's international institutions do much in the interest of studying the three basic aspects of the experience. First is the present experience of solving socioeconomic and political problems for each of the fraternal countries. Second is the experiences of our internationalist cooperation. Third is the historical experiences gathered in the past in connection with the development of socialism in the various countries. The above-listed sphere of the experiences we have gathered differ from each other in essential ways and require differing methods of study, evaluation and utilization.

The fraternal countries are studying and utilizing the present development experiences of the national economies with the most success. Scientific organizations working on studying the socioeconomic development of the fraternal countries are operating in every country. Our press thoroughly familiarizes us with these experiences; significant results are born in this area from the relationships developed within the framework of the large number of international economic organizations of the socialist countries and from the direct meeting of the producing collectives and the individual citizens. This mechanism produces completely realistic and illustrative results.

A mechanism operating in a predetermined systematic manner has come into existence in practice for the purpose of studying and making use of the experience obtained in the area of domestic economic growth and cooperation. We have also seen that not all component elements of this mechanism are functioning perfectly. For example, the problem that we should coordinate the development of the socialist integration's international economic mechanism with the improvement of those domestic and national economic mechanisms, whose effect on international integration is far from immaterial, has not been solved. In our opinion, significant laxities are occurring in the study and practical application of the historical experiences of socialist construction. In Hungary, various types of associations based on contractual foundations are being developed broadly as tools of horizontal industrial integration. And in the Soviet Union during the 1920's, volunteer enterprise associations based on contractual foundations spread broadly as syndicates and stock corporations, and several of the party and state documents of that time gave positive evaluations of their activities. The disappearance of these forms in the Soviet Union at the time did not mean at all that their existence was theoretically judged incorrect. During the time before the war this disappearance was justified by the extremely severe external conditions of socialist growth, because we had to limit the economic and independent accounting methods and formats of directing in the interest of strengthening the centralized and administrative formats, which, on the other hand, is far from the general law of peaceful socialist construction.

When historical experiences are studied, consideration of the experiences connected with mistakes is especially valuable--since, in order to have such experiences, sometimes we have to pay very high prices, and for another country it is extremely valuable to have the chance and opportunity to avoid mistakes through the experiences of others. Up to now we also have not sufficiently utilized this opportunity.

I would like to touch upon two questions in this respect: One of them is the improvement of scientific generalization and the other is the improvement of the joint international research system.

It is obvious that we cannot solve the task of thorough and mutual examination of the experiences by just studying the trade literature of the other countries. Sending some scientists abroad for brief visits is also insufficient. In our opinion we should make much broader use of the following ways: First, economic scientists should be sent to the fraternal countries for longer periods of time for the purpose of mutually studying experiences; second, groups of specialists should be sent out for the purpose of conducting complex studies into the various aspects of economic activities conducted by the fraternal countries.

It is a widespread practice for the international scientist collectives of the fraternal countries to publish monographs and other scientific publications. But complexity and systematic organization are missing from this work also. The time has come, for example, when an international composition should be created giving a complex review of all those systems of the socialist economic operation which have found use during the complete historical growth of the new society, in all socialist countries. This would be helpful to us in the future in making better founded decisions between the various specific national conditions, about the use of various systems which have been tried out in practice. We can also picture joint research projects which are more local. From the viewpoints of all of our countries, it would undoubtedly be useful to make an operative study of the experiences gathered in saving material resources, especially in effecting savings in fuel and energy sources.

Internationalization of the experiences of socialist construction represents an objective regularity and promotes the acceleration of social progress. The directions shown by the congresses held by the fraternal parties are in harmony with the interests of all of our peoples in connection with the more active solution of this task. All the conditions are available to us to activate this process, to make it complex and systematic in character.

8584
CSO: 2500/67

PUBLIC OPINION POLL ON ECONOMIC CRISIS PUBLISHED

Warsaw WIADOMOSCI I PROPOZYCJE PRZEGLADU TECHNICZNEGO in Polish No 46, 15 Nov 81 Supplement p 4

[Text] Public Opinion Research Center [OBOP] and Program Studies PR i TV [Polish Radio and TV] conducted studies on the subject of various aspects of overcoming the economic crisis.

One way to restore the market equilibrium is to reduce financial resources of the population, by reducing real incomes. Would the public accept this method of achieving market balance? No. As it appears from OBOP studies: 58 percent of the persons polled confirmed that the reduction of real income would be unacceptable. Only 26 percent of respondents would be inclined to agree to a temporary reduction of incomes as a condition to gradually solve the crisis. In white-collar and blue-collar workers' centers there was no difference; 20 percent approved this possibility, while 39 percent of the farmers would accept a reduction of real income. The percentage of farmers who would agree to an income reduction was almost double that of laborers intellectuals. This can be explained either by income levels differences or by the conviction of farmers that the effects of crisis would have little effect on them (for example, increased food prices).

The unwillingness of the community to accept a reduction in real income as a prerequisite to balance supply and demand results mostly from the fact that 73 percent of all persons who were polled are convinced that it would not change the market situation and that goods would not become more readily available because of such measures.

The possibility of introducing a general income tax as an alternative to price increases has also been studied. To find out the reaction of the population: 37 percent of respondents concluded that price increases should be introduced first (with compensation for lowest wage earners), and 17 percent favored the introduction of a general tax (excluding lowest wage earners) as the first step. A price increase with simultaneous compensation is thus easier to accept by the population than a general income tax. However, if such a tax were introduced, then--according to 71 percent of those polled--said that it should be a progressive one; 16 percent of those polled were favored for a tax independent of income. As to tax exemptions--11 percent wanted no exemptions at all, 26 percent wanted exemptions for people--less than 1,800 zlotys monthly per person in a family; 21 percent favored exemptions for people with incomes of less than 2,600 zlotys per person in a family, and 22 percent were of the opinion that this income limit should be raised to 3,600 zlotys. Persons who were polled were more inclined to accept a tax on luxury goods (such as villas, yachts, high class cars); 81 percent of respondents considered it justifiable and legitimate. Over three-fourth of respondents considered that there should be no exemptions from this kind of tax.

As concerns price increases, 53 percent of those polled favored gradual increases; 36 percent favored a one time increase. Opinions on the following topics were also sought: Which kind of food and industrial items could be increased in price during the first phase. The following items were identified and favored by the percentage of voters indicated: 52 percent of the voters; flour--34 percent; milk--23 percent; groats--19 percent; sugar--14 percent; meat and meat products--14 percent; diary produce and milk products--11 percent; salt--7 percent; alcohol--6 percent. Replies concerning industrial products varied; cars and motorcycles got 14 percent and TV--8 percent of votes. This study was organized in May before the price increases.

From OBOP soundings it appeared that 53 percent of the community was prepared for a possibility of many employment layoffs and only 17 percent considered that there would be no reductions in principle. People employed in socialized economy were asked if they felt personally threatened by a loss of employment. It was found that 14 percent of the total fear reductions; 41 percent considered white-collar and civil service workers to be the most likely to be laid off; 27 percent also mentioned farm-workers and blue collar workers; 18 percent--absentees; 9 percent included employees of enterprises experiencing shortages energy and raw materials. People with low qualificiations were mentioned by only 6 percent of those were polled; directors and managers--by 5 percent, those nearing reitrement, young employees and married women by 4 percent.

One fourth of persons polled expected great difficulties in finding jobs and even considered it impossible; 50 percent estimated that those who lost their jobs would be able to find new jobs but with great difficulties; 11 percent had no opinion on the subject. Only 14 percent considered that there would be no problem in finding new jobs.

Only 8 percent of persons polled were against any unemployment compensation. Thirty-six percent felt that unemployed persons should receive one-half of their previous earnings; 22 percent thought that persons discharged from work (and looking for new employment) should receive a compensation amounting to their full [previous] earnings.

9841
CSO: 2600/123

MINISTER INTERVIEWED ON STATUS OF ECONOMIC PLANNING

Wroclaw GAZETA ROBOTNICZA in Polish 17 Nov 81 pp 1, 2

[Interview with Prof Wladyslaw Baka, Government Plenipotentiary for Economic Reform, by Aleksander Kubisiak; date and place not given]

[Text] [Question] Let me suggest focusing our interview on two issues. First, identifying causes responsible for the fact that the work on the economic reform takes so long. Some experts and many nonspecialists believe that we have wasted a year which significantly contributed to the breakdown of our economy. Second, defining conditions which would bring about an improvement in the economic life of the country, both in terms of current economic practice and creating more positive perspectives for the nearest future.

[Answer] I do not agree that we have wasted a year and I do not share the view that the work on economic reform takes too long. Experiences of other countries show that the preparation of an economic reform generally takes 2-3 and even more years. Certainly, if we take into consideration the so-called sociological time--that is, the social pressure to introduce the reform over a period of time--the appearance of a delay may occur. I believe that we have not wasted any time, because within a year since the beginning of our work on this reform we have produced a document of utmost importance, which was adopted by the Ninth PZPR Congress and subsequently approved by the Sejm--I am talking about "The Directions of the Economic Reform"--and two bills, on enterprises and on self-government. We are in the process of completing a whole package of bills: On planning, financial management of enterprises, authority to conduct trade with foreign partners, banking law, etc. Please note that all work on the economic reform is being conducted with an "open curtain," and not in the small circle of experts; all issues must be subject to discussion and consultation, and this takes time....

[Question] And yet we hear voices--including those of economics professors--that this entire matter, along with the reform introduction, can be resolved in 3-4 months.

[Answer] These are unsupported and demagogic statements apart from the fact that in order to meet the above timeframe the reform would have to be worked out by a small group and then arbitrarily forced upon the society, which I think would be nonmeritorious in substance and unrealistic from the social point of view.... And if somebody looks for causes of the current crisis, or its present aggravated form, in the allegedly slow tempo of reform, I would suggest that he rethink the whole matter again, analyze the course of socioeconomic processes, and then lay down the

facts and honestly determine which factors have handicapped the introduction of a stabilizing program for our economy. By preparing and introducing the reform we are putting ourselves on trial: If it is good--the country will move, the economy will go forward....

[Question] ...and if it happens to be bad, or, let's say--not the best?

[Answer] Then it does not even serve any purpose to prognosticate possible effects. Regardless of troubles and difficulties, we must reform our economy, but this requires a very solid preparation so that the whole idea will not be compromised.

[Question] How do you view the state of social knowledge--particularly in enterprises--of the principles and rules of the economic game which will be introduced on mandatory basis in all enterprises 1.5 months from now?

[Answer] Poorly; the level of knowledge is not very high. One cannot blame the workers for insufficient knowledge about the reform--they should be approached with concrete illustrations and not with pamphlets. It is more serious, though, that the level of ignorance is high among the managers. Some of them are not even familiar with the basic documents on reform; we observe a kind of mental laziness. Characteristically, ignorance is often accompanied by very freely expressed criticisms of various solutions spelled out by the reform. Somebody will take the floor and make a peroration, and it comes out that he has not even read "The Directions of the Economic Reform." Ignorance fosters disinformation as well. For example, one can see leaflets announcing that according to the government's reform project "the pay will be dependent on the job position" and not on performance, that "the self-government will execute decisions forced u,on it" and not the decisions made by the employees, that "enterprises will be subordinated to centralized associations" and will not be able to freely join each other, etc. These are simple lies, aiming to repudiate the concept of reform.

[Question] If the knowledge about the reform is not the best, what is your opinion about the consultations conducted in 100 enterprises? What kind of comments, suggestions, or criticisms in regard to the prepared legal acts did these enterprises offer and what did these specifically address?

[Answer] This was a very important and beneficial test, which was very useful for the work of the Commission for Reform. The presented laws, decisions, and directives were met with a host of concrete comments and proposals, all different since the situation of individual enterprises differs. The overwhelming majority of consulted enterprises favored a system based on profit and not on income. They emphasized that the enterprise must be allowed to keep the entire amortization, that is, the amortization allowances fund.

As to the tax system--which one to choose: Progressive or linear--there was a division of opinion. Enterprises which expected moderate growth potential preferred the progressive, while the dynamic ones favored the linear system.

Additionally, it was suggested that the financial settlements in foreign trade be simplified, and there were criticisms directed against the proposed principles of the incentive system as well as against the proposed principles of price determination and control.

In general, the comments and suggestions offered by the consulted enterprises were competent. However, this does not change my opinion about the general level of social knowledge of the reform principles.

[Question] After the reform is introduced, there will be a problem of reduction in force at enterprises where the employment level was too high, or at enterprises which might be shut down as a result of, for example, energy or raw material shortages. Will these matters be resolved by the self-government or by the management? Or perhaps they will be resolved by the central administration?

[Answer] The problem of employment displacement will come to the fore, and rather fast, which everybody wants--with the exception of those who will be affected by the displacement. But I think that those who will be forced to change their jobs might in fact in many cases find more satisfaction from their new jobs than the present ones. Only the self-management of an enterprise will have the authority to decide the structure of employment and the number of employees. Only the self-management will make a decision on that. Of course, nobody will release the state from the obligation to secure employment for everybody. But the employment structure nationwide must be adjusted to the socially indispensable production and service structure; hence I doubt if the state institutions will be able to secure for everybody employment in his chosen profession and location. In anticipation of difficulties in the employment area, we are already in the process of creating the Vocational Activation Fund based on the progressive increments of an average pay above a certain level which will be deposited in this fund by every enterprise.

[Question] What will be the state's sources for the financial compensations which are to cover the costs of price increases?

[Answer] Compensations must be taken from the national income. Compensations for the employed will be included in the personnel costs of enterprises, while members of their families as well retirees, pensioners, annuitants, and others will be compensated by the Social Security Administration. This way the compensations will be built into the state financial system. Some enterprises may object to that and demand that these costs be covered by the state budget. The situation is such, however, that in order to include such coverage in the budget it would be necessary to increase the enterprise tax. In other words: Six of one or half a dozen of the other. This means that all incomes must be generated by work, whether in production or in services.

[Question] You have not mentioned yet the conditions for present improvement of our country's economy and the perspectives for the future....

[Answer] An improvement of the sociopolitical situation is the condition for overcoming the crisis and for the success of the reform. If the current development trend in the sociopolitical situation continues, most of the things we are doing today for the purpose of introducing the reform may end up as just interesting reading in the future. I am an optimist and I think that we will shortly witness a change for the better, regardless. I am particularly hopeful about the idea of a national conciliation front.

[Interviewer] Mr minister, thank you for the interview.

8609
CSO: 2600/116

MEAT INDUSTRY OFFICIAL COMMENTS ON SUPPLY SITUATION

Warsaw SZTANDAR MLODYCH in Polish 2 Dec 81 pp 1, 2

[Interview with Ksawery Wroblewski, deputy director of the Meat Industry Central Office, by Joanna Solska: "Meat Cannot Be Subdued"; date and place not given]

[Text] "First, I want to assure you that I really do not care to be a director...."

[Question] And I want to talk about meat, not about the chair you are sitting on.

[Answer] It does not matter, these two subjects are related.

[Question] Sir, how much in arrears are meat ration cards?

[Answer] This depends on who does the counting. The Ministry of Domestic Trade and Services estimates 40,000 tons; we believe that we are in arrears 17,700 tons of so-called meat mass.

[Question] What is behind the difference in calculations?

[Answer] There are three reasons. Practically, none of the governors adheres rigidly to the centrally established allocation: so much for the ration cards, so much for communal feeding. As a result, less meat finds its way to the stores and more goes to day-care centers, hospitals, restorative meals and food serving institutions. The second reason is lack of discipline in the commercial system: more meat is going there than it appears from counting the honored ration cards. The third reason, related to the preceding one, is that we calculate the deliveries exactly without providing even a 3 percent margin for weight loss. It was Minister Kowalik who decided to do this because, as there are no reserves, the margin could be obtained only through a decrease of rations.

[Question] This has been done already.

[Answer] But not for this reason.

[Question] These arrears, however, do not exist in all voivodships. There are voivodships where there are no arrears....

[Answer] But there are also voivodships which ate their December allocation in November, e.g. Kalisz and Legnica. Thus we have two kinds of statistics: the

arrears which, as I have said, amount to almost 18,000 tons and at the same time excessive deliveries which amount today to 23,000 tons and are growing every day.

[Question] This is absurd because, at least by your calculations, the arrears are less than the excesses. It would follow that if the central allocation was adhered to strictly, no one in the whole country should have October ration cards in his pocket while, in fact, there are those who have not succeeded in getting their September rations. Why do you give too much to some while others are hungry?

[Answer] We are not giving, we are simply not able to enforce distribution discipline. Those who are hungry are in large population centers and in the nonagricultural regions. Those voivodships which should feed not only themselves but also the others are "overfed." For instance, Kalisz Voivodship is duty-bound to move part of the meat available there to Silesia and Legnica Voivodship to Walbrzych Voivodship. In fact, they do this reluctantly and sometimes not at all, leaving in their areas more than allocated. Silesia should be fed by the following voivodships: Opole, Legnica, Wroclaw, Gorzow, Zielona Gora and Pila but none of them fully fulfilled their duty. Forty-five percent of the meat that gets to Katowice is from imports. The supply is not only insufficient but also spasmodic. The region has practically no pork because we are importing mostly beef. There is practically no fresh meat, only frozen. I do not even mention that the traditional sausages disappeared from Silesia because practically all of them are eaten by the agricultural regions.

[Question] And there is no way to enforce the allocation?

[Answer] Before the Enterprise Act became the law, we had a stick for the enterprise directors, namely: the nonaward of premium. Today, a director of a meat enterprise is not afraid of the industry central office but of his voivodship governor and local government. Both of them press to have the meat and slaughter animals retained in place. He is also under pressure from the local labor union. On the other hand, we are armed only with a document issued by the Anticrisis Operational Staff saying that "The decisions of the Chief Director of the Meat Industry Central Office regarding allocation of meat and slaughter animals have absolute priority over allocation within the voivodship from which the transfer is to be effected." We are sending desperate telexes to Vice Premier Obodowski but we are getting no response.

[Question] It is difficult to force anybody not to eat himself but to give to someone else....

[Answer] The point is not that he does not eat but that he does not eat more than his modest ration. The governors who "eat" more defend themselves that within their own voivodships they have a backlog of ration cards that have not been honored. Their estimates of that backlog invariably differ from the truth. When it comes to the point of officially recording that backlog, it turns out to be much smaller. In only one case did the governor's estimate turn out to be correct: in Debica. However, if one added up the governors' demands, it would turn out that we have 45 million citizens rather than 36 million.

[Question] And how will it be with honoring ration cards in December?

[Answer] Overall, the supply of meat should equal the demand for the rations: 82,000 tons, out of which as much as 30,000 tons will be from imports. I am not including the arrears. There is a decision by the minister of domestic trade and services to compensate for the arrears in sugar, kilogram for kilogram. My statement is not positive, however, because the purchase of meat from producers may go down inasmuch as the slaughter of animals for one's own use may increase before the holidays. Every previous total must be corrected within a month. Obviously, if Minister Krzak talks on television about the exchange of money, purchases from producers will plummet. These purchases also fall sharply after every news item about a new strike. They go more smoothly when there is tranquillity in the country.

[Question] Will everybody receive in accordance with the allocation?

[Answer] For the reasons I have enumerated, probably not.

[Question] Where will the situation be worse?

[Answer] In Katowice; Warsaw will get without any reserve; Krakow, Kielce, Radom, Lublin....

[Question] But the last ones are the agricultural voivodships, certainly they do not need transfers?

[Answer] Unfortunately, they do, although just last year they fed themselves and their neighbors. In Lublin, we expect to purchase from the producers about 1,067 tons and, to satisfy the rations in that area, 2,465 tons are required. In Kielce, if everything goes well, the purchases should amount to 1,529 tons and 1,294 tons more will be required to satisfy the rations, almost double. In Radom, the farmers will furnish only 700 tons and the needs are over twice that, they amount to 1,551 tons. The situation is similar in Tarnobrzeg and Zamosc.

[Question] As we are already unable to fully enforce discipline regarding transfers, what is going to happen when the economic reform is introduced?

[Answer] The central office of the meat industry, just like the other industry central offices, will cease to exist.

[Question] I am not asking about the central office but about meat.

[Answer] Well, the regulation and the reform are mutually exclusive. What can happen in a meat plant when it becomes independent, self-governing and self-financed? Obviously, it will want to maximize its profit. Certainly, it will look into exports, after all, it could keep 15 percent of the hard currency earned in its own account, get export premiums and it has a product that is easy to sell. And whatever is left it will sell nearby to avoid transportation costs. No one will be able to force the director or the management of such a plant to act against its own interest, that is, to transfer meat to another area. It is easy to imagine what will happen in places where there

will be no meat. There may be a paradoxical situation that there will be a specter of general strike...against the economic reform.

[Question] And if there is a so-called active strike?

[Answer] Let us imagine such a strike in the meat industry. The authority in a plant would be assumed by the strike committee which would establish a self-government and a new management. Let us ignore the chaos that must accompany such events. Such a plant will be under heavy pressure of the labor unions which will try to feed its own area with its "own" meat. In other areas, there will be hunger and new kind of strikes against...the strikers. The union leadership, in order to gain control of the situation in the country, will have to gain control of meat and food in general, i.e., will have to establish units controlling these items centrally.

[Question] Something like the Central Office of the Meat Industry?

[Answer] Sort of, but having much greater authority. It will have to be an office having full control of the subordinate meat plants, directing their production in an absolute manner, simply like a "commissar." Of course, there will be no independence, or "self" anything. A plant must simply produce as much as possible. Recipients will be decided by the central authority. Also, it will be fully responsible for the results of its decisions. Today, in the meat business, discipline is a must, regardless who enforces it.

[Question] Are you trying to tell me that the Central Office of the Meat Industry cannot be eliminated?

[Answer] No. The Central Office can be eliminated but whatever we do now, starting in January, someone else will have to do, perhaps the Office of Materiel Management. Except, it will have to have absolute authority. Believe me, I am concerned about the substance, I really do not need to be a director. My colleagues are professionals in the meat business and we can make in a small plant the best sausage you have ever tasted.

8801
CSO: 2600/111

AGRICULTURAL SITUATION IN FOURTH QUARTER EVALUATED

Warsaw RADA NARODOWA GOSPODARKA ADMINISTRACJA in Polish No 19/20, Oct 81 p 28

[Article by Edward Dworecki]

[Text] This year's weather conditions in almost the whole country were generally favorable to agricultural production. This made it possible, despite a shortage of tractors and agricultural machinery and especially spare parts, to carry out the basic work connected with the cultivation of land, sowing and harvesting within the required time of agroengineering performance.

The experts in vegetable production state that if agriculture had at its disposal a sufficient amount of mineral fertilizers and of the necessary pesticides in the current year we would achieve a very good harvest of most crops.

The harvest achieved may be considered on the whole as good.

Conclusion: In connection with a considerable shortage of mineral and chemical fertilizers and pesticides it is imperative to:

--carefully amass, properly store and apply organic fertilizers;
--increase production of composts and the green manure;
--make wider use of mechanical and agroengineering methods of plant protection.

As shown by this year's agricultural census, not all the arable land has been used for production. The area of recorded waste and fallow land amounted to 109,000 ha. Most of it was situated in voivodships of Bialystok (8,042 ha), Bydgoszcz (7,215 ha), Gorzow (6,157 ha), Koszalin (5,398 ha), Olsztyn (10,331 ha), and Szczecin (5,905 ha).

Conclusion: In all these voivodships, gminas and villages in which waste and fallow lands are found, it is necessary to take effective measures aimed at agricultural utilization of all arable land. This work should be undertaken this fall, which will make it possible to better agricultural development of that land.

In the structure of the area under crops, compared to 1980, there occurred an increase in the area under cultivation, among others of grain cereals by 60,000 ha, that is, somewhat less than 1 percent; sugarbeet by 17,000 ha, that is 3.7 percent; buckwheat and millet by 14,000 ha, that is, 11 percent.

On the other hand, among others, the area under potatoes has decreased by 86,000 ha, that is, 3.8 percent; rape by 43,000 ha, that is, 13.4 percent, and corn by 89,000 ha, that is, 13.1 percent.

The increase of the crop area of grain, beet root, and buckwheat, and a decrease of the area under potatoes, were in accordance with assumptions of the crop plan.

Unfavorable was a considerable decrease in the area of rape cultivation and too great a decrease in the area under corn. Even though the area of winter rape for the 1982 harvest is 18 percent greater than this year's, the current year's plan tasks concerned with rape cultivation were not fulfilled.

A decrease in the area of corn cultivation occurred chiefly in the state farms [PGR] as a result of the abandonment of the directive-type system. These changes in the PGR are chiefly justified by economical conditions.

Conclusion: The influence of agricultural services on changes in the structure of crops ought to be in a higher degree aimed at increasing winter and spring grain crops. In the fall period, one should prepare for an increased beet root crop.

A part of the area of the winter rape crop ought to be supplemented by spring varieties in spring of 1982. Corn, as corn planters and corn pickers are being delivered, should also be cultivated in a greater degree by individual farmers. The changes in crop structure ought to be planned directly during the harvest or at the very latest during the fall operations.

The results of the census of the number of farm animals, compared with the analogous period in 1980, showed a continued persistence of the falling trend in numbers of cattle, hogs and sheep. In private farming, this trend was lower than in the socialized farming.

The number of cattle decreased 6.7 percent, including that of cows by 3.3 percent. Only in the voivodships of Kalisz and Siedlce did the number of cattle remain at the level of June 1980. Changes in the cattle herd structure show a greater decline in those groups that constitute the basis for the production of cattle for slaughter. This occurs especially in socialized farming in which the maintenance of the high cattle stock was required by administrative directives.

New economical conditions in socialized farming will exert an influence on a better adaptation of the number of cattle to fodder source yields and possibilities of employment.

Conclusion: The promising yields of beet root and fodder root crops, as well as satisfactory harvest of hay along with its better quality, compared to previous years, provide conditions for checking the falling trends in the numbers of cattle and possibilities to increase herds. Notwithstanding a rather favorable situation as regards roughages, it is necessary to collect and store them very carefully in order to create indispenable reserves, chiefly in the form of silage.

One should likewise expand all organizational and training operations of agricultural services aimed at a maximal rearing of calves, for example, competitions in rational rearing of calves should be supported by budgetary means intended for promotion of the development of agricultural production.

The number of hogs has decreased 13.3 percent, chiefly in socialized farming. In herd structure, there was a sharp decrease in the share of porkers, which had an especially adverse effect on the procurement of hogs up to now and at present compared with the analogous period in 1980.

Territorially, the greatest decline in numbers of hogs occurred in the southeast regions and relatively the smallest in Mazowsze and Podlasie.

Conclusion: Rather promising yields of potatoes and fodder root crops provide convenient conditions for the rearing of hogs. On the other hand, decreased allotments of concentrated feeds and the lack of the basic progress in grain yields will exert a restraining effect on the rate of increase in numbers of hogs.

One should intensify the training work of agricultural services and service units as regards steaming and silage of potatoes with the addition of papillionaceous crops and supplementary green fodder crops. The early and widespread development of the steaming and silage of potatoes is especially indicated in regions where a decay of potatoes is being observed, for example in southwest regions.

Also indispensable is the intensification of the training of expert help, as well as the publication of leaflets on the subjects connected with rational feeding of hogs under conditions of the shortage of concentrated feeds and the higher ration of feeding other fodders and utilization of fodder concentrates. This action should also be extended to those farms that abandoned the rearing of hogs in previous years.

A basic solution to ensure the systematic increase and productivity of hogs lies in the increase of the domestic production of grain. Perhaps it will be achieved by the increase of the area of grain crops and in the first place by the improvement in agroengineering.

The sheep herd decreased 7.4 percent. Characteristic is a great differentiation of territorial changes in numbers of sheep. It fluctuates from the increase in the number of sheep in the voivodship of Lublin by 15.8 percent to its decline in the voivodship of Rzeszow by 24.5 percent. Sheep herds increased in five voivodships. The fodder situation in 1980-81 was also less favorable for sheep, but it could not be the only reason for such a great territorial differentiation in numbers of sheep.

Conclusion: One should thoroughly investigate the causes of changes in the numbers of sheep in individual voivodships and gminas and take measures to prevent the falling trends.

This year's improvement as regards the amount of the farming-related fodders should also be utilized in the fourth quarter by agricultural services to increase the numbers of cattle, hogs, sheep and their productivity.

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## PROBLEMS OF MARITIME SHIPPING REPORTED

Gdansk HORYZONT in Polish No 19, 1-5 Oct 81 pp 1-3

[Article by Jerzy Drzemczewski: "In the Polish Ocean Lines [PLO]--What Survival Hinges On"]

> [Text] How are we to break the crisis, what are we to do in order "to get something moving" in our economy and create a jolt forward? It is appropriate to wait for a prompt introduction of the economic reform. But should we restrict ourselves to waiting? Maybe, we should start acting already! Below a text follows which shows that manna will not fall down from the skies into our hands all by itself. The situation is difficult, but this is not to say that there is no room for resourcefulness and initiative.

Managing a maritime shipping organization has probably never been as difficult in Poland as it is now. The disastrous economic situation in our country and primarily tremendous difficulties with the balance of payments require that the shipowner really "use his head a lot" if he wants to run his fleet efficiently.

The activity of the PLO may be a prime example of this. This shipowner faces today a situation which is much tougher in many regards than that of our other large shipowner, the PZM [Polish Maritime Shipping]. First of all, unlike the PZM fleet which can be transferred with relative ease from one market to another, the operation of the PLO fleet is strongly constrained by the very kind of shipping it provides and the consequent necessity to regularly service Polish ports, where the amount of cargo is decreasing. The rather old age of the fleet is also a very important handicap effectively eliminating it from competition for more profitable cargo. Despite the sale in the last year of the 70 oldest units, the average age of the PLO is about 13 years.

In spite of this difficult situation, the PLO is still holding its own. During the first 8 months of this year, the fleet of the shipowner from Gdynia, consisting of 163 of its own and 6 chartered ships, transported 3.31 million tons of cargo, that is 3.8 percent more than in the comparable period of last year. The shipowner handled a total of 1,414,000 tons of Polish foreign trade cargo, or 141,000 tons less than in the first 8 months of last year. However, cargo shipped between foreign ports and transit cargo was much larger than in the last year.

The size of the foreign-exchange balance of payments and the freight revenues paid by the customer from the II payments area [capitalist countries] are the most important indicators, on which the very existence of the enterprise practically hinges today. This year they even topped those of last year.

The economic indicators do not even begin to tell about the difficult road which the shipowner had to travel in order to attain them. They do not display the tremendous effort of almost the entire labor force expended in, for example, preventing the anchoring of the PLO fleet 1 day due to the lack of foreign exchange for purchasing fuel, paying port and canal fees, etc. The [Foreign] Trade Bank in Warsaw handles PLO settlements with foreign customers; the shipowner has an account there with assets going into hundreds of millions. Several months ago, the bank let it be known to the Polish shipowners, in no uncertain terms, that it was no longer to be relied upon and that they would have to manage themselves.

In practical terms, that means that the PLO has been settling its foreign-exchange accounts itself for several months. Since then, a strategy based on the subordination of all operational steps to one goal has been pursued by the enterprise, the goal being to secure a large enough freightage from foreign customers to be able to cover all foreign-exchange expenses of the enterprise out of revenues. This is the only way to keep the maritime lines going, where costs exceed revenues. Unfortunately, that is the case with a majority of the PLO lines. They include all lines where the cargo of Polish foreign-trade organizations dominates. These organizations, of course, settle with the PLO in zlotys. In other words, the export of transportation services by Polish shipping lines makes it possible to ship Polish export cargo for zlotys.

The actions of the PLO aimed at achieving this goal are two-pronged. First, the shipping of cargo on the order of foreign customers is being intensified; second, costs are being streamlined, especialy foreign-exchange costs.

On the first direction, measures are being implemented such as the introduction of two detached service lines between foreign ports. One of them is the line between Valencia and the ports of Tripoli and Benghazi in Libya, which is served by small ships of the "Kudowa Zdroj" type retired from European lines due to the lack of Polish cargo. The other is the link between Hamburg and Lagos, the capital of Nigeria, serviced by two sister container ships chartered by the PLO, "Opal Bounty" and "Turquoise Bounty."

However, the largest increment of foreign-exchange revenues has been secured by our line shipowner by consistently increasing feeightage between foreign ports. Many concrete examples of such activities can be cited for each of the 30 lines regularly serviced by the PLO fleet. There is no way to mention all of them here.

Service on Australian and South Pacific lines may be a good case in point. The Australian line used to be based on the shipment to Poland of wool, raw hides and molding sand. Import of the latter has recently fallen off by more than one-half. Now the line ships considerable quantities of railway ties, onions, frozen fruit, wool destined for consignment warehouses from Australia to Europe and also increasing quantities of containerized cargo to the port of Jeddah in Saudi Arabia. This line can also provide a good example of the currently implemented policy of the PLO aimed at enhancing acquisition activities not only at the base ports of its shipping services, but in markets with lower cargo potential as well. In these markets, the competition by the groups of foreign shipowners is not as stiff as, for example, in Western Europe, Australia or New Zealand.

Hence, the already mentioned dockings in Jeddah, in the British ports to which we ship railway ties, and, recently, in Colombo on Ceylon by the semicontainer ship "Artur Grottger" to pick up 200 containers destined for Great Britain.

The South Pacific line provides an even better example of the PLO's attempts to obtain foreign cargo. Since relying on Polish cargo transported to New Zealand and other countries in the South Pacific region is hardly to be reckoned with, the shipowner was compelled to boost acquisition in foreign ports, mainly in Western Europe.

At present, the ships pick up in Western Europe on almost every trip from 60 to 70 containers with goods, some of which are destined for branches of French department store chains on Tahiti and New Caledonia, and also several hundred tons of noncontainerized flour and sugar, prefabricated construction elements, structural steel, passenger cards and considerable quantities of goods that require refrigeration while in transit--meat, cheese, ice cream, poultry and vegetables.

In the opposite direction, the cargo holds of the PLO ships are most often filled with copra which is transported from the islands of Tonga, Vanuatu and Kiribati to Rotterdam. For example, the "Frycz Modrzewski" and the "Marian Buczek" brought a total of 7,000 tons of this cargo to Rotterdam in August. Along with copra, coffee has recently acquired the positio of a prime return cargo. It is shipped from the port of Lae in Papua-New Guinea to Hamburg. Coffee is a totally new cargo, never before carried by the ships of this line. It has replaced fish flour and frozen fish, which used to be shipped from Peru to Poland by the PLO for the recently dissolved Polish-Peruvian fishing enterprises (milk powder was carried from New Zealand to Peru). Recently, two ships, the "Marion Buczek" and "Hanka Sawicka" brought a total of 3,400 tons of coffee from Lae to Hamburg.

A very high foreign-exchange balalnce on this line has resulted from these efforts. It exceeded the planned quota by almost $2 million for the five trips of the ships of this line in the first half of this year. This [positive] balance allows the lines to cover foreign-exchange expenses, namely, purchases of fuel, payment of port and canal fees (the Panama and Kiel canals) and so on, not only of the ships of this line, but of many other PLO ships servicing other routes.

The cancellation of the line to the Great Lakes this spring and the restriction of regular lines to Canadian ports to Halifax alone are among other measures aimed at reducing costs wherever it is economically justifiable. Conventional service Szczecin-Hamburg was canceled on European lines where the drop in the amount of Polish cargo has been especially pronounced. The amalgamation of Rotterdam and Antwerp lines is being considered. In the face of increasing cargo shortage in Polish ports, the so-called return cargo runs are becoming increasingly common, i.e., the ships both start and finish their trips in West European ports: Hamburg, Bremerhaven, Rotterdam and Antwerp.

The transformation of the previously independent links in Baltic and West European routes into connecting services of ocean lines accomplishes the same goal. This has been the function of the Szczecin-Hamburg line for several months now. The line carries containers with Polish goods destined for the detached Hamburg-Lagos service. The ships of European lines are increasingly used to assembly in Gdynia, Szczecin and Gdansk the paper and cellulose from Scandinavian countries which is later loaded on Polish line ships bound for Australia.

The entire system of connecting lines is in the startup stage. The lines will cooperate with the South American service employing modern "Tadeusz Kosciuszko"-type container ships and the Australian service, where roll-on/roll-off craft of 21,000 tons deadweight with a carrying capacity of 1,200 20-foot containers will be introduced next March.

Lack of cargo from Polish ports and tremendous costs associated both with the servicing in foreign ports and repairs and maintenance of some shiops in good technical conditions (lack of spare parts, paints, materials, long terms of repairs in shipyards, etc.) were also the reason for selling the 10 most obsolete and uneconomical vessels of the line shipowner last year.

As the needs of our foreign trade in unit cargo tonnage decrease, the PLO gradually reduces the amount of specialized tonnage chartered from foreign shipowners. Recently, two roll-on/roll-off vessels, the "Welcome" and "Translink" owned by foreign shipowners were retired from the PLO lines. For the same reason, the PLO was able to charter (until the end of this year) the "Lebork," a ship of the Finnish line, to a West German shipowner, and the "Koszalin" and "Zywiec" to transocean, which employs them to service fisheries of Namibia and Western Canada.

These measures, all of which can hardly be enumerated in a short article, are the reasons why the PLO not only manages, but also can transport a considerable amount of Polish cargo for zlotys, despite the drastic situation with the tonnage of its fleet and the equally drastic situation of our economy.

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# EFFECTS OF NEW ECONOMIC MECHANISM ON EXPORT ACTIVITY

## Emphasis on Financial Equilibrium

Bucharest REVISTA ECONOMICA in Romanian No 47, 20 Nov 81 p 12

[Article by Dr Constantin Fota]

[Text] A study of the new economic mechanism in the area of foreign trade discloses its innovative nature. Within the foreign trade activity as a whole--beginning with production for export, as a decisive element of the process, and ending with the actual commercialization on foreign markets--it creates new conditions for pursuing our foreign economic relations according to the current and future needs of our national economy, while taking into consideration the increasingly complex situation on the world market. In essence, it seeks to achieve three basic objectives:

To firmly institute within foreign trade the principles of the new economic mechanism, based on workers's self-management and economic, financial, and currency self-administration;

To modernize the entire activity of foreign trade and international economic cooperation by continually renewing and adapting production to the demands of foreign markets, and by promoting active forms and methods of commercializaion comparable to those of the competition;

To substantially increase the profitability of exportation, importation, and international economic cooperation operations, by reducing domestic costs and efficiently using importations, but especially by improving the quality of commercial activities and by effecting transactions on those foreign markets which do not have their own resources of goods, so as to return the highest possible net currency contribution.

The major features of this new foreign trade mechanism are described below.

### The System of Currency Self-Administration

The foundation of this system was the objective requirement to assure an equilibrium in the balance of foreign receipts and payments, as a precondition for the general economic equilibrium.

To this end, the system makes use of the generally valid principle that each central organ or economic unit involved in foreign economic activities, assure through its own exportations the means of payment needed for importations, and contribute to the growth of the state's currency fund. As an instrument for respecting this principle, the law stipulates the formulation of trade balance and of the plan for currency receipts and payments within each central organ and each economic unit, in direct correlation with the provisions of the plan for foreign trade and international economic cooperation.

In our socialist state, where financial and currency resources are also allocated as a function of the general needs of socioeconomic development, there will undoubtedly exist in the future ministries and economic units for which the plan will allow certain deficits in foreign payments and exchanges. The essential condition imposed by law is that these central organs or units, as well as those for whom the plan stipulates surplusses, be strictly included in the established currency equilibrium, and consistently correlate the importation they need for fulfilling the plan, with the extent to which they achieve their exportation.

In order to monitor the performance of currency self-administration, it is of immediate practical importance to devise a uniform method for monitoring exportation receipts and committing importation payments, keeping in mind that action must be taken at the time the contract is signed, so as to correlate and synchronize these monetary exchanges.

Direct Reflection of Foreign Trade Financial Results in the Management of Economic Units

Also in order to promote economic leverages in economic management, the new mechanism makes use of the principle that the results of foreign trade activities are reflected directly in the management of foreign trade enterprises and production units.

Until the new mechanism came into effect, units which produced goods for exportation and which made use of imported ones, usually accounted for them at domestically established prices, independently of their currency prices, and foreign trade enterprises charged to the state budget the differences between domestic prices and foreign prices transformed in lei. The current regulation assures an intimate relationship between the management of economic units and the results of their activities on foreign markets, without state intervention (except in some special situations determined by the evolution of the international economic situation). At the same time, foreign trade enterprises are asked to fully cover from their own incomes, all the expenses that they incur--both in lei and in currency--using as a particular source of receipts (in addition to the usual commissions) the foreign price level of exported goods, as well as the currency contribution from commercial operations with customers who do not have their own resources of goods.

In turn, production units must intensify their concern for completing export production according to schedules and qualities established by contracts; for modernizing products and increasing their valorification on foreign markets; and for substantially improving service, spare parts deliveries, and technical assistance, in order to retain and develop their markets.

The Uniform Exchange Rate and Rates of Return for Products and Groups of Products

The introduction of the uniform exchange rate represents a significant step in the transition to the convertibility of the leu, an extremely important goal of the party program.

It is notable that the level of the uniform exchange rate is established as the average of the return rates for exportation and importation, by products and groups of products, thus reflecting economic realities in terms of relationships between national productivity and the worldwide level of productivity.

In international practice, banks account for exportations and importations in national currency, usually at the official rate of exchange established for foreign currencies. It is to be expected that in Romania as well, as the uniform exchange rate is reduced and the return rates of products become tightly bound to it, exported and imported goods will--at a future time--be regularly accounted for at a uniform exchange rate.

Although the new mechanism has been introduced in practice relatively recently, some conclusions can be reached about its efficiency.

All economic units--both producers and foreign trade ones--are increasingly aware of the fact that planned importations no longer represent an a priori right, but rather a possibility, which can be materialized only in strict correlation with the achievement of exportations. This has intensified the concern to fulfill exportations at planned levels, as the only solution for obtaining necessary importations.

Foreign trade enterprises have intensified their activities for writing exportation contracts at planned levels, in order to assure the most reliable prospects for fulfilling the exportation plan.

Producers have intensified their concern for completing their contracts on schedule, and for the value that their products bring on foreign markets.

Through the new organization that has been instituted, foreign trade enterprises monitor and are more aware of the progress of export production, and are increasingly interested in adopting effective measures for completing export contracts on schedules and terms reached with foreign customers. At the same time, these enterprises are intensely concerned in conducting a lively commercial activity on foreign markets, which will allow them to achieve planned levels of activity, fully remunerate workers, and obtain additional incomes.

These positive phenomena in foreign trade activities will expand during the next period, the new foreign trade mechanism thus demonstrating its viability and need in practice, by raising our country's foreign economic relations to a higher level.

## Increased Responsibility of All Producers

Bucharest REVISTA ECONOMICA in Romanian No 47, 20 Nov 81 pp 13-14

[Article by Dr Ioan Georgescu]

[Text] We continue the discussion which we started about the new economic mechanism in foreign trade (REVISTA ECONOMICA, Nos 47, 48, and 49/1980, 15, 22, 23, and 27/1981, and this year's supplementary edition of "International Financial-Currency and Commercial Relations"), in which many proposals were advanced on the most effective and efficient ways for putting in practice the requirements of economic-financial and currency self-management and self-administration in this sector of activity. Naturally, the new trade concept based on self-management presuposes an active participation on the part of all workers in the system, and initiative in conducting an efficient, coordinated activity in the dynamics of the world market. The present article presents new proposals for the most efficient application of these requirements.

### Exportation is no Longer the Task of Specialized Units

Defining competitivity as the ability to react more promptly to demand, for goods of equal quality, we will examine the competitivity resources offered by the new economic mechanism.

To begin with, a few clarifications should be made about currency self-management. The principle of a balanced import-export activity within each enterprise must not lead to the simplistic understanding that all enterprises must become direct exporters in order to obtain their imported goods. A flexible, dynamic, active, and responsible understanding of the concept of self-management does not exclude the need that export production be specialized, but in fact makes it desirable that only those enterprises, branches, and sub-branches which have a competitive advantage on the world market, orient themselves toward exportation.

Which however, does not mean that exportation should be regarded as the exclusive task of specialized export units, since thousands of subcontractors from the most different sectors of the economy participate in export production, and other enterprises can become very competitive during this process. The synergy in the exportation effort refers not only to collaboration among enterprises within a given industrial central, or to cooperation within an economic branch, but also to the level of the national economy as a whole.

One characteristic of the socialist economy is its capability for optimum utilization of resources in the unified national economy, in order to achieve its goals. As an example, in the foreign trade domain all the economic forces of the system must be subordinated to the to the objective of equilibrium in the balance of trade and foreign payments. Since experience has shown that the socialist economy is not protected from the circumstantial influences of the world market, it follows that we must consistently and systematically monitor the movements of the international market, so that we can effectively make the necessary corrections in the structure of our export production. The institutional allocation of the

exportation plan, frozen in its physical structure for periods that are relatively long compared to the dynamics of the market, reduces the potential strength for synergetic action of the unified national economy, to the extent to which it does not act to dynamically adjust production programs as a function of foreign demand.

Experience has shown that even one-year plan periods are too long with respect to the situational changes in the world market. It is possible for instance, to determine that it is preferrable at a given time to export electronic and automation equipment as part of the machine-tool production rather than as a direct exportation. Similarly, it may appear necessary at a given time to use larger quantities of intensive factors in agriculture (tractors, agricultural machinery, chemical fertilizers) in order to offer more vegetal or animal products for exportation, at the expense of reducing the exportation of the actual products. It would appear that up to now, these values of the new economic mechanism have not been sufficiently explored to stimulate the initiative of workers in the system.

Under the existing legislation, it is perfectly possible for direct exporters to assume the export tasks of other exporters--who then become indirect exporters--with the latter retaining all the rights of exporters.

It is of course true that the risks of those who operate directly on foreign markets increase together with increases in the exportation volume. But these risks can be reduced with the help of pertinent market data, obtained from a scientifically organized information system, and through the writing of long-term guideline contracts which assure conditions for specializing the export production.

But if we dogmatically believe that each enterprise must export directly on the world market under any conditions, we will at times be able to sell only with great sacrifices in price, and we will not be able to properly derive the great advantages of the unified socialist economy.

In addition to the paperwork associated with these task-modifications in the exportation plan, several premises are also necessary:

A new attitude--active, dynamic, enterprising--in foreign trade workers, which is generated first of all by good professional training;

Legislation of risk limits for foreign trade workers, so that anxiety about errors will not limit their enterprising spirit, while allowing them to effectively use legal incentive leverages;

The pursuit of international-marketing professional activities at the level of industrial centrals, branches, and the national economy.

The possibilities for optimizing the structure of export production as a function of the international situation, are of course numerous.

All these multiple possibilities for optimizing the exportation structure must form priority goals for ministries and central coordination organs, who can see the overall exportation picture at any given moment.

The broadened scope of Romania's foreign trade enterprises, including the whole range of currency contributions, and import-export of services, know-how, engineering, and licensing, opens broad possibilities for optimum combinations of domestic production factors with those attracted from foreign markets, in order to assure competitivity. One example of currency contribution is the allocation of some agroalimentary products from the goods earmarked for export, to be sold at retail--and therefore several times higher--prices in international tourism units. The difference between the export price and the retail price in public food units (included in calculations of tourism rates) can result in a net currency income for the merchant (international tourism unit). In our country, tourism--"the smokeless industry"--benefits from a natural potential which far exceeds the current exploitation possibilities of the built-up material base. Why should we not consider as a currency contribution operation, the attraction of foreign investment funds for the valorification, in the form of tourism cooperation, of these natural resources which are as highly valued today as oil, coal, or iron?

Growth Options Determined by Resource Position

Another new objective of the new economic mechanism is to involve producers more intimately in the results of foreign trade activities.

Our country's specific position in resources of materials--importer of about 50 percent of its oil needs, and of the greatest part of the raw materials for steel making, it spends over 50 percent of the free currencies received from exportation on these two items alone--raises the important problem of how to transform these resources into competitive export products. A significant factor in the valorification of resources used to produce export goods, is a calculation of the rate of return of material production costs (after deducting from the total export price, manpower costs, energy, and profits at the uniform commercial exchange rate).

Analyses performed in branches, using this indicator, indicate large reserves for increasing the degree of valorification of raw materials used for export production.

As it becomes increasingly difficult to import raw materials, for which larger portions of exportation receipts must be allocated, the retention of the same export structure, of the same degree of raw material valorification, and of the same technology in products, draws foreign trade into a vicious circle: on one hand there is the need to increase exportations to be able to buy raw materials at increasingly higher prices; while on the other hand the consumption of raw materials is higher in order to be able to build more products at the same unit price. The only possible escape from this vicious circle is to intensively increase exportation through structural modifications of the export inventory, in favor of products with high technology, whose value includes a high proportion of national manpower.

The data in Romania's Statistical Yearbook allows only an overall comparison of industry and agriculture regarding their valorification of material costs, but even this comparison is significant in terms of reserves for intensive economic growth, and for higher export efficiacy. As can be seen from the table, the ratio between the contribution to the national income and material costs is greater than one for agriculture, and less than one for industry.

Specific proportion of industry and agriculture in the total social product (PST) in 1980 (percent)

| Branch | PST | Material costs | National income | Valorification index col. 3/col. 2 |
|---|---|---|---|---|
| Industry | 73.4 | 75.7 | 70.0 | 0.92 |
| Agriculture | 10.0 | 10.0 | 10.1 | 1.01 |

Source: 1981 Romanian Yearbook; Speech to the Second Workers' Congress, Ed. Politica, Bucharest, 1981.

When it becomes important to equilibrate the balance of payments, one criterion in the development of export production is the possibility of more rapidly deriving a return from the expenses incurred in a given sector of the economy, especially if we take into account the specific foreign demand.

For many developed countries (USA, France, Holland, Denmark, Hungary, and so on) the exportation of agricultural products plays a decisive role in the equilibrium of the balance of foreign trade and payments. Adaptation to the specific demands of foreign markets is only apparently simple. In practice, as demonstrated by experience with the world market, know-how is very important.

Pursuing the analysis to the level of sub-branches and products, the hierarchization of export priorities can be grouped by level of efficiency. The prolonged usage of rate of return as major indicator of export efficiency has meant that the most efficient exports of our machine construction industry have been considered to be the equipment which consumes large amounts of metal, while we are importing about 1.5 million tons of milled products which we do not manufacture in Romania. At the same time, iron is often used instead of wood (which is actually more difficult to obtain) in industrial and civilian constructions. It is already paradoxical that fences in our communities are made of iron, but even more so that in a "garden city" such as Bucharest, live fences along roads have been replaced with metal fences (when about 90 percent of our iron ore requirements are imported).

Determination of Foreign Market Position Using the Uniform Commercial Exchange Rate

Many high technology export products have high exchange rates because of an improper distribution of costs according to functions. For instance, a brief analysis of the value of a standard-production electric motor for exportation, shows that of the total raw and other materials costs (100 percent), about 16 percent represents costs for purchase through cooperation--at a cost which is four times higher than the price abroad--of the shell and iron shield, and about 17 percent represents costs for the purchase through cooperation, of the wood packing crate (instead of the collective packaging of carboard filled with plastic injected around the product, which would allow palletization and containerization). A number of other basic materials are purchased from domestic subcontractors, also at prices that are higher than abroad (prices are higher than the uniform exchange rate).

Under these conditions it is very difficult for the supplier of the finished product to fit into the guidelines of the uniform exchange rate, as long as this effort is not also made by his subcontractors.

Insofar as the new economic mechanism intends to facilitate the export production of subcontractors by granting them the status of exporters, then both the rights and the obligations--to meet the level of worldwide prices--of this status must be observed. This is the only way to obtain high technology complex products, which will also be competitive on foreign markets.

The present system of accounting for production expenses according to the foreign sales price converted into lei at the uniform exchange rate for the product group, discourages some enterprises from manufacturing exactly those highly technical and complex products for which they have many domestic subcontractors and cooperators, if the prices of the latter do not match the prices available on the world market.

The act of limiting the sphere of application of the unified exchange rate solely to the final export producer, when the latter cannot cannot choose his subcontractors and thus cannot influence the prices of his supplies (to match the prices on the world market), sometimes reduces the incentive for offering export products, even though from the standpoint of the national economy the exportation of these products is profitable. In the case of the electric motors discussed above, for instance, the fact that some subcontractors exceed the world market prices is due to the excessive profits included in the domestic prices; but since the users have no alternative supply sources, the subcontractors can afford to ask such prices.

The solution in such cases would be to limit the profits of these subcontractors to a reasonable level, while providing them with other incentives to subcontract for exportation. The concurrent development of the small industry as horizontal industry for large machine building enterprises, will make it possible to diversify subcontractors, and obtain industrial units with relatively lower production expenses, competitive on the industrial market, which will positively influence the efficiency of complex product exportation.

The conclusion is that improvements in the domestic price system can substantially contribute to the efficient application of the new economic mechanism in foreign trade activities, assuring a price structure which will enable a comparison with the average labor productivity found internationally for a product or group of products. This will assure that the hierarchization of products in the export inventory as a function of efficiency (rate of return), will also result in efficiency at the level of the national economy.

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## EARNINGS OF REPUBLIC FUNCTIONARIES IN BOSNIA-HERCEGOVINA

Sarajevo OSLOBODJENJE in Serbo-Croatian 17 Dec 81 p 7

[Article by Lj. Smajlovic based on figures presented in a news conference by Vaso Radic, chairman of the Joint Commission for Monitoring and Enforcing the Self-Management Accord on Joint Bases and Scales for Establishing Personal Incomes and Other Benefits of Republic Officials]

[Text] The personal incomes of republic officeholders are established in Bosnia-Hercegovina on the basis of the Self-Management Accord on Joint Bases and Scales for Establishing Personal Incomes and Other Benefits of Republic Officials, which were set forth in September 1977 by the Presidency of SRBH [Socialist Republic of Bosnia-Hercegovina], the LCBH [League of Communists of Bosnia-Hercegovina] Central Committee, the SRBH Assembly and the Executive Council of the SRBH Assembly, the Council of the Federation of Bosnia-Hercegovina Trade Unions, the Republic Committee of SUBNOR [Federation of Associations of Veterans of the National Liberation War] and the Republic Conference of the Bosnia-Hercegovina Socialist Youth League.

That agreement states that the total personal income of a republic officeholder shall be established by multiplying the average personal income earned in the economy of Bosnia-Hercegovina in the previous year by the coefficient assigned to the respective office, and the portion of personal income based on past labor is added to that amount. The personal incomes of officeholders are adjusted to the variation of personal incomes in the republic's economy at least once a year. It should be said that so far no adjustment has yet been made according to the opportunities afforded by the self-management accord.

The last adjustment of personal incomes of republic officeholders, for instance, which amounted to 10 percent, was made after very extensive consultations on 1 July 1981 on the basis of the average personal income earned in the republic economy over the first 6 months of that year. According to the official data of the Republic Bureau for Statistics, that average personal income was 8,232 dinars. Thus the adjustment made was 30.4 percent below the opportunity afforded by that self-management accord. That is, the coefficient could have been 4.1 percent, but a limit was put on the coefficient as 3.86, and that applies to the offices of the chairman of the SRBH Presidency and the chairman of the LCBH Central Committee.

This was announced yesterday in Sarajevo to newsmen in a briefing given by Vaso Radic, chairman of the joint commission for monitoring and enforcing this self-management accord and by several other members of the commission. The briefing was organized by the Republic Committee for Information, and the newsmen were allowed to see and examine the present coefficients and base salary levels for the various offices in the republic.

The only other element added to the personal incomes of officeholders computed in this way is that portion based on past labor, which is again established so that the base salary is increased for every year of pensionable service 0.45 percent for men and 0.52 percent for women, but the total percentage may not exceed 18.

| Office | Coefficient | Base | Base Salary |
|---|---|---|---|
| Chairman of the SRBH Presidency and chairman of the LCBH Central Committee | 3.86 | 8,232 | 30,294 |
| President of the SRBH Assembly and chairman of the Executive Council of the SRBH Assembly | 3.65 | 8,232 | 30,047 |
| Members of the SRBH Presidency | 3.57 | 8,232 | 29,388 |
| Members of the Presidium of the SRBH Central Committee | 2.84-3.38 | 8,232 | 26,507<br>27,824 |
| Vice presidents of the SRBH Assembly and vice chairmen of the Executive Council of the SRBH Assembly | 3.22 | 8,232 | 26,507 |
| Presidents of the chambers of the SRBH Assembly | 3.15 | 8,232 | 25,930 |
| Members of the Presidium of the Republic Conference of the SAWPBH | 2.76-3.07 | 8,232 | 22,720<br>25,272 |
| Members of the Presidium of the Council of the Federation of Bosnia-Hercegovina Trade Unions | 2.65-3.07 | 8,232 | 21,815<br>25,262 |
| Chairmen of the working bodies of the SRBH Assembly and of the chambers of the SRBH Assembly and members of the Executive Council of the SRBH Assembly | 2.92 | 8,232 | 24,037 |
| Deputy republic secretaries and deputy chairmen of republic committees | 2.46 | 8,232 | 20,251 |

It should be said that the term "base salary" does not mean here what it means in the economy, that is, only the base salary beyond which it is possible to earn more on the basis of better performance and greater effort. In the case of republic officeholders the only thing that can be added to the base salary is past labor, and nothing more. There is no "13th paycheck," nor any variable portion, but only compensation for performing the duties of the office. Thus republic officeholders with a 1-year term of office, as is the case of the chairmen of the Republic Conference of the SAWPBH, the Council of the Federation of Bosnia-Hercegovina Trade Unions and the Republic Committee of SUBNOR of Bosnia-Hercegovina, retain the coefficients which they had in their previous post, and if those coefficients are lower than those envisaged for these positions, the difference is paid up to the level of the coefficients assigned to those offices as compensation. This compensation (the supplement for officeholders) is

paid for only 1 year and is not part of the personal income. It should also be added that this self-management accord covers 155 people in the republic.

Those who hold the most prestigious and responsible offices in the republic, it was noted by certain newsmen in yesterday's briefing in the SRBH Assembly, have personal incomes which are lower than certain opstina leadership positions, than professional managers in associated labor, and also administrators in certain self-managing communities of interest. The justification is that this occurs because in certain opstinas, for example, the highest coefficients established in the republic are being used, but those coefficients, as we have seen, have never been used at the republic level. Another reason why such high personal incomes occur is that a different base is used for arriving at the salary, the average personal income in the republic's economy being replaced by the average personal income in the opstina or in the branch of the economy to which the respective organization of associated labor belongs. This average is, of course, always higher than the average personal income in the republic's economy.

We should also point out that republic officeholders covered by this accord do not have any other material benefits. It was explicitly stated in response to a newsman's question that steps have been taken in the SRBH Assembly to prevent the abuse of official cars for private purposes, and the use of luxury cars, of Mercedeses, that is, has been reduced to the minimum and they are now used only for receiving visits of delegations and for long official trips.

Other personnel, incidentally, those holding positions within the organizations that are participants in the self-management accord and in other republic bodies and agencies, have lower personal incomes than the deputy republic secretaries and deputy chairmen of republic committees, depending on the jobs they perform. Because of the low personal incomes of these personnel as compared to similar categories of personnel in associated labor, self-managing communities of interest and elsewhere, there have been difficulties in choosing capable new people for these positions, and there are even cases when these personnel have left for other places where the pay is better because of the low personal incomes.

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JPRS 79896

19 January 1982

# East Europe Report

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2222

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19 January 1982

# EAST EUROPE REPORT

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2222

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REPORT, COMMENT ON INDUSTRIAL PRODUCTION FOR JANUARY-OCTOBER PERIOD

Sofia IKONOMICHESKI ZHIVOT in Bulgarian 18 Nov 81 p 4

[Report, commentary by Committee for a Unified System of Social Information: "Industry in NRB during the Period January-October, 1981"]

[Text] The plan for production of marketable production was fulfilled by 101.2 percent during the period January-October. The output which has been realized is greater by 152 million levs, or 0.6 percent than that specified by the plan.

The volume of industrial production during January-October increased by 5.4 percent as compared with the corresponding period of last year.

Fulfillment of the plan for production and realization by individual ministry is as follows:

| Ministries | Percents: Fulfillment of plan for commodity production during January-October, 1981 | Percents: Fulfillment of plan for realization of production during January-October, 1981 |
|---|---|---|
| Min. of Power | 101.0 | 102.7 |
| Min. of the Chemical Industry | 101.1 | 100.3 |
| Min. of Machine Building and Electronics | 100.3 | 100.3 |
| Min. of Light Industry | 102.4 | 100.7 |
| National Agrarian-Industrial Union | 101.0 | 101.2 |
| Min. of Construction and Architecture | 100.5 | 98.6 |
| Min. of Metallurgy and Mineral Resources | 100.6 | 97.9 |
| Min. of Transportation | 101.0 | 99.8 |
| Min. of Forests and the Forestry Industry | 102.3 | 101.4 |
| Min. of Internal Trade and Service | 103.8 | 102.2 |

| Production of certain basic industrial items | Output produced during January-October, 1981 | January-October, 1981 as a percentage of January-October, 1980 |
|---|---|---|
| Electric power, millions of kWthr | 29667 | 105.7 |
| (Compressed coal) briquettes, thousands of tons | 1194 | 102.6 |
| Rolled ferrous metals, thousands of tons | 2741 | 106.5 |
| Cold-rolled sheet metal, thousands of tons | 545 | 105.1 |
| Hot-rolled sheet metal, thousands of tons | 1175 | 106.7 |
| Galvanized sheet iron, thousands of tons | 91 | 117.2 |
| Steel pipe, thousands of tons | 215 | 106.8 |
| Electrical instruments, thousands | 272 | 115.8 |
| Machine tools, units | 7409 | 101.1 |
| Cranes, units | 1796 | 106.1 |
| Internal combustion engines, units | 16827 | 143.2 |
| Electric telpher, units | 97145 | 101.5 |
| Nitrogen fertilizers, thousands of tons | 619 | 102.4 |
| Phosphorous fertilizers, thousands of tons | 206 | 112.5 |
| Oil-based prints and varnishes, thousands of tons | 40 | 93.6 |
| Chemical fibers and silks, thousands of tons | 83 | 105.0 |
| Cement, thousands of tons | 4553 | 103.4 |
| Asbestos-cement pipes, thousands of metres | 2127 | 110.8 |
| Bricks, millions | 1198 | 101.2 |
| Cellulose, thousands of tons | 151 | 103.5 |
| Cardboard, thousands of tons | 55 | 107.2 |
| Household glasswares, thousands of levs | 23169 | 112.8 |
| Ceramic tiles, millions | 215 | 106.0 |
| Household porcelain wares, thousands of levs | 29692 | 99.6 |
| Cotton yard goods, millions of metres | 289 | 102.4 |
| Silk yard goods, millions of metres | 29 | 105.4 |
| Outer knitted goods, millions of pieces | 34 | 102.8 |
| Tailor and dressmakers articles, millions of levs | 242 | 105.9 |
| Shoes, thousands of pairs | 14382 | 103.4 |
| Meat, thousands of tons | 383 | 98.3 |
| Meat products, thousands of tons | 78 | 104.5 |
| Canned vegetables, thousands of tons | 196 | 96.9 |
| Canned fruits, thousands of tons | 213 | 115.3 |
| Cheese, thousands of tons | 88 | 107.1 |
| Yellow cheese (Kashkaval) | 20 | 119.8 |
| Sugar, thousands of tons | 313 | 109.0 |
| Tobacco products, thousands of tons | 71 | 107.4 |

COMMITTEE FOR A UNIFIED SYSTEM OF SOCIAL INFORMATION
10 Nov 1981, Sofia

## COMMENTARY

The generalized data on industrial development during the ten months of 1981 show that good results have been achieved in fulfilling plan quotas. The plan for commodity production has been over-fulfilled by 1.2 percent, and its realization is 0.6 percent greater.

It is characteristic that for the greater part of the especially important articles which form the national financial balances, rhythmical production has been achieved, and this is an exceptionally important condition for realization of the annual quota. The plan for reduction of financial expenditures, which is the basic prerequisite for insuring full self-support of units and economic organizations, was also over-fulfilled.

An analysis of what has been accomplished up to now shows many unused reserves for even better realization of plan quotas which still exist. Again, due to the weaknesses of an internal nature, the 10-month plan for 271 units were not fulfilled.

In recent months, a certain lag in expediting products which have been produced has emerged, a fact which leads to untimely receipt of monetary assets from its realization. Fulfillment of the plan for realization has been abandoned in certain economic organizations: DSO [State Economic Organization] "Metaloleene" [Metal Casting], DSO "Zavodi za metalorezheshti mashini" [Plants for metal-cutting machines], SK [economic combine] "Rila", DSO "Tsiment i varodobiv" [Cement and Lime Production], DSO "Mlechna promishlenost" [Dairy industry] and others.

In about 500 units, chiefly because of non-incorporation of developments, over-expenditure is permitted as compared with the established norms for consumption of raw materials and funds.

Along with overcoming difficulties and elimination of weaknesses which have been tolerated in fulfilling the plan quotas for 1981, now the necessary preparatory work for rhythmical production must be performed everywhere beginning from the first days of January, 1982. And this requires that work organization be improved so that all available material and labor resources in industry may be used to the greatest extent.

9194
CSO: 2200/31

DEVELOPMENT, EXPANSION OF PRIVATE FARM PLOTS ENCOURAGED

Sofia OTECHESTVEN FRONT in Bulgarian 3 Dec 81 p 2

[Article by Grigor Lilov, secretary of the commission for administration of the self-sufficiency system for the population of the settlement systems: "Private Farm Plots during the Eighth Five-Year Plan"]

[Text] Private farm plots today provide 41 percent of the meat, 28 percent of the milk, 52 percent of the eggs, 45 percent of the fruits and 37 percent of the grapes. By Council of Ministers' Decree No. 1 of 1981 their tasks were placed on a new and significantly broader basis. The agroindustrial complexes bear the entire responsibility for the production and purchase of the population's output. This year's new purchase prices, by which the state is giving the population an incentive to increase the production and sale of agricultural products, also has a great part to play.

All the organizational and economic preconditions have thus been created for the rapid development and strengthening of the private farm plots.

Four years have elapsed since the self-sufficiency system was introduced. The results, especially in 1981, confirm the correctness of the party policy of turning private farm plots into an important potential reserve for providing the population with more and higher-quality agricultural products.

What Do the Results Show?

The number of head of sheep and cattle is increasing more and more. During the 1977-1980 period breeding ewes on private farm plots increased by 566,000, and since the beginning of 1981 alone by 267,000. There has been a significant growth in the animal and vegetable products purchased from private farm plots. In four years (1977-1980) more than some 20,000 tons of meat were purchased, 70 million liters of milk, 50 million eggs, 14,000 tons of tomatoes, 23,000 tons of fruits, 11,000 tons of grapes etc. In 1981 it is expected that 8000 more tons of meat and 37 million more liters of milk will be purchased than in 1980.

Nearly 700,000 decares of abandoned low-yield and small-sized parcels of land unsuitable for machine cultivation have been distributed to plot-holders. Over 300,000 citizens each received 100 square meters of irrigated land for the

production of vegetables for the needs of their own households. Therewith the number of people engaging in agricultural activity during their spare time grew by more than 400,000.

Experience of Mikhaylovgrad Okrug in Integrating the Fattening of Lambs and Calves

Many agroindustrial complexes employ effective ways of getting the population involved in raising sheep, cattle, vegetables, orchards and vineyards. The experience of Mikhaylovgrad Okrug in integrating the fattening of lambs and calves between the agroindustrial complexes and individual plot-holders is noteworthy. The agroindustrial complexes make available the lambs, calves, feeds etc. and within a stipulated time period the plot-holders delivered the fattened animals. Both parties have a personal interest--the APK [agroindustrial complex] receives more meal for the fulfillment of its unified plan, and the plot-holders get a good income. In Pazardzhik Okrug early tomatoes, gherkins and other labor-intensive vegetables are almost entirely produced by APK subcontracting with the population. There has been good experience in enlisting the population in vegetable-raising in Burgas, Varna and other okrugs. In Silistra Okrug several thousand decares of unproductive and small-sized vineyards have been granted to plot-holders and high yields are now being obtained. The Sandanski APK for year after year has been raising swine, berries, vegetables and other crops with the help of pensioners, manual and office workers.

Relations between APK's and Private Farm Plots

In many places, however, the concern of the complexes boils down to talk and to purchase of output. Although the agroindustrial complexes now have grain, farm plot-holders have not been paid the more than 150,000 tons due them, which is 77 percent of the feed owing them in return for animal products purchased in 1981. In Yambol Okrug only 50 percent has been paid, in Varna 52 percent, and in Burgas 58 percent. The situation is more difficult still when one considers that these data do not include the grain that should be distributed in advance during negotiations. Such a relationship does irreparable harm to the private farm plots.

In a number of places not enough baby pigs and chicks and breeding animals are made available to private farm plots. During the period from February to May there was a shortage of about 500,000 baby pigs and 5 million baby chicks. The "Swine-Breeding" and "Poultry-Farming" Scientific Production Trusts, the okrug agroindustrial unions and agroindustrial complexes are not setting up the necessary organization for impregnation of the necessary number of sows in the autumn for distribution to the population. Matters are the same in poultry-farming, too.

Sufficient fertilizers, preparations, seeds and planting stock are still not provided. Small-sized machinery is lacking: motor cultivators, small tractors and tractor-drawn implements, other machinery for working sloping and small-sized areas. No light-weight or convenient sprayers are produced.

There are serious weaknesses in the purchase of animal products, and especially of sucking and weanling lamb. Many of the agroindustrial complexes and purchasing

organizations are slow in reorganizing and are not setting up the necessary organization and physical facilities for the direct purchase of output from the population.

What Are the Main Directions to be Taken?

What are the main directions in which efforts should be concentrated for further strengthening and expansion of production on private farm plots?

To begin with, a completely new attitude towards the problems of the private farm plots on the part of state and economic agencies is necessary. A change must be made from general pronouncements to concrete practical work. There must be a complete reversal in planning, in material and technical supply, in the provision of economic incentives and the purchase of output.

A new approach is needed in order to get the population involved in raising labor-intensive vegetables and orchards and vineyards. Special attention must be given to increasing the acreage and production of dessert grapes on private farm plots and, above all, around cities. This can be done by having the agroindustrial complexes provide the necessary acreage, planting stock and the machinery needed to cultivate the vineyard, or make newly planted vineyards available on contract to manual and office workers and pensioners. It is advisable to parcel out the existing small-sized vineyards that cannot be cultivated by machine.

For the present, pork production on the private farm plots remains at the same level. Radical measures are needed and, above all, feeds should be distributed regularly, but not just on the purchase of animal products. Feed must be made available mainly at the time contracts are concluded. In this regard, the experience of the Swine Complex in the village of Manole, Plovdiv Okrug, is good. Feeds are distributed as early as contract negotiations, with the complex delivering them to the homes of plot-holders and providing the latter with baby pigs or impregnated sows. That is why pork production increases every year.

In our country we now have all the conditions for solving swine production and the further increase of pork and poultry, mainly by making use of the potentialities of the private farm plot. For this purpose, first thing in 1982 the agroindustrial complexes must make available on contract to individual plot-holders pregnant sows for the production of young pigs for maximum satisfaction of the needs of the population, and at the same time regularly distribute feeds and purchase animals.

This way of integrating private farm plots and socialized farming must be employed extensively in sheep-raising and cattle-breeding. Plot-holders who raise a larger number of sheep and cattle in the mountain regions must be encouraged. Individual, family and small-group contract work in sheep-raising must be expanded. Sheep-raisers must be permitted, under conditions determined by the agroindustrial complexes, to raise their own sheep in the common flocks.

The agroindustrial complexes must decisively improve servicing of the population with agricultural machinery, transportation and work animals, and provide a regular supply of fertilizers, seeds and planting stock.

In order to expand production by private farm plots, the agroindustrial complexes must extensively utilize the assistance of Fatherland Front organizations. With their help meetings must be held with plot-holders to negotiate for output and listen to their suggestions and critical comments about weaknesses in the management of private farm plots. Jointly they must determine ways of activating the population to increase sheep, cattle, swine and poultry and to produce more meat, milk, eggs, fruits and vegetables. Without this joint action, the most effective forms and ways of turning the private farm plot into an extension of and supplement to socialized farming cannot be found and employed.

6474
CSO: 2200/40

REPORT ON VARNA-ILICHOVSK FERRYBOAT OPERATION

Sofia OTECHESTVEN FRONT in Bulgarian 13 Nov 81 p 3

[Article by Yordan Aleksandrov: "The Brotherly Competition Continues"]

> [Text] How rapidly these three years have passed. It seems as if that unforgettable November day were yesterday, with the memorable ceremony and red and tri-color flags flying, when the Varna-Ilichovsk ferryboat complex was opened.

During these 3 years, day and night, in rain and wind, in cold and heat, seamen and railroad workers confirmed the great new truth about the strength of economic integration between our two sister nations. And when Yuriy Yakovlevich Solov'ov, capitan of the Soviet ferryboat "Geroite na Shipka [The Heroes of Shipka]" says that in Ilichovsk and in Varna the First Commandment for us is "Always be on schedule," that means that two collectives which are capable and talented and which merit respect have grown up and matured on the shores.

During the past 3 years the four ferryboats have conveyed in all 7.24 million tons over the blue route to friendship. For the 10 months of this year, above-norm freight in the Varna-Ilichovsk route reached 80,000 tons, which was the basis for the announcement of engineer Todor Dimitrov, deputy of operations, that the ferryboat complex in Varna will fulfill its annual plan 8 days ahead of schedule.

In all, 2,682 trips have been completed, with the average load conveyed this year being 96 cars as compared with 97 in 1979. Revenues have also increased noticeably. For the 10 months of this year 750,000 levs in above-plan revenues have been realized. Local idle time of the cars has been reduced by more than 3 hours, while the time for working a single boat has been reduced by 1 hour as compared with the normal round trip time of 60 hours for each ferryboat.

"We set ourselves the task," engineer Todor Dimitrov shared with us, "to correct this norm in 1982, while we reduce the round-trip time to 56 hours and continue this tendency in the following years."

The Jubilee year 1981 will be remembered with developed and incoporated new technology for the work of the entire complex in accord with the requirements for high efficiency and quality. Construction will start this year on a second

bascule drawbridge-overpass. Unfavorable weather conditions will be compensated by it and longer lasting and sure work conditions will be guaranteed.

The ferryboat complex now possesses more than 200 residences in Beloslav and Varna. Construction of a central kitchen, which will perceptibly improve food quality, is presently being completed. The ferryboat complex has its own newspaper and its amateur artistic groups are already represented in independent concert appearances.

Tomorrow, along with the holiday toasts, a business balance sheet on the socialist competition with the collective from the city of Ilichovsk will also be drawn up. During the first and third quarters of the year, the Varnians came out on top. And they will now consolidate first place! This will be understood later. One thing is sure: the victor is friendship, crystaline and pure!

9194
CSO: 2200/31

PARLIAMENT STUDIES BUDGET, FINANCE DRAFTS

## Draft Law on Banks

Warsaw TRYBUNA LUDU in Polish 11 Dec 81 pp 1,2

[Text] Draft laws on taxing units of the socialized economy, on the financial conduct of state enterprises, on a statute for the National Bank of Poland and on "the banking law" have been submitted to the Sejm by the government.

Thus, the Sejm has been presented with a package of draft laws inextricably connected with the reform of our economy. In early December, draft laws on socio-economic planning on prices, on privileges of conducting foreign trade and on state statistical service were submitted to the Sejm.

One of the basic legal acts associated with the economic reform is the draft law on taxing units of the socialized economy. It is closely related to the law on state enterprises and the draft law on the financial conduct of enterprises. As the governmental justification of the draft law states, the taxes will shape, among other things, profits, which under new regulations will serve as a yard-stick of management efficiency; they will influence the distribution of this profit (income tax) and therefore define the financial assets allocated for the development of enterprises and the benefits for labor forces. Due to this, taxes should be one of the main tools of indirect control of the enterprise economy.

The draft law limits the scope of taxes to the turnover tax, the tax on the wage fund and the real estate and income taxes; it also defines the basic principles of taxation. Thus far, the tax and numerous nontax fees have been regulated by ordinances of the Council of Ministers rather than by a law.

As the justification states, the draft law on the financial conduct of state enterprises stipulates, in accordance with the principle of self-financing, that the enterprise must register its profit so that, in combination with the depreciation write-offs of fixed assets retained in the development fund, it can finance its operating and investment activities, resorting if need be to bank credit to be repaid from its own funds. Subsidizing the enterprises from the [state] budget should be a transitory and infrequent phenomenon; these subsidies can only be provided within the framework of quotas and according to the principles put forward by the Sejm. Among other things, the draft law stipulates that the enterprise will be in full control of distributing its profit; a 10 percent

annual allowance for the reserve fund will be the only mandatory one. As the justification states, the draft law contains universal solutions applicable in all state enterprises.

The draft "banking law" is aimed at comprehensive regulation of the organization and activity of the banking system, adapted to the new economic model. The draft regulates two basic spheres of banking activities. In the macroeconomic sphere, banks participate in economic planning and in the shaping of credit and monetary policy. In the microeconomic sphere, banks as representatives of the all-social interests appear in the role of partners of self-governing enterprises establishing cooperation with the latter on contract terms.

The draft law on a statute for the National Bank of Poland takes into account the draft "banking law." It defines the tasks and activities of the National Bank of Poland as the central state bank and the bank of issue, central credit, savings, clearing and foreign exchange institution, the body that coordinates and organizes monetary and credit activity and also controls its implementation.

The first reading of the eight draft laws associated with the economic reform is planned for the Sejm session December 21.

## Five-Month Budget for 1982

Warsaw TRYBUNA LUDU in Polish 11 Nov 81 p 2

[Article by Tadeusz Jezioranski]

[Text] During their Thursday meeting chaired by Sejm member Zbigniew Gertych, the Sejm Commissions on Planning, Budget and Finance and the Legislative Work, with heads of other commissions, studied the governmental draft law for a temporary budget for the first five months of 1982 and acquainted themselves with the draft Central One-Year Plan for the next year. The drafts were presented to the representatives by the minister of finance, Marian Krzak, and the deputy head of the Planning Commission, Jerzy Gwiazdzinski.

In anticipation of questions from the Sejm members, Minister Krzak explained the reason for the government introducing a temporary budget, especially one for only 5 months. This approach has been selected because the impact of the economic reform on the state budget can hardly be predicted at this moment. Only after the first quarter [of the next year] can this impact be determined with any degree of accuracy.

This is not to say that the Ministry of Finance has no concept of the budget for the entire year. Such a concept does exist; however, it was calculated in current prices, which will be turned upside down by the reform. This concept envisages a deficit in the amount of 389 billion zlotys (a deficit of about 220 billion zlotys was planned for this year; due to the raise of cigarettes, alcohol and gasoline prices it will be smaller, about 151 billion zlotys). It is planned to cover the entire deficit, which is a prime engine of inflation, by measures such as the introduction of stabilization tax; raises of food, energy and heating fuel prices, prices of PKP [Polish State Railways], PKS [Polish Motor Transport] and

municipal transportation tickets; raises of rents for allocated lodgings and also of radio- and TV-set fees (these raises will be recompensed in part).

The temporary five-month budget constitutes exactly 5/12 of the so-planned yearly budget. Mr Krzak did not try to conceal the fact that the state finances are in a state of malaise, but, as he stated, remedying it should start in the enterprises, the medicine being the principle of self-financing.

The centerpiece of the economic plan for the next year rests on the actions aimed at safeguarding the most important social goals. Therefore, government programs of operation are the basis of the plan. As Minister Gwiazdzinski stated, the virtue of such programs lies in full balancing along the entire chain [of production]. However, the delimitation of protected spheres will practically ensure a partial withdrawal of financing from other sectors of the economy. This is the price to be paid for anticrisis measures.

Several hours of discussion revealed that the Sejm members had many doubts concerning the adoption of these concepts. As one member observed, many remarks were spurred by the ministry's approach to economic problems; many other remarks, though, must be considered relevant. Seemingly divergent remarks, reservations and questions can be reduced to one common denominator. It can be found in the dilemma that nobody stated explicitly, but one could "smell in the air." The dilemma is as follows: Should the socialist state carry out primarily the functions of a benevolent institution or should an economic policy be developed to protect the genuinely needy without precipitating crises and without the rest of the society having to buckle down?

Due to the crisis, we are trying to switch to the latter model after many years of the former. This is an incredibly difficult task, demanding a change in thinking. The criticisms leveled against the draft budget show how difficult such a revaluation might be.

As stated, expenditures are the very obvious point of departure in structuring the budget, though the logic of the new method of thinking calls for structuring the budget on the basis of revenues. Resorting to any and all means in order to cover the planned expenditures is a direct consequence of the adopted working procedure. This is the reason for an exorbitantly severe system of taxation within the framework of the economic reform and also for the wide-ranging price raises mentioned by Minister Krzak.

This problem, which causes much uneasiness as usual, prompted Minister Krzak to offer the view that the price reform would not hurt the population; on the contrary, goods currently unavailable will appear on the market.

The Sejm members did not appear convinced, though they did not argue the minister's point. This is no wonder, since this opinion sounds a little bit like convincing a patient that an injection does not hurt because it has healing properties. It is obvious that the price reform will fill the shop shelves; however, this will come at the price of emptying the pockets of the populace. This is an inevitable step, but society cannot be won over by persuading it that the measure is very pleasant.

The commissions decided not to pass any resolution but to treat the discussion as a preliminary one. However, in mid-December the two draft laws will be subject to official legislative procedure.

9761
CSO: 2600/124

## PROBLEMS CONCERNING INFLATION, SAVINGS REPORTED

### Higher Interest Rates for Savings

Warsaw TRYBUNA LUDU in Polish 9 Dec 81 p 5

[Article by T. Jezioranski: "Higher Interest Rates on Savings After the New Year"]

[Text] According to information which we have received from the vice president of the National Bank of Poland [NBP], Zdzislaw Pakula, at its Monday meeting (7 December) the Council of Ministers, at the request of the NBP, passed a ruling on revised interest rates on personal savings deposits that are to go into effect on 1 January 1982.

At the same time, certain kinds of savings accounts were abolished, e.g., auto bonds with a face value of Zl 15,000, passbook savings accounts for deposits of up to Zl 9,000, and 24-month time passbook savings accounts opened by 31 December 1979. Pursuant to this same ruling and starting with the new year, the PKO [General Savings Bank] will no longer sell interest-bearing saving bonds or accept deposits into demand accounts opened prior to 15 February 1973.

Detailed public notices regarding this matter will be posted in the near future in all NBP and PKO branches and in all cooperative banks. But, by way of illustration:

--the interest rate on investment savings bonds is going up from 9 to 15 percent;

--the interest rate on personal 36-month time deposits is going from 8 to 13 percent;

--the interest rate on deposits paid into saving-checking accounts is going up from 4 to 7 percent;

--interest rates on personal demand deposits is going up from 4 to 6 percent;

--interest rates on deposits built up in housing-related passbook accounts will go up from 3 to 6 percent.

--interests rates on deposits made in the form of prepayments for domestically manufactured passenger autos will go up as follows: from 4 to 6 percent (for delivery dates scheduled for 1982-1983), from 5 to 6 percent (for delivery dates scheduled for 1984-1985), and from 8 to 10 percent (for delivery dates scheduled for 1986-1989).

This change in interest rates, a measure which has been put off for several months, is the biggest in the history of the PRL [Polish People's Republic]. But, by the same token, the present economic situation is also highly extraordinary. In addition to programs geared toward encouraging increased production and appropriate price policy measures, the boosting of interest rates is a fundamentally important policy tool aimed at alleviating the effects of inflation and levelling off the inflationary curve. According to NBP estimates, this operation should freeze as much as Zl 140 billion in the banks, that is just as much as was frozen in the banks by the introduction of prepayment deposits for autos and by last year's increase in interest rates.

However, last year's increase did not amount to very much, whereas this year's hike in interest rates is substantial. Should we be pleased or anxious about this? It is certain that anyone who can count has mixed feelings about this. They are pleased that interest rates are going up, but by the same token they are distressed due to the fact that the scale of this rise in interest rates is a product of the 15-percent rise in the cost of living during 1981 (calculated as the difference between the scale of the rise in prices and levels of compensation). As vice president Z. Pakula noted, this is at the same time an expression of the desire to shore up the public's confidence in the Bank.

However large it may be, this increase in interest rates is also selective. The fight against the inflationary curve dictated that the largest increases in interest rates should apply to long-term deposits and, relatively speaking, to the most popular common passbook savings accounts.

On the other hand, the substantial increase in interest paid on so-called savings-checking accounts is supposed to lend impetus to the more widespread use of this savings and payments instrument. This is because cashless transactions or making payments by check is the least expensive form of monetary transactions.

So much for what this ruling means for the immediate future. What about plans for the long run?

Z. Pakula says: "In the near future the Economic Committee of the Council of Ministers will take up the question of a draft plan for raising the interest rates paid on personal loans. If the Committee assesses our recommendations in a positive light, then the Bank, which in keeping with the provisions of the reform program will be authorized to make such decisions, will make appropriate adjustments. Under the terms of this ruling loans for young married couples and housing construction loans will still receive preferential treatment.

"But as far as the long-term future is concerned," Z. Pakula went on to say, "the Bank is making plans for a program designed to effect the revalorization of savings deposits in connection with the price reform that looms before us. The revalorization rate will be a product of the officially sanctioned change in the

level of retail prices, and so the revalorization process itself will not take place until after the price reforms have been implemented, that is, when the real impact of these reforms is already known. The purpose of this measure will be to protect the real value of money entrusted by the people to the Bank and then 'funneled' by the Bank into the economy."

## Concern Over Interest Rate Hikes

Warsaw ZYCIE WARSZAWY in Polish 10 Dec 81 p 2

[Article by Henryk Borucinski: What Kind of Inflation? PAP's Interpretation"]

[Text] On the morning of 9 December the telephones in the PAP national editorial offices started ringing off the hook. Readers were calling to protest against the wording of a comment contained in my interview with the vice president of the NBP, Zdzislaw Pakula, to the effect that an interest rate set at the level of 15 percent comes close to matching the rise in the cost of living.

One could take issue with the phrase "comes close to." Given the present state of affairs in the marketplace it is quite likely impossible to come up with a precise calculation of the rate of inflation. Taking into account coupon-rationed supplies and officially sanctioned prices, it may be that the rate of inflation does not exceed 20 percent. But who is using up all of their ration coupons? Who has succeeded in buying a pair of shoes in a store? Figured in open-market prices, the rate of inflation may be approaching the 100 percent mark, but what segment of the population is able to do its shopping in the open markets?

My interlocutor, the NBP vice president, had a right to make a reference to this particular rate of increase in the cost of living, a figure which is based on official prices, since he himself is a representative of one of the most official of all institutions.

This interview had a clear message to send to the attentive reader. Namely, we are in store for a substantial, further decline in the purchasing power of the zloty. This development will be least painful for those people who keep their savings in banks and not at home.

I will leave it up to the readers themselves to answer the question as to which segments of society have built up big reserves of money deposited in time-deposit accounts. In any case, it is just as advantageous for all of us living on pensions that people more affluent than we are should keep their cash reserves in the bank and not show up with all this money in the marketplace.

11,813
CSO: 2600/122

## RECENT AGRICULTURAL, FOOD INFORMATION PROVIDED

### Minister Reviews Situation

Warsaw TRYBUNA LUDU in Polish 19 Nov 81 p 3

[Interview with Jerzy Wojtecki, minister of agriculture and food economy, by Ewa Fiala; date and place not given]

> [Text] In spite of fair harvests, the market supply of foodstuffs has not improved. What will happen next? The system of tying in the sale of cattle with the purchase of durable /industrial/ consumer articles and some means of agricultural production has brought about a certain upsurge at purchase points, but it has as many opponents as adherents. There have even been publicized catastrophic visions of the sale of sows and cows by those farmers who want to amass values at a ratio of 1:5, for a television or a washing machine. The problem of the high conversion factor has been raised.
>
> The purchase of grain is not going very well. Potato forecasts have broken down. There are problems with the accumulation of adequate provisions for the winter, particularly in large urban centers. In a word, things are bad.

[Question] The question "What are we going to eat?" is not at all rhetorical. The question "Will we not split into two enemy camps, the urban population and the rural population?" bears the stamp of rationality, at least in some social circles. What is the opinion of the minister of agriculture and the food economy on these questions?

Goods for Goods

[Answer] Let us begin with the tied-in sale, for not only have the editorial offices of newspapers received many varied opinions on this question, but we at the ministry as well. At first, predominant emphasis was placed upon the notion that paying in zlotys for the purchase of farm products was paying by "secured check." Now there are more negative opinions. We made the decision after consultation, which does not mean that we had the full support of those giving

their opinions. There were, and are, those opposed. There was, and is, the full awareness that this decision indicates moves not to activate production but merely to activate the purchase of cattle. This was essential.

The [cattle] purchase in October was very low, and everything indicated that there would be no additional cattle in November. Forecasts for December were similar. This meant that approximately 30,000 tons of meat would be lacking each month to meet rationing needs. The summations were made, including imports from KK [capitalist countries], the projected delivery of 30,000 tons of meat from the USSR and a transaction with China. Thus, was there any way out other than a goods incentive to encourage the farmer to bring his cattle to us?

Five zlotys for cattle--zlotys in industrial goods--is not a very attractive conversion factor. But we were simply not able to accumulate more, even for those 2 months. To the pool of agricultural articles (machinery, equipment, building materials and the like) was added practically the whole volume of durable industrial consumer goods designated, so to speak, for home use. This decision did not meet with a sympathetic reaction from city dwellers. Except for newly married couples, they will have to wait for items, for which they have prepaid, 2 months longer. But there was no other way. We considered meat for the cities to meet rationing needs to be the most urgent and most important priority. Even so, urban households are considerably better saturated with all sorts of equipment than are rural households. "Pulling in" meat via the channels of state purchase is protection for the poorest people, those who cannot afford to buy at inflated black market prices.

In October, approximately 30 percent of the entire supply of cattle reached the market through agents and speculators. Recently, after the tied-in transactions were introduced, the supply of cattle in socialized purchases increased. On some days in November an average of approximately 6,000 tons of meat was purchased, or 2,000 tons more than before the new principles of purchase.

[Question] I have my doubts as to whether this is an unequivocally positive phenomenon. How are we to judge the danger of the sale of the basic herd? How are we to answer the reservations of theproducers of milk, vegetables and fruit, who do not receive premiums for their deliveries in the form of the possibility to purchase attractive goods?

[Answer] A good farmer sells neither his cows nor his sows. The basic herd is the foundation of his farm. The farmer lives off it today and must tomorrow. I know of no cases, during this period of awarding premiums, of the inexpedient delivery of cows or sows. If farmers sell them, this results from the normal selection of the herd.

With regard to the fact that the suppliers of other products are bypassed in the awarding of goods premiums, with everything trade has at its disposal in these 2 months, the anticipated deliveries of cattle may be expected to be traded at a 1:5 ratio. Of course, we wish to act in the name of stimulating and activating production. We are doing this for all of agricultural production and I hope that we will do it more effectively.

Yet the Balance Is Favorable

[Question] The patrons of the food market do not observe these activities. A year has passed since the announcement of the joint PZPR and ZSL [United Peasant Party] program. It is a good program for rural areas, for agriculture, advantageous for the cities.

[Answer] Let us first agree about one thing: just as the city expects something from the village, the village expects something--let us say by mutual agreement--from the city.

[Question] But all of us together wish that those steering our economy would guide it so that our expectations did not fail to coincide.

[Answer] I understand that we must square accounts: what has been done and what has not and why? Well, in spite of appearances, much of the joint program is in the phase of advanced implementation. This refers in particular to the complex of social problems of rural areas. We have committed ourselves, among other things, to the uniform treatment of all sectors of agriculture. All are, in reality, equal, if there was a preferred sector recently, then it was individual farming. The deliveries of tractors for individual farmers, for example, were greater than a year ago.

Unfortunately this was possible only because socialized farms received fewer tractors. The recognition of the individual farmer as a lasting element of the socialized economy lies at the foundation of new and updated laws and legal documents. A pension law for farmers, in the final stages of development, is a significant step on the road of leveling social differences. The self-government and the manager make decisions concerning the turnover of PFZ [State Land Fund] lands. The compulsory restrictions on area have been lifted.

A second group of issues, the creation of guarantees for the profitability of agricultural production, is also not lying "fallow." In April, the first major price increase for the purchase of cattle and milk occurred; in July there was a price increase for vegetable produce; in October, there was another price increase for the purchase of cattle. All of these price changes are made in consultation with farmers' representatives.

The least noteworthy aspect of the favorable balance concerns the question of deliveries of production means for agriculture. The shortage of machinery, basic equipment and spare parts is still great. This year agriculture will receive less fertilizer than last year. There are shortages of the means of plant protection, which played an important role this year in the harvests and quality of potatoes.

[Question] We are returning, in fact, to our point of departure. Washing machines, televisions and furniture are secondary purchases for farmers. Their primary need is for production means--coal, fodder, building materials, machinery, fertilizers, the means of plant protection.

[Answer] Of course. That is why I said that we must fulfill our mutual expectations.

[Question] But if this is not done spontaneously, if it is not the result of the normal harmony of the economy, doesn't it have to be compelled?

[Answer] In a certain sense, economic reform will compel production for agriculture. There will simply be a greater demand for farm equipment than for something else. There should also be this kind of production in self-governing, independent, self-financing enterprises. Priority production for the needs of agriculture has been declared, but it is slow, too slow for the existing potential and needs.

In the coming year, procurement of simple tools and machinery, primarily for cultivation, should improve. The industry guarantees that in the course of 2 years it will resolve the problem of spare parts. If so, things should be easier both for farmers and for all of us. It will be more difficult to cope with the need for a second important group of production means, which is produced by the chemical industry. Our dependence on imports is the crucial factor determining our possibilities here, hence the bleak prospects of 203 kg of NPK [nitrogen-phosphorus-potassium] per hectare in 1985.

In other fields that use domestic raw materials, improvement can be expected. Such is the situation, for example, with coal. Despite tremendous difficulties with increasing output and meeting all urgent needs, agriculture will receive an additional amount of coal by the end of the year, which will enable it in great measure to "repay" all its debts incurred for contracted deliveries of cattle. Next year (as guaranteed by the Ustrzyce-Rzeszow agreements) farmers will receive 1.5 tons of coal for living purposes and also an allotment for production needs issuing from contractual agreements. In toto, they will receive 1.5-2 million tons of coal more than they did this year.

[Question] One of the more significant problems seems to be realizing the conditions of contracts between farmers and the government for agricultural supply and restoring the mutual obligations of reliability to the contract. But shouldn't these contracts be perfected and modified so that they activate production for years?

[Answer] We are working on such solutions. I have in mind, for example, goods prepayment (meat, milk, vegetable produce), with the value suitably calculated, for the purchase of the means of production of what is strictly specified and needed by farmers, within a strictly determined time period. The connections between producers and the socialized purchase would be considerably stronger because they would encompass both coal and fodder as now and also machinery, implements and the means of plant protection. These proposals will be given over for consultation with farmers' trade unions and branch associations. If they are accepted, they will be put into practice.

Guarantees for Farmers

[Question] We have rushed into the future. For the time being, the stress of daily life, this very difficult daily life, forces us to take up the problems of the day. We have recently received many letters. There are even those who call for the restoration of compulsory devlieries. What does the Ministry of Agriculture think about this?

[Answer] It would be an inexcusable mistake. Work under coercion is simply unthinkable, and good work is out of the question under such conditions. It is possible and necessary to set in motion all available motivational actions. It has been confirmed that the best motivation is the creation of the possibility for the farmer to enrich his farm: to modernize and improve the farm. Not everyone knows, and some do not wish to know, that farmers designate approximately 75 percent of their annual income to "charge" their farms.

The myths of the millionaire-farmers are, unfortunately, only myths (unfortunately, because rich farmers make for a rich country and a wealth of food). Most farms bring in approximately 200,000 zlotys annually. Among 3 million farms, no more than 60,000-70,000 have an annual turnover in the millions. Some farmers in the position of breaking goods-monetary ties between the city and village covet extra zlotys from speculative transactions. This stands in clear contrast with the universal demand for respect for people in this profession and for esteeming their worth, but it is not a mass phenomenon, but a marginal one.

Food for the Market

[Question] Approximately 30 percent of all market cattle is, or at least was, at this margin. But that is not all--there is likewise the phenomenon of keeping back goods, not only livestock but also potatoes and, above all, grain. This is a more serious matter than entering into contracts with private merchants.

[Answer] I do not wish to be misunderstood, but this is not a phenomenon solely attributable to farmers. The scurry for money is universal. There are those who have bought, because they were able, several radios, refrigerators, and televisions, and farmers have held back the fruits of their work. Both phenomena are very detrimental and draining on the economy, on society. This is an irrevocable consequence of the situation in which we find ourselves.

We aim at any cost to see that goods be found there where they should be. The monetary outlays of farmers paid on account after the sale of farm products bear interest from 10 to 15 percent. This is a form of value-adding to zlotys in an inflationary situation. This year, however, is a special case.

Beginning 1 January a reform will take effect. This will mean new, higher supply prices. In turn, the purchase prices of farm products will go up. In accordance with a social contract, the parity of farmers' incomes, currently aligned with the incomes of the urban population, cannot be diminished. Consequently, prices will be set so as to guarantee this. At the same time, they will be set in order to prefer animal production of meat and milk. There is, however, the question of how to price those goods, which a farmer could already sell today.

Agricultural circle operatives have voiced proposals for the revalorization of farmers, incomes. This is difficult to put into practice, but it is not without justification. We receive our wages each month, while the farmer sells his crops once, or at most, three times a year. He should have a guarantee of equal value. This would make possible a shift of purchasing power of the farm population to later years.

Thus, in the sphere of agriculture we must act in two ways: immediately and thinking toward the future, toward the prospective, permanent intensification of farm production. On this final question, independently of the plans and programs that we will consistently implement, there are already real indications that, in spite of everything, things are getting better. We had a successful year for crop production; farmers do not complain of a lack of fodder and the guaranteed deliveries of 60 kg of concentrated fodder to enrich their own supplies. Some time is needed--this is a biological product--but things will be somewhat easier during the second half of the coming year. If the industry keeps its promise to farmers, in 2 or 3 years things will be considerably easier.

## Development Program for 1981-1985

Warsaw ZYCIE WARSZAWY in Polish 26 Nov 81 pp 1, 2

[Text] The developmental program for agriculture and the food economy has again reached the forum of the Council on the Food Economy. On 25 November, a team from this council considered a new version of the draft of this program. This version, which reflects the results of discussions and various proposals, was prepared by the Ministry of Agriculture and took into account several elements contained in papers authored by the following professors: Dyzma Galaj, Jozef Okuniewski and Augustyn Wosel.

To characterize the ministry program in brief, it assumes a program of mineral fertilization for 1985 amounting to 220 kg of NPK [nitrogen-phosphorus-potassium] in pure composition per hectare of arable land to be an indispensable condition for attaining grain harvests of 29 quintals per hectare. In the opinion of experts, this in turn makes possible attaining meat consumption for the final year of the current five-year plan in the amount of 64 kg per inhabitant, approximately 3 kg more than this year but approximately 10 kg less than in 1980.

This resolution of the problem will neccesitate importing 2 million tons of grain and 1.6 million tons of high-protein fodder over the year. This, along with the export of approximately 300,000 tons of meat, would enable us to improve our foreign trade balance in the area of agricultural-consumption articles. However, our negative balance will continue within the range of $600 million.

In light of the continually worsening economic situation, designating this amount of foreign-exchange zlotys may become impossible. Consequently, we must look for solutions to lead rapidly to balancing these turnovers. Then, however, meat consumption would have to shape up at less than 60 kg per inhabitant per year. On the other hand, if we succeeded in increasing our grain harvests by even 1 quintal per hectare over the already mentioned 29 quintals as well as our harvests of other crops, there would be a chance for us to produce approximately an additional 120,000 tons of meat, which means that meat consumption could reach 67 kg.

Conditions for the more rapid increase of harvests are the attainment of a fertilization level higher than envisaged by the program, the improved supplying of agriculture with chemical means of plant protection, machinery and the like, and the limitation of the large losses of farm products on the way from the field to the consumer.

Keeping these conditions in mind, the decided majority of participants in the deliberations recognized that it is essential to use our own resources and potentials as a base, realizing that our economy cannot continue to designate large sums for the import of grain or foodstuffs. We can only eat, stated Professor Manteuffel, as much as we ourselves produce. Our whole society must then realize the fact that giving preference to meat consumption is unrealistic over the long term and will lead nowhere, will lead to economic ruin.

Jerzy Wojtecki, minister of agriculture and the food economy, who conducted the meetings, stated that the remarks and proposals voiced will be utilized when the final version of the draft of this program is developed, before it is presented for governmental deliberation.

## Status of Field Work

Warsaw TRYBUNA LUDU in Polish 21-22 Nov 81 p 4

[Articles by TRYBUNA LUDU correspondents T. Kuj., Poznan; ef, Opole; and ZW, Gdansk]

[Text] (TRYBUNA LUDU reportage) Despite the fact that the weather in general has favored farmers, they still have a number of important tasks to complete. On some PGR [state farms] sugar beets and corn have not yet been picked. Winter plowing is going on in many voivodships. Farmers are also preparing more silage from potatoes and other root crops than in former years.

According to reports, winter crops have sprouted fairly well, despite the lack of fertilizers.

Farmers are encountering severe difficulties in their labor. There are shortages of fertilizers and equipment. They are particularly troubled by low deliveries of fuel for their tractors, which is one of the direct causes of the prolonged work in particular regions.

Our correspondents write:

Poznan: Farmers Lack Fuel

Due to favorable weather conditions, field work in the Poznan voivodship is running smoothly. The digging of potatoes and sugar beets has been completed. According to information from the inspector for the UW [Voivodship Office] Department of Agriculture in Poznan, engineer Zbigniew Ziolek, the campaign in Wielkopolska sugar refineries is going well. Already 60 percent of the beets has been processed, more than during a similar period last year.

Farmers are concentrating on conserving fodder for winter, preparing silage and steaming potatoes. All operative steamer units are working around the clock. In this way, farmers hope to save their potatoes, which are readily susceptible to spoilage this year. On individual farms, nearly 130,000 tons of potatoes have been steamed.

Winter plowing is also going well. Plowing has been completed on more than 160,000 hectares; i.e., 65 percent. Plowing would have been further along, were

it not for fuel shortages and wet soil in some regions, caused by twice the normal amount of rainfall.

The state of winter crops is favorable, says Z[bigniew] Ziolek, despite the lack of phosphoric fertilizers.

(T. Kuj.)

Opole: Good Beet Harvests

For the third time in the postwar period, farming in Opole will supply more than 1 million tons of sugar beets to purchasing points, with this year's record-breaking delivery of 1.05 million tons of the sweet raw material. The Deputy Director of the UW Department of Agriculture, Tadeusz Broniarek, said that approximately 50,000 tons of beets were still available for purchase. Approximately 300 hectares of beets still have to be dug, with 140 hectares of the 300 belonging to PGR [state farms].

Next we learned that the Opole PGR has achieved an average harvest of 355 quintals per hectare, or 90 quintals more than a year ago.

There is still much to be done both on PGR's and on peasant-owned farms--although much less than a year ago--particularly in winter sowings and winter plowing. What has complicated them, and in many instances made them impossible, is the excessive rainfall continuing since mid-October. For this reason, farmers in Opole have been unable to sow approximately 5,000 hectares with winter wheat. Most of this area will be sown with spring grain in the spring, primarily barely. The remainder of the corn crop (approximately 500 hectares) is still being harvested, to be designated primarily for drying.

The wetness of the fields, has postponed approximately 30 percent of the winter plowing in the voivodship. Given this sitatuion, the call of the Opole NSZZ Solidarity of Individual Farmers for assistance for socialized farms in harvesting farm produce lying on rain-soaked soil should be approved. The appeal has had a response among farmers and there is less and less of the food we so greatly need left in the fields. The Opole Horticultural Plant, for instance, still has about 70 hectares of vegetables left to be picked, mainly parsley and cabbage, which are plentiful this year.

(ef)

Gdansk: The Factories Help Out

The weather is likewise favoring fall field work in parts of the seacoast regions. Farmers are concentrating on root crop harvests, not with the best luck. Harvests are not bad, but farmers lack the technical ability to harvest as rapidly as necessary. For example, in the region supplying the Malbork sugar refinery with raw material, approximately 80,000 tons of sugar beets still lying in the fields, of which approximately 60,000 tons belong to the state farms.

In parts of the Elblag Voivodship, factory crews are helping to harvest the beets. For two weeks volunteers from ZAMECH worked on the plantations of the ZULAWY plant near Elblag.

Fall plowing and winter sowing are nearing completion.

ZW

## Beet Procurement, Processing

Warsaw ZYCIE WARSZAWY in Polish 1 Dec 81 p 1

[Article by mp]

[Text] (ZYCIE WARSZAWY reportage) Sugar manufacturers planned a harvest of approximately 15.75 million tons of beets during the current year. Over 15.63 million tons have been harvested, and there are still approximately 100,000 tons of beets to be supplied. In the course of the next few weeks, the purchase will be completed.

Each day over 150,000 tons of beets are processed, producing approximately 17,000 tons of sugar. The beet supply is estimated at 4.2 million tons more than at the same period last year.

Moreover, everything points to surpassing the planned production of 1.624 million tons of sugar. The existing production of 1.267 million tons meets our entire rationing need as well as the needs of industry. A considerable amount of sugar will replenish indispensable reserves.

Sugar refineries are concluding their first campaigns. The first to finish will most likely be the refinery in Lapy, and next will be the refinery in Ropczyce. The Lublin and Zamosc refineries will be at work the longest. Here, while the campaign began the earliest, it will end last, in mid-January.

## Sugar Production

Warsaw ZYCIE WARSZAWY in Polish 3 Dec 81 p 1

[Text] The sugar refinery in Ropczyce (Rzeszow Voivodship), one of the largest and most modern in the country, was the first to complete the processing of beets from this year's harvests. During the 68-day campaign, 390,000 tons of beets were processed and more than 26,100 tons of sugar were produced.

While beet processing has been completed, the refinery will be in operation during December [1981] and January [1982]. Condensed syrup will then be processed, of which over 31,100 tons have been collected. Another 16,400 tons of sugar will be produced from this syrup.

From the beginning of the sugar campaign until 2 November 1981, all 79 sugar refineries in the country have processed approximately 11.8 million tons of beets, producing somewhat more than 1.3 million tons of sugar. About 4 million tons of

beets are still in factory storage yards. Thus, it becomes more and more feasible that the production plan for sugar calling for more than 1.6 million tons this year, will not only be fulfilled but surpassed. This is all the more true since the purchase of the raw material continues, although on a much reduced scale. The daily purchase of beets amounts to approximately 20,000 tons.

## Meat Procurement, Supply

Warsaw ZYCIE WARSZAWY in Polish 2 Dec 81 p 1

[Text] (ZYCIE WARSZAWY reportage) On the last day of November, farmers delivered 7,359 tons of meat to purchasing centers. This amount has not been seen for a long time at these centers.

Last week, purchasing maintained the level of 5,800-6,500 tons. While this was more than in October, a year ago at this time 10,000-12,000 tons of meat reached the purchasing points.

In November, farmers sold a total of 112,000 tons of cattle (as converted to its meat equivalent). The plan had called for 120,000 tons. In October, 99,400 tons reached purchasing points. Normally November is one of the better "purchasing" months, but recent orders, so roundly criticized by farmers, also contributed to improved purchasing results. In many eastern voivodships, purchasing increased this month by as much as 60 percent. Coal stands as the basis for a continued increased in purchasing. Delayed coal deliveries due for the sale of cattle amount of 300,000 tons. Another 300,000 tons are needed to meet current deliveries.

The plan for the purchase of cattle in December is lower than for November. Planned purchases amount to 104,400 tons. (mp)

Will there be enough meat and preserved meat products to cover rationing needs? A PAP reporter addressed this question to the deputy director of the Central Office of the Meat Industry, Jerzy Grudzinski. He stated that in order to meet the allotments for meat and cured pork products--reduced for several months by 20 percent--approximately 102,000 tons of meat and cured pork products would have to be supplied to the market and to other consumers such as hospitals and day nurseries. Thanks to meat imports, the meat industry will have this amount available this month. In other words, December rations are ensured. On the other hand, if unnegotiated November cards are turned in, the shortage of meat and preserved meat products on the market will continue, and there will be nothing to make up for this shortage.

In former years the meat industry, stated J[erzy] Grudzinski, began in September of the given year to stock a considerable amount of the most plentiful kinds of cured pork products, including boneless ham [baleron], pork roast, ham and tenderloin with the holidays in mind. This supply represented, on the average, from 30 to 40 percent of the needs tied in with the preholiday supply. This year, the meat industry does not have even a kilogram of cured pork products in reserve for 1 December. For this reason, said J[erzy] Grudzinski, the market supply in December 1981 will not be different from the supply situation for meat and cured pork products during the preceding months. Moreover, in December 1981, by

comparison with the preceding months, there will be more beef in trade, due to imports. As a result, it will be easier to buy beef than a pork ham in meat stores.

In order for the meat industry to operate normally, said J[erzy] Grudzinski, we must have a reserve of approximately 65,000 tons of meat. Meanwhile, factories have one-third of the standard reserve available. As a result, the technological processes involved in the production of products such as cured pork items have been cut back, thus reducing the shelf-life of products.

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CSO: 2600/117

## BEET CULTIVATION, SUGAR PRODUCTION DISCUSSED

### General Background

Warsaw SZTANDAR MLODYCH in Polish 11-13 Sep 81 p 5

[Article by Bronislaw Redzioch: "The Bitter Taste of the Beet"]

[Text] This year's sugar campaign has begun. As specialists have been saying, this year's campaign promises to be of record-breaking duration up to the first days in February. It will last over 140 days. In this connection, will we have proportionally more sugar?

The answer is not simple. Stretching the time period for the "sweet" campaign is caused by the exceptionally high yield of beets and the restricted manufacturing capabilities of sugar factories. The optimal duration of a campaign lasts 80 to 85 days--from the beginning of October until 20 December. Starting with an earlier production schedule, before October, as well as stretching the campaign until January and February, is causing enormous losses of sugar and is greatly increasing processing costs. However, we are forced to do this--we are simply paying for the bad policy in the sugar industry of the last 20 years. Policy is formed by everyone but the sugar manufacturers. Stupidities have been taking place both in the cultivation of beets as well as in the development of sugar factories.

A Lot of Raw Material, but What Kind?

Poland is a recognized magnate in the cultivation of sugar beets. In respect to beet acreage under cultivation, we occupy fourth place in Europe. It is worse, however, if we take into account yields from each hectare (on the average, 300 quintals per hectare in past years); this gives us 13th place. It is even worse in the productivity of sugar from roots--in this regard we drop to 15th place. As a result, in a country with so much raw materials, the index for the consumption of sugar per person is the lowest in Europe.

Actually, there is a lot of beets, but their quality with respect to sugar content leaves much to be desired. Until the 1960's our agriculture, in some measure, cultivated "normal" beets, containing up to 19 percent sugar. In the last 20 years a change has taken place. Crop varieties of beets with a greater productivity of roots, but with 12 to 13 percent sugar content, were introduced into cultivation. The argument that decided this change was apparently logical: in this way there

would be enough sugar, and the crop varieties of beets would furnish more beet pulp and leaves--high-grade fodder for cattle.

These projects turned out to be a fiasco when put into practice, causing, in addition, enormous disturbances in processing. The sugar content of beets decreased markedly, while the growth in yields of the new varieties was slight. For example, in 1960, the sugar content in the cut beet amounted to 18.98 percent, while in 1979 it amounted to only 14.32 percent. On the other hand, average yields of beets in the years from 1960 to 1965 trended higher at 270 quintals per hectare. and "crop" varieties had this same yield in 1976, increasing it by 30 quintals in 1979. As a result of these "innovations" undertaken by dilettante sugar growers, we entered a sugar slump. Not only were farmers not supplied with more fodder, on the contrary, they received even less. Yet the amount of sugar they received seriously diminished each year.

This happened--Dr Edmund Walerianczyk, assistant professor and director of the Sugar Institute in Warsaw, explains--because beets of lower sugar content--i.e., the crop varieties--contain less sugar mass. Higher yields from crop varieties in many cases result from taking in a greater quantity of water but no nutritive elements. If, for example, a yield of normal beets amounts to 320 quintals per hectare, then with crop varieties the production of about 400 quintals matches it--counting the dry mass. Thus, the sugar industry received and is receiving rather watery beets and not crop varieties. As a consequence of the introduction of new "crop" varieties, production costs have increased immeasurably, losses have multiplied, fodder has not increased, and sugar production has diminished. In the cultivation of "normal" beets, there was so much sugar we reduced its price and exported it. With "crop" varieties we had to introduce ration cards. In a country that is a sugar beet magnate, sugar became the first commodity to be rationed.

There Won't Be Any Sugar from Water

With a polarization of 18.8 percent--just such a sucrose content, and even higher, was found in "normal" beets cultivated before "crop" varieties were introduced--the index of sugar productivity in relationship to its contents in roots amounts to nearly 87 percent. On the other hand, with a polarization of 14.5 percent (such a sugar content, and even higher, was found in beets cultivated after "crop" varieties were used) the sugar productivity does not exceed 73 percent. In practice, it was necessary to process 6.13 tons of beets with a polarization of 18.8 percent, or 9.43 tons of roots containing 14.5 percent sucrose, in order to obtain 1 ton of sugar.

What does this mean to the sugar industry? In order to produce the sugar needed by our country, it is necessary to process an enormous additional quantity of beets. It is true that four new sugar factories have started up, but their output would not make up for the disproportion in processing. Hence comes the prolongation of the campaign: advance its beginning and end it later every year. In the 1950's the beet campaign in our country lasted about 80 days. In recent years it has lasted 140 to 180 days. Sugar factories are still working in February. Beets at this time contain but an insignificant percentage of the sugar they had when they were, technically, fully ripe. The quality of beets

kept in warehouses over winter drops abruptly; they undergo spoilage and they rot.

By rights, at the moment when the amount of sugar being obtained is very low, one should discontinue production because, from an economic standpoint, it becomes unprofitable. However, the problem is that with the present system of prices, which are spun out of "thin air," it is difficult to determine the actual degree of profitability. Besides, with the absence of foreign currency measures, everything being produced for zlotys appears to be profitable, although in the case of a prolonged sugar campaign this is not so. The processing of rotten and frozen beets causes huge losses of sugar. Just in the past 10 years--as a result of a prolonged processing campaign--we have on this score suffered losses of 1.5 million tons of sugar. This is as much as we produce during a single campaign.

Why the Surcharge?

To avoid prolonging the campaign in winter, industry chooses the lesser evil and advances the starting date for processing beets. Only specialists know that such a maneuver is enormously costly and also causes losses of sugar; others state that it is downright wasteful. It is difficult to deny this. We begin the campaign and harvest beets when roots are most intensively undergoing photosynthesis and are accumulating dry mass, as well as sugar. That is why sunny days in September are so important, because in this month every healthy plant amasses up to 1 gram of sucrose in a 24-hour period. Under favorable weather conditions, a 24-hour increment of sugar per hectare of beets can even amount to 75 kg [of sugar] and 5 quintals of root mass.

In the past no one really began to harvest beets before 10 October. Now almost all the country's sugar factories are working at this time. They are processing raw material that not only has less sugar content but also is more expensive to process. In this disproportion between the rising quantity of raw material and the processing capabilities of the sugar industry, we have reached a point where things are turned topsy-turvy: for bad, unripe raw material poor in sugar content, industry pays a higher price by applying a surcharge; for delivery in the first 15 days of the current month, bonuses are paid (in 5-day intervals) amounting to 550 to 450 zlotys a ton, and in the second half of September these bonuses grow smaller--they are also paid every 5 days 350 to 150 zlotys. Bonuses are also paid to farmers for storing roots and delivering them to sugar factories not until November and December. Such a policy has led to this: the beet that is the most inferior and least productive in sugar content costs the most. It was never like this in Poland before.

None More Bare Than the Shoemaker's
Wife and the Smith's Mare

This proverb fits our sugar industry to a tee. For the truth of the matter is that in the years from 1952 to 1979, we built on various continents as many as 67 complete, modern sugar factories and are going to build more, when in our country the sugar industry is operating under worse and worse conditions.

Our country has actually at its disposal 79 sugar factories, but of this number, 2 (Guzow and Czestocice) have been operating for over 120 years, and another 22,

for over 100 years. The average statistical age of our factories--taking into account latest "giants" built in Lapa, Krasnymastawo and Ropczyce--is 94 years. Their technical level is significantly below the average level in Europe. It is the same story with processing capabilities. The 24-hour output of all the sugar factories does not exceed 155,000 tons of beets. The average processing capacity of one sugar factory, statistically speaking, comes to about 1,900 tons and is the lowest among all the Western European countries.

So we are dealing with another paradox in a series of paradoxes: a country that is a magnate in the cultivation of sugar beets and the world's largest builder of complete sugar factories has the most neglected, from a technical point of view, sugar factories. The repairs and modernization carried out every year are unable to counterbalance these deficiencies. New buildings are needed, but they are needed where the greatest number of beets are cultivated, so that the beets do not have to be transported from one end of Poland to the other, and not where a dissident's finger happens to stop on a map. Such was the case, for example, in Lapa and Ropczyce--sugar factories were established where beets did not exist and do not exist now. They have to be transported. On the other hand, Lublin and Zamosc, which are simply being smothered by beets, cannot wait for the implementation of newly planned sugar factories in the Zakrzow and Zamosc regions.

Could we do without these new plants and hold off building them until times are better for investment? Specialists say that we must wait, for there is no money for construction. But these sugar factories would not be so urgently needed if the urgently needed changes in policy had been achieved. Making it as brief as possible, it is necessary to return to the cultivation of beets of a variety containing more sugar and to have "crop" varieties designated for fodder exclusively. A return to the former policy of beet varieties would take place without harming the quantity of production and would benefit the contracted acreage of beet plantings as well. With less acreage, fewer roots are harvested, but there will be just as much sugar obtained from them. There will be other advantages: the farmer will be able to take better care of his plantation; there will be fewer harvest and transportation expenses; the duration of the campaign will be shortened; the sugar industry will avoid needless losses of sugar and needless work; sugar factories and plants will get a breather; costs will be lower; and warehouses will be filled with more sugar than now. The hectares of beet crops "saved" by this means certainly will be utilized by farmers profitably for the production of grain commodities or other root crops. "Sweeter" beets can and must be cultivated by next spring. This campaign need not be as difficult as the present one.

Improvement in Preparations

An improvement in preparations is fraught with difficulties. Repair-modernization work has not been done entirely as planned in every instance. One has had to wait for many weeks for the delivery of coal, limestone, coke and chemical reagents indispensable to sugar production. Fortunately, in recent weeks there has been a rather notable improvement. As difficult as it has been, promises of giving the go-ahead signal in supplying sugar factories with heating fuel and other materials have been fulfilled. Sugar factories, for example, the Lublin sugar factories have at their disposal almost half of the heating fuel needed for the entire campaign, including limestone. Only with chemicals--mainly, acids, formalin and

spumolem?--are there still difficulties. In all sugar factories, chemical resources can limit processing. On the other hand, we should not be too badly off with heating fuel and limestone.

The Lublin sugar factories face an extremely excruciating task. Farmers of this region have 95,000 hectares of beet crops. These crops will yield--according to the most conservative estimates--3.3 to 3.5 million tons of beets. The 11 local plants will not be able to process them. About 500,000 tons must be transported inland. There should not be any difficulties with this, for PKP [Polish State Railroad] has rather large reserves of freight cars available--since there was less hauling this fall.

Sugar factories in the Lublin region will also have an overabundance of raw material. One must work at maximum efficiency in order to shorten the campaign as much as possible. Their task is a very concrete one: they are going to produce 320,000 tons of sugar. From the latest estimates of beet crops and from research in polarization, there is hope that the factories will manage to increase this amount by from 20,000 to 30,000 tons. In any case, every fifth kilogram of sugar will be produced in plants in the Lublin region. Here, the campaign will begin as soon as possible and end as late as possible.

## Selection, Processing

Warsaw ZYCIE GOSPODARCZE in Polish 27 Sep 81 p 6

[Article by Wiktor Fornalek "In the Fields and Sugar Factories"]

[Text] One often encounters in publications the thesis that the sugar shortage results exclusively from the conversion, toward the end of the 1950's, of the cultivation of the so-called high sugar content beets to beets that are more crop productive and have lower sugar content. By comparing their productivity, some authors draw the conclusion that a return to high sugar content seeds would ensure an annual production of about 2.25 million tons of sugar instead of the average recent production of 1.6 to 1.65 million tons.

Sugar beets now cultivated are descended directly from a wild plant, whose home was the steppes above the Black Sea. About 200 years ago--i.e., the time when beets became an industrial raw material--they underwent a metamorphosis in respect to the sugar content in their roots. Due to selection, better crop varieties have been obtained, from about 6 percent sugar content in wild beets to an 18 percent increase in the so-called high sugar content beets. The gain in sugar content of these beets by this method depends on the so-called extensive varieties, characterized by a markedly negative correlation between beets with high sugar content and crop variety beets. Attempts at increasing the yield through intensive fertilizing have led to a lowering in the percentage of sugar content in roots. Even if standard seeds of high content beets are available, by applying present-day agricultural technology (a minimal quantity of manure and a full dose of artificial fertilizers) beets with a great deal less sugar content than in the prewar years would be obtained.

Since the method of selection has not made any further progress (almost imperceptible results in the form of biological yield in sugar per hectare), a more

and more profound interference in the genetic makeup of this plant has begun. New varieties, called intensive, which are also somehow subject to a negative correlation between their sugar content and yield in roots, have had a much higher productivity of mass and biological and technological yield of sugar. Actually, these varieties began to be used in Poland toward the end of the 1950's. The consequences of this decision are depicted in table 1.

Table 1

| (1) Lata | (2) Plon buraków t/ha | (3) Wydajność cukru | (4) Technologiczny plon cukru t/ha |
|---|---|---|---|
| 1945—49 | 16.71 | 14.68 | 2.45 |
| 1950—54 | 19.78 | 15.68 | 3.10 |
| 1955—59 | 19.64 | 14.11 | 2.77 |
| 1960—64 | 26.47 | 13.39 | 3.55 |
| 1965—69 | 29.27 | 11.65 | 3.41 |
| 1970—74 | 31.09 | 12.03 | 3.74 |
| 1975—79 | 29.28 | 11.02 | 3.23 |

KEY: 1. Years
2. Yield of beets t/ha
3. Sugar productivity
4. Technological yield of sugar t/ha

Yields increased between the 1950's and the 1960's; afterwards, they stabilized around 30 tons per hectare. The productivity of sugar dropped suddently and has amounted to about 11 percent in recent years. The technological yield of sugar grew by about 25 percent, but then it was much less than the yield of beets (50 percent).

One can convey the value of converting the cultivation of beets from extensive varieties to intensive by comparing the results in agriculture and industry. The cultivation of beets of the intensive variety has shown results in the form of an additional quantity of sugar per hectare (0.7 tons) and an increased quantity of fodder (by 1.6 tons), equal to that of grain. Each hectare planted with beets thus has afforded the possibility of producing a greater quantity of meat, milk and sugar. The value of the results thus produced do not answer the question. What was the cost of this improvement and was it enough? A precise (numerical) answer to this question is not possible without much detailed calculation. However, this decision was necessary. On the other hand, the answer to the second question is unequivocal if one compares the results obtained in Western European countries. For example, France started at the same level as Poland's sugar industry, but in the last 30 years its beet yields have increased by 130 percent and its technological sugar yield by 170 percent.

Among the crops cultivated in Poland, sugar beets are the most productive with respect to caloric content. High productivity results from properly utilizing nutrients in the soil during growth and development and requiring a relatively small amount of water in processing the dry mass. Sugar beets, however, possess certain undesirable properties: the large amount of work involved, the heavy use of fertilizers, the need to use complex modern agrotechnology and a long period

of vegetation. Manual cultivation of beets requires about 450 working hours per hectare. This is one of the basic reasons for the stagnation of yields.

Table 2

| | (2) Odmiana | (3) Plon buraków t/ha | (1) Pasza (4) liście t/ha | (5) Wysłodki 10 proc. sa t/ha | (6) Równowartość ziarna t/ha | (7) Techno-log. plon cukru t/ha |
|---|---|---|---|---|---|---|
| (8) | intensywna | 30,0 | 24,0 | 15,0 | 4,5 | 3,5 |
| (9) | ekstensywna | 20,0 | 16,0 | 10,0 | 2,8 | 2,8 |
| (10) | Różnica | +10,0 | +8,0 | +5,0 | +1,6 | +0,7 |

KEY:
1. Fodder
2. Variety
3. Yield of beets t/ha
4. Leaves t/ha
5. Beet pulp 10 percent t/ha
6. Equivalency in grain t/ha
7. Technological yield of sugar t/ha
8. Intensive
9. Extensive
10. Difference

Perceiving these negative phenomena, a team of specialists from the Scientific-Technical Council at the Ministry of Agriculture developed a program of new technology for cultivating beets in 1964, based on the reduced labor consumption by introducing single-sprout seeds and mechanizing agro-technical operations. This reduces labor consumption by 80 working hours per hectare.

This program, like the resolutions following it (Resolution No 294/74 of the Council of Ministers of 13 December 1974, in the matter of increasing the production of sugar beets, improving the conditions of their purchasing center and increasing the production of sugar) have not been realized. With respect to competition by other cultivations, the sugar beet has become more of a fodder than an industrial crop. The farmer's first worry was harvesting leaves for fodder, while roots frequently remained in the ground 10 to 20 days, thereby reducing their sugar content by about 0.3 percent daily. In 1980, about 65 percent of the beets, after being headed, often waited 2 weeks to be dug up, losing one-sixth of the sugar in their roots.

Stagnation in beet yields is likewise reflected in the inadequate advancement in agrotechnology. Modern, intensive cultivation of sugar beets, coupled with full mechanization and use of chemical means for combatting agricultural pests, diseases and weeds, requires an excellent knowledge of agrotechnical operations. A professional counseling service for farmers can only be handled by a qualified cadre of agrotechnology workers equipped not only with means of transportation but also with the necessary laboratories for determining the time and place, as well as the doses, of chemicals and fertilizers and for detecting and combatting pests and diseases. This kind of organization originated as an agrotechnical service in the sugar industry established after 1956 in district agrotechnical-raw materials laboratories. Its task was the training and instructing of planters,

as well as providing diagnoses of crops. This service (about 500 persons) toward the end of the 1960's unfortunately was dissolved in favor of a agrotechnical commune-administrative service.

Sugar beets require a minimum of 180 days of vegetation to reach full biological maturity. With 15 April as the average date for sowing, full maturity can be reached only after 15 October. The term "full maturity" means a maximum sugar content, a maximum yield per hectare and a quantity of technologically harmful substances stabilized at a minimum level. With this in mind, as well as Poland's climatic conditions, the optimal period of time for processing beets, from an economic and technical standpoint, is about 80 days. Meanwhile, only an insignificant number of sugar factories work about 90 days; two-thirds of the sugar factories work on the average of 100 to 120 days, while sugar factories in the voivodship of Lublin, Zmojsc and Kielec work even more than 135 days.

Anticipating such a long period for processing beets and striving for maximum results, the sugar industry of necessity frequently begins the sugar campaign in the first 10 days of September. This does not eliminate, however, the necessity of organizing a long-term period for storing beets designated for processing in December and January, and even February. The economic consequences of such long campaigns have been researched and classified in detail. The losses of beet mass and sugar in beets harvested earlier amount to 15 percent, due to the interruption in the normal process of growth. The losses of beet mass and sugar due to storing them for a long time are greater the longer the beets are clamped. In regard to sugar, these losses amount to about 1/15 in November, about 1/7 in December and already 1/4 or more in January.

If one searches for the causes of these failures, one of the principal causes is the lack of processing capability in the industry. Table 3 illustrates this problem. Data regarding France's sugar industry are shown alongside data concerning Poland's for comparison.

Table 3

(1) Polska

| (2) Wyszczególnienie | 1950 | 1960 | 1970 | 1975 | 1979 |
|---|---|---|---|---|---|
| (3) Ilość buraków przerobionych | 100 | 160.9 | 199.8 | 258.7 | 266.5 |
| (4) Zdolność przerobowa przemysłu | 100 | 115.6 | 124.9 | 142.2 | 145.2 |
| (5) Średnia czas trwania kampanii | 100 | 139.4 | 149.1 | 182.3 | 180.9 |

(6) Francja

| (7) Wyszczególnienie | 1952 | 1963 | 1974 | 1979 |
|---|---|---|---|---|
| (8) Ilość buraków przerobionych | 100 | 188 | 269 | 316 |
| (9) Zdolność przerobowa przemysłu | 100 | 154 | 214 | 315 |
| (10) Średni czas trwania kampanii | 100 | 122 | 125 | 100 |

KEY: 1. Poland
2. Specification
3. Quantity of processed beets
4. Processing capacity of industry

5. Average duration of campaign
6. France
7. Specification
8. Quantity of processed beets
9. Processing capacity of industry
10. Average duration of campaign

The growth in the production of sugar for the needs of our country's market and export resulted from extensive development. Only four new sugar factories were built in the postwar period, while the old ones have had only modernization that was absolutely necessary. During this same time we sold over 60 sugar factories abroad. By not developing our country's sugar industry, we have caused a rise in the disproportion between the raw material base and processing capabilities.

Since 1950 the potential of this industry has increased by only 45 percent; moreover, its structure has not basically changed. One sugar factory is closed and four new ones are built. In the postwar period there have been no important changes in the sugar industry. Investments were made where most needed, where decapitalization was complete or stop-gap measures applied.

Consequently, while before the war the structure of our industry did not deviate from the level of other European countries, now the Polish sugar industry, with its own statistical average in processing capability dropping to 1,950 tons daily per sugar factory, occupies one of the last places. The average processing capability of a sugar factory for a 24-hour period amounts to 6,600 tons in Holland, 5,450 tons in Italy, 4,850 tons in the Federated Republic of Germany, 5,400 tons in Belgium, 6,400 tons in Denmark, 5,580 tons in Austria, 4,050 tons in Yugoslavia, 3,000 tons in Hungary, 2,400 tons in the USSR.

Increasing sugar production to 2.25 million tons without changing the present acreage under sugar beet cultivation will be possible after a whole series of costly and time-consuming measures has been effected. The development of the processing capabilities of the industry to 220,000 tons a day would make it possible (with possible yields attaining 40 tons per hectare and with sugar productivity at 13 percent) to produce 2.5 million tons of sugar from the present acreage of beets under cultivation.

## Comments, Beet Association Director

Warsaw SZTANDAR MLODYCH in Polish 22 Oct 81 p 3

[Interview with Tadeusz Piasecki, beet association director, by Leszek Spalinski]

[Excerpts] [Question] It wasn't so long ago that Poland was a famous power in the production of beets.

[Answer] This hasn't changed.

[Question] You must be joking, sir. A kilogram of sugar per inhabitant, statistically speaking...

[Answer] From 1 October, 1 1/2 kilograms, and for some groups of people, 2 kilograms monthly.

[Question] You are serious. Sir, do you feel good about this, as a sugar grower, when you talk about as little as 2 kilograms for children and pregnant women?

[Answer] This rationing of sugar is only a part of all consumption. Please, add industry, eating places, restaurants, hospitals.

[Question] Unsweetened tea is also drunk there. Sugar bakery goods continue to be unsweetened in spite of price increases.

[Answer] Already in the fourth quarter, these consignees have been receiving an additional 20,000 tons of sugar. Returning to the merits of your question, I think that the consumption of sugar at a level of 40 kilograms, for that's what we had and will have, is optimal. In other European countries it is similar. Last year was simply disastrous. This year will be normal.

[Question] To my knowledge, even when production was lower, sugar was available. Why is its sale going to be regulated?

[Answer] The market is up and down. Today everyone would buy whatever quantity of groceries they could. The allotment norm results from the balance of sugar drawn by us and accepted by trade unions. We can only allot what we produce.

[Question] What does this balance look like then?

[Answer] In this campaign we must produce at least 1.624 million tons of sugar. In September we had already ordered 82,000 tons for the market. Further entries are: 428,000 tons for processing industries; 192,000 tons for nonmarket consignees (hospitals, restaurants and prisons); 55,000 tons for reimbursement of loans from State reserves; 62,000 tons for rebuilding stocks at wholesale centers; 25,000 tons for planters and 36,000 tons for apiarists; 6,000 tons for export--mainly for reimbursement of loans. This then leaves 725,000 tons of sugar for rationing purposes.

[Question] There is a deficit of 13,000 tons in this balance. But that's a trifle. There is a much more important question. With this balance, every fourth person would eat a double portion of sugar. Nevertheless, inhabitants of villages, practically speaking, do not benefit from restaurants and canteens; in general, neither children nor newborns frequent restaurants. Finally, why are there so many wholesale stocks if they are going to be rationed?

[Answer] We have given some thought to the reduction of stocks at the wholesale center. However, they are indispensable for maintaining the continuity of sales. In conjunction with Solidarity, we have ruled that the rationing card norms will increase if the actual prodcution of sugar is higher than planned. There is some chance of this.

[Question] Yes, we have so many chances in so many areas that we can't take advantage of them all. After all, if the weather is unfavorable, then we won't

have any sugar this year. Don't you think, sir, that the entire sugar industry is in need of a cure?

[Answer] Several basically false opinions have been accepted: that things are down in the sugar industry; that the industry's equipment is woefully inadequate, etc. I am proposing to examine the facts without emotion. Sometimes polarization of a beet amounts to as much as 21 percent, but this is with a harvest of 180 to 200 quintals of raw material per hectare. Today polarization is 16 to 18 percent, but it takes much more harvesting. In sum, just as much sugar is obtained from a hectare.

[Question] This is hardly cause for praise--stagnation in the utilization of the agricultural sphere of production?

[Answer] Yes, only that today, besides sugar, a great deal of excellent fodder is obtained too. This, however, still concerns the quantity of sugar received. The optimal time a sugar campaign lasts is 85 days. Polish sugar factories can process 15,000 tons of beets daily. With harvests on the order of 15 million tons and more, it takes over 100 days to process the raw material. Obviously, this causes losses. The longer the campaign, the higher the losses. That is why--once the statement is accepted that the beet is not only a raw material for the production of sugar but that it is also a valuable fodder crop--it is necessary to reconstruct the industry.

[Question] And so reconstruct new investments too?

[Answer] Yes, two or three large new sugar factories are needed. Then instead of over 120 days, the campaign will last 90 days. Modernization of existing plants is also indispensable. In these plants, machines and equipment over a half-century old are in operation.

[Question] Not so long ago two large sugar factories were built. The catch is that they have been placed in the open field.

[Answer] If it is a question of the sugar factory "Ropczyce," it will have 600,000 tons of beets for processing this year, or as many tons as it needs. The raw material being brought to that sugar factory is coming a rather long distance. But this is the result of the agricultural policy of the voivodship authorities. In this region, cultivation of beets for fodder purposes has been introduced. Of course, we are not limiting ourselves to stating these kinds of facts. We are trying to counteract them, trying to encourage farmers, so that they will still cultivate sugar beets. In this year in the region of the sugar factory "Ropczyce," we have assumed part of the costs connected with the chemical protection of the plant.

[Question] The sugar factor "Lapa," the next giant, has had, and will continue to have, problems with its raw material base.

[Answer] That's true. But once again this is the result of activities of the local authorities. In the commune of Lapa, a contract between farmers and the government has been set for supplying an eating potato. Of course, this region

has special privileges. Interest will be increased by the cultivation of beets. But does all of this make any sense? After all, a sugar factory is there already, and, quite apart from this, whether that investment decision was right or not, now it is necessary to ensure the factory raw material for processing.

[Question] Sir, you absolve your predecessors rather easily. Would succeeding sugar factories also be built on similar principles; will the factory later need worry where to get beets?

[Answer] The first sugar factory is going to be put in Zakrzowek in the province of Lubel, the second in the Gorzow region of Greater Poland--they are already harvesting there over 300,000 tons of beets annually. The third sugar factory will be in the province of Zamojsc, which is in the heart of the traditional beet-growing country. If we can realize our plans for modernization, then in the next 5 years we will be able to produce about 2 million tons of sugar. Then the problem of fat and lean years will disappear. There simply will be enough sugar.

[Question] Sir, there is no want of optimisn in you. But wouldn't it be simpler to begin cultivating sugar beets in earnest? You would need less raw material to obtain the same quantity of sugar.

[Answer] Other countries have beet seeds just like ours and yet they obtain a higher polarization. This is shown by the fact that our planters make mistakes in cultivation. We lose the most sugar when beets are being harvested. The beet is headed, but it is not dug out of the ground; in a week it loses 2 to 3 percent of its sugar. If the harvest is combined, there are no such losses.

[Question] Sir, do you find that we have good beet seeds, but the whole problem concerns not having the best kind of agrotechnology available?

[Answer] We expect that in some 5 to 7 years growers will furnish a variety of beets high in sugar and crop yields. Agrotechnology needs to be improved.

[Question] Sir, why are you making such a case for beets being not only raw material for sugar production but a fodder crop as well?

[Answer] Besides being the director of the association of the sugar industry, I consider myself a leader in economics. I must look beyond the interests of my own branch of business. We don't have fodder for pigs, and beet pulp is still an excellent ingredient in the feeding of hogs.

[Question] Could you tell me, sir, how the yield of these wonderful high-sugar content and high yield beets is going to be harvested? By hand?

[Answer] Of course, not by hand--we are going to produce combines. I don't know what is standing in our way from manufacturing 3,000 pieces of these machines annually instead of 500 to 700 pieces.

[Question] And I don't know what has stood in the way of Poland--a country that exports sugar factories--completing its production of sugar in museum pieces.

[Answer] After the war only four sugar factories were built in Poland. Most likely, the industry solicited means of investments, but did not receive them. Consider a sugar factory built in Czechoslovakia. The moment it started up, the old plant closed. This is done in other countries too.

[Question] I propose that we return to the questions directly connected with this year's sugar campaign. You recall, sir, that there are chances that sugar production will be higher than expected.

[Answer] Obviously, the main deciding factor in this matter will be the beet harvests. Almost with each passing day, estimates of yields are more favorable. Also the supplying of sugar factories with other production means, such as limestone and coal, has been improving.

[Question] Well, is coal at the sugar factories right now?

[Answer] Deliveries are running on schedule, and what's important is that we are getting a better quality coal. Most likely then, the consumption of heating fuel will be relatively less than last year.

[Question] How much is a kilogram from this year's campaign going to cost?

[Answer] After price reforms have been introduced, stocks of sugar will cost 50 to 55 zlotys per kilogram.

[Question] Is this the industry's price proposal?

[Answer] Yes.

[Question] You've taken care of your own interests. Sugar factories will have profits.

[Answer] That's not true. A thorough calculation has been made. Raw material for the production of a kilogram of sugar will cost 35 zlotys. Please add the costs of transportation, energy and salaries. In this regard, sugar factories will not have any unusual profits.

[Question] Industry pays planters not for sugar but for the mass of beet roots. Raw material is transported to sugar factories long distances. Due to long campaigns, significant losses of sugar are incurred. Why are all these unusual costs stemming from poor organization in the sugar industry being passed on to the consumer?

[Answer] I can answer this question with particulars. For example, instead of designating money for setting up instruments for determining sugar content in beets, which undoubtedly would have gone into improving agrotechnology, it is better to designate this money to a new sugar factory. My answer may be rather general. These problems result from various events, mistakes made in the past.

[Question] A return to cultivating beets with high sugar content would be less costly to consumers and the entire economy, than trying to hold to the idea that

one must produce both sugar and fodder from the beet. There would be less need to assign land for beet crops. There would be fewer beets to be transported. The number of planters would be reduced, thus making it easier for them to get effective counseling service.

[Answer] It would be sufficient to have 400,000 hectares of land under beet cultivation instead of 500,000 hectares. This saving of 100,000 hectares could be assigned to the cultivation of fodder crops. Sugar production is a very energy consuming. With less raw material mass for processing, the consumption of energy would drop. All of this is true. But today we can't afford such a solution. We don't have our own high sugar content beets. The import of seeds, in considering the lack of foreign currency, is out the question. Also there is nowhere to buy such high sugar content variety of beet.

[Question] Economic reform has been announced. One result may be the elimination of associations. Doesn't the prospect of losing your position terrify you?

[Answer] A special commission is working on an organization system for the sugar industry. Soon it will present its proposal. From what I know of it, the opinions of the staff are very different. Instead of an association, there may be an association of independent enterprises. But this is only my view, which may be verified during the consultations with the enterprises. As far as my career is concerned, I am a professional. It doesn't seem to me that I'll be threatened with unemployment.

[Question] Thank you for the interview.

9866
CSO: 2600/62

END

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22 January 1982

# East Europe Report

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2223

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22 January 1982

# EAST EUROPE REPORT

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2223

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CSSR-CEMA ECONOMIC RELATIONS SUMMARIZED

Prague DOKUMENTACNI PREHLED in Czech No 42, 1981 pp 42/I 1-6

/Article "Economic Cooperation of the CSSR With the Socialist Countries"/

/Text/ The achievements stemming from methodical and systematic inclusion of Czechoslovak national economy in international socialist division of labor and in the process of socialist economic integration represent one of the main stabilizing factors of Czechoslovak economy. The CSSR actively participates in the fulfillment of the Comprehensive Program for Socialist Economic Integration.

Specialization and cooperation in the production represents the basic form of inclusion of Czechoslovak economy in the process of integration. Specialization and cooperation in the production are developing at present according to valid multilateral and bilateral agreements which amount to approximately 300 and of which about 220 are related to machine and electrical engineering and to electronics. On their basis in 1980 alone the CSSR exported to the CEMA countries goods representing specialized and cooperative production in the amount over 1.3 billion convertible rubles, which is an increase to 153.6 percent as compared with 1976.

During the 1970's the CSSR had focused primarily on the development of cooperation and specialization in the engineering production. If in 1976 the total cooperative exports of machinery and equipment from the CSSR amounted to 756.7 million convertible rubles, in 1980 they amounted to as much as 1,149.2 million convertible rubles. Thus, exports of that particular production shared 27.8 percent of all Czechoslovak exports in 1980. From the territorial point of view the highest volume of exports were designated for the Bulgarian People's Republic (33.9 percent), for the GDR (29.3 percent) and for the USSR (28.8 percent).

Above all, agreements on multilateral specialization and cooperation in the production of trucks, motor locomotives, machine tools, equipment for nuclear power plants, tractors and agricultural machinery, antifriction bearings, machinery for textile industry, freight cars, machinery for knitting industry, etc., are of particular importance for Czechoslovak economy. Among bilateral agreements on specialization and cooperation in engineering production, contracts with the USSR on the production of the equipment for nuclear power plants, communication technology, technological units for chemical industry, equipment for food industry, machine tools and forming machinery, pumps, compressors and refrigeration technology are of vital importance for the CSSR. In addition, the contract with the GDR concerning specialization and cooperation in the production of street cars and the contract with the Polish People's Republic on specialization and cooperation in the manufacture of heavy-duty tractors are important.

Development of Czechoslovak Share in Specialization and Cooperation of Production Within the CEMA

| | 1970 | 1980 |
|---|---|---|
| Volume of Czechoslovak exports of specialized production to CEMA states (million rubles) | 81 | 1356 |
| of which: | | |
| Exports of specialized engineering production (million rubles) | 81 | 1149 |
| Share of Czechoslovak specialized production exported to the CEMA states in total Czechoslovak exports to those states (in percent) | 4.9 | 20.8 |
| Share of Czechoslovak specialized engineering production exported to the CEMA states in exports of Czechoslovak machinery and equipment to those states (in percent) | 6.1 | 27.8 |

The turnover in our foreign trade with the CEMA member states rose from 4.3 billion rubles in 1970 to 13.2 billion rubles in 1980, while the share of the trade with those states in total foreign trade of the CSSR increased from 64.2 percent to 65.5 percent over the same period. In 1980 engineering products represented the largest share in exports to the CEMA member states (63.2 percent), while fuels, raw materials and materials amounted to 41.8 percent of Czechoslovak imports, the share of machinery and equipment was 41.4 percent, of industrial consumer goods 5.6 percent, and food 4.9 percent.

Structure of Foreign Trade of the CSSR With CEMA States (in percent)

| | 1970 | 1980 |
|---|---|---|
| Czechoslovak exports to CEMA member states | | |
| -Machinery and equipment | 59.8 | 63.2 |
| -Consumer goods | 16.0 | 14.6 |
| -Raw materials and materials | 22.8 | 20.2 |
| -Food | 1.4 | 2.0 |
| Czechoslovak imports from CEMA member states | | |
| -Machinery and equipment | 35.2 | 41.4 |
| -Consumer goods | 8.3 | 5.6 |
| -Fuels, power, raw materials and materials | 44.1 | 48.1 |
| -Food | 12.4 | 4.9 |

The turnover in Czechoslovak foreign trade with the CEMA member states will increase during the 1981-1985 period by more than 27 percent over the preceding 5-year period. Among Czechoslovak exports engineering products will amount to 66.8 percent and non-engineering products to 33.2 percent, while non-engineering products will slightly predominate among imports.

The CSSR vigorously participates in vital programs of integration, especially in joint production of fuels, power and raw materials. The CSSR participated in construction programs and thus, helped develop oil production in the USSR (1966) production of coal for power engineering in the Polish People's Republic (1958), and built on its own territory the transit gas pipeline transporting Soviet natural gas to the GDR and to some West European states (1970, 1975).

Of considerable importance for joint solution of problems related to fuels and energy are such programs as, for example, the joint construction of the Druzhba oil pipeline, the construction of the Soiuz oil pipeline, and the operation of the interconnected electrical power engineering Mir systems by the CEMA member states, in which the CSSR takes an active part.

The Druzhba oil pipeline makes it possible to transport annually almost the entire volume of crude oil exports from the USSR to the Hungarian People's Republic, GDR, Polish People's Republic and the CSSR. Its participation in the construction of the Soiuz pipeline guaranteed the CSSR supplies of natural gas until 1998, amounting to 2.8 billion cubic meters annually. Czechoslovak participation in the joint construction of the 750 kV power lines between Vinnitsa, USSR, and Alertirsa, Hungarian People's Republic, as a part of the Mir system guarantees the CSSR long-term deliveries of 1.2 billion kWh of electric power annually. Its participation in the joint construction of nuclear power plants in Khmelnitsa, USSR, and in the construction and operation of the 750 kV power lines leading from that electric power plant to its substation in Rzeszow, Polish People's Republic, guarantees the CSSR annual supply of electric power amounting to 3.6 billion kWh over a 20-year period beginning with 1988.

The CSSR has derived significant benefits from technical assistance rendered by the USSR in the construction of nuclear power engineering facilities. On the basis of appropriate agreements between the CSSR and the USSR concerning cooperation in the building of two nuclear power plants, over the past 2 years 2 VVER power units were successfully put into operation in the nuclear power plant in Jaslovske Bohunice; their total output is 880 MW. Ten additional units are either under construction or in the planning stage.

Supplies of ferrous raw materials are of vital importance for further development of Czechoslovak economy. This problem is now being resolved in close cooperation with the USSR. According to an agreement dating from 1960, the USSR will supply the CSSR until 1986 annually with 1.8 million tons of iron ore and with agreed upon amounts of aluminum, copper, lead and zinc. A 1974 agreement on cooperation in the construction of production and transport facilities in the USSR guarantees the CSSR additional deliveries of said raw materials over an extended period (over 12 years beginning with 1980) in the amount of 1.5 million tons of ferrous raw materials (in conversion to iron) above the volume agreed upon in the contract on the basis of long-term trade agreements. Furthermore, the CSSR participates, for instance, in the construction of two enterprises in Cuba, which after 1985 will supply the Czechoslovak national economy with the needed imports of nickel and cobalt products.

A rapid development of Czechoslovak chemical industry is contingent on close cooperation with the socialist countries, especially with the USSR. Czechoslovak chemical industry is processing more than 18 million tons of Soviet crude annually. Also, its production of ammonia fertilizers is based on natural gas supplied by the USSR.

Units for the manufacture of nutrogen and phosphate fertilizers, for oil processing, for the manufacture of synthetic rubber, synthetic alcohol, ethylene and phenol were built in the CSSR with technical assistance provided by the USSR. The production of sulphuric acid in the Moravian Chemical Works in Prerov and in Ostrava, in the North Bohemia Chemical Works in Lovosice, in the Spolana in Neratovice, and in the Vah River Area Chemical Plants in Zilina was built in cooperation with the Polish People's Republic. The construction of petrochemical works in the CSSR and GDR also serves as an example of advantageous cooperation.

Along with the advance of socialist economic integration, the participation of the Czechoslovak scientific research base in scientific and technological cooperation with the CEMA countries was also substantially stepped up. The overwhelming majority of Czechoslovak scientific research organizations participated in the 1976-1980 period in the solution of approximately 300 tasks. The exchange of technical documentation between the CSSR and the CEMA member states increased 400 percent over the past 10 years, reaching the current turnover of more than 8,000 sets of materials annually.

14 October 1981

9004
CSO: 2400/81

FURTHER OPERATIONAL IMPROVEMENT OF VARNA-ILICHOVSK FERRYBOAT NOTED

Sofia TRANSPORTEN GLAS in Bulgarian 25 Nov 81 p 6

[Article by Engineer Stoil Stefanov, deputy director general of Water Transport Economic Trust: "Trend of Growth to Maturity"]

[Text] For us and for our economy the ferryboat link between Bulgaria and the Soviet Union is a vital bridge over which are transported hundreds of thousands of tons of raw and other materials, industrial and agricultural goods. The Varna-Ilichovsk line, maintained by four modern sea ferries, has no equal in world maritime shipping.

Three years have elapsed since the ferryboat line was put into operation, years of persistent labor and magnificent labor feats, of ever better production results.

Since the beginning of 1981 up till now the "Ferryboat Shipping" unit of the "Bulgarian Maritime Fleet" Steamship Company has fulfilled its revenue plan 108 percent, in other words, 1 million leva of above-plan revenues were achieved. The ferryboats made 11 above-plan round voyages, which is the natural result of their extra-40-day operational period. All this, of course, is the consequence of the selfless labor of the ship's crews, who helped shorten the repair time of the ferryboat "Heroes of Sevastopol'" by 15 days and that of the ferryboat "Heroes of Odessa" by 25 days.

Let us go back for a moment and make a comparison with what was achieved during the same period last year. The figures mark a significant growth. Over 2,700,000 leva more revenues were realized. An average length of 61 hours and 40 minutes for the Varna-Ilichosvk round voyage was achieved as against 64 hours and 20 minutes last year, which indicates an improvement in the socialist organization of labor.

We could continue these comparisons. Average round-voyage freightage of 163 railroad cars was achieved, i.e., the average cargo was increased 7 percent, which results from the continuous increase of coordination and cooperation between the ship's crews and the workers of the ferryboat harbor complex in the prompt docking of ferryboats and preparation of train consists for loading and unloading. And this timely cooperation extends from ferryboats and harbor complex to pivotal inland railroad stations so that this modern transport conveyor can operate rhythmically and precisely.

The main task which the seamen, longshoremen and railroaders servicing the joint Bulgarian-Soviet Varna-Illichovsk ferryboat line have set themselves during the years of the present Eighth Five-Year Plan is fuller utilization of fixed assets (ferryboats, railroad cars, dock facilities), constant lowering of material expenditures and an increase in the social productivity of labor. The ferryboat link opens up the great opportunity of coping with the trade between our two fraternal countries that increases every year, and of being a direct participant and agent in the closer alignment of our economies.

6474
CSO: 2200/41

## OCTOBER 1981 PLAN FULFILLMENT SUMMARIZED

Prague HOSPODARSKE NOVINY in Czech 27 Nov 81 p 2

[Article by Dr Eng Vaclav Cap, Candidate for Doctor of Science, Federal Statistical Office: "Economic Performance in October"]

[Text] The fundamental criteria for the evaluation of performance can be only the extent to which established tasks have been fulfilled, and the extent to which basic progress has been achieved in the valuation of our national labor, especially in the consumption of raw material, fuel, and energy resources, in the adaption of production to the requisites of internal needs, and in the increase of export performance. Results in the development of the economy over the past 10 months indicate that--based on a rigorous evaluation--we cannot be satisfied with plan fulfillment. The positive contribution of those who are working honestly is being influenced negatively by an undisciplined or uncritical approach to their jobs by certain individuals, indifference to the needs and objectives of further economic development, and preference to the needs of individuals or collectives over the interests of society as a whole.

According to estimates, the planned dynamic in asset formation will not be fully achieved this year. This has been caused by the underfulfillment of production targets in several industrial sectors, and especially by construction enterprises, in addition to a lower than expected harvest in agriculture and a more rapid increase in the prices of imported raw materials and inputs than had been projected. To be sure, there was 1 less working day this October than last year, and there have been, since the beginning of the year, 3 fewer working days than in the comparable period of a year ago, but this does not excuse the 20 percent of the industrial enterprises, and 75 percent of construction firms, which have not achieved even that volume of production which they specified for themselves for this 10-month period. According to an evaluation of plan breakdowns in terms of time, a significant portion of enterprises allocated a significant share of their annual tasks to the final months of the year. This is also shown by the underfulfillment, in October, of the volume of economic plans for production in industry by 0.6 percent, and in construction by 3.5 percent, and a decline in the current fulfillment of the plan for deliveries both for exports and for the domestic market. In the remaining few weeks it is necessary to enlist forces everywhere--at a minimum to meet this year's plan and, in those areas where it is desirable and efficient from the viewpoint of nationwide needs, even to overfulfill it.

Meeting this year's planned increase in industrial production of 2.4 percent should be feasible, given extraordinary efforts, because the level of average daily production for the January-October period was 2.9 percent higher than in the same months of last year. Rigorousness, however, calls attention to the fact that industrial production has increased only 1.5 percent over this 10-month period, because of a shorter workday. In construction, given the current decline in the level of production by 2.3 percent, it is impossible to project that this year's planned increase of 2.7 percent will be achieved. The limiting factor in development, if we are unable to find a way toward the higher valuation of our labor and to conservation measures, is, and will be in future periods, the need for raw materials, inputs and, above all, for all forms of energy. Improvements have been achieved in centrally managed economic organizations this year, and the plan for reducing material intensiveness is being fulfilled. Materials costs (exclusive of depreciation) and services of a material nature reached a level of 63.37 percent of outputs for the first three quarters, and were 0.58 points lower than projected in the annual state plan. Nevertheless, above all the evolution of exchange relations in foreign trade (the above reduction excludes the influence of foreign trade), and the unfavorable development of costs in plant production by agricultural cooperatives will, it is estimated, lead to an overall stagnation, or even to an increase in the material intensiveness of national income. Thus, it is clear that we must set for ourselves in the future even more demanding tasks for the national economy. This is particularly true for the conservation of imported fuels, for which world prices are constantly increasing. We have the unused potential in the economy to accomplish this. For instance, the trend toward shifting transportation to railway transport is ongoing. The increase in the volume of factory transportation is continuing, even though it is more demanding from the viewpoint of fuel consumption. This may not be justified even by a decline in fuel consumption for this type of transportation of 3 liters per 1,000 ton/kilometers for the first three quarters. Onemust bear in mind that consumption in factory highway transportation amounted to 77 liters per 1,000 ton/kilometers, compared to roughly 57 liters for transportation by Czechoslovak Automotive Transportation [CSAD], and a substantially lower figure for rail transport.

In evaluating efficiency, it is necessary to seek out unused capacities at all locations and to enforce more demanding requirements. For this reason, constant attention must be devoted everywhere to the application of the principles of the Set of Measures, which support the discovery of unused potential at levels even in excess of the plan. Additional possibilities for increasing efficiency lie in rational organization and in inventory formation. Unfavorable trends, characterized by increases in inventories in excess of the plan, and shortcomings in their structure and utilization, have continued even this year. Even though this year's plan for state economic organizations provided for an increase in inventories of Kcs 6.6 billion, they increased in the first three quarters by Kcs 8.2 billion. Inventory turnover in the industrial and construction sectors was supposed to accelerate according to the annual plan, but has, on the contrary, slowed down over the first 9 months. This sensitive indicator of the development of the economy continues to show that there are a number of shortcomings in supplier-consumer relations.

It will be a cumbersome matter totally to adapt production to the demands for strengthening export ability, even though this objective of economic policy has already been before organizations for several years. For this reason, those

factories which are not fulfilling their export plan in terms of quantity and quality must be subjected to permanent criticism. Export results for the past 10 months indicate that in this year as well we have not been successful in generating the required turnover in exports to nonsocialist countries. Taking into account a decline in exports in October in comparison to the same month last year, exports to socialist countries increased 8.2 percent from January to October, and exports to nonsocialist countries by 2.2 percent, although the plan in this area had projected a much more substantial increase. Criticism directed at exporting enterprises, their subcontractors and the commercial policies of foreign-trade enterprises is the more justified because the overall increase in exports was influenced by an increase in prices, and because the concurrent increase in export prices was less than the increase in import prices. The situation in the underfulfillment of export targets is necessarily leading to the regulation of importing requests.

In capital investment, this year's plan projected a decline in the extent of investment. This requirement is, for the time being, being adhered to. For the January to October period, the volume of investment projects declined by 2.9 percent. Shortcomings persist in their effective implementation. Despite the measures which have been adopted, planned targets are not being met for the startup of facilities designated as binding targets of the state plan. In the first three quarters, only 15 facilities became operational, i.e., not quite one-third of those which were already to be operating efficiently within the economy. This is also influenced by the fact that remaining budgeted costs for construction projects are much higher than planned. The basic precondition for the success of capital investment, however, still remains its orientation toward machinery and construction projects which make a rapid contribution and have a great effect on society. Unfortunately, in many instances attempts are still being made to direct the intentions of capital investment only toward improving the situation in production, to exercise local patriotism in the locating of production and nonproduction facilities, and there is a tendency to request unnecessary and excessive accessories and equipment. Similar intentions must be harshly and uncompromisingly refused.

Domestic commerce in October was marked by a fluctuation, in the sense of increased purchases by the population. These were concentrated in certain industrial, but also food industry product lines. This spot, unexpected stress in certain areas could not be covered by distributions from wholesale. Retail turnover of the main commercial systems increased 6.4 percent in October in comparison with the same month last year, while increases in food stores were 7 percent, in household needs stores 10.7 percent, and in department stores 10.3 percent. In total, however, retail trade turnover is not achieving the level which was expected. Personal savings reached Kcs 162 billion by the end of October, and were somewhat lower than 1 month ago. The money supply decreased during the month by Kcs 761 million, reaching Kcs 43.6 billion.

Basic Indicators of National Economy's Development in Increases Over Comparable 1980 Period (in percent)

| | Oct | Jan-Oct | State Plan[1] |
|---|---|---|---|
| Deliveries of the Centrally Administered Industry for: | | | |
| --investments at wholesale prices | - | 1.5 | -2.3 |
| --domestic market | | | |
| at wholesale prices | - | 0.2 | -0.7 |
| at retail prices | - | 0.8 | -0.5 |
| --export to socialist countries | | | |
| at wholesale prices | - | 2.0 | -1.1 |
| at FOB prices | - | 1.4 | 5.3 |
| --export to nonsocialist countries | | | |
| at wholesale prices | - | 3.2 | 0.3 |
| at FOB prices | - | 3.1 | 4.5 |
| --other sales for industrial production and operations at wholesale prices | - | 2.3 | - |
| volume of industrial production | -1.2 | 1.5 | 2.4 |
| average number of employees | 0.4 | 0.4 | 0.5[2] |
| labor productivity based on industrial production | -1.6 | 1.0 | 2.1[2] |
| Construction | | | |
| construction work performed with internal labor resources | -1.7 | -2.3 | 2.7 |
| average number of employees | -0.7 | -0.7 | 0.5 |
| labor productivity based on construction work | -1.0 | -1.6 | 2.1 |
| housing units delivered by contracting enterprises | 8.8 | -24.8 | -19.1 |
| Procurement | | | |
| slaughter animals (including poultry) | -2.6 | 0.8 | -2.4[3] |
| milk | 2.3 | -0.1 | 0.7 |
| eggs | -3.2 | 0.6 | -0.9 |
| Retail Turnover | | | |
| of the main trade systems | 5.4 | 1.7 | 2.4[3] |
| Foreign Trade[4] | | | |
| export to socialist countries | -11.0 | 8.2 | 7.3 |
| export to nonsocialist countries | -18.0 | 2.2 | 9.1 |
| import from socialist countries | -8.8 | 6.9 | 12.4 |
| import from nonsocialist countries | -21.7 | -3.5 | 6.7 |

[Continued on following page]

| | Oct | Jan-Oct | State Plan[1] |
|---|---|---|---|
| Personal Earnings[6] | -2.5 | 2.5 | 3.6[5] |
| of which: income from wages | 1.2 | 2.6 | 3.1 |
| Actual cash expenditures | 3.5 | 1.7 | 3.3[5] |

FOOTNOTES

1. Increases compared to actual 1980 results.

2. Increases compared to expected 1980 results.

3. All trade systems.

4. Data on actual results refer to actual transactions and the state plan (in contrast to overall actual results) does not include unplanned actions within the framework of cooperation, unplanned reexports trade, exchanges and conditional trade transactions, etc.

5. Including estimated interest on loans.

6. Data based on treasury plan of the SBCS (CSSR State Bank).

9276
CSO: 2400/83

## NYERS WRITES ON INTERACTION OF POLICY, ECONOMIC DEVELOPMENT

Budapest TARSADALMI SZEMLE in Hungarian No 12, Dec 81 pp 37-43

[Article by Rezso Nyers: "The Mutual Effect of Economy and Politics in Our Economic Development," a speech given on 29 September 1981 at a scientific session dealing with the history of the past quarter century held by the Hungarian Historical Society and the Historical Sciences Institute of the Hungarian Academy of Sciences at the Hungarian Academy of Sciences]

[Text] If we consider the fateful periods of Hungarian society, progressing on the path of socialism, a few eloquent dates come to mind--1945, then 1948 and finally 1956-1957 indicate the general political turns of great import. The process of change which began in the summer of 1953 might have won similar significance if it had not come to a standstill, had not been led astray due to our lack of political preparation, primarily due to the internal divisions of our party; only after 1957 were we able to learn successfully the historical lesson received at that time.

How do these periods relate to one another? I feel that from several points of view we can put the starting point of the historical development of our present society in 1945. It was then that we broke the political continuity with the past; it was then that, thanks to the democratic revolution, we opened up a new path toward the future. It is true that since then we have progressed beyond and put behind us the greater part of the political problems which followed the liberation, but in essential questions the link between the situation then and the situation today is continuous--in the character and institutions of the people's power, in the political role of the worker class, in cultural policy and in regard to general work culture. But in the period 1945-1948 a question arose in politics, as an alternative, ever more dramatically, in increasingly sharp political clashes, as to what future we would choose for ourselves: A purely political democracy within the frameworks of a bourgeois society, or the building of socialism under the sign of a fuller democracy? From the viewpoint of deciding this question 1945 cannot be regarded as the starting point.

In 1948, in the year of the turning, the Hungarian worker class and its allies--then the political majority--chose the building of socialism and the greater part of the people accepted and supported this initiative in the hope of a better life. So 1948 becomes the starting point of the building of socialism.

As a result of all this 1948 is a shining date in the progress of the Hungarian people, because history was formed on the basis of a unique popular consensus. The program statement of the Party of Hungarian Workers was truly forward looking, the laws passed in the year of the turning were progressive and passed the test of time, the nationalization of factory industry realized general interests, the prestige of the united workers' party was very great, but it was not an absolute ruler because the supervisory mechanism of political democracy still functioned. Certainly the seeds of the later distortions were already present in the thinking of the political leadership, but as a whole political public life ensured a favorable beginning for the building of socialism.

By 1949, however, the situation was changing quickly. By that time the party leadership was free of all political supervision, a new and hidden political turning took place in regard to the general political line and in the area of economic policy alike. From this time the political leadership was characterized by an arbitrary determination of goals; it no longer worked on the basis of social agreement; it simply demanded agreement. A virtually direct line led from this to the crisis of 1953-1956. It was obvious that it was necessary to limit the political freedom of movement of those opposed to the socialist path in the period of carrying out the revolutionary changes, because the uncertainties and difficulties accompanying the revolutionary transition would have created a one-sided advantage for the enemies of socialism and the opposition concentrating on the given moment. But it was not at all necessary for the building of socialism to be accompanied by the complete elimination of political democracy; but this is what happened, and it became impossible for the parties united in the popular front to function. But perhaps the greater error was that we did not strive, together with the functioning of the parties, to make functional a socialist system of democratic interest representation; the trade unions lived a shadow life and the popular front received a role even smaller than mere formality. All this led to our undertaking the building of socialism with political methods and with a political mechanism which did not serve but rather hindered the attainment of the great and noble goal, because the leaders of the country remained without supervision and criticism; nothing protected them against error, serious mistakes and even certain crimes.

It appears that our present historical information already offers a basis for making a fine but essential distinction between 1948, the year of the turning, and the serious distortions which began in 1949. The serious errors and distortions really began in 1949, in regard to legality, in economic policy and in other areas. This distinction received special importance in the 1956 crisis, when the question arose: What is the starting point to which we must return from the incorrect path? The ousted leaders of the former coalition parties and the counterrevolutionary forces tried to force those around Imre Nagy to choose 1945 as the place for a new beginning. The revolutionary wing led by Janos Kadar in essence selected 1948 as the starting point and returned to the program statement of the Party of Hungarian Workers as the basis in principle. Evaluating the matter from the position of socialism it can hardly be debated that the latter proved correct; only this was correct and could be realized.

Why and in what sense should we evaluate as counterrevolution the tragic events of the end of 1956? In its December 1956 statement the MSZMP took careful account of the factors causing the eruption of the crisis and the political aspirations

appearing in the course of the crisis, and finally attributed the events to the combined effect of four causes. If we think back on the events with the impartiality possible today we cannot see the combination of the four causes as s simple compromise but rather as a realistic portrayal of complex interdependencies. The position taken at that time emphasized the attempts of external imperialistic forces and domestic Horthyist reactionary forces to try to turn our nation from the path of socialism, but it did not accept the hostile manipulation as the only cause. Aware that it is not possible to produce broad dissatisfaction of the people with hostile manipulation alone--as dogmatic communists believed--it sought the real basis for the dissatisfaction, and found it in the serious errors of the policy bearing the name of Rakosi and Gero. In addition it emphasized the responsibility of the party opposition for the events, because it, although it justly opposed the profoundly rooted sectarian-dogmatic policy, struggled against dogmatism in an incorrect way, with political manipulation, underestimated the hostile attempts and became dependent on the hostile forces in the course of the events.

In the final analysis the 1956 events became counterrevolutionary because the positive effort directed at a renewal of socialism was forced into the background and a tendency to restore relationships which preceded socialism increasingly dominated. The great work of a renewal of domestic socialism awaited the MSZMP, after the overcoming of the counterrevolution.

Many have pointed out in the political literature that serious errors accompanied the correct aspirations in the economic policy of the 1949-1956 period, and in the course of events the errors increasingly frustrated the correct aspirations. Increasing accumulation and an acceleration of industrialization really were necessary and correct, but the great over-emphasis on them caused more harm than good because the living conditions of the masses deteriorated and disproportions difficult to overcome were created in the people's economy. Although industrialization became a great achievement for us it must be said that if it had continued after 1956 in an incorrect and exaggerated way it porbably would have led to the fall of socialism in our homeland.

After 1956 we have maintained continuity in the fundamental socialist goals, getting closer to them as we outline as our ideal a clearer and more correct picture of the socialist future. We have freed ourselves of the illusion that socialist society can become a single homogeneous community, that a more just direct exchange of goods can largely replace commodity-money relationships, that a purely scientific guidance of society can increasingly take the place of politics. So the renewal was a step in the direction of reality.

We maintained and still maintain the leading role of the party for the purpose of realizing the leading role of the worker class without making the interests of the whole people and the realization thereof a fugitive and politicaly unacceptable thing. We do not give a narrow interpretation to the interest of the worker class, as if it fully and in advance expressed the general interest or as if it deviated from the interest of the other working strata in crucial questions. We regard worker interest as being in the center of attraction of a broad alliance policy, something which is correctly formulated when it is linked with the interests of other great working strata. This link is always the great and exciting question of our domestic policy, and sometimes the subject of our dilemmas.

We maintain and strengthen the alliance contacts of our homeland with the Soviet Union and other socialist countries, starting from our common interest connected with international policy and the building of society. If we make good use of this alliance it is a great resource for us in the realization of socialism and of more immediate national interests. But we can learn from the 1950's that it is also possible to misuse this alliance. We no longer interpret the idea of the approach of the socialist countries to one another to mean that we can import economic and political models from the Soviet Union or other socialist countries. We regard the principled application of a communal policy to be compatible with the independent determination of our political-economic strategy and tactis. The correct solution of this is also an important and exciting question of our policy. The results of the common effort would be clearer to our public opinion if they were more profoundly aware of the problems which arise too.

The renewal of economic policy has gone and is going through a number of stages, stretching over time--partly because of the nature of the economy and partly for political reasons. A fundamental renewal took place in agricultural policy beginning in 1957; this proved to be of great significance because, in addition to the victory of socialist production relationships, it led to a long term upsurge of production and started a successful process having an effect even today. In the area of investments and industrialization we profited from the elimination of earlier exaggerations and distortions after 1957 and in economic policy we made an improvement in the living conditions of the masses one of the chief goals. In the area of economic efficiency, interest and the democracy of economic life we took a crucial step with the economic reform of 1968 and I feel that as a result of this renewal economic policy came into real harmony with the political renewal of 1957. The renewal of our economic policy has continued since 1979-1980; the policy content of this is partly a fuller realization of the tasks posted in 1968 and partly a better accomodation to the new world economic situation.

It is characteristic throughout the world today that questions of the economy occupy a large place in political life, primarily in regard to social effects and interdependencies but not rarely in the case of strictly economic questions as well. The favorable development of economic performance results in political success; the contrary results in political difficulties and in more serious cases causes outright failure. But it is not only politics which depends on the economy; the reverse dependence is undoubted. Many--but not all--conditions for the functioning of the economy are a function of political decisions and if all this is done rationally then it is not to the disadvantage but rather to the advantage of the economy. So the mutual dependence is close; there is no economy free of politics and no politics free of the economy. But the two spheres do not get mixed together for this reason under either capitalist or socialist relationships; their relative independence remains.

Looking at the matter in its general aspects the situation is that in capitalist societies the state is outside the economy and from this position it intervenes in economic life; under socialist relationships the state--with only a part of its activity, it is true--gets inside the economy and acts from within as owner and central planner. But politics appears not only within the framework of a two-sided "state-enterprise" link but also simultaneously in a unique three-sided system of "state-enterprise-social organizations" contacts. In essence it is the function of politics to mediate or realize some general social interest in the direction

of the economic sphere. Actually the big question is what, concretely, is the interest of society at a given time, to what depth can it be formulated at the political level and how can it be realized.

Our domestic experiences warn us that in political activity we must concentrate on the solution of questions of national economic scope and importance, must regulate, encourage and supervise the activity of economic organs in the interest of this, but one should not--because actually it is not possible--guide the enterprises centrally with political decisions and obligatory plan directives. In the final analysis indirect tools which take cognizance of the relative independence of the economy are more effective because we can exercise political influence directed at what are really the chief social interests, influencing the enterprises as a whole, especially in regard to the so-called quality factors--efficiency, production structure, innovation and accomodation to the market. According to this conception our national economic plan is more than a prognosis but less than a command, because it requires from the managing organs independent action and an independent judgment of the situation. This conception builds much more on people and on the human factor in general than an overcentralized economic model--and it is just this that makes it socially rational.

In the critical questions of general economic development the concentrated economic interests can be expressed clearly at the political level, but this requires a political mechanism which is closely linked to the economy, which helps to disclose and harmonize the real interests, which aids the intellectual maturation and cultured expression of alternative possibilities. The development of such a socialist political mechanism is made difficult by the circumstances that for a long time we did not develop the system of political institutions according to such an idea. It makes it difficult, but in the final analysis it cannot hold back our further development on the road already begun.

We could make a long list of those difficulties, deficiencies and even abuses of our economic practice which appear as political problems also, to put it plainly as subjects for talking politics. These are unique from trade to trade and more or less from region to region; they differ in this or that. Their solution is not aided but hindered if the proposals or complaints are referred to higher and higher levels in the political mechanism in the belief that they can be resolved better in this way. In such cases the central or regional political leadership usually can do nothing more than push the flood of problems being pushed upward back in the direction of the scene of the crime, possibly accompanied by firm thunderings. It can really be corrected where the fault arose, and this is why even political supervision can be truly effective only near to the action. I feel that this "sorting ability" of the political mechanism must be developed together with the economic mechaniam, and for two reasons: First so that a larger part of the concrete problems can be solved and second so that the national political efforts should encourage more and better in general themes of such importance as to represent, for our nation as a whole, a key for entering a secured future.

I would like to indicate three directions for action of such outstanding importance as to be key questions from the viewpoint of our economic and political present and future:

--balanced and developing external economic contacts, because in recent years either development or balance have been characteristic, the two together have not yet succeeded;

--a swifter increase in economic efficiency, so that the capital, labor and material expenditures of society should result in substantially greater extra value than they do today, and thus improve the internal balance of the economy;

--increasing the intensity and effectiveness of human and communal cooperation, so that the mechanism of cooperation should grate less in the horizontal and vertical social division of labor, so that the economic achievements should be better and the political public feeling should improve.

I call these directions for action because they do not represent tasks which can be "executed" in some direct and closely circumscribed way (even locally); rather they represent the thinking through and rethinking, planning and replanning and correction of many, many tasks. In addition these are directions for action not only for the economy but for society as a whole; the economic sphere alone would be incapable of carrying them out. Success can be created, I might say "sweated out," by all the work of society.

Our society as a whole should pay more attention and continue to pay attention to external economic cooperation--not as a professional question but as a general political question. The professional part of it should be entrusted to economic experts (and they must be trusted) because it is dangerous, if not life threatening it is "deficit threatening," to intervene in this from the outside. But there is a point where the theme becomes a public concern, and since it is not possible to determine in a normative way where this point is we might say that sometimes it must be recognized with the help of the political art.

If we expand our external economic contacts slowly then our entire development will necessarily be slow and thus it will be impossible, or hardly possible, to improve living conditions. We have been in such a situation for 3 years now and although it is hardly possible to do something sensational and "break out" of this quandary quickly, still we must get out of it with a carefully thought out strategy and hard effort, despite the fact that we cannot forsee today a substantial improvement in external conditions in the years just ahead.

It can hardly be disputed today that for a long time the Hungarian people's economy will be characterized by parallel cooperation with two spheres of the world economy--the socialist international market and the capitalist world market--so if we want to develop we must be more active in both relationships. Even so the CEMA contacts will be of outstanding importance, but not in the sense that we should limit in this way our contact with the capitalist market but rather, among other things, in the sense that we should try to improve our world market competitiveness (on both the socialist and capitalist market) by relying primarily on CEMA.

A fundamental change in the economic circumstances of the socialist countries is having a great effect on socialist economic cooperation. One noteworthy symptom of the new situation is that our countries are only slowly and uncertainly switching

over to an intensive development of the economy--relying on efficiency. The other phenomenon, very important for us, is that the engine of socialist cooperation, the Soviet economy, has switched over to a slower pace, is striving for external cooperation with a different structure, and all this serves as less incentive for the development of the smaller people's economies. It is probable that this indicates a lasting change and we must find an appropriate accommodation to it. These facts bring up a more intensive development of contacts among the smaller socialist countries--unfortunately they are not sufficiently intensive--and an energetic improvement of competiveness in cooperation with the non-socialist world.

Our society is receiving with understanding an economic policy which puts economic efficiency in the foreground; for the most part it is accompanied by sympathy and in many cases it is actively supported. But in regard to broader public life we might get the impression that a simplified picture of the tasks rules in political public thinking. Something like this: "Everyone should work better and with greater discipline;" "Let us produce more and better for export;" "Let us not reject useful innovations but introduce them;" "He who works better should receive more; the loafer should receive less;" "Carelessness should be punished more severely;" etc. Each one of these is a correct guide and should be followed, but the "how" represents the difficulty of the matter, that is where realization will succeed or fail. The "how" is what really produces tension, which often upsets the previous course of everyday life, which tests the vision of society and its ability to cooperate. It is not rare that the positive main effect of some decision--for example, a production structure better adjusted to demand--is accompanied, if only temporarily, by negative side effects, perhaps by a certain degree of manpower transfer. Can we carry it out, or will we retreat before the difficulties caused by the side effects? Those who suggest the elimination of the side effects, as Szechenyi would say of them, are hiding behind the cloak of inaction. Our public life as a whole must take the problem of efficiency seriously, not only as an economic question but as a political question, just as Istvan Szechenyi and his colleagues of the reform age faced the economic problems of their own age.

From the viewpoint of increasing our economic performance and its qualitative value we simply cannot disregard a further improvement in the division of tasks between the state sphere and the enterprise sphere. In the area of developing the economic environment which surrounds the enterprises and prompts them to action it is very necessary to make more efficient the economic guidance activity of the state organs and the social organs operating at the national level. In reality the central plans and the regulators have a dual role. On the one hand they prompt or force some action. On the other hand they put limits on the use of resources and their combination at the enterprise level. The correct ratio of this prompting and these limits is the key question. Not to debate the momentary possibilities in this area I would say, as the direction for further development, that it would be desirable to increase the prompting strength of the economic environment and decrease the assets limiting role of regulation, because this is one condition for an energetic development of the entrepreneurial activity of those actually engaged in management. And this latter is the question of questions from the viewpoint of the future.

If we look at the economic process from the viewpoint of human activity then we can see a multiplicity of ways to cooperate--in the preparatory phase which precedes production, in the work process in the strict sense and in the process of marketing.

Similar ways of cooperation characterize the broad area of social services. If economic efficiency is to improve greatly we must be able to increase the effectiveness of this multiplicity of ways to cooperate. This is the question of "how" also. There are tools for this which have proven good--the socialist brigade movement is one--but we must find new ones as well, because a certain fundamental improvement is needed. The "how" is not simple, because the task itself is complex. We must make technical contacts more continuous, we must bring the interest system closer to the smaller collectives, we must greatly improve direct control of the work process, and going beyond all this there must be better harmony among those who are in direct contact with one another through their activity. To sum up I might say that all this requires better organization of the economic process, making more profound the democracy of economic life.

I think that we must continue to strive to develop the concrete democracy of our economic life on clarified foundations of principle, increasingly coupling the right to have a say in decisions with responsibility. This will be possible if we make a distinction in the economy between the ownership and the entrepreneurial function and clarify the relationship of the two to one another. In the cooperatives the correct solution would seem to be one based on self-administration, carrying it through consistently; in the state enterprises the solution would seem to lie in having the appropriate state organ exercise the ownership rights (it would be worth examining which organ should do this) while in regard to entrepreneurship the activity should be undertaken jointly by the leadership and the worker collective so that both sides should share in the results or lack of results to the degree of the difference in the risk borne. One condition for all this is that profit should increasingly and better express the social utility of the activities.

The Hungarian labor movement might learn this lesson from the serious political and economic crisis of 1956, that a basically erroneous policy cannot be corrected bit by bit, gradually, almost imperceptibly; this requires a political turning, a fundamental renewal. We can count it as a historical fortune that under the banner of the MSZMP we were able to turn back from the wrong path and realize the 1948 program--while honoring the values of 1945.

I would like to emphasize this as a motto: Hereafter also, the communist policy, the policy of popular-national unity, can consist of nothing else but a combination of preservation and renewal appropriate to the age and place.

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ECONOMIC REGULATIONS FOR 1982 EXPLAINED

Budapest MAGYAR HIRLAP in Hungarian 3, 16, 17 Dec 81

[3 Dec 81 p 7]

[Text] Enterprise Incomes

Income regulation, which influences the magnitude of income generated at managing organizations and defines the part of the income to be paid into the budget and the income remaining at the enterprise or cooperative, is an important tool for planned guidance of the people's economy. The important elements in income regulation are: Income withdrawal (taxation), support, which covers deficits and supplements profit, and wage-earnings regulation, which influences the magnitude of personal incomes.

Beginning 1 January the values in income regulation, set most recently in 1980, will change--adhering to principled foundations. The reasons for the changes are that the division of income between managing organizations and the state budget in 1980 and 1981 was not accompanied by the desired increase in the budgetary part of income, the financial balance did not improve adequately and over-spending, although it moderated, is still significant in the people's economy. Tightening income regulation is also justified by the fact that we must strengthen the realization of the performance principle, which will make possible the discovery of reserves, not only those which can be mobilized quickly but also those that will have a lasting effect. Only in this way can an obstacle be put in the path of the dangerous process of inflation.

Beginning 1 January 1982 the enterprises must pay into the budget a wage contribution corresponding to 27 percent of the wages paid out. This means that taxation burdening wages will increase by 3 percent. Thus the cost of labor will be noticeably higher for the enterprises, which will encourage an increase in productivity if they want to maintain the profit level.

It is important to note that the profit tax for 1982 will not change; thus the tax key for corrected profit is 45 percent. The declaration and payment of the profit tax will continue to be in the form of self-taxation. Tax discipline by the enterprises was satisfactory in 1981 but the Receipts Main Directorate of the Ministry of Finance should improve institutionally the quality of supervision.

An analysis of economic processes this year shows that while earnings and incomes paid out are better linked to performance than they were earlier this link is still not as close as is required by the financial balance, a proportional development of the commodity and financial base. For this reason the goal of tightening the values for wage and earnings regulation is to make possible an increase in wages only on the basis of greater performance.

The wage multipl,ier tied to the wage development indexes will be moderated from 0.3 to 0.2 in the wage fund regulation linked to performance and from 0.3 to 0.25 in the wage level regulation to performance. The magnitude of central wage development will decrease from 4 percent to 3 percent in the central wage fund regulation form, from 3 percent to 2 percent in the relative combined central wage fund regulation form and from 3 percent to 2.5 percent in the central wage level regulation form.

The old values will be valid in coal mining, in ore and mineral mining, in ferrous metallurgy, in the baking industry, in the milk industry, indomestic trade (with the exception of wholesale trade intools of production and stockpiling and wholesale trade in by-products and waste collection) and for enterprises and cooperatives providing consumer services.

In the case of highly profitable enterprises managing efficiently the wage development which could be realized by means of wage development payment concessions has been 2 percent; this can now move between 2 and 4 percent--differentiated as a function of the level of profitability. These enterprises will also be aided by a measure according to which they must pay the 150 percent wage development contribution burdening wage level development only for a wage level increase above 12 percent; this figure had been 9 percent.

The values for income regulation in foreign trade will change also; the gross foreign trade profit margin, as compared to domestic trade taxes, will increase from 50 percent to 55 percent (with the exception of Masped [Hungarian General Shipping Enterprise]) and from 45 percent to 65 percent for intermediary, agent enterprises. The budget will withdraw the excess profits deriving from changes in the rate of exchange which developed for these enterprises between 31 October 1981 and 31 December 1981.

Regulations

The modification of the regulators will moderate or put an end to a number of tax concessions and forms of support. Supports for the modernization of production will decrease at an accelerated rate, primarily in light industry and foodstuffs and for a few machine industry enterprises. The measures also affect support for individual activities. Support for seasonal domestic trade shops will end and support for trade in fruits and vegetables will be decreased by 25 percent.

In the wake of regulator changes--including the price measures--enterprise profits will decrease by 20 billion forints in 1982, presuming the given production level, which means an increase in central resources of the same magnitude. It will be possible for the enterprises to preserve or even increase their profits in 1982, if they manage more efficiently and achieve higher performance, but to do this they must meet higher requirements.

[16 Dec 81 p 7]

Agriculture

The modification of the agricultural regulators is aimed at further improving the competitiveness of export and making more favorable the financial conditions for agricultural operations with lower incomes and unfavorable natural conditions. It is an important aspect of the changes that in a number of areas conditions identical with those of industry will be realizedin agricultural production also. For example, increasing the wage contribution by three percentage points will apply to large agricultural operations also.

The favorable changes introduced this year at state enterprises in regard to generation and use of the social and cultural fund will apply to the large agricultural operations also. For example, where there is no institutional kitchen and the workers are given meal tickets as a meal contribution this can be at the burden of the social fund and not the shares fund.

Outside of Work Time

Beginning 1 January 1982 it will be possible for producer cooperative members, as it has been in state enterprises, to undertake work outside of the work time in their producer cooperatives if it is not part of their job obligations. It will be a condition for such a contract that the producer cooperative member work for the communal farm on a continuing basis in all his work time until he fulfills the 2,200 hours per year now prescribed. The rules for levying production taxes on industrial activity donein the large agricultural operations will change considerably and a few production tax keys will change, creating withdrawal conditions identical with those for industrial enterprises. (The tax keys for industrial and service activities will increase by 1-2 percent.)

The basis for the income tax in the large agricultural operations will be the profit serving as a basis for accounting (interest) and the total of payments and wages. Thus the basis for the tax can be reduced by the total of payments on loans to cover losses and make up fund shortages and by supplemental funds used for such adjustments but it will be increased by the value of non-normative export supports. This definition of the basis for the income tax will be advantageous primarily for farms in a more difficult financial situation and it will help them catch up in productivity and net profits.

Investments

It will serve to stimulate agricultural production that the prices for the most important tools and materials used will not change in 1982. Budgetary supports will neutralize changes in producers or import prices for artificial fertilizers and industrial fodders. In regard to industrial materials, prices for fuels increased by about 10 percent as of 1 November but the budget balances out 75 percent of the increase--with methods used heretofore also. Next year, however, the March budgetary equalization of energy prices increases for large agricultural operations will end.

The budget will continue to support investments by large agricultural operations. For example, a 30-35 percent or fixed sum support can be given to create conditions for keeping animals when establishing hog or milk cow facilities.

Improving productive land is an important goal of invesgment supports. For this reason state support of melioration and water management will increase.

The support system for cattle raising will be modified and milk production supports will be moderated by 45 percent. The supports thus freed will increase the profitability of slaughter cattle production in that the large agricultural operations will get a six forint price supplement for every kilogram of slaughter cattle sold.

Even heretofore a special support balanced out a part of the deficit due to land quality in areas of weak productivity (in general on plow land with cadastral net income lower than 14 gold crowns). The number of operations working in areas under 14 gold crowns is large and in many cases the state purchasing prices based on conditions around the average did not even cover their costs, so it was justified to increase their interest.

Extending the sphere of supports will also stimulate an increase in economical export. The special price supplement for farms with unfavorable production conditions will increase from 15 percent to 25 percent for the sale of cereal grains and will increase to 10 percent for the sale of slaughter cattle, slaughter sheep and berries. Those large agricultural operations where the plow land cadastral net income did not reach 18.10 gold crowns on 31 May 1981 will also get special price supplements. The value of these will be 20 percent of the income from cereal grain and corn, 7 percent of the price income for slaughter cattle and slaughter sheep and 8 percent for the sale of berries.

[17 Dec 81 p 7]

Producer Prices

The most general economic regulator is the price. The price level, price forms and the price mechanism have a special role in the fact that processes serving the balance have strengthened in the past 2 years.

Although the relatively short time which has elapsed since 1 January 1980 is not sufficient for an analysis of the experiences of competitive price generation still certain tendencies can be observed. In the wake of competitive price generation the foreign market price work of most enterprises producing for export has improved, the profitability of non-ruble export has increased and the domestic price level has adjusted to this and the accomodation of the enterprises to world market prices has strengthened in the following sphere. But competitive price generation can be improved further because sometimes the differences between the profitability of domestic sales and foreign sales are significant and this influences the direction of incentive.

The producers price changes which went into effect on 1 January 1981 applied to fixed prices, primarily to fuels.

As of November the price of petroleum and petroleum products--with the exception of gasoline--increased in a differentiated way, taking into consideration the world market prices for the several products; and natural gas, coal, coke, electric energy and thermal energy became more expensive also.

Encouraging conservation of energy-intensive transportation costs and moderating the budgetary burdens interdependent with transportation justify a 15 percent increase in highway and domestic rail freight fees, while rail freight and export-import freight fees are increasing by an average 20 percent.

Tickets Become More Expensive

Beginning 1 January 1982 the price of tickets for rail travel and inter-urban autobus travel connected with travel to work will increase by 25 percent. The increases do not affect refunds to workers; the employer will bear the burden of the increase.

Where justified by the security of management or the need to moderate ripple effects the budget will offer support--of a temporary character--to reduce the burdens of the increase. For example, the rebate will come to 75 percent for large agricultural operations, 80 percent for long-distance passenger traffic, 90 percent in the cement industry and full value in urban mass transit, public sanitation activities and household energy use.

The producers price measures will have the effect of reducing profits for the enterprises. But it can be concluded from preliminary calculations that the affected economic organizations can counterbalance this even in 1982 by increasing efficiency and with more thrifty management.

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MINISTER'S VIEWS ON SPECIAL TAXES PUBLISHED

Warsaw TRYBUNA LUDU in Polish 11 Dec 81 pp 1, 2

[Text] Responding to the numerous questions sent to the Ministry of Finance concerning what will be done with the revenues earned from the increases in the prices of cigarettes, matches, gas fuels, and alcoholic beverages, the head of this ministry, minister Marian Krzak, sent us a full report on this matter, which we are publishing here with minor abridgements.

The Ministry of Finance advises that, according to current estimates, revenues accruing to the national budget as a result of the increases in the prices of cigarettes, matches, gas fuels, and alcoholic beverages will amount to approximately Zl 40 billion this year and, it is estimated, in excess of Zl 180 billion next year (these figures include revenue gains attributable to the two latest price increases affecting alcoholic beverages, amounting to approximately ZL 116 billion, gas fuels, amounting to approximately Zl 32 billion, and cigarettes and matches, amounting to more than Zl 33 billion). Were it not for these price increases, there would have been no increase in budget revenues next year, something which would have limited opportunities for finding the funds required to meet many important social needs.

In keeping with the provisions of the budget for 1981 and 1982 the revenues gained as a result of these price increases are to be used to pay for the necessary increase in expenditures for social and cultural purposes, for social insurance requirements, and for municipal services and housing needs.

During this year alone expenditures for the funding of social and cultural activities went up by Zl 55 billion, and for next year it is projected that these expenditures will go up by an additional Zl 50 billion. The most important factors figuring in this increase in expenditures next year will be appropriations of funds to pay for wage increases and a higher level of employment in schools, hospitals, and other institutions amounting to a total sum in excess of Zl 30 billion.

As is well-known, working hours have been cut back, and many facilities have been put to use for the purpose of meeting social and cultural activity needs. This entails the necessity of a substantial increase in the level of employment. The increase in expenditures needed in order to maintain these new facilities, not

counting labor costs, comes to approximately Zl 3.6 billion. In addition, these expenditures will be increased by another Zl 2.4 billion to pay for improved food services in hospitals, public welfare institutions, and combination educational-public welfare institutions. Expenditures on medicines will also go up by approximately Zl 2.6 billion.

Further, it is necessary to find funds to pay for the effects of the rising costs of maintaining social and cultural facilities, an increase which is estimated to amount to approximately ZL 5.5 billion. If it were not possible to come up with the revenues needed to offset this necessary increase in expenditures dedicated to these purposes, it would be necessary to institute the practice of delivering these services on a reimbursable basis, a practice which would of course be inappropriate for social reasons. It should also be pointed out that revenues derived from the increased prices of alcoholic beverages will be used to fund the program dedicated to the fight against alcoholsim.

Social insurance requirements are another important factor figuring in the increase in expenditures funded out of the national budget that will have to be offset by additional sources of revenue. This year's increase in expenditures earmarked for this purpose will amount to more than Zl 26 billion. On the other hand, next year these expenditures will go up by an additional Zl 42 billion. This is mainly related to the need to find supplementary sources of funding for the retirement fund due to increases in annuities and pensions, especially so in the case of minimum-benefit pensions, to the introduction of educational grants, and to the increase in subsidies paid for out of the national budget for annuities paid to private farmers that are not matched by contributions paid into the farmers retirement fund.

A third important factor figuring in the increase in budget expenditures that is dedicated to providing for the expansion of public services is the matter of the surcharges imposed to pay for municipal and housing services. These costs are going up this year by approximately Zl 12 billion, and they are slated to go up next year by an additional amount of approximately Zl 15 billion. This is related for the most part to the necessity of generating the funds needed to offset the increases in the wages paid to workers employed in this sector of the economy in keeping with the provisions of the program for stabilizing the fees paid for municipal and housing services. In addition, there are plans for allocating supplementary revenues to pay for the repair and maintenance of residential buildings and to offset the increased operating costs of urban mass transit rolling stock and for the procurement of additions to this rolling stock.

Taken altogether, expenditures out of the national budget earmarked for funding the abovementioned needs increased this year by approximately Zl 93 billion. Next year these expenditures will go up by another Zl 110 billion, that is, Zl 200 billion more than in 1980. However, as was already pointed out, total revenues derived from this year's price increases will come to approximately Zl 180 billion.

The revenues brought in as a result of these price increases are therefore still not sufficient to cover the total planned increase in budget expenditures earmarked for these purposes. Nor for that matter are they sufficient to offset the necessary increase in national budget liabilities chargeable to consumer goods price supports. Surcharges on the prices of foodstuffs alone will go up next year by more than Zl 160 billion. So, notwithstanding these prices increases, the draft budget for 1982 still shows a large deficit.

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CSO: 2600/125

MINISTER INTERVIEWED ON MEMBERSHIP IN INTERNATIONAL MONETARY FUND

Warsaw SZTANDAR MLODYCH in Polish 23 Nov 81 pp 1, 2

[Interview with Zbigniew Karcz, director of the Foreign Department in the Ministry of Finance by Malgorzata Pokojska]

[Text] [Question] You took part in the talks that were recently held in Washington concerning the readmission of Poland to the International Monetary Fund. What is the reason for choosing this particular point in time to make this effort?

[Answer] The decision to apply for admission was preceded by lengthy debates during which consideration was given not only to possible future advantages and liabilities, but also to the anticipated reaction of the member countries and the IMF authorities. It is hard to say what would be the most appropriate point in time to make such a move. On the one hand, a country like ours that is in debt and struggling with so many problems surrounding the repayment of its loans might be regarded by the members of the IMF as a potential debtor to this organization. On the other hand, the fact that our economic and balance-of-payments situation was at one time not in such bad shape never did anything to encourage making a decision to apply for admission. At that time voices were being raised in opposition to such a move, asking why we should bother to eat this crow, since it is not necessary.

[Question] So, in this way we finally reached the point where no one was talking any more about preventive measures. Hungary, displaying, in the opinion of IMF experts, more imagination and foresight, has now joined the IMF in order to safeguard itself against problems that might arise in the future. What will membership in the IMF do to change our situation?

[Answer] Joining the IMF makes no critical difference as far as our economic situation is concerned. It will not automatically solve all of our problems, even though it might make it easier to find solutions to these problems. It is one of several instruments geared toward supporting our country's established balance-of-payments policy. As of right now we are being forced to enter into multilateral negotiations with creditor countries and banks concerning the extension of our debt servicing schedules. Membership in the IMF would make it possible for us to channel these negotiations through the IMF itself. The assistance of the IMF in, say, the preparation of reports on the state of Polish economy might be helpful to us and, as a matter of fact, should make it easier for us to conduct negotiations with banks and governments.

[Question] You claim that the IMF authorities view us as a potential debtor. What are our chances of obtaining loans from the IMF?

[Answer] There really is a chance that the IMF could help us to obtain additional funding sources and--something which is also important--under more favorable terms than we could get elsewhere. The interest rate on IMF loans is relatively low. In addition, IMF members are entitled to participate in the World Bank, which provides aid in the financing of certain capital investment projects, especially when it comes to investments in infrastructure, and offers opportunities for participation in similar projects in third countries.

[Question] Does a loan from the World Bank rule out the possibility of receiving aid from the IMF or vice versa?

[Answer] These are two different kinds of aid. Aid provided by the IMF for the purpose of restoring a healthy balance of payments does not preclude aid from the World Bank dedicated to work on specific kinds of capital investment projects.

[Question] What are some examples of the kinds of capital investment projpcts that could be financed by the World Bank?

[Answer] For example, the construction of the North-South superhighway, assuming that work ever really gets started on this projpct. Likewise, in my judgement, aid could also be obtained from the World Bank to support the "Vistula" program. Right now we would like to get the World Bank interested in financing capital investment projects that have been suspended. It is hard for me to give you any other examples. We are just now getting started down this road, and, for the time being, only preliminary talks have been held.

[Question] And what kinds of obligations arise out membership in the IMF?

[Answer] During the 1950s, when we left the IMF, and also during the years that followed these obligations were made out to be a bit more drastic than they really are. And, in fact, these obligations are confined to matters having to do with the release of information on the state of a member's economy. But is it possible to regard this as some kind of additional obligation, since we have already consented to release this kind of information much earlier on while we were engagedin negotiations on the postponement of our debt repayment liabilities? The information which we have released to representatives of the governments of creditor countries and to private banks is no less detailed than the kind information that the IMF is requesting.

[Question] Up until very recently our balance of payments was classified secret. Only the western press indulged in any speculation on this subject. It offered up guesswork and would occassionally publish some figures. I do not know how credible these figures are, but they certainly were not made available to Polish journalists.

[Answer] But the rules have been changed on this score. We have not only begun to disclose our balance of payments to creditor countries, rather we are also publishing this information here in Poland. Our balance of payments is no longer a secret. But as far as other figures on the state of our economy are concerned, this information can in fact be found in the ROCZNIK STATYSTYCZNY [Statistical Yearbook].

[Question] But, in addition to furnishing statistical data--which, as you note, are in the public domain--are we not also required to come up with a program for solving our crisis? After all, we are counting on financial aid....

[Answer] Yes, of course, but this is an entirely different matter. Membership in the IMF is predicated on the release of information on the state of a member's economy. Obtaining loans to bring the balance of payments into equilibrium is predicated on presenting a program which will demonstrate that the borrowed funds will not be wasted.

[Question] Is the IMF interested mainly in the status of balance of payments or in the state of the economy? In Poland today these two factors go hand in hand, but can one imagine a situation in which an economic recession is accompanied by a balance of payments that is in a state of equilibrium?

[Answer] Something like this could happen in countries which have very weak ties with the rest of the world, in countries with isolated economies. However, the statute-mandated goals of the IMF include: Economic growth, full employment, rising labor productivity, and, with all of this, the maintenance of a relative equilibrium in the balance of payments area. In order to obtain loans from the IMF it is necessary to come up with a program that guarantees or at least comes close to guaranteeing the realization of these goals.

[Question] It is imperative that we come up with such a program. And yet I cannot imagine giving our economy a "boost" without external financial aid.

[Answer] Such assistance is necessary not only in order to "boost" the economy, but, most importantly, in order to curb recessionary tendencies. In order to maintain the present level of incomes and production we have to obtain loans, loans which are larger than many of those which we took out in the past. We will of course put together a program for solving our balance-of-payments problems, something which is an integral part of a program for the solving the overall crisis.

[Question] But alot of programs have already been drawn up. Does not the government's economic stabilization program meet the requirements set by the IMF?

[Answer] Generally speaking, it does meet these requirements. We do not intend to make any changes in the underlying precepts of the economic stabilization program. But we must expand it and supplement it with new information. The government program is general in nature, serving more as a set of guidelines. But what we need is a program for restoring equilibrium to our balance of payments. We have to move on from setting general tasks to setting specific goals and means of action. In order to satisfy the IMF we have to put together a study that has been augmented with data from the Report on the State of the Economy. In many cases it will be necessary to translate this information into the statistical language that prevails in the IMF.

[Question] On joining the IMF a new member has to make a membership deposit. Will not this place a great strain on our balance of payments?

[Answer] For the time being we have only applied for admission to the IMF. Still ahead of us are the negotiations on determining the amount of our contributionto the IMF, 75 percent of which will be paid into an IMF zloty account with the National Bank of Poland, while the remaining 25 percent will be paid in the form of so-called

SDRs (special drawing rights) or in the form of one of five convertible foreign currencies. This 25 percent, a member country's so-called reserve quota, may be "withdrawn" or rather spent at any time and without having to cite any particular reasons. From this standpoint, then, this will not place any strain on our balance of payments.

[Question] Let us hope that we will not have any trouble coming up with this sum of money. Assuming, of course, that we are admitted to the IMF at all.

[Answer] There are 143 countries that belong to the IMF. I do not recall there ever having been an applicant who was rejected. And the preliminary talks we have been holding give us every reason to be optimistic about our chances.

[Question] Thank you for granting this interview.

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## PLANS, PROGRAMS FOR 1982-85 PERIOD INTRODUCED

### Socioeconomic Development Plan for 1982

Bucharest REVISTA ECONOMICA in Romanian No 49, 4 Dec 81 pp 3-4, 12

[Article by Toma Melinte]

[Text] The single national plan for socioeconomic development for 1982, recently adopted by the Grand National Assembly, is a new and important link in the creative activity of the Romanian people in steadfastly implementing the program worked out by the 12th party congress; the plan's goals are based on the tasks included in the 1981-1985 five-year plan, on the indications of the party leadership and of Comrade Nicolae Ceausescu on raising economic and social activity to a qualitatively higher level. In determining the size of the tasks forecast for next year in the plan, account also was taken of the results obtained in fulfilling this year's plan, of the proposals made by workers at the general meetings in the economic units as well as of the decisions of the recent joint plenum of the RCP Central Committee and the Supreme Council for Social and Economic Development.

Through the provisions it includes, the single national plan ensures fulfillment of certain goals of Romanian economic progress which are of the greatest importance. Thus, we mention the special attention being given to broadening the base of raw and energy materials as well as to the intensive development of agriculture, which are decisive priorities of this current period. Also in the forefront are the problems of modernizing industry and improving the structure of industrial production, efficient national management and superior utilization of raw materials, materials, fuels and energy, raising the technical and quality level of products, consolidating the material, financial and currency balance of development and steadfastly increasing economic efficiency and the profitability of all units, strict application of the provisions of the new economic-financial mechanism. On this base the mobilization of all reserves is being sought with a view to carrying out the program to raise the population's material and spiritual standard of living.

The country's social-economic development in 1982 compared with the preceding year is characterized by the following increases for the main overall indicators (see the table) in percent, as calculated on the basis of 1981 prices.

Although the abovementioned increases seem smaller than those in previous phases, extensive phases of development of the national economy, actually these rates, which continue to be above the European and world average, reflect a powerful rise; they

have the importance of absolute increases in the indicators which are much greater than those in the past. Achieving such provisions requires important changes in the structure of Romanian industry and the economy, which requires faster technological progress, qualitative rise in production and increase in efficiency.

| Indicator | Increase Over 1981 |
|---|---|
| Social product | 4.5 |
| National income | 5.5 |
| Industrial production: | |
| Value of net production | 5.6 |
| Value of production good | 4.7 |
| Agricultural production: | |
| Value of total production | 6.0-7.9 |
| Value of net production | 6.8 |
| Total investments in the economy | 5.0 |
| Volume of foreign trade | 14.0 |
| Labor productivity in industry (calculated on the basis of value of net production) | 4.1 |
| Reduction in expenses per 1,000 lei production good in the national industry | 1.9 |
| Domestic electric energy consumption | 3.0 |
| Population's total real incomes | 2.7 |
| Average real salary | 1.5 |
| Peasants' real income from work on the agricultural production cooperatives and personal plots, per active person | 3.2 |
| Retail sales of goods | 4.6 |
| Services to the population | 11.2 |

The National Base of Raw Materials and Agriculture--Basic Priorities

The 1982 plan forecasts high production levels for a number of main industrial products, a fact which brings out the importance being given to development of the primary branches of the economy, which contribute to an increase in our own base of raw and energy materials as well as the processing sectors--which through the products manufactured ensure superior utilization of all categories of material resources and require more and more complex and qulified work and make a higher contribution to the efficient flow of the country's exports. At the same time, one may state that the entire construction of the plan proves the special emphasis being placed not only on increasing the products which utilize resources at a high level but also on limiting the manufacture of big energy-consuming products and products which are big consumers of raw materials.

Taking this kind of action, it was sought to have the plan hinder and limit the negative effect on our economy by destabilizing factors caused by the phenomena of the world economic-financial crisis, an effect demonstrated by the continued rise in the prices of fuels and raw materials and by the exaggerated interest rates on the foreign market. Also, it should be noted that in order to avoid future failures in fulfilling the plan tasks it was sought for the manufacture of physical products to be ensured with corresponding capacities; thus it was kept in mind for industrial production to be carried out in 96.5 percent of existing units, 2.8 percent in the installations in the phase of technological testing and only .7 percent at the capacities which will enter into operation in the last part of 1982. This is a measure

which contributes to consolidation of the material balances worked out, to setting the size of consumption based on technical standards, which comprise more than 90 percent of the need for primary fuels and electric energy, 98 percent for metal in machine construction, 90 percent for plastics, 80 percent for wood subject to industrialization and 96 percent for leathers and textile fibers.

A central place in the 1982 plan is held by development of the primary sector of the economy, our own base of raw materials and energy, agriculture and silviculture, parallel with a policy of emphatic reduction in material consumption in all areas. Toward this end, this sector has been allocated large funds from total production investments. In order to broaden our own base of mineral raw materials, the plan provides for intensification of geological research activities in all areas with favorable prospects as well as for the continental shelf of the Black Sea and it establishes tasks for drawing all the resources we have available into economic circulation, including those with reduced contents of useful substances or located at great depths.

The development of the extraction industry is based on the start of new production capacities into operation and full use of existing ones, on extending modern technologies for the exploitation, preparation and complex utilization of mineral substances from deposits, with special attention being given to the extraction of petroleum, methane gas and coal, whose production is forecast to reach 12.5 million tons in 1982, nearly 33 billion cubic meters and 44 million tons, respectively. Big efforts also will be made to continue increasing the production of ferrous and nonferrous ores, nonmetal-bearing substances as well as in other sectors of the extraction industry.

The production of electric energy, established at the level of 74.1 billion kWh, takes into account the particular tasks for continuing to stress reduction in specfic consumption in all sectors. Priority attention in this branch is being given to the production of electric energy on the basis of coal, with the plan mentioning schedules for having new energy groups enter into operation and measures for the corresponding operation of existing capacities.

Agriculture, the basic branch of the national economy and one of the most important priorities of this five-year plan, is being oriented through the plan provisions in the directions which ensure increasing the contribution to satisfying the population's consumer requirements, supplying the food and light industries with raw materials as well as creating higher reserves for export. In accordance with these tasks, agriculture, including silviculture and water economy, has provided investment capital of 35.6 billion lei, with a view to the continued development and modernization of the material-techncail base. Next year agriculture will have available a system of highly productive machinery, which will permit carrying out sowing and harvesting in the optimum periods, will receive 1,802,000 tons of chemical fertilizer with nitrogen, phosphorous and potassium and 51,600 tons of pesticides in active substance and will benefit from larger areas set up for irrigation, drainage projects and for combatting soil erosion.

Taking into account the entire complex of measures established for broadening and utilizing the material-technical base as well as possible and for raising activity in agriculture to a qualitatively higher level, the plan for the vegetable sector forecasts an increase of grain harvests to 24 million tons, large increases in the

production of sugar beet, sunflower, fruits and grapes and the numbers of animals in the zootechnical sector, which is enjoying special attention, their output, and meat, milk, wool and egg production will increase.

An Adequate Economic Structure for Requirements and Restrictions

The process of restructuringindustry will continue to deepen next year,with the plan's specifying the necessary tasks for the intensive development of the branches and subbranches of the processing industry, for achieving improved variety structures adapted to the current needs of the economy and requirements of the foreign market which, at the same time, provide for superior utilization of raw materials and energy.

In the metallurgical industry, a branch which, as we know, consumes large quantities of raw materials and energy, the majority of which are obtained by imports, the steel production of around 14.2 million tons is being set in size according to the requirements for continued improvement in the structure and quality of products. This basic orientation in the development of the metallurgical industry is reflected in the plan through the tasks provided for faster growth in production in the sector of the metallurgy of special steels, predominantly the varieties of alloy steels as well as products with advanced processing.

In the machine construction industry it is forecast for production to provide both the equipment needed for the investment program as well as the export of this branch's products, a context in which a special emphasis is being placed on improving the structure of production by assimilating new, highly technicized products into manufacture as well as on applying certain measures with a view to increasing the mobility of production, to adapting it as efficiently as possible to the requirements of domestic beneficiaries and foreign partners. Since the potential which this branch has reached can satisfy the needs of the economy, the new investment provided refer only to certain well-defined sectors, with the stress being placed on full use of areas of production which exist, machinery and equipment, particularly special and performance machinery. New types of machinery, equipment, apparatuses and installations as well as new materials for the electrotechnical, microelectronics and aeronautics industries are being assimilated into manufacture in 1982.

In the chemical and crude oil-processing industry, possibilities are being kept in mind for achieving high utilization of resources and diversifying the quality and variety range of the products by better utilizing the capacities in operation and modernizing technologies, particularly the energy-intensive ones. Although the quantity of crude oil subject to processing is to be maintained at the 1981 level, that is, around 25 million tons, the finished production good will increase due to the superior fuels as well as products intended for the petrochemical industry. Petrochemistry will see faster development, with high rates being forecast for synthetic rubber, polymers, chemical fibers and threads together with a quantitative growth and variety improvement in the production of chemical fertilizers and pesticides. In the area of fine synthesis chemistry and small-tonnage chemistry--a sector of high technicity and economic efficiency--large increases in production are being established for drugs, dyes and organic pigments, cosmetics and so forth.

The production of the machine construction industry is being set in size in close connection with the investment-construction program forecast for 1982. At the same time, taking into account the powerfully intensive nature of this branch, the plan

forecasts the restriction of production of cement, reinforced concrete prefabricated products, ceramic bricks and asbestos cement tubes to what is strictly necessary. In the consumer goods industry, emphasis is to be placed on orientation toward substantially raising the quality of the products and obtaining much more diversified variety structures with superior finishing. The production increases forecast for knitwear, readymade clothing and footwear are to be obtained for the most part by superior utilization of raw materials from Romania--particularly chemical fibers and threads, flax, hemp, wool and leather--as well as by the use of much greater quantities of recoverable materials. All these are options which bring to light the continuation of major restructuring in Romanian industry and the economy with the purpose of also answering the restrictions caused by the world crisis of energy and raw materials as well as the demands for efficient development of the Romanian economy.

Quality Improvement of Activity in All Sectors

The 1982 investment program, for the implementation of which 226.3 billion lei have been allocated, continues to provide the vitality of the Romanian economy. Efforts are being directed on a priority basis for next year, too, toward the development and modernization of material production, the basic branches of the economy, with industry, agriculture and transportation to receive 79 percent of the investments forecast. At the same time, development of the material base for the social-cultural sector , for housing construction and communal management and for other investments which contribute directly to raising the people's standard of living, funds totalling 36.2 billion lei have been allocated. In accordance with the party secretary general's indications, the plan is taking into account the needs to continue firmly the action to restrict the front of investments, with the material and financial resources being oriented so that all conditions are created for the projects now being built to be put into operation promptly.

Exemplary fulfillment of the tasks in the investment area--which to a large extent is a condition for achieving the production levels and efficiency forecast for 1982 and for coming years--requires decisive application of the measures established for promoting technical and economic solutions which provide for eliminating defects and substantially raising the quality level of activity in this area, an exigent action for management of material resources with a sense of responsibility, for full utilization of construction equipment and the labor force so that the jobs take place at a sustained rate on all the job sites and production capacities being built should be put into operation within the schedules forecast.

As one of the basic requirements for fulfilling the tasks established, the plan takes into consideration the more active participation of Romania in international commercial exchanges and cooperation with higher efficiency. Taking into account the entire ensemble of phenomena being demonstrated at the world level, the forecasts for 1982 in the foreign trade area have in mind application of the measures established for full utilization of the opportunities for increasing exports and achieving a rising commercial balance, within which the imports of raw materials and equipment, which cannot be manufactured in the country or which are not efficient to be manufactured here, are ensured as well as reduction in foreign debts. The plan continues to create conditions for consistent development of economic collaboration with the CEMA member countries and all socialist countries and amplification of economic relations with other states.

Next year the volume of foreign trade will rise 14.0 percent, a much more emphatic growth being forecast for export. In this framework, one of the central problems of the activity is a substantial rise in the efficiency of export, improvement in its structure and superior utilization of Romanian goods on foreign markets. This requirement poses the task of taking firm action at all levels for complete coverage of the export plan with contracts and for exemplary fulfillment of export production. Resulting for the economic units is the duty to give all their attention to efficient adaptation of the production to the requirements of the foreign market, to diversification of the geographic zones for contracting and forms of commercialization and to continual growth in the share of products with a high degree of processing. At the same time, decisive actions are needed for sensible management of funds. Also required is careful seeking of fulfillment of the cooperation actions with other countries and goals agreed upon with international organs.

In agreement with the requirements for fully placing the intensive reproduction factors in value, the plan forecasts have in mind an emphatic rise in economic efficiency in all sectors of activity. In 1982 the growth in labor productivity in industry will be 5.3 percent, while the reduction of expenses per 1,000 industrial production good will be 1.9 percent, with the savings to be obtained in this way to be achieved particularly due to reduction in material expenses.

It should be emphasized that achievement of the material and financial balance held in mind for next year requires achieving the resources in the planned structure, steadily carrying out technical-material supply, strictly fitting into the consumption and stock standards established by the plan.

The planned growth of industry and agriculture and all branches of material production ensures a 14.5-percent greater increase in social product over 1981, which is to be achieved with smaller material consumption so that the share of material expenses in the social product will be reduced. Under these conditions a 5.5-percent increase in national income has been forecast.

The plan forecasts measures for continuing to raise the populations' material and spiritual well being. According to the program to raise the standard of living and in correlation with the planned evolution of the price indicator, both the peasants' real incomes and those of worker personnel will see an increase and there will be a corresponding increase in sales of food and nonfood goods and in services to the population, while the population's living conditions will be favorably affected by the construction of 190,000 homes.

In pointing out the main guidelines, goals and tasks established by the single national plan for 1982 as well as the fact that the plan ensures through its construction all the material and financial resources needed, it is necessary to stress the need for exemplary fulfillment of the plan provisions. This requires strict application of the new economic-financial mechanism in all the social-economic units, disciplined continuous work from all workers and superior activity on every job.

## Agricultural Improvements

Bucharest REVISTA ECONOMICA in Romanian No 49, 4 Dec 81 pp 5-6

[Article by D. Dumitru]

[Text] Ensuring the conditions for continued rise in the material and cultural standard of living and the well being of all the people, the supreme goal of the Romanian Communist Party policy of building the multilaterally developed socialist society and directing Romania toward communism, demands a rise in vegetable and animal agricultural production in all the state and cooperative units and utilization of the resources from the population's plots to a greater extent with a view to improving the supply of all residents of cities and villages with agricultural food products and to satisfying other needs of the national economy.

The program for territorial self-leadership and self-supply in providing the population with animal and vegetable agricultural products in the 1982-1985 period is based on the goals established by the Directives of the 12th party congress to raise agricultural production, raise the quantitative and qualitative level of food consumption in accordance with the scientifically determined requirements for maintaining and developing the ability to work as well as to improve the entire population's state of health.

Worked out under the initiative and direct guidance of Comrade Nicolae Ceausescu, party secretary general and president of the republic, the program is conceived so that the current five-year plan is a new stage in improving food consumption, a basic expression of raising the people's standard of living. The program places in the center of attention the firm application of the principle of self-leadership and self-supply, strengthening of the role of local organs, participation of the popular masses in the leadership and in carrying out the single national plan for the country's economic and social development.

In accordance with the party's general policy and the tasks set by the five-year plan, the program establishes territorially the basic coordinates for increasing agricultural production with a view to satisfying the population's consumer needs, those of industry with raw materials as well as other requirements of the national economy. At the same time, the program proceeds from the requirements for steadfast application of the new economic-financial mechanism and rise in the efficiency of all economic activity. The programs worked out by the local organs are conceived so as to be a sure base for increasing vegetable and animal production, for providing self-supply in conformity with the rational consumption requirements and with the principles of socialist ethics and equity. The county and commune people's council programs are a component of the program at the countrywide scale--a basic condition for the balanced development of the national economy at a sustained rate.

### Quantitative and Qualitative Changes in the Structure of Consumption

In the years of building socialism, particularly the period opened by the 9th party congress, as a result of the general development of the production forces and increase in national wealth, the material base has been created for the continued rise in the standard of living. The increase in the population's incomes has led to a continued improvement in satisfying the consumer needs for industrial and food products as well as the population's spiritual needs.

As a result of implementing the party's policy for intensive and multilateral development of agriculture, agricultural production has seen a sustained growth, ensuring continued improvement in supplying the population with agricultural food products, raw materials for industry and other needs of the national economy. Agricultural production in 1980 rose 3.5 times compared with 1950. In the 1976-1980 five-year plan the average annual grain production was 19.4 million tons, compared with 8.2 million in the 1951-1955 five-year plan; for potatoes, it was 4.4 million tons compared with 2.3 million; for vegetables--3.5 million tons compared with 1.6 million; for fruit--1.5 million tons compared with .6 million tons; for meat--2.4 million tons compared with .8 million; for milk--52.6 million hectoliters compared with 23.5 million; for eggs--6.6 billion compared with 1.3 billion.

Consumption of food products improved substantially, from one stage to another recording important growth. In 1980, per capita and per day consumption was 3,368 calories and 100.3 grams of protein, placing Romania at a comparable level with the economically developed countries such as Czechoslovakia, GDR, France, United States and FRG. Despite this, animal protein consumption still is below the requirements for a balanced nutrition, while grains represent a high percentage in the calorie structure of consumption. Grain consumption in 1980 in the equivalent of 173 kg of flour is much higher than in the economically developed countries. Per capita consumption per year, in 1977-1978, in Austria was 73 kg, 68 kg in FRG, 75 kg in France, 70 kg in England and 63 kg in the United States. Precisely for that reason the basic orientation of the program consists of improving the structure of food consumption. As Comrade Nicolae Ceausescu stressed at the recent plenum of the RCP Central Committee and the Supreme Council for Economic and Social Development, "We are seeking to ensure a better structure of nourishment, which will have positive effects on health protection and our people's physical and intellectual development. Currently per capita calorie consumption places Romania among the top 10 countries in the world. For that reason, in conformity with the program presented, we shall place the emphasis on improving the structure of consumption. For this purpose a party and state commission has been established and it is working out the scientific requirements for a rational nourishment, taking into account both the recommendations of science, achievements on the world level as well as our people's traditions and specific nature."

This is the first time in Romania that a program has been worked out toimprove the food consumption of the entire population , which takes into account consumption requirements, correlated with the material base and with the solvent requirements of all residents of cities, worker centers and communes. The population's food consumption fits into the consumption trends which have taken place in the economically developed countries. At the forefront of these trends is the increase in consumption of animal products. This consumption, forecast to be achieved in 1985 (82.5 kg of meat, 250 liters of milk , 300 eggs and 10 kg of fish), will mean that the percentage of animal protein--the quality indicator of food--is nearing the level of consumption standards determined scientifically.

Another trend of improvement in the food structure is the increase in consumption of vegetables, fruits and grapes, products rich in vitamins, natural sugars and salts, needed to provide a balanced nutrition. Thus, vegetable consumption will rise from 140 kg in 1980 to 170 in 1982 and 185 in 1985, the consumption of fruits and grapes will rise from 59 to 76 to 87 kg, respectively. Also, potato consumption will rise from 70.6 kg in 1980 to 100 kg in 1982 and 1985. The increase in consumption of animal products, vegetables, potatoes, fruits and grapes makes it necessary and possible to reduce grain consumption from 180 kg in 1982 to 140 kg in 1985.

The program establishes average consumptions for the country, as a basis for calculation, with a view to providing the material resources needed both for feeding the city as well as rural population. The programs worked out by the county and city people's councils will be adapted on a differentiated basis according to the population structure, according to the efforts made in material production and other activities and according to age and sex, bearing in mind the specific local nature of the foods, in accordance with the requirements for maintaining and continually improving the state of health and working ability of all residents. In accordance with the provisions of the program, the differentiation of average per capita consumption will be kept in mind depending on vocational structure, providing larger quantities for miners, iron and steel workers and other workers who work in more difficult working conditions and jobs.

Both at the country level as well as in the people's council programs the stress is being placed on improving the structure and raising the quality of products with a high nutritional content and on diversification of the varieties.

Providing the Material Base for Satisfying the Population's Requirements

The program on territorial self-leadership and self-supply provides for the material base needed to satisfy the population's requirements for each county, for each locality in proportion to the number of residents and level of current consumption. The increase in consumption for agricultural food products will be provided in proportion to development of the material base and growth in population.

The consumption of 65 kg of meat per capita on the basis of existing resources or from the county consumption fund or centralized state fund can be provided according to the number of animals we have available, under conditions where the minimum slaughtering weights of 360 kg for cattle, 110 kg for hogs, 32 kg for sheep and 1.45 kg for poultry are respected. The increase in slaughtering weaight in 1985 (400 kg for cattle, 40 kg for sheep and 1.65 kg for poultry), on the basis of the numbers of animals forecast in the five-year plan, will provide a per capita consumption of 82.5 kg of meat. The milk consumption forecast--200 liters in 1982 and 250 liters in 1985--can be provided with an average annual cow milk production of 2,285 liters for 1982 and 3,000 liters in 1985. Also, the existing layers and those forecast are to provide production in 1982 and 1985 for a consumption of 270 and 300 eggs, respectively. The per capita consumption of 7 kg of fish in 1982 and 10 kg in 1985 is to be ensured by fisheries, from the Danube, interior rivers, the Black Sea as well as ocean fishing. The basic condition for providing self-supply territorially lies in achieving the numbers forecast per capita, obtaining high average production and respecting the minimum levels for cutting the animals.

Romania's grain production of 24 million tons forecast in the plan for development of agriculture and the food industry for 1982 and of 28.5 million tons for 1985 ensures that the entire population will be supplied under good conditions with bread, flour, cornmeal and bread products and it covers the need for fodder grains and satisfies the industry's requirements for raw materials as well as other needs of the national economy.

As we know, horticultural products, both fresh and canned, are part of the basic products which must be present in food consumption all during the year. Providing the necessary consumption both for vegetables as well as potatoes, fruits and grapes

is to be carried out by increasing the areas and increasing average per hectare production. Vegetables will be provided by increasing average production both for the field as well as greenhouse crops and for double and successive crops.

The consumption levels forecast are being correlated judiciously with the increase in agricultural production and that of the food industry, with the material-technical base and fit into the indicators forecast for the five-year plan as a whole. From the initiative of the party leadership, which has demonstrated special concern with setting an appropriate size for the plan tasks in agriculture and the food industry, the investment capital initially forecast for this branch has been supplemented with around 8 billion lei.

With a view to fulfilling the program provisions the material-technical base of agriculture and the food industry will develop and modernize, measures will be taken to improve the organization of production and work and to have firm application of the principle of self-leadership and economic-financial self-management in all the socialist agricultural units and administrative-territorial units. Decisive action will be taken to accomplish a profound agrarian revolution in production, labor productivity, technical level, economic efficiency and the general social activity in our villages. For this purpose the rational use of the entire stock of land will be ensured as well as conclusion of the process regionalizing crops and establishment of crop rotation system, complex mechanization of jobs and chemification of production, total modernization of the fruit-tree and grape growing, continued rise in the numbers of animals and improvement in breeds and radical resolution of the fodder base.

All material conditions thus have been created to provide for the production set and for good supplies for the population.

Improvement in the Organization and Leadership of Economic Activity.

Fulfillment of the program's provisions requires improvement in the organization and leadership of activity in agriculture, both at the central level as well as that of the administrative-territorial organs and agricultural units. The programs for territorial self-supply worked out by the local organs of state power will have to be integrated organically into the plan for development of agriculture and the food industry. The self-supply of each county, municipality, city, commune and each locality must be ensured on the basis of complete utilization of all material resources and the labor force we have available with maximum efficiency.

Establishing the county consumption fund and centralized state fund for agricultural food products has special importance in fulfilling the program provisions. The county consumption fund includes the vegetable and animal agricultural products needed to supply the nonagricultural population in each locality and the county as a whole as well as the products obtained from producers, particularly the population's plots, to satisfy their own needs. The centralized state fund of agricultural food products is established by the plan for development of agriculture and the food industry and its intention is to provide industry with raw materials, to supply the tourist locations, to complete the resources for supplying the population with products which do not have favorable conditions in some counties as well as otherneeds of the national economy.

The introduction of this new concept of utilizing agricultural food production requires improvement in the territorial system of planning production and the organization

and profiling of the agricultural units. The programs must set the size of the county consumption fund and participation in the centralized state fund of agricultural food products in a correlated mway. The production of the agricultural units and within the sphere of the communes must be profiled by taking into account the purposes for utilization of it. We must eliminate the concept of ultraspecialization and ultraconcentration of agricultural production, of restricting the profile, particularly of the agricultural cooepratives, to two-three crops or only to one or two breeds of animals. The large industrial units which exist must be modernized, with the application of new industrial technologies being carried out in smaller sized units. In order to provide the county consumption fund, socialist units will be established to supply the urban centers as well as the communes which supply agricultural products from the population's plots. In order to ensure the centralized state fund, big specialized units will be set up on a priority basis and they will have to obtain production with high economic efficiency.

One of the basic conditions for ensuring self-supply is the improvement in management of the agricultural food fund through appropriate organization of transportation, warehousing and preservation and the eliminating of waste and destruction of the products. At the same time, it is necessary to improve the exchange relations between city and village, to place these relations totally on socialist principles, at equitable prices, and to extend and have firm respect for the contractual provisions.

The measures established by the program provide for an increase in the responsibility of the local organs and the county, city and commune people's councils in the leadership of all social-economic activity. This is an expression of the development of socialist democracy and increase in the popular masses' participation in the leadership of all social-economic activity. Fulfillment of the program's provisions is one of the conditions for fulfilling the strategic goal of the current five-year plan to change Romania into a socialist country with average development level. The continued strengthening of the alliance between the working class and the peasantry and unity of all the people and the durability of our system will be ensured by carrying out these measures.

## Regional Self-Supply Program

Bucharest REVISTA ECONOMICA in Romanian No 49, 4 Dec 81 pp 7-8

[Article by Dr Gheorghe Teodarascu]

[Text] The program on territorial self-leadership to provide the population with animal and vegetable agricultural products for the 1982-1985 period recently adopted by the Grand National Assembly creates the conditions for a qualitative leap in having the people's councils fulfill their jobs along the line of the social-economic development of the localities.

These jobs were stipulated with particularly clarity and vision of the future by Law No 57/1968 and they are as follows:

To work out and impelement the plans for territorial social-economic development, organization and checking on their fulfillment;

To have unified leadership of agriculture on the council's territory by:

a) Development of zootechnics with a view to covering the higher consumer requirements of the population and industry's needs for raw materials;

b) Complete satisfaction of the population's needs for vegetable, potatoes and fresh fruit for as long a period as possible during the year;

c) An increase in the contribution of the population's plots to providing local supply through the organization of vegetable and animal production on the population's agricultural lands in the urban and rural areas;

d) An increase in production on the areas intended for a fodder base, on the meadows and natural hayfields for the harvesting, warehousing and preserving of the entire forage production, ensuring judicious use of it so that each farm can fulfill its duty to raise animals and poultry;

(The tasks of the people's councils for supplying the population with agricultural food products under conditions of self-leadership and self-supply of the administrative-territorial units are detailed in Law No 13/1980).

Guidance and coordination of all the activity of small industry, the collection and utilization of all local available material resources within small industry as well as parts and subassemblies resulting from the division of fixed assets, consumer goods, other materials resulting from production processes or consumption as well as drawing the available labor force into production activity and providing of services for the purpose of developing small industry;

Ensuring the development of all local economic branches by full utilization of resources on the territory, rise in economic potential with a view to the continued rise in the citizens' quality of life (efficient utilization of production factors, including the land, development and diversification of the range of products and services offered to the population, improvement in their quality, environmental protection and so forth).

The joint RCP CC and Supreme Council for Economic and Social Development plenum as well as other democratic forums convened recently, in analyzing the way that these jobs of the people's councils are being fulfilled, evaluated the need to develop the favorable normative framework for implementing these tasks by adopting the national program for territorial self-leadership and self-supply.

Each county, each locality in proportion to the number of inhabitants and level of current consumption, are provided the necessary material base through the program adopted by the Grand National Assembly (for supply with meat, milk, eggs and other products), the base which is to be developed in coming years, in conformity with the provisions of the five-year plan.

Harmonious Development of Local Economy

The basic requirement of the program for territorial self-leadership and self-supply aims at improvement in the organization and leadership of social-economic development territorially, that is, primarily through better correlation of jobs in each locality.

However, other correlations also must be kept in mind, such as the correlation between development of the primary, secondary and tertiary sectors and environmental ecology, between development of the industrial and residential zones and transportation, between inhabited zones and placement of services, cultural supplies and administrative supplies.

Ensuring respect forthese objectively necessary correlations in economic practice can be achieved by starting with the planning of territorial development, a much broader job in responsibility and scope through the tasks received through the program along the line of satisfying the population's consumption requirements to a greater extent.

Perhaps it is the case for us to mention in this context that a number of people's councils have availablethe necessary experience, including methodologically (economic models, sociological investigations, statistical data banks) which permit optimization of this territorial planning, an experience which should be generalized within an organized framework.

Although perhaps one could think that we have come out from the area of practical problems, it is our duty as economists to demonstrate that a simulation of the flow of economic life on the basis of economic models,before making decisions, including in planning and selection of optimum variants on this base, may be an important measure of efficiency for the national economy. Due to the party's policy of supplying the economy with electronic computers, we have avilable a computer capability which many countries can envy; also we have avilable numerous applicational programs created by information specialists whom our country has at the present time. It remains only for us to use these forces as well as possible in improving the activity of planning, organization, checking and decision making.

Bearing in mind the multiple incidents of each decision for territorial development, it is clear that a good substantiation can be made only through a systems approach (let us think only of the barely paved roads which are again destroyed by drilling m chinery in just several days). Rounding up light industry and food units in one country to satisfy the demands of the county's own population involves--by itself--a giant informational baggage which would permit an "encounter" between the structure of demand and the structure of production. For example, if we were to take just the problem of the optimum allocation of resources of raw agricultural food materials by varieties, by systems for transformation and commercialization systems in which the following would have to be chosen:

What kind of cookies will we manufacture, of the nearly 90 existing varieties? Does the population prefer buying flour, cookies or laboratory preparations? In regard to the systems for changing raw materials into eatable foods,we should note the efficiency of the operation of big complexes of food production instead of the small craftsmen's laboratories (restaurants, pastry houses, cafeterias and so forth) which have a much lower output of transforming raw materials, with much greater specific consumption and at least double the labor consumption, justifying its existence only in the case of luxury units.

The operation of such production complex for supplying public food service units (cafeterias, restaurants, pastry houses) in a locality ensures strict respect for certain quality standards, grams and at the same time broad accessibility in price through the relatively reduced level of production expenses.

Satisfying mass demands such as that on the industrial platforms, learning centers and administrative centers is carried out best through mass food production. Seen in a broader context, mass production at the same time provides efficient operation under sanitary conditions conferred by the industrial discipline of recycling of industry and through the attached management, which uses food waste.

These potential advantages of the production complex, however, may be utilized only in a production structure which is as adequate as possible for the local population's consumption traditions and habits, at the same time also satisfying rational and healthy consumption.

As one may find in the figures in Tables 1 and 2, the evolution of the structure of average consumption of the population in the last 15 years is positive, in the sense of the growth in percentage of protein in foods and reduction in percentage of grains.

Table 1: Growth in Consumption for Some Agricultural Food Products During Current Five-Year Plan

| | 1980 | 1982 | 1985 |
|---|---|---|---|
| Meat and meat products | 62 | 65 | 82.5 |
| Milk | 180* | 200 | 250 |
| Eggs | 270 | 270 | 300 |
| Vegetables | 140 | 170 | 185 |
| Potatoes | 70.6 | 100 | 100 |
| Fruits | 59.1* | 58 | 62 |
| Grapes | -- | 18 | 25 |

*Including milk products (except for butter); including fruit products

Source: SCINTEIA no 12215/1981

Table 2: Rise in Sales for Some Agricultural Food Products in 1965-1980 Interval Through Socialist Trade Compared with Population Movement

| Category | 1965 | 1980 | Increase Absolute | Increase Relative (%) |
|---|---|---|---|---|
| Meat(tons) | 156,600 | 462,700 | 306,100 | 195.5 |
| Meat preparations (tons) | 54,100 | 236,700 | 182,600 | 337.5 |
| Fish (tons) | 27,300 | 72,300 | 45,000 | 164.8 |
| Oil (tons) | 114,500 | 203,900 | 89,400 | 77.7 |
| Milk (hectoliters) | 2,499,100 | 7,167,600 | 4,668,500 | 186.8 |
| Cheeses (tons) | 38,000 | 95,200 | 57,200 | 150.5 |
| Butter (tons) | 10,300 | 28,700 | 18,400 | 178.6 |
| Eggs | 314,100 | 1,566,000 | 1,251,900 | 398.6 |
| Sugar (tons) | 189,600 | 419,400 | 229,800 | 121.2 |
| Sugar products (tons) | 53,600 | 164,700 | 117,100 | 218.4 |
| Potatoes (tons) | 322,800 | 564,500 | 241,700 | 74.8 |
| Fresh vegetables (tons) | 320,200 | 813,800 | 493,600 | 154.2 |
| Canned vegetables (tons) | 43,200 | 141,000 | 97,800 | 226.4 |
| Fresh fruits (tons) | 48,400 | 225,900 | 177,500 | 366.7 |
| Bread (tons) | 1,755,200 | 2,449,500 | 694,300 | 39.5 |
| Macaroni products (tons0 | 38,100 | 61,600 | 23,500 | 61.7 |
| Rice (tons) | 53,400 | 87,200 | 33,800 | 63.3 |
| Population | 19,027,000 | 22,201,000 | 3,174,000 | 29 |
| Urban population | 6,418,000 | 11,015,000 | 4,597,000 | 71.7 |

Source: "Statistical Yearbook of the Socialist Republic of Romania," Bucharest1981.

* Calculation of number of families made by applying an average coefficient of 3.5 to number of population from rural environment.

## Finalization of Production Efforts in the Distribution Area

The finality of efforts in the area of consumer goods production is ensured by having consumer goods reach the population under good conditions, on time and in the appropriate structure. This goal is well served by the new measures which provide for establishment of funds for county agricultural food consumption. The problems of transport, storage, refrigeration chain, formation of the variety (assortment), contracting, follow up, delivery and so forth are much simpler.

At the same time a multitude of problems of leadership and organization which ensure the three above listed conditions in the total commercial network remain to be solved. The quality of leadership and organization, however, is determined by the quality of the information offered by the information system for leadership. Whereas trends for oversupplying, facilitated by the lack of correctness of the operations personnel, must be combatted firmly, the mastery and regulation of the commercial apparatus complex which each county now has available means the utilization of modern leadership methods, keeping daily records of deviations from the stock for each product and sales point. Only in this way can firm action be taken in both directions: the population and trade--while the measures to improve supply should record complete success.

If one asks how to avoid holes in the stock for a number of goods which still can be found in the wholesale warehouses, clearly it is through a daily listing of deviations from the minimum stock on the computer as recorded in the units of the commercial retail enterprise.

Seeking to limit the unforeseeable variations of demand by partially diminishing the weight of limited demand, the bases are laid for a much more realistic planning of the mode of demonstrating demand and, as such, holes in the stock for supplying the population may have as the cause only malfunctions in the informations svtem between the store-retail enterprise-wholesale enterprise (or industrial producer-wholesale warehouse.

As such, this informations system, which should operate and process information in useful timemust be improved so that the modern leadership of trade should cease being a desirable and should become a real fact.

Our computer technology industry is placing at our disposal today the most modern computer equipment for the most varied uses and the territorial electronic computer centers generally have available the computer capability to take over the applications from the commercial enterprises. And, despite this, implementation of modern management systems on the basis of informations systems is way behind in trade.

We are not proposing to analyze the causes for this state of affairs, stating merely that those leaders of commercial directorates and enterprises which have understood the need for information management systems have also achieved them. In other cases, such as that of the Cocor store, the system was gradually abolished and eliminated after having obtained large investments for supply and implementation.

As also has been demonstrated on other occasions in REVISTA ECONOMICA, besides the several assortments lacking in the economy at a given moment, all the other assortments, of course there are many, on the order of thousands and tens of thousands,

can be supplied through an appropriate organization of the informations system.

Faced with the importance of the problem represented by optimization of the circulation of goods in the commercial network, both economic but also social, overcoming the current stage of indifference toward operation of the informations system which would substantiate regulation of the distribution of the fund of goods is required on a priority basis.

The program on supplying the population with agricultural food products and industrial consumer goods for the fourth quarter of 1981 and first half of 1982 is a first confrontation with the practice of the five-year program for territorial self-supply, which requires maximum effort and exactingness from all the forums involved, being aware that they are struggling to achieve the basic goal of socialism.

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## CONDITIONS FOR 1982 FOREIGN TRADE PLAN FULFILLMENT

Bucharest REVISTA ECONOMICA in Romanian No 50, 11 Dec 81 pp 11-12

[Article by Dr Ion Stanciu, deputy minister of foreign trade and international economic cooperation: "Preparing Conditions for the Achievement of Plan Tasks in the Field of Foreign Trade for 1982"]

[Text] In the current stage of creating a multilaterally developed socialist society and moving Romania to the level of a medium-developed country, foreign trade and international economic cooperation activities acquire an ever more important role in the general development of our country and in the raising of the people's material and spiritual level.

Under the conditions of accentuating the process of the international division of labor and amplifying foreign economic relations with over 140 countries all over the globe, numerous branches and sub-branches of Romanian industry are producing a significant portion of their production for export. In overall industrial production, approximately 30 percent is slated for export and in some cases, as is the situation for tractors, field vehicles, railroad cars, technological equipment for the construction materials industry and the chemical industry, furniture, clothing, footwear and so forth, the majority of the production is for export.

### The Achievements of 1981 - An Essential Premise

Beginning with the role and influence of foreign trade and international economic cooperation for the overall development of the economy, the 23-24 November 1981 Joint Plenary Session of the RCP Central Committee and the Supreme Council of Economic and Social Development accorded great significance to the measures necessary to conclude 1981 activities in this field with appropriate results and especially to create the conditions to achieve and overfulfill the plan tasks for 1982.

In his speech at this plenary session, the secretary general of the party, comrade Nicolae Ceausescu, developed in a profoundly scientific, innovative and realistic spirit the priority tasks in the field of foreign trade, tasks stemming from the decisions of the 12th RCP Congress. In referring to the principal objectives established for foreign trade during the current five year plan, it was stated: "The problem of foreign trade activities, of exports as a fundamental problem of our national economy and of the proper carrying out of production must permanently, every day, receive the attention of all the ministries, the State Planning Committee

and the Government. The Romanian economy today has the ability to ensure a broad and diversified foreign trade and, on this basis, to ensure a commercial balance, a balance of payments and the means to repay and eliminate foreign debts."

The carrying out of the major objective in the field of foreign trade of achieving an active commercial balance and, on this basis, a balance of foreign payments, and of consolidating the country's hard currency reserves requires necessarily that in the immediately coming period the efforts of all those who work in production of goods for export and in the sales of these products will combine concerns for concluding 1981, the first year of the new five year plan, with appropriate results with the creation of conditions for carrying out foreign trade and international economic cooperation activities next year, in accordance with the tasks outlined for this sector in the sole national economic-social development plan.

In 1981, exports increased at a more accentuated rate than the other synthetic indicators for the economy. This increase was 12.5 percent overall and 14 percent for hard currency trade. This permited the achievement of an active trade balance, but with a smaller surplus than the one outlined in the plan, which was brought about in a practical sense by the failure to fully achieve exports. This was a negative phenomenon in foreign trade activities and it was stressed in the proceedings of the recent plenary session of the RCP Central Committee. This state of affairs, influenced in part by the unfavorable circumstances on foreign markets and by the crisis phenomena that characterize the world economy, was also brought about by the shortcomings in production and sales activities. Thus, for some goods in the export program contracts were not concluded at the levels called for in the export plan and certain foreign contracts were not carried out under the conditions and within the timeframes agreed upon with the foreign partners. Such situations, especially noted for some categories of machinery and equipment in the machine building sector, for ships and vehicles, for steel and iron products, for furniture and for footwear, led to the failure to fully achieve the export plan.

It is required, as an objective necessity and as a duty for all those who work in the field of production for export and sales, to firmly work for the fulfillment of the export plan and for the achievement of all foreign contracts with delivery timeframes in this year so as to contribute to the highest possible trade balance surplus and to the creation of a solid base for economic activity next year and during the entire five year plan.

Hard Currency Self-Administration - A Basic Principle in the Management of Economic Units

The 1982 Sole National Economic and Social Development Plan, approved by the Grand National Assembly and now a law, contains special tasks for the overall development of the national economy and, within this context, for foreign trade and international economic cooperation.

The accentuated growth of the fund of goods slated for export and the amplification of commercial trade and international economic cooperation, combined with limiting imports to only those that are strictly necessary and reducing them below the 1981

level, represent a significant part of the complex group of factors that will directly and immediately contribute to carrying out the priority objective of ensuring an active trade balance and a balance of payments and of repaying a portion of the foreign debt.

The fulfillment of the 1982 plan tasks will take place under the conditions of foreign circumstances that continue to be maintained, generally, in a manner unfavorable for the development of foreign trade. Such a state of affairs, with a trend towards being accentuated, is brought about by the increase in the price of crude oil, by the accentuation of the crisis phenomenon, by high inflation, by unemployment, by the raising of barriers across the path of trade through artificial measures adopted by the industrialized countries and by the level of interest, which during some periods has reached 20 percent on loans in dollars. The growth of the foreign debt of the developing nations, by requesting such loans, generates a heavy burden and a flow of an ever more significant portion of their national income towards the industrialized countries making the loans.

The improvement of foreign contracts for exporting the entire amount of goods outlined in next year's plan, in correlation with ensuring imports and, first of all, the raw materials and basic materials that are required for proper production in all the branches of industry, represents a priority direction for activities in the field of foreign trade and an inseparable facet of the efforts that must be made to achieve the tasks established for foreign trade in 1982.

The measures adopted, with the help of and on the basis of directives of the secretary general of the party, have contributed to concluding a significant volume of foreign trade contracts for 1982, as well as contracts for importing certain raw materials and basic materials, under conditions of a constantly improved correlation characterized by balanced trade and by parallel import-export operations for the purpose of ensuring payment resources for all committed imports.

In accordance with the tasks stemming from the Law for Adopting the Sole National Economic-Social Development Plan for 1982, contracting actions must be carried out with a maximum of intensity through the active participation of the interested authorities in the foreign trade enterprises and those production units that furnish goods for export so that by 31 December 1981 they will have concluded contracts for the entire amount of goods planned for next year, with the exception of market or seasonal goods that are contracted, according to international practices, during the course of the year. The contracting programs for the coming period especially involve machinery, equipment and devices from the machine building sector, some products from the chemical industry, furniture, clothing, textiles, footwear and those products in next year's export plan that normally require a longer period of time to be produced, prepared and delivered.

Concomitantly with the finalization of foreign contracts we are working to transmit the orders to the supplier factories and to give to them all the technical details and delivery schedules in their entirety in order to ensure the production and forwarding of the goods under the conditions and within the timeframes agreed upon with the foreign partners. This is an essential factor for the proper carrying out of foreign trade activities that lead to prices and parameters of superior efficiency and which, under the current foreign circumstances, gain an even greater significance.

Ensuring a firm, obligatory nature for both parties of the contracts that are concluded for exports in 1982 represents another essential direction within the framework of concerns for completely covering the export plan with contracts.

Beginning with the experiences of recent years and especially those of 1981, in the export contracts for next year we will have clear clauses that will ensure the obligation of the partners to fully accept the goods and, by correlation, the obligations of the producer units to delivery the goods on time and under the conditions agreed upon in the contracts. This will add a feeling of certainty to our industry regarding the sale of the entire planned amount of goods.

International Cooperation as a Source for Increasing the Efficiency of Trade

The experiences of 1981 fully confirm the justness of moving in a growing proportion from the conclusion of contracts for current trade activities to actions for cooperation and specialization in production and to long-term contracts that will give a guarantee of getting raw material supplies and of finding exports for equipment and installations by building projects "on-site" or by delivering technological equipment and complex installations for such projects, which will incorporate our own designs and creativity to a higher degree.

The contracts concluded for the construction of cement factories in Iraq, Egypt, Pakistan and China, refineries or oil facilities in Syria, Turkey and Pakistan, and the irrigation projects in Syria and Iraq, as well as the construction of ports, highways and civil and social-cultural buildings, are several representative examples of actions that contribute to a higher use through exports of certain equipment and machinery over a long-term period. This will be continued and expanded in contracting actions in the coming period, with favorable results with regards to ensuring export contracts for 1982 and the coming years.

The growing importance of foreign trade and international economic cooperation makes it an objective necessity to continue to make improvements in 1982 in this field with regards to the new economic-financial mechanism, a mechanism that has had all the necessary conditions created during the current five year plan for its full operation in all its complexity. The measures to improve the new economic-financial mechanism will be combined with the fuller implementation of the provisions in the Law regarding the strengthening of worker self-management and financial and hard currency self-administration in foreign trade and international economic cooperation activities. This will be done through the pursuit of achieving an active trade balance and a balance of payments that will offer the opportunity to obtain hard currency resources for all imports and to reduce a portion of the foreign debt.

For 1982, the fund of goods slated for export was distributed, first of all, in order to repay a portion of the foreign debt and to provide the hard currency resources needed to ensure the import of raw materials and basic materials, with the difference being used for other imports. This spliting of exports will increase the responsibility of all those enterprises that produce goods for export or receive imports to fully achieve the export plan since only to the degree in which they fulfill their tasks in the sole national economic-social development plan can they obtain imports and ensure the continuity of production.

The balance between receipts and payments, as regulated by the balance sheets completed by the ministries, centrals and enterprises, is completed by the placement of the goods by regions and countries in such a way so as to obtain the hard currency resources needed to import and repay installment debts.

In this activity, we persistently make efforts so that the imports of raw materials will be principally coming from the developing nations, using the especially favorable conditions created by high-level visits to these nations and the much greater opportunities to cover these imports by making deliveries of machinery, equipment and other goods in the export plan. These efforts directly contribute to balancing commercial trade with all countries as an essential element of achieving an overall balance of payments.

Ensuring the uninterrupted flow of supplies of raw materials to our industry is based upon preparatory actions for 1982 and, first of all, upon a more accentuated use of raw material resources from domestic sources, including by means of a fuller use of recovery processes for such products and by receiving imports from the socialist countries - in accordance with the long-term trade agreements and, on the basis of these, the annual agreements in the process of being finalized and signed, while the remainder of the flow will come from imports that are contracted from other countries.

The amplification and diversification of commercial trade with the CEMA member countries and with the socialist countries, a problem emphasized within the framework of the proceedings of the recent plenary session of the RCP Central Committee, represent an essential direction for the activities that are carried out in the field of foreign trade in preparing the conditions necessary to achieve the 1982 export and import plan. The conclusion of foreign contracts, trade balance sheets and payment balance sheets by ministry, central and enterprise represents essential factors that will create the conditions for the fulfillment of the foreign trade plan. The effective achievement of these provisions requires the presentation of goods on the foreign markets within the outlined timeframes contained in the contracts and within the technical parameters and in a form of presentation that will directly lead to the affirmation of Romanian products, right alongside the products presented by the competition, and to the continued improvement of their position and competitiveness. To this end, the preparation of next year's export plan includes a continuing development and furthering of the process of specialization for export, with new units being named in 1982 as specialized exporters so that the great majority of foreign deliveries will be made by enterprises specializing in exports. Also, the ministries that have foreign trade activities will firmly work in accordance with the program established for supplying these enterprises on a priority basis with equipment and devices and for staffing them with the best specialists and giving them an appropriate level of supply. Beginning with the experience to date and the provisions of the law on foreign trade, these measures involve both the enterprises that delivery goods for export and those that contribute as sub-contractors to the making of the finished product, especially in the field of machine building. The priority equipping and supply of the producer units involved in exports is correlated with regards to material incentives by the law on foreign trade concerning the awarding of supplementary bonuses from profits, the distribution of a portion of the hard currency obtained by overfulfilling the export plan and so forth.

The actions to prepare the conditions necessary to achieve the foreign trade and international economic cooperation tasks in 1982 call for, at the same time, the development and improvement of the foreign sales network, service and technical assistance network, the improvement of the acceptance of goods slated for export, the strengthening of responsibility for the quality of these goods, a better organization of the foreign trade enterprises and other measures that overall will contribute to increasing efficiency and to increasing the contribution of foreign trade to the overall development of the national economy at the rates and in the proportions established by the Directives of the 12th RCP Congress.

8724
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NECESSITY FOR FINANCIAL EQUILIBRIUM, RESOURCE ECONOMY

Bucharest REVISTA ECONOMICA in Romanian No 50, 11 Dec 81 pp 9-10

[Article by Gh. Boulescu of the Ministry of Finance: "Requirements for the Efficient Use of Economic-Financial Methods"]

[Text] The economic-social development of our country and the attainment of a new quality in all activities urgently require the proper functioning of the economic-financial mechanism and the appropriate growth of the role of financial methods in the management of the economic processes. In this regard, there continues, however, to be a series of serious shortcomings, as was pointed out at the recent plenary session of the RCP Central Committee and the Supreme Council of Economic and Social Development. Beginning with this situation, the plenary session identified for those who work in the financial-banking field a multitude of responsibilities and established clear guidelines, especially with regards to the achievement of incomes, the strict review of expenditures, the elimination of waste that has appeared in many fields, the ensuring of a full balance in the realm of payments and the general growth of the role of the financial system in controlling all economic-financial activities.

In comrade Nicolae Ceausescu's speech at the plenary session, it was pointed out very clearly that a priority requirement for the proper operation of economic-social activities and for the continuing improvement in the people's material and spiritual well-being is ensuring a balanced budget, with a certain surplus. Clearly, the complete fulfillment of the provisions of the 1982 sole national economic-social development plan and the firm implementation, in all fields of activity, of the requirements of the new economic-financial mechanism constitute essential elements for concluding next year's financial activities with good results. The firm implementation of the economic-financial mechanism involves adhering to numerous requirements, which individually and together have a well-defined role in the most efficient conduct of economic-social activities. Of especially current relevancy are the problems of balanced finances, of achieving savings and of eliminating waste, whose aspects we will examine below.

Balanced Finances - A Condition of Self-Administration

In order to establish and pursue balanced finances by field of activity or in payments, specific instruments are used, such as: the centralized financial plan, the state budget, credit plans, the balance sheet for foreign payments and the budget of incomes

and expenditures in each unit, central, ministry or county people's council. Ensuring balanced finances at each of the levels (macro- or microeconomic) or in the mentioned instruments means having more income than expenditures and having the resources of a surplus for unforeseen needs.

The general requirements of balanced finances principally involve:

- the establishment of levels of incomes, expenditures and resources and the destination and sources of these under conditions of maximum efficient and in accordance with current and future possibilities and with the economic-social activities carried out, both by volume of resources and expenditures and by structure;

- the management of activities under the conditions of the established financial balance, with attention upon the negative aspects that occur during implementation and with direct actions that are designed to consolidate the established financial balance, both in the present and in the future periods;

- the conclusion of activities for each period with savings in expenditures, under conditions of fulfilling and overfulfulling planned tasks; the achievement of tasks by using a restricted volume of financial resources; the creation of surplus reserves stemming from additional incomes and cuts in expenditures.

While these requirements are general ones for establishing and pursuing balanced finances in activities, regardless of the sphere where they are implemented, we must also keep in mind that between balanced finances at the macroeconomic level and those at the microeconomic level there are elements of mutual interference, determination and influence. At the same time, this points out on a priority basis the fact that a decisive factor for carrying out overall activities under conditions of balanced finances is the achievement of balanced finances at the level of all economic units, enterprises and centrals, both in the volume of resources and expenditures and in structure.

Under the conditions of economic-financial self-administration and self-financing, the financing of investment activities and material and other resources involves the enterprises' own funds, which are created from their profits. The failure to achieve planned profit levels creates problems in providing resources for investments and material and other expenditures outlined in the plan, and a financial imbalance at the respective enterprise. Certainly, the problem can be resolved by getting approval for certain supplementary bank loans which involve the use of other resources and the growth of the enterprise's expenditures to pay interest to the banks. On a macroeconomic level, these resources are obtained from another source.

The failure to meet obligations to the state and to the state budget, through payments planned in the budgets of incomes and expenditures of each state or cooperatist economic unit, because of an unsatisfactory economic performance, is reflected in a shortage of funds in the centralized fund and implicitly has effects upon the financing of certain planned actions.

Situations sometimes appear at certain enterprises involving greater levels of expenditures than levels of their own incomes, which means losses in material and financial resources that have to be covered by using future unit funds or funds from other sources. This leads to a financial imbalance at the unit and a disruption of balanced finances overall generated by supplementary expenditures and the temporary use of financial resources to cover them.

Certainly, the number of situations with negative influences on balanced finances can be numerous and they are generally brought about by the failure to achieve plan tasks and by the poor management of material and monetary resources. It is important for such situations to be uncovered and resolved through firm actions by the management organs in each unit.

The problem of having balanced finances by volume and structure has special importance for carrying out activities under conditions of maximum efficiency. The relationship between incomes and expenditures, resources and recipients, when viewed as volume, determines the level of efficiency of the activities that are carried out. This relationship must be judiciously analyzed, thought out and established during the phase of drawing up the plan, but it must also be thoroughly analyzed after each period of implementation.

From a mathematical and accounting point of view, balanced finances at the macro- or micro-economic level in the sense of equality between receipts and payments and between resources and recipients are achieved even under the conditions of an economic activity below the level of efficiency established in the plan, but with deviations in the structure and even in volume, both which in fact reflect an unsatisfactory economic or financial activity. Thus, for example, an enterprise that does not cover its expenditures from its own incomes actually makes up the difference by using bank loans that cannot be reimbursed or by using means other than the ones outlined in the plan. This constitutes an ad hoc solution since sooner or later it will have to face its responsibilities for covering the expenditure overruns during the current stage by using its future incomes.

At the enterprise level with regards to both the planning and the execution, the problem of balanced finances can be concretely regarded from the point of view of its overall economic-financial activities, as well as by areas of activities, in the following manner:

- incomes, expenditures and the results of its own economic activities;

- resources and recipients for material and financial resources;

- resources and expenditures for investments;

- resources and expenditures for other funds having special destinations, as created for the enterprise's use.

With regards to the incomes, expenditures and results, the requirements for carrying out activities under conditions of balanced finances call for each enterprise obtaining an increased volume of profits, depending upon the economic potential of

the enterprise. The profits that are obtained must provide for creating its own funds for economic-social development and funds to be used as material incentives for the workers' collectives, as well as contributions to the state's centralized fund. Any negative deviation during execution from the plan regarding volume, structure, order and destinations of the profits creates problems either in the failure to provide resources for self-financing or in the failure to make payments to the state's centralized fund which is used to cover other costs in the economy.

Adherence to the planned balance with regards to resources and the level of stocks of materials and other items of a material and financial nature, under conditions of staying within the planned levels of turnover of material and financial resources, constitutes a main objective in carrying out activities under conditions of balanced finances. The use of financial resources over planned levels that involve shortfall loans and the use of resources to make payments that are in arrears, caused by having stocks of materials and other resources that are above the necessary levels, constitute serious deviations in the structure and volume of planned resources and balanced finances, with negative effects upon the expenditures of the enterprise and its results. To manage investment activities at the enterprise level, under conditions of balanced finances, primarily means pursuing the acquisition of the resources outlined in the plan for achieving the planned volume of investments, avoiding making any expenditures that are above the provisions in the plan and providing the resources necessary to make the installment payments on those bank loans obtained during previous periods. Any disruption in implementation, in the volume and structure of resources and expenditures for investments at the enterprise will also implicitly provoke disruptions and deviations in the financial balance of other units, as well as in the structure of the balanced finances at the macroeconomic level.

The same implications and effects can also occur in execution with regards to incomes and the spending of funds that have special destinations and that are available to the enterprise or with regards to export tasks. In cases where the enterprise has a hard currency receipts plan, negative deviations with regards to the provisions of this plan implicitly effect the overall hard currency balance, including the financial balance.

The more efficient use of instruments to establish and pursue balanced finances at the microeconomic level, that is, the budgets of incomes and expenditures, as well as at the macroeconomic level by using financial plans to determine negative deviations from the planned volume and structure of the balanced finances, for the purpose of identifying the necessary measures, constitutes a requirement for the more intensive use of financial methods for the management of economic activities.

The periodical analysis by the collective leadership organs of the enterprises, centrals and ministries of the manner of carrying out the budgets of incomes and expenditures and the establishment of measures to adhere to balanced finances constitute an improved method of using finances in management activities. The financial-banking organs and the specialists in the field of finances at each unit can and must contribute to this action.

Strictly Setting the Size of Expenditures

There is a close connection between the resources slated for our country's economic and social development and the task of achieving savings in the consumption of materials, funds and manpower. Any savings in expenditures leads to a supplementary financial resource.

The achievement of savings and the elimination of waste can be obtained in all cases where expenditures are made and financial resources used. This objective is valid for all units and all organs participating in the economic and financial processes. Staying within the planned levels of expenditures constitutes a basic requirement.

In the case of economic units in industry, state agriculture, construction-assembly, and transportation, where tasks were established to make savings throught the sole national plan, staying within these levels and taking all necessary measures to achieve the savings at the planned levels are principal objectives for next year. For the units in the other branches of the economy, the efforts to reduce expenditures in 1982 compared to 1981 must show a substantial increase in the level of profitability and an increase in profits.

The elaboration of programs of measures to reduce costs, to stay within the established levels, to discuss them in the workers' collectives and to carry out sustained actions in order to achieve the outlined objectives is a measure that must ensure the achievement of the planned incomes in 1982.

Actions for the economical use of resources can also be undertaken in the area of using funds for investments. It is sufficient for us to keep in mind that an increased volume of investments for on-going and unfinished projects, of equipment to be assembled but sitting in stock beyond the timeframe when it should be at the worksite, and of immobilized resources in debts, materials and other items constitutes an uneconomical use of resources for investments and a withdrawal of these resources from other destinations.

Exceeding the total planned level of material and financial resources or elements, using to this end certain bank loans beyond the planned level and other resources over planned amounts, and slowing the turnover rate of material and financial resources implicitly lead to the unjustified squandering and use of certain financial resources for supplies above the necessary amount, for unfinished production beyond deadlines and for production without ensured sales. Avoiding such situations and accelerating the rate of turnover of material and financial resources constitute savings of financial resources and are designed to consolidate overall balanced finances.

The possibilities for achieving certain material and monetary savings are, without a doubt, very diverse. In making better use of them, an increased contribution must be made by - in addition to all other workers - the personnel in the field of finances and banking through the more intensive use of economic-financial methods.

8724
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FEDERAL FUND TO AID UNDERDEVELOPED REGIONS PLANS FOR 1981-1985

Belgrade RAD in Serbo-Croatian No 49, 4 Dec 81 pp 10-11

[Article by Stanimir Bozanic: "Three Hundred Factories 'as a Gift'"]

[Excerpt] Recently the key officials of the Yugoslav Economic Chamber and the Federal Fund for Credit Financing the Faster Development of the Underdeveloped Republics and SAP [Socialist Autonomous Province] Kosovo displayed with gratification a list of 327 projects in a special press conference in Belgrade. The list also included 327 work organizations which want to build joint economic facilities. This includes more than 300 new factories which would be "donated" to underdeveloped places in Montenegro, Kosovo, Macedonia and Bosnia-Hercegovina!

The assessment of work organizations during this 5-year period will amount to about 227,855,000,000 dinars, half of which will be credited to the Federal Fund and will be distributed at adjusted rates, while the work organizations will be able to retain the other half, provided they invest those funds in certain joint facilities in an underdeveloped area.

The principal motivation for building joint factories is to augment income and to increase employment. This has been regulated by specific enactments of all the republics and provinces.

Reverse Order

Certain ideas about the joint ventures and about sharing "the good and the bad" have already been realized. "Ljubljana" drugs are being produced in Prizren, "Zagreb" refrigerators in Bitola, and "Slovenian" orchards are growing in Tuzla.... A considerable number of jointly owned hotels are gleaming on the coast, and it is enough to say of Slovenijavino's vineyards all over the mountainous slopes of Kosovo and Macedonian and Negotino wineries that their harvest runs to hundreds of cars.

Nevertheless, those are all trial balloons. The opening up of joint production capacities is yet to come, since the sequence has been reversed: instead of initiatives and strict directives from government and public organizations, the proposals are coming from the work collectives themselves.

Emin Dobardzic, member of the Presidium of the Yugoslav Economic Chamber, explained this heightened interest of the "rich" in knocking on the door of the "poor" in this way:

"In Slovenia, for example, there are a large number of workers from the other republics and from Kosovo. This is helping the economy there, but at the same time it is creating certain difficulties of a social nature because the workers are separated from their families, and in order that workers from Bosnia-Hercegovina, Macedonia and Kosovo do not go off to work in Slovenia in such large numbers, the Slovenians will join with work collectives in those places in building several factories in the underdeveloped opstinas. Some will find their business in the locality, while others will get a diversified production program."

During the numerous conversations which representatives of the fund and the Yugoslav Economic Chamber have had with the people from republic and provincial chambers it has become evident that the work collectives are not aware of all the things that could be built by pooling labor and the dinar appropriated for development.

Rapprochement

The sheer number of republic and provincial enactments has only helped even more to envelop this entire field with a "still denser fog," so that in many collectives people have become convinced that setting aside money for faster stimulation of the underdeveloped is only one of the numerous taxes and contributions whose expenditure is not worth even thinking about!

The need arose, then, for all the working people to be informed in more detail so as to correct that error, and a terse report was prepared in which data were presented on regulations and on the schedule of their enactment as well as on the possibilities of pooling with particular collectives in all the republics and provinces.

Large work organizations like Crvena Zastava of Kragujevac, the Zenica Steel Mill, Energoinvest of Sarajevo, or Rade Koncar of Zagreb, for example, have found it in their interest to build new plants or expand existing ones in many undeveloped opstinas. This became evident as soon as plans for the necessary expansions were compared; in the large cities there often were not even the most basic conditions, beginning with land for construction, the supply of raw materials, housing and classroom space for new workers....

Stimulating investors to come on the spot had to begin, however, with an "opening up" of the policy of the host cities, since the practical attitude that it was undesirable to have "outside interference" had become quite entrenched. Buildings born out of romanticism on which huge funds which might have been spent to increase production were spent stand as witnesses of that harmful policy.

Resistance

There is still verbalism in that sense since many underdeveloped opstinas have not "settled the question" of whether to build projects which will bring about faster employment of new workers and overall development or to build a superautomated factory with a large number of instrument panels....

There are cases of resistance in other forms as well, though to be sure, not open. It is enough for an agreed visit of business people from some republic or Vojvodina to be canceled, and the entire transaction gets held up.

Several examples similar to what recently happened between Novi Sad and Titograd were presented in the Yugoslav Economic Chamber. Namely, after a conversation between representatives of the executive councils of Montenegro and Vojvodina a visit was made to Novi Sad by a delegation of the Montenegrin Economic Chamber, and Montenegro's development program was set forth on that occasion. It was then resolved that the people from Vojvodina would study their own development plans and would pay a visit to Montenegro. However, the people from Vojvodina have not yet visited Montenegro, though the visit was to be made by September.

Breaking the Ice

The developed and undeveloped mainly spent this past 5-year planning period "feeling each other out." The worthwhile lessons to be drawn from both the adverse and constructive experiences speeded up the breaking of the "ice," and many new foundations have already been laid. There is no question that the number of new projects to be built is far greater. Thus this 5-year period will be characterized by the transition from words to deeds. Here are some specific examples:

SR [Socialist Republic] Bosnia-Hercegovina will be host to individual investors and investment groups from several republics and both provinces.

Montenegro will have cooperation between its aluminum combine and Energoinvest's factories, between the Niksic steel mill and UNIS-Bratstvo, between the radiator factory in Danilovgrad and corresponding producers belonging to Energoinvest, and between the Ivangrad Opstina Assembly and certain metal manufacturers in Bosnia-Hercegovina.

Croatia will make its contribution to development through Djuro Djakovic in Slavonski Brod, which will build joint projects in Orasje, Sarajevo, Bosanski Brod, Pucarevo and Bosanski Novi.... Rade Koncar of Zagreb will be investing millions of its funds in Banja Luka and in Soko of Mostar, and Prvomajska of Zagreb will be investing in Rudi Cajavec of Banja Luka, the Trebinje Tool Factory and Pobjeda in Tesanj. There are still longer lists of joint projects which will be carried out by INA, the Sisak Steel Mill, Jugokeramika, Pliva, Jugoplastika, Poljoopskrba, Tomo Vinkovic, Janko Gredelj and other work organizations.

Macedonia will show the community spirit in development of its economy through linkage between the steel mill in Skopje with Soko of Mostar and Jelsingrad of Banja Luka, and then of steel manufacturers with the Zenica steel mill, and metal manufacturers in Ohrid, Zletovo and Prilep with factories of Energoinvest and UNIS at several locations.

Slovenia has still more ambitious plans. The steel mills at Store and Jesenice will develop joint facilities in Bihac, Zenica, Ljubija, Mostar and certain other places, while Gorenje, TAM, IMV, Iskra, Jelovica, Termika, Merkator, Emona and certain other collectives will contribute to the faster development of

related activities in Mostar, Bihac, Bijeljina, Banja Luka, Kotor-Varos, Srebrenica, Tuzla, Sarajevo....

Serbia has already "forded" the Drina at several places with plants linking Smederevo with Lukavac, Belgrade with Laktas, Leskovac with Zenica, Mostar with Sevojno, Sapac with Srebrenica, Bajina Basta with Skelane, Kragujevac with Pucarevo, Banja Luka and Mostar, Krusevac with Hrasnica, Priboj and Sarajevo, Bor with Banja Luka, Svetozarevo with Tesanj, and Belgrade with Tesanj, Banja Luka, Tuzla and Zenica....

Kosovo will stimulate development of certain facilities which will be processing lead and zinc in Bosnia-Hercegovina.

Vojvodina will be investing additional funds in development of the production of tools in Prijedor, trailers with dump bodies in Brcko, trailer vehicles in Bihac and to expand the spark plug factory in Tesanj. The principals involved will be the well-known Vojvodina industrial firms Utva, Potisje, Naftaplin, the Pancevo refinery and certain others.

SR Montenegro will be host to investors in development of tourism, wood manufacturing, livestock raising, paper pulp, the aluminum complex and metallurgy.

Slovenia will be investing funds in construction of the Otrant hotel complex in Ulcinj, in production of special electrodes at Pluzine, yogurt at Bijelo Polje and furniture at Niksic, Kolasin and Titograd. Particular importance is being paid to establishing joint vineyards on 1,000 hectares belonging to the 13 Juli Agricultural Combine in Titograd.

Croatian work organizations, mostly in the food manufacturing industry--Kras, Podravka, Poljoopskrba, Baranja and certain others--will be producing and processing food jointly with 13 Juli, Primorka of Bar, Trebjesa in Niksic and Bjelasica in Bijelo Polje.

Serbia will aid development of metal manufacturing. IMT in Belgrade will be financing the production of trailers in Ivangrad, and Kablovi of Svetozarevo will be opening a plant in Kolasin for the production of aluminum-steel cable, Tehnogas of Belgrade will be manufacturing technical gases in Niksic, and 21 Maj, IMR and Dinara of Belgrade will be expanding production of slide bearings in Kotor, while an industry will be developed in Pljevlja to carry out a special-purpose program for certain specific industries.

Kosovo could be developing cooperation in the processing of lead-zinc ore mined at Suplja Stijena near Pljevlja, on which agreements have been reached, but performance of these projects has been held up because of Trepca's withdrawal. Another important project will be carried out by "transferring" rubber industry technology from Suva Reka to Boka of Kotor.

Vojvodina offered cooperation in several fields a few years back, but thereafter it was slowly and quietly abandoned. At the moment initiatives have again been taken, but there are no concrete results as yet.

SR Macedonia is oriented mostly toward the economy of Slovenia, and toward Croatia and Serbia to a somewhat lesser extent.

Slovenes will in Macedonia be furthering the development of metallurgy (ferrous and nonferrous), nonmetallic minerals, and the production of leather and footwear, textiles and agricultural products. Vozila of Gorica will be investing funds in production of refrigeration equipment for special vehicles at the parent plant in Bitola; the textile industry in Maribor and Ljubljana will be expanding certain plants of OHIS in Skopje, while the footwear factories Ciciban in Miren and Ilinden in Ohrid have expanded production with joint capital.

For several decades Slovenian factories have been processing grapes and tobacco from the fields of Macedonia, and this production will also be advanced through expansion of production and processing facilities.

SAP Kosovo has opened its doors widest to work organizations from other regions, beginning with the processing of lead, zinc, gold and silver and running to the boiling up of medicinal herbs from Sar Mountain; from the production of wine and beer to supplying components for electric motors, automobiles and heavy metal fabrications. The Kosovo economy has been confirming year after year the justifiability of the investment of funds. There is hardly a federal unit any longer which does not have "its own" OOUR's [basic organization of associated labor] in Kosovo.

Bosnia-Hercegovina has transferred development of the rolling element bearer industry to Pristina, and Pristina shock absorbers are already being installed in the Golf, which is manufactured in Sarajevo, and expansion of that industry will also contribute to augmented exports. Zenica is already pushing the production and processing of nickel in Kosovo. Vatrostalna of Zenica and Soko of Mostar are building their twins in Glogovac and Goles, and Elektrobosna in Jajce is quickly carrying out a program for the manufacture of ferrosilicon at Kosovska Kamenica.

Montenegro is interested in building a joint plant that would be part of Trepca.

Business people in Croatia are engaged in community cooperation in metal production and manufacturing. Djuro Djakovic has obtained a site and support for developing a plant in Urosevac, steam boiler manufacturers in Zagreb will soon expand that activity to Prizren as well.

Kromos of Zagreb will be processing Trepca's products in Vucitrn as well as Zagreb, while INA will be conducting geological explorations in Kosovo in order to round out the geological map of that province.

Serbia has already gained considerable experience in cooperative production with the Kosovo economy. Aside from Crvena Zastava, Gosa and the Machinebuilding Industry of Nis, which has been in Kosovo more than 10 years, there is large-scale involvement in joint development for the production of electrical devices in Djakovica and Urosevac, polyester in Podujevo, power engineering equipment on the basis of Minel's program, tinplate (Zorka of Sabac), and so on.

Aside from the production of metal and chemical goods, the large Belgrade department store and food store chains Beograd and Centroprom will build a food manufacturing plant in Kosovo.

Slovenia also has considerable "longevity" in its joint production with Kosovo factories. It will be joining Kosovo in developing the production of energy; in this case the designers have looked all the way to the year 2000. The list of both present and planned cooperation is truly interesting, since almost all the large Slovenian work organizations are on it: Slovin, Emona, Gorenje, Lek, Kompas....

Vojvodina on the other hand has certain practical experience in joint production of drugs, commercial fertilizers and certain other products in the Trepca family.

Of greatest interest at the moment are construction of a factory in Gnjilane which would manufacture housing units; this would be carried out by the 1 Maj Construction and Industrial Combine in Backa Topola with Ramiz Sadiku of Pristina and Binicka Morava of Gnjilane. Utva of Pancevo is already finishing a program for production of collapsible prefabricated structures, and 29 Novembar of Subotica will be manufacturing typical Kosovo meat dishes in Kosovo.

[Box, p 10] Billions in the Balance

Over the 5 years (1981-1985) the Federal Fund will collect about 114 billion dinars, and work organizations will be left the same amount to invest in a project and in the underdeveloped region they choose, in accordance with a proportional allocation already established. The developed republics and Vojvodina will have a share of 77.5 percent of those revenues, while the underdeveloped will collect the remainder.

The table below shows those billions in the balance: where they will come from and where they will go:

In millions of dinars

| Obligations of SR's and SAP's | Total | Share in Distribution | | | |
|---|---|---|---|---|---|
| | | Bosnia-Hercegovina | Montenegro | Macedonia | Kosovo |
| Bosnia-Hercegovina | 15,152.3 | 4,222.7 | 1,940.4 | 2,980.8 | 6,458.4 |
| Montenegro | 2,050.7 | 571.5 | 201.7 | 403.4 | 874.1 |
| Croatia | 29,849.5 | 8,318.5 | 2,936.0 | 5,871.9 | 12,722.6 |
| Macedonia | 6,493.9 | 1,809.8 | 638.7 | 1,227.5 | 2,767.9 |
| Slovenia | 18,228.4 | 5,080.0 | 1,793.0 | 3,585.9 | 7,769.5 |
| Serbia proper | 28,481.9 | 7,937.5 | 2,801.5 | 5,603.0 | 12,139.9 |
| Kosovo | 2,620.3 | 730.2 | 257.7 | 515.5 | 1,116.8 |
| Vojvodina | 11,051.0 | 3,079.8 | 1,087.0 | 2,174.0 | 4,710.3 |
| Total | 113,927.5 | 31,750.0 | 11,206.0 | 22,412.0 | 48,559.5 |
| % | 100 | 28 | 9 | 20 | 43 |

The table shows how much each republic and province is individually setting aside for each underdeveloped federal unit. It also shows how their development dinar is circulating.

Of all the 327 projects which are "in the net," 152 involve Bosnia-Hercegovina, 40 Montenegro, 31 Macedonia and 104 Kosovo.

[Box, p 11] Regulations

The socialized economy as a whole is required to set aside 1.83 percent of its gross income in this 5-year period as well, half of which it must credit to the Federal Fund (which thereafter is distributed in fixed proportions), and half they can invest directly as a part of the joint contribution in some underdeveloped area.

Of the latter portion 0.33 percent (applied to gross income) is immediately assigned to Kosovo as a special stimulus to development. The remaining 1.5 percent is distributed in the following proportions:

| | | | |
|---|---|---|---|
| Bosnia-Hercegovina | 34 percent | Macedonia | 24 percent |
| Montenegro | 12 percent | SAP Kosovo | 30 percent |

If the funds are lumped together, then Kosovo's share is 43 percent, that of Bosnia-Hercegovina 28, that of Montenegro 9 and that of Macedonia 20 percent.

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# East Europe Report

## ECONOMIC AND INDUSTRIAL AFFAIRS

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# EAST EUROPE REPORT

## ECONOMIC AND INDUSTRIAL AFFAIRS

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# OBJECTIVES OF GDR-USSR 'PRODUCTION COOPERATION' PROGRAM EXPLAINED

East Berlin EINHEIT in German Vol 36 No 11, Nov 81 (signed to press 14 Oct 81) pp 1169-1172

['Consultation' feature article by Prof Dr Manfred Engert, economist, director, Institute for Socialist World System Economics, Academy of Social Sciences, SED Central Committee: "Specialization and Cooperation Between the GDR and the USSR"]

[Text] "The more the development of socialism advances in the GDR, the closer becomes the economic and scientific-technical cooperation with the Soviet Union, and the more important that becomes for the stability and dynamics of our economy. The increasing entwining of our economies and the ever more effective combination of their capacities make our two fraternally allied states advance more securely and faster on their common path. That strengthens the joint potential of real socialism."[1] That precisely also is the goal served by the GDR-USSR specialization and production cooperation program up to 1990. Signed in Berlin on the 30th anniversary of the founding of the GDR, it is of extraordinary political and economic importance to implementing our economic strategy, as the measures agreed on in it aim at higher efficiency. A resolute use of the advantages of socialist economic integration opens up greater dimensions in intensification.

So the implementation of the specialization program broadly promotes scientific-technical progress because by that the level and speed of growth in our reciprocal deliveries are increasingly determined by the results of our research and production cooperation. Favorable preconditions are created for the further intensification of the reproduction process through the deliveries in energy sources and raw materials agreed upon, which are vital to our economy and which we can import, in conformity with CEMA price setting principles, at prices which, especially for energy sources, will be lower in years ahead than they are on the capitalist world market. Finally, deepening specialization and cooperation strengthens the intensification process since it makes the firm division of labor relations with the USSR still more efficient. The proportion of specialized products in the overall GDR exports of machines and equipment to the USSR, e.g., comes to more than 50 percent. Secure sales and supply conditions improve the possibilities for a better use of economic advantages in an internationally specialized and, at once, concentrated production in many industrial fields.

This underscores that a deepened socialist division of labor with the USSR and the other CEMA countries has become for the GDR an indispensable structure-forming and efficiency-promoting factor.

USSR Share in GDR Imports 1980 (in percent)

| | |
|---|---|
| Petroleum | 87 |
| Natural gas | 100 |
| Iron ore | 77 |
| Rolled steel | 78 |
| Cotton | 88 |
| Tractos | 53 |
| Diesel locomotives | 56 |
| Trucks | 33 |

GDR Share in USSR Imports 1980 (in percent)

| | |
|---|---|
| Equipment for the petroleum-processing industry | 65 |
| Machining machine tools | 28 |
| Trailers | 98 |
| Cranes | 62 |
| Polygraphic machines | 40 |
| Farm machinery and equipment | 42 |

The already advanced stage in the entwining of both economies, which comes combined with the further socialization of production within the economies in the form of combines in the GDR and of production associations in the USSR, has had the result that any intended intensification measure from the outset raises the question about being included in socialist economic integration. A high state of international cooperation, after all, is bound to offer greater opportunities for a more efficient use of one's R&D and production potential. Indeed, it may be stated that without this division of labor with the Soviet Union and the other CEMA countries the needed performance growth cannot be accomplished at all.

Measures in the fields of scientific-technical cooperation and international socialist production specialization and cooperation are therefore not to be seen as something additional to one's own intensification measures but as regular features of them. So the tasks and measures set down in the GDR-USSR production specialization and cooperation program up to 1990 also are inherent components of our party's entire economic strategy. "Inconceivable it is today for any socialist country stably to develop without its relations with the other fraternal countries and solve such problems as energy and raw material supply and the introduction of the latest science and technology data. Problems arising in our cooperation we solve together. We seek for ways of combining at an optimum the interests of the various fraternal countries with the common interests."[2]

All international cooperation measures, particularly those with the USSR, rely on this important realization: economic intensification needs deeper socialist economic integration. We want to get greater efficiency from scientific-technical cooperation and international production specialization and cooperation. In this,

integration measures--whatever their form may be--always have to be combined with the intensification measures within the economy, the branches and the combines. They pervade all elements of our economic strategy and are tied up with all inherent growth factors. That is why we say that socialist economic integration is an intensification condition that widens the effective possibilities of the qualitative growth factors, especially of scientific-technical progress. This close connection is indicated, among other things, in the 10th SED Congress guideline for the future cooperation with the USSR in the field of international production specialization and cooperation. "This cooperation is so organized that the capacities in both countries are used still more efficiently. Existing stable lines in the division of labor are carried on. Then it also becomes a matter of making agreements on new specialized production. That applies especially to working materials, machine systems and aggregates and other end products."[3]

As was emphasized during the friendly meeting between Comrade L. I. Brezhnev and Comrade Erich Honecker in August this year, the current five-year plan envisages a significant expansion in production cooperation. That concerns the branches which in a particular sense determine scientific-technical progress. A special role attaches here to joint development projects in microelectronics and robot construction. The program has laid down that the GDR will take part in the modernization of the Soviet light and foodstuffs industry and in building gas pipelines and other objects on USSR territory, which are matters of special importance for satisfying the economic needs of the countries in the socialist community. The USSR in turn will assist the GDR in building nuclear and thermal power plants.

The implementation of the specialization program raises production efficiency in many branches. It creates the bases for more rapidly resolving social problems. Quite some machines and equipment are being developed, e.g., that make the work of workers and employees easier. Through implementing the branch-specific specialization and cooperation programs we produce the necessary preconditions for concentrating our production, introducing top achievements and producing new high-grade commodities and goods.

A Program of Comprehensive Character

The GDR-USSR production specialization and cooperation program is a document that authoritatively sets down the trends and concrete content of the two states' cooperation up to 1990 within the framework of socialist economic integration in CEMA.

The specialization program entails all sides of the scientific-technical and the economic cooperation between the GDR and the USSR. It is comprehensive in character and sets down measures for the

--joint development of modern technologies (especially resource-saving methods) in important branches in the basic materials industry and, mainly, in branches that are of crucial importance for accelerating our scientific-technical progress in the current phase;

--joint intensification or rationalization of important production processes in both countries;

--satisfaction of raw material and fuel requirements, including measures that make available appropriate equipment for the extraction branches concerned; and

--more effective extension of existing international specializations with long-time traditions (e.g. in tracked vehicle construction, ship building, chemical plant construction, rolling-mill and open-pit mining equipment and so forth) and exploring new fields for international specialization and cooperation (e.g., in branches of importance to the introduction of modern technologies and control systems throughout the economy, in areas of ancillary industries and so forth).

This specialization program serves to speed up our scientific-technical progress by exploiting the advantages resulting from socialist economic integration for equitable and comradely cooperation. This has far-reaching implications for perfecting the production structure in line with the reproduction conditions for the 1980's.

This specialization program, jointly prepared and completed still during the 1976-1980 five-year plan period, ranges over a period of 12 years and thus covers several five-year plans, tying them together within the framework of a uniform and long-term cooperation strategy. It bears witness to how the CPSU and the SED, while taking account of the in part very different internal and external conditions in the 1970's, have picked up newly ripened matters in good time and conceived and agreed on their joint solution long-range. This also reflects the higher level of cooperation between our countries in the field of socialist economic integration.

Gradual Implementation

The GDR-USSR production specialization and cooperation program is closely tied to the long-term cooperation target programs representing the coordinated strategy of the CEMA countries for jointly resolving important economic problems. They are being implemented step by step through working out detailed bilateral and multilateral agreements among the CEMA countries concerned in each case. Between CEMA's 32nd and 33rd conference alone 22 multilateral accords were signed on specifying and implementing these target programs between the governments of the CEMA countries concerned. They deal, e.g., with the production of nuclear power plants, energy-intensive chemical products, seed yeast, the joint construction of a nuclear power plant in Khmelnitski, USSR, with an appropriate cross-country line to Rzeszow, Poland and other matters.

The measures of bilateral specialization programs are implemented in firm conformity with the tasks of the target programs or the accords concluded with respect to them or in preparation. The program thus holds an outstanding position within the GDR's overall system of scientific-technical and economic cooperation in CEMA and played a crucial role in plan coordination for 1981-1985 between the GDR and the USSR.[4] "For the implementation of this far-reaching document (Author: of the specialization program), through the results of plan coordination for the first five-year stage, important economic tasks are solved and mutual commodity deliveries are arranged that are of great importance to stabilizing economic development in both countries up to 1985."[5]

Based on the specialization programs, the main specialization trends for important branches have been worked out. They render the general accords of the program more concrete. These specifications come primarily from the competent ministries and combines. It means the system of direct relations between the ministries and

the large economic units in both countries (i.e. the combines and the production associations) has been solidified and expanded within the scope of binding central orientations and accords. The central tasks have thereby been supplemented organically and detailed by the management and economic organs that are directly responsible for the implementation of the integration measures.

All measures of the specialization program are in essence aimed at improving economic efficiency. That is conformed to by approaching the preparation of the accords and agreeements needed to implement the program. The point of departure generally for improving the effectiveness of the decisive scientific-technical problem in any given branch is, e.g., setting up new basic technologies for microelectronics. The stipulations for division of labor R&D tasks are supplemented by accords on how to divide up the production programs, on applying scientific-technical data in production, and on the mutual exchange of pertinent products. These are comprehensive cooperation measures embracing the various parts of the interlinking reproduction processes, by means of the division of labor, in both countries. Therefore the functioning of one's own reproduction process and, above all, its greater efficiency, depend increasingly on consistently meeting the mutual obligations within the scope of the specialization program. That is a great political and economic task. Socialist internationalism finds its expression here in the full assumption of one's own responsibility for fulfilling the tasks contracted with the USSR, proper as to qualities, deadlines and assortments.

The 28th session of the GDR-USSR Parity Government Commission in June 1981 took essential steps toward implementing the specialization program.[6] Both the jointly contracted tasks and the accords signed reflect the consistent orientation of this cooperation to decisive measures that make for greater efficiency. That includes the production of new basic technologies for microelectronics, the development and production of new microelectronic commodities and of special equipment for this branch. It includes the deepening and expansion of our current specialization in rolling-mill equipment, wire drawing, cable and stranding machines, the development of new designs and techniques in the building industry and the joint production rationalization for glass silk or the development of automated control systems for certain technological processes, e.g. blast-furnaces, chemical plants and gas pipelines.

The great number of accords already achieved makes directly visible how much the two countries have increasingly in common and that their interests are identical.

The implementation of the production specialization and cooperation program is of the greatest weight to our smoothly continuing our policy, which is oriented to the welfare of the people. At the same time it demands of us conscientiously to fulfill everywhere and always the export obligations assumed for modern machines, equipment, chemical products and consumer goods, proper as to deadlines and qualities, as all other measures laid down. That is a precept of high economic and political rank, which the party organizations also must constantly pay attention to in their ideological work. Thereby we will help, after all, consolidate our cooperation for our mutual advantage and continue in shaping with success our socialist economic integration in response to the new and higher demands of the 1980's.

FOOTNOTES

1. Comrade Erich Honecker, "Bericht des Zentralkomitees der Sozialistischen Einheitspartei Deutschlands an den X. Parteitag der SED" (SED Central Committee Report to the 10th SED Congress), Dietz publishing house, Berlin, 1981, p 82.

2. L. I. Brezhnev, "26th CPSU Congress--CPSU Central Committee Status Report and the Next Party Tasks in Domestic and Foreign Policy," Dietz publishing house, Berlin, 1981, p 13.

3. Comrade Erich Honecker, op. cit., p 84.

4. Cf. "Important Steps on the Specialization and Cooperation Course," NEUES DEUTSCHLAND, 3 February 1980, p 3.

5. Ibid.

6. Cf. "New Steps to Deepen Specialization and Cooperation," NEUES DEUTSCHLAND, 1 July 1981, p 6.

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## POLISH OFFICIALS INTERVIEWED ON COUNTRY'S REFORM, ECONOMIC PROSPECTS

Budapest HETI VILÁGGAZDASÁG in Hungarian 31 Oct 81 pp 9-11

[Interview by Tamás Boronkay with Ryszard Cwiernia, chief of the department of state planning commission, Jerzy Szczepkowski, vice president of the Polish foreign trade bank, and Wladislaw Gwiazda, deputy minister of foreign trade. Place and date not given.]

[Text] The writer of this article went to Poland recently where he talked to a few economic leaders. The following are excerpts from interviews with Ryszard Cwiernia, chief of the department of state planning commission, Jerzy Szczepkowski, vice president of the Polish foreign trade bank, and Wladislaw Gwiazda, deputy minister of foreign trade. With regard to the third interview, it must be mentioned that the deputy minister does not mention the fact that Polish-Hungarian deliveries are smaller this year than last year on both sides, e.g., Poland is shipping less coal this year: in 1979, 444,000 tons of soft coal and hard coal arrived from Poland; in 1980, 364,000 tons; this year's quota is only 320,000 tons.

[Question] 1 January 1982 is the planned start of the economic reform. It is not possible that the enterprises, in the absence of many important regulations, will not know what to do, and that this will further aggravate the already existing problems?

[Ryszard Cwierna] The reform's two basic laws (concerning state enterprises and enterprise autonomy) have been passed already; these indicate the main direction. By the end of October, the regulations concerning the reform of the system of planning and statistics, the financial and tax system, product marketing, and the banking and pricing system will be made; by the end of November, the regulations of the new mechanism, together with the order of implementation, will reach the enterprises. The time is indeed unfavorable for the introduction of the reform; but, quite simply, there is no other alternative.

The debate with Solidarity now is primarily on questions of quantity: how much money should remain at the enterprise, what the tax rate should be, what proportion of the amortization should remain at the enterprise, and whether the enterprises should be limited in the use of profits that remain after paying the taxes. I think that, after the bargaining, we will stop somewhere in the middle of the road. If the Sejm cannot accept the laws by the introduction of the

reform, there is no legal obstacle for a temporary solution. The necessity of making laws from economic regulations is justified by the bad experience of the 1970s when the regulations changed constantly.

[Question] The market situation is strained; the reform of the economic management system cannot be started without a price reform. What will be the basis of the producer's price reform?

[R.C.] We would like to have a price system that is similar to that in Hungary. We would like to adapt the prices to world market prices, i.e., to the Polish enterprises' export prices. The price reform in January will be introduced "from above" but, beginning with the new year, the enterprises will be able to determine the prices--of course, by adhering to the related regulations.

[Question] How does the reform affect the enterprise organization?

[R.C.] The goal is to create as much enterprise autonomy as possible. The majority of gigantic enterprise associations and corporations will be abolished, except in certain machine industrial branches where they will remain compulsory. We would like to achieve that in certain areas the enterprises join associations voluntarily, e.g., for continued material supply and for the organization of maintenance. We would like to intensify enterprise competition, that is why we are working on an antimonopoly law. We have already introduced the so-called small reform at midyear; this is an incentive for founding small enterprises and small cooperatives and creates better conditions for the operation of small private industry. The goal is that those who manufacture in small volume for the local market be able to work with a relatively small capital and as little constrictions as possible.

[Question] According to many people, the law on autonomy is unclear, can be interpreted in many ways, and it is difficult to see what it means in reality.

[R.C.] I think the law is very concise and clear. The director of the enterprise is, in all cases, selected by competition. The competition jury includes three representatives of the council of self-government; a representative of the founding organization; a representative of the bank that finances the operation; and delegates of trade unions, party, and youth organizations. In industrial branches that are strategically important, the organization of the competition jury is the task of the founding organizations, i.e., the state; in other cases, it is the task of the autonomous organization. In case the jury is set up by the state, the autonomous organ has a veto right; in other cases, this right belongs to the state.

[Question] Many people are afraid that the reform will cause a high rate of unemployment in Poland.

[R.C.] We are striving to avoid unemployment. We have taken several measures to avoid it. Early retirement is made possible, retraining is being encouraged, favorable conditions are being created for those who temporarily move out of big cities, financial aid is being given for the starting of small industrial plants. Many factories and several large plants in Warsaw have an acute shortage of labor;

they would be happy to hire workers not needed elsewhere; anyone can work in mines, in hospitals, or in public sanitation. I am afraid most of all of unemployment among engineers. Investments must be radically decreased and, for this reason, many engineers may lose their jobs.

[Question] One could read in the Western press that serious consideration was being given to sending guest workers abroad.

[R.C.] We do not have a guest worker system in the Western sense. If a Polish enterprise is working on an investment project abroad, its labor force includes Polish workers even now; this could be expanded. It is a further possibility that the Polish state, as an agent, would send Polish workers abroad in an organized way.

[Question] It is difficult to make a prognosis now, but when can it be expected that the lines in front of stores will disappear?

[R.C.] I think there could be a general improvement (relative to the present situation) by the second half of this year. A significant and lasting change is feasible only in 2 or 3 years. Much depends on external circumstances, on the creditors, on the help given by the CEMA-countries, and on domestic coal production. If we could significantly increase coal production, stabilization could be speeded up. Of course, much depends on political stabilization as well, because that is the basic requirement for economic consolidation.

[Question] One could hear at the beginning of the year that Poland owes $27 billion to the West, but officials now quote a smaller sum. How much does Poland actually owe?

[Jerzy Szczepkowski] About $23 to $24 billion. Of this, 40 to 45 percent constitutes guaranteed loans by countries giving credit, the rest is made up by credits given by private capitalist banks.

[Question] There have been talks for some time now about rescheduling repayments. How much extension are you seeking?

[J.Sz.] We do not think the Polish economy will be in a position during the next 3 years to pay its debts; thus, we are seeking an extension until the end of 1983 at least. Until that time, two-thirds of the debt should be payed.

[Question] The role of the zloty has been diminished in domestic barter: the peasants sell their produce for coal and industrial products.

[J.Sz.) The reason for this is that there is an immense amount of zlotys in circulation uncovered by products. According to calculations, the sum of money that cannot be spent because of a shortage of products is increasing daily by 1 to 1.5 billion zlotys. The superfluous volume of zlotys can reach 700 billion by the year's end.

[Question] Have you considered a general currency reform?

[J.Sz.) There are two plans to tie down the superfluous volume of zlotys. One involves a large state loan, and the other involves the investment of the compensation given for the price increases by those with higher incomes in long-term state bonds.

[Question] What are Poland's trade relations with the other CEMA-countries?

[Wladislaw Gwiazda] It seemed at the beginning of this year that we would be unable to counterbalance our purchases in socialist countries with adequate exports. Reality contradicted this view. Not counting the Soviet Union, which sends us more goods than we can send them, our trade with the other CEMA-countries is well balanced; on the other hand, neither our export plans nor the resulting import plans can be implemented. In the case of a few raw materials, Polish deliveries are going at a brisk pace, e.g., those of sulphur and cokes. On the other hand, the coal situation is not so good: our coal production is less than was originally planned for last year.

[Question] What kind of help are the socialist countries giving in coping with the difficulties in supply?

[W.G.] At the end of last year, several socialist countries sent us consumer products above their quotas, including food. These shipments cannot, of course, solve our problems; they much rather indicate an international reaction to our difficulties. It was also a great help for us that we were allowed to maintain an adverse balance of payments. This was indicated in the annual protocol.

The great help the Soviet Union was, and is, giving us is another chapter. This help includes deliveries of the most important raw materials, credit, and the extension of our obligations in paying our debts in dollars.

[Question] What is the situation in Polish-Hungarian barter?

[W.G.] There is no special problem in the mutual trade, i.e., in the implementation of the commercial protocol; indeed, Polish exports are ahead of Hungarian exports to Poland. The quotas in the barter agreement for this year allow a volume of Polish imports worth 309 million rubles. We were able to tie down 100 percent of the contingents through private legal contracts. The primary reason for the Polish surplus of balance is that the contracts specify most Hungarian shipments for the second half of the year. Thus, we will import fruit in the fall and, in addition, the shipments of 44 million rubles worth of busses have begun; thus, the balance will be even. Hungary also helped in that it allowed us to ship "soft" products for "hard" ones above the contingents. I must say that, under the present conditions, it is quite different products that make up the category of hard products. They are the shortage goods. Thus, in addition, to basic food products, we consider cigarettes and washing detergents, for example, as hard products which we purchased from Hungary for Fiat 126 cars that are now more dispensable. We also are importing meat from Hungary, for dollars; this is good for both parties since the vicinity of the two countries reduces the cost of shipment.

[Question] Poland made the proposal several times that it would cooperate with socialist countries in its use of free production capacities. What does this mean in practice?

[W.G.] The proposals for cooperation are concerned basically with three areas. We have unfinished investment projects and machines imported from capitalist countries that have not been used yet; we also have capacities stopped because of a lack of raw materials. We would like to finish our investment projects with the help of the socialist countries and would like to sell certain products and production equipment. In addition, we would buy raw materials for products made with this equipment. I do not want to mention concrete things, as the problem is complex and every case must be examined individually. Talks have been going on since the beginning of the year and, in many cases, came to a stage where only the examination of certain details remains.

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## NEW AGRICULTURAL PRICE ADJUSTMENTS EXPLAINED, SURVEYED

### Explanation of Adjustments

Bratislava ROLNICKE NOVINY in Slovak 18 Nov 81 p 7

[Article by Dr Ladislav Smitka, Federal Ministry of Agriculture and Food: "On Adjustments of Procurement Prices and Other Price Tools in Agriculture Beginning From 1982"]

[Text] A significant part of the Set of Measures for Improving Planned Management in Agriculture, approved at the Fourth Plenum of the CPCZ Central Committee on 29 October 1981, involves adjustments of procurement prices of agricultural products and other price tools in agriculture, including adjustments of certain material inputs in agriculture. In their scope and importance, they represent the most fundamental changes during the whole period of our system of agricultural management because in their final expression they amount to almost Kcs 10 billion, i.e., approximately 11 percent of the total income derived from agricultural products.

A subtantial part of this increase in procurement prices and other tools of compensation for agricultural products, almost Kcs 7 billion, involves compensation for higher costs of agricultural organizations due to:

1. Higher sales prices for industrial fodder mixes as a result of the termination of subsidies of their wholesale prices from the state budget. As of 1 January sales prices of fodder mixes for agricultural enterprises increase on the average by 15.6 percent, i.e., by a total of Kcs 2.5 billion.

This measure intends to balance more realistically animal products based on fodder mixes and those produced mainly on the basis of bulk fodders which are not subsidized. Thus, more effective economic pressures are exerted so as to rationalize utilization of imported and domestic protein and grain fodders in general and to improve the exploitation of our domestic bulk fodders, meadows and pastures, fodders obtained as side products, fodder waste, etc.

The increases involve sales prices of fodder mixes (for orientation in Kcs per ton) for:

| | from | to |
|---|---|---|
| --Hog fattening | 1,960 | 2,270 |
| --Suckling pigs | 3,890 | 4,500 |
| --Other hogs | 2,040 | 2,360 |
| --Laying hens | 2,300 | 2,670 |
| --Broilers | 2,615 | 3,020 |
| --Other poultry | 2,540 | 2,940 |
| --Milking cows | 1,700 | 1,970 |
| --Fattening of beef cattle | 1,640 | 1,890 |
| --Calves | 1,940 | 2,240 |
| --Other cattle | 1,680 | 1,930 |
| --Sheep | 1,960 | 2,270 |

Following an approval of their rates, new prices of individual fodder mixes will be announced before the end of this year.

With the exception of partial phaseout in hogs, higher costs are fully reflected in higher procurement prices of animal products.

2. Due to higher prices of crude oil and of light fuel and lubricating oils in force as of 15 October 1981; agricultural organizations and other economic organizations must compensate for a certain part of this effect (20 percent) in their costs by implementing rationalization and reducing specific consumption.

Agriculture is one of the highest consumers of power fuels and light heating oils in our national economy and in terms of transport, it is the largest transporter in our state in general.

Lower consumption of fuels and power, which is absolutely imperative, in addition to immediate regulations, also demands a reassessment of certain types of technology consuming excessive amounts of fuels and power.

Cost increases in our agriculture amount to Kcs 1.7 billion and this effect had to be balanced by raising the compensation for prices of agricultural products in a differentiated manner, with consideration of energy consumption in individual types of production. Periodical surcharges agreed upon in contracts apply to procurement prices for main kinds of greenhouse-grown vegetables produced by socialist agricultural organizations using light heating oils or crude oil in their cultivation of greenhouse produce. According to contracts with agricultural supply and procurement enterprises, socialist agricultural organizations which dehydrate fodders and root crops in hot-air driers heated with light heating oil or with crude oil receive subsidies in the amount of Kcs 470 per ton of delivered dehydrated materials of standard quality. No other production of dehydrated substances will be subsidized.

3. Due to higher wholesale prices of certain types of machine equipment and metallurgical and construction materials as a result of the second stage of a one-time adjustment of wholesale prices of fuel and energy resources in force as of 1 January 1982, because higher prices of fuels and power are reflected in production with higher consumption of energy.

The total effect of changes in operating and investment costs in our agriculture amounts to Kcs 2.3 billion and is reflected in its full scope in higher compensation for the agriculture.

In terms of inputs in the agriculture price regulations aiming primarily at higher efficiency are used to raise the level of procurement prices and other price tools and concurrently, to improve the balance between procurement prices of individual agricultural products, to mitigate the differences in their returns and to give preferential treatment to those products whose development has priority and is in the interest of our whole society.

Another vital factor enhancing the role of procurement prices of agricultural products and other price tools in agriculture is higher overall compensation to agriculture from societywide resources amounting to almost Kcs 3 billion. It was adopted on the basis of thorough analyses of cost developments and of our agricultural production in the Sixth Five-Year Plan in order to increase returns on agricultural products and to improve the khozrashchet system of our agricultural organizations and, thus, to stimulate their material incentives and responsibility for the results of production independently of any subsequent balancing of the results of the management with financial allocations and subsidies from the state budget.

The approved redistribution of financial resources to the benefit of our agriculture represents an increase in current average returns of our agricultural enterprises by about 3 percent, i.e., 10 to 11 percent of returns on costs. Thus, in conjunction with other changes in the planned agricultural management system, especially in planning and in material incentives, this provides the basic precondition for more efficient implementation of principles stipulated in the Set of Measures for Improving the Planned Management System of National Economy after 1980 in our agriculture.

The enhanced role of prices in the area of agricultural inputs as well as in overall compensation for agricultural products poses at the same time higher demands on agricultural enterprises in the state and cooperative sectors, compelling them to use in more stringent conditions all sources for production, their own as well as procured ones, as efficiently as possible in order to intensify agricultural production and its quality, to detect and utilize their own untapped assets and to reduce waste which adds to costs and impairs efficiency, because this is for them the only way to make their production more lucrative, to consolidate their own economic position and to fulfill their planned tasks in the interest of our society and in their own interest. That is the main purpose and motivation of all newly adopted regulations in the planned agricultural management system.

The measures regulating procurement prices and other price tools follow the same objectives. The balanced effects of higher prices of inputs and increased compensation for our agriculture from societywide resources are reflected in a differentiated manner in higher levels of prices for agricultural products so as to increase the functional effect of procurement prices in relation to the regulation of a desirable structure in agricultural production in agreement with the structure of our society. In general, of first priority are the products in which our society is most interested and for which for various reasons the planned objectives in the development of whose production thus far was not able to be met, and next are goods for import or goods whose production reduces the need for imports.

More than one-half, i.e., over Kcs 5 billion of the overall price increase of agricultural compensations, has been earmarked to render cattle raising, particularly the production of fattened slaughter cattle and milk, more lucrative. Procurement prices of fattened cattle are raised by Kcs 3 to 3.50 per kg of live weight and procurement prices of milk of first quality by Kcs 0.50 per liter. Furthermore, the aspect of quality of production is emphasized in prices of individual categories of quality.

Higher procurement prices for beef exceed by more than one-half the envisaged rise in costs due to higher costs for inputs and intermediate goods; in every agricultural enterprise and in all natural conditions this should guarantee adequate returns on the production of milk and of all categories of cattle, on the premise, however, that our agricultural organizations take steps to curtail further increases of costs in cattle raising, that they utilize with utmost efficiency and in required quality all meadows, pastures and all sources of bulk fodders, and the yield of milking cows be increased and the whole process of reproduction in cattle raising be improved, and in particular, that the increments in the weight of the cattle be increased and beef production, which will be the main source of higher meat supply in the nearest period, be stepped up.

Subsidies for cattle raising correspond with the importance of this essential sector of agricultural production during the Seventh Five-Year Plan; its results will determine to a major extent the economic returns for most agricultural enterprises. New procurement prices for slaughter cattle will also apply in contracts for cattle fattening, which further improves the preconditions for its expansion.

In addition, there are changes in certain supplemental price tools in cattle raising which are a part of overall price compensation for milk and cattle. In terms of milk, current supplements granted in a differentiated way according to the share of intensively used meadows and pastures have been canceled in conjunction with higher procurement prices and with measures concerning differentiated surcharges. In past years, such surcharges played an important role as supplemental price tools, especially in enterprises with a high share of grain funds, and stimulated their economical use. Following the progressively increased differentiation in the rate of that surcharge dating from 1980, however,

some shortcomings in this system became apparent; in particular, enterprises on the borderline of individual rates displayed tendencies to turn arable lands into agricultural lands. Analogically, the middle echelons of management interpreted in various ways the concept of "intensively exploited meadows and pastures."

Supplemental price tools remain in force in the category of milk where they have proved effective, particularly as concerns initial and special surcharges. The ceiling for its grant has been increased in the SSR from 850 to 1,000 liters per hectare of agricultural lands (with the exception of enterprises with Pinzgau cattle predominating).

In slaughter cattle, bonuses for fattening of steers for higher slaughter weight have been canceled; financial assets were transferred to the highest category of slaughter steers whose procurement price was increased from Kcs 20.50 to Kcs 24 per kg of live weight.

The surcharge on procurement prices for primiparae of category A remains valid and is increased to Kcs 5.50 per kg of live weight due to higher differentiation of prices of slaughter cows and fattened cattle.

Bonuses for calves raised in large calf stations, special premiums for pasture-raised heifers, premiums for cooperation in procurement of pregnant heifers, subsidies for the procurement of pregnant primiparae transferred from different areas and, in the SSR, premiums for an increment in the number of cows also remain in force.

Procurement prices for all sheep products increased at approximately the same ratio as those for cattle raising.

Procurement prices for weaned pigs increased from Kcs 25 to 27 and for slaughter hogs from Kcs 15.50 to 17 per kg of live weight. Here the costs increased somewhat more due to higher prices of feed mixes and other inputs and thus, current returns on hog production will be reduced about 10 percent on the average. Bonuses for higher numbers of weaned pigs are terminated (as of the fourth quarter of this year).

Procurement prices for all types of slaughter poultry and for eggs are increased approximately in accordance with the cost increase stemming from higher prices of feed mixes and other inputs.

Similarly, prices of bee honey and venison are markedly raised.

The most important price regulations in plant production concern higher procurement prices for potatoes in all categories of ultility, with more distinctive price differentiation in the procurement of potatoes according to quality and period of storage, furthermore, of sugar beets, chicory, mustard and flax, where a new standard of quality introduced simultaneously considers the criteria of quality achievable under current technological conditions of their cultivation and harvesting. At the same time, current special bonuses for potatoes and sugar beets are terminated and financial assets assigned directly to procurement prices.

Furthermore, procurement prices of hops and tobacco are increased; their costs will be higher due to adjustments in prices of crude oil and light heating oils.

The surcharge on procurement prices of maize and rye procured on the basis of concluded contracts for state funds are increased and new surcharges on procurement prices of oats delivered for state and fodder funds are introduced.

Adjustments for the prices of these grain crops intend to balance their returns with other grain crops and consider higher costs of fuels.

Price tools for paprika, spices, garlic and lentils have also been adjusted.

As a result of unresolved mass technology (with the exception of caraway seeds), bonuses for specialization in paprika and individual spices failed to satisfy adequately our social needs; surcharges on procurement prices are introduced here to apply in all contracts with the suppliers, including private producers.

Specialization bonuses remain valid for garlic and lentils where production is considerably concentrated in specialized agricultural enterprises; the conditions for the allocation of bonuses have been simplified.

Selected types of vegetables and fruits (especially kinds suitable for winter storage, such as carrots, parsley, parsnips, celery root, red beets, kohlrabi, yellow onions and garlic, cabbage, winter apples and pears) are included among products entitled to differentiated surcharges in support of their production in less favorable environments and to reduce interarea transport.

Price adjustments also affect certain intermediate agricultural products, particularly in breeding, slaughter and fattening cattle. In addition to increased procurement prices due to higher prices of certain inputs and in relation to the adjustment of procurement prices of finished products, cattle for fattening is included in the regulation, according to which prices for cooperation in fattening of heifers, as listed in the price list, are regarded as the ceiling (the prices agreed upon in the contract apply).

Procurement prices for fattened young steers of meaty stocks and their crossbreeds may be increased in agreement between the supplier and the consumer, however, no more than Kcs 2 or 3 per kg of live weight as compared with other breeds.

Procurement prices are adjusted also in the sector of seed and seedlings where preferential prices are paid to the highest stages (or preliminary stages) of propagation, however, with almost no effect on the price of seed for regular cultivation.

A detailed survey of regulations on agricultural prices and supplemental price tools valid as of 1982 is presented in a separate supplement.

Another important aspect of price regulations introduced in our agriculture as of 1982 is a systematic adjustment of differentiation surcharges which, together with land taxes (their rates remain unchanged) help resolve the differentiation in the incomes of agricultural organizations operating in individual areas under different climatic conditions.

Higher procurement prices of numerous agricultural products (including transfer of certain supplemental price tools directly to procurement prices) expand the basis for grants of differentiation surcharges to agricultural organizations operating in less favorable environmental conditions and entitled to differentiation surcharges.

In addition, as concerns products typical for production under less advantageous environmental conditions, i.e., products of cattle- and sheep-raising (milk, slaughter cattle, slaughter calves, cattle for slaughter, breeding and fattening, wool, sheep for slaughter and breeding, sheep cheese) and potatoes of all utility categories, the credit for receipts for those products is increased to 140 percent in claims for differentiation surcharges. As stated above, in milk, slaughter lambs and sheep cheese this regulation counterbalances to a certain extent the surcharges based on the share of intensively utilized meadows and pastures which have been terminated.

In addition to the income, the credit advantages for receipts for the above-mentioned products included in the claim for differentiation surcharges aim at more effective economic support of agricultural enterprises specializing in products typical for less advantageous environmental conditions, including specialization in individual cattle-raising categories, promotion of cooperation in fattening of heifers and intensive utilization of meadows and pastures.

A distinctive step to a balance in profitability of the production of individual agricultural products, which will be introduced in 1982, provides at the same time one of the inevitable preconditions for the implementation of new regulations in planning and intensifying the integration of agricultural organizations, consumers and processors of agricultural products.

New price regulations to be implemented in our agriculture in 1982 include another important tool, namely, bonuses for increased agricultural market production as a whole, as compared with the average for the preceding 3 years. This significant new regulation demands that our agricultural public be acquainted in a separate article with its purpose and with a methodical approach in the calculation of claims.

## Survey of Pricing Policies

Bratislava ROLNICKE NOVINY in Slovak 18 Nov 81 Supplement pp 1-15

[Text] Regulations for improving the planned agricultural management system beginning in 1982, approved at the Fourth Plenum of the CPCZ Central Committee, contain the principles of better management, improved planning, changes in economic policies, particularly in prices of agricultural needs and in procurement prices of agricultural products, as well as new principles for the implementation of the material incentive system. In the preceding supplement of ROLNICKE NOVINY dated 5 November, we published an excerpt from decision No 249/81 by the CSSR Government concerning these issues. Today we present a supplement concerning adjustments of procurement prices and other price tools in agriculture. It contains tables listing the prices of individual products derived from plants and animals. The supplement is designated for agricultural managers and its purpose is to serve as a methodological aid to a wide aktiv of the whole agricultural system. The enhanced role of prices in the area of inputs in agriculture and in all compensation for production poses considerable demands on enterprises in the state and cooperative sectors. On page 7 we present a commentary concerning the table section.

A. Plant Products (in Kcs per ton)

I. Current situation - before the end of 1981

| | Quality | NP* | Surcharge to NP | Bonus |
|---|---|---|---|---|
| Early potatoes | Highest NP | 2,500 | 1,300 | -- |
| | Lowest NP | 1,150 | 100 | -- |
| Late potatoes for consumption | Salad type | 1,800 | -- | 110 |
| | Quality I | 1,150 | -- | 110 |
| | II | 1,000 | -- | 110 |
| | For industrial processing | 1,100 | -- | 110 |
| | Compensation for storage, incl. delivery losses: | | | |
| | Harvest year- in December | 250 | -- | -- |
| | Following year | | | |
| | in January | 280 | -- | -- |
| | in February | 300 | -- | -- |
| | in March | 330 | -- | -- |
| | in April | 400 | -- | -- |
| | in May | 500 | -- | -- |
| | in Junw | 600 | -- | -- |

Adjustments beginning in 1982

| Quality | NP | Surcharge to NP | Bonus |
|---|---|---|---|
| Highest NP | 3,000 | 1,500 | -- |
| Lowest NP | 1,500 | 50 | -- |
| Salad type - Procurement: | | | |
| Before 30 November | 2,400 | -- | -- |
| 1 - 31 December | 2,680 | -- | -- |
| 1 - 31 January | 2,750 | -- | -- |
| 1 - 28 (29) February | 2,830 | -- | -- |
| 1 - 15 March | 2,900 | -- | -- |
| 16-31 March | 2,950 | -- | -- |
| 1 - 15 April | 3,000 | -- | -- |
| 16 - 30 April | 3,050 | -- | -- |
| 1 - 15 May | 3,100 | -- | -- |
| 16 May and after | 3,200 | -- | -- |
| I. quality - procurement: | | | |
| Before 30 November | 1,500 | -- | -- |
| 1 - 31 December | 1,780 | -- | -- |
| 1 - 31 January | 1,850 | -- | -- |
| 1 - 28 (29) February | 1,930 | -- | -- |
| 1 - 15 March | 2,000 | -- | -- |
| 16 - 31 March | 2,050 | -- | -- |
| 1 - 15 April | 2,100 | -- | -- |
| 16 - 30 April | 2,150 | -- | -- |
| 1 - 15 May | 2,200 | -- | -- |
| 16 May and after | 2,300 | -- | -- |

* New Price

[continued]

A. Plant Products (continued)

| Quality | Adjustments beginning in 1982 | | |
|---|---|---|---|
| | NP | Surcharge to NP | Bonus |
| II. Quality - Procurement: | | | |
| Before 30 November | 1,100 | -- | -- |
| 1 - 31 December | 1,380 | -- | -- |
| 1 - 31 January | 1,450 | -- | -- |
| 1 - 28 (29) February | 1,530 | -- | -- |
| 1 - 15 March | 1,600 | -- | -- |
| 16 - 31 March | 1,650 | -- | -- |
| 1 - 15 April | 1,700 | -- | -- |
| 16 - 30 April | 1,750 | -- | -- |
| 1 - 15 May | 1,800 | -- | -- |
| 16 May and after | 1,900 | -- | -- |

II.

| | Current situation - before the end of 1981 | | | | Adjustments beginning in 1982 | | | |
|---|---|---|---|---|---|---|---|---|
| | Quality | NP | Surcharge to NP | Bonus | Quality | NP | Surcharge to NP | Bonus |
| Potatoes for consumption - late (cont.) | | | | | For industrial processing - procurement: | | | |
| | | | | | Prior to 30-11 | 1,300 | -- | -- |
| | | | | | 1-31 December | 1,580 | -- | -- |
| | | | | | 1-31 January | 1,650 | -- | -- |
| Industrial | Starch contents 16 percent | 670 | -- | -- | Starch contents 15 percent | 800 | -- | -- |
| | Spec. bonus for 1 t starch | — | -- | 600 | -- | -- | -- | -- |
| Seed potatoes | Uniform sorting - grade propagation P - procurement: | | | | Uniform sorting - grade propagation P - procurement: | | | |
| | harvest year prior to 31 December | 1,290 | -- | 140 | harvest year prior to 31 December | 1,700 | -- | -- |
| | following year after 1 January | 1,290 | 600 | 140 | following year after 1 January | 1,700 | 600 | -- |
| Peeled potatoes | Peeling thus far for wages only - payment for peeling Kcs 1,750 per ton of peeled potatoes | -- | -- | -- | with purchase: | | | |
| | | | | | before 31 November | 3,830 | -- | -- |
| | | | | | 1 - 31 December | 4,350 | -- | -- |
| | | | | | 1 - 31 January | 4,480 | -- | -- |
| | | | | | 1 - 28 (29) February | 4,640 | -- | -- |
| | | | | | 1 - 15 March | 4,770 | -- | -- |
| | | | | | 16 - 31 March | 4,860 | -- | -- |
| | | | | | 1 - 15 April | 4,960 | -- | -- |
| | | | | | 16 - 30 April | 5,050 | -- | -- |
| | | | | | 1 - 15 May | 5,140 | -- | -- |
| | | | | | 16 May and after | 5,330 | -- | -- |
| Surcharge to NP of potato packaging for small consumers (incl. packaging material) | Packaging for small consumers thus far for wages only | -- | -- | -- | Packages: | | | |
| | | | | | 2 kg each | 540 | -- | -- |
| | | | | | 3 kg each | 420 | — | -- |
| | | | | | 5 kg each | 300 | -- | -- |
| | | | | | 10 kg each | 270 | — | -- |

III.

| | Current situation - until the end of 1981 | | | | Adjustments beginning in 1982 | | | |
|---|---|---|---|---|---|---|---|---|
| | Quality | NP | Surcharge to NP | Bonus | Quality | NP | Surcharge to NP | Bonus |
| Rye | | 1,550 | 150 | -- | | 1,550 | 300 | -- |
| Oats | For food | 1,800 | -- | -- | For food | 1,800 | 150 | -- |
| | fodder | 1,550 | -- | -- | fodder | 1,550 | 150 | -- |
| Maize | For starch | 2,100 | 100 | -- | For starch | 2,100 | 250 | -- |
| | Industrial | 1,850 | 100 | -- | Industrial | 1,850 | 250 | -- |
| Malt barley | Quality I | 1,700 | 200 | -- | Quality I | 1,700 | 300 | -- |
| | II | 1,700 | -- | -- | II | 1,700 | 150 | -- |
| | | | | | III | 1,700 | 0 | -- |
| Flax on stem - retted | Quality I | 5,000 | -- | -- | Quality I | 4,200 | -- | -- |
| | II | 4,200 | -- | -- | II | 3,200 | -- | -- |
| | III | 3,400 | -- | -- | (new CZN)* III | 2,600 | -- | -- |
| | IV | 2,800 | -- | -- | IV | 1,200 | -- | -- |
| | V | 2,200 | -- | -- | | | | |
| | VI | 1,200 | -- | -- | | | | |
| | | | | | Only in the SSR: According to regulations of the MPVz** and with concentration: under 30 ha | -- | 0 | -- |
| | | | | | 31 - 50 ha | -- | 200 | -- |
| | | | | | 51 - 100 ha | -- | 300 | -- |
| | | | | | 101 - 200 ha | -- | 400 | -- |
| | | | | | over 200 ha | -- | 500 | -- |
| Flax seed | | 5,800 | -- | -- | | 6,000 | -- | -- |

* CZN - Czechoslovak Standard
** MPVz - Ministry of Agriculture and Food

[continued]

[III. continued]

| | Quality | NP | Surcharge to NP | Bonus | Quality | NP | Surcharge to NP | Bonus |
|---|---|---|---|---|---|---|---|---|
| Mustard seed | White and black | 6,000 | -- | -- | White and black | 8,000 | -- | -- |
| Sugar beets | | 350 | -- | -- | | 370 | | |
| | | | | | Bonus for fulfillment of long-term agricultural contracts | -- | -- | 10 |
| Chicory | | 700 | -- | -- | | 1,000 | -- | -- |

IV.

| | Current situation - before the end of 1981 | | | | Adjustments beginning in 1982 | | | |
|---|---|---|---|---|---|---|---|---|
| | Quality | NP | Surcharge | Bonus | Quality | NP | Surcharge | Bonus |
| Hops | Quality I | 85,000 | -- | -- | Quality I | 88,000 | -- | -- |
| | II | 74,000 | -- | -- | II | 77,000 | -- | -- |
| | III | 60,000 | -- | -- | III | 63,000 | -- | -- |
| | IV | 40,000 | -- | -- | IV | 43,000 | -- | -- |
| | For Zatec production area: | | | | For Zatec production area: | | | |
| | Quality I | -- | 10,000 | -- | Quality I | -- | 10,000 | -- |
| | II | -- | 8,500 | -- | II | -- | 8,500 | -- |
| | III | -- | 6,500 | -- | III | -- | 6,500 | -- |
| | For Ustek production area: | | | | For Ustek production area: | | | |
| | Quality I | -- | 6,000 | -- | Quality I | -- | 6,000 | -- |
| | II | -- | 5,100 | -- | II | -- | 5,100 | -- |
| | III | -- | 3,900 | -- | III | -- | 3,900 | -- |
| Tobacco - cigaret - Virginia type | Quality I | 50,000 | -- | -- | Quality I | 51,500 | -- | -- |
| | II | 40,000 | -- | -- | II | 41,500 | -- | -- |
| | III | 32,000 | -- | -- | III | 33,500 | -- | -- |
| | IV | 17,000 | -- | -- | IV | 18,500 | -- | -- |
| Virginia type P (artif. dried) | Quality I | 36,000 | -- | -- | Quality I | 37,500 | -- | -- |
| | II | 32,000 | -- | -- | II | 33,500 | -- | -- |
| | III | 9,000 | -- | -- | III | 10,500 | -- | -- |
| Virginia type P (naturally dried) | Quality I | 30,000 | -- | -- | Quality I | 31,500 | -- | -- |
| | II | 23,000 | -- | -- | II | 24,500 | -- | -- |
| | III | 9,000 | -- | -- | III | 10,500 | -- | -- |
| Szabolcs type and garden type | Quality I | 33,000 | -- | -- | Quality I | 34,500 | -- | -- |
| | II | 22,000 | -- | -- | II | 23,500 | -- | -- |
| | III | 8,000 | -- | -- | III | 9,500 | -- | -- |

[continued]

IV. [continued]

| | Quality | NP | Surcharge | Bonus | Quality | NP | Surcharge | Bonus |
|---|---|---|---|---|---|---|---|---|
| Burley | Quality I | 33,000 | -- | -- | Quality I | 34,500 | -- | -- |
| artif. | II | 25,000 | -- | -- | II | 26,500 | -- | -- |
| dried | III | 9,000 | -- | -- | III | 10,500 | -- | -- |

| V. | Current situation - before the end of 1981 | | | | Adjustments beginning in 1982 | | | |
|---|---|---|---|---|---|---|---|---|
| | Quality | NP | Surcharge on NP | Bonus | Quality | NP | Surcharge on NP | Bonus |
| Tobacco (cont.) | | | | | | | | |
| Burley - naturally dried | Quality I | 30,000 | -- | -- | Quality I | 31,500 | -- | -- |
| | II | 23,000 | -- | -- | II | 24,500 | -- | -- |
| | III | 9,000 | -- | -- | III | 10,500 | -- | -- |
| Pipe: Havana | Quality I | 30,000 | -- | -- | Quality I | 31,500 | -- | -- |
| | II | 23,000 | -- | -- | II | 24,500 | -- | -- |
| Lentils edible, incl. seed | Minimum harvest area - 50 ha | -- | -- | Percent of of NP 10 | Minimum delivery 30 tons | -- | -- | Percent of NP 10 |
| Garlic dried, incl. seedlings | With harvest area: | | | Percent of NP | With minimum receipts of Kcs 500,000 per enterprise | | -- | 35 percent of receipts |
| | 5 - 30 ha | -- | -- | 35 | | | | |
| | over 30 ha | | | 40 | | | | |
| Paprika | Loose - Quality I | 30,000 | -- | -- | Loose - Quality I | 30,000 | 5,000 | -- |
| | II | 20,000 | -- | -- | II | 20,000 | 4,000 | -- |
| | III | 10,000 | -- | -- | III | 10,000 | 1,000 | -- |
| | Strung - Quality I | 33,000 | -- | -- | Strung - Quality I | 33,000 | 5,000 | -- |
| | II | 23,000 | -- | -- | II | 23,000 | 4,000 | -- |
| | III | 13,000 | -- | -- | III | 13,000 | 1,000 | -- |
| | Artif. dried | | | | Artif. dried | | | |
| | Quality I | 37,000 | -- | -- | Quality I | 37,000 | 5,000 | -- |
| | II | 27,000 | -- | -- | II | 27,000 | 4,000 | -- |
| | III | 17,000 | -- | -- | III | 17,000 | 1,000 | -- |
| | For enterprises with harvested area: | | | Percent of NP | | | | |
| | 15 - 50 ha | -- | -- | 10 | | -- | -- | -- |
| | 50.1 - 100 ha | -- | -- | 15 | | -- | -- | -- |
| | over 100 ha | -- | -- | 20 | | -- | -- | -- |

VI.

Applies only to socialist agricultural organizations producing vegetables in oil-heated greenhouses.

| Current situation - before the end of 1981 | | | | Adjustments beginning in 1982 | | | |
|---|---|---|---|---|---|---|---|
| Quality | NP | Surcharge to NP | Bonus | Quality | NP | Surcharge to NP | Bonus |
| Marjoram crushed dried - grade I | 70,000 | -- | -- | crushed dried-grade I | 70,000 | 15,000 | -- |
| II | 56,000 | -- | -- | II | 56,000 | 9,000 | -- |
| fresh green - grade I | 9,000 | -- | -- | fresh green - grade I | 9,000 | 1,000 | -- |
| II | 6,000 | -- | -- | II | 6,000 | 900 | -- |
| | | | Percent of NP | | | | |
| Minimum acreage 2-10 ha | -- | -- | 10 | -- | -- | -- | -- |
| over 10 ha | -- | -- | 20 | -- | -- | -- | -- |
| Caraway seed | 22,000 | -- | -- | | 22,000 | 3,000 | -- |
| | | | Percent of NP | | | | |
| With harvested area of 10-40 ha | -- | -- | 16 | -- | -- | -- | -- |
| over 40 ha | -- | -- | 20 | -- | -- | -- | -- |
| Fennel | 22,000 | -- | -- | | 22,000 | 8,000 | -- |
| | | | Percent of NP | | | | |
| With harvested area of 2-10 ha | -- | -- | 30 | -- | -- | -- | -- |
| over 10 ha | -- | -- | 40 | -- | -- | -- | -- |
| Anise | 20,000 | -- | -- | | 20,000 | 8,000 | -- |
| | | | Percent of NP | | | | |
| With harvested area of 1-3 ha | -- | -- | 30 | -- | -- | -- | -- |
| over 3 ha | -- | -- | 40 | -- | -- | -- | -- |

[continued]

VI. [continued]

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Coriander | 16,000 | -- | -- | -- | 16,000 | 9,000 | -- |
| | | | Percent of NP | | | | |
| Harvested area | | | | | | | |
| 2 - 10 ha | -- | -- | 30 | -- | -- | -- | -- |
| over 10 ha | -- | -- | 40 | -- | -- | -- | -- |
| Greenhouse vegetables | | | | | | | |
| Greenhouse-grown | | | | | | | |
| Cucumbers, salad type | Without change | -- | -- | Greenhouse-grown Cucumbers, salad type | Without change | 2,800 | -- |
| Peppers | | -- | -- | Peppers | | 5,800 | -- |
| Tomatoes | | -- | -- | Tomatoes | | 4,500 | -- |
| Kohlrabi | | -- | -- | Kohlrabi | | 6,400 | -- |
| Lettuce | | -- | -- | Lettuce | | 6,000 | -- |

B. Animal Products (in Kcs per unit):

| VII. | Unit | Quality | Current situation 1981 | Adjustments beginning in 1982 |
|---|---|---|---|---|
| Milk | 1 liter | Grade I - summer | 2.90 | 3.40 |
| | | winter | 3.20 | 3.70 |
| | | Deduction in summer and winter for grade II | 0.10 | 0.20 |
| | | III | 0.40 | 0.60 |
| | | Choice milk - in summer | 3.40 | 3.90 |
| | | winter | 3.70 | 4.20 |
| | | Summer and winter bonus or deduction for each 1 percent above or below the basic fat content (3.6 percent) | 0.65 | 0.65 |
| | | Surcharge to NP in every category of quality, based on the share of intensively exploited meadows and pastures | | |
| | | with share: under 20 percent | 0 | |
| | | 20 - 30 percent | 0.20 | |
| | | 30 - 50 percent | 0.70 | |
| | | over 50 percent | 1.20 | |
| | | Specialization surcharge to NP in all quality categories | 0.20 | 0.20 |
| | | Introductory surcharge to NP in categories I and II: - first 3 years | 0.50 | 0.50 |
| | | - in the 4th and 5th years | 0.20 | 0.20 |
| Cattle | kg net w. | Slaughter calves, fattened - grade A | 24.50 | 25.20 |
| | | B | 16.00 | 16.50 |
| | | C | 9.00 | 8.00 |
| | | Unweaned slaughter calves - grade A | 15.00 | 15.00 |
| | | B | 12.00 | 12.00 |
| | | C | 7.00 | 8.00 |
| | | Slaughter steer - grade A | 20.50 | 24.00 |
| | | B | 17.00 | 20.00 |
| | | C | 13.00 | 16.00 |
| | | Slaughter oxen and heifers - grade A | 20.50 | 24.00 |
| | | B | 17.00 | 20.00 |
| | | C. | 13.00 | 16.00 |
| | | T | 18.00 | 21.00 |

[continued]

VII. [continued]

| Unit | Quality | Current situation | Adjustments in 1982 |
|---|---|---|---|
| | Slaughter cows - grade A | 16.10 | 18.00 |
| | B | 14.10 | 15.50 |
| | C | 11.10 | 12.50 |
| | T | 15.10 | 16.50 |
| | Surcharge to NP of young slaughter cows after first calving - grade A | 3.50 | 5.50 |
| head | Bonus for fattening of steers to higher slaughter weight - grade A | 500.00 | |

| VIII. | Unit | Quality | Current situation through 1981 | Adjustments beginning in 1982 |
|---|---|---|---|---|
| Cattle (continued) | head | Bonus for heifers fattened in the pasture (according to stipulated conditions) | 3,000.00 | 3,000.00 |
| | | Bonus for cooperation in procurement of pregnant heifers (according to stipulated conditions) | 1,500.00 | 1,500.00 |
| | kg net w. | Subsidies in interregional procurement of heifers in first pregnancy (according to stipulated conditions) | 3.50 | 5.50 |
| | head | Bonus for calves fattened in large-scale fattening farms (according to stipulated conditions) | 250.00 | 250.00 |
| | | Bonus based on increased number of cows - applies in the SSR only | | |
| | | - increment under 10 percent | 2,500.00 | 2,500.00 |
| | | - increment over 10 percent | 3,000.00 | 3,000.00 |
| products of sheep production | kg net w. | Slaughter lambs from intensive and semi-intensive fattening | | |
| | | grade A | 20.50 | 22.50 |
| | | B | 19.00 | 21.00 |
| | | Slaughter ewes, muttons and rams | | |
| | | grade A | 11.00 | 12.50 |
| | | B | 9.00 | 10.00 |
| | | C | 5.50 | 6.00 |
| | | T | 8.00 | 8.50 |
| | | Surcharge to NP for wool on hide in all categories of quality | 2.50 | 3.30 |
| | | Surcharge to NP for slaughter lambs from intensive and semi-intensive fattening in both categories according to the share of intensively utilized meadows and pastures: | | |
| | | share under 30 percent | 2.00 | -- |
| | | over 30 percent | 4.00 | -- |
| | head | Bonus for the remaining number of sheep-ewes (according to stipulated conditions) | 500.00 | 500.00 |

[continued]

VIII. [continued]

| | | | |
|---|---|---|---|
| Percent | Bonus for slaughter lambs from intensive and semi-intensive fattening delivered out of season according to the month of delivery and grade | 20-40 percent of NP | 20-40 percent of NP |
| kg | Solid cheese - grade I | 25.50 | 29.00 |
| | II | 23.50 | 26.50 |
| | III | 21.00 | 21.00 |
| | Surcharge to NP of solid cheese according to intensively utilized meadows and pastures: share under 30 percent grade I | 4.00 | -- |
| | II | 3.00 | -- |
| | III | 0.00 | -- |
| | over 30 percent grade I | 6.00 | -- |
| | II | 5.00 | -- |
| | III | 0.00 | -- |

| IX. | Unit | Quality | Current situation -through 1981 | Adjustments beginning in 1982 |
|---|---|---|---|---|
| Products of sheep farming | kg | Unscoured wool - grade Ia | 146.0 | 155.00 |
| | | Ib | 110.00 | 110.00 |
| | | Ic | 105.00 | 105.00 |
| | | Id | 50.00 | 50.00 |
| | | IIa | 130.00 | 135.00 |
| | | IIb | 85.00 | 85.00 |
| | | IIIa | 110.00 | 113.00 |
| | | IIIb | 95.00 | 95.00 |
| | | IV | 102.00 | 110.00 |
| | | V | 70.00 | 75.00 |
| | | VIa | 100.00 | 105.00 |
| | | VIb | 95.00 | 98.00 |
| | | VII | 50.00 | 50.00 |
| Hogs | kg net w. | Pigs - under 25 kg | 25.00 | 27.00 |
| | | - each kg of weight from 25 to 35 kg | 13.00 | 14.50 |
| | | Slaughter hogs - grade I | 15.50 | 17.00 |
| | | II | 15.50 | 17.00 |
| | | III | 12.50 | 14.00 |
| | | IV | 8.50 | 10.00 |
| | | V | 12.50 | 14.00 |
| | | VI | 8.50 | 10.00 |
| | | VII | 5.50 | 7.00 |
| | head | Bonus for increase in the number of pigs (according to stipulated conditions): | | |
| | | - meaty breeds and crossbreeds | 150.00 | 0 |
| | | - other pigs | 80.00 | 0 |
| Pountry | kg net w. | Slaughter chickens - grade I | 14.50 | 16.50 |
| | | II | 12.50 | 14.50 |
| | | Slaughter ducks - delivered from 1 October to 30 April | | |
| | | grade I | 18.00 | 19.50 |
| | | II | 15.00 | 16.50 |
| | | delivered from 1 May to 30 September | | |
| | | grade I | 15.00 | 16.50 |
| | | II | 12.00 | 13.50 |
| | | - over 3 years of age | 10.50 | 12.00 |
| | | Slaughter turkeys - broiler type | | |
| | | grade I | 21.00 | 23.00 |
| | | II | 15.00 | 17.00 |

[continued]

IX. [continued]

| Unit | Quality | Current situation | Adjustment in 1982 |
|---|---|---|---|
| | Slaughter turkeys - other types | | |
| | grade I | 20.00 | 22.00 |
| | II | 15.00 | 17.00 |
| | Slaughter geese-broiler type | | |
| | grade I | 23.00 | 26.20 |
| | II | 19.00 | 22.20 |
| | others delivered from 1 August to 30 April grade I | 23.00 | 26.20 |
| | II | 19.00 | 22.20 |
| | delivered from 1 May to 30 September grade I | 21.00 | 24.20 |
| | grade II | 17.00 | 20.20 |
| | - Fattened for meat and lard | | |
| | grade I | 27.00 | 30.20 |
| | II | 24.00 | 27.20 |
| | - Over 3 years of age | 15.00 | 18.20 |

X.

| | | | | |
|---|---|---|---|---|
| Poultry (continued) | kg net w. | Contribution for specialization added to NP of slaughter turkeys and slaughter geese (for selected enterprises) | 2.00 | 2.00 |
| | head | Goslings - maximum NP | 26.00 | 28.00 |
| Eggs hens for consumption | kg | Grade I | 14.00 | 15.20 |
| | | II | 9.00 | 10.20 |
| Fresh-water fish | kg | On average by Kcs 2.00, i.e., | 14.04 | 16.01 |
| | | for example: Carp - grade I | 13.68 | 15.28 |
| | | II | 11.43 | 12.58 |
| | | III | 5.48 | 5.38 |
| Bee honey | kg | | 25.00 | 35.00 |
| Venison | kg | On average by Kcs 3.90 | | |

C. Cattle for breeding, raising and fattening (in Kcs per unit)

| XI. | Unit | Current situation - through 1981 | | | | Adjustments beginning in 1982 | | | |
|---|---|---|---|---|---|---|---|---|---|
| Breeding bulls selected for insemination | head | Top procurement price for young bulls procured for SPP stations | | | 6,000.00 | Basic procurement price for young bulls procured for SPP stations | | | 8,000.00 |
| | kg net w. | Contracted procurement price is raised per each kg net w over 70 kg | | | 24.50 | Basic procurement price is raised per each kg net w. over 70 kg | | | 28.00 |
| | head | Bonus for bulls selected for insemination | | | 12,000.00 | Bonus for bulls selected for insemination | | | 25,000.00 |
| Breeding bulls selected for natural breeding | head | Top procurement price: | Utility grade | | | Top procurement price: | Utility grade | | |
| | | | ER | R | I | | ER | R | I |
| | | for insemination | 40,000 | 30,000 | -- | for insemination | 50,000 | 35,000 | -- |
| | | for natural breeding | 30,000 | 24,000 | 18,000 | for natural breeding | 40,000 | 30,000 | 20,000 |
| Calves and heifers less than 3 months pregnant | kg net w. | | Quality grade | | | | Quality grade | | |
| | | Basic procurement price | A | B | C | Basic procurement price | A | B | C |
| | | calf under 20 days | 27.00 | 23.50 | 18.00 | calves under 3 months | 28.00 | 26.00 | 21.00 |
| | | calves from 21 days to 3 months | 24.50 | 21.00 | 16.50 | heifers from 3 months until confirmation of pregnancy | 27.50 | 25.00 | 20.00 |
| | | heifers from 3 to 9 months | 23.50 | 20.50 | 16.00 | | | | |
| | | heifers from 9 months until confirmation of pregnancy | 22.50 | 20.50 | 17.00 | | | | |

Notes:

1. Basic procurement prices for grade C same as top prices
2. Basic procurement prices are raised for: Young bulls for fattening, quality grade A and B in specialized fatty breeds or those more than 75 percent of the Czech piebald,

[continued]

[continued]

Slovak piebold or Pinzgau breed by no more than Kcs 2 per kg net w.; if sire has been tested by breed control or for higher meat utility, by no more than Kcs 3 per kg net w.

- Young bulls for fattening, quality grade A and B of other breeds, sired by specialized fatty breeds; or sired by improved meat-efficient Czech or Slovak piebald and Pinzgau breed, by no more than Kcs 2 per kg net weight.

XII.

**Calves and heifers under 3 months of pregnancy (cont.)**

Unit: head

**Current situation - through 1981**

Utility category

| Surcharge to basic NP for dam's value* | ERK | ER | E | I | II |
|---|---|---|---|---|---|
| calves under 3 months: | | | | | |
| to breed | 1,500 | 1,000 | 600 | 300 | 100 |
| to raise | -- | 600 | 400 | 200 | 100 |
| heifers over 3 months to confirmation of pregnancy: | | | | | |
| breeding | 2,500 | 1,500 | 900 | 500 | 150 |
| to raise | -- | 750 | 450 | 250 | 150 |

* Surcharges apply only to grades A and B and are firmly stipulated for each category of utility.

**Adjustments beginning in 1982**

Utility category

| Surcharge to basic NP for dam's value* | ERK | ER | E | I |
|---|---|---|---|---|
| calves under 3 months: | | | | |
| to breed | 1,500 | 1,000 | 600 | 300 |
| to raise | -- | 600 | 400 | 200 |
| heifers over 3 months to confirmation of pregnancy: | | | | |
| breeding | 2,500 | 1,500 | 900 | 500 |
| to raise | -- | 900 | 500 | 250 |

* Surcharges apply only to grades A and B and for each category of utility are stipulated as the ceiling.

**Heifers over 3 months of pregnancy**

Unit: head

Utility category

| Basic procurement price in pregnancy: | A | B | C |
|---|---|---|---|
| 3 - 4 months | 11,400 | 9,900 | 8,400 |
| 5 - 6 months | 12,400 | 10,700 | 8,400 |
| 7 - 8 months | 13,400 | 11,000 | 8,400 |

Utility category

| Basic procurement price in pregnancy | A | B | C |
|---|---|---|---|
| under 5 months | 13,000 | 12,000 | 10,000 |
| over 5 months | 14,000 | 13,000 | 11,000 |

Note: Basic NP in category C are the highest

[continued]

XII. [continued]

| Surcharge to basic NP in categories A and B:* | Utility category ERK | ER | E | I | II |
|---|---|---|---|---|---|
| heifers for breeding | 5,000 | 3,500 | 2,000 | 1,000 | 300 |
| raising | -- | 2,000 | 1,300 | 800 | 300 |

* Surcharges for heifers for breeding and raising are firmly stipulated for each category of utility.

| Surcharge to basic NP in categories A and B: * | Utility category ERK | ER | E | I |
|---|---|---|---|---|
| heifers for breeding | 7,000 | 6,000 | 3,000 | 1,000 |
| raising | -- | 3,000 | 1,500 | 500 |

* Surcharges for heifers for breeding and raising are stipulated as the ceiling for each category of utility.

Cows head

| Basic procurement price for grade | pregnancy over 3 months | unconfirmed |
|---|---|---|
| A - after 1 lactation | 12,500 | 11,500 |
| after 2nd and 3rd lactation | 11,500 | 10,500 |
| after 4th and following lactations | 10,000 | 9,000 |
| B - after 1st lactation | 11,500 | 10,500 |
| after 2nd and 3rd lactation | 10,500 | 9,500 |
| after 4th and following lactations | 9,000 | 8,000 |

| Basic procurement price for grade | pregnancy over 3 months | unconfirmed |
|---|---|---|
| A - after 1st through 3rd lactation | 15,000 | 14,000 |
| after 4th and following lactations | 13,000 | 12,000 |
| B - after 1st through 3rd lactation | 13,500 | 12,500 |
| after 4th and following lactations | 12,000 | 11,000 |

Note. Utility category ERK refers to utility category ER with registration in state records of breeding.

| XIII. | Unit | Current situation - through 1981 | | | | | Adjustments beginning in 1982 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Utility category | | | | | Utility category | | | |
| Cows (cont.) | head | Surcharge to basic procurement price for * | ERK | ER | E | I | II | Surcharge to basic procurement price for * | ERK | ER | E | I |
| | | cows for breeding | 30,000 | 10,000 | 6,000 | 2,000 | 800 | cows for breeding | 40,000 | 15,000 | 10,000 | 5,000 |
| | | raising | -- | 8,000 | 5,000 | 1,800 | 800 | | -- | 10,000 | 5,000 | 2,000 |

* Surcharges for cows for breeding and raising are firmly stipulated for each utility category.

* Surcharges for cows for breeding and raising are the ceiling in each utility category.

| Cattle for fattening | kg net w. | Basic procurement price | Utility category A | B | C | Basic procurement price | Utility category A | B | C |
|---|---|---|---|---|---|---|---|---|---|
| | | calves under 20 days old | 27.00 | 23.50 | 18.00 | cattle over 3 months old | 27.50 | 25.00 | 20.00 |
| | | calves 21 days to 3 months old | 24.50 | 21.00 | 16.50 | | | | |
| | | cattle over 3 months | 22.50 | 20.50 | 17.00 | | | | |

Notes:

1. Basic procurement prices in category C are the ceiling.
2. Basic procurement prices are raised as follows:
   - in young bulls for fattening, grades A and B of breeds specially raised for mear or with more than 75 percent ancestry of Czech piebald, Slovak piebald or Pinzgau breeds, by no more than Kcs 2 per kg net w., and if the sire has been tested by genetic control for improvement of the utility value of meat, by no more than Kcs 3 per kg net w.

   - in young bulls for fattening, grades A and B, of other breeds which are raised on paternal side especially for meat or whose sire improves the utility value of meat of Czech and Slovak piebald or Pinzgau breeds, by no more than Kcs 2 for kg net w.

| | Current situation - through 1981 | Adjustments beginning in 1982 |
|---|---|---|
| XIV. General rules | Deliveries of pregnant heifers returned to their original owners according to contract are subject to prices agreed to in the contract; such prices adopted for individual categories of quality must not exceed the basic procurement price.<br><br>In deliveries of calves for breeding and raising and of heifers raised from such calves and delivered to their original owners in accordance with contract, there will be no surcharge to basic procurement price paid for their breeding value. | If, on the basis of contract, agricultural enterprises supply heifers for breeding and raising and cattle for further fattening to other agricultural enterprises which return the cattle after completion of the fattening period to their original owners, prices agreed to in the contract will apply. Such prices must not exceed the stipulated basic procurement prices; surcharges for breeding and raising values do not apply here.<br><br>- Surcharges for breeding value may be applied only on the basis of evaluation made by breeders' organization. |

## OFFICIALS DISCUSS EXPORT OF AGRICULTURAL PRODUCTION SYSTEMS

Budapest FIGYELO in Hungarian 2 Dec 81 p 4

[Article: "The Export of Production Systems"]

[Text] A roundtable discussion about the export of production systems and its possible development was organized by the editors of FIGYELO. The participants were Janos Balassa, department chief in the Foreign Trade Ministry; Kalman Kazarecki, managing director of Agrober; Ferenc Kozma, assistant under secretary of the International Relations Secretariat of the Council of Ministers; Gyorgy Szabo, department chief in the Ministry of Industry; Istvan Varga, deputy department chief in the Komplex; Ferenc Vamos, general manager of the Baja Agricultural Combine; and Peter Bonyhidi and Istvan Garamvolgyi from our editorial staff.

Agricultural products, food industry materials, livestock and foodstuffs have an important role in Hungary's foreign trade relations, primarily as exports. They equal 22 to 23 percent of total exports, and about the same of exports sold for rubles and free foreign currencies. Naturally, agricultural and food industry exports can still be increased.

From the standpoint of demand--numerous regions of the world must import large volumes of foodstuffs and will in the future--apparently only the potential of domestic production development limits the expanded export of agricultural products. In reality, however, the world market for agricultural products has numerous restrictions. Within CEMA markets, for example, our partners can supply merchandise needed by the Hungarian national economy only within certain limits. In Western Europe, the limiting factor is the growing agricultural protectionism. In the Near and Mideastern markets, which have ample demand and purchasing power, we must compete with countries whose production technologies are higher or manpower is cheaper than ours. Naturally, other continents have solvent markets, but these are beyond our shipping radius.

### A Promising Market--the Third World

While we are striving to increase profitable exports agricultural production and foreign market sales, the increased exploitation of export potential of a different nature, although derived from the development of Hungarian agriculture is well

founded and in fact necessary. During the past decades, Hungarian agriculture achieved internationally recognized results in combining production factors and in utilizing and developing crop- and animal-producing systems.

The potential outlet for production system exports is the Third World, with nearly every country struggling with food shortages. For various reasons they all are trying to develop their own food production--often even when their natural resources are unfavorable to economical production--in the interest of diversifying a single-culture economy in order to reduce dependency on food imports. The potential market for exporting systems varies with needs and potential, but pivotal markets, promising the greatest results because of the development of interstate relations, solvency, etc., can be selected.

The export of systems is not a new activity. Numerous Hungarian enterprises--Komplex and Agrober, among others--have recently exported complete food industry projects such as mills, bakeries, date processors, canning factories, freezing plants, butcheries and chicken-processing plants. The participants in our roundtable discussion sought rather to solve the problem of expansion and discussed how the exports of food production systems can be expanded and integrated.

Complex Intellectual Product

To borrow terminology from computer technology, production systems also have software and hardware. The former is the complex intellectual product, ranging from biology to the organization embodied in the system, while the latter is the mechanical technology supplied by the agricultural and food industry machinery manufacturing industry. There is unanimous agreement that the software of Hungarian production systems is competitive. Fortunately, several systems are interchangable--four corn production, several cattle- and three rabbit-raising systems--and systems can be adapted to various plant sizes. (For example, during the last 3 years, of the 230 proposals prepared by Agrober for potential customers, 100 proposals were for 5- to 50-hectare plants.)

The systems exports to date indicate that Hungarian specialists are outstanding in combining production factors and in their systems approach; with difficulty they are even managing to offset the shortcomings of the hardware, the technology. In Mexico, for example, where American technology freely pours in, Hungarian experts, with the Baja corn production system, achieved an average production of 4.2 tons of corn per hectare, in an area where not even 2 tons were produced previously.

The competitiveness of the software, however, must be constantly safeguarded and in fact increased. Partially because the technology of the production systems does not enjoy legal protection, the experts of the purchasing country sooner or later will master the appropriate usage of the systems and will domesticate and spread them. Thus in order to maintain and increase competitiveness, some new elements--better machinery, new chemicals and strains--that at the same time increase the efficiency and yield of production must always be developed. On the other hand, the technology and biological materials utilized in Hungarian production systems--primarily because of different ecological conditions--are automatically unsuitable for production by many customers. In this respect, there is a constant need for adaptation and development. A good example is the Baja Agricultural Combine, which

participates in systems exports actively. The combine created a 50-member department for the planning, development, domestic testing and preparation for adaptation to the combine's requirements of the techniques, technology and biological materials of production systems.

Machine Technology Supplemented by Imports

The indisputably weak link of competitiveness is the hardware provided by the domestic industry. For example, the systems exporters can offer and supply machinery, the Raba, to only corn production systems; even the gathering machinery for this, with the exception of the adapter, must be imported. The industrial background of animal-raising systems rests decisively on the systems managers. Industrial capacity for this purpose is available at only two enterprises. The situation in the food industry machinery manufacturing is also unsatisfactory. This industrial branch eliminated much of its manufacturing line during recent decades. The industrial background, far behind requirements, has a detrimental effect on systems export. In software, there is a definite opportunity for selection. In some cases, it is also possible to have competition among systems managers. As far as the hardware is concerned though, the general monopolistic status of suppliers and subcontractors affects their pricing and readiness to ship.

During the last 3 years, promising changes have occurred in the agricultural machinery manufacturing industry. Several billion forints have been invested in development. Product development, however, has still not adapted sufficiently to the requirements of production systems. According to the plan of the Industrial Affairs Ministry, systems developers must be designated for the machinery systems that can be manufactured domestically. These systems developers are to survey the machinery requirements of individual production systems and to formulate and develop machinery systems with these in mind. The ministry plans to provide 700 million forints of a technical development subsidy for the program that qualifies for creating the machinery systems necessary from grain production to baked goods, from fodder production to meat products, and from vegetable production to canning. The 700-million MUFA [expansion unknown] subsidy is insufficient for developing the multiplicity of machinery necessary for the program. For this reason, only basic machinery was included in the technical development funds of the agricultural and food industry manufacturing enterprises themselves. There are moderate possibilities for manufacturing development, since 3 to 3.5 billion forints should be available for this purpose.

Thus, the present and near future may be characterized by a support industry unable to provide complete machinery systems, because, among other things, within the international division of labor developed over recent decades, other socialist countries have taken over the manufacturing line, and they cannot even meet the requirements of the Hungarian agricultural and food industry without difficulties or ensure a normal supply of spare parts. Under such circumstances, the need does not change for imported machinery available for convertible foreign currency for our exports of production systems and complete food industry projects. The technical and trade possibilities for this are in a certain sense favorable, because the international agricultural and food industry machinery firms are volunterring as partners in Third World ventures. However, the augmentation of equipment and machinery series through nonruble imports can occasionally cause difficulties in export financing.

## Competitiveness in Credit Also

Financing and credit conditions, in addition to knowledge, agrotechnology and the technical level of machinery system, are fundamental parameters of the international competitiveness of production systems and generally of expensive, complete equipment. The production system is the kind of export merchandise with many valuable components, such as on-location work by specialists, knowledge of the production systems and its adaptation, the machinery system, general contracting activities, the training of specialists, on-location oversight, the starting up and management of the production systems, various services, etc,. Also affecting the role of competitiveness in financing and credit is the fact that purchasers of certain countries, in the interest of their own security, provide advantages to suppliers who provide a share of the capital.

Since nearly every system export, even the export of agricultural production systems, increases the total merchandise export, it makes profitable situations that are not marketable without software. According to the experiences of export enterprises that market systems and complete equipment, 60 to 90 percent of the equipment for slaughterhouses, mills, canning factories, egg-laying and broiler-processing plants are not marketable as equipment alone. The equipment for freshwater fish hatchery systems can be exported only within the framework of the system.

## Working Hand in Hand

Recently, the organization and product line of systems export and more specifically of agricultural production systems--the chief contractors and foreign trade specializing enterprises--have generally developed. The systems-oriented--figuratively speaking--cooperation of systems exporters could strengthen and increase the national economy's export performance in this area. It would be difficult to determine just where and with what the export of production systems and the market work preparing the ground for its export, begins. However, certainly the Hungarian agricultural specialists working for this in potential markets must be performing useful work. For this reason, Agrober, the chief contractor for the export of production systems, has made a cooperative agreement with Tesco. Already more business has resulted from Agrober involving itself with Tesco activities and developing plan documentations for Tesco. Possibilities for production systems exports have thus resulted.

For foreign trade marketing of agricultural production systems, the agricultural line--the training of specialists from skilled worker to agricultural engineering, and the dispatch of specialists--should be pursued more vigorously in terms of potential markets or countries, within the framework of technical-scientific cooperation and assistance.

Better systems-oriented cooperation is motivated by the fact that the requirements and needs are not based on the Hungarian economy or the branch or enterprise structure of foreign trade. Sometimes the creation of a crop or livestock farm is requested; sometimes the needs of the purchaser extend from the production of raw materials to the consumer packaging of the processed merchandise. In such cases, good cooperation among systems managers, exporters and primary contractors is significant. (For example, exporting a livestock system will probably involve the ensuring of the fodder basis, perhaps requiring water collection and irrigation investments; a slaughterhouse and meat-processing plants may be associated with the livestock plant.) It

is extremely important that Hungarian production systems, food-processing plants, chief export contractors and specialized export enterprises work hand in hand on the foreign market. The foreign trade association agreement for the export of slaughter-houses among Komplex, Agrober and the Monor Agricultural Machinery Factory, for example, serve to institutionalize this cooperation.

The degree to which agricultural plants producing products like livestock, crops, vegetables, fruit, seed grain, etc., perceive foreign trade effects and requirements, is debatable. However, it is undeniable that managers of production systems--because of exports--have stepped into the foreign markets--even directly--because significant numbers of their specialists are working on location for extended periods. The chief export contractors of production systems also belong to the "new generation" in foreign trade. Their experiences with the apparently second and third order of problems and details of foreign trade work are instructive.

Let us begin with the knowledge of languages. The repeated experiences of the systems management specialists working in foreign markets illustrate that the knowledge of one of the universal languages is an indispensable condition for success. However, in marketing production systems, one must speak not any universal language: in the Mid- and Near East it should be a Arabic language; in Latin American countries, one must know Spanish. The directors of the Baja Agricultural Combine drew the most far-reaching conclusion from this experience. They created a language laboratory at their own expense so that their specialists could learn the relevant foreign languages.

According to those who have "recently arrived," not the length of stay abroad but the work should be compensated. Happily, such measures have come into existence, and new ones are in preparation. Such measures include the premium paid in local currency and the modification of certain customs regulations, both incentives to good effort and performance. Only experience will determine whether these changes are sufficient to achieve the desired goals or whether further "innovations" are necessary.

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## STATUS, FUTURE OF AGRICULTURAL COOPERATIVES HIGHLIGHTED

Budapest FIGYELO in Hungarian 9 Dec 81 pp 1, 13

[Article by Mihaly Lehoczki: "Two Hundred Billion Forints Annually"]

[Text] Among Hungary's natural resources, the most important is arable land, on 82 percent of which agricultural cooperatives are farming. Three quarters of those employed in agriculture are working here. Today, the average area of an agricultural cooperative exceeds 4,200 hectares, while the value of the production equipment on a collective farm is 190 million forints. The 1,415 agricultural cooperatives farming on nearly 6 million hectares (agricultural cooperatives, specialty cooperatives, fishing cooperatives) and the nearly 700,000 household farms together produce about 200 billion forints worth of production value.

### Seventy Percent of the Branch Production Value

Cooperative farms produce about 70 percent of the branch production value. This tremendous development could not have taken place without the influx of industrial products and industrial materials into agriculture. The largest and most important branches of field plant growing have essentially been complexly mechanized.

The increase in the utilization of chemical products, primarily in the usage of fertilizers has been spectacular. However, in recent years there has been a stagnation and even a slight retrogression in the use of fertilizers.

The industrial, construction industry and service activities of agricultural production cooperatives have been increased to 2.3 times the 1975 totals--in current prices. In 1980, their total was 49 billion forints, which is 29 percent of total production. Trade has also become an integral part of cooperative activities. The 1975 trade increased 2.6 times by 1980, to more than 32 billion forints. The majority of trade originates from deliveries of the household and supplementary farms.

The economic and social importance of agricultural cooperatives is thus significant. The socialist characteristics of the cooperative have become more pronounced, and common property has increased. The rapid development of productive forces, the industrialization of agricultural production and the changes which have taken place in the character of the work and distribution are continuing to bring the peasantry closer to the working class. The number of those employed permanently has stabilized

in recent years, and in fact has increased slightly in the last 2 to 3 years. This may be attributed primarily to the increase in the number of those employed in supplementary activities.

The improvement of living and working conditions for cooperative members is essentially determined by the wages for the work performed in common. The members supplement this base--with significant amounts of extra work--with income derived from household farming. The incomes earned from cooperative common farming has steadily increased during the past period. The average monthly income of its members increased to more than 3,700 forints in 1980, which is 25 percent higher than it was in 1975. Overall, the growth rate is identical to that of industrial employees, but the level of average wages is lower.

Rights and Responsibilities

The personal income in cooperatives with unfavorable resources, however, is only 85 percent of the national cooperative average.

The differentiation is considerable, and is, to a large extent, a result of wages according to performance. In areas of work in which performance is measurable, nearly 70 percent of cooperative workers are paid according to performance. This proportion ought to be further increased.

Within average incomes, wages are increasingly becoming the predominant part, even though the incentive systems, in order to strengthen the enterprising spirit and the willingness to accept risks would require that the proportion of end of the year shares which depends on results be increased. Thus initiatives which would be incentives to improving profits--in concert with the interests of the national economy--must be sought and supported.

On the basis of policy decisions and government measures, with the concurrent efforts of the cooperatives, living and working conditions have improved. The professional expertise and cultural levels of the membership have improved. The social esteem of work performed within the framework of memberships has significantly increased. Property and worker rights and responsibilities have developed with mutual effects on each other. The transformation of the face of the village is striking. We have made progress in the elimination of the distinctions between village and city, and between industrial and agricultural employment. It is of historical significance that the retirement age of cooperative members has become identical with that of state employees.

Twenty Thousand Graduates

A result of the social and economic prestige of agriculture and of the cooperatives is that the average age is decreasing, the membership is younger. The average age of active members is not quite 40. The number of those under the age of 30 exceeds 180,000.

There is also a significant improvement in the composition of the membership according to schooling and specialty training. The number of those with university education is nearly 20,000, while those with secondary education exceeds 180,000.

Nearly 280,000 semi skilled workers are employed in the cooperatives. The value of the collective assets per worker was 428,000 forints in 1980.

The socialist reorganization of agriculture has become an awareness shaping factor in the life of the Hungarian peasantry, which can be measured on the historical scale. The peasantry of the cooperatives is identifying itself with the cooperative movement fully.

During the debates about the characteristics of the cooperatives, it was demonstrated--mostly through the vitality of the cooperatives--that the group ownership of the cooperatives is not some kind of an undeveloped form of socialist property, as some were asserting. On the basis of operational results, it is clearly apparent that the cooperative property form ensures a good, flexible area of operation for the unified development of production forces and production relations.

Has Stood the Test

During the last 20 years, production has increased unfailingly in the cooperative sector of agriculture. Production and the necessary production bases were expanded in accordance with the goals set up by national economy plans and the recognized possibilities. The central sources played a determining role in this process in the beginning, but their roles gradually have decreased since. In this respect, the beginning of a new era was indicated first by the introduction of fixed assets amortization, then by the radical reduction and the partial elemination of subsidies.

In our cooperatives, the freedom to make decisions has increased significantly along with the development of large scale farm growing, the creation of professional conditions and the development of the self realization needs for the creative man. The readiness and capacity to take risks and morover, the responsibility for decisions felt by the leadership has also developed and increased concomitantly.

During the last 2 decades, a capable leadership cadre has matured in the large agricultural plants. In this development--among other things--a selection on the basis of success and a relatively greater leadership mobility had important roles.

The development of the decision and responsibility spheres in the cooperatives as well as the increase in their self-financing capabilities have resulted in the creation of the conditions for the generation and renewal of production funds. The cooperative enterprise model has stood the test in this respect also.

In providing agriculture with production resources, however, the reciprocity and the unity of interest based on mutual interdependence still leaves much to be desired, despite the development. The solution is a pressing task in the technical, technological, valuation and organizational senses.

While during the last 5 years the rate of development declined--which is partially due to the cooperatives beginning from a considerably higher basis--the qualitative characteristics of agriculture have become more vigorous. Technical renewal and adaptation to new conditions continued unchanged.

## Along with Profitability

Overall, the cooperatives have stood their ground even under the more difficult world economic conditions. With a view to the future, the representatives of the congress are especially concerned that, for example, the sensible utilization of the agricultural land be a condition of further progress. The fact that reduction of land area can be slowed but not stopped places a great responsibility on state direction and enterprise leadership.

Sensible land utilization alone is not sufficient for developed agricultural activities, and especially for profitable operation. There is especially great significance to the reduction of specific fuel and energy expenses. Quantitative production increase is imaginable only together with improvements in quality and especially of profitability.

Agricultural cooperatives must contribute to the creation of a balance in the national economy to a greater extent than before. Thus, the available resources must be exploited more efficiently. The basis for our future development is the increase in the production of grains and in the maintenance and elevation of production level for industrial plants. These plants are most likely to contribute to the expansion of exports, and naturally, these are also forming the basis for domestic supply.

## Open Organization

Cooperatives must continue to operate as open organizations. As a characteristically Hungarian alternative, however, the production cooperatives, in addition to taking care of the basic agricultural tasks, are capable of a multiplicity of tasks through their own manpower bases, but are also capable of integrating other manpower into their economic organizations.

This openness is exceptionally important because the influx of industrial work increases the support capacities of villages, and because those employed in the cooperatives willingly undertake household farming tasks, especially animal raising and labor intensive plant growing tasks as supplementary activities.

It is characteristic of the cooperative movement that not only the successes of certain cooperatives, but also the failures have turned out to be common matters which effect everyone. Thus, the cooperation and mutual assistance among cooperatives will continue to be exeeptionally important in the future.

The new regulations are opening or broadening the opportunities for cooperation. The ability to live with this is the responsibility of the workers of the cooperative movement and directly serves the interests of every member of society.

The more important production data of cooperative farms

| | 1960 | 1979 | 1980 |
|---|---|---|---|
| Wheat | 1,171 | 2,183 | 5,193 |
| Corn | 1,943 | 2,983 | 5,171 |
| Hogs | 379* | 451 | 670 |
| Chickens | 66 | 209 | 344 |
| Beef | 185* | 270 | 263 |
| Milk (million liters) | 1,091 | 1,399 | 1,796 |

* data from 1961
Source: Agricultural Data Bank, KSH

9093
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## CHANGES IN WAGE SYSTEM FOR 1982 EXPLAINED

Budapest NEPSZABADSAG in Hungarian 18 Nov 81 p 10

[Article by Dr Laszlo Pongracz, head of Main Department, State Wage and Labor Office: "Change in Wage Regulations"]

[Text] When there is a change in economic conditions, the economic regulators must also be changed. Their task is precisely to induce the enterprises to behave according to the requirements that stem from our econopolitical goals. Changes in the regulators are required also whenever there are unfavorable developments in certain processes. In such cases we must use these regulators to suppress all undesirable phenomena and to introduce in their place processes that reflect our national economic goals.

In 1981, the growth of our national income is expected to be lower than planned, while at the same time domestic consumption will be greater than forecast in the national economic plan. Consequently, the internal balance of our economy will not improve as much as planned. One of the reasons why domestic consumption has exceeded the predicted levels is the fact that the outflow of wages has been greater than estimated in the plan. In manufacturing and in the construction industry, the decline in work force levels has been greater than anticipated--which has also affected the lower-than-planned production levels--while the wage-bill control system has allowed taking the wages released due to these work force reductions and, in part, using them to raise the wage level. Consequently, these greater-than-planned work force reductions have allowed the increase in average wages to exceed considerably the anticipated levels.

In view of these developments, we have had to take certain steps to offset the outflow of surplus purchasing power that accumulated in this manner and to prevent the continuation and recurrence of this tendency in 1982. In addition, there will be some changes to help moderate basic interests and alter management interests. If we did not do this, the outflow of surplus wages would lead to a further aggrevation of tensions from economic imbalance.

### Surplus Purchasing Power

Thus, it has become unavoidable to tighten the standards of the wage regulatory system introduced in 1980. In the so-called central wage-regulating forms, the centrally authorized wage increases will be reduced by 0.5 to 1 percent; in the

case of combined forms, the centrally determined part will be 0 to 0.5 percent lower than before, and in the wage-bill and wage-level regulating forms tied to performance, the wage multiplier will be changed from 0.3 to 0.2. The bottom line is that starting next year, a 1 percent increase in wages will require generally greater improvements of performance than before. The tightening of standards, therefore, expresses an increase in requirements.

The experiences over the nearly 2-year period since the changing of the wage regulations have called our attention to a number of problems. According to the regulators, all wage-level increases over 9 percent have been subject to taxation from the profit-sharing fund, even if on the basis of its improved performance or a decline in its work force a given enterprise would otherwise be authorized to receive wage increases over 9 percent. Infrequently enterprises, despite their dynamically increasing output, have been unable--due to insufficient profit-sharing funds--to pay the 9 percent required levy or to raise their wage level by more than 9 percent (if, for example, due to prior commitments they were unable to set up a profit-sharing fund in addition to their development fund). I order to help stimulate rapid improvements in performance, starting in 1982 only those wage increases over 12 percent will be subject to taxation. This measure allows rates of wage increases to be differentiated over a very broad scale, since above the average wage increase of about 4.5 percent estimated in the plan, wage-level increases not subject to levy requirements may go as high as almost three times that amount, or to 12 percent. More than likely, however, many enterprises within a given year would be able to achieve the kind of increase in the value of their indicator of wage increments (even together with a possibly simultaneous work force reduction) that would entitle them to increments higher than 12 percent.

Declining Basic Interests

Another measure favors enterprises that are fairly profitable but, for this very reason are less capable of making dynamic improvements compared to their own past performance. These enterprises already enjoy an advantage in that they are entitled to establish a tax-free profit-sharing fund up to 4 percent of the wage bill. In case of higher profits, they are able, even with the tax, to set up larger profit-sharing funds than those with smaller revenues. In spite of this, since some of these enterprises are not, or only to a limited extent, able to raise their indicator of wage increments, they are entitled to less wage increases than, let us say, an enterprise that is significantly less profitiable but has been able to improve its performance dynamically. From the point of view of our national economy, it is better to have a highly profitable enterprise, even though it has not improved its performance, than one whose asset-wage ratio profits have fallen behind the national economic average despite its dynamically improving results.

A new regulation aims to enhance the wage-increase possibilities of enterprises whose production is more efficient than the average; highly profitable enterprises unable to improve their wage levels or their indicator of wage increments, will be allowed to increase their wages without a levy imposed on them based on the size of their authorized tax-free profit-sharing funds. (For example, asset-wage ratio profits over 16 percent will entitle enterprises to a 4 percent wage increase.) If, however, they exceed their authorized tax-free levels, their exemption from payment will be discontinued for the full increment.

This measure also helps to reduce problems stemming from the basic principle of the income-regulatory system, for in this area the possibilities of wage development are determined not by the extent of the advances [a given enterprise] has made compared to its earlier level of profitability but by the degree of its profitability.

Other factors playing an important role in improving the efficiency of economic activities include the enterprises' top managers, director generals, directors and their deputies. Today's economic requirements demand that they take more initiatives and assume greater risks. In this respect the rule that [enterprises] producing at a loss could only receive 75 percent of their basic wage, has been damaging. This rule--which has hardly ever been enforced--will be dropped. Hereafter, we must use different methods, such as dismissals, to punish inadequate work in those cases where the failure of production is due to the negligence of the leaders. These leaders' earnings will depend more closely than before on the performance of the economic units under their direction. For this reason we have changed the wage multiplier that determines the size of these leaders' bonuses, thus creating a broader spectrum over which their earnings can be differentiated.

Overall, the announced measures intend to do two things in order to help fulfill the tasks stemming from the Sixth Five-Year Plan: tighten the requirements and improve the incentives aimed at furthering the goals of the national economy.

Enterprise Opinions

A number of these changes are also in harmony with the demands voiced by some of our enterprises upon assessing our income regulations. There will be no change in 1982 in the rule that not more than 3 percent of the wages saved due to a decline in the work force can be used to raise the wage level. Therefore, we will not be able to comply with the request that the wage savings resulting from work force reductions be used to raise the wage level without any restrictions. It would not be right to allow an enterprise to "make a living" just from work force reductions: that is, to allow it to use this as a sufficient source of wage increase. Work force reductions continue to enjoy an advantage, for in cases of constant work force levels a 10 percent increase would be needed in the indicator of wage increments in allowing the economic unit a 3 percent wage-level increase. Our goal, however, is not to reduce the work force but to improve our efficiency.

As everyone knows, savings realized from material costs are also not free to be used for wage-increase purposes. Part of the excess profits from these types of savings is used to increase budget revenues, another portion is committed to stockpiling and development purposes, a certain percentage is placed in reserve, and only a segment is used to increase personal income in the form of profit sharing. This also supports our view that wage savings resulting from work force reductions should not be used completely for wage increases, even within the 3 percent limit. Still, many would consider it natural to be allowed to take the wage savings from work force reductions and use them freely to increase wages. If we allowed this, those enterprises would be rewarded the most that in the past had been the most negligent in their manpower management policies and thus accumulated large internal reserves. This would make it possible for them to have greater wage increases than those enterprises that earlier had corrected their manpower management and therefore have no significant reserves.

It is incorrect to think that the only way a rational economic measure can be successfully implemented is if it is coupled with considerable economic advantages (for example, if it can lead to significant wage increases). It would be very strange if savings-minded material and energy management were made dependent on the condition that its benefits would not be shared with the budget. Obviously, if this were the case, it would be impossible to generate adequate resources to cover the common expenses of society.

In view of all these considerations, although we must continue our efforts to redistribute our work force from the less efficient activities to more efficient units, it would be incorrect to try to achieve this by increasing the incentives connected with live-labor savings, for this, sooner or later, would lead our enterprises to consider it to be in their interest to waste embodied labor.

The revisions implemented in our wage regulations reflect the changes of our economic conditions and are expected to contribute to building the kind of enterprise attitude that will help to improve the performance of our national economy.

9379
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## CURRENT RESULTS OF ECONOMIC PLAN FULFILLMENT REPORTED

Warsaw TRYBUNA LUDU in Polish 15 Dec 81 p 5

[Article by T.J.: "The Nation's Economic Situation in November 1981"]

[Text] The Central Office of Statistics [GUS] has provided comprehensive information about the economic results for November and the preceding 11 months. We are publishing comprehensive excerpts from it.

This November, despite some slowing in the decline of industrial production, the nation's economic situation remained very difficult.

In industry, the value of goods sold was approximately 27 billion zlotys, or 9.4 percent less than last November. Production declined less this November than in October, and totaled 41 billion zlotys or 14.1 percent [less]. Compared with the low production level in October, there was an increase this November in the production of certain manufactured items of importance for supplying production and the market. Overall, compared with October, industrial products sold increased in November by over 10 billion zlotys, or 4.2 percent.

Extraction of mineral coal in November totaled 13.9 million tons and was 2.3 percent higher than last November, but 18.3 percent lower than in November of 1979. Average daily extraction of mineral coal (not including coal mined on free Saturdays) increased in November by 1.2 percent compared to October, showing a growth tendency over the last 3 months. Coal excavation on free Saturdays reached 1.1 million tons and increased 63.3 percent compared with last October.

The combined extraction of mineral coal in the period January-November of this year totaled 149.8 million tons and was 16.7 percent less than in the same period last year.

Production of electrical energy for this November was 6 percent lower than last November and reached 101.76 billion kWh.

### Agriculture

The purchase of agricultural products continues on a low level. Livestock purchases this November increased 11.3 percent compared with October. Since

the beginning of this year, compared with the same period last year, there was a 24 percent decline in the purchase of livestock, an 8.2 percent decline in the purchase of milk, and a 1.0 percent decline in the purchase of eggs. Through November, purchases of grain from the 1981 harvest were 27 percent lower than last year. Purchases of sugar beets and potatoes were improved.

The supplying of agriculture with basic means of production, particularly coal, feed, machines and tools, spare parts, tires and construction materials continues to be poor. Only the sale of artificial fertilizers in the period July-November 1981 increased 13 percent over last year (1,030,700 tons of NPK).

Contracts for slaughter animals continue to be low. Contracts for the period December-February were 44.9 percent lower for hogs and 30.6 percent lower for cattle than a year ago.

In dwelling construction for the last 11 months, 142,600 apartments with a total usable area of 8.8 million square meters were made available for occupancy. The adjusted reduced NPSG [National Socioeconomic Plan] goals for usable living space were realized at 62 percent of objective at the end of November.

On the domestic market, the crisis situation is deepening as a result of a decline in the production of a significant number of industrial products and the reduction of purchases of agricultural products, concurrent with an increase in the population's income.

Market supplies of items containing animal protein were on a significantly lower level this November than last. Deliveries of meat and meat products (including poultry) were 25.2 percent lower; fish and fish products were 36.0 percent lower; eggs were 3.8 percent lower and creams were 24.7 percent lower. The only deliveries which were higher were milk (11.7 percent) and cottage cheese (31.0 percent).

There was a decline in the market supplies of edible fats. Compared with this October, November deliveries of animal fats were 6.3 percent lower, butter was 16.2 percent lower and margarine was 1.4 percent lower. Only oil deliveries were 2.8 percent higher. However, this did not make a perceptible difference in view of the shortages of other fats. In the cereal-flour product group, there was a 2.4 percent increase in the deliveries of wheat flour and a 5.8 percent increase in flaked corn. On the other hand, barley deliveries were down 6.5 percent. Market supplies of potatoes were inadequate. Deliveries to market of many light industrial, chemical and cosmetic products were on a much lower level in November and in the past 11 months than for the same periods last year.

Foreign trade turnover this November compared to last November with respect to exports declined 8.3 percent. (Exports to the I payments area were at last year's level and to the II payments area were 17.3 percent lower.) Imports grew 8.6 percent with an increase of 29.9 percent from the I payments area and a decrease of 19.1 percent from the II payments area. For the 11 months of the current year, as compared with the same period last year, exports fell 14.4 percent (9.9 percent to the I payments area and 20.7 percent to the II payments

area), while imports fell 8.8 percent (an increase of 4.7 percent from the I payments area and a decrease of 24.3 percent from the II payments area).

Imports of certain goods increased significantly compared with the same 11-month period last year. For example, grain and feed increased 431,000 tons, potassium fertilizer increased 258,000 tons, meat 93,000 tons, butter 41,000 tons, lard 46,000 tons and sugar 75,000 tons.

For a long time, the monthly GUS bulletins have been essentially consistent in theme: The production of practically all goods is falling and a rapid slide along a downward path is continuing. What is most striking in the November economic picture is the obvious fragmentation of the economy. Every facet is developing (and in many instances this description should be in quotation marks) at its own rhythm with no coordination with other areas. It is difficult to perceive internal connections and economic laws.

Thus, on the one hand, there was a decline in apartment construction while at the same time industrial capital expenditures actually fared worse. The question is whether this is caused by material shortages or by nonimplementation of government decisions made at the beginning of this year concerning the withholding of a variety of capital expenditures for the purpose of containing the problem. Furthermore, on the one hand, there is the paradox of the drop in the production of many goods due to material and technical shortages, and, on the other hand, there is the significant growth of imports. Thanks to favorable weather conditions, as well as to the great efforts of farmers, this year's harvests were not too bad compared to previous years, but where market supplies of food are concerned, things are worse than they were.

The thrust of the activities directed at stabilizing the economy should be not so much at attempts to correct individual parts but rather at directing their development as an integral whole. The theme for structuring the economic policy should be the anticrisis program passed by the Ninth Congress.

9461
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## ECONOMIST VIEWS ANTI-INFLATION AS KEY TO ECONOMIC RECOVERY

Warsaw LITERATURA in Polish 26 Nov 81 pp 1, 4

[Article by Bronislaw Minc: "Economic Collapse: The Difficult Way Out"]

[Text] I The rapidly advancing inflation process in combination with decreasing production has led to a disorganization in the marketing of foodstuffs, in industrial goods marketing, as well as to a paralysis in the exchange of commodities between city and village. Inflation in its extreme form is expressed in the population's inability to obtain goods not only in free, but in rationed sales as well.

This is coupled with the worsening of the population's living conditions, which hits the lowest income group especially hard. The future of the country's economy is being weighed down by a substantial reduction in investments and by foreign debts from which rather large interest rates keep growing. These debts are growing at a faster rate than in the past decade.

The crisis goes under several names. It is generally called just that, a crisis. But some call it a catastrophe. And then there are those too, who like myself in this article, call it an economic collapse. Be that as it may, the crisis goes on. Today, 15 months after August, 1980, one may try to make an assessment on whether the measures undertaken were really adequate for getting out of the critical situation, or whether other means should not have been used and should not still continue to be used.

One has tried to treat the sick economy for high inflation with a series of price increases of various articles. The price of flour has been raised considerably, as well as bread and various kinds of bakery goods. The prices for cigarettes have increased significantly. There is no way to count all the products and services whose prices, in one way or another, have been raised.

All of this, however, has not only not cured the sick economy, but has contributed to the worsening of its condition, for it has increased inflation. Inflation, always high, certainly cannot be treated by inflation. In times of so-called galloping inflation, prices of all articles have been rising very sharply; it boils down to prices of goods being counted in the millions and, later, even in the billions. But this does not alleviate inflation; on the contrary, it intensifies it.

With high inflation, price hikes of certain articles stimulate price increases of other articles. This also stimulates wage increases: an inflationary spiral develops. The increase in wage levels, however, lags behind the increase in price levels. Demon inflation, which one had hoped to suppress by price increases, triumphs.

The results of recently instituted price increases in flour, bread and other flour products can illustrate this tendency toward an inflationary spiral. After this price increase, both the prices of rye and wheat increased, and to a considerable degree, in transations among farmers. This, in turn led to an unsettling of the ratio between these prices and government procurement prices of livestock for slaughter. This naturally had a most negative effect on the size of this procurement.

The government raised the price on the procurement of pork slaughter animals from 84 to 110 zlotys, i.e., by 30 percent. This did not stop the collapse of the procurement of livestock for slaughter. Why? Because the increase was only a minimal one. In the period of time between the price increase from 84 to 110 zlotys, the purchasing power of the zloty had dropped to a point which has to be measured, first of all, by the increase in the extent of the inability to purchase scarce goods, as well as by the price increases of foodstuffs, and among them, in particular, such a staple article as bread, which increased in price significantly more than the price of the procurement of livestock for slaughter.

The so-called price increases in stages, i.e., the increasing of prices of various goods done gradually and after relatively long time intervals, has an especially powerful inflationary effect. Along with this, there is a race with inflation. Partial price increases made in the first stage accelerate inflation, in the face of which price increases in the next stage must attain a higher level, and the like. In the subsequent stage it may turn out that price increases made in previous stages are already insufficient.

There are to be further price increases scheduled in a series of stages and in these stages prices increases are not predictable. Very significant price increases of the widest assortment possible of industrial goods are proposed. Very large price increases in staple commodities are planned which result in a very significant increase in production costs for finished products. This inevitably has created an increase in the prices of these finished products themselves.

By basing activities of retail manufacturing on the assumptions of the plan for economic reform, there has been a significant increase in the prices of manufactured products and services rendered.

As a result of all of this, a condition of uncertainty has been created, and it is becoming more and more intense. It paralyzes economic activities and weakens the effectiveness of those activities which are already taking place.

Not only the lack of goods and the unsettling of economic ratios, but the growing uncertainty connected with the certainty that there will be a further drop in the purchasing power of money are the basis of the paralysis in procuring agricultural products: this concerns not only the procurement of livestock for slaughter, but also such products which may be stored by farmers on the farm, like corn and potatoes.

Factory workers and white collar workers, from whom good effective labor should be required, are offered depreciated money which portends its further depreciation. This obviously has definite economic and social consequences.

II In medicine, a collapse is understood as a severe circulation disorder with a sudden drop in blood pressure, manifested by pronounced weakness and a feeling of faintness. A collapse in the economy is understood as a severe circulation disorder in the flow of goods, manifested by a decrease in production and consumption, as well as in the inability or incompetence in undertaking a group of economic decisions that lead to a way out of this condition.

In the Polish economy, the predominant part of agricultural production is produced on private farms, which are based on goods-money relationships using an economic calculation based on current prices. Hence, there is a particular danger of inflation which causes a state of uncertainty and paralyzes the process of exchange between city and village. Attaining a "balanced" market by raising prices for products produced by the state economy under these conditions is an illusion, because the village reacts to this with price increases of certain agricultural products which keeps them from being sold. As a result, a further inflationary process is set in motion.

The stabilization of the purchasing power of money must be tied in with the restoration of confidence in it; this being the case, it becomes absolutely imperative to do so. Evidently, the way of achieving this does not come through price increases and the announcement of constantly new ones.

It is not as if the increase in the output of coal and production of food were not important, but the vital link and point of departure in the battle against economic collapse has to be a return to the zloty, and with its full function as money at that--that is to say, above all, the ability to purchase goods.

From an economic point of view, the fastest possible way out of the economic collapse is, to be sure, the undertaking of a group of measures which result in attaining a surplus bulk of goods and services allocated for sale to the population above the bulk of money designated for their purchasing purposes. It is not a question here of a balance between these two bulks and a rather significant surplus of the bulk of goods and services, since the existence of this balance is a requisite of an efficient supply system.

Among the group of measures, the one that should be of crucial importance is the actual reduction in the bulk of money which the population has at its disposal, and this may be attained, first of all, by reducing their incomes.

This should apply to all sectors of the economy, that is to say, to persons drawing wages, farmers owning private farms, private enterprises, and persons receiving high retirement pensions. The reduction in monetary incomes ought to have a universal character, and exceptions should apply only to persons of relatively low incomes and who find themselves in a particularly difficult situation with respect to the combined incomes of the family and the number of family members being provided for, as well as those persons who are engaged in exceptionally heavy labor.

Unfortunately, a reduction not only in high but middle incomes will be necessary on account of the proportions of the surplus bulk of money being above the supply of goods on the market.

In France, where the system of supplying goods to the population is the most efficient and it is not necessary to restore the monetary function of the franc, the socialist government has recently introduced an income tax on middle and higher incomes (which is defined as a tax of solidarity with the unemployed) and a property tax.

One would have to consider various forms for reducing the bulk of money allotted for purchasing goods and services, such as a stabilization tax on wages and other high and middle incomes, as well as on certain kinds of property, budgetary savings, by eliminating needless expenditures, or such expenditures whose curtailment under present conditions would not constitute a great social loss.

The reduction in middle and high incomes has to be progressive, which means that the higher the income the greater the reduction has to be, or the higher income has to have a stabilization tax. With the exception of persons with low incomes, persons who find themselves in a difficult situation on account of maintaining members of their families, and persons engaged in exceptionally heavy labor, as well as on account of the progressive character of the proposed taxes, the undertaking of the measures discussed will be in accordance with the spirit of social equity. A reduction, especially for people with middle incomes and wages, will constitute severe and painful deprivations, but, nonetheless, it is absolutely necessary for saving the economy from collapse.

In undertaking the decision to reduce high and middle incomes we will look truth squarely in the eye: why now our incomes have already been reduced, and not only high and middle but low incomes too, and to a considerable degree at that--above all, through our inability to purchase goods. So the reduction of real incomes has already started. On the other hand, the reduction of nominal incomes, a necessary condition for making the market healthy, leads to an increase in real incomes which, of course, had already been reduced.

The measures discussed reduce the gap between high and low incomes to some degree and will signify a valorization, although only a relative and not an absolute valorization, of certain kinds of low-profit labor.

The reduction of the population's monetary incomes and, in general, the bulk of money allotted for the purchase of goods has a basic advantage over price increases of goods in finding a way out of the crisis; for it is a real anti-inflation measure and leads to a reduction in production costs. As opposed to price increases of goods, it does not increase the general level of prices; on the contrary, it constitutes the necessary condition for limiting its growth or even reducing it, thereby creating the conditions for increasing the purchasing power of money.

In getting out of the crisis mainly through a reduction in the incomes of higher wage earning groups and through a change in the structure of incomes in favor of low wage earning groups, the latter do not bear the main burden. On the other hand, in getting out of the crisis mainly through price increases of consumer goods, there is a tendency to pass inclusively all of the main burden onto the working masses with low earning power and who find themselves in particularly difficult straits.

III The group of measures for getting out from under the economic collapse should also encompass price increases of certain goods. This is indispensable on account of the ratio of the prices of goods, the relationship between production costs and prices, the conditions of an efficient market supply system, and social conditions (in part, this concerns the relationship between the prices of consumer goods and luxury goods).

Taking a look at things in general, however, price increases of consumer goods should be as restricted as possible. Price increases of some staple goods surely have gone too far. There have occurred faits accomplis which have not been beneficial socially. In undertaking this group of anti-inflation measures, it would be necessary to weigh the possibility of a certain reduction in the prices of goods that have been excessively raised. This would have a favorable social and psychological effect.

Price increases of consumer goods ought to be compensated to persons with low incomes who maintain relatively large families, as well as those persons who are engaged in exceptionally heavy labor. If means are available, persons with middle incomes should also be partially compensated in some way.

In reducing hugh state subsidies, it would not be necessary to exclude entirely those subsidies for financing the relatively low prices of certain consumer goods. Going to extremes in this area would be socially damaging and dangerous. One has to remember that it is not without reason developed capitalist countries subsidize agricultural production. One should also take into consideration that state incomes represent a system. Once the state profits from the particularly high prices of alcohol, cigarettes, luxury goods and others, there is no reason why it could not transfer part of the resources gained in this way to subsidizing prices of certain food products and other kinds of products for social purposes. It is necessary to treat state subsidies like a means of social-economic policy and prevent them from growing without restraint.

The general account of the whole anti-inflation operation should assume the attainment of such a relationship between global demand and global supply, so that an efficient system of supplying the market would be possible. Obviously, the greater the production allocated to the market and the more universal the reduction in monetary incomes, the less of a drop will there be in the incomes of individual persons.

One must undertake this group of anti-inflation measures as quickly as possible and all at one time, rather than spreading them over a series of stages. On account of not having undertaken these measures as a group, we have already suffered great losses, and not just in the area of economics. The later we undertake the necessary measures, the greater must the price be that we will have to pay from getting out from under inflation and, in general, economic collapse.

Only the undertaking of anti-inflation measures all together, i.e., measures which encompass both the reduction of the population's monetary incomes and price increases, will make it possible to reverse the inflationary trend and create conditions for abolishing ration cards and for implementing an efficient supply system for the population by means of free sales.

Due to the key importance of ensuring the zloty real value as a means of trade exchange which constitutes the necessary condition for restoring the circulation in

the flow of goods, it is necessary to assess negatively the forms of sales bound up with transactions between city and village since they really contribute to the depreciation of the zloty. The implementation of such forms can immediately bring about a certain relaxation in the supply system. However, this is just a palliative. What is necessary is complex global solutions that ensure the population an efficient supply system for their money.

In the period from August 1980 to the present, the same kind of trends found in the past decade have actually been continuing. Moreover, these trends are being realized at an accelerated rate and are revealing more and more strongly their negative consequences. This affects the decrease in production and national income, the inflationary increase in prices, the increase in wages without a corresponding increase in production, the structure of satisfying demand and the increase in labor productivity, and the increase in indebtedness to foreign countries. Of fundamental importance, then, is the reversal of these trends, above all, the inflationary trend.

Getting out of the economic crisis, and more importantly getting out from under the economic collapse is not only an economic but a political problem. The realization of this program for finding our way out of the economic crisis and collapse depends on the preference and determination of the authorities and the disposition of political forces. The swift and effective realization of this program, as a rule, requires a great deal of deprivation. It is a difficult and unpopular program, but at the same time the broad masses of society have to be convinced that it is necessary. Nonetheless, it is the duty of economists, research workers and interns to undertake efforts to formulate such a program, though, of course, the authorities may not accept it.

IV Our system of economic management has played an essential role in getting the Polish economy into a state of collapse. In the 1970's a rapid process of bureaucratizing management at all levels was carried out. In enterprises "added value" computed in current prices has been introduced as a main index. The enterprise's wage-fund is made dependent on the growth of this index mainly composed of wages and profits during the course of one year. There emerged a peculiar system of government control over enterprises which inevitably led to a deformation of production and a stimulation of inflation.

The easiest way for an enterprise to attain the greatest amount of extra production and the corresponding growth in the wage-fund was to establish an assortment of manufactured goods that served the purposes of the enterprise but not the consumer of these goods or the national economy as a whole. At the same time, overt and covert price increases in various forms were carried out. As a result there appeared on the market a manufactured good which did not correspond to the structure of demand. There was an excessive increase in stocks, and the wage-fund, with no economic basis behind it, constantly increased. This constantly increased inflation and on a mass scale.

Our management system also deformed economic growth. Since the main measure was an annual one, there emerged in enterprises a natural reluctance toward any real innovation in production and implementation of technical advances in general, since outlays for these purposes diminished the current wage-fund.

The results of employing this kind of management system were the degradation and bureaucratization of the economy (production was aimed at attaining an index and not satisfying demands) and profound economic disproportions which were expressed in the lack of scarce goods, in the relatively low level of technology in production, in the dislocations of co-production among enterprises, and in the excessive consumption of energy, fuel and materials.

We are now in 1981. The so-called small economic reform has been introduced which behaves just like the system before it, only under a different name. Instead of an annual added value as the main index of an enterprise we have an annual "net value of production," on which the size of its wage-fund depends. Again it is deforming production and raising prices in order to attain growth in the wage-fund. At the same time, with great scarcities of materials and a significant drop in production, material stocks have not been decreasing. The name "small economic reform" is almost no longer remembered, although great hopes had been pinned on it.

And here we have a plan for a big economic reform. It is based on the same mechanism as the previous system. Only instead of an annual net value of production, one is proposing to introduce an annual "net profit" on which the wage-fund depends in the form of the employees' share in the profits of an enterprise. So also in the area of the mechanism of economic management the trend of the past decade is being continued.

It is strange to hear the announcement of the establishment of "price policing" in order to avert price raises by enterprises after the economic reform has been introduced. This announcement by itself indicates the ineffectiveness of the proposed economic mechanism. What kind of mechanism is it that cannot operate by itself and requires policing. Let us add that once enterprises have the right to establish an assortment of products, "price policing" cannot prevent them from selecting an assortment that suits their purposes, even though this assortment is characterized by relatively high prices; and the production of low priced products is not undertaken.

The condition for overcoming economic collapse is the undertaking of a determined battle with inflation, and this, in turn, requires, as one of its essential conditions, the getting rid of the management system that makes the enterprise's wage-fund dependent on having attained a yearly level as its main index.

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## RESULTS OF 'TELEPHONE HOTLINE' POLL ASSESSED

Warsaw TRYBUNA LUDU in Polish 24 Nov 81 p 3

[Article by Ryszard Bilski: "The 'Telephone Hotline'--A Reform without Mysteries. Freedom with...a Directive"]

[Text] For nearly a month we have been conducting an editorial "Telephone Hotline" campaign--a reform without mysteries. In the columns of TRYBUNA LUDU and during the telephone duty tour of experts from the Office of the Government Plenipotentiary for Matters of Economic Reform we have responded to more than 200 questions, thereby filling quite a serious information and educational gap--as far as we can tell.

### Powers of Self-Government

Most of the questions concerned the problems of worker self-management, and not only the powers of worker self-management--for in questionable cases social interpretation tends to broaden self-management powers (and rightly so)--but also, for example, the very procedure for establishing worker self-management, and, thus, the selection of worker councils by establishments and enterprises, the choice of the powers given to delegates of work forces, etc. These questions were broached not only by the workers but also...by the enterprises' legal counsellors.

Therefore, one can believe that either the law is not completely comprehensible and does not answer all possible questions, or we do not know how to read the law properly and are creating problems where there actually are none.

Similar remarks can be stated--I believe--precisely in regard to the law on enterprise.

Against the background of these observations, the numerous suggestions and requests concerning publication of a model statute of enterprise and worker self-management in TRYBUNA LUDU are becoming understandable. But we were told at the Government office for Matters of Economic Reform that publication of a draft of such a document would constitute to some extent a limitation of initiative and...of democracy. Our readers accepted this explanation and ended their requests for a model, but they began to send us their own draft statutes and to request that we evaluate them.

The next block of "Telephone Hotline" problems concerned financial problems in reformed enterprises, and, in particular, prices, taxes, and wages (incentive elements). Since these principles still have not been worked out in final "legal" detail, they keep coming up in the sphere of proposals and drafts, and answers to questions have been hedged with large qualifications.

Against "Price Combinations"

Our readers have expressed doubts and fear over whether, for example, the great freedom to set prices would not bring more harm than good. They demanded that principles of price formation be stated precisely, thereby arguing that the "seven league" jump from the directive to a totally unrestricted freedom could lead to the pursuit of easy profit (a price increase). They called for a clear statement--in drafts of appropriate documents--of principles of supervision of prices and punishment of abuse in this field. These safeguards, excluding or hindering efforts at "price combinations," should be set forth very clearly and concretely... also so that reform can be trusted completely.

In many questions the excessively numerous tax titles were called into dispute. "Telephone Hotline" callers think that excessive draining through taxes and the need to divert to the budget a significant portion of evolved assets would make it impossible to implement principles of enterprise self-financing.

Based on calls and numerous letters, we can also state precisely many conclusions concerning the methodology for preparing and implementing economic reform and for popularizing its assumptions. The fact that the flow of information from the top to the bottom is too narrow and that particular activities are not synchronized was especially noted. For example, demands are made on enterprises to introduce cost calculations under reformed conditions, but in the meantime they do not know what the prices will be for basic sugar and energy.

Delay Is Costly...

"I am in favor of reform--but I do not see any chance for its early introduction," wrote Jan Madeja, a young engineer from Plock Province, to the "Telephone Hotline." "Not because there is a lack of energy and materials, but because until now there have been no basic legal acts defining conditions for the work of reformed enterprises."

There were more voices of fear. Some readers even came to very pessimistic and painful conclusions, saying that the economic authorities certainly do not care about reform, since they have not done everything they could to guarantee the implementation of the full reform beginning on 1 January 1982. But each day of delay exacerbates the conditions for the start and success of the reform.

This line of discussion developed toward the end of the operation of the "Telephone Hotline," which--let us remember--coincided with the intensification of urgent economic activities. We immediately received many questions as to whether a preference was not being shown for stopgap solutions and whether there was not an intention to solve basic economic problems with only these emergency activities.

"Even if these actions did succeed," wrote Stefan Olczak, a construction technician from Katowice, "the next morning mechanisms regulating our economy would begin to be operative. There is no cheating economic laws."

Among the more than 200 questions and remarks, only one woman was not in favor of reform. This reader maintained that: "What we need is not reform, but honest work. Let us use what we have better, let us settle things with slackers, and let us observe the principle "As you work, so you earn.'"

Agreed, but will this succeed without reform, without the embodiment of the "three S's" (self-management, self-financing, and independence)? At bottom--arguments against reform are arguments in favor of reform.

Which Temporary Measure

In conclusion, let us note a few more opinions on the temporary measure proposed for the first years of reform. Our callers accepted the idea of a temporary measure in principle, but they object to some particular solutions as, in their opinion, restricting their independence too much. A temporary measure must constitute a particular type of gear or clutch which enables the old to co-exist with the new. However, these mechanisms and guarantees should be formed so that the directive and rationing are supplanted effectively by the "three S's."

The editorial action revealed, as we have already said, a lack of information and educational activities conducted by the ministries and unions. Press, radio, or television drives will not replace them. They can only assist. Meanwhile, in many cases they are the sole activities. Some ministries and unions have not even concerned themselves with the fact that in all enterprises (one of them is "Ponar" in Warka) plant complexes on matters of economic reform have been established!

In closing down the operations of the "Telephone Hotline" we are obliged to impart (by letter) answers to the remaining questions and to organize a second editorial duty tour of experts from the Government Office for Matters of Economic Reform. But only after work has been finalized on all the legal acts concerning reform. And we direct primarily to the attention of the Office for Matters of Economic Reform the reflections which come to mind as a result of our editorial campaign.

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JPRS 79961

28 January 1982

# East Europe Report

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2225

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28 January 1982

# EAST EUROPE REPORT

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2225

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FINANCE MINISTER REPORTS TO ASSEMBLY ON 1982 BUDGET

AU161200 Sofia RABOTNICHESKO DELO in Bulgarian 11 Dec 81 p 3

[Summary of the report read by Belcho Belchev, minister of finance, to the National Assembly on the 1982 State Budget of the People's Republic of Bulgaria]

[Text] The government submits the draft state budget for 1982 of the People's Republic of Bulgaria to the National Assembly for discussion and adoption, Minister Belcho Belchev declared. The discussion on this draft budget comes at the end of a remarkable year for the Bulgarian people. The 12th BCP Congress was held in 1981, a congress at which the implementation of the party program for the last decade was assessed and strategy, as well as tactics for the construction of a developed socialist society for the forthcoming period were mapped out.

The 1982 state budget has been worked out in conformity with the decision with the 12th BCP Congress decisions.

The congress adopted the main strategic task of the Eighth Five-Year Plan period and adopted an expanded program on the construction of a developed socialist society in our country. The achievement of the great requirements connected with the further satisfaction of the working people's sociocultural needs will be based on intensification in all sectors of social life, on the further comprehensive application of the achievements of the contemporary scientific-technical revolution. The chief method for implementing these decisions is the general introduction of the economic approach in the management of all activities in our country's socioeconomic life.

The 1982 draft state plan is being worked out under the circumstances of a complicated international political and economic situation. The raw material and energy crisis is being intensified and exacerbated. On this basis, the negative trends in the fluctuation of prices are particularly manifesting themselves, and the restriction of production and of exchange, the existing difficulties of the monetary-financial markets are particularly pronounced. In view of such circumstances we were provided with the strategy and tactics worked out by Comrade Todor Zhivkov, secretary of the BCP Central Committee and chairman of the

State Council, in connection with settling the practical problems and tasks assigned by the congress under the newly created circumstances. We must note the fact that the draft budget submitted to you not only ensures the preservation of the level of achievements in the sociocultural policy sector, but also provides opportunities and a necessary increase of the social consumption funds, in addition to settling certain specific tasks.

It is sufficient to note that along with the draft budget, an increase of pensions for approximately 400,000 former agricultural workers and cooperative farmers is envisaged as of 1 January 1982 and that a consistent introduction of the new educational system, as well as a number of other social benefits are included.

The 1982 draft state budget has been compiled according to the indexes of the uniform plan on the country's socioeconomic development, the speaker stressed. As a result of all this, the draft budget reflects tasks stemming from the state plan which are the minimum tasks. The economic organizations' counterplans are expected to be worked out on this basis. In drawing them up we must uncover the great opportunities available in our economy, in order to achieve a higher profitability from the tasks envisaged in the draft plan and in order to guarantee a higher rate of speed in the country's socioeconomic development. All this must be implemented not only with the active participation of the workers collectives and economic organizations, but with the participation of all state organs as well. Thus, the counterplans are becoming a statewide and nationwide cause, the cause of every individual citizen, the common cause of the entire people.

The draft budget has all the characteristic features of a socialist budget. It is characterized by its unity, the comprehensive integration of revenues and most efficient and thrifty utilization of the people's money. The draft budget plans 15,824 million leva of revenues and 15,809 million leva of expenditures. A 15 million leva surplus of revenues over expenditures has been secured.

The basic part of the revenues, namely 92 percent, is connected with activities of state, economic and other socialist organizations. These will be accounted for by the growing profits, and deductions from social security and other sources of the socialist economy. As for the expenditures the most considerable ones are the means allocated for financing national economic and sociocultural measures. This once more confirms the party's care for an accelerated economic development and for the further satisfaction of the people's material and intellectual needs.

Revenues

The measures mapped out for the comprehensive intensification of the national economy, and on this basis, the guarantee of a further increase of the profitability of economic activities give the opportunity to increase the revenues according to the budget from profits made by economic organizations. Their amount is envisaged to attain a total of 7,417 million leva. In the 1982 budget the share of these revenues volume amounts to approximately 47 percent, while in 1981 it amounted to 45 percent.

Part of the profits from sales of consumer goods is directly appropriated by the state budget in the form of turnover taxes, which represent approximately 24 percent of the total budget revenues. The amount of these receipts is in direct relation to the volume, quality and variety of the goods produced and sold, and to the public services. This is one of the main tasks of economic leaders at all levels--to devote efforts to the increase in production of goods of higher quality and great variety.

The economic leaders can in this manner show their gratitude for the care devoted by the BCP and the government to the fuller satisfaction of material needs and to the improvement of everyday services for the public. This care is genuinely expressed in the instructions given by Comrade Todor Zhivkov at the Ruse meeting in 1981 and in the accountability report of the BCP Central Committee to the 12th BCP Congress, as well as in a number of other instructions issued by our first party and state leader.

Minister Belcho Belchev noted that the question of increasing the production of consumer goods and of expanding everyday services to the public is of wide-ranging significance. In the first place, it is linked to the programmatic tenet of party policy for a better satisfaction of the constantly increasing needs of the public. At the same time the creation of greater stocks of goods, adequate to consumer demand and to the incomes of the public, is extraordinarily important for the further consolidation of the leva currency and for the normal functioning of one of the most important correlation in socialist society: "the goods stock and monetary incomes" correlation. The correct solution of these problems secures the budget revenues for the implementation of the party's social policy.

All this increases the requirements vis-a-vis the economic organizations in the production sector and vis-a-vis the trade workers as regards the production and selling of a greater amount of higher quality goods which are in public demand.

In second place, as regards importance and size, comes the budget revenue stemming from taxes on profits. According to the 1982 draft budget it is envisaged to amount to 3,378 million leva, and represents 23 percent of revenues. These receipts are determined in connection with the consistent application of the principles adopted on the settlement and distribution of profits in conformity with the economic approach and its mechanism. The method of accounting for the means resulting from profits for the budget are in accordance with the decisions of the 12th BCP Congress on enhancing the role of profits as a criterion for the effectiveness of economic activities and as a basis for the organization of distribution processes. In this manner we are creating the possibility for the application of the one-way principle as regards the interests of the workers collectives and of society as a whole. Production development depends upon the size of profits. The increase of socialist property is also linked to profits. Profit is the source of the means needed for the implementation of social programs for the collectives and for ensuring the necessary means for statewide needs. In this manner we will expand and consolidate the financial basis of the economic organizations. All this is a new confirmation that profits must become a basic criterion for evaluating the work of each economic organization and of every worker's collective.

The profits taxes appropriated by the budget, as well as the amount of those profits that remain at the disposal of the economic organizations are directly dependent upon the effectiveness of economic work. Increased effectiveness not only increases opportunities for ensuring higher revenues, including those of the "workers wages" fund for economic organizations, but also enables us to obtain better effects for society as a whole. It is for this reason, precisely, that the intensification of the national economy and the further perfection of the socialist labor organization and of the entire national economy are of utmost importance. On this basis we must ensure a thrifty and effective use of material, labor and financial resources, the more rapid introduction of scientific-technical progress, and the production of high quality goods, and we must also ensure they are sold in good time.

The 1982 state budget envisages 3,117 million leva from payments for the state security and for the Council of Mutual Insurance of Labor Cooperative agricultural [LCAF] members. These means are fully sufficient to cover the expenditures for pensions, family allowances for children and various other benefits and indemnities envisaged by the labor code.

Taxes, fees and certain other payments made by the public are of no significant importance for the budget. They have a stabilizing effect on the working people's revenues and cover part of the expenditures for the maintenance of state institutions and organizations which perform certain useful services for the public. In conformity with the policy prevailing in our country, their relative share in the budget is diminishing annually. In 1982 the volume of taxes and fees is envisaged to increase to a total amount of 1,259 million leva, the greatest share of which is [word indistinct] for by the general revenue taxes on wages and premiums which is envisaged to amount to a total of 992 million leva, or 4.3 percent more expected for 1981. This increase is not due to amendments in taxation, but to the increase of the working people's revenues during the forthcoming year.

The draft budget provides for other revenues from the profits allocated to the People's Council budgets.

Expenditures

The state budget expenditures have been defined in accordance with the tasks stemming from the uniform plan on the country's socioeconomic development. These expenditures are appropriate for the conditions under which economic organizations are working and conform with the requirements for the increase of the organizing and controlling role assigned to our currency--the lev. The prevailing share of the expenditure, namely 87 percent, is allocated for financing the national economy and our sociocultural initiatives. This circumstance in itself determines the socialist character of our budget as a financial basis for the implementation of the party's and state's economic and social policy, the speaker stated.

A total of 2,332 million leva have been allocated to the budget for the implementation of the party and state's investment policy. Out of this total over 1 billion leva will be invested for financing capital investments in the material production sector. These means are intended to ensure the accelerated construction of new production capacities in certain key branches of our national economy. As regards the development of the metallurgical industry, for example, a total of 290 million leva is provided and 273 million leva are provided for the energy sector, 82 million leva are allocated to the machinebuilding sector and 130 million leva are provided for the construction of roads and auto routes.

As for the construction of planned projects that are not part of the production sector, a total of 1,150 million leva is allocated for them in the budget. These financial means are sufficient to ensure the construction of hospitals, schools, kindergartens and other projects. They will ensure an expanded construction of housing projects for the public.

The great concern of the BCP and the government to achieve a drastic solution of the housing problem is well known. This was once more confirmed at the 12th BCP Congress and is reflected in the decisions adopted by this congress. The loans which the State Saving Bank is supposed to grant and the means provided by the budget for this purpose are a real expression of this concern, and this also applies to the economic organizations' own means and the citizens private funds devoted to housing. The means allocated in the budget for housing, amounting to a total of 1,003 million leva, ensure the financial resources needed for the construction of housing units, as provided by the uniform plan on the country's socioeconomic development for 1982.

The volume and the structure of capital investments in the production sphere are determined in accordance with the tenets and decisions of the 12th BCP Congress on the reorganization of investment policy. The prevailing share of these resources is devoted to the modernization and reorganization of existing basic funds. These means should be devoted to the comprehensive mechanization of production, to an unrelenting and prompt reduction of manual labor and to achieving high effectiveness in production.

In implementing the investment process we must let ourselves be guided by Comrade Todor Zhivkov's instructions issued at the 12th BCP Congress, that the "basic yardstick for the effectiveness of the investment process is not the question of how many capital investments there have been, and not merely how many production capacities have been put into operation, but how well the goods produced as a result of these investments can compete on the market."

The basic share of our capital investments is devoted to the application of the greatest achievements of the modern scientific-technical revolution. In addition, a total of 577 million leva will be spent on the development of science and scientific research alone, 129.5 million leva of which will be allocated by the budget. The budget means will also finance the national programs of an interbranch character, as well as basic scientific research and programs of a long-term character involving certain risks, whose financing exceeds the financial

possibilities of certain economic organizations and ministries. In 1982 the introduction of scientific-technical progress will be based on our own research and on joint research with the Soviet Union and other socialist countries, as well as on the direct use of foreign experience in the form of purchased licenses, models and standards.

The State Committee on Science and Technical Progress and the ministries, economic organizations, and engineering organizations should devote their main efforts to the subjects and tasks the solution and settlement of which will ensure the greatest economic effect and they should accelerate their practical application. This will help to increase the effectiveness of our scientific research work.

The budget will render temporary financial assistance to certain economic organizations which cannot obtain sufficient incomes because of the specific natural conditions under which their production activities are taking place, or because of the fluctuation of international markets, etc. The size of these amounts is being revised annually with a view to ensuring a timely profit and to guaranteeing their full self-support. At the same time the appropriate functional organizations, economic ministries and organizations should comprehensively analyze why certain economic organizations are incapable of ensuring funds for their full self-support, as well as re-evaluate the necessity of nonprofitable or insufficiently profitable activities and productions for the national economy. On this basis programs should be worked out on changing the structure of production and varieties so as to increase the profitability of such production sectors.

Comrade Todor Zhivkov most thoroughly reviewed the problem of social consumption funds and the 12th BCP Congress and on the basis of profound analysis and strong arguments he explained the need for a new approach in their creation and establishment, and the need to increase their economic and social effectiveness. The application of a new approach in this sector is particularly necessary bearing in mind the considerable importance of social consumption funds as regards the improvement of the people's living standard and the individual worker's living conditions, under the circumstances of a developed socialist society.

Budget expenditures for sociocultural measures amount to 5,587 million leva. They have been planned in application of the new approach for their establishment and utilization and on the basis of maintaining a savings regime as well as on the basis of increasing their economic and social effectiveness.

The greatest share of expenditures for sociocultural measures is accounted for by social insurance means, and in this respect the expenditures for pensions are the highest. The better living conditions as a result of the party's care for an improvement of the people's living standard produced a considerable prolongation of the life expectancy in our country. Bulgarian citizens who have fulfilled their duty toward society can enjoy a well-insured and carefree old age in our country today. The draft budget provides a total of 2,006 million leva for pensions this year. Compared with 1981 this represents an 10.5 percent increase, resulting from demographic factors and mainly from the party policy aimed at increasing pensions.

The draft budget provides 65.2 million leva for an increase of the cooperative farmers pensions, including all pensions for agricultural workers, invalid pensions for those who have suffered injury as a result of labor accidents and those who are suffering from general diseases, as well as an increase of the pensions of cooperative farmers' widows and children. This increase affects approximately 400,000 pensioners.

As regards various kinds of allowances, the draft budget provides 894 million leva for ensuring the necessary means for the payment of maternity allowances connected with pregnancy, childbirth and raising small children, as well as indemnities for blue- and white-collar workers during temporary incapacity for work.

The care for the young generation and for their education is a nationwide cause. The BCP Central Committee plenum held in July 1979 and the nationwide program adopted by the Council of Ministers on the implementation of the plenum decisions in connection with the development of education have set new tasks and goals in this field. A total of 1,308.5 billion leva is provided in the draft budget for all-round financing of educational activities. These funds will be used for financing the maintenance of higher and secondary educational institutions. A total of 208.5 million leva is envisaged for the uniform secondary high schools, for polytechnic schools and for students' production training centers, while 585.5 million leva are provided for the pre-school education, and so forth.

Particular attention is devoted to financing measures aimed at the improvement of the training and self-realization of young people. The means allocated by the budget for financing the technical and scientific creativity of young people have been increased.

The care of the party and state for the people's health and for the development of their physical strength, as well as for restoring their energies through recreation are genuinely reflected in the total amount provided by the draft budget--901.3 million leva. The basic share of this amount is allocated for the maintenance and further improvement of health institutions.

In conformity with requirements as regards the improvement of economic and social effectiveness in the health care sector, workers in this sector must make most efficient and most effective use of the considerable funds allocated to them. The goal is to reduce disease by means of preventive measures and to more promptly restore the health of the sick by means of more efficient cures. If we succeed in 1982 in reducing the percentage of absence from work by 10 percent only, as compared with 1980, real prerequisites should exist for the achievement of an additional national income amounting to 70 million leva.

As regards the support and development of cultural measures in the draft budget, we can say that a total of 267.5 million leva have been provided. They are being allocated not only for a further development of television, radio, museums, libraries and other such institutions, but also for the implementation of important cultural events in 1982. The funds provided in the draft budget will ensure the satisfaction of the working people's increased cultural needs, as well as the cultural interests of the young generation and of other members of society.

The expenditures for the maintenance of central okrug and local state and administrative organs, of the courts of justice and of the prosecutor's office amount to 299.5 million leva and represent only 1.9 percent of the total state budget expenditures planned for 1982. These expenditures have been planned on the basis of the observance of the need for the greatest effectiveness and most economical approach, as well as with a view to an optimal reduction in the expenditures for administrative activities.

The draft state budget also provides the necessary means for the defense and security of our country.

The secretary general of the BCP Central Committee has stressed on several occasions the role and importance of socialist property and of its further preservation and expansion. I must point out that, unfortunately, there are still cases in which means are being squandered and the existing production capacities are not fully utilized, there are even cases of misappropriation of socialist property. The comprehensive application of the economic approach and the transformation of the collective into the master of socialist property will create real prerequisites for a drastic change in the way of thinking and in the attitude toward socialist property. This, however, does not mean that the strictness of specialized control exercised by the state organs should be relaxed, the speaker pointed out.

A total of 3,165 million leva from the all-round state budget amount will be spent through okrug and municipal government organs. A total of approximately 1,800 million leva, representing almost 57 percent of the total budget of People's Councils, will be devoted to financing sociocultural measures. The budgets of the People's Councils provide the necessary means for the development of municipal economies and town development. A considerable share of the budget expenditures for capital investments has also been allocated to the People's Councils.

The demand for a comprehensive intensification of national economy must be implemented also in distributing and in using the People's Councils' funds. These funds must be devoted to the implementation of measures likely to ensure the greatest economic or social effect. This demands particular attention to the problem of everyday services for the public. The settlement of this problem mainly depends on the organizational abilities and on the perseverance of the respective organs and organizations located in the territories of the okrugs.

The People's Councils will obtain considerable amounts through deductions from the "territorial units development fund" whose source lies in the profits of economic organizations. The amount of such deductions depends on the profits actually obtained. The People's Councils' budgets as a whole will be made up of receipts from economic organizations subjected to local authorities and from the taxation of total incomes, from local taxes and fees, as well as from certain other payments in addition to taxation.

This is the path leading to a gradual transition of okrug People's Councils and conurbation systems to the self-support principle. They must rely upon their own resources and upon incomes stemming from their own activities, and not upon

the means provided by the state budget. Of course, such means must also be allocated in the future, but only when it is economically justified and necessary, when all possibilities for increasing local resources have been exhausted. All this requires the People's Councils to contribute and cooperate with the economic organizations in uncovering reserves and in compiling counterplans likely to guarantee a high effectiveness of production.

The broad rights which are envisaged to be granted to the conurbation systems and to the okrug People's Councils greatly enhance their responsibility as well. Now, that the size of expenditures depends solely upon the initiatives of the local organs to uncover additional economic activities, to improve their infrastructure, and to create prerequisites for a greater social productivity of the workers collectives on their territories, they must also become aware of their responsibilities in spending their means and in investing the state funds allocated to them in the best way.

In accordance with the law on compiling and implementing the state budget the national assembly must approve the implementation of the 1982 budget.

The draft law on the budget that has been distributed among you points out the results of the implementation of the state budget for 1980. A total of 13,308.7 million leva have been entered as revenues, while 13,220.6 million leva represent the expenditures, which means that the surplus of revenues over expenditures amounts to 88 million leva, the foreseen surplus having been 20 million leva.

The overfulfillment of revenues is mainly linked to the additional receipts obtained from the national economic sector, thanks to the efforts of the working collectives in implementing and overfulfilling the uniform plan on the country's socioeconomic development. The reduced expenditures compared with the revenues obtained are the results of the increased control exerted over spending means, including the reduction of administrative expenditures and nonproductive expenditures, without upsetting the normal functioning of budget offices and organizations.

The implementation of the 1981 state budget is also following the trends in the implementation of the uniform plan for the country's socioeconomic development for 1981. This implementation will be favorably completed as well.

The financial results from economic activities, the centralized state revenues and the expenditures for statewide needs are set forth in conformity with the decisions of the 12th BCP Congress and with the tasks envisaged in the uniform plan for the country's socioeconomic development in 1982. The financial results, as well as the revenues and the expenditures reflect the really existing reserves in the national economy, as well as in individual social activities, which guarantees the implementation of state planning tasks.

The tasks of the financial system is implementing the 12th BCP Congress decisions are considerable. The congress has assigned the task of enhancing the role of the financial-credit system, so it may have an even more direct and dynamic effect on the successful economic development and on an intensification of the savings regime, as well as in connection with consolidating financial discipline. Guided by the congress decisions the financial organs are doing everything within their

power to increase the effectiveness of economic and control work in connection with uncovering and mobilizing the reserves available in the national economic sector, in order to consolidate economic cost accounting and financial discipline, and to increase the profitability of economic activities.

The new economic approach and the mechanism for its application create the necessary prerequisites for a comprehensive intensification of the national economy. The path of its implementation goes through the most complete utilization of production capacities, through the implementation and application of scientific-technical achievements, advanced experience, progressive technologies avoiding any waste, through a drastic improvement of production quality, as well as through the perfection of socialist labor organization, and on this basis, through the guarantee of an effective use of material and labor resources.

The workers collectives, inspired by the decisions of the 12th BCP Congress have the strength and full capacity to implement this task.

The minister of finance declared as follows in closing his address: On behalf of the government, I pray you, esteemed comrades National Assembly deputies, to approve the draft law on the 1982 state budget of the People's Republic of Bulgaria and the accountability report on the implementation of the 1980 budget.

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ZAREV PRESENTS PLAN TO NATIONAL ASSEMBLY

AU161427 Sofia RABOTNICHESKO DELO in Bulgarian 11 Dec 81 p 2

["Summary" of speech by Kiril Zarev, deputy chairman of the Council of Ministers and chairman of the State Planning Committee, on the 1981-1985 draft uniform plan on Bulgaria's socioeconomic development, at the 10 December session of the national assembly]

[Text] In accordance with the implementation of the decisions of the 12th BCP Congress the Council of Ministers introduces for discussion to the national assembly the draft of the uniform plan on the socioeconomic development of the country during the Eighth Five-Year Plan Period (1981-1985) and the 1982 draft plan. This was the beginning of the Kiril Zarev report. Stressing that the current year was an anniversary year, he reported that the tasks set by the national assembly for 1981 in the economic and social development spheres will not only be fulfilled but overfulfilled. This is a deed which corresponds with the level of the new tasks. The party instructions are becoming a nationwide cause.

The speaker pointed out that the draft plan for the Eighth Five-Year Period and for 1982 had been worked out in accordance with the decisions of the 12th BCP Congress, which assessed the remarkable successes of our country during the last decade and especially during the Seventh Five-Year Plan, and pointed out the tasks for our socioeconomic development during the Eighth Five-Year Plan and until 1990. The plan has been worked out in accordance with the high and principled new requirements and postulates included in the remarkable report by Comrade Todor Zhivkov to the 24 October 1981 national conference of the party, state, economic and public aktiv on implementing the decisions of the 12th BCP Congress. This report of our first party and state leader is a synthesis of the creative attitude and purposefulness and of the concrete and practical decisions on successfully constructing the material-technical basis adequate for developed socialism, on effectively managing and administering the socialist property, on comprehensively and better caring for and more completely satisfying the material, spiritual and social needs of our people, and on asserting the socialist way of life.

The draft plan reveals broad possibilities for further strengthening the process of comprehensive coming together between the People's Republic of Bulgaria and the USSR, of expanding our participation in the socialist economic integration, as well as of strengthening our foreign economic relations with the developing countries and the developed capitalist states.

In accordance with the requirements of the programmatic attitude, the draft has been worked out on the basis of a system of national complex target programs. This facilitated the deeper and comprehensive working out of the problems related to the country's development and insured a more effective balancing of the draft. With the application of the multiple-goal oriented approach, preconditions for achieving increasing effect from a branch and territorial aspect have been created. This will be achieved by increasing the degree of concentration and specialization of production and its organization in stages, perfecting the transportation connections and so forth. Special attention has been paid to consistently applying the new economic approach and its mechanism, as a first-rate condition of mobilizing the talent and efforts of the entire people for solving basic socioeconomic problems.

It was stressed in the report that the party's Central Committee, and Comrade Todor Zhivkov personally, have developed great work for finally forming the draft plan for the Eighth Five-Year Period under the conditions of the complex international situation and the deepening world raw material, energy crisis. The proposed draft plan has been worked out by the joint efforts of the government, the ministries, the okrug people's councils, the economic organizations and the trade union organs.

Later on, Kiril Zarev turned the attention toward the basic questions of the country's socioeconomic development during the Eighth Five-Year Plan and 1982.

Developing the Material-Technical Basis

The proposed draft places the economy's development on a stable basis and ensures the further implementation of the strategic task on constructing the material-technical basis of the developed socialist society in accordance with the high achievements of the scientific-technological progress.

It has been envisaged that the national revenue of the country, as a basic indicator of development and progress, will increase 20 percent in accordance with the country's resources. It has been envisaged that the pace of the national revenue in 1982 will be 3.6 percent.

During the Eighth Five-Year Plan the country's industrialization as well as the priority development of industry will continue. The volume of industrial production will increase 28 percent during this period, and 4.5 percent during 1982. Simultaneously, efforts will be made to develop agriculture. It has been envisaged that its production will grow 18 percent during the five-year plan period and about 2.2 percent during 1982.

The accumulation, which will be about 25 percent of the national revenue during the five-year plan period, will ensure resources for implementing a substantial investments program. It is envisaged that the capital investments during the five-year plan period amount to 37 billion leva, almost 27 billion of which will be allocated to developing material production and more than 10 billion to developing the social sphere.

Special attention has been paid to perfecting the structure of capital investments. In material production the share of the means for modernization, reconstruction and expansion will amount to 70 percent, and the share of new construction--about 30 percent.

The envisaged volume of capital investments together with the accelerated commissioning of objects and the fact that less construction has remained incomplete ensure a significant increase of the basic funds of the national economy's material-technical basis. During 1985 the volume of the basic funds will reach the impressive, for our size, amount of 110 billion leva, 72 billion leva in material production alone.

The development of the material-technological basis of the national economy will ensure a significant increase in the country's economic level, something which will be expressed by the production of basic industrial articles and agrarian products per capita. A possibility emerges that in 1985 the production of electric power will reach 5,000 kWh; rolled iron--420 kg; sulphuric acid--150 kg; mineral fertilizers--140 kg; plastic, synthetic resin and glues--50 kg; cement--750 kg; paper--50 kg, and grain--1,100 kg.

Further Increasing the People's Standard of Life

The speaker stressed that the draft plan, which is directly socially oriented, creates conditions for better and more complex satisfaction of the people's needs, increasing the well-being of the working people and the entire people. The care for man, which is the meaning and essence of the party policy and the multisided activity of our society, has been especially stressed. Thus, a new and significant contribution toward implementing the party's December line has been made.

During the five-year plan period, the increase of the population's real income by 15 percent and 3 percent during 1982 has been ensured. Thus, the purchasing ability and the degree of satisfying the people's material, spiritual and social needs have been increased. The population's main income source--the salary--which reached an average of 182 leva during 1980, will reach 209 leva in 1985. The minimum salary toward the end of this period will reach 120 leva.

In accordance with the increase of the national revenue the social consumption funds will increase 17 percent during the next 5 years and 3.5 percent during 1982. The funds' purposefulness will improve and their social and economic effectiveness, allocation and utilization will increase. The means for health protection, education, culture, sports and tourism will increase. The population's revenue from social security will significantly increase. Already in 1982 the minimum pensions of peasants-agrarians who have reached 70 years, will increase. Toward the end of the five-year plan period, the minimum pension will reach half the minimum labor wage.

The income of the population from the various territorial units will further come closer during the Eighth Five-Year Plan period. The revenues of the okrugs and conurbation systems with lower revenue will increase at an accelerate pace. On this basis the gap between the minimum and maximum financial income per capita, according to okrugs, will decrease 30 percent in 1985 in comparison with 1980.

The draft plan devotes greatest care to a better and more differentiated satisfaction of consumer demands. Conditions are being created for improving the structure and expanding the variety of commodity funds, for overcoming the shortage of certain mass consumer goods and for regularly supplying our markets with high quality goods and varieties, which are in demand by the population. In this respect a great role is assigned to further developing the self-sufficiency system of the population in conurbation systems and to better using opportunities existing within the enterprises for producing consumer goods for the population.

The draft project provides for a rapid increase of retail turnover and for a sufficient amount of stock reserves. The turnover will increase by 21 percent, while the optimal stock reserves will increase by 35 percent. In 1982 the retail turnover is envisaged to increase by a total of 3.8 percent.

The increase in the consumer goods production and turnover increase represent a solid basis for the essential improvement of the consumption standards of our entire population and for a perfection of the turnover structure. The per capita consumption of certain more important foodstuffs is envisaged to increase at the following rate in 1985, as compared to 1980: meat and meat products from 61.2 to 72 kilograms; fish and fish products from 6.9 to 9.3 kilograms; milk and milk products from 259 to 301 kilograms; eggs from 204 to 231 units; sugar and sugar products from 34.7 kilograms to 37.5 kilograms; vegetables from 93.8 to 136 kilograms; and fruit from 105.8 to 145 kilograms. The production of non-alimentary goods is rapidly increasing--clothing, footwear, furniture, and durable consumer goods are expanding, helping us achieve essential progressive changes in the population's living standard, particularly in their daily life housing and living conditions.

During the five-year plan period that has elapsed a positive qualitative change has occurred in the population's living standard. This was also achieved by improving public services. Daily life public services are increasing by 50 percent; in 1982 they will further increase by 8.4 percent. The services most in demand by the population, such as those connected with the furnishing of homes, maintenance and repairs of household appliances, radio and television sets, automobile services, building repair works and so forth will develop at the highest rates in the future. The network of repair workshops and other workshops for daily life services on the property of the enterprises will continue to expand.

The draft project ensures the construction of 360,000 housing units during the forthcoming five-year plan period, the speaker continued. In 1982 a total of 72,600 housing units will be built. Housing construction per 100 families will increase from 89 in 1980 to 96 in 1985, which will represent an essential contribution to solving the housing problem. The construction of housing projects will be accomplished and will concentrate mainly on the area around the capital (approximately a total of 90,000 apartments are planned to be built there) and on the large territorial-production complexes where the housing needs of the population are the most acute.

Stressing that the further development of the educational system is guaranteed in accordance with the decisions adopted at the July plenum of the BCP Central Committee (held in 1979), Kiril Zarev announced that by the end of the Eighth Five-Year Plan period opportunities will be actually created for all 5-year old children to attend kindergartens with a view to their entering school at the age of 6. The number of children in the 3 to 6 year old-age group who will attend all kinds of kindergartens will increase from 75 percent in 1980 to 90 percent in 1985.

Conditions are being ensured for the further upward development of our socialist culture, for increasing its role in developing the socialist working man as a universally educated and highly developed personality. The development of the material-technical base of culture is provided for. Seats in theaters available to the public are increasing and the number of books and newspapers issued are also increasing on a per capita basis. Opportunities are being created for the further development of the mass media.

In the health care sector we are providing for an expansion of preventive medicine, for the early diagnosis of diseases, for timely cures and rehabilitation, as well as for a general improvement of health services. The health network servicing the population will expand. The number of hospital and nursing home beds will increase, the number of physicians and dentists will also increase. Social assistance will expand. Old people's care will also improve. Better conditions are provided for organizing working people's long-term recreation and for improving the network of rest homes, as well as for developing mass physical culture, hiking, tourism and high proficiency in sports.

Considerable means are planned for the municipal economy. Great care is devoted to water supply. As compared with 1980 the consumption of drinking water for the people's daily life needs and services will increase from a total of 225 liters per 24 hours, to 260 liters in 1985.

As the speaker declared the draft project ensures a further improvement of transport services for the population by increasing the local railroad network and automobile transport. Financial means are available for implementing a special program for the development of Sofia city traffic. The construction of urban electric transport will begin in some of the large okrug centers.

The creation of a modern communications system with a high degree of automation is provided for in the Eighth Five-Year Plan period. Telephone sets for private use per 1,000 citizens are to be increased from 73 in 1980 to 112 in 1985.

Environmental protection and the restoration of nature plays a special role in the draft plan. The large-scale introduction of technological methods avoiding waste materials, closed cycles of water consumption, purification of polluted waters and the preservation of unpolluted air, soil and so forth are planned and will be provided for.

Intensification and Scientific-Technical Progress

The 12th BCP Congress determined comprehensive intensification as the main trend in our country's socioeconomic development and in building the material-technical base for a mature socialist society as the only alternative for economic progress.

The line of intensive development is unmistakably expressed, above all, in the fact that the national rate of income increase is achieved exclusively as a result of an increasing social labor productivity. What is planned is to increase labor productivity by no less than 25 percent during the Eighth Five-Year Plan period, this increase being considerably greater in the strategically important branches and productions. A relative saving of labor resources amounting to approximately 800,000 people will be achieved on this basis in 1985 as compared with 1980.

The report stressed that under the present circumstances the solution of the energy, fuel and raw material problems is unthinkable on any other than the basis of a most intensive utilization of these resources.

The speaker also dwelled on another characteristic feature of the draft plan. In conformity with the trend toward comprehensive intensification essential improvements are outlined in the investments sector, he stated. It is envisaged for capital investments to increase by 14 percent. A slower increase of capital investments will be observed for the first time as compared with the growth of the national income, which guarantees a decrease of the capital consumption factor. The basic funds are expected to increase by approximately 32 percent. The decisive factors in this respect are the policy that is being applied of cutting down on construction activities, the trend of completing building projects within shorter schedules, and the policy of reducing the percentage of unfinished building projects to 80 percent by the end of the Eighth Five-Year Plan period.

The general characteristic of the process of intensification in social production produces an increase of profits. This is the most dynamic index in the Eighth Five-Year Plan. Profits are expected to increase by 60 percent in 1985 as compared with 1980. This, in the long run, is the main result of intensification and is also a decisive prerequisite for further building the material-technical base of a mature socialist society and for unrelentingly improving the people's living standard. This prerequisite also serves as a comprehensive basis for satisfying the people's material, intellectual and social needs.

The introduction of scientific-technical achievements to a greater extent follows the trend toward accomplishing basic social and economic tasks. The draft plan reflects tasks stemming from national comprehensive programs for the introduction of scientific-technical progress. Over 950 tasks are included in this project which are under national control, with 315 new and improved products thus far being produced, 342 new technological methods introduced, 38 technological methods of production avoiding waste products invented, 238 automation projects adopted, and so forth.

The planned introduction of scientific-technical progress will be based on our own research and on joint projects with the Soviet Union, as well as with other CEMA member-countries. In this connection, foreign experience will be applied on a large scale.

The speaker declared that the tasks envisaged by the draft project as regards the elaboration and introduction of scientific-technical progress will assign exceptionally difficult requirements to the economic, scientific and engineering-applying organizations, tasks involving great responsibility.

The final compilation of the draft project for the Eighth Five-Year Plan period on the basis of the multiple economic approach required great efforts in determining certain substantial resources for improving our economic structure, on the basis of branches and echelons, as well as under the territorial aspect, the chairman of the State Planning Committee stated in his address.

Industry will further enhance its leading role in national economic development during the Eighth Five-Year Plan period. The relative share of industry in the national income will increase from approximately 46 percent in 1980 to approximately 52 percent in 1985. Heavy industry will continue to develop as a solid basis of economy. The rates of increase of "A" and "B" production groups are drawing closer together.

The draft plan provides that the production of energy as a particularly important supporting factor of material production should increase by 30 percent. A rapid development of the "Maritsa-East" complex is ensured with a view to increasing the country's coal production from 30 million tons in 1980 to 44 million tons in 1985. The construction of nuclear powerplants will be pursued; by the end of 1985 the Kozloduy nuclear powerstation is supposed to commission its fifth reactor which will have a capacity of 1,000 megawatts of energy. The construction of a second nuclear powerstation is envisaged for the Eighth Five-Year Plan period.

The share of electric power produced in the nuclear powerplant will achieve 27 percent in 1985.

Ferrous metallurgy production will increase by approximately 30 percent during the forthcoming five-year plan period. The basic trend in the perfection of its structure will be an expansion of the assortment and an increase in the production of high-quality rolled metal.

The role of chemical industry will be enhanced during the forthcoming five-year plan period in connection with expanding the country's raw material basis and with a view to better covering the population's needs. The size of chemical industry production will increase by 45 percent, with the size of proportions between the various levels of production subject to a substantial improvement.

According to the draft plan the machinebuilding sector and the electronics sector will develop at the highest speeds. The production volume will increase by 50 percent in this sector. The future prospects of highly effective production

branches--such as the heavy investment machinebuilding industry, metal processing machines, electronic calculators, computer equipment, electronic and construction elements, instrument building, automation equipment, metal ceramics, communications and medical equipment--will increase their volume of production at an annual average rate of 10 to 15 percent. Conditions are created for the further development of the supporting and secondary levels of the machinebuilding industry and for the production of highly effective finished products, which, at the same time guarantee the necessary proportions between these levels.

In implementing the task assigned to us by the 12th BCP Congress in connection with ensuring a larger amount of goods of greater variety, light industry is expected to increase by no less than 25 percent, Kiril Zarev stated. A substantial role in improving the structure of this branch and in speedily modernizing production will be played by new goods which will be produced on a priority basis.

The report devoted much space to positive structural changes expected to occur in the agricultural sector as well. The main trend in this respect is developing grain production on the basis of intensification by increasing and stabilizing corn production. In order to more fully satisfy the people's needs for meat, milk and their products, animal husbandry production is expected to increase by 17 percent during the Eighth Five-Year Plan period. An intensive utilization of arable land is envisaged, irrigated plots are expected to expand and irrigation systems must be more efficiently used. Highly intensive sowing material and new technological methods, based on research, for soil cultivation must be applied, and the extent of using agricultural machines and other equipment must be increased.

Kiril Zarev announced that the transportation system is expected to be substantially improved. It is envisaged that the freight transport in all branches of transportation should increase by 15 percent. Priority will be given to the development of railroad transport because of energy saving reasons and for saving labor resources. The relative share of electric freight transport will be increased, while diesel motor transport will be restricted. It is provided to double the 329 kilometers of existing railroad lines and to install 425 kilometers of new electrified railroad lines. As for motor transportation, it will mainly concentrate upon short distance traffic in areas where there are no railroad lines. Automobiles for freight will be mainly based on diesel motors. The maritime fleet will expand its freight capacities and will mainly concentrate on the transportation of goods connected with our foreign trade.

Construction will increase at a moderate rate of speed during the Eighth Five-Year Plan period, which creates prerequisites to improve the investment process and to increase its effectiveness. The size of construction and assembly work in 1985 will increase by 12 percent as compared with 1980. The intensification and structural improvement of the construction branch will be further pursued with priority given to the relative share of industrial processes in finishing and assembling construction elements and equipment, uniformity and standardization of sections, and component parts.

Special attention is devoted to improving the territorial structure of social production. It is intended to close, relatively, the technological cycle in one territory, to intensify the leveling and rationalization of production links and to comprehensively utilize the labor, water, land and other resources serving multifunctional purposes.

The improvement of the economic structure is creating prerequisites for a further development of foreign economic relations, for the expansion and for our country's intensified participation in the international socialist division of labor, the report states. Economic integration and cooperation with socialist countries will continue to develop at high rates of speed on the basis of an intensification of production and scientific-technical relations. In this connection, the prevailing share of our exports will be carried out with socialist countries, whose relative share in our country's foreign trade will amount to 80 percent.

The speaker pointed out that the comprehensive drawing closer together between our country and the Soviet Union will further be developed. The implementation of measures earmarked in the general scheme of specialization and production-sharing in the material production sphere with the Soviet Union will guarantee further, even more intensive relations between the Bulgarian and Soviet economies.

An increase in the exchange of goods with the socialist countries is provided for on the basis of the envisaged expansion of our foreign economic relations during the Eighth Five-Year Plan period. In this connection emphasis is laid on industrial production-sharing, as well as on scientific-technical and trade cooperation. Special attention is devoted to the expansion and intensification of our foreign economic relations with the developing countries by intensifying the role of production cooperation and of long-term agreements on payments and exchange of goods.

As a result of the intensified development of our foreign trade relations during the Eighth Five-Year Plan period our goods exchange will increase by approximately 40 percent during the aforementioned period and in 1982 this increase will amount to 4 percent, which guarantees accelerated rates of development compared with the national income.

Kiril Zarev closed his address by declaring that the draft plan on the country's socioeconomic development during the Eighth Five-Year Plan period and in 1982 represents a solid basis for the achievement of goals and for the implementation of the tasks determined by the 12th BCP Congress. The draft plan ensures the necessary labor and material, financial and currency resources for our country's dynamic and well-balanced development along intensive lines and on the basis of a large-scale application of the most advanced and best achievements of scientific-technical progress.

Our economy contains substantial reserves and opportunities which must be most fully used by the economic organizations and workers collectives in working out most effective counterplans aimed at achieving the goals which Comrade Todor Zhivkov defined at the national conference held on 24 October 1981 as regards additional

profits, as regards greater amounts of better quality consumer goods for the people, as regards more exporting resources and a more efficient and thriftier use of our currency resources. The counterplans are the most reliable method for the democratization of planning and they must become a decisive means for expanding socialist competition, the creative efforts and energies of millions of people as well as for most actively involving them in the management of our national economy. The consistent application of the economic approach and of the new economic mechanism is aimed at the expansion of the creative spirit and initiatives of the working people, at guaranteeing that the interests of the workers, the economic organizations and society as a whole are one.

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## TAKOV STRESSES SIGNIFICANCE OF CONSUMER GOODS, SERVICES

Sofia OTECHESTVEN FRONT in Bulgarian 15 Dec 81 pp 1-2

[Article by Peko Takov, BCP Central Committee Politburo member and State Council deputy chairman: "Vigorous and Humane Social Policy"]

[Text] The five-year plan and the 1982 plan and budget were justifiably praised at the National Assembly's recently ended fourth session. All sections and areas of the five-year and 1982 plans reveal the great skill with which the planning and financial organs and the government are implementing the stipulations of the 12th party congress scientifically and realistically and in accordance with the economic, social and political conditions governing the development of of our country in the forthcoming period. Most importantly, this is the first time that the major task set by the congress on the intensification of our national economy and decisive abandonment of extensive development methods has been set with such great emphasis and scope. The thoughts expressed by Comrade Todor Zhivkov in his remarkable 24 October 1981 speech have been fully embodied in the plans and the budget.

Although the pace of economic development stipulated by the 12th congress had to be reduced somewhat for understandable reasons, the indicators characterizing the living standard of our people, as stipulated by the congress, were kept unchanged with insignificant exceptions. Here again, Comrade Todor Zhivkov's instructions played a decisive role in making it possible for the party and the congress to keep their word. The creative approach displayed by the planning organs indicates the significant possibilities which our economy has of not only maintaining the level of well-being reached by the people but its steady and continuing improvement despite adverse international conditions. This characteristic and profoundly national feature of the plans and the budget was welcomed with deep satisfaction by the people's representatives in the Commission on Social Policy during the discussion of the draft plans. It is particularly important that the plans and the budget which were drafted provide firm guarantees that the social tasks will be implemented as well. The social policy section in the plan is considered not only as a consumer of goods but as the final objective of our entire development and an important factor which is actively influencing the successful solution of economic and social problems and the development of socialist Bulgaria.

In accordance with the resolutions of the 12th congress wages, which are the main source of improving the well-being of the people, will continue to rise at a faster pace. Priority will be given to the lower wage levels. A considerably increase in the social consumption funds and pensions is stipulated. Steady supplies of basic

commestible and durable goods are guaranteed, and efforts are being made to match the purchasing power of the people.

A tremendous amount of work must be done by the state organs and sociopolitical organizations in order to ensure the availability of the necessary consumer goods and services in the area of organizing the implementation of the plans and identifying and utilizing additional saving possibilities. The stipulations expressed by Comrade Todor Zhivkov at the 1980 and 1981 Ruse meetings and the idea of the self-sufficiency of conurbation systems remain the guiding principles for our future activities. The way each labor collective will respond to this major task and the extent to which it will engage its resources, knowledge and efforts for the sake of its successful implementation is very important at this time. As people's representatives, we too are faced with the obligation of regularly contributing and helping to procure more goods and services and to see to it that the social functions of labor collectives and conurbation systems become increasingly more extensive and effective.

Some experience has already been acquired. This year, the Commission on Social Policy and the okrug groups of people's representatives did good work in helping the economic organizations and people's councils to build without delay small enterprises and shops providing goods and services and ensuring the production of more goods for the self-sufficiency of the population in the various okrugs and conurbation systems. However we, the people's representatives, are merely on the threshold of this noble undertaking, as Comrade Todor Zhivkov justifiably described it.

The systematic application of the economic approach and its mechanism will provide increasingly favorable conditions for the display and implementation of various initiatives on the part of the economic organizations for the additional production of goods worth 500-600 million leva. The production of items currently in short supply is of particular importance. Let us consider the question of tiles: their scarcity is a hardship for the people and their families, who build a house but are forced to wait for months on end before they can put a roof over it. Meanwhile, the view is spreading that tile manufacturing must be concentrated in big plants, no more than one or two for the entire country. This view, which clearly reveals monopoly trends, led to the closing down of tile-making facilities of cooperatives, industrial combines, and agroindustrial complexes even before the new manufacturing facilities were completed, as a result of which the needs of the construction industry and above all of people building their own homes remained unsatisfied.

However, the experience of some other socialist countries has shown that it is economically and socially most effective for tile-manufacturing plants to have a production capacity such as to meet the requirements of an area within a radius of 50-60 km. The economic mechanism encouraged this trend. In no more than 2 years, nine ceramics shops were opened in the agroindustrial complexes of seven okrugs (Veliko Turnovo, Vratsa, Lovech, Razgrad, Ruse, Sofia and Yambol) with a production capacity of close to 20 million tiles. The remaining orkugs and conurbation systems as well must undertake such production so that this problem can be resolved successfully. Furthermore, the Commission on Social Policy is encouraging the expansion of the two ceramics plants in Straldzha and Popovo, for we are convinced that within 2-3 years we will be able to resolve the problem of tiles so that, as the saying goes, "there is a tile over every head," only by developing the greater production facilities along with the small local ones.

Similar examples may be cited for other goods. They prove the great need for constantly seeking possibilities of providing more opportunities over and above the planned figures. The question now is to make use of unused resources. The economic mechanism is eliminating obstacles and restrictions blocking the realization of enterprise interests. As to the social benefits, they become immediately obvious when we face the needs of the people and meet their purchasing power.

The initiatives of organizing service centers, workshops, shops, bookstores and auxiliary farms by many enterprises is indicative. At the very entrance of the Petrochemical Combine in Pleven visitors can see a complete bazaar offering services and goods for sale. This is exceptionally convenient and saves the time and efforts of thousands of combine workers. This example has been followed by many other enterprises and the workers are thankful. This is wonderful and the benefits to the production process are clear. Sociologists have frequently proved that social measures have a particularly favorable impact on labor and social activeness.

The initiative of organizing auxiliary farms by enterprises and establishments is equally welcomed by the population. There is a great deal of unused land. All of us must listen to Comrade Todor Zhivkov's appeal made in Ruse last month, and the respective bodies -- the people's councils -- must allocate the land this very winter, to that collectives and individual families may begin to use it in the spring. They may plant orchard trees, grow vegetables and fodder crops and set up small livestock breeding farms. Pastureland is available everywhere, particularly in the mountainous and semimountainous areas. With small investments and initiative the labor collectives can acquire an important additional source of food without resorting to the market. Good examples and experience of this kind may be found in all okrugs. Our current concern must be for such examples and experience to become widespread as soon as possible and without delay. No single enterprise, school, military unit or rest home must be without its truck and orchard garden, without its auxiliary farm. Practical experience has proved that this is a major source of steadily increasing the variety, improving and reducing the cost of food consumed by the collectives. In turn, this is a major prerequisite for the implementation of the major task of the Eighth Five-Year Plan, which calls for 65 percent of all workers, employees and students to eat in public cafeterias.

Both the five-year and the 1982 plan heavily emphasize the increasing and more intensive use of all our resources. Unquestionably, it is this spirit of the plan that must imbue our daily life and become the main feature in our efforts for the implementation of all the tasks facing the economy and society during the next period. Here is an example: there is good housing in our resort areas, more than adequate for use by its owners. If tourist organizations, trade unions and people's councils see to it that such housing is used more extensively to accomodate tourists and vacationists, as was done in Velingrad and elsewhere, the need to invest dozens and hundreds of millions of leva in hotels and rest homes will be greatly reduced. Unquestionably, there will be new construction, but at a slower pace. That is why we must turn our full attention to private housing. With minor investments on the part of the owners in making their houses more comfortable and hygienic and greater control on the part of the people's councils over observing the proper regulations we could accomodate an increasing number of workers and employees and their families who wish to spend their annual or weekend leave usefully as of now. At the same time, we would be able to save millions of leva to meet other urgent needs facing our resort settlements.

What does this mean? It means that whereas the population, the owners' families will be concerned with most of the bedding situation, the trade unions, aasociations, enterprises, establishments and people's councils will combine resources for developing the balneological-treatment facilities, food services, sports grounds, parks, and entertainment and cultural institutions which are either insufficient or have become obsolete in many of our resort centers. This will be coordinated by the Tourism and Working People's Recreation Association. In this manner, with the funds and work of the families about 50,000 beds may be made available during the five-year plan, and public funds can be used for modernizing many of our resort areas. It is precisely this combination of private and public efforts that is one of the main task of the Tourism and Working People's Recreation Association, fusing private, collective and public interests with the help of the economic approach. This will enhance the effectiveness of resting and tourism and provide better conditions for the recreation and treatment of additional numbers of working people.

The purpose of these specific examples is to back the major idea contained in the plan and the budget, which is that in meeting the needs of the population we must not be content with the implementation of the plans but steadily and actively to find and utilize all the possibilities available to our society for the purpose of improving working and living conditions, paying greater attention to man, the builder of socialism, and to the enhancement of his sel-esteem. This is a decisive prerequisite for the successful completion of all our party plans.

The five-year plan and the 1982 plan and budget include yet another particularly characteristic feature of the social policy of the party and the state.

Priority will be given to channeling substantial capital investments in housing, water supply, health care, children's institutions, education, culture, environmental protection, transportation, communications and centralized heating.

However, let us point out that in the Seventh Five-Year Plan substantial funds which had been appropriated for housing and school construction, children's and health care institutions, trade, water supply and other social projects remained unused because of major shortcomings in investment work, unclear architectural-construction policy, inadequate construction facilities, disturbed pace in construction output and insufficient local initiative.

I am sure that all of us agree that such practices cannot and must not be allowed to continue during the Eight Five-Year Plan. Every single leva stipulated in the plan must be used for its specific purpose if it is to serve society, as required by the party and the state. This will strengthen the people's faith in the party's promises, unite them, and rally them around the party's policy. In this case, the problem of effectiveness is as important as that of the economy. We, the members of the Commission on Social Policy, will support with all our strength the initiatives of the government, the ministry and particularly the people's councils on the timely use of all the funds appropriated for social measures. Furthermore, we must seek new possibilities of meeting urgent needs with the help of the local population.

Let us take the example of the schools. The Eighth Five-Year Plan calls for the construction of another 5,000 classrooms. This is an exceptionally important task. We cannot and must not allow its nonfulfillment. Schools must be built wherever needed and planned. I think that in the Eighth Five-Year Plan we must be guided by

the principle that our social measures -- schools and kindergartens in particular -- are concentrated precisely where the people live and work.

Something else. Usually, today schools and other social projects are assgned the lowest priority in the plans of construction organizations.

Furthermore, the task of mandatorily building 5,000 classrooms during the five-year plan cannot be met with current conventional construction methods. New and more effective technologies are making their way in Varna, Plovdiv and Sofia. The commission has studied them on site. They reduce school construction time considerably. Such technologies must be applied more widely.

During the Eighth Five-Year Plan as well, the housing problem will remain one of the most important areas of our social policy. The plan calls for the construction of more housing compared with the Seventh Five-Year Plan. This task is entirely realistic. Practical experience has indicated however that in the course of its implementation additional resources can be found and used for the construction of 400,000 housing units, instead of 360,000 as planned. This was decided at the 12th party congress and, a few days ago, at the BCP Central Committee Plenum. In order to achieve this, along with the possibilities offered by the plan we must also create conditions for the use of the potential of the economic organizations, labor collectives and all citizens in need of housing. To this effect, in accordance with the congress' decisions, we are currently drafting a proposal which calls for the use of several additional methods of ensuring the fuller mobilization of the forces of society for resolving the housing problem.

To begin with, any family in need of housing must invest 500 hours of work in housing construction. This measure was suggested by our Komsomol. For the past several years, it has organized the sending of young people who need housing to work in construction, in exchange for which they are given housing.

Secondly, economic organizations and establishments are given the opportunity to accept from the construction organizations unfinished housing projects, which they complete with their own funds and the work of their collectives. This gives them the right to allocate the newly built housing among their workers and employees who need housing and who have properly applied to the people's councils.

Thirdly, the labor collectives will be allowed to assign to work with construction organizations their own workers and employees, whose labor will be compensated for with a certain number of housing units for their needy comrades. This is practiced by the Sofia Komsomol organization, which has assumed the obligation of completing 400 housing units in honor of the Komsomol congress, for which it will receive 160 housing units to be distributed among young needy families.

Fourthly, greater opportunities are provided for buying unfinished housing which the people can finish with their own work and funds and according to their taste.

The commission members believe that these and some other measures will attract the efforts of all economic organizations and establishments and of anyone in need of housing, making maximal use of their own funds and labor which they will add to the resources of the state and the construction organizations, thus building the planned housing successfully and rhythmically every year and even increasing the number of

newly constructed projects in the Eighth Five-Year Plan. During our debate on the draft plans and budget we, the members of the Commission on Social Policy, decided to assume permanent parliamentary control over the implementation of the plan for the building of housing, schools, kindergartens, health care institutions and water supply facilities and to take steps for the improvement of living conditions.

The Eighth Five-Year Plan, the 1982 budget and the considerable additional reserves of our society provide a strong material and financial base for the social policy of the party and the state in the forthcoming period. The credit for this goes to our toiling people and to the correct and profoundly national April line of the party and its Central Committee headed by Comrade Todor Zhivkov.

The strong economic foundation of our social policy as outlined in the Eighth Five-Year Plan reveals something very important to and typical of our development: its exceptional stability, which ensures the steady improvement of the people's working and living conditions.

The unified socioeconomic part of the Eighth Five-Year Plan was formulated and adopted under the circumstances of the severe economic crisis in the Western countries, where unemployment in the developed capitalist countries has reached unparalleled, unforeseen and unexpected dimensions. It turned out that the models of full employment, which were extensively publicized by the defenders of capitalism, were unable to cope with inflation and unemployment.

Unemployment in the capitalist countries is a difficult and deeply depressing social problem, which cannot be corrected by any kind of social aid to the unemployed. Depriving a person of the right to work leads to his social degradation.

How strong and humane our social policy appears against such a dark background! It offers eloquent proof of the strong economic base which we are successfully laying and will continue to lay. Our own experience also proves that a properly.executed social policy brings to light and activates tremendous social reserves for the successful progress of our society on the way to mature socialism and communism.

Something else: our social policy is not one of philanthropy. It is not a policy aimed at smoothing over acute social disparities. Its purpose is to prevent such disparities. It is a policy founded on social justice. Its final objective is the shaping of a socially homogenous society.

The new five-year plan for the socioeconomic development of the country in the Eighth Five-Year Plan is a good and firm foundation for the pursuit of precisely such a policy.

5003
CSO: 2200/43

## SIGNIFICANCE OF PRIVATE FARM PLOTS STRESSED AGAIN

Sofia POGLED in Bulgarian 9 Nov 81 pp 1,4

[Article by Barukh Shamliev: "Merits and...Undeserved Underestimation"]

[Text] Self-sufficiency is another word for nutritional self-support. It is a system through which the economic approach is applied in okrug and conurbation systems. Today the main criterion for the contribution made by an okrug or conurbation system is the extent to which it can meet the norm for satisfying its needs with its own resources.

Some people mistakenly relate exclusively the entire self-sufficiency system to the development of private plots. More than anything else, self-sufficiency is an integral system which covers public production, auxiliary (enterprise) farms, and private plots. The plan for the self-sufficiency of okrugs and conurbation systems combines in a harmonious entity social, auxiliary and private production facilities.

The agroindustrial complexes are the main form of production organization in agriculture. At the 12th party congress, Comrade Todor Zhivkov stated that "It is a question of ensuring the further development and strengthening of the private and auxiliary farms as an extention of and supplement to the national economy." In this light, the question "who-whom?" as applied to the public and private farm means paying dues to a repulsive kind of doctrinairism. In our country commodity-monetary relations have not reached the point at which they can be eliminated.

The advantages of the private and auxiliary farms are varied and numerous. Suffice it to recall that in 1979 private plots accounted for 23.6 percent of the overall farm output and that their share in animal husbandry -- 33.3 percent -- was even higher. Furthermore, considering the current manpower shortage and the existence of a considerable amount of land which has either been abandoned or does not lend itself to machine cultivation, let us bear in mind that about 700,000 decares of land and some 600,000 people -- mainly retired -- are being gainfully used.

Consequently, in terms of their social nature the private plots are an element of socialist agriculture. They participate in the formation of the national food stocks and account for considerable human and material resources. Finally, private plots are most active in agricultural subsectors which require the highest amount of labor but are the least mechanized: hog breeding, truck gardening and fruit growing.

## Three-Year Balance

The self-sufficiency system was created slightly over 3 years ago. This amount of time has been sufficient for proving its advantages and identifying its unresolved problems.

Today there are 4,250 auxiliary farms and more than 100,000 workers and employees have each been granted 100 square meters of inheritable land free of charge.

Above all, we are close to reaching the major objective of eliminating entirely the inclination of okrugs and conurbation systems to rely on the state in meeting their food requirements. Today, they must rely mainly on themselves and should they experience shortage of some products they may procure them by trading their own surpluses with others. This is the new and essential feature of the self-sufficiency system. It has eliminated the old sponging-consumerist tendency of relying on the state for everything.

For the past 3 years, there has been a clear trend toward steadily increasing the production and consumption of animal husbandry goods and some fruits and vegetables. Production has risen by 14 percent for milk, 21 percent for eggs and 4 percent for meat, as a result of which per capita consumption has increased by 12 liters for milk, 3.5 kg for meat and 13 kg for fruits, and by 32 eggs.

The fact that the self-sufficiency system, which is oriented toward increasing output, became naturally linked with the norms of a rational individual consumption in each okrug and conurbation system represents a great success. The guiding principle is that if personal consumption norms are not met the self-sufficiency plan has not been met. In this manner, personal consumption by the working people becomes a firm plan indicator.

The enterprise auxiliary plots are an example of the high effectiveness of the self-sufficiency system. Currently, they total about 130,000 decares of cultivated land. Virtually all large and medium-sized enterprises have acquired such farms. They are raising a total of more than 250,000 hogs, 95,000 sheep, 12,000 head of cattle and 350,000 head of poultry. Let us emphasize the important fact that this year 95 percent of the annual meat requirements of workers' cafeterias will come from the enterprises' farms. All enterprises in Burgas Okrug have their own auxiliary farms.

## Avoidance of Difficulties

The positive results achieved by the self-sufficiency system so far confirm its possibilities. Compared with the recent past, they prove that this is the proper way. The unadorned facts, however, show that the desired change in its development is still beyond the horizon. Those who hope that the good results will come by themselves are profoundly mistaken. And those who believe that it is sufficient to contract for specified commodities for the latter to be delivered on time and without losses and without giving the private plots tremendous organizational assistance will be bitterly disappointed, as they already beginning to be. The tempting figures indicate a possible but not a guaranteed alternative.

Compared with last year, this year's expected increases will be as follows: 37,000 tons of meat, 79,000 tons of milk, 80 million eggs, 87,000 tons of tomatoes, 112,000 tons of potatoes, etc.

All of these amounts will be chanelled into the self-sufficiency system. The question now is who will undertake to give the required organizational and practical assistance to the system. The agroindustrial complexes bear the main responsibility for the development of the private plots and for veterinary care and services involving machinery, cattle and chemicals. The truth, however, is that most agroindustrial complexes still consider the needs of the private plots as their lowest priority. During this year's intensive agricultural campaign the retired -- the main motive force in the private plots -- were left to fend for themselves in the areas of fodder procurements, fertilizer transportation, cattle and equipment.

We are told that there is not enough fodder for all the farms. This is true. However, instead of complaining and ignoring the problem, the agroindustrial complexes should have encouraged the private farms to grow their own fodder. The truth that private plots cannot be left to their own devices must be acknowledged. Once again, in this case the consumerist approach made itself be felt: the state was asked to provide fodder so that we can have meat.

Regardless of how unrelated the self-sufficiency system may be to the work of some ministries and departments, they too have responsibilities in this area. They violate and inadmissibly extend deadlines set by many decrees related to the development of the self-sufficiency system. The situation related to the production of small tools which, are so greatly needed by the private farms in semi-mountainous areas (and by others as well) is not expected to change next year. Virtually nothing is being planned in this area by the Ministry of Machine Building and Electronics for next year. The project is in its conceptual and program-drafting stage. The argument that the domestic machine-building industry is unable to find the necessary internal resources for the production of....90 tons of axes and 40 tons of adzes sounds unconvincing. It is hard to believe that the National Agroindustrial Union has exhausted all possibilities of manufacturing 50,000 hoes next year, not to mention vine sprayers. There are no stores selling prepackaged fertilizers, plant-protection chemicals and other small items.

Everyone wants urgently more meat, fish, beans, lentils, fruits and vegetables, but when it comes to taking practical steps to help a system which has proved its viability they are being postponed year after year. The avoidance of difficulties is merely postponing instead of than resolving the problems.

5003
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EDITORIAL URGES BETTER QUALITY CONSUMER GOODS, SERVICES

Sofia RABOTNICHESKO DELO in Bulgarian 15 Dec 81 p 1

[Editorial: "Improving Goods and Services Is a Strategic Task"]

[Text] The steady improvement of the living standard of the people is one of the main strategic tasks set by the 12th party congress. This task will be implemented through the intensive development of the economy . This will ensure the fuller satisfaction of the people's needs for commestible and industrial goods and services.

In our country per capita real income and social consumption funds are increasing steadily. Between 1976 and 1980 they increased by 12.7 percent while consumption funds increased from 420 to 619 leva.

The purchasing power of the working people will continue to increase during the Eigth Five-Year Plan. This calls for a rapid increase in the quantity and variety of goods and services. In his October 1981 speech to the economic and party aktiv, in which he discussed some problems and tasks related to the implementation of the decisions of the 12th party congress, Comrade Todor Zhivkov categorically stated: ..."We shall do everything possible to maintain the living standard of our people and to ensure the full implementation of the party's social policy as earmarked by the 12th party congress. Today our attention must be focused on the tasks formulated at the 1980 Ruse meeting, which were expanded by the decisions of the 12th congress. We must guarantee the production of goods matching the purchasing power of the population."

Today, the light, local, household chemical and machine-building, electronic, furniture and food industries and all sectors which sell their goods on the marketplace face a serious task. They must review their plans thoroughly, surmount weaknesses and hindrances quickly and implement the party's demand. Every single industrial enterprise in our country which can produce consumer goods must do so, regardless of whether it is its main task or by opening additional consumer goods shops and related production facilities.

The question of population services assumes exceptional significance as well, for they are needed in order to ensure the biological development of man and to support his vitality, work possibilities and sociocultural development. They include a broad range of health, transportation, administrative, legal and household services.

The means through which existing consumer service weaknesses can be eliminated have been known for quite some time. They are the fullest possible utilization of existing and the thrifty and sensible building of new capacities, the thorough study of demand in terms of quantity and variety, bringing them closer to the population through reception centers, reducing the required time for filling an order and ensuring decisive quality improvements.

In many areas the requirement that each big plant open a store selling commestible and hardware goods and service workshops and organize an auxiliary farm for the sake of lowering food costs in workers' cafeterias is being successfully met. There have been achievements in this respect in Sliven, Varna and Lovech okrugs. The efforts of the economic and party managements at the Chemical Works in Devnya, the Druzhba Plant in Varna, the Georgi Dimitrov and Subi Dimitrov combines in Sliven and others may be cited as examples of this kind.

The task now is for 50-60 percent of the country's manpower to be employed in services. The recruiting and training of such personnel is above all the concern of the economic ministries and okrug party committees and people's councils. Burgas and Pleven okrugs have already found means to overcome manpower shortages. They recruit the retired and the housewives and students and specialists who work in their spare time.

Extensive use could also be made of privately owned facilities related to auxiliary farms of enterprises and consumer service establishments. This is particularly necessary in villages and other sectors in which the state is currently unable to provide all services.

The territorial location of service facilities, which are found mainly in the okrug and conurbation centers, is unsatisfactory. The fact that consumer services in 11 conurbation systems in Kyustendil, Kurdzhali, Blagoevgrad, Smolyan, Turgovishte and Silistra okrugs are very unsatisfactory is a matter of concern. The achievements of Vratsa and Sliven okrugs, where no single settlement is without a workshop or reception center, indicate the manner in which the territorial problem of services can be resolved most efficiently.

It would be just to point out that work on the solution of such important problems has been done previously as well. The okrug people's councils and all industrial enterprises adopted special programs for the implementation of the decisions formulated at the Ruse meeting and the 12th party congress. Now, however, we must determine what has already been accomplished quickly and without delay, take to task those responsible for the weaknesses and earmark the new assignments. This is the only possible response to the party's call for raising the living standard of our industrious people and meeting their need for high-quality goods and services on a daily basis.

5003
CSO: 2200/42

## BRIEFS

BULGARIAN-MONGOLIAN TRADE--Sofia, 17 Dec (BTA)--Bulgaria is number four in Mongolia's foreign trade. In the years of the Seventh Five-Year Period (1976-1980) reciprocal trade rose 3.4-fold as compared to the achievements in the 1961-1965 period. The Bulgarian export list includes products of the mechanical engineering and complete projects. Their share amounts to 40 per cent of the Bulgarian deliveries. In addition Mongolia purchases foodstuffs, products of the chemical and pharmaceutical industries. Bulgaria imports raw materials, meat, products of the textile and fur and leather industries. In the 8th Five-Year Period bilateral trade is envisaged to reach 70 million rubles. With Bulgarian long-term credits and with Bulgarian assistance there are built in Mongolia a meat combined works in the town of Chobalsan, a fur and leather factory in the town of Darhan, light industry enterprises, 14 brick factories, agro-industrial complex and so on. The next five years Bulgaria is to grant Mongolia new 10 million rubles of credit, intended for expanding existing production capacities, for carrying out geological prospecting. Last year the two sides signed an agreement on setting up a joint enterprise--the "MongolBulgarmetal." The 15th session of the Bulgaro-Mongolian Commission on Economic and Techno-Scientific Cooperation began today. At the plenary session there were discussed the matters of trade, cooperation in the field of geology, science and technology. The possibilities of the two sides for obtaining, processing and transport of energy-carriers were discussed. The plenary session was chaired by the commission co-chairmen--Mr Stanish Bonev, deputy chairman of the Council of Ministers of Bulgaria, and Mr Myatabyn Peljee, deputy chairman of the Mongolian Council of Ministers. Today Mr Myatabyn Peljee was received by Mr Grisha Filipov, chairman of the Bulgarian Council of Ministers. At the meeting they discussed the fulfillment of the agreements between the two countries' party and state leaders, Mr Todor Zhivkov and Mr Y. Tsedenbal. Stress was laid on the need for raising the efficiency of bilateral cooperation. Measures were mapped out for activating the ties between economic organisations of Bulgaria and Mongolia. [Text] [AU171433 Sofia BTA in English 1348 GMT 17 Dec 81]

KURDZHALI OKRUG PLENUM--On 14 December a plenum of the BCP Kurdzhali Okrug Committee took place. Organizational matters were discussed. The plenum was attended by Todor Zhivkov, BCP Central Committee secretary general and State Council chairman, and comrades Aleksandur Lilov and Georgi Atanasov. Because

of transfer to responsible work at the BCP Central Committee, the plenum relieved Georgi Petrov, hitherto first secretary of the BCP okrug organization, from his post. The plenum unanimously elected Georgi Tanev, BCP Central Committee member and first secretary of the Komsomol Central Committee, first secretary of the BCP Kurdzhali Okrug Committee. Other personnel changes also took place at the plenum. Comrade Todor Zhivkov was handed a report to the BCP Central Committee from the Kurdzhali Okrug working people, on timely implementation of the plan of the okrug socioeconomic development during the current year. [Text] [AU142021 Sofia Domestic Service in Bulgarian 1830 GMT 14 Dec 81]

AFGHAN-BULGARIAN TALKS--Babrak Karmal, general secretary of the People's Democratic Party of Afghanistan [PDPA] Central Committee and president of the DRA Revolutionary Council, and Todor Zhivkov, general secretary of the Bulgarian Communist Party Central Committee and president of the Bulgarian State Council, began their official and friendly talks at the (?Vienna) Palace in Sofia at 1000 today. From the DRA, the talks were attended by Mahmud Barialay, candidate member of the Politburo and secretary of the PDPA Central Committee; Niaz Mohammad Mohmand, secretary of the PDPA Central Committee; Maj Gen Abdol Qader, vice chairman of the Revolutionary Council Presidium; Shah Mohammad Dost, minister of foreign affairs; Emtyaz Hassan, ambassador extraordinary in Sofia; Mer Shahib Karwal, member of the PDPA Central Committee, and Mohammad Anwar Farzam, secretary of the Revolutionary Council Presidium. [Text] [LD172140 Kabul Domestic Service in Dari 1600 GMT 17 Dec 81]

CSO: 2200/48

NATIONAL ECONOMIC PLAN FOR 1982 PUBLISHED

Budapest NEPSZABADSAG in Hungarian 20 Dec 81 pp 1, 5

[Text] The Information Office of the Council of Ministers Reports:

The government has discussed and approved the 1982 national economic plan. The plan--based on the economic development of 1981--has as its goal a continuation of the economic policy guideline of the Sixth Five-Year Plan.

Development of the Economy in 1981

The Council of Ministers established that the national economy is developing successfully. The two chief goals posted in the 1981 national economic plan are being realized--that we must improve the economic balance and preserve the standard of living of the populace. But processes which will increase efficiency and improve the economic balance on a lasting basis have not yet unfolded to an adequate degree in production.

National income is increasing to a small degree but is not reaching the planned level. The increase in production derives in its entirety from an increase in productivity.

Domestic use is almost identical with that of 1980--consumption by the populace is increasing more quickly than prescribed and accumulation is moderating less than planned. Investments exceed what was planned. The ratio of consumption continues to increase in domestic use of national income.

Industrial production and industrial export are increasing to only a small degree. Difficulties in sales to capitalist countries, primarily, are holding back an expansion in production in metallurgy, the chemical industry and a number of branches of the machine industry and light industry. Electric power production and petroleum processing are low as a function of energy use. Industrial production is being affected by the fact that the competitiveness of products is not improving adequately and that the adaptability of the enterprises is not satisfactory. Product and manufacturing development, beginning manufacture of new products and introducing them on the market are slow.

The supply of materials for production was satisfactory. As a result of a moderation in the production of energy demanding products and the initial results of the energy management program energy use by the national economy is decreasing. The number of those employed in socialist industry has moderated. Production per capita has increased considerably.

Production by the construction industry has decreased to the planned degree. Construction of an investment character has moderated and construction of a maintenance and renewal character and that done for the populace have increased. Because of a reduction in demand the capacity of a few enterprises has not been fully utilized while elsewhere--primarily in the capital--some of the construction needs could not be satisfied.

The quantity of agricultural products is hardly greater than last year--largely because of the weather. The unfavorable weather afflicted primarily fall sown cereals and grape plantation. The production of bread grain was less than last year and less than planned. Production laid the foundations for domestic supply but there was less than planned for export. Average yields for corn were good but the planted area decreased. The large average yields of potatoes ensure ample supply. Despite frost damage more vegetables and fruits were produced than last year, but in some places there were blockages in the takeover of goods. Wine production was small but of good quality.

Animal husbandry developed somewhat better than planned; both the supply of animals and meat production are larger than calculated. Fodder supply has been smooth. The export of agricultural and food industry products increased more dynamically than planned.

The transportation enterprises satisfied the transportation needs. As a result of energy management measures energy use by transportation and communications does not exceed that of 1980.

The producers price level developed essentially as planned.

The number employed in the national economy is decreasing for demographic reasons. Manpower management by the enterprises is improving in general and the shortage of manpower is moderating.

The switch to a five day work week has begun. In general the enterprises have satisfied the requirements set down as a condition for the switch.

The per capita real income of the populace has increased more than planned; real wages per earner have increased. The planned social policy measures have been realized. Beginning in January of this year the regular annual minimal increase in pensions became 100 forints instead of 70 forints per month; at the same time the spouse supplement became greater by 100 forints. Thus the real value of pensions smaller than the average was maintained. The real value of payments as social allotments is greater than last year.

The consumer price level increased to a degree approximating what was planned. The price changes increased the price level of purchases by families with larger incomes more than the average and increased the price level of purchases by families with smaller incomes than the average less. The price level for basic goods and services increased at a rate smaller than the average--even with the increase in the price of meat. Trade satisfied the increasing demand.

State and private housing was constructed in numbers corresponding to what was planned. The number of renovated and especially modernized, dwellings increased. More hospital beds and nursery capacity were created than planned. The number of new kindergarten and school classrooms exceeds what was planned also. In regard to developments for cultural and sport purposes, the operations building of the State Opera House will be built by the end of the year, renovation of the Jozsef Katona Theater has been completed, and the Kecel education center, the megye cultural center in Nyiregyhaza, the Landorhegy cultural center in Zalaegerszeg, the covered swimming pool in Szombathely, the Balatonfuzfo pool, the Debrecen athletic stadium and the Szeged rowing course are ready.

The volume of investments has decreased--as a result of measures to this end--but the volume is expected to be greater than planned. A sum corresponding to what was planned was paid out for state investments; more was paid out for the enterprise investments.

In general the large investments under way are being realized at the planned pace. The large investments planned for completion this year--the mining research facilities in Recesek, reconstruction of the Hungarian Rolling Bearing Works, the Szikra Press and the second stage of the Kiskore water stair--are being finished. The large sport hall in Budapest has been handed over also.

Foreign trade expanded more slowly than planned. Imports moderated and exports increased in ruble accounting trade. The deficit in the trade balance is close to what was planned and will be less than last year. Non-ruble accounting export is increasing more slowly than planned. A small deficit is expected in the trade balance.

The Chief Goals and Prescriptions of the 1982 National Economic Plan

The chief goal of economic work in 1982 also will be to improve the balance situation of the economy and preserve the living standard of the populace. Production and domestic use will develop subordinate to this goal.

Increasing production and improving the utilization of existing capacity will serve largely an expansion of economical export and rational replacement for expensive imports. The modifications implemented in the economic regulator system are directed at making management organizations--especially in industry--strive more actively to increase the efficiency of production, strengthen international competitiveness and develop the structure of production so as to serve an improvement in the balance situation.

The productivity of work will increase more quickly than production. Specific materials and energy expenditures should decrease to a greater degree than in preceding years by strengthening conservation and more rational costs management.

Domestic final use of national income will moderate by a further reduction in accumulation. In the interest of preserving the standard of living the real income of and consumption by the populace will increase to a small degree.

The goals of the 1982 national economic plan must be realized under external economic conditions substantially less favorable than those hypothesized at the time of the preparation of the Sixth Five-Year Plan; increased efforts will be needed to counterbalance these.

Most Important Prescriptions of the 1982 National Economic Plan in Percentages of 1981:

| | |
|---|---|
| National income | 101-101.5 |
| Domestic use | 98-99 |
| Industrial production | 102-102.5 |
| National construction-assembly | 98-99 |
| Production of agricultural products | 104-104.5 |
| Real income per capita | 100-100.5 |
| Consumption by the populace | 100.5-101 |

We can turn 178-180 billion forints at current prices to investments in the socialist sector.

Industry

A larger proportion of industrial production must serve an improvement in the external balance. Those enterprises which are capable of quickly increasing non-ruble accounting export or efficiently replacing imports are the ones, primarily, which can count on energetic development. This will be aided by the modifications of the regulator system and by economic organizing measures also. Production can increase more than planned if import needs decrease more than calculated in the plan and if economical export increases more quickly.

Increasing production and export will require a vigorous improvement of the efficiency of management. We must accelerate the modernization of the structure of production, raising the technical level of production and improving the quality and competitiveness of products. We must increase the production of products which can be sold economically on foreign markets and which improve domestic supply. We must achieve greater results than heretofore in the development of the background industry and the manufacture of parts and subassemblies. We must considerably increase the manufacture of modern products which require less energy and material, aiding the realization of materials and energy conservation. Cooperation among enterprises must be made closer and we must strengthen delivery discipline. Industrial organization, and the internal structure and guidance of enterprises should be modernized and the level of leadership must be increased.

The plan prescribes that realization of the energy management program must be accelerated in every area and that practical results must be achieved in carrying out the program aimed at making use of wastes and secondary raw materials. In addition a program aiding more thrifty materials management must be worked out and realization of this program must begin.

The plan calculates that the development of and economic and financial situation of the enterprises will differentiate further as a function of the execution of the above tasks and as a function of the efficiency of management. Management organizations which get into a difficult situation, develop a deficit or shortage of funds, must take the measures necessary to make their activity economical.

The number employed in industry will probably decrease further. The increase in production will be based on an increase in work productivity.

Total energy use by the national economy cannot increase or can increase by only a small amount. Accelerating the implementation of the energy management program is an important task in every area. The appropriate organs have worked out organizational, investment, technical development and technological measures to aid rational energy use and the plan contains material cover for them. The ratio of domestic production will increase to almost 50 percent in regard to energy sources; the share of hydrocarbons in total energy use will decrease somewhat.

The production of metallurgy will make possible an expansion of export--in addition to increasing domestic sales. Domestic sale of machine industry products can hardly be increased but their export can be increased dynamically. Implementation of the computer technology central development program will continue and a central development program for the development and manufacture of electronic parts and subassemblies will begin. The telecommunications, vacuum technology and instrument industries will develop at a rate exceeding the average for the machine industry. In regard to machine industry products, production of numerically controlled machine tools, modern electric equipment and apparatus and instrument industry products will increase more quickly than the average. Petroleum processing will decrease in the chemical industry but the other chemical industry branches will increase their production.

The central development programs now under way will continue to define the pace and direction of structural change. Synthetics processing will continue to increase on the basis of the petrochemical central development program; export will expand vigorously on the basis of the central development program for manufacture of pharmaceuticals, crop protection materials and intermediaries. Production by the light industry branches will differentiate as a function of demand and economicalness. Even with a moderate increase in production the demand of the construction industry and of the populace for construction materials industry products can be satisfied. In the food industry--taking export interests into consideration--the production of the meat industry, sugar industry and vegetable oil industry can increase more than the average.

Construction to be carried out on investments will decrease further; maintenance and renovation activity will expand. The value of construction done abroad will increase considerably. The modification of the construction industry's price, wage and organizational systems will aid a strengthening of entrepreneurial readiness of construction industry organizations and the development of conditions for competition. Manpower will decrease further in the construction industry. This must be counterbalanced by an increase in productivity.

Within the production of agricultural products--given average weather--crop production will increase more quickly and animal husbandry more slowly. Supplementary activities by large agricultural operations will expand further.

The sowing area will increase in order to provide a secure foundation for grain production. Better average yields than this year can be attained in cereals and average yields similar to this year can be attained in corn. The quantity of oil plants needed for domestic supply and for export can be harvested even from an area smaller than this year. The area planted in sugar beets will be similar to this year. Production of vegetables must be increased in a variety better suited to demand. We can count on greater wine production from an area identical to this year.

With the development of meat animal stocks there will be an increase in slaughter cattle production and milk production will be somewhat higher also. The existing stocks make possible an increase in slaughter hog production. The fodder needs of animal husbandry can be satisfied without trouble.

Improving the efficiency of production and making better use of assets is a fundamental task in agriculture also. This will be encouraged by the measures taken in the interest of energy conservation and by other measures.

While maintaining good foodstuffs supply the export of agricultural and food industry products can probably be increased only modestly--primarily because of the unfavorable wheat crop this year.

Performance by freight and passenger transportation will increase moderately--as a result of the composition of transportation needs and tasks--and the transportation needs can be satisfied. The number of automobiles owned by the populace will increase further, reaching 1,140,000. The highway network will be expanded with a new section between Bicske and Tatabanya. Strengthening and renewing the surfacing of roads will continue at a pace similar to the preceding year.

The domestic producers price level will increase by 4-4.5 percent in industry--taking into consideration the expected development of foreign trade prices as well. The increase derives in part from the 1981 price changes--especially the energetics price changes. The construction industry price level will increase by about 4 percent. Moderate price changes can be expected in other economic branches.

Employment, the Manpower Situation and the Income of and Consumption by the Populace

The number employed in the national economy will probably decrease further. A reordering of the branch structure of manpower will continue similar to that of preceding years; the number of employees in industry and the construction industry will decrease, the number in agriculture and production services will be practically unchanged and the number in non-productive branches will increase slightly.

Demand for manpower will probably moderate further. As a result of the modification of the regulator system and other measures and the more severe economic environment manpower management by the enterprises will improve further and become better adapted to the needs of production. Economic organizational measures also will aid the freeing of manpower which is not being employed efficiently so that it can go to areas capable of development.

In the first half of next year there must be a switch to the five day work week--with the exception of educational institutions, agriculture and a few other areas. In general this must be done with one's own strength. The financial and economic situation of the managing units cannot deteriorate and the earnings of the workers cannot decrease due to the switch. The health and cultural branches will get support to cover the extra personnel required.

The plan prescribes that the chief indexes characterizing the standard of living of the populace should develop in accordance with the prescriptions in the Sixth Five-Year Plan for the years 1981-1982 combined. Average earnings of workers and employees will increase by 4-5 percent. It is a requirement that wage management

by the enterprises should better express individual performances. The consumer price level will increase by about 5 percent. This derives largely from the 1981 central price measures and from the price changes which will be made in the enterprise sphere next year. Expenditures covering social allotments will increase more moderately than this year. The plan prescribes that the real value of pensions under 2,000 forints must be preserved and that scholarships must be increased.

Retail trade will expand quantitatively to a small degree. It is an important requirement that the level attained in goods supply must be maintained. New forms of operation will spread further in retail trade.

Infrastructural services to the populace will develop further to a modest extent. The councils should develop their 1982 plans in such a way that the stressed goals of the Sixth Five-Yera Plan can be realized.

As a further improvement in housing 77,000 new dwellings will be built; 19-20 thousand of these will be state housing. The councils should continue to modernize housing distribution and management, placing greater emphasis on a gradual satisfaction of needs and organized exchange of dwellings. The plan prescribes renovation of 19-20 thousand state housing units and modernization of about 10,000. Capacity carrying out maintenance construction will expand more quickly in the capital and the five large cities--with central support also.

As an improvement in health services about 1,200 new institutional beds will be created; new facilities will be built in Szolnok and Budapest among others. Almost 3,000 new nursery spaces and 8,000-9,000 new kindergarten spaces will be created. The ratio of those placed in kindergarten will increase further and overcrowding will decrease considerably. As a development of the general school network 1,200-1,300 general school classrooms will be created. Of those graduating from general school 92 percent will continue their studies in various institutions of secondary instruction. The number of students who can be admitted to higher education institutions will decrease somewhat.

In regard to the larger cultural and sport facilities renovation of the Karl Marx Economic Science University, the State Opera House and the Film Factory and restoration of the Budavar Palace will continue; the rebuilding of the Lorand Eotvos Science University will begin, renovation of the Madach Chamber Theater will be completed and a sport hall in Kaposvar and a film theater in Veszprem will be built.

Investments

Because of the balance requirements the 1982 plan prescribes a further reduction in investments. State investments will moderate to a greater extent and enterprise investments to a lesser extent. Investments serving energy conservation and energy production will increase.

Of the large investments now in progress the construction of the Bito II bauxite mine, expansion of the Halimba III bauxite mine, the semi-finished products development at the Szekesfehervar Light Metal Works, the maintenance of level investment at the Csepel Pipe Factory and construction of the Budapest Waste Burning Plant and the Szekszard Meat Combine will be completed. Of the large investments to be

completed later partial operations will begin in the Markus Hegy and Nagyegyhaza mines, in the steel works of the Danube Iron Works and the Lenin Metallurgical Works, in the Szolnok Paper Factory and in the widening of the Arpad Bridge. Construction of the Paks nuclear power plant will reach an important milestone during the year--Block No 1 will provide current for the national net. Three large investments will begin: the development of coking coal production in Mecsek, construction of the Fenuofo bauxite mine and construction of the coking works at the Danube Iron Works.

In the sphere of smaller state investments assets must be turned primarily to developments connected with the stressed social policy goals (housing construction and related facilities, health affairs and general school education). New investments involving larger scale construction work can be started only in exceptional cases.

In the interest of planned regulation of investments by enterprises and cooperatives several economic regulators have been modified. There will be an increase in the ratio of credits and supports which can be given for developments which aid an expansion of the convertible export goods base, the economical replacement of expensive imports, rationalization of energy use and utilization of wastes and secondary raw materials.

International Economic Contacts

Foreign trade will expand more dynamically than this year. The increase in export, especially, will exceed that for 1981; this must be achieved primarily by a swift increase in the economical export of industrial products. Imports can be increased only to a very small extent. In the interest of this we must strive to increase rational conservation in use of energy and materials and to replace expensive imports with economical domestic production. The foreign trade deficit will moderate further.

Measures Serving Execution of the Plan

Within the framework of its approval of the 1982 national economic plan the Council of Ministers also passed a resolution concerning measures serving execution of the plan. The purpose of these measures will be to improve the efficiency of management, improve the developmental possibilities for enterprises and cooperatives capable of dynamic growth, strengthen the harmony between national economic and enterprise income generation, develop in a planned way accumulation and consumer purchasing power and realize the foreign economic goals.

The Council of Ministers asks those working in enterprises and cooperatives, in councils and institutions to contribute, according to their best knowledge and abilities, to the perfect realization of the goals of the 1982 national economic plan.

8984
CSO: 2500/98

## NEW AGENCIES DEALING WITH LABOR ESTABLISHED

### Bureau of Wages and Labor

Budapest MUNKAUGYI KOZLONY in Hungarian 31 Oct 81 pp 269-271

[Decision No 1027/1981 (IX. 28.) of the Council of Ministers on the Establishment of the Bureau of Wages and Labor and the Objectives of the Bureau]

[Text] I. 1. The Council of Ministers orders the establishment of a State Bureau of Wages and Labor (hereinafter: the Bureau) for the governmental direction of wage and labor matters.

2. The Bureau is a national authority, comprising an independent budgetary division, under the immediate supervision of the Council of Ministers.

II. In the framework of the direction of wage and labor issues, the Bureau especially fulfills the following objectives:

1. In the area of employment politics:

a) the Bureau assists in the framing of the goals of employment politics;

b) the Bureau takes part in drawing up employment goals, objectives, and measures in the framework of yearly, intermediate- and long-range economic planning;

c) the Bureau works out the research serving the basis for planning (the national and regional prognostication of factors influencing sources of labor and the development of demand, the examination of the need for specialized labor and the accord between qualifications and output, the prognosis for changing the occupational structure, the examination of the mobilization of the labor force and labor turnover);

d) performs a macro level process analysis, as well as productivity growth, develops generally applicable methods for realizing full and efficient employment;

e) the Bureau analyzes the utilization of the societal worktime base, and assists in drawing up suggestions for more effective utilization;

f) the Bureau provides the analysis and prognostication of the development of the work force according to sector, area, and larger occupational groups;

g) the Bureau participates in the drawing up of suggestions and measures serving the balance of labor supply and demand and sensible utilization of labor, and in the promotion of regional and business manpower management as well as effective occupational rehabilitation;

h) the Bureau assists in the formation of ratios for training, retraining and extension training, and in the drawing up of general rules and methods for aiding entering young workers in finding employment;

i) the Bureau manages the system of employment for retirees;

j) the Bureau coordinates the functions regarding the employment of Hungarian citizens abroad and foreign citizens in Hungary;

k) the Bureau decides the general rules of order for labor mediation;

l) the Bureau carries out the tasks regarding retirement before the age limit;

m) the Bureau provides central assignments relating to labor specialists' course training and extension training;

n) the Bureau reports on the proposals of branch ministries, trade unions, and organizations for the protection of workers' interests, and prepares the necessary arrangements;

o) the Bureau promotes, directs, and supervises the activity of the councils' specialized agencies of local labor administration.

2. In the area of wage politics:

a) the Bureau assists in preparing the establishment and execution of the goals of standard-of-living politics regarding wages and income;

b) the Bureau takes part in drawing up wage and income goals, objectives, and measures in the framework of yearly, intermediate- and long-range economic planning;

c) the Bureau works out proposals regarding wage and income proportions and systematically analyzes the development of wage and income proportions;

d) the Bureau works out the system of wage and income regulation, and makes suggestions for its development;

e) the Bureau draws up wage tariff systems;

f) the Bureau participates in regulating the formation of the guarantee fund and develops the rules for use of the guarantee fund;

g) the Bureau works out the system of interests for workers in higher directing positions of enterprises;

h) the Bureau analyzes business wage management, and works out proposals for the necessary measures;

i) the Bureau reports on the proposals of branch ministries, trade unions, and organizations for the protection of workers' interests; on the basis of these, it works out proposals for measures in central wage politics;

j) the Bureau assists in forming principles for the use of wage preference systems; it provides authorization for wage preferences;

k) the Bureau analyzes the development of the internal business system of interests, wage forms, and methods of awarding premiums and bonuses, and aids these methodologically;

l) the Bureau provides central assignments regarding the normalization of work and the determination of output requirements.

3. In the area of regulation of labor laws:

a) the Bureau prepares with respect to publication the legal rules regarding employment, especially the Book of Labor Statutes and its rules of execution, and participates in working out the employment laws regarding cooperative membership conditions, service relations, and other legal conditions;

b) the Bureau works out central rules and directives for collective contracts and employment regulations;

c) the Bureau coordinates branch labor law regulation;

d) the Bureau directs the activity of business employment arbitration committees;

e) the Bureau participates in the activity of the Highest Court of the Labor College according to the judiciary law;

f) the Bureau aids the realization of laws regarding employment conditions by publicizing standpoints and initiating other measures;

g) the Bureau assists in the preparation of measures promoting the success of the industrial democracy;

h) the Bureau participates in preparing the execution of central assignments relating to the moral and financial recognition of the socialist work-competition;

i) the Bureau fulfills all other legal and official objectives referred to the Bureau's sphere of duties.

4. In the area of international objectives:

within the jurisdiction decided by the Council of Ministers, and with the cooperation of agencies with appropriate jurisdiction, the Bureau takes part in

a) collaboration in the framework of the council of directors of state employment agencies of COMECON member nations;

b) the work of the International Labor Agency, and establishes connections with the member countries in the interest of fulfilling its objectives;

c) the preparation and realization of international labor agreements, and the formation of reports and statements regarding the agreements and suggestions.

III. 1. The Council of Ministers appoints the president and vice president of the Bureau.

2. The president fulfills his duties in the framework of the economic plan and other rules of law, using the means at his disposal for the execution of these goals, by way of the official and institutional structure under his direction, with other central and local organs of state management, and in cooperation with the corporate system and social agencies.

3. The president provides the central direction of the special administrative activity in labor of the county (capital) councils, by way of their executive boards.

4. The president practices the authority granted him in the legal statutes in regard to the institutions under his supervision.

5. The preliminary consent of the president of the Bureau is necessary for the issuance of any statutes or measures by another minister (director of an agency with national authority) which touches the functions specified in sections I-II of this decision.

IV. 1. The State Bureau of Wages and Labor, its president or qualified minister according to department is understood where legal law mentions the Labor Ministry or minister of labor.

2. This decision takes effect 1 October 1981. The provisions concerning the Departmental Organizational Committee in Presidential Council decision 1046/1977 (XII. 14.) on business organizational work, in P.C. decision 1035/1978 (VII. 10.), point 3/b, on the establishment of the National Educational Council, concerning the Labor Ministry in P.C. decision 1016/1978 (VI. 10.), point 6, on the scope of activity, authority, and the working of the Committee on Science-Politics, and further concerning the state secretary of the Labor Ministry in P.C. decision 1024/1980 (VII. 15.), point 4), on the establishment of an Economic Committee, simultaneously lose effect; point 4. of this last decision is supplemented by the provision that the president of the State Bureau of Wages and Labor is a constant guest.

The Organization of the State Bureau of Wages and Labor

Under the supervision of president Dr Albert Racz belong:

Independent Division of Personnel and Training
director: Gabriella Pasztor

Independent Division of Labor Law
director: Dr Jozsef Radnay

Independent Division of International Affiliations
director: Tamas Marton

Secretariat of the Wage and Labor Council
director: Dr Laszlo Horanyi

Under the supervision of vice president Lajos Konya belong:

Main Division of Wage and Labor Force Management
director: Dr Laszlo Pongracz

Division of Labor Force Management
director: Dr Ferenc Munkacsy

Division of Wage Management
director: Laszlo Popper

Division of Economy
director: Laszlo Gerencser

Regional Main Division
director: Dr Jozsef Rozsa

Regional Division
director: Dr Pal Matyas

Summary Division
director: Dr Anna Matoricz

Independent Division of Management and Budget
director: Tibor Domotor

The president oversees the Labor Research Institute, director: Dr Lajos Hethy, and the vice president oversees the Labor Information Center, director: Dr Arpad Olajos.

## Wage and Labor Council

Budapest MUNKAUGYI KOZLONY in Hungarian 31 Oct 81 pp 271-272

[Decision No 1028/1981 (IX. 28.) of the Council of Ministers on the Establishment of the Wage and Labor Council]

[Text] 1. The Council of Ministers, in the interest of the grounded preparation of wage and labor measures as well as the institutional assurance of cooperation among state and workers'-interests agencies, establishes the Wage and Labor Council (hereinafter: the Council).

2. The Council is an advisory agency. In this capacity:

--it debates and offers an opinion

--on the major tasks of developing employment or wage politics;

--on conceptual questions of the development of wage regulation and the wage system;

--it analyzes the experiences concerning the execution of labor measures.

3. The Council's opinion must be asked in all questions which the president of the State Bureau of Wages and Labor submits before the Council of Ministers or the government committees. The Council of Ministers or its committees must be informed of the concurring or differing opinion.

4. The request of the Council's opinion does not supersede collatory responsibilities specified in legal law; in this respect, the operative legal statutes are the authority.

5. The Council determines its order of operation and work plan.

6. The State Bureau of Wages and Labor provides the secretarial, administrative, and policy duties related to the working of the Council.

The funds for the working expenses of the Council must be insured in the budget of the Bureau.

7. The president of the Council is the president of the State Bureau of Wages and Labor.

The members of the Council are the representatives of:

the Ministry of Internal Affairs
the Ministry of Housing, Public Construction, and Town Development
the Ministry of Industry
the Department of Transport and Post-Office
the Ministry of Agriculture and Food
the Cultural Ministry

the National Planning Office
the Ministry of Finance
the State Bureau of Wages and Labor.

The Council of Ministers asks

the first secretary of the National Council of Trade Unions,
the president of the National Council of Consumers' Cooperative Societies,
the president of the National Council of Industrial Cooperatives,
the first secretary of the National Council of Producers' Cooperatives,
the first secretary of the Central Committee of the Hungarian Communist Youth Association, as well as
the president of the Hungarian Chamber of Commerce,

to insure their appropriate representation as members of the Council.

The secretary of the Council is named by the president of the Council.

8. This decision takes effect 1 October 1981.

9890
CSO: 2500/90

## BRIEFS

TRUSTS DISSOLVED--The trusts for the poultry, the canning industry and beer industry enterprises as well as the agricultural supply trust are being discontinued as of the first of January 1982. In accordance with a decision of the Council of Ministers, they will become autonomous and be under the direct supervision of the Minister of Agriculture and Food. The need to modernize the organization of the food industry led to the termination of the trusts certain elements of which had become a hindrance to development. To date four food industry trusts have been dissolved. In January an additional 47 enterprises will receive complete autonomy. AGROTROSZT will become a TEK [termelesieszkoz kereskedelmi vallalat, commercial enterprise for production equipment] enterprise. The 17 AGROKER enterprises which are being granted autonomy will receive some of their equipment and parts from said enterprise. The previously established wine and sugar industry offices are also being discontinued. This will bring to an end the organizational modernization of the food industry. The Ministry of Agriculture and Food does not plan to dissolve any additional trusts. [Budapest MAGYAR NEMZET in Hungarian 22 Dec 81 p 3]

MORE ENTERPRISE FOREIGN TRADE RIGHTS--As of the first of January an additional nine enterprises are to grant independent foreign trade rights while the export rights of an additional 10 are to be expanded according to the Ministry of Foreign Trade. Foreign trading rights have been extended to the Elzett Works, the National Mining Machinery Producing Enterprise, the Travellers Supply Enterprise, the Danubius Hotel and Spa Enterprise, the Hungarian Cable Works, several farms specializing in wood and reed products and the Interinvest Foreign Trade Developing Deposit Company. [Budapest NEPSZABADSAG in Hungarian 22 Dec 81 p 9]

CSO: 2500/107

ECONOMIC REFORM PROSPECTS UNDER MARTIAL LAW ASSESSED

Warsaw TRYBUNA LUDU in Polish 17 Dec 81 p 3

[Article by Andrzej Leszczynski: "Under Martial Law: Prospects for Economic Reform"]

[Text] In November the countdown began. A countdown which separates us from the implementation of economic reform. An important moment is about to begin, it is an undertaking of great consequence. It is carried out. For reform truly creates great prospects for success. It creates the likelihood of transforming ineffective centralized management structures into an economy of independent enterprises whose self-government will promote the releasing of the people's initiative and enterprise. It creates the formation of enterprises whose work force, as they produce, support themselves, developing their own field of activity and supplying the State Treasury with money for common social goals. That is to say, enterprises are formed which finance themselves.

This is a chance to open up prospects for a gradual overcoming of the crisis and restoring the economy's capacity for development--and not only in the area of production. One can already clearly see that economic reform ought to exert increasing pressure in many other areas of life. In light of this reform, it is necessary to take another look, for example, at the methods of financing and organizing scientific research, at the forms of enrollment for university education, the organization of health services, culture and sport. One has to look at things more fully so as to guarantee greater social effectiveness.

On the 19th day before the start of the reform, the State Council declared martial law. It was called out of a greater necessity--the threat to the socialist state, its political structure, the attempt to paralyze the conditions of its economic functions--namely, the crucial undertaking of economic reform. In this situation a question of great significance comes up: what is to become of the reform? Did the countdown automatically come to a halt on 13 December at 24:00 hours, the moment martial law was declared? In this new situation is it necessary to say good-bye to the idea of economic reform?

Let us try to deliberate on an answer. Up to that crucial 13 December, intensive work was in progress designed to implement reform on 1 January 1982. Committees and subcommittees gathered together to work out individual topics, proposals for solutions and legal acts.

A batch of statute proposals which gave substance to the form of their plans was sent to the Sejm. These included the statute proposal on social-economic planning, prices, authorization to conduct foreign trade, and State statistics. As is well known, earlier in September, the Sejm passed two statutes on state enterprises and self-government of the work force. On 30 November the Council of Ministers in a special resolution defined the new principles for the operation of state enterprises in 1982. Preparations were going on in the plants.

At the same time in society an awareness was growing among experts (but then in broader circles too) about threats to the reform being created by a wave of destructive strikes which were undermining the stability of the economy, disturbing the normal rhythm of work, restricting the flow of energy stocks, severing cooperative links among plants.

The risk to the state of economic reform became more and more apparent. There began to appear extensive blockades of raw materials and energy supplies, which were emerging in connection with the tension and unrest instigated by the extremist members of Solidarity. They fostered an intensification in the break down of discipline, the sense of responsibility, and respect for the law. This, in turn, caused a backlash which deepened the crisis.

Let us put it bluntly--despite various delays, more or less, in the process of preparing for economic reform, the reform was blocked, as a matter of principle, by open or hidden opposition by the leaders of "Solidarity" who intended to take exclusive control over the national economy. Their peremptory vetoes were cast during a round of negotiations, or right in front of television cameras in front of the whole society.

So then, what will become of the reform? Its success depends on whether it will succeed in unblocking the mechanisms that have been wedged by extremists, whether it will succeed in eliminating the artifical checks that are hampering progress--work stoppages, strikes, and the shortages of materials, coal and energy which result from them. Whether it will succeed in creating zeal conditions for independence, self-government and self-financing of enterprises.

Martial law creates serious restrictions for us inhabitants, but at the same time it signals a calming of the political atmosphere, the eliminating, temporarily, from active life the sowers of discontent, and persuading them to start dealing with realities. Martial law creates normal working conditions.

It is a time for harmonizing an economy in disequilibrium, for straightening out its profound disproportions--at least from what one can read from the last GUS Central Office of Statistics communique. It is a time for aligning the front, for completing a sober balance of raw material stocks, and properly distributing them in accordance with the eight operational programs of primary social and economic needs. It is a time for connecting the severed co-production links. It is a time for calm in all sectors of life, and especially in those sectors which create the nerve of the economy and the source of its development.

The compulsory catalysts of these processes at this time are the armed forces, the forces of order and the special extra legal power of martial law. This, of course, is something temporary, lasting for a limited time, in order to settle things down. This is the way it is, though it is a bitter, difficult and harsh necessity. But it is a higher necessity.

Although this may sound parodoxical--Poland's state of martial law creates the foundation for peaceful, productive work and forms the conditions for successful reform in the future. And so, first of all, it is necessary, unfortunately, by means of extraordinary measures, to consolidate the foundations of economic reform, reduce the extremely great danger and risk existing at the present moment, and, then, arrive at, in a consistent manner, at the necessary economic transformations.

There can be no talk of withdrawing from the reform. It constitutes too great a change and arouses too much hope. The time separating us from implementing the reform should not stop the countdown. Above all, one has to act in accord with the new, already formed economic principles and mechanisms.

Finally, it is worth recalling, for the sake of absolute clarity, General Wojciech Jaruzelski's words contained in his speech in which he proclaimed martial law; "All significant reforms will be continued in conditions of harmony, objective discussions and discipline. This also refers to economic reform." What matters now is that these conditions be actualized.

9866
CSO: 2600/145

## BRIEFS

TRADE PROTOCOL NEGOTIATED WITH DENMARK--The 10th session of the Joint Romanian-Danish Commission for Economic, Industrial, Technological and Scientific Cooperation took place in Copenhagen. The two sides examined the stage of development of trade exchanges and cooperation ventures between the two countries as well as the stage of cooperation in third markets. They established measures aimed at further developing and diversifying trade exchanges, especially by increasing exports of highly-processable Romanian products and especially products achieved through cooperation ventures. It was also envisaged to intensify cooperation ventures, especially in the machine-building, naval, metallurgical, chemical and petrochemical industries, in the energy field and in agriculture and food industry, including setting up joint companies at the bilateral level and in third markets. The session protocol was signed by Comrade Ion Stanciu, deputy minister of foreign trade and international economic cooperation and chairman of the Romanian side of the commission, and by (Jens Barfo), chairman of the committee for economic and industrial cooperation of the Danish Ministry of Foreign Affairs and chairman of the Danish side of the joint commission. [Text] [AU121530 Bucharest Domestic Service in Romanian 1100 GMT 12 Dec 81]

INDUSTRIAL-AGRARIAN CENTERS SET UP--"The Motru and Rovinari industrial-agrarian centers have been set up by state council decree. They are the first such centers in our country and are designed to contribute to improving the administrative-territorial organization and to creating better conditions for increasing coal production and for improving the work and living conditions of miners and their families and of all people living in the coal mining area of Gorj County. The Motru industrial-agrarian center encompasses the city of Motru and such communes as Catunele, Matasari, Dragotesti and Samarinesti. The Rovinari industrial-agrarian center includes the new city of Rovinari and such communes as Bilteni, Farcasesti, Urdari and Calnic." On this occasion, meetings took place at the miners' clubs in Motru and Rovinari to set up the party committees for the new industrial-agrarian centers and their economic administrative directorates and the state bodies of the given industrial-agrarian centers. "The meetings were attended by Constantin Dascalescu, member of the political executive committee and secretary of the RCP Central Committee; Petre Lungu, first secretary of the Gorj County Party Committee and chairman of the County People's Council; secretaries of the party committees and of the party basic organizations; members of the trade union leaderships, of the Union of Communist Youth and women's organizations; deputies in the people's councils; members of the working people's councils from economic units in the given areas; chairmen and chief engineers of agricultural production cooperatives; and other residents of the cities, communes and villages." [Summary] [AU171843 Bucharest Domestic Service in Romanian 1700 GMT 17 Dec 81]

CSO: 2700/125

PRIVATE ECONOMIC SECTOR PROJECTED TO YEAR 2000

Zagreb EKONOMSKI PREGLED No 3-4 Mar-Apr 81 pp 123-128

[Article by Ivo Vinski: "Long-Term Trends in Employment in the Private Sector of the Yugoslav Economy"]

[Excerpt] This work is a contribution to the topic of "Personnel and Socioeconomic Development," which is being worked on by the Zagreb Economic Institute as part of the inter-republican and provincial project on the "Concept of the Long-Term Development of Yugoslavia Until 1995/2000."

A Review of the Results of the Research

I arranged columns of data on the trends in employment in the private sector of the Yugoslav economy during the past period from 1953 to 1980 (see table 1). The total number of those employed in the private sector of the Yugoslav economy was reduced by one third during this period, i.e. from 5.3 million in 1953 to 3.5 million in 1980. This overall phenomenon resulted from a large reduction in the number of individual farmers, on one hand, and an increase in the private sector in highway transportation, the hotel industry, and handicrafts, on the other. During the 27 years examined the number of individual farmers decreased by more than two fifths. In 1953 there were 5.1 million individual farmers, and their number was reduced to 2.9 million by 1980.

Table 1 The Number Employed in the Private Sector of the Yugoslav Economy From 1953 to 1980

(annual average in thousands)

| Year | Total | Agriculture and Fishing | Highway Transportation | Hotel Industry | Handicrafts |
|---|---|---|---|---|---|
| 1953 | 5,305 | 5,101 | 7 | 6 | 191 |
| 1954 | 5,216 | 5,001 | 7 | 5 | 203 |
| 1955 | 5,107 | 4,899 | 7 | 4 | 197 |
| 1956 | 5,075 | 4,878 | 7 | 4 | 186 |
| 1957 | 4,941 | 4,755 | 7 | 4 | 175 |
| 1958 | 4,802 | 4,628 | 7 | 5 | 162 |
| 1959 | 4,657 | 4,494 | 7 | 6 | 150 |
| 1960 | 4,529 | 4,368 | 7 | 7 | 147 |
| 1961 | 4,382 | 4,225 | 8 | 7 | 142 |
| 1962 | 4,360 | 4,205 | 10 | 7 | 138 |
| 1963 | 4,335 | 4,185 | 10 | 6 | 134 |
| 1964 | 4,236 | 4,088 | 12 | 6 | 130 |
| 1965 | 4,246 | 4,058 | 31 | 12 | 145 |
| 1966 | 4,253 | 4,018 | 55 | 19 | 161 |
| 1967 | 4,215 | 3,968 | 80 | 28 | 139 |
| 1968 | 4,214 | 3,898 | 89 | 37 | 190 |
| 1969 | 4,146 | 3,830 | 89 | 37 | 190 |
| 1970 | 4,039 | 3,720 | 96 | 35 | 188 |
| 1971 | 3,934 | 3,589 | 115 | 36 | 194 |
| 1972 | 3,837 | 3,479 | 118 | 38 | 202 |
| 1973 | 3,761 | 3,382 | 131 | 40 | 208 |
| 1974 | 3,722 | 3,329 | 137 | 42 | 214 |
| 1975 | 3,686 | 3,276 | 144 | 44 | 222 |
| 1976 | 3,641 | 3,213 | 151 | 47 | 230 |
| 1977 | 3,596 | 3,145 | 160 | 52 | 239 |
| 1978 | 3,561 | 3,077 | 174 | 57 | 253 |
| 1979 | 3,530 | 3,009 | 188 | 62 | 271 |
| 1980 | 3,503 | 2,941 | 201 | 68 | 293 |

Among nonagricultural occupations, the most people employed in the private sector were involved in handicrafts. The number of people employed in this occupation grew by a little more than one half, from 191 thousand in 1953 to 293 thousand in 1980. The number of people employed in private highway transportation and in the hotel industry was insignificant until approximately the first half of the 1960s. The number of people employed in the private hotel industry increased by ten times during this period (from 7 thousand in 1963 to 201 thousand in 1980).

Table 2 presents a projection of employment in the private sector of the Yugoslav economy for the 1980-2000 period, as well as for the subperiods 1980-1985 and 1985-2000. In the section on the methodological explanations at the end of this work I have stated the main features of the assumptions that I used for this projection.

Table 2 Projection of Employment in the Private Sector of the Yugoslav Economy Until 2000

| Year | Total | Agriculture and Fishing | Highway Transportation | Hotel Industry | Handicrafts |
|---|---|---|---|---|---|
| | | | | annual average in thousands | |
| 1980 | 3,531 | 3,009 | 188 | 62 | 272 |
| 1985 | 3,389 | 2,747 | 211 | 75 | 356 |
| 2000 | 3,236 | 2,005 | 310 | 137 | 829 |
| | | | | annual growth rate (percent) | |
| 1980-2000 | -0.4 | -2.0 | 2.5 | 4.0 | 5.7 |
| 1980-1985 | -0.3 | -1.8 | 2.3 | 3.8 | 5.5 |
| 1985- | -0.3 | -2.1 | 2.6 | 4.1 | 5.8 |

Comment

The starting point in this projection is 1980. In this table it represents the annual average number of people employed in the private sector of the Yugoslav economy for the period from 1978 to 1980.

This projection shows a reduction in the total number of people employed in the private sector of the Yugoslav economy for the 20 years in question of almost one tenth, i.e. from 3.5 million around 1980 to 3.2 million around 2000.

I projected for this period a decrease in the number of individual farmers by one third, i.e. from 3 million around 1980 to 2 million around 2000. The average annual rate of the decrease is 2 percent for this period.

I predicted an average annual growth rate of 4 percent for the private sector of the hotel industry. This would mean an increase by two and one fifth times (from 62 thousand around 1980 to 137 thousand around 2000).

I predicted an increase in the number of people employed in private highway transportation by close to two thirds, from 188 thousand around 1980 to 310 thousand around 2000. The average annual growth rate for this period is predicted in this projection to be 2.5 percent.

I projected the highest employment growth rate for handicrafts, an annual average of 5.7 percent during the period from 1980 to 2000. On the basis of this projection the number of people employed in private handicrafts will be trebled during the 20 years in question. There are objective requirements for such an expansion in handicrafts, both from households and from the social sector of the economy in Yugoslavia. There is in fact a shortage of services and also a handicraft products in Yugoslavia. This production, for the most part, could not be efficiently

organized in the associated labor of the social sector, and it is more appropriate for it to be done in the smaller handicraft shops of the private sector.

This projection shows that the number of people employed in nonagricultural occupations in the private sector (handicrafts, the hotel industry, and highway transportation) will increase by about 700 thousand in the 20 years in question. Many Yugoslav workers returning from temporary employment abroad could find employment in these occupations in various organizations forms.

The largest structural change in the area of employment in the private sector of the Yugoslav economy is of course the reduction in the number of individual farmers.

From the statistical data presented in the tables, it follows that in 1953 there were about 5 million individual farmers, and in 1980 there are about 3 million of them; by the end of this century it is predictable that there will be about 2 million of them. This means that the number of individual farmers will be reduced by about three fifths during the period from the middle to the end of the 20th century, in which it is expected that Yugoslavia will accomplish the difficult ascent from a poorly developed to an economically [well] developed country.

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END

JPRS 79982

29 January 1982

# East Europe Report

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2226

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29 January 1982

# EAST EUROPE REPORT

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2226

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ECONOMIC CONSEQUENCES OF POLISH CRISIS IN EAST BLOC FORECAST

Frankfurt/Main FRANKFURTER ALLGEMEINE in German 21 Oct 81 pp 13-14

/Article by 're': "How the 'Poland Shock' Affects the East Bloc -- Economic Experts in CEMA Speak of Deficiencies Caused by the System and of Too High Armament Expenditures"/

> /Text/ The situation in Poland is becoming even more dramatic following the removal of Kania. More discussion is going on in the East bloc about the causes of economic problems than is generally known in the West. The following article is based on information provided by insiders in the East European economic bureaucracy. It presents the opinion of economic experts speaking more candidly than is usually the case. The article thus simultaneously reflects a portion of the intellectual scenery inside the Soviet sphere of influence.
>
> Editorial Board

Official propaganda in the East bloc countries bases Poland's current economic problems exclusively on the existence and activity of the Solidarity union, claiming that it induced countless workers with no class consciousness to go on strike instead of working. On the other hand, the previous history that led to the present situation, the errors that were made, mainly under Gierek, are not subjects for discussion. Planning commission members in East bloc capitals as well as at CEMA's high-rise building in Moscow are afraid that the current problems in Poland could radiate to all of CEMA.

From the standpoint of these circles, the bungled economic situation in Poland is all the more unpleasant because they all know only too well that Poland's economic policy was "Marxist" -- with one exception. Only its noncollectivized agriculture did not correspond to socialist principles. In practice, however, agricultural policy was ideologically correct: It merely allowed the private farmer to vegetate on the fringes of economic life, not to expand.

CEMA economic policy experts are also irritated and dismayed by the fact that, according to their calculations, the pace of economic growth in Poland in the last 20 years has in part been faster than in other CEMA countries rather than slower.

And until last year, its problems on the domestic market differed from their own only in degree. The structural deficiencies were the same. The Russians in particular regarded Poland's supply problems as no cause for alarm. As far as the Russian public is concerned -- except for a few "showcase" cities -- today's "starvation" meat ration in Poland of 3 kg per person per month is a very good level of supply. For all these reasons there was nothing in Poland that was "non-socialist," and therefore there was no particular cause for dissatisfaction connected with conditions in the country.

This is also why the Russians have circulated a "political" reason for the debacle in Poland. They maintain that it can all be attributed to unsatisfactory political work by the Polish communists right from the start (translation: insufficient repression), that despite considerable difficulties, other socialist states had the masses well under control, a circumstance that gave them better opportunities to take the necessary steps "right down the line." So the error lies with the Poles, not with the system.

On the other hand, the planners and economic policy-makers all the way up to the highest party levels in the small East bloc countries do not view it that simply. They say there were also "material" causes in addition to the insufficient repression and lack of discipline. Roughly speaking, two schools of thought have developed. One of these, the "reformist-progressive," sees two causes that are nearly equal in significance. This version says on the one hand that system-related shortcomings are not permitting the economy to operate efficiently enough; on the other, boundless armament expenditures are placing an additional insupportable burden on economic productivity, which is already poor. The other explanation, supported by the conservatives, uses hindsight to determine as the most important cause of the economic problems solely the armament expenditures that were excessive to begin with.

Both groups complain that the political decisions on defense spending -- decisions which must be supported by all Warsaw Pact states and which are reached with no real participation by non-Soviets -- overlook economic capabilities. The Soviets also take it for granted that the public will accept any burden without rebelling.

There has been a particularly noticeable increase in the burden of expenditures for external and internal security ever since economic growth began to fall off in 1973. Growth rates dropped by 50 percent in the last half of the 1970's; according to the plan, they will decline by another third during the present 5-year period. By contrast, growth rates for defense spending have been climbing -- slightly, but without interruption -- with unflinching regularity. The armament effort has thus made proportionally increasing claims on the productivity of the economy. According to internal calculations by a respected East bloc research institute, the average increase in defense spending as a share of the gross national product of small East bloc countries came to about 15 percent between 1972 and 1980.

This same source says that over the last 5 years -- as was the case in the 1950's -- the armament industry, including civilian subcontractors, again became the strongest industrial complex in the East bloc. Given the increasingly more frequent supply bottlenecks in production and an uninterrupted and preferential supplying of the armament industry, the burden on the civilian economy will be all the

greater. And in construction as well as the consumer goods and foodstuffs sectors, supply to the security forces enjoys the highest priority.

Similarly, branches of industry that are on the list of civilian industries and come under consumer goods industry planning (Section B) have been "militarized" to a considerable degree. Insiders report that, of total domestic sales of passenger vehicles and trucks in the East bloc, one out of every three or four vehicles is distributed to the defense sector. On the one hand, there is a lack of manpower in the civilian economy (caused by inadequate technological equipment); on the other, the military and security services in the East bloc, except for the Soviet Union, have about 8 percent of the male population of working age bearing arms. The percentage is said to be even higher in the Soviet Union. The word is that, aside from Ceausescu, the political leaders of the small East bloc countries have never had the courage to put up even the slightest resistance to the escalation of defense spending.

Those who make economic policy hope that the Poland shock -- for which their interests permit them no sympathy -- will increase doubts in Moscow about the "natural law" of rising defense spending and that it might stimulate a rethinking of this policy. With the case of Gierek before their eyes, the party leaders in Budapest, Prague, Sofia and above all Warsaw might now be more inclined to wonder about the negative effect of the military effort on the political stability of their government and also to discuss it with their superiors in Moscow. The opinion held in these East bloc circles is that the resolute stance of the United States on armament affairs favors this tendency -- in other words, that external as well as internal impulses "might bring the Soviets to their senses."

Changes could not be initiated any other way, for the political climate in Moscow is thought now and for the medium term to be hostile to reform, a condition that tends to impede reforms in all of CEMA. Moreover, thanks to their "disciplined" population, the Russians do not feel so strongly the compulsion to improve economic productivity -- except for food production, which is "catastrophic" even for East bloc conditions. Furthermore, rising foreign exchange proceeds from the West are helping the Russians bridge the increasingly wider and deeper gaps in the fulfillment of their plans. So this gives them the opportunity to postpone the long-overdue economic reforms that would doubtless be accorded more influence by the civilian economy.

In addition, a threat to any positive change in economic policy is visible on the political horizon. Namely, there are politicians who are extracting a different lesson from the Polish debacle. Their view is that the model of "goulash communism" has been a total failure, thus proving the error of the "catch-up euphoria" relative to "capitalist" countries, a condition that has been kept more or less alive since Khrushchev's time. They say the socialist system has no chance of overtaking Western society in terms of affluence, so why not act accordingly and declare this competition absurd and unwanted? Instead, according to these "realists," the focus ought to be on political goals, above all on safeguarding the position of power. Computers ought to be used to help tighten up and centralize management of the economy.

Up to this point, this line of political thinking has not yet prevailed, but there are indications of a new trend; in the event of further mishaps, it could intensify. The majority of top party leaders are still pledged to raising the standard of living and are hoping that they can muddle through somehow. They feel that a drastic change of direction would constitute an admission of failure. The old and new Stalinists are not without influence, however. In any event, the East bloc's only real response thus far to the Polish challenge has been to reinforce its security apparatus.

7458
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REPORT ON FULFILLMENT OF 9-MONTH ECONOMIC PLAN IN 1981

Sofia STATISTICHESKI IZVESTIYA in Bulgarian No 3, 1981 pp iii-vi

[Excerpt] GENERAL REMARKS

This publication appears once a quarter and contains annual, quarterly and monthly statistical data broken down by basic indices characterizing the socioeconomic development of the Bulgarian People's Republic.

The program of STATISTICHESKI IZVESTIYA comprises 12 sections:

I. Basic data on the development of the national economy
II. Population
III. Living standard of the population
IV. Labor
V. Capital investment
VI. Industry
VII. Agriculture
VIII. Transportation
IX. Communications
X. Internal trade and prices
XI. Tourism
XII. Foreign trade

Data for all sectors are broken down by organizational structure and composition of the enterprises for the period in question. National economic sectors and sectors of industry are presented in conformity with the classification of sectors approved by Order No. 309 of 19 April 1979.

Indices expressed in value terms are published in prices of the year in question. Annual indices of industrial and agricultural output, capital investment, goods turnover and prices, and foreign trade, and monthly indices for industrial output are calculated from values in comparable prices. Annual indices are calculated with 1970 as base, and those for a period of less than a year with the corresponding period of the preceding year as base.

Data on household monetary income, expenditures and consumption are from the representative observation of household budgets.

Data for the current year are preliminary and are subject to amendment in subsequent issues.

Explanations of Abbreviations and Symbols

0 Quantity less than half of the respectively employed unit of measure
- No occurrence
· Data lacking
PAK Industrial-agrarian complex
APK Agroindustrial complex

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## BULGARIAN ECONOMY DURING 9-MONTH PERIOD OF 1981

In fulfillment of the decisions of the Twelfth Congress of the Bulgarian Communist Party, the working people in the Bulgarian People's Republic have made new labor advances and have discovered additional reserves for raising efficiency in all spheres of the national economy. The plan for the social productivity of labor has been overfulfilled, as have the plans for net output, aggregate profit, and for the introduction of scientific and technical achievements into production; the average pay of manual and office workers has grown.

### Industry

As a result of improvement in the organization of labor during the 1981 9-month period, the volume of total industrial output of state and cooperative industrial enterprises increased 5.6 percent over the corresponding period of last year. The highest production gain was achieved by state enterprises in the chemical and rubber industry 9.7 percent, the paper and pulp industry 8.7 percent, machine

building and metal-working industry 7.4 percent etc. An increase in the industrial output of state and cooperative industrial enterprises was achieved in all okrugs, with increases higher than the nationwide average achieved in 14 okrugs, including Vratsa 14.0 percent, Blagoevgrad 12.2 percent, Silistra 10.6 percent etc.

Out of the basic types of industrial products under observation, an increase was observed in the production of the following over the same period in 1980: television sets 21.8 percent, canned fruits 20.6 percent, silk fabrics 5.6 percent etc. As compared with the 1980 9-month period, there was a decrease in the production of such basic products as steel, lathes, tractors, battery-operated trucks, motor trucks etc.

Agriculture

Out of the observed agricultural animals in agricultural organizations and units, there was an increase over 1 October 1980 in the number of head of cows (5968 or 1.2 percent). The increase was comparatively more significant in Razgrad, Turgovishte, Khaskovo and Kyustendil okrugs.

During the 9-month period milk production of all kinds increased 28,266,000 liters, or 2.2 percent, over the same period last year. The following okrugs made comparatively more significant increases: Lovech, Mikhaylovgrad, Plovdiv, Plevan, Tolbukhin etc.

The meat produced from animals sold to purchasing organizations was 1323 tons more, in butchered weight, than in the 1980 9-month period.

The average milk yield per cow on fodder increased 42 liters over the 9-month period last year. The more significant increases were made by the following okrugs: Mikhaylovgrad, Plovdiv, Silistra, Tolbukhin etc.

Some 364,996 tons of cattle and poultry were sold, which is 9173 tons more than in the 1980 9-month period.

Capital Investment

During the 9-month period 4,338,100,000 leva were taken down, as compared with 3,763,400,000 leva in the 1980 9-month period, which is 15.3 percent more. The bulk of this was invested in material production sectors, with industry having the greatest share of capital investment.

For the modernization and reconstruction of existing production capacities 1,688,100,000 leva were taken down, as compared with 1,361,600,000 leva during the 1980 9-month period.

During the January-September 1981 period fixed assets worth 2,741,500,000 leva were put into operation, which is 17.9 percent more than during the corresponding period last year. Broken down by sectors, the greatest share thereof was in industry, agriculture, housing and public utilities, personal services and transportation.

Transportation

During the elapsed period common-carrier transportation carried 1,309,200,000 passengers, or 3.7 percent more than in the same 1980 period.

Labor productivity per employee in all kinds of transportation operations increased over the third quarter of 1980 as follows: rail transportation 6.8 percent, motor transport 9.3 percent, maritime transportation 18.2 percent, river transportation 13.0 percent, and civil air transportation 19.4 percent.

Communications

During the period under review 241,600 leva were realized from communication services, or 17,400 leva (7.7 percent) more than in the 1980 9-month period.

Internal Trade

In the January-September period retail goods turnover worth 9,358,200,000 leva was realized by retail trade.

In comparison with the 1980 9-month period there was an increase in the sales of certain food and nonfood products such as meat and meat products, sugar, brynza [a sheep's milk cheese] and kashkaval [yellow cheese], butter, fresh fruits, cotton and silk fabrics, sewn goods, knitwear, shoes, furniture, electric washing machines, household refrigerators etc. As compared with the corresponding 1980 period there was a reduction in the sales of rice, sugar products, milk, fresh vegetables, grape wines, brandies, radio receivers, television sets, passenger cars etc.

Foreign Trade

As a result of Bulgaria's expanding integration relations with CEMA-member countries and its collaboration with capitalist and developing countries, the country's foreign trade during the 9-month period reached 14,196,200,000 foreign-exchange leva, which is 1,926,500,000 foreign-exchange leva (15.7 percent) more than in the same 1980 period, with exports alone increasing by 713,100,000 foreign-exchange leva.

More than half of the increase achieved in commerce during the period under review was realized from trade with CEMA-member countries (1,033,800,000 foreign-exchange leva).

Our most important foreign trading partner was the USSR, trade with which amounted to 7,419,000,000 foreign-exchange leva and 52.3 percent of our total commerce.

Favorable changes took place also in the structure of our commerce. The share of exports represented by industrial good--and especially machine-building output--increased continuously.

On the basis of the results achieved during the 9-month period, effective measures must be taken to wind up the fourth quarter successfully, thereby assuring comprehensive fulfillment of the integrated plan for the country's socioeconomic development in 1981.

6474
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WATER MANAGEMENT PROJECTS OUTLINED

East Berlin PRESSE-INFORMATIONEN in German No 139, 1 Dec 81 pp 2-4

[Excerpts from paper by Dr Hans Reichelt, deputy chairman, GDR Council of Ministers and minister for environmental protection and water management, presented at GDR Council of Ministers' Third Seminar on Efficient Water Management, Dresden, 25 November 1981: "Use Water Efficiently and Sparingly"]

[Text] The resolutions of the 10th SED Congress focus the efforts of the water managers in all sectors of the economy on supplying the people with drinking water under all conditions, in a stable and qualitative manner, and on making available the necessary industrial water in order to guarantee dynamic growth in industrial production and intensification of agricultural production. This must be accomplished with an eye on the long-term development of water requirements and consumption and with a maximum of economic efficiency. In this way the water managers will make their contribution to the further realization of the main task in its unity of economic and social policy, the continuation of which, even under the complicated conditions of foreign policy and foreign trade, was also decided by the 10th Party Congress.

The key to satisfying water needs is to use it increasingly more efficiently. Water losses everywhere must be reduced and water waste eliminated. In all sectors of the economy specific water requirements must be lowered. Science and technology have a decisive contribution to make in this area. Reducing specific water requirements and water losses and efficient use of water in industry, agriculture and construction have a high priority today.

Implementing their new results is done by socialist intensification. In this way the tasks are to be solved which were set in the directive for efficient use of water in the 1981-1985 Five-Year Plan, for substantial growth in output, for greater efficiency and quality in the work of water management and among all water users. Their implementation comprises the primary content for realizing in the 1980's the economic strategy of the party of the working class in water management in all branches of the economy and sectors of our socialist society. Everywhere it is necessary to use water in an efficient way and not waste it. Further intensification of the overall economic reproduction process requires increasingly more efficient utilization of water. Since the third meeting of the SED Central Committee all these factors have taken on even greater importance.

## Dictate of Economic Reason

Water, like other natural resources in our republic, is not available in unlimited quantities. At present in the GDR, 44 percent of the natural water supply is used in an average year and almost 90 percent in a dry year. Today, in years with average amounts of precipitation, the economy uses the water in many watercourses up to seven times. Thus, the GDR numbers among the advanced industrial countries with the highest level of water utilization.

In years with average precipitation the natural supply is adequate to meet the increasing needs. But, it is indispensable to manage water in a more efficient way than has been the case so that in the future in dry years--like 1975 and 1976--a stable and high quality supply will be guaranteed for the people and all sectors of the economy, industry and agriculture. Thus, we will be guaranteeing that in the large cities and crowded industrial regions, where there are already high demands on the water resources, a continuous supply of water for all users of water will be assured under all conditions.

More efficient use of water is at the same time a dictate of economic reason. In order to pump, conduct, treat, transport and purify water high financial and material outlays, very expensive investments, are required. In the past 5-year period investments in water management have risen 42 percent as compared with the period 1971-1975. In the next 5 years the greater tasks for housing construction, especially in respect to the drinking water supply and treatment of waste water, must be taken care of with approximately the same material and financial resources. Intensification and rationalization with the help of science and technology are the means to this end. It is a matter of a better ratio between cost and benefit.

Another important reason is: an average of 650,000 kWh of electricity are required for every million cubic meters which are used as drinking water and are carried away, in purified form, as waste water. Efficient water use is at the same time a marked asset for our energy balance.

Finally, lower water requirements mean reduced pollution of the waters. And satisfying all demands for drinking and industrial water--even under extreme conditions--urgently requires multiple use of waters whose pollution must not increase further, but rather must be gradually reduced.

## Primary Directions for Efficient Management

For all these reasons, the directive for efficient water use establishes the goal of not exceeding a 1-percent average increase in annual water needs. This can be achieved primarily in two main ways. The available supply of ground water must be increased by geological exploration for additional deposits. On the basis of new scientifically based management systems with the help of EDP, at least 8 million cubic meters more will be made available every year from existing reservoirs, lakes and other bodies of water.

For the other, in industry the use of industrial water, which at present is annually 5.1 billion cubic meters, will be limited to 5.3 billion cubic meters by 1985.

That can only be achieved by an additional 25-percent decrease in specific water requirements. The use of drinking water from the public system for industrial purposes must be reduced by at least 15 million cubic meters. This amount will then be available for the increasing needs of the people and will help to save expenditures for new or expanded waterworks. The statement by Erich Honecker at the third meeting of the SED Central Committee is fully applicable here, too, namely that the cost of more efficient use of raw materials is far less than that of creating new capacities.

In cultivated agricultural areas, which are being equipped with new sprinkling systems, water use--as measured against current consumption--is to be reduced by 10 to 15 percent per hectare. This will be possible among other things through optimal use of measured amounts of water, with the help of EDP. Satisfying increasing water requirements and improving water quality with efficient use of water also urgently require repeated use of water. For this, it is essential to decrease pollution of the waters on a scale that is equivalent to the average annual quantity of waste water from the households of 5 million inhabitants.

In this respect, in the interest of high economic efficiency, the retention or recovery of valuable substances from waste water, as the pacemakers in the chemical industry and in other sectors of the economy are doing, will gain in importance. With recovery and retreatment not only industrial water, but also salts, heavy metals, ammonium, organic substances and many other, often expensive imported raw materials are recovered for the economy, and the capability for utilizing water is improved at the same time.

These are realistic goals. We have good starting positions for more efficient use of water. In the period from 1976 to 1980 the working people in industry succeeded for the first time in guaranteeing, with the same use of water as in the preceding five-year plan period, industrial goods production which had risen by 31.5 percent, at a time when industry's water requirements had gone up by 5 percent. Industry has not only reduced its specific requirements by 20 percent--as had been called for in the directive of the Ninth SED Party Congress, but rather by 26.5 percent. Thus, it was possible to save 230 million $m^3$ and 20 million kWh of electricity annually.

For Greater Availability of the Water Supply

Enormous efforts were made in water management to further expand particularly the metering system for the purpose of increasing the available supply, to use mathematical models and to automatically supervise and control river basins, completely or partially.

Through intensive utilization of existing reservoirs and other bodies of water with the help of scientific-technical measures it was possible, for example, to make 8 to 10 percent more water available for the economy between 1976 and 1980. Thus, for the first time the goal was achieved of increasing the available supply on a decisive scale by intensification of existing capacities rather than by building new reservoirs.

Cleaning up standing water contributes substantially to the efficient utilization of our water resources. Thus, in the period 1975-1980, in particular, 110 lakes were partly or fully cleaned up by sludge removal which led to significant improvement in the availability of water from these reservoirs.

In a number of Water Supply and Waste Water Treatment Plants, VEB, the collectives were anxious to lower water losses and gradually eliminate waste. To do this, they realized measures for preventive maintenance of the systems, for rapid repair of broken pipes and for rationalizing rinsing and cleaning processes. Last year the Berlin and Neubrandenburg Water Supply and Waste Water Treatment Plants, VEB, achieved good results; they reduced water losses by 5.6 and 3 percent, respectively.

Reducing Specific Water Requirements in Industry

The results of the Buna Chemical Works Combine, VEB, show that the efficient use of water provides a high economic benefit. From the introduction of water-saving technologies for new projects and on the basis of analyses of water management processes the result was an annual value of about M3 million. Similar measures in the "Siegfried Raedel" Rayon Works, VEB, Pirna, produced a yearly value of M1.13 million.

All the efforts aimed at reducing specific and absolute water requirements must be highlighted. The working people at the Zeitz Hydrogenation Works, VEB, among other things, intensified their efforts to save water which produced good results. Thus, the specific water requirements were reduced by 60 percent.

In many places possibilities were developed to feed drinking water from private supply systems into the public system for more efficient meeting of the needs of the people. Thus, the main enterprise of the Black Pump Gas Combine, VEB, in 1980 made 8 million $m^3$ of drinking water available to cities and villages.

The chemical workers in Nuenchritz prove how water can be saved by introducing new technologies and how at the same time a substantial economic benefit can be achieved. In this works the old system for producing sulfuric acid was replaced by a new one for liquid sulfur. While doubling production of sulfuric acid it was possible to reduce the specific water requirements per ton from 40 to 2 $m^3$. In reference to the production capacity of the old system this means an annual saving of about 2 million $m^3$ of water. The plant was amortized in 2 years. The production method provides an economic benefit of M360,000 annually.

An important prerequisite for efficient use of water is the intensified work with norms and normative provisions for its consumption and use. In the Zeitz Hydrogenation Works, for example, 70 percent of the water for production and 77 percent of the cooling water used in the cycle are contained in intraplant norms. At the same time, such norms are the basis for socialist competition and the movement of the rationalizers and innovators.

The directive for efficient water use requires decreased pollution of water and at the same time recovery, to an increasing extent, of the valuable substances from waste water. In this, numerous collectives directed their attention to those water pollutants which serve as valuable secondary raw materials and which absolutely

must not be allowed to get into the waste water. Enterprises which operate in an exemplary manner prove that with the recovery of valuable substances significant economic reserves can be developed. Thus, in the Neuruppin Electro-Physical Works, VEB, copper is recovered from the sludge which accumulates in the ion exchange circulating system; it has a 15 to 20-percent copper content. With the saving of copper there is an annual value alone of more than M200,000, and the content of metal ions in the waste water was substantially reduced. There are still substantial reserves here in the GDR, as shown by a study.

Fundamental Role of Science and Technology

The results of scientific-technical progress play the fundamental role in the efficient use of water. Here, efforts in all sectors of the economy are directed toward developing water-saving technologies and introducing new cooling principles. Of special priority in this matter is circulation control.

There is concentrated work in progress on the development of processes to purify waste water in order to increase the performance of existing purification plants. Other scientific-technical measures apply to the reuse of waste water in the production process and the treatment of sludge. Special attention is given to the development and perfection of technologies which use little or no water in production, and also technologies for recovering valuable substances and secondary raw materials.

In the main enterprise of the Schwarzheide Synthetics Works, VEB, SYS Combine, for years a very productive research group has been at work which is working effectively on practical tasks, particularly for the treatment of waste water. A number of results have been introduced into enterprise projects for efficient purification of waste water. Thus, it was possible to develop a peak load process, which meantime has been patented; it helped in the design and construction of a very efficient biological purification plant. With this new process M12 million in investments were saved.

Intelligent Utilization of Water in Agriculture

In agriculture it was possible to develop reserves in the efficient use of water by scientific penetration of the technological elements for water distribution. Drip irrigation is an example of efficient water utilization in fruit production. In this connection, even night sprinkling should be mentioned in which water-saving and energy-favorable operation join together.

For example, the Markneukirchen LPG [agricultural producer cooperative] for crop production in Karl-Marx-Stadt Bezirk demonstrates how very efficient soil utilization can be satisfactorily linked with systematic development of the natural environment. In this, the cooperative farmers endeavor to improve soil fertility by optimum crop rotation in combination with a variety of intensification projects and all natural factors. These include the use of liquid manure using a conduit, efficient ameliorating measures which are adapted to agriculture, and the orderly distribution of mineral fertilizers. In a new plant which is to be built for intensive keeping of fish clarifying ponds will provide for clean water flow from this plant.

In industrial animal production plants, too, great efforts were being made in order to handle water efficiently. This ranges from jobs for greater operational safety in self-watering in breeding and fattening plants to restricting water consumption in washing away liquid manure and to cleaning the plants. In reducing the use of water, among other things, high pressure devices for periodic cleaning have proven their value, as have the use of the broom in place of the hose for daily cleaning tasks and water-saving measures for cleaning the milking carousel. The constant control of water removal, of the accumulation of waste water and the continuous removal of liquid manure is also advantageous.

In the foodstuffs industry the experiences of the Rostock Milk Industry Combine, VEB, are exemplary. Here the systems for heating milk, which are equipped by the manufacturer with water cooling, are operated with cold raw milk as the coolant. This resulted primarily in the fact that every day 260 $m^3$ less drinking water are required and through this alone every year M10,000 in costs are saved.

Efficient Water Use Is Everyone's Business

In dwellings, social facilities and households, efforts are directed at eliminating water waste and water losses. Better preventive maintenance of the structural plants and guaranteeing stable pressure conditions help do this. The development and introduction of water-saving sanitary-technical systems, efficient systems for cold and hot water supply and reliable cutoff and control equipment also play an important role. There have been definite advances in the development and production of water-saving household appliances for washing and rinsing processes. Noteworthy in this connection are primarily the initiatives in the Schwarzenberg Washing Machine Factory, VEB, where with the newly developed washing machines up to 30 percent of the water is saved.

The directive on efficient water use in the 1981-1985 Five-Year Plan has triggered intensive work in ministries, combines, enterprises and the territories. In the past few weeks, primarily the comprehensive consultations with a large number of working people and party collectives on realizing the tasks and goals of the directive have proven their worth. Following thorough evaluation in all sectors of the economy effective measures for efficient water use were established. This was done for the most part through close collaboration by the partners involved. An important job was also the introduction of new state normative provisions for the use and consumption of water which were coordinated with the users.

The struggle for the honorary title "Exemplary Enterprise in Water Management" was carried out increasingly more effectively. Thus far, it was possible to honor 77 enterprises with the title. The goal is to continue the honorary title in a systematic manner, especially to attract even more enterprises to the competition for this honor. The enterprises and collectives already honored should defend the title after 3 years.

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## HUNGARY'S ECONOMY INTERNATIONALLY COMPARED, ANALYZED

Budapest TARSADALMI SZEMLE in Hungarian No 12, 1981 pp 3-16

[Article by Dr Mrs Ferenc Nyitrai: "The Hungarian Economy, An International Comparison"]

[Excerpts] The economic development of our homeland has reached a phase in the 1980's where, in the course of working out alternatives for development, we must weigh better than ever before our position in the world, our possibilities, our freedom of movement in the current and coming developmental phase of the world economy. Although the domestic market never provides, for a small country like Hungary, sufficient scope for an expansive development of the economy our openness has increased so much in the past decade as to make absolutely necessary, for the economic units and for the economy as a whole, a look at the other parts of the world. It follows from our openness that the phenomena and processes taking place in the world economy have an effect on us; this effect can be influenced by planning, organization and guidance, it can be limited or strengthened, but it cannot be eliminated.

We are in the habit of saying that we are a "small country" and this sometimes has a pessimistic ring. But this could be said with a positive emphasis also because it follows from our small size that if we recognize the currents of the world economy in time then we should be able to find a place for our products and activities, in accordance with our small size, among the larger countries and be able to limit the effect of the recessionary phenomena of the world economy. Naturally this requires flexible adaptability and makes necessary the timely recognition of lasting tendencies.

To this end we should review the past decade, which produced quite tangible trend changes in the world economy and world market.

### A Broad International Comparison of Our Economic Development

On three occasions in the past decade the UN has compared the development of countries on the various continents, primarily on the basis of the production of the gross domestic product.[1] The first comparison pertained to 1970, the next to 1973 and the relatively most recent to 1975. The results of the latter were recalculated for 1979 on the basis of published national data pertaining to a narrower sphere of participating countries.

These comparisons--like other multilateral international comparisons--are suitable for comparing the development and chief developmental factors of our homeland with those of other countries in regard to size. We cannot get precise information about details, about the phenomena and processes behind the averages, from multilateral comparisons, partly because of limits on the precision of the methods and partly because of frequently significant deviations in the status, structure and natural conditions of the countries being compared.

Ten countries participated in the 1970 UN comparison: The United States, Great Britain, France, India, Japan, Kenya, Columbia, the FRG, Italy and Hungary. In 1973 the comparison was extended to an additional six countries: Belgium, Holland, the Philippine Islands, Iran, the Korean Republic (South Korea) and Malaysia. Additional countries were included in the 1975 comparison.

The 1973 data show that in Hungary the per capita gross domestic product reached 45 percent of the value pertaining to the United States, somewhat below the Italian developmental level where the per capita gross domestic product was 47 percent as compared to the United States.

The following graph shows the size of the per capita gross domestic product and per capita consumptio by the populace in 1975, the values for Hungary being set at 100 percent:

Per Capita Gross Domestic Product and Consumption by the Populace in 1975

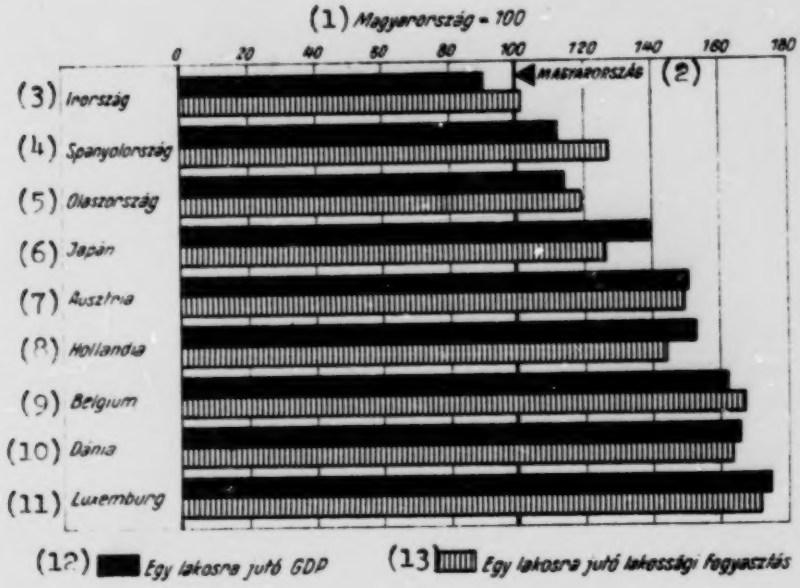

Key:

1. Hungary equals 100
2. Hungary
3. Ireland
4. Spain
5. Italy
6. Japan
7. Austria
8. Holland
9. Belgium
10. Denmark
11. Luxemburg
12. Per capital GDP
13. Per capita consumption by populace

According to the data pertaining to 1979 the difference between our homeland and a few countries more developed than us (primarily Belgium and Holland as well as Italy and Spain in southern Europe) decreasedin regard to the level of the per capita gross domestic product. Compared to Austria our level remained almost the same; the Austrian advantage is 51 percent. Our per capita consumption by the populace hardly changed compared to the countries studied; the backwardness increased somewhat compared to Austria and Japan but decreased a little compared to Denmark, Italy and Spain; but the differences amount to only a few percent.

We could compare the present developmental level of our homeland to the world average on the basis of a few generally recognized indexes. It is well known that such general indexes include, for example, per capita food consumption, per capita steel use, newspapers published per 1,000 inhabitants, per capita energy consumption, etc. On the basis of these indexes our status as compared to the world average shows the following picture at the end of the 1970's:

In regard to food consumption we are among the leaders in Europe and even ahead of it in our consumption of animal products. Our daily per capita consumption of calories of animal origin was 1,208 in 1979 as compared to a European average of 1,095 calories and a world average of 441 calories. The level of our steel consumption is not small--377 kilograms per capita in 1978 (the European average was 178 kilograms in 1977 and the trend was decreasing in the 1970's). Our status is also advantageous in regard to foodstuffs production. A few other indexes of economic development are not so favorable. For example, here are a few indexes for transportation and communications: We are far below the European average in regard to number of radio sets per 1,000 inhabitants; the picture is more favorable in regard to television sets per 1,000 inhabitants--the European average was 246 in 1976 while the Hungarian figure was 236. We are very backward in regard to the number of telephones per 100 inhabitants--in 1978 there was an average of 30 in Europe but only 10.7 in Hungary.

The development of the volume of investments is an important factor for economic development. From this viewpoint the picture has been very mixed in the past decade in the European countries and in the economically developed countries outside of Europe. In a period of world economic crisis the recession has a strong effect on investments; the level of investments decreased in the early 1970's in most countries with a developed industry and began a new dynamic development only in the second half of the 1970's. Looking at the developed capitalist countries, the volume of

investments decreased somwhat between 1971 and 1975 in Denmark (by an average of 0.9 percent per year), Holland (by an average of 0.8 percent per year) the FRG and Italy (by an average 1 percent per year in both countries) and Switzerland (by an average of 0.4 percent per year). There was also a decrease, although of insignificant magnitude, in the investments of the United States, by an average of 0.1 percent per year. Dynamic growth could be found only in Canada and Norway, of the developed capitalist countries--an average of 7.1 percent per year in the former and 8.7 percent in the latter in this period.

The volume of investments increased significantly in this period in the European socialist countries--an average 8 percent per year in Bulgaria and Czechoslovakia, 7 percent in the Soviet Union and a similar figure in our homeland. A dynamic volume increase could be experienced after 1975 also. As a result of this the level of investments in 1979 was 2.5 times that of 1970 in Romania and 2.3 times that of 1970 in Poland; the volume of investments increased by 71 percent in Bulgaria in these 9 years; the increase was of similar magnitudes in Czechoslovakia, the Soviet Union and our homeland (66, 62 and 68 percent respectively) and the increase was 49 percent in the GDR.

The increase in investments was substantially slower in the countries of the capitalist world. Between 1970 and 1978 it came to 20 percent in Belgium, 25 percent in France, 10 percent in the FRG and only 5 percent in Great Britain.

The Status of Our Industry, An International Comparison.

Industry in our homeland employs a significant proportion of the population. In 1979 the domestic ratio was 16.2 percent; the ratio of those employed in industry was higher than this in the GDR (22.4 percent), Czechoslovakia (18.5 percent) and Bulgaria (17.1 percent). In the course of the comparison we must remember that the level of labor productivity is substantially lower in our homeland than in a good number of developed capitalist and socialist countries in Europe (including, for example, the GDR and Czechoslovakia). So the proportion of the population employed in the industry of the several countries does not in itself give a realistic picture of the relative development of industry.

The production of our industry expanded significantly in the past decade. Although an increase in volume does not necessarily mean an increasein the developmental level of industry (including the quality and economicalness of products) we can convince ourselves that the crisis phenomena in the world economy in the 1970's did not limit the expansion of the production of our industry.

In the area of per capita production of the most important industrial products our level lagged significantly behind that of the leading countries.

Index of Industrial Production and Per Capita Production of a Few Important Industrial Products

| Country | Index of industrial production 1979 (1970 equals 100) | Per capita production, 1979: Energy, in coal equivalent value, kilograms[b] | Electric power, kWh | Artificial fertilizer (effective material) kilograms | Steel, kilograms |
|---|---|---|---|---|---|
| Austria | 140 | 1 332 | 5 388 | 50 | 722 |
| Bulgaria | 199 | 1 589 | 3 681 | 77 | 281 |
| Czechoslovakia | 168 | 5 482 | 4 469 | 78 | 972 |
| Great Britain | 113 | 4 389 | 5 153 | 37 | 364 |
| France | 134 | 863 | 4 508 | 95 | 437 |
| Holland | 132 | 7 030 | 4 594 | 133 | 414 |
| Yugoslavia | 195 | 1 278 | 2 478 | 31 | 105 |
| Poland | 205 | 6 113 | 3 335 | 68 | 548 |
| Hungary | 164 | 1 966 | 2 292 | 97 | 365 |
| GDR | 166 | 4 952 | 5 784 | 280 | 419 |
| FRG | 124 | 2 691 | 6 026 | 83 | 775 |
| Sweden | 117 | 1 087 | 11 360c | 36 | 570 |
| Soviet Union | 172 | 7 096 | 4 700 | 83 | 566 |
| United States | 143 | 9 268 | 10 212c | 102 | 559 |
| Canada | 145 | 11 149 | 14 872c | 398 | 679 |

a. with construction industry, b. in 1978, c. net production

Even with the relatively swift growth of the production of our industry the productivity level of industrial work is substantially lower than that of countries more developed than we or even of those with development similar to ours. Although the volume of industrial investments increased by 82 percent between 1970 and 1979 the technical level of our industry, in comparison with Europe, reached at best the medium development level and in many areas only approached it. Inequalities could also be experienced in industrial development. For a relatively long time product development, increasing the variety of new products, stayed ahead of the development of manufacturing, that is of technological progress. Within this phenomenon the modernization or renewal of technology in the basic production processes took place more quickly than in the work processes aiding them and in the are of material movement and packaging. The latter also contributes to the backwardness of our productivity level.

We have information concerning these factors and effects not only in regard to multilateral international comparisons; bilateral comparative material is also available which points to the causes and background of the phenomena. These comparisons (which experts of the participating countries compiled on the basis of more detailed data and more fundamental analyses) provide more precise information than the multilateral comparisons about individual areas of the economy.

A Comparison of the Productivity of Austrian and Hungarian Industry

The Central Statistics Office, with its Austrian partner, compared the productivity of Austrian and Hungarian industry for the first time in 1965, and this comparison indicated that our backwardness in industry was significant in general, but

especially in the machine industry. We repeated the comparison for 1975, thus for the period following the world market price explosion; at that time Hungarian industry was still growing relatively quickly. The repeated comparison showed that the backwardness of our productivity level had increased further in the 10 years which had elapsed, in industry as a whole and in the machine industry as well.

In regard to 1975 we examined in more detail the differences in the productivity level for the food industry, for metallurgy and for the metal working industry and machine manufacture. All three of these branches are significant in the economies of both countries; the ratio of their combined production in industry in 1975 was 57 percent in Hungary and 50 percent in Austria. A greater difference appeared in the food industry, the ratio of which came to 19.3 percent in the production of Hungarian industry and 13.4 percent in that of Austria. The ratio of metallurgy was the same in both countries, 9.1 percent, but the composition of it differed. In Austria ferrous metallurgy provided 87 percent of the production of the branch while in Hungary it provided 79 percent, considering that aluminum manufacture based on the Hungarian bauxite deposits represented a greater ratio.

The work productivity of the Austrian metal working and machine industry (in the comparable sub-branches) exceeded the Hungarian by 64 percent; in metallurgy the difference was 18 percent and in the food industry it was 16 percent, in favor of Austria. There was only one of the machine industry sub-branches where the work productivity level of the Hungarian enterprises was considerably higher and this was highway vehicle manufacture, developed on the basis of a government program with well organized cooperation. Here the Austrian productivity did not reach half that of the Hungarian. The difference was 40-70 percent, in favor of Austria, in the manufacture of household electric devices, in the electric motor industry, in the manufacture of metal and woodworking machines, in ship and boat building and in the manufacture of so-called other electrotechnical equipment and other transportation devices. Austrian productivity was 2.1-2.6 times that of Hungarian industry in the production of agricultural machines and tractors, precision engineering and optical devices, steel and light metal structural elements, telecommunications products, power machines, pumps and compressors and various iron and steel products and in so-called work machine and other machine manufacture. The greatest difference, in favor of Austria, was in the manufacture of rail vehicles, where Austrian productivity was almost three times that of the Hungarian, and in the production of motorcycles and bicycles, where it was 2.8 times.

A number of reasons explain the very different productivity levels in the several sub-branches. In 1975 the Austrian machine industry participated in international production cooperation substantially more intensively than Hungary and as a result its product structure was more favorable also. In addition, the internal cooperation of the Austrian machine industry was a good bit more developed than the Hungarian. In the branches having the character of background industry, for example in the manufacture of various iron and steel products, the Austrian productivity level was 2.6 times that of the Hungarian. In Austria these products were produced by enterprises specialized for this purpose. Anothe factor in the productivity differences was that machine assembly activities dominated in the Austrian machine industry. The manufacture of parts and sub-assemblies was provided by cooperation, partly within the country and partly international. In addition, in half of the machine industry branches, the value of the mechanical investments in operation per unit of production was at least 20 percent higher than in our homeland.

The manufacture of telecommunications products was the only sub-branch where the level of domestic investments per unit of production was higher than in Austria; despite this the productivity level of Austrian work exceeded that of the Hungarian by a good bit. One reason for this is probably that the ratio of assembly work, which is less labor intensive, is higher in the Austrial telecommunications industry and that in our homeland, in addition to the manufacture of telecommunications end-products, a great majority of the structural elements are produced within the branch also--at a quite low productivity level.

In the manufacture of household electrical devices also the lack of internal cooperation explains the advantage of Austrian industry, although a few significant household machines are manufactured in larger series in our homeland and series size should have a favorable effect on productivity.

The difference between the two countries is relatively small in the work productivity of the food industry, although the spread is large. There were four branches where the productivity of Austrian industry did not reach that of the Hungarian--the meat industry (the lag was 9.5 percent), the baking industry (Austrian productivity was lower by more than 10 percent), the manufacture of wine, alcohol and distilled beverages (the difference was 20 percent), and the manufacture of other foodstuffs and luxury items (with a difference of 36 percent). The advantage in the productivity of Austrian industry was between 10 and 30 percent i tobacco processing and beer and malt manufacture and between 60 and 90 percent in the manufacture of chocolate and sweets, in the milk industry, in the manufacture of soft drinks and fruit juices and in the milling industry; the productivity of the Austrian sugar industry and canning industry was more than three times the productivity of Hungarian industry.

The level of mechanization was substantially higher in these sub-branches in Austria than it was in Hungary. The use of electric power per employee in the Austrian food industry was almost twice the domestic level. One reason for the great difference noted in the sugar industry was that the equipment of the Hungarian sugar factories was quite obsolete in the mid-1970's; modernization has taken place since then. There was a significant modernization in the sugar industry of Austria in the 1960's.

In the canning industry the personnel management of the Austrian enterprises was substantially more flexible than that of the Hungarian ones. Here in the dead season the canning industry employs on a permanent basis only 7 percent fewer people than in the peak season. In Austria the magnitude of the swing in numbers employed was 32 percent.

The productivity level of Austrian industry was 21.9 percent higher than that of Hungarian industry in iron and steel manufacture but only 3.6 percent higher in non-ferrous metal manufacture. In ferrous metallurgy this is explained primarily by the difference in the product structure. More labor-intensive products represented a substantially higher ratio in the production of ferrous metallurgy in Austria; almost 23 percent of all production consisted of steel pipe, fine rolled sheet, cylinder wire, steel tape, steel castings and forged or stamped steel. The ratio of these products within Hungarian ferrous metallurgy was only 13.6 percent. (A larger labor expenditure does not mean a higher price by a similar amount.)

We calculated the differences in productivity for 1977 also and found that the productivity difference in metallurgy continupd to decrease (the advantage of Austrian metallurgy was only 10 percent). But the backwardness of our productivity level increased in the food industry and remained almost the same in the machine industry.

It seems justified to supplement the comparison of productivity with a comparison of specific material and energy expenditures in order to examine the relative position of our efficiency from more sides. There have been no such bilateral comparisons in recent years; this will be an important task for the years ahead.

Technical Level--Technological Renewal

We compared the development of our technical level for the period between 1970 and 1978 with that of Yugoslav industry. In this period the inventory of machines and equipment used in industry increased by 110 percent in Yugoslavia and by 117 percent in Hungary. The renewal of machine inventories was very significant in the Hungarian chemical industry, petroleum processing and manufacture of rubber and plastic products (in 1975 the ratio of new machines reached 27 percent of the machines in operation and between 1976 and 1978 it reached about 12 percent). The mechanization of the electric power industry and of the wood processing and furniture industry was outstanding in Yugoslavia (15-19 percent).

The difference was not significant in regard to the automation of industry (by the end of the 1970's this was 62 percent in Hungary and 68 percent in Yugoslavia). Within this the ratio of fully automatic machines in Yugoslavia considerably exceeded the domestic ratio.

The age composition and average age of machines in Yugoslav industry was somewhat more favorable.

Foreign cooperation contacts greatly aided technological renewal. According to a UN report published in March 1981[2] production cooperation between European capitalist countries and socialist countries expanded significantly in the 1970's. In 1977 58.2 percent of the cooperation contracts of Hungarian enterprises with European capitalist countries were production cooperation contracts and 14.2 percent were jobwork contracts. Our cooperation contracts linked to the takeover of licenses represented 40 percent of all cooperation. We signed the majority of the cooperation contracts (54 percent) with medium sized enterprises.

Small and medium sized western European enterprises play a key role as cooperation partners in the machine industry.

An earlier study by the OECD[3] examined technological cooperation, drawing conclusions based on data for 1970-1977. The report considers as "technology transfer" those investment goods, semi-finished products and consumer articles the technology content of which is relatively large. Products with a technology content made up 72.7 percent of the export of the OECD countries to the socialist countries, the greater proportion being investment goods. In contacts going the other way, import by the OECD countries, the ratio of products with a technology content came to only 23.8 percent.

Semi-finished products with a technology content occupied an outstanding place in the export of OECD countries to our homeland (their ratio in OECD export was 42.1 percent in 1970 and 43.7 percentin 1977). They exported investment goods to our homeland in smaller but swiftly growing amounts (19.4 percent and 26.2 percent respectively). The high ratio of our semi-finished products import is outstanding among the CEMA countries while in regard to the ratio of investment imports we are in the second lowest place, after the GDR. This means that to a large extent the development of our industry was based on parts and subassemblies deriving from capitalist import, because of the backwardness of our background industry.

Hungary's share in the export by OECD countries to socialist countries of products with a technology content was 8.3 percent in 1977 (8.9 percent in 1970). Within this the OECD countries delivered to our homeland primarily investment goods used in the machine industry and textile clothing machines. The ratio of machines and equipment used in the machine industry was at the Czechoslovak and GDR level.

Very noteworthy is the finding of this report that the ratio of products incorporating technologies requiring a significant degree of research and development is quite low in export by OECD countries to socialist countries, averaging only 2.4 percent. The ratio of technologies requiring a moderate degree of research and development varied from 15 to 24 percent, country by country; in 1977 Romania represented the lower limit and Hungary represented the upper limit. The ratio of technologies requiring least research and development was surprisingly high in OECD export to our homeland, 72 percent.

These few data show that we have not sufficiently concentrated our capitalist import resources on the take-over of technologies representing a higher research and development level, which would mean a swifter renewal of the technical level of our industry.

Another OECD study[4] studied the development of innovation activity by 11 countries from the early 1960's to the middle 1970's. This study pertained to Belgium, Canada, France, the FRG, Italy, Japan, Holland, Sweden, Switzerland, Great Britain and the United States, comparing the relative magnitude of research and development costs financed on the part of industry with data for Great Britain. The study also involved a more general index which projected research and development costs financed on the part of industry per unit of population, comparing the 1975 data thus generated to that for 1967. It can be established from these data that in the 8 years examined the specific research and development growth was swiftestin Japan, the magnitude of the increase was 89 percent, followed by Sweden with 73 percent, Italy and Switzerland with 48 and 47 percent respectively, the FRG with 38 percent, France with 36 percent and Belgium with 33 percent growth. Growth was small in Holland and Canada (4 and 3 percent respectively) and a decrease could be found in Great Britain--8 percentin 8 years.

According to comparable Hungarian data the value of research and development costs financed by industry per unit of population increased by 71 percent between 1968 and 1975, similar to the Swedish growth of the countries figuring in the OECD study. But the value of total research and development expenditures per capita, calculated into dollars, in our homeland in 1967 was barely half the figure for Great Britain; by the mid-1970's, however, it was considerably greater, because the ratio of specific research expenditure costs decreased in Great Britain.

The ratio of expenditures for scientific research and development as compared to national income increased in the CEMA countries in the 1970's. In this respect we occupied third place, with a 3.7 percent expenditure ratio, after the Soviet Union (4.6 percent) and Czechoslovakia and the GDR (4 percent for both).

It is worthy of note, however, that in these three countries the number of inventions recorded in the 1970's increased significantly while in our homeland there was stagnation and, in some years, a decrease.

Naturally one cannot draw far-reaching conclusions from these data. Butwe can say that our backwardness in industry in regard to productivity, efficiency and sometimes competitiveness is not caused primarily by the limited nature of research and development expenditures. On the basis of what has been done recently we could have attained a potentially more favorable position. But the practical utilization of these expenditures in the innovation process takes place sometimes later and sometimes with greater losses than in the OECD countries included in the comparison. A role in this is played by the quite clumsy adaptability and by problems of cooperation among organizations participating in the innovation chain from research to marketing. It is also probable that some of these expenditures did not serve innovation directly but rather covered other costs under this heading (although we have no data on this).

An International Comparison of Agriculture

Hungarian agriculture has developed without a break in the past 20 years. Both total production and the yields of the chief products have increased significantly. In 1980 the gross production of agriculture in the world, as an average, exceeded the 1975 level by 10 percent; within this the increase in agricultural production was 5 percent for the CEMA countries, 7 percent for the developed capitalist countries (10 percent for the countries of the Common Market) and 13 percent for the developing countries. In Hungary in these 5 years growth reached 12 percent. Of the countries of the Common Market France (17 percent) and Holland and Great Britain (15 percent) achieved the greatest growth.

The structure of agriculture was modernized significantly. Animal husbandry represents an ever greater ratio in the activity of our agriculture; its growth was 16 percent between 1975 and 1979, as compared to a 2 percent increase in crop production. As an average the situation is different in the CEMA member countries. As an average the growth rate for crop production was swifter, 11 percent, determined basically by the 14 percent increase in crop production by the Soviet Union; but the increase in Romanian crop production was swifter than the average also (25 percent in 4 years). Romania was also outstanding in the development of animal husbandry, with a 30 percent increase in 4 years. This was followed by our homeland with a 16 percent increase and Bulgaria with a 15 percent increase between 1975 and 1979.

In the camp of CEMA countries the share of Hungary is outstandingin corn--around 22 percent in 1979 and 1980. Our share in wheat production (4.8 percentin 1980) is worthy of note. Because of the size of our homeland our role in world production is only 1-2 percent; what is remarkable is that in 1980 we produced 1.8 percent of all world corn production, 1.4 percent of the wheat production and 1.5 percent of the sugar beet production. In regard to world livestock our role in hog raising is significant; in 1980 we maintained 1.1 percent of all hogs in the world, taking first place (together with the GDR) in the camp of CEMA countries. Our cattle production is only 0.2 percent of total world production; that of domestic fowl is 0.9 percent.

In regard to average uields of wheat our homeland achieved outstanding resu]ts on a world scale in 1980 with an average yield of 4,760 kilograms per hectare. This significantly exceeded the Czechoslovak achievement (4,510 kilograms) which is second after ours among the CEMA countries; it was a good bit greater than the 4,460 kilogram average achieved in the countries of the Common Market and was not very far from the leaders among the Common Market countries. In 1980 Holland showed the greatest results with a production of 6,200 kilograms of wheat per hectare, followed by Great Britain with 5,620 kilograms, France with 5,150 and the FRG with 4,910 kilograms.

Our average uields are favorable in sugar beets also. In 1980 the production of 37,640 kilograms per hectare was the best among the CEMA countries, but lags significantly behind the average level achieved in the countries of the Common Market.

Our place is favorablein per capita meat production also. The world average in 1980 was 33 kilograms; the average of the Common Market countries was 83 kilograms, that of the CEMA countries (not counting Cuba) was 67 kilograms while Hungarian meat production reached a value of 133 kilograms. In Europe only Holland produced an average greater than this (140 kilograms).

In 1978 Hungarian agriculture employed 19.3 percent of all earners. The ratio of agricultural earners among all earners averaged 21.4 percent in the CEMA countries.

A number of factors significantly influence the ratio of earners in agriculture--for example, the composition of agricultural activity, the productivity of the several activities and the extent to which agricultural organizations conduct non-agricultural activities (industrial or construction activities, for example). Agricultural employment was of greater magnitude than in our homelandin Bulgaria (35.7 percent), Romania (49 percent) and Poland (32 percent); it was somewhat below the Hungarian level in the Soviet Union (18.1 percent) and substantially smaller in Czechoslovakia (11.4 percent) and the GDR (10.2 percent).

In 1978 the ratio of agricultural earners among all earners was an average 9.2 percent in the developed capitalist countries. This ratio was 7.7 percent in Denmark, 9.5 percentin France, 12.5 percentin Italy, 10.1 percent in Austria and only 4.6 percent in the FRG.

Our agriculture achieved favorable results in the past decade in grape and fruit production also. Our achievements in apple production are outstanding among the European countries. Here are two data for comparison: Average per capita apple production by the CEMA countriesin 1979 was 26 kilograms, that of the developed capitalist countries was only 20 kilograms--but that of Hungary was 90 kilograms in 1979.

A significant part of our agricultural productionis exported. In the course of the 1970's foreign trade in agricultural and food industry producs provided 22-24 percent of total export. This ratio is substantially greater than the average ratio for the CEMA countries and the developed capitalist countries. The participation of agriculture in foreign trade is greater than this in Europe only in Denmark (32-36 percent) and Holland (23-28 percent).

The outstanding cooperation of the large socialist operations and the household plot and auxiliary farms contributed to this significant achievement by our agriculture, but the significant industrialization, mechanization and chemicalization of agriculture contributed to it also. This is rather expensive, and thus the contribution

of agriculture to the production of national income does not show such a favorable picture, in an international comparison, as we have established in regard to gross production and yields.

The multilateral and bilateral international comparisons suggest that in the past decade our homeland has preserved its place in the middle range of the European countries. In a few respects we have come closer to the first rank (for example, in regard to the production of our agriculture, the level of the per capita gross domestic product and the per capita magnitude of a few important consumption indexes). Our backwardness increased in regard to the productivity of industry and one of the most important factors therein, the technological level. We have significant reserves in the various phases of the innovation process. With a swifter practical utilization of the achievements of scientific research and development, better coordinated investments, coordinated development of products and manufacture and, last but not least, with more rational management of machines, materials, energy and physical and intellectual manpower we can guarantee an increase in our competitiveness and that, in the decade ahead, we will not only keep up with the European middle range but get farther ahead within it.

FOOTNOTES

1. The gross domestic product (GDP) contains the value of the national income and the net (material-free) value of th performance of the non-material branches as well as the value decrease in the entire economy. The volume of the latter two elements can change more quickly or more slowly than the national income and this can result in a development of theindex for the GDP which differs from the index for national income.

2. Economic Bulletin for Europe, The Journal of the United Nations Economic Commission for Europe, Trends in East-West Industrial Co-operation, Vol 33, No 1, March 1981, Pergamon Press.

3. Organization for Economic Co-operation and Development, East-West Technology Transfer, Flows of Technology and Technology-related Products in East-West Trade, Paris, 4 Dec 79.

4. K. Pavitt: Technical Innovation and Industrial Development, Futures 11, 6 Dec 79, and 12, 1 Feb 80.

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FOREIGN TRADE REGULATION IN 1982 VIEWED

Budapest FIGYELO in Hungarian No 50, 16 Dec 81 p 11

[Article: "Foreign Trade Regulation in 1982"]

[Text] The main goal and task of our economic construction in 1982, as it has been for years now, will be to improve the foreign trade equilibrium. To this end, we must significantly expand exports, above all the volume of profitable exports along with a 1 to 2 percent reduction in domestic consumption; and we must do so to such an extent that the growth rate of exports will considerably exceed the imports.

The pace of most economic processes in a given year is determined largely by the prevailing regulators. The foreign and domestic economic environment affects foreign trade activity, foreign market sales and purchases, and finally the development and situation of the foreign trade equilibrium. The foreign environment can be approximated and predicted to the extent that it will improve moderately, primarily from the aspect of nonruble account export.

Lower Commission Rates

On the other hand, changes in the domestic environment affecting foreign trade activity and the regulator modifications which determine the managing conditions of the economy and enterprises are already well known. Basically, they may be characterized by saying that efficiency requirements have been intensified by a greater stringency in many elements of regulation, and the goal of the modifications--the restraining of domestic consumption and increased incentive and compulsion for greater achievements--seeks to promote the improvement of the equilibrium situation.

Stricter enterprise management and revenue regulation are also evident in the more narrowly defined elements of foreign trade. To strengthen standardization and normative regulation, the extent of the differential producer sales-tax reimbursement was reduced in many trade sub-branches on 1 October--in the clothing industry by 3 percent, and in the food sector by a proportional 2 and 2 percent.

As in the case of the producer enterprises, enterprise revenue regulation was also tightened for the foreign trade sub-branch. The essence of the changes as introduced was that the schedule of commission rates were reduced where the

profits exceeded the target. The foreign trade enterprises may only pass on actual costs to their domestic partners, and therefore they may form only as much profit as the commission schedule of rates includes and recognizes.

The goal of the modifications is twofold: to moderate, as in other branches of the economy, enterprise profits, or to link increases to efficiency requirements. To be sure, the modification of price and revenue regulation in the foreign trade sub-branch does not affect sharing in price profits, the main channel of profit formation. Modification of revenue regulation in part and wage regulation in part--a smaller extent of the central guaranteed wage development--reduces on one hand the volume incentive of the foreign trade enterprises and can be expected to strengthen pricing and profit incentive deriving therefrom.

Experience in recent years shows that price formation which adjusts to foreign trade prices is a particularly active export and import element, but the effect is not always positive. It could already be felt in 1980 that producer enterprises which employ competitive price formation did not only discontinue the export of unprofitable products. They also selected out products which were, to be sure, economic but from the viewpoint of domestic price formation would cause the deterioration of standard indexes, and whether they wanted to or not they were making place for the products of other enterprises and sub-branches that were inferior from the viewpoint of export efficiency. The well-known Order No 13 was issued to moderate its negative effects.

Increase of Profitable Exports

Within the framework of the 1982 regulations, AH [Price Office] Order 24/1981 will take effect on 1 January. It cannot be left unnoted that the justified and necessary correction of profit-forming positions by the producer enterprises consists of price and cost increases of several tens of billions in forints, and this influences the economy and profitability of enterprise exports, and the cost increases which appear in a differentiated manner can hardly be realized in the foreign market prices. Otherwise, the export incentive of enterprises and certain sub-branches was differentiated by recent changes in capitalist foreign currencies and the devaluation of West European capitalist foreign currencies representing a significant share of the free currency in trade. (The weekly exchange rate quotations of the Hungarian National Bank, which are now regarded as literally flexible, quickly followed these changes.)

In the sense of the above-mentioned AH Order No 24/81, enterprises which have profitable nonruble account exports are not required, to reduce the price level of products marketed domestically in the event of a decline in the profitability or the price level of export, but rather increase the forint value of their ruble account export by at least 4 to 8 percent. (The percentage extent of the increase is differentiated by the nonruble account export ratio. The lower extent of export growth applies, for example, to those enterprises whose nonruble account export exceeds 25 percent of domestic sales.) The new order also assures similar price formation possibilities, exemption from the rules for the increase of profitable export, situated within the scale of normative regulation--exchange rate plus differential producer sales tax reimbursement. In this range of profitable exports, however, the degree of growth necessary for taking advantage of the exemption is higher: 10 to 14 percent. At the same time, such enterprises may raise

their domestic prices--besides the fact that in the case of a decline in export for enterprise profitability they are not required to reduce the price level of products for domestic marketing or to apply the formula for following the export price level--but only to the extent that at an annual level the profit content and percentage will not exceed the profits attained in nonruble account export.

In the sense of a further modification, income deriving from exchange rate insurance--which up to now could only be taken into account in export profitability--can be calculated only in figuring the price limit. Promotion of profitable export is also intended by the order in that if the export ratio of nonruble account export reaches 5 percent, the enterprises may decide in the given year whether they form their prices as a following or leading enterprise.

From the viewpoint of nonruble account export, how can the above-mentioned modifications of the application of price formation to foreign trade price be judged? Essentially, we are saying that the modifications have further reduced the legal and price rule limits in the case of all those enterprises for which nonruble export is growing more efficiently and dynamically than average. In this way, the export volume and foreign exchange receipts in the profitable export range can be increased.

From the viewpoint of producer enterprises in the sphere of price formation adjusting to foreign trade prices, it is worthwhile to emphasize that the modifications provide them with an area of mobility, and they can weigh how an increase in the volume of profitable export--accompanied by a decline in the enterprise export profitability--may influence constant and changing costs, the utilization of existing capacities, the guarding of market positions and so forth.

Possibility--Not a Guarantee

Modifications which extend possibilities for profitable industrial export are also linked closely and advantageously to 1982 tasks. Industry for the most part marketed its 1981 increments domestically, but in 1982--because of the more stringent regulation and limitation of domestic purchasing power--the increase in foreign market nonruble account sales, namely exports, is the main channel of expanding production.

But here, too, we are speaking only of possibilities and not of guarantees. The subsidies offered in this year's price office directive were not used by many of the enterprises which are exporting profitably. Undoubtedly, the directive which takes effect 1 January has substantially more exemptions and is broader in scope. On the other hand, the greater stringency of the regulatory system and the more difficult conditions of enterprise revenue formation strengthen the incentives with economic pressures. All this can help the increased use of possibilities offered by the modifications and an increase in profitable export.

The modifications affecting foreign trade regulation extend also to ruble account trade. The exchange rate of the transferable ruble declined by 1 forint as of 1 November [1981], but with the beginning of the new year the regulatory system of ruble account export will be supplemented in such sense and with such goals as will result in strengthening the incentive of enterprises that are exporting with adequate efficiency, and this will also stimulate, among other things with price work, an improvement in the export economy.

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## NYERS DISCUSSES ECONOMICS, ROLE OF INTELLECTUAL WORK

Budapest MUSZAKI ELET in Hungarian No 24, 27 Nov 81 pp 1, 3

[Speech by Rezso Nyers, adviser to the Economics Institute of the Hungarian Academy of Sciences, at a conference in Pecs on the efficiency of intellectual work, no date: "The Role of Intellectual Work in the Development of Our Economy"]

[Text] The conditions for the operation and development of the economy changed with dramatic suddenness and thoroughness in the mid-1970's. It required several years before we were able to find the path leading out of the mist, and we have been following this course since 1979. We now have a fixed point in our economic policy--and this is no small thing--but the shift to a new growth track for the economy will also continue in the first half of the Sixth Five-Year Plan.

The consolidation of our foreign trade situation is still proceeding; we have done a great deal for the renovation of our inventory of means, although not enough. The new sources of economic efficiency are in part undiscovered and in part trickling modestly and intermittently. We must do more for the present and the future. This situation particularly justifies turning our attention to a better discovery of intellectual resources; to put it in another way, the subject of our conference is very timely indeed.

When material possibilities in economic management are limited, a greater importance is always given to the human factor as the final resource by which the economic units and collectives can stand on their own feet. Precisely this kind of situation has been developing in our country. An outside observer, without knowing anything about our situation but the frequent emphasis on the human factor, could certainly conclude that the material conditions in our country are not very rosy. The Marxist theory of economics has always emphasized the decisive role of the human factor, but even the light of such great truths shines the best in the darkness of a difficult situation. As a matter of fact, this kind of trend can be seen not only in Hungary but everywhere in the world. It is not accidental that last year's World Congress of Economists dealt with the use of human resources as its main theme.

### Diligence Is Not Enough

We do not regard intellectual work as work that in and for itself can alone be the source of success but as one of the factors of increasing importance in the whole

of economic activity. It is often said these days that the intensity of work and of work discipline must be improved and likewise that diligence, a sense of calling and its sense of preciseness, and trade skill are important expressions of human behavior and in many areas factors in the improvement of work that cannot be neglected. But if it is true--and it is--that changing circumstances are creating new conditions, we cannot break from the tightening ring of difficulties simply by having everyone work more diligently, but rather we must acquire something characteristically greater: new knowledge in technical and economic fields, new methods that will solve the dilemma of the "how," new kinds of human relations that will break from formulistic routines. We may perhaps call this some kind of new "intellectual investment" in the economy that will intensify the efficiency of intellectual work and thereby lead to greater value for the usefulness of total social work.

The problem of intellectual work also emerges both broadly and narrowly from the viewpoint of the development of a socialist society, that is, broadly as the intellectual foundation and value of the work of every worker and narrowly as the efficiency of workers in intellectual spheres of work. In both interpretations, we regard the subject matter as important, not only because there are limits in job areas, but chiefly because in technical development the intellectual content of skilled workers particularly is increased. If this process were to come to a standstill even temporarily, it would restrain the rate of development. It is the role of trade instruction and training to see that increasing importance is given now and in the future to the type of worker and employee who undertakes a new line of work, who adapts to new methods and who in fact takes initiatives. All in all, intellectual force must characteristically become a material force in the hands of the worker and therefore the workers' role is indispensable in technical development. At the same time, intellectual work has its own characteristic problems, which are receiving ample attention at the present conference and rightfully so because the narrow interpretation of the subject is also justified and of primary importance.

The problem of intellectual work cannot be identified, to be sure, with the problem of the intelligentsia, but still they are very closely intertwined. If we develop a point of view, as a rule we regard it in both cases as our own and justly so, because it can hardly be disputed that the intelligentsia hold a central place among intellectual workers.

Role of the Intelligentsia

In the Leninist world of thought, our party ascribes great significance to the intelligentsia in the building of socialism. Authentic Marxism always emphasizes the leading role of the working class, but it never conceives this as the superiority of the workers over the intelligentsia; rather it sees a federation of equals realized in the spirit of socialist principles. However, errors formerly appeared in political practice; today we also may have to reckon with certain recurrent errors, mistaken views that we cannot accept.

From time to time in our society, the idea crops up--chiefly as a domestic reflection of foreign bourgeois theories--that the intelligentsia may fulfill the elite role in the cooperation of the classes and comparatively the physical

workers may have a secondary role. We disapprove of these and similar views, because the democratic ideal of service stemming from higher training would be exchanged for a hierarchical order of command above the people. On the other hand, from time to time the contrary view appears in the workers' movement; namely, a trend at underestimating the intelligentsia, somewhat similar to what existed at the time of the so-called "proletarian cult" trend in cultural life, and extending it as a general principle to the economy and politics. We reject this also because no matter how ideological and militant it may appear, it would in fact alienate the working class from the intelligentsia, and this would make the former unsuitable for a well-conceived leadership role.

The cooperation of the working class and the intelligentsia is one of the expanding resources of the 25-year-old MSZMP policy; today political harmony is much greater than a quarter century ago. Of course, this federation cannot be established once and forever but belongs in the category of ongoing social resources. We may regard the constant renovation of the federation as one task of the many macropolitical matters to be settled, while in local economic life we can expand and strengthen this cooperation in many places during the development, production and marketing processes. We ought to seek everywhere the development of this concrete cooperation in an existing, or nonexisting but possible, framework.

In the so-called intellectual work areas of our society, the present intellectual capacity may be described as important. In 1980, 330,000 persons worked at technical jobs, 377,000 at economic and administrative jobs, 332,000 at cultural and health jobs and 361,000 at accounting and office management jobs. Workers in intellectual jobs amounted to 1.4 million workers, or about 28 percent of all workers.

The Freeing of Capital Means

Over the medium and long term it is necessary and possible to increase intellectual capacity but not with an extensive type of amplification because we have largely exhausted the possibilities of this; we can only speak of a small-scale and gradual increase in its present share. The share of the intellectual work areas in the national income has already been shaped in order of magnitude; the material resources together with the national income can be increased by and large proportionally to the end of this decade. Thus, the expansion of possibilities can be created with the increase of national income, although under the given conditions this is a very difficult task.

Of the national income in 1980, teaching amounted to 4.4 percent; research-development, 2.3 percent; public education, 1.2 percent. If we add investments, which represent 20 percent, actual mass resources (eszkoztomeg) representing annually 29 percent of the national income are available for the workers in intellectual areas. Of course, most of these resources are already committed and there is no free disposition; but it is exactly the aim of efficiency to free more of these resources for present goals. Unfortunately, this is such a difficult task that despite the correctness of the central orders it cannot be easily solved; in every work area it is very difficult to arrive at a good solution. But still, this is at least one, and the very most important, of the tools available to increase the efficiency of intellectual work. This can free a certain

percentage of the committed resources; this is the essence of the intensive method.

How shall we measure the efficiency of intellectual work? Since efficiency always means the relationship of outlay and results, the results as well as the outlays must be expressed in comparable values for the purpose of a reliable measurement. In every work area we must seek the possibility of an actual measurement; whether individual or collective, achievement--if we are not speaking of expressly theoretical basic research--must always be brought into relation with the total results of the enterprise or some smaller economic unit. Of course, as a driving force in intellectual achievement we must assign an important role to moral and material recognition for the individual; in this area we have much to improve.

Unavoidable Conflicts

In creative intellectual work, whether we are speaking of innovation, invention, technological development or organizational solutions, an important role is played in the measure of success, beyond material matters, by the moral motivation, the excitement of a new recognition, the dispelling of the initial lack of comprehension and of indifference, the overcoming of the obstacles to realization, and the constant race with time. Fortunately the attainment of the goal, the paths to the realization of an intellectual idea are not always uneven; favorable conditions also exist when a smoother road leads to the goal. But the individual as well as the collective must struggle for what is new and better now and in the future. The existing methods, relations and institutions are not only embodiments of inadequacies but for the most part are carriers of realized values; in this sense an innovation destroys an existing value in exchange for a future and greater value. The obsolescence of the old is a gradual day-to-day process in many areas of economic life, sometimes visibly and perceptibly in the eyes of many, but often slowly and unperceived and in such cases perceptible only to those with sharper vision and better powers of observation. We cannot avoid the conflicts that arise from this; everyone with new knowledge must fight these to the end.

More efficient intellectual work can generally result from an effort from two directions: from the struggle of the creative intellectuals for the new and from the activities of economic-political institutions in support of the new. The bidirectional approach must meet at three critical points:

1. A respectable portion of the intellectual efforts must directly help in the solution of the greatest economic-social tasks that are now timely.

2. The intellectual efforts should be adjustable to the management limits of the state and enterprise sphere, from a material point of view they should not exceed the limits of what can be realized. The social gain should be realizable.

3. It should be possible to gain for intellectual ideas the support of a considerable part of the working people either in their role as producers or as consumers.

Given such social conditions, we have a great interest in seeing greater initiative in broad areas of intellectual work for the sake of technical, management and administrative rationalization and innovation. Under such conditions public opinion can act as more than a passive observer and actively support positive solutions to the tensions caused by the innovations.

World Economic Relations

The tremendous importance of foreign economic relations in the development of our economy is already broadly recognized in our intellectual life. There is no significant base of support in our country for the idea of production or technical-scientific self-sufficiency, fortunately. But are the expansion and deepening of our world economic relations adequately based in intellectual activity? We cannot characterize the actual situation with a summary judgment because we have manufacturing branches and enterprises where the foreign relations rest on a strong and broad intellectual basis and we have some where the bases are weaker and more narrow. Perhaps it is not an exaggeration to say that intellectual efforts like these are being intensified now and above all are becoming more practical. But also domestic intellectual work is not adequate and the outlays are not effective enough for the expansion of our foreign economic relations and the difficulties and tensions latent in them. Thus, at every level of intellectual activity we must seek possibilities for better use of foreign trade and international technical-scientific cooperation.

Deteriorating Terms of Trade

Our production as well as our export structure is changing in a favorable direction, but still too slowly; at the same time rapid, sometimes explosive, changes are occurring on foreign markets. Of the 20 percent loss in terms of trade deterioration we suffered on the capitalist world market beginning in 1974 we have until now been able to regain only 4 percent by improving profitability and our product structure. Because of the delayed application of world market prices on the socialist international market, our terms of trade are continuing to deteriorate, and we must balance out a greater portion of the deterioration through additional commodity deliveries. Therefore, we must increase export efficiency more strongly.

An interesting difference can be observed in the judgment of the enterprise product structure between official enterprise views and the personal, nonofficial views of enterprise specialists. In the enterprise view, about 50 percent of industrial products are internationally competitive, 25 percent can be made competitive through certain development and 25 percent have no prospects of becoming competitive. A representative survey of personal views shows a less favorable picture, the technical lag is judged greater and the necessary tasks are indicated as more urgent. Where does the truth lie? Is it possible that in their personal views people are less responsible and thoughtful? There may be some truth in this. Is it also possible that in a collective and official setting, we regard an optimistic evaluation as nearly obligatory? It is to be feared that there is even more truth in this case. In any event, in their technical and economic complexity a judgment on international competibility will require further intensive work.

## Inward Turning? Outward Turning?

In establishing the intellectual bases for international work distribution and the auxiliary services, we must bear in mind, on one hand, the particular importance and characteristic role of our socialist ties and on the other hand the fact that we are developing long-range cooperation with the nonsocialist world as well and are striving for permanent work distribution. We must in no way regard the two relations as alternatives because they are not, either in actuality or in national economic dimensions. We are now following, and shall continue to, the principle that whatever we can solve through socialist cooperation at a good international level, we shall unconditionally do in this way. Therefore, with many specific products, where there is actually a possible alternative, we shall give the preference to the socialist solution. But in a broad range of products and technologies there is no socialist alternative--nor can we expect one--to capitalist or developing world markets; that is, we have to hold our place simultaneously on two markets. It is on this basis that we must develop our intellectual activity.

From the viewpoint of the Hungarian economy, the characteristic feature of the socialist realization is that our imports have a trade-determining role, the "bottleneck" upon which our exports may expand. We must, therefore, devote special attention to researching import possibilities where we may be helped by the still slowly expanding relations among the enterprises of the CEMA countries. Capitalist relations have the reverse dependence because export possibility forms the "bottleneck," and we may expand this with greater difficulty. The volume of earned foreign exchange limits the increase of imports. Therefore, we must pay special attention to export.

## Exhausted Sources

To intensify intellectual efforts, it is necessary to manage more rationally the operating capital of society in the interest of improving so-called capital efficiency. This task includes investment economy, improvement of implementation, economic use of capacities, market realization, a good rate of fixed and working capital conversion, in sum, a favorable ratio between national income and invested means. This is important because the sources we used in the past quarter century for the capital efficiency of the economy--rapid economic growth and a rather modest capital intensiveness for the infrastructure--do not exist any longer. We already recognized earlier the waste of live work, and we changed over to increased productivity, although there is still much to develop in this area. The waste of embodied labor was also a well-known fact long ago; still it is only now coming into the forefront of common attention. The central restraints on investments are a temporary matter of compulsion which we must carry out, but the true and permanent solution is latent in the improvement of capital efficiency. The improvement requires great intellectual efforts in the development of central economic management, and no less in the enterprise sphere.

## Small and Medium-Size Enterprises

The improvement of capital efficiency on a national economic scale justifies, to a significant extent, an increase in the ratio of small and medium-size undertakings

in many areas of industry and services. This "retro-correction" process, as it may be called, is justified by the fact that the large enterprises are economically unable to satisfy a certain part of the consumer market demands or the rapidly increasing demands of producer consumption in spare parts, equipment and small assembly parts. If we do not want to combine our large enterprises so that in addition to the modern large plants many small "third-rate shops" are also maintained, we have no other possibility than to develop a broader network of small and medium-size enterprises. There is nothing more uneconomical in the world than to conduct small plant activity in an organization designed for a big plant; yet we need a multitude of such relatively small-scale activities. In regard to this subject, we must not permit some people with a tendency toward simplification to present the matter as though the dilemma of a "large plant or small plant orientation" is cropping up in the economy. In large part we are dealing with this matter only in words; deeds are still lagging. It is worthy of support from intellectual life, not finding fault.

A solution to world economic adjustment and to the problems of strained efficiency necessitates that we continue to develop the economic mechanism in all its parts; that is to say, the central and enterprise methods of planning, the central and enterprise order of price and financial regulation and the central and enterprise arrangement of the economic organizational system. If we do all these things thoroughly and in due time, we can accomplish what is very desirable with the use of so-called evolution. The theoretical basis of development for our party can be represented by the congressional position that we must strengthen in a parallel way the efficiency of central management and increase the independence of local organs and their eigen activity.

Planning and Market

What is the desired, main line of direction? Regarding every present problem, we can conclude that we must continue to develop the entrepreneurial role and activity of our socialist enterprises in such a way that they will not operate under the cover of the state treasury--at least not to the extent as now--but should do more from their own resources for technical, economic and market competitiveness. The attainment of such a situation will require two changes: a further tightening of the central efficiency requirements simultaneous with a gradual solution to the financial and commercial limits that inhibit undertakings. The raising of efficiency requirements means a broader use of competitive prices, a narrower use of production prices and a further rationalization of credit conditions. The easing of limits, on the other hand, means for the enterprises a greater degree of freedom in capital use, manpower management and market purchases and sales. Essentially it means following a direction by which both component parts of our plan management model would develop; planning would have a greater effect on the macroeconomy and the role of the market would expand in the microeconomy sphere.

In the large majority of our enterprises the internal management, regulation and organization system did not develop according to requirements. Decisions within enterprises "slide up" to higher levels to an excessive degree; in addition, decisions are slow in coming and frequently do not rest on an adequate information base, the technical or market information is not precise or the savings calculations are superficial. In general, enterprise administration is a slowly developing area. Work productivity here is particularly low, the state of organization

is not adequate and therefore it is a gold mine that can be rapidly exploited by expert organization. Still rationalization is for the most part greatly limited and suited only in a restricted way for measuring achievements. Of course, there may not even be an enterprise where, in fact, all these shortcomings exist simultaneously, but it is more than enough if some of them exist anywhere at all, because that will not put a brake on achievements. One of the most important areas for making intellectual work more efficient may be the critical analysis, enterprise by enterprise, of the internal mechanism and the solution of its development. Although criticism in this area is broad and strong at the general level, concrete ideas for rationalization are few.

Permanent Solution

The efficiency of intellectual work and its growth depend to a large extent on the existence and development of democracy in economic and social life. In the economy, of course, there are always many singular matters that can best be rationally dealt with, carried out and controlled by personal decision. In such cases, it is not only unnecessary but harmful "to play democracy." But in wider collective frameworks and in problems of great impact, we can reach a truly permanent solution by using the democratic method; in such cases rationalism and democracy can be realized in a characteristic symbiosis.

In our days, the development of socialist democracy includes two parallel lines of action: the development of institutions and the decision system, along with the increase and broadening of democratic attitudes. From shops to the National Assembly, the two can develop only together and reciprocally. The role of intellectual workers is important in both.

In economic life, the problem of democracy emerges both in a broad and narrow way. In the broad sense, this is the participation of workers in decisions. In addition to this entitlement to decision rights, the further improvement and deepening of information are also necessary--in fact the simultaneous expression of information in two concept systems: in accordance with the more summary thinking order of everyday life but with nuances meeting the demands of experts; the information must flow more profoundly and exactly in the economy and outside the economy.

In the narrow sense, the problem arises in matters like the cooperation of the workers in leadership and specialist functions, and joint responsibility for the preparation of decisions. We may call this the characteristic democracy of the leadership level; this development is not easy but necessary.

The efficiency of economic democracy, interpreted either in the broad or narrow sense, depends greatly on the thinking and action harmony of the intellectuals as technicians and economists. The interdependence of the two subclasses is obvious; it is the same as the wagon that we desire to haul on the road to development. But unfortunately, in actual life the danger exists of narrow vision and interpretation, and thus the same matter may appear to be two different things.

The close relationship of technicians and economists and the restraining of a narrow outlook for technicians and economists are indispensable for our economic development. Economic-political thinking is the great ordering force that can integrate into one the attitudinal differences that necessarily exist. Our intellectual efforts, therefore, must be strengthened in economic political thinking.

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## FALUVEGI ANALYZES ECONOMIC SITUATION, PROSPECTS

Budapest NEPSZABADSAG in Hungarian 29 Nov 81 p 3

[Excerpt from speech by Lajos Faluvegi at the 7th general meeting of the Hungarian Economic Society: "Growth and balance"]

[Text] A decline in the rate of economic growth and a lack of balance are general phenomena in the world economy. The causes are not the same in socialist countries, economically developed capitalist countries, and in the developing world; nevertheless, behind the phenomena there is a common background of basic world-economic changes tugging and which began in the 1970s that have already become epoc-making.

### Stricter Fxternal Conditions

Although growth rate in socialist countries--with the exception of one or two--has not declined as much as in the capitalist countries, the long period of rapid economic growth exhausted its resources in this region as well; and this led to a state of development in which the so-called "extensive" resources have had to be replaced by other driving forces. The common prime mover of development in the socialist countries is cooperation within CEMA. The incontestable results that have resulted from this are, however, accompanied today by problems of changing direction in growth.

One of the central difficulties of recent years has been the supply of energy. In regard to CEMA as a whole, this does not arise from a scarcity of natural resources but from various interests that affect world-market price relationships and, further, from the fact that production has become more capital-intensive while consumption is still very wasteful. Even before the specific energy use far exceeded the corresponding indicators of other developed industrial countries, however, in the new situation the rate of energy-saving structural changes has lagged behind the rate experienced in capitalist economies.

The second critical point is food production. The tensions in the food marketplace can be explained mainly by the fact that agricultural production is growing only slowly. Income in relation to expenditures is increasing very slowly, and certainty about [the amount of] production is variable. The tensions that appear in supply are to a large degree a burden on the foreign-exchange balances of individual socialist countries. The Hungarian economy is an exception to

this, and interest has been increasing as to its experiences. This situation represents for us significant strategic reserves, valuable to increase production and to improve the balance.

A common concern is the increasing deficit in the convertible trade and payment balances and the fact that most of the energy-importing countries would like to postpone debt payment with credits as a result of the losses due to the deterioration of the terms of trade. The efforts made toward improving the convertible balances and the increase in demand for the most modern technology have tightened the conditions for trade among socialist countries. More than in previous years, we must now balance most accounts on a yearly basis and, in mutual deliveries, we must more and more relate the so-called "hard items" to one another. Because of the weakness of market relationships and means and the limited role of monetary and credit relations, it is difficult to develop diversified, flexible, and dynamic cooperative production based on mutual advantage.

On the basis of our political commitment and economic interest, we affirm that economic cooperation among socialist countries will remain the basic pillar, the indispensible condition, and the driving force of our economic growth.

We can respond to the new conditions that are crystallizing in the socialist markets if an increasing share of our exports consists of the more modern products which can command a good price; in this way we can mitigate the deterioration of our terms of trade, and economic cooperation can become a more definite factor for growth in our development.

The attempts of the capitalist countries to adapt have been instructive for us--even if indirectly, by transplantation. One new development has been the working out of longer range concepts and programs directed at switching structural policies. By means of measures known as "positive structural adaptation", they desire to accommodate themselves as soon as possible to the more expensive energy and raw materials, to the competition of newly industrialized developing countries, and to the changed conditions imposed by stricter environmental protection requirements. Most of them, however, do not extend a life-preserver to branches of industry in crisis, as happened during the period after the explosion of oil prices, but they do halp competitive undertakings.

We must see clearly that the slowing down of growth in the capitalist economy--boty at the time of earlier crises and now--is accompanied by profound technical and structural changes. This transformation or adaptation can bring advantages to the enterprises that remain competitive, but it also brings about serious unemployment. We cannot follow that pattern, we cannot accelerate our pace of accommodation of our economy at that price. It is our responsibility and duty to preserve our social achievements. Still, perhaps just for this reason, we must face up to the challenge which the industrial and organizational renewal of the capitalist economy represents; we must eliminate the danger of lagging behind by putting into operation the new driving forces that are appropriate to our social goals and social structure.

Amidst the continuing capitalist decline, there is for us a significant resource for growth in expanding our economic connections with the developing world. In

these countries, one of the key problems of social and economic development is that industrialization is taking place principally through imported technology brought by the multinational industrial giants, within a framework appropriate to the interests of the incoming foreign capital. This technology is capital-intensive, but it does not expand the number of new work places sufficiently.

At the same time, our midlevel technology can represent just the right "pulling power" in many branches of industry, not to mention accumulated experience in the life-and-death matters of improving food production and water management. Cooperation with developing countries can give a strong impetus to expanding our convertible exports, provided that we try to learn about and acquire these markets with appropriate zeal--much more than at present.

## The Difficulties of Realization

An old Transylvanian proverb expresses our situation vividly: "We are between the anvil and the hammer." Of course, during this process good material is being transformed, its structure changed, becoming harder and at the same time more flexible, and thus more valuable. I am convinced that, whatever the external environment, in the end every economy depends on its own internal strength of whether it is capable of achieving the best possible result in a given situation.

Among the countries with moderately developed economies in the 1970s, we were one of the highest in the group. Rapid economic growth was naturally not a goal, but a means: a means of rising from a backward condition, first of all to raise the standard of living and to improve [the quality of] human life. In the past three decades, the annual consumption of the population rose at an average annual rate of 4.4 percent. The standard of living we have achieved is in harmony with the general level of development of the economy. Our country has an industry appropriate in size to our economic development but it is too structurally fragmented; in regard to its technical level it is moderately developed. Our agriculture is capable of supplying domestic food and continual exports as well. The internal proportions of the total economy, however, are not sufficiently harmonious, and efficiency is improving slowely.

One of the most important factors in the rapid economic growth of the past three decades was, finally, the fact that we have participated to a higher and higher degree in the international division of labor. Our foreign trade turnover grew by an average of 9 percent a year, must faster than production.

So it is not by change that, in the 1970s, following the world-economic price explosion, the problems of balance were concentrated and most acute precisely in our foreign-trade relations. From 1973 to 1978, our foreign debts jumped up, and this became a burning concern for our economy. As a result of the 1979 modifications in the course of growth and the efforts made since then, the trend of over-indebtedness has been slowed down greatly, although the situation of our foreign trade balance is still tense [precarious] and this places great burdens on us.

I think that these are the most important inherited credit and debit items with which the Hungarian economy has arrived at the threshhold of the 1980s.

## The Basic Goals of Economic Policy

What kind of goals and tasks could we set for ourselves as we worked out the Sixth Five-Year Plan? The targets of the plan are well known. But I think it important to exmphasize the three basic goals of economic policy, because they are like connecting gears in the guidelines for economic policy of the 12th congress.

The first one, which in the given situation we had to establish as the focal point of our work and to temporarily raise it above all other economic goals, is that we must improve and solidify the foreign trade balance. Many people did not at first understand giving this first priority. But events on the international scene since then have given it some justification. We, of course, considered not making use of foreign resources for our economic development. But the introduction of foreign resources does have one directly tangible limit: Indebtedness must not reach the point where it would shake the confidence of our commerical and financial partners, which would endanger our position in the international financial world, which we have achieved and maintained throughout the difficulties of past years. By keeping ourselves always at a safe distance from this boundary, we can regard our balance situation as solid.

Improvement of external balance at the end of the 1970s required that we restrict domestic consumption severely. We had to swallow this bitter medicine to be sure, and we may still have a few spoonfuls left to go! For this reason, we could not make raising the standard of living a goal of the 5-year plan.

The second basic goal of economic policy in our plan is to preserve the standard of living that has been achieved--and this is a more difficult task under present conditions than was the 20 to 25 percent per 5-year period increase in consumption had been formerly. In harmony with this goal, we can and must create a balance between supply and demand in the consumer market, while expanding the supply of goods; on the other hand, we must improve living circumstances with those means that do not require an increase in material consumption. At the same time, of course, also we have had to temporarily and radically restrain the growth of investment. The fact that we are limiting domestic consumption cannot be a lasting, long-range means of solidifying the foreign trade balance, but it is a condition for that.

We must look for the solution on the other side, in the fact that we are transforming the structure of production, we are increasing the production of modern, exportable, economic goods. We cannot allow ourselves the luxury of increasing or even maintaining production of obsolete, expensive goods that can only be sold at a loss. As an average between booming expansion and painful, but inevitable, cutbacks, we obtain a relatively slow rate of growth.

There is a frequent misunderstanding that a slow rate of economic growth is the goal of our economic policy because this helps to create balance. This is an error; we have not committed ourselves to stagnation. Slow growth does not in itself guarantee balance and neither does rapid growth necessarily upset a state of balance. Slowing down growth is not a goal, and it is not even a means for reestablishing the balance, but it is a result. It results from changes that

have taken place in external and internal conditions and from the fact that we have to accelerate our accommodation to the structural changes that are taking place in the world economy. The faster and better we are able to do this, the faster we will be able to grow.

It is the goal of our economic policy--and this is precisely the third basic goal that I wanted to emphasize--to create and maintain, along with and in spite of the slower tempo, a common feeling of healthy growth in every area of the economy, in every enterprise and collective that stands in the spotlight, as well as in every hidden corner where there is a readiness for innovation, ideas, creative force, and courage for initiative to operate differently, more modernly.

For this we must conduct a policy of selective production and development, we must help see to it that regulations give advantages to enterprises that are growing rapidly, and we must become accustomed ourselves to the fact that both in the economy and in personal incomes differentiation will become stronger.

The presentation of the Sixth Five-Year Plan began with this sentence: "The Hungarian economy in the 1980s will have to wrestle with tasks that it has not met before in the course of its development." I think this observation is more true now than a year-and-a-half ago. For this reason, there has never been so great a need for us to give our own answers to the questions that life is posing here and now.

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## AGRICULTURAL PROSPECTS, FUTURE POLICY SET FORTH

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[Article by Jozsef Szabo, member of the MSZMP CC and rector of the MSZMP Political College, and Laszlo Bethlendi, CSc, docent of the MSZMP Political college: "Agriculture and the Food Industry in Their New Stage of Development"]

[Text] Hungarian public opinion appreciates the process of development that has taken place in agriculture and the food industry during the past 25 years. However, the development in agriculture is not solely a result of the "peasantry's" work. Industrial workers, researchers, engineers, domestic and foreign traders also participate in supplying agriculture with means of production, and in the production and distribution of foodstuffs. The social recognition that accompanies their work simultaniously compels them to assume greater responsibility and to work even harder. On the other hand, our entire nation enjoys the advantages of the achieved results, say, of the basically high level of food supply.

Our agricultural development is not free of contradictions, and the results are accompanied by problems as well. For example, the net results of food production, the indicators of profitability, have increased at a substantially slower rate than gross food production; or development of the organizational framework of production often has not been accompanied by adequate operation within the system, by perfection of the systems of direction, management and stimulation. The requirement of further progress demands that we analyze and generalize the experience to date in conjunction with the development of our agriculture and food industry, that we outline a system of objectives and conditions, as well as a strategy, suitable for the 1980s. Practice itself demands policy guidance. For, during the past 15 years, practice led the development and modernization of production. Our achieved results can be credited primarily to the workers of the state farms and agricultural cooperatives, and to the territorial administrative organs in direct contact with them. At the same time, theoretical generalization guarantees the consolidation of the results and identification of the pitfalls, and this is also the basis for the spreading of good practices and the exchange of experience.

### Quantitative Growth, Competitiveness on Foreign Markets

The production results unambiguously confirm the success of our agricultural development during the past quarter century, of the MSZMP's agricultural policy. In 1959-1961, the years of agriculture's socialist reorganization, the dual task (of increasing the output parallel with the reorganization) was fulfilled: the farm

output increased over the preceding three years. On average for the past two decades, agriculture's growth rate was 3 percent a year, outstanding even by international comparison. The development of agriculture and the food industry permitted an improvement of the population's food supply, a quantitative increase in food consumption, and a significant improvement of the qualitative composition of food consumption. Parallel with a significant rise of the level of domestic supply, the export volume of foodstuffs increased sixfold from 1960 to 1980.

We have achieved our present results--a relatively high level of food supply, a significant volume of agricultural export, and average yields outstanding even by international comparison--through a quantitative expansion of production. One of the most important characteristics of the development of our agriculture and food industry has been primary emphasis on a quantitative increase of production. In the 1960s, and even in the early 1970s, we had to cope with the quantitative problems of production. The primary objective, under the conditions of shortages, was to ensure as soon as possible from domestic production the population's supply with all produce that can be grown domestically. And parallel with this, to obtain from agriculture and the food industry as much additional export as possible, particularly in dollar-denominated export.

As a result of their self-development and significant quantitative growth, agriculture and the food industry have reached a new stage of development. The production conditions for supplying the population's food demand have been developed in agriculture and the food industry, and most food products are supplied to a saturated domestic market. Therefore the growth of food production is determined primarily by the possibilities of marketing food products on foreign markets. Food supply nearly commensurate with the demand, and the dependence of food production's growth primarily on sales to foreign markets occurred at a time when the economy's external and domestic conditions also have changed, and a changeover to intensive development has become the main effort in our entire economy. Also as a result of the changes in world-economic and national-economic conditions, competition is intensifying among the individual sectors, activities and enterprises. The increasing requirements can be met only through better work, by improving quality and efficiency. In this new situation the importance of food production's efficiency and of its ability to compete on foreign markets has increased.

Socialist large-scale farming has already found the key to relatively dependable and balanced production in terms of quantity, but it is still only half-way in its pursuit of production efficiency. The efficiency of farm production has improved in some partial areas, but has worsened in others. In some areas we approximate the world lead also in terms of efficiency, but in other respects we lag even behind the world average. The dynamic growth of farm production has been accompanied by different directions and rates of change in the productive factors' efficiency.

The volume of farm output per hectare of farmland is 80 percent higher in 1980 than 20 years earlier. This in itself indicates a significant improvement in the utilization of farmland, which is due to the dynamic growth of average yields, and to intensive changes in the production structure. The fundamental issue in agriculture is the better utilization of the soil as an irreplacable but renewable resource. On this is based also the utilization of the other productive factors. Here the resources must be employed in combination with the better utilization of soil fertility.

The productivity of live labor has risen very sharly in agriculture. Prior to the socialist reorganization of agriculture, a farm worker produced enough food for five to six persons, but today he produces enough for 20 persons (considering the manpower in basic farm production). Labor productivity has risen even faster on large-scale farms, as well as in the production of field crops and in poultry production. Better vocational training has been an important factor in the improvement of efficiency and the rise of the productivity of live labor. More than 80 percent of the blue-collar workers are skilled or semiskilled workers, the number of engineers exceeds 25,000, and there are over 30,000 secondary-school graduates.

The development of production in the two decades following the socialist reorganization of agriculture produced higher efficiency only in relation to the soil and the manpower. The efficiency of fixed capital worsened, the embodied labor was used with diminishing efficiency. The worsening of the efficiency of fixed capital on large-scale farms was very substantial, at both current and unchanged prices, and in terms of both the gross and net output. The rising capital intensity of production increased agriculture's replacement fund and substantially reduced the national-income content of a unit of farm output.

In the final outcome the worsening capital efficiency and rising capital intensity arrested the growth of national income produced in agriculture. The development of national income produced in agriculture lagged considerably behind the growth of agriculture's social product. The worsening trend of fixed capital's efficiency slowed down in the 1970s. In agriculture as a whole, the value of the social product per unit of capital increased 8 percent during the past decade. And under the Fifth Five-Year Plan, the value of farm output and enterprise profit per unit of fixed capital increased also in large-scale farming, on the state and cooperative farms. But the data at unchanged prices continue to show merely a slowdown of the worsening capital efficiency.

Besides the worsening capital efficiency, another factor of the slower growth of agriculture's national income than of its social product was fact that the number of persons gainfully employed in agriculture dropped by 865,000 between 1960 and 1980, and the total acreage of farmland shrank by 500,000 hectares. Thus a proportion of the dynamically growing stock of fixed capital served to replace the decline in capacities, the dropout of acreage and manpower. Only the remainder of the new fixed capital could serve as a source of farm production's growth.

The efficiency of our farm production, and the level of farming on which it is based, can be termed better-than-average by international comparison. Admittedly, we were not always able to utilize the advantages that stemmed from this rating, due to the protectionistic and discriminatory trade policies of the capitalist countries.

An internal contradiction of our food production is that the export efficiency of our field crops is close to the world lead, but the export efficiency of a significant circel of our livestock products is unfavorable. Within the preceding overall picture, the efficiency of export varies considerably by specialized branches, sectors, products and agricultural enterprises. Even within livestock production, for example, there is a significant circle of products whose export efficiency is favorable. Modern livestock-production plants have failed, or are not producing efficiently enough, primarily where we failed to ensure the

necessary conditions, or where we did not ensure them adequately. Because of changing market conditions, the efficiency of export varies from year to year. During the past two years, the circle of food products with a favorable export efficiency expanded solely as a result of changes in the conditions on foreign markets.

The efficiency of farm production and the ability of food products to compete on foreign markets have been and are influenced by numerous factors. However, the lack of circumspection in management and in the organization of labor can hamper development even in the stage when modernization is improving efficiency. On the other hand, we can moderate the unfavorable effects of growth that necessarily reduces efficiency, by employing more circumspectly the production-organization procedures and methods, by adjusting to the conditions more flexibly, and by mobilizing the reserves inherent in the forms of the organization of farming. We cannot say by any means that the development of agriculture and the food industry has been free of problems in this respect. Already at the start of this process, for example, our agricultural enterprises should have devoted more attention to the questions of increasing average yields economically, to the reduction of specific material consumption and of losses in general (feed, manufactured fertilizer, plant protectants), and to how the volume of value added was developing. In other instances a one-sided technical approach dominated development, while considerations of economic efficiency, the internal laws of farm production, and the traditional opportunities were disregarded.

By sensibly allocating and using inputs within the enterprise, by adjusting the input level to the conditions of the farm, by thoroughly investigating the factors that influence higher yields, by increasing the average yields economically, by improving the efficient utilization of farm equipment, and by perfecting the organization of farming and work, it is possible to influence favorably the change of efficiency. Parallel with employing industry-type methods and equipment, the efficiency of enterprise activity can be improved also by utilizing traditional equipment, opportunities and methods, provided this alleviates the stresses in farming, instead of intensifying them.

The production structure must be geared to the conditions of the enterprise. Unutilized opportunities exist also here. Resources can be used more effectively by operating more flexibly the production capacities that can be managed more freely, and by reacting faster to changes in market demand. Efficiency can be increased also by properly applying the basic principles of concentration and specialization within the enterprise, and by utilizing the advantages of diversification.

Sound enterprise management necessitates reinforcement of the economic approach, to counterbalance the technical approach that today is still rather one-sided. When preparing and making decisions, greater weight must be attached to economic criteria.

Perfection of the enterprises' internal system of management and control in accordance with the requirements, a more effective chain of command, modernization of the enterprise's internal system of self-interest and incentives, application of more intensive forms of remuneration, and establishment of a closer link among performances, final product and wages--all these can be significant factors in forming efficiency and in increasing food production's ability to compete on foreign markets.

Role of Agriculture and the Food Industry Within the Economy

The role that a branch of the economy plays in economic growth is determined primarily by the extent to which the given branch contributes toward ensuring the economy's uninterrupted supply, maintaining the standard of living and improving economic equilibrium, and how the given branch utilizes the economy's resources and opportunities. From this point of view, in the final outcome, the individual branches and sectors of production, professions and activities, economic units and products compete for development resources that, at the level of the economy, are limited.

As a result of our socioeconomic development, industry is the principal base of our economy and plays a fundamental, decisive role in economic development. From this fundamental and decisive role it follows that industry is responsible for ensuring the supply of industrial capital goods, equipment, materials and parts. It cannot be agriculture's task to do so. At the same time, however, industry--already coping with marketing problems in several respects--has not exploited adequately agriculture as its sphere of interest and market (let us cite merely the problem of supplying spare parts, which has remained unsolved for decades).

The following table illustrates the place and role of agriculture:

Place of Agriculture and the Food Industry Within the Economy

| | Agriculture & food industry's share of national aggregates, at current prices, in percent | |
|---|---|---|
| | 1970 | 1979 |
| Gross domestic product (value added) | 21.8 | 18.3 |
| Dollar-denominated export | 33.2 | 29.4 |
| Ruble-denominated export | 17.3 | 14.0 |
| Total export | 22.8 | 21.9 |
| Population's consumption at 1976 prices | 50.7 | 44.7 |
| Value of productive fixed capital | 13.2 | 14.6 |
| Percent of persons gainfully employed | 27.6 | 23.5 |

Source: Data of the National Planning Office's Agriculture and Food Industry Section.

The national economic role and significance of agriculture and the food industry can be summed up as follows:

a. By producing foodstuffs, agriculture aids the reproduction and expanded reproduction of manpower. Because of its role in the population's consumption and supply, the output of agriculture and the food industry is an important factor of domestic political stability. We expect a moderate rise in food consumption in the coming years. Quality, however, must be further improved, the assortment must be broadened, and--in cooperation with trade--the supply of merchandise must be spread more evenly over space and time. Our production conditions, and the level of agriculture and the food industry enable us to base preodimnantly on domestic production the population's food supply and the satisfaction of the population's rising requirements in terms of quality and assortment.

b. The net export of agriculture and the food industry helps to finance the economy's import demand and to improve the balance of trade. The active role of food production in earning foreign exchange can be demonstrated not only if we take the net balance of direct export and import in the branch, but also if we take into account the indirect import and the value of the imports of food that cannot be produced domestically. Of the total export of agriculture and the food industry, 50 percent is directed to socialist countries, and the other 50 percent to the developed capitalist countries and developing countries. The Soviet market absorbs 28 to 30 percent of our food export, and the Soviet Union will be the single largest customer for our food products also in the long run. The proportion of food products within our total export is relatively high in our export to the countries of the European Common Market (35 percent) and to the non-European developed capitalist countries (29 percent).

c. As a producer of raw materials, agriculture supplies industry in addition to supplying itself; respectively food production is a large consumer of industrial capital goods and materials, i.e., it is industry's market. As a supplier branch, agriculture supplies primarily the food industry and light industry. And the supplementary activity of the agricultural cooperatives and state farms, besides satisfying the population's needs, contributes toward resolving the shortages and stresses in basic industry. Agriculture and the food industry are using industrial goods and materials on an increasing scale. Within the input structure of agriculture there has been a significant shift in favor of the proportion of embodied labor, at the expense of live labor. And within the use of embodied labor, there has been a substantial rise in the use of industrial capital goods and materials. In terms of cost, 70 percent of the materials used in industry are of industrial origin. The quality and productivity of labor in industry significantly influence also directly the profitability of farm production. Domestic industry is able to supply only partially food production's demand for industrial capital goods. Under the Fifth Five-Year Plan, for example, domestic production supplied 42.5 percent of agriculture's machinery procurement, while 41.4 percent was imported from other socialist countries, and 16.1 percent from capitalist countries.

d. Soil is agriculture's primary production factor and the greatest natural resource of our country. It accounts for a substantial proportion of our national wealth and is a resource that ensures the production of raw materials and basic materials. The development of food production results in the better utilization of our natural resources and favorable natural conditions. The per capita farm acreage is 0.66 hectare, and this respect we are in the lead in Europe. Nearly 75 percent of the country's area is suitable for farming, and this indicator is favorable even in a broader international comparison. The proportion of plowland is 55 percent, and in this respect we share third place in the world with Sierra Leone (likewise 55 percent), after Bangladesh (62 percent) and Denmark (61 percent). Our other natural conditions of farming can be termed generally favorable. In terms of so-called relative climatic productivity, for example, among the CEMA countries we rank second, after Bulgaria.

e. Agriculture and the food industry employ 23.5 percent of all wage earners, providing a secure livelihood for them. Earlier, by releasing significant manpower, agriculture contributed toward supplying the manpower needs of the dynamic growth of industry and services. At the present stage of development,

however, the ability of agriculture, and of the village in general, to retain the rural population is increasing.

This increasing ability of agriculture and of the village to retain the rural population is of great social significance. In many sociopolitical respects it is beneficial that we are curbing, by natural and sensible means, unwarranted migration from the villages, or are encouraging restoration of a sound ratio.

Farm production provides employment and income to a wide circle of persons not of work age, and also part-time employment and seasonal employment.

f. The role that the principal branches of the economy play in our lives is characterized also by value indicators, usually by the shares of their contribution to the social product and national income. Agriculture and the food industry produce 26 percent of the social product, and more than 20 percent of national income. The significance of food production's 20-percent share in generating national income becomes more apparent if we take into account the close relationship that can be demonstrated between aggregate national income and national income produced in agriculture.

In Hungary, similarly as in other countries undergoing industrialization, gross industrial production and industry's contribution to national income rose rapidly; the output of agriculture and the food industry rose at a more moderate rate, while their contribution to national income declined. Agriculture accounted for 48 percent of national income in 1950, but only for 16.6 percent in 1980. The food industry's share is 3.5 percent. This change in proportion is a result of industry's substantially faster growth in comparison with agriculture, and of the significant decline of agricultural employment. But it is also linked to the worsening efficiency with which agriculture uses embodied labor, and to the peculiarities of our price system.

The price system significantly influences the share of the contribution to the social product and particularly to national income. Based on the price system now in force, the share of food production's reported contribution to national income is smaller than what it would be computed, for example, on the basis of so-called shadow prices or prices of the world-market type. The reason for this is that pricing in industry and agriculture is not uniform. The net-income content of prices is high in industry, but low in food production. It is essential, however, that income parity can be maintained despite the price disparity. This is achieved by subsidizing food production because of the lower price level, and by taxing food production less heavily than industry.

The state must subsidize the output of agriculture and the food industry specifically because the developed level of consumer prices for food does not permit consistent application of cost-commensurate pricing to food production. And also because pricing in agriculture is linked to the costs of farming land of average fertility, and therefore the costs of farming land of inferior quality are not recovered. The system of state subsidies for agriculture is not individual and ad hoc, rather it is of a normative nature. Thus it functions in the same way as the price system and is an integral part of regulating farm production, of the system of self-financing for state farms and agricultural cooperatives.

## Constancy and Change in Agricultural Policy

An important element in formulating the entire policy of the MSZMP, including its economic policy, is the realization that a principled and consistent solution of the problems of agriculture is of primary importance in developing food production, strengthening the worker-peasant alliance, and in maintaining and reinforcing socioeconomic stability. The MSZMP has devoted due attention to agriculture. Agricultural policy has been and will remain an important part of MSZMP policy.

Simultaneous consideration of our domestic conditions and of the general laws of building socialism is characteristic of the formulation and development of our agricultural policy. In 1957, the MSZMP critically evaluated the lessons of earlier agricultural development. The party developed its agricultural policy in struggle on two fronts, combating both the right-wing and pseudo-left-wing views (for example, private farming on small farms must be stabilized and the reorganization of agriculture postponed; by reducing its standard of living, the peasantry must be persuaded to accept collectivization, etc.). Agricultural policy was developed further by consistently applying Lenin's principles, adjusting to the specific socioeconomic conditions and taking into account the experience of the fraternal socialist countries.

The MSZMP's agricultural policy is permeated by the process of continuity and renewal, the life-blood of our party's entire policy. The first and perhaps most significant stage in the renewal of our agricultural policy was the development of a theory and practice that substantiated agriculture's socialist reorganization and successfully carried it out.

The next significant step in perfecting and enriching the MSZMP's agricultural policy was development of enterprise management for the socialist large-scale farms (higher state-purchasing prices, abolition of machine-tractor stations, the spreading and general introduction of cash payments, formation of a wage fund and depreciation fund, perfection of the system of economic management, and expansion of enterprise independence).

Broader organization of the concentration and specialization of farm production, of cooperation between farms and of their integration, and the expansion of the scope of enterprise and farm activity were likewise an important step in the development of agricultural policy.

A feature of outstanding significance in shaping and perfecting agricultural policy was the treatment of household plots and small-scale farming within the entire output of agriculture and the food industry, the consolidation of farming on household plots and complementary farms, and their integration into the socialist large-scale farms. Many important aspects that today are associated with farming on household plots and with small-scale farming will be retained as essential by our agricultural policy also in the long run (commodity production, utilization of the work of family members and part-time workers, integral connection with large-scale farming, income-supplementing role, etc.).

In accordance with the constant and the changing elements of our socioeconomic conditions, also in our agricultural policy there are permanent characteristics as well as changes and shifts in emphasis. In this way, policy is always able to concentrate on the most important tasks. Emphasis was on different elements, e.g., at

the time of agriculture's socialist reorganization or of the large-scale farms' consolidation, and again on different elements in the 1970s, by when the conditions for the dynamic growth of production were already formed. Lenin's principles of gradualism and voluntary participation, and the nature and methods of state aid applied with different content before, during and after the socialist reorganization of agriculture.

The stricter conditions of intensive development, foreign economic changes and economic growth are setting greater tasks also for food production. Agriculture and the food industry in the 1980s are developing along the proven path, adjusting to the new and changing conditions. The current tasks of our agricultural policy are outlined in the October 1977, March 1978 and December 1978 resolutions of the MSZMP Central Committee, and in the resolutions of the 12th MSZMP Congress. The October 1977 and December 1978 resolutions of the Central Committee set for the economy, including agriculture, the tasks that stem from the stage of intensive development and from the external economic changes. The resolution of March 1978 formulates the main emphasis in agricultural policy for the 1980s: "On the basis of socialist large-scale farming, we must solve the coordinated, intensive and efficient development of entire food production."[1] This policy has been confirmed by the 12th party congress: "Hungary's natural conditions warrant and permit the preferrential development of agriculture. The increased output of agriculture and the food industry must ensure balanced domestic supply and the expansion of economic export. Greater efficiency, better quality, higher yields, lower costs, and a better utilization of the natural conditions are the principal tasks in both crop production and livestock production."[2]

Whether we analyze our agricultural development and agricultural policy during the past quarter century or look into the future, we come to the conclusion that the agricultural policy of the MSZMP has been and will be successful, decisive and consistent. The validity and significance of this conclusion are not undermined by the fact that faster and more even progress has been hampered by occasional uncertainties regarding agricultural policy, and sometimes by objective difficulties and mistakes in approach, management, and implementation.

The great socioeconomic significance of the socialist development of the conditions in agriculture and food production is indisputable also in the long run. Under the Sixth Five-Year Plan we are continuing our proven agricultural policy and cooperative policy. The principal task is to consolidate the results already achieved and to boost them further in accordance with the requirements of the external economic factors whose role has increased. The farm output will increase at an average annual growth rate of 2.7 percent, within which the growth rate of crop production will be 3.3 percent and of livestock production 1.9 percent. The food industry's output must increase at an annual rate of 3.1 percent. The development of food production also must be solved with somewhat smaller volume of investment resources than under the preceding five-year plan.

Fulfillment will require intensified effort and well-organized work. The stepped-up nature of the plan stems from the changes in our external and domestic economic conditions; partially from the modification of the international economic environment, and partially from our domestic stage of development. The curtailment of investment opportunities due to the requirements of equilibrium, and the setting of stricter criteria for the operation of enterprises and cooperatives are

unavoidable. Not even food production can be exempt from these constraints. So far as planned growth is concerned, agriculture as a branch belongs among those areas, branches, sectors and activities of our economy that will develop at a similar rate as before. Within food production itself--whether we consider individual sectors and specializations or individual enterprises and cooperatives--there are areas that will grow at above-average rates, but their may be stagnation in some areas, and occasionally even a decline.

Our agricultural development in the 1980s will again not be free of stresses. The specific contradictions that accompany development stem partially from the constriction of our investment resources, and partially from the fact that the five-year and long-range conditions of equilibrium do not overlap entirely. What are the most significant conflicts in the growth of agriculture and the food industry in the 1980s?

One such conflict is the anticipated increase in the differentiation of production by enterprises. The large-scale farms operating under less favorable conditions and with lower efficiency will be able to offset more slowly and with greater difficulty the burdens of stricter conditions of economic activity and growing price disparity. Differentiation on the basis of efficiency has been and will remain one of the driving forces of development. The efficient farms will remain the pioneers in development and in improving the efficiency and qualitative aspects of production. If we are to adhere consistently to the principles of our economic policy, then also in the future we must not hamper the differentiation of production, because that would slow down the improvement of efficiency. However, differentiation must not become a source of political and social tension. We expect the dynamic growth of production and the improvement of efficiency primarily from the efficient farms. To achieve our production goals we of course still need to farm the acreages whose conditions of farming are less favorable, to utilize the potential of the cooperative farms whose level of farming is low, and to aid such farms. The main problem is that profit as the own sources of financing development--under the given economic conditions and levels of farming--cannot be generated in about one-third of the agricultural cooperatives.

The relative weight of the agricultural cooperatives whose level of farming is low is evident from the fact that nearly 400 agricultural cooperatives belong in this group. They farm 1.5 million hectares, provide gainful employment for 145,000 persons, manage 40 billion forints of fixed capital and produce 20 percent of the cooperative sector's output. The low level of farming can be attributed to poor soil at 120 to 130 of the cooperatives, and to recurring flood damage and drainage problems at 90 to 100 of the cooperatives. The decisive factors underlying the low level of farming at the rest of the cooperatives are unsuitable production structure, inadequate fixed capital, and weak management.

Even under the stricter economic conditions it is necessary to seek the solutions that can aid the inefficient agricultural cooperatives in stabilizing their enterprise management and in uncovering their existing reserves. Such solutions can be, for example: adjustment of the production structure to the natural conditions; development of supplementary activity; expansion of the acreage of labor-intensive crops or, conversely, the shedding of manpower; more extensive use of traditional production techniques, organizational solutions and incentive forms; upgrading the level of management and organization, and an increase of the number of

specialists; expansion and strengthening of cooperation between efficient large-scale farms and inefficient ones; various cooperations and associations with capital-rich enterprises; homework for other agricultural or industrial enterprises, etc. Naturally, it is expedient to seek modes of development that conform to the conditions of the agricultural enterprises in question, bearing in mind that the prerequisites for a real improvement of profitability can and must be created within the enterprise.

State measures also will continue to aid the consolidation and development of weak agricultural cooperatives. The expansion of soil-improvement investments will increase the efficiency of production and narrow the circle of agricultural cooperatives whose natural conditions are unfavorable. Differentiated state aid and price subsidies will likewise help the large-scale farms whose natural conditions are unfavorable. Each year the operation of about 20 to 25 agricultural cooperatives farming under unfavorable natural conditions may be reviewed centrally, and they may be reorganized.

During the five-year period there will be also in food production enterprises and cooperatives whose extensive, rather than intensive, development will be expedient; they will not grow but will stagnate temporarily.

A problem in technical development is that domestic industry, particularly the engineering industry, still does not take adequately into consideration the needs of food production. Another problem is that a proportion of the equipment needed for higher average yields in agriculture and for the food industry's modernization can not be procured even through import from other socialist countries. The supply of spare parts for machinery still remains unsolved. The situation in the supply of capital equipment is unfavorable particularly in terms of quality, of an assortment necessary for technological variation, and of the requirements of saving energy. To attain comparative advantages, however, we need machinery, technological systems and parts supply that match those of our competitors. Restrictions on the importation of equipment and technologies that can be imported from developed countries will undermine in the long run the ability of our food production to compete on foreign markets, because it hampers the attainment of a competitive technological level.

There is a contradiction between the production of agricultural raw materials and storage capacity. There is a shortage of capacity for refrigerated storage, of granary capacity, and of warehouse capacity in general, including the food industry's warehouses. This results in losses, in the spoilage of the produced raw materials, and we have considerable storage problems in the case of bumper crops. We are unable to pursue suitable business policies. We sell not when the efficiency of export is the most advantageous from our point of view, but when we produce the food products. Without stocks and storage capacity, we are closely affected by market fluctuations, and our ability to maneuver is limited. New storage facilities should be sited in a way such that a sound ratio will develop between central storage capacity and farm storage capacity. More dispersed siting of storage capacity is warranted by the utilization of local, low-cost, in-house possibilities, and by transportation costs as well.

Likewise noteworthy are the role and importance of the bulk-purchasing, produce-supplying and trade branches. Here, unfortunately, much produce goes to waste or

deteriorates for reasons that are well known, and this disturbs the desirable relationships of self-interest.

## Principles of Agriculture's Enterprise System

In terms of average farm size, Hungary's agriculture ranks second in the world. The accelerating process of centralization paved the way for the development of the productive forces and for the application of modern production techniques and methods; it also stimulated concentration and specialization within farms. Larger enterprises are a great advantage of socialist agriculture, but the advantages inherent in the existing framework are by no means fully utilized.

Today the productive forces and production techniques of the enterprises still fall short of the requirements in terms of quantity and quality, and the level of organizing their use and the degree of capacity utilization are still unacceptable. On a significant proportion of the farms this hampers effective enterprise growth. Large-scale production techniques have not even developed in some branches of farming. For example, we cannot speak of reliable large-scale technologies for vegetable production or cattle breeding. By now it has also been demonstrated that where the conditions for traditional technology exist and such technology is more profitable than industry-type technology, there the former should be used, instead of seeking what organizational changes or linkage to the existing organization could enable the enterprise to employ industry-type technology.

The results of our agricultural enterprises are significant even by international comparison. But it is also true that on the whole, in terms of the level of agricultural development, our place among the countries of Europe with developed agricultures has not changed significantly. This again calls attention to still unutilized reserves in socialist large-scale farming, in the state farms and agricultural cooperatives.

In the late 1970s, restriction of the efforts to merge became warranted. Intensive centralization led to excessive simplification of the production structure, to unwarranted replacements of existing capacities, to the faster curtailment of traditional production techniques and methods than was desirable. This increased the demand for investment resources and capital goods. There was growing thirst for technologies far exceeding what the national economy could afford, and modernization of the enterprises' internal organization lagged behind their increased size. The excessive consolidation and merging of farms can be attributed basically to two causes. One was gigantomania, its accompanying--but often only presumed--growth of prestige, respectively the one-sided aspect of managability. The other was an exaggerated effort to reduce the number of unprofitable farms, through mergers and consolidations. A contributing factor to the excessive centralization efforts was that the larger (merged) agricultural cooperatives were better able to obtain investment resources, and often the local party and government organs, and in some places even the regional associations, encouraged mergers. Analyses showed that mergers could and did produce only partial results in terms of accelerating growth and raising efficiency. Also for this reason it is warranted to give preference to methods other than mergers when attempting to solve the problems of farms that operate at a loss and are less able to develop. A further increase in the average size of the large-scale farms would weaken, rather than strengthen, the ability of the rural districts and villages to retain their populations. Unsound mergers hamper the development of democracy in the

community, on the farms and in the cooperatives, curb individual initiative, and as a result also the willingness to assume responsibility may decline.

The system of enterprises in our agriculture is based, firmly and in the long run, on state farms and agricultural cooperatives. Agriculture can be developed and modernized successfully within the existing system of state farms and agricultural cooperatives. If we do not proceed in this manner, then we may be expounding the development of efficiency in theory, but in practice the growth of production will cost both the economy and the agricultural enterprises more. In the course of agriculture's development, division of labor will broaden within enterprises and between large-scale farms, and through the development of independent enterprise management there will arise secondary enterprise and inter-enterprise organizations. Care must be taken to ensure that the formation of such organizations must not become autotelic and intermittent. The sole criterion of warranted organizational development is that the new production form ensures more efficient production.

Contractual relations effectively serve to broaden division of labor between agricultural enterprises, to strengthen cooperation, and to achieve better coordination. Cooperation between agricultural enterprises, between agricultural and industrial enterprises, and between agricultural or trade enterprises and small-scale farmers, based on the system of contractual relations, will remain important forms of cooperation also in the distant future.

Economic associations (co-production and production-integration arrangements) by large-scale farms have become extensive and widespread. Associations have contributed to the development of farm production. Every state farms and 65 percent of the agricultural cooperatives belong to two or more associations, and only 5 percent of the large-scale farms are not members of an association. With the participation of large-scale farms, 765 economic associations are functioning at present. More than 75 percent of the economic associations in Hungary were formed in agriculture. Retention of the diversity and profusion of forms remains an important requirement for organizing associations. The founding of associations must enhance economical growth of production and must influence favorably development of the founding enterprises. A further requirement is that we give utmost consideration to enterprise independence, voluntary participation, economic advantages and material self-interest when founding associations. It is important that we approach flexibly the problem of forming and dissolving associations.

Making the work of the existing associations more effective and adjusting it to the stepped-up requirements should be perceived, correctly, as the most important task at present. In perfecting the associations, it is warranted to devote special attention to organizing economic associations of strong and weak agricultural cooperatives. Through the accumulated brainpower, material resources, and production and organizational experience of the efficiently farming agricultural cooperatives, such associations can help the weak agricultural cooperatives better utilize their possibilities and form the material foundation of their economic independence. A further task is to better coordinate the work of enterprises that produce capital goods, of the ones that process and market farm products, and of the consumer and industrial cooperatives on the one hand, and of the state farms and agricultural cooperatives on the other, as well as to strengthen their co-production and production-integration relations.

The production system is a specific Hungarian form of expanding co-production and production-integration relations among agricultural enterprises. It is a developed large-scale production process and method that is spread, applied and perfected by cooperating enterprises. The production system's substantive side is as industry-type, large-scale technology that is characterized by the synchronized development of the physical, chemical, biological, technical and human factors. The production system's organizational aspect is cooperation among enterprises, within the framework of which they realize the industry-type technology.

In the course of cooperation there develops a division of labor between the system center and the cooperating enterprises. The system center elaborates, developes and adapts at the member enterprises the industry-type, large-scale technology and provides various services for its realization. The task of the member enterprises is activity that conforms to the requirements of the industry-type technology. The leading production systems (IKR [Industry-Type Corn Production System], KITE [Corn and Industrial Crop Growing Cooperation]) are developing their activity also vertically. But it is likewise evident that not every system is fulfilling its role suitably. Some systems are unable to offer much new and sufficient substantive growth, performing only a supply function.

On an experimental basis, there now are four agricultural-industrial associations in Hungary. Sufficient unambiguous experience is lacking to draw conclusions that could be generalized. Their operation should be investigated further, and proposals should be elaborated to aid them in fulfilling their tasks. In our opinion, organization of additional agricultural-industrial associations would not be warranted in the next few years.

There are efforts to organize economic associations on the territorial principle, on an area basis. Thus the establishment of agricultural associations, dsitrict cooperations and small-area integrations is being urged. Cooperation between neighboring large-scale farms is justified where this can enhance the better utilization of natural conditions and capacities, the processing of agricultural products with a minimum of transportation, and the organization of various services, provided this offers both partners substantial economic advantages. This type of economic cooperation, too, should not be confined within mandated limits. But there is great danger that the underlying reasons for establishing this type of economic cooperation are not economic advantages, rather considerations of public administration, supervision and management. To confine the organization of associations within public-administration and territorial boundaries would narrow the scope, reduce flexibility and limit entrepreneurship. Support of this cause under such circumstances would trigger another unsubstantiated drive, diverting attention from the principal task which is nothing other than the mobilization of the enterprises' internal reserves and the improvement of efficiency, within every unit of agriculture's enterprise structure.

As Janos Kadar pointed out already at the Third Congress of Agricultural Cooperatives, "Strengthening the agricultural cooperatives' socialist nature is a manifold task that must find expression not only in the growing proportion of cooperative-owned land, but also in their increasingly enterprise-like operation; in closer conformity to the plan; in a higher level of work organization; in more complete cooperative democracy and control; in the consistent application of the socialist principles of distribution; and in the cooperative membership's socialist awareness

as well. Each of these traits is important; no one may choose and pick in the assertion of these elements; none may be developed at the expense of the others."[3]

The principal task in the coming years is to exploit as fully as possible the possibilities inherent in the present organizational structure. It is also true that this stage of developing the organizational structure is less spectacular. It is easier to make organizational changes than to make the enterprises conform more closely to the plan, to uncover the causes of inefficient farming, to realistically assess the conditions and possibilities, to upgrade management and organization, to provide material self-interest, to reinforce the principle of remuneration commensurate with the work performed, to strengthen enterprise-like operation, to improve the utilization of productive factors, to develop farm and cooperative democracy, and to form an owner's attitude to socialist property. Only in this way can we achieve qualitative development, intensive economic growth, significant improvement of efficiency, and real substantive progress. In this way we can preserve agriculture's flexible, initiative, large-scale enterprise system.

FOOTNOTES

1. "A mezogazdasag es az elelmiszeripar helyzete, tovabbfejlesztesenek feladatai. Az MSZMP KP 1978 marcius 15-ulesenek dokumentumai" (The Situation of Agriculture and the Food Industry, and the Tasks of Their Further Development. Documents of the MSZMP Central Committee's 15 March 1978 Session), Kossuth Publishing House, 1978, p 50.

2. "A Magyar Szocialista Munkaspart XII kongresszusanak jegyzokonyve" (Minutes of the 12th MSZMP Congress), Kossuth Publishing House, 1980, p 476.

3. Janos Kadar: "Our Socialist Peasantry Is Marching Steadily Along the Path to Socialism," NEPSZABADSAG, 15 Dec 76.

1014
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PROGRAM FOR MORE ENTREPRENEURSHIP EXPLAINED TO UNION MEMBERS

Budapest NEPSZAVA in Hungarian 17 Dec 81 p 3

[Article by Janos Siklos: "Not by Bread Alone"]

[Text] The workers in large factories and trade union members organized in groups under stewards are affected by various opposing influences. Memories of an earlier time live on in the older generations when, for example, the private sector was not such an encouraged auxiliary economic form. Money-making areas were limited by business opportunities, and the promotion of public prosperity--social work, support of the weaker and declining, and so forth--was an important factor in the criteria of social awareness. These conceptual questions do not play as great a role among the younger generations.

In past decades it was unimaginable for any skilled worker in a group under a trade union steward to work under a handicraft service license. Now this ambition can be imagined, is not condemned and is even to be supported.

This is an unusual change and cannot be taken reluctantly and squeamishly, because we cannot do without its beneficial effect in improving our economy. Some resistance to this unusual situation can be perceived in the older members of the steward groups. "Isn't the country turning capitalistic?" they ask each other and the steward. Of course it is not becoming capitalistic any more than household plots, and without these plots and without the "individual initiative" of the peasantry, the Christmas tables of the nation would probably be leaner.

Why then, at the same time, should we deprive ourselves of industrial and supply possibilities if they are needed to promote higher standards in society and better supply, and if they are enterprising and are backed by legal opportunity? Individual initiative in agriculture and industry is possible only on the basis of socialist economy, and only on this basis is value-forming productivity possible. It is a factor protecting and raising

the standard of living, because it produces social value by using surplus manpower and working time.

What About Public Morale?

Does it improve or impair our socialist public morale? This question is also put forth, and an answer is expected from the steward. This question is seen in a different light if we are really rejecting the idea of equality as a drawback to production and the creation of value. If someone works more and his extra work is needed, better material possibilities are also achieved at the place of work as a result of his other activity. By themselves better material possibilities do not have a negative effect on public morale. I might add that laws and statutes regulate the extent of material improvement. Of course it is probable that the value of money and respect for it, as well as the constant "struggle" for it, will increase, but this is not contrary to our ethical principles. Socialism does not standardize society and the living conditions of the populace in any way.

These concerns do not involve the steward from the viewpoint of individual initiative. The condition of cohesive power, which is one of the indicators of the human quality of a community, is more important to him. This is the concept of "one for all and all for one." This means that the ethics of interdependence, the state of responsibility accepted for society and concern for one another are measures of willingness to help. Do the jungle and excesses of individual drive prevail and do the spirit and practice of "everyone for himself" oppress the community, or are we respectful of one another and sensitive to the joys and worries of human comrades?

The changing circumstances are sweeping a great deal of dead weight off of us, and this is a cleansing process in which values appear more flexible in the economy, society and the steward group. The ethical norms which have developed a pedestal of humanity and of respect in our concepts and attitudes, and which encourage public service, will not change today nor in the future. For instance, individuals can prosper according to their abilities and opportunities, and consequently not in the same way: better or not so well, but only for the benefit of the entire society. Many people may have doubts about this and superficial appearances can be deceptive, but there is one deeply essential reality: the worldly goods and better livelihood of an individual can only be guaranteed by increasing the goods of society, because a declining society and a thriving individual cannot really exist permanently! What happens to such an individual's prosperity when he finds stores and markets afflicted by overall shortages? The entire system of changes, society with its own incentives and the individual, contribute to a common prosperity.

Human Dignity

The social works (taken on voluntarily) which have promoted so much in our country and its inhabitants, will never break "out of the mold" today or in the future. And just as up to now tens of thousands have joined in renewing our cities and in helping to build schools and kindergartens, so in the future will tens of thousands perform such labor, not for money, but impelled by their ethical attitudes, and this will not be disrupted by an expansion of individual initiative.

But there will be no lack of attention to one another. The brigade and the working team have so far stood beside the man who has gotten into trouble or is squeezed for help, because they have not been able to passively look on the agony of one of their own. This conduct will not change. The feeling of interdependence and of objective necessity will not deteriorate unless some polarization occurs in material respects. The brigade and the trade union groups are not a community of disinterested spectators, but relate to one another! Different opportunities for earning a livelihood will not destroy the human feeling of community and responsibility, but quite the contrary will make them more deliberate.

In reality individual prosperity is not selfishness and does not carry man in the direction of seclusion, but makes the road toward one another smoother. It arouses good and beautiful traits, because we do not live by bread alone, and feelings attuned to human closeness operate within us. Among other things the trade union group helps to preserve, strengthen and develop these traits. Man is afraid of desolation and solitude, and instinctively seeks comrades, the community in which he can relax and feel more complete.

The community-creating power of the trade unions is immeasurably great. Here the central factor is the steward who personally knows the members of his group, their material and family situations, their plans and problems, their virtues and their weaknesses. Without such knowledge he would not be a steward. Often unobserved, and even unconsciously, he goes on building the community in which he works.

We know of amazingly fine cases coming from the community: permanent reception of orphans, support for the families of comrades who have had misfortunes, lengthy material aid for fellow-workers, surreptitious support for years for pensioners, and adoption of children. The manifestation of these noble qualities of man is extensive, and usually the initiator has been the steward. He does not want the public to know, and often we can only come across the track of his activities by cross-questioning.

Is this concept of community and this public morale exposed to danger? I do not believe so. The millions employed in socialist industry and

agriculture are not only creating possibilities for developing a more objective system of values in the wake of these changes, but are also the bearers of purified ethical norms. After all, if they were not determinants of human, respectful values of mankind, with respect to our ethical norms, we would be entering the era of the jungle, where everyone would feel bad, even with his material goods.

What does the trade union movement have to do with this? And where does the steward, busy protecting traditional interests and representing interests, fit in? Not only in capitalist relationships, but also in socialist relationships perhaps the greatest thing is its position and the role accepted in society. It is the structure which reacts most sensitively, because it is concerned with the lives, fate and working conditions of its members because of their occupations, and inevitably arises from the way people think and from the creation of a community expressing interrelationships which develop during the production processes. Since their establishment the trade unions have been the promoters and advertisers of the idea of humanity. The socialist order has created favorable circumstances with its practical implementation of humanitarian ideas and with its social policy.

In our country the trade unions need not be concerned with the questions of capitalist exploitation and dehumanization, but rather under our circumstances with necessary community norms which provide man with greater understanding and more humanity, and which the state alone is incapable of handling with its own instruments. However, neither now nor in the future can society do without the social "self-help", the material interests of which are raised a thousandfold by the purity of a human way of thinking.

Against Fictions

Processes stamped with an individual and antihuman label, appearing in opposition to the human concepts of socialist society and to its community-forming effects, cannot spread because the determinant is the behavior and ethical feeling arising from the functions of the brigade, the working groups, the trade unions and the stewards in large industrial plants.

We do not apply the ethics of interdependence conceived in poverty against the natural and desirable process of individual progress, but we do apply the general goal of the prosperity of society against the immorality appearing in opposition to the public interests. It is possible--and also necessary--to have a higher than average income guaranteed and enjoyed from the creation of great value, and we can acknowledge this, but high income must not be gained from the creation of value through fraud or manipulation! Making money at the cost of destroying or impairing a fuller human life cannot be the exclusive purpose of life, nor can health be sacrificed on the altar of material gain.

The changing circumstances lead the trade unions also to be concerned in more detail and more universally with the moral state of society and with a knowledge of its ethical concepts. The activities of stewards also provide us with a rich, pure source of this.

6806
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## INITIAL RESULTS OF PGR (STATE FARM) REFORM NOTED

### Kielce, Radom, Tarnobrzeg Voivodships

Warsaw CHLOPSKA DROGA in Polish 7 Oct 81 p 5

[Article by Zdzislaw Majewski]

[Text] Since 1 July 1981, the PGR's have become the target of new reform measures. They entered the front lines and until 1 October they were the sole testing ground for reform.

It is difficult today, scarcely 3 months later, to evaluate the operation of the new economic-financial system. However, we cannot help noticing its first symptoms in the forms of limiting cattle production and abandoning cattle trade within the cooperative framework and disposing of farmlands and increasing the area of grain cultivation. The primary attention of society is concentrated on reform developments on giant-sized farms. We know little about the operation of small units and their problems. It is worthwhile to examine them, not only for their particular character.

The drudges amid the vast farms of northern and western Poland are the PGR's of the Kielce, Radom and Tarnobrzeg Voivodships. Before the reform, these had been grouped into the Kielce Association of State Farm Enterprises. Surrounded by the farms of individual farmers, they average 900 hectares, but some are even smaller, averaging some 300 hectares.

In general, the three voivodships hold scarcely 0.5 percent of the land resources, for the most part those of the fourth, fifth and sixth classes.

Thus, they have managed to avoid the "bigger-is-better" syndrome, but the influx of the worst farmlands coming from individual farms and liquidated ZGR's [Associated Farms] has doubled the resources of the land used by the PGR's. Today every farm includes lands divided into 100 or more pieces within a radius of 20 or more kilometers. No profit is brought in from construction work, hotels and inns, as the case with many other units. The farms' livelihood is food production.

An unfavorable spread, poor farmlands and the lack of supplemental income create many problems. Nonetheless, the Kielce PGR's manage to overcome their difficulties and pay their own way.

The last economic year was considered in the PGR's to be very unprofitable for farming. Of the 29 associations joining the PGR's from all over the country until this time, during the last economic year only 6 made a profit. The rest closed the year with a considerable deficit.

Among the small group yielding positive financial results are the "backwater" farms of the former association in Kielce. While the profit was not great--1.632 million zlotys by compared to 53.5 million zlotys during the economic year 1978-1979, the fact remains that the tiny group of profit-earning farms did not include many farms with longstanding traditions and better equipment.

Profit is not the most important measure. It can be made in various ways, not necessarily by food production. Terminal production is calculated in net terms; i.e., the number of kilograms of meat, liters or milk and tons of grain the market has received. But here the economic paradoxes begin.

The net terminal production in the association rose and financial results (profit) fell since 1978. To substantiate this, during the economic year 1978-1979, cattle production amounted to 1,094 tons; last year (1979-1980) it amounted to 1,284 tons. The situation with milk and other products is similar.

The financial results may be blamed on poor management and exceeding fodder norms. But this is not the reason for the financial regression of Kielce farms.

The most important causes, in the opinion of the association's director, Kazimierz Jablonski, lie elsewhere. Changes in the allocation system were made three times before reform was initiated. Outlays for the cultivation of liquidated lands represented a significant encumbrance for the farms. Some farms tripled their acreage and new farms also arose on the basis of ZGR's that had a long history of losses. Prices for some means of production and spare parts increased; outlays for repairs rose about 40 percent; the wage fund and benefits for workers also increased.

The price increase for the purchase of livestock within the cooperation framework was most keenly felt. According to compulsory PGR principles, livestock purchased from without are priced at the end of the accounting year according to their purchase price, without considering their increase in value. For example, a calf purchased 3 months before the end of the accounting year for 4,000 zlotys is entered into the annual balance at a sum of 4,000 zlotys. Thus, the increase in costs, over which farms have no control, has meant that, despite an increase in production, profit has been reduced.

There is much controversy surrounding livestock production in the PGR's, particularly since the principle of full economic accounting became binding on 1 July. Complaints about the unfavorable price structure are reiterated, but personnel do not plan to cut their livestock herds drastically. Not only do they count on changes in the purchase price but they are aware that it is very easy to liquidate one's livestock, while it is much more difficult to rebuild the herd. For this reason, all PGR's are shifting to the production of swine herds in a closed cycle. The price of piglets within the cooperative framework is too high; only having one's own sows makes fattening profitable.

On the Przyleczyk farm a calf-pen for the fattening of swine has been adapted to hold 1,100 pigs. At the same time, it still holds calves. The farm is considering putting a second calf-pen into use.

A farm in Korytnica has 200 sows. Here plans are being made to increase the reproductive herd to 350 head. In Zagaje not long ago a pasture for 270 sows was put into operation, while in Chmielnik work continues on 170 breeding stations, to be put into use by the end of this year. Much hope is placed in the Przyleczyk PGR, on which 800 young sows will shortly fill the half-empty calf-pens.

The matter of empty calf-pens built on the authority of a government resolution is not restricted to the shortage of livestock purchased through cooperation and to the high prices alone. I shall return to this problem later.

Hog production is profitable if the farm has its own piglets, but it is most profitable for good producers. During the summer, cattle are fed green forage here, to a great extent. The greatest birth-rate and nearly zero percent failure are observed in the foil tents, criticized until recently. They were praised in each of the farms visited because they provide excellent ventiliation, illumination, simple and easy service and, primarily, because they are cheap to construct.

A foil tent for 500 stations is set up on a farm system over the course of 2 weeks. The initial cost of the station in this way is less than 1,000 zlotys, compared with 30,000 zlotys for pigsties. Fattening can be carried out year-round with risk. The minimal depreciation costs mean that in the event there is a shortage of fodder, eliminating the tent from production does not cause large-scale losses.

In light of a general decline in the number of head of swine in socialized farms following 1 July 1981, the trend toward maintaining herds on the Kielce PGR's merits our attention. Problems with beef cattle shape up somewhat differently. Here the imbalance between the price ratios for fodder and cattle have much greater significance. PGR farmers cannot afford to keep calves. But on farms of the Kielce voivodship, the number of head of cattle has declined in the course of a year from 900 head, primarily slaughter cattle. Prices are a very important reason for the decline in head of cattle but not the only reason. Some PGR's want to purchase calves to increase their milk herd, but the POZH's [State Animal Husbandry Establishments] are not able to fill the orders. Cooperation with farmers practically does not exist. Only a single PGR, Goryslawice, will buy 300 calves all at once.

In Wlostow each year, 500 calves past the vealer stage are set aside for slaughter. But Director W. Ankurowski concludes that fattening is not profitable. The intake material is too expensive. He prefers swine. Two months ago he set aside 62 such calves from a foil tent. This worked better than the cowshed and for this reason, despite everything, he would like to fill up this station once again. But he lacks the foil to cover the tent. He changes it every 2 years, but he always encounters tremendous difficulties in trying to get this allotment. And he does have something to struggle over. In Sedziszow, a calf-pen under foil holds 80 head and for 2 years there has been not only failure.

The unfortunate calf-pens dictated by government resolution are a separate question. They stand idle. Some are used for swine-raising. It is not feasible to introduce calves into these pens unless they are fundamentally redone. The designers and builders have collected their prizes and awards, the investments have devoured

millions of zlotys and the construction assumptions and the execution are an example of waste on a grand scale. Scrapers are not working in time; pumping stations designed to feed the animals granules and chaff are blocked. The investor is making guaranteed repairs at most of the installations.

The Kobylany PGR is a brighter spot in cattle-raising. For 20 years it has been directed by Mieczyslaw Skiba; since then, the PGR has always shown a profit. The farm's specialty is the raising of heifers nearly to calving--much sought-after breeding material. It is a risky venture requiring much knowledge and experience, but it is profitable. It is enough to mention that there were over 300 applications for the 20 heifers offered to farmers in September. In order to make everyone happy, the animals were sold at auction.

The director is an old practitioner. He has survived all the turns of agricultural policy on the farm and has his own recipe for good farming. In his opinion, a permanent production profile should first be worked out and then it should be defended, despite the changes in the economic situation, whether the profile is for swine, cattle or grain.

The newly introduced economic system here, as everywhere, has inclined state farms to increase their area under grain cultivation. Until now, all grain production was designated for high-grade grain. The prices obtained for high-grade grain do not compensate for fodder outlays. More and more farms thus retain their grain and prepare fodder in their own mixtures. This necessity results from simple economic accounting.

The selling of farmlands, so evident on some PGR's following reform, does not occur here. The staff and the director are aware of the operation of the principles of self-financing.

Locating many new investments on farms likewise is very significant. Depreciation deductions do not allow farmers to keep stations empty. The filling of calf-pens, cowsheds and pigsties with stock is becoming a necessity, and this stock must have fodder provided by the farm itself. Thus the sale of farmlands or their surrender to the PFZ [State Land Fund] practically does not exist. What's more, the Piekoszow PGR has undertaken to bring 60 hectares of nonarable farmland into cultivation and the Goryslawice PGR took over from the PFZ 50 hectares of land for which individual farmers made no bid.

As one can see, the first 2 months of reform will not lead to any considerable regress in husbandry and cultivation on the Kielce PGR's. If the price structure improves, there will be no financial losses--which is the main objective. The increase of activism among employees and the directorial cadre is a positive symptom of reform. Both the unions and the self-government behave more and more boldly.

The dream of the Kielce PGR-ists, according to the association's deputy director, Jerzy Jurecki, is to develop every farm so that the PGR's will never again be accused of wastefulness and deficit. Small state farms, functioning amid the individual farmers, should become, in his opinion, centers radiating knowledge and agricultural progress to the whole area. For them this is not only an opportunity but also a necessity. The ideal is still far away. Will the next reform of the socialized sector in agriculture realize their dreams?

indications that things will be better are still not to be seen. A battle is being waged here over maintaining previous production results. But until the renewal encompasses the whole national economy, one should not expect miracles from the PGR's. They are too closely interwoven with the feeble organism of our economy.

The Council of Ministers, in answer to the demands of all farmers, increased the purchase price of livestock beginning 1 October. But unfavorable price ratios will continue to have a negative effect on the production of beef.

Olsztyn Voivodship

Olsztyn GAZETA OLSZTYNSKA in Polish 12 Oct 81 pp 1, 3

[Article by Stanislaw Kuchcinski]

[Text] Minister of Agriculture Jerzy Wojtecki began his cycle of meetings with the PGR directorial cadre in Olsztyn. In our region, state farms control 44 percent of the arable land and maintain 49 percent of all cattle and swine population and 48 percent of all sheep. They also supply 52 percent of the livestock purchased and one-third of all milk.

Consequently, Olsztyn Governor Sergiusz Rubczewski had the right to say, as he opened the meeting, that this sector of the food economy is very important and the more rapidly production is intensified there, the faster we will feel the effects on our tables.

Meanwhile, the PGR's have not yet been able to get their bearings following such internal and external changes as shifting to a new work system since July, a result of economic reform. Some believe that this shift occurred too soon and that the PGR's were taken by surprise with this decision. There is much truth in this, but we also cannot deny the validity of the arguments of Deputy Governor Mieczyslaw Lomanowski that, in order to ensure an increase in farm production from 1981 through 1985, our only option is the rapid introduction of economic system solutions, keeping a minimum of administrative-directive measures and broadening action by economic-financial instruments.

Major obligations likewise issue from the new powers that keep many directors lying awake at night. The PGR's, now under the wing of the voivodship office, cannot count on its financial support because its treasury is not rich. Thus, the PGR's and their employees will have as much as they make on their own. Subsidies will be granted only for financing outlays for social-communal purposes. In, the short-term, each enterprise must be profitable. This means the proper sowing structure, the needed agrotechnology, the utilization of grasslands, ensuring that the less expensive farm-supplied fodders are in plentiful supply and, finally, the elmination of waste and the application of principles of thrift at every turn.

Small farms and large plants operate under more difficult conditions than in other regions of the country. These very difficulties, observed Michal Chodorowski from Szestno, increase production costs by 25 percent. This should be allowed for in zonal pricing for the sale of farm products. "And if this is not possible," said M [ichal] Chodorowski, "then we do not want anyone in the future to conclude agreements or to make commitments in our name. We are producers, and we ourselves should handle both production and sale under profitable conditions."

Then Zygfryd Gladkowski from Szczytno asked: "What sort of production are we to undertake in order to be able to pay our own way, to make a profit in our situation, in which soils of the fifth- and sixth-class predominate? To make matters worse, there is a shortage of housing without which we cannot run farms well. In the last 5-year plan, 23,000 stations were built for cattle in our region and barely 500 dwelling units for workers."

Nearly all asked the same question as they spoke: What is to be done with industrial farms, which produce a great deal but at great expense? This is especially true of cattle farms, both milk and slaughter. This problem is not taken into account in reform assumptions. Meanwhile, in Olsztyn, we have much permanent grassland that favors the cattle-raising especially slaughter cattle. Are we to abandon such production, or sustain losses?

"Of course, profit is necessary," said Piotr Lazowski from Lidzbark," but it cannot be an alternative to production: it should be its effect."

"We were happy with the slaughter cattle farm in Miedzychodz," said Eugeniusz Koska from Zalew, "but beef from this farm according to the compulsory prices brings us a deficit. For the present, the farm is full of cattle and we are waiting for something to change in our favor."

"I do not know whether the present discussion is necessary in general," said Zdzislaw Klapecki from Nikutow, "because if nothing changes, after 2 or 3 years, the PGR farm will not be able to withstand the financial strain, and it will abandon animal production anyway."

"If the criterion for evaluating the PGR is profit alone," said Pawel Roginski from Garbno, "most enterprises will shift to extensive farming, but if this socially justifiable?"

"Within several months, a second industrial farm for fattening swine will be ready in Knopin," informed Kazimierz Skupien from Dobre Miasto." "We have too little of our own land to ensure enough of our own grain for fodder. We will need 7,000 tons of fodder from without to ensure that the farm does not stand idle."

"Every farm is obliged to show a profit within 3 years," declared Leonard Gadzinowski from Bezledy," but only then will I exclusively decide about the directions of production. The law on enterprises does not take into account such a condition, however. Another question is: We are producing wheat in Bezledy, which we are to sell for rolls. Meanwhile we are grinding it and feeding it to the pigs. This is because wheat is cheaper than fodder. Is this supposed to be the case?"

"This year in farming is a good one," said Jan Wieczorkiewicz from Nidzica. "We will have a high rate of pork production, alcohol production and potato production in the plant, but we do not know what to do with the slaughter cattle farm in Kozlow. It produces 1,500-1,600 tons of livestock annually, but it also loses 40 million zlotys. This is the result of sale prices that are lower than production costs. The personnel ask me, What's next? The farm should not be closed down, but we cannot put up with such losses. The crew in Kozlow is no worse than that in Waplewa, where a swine farm will show a profit this year of 70 million zlotys. What criteria should be applied to these two farms and their employees?"

Wladyslaw Dragun from Morag made similar remarks and moreover suggested that some sort of social organ representing PGR's from all over the country operate within the ministry under the new conditions.

When one hears such a multitude of doubts and critical observations, many of which have been expressed for years, the question arises: Will the PGR's straighten things out?

Jan Debecki from the PGR CZ [central administration], in answer to these doubts, stated that the one who takes the lead takes the beating. The PGR employees are first in line under the new reform conditions. The question of farm production looks the same all over the country and it must be generally solved by the end of the year. According to selling prices, preferred production will be for pork; on the other hand, beef can be profitable if it is exported. Farms should make a partial shift to raising heifers. No one will permit us to depart from the criterion of profit. This is likewise the basis for calculating the bonus fund. The economic system in the PGR guarantees moderately profitable market prices for farm products. When all of this gets a shakeup, the prices will again make repeated changes.

Minister Jerzy Wojtecki acknowledged that he is not surprised by critical remarks and doubts. These issue from concern over farm production and over improving the economic results for enterprises and the work force. The fact that the PGR's were the first to initiate the implementation of the principles of economic reform will bode well for them because it has enabled them to resolve many issues that will be difficult to force later. In characterizing the domestic farm policy, the minister emphasized that agriculture is one and that all its sectors, are, and will be, treated alike: well and with respect. Individual farming is a permanent element of the socialized economy. However, about 3 million individual farms have with an average area of 5.5 hectares.

"The individual farm" continued the minister "must consequently expect to yield to structural changes, including the concentration of its land to enable the broader use of technology. Individual farms should be considered first in the distribution of unused lands. Of course, if there are no purchasers among individual farmers, the PGR's must take over the land even if they are unwilling to do so. But this is an extreme measure, for socialized farming must first manage well what it already possesses and it must really become high-production, leading farming. Everybody knows that on some PGR's many bad things have been done, casting a shadow on the entire socialized economy. PGR production should have an effect on all of agriculture, guaranteeing sowing material and breeding animals.

"In considering the profitability of pork production, given the limited possibilities of purchasing fodder grain from without, we must increase our use of potatoes and also apply extensive feeding in beef production. The PGR's should attach more importance to concluding contractual agreements with the milk, meat and sugar industries, as well as other industries, so that they may sell their products at more profitable prices. With regard to the means of production, improvements in mechanization are forthcoming; on the other hand, the wait for chemical means will be another 2 or 3 years. To a great degree, this depends on calm, an improvement in the domestic situation and, in turn, the possibilities for increasing industrial production for agriculture. We are very anxious to prevent unprofitable farm operations in Olsztyn and we want to ensure that no farms have to be shut down.

Much is being said about the need for exchanging grain for industrial fodder. This is a good idea and we will do this. But first we must ensure enough fodder for the exchange. We are finding it difficult to find corn seed."

Jerzy Wojtecki acknowledged that working and farming conditions are more difficult in the north. However, he stressed that with the right agrotechnology, we can achieve voluminous, profitable production. He said, "I know that it is difficult to live and work on the PGR's, but in spite of everything you must be more optimistic, being aware that the PGR's are fulfilling, and will continue to fulfill, an important function in the work of feeding the nation. The only new factor is that every director must take a pencil in hand and see to it that every operation straightens things out within the next 3 years; i.e., that it makes a profit by means of increased, cheaper production."

The meeting, in which Zgymunt Kruk, secretary of the PZPR Voivodship Committee also took part, closed with the following statement by Sergiusz Rubczewski: "In taking the PGR's under my care, I am convinced I am taking on a good work force, a good cadre of people who can do a great deal. Together, we will eliminate everything in life and in work for that stands in our way."

## Gorzow Voivodship

Zielona Gora GAZETA LUBUSKA in Polish 29 Oct 81 p 6

[Interview with Tadeusz Zell, head of the Legal-Organzational Department of the PGR [State Farm Enterprises] Association in Gorzow by Czeslaw Kwasny; date and location not given]

> [Text] Economic reform in the PGR's, a pioneering effort introduced in July, has gained a "new impulse" (at least this is what those directly concerned are saying) in the form of Sejm laws concerning the enterprise and the workers' self-government.
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> In the Gorzow Voivodship PGR, as we have already published, work on our own statutes on enterprises and farm establishments, as well as on the self-government of the work force, is already well advanced. This work based on the above-mentioned legal documents, is being done in consultation with the work force.
>
> The drafts of these documents, after being discussed and corrected according to the prescribed organizational procedure, will soon be adopted by the work forces as a sort of "local constitution" binding and aiding the work of every PGR.
>
> GAZETA LUBUSKA is discussing this subject today with Tadeusz Zell, head of the Legal-Organizational Department of the PPGR Association in Gorzow.

[Question] In view of such enormous difficulties on the food market, a portion of our society, insufficiently informed, attributes everything going wrong to the PGR farm, which is doing poor work--as if in contrast to individual farmers--and is not supplying the market with farm products on the anticipated scale.

[Answer] Yes, we know something about this type of claim and accusation. As a rule, it is nothing new. This picture of the PGR's as impoverished, wasteful, paying the work force very poorly and having a weak directorial cadre has continued in the opinion of part of society since time immemorial; following the Polish August [1980] the total criticism of the state sector in agriculture and the attacks on part of its cadre began.

I answer this criticism in this way: it is immeasurably difficult today for us to convince the part of society that mistrusts the PGR's that our worker is no longer that browbeaten "PGR workhorse" from the 1950's but is today someone fully aware of his importance in the social system as one of that class of people providing the nation's food.

Please take note even of what is happening today with the purchase of livestock. There is not even enough meat to cover rationing needs, but in voivodships where there is a large PGR force, the sudden decline in goods production has not occurred.

In short, society is not in need of such idle chatter or of the ranking of systems in our agriculture according to which are better and which are worse but of the concrete and perceptible increase of food deliveries to the market. In this regard, the role of our PGR's is obvious.

[Question] We seem to have departed somewhat from the subject, but I do agree with your view that the same, undeservedly poor opinion of the PGR lingers. But let us return to the laws on enterprises and the self-government, which, together with previous government laws concerning new economic conditions, having released the PGR's from the command system, are expected to create completely new, better conditions for increasing PGR production.

[Answer] That is what we all hope. Our PGR work forces are already totally interested in the results of their work, since in their hands rests not the titular but the real responsibility for creating for themselves the conditions for developing production. This means, in turn, the maximazation of profits of enterprises and the achievements contingent upon this, such as good wages and living conditions in general.

Based on opinions of which I am aware, both those of the engineering-technological cadre and our PGR work forces, I can only say that the law concerning state enterprises, binding from 1 October, is taken by us to be a progressive legal document, concordant with the spirit of the times and thus fulfilling the expectations of our work forces.

Another matter is that on some detailed questions we are not without criticism. The law was really set up straightaway. Hence, it apparently has certain gaps or inaccuracies. From the viewpoint of PGR enterprises, we pointed these out recently to the vice minister of agriculture, Mr Burczyk, who was visiting Gorzow.

[Question] What were these observations? What problems did the lawyers from your enterprises come up against as they worked out a draft of a statute for the operation of these enterprises based on this law--a statute that would be uniform and submitted to work forces for consultation and approval?

[Answer] To be honest, we expected the law to codify other binding legal documents that must be applied in developing our statutes within a broader scope. Meanwhile, we calculate correctly, the law makes about 15 references directing us to other legal documents. Furthermore, in the chapter on the organization of enterprises, the law does not regulate legal relationships with other entities but indicates that this is to be prescribed by statute. From there is a mere step to the danger that enterprises may treat their statutory documents on such an important matter too formally and arbitrarily.

Undoubtedly the greatest controversy surrounds, and will surround, in practice the regulation in article 34 concerning the procedure for naming a director. Hence in our PGR drafts, we stipulated two ways of deciding this matter; it will be up to the work force of each enterprise to approve a variant. The hitch is that we still do not know the intentions of the Council of Ministers as to whether our PGR's will sometimes not be placed on the register of enterprises in which the founding organ appoints the director.

[Question] And so the law is good "in general," but you have a number of reservations with regard to its application to PGR conditions, especially the specific conditions of those voivodships in which different organizational structures exist--the farm, the plant, the farm factory [kombinat]--such as you have?

[Answer] I agree, but there are, and there will be, specific problems. These include such problems as the issue, much-discussed among us, of self-government production decisions and other decisions in the PGR agricultural plant [zaklad] , as well as the level of its dependence upon similar self-government decisions in the farm factory [kombinat]. Here, because of cooperative ties on the scale of the enterprise, the interests of some agricultural plants may be violated at the expense of others. Nor do our collective systems fit the regulations of the law, and so in practice a series of problems will still occur.

[Question] Then, given the number of unknowns, the delay of the "central production" of some detailed legal standards and executive orders, does it make sense in general to prepare and introduce statutes on enterprises together with the work force, right now?

[Answer] Yes, it does, because we know where we stand with regard to the general outlines. In our estimation, the law is generally a good one; on the other hand, there is no reason that the wording of some of the statements in our statutes cannot be treated with flexibility. That is, this version is open to the addition of changes when detailed regulations appear covering, for example, the principles of planning, financing, and setting of prices and the creation of funds for various purposes.

Also legal deadlines oblige the directors of enterprises to present the statute drafts to work forces already--and the need for this requirement is obvious. If we were to wait for every special legal document, the hastening of the economic reform,

universally desired, would be postponed interminably. This is, perhaps, even so in our PGR's, although we are the first in the economy who have been guided since July by the canons of the three S's--independence [samodzielnosc], self-government [samorzadnosc] and self-financing [samofinansowanie]--in the operation of our enterprises. What is happening from a legal viewpoint--i.e., providing enterprises with statutes and the work forces with self-government statutes--is merely the cosmetic covering of the reform already initiated.

[Question] Does this conclude your remarks and reflections? Roughly speaking, have we exhausted the subject?

[Answer] I believe so, expect for this remark, announced by the directorial cadre and the PGR workforces, that in the future there appear as few executive regulations as possible "wanting to" curtail our three S's.

Thank you for the interview.

Torun Voivodship

Bydgoszca GAZETA POMORSKA in Polish 3 Nov 81 p 3

[Article by Grazyna Medelska]

[Text] Let us recall that since 1 July a new economic-financial system, staked on independence, has been compulsory on state farms. Interference with plans, the imposition of guidelines and directives regarding what to sow how many of what kinds of livestock to raise and what and where to build, have been abandoned. In place of the principle applied until this time, on the strength of which the total results of the enterprise were reckoned, economic accounting has been introduced in farm plants, and state subsidies have been liquidated. Although we cannot expect the introduction of reform itself to be a radical cure for all weaknesses (for this is neither a rapid nor an easy process), we cannot help noting that the changes made are fostering an improvement in farming and the attainment of profitability.

Not all plants have an equal start toward achieving independence. As a result of the investment policy previously conducted, some have better conditions in this direction, and some worse. However, everywhere the considerable enlivening of work forces and directorial staffs is observed; they are offering their advice everywhere concerning what should be changed, how production should be adapted to existing potentials and what should be abandoned.

Here are some examples from the Torun Voivodship. In Dusocin it has been proposed that the direction of production be changed and that pigs be raised instead of beets. In Marusza, a plant thus far bypassed in investment policy has determined that sheep-raising should be the leading branch of animal husbandry. "On our hilly lands this will be most profitable," state Henryk Laskowski, shepherd and also chairman of the workers' council. The old proverb does not proclaim in vain that who has sheep has whatever he desires. There are 1,700 head of sheep in Marusza. On the base in Wegrowa are about 1,000 pigs and 80 milk cows. This whole herd, not a small one considering that the plant in Marusza has only 800 hectares of land, will be kept. Henryk Laskowski justifies this by saying that without livestock-raising there is no economy.

On the Salno plant, on which 1,000 hectares of arable lands are being brought into cultivation for the future, warehouseman Ryszard Wojcik and cowman Edward Gronowski, both members of the workers' council, note with satisfaction that profits from the milk cattle barn have always led in the enterprise, bringing in enough to pay the wages of the several dozen members of the crew, with a surplus. This cattle barn, once "modernized" with no expense spared in accordance with the then obligatory fashion for barns with no litter, is being reconverted into a traditional barn upon the initiative of the directorial staff of the plant and its workers' council. Rubber mats and metal grates are cold for the animals and it is easy for them contract inflammation of the udder and extremities. Moreover, mats are expensive and they do not last. Grates are likewise expensive and often crack. Straw is healthier for the animals, and there is an ample supply of it on the farm. In this way Jan Chojnacki, director of the plant, explains their decision.

Directly following the shift to self-accounting, Salno opened its own export base for young cattle. By the end of July, 65 breeding bulls had been sent to the FRG and to Greece and a second such shipment was prepared for late October. A third will take place in December. This is profitable from the viewpoint of prices. The Salno work force is likewise preparing 150 tons of barley for export.

Of course, the plant derives its main profits from goods supplied to the domestic market. In its account, 3 million zlotys have been brought in for cole, approximately 700,000 zlotys for grain, several million zlotys for peas raised due to the proximity of a cold storage warehouse in Grudziadz, 3.5 million zlotys for milk sold from July to the end of September, 2.4 million zlotys for heifers with calf. Salno will certainly not have financial problems; there is likely to be a significant bonus fund.

By accepting independence, which, in the opinion of the speakers from Salno and Marusza is indispensable for improving the effectiveness of work and eliminating poor management (2 years ago, recalls Marek Chodyna, a fieldwork overseer from Marusza, the cole had to be plowed under, and on order "from above" the field had to be sown with barley), neither plant hides the fact that things are very hard in farming and the promised "green light" is not at all seen. Farming is a field closely linked to other sectors of the economy; if not supported by them, it cannot solve the food problem. Without plowshares, fields cannot be plowed; some tractors are standing idle for lack of tires, and there are not that many tractors on our farms as it is. Tractors have to be taken out of service for lack of a common gasket. The search for indispensable parts, wherever possible, is expensive; people become exasperated with the meager allotments of fuel compared to their needs and with the frequent power shutoffs.

The coal shortage worries PGR work forces. At Salno, for example, from July until mid-October, there was not one delivery. An attempt was made to resolve the matter directly in Silesia, but there, complained the members of the self-government, they were asked for porkers in exchange, to which the plant could not agree. Consequently together with the director it was established that after the fieldwork, in November, the members of the work force would gather wood for fuel in the forest instead of taking their vacations.

There is also talk in the PGR about problems with planning resulting from unstabilized prices. Sugar beets are profitable at their current price, but the question arises, will they continue to be profitable in the event that the price of fertilizers or

weedkillers is increased? It is also being said at Salno that in the near future a decision must be made concerning the demand for reducing the cow herd caused by the economic situation, despite the high price of milk. The cost of labor has gone up. Still few people are willing to work every single day of the week in the cow barn, and there are not enough people to organize work into two shifts.

Many things are likewise unclear as to the principles of the reform itself. People would like to know who covers the differences between production costs and an enterprise's profits from former years; they ask whether it will be just for the work forces of farms that are insufficiently invested to work off sarlier negligence at their own expense. This is something that must be spread over some time, whereas the farms have only 3 years to get out of the impasse. Many organizational unknowns affect the role of enterprises and the methods and scope of their cooperation with plants.

As yet, no departure from animal husbandry has been noted in Salno, Marusza and Dusocin. But it is rumored that here and there that happens. Hence doubts arise as to whether the promotion of profit as the sole criterion for evaluating plant and its work force (and that at current prices) is fair. The profit criterion encourages basing farming under these conditions on plant production and reducing the more labor-intensive and thus less profitable raising of animals. There is also fear that under a new system based exclusively on profitability, the PGR's will lose their interventionist character. Given the difficult food situation in the country, with the dominance of the individual and difficult to influence sector, this may intensify the present market problems.

The PGR reform is the initial stage of changes to be binding on the entire economy beginning next year. What is happening in them is, depsite numerous problems and ambiguities, according to all indications, a step toward the primary goal--that of more effective farming and intensified food production. But it is merely the starting point down the road.

Opole Voivodship

Warsaw ZYCIE GOSPODARCZE in Polish No 45, 8 Nov 81 p 6

[Article by Mieczyslaw Ganczarek, Eugeniusz Otolinski and Wladyslaw Ratusz]

[Text] State farms have become a testing ground for economic reform within the entire national economy. Beginning 1 July 1981, a new economic-financial system was introduced in them. In this article we discuss the experiences of the PGR in the Opole Voivodship, but our conclusions really extend to all state farming.

The Opole PGR, which farms an area of 125,000 hectares of arable land, is among the leading in the country. For example, for 1976 to 1978, grain harvests averaged 40.7 quintals per hectare; cole brought 25.7 quintals per hectare; sugar beets, 306 quintals per hectare; and potatoes, 223 quintals per hectare. Likewise during recent, unfavorable years, yields were considerably higher than the national average. Production indexes for animal production and economic results shape up similarly. During the past several years, the total balance-sheet profit (together with subsidies) oscillated around 1 billion zlotys, which represents about 8,500 zlotys per

hectare of arable lands, in light of the average index of profitability for the entire PGR association at the level of 20 percent. The organizational form taken by the Opole PGR is the farm factory [kombinat] with an area of 4,000 to 18,000 hectares of arable land. There are 15 such farm factories in general.

The new economic-financial system signifies a radical change from the previous method of managing the enterprise. An example of the independence of enterprises in planning is the changed volume and production structure.

Table 1

| Specifications | Percentage share in the sowing structure for the year 1981 | Plan 1982 | Difference (3-2) |
|---|---|---|---|
| 4 grains | 41.7 | 41.5 | -0.2 |
| Seed corn | 1.5 | 0.6 | -0.9 |
| Rape | 9.6 | 12.4 | +2.8 |
| Green fodder | 31.5 | 29.7 | -1.8 |
| Potatoes | 2.6 | 2.9 | +0.3 |
| Sugar beets | 6.4 | 6.5 | +0.1 |

In 1982, the share of grain in the sowing structure will be reduced insignificantly, less corn will be sown for seed, less fodder greens, considerably more cole and somewhat more potatoes and sugar beets. This results from improvements in the sowing structure, from the adaptation of fodder crop cultivation to the reduction of the amount of livestock and from the high profitability of cole production.

The economic accounting has also tended to exclude from use a relatively small number of stations for livestock in obsolete buildings where poor conditions caused an excessive consumption of fodder and arduous labor. The major cause for the drop in livestock is, however, the decreased possibility of purchasing calves and piglets, given an insufficiency in one's basic herd. As a result, the planned number of livestock is being somewhat reduced.

Table 2

| Specification | Amount of livestock on 30 June 1981 | Plan 1982 | Difference (3-2) | index (column 2 = 100.0) |
|---|---|---|---|---|
| Cattle in general | 98,625 | 94,535 | -4,090 | 95.9 |
| within this figure: | | | | |
| cows | 28,608 | 28,440 | -168 | 99.4 |
| Swine | 122,382 | 116,751 | -5,631 | 95.4 |
| within this figure: | | | | |
| sows | 8,178 | 8,294 | +116 | 101.4 |

In consequence of the reduction in the amount of livestock, the plan for deliveries of slaughter cattle has been considerably reduced (in relation to the economic year 1980-1981, by 3,800 tons, or 11.4 percent).

The reduction in the number of livestock has also had certain positive consequences. Eliminating the weakest cows increased the average milk yield and total milk production. Thanks to the liquidation of the worst positions, the average consumption of concentrated fodder per production unit has been reduced.

The balance-sheet profit (without subsidies) planned for the economic year 1981-1982 is positive and amounts to 568.4 million zlotys. This is lower than the previous year by 389.7 million zlotys. Enterprises with an average and high rate of market yield have not suffered losses from the liquidation of subsidies due to increases in purchase prices. In the animal production plan for 1981-1982, the criterion of the financial effect is not yet fully reflected. The directors of enterprises and the workers' self-governments, in developing the draft of a plan, have considered the necessity of meeting social needs, even at the expense of the financial effect. This primarily refers to maintaining a part of animal production carried out in unsuitable locations, which means higher production costs.

The new system envisages unremunerative enterprises and plants during the transitional period. It is necessary to make this period as brief as possible. A Council of Ministers resolution obliges unremunerative enterprises to submit a program for liquidating losses to the bank. Waiting until the planned loss is confirmed in the annual balance is not a good idea. An enterprise or plant that plans a negative financial effect should be obliged to develop a program for liquidating the deficit immediately and to present this program to the bank. This program should be developed by a team of experts from the enterprise and, if need be, from outside the enterprise. It should be approved by the workers' self-government, which should also analyze and evaluate the implementation of the program periodically. Such an operational procedure for liquidating planned deficits for the economic year 1981-1982 has already been adopted in two Opole PGR farm factories. Perhaps cooperation in developing such program will be one of the more important tasks of future PGR voivodship associations.

The organizational structure of the enterprise has taken shape over the years. In the PGR farm factories, it has led to internal integration: the creation of a closed animal production cycle, the development of construction-repair services, mechanization and transport, fodder production, supply, social activity and the like. In such an integrated enterprise, the level of production profitability in particular plants is, as a rule, differentiated, sometimes very significantly. In conjunction with this, there is a marked tendency for strong plants in independent enterprises to isolate themselves. Such organizational changes should be executed only in specially justifiable cases and such action should have as its purpose the elimination of obvious irregularities. It is feared that highly profitable plants will maintain and even increase their results, while weak plants may sink into greater losses, at least during the next few years. On the other hand, with the full utilization of principles of internal accounting, the broad scope of plant independence would be ensured. The well thought-out and well-prepared organizational structures of the Opole PGR farm factories and the relative stability of these structures have led, to a great extent, to good results.

During the first operating period of the new economic-financial system in the Opole PGR farm factories, their internal organizational structure did not undergo any basic formal changes. The plants continue to operate on principles of internal limited economic accounting, with the exception of the Opole Horticultural Farm Factory, which as formerly remains on full internal accounting. However, the scope of the economic accounting of plants has been deepened, and in its wake the scope of the independence of plants has been broadened. In most farm factories, plants work out their own production and financial plans, and the bonus fund created jointly for the enterprise is divided among the plants on the basis of guidelines determined by the self-government, which also distributes the fund (primarily the criterion applied is the financial result). However, during the introduction of reform, plants in some farm factories will probably shift to a full internal economic accounting. In some farm factories, one also senses the tendency for plants to shift to full economic accounting, thus achieving the status of an enterprise.

One of the fundamental tasks of the new economic-financial system and of the motivational system coming within its reach is the "socialization" of management, expressed, among other ways, through the identification of the goals of the work force with the goals of the enterprise. The operation of the part of the motivational system that affects the bonus fund is strong enough in good enterprises, which have a level of profitability enabling the creation of a bonus fund, with prospects of continued growth. In such plants the work forces can benefit from the relatively large bonus fund, and they are interested in the continued improvement of the financial effect until the upper limit of this fund is reached, which is 60 percent of the wage fund. When the bonus fund is exceeded, it ceases to act as an incentive stimulating the greater economic effectiveness of production. Within the Opole Voivodship are two such highly profitable enterprises, namely, the Kietrz Farm Factory and the Farm for the Industrial Fattening of Swine in Zalesie. The work forces of both enterprises note this problem.

A second group, in which the operation of the wage fund appears to be too weak, is composed of transitionally unremunerative enterprises that are improving their results. The bonus fund deduction during the deficit-liquidating period in such enterprises may not exceed 25 percent of the wage fund in the 1st year, 30 percent in the 2nd year and 40 percent in the 3rd year. Since "getting out" of debt as a rule demands a greater effort on the part of the work force than work in a well-organized enterprise, it seems that such a setup for an incentive system is too weak.

The main source of financing for endeavors such as investments of a production nature is the enterprise development fund. In this case as well, the economic-financial system prefers a profitable enterprise. The fundamental source for the creation of the development fund is the balance-sheet profit. Thus, the situation arises in which a profitable enterprise, and particularly a highly profitable enterprise, will have at its disposal a large developmental fund, while having sufficient and sometimes even surplus funds. On the other hand, unrenumerative enterprises can draw the necessary funds to finance investments only from repayable bank credits with interest. This can limit their developmental potential, thus complicating their "getting out" of debt.

Add to this the fact the unremunerative enterprises, moreover, must incur bank credit to finance balance-sheet losses and the bonus fund and the fears concerning their ability to pay back credit and interest during such a difficult period for them appear to be justified. As everyone knows, there are many such PGR enterprises.

## Farm in Plock Voivodship

Warsaw ZIELONY SZTANDAR in Polish 8 Nov 81 pp 3, 4

[Article by Adam Orlowski]

[Text] Beginning 1 July 1981, a new economic and financial system has been compulsory on state farms. It is said that the PGR's, besides being a business, are a testing ground for reform.

In order to learn how this testing ground works, I recently visited the PGR in Dzierzanowo (Plock Voivodship). Several years ago I became acquainted with the director of this farm, Zygmunt Berhendt, and with his wife, a zootechnician. They are both still working in Dzierzanow and they enjoy well-deserved authority among their subordinates and the recognition of their superiors.

From a distance one sees the large installation of four pavilions, solidly enclosed. This was not there 4 years ago. In place of the grain then being cultivated there, I now see single-family houses and further on several housing barracks, a fodder-mixing plant, workshops and fuel bases. Much progress has been made in 4 years. I am curious how much all of this cost and who made the decisions concerning these investments. Why has all this been built on a field where grain once grew?

"They gave the order, so we built what they told us to," says Wieslaw Bialasiewicz, the caretaker, as he gives me a tour of the brand-new facility. He speaks in such a tone that I don't know whom he is speaking of--the directors, the association, the ministry or something or someone else. I say that a calf-pen for 1,000 head is enormous and where are they to get so many calves?

We are accompanied by the head PGR bookkeeper, Jozef Szramowski. He points out that even in cooperation with farmers, their farm would not be in a position to assure themselves of 1,000 calves (the number of stations in the four pavilions). It would be a shame if an installation valued at 36 million zlotys--thrust upon the Dzierzanowo PGR by PGR superiors--were not fully utilized. Thus, the installation is undergoing indispensable adaptation and what happened here fills this space.

What Do They Know about Reform?

"And what if they told you now to build here?"

"We wouldn't agree to it at any price. We needed and still need farm buildings, not such buildings.

"Does your 'no' issue from the powers you have achieved?"

"Yes, and that is the first way in which the reform has succeeded," says Jozef Szramowski, "although, to tell the truth, our independence gained on 1 July has been little implemented. This is perhaps because we likewise did things our own earlier, which lies in the nature of our director."

"What does the reform mean to you? What does it consist of in your PGR? How does it affect you?"

"I don't know," answers W [ieslaw] Bialasiewicz. "I don't read the papers and I don't have time to watch television."

"And what of the others?"

"Ask them yourself, sir."

The 1 July reform has convinced us," asserts the bookkeeper, "that we must keep our feet on the ground, thus adapting the directions of production in order to be moderately self-sufficient, keeping careful watch over costs in order not to plunge into a deficit. What is bad, however, is that on many questions--e.g., prices or guaranteeing the means of production or cooperation--binding decisions have not yet been made, even though several whole months have passed."

So much for the bookkeeper, who tells us next that for the economic year 1980-1981, the Dzierzanowo PGR showed a loss of approximately 7 million zlotys.

"That is why we didn't wait," I was informed in a conversation with Tomasz Skorupski, senior specialist for production matters, when I asked him what he had to say about the reform in his PGR. "We proposed subordinating plant production to animal production, especially last year; there is no other way out.

"We have many farm animals, pigs, cattle. Somehow we had to hold onto them. On the other hand, we have no guarantee that next year we will be able to purchase as much fodder as we need. We are sure that we will not be able. This is one reason why we sowed considerably more acreage with grain than formerly."

Mostly Grain

"The Dzierzanowo PGR farms on 1,158 hectares. It includes 1,275 hectares of plowland (together with household gardens). It has 26 hectares of meadow, 133 hectares of pasture, 57 hectares of forest and forested lands and 50 hectares on which farm buildings are located. Of the fields under cultivation, over 600 hectares was designated during this economic year 1981-1982 for grain, primarily barley and wheat, since soils of classes 2 and 3 predominate. Harvests yield, and sometimes exceed, 35 quintals per hectare. The Dzierzanowo PGR sows cole and sugar beets, supplying the nearby sugar refinery in Mala Wies with raw material. This year 269 hectares of corn were also planted. The farm has two self-propelled combines for harvesting, so it should have no problems."

"Why do you plant so much grain?"

"For several reasons. Most importantly we must supply ourselves with fodder, and fattening is profitable. When the price for cattle was 86 zlotys per kilogram, fodder was likewise cheaper. But when the price of purchased fodder went up 1 July, even raising pigs ceased being profitable. The current price, 110 zlotys, strikes the limit of profitability. If we have our own fodder, except for indispensable concentrates and additives, we can make a profit. But we don't know how things will be next year, what the prices will be.

"These unknowns hamper the rapid introduction of indispensable elements of reform; for example, more substantial changes in the structure of cultivation. In a crisis situation, when, for example, there is a shortage of fuel, we must also consider

whether it would be better to reduce our area of beet cultivation in favor of grain, which is five-fold less labor-intensive than root crops and thus less fuel-intensive, since all of our fieldwork is mechanized. And if there were no stoppages, there are some days on which tractors with trailers full of beets can make only two trips between the field and the sugar refinery, because there are lines there kilometers long.

They Treat Us the Way They Used to

"To tell the truth, we have only a reform decree, not taking into consideration our internal action on this subject," says the bookkeeper. "In our own document, we have tried to capture all of the important points, introducing an internal accounting in all of our five plants; i.e,, Dzierzanowo, Pilichowo, Grodkowo, Ciesle and Osiek. All our plants are already applying limited accounting. Their directors note everything that comes into and goes out of the plant. This requires setting in order the directions of production in the particular plants.

"The plant in Dzierzanowo raises pigs, cows and heifers and has a calf farm in the new building for the whole farm complex. It also carries on plant production. This is the largest plant in terms of acreage.

"Pilichowo raises pigs, cattle and likewise carries on plant production. Grotkowo raises cows and carries on plant production and likewise has an alcohol distillery. Ciesle carries on plant production. The two distilleries of the Dzierzanowo PRG process PGR potatoes and potatoes purchased from individual farmers, but because a potato plague, the potatoes are beginning to rot. The directors of the distillery, Jan Cichalewski in Grodkowo and Krzysztof Jesionowski in Podgorze, have thus halted purchasing, explaining this also by saying that they have not yet received their entire, indispensable supply of coal."

What happened to your independence as promised by the reform?"

"Until now, to tell the truth, we don't know," admits the head bookkeeper. "For example, in accordance with the assumptions, our prices should be the same as the farmers', but for the present they treat us the way they used to. Apparently we are not to pay a tax (approximately 2 million zlotys) on the wage fund, but for the time being we are still paying it. Apparently, we are to pay the same tax as individual farmers. We receive the means of production through the GZ [Rural Commune Cooperative], according to the distribution index, and we have to stand in line just like the others.

"There is justice, finally!"

"But there is no efficiency. Especially since the situation with investments is unclear."

"What do you predict for the economic year 1981-1982?"

"We do not plan a profit. Let's hope that we break even, but losses are likely to result from the above-mentioned causes. Besides, it is very difficult to plan anything this year, since prices are unstable. If, for example, fuel prices increase, and we must use a great deal, won't the reform have boded ill for us?"

Pluses and Minuses

"The most important plus of the reform is that people are giving some thought to how much this or that costs," says the bookkeeper. "People are really beginning to do this in the PGR. They have had it confirmed that now everything depends on their resourcefulness and effort, and not on somebody's decisions in the capital or the voivodship. Once it was not so. Today every product must be calculated separately. This is a plus of the reform. The first smart move was establishing uniform prices for grain. This pleases us in particular because we are preparing to raise more grain in order to become self-sufficient with fodder."

"You are increasing grain cultivation; what are you restricting?"

"Temporarily we are reducing our swine-raising. Once we had 6,000 head, raised mostly on purchased fodder. Today we have about 2,600 head, primarily using our own fodder."

"Do you believe that the PGR in Dzierzanowo will manage all right for itself in everything? Will the farms need any sort of 'cover'?"

"There should be an association set up exclusively to give advice--e.g., on investment subjects--and our investments are large. Until now, however, only depreciation deductions have increased our investment fund. A special investment fund should be created in the PGR, now that the reform is bringing about the liquidation of all subsidies and supplements to investment activity."

"Does the liquidation of subsidies also affect production activity?"

"Of course, the liquidation of subsidies for production activity, which has the effect of equalizing prices, will also occur."

"This is tied in with independence in establishing the directions and volume of production. You already have this. What don't you have?"

"We don't have the certainty that everything will be released from the hands of an envious bureaucracy."

"Is the basis of your developing your own funds?"

"We are beginning to use our own funds."

"Are you introducing principles of awarding bonuses based on work force profit-sharing?"

"We are trying to do this. But we do not know what the consequences of all of these measures will be. Our director is an optimist."

I return to Warsaw without waiting to see the director, whom I met 4 years ago. He had to leave that day with his wife on an urgent matter to Plock. But maybe it's better, because I was able to look at the farm he runs without his presence.

## Gdansk Voivodship

Gdansk GLOS WYBRZEZA in Polish 10 Nov 81 p 3

[Article by Jaroslaw Galikowski]

[Text] The results of the purchase of slaughter animals in the third quarter and in October indicated that swine production in state farm enterprises is more stable than in the sector of individual farming. Both on the national scale and in the Gdansk Voivodship it has become evident that in this sphere these enterprises are, for the state meat industry and in turn for the market and for supplying the population, a more solid partner than a fairly significant portion of individual farm producers.

In the third quarter of this year, 41 percent of all slaughter deliveries on the national scale were implemented by the PGR and production cooperatives; in September the share of the socialized sector in the purchase of slaughter animals had already reached 45.6 percent. This sector--the PGR, the RSP [Agricultural Production Cooperative?] and the SKR [Agricultural _____Cooperatives?] group farms--administers only 25 percent of the national area of arable lands.

What is the situation in the Gdansk Voivodship? We will limit ourselves to the enterprises in the PGR Association. Their share in the structure of managing arable lands amounts to 23 percent. In the third quarter, these enterprises supplied nearly one-third (32.4 percent) of the slaughter animals purchased in the Gdansk Voivodship. The situation in October was similar (34.1 percent). In the Gdansk Voivodship, according to data from the Voivodship Enterprise for the Meat Industry, 3,760 tons of slaughter animals was purchased, of which 1,282 tons was supplied by the PGR.

According to sector agreements from the annual plan of deliveries for the meat industry, the enterprises of the Gdansk PGR Association were to supply 1,630 tons of slaughter pork during the third quarter and 955 tons of slaughter beef. These plans were executed and were significantly exceeded, by 135.3 percent (swine) and 135 percent (cattle). The meat industry received 2,206 tons of slaughter pork and 1,294 tons of slaughter beef from the Gdansk PGR. In the execution of these tasks, the enterprises started under conditions of equal difficulty with those of their neighbors, the individual farmers; i,e., they had a particularly difficult preharvest period during which severe fodder shortages forced them not only to reduce the number of their livestock but also to sell some of their porkers at lower weights. In July, the fodder situation underwent some improvement. One reason for this was that the Gdansk PGR borrowed 1,000 tons of grain from the PZZ [State Grain Elevators] on account from this year's harvests. In the third quarter it was thus basically unnecessary to sell porkers at reduced weights.

For the sake of clarity it should be added that in the Gdansk PGR last year's meager harvests and the fodder problems that lasted nearly all winter and spring caused a reduction in the number of farm animals. In September 1980, these enterprises had 138,000 stations available for swine and all these stations were then in principle being used for production. On the other hand, in September 1981, after the liquidation of the so-called seasonal stations and substitute stations, they have stations available for 113,200 head of swine, of which 108,000 were used. Thus, the total

number of pigs declined fairly significantly. Slaughter pork production, however, has declined to a lesser degree than is reflected by these comparisons. By comparison with the third quarter of 1980, deliveries of slaughter pork have been reduced by only 6 percent, which is considerably less than the decline from individual farmers.

This has resulted, in the first place, from the fair profitability of raising swine (following the April price increases for the purchase of slaughter pork) up to October 1981 and from the high profitability of raising swine (following another price increase) in October under PGR conditions--profitability kept a respectable level in traditional buildings in which the swine are fed potatoes, green fodder, beets and the like in addition to concentrated fodder, as well as profitability based on the very good fattening of swine done on industrial farms in Grabowo Koscierskie and Strzebielino Morskie, where the porkers are fed concentrated fodder exclusively.

The second reason that slaugher hog deliveries exceeded last year's third-quarter deliveries was based on the good will and civic attitude of the work forces and directorial staffs of PGR enterprises involved in raising swine. More than once, when the monthly plans for the purchase of slaughter hogs from an individual farm began to break down, the voivodship authorities and the directorship of the Voivodship for the Meat Industry, concerned over the fullest possible implementation of rationing distribution, appealed to the Gdansk PGR with a request (when there's a crisis, go to the PGR) for stepping up hog deliveries.

From good will, both the PGR enterprises and their work forces struck a losing bargain. If they had restricted themselves to the implementation of the third-quarter delivery plan and had delivered the surplus that exceeded the plan to meat plants after 1 October--i.e., after the price increase introduced on that day--they would have made an additional 11 million zlotys and their work forces would have gained over 6 million zlotys in bonuses. It would have been enough only to hold back some of their porkers for a few more days or weeks, as a considerable number of individual hog-raising farmers did.

This fairly optimistic picture of the situation in swine production at the Gdansk PGR, which fits neither the state of the market supply in meat nor the crisis situation in our economy, including farming, is disrupted by the somewhat unclear prospects of the industrial farms for the fattening of swine in Grabowo Koscierskie and Strzebielino. They are threatened with a shortage of fodder and, in turn, with the considerable limitation or the complete liquidation of swine-raising. The remaining pigsties and small farms applying traditional forms of fattening do not have this problem. They use fodder from their own grain supplies and other fodder crops. If they are supplied with 60 kilograms of protein concentrates per porker--i.e., the same conditions as those existing on the farms of individual farmers--they can fully use all their livestock stations.

The farms in Grabowo Koscierskie and Strzebielino were built upon the assumption that they would use state fodder supplies. Partly to this end, a plant for the fodder industry was specially built in Cewice, not far from Strzebielino. Both of these farms need approximately 33,000 tons of fodder annually. The technology of feeding animals in these installations is based exclusively on concentrated fodder. The standard for fodder consumption per kilogram of marketable slaughter pork amounts here to 5 kilograms. In Grabowo and Strzebielino this ratio is reduced to 4.3 kilograms of fodder per kilogram of marketable slaughter pork.

With the full utilization of all stations, these farms are in a position to produce almost 9,000 tons of slaughter pork annually. They are not fully utilized (about 11,000 stations) because of problems with fodder. Things may get worse, since the fodder reserves accumulated both in Strzebielino and in Grabowo Koscierskie will last barely to the end of 1981. If the fodder situation of these plants does not change, by the end of December 1981 these farms will have to liquidate their hog-raising, sell their porkers and piglets and sell their sows and young pigs if they find buyers or designate them for slaughter.

What does this mean? Above all, it will deprive the market of the Gdansk Voivodship of about 9,000 tons of slaughter pork and will thus reduce the meat supply and will increase considerably the dependence of Tri-cities on deliveries from other voivodships already in very short supply. It will mean that the qualified work force of each of these installations will lose their jobs and it will also mean the idling of modern plants for the industrial raising of swine, the construction of which cost several hundred million zlotys (nearly 400 million zlotys in Strzebielino).

This cannot happen, particularly given the current tragic situation of the market supply of meat and meat products, all the more so, since the production of both such farms is highly profitable (under the current prices for the purchase of slaughter pork and the prices of grain and fodder), bringing in an annual profit of 40 to 50 million zlotys.

The attempts to allocate fodder for the Grabowo and Strzebielino farms have been going on for a long time. They are being made both by the voivodship authorities and by the Gdansk PGR Association. The numerous recommendations and letters sent on this matter to the Ministry of Agriculture and the Food Economy have received no answer. The Gdansk Voivodship is not in a position to guarantee these farms a sufficient amount of fodder. Meanwhile, fodder must be secured for the first and second quarters of next year. If the decisions on these matters are not undertaken in the course of the next 2 weeks, these farms must begin the gradual liquidation of hog-raising.

This issue does not only affect the farms in Grabowo and Strzebielino. Approximately 60 farms of this type for the industrial raising of swine in Poland are in a similar situation. The secretary of the PZPR KC [Central Committee], Zbigniew Michalek, spoke at the Fourth Plenum of the PZPR KC concerning the necessity of filling up farms standing idle due to a lack of fodder. Approximately 430,000 tons of fodder is needed for this purpose on the national scale. This will enable the production of approximately 110 tons of slaughter pork. From the statement made by Comrade Z [bigniew] Michalek, such a decision has apparently been handed down in the Ministry of Agriculture. If so, let us hope that it reaches Gdansk as soon as possible.

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COAL PRODUCTION CONSIDERED KEY FACTOR IN ECONOMIC PLAN FULFILLMENT

Warsaw TRYBUNA LUDU in Polish 18 Dec 81 pp 3,4

[Article by Krzysztof Krauss]

[Text] The declaration of marital law in Poland has not only restrained but even intensified the preparatory work on the economic plan for the next year. Among others, this declaration has to create conditions for getting out of the economic crisis. This crisis, created by improper policies of the seventies, became even more acute because all attempts to solve complex economic problems have been torpedoed by the political ambitions of counterrevolutionary forces.

Proper preparation of the plan for 1982 and for the whole current five years is imperative in order to break the vicious circle in which our economy has found itself for the last several months.

One of the most important factors of the plan for 1982 is the coal balance. During the current year we will use for our own needs some 146 to 147 million tons of hard coal. If we had to import this amount of coal at the same price that we obtain for it from our contracting parties, the foreign exchange expenditure would amount to some 9.5 billion dollars. This would be almost one-half of all our expenditures for imports up to now.

Only when we realize how much the coal used for our economic needs really costs us, will we treat with the necessary perspective and objectivity the assumptions of the plan encompassing the "output balance" of this basic and up to date need originating entirely from domestic production of fuel and raw materials, except for certain marginal quantities.*

In 1982 it is proposed to use for domestic purposes 151 million tons of coal, which is more than last year but still less than in the years 1979-1980. Above all, it is considerably more than used for economic purposes by nearly all medium and highly developed countries, if all fuels were converted into the so-called standard fuel. In Poland, in order to produce $1,000 of national income, 1.78 tons of standard fuel is used, against 0.84 tons in FRG and 0.77 tons in France.

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*Some, not very large, quantities of coking coal (about 1.1 million tons annually) are imported from the USSR in exchange for the coke exported to the USSR.

In the world's economy, as specialists maintain, the last word has not been said as yet concerning the possibilities of a more efficient use of coal and of other power raw materials.

The application of new techniques and technologies requires time and outlays. For example, in Poland in the machine-tool inventory the share of metal plastic-forming machine tools amounts to approximately 11 percent, while in 1966 in the USSR it amounted to 18.4 percent; in the GDR, 19.6 percent; in Czechoslovakia, 20.2 percent; in the FRG and Great Britain, 22.8 percent; and in the United States, 24 percent. On the other hand, the application of metal plastic-forming instead of the traditional machining saves approximately 250,000 tons (data obtained from Soviet studies) from every 1 million rolled products to be processed. This method also permits economizing (of course, aside from the ore used for steel, production) some one-half million tons of coal, which is the "metallurgical charge," plus 230,000 to 240,000 tons of coal burned in the electric power plants only for the purpose of rotating the machines that produce the shavings.

The installation of metal plastic-forming machine tools would require an investment of hundreds of millions of zlotys, mostly foreign-exchange zlotys. This is only one of the possibilities to reduce coal consumption.

Therefore, realizing the enormous potential reserves from the reduction of coal consumption in the economy and beyond it, we must consider at once such a state of technical preparation for a rational burning of existing coal. It means in many cases none or almost none.

A planner cannot be carried away by fancy, he must stick to realities. The dilemma facing planners did not consist in how much coal to "add" to anybody in order to obtain a maximum utilization of the production system, only whom and to what degree limitations in coal allotments will affect, in order that losses caused by these limitations would be least severe for the economy and for the community.

How is this dilemma being solved in the assumptions of the draft plan for 1982? Of the 151 million tons of coal probably at the disposal of the economy for domestic needs of the country, the major part is scheduled for the power industry. The so-called public-utility electric power plants will be allotted 61.6 million tons. This is less than in 1980, when the power industry obtained 67 million tons, 1.6 million tons more than in 1981. However, we had to consider that there was an increase in power-engineering installations and these have to be provided with fuel. First of all these are heating installations, not those producing electric current. Therefore, in practice, the whole increment in hard coal supply for the power industry will be absorbed by new heating installations.

Minimum expectations, which planners associate with electric power plant activity in 1982, as determined by the coal balance, consist in not upsetting the ratios of fuel consumption per 1 kwh of energy produced. Then electric power plants will be able to operate without longer interruptions, caused by the lack of fuel. The improvement of power consumption indicators would, in turn, enable a reduction, or even an elimination, of single blocks, which often occur.

The next large consumer in the coal consumption balance is the coking plants. According to the draft plan, they are scheduled in 1982 to obtain 22.3 million tons of coal, which, unfortunately, is not only less than in 1980 (25.3 million tons) but also less than in 1981 (22.7 million tons). It will cause a decline in coke production by 0.5 million tons as compared with the forecast fulfillment of the plan for 1981 and by about 1 million tons as compared with 1980. It will affect, first of all, the metallurgical industry by a more than 6 percent reduction, compared with the current year, of production of rolled products, since this is the main coke "consumer."

Planners maintain that metallurgy should have been "sacrificed" by limiting coke production in order to rescue the coal consumption balance for, among others, the cement and food industries. However, if we consider this in the assumptions of the draft plan for 1982, it was necessary to safeguard at least a small improvement in providing the population with coal (30 million tons in 1982, probably 29.1 million tons in 1981). There also must be additional supplies for the power industry, determining the utilization of new production capabilities in electric power and heat-generating plants. Thus, practically, almost nothing remains to improve provision for sectors other than power industry production.

After all, first during 1981, the food industry (a few million tons per year) was operating in low gear and burned less coal than in previous years, because it did not have enough to process.

At present, in 1981, harvests of all basic crops approached the average of many years and some (for example, beets) exceeded this average. Would a "just" distribution of coal--i.e., one consisting in allotments for every industry the same or a little smaller than in the current year--be reasonable? The price that we would have to pay for such distribution would be, in case of food industry, writing off several million tons of potatoes, beets, etc.

Second, in 1981 the cement industry was treated as some kind of "safety buffer." It is very coal- and energy-intensive; an interruption of even short duration in operation permits "feeding" several industries in other establishments with coal. This was practiced quite commonly during 1981. However, this impressive method of "correcting" the coal balance proved extremely costly for the community. Due to the lack of cement construction in several housing developments, rural investments were interrupted. Have we the right to repeat the same mistake in 1982?

A "just" distribution of necessary coal economies among individual production subsectors and branches, consisting of "rewriting" the assumptions of the draft plan for 1982 coal allotments realized in 1981, would be plainly unwise and inconsistent with economic logic as well as with social interests. Thus, planners formulating the assumptions of coal distribution for 1982 were obliged to reconsider from the beginning. It was necessary to raise "allotment limits" for the food industry by at least 400,000 to 500,000 tons (up to 6.2 million tons), because otherwise beets, potatoes, etc, would rot; for the cement industry, by 500,000 tons (up to 3.1 million tons), because otherwise we would be stuck on the level of 1972. But, unfortunately, adding to some, we had to deduct from the others--from whom?

We deduct from coke plants (400,000 tons) and, because even in this case balance would not be achieved, then from other branches, first of all, those using coal for heat generating. This seems to be a sensible decision if we accept the principle of "less harm." Another proposition, which was accepted--i.e., certain limitations of coal as a technological raw material--could be considered controversial. Further "allotment limitations" concern the chemical industry (according to the present departmental system). In 1980 this branch of industry obtained 12 million tons of coal; in 1981, probably 11 million tons; for 1982 the allotment will be 10.5 million tons. This industry has been affected by crude oil imports reduction and could also receive less coal if that suggestion is accepted.

In considering transportation and "coal consumption by the population," railroad transportation must obtain 3.2 million tons of coal, which will not satisfy its total needs (in 1980 railroads obtained 3.6 tons of coal; in 1981, 3 million tons). In no other European country do commodities travel so often and such distances as in Poland. Every ton of merchandise produced domestically is transported an average three times.

"Coal consumption by the population" (30 million tons) can be considered close to minimum needs but only if, first, a "heating standard" is maintained at a level not below the lower "ceiling" necessary in our climatic conditions. Second, the farms--almost entirely "reoriented" to coal--will reach again for the traditional sources used in these territories as well as in western countries to supplement power needs: peat and especially wood scraps. For several years foresters encourage farmers to cut down, among others, the so-called slash, as indicated by the staff of this ministry, who are ready to give it to the farmers free of charge to use as heating fuel. However, this slash cutting must be done in an organized way. Farmers will have to take care of it themselves, using their own tools, and they will have to take it from the forest by their own equipment. A planned slash clearing is used as a sanitary measure, necessary for maintaining forests in proper state. The ministry, which until recently managed our tree stand, does not have enough personnel or proper equipment to take care of this problem.

The coal "output" balance, accepted in the 1982 draft plan assumptions, is evidently a balance of the crisis period. On the one hand, this crisis consists in the fact that the means, which at this moment can be assigned for investments, are very limited, reducing coal consumption in the national economy. For example, it would be necessary to replace every 20th boiler for coal burning and almost all boilers in the labor cooperative system, a major part of boilers in the communal economy and a large part of boilers in the light industry because their energy efficiency is an affront to any reasonable standard. On the other hand--above all, this is a balance of the crisis period--because as a result of a reduced coal mine operation time, disregarding the economic reality, there was a breakdown in coal production.

It is therefore understandable why one of the first economic decisions after the introduction of martial law was the militarization of this branch of economy. The militarization, maintaining all wage privileges of miners, should prevent further decline of production and create necessary conditions for an optimal solution to the dilemma, how to reconcile the need for maintaining a relatively

uninterrupted mine operation, dictated by cost effectiveness, with the organization of the individual miners' work, which would consider the specific character of this difficult, and dangerous profession. According to the author of the article, the most desirable long-range solution, called for long ago by certain workers in the mining industry, is the development of a system that would enable an uninterrupted operation of mines, while assuring 2 days of rest per week for miners.

In order to develop and institute such an optimal system, we must create, first, conditions for quiet discussions, without any strike, threats and demagogy, which paralyze any reasonable action; second, we must intensify efforts to shift employees to the mines from sectors where they cannot be used efficiently.

Most probably, it is easier to realize than a few weeks ago; the militarization of mines during martial law will enable a step-up of the present assessment of coal production, at least to the level envisaged in the so-called optimistic variation of the assumptions of the draft plan for 1982 (production of 175 and not 168 to 170 million tons, which is accepted at the present time). This revision "upward" would be consolidated by the development and introduction of organizational solutions after marital law is lifted. Naturally the question will arise, how to manage most rationally the additional coal tonnage.

Apparently it would be necessary to revise the domestic coal consumption balance to a small degree, possibly adding to the deliveries for the chemical industry and power industry, the cement industry and few remaining domestic consumers. The remaining (and basic) part of the coal surplus above the present evaluations should be switched to export.

A ton of coal on the world's markets averages $70 to $80. Five million tons more of coal exported would mean an addition of $350 to $400 million to the state's income. In addition, with this money it would be possible to buy (according to world prices of 1980), for example, some 1.5 million tons of crude oil or considerable amounts of raw and other materials that we import (ore, wool, cotton, etc). The industry is operating only at part of its production capabilities (at least 20 to 30 percent of its production capacity is not utilized) not because of the lack of coal or power outages and certainly not because of a lack of manpower but first of all because the supplies of all raw and other materials do not cover even the minimal needs. Foreign exchange currency earned through additional export and assigned for increased import of raw and other materials would become a starter for the economy, an impulse that step by step would put into motion every new wheel of the economic machinery.

This--next to calm, order and discipline--is the essential prerequisite to begin the process of getting out of the economic crisis.

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## BRIEFS

TRADE PROTOCOL--The Ministry of Foreign Trade reports that on 9 December a trade protocol was signed in Tirana between the government of the PRL and the government of the Peoples Socialist Republic of Albania on mutual deliveries of goods and on payment schedules for 1982. The provisions of the protocol envision a trade turnover volume amounting to approximately 50 billion rubles, which represents an increase over anticipated deliveries for 1981. As was similarly the case during 1981, Albania will be delivering to Poland asphalt, chromium ore, tobacco, cigarettes, and also certain quantities of paprikas, fresh grapes, melons, citrus fruits, processed fruits and vegetables, ready-to-wear apparel, furrier goods, and other consumer goods. Poland will be delivering to Albania, among other things, machinery and equipment for metallurgical industries and the mining industry, electrical e gineering and power engineering equipment, textile machinery, laboratory and medical equipment, and also small quantities of coke, rolled metal goods, and refractory materials. [Text] [Warsaw TRYBUNA LUDU in Polish 14 Dec p 7] 11813

KAMINSKI ELECTED--The Ministry of Transportation reports that the 65th session of the CEMA Standing Transportation Commission has been held in Budapest. This session was attended by delegations from the CEMA member countries and Yugoslavia as well as by representatives of certain international transportation organizations. During this session the minister of transportation of the PRL, Janusz Kaminski, was elected as permanent chairman of the commission. The commission reviewed a number of problems raised by the resolutions passed by the 25th Session of CEMA and by the meetings of the CEMA Executive Committee. The commission also re-examined performance records in the fulfillment of international transport traffic volumes during the period 1976-1980 and spelled out targets for transport traffic volumes between the CEMA member countries for the period 1981-1985. Steps were taken aimed at insuring the fulfillment of these transport targets and the coordination of transportation development plans. Also discussed were problems related to the improvement of the regularity of passenger train service, and a program was adopted on cooperation between enterprises manufacturing pullman and dining cars. [Text] [Warsaw TRYBUNA LUDU in Polish 14 Dec 81 p 7] 11813

POLAND-GDR AGREEMENTS--On 12 December the minister of labor, wages, and social affairs, professor Antoni Rajkiewicz, completed a 3-day visit to the GDR. He was received by the chairman of the GDR Council of Ministers, Willi Stoph. Minister Rajkiewicz, who was visiting the GDR at the invitation of the secretary of state

for labor and wages, Wolfgang Beyreuther, also visited manufacturing plants where he familiarized himself with work planning methods and with the living conditions of groups of Polish young people employed in these plants. Ministers A. Rajkiewicz and W. Beyreuther signed government-to-government and ministry-to-ministry agreements concerning further cooperation in the area of employment and working conditions of persons sent abroad to work in GDR manufacturing enterprises. [Text] [Warsaw TRYBUNA LUDU in Polish 14 Dec 81 p 7] 11813

GDR PROJECT COMPLETED--PAP correspondent, Jerzy Tomaszewski, reports that an industrial installation designed for the storage of enriched coke used in the manufacture of carbon electrodes went into operation on 11 December at the VEB Elektro-Kohle in Berlin. This installation has a capacity for the continuous storage of 1,000 tons of coke, and this capacity rating fully satisfies the factory's requirements for maintaining an uninterrupted production cycle. The entire installation was built by Polish construction workers. Teams of workers from the industrial construction enterprise CHEMOBUDOWA in Krakow worked on this project. The specialists who drew up the designs for this plant were also recruited from Krakow. The project was completed under very difficult conditions. These difficulties stemmed from, among other things, the need to carry on with work on this project without disrupting the normal production cycle of the plant as a whole and the need to use extremely heavy equipment. Nevertheless, the project was completed within the time frame provided for by the contract and in the process high standards with respect to the quality of construction and installation work were maintained. These facts were stressed by the GDR client who took delivery of Polish capital project without voicing any objections or reservations. [Text] [Warsaw TRYBUNA LUDU in Polish 14 Dec 81 p 7] 11813

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SUGGESTIONS MADE FOR AGRICULTURAL EDUCATION IMPROVEMENTS

Bucharest ERA SOCIALISTA in Romanian No 19, 5 Oct 81 pp 4-7

[Article by Constantin Pintilie rector of the Agronomic Institute N. Balcescu, Bucharest: "Agriculture Keeps Pace With the Needs of Intensive Agricultural Development"]

[Text] The achievement of the new agrarian revolution--a priority objective established by the 12th Party Congress--is organically associated and determined by the capabilities and professional competence of agricultural workers, and of all specialists and technicians in agriculture. Only those who are professionallly well trained are in a position to assure the organization of agricultural production on the basis of intensive systems, and to introduce and generalize new technologies. Particularly today, when technology and science are evolving so rapidly, it is necessary for each specialist to be receptive to new ideas, and to understand and readily adopt them for practical applications. But all of this is not possible without a high professional level on the part of all those who work in agriculture, from the cooperative and machine-operator peasant, to the agronomist and scientific researcher, which in turn provides a measure of the high responsibility of agricultural education at all levels.

The present organization of agricultural education in our country allows the training of the agricultural workforce at three levels: higher education, which trains engineers and veterinary doctors; intermediate specialized education and professional schools, which train techicians, mechanical operators, and so on; and the 10-year general compulsory educational system, as well as other mass agricultural education, which train agricultural workers.

Within this training system, a particular responsibility is assigned to the higher agricultural education, designed to assure the formation of future agronomists, horticulturists, animal raising specialists, land improvement engineers, and veterinary doctors, all of whom must be endowed with valuable knowledge since they are the specialists, who together with other agricultural workers will build the objectives of the new agrarian revolution, raising our agriculture to the level of the highest advances of modern science and technology. The five agronomic institutes in Romania, who every year provide agriculture with about 2000 specialists in various professions, perseverently strive to become powerful centers of education, research, and production, capable of training generations of students to meet the needs of the new agrarian revolution.

Stressing the imperative need to move from quantitative accumulation to a new quality in agricultural production, Nicolae Ceausescu defined in his speech to the recent workshop of the Central Committee of the RCP, the concrete ways and means for organically integrating agricultural education and scientific research in the general effort to create a highly productive and profitable modern agriculture. It is our duty, as teachers, to militate for the accomplishment of these indications, because the organic integration of higher agricultural education with production, planning, and scientific research, a process which is in full development and upgrading, represents the sound basis for the theoretical and practical training of future specialists, assures the full valorification of all the working and creative capabilities of our educators, and create the best conditions for the active participation of students and faculties in the fulfillment of the great tasks assigned by the party to agriculture.

In analyzing the tasks and prospects of higher agricultural education in the light of these objectives, I believe it is necessary to point out several features to which we are devoting particular attention, in order to raise the training of specialists to a higher qualitative level.

Qualitative Changes in Educational Content

The fulfillment of the new agrarian revolution is determined by the large scale application in agricultural practice, of advanced technologies, and of the most recent progress in modern genetics and biology, as well as in science and technology in general. It is well known that science and technology are presently undergoing an extremely rapid development, that new ideas and modern technologies are constantly coming to the surface, and that only those who will know how to introduce them rapidly into production and fully utilize them, will be able to obtain superior results and reach a competitive position here and abroad. Hence the primordial need to continue to improve the content of higher agricultural education, and of practical courses and projects. This makes it possible for the future specialists to know--while still in school--all that is new in their respective specialties, as well as trends and directions of development of various agricultural sectors. Thus prepared, they can competently exercise their functions in managing and organizing production processes and in applying technologies, understanding the reason for each link in a technology and the need for being receptive to new ideas, which they will adopt and rapidly apply in practice.

In this respect, we become aware of the primordial importance of an analytical program, and of an education and course plan. Well conceived, these assure that students will acquire knowledge in a natural chronological order, and will rationally mesh their studies with agricultural practice. Unfortunately, a number of shortcomings have caused a number of unnecessary duplications, overlays, and repetitions. For instance, some of the courses taught in high school about agrotechnology, soil science, biological techniques, vegetable, orchard, and grapevine cultivation, animal raising, and so on, are also taught again at the university level. We believe that it would be useful to better correlate the structure, and especially the content, of subjects in agroindustrial high schools with those in higher education. We are also of the opinion that technical subjects, such as agricultural machinery, physics, chemistry, and mathematics, should play a larger role in agroindustrial high schools than they do at present.

I believe that these points are the best argument in favor of improving analytical programs and education plans. These will have to be conceived so as to assure a rational utilization of the time spent for instruction in universities, while allowing students to progressively acquire knowledge, and thus to delve deeper into a given subject concurrent with a comprehensive understanding of agricultural production processes. In this way we will create a good boundary between the general education acquired in high schools, and the instruction necessary to train specialists.

On the other hand, some courses must exist which will fully respond to the current and future needs in the education of specialists with a broad range of training. This is especially true since some university courses are loaded with large quantities of data, as a result of which they do not offer students the necessary principles and knowledge, but rather transform the students into recorders of figures. Out of a desire to teach a university course pertinent to today's needs at a high scientific level--which is praiseworthy--many courses introduce elements which in fact are merely research hypotheses. Such knowledge does not help the graduate to better exercise his profession, but on the contrary, can lead to a number of confusions and to a lower level of training for specialists. Which of course, is a different matter from the training of researchers, who must know all the hypotheses about a phenomenon under study. But a specialist must know precisely and clearly how to solve a given problem, and how to apply each separate technology. And if this is the goal of the university--and it can be none other--then inevitably, the instruction of students can be oriented only toward practical activities in production. This is the spirit in which all university courses must be formulated, combining a synthesis of advanced experience.

In order to provide a high quality education, it is our duty to eliminate from education programs all that is old, outdated, and without a future, and every year to renew and improve practical courses and projects through the introduction of new elements derived from the advances of modern science and technology. It is sometimes necessary to introduce new course titles (or even new subjects if needed), so as to offer students the newest problems in agricultural science and technology.

The continued improvement of the program of courses and projects, in keeping with the evolution of modern science and technology, the demands created by the modern social development, and the priorities resulting from the strategy of our socioeconomic development, are designed to assure that students learn new technologies for reduced consumptions of energy and fuels, for combatting pollution, and for eliminating the harmful effects of inapropriate utilization of some chemicals. In this manner we will train specialists with a broad outlook, capable of competently solving various specialized problems, and adapting relatively easily to the inevitable changes that constantly occur in the production structure and in cultivation technologies. Of course, this presumes that the future agricultural specialist will have a sound knowledge of biology and genetics, mechanization and chemification, land improvement, and other areas in agricultural activities. This way, the student will be able to act not only under ideal conditions, which are rarely encountered in practice, but under various real conditions, determined by the nature of the soil, climate, and available technologies, which must be adapted to specific working situations.

Dialectics of Integrating Education With Research and Production

The agrarian revolution also raises new problems in the practical instruction of students under production conditions. Through the care of the party and state, a favorable framework has currently been created for good practical instruction of students at local teaching stations, where agricultural projects and other productive activities are carried out directly by students, with the participation and constant guidance of faculties.

During these years, our institute has obtained a certain positive experience in this domain, with encouraging results. With the support of the Ministry of Education and Training, and of the Ministry of Agriculture and the Food Industry, the content of education plans and programs at all universities has been substantially improved, and the technical-material basis of the instruction and education process has been developed. The share and role of student instruction under production conditions has been greatly increased. A new attitude toward education through work and for work, was formed and developed among students and faculties, who are participating effectively in the execution of agricultural projects in all sectors of production, both at experimental teaching stations and in production units. The situation has been reached in which all students have driven, under production conditions, the whole range of tractors and agricultural machines available in our country. Some results have been obtained in scientific research and design activities. The support given by faculties and students in our institute to agricultural production units has multiplied and diversified. For instance, at 50 agricultural cooperatives in Calarasi and Giurgiu counties, as well as in the Ilfov agricultural sector, faculties together with students participate effectively in the execution of projects throughout the agricultural year, in field crops, orchards, animal raising, and veterinary work. In this manner, the theoretical knowledge taught in courses is applied by students in real production under the direct guidance of faculties.

In listing some of the results of our work, we are aware that everything we have achieved so far in integrating production with scientific research is much too little.

A true and efficient integration with production does not involve solely education programs based on the requirements of practice, but also a new and revolutionary way of conceiving the activity of faculties. As Nicolae Ceausescu has pointed out at the recent workshop of the Central Committee of the RCP, an effective participation of faculties must be assured in the research and growth of agricultural production, so that these faculties will manage and effectively be responsible for grain, vegetable, or animal raising farms in agricultural units. Participating directly in the organization and management of production, faculties will be in a position to directly apply their theoretical knowledge, thus assuring that the transfer of knowledge to students is carried out under conditions of effective activities in agricultural farms, rather than in university lecture halls. This ultimately means a blending of education and research, which will assure the full assertion of the faculties' position as militants in the formation of valuable specialists, in the generalization of modern technologies, and in increasing agricultural production. A teacher who does not know how to organize and manage an agricultural farm, and how to obtain good productions in his area of activity, cannot be a good faculty member with professional authority among his students.

Based on these considerations, as stated by Nicolae Ceausescu, our institute has assured that faculties and lecturers will take over the production activity in the Ilfov agricultural sector, becoming effectively responsible for the activity of production farms.

The agrarian revolution presuposes a revolution in the technical-material base of agriculture, comprehensive mechanization, rational chemification, maximum valorification of the land and irrigated areas, expanded intensive crops, and judicious crop rotation. Consequently, even while in school, future specialists must master a large volume of practical skills, know how to handle all the types of tractors andd agricultural machines used in the country, be able to perform agricultural work at any time and under the best conditions, and succeed in applying advanced agrotechnology under various conditions. By forming a closer bond between theoretical and practical education, and the requirements for an agriculture of high yield and efficiency, future specialists will be able to execute different agricultural projects, and to gradually be exposed while in school to the entire variety of agricultural work, from that of a simple agricultural worker or animal tender, to that of mechanical operator, technician, and eventually highly qualified specialist.

Theoretical and practical training is intimately associated with scientific research. The future specialist must not only be a good practicioner, but also a researcher, an unflagging fighter against routine and all that is outdated; he must never be satisfied with what he has achieved, but must always seek new ways to progress, to promote all that is advanced in science and technology. For that, future specialists should develop an enthusiasm for scientific research while still in school. That is why it is our duty to develop the activity of students' scientific groups, involve more students in the research collectives of the faculty, and solve priority scientific problems; we must foster among students the ardent desire to surpass themselves, and to constantly work toward new solutions and hybrids with high production potentials, a high content of useful substances, short growth periods, resistance to disease and pests, as well as to improve animal breeds with higher birth rates and greater yields.

The experience of recent years proves that a large potential for scientific research exists among the students, and that it is waiting to be fully exploited. In recent years, plant varieties and hybrids with high production capabilities have been created at the experimental teaching stations of our institute. Joint collectives composed of faculty and researchers, have created seven simple corn hybrids with high production capabilities, which are currently being cultivated on an area of over 700,000 hectares. In the vegetable sector, the Export II tomato strain created in our institute, currently covers 60 percent of the area planted with early tomatoes, and about 80 percent of the area sheltered with plastic. Positive results have also been obtained in the land improvement area, with faculty and students from the land improvement school participating effectively in the design and construction of the Rasova-Vederoasa (Constanta County) irrigation project, in soil erosion control in the areas of Berheciu (Vrancea County) and Aldeni (Buzau County), in the drainage and drying of the Luciu-Giurgeni (Ialomita County) system, and so on. Similarly notable are the results obtained in exploiting the wastes and drainage from pig-raising industrial complexes, in reducing the consumption of energy and various materials, in lowering pollution, in decreasing the use of chemicals, and in environmental protection.

Deeming these results as insufficient, not only in volume, but especially in the manner in which the research was carried out and executed, and in their need and usefulness for agricultural practice, we adopted efficient measures to improve activities. To begin with, we are interested in fully exploiting our available research potential by establishing tasks at the level of each faculty's functions, training, and accumulated experience. Secondly, in order to support production growth, we have increased the amount of research carried out directly in agricultural units by faculty and students. At the same time, we assure the valorification of results both in the respective units, as well as in nearby ones with similar production conditions.

In order to increase the efficiency of scientific research, we have formed interdisciplinary research collectives which are in a position to fully, locally, and efficiently solve the comprehensive problems that are facing agricultural production.

Closely bound with the above, is the problem of faculty upgrading. We cannot overlook the fact that we are training specialists who will work with the technology of the year 2000 and of the beginning of the third millenium, and that the present technical-scientific revolution has made huge strides in the biological sciences, a domain in which we should expect fundamental discoveries in the years to come, discoveries which can radically transform the technology of agricultural processes. Under these conditions, no matter how well a specialist is trained when he graduates, he will inevitably be left behind, a victim of routine, and will become somewhat of an impediment to agricultural progress, unless he carries out a constant scientific activity, and studies the specialized literature so as to always remain informed of what is new. These are the requirements which Nicolae Ceausescu had in mind when he pointed out the need for being constantly concerned with the periodical upgrading of all agricultural faculties under production conditions. The efficiency of annual training and upgrading courses will be enhanced by the fact that the best specialists will be drawn into this activity, and that their upgrading will be organized in areas and units most suited for this purpose.

One essential aspect of the agrarian revolution is the qualitative change in the organization and management of agriculture. This implies a continually stronger role for state and cooperative unified agroindustrial councils, the generalization of the experience gained by leading agricultural units, a firm application of the new economic-financial mechanism, higher efficiency for agricultural production, reduced costs, and especially material costs, and higher profitability for agricultural units. We are faced with special economic demands, which necessarily mean that the future specialists must have a sound economic knowledge, know how to skilfully manipulate economic leverages, acquire good stewardship habits, competently lead agricultural units, and efficiently administer the goods entrusted by society. That is why students must receive a solid theoretical and practical economic training while still in school, and acquire the habit of looking at agricultural production problems not only from a technical specialty standpoint, but also from an economic one. This habit of managing an agricultural unit is gained during the practical organization and management activities conducted during the last year of study in leading agricultural units.

Given the special importance of economic and efficiency problems, we believe it would be useful to analyze the possibility of training agricultural accountants in agronomic institutes. In support of this proposal, we should point out that the best results in training accountants were obtained during the 1970-1975 period, when agricultural economy departments operated as part of agronomic institutes. Moreover, those who graduated during that period are still working in agricultural units, while graduates of recent years, although trained for agriculture, have left it for jobs in other sectors of the national economy.

In the same context, it would be useful to analyze the possibility of also training mechanical engineers as well as engineers for the food industry within agronomic institutes. This would assure a unified system for training all specialists oriented toward agriculture and the food industry, in full accordance with the present requirements for agricultural integration.

As Nicolae Ceausescu stated during the speech mentioned above, the agrarian revolution also implies a revolution in thinking, the formation of an advanced, revolutionary consciousness. The fulfillment of the agrarian revolution demands from the future specialists and all those who work in this branch, not only a high level of scientific and professional training, but also a high revolutionary consciousness, an expanded political and ideologic horizon, and a knowledge and application of the laws of social development.

Those who work in agriculture are only those who know agriculture and love it, who are captivated by agricultural activity, and who know and become integrated into village life. That is why access to higher agricultural education institutes must be given especially to those who have worked in agriculture, who know both the satisfactions and difficulties of agricultural work, who have decided to devote all their capabilities and strength to lifting agriculture and village life to the level of the standards of our socialist society. That is why we believe in the usefulness of introducing aptitude tests in university admission examinations. No purpose is served by having graduates of higher agricultural education institutes seek jobs in offices or other sectors of activity. Their place is in agriculture, working at the profession for which they have been trained.

In the light of the above, a substantial improvement must be made in the scientific and political education activities of faculties in agricultural institutes. In particular, it is necessary to perfect their own training, as an indispensible condition for improving the content of courses and practical projects, and of the entire instruction and education process, at the level of the newest advances of science and technology. Faculties must become more directly and efficiently involved in scientific research activities, especially in terms of fully and efficiently using land resources, raising their productive potential, creating biologic materials with high production capabilities, formulating new production technologies with higher economic efficiency and reduced energy consumptions, perfecting the system of agricultural machinery, and formulating improved methods of organization and management of socialist agricultural units. At the same time, they have the duty to participate directly in solving concrete problems of agricultural production.

The fulfillment of the agrarian revolution raises large problems in personnel training, not only at the higher levels, but at intermediate ones as well. Highly responsible tasks in this respect become the obligation of specialized agroindustrial high schools. Each county currently has a wide network of such educational units, with an enrollment of nearly 87,000 students. Added to these are more than 5000 students in professional schools, and 1000 in schools for agricultural foremen.

The first order of importance in raising the level of intermediate specialized education, is to improve the content of the instruction. Agricultural high schools are intended to provide students with the best theoretical and practical training, so that graduates will be capable of entering directly into production and of making a satisfactory contribution to activities and to the achievement of superior results in production. This can only be obtained from good technical training and sound practical knowledge.

At the same time, it is necessary to improve the ratio between specialized personnel with a higher education, and specialists with intermediate studies, in favor of the latter. Currently, of the some 45,000 agricultural specialists who work directly in agriculture, 56 percent have had a higher education and only 44 percent have graduated from intermediate studies. This ratio is unsuitable. In other countries with an advanced agriculture, the number of those with intermediate training exceeds the number of specialists with a higher education. We believe it is normal that there be two to three technicians with an intermediate education for every specialist with a higher education. This defines the need for a considerable increase in the number of intermediate personnel in agriculture.

The technical and professional training of workers in agriculture is a priority objective in the vast and profound process of revolutionizing our agriculture. For faculties in agricultural education at all levels, a great professional satisfaction and a sentiment of fulfilled duty are synonymous with an unflagging activity in forming and training agricultural workers at the levels demanded by a modern agriculture of high productivity and profitability.

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EFFECTS OF COMPETITION, RISK ON INDUSTRIAL SUPPLY SYSTEM

Bucharest ERA SOCIALISTA in Romanian No 13, 5 Oct 81 pp 8-10

[Article by Dr Dumitru Fundatura]

[Text] The building of the current five-year plan has naturally envisaged the qualitative aspects of improved methods in planning, organizing, and providing technical-material supply, so as to meet the domestic needs for major raw and other materials from domestic resources. The same purposes are meant to be served by numerous measures regarding optimum materials flow and transportation, greater responsibility in respecting plan and contractual discipline, the elimination of intermediate links when these lead to higher social costs, and a more intensive effective redistribution of available material resources. Technical-material supply is known to be an extremely complex and dynamic process, which interacts with the most diverse activities, operations, and sectors, thus making it necessary to constantly, while in operation, adapt the theory and practice of distribution to new conditions, new demands, and new levels of development. Keeping in mind the indications given by Nicolae Ceausescu in his speech to the Second Congress of Workers' Councils, and considering the premises that must be assured to achieve a new quality, it certainly appears necessary to perfect the organization of supply and distribution so as to support a continually higher economic efficiency in all activities.

An analysis of the three basic components in the economic activity of enterprises--supply, production, and distribution--discloses the powerful interdependence, the dialectic connection, which exists among them, and the causal relationships, which in the case of shortcomings, cause chain reactions and operational problems for all the parties which contribute to an economic process. At the same time, it must be remembered that the technical-material supply process is the one which is blamed for failures in all activities: failure to achieve physical production at planned levels, delays in starting production capabilities on schedule, postponements in the arrival of imported products, and so on. All of these are translated in shortages of materials, thus reducing the supply volume and affecting the continuity of production activities.

All of the above are only a few arguments to show that the emphasis is, and must be placed on the organization of the system, on the manner in which products are moved from the production sphere to the consumer, and on the constant synchronization of supply rate and consumption rate. This is particularly clear since technical-material supply is by definition an economic process which does not occur

solely in time, but also in space, among enterprises, through lasting relations established among them. This being so, it appears necessary to narrow the gap between organs in the supply and material production systems, establish a closer bond between them, and assure an interpenetration of the two economic processes, so that the entire supply-production-distribution flow will occur at planned parameters independently of the subordination of the organs which must carry out each of these tasks.

In connection with this, I believe that the focal point in assuring a satisfactory supply and distribution of means of production must exist in counties, where enterprises in fact create the materials involved in the shipping and receiving of goods established in the plan. It is the manner in which these economic obligations are fulfilled in each county that determines the success, at the scale of the national economy, of the entire process of technical-material supply.

Competition, Rivalry, Contest: Complementary Concepts

The increasingly vast and complex processes that are being carried out in our national economy, including in the field of technical-material supply, imply among other things the revision of some economic concepts and categories, and the reintroduction of some ideas that have been rejected until now, such as the idea of competition in socialism.

The historic moment and the conditions of the inception of competition are well known, as are the negative consequences of its broad, unchecked manifestation in the capitalist economy. The socialist economy however, creates secure conditions--we are thinking for instance, of the socialist ownership of the means of production, and the plan-based management of the socioeconomic development process--which make it possible to eliminate the negative effects of competition in the development of society and in the production and flow of goods.

At first sight an incompatibility would seem to exist between the known action and effects of competition on one hand, and the coordinated development, based on a unified plan, of branches, sub-branches, and enterprises, on the other hand. But the phenomenon must be examined in depth and in all its implications, so as not to discard its positive aspects together with its negative ones; it can exist in a restricted, limited, directed, or modified form, so that the features which can increase the efficiency of activities can be used to the advantage of society and the economy. And if the word "competition" has acquired a pejorative meaning as a result of its negative manifestations through the years, it can be replaced under our country's present conditions with the words rivalry, contest, emulation, and so on. But independently of the term that is selected, the fact remains that the phenomenon in question does have a certain positive role, which can and must be exploited more extensively in the interest of socioeconomic development in our country.

In last year's speech to the Workshop of Activists and Basic Cadre in Consumer Cooperatives, Artisan Cooperatives, Agricultural Production Cooperatives, and People's Councils, Nicolae Ceausescu stated: "We must not exclude, but rather encourage competition. Where would be the harm in finding in one locality two similar units which can satisfy the people's needs, and which would compete with each other for better operation? There would be no harm and we must indeed encourage such competition".

Given this point of view, open to what is new and better, we must of course also indicate that the multitude of concrete situations generate a multitude of solutions and results, which inevitably differ from one another. The general process of social development presumes the existence of microprocesses and a specific contribution (on the part of each enterprise) which is coordinated and integrated at a macroeconomic scale, in keeping with the dialectic relationship between particular and general, between the simple and the complex. Any given enterprise examined separately exhibits specific production, distribution, endowment, technical capability, and creativity conditions which cause it to achieve certain efficiency indicators, different from those of an enterprise with other conditions, and with a higher or lower profitability coefficient, depending on whether its technical, material, and human resources are used better or more poorly.

Specific conditions and the manner in which they are used also logically lead to different economic results in the valorification of labor's results, which means that some products will be in greater demand than others. In some cases for instance, a product of the same type, shape, dimensions, color, and finishing as another, fabricated according to the same specifications, but in two different enterprises, will be more in demand than the other. In most cases, the differences between similar products result from the different application of a manufacturing technology, from differences in the training and experience of the collective, in its initiative and pursuit of the new, in self-betterment, in the organization of labor, and so on.

Consequently, in a selling and buying situation, consumers first seek the products with the best qualities from a given enterprise, and only afterwards look for the other products. This is an objective phenomenon with an obvious explanation: why should it not mean that there exists a competition, a contest between similar products fabricated by the enterprises Policolor in Bucharest, Azur in Timisoara, or the Oradea Paint Plant, as long as some products of the Bucharest enterprise are better, more resistant, and in greater demand, while other products manufactured in Oradea or Timisoara are preferred over those made in Bucharest? This situation is valid in all cases in which two or more producers supply the same product, or even when two similar products are manufactured in one enterprise.

The results of this competition ultimately mean better products, superior to those of other enterprises. Except that this should be reflected both in economic results and in greater incentives for the respective collective; thus, whether good or bad, attractive or ugly, the incentive element disappears if the products return the same value, and there arises the danger that initiative and creativity in the work collectives of production enterprises will not progress above a certain level.

Several solutions in my opinion, could encourage true competition among enterprises toward obtaining results of superior quality. The first is a coefficient greater than unity, to be established case by case, which will be applied to correct the volume of net production in enterprises whose products are of better quality than those of other enterprises. This would encourage the enterprises which best and most rapidly make use of the results of science and technology, which demonstrate the greatest initiative and acceptance toward demands, which most rapidly perfect their products or adopt new models of the same product, and which continually introduce new products on the market, drawing attention to the plant's brand, gaining the confidence of customers, and leading in the competition with other enterprises. In the case of qualitatively superior products (more attractive,

resistant, fashionable, timely, regional, and so on), another solution would be for production enterprises to benefit from a distribution price coefficient which would increase the material incentive of the respective work collective, thus further encouraging and involving the creativity and the intensive utilization of the entire potential of the enterprise.

Some subjective elements also enter in this type of competition. For instance, an enterprise may find itself last in competition because of poorer labor organization, less qualified personnel, and so on, which would prevent it from achieving outstanding results. But it is not ethical or fair for an enterprise which makes optimum use of all its available resources and leverages, to obtain the same incentives as an enterprise at the tail end of the competition. That is why a differentiation is necessary in the valorification of production, to provide incentives for all collectives in obtaining superior results.

The problem is valid both for consumer goods and for the means of production that are involved in technical-material supply, even when they are centrally distributed. Better materials mean better products and lower costs for bringing the materials to the parameters required for technical processing, and they mean an overall improvement in the supply and distribution process.

Economic Risk Cannot be Avoided

A number of factors or circumstances, which are more, less, or totally beyond control, intervene in any economic activity; they act randomly and can negatively influence anticipated results or the unhindered pursuit of the activity. In technical-material supply in particular, these factors are at times more forceful because of the dynamism and complexity of the process, and especially because of the many aspects and elements that must be considered in the organization and execution of this activity. These factors are generally known as risk factors, and they generate consequences which materialize in what we define as the economic risk of an activity.

In our country's economic and legal theory and practice, risk theory, the problem of economic or commercial risk, as a concrete manifestation of risk, has not yet found a unified, rigorously based and delimited framework, to deal with the many events that arise in technical-material supply activities. The measures applied at a macroeconomic level take into consideration the fact that although the country's unified national plan of socioeconomic development does provide a high level of awareness and control of economic phenomena and processes, of their effects and manifold influences, it is nevertheless true that the complexity of socioeconomic life, the vast development of the country, can engender the occurrence of factors--endogenous or exogenous--which have not been or could not be taken into account in formulating the plan, and whose consequences are reflected in risk situations. In order to prevent these negative effects or to effectively remove them when they occur, appropriate economic-mathematical methods are used in formulating five-year or longer range plans, reserves are determined for unpredictable cases, stocks (especially security stocks) are formed at producers and consumers, effective measures for effective redistribution of material resources are established and applied, and obligatory responsibility clauses are written in contracts and agreements.

At the microeconomic level however, the economic risk theory does not always apply properly-or at all--to the efficient operation of the supply and distribution process. For instance, the distribution and transportation of goods from supplier to customer is carried out at the customer's risk, but the latter is not provided with the ways and means for risk-avoidance actions. Sending delegations to suppliers to accompany goods, taking measures for packaging, stabilizing, and protecting goods, as well as other measures, involves large expenditures of money and manpower, which customers do not have and which are not justified under present conditions. Each of the three parties in the operation (supplier, transporter, and customer) are socialist units and should each be responsible for its tasks and for the manner in which it fulfills its share of activities.

Or take another case: when receiving a shipment, the customer must count every last nut and bolt from the supplier, since these are delivered as parts. Since this involves hundreds of million parts of each type, and since these operations are carried out two, three, or even four times for each shipment, it is easy to perceive the enormous amount of time and labor that is wasted without justification. The eventual loss of ten, or even 500, parts in a lot of one million, is far less expensive than the effort made to receive these products piece by piece. Socialist ownership of the means of production naturally imposes a great, attentive, and responsible care for the portion of the national wealth entrusted to a work collective; but society must also husband its efforts to assure the fulfillment of priority tasks, rigorous stewardship of goods, and strict respect for the principles of the new economic-financial mechanism, so as to achieve an increasingly higher economic efficiency. Under these circumstances we must have recourse to the means which provide the best management security with the least total effort.

The largest domain in which economic risk is seriously felt, is that of long term economic relations. In order to avoid discrepancies between economic parameters established at the beginning of a period and those effective during the same period, and thus to avoid the risk of a wide gap between projections and achievements, economic units prefer to make short-term contracts, usually for one year. They consider the fact that material distributions and manufacturing programs assure a high degree of certitude, thus protecting them from unpleasant surprises along the way, which could change the structure of their economic activities. They overlook the fact that less than 5 percent of the long-term contracts changed during their entire period, and then only because of objective causes determined by changes in the production structure, particularly for export.

Risk is an economic category of an objective nature, which also acts in the socialist economy, but in a narrower area that is well known and that can be controlled. I believe that we must identify all operations and activities which incorporate risk situations, formulate measures which will elasticize some relations which are very rigid at present, simplify and facilitate some operations, and in any case make them less expensive, thus reducing the large volume of labor, materials, and costs that are now being expended in fear of risk and of the consequences--personal at times--which it entails. We must start from the real situation that the total volume of expenditures made to prevent risk is currently higher than the effects of the risk.

In this respect it would be useful to study the possibility of regulating the dissemination of simplified and efficient methods for shipment receipt and management (selective method, method of lot sampling, method of significant sampling), packaging systems with guaranteed fixed contents, more containerization from suppliers, new methods for conducting economic activities (decisions under risk conditions, ABC method, method of discontinuity thresholds, and so on), the establishment of long-range economic relations based on known economic-mathematical calculations, and so on.

In general, the theoretical clarification and practical regulation of forms of risk manifestation, are likely to localize the effects of risk, reduce the costs of operations which involve risk, encourage enterprises to form an open, long-range concept of socioeconomic development, and continue to perfect systems and methods for production management, organization, and planning, for technical-material supply, for product distribution, and for all aspects of economic and social activities. All of which are an unquestionable part of our general struggle for a new quality in all areas.

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## INVESTMENT SHIFT FROM INFRASTRUCTURE URGED IN SERBIA

Belgrade NEDELJNE INFORMATIVNE NOVINE in Serbo-Croatian No 1611, 15 Nov 81 pp 12-13

[Article by Scepan Rabrenovic]

[Text] For 15 years Serbia has been investing in highway construction, river flow regulation and other infrastructural elements; now it is time for industry.

The document on development for next year contains a number of coercive features but few economic determinations or decisions. That is the basic message from a 2-day conference last week in the cold Sumarice hotel in Kragujevac, where Serbian economists discussed this draft republic resolution.

These determinations have been forced by large foreign debts and the resolve to keep the balance of payments deficit below 500 million dollars (according to Professor Mladjen Kovacevic, "in 1980 the foreign debt total reached 32 percent of the country's GNP"). Such a small payments deficit (small in comparison with previous years) can be realized only if exports increase 8.5 percent in real terms. At the conference, much scepticism was expressed about certain concrete determinations. (Dr Davor Savin said, "It is anticipated that retail prices will increase by only 15 percent next year. That may be calming before one goes to sleep, but a question remains as to the realism it contains.") Forced determinations and decisions can produce only forced results; the modest rate of anticipated economic growth contradicts the economic stabilization policy.

To make matters worse, about half the foreign debt stems from consumer financing, not from development. Because of this factor, the economists at the meeting resolutely called for the country to avoid incurring such debts for domestic financing of consumer purchases in coming years. The only question is the degree to which that will be possible, when imports of equipment will be held to a minimum and priority given to imports of raw materials and semiprocessed materials, all to keep the factories from stopping. The consequences of this sort of forced determination will be felt only in a few years.

### Unemployment

According to this meeting, and on the basis of conversations during the breaks, in the coming year Serbia will have some problems that are not so pronounced in other regions of the country. This primarily involves employment.

According to the latest data, last year 785,000 were unemployed in Yugoslavia, including 274,000, or about 34 percent, in Serbia proper. Furthermore, last year in Serbia proper, not including the provinces, there were in absolute numbers more unemployed than in the other developed parts of the country together, including Slovenia, Croatia and Vojvodina. Similarly, last year in Serbia proper there were more unemployed in absolute numbers than in the three underdeveloped republics together, including Bosnia and Hercegovina, Montenegro and Macedonia. In Belgrade alone, there are as many unemployed as in all of Croatia (about 60,000).

The structure of unemployment distribution, and not the absolute number alone, shows how pronounced this problem is in Serbia. A steady decrease was noted in the mechanical transition from agriculture to nonagrarian economic activities; among the unemployed are mostly qualified, capable workers. As a rule, they are also young workers: of the total number unemployed, more than 80 percent are less than 27 years of age.

The number of unemployed is growing precisely in the large cities and industrial centers, for the second- and third-generation of former farm workers have come to these locations. They are essentially "pure proletarians," who no longer have the ties to the land that their fathers and grandfathers had, so that they can no longer count on "supplementary income from the land."

Thus, the employment problem is becoming the number one developmental issue for Serbia. This is not only because of the large percentage still engaged in agriculture (about 35 percent more than in some underdeveloped republics such as Montenegro and Bosnia and Hercegovina) but also because unemployment is a complex developmental, economic and social question. To be employed means to be covered by social insurance, possibly to be included in self-management social events. Along with that, increased employment is a basic prerequisite for increasing labor productivity.

Rivers and Roads

This amount of unemployment is chiefly the consequence of Serbia's developmental orientation during the past two intermediate plans, which insisted on the production of energy, raw materials and food. In its essence, that was not a mistaken orientation, but over the long term it demanded enormous capital, while these activities had little impact on expanding employment and income. From 1971 to 1978, unemployment in Serbia proper more than tripled. Because of this developmental orientation, Serbia's share in world exports declined, retarding integration into the international division of labor.

Undeniably the growth of unemployment in Serbia has been influenced by the so-called "unfavorable investment cycle" of investments in major infrastructure projects. This cycle has been underway for more than 15 years and includes investments in the main automobile highway, other truck routes, energy installations and transmission grids, river projects including dams for regulating the Danube, Sava and Morava rivers and reservoirs to supply water to cities and whole regions.

In fact, these were at least in part essential investments. Without them, in the fall and the spring the rivers would still flood the fields, and many cities would be thirsty today.

## Industry

The consequences of infrastructural development are clear today: Serbian industry is lagging, not only in terms of available capacity for production but also in technical and technological advances, while it suffers from structural shortages. Dr Cedomir Veselinovic, of the Institute for Industrial Economics in Belgrade, spoke on this topic.

For example, in the past 7 years, the share of ferrous and nonferrous metallurgy and basic chemicals in the structure of industry in Serbia fell from 27 to 25 percent, even though it was supposed to increase from 27 to 30 percent. On the other hand, the share of the metal-processing industry increased from 26.6 to 33.6 percent, or by a full percentage point each year. These facts alone explain the high import dependency of this industry. For this reason, Serbia must give priority to imports of semimanufactured raw materials, over equipment, thus doubtless slowing development for several years.

Furthermore, according to data from August 1981, the share of heavy industry in the industrial structure is 48 percent, while light industry makes up 40 percent. In developed countries these proportions are reversed.

In the past 7 years, the share of food processing in the industrial structure has fallen from 11.5 to 10.4 percent. Precisely these data explain convincingly the frequent shortages of agricultural products, as well as the markedly slower growth in food production (in the last intermediate plan, food production grew at a rate of 1.6 percent, instead of the planned 4 percent).

In Serbia the unfavorable investment cycle is supposed to end by the middle of the current intermediate plan period; i.e., by the end of 1983. By then completion of the Smederevo metallurgical complex, as well as the opening of the Veliki Krivelj copper mine and perhaps the completion of the main highway is expected. Also slated for completion are several thermoelectric power plants and hydroelectric power plants. All these projects involve large amounts of capital; after their completion, accumulating capital will be directed toward industry. There will be insistence on the kind of development that will provide greater income and greater employment.

In Serbia, officials are depending on the development of machine building, electrical machinery production and electronics. They also foresee dynamic development of the food-processing and pharmaceutical industries, building materials industry, ferrous and nonferrous metallurgy and the chemical industry.

The development of these branches will be based on the development of energy sources, raw materials and food supplies within the republic, which means that the development of energy, raw materials and food will be a function of overall development, not independent and unrelated to other branches of the economy as previously.

## Coercion in the Marketplace

As a developed republic, Serbia must continue regional development for a long time. In Serbia proper is a large undeveloped region that, according to the plan extending to 1985, includes 51 opstinas and more than 1.5 million inhabitants. On

the other hand is Belgrade, a large urban agglomeration with a superconcentration of economic and noneconomic activities "assaulted" by an army of unemployed. The harmonious development of these two extremes will determine the shape of development in Serbia.

Forced determinations in development push aside many realistic possibilities of particular regions and of Serbia as a whole. The question arises as to whether we can "force" greater respect for economic principles and the functioning of market factors.

Milan Dragovic, vice president of the Serbian Executive Council, provided the following answer to this question at the Kragujevac meeting:

"That is the chief contradiction, for only the functioning of economic principles can bring us into a more equal position in the world and enhance certain elements that already exist in the system and that should make this system preferable to other systems. The longer we postpone the application of these economic principles, the less success we will have in our economic stabilization policies, and consequently we will suppress the system itself."

[Inset 1, p 12[ Politics Based on Need

In a conversation with a NIN correspondent, Dr Bora Jovic, president of the Republic Social Council for Economic Development and Economic Policy, evaluated the draft documents on next year's development as follows:

"The proposed economic policy for 1982 results from deep economic difficulties that our society has encountered. Very low rates of economic growth are proposed, with corresponding employment expectations and a bare maintenance of the living standard. Even though these rates are the lowest projected so far, they can be regarded as hard to achieve. Economic policy proposes a basic reduction in the inflation rate to about 15 percent, which would still be one of the highest rates in Europe. At the same time, there is little likelihood that this rate can be achieved.

"Increased exports have justifiably been given first priority, but apparently these projections must be achieved at any cost. That would contribute to solving the problem of facility utilization, which seems to be the central problem, yet a number of other difficulties can arise, such as meeting domestic demand, the reverse effect of raising domestic prices and the like. In a word, this is not a matter of a proposed policy of stabilization; there is no such concept. Rather, it is a matter of policy imposed by need, the need to survive without greater convulsions and traumas. First of all, we must provide the necessary foreign exchange capital for facility utilization. Everything else is a lower priority. From the viewpoint of the social problems that could arise, that kind of policy is unavoidable."

[Inset 2, p 13] On the Effectiveness of the System

Nikola Stanic, MA, spoke at the meeting in Kragujevac about the reduced effectiveness of economic operations. He said that, in 1970, 100 dinars of

invested capital produced 39.3 dinars of income, while 10 years later that 100 dinars would produce about 30 percent less income.

The effectiveness of investment has also declined. The share of basic capital investments in the social sector of the economy was about 16 percent between 1971 and 1976, while from 1976 to 1980 it reached about 23 percent. About the same rate of economic growth was achieved in these two periods. Development of Serbia (and the same holds true approximately for the rest of the country) was about 40 percent more expensive in the period 1976-1980 than from 1971 to 1976, indicating a decline in investment effectiveness.

Addressing the causes for this change, Stanic said among other things that in Yugoslavia there is a certain sociopolitical disagreement about the effects of the economic system, in the narrow sense, on the gradual emergence and accumulation of problems in the country's socioeconomic development: "It is a matter of equating the economic system, in the narrow sense, with self-management as the basic socialist production relationship that cannot be questioned. Because of this misunderstanding, criticism of the economic policy and other actions, is often labeled as an attack on the entire system, and the critics are lumped together with those who are opponents of self-management. This certainly is not good. On the theoretical level, economists must make efforts to eliminate these disagreements and to assist sociopolitical workers in stimulating the development of knowledge to find the best solutions for the economic system, including measures and mechanisms for the continued development of self-management social relationships."

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# East Europe Report

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2227

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3 February 1982

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No. 2227

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## BRIEFS

YUGOSLAV EQUIPMENT FOR BULGARIA--The "Iskra" work organization for automation in Ljubljana has concluded an agreement with the Bulgarian state railroads to deliver $20 million worth of electronic equipment to modernize the Bulgarian railroads. The significance of this contract lies in the fact that "Iskra" won it in very strong competition with the best-known world producers of telecommunications systems. In addition to delivering the equipment, "Iskra" has also sold to the Bulgarian railroads the licences to produce it. On the basis of this, "Iskra-automatika," together with its Bulgarian partner, will operate also on other markets, especially in the CEMA countries and in the developing countries. Last year "Iskra" exported $14 million worth of goods to the convertible-currency market, while this year it plans to export $24 million to this market. [Text] [Belgrade BORBA in Serbo-Croatian 15 Jan 82 p 14]

YUGOSLAV-BULGARIAN TRADE--In the 1976-80 period Yugoslav-Bulgarian trade amounted to $1.1 billion, compared to $1.3 billion planned. In 1981 the plan called for $530 million; for the 11-month period about $300 million worth of goods, or about 57 percent of the plan, was traded. In analyzing the reasons for the approximately $42 million Yugoslav deficit, it was said that 68 percent of the [Yugoslav] raw material import plan was met, 10 percent of the machine and equipment import plan, and 71 percent of the agricultural products import plan, while in regard to [Yugoslav] exports, the plan for raw materials was 58 percent achieved, that for machines and equipment 23 percent, and that for consumer goods 11 percent. By the end of the year the trade value is expected to be between $330 million and $340 million. Proposed trade for 1982 will be discussed at a 18 January 1982 meeting in Sofia; the Yugoslav delegation will be led by Alija Basic, assistant federal secretary for foreign trade. [Excerpt] [Belgrade PRIVREDNI PREGLED in Serbo-Croatian 30 Dec 81 p 12]

CSO: 2800

PLANS FOR DEVELOPMENT OF ENERGY RESOURCES IN NEW FIVE-YEAR PLAN

Tirana RRUGA E PARTISE in Albanian Sep 81 pp 5-14

[Article by Prokop Murra: "Before the 8th Congress of the Party and the Fortieth Anniversary of the Foundation of the Party--In the 7th Five-Year Plan the Energy Industry Will Get Priority"]

[Text] The deepening of the socialist industrialization and the development and strengthening of the branches of all our economy and culture in all the 5-year plans, have continuously presented us with new and growing demands for energy resources in general and for petroleum and its by-products: gas, coal, and electrical energy, in particular. Therefore, our party by implementing, in a creative and consistent manner, the teachings of Marxism-Leninism for the socialist industrialization of the country has always given priority to the development of energy resources.

The 6th Five-Year Plan brought to a close a glorious period for our party and our people. It demonstrated the great strength and vitality of our socialist order and the unity of the people around the party, which confronted successfully the harsh imperialist and bourgeois-revisionist pressures and blockades, including those of the Chinese as well. This 5-year plan laid down powerful bases for developing further, at satisfactory rates, the industry of the country, in depth and scope, especially that of the heavy industry and, within it, the energy industry. The energy industry scored high levels of development in all its branches and became even more active; it fulfilled all the growing needs of the country and became one of the important sources responsible for the increase in exports. During 1980, as compared to 1975, the overall industrial production for the energy sector grew by 46 percent, with a yearly average growth of 7.9 percent.

As always, during the 6th Five-Year Plan, the party gave priority to the geological sector, which has been the forerunner and has always opened new perspectives in everything, as well as in the field of energy. This is how new petroleum sources were discovered, while, at the same time, maintaining good relations in petroleum research at known sources and in sandy and limestone sources for petroleum and gas while increasing the qualitative side of studies and complex geological and geophysical work. Important successes in the discovery of new petroleum and gas fields increased the industrial reserves of petroleum and gas.

The fact that, during the 6th Five-Year period, the entire amount of extracted petroleum was processed on the spot demonstrates the material and technical

capabilities which we possess to implement the party guidelines to process domestically, as quickly as possible, all the raw materials in our country. The deep processing of petroleum which was implemented, on a large scale, in Ballsh increased the quantity of fuels produced and improved production structure and quality. Presently, the processing of petroleum by-products in our plants compares favorably with international levels of processing.

Important success has also been achieved in the development of the coal industry. In 1980, as compared to 1975, coal production grew by 63 percent. In the efforts made to realize the duties for the extraction of coal, special care was given to increasing, in quantity and in quality, ore extraction work, with the intent of giving priority to this industry and to its development in general.

Within the frame of the development of the energy industry, the party has given special attention to the development of electrical energy by building hydroelectric and thermoelectric power plants. Thus, in the course of the 6th Five-Year Plan, splendid energy facilities were put in use, such as the "Light of the Party" hydroelectric power plan in Fierze, the 60-megawatt thermoelectric power plant in Fier, and so on. The utilization of these facilities not only raised production capabilities but, also, doubled electric power production in 1980 as compared to 1975. It also improved production efficiency.

Today, our country is one of the few nations in the world with a positive energy balance. Not only does it fulfill its own ever-growing needs, but it even exports the surpluses. This is a very meaningful indicator which speaks for the magnificent, correct, developed, and consistent policy of our party to develop the energy industry. The correctness and greatness of this policy emerges when we see how the capitalist, bourgeois revisionist world is plunged into a deep energy crisis, which has presented them with a series of acute and complicated problems which cannot be solved within the framework of the capitalist economic system, because the roots of this crisis, which have grown old with worry, and the financial crisis which continues to develop within the economic and social capitalist system, are not derived from a lack of reserves in energy resources but from the true nature of the rotten capitalist, bourgeois-revisionist system, and the inability of this order to solve the great problems of the times, and because of the global strategy both superpowers pursue for hegemony and exploitation.

It is a fact that our country has large reserves of petroleum, coal, and hydroelectric power, which are the largest and most advantageous areas of our economy. The party, while implementing correct Marxist-Leninist policy, has increased and constantly strengthened energy resources; and all the capabilities exist to develop them further in the future. Our economy has been and continues to be stimulated in this way and the negative influences on our country of the world energy crisis have been minimized.

Naturally, this healthy situation in the field of energy was not achieved easily. On the contrary, a long, harsh, many-sided struggle was needed against internal and external enemies, who, for the purposes of sabotage, theorized and attempted in all kinds of ways to "argue" that supposedly our country lacks energy resources, that supposedly the extraction of petroleum here is not profitable, and so on. The experience of our development has proved the opposite. Our country

today is rich in petroleum and, because of the large investments that have been made and continue to be made, this branch of our economy appears profitable, and it has become the powerful support for the development of the other branches of our economy.

Using our own specialists, with our own resources and our own technological and scientific capabilities, the study, design, and construction of powerful hydroelectric power plants have begun. From studies that have been made, it has become evident that the average theoretical potential of hydroelectric power in all our country is several times greater than that of the calculations and studies made by foreign specialists, who, with forethought, strove to create the conviction that our country had no future in this area. This extensive, continuing, hostile, and anti-Albanian activity included the Chinese revisionists, who tried to sabotage, among other things, the construction of hydroelectric power plants over the Drin river.

The fact is that the plans of our enemies failed thanks to the continuing principled resistance of our party, who daringly denounced these baseless pretenses. In order to have a general idea of the great hydroelectric capabilities in our country, it is enough to mention that, up to the present, only 20 percent of these capabilities have been exploited. Therefore, the work for their complete exploitation to fulfill the needs of the country, as well as export needs, will continue for several more decades. Meanwhile, owing to the correct policy of our party, in the future, capabilities will be created to discover and exploit new sources of energy.

The party's policy for the socialist industrialization of the country has been guided and is guided by the Marxist-Leninist principle that energy plays a leading role in technological progress, in the development of industry, and in the development of all sectors of the economy in general. In order to develop heavy industry during the 7th Five-Year Plan, priority will be given to the development of the energy industry. The draft directives of the 8th Congress of the Ablanian Workers Party (AWP) for the 7th Five-Year Plan, and for all the branches of the country's economy and culture, correctly reflect the important guidelines, regulations, and basic principles for the development of energy during this 5-year period. The principal ingredient necessary for the development of the energy industry in the 7th Five-Year Plan is to increase its intensive development, which relies fully on the effective utilization of the existing production capabilities of wells which are already in use, as well as exploiting new facilities and sources of energy. Although this is the first 5-year period in which we rely completely on our own forces, the rate of growth and the development of the economy in general, and that of the energy group in particular, is greater than in the previous 5-year period. Thus, in 1985, as compared to 1980, the total industrial production of the energy systems is scheduled to increase by 37.9 percent. Almost half of the industrial growth will be ensured from an increase in work efficiency and from reconstruction work.

The achievement of tasks set by the draft directives for the extraction of petroleum is based completely on the sources which are being utilized now and on those that have been discovered and are in the process of being assimilated. The increases in the production of coal are based completely on the better

utilization of existing mines, as well as on the exploitation of new mines such as the mines in Priske, Podgozhan, and Homezh. Likewise, the fulfillment of the tasks in the production of electrical energy will be based on the complete utilization of the production capacities of existing hydroelectric and thermoelectric power plants, as well as the establishment of new energy facilities, especially the Koman hydroelectric power plant. The first turbine of this plant will be finished and will start producting sometime in 1985.

The production capacities and the technical-material bases of the energy branches in our industry have been strengthened to such a level that they can fully guarantee the realization of the important duties laid down by the 7th Five-Year Plan. With the experience we have gained, the technical-material base that we possess, and the increase in the mumber of trained specialists, all the capabilities exist to shoulder and accomplish greater and more difficult tasks than those we have resolved so far. However, those factual capabilities, which reflect the development of the production forces in our country, must be used rationally and in accord with all the economic development of the country. The draft directives of the 8th Congress of the Party for the development of industry as a whole and the energy industry in particular, present us with the need to solve a series of acute and important economic, political, and organizational problems. The complete utilization of the existing production capacities demands further improvements in technical and technological controls and in the parameters of their utilization, which will increase the economic effectiveness of the petroleum sources, the coal mines, as well as the production capacity of hydroelectric and thermoelectric power plants. However, the achievement of these tasks presents for our cadres, specialists, and the rest of the workers in the energy industry the need to become very familiar with the principal problems and, on this basis, to think about them, consider, and resolve them.

The present stage of our development and the fulfillment of the tasks facing us demands that scientific studies and research be transformed in their application so that they will penetrate and anticipate every task, thus helping to resolve the present problems and those of the future.

The experience of our socialist construction shows that our economy has been developed and will continue to be developed by correctly blending the path of extensive development with the path of intensive development. In this 5-year period we shall progress by correctly harmonizing these two paths, at the same time, giving priority to the factors of intensive development, which require the powerful support of scientific and advanced technological data. Thus, the extraction of petroleum and gas using resources currently being exploited is truly a path of intensive development. However, the very rational use of these sources requires that we rely strongly on scientific data, because this form of exploitation has its own rules and requires the strict implementation of scientific discipline. The technique of working in layers, such as secondary workings, as well as intensified workings, have had an influence on raising the petroleum extraction coefficient. But, these techniques give the necessary results when they are implemented on the basis of a specified system, which is dictated by the objective demands of the petroleum sources, therefore, the necessity arises for the workers in the petroleum industry, especially for the cadres who are involved in its study, to know these demands and work with concentration and strict scientific discipline to keep these demands in mind.

In the framework of deepening the technological and scientific revolution, the problems of geology become very important. "In order to strengthen the economy further and to guarantee the strongest possible base of raw materials and energy resources for industry--Enver Hoxha teaches us--a special function belongs to geology. It must precede industrial development and open new trails for it." (Enver Hoxha, Report to the 7th Congress of the AWP," p. 43)

It is a fact that our geological cadres have moved forward; they have elevated scientific research work to a higher level and have made it a reality, discovering new resources of petroleum and gas, coal and other useful minerals. Cadres and specialists have raised geological studies to a higher level and kept in mind, at the same time, the recommendations of the party that geology is a science with a strict discipline, which demands accuracy at every moment and in every action. This has presented the geological workers, especially those working in petroleum, with the task of strengthening scientific discipline and enriching scientific studies, so they become profound and deliberate and raise the utilization coefficient of the wells.

In geology, one cannot proceed through guesswork or empirical methods. In the area of petroleum geology, therefore, in this 5-year period, great care will be given to qualitative improvement of geological and geophysical workings and to their data in general with the objective of speeding up the discovery of petroleum and gas resources with as little expense as possible.

In the coal mines, during this 5-year period, attention will be concentrated on extracting coal of high quality and calorie content. We are concentrating and will continue to concentrate on exploiting surface and deep mining. However, this brings up the need to carry out accurate and careful studies on the basis of which observations will be made on the mine sites, which will produce proposals to improve work methods, because, in spite of the measures which have been taken, losses and the poor quality of extracted coal are still relatively high. Likewise, in order to guarantee the fulfillment of tasks for the extraction of coal for the entire 5-year period, priority will be given to improving mineral workings in quantity and quality.

During the public discussions of the draft directives, the workers, specialists, and cadres in the coal mines gave valuable ideas on how to improve the work and production indicatros, especially on how to increase the level of mechanization, mainly in the digging and the loading and unloading of coal where actually, a considerable amount of the work is still done manually. So far, the studies for the mechanization of work in the Mushqeta and Memaliaj mines have been completed. The experimentations that have begun for exploiting surface coal mining, especially in the Mezezi mine, will prove effective. Twenty percent of the total amount of coal planned for this mine is extracted by this method. However, to realize successfully, in quantity and quality, the amount of coal planned for extraction by this method, the need arises for the mechanization of certain production processes, a task which will be implemented gradually this year.

During the 7th Five-Year Plan, important investments are expected to be made for the development of the electrical industry, because electric energy is produced and made available to consumers at a lower rate than any other form of energy

and because electric energy is the basis for the continued mechanization and automation of work processes, machinery and equipment which are operated by electric power and have high yields. The increase in electric energy production will be ensured principally from the full utilization of hydroelectric and thermoelectric power plants which use coal. During the first years of this 5-year plan, the "Light of the Party" hydroelectric power plant in Fierz will be put into full capacity. A rational use of lake waters by the hydroelectric power plants will be ensured for the whole year. Work in the Koman hydroelectric power plant will be intensified in order to put one of the turbines in full use sometime in 1985. In this 5-year plan, priority will be given to the production of electricity by hydroelectric power plants, because the cost of energy produced from this source is about 10 times cheaper than that produced by thermoelectric power. However, thermoelectric energy will also increase, especially during periods of drought and peak periods. Meanwhile, organizational and technological methods are being intensified in order to increase the technological preparedness of the electrical network, so as to guarantee uninterrupted power to consumers and especially to large and important consumers.

The draft directives of the 8th Congress of the Party for the 7th Five-Year Plan, together with the task to increase energy sources, laid down important duties for a strict system of thrift in the use of these sources. A wealthy country, Comrade Enver Hoxha emphasized at the 9th Plenum of the Central Committee of the Party, is not only a country that fulfills its own energy needs, but also a country that uses these energy resources under correct criteria: imposing a strict system of thrift based on its consumption and use in all sectors of the economy.

The growth rates of the production and utilization of energy in our country are greater than in many other developed countries. At present, we not only fulfill all our own needs for energy, but we also export petroleum, cial, and electric energy. However, this fact must not, under any circumstances, lead to a diminution of concern for enforcing the system of thrift in the use of energy resources, not only because the socialist order is the most thrifty and does not condone unjustified expenditures, but also because an increase in energy exports, within the economic and financial crisis that has encircled the capitalist, bourgeois-revisionist workd, is very advantageous. Within the framework of the measures that are being implemented to enforce a system of thrift in the use of energy resources, attention has been concentrated primarily on replacing liquid fuels with solid fuels and gas. Actually, because of the measures that have been taken, crude oil is no longer used as a fuel in various ovens and boilers. Other liquid fuels, such as tar, residual oil, as well as coke are used only where they have not yet been replaced by coal. Petroleum gas is being used successfully in technological processes in our factories and combines, such as the petroleum deep processing plants, the "Gogo Nushi" ammonium nitrate plant and the "Steel of the Party" metallurgical combine, etc. Along with the complete utilization of the production capacities of thermoelectric power plants which use coal, special importance will be given, in this 5-year plan, to replacing petroleum, tar, and other residual oils with coal in the existing thermoelectric power plants. This is another important measure which will increase the export of petroleum and its by-products.

For this reason, the party has laid down the task that the production of solid fuels should increase at the same rate as the production of liquid energy resources. In the overall balance of energy resources in our country, the proportion of solid fuels, as compared to other fuels, has grown from 8 percent in 1960 to 16 percent in 1980. In the 7th Five-Year Plan, and in the distant future, the proportion of these fuels will grow even more. In addition to increasing the use of solid fuels, as was made apparent in the public discussions of the draft directives, the problem remains to improve the efficiency of coal use by employing new methods which prevent losses and ensure a more effective level of combustion. In this field, certain measures have been taken; but they are only at the experimental stage. It is necessary that they progress further and that more complex studies and experiments be carried out.

Among the measures that are being taken to conserve coal profitably, is the return of the condensate to the boilers; this method would be 20 times cheaper than adding more water to the system. For every ton of returned condensate, 20 to 25 kg of coal with average calorific content are saved. More attention should be given to this problem and to other thermoenergy problems in every work center, concentrating on realizing the technological and economic indicatros and on providing the means, the necessary apparatus and skilled people, and so on. It is important that all the technological parameters of the boilers: gas temperature, water discharges, and other matters be brought within the projected indicators. Converting the boilers from a combustion system with a grid to a power combustion system has given good results. The distribution of coal according to the characteristics of the boilers: calorific power and size of coal, lowers the consumption of coal, etc. Whereas the effective way of raising the utilization of steam depends on its distribution to different consumers, and on discarding boilers which have a low production of steam and are difficult and expensive to technically convert into coal-burning systems.

These problems were thrashed out during the discussions of the draft directives for the 7th Five-Year Plan. However, it is still important to establish definite measures and to have them implemented strictly in all their complexities. The proposals made during the public discussions have been recorded and the planning commissions are classifying them on the basis of their importance and usefulness to production, as well as on the basis of the necessity and the practicality of putting them into use. This is a very important phase because on it depends the fate of the proposals which have been made. It is a fact that, in many enterprises, programs have been drafted to implement these proposals by setting deadlines for their completion and deciding what will be carried out by the enterprise itself and what will be done in cooperation with others. Nevertheless, there are still conservative stands, routine, and bureaucratic delays which obstruct the implementation of these proposals.

Conserving electricity is an important means of saving energy. With the dimensions that electricity consumption has now taken, a saving of just 1 percent from the total consumption of electric energy planned for the needs of the country in 1981 would be enough to supply the needs of the districts of Librazhd, Kolonje, and Skrapar for the whole year. If every family in Tirana would save just 10 percent of the total electric energy it spends a year, it would supply enough power to produce 8700 tons of pig-iron in the "Steel of the Party" metallurgical combine.

The possibilities for saving energy are very great, because it is used everywhere and in all areas. However, the area from which large amounts of energy can be saved are the production sectors, especially large consumers, such as the "Steel of the Party" metallurgical combine, the nitrogen fertilizer plant, the Vlore polyvinyl chloride plant, the ferrochrome factory in Burrel, and the petroleum processing plant in Ballsh, which, taken as a group, use around 30 percent of the total energy used in the country. Naturally, the measures to save electric energy cannot rely on guesswork and empirical knowledge. In order to set concrete, monitored tasks in this area, joint studies by the users and producers of energy are needed, as well as measures to establish these savings on a healthy, organizational, and monitoring basis.

Experience has shown that economic effects are felt by the rational use of transformer equipment capacities, with cooperation on their use among the enterprises. There should always be a certain relationship between the installed power and the needs of the consumers. At present, in this area there are reserves that should be properly recognized and used, because, as a consequence of useless work, with insufficient loading of machinery, considerable amounts of energy are lost, especially in enterprises that work with seasonal loads which are not active throughout the year. However, the exploitation of the energy equipment on a cooperative basis among enterprises or the installation of less powerful transformers is not a very easy problem to solve. These problems require careful and well organized studies but, above all, they require a correct understanding of, the proper evaluation and attention to, and care for the rational use of energy.

An important task for the workers in the energy system is to study ways of minimizing losses from internal consumption, which are estimated at several million kilowatt-hours of electric energy. Losses from power lines alone are estimated at 5 to 6 percent of the total electric energy produced. Surely these are not new and unknown problems. Measures have been taken and are being taken to reduce these losses, but until now they have not given the desired results; therefore, these measures are being reexamined and being improved within the framework of the problems that surfaced during the discussions of the draft directives in every work and production center.

The time has come to make serious studies for the exploitation of secondary energy resources, which, at present, are not exploited in inudstrial projects; these include: chemical heat from burning gasses, the physical heat of gasses and smoke in the atmosphere from the burning of combustible material, and so on.

The problem arises to seriously pursue the rational use of energy in general and the use of electrical energy in particular, based on defined tasks from the time of planning, and especially during the production and distribution of energy. Energy distributors should rely on scientifically based technological norms, maintaining technological norms for the use of energy per unit produced or per unit of time. This is the only way to block all empirical, voluntaristic, and spontaneous expressions in the realization of the very important task of using energy resources sparingly.

The draft directives ot the 8th Congress of the Party for the 7th Five-Year Plan have laid down concrete tasks to give priority to the development of the energy

industry with the objective of meeting the ever-rising needs of our economy and our exports.

The working collectives of this industry, under the guidance of the basic party organizations, mobilized to greet with greater and better results the November festivities: the fortieth anniversary of the foundation of the party and the 8th Congress are struggling to realize as successfully as possible the duties of the plan for 1981. In the course of the public discussions of the draft directives of the 8th Congress of the Party for the 7th Five-Year Plan, the workers, specialists, and cadres of the energy industry discovered new capabilities and reserves and made valuable proposals, which will raise the level of guarantees for the realization of all the indicators of the plan, as well as for further increases in production and for improvement in the technological, economic, and financial indicators of this plan. The principal characteristics of the proposals that have been made are that the improvement in the indicators of the production plan and its efficiency rest principally on exploiting internal capabilities and reserves, without additions to the estimates that are made for machinery, equipment, and materials, particularly for those materials that are imported, effectively utilizing the existing material and technical bases and, at the same time, reducing the amounts of materials used, etc. The most important task now remains to program, finalize, and take all the necessary technical and organizational measures to implement these proposals.

6160
CSO: 2100/26

## BRIEFS

MORE FOREIGN TRAINEES--During the Seventh Five-Year Plan [1981-1985], over 30,000 young persons from Vietnam, Cuba, Mongolia, Algeria and other countries will receive professional training in the CSSR, some attending trade schools and other educational facilities and others working directly at enterprises and industrial plants. About 14,000 are currently being trained in the CSSR. [Prague SVOBODNE SLOVO in Czech 22 Jan 82 p 3]

CSO: 2400/118

## CONGRESS EVALUATES WORK OF COOPERATIVES

Budapest NEPSZABADSAG in Hungarian 13 Dec 81 p 3

[Article by Jeno Vancsa: "Our Agriculture's Success Depends Primarily on the Work of the Producer Cooperatives" - Report on the Congress of the Agricultural Cooperatives by Ferenc Cserkuti and Benedek Toth]

[Text] In his opening remarks Jeno Vancsa pointed out that in our country cooperatives have become an important factor in our social and political life and that they also play a determining role in the development of agricultural production. This is also demonstrated by the fact that 73 percent of the capital stock available to large-scale agricultural cooperatives belongs to collective farms. Agricultural cooperatives account for 74 percent of large-scale production and produce 80 percent of the profits.

The cooperative has become the basic form of socialist agriculture; as a form of enterprise it is an equal part of the state enterprises. Today we can even say that, in some respect, our producer cooperatives have developed into worthy competitors; a good many of them have already caught up with our leading state farms. What is more, many producer cooperatives have outperformed even our state farms in yields and development work. For example, 65 of the 73 large-scale farms with grain yields over eight tons per hectare are producer cooperatives, and 3 of the 4 dairy farms with an annual average yield of over 6,000 liters are cooperative operations. Our agricultural cooperatives have also made advances in improving the profitability of their production. According to economic analyses, 42 percent of these farms are producing at a higher level of efficiency, a fine performance wven compared to other sectors of the national economy.

This last period in the producer cooperative movement has been characterized by flexibility, quick adaptability and expanded entrepreneurial activities. Thus, our large-scale farms have become a determining factor in the rapid development of household and auxiliary farms. To mention a typical example, this year our large-scale farms have sold 3.5 million tons of fodder and have made several thousand breeding animals available to our small producers; at the same time, they have also helped household farmers and small producers by providing them with 2 billion forints worth of services.

It can be considered favorable, that in the past five years there has been the vigorous increase in the number of cooperations in agricultural production in the

past 5 years can be considered favorable. Today, countrywide, 773 associations are operating in agriculture, of which 500 have been started and managed by producer cooperatives. Today only 18 collective farms do not belong to any associations or production systems; all other farms participate in some form of cooperation.

The minister addressed many of the questions raised at the congress, among them the problem that the purchasing and processing enterprises and plants connected with the producer cooperatives are often in a more advantageous position than the producers, and that they also make this felt. He pointed out that although monopoly situations and occasional defenselessness do require central measures from time to time, these have become less frequent; the constantly newer measures of our agricultural and economic policy have helped to elevate our producers more and more to the level where they can become equals of their partners.

After this, the minister spoke about those producer cooperatives operating under poor and unfavorable natural conditions. He pointed out that these farms operate on 1.5 million hectares and they produce essential parts of our domestic supplies as well as our exports. The performance of cooperatives operating under unfavorable conditions, he went on, must be evaluated differently from the work of those not affected adversely by nature. Recognition must be given not only to the best performances but also to all yield increases achieved in disadvantaged areas, even if these are not quite as spectacular as those attained on good soils.

Speaking about the situation of our agriculture and about this year's results, the minister pointed out that production has fallen short of the planned target, although it exceeded last year's otherwise high levels. The main reason for this lag is that our average crop yields have been lower and there has also been a reduction in the size of arable land. Our other branches, in general, have reached their targets, and a good many have even exceeded the planned levels. Grain production, however, is the most vital. This year's results aslo indicate that farms behind in grain production have had a difficult time trying to offset their loss of revenues.

This year, overall, our agriculture has ensured a favorable and consistent level of domestic supplies: compared to last year's levels, it has helped to increasd our exports of agricultural products and processed foods by 17 percent. All these are considered significant achievements. Farm profits have developed similarly to last year's levels. Among other favorable developments, there have been fewer farms operating at a loss, and the losses have been cut in half.

This year farm investments have also been vigorously increased; the sum expended for development purposes has exceeded the estimated amount by 10 percent, reaching 26 billion forints. The situation of investments earmarked for improving our export-product base has been favorable; we have been able to advance toward realizing our energy-management programs. Our large-scale agricultural enterprises have spent 2 billion forints more on machines than in 1980; they have begun construction of 47 thermal energy projects and have built special storage with a capacity of a half million tons of produce.

By doing all of this, they have laid the foundation for next year's work. Their tasks in 1982 will not be any smaller than this year. Agriculture must increase its contribution to the national income by 4 to 4.5 percent. According to

estimates, our collective farms will increase their production by 5.5 percent. Increasing our grain production will continue to be an important task. There is a good chance that this can be done since today's farm interests coincide with the interests of our national economy, and the system of incentives set up to help farms operating at a disadvantage is expected to boost producer interests. Stock-breeding outputs must be increased by 2 to 3 percent. This is a realistic forecast since, among other things, our large-scale enterprises have excellent fodder at their disposal and their breeding work has also significantly improved.

After this, the minister also talked about the difficulties hampering technical-mechanical supplies. He pointed out that the quality of supplies has improved, since only a few years ago farms were only wasting their time looking for many machines, while this year's machine turnover has been clearly determined by a buyer's market. However, there have been frequent shortages of basic parts and machine equipment necessary for production; this was also rightly mentioned by speakers at the current congress. He called on the large-scale agricultural farms --either by cooperation or in some other manner--to become involved in parts supply and thus help solve our common problems.

In conclusion, the minister asked the participants of the congress to do everything in their power to help fulfill next year's plans, for society continues to count on their industrious efforts. Only this way will it be possible to ensure a consistent supply of foodstuffs to the population, and only this will enable the food industry to carry out its expanded export plans.

Debate on the Report Continues

Also among the speakers was Andras Gabor, deputy minister of industry. He stressed that Hungarian agricultural machine production can only fulfill part of the domestic demand, Very important, he point out, are those foreign cooperation-relationships that enable us to bring in highly technical agricultural machines.

In general, the criticisms concerning parts supply were well founded. Greater attention should be paid, however, to the way parts are utilized; preventive maintenance and repairs should be better organized. Of course, industry should produce better machines. Industry will try to meet the needs of farm production. Efforts will also be made by industry to use domestic production to ensure the availability of spare parts for agricultural machines from the socialist countries.

Andras Juhasz, secratary of the league, welcomed the congress in the name of the Central Committee of the KISZ. He reminded his listeners, that the time when the number of agricultural workers was so dangerously dropping and when young people were virtually running away from the villages is still not that distant. This process has slowed, and we have even seen the beginnings of a reflux. Today more and more young people are seeking and finding their future in agriculture, in the producer cooperatives. One-third of our cooperatives' work force is made up of young people, but because of their training their importance is even greater. It is very inportant to create working and living conditions that will enable the cooperatives to retain these young people.

Only 5 years ago hardly 50 percent of our producer conperatives had KISZ organizations of their own; today, however, KISZ basic organizations operate in more than

80 percent of our cooperatives. The deputy minister stressed that, using the training and skills of young cooperative members and experts, the KISZ wants to play an active role in speeding technological and technical development and in improving the efficiency of management. Some of the other goals and ideas of the KISZ include helping to provide expert assistance to our less profitable cooperatives.

New Requirements

The participants in the debate talked about the achievements and problems of production and management. Among other things, they pointed out that the majority of our producer cooperatives and state enterprises are well-organized large-scale farms producing large volumes of goods. In his remarks, Gabor Magyar, director of the KITE [Corn and Industrial Crop-Growing Cooperation] production system, told his listeners: that the 371 partner farms of their production system have committed 640,000 hectares to the production organization and development of field crops. They have introduced cultivating machines in the machinery system of their grain production program, which have enabled them to use energy-, time-, and money-saving, soil-moisture preserving cultivation procedures that have been known in our country but, due to a lack of necessary means, had never been put into effect.

A new feature of their activity is that they have also begun to take part in the marketing of products. This year KITE-member farms have produced and have assisted in marketing 1.3 million forints worth of sunflowers.

Lehel Keri, chairman of the Egyetertes Producer Cooperative of Rajka, reported on the production results of Gyor-Sopron Megye's agricultural cooperatives. The megye's contribution to the country's food supplies and foodstuff-exports has been considerably greater than its territorial proportions would require. She acknowledged that given the megye's production potentials this was only natural. But, she said, they also recognized the importance of expertise, industrious work and high-quality management and guidance in using those favorable potentials. The speaker expressed her hope that in the coming years they would be able to continue improving today's results. "The peasantry of our megye greatly appreciates and values the comfortable political atmosphere in which it is able to work," she pointed out. She also called attention to some of the deficiencies in contractual relationships. She considers it unfair that a good number of purchasing enterprises have been allowed to receive undeserved advantages at the expense of agricultural farms.

The Ferenc Erdei Producer Cooperative of Harta operates on more than 5,000 hectares. To see how well, let us consider the following. At the end of last year, it had posted a 65 million forint profit. The chairman of the cooperative, Lajos Hegedus, did point out, however, that even though the farm has been operating three times as efficiently as the average large-scale farm, the per capita income in the cooperative has been only 13 percent higher than in other farms. We still have not been able to ensure a higher income for those who produce more and more efficiently.

Zoltan Major, mechanic and member of the Sandor Latinka socialist brigade of the Kasosmero Producer Cooperative, spoke about the situation and the accomplishments of the cooperative socialist brigade movement. He pointed out that the socialist brigades are an integral part of the cooperative collectives. They enjoy great respect among the workers; management also takes into account and counts on the

strength of the socialist brigade movement. There are indications, however, that the brigades' efforts are often called upon to compensate for managerial negligence and even disorganization.

Sandor Csipke, chairman of the producer cooperative of Kecel, spoke about the role, place and achievements of specialized cooperatives. He told his listeners that the specialized cooperatives are literally large-scale enterprises. Today the specialized cooperative has almost a half billion forints in collective property, its vineyards and wineries are modern, and it also has stock-breeding colonies, grain desiccators and feed mixers. Using the specialized cooperative format on poor quality soil, the cooperative has provided society with the best possible results.

Prospects for the Wak

Antal Csoma, chairman of the Viharsarok Fisheries Producer Cooperative of Gyoma, reported on the situation and the problems of fish breeding. He examined the possibilities of making more vigorous improvements in fish production, arguing that this would significantly enhance domestic supplies as well as exports.

Ferenc Horwath, party secretary of the Haladas Producer Cooperative, spoke about the improving living conditions of cooperative members and about the succession of generations. He pointed out that the people who are replacing departing members, going into well-deserved retirement, will have an impact on the quality of work and the course of cooperative development for many years. Everything possible must be done to convince the talented children of today's cooperative members to stay in the producer cooperatives or to return to them well-prepared.

The congress paid careful attention to the situation of the weak and disadvantaged producer cooperatives. The speakers endorsed the new central measures designed to enhance and stabilize the production of low-income producer cooperatives. At the same time, they stressed the importance of local efforts and the tasks of cooperative management.

Zala Megye has several disadvantaged and weak producer cooperatives. Jozsef Tothe, head bookkeeper of the producer cooperative of Szemerecsornye, reported on their problems. As far as the main indicators are concerned, she explained, these producer cooperatives neared the national average, but they are still far behind in their personal income levels, and their development possibilities have continued to worsen.

Production in the megye is done on brown, wooded-ridge, low humus-content eroded soils with strong acid-reaction levels, which most of the artificial fertilizers in use have only worsened. This can be offset by liming, which could result in additional yields of as high as 20 to 30 percent. The speaker urged continued special support to soil improvement and to all other solutions to help improve the direct conditions of production.

Csaba Hutter, chairman of the producer cooperative of Szecseny, spoke about the problems of the disadvantaged areas of Nograd. According to its calculations on the megye's poor-quality, inclining soils it costs 42 percent more to produce as

much wheat and 39 percent more to grow as much mustard as under more favorable conditions. He emphasized that in farms operating at a disadvantage it is especially important to improve internal and direct monetary interests.

The delegates listened with great interest to Bela Dora, chairman of the producer cooperative of Ocsa, on the assistance it provided to seven high-problem and low-profit producer cooperatives. At the beginning of last year, in response to a call by MEM [Ministry of Agriculture and Food Industry] and TOT [National Council of Producer Cooperatives], the producer cooperative of Ocsa had decided to establish cooperation, to form economic associations with a few Pest and Nograd megye producer cooperatives. Under the terms of cooperation, the producer cooperative of Ocsa has transferred several factory units to these associations and has made available to them some 2,400 of its cooperative members, most of them skilled workers. This was followed by a transfer of a well-tested managerial staff and by deliveries of neeeded capital equipment. In joining these associations, the producer cooperative of Ocsa has paid 55 million forints in financial deposits, while the associated cooperatives have contributed 25 million forints.

Of the nearly 112-million-forint profit expected for this year as a result of joint efforts, 70 million forints will foreseeably stay in the low-income farms. The chairman of the producer cooperative of Ocsa stated that it would mean much for the entire cooperative movement if countrywide at least 50 or 60 strong producer cooperatives would each establish similar cooperative arrangements with 2 or 3 indigent cooperatives.

Many of the speakers spoke about the role and the activities of household and auxiliary farms and about their many-sided tiew with the large-scale farms. Several people stressed the importance of ensuring the healthy development of auxiliary activities. They praised the corporate work of the TOT and other producer-cooperative associations, although this activity should be expanded.

With Renewed Effort

It was acknowledged during the debate that the success of cooperative democracy in recent years has given members and employees increasingly better opportunities to make suggestions and expedite changes in the internal life of the cooperatives. The members, however, will only appreciate these forums of cooperative democracy if they are allowed to exercise their decision-making powers properly.

The congressional debate was summarized by Istvan Szabo, president of the TOT. He told his listeners that the congress had been a significant contribution in helping to ensure continued consistent improvements in production. The producer cooperatives must make maximum use of the means at their disposal and take advantage of their local opportunities. They must, however, take care to concentrate not only on short-term developments but also on long-term projects, thus helping to lay the foundations for development programs.

The continued preservation of the position that Hungarian agriculture has attained in the course of intensifying international competition, is in the common interest of the producers and everyone working in close cooperation toward improving agricultural production. The producer-cooperative movement owes its strength also to the fact that with consistent work it has been able to correct its earlier weaknesses. This same course must be followed in our efforts to improve our performance, tighten the order and discipline of farm life and help stimulate and revive our enterprising spirit.



9379
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PROFILE CHANGES IN STATE FARMS NOTED

Budapest FIGYELO in Hungarian 28 Oct 81 p 13

[Report by Dr. Miklos Mentenyi: "An Old Role with New Characteristics"]

[Text] Our agricultural policy, which leads, through the implementation of socialist conditions, to an ongoing development of production, management, technology and society, is based on the economic policy reformed after 1956.

The managmment and supervisory system of the 1950's, which was designed then for the state enterprises, did not differentiate between the branches of the national economy. One consequence of this was a larger difference, within farming, between the regulatory systems of state farms and cooperatives, than between state farms and the machine industry or metallurgy. Thus while the state farms were helping the new cooperatives primarily by sharing their experiences in technology, production and management, they also wanted to approach or even adopt the cooperatives' regulatory system, which was not perfect but better adapted to the characteristics of farming.

Production Increase Is the Leader

From 1966 to 1968 when the new period began, on the basis of the agricultural regulatory system's new principles and methods, the large farming enterprises became financially independent and the regulatory system for both large industrial sectors was designed.

The fact that the two sectors' regulatory system became essentially identical, does not make our present regulatory system perfect.

Total gross production in the state farms has doubled between 1970 and 1980. Strictly agricultural production increased by 151 percent, all basic activities by 185.4 percent, and all other activities by 307 percent. Even these large-scale changes are only partial results. There was no significant change in efficiency.

The 10-year increase in agricultural net production was 4 percent higher than in gross production and 5 percent higher than in producers' use. The fact that industrial use decreased slowly but steadily since 1976 indicates a modest increase in efficiency. Asset-intensiveness also decreased, for while in the Third Five-Year Plan the increase in assets (155 percent) surpassed the pace of production increase

(143 percent), the situation changed in the Fourth Five-Year Plan: the pace of production increase (164 percent) surpassed the pace of increase in assets by 14 percent. Finally, in the Fifth Five-Year Plan, the pace of production increase was almost 40 percent more than of asset increase.

Can the Structure Be Changed?

The executives of large enterprises are dealing now with the question of what international competitiveness is and what its standards should be.

No one knows exactly which products would be competitive. We cannot answer the question either (in part because of producers' subsidies in highly developed agricultural countries that are much higher than ours) why Hungarian farming is not competitive enough on the world market. In relation to this, there are debates on the use of a competitive price system in agriculture.

Until our international competitiveness, the use of world market prices, and the degree of worldwide farming subsidies are defined, a significant change in the production structure is unjustified.

The production structure of the state farms is different from the national structure as well as from the production structure of the cooperative farms.

Half of the state farms are specilaized in animal husbandry; the livestock in certain farms are so numerous (and tie down so many assets) that it is simply impossible to change that or the production structure significantly.

Large croplands, on the other hand, are supported by the food industry, for example, and thus their ratio must be maintained. For this reason, the state farms and large enterprises must make livestock and crops competitive and economical.

Possibilities for Enterprise

Since it is not feasible to change significantly the agricultural production structure of the state farms, they are rather increasing the areas of their activity. While in 1970 their supplementary industrial activity constituted only 18 percent (as opposed to 24 percent in the cooperatives), this activity constituted 28 percent in both sectors in 1980. In the state farms, 50 percent of this activity involves the food industry, but most of the other industrial activities are also connected with farm production and help in the acquisition of machines and industrial assets for farming (building stall structures, manufacturing farm machines and spare parts).

In connection with the production structure, the national economic goal is wellknown; namely, that agriculture should produce everything needed for fully meeting domestic demand and for increasing profitable exports. However, with the existing technology, the given characteristics of species and the shortage of adequate assets and labor, certain product can be hardly (or not at all) produced economically in the large enterprises. In addition, the state farms do not receive any more production guidelines from the state organs.

On the other hand, the large enterprise's possibilities for a more flexible management and maneuvering have been extended even by statutes. These cover the

use of employees beyond the working hours, the extension of subcontracting cultivation (not only of fields but also of vineyards and orchards). State farms may directly establish special groups and small subsidiary companies. They may also lease unused lands and buildings.

In addition to state farms, 87 special groups were operating with 8,000 members--including General Consumer and Marketing Cooperatives. Within the framework of these relations with small producers, the state farms produced last year almost a quarter million hogs and 8 million rabbits.

Watching the Market

The improvement of international competitiveness requires, among other things, that large farming enterprises approach foreign trade activities and have a better sense of the effects of the international market. To date, organizations (associations, bureaus) for exporting seed-grain, wine, soft drinks, fish, reed, sheep and winter apples have been established, in which decisions are made not entirely by the director of the foreign trade enterprise but by a directorate and in which the large enterprises are also represented. We are still far from the point where all large enterprises feel directly the effects of the international market, but these new possibilities, also fixed in statutes, must be exploited.

About 30 state farms have a direct interest in pricing in the kind of foreign currency in which export contracts are being made, in pricing insurance, and in whether 16 or 17 tons can be loaded into a truck; the price in foreign currency at the border goes to the producing farm, and the costs up to the border are deducted from this price, etc.

New methods must be used even in factory and labor management. The average area of a state farm is 7,500 hectares; thus it is the most concentrated sector of agriculture. Large farms can flexibly adapt themselves only if they are built on well-designed self-accounting units with autonomous plans, management, rights and responsibilities and--most important--profits and the resulting interests.

The development of internal interest and good wages is a special problem. The wage system, borrewed from industry, must be updated; this system has proliferated not only in state farms but also in many cooperatives. This wage system cannot follow the long production period of farm products.

The state farms have a modern concept of concentration and specialization. The study by the College of Economics could not show any unequivocal connection between the size and the efficiency of the various groups of state farms, although the rapid process of concentration between 1970 and 1980 was accompanied by a more efficient production and a better use of production resources.

For this reason, the task is not a further centralization of state farm areas but a better use of the existing possibilities, land areas, labor and assets.

9414
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OFFICIALS DEBATE STATUS OF CHEMICAL INDUSTRY

Budapest FIGYELO in Hungarian 28 Oct 81, p 15

[Letters to the Editor]

[Text] Identical Data-Various Conclusions on the Chemical Industry and Chemicalization

Although chemicalization is closely connected to the chemical industry, the two cannot be combined in statistics, for they are different concepts. "Chemicalization" means the qualitative and quantitative supply of chemical products and processes for the national economy, no matter whether they have been developed domestically or are being imported. Chemicalization is an objective process accompanying economic development; it is not a function of some kind of numerical index of economic development--e.g., of per capita national revenues--but is a function of the entire world's given level of chemicalization and the capacity and availability of materials, processes and equipment needed for chemicalization.

The development of the chemical industry is not, of course, independent of chemicalization, for a lag in the latter would cause increasing burdens on foreign exchange. Had we not spent 120 follion forints in the last 20 years on the development of the chemical industry, we would have to import now, mostly from capitalist countries, 80 billion forints more chemical products.

The development of the chemical industry is a question of resolution, in the course of which limitations of industrial development must also be reckoned with, such as available financial resources, the domestic application of technology, the accompanying steady imports from various agreements (arising from the country's lack of raw materials) and the existing requirements of marketing and economic production.

In a country like Hungary, lacking in raw materials and oriented toward exports in its most developed branches of production, the chemical industry can be developed only in relation to the world's development; i.e., through specialization and cooperation. This is what we did in developing the chemical industry, cooperating mostly with socialist countries but also with capitalist enterprises.

Consequently, our foreign trade balance is burdened, under the heading of chemical products, not only by imports of raw materials needed for chemical production but also by supplementary imports that cannot be substituted by domestic production and

end up directly in other branches of the national economy. On the other hand, our exports of chemical products improve this balance (but not the exports of chemical products built into products of other industries,--e.g., synthetic fabrics, paints for the machine industry, etc.).

As a result of all this, it is imopssible to assess the efficiency of the development of the chemical industry only through the absolute growth of foreign trade balance in chemical products, for efficiency is a much more complex concept. It must include, for example, profitability, the cost of foreign exchange and the efficiency of live labor. In the total output of the chemical industry in 1980, the value added domestically was about 40 percent.

The writer of the article made an unfounded statement; namely, that, in the course of the price explosion during the 1979's, the greatest losses in the terms of trade occurred in the class of chemical products. We do not have such data, but the export prices of aromatic hydrocarbons and olephines, for example, increased significantly, while the prices of raw materials affecting our imports (e.g., rock salt, raw phosphate) increased much less.

| | 1980 billion Ft | Percent | In percent of 1930/1960 |
|---|---|---|---|
| National economy's need for chemical products (domestic consumption, exports plus raw materials and supplementary imports) | 187.6 | 100 | 716 |
| Domestic consumption | 107.2 | 57 | 850 |
| Domestic use of raw materials and supplementary imports | 50.6 | 27 | 540 |
| National economy's use of exports | 29.8 | 16 | 710 |
| Social products | 137.0 | -- | 815 |
| Total domestic use | 157.8 | -- | 717 |

It is apparent from our table, which is consistent with Istvan Garamvolgyi's data, that in 20 years the national economy's need for chemical products, the exports and the total domestic use increased at about the same pace (7.1 to 7.2 times). The chemical industry's social product value increased faster (8.1 times); the fastest growth was in the value of domestic use (8.5 times); the slowest was in the domestic use of raw materials and supplementary imports (5.4 times). In 1960, the volume of exports was 44 percent of the volume of imports, which increased to 59 percent in 1980 due to a faster increase of exports.

While the imports of materials used in 1960 for 16.8 billion forints worth of social products, plus the imports supplementing the shortages, represented 56 percent of total production, in 1980 (and in a value that is eight times higher) the total imports constitute only 36 percent of total production.

In spite of the contradictions in the details (which were the results of the new era in world economics, although we made mistakes as well), the analysis of the

development of the last 20 years will show positive tendencies even for the objective analyst; one reason why this is necessary is that we would fall into the sin of "benevolent laziness" if, as a result of misjudgment, we failed to carry out the domestic chemical development needed even under the new economic conditions.

Dr. Gyorgy Somlo and Gabor Kovats
Chemical Industry Design Bureau

Views That Can Be Criticized

In my comment, I want first to correct the writer's false views and then I want to complete the picture of the chemical industry's development through qualitative relationships omitted by the writer.

Istvan Garamvolgyi says that while about 75 percent of the materials directly used by the industry come from domestic production, more than half of the materials used directly by the chemical industry comes from imports. This is an interesting approach; it might even be true, but it has no practical significance. For example, the price revenues of the chemical industries of industrially developed capitalist countries were $470 billion in 1980; half of this, $235 billion, was generated in Western Europe. He who knows Western Europe's own possibilities for producing natural gas, crude oil, sulphur, crude sulphur, etc., can say with responsibility that the world's largest chemical industrial aggregate depends significantly more on imports than the Hungarian chemical industry. The point is what extra value the chemical industry of a given country adds to the material used.

The writer says a few paragraphs later that the import-intensiveness of chemical production increased during the last two decades, and thus there are contradictions in the consequences of the Hungarian national economy's chemicalization appearing in international barter. During the last two decades the Hungarian chemical industry's production increased 7 times, while imports increased only 5.4 times. In comparing these two figures, it becomes apparent that production became less import-intensive. It is well known that the imports of chemical products and the materials imported for the use of the chemical industry are not identical. Only 35 to 40 percent of the chemical imports reach the chemical enterprises for further processing; the rest constitutes products that reach the other branches of the national economy; i.e., circumventing the chemical industry (synthetic fibers, herbicides, artificial fertilizers, plastics, etc.).

The writer says that a significant proportion of the losses in terms of trade during the last decade was in the imports of chemical products. He says that "in view of this, the national economic efficiency of the development of the chemical industry cannot be assessed as adequate, although there have been significant results in several areas."

These are unfounded and shocking deductions. Since the article is ended with this, the uninformed and believing reader is stuck with this view. I wonder whether the writer read a recent analysis by the Central Bureau of Statistics of the economy's development in the first half of 1981. In it, I saw indexes of net costs in dollars in connection with the main exporting branches. These data prove that in 1980 and 1981 the chemical industry had the smallest index of dollar production, the chemical industry had the smallest export costs, and chemical exports yielded the largest profits for the national economy.

In Hungary, the efficiency and profitability of a given enterprise or industrial branch are usually assessed on the basis of the productivity of live labor, asset efficiency or the net production for each unit of the weighted sum of costs in live labor and assets; i.e., on the basis of complex efficiency. It is surprising that no matter at which one we look, we find the chemical industry, among all industrial branches, in the best position everywhere. Let us look at them.

Live labor production increased between 1970 and 1980 at the fastest pace, significantly surpassing the industrial average. The annual pace of increase was above 10 percent even in those years when the socialist industry as a whole showed a decrease (1975-1980).

Asset efficiency increased the most during the Fourth Five-Year Plan in the chemical industry (2 percent annually), while decreasing in the socialist industry as a whole. In the Fifth Five-Year Plan, according to related data of the Central Bureau of Statistics, "as opposed to the other branches, the chemical industry improved its asset efficiency as well."

On the basis of this, it is understandable that the so-called complex efficiency, which expresses cost efficiency, was highest in the chemical industry. According to the analysis of the CBS, which is a study of the industrial development during the Fifth Five-Year Plan and was published in April this year, the chemical industry was the only branch where both the complex and partial efficiency increased at a faster pace between 1976 and 1979 than in the previous plan period and in which the degree of growth substantially surpassed the industrial average. The chemical industry's revenue per each 100 forints of resources approaches 150 forints, twice as much as the industrial average. Similarly, net profit per employee is about 3 times the industrial average and 2.5 times higher than of the machine industry, which in turn is above average.

It is also usual to approach the timeliness of a branch from the aspects of export potentials and production indexes. The chemical industry's capitalist exports increased in the last 20 years above the production increase. The Fifth Five-Year Plan saw an especially large growth: sales of chemical products quadrupled in five years. Such dynamic growth is not found anywhere else; as a result, the chemical industry is on a par with the large exporting industrial branches. By the first half of this year, the chemical industry has become number one among exporters with nonruble accounts. While other exports temporarily decreased in comparison with last year's exports, chemical exports increased by 15 percent. In the meantime--as mentioned earlier--its dollar production index on the level of production costs is the most favorable.

In spite of the dynamic increase of production and exports, the imports, unfortunately, have also increased, albeit at a slower pace. Between 1960 and 1980, we spent an extremely large amount, about 140 billion forints in current prices, on the development of the chemical industry. During the same period, almost four times as much was needed for importing chemical products.

All of this proves that, in spite of the large increase of production, the chemical industry was unable to keep in pace with demand on a national economic level. A further development would be needed.

As a result of the national economy's investment situation and articles similar to the one published by the FIGYELO (they have been in fashion lately), the public has unfortunately, a false picture of the economy of the development. Consequently, the chemical industry's development has been pushed into the background in the last 3 or 4 years, while demand for its products continues to increase. The article also mentions that the number of machines in the chemical industry declared obsolete in 1980 has reached 20 percent. Ten years ago, in 1970, it was only 7.5 percent. This also proves that development slowed down. What we do not produce in our country, we must import and imports are more and more expensive.

Laszlo Racz
Chief of the Main Department
National Technical Development
Committee

Commentators to the last part of my article, "Decades of the Chemical Industry and Chemicalization" (appearing in the issue 1981/40), considered two statements in it unfounded.

In the detailed study of the reasons for the losses and the worsening terms of trade, it became apparent that both pehnomena can be traced not only to the price increase of energy materials but also to the deteriorating terms of trade between raw materials and finished products. At the same time, the terms of trade worsened in practically all main categories of products; i.e., in the export-import trade of products with identical characteristics. Indeed, this was the main factor in the losses in the terms of trade in nonruble accounts. The industrial press (including the FIGYELO) published several related studies and articles (e.g., "Changes in International Trade," FIGYELO, 1980/53.) I thought that they were well known; this is why I did not give any details about the 'background material" for the statement related to the chemical industry. I shall do so at this time.

The Annals of Foreign Trade Statistics give import and export price indexes in various product categories. One of these is the Standard International Trade Classification nomenclature that includes nine main categories of products. The heading "chemical and similar products" includes organic and inorganic chemical products; materials for paints, tanning and coloring; medications and pharmaceutical products; volatile oils, perfumes; detergent, washing and cleaning materials; artificial fertilizers; synthetic resins; plastics; and cellulose aether. About 80 percent of our foreign trade in chemical products (both in volume and value) belongs to this category. (In 1980, the value of imports was 41 billion forints, and that of exports was 26.7 billion forints. According to the domestic classification of categories, the value of imports was 50.5 billion forints, and that of exports was 29.8 billion forints.)

In the category "chemical and similar products," the price index of imports (1970=100) was 173.3 in 1979, while that of exports was 90.5, thus the terms of trade was 52.3. The terms of trade continued to worsen in 1980, going below 50. The worst terms of trade within an identical product category is in this one; quoting the statement in my article, "a significant proportion of the worsening terms of trade within an identical product category was during the last decade in this product sector; i.e., in the imports and exports of chemical products." (According to the calculations of the Main Department of Economics of the Ministry of Foreign

Trade, 75 percent of the total losses in the terms of trade in nonruble business to 1978 was generated in the trade of chemical products. It is apparent from the annals' price indexes that, from the aspect of losses in, and worsening terms of trade, the trade of chemical products is characterized by unfavorable tendencies even in ruble accounts.

None of the data of my article disproved the chemical industry's favorable position of efficiency in the national economy. However, this efficiency, when measured by international standards (which are the standards of international trade), is inadequate; the worsening terms of trade prove this at any rate. I wish it would become a general practice, a fashion, in all branches of the industry and economy, to evaluate the efficiency of developments and economic processes on the basis of the effects and consequences of foreign trade.

Istvan Garamvolgyi

9414
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ENTERPRISE PROFITS TO BE CUT IN 1982

Budapest HETI VILAGGAZDASAG in Hungarian 5 Dec 81 pp 36-37

[Article by Sandor Balazsy: "Enterprises on a Reducing Diet?"]

[Text] The government recently undertook to issue a package of measures that are rather unpopular with economic public opinion, particularly among enterprise managers, because the measures cut enterprise profits. From years of observation it can be said that enterprises usually recover from such restrictions with surprising rapidity. Opinions differ as to whether this will again be the case.

Since the beginning of October, in the official gazette there have appeared a series of decrees introducing changes in various partial areas of the system of financial regulation. These decrees set for the economic organizations conditions that in many respects are stricter than the ones for this year. The effective date of these changes is usually 1 January 1982, but some measures are applicable as of 1 November, and certain provisions concerning the taxation of 1981 profits can be regarded as retroactive.

Let us briefly review these changes affecting the enterprises:

--The producer prices of sources of energy will rise (by about 10 percent on average, as of 1 November).

--Transportation rates will rise, by 15 percent in domestic highway and rail transportation, and by an average of 20 percent for export-import shipments. (The rate increases are likewise effective as of 1 November.)

--Truck operators will have to pay a surcharge that will be commensurate with load capacity.

--The enterprises will have to assume that proportion of intercity commutation costs which up to now has been borne by the state budget, in the form of commutation-ticket subsidies.

--The transferable ruble's exchange rate will be reduced by 1 forint, from 26 forints at present to 25 forints. The resulting decline in export earnings will be offset by a simultaneous modification of the financial bridges [duty, import turnover tax, import subsidy, state rebate, etc.] where this is necessary to preserve the profitability of export.

--The rate of social-security tax payable by the enterprises will increase from 24 to 27 percent.

--The rates of interest on enterprise credits will increase by one percentage point (generally as of 1 September, but as of 1 January 1982 for farms). As of 1 January, then, interest rates will be 10 percent on state loans, 11 percent on investment credit from the bank, and 12 percent on short-term circulating-capital credit.

--Certain specialized sectors that up to now have been able to retain their entire depreciation will have to transfer a proportion of their depreciation to the state budget. (However, the rate of the transferable proportion will be lower than the customary 40 percent.)

--At some of the enterprises, the extent of aid for the modernization of production will be phased out faster than had been planned originally.

--The proportion of annual profit that must be allocated to the obligatory reserve will rise to 20 percent, from 15 percent previously, already in the allocation of 1981 profits.

--At most enterprises the so-called wage coefficients will be modified, and thus a larger increase in enterprise performance will have to be attained for a one-percentage-point rise of the wage level.

--The rate of the construction tax will rise to 20 percent, from 10 percent previously.

--A 6-percent reserve will have to be formed in the case of lump-sum investments.

--The budgetary allotment for state investments will decline.

--Enterprises of above-average profitability will find it easier to increase wages and salaries. Favorable conditions have been set for them to give higher raises than previously.

--The enterprises' tax burden has been eased by lower taxes on fees to innovators; the proportion of the profit-sharing fund used to reward innovators will no longer be taxed progressively.

--The rules for the formation and spending of the welfare and cultural fund will be amended somewhat, to the enterprises' advantage.

Understandably, the package of decrees containing the above measures has not met with enthusiastic reception among the enterprises. This is not surprising, since the introduced measures are expected to reduce enterprise profits by an enstimated 25 to 27 billion forints in the entire economy, including a reduction of about 15 billion forints in industry alone. Moreover, fewer fillers per forint of remaining profit can be allocated to the development fund and profit-sharing fund. The introduced measures jointly--assuming of course that also next year the enterprises will operate in the same manner and at the same level as this year--will reduce by more than 10 billion forints the resources available for investment. The possibilities for raising wages and salaries in 1982 will likewise decline as a result of these measures.

The objective is unambiguous: to curb domestic spending in the economy, and to provide more incentive for higher performances, so that the country may take a further step toward the restoration of equilibrium, on the market for capital goods and consumer goods, as well as in the state budget and balance of payments.

The stricter conditions are warranted partially by the fact that during the year it became evident that, within the framework of the present system of regulation, we have not been able to fully attain our equilibrium objectives. The generation of national income has fallen short of the target, while spending has exceeded the plan. Thus it must be established that the foreseeably favorable development of enterprise profit this year has not provided the basis for a suitable improvement of efficiency. On the other hand, the external economic conditions worsened further this year and can be expected to worsen also next year. The importation of several important raw materials is becoming more difficult and more expensive, and the expansion or even maintenance of export denominated in convertible currency requires greater effort amidst the conditions of prolonged recession.

Thus the measures introduced in October and November of this year merely transmit the hardening of the conditions of economic activity for the enterprises; the cause and sources of the tightening are the worsening general state of the economy, deterioration of the set of economic criteria, and the resulting stricter requirements.

All this of course does not alter the fact that the measures already in effect or soon to become effective are strict, and even harsh. But this does not mean at all that the enterprises' situation next year will necessarily become significantly worse. The enterprises, or at least a large proportion of them, will be able to recover from this unexpected financial blow. They can compensate for most of their lost profit by increasing their performance, through more prudent management, and by pursuing marketing and production policies that are more flexible.

This is primarily what the economy's management expects from this year's stricter measures. Forecasts indicate that in 1982 our domestic enterprises, even under the stricter set of conditions, will approximate this year's profit level. If they succeed in this, then the approximately same level of profit will be supported by about 25 billion forints of increased output and uncovered reserves. This is not an easy task. But if the enterprises fulfill this task, it will mean that they will complete their reducing diet without having to tighten their belts.

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PLENIPOTENTIARY SPEECH ON ECONOMIC REFORM PUBLISHED

Warsaw TRYBUNA LUDU in Polish 23 Dec 81 p 5

[Speech by Prof Wladyslaw Baka, the government's plenipoteniary on economic reform, delivered at a joint meeting of the Sejm commissions: "The Shape of Reform"]

[Text] Early in December the government tabled the drafts of eight laws which, together with the laws on state enterprises and workforce self-government passed by the Sejm on September 25th, describe the politico-legal shape of economic reform. The draft laws, which were the subject of wide social consultation, cover: socio-economic planning, state statistics, prices, taxation of units of the socialized economy, fiscal management in state enterprises, authority to conduct foreign trade, bank law, and granting of a statute to the Polish National Bank.

The government considered the opinions of the Commission on Economic Reform, social organizations, trade unions and the proposals of 100 enterprises--all of whom were consulted on reform matters. This made it possible to draft the laws so as to most completely reflect social desires and to faithfully concretize the basic assumptions of reform which were approved by the Sejm on September 24, 1981.

There is No Return

In the period between presentation of the draft laws in the Sejm and today, when they are undergoing their first reading, a state of martial law has gone into effect in our fatherland. The reasons and purposes of this dramatic event in the life of the Polish nation were given in the memorable speech by the chairman of the Military Council for National Salvation on December 13, 1981, and in the Council's Proclamation.

Each day confirms the words that the declaration of martial law is not aimed at halting reform and revoking the progressive transformations in our country, and that we wish to improve the mechanisms of management in the direction and in accordance with the assumptions of reform. This is proven by the practical actions that have been taken to immediately apply, as broadly as possible, elements of a new economic system, and to pave the way for comprehensive economic reform.

This conviction is strengthened by the fact that the draft laws prepared before December 13th, which form the legal bases for democratization of socioeconomic life in our country, were submitted for deliberation to the Sejm in an unchanged form.

It is our desire that during the course of the Sejm's work on the legalities of the important issues of the new socioeconomic mechanism, a thorough, critical assessment of the draft laws be made, that the legal formula of economic reform passed by the Sejm embody the entire experience and great achievements of Polish learning. And it is in this sense that we regard the submitted draft laws as open.

Reform Goals

It is the task of reform to put into effect principles and mechanisms for functioning which will: /first, ensure high social efficiency of management/[in boldface]. This will be done by: strengthening the rank of central planning and genuinely socializing it; creating conditions and motivations for dynamic and efficient operation of enterprises; forming a system of economic ties and applying instruments of economic policy which will ensure the conformity of the activities of the enterprises with the interests of society as a whole;

/Second, contribute to the restoration and consolidation of economic balance/[in boldface], eliminating the arduous and humiliating lines in front of shops, improving the position and prestige of Poland on the international economic arena, and giving the Polish zloty a luster as a national currency and as a universal means of exchange;

/Third, ensure a more just distribution of the national income/[in boldface] among different socio-occupational groups, make personal wages more dependent on work input and incomes of enterprises more dependent on the efficiency of their operation.

These are the basic directions of reform, whose unshakable foundation is workforce self-government and enterprise self-dependence and self-financing. The draft laws submitted form the basis for comprehensive control of the operation of the national economy in accordance with these assumptions. These drafts can be examined in three groups.

Information and Planning

Group one encompasses drafts of laws on state statistics and on socioeconomic planning. They define the principles and procedures for the conscious shaping of socioeconomic processes, as a fundamental characteristic of the socialist method of production.

The transformations that are occurring in society and in the economy make it necessary to change the approach to the program, functioning and organization of statistics. It is most important that research statistics provide a knowledge of the actual state and trends of development. Knowledge on the economy and society must be based on objective information expressed in statistical data. Research must be directed to meet the needs of the future, and results of this research must facilitate correct solutions to increasingly more complex socioeconomic problems.

The draft law on statistics fulfills these requirements. In a clear way it defines the role and tasks of the organs of state statistics. It ensures broad access to statistical information, limited only by considerations of the protection of state

or economic secrets or the personal rights of citizens. This means that information obtained from a general census and other statistical studies is classified and secrecy violations are punishable under law.

This is a draft of a modern law, which, when it goes into effect, will form a solid information base for proper shaping of socioeconomic strategy and will expand and deepen social knowledge about the country, its economy and its developmental tendencies and conformities.

"The Polish People's Republic's economy is a planned economy, based on socialist economic relations. The functioning and development of the economy are controlled through a system of socioeconomic plans, using a market mechanism." So reads the first article of the draft law on socioeconomic planning. It unequivocally describes the socialist character of planning in our country as a method for coordinating and expressing the social will as to the goals and directions of the country's development.

As distinct from planning models used thus far in which the principle of hierarchical subordination dominated, it is assumed that the directional concurrence of the enterprises' plans with the central plan will be achieved by the use of economic instruments. The role of pre-plan studies and forecasts as premises for creating plans will be increased in a very basic way. This is an important factor in utilizing the achievements of learning to serve the development of society. In accordance with the draft law, the 5-year National Socioeconomic Plan will fulfill the leading role. This decision was dictated by the experience of our country and other countries and by the planning theory.

The fundamental characteristic of the new planning system is the legally guaranteed socialization of the plan-preparation process and control over execution of the plans. This is expressed in a clear definition of the forms and procedures for the participation of representative organs of all levels, trade unions, social organizations, institutions and scientific communuties in the creation of plans.

It is assumed that the public will be widely informed about the drafts of plans and that a social discussion will be conducted on this subject. The draft law is aimed at basically and genuinely increasing the role of the Sejm in making strategic decisions and ensures its participation in the selection of a concept for the development of the country. The examination by the Sejm of different variants of development of a long-term plan even before the formulation of the final draft of the National Socioeconomic Plan, serves this end.

In summary, the draft law on socioeconomic planning is aimed at consolidating the strategic functions of central planning, democratizing the general planning process and ensuring full social control over the course of the implementation. It sets up institutional barriers to the return of arbitrariness and voluntarism in managing the economy.

## Principles and Mechanisms

The second group of draft laws is linked most closely with the shaping of economic principles and mechanisms of operation of state enterprises. We refer to the draft law on prices, taxation of units of the socialized economy and on the fiscal management of state enterprises.

The draft law on prices is intended to give optimal consideration to the basic functions that prices fulfill in the socialized economy. The legal principles of establishing and controlling prices are supposed to protect the economic interests of the basic masses of society on the one hand, and on the other hand they are supposed to create an incentive for the enterprises to undertake socially required production, persuade them to be innovative, and contribute to the enhancement of the market.

Based on this fundamental premise, the draft law envisages two forms of intervention by the state administration organs: direct fixing of so-called official prices and defining the principles for fixing the so-called controlled prices, which must be observed by the enterprise. Official prices of basic products, consumer goods and basic raw and other materials, make it possible for the state organs to effectively influence the level of consumption of wide social groups and the economic conditions of production. The application of controlled prices and the ability to extend their scope further ensures that state intervention in market relations will be effective (will make it possible to counteract elemental processes).

The draft law envisages that on a relatively broad scale so-called contract prices and free-market prices will be permitted. They will be determined on the basis of free agreements between buyers and sellers. This is aimed at utilizing economic laws for the sake of optimizing coproduction ties and so that the structure of production can be better adapted to the structure of the needs of the market.

Great hopes for a correct price policy, for overcoming monopolistic practices, are placed in the proposed creation of a Social Price Commission as a consultative, proposing and control organ, which will be made up of representatives of trade unions, the Consumers' Federation, trade organizations and production enterprises. The plan to appoint such a commission is one more proof that the government intends to subject economic activities to the broadest social control.

Correct functioning of enterprises and the entire national economy to an important degree depends on the proper solution to the question of taxation, as an instrument for the distribution of incomes and the stimulation of efficiency and activity in production. The draft law limits the range of taxes to a turnover tax, tax on the wage fund, real estate and income. In introducing a general income tax, the draft law envisages the possibility of applying tax reductions favoring investment and technical progress, and to the development of cultural activities by economic units.

## Fiscal Management

The principles of fiscal management have a key importance in the functioning of an enterprise. The draft law is based on the principle of enterprise self-dependence and the principle of self-financing of its operations. In accordance with these

principles it is assumed that the enterprise's income should be sufficient so that together with amortization it can finance its operational and investment activities, making use, if necessary, of bank credit later paid off from its own funds. It is felt that budget subsidies should be an exceptional measure, or an interim case, and that these subsidies will be granted only within the limits of quotas and according to the rules prescribed by the Sejm.

Important changes are proposed for the financing of remunerations and social needs. The rule has been proposed that plant social and housing funds be created from a yearly deduction of a uniform amount calculated per each person employed in the entire national economy. This will be an act of social justice and will greatly increase the funds where the social needs are greatest. In this way, the social fund will serve as an equalizer of differences in the standards of living of the people.

The principle of financial independence is expressed in the fact that the enterprise itself will independently have its profit for distribution and will decide the purposes for which this profit will be allocated. It is envisaged that the only mandatory deductions from profit will be those for the reserve fund. This is indispensable in order to safeguard the enterprise's operations against poor conditions and results in the future.

Thus the draft law states that, in general, the basic condition for the existence of enterprises will be the attainment of economic efficiency--giving to society more than it take from it. It places new, qualitatively high requirements on workforce self-governments and plant managements and it increases their direct responsibility for obtaining results. This is in accord with the principle of equal authority and accountability, the crowning principle of economic reform and organization of society.

We should expect that because of either subjective or objective factors in the new system, more than a few enterprises will have economic difficulties. I wish to inform the High Commissions that intensive work is being conducted on a law on procedures aimed at restoring the health of the fiscal economy of an enterprise which has suffered losses and on bankruptcy procedures.

Banks and Foreign Trade

The third group includes draft laws that newly regulate important systems-organizational problems. We refer to to the draft laws on bank law and on giving a statute to the Polish National Bank and on a draft law on authorizations to conduct foreign trade. Changes in the management mechanism, based on replacing the administrative method of managing the economy with economic instruments such as credit, interest rate and currency exchange rate, make it necessary to define the role and function of the bank system in relation to these changes.

The draft laws regulate two basic spheres of bank activity: 1) macro-economic, based on the active participation of banks in shaping money-market policy and counteracting tendencies towards disturbance of economic balance; and 2) micro-economic, based on representing the overall social interest in regard to the enterprise, on specifying conditions for granting credit, and other aspects of contractual cooperation with enterprises.

The bank system's new situation, including the duty of the Polish National Bank's president to submit to the Sejm a credit plan and a report on balancing monetary incomes and population expenditures, as well as a report on foreign turnovers, will make it possible to be vigilant and effectively influential so that the decisions that determine economic policy will respect the requirements of internal and external balance. This is another institutional safeguard of our economy against arbitrariness and voluntarism.

The draft law on authority to conduct foreign trade conforms with the aspirations of the enterprises to involve themselves directly in the international division of labor. In view of the absolute necessity to safeguard the national interests in economic relations with countries abroad, and the possible collision of these interests with the interests of a single enterprise, the draft states specific criteria for granting concessions. At the same time, it enables the enterprise to appeal a decision refusing to grant, changing, or withdrawing the authority to conduct foreign trade.

The basic draft laws are intercoordinated and jointly and comprehensively regulate the principles of the functioning of the economy under conditions of economic reform. For the first time in the history of our People's Republic the principles governing the functioning of the economy, beginning with planning, through the fiscal system of the enterprises, to the organization of foreign trade, will be defined in a legal manner, in accordance with the will of the nation's highest representatives, the Polish People's Republic's Sejm.

This will provide cohesiveness between the economic system and the legal system. It will form the basis and the guarantee for observance of the law in economic activities. And the process of reform itself will make the process irreversible. That is why one cannot fail to see the close connection between the debate begun today by the Sejm commissions on the government draft laws pertaining to economic reform and W. Jaruzelski's proclamation on December 13th that, "just as there is no return from socialism, there can be no return to the erroneous methods and practices in effect before August 1980".

It is the government's greatest wish that the conditions necessary for these laws to go into effect--in an improved form as a result of the Sejm discussion--come about as quickly as possible, and serve to implement the great work of socialist renewal in our fatherland--the People's Republic.

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## FURTHER DISCUSSIONS OF ECONOMIC REFORMS PUBLISHED

Warsaw ZOLNIERZ WOLNOSCI in Polish 15 Dec 81 p 4

[Article by Lt Col Dr Engr Gustaw Mikielewicz, Military Institute of Information Science: "Priorities and Regulations; Comments and Proposals on Economic Reform"]

[Text] After the analysis of the "Report on the State of the Economy", the "Program for Solving the Crisis and Stabilizing the Country's Economy", and the "Directions of Economic Reform", to which a previous article was devoted, I now submit some proposals supplementing these documents. The proposals refer mainly to the first stage of economic reform and stem from the fact that the date for the beginning of the application of reform and the effective date of the interim principles of enterprise functioning in 1982, is drawing close.

### Distinguishing the Sphere of Economy With Differentiated Priorities

To select a rational mechanism for management, it is necessary to unequivocally distinguish the spheres of economy that are dominated by state priorities, individual (group) priorities, or the "dual" spheres (those to which two types of priorities are applied). The appearance of different sectors in our economy--state, cooperative and private--makes it somewhat easier to assign branches to particular spheres, nevertheless an analysis of each of these fields of economy is indispensable.

### Determining the Functions of Priorities

In the sphere dominated by individual priorities, organizational units make decisions that reflect their own individual (group) scales of values (evaluations). The problem of determining overall-social value scales is more complicated. To construct them, the following procedures can be applied: The main socioeconomic goals are formulated and they are then broken down into partial goals which are distributed on several levels. In this way we obtain a hierarchical structure of goals. The determination of the importance and specific size of the particular goals during various periods would be made by society through representative organs (People's Council Sejm). It is hardest of all to determine the scale of values in dual spheres. I believe that this problem can be solved only by mutually matching both systems of priorities and systems of decisionmaking so as to reconcile individual, group, and social interests, with all of their differences.

Establishing Standard Regulations of Economic Policy.

The basic type of economy in the new model is assumed to be a planned economy based on observation of the market. The rationality of the management mechanism reveals itself in the selection of adequate, to the assumed type of economy, methods of implementing the functions of this mechanism, such as: distribution of resources, control of the supply structure, distribution of incomes, adaptation of production capacity to changing conditions, and control of scientific and technical progress.

If optimization methods are used in the process of implementing the stated functions, how the central level (and economic organizations) proceed will depend on the selection of policies that take into account the limitations that appear, and that will ensure the achievement of the goals that were set. At the same time, the selection of these policies is to be made on the basis of the principles defined by the standard regulations of economic policy.

Standard regulations can be established by preparing an economic model of Poland and by applying a goal-problem planning method. The national economy can be divided into mutually interconnected and cooperating sectors, e.g.: the government, the state sector, the cooperative sector, the individual sector, the market, the bank, and the environment (countries abroad). By establishing, on the basis of the political-system qualities, the economic laws and the functioning conditions, the control parameters and the economic relationships between the above-stated sectors of the economy, we obtain a model of the economic system. A model so constructed will make it possible to develop dependency agreements, to study the behavior of the economy and to prepare economic parameters for directing the activities of economic organizations.

Goal-problem planning ensures a close relationship of goals with the means for their achievement and a substantiated division of the initial resources that are indispensable for the obtainment of means. The essence of this method lies in looking at planning as a uniform, integrated process of implementing phases: the planning of goals (production), the planning of means (programs), and the planning of initial resources (budget). The state program here is a group of measures which have specific dates and costs for their implementation attached to them, measures that are directed at achieving strictly defined socioeconomic goals. Programming ensures that long-range goals will be linked to annual budgeting.

In the composite representation of all state programs, the mutual usefulness of elements of one program to other programs can be determined and thus key elements for the entire economy can be revealed. In completing the binding structure of the budget, the program structure (in the composite representation of all programs), it becomes possible to examine the input of the economic organizations toward attainment of social goals and in the reflection of the influence of the possessed resources (particularly the scarce ones) on the structure of the socioeconomic goals that are proposed.

Thus we obtain the tools of economic policy which make it possible to establish the effect of changes in the weight of socioeconomic goals in different situations on budget allocations and vice versa, showing how budgetary restrictions (and restrictions on other initial resources) affect the attainment of particular goals.

## Selecting Methods for Implementing the Function of the Management Mechanism

It is not possible in a single article to discuss the methods for implementing all functions. Therefore, I shall limit myself to the first and fifth functions, which are sufficiently representative of their classes (static--the first three functions, dynamic--the remaining two functions).

## The Problem of Distribution of Resources

The rationality of the system of distribution of resources is, to a considerable degree, determined by the rationality of the distribution of difficult-to-obtain (scarce) resources. The quantitative measure of the availability of resources is price, or the balancing of economic plans. Under present circumstances, therefore, the problem of developing an effective tool for the distribution of scarce resources is especially important. The main element of such a tool is a hierarchical structure of socioeconomic goals of established priorities and sizes during the periods being examined. On the basis of this structure, state programs are formulated, the implementation of which ensures achievement of social goals. By further determining the resources indispensable for the execution of programs and by preparing a balance of the requirements and possibilities of obtaining resources, it is possible to establish the scarcity rules from the standpoint of the entire economy.

In order for socioeconomic plans to be balanced, the maximum usefulness of resources in all their applications must be equalized, i.e., no unit of any resource is used for the attainment of more important goals ("all resources are equally important").

/The proposed system of distribution of resources ensures the balancing of plans, the proportionality of economic processes and, in addition, furnishes important information for controlling scientific and technical progress. This system is particularly useful in the present socioeconomic situation/[in boldface].

## Controlling Scientific and Technical Progress

The distribution system described ensures the distribution of existing resources for the attainment of goals. By indicating the scarce resources, the fields of economy which must be developed are also indicated. However, the problem of finding effective forms of stimulating scientific and technical progress arises. In a market economy, competition is such a form.

In our economy the solution to this problem is seen in the selection of a system for evaluating the functioning of economic organizations and the entire economy. The goal of economic organizations is the satisfaction of social needs. On the other hand, it can be shown that in a socialist economy the only source of increase in the level to which social needs are satisfied is scientific and technical progress. /By combining these two aspects, we will ascertain that the basic criterion for evaluation of the functioning of economic organizations (and the entire economy) should be a growth in scientific and technical progress. Hence, also, the leadership cadre at all levels should be evaluated principally to assess their contribution to acceleration of scientific and technical advancement in the fields for which they are responsible/[in boldface].

The size of outlays for science is a main factor in intensifying production. The data that are available show that /investment in progress is over six times as effective as investment in measures that do not include progress/[in boldface]. By directing the potential of science towards improvement in work organizations and management, in applying technology to domestic raw-materials capabilities, by eliminating "bottlenecks" (established in the distribution process), we can increase the efficiency of the functioning of the economy as early as right now and mainly by noninvestment methods. Of course, together with an increase in outlays for science, measures should be taken which will ensure that scientific-research and design centers operate efficiently.

Developing a Technology for Managing the Economy

Technology development requires the selection of methods and means for implementing the function of management which will ensure a close relationship of goals with the means for their achievement. The method which fulfills these requirements in the field of planning is the already-discussed goal-problem planning method. In order to provide continuity and reasonableness in planning, it is necessary also to: 1) prepare step-by-step plans and 2) change the fiscal year in relation to the calendar year (which will eliminate the provisional state of the budget).

There should also be a close connection between planning and the execution of the plans. Solutions in the area of the mechanism of management and the technology of management constitute a basis for the preparation of a rational structure for managing the economy.

Selecting the Structure for Managing the Economy

The following approach is suggested for establishing the structure of the economy. It is based on grouping the branches of the economy not so much from the standpoint of the intensity of product flow between them (as has been done thus far), as from the standpoint of goals and resources, meaning that branches which to a maximum degree work together with the remaining branches fall into the same group. This approach will facilitate coordination and make it possible to examine the stability and directions of the evolution of the structure as new products or methods are introduced. By applying the present organizational structure to the so-described structure of the economy and structure of the socioeconomic goals, we can clearly visualize its weak and strong points and establish the directions of change.

The courses of direction cited show the need to reorient the method by which the present management structures operate (especially on the top level) from a functional to a problem method. The problem structure will ensure that the organizational cells can apply themselves to solving specific socioeconomic programs, depending on the goals, types of final products and the complexity of the connections between the programs.

There still remains the estimate of the possibility of applying a proposed package of supplements in sufficient time to allow the preparation, on the basis of the supplemented drafts, of a long-range plan for the functioning of the economy, and also the short-range plan for overcoming the crisis, based on the long-range plan and the current situation. The short-range plan would also cover the next few years. These measures await us also in the light of Poland's joining the International Monetary Fund.

/The first task in the work on drafts of plans would be the formation of an efficient information base/[in boldface]. This is linked with: 1) the preparation of a hierarchical structure of socioeconomic goals and their arrangement by priorities, and 2) the preparation of an economic model of Poland and on this basis, the establishment of specific parameters of economic influence on economic organizations (including the structure of producer prices, incomes, taxes). On this basis, work can be begun on the preparation of plans according to a goal-problem planning method, at the same time that the structure of the economy and the organization structure for manaing the economy are being determined. Following that, plan tasks would be assigned to the reorganized economic units. The research potential would be directed towardseliminating the weak parts of the economy, as revealed in the balancing process. Also, the development of a theory of the functioning of a planned economy with the elements of a market mechanism would be stimulated.

By directing and concentrating the efforts of the scientific-research centers and reorganizing the Planning Commission from a problem structure aspect, these tasks can be fulfilled within a six-months' period. Such an estimate is fully possible, for there already exists a proven method for preparing a hierarchical structure of goals. The problem-goal methodology is commonly known, as is preparation of economic models. The algorithms for designating the structure of an economy and management are also known. Therefore, the existing solutions should be used directly or adapted, making use of Central Office of Statistics (GUS) data and information contained in central computerized-information systems. Furthermore, many problems have been solved within the framework of work done on reform and on operational programs according to past methods.

Thus the main requisites lie within the sphere of organizational decisions. The methodology of the work on plans to get out of the crisis is important here, but the methods applied in the first stage may be of a simplified nature.

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## COAL EXPORT SITUATION, PROSPECTS REVIEWED

### Status of Coal Export

Warsaw ZYCIE GOSPODARCZE in Polish No 50, 13 Dec 81 p 11

[Article by E. M.: "Dark Prospects for Polish Coal"; passages enclosed in slantlines printed in boldface]

[Text] /Writing about coal has become burdensome in this country. Given the emotions and controversies caused by this subject, it is difficult to elucidate the causes of the problems besetting the world's fourth largest coal producer [Poland], while it is easy to offend the miners who are being urged to work, the authorities which do the urging, or the more impatient sections of the public./

It is a fact, however, that coal extraction is decreasing. This year it will reach about 162 million tons instead of the until recently expected 165-168 million or the 188 million that had been envisaged at the beginning of the year. Under such conditions it is still more difficult to write about exports considering the domestic coal shortage, the lack of coal for farmers, and the coming menace of power and heating shutdowns owing to lack of fuel.... How is exporting possible in such a situation? Of course, it is difficult, and the exports are decreasing, abruptly even. Even if it turns out that this is something we can do nothing about, it is time to consider the implications. But first the related situation, unpromising as it is to us and to our trade partners, must be more closely examined.

/The 25 percent decline in coal exports in 1980 has been followed by their veritable collapse during the first three quarters of this year: a 54 percent decrease compared with a like period last year. In terms of value the situation looks somewhat better. Owing to some increase in prices the decrease in foreign-exchange revenues in 1980 was proportionately lower amounting to slightly more than 15 percent. This trend has persisted in the present year too. In terms of value the decrease in black coal exports during the first three quarters of this year amounted to 44.3 percent whereas the quantitative decrease was more than one-half. The favorable price trend cannot, however, alter the catastrophic consequences of the quantitative decrease in coal exports to our balance of payments. In absolute figures, foreign-exchange income has abruptly diminished (from 5.6 billion foreign-exchange zlotys in 1979 to nearly 4.8 billion in 1980 and barely 2.4 billion during the January-September period in 1981). Considering that the

most recent estimates show that coal exports this year will not exceed 16 million tons, it is to be expected that the overall revenues from these exports will be at most 3 billion foreign-exchange zlotys. Moreover, it is the revenues in convertible currencies that are most affected by this decrease, because this year--unlike even in the previous year--the decline in exports to the capitalist countries was relatively greater than to the socialist countries. Whereas the capitalist countries in 1979 received more than 64 percent of all exports of Polish coal, during the January-September 1981 period their share fell to 52 percent.

/As is known, coal exports to convertible-currency countries have been a major source of financing our imports from these countries. A substantial part of these exports is based on longterm contracts that often are linked to credit agreements. The impossibility of carrying out fully these obligations only aggravates our plight which already is anyway critical owing to payments considerations./

So far we have not encountered major problems with our trading partners, who have shown considerable understanding for the difficulties of Polish coal mining. This concerns even such countries as Finland or Denmark, which have been filling a large part of their needs through imports from Poland. They have tacitly acknowledged the exceptional situation in which Poland finds itself, of a certainty because they count on its normalization and the restoration of normal deliveries within a short period of time. The settlement of the strike situation indeed affords some chances to salvage Poland's damaged reputation as a trustworthy coal supplier, at least within the framework of longrange agreements, but the introduction of work-free Saturdays in mining, the supply shortages, and other problems of coal mining make highly questionable the possibilities of rebuilding within a short period of time Poland's position as the world's second largest coal exporter. It is becoming urgent to thoroughly analyze our possibilities in this respect for the next few years, and to base on realistic prices our relations with trading partners--especially with those whom we guaranteed longterm deliveries. This will most probably mean the need to withdraw from certain markets.

/Besides, as ensues from the table below, this is already happening. This concerns, for obvious reasons, chiefly overseas countries/ such as Japan, which used to import large quantities of coking coal (639,000 tons in 1979 and 387,000 in 1980) but during the first three quarters of 1981 it imported barely 65,000 tons, and the United States to which we had exported more than 600,000 tons of stoking coal in 1979 whereas now our exports there are virtually zero. In addition, the main recipients of Polish coal other than those mentioned in the table below are such West European countries as Holland, Sweden, Norway, Switzerland, Greece, Portugal, and such overseas countries as Brazil and Argentina. The reduction in deliveries, in some cases quite considerable, has taken place in every direction, such being the actual possibilities. It appears that their revision would make possible a more efficient utilization of the actual export potential of coal mining and better servicing of selected markets.

/This postulate also applies to some extent to the exports of Polish coal to CEMA countries. Owing to the planned nature of trade with these countries, the reduction in coal deliveries has produced on them with a special impact. It should be borne in mind in this connection that this reduction can also affect the extent

to which our economy can satisfy its need for raw materials and commodities imported from the CEMA area./ As we know, the implementation of deliveries of discrete commodity groups as specified in the agreements proceeds on the principle of mutuality. So far only the Soviet Union has been fully, and sometimes more than fully, meeting its obligations, e.g. as regards deliveries of crude petroleum and petroleum products, despite the substantial decline in exports of Polish coal: our other partners have been less understanding. Thus, considering the interests of our partners and our own interests as well, the problem of reaching an agreement with them about future coal deliveries so as to allow for our actual possibilities, as well as the needs of the Polish economy for other fuels and raw materials, is acquiring a crucial importance. In addition to the three chief CEMA recipients of Polish coal mentioned in the table, there are two other CEMA countries--Romania, which imports coking coal (400,000 tons in 1980, 260,000 tons during the first three quarters of 1981), and Hungary, which we have been recently supplying with stoking coal (495,000 tons in 1980 and 425,000 tons in the first three quarters of 1981). There is no need to add that the importance of these countries to the whole of our economic relations with foreign countries is such that meeting their coal needs as best as possible is of primary significance.

/Discussions of aspects of Polish coal exports sometimes touch upon the murky problem of the prices and profitability of these exports./

It must be stated in this connection that, in view of the fact that the binding domestic prices of coal as a rule are below its production cost, there is indeed little confidence indeed in prices based on effectiveness indicators which [seem to] indicate that the profitability of coal exports is extremely high. In such a situation a simple and relatively reliable yardstick is the transaction prices obtained on the free foreign-exchange markets and their comparison with the prices we receive for exports to the markets of CEMA countries. The pertinent mandatory price system, though different, is besides linked to world prices on the principle of graduated [periodically revised] prices. Prices on the capitalist market undergo more frequent and broader fluctuations, but comparisons of mean prices obtained from coal exports to the capitalist and the socialist countries do not reveal any drastic differences. /In 1979 these prices were higher in settlements with the CEMA countries. The mean price of stoking coal exported to these countries was nearly 152 foreign-exchange zlotys per ton, whereas for coal exported to the developed capitalist countries that price was barely 113 foreign-exchange zlotys./ In 1980 the price of coal exported to CEMA countries exceeded 151 foreign-exchange zlotys per ton, while that of the coal exported to Western markets rose to nearly 175 foreign-exchange zlotys per ton. During the January-to-September period in 1981 these prices were correspondingly more than 147 and 218 foreign-exchange zlotys per ton, respectively. The mean price per ton of coking coal exported in 1979 to CEMA countries was nearly 199 foreign-exchange zlotys, and that of the coal exported to the developed capitalist countries, 160.5 zlotys. In 1980 these two prices were 143.8 and 165.5 foreign-exchange zlotys, respectively, and during the first 9 months of this year they rose to an average of nearly 214 and 206.7 foreign-exchange zlotys, respectively.

Of course, comparisons of mean price levels provide only a rough idea of the actual effectiveness of exports to each of these two payments areas, because they do not allow for the differentiation in the prices of many varieties of coal in

the trade, as well as for the contract differences ensuing from the specific market situation at the moment the transactions are agreed upon. This warrants stating, nevertheless, that in the long run there occurs an explicit correlation between the prices obtained by Polish coal exporters in both payments areas. Let us add that the /actual price trends for coal are favorable. The mean price of stoking coal, as computed for the whole of Polish exports, has risen from 129 foreign-exchange zlotys per ton in 1979 to 157 in 1980 and 178.6 during the first 9 months of this year./ During the same period the price of coking coal has risen from nearly 165 to almost 290 foreign-exchange zlotys per ton. However, for the time being, this market boom benefits only our competitors--the United States, Australia, Canada, and even Great Britain which itself is a major importer of Polish coal.

Exports of Black Coal and Coke (in '000 tons)

| | 1979 | 1980 | Jan-Sep 1981 |
|---|---|---|---|
| Total, black coal | 41,437 | 31,048 | 12,857 |
| CEMA countries | 14,922 | 10,856 | 6,066 |
| USSR | 9,480 | 6,041 | 3,216 |
| Including GDR on basis of tripartite agreement | (3,010) | (1,942) | (1,572) |
| Czechoslovakia | 2,247 | 1,881 | 910 |
| GDR | 2,044 | 1,782 | 1,025 |
| Developed capitalist countries (60.6 percent) | 25,112 | 19,135 | 6,184 |
| Finland | 4,314 | 3,106 | 1,404 |
| Denmark | 3,110 | [unclear] | 633 |
| Italy | 2,268 | 2,201 | 816 |
| France | 4,562 | 3,243 | 559 |
| FRG | 2,265 | 1,472 | 630 |
| Austria | 1,022 | 998 | 466 |
| Spain | 1,265 | 879 | 305 |
| Ireland | 689 | 481 | 186 |
| Great Britain | 571 | 437 | 177 |
| Belgium | 486 | 536 | 129 |
| Brazil | 1,226 | 917 | 510 |
| Coke (total) | 2,075 | 1,770 | 1,140 |

## Tight Coal Balance

Warsaw TRYBUNA LUDU in Polish 7 Jan 82 p 5

[Text] /At the ministry of mining and energy/ a preliminary calculation of the last year's production results of coal mining has been performed.

As we have noted before, in 1981 miners extracted 163.021 million tons of black coal, i.e. 31 million tons fewer than in 1980. The decline in extraction has resulted in reducing the supply of our basic fuel to most recipients and by the same token contributed to deepening the economic crisis in Poland.

The principal recipient of coal is industry, and it also has felt the consequences of such a marked decline in extraction. In 1981 only 117.1 million tons of coal, that is, over 13 million tons fewer than in 1980, were allotted for industrial production. Reduced supplies of coal were received by, among others, the power industry. Electric power plants and heat and power plants consumed about 55 million tons of coal, that is, nearly 5 million tons fewer than in 1980. The deliveries to the metallurgical and machinery industries, in their turn, were nearly 4 million tons lower; to the chemical and light industries, nearly 2 million tons lower; and to the construction and building materials industry, also nearly 2 million tons lower.

/Throughout the year, on the other hand, agriculture continued to receive priority in coal deliveries./ Through the mediation of the CZSR "Samopomoc Chlopska" [Central Agricultural Union of Peasant Self-Help Cooperatives] 22.9 million tons of coal were distributed. To be sure, these deliveries were 2 million tons lower than in 1980, but in that year coal extraction had been 193 million tons. Thus the percentile decrease in coal supply to farmers was not that big. Altogether 29.8 million tons of the black fuel were, moreover, allocated for consumer needs.

In 1981 coal exports drastically declined. In 1980 foreign contractors had purchased 30.3 million tons of Polish coal, while last year we supplied them with just a little more than 15 tons, of which we sold 7.2 million tons to socialist countries and 7.9 million tons to the countries of the so-called second payments area. According to estimates by economists, the decrease in coal exports cost us at least US$1 billion in cash--money for which we could have imported many supplies, and this has additionally exacerbated the economic crisis.

1386
CSO: 2600/207

EFFECTS OF MODERNIZATION ON ECONOMY

Bucharest ERA SOCIALISTA in Romanian No 20, 20 Oct 81 pp 5-7

/Article by Dr Vasile M. Popescu: "Effect of Modernization of the Economy Upon the Effectiveness of Social Labor"/

/Text/ The strategic goal set by the 12th Party Congress of making Romania one of the medium developed countries first requires transition from extensive to intensive development in all socioeconomic activity. As Nicolae Ceausescu pointed out, this calls for intensive development of all activities (both industrial and agricultural and those of the other economic sectors, science, education and culture), pronounced improvement in the material and cultural living standard, better management and planning of all activity, and higher development of socialist democracy and participation of the masses and the entire people in the management of all activities. Hence the importance of building a modern economy that will be rationally diversified and well balanced in the structure of its sectors and highly effective subsectors to meet the demands of the expanded technical-scientific revolution, the aggravated energy and raw materials crisis, and the growing interdependence of the national economies.

Structural modernization of the Romanian national economy is a basic aim determined by a number of objective factors.

In the first place modernization is one of the main requirements for developing the technical-material base for a socialist society, upon which high social labor productivity to a great extent depends, as well as better use of the material and manpower resources, the nation's greater welfare, more intensive socialization of production and labor, equation of the two forms of socialist ownership (state and cooperative), overall improvement of socialist production relations, and elimination of the essential differences between physical and intellectual work and between agricultural and industrial labor.

In the second place, modernization of the national economy determines and is determined by the nation's commitment to the technical-scientific revolution. In our times a modern economy demands and permits active participation in the international exchanges of material and cultural values. Of course such participation does not mean unilateral acceptance of other countries' accomplishments but primarily an active application of the internal scientific-technical potential and a greater creative national contribution to the world's scientific-technical assets.

And in the third place, overcoming the contradiction between the still underdeveloped technical-material base and what this century and the socialist political-social system that makes Romania one of the most advanced countries have to offer ultimately depends upon modern structuring of the economy. And for this, the gaps that separate us from the developed industrial states of the world must be closed and Romania must more and more closely approach their level and then catch up with them.

Modernization of the economy is directly, although not automatically, reflcted in growth of socioeconomic effectiveness. The socioeconomic structure, better use of resources and economic effectiveness are closely related. Any structural modernization results in better processing of national resources and further supply of the economy with more varied use values, thereby enhancing the effectiveness and competitive power of the national economy. In their turn the most productive use of all material and manpower resources and greater socioeconomic effectiveness are ultimately reflected in growth of the national income, making further modernization possible.

Modernization and Use of Fixed Capital

The effect of modernization upon the effectiveness of fixed productive capital should be pointed out in the first place. Accordingly we shall first discuss some extensive aspects that largely characterize the quantitative aspect of economic modernization. Thanks to differentiated allocation of the investments among various sectors of the national economy and the qualitative changes in the technical level of the economy, an intensive growth of fixed capital, and mainly productive capital, is taking place in Romania. In 1980 the value of fixed capital (the main element in the technical-productive potential) came to 1.87 trillion lei compared to about 1,203,000,000,000 lei in 1975 and 757 billion lei in 1970, logging an average annual growth rate of 9.2 percent over the 1976-1980 period. According to the plan provisions, the total volume of fixed capital in the national economy will reach 3 trillion lei by the end of the current five-year plan, which is an absolute gain of more than 1 trillion lei and equal to the gain over the whole decade of 1971-79.

These figures show that the fixed capital structure is very young, as 59.5 percent of the total fixed capital was activated in the last decade. The coefficient of renovation of fixed capital, the ratio between the fixed capital activated annually and that existing at the start of the year, will remain high during the 1981-1985 period as well. About 60 percent of the total fixed capital the national economy will have in 1985 will be that activated after 1975, while about 37.6 percent will be less than 5 years old. All this graphically illustrates the modern character of the technical-material base of the Romanian economy.

Analysis of the fixed capital structure according to sectors reveals that while the absolute volume of fixed capital is increasing in all sectors of material production industry is in the main proportion, since according to the plan provisions it will have about 47.6 percent of the total fixed capital in the national economy, or 59.5 percent of the total fixed productive capital, in 1985 compared with only 31.8 and 51.9 percent in 1965. These changes could not be more welcome. Experience with socialist construction in Romania has confirmed the fact that it is only by developing and modernizing industry and promoting advanced technology in it that the economic structures are modernized, steady progress is made in all material production, the advances of the technical-scientific revolution are disseminated, the natural resources are efficiently exploited, and high productivity is attained.

Growth of fixed capital in all sectors of the national economy serves at least two purposes. It increases the number of jobs (extensive aspect) and it intensifies the technical equipment of labor, or the value of the fixed capital per employed person (intensive aspect). In 1951-1980 for example, alongside the high rate of technical equipment of labor in industry, the construction sector showed the most rapid growth (at an average annual rate of 8.5 percent), due to the growing tasks that confronted that sector and the increasingly pronounced trend toward industrialization and modernization of construction operations. There was a similar situation in agriculture (an average annual growth rate of 7.7 percent), where the new production relations created the background favorable to expanded mechanization of agricultural operations and to increases in the areas upon which land improvement projects were implemented, in the irrigated areas, in the orchard and vineyard reserve, and in the zootechnical sector.

Intensified technical equipment of labor will also be maintained during the 1981-1985 period. The value of fixed capital per employed person will be up 45.5 percent from 1980 by the end of this five-year plan. Agriculture especially, as well as the transport and telecommunications sector, will show higher growth rates. This will lend the activity in those sectors an increasingly pronounced industrial character, along with the intensified technical equipment of industrial labor.

The qualitative aspects of modernization of the economic structure will be strongly characterized by intensified supply of high-performance machinery and equipment by means of progressive integration of precision machinery, electronics and computing equipment in the machinery and installation structure. Special emphasis will be placed upon development and use in production of highly productive types of machine tools with increased speeds and high precision and of some multipurpose machines and highly automated units that will produce increasingly high outputs in the manufacturing process and greater volumes of physical production while considerably reducing the inputs of fuels and electric power.

The increase in fixed capital in industry will enhance that sector's contribution to growth of the national income, once again confirming the high economic effectiveness of that sector. In 1985 industry will have about 59.5 percent of the total fixed productive capital and will contribute 62 percent to the formation of the national income. The greater effectiveness of the fixed capital in industry will provide over 20 percent of the entire planned gain in national income in 1985 compared with 1980. Agriculture will have about 13.5 percent of the total fixed productive capital but will contribute 12.8 percent to formation of the national income. At the end of the current five-year plan construction will have 4.9 percent of the total fixed productive capital and will contribute 7.6 percent to formation of the national income.

Of course efforts must be made in all sectors to provide for optimal use of fixed capital, especially if we consider that there are major unused reserves that must be intensively mobilized to obtain a greater gain in national income. Alonside structural improvements in the fixed productive capital (by way of increasing the proportion of technological machines and installations, modernizing the equipment in operation, etc.), emphasis is to be placed on activating the new production capacities by the planned deadlines and operating them at the planned parameters, loading the equipment properly according to shifts, shops and sections in close correlation with the physical production plan and the programs for collaboration and cooperation, reducing the number or duration of accidental stoppages of equipment in operation,

training the work force thoroughly, improving the shift coefficient, operating the machines, equipment and installations efficiently, maintaining and repairing them properly, etc. One impressive calculation indicates that in industry alone a 1 percent increase in the effectiveness of the fixed capital above the 1981 plan provisions is equivalent to a gain of about 3 billion lei in net output, which provides funds to pay about 40,000 people, over 250 million lei more for the workers profit-sharing fund, and funds to build over 15,000 apartments.

Modernization and Exploitation of Material Resources

Upon consideration of the main general aspects of the modernization-socioeconomic effectiveness correlation, we note some points characteristic of better use of the resources of raw materials, materials, fuels and energy. Now more than ever better use of those resources is causing many shifts in the economic structure, but it is furthered in turn by structural modernization of the national economy.

Of course the economic structure and its evolution are affected by a number of factors, among which the state of the raw material and energy base is highly important. As the natural factor is restricted and the natural environment deteriorates, creation of the least possible dependence of economic growth upon consumption of raw materials, fuels and energy and development of the intensive type of economy especially require a coordinated, simultaneous effort toward economic exploitation of more resources that regenerate themselves such as agricultural products, products of forests and waters, etc., identification of all natural resources useful to the economy and their application in production, intensified recovery of the useful content of raw material from its first extraction and processing, and recycling of the useful elements left unused in the first technological process.

On the basis of close analysis of Romania's potentials and the current and long-range requirements of its economy and in view of the new developments in the world economy (especially the effects of the energy and raw materials crisis), the current five-year plan places one of its main priorities upon more intensive development of the domestic base of raw materials and energy resources as well as agriculture, a sector that constitutes, as Nicolae Ceausescu pointed out at the Second Congress of Workers Councils, "the critical factor for Romania's socioeconomic development and for improvement of the people's material and cultural living standard." Accordingly the material resources for implementing the current five-year plan will have to be procured to a greater extent from internal sources, that is 82 percent of the input of primary energy, 90-98 percent of the requirements for coal, metallurgical coke, rolled products and pipes, 80-90 percent of the lead and zinc requirements, practically the whole aluminum requirement, and about 80-90 percent of the requirements for textile threads and fibers.

The intensive character of economic growth in this five-year plan is also indicated by the fact that the intensified modernization of the economic structure ensures better use of the material and energy resources. This is illustrated by a series of important qualitative correlations. Thus in the current period a 1 percent gain in in the gross industrial output is to correspond to an average increase of 1.15 percent in the net industrial output. Meanwhile an average annual gain of only 5.1 percent in electric power production corresponds to an average annual increase of 7.6 percent in the gross industrial output, while the average annual growth rate of the output of the machine building industry will be 1.14 times higher than that of the metallurgical industry. All these correlations and others as well are based on

the major changes that will be made in the internal structures of the sectors by moderating the growth rates of the energy-intensive industries and by more intensive development of the sectors, subsectors and groups of products on a high technical level that consume less raw materials and energy, incorporate more complex and highly skilled labor, and make better use of the material and energy resources. This will increase the value created from the unit of processed raw material and further economic growth.

Of course some products can never be discontinued at all because the production structure is determined by the necessity of meeting the requirements of the national economy. The problem is to restrict and even replace the manufacture of products with a heavy input of material and energy resources and to modernize and diversify the varieties in each group of products to obtain the greatest possible value per unit of raw material.

In the light of these requirements and the considerably increased dependence of better use of the material and energy resources upon modernization of the economic structure, the current five-year plan sets different production growth rates not only for sectors but also for subsectors and products. In metallurgy, the main production gain will come from intensified processing. Emphasis will be placed on more rapid growth of the output of special, alloy and low-alloy steels and of cold-rolled, electrotechnical and tin-plated sheets and strips of rustproof refractory steel. In the machine building industry, according to the 47 special programs for products, the average annual growth rates will be 20 percent in electronics, about 18 percent in the precision and optical machinery industry and the hydraulic and pneumatic equipment industry, and 19 percent in the industry for machine tools for metal processing. It is accordingly a matter of subsectors and products with superior technical performances, lower energy inputs and high efficiency in operation . There are similar examples in other industrial sectors as well.

Intensive development and modernization of agriculture and a far-reaching revolution in that sector that will ensure better satisfaction of the consumer demands of the public and industry as well as increased and more efficient agricultural production are basic priorities of the current five-year plan.

Acceleration of the process of qualitative restructuring of the productive sectors and subsectors is combined with the extremely urgent requirement to reduce the material outlays and to improve the ratio between the portion allocated to recovery of the material outlays and the newly created value. To this end it is planned to decrease the proportion of the material outlays in the social product from 59.4 percent in 1980 to 57.4 percent in 1985 throughout the national economy, providing for a more rapid growth of the national income (net output) than that of the social (gross) product for the whole period in all sectors producing material goods. It is necessary and quite possible to attain the planned goal, especially if we consider that the inputs of materials and energy per unit of output are still high in many enterprises with advanced technical and technological inventories similar to those of some units in developed countries.

Modernization and National Income Per Employed Person

Greater effectiveness of social labor depends not only upon the material conditions of production but also upon the quality of the labor force, its structure according to occupations and level of qualification, and the structural modification of the

labor force according to sectors in favor of the sectors with high levels of social labor productivity. Changes in the structure according to sectors of the national economy, as well as shifts of the population employed in agriculture to the nonagricultural sectors and especially to industry also considerably affect growth of social labor productivity (national income per employed person). Since sectors differ in level of qualification of the labor force and in degree of its employment, the national income (net output) per employed person differs from one sector to another. Therefore the contributions of the various sectors of the national economy to the growth of the national income also differ.

The ratio between a sector's shares in the national income and in the total population employed in the productive area is a general indicator whereby the effectiveness of use of the labor force in the various sectors of material production can be evaluated both in the period of substantiating the plan and in the course of its execution.

The figures show that true qualitative leaps were made in redistribution of the employed population among sectors according to the objective requirements for modernizing the economy. Industry increased its share in the total population employed in the productive area from 12.7 percent in 1950 to about 38.3 percent in 1980, while agriculture decreased its share in the total population employed in the productive area from 78.8 to about 32.1 percent in the same period. Meanwhile the net output showed growth rates differentiated according to sectors of material production which changed their shares in formation of the national income.

The major role of industry in formation of the national income is clear from any point of view we might take. At the same time analysis reveals considerable reserves for growth of labor productivity in all sectors of the national economy and especially in construction and agriculture.

Naturally the level of labor productivity depends upon the quality of the labor force, its level of knowledge and training, and the effectiveness with which it is used. Therefore the measures for occupational training and improvement of the labor force so that education and the entire system of personnel training and retraining will meet the current requirements for Romania's socioeconomic development are of the greatest importance. And equally important are the measures for rational and efficient use of the labor force, including rationalization of the ratios among various sectors as regards their shares in the total employed population, proper assignment of working personnel to sectors, subsectors and every work place, improved standardization of labor, strengthened labor discipline, etc. This also applies to the requirement that every unit should take firm measures to increase the proportion of productive personnel, to qualify the auxiliary workers and to transfer them to productive jobs where material values and the national income are created.

Analysis of some of the main aspects of the subject treated here leads to the conclusion that the RCP's consistent promotion of the policy of modern restructuring of the economy and all its sectors organically combines the criteria for economic effectiveness with the social criteria. Surely if the aims and tasks of the extensive process of modernizing the economy are to be accomplished, we have the high obligation to act on behalf of a new and better quality in all socioeconomic activity and to place a particular emphasis upon the intensive factors of economic growth, among which full and efficient use of fixed capital, continuing improvement of the technical and qualitative standards of production, better use of material and energy resources, and increased labor productivity play a predominant part. The qualitative leap in Romania's socioeconomic development to be made by this five-year plan ultimately depends upon the quality of everyone's work.



5186
CSO: 2700/133

ELECTRIC POWER PRODUCTION IN REPUBLICS, PROVINCES

Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 14 Dec 81 pp 21-23

[Text] The areas most threatened are being patched up every day with electric power imported from Italy, Austria, Hungary, Greece, Romania and Albania. Maximum amounts are being imported, as much as the neighboring countries can furnish and the transmission lines can carry, regardless of whether the power will later be returned or paid for. A study is being made of the possibility of importing power from Switzerland, France and other countries. Right at present 15 million kilowatt-hours are being imported daily, but the reductions are becoming larger and larger.

Another indication of the seriousness of the electric power situation in the country is to be found in the recent communique from the meeting of the Federal Executive Council--the third in the last few months. The situation is changing every day, so we have taken one day last week as an illustration. Consumption was 195 kilowatt-hours, the reductions amounted to 10 million kilowatt-hours daily. Under normal conditions, then, without the reductions and other measures, daily consumption would have exceeded 200 million kilowatt-hours. The improved weather conditions and the high temperatures for this time of year have been favorable to the electric power industry. Otherwise consumption would have been still higher, since every degree the temperature drops now means an increase of 2.6 million kilowatt-hours in consumption. Actually the reductions would increase, since production is inadequate even for the present level of consumption.

Steam power plants burning coal are operating at maximum level (except for the fourth generating unit in Obrenovac, which will go on line in a few days) and are generating 86 million kilowatt-hours daily. There is a danger of a drop in the production of these steam power plants either because of breakdowns or impeded coal delivery, especially when the weather gets worse. There is no question whatsoever of larger output. Steam plants burning liquid fuel, which now have an installed capacity of 1,700 megawatts, are mainly standing idle because of the shortage of heavy fuel oil. The Sisak Thermal Electric Power Plant is running at half capacity, and its stocks of heavy fuel oil are running low, the Zagreb Heating and Power Plant is producing a certain amount of electric power, but all the others are idle. The total daily contribution of these power plants is less than 10 million kilowatt-hours. Run-of-river hydroplants are generating 40 million kilowatt-hours daily, since until the recent amounts of precipitation

inflows were disastrously low. The situation is not the same in all watersheds, but the inflows are by and large small where run-of-river power plants have been built.

Altogether, output last week was 40 million kilowatt-hours instead of the average 90 million kilowatt-hours per day. The situation has improved this week, the inflows are larger, but it is uncertain how long this will last. Since storage reservoirs were at a critically low level, the risk could not be run of taking more than 30-35 million kilowatt-hours per day. The risk is a very real one: assuming thrift in use of storage reservoirs, the electric power system can maintain itself only with larger reductions of consumption, since if they are emptied at a faster rate, the system could break down in just a few days.

Where Do the Causes Lie?

Taking the country as a whole, it is not difficult to ascertain why there is not enough electric power and why the situation is so serious. Organizations in the electric power industry simply do not have enough facilities or installed capacity in power plants to generate the amounts of power necessary. It is true that the fall was unfavorable from the hydrological standpoint, but the year as a whole is even better than average. The electric power budget for this year ascertained a shortage of about 1,000 megawatts of installed plant capacity, offset by the expectation that new facilities with a capacity of 2,000 megawatts would go on line. By October only 4 percent of the anticipated capacity had gone on line, and the startup of the nuclear power plant, the Novi Sad Heat and Power Plant and the Bocac Hydroplant cannot bring about an essential change in the situation: Krsko is being tested, it has been out of operation for a month, and it can be used at only half power; the Novi Sad Heat and Power Plant has been completed, but there is no oil for its trial operation; and the Bocac Hydroplant is a small one and is only in the stage of synchronizing its installations.

Incidentally, electric power organizations would today have an additional 4,360 megawatts of installed capacity if the construction programs for the previous 5-year period had been fulfilled. Facilities which did not go into operation amounted to 2,360 megawatts last year and 2,000 megawatts this year. With the power from those power plants, we would today be sizable exporters of power. It should be said, however, that an examination of the situation of the electric power industry for the country as a whole serves no purpose--electric power organizations are organized by republics and provinces, which are independent entities as far as energy economics is concerned, so that only an individual analysis can give the true picture. In any case, the situation is not the same from one republic or province to the other. Delays in construction of new facilities are the principal cause of the shortage of electric power, but neither should we neglect the status, economic position and organization [of the electric power industry]--or, more accurately, relations between electric power organizations and consumers.

Almost all elements of economy have been discarded from the electric power industry both in current operation and also in expanded reproduction. From investments to rates everything has been subordinated to the regional conception

of the obligation to "furnish power," and less importance is paid to the kind of facility being built and to how much it costs, but the primary thing is that it be on "our own" soil and under "our own" control. Given those relationships, rates have lost all economic sense, and an ever greater number of electric power organizations are operating at a loss. The share of electric power organizations in their own investments have dropped to a token proportion (averaging between 3 and 5 percent), so there is no reason to be amazed that all the projects are several years late and that the estimated cost of the investment project has tripled.

These relationships and this kind of divisiveness have led to a situation where the most abundant and economical sources of energy are being left unexploited, or have barely been touched, while very expensive and unwise projects are being built. The Yugoslav commitment to use domestic sources of energy first has remained an empty declaration--power plants to use imported fuels are still being built. It appears to be no one's concern or responsibility that they are now standing idle like the capital they represent, while the economy and the public are suffering losses because of the power shortage. The abandoned economic considerations have been replaced by surrogates, governmental and quasi-governmental. When there is no interest in expanded reproduction and current business operation, taxes and contributions are introduced to collect funds for investment; when rates are below the economic level, losses are covered. It is difficult to speak of the socioeconomic system of self-management not only with respect to the electric power industry, but also concerning relations between electric power organizations and consumers.

How Do People Stand?

A survey of the current electric power situation by republics and provinces can be compared even in compressed form with fulfillment of the construction program covering the previous 5 years. For the country as a whole 9,490 megawatts of installed capacity were supposed to be built and put on line. Actual installed capacity of new plants, however, amounted to only 4,712 megawatts, or half of what was planned.

Bosnia-Hercegovina is now enforcing rather extensive restrictions on consumption, the third level of reductions has been introduced, and some consumers are being cut off 6 to 8 hours a day. The growth of consumption is large, inflows of water are incredibly small (as little as 20 percent of normal), and storage reservoirs are critically low. Three hydroplants, Salakovac, Grabovica and Bocac, should already have been on line, but they are quite a bit behind schedule. Bocac on the Vrbas recently started up, and by the end of the year two others on the Neretva are supposed to go on line. Over the last 5 years 41 percent of the projects planned have been completed.

With the startup of the second phase of the aluminum combine, the demand for power has increased considerably in Montenegro, but new facilities are late. Reservoirs at two hydroplants are almost empty, inflows of water are very small, just as in the case of Bosnia-Hercegovina, and the third-level reductions have been adopted. A large portion of the demand is being met with imports. Construction amounted to 69 percent of the projects called for by the last plan.

Reservoirs in Croatia are disastrously low, some hydroplants have been left without head, inflows of water are low, and oil-fired steam plants are mainly standing idle without fuel. All hopes have been turned toward the Krsko Nuclear Plant, but at half capacity, which is all the load it can take at present, it cannot alter the situation to any considerable extent. Reductions have long been in effect. Over the past 5 years 73 percent of the planned capacity was built, which is the highest level among all the republics and provinces (the trouble is that most of them are oil-fired plants).

Macedonia is in the most serious situation at the moment: The fifth level of reductions has been put into effect, which means that about 8 million kilowatt-hours can be furnished daily to meet the total demand for 16 million kilowatt-hours. The Oslomej Steam Plant was shut down back on 15 February because of the shortage of oil, the Bitola Steam Plant is behind schedule, and it is not certain that it will go into operation even next year. Storage reservoirs are very low. Actual construction amounted to 41 percent of the plan for the last 5-year period.

Conservation measures and restrictions have been in effect throughout the entire year in Slovenia. To be more precise, electric power organizations have organized courses for consumers in efficient use of electric power so that no one is taking more power than agreed on in advance. The situation is strained, but one reason why there have been no major consequences is that consideration has at the same time been given to supplying consumers other forms of energy (coal, liquid fuels, and gas), so that there is no pronounced pressure on the electric power industry, as is the case with others. Fulfillment of the plan for construction of power facilities over the last 5 years was 58 percent, but it is expected that the situation will return to normal when the Krsko Nuclear Plant goes on line.

Consumption in Serbia proper has recorded hardly any growth thanks to the organized campaign; steam plants are running at full capacity, inflows of water on the Danube have been exceptionally good, though they have not been so good for other hydroplants. It is expected that the covered generating unit in Obrenovac will go on line, but the situation is uncertain because of a possible growth of consumption and the strained operation of steam plants. Actual construction amounted to 60 percent of the projects covered by the plan for the last 5 years.

Vojvodina has no generating facilities, and the first heat and power plant, in Novi Sad, has gone into trial operation behind schedule (oil is the trouble, much as elsewhere). Of the planned 290 megawatts of new construction, nothing was completed during the past 5 years. Nor has Kosovo completed anything covered by the plan, though completion of new plants with a capacity of 884 megawatts was anticipated. Power plants built previously, though they are having occasional difficulties in operation and in the supply of coal, are meeting the rather low demand, but they cannot fulfill the obligations represented by deliveries to other regions.

7045
CSO: 2800/172

## PROBLEMS IN FOOD PRODUCTION PLANNING TO 1985

Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 14 Dec 81 pp 16-18

[Text] According to the letter of the "third section" of the Yugoslav Social Plan Covering the Period From 1981 to 1985, by the end of this year a social compact is to be concluded on implementing the policy governing development of the agroindustrial complex (the "green plan"), the proposed version of which was adopted by the Federal Executive Council [SIV] back on 9 July of this year. According to the situation brought to light by the debate in the Federal Council for Economic Development and Economic Policy on 11 November, there are quite a few points in that text which need to be "filled in," that is, passages and views on which consensus is yet to be reached among those participating in adoption of the agreement. Aside from the SIV and the executive councils of the republics and provinces, they are the Yugoslav Economic Chamber, the Council of Yugoslav Trade Unions, and 10 other associations representing agriculture and the food manufacturing industry, cooperatives, the chemical, metal manufacturing, and tobacco industries, water management, trade and cities and opstinas as consumers, and finally, those who are supposed to represent the general public interest in the export of food (the Yugoslav Self-Managing Community for Foreign Economic Relations) and the interest in appropriate relations in the domain of prices of raw and processed foods (the relevant Federal Community for Price Affairs).

This is already the third such document. And had there been no experience with the previous two, whose implementation has been judged unsuccessful, the fact that reconciliation of views has stretched now into the beginning of the first year of the planning period which it "covers" could only confirm the saying that experience teaches us that experience has taught us nothing. But being behind schedule on the calendar is surely the smaller part of the trouble. The rest can certainly be found in the excessively long list of signatories to the agreement, which inevitably will be the source not only for the general conditions for conduct of economic activity by more than 3 million farmers and production workers involved in food production and trade in coming years, but also the source of concrete commitments.

Engineer Milovan Zidar, chairman of the Federal Committee for Agriculture, has cautioned participants in the debate within that federal council that it is in the interest of associated labor to have this agreement adopted even before the deadline so that certain solutions and measures might be put into effect in the

coming year. But the resolution of a presentation of the Federal Committee for Agriculture on the same occasion also contains some doubt: "How are organizations of associated labor and agricultural cooperatives in the republics and provinces to assume obligations related to the budgets when they have not been actual participants in conclusion of the agreement...." There is no doubt that this is only a mild expression of the real problem: the conditions for the conduct of economic activity bearing the strong imprint of political haggling and guidance, and the position of associated labor and of private farmers in food production and trade.

Budgeting as a Restriction

The "goals and tasks" in the field of food production and trade in coming years, as set forth in the proposed "green plan," are indicated in the briefest form in the output which is to be achieved in 1985 (Tables 1 and 2), while the adjusted food consumption budgets of the republics and provinces adopted in midyear for the coming year and export program are supposed to be the "initial bases" of these projections. As for the consumption budgets, the only thing certain is that they do not exist for next year, and as for exports, during preparation of the social plan the only thing established was the ambition of reaching a level of $2 billion in 1985.

There are authors who express serious doubt that the projected production will be sufficient for that level of exports (even when indicated at the rate of exchange of 27.30 dinars, as official statistics are still doing), and they recommend a "more ambitious plan" and "more aggressive exporting," especially of grains and meat. According to calculations of the Foreign Trade Institute, the goal should be a harvest of between 22 and 24 million tons of grain (at least 7 million tons of wheat and 15 million tons of corn), since that export target is unattainable without exporting 2 million tons of wheat (assuming the necessary economy and consumption) and 3 million tons of corn, and the meat export target cannot be achieved without producing a total of 1.7 million tons, along with a similar growth in the production and export of fruit, wine, vegetables and miscellaneous raw and processed foods.

Of course, even in the case of food production, whose growth is sometimes viewed almost as if it was just a matter of good organization in the use of natural resources, including the manpower of private farmers, rather than as a problem of a high level of thrift, the issue of dependence on imports cannot be evaded, nor the time limit on achieving that kind of growth. But without conceding any of these variants, nor yet disputing them, it must be said that the quantifications themselves are not the only weak point, nor the weakest point either in this "green plan," nor in the previous two, nor, incidentally, in the overall farm policy that has been conducted up to now. Actually it is the method itself used in quantification--in budgeting "needs" (consumption, exports) as the "basis for agreement on the food production program" and for "specific statement of obligations with respect to carrying out the established 5-year budgets," as it was put by the chairman of the Federal Committee for Agriculture. On the basis of those budgets, he says, the republics and autonomous provinces will take steps and undertake other activities within the framework of their obligations and responsibilities to stimulate organizations of associated labor and other

interested organizations and communities to achieve a volume of production of agricultural products and foodstuffs to satisfy the public's need for food, to furnish raw materials for processing facilities, to build up reserves, and to increase production for export.

There is no doubt that in large part this also predetermines the conditions and indeed the relations involved in achievement or reproduction of the planned output. The "joint goals and tasks" of the participants in conclusion of the agreement, among which government agencies, of course, occupy the decisive position, are actually a set of individual "goals and tasks" of each sociopolitical community: to achieve maximum self-sufficiency with respect to supplying its own population and meeting consumption as a whole and to have the weakest possible links with other communities in reproduction. Instead of an effort to open up the entire space of the unified market to production, and to develop that market, it is, on the contrary, becoming narrower and more fragmented, so that flows of goods are restricted, as indeed are opportunities for economic competition, which is so important in the food sector. Only a small portion of what can be produced within a region will remain as space for exchange among the republics. There is no essential difference whether that trade takes the form of ordinary barter, the credit financing of production by a "known customer" or "joint ventures aimed at joint income," which, incidentally, is what the participants in the agreement are suggesting to one another. It is no wonder that there has been hardly any of this latter; nor does it exist within the limits of the individual communities themselves, since the goal of selection and of production is not income earned under the optimum economic conditions, but food-budget emancipation, that is, the foreign exchange preoccupation of the various republics and provinces, in which economy and concrete economic interests and motivation are taking second place. There is hardly any need to emphasize that the needed space does not exist on this fragmented, cramped and undeveloped market, nor are there real opportunities for setting aside the capital required for the scale of production that corresponds to the export ambitions that have been described.

Table 1. Production of Grains and Industrial Crops in 1980 and 1985, according to the proposed version of the agreement

| Republics and Provinces | Wheat | | Corn | | Sugar Beets | |
|---|---|---|---|---|---|---|
| | 1980 | 1985 | 1980 | 1985 | 1980 | 1985 |
| Bosnia-Hercegovina | 318 | 550 | 491 | 1,000 | 59 | 320 |
| Montenegro | 8 | 15 | 13 | 15 | -- | -- |
| Croatia | 1,120 | 1,150 | 1,960 | 2,600 | 959 | 1,845 |
| Macedonia | 273 | 355 | 88 | 150 | 74 | 250 |
| Slovenia | 159 | 180 | 214 | 300 | 123 | 325 |
| Serbia proper | 1,283 | 1,570 | 2,363 | 3,200 | 349 | 1,300 |
| Kosovo | 216 | 310 | 184 | 345 | 35 | 160 |
| Vojvodina | 1,714 | 1,850 | 4,004 | 4,400 | 3,614 | 5,200 |
| Total of republics and provinces | 5,091 | 6,380 | 9,317 | 12,010 | 5,213 | 9,400 |

Table 1 (continued)

| Republics and Provinces | Sunflowers 1980 | Sunflowers 1985 | Soybeans 1980 | Soybeans 1985 | Tobacco 1980 | Tobacco 1985 |
|---|---|---|---|---|---|---|
| Bosnia-Hercegovina | 1 | 12 | 0.6 | 12 | 7 | 12 |
| Montenegro | -- | -- | -- | -- | 1 | -- |
| Croatia | 19 | 72 | 2.5 | -- | 15 | 15 |
| Macedonia | 23 | 38 | -- | -- | 23 | 36 |
| Slovenia | -- | -- | -- | -- | -- | -- |
| Serbia proper | 25 | 60 | 2.7 | 10 | 5 | 9 |
| Kosovo | 5 | 12 | -- | -- | 2 | 4 |
| Vojvodina | 229 | 600 | 28 | 110 | 4 | 7 |
| Total of republics and provinces | 302 | 797 | 34 | 132 | 57 | 84 |

Table 2. Meat and Wool Production in 1980 and 1985, live weight gain according to the proposed version of the agreement, in thousands of tons

| Republics and Provinces | Beef 1980 | Beef 1985 | Pork 1980 | Pork 1985 | Lamb and Mutton 1980 | Lamb and Mutton 1985 | All Types of Meat 1980 | All Types of Meat 1985 | Wool 1980 | Wool 1985 |
|---|---|---|---|---|---|---|---|---|---|---|
| Bosnia-Hercegovina | 45 | 52 | 41 | 50 | 12 | 16 | 121 | -- | 1.8 | 2.0 |
| Montenegro | 5 | 9 | 3 | 5 | 5 | 7 | 14 | -- | 0.7 | 1.0 |
| Croatia | 75 | 99 | 124 | 167 | 6 | 10 | 288 | -- | 0.7 | 1.0 |
| Macedonia | 11 | 17 | 8 | 15 | 9 | 16 | 36 | -- | 2.5 | 2.8 |
| Slovenia | 41 | 59 | 39 | 58 | 0 | 1 | 146 | -- | 0.1 | -- |
| Serbia proper | 107 | 132 | 119 | 151 | 19 | 22 | 290 | -- | 3.1 | 3.4 |
| Kosovo | 11 | 17 | 4 | 6 | 4 | 5 | 26 | -- | 0.4 | 0.5 |
| Vojvodina | 40 | 50 | 122 | 235 | 2 | 7 | 207 | -- | 0.7 | 1.0 |
| Total of republics and provinces | 335 | 435 | 461 | 687 | 58 | 79 | 1,128 | 1,500 | 10.0 | 11.7 |

Note: The column headed "All Types of Meat" includes poultry meat (Table 3) and horse meat and viscera. The draft of the agreement does not contain a breakdown by republics and provinces for 1985.

Table 3. Production of Poultry Meat by Republics in 1980, in thousands of tons

| Republics | | Republics | |
|---|---|---|---|
| Bosnia-Hercegovina | 23 | Slovenia | 66 |
| Montenegro | 1 | Serbia proper | 45 |
| Croatia | 83 | Kosovo | 7 |
| Macedonia | 8 | Vojvodina | 43 |
| | | Total | 276 |

Prices of a Sticking Point

Among the "outstanding questions" pertaining to the future agreement prices occupy an important place, and here again those same autarkic concepts are

manifested. Agreement, it seems, is complete only in that the law affords the possibility of establishing "separate forms" of prices of farm products, so that--as stated in one presentation of the federal committee--"all the views on prices referred to could find a place in the final version of the social agreement"--though many are "mutually exclusive."

This has to do, first of all, with producers' sales prices and support prices of the principal agricultural products, that is, with the functions which they are supposed to have and the method whereby those functions would be achieved. In dispute is the way in which the entire price system for farm products is to be administered, that is, the "development component" of those products which are of "particular social interest" (wheat and corn). According to some people, this ought to be the subject of a specific social compact covering all products, while the "green plan" would furnish only the "basic commitments" and would only establish the principle of "indexing" the prices of farm products. Also in dispute is the extent to which "price parities should be honored" and what criteria should be used beyond (or past) "parity income," as well as the question of whether these prices should be "firm" or "reference prices" for the pricing of the products of processing. As for support prices, it is thought by some that they should not be established in advance for all products, but only when the need arises for intervention on the market. According to others, this is contrary to the commitment contained in the social plan and to the basic purpose of support prices.

It may be clear even to an altogether uninformed observer that views which are opposed in this way are based exclusively on political motivations and the yardsticks applied by representatives of sociopolitical communities whose degree of self-sufficiency or "import" dependency varies. The same differences are also manifested in views on the question of whether development can be achieved through the "development component" in prices, or whether separate "special premiums" in wholesale prices are needed to stimulate the production of wheat and corn. Going further, opinions have remained divided on whether the funds for that should be furnished in the budgets of sociopolitical communities "on the principle of consumption," and then pooled in a joint fund of the republics and provinces, or set aside "in accordance with the needs established in the budgets" of the various republics and provinces, which they would themselves pay to their own respective organizations as an incentive for their own production, that is, to finance the production of those crops in other regions.

The same dilemmas exist concerning the additional incentives for the other basic agricultural products "in the less developed, above all mountain and hilly, regions, the border regions and the islands." Most feel that this incentive should be furnished by adopting "additional rebates on inputs by introducing premiums, tax deductions and other economic policy measures of the republics and autonomous provinces." On the other hand, the dilemma arises as to whether the 14-percent rebate on the average price of manufactured fertilizers which has been called for in one amendment should be covered by contributions of the republics and provinces in proportion to their share in consumption of food or according to their contribution to the federal budget.

In the month which has passed since these dilemmas arose, some of them have probably been settled. But not the basic one which arises out of this forest of variants: Can this kind of juggling of cost structures and incentives for particular types of production from the standpoint of the "budget motivation" of this or that republic or province or of all together replace the true incentive and motivation of any production operation: the economic and market incentive? That is, can this be the basis of successful reproduction, of structural orientation and of technical, technological and economic development of food production that in coming years will furnish a new thrust to the development of agriculture? The answer is to be found in the proposed version of the "green plan" itself: No, it can't. That is why it envisages as a decisive element in expanded reproduction "additional funds" (103 billion in one version and 120 billion dinars in another)--along with those same assumptions and dilemmas, of course.

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CSO: 2800/172

PARTY WEEKLY DEPLORES YUGOSLAV VACATIONERS IN FLORIDA

Belgrade KOMUNIST in Serbo-Croatian 8 Jan 82 p 4

[Excerpt] You have already heard the news: about 400 Yugoslavs are "interested" in buying a vacation site in Florida. Contracts with the American firm (whose representative is one of our countrymen) will soon be concluded, so we will know how many of our citizens will fulfill their dream. Their names remain--secret. Such are the rules of "business." Discretion guaranteed.

Why are the names important?

Simply because only "those interested" can answer the question: How has so much money been acquired if the self-management socialist principles of our society have been respected? If the funds were earned by working, a new question arises: Why Florida and not one of our islands, or Peljesac, the Boka [Kotorska area], the Slovenian coast? Florida is not cheap. For most of our working people even our coast is not affordable.

Who are these citizens, these "weekenders" in Florida? Obviously, some people who do not feel "a real decline in the standard of living" and are living an easy life at a time when most workers in our country are denying themselves many things in fighting for stabilization.

This occurrence is not only politically interesting because, under the guise of pluralism of self-management interests, all are not sharing the fate of the working class. Their principle of "discretion guaranteed" is also curious. Does this not impose on us rules of the "business" game which we are nipping in the bud in our society?

This is not a plea to eliminate the differences which exist in labor invested, nor to eliminate the commission for examining the origin of property (although we have not found a more effective way for their elimination in accordance with the [development of the] system), but, rather, this points to one example which strengthens the belief among people that in our country, despite everything, great wealth is possible. But behind wealth there always exists work of a specific kind. Whose? The work of the person who is rich or the work of the person working for him?

CSO: 2800/187

## PROBLEMS WITH DEVELOPING STEEL PRODUCTION VIEWED

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 9-11 Jan 82 p 2

[Excerpts] Yugoslavia produces barely 3.7 million tons of steel [a year] and thus ranks near the bottom of the list of European producers. At present there are two variant plans for developing this area in the current medium-term plan. The first version is more modest, more justified, and more possible. According to it, coke production would increase 27 percent, iron ore production 130 percent, iron 46 percent, and semi-finished steel by 80 percent. This would make possible the consumption of about 6.1 million tons of finished steel products. This shows a quite modest average annual rate of increase.

We now import all the coking coal needed for steel production and at least 25 percent (about .5 million tons) of steel scrap. The fact that we are producing 28 percent of our steel by the electric process (and this percentage is increasing) has forced us to increase imports of scrap. Of course, the situation in steel production would be entirely different if we had hard coal, because without coking coal there is no steel or steel products. According to this modest version of the plan, the consumption of coking coal would increase a little less than 8 percent in 1982 compared to 1981 (according to the maximum version of the plan, it would increase about 20 percent, which is less possible, since investments for completing capacities which have been started are rapidly diminishing).

Efforts are being made to replace imported coal with domestically-produced semi-coke which has been used with some success in some of our ironworks. All the above assumptions are, however, based on results achieved in ferrous metallurgy in 1980, because final figures for operations in 1981 are not yet available.

We must face the fact that the iron content in our ore has also declined somewhat from year to year. This raises the question of large investments for ore mines which brings into question finally the profitability of producing steel and steel products. We have to import about 2 million tons of iron ore or about 30 percent of our total needs. We can import better ore more cheaply, except that this requires foreign exchange. Ore production should be increased about 50 percent if we want to produce corresponding amounts of iron and steel. Under the circumstances, this will certainly not be easy.

Also needed up to 1985 are investments in metallurgical capacities totaling about 144 billion dinars. The structure of operating funds in ferrous metallurgy are not such that, even with good operation, optimal capital accumulation would be guaranteed. The high level of indebtedness to foreign and domestic creditors seriously threatens the rate of reproduction. Of special concern is the high share of foreign loans which in the basic part of the industry have climbed above the one-half mark, or considerably more than the average indebtedness of the domestic economy.

CSO: 2800/187

## BRIEFS

ARREST FOR FLORIDA INVESTMENT ADS--The author of the announcement that 1,000 square meter sites are for sale for $4,500 at Cape Coral on the Gulf of Mexico in the southwestern part of Florida is in prison. The Secretariat for Internal Affairs of Skopje uncovered the speculations of Skopje citizen Slobodan Spirovski (36), innkeeper temporarily employed in Sweden, who "offered sites" through newspaper advertisements, thus wanting to earn money in this easy way. Charges have been brought against him. Todor Kirovski, inter-opstina magistrate judge in Skopje, sentenced the accused to 30 days in prison for violations against public peace and order and for spreading false information. It was established in the investigation that the accused had no documents from a firm or an individual empowering him to sell building sites, nor did he even possess official documentation on these sites. In addition to the above, Spirovski is charged with violating the law on trade of goods and services with foreign countries and the regulation on representing foreign firms. [Excerpt] [Belgrade BORBA in Serbo-Croatian 15 Jan 82 p 7]

ADVANCED SCHOOL CUTS IN SERBIA--The advanced school network in Serbia (not including the provinces) will soon be reduced by 30 percent. Schools will be "weeded out" which are training surplus cadres; some related educational facilities will be merged, while many which duplicate the work of others will be eliminated. (There are as many as five schools in Belgrade which provide hotel training). These radical cuts in the advanced educational structure are part of the policy to cut funds for general public and common needs. It is certain that the social sectors, thus also advanced schools and faculties, will have to tighten their belts this year and in the following years. For years, namely, there has been an increasing inflow of highly trained young people, largely [trained for employment] outside the production sectors, who have become the largest category of unemployed. Most of the approximately 262,000 who are seeking work in Serbia are young people. The annual number of new jobs, namely, 67,000, is 12,000 less than the number of new school graduates [entering the labor market each year]; and the conditions for employment will be no better this year. Because of the reduction of investments and other economic stabilization measures, the employment rate will increase by only about 2 percent. The school system will have to adjust to the needs of associated labor, it was recently said at a meeting of the Serbian executive council. At the same time students who choose training for production work will have preference in regard to credits and stipends, as well as rooms in student centers. The first steps have already been taken. This year 22 percent fewer students are enrolled at faculties and an increased number are electing to attend secondary [profession-] oriented schools. [Excerpt] [Belgrade BORBA in Serbo-Croatian 17 Jan 82 p 4]

SHIPBUILDING IN 1981--Last year was very successful for our shipbuilders; not one shipyard registered a loss, although in the last few years this was a regular phenomenon. Although the annual balance sheet has not yet been completed, it can be said that Yugoslav shipyards last year built, as planned, $230 million worth of vessels for the foreign market. The "Uljanik" shipyard in Pula held first place with eight ships; the "Split" shipyard built six ships, including two tankers for transporting chemicals with a carrying capacity of 26,300 tons each. The "Treci maj" shipyard in Rijeka also completed six ships. In 1982 Yugoslav shipyards have contracts to build more than $400 million worth of ships, most for the convertible-currency area; this is a total of 16 ships but the tonnage is considerably more than that built and delivered in 1981. [Excerpts] [Belgrade PRIVREDNI PREGLED in Serbo-Croatian 7 Jan 82 p 1]

SHIP EXPORTS--Last year of the approximately $250 million worth of ships exported by Yugoslav shipyards, $242 million were for buyers from the convertible-currency area. Also last year, our shipbuilders concluded contracts to build 21 ships which will be delivered by the end of 1983. Of these, 16 are domestic orders. Final negotiations with foreign buyers are underway, so full employment for our shipyards should be assured. It is also realistic to expect optimum utilization of our shipyard capacities for this and the next 3 years. In the last medium-term plan Yugoslav shipyards exported over $1.55 billion worth of ships. [Excerpt] [Belgrade PRIVREDNI PREGLED in Serbo-Croatian 8 Jan 82 p 1]

RAILROAD TRANSPORT--A total of almost 78.8 million tons of freight was transported by the Yugoslav railroads in 1981 which is 1.8 percent more than in the previous year but 1.5 million tons below the plan. Although the plan was not fulfilled, one should not be entirely dissatisfied, because equipment is old and the railroads have lagged behind in development. There are realistic prospects for providing about 33-1/2 billion dinars by the middle of this decade to purchase 100 electric locomotives, 54 diesel and switching locomotives, 24 electric-motorized and 46 diesel trains, as well as 13,100 freight and 600 passenger cars. One-half of the passenger cars will be capable of speeds up to 160 kilometers an hour, while the other half will have speeds up to 200 kilometers an hour. These faster cars are earmarked for international trains. [Excerpts] [Belgrade PRIVREDNI PREGLED in Serbo-Croatian 7 Jan 82 p 12]

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# East Europe Report

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2228

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4 February 1982

# EAST EUROPE REPORT

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2228

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East Berlin DEUTSCHE AUSSENPOLITIK in German Vol 26 No 11, Nov 81 (signed to press 2 Oct 81) pp 73-87

/'Investigation and Surveys' feature article by Dr Paul Freiberg and Dr Juergen Nitz, Institute for International Politics and Economics (IPW), East Berlin: "Trends and Problems in East-West Economic Relations on the Threshold of the 1980's." Translations of articles cited in footnotes below are published under quoted headings in the following JPRS issues of this series: Footnote 5--"Prospects for East-West Economic Cooperation Examined," by Monika Wandrow, IPW, 74023, 16 Aug 79, No 1925, pp 1-14; footnote 12--"Socialist-Capitalist Economic Relations Problems Analyzed," by Juergen Nitz, IPW, 69571, 9 Aug 77, No 1659, pp 1-124; footnote 24--CEMA Efforts to Reduce Trade Deficits Analyzed," DIW-WOCHENBERICHT article by Jochen Bethkenhagen, German Institute for Economic Research (DIW), West Berlin, 75896, 17 Jun 80, No 2017, pp 1-17; footnote 27--"Development of CEMA Ties With Japan Outlined," by Paul Freiberg, IPW, 78531, 16 Jul 81, No 2150, pp 1-10. Other articles on the subject by Freiberg and/or Nitz are translated under quoted headings in the following JPRS issues of this series: "Socialist-Capitalist Cooperation in Third World Advocated," 73336, 30 Apr 79, No 1889, pp 22-46; and "Socialist-Capitalist Economic Relations Analyzed," 66610, 19 Jan 76, pp 12-49. A translation of the SED Directive on the 1981-85 Five-Year Plan, cited in footnote 30, is available in JPRS 78163, 27 May 81, No 2130 of this series, pp 2-56. For a West German analysis of the Directive and for excerpts of the 1981-85 Plan and of the 1982 plan and budget, see translations published in the following IPRS issues of this series: 79108, 1 Oct 81, No 2181, pp 42-56 and 79769, 31 Dec 81, No 2216, pp 7-29, respectively/

/Text/ At the Tenth SED Congress Erich Honecker noted that, based on our economic relations with the socialist countries, we will in future also develop and extend our foreign trade with the capitalist industrial countries, because such trade serves peaceful coexistence and encourages economic growth in the GDR.

"We advocate...that our trade with these countries be conducted on the basis of equality, free from any discrimination, obstacles and restrictions. It should proceed on a long-term and stable contractual basis."[1]

At the Twenty-sixth CPSU Congress L.I. Brezhnev uttered the same sentiment when he stated:

"We are in favor of developing trade and economic relations with the West too. Actually that is one of the factors for the stabilization of international relations."[2]

These and similar statements at the party congresses of other fraternal parties reflect the trend of the growing internationalization of economic life as an objective inevitability of our age. That does not only apply to economic relations within the socialist and capitalist worlds but also to those between them.

The directives of the party congresses of communist and workers parties in the CEMA countries talk of the further expansion of economic relations with the capitalist industrial countries. This is based mainly on the close economic cooperation among the CEMA countries within the framework of socialist economic integration and the long-term stable economic growth of the countries in the socialist community; it is also due to some favorable results achieved in East-West economic relations in the 1970's consequent upon political detente. Especially in conjunction with the conclusion of the CSCE /Conference on Security and Cooperation in Europe/ this provided important prerequisites for the internationalization of the productive forces in countries with varying social systems to become more effective despite many divergences.

When we appraise the development of East-West economic relations in the 1970's, we note the following:

1. Foreign trade turnover between capital industrial (OECD) countries and the CEMA member countries rose from $13.5 billion in 1970 to $46.5 billion in 1975 and $79.8 billion in 1979; in other words it rose more than 6-fold in the course of this decade.

That favorable trend continued through the beginning of the 1980's. In 1980, for example, foreign trade turnovers between the groups of countries mentioned rose to $91.5 billion. At the same time the CEMA countries--consonant with their state directives--succeeded in more strongly developing exports.

It is remarkable that the development of reciprocal foreign trade turnover has remained relatively stable despite constant discrimination, restrictive practices and other barriers on the part of the Western countries and despite the economic crisis which hit the capitalist industrial countries in the mid-1970's (see table 1, appendix). This is a powerful testimonial to the rising interest of capitalist business circles in profitable economic relations.

2. East-West trade assumed greater importance for all countries concerned.

This is exemplified by the share of the capitalist industrial countries in the foreign trade of the CEMA countries. In 1955 this amounted to only 19.7 percent, in 1970 to about 23 percent; since 1975 it has risen to an average of 30 percent (even more for some CEMA countries and in some years, see table 2, appendix).

For the capitalist countries of Western Europe and Japan trade with the promising markets of the socialist countries has gained in importance. The lion's share of East-West trade is held by Western Europe (1980: 86 percent) and especially the

EEC region (1980: 67 percent of total East-West trade and 78 percent of Eastern trade with Western Europe); Japan's share is 7-8 percent, that of the United States less than 8 percent.

3. The types and methods of economic cooperation underwent a qualitative development in the 1970's. New and more intensive types of cooperation evolved. These include compensation projects, cooperation on third markets, scientific-technological cooperation, production cooperation, licensing, mixed companies--especially on the territories of Western countries--, growing credit relations.

Precisely these new types of cooperation illustrate the interrelation between politics and economics, the fact that the international division of labor depends on the international climate, the progress of detente, mutual confidence as the precondition for all-round cooperation. Such division of labor as represented by the types listed develops successfully only in conditions of international security. In the 1960's, in the light of the after effects of the cold war, such types arose only tentatively; influenced by the international detente beginning in the 1970's, they developed far more strongly, especially from the mid-1970's on. This was demonstrated by the fact that more than 2,000 cooperation contracts were concluded in that decade, up to the early 1980's.[3] It was noted at the 35th ECE Conference in April 1980 that some 30 percent of East-West trade were realized on the basis of cooperation contracts which were the most widespread of the new types of cooperation. In view of the advancing international division of labor, this responds to the international trend and has favorable results for both parties. For the average of the CEMA countries the growth rates of cooperation deliveries are twice or three times greater than the general rate of growth of their foreign trade turnover with the capitalist industrial countries.[4] In 1975 a third of the CEMA countries cooperation agreements involved production specialization with capitalist firms; by the end of the 1970's this proportion had risen to about 50 percent.

Up to now most cooperation agreements were concluded in the sectors machine construction, electrical engineering/electronics and chemicals. Lately cooperation agreements have been added in the iron and steel sector as well as in light industry.[5]

4. The dynamic development of trade and economic relations between the CEMA countries and capitalist industrial countries as well as the variety of types of economic cooperation would have been impossible without simultaneous advances in the development of financial and credit relations. Indeed, the search for types of financing largely adequate to the intersystemic nature of East-West economic cooperation favored and to some extent made possible the development of such types of economic relations as cooperation, compensation and licensing. The ensuing more active role of banks and the expansion of banking relations as well as the rooting of financing and credit issues in international agreements contributed a great deal to cooperation.

5. Another trend surfaced in the second half of the 1970's, namely that many of the projects carried out in East-West economic cooperation increasingly demonstrated multilateral features. This holds true especially for large-scale projects. Currently some 100 such major projects are in the process of implementation, 70 of them by the USSR.

6. New qualitative advances in East-West relations arose in the 1970's by the evolution of an essentially new international mechanism of such collaboration, which was created concurrently with the contractual bases of political relations. It was reflected mainly in bilateral and multilateral agreements, long-range programs of cooperation (sometimes for 10-15 years) and the institutionalization of this cooperation (by way of, for example, mixed government commissions, study groups, joint chambers of commerce, economic councils, and so on).[6]

Examples are the long-term 1980-1990 agreement between the USSR and France (1979), the May 1978 agreement on the development of the deepening of long-term cooperation in industry and business between the USSR and the FRG (concluded for 25 years), the long-term trade and payments agreement 1980-1990 between the GDR and Austria (November 1980) and the long-term agreement on trade and shipping between the GDR and Japan (May 1981). Such long-range agreements add stability to international relations.

Here we see demonstrated the close interrelation of economics and politics: Rooted in these agreements are those standards and principles of international economic relations, which are fundamental to the principles of the socialist countries foreign policy and represent the only possible basis for relations between countries with differing social systems. They ensure equal and mutually profitable cooperation and prevent political conditions from being imposed or unilateral benefits achieved. These treaties and agreements are a qualitative advance in international relations between socialist and capitalist states. However, such qualitative progress is possible largely in conditions of steadily deepening detente. That is shown very clearly by the 1970's, especially the years following Helsinki. The Helsinki agreements provided a strong impetus to the further evolution of East-West economic relations, a fact impressively demonstrated by the many new agreements and contracts concluded since then between socialist and capitalist signatories of the final act.

In the past 5 years the GDR too has greatly expanded the system of international contracts and agreements. The more than 190 contracts and agreements concluded by the GDR since Helsinki with the majority of Western states cover all sectors of the CSCE final act and are an important base for actual cooperation in economic and technical fields also.[7]

Economic Relations Require Detente

At the end of the 1970's the all-round beneficial effects of political detente on East-West economic relations were countered increasingly by factors which turned into a negative trend for the development of international relations and, therefore, economic relations between countries with differing social systems.

The connection between economics and politics to which economic relations between countries with differing social systems are particularly subject, was most evident at the threshold of the 1980's. The struggle for peace entered a phase of more intense conflict. Certain imperialist circles, especially in the United States, preferred confrontation to detente; they put their trust in the arms race and are now speeding it up; they are striving for military superiority over the socialist community. That was demonstrated in the NATO arms modernization plans such as the

1978 NATO long-range program, the 1979 missile program, the so-called new nuclear strategy and the resumed activity relating to the introduction of the neutron weapon. These are plans which are to be implemented by the aggressive imperialist circles despite the resistance of broad strata of the European public and in total disregard of the deadly perils arising therefrom for densely settled Europe.

The further pursuit of this aggressive imperialist policy, another round of increased rearmament, especially the emplacement of a new missilie generation in Europe and the ensuing further exacerbation of the international situation, would certainly not leave East-West economic relations untouched and put at risk those successes which were achieved in the 1970's.

The crucial question now is that of setting at nought the confrontation policy of aggressive imperialist circles. It is the common obligation of all peace loving forces to oppose any policy involving another arms race and confrontation. This would also have a favorable effect on the future of economic cooperation between countries with differing social orders. Therefore, as Erich Honecker noted at the Tenth SED Congress, one of our priority foreign political targets is the steady and persistent work "for the security of peace, for an end to the arms race with the aim of protecting and expanding political detente, stabilizing and making it irreversible in particular by military detente and disarmament."[8]

The socialist countries consistently advocate the expansion of relations of peaceful coexistence with the capitalist countries as well as for the intensification of contacts and agreements with the aim of deepening collaboration in the interest of peace and mutual benefit.

Though, as L.I. Brezhnev noted at the Twenty-sixth CPSU Congress, the development of trade and economic relations with the West is one of the factors for the stabilization of international relations, the socialist countries cannot agree that these relations should be subordinated to aggressive imperialist policies and misused as a means to exert political pressure on the socialist world. As L.I. Brezhnev emphasize, "the politics of the capitalist countries too must be taken into account. They attempt quite frequently to exploit their economic relations with us as a means for exerting political pressure. Do we not have proof of this in the bans and discriminatory restrictions of various kinds in trade with this or that socialist country?"[9]

We cannot yet speak of equal and nondiscriminatory trade, of trade for the mutual profit in the most comprehensive meaning. Just lately imperialist circles have once again constructed many obstacles in the political as well as the economic sector. The aggressive policy of U.S.imperialism is particularly involved. In connection with such topics not at all concerned with East-West economic relations as USSR aid for the Afghan people, U.S.imperialism attempts to use its economic relations with the socialist countries to exert political pressure. In the case of the People's Republic of Poland also the enemies of socialism try to guide developments in that country on counterrevolutionary lines, not least by the misuse of international economic relations.[10]

Actually the facts show that the most reactionary circles of imperialism began, long before their lying allegation of "Soviet intervention" in Afghanistan, to

undermine the detente in the international situation, which began in the 1970's, to gain influence--hostile to detente--on foreign and foreign trade policies especially in the United States, and to produce an exacerbation of the situation. At least two stages of such efforts are apparent in the field of economic relations:

-- The first phase began with U.S.discriminatory trade legislation in 1974 (this trade legislation made more comprehensive economic relations with the socialist countries subject to discriminatory terms, represented provocative interference in their internal affairs and, in 1975, caused the shipwreck of the U.S.-Soviet trade agreement), and

-- The qualitative exacerbation beginning in 1978, when this trend became more and more obvious, and the Carter Administration adopted massive measures to use trade as a means of exerting political pressure on the USSR (for instance the ban of exports of computers to the Soviet Union, the virtual ban on exports of modern technology such as devices for oil and natural gas exploration).

Though the economic measures were primarily directed against the USSR, they affected all CEMA countries directly or indirectly. This in fact was the intention of their initiators who thereby involved important sectors of international economic relations. They had their crucial and superordinated political and military counterpart in the resolutions (mentioned earlier) adopted by the NATO summits of Washington (May 1978) with regard to the long-term program and East-West studies, of Brussels (December 1979), the steady rise in defense expenditures by the NATO countries, and so on.

In January 1980 the Carter Administration broke an entire series of treaties, international agreements and contracts by unilaterally imposing economic sanctions on the USSR. Obviously these were by no means caused by the USSR's aid to the fraternally allied Afghan people and the national liberation movement generally but reflected and directly followed the line long pursued by the most aggressive circles of imperialism. At the same time it is true to say that this exacerbation assumed another quality, consisting in the further reduction of economic and scientific-technological relations which had already been limited by the discrimination exercised by the United States.

At the present time the economy of the countries in the socialist community has achieved a far higher status, and the industry of the CEMA countries is quite capable of supplying the socialist community with virtually all kinds of modern and complex equipment. Consequently doomed to disappointment are the hopes of U.S. circles and other NATO politicians of being able to stem the development of socialism by discriminatory measures. Imports from capitalist countries, including the United States, have never been vital for the creation and development of the industrial base of the socialist countries. In the first 3 years of the Tenth Five-Year Plan, for example, the USSR invested R130.3 billion in equipment but imported machines and equipment from the United States for only R1.2 billion.[11]

The lessons of history--the experiences of the postwar period--therefore demonstrate that economic sanctions have never been suitable means for the settlement of political issues.[12] Embargoes tend rather to undermine international cooperation as a whole and create new obstacles to trade which is anyway burdened with the protectionist measures of some Western countries.

The growing protectionism of capitalist countries in particular, added to the embargo policies of Western circles, has resulted in serious disruptions and burdens with regard to the evolution of mutually profitable trade relations. At the end of the 1970's we observed a new quality in the protectionist measures used by the capitalist countries. These affected not only large segments of capitalist world economic relations but also important sectors of economic relations between socialist and capitalist countries.[13]

By comparison with their treatment of imports from capitalist countries, our capitalist trading partners persist, for example, in imposing on us higher customs tariffs, an extensive list of goods subject to quantitative limitations and licensing obligations as well as a complicated procedure for the settlement of trading transactions. Subject to import restrictions, for example, are some 40 percent of the products exported by the CEMA countries to the EEC region.[14]

New and artificial barriers complement the old obstacles. Examples of such new barriers arbitrarily erected against the socialist countries are the resolution adopted in 1978 by the EEC to introduce restrictions on the commercial operations of socialist shipping companies, so-called anti-dumpting proceedings against exporters from the socialist countries, which were later canceled due to their evident untenableness, and also the imposition of new duties with protectionist aims or the demand for so-called "voluntary" export limitations.

These new and artificial barriers--motivated by political or economic considerations --complement the old obstacles and halted thereby is the process of the normalization of trade terms, which is so important for the development of equal and mutually profitable relations. Instead such discriminatory measures strengthen the general uncertainty in international economic relations and destabilize the situation of world trade. They obstruct the development of long-range production cooperation or the implementation of major projects, in other words precisely those new types of economic relations between socialist and capitalist countries, which are most promising and to which even ECE estimates attribute the best prospects for the 1980's, because they would ultimately serve to expand the traditional types of trade exchange. Finally such discriminatory measures violate multilateral treaties and agreements such as the CSCE obligations solemnly incurred by all countries at Helsinki.

The development of financing and credit relations also was constantly impeded by the imperialist countries, although in Helsinki they had accepted the obligation to "deal with them with a view to contributing to the steady expansion of trade." This involved not only the effects of increasing inflationist pressure but also attempts to coordinate the export credit policies toward the socialist countries within the scope of the EEC and OECD, especially attempts to limit favorable credit terms. And yet many international agreements are particularly concerned with the realization of favorable credit terms.

Lately many of those factors adversely affected East-West economic relations, which were due to the internal economic developments in capitalist countries and arose from the chronic crises there. They included:

-- The trend to a slowdown in economic growth in the capitalist industrial countries.

-- The relatively slow rate of capital accumulation, especially after the mid-1970's crisis in the major capitalist countries;

-- The chronic inflation in the capitalist countries;

-- The increasing instability of the capitalist monetary system; to be cited here as an example is the steady decline of the U.S.dollar.

The worsened situation on the capitalist world market resulting from these and other features has for some time represented a significant handicap for the deepening of cooperation and the division of labor between socialist and capitalist countries. Most of all it has impeded the marketing opportunities on the capitalist world market and the evolution of stable economic relations.

According to the latest annual report by the International Agreement on Tariff and Trade (GATT) of 17 September 1981, world trade continues to suffer as a result of the economic crisis in the capitalist countries. The report states that the international exchange of goods stagnated in the first 6 months of 1981 due to inflation, unemployment and budget deficits, and that the value of this exchange, calculated in dollars, has actually declined.

Realistic Attitudes Must Prevail

Obstacles to international economic relations between socialist and capitalist countries--and this awareness is gaining ground--ultimately do most damage to the capitalist companies which have major contracts with the foreign trade organizations of the socialist countries. American firms estimate that they have lost $7-8 billion as a consequence of the recent discriminatory measures adopted by the U.S.Administration. FRG companies suffer annual losses in the amount of about DM16 billion resulting from export bans directed against the socialist countries. Canadian, Japanese, Italian and other firms also are compelled to accept giant losses for these reasons.[15]

Among the capitalist states the West European countries are the leading trading partners of the socialist countries. They sell mainly finished goods on the socialist market, primarily machines and equipment which, in the 1970's, accounted for about a third of the goods imported from capitalist countries by the socialist community. The products of machine construction from capitalist countries represented some 80 percent of the CEMA countries total imports of these goods. Sold on the socialist market were 9-12 percent of the output of machine construction in the FRG, France, Italy, Switzerland, Denmark and Sweden. In the case of Austria these sales amounted to 25 percent of the total, of Finland to 33 percent, with an average of 7-8 percent for the capitalist industrial countries as a whole. Orders from the CEMA countries safeguarded the jobs of some 2 million working people in Western Europe.[16] In view of nearly 9 million unemployed recorded at the beginning of 1981 in the EEC region alone, this means more than 8 percent of persons gainfully employed in the EEC, certainly not a negligible figure, especially because, in the view of West European economic research institutes, no significant business revival is to be expected in Western Europe, and the HANDELSBLATT talks of "stagnation at the EC level."[17]

It is therefore not surprising that all realistically thinking politicians and businessmen, especially in West European countries, openly reject such attempts to disrupt East-West economic relations as those of the U.S.Administration to involve other Western countries in their policies directed against detente and mutually profitable economic cooperation.

France adopted a particularly unequivocal attitude against the eforts to impose a political boycott on the CEMA countries.[18]

As far back as the 1960's France began to follow a political line of increased cooperation with the socialist countries, although that process was not always free of contradictions. The economic factor was of quite some importance in this context. The causes of the French attitude vary; they are to be found in political, economic, trading and scientific-technological considerations, the powerful pressure of anti-imperialist forces within the country and, not least, in the realism of certain circles of the French bourgeoisie. This unmistakeable attitude of the French was demonstrated by, for example, the conclusion in late March 1980 of a contract for the delivery to the USSR of two French turnkey plants for the production of oilwell equipment, worth F500 million,[19] that is at a time when the Carter embargo measures were at their highest point, or the 10-year agreement signed in April 1980 on economic, industrial and technical cooperation between the GDR and France.[20]

The ambiguity in the attitude of most major NATO countries is demonstrated in the fact that they approve the NATO arms modernization, increase their arms budgets and profess "solidarity" with the United States on the one hand yet, on the other, wish to secure their solid economic interests in East-West trade.

Trade with the CEMA countries also holds considerable significance for many industries and firms in the FRG, though its government stands out by strongly defending NATO arms modernization in Western Europe despite the growing resistance of broad circles of the public. This is demonstrated by the annually rising volume of this trade and the circumstance that almost 28 percent of the OECD countries total East-West trade are accounted for by the FRG, furthermore by the fact that this trade is particularly important for some FRG industries such as the iron and steel industry, machine construction and energy supply. A considerable proportion of these industries total exports and imports involves the CEMA countries. In view of the more than 1 million strong army of unemployed it is certainly not a negligible matter that orders from socialist countries secure jobs and provide wages and bread for about 500,000 FRG citizens,[21] and that approximately 6,000 FRG firms handle orders from CEMA countries.[22]

For instance, 19.2 percent of total steel exports flow to the CEMA countries; in the case of machine tools and rolling mill products such exports account for 17.6 percent and of iron goods for 13.9 percent. In 1980 the Mannesmann-Roehrenwerke used 70 percent of their capacity to carry out Soviet orders. As regards the Salzgitter Corporation, the export volume transacter in 1979 with the socialist countries amounted to DM700 million, about 25 percent of the firm's total exports; in the case of the Hoechst Corporation about 9 percent of the 1978 business turnover was accounted for by such exports.[23]

At the same time the FRG obtains from the CEMA member countries 13.2 percent of its total imports of semifinished goods, 35.8 percent of coal imports, 16 percent of oil and natural gas imports, 12.9 percent of copper imports and 14.3 percent of cotton imports. Comparative figures of other raw materials are 43 percent for palladium, 38 percent for enriched uranium, 27 percent for molybdenum powder, 23 percent for ferrochrome, 21 percent for crude titanium, 7 percent for crude nickel and 17 percent for phosphates.[24]

This shows that the growth of many FRG industries and their supplies of raw materials are indivisibly linked to economic relations with the socialist countries and proves the naivety of any talk of "Moscow's dependence on Western deliveries," especially bcause FRG corporations have in the past recorded sorry experiences with embargos imposed against socialist countries.

In Japan also more and more people advocate the abolition of barriers which impede mainly economic relations with the USSR and in many respects derive from the pressure exerted by the Carter Administration. This realistic attitude is reflected, for example, in Prime Minister Zenko Suzuki's statement (shortly after his assumption of office) that relations with the Soviet Union "are very important for Japan." He added that it was therefore necessary "to revive the friendship between the two countries, because this is needed both from the aspect of peace and stability in Asia and that of mutual benefit and the prosperity of the two countries."[25] Siberian deposits of oil, natural gas, coal and timber are not only promising and located in geographical proximity to Japan, they also offer an opportunity for the greater diversification of raw material supplies. Already Japan meets its needs for some raw materials to a considerable extent by imports from the USSR, in the case of lumber to about 19 percent, potash salt 16 percent, aluminum 15 percent, nickel 22 percent and cotton 14 percent. The growing Japanese interest in the expansion of these relations is demonstrated by the long-term agreement on the exchange of goods and payment transactions 1981-1985, concluded in May 1981 with the USSR.[26]

The visit to Japan by Erich Honecker, general secretary of the SED Central Committee, in May 1981 also showed the great interest in the expansion of economic relations with the socialist countries. This is reflected in the long-term treaty on trade and shipping concluded on the occasion of this visit by the GDR and Japan.[27]

Countries like Finland and Austria have a very favorable attitude to East-West economic relations, but the governments of Sweden and Switzerland and even such NATO members as Greece and Turkey also have clearly rejected all sanctions, especially of an economic nature. Swedish Foreign Minister Ola Ullsten, for example, stressed in April 1980 that Sweden rejected economic sanctions as a matter of principle.[28]

Opportunities for the 1980's

The results of the 1970's, especially the qualitatively new trends in East-West economic relations, provide promising prospects for economic cooperation between socialist and capitalist countries in the 1980's. The CEMA states oppose the largely destructive line of certain imperialist circles by a consistent policy of the all-round development of international trade and economic relations, free of discrimination and artificial barriers.

When we assess the prospects of East-West economic relations in the 1980's, we must note first of all that the stable economic development of the CEMA member countries represents a favorable factor for international economic cooperation in this decade too. In the course of his visit to Japan Erich Honecker stated:

"In this decade also the German Democratic will be a reliable, efficient and stable partner for all those who desire peace, detente and disarmament, for all those who are interested in peaceful trade and international economic cooperation based on mutual profit."[29]

The latest party congresses of communist and workers parties in the CEMA countries have shown that these countries are prepared to create every prerequisite for further developing international economic relations, including those with the capitalist countries. The economic strategy on the development of the national economies concerned, adopted by the various party congresses, serves this goal. The directive of the Tenth SED Congress, for example, says:

"The GDR endeavors in the period through 1985 to develop trade with the capitalist industrial countries on the basis of equality and reciprocal profit."[30]

At the same time the directive lists the means and criteria for achieving this goal: "It will be necessary fully to meet the qualitatively new criteria for the development of output for export as well as for the quality, extent of refinement, competitiveness on the world market and efficiency of our export merchandise. We must devote greater attention to the demand on foreign markets and adjust our foreign marketing organization to the conditions on international markets; products must be exported at the best possible foreign exchange prices, the efficiency of market research raised and customer service and spare part supplies further improved."[31]

Still, we must never disregard the close connection between economics and politics when assessing the opportunities for the 1980's in the sphere of East-West economic relations. It will be possible to develop comprehensive and equal cooperation for the mutual profit only if detente continues and military detente complements political detente. Peaceful coexistence, the strengthening of peace and the curbing of the arms race are the only possible approach to the expansion of economic cooperation.

On this basis there is every chance for further expanding foreign trade between the socialist and capitalist countries, developing especially the new types of cooperation, bases of agreements and mechanisms, and to give new impetus to scientific-technological cooperation. Consonant with topical scientific-technological needs we might then tackle such projects as rational energy use, technological problems of energy production, the replacement of scarce industrial raw materials, technology transfer and international research cooperation.[32] An important impetus could be supplied by an all-European congress on problems of energy supplies and traffic as proposed by the socialist countries. Other favorable effects could be expected from an agreement on the bases of relations with the EEC, which the CEMA countries already proposed 5 years ago. The draft then provided for the abolition of trade barriers by customs tariffs and other measures, for a most favored nation clause and the creation of other conditions needed for successful cooperation. Unfortunately these proposals have been rejected up to now.

The CEMA member countries wish for the expansion and consolidation of foreign trade relations with countries of differing social systems is basic and demonstrates the constant endeavor of the states of the socialist community to achieve peace. It maintains its relevance in the 1980's too.

## FOOTNOTES

1. "Bericht des Zentralkomitees der Sozialistischen Einheitspartei Deutschlands an den X. Parteitag der SED" /SED Central Committee Report to the Tenth SED Congress/, Berlin 1981, p 85.

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3. "Trade--A Factor in the Stabilization of International Relations," PROBLEME DES FRIEDENS UND SOZIALISMUS, Berlin-Prague 1981, No 5, p 719.

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5. See M. Wandrow, "Types of Industrial Cooperation Between Socialist States and European Capitalist Industrial Countries," IPW-BERICHTE, Berlin 1979, No 4, p 28.

6. M. Maksimova, "Some Problems of the Transformation of International Economic Relations," WELTWIRTSCHAFT UND INTERNATIONALE BEZIEHUNGEN, Moscow 1980, No 9, p 14 (in Russian).

7. See "SED Central Committee Report..." as before, p 26.

8. Ibid, p 31.

9. See "Twenty-sixth CPSU Congress..." as before, p 13.

10. Ibid, p 14.

11. See PRAVDA, Moscow, 29 February 1980.

12. See J. Nitz, "Problems of Economic Relations Between Socialism and Capitalism," IPW-FORSCHUNGSHEFTE, Berlin 1977, No 2, pp 37ff.

13. See L. Sabelnikov, "The 'New' Protectionism in the Foreign Trade Policies of Capitalist Countries and Its Possible Consequences," AUSSENHANDEL udSSR, Moscow 1980, No 10, p 30.

14. See "Trade--A Factor...," as note 3, p 720.

15. Ibid, p 720.

16. See S. Bogatov, "Detente: Assets and Liabilities," NOVY MIR, Moscow 1981, No 4, p 7.

17. HANDELSBLATT, Duesseldorf, 4 March 1981 and 23 March 1981.

18. See P. Freiberg, "France's Realistic Attitude to Foreign Trade Relations with the CEMA Countries," IPW-BERICHTE, Berlin 1980, No 9, p 34.

19. See AUSSENHANDEL UdSSR, Moscow 1980, No 6, p 41.

20. See NEUES DEUTSCHLAND, Berlin, 25 April 1980.

21. See IZVESTIYA, Moscow, 28 May 1980.

22. See S. Bogatov, as before, p 7.

23. See DIE WELT, Bonn, 26 September 1979; FRANKFURTER ALLGEMEINE ZEITUNG, 23 April 1980.

24. DIE-WOCHENBERICHT, West Berlin 1980, No 15, pp 168-171; BLICK DURCH DIE WIRTSCHAFT, Frankfurt/Main, 9 February 1980.

25. THE JAPAN TIMES, Tokyo, 10 August 1980.

26. NEUES DEUTSCHLAND, Berlin, 23/24 May 1981.

27. See P. Freiberg, "Japan's Foreign Trade Relations with the CEMA Countries," IPW-BERICHTE, Berlin 1981, No 5, p 42; same author, "Aspects of Japanese Foreign Trade Strategy," DEUTSCHE AUSSENPOLITIK, Berlin 1981, No 10, pp 78ff.

28. See NEUES DEUTSCHLAND, Berlin, 16 April 1980.

29. NEUES DEUTSCHLAND, Berlin, 28 May 1981.

30. "Direktive des X. Parteitages der SED zum Fuenfjahrplan fuer die Entwicklung der Volkswirtschaft der DDR in den Jahren 1981 bis 1985" /Tenth SED Congress Directive on the Five-Year Plan for the Development of the GDR Economy in the Years 1981-1985/, Berlin 1981, p 36.

31. Ibid, p 37.

32. See "Good Economic Relations Improve the Political Climate. Speech by Bernhard Neugebauer, GDR Deputy Minister for Foreign Affairs, at the 36th ECE Plenary Meeting," AUSSENPOLITISCHE KORRESPONDENZ, Berlin, No 14, 10 April 1981, pp 110/111.

Appendix

Table 1--Development of Foreign Trade Between the CEMA Member Countries and the Capitalist Industrial Countries (total turnover in billion U.S.dollars)

| | | | |
|---|---|---|---|
| 1965 | 7.1 | 1975 | 46.5 |
| 1970 | 13.5 | 1976 | 54.3 |
| 1971 | 15.0 | 1977 | 56.9 |
| 1972 | 18.8 | 1978 | 65.3 |
| 1973 | 26.8 | 1979 | 80.0 |
| 1974 | 35.1 | 1980 | 91.5 |

Source: OECD, Paris, Statistics of Foreign Trade, Series A current.

Table 2--Share of the Capitalist Industrial Countries in the CEMA Countries Foreign Trade Turnover (percentages)

| CEMA Countries | 1960 | 1970 | 1975 | 1977 | 1978 | 1979 |
|---|---|---|---|---|---|---|
| Total | 22.5 | 23.7 | 30.0 | | | |
| Bulgaria | 13.1 | 16.6 | 17.0 | 12.6 | 12.4 | 15.0 |
| Hungary | 23.4 | 28.4 | 24.4 | 33.1 | 34.8 | 35.2 |
| GDR | 21.1 | 24.4 | 25.9 | 23.7 | 22.7 | 26.0 |
| Cuba | 69.6 | 24.5 | 31.5 | 20.0 | 13.8 | |
| Mongolian People's Republic | 0.3 | 0.9 | 1.1 | 1.8 | 1.4 | 1.2 |
| Poland | 29.7 | 27.1 | 41.3 | 37.8 | 36.2 | 34.6 |
| Romania | 22.3 | 35.8 | 36.7 | | | |
| USSR | 19.0 | 21.3 | 31.3 | 29.6 | 28.0 | 32.1 |
| CSSR | 17.8 | 22.4 | 22.4 | 21.1 | 20.7 | 22.1 |

Compiled from: Statistical Yearbooks of the CEMA member countries, 1975-1979; "EAst-West Economic Relations. Problems and Opportunities," Moscow 1976 (for 1960 and 1970).

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## CEMA EFFORTS IN MINERAL RAW MATERIAL EXPLOITATION CITED

East Berlin AW--DDR-AUSSENWIRTSCHAFT in German Vol 9 No 46, 11 Nov 81 pp 1-2

[Report by Information and Public Relations Department, DGR Ministry for Foreign Trade: "CEMA Countries Intensify Exploration for and Exploitation of Mineral Raw Materials"]

[Text] The increasingly greater economic power of the CEMA nations, in particular the extent of their industrial production, requires the expansion of the base of mineral raw materials, in which the greater efficiency of geological exploration acquires particular importance. For this reason the CEMA Executive Committee took up these problems, among others, at its 101st meeting in October this year and established various practical measures to intensify cooperation. Among them is the development of joint prognoses. These are to aid in finding new ways of cooperation for the long-term solution to the raw material and fuel problem.

One topic of discussion was also cooperation in geological exploration work in the Socialist Republic of Vietnam and in the Mongolian People's Republic.

In the past five-year-plan period the International Geological Expedition made up of interested CEMA nations explored various natural resource projects in the Mongolian People's Republic. At the Executive Committee meeting it was decided to continue this work as well as simultaneously to activate geological exploration in the Socialist Republic of Vietnam.

### Requirement for the Rational Utilization of All Raw Material Resources

At present, a large amount of geological exploration is taking place in the CEMA nations. Production has already begun on a number of projects, and the raw material output of the socialist community of nations has increased.

In the period from 1950 to 1980 the production of oil in the CEMA nations increased from 43.8 million to 617.5 million tons, of natural gas from 9.3 billion to 462 billion $m^3$, of coal from 547 million to 1.36 billion tons and of iron ore from 65 million to 248 million tons. The basis for these successes was planned realization of national geological exploration work as well as the discovery of various raw material deposits in the individual nations.

Despite extensive exploitation the reserves of most natural resources increased due to exploration of new areas of deposit. For their long-term use, however, one must consider that these resources cannot be renewed and that the increasingly complicated

exploration and production conditions require greater investment expenditure. Rational utilization of all resources is therefore considered very important.

An important direction for the multilateral cooperation of the CEMA nations for the purpose of expanding the mineral raw material base is cooperation in the scientific and technological field, in which scientific planning as well as prediction, prospecting and evaluation of the most essential resources is given particular importance. A great contribution to the completion of these tasks is provided by the permanent CEMA Commission on Geology. In the past decade it thus conducted research on 16 problems, which include 59 topics. More than 100 methodological developments, 16 types of facilities and equipment and 10 new technological procedures for the CEMA nations have been developed so far. Among others, the geological division of the territories of the CEMA nations and the SFRY was precisely delineated into oil and natural gas regions, and recommendations were scientifically established for main trends in oil, natural gas and coal exploration or production for the period from 1981 to 1985.

Scientists and experts from the CEMA nations worked out new principles, criteria and prediction methods for the exploration of nonferrous metal reserves as well as for nonmetallic minerals.

An important factor in the cooperation is the joint development of highly efficient technology. Thanks to standardized requirements, the CEMA nations concluded an agreement regarding multilateral specialization in the production of drilling equipment for solid deposits as well as for hydrogeological and engineering-geological drillings.

Long-Term Planning for Joint Research

Cooperation in the CEMA nations is increasingly aimed toward achieving constantly greater efficiency in studying prospective deposit sites. Geologists from the People's Republic of Bulgaria, the Hungarian People's Republic, the FRG, the USSR, the CSSR and the SFRY are working on problems of geology and metal production in the Carpathian-Balkan region and in the Caucasus. Within the framework of their extensive activities, tectonic charts, charts of ore formations and other basic material were prepared. This contributed to better planning for the geological research work in the participating nations and led to the discovery of various deposits of nonferrous metals. Furthermore, the scientific foundations were strengthened for additional geological exploration of iron, manganese, chromium, copper, lead, zinx, bauxite, mercury, antimony, magnesite and other deposits. The experience gathered could simultaneously be used in the immediate planning and realization of geological exploration work in the Carpathians and in the Caucasus.

A notable example of fruitful cooperation by the CEMA nations is, among other things, exploration of the mineral resources of the Mongolian People's Republic. More than 500 deposit sites for various natural resources have been discovered in that country's territory. The International Geological Expedition, which conducted studies in northern Kerulen (Mongolian People's Republic), determined deposits of fluorite, tungsten and molybdenum of the polymetals and gold, silver, fluorite, graphite and useful minerals. This year research work also began in the southern Gobi region of the Mongolian People's Republic. Here, the program for 1981 to 1985 calls for complex geological measurements in order to discover various natural reserves within an area of 68,000 $km^2$.

## Cooperation on the Basis of General Agreements

In January 1979 the People's Republic of Bulgaria, the Hungarian People's Republic, the GDR, Cuba, the Mongolian People's Republic, the USSR and the CSSR signed the agreement for intensified geological exploration from 1981 to 1990 in Cuba, and in 1980 Bulgaria, Hungary, Vietnam, the GDR, the USSR and the CSSR signed a corresponding agreement for the territory of the Socialist Republic of Vietnam. The agreements call for complex geological measurements and prospecting work as well as evaluations of various raw material resources in these countries.

## Exploration of Mineral Resources in the Sea

The study of mineral resources in the sea achieved essential economic and international importance: In order to explore these resources and for the development of new, highly efficient technology for the corresponding geological exploration work, the CEMA nations formed the coordination centers Intermoregeo and Intergeotechnika. On this basis they achieved considerable success in studying the geological structure and features of the distribution of mineral reserves in the Black Sea, in the Baltic Sea and in the Atlantic and Pacific Oceans. Fields of metal-containing nodules were discovered, which, in addition to iron and manganese, contain relatively large deposits of nickel, cobalt, molybdenum, vanadium, zinc, zirconium and rare metals. At the same time samples were scientifically evaluated to determine the oil/natural gas content of the western Black Sea coast and inside the borders of the GDR, the People's Republic of Poland and the CSSR as well as in the Baltic Sea.

## Increasing Exploration of Energy and Fuel Resources

At present, an important task consists in strengthening cooperation between the CEMA nations for the development of methods to predict and explore energy and fuel reserves and other important kinds of mineral raw materials. The discovery and exploration of new raw material and fuel sources is becoming increasingly labor-intensive and costly. Prospecting for new, large, mineral raw material bases often takes place in regions with difficult access.

An effective instrument in solving the tasks of prediction is the "Region" system for regional prediction of mineral deposits according to available terrestrial and aerospace photographs, which was developed at the International Research Institute for Management Problems. The system, developed on the basis of electronic data processing facilities of the ESER [uniform electronic data processing system] series, has been used in many parts of the Soviet Union, among them eastern Siberia, Kazakhstan and in the Caucasus. The system is intended for use in the programs of scientific and technological cooperation between the CEMA nations and the SFRY in working out prediction methods and in compiling charts for the most ore-bearing and non-ore-bearing natural resources, as well as in compiling metal production charts for the European CEMA nations and for Yugoslavia.

Based on the positive results and knowledge which have been gained, the geological agencies of the CEMA nations are now concentrating on conducting even more thorough geological studies of their territories in the next few years and on discovering new reserves of the most important kinds of natural resources.

11949
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## STATUS OF POLISH PARTICIPATION IN FRIENDSHIP GAS PIPELINE NOTED

Warsaw ZYCIE WARSZAWY in Polish 18 Jan 82 p 2

[Text] PAP--According to the estimates of the Ministry of Mining and Energy and the Central Office of Geology, there is no likelihood of a more significant increase in the extraction of natural gas in Poland. We must supplement approximately one-half of the requirement for gas through imports and that situation will also continue in the future. This has resulted in Poland's, as well as the other socialist countries', decision to participate in the construction in the Soviet Union of the "Sojuz" [Friendship] gas pipeline, the largest in the world.

In exchange for constructing the "Polish" section, i.e., the portion of the gas pipeline measuring 596 kilometers in length and the four compressor stations, we received, besides the apportionment of the costs of construction, a "premium" [bonus] in the form of the right to purchase for 20 years, at prices binding in CEMA, of approximately 2.8 billion cubic meters of Soviet natural gas annually, calculating precisely--54.8 billion cubic meters.

The construction of this section cost us approximately 28.4 billion zlotys, while in the apportionment of the costs of the construction we received 435 million rubles. The cost of acquiring the ruble on this construction was, therefore, relatively high, because it amounted to approximately 66 zlotys when it averaged below 40 zlotys per ruble in trade transactions with the USSR in recent years. However, the "premium" in the form of the possibility of obtaining Soviet gas at prices binding in CEMA has to be taken into consideration here.

One can point here to another fact: namely, for us, there is no other source to purchase gas. The deliveries from Algeria or Iran would require tremendous investment outlays, such as the construction of special ships and port installations. In addition, the price of gas on the world market last year amounted to approximately $175 per 1,000 cubic meters, to which would be added the relatively high costs of transport.

On the other hand, last year we were paying approximately 73.4 rubles for 1,000 cubic meters of Soviet gas. Taking into consideration all the factors in 1981 alone, we saved approximately 12.6 billion zlotys in buying Soviet gas, that means, that is how much more we would have had to pay to buy gas from Holland, for example. This is pure theory, for Dutch gas is fully sold in Western Europe.

This means that during 1 year alone nearly one-half of the costs sustained for the construction of the Polish section of the gas pipeline have returned to us.

The profits in the following years will not be so high because the mechanism for establishing prices in CEMA results in their gradually approaching world prices, but that approximation process is gradual and guarantees us, in a short time, full return of costs sustained and the obtaining then of net savings. This is only one of the examples of the form of economic cooperation which exists in CEMA countries. Its basic characteristic is the balancing of benefits and understanding the needs of the partner.

CSO: 2600/219

LAW ON ECONOMIC DEVELOPMENT DURING EIGHTH FIVE-YEAR PLAN

Sofia RABOTNICHESKO DELO in Bulgarian 12 Dec 81 pp 1, 2

[BTA: "Session of National Assembly Concludes—Important Laws on Country's Social Development Passed—Law on Integrated Plan for Socioeconomic Development of Bulgarian People's Republic during Eighth Five-Year Plan"]

[Text] Article 1. (1) In keeping with the main socioeconomic task of the Eighth Five-Year Plan and the directions to be taken for the further socioeconomic development of the Bulgarian People's Republic, as determined by the Twelfth Congress of the Bulgarian Communist Party, and in fulfillment of the motto, "Everything in the name of man, everything for the good of man," the attention of all offices and organizations is to be centered on the comprehensive satisfaction of the people's constantly growing material, spiritual and social needs.

(2) In order to fulfill the main task, efforts during the Eighth Five-Year Plan shall be directed towards the following:

1. A systematic rise in real income and social consumption funds, an increase of marketable goods and public services at an overtaking rate as compared with the population's disposable income, a broadening and improvement of the material and technical base of the comprehensive social services system;

2. Intensification of the economy everywhere with the efficiency of social production and the quality of output steadily rising by virtue of the accelerated adoption of the highest achievements of modern scientific and technical progress and advanced experience in our country and abroad;

3. Rational use of the country's labor, raw-material, energy, and other physical resources and production capacity; and an increase in the high-science character, and a decrease in the energy-intensiveness, materials-intensiveness, capital-intensiveness and labor-intensiveness of output;

4. A rise in the effectiveness of investments by concentration of capital investment, curtailment of the construction front, and elevation of the technical and economic level of the modernization and reconstruction of existing capacities and new projects;

5. Consistent improvement in the material and technical base and the structure of production by correctly echeloning it so as to achieve maximum multiplication effect;

6. Consistent application of the economic approach and the economic mechanism in all spheres and activities of the national economy;

7. Dynamic development of foreign economic relations: broadening and deepening of integration with other socialist countries, improvement of the export and import structure, and a rise in the efficiency of foreign economic activity;

8. Improvement in the territorial concentration and specialization of production; all-round harmonious development of territorial units and settlement systems;

9. Improvement of socialist social relations; bringing about multifaceted personality development and consistently strengthening the socialist way of life.

Article 2. In keeping with the main directions to be taken in socioeconomic development, in 1985 as compared with 1980:

1. National income should grow by about 20 percent;

2. Proportions in the distribution of national income should improve, with the accumulation fund constituting 25 percent, and the consumption fund 75 percent, of the utilized national income;

3. The growth in national income is to be accomplished intensively, the entire gain thereof being achieved by a rise in the social productivity of labor. The social productivity of labor must increase by at least 25 percent in the national economy, and at overtaking rates in strategic production processes.

Article 3. (1) During the Eighth Five-Year Plan special attention must be paid at all levels of social administration to the accelerated development of science and technical progress and the rapid introduction of modern scientific and technical achievements and Bulgarian and foreign advanced experience.

(2) Priority solutions must be found for the scientific and scientific-and-technical problems and applications tasks that make possible a rise in the level of full mechanization and automation of production, the reduction of manual, physical heavy and uncongenial labor, and the applications of electronics, robotics, chemicals and biology in the national economy, as well as updating of output and improvement of its quality. For this purpose wide-scale study and mastering of major high-efficiency, scientific and technical problems must be assured.

Article 4. Further significant structural changes must be effected in the development of the sectors of the national economy so that in 1985, as compared with 1980:

1. The volume of output of industry, the key sector of the national economic complex, is increased by 28 percent. Output must be increased at overtaking rates in the following industries: the chemical industry by 45 percent, machine building

by about 50 percent, production of electric power and thermal energy by 30 percent, and ferrous metallurgy by about 30 percent. At the same time, a policy of bringing about closer convergence of the rate of development of production in groups "A" and "B" of industry must be pursued, with the output of light industry being increased by at least 25 percent and that of the food industry by about 20 percent;

2. The volume of agricultural output during the Eighth Five-Year Plan increases by 18 percent, with priority development of the production of food and feed grains and growth in the output of animal husbandry;

3. Freight haulage increases by about 15 percent in 1985 as compared with 1980, and passenger carriage by at least 10 percent, with priority going to the development of rail transportation and to a rise in the proportion of transportation activity performed by electric locomotives;

4. The population's telephone stations increase by about 50 percent.

Article 5. (1) Further qualitative changes in the material and technical base of social production must be effected on the basis of the highest achievements of scientific and technical progress.

(2) During the five-year plan capital investment in the amount of 37 billion leva must be made. Fixed assets must grow by 40 percent, with provision made for a rapid increase in the funds for machinery and equipment.

(3) In distributing the funds for investment in physical production individual project by individual project, a constant increase must be provided in the share for modernization and reconstruction of enterprises already in operation.

(4) Ministries, other departments, executive committees of okrug people's councils and of the capital city's people's council and economic organizations must concentrate capital investment on underway projects and speed up the putting of fixed assets into operation so that in 1985 the proportion of unfinished construction will decline to about 80 percent.

Article 6. Integration and scientific and technical cooperation with the fraternal socialist countries must be intensified and broadened, and foreign economic relations with the developed--and especially with the developing--nonsocialist countries must be intensified on a basis of equal rights and mutual advantage. Exports of package projects, production lines and machine systems must be increased at overtaking rates.

Article 7. (1) In keeping with the growth of national income during the Eighth Five-Year Plan, fuller comprehensive satisfaction of the people's material and spiritual needs and further multifaceted development of every member of the socialist society must be achieved.

(2) Growth in 1985 over 1980 must be achieved in the following:

1. Real income per capita, about 15 percent;

2. Social consumption funds, about 17 percent;

3. Retail goods turnover, 21 percent;

4. Volume of domestic services for the population, 50 percent.

(3) On the basis of an increase in the production of consumer goods and in the population's income, per capita consumption of food and nonfood products and satisfaction of needs for durable goods must grow, with a view to gradual approximation of scientific (rational) consumption norms;

(4) During the five-year plan 360,000 housing units must be built;

(5) Public health care must be developed further and its social and economic efficiency raised. For this purpose the number of hospital beds per 10,000 population in 1985 must reach 94, the number of sanatorium beds 23, and the number of physicians and dentists 34.

(6) Problems in the development of kindergartens must be solved in still more comprehensive fashion, with opportunities created for all five-year-old children to be enrolled in them. Accordingly, the enrollment of children from 3 to 6 years of age in all kinds of kindergartens shall reach 90 percent in 1985.

(7) Further building up of the underdeveloped system of spiritual life must continue and its role in the development of society upgraded. For the purpose:

1. Artistic culture must be strengthened as a fundamental factor in the development of man and society and in the formation of a multifaceted developed personality;

2. The new integrated secondary polytechnical school and the new type of tekhnikums must gradually be set up, and higher education must be reorganized as well. The reorganization of education must bring about development of the creative endowments of the personality, the forming of principled communist conviction, high general culture and vocational training;

3. The dedication to ideal and the professional and creative, organizational and technical level of mass information media must continue to rise in all aspects, and their role in the creation and propagation of spiritual values, in mass political influence and in the interpretation of the basic problems connected with the building of mature socialism must increase.

(8) By the end of the Eighth Five-Year Plan:

1. There must be approximately 32 seats per 10,000 population in theaters and opera houses;

2. The number of persons graduating from various kinds and levels of educational institutions must reach the following figures: university graduates, about 13,000; college graduates, about 4000; secondary special education, about 23,000; secondary vocational and technical education (including the third level of ESPU [edinno sredno politekhnicheskoe uchilishte; integrated secondary polytechnical school]), about 73,000, while the number of classrooms in schools must reach at least 43,000;

3. The quality of television broadcasts must be improved; 90 percent of the country's territory must be covered by the first program and 75 percent by the second program; color programs' share of total television programming must grow to 85 percent.

(9) Concern over the further social development of workers and employees and over the expansion of youth activities must increase significantly. Accordingly, during the Eighth Five-Year Plan the following must be effected:

1. Timely training of new qualified workers at vocational training centers, in courses and schools; and constant refresher training for specialists and skilled workers;

2. An increase in the relative share of personnel employed under conditions meeting the standards and requirements for safe and hygienic labor; a reduction in the relative share of workers employed at manual, physical hard and uncongenial labor;

3. Provision of workplaces to give jobs to graduating young specialists and skilled workers under the age of 30;

4. Improvement of public catering and an increase in the proportion of manual and office workers, schoolchildren and students covered thereby to about 65 percent;

5. Opening of trade facilities, personal-services establishments and auxiliary farms at enterprises so as to improve commercial and personal services for workers and employees.

(10) Measures must be taken for further protection and restoration of the natural environment so as to eliminate or minimize air and soil pollution and harm to flora and fauna. The policy of increasing the economic and ecological effectiveness of environmental-protection and restoration measures must be implemented. Resources must be channeled into the cleanup of the Iskur, Maritsa, Struma, Tundzha, Yantra, Osum and other river valleys, while at large industrial centers funds must be concentrated on clean-air measures, with attention paid especially to the air basins over Kremikovtsi, Devnya, Srednogorie, Pernik etc.

(11) Measures must be carried out for the further improvement of traffic organization, safety and standard, for the restriction and reduction of accidents and the consequences thereof and for an increase in the operational speeds and efficiency of the transportation process. Automated systems and other technical means of traffic control, regulation and monitoring on roads and in cities and villages must introduced at an accelerated rate. Training and testing of the population in traffic safety must be expanded.

(12) The consumer demand of the population must be more fully satisfied:

1. Economic organizations, the object of whose activity is the production of consumer goods, must effect a continuous improvement of the assortment and a rise in their quality in conformity with consumer demand;

2. Ministries, other departments and economic organizations, the object of whose activity is not the production of consumer goods, must arrange for the concomitant production in their systems of goods necessary for the market, making the most efficient utilization of material resources and manufacturing wastes;

3. The National Agroindustrial Union and the executive committees of okrug people's councils and agroindustrial complexes must achieve the fullest utilization of land and more complete self-sufficiency of the settlement systems in agricultural products.

Article 8. (1) During the Eighth Five-Year Plan harmonious territorial development must be accomplished which will bring about a closer convergence in the level of socioeconomic development of territorial units and the development of the settlement systems on the basis of fuller utilization of the economic potential of individual territories of the country, with closer convergence achieved in the degree of employment resources and in per capita income of the population, and which will also achieve a closer convergence in the development of the social infrastructure (housing units, schools, children's institutions etc.); marketable goods must be distributed on a normative basis and closer convergence of consumption norms must be achieved; the development of the smaller settlement systems must be effected at an overtaking rate.

(2) The intensive development of the economy of the capital and the harmonious building up of Sofia, especially the construction of projects of nationwide significance, must be a constant task of all ministries, other departments, state, economic and social offices and organizations in the country.

Article 9. The Council of Ministers shall translate into concrete terms the integrated plan for the socioeconomic development of the Bulgarian People's Republic during the Eighth Five-Year Plan in sectorial and territorial cross-section and shall apportion it year by year.

Article 10. Ministries, other departments, executive committees of okrug people's councils and of capital city's people's council, and economic organizations shall, on the basis of consistent application of the economic approach and the economic mechanism and the brigade organization of labor, create all the necessary conditions (and preconditions) for fulfillment and overfulfillment of the state planned tasks resulting from this law and shall effect exemplary socialist organization of labor, rhythmic production and time sale of output, and the most efficient use of material, labor and financial resources and production capacities.

Article 11. [The National Assembly] recommends to the National Council of the Fatherland Front, the Central Council of Bulgarian Trade Unions, the Central Committee of the Dimitrov Communist Youth Union, the Central Council of Scientific and Technical Unions and the governing bodies of other public organizations and movements that they render active assistance to state and public economic bodies and organizations in the extensive launching of nationwide socialist competition, in the intensification of production everywhere, in the discovery of potential reserves for raising the social productivity of labor and the quality of output, and in the accelerated introduction into production of scientific and technical

achievements and advanced experience so as to achieve the fulfillment and overfulfillment of the tasks resulting from the integrated plan for the country's socioeconomic development during the Eighth Five-Year Plan.

Final Edicts

Paragraph 1. The Council of Ministers shall effect during the Eighth Five-Year Plan the construction of the projects additionally suggested by the Permanent Commission on Socioeconomic Development and the Legislative Commission of the National Assembly.

Paragraph 2. The execution of this law is entrusted to the chairman of the Council of Ministers.

6474
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LAW ON ECONOMIC DEVELOPMENT IN 1982

Sofia RABOTNICHESKO DELO in Bulgarian 12 Dec 81 p 3

[BTA: "Fourth Session of Eighth National Assembly--Law on Integrated Plan for Socioeconomic Development of Bulgarian People's Republic in 1982"]

[Text] Article 1. The National Assembly, in conformity with the Law on the Integrated Plan for the Socioeconomic Development of the Bulgarian People's Republic during the Eighth Five-Year Plan and bearing in mind the progress made in 1981, approves the following basic indices for the socioeconomic development of the Bulgarian People's Republic in 1982:

1. The following indices are to increase in 1982 over 1981 as indicated:

a) national income, by 3.6 percent;
b) social productivity of labor, by 3.5 percent;
c) profit for the national economy as a whole, by 7.5 percent;
d) volume of output of planned industry in comparable prices, by 4.5 percent;
e) volume of output of agriculture in comparable prices, by 2.2 percent;

2. Accelerated introduction of scientific and technical achievements and of Bulgarian and foreign experience shall be effected, with about 180 of the scientific and technical problems observed at the national level being studied and mastered in 1982;

3. The volume of capital investment shall amount to 7,215,000,000 leva;

4. Foreign trade in 1982 shall increase by 4 percent over 1981.

Article 2. (1) For comprehensive satisfaction of the people's constantly growing material, spiritual and social needs, the following indices shall increase in 1982 over 1981 as indicated:

1. Real per capita income of the population, by 3.0 percent;

2. Social consumption funds, by 3.5 percent;

3. Volume of retail goods turnover, by 3.8 percent;

4. Volume of domestic services, by 8.4 percent;

(2) In 1982 72,600 new housing units shall be built.

Article 3. (1) The Council of Ministers shall organize the fulfillment of the basic indices of the country's socioeconomic development in 1982.

(2) The Council of Ministers shall include in the list of projects to be built in 1982 the projects proposed by the permanent commissions and people's representatives during discussion of the plan and accepted as urgent by the Socioeconomic Development Commission and the Legislation Commission of the National Assembly.

(3) Ministries, other departments, executive committees of okrug people's councils and economic organizations shall create the necessary conditions for fulfillment and overfulfillment of state planned tasks, giving special attention to the following: systematic and comprehensive application of the new economic approach and the economic mechanism for the purpose of everywhere intensifying and raising the efficiency of social production and the quality of output; creation of exemplary socialist organization of labor; strengthening of planning and contract discipline and guaranteeing of a rhythmic pace in the realization of planned tasks; increase in the high-science character, and decrease in the energy-intensiveness, materials-intensiveness, capital-intensiveness and labor-intensiveness of output; and growth in the production of goods and services for ever fuller satisfaction of the needs of the population of the settlement systems.

Article 4. [The National Assembly] recommends to the National Council of the Fatherland Front, the Central Council of Bulgarian Trade Unions, the Central Committee of the Dimitrov Communist Youth Union, the Central Council of Scientific and Technical Unions and the governing bodies of other organized societies and movements that they assist state and economic agencies and organizations in wide-scale launching of nationwide socialist competition, in the systematic discovery of potential reserves, and in the successful fulfillment and overfulfillment in 1982 of tasks resulting from the Integrated Plan for Socioeconomic Development of the Bulgarian People's Republic during the Eighth Five-Year Plan.

Final Edict

One paragraph only. Execution of this law is entrusted to the chairman of the Council of Ministers.

6474
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BUDGET LAW FOR 1982

Sofia RABOTNICHESKO DELO in Bulgarian 12 Dec 81 p 3

[BTA: "Fourth Session of Eighth National Assembly--Law on State Budget of Bulgarian People's Republic for 1982"; correction in RABOTNICHESKO DELO, 15 December 1981, p 2, incorporated]

[Text] Section I. State Budget of Bulgarian People's Republic for 1982

Article 1. [The National Assembly] approves the state budget of the Bulgarian People's Republic, as follows:

1. Revenues in the amount of 15,824,500,000 leva;

2. Expenditures in the amount of 15,809.500,000 leva;

3. Excess of revenues over expenditures 15.0 million leva;

Article 2. In the revenue portion of the state budget, establishes payments from profits and other receipts from the socialist economy in the total amount of 10,611,500,000 leva.

Article 3. In the expenditure portion of the state budget, establishes expenditures in addition to the sums which the economic ministries and other departments provide for this purpose from their own resources, in the following ammounts:

1. For financing of the national economy 7,811,700,000 leva;

2. For the support of sociocultural measures (education, science, culture, health care and social security) 5,586,700,000, including 2,717,000,000 leva in the budgets of state social security and the Council for Mutual Insurance of Members of Labor Productive Cooperatives;

3. For the maintenance of agencies of state authority, state administration, courts and public prosecutor's office 299,500,000 leva;

Article 4. Approves the republic budget for 1982, including mutual relations with the budgets of the people's councils, the budget of state social security and the

budget of the Council for Mutual Insurance of Members of Labor Productive Cooperatives, as follows:

1. Revenues in the amount of 11,602,800,000 leva;

2. Expenditures in the amount of 11,587,800,000 leva;

3. Excess of revenues over expenditures 15,000,000 leva;

Article 5. Approves the combined budgets of the people's councils, broken down by okrugs, as follows:

| OKRUGS | Revenues and expenditures in the amount of (in 000,000 leva) |
|---|---|
| 1. Blagoevgrad | 108.4 |
| 2. Burgas | 150.3 |
| 3. Varna | 165.8 |
| 4. Veliko Tirnovo | 115.9 |
| 5. Vidin | 61.6 |
| 6. Vratsa | 91.1 |
| 7. Gabrovo | 76.0 |
| 8. Kurdzhali | 95.6 |
| 9. Kyustendil | 74.7 |
| 10. Lovech | 73.1 |
| 11. Mikhaylovgrad | 71.8 |
| 12. Pazardzhik | 98.2 |
| 13. Pernik | 67.0 |
| 14. Pleven | 97.2 |
| 15. Plovdiv | 200.0 |
| 16. Razgrad | 71.2 |
| 17. Ruse | 95.0 |
| 18. Silistra | 62.8 |
| 19. Sliven | 96.0 |
| 20. Smolyan | 82.5 |
| 21. SNS [Sofia People's Council] | 546.8 |
| 22. Sofia-Okrug | 109.7 |
| 23. Stara Zagora | 135.7 |
| 24. Tolbukhin | 88.6 |
| 25. Turgovishte | 70.3 |
| 26. Khaskovo | 102.6 |
| 27. Shumen | 87.6 |
| 28. Yambol | 75.6 |
| Total | 3,171.1 |

Section II. Report on Fulfillment of 1980 State Budget of Bulgarian People's Republic

Article 6. (1) Approves the report on fulfillment of the 1980 State Budget of the Bulgarian People's Republic, as follows:

| | |
|---|---|
| 1. Revenues in the amount of | 13,308,700,000 leva |
| including revenues from the national economy | 8,272,300,000 leva |
| 2. Expenditures in the amount of | 13,220,600,000 leva |
| including: | |
| a) Expenditures for the national economy | 6,237,000,000 leva |
| b) Expenditures for education, science, culture, public health and social security; | 5,036,400,000 leva |
| which include funds for the budgets for State social insurance and for the Council for mutual insurance of members of producers' cooperatives | 2,395,900,000 leva |
| c) Expenditures for maintenance of agencies of state authority, state administration, courts and public prosecutor's office | 287,300,000 leva |

(2) Approves the report on fulfillment of the 1980 republic budget, as follows:

| | |
|---|---|
| 1. Revenues in the amount of | 8,140,600,000 leva |
| 2. Expenditures in the amount of | 8,104,300,000 leva |
| 3. Excess of revenues over expenditures | 36,300,000 leva |

(3) Approves the reports on fulfillment of the combined budgets of people's councils, broken down by okrugs, as follows:

| OKRUGS | In 000,000 leva Revenues | Expenditures |
|---|---|---|
| 1. Blagoevgrad | 104.0 | 102.9 |
| 2. Burgas | 134.9 | 133.6 |
| 3. Varna | 161.1 | 158.2 |
| 4. Veliko Turnovo | 115.8 | 114.5 |
| 5. Vidin | 51.0 | 49.9 |
| 6. Vratsa | 86.1 | 85.0 |
| 7. Gabrovo | 76.3 | 75.2 |
| 8. Kurdzhali | 82.8 | 81.8 |
| 9. Kyustendil | 75.0 | 70.9 |
| 10. Lovech | 71.3 | 70.5 |

[Continued on next page]

Continued

| OKRUGS | In 000,000 leva Revenues | Expenditures |
|---|---|---|
| 11. Mikhaylovgrad | 69.0 | 68.1 |
| 12. Pazardzhik | 88.8 | 87.9 |
| 13. Pernik | 64.1 | 63.4 |
| 14. Pleven | 93.2 | 89.8 |
| 15. Plovdiv | 202.3 | 200.3 |
| 16. Razgrad | 72.2 | 70.9 |
| 17. Ruse | 100.1 | 96.2 |
| 18. Silistra | 59.0 | 58.1 |
| 19. Sliven | 90.3 | 89.2 |
| 20. Smolyan | 84.5 | 82.9 |
| 21. SNS | 592.6 | 581.7 |
| 22. Sofia-Okrug | 110.3 | 109.1 |
| 23. Stara Zagora | 126.1 | 124.2 |
| 24. Tolbukhin | 84.5 | 83.6 |
| 25. Turgovishte | 53.1 | 52.3 |
| 26. Khaskovo | 96.1 | 95.3 |
| 27. Shumen | 86.9 | 85.9 |
| 28. Yambol | 67.6 | 67.1 |
| Total | 3,099.0 | 3,048.5 |

Supplementary and Final Edicts

Paragraph 1. The Council of Ministers shall allocate the republic budget by ministries and other departments and may, if necessary, make changes in the combined budgets of people's councils by okrugs.

Paragraph 2. Execution of the law is entrusted to the chairman of the Council of Ministers.

6474
CSO: 2200/45

## EDITORIAL SUMMARIZES GOALS OF SEVENTH FIVE-YEAR PLAN

Prague RUDE PRAVO in Czech 18 Dec 81 p 1

[Editorial: "Goals of the Seventh Five-Year Plan"]

[Text] At their joint meeting, the chambers of the Federal Assembly discussed and adopted two significant documents--the law on the Seventh Five-Year Plan and the state budget for 1982. Both documents present specifications of the program of our party's 16th Congress and of the economic and social policies in the current stage of development of our socialist society.

Significant changes of external conditions occurring during 1981 call for a revision of the proposal for economic and social development in the 1981-1985 period. For that reason, the specification of the Seventh Five-Year Plan will not be completed until the second quarter of 1982. However, its essential main goals and tasks determining the framework for the law of the Seventh Five-Year Plan are already apparent.

Even under substantially more difficult external and domestic economic conditions, the pivotal goal for the Seventh Five-Year Plan which stems from the economic and social policies of the CPCZ aims at maintaining and improving the quality of the already achieved high living standard of our population and at its social security in accordance with the results to be achieved in our national economic development.

Main tasks for the fulfillment of the above-mentioned goal and for the consolidation of our socialist state are set. First of all, during the Seventh Five-Year Plan conditions must be created for a gradual growth of the rate of social production and for a dynamic balance by enforcing substantive intensification of our economy, efficiency and quality of all labor, by appropriate structural changes, by most rigorous conservation of energy, raw materials and materials, and by the most rational application of the achievements of scientific and technological progress.

The law stipulates that conditions be created for a 2 to 2.6 percent annual increase of our national revenue and that its increase be covered approximately 90 to 95 percent by an increment of the social productivity of labor; here the growth of the produced national revenue must outdistance its expenditures.

When creating and using social products and national revenue, we must advance far more conspicuously the growth of exports before imports, cut spending of funds for consumption in production, particularly as concerns imported raw materials, materials and goods. The improved quality of our population's social and personal consumption

depends directly on the creation of resources, which means restricted use of funds for new investments as well as a lower share of capital accumulation in produced national revenue as compared with past years.

An important stipulation of the law on the Seventh Five-Year Plan demands that our participation in the international division of labor, primarily with the USSR, be dynamically stepped up. It is of supreme urgency to benefit more efficiently from socialist economic integration, specialization, cooperation and scientific technical collaboration so as to upgrade the technical standards of our production, to improve labor productivity, to expand mass production, to render our production more efficient, and to reduce its consumption of energy and materials.

An especially important stipulation calls for higher export outputs in the Czechoslovak economy, for lower demands for imports, and for flexible adaptations of our production and foreign trade to the demands in world markets in order to enable our foreign trade to increase its exchange of goods by 30 to 36 percent in foreign prices.

To achieve the above objectives, it is imperative to deal continuously with crucial problems of our unified economy and to orient its development in that direction, while the economy in the SSR will advance more rapidly so as to increase the share of the SSR in the creation of statewide resources. For such a development, natural and economic resources must be used to better advantage, particularly the technical production base and the increments of the population able to work. It is, therefore, necessary to systematically upgrade the efficiency of national economic management and planning and to react on all levels decisively to the changing objective conditions and requirements. For this purpose, measures aimed at improving the planned management system of our national economy must be applied consistently and developed further.

The law on the state plan for national economic development prior to 1985 outlines the main directions for the development, however, the numerical data presented therein indicate how exorbitantly demanding will be the requirements for this period. For instance, at least 2 percent must be conserved in fuels and energy, a 5 percent saving in metal in the production must be made and investments will be limited to a maximum of Kcs 135-150 billion annually. The law stipulates that during the Seventh Five-Year Plan the total volume of industrial production is to increase 14 to 18 percent, of which 10 to 14 percent in the CSR and 18 to 23 percent in the SSR, which is feasible because of the existing capacities and potential.

The state budgets--the federal budget and the budgets of the national republics--must fully support the goals and programs for our national economic development in the Seventh Five-Year Plan. Financial economic programs help the budgets achieve a real impact on the fulfillment of the stipulated goals and the most efficient economy possible.

The 1982 state budget fully conforms to the above-mentioned principles, however, it will be far more difficult than ever before to balance it because it is based on considerably higher mobilization of our domestic resources than in recent years as well as on a more restricted growth of investment outlays and on reduced noninvestment expenditures.

Revenue and expenditures cannot be balanced without substantially increased economic efficiency. All factors of our economic development, particularly the intensive factors, must be employed more efficiently, which means that we must produce more goods from a given amount of raw materials, fuels, energy and materials than in the past, that all inputs must be utilized to greater advantage, that fixed assets must bring higher returns, and that labor must become more productive. All initiative and socialist competition of labor must be channeled in that direction and focused on implementation of programs for comprehensive socialist rationalization and on innovation and improvement movements, or in simple terms--on concerted efforts of our whole society.

The changed requirements of our economic development are reflected in the contents of the law on the Seventh Five-Year Plan as well as in the preconditions for the state budget. Without any doubt, they are far more complex but at the same time we must realize that ample unused assets exist for exploitation of the potential for the growth of efficiency, and that there are opportunities to react more flexibly to the rapidly changing situation in both the world economy and that of our country. It depends on the frequently tested skills, initiative and abilities of workers on every level of management and on their courage to make correct decisions, to base the decisions they adopt on reliable economic calculations, and to adopt solutions advantageous for our entire society.

The strategy aiming at higher efficiency and the transition to an intensified development of our entire national economy call for the achievement of a dramatic turn in sectors vital for an overall growth of efficiency in enterprises and in all of our national economy where thus far the results have not been totally satisfactory. In other words, we must focus on lower consumption of materials and power in production, based on consistently implemented structural and technical development, which should jointly provide a sounder basis for more lucrative foreign economic relations.

In the given situation, the outlined directions and goals of our economic and social development are the most advantageous, however, actual results alone will determine the extent of consolidation and improvement of the already achieved living standard. It applies today more than ever before that our living standard cannot be higher than the fruits of our labor; this axiom is valid for our entire society and for every one of its members.

A great deal of honest work is needed to fulfill the decisions of the 16th CPCZ Congress. The more conscientious the approach to the fulfillment of our assigned tasks, the better hope it gives for the further development of our whole socialist society.

9004
CSO: 2400/85

## EMPLOYMENT CONTROLS IN SEVENTH FIVE-YEAR PLAN DISCUSSED

Prague PLANOVANE HOSPODARSTVI in Czech No 11, 81 p 50-59

[Article by Dr Karel Formanek, State Planning Commission; passages within slantlines in boldface]

> [Text] The Unified System of Employment Control and Work Force Allocation for the Seventh Five Year Plan (see CSSR Government Resolution No 189 of 9 July 1981) elaborates the principles approved by the Set of Measures for Improving the Planned Management System of the National Economy after 1980 in the area of planning for the replacement, allocation and utilization of labor resources. It is based on the current requirements for the development of the Czechoslovak national economy, and its fundamental goal is the assurance of the full and rational utilization of the work force and its efficient allocation, given the developmental focus on the maximum possible increase in the social productivity of labor. This increase is conditioned by the utilization of all factors which influence it, and by the formation of preconditions in other areas of the planned management system of the national economy as well, particularly by means of conscientious management and the application of the findings of scientific-technical progress, the replacement of capital assets, the development of khozraschet, of enterprise and personal material incentives, as well as the nonmaterial stimulation of the efficiency and quality of all types of work. Organizations, their supervisory organs and regional and district national committees will proceed according to this approved unified employment control system.

Increases in the number of people of productive age is a critical source of employment increases in the national economy. For the Seventh Five-Year Plan, demographic development indicates that this increase will be substantially less than during previous five-year plans, the lowest, in fact, that we have ever had. The situation is complicated as well by the territorial imbalance of these increases. On the territory of the CSR, these increases will be truly minimal, one may say zero, and in certain regions there will even be declines.

Under these conditions, the significance of a planned approach and of rigorousness in the management of labor force replacement at all levels increases, and it becomes essential that the labor force be conscientiously allocated, that an ongoing coordination of the replacement of capital assets and the work force be assured, as well as the training, professional preparation and efficient utilization of the work force. The implementation of these measures will require the achievement of a fundamental turnaround in the smooth integration of technical development into production, an increase in the utilization of the existing machinery stock, especially of modern units with high performance parameters, an improvement in the organization of work and work procedures, the initiation of a broad application of the automation and mechanization of work, of new procedures for work rationalization, and the economical utilization of work force, equipment and materials to assure the requisite product quality.

The planned allocation of the work force is administered through the employment control system which was introduced in 1971. Its main objective has been to strengthen the planned allocation of the work force and to improve its utilization. The fundamental principle of the system is to assure a balance between needs for employees and the existing resources, not only on a nationwide scale, but also in specific areas (krays). This fundamental principle remained valid even in the Sixth Five-Year Plan, when minor modifications were made in the control system; its importance is increasing, especially under conditions of declining new sources of labor, and it will remain in force for the Seventh Five-Year Plan as well. The system directs the activity of organizations, and is based above all on the regulation by the plan of the development of employment, and on the planned placement of new employees and control of labor force movement by national committees.

The Set of Measures for Improving the Planned Management System of the National Economy After 1980 is based on the need for an economical utilization of the labor force. Of the critical conditions of the replacement process on which we must presently focus our attention, the Set of Measures emphasizes the replacement, allocation, and utilization of the labor force, in addition to the planned development and application of science and technology in the national economy, and the replacement of capital assets. It accords first importance to an increase in the long-range character of resource balances and labor force distribution to a period of two five-year plans, as a precondition for closer coordination between capital asset replacement and the replacement and training of the labor force. This is necessary because of the need to assure, with sufficient lead time, the foundations for decision making concerning the possibilities for capital investment, and for the assurance of a work force for facilities which are constructed, not only at the level of the center, but also from the viewpoint of the territorial location of labor force resources in regions and zones. This lead time is essential with regard to the schedules needed for the preparation and implementation of capital investment.

Similarly, planning for the training of employees also requires lead time in the allocation of the labor force to branches and sectors, so that it is possible, in conjunction with planned capital investment, new technical equipment at facilities, and new technological and work procedures, to plan in a timely manner the requisite qualification structure and the appropriate number of students to be admitted into training and educational fields. The Set of Measures has mandated the establish-

ment of numbers of employees in five-year plans in terms of absolute limits (under no circumstances in terms of increases in employees), effectively encourages the underfulfillment of these limits in annual plans and, on the contrary, imposes penalties for exceeding these limits.

/The objective of the planning of entire employee situations is to place more emphasis on the improved management of all human resources, and not to aim solely at increasing employment, as has been the case many times in the past. This new method of planning must be evident especially in greater responsibility for the improved utilization of existing employees in terms both of their numbers and qualifications, assignments, the organization of work, and the creation of all necessary conditions for the permanence of labor relations and the achievement of employment development in accordance with the five-year plan. Effective incentives will be directed not only toward the economical utilization of the work force, but also toward savings in the number of employees in comparison with planned limits./

The Set of Measures also mandates the creation of an integrated system of national economic and social priorities. Its objective is to establish a hierarchy, in terms of importance, of branches, fields, organizations, and, at times, projects for which the priority assurance of labor resources is essential through the breakdown of the employee plan, the recruitment of young people, apprentices, school graduates, by transfers of employees from liquidated operations, through wage differentials, recruitment bonuses and material assurances for employees transferring to priority projects, housing construction, its financing, and other advantages. It is assumed that priority status will be assigned to selected organizations engaged in coal mining, selected binding tasks in capital investment, the most pressing projects concerned with increasing shift work, structural alterations, and the like. In the interest of strengthening the efficiency of priority projects, it will be necessary to restrict their scope to the narrowest possible range of selected organizations and projects, to establish them for an entire five-year plan within a framework of resources limited by the five-year plan, make them very specific, and supplement them in annual plans in those exceptional and most urgent instances when there might arise an exceptionally unfavorable situation in the assurance of labor resources.

The Set of Measures establishes for investors the responsibility for submitting to their supervisory organ and to the apporpriate agency of territorial planning a concrete program for the assurance of a work force for facilities which are being constructed, including a program for qualificational preparation, the assurance of housing and special services. This responsibility had been established for them as early as the Sixth Five-Year Plan. The investor, and on occasion his supervisory agency, must demonstrate prior to the inclusion of the construction project in the plan, and at all stages of the formulation and approval of the project documentation and licensing procedures for an investment project, how many employees will be procured for the new facility:

--through transfers from liquidated operations;

--through transfers from existing facilities where it will be possible to conserve labor resources by means of rationalization measures, so that it will not be necessary to replace employees at existing workplaces;

--from national committee resources, on the basis of vouchers from a regional national committee.

The conditions for including construction projects in the capital investment plan were tightened in the final years of the Sixth Five-Year Plan, particularly in the sense that the necessity for new construction must be demonstrated in relation to the utilization of existing facilities and capital assets, and in relation to the amount of shift work not only at the investor's operation, but also in the sector and branch. The startup of production-related construction projects may not be permitted if shift work at the location of construction or in the organization of the investor is less than 1.5, assuming minimal staffing of the main shift at 90 percent. The responsibility of the investor for assuring qualificational preparation for employees of newly constructed facilities, as well as other conditions such as transportation to work, housing, and the like, were likewise established during the Sixth Five-Year Plan and are now being further intensified.

/For the Seventh Five-Year Plan, conditions for the assurance of a labor force for constructed facilities and the consistent coordination of capital asset replacement with the replacement of the labor force have been tightened further. In the Set of Measures, it is mandated that, in planning and preparation for the replacement and concentration of productive capital assets, account be taken of the principle of greater shift utilization of modern and costly facilities, as well as at facilities with target programs, at the same time that inefficient facilities are to be liquidated.

/The Set of Measures mandates the establishment of numbers of students and pupils to be accepted for specific fields of study in accordance with social needs, and their regulation in such a way that their numbers will increase in fields where there are shortages and decrease for fields where there is an excess. Specific tasks will be designated in the economic plans of organizations for fields of study in which there is a shortage of students./

The supplementary requirement for employees for the seventh and eighth five-year plans will be assured, for practical purposes, solely with the graduates of schools and apprenticeship programs. This requires greater coordination between the sources and the demands for labor in terms of its professional, qualificational and territorial structure. To assure these requirements, maximum limits on increases in the number of employees have been established for individual sectors in accordance with CSSR Government Resolution No 53/1979 concerning the future approach to the preparation of the Seventh Five-Year Plan and prospects for the development of the national economy through 1990, on the basis of which sectors have formulated the development of a structure of qualifications and the coverage of supplementary requirements for employees, including demands for graduates of specific types of schools aggregated according to groups of subjects, and requirements for accepting young people for preparation for the profession of a worker. Specific tasks related to subject areas where there are shortages have been designated in the economic plans of organizations, so that an adequate number of apprentices can be assured for them and the importing of certain professions which are in short supply restricted.

In both the plan for skilled workers and the system of professional preparation, it will be necessary to take into account changes in the structure and technical

sophistication of the national economy and link the five-year plan for the preparation of skilled workers especially to the long-range prospects for sources of 14-year old youths in relation to the replacement of all categories of skilled workers, but also to the basic directions of the prospective possibilities for the needs and replacement of the work force from the viewpoint of the needed levels of education, and to the numbers of experts in critical branches with college and high school educations. The necessity for closer ties between the long-range outlook and the five-year plan for the preparation of skilled workers is also evident from the fact that a skilled labor force will be active in the production process for an additional 30 to 40 years.

/It will also be necessary to assure closer ties between prospective plans of the needs for skilled workers and the plan for labor force replacement, and with additional segments of national economic plans, in particular with state target programs, plans for technical development, and for the replacement of capital assets. They must, therefore, be linked to the projected development of the machinery stock and production technology, and be based on the structure of skills and professional requirements for the employees who will be assuring more complex and difficult production tasks with new technologies./

Work rationalization has an important share in the increase in social productivity. To assure its proper utilization, it is assumed that there will be, above all, an intensification of long-range and short-term planning for objectives, tasks and the contribution of work rationalization in organizations, fields and branches. For this purpose, supporting data will be formulated according to unified methodological guidelines for the development of five-year plan proposals, in order to verify the possibilities for an increase in labor productivity. Industrial and construction organizations will integrate into their plan proposals planned measures for the rationalization and standardization of work aimed at conserving workers, and evaluate their effectiveness.

In addition, it would make sense, on the basis of findings of research and in practice, to improve and expand the normative base in enterprises and organizations, as a precondition for an increase in the efficiency of operative management, planning, compensation and the development of worker initiatives, to utilize more effectively the system of enterprise, internal enterprise, and personal material incentives to conserve labor, and to foster the development of rationalization and the application of objective standards of labor consumption.

The system of material incentives and, within this, particularly the stimulative effects of wages are also to contribute to the implementation of the Set of Measures in the above directions. One of its main objectives is effectively to influence efficient labor management, to increase the overall efficiency of conservation of raw materials, inputs, and energy, and to utilize production equipment. The system of wage controls in the economic sphere is focused on this objective.

/--In contrast to the Sixth Five-Year Plan, when wage resources were allocated in the state plan to sectors for their economic organizations in the form of two shares, namely, wages and other individual outlays tied to revenues and a bonus fund tied to profits, in the Seventh Five-Year Plan they will be allocated in only one part, namely, in the form of their share of adjusted value added. At the same time, per-

centages will be established for individual years and will be in force throughout the five-year plan. If organizations, economic production units, or central agencies, in their proposed annual implementation plans, increase outputs in comparison with the five-year plan in the requisite structure, and thereby also their adjusted values added, then their planned wage resources will be increased for them in direct proportion, and vice versa. Similarly, the planned wage resources will remain fully at their disposal should they propose a lower number of employees than established by the five-year plan for the year in question. If a more ambitious task is undertaken in the growth of the social productivity of labor through reductions in the work force or through higher outputs or a higher return on production assets, then this will make possible a more rapid increase in average wages in the implementational plan.

/--For budgetary and contributory organizations, absolute limits on overall wages payable in individual years will be established for central agencies, and a reduction in the number of employees in a proposal for an implementational plan, in comparison with the five-year plan limits, will likewise result in a more rapid increase in average wages, since the volume of wages payable remains at its original level./

Incentives to reduce the work force are also provided in the course of plan fulfillment. However, they will not be as intensive as those for reductions already incorporated into a plan proposal, because organizations and economic production units will retain only a portion of the wages payable corresponding to the reduction in employees. The portion of the reduction left with organizations or economic production units is differentiated from the viewpoint of priorities.

One of the main measures in the system of planned management of the national economy in the Seventh Five-Year Plan will be the system for unified employment control and work force allocation. Its basic objective is to assure the full and efficient utilization of labor force resources and their rational placement consistent with the improved utilization of the work force and the assurance of the maximum possible increase in the social productivity of labor. /At a time when the available labor resources for increased employment will be less than half of those available in the Sixth Five-Year Plan, it is necessary more than ever before to create the conditions for their economical utilization, particularly in the areas of technical development, replacement of capital assets and capital investment, by means of the development of enterprise khozraschet and personal material incentives as well as nonmaterial incentives for efficiency and quality of production and improved labor utilization./

This regulatory system governs the development of employment in the national economy, in its branches and organizations, and labor force management on the basis of the state plan, as well as in accordance with societywide interests and with the extent and territorial location of labor force resources.

This regulatory system presumes the establishment of binding limits, which may not be exceeded, on the numbers of employees in a five-year plan by individual years, and in the annual implementation plans. The exceeding of these limits will be effectively penalized. The fundamental principle of the control system is the achievement of a balance between the requirements of organizations for labor and the supply of labor in given areas. For this purpose, employee limits for individual economic production units and organizations will be negotiated by organs

of the central element of management with the regional national committees, and the numbers confirmed by the regional national committees will be binding even in those instances when the planned number of employees is not achieved. This serves to emphasize the link between possibilities for increasing employment and the actual labor force resources in a given area and, last but not least, the responsibility to enforce in all respects an increase in its efficient utilization.

The negotiation and evaluation of limits on employees will be conducted for the organizations of the same economic production unit in a district. In the interest of greater system flexibility, ranges are being introduced, within the framework of which it will be possible to exceed the agreed upon limit on numbers of employees in certain districts, if the limits are not reached in other districts. It is assumed that this measure will, on the one hand, make it possible to compensate for earlier exceptions and, on the other hand, that it will anticipate changes in the plan and request more alterations in the limits at the end of the year. The limited power to make judgments concerning the numbers of employees for an entire region will remain the province only of organizations for which such an evaluation is justified by virtue of the nature of their activity, i.e., for construction and assembly organizations, for geological research organizations, and for the railroad.

The state plan and measures for labor force recruitment will assign priority to the assurance of a work force for priority branches, organizations and projects. In support of this recruitment, measures will also be taken in the area of the placement of adolescents and school graduates, in the financial and material assurance of apprentices and students, in wage relationships and incentives, in the allocation and financing of apartments from stabilization construction projects, in modifications to the release, location, and material assurance of employees changing over to priority positions, in addition to other measures in the area of social planning, recreation, the placement of children in preschool facilities, and the like. All of these measures will be aggregated into a composite, unified system, the principles of which will be presented for government approval.

/The regulatory system is an attempt to moderate gradually the tension between the sources of labor and the excess supply of work possibilities. Preference is given to investment projects with a greater degree of replacement of labor with technology, and to those which entail an absolute reduction in the labor force, which implies above all those concerned with progressive modernization. The intention of the employment-control system is that the startup of construction on new, and the expansion of older facilities be permitted only to an extent which corresponds to the efficient utilization of existing and newly constructed facilities and to the actual labor force resources in a given territory. It should be a question solely of an amount of investment which will allow the utilization of existing and newly constructed industrial facilities basically in full, two-shift operation, and which will result in a level of labor productivity in the existing facilities which corresponds to progressive technical-economic parameters. The low supply of labor requires that the construction of new operations in the processing industry be permitted only in exceptional cases and that the demand for labor, in principle, be met by reductions in other production facilities and by the elimination of marginal operations. Investment projects for which it will be difficult or impossible to assure a work force may not be included in the plan and should not be proposed by investors./

For the area of labor and of the utilization of wage incentives, the Set of Measures presumes the application of intensive factors of economic growth in all interrelated plan components. Also, in The Main Directions of Economic and Social Development in the CSSR from 1981-1985, as approved by the Fifteenth CPCZ Congress, emphasis is placed on a more rational and efficient utilization of all existing sources of employees, and on untapped sources for increased labor productivity, above all through the improved organization of production and labor, the full utilization of the working day, both in all production sectors and in nonproduction activities. A consistent increase in labor productivity is the fundamental condition for efficient economic development. The congress established, as one of the main tasks in the economic area, the basing of increased production and performance in all sectors of the national economy in the first place on increased labor productivity. In view of the declining increases in the labor supply, the importance is even greater of a higher level of coverage of production increases through increases in labor productivity. This will require no small effort in the assurance of the highest possible level of the social productivity of labor and the creation of conditions for the requisite dynamic of its growth, encompassing all those factors which influence the level and growth of labor productivity. This includes, especially, the influence of:

--the amount and utilization of production assets, particularly machinery, and its technical sophistication;

--the structure of production;

--science and research;

--management and organization;

--the level, and utilization, of employee qualifications;

--the length of the work day and its utilization;

--labor motivation;

--additional societal and social factors.

The amount of production assets, especially the /extent of the machinery stock/, is one of the important factors in the level and growth of labor productivity. There is a close tie between the quality (technical sophistication) of production assets, their utilization, and the level of labor productivity. The technical sophistication of the machinery stock must be understood above all as an expression of the level of science and research; its utilization is a manifestation of the level of management.

The relationship between the amount of production assets and labor productivity is expressed by the amount of capital stock per worker (especially machinery). The current development of the Czechoslovak economy has been characterized by its relatively rapid increase. While in 1970 the amount of machinery and equipment per industrial worker was valued at Kcs 72,248, in 1975 it had already reached Kcs 98,080 (in 1 January 1977 prices), an increase of 35.8 percent. For the same per-

iod, the labor productivity of a worker engaged in industrial activity increased 36 percent, that is, at approximately the same rate as the increase in his equipment. From 1975-1979, this capital intensive development continued; the value of machinery and equipment per worker engaged in industry increased 30.9 percent, but labor productivity increased only 20 percent.

/Capital investment continues to direct itself primarily at the creation of new work opportunities, and only to an insignificant degree to the conservation of workers, a focus in conflict with the currently reduced character of labor respurces. This is reflected in a low level of occupation of machinery positions by workers, and in a shift-work coefficient which fluctuates, in the major industrial sectors, around 1.5. For the period of the Seventh Five-Year Plan, the necessity has become evident of moderating the increase in the physical volume of capital assets, and to concentrate on the more intensive utilization of modern facilities by means of more shift work, and on the exclusion and liquidation of inefficient machine equipment. At the same time it is necessary, from the viewpoint of the desired development in labor productivity, to utilize an increase in the volume of machine capital assets, rather than an increase in gross production, as the focus of an investment policy which gives priority to investments which make possible a substantially greater reduction of labor./

Economic development also demands, among other things, /changes in the structure of the national economy/, both in the relationships between individual spheres, as well as within branches and production sectors. These changes will demand corresponding groupings of employees (including changes in their qualification structures and territorial distribution) and changes in the capital asset structure. The optimalization of the structure of the national economy is an important source of an increase in efficiency and in the social productivity of labor. Its utilization depends on economic management and on the ability to implement in practice the findings of science. It is a matter of a very complex issue, the resolution of which must be sought as well in the expansion of international cooperation.

Under Czechoslovak conditions, the problem of structural changes is not only a problem of the macrostructure, but also of structural changes within branches, production sectors and product groups. In individual industrial branches, there are sectors and product groups with very diverse levels of efficiency and with varying abilities to compete on foreign markets.

Given a limited supply of labor and raw materials, it is necessary to seek possibilities for additional economic growth by directing a production program toward those sectors and products which are, in terms of their use values and quality, potentially efficient and which may be advantageously applied in foreign markets.

/Science and research/ possesses critical significance for the further development of labor productivity. New discoveries accumulate faster and faster, the number of scientific employees is increasing, as is the amount of resources expended on scientific research.

With a view to the low levels of the labor supply, the main attention in the Seventh Five-Year Plan ought to be directed at greater efficiency in scientific and research activity, especially from the viewpoint of measures assuring increased work force savings, both on a macrostructural scale and in enterprise research and the improvers movement, the contribution of which to the increase in labor productivity can be

more immediately and rapidly implementable. For this reason the main directions of economic and social development in the CSSR from 1981 to 1985 mention in a prominent place a number of specific tasks of scientific-technical development aimed at increasing its share in the growth of the social productivity of labor and the overall efficiency of the national eocnomy.

/Management sophistication/ possesses critical significance for the implementation of all the remaining factors in labor productivity, for instance the implementation in practice of the findings of science, the application of worker qualifications, the utilization of production facilities, and the like. In spite of the fact that this factor may not be expressed numerically, its influence on labor productivity is substantial, as indicated by a number of studies and international comparisons.

Internal enterprise management also belongs in the complex of issues of management and organization, and within its framework so does work rationalization, which has a significant role in the growth of social productivity. It includes measures for the more efficient utilization of labor and the other components of the labor process, the conduct of changes in the nature of work, the improvement of working conditions and the development of worker activity. Its objective is to discover unused potential and sources of growth in labor productivity, to maintain prescribed technical and labor procedures, to utilize machinery and equipment, and to maintain safety conditions at work. It is desirable that the share of rationalization and standardization in productivity growth continue to increase. The preconditions have also been created for their planned development in the unified methodological guidelines for the formulation of state plan proposals for national economic development, according to which the contributions of rationalization measures to the assurance of the planned growth in labor productivity are determined. It is a question mainly of direction the objectives and tasks of labor rationalization, the planning of their contributions, the improvement and expansion of the normative base, which is one of the main preconditions for an increase in the efficiency of operative management, planning, and compensation.

/The influence of qualifications/ on labor productivity depends both on the level and on the structure of the qualifications and, particularly, on their utilization. In this regard, there have been important qualitative changes. The worker qualification structure has changed significantly in favor of experts with a higher level of achieved education. The percentage of experts who are fulfilling the prescribed education requirements is growing. However, there are still many specialists whose qualifications are not being utilized.

The following will be especially useful in increasing the efficiency of the qualification factor:

--the assurance, in conceptions and plans for the replacement of skilled workers, of closer ties between the qualification structure of workers and the needs of the national economy, stemming particularly from the development of production and new technology;

/--the assurance of the replacement of unskilled work with technology and an increase in the percentage of skilled work in accordance with possibilities provided by the general increase in employee qualifications;

--the creation of the conditions for a lifelong increase in qualifications and strengthening the material incentives for this increase./

The main guidelines also emphasize the need to improve the skills mix of workers and to improve substantially the utilization of the high qualifications achieved by the work force to assure the growth of technical sophistication and quality, the improvement of technical procedures and the organization of production with the objective of using fully all the factors in the growth of the social productivity of labor.

/Utilization of the work day/ without a doubt belongs among the no less significant factors which influence the annual and hourly productivity of labor, particularly if it is also accompanied by the upholding of labor discipline, an improvement in the organization of production and labor, by the formulation and adhering to work schedules, to labor and technical procedures, by the timely and adequate supplying with raw materials, inputs and energy, by the utilization of machinery and equipment, by improving the quality of products and services, by the optimal allocation of numbers of workers and their employment in absolutely essential numbers, and if conditions are created for a reduction in illness and injuries. The main directions of the economic and social development of the CSSR rightly emphasize, in this regard, the introduction of progressive changes in the character of work and the creation of conditions for an increase in labor discipline and the rhythmic nature of the work process.

It is desirable that /the movtivation to work and other societal and social factors/ in the growth of labor productivity find broad application in the development of worker initiative, the results of which will be appropriately utilized above all in the development of implementational counterplanning, and in the overfulfillment of five-year plan targets and the qualitative aspects of annual implementational plans. At the same time, measures assuring the growth of the social productivity of labor and efficiency and the conservation of labor and embodied labor from the viewpoint of the prospective requirements of national economic development should receive priority and be stimulated more significantly. This is one of the main directions in the assurance and overfulfillment of tasks concerning an increase in the efficiency of economic development which will be established by the five-year plan.

Low increases in labor resources for the Seventh Five-Year Plan and their unfavorable structure requires more than ever before the assurance of the economical utilization of all employees and the creation to this end of the necessary prerequisites in planning and placement, not only for state agencies, planning commissions, ministries, and national committees, but also in economic production units, organizations, and in enterprise and personal material incentives.

For this reason, the unified employment control system approved for the Seventh Five-Year Plan emphasizes:

/--the need to improve the method of balancing labor resources and their placement;

/--the assurance of closer ties between the economic plans of organizations and the state plan, especially regarding the quarterly breakdown of limits on the number of workers from the viewpoint of the feasibility and possibilities for worker recruitment;

/--the assurance of an employment structure (percentages of technical-economic employees, workers and operational employees) in accordance with the state plan;

/--extending the influence of the state plan in the determination of the development of employment and wages to other organizations, i.e., even to areas where the state plan has not previously influenced the development of employment.

The economical utilization of all kinds of human labor demands the creation of preconditions in all areas of the planned management of the national economy, in the interrelated parts of the national economic plans, especially in the area of new technology and the replacement of capital assets, and assure the influence of all instruments and incentive measures to this end.

The Main Directions of Economic and Social Development of the CSSR from 1981 to 1985 provides sufficient suggestions and tasks for the further development of the Set of Measures in the area of the improved utilization and placement of employees and their qualifications in the interest of assuring the further advance of the national economy, even in view of substantially lower new labor force resources.

9276
CSO: 2400/102

INCREASED TRAFFIC VOLUME SHIPPED VIA ROSTOCK HARBOR

East Berlin TECHNISCHE GEMEINSCHAFT in German Vol 29 No 11, Nov 81 (Signed to press 30 Sep 81 ) pp 31-32

[Article by Heinz Limp, senior engineer, VEB Rostock Seaport; chairman, Enterprise Section (BS), Chamber of Technology: "Goods Volume: A Harbor Is Bursting at the Seams"]

> [Text] Rostock Overseas Port: This is the largest commercial harbor in the GDR. In 1980, 2,731 vessels from 42 countries cleared here. About 15.3 million tons of goods of all kinds passed the piers at the present 32 berths. It was the largest volume ever achieved by the 4,700 employees in the 20 years since the port was opened. By the end of the five-year plan the goods volume is to increase to more than 23 million tons--an amount for which the present capacity of the harbor is too small. But a new format for the port has long been on the drawing boards...

Several construction projects now and in the next few years will alter the original image of the port and give it a new face: The building of a new high-capacity terminal for roll-on/roll-off and container traffic at the southern edge of the port, the construction of an additional basin with three berths for the grain, fish meal and fodder traffic and the creation of three additional berths for the handling of metals and general cargo through the expansion of Pier 1 and the construction of further handling facilities for chemical products.

Increasing Ro/Ro Traffic

The building of the ro/ro-container terminal is a necessity, which resulted from the rapid development (above all in ro/ro traffic) in the past years, which is shown by two figures: When ro/ro traffic began in 1974 the cargo volume amounted to about 42,000 tons. Last year, in comparison, it was already more than 382,000 tons! The present facilities are now operating at the limit of their capacity.

In order to be able to cope with the constantly growing cargo volume in the coming years, a completely new construction complex with an area of 200,000 $m^2$ is going up right now, the core of which is a warehouse with 19,000 $m^2$ of usuable floor space. It has already been completed and equipped for loading and unloading trailers and containers. The attached open storage area extends over about 110,000 $m^2$, of which

nearly one-fifth has been in practical use since December of last year. This year, construction of a public tract and a special connecting road to the Berlin-Rostock autobahn (which is also equipped to handle the heaviest transports) has begun. Beside it the continued expansion of the open storage area takes place.

Large Silos in the Complex

Almost half a million cubic meters of sea sand had to be moved by the dredges and barges of the VEB Rostock Dredge, Towing and Salvage Company in order to permit construction, between the present bulk cargo pier and the oil port, of a totally new harbor basin, which in the future will handle the shipping of grain, fish meal and fodder. With its 820 meter long pier it offers roon for three berths, two of which are 300 meters and one of which is 220 meters long. Water depth in the two 300-meter berths will be 13 meters, in order to be able to accommodate vessels up to 60,000 tons deadweight. The third berth, with a water depth of 12 meters, is intended for vessels up to 30,000 tons deadweight.

The core of this new shipping complex will be a large silo facility consisting of a total of 72 cells (towers), a considerable part of which has already been completed (photo). The VEB Rostock Special Constructions Combine is building the silo towers, each of which has a height of 54 meters and possesses an average storage capacity of about 1,000 tons. The construction of the silos is so arranged that the open spaces between the towers can also be utilized, which increases the total holding capacity.

In this connection the plans call for the special berth for grain and fodder, located at the middle of the pier, to be the first one to begin operation in 1982. Here conventional grain elevators, which run on tracks parallel to the pier, will be used to unload ships, and floating grain elevators as well, which have proved superior for 2 years. Via an almost automated freight car loading station 1,200 tons (an entire train) can then be loaded every hour.

For Rolled Steel and General Cargo

Pier 1 deals with the preferential traffic of metals and general cargo: The pier must grow about 400 meters into the basin by the Warnow if it is to provide room for the two berths for metal which are planned on the west side and for the general cargo berth on the east side. In the future four heavy-duty cranes with a lifting capacity of 40 and 50 tons, respectively, built at VEB Eberswalde Crane Works, will serve to unload cold-rolled steel, sheet metals and wire at the metal shipping areas. It will primarily be Soviet rolling mill products, the import of which will grow considerably during the 1980's.

An adjoining open storage facility, equipped for a floor load of up to 30 tons/meter$^2$, three deavy-duty bridge cranes with a 50-ton capacity and a 50-meter free span complete the technical equipment.

In order to fully utilize this capacity, a smooth approach and departure by rail must simultaneously be assured. Accordingly, the three new berths will be provided with 17 kilometers of track and 64 switches. The enterprise building this is VEB Magdeburg Track Installation. The plan calls for the first train to dispatch rolling mill products in the first quarter of 1983. The handling of cargo at the new general cargo storage facility--here, three 10-ton cranes and a 12,600 m$^2$ warehouse are planned--is to begin 1 year later.

The opening of a special chemical port is also planned for 1983. It will serve to unload liquid ammonia.

Naturally, all of these highly productive facilities are based on the most recent scientific and technological knowledge in the field of transportation, handling and storage procedures, in order to achieve optimal and efficient cargo handling corresponding to the demands of the future. Through specific use of electronic data processing and modern means of communication it is possible to achieve fast-reacting control over the dispatch of the means of sea and land transportation even today.

11949
CSO: 2300/76

## CAUSES FOR ECONOMIC BREAKDOWN ANALYZED

Warsaw GOSPODARKA PLANOWA in Polish No 7-8 Jul-Aug 81 pp 353-361

[Article by Stanislaw Albinowski: "At the roots of the Economic Breakdown"; passages within slantlines published in boldface]

### Components of the Initial Situation*

[Text] The current situation forces us to reflect on the real causes of the crisis our economy is experiencing. This crisis has been growing since the end of 1974 (with increasing shortages of consumer goods on the market), and acquired a clearly explosive character since June 1976. The published causes of these "difficulties" cannot explain, and especially justify, the situation existing during the mid 1970's. The decline of agricultural production in 1974 and 1975 could be foreseen based upon a statistical prognosis and, independent of this, it was not explained how much Poland contributed to a continually chronic under-investment in agriculture. In the field of foreign trade, the years 1974 and 1975 were not--according to confirmations--a bad period. On the contrary, as regards relations with the capitalist countries--and this was a critical sector for us--a continual improvement in terms of trade followed.

During the years 1971-75, our economy had an abundance of production factors at its disposal. Some 1.8 million persons entered their productive years. Within the arena of material supplies, balance tensions existed throughout the entire period to be sure; nevertheless, increases in the production of basic raw and other materials were significantly greater than in 1966-70. Considering the length

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*The text printed below was written in 1977 as a fragment of a larger article. In June 1981, it was published as one of the author's works in the appendix to the "Governmental Report on the State of the Economy and the State," and sent to Sejm together with the "Report." The text is printed here without any substantial changes. Only with the terms "old" and "new" did the editors insert the changes "Gomulka team" and "Gierek team." The author does not see the need to actualize the statistical data; the primary causes of the economic crisis which appeared between 1972 and 1973 are the subject of the analysis. The text limits itself to an analysis of economic factors and the phenomenon under discussion. It does not, on the contrary, deal with political and social components (author's note).

of the investment cycle, this could have been only the result of initiating facilities whose construction began even before 1971. Parallel to this, the importation of raw materials and semifinished products, of which most were bought on credit, grew even more. As regards price increases for raw materials that took place on the world market from 1973 to 1975, our economy profited on the balance, which is proven by comparing the results of foreign trade in current prices to those of 1970. It could have been more profitable if our import policy had been conducted in a rational manner from the beginning, i.e., if the negative balance in trade turnovers had not exceeded profitable amounts achieved thanks to the corrected terms of trade. Likewise, the influx of new production means for machinery and equipment was more abundant than ever before, which resulted from credit purchases of equipment in the capitalist countries.

All factors of production were in a state of abundance. Despite this, however, serious disturbances in market equilibrium occurred. The causes of the current crisis, therefore, must lie in two other closely connected spheres, i.e., first, the degree of taking advantage of available production factors was low, which resulted in the low efficiency of the management process. This is tied to a large extent to maintaining a system of economic functioning that prefers extensive methods. This preference was enhanced still more (and to a degree not yet seen) by the concept of accelerated development strategy, in which quantitative euphoria replaced the calculation of efficiency. A particularly high degree of waste was visible (and still is) in the material economy, along with the particularly large decline of efficiency in export production and investment activity.

The second cause of the current crisis is the faulty policy of prices and payments. For political reasons, prices for basic goods were frozen. Payments grew much more quickly than the five-year plan anticipated, through which the seed of structural disorders was instilled in two parallel phenomena: First, to a large degree the growth of payments was not covered in the increases of production cleanly resulting from the increase in labor productivity, and second, nothing was done to guarantee that the growing personal income of the people would cover consumer goods. Therefore, both in the sphere of a global and a segmental balance, there was only a nominal increase in personal incomes, which to a large degree failed to actually cover the cost of goods. This had to lead to an inflationary price increase. Influences in pricing policy and the foreign-trade balance accompanied these proinflationary, internal factors. The first acted in a pro-inflationary manner, while the second were anti-inflationary. Weighing the demands of these influences, as with each of the signalized problems discussed here, a more thorough discussion based upon analysis of the data is required.

A short digression: The above-mentioned observations concerning the exceptional growth of nominal payments do not negate the need for growth in the people's real incomes. A comparison of the share of payments within the national incomes of Poland and the West European countries leads to the conclusion that the share in Poland is lower, and in some cases by even 50 percent. The growth of real incomes in relation to the reasonable level of our economy's development would require, however, two fundamental changes; i.e., a significant reduction of the share of investment in income (this was stipulated at the Eighth Plenum in February 1971) and a fundamental change in the production structure for the benefit of consumer goods. The development of the situation from 1971 to 1975 led to contrary tendencies.

The causes of the economic crisis taking place in the middle of the 1970's lie in faulty economic policy, which came into conflict with the concepts formulated in outline form at the Eighth Plenum.

The economic policy of the Gomulka team led to the following situation: extensive development led not only to the stagnation of real payments, but it also reduced the possibilities for development, whose expression was a falling growth rate in national income and practically stagnation in the area of capital investment. An attempt to solve the problem was made by acquiring means to modernize the economy and by lowering the living standard--in each case blocking it for a further, undefined period. Because the 1971-75 plan's concept was not published, it is difficult to judge the aims of the Gomulka team during this period. The first step in this direction had to be price increases in December 1970, which provoked strong societal opposition--in effect the administration at the time had to step down.

The new administration, of course, had to establish one principal goal; i.e., bring about an economic impetus through the simultaneous growth of the people's living standard. Many variants and various deadlines for achieving this goal have existed. The Gierek team's first error of a sociological character was that it wanted to carry out changes very quickly, when in the situation existing at the time, slow but constant changes would have sufficed. Two fundamental possibilities existed: Either slow changes based upon a rebuilding of the country's economic structure and changes in the policy of income distribution, or rapid changes based upon foreign credits. Within this framework, there were various combinations of factors from both concepts.

During the Eighth Plenum in February 1971, this was drawn as the first guiding, programatic concept. Prof Jozef Pajestka stated that one cannot "link" the new policy of rapid growth in incomes to the old economic structure. He demanded, among others, a change in investment policy in the direction of quick-profit outlays.

This thesis should be expanded, i.e., it is impossible "to link" the new income policy to either the old economic structure or the old economic policy. Such a concept would require radical changes and conversion from extensive to intensive methods of management; the first condition to implement this assumption was the introduction of a new system of economic functioning, one which prefers intensive methods. This was not done for political reasons, and those forms of worker self-government which existed previously, or developed in the December period, were eliminated. The new WOG (large economic unit) system was not only formed a bit too long and without suitable coordination, but in practice it degenerated into its antitype, i.e., not only did it not increase the degree of independence by the enterprises in decisionmaking (as a condition for intensifying the production process), but it simultaneously intensified the economic anarchy leading to complete disarray. To an ever greater degree, decisions were made not on the basis of rational arguments and real calculations, but as the result of auction strengths for individual objects, which began to group into particular arrangements.

Beginning in 1972, Poland began to introduce an enormous--continually growing and previously unknown--degree of forced development through the aid of foreign

credits. It was precisely in 1972 that the change from one concept to the other took place without notice by society. Although the party discussed the continuation and development of economic policy, which was decided at the Sixth PZPR Congress, a 180-degree turnabout took place here. There was a reversal of a policy which--if it had been consistently implemented--could have brought less spectacular but lasting results, to one of quick results, but based on doubtful foundations. They were doubtful because the investment injection could establish the impetus for development only under the condition that the economic system function properly, which guarantees optimal advantage from obtained credits, and thus a system based upon economic intensification. In general, such a system did not exist, nor does it exist now. In this situation, the efficiency of credit advantage was and continues to be low, while the system of so-called self-payments becomes a fiction. Moreover, the need to increase exports gives birth to the tendency to export for every possible price, which means that foreign trade reduces national income to division rather than increasing it.

There is no doubt that once the investment policy based on credit was set into motion, the more production credit escaped administrative control. Indebtedness to the capitalist countries achieved levels many times greater not only than those which were resolved in the five-year plan established in 1972, but also than those from current and later resolutions. For example, the minister of foreign trade, Prof Jerzy Olszewski, stated in the middle of 1975--immediately after taking over that position--that we had to achieve equilibrium in our trade balance with the capitalist countries by 1977-78, or "there will be a tragedy." However, in 1976, there was an increase in the deficit even as compared to 1975 (to 9.7 billion foreign-exchange zlotys, or about $3 billion), and no one thinking realistically thought it was possible either to achieve a favorable balance in 1980 (as stated in the plan for 1976-80) or to equalize it. An additional negative factor (besides our industry's enormous inclination to import from the capitalist countries) will be a certain worsening in the second half of the 1970's of the terms of trade--as opposed to the 1971-75 period, when the indicator showed constant improvement from our point of view.

The effects of this policy are therefore negative: on the current scale, we were unable to utilize the obtained credits rationally, with maximal use for the economy and for real growth in society's living standard. On the perspective scale, the obtained credits constitute an enormous burden for our economy and people. For at least the next 10 years[1], their real cost not only rules out all formal calculations of investment effectiveness, worsening it considerably, but also for many years it will lower national income to a degree and create additional inflationary pressure.

It is thus possible to risk stating that the Polish economy during the middle of the 1970's will find itself--as compared to the situation at the end of the 1960's --in a much worse situation not only in the present sense but also in the future. Structural disorders, the degree of market imbalance and disorders in our economy's organizational state are currently much larger. Concurrently, we already

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[1]At present, it is becoming obvious that the repayment of foreign debts will require a much longer time that the 10 years I optimistically stated in the middle of 1977 (author's note, 1981).

have played the last trump card--credits, but we have not won the kitty. It will now be necessary to get out of this situation with our own strength.

For many years, society has realized that it is paying for a mistaken policy and a bad system. It is especially this circumstance that was the most important component of the exit situation started by the Gierek team. From the removal of this component, change of policy and correction of the system, above all, the implementation of declared aims for bringing the country out of its state of economic stagnation and a marked improvement in the people's situation are required. This fact should be emphasized particularly strongly: It is not so much that objective factors were the principal source of the difficulties, but rather they can be attributed to the incompetence of the authorities and the incapability of the system to take advantage of already existing production factors. The society's lack of trust in the authorities and in the system's rationality had negative effects on work morale and work efficiency as a production factor. This was, however, a secondary element. The primary element was the negative influence of the system itself, in whose confines there already was some sort of programmed waste of every production factor. Therefore, a faulty circle of mutually powerful, negative influences on the efficiency of the management process existed here. The first condition of action by the new administration should have been to break the faulty circle.

Imperatives and Reality

The success of the Gierek team's policy, to which society gave reasonable support, did not depend so much on spectacular successes, since no one who thought clearly expected them, but rather on the implementation of a gradual improvement of the economic situation which the people could feel, and on the initiation of mechanisms for development. In the political sphere, two factors played a fundamental role: First, agreement of actions with words, which required the support of the entire development strategy on solid bases, and second, raising the living standard, in which it was decided to what degree public and production activity would be initiated and how people would work. Agreement of actions with words also naturally encompassed the entire sphere of relations between the authorities and society. Among the resulting problems here, democratization and enlargement of society's participation in decisionmaking at all levels--as stated at the Eighth Plenum of the PZPR Central Committee in February 1971--above all should be mentioned.

In the economic sphere, the imperatives of economic policy, promising a chance of success, are as follows:

a) stop nonsense in the areas of planning and management;

b) introduce a new economic strategy dependent upon the optimalization of capital investment outlays so that the effects of these outlays be quicker;

c) introduce new proportions in the division of national income (reduction of the capital investment share) and in capital investment outlays (increase in the share of outlays for agriculture, production of consumer goods and for social goals);

d) pay particular attention to strengthening the market balance (the proportion between nominal purchasing power and commodity bulk in the global and increased aggregate);

e) eliminate or begin to remove the disproportion between the economy's production and "service" activities (e.g., transportation as the bottleneck of the entire economy), and also eliminate the disproportion in the spheres of coproduction and supply;

f) shift the weight of methodology for economic development from extensive to intensive, which would require withdrawal from the pursuit of quantity and the simultaneous transformation to production quality, the lowering of costs and the increase of income through given global production; and

g) begin the introduction of an active credit policy in an unusually careful manner, preceded by familiarization with the possibilities for credit repayment and market outlets, and on this basis--work out and execute a program for the development of export production.

One could say that the implementation (and this is simultaneous) of all these assumptions was not possible. It is certain that it would not be an easy program, but it is also certain that the prerequisites for its adoption exist. It would require, however, a change in economic philosophy, an understanding of the necessity of new goals and an introduction of new methods. Despite the fact that the situation was bad at the beginning of the period, still there were enormous reserves whose initiation required only the removal of nonsense as a first step. The years 1971-72, when hope of correcting the situation and credit in the form of trust in the new administration enlivened social initiative, testify that the almost immediate administration enlivened social initiative, testify that the almost immediate initiation of these reserves was possible in full, and the maintenance of this trend depended on strengthening those conditions initiated by this trend.

Table 1 gives the indicators of the share of the degree of growth in the effects of activity by intensive factors in the growth rate of work output and national income.

Table 1

| Years | Share (%) of intensive factors in growth | |
|---|---|---|
| | Work output | National income |
| 1961-1965 | 68.0 | 53.1 |
| 1966-1970 | 43.6 | 29.3 |
| 1971 | 69.7 | 56.8 |
| 1972 | 71.4 | 55.0 |
| 1971-1975 | 63.6 | 49.5 |

Source: M. Nasilkowski, "An Analysis of Economic Development Factors in the Polish People's Republic." Warsaw, 1974, pp 164 and 220. For the years 1971-1975, my calculation uses the same method.

The decline of management efficiency during the years 1966-70 was very deep as compared to the previous 5-year period. In 1971-72, a sharp correction, thanks to which we achieved a higher level of efficiency than in 1961-65, took place. However, a survey of the 1971-75 period shows that the results are considerably worse than in 1971-72, which means that in the 3 final years of that 5-year period, a considerable reduction in the efficiency of economic activity took place.

The fact that this phenomenon occurred in 1973, and thus from the time when the first effects of the so-called acceleration introduced at the First Conference began to appear, is not, nor can it be, an accident. An even deeper decline in efficiency followed this policy's "development" (see Table 2).

Table 2

| | Years | | | | |
|---|---|---|---|---|---|
| | 1971 | 1972 | 1973 | 1974 | 1975 |
| Share of intensive factors in growth | 63.2 | 76.5 | 70.2 | 58.1 | 42.7 |
| Work output in national income | 53.1 | 58.5 | 54.6 | 41.3 | 35.5 |

My calculated factors for 1971 and 1972 differ from those of M. Nasilowski. The tendency, however, is obvious, i.e., since 1973, there has been a decline in management efficiency, which in 1975 reached a level similar to that of 1966-70.

This tendency also occurred in industry, which is confirmed by the fact that the WOG system did not bring any positive results.

For the general economic characteristics of 1971-75, the evaluation M. Nasilowski gives in relation to the 1960's is reliable and accurate: "Introduced to fascination was the very growth rate of economic development and imperceptible prices that society had to pay for the forced acceleration of the growth of national income, which did not always have a proper, contemporary and real structure."[2] It also should be noted that in the 1971-75 period, this fascination was without comparison larger, and the price many times higher than in the 1960's.

All of this was the consequence of the fact that the Gierek team not only did not take into consideration any of the known and explicitly formulated imperatives in its current economic policy, but to the contrary--all of the imperatives ignored either the fact that the policy was supported by faulty conditions (e.g., the assumption of credit policy) or generally it did not have the support of any fundamental conditions. To a large degree, this policy occurred from the pressure of various factors which the administration could neither control nor had the strength to change the remaining parameters in such a way as to harmonize them with conditions created as a result of these pressures. The growth of payments and capital investments completely escaped from the hands of the central authorities, going far beyond planned assumptions. The authorities, however,

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[2]M. Nasilowski, "An Analysis of Economic Development Factors in the Polish People's Republic" p 176.

changed neither the structure of real production and imports nor the pricing structure for "market" goods, and it was already too late when it was decided to change prices. This can be compared to the situation of a helsman in a sailboat, who must change his course because of a shift in the winds, but who does not adjust his sails accordingly. To capsize is then unavoidable.

Lack of space here does not permit citing lengthy arguments--in valid theories--concerning the necessary directions of economic policy. Both the Gomulka team's concepts for selective development and almost all of the postulates formulated at the Eighth Plenum in 1971 can be regarded as valid. The 8 June 1972 resolution of the Sejm concerning the five-year plan stated in the preface that the plan's fundamental goals were as follows: correction of the people's living standard and removal of existing tensions and disproportions through the guarantee of a rapid and effective socioeconomic development for the country. Limiting ourselves here to general statements, the following should be emphasized:

--it has achieved a higher growth rate of economic development through the cost of lower efficiency and enormous indebtedness abroad whose repayment will weigh on our economy for many years to come, and has lowered the growth rate in the people's living standard;

--the social component of the new administration's economic policy has remained on paper;

--the achieved growth of the people's personal incomes--higher than those planned for the period and higher than ever achieved--was growth without backing. To a large degree, it was absorbed by price increases (only partially revealed in official statistics), and to an even greater degree, it became a fiction as a result of a lack of goods in general. Money that cannot purchase what is needed has no value. The growth of payments, which is officially "real," is a fiction when there are no possibilities of raising the standard of living;

--the tensions and disproportions existing at the beginning of the 1970's not only were not removed but worsened to an enormous degree never known and became a bottleneck for economic development in the second half of the 1970's.

The system for planning and managing the economy was led to a zero state, if not to negative efficiency and efficacy. The lack of objective criteria resulting from the breakdown of the strategy existing to date completes an increasingly deeper penetration of the system by informal, cliquish and particular arrangements that prefer those environs of our economy from which specific people launch themselves into management positions.

However, the most important negative consequence of the 1971-76 economic policy is the closing of the faulty circle in which our economy has found itself. In order to elaborate on this thesis, it is necessary to state a few words of introduction.

The years 1969-70 were a period of accumulated depression, i.e., weakening of the growth rate for national income, which was tied to the investment cycle (shifting the damaged capital investment growth rate about 3 years to the right, which means

forward, confirms this thesis), and met with the necessity of repaying credits borrowed in 1965-66. This is probably what caused the pressure to increase exports in 1970. Thus, the difficulty of the situation at the time was caused, above all, by the imposition of the deadline for repaying credits to the period of depression in the economic growth rate. Gomulka wanted to extricate this cost from the people by lowering purchasing power and effective demand so that a given production would have more goods for export--especially food (in particular, meat products, when these were the only "certain" goods that we could always export). The result of the attempt to implement this concept is known.

The Gierek team could not follow this path; only foreign credits opened a way to getting out of the situation in the short term. In 1971-72, we had large enough import surpluses from the socialist countries, while shared national income was higher than produced, and the surplus grew quickly. Starting in 1972, we also began to have--growing by leaps and bounds--an import surplus from the capitalist countries. The policy's legitimacy was determined by its necessity; there was no other possibility. However, in the longer run, the problem of simultaneous, dynamic growth in the economy and the more rapid growth than previously in the people's living standard could be solved only through increasing the efficiency of management and changes in the real structure of production. This was not done, however, indeed the opposite occurred; i.e., efficiency succumbed to a decline and tension within the economy grew considerably. Social tensions in 1977 were also greater, and halting the growth of the living standard became unavoidable in recent years as a result of the necessity to repay credits, which in the 1976-80 plan had to ensue in 1980 in ruthless proportion. However, up to that time the import surplus had to grow smaller, which in a growth context means the depletion of the means of disposal for capital investment and consumption. If we now take into consideration that from 1976 (inclusive), the growth of capital investment outputs has practically stopped, we should expect a depressed growth rate for the national income for the end of the 1970's. Thus, a repetition of the situation existing at the end of the 1960's has occurred, namely imposed on both periods. However, there is one fundamental difference--the current borrowing of foreign credits as a means by which to get out of these difficulties is no longer possible. Moreover, it will not only be impossible to get new credits, but it also will be necessary to repay the balance of the old ones. This means the development of a situation worse than the one in 1970. The same ineffectiveness of our economy will succumb to compression, when depression or only halting of the living standard's growth rate becomes a production disincentive (in an output sense), which must denote the management's deepening ineffectiveness. Theoretically, there are only two possible ways out of this situation: a war-type economy or a complete change in the system of state and economic functioning. The most difficult societal problem here will be rebuilding society's faith in the authorities--already three times in the postwar period, the credit of trust has not been repaid, but rather peculated.

Changes in the economic system and economic policy are unavoidable, although attractions in the form of "maneuvers" initiated in 1976 will not solve the problem. The stage preceding the formation of a new economic policy must be an analysis of the policy and its effects during the years 1971-75. Only the revelation of mistakes and the mechanics of their rise (and thus the realization of what must be changed) can constitute the foundation of a program that would provide real chances for breaking the faulty circle of ineffectiveness, and reveal

the directions of changes whose purpose is to avoid a further repetition of the mistakes that were committed in various degrees and forms within Poland's economic policy since 1950.

The Five-Year Plan: Unreal Assumption

If we overlook the assumptions of the fifteen-year plan from the end of the 1950's and the beginning of the 1960's, which comprised the period to 1975 and very quickly became outdated, the initial, calculated assumptions for the 1971-75 plan were adopted in November 1968 at Fifth PZPR Congress. In the first half of 1969, there were numerous deliberations between the party and the government regarding the plan's construction. In October 1969, drafts of the 1971-75 plan were sent out to the entire country for ratification by conferences of the enterprises' worker self-governments. It would have seemed that the plan already had been worked out at every level; thus, there was surprise when Wladyslaw Gomulka stated the following on 13 December 1970 at the Sixth Plenum of the PZPR Central Committee: "The plan for 1971 opens...a new Nationa, Economic Plan for 1971-75, /whose work is still before us./[3] (author's emphasis)

On 23 December 1970, and thus 3 days after the Seventh Plenum of the Central Committee had made administrative changes in the party, Premier Jaroszewicz stated before the Sejm that intensive work on the new five-year plan had begun, in which drafts of "new elements of economic and social policy resulting from an analysis of the causes of the recent events also will find expression."[4]

On 6 February 1971 at the Central Committee's Eighth Plenum, Vice Premier F. Kaim talked about the "newly worked out four-year plan for 1972-75"[5], and on 12 February 1971 TRYBUNA LUDU revealed that the government had established a "special working procedure" for the new draft plan for 1971-75. Directions of changes were guided by resolutions established at the seventh and eighth plena. This is confirmed by the following:

> The previous draft of the five-year plan did not meet societal needs, was not discussed with specialists and did not consider the possibilities of a more rapid improvement in the people's living conditions. As a result, /major revision/ (author's emphasis) of earlier assumptions are currently being implemented...[6]

Toward this end, stated TRYBUNA LUDU further, the chairman of the Council of Ministers called special commissions, subcommissions and teams, and the entirety of the work effort was to be organized and coordinated by the Council's Planning Commission.

Here a question must be posed--by which measures and directions did the new plan differ from the draft worked out by the old administration? It is shocking. The

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[3]KRONIKA (1970), p 1055.
[4]KRONIKA (1970), p 1121.
[5]NOWE DROGI (1971), special edition, p 93.
[6]KRONIKA (1971), p 132.

differences are quite minimal, and in some cases they denote considerably worse possibilities for implementing the assumptions and assurances than those of the Gierek team.

A detailed comparison of the 1971-75 plan's fundamental indices with the version put forward by the Fifth PZPR Congress (1968) and resolutions for the 8 June 1972 plan lead to the following conclusions, which can be reliable only as to whether the amount of data published (used here by the author) is sufficient to make judgments.

a) Within the area of production, the plan envisages not much higher indices than in the Fifth Congress version. As regards generated national income, the indices are four points higher (by 2.9 percent), while in distributed, 4.4 percent. This latter ratio is tied to the change in the proportion of growth in exports and imports. In the Fifth Congress version, the growth rate for exports was to constitute 98.7 percent of that for imports, while in the plan, this ratio was 97.5 percent. Inasmuch as, in the Fifth Congress version, distributed income was to rise somewhat more slowly than generated income, the plan envisaged an inverse ratio. It should be emphasized that in both these events the differences are small.

In accordance with the plan industrial production was to increase 2.7 percent faster than in the Fifth Congress version.

On the scale of the five-year plan an acceleration in the production growth rate from 35 percent to 40 percent was planned for the construction industry, while in agriculture from 16 percent to 19-20 percent. Only these two sectors show a significant upward deviation from the Fifth Congress plan.

b) Characteristic, however, is the fact that the plan did not establish larger means that would guarantee greater growth. The best example of this is agriculture; e.g., the capital investment share for agriculture in the Fifth Congress version was to have achieved 15 percent of global outlays, while in this plan it was 14 percent. As regards arbitrary figures, after introducing comparative prices, the amounts were 210 and 204 billion zlotys. Therefore, the plan earmarked capital investments for agriculture, which were lower than those anticipated by the Fifth Congress version, which in turn was rejected by the new administration as not meeting the people's growing needs for food. Also characteristic was the fact that despite considerably larger tasks in the area of crop production, the 1975 plan assumed the use of artificial fertilizers as an integral part at a level of 193 kg/ha, and thus within the limits established in the Fifth Congress version (190-200 kg). Because the plan simultaneously brought about a decline--in the best case, stagnation of employment in agriculture--they thus counted on only good weather to achieve a greater growth in agricultural production.

In industry, the growth rate for output was placed in the lower half of the growth section set at the Fifth Congress. To be sure, larger capital investment funds were earmarked for industry, but first, there is at least a period of 5 years from the time the fund is granted to the startup of the facility, and second, the

scale of the entire economy (and thus also in industry), a decline in the efficiency of capital investment outlays was brought about by the prolongation of the median cycle--for certain in connection with the increase in the unit scale of facilities. The relation of growth in fixed assets to capital investment outlays, which achieved 86.5 percent in 1961-65, 94 percent in 1966-70 and was set at 92.8 percent in the 1971-75 plan, in fact achieved onl 82.4 percent.

c) Payments and consumption: using the median, annual growth of income at 7.1 percent (as demonstrated in the structure of 1970 income distribution), it was possible theoretically to achieve the planned growth of 6.8 percent in consumption and 7.9 percent in accumulation. However, the share of accumulation at the time in 1975 income would not have reached 29.1 percent as the plan stated, but rather 31 percent--as compared to 27.9 percent in 1970. This share was strongly criticized as too high at the Eighth Plenum in February 1971, weighing heavily on the possibilities for an increase in the living standard. It is a fact that the Fifth Congress version set the increase of the accumulation share at 33.9 percent (in fact we "achieved" 35.1 percent in 1975), but the reserve was contained in the growth rate for all income: the latter was set at a level approximately 20 percent higher than the amount of the weighed growth rate for both factors (i.e., consumption and accumulation). In the plan ratified in 1972, such reserves generally were not established.

It can be said that the plan's assumptions established the maximum that could have been achieved if, first, the effects had been achieved through delineated outlays, second, no excesses of capital investment limitations had occurred, and third, the conditions for economic activity (internal and external) had not succumbed to the slightest deterioration. It is known, however, that such an assumption can and must be a fiction. From this point of view, the five-year plan put forward by the Fifth Congress (1968) was incomparably more stable than the one passed by the Sejm in 1972.

This is also evident from another view: the ratio between the growth of individual consumption's global fund and that of the fund for each inhabitant shows that the Fifth Congress version instituted a 5-percent growth for society, while the plan instituted only 4.1 percent. The actual growth was 4.6 percent. Because it is difficult to judge whether in the course of 1 year the prognosis for society's growth was reduced by one point, it should be acknowledged that in its final version, the plan or experience either accepted an overestimated factor for the growth rate of per capita consumption, or a glaring error was committed in its obviousness. In any event, the Fifth Congress version instituted a reserve, whereby the plan established growth not covered in the resulting factor.

The So-Called Strategy of Accelerated Growth

An analysis of the implementation of the NPSG (National Socioeconomic Plan) for 1971-75 immediately reveals two surprising facts:

--GUS (Central Office of Statistics) in general did not issue a communique concerning the execution of the five-year plan (1971-75), which is unprecedented in the history of the PRL [Polish People's Republic]; and

--nowhere in the public documents can one find a sentence on or the assumption of "the acceleration concept," which to a decisive degree weighed on the plan's nonimplementation and which to a large degree became the reason for the economic and political crisis that was exposed in full in 1976.

Let's begin with the second point, attempting--in order to perceive the complete picture--to follow the stages of the 1971-75 plan's development and later changes.

In February 1971, the government established a special procedure to work on the new plan. Special commissions and teams, called by the premier, began to act. In June, the Central Committee's Tenth Plenum discussed the plan's initial assumptions as presented by the government. Conclusions made from those discussions were sent to the government, and at the same time the plenum advised the Congressional Commission to work out a draft dealing with Poland's socioeconomic development in 1971-75. In December 1971, the Sixth Congress took place and unanimously adopted the program resolution formulating, among others, the tasks in the area of the country's socioeconomic development through 1975. The Fourth Plenum in March 1972 introduced two fundamental changes, i.e., the amount of capital investment outlays for the 5 years was raised dramatically by 24 billion zlotys to the level of 1,454,000,000,000 zlotys, and in a fundamental way, the growth rate for production growth in A and B industries (see Table 3) was changed.

Table 3

| Growth--1975 to present | Growth rates for industrial production per | |
|---|---|---|
| | VI Congress | IV Congress |
| Overall | 48-50 | 50.2 |
| Group A (production goods) | 52 | 51.2 |
| Group B (consumer goods) | 42 | 48.4 |

Both variants were counted carelessly. As much as the first amount of production growth in both areas was lower by 6 billion zlotys as compared to the amount of global production, the second variant was 0.3 billion zlotys higher. Objectively speaking, a reserve of 6 billion zlotys (which was not even mentioned) was included in the first variant. The second variant was, on the contrary, unreal. If the growth rate for group A is accepted as constant, then the production of group B could have increased maximally by 47.6 percent instead of by 48.4 percent.

The relationship of production growth from group A to B was changed from 1.24:1 to 1.06:1. It is not really known as to which balance point of view the growth of capital investment outlays by 24 billion zlotys could have been guaranteed through the simultaneous reduction of production means by 5 billion zlotys. It is possible that credit purchases in imports were established, although there was nothing ever said about this issue at the plenum. On the contrary, mention of the subject was made in another portion of P. Jaroszewicz's speech, which will be discussed later.

The principles of the Sixth Congress, together with corrections made at the Fourth Plenum, were incorporated in their entirety into the plan, which was

approved by the Sejm on 8 June 1972. Exactly 6 months later, 8 January 1973, the National Council of Party and Economic Activation took place. In a speech made at the time by Premier Jaroszewicz, the following statement is found:

"Thanks to the results of 1971 and 1972, we have achieved a marked outdistanceing for the period of the fundamental tasks of the five-year plan. For over 1 year, we have exceeded the planned tasks for increasing real pay, societal incomes and agricultura production, by 1 year for assumptions made in the area of capital investments, and by almost 6 months for industrial production, foreign trade turnovers and deliveries of goods for the domestic market."[7] It can be added that the tasks in the area of national income were exceeded by almost 5 months (in relation to those planned on the average of 7 percent per year).

It is characteristic that the planned factors within the area of distribution (societal incomes and capital investments) were exceeded two times faster than those for industrial production and income generation. Future disproportions and inflationary pressures determined this. At the time, however, not the slightes slightest bit of attention was paid to this circumstance, and no danger to the economy was seen in the observed trends. Also treated somewhat lightly was the latest word of planners, who with great care distinctly warned, "It is possible to evaluated positively only such capital investment growth that does not cause disruption of the general, economic balance in the long term."[8]

It is threrfore possible to state that this acceleration, although "ratified" at the First National Party Conference [KKP] (October 1973), had already been carried out during the course of the first 2 years, especially in 1972 (this can be proven statistically). "Acceptance" of the acceleration by the KKP conference was never preceded by an analysis of conditions, outlays and expected results. The KKP conference also did not approve the changes in development strategy--the use of foreign credits. In general, this issue met with complete silence. In his speech to the PZPR Central Committee, E. Gierek limited himself to this observation: "During the course of the past 3 years, we have achieved a rate of development for the entire national economy, which is considerably higher than congressional resolutions envisaged.... The following factors have guaranteed this high, developmental growth rate: the correct concept for economic policy, the proper use of existing means and the sound management of capital investments."[9]

This forces the question as to which concept for economic policy? The concept used as the basis for the plan did not anticipate such excessive expenditures in relation to income. Another concept was never formulated. In reality, it was an escalation forced by the demands of pay increases and the obligation to maintain stable prices, which were simultaneously going up from the pressure of capital investments. These pressures added criticism to the program of so-called selective development by the previous administration and strengthened the certainty of the Gierek team and its advisers as to dynamic development. However, there are no miracles in economics. It was not possible in this way simultaneously to increase both real payments and investment outlays. In this situation, foreign credits were necessary.

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[7]NOWE DROGI, 1973, Nr 2, p 22.
[8]"Halfway through the five-year plan," GOSPODARKA PLANOWA, 1973, p 436.
[9]NOWE DROGI, 1973, Nr 11, p 12.

Within the assumptions of the five-year plan, there was an import surplus of 3.2 billion foreign-exchange zlotys, of which about two-thirds were to come from the CEMA countries. In reality, there was a change not only in proportion, but more importantly in the very size of the trade deficit, which made it possible for distributed income to be larger than generated income. As a result, the deficit during the 5-year period stood at 21.6 billion foreign-exchange zlotys in current prices and 20.1 billion foreign-exchange zlotys in 1970 prices. However, for 1971-72, there were credits of not quite 10 percent for this 5-year period (in current prices), 22 percent in 1972, and 34 percent for the final 2 years. It should be noted that credits for 1974 and 1975, constituting about 70 percent of the import surpluses for the 5-year period, were drawn on the guiding plan of the First KKP, at which E. Gierek stated the following: "The fundamental task of the economy during the last 2 years of the current 5-year period will be to reverse the proportion between the growth rate for imports and exports in order to accelerate the latter. This especially concerns trade exchanges with the developed capitalist countries, to which exports are growing too slowly, as well as import needs in relation to repayment of credits."[10]

The general formulation of this principle does not permit one to conclude whether the intent was to achieve only a balance or an export surplus (which appears to confirm the reference to repaying credits), or only to reduce the trade deficit. In any case, it concerned "reversing the proportion," and thus at least reducing the size of drawn credits. However, the opposite occurred, as over two-thirds of the credits were drawn in the last 2 years.

The central authorities thus showed their lack of strength in face of pressures from "below" and the economy's export incompetence. During the First KKP conference, Premier Jaroszewicz stated as follows: "It should be recognized that the foremost task of our economy is to increase exports in 1974-75 in comparable prices by at least 34 percent."[11] It is not clear what is meant by "comparable prices." If tabulated in 1970 prices, when our global exports increased during the course of 2 years not by 34 percent but only by 19.9 percent, it was around 2.7 billion foreign-exchange zlotys lower in 1975 than the level resulting from the guiding principle. But the lacking 2.7 billion zlotys of foreign-trade profits in exports constituted barely 50 percent of the trade balance deficit in 1975. It appears that we were unable to oppose the unplanned import pressure which weighed on the trade deficit as regards the planned size of exports.

Everything bears witness to the fact that the central authorities more and more lost control of the situation that developed against their plans and decisions. There is also an internal contradiction in all of this which no one has really "noticed." On the one hand, it was decided at the KKP conference to eliminate the growth of foreign indebtedness, which of course meant removing the possibility of introducing surpluses of distributed income as generated (in 1973, this surplus stood at 49.3 billion zlotys). At the same time, however, at that very conference, further increases in payments and other societal incomes were approved, but also there was an increase of capital investment outlays from 1,900,000,000,000 to 1,954,000,000,000 zlotys during the 5-year period. Because

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[10] NOWE DROGI, 1973, Nr 11, p 25.
[11] Ibid., p 63.

927 billion zlotys already had been spent for capital investments through 1973, there was consequently a desire to spend (and it was spent) over 970 billion zlotys in 2 years, although only 527 billion zlotys had been planned. This difference of 443 billion zlotys could not be covered by domestic means, so it was necessary to increase foreign indebtedness. But the indebtedness was supposed to have been reduced, as implied in the foreign trade guiding principles of 1974-75 and stated at the First KKP.

The "concept" of acceleration contained more internal contradictions--the bottom line is that it was supported by foreign credits without consulting with society or experts. One can suspect that the idea of development acceleration through the use of foreign credits--just in principle--was not analyzed from the point of view of operating costs or possibilities of repaying the debts (and interest on the debts) through increasing exports to hard-currency markets. Each operation of this type contains risks, and in this case it was particularly large, especially as regards the low export inclination of our industry, lack of knowledge concerning Western markets (lack of marketing research, administrative methods of activation that are not very useful in those markets and so on) and lack of an industrial export program that had a real chance of success to deliver its products within its capabilities in order to meet debt repayment deadlines. One of our economists stated the following in 1976: "If we had crude oil or gold and invested the credits in their extraction, there would not be any risk. But we want to repay the credits through delivery of goods that are in abundance in those markets and are of superior quality to ours." In the same way, another condition of this credit policy was not realistic, i.e., Western inflation would bring about a growth in export prices for our products, covering the interest, and thus we would receive the credit "for free."

Therefore, these concepts were above all naive and not supported by discernment of the situation. They found expression in published articles (e.g., the concept of self-repayments); however, in no article I examined was there a thorough analysis of the concept. The concept also was never formulated in documents published by the party or the government. Credits were thus obtained at the cost of society--in secret or by giving out only rudimentary facts. However, what was important was not individual facts but rather their amount and tendency.

From the official side, the problems of credit policy, its dimensions, costs and effects were veiled in silence from the very beginning. One can find only references to the necessity to repay the credits through an increase in exports (postulated, for example, at the Fourth Plenum in March 1972 and at the First KKP). However, at the same time, statements came having as their goal to confirm--against the facts--that additional outlay originate in means worked out by the economy. At the Fourth Plenum in March 1972, P. Jaroszewicz stated, "Increased capital investment outlays find their support in the higher growth of national income."[12] This departs from the truth. In 1972, actual capital investments as compared to outlays established in the annual plan were higher by 32.3 billion zlotys. National generated income exceeded planned income by 17-30.7 billion zlotys, as counted in constant prices. This difference results from data contained in various publications: GOSPODARKA PLANOWA[13] stated that national income in 1972

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[12]KRONIKA, 1972, p 242.
[13]GOSPODARKA PLANOWA, 1973, Nr 7, p 435.

increased by 9 percent, GUS's "1974 Statistical Almanac" stated 10 percent and GUS's" 1976 Statistical Almanac" stated 10.8 percent. This wonderful increase in growth would require a separate analysis. In its place, we shall state only that accepting even an additional increase in income to a level of 30.7 billion zlotys, it is still 1.6 billion zlotys lower than additional capital investment outlays. And where is the growth in the people's monetary incomes, which achieved 72.2 billion zlotys in 1972 as compared to 1971?

It appears that not only was there no economic analysis of the credit policy, but it was kept secret from society that the successes of the post-December policy were to be realized to a large extent by way of having society pay the price for foreign indebtedness. Against the facts, they dared to tell society that the successes were achieved through its own strength. E. Gierek stated the following at the First KKP: "the correct concept of economic policy, the proper use of possessed means and the accurate direction of capital investments."

Silence about the credits as a principal element of the policy of acceleration is one aspect of the problem. The second aspect is that acceleration did not result from an intentional, conscientious and considered policy, but rather it was the result of an uncontrolled and impulsive course of events. The following statement by Premier Jaroszewicz proves this:

> The active rebuilding and modernization of the Polish economy will continue in 1974-75. However, we must be realistic as to the possibilities: the presence of material goods, production capacity and the country's balance of payments. Next year, the upper limit of capital investment outlays can reach about 416 billion zlotys, and in 1975, about 465 billion zlotys. As specified for 1974, these capital investments exceed this year's plan by about 100 billion zlotys.[14]

The desire to restrain this acceleration was evident here since the sum of 416 billion zlotys constituted only a 9.96 percent increase in relation to 1973, while the increase in 1973 reached 22 percent--against an average growth rate of 8.3 percent planned in the five-year plan. Therefore, there was an attempt to halt the acceleration by setting a growth rate of 9.9 percent and 11.8 percent for 1974 and 1975, respectively. This was to have been the absolute limit. The actual outlays for these years were 463.6 and 529.6 billion zlotys, and thus 47.6 and 64.6 zlotys respectively--together 112.2 billion zlotys more than those established at the First KKP.

The acceleration thus became an independent force that the authorities were unable to control. It was a force acting fortuitously and destrictively, as it led the economy to a state of complete disorganization and chaos. Never in the history of the PRL was there a situation in which the authorities exhibited such complete helplessness in the face of pressures from "below," never did they act so incompetently, never did their actions bring such harm to the economy. Everything remained in silence. Even at the Seventh Congress in 1975, this course of events was presented as an unequivocal success of party policy, and at the same time it

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[14]NOWE DROGI, 1973, Nr 11, p 56.

called for the possibility of a real analysis of the situation and a turnabout in economic policy. By this time, opposition that had been accumulating as a result of the acceleration erupted.

This uncontrolled acceleration in effect erased implementation of the five-year plan. It is no surprise that there was no communique published as regards the five-year plan. On the contrary, it was decided that both planned periods--1971-75 and 1976-80--should be treated as one period. The propaganda purpose of this action is obvious. It does not change the fact, however, that Poland's economy entered the second half of the current decade burdened with numerous, deeply seeded disproportions, tensions and debts. They cannot help but have a fundamental influence on the further development of events. An analysis of the period 1971-75 is important, as a confrontation between reality and planned assumptions is necessary. This does not mean that if all of the plan's proportions had been followed, then all would be in order. Verification of a thesis like that would have required a preceding analysis of the five-year plan's internal compatibility. It cannot be conducted only on the basis of published materials, and there is no access to other authors. It is possible, however, to state without analysis the plan sinned by its preference for quantity over quality and the growth rate of production over that of income. In carrying over to the 1960's, M. Nasilowski correctly wrote about "the fascination with the growth rate of economic development and the incomprehension of prices that society had to pay for forced growth acceleration..."[15] In the same way, it is carried over to the plan's assumptions and to the "concept" of acceleration.[16]

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[15] M. Nasilowski, "An Analysis of Economic Development Factors in the Polish People's Republic," p 167.

[16] This found expression later, especially during 1976-80 in the concept of a so-called open plan that became the institutionally legalized form of self-will in economic life, deepening the crisis disproportions (author's note, 1981).

SITUATION IN AGRICULTURE, FOOD ECONOMY ASSESSED

Warsaw TRYBUNA LUDA in Polish 15 Dec 81 p 4

[Article by Ewa Fiala: "What We Can Count On--What We Should Know"]

[Text] The course of harvesting and potato digging and this year's crop yield had a positive influence. More has been collected than a year ago: 2 million more tons of grain, 17 million more tons of potatoes and 5 million more tons of sugar beets. The hay, corn, root crops and fodder harvests were about 25 percent higher than last year.

The outlook for the development of animal husbandry and therefore, for the production of meat, milk and their products was also optimistic. Meanwhile, in early autumn, the first questions began to appear: Why is it that if things are going so well, the situation is continually bad? Indeed, things are not well and unfortunately, it does not look as if a quick, radical improvement will take place soon.

A Thin Slice of Meat

Above all, (and this is also a small stone in our own garden [a bitter pill for us to swallow]) we have been lead astray by the magic of numbers and even more by the delusion of indexes. In recording the high results, it was not always remembered that these harvests, higher this year by 11 percent (grain), by over 60 percent (potatoes) or by 45 percent (beets) refer to the catastrophically low harvest of 1980. With this in mind, this year's results should actually be ranked as barely average in a multiyear period.

At the same time, the quality of this year's crop (with the exception of certain kinds, such as, green forage or sugar beets) is not the best. Last year's floods impoverished the soil and contributed to the spread of diseases and pests. Payment difficulties made it impossible to make foreign purchases of the appropriate amounts of chemical agents for the protection of plants while difficulties in the domestic chemical industry curtailed plans for fertilizer deliveries. All in all, as can best be seen in the example of potatoes--a large clamp [pile] of approximately 50 million tons may turn out to be too small for our needs.

Fodder supplies, which are in the possession of farmers--even after taking into account this adjustment for quality and quantity--are, nevertheless, considerable. There is also a real possibility of halting the decline in the number of farm animals and even of starting a process of replenishing the herd.

However, this will be a toilsome process and--let us not deceive ourselves--a long one. The register of the livestock population conducted in June of this year revealed a very serious regression in this area of agricultural production. The swine herd was smaller by 2.8 million head (over 13 percent), cattle by 848 thousand (6.7 percent), sheep by 6,311 thousand (7.4 percent) as compared to the amount in June 1980.

Coming out of such a deep "saddle" takes time because this involves biology and its cycles, which are impossible to rush. In addition and which is no less important, there is still a shortage of the means of production, which the farmers are demanding loudly but without greater results for the time being.

However, there are certain signs which indicate that things are getting better. The high prices of piglets (up to approximately 3 thousand zlotys on the average per head on the domestic market), the decline of sows, the careful selection of heifers and cows intended for slaughter all testify to the fact that farmers are undertaking the desired production decisions. However, improvement, to be verified on store shelves, will not be quick and radical. Specialists claim that in the entire 1981/82 year period, there will be a smaller purchase of cattle for slaughter and in the case of beef cattle--the same will hold true for the 1982/83 year period.

During the fourth quarter, the purchase of meat will be at its lowest. Estimates are at about 425 thousand, thus, about 238 thousand tons less than a year ago. For the entire year, the purchase of cattle for slaughter, when converted to meat, will most likely amount to 1,887 thousand tons, thus, 651 thousand tons less than last year and 113 thousand tons (15.6 percent) less than was anticipated in the amended plan for this year.

The "slice of meat" and cold cut is, therefore, very thin and it looks like it will not be much thicker during the coming year because predictions indicate that purchases in 1982 will converge at a level of about 1,960 thousand tons.

On the Balance of Grain

Unfortunately, meat is and will not be the only great problem area. It may seem quite improbable but there are problems with grain as well and with what follows--grain products. Until 20 November, 1,352 thousand tons of consumer grain was bought which barely constituted 37.6 percent of the envisaged plan. Presently, farmers deliver not more than 500 tons daily. Let the fact that 15 thousand tons of grain have to be milled daily to fulfill consumer needs attest to how little that is.

Planners, not having any basis to anticipate that a radical improvement will occur, have calculated that until the end of December, there will be a total of 1,100 thousand tons of consumer grain, which indicates a supply (also taking into account imports and the said minimal purchases) of about 5 weeks. In making modest calculations of our needs, this would indicate the necessity of increasing imports in the first half-year of 1982 by 1 million tons (from 2.6 million to 3.6 million tons). This is a necessity which results from the computation of needs but is it possible and realistic in the country's payments situation?

It is possible that these questions will completely lose their current significance and the food problem will be taken off the agenda. Hope should be sought in the latest decisions of the Council of Ministers on the upgrading of the amounts obtained from the sale of agricultural products and accumulated in the bank. Grain, considered by farmers as the "hardest" currency, should as a result of this decision find itself in a State granary and mill and in the form of flour and grain products--in stores.

Costly Delay

The situation on the potato market is also bad. The abundant yield is far removed from the supply amount. In the largest agglomerations such as Bielsko-Baila, Lodz and Poznan--nearly 30 percent less potatoes than had been planned were collected while in the agglomerations such as Warsaw, Katowice and Wroclaw--over 20 percent less potatoes were collected than the required amount.

Why did this happen? The first reason is that the fact of the potato lifting campaign was not taken into account earlier than is the custom. At the very height of the potato harvest--at the beginning of September no one knew anything about whom, where and how many potatoes would be bought. Cooperatives limited purchases and accepted only potatoes which were contracted for. Farmers returned with full wagons and trailers--they clamped the potatoes. Purchasing "came to a halt" in October. Feverish activity undertaken in October to activate it [purchasing] brought negligible results. A loan of 150 thousand tons of potatoes from industry for the needs of the market will not be fully implemented. The potatoes are very poor quality. It can only be hoped that those in the farmers' clamps [mounds] will last until spring.

When it comes to other food commodities--the supply prospects are only slightly better. Only sugar may be expected in such amounts that it will be sufficient to take care of larger supply norms in a regulated system and for increased deliveries for processing and for use in the trades and by the same, for larger deliveries to the market of commodities produced on the basis of sugar. Sugar manufacturers predict 1 million 600 thousand tons of sugar.

To be sure, there will not be less but also not much more milk basic milk products in the immediate future. Everything will be at last year's level with the exception of [sour] cream and ripening cheeses. However, the reduction in [sour] cream deliveries will be significant, amounting to about 25 percent at the threshold of this and the coming year. This is necessary because of the production of butter. Butter deliveries during this quarter will amount to 71.2 thousand tons (including the import of 20.5 thousand tons) which will cover the needs of regulated sales. Importing will also be continued in 1982. The retention of this year's level of sales will require the importing of from 65-70 thousand tons of butter, which in connection with the seasonal decline of milk purchases, will include as much as about 55 thousand tons in the first half-year.

The supply of fish looks bad. In this quarter, deliveries will amount to about 55 thousand tons, therefore, 29 thousand tons less than last year. For the coming year, deliveries are estimated in the order of 200 thousand tons; i.e., over 35 thousand tons less than this year. We will not import fish; instead we must sell a part of the deep-sea fishing hauls in order to pay off the obligations of fishing industries.

If we were to add to this, the import of 3.1 billion units of cigarettes in order to maintain deliveries at last year's level during this quarter; i.e., in the amount of 22.5 billion units--then it would become evident that the food industry is "dependent" to a large degree on imports.

Imports for the Market

In order to appease our needs, to some extent, in the coming year, which does not mean (at least in a social sense)--to improve supplies--it will be necessary to purchase abroad over 200 thousand tons of meat, about 180 thousand tons of various kinds of fats, 7.5 million tons of grain and a quarter of a million tons of soya [soybeans]. This will cost nearly 7 billion foreign exchange zlotys.

The question: Can we feed ourselves?--sounds downright dramatic. An affirmative answer is necessary and possible. A green light must begin to shine for agriculture there where the means of production for agriculture originate.

Today--the country expects from its farmers, a patriotic attitude and an understanding of the situation in which it [the country] has found itself. Army Gen Wojciech Jaruzelski expressed this in his pronouncement after the formation of the Military Council for National Survival [WRON]: "I turn to you fellow countrymen [peasants]: do not allow your countrymen to starve. Take care of the Polish land so that it may feed us all."

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CSO: 2600/141

FEDERAL BUDGET FOR 1982

Belgrade SLUZBENI LIST SFRJ in Serbo-Croatian No 72, 31 Dec 81 pp 1829-1864

[Federal Budget for 1982 enacted by the SFRY Assembly in a session of the Federal Chamber on 29 December 1981]

[Text] I. General Section

Article 1

The Federal Budget for 1982 contains the following:

1) the Federation's own revenues in the total amount of 123,497,000,000 dinars;

2) total expenditures, including the resources of the current budgetary reserve and the amount being set aside for the permanent budgetary reserve of the Federation, in the amount of 203,875,000,000 dinars;

3) the difference between the total amount of expenditures and the total amount of the Federation's own revenues, in the amount of 80,378,000,000 dinars;

4) the contributions of the republics and autonomous provinces in the total amount of 80,378,000,000 dinars.

Article 2

The amount of 343,366,800 dinars is being set aside for the permanent budgetary reserve of the Federation out of the Federation's own revenues for 1982.

Article 3

Revenues are set forth by types, forms and subforms and expenditures by basic purposes in the Balance Sheet of Revenues and Expenditures of the Federal Budget for 1982, in the following amounts:

Balance Sheet of the Revenues and Expenditures of the Federal Budget for 1982

| Classification Number: Revenue Form 1 | Classification Number: Revenue Subform 2 | I. Revenues 3 | Amount: Of the Revenue Subform 4 | Amount: Of the Revenue Form 5 |
|---|---|---|---|---|
| | | Type 03. Turnover Tax on Products and Service Charges | | |
| 03-1 | | Turnover tax on products | | 88,933,000,000 |
| | 03-1-1 | Portion of the basic turnover tax | 88,933,000,000 | |
| | | Total Type 03 | | 88,933,000,000 |
| | | Type 05. Fees | | |
| 05-1 | | Administrative fees | | 639,900,000 |
| | 05-1-1 | Consular fees | 560,000,000 | |
| | 05-1-2 | Customs fees | 67,000,000 | |
| | 05-1-3 | Other federal administrative fees | 12,900,000 | |
| 05-3 | | Court fees | | 100,000 |
| | | Total Type 05 | | 640,000,000 |
| | | Type 06. Customs Duties and Special Charges | | |
| 06-1 | | Customs duties | | 18,476,000,000 |
| 06-2 | | Special import charges and fees | | 11,812,000,000 |
| | 06-2-2 | Special charge to equalize the tax burden on imported goods | 9,686,000,000 | |
| | 06-2-3 | Special charge for the keeping of customs records | 2,124,000,000 | |
| | 06-2-4 | Storage charges on goods stored in customs warehouses | 2,000,000 | |
| | | Total Type 06 | | 30,288,000,000 |

Balance Sheet (continued)

| 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|
| | | Type 07. Revenues Under Specific Federal Enactments, Revenues of Administrative Agencies and Miscellaneous Revenues | | |
| 07-2 | | Revenues of administrative agencies | | 2,736,000,000 |
| | 07-2-1 | Revenues of federal bodies, agencies and organizations | 2,736,000,000 | |
| 07-4 | | Miscellaneous revenues | | 900,000,000 |
| | | Total Type 07 | | 3,636,000,000 |
| | | Type 08. Revenues From Other Sociopolitical Communities | | |
| 08-1 | | Contributions of the republics and autonomous provinces | | 80,378,000,000 |
| | 08-1-1 | Contribution of the Socialist Republic of Bosnia-Hercegovina | 10,237,100,000 | |
| | 08-1-2 | Contribution of the Socialist Republic of Macedonia | 4,508,900,000 | |
| | 08-1-3 | Contribution of the Socialist Republic of Slovenia | 13,207,500,000 | |
| | 08-1-4 | Contribution of the Socialist Republic of Serbia, not including autonomous provinces | 19,664,000,000 | |
| | 08-1-5 | Contribution of the Socialist Republic of Croatia | 21,644,400,000 | |
| | 08-1-6 | Contribution of the Socialist Republic of Montenegro | 1,710,300,000 | |
| | 08-1-7 | Contribution of the Socialist Autonomous Province of Vojvodina | 9,050,500,000 | |
| | 08-1-8 | Contribution of the Socialist Autonomous Province of Kosovo | 355,300,000 | |
| | | Total Type 08 | | 80,378,000,000 |
| | | Total revenues for distribution (Types 01 through 08) | | 203,875,000,000 |

Balance Sheet (continued)

| Classification Number: Distribution Group | Classification Number: Distribution Subgroup | II. Distribution of Revenues | Amount: Of Distribution Subgroup | Amount: Of Distribution Group |
|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 |
| | | Basic Purpose 01. Funds for Operation of Administrative Agencies | | |
| 01-1 | | Funds which workers realize as the income of the work community | | 5,414,108,911 |
| | 01-1-1 | Funds for personal incomes | 5,156,284,600 | |
| | 01-1-2 | Funds for social services | 257,824,311 | |
| 01-2 | | Funds for material costs | | 486,094,329 |
| 01-3 | | Funds for special purposes | | 8,921,206,845 |
| | 01-3-1 | Funds for personal incomes and other personal benefits of officials and delegates | 327,375,917 | |
| | 01-3-2 | Other specific purposes | 3,625,344,239 | |
| | 01-3-3 | Funds for general public purposes | 3,880,080,732 | |
| | 01-3-4 | Current financing of federal directorates for commodity reserves | 1,088,405,957 | |
| 01-4 | | Noneconomic investments and equipment | | 1,730,607,555 |
| | | Total Basic Purpose 01 | | 16,552,017,640 |
| | | Basic Purpose 02. National Defense and Social Self-Protection | | |
| 02-1 | | Funds for the Yugoslav People's Army | | 122,665,297,000 |
| | 02-1-1 | Funds for the Yugoslav People's Army in the current year | 121,229,617,000 | |
| | 02-1-2 | Funds to cover expenditures related to the rendering of services for indices outside the YPA | 1,435,680,000 | |
| | | Total Basic Purpose 02 | | 122,665,297,000 |

Balance Sheet (continued)

| 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|
| | | Basic Purpose 04. Funds Transferred to Other Sociopolitical Communities | | |
| 04-2 | | Supplemental funds | 20,833,700,000 | |
| | 04-2-1 | Supplemental funds to the budgets of republics and autonomous provinces | | 20,833,700,000 |
| | | Total Basic Purpose 04 | | 20,833,700,000 |
| | | Basic Purpose 05. Obligations To Finance Social Services | | |
| 05-9 | | For welfare of disabled veterans | | 27,715,183,000 |
| 05-11 | | For old-age and disability insurance | | 11,220,300,000 |
| | | Total Basic Purpose 05 | | 38,935,483,000 |
| | | Basic Purpose 06. Other General Public Purposes | | |
| 06-2 | | To sociopolitical organizations | | 748,947,000 |
| 06-11 | | Compensation to the Social Accounting Service | | 233,298,000 |
| | | Total Basic Purpose 06 | | 982,245,000 |
| | | Basic Purpose 07. Funds of the Federal Reserve | | |
| 07-1 | | Appropriation to the permanent budgetary reserve | | 343,366,800 |
| 07-2 | | Current budgetary reserve | | 394,290,560 |
| | | Total Basic Purpose 07 | | 737,657,360 |

Balance Sheet (continued)

| 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|
| | | Basic Purpose 08. Funds Placed in Time Deposits and Set Aside, Obligations and Other Purposes of Interest to the Federation | | |
| 08-4 | | Obligations under credits | | 3,168,600,000 |
| | 08-4-2 | Other obligations carried over from past years | 3,168,600,000 | |
| | | Total Basic Purpose 08 | | 3,168,600,000 |
| | | Total distributed and undistributed revenues | | 203,875,000,000 |

II. Detailed Section

Article 4

Revenues in the amount of 203,875,000,000 dinars, which have been indicated by basic purposes in the Balance Sheet of Revenues and Expenditures of the Federal Budget for 1982, are distributed by those disbursing and using the funds and by detailed purposes as shown in the detailed section of the Federal Budget for 1982, which follows:

| Item Number | Distribution Group or Subgroup | Basic and Detailed Purpose | Amount: Of Item | Amount: Of Basic Purpose |
|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 |
| | | Section 1. State Presidency of of the Socialist Federal Republic of Yugoslavia | | |
| | | Title 1. Presidency | | |
| | | Basic Purpose 01--Funds for Operation of Administrative Agencies | | |
| 1 | 01-1-1 | Funds for personal incomes of personnel | 46,316,632 | |
| 2 | 01-2 | Funds for material costs | 797,600 | |

Balance Sheet (continued)

| 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|
| 3 | 01-3-1 | Funds for personal incomes and other personal benefits of officials | 8,261,142 | |
| 4 | 01-3-2 | Compensation for separation from family | 646,056 | |
| 5 | 01-3-2 | Traveling expenses | 1,495,500 | |
| 6 | 01-3-2 | Office supplies | 997,000 | |
| 7 | 01-3-2 | Postage and telegraph and telephone service | 1,196,400 | |
| 8 | 01-3-2 | Public relations | 797,600 | |
| 9 | 01-3-2 | Trips and visits | 7,976,000 | |
| 10 | 01-3-2 | Remuneration of nonstaff personnel | 99,700 | |
| 11 | 01-3-2 | Subscription to official gazettes, magazines and newspapers | 598,200 | |
| 12 | 01-3-2 | Costs of manufacturing medals and decorations | 9,970,000 | |
| 13 | 01-3-2 | Costs of services | 39,880 | |
| 14 | 01-3-2 | Lump-sum payment to chauffeurs for irregular working hours | 1,036,880 | |
| 15 | 01-3-2 | Purchase of uniforms and work clothes | 79,760 | |
| 16 | 01-3-2 | Addition to equipment and furnishings | 498,500 | |
| 17 | 01-3-2 | Expenses of the Federal Council for the Protection of Constitutional Order | 99,700 | |
| 18 | 01-3-2 | Expenses of the National Defense Council | 79,760 | |
| | | Total Basic Purpose 01 | | 80,986,310 |
| | | Total Title 1 | | 80,986,310 |
| | | Title 2. Department for Entertainment Facilities of the SFRY State Presidency | | |
| | | Basic Purpose 01--Funds for Operation of Administrative Agencies | | |
| 19 | 01-1-1 | Funds for personal incomes of personnel | 17,542,215 | |
| 20 | 01-2 | Funds for material costs | 11,661,909 | |

Balance Sheet (continued)

| 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|
| 21 | 01-3-1 | Funds for personal incomes and other personal benefits of officials | 594,212 | |
| 22 | 01-3-2 | Traveling expenses in Yugoslavia and abroad | 119,640 | |
| 23 | 01-3-2 | Addition to furnishings | 697,900 | |
| 24 | 01-3-2 | Expenses of maintaining structures and furnishings | 2,691,900 | |
| 25 | 01-3-2 | Personal incomes of seasonal personnel | 398,800 | |
| 26 | 01-3-2 | Compensation for overtime | 697,900 | |
| 27 | 01-3-2 | Remuneration of nonstaff personnel | 897,300 | |
| 28 | 01-3-2 | Expenses of maintaining and using the special train | 19,940,000 | |
| | | Total Basic Purpose 01 | | 55,241,776 |
| | | Total Title 2 | | 55,241,776 |
| | | Total Section 1 (Items 1 through 28) | | 136,228,086 |
| | | Section 2. SFRY Assembly | | |
| | | Title 1. SFRY Assembly | | |
| | | Basic Purpose 01--Funds for Operation of Administrative Agencies | | |
| 29 | 01-1-1 | Funds for personal incomes of personnel | 169,589,700 | |
| 30 | 01-2 | Funds for material costs | 2,492,500 | |
| 31 | 01-3-1 | Funds for personal incomes and other personal benefits of officials and delegates | 161,366,444 | |
| 32 | 01-3-2 | Postal, telegraph and telephone service | 6,679,900 | |
| 33 | 01-3-2 | Compensation for overtime | 7,537,320 | |
| 34 | 01-3-2 | Remuneration of nonstaff personnel | 1,994,000 | |
| 35 | 01-3-2 | Operating expenses of delegates and assembly bodies | 33,898,000 | |
| 36 | 01-3-2 | Purchase of domestic and foreign books | 299,100 | |

Balance Sheet (continued)

| 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|
| 37 | 01-3-2 | Subscription to official gazettes, bulletins and magazines | 1,246,250 | |
| 38 | 01-3-2 | Publication of transcripts | 3,988,000 | |
| 39 | 01-3-2 | Preparation of publications of the SFRY Assembly, information reports, bulletins and other assembly materials | 4,985,000 | |
| 40 | 01-3-2 | Expenses of parliamentary delegations | 6,979,000 | |
| 41 | 01-3-2 | Public relations | 897,300 | |
| 42 | 01-3-2 | Purchase of clothing and footwear | 797,600 | |
| 43 | 01-3-2 | Membership dues in the Interparliamentary Union | 648,050 | |
| 44 | 01-3-2 | Services rendered by others | 398,800 | |
| 45 | 01-3-2 | Costs of maintaining the motor pool | 8,973,000 | |
| 46 | 01-3-2 | Print shop expenses | 4,985,000 | |
| 47 | 01-3-2 | Purchase of equipment and adaptation | 8,474,500 | |
| 48 | 01-3-2 | Share in preservation of the main museum layout of the Museum of the First and Second Sessions of AVNOJ [Antifascist Council for the National Liberation of Yugoslavia] | 1,794,600 | |
| 49 | 01-3-2 | Preparation of topic reports, analyses and studies | 299,100 | |
| 50 | 01-3-2 | Office supplies, petty stock items, paper and other expendable materials | 9,970,000 | |
| 51 | 01-3-2 | Expenses of the Commission of the Federal Chamber of the SFRY Assembly for Preparation of the Law on Basic Rights Under Old-Age and Disability Insurance | 498,500 | |
| 52 | 01-3-2 | Expenses of the Commission for Monitoring Enforcement of the Law on Associated Labor | 498,500 | |
| 53 | 01-3-2 | Tito's Scholarship Fund for Young Workers and Workers' Children of Yugoslavia | 398,800 | |

Balance Sheet (continued)

| 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|
| 54 | 01-3-2 | Commission for Preparation of the Law on the Bases of Socio-economic Relations in the Management and Economic Employment of Funds for Expanded Reproduction | 299,100 | |
| 55 | 01-3-2 | Costs of holding elections and recall proceedings | 35,892,000 | |
| | | Total Basic Purpose 01 | | 475,880,064 |
| | | Total Title 1 | | 475,880,064 |
| | | Title 2. Bureau for Petitions and Grievances | | |
| | | Basic Purpose 01--Funds for Operation of Administrative Agencies | | |
| 56 | 01-1-1 | Funds for personal incomes of personnel | 9,973,988 | |
| 57 | 01-2 | Funds for material costs | 348,950 | |
| 58 | 01-3-1 | Funds for personal incomes and other personal benefits of officials | 1,074,766 | |
| 59 | 01-3-2 | Assistance to petitioners | 54,835 | |
| 60 | 01-3-2 | Addition to equipment and furnishings | 54,835 | |
| | | Total Basic Purpose 01 | | 11,507,374 |
| | | Total Title 2 | | 11,507,374 |
| | | Title 3. Secretariat for Legislation of the SFRY Assembly | | |
| | | Basic Purpose 01--Funds for Operation of Administrative Agencies | | |
| 61 | 01-1-1 | Funds for personal incomes of personnel | 6,488,476 | |
| 62 | 01-2 | Funds for material costs | 179,460 | |

Balance Sheet (continued)

| 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|
| 63 | 01-3-1 | Funds for personal incomes and other personal benefits of officials | 1,486,527 | |
| | | Total Basic Purpose 01 | | 8,154,463 |
| | | Total Title 3 | | 8,154,463 |
| | | Total Section 2 (Items 29 through 63) | | 495,541,901 |
| | | Section 3. Council of the Federation | | |
| | | Basic Purpose 01--Funds for Operation of Administrative Agencies | | |
| 64 | 01-1-1 | Funds for personal incomes of personnel | 17,543,212 | |
| 65 | 01-2 | Funds for material costs | 428,710 | |
| 66 | 01-3-1 | Funds for personal incomes and other personal benefits of officials and persons with special status | 45,448,245 | |
| 67 | 01-3-2 | Lump-sum payment to chauffeurs for irregular working hours | 861,408 | |
| 68 | 01-3-2 | Traveling expenses in Yugoslavia | 658,020 | |
| 69 | 01-3-2 | Traveling expenses abroad | 69,790 | |
| 70 | 01-3-2 | Postage and telegraph and telephone service | 498,500 | |
| 71 | 01-3-2 | Subscription to information materials and miscellaneous | 697,900 | |
| 72 | 01-3-2 | Public relations | 89,730 | |
| 73 | 01-3-2 | Reimbursement of members of the Council of the Federation for the cost of using a portion of their dwelling to conduct official business | 583,245 | |
| 74 | 01-3-2 | Purchase of clothing and footwear | 119,640 | |
| 75 | 01-3-2 | Purchase of equipment | 59,820 | |
| | | Total Basic Purpose 01 | | 67,058,220 |
| | | Total Section 3 (Items 64 through 75) | | 67,058,220 |

Balance Sheet (continued)

| 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|
| | | Section 4. Federal Executive Council | | |
| | | Title 1. Federal Executive Council | | |
| | | Basic Purpose 01--Funds for Operation of Administrative Agencies | | |
| 76 | 01-1-1 | Funds for personal incomes of personnel | 88,129,815 | |
| 77 | 01-2 | Funds for material costs | 2,392,800 | |
| 78 | 01-3-1 | Funds for personal incomes and other personal benefits of officials | 21,206,190 | |
| 79 | 01-3-2 | Compensation for separation from family | 1,184,436 | |
| 80 | 01-3-2 | Remuneration of nonstaff personnel | 249,250 | |
| 81 | 01-3-2 | Office supplies | 199,400 | |
| 82 | 01-3-2 | Subscription to newspapers, magazines and other publications | 797,600 | |
| 83 | 01-3-2 | Postage and telegraph and telephone service of officials | 1,994,000 | |
| 34 | 01-3-2 | Traveling and moving expenses in Yugoslavia | 2,791,600 | |
| 85 | 01-3-2 | Costs of leasing compartments on the Yugoslav Railroads | 3,190,400 | |
| 86 | 01-3-2 | Traveling expenses abroad | 17,946,000 | |
| 87 | 01-3-2 | Expendable materials and stock items | 199,400 | |
| 88 | 01-3-2 | Printing and copying of materials for meetings | 7,976,000 | |
| 89 | 01-3-2 | Purchase of equipment | 11,964,000 | |
| 90 | 01-3-2 | Funds for operating expenses of CEMA Commission | 1,994,000 | |
| 91 | 01-3-2 | Public relations | 2,991,000 | |
| 92 | 01-3-2 | Expenses of international cooperation | 10,967,000 | |
| 93 | 01-3-2 | Operating expenses of the Federal Legal Council | 498,500 | |
| 94 | 01-3-2 | Operating expenses of the Federal Economic Council | 498,500 | |

Balance Sheet (continued)

| 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|
| 95 | 01-3-2 | Expenses of the support services of the Federal Executive Council | 299,100 | |
| 96 | 01-3-2 | Operating expenses of the Federal Social Council for Affairs of the Social System | 2,982,027 | |
| 97 | 01-3-2 | Operating expenses of the Federal Council for International Relations | 1,395,800 | |
| 98 | 01-3-2 | Operating expenses of the Council for Economic Development and Economic Policy | 2,991,000 | |
| 99 | 01-3-2 | Operating expenses of the Council for the Environment and Land Use Planning | 4,985,000 | |
| 100 | 01-3-2 | Operating expenses of the Commission of the Federal Executive Council for Relations With Religious Communities | 448,650 | |
| 101 | 01-3-2 | Operating expenses of the Nuclear Energy Commission | 697,900 | |
| 102 | 01-3-2 | Operating expenses of the Yugoslav Commission for Cooperation With UNESCO | 4,985,000 | |
| 103 | 01-3-2 | Membership dues in international organizations | 33,696,606 | |
| 104 | 01-3-2 | Educational grants | 239,280 | |
| 105 | 01-3-2 | Renovating and equipping dwellings for official use | 1,844,450 | |
| 106 | 01-3-2 | Compensation for overtime | 1,196,400 | |
| 107 | 01-3-2 | Operating expenses of the Yugoslav Commission for Cooperation With UNICEF | 9,970,000 | |
| 108 | 01-3-2 | Operating expenses of the Yugoslav Commission for Cooperation With FAO | 498,500 | |
| 109 | 01-3-2 | Contribution of the SFRY to FAO | 35,991,700 | |
| 110 | 01-3-2 | Operating expenses of the Yugoslav Commission for Protection Against Pollution of the Sea and Inland Waterways | 358,920 | |
| 111 | 01-3-3 | Funds for operation of the Fund of Solidarity With the Nonaligned Countries and Developing Countries | 1,595,200 | |
| 112 | 01-4 | Noneconomic investments and equipment | 1,730,607,555 | |

Balance Sheet (continued)

| 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|
| | | Total Basic Purpose 01 | | 2,011,952,979 |
| | | Total Title 1 | | 2,011,952,979 |
| | | Title 2. Protocol Department of the Federal Executive Council | | |
| | | Basic Purpose 01--Funds for Operation of Administrative Agencies | | |
| 113 | 01-1-1 | Funds for personal incomes of personnel | 2,269,172 | |
| 114 | 01-2 | Funds for material costs | 94,715 | |
| 115 | 01-3-2 | Compensation for overtime | 119,640 | |
| 116 | 01-3-2 | Public relations | 6,979 | |
| 117 | 01-3-2 | Purchase of uniforms | 14,955 | |
| | | Total Basic Purpose 01 | | 2,505,461 |
| | | Total Title 2 | | 2,505,461 |
| | | Title 3. Department for Personnel Affairs | | |
| | | Basic Purpose 01--Funds for Operation of Administrative Agencies | | |
| 118 | 01-1-1 | Funds for personal incomes of personnel | 2,917,222 | |
| 119 | 01-2 | Funds for material costs | 164,505 | |
| 120 | 01-3-2 | Funds for personal incomes and other personal benefits of officials | 563,305 | |
| 121 | 01-3-2 | Funds for personal incomes and other personal benefits of officials on waiting status and persons with special status | 24,842,249 | |
| 122 | 01-3-2 | Compensation for separation from family | 73,748 | |
| | | Total Basic Purpose 01 | | 28,571,029 |
| | | Total Title 3 | | 28,571,029 |

Balance Sheet (continued)

| 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|
| | | Title 4. Department of the Federal Executive Council for Defense Preparations | | |
| | | Basic Purpose 01--Funds for Operation of Administrative Agencies | | |
| 123 | 01-1-1 | Funds for personal incomes of personnel | 7,263,145 | |
| 124 | 01-2 | Funds for material costs | 448,650 | |
| 125 | 01-3-1 | Funds for personal incomes and other personal benefits of officials | 488,530 | |
| 126 | 01-3-2 | Consultants' fees for improving operational and organizational efficiency | 39,880 | |
| 127 | 01-3-3 | Defense-related projects | 22,931,000 | |
| | | Total Basic Purpose 01 | | 31,171,205 |
| | | Total Title 4 | | 31,171,205 |
| | | Total Section 4 (Items 76 through 127) | | 2,074,200,674 |
| | | Section 5. Constitutional Court of Yugoslavia | | |
| | | Basic Purpose 01--Funds for Operation of Administrative Agencies | | |
| 128 | 01-1-1 | Funds for personal incomes of personnel | 15,432,563 | |
| 129 | 01-2 | Funds for material costs | 947,150 | |
| 130 | 01-3-1 | Funds for personal incomes and other personal benefits of officials | 8,867,318 | |
| 131 | 01-3-2 | Compensation for separation from family | 418,740 | |
| 132 | 01-3-2 | Costs of proceedings | 239,280 | |
| 133 | 01-3-2 | Publication of Reports of Decisions and Opinions of the Constitutional Court of Yugoslavia | 947,150 | |

Balance Sheet (continued)

| 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|
| 134 | 01-3-2 | Traveling expenses abroad | 79,760 | |
| 135 | 01-3-2 | Per diems of chauffeurs | 59,820 | |
| 136 | 01-3-2 | Lump-sum payment to chauffeurs for irregular working hours | 162,511 | |
| 137 | 01-3-2 | Purchase of clothing and footwear | 14,955 | |
| 138 | 01-3-2 | Purchase of and addition to equipment | 99,700 | |
| 139 | 01-3-2 | Expenses of receiving delegations | 99,700 | |
| 140 | 01-3-2 | Public relations | 199,400 | |
| 141 | 01-3-2 | Expenses of holding international European conferences of constitutional courts | 149,550 | |
| | | Total Basic Purpose 01 | | 27,717,597 |
| | | Total Section 5 (Items 128 through 141) | | 27,717,597 |
| | | Section 6. Federal Court | | |
| | | Basic Purpose 01--Funds for Operation of Administrative Agencies | | |
| 142 | 01-1-1 | Funds for personal incomes of personnel | 17,538,227 | |
| 143 | 01-2 | Funds for material costs | 2,612,140 | |
| 144 | 01-3-1 | Funds for personal incomes and other personal benefits of officials | 8,428,638 | |
| 145 | 01-3-2 | Compensation for separation from family | 251,244 | |
| 146 | 01-3-2 | Publication of Reports of Court Decisions | 398,800 | |
| 147 | 01-3-2 | Traveling expenses in Yugoslavia | 149,550 | |
| 148 | 01-3-2 | Traveling expenses abroad | 164,505 | |
| 149 | 01-3-2 | Translation into the languages of the nationalities and ethnic minorities | 19,940 | |
| 150 | 01-3-2 | Costs of court proceedings | 24,925 | |
| 151 | 01-3-2 | Purchase of and addition to equipment | 199,400 | |
| 152 | 01-3-2 | Current maintenance of building and furnishings | 797,600 | |

Balance Sheet (continued)

| 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|
| 153 | 01-3-2 | Expenses of receiving foreign delegations | 119,640 | |
| 154 | 01-3-2 | Public relations | 99,700 | |
| 155 | 01-3-2 | Awards and compensation to lay judges | 29,910 | |
| 156 | 01-3-3 | Defense-related projects | 99,700 | |
| | | Total Basic Purpose 01 | | 30,933,919 |
| | | Total Section 6 (Items 142 through 156) | | 30,933,919 |
| | | Section 7. Federal Public Prosecutor's Office | | |
| | | Basic Purpose 01--Funds for Operation of Administrative Agencies | | |
| 157 | 01-1-1 | Funds for personal incomes of personnel | 6,706,819 | |
| 158 | 01-2 | Funds for material costs | 548,350 | |
| 159 | 01-3-1 | Funds for personal incomes and other personal benefits of officials | 4,618,104 | |
| 160 | 01-3-2 | Compensation for separation from family | 239,280 | |
| 161 | 01-3-2 | Traveling expenses abroad | 99,700 | |
| 162 | 01-3-2 | Translation of official court documents from and into foreign languages | 129,610 | |
| 163 | 01-3-2 | Costs of conferences and of monitoring and studying social relations and developments | 149,550 | |
| 164 | 01-3-2 | Traveling expenses in Yugoslavia | 99,700 | |
| 165 | 01-3-2 | Expenses of receiving foreign delegations | 219,340 | |
| 166 | 01-3-2 | Public relations | 39,880 | |
| 167 | 01-3-3 | Defense-related projects | 19,940 | |
| | | Total Basic Purpose 01 | | 12,870,273 |
| | | Total Section 7 (Items 157 through 167) | | 12,870,273 |

Balance Sheet (continued)

| 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|
| | | Section 8. Federal Attorney General's Office | | |
| | | Basic Purpose 01--Funds for Operation of Administrative Agencies | | |
| 168 | 01-1-1 | Funds for personal incomes of personnel | 4,456,590 | |
| 169 | 01-2 | Funds for material costs | 338,980 | |
| 170 | 01-3-1 | Funds for personal incomes and other personal benefits of officials | 1,693,903 | |
| 171 | 01-3-2 | Expenses of trial and executive proceedings and of representation in Yugoslavia | 29,910 | |
| 172 | 01-3-2 | Expenses of conducting suits being tried abroad and traveling expenses | 683,942 | |
| 173 | 01-3-2 | Expenses of receiving foreign delegations | 19,940 | |
| 174 | 01-3-2 | Public relations | 4,985 | |
| 175 | 01-3-2 | Costs of meetings | 199,400 | |
| 176 | 01-3-3 | Defense-related projects | 9,970 | |
| | | Total Basic Purpose 01 | | 7,437,620 |
| | | Total Section 8 (Items 168 through 176) | | 7,437,620 |
| | | Section 9. Federal Public Defender of Self-Management Law | | |
| | | Basic Purpose 01--Funds for Operation of Administrative Agencies | | |
| 177 | 01-1-1 | Funds for personal incomes of personnel | 3,544,335 | |
| 178 | 01-2 | Funds for material costs | 609,167 | |
| 179 | 01-3-1 | Funds for personal incomes and other personal benefits of officials | 1,713,843 | |
| 180 | 01-3-2 | Costs of conferences and seminars | 39,880 | |

Balance Sheet (continued)

| 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|
| 181 | 01-3-2 | Expenses of receiving foreign delegations | 9,970 | |
| 182 | 01-3-2 | Purchase of equipment | 59,820 | |
| 183 | 01-3-2 | Public relations | 32,901 | |
| 184 | 01-3-3 | Defense-related expenditures | 19,940 | |
| | | Total Basic Purpose 01 | | 6,029,856 |
| | | Total Section 9 (Items 177 through 184) | | 6,029,856 |
| | | Section 10. Federal Tribunal for Misdemeanors | | |
| | | Basic Purpose 01--Funds for Operation of Administrative Agencies | | |
| 185 | 01-1-1 | Funds for personal incomes of personnel | 4,143,532 | |
| 186 | 01-2 | Funds for material costs | 422,728 | |
| 187 | 01-3-1 | Funds for personal incomes and other personal benefits of officials | 3,275,145 | |
| 188 | 01-3-2 | Traveling expenses in Yugoslavia | 32,901 | |
| 189 | 01-3-2 | Costs of translation | 14,955 | |
| 190 | 01-3-2 | Operating expenses of ad hoc members of the tribunal | 99,700 | |
| 191 | 01-3-2 | Purchase of equipment | 29,910 | |
| | | Total Basic Purpose 01 | | 8,018,871 |
| | | Total Section 10 (Items 185 through 191) | | 8,018,871 |
| | | Section 11. Federal Secretariat for Foreign Affairs | | |
| | | Basic Purpose 01--Funds for Operation of Administrative Agencies | | |
| 192 | 01-1-1 | Funds for personal incomes of personnel | 422,767,880 | |
| 193 | 01-2 | Funds for material costs | 69,790,000 | |

Balance Sheet (continued)

| 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|
| 194 | 01-3-1 | Funds for personal incomes and other personal benefits of officials | 23,975,856 | |
| 195 | 01-3-2 | Remuneration of nonstaff personnel | 1,296,100 | |
| 196 | 01-3-2 | Compensation for work at night, on Sunday and on holidays | 2,991,000 | |
| 197 | 01-3-2 | Public relations | 1,595,200 | |
| 198 | 01-3-2 | Expenses of delegations | 14,955,000 | |
| 199 | 01-3-2 | Expenses of fixing boundaries with neighboring countries and of the Commission for Codification of International Law | 2,808,549 | |
| 200 | 01-3-2 | Expenses of consultations and meetings of the group of non-aligned countries | 6,501,437 | |
| 201 | 01-3-2 | Expenses of the host delegation's participation in the Conference on Security and Co-operation in Europe | 1,345,950 | |
| 202 | 01-3-2 | Operation of radio equipment | 13,958,000 | |
| 203 | 01-3-2 | Expenses of temporary housing | 6,979,000 | |
| 204 | 01-3-2 | Compensation for separation from family | 1,794,600 | |
| 205 | 01-3-2 | Collection and processing of archive materials | 2,492,500 | |
| 206 | 01-3-2 | Membership dues in international organizations | 105,682,000 | |
| 207 | 01-3-2 | For purposes of documentation | 8,973,000 | |
| 208 | 01-3-2 | Addition to and replacement of equipment | 4,985,000 | |
| 209 | 01-3-2 | Scientific research papers, studies and analyses | 39,880,000 | |
| 210 | 01-3-2 | Specialized training of personnel for the communications service | 498,500 | |
| 211 | 01-3-3 | Expenditures for personnel and material outlays of diplomatic and consular missions abroad | 2,464,584,000 | |
| 212 | 01-3-3 | Obligations comprising installment payments on buildings purchased abroad on credit to meet the needs of diplomatic and consular missions | 75,772,000 | |
| 213 | 01-3-3 | Replacement of the travel documents of Yugoslav nationals abroad | 4,985,000 | |

Balance Sheet (continued)

| 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|
| 214 | 01-3-3 | Physical and technical security | 2,492,500 | |
| 215 | 01-3-3 | For information programs among Yugoslavs working and living abroad temporarily | 6,979,000 | |
| 216 | 01-3-3 | Expenses of repatriation and deportation of Yugoslav nationals from abroad | 2,871,360 | |
| 217 | 01-3-3 | Preparation of publications and documents on foreign policy | 2,991,000 | |
| 218 | 01-3-3 | Miscellaneous grants in aid in conformity with the principles of international solidarity | 2,492,500 | |
| 219 | 01-3-3 | Defense-related projects | 2,233,280 | |
| 220 | 01-3-3 | Specialized education of personnel | 5,982,000 | |
| 221 | 01-3-3 | Share of the SFRY in financing UN peacekeeping forces in the Middle East | 4,626,080 | |
| 222 | 01-3-3 | Expenses of organizing the International Seminar on Comparison of the Policies, Institutions and Experiences of UN Member Countries | 3,688,000 | |
| | | Total Basic Purpose 01 | | 3,312,967,192 |
| | | Total Section 11 (Items 192 through 222) | | 3,312,967,192 |
| | | Section 12. Federal Secretariat for National Defense | | |
| | | Basic Purpose 02--National Defense and Social Self-Protection | | |
| 223 | 02-1-1 | Funds for the Yugoslav People's Army in the current year | 121,229,617,000 | |
| 224 | 02-1-2 | Funds to cover expenditures incurred in rendering services to entities outside the Yugoslav People's Army | 1,435,680,000 | |
| | | Total Basic Purpose 02 | | 122,665,297,000 |
| | | Total Section 12 (Items 223 through 224) | | 122,665,297,000 |

Balance Sheet (continued)

| 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|
| | | Section 13. Federal Secretariat for Internal Affairs | | |
| | | Basic Purpose 01--Funds for Operation of Administrative Agencies | | |
| 225 | 01-1-1 | Funds for personal incomes of personnel | 867,694,085 | |
| 226 | 01-2 | Funds for material costs | 99,700,000 | |
| 227 | 01-3-1 | Funds for personal incomes and other personal benefits of officials | 609,167 | |
| 228 | 01-3-2 | For designated purposes | 299,100,000 | |
| 229 | 01-3-2 | Purchase of clothing and footwear | 19,940,000 | |
| 230 | 01-3-2 | Formal education of personnel | 11,964,000 | |
| 231 | 01-3-2 | Preventive medicine, insurance of personnel and lump-sum grant in aid under Article 37 of the Law on Performance of Law Enforcement Functions in the Jurisdiction of Federal Administrative Agencies | 1,296,100 | |
| 232 | 01-3-2 | Expenses of building maintenance | 8,973,000 | |
| 233 | 01-3-2 | Moving expenses and shipping costs | 7,477,500 | |
| 234 | 01-3-2 | Compensation for separation from family | 12,362,800 | |
| 235 | 01-3-2 | Remuneration for occasional, temporary and other jobs | 1,994,000 | |
| 236 | 01-3-2 | Purchase of sports equipment | 249,250 | |
| 237 | 01-3-2 | Expences of the Center for Personnel Education and Training | 3,290,100 | |
| 238 | 01-3-2 | Compensation for overtime and nighttime work | 2,492,500 | |
| 239 | 01-3-2 | Obligations to law enforcement agencies in the republics and autonomous provinces under Article 43 of the Law on Performance of Law Enforcement Functions in the Jurisdiction of Federal Administrative Agencies | 25,922,000 | |

Balance Sheet (continued)

| 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|
| 240 | 01-3-3 | Compensation for personal income and other expenditures on security of personnel employed in diplomatic and consular missions | 67,447,050 | |
| 241 | 01-3-3 | Expenses of the transit and reception center for refugees | 2,492,500 | |
| 242 | 01-3-3 | Defense-related projects | 19,940,000 | |
| 243 | 01-3-3 | Operating expenses of the Security and Social Self-Protection Institute | 49,850,000 | |
| 244 | 01-3-3 | Funds to cover expenditures of the Security and Social Self-Protection Institute incurred in rendering services to foreign services and to third persons in Yugoslavia | 34,895,000 | |
| 245 | 01-3-3 | Equipping the police brigade | 74,092,055 | |
| | | Total Basic Purpose 01 | | 1,611,781,107 |
| | | Total Section 13 (Items 225 through 245) | | 1,611,781,107 |
| | | Section 14. Federal Secretariat for Finance | | |
| | | Title 1. The Secretariat | | |
| | | Basic Purpose 01--Funds for Operation of Administrative Agencies | | |
| 246 | 01-1-1 | Funds for personal incomes of personnel | 68,190,812 | |
| 247 | 01-1-2 | Funds for social services of federal bodies, agencies and organizations | 257,824,311 | |
| 248 | 01-2 | Funds for material costs | 3,988,000 | |
| 249 | 01-3-1 | Funds for personal incomes and other personal benefits of officials | 577,263 | |
| 250 | 01-3-2 | Compensation for separation from family | 199,400 | |
| 251 | 01-3-2 | Operating expenses of the customs commission | 49,850 | |

Balance Sheet (continued)

| 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|
| 252 | 01-3-2 | Translation costs | 64,805 | |
| 253 | 01-3-2 | Traveling expenses abroad | 1,595,200 | |
| 254 | 01-3-2 | Remuneration of nonstaff personnel | 119,640 | |
| 255 | 01-3-2 | Compensation for overtime | 458,620 | |
| 256 | 01-3-2 | Cooperation with international financial organizations | 299,100 | |
| 257 | 01-3-2 | Purchase of and addition to equipment | 398,800 | |
| 258 | 01-3-2 | Expenses of the Commission for Preparation of Changes in the System | 398,800 | |
| 259 | 01-3-2 | For designated purposes | 697,900 | |
| 260 | 01-3-2 | Funds for alignment of personal incomes in federal bodies and agencies | 897,300,000 | |
| 261 | 01-3-2 | Funds to finance scientific research projects and scientific studies | 29,910,000 | |
| 262 | 01-3-3 | Compensation for property nationalized in Yugoslavia | 3,988,000 | |
| 263 | 01-3-3 | Compensation and commissions paid to the Social Accounting Service | 11,964,000 | |
| 264 | 01-3-3 | Rent on the Ethiopian Embassy | 58,823 | |
| 265 | 01-3-3 | Expenses of the Commission for Revaluation of Capital Assets | 49,850 | |
| 266 | 01-3-3 | Defense-related projects | 54,835 | |
| | | Total Basic Purpose 01 | | 1,278,188,009 |
| | | Basic Purpose 04--Funds Transferred to Other Sociopolitical Communities | | |
| 267 | 04-2 | Supplemental funds to the Socialist Republic of Bosnia-Hercegovina | 6,190,472,700 | |
| 268 | 04-2 | Supplemental funds to the Socialist Republic of Macedonia | 2,821,510,000 | |
| 269 | 04-2 | Supplemental funds to the Socialist Republic of Montenegro | 2,294,296,400 | |
| 270 | 04-2 | Supplemental funds to the Socialist Autonomous Province of Kosovo | 8,288,459,800 | |

Balance Sheet (continued)

| 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|
| 271 | 04-2 | Obligations to SAP [Socialist Autonomous Province] Kosovo not met in 1980 | 1,176,460,000 | |
| | | Total Basic Purpose 04 | | 20,771,198,900 |
| | | Basic Purpose 05--Obligations To Finance Social Services | | |
| 272 | 05-11 | Supplemental earmarked funds to the Old-Age and Disability Insurance Community of SR [Socialist Republic] Montenegro to cover the deficit in the Old-Age and Disability Insurance Fund | 737,800,000 | |
| 273 | 05-11 | Funds for preferential pensions of military personnel under the provisions of the Law on the Obligations of the Federation for Pensions of War Veterans | 2,226,900,000 | |
| 274 | 05-11 | Funds for adjustment of military pensions | 1,761,800,000 | |
| 275 | 05-11 | Supplemental earmarked funds to cover the deficit in the Military Personnel Old-Age Insurance Fund | 6,493,800,000 | |
| | | Total Basic Purpose 05 | | 11,220,300,000 |
| | | Basic Purpose 06--Other General Public Purposes | | |
| 276 | 06-11 | Compensation to cover expenses of the Social Accounting Service for tasks in keeping records, monitoring and preparing reports and analyses | 233,298,000 | |
| | | Total Basic Purpose 06 | | 233,298,000 |
| | | Basic Purpose 07--Funds of the Federal Reserve | | |
| 277 | 07-1 | Appropriation to the permanent federal reserve | 343,366,800 | |

Balance Sheet (continued)

| 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|
| 278 | 07-2 | Current budgetary reserve | 394,290,569 | |
| | | Total Basic Purpose 07 | | 737,657,369 |
| | | Basic Purpose 08--Funds Placed in Time Deposits and Set Aside, Obligations and Other Purposes of Interest to the Federation | | |
| 279 | 08-4-2 | Obligations under foreign loans and for nationalized foreign property | 22,000,000 | |
| 280 | 08-4-2 | For repayment of credit for agricultural surpluses used to finance the Federal Budget for 1965 and the Federal Budget for 1966 | 143,800,000 | |
| 281 | 08-4-2 | Obligation of SAP Kosovo assumed to repay the foreign loan for the Ibar-Lepenac Hydropower System | 160,000,000 | |
| 282 | 08-4-2 | Funds to redeem bonds and cover differences in rates of exchange of currencies from past years | 450,000,000 | |
| 283 | 08-4-2 | Repayment of credit to the Yugoslav National Bank related to performance of the Program of Permanent Federal Commodity Reserves in 1976 | 774,200,000 | |
| 284 | 08-4-2 | Repayment of credit to the Yugoslav National Bank related to performance of the Program of Permanent Federal Commodity Reserves in 1977 | 291,800,000 | |
| 285 | 08-4-2 | Repayment of credit extended to carry out the Program of Permanent Federal Commodity Reserves in 1978 | 330,500,000 | |
| 286 | 08-4-2 | Funds to repay international credits for improved transportation routes in SR Montenegro | 140,400,000 | |
| 287 | 08-4-2 | Contribution to the International Development Association IDA | 268,000,000 | |

Balance Sheet (continued)

| 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|
| 288 | 08-4-2 | Member's share in the Inter-American Bank | 66,200,000 | |
| 289 | 08-4-2 | Contribution to the International Finance Corporation | 18,300,000 | |
| 290 | 08-4-2 | SFRY's member's share in the African Development Bank | 52,600,000 | |
| 291 | 08-4-2 | SFRY's share in the First Replenishment of the Resources of the International Fund for Agricultural Development | 6,800,000 | |
| 292 | 08-4-2 | Specific increase of SFRY's share in the capital of the International Bank | 364,000,000 | |
| 293 | 08-4-2 | General increase of the capital of the International Bank | 80,000,000 | |
| | | Total Basic Purpose 08 | | 3,168,600,000 |
| | | Total Title 1 | | 37,409,243,278 |
| | | Title 2. Federal Foreign Exchange Inspectorate | | |
| | | Basic Purpose 01--Funds for Operation of Administrative Agencies | | |
| 294 | 01-1-1 | Funds for personal incomes of personnel | 47,803,159 | |
| 295 | 01-2 | Funds for material costs | 2,193,400 | |
| 296 | 01-3-2 | Remuneration of nonstaff personnel in foreign exchange inspectorates in the republics | 29,910 | |
| 297 | 01-3-2 | Traveling expenses of foreign exchange inspectors in Yugoslavia | 3,688,900 | |
| 298 | 01-3-2 | Rental and maintenance of office space | 2,691,900 | |
| 299 | 01-3-2 | Traveling expenses abroad | 897,300 | |
| 300 | 01-3-2 | Purchase of equipment | 598,200 | |
| 301 | 01-3-2 | Public relations | 4,985 | |
| 302 | 01-3-3 | Defense-related projects | 99,700 | |
| | | Total Basic Purpose 01 | | 58,007,454 |
| | | Total Title 2 | | 58,007,454 |

Balance Sheet (continued)

| 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|
| | | Total Section 14 (Items 246 through 302) | | 37,467,249,732 |
| | | Section 15. Federal Secretariat for Foreign Trade | | |
| | | Basic Purpose 01--Funds for Operation of Administrative Agencies | | |
| 303 | 01-1-1 | Funds for personal incomes of personnel | 58,038,361 | |
| 304 | 01-2 | Funds for material costs | 5,184,400 | |
| 305 | 01-3-1 | Funds for personal incomes and other personal benefits of officials | 541,371 | |
| 306 | 01-3-2 | Compensation for separation from family | 251,244 | |
| 307 | 01-3-2 | Compensation for overtime of typists based on quota, remuneration of nonstaff personnel, and compensation of professional commissions and working groups | 299,100 | |
| 308 | 01-3-2 | Preparation of bulletins and other materials and forms for administering the foreign trade and foreign exchange systems | 299,100 | |
| 309 | 01-3-2 | Scientific work, information and documentation, and consulting furnished by particular institutions | 119,640 | |
| 310 | 01-3-2 | Expenses of foreign and domestic delegations | 2,991,000 | |
| 311 | 01-3-2 | Charges for translation of various technical materials and foreign publications from foreign languages | 99,700 | |
| 312 | 01-3-2 | Purchase of clothing and footwear | 19,940 | |
| 313 | 01-3-2 | Membership dues in international organizations | 14,920,105 | |
| 314 | 01-3-2 | Purchase of equipment | 398,800 | |
| 315 | 01-3-2 | Expenses of personnel development programs | 289,130 | |

Balance Sheet (continued)

| 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|
| 316 | 01-3-3 | Defense-related projects | 199,400 | |
| | | Total Basic Purpose 01 | | 83,651,291 |
| | | Total Section 15 (Items 303 through 316) | | 83,651,291 |
| | | Section 16. Federal Secretariat for the Market and General Economic Affairs | | |
| | | Title 1. The Secretariat | | |
| | | Basic Purpose 01--Funds for Operation of Administrative Agencies | | |
| 317 | 01-1-1 | Funds for personal incomes of personnel | 32,111,376 | |
| 318 | 01-2 | Funds for material costs | 3,489,500 | |
| 319 | 01-3-1 | Funds for personal incomes and other personal benefits of officials | 573,275 | |
| 320 | 01-3-2 | Compensation for separation from family | 598,200 | |
| 321 | 01-3-2 | Compensation for overtime | 299,110 | |
| 322 | 01-3-2 | Traveling expenses abroad | 428,710 | |
| 323 | 01-3-2 | Expenses of international cooperation | 299,100 | |
| 324 | 01-3-2 | Purchase of equipment | 448,650 | |
| 325 | 01-3-2 | Traveling expenses in Yugoslavia | 1,395,800 | |
| 326 | 01-3-2 | Data processing expenses | 19,940 | |
| 327 | 01-3-2 | Membership dues in international organizations | 2,870,363 | |
| 328 | 01-3-2 | Funds to finance expenditures related to analyzing and forecasting economic trends | 4,985,000 | |
| 329 | 01-3-3 | Defense-related projects | 99,700 | |
| | | Total Basic Purpose 01 | | 47,618,714 |
| | | Total Title 1 | | 47,618,714 |

Balance Sheet (continued)

| 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|
| | | Title 2. Federal Market Inspectorate | | |
| | | Basic Purpose 01--Funds for Operation of Administrative Agencies | | |
| 330 | 01-1-1 | Funds for personal incomes of personnel | 31,214,076 | |
| 331 | 01-2 | Funds for material costs | 2,492,500 | |
| 332 | 01-3-1 | Funds for personal incomes and other personal benefits of officials | 556,326 | |
| 333 | 01-3-2 | Compensation for overtime and work on holidays | 299,100 | |
| 334 | 01-3-2 | Remuneration of authorized organizations and specialists for checking the quality of products being imported | 1,694,900 | |
| 335 | 01-3-2 | Traveling expenses abroad | 199,400 | |
| 336 | 01-3-2 | Expenses of inspection for quality | 797,600 | |
| 337 | 01-3-2 | Rent | 1,196,400 | |
| 338 | 01-3-2 | Expenses of international cooperation | 79,760 | |
| 339 | 01-3-2 | Remuneration for expert testimony and expert evaluation | 997,000 | |
| 340 | 01-3-2 | Purchase of equipment | 448,650 | |
| 341 | 01-3-2 | Purchase of professional publications | 99,700 | |
| 342 | 01-3-2 | Traveling expenses of market inspectors in Yugoslavia | 3,788,600 | |
| 343 | 01-3-2 | Public relations | 10,967 | |
| 344 | 01-3-2 | Compensation for separation from family | 348,950 | |
| 345 | 01-3-2 | Purchase of uniforms and footwear | 498,500 | |
| | | Total Basic Purpose 01 | | 44,722,429 |
| | | Total Title 2 | | 44,722,429 |

Balance Sheet (continued)

| 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|
| | | Title 3. Federal Directorate for Reserves of Industrial Products | | |
| | | Basic Purpose 01--Funds for Operation of Administrative Agencies | | |
| 346 | 01-1-1 | Funds for personal incomes of personnel | 26,894,075 | |
| 347 | 01-2 | Funds for material costs | 3,988,000 | |
| 348 | 01-3-1 | Funds for personal incomes and other personal benefits of officials | 670,981 | |
| 349 | 01-3-2 | Traveling expenses in Yugoslavia and abroad | 1,196,400 | |
| 350 | 01-3-2 | Public relations | 21,934 | |
| 351 | 01-3-2 | Studies, analyses and magazines | 149,550 | |
| 352 | 01-3-2 | Expenses of maintaining furnishings and purchasing equipment | 1,595,200 | |
| 353 | 01-3-2 | Compensation for separation from family | 108,673 | |
| 354 | 01-3-2 | Compensation for overtime | 199,400 | |
| 355 | 01-3-3 | Defense-related projects | 291,124 | |
| 356 | 01-3-4 | For designated purposes | 330,685,957 | |
| | | Total Basic Purpose 01 | | 365,801,294 |
| | | Total Title 3 | | 365,801,294 |
| | | Title 4. Federal Directorate for Reserves of Food Products | | |
| | | Basic Purpose 01--Funds for Operation of Administrative Agencies | | |
| 357 | 01-1-1 | Funds for personal incomes of personnel | 22,540,176 | |
| 358 | 01-2 | Funds for material costs | 2,438,662 | |
| 359 | 01-3-1 | Funds for personal incomes and other personal benefits of officials | 1,850,432 | |
| 360 | 01-3-2 | Compensation for separation from family | 59,820 | |

Balance Sheet (continued)

| 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|
| 361 | 01-3-2 | Traveling expenses in Yugoslavia and abroad | 1,096,700 | |
| 362 | 01-3-2 | Public relations | 15,952 | |
| 363 | 01-3-2 | Expenses of maintaining furnishings and purchasing equipment | 997,000 | |
| 364 | 01-3-2 | Compensation for overtime | 149,550 | |
| 365 | 01-3-2 | Studies, analyses and magazines | 548,350 | |
| 366 | 01-3-3 | Defense-related projects | 69,790 | |
| 367 | 01-3-4 | Funds for designated purposes | 757,720,000 | |
| | | Total Basic Purpose 01 | | 787,486,432 |
| | | Total Title 4 | | 787,486,432 |
| | | Total Section 16 (Items 317 through 367) | | 1,245,628,869 |
| | | Section 17. Federal Secretariat for Jurisprudence and Federal Administrative Organization | | |
| | | Title 1. The Secretariat | | |
| | | Basic Purpose 01--Funds for Operation of Administrative Agencies | | |
| 368 | 01-1-1 | Funds for personal incomes of personnel | 19,541,200 | |
| 369 | 01-2 | Funds for material costs | 1,231,295 | |
| 370 | 01-3-1 | Funds for personal incomes and other personal benefits of officials | 579,257 | |
| 371 | 01-3-2 | Compensation for separation from family | 334,992 | |
| 372 | 01-3-2 | Expenses of extradition | 1,196,400 | |
| 373 | 01-3-2 | Traveling expenses abroad | 498,500 | |
| 374 | 01-3-2 | Translation of petitions and documents from foreign languages | 19,940 | |
| 375 | 01-3-2 | Expenses of expert testimony and expenses of litigation | 49,850 | |
| 376 | 01-3-2 | Expenses incurred in drafting enactments | 498,500 | |

Balance Sheet (continued)

| 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|
| 377 | 01-3-2 | Charges under Article 294 of the Law on the Bases of the System of Government Administration | 159,520 | |
| 378 | 01-3-3 | Share in financing international meetings and other undertakings | 299,100 | |
| 379 | 01-3-3 | Defense-related projects | 34,895 | |
| | | Total Basic Purpose 01 | | 24,443,449 |
| | | Total Title 1 | | 24,443,449 |
| | | Title 2. Bureau for Upgrading the Federal Administration | | |
| | | Basic Purpose 01--Funds for Operation of Administrative Agencies | | |
| 380 | 01-1-1 | Funds for personal incomes of personnel | 4,785,600 | |
| 381 | 01-2 | Funds for material costs | 249,250 | |
| 382 | 01-3-2 | Compensation for separation from family | 91,724 | |
| 383 | 01-3-2 | Traveling expenses abroad | 79,760 | |
| 384 | 01-3-2 | Purchase of specialized literature | 5,982 | |
| 385 | 01-3-2 | Expenses of specialized training of personnel of federal bodies and agencies and federal organizations | 99,700 | |
| 386 | 01-3-2 | Expenses of publishing the Bureau's bulletin | 229,310 | |
| 387 | 01-3-2 | Expenses of preparing topic reviews and studies | 49,850 | |
| 388 | 01-3-2 | Membership dues in international organizations | 255,232 | |
| | | Total Basic Purpose 01 | | 5,846,408 |
| | | Total Title 2 | | 5,846,408 |

Balance Sheet (continued)

| 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|
| | | Title 3. Data Processing Bureau of Federal Bodies and Agencies | | |
| | | Basic Purpose 01--Funds for Operation of Administrative Agencies | | |
| 389 | 01-1-1 | Funds for personal incomes of personnel | 16,798,453 | |
| 390 | 01-2 | Funds for material costs | 2,183,430 | |
| 391 | 01-3-2 | Remuneration of nonstaff personnel | 39,880 | |
| 392 | 01-3-2 | Traveling expenses abroad | 59,820 | |
| 393 | 01-3-2 | Purchase of specialized literature | 299,100 | |
| 394 | 01-3-2 | Material costs incurred in publishing and storing documentary and information material | 348,950 | |
| 395 | 01-3-2 | Operating expenses of the electronic computer | 1,509,458 | |
| 396 | 01-3-2 | Expenses in preparing designs of the information system | 299,100 | |
| 397 | 01-3-2 | Purchase of equipment | 8,973,000 | |
| 398 | 01-3-2 | Specialization--advanced specialized training abroad | 298,103 | |
| | | Total Basic Purpose 01 | | 30,809,294 |
| | | Total Title 3 | | 30,809,294 |
| | | Title 4. Funding Programs of Independent Institutions and Organizations | | |
| | | Basic Purpose 01--Funds for Operation of Administrative Agencies | | |
| 399 | 01-3-2 | Funds to carry out the program of the Institute for Comparative Law | 4,023,892 | |
| 400 | 01-3-2 | Compensation to health institutions for rendering services to personnel in federal bodies and agencies | 797,600 | |

Balance Sheet (continued)

| 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|
| 401 | 01-3-2 | Funds to carry out the program of the Museum of the Revolution of the Nationalities and Ethnic Minorities of Yugoslavia | 15,453,500 | |
| 402 | 01-3-2 | Funds for the AVNOJ Prize | 3,439,650 | |
| 403 | 01-3-2 | Mosa Pijade Fund for Advancement of Representational Art | 1,994,000 | |
| 404 | 01-3-2 | Funds for operation of the Commission on Objects Bearing the Likeness of Josip Broz Tito | 249,259 | |
| 405 | 01-3-2 | Edvard Kardelj Prize | 1,495,500 | |
| | | Total Basic Purpose 01 | | 27,453,392 |
| | | Total Title 4 | | 27,453,392 |
| | | Total Section 17 (Items 368 through 405) | | 88,552,543 |
| | | Section 18. Federal Secretariat for Information | | |
| | | Basic Purpose 01--Funds for Operation of Administrative Agencies | | |
| 406 | 01-1-1 | Funds for personal incomes of personnel | 37,025,589 | |
| 407 | 01-2 | Funds for material costs | 997,000 | |
| 408 | 01-3-1 | Funds for personal incomes and other personal benefits of officials | 417,743 | |
| 409 | 01-3-2 | Subscription to newspapers, magazines and other publications | 1,176,460 | |
| 410 | 01-3-2 | Expenses of receiving foreign guests and journalists | 3,988,000 | |
| 411 | 01-3-2 | State visits--foreign newsmen accompanying heads of state | 1,595,200 | |
| 412 | 01-3-2 | Education and training of newsmen from the nonaligned countries | 5,483,500 | |

Balance Sheet (continued)

| 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|
| 413 | 01-3-2 | Publication of bulletins and expenses of holding press conferences and publishing activity related to the work of the Federal Executive Council | 3,988,000 | |
| 414 | 01-3-2 | Performance of the international relations program of the Federation of Yugoslav Newsmen | 1,296,100 | |
| 415 | 01-3-2 | Budgeted expenses of the Pula KK [(?) Film Club] | 2,352,920 | |
| 416 | 01-3-2 | Expenses of multilateral cooperation of the nonaligned developing countries in informing one another | 348,950 | |
| 417 | 01-3-2 | Addition to and replacement of equipment | 272,181 | |
| 418 | 01-3-3 | Publishing activity, press releases, purchase of publications about Yugoslavia in foreign languages, news and documentary films, news photos, exhibits, special projects, the Secretariat's operating fund and costs of shipping information and propaganda material | 32,901,000 | |
| 419 | 01-3-3 | Purchase of periodicals intended for foreign countries | 49,850,000 | |
| 420 | 01-3-3 | Radiobroadcasting for foreign countries | 104,685,000 | |
| 421 | 01-3-3 | Radio programs and news coverage and TV programs intended for abroad | 2,991,000 | |
| 422 | 01-3-3 | News agency services | 165,502,000 | |
| 423 | 01-3-3 | Expenses of preparing newsreels | 23,628,900 | |
| 424 | 01-3-3 | News, propaganda, cultural and entertainment programs for Yugoslav workers and emigres abroad | 18,943,000 | |
| 425 | 01-3-3 | Informing the foreign public over radio and television | 19,940,000 | |
| 426 | 01-3-3 | International Press Center in Belgrade | 8,673,900 | |
| 427 | 01-3-3 | Defense-related projects | 11,565,200 | |

Balance Sheet (continued)

| 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|
| 428 | 01-3-3 | Regular maintenance expenses of the Department for Defense Preparations of Radio Yugoslavia | 5,184,400 | |
| 429 | 01-3-3 | Regular maintenance expenses of the Department for Defense Preparations of the TANJUG News Agency | 1,395,800 | |
| | | Total Basic Purpose 01 | | 504,201,843 |
| | | Total Section 18 (Items 406 through 429) | | 504,201,843 |
| | | Section 19. Federal Committee for Energy and Industry | | |
| | | Basic Purpose 01--Funds for Operation of Administrative Agencies | | |
| 430 | 01-1-1 | Funds for personal incomes of personnel | 35,422,413 | |
| 431 | 01-2 | Funds for material costs | 2,791,600 | |
| 432 | 01-3-1 | Funds for personal incomes and other personal benefits of officials | 587,233 | |
| 433 | 01-3-2 | Expenses of international cooperation within Yugoslavia | 1,794,600 | |
| 434 | 01-3-2 | Traveling expenses abroad | 1,937,171 | |
| 435 | 01-3-2 | Compensation of commission members and remuneration of non-staff personnel | 299,100 | |
| 436 | 01-3-2 | Expenses of holding meetings of the committee | 398,800 | |
| 437 | 01-3-2 | Membership dues in international organizations | 34,320,728 | |
| 438 | 01-3-2 | Compensation for overtime | 99,700 | |
| 439 | 01-3-2 | Purchase of equipment | 209,370 | |
| 440 | 01-3-2 | Expenses of carrying out the program of the Nuclear Energy Commission of the Federal Executive Council | 1,112,650 | |
| 441 | 01-3-2 | Preparation of specialized analyses | 498,500 | |
| 442 | 01-3-2 | Defense-related projects | 543,365 | |

Balance Sheet (continued)

| 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|
| | | Total Basic Purpose 01 | | 80,015,230 |
| | | Total Section 19 (Items 430 through 442) | | 80,015,230 |
| | | Section 20. Federal Committee for Agriculture | | |
| | | Basic Purpose 01--Funds for Operation of Administrative Agencies | | |
| 443 | 01-1-1 | Funds for personal incomes of personnel | 88,343,173 | |
| 444 | 01-2 | Funds for material costs | 3,489,500 | |
| 445 | 01-2 | Funds for material costs of border stations | 12,462,500 | |
| 446 | 01-3-1 | Funds for personal incomes and other personal benefits of officials | 554,332 | |
| 447 | 01-3-2 | Contribution to the World Food Program WEP | 9,251,163 | |
| 448 | 01-3-2 | Expenses of international cooperation in water management | 897,300 | |
| 449 | 01-3-2 | Compensation of members of special commissions | 418,740 | |
| 450 | 01-3-2 | Expenses of monitoring chemicals for plant pest and disease control | 149,550 | |
| 451 | 01-3-2 | Expenses of monitoring chemicals for livestock pest and disease control | 64,805 | |
| 452 | 01-3-2 | Expenses of the Yugoslav Committee for the International Hydrology Program | 2,991,000 | |
| 453 | 01-3-2 | Administration of measures in the border zone in the field of veterinary science and plant pest and disease control | 4,187,400 | |
| 454 | 01-3-2 | Expenses of International Cooperation in Agriculture and Forestry | 2,791,600 | |
| 455 | 01-3-2 | Expenses of holding meetings of the committee | 438,680 | |

Balance Sheet (continued)

| 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|
| 456 | 01-3-2 | For holding seminars, giving courses and preparing enactments in the field of veterinary science and plant pest and disease control | 1,994,000 | |
| 457 | 01-3-2 | Remuneration of nonstaff personnel in the field of plant pest and disease control at border crossings | 329,010 | |
| 458 | 01-3-2 | For monitoring movements of plant pests and diseases on the quarantine list | 797,600 | |
| 459 | 01-3-2 | Membership dues in international organizations | 4,147,520 | |
| 460 | 01-3-2 | Compensation for overtime in the field of veterinary science at border crossings | 199,400 | |
| 461 | 01-3-2 | Compensation for overtime in the field of plant pest and disease control at border crossings | 299,100 | |
| 462 | 01-3-2 | Certification of new varieties and approval of organizing the production of seeds and nursery stock | 3,190,400 | |
| 463 | 01-3-2 | Remuneration of nonstaff personnel for animal disease and pest control at the border | 398,800 | |
| 464 | 01-3-2 | For verification and application of new technologies and techniques in agriculture and forest management in accordance with the policy governing economic development in 1982 | 2,592,200 | |
| 465 | 01-3-2 | Preparation and printing of instructions for administering regulations and carrying out measures under the jurisdiction of the Federation | 1,296,100 | |
| 466 | 01-3-2 | Holding fairs, exhibitions, conferences, symposiums and congresses to promote agriculture | 1,694,900 | |

Balance Sheet (continued)

| 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|
| 467 | 01-3-2 | Monitoring, establishing and carrying on cooperation with countries with which Yugoslavia has intergovernmental committees and commissions, and especially with the developing countries | 1,395,800 | |
| 468 | 01-3-2 | Purchase of and addition to equipment | 1,595,200 | |
| 469 | 01-3-2 | Costs of ascertaining the behavior of active ingredients of pesticides | 498,500 | |
| 470 | 01-3-2 | Operating expenses of the commission and the working bodies of the committee | 518,440 | |
| 471 | 01-3-2 | Diagnosis of virus diseases | 398,800 | |
| 472 | 01-3-2 | Final preparation of integrated measures for plant pest and disease control and introduction of nonpesticidal measures to combat plant diseases and pests | 1,096,700 | |
| 473 | 01-3-2 | Compensation for separation from family | 398,800 | |
| 474 | 01-3-2 | Share in drafting the program to be proposed for ascertaining the causes and taking steps to prevent large-scale withering of important tree species | 498,500 | |
| 475 | 01-3-2 | Compensation for work at night and on holidays in the field of veterinary science at border crossings | 378,860 | |
| 476 | 01-3-2 | Compensation for work at night and on holidays in the field of plant pest and disease control at border crossings | 498,500 | |
| 477 | 01-3-2 | Contribution to the International Fund for Agricultural Development IFAD | 6,804,525 | |
| 478 | 01-3-2 | Participation in preparing the publication "Production and Farm Policy--Book II" | 199,400 | |
| 479 | 01-3-3 | Defense-related projects | 997,000 | |
| | | Total Basic Purpose 01 | | 158,257,793 |

Balance Sheet (continued)

| 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|
| | | Total Section 20 (Items 443 through 479) | | 158,257,793 |
| | | Section 21. Federal Committee for Transportation and Communications | | |
| | | Title 1. The Committee | | |
| | | Basic Purpose 01--Funds for Operation of Administrative Agencies | | |
| 480 | 01-1-1 | Funds for personal incomes of personnel | 34,021,628 | |
| 481 | 01-2 | Funds for material costs | 2,492,500 | |
| 482 | 01-3-1 | Funds for personal incomes and other personal benefits of officials | 4,627,077 | |
| 483 | 01-3-2 | Drafting of technical regulations | 997,000 | |
| 484 | 01-3-2 | Expenses of international cooperation | 997,000 | |
| 485 | 01-3-2 | Traveling expenses abroad | 2,492,500 | |
| 486 | 01-3-2 | Compensation for the work of commission members | 249,250 | |
| 487 | 01-3-2 | Printing of international licenses and permits in the transportation sector | 199,400 | |
| 488 | 01-3-2 | Purchase of and addition to equipment | 299,100 | |
| 489 | 01-3-2 | Membership dues in international organizations | 15,453,500 | |
| 490 | 01-3-2 | Expenses of participation of Jugoregistar specialists on projects of interest to the Federation | 2,991,000 | |
| 491 | 01-3-2 | Compensation for separation from family | 249,250 | |
| 492 | 01-3-2 | Costs of meetings of the committee | 348,950 | |
| 493 | 01-3-2 | Charge for old-age and medical insurance of Yugoslav nationals employed temporarily in the Secretariat of the Danube Commission | 533,395 | |

Balance Sheet (continued)

| 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|
| 494 | 01-3-2 | Maintenance of two-way scheduled air service between Belgrade and Tirana | 15,293,980 | |
| 495 | 01-3-2 | Maintenance of two-way scheduled air service between Belgrade and Malta | 14,516,320 | |
| 496 | 01-3-2 | Compensation of airports for work to meet the needs of air traffic safety | 12,422,620 | |
| 497 | 01-3-3 | For safe navigation in maritime shipping | 87,736,000 | |
| 498 | 01-3-3 | For safe navigation in river shipping | 96,709,000 | |
| 499 | 01-3-3 | Defense-related projects | 498,500 | |
| 500 | 01-3-3 | Funds for the work of the Geomagnetic Institute on projects of interest to the Federation | 20,937,000 | |
| 501 | 01-3-3 | Funds to cover obligations resulting from passes issued in passenger transportation | 119,640,000 | |
| | | Total Basic Purpose 01 | | 433,704,970 |
| | | Total Title 1 | | 433,704,970 |
| | | Title 2. Federal Flight Control Administration | | |
| | | Basic Purpose 01--Funds for Operation of Administrative Agencies | | |
| 502 | 01-1-1 | Funds for personal incomes of personnel | 454,024,827 | |
| 503 | 01-2 | Funds for material costs | 4,985,000 | |
| 504 | 01-3-1 | Funds for personal incomes and other personal benefits of officials | 1,182,442 | |
| 505 | 01-3-2 | Operating expenses of facilities | 85,268,425 | |
| 506 | 01-3-2 | Rent | 2,027,898 | |
| 507 | 01-3-2 | Costs of aircraft use | 17,946,000 | |
| 508 | 01-3-2 | Compensation for work at night, on holidays and overtime | 16,949,000 | |
| 509 | 01-3-2 | Remuneration of nonstaff personnel | 149,550 | |
| 510 | 01-3-2 | Costs of vehicle use | 12,961,000 | |

Balance Sheet (continued)

| 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|
| 511 | 01-3-2 | Insurance | 6,736,729 | |
| 512 | 01-3-2 | Traveling expenses in Yugoslavia | 10,967,000 | |
| 513 | 01-3-2 | Print shop expenses | 707,870 | |
| 514 | 01-3-2 | Purchase of clothing and footwear | 5,563,260 | |
| 515 | 01-3-2 | Bank service charges | 2,193,400 | |
| 516 | 01-3-2 | Traveling expenses abroad | 917,240 | |
| 517 | 01-3-2 | Membership dues in international and other organizations | 279,160 | |
| 518 | 01-3-2 | Purchase of equipment for safety in the workplace | 1,694,900 | |
| 519 | 01-3-2 | Expenses under guaranties issued | 79,760 | |
| 520 | 01-3-2 | Addition to equipment and furnishings | 1,994,000 | |
| 521 | 01-3-2 | Postage and telegraph and telephone service | 35,293,800 | |
| 522 | 01-3-2 | Property storage and security | 3,988,000 | |
| 523 | 01-3-2 | Medical examinations and screening of pilots and chauffeurs | 2,501,473 | |
| 524 | 01-3-2 | Purchase of school supplies and textbooks for training programs | 697,900 | |
| 525 | 01-3-2 | Public relations | 69,790 | |
| 526 | 01-3-2 | Expenses of resurveying air navigation charts | 1,146,550 | |
| 527 | 01-3-2 | Expenses paid under military regulations | 2,413,737 | |
| 528 | 01-3-3 | Defense-related projects | 249,250 | |
| | | Total Basic Purpose 01 | | 672,987,961 |
| | | Total Title 2 | | 672,987,961 |
| | | Title 3. Federal Administration for Radio Communication | | |
| | | Basic Purpose 01--Funds for Operation of Administrative Agencies | | |
| 529 | 01-1-1 | Funds for personal incomes of personnel | 26,923,985 | |
| 530 | 01-2 | Funds for material costs | 1,156,520 | |

Balance Sheet (continued)

| 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|
| 531 | 01-3-1 | Funds for personal incomes and other personal benefits of officials | 569,287 | |
| 532 | 01-3-2 | Compensation for overtime and nighttime work | 274,175 | |
| 533 | 01-3-2 | Maintenance of monitoring and measuring centers | 598,200 | |
| 534 | 01-3-2 | Property insurance | 1,595,200 | |
| 535 | 01-3-2 | Purchase of and addition to equipment | 299,100 | |
| 536 | 01-3-2 | Motor pool expenses | 498,500 | |
| 537 | 01-3-2 | Traveling expenses in Yugoslavia | 598,200 | |
| 538 | 01-3-2 | Traveling expenses abroad | 448,650 | |
| 539 | 01-3-2 | Purchase of clothing and footwear | 34,895 | |
| 540 | 01-3-2 | Drafting of specialized and technical regulations, instructions and studies | 24,925 | |
| 541 | 01-3-2 | Data processing of information and documentation | 947,150 | |
| 542 | 01-3-2 | Expenses of separation from family | 79,760 | |
| 543 | 01-3-2 | Expenses of current and capital maintenance of 1/6 of the office space of the Rijeka Monitoring and Measuring Center | 239,280 | |
| 544 | 01-3-2 | Postage and telegraph and telephone service | 717,840 | |
| 545 | 01-3-3 | Defense-related projects | 199,400 | |
| | | Total Basic Purpose 01 | | 35,205,067 |
| | | Total Title 3 | | 35,205,067 |
| | | Title 4. Federal Aviation Inspectorate | | |
| | | Basic Purpose 01--Funds for Operation of Administrative Agencies | | |
| 546 | 01-1-1 | Funds for personal incomes of personnel | 20,657,840 | |
| 547 | 01-2 | Funds for material costs | 2,648,032 | |

Balance Sheet (continued)

| 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|
| 548 | 01-3-1 | Funds for personal incomes and other personal benefits of officials | 1,088,724 | |
| 549 | 01-3-2 | Costs of aircraft and automobile use | 3,205,355 | |
| 550 | 01-3-2 | Purchase of clothing and footwear | 299,100 | |
| 551 | 01-3-2 | Expenses of international cooperation | 29,910 | |
| 552 | 01-3-2 | Traveling expenses abroad | 1,844,450 | |
| 553 | 01-3-2 | Remuneration of nonstaff personnel | 49,850 | |
| 554 | 01-3-2 | Traveling and moving expenses | 1,994,000 | |
| 555 | 01-3-2 | Purchase of and addition to equipment | 1,844,450 | |
| 556 | 01-3-2 | Translation costs | 39,880 | |
| 557 | 01-3-2 | Expenses of organizing conferences | 9,970 | |
| 558 | 01-3-2 | Expenses of specialized education and training | 79,760 | |
| 559 | 01-3-2 | Compensation for work at night and on holidays | 49,850 | |
| 560 | 01-3-2 | Public relations | 10,967 | |
| 561 | 01-3-2 | Charge for personnel transport to and from work | 208,373 | |
| 562 | 01-3-2 | Studies and analyses | 49,850 | |
| 563 | 01-3-2 | Membership dues and assessments | 99,700 | |
| 564 | 01-3-3 | Defense-related projects | 19,940 | |
| | | Total Basic Purpose 01 | | 34,230,001 |
| | | Total Title 4 | | 34,230,001 |
| | | Total Section 21 (Items 480 through 564) | | 1,176,127,999 |

Balance Sheet (continued)

| 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|
| | | Section 22. Federal Committee for Labor, Health and Social Welfare | | |
| | | Title 1. The Committee | | |
| | | Basic Purpose 01--Funds for Operation of Administrative Agencies | | |
| 565 | 01-1-1 | Funds for personal incomes of personnel | 53,838,000 | |
| 566 | 01-2 | Funds for material costs | 1,096,700 | |
| 567 | 01-3-1 | Funds for personal incomes and other personal benefits of officials | 572,278 | |
| 568 | 01-3-2 | Traveling expenses abroad | 3,329,980 | |
| 569 | 01-3-2 | Traveling expenses in Yugoslavia | 917,240 | |
| 570 | 01-3-2 | Traveling expenses of foreign specialists and their Yugoslav escorts, expenses related to meetings and negotiations with foreign delegations and diplomatic and other representatives | 984,039 | |
| 571 | 01-3-2 | Compensation for the work of members of standing specialized commissions | 459,617 | |
| 572 | 01-3-2 | Expenses of holding meetings of the committee and its constituent bodies to prepare the health service for nationwide defense | 598,200 | |
| 573 | 01-3-2 | Costs of publishing reports of the labor inspectorate and public health inspectorate | 159,520 | |
| 574 | 01-3-2 | Membership dues in international organizations | 54,415,263 | |
| 575 | 01-3-2 | Certain projects in the field of pharmaceutical service and medical supply of interest to the Federation which will be contracted out to appropriate professional institutions | 947,150 | |
| 576 | 01-3-2 | Purchase of and addition to equipment | 697,900 | |

Balance Sheet (continued)

| 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|
| 577 | 01-3-2 | Translation of material from foreign languages | 99,700 | |
| 578 | 01-3-2 | Purchase of specialized literature | 87,736 | |
| 579 | 01-3-2 | Remuneration of parttime and nonstaff personnel | 1,296,100 | |
| 580 | 01-3-2 | Compensation for overtime related to public health control at the border | 249,250 | |
| 581 | 01-3-2 | Rent and maintenance on office space for border public health control | 797,600 | |
| 582 | 01-3-2 | Purchase of uniforms for border public health inspectors | 175,472 | |
| 583 | 01-3-2 | Expenses of protecting the country against the importation of infectious diseases | 2,991,000 | |
| 584 | 01-3-2 | Expenses of analyzing medical drugs | 448,650 | |
| 585 | 01-3-2 | Expenses related to public health control at the border | 1,694,900 | |
| 586 | 01-3-2 | Expenses of medical treatment of foreign nationals in Yugoslavia | 571,281 | |
| 587 | 01-3-2 | Protection against ionizing radiations | 149,550 | |
| 588 | 01-3-2 | Material support and housing of refugees | 7,280,094 | |
| 589 | 01-3-2 | Certain projects in the field of health care of direct interest to performance of federal functions which will be contracted out to the Federal Bureau for Health Care | 17,946,000 | |
| 590 | 01-3-2 | Expenses of monitoring pollution of international and interrepublic waters | 1,096,700 | |
| 591 | 01-3-2 | Operating expenses of the interarea working group to coordinate the effort of federal agencies in carrying out the decision of the United Nations World Conference of the International Year of Women | 997,000 | |
| 592 | 01-3-2 | Yugoslavia's obligations as a member of the World Health Organization | 99,700 | |

Balance Sheet (continued)

| 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|
| 593 | 01-3-2 | Expenses of preparing the Yugoslav Pharmacopoeia | 1,196,400 | |
| 594 | 01-3-2 | Expenses of preparing regulations on health standards governing foodstuffs and articles for personal hygiene | 997,000 | |
| 595 | 01-3-3 | Funding programs directed toward Yugoslav nationals working abroad | 9,970,000 | |
| 596 | 01-3-3 | Funds for the May Day Prizes | 1,994,000 | |
| 597 | 01-3-3 | Defense-related projects | 179,460 | |
| | | Total Basic Purpose 01 | | 168,333,480 |
| | | Total Title 1 | | 168,333,480 |
| | | Title 2. Federal Bureau for Employment Security | | |
| | | Basic Purpose 01--Funds for Operation of Administrative Agencies | | |
| 598 | 01-1-1 | Funds for personal incomes of personnel | 19,765,525 | |
| 599 | 01-2 | Funds for material costs | 2,093,700 | |
| 600 | 01-3-2 | Material costs of standing joint commissions which Yugoslavia has with foreign countries | 907,270 | |
| 601 | 01-3-2 | Compensation for separation from family of social workers abroad and expenses of sending those social workers abroad | 6,979,000 | |
| 602 | 01-3-2 | Expenses of printing and publishing bulletins and reports | 560,314 | |
| 603 | 01-3-2 | Official trips in Yugoslavia | 1,395,800 | |
| 604 | 01-3-2 | Compensation for overtime and nighttime work | 19,940 | |
| 605 | 01-3-2 | Traveling expenses abroad | 1,994,000 | |
| 606 | 01-3-2 | Purchase of specialized literature | 99,700 | |
| 607 | 01-3-2 | Purchase of and addition to equipment | 299,100 | |
| 608 | 01-3-2 | Educating and bringing up the children of Yugoslavs employed abroad temporarily | 1,744,750 | |

Balance Sheet (continued)

| 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|
| 609 | 01-3-3 | Defense-related projects | 79,760 | |
| | | Total Basic Purpose 01 | | 35,938,859 |
| | | Total Title 2 | | 35,938,859 |
| | | Total Section 22 (Items 565 through 609) | | 204,272,339 |
| | | Section 23. Federal Committee for Affairs of War Veterans and Military Disabled | | |
| | | Basic Purpose 01--Funds for Operation of Administrative Agencies | | |
| 610 | 01-1-1 | Funds for personal incomes of personnel | 5,968,042 | |
| 611 | 01-2 | Funds for material costs | 398,800 | |
| 612 | 01-3-1 | Funds for personal incomes and other personal benefits of officials | 2,121,616 | |
| 613 | 01-3-2 | Traveling expenses abroad | 214,355 | |
| 614 | 01-3-2 | Traveling expenses in Yugoslavia | 148,553 | |
| 615 | 01-3-2 | Translation of disability and other documents and materials from foreign languages | 42,871 | |
| 616 | 01-3-2 | Expenses of holding meetings of the committee | 97,706 | |
| 617 | 01-3-3 | Care of graves and cemeteries of Yugoslav war casualties and veterans | 2,941,150 | |
| | | Total Basic Purpose 01 | | 11,933,093 |
| | | Basic Purpose 05--Obligations To Finance Social Services | | |
| 618 | 05-9 | Funds for preferential old-age pensions (not including military old-age pensions) in the context of the provisions of the Law on Obligations of the Federation for Old-Age Pensions of War Veterans | 20,437,282,400 | |

Balance Sheet (continued)

| 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|
| 619 | 05-9 | Funds for disability benefits of military disabled | 5,408,824,700 | |
| 620 | 05-9 | Funds for health care of military disabled | 1,268,283,700 | |
| 621 | 05-9 | Funds for the war veteran's supplement | 133,797,400 | |
| 622 | 05-9 | Compensation paid to holders of the 1941 Partisan Commemorative Medal and other decorations | 373,177,400 | |
| 623 | 05-9 | Disability benefits of recipients abroad | 43,967,700 | |
| 624 | 05-9 | Expenses of transferring payments and records on beneficiaries of the basic old-age and disability rights of the republic and province | 49,850,000 | |
| | | Total Basic Purpose 05 | | 27,715,183,000 |
| | | Total Section 23 (Items 610 through 624) | | 27,727,116,393 |
| | | Section 24. Federal Committee for Legislation | | |
| | | Basic Purpose 01--Funds for Operation of Administrative Agencies | | |
| 625 | 01-1-1 | Funds for personal incomes of personnel | 14,511,335 | |
| 626 | 01-2 | Funds for material costs | 398,800 | |
| 627 | 01-3-1 | Funds for personal incomes and other personal benefits of officials | 503,485 | |
| 628 | 01-3-2 | Compensation for separation from family | 169,490 | |
| 629 | 01-3-2 | Traveling expenses in Yugoslavia of members of the committee and of its constituent bodies | 598,200 | |
| 630 | 01-3-2 | Public relations | 24,925 | |
| 631 | 01-3-2 | Remuneration of nonstaff personnel | 199,400 | |
| 632 | 01-3-2 | Commission for Legal Affairs of CEMA | 398,800 | |

Balance Sheet (continued)

| 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|
| | | Total Basic Purpose 01 | | 16,804,435 |
| | | Total Section 24 (Items 625 through 632) | | 16,804,435 |
| | | Section 25. Federal Customs Administration | | |
| | | Basic Purpose 01--Funds for Operation of Administrative Agencies | | |
| 633 | 01-1-1 | Funds for personal incomes of personnel | 1,317,604,293 | |
| 634 | 01-2 | Funds for material costs of the Federal Customs Administration | 14,456,500 | |
| 635 | 01-2 | Funds for material costs of customhouses | 108,673,000 | |
| 636 | 01-3-1 | Funds for personal incomes and other personal benefits of officials | 1,389,818 | |
| 637 | 01-3-2 | Rent | 14,257,100 | |
| 638 | 01-3-2 | Reimbursement of loss under Articles 252, 283 and 356 of the Customs Law | 498,500 | |
| 639 | 01-3-2 | Traveling expenses abroad | 498,500 | |
| 640 | 01-3-2 | Compensation for the work of customs examination outside the town where the customhouse is located | 2,113,640 | |
| 641 | 01-3-2 | Maintenance of buildings, train platforms and other structures | 2,941,150 | |
| 642 | 01-3-2 | Purchase of clothing and footwear | 20,937,000 | |
| 643 | 01-3-2 | Membership dues in international organizations | 1,595,200 | |
| 644 | 01-3-2 | Expenses of maintaining the Electronic Computer Center | 22,332,800 | |
| 645 | 01-3-2 | Expenses of preventing customs crimes and operation and maintenance of equipment | 5,982,000 | |
| 646 | 01-3-2 | Expenses of the boarding school | 1,645,050 | |
| 647 | 01-3-2 | Expenses of regular examinations of personnel | 1,994,000 | |
| 648 | 01-3-2 | Expenses of ensuring personnel | 1,994,000 | |
| 649 | 01-3-2 | Compensation for overtime work in customhouses | 149,550 | |

Balance Sheet (continued)

| 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|
| 650 | 01-3-2 | Rewards for detection of customs violations | 1,495,500 | |
| 651 | 01-3-2 | Defense-related projects | 1,994,000 | |
| | | Total Basic Purpose 01 | | 1,522,551,601 |
| | | Total Section 25 (Items 633 through 651) | | 1,522,551,601 |
| | | Section 26. Federal Bureau for Social Planning | | |
| | | Basic Purpose 01--Funds for Operation of Administrative Agencies | | |
| 652 | 01-1-1 | Funds for personal incomes of personnel | 46,117,232 | |
| 653 | 01-2 | Funds for material costs | 5,982,000 | |
| 654 | 01-3-1 | Funds for personal incomes and other personal benefits of officials | 1,190,418 | |
| 655 | 01-3-2 | Traveling expenses abroad | 498,500 | |
| 656 | 01-3-2 | Periodicals and other publications | 498,500 | |
| 657 | 01-3-2 | Remuneration of nonstaff personnel and expenses of surveys | 498,500 | |
| 658 | 01-3-2 | Purchase of and addition to equipment | 1,794,600 | |
| 659 | 01-3-2 | Compensation for overtime | 598,200 | |
| 660 | 01-3-2 | Preparation of expert evaluations and other documents | 498,500 | |
| 661 | 01-3-2 | Professional consultations and conferences | 498,500 | |
| 662 | 01-3-2 | Publication of the bulletin "World Economic Trends and Their Impact on the Yugoslav Economy" | 4,028,877 | |
| 663 | 01-3-2 | Methodological research | 3,398,773 | |
| 664 | 01-3-3 | Defense-related projects | 199,400 | |
| | | Total Basic Purpose 01 | | 65,802,000 |
| | | Total Section 26 (Items 652 through 664) | | 65,802,000 |

Balance Sheet (continued)

| 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|
| | | Section 27. Federal Community for Price Affairs | | |
| | | Basic Purpose 01--Funds for Operation of Administrative Agencies | | |
| 665 | 01-1-1 | Funds for personal incomes of personnel | 11,472,479 | |
| 666 | 01-2 | Funds for material costs | 1,196,400 | |
| 667 | 01-3-1 | Compensation for personal incomes and other benefits of officials | 3,694,882 | |
| 668 | 01-3-2 | Costs of printing publications | 59,820 | |
| 669 | 01-3-2 | Compensation for overtime | 182,451 | |
| 670 | 01-3-2 | Purchase of equipment | 164,505 | |
| 671 | 01-3-2 | Expenses of holding meetings of the Community's Council | 1,794,600 | |
| 672 | 01-3-2 | Expenses of professional cooperation with the organs of communities for price affairs of the republics and provinces | 119,640 | |
| 673 | 01-3-2 | Costs of preparing materials to elaborate upcoming sublegal regulations | 79,760 | |
| 674 | 01-3-2 | Traveling expenses abroad | 79,760 | |
| 675 | 01-3-2 | Translation into the languages of the nationalities and ethnic minorities | 29,910 | |
| 676 | 01-3-3 | Defense-related projects | 49,850 | |
| | | Total Basic Purpose 01 | | 18,924,057 |
| | | Total Section 27 (Items 665 through 676) | | 18,924,057 |
| | | Section 28. Federal Bureau of Statistics | | |
| | | Basic Purpose 01--Funds for Operation of Administrative Agencies | | |
| 677 | 01-1-1 | Funds for personal incomes of personnel | 126,020,800 | |
| 678 | 01-2 | Funds for material costs | 11,993,910 | |

Balance Sheet (continued)

| 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|
| 679 | 01-3-1 | Funds for personal incomes and other personal benefits of officials | 2,210,349 | |
| 680 | 01-3-2 | Fire control and workplace health and safety | 135,592 | |
| 681 | 01-3-2 | Traveling expenses abroad | 598,200 | |
| 682 | 01-3-2 | Membership dues in international organizations | 15,952 | |
| 683 | 01-3-2 | Expenses of statistical research | 6,480,500 | |
| 684 | 01-3-2 | Expenses of the Automatic Data Processing Center | 5,284,100 | |
| 685 | 01-3-2 | Leasing of machines for automatic data processing | 3,389,800 | |
| 686 | 01-3-2 | Expenses of publishing activity | 6,979,000 | |
| 687 | 01-3-2 | Maintenance of buildings, equipment and furnishings | 548,350 | |
| 688 | 01-3-2 | Rent | 4,985,000 | |
| 689 | 01-3-2 | Expenses of the personnel development program | 997,000 | |
| 690 | 01-3-2 | Compensation for overtime | 797,600 | |
| 691 | 01-3-3 | Expenses of the population, household and housing census | 64,904,700 | |
| 692 | 01-3-3 | Defense-related projects | 184,445 | |
| | | Total Basic Purpose 01 | | 235,525,298 |
| | | Total Section 28 (Items 677 through 692) | | 235,525,298 |
| | | Section 29. Federal Bureau for International Scientific, Educational and Cultural, and Technical Cooperation | | |
| | | Basic Purpose 01--Funds for Operation of Administrative Agencies | | |
| 693 | 01-1-1 | Funds for personal incomes of personnel | 29,939,910 | |
| 694 | 01-2 | Funds for material costs | 2,492,500 | |
| 695 | 01-3-1 | Funds for personal incomes and other personal benefits of officials | 1,134,586 | |

Balance Sheet (continued)

| 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|
| 696 | 01-3-2 | Compensation for separation from family | 167,496 | |
| 697 | 01-3-2 | Addition to and replacement of equipment | 498,500 | |
| 698 | 01-3-2 | Membership dues in international organizations | 125,622,000 | |
| 699 | 01-3-2 | Contribution to the United Nations mission in Yugoslavia | 7,976,000 | |
| 700 | 01-3-3 | Expenses of regular schooling, advanced specialized training and study trips of foreign nationals in Yugoslavia | 59,820,000 | |
| 701 | 01-3-3 | Expenses of preparing specialists for departure, participation in the salaries of Yugoslav specialists and aid in organizing the Center for Training Personnel in the Developing Countries | 44,865,000 | |
| 702 | 01-3-3 | Preparation of studies, expert evaluations, technical documentation, publications, international seminars, special courses for the developing countries and the production of films | 4,536,350 | |
| 703 | 01-3-3 | Cultural and educational cooperation with the developing countries | 10,967,000 | |
| 704 | 01-3-3 | International seminar entitled "The University Today"--participation of the representatives from the developing countries | 149,550 | |
| 705 | 01-3-3 | International negotiations and meetings of joint commissions, traveling expenses in Yugoslavia and abroad | 4,985,000 | |
| 706 | 01-3-3 | Translation and copying of studies, reports, analyses and other materials | 658,020 | |
| 707 | 01-3-3 | Compensation for health care services rendered to the personnel of the United Nations mission in Yugoslavia | 49,850 | |

Balance Sheet (continued)

| 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|
| 708 | 01-3-3 | Compensation for certain tasks in the jurisdiction of the Federation performed by the Yugoslav Bibliographic Institute | 1,246,250 | |
| 709 | 01-3-3 | Information program | 2,492,500 | |
| 710 | 01-3-3 | Center for Guidance and Organization of Mutual Cooperation of the Nonaligned Countries in the Fields of Science and Technology | 4,985,000 | |
| 711 | 01-3-3 | Defense-related projects | 59,820 | |
| | | Total Basic Purpose 01 | | 302,645,332 |
| | | Total Section 29 (Items 693 through 711) | | 302,645,332 |
| | | Section 30. Federal Hydrometeorology Bureau | | |
| | | Basic Purpose 01--Funds for Operation of Administrative Agencies | | |
| 712 | 01-1-1 | Funds for personal incomes of personnel | 106,048,896 | |
| 713 | 01-2 | Funds for material costs | 7,976,000 | |
| 714 | 01-3-2 | Compensation for work on Sunday, at night and on holidays | 5,982,000 | |
| 715 | 01-3-2 | Compensation of Radio Belgrade for broadcasting water levels on the Danube | 2,991,000 | |
| 716 | 01-3-2 | Expenses of telecommunications | 8,973,000 | |
| 717 | 01-3-2 | Traveling expenses abroad | 348,950 | |
| 718 | 01-3-2 | Membership dues in international organizations | 19,940,000 | |
| 719 | 01-3-2 | Addition to equipment | 498,500 | |
| 720 | 01-3-2 | Printing the Yearbook, the Climate Atlas and other specialized publications | 2,492,500 | |
| 721 | 01-3-2 | Funding the program for the meteorological and hydrological water storage FIERZA on the territory of the SFRY | 2,492,500 | |

Balance Sheet (continued)

| 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|
| 722 | 01-3-2 | Maintenance of buildings, equipment and furnishings | 4,486,500 | |
| 723 | 01-3-2 | Traveling expenses in Yugoslavia | 997,000 | |
| 724 | 01-3-2 | Purchase of clothing and footwear | 997,000 | |
| 725 | 01-3-2 | Motor vehicle maintenance and fuel | 897,300 | |
| 726 | 01-3-2 | Rent on office space | 3,172,454 | |
| 727 | 01-3-2 | Expenses of training hydrometeorologists | 498,500 | |
| 728 | 01-3-2 | Funding the program of Yugoslavia's participation in the Alps Experiment--Yugoslavia's partial participation in 1982 | 9,970,000 | |
| 729 | 01-3-2 | Funding the project--Regional Development and Implementation of HMOS [Hydrological, (?) Oceanographic and Meteorological Service] Components of the World Meteorology Organization--Yugoslavia's partial participation in 1982 | 1,495,500 | |
| 730 | 01-3-2 | Funding the program for ongoing monitoring and evaluation of the transport of pollutants in the atmosphere (EMEP) | 1,994,000 | |
| 731 | 01-3-3 | Defense-related projects | 199,400 | |
| | | Total Basic Purpose 01 | | 182,451,000 |
| | | Total Section 30 (Items 712 through 731) | | 182,451,000 |
| | | Section 31. Federal Bureau for Standardization | | |
| | | Basic Purpose 01--Funds for Operation of Administrative Agencies | | |
| 732 | 01-1-1 | Funds for personal incomes of personnel | 37,536,053 | |
| 733 | 01-2 | Funds for material costs | 2,243,250 | |
| 734 | 01-3-2 | Expenses of preparing and distributing Yugoslav standards and technical specifications | 7,976,000 | |

Balance Sheet (continued)

| 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|
| 735 | 01-3-2 | Translation of Yugoslav standards into the languages of the nationalities and ethnic minorities of Yugoslavia | 3,988,000 | |
| 736 | 01-3-2 | Membership dues in international organizations | 3,585,212 | |
| 737 | 01-3-2 | Purchase of equipment related to translation of Yugoslav standards | 797,600 | |
| 738 | 01-3-2 | Expenses of the Commission for Standardization of Motor Vehicles | 2,991,000 | |
| 739 | 01-3-2 | Expenses of drafting regulations for construction, rehabilitation and revitalization of structures in seismically active regions | 1,595,200 | |
| 740 | 01-3-2 | Expenses of dimensional coordination in construction | 997,000 | |
| 741 | 01-3-2 | Expenses of administering the certification system | 2,991,000 | |
| 742 | 01-3-3 | Defense-related projects | 99,700 | |
| | | Total Basic Purpose 01 | | 64,800,015 |
| | | Total Section 31 (Items 732 through 742) | | 64,800,015 |
| | | Section 32. Federal Bureau for Patents | | |
| | | Basic Purpose 01--Funds for Operation of Administrative Agencies | | |
| 743 | 01-1-1 | Funds for personal incomes of personnel | 30,432,428 | |
| 744 | 01-2 | Funds for material costs | 2,464,584 | |
| 745 | 01-3-1 | Funds for personal incomes and other personal benefits of officials | 1,556,317 | |
| 746 | 01-3-2 | Expenses of printing patent documents | 2,442,650 | |
| 747 | 01-3-2 | Traveling expenses abroad | 498,500 | |
| 748 | 01-3-2 | Purchase of and addition to equipment | 2,941,150 | |
| 749 | 01-3-2 | Printing the patent herald | 1,296,100 | |

Balance Sheet (continued)

| 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|
| 750 | 01-3-2 | Preparation of forms and materials for photocopying | 398,800 | |
| 751 | 01-3-2 | Receiving and sending patent documentation | 338,980 | |
| 752 | 01-3-2 | Expenses of publishing activity | 39,880 | |
| 753 | 01-3-2 | Costs of the information system of the Federal Bureau for Patents | 1,744,750 | |
| 754 | 01-3-2 | Expenses of the Council of the Federal Bureau for Patents | 149,550 | |
| 755 | 01-3-2 | Maintaining and servicing equipment | 299,100 | |
| 756 | 01-3-2 | Purchase of specialized literature | 398,800 | |
| 757 | 01-3-2 | Translation of international patent documentation and classification | 39,880 | |
| 758 | 01-3-2 | Expenses of the Federal Coordinating Committee for Creativity | 393,815 | |
| 759 | 01-3-3 | Defense-related projects | 39,880 | |
| | | Total Basic Purpose 01 | | 45,475,164 |
| | | Total Section 32 (Items 743 through 759) | | 45,475,164 |
| | | Section 33. Federal Bureau for Standards and Measures and Precious Metals | | |
| | | Basic Purpose 01--Funds for Operation of Administrative Agencies | | |
| 760 | 01-1-1 | Funds for personal incomes of personnel | 96,542,501 | |
| 761 | 01-2 | Funds for material costs | 7,477,500 | |
| 762 | 01-3-1 | Funds for personal incomes and other personal benefits of officials | 1,342,959 | |
| 763 | 01-3-2 | Rent | 997,000 | |
| 764 | 01-3-2 | Purchase of rubber stamps and expendable stock items | 3,050,820 | |
| 765 | 01-3-2 | Expenses of upgrading the service | 598,200 | |

Balance Sheet (continued)

| 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|
| 766 | 01-3-2 | Membership dues in international organizations | 1,004,976 | |
| 767 | 01-3-2 | Traveling expenses in Yugoslavia | 18,693,750 | |
| 768 | 01-3-2 | Traveling expenses abroad | 99,700 | |
| 769 | 01-3-2 | Expenses of international cooperation | 34,895 | |
| 770 | 01-3-2 | Costs of publications issued | 1,395,800 | |
| 771 | 01-3-2 | Expenses of current building maintenance | 7,477,500 | |
| 772 | 01-3-2 | Costs of telecommunications | 398,800 | |
| 773 | 01-3-2 | Drafting of specialized technical specifications, sublegal enactments and instructions in the field of metrology | 299,100 | |
| 774 | 01-3-2 | Operating expenses of the council and working bodies to coordinate work and carry on cooperation in the field of metrology | 249,250 | |
| 775 | 01-3-2 | Expenses of truck maintenance | 1,994,000 | |
| 776 | 01-3-2 | Public relations | 19,940 | |
| 777 | 01-3-2 | Purchase of protective clothing and footwear | 498,500 | |
| 778 | 01-3-2 | Purchase of professional publications and literature | 299,100 | |
| 779 | 01-3-2 | Nonautomatic data processing | 348,950 | |
| 780 | 01-3-2 | Expenses of translation into the languages of the nationalities and ethnic minorities of Yugoslavia and into and from foreign languages | 398,800 | |
| 781 | 01-3-2 | Expenses of printing forms related to earning income | 1,994,000 | |
| 782 | 01-3-2 | Expenses of information program | 149,550 | |
| 783 | 01-3-2 | Purchase of spare parts and technical supplies | 997,000 | |
| 784 | 01-3-2 | Addition to and replacement of equipment | 2,991,000 | |
| 785 | 01-3-3 | Defense-related projects | 299,100 | |
| | | Total Basic Purpose 01 | | 149,652,691 |
| | | Total Section 33 (Items 760 through 785) | | 149,652,691 |

Balance Sheet (continued)

| 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|
| | | Section 34. Federal Geology Bureau | | |
| | | Basic Purpose 01--Funds for Operation of Administrative Agencies | | |
| 786 | 01-1-1 | Funds for personal incomes of personnel | 5,138,538 | |
| 787 | 01-2 | Funds for material costs | 623,125 | |
| 788 | 01-3-2 | Expenses of the standing delegation for cooperation with CEMA in the field of geology | 548,350 | |
| 789 | 01-3-2 | Expenses of the Yugoslav Committee for the International Program of Geological Correlation | 697,900 | |
| 790 | 01-3-2 | Preparation and printing of the Comprehensive Geological Map of Yugoslavia | 7,976,000 | |
| 791 | 01-3-2 | Expenses of the Commission for the Comprehensive Geological Map of Yugoslavia | 119,640 | |
| 792 | 01-3-2 | Purchase of equipment | 237,286 | |
| 793 | 01-3-2 | Expenses of compiling the balance of mineral raw materials and subsurface water of the SFRY and preparation of the analysis of the SFRY's raw materials base | 897,300 | |
| 794 | 01-3-2 | Administering and maintaining the repository of specialized documentation on the results of geological explorations | 51,844 | |
| | | Total Basic Purpose 01 | | 16,289,983 |
| | | Total Section 34 (Items 786 through 794) | | 16,289,983 |

Balance Sheet (continued)

| 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|
| | | Section 35. Yugoslav Archives | | |
| | | Basic Purpose 01--Funds for Operation of Administrative Agencies | | |
| 795 | 01-1-1 | Funds for personal incomes of personnel | 20,370,704 | |
| 796 | 01-2 | Funds for material costs | 3,988,000 | |
| 797 | 01-3-2 | Compensation for separation from family | 59,820 | |
| 798 | 01-3-2 | Compensation for overtime | 951,138 | |
| 799 | 01-3-2 | Public relations | 59,820 | |
| 800 | 01-3-2 | Costs of protecting archive materials in case of war | 697,900 | |
| 801 | 01-3-2 | Membership dues in the international fund for development of archives | 5,982 | |
| 802 | 01-3-2 | Expenses of maintaining buildings, equipment and furnishings | 179,460 | |
| 803 | 01-3-2 | Traveling expenses abroad | 348,950 | |
| 804 | 01-3-2 | Expenses of preparing the project | 797,600 | |
| 805 | 01-3-2 | Publishing expenses | 1,196,400 | |
| | | Total Basic Purpose 01 | | 28,655,774 |
| | | Total Section 35 (Items 795 through 805) | | 28,655,774 |
| | | Section 36. Department To Render Services To Meet the Public Relations Needs of Federal Bodies and Agencies | | |
| | | Basic Purpose 01--Funds for Operation of Administrative Agencies | | |
| 806 | 01-1-1 | Funds for personal incomes of personnel | 117,085,686 | |
| 807 | 01-2 | Funds for material costs | 5,882,300 | |

Balance Sheet (continued)

| 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|
| 808 | 01-3-1 | Funds for personal incomes and other personal benefits of officials | 1,414,743 | |
| 809 | 01-3-2 | Expenses of maintaining structures and equipment | 94,715,000 | |
| 810 | 01-3-2 | Expenses of maintaining and improving the Jelen Hunting and Forest Preserve, Belgrade | 34,895,000 | |
| 811 | 01-3-2 | Expenses of maintaining and improving the Koprivnica Hunting and Forest Preserve, Bugojno | 4,486,500 | |
| 812 | 01-3-2 | Compensation for overtime and nighttime work and remuneration of nonstaff personnel | 6,480,500 | |
| 813 | 01-3-3 | Defense-related projects | 1,994,000 | |
| | | Total Basic Purpose 01 | | 266,953,729 |
| | | Total Section 36 (Items 806 through 813) | | 266,953,729 |
| | | Section 37. Department for Administrative and Accounting Functions of Federal Administrative Agencies and Federal Organizations | | |
| | | Basic Purpose 01--Funds for Operation of Administrative Agencies | | |
| 814 | 01-1-1 | Funds for personal incomes of personnel | 77,465,903 | |
| 815 | 01-2 | Funds for material costs | 12,961,000 | |
| 816 | 01-3-1 | Funds for personal incomes and other personal benefits of officials | 699,894 | |
| 817 | 01-3-2 | Expenses of franking the mail | 2,791,600 | |
| 818 | 01-3-2 | Spare parts for printing presses and supplies | 2,592,200 | |
| 819 | 01-3-2 | Compensation for overtime and nighttime work | 2,991,000 | |
| 820 | 01-3-2 | Remuneration of nonstaff personnel | 199,400 | |
| 821 | 01-3-2 | Purchase of equipment | 9,970,000 | |

Balance Sheet (continued)

| 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|
| | | Total Basic Purpose 01 | | 109,670,997 |
| | | Total Section 37 (Items 814 through 821) | | 109,670,997 |
| | | Section 38. Administration for Management of Office Buildings of Federal Bodies and Agencies | | |
| | | Basic Purpose 01--Funds for Operation of Administrative Agencies | | |
| 822 | 01-1-1 | Funds for personal incomes of personnel | 146,656,706 | |
| 823 | 01-2 | Funds for material costs | 6,311,010 | |
| 824 | 01-3-1 | Funds for personal incomes and other personal benefits of officials | 971,078 | |
| 825 | 01-3-2 | Overhead expenses related to maintenance of buildings and equipment | 204,385,000 | |
| 826 | 01-3-2 | Purchase of equipment and reconstruction projects | 95,213,500 | |
| 827 | 01-3-2 | Insurance on buildings and equipment | 11,964,000 | |
| 828 | 01-3-2 | Telephone expenses of joint switchboards | 9,970,000 | |
| 829 | 01-3-2 | Compensation for overtime and nighttime work | 3,988,000 | |
| 830 | 01-3-2 | Work clothes, footwear and equipment for workplace health and safety | 4,137,550 | |
| 831 | 01-3-2 | Contribution for use of municipal land | 9,970,000 | |
| 832 | 01-3-2 | Transport services | 5,982,000 | |
| 833 | 01-3-2 | Expenses of establishing special telephone communications | 6,979,000 | |
| 834 | 01-3-3 | Defense-related projects | 997,000 | |
| | | Total Basic Purpose 01 | | 507,524,844 |
| | | Total Section 38 (Items 822 through 834) | | 507,524,844 |

Balance Sheet (continued)

| 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|
| | | Section 39. Garage of Federal Bodies and Agencies | | |
| | | Basic Purpose 01--Funds for Operation of Administrative Agencies | | |
| 835 | 01-1-1 | Funds for personal incomes of personnel | 61,543,813 | |
| 836 | 01-2 | Funds for material costs | 3,108,646 | |
| 837 | 01-3-2 | Compensation for overtime | 7,976,000 | |
| 838 | 01-3-2 | Purchase of spare parts and expenditures for miscellaneous purposes | 43,868,000 | |
| 839 | 01-3-2 | Purchase of equipment and automobiles | 7,976,000 | |
| 840 | 01-3-2 | Purchase of tools and pieces of equipment | 1,096,700 | |
| 841 | 01-3-3 | Purchase of transportation equipment for national defense purposes | 15,952,000 | |
| | | Total Basic Purpose 01 | | 141,521,159 |
| | | Total Section 39 (Items 835 through 841) | | 141,521,159 |
| | | Section 40. Department of Translation | | |
| | | Basic Purpose 01--Funds for Operation of Administrative Agencies | | |
| 842 | 01-1-1 | Funds for personal incomes of personnel | 53,369,410 | |
| 843 | 01-2 | Funds for material costs | 4,187,400 | |
| 844 | 01-3-1 | Funds for personal incomes and other personal benefits of officials | 526,416 | |
| 845 | 01-3-2 | Compensation for overtime and nighttime work | 2,991,000 | |
| 846 | 01-3-2 | Remuneration of nonstaff personnel | 2,991,000 | |
| 847 | 01-3-2 | Compensation for separation from family | 1,296,100 | |

Balance Sheet (continued)

| 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|
| 848 | 01-3-2 | Traveling expenses abroad | 658,020 | |
| 849 | 01-3-2 | Advanced professional training, specialization of translators in foreign languages | 598,200 | |
| 850 | 01-3-2 | Purchase of and addition to equipment | 2,991,000 | |
| 851 | 01-3-2 | Funds to establish the terminology bank | 997,000 | |
| 852 | 01-3-3 | Defense-related projects | 99,700 | |
| | | Total Basic Purpose 01 | | 70,705,246 |
| | | Total Section 40 (Items 842 through 852) | | 70,705,246 |
| | | Section 41. Administration of Brioni Islands | | |
| | | Basic Purpose 01--Funds for Operation of Administrative Agencies | | |
| 853 | 01-1-1 | Funds for personal incomes of personnel | 44,201,995 | |
| 854 | 01-2 | Funds for material costs | 27,649,801 | |
| 855 | 01-3-2 | Compensation for personal income of seasonal and nonstaff personnel | 11,204,286 | |
| 856 | 01-3-2 | Compensation for overtime | 1,512,449 | |
| 857 | 01-3-2 | Expenses of maintaining structures and equipment | 38,883,000 | |
| 858 | 01-3-2 | Purchase of equipment and furnishings | 2,991,000 | |
| | | Total Basic Purpose 01 | | 126,442,531 |
| | | Total Section 41 (Items 853 through 858) | | 126,442,531 |

Balance Sheet (continued)

| 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|
| | | Section 42. Supplemental Funds to Sociopolitical and Public Organizations | | |
| | | Basic Purpose 06--Other General Public Purposes | | |
| | | Sociopolitical Organizations | | |
| | | Subsidy to the Central Committee of the League of Communists of Yugoslavia | | |
| 859 | 06-2 | International activity | 11,964,000 | |
| 860 | 06-2 | Defense-related projects | 1,794,600 | |
| 861 | 06-2 | Financing the program for scholarly documentation on the international working class movement | 4,985,000 | |
| 862 | 06-2 | Newspaper KOMUNIST | 69,790,000 | |
| 863 | 06-2 | Bulletin JUGOSLAVENSKI POLITICKI MJESECNIK [YUGOSLAV POLITICAL MONTHLY] | 3,489,500 | |
| 864 | 06-2 | Program for financing publishing activities directed abroad | 10,568,200 | |
| 865 | 06-2 | Financing operation of the Josip Broz Tito Political School in Kumrovec | 19,940,000 | |
| 866 | 06-2 | Publishing the collected works of Josip Broz Tito | 9,970,000 | |
| 867 | 06-2 | 12th LCY Congress | 19,940,000 | |
| | | Subsidy to the Federal Conference of the Socialist Alliance of Working People of Yugoslavia | | |
| 868 | 06-2 | Funding the program | 99,700,000 | |
| 869 | 06-2 | Holding the 11th International Seminar of Women in Yugoslavia | 2,881,330 | |
| 870 | 06-2 | Subsidy to the newspaper BORBA | 113,658,000 | |
| 871 | 06-2 | For election campaign in 1982 | 598,200 | |
| 872 | 06-2 | For the magazine JUGOSLAVENSKI PREGLED [YUGOSLAV SURVEY]--Serbo-Croatian edition | 4,985,000 | |

Balance Sheet (continued)

| 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|
| 873 | 06-2 | For the magazine MEDJUNARODNA POLITIKA [INTERNATIONAL POLITICS]--Serbo-Croatian edition | 3,988,000 | |
| 874 | 06-2 | For the magazine ZENA DANAS [WOMAN TODAY] | 1,694,900 | |
| 875 | 06-2 | Funding the program of the Yugoslav Federation for Environmental Protection | 4,985,000 | |
| 876 | 06-2 | Funding the program of the Federal Conference entitled "The Local Community and the Family" | 1,994,000 | |
| 877 | 06-2 | Financing particularly important international activities of public organizations and civic associations | 997,000 | |
| | | Subsidy to the Presidium of the Conference of the Socialist Youth League of Yugoslavia | | |
| 878 | 06-2 | Funding the Conference's program | 42,871,000 | |
| 879 | 06-2 | Celebrating Youth Day | 21,934,000 | |
| 880 | 06-2 | Financing the international activities of collective members of the Socialist Youth League of Yugoslavia | 1,994,000 | |
| 881 | 06-2 | For the newspaper MLADOST [YOUTH] | 14,755,600 | |
| 882 | 06-2 | For the magazine IDEJE [IDEAS] | 3,688,900 | |
| 883 | 06-2 | For the Youth Labor Festival | 1,196,400 | |
| 884 | 06-2 | 11th Congress of the Socialist Youth League of Yugoslavia | 13,958,000 | |
| | | Subsidy to the Federation of Associations of Veterans of the National Liberation War of Yugoslavia | | |
| 885 | 06-2 | Funding the Federation's program | 28,813,300 | |
| 886 | 06-2 | For the newspaper 4 JUL [4TH OF JULY] | 8,973,000 | |
| 887 | 06-2 | Ninth Congress of the Federation of Associations of Veterans of the National Liberation War of Yugoslavia | 9,970,000 | |

Balance Sheet (continued)

| 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|
| | | Subsidy to the Yugoslav Red Cross | | |
| 888 | 06-2 | Funding the Presidium's program | 17,946,000 | |
| 889 | 06-2 | Missing persons service | 1,694,900 | |
| 890 | 06-2 | Membership in the league, International Red Cross Committee | 1,420,725 | |
| 891 | 06-2 | Defense-related projects | 1,655,020 | |
| 892 | 06-2 | Meeting of Red Cross youth | 997,000 | |
| 893 | 06-2 | Center for training Red Cross and Red Crescent personnel from and in the developing countries and nonaligned countries | 2,991,000 | |
| 894 | 06-2 | International humanitarian grants in aid for natural and other major disasters | 997,000 | |
| | | Subsidy to the Yugoslav League for Peace, Independence and Equality of Nations | | |
| 895 | 06-2 | Funding the League's program | 2,991,000 | |
| | | Subsidy to the Yugoslav Federation of United Nations Associations | | |
| 896 | 06-2 | Funding the Federation's program | 847,450 | |
| | | Subsidy to the Federation of Reserve Military Officers of Yugoslavia | | |
| 897 | 06-2 | Funding the Federation's program | 10,368,800 | |
| 898 | 06-2 | Federal conference in 1982 at which elections are to be held | 1,495,500 | |

Balance Sheet (continued)

| 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|
| | | Physical Fitness Federation of Yugoslavia | | |
| 899 | 06-2 | Expenses of Yugoslavia's international activities in the field of physical fitness | 127,616,000 | |
| 900 | 06-2 | Extraordinary program of sporting events being conducted only in 1982 | 30,508,200 | |
| | | Popular Technology--Federation of Organizations for Popular Technical Education of Yugoslavia | | |
| 901 | 06-2 | For international activities of Yugoslavia in the field of popular technical education | 10,229,220 | |
| | | Yugoslav Firefighters Federation | | |
| 902 | 06-2 | For fire protection | 1,111,655 | |
| | | Total Basic Purpose 06-2 | | 748,946,400 |
| | | Total Section 42 (Items 859 through 902) | | 748,946,400 |

III. Final Provision

Article 5

This budget shall take effect on 1 January 1982.

7045
CSO: 2800/188

ECONOMIC RELATIONS WITH JORDAN, SYRIA, LEBANON, CYPRUS

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 6 Jan 82 p 3

[Article by V. Karakasevic: "Previous Attainment the Basis for 1982"]

[Text] On the threshold of 1982, when balance sheets are being drawn up and plans compiled on the basis of experiences from the previous period, one experience related to economic cooperation with the countries of the Near East region contains a caution: often we have gone onto a market without being sufficiently familiar with its conditions and have experienced "surprises," and often we have also been uncompetitive with goods and bids on capital investment projects. And the proof that we can overcome these shortcomings lies in results which are just as significant as they are modest.

Jordan: Insufficient Familiarity With the Market

Commodity trade is the principal form of economic cooperation between Yugoslavia and this country, and it takes place on a relatively modest scale with a slow growth trend and pronounced surplus on our side. The volume of trade in 1980 reached the record amount of $37.7 million, and in 9 months of 1981 it reached $20.68 million, within which Yugoslav exports comprised about $15 million. There are about 100 products on the list of our exports, and the trend is toward expansion. Foodstuffs, broilers, canned fish products, confectionery products, various juices, and so on have a share of 45 percent, conifer and beech lumber 14 percent, and the motor vehicle industry, highway trailers and parts for trailers and vehicles 10 percent. In previous years the list of our imports was traditionally very restricted: crude phosphates were the only important product, comprising 99 percent of imports from Jordan in 1980. In the first 9 months of 1981 we might mention among the significant exports chicken, which amounted to $2.78 million, baby beef $1.98 million, miscellaneous paper and cardboard $31.34 million, and so on.

In 1981 there was a drop in the total volume of commodity trade by comparison with the first 9 months of 1980; our exports showed a drop of 17.8 percent, while imports dropped 13.5 percent. The decline of our exports occurred because there were no deliveries of building materials at all, an export item worth $1.3 million in 1980. Exports of furniture were drastically reduced (in 1980 furniture had a share of $4.9 million in exports, but in the first 9 months of 1981 its share was only $822,000).

Among the well-known reasons often emphasized as causes of the slower growth (high prices, shortage of goods, price disparities), there are also other reasons involved, above all insufficient familiarity with and research on Jordan's market, which traditionally has been oriented toward imports from the West. On the Yugoslav side this market is "covered" by the activity of the joint business promotion bureau in Beirut.

Prospects for 1982 are considerably better, and total commodity trade of $40 million is planned on approximately balanced terms.

Cooperation in construction of capital investment projects was almost entirely nonexistent until the beginning of this year, and one of the more important as well as recent projects was the King Talal Dam, which was completed 2 years back. Between 1979 and 1981 about 40 bids were submitted, but not a single contract was concluded. However, the number of bids indicates the existence of interest, even though they are considerably threatened by the very strong competition of firms from the West and by the penetration of those from the Far East. Let us also mention here the old shortcomings--inadequate researching of the market and the way business is done in the context of the liberal Jordanian economy. The first steps were taken toward adaptation to the conditions of that market only in 1981, and the results did not fail to appear, as indicated by the two contracts concluded (Partizanski Put and Naftagas), along with the realistic prospects for concluding still another which would be carried out by MINEL.

As far as these higher forms of cooperation are concerned, the Jordanian side expressed interest at the meeting held recently of the joint commission (9-12 November 1981) when it submitted a list of projects which would be carried out on the basis of joint ventures. It encompassed 60 projects, the largest of which are held by public companies, while the smaller are in the hands of private entrepreneurs.

Syria: Absence of Higher Forms of Cooperation

Economic cooperation with Syria, in spite of the good political relations, is lagging behind the capabilities and interests of the two countries. This observation has been arrived at in a number of contracts at the highest government and party level. Economic cooperation has lost some of its diversity, since over the last 2 years it has been based exclusively on commodity trade. In the 1976-1981 period it had two features: fluctuations in its growth and a very pronounced surplus on our side. The makeup of our exports in 1980 was very favorable, covering as it did about 140 different products and characterized by a concentration on several commodity groups (products of the textile, metal manufacturing, electrical products and wood industries), which comprised about 80 percent of exports. The makeup of imports, on the other hand, is very restricted and comes down to only a few products, mainly raw materials (raw cotton, raw hides and crude phosphates). In the first 9 months of 1981 Yugoslav exports were $23.3 million and imports $11.1 million, which represents a 6-percent growth of exports and a growth of imports that is all of 180 percent over the same period of last year. Here again we will mention our shortcomings: shortage of goods, uncompetitiveness, etc., but also the objective difficulties, which come down to retention of the restrictive measures on imports in Syria,

the traditional orientation toward imports from the markets of the West, and the heightened interest of the East European countries in that market.

The projection of foreign trade for 1982 anticipated trade of about $35 million with Syria, within which our exports were to reach $25 million, and the present makeup and diversification were assumed, and the principal import item was to be raw cotton ($8.5 million), and the remaining $1.5 million were to go to purchase other raw materials and semifinished products.

In the last 3 years construction crews have been employed on only one capital investment project--construction of the second phase of the port of Latakia (contractor: POMGRAD of Split). The contract was concluded in 1979, and the project was turned over to the investor 8 months ahead of schedule, this past June. The datum that about 30 different bids have been submitted over the last 3 years is indication of the great interest of our construction contractors.

Lebanon: Only One Import Item--Leather

Commodity trade is also the most significant segment of overall economic relations with this Arab country. In the period 1977-1980 commodity trade was characterized by a steady growth of our exports and by a decline of our imports, so that in 1981 (first 9 months) total trade amounted to $14.3 million, our exports making up $13, which was a drop of 45 percent, and our imports $1.3 million, an increase of 17 percent over the same period of last year. There are 100 products on the list of exports, while imports both last year and this year come down solely to leather. The decline in our exports this year occurred not only because of the well-known subjective shortcomings, but also in good part because of the disrupted economic and political situation there. In view of that situation the total volume of commodity trade planned with Lebanon is $21 million, within which our exports are supposed to reach $15 million.

The beginnings of cooperation in construction of capital investment projects were recorded in the sixties, and then in 1975 there was a lag because of the political situation in that country, but in 1979 cooperation revived when Pelagonia, an organization from Skopje, was awarded a contract worth about $20 million to do construction work on a shopping center in Beirut.

Cyprus: Restricted Number of Commodities in Visible Trade

Economic cooperation with this country also consists mainly of commodity trade, and cooperation in construction of capital investment projects has almost died out since 1974. There was an appreciable growth of commodity trade in 1979, when it recorded its highest value, more than $11 million, but in 1980 there was a drop because of our reduced imports of tropical fruit. The decline continued in 1981, and over the first 9 months of the year exports were down 19 percent and imports down all of 37 percent.

Yarns and fabrics, with a value of $1.06 million, are dominant among our export items, followed by cable ($621,000), writing, printing and copying paper $542,000, and so on, and exports attained about $4.34 million in the first 9 months. Imports have consisted mainly of raw and processed foods, especially

tropical fruit: in the first 9 months of 1981 $2.35 million worth of these articles were imported, so that total commodity trade in the first 9 months reached $6.7 million.

There was also discussion of the possibility and need for increasing commodity trade during the visit of the Cypriot trade delegation (14-18 June 1981), and it was agreed that next year the value of total commodity trade would reach $20 million, which is realistically possible.

7045
CSO: 2800/184

END

JPRS 80055

8 February 1982

# East Europe Report

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2229

FBIS FOREIGN BROADCAST INFORMATION SERVICE

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JPRS 80055

8 February 1982

# EAST EUROPE REPORT

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2229

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FARM, FOOD INDUSTRY TRADE WITH DEVELOPING COUNTRIES

Prague REVUE OBCHODU/PRUMYSLU/HOSPODARSTVI in Czech No 11, Nov 81 pp 59-63

[Article by Eng Vladimir Jenicek, candidate for doctor of science, Research Institute for Agricultural and Food Economics, Prague: "Czechoslovak Foreign Trade in Agricultural and Food Products With Developing Countries"]

[Text] The directive on Economic and Social Development in the CSSR for 1976-1980, Chapter IX, had already charged the foreign trade sector to intensify efforts for expansion of economic and technological relations with developing countries, to utilize more intensively varied forms of long-term cooperation aimed at the development of the production strength of these countries and at securing the CSSR's needs in fuels, raw materials and products. These requirements are directly related to the essential condition of dynamic growth of the national economy, i.e., the deepening of the active participation of the Czechoslovak economy in the international division of labor. The question of providing for the CSSR's needs in raw materials and certain kinds of foods by proper utilization of the monopoly of foreign trade and increased flexibility and readiness when specific transactions are negotiated, continues to be of the first order.

The Main Guidelines for Economic and Social Development of the CSSR for the years 1981-1985 in the area of foreign economic relations have therefore specified the following requirements:

--regard the accelerated strengthening of an effective export capability of the Czechoslovak economy as the basic task and ensure this priority task at all management levels of the national economy;

--consonantly, but to a greater degree than hitherto, react effectively to the situation in the world markets, improve the export structure, technical level and quality of Czechoslovak products and exports;

--in the export structure, increase the share of the processing industry products with a higher degree of revaluation of quality work;

--in relations with the developing countries, continue to expand general cooperation following the development of the production forces of these countries, and to strive for development of such forms of cooperation that facilitate their mutual attainment of higher gains from the international division of labor;

--continue to participate actively in solving important economic problems in the framework of international organizations.

Foreign Trade With Individual Developing Countries

The foreign trade of the CSSR with developing countries, or groups of developing countries, has so far been subject to the deepening political and economic differentiation within the developing sphere to a considerable degree. The CSSR has been legally expanding its economicopolitical relations with those developing countries having national economies developing toward noncapitalistic forms and with the developing countries that regardless of the form and trends of economic development have shown continued interest in trade relations of economic development have shown continued interest in trade relations with the CSSR. From these viewpoints, and according to the value of trade transactions of Czechoslovak foreign trade, the trade partners of the CSSR from the area of the developing countries can roughly be divided into the following groups:

In the first group of developing countries with a politically and relatively economically progressive character, we can rank Syria, Libya, India, Iraq, Algeria, Afghanistan, Ethiopia, Cyprus, Yemen, Angola and Mozambique. The tables that follow list both the more important and the less important trade partners of the CSSR from the developing countries ranked according to the value of their trade transactions in 1979. The level of the turnover is naturally not the only indicator of importance and future prospects of Czechoslovak foreign trade with these countries. The transactions of Czechoslovak foreign trade with most of the countries listed, the young in particular, showed rapid growth dynamics in the 1960-1979 period:

Syria--turnover rose from Kcs 81 million in 1960 to Kcs 721 million in 1979. In 1979, it ranked second among the developing countries in trade with the CSSR.

Libya--turnover increased in the period considered from Kcs 6 million to 601 million. In 1979, measured by trade transactions, it ranked fifth.

India--Czechoslovak trade relations with this country are traditional, and the growth dynamics in the 1960-1979 period were therefore lesser. The turnover rose from Kcs 227 million to 599 million and India ranked sixth in Czechoslovak foreign trade in 1979.

Iraq--one of the young countries intensively developing trade relations with the CSSR. During the period considered the turnover with this country rose from Kcs 69 million to 592 million. In 1979 Iraq ranked seventh.

Algeria--Czechoslovak foreign trade with this country increased rapidly from a low base in 1960 (about Kcs 2 million) to Kcs 173 million. In 1979, Algeria ranked 13th of the Czechoslovak trade partners among the developing countries.

Afghanistan--the youngest developing country freeing itself consistently from the influences of neocolonialism and developing cooperation and trade relations with the socialist countries. The turnover of Czechoslovak foreign trade rose here from Kcs 33 million to 134 million and in 1974 (sic) Afghanistan thus ranked 17th among Czechoslovak trade partners from the developing countries.

Ethiopia--began to develop trade relations with the CSSR shortly after the end of WW II and recently, under the progressive government in this country, these relations are being intensified. Czechoslovak foreign trade rose from Kcs 20 million in 1960 to Kcs 81 million in 1979.

Cyprus--Czechoslovak foreign trade with this country showed rapid growth dynamics in the 1960-1979 period despite its relatively low value and rose from Kcs 9 million to 78 million.

Democratic Republic of Yemen--began developing foreign trade relations with the CSSR only in recent years. Nevertheless, relatively good results have been achieved and Czechoslovak foreign trade with this country increased from Kcs 24 million in 1976 to Kcs 44 million in 1979.

Angola and Mozambique are not listed as foreign trade partners of the CSSR in the accessible statistical data; however, these two former Portuguese colonies which after their independence chose a progressive trend of development will in the future undoubtedly figure more prominently in this trade.

From the countries listed, the following had relatively important ranking in Czechoslovak foreign trade with agricultural and food products: Syria (with a 100 percent share in Czechoslovak imports), India (with a 51.7 percent share in Czechoslovak imports), Algeria (with a 42.2 percent share in Czechoslovak imports), Afghanistan (with an 88.3 percent share in Czechoslovak imports) and Yemen (with a 38 percent share in Czechoslovak exports).

In the second group, we can rank developing countries which, despite their purely capitalistic form of economy, follow the anti-imperialistic course and thus are natural partners for the CSSR. Although the lines of separation between the following groups are not particularly clear, one can roughly rank the countries listed below in this group:

Iran--where the turnover of Czechoslovak foreign trade rose from Kcs 104 million in 1960 to Kcs 922 million in 1977, but in the next 2 years dropped to Kcs 317 million. According to turnover, Iran ranked ninth in Czechoslovak foreign trade with developing countries in 1979.

Lebanon--where the turnover rose in the period considered from Kcs 48 million to 278 million. By turnover level, in 1979 Lebanon ranked 10th in Czechoslovak foreign trade with developing countries.

Indonesia--in 1979 the turnover reached about Kcs 212 million and Indonesia ranked 12th.

Peru--The trade with this country has always been strongly influenced by the possibilities of fish flour exports which were greatly restricted in the years of catch prohibition. Nevertheless, the turnover in the 1960-1979 period showed high growth dynamics; it rose from Kcs 7 million to 155 million. In 1979, Peru ranked 14th among Czechoslovak partners in the developing share.

Mexico--has long maintained traditional trade relations with the CSSR. The turnover for the period considered rose from Kcs 21 million to 116 million and Mexico ranked 19th.

Venezuela--the turnover increased from Kcs 16 million in 1960 to Kcs 109 million in 1979 and by its level of trade Venezuela occupies 20th place.

Nigeria--the turnover with this country showed considerable fluctuation in the 1960-1979 period, mainly because of Czechoslovak import opportunities. It attained the maximum in 1978, i.e., Kcs 147 million compared to Kcs 37 million in 1960. In 1979 it declined to Kcs 90 million and Nigeria dropped to 23d place among Czechoslovak trade partners.

Tunisia--in the period considered the turnover rose from Kcs 18 million to 84 million. In 1979, Tunisia ranked 24th among Czechoslovak trade partners from the developing countries.

The less important trade partners of the CSSR in this group include: Bangladesh, Botswana, Sri Lanka, Zambia and Kenya.

The third group of developing countries, trade partners of the CSSR, is the largest and is characterized by heterogeneous politicoeconomic characters. In this group, we have ranked the countries that are the most important trade partners of the CSSR, including also those countries whose importance in Czechoslovak foreign trade considerably declined as a result of political changes. It comprises:

Brazil, which in 1978 and 1979 became the largest trade partner of the CSSR from the developing sphere. The turnover rose from Kcs 259 million in 1960 to Kcs 969 million in 1977 and in the next 2 years declined to Kcs 907 million and 848 million, respectively.

Egypt, which in 1976 still belonged to the first group of progressive developing countries and in the years 1960-1977 was the most important and, by turnover, the largest Czechoslovak partner among the developing countries. In 1977, turnover with Egypt reached Kcs 1,213,000,000 compared to Kcs 307 million in 1960. After the political change in this country, in the next 2 years turnover dropped to Kcs 680 million and Kcs 721 million, respectively, with the result that in 1979 Egypt dropped to third place among the trade partners of the CSSR, following Brazil and Syria.

Turkey--has maintained trade relations with the CSSR for a number of years. They declined in the period 1965-1975 and subsequently, up to 1979, they again showed a rising trend. In 1975, turnover declined to as low as Kcs 103 million compared to Kcs 210 million in 1960, and in the next years it again rose to as high as Kcs 647 million. In 1979, Turkey moved to fourth place among the Czechoslovak partners from the developing sphere.

Argentina--development was analogous to the relations with Turkey. Turnover in the 1960's was declining, from Kcs 182 million to 95 million, and in the subsequent period rising to Kcs 364 million. In 1979, Argentina ranked eighth among the Czechoslovak partners from the developing countries.

Malaysia--trade with this country showed many and considerable fluctuations, caused by economicopolitical factors and Czechoslovak purchasing opportunities. The lowest turnover was noted in 1976, i.e., Kcs 29 million compared to Kcs 243 million in 1960. In 1979, turnover amounted to Kcs 238 million and Malaysia moved to 11th place among Czechoslovak trade partners from the developing countries.

Morocco--the level of trade with this country also fluctuated, but in 1979 it recorded the maximum, i.e., Kcs 149 million compared to Kcs 38 million in 1960. Morocco thus moved to 15th place among the important partners from the developing sphere.

Saudi Arabia--turnover with this country reached its maximum in 1979, i.e., Kcs 147 million compared to Kcs 14 million in 1960. In the course of the period considered, the turnover fluctuated considerably in dependence on the realized exports of Czechoslovak sugar. In 1979, Saudi Arabia moved to 16th place among the Czechoslovak partners from the developing countries.

Ecuador--in the 1960-1979 period, trade developed at a fast pace, i.e., from Kcs 7 million to 118 million. In 1979, Ecuador ranked 18th among Czechoslovak partners from the developing sphere.

Among the less important Czechoslovak trade partners from the developing countries with a turnover above Kcs 50 million, in 1979 we can list: Thailand (Kcs 82 million), Pakistan (Kcs 75 million), Burma (Kcs 74 million), Sudan (Kcs 74 million), Uruguay (Kcs 65 million), United Arab Emirates (Kcs 65 million) and Ivory Coast (Kcs 61 million).

To complement the general view of the development of the territorial structure of Czechoslovak foreign trade with the developing countries in the 1960's and 1970's, we present the most important and less important buyers and suppliers in the tables, showing the computed balances for the individual years of the period 1960-1979. In general, we may state that the importance and the ranking of the various countries in Czechoslovak foreign trade varied impressively during this period. These changes were foremost the direct result of the political and economic development in a number of developing countries, whether progressive in character (Syria, Iraq, Algeria and Afghanistan, for instance) or instituting an antisocialist course (Egypt, Chile).

With regard to purchasing and supplying potential of the various groups of developing countries is relatively heterogeneous from the viewpoint of the possibilities and needs of Czechoslovak foreign trade. The countries of the Near East that are also relatively important suppliers of cotton, tobacco and southern fruits, are at present among the most important importers of Czechoslovak products from the developing countries.

The developing countries of the Near East, especially the countries with a progressive trend of development (Syria and Iraq) are important importers of Czechoslovak products even in a longer perspective, with a wide latitude for further expansion of the volume and value of Czechoslovak exports. This has also been reflected in the current development of the territorial structure

which points out the main trends of Czechoslovak foreign trade--especially the export of ZPoK [Agricultural-Food Industry Complex] products--in territories with favorable economicopolitical climate.

The African developing countries figure in Czechoslovak foreign trade predominantly as suppliers of noncompetitive produce and mineral raw materials.

Changes in the territorial structure of Czechoslovak foreign trade in the 1960-1979 period also appeared in the trade with developing African countries. As two contrasting examples, we can cite on the one hand, beside the less important partners of the CSSR (Ghana, Guinea and Mali, for instance), Egypt in particular; it declined considerably in its importance as a buyer while as a supplier, mainly of cotton and rice, it roughly followed the existing trend. While the worsened economicopolitical conditions for mutual trade are known, they do not explain sufficiently the substantial decrease of the volume and value of Czechoslovak exports to this country. On the other hand, we can use as an example a successful development of cooperation and trade relations with Libya and Algeria, i.e., with countries showing progressive political and economic trends and, primarily as purchasers of Czechoslovak products, acquiring more and more important standing in Czechoslovak foreign trade.

Expansion of trade relations, especially of the volume of Czechoslovak exports, to Tunisia and Morocco may be anticipated.

Among the developing countries of the Far East, India, Afghanistan, Burma, Pakistan, Malaysia and Indonesia are the more important Czechoslovak trade partners.

Despite the more complicated shipping, the above Far Eastern developing countries remain prospective buyers and suppliers with a broad latitude for expansion of Czechoslovak foreign trade. India and Afghanistan in particular have favorable economicopolitical conditions for growing exchange of goods. To these countries we can also add Bangladesh and other just-listed countries which have continued interest in trade relations with the CSSR.

Some Latin American countries have a somewhat different position in Czechoslovak foreign trade. Among these, the following are particularly important:

Brazil as the traditional supplier of coffee, iron ore and, in recent years, fodder in particular, and furthermore Argentina, Peru, Venezuela, Mexico, Ecuador and Bolivia.

We view the Latin American countries listed as having a different standing in Czechoslovak foreign trade because, without an exception, it is a group of developing countries with a purely capitalistic political and economic character and thus with antisocialist trends and to a great extent under the strong influence of American monopolies. Nevertheless, in recent years, except for Venezuela and Mexico, some of them have been very important suppliers of foodstuffs, specialty foods and raw materials. Here again it should be stated that with the growing volume and value of imports from these countries, Czechoslovak exports--including exports of Czechoslovak food products--should be able to find greater opportunities in the current, generally well-established markets and in new markets as well.

Table 1. More Important CSSR Trade Partners Among the Developing Countries--Turnover*) in Millions of Foreign-Exchange Kcs According to the Status in 1979.

| Rank Order | Country | 1960 | 1965 | 1970 | 1975 | 1979 |
|---|---|---|---|---|---|---|
| 1. | Brazil | 259 | 150 | 167 | 526 | 848 |
| 2. | Syria | 81 | 61 | 221 | 388 | 721 |
| 3. | Egypt | 307 | 424 | 833 | 986 | 664 |
| 4. | Turkey | 210 | 146 | 164 | 103 | 647 |
| 5. | Libya | 6 | 24 | 40 | 490 | 601 |
| 6. | India | 227 | 594 | 532 | 668 | 599 |
| 7. | Iraq | 69 | 73 | 233 | 622 | 592 |
| 8. | Argentina | 182 | 96 | 95 | 140 | 364 |
| 9. | Iran | 104 | 100 | 195 | 432 | 317 |
| 10. | Lebanon | 48 | 129 | 137 | 247 | 278 |
| 11. | Malaysia | 243 | 74 | 108 | 135 | 238 |
| 12. | Indonesia | 95 | 151 | 18 | 76 | 212 |
| 13. | Algeria | 2 | 43 | 41 | 111 | 173 |
| 14. | Peru | 7 | 27 | 144 | 150 | 155 |
| 15. | Morocco | 38 | 59 | 72 | 190 | 149 |
| 16. | Saudi Arabia | 14 | 24 | 15 | 70 | 147 |
| 17. | Afghanistan | 33 | 26 | 14 | 36 | 134 |
| 18. | Ecuador | 7 | 10 | 33 | 65 | 118 |
| 19. | Mexico | 21 | 30 | 32 | 68 | 116 |
| 20. | Venezuela | 16 | 29 | 45 | 100 | 109 |
| 21. | Colombia | 29 | 24 | 34 | 34 | 104 |
| 22. | Bolivia | 5 | 7 | 13 | 59 | 102 |
| 23. | Nigeria | 37 | 73 | 55 | 81 | 90 |
| 24. | Tunisia | 18 | 30 | 20 | 104 | 84 |

*According to Council of Economic Aid classification; since 1966 according to SITC [Standard International Trade Classification].

Source: Data on Czechoslovak Foreign Trade, Foreign Trade Research Institute.

Table 2. Less Important CSSR Trade Partners Among the Developing Countries--Turnover*) in Millions of Foreign-Exchange Kcs According to the Status in 1979

| Rank Order | Country | 1960 | 1965 | 1970 | 1975 | 1979 |
|---|---|---|---|---|---|---|
| 1. | Thailand | 32 | 35 | 39 | 30 | 82 |
| 2. | Ethiopia | 20 | 35 | 29 | 22 | 81 |
| 3. | Cyprus | 9 | 29 | 24 | 35 | 78 |
| 4. | Pakistan | 53 | 34 | 172 | 51 | 75 |
| 5. | Burma | 24 | 54 | 36 | 40 | 74 |
| 6. | Sudan | 47 | 55 | 52 | 49 | 74 |
| 7. | Uruguay | 15 | 20 | 70 | 45 | 65 |
| 8. | United Arab Emirates | -- | -- | -- | -- | 65 |
| 9. | Ivory Coast | -- | -- | -- | -- | 61 |
| 10. | Bangladesh | -- | -- | -- | 36 | 60 |
| 11. | Kuwait | -- | 17 | 15 | 47 | 49 |
| 12. | Singapore | -- | -- | 19 | 38 | 47 |
| 13. | Yemen | -- | -- | -- | -- | 44 |
| 14. | Jordan | 8 | 17 | 11 | 34 | 44 |
| 15. | Honduras | -- | -- | -- | -- | 40 |
| 16. | Philippines | -- | -- | -- | -- | 36 |
| 17. | Costa Rica | -- | -- | -- | -- | 33 |
| 18. | Zaire | -- | -- | -- | 2 | 31 |
| 19. | Liberia | -- | -- | -- | -- | 31 |
| 20. | Botswana | -- | -- | -- | -- | 29 |
| 21. | Sri Lanka | 32 | 47 | 36 | 31 | 27 |
| 22. | Zambia | -- | 42 | 10 | 24 | 22 |
| 23. | Kenya | -- | 16 | 19 | 28 | 18 |
| 24. | Guinea | 52 | 41 | 23 | 9 | 17 |

*) According to Council of Economic Aid Classication; since 1966 according to SITC

Source: Data on Czechoslovak Foreign Trade, Foreign Trade Research Institute

Table 3. Most Important CSSR Buyers Among the Developing Countries--Balance* in Millions of Foreign-Exchange Kcs According to the Status in 1979

| Rank Order | Country | | 1960 | 1965 | 1970 | 1975 | 1979 |
|---|---|---|---|---|---|---|---|
| 1. | Syria | D | 52 | 22 | 30 | 81 | 57 |
| | | V | 29 | 39 | 191 | 307 | 663 |
| | | B | +23 | +17 | +161 | +226 | +606 |
| 2. | Libya | D | 1 | 0 | - | - | - |
| | | V | 5 | 24 | 40 | 490 | 601 |
| | | B | +4 | +24 | +40 | +490 | +601 |
| 3. | Iraq | D | 15 | 4 | 4 | 92 | 27 |
| | | V | 54 | 69 | 229 | 530 | 565 |
| | | B | +39 | +65 | +225 | +438 | +538 |
| 4. | Turkey | D | 116 | 83 | 85 | 25 | 278 |
| | | V | 94 | 63 | 79 | 78 | 369 |
| | | B | -22 | -20 | -6 | +53 | +91 |
| 5. | India | D | 37 | 250 | 262 | 331 | 309 |
| | | V | 140 | 344 | 270 | 337 | 290 |
| | | B | 53 | +94 | +8 | +22 | -19 |
| 6. | Iran | D | 54 | 55 | 66 | 138 | 27 |
| | | V | 50 | 45 | 129 | 294 | 290 |
| | | B | -4 | -10 | +63 | 156 | +263 |
| 7. | Lebanon | D | 11 | 46 | 41 | 66 | 43 |
| | | V | 37 | 83 | 96 | 181 | 235 |
| | | B | +26 | +37 | +55 | +115 | +192 |
| 8. | Egypt | D | 162 | 208 | 279 | 556 | 432 |
| | | V | 145 | 226 | 554 | 430 | 222 |
| | | B | -17 | +18 | +275 | -126 | -210 |
| 9. | Algeria | D | 0 | 16 | 17 | 66 | 21 |
| | | V | 2 | 27 | 24 | 45 | 152 |
| | | B | +2 | +11 | +7 | -21 | +131 |
| 10. | Argentina | D | 103 | 69 | 62 | 87 | 257 |
| | | V | 79 | 27 | 33 | 53 | 107 |
| | | B | -24 | -42 | -29 | -34 | -150 |
| 11. | Afghanistan | D | 14 | 15 | 6 | 13 | 35 |
| | | V | 19 | 11 | 8 | 23 | 99 |
| | | B | +5 | -4 | +2 | +10 | +64 |
| 12. | Brazil | D | 122 | 99 | 106 | 346 | 752 |
| | | V | 137 | 51 | 61 | 180 | 96 |
| | | B | +15 | -48 | -45 | -166 | -656 |

D = Import
V = Export
B = Balance

*) According to Council of Economic Aid Classification; since 1966 according to SITC

Source: Data on Czechoslovak Foreign Trade, Foreign Trade Research Institute

Table 4. Less Important CSSR Buyers Among the Developing Countries Balance* in Millions of Foreign-Exchange Kcs According to the Status in 1979

| Rank Order | Country | | 1960 | 1965 | 1970 | 1975 | 1979 |
|---|---|---|---|---|---|---|---|
| 1. | Venezuela | D | 1 | 5 | 9 | 8 | 21 |
| | | V | 15 | 34 | 36 | 92 | 88 |
| | | B | +14 | +19 | +27 | +84 | +67 |
| 2. | Mexico | D | 5 | 11 | 5 | 13 | 36 |
| | | V | 16 | 19 | 27 | 55 | 80 |
| | | B | +11 | +8 | +22 | +8 | +44 |
| 3. | Burma | D | 2 | 18 | - | - | 7 |
| | | V | 22 | 36 | 36 | 40 | 67 |
| | | B | +20 | +18 | +36 | +38 | +60 |
| 4. | Pakistan | D | 32 | 16 | 27 | 7 | 9 |
| | | V | 21 | 18 | 145 | 44 | 66 |
| | | B | -11 | +2 | +118 | +37 | +57 |
| 5. | Tunisia | D | 8 | 15 | 10 | 81 | 19 |
| | | V | 10 | 15 | 10 | 23 | 65 |
| | | B | +2 | 0 | 0 | -58 | +46 |
| 6. | Saudi Arabia | D | - | - | - | - | - |
| | | V | - | - | - | - | 65 |
| | | B | - | - | - | - | +65 |

D=Import
V=Export
B=Balance

*) According to Council of Economic Aid Classification; since 1966 according to SITC

Source: Data on Czechoslovak Foreign Trade, Foreign Trade Research Institute

Table 5. Most Important CSSR Suppliers Among the Developing Countries-Balance* in Millions of Foreign-Exchange Kcs According to the Status in 1979

| Rank Order | Country | | 1960 | 1965 | 1970 | 1975 | 1979 |
|---|---|---|---|---|---|---|---|
| 1. | Brazil | D | 122 | 99 | 106 | 346 | 752 |
| | | V | 137 | 51 | 61 | 180 | 96 |
| | | B | +15 | -48 | -45 | -156 | -656 |
| 2. | Egypt | D | 162 | 208 | 279 | 556 | 432 |
| | | V | 145 | 226 | 554 | 430 | 222 |
| | | B | -17 | +18 | +275 | -126 | -210 |
| 3. | India | D | 87 | 250 | 262 | 331 | 309 |
| | | V | 140 | 344 | 270 | 337 | 290 |
| | | B | +53 | +96 | +8 | +22 | -19 |
| 4. | Turkey | D | 116 | 83 | 85 | 25 | 278 |
| | | V | 94 | 63 | 79 | 78 | 369 |
| | | B | -22 | -20 | - 6 | -53 | +91 |
| 5. | Argentina | D | 103 | 69 | 62 | 87 | 257 |
| | | V | 79 | 27 | 33 | 53 | 107 |
| | | B | -24 | -42 | -29 | -34 | -150 |
| 6. | Malaysia | D | 206 | 64 | 104 | 132 | 229 |
| | | V | 37 | 10 | 4 | 3 | 9 |
| | | B | -169 | -54 | -100 | -129 | -220 |
| 7. | Indonesia | D | 43 | 47 | 12 | 62 | 195 |
| | | V | 52 | 104 | 6 | 14 | 17 |
| | | B | +9 | +57 | -6 | -48 | -178 |
| 8. | Peru | D | - | 26 | 135 | 114 | 138 |
| | | V | 7 | 11 | 9 | 36 | 17 |
| | | B | +7 | -15 | -126 | -78 | -121 |
| 9. | Morocco | D | 20 | 33 | 52 | 124 | 88 |
| | | V | 18 | 26 | 20 | 66 | 61 |
| | | B | -2 | -7 | -32 | -58 | -27 |
| 10. | Ecuador | D | 3 | 6 | 28 | 52 | 81 |
| | | V | 4 | 4 | 5 | 13 | 37 |
| | | B | +1 | -2 | -23 | -39 | -44 |
| 11. | Bolivia | D | - | - | 4 | 34 | 71 |
| | | V | 5 | 7 | 9 | 25 | 31 |
| | | B | +5 | +7 | +5 | -9 | -40 |
| 12. | Colombia | D | 15 | 11 | 19 | 18 | 70 |
| | | V | 14 | 13 | 15 | 16 | 34 |
| | | B | -1 | +2 | -4 | -2 | -36 |

D = Import
V = Export
B = Balance

*) According to Council of Economic Aid Classification: since 1966 according to SITC

Source: Data on Czechoslovak Foreign Trade, Foreign Trade Research Institute

Table 6. Less Important CSSR Suppliers Among the Developing Countries--Balance* in Millions of Foreign-Exchange Kcs According to the Status in 1979

| Rank Order | Country | | 1960 | 1965 | 1970 | 1975 | 1979 |
|---|---|---|---|---|---|---|---|
| 1. | Syria | D | 52 | 22 | 30 | 81 | 57 |
| | | V | 29 | 39 | 191 | 307 | 663 |
| | | B | -23 | +17 | +161 | +226 | +606 |
| 2. | Ivory Coast | D | - | - | - | - | 55 |
| | | V | - | - | - | - | 7 |
| | | B | - | - | - | - | -48 |
| 3. | Uruguay | D | 5 | 26 | 57 | 36 | 46 |
| | | V | 10 | 3 | 13 | 7 | 19 |
| | | B | +5 | -23 | -44 | -31 | -27 |
| 4. | Lebanon | D | 11 | 46 | 41 | 66 | 43 |
| | | V | 37 | 83 | 96 | 181 | 235 |
| | | B | +26 | +37 | +55 | +115 | 27 |
| 5. | Iraq | D | 15 | 4 | 4 | 92 | 27 |
| | | V | 54 | 69 | 229 | 530 | 565 |
| | | B | +39 | +65 | +225 | +438 | +538 |
| 6. | Iran | D | 54 | 55 | 66 | 138 | 27 |
| | | V | 50 | 45 | 129 | 294 | 290 |
| | | B | -4 | -10 | +63 | +156 | +263 |

D = Import
V = Export
B = Balance

*) According to Council of Economic Aid Classification; since 1966 according to SITC

Source: Data on Czechoslovak Foreign Trade, Foreign Trade Research Institute

Table 7. Structural Changes in the Territorial Composition of the CSSR Foreign Trade With Developing Countries Czechoslovak Exports in Millions of Foreign-Exchange Kcs*)

| Rank Order | 1960 Country | Value of Export | Rank Order | 1970 Country | Value of Export | Rank Order | 1979 Country | Value of Export |
|---|---|---|---|---|---|---|---|---|
| 1 | Egypt | 145 | 1 | Egypt | 554 | 1 | Syria | 663 |
| 2 | India | 140 | 2 | India | 270 | 2 | Libya | 601 |
| 3 | Brazil | 137 | 3 | Iraq | 229 | 3 | Iraq | 565 |
| 4 | Turkey | 94 | 4 | Syria | 191 | 4 | Turkey | 369 |
| 5 | Argentina | 79 | 5 | Pakistan | 145 | 5 | India | 290 |
| 6 | Iraq | 54 | 6 | Iran | 129 | 6 | Iran | 290 |
| 7 | Iran | 50 | 7 | Lebanon | 96 | 7 | Lebanon | 235 |
| 8 | Lebanon | 37 | 8 | Turkey | 79 | 8 | Egypt | 222 |
| 9 | Syria | 29 | 9 | Brazil | 61 | 9 | Algeria | 152 |
| 10 | Burma | 22 | 10 | Libya | 40 | 10 | Argentina | 107 |
| 11 | Pakistan | 21 | 11 | Venezuela | 36 | 11 | Afghanistan | 99 |
| 12 | Afghanistan | 19 | 12 | Burma | 36 | 12 | Brazil | 96 |
| 13 | Mexico | 16 | 13 | Argentina | 33 | 13 | Venezuela | 88 |
| 14 | Venezuela | 15 | 14 | Mexico | 27 | 14 | Mexico | 80 |
| 15 | Tunisia | 10 | 15 | Algeria | 24 | 15 | Burma | 67 |
| 16 | Libya | 5 | 16 | Tunisia | 10 | 16 | Pakistan | 66 |
| 17 | Algeria | 2 | 17 | Afghanistan | 8 | 17 | Tunisia | 65 |
| 18 | Saudi Arabia | -- | 18 | Saudi Arabia | — | 18 | Saudi Arabia | 65 |

*) According to Council of Economic Aid Classification; since 1966 according to SITC

Source: Data on Czechoslovak Foreign Trade, Foreign Trade Research Institute

Table 8. Structural Changes in the Territorial Composition of the CSSR Foreign Trade With Developing Countries Czechoslovak Imports in Millions of Foreign-Exchange Kcs*)

| 1960 | | | 1970 | | | 1979 | | |
|---|---|---|---|---|---|---|---|---|
| Rank Order | Country | Value of Export | Rank Order | Country | Value of Export | Rank Order | Country | Value of Export |
| 1 | Malaysia | 206 | 1 | Egypt | 279 | 1 | Brazil | 752 |
| 2 | Egypt | 162 | 2 | India | 262 | 2 | Egypt | 432 |
| 3 | Brazil | 122 | 3 | Peru | 135 | 3 | India | 309 |
| 4 | Turkey | 116 | 4 | Brazil | 106 | 4 | Turkey | 278 |
| 5 | Argentina | 103 | 5 | Malaysia | 104 | 5 | Argentina | 257 |
| 6 | India | 87 | 6 | Turkey | 85 | 6 | Malaysia | 229 |
| 7 | Iran | 54 | 7 | Iran | 66 | 7 | Indonesia | 195 |
| 8 | Syria | 52 | 8 | Argentina | 62 | 8 | Peru | 138 |
| 9 | Indonesia | 43 | 9 | Uruguay | 57 | 9 | Morocco | 88 |
| 10 | Morocco | 20 | 10 | Morocco | 52 | 10 | Ecuador | 81 |
| 11 | Colombia | 15 | 11 | Lebanon | 41 | 11 | Bolivia | 71 |
| 12 | Iraq | 15 | 12 | Syria | 30 | 12 | Colombia | 70 |
| 13 | Lebanon | 11 | 13 | Ecuador | 28 | 13 | Syria | 57 |
| 14 | Uruguay | 5 | 14 | Colombia | 19 | 14 | Ivory Coast | 55 |
| 15 | Ecuador | 3 | 15 | Indonesia | 12 | 15 | Uruguay | 46 |
| 16 | Peru | -- | 16 | Bolivia | 4 | 16 | Lebanon | 43 |
| 17 | Bolivia | -- | 17 | Iraq | 4 | 17 | Iraq | 27 |
| 18 | Ivory Coast | -- | 18 | Ivory Coast | -- | 18 | Iran | 27 |

*) According to Council of Economic Aid Classification; since 1966 according to SITC

Source: Data on Czechoslovak Foreign Trade, Foreign Trade Research Institute

9562
CSO: 2400/100

## BRIEFS

CSSR TRAINING VIETNAMESE--In 1967, about 2,100 Vietnamese boys arrived in the CSSR for on-the-job training at industrial plants. In April 1974 another agreement was signed between the CSSR and SRV to avail professional training to 5,000 Vietnamese youths of both sexes, 17-25 years old. After arriving in the CSSR, the Vietnamese undergo 3 months of Czech language instructions. After completing their 2-3 year apprenticeship, final examinations take place. The tens of Vietnamese who excelled in their final examinations continued taking evening courses for workers; the best ones have continued their studies at Czechoslovak technical colleges. [Prague SVOBODNE SLOVO in Czech 22 Jan 82 p 3]

CSO: 2400/119

## DIVERGENT APPROACHES TO SOCIOECONOMIC 'GLOBAL PROBLEMS' ANALYZED

East Berlin IPW-BERICHTE in German Vol 10 No 11, Nov 81 pp 33-39, 52

['Analyses--Problems' feature article by Alfred Boenisch, IPW-BERICHTE editorial board: "Global Problems From the Perspective of the Conflict Between Systems and Comparison of Systems: Class Limits of Bourgeois 'Comparative Economics'--Technical Progress in Capitalism Accompanied by Social Regression--Socialism's Superiority Over Imperialism"]

[Text] In taking issue with the bourgeois comparative economics, which uses many elements from various bourgeois theories for system comparisons and assessments, the author deals with global problems expressing objective contradictions and developmental trends and having to do, mainly, with such matters as the imperialist arms race, the deteriorating conditions for utilizing capital due to the raw material, energy and environmental crisis, with new tendencies in the international division of labor and with international economic relations. From those perspectives he offers a comparison of systems with respect to scientific-technical progress, and he explores the differences in economic growth and the relationship between society and environment in socialism and in imperialism.

Global problems have recently often been made a subject of comparison as between socialism and imperialism. The socialist states realize that these problems show many interactions and interdependencies, express objective contradictions and developmental tendencies, and mainly have to do with the following facts:
--the endangerment of mankind due to the arms race caused by the most reactionary forces in the imperialist countries;
--the deteriorating conditions for the use of monopoly capital, e.g., through the raw material, energy and environmental crisis;
--the qualitatively new tendencies, opposed to the imperialist claims to supremacy, in the international division of labor and in international economic relations; and
--the development and extension of system-specific advantages in the socialist social order in these areas and the growing influence of socialism on developments in the world.

## The System-specific Superiority of the Socialist Social Order

Safeguarding peace is the overriding global problem because avoiding a third world war is prerequisite to continued social progress, to using the results of scientific-technical progress for eliminating dangerous burdens on the environment, to making optimum use of natural resources, creating modern industry in the young national states, and realizing all other common objectives.

The relevance and nature of the global problems can however also be demonstrated by many other manifestations. Between 1900 and 1977, e.g., world energy consumption rose twelvefold; by the end of the century it may well increase once more by two or three times as much as what it presently is. In the last 25 to 30 years, the world consumed as much raw material as in all previous history. Ensuring energy and raw material supplies thus has become a problem which by no means is only an economic one. In the distribution of scarce resources there exist many interstate conflicts, brought on by imperialism, today mainly in the developing countries, which to "regulate" imperialism uses or theatens to use military means, where it can still do so.

An analysis of global problems from the perspective of a systems comparison implies a fundamental critique of bourgeois economic theories on it. So-called comparative economics falsifies the nature of such problems, is clearly anti-socialist in character and aims at discrediting socialism's typical advantages in comparison with imperialism.

Mainly the leading role of the workers class, the scientific leadership of society by the Marxist-Leninist party, the public ownership in the means of production and the socialist planned economy, the creative initiative of the working people and socialist democracy are the causes and conditions for the superiority of socialism. They ensure in practice dynamic economic development for the good of the people,[1] which has become particularly clear in the 1970's in contrast to the development in capitalist countries. The decisive source for this growth is the increasing efficiency of social labor, mainly through scientific-technical progress and the deepening of cooperation within the framework of socialist economic integration. The CEMA countries have become the most dynamic and economically strongest economic region in the world.

At the 10th SED Congress, Erich Honecker affirmed: "Under party leadership, the advantages of socialism have been translated into practical politics in accordance with the new conditions and requirements. We have increasingly realized the possibilities of our socialist planned economy to use scientific-technical progress for the good of the people and mobilize the energies of the working people for that great task. That bears witness to the scientific policy of our party which is based on the objective economic laws of socialism and uses them effectively under the conditions in our country."[2]

Without our socialist planned economy and the management of all our social development by the Marxist-Leninist working class party, such a development would have been impossible. The leadership activity of the Marxist-Leninist party is no alien element in the economy, as bourgeois economists claim, but the most important force in making social progress prevail. It is that social force which makes possible

a successful development and use of all advantages of the socialist planned economy, and it expresses the qualitatively new role of the subjective factor in socialism, the conscious control over social and economic processes.

Capitalism, on the other hand, knows no direct connection between economic and social progress. Permanent social insecurity exists in that system, based on the profit economy, as a consequence, for example, of the capitalist methods for raising labor productivity, that lead to the elimination of jobs and to unemployment. Socialism replaces inhuman labor motivations with creativity and initiative.

These facts are a starting point and basis for aggressively taking issue with all forms of bourgeois comparative economics, which greatly ignores that social stability in socialism, the lack of exploitation and unemployment, is something the working people in the imperialist countries rate highly. Precisely the social measures in the socialist countries was what forced the monopoly bourgeoisie, while put under pressure by the workers class in the capitalist countries, into reforms, e.g., setting up a social welfare and insurance system.

What Are Global Problems?

Global problems are marked by being of concern not only to some but to many or all nations, constituting a complicated web of socioeconomic, political-ideological, cultural and biosocial phenomena, the solution of which can in principle not be postponed and call for joint steps by several or almost all states, even by those that differ in their social orders. A joint approach is possible of course only within the scope and on the basis of worldwide detente in interstate relations. A complex approach, interdisciplinary methods of study and management, and the application of mathematics models are indispensable for it. The Marxist approach to global problems takes into account the particulars in world development on all levels, in the economy as in science and culture.

Some bourgeois economists often define the global problems as "crisis problems of mankind." Others present them more in relation to capitalism. In taking issue with such conceptions, several aspects must be kept in mind:

First: Mankind must urgently solve existing worldwide problems, yet there is no crisis of mankind. This frequently cited crisis is mainly a crisis in the capitalist system, symptomatic of the general crisis of capitalism.[3] The problems under discussion here largely stem from the contradictions in imperialism, the policy of the multinational corporations, and the military-industrial complex. They are not homogeneous but most of the time stem from the contradiction between imperialist production relations and the demands made on the productive forces.

Second: In their social substance global problems are class problems that have to be coped with in the sense of historic progress. The bourgeois side negates, denies or distorts that aspect. It denies that successes in the revolutionary world process are of benefit to solving global problems. Yet just as the safeguarding of peace, so is the elimination of exploitation and of social and national suppression ultimately indispensably prerequisite to coping with global problems.

Third: The socialist states pay great attention to the inevitabilities of social progress as well as to the global problems. Even back at the 25th CPSU Congress, L. I. Brezhnev asserted: "Already such global problems are sufficiently important and relevant as the raw material or energy problem, the uprooting of the most dangerous and most widely spread illnesses and environmental protection, the exploration of space and the use of ocean resources. They are likely to exercise an increasingly larger influence on the life of all nations and the whole system of international relations."[4]

Fourth: In their cause and effect most global problems reflect the increasing internationalization of the wage labor - capital opposition. Proceeding from the internationalization of the productive forces and within the scope of his analysis of imperialism, V. I. Lenin explored important basic issues of the global problems. He has shown that the expansion in the social division of labor leads to ever wider specialization and cooperation and to an increasing internationalization of production.[3]

Fifth: Imperialist forces had to realize that the global problems in raw material and energy supply, the environment, and food and health could be solved only through developing international cooperation, including states with the two different social systems.

Limits of Bourgeois Understanding

When bourgeois economists turn to global problems they exhibit a tendency of looking at the world as an international system. But the way they approach an understanding and solution of the world problems leaves much still unclear, to be sure. That is revealed, right away, by the fact that bourgeois economists to this day when they talk about world economic order normally refer to the system in the capitalist part of the world economy. Yet one cannot regard the world economy of today simply as one unified entity because it is composed of two qualitatively different and antagonistic systems. The disparity is explained by the differences in the production relations, the political and legal structures, and other factors. In spite of all that the world economy also is a specific organism in being a system of international ties, relations and dependencies. This is a dialectic which bourgoies economics is at a loss to understand.

The question about the causes for global problems having arisen in the world is also presented and handled very differently by bourgeois economics. The scarcity problems plays an important role in this. Reducing relative scarcities, in the bourgeois view, has always been the aim of economic management, in socialism as well as in capitalism. Yet under diverse production relations scarcity means something different entirely. In capitalism, e.g., in periods of cyclical surplus production there is no shortage of goods, but a surplus, yet there is a shortage in the purchasing power of the working people.

A serious problem today, finally, lies in that the profit and competition interests caused by capitalist monopoly become especially pronounced when resources become scarce. They then flow together with those programs that the imperialist strategists establish for the use of military force to maintain and expand their sphere of influence in the world.

Bourgeois economists like Abram Bergson, Arthur Burns and Richard Musgrave, who made system comparisons in the early 1960's, declared at that time that the economic world was no longer turning around London and New York because many states were approaching economic independence and in Eastern Europe a "new type" of economy had developed with its own economic principles. Therefore bourgeois economics was of limited analytical value, and the question arose whether it was possible to create some "general economics" applicable in all countries.[6]

Such statements at that time permitted the inference that the development of a comparative bourgeois economics amounted to an admission--late though it was--that bourgeois economics had long ceased to exist on its own and that it had to pay attention to the development of socialist economics. Furthermore it must be pointed out that bourgeois surveys in that comparison of systems mainly serve to establish a complex anticommunist strategy and propaganda. There--as well as in the treatment of global problems--the focal consideration is which system has the better bases and instruments for coping with the global problems.

The fact that the capitalist economy has become much more crisis-ridden since the early 1970's has been an occasion for most bourgeois economists for still more eagerly providing the "evidence" that imperialism has better prerequisites for solving global problems than socialism. They usually then make a great deal about market efficiency. Some bourgeois theoreticians even claim that central planning as based on public property fails to work in global problems, while they yet ask more and more for complex planning on a capitalist property base. Most world problems make apparent that such arguments are not tenable.

Imperialism and Its Constantly Deteriorating Conditions

Even a comparison between the early 1970's and early 1980's reveals how unfavorably imperialism has developed and the great divergencies in the economic and social and overall societal tendencies between socialism and imperialism.[7] Of the once optimistic prognoses in the bourgeois economic assessments at that time nothing is found any longer. They have been replaced with pessimism and hopelessness since many crisis characteristics of capitalism were extremely intensified in the 1970's and there is no prospect that the situation will improve. The upsurge of socialism has in turn helped weaken imperialism's internal and external power positions. And these are by no means just short-term tendencies but long-range changes, changes in imperialism's conditions for existence marked by the restraint on its raw material and energy monopoly, political instability, and the sharpening of opposition among the imperialist countries. This has a negative influence on the overall functional and control mechanisms, on capital accumulation as well as the competitive relations.

Under such circumstances it is not astonishing that many people in the capitalist countries increasingly come to recognize the vacuity of the attacks against the socialist economic and social system and find the theory of the crisis in the socialist economy refuted by reality. "Socialism opposes the capitalist society with its sharp social contradictions, its unemployment and inflation, crises and recessions, and its increasing arms race, by the social, political and ideological unity of society, the care for working men, the advantages of the socialist economic system, the planned economy and the policy of taming the arms race."[8] And this does not remain without an effect in the ideological struggle between the two systems.

For the basic theoretical issues in world problems as well as for designing models for them, aspects of economic theory are of extraordinary importance. In this, bourgeois comparative economics uses for its comparative analyses and assessments many elements from a variety of bourgeois theories, e.g. from growth and employment theory, from income and distribution theory, and from market and planning theory.

Even so, bourgeois comparative economics, under the influence of the divergent development of socialism and imperialism, has in recent years developed into a relatively independent research field.[9] A basic role there is given to the question how divergent socioeconomic orders are determined and what the criteria are that make them different. FRG economist H. Leipold, e.g., observed: "Relative to the question about the constitutive order criterion for an economic system, two main answers are given. Either one rates as constitutive order criteria the ways and means of the distribution of planning competencies, made concrete in the order of the planning or management system, or that of the means of production, made concrete in the order of the property relations."[10]

In this formulation, typical of many bourgeois economists' current approach to basic problems in social theory and to their systems comparison, property issues and the managerial forms determined by them are placed on the same plain and misconstrued in their reciprocal interconnection. Other statements about the bourgeois "systems comparison" make the anticommunist ignorance still more evident. Leipold, e.g., who in the mid-1970's still thought the developmental state of the bourgeois theory on comparative economic systems was unsatisfactory, calls Marxist economic theory an unsuitable frame of reference for a theory on economic systems. This he explains by reference to "methodological deficiencies" and the "normative element" which allegedly would seduce one to "bring about perfect systems and conditions."[11]

The truth is, however, that Marxist theory is the only one that makes possible a scientific comparison between the opposing economic systems altogether. By using it, e.g., Leipold's assumption can clearly be refuted that raw material scarcity and environmental pollution are "system-indifferent."[12] Moreover, it was precisely Marx who made scientific comparisons between the different modes of production, and we mainly "owe it to his research," as Engels once put it, "to know what we know about pre-bourgeois theoretical economics."[13]

## Scientific-technical Progress and Systems Comparison

In the 1950's and 1960's many bourgeois scientists announced that scientific-technical progress was making headway worldwide and that by means of it a long-range stabilization of the capitalist system was possible. Reality, however, has shown that state monopoly capitalism has not managed to surmount existing contradictions but has led to their further intensification, to strengthening the multinational corporations, the destruction of jobs, structural crises and economic disproportions. In imperialism, science, largely because of its system-conditioned military utilization, works as a destructive force. These processes contribute to changes in the social structure and the sharpening of social antagonisms.

The differences in the systems become most visible in the use or non-use of labor, and in the use of technology for the benefit or the detriment of men. Particularly under this aspect the bourgeois thesis of the antihuman character of technology proves itself nothing but a distorted reflection of the negative sides in the capitalist utilization of technology, because establishing the social preferences for scientific-technical progress can be made either for the benefit of higher profits or for better satisfying social needs.

A "humanization of technology" is possible only through a humanization of society in the outcome of the transition of political power into the hands of the immediate producers of the material, cultural and intellectual values. That can also be seen by that armaments are of course not as such pushed ahead by technology but by the most aggressive sector of monopoly capital. For Marx, technology always was an important yardstick for the developmental level of the productive forces. But he did not regard it as omnipotent and never derived any negative consequences resulting from its application from technology as such.

Bourgeois and social democratic economic theoreticians seek to conceive of scientific-technical progress in a complex and biased manner to use it on behalf of system stabilization. In this they slight the fact that scientific-technical progress under state monopoly conditions exacerbates existing contradictions and in many ways is directed against the people. There too, to be sure, the reproduction of labor is becoming increasingly more socialized in character, but personality development is and remains obstructed.

Even Marx pointed out that with the development of large-scale industry the creation of wealth would depend less on the quantum of labor invested and more "on the strength of the agencies set in motion during labor."[14] The strength of these "agencies" (effective means) depends on the degree to which science is applied in production and reflects that degree.

There are two transformation processes that the capitalist mode of production brings about:
--the change of the role and position of labor in the production process and
--the technical transformation of the tools of labor.

Though the transformation of the tools of labor marked the centerpiece of the industrial revolution, the change of the role of labor is no less important. The industrial worker differs from the peasant and craftsman not only in his social position and his relationship with the means of production but also in terms of his position in the production process. He no longer uses a tool but a machine, which makes higher demands on his education and training than does manual work.

While he understood capitalism's economic opportunities to thwart scientific-technical progress, Lenin did not draw the conclusion that that opportunity would in fact become general reality. Putrefaction in imperialism does in fact by no means rule out a rapid growth of capitalism: "Some industrial branches, some bourgeois strata and some countries show more or less strongly now one and now another one of these tendencies in the era of imperialism. By and large capitalism is growing much faster than before, yet this growth not only becomes generally much more uneven, but this unevenness expresses itself also, particularly, in the putrefaction of the most strongly capitalist countries."[15]

All-round scientific-technical development is, however, not possible in capitalism mainly because the exploiter society blocks the development of labor, i.e. the chief productive force, and prevents the full unfolding of the creative capabilities of the workers class.

It is significant that bourgeois economics does not distinguish between the reproduction of labor as a commodity and the reproduction of the worker as a personality. It disguises the fundamental differences precisely in this respect between socialism and capitalism, which are not being eliminated by that in recent decades many state monopoly measures have been taken to mitigate the contradiction between the commodity character of labor and the capitalist productive forces.

The effects of scientific-technical progress on the development of social relations express themselves in many different ways. It leads, e.g., to structural changes in industry, which affects the workers class directly. Such changes frequently break down the local confines of social mobility, traditional occupational profiles, educational institutions and so forth. Such processes must be directed according to plans to confine the negative effects such as, particularly, the so-called structural unemployment having become a mass phenomenon at present in capitalist countries. Controlling scientific-technical progress as part of the control within the scope of society at large thus becomes the central problem. Yet, as reality shows, this is impossible for capitalism to cope with despite all governmental regulations.

Differences in Economic Growth

Roughly between 1950 and 1970 the imperialist countries had their so-called golden years of economic growth. Then industrial production had nearly tripled and grew by an average of 5.3 percent annually. Never before had capitalism gained such high industrial growth rates over such a long period. To be sure, they were much lower than in the socialist countries, as made clear by our table.

Growth Rate of Industrial Production, 1950 = 100

| | 1955 | 1960 | 1965 | 1970 | 1975 | 1951/75 in percent* |
|---|---|---|---|---|---|---|
| World Total | 147 | 206 | 285 | 388 | 492 | 6.6 |
| Socialist Countries | 191 | 354 | 501 | 723 | 811 | 10.0 |
| Other Countries | 135 | 167 | 227 | 298 | 336 | 5.0 |
| Capitalist Industrial Countries | 132 | 162 | 218 | 284 | 312 | 4.6 |
| Developing Countries | 156 | 234 | 329 | 459 | 640 | 7.7 |

*Average Growth Rate Between 1951 and 1975. Source: "USSR in Figures in 1975," Moscow, 1976, p 50.

In the CPSU Central Committee report to the 26th party congress Leonid I. Brezhnev pointed out that between 1971 and 1980 the Soviet Union had advanced in all sectors producing the material-technical base of communism. "The productive forces of Soviet society have attained a qualitatively new level. The scientific-technical revolution develops in depth and breadth and changes the character of many

production processes and entire branches. The country's economic capacity reliably ensures further progress toward communist construction."[16]

The GNP of the USSR rose by 67 percent between 1970 and 1980, the national income used for consumption and accumulation, by 55 percent. In the main imperialist countries, on the other hand, developments were marked by the heaviest surplus production crisis after World War II and high inflation and unemployment rates.

The inability of bourgeois economics to explain, precisely, the especially explosive phenomenon of unemployment has made it come forth with the most grotesque excuses which at once underscore how apologetic in character that science is. There is one FRG author who claims: "The longer massive unemployment lasts, the more intensively economics is dealing with the labor market, and the more numerous and glittering the attempts at explaining it become. Theoretically absorbing the phenomenon of unemployment, however, up to now suffers from the fact that both problem dimensions of unemployment, i.e. the level and the structural problem, are dealt with in different departments of economic theory."[17]

Such a ludicrous attempt at explaining the meager success with an analysis of unemployment by bourgeois economics is even regarded as superfluous by other theoreticians. Harald Gerfin, e.g., blithely observes that the bourgeois labor market theory is not yet (!) in the position to provide precise and indispensable diagnostic methods for a concrete unemployment situation.[18] But by and large bourgeois economists and politicians settle for adducing those causes for unemployment, out of a broad palette of causes, that seem most suitable for any given moment. The ones most frequently referred to are:

1. The measures taken by the developing countries in raising raw material and energy prices since 1973;
2. Too high a conservation rate and insufficient investment activity, which produce an overall social demand bottleneck that cannot be closed;
3. Economic and world economic structural changes;
4. Excessive wages or wage demands by the trade unions; and
5. Errors in governmental economic policy.

The FRG mostly gives as the main cause inadequate investment activity due to high wages. However, unemployment, both as a cyclical and a structural problem, is in principle, first and foremost, an inevitable consequence of the capitalist accumulation process. There is some sense to the bourgeois thesis that investments preserve and create jobs in the expanded reproduction of capital, yet capital accumulation never primarily aims at preserving or creating jobs. Entrepreneurs accumulate and modernize production to get higher profits and prevail in their competition. That is why contemporary capitalism, despite state monopoly measures, can no longer compensate for the massive release of labor even in a boom period. Because investments are largley used for rationalization, the release effect is stronger than the compensatory effect.

Still at the beginning of the 1970's, in the first report to the Club of Rome, it was proposed to reduce economic growth to stave off a global crisis.[19] Since the mid-1970's, however, bourgeois and even social democratic forces have increasing opposed making too much of the threatening exhaustion of the raw material, energy and food resources.[20] Catchphrases like "strengthening capitalist enterprise spirit" and "intensification of scientific-technical progress" came to the

fore. There is already a partial realization in this connection that the real limits of growth are not material but social in kind. The Leontief Report says, e.g.: "The main obstacles to permanent economic growth and accelerated development are not material in kind but political, social and institutional."[21]

The development of industrial production in the last 25 years in the industrially developed capitalist countries neglected the accumulation in the raw material and energy sector while relying on the transfer of national wealth in raw materials and energy from the developing countries. Such theft of foreign property has run into increasing difficulties and barriers since the early 1970's. Monopoly capital therefore has to raise the volume and rate of accumulation, which in turn is possible only through an increasing surplus rate, e.g., through labor saving rationalization and through relative constraints on the working people's consumption capacity, by means of inflation, for instance.

The basic problem thus is how far the production relations, the forms of the productive forces in motion, can surmount the barriers that block the productive forces in their further development. Can they not do it, then the production relations become fetters that have to be broken. That applies to imperialism in principle. And that is precisely what is being disguised within the scope of comparative bourgeois economics.

The Relation Between Society and Environment

The international aspects and difficulties in shaping the relation between society and the environment have turned the latter in recent years into a subject matter that has been given preferential treatment by bourgeois comparative economics. Important causes have been the tremendous deterioration of the natural environment in many capitalist countries and the need to develop a governmental environmental policy. The United States, with a population amounting to circa 6 percent of world population, causes, for example, 40 percent of biosphere pollution.

Bourgeois economics has formulated in recent decades numerous environmental economic problems and sought to create theoretical principles for governmental environmental policy which are also used in the issue taken between the systems. In this it has always been eager to hide the system-conditioned causes of the capitalist environmental crisis and to give substance to the allegation that environmental problems could best be solved within the scope of the capitalist social order. Many bourgeois theoreticians claim that both the capitalist and the socialist economic systems are essentially anti-nature. They ignore the fact that the environmental crisis was caused by capitalist production relations.

For years bourgeois economists have explained environmental damage as the consequence of "external effects" and explained them in turn from defects in the market mechanism in capitalism, and from planning errors in socialism. Thus they do not show up as the consequence of the objective inevitabilities and contradictions of the capitalist mode of production. By such a makeshift design of external effects, the environmental problems in socialism are placed on the same footing as those in the capitalist system while the basic causative and essential differences are being ignored.

In reality the socialist production relations form the basis for producing a new relationship, in principle, between society and nature and for conscious management of social and natural processes. This does not mean that the contradiction between nature and society could at once be resolved. Socialist states have their environmental problems too, which serve bourgeois economics as "evidence" for its ahistoric thesis on the opposition between nature and society in all industrial states.

Socialism, however, as one knows, did not take over nature untouched. The legacy of capitalism was in many respects an anti-ecologically oriented productive force system. The creation of a new system that conforms to ecological requirements requires the transformation of many linear production processes into production circuits. That can only be done gradually because, first, one has to lay the premises for it and, secondly, it calls for great expenditures. Yet that does not change the fact that it will be possible only on the basis of public ownership in the means of production and of political working class power to arrive at a reorientation of productive forces development in conformity with ecological requirements.

A qualitative intensification of the general crisis in capitalism took place in the 1970's. Both the political and the economic situation became more unstable in most imperialist states. It has made still more evident the inability of capitalism to confine, let alone solve, the increasing problems for humanity. Through their course aimed at confrontation and arms buildup and against detente and cooperation, the most aggressive circles of imperialism are undermining the possibility of international cooperation. The safety of the future turns arms limitation and disarmament and international cooperation into an urgent precept.

FOOTNOTES

1. U. Moeller and G. Schilling, "Unfolding the Advantages of the Socialist Economic System under Party Leadership--Persuasive Response to Antisocialist Attacks," WIRTSCHAFTSWISSENSCHAFT, Berlin, No 12, 1980, pp 1409-1423.

2. Erich Honecker, "Bericht des Zentralkomitees der Sozialistischen Einheitspartei Deutschlands an den X. Parteitag der SED" (SED Central Committee Report to the 10th SED Congress), Berlin, 1981, p 33.

3. H. Paucke and A. Bauer, "Umweltprobleme, Herausforderung der Menschheit" (Environmental Problems--Challenge to Humanity), Berlin, 1979, p 8.

4. L. I. Brezhnev, "25th CPSU Congress--Status Report of the CPSU Central Committee and the Next Party Tasks in Domestic and Foreign Policy," Berlin, 1976, p 69.

5. V. I. Lenin, "Werke" (Works), Vol 22, Berlin, 1960, p 103.

6. J. Tinbergen, "Central Planning," Yale University Press, 1964, New Haven, S. V.

7. "Imperialism in the 1980's," IPW-BERICHTE, Berlin, No 2, 1981, pp 1 f.

8. N. A. Tikhonov, "26th CPSU Congress--The Main Trends of USSR Economic and Social Development 1981-1985 and up to 1990," Berlin, 1981, p 7.

9. F. Levcik, ed., "International Economics--Comparisons and Interdependences" (Wiener Institut fuer Internationale Wirtschaftsvergleiche), Vol 9, Vienna-New York, 1978.

10. H. Leipold, "Wirtschafts- und Gesellschaftssysteme im Vergleich" (Economic and Social Systems Compared), Stuttgart, 1976, p 20.

11. Ibid., p 4.

12. Ibid., p 27.

13. F. Engels, "Anti Duehring," Marx/Engels, "Werke," Vol 20, Berlin, 1962, p 140.

14. K. Marx, "Principles of the Critique of Political Economy," Berlin, 1953, p 592.

15. V. I. Lenin, "Werke," Vol 22, Berlin, 1960, pp 305 f.

16. L. I. Brezhnev, "26th CPSU Congress--Status Report of the CPSU Central Committee and the Next Party Tasks in Domestic and Foreign Policy," Berlin, 1981, p 45.

17. H. Pfriem, "Labor Market Analysis in Alternative Labor Market Theories," WIRTSCHAFTSDIENST, Hamburg, No 2, 1979, p 95.

18. H. Gerfin, "More Recent Developments and Perspectives in Labor Market Theory," ZEITSCHRIFT FUER DIE GESAMTE STAATSWISSENSCHAFT, Tuebingen, No 4, 1978, p 410.

19. E. Rechtziegler, "Limits of Growth or Crisis of Imperialism?" IPW-BERICHTE, No 8, 1972, pp 16 ff.

20. O. K. Flechtheim, "Chances and Limits of Future Research," "Analysen und Prognosen," West Berlin No 44, 1976, p 3; A. Peccei, "Die Qualitaet des Menschen" (Quality of Man), Stuttgart, 1977.

21. In that report, commissioned by the UN and written under the editorship of W. W. Leontief (U.S.A.), a global world economic model is developed. It includes 15 world regions (three of which embrace the socialist countries). Proceeding from the global problems, measures for changing international economic relations are proposed that are aimed at relieving the relationship between the capitalist industrial countries and the developing countries of its cutting edge. The measures proposed largely remain outside the socio-political context, however. Cf. W. W. Leontief, "Zukunft der Weltwirtschaft" (The Future of the World Economy), Stuttgart, 1977, p 40.

5885
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PLANNING INSTITUTE DIRECTOR SPEAKS ON ECONOMIC REFORM

Warsaw KURIER POLSKI in Polish 17 Nov 81 p3

[Interview with Prof Dr Jan Mujzel, director of the Planning Institute and deputy chairman of Group III of the Commission on Economic Reform, by Andrzej Dryszel]

> [Text] Several weeks still remain to popularize the reform. We are counting the days impatiently. Nonetheless, we must prepare ourselves, because alongside the positive phenomena and those sensed positively it will also bring about changes which can come as a shock for a substantial proportion of the society.
>
> It is these very problems which we are discussing in our interview with Prof Dr Habilitowany Jan Mujzel, director of the Planning Institute and deputy chairman of Group III of the Commission on Economic Reform.

[Question] Professor, the society is awaiting the reform like sugarcane waits for rain. We are counting on it to fill the shop shelves, to get rid of the lines, and to put the economy on its feet. But, after all, particularly when it first begins to operate, difficulties will also come up.

[Answer] Unfortunately, there are going to be a lot of them. And there is just no way around it. First, the reform is disseminating the illusion that we are in a position to earn the amounts we are today. This is fiction extended by the crisis and then by the wage demands. Now a time of truth has to come. The new system can operate only in a world of credible, realistic prices and credible, realistic incomes.

[Question] Which simply means that there will be a great price hike?

[Answer] That is it. A rise in prices related to compensation, but not 100-percent compensation, not to cover everything and not for

everyone. Of course, this must be a variant negotiated with the unions, one which the society will not reject, but this issue is poorly understood. After all, a rise plus partial compensation is not aimed at reducing consumption, because consumption has already declined. The price reform will eliminate the false notion that we can buy as much as the amount of money in our possession permits.

Second, quite arbitrarily, the economic reform is forcing us all to greater effort. All today's "make believe" work will be wiped out by the mechanisms of the reform, especially by the hard regulations of self-financing. This will come as a shock to many people.

Third, there will be sources of great wage spreads, which are also dimly viewed by society sometimes, but the reform will restrict this process by a progressive tax of the Western-European type, perhaps like in the FRG or the Netherlands.

Fourth, hard economic criteria will increase in personnel decisions and sometimes perhaps play a predominating role in them. On the other hand, pseudopolitical, moral, and benevolent aspects will come to be of lesser importance. Many people see this to be a dehumanizing of the system, but what a person can do and what the effects of his work are will start to count first of all in evaluations.

[Question] Are we in danger of facing "the wolfish laws of capitalism"?

[Answer] In today's developed capitalism such "wolfish laws" are to a great extent a thing of the past. Churchill was once asked why, even in his youth, he had never been inclined towards socialism but right away was a conservative. He answered that he had always preferred an unequal distribution of riches to an equal distribution of poverty. Now in Poland we have some sort of strange paternalistic system, often based on favoritism of the "after all, he is a good comrade" type or "he is a good colleague," and so on. All this is beginning to disappear.

[Question] And you think people will be satisfied with this?

[Answer] It is possible that many people will say: "I prefer to live poorer but at ease, without effort or worry." The reform will make it very difficult to be able to live without putting out any effort. On the other hand, I think that the working forces themselves will be concerned about those among them who have poorer opportunities and cannot work as effectively as others. I am convinced that humanitarian and moral considerations will not disappear entirely in a self-governing economy.

Alongside proponents of "the easy life," on the other hand, the overwhelming majority is fed up with the present mess and wants to work conscientiously. For them the reform is a great opportunity.

Our previous system, which was so compromised by economic ineffectiveness, sometimes made conformism more profitable than honest intensive work. Now many people are uncertain about their existential fate, and have no sense of stability. We have to fight for it. This is the price paid for effectiveness.

[Question] Do we also face the threat of unemployment?

[Answer] The reform will reveal employment excesses, but I do not think that there will be a massive furloughing of people. The enterprises run by self-governments will not take that route. After all, worker solidarity is strong, and I do not believe, for example, that the working forces will throw 200 people out into the streets to increase their earnings by 5 percent. Nonetheless, part of the people in administration, in the pseudoscientific institutes (because it turns out suddenly that there is nobody to finance their activity), and probably some from the sphere of culture will have to go. Painful problems can arise for many people. I think that the government will be able to ease them, paying for efforts, making undertakings done on one's own easier, or organizing free courses to prepare people looking for vocations.

[Question] Hence, the prospects are not too happy. To cite Churchill again, it looks as though what awaits us is not easy success, but blood, sweat, and tears. When finally will we notice the positive effects of the reform?

[Answer] I think that by next year. If 1982 brings the introduction of its basic components, then there will be a gradual disappearance of the empty shelves in the shops, the lines, the black market, human instability, and complexes about those who have real money. Our money will be less, because prices will rise, but it will be real money, not symbolic money.

[Question] You said "if." What obstacles might there be?

[Answer] There are many problems stirred up by controversies, in the area of the financial economy of the enterprises (a law is being prepared on this subject).

The disputes between the government and Solidarity concern basic issues, such as the socialization of planning, which after all is closely related to the way central economic decisions are made and safeguards against arbitrary moves by the authorities. For example, it was against this backdrop that the issue of a second house of parliament and a Social Council on the National Economy came up. It is necessary to think through, agree on, and finally determine when central planning can give up the forms of decree and distribution. In the first year of the reform, it will not be possible to avoid this entirely. On the other hand, after all, decrees and distribution indices are mortal threats to independence, self-governance, and the self-financing of enterprises.

Nevertheless, the political condition is the most important to the success of the reform. Without social understanding and an entry onto the road of honest cooperation, the economic reform does not have a chance. Of course, it is a question of choosing whether we want to win the political match against the opponent or save the economy. If the time which has passed since August had been a period of solidifying the lines of agreements, I would be far calmer about the fate of the reform.

[Question] Thank you for the interview.

10790
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## NEW PRICE REGULATIONS REPORTED

### Price Commission Head Interviewed

Warsaw TRYBUNA LUDU in Polish 30 Dec 81 pp 1, 2

[Interview with Zdzislaw Krasinski, Chairman of the State Price Commission, by PAP reporter Janusz Kotarsk: "What Will be Next Year's Prices? Interview with PKC [State Price Commission] Chairman"]

> [Text] Several days prior to the introduction of the martial law the State Price Commission was about to disseminate a brochure on proposals to change the prices of foodstuffs, fuels, and energy as well as housing rents. It is also known that new producer prices were to be effective as of the new year. What is the situation in this field at present? And will there be new market prices in the new year?

These questions were asked by a PAP [Polish Press Agency] journalist of the Chairman of the State Price Commission, Minister Zdzislaw Krasinski.

[Answer] The brochure has already been printed and transmitted to "Ruch" outlets. It has already been distributed in some voivodships but in others it still has not reached the kiosks. Nevertheless the information it contains has not lost its validity and presumably it will be distributed throughout the country in the first few days of the new year.

[Question] Does this mean that there also will be time for consultation with the public and collection of opinions and proposals?

[Answer] In the brochure we specify 15 January as the deadline for sending in comments. We already are receiving the first few comments from the voivodships in which it was disseminated. The responses draw attention to the fairly complex system of compensations. This concerns, among other things, compensation for the rise in the price of fuel and other items. We consider every comment thoroughly.

[Question] And what about the supply prices?

[Answer] They are effective as of January 1.

[Question] What consequences will this have on retail prices?

[Answer] Most enterprises have calculated the new free and controlled prices with allowance for the increase in production cost due to the higher producer prices prevailing as of the new year. This concerns manufactured goods and services not comprised in the official pricelists centrally determined by the State Price Commission. Most foodstuffs, except those sold in public markets and seasonal foodstuffs, have centrally fixed prices and no upward revisions of their prices on January 1 are expected.

[Question] How long, though, will stable prices persist for these products?

[Answer] I present the view that the prices of foodstuffs, fuel, and energy should all be revised simultaneously. Of course, the revisions should allow for the comments sent in previously by trade unions, those being currently received from certain public organizations, and those that will be received from the population following the publication of the brochure. We also expect to perform successive studies of public opinion, which will be carried out by the center for public opinion research and program studies under the Committee for Radio and Television, and by the Katowice branch of the Institute of Interior Commerce and Services.

The subject has already been explored to some extent. We known, for example, that a majority of the public is in favor of degressive compensation, tht is compensation decreasing in measure with increase in incomes. It should be emphasized, however, that the introduction of compensation of this kind would entail considerable technical problems. As regards compensation for children, the prevailing opinion is that it should be moderately uniform.

[Question] Since we are speaking of compensation, will it be extended to offset the rise in the prices of items to be fixed directly by the enterprises as early as on 1 January, and if yes, in what form?

[Answer] I believe that, in addition to the general compensation for the rise in the prices of foodstuffs, fuel, and energy, a provision should be made for compensation for the rise in the prices of staple means of personal hygiene, school and preschool instruments, textbooks, and aids, travel by urban and suburban public transit, and clothing and footwear for children and youth up to 15 years old, as well as for the adults belonging to the poorest stratum of society. The amounts of the compensation would balance expenditures on a scale representing the indispensable minimum of needs.

In 1982, on the other hand, we wish to settle the entire system of compensation payments due to the rise in the cost of living so that in 1983 the minimum wages, annuities, and old-age pensions could be increased in relation to the rise in the cost of living.

## New Producer Prices

Warsaw TRYBUNA LUDU in Polish 30 Dec 81, pp 1, 2

[PAP Communique: "A Regulation Which Eliminates Fiction" under the rubric of "Producer Prices" with the subtitles: "Modenization of Production--Activation of Reserves--Profitability of Exports"]

[Text] Pursuant to the resolution of the Council of Ministers and the postulates of the economic reform, revised producer prices for raw and other materials as well

as of means of production will take effect as of 1 January 1982, along with revised charges for energy and freight transport. The new price lists regulating the supply turnover provide for a marked rise in the prices of basic means of production and will to some extent affect the prices of consumer goods.

The regulation of producer prices will be of tremendous importance to the success of the economic reform in Poland. In this respect the economists have been and are in complete accord that if the current prices of raw and other materials and fuel and energy were to be maintainedin the long run, any economic calculation and cost accounting would have been pure fiction. The new sales prices of means of production should assure an effective appraisal of the efficiency of processing industries from the standpoint of profitability of exports. They should also promote the modernization of production, the exploitation of potential, and the attainment of maximally advantageous prices in foreign trade. For these reasons the Commission for Economic Reform has judged that the determination of the new producer prices should be based as broadly as possible on the prices prevailing in foreign trade with the so-called II payments area ["capitalist" countries[. Thus, a system close to the Hungarian model has been adopted.

The scale of the price operation under way is extremely large. It is extimated that the introduction of the reform will cause producer prices to increase by altogether approximately 2,300 billion zlotys. Thus, e.g., the price of one ton of crude petroleum will rise from the current 2,000 zlotys to about 13,400 zlotys. In its turn, one ton of black stoking coal will cost on the average 1,870 zlotys instead of the 467 zlotys at present. Higher prices will also be fixed for gaseous fuels, petroleum products, coke, brown coal, metallurgical raw materials and products, timber and lumber, cement and other building materials, and also pulp and paper, nonferrous metals, and many chemicals.

The reform of producer prices will affect the level of the cost and profitability of not only means of production but also consumer goods and services. Estimates show that the rise in the production cost of consumer goods due to the reform of sales prices will reach approximately 300-460 billion zlotys. The point is that the reform of producer prices is closely linked to the new operating principles of state enterprises. In accordance with these principles, the prices of most consumer goods, especially the non-food ones, will be treated as free prices, that is, freely fixed by producers without intervention by the state. It is clear that under these conditions the prices must offset production cost and assure adequate profit for the enterprise. In other words, they must be profitable prices. That is why it is to be expected that the reform of producer prices will result in successive rises of retail prices as well.

1386
CSO: 2600/189

## PLANNING COMMISSION OFFICIAL DISCUSSES AGRICULTURAL ECONOMIC SITUATION

Warsaw DZIENNIK LUDOWY in Polish 22 Dec 81 pp 1,2

[Interview with Prof Dr Eugeniusz Gorzelak, vice chairman of the Planning Commission, by Franciszek Nasinski: "Application of Economic Reform in Agriculture Despite the State of Martial Law"; date and place not specified; passages enclosed in slantlines printed in boldface]

The state of martial law continues, but life must go on as normal. In order to live, we must produce and satisfy all everyday needs. Many questions are still unanswered. Because we believe these matters to be of interest to our readers, we have asked the vice chairman of the Planning Commission, Prof Dr Eugeniusz Gorzelak, the following questions:

[Question] Prof Gorzelak: On what will the operation of the economy now be based?

[Answer] We are making every effort to have production proceed normally. I believe that in a short time we will be able to overcome the difficulties that were caused by the disarray in many of the basic areas of our life in the period preceding the declaration of a state of martial law. The prospects look good that gradually everything will return to normal.

In this interview I propose to restrict myself to a discussion of the functioning of that part of the economy that is closely linked with agriculture and that affects relations between the urban and rural areas. Unfortunately, some serious dangers exist here. /Deliveries of farm products to procurement points are too low. There is a risk of starvation in the cities and we cannot stand by helplessly. We must act to prevent this./ I believe that the appeal by the secretariat of the Supreme Committee of the United Peasant Party (ZSL) regarding an increase in deliveries of farm products to procurement points, especially grain and potatoes, will bring the desired results; in any case, it will shape the attitude of the more-aware portion of the rural population. The urban population can expect such a reaction from the farmers, on the basis that a friend in need is a friend indeed.

I must add, however, that this appeal can be reinforced by economic means. And here I must say that the rumors circulating to the effect that obligatory deliveries will be instituted are groundless./ I believe it to be my duty to firmly oppose such rumors.

Nevertheless, an extreme situation can be visualized. If there was a danger that there would not be enough flour for bread, then /one-time/ levies might have to be imposed. But I believe that such a situation will not develop, although we already know that we are not importing the planned amounts of grain and feed from abroad because the governments of certain countries do not show an understanding of the situation in which Poland has found itself and have blocked the credits intended for financing these purchases.

Fortunately, last year's good crops allow us to assume that we will be able to obtain the indispensable amounts of grain on the domestic market, from the farmers.

[Question] What economic instruments do you have in mind?

[Answer] Despite the state of martial law, economic reform will be gradually and consistently applied. Beginning next year, a new system of producer prices will go into effect in all branches of the economy. The implementation of these prices will increase production costs in industrial plants, including those supplying means of production for agriculture.

[Question] The Planning Commission doubtless has an idea about how this process will take place and by how much these costs will increase.

[Answer] We are assuming that the prices of production resources for agriculture, such as mineral fertilizers, machines and tools, tractors, cement and other construction materials, should cover the costs of their production and allow a small profit for the enterprise. Their production should not be based on subsidies. Furthermore, the new prices will come close to the value of these goods. As to what the price level will ultimately be, I cannot say today with any accuracy. In any case, calculations show that a ton of coal may cost about 2,000 zlotys, and that the price of an "Ursus" C-320 [tractor] may increase from 145,000 to 315,000 zlotys, and the "Ursus" C-360 may go from 200,000 to 388,000 zlotys. We know very well that the prices in effect thus far, including the producer prices, were, to put it mildly, totally unrealistic. A wagon of coal could be bought for one hog. This had many effects. I will cite two basic ones: First, an unwillingness to increase the production of articles intended for agriculture because this would increase the enterprise's deficit. True, the deficit was covered by subsidies, but the subsidies had to be obtained. Second, what comes cheap is not appreciated.

This led to inefficient utilization of material resources in agriculture. The utilization of mineral fertilizers on the State Farms (PGR), for example, evoked many caustic and not unjustified remarks.

If, at this time, prices are to be an effective incentive for expanding production in the branches of industry that service agriculture, then /the general level of these prices should be two or three, and in some cases even four, times higher than heretofore./ We figure that in this group of goods, prices will, on an average, slightly more than triple.

[Question] What will be the effects of such a sharp increase in prices? How will the farmers react? This may, of course, ruin farm production and make it unprofitable.

[Answer] Not at all. The Guidelines of the PZPR Central Committee Political Bureau and the ZSL Supreme Committee Presidium, approved in November of this year, show that the /farmers will be guaranteed a permanent, regular increase in procurement prices/ to a level which will guarantee profitability of production. This means that farmers will be compensated for increases in production costs by being granted increases in procurement prices on agricultural products.

[Question] But this gives rise to problems due to the fact that the farmer is both a producer and a consumer. He will, therefore, bear the consequences of increased prices as a producer purchasing material-type resources indispensable in farming, and as a consumer purchasing consumer goods such as footwear, clothing, furniture, and finally, food, just to mention salt. Certainly all of this is needed by the rural population.

[Answer] I still maintain that farmers should be fully recompensed for the price increase on means of production. But as far as consumer goods are concerned, the matter must still be considered.

If the total amount of the price increases on means of production over 1 year is 200 billion zlotys, then the farmers should receive that much more in price increases on procurement of farm products. This means that /procurement prices will be in steps/. This will fulfill the demand contained in the Guidelines that prices will guarantee profitability of agricultural production. According to my calculations, procurement prices should increase 40 to 50 percent.

[Question] What will happen then to retail prices on food items?

[Answer] I could jokingly say that let Minister Krasinski, who is offering the people both retail prices and compensation, worry about that. Seriously speaking, I can say that /retail prices on food must also increase/. However, the urban population will be compensated in the form of wage increases and allowances added to pensions, annuities, scholarship grants, etc.

[Question] Are you convinced that the peasants will deliver farm products at the new prices? The preliminary data show that the price of grain in procurement will be about 1,500 zlotys, and on the free market it approaches 2,500 zlotys and more. Althought it is true that current procurement prices guarantee profitability of production, but sharply rising inflation tends to make the farmers withhold sales. A farm product, especially grain, does not lose value during inflation. It is as good as dollars.

[Answer] Yes, you are right. That is exactly why the government has guaranteed the farmers that money obtained from sales of farm products to the state after November 1st of this year and deposited in the cooperative banks will not lose in value, for added to them will be those sums of money which represent the difference between the present price and the future price, after the increase. In addition,

let me remind you about what I said in the beginning: First, we will have problems with purchasing grain abroad. Second, we have grain in this country. Third, we do not want to take grain from the farmers by force. Fourth, we want to buy it, offering higher prices than in the past, and from the farmer's standpoint, which in view of the collapsing market is most important, we want to ensure, in exchange for the cash collected at the procurement point, the purchase of the means of production indispensable to the farmer.

In addition, I would like to express the belief that the application of economic reform and the price measures mentioned here will make it possible to get the market situation under control and that the inflation process will be controlled and limited.

[Question] What will tied sales be like [tied sales, i.e., a farmer's purchase of means of production will be tied to his sales of farm products to the state]? This is very important because thus far all of the solutions proposed have been received by the farmers with criticism.

[Answer] You are correct. I am aware of these opinions. We made a mistake in including only slaughter animals in the tied sales, and not the broad range of products delivered by the farmers. Also, the 1:5 ratio caused the farmers to have some reservations. I will add only that in practice this ratio was revised.

It would be best if there were no tied sales and that each farmer could, as before, deliver his products to the procurement point, limiting free-market sales to fruits, vegetables, potatoes, poultry, etc. It would be best if farmers delivered their products according to the contracts that they signed. Unfortunately, the economic ties between the towns and the villages have been severed, or at least severely strained, which is no surprise in view of the total imbalance.

We are in a state of martial law. Above all, we must exist as a nation, we must all endure--those in the towns and those in the villages. /That is why we must apply a universal system of tied sales./

[Question] What will this really be like?

[Answer] Generally speaking, two variants are possible. The first variant: For all products that he delivers to the procurement point, the farmer receives coupons authorizing him to purchase means of production as he sees fit. As far as commercial products, consumer goods and food articles are concerned, I believe that the price increases will allow us to achieve market balance. The second variant: A so-called "partial tieing", will be applied, i.e., in return for cash obtained for deliveries of grain, slaughter animals, and possibly milk, to the procurement point, the farmer will be able to buy mineral fertilizers, feed, or machines.

The choice of solutions will depend on the goals that we must reach. If, by the end of March, we are able to purchase on the domestic market an additional two million tons of grain and enough slaughter animals to provide ration-card supplies to the people (i.e., 1.8 million tons in post-slaughter weight over the entire year), then we will be able to institute a more convenient and simpler coupon system, based on

the formula "everything for everything". But if there are problems in reaching such a scale of procurement, then the procurement of the critical products--I repeat, grain and slaughter animals--must be supported by the additional priorities contained in the second variant.

Experience will show which economic, and not bureaucratic-administrative, instruments we will have to apply.

9295
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## AREAS FOR IMPROVING USE OF PRODUCTION CAPACITY EXAMINED

Bucharest SCINTEIA in Romanian 18 Dec 81 pp 1, 3

[Unsigned article: "Production Facilities Used With Maximum Efficiency"]

[Text] In his thorough speech at the recent joint plenary session of the RCP Central Committee and the Supreme Council of Economic and Social Development, comrade Nicolae Ceausescu, in referring to the directions of action for the purpose of increasing material production and raising the level of efficiency of economic activities, once again pointed out one of the essential tasks for the workers collectives in industry: the full use at a maximum level of efficiency of all machinery, equipment and installations within economic units.

Without a doubt, we are speaking of a requirement of especially current relevancy imposed by major economic reasons. Our society and all the people have made and are making great efforts to provide the economy with modern machines and equipment, with a portion of them being imported. It is clear that only by ensuring the judicious and full use on a daily basis of the production facilities in each economic unit will they be able to create conditions to recover quickly and fully those funds advanced by society for the purpose of putting modern technology in the enterprises. In the final analysis, the full use of technical equipment represents a major problem in increasing efficiency in each enterprise and at the level of the entire national economy. This is the essential objective of the measures adopted by the party leadership for furthering worker self-management and self-administration and improving the entire economic-financial mechanism.

It is even more necessary now to persevere with regards to a maximum loading of equipment and installations since this currently represents a decisive condition for fully achieving the physical production scheduled to be produced by the end of the year and for eliminating the arrearages that are occurring in some product types. The requirement to fully use technical equipment at a high level of efficiency involves, however, our activities in the entire five year plan. In this regard, the secretary general of the party, comrade Nicolae Ceausescu, stated: "With the currently existing facilities, we can obtain an increase in industrial production of 40 to 50 percent during this five year plan."

Actually, beginning precisely with these reserves in our facilities, in 1982 and during the entire five year plan - whose general nature will be the transition from extensive development to intensive development - the accent will be placed not so much

on the creation of new economic units, but on raising the technical and qualitative level of the existing potential, completing the placement of equipment in certain sectors and using at full capacity the technical equipment that the national economy has available. Thus, next year, industrial production is to be achieved at a rate of 96.5 percent in existing units, 2.8 percent in installations in the technological shake-down phase and only .7 percent in facilities that will go into operation in the second half of the year. That is why, at this time, when next year's production is being prepared in all economic units, it is necessary for the collective leadership organs to give special attention to establishing certain broad and thorough action programs that will ensure the full use of machinery and equipment and the output of maximum production using the technical means we have available.

In light of these requirements, what problems crop up in practice and what type of shortcomings must be constantly eliminated? First, it is appropriate to point out that because of the increased concern on the part of the enterprises' leaderships for uninterrupted operations and the optimum loading of machinery and installations many workers collectives this year obtained significant increases in production and productivity. In other units, however, such as the Buzau Technological Equipment Enterprise, "Hidromecanica" in Brasov or Bistrita-Nasaud, Tulcea, Giurgiu and Botosani counties, the machine-tool use indices were lower, below planned levels. The causes? Organizational shortcomings generated both by these units' insufficient concern and by the hierarchically superior centrals' insufficient concern for creating all the conditions appropriate for the proper use of the technical equipment available. The result, therefore, is a basic problem that must be resolved in the enterprises concerning the judicious loading of machinery and equipment by shift, section and workshop in close correlation with the physical production plan and the cooperation and collaboration programs.

With perseverance and responsibility, it is necessary for the enterprise leaderships to be concerned about the appropriate organization of maintenance and repair projects. At the same time, it is now time to put an end to the inadmissible state of affairs of relegating to second place the production of spare parts and subassemblies needed for the proper operation of existing production facilities. In this regard, in addition to the numerous positive examples, there still are a number of shortcomings. Thus, in some units a large portion of the machinery and equipment operating time is wasted because of unforeseen interruptions as a result of failing to adhere to their maintenance and use standards. In some cases, because of the desire to obtain production at any cost, the technical repair cycle was not adhered to. It is paradoxical that some enterprises, while not achieving their full physical production plan, did not carry out their scheduled capital repairs either. Such not-at-all objective deficiencies brought about the premature wear of certain pieces of machinery and equipment and negatively influenced the level of production.

Concomitantly with the measures that are required to eliminate these shortcomings, the raising of the level of qualifications of all workers must play a central role within the framework of the efforts of the workers councils in the enterprises to have the most efficient use of the technical potential. The secretary general of the party stressed: "We must understand well that the handling of highly technical machinery requires knowledge, discipline and order." In each enterprise, leadership council

and party organization this is the source of the requirement to work with all firmness in order to permanently organize courses to improve technical-professional knowledge so that all worker personnel will be better able to master the highly technical modern equipment that is in each unit.

The use of production facilities at a level of maximum efficiency constitutes a major economic necessity for the development of the national economy during the current stage. Precisely for that reason, as owners, producers and consumers the workers in each enterprise have the duty of working with much greater firmness and decisiveness and with full responsibility for the rational, full use of all machinery, equipment and installations - the wealth of all of society and the technical basis for fulfilling the great objectives established by the 12th RCP Congress.

8724
CSO: 2700

NEW MEASURES DESIGNED TO IMPROVE AGRICULTURAL OPERATIONS

Bucharest SCINTEIA in Romanian 17 Dec 81 p 2

[Interview with Gheorghe Manciu, secretary of state in the Ministry of the Food Industry, by Ioan Herteg: "A New Organizational Framework That Increases Responsibility for the Use of Mechanized Equipment and Interest in the Largest Possible Production"; date and place not specified]

[Text] At the 15 December session, the Political Executive Committee of the RCP Central Committee approved new measures to improve activities for the mechanization of agriculture that will ensure all the conditions for carrying out projects during optimum timeframes with respect for all technological standards, the better use of agricultural tractor and machinery motor pools and the reduction of production costs.

[Question] To begin, I asked the interlocutor to underline the advantages that will stem from the measures that were established for the better use of mechanical equipment and, in the final analysis, for the growth of agricultural production.

[Answer] Briefly, one could say that the purpose of these measures is to bring closer and directly tie the activities of the mechanized equipment operators to the production units and to give the chiefs of the agricultural units the right to organize as they see it best to do. This would be done for the purpose of increasing agricultural production, maximally reducing costs and using the mechanical equipment that the state has placed at the disposal of agriculture.

[Question] Specifically, what new elements have entered into the organization of activities in this field?

[Answer] The new element that has entered into the activities of the mechanization stations, on the basis of the decision of the Political Executive Committee of the RCP Central Committee, is that the equipment that they have is given over for use by the state agricultural units and the cooperative units on the basis of long-term contracts that have been concluded. This means that these agricultural units will be able to decide when, how and in what way each tractor, each piece of agricultural machinery that they have will be used. Precisely for that reason, the mechanization sections and groups will be integrated into the activities of the state and cooperative agricultural units, operating with a dual subordination: to the leaderships of these units and to those of the agricultural mechanization stations. As a result, these stations and the agricultural units will organize and ensure the achievement of agricultural projects during the optimum periods.

[Question] In a practical way, what does this dual subordination mean?

[Answer] The agricultural mechanization stations will continue to remain the owners of the tractors, combines and other types of agricultural equipment. In this position, they have the job of verifying whether the mechanized equipment turned over to each agricultural unit are used rationally, and, as owners of this equipment, they must ensure the carrying out of technical maintenance and the review of whether the established technical norms are adhered to. They have the duty of providing new agricultural tractors and equipment that are in step with technical progress, of carrying out the necessary repairs on tractors and equipment and of obtaining the fuels, lubricants and spare parts necessary for the normal operation of mechanized projects.

With regards to the subordination to the agricultural units, this has two aspects: 1) In the state agricultural enterprises, all workers in the mechanized sections and groups are employed and paid by these enterprises; 2) In the case of the agricultural production cooperatives, in accordance with the measures that were adopted the workers in the mechanized sections and groups become members of the cooperatives, but are paid by the agricultural mechanization stations, maintaining their positions as workers, with all the rights stemming from this. As a result, both the state agricultural enterprises and the agricultural cooperatives will be able to decide when, how and what types of projects will be carried out by the mechanized equipment operators.

[Question] Within what limits can the president of the agricultural cooperative, the chief engineer or the farm chief take actions with regards to the use of the mechanized equipment placed at his disposal?

[Answer] Within very broad limits, but on the condition that this equipment will be used to carry out agricultural projects. As is known, at the beginning of the year estimates are established for projects by type of crop and in other sectors. As a result, these projects will have to be carried out. Certainly, the general assembly of the agricultural cooperative and the leadership council are in a position to decide which projects will be carried out in a mechanized fashion and which ones will be done manually. This greatly increases the authority, as well as the responsibility, of the chief of the agricultural unit or the work group. He is in a position to decide upon the manner of using agricultural tractors and equipment. Furthermore, in all those agricultural units that have adequate conditions large groups will be organized, headed by specialists who work in state and cooperative agricultural units.

[Question] Will this new form of organization stimulate the mechanized equipment operators and agricultural specialists to increase production?

[Answer] The payment of salaries to the mechanized equipment operators, the maintenance mechanics and the other workers on the farms, including the farm chief or the specialist who runs the farm, is done on the basis of an overall contract agreement. Keeping in mind the nature of the work in agriculture, the mechanized equipment operators can also be employed in carrying out manual projects. In carrying out these projects, the members of their families can also participate, receiving the appropriate pay as a result of the production obtained from that land area. Similarly, when the

mechanized equipment operators are not busy carrying out mechanized projects and are not involved in repair work, they can be used to carry out certain manual jobs in the farm or agricultural unit, being paid in these cases according to the established schedules. As a result, the mechanized equipment operators become a complex agricultural worker. He is not satisfied to merely stay behind the wheel of his tractor or combine, but will give a hand and will work where these is need for his help, with him and the agricultural unit to which he belongs gaining from this. According to the regulations in effect, mechanized equipment operators can have a private use lot. Now, mechanized equipment operators, maintenance mechanics and the other operators in the state agricultural units who use or maintain the agricultural equipment and who are not members of cooperatives will receive from the state agricultural unit to which they belong a private use lot of up to 10 area units. The lots that are turned over for private use will be grouped together on land on the outskirts of the localities.

[Question] The measures outlined by the Political Executive Committee also call for the agricultural mechanization stations to help the people's farms. What will be done in this direction?

[Answer] In the non-cooperativized regions, agricultural mechanization stations will be organized that will carry out projects specific to these types of fields. These stations will be equipped with tractors and equipment adequate for the projects on sloping fields and on small fields and for mechanizing work in tree-growing and harvesting fodder. Simiarly, the agricultural mechanization stations in all regions will help the members of agricultural cooperatives to work their private use lots. To this end, it will be good that the lots are grouped together at the outskirts of the localities so they can be plowed by tractors.

[Question] What must be done now in order to implement these measures?

[Answer] Along with completing production plans, the agricultural units should establish exactly their work estimates and outline those fields that will be worked under an overall contract agreement by the mechanized equipment operators and the cooperatists. Since we are currently in the middle of repair activities, this work must be carried out with the greatest responsibility in order to guarantee the proper operation of agricultural tractors and equipment.

The measures established by the Political Executive Committee of the RCP Central Committee will provide a superior organizational framework that will create conditions so that, upon the opening of the spring agricultural campaign, all projects will be carried out at a superior level and will ensure the full achievement of the agricultural production plan.

8724
CSO: 2700

NEW MEASURES DESIGNED TO STIMULATE AGRICULTURAL PRODUCTION

Bucharest REVISTA ECONOMICA in Romanian No 51, 18 Dec 81 pp 5-6

[Article by Dr. Alexandru Ciora]

[Text] For the purpose of achieving the goals set by the 12th Party Congress, the tasks that result from the completion of the new agricultural revolution in this country, the Political Executive Committee of the CC of the RCP, in its session held on 15 December 1981, examined and outlined a set of measures on stimulating the socialist agricultural units and the other producers in boosting per hectare output and increasing deliveries to the state fund.

The new measures taken by the party leadership have a profoundly scientific character, since by proceeding from the analysis of the current stage in the evolution of production, productivity and efficiency of economic activity in light of the material efforts for the expansion of agriculture, from the need for applying in agriculture the specific of the action of objective economic laws they develop, on this basis, the framework required for the completion of the agricultural revolution, for the rise in outputs in this branch.

During the years of socialist construction outstanding successes have been obtained in expanding the technical base of agriculture and boosting farm output. Nevertheless, the results do not match the material efforts made by our state and people to develop this branch, the superior conditions for socialist organization of work. For instance, in our agriculture, as a whole and in the various sectors (state and cooperatives), production has not risen to match the expansion of the technical and material base. The level of increase in the farm output and incomes of SMA [Stations for the Mechanization of Agriculture] is below the level of the material effort. In the cooperativized agricultural sector, net output for each 1000 lei of fixed assets at initial value is 3.5 times lower than in the state sector. It can be estimated that if the level of net output in CAP [Agricultural Production Cooperatives] would rise to the level that exists in IAS [State Agricultural Enterprises], considering that the cooperativized sector involves two-thirds of the country's cultivated area, farm output could go up by a factor of about 4 with the current technical means, based on wiser utilization of labor resources.

An essential factor in enhancing the economic impact involves the rise in labor productivity, a category directly tied in with the specific character of work, respectively with the quantity and quality of the means of production and the manner in

which they are utilized. The 1960-1980 period, under this aspect also, saw good results for the overall agriculture, materialized in the fact that total agricultural production went up 54%, while the work force in agriculture decreased 49%. This justifies the conclusion of experts that the entire production rise is achieved on the basis of greater labor productivity.

The transformation of quantity into new quality, materialized, inter alia, in greater economic efficiency, requires agriculture, also, to increase the profitability of output and of products, with the achievement of profits being the main avenue to the rise in accumulations and formation of the funds of the socialist unit.

Higher efficiency of economic processes in agriculture involves a revolutionary leap in the quality of the activity. Consequently, the party and state leadership outlined a comprehensive program whose completion necessitates firm action by workers in agriculture along the following principal lines:

1. Cut in production costs and creation of an optimal balance between cost and price of delivery of products to the state, with the cost-profit ratio, respectively materials expenditures-net output being the basic ratio upon which the realization of the new economic-financial mechanism hinges. (In IAS, during the last decade, the total production costs showed a continuously upward trend, being 92.6% greater in 1980 versus 1970, and the expenditures related to incomes 135.5% greater. For the products that involve loss, the production cost is far above the level of the delivery price, even for those that underwent a price resetting -- such as milk and beef). In SMA the total expenditures went up 15.2% in 1980 versus 1960, and the incomes only 11 times.

2. Rise in per hectare and per animal average output, which impacts on all economic relationships, including the one between materials expenditures and net production. (For the plant production, the average production went up for the overall agriculture and also in IAS and CAP and, on the whole, it was greater in 1980 versus 1960: by a factor of 3.6 for wheat, 4.6 for corn, and 2 for potato, but still remains below potentialities. For the various sectors, in CAP, during the 1965-1980 period, average production was at a level that was below the level in IAS; for instance, while the average egg output rose by a factor of 3.4, reaching the level in IAS, for wheat -- with an increase of 53% -- only 80.5% of the level in IAS was reached, for corn -- with a rise of 78.4% -- 76.6%, for sunflower -- with a rise of 39.8% -- 88%, for potato -- with a rise of 68.3% -- 62.5%, and for cow's milk the average output decreased to 97% of the level for 1965. As a result of the slow growth of average output, materials expenditures went up, and reached in CAP, in 1980, 69.3% of the value of the total overall output, and materials expenditures for agricultural production only -- 72.4% of the value of the overall agricultural output.)

3. Stepping up of the activity involving mechanization and increase in the rate of completing farming operations within optimal periods.

As a result of expansion of the technical base, mechanization of works has advanced significantly, specifically in the area of plant production, but there still are too great manual labor consumption rates, especially in the area of livestock production

in the cooperativized sector. A set of measures taken recently focuses on orienting investment funds in agriculture principally toward expanding mechanization and increasing the efficiency obtained in this manner.

4. In the area of agricultural production cooperatives, more than in other sectors, it is necessary to more wisely utilize the work force.

The expansion of the technical base of agriculture has generated and continues to generate quantitative and qualitative changes in the resources of manpower of the branch. In the overall agriculture, the number of specialists went up by a factor of 4.2 during the 1960-1980 period (by a factor of 1.7 in IAS and 2 in CAP). A characteristic trait of agriculture involves the fact that the number of workers with medium-grade training is far smaller than that of workers with college degrees and this is a negative aspect. In CAP, all specialists hold managing positions but cover only 31.3% of these positions, and consequently, 39.8% of these positions are held by people with elementary training.

The work force in agriculture decreased to 49% versus 1960 and its proportion in the country's work force went down to 29.4%. Moreover, the number of working people in this branch increased 17.7%.

In CAP, the total number of able-bodied cooperative members decreased to 67.4% and their proportion in the total number of cooperative members went down from 46.8% in 1962 to 34.3% in 1980. The number of able cooperative members who participate permanently in work has doubled and their proportion in the total number of able-bodied cooperative members rose from 17.2% to 53.1%, which points to a significant increase in participation in work. Furthermore, the number of cooperative members who never participate in work in CAP (this category includes those who secure their means of subsistence by work only on their private farms, women who are homemakers, seasonal workers in state units, small artisans) stands at 34% of the number of able people. Changes occurred in terms of sex categories. For instance, in the total number of cooperative members, taken as family members regardless of age, women account for a proportion that oscillates between 53.6% and 57.8%. Among able cooperative members who participate in work, the number of women went up from 27% in 1962 to 36.8% in 1980.

If we take into consideration the significant proportion of able-bodied cooperative members who never participate in work and are not involved permanently in other economic sectors, it follows that the cooperativized sector of agriculture has a great potential of unutilized manpower, that, if drawn into the production process, could be instrumental in completion of farming operations within optimal periods and at a good qualitative level. This also requir s finding methods for training the female work force, that currently is involved in mainly seasonal and unskilled works (the jobs that require skills and the managing jobs are chiefly done by men).

5. In the overall context of measures that are taken for the development of agriculture, great emphasis -- with many ramifications in higher output and greater input of socialist units and small-scale farmers in ensuring the state fund of farm products -- is placed on using price as the economic leverage in the system of economic and financial self-administration and self-management in agriculture and promotion of forms and methods for increasing the material incentives for farmers,

that should result in the optimal ratio between production costs and delivery prices for farm products and between these and the prices of industrial products that are supplied to agriculture.

After the 12th Party Congress, many projects were initiated with the aim of basing production, including agricultural production, on economic principles, increasing the material incentives for farmers. Worthy of note are the measures on resetting delivery prices for some plant and animal products, introduction of the overall contract system as the leading form for remuneration of workers in agriculture, ensuring of state granted technical assistance, restructure of agricultural management by setting up the unified state and cooperative agroindustrial councils, increase by 11.8% in production and contracting prices (introduced early this year).

In 1980, the delivery price rose 50% for the IAS products (versus 1960), 37% for grapes, 36% for cow's milk. The measures taken encompassed all plant and animal farm products; they were needed because, for instance, only nine out of 25 farm products in IAS were profitable and for many other products the costs were higher than the delivery price. For example, in IAS, where labor productivity and average production are greater than those in other agricultural sectors, the production cost taken as the average of effective achievements during the 1971-1980 period was greater than the delivery price: 14.6% for corn (kernel), 22.2% for cow's milk, and 23.6% for beef. The 11.8% rise in the price of delivery (of production) in 1981 resulted in a significant correction of this ratio and the agricultural units achieved extra incomes of almost 10 billion lei.

The 12th RCP Congress approved a set of measures that will be materialized in agriculture under this five-year plan. It is anticipated that by 1985, labor productivity in agriculture will go up 50%, and on this basis the production costs will be reduced in IAS 12.5% and in SMA 11%; net agricultural production for the overall agriculture will go up 38.6% at an annual average rate of 6.8%.

In this context, the decision of the Political Executive Committee of the CC of the RCP on the application of new measures to stimulate farmers who deliver grain, industrial crops, potatoes, vegetables, fruit and grapes to the state fund, of fodder and seeds, has an outstanding significance, which results from the fact that:

a. Implemented is the concept of our party, of the party secretary general, Nicolae Ceausescu, reasserted at the plenary session of the CC of the RCP held in November, according to which "the achievement of a correct price policy, the maintenance of adequate ratios between the cost price, production cost and selling price is an objective legal requirement of proper management of economic activity, of socialist construction and communism;"

b. It is considered that in the context of the effort undertaken for the overall economy in 1981, to correlate and update prices in all areas of material production, of placing these prices on economic principles, new measures be also taken in the field of contracting and procurement from producers in agriculture for stimulation and material incentives in boosting output and delivery to the state fund, for the purpose of achieving the goals set by the party on significantly increasing plant and animal output, completion of the agricultural revolution in Romania, ensuring

of proper supplies to the population and corresponding satisfaction of the other economic needs. The introduction of the new economic mechanism territorially, of self-administration and self-supply requires greater input of all farm producers, including small-scale farmers and farms of cooperative members, into the formation of the central and local fund of agricultural products, for the purpose of ensuring supplies to the population on an organized basis, at firm prices, and of following the standards of socialist ethics and equity in exchanges between town and village;

c. One proceeds from the basic principle of our socialist economy, on correlation and resetting of prices in light of the changes that take place in the production process, in the materials and work expenditures, in world prices, and also in compliance with the rise in the incomes of the population, with the aim of completely meeting expenses, eliminating the discrepancy between delivery prices and production costs, increasing profitability and significantly raising the farmers' incomes.

To this end, the measure is introduced according to which above the basic price for farm products, there will be granted production bonuses, in cash, for the amounts contracted for and delivered to the state, on a differential basis according to the product and progressively depending on the quantity of products obtained per hectare and delivered to the state. The bonuses will represent increases, versus the base price, on the average 30%, for some products reaching up to 60%. Hence, it is estimated that the agricultural units and private farms will receive as a surplus, during the 1981-1982 agricultural year, about 14 billion lei, which will make it possible to meet production expenses and allow producers to obtain an extra income of about 7 billion lei.

Because in establishing the average bonuses one proceeds from the production levels anticipated in the 1982 plan, the socialist farm producers and the small-scale farmers have all the conditions so that, based on increase in output and deliveries to the state central and local fund, they may boost their incomes, a fact that will help to improve the standard of living of all workers in agriculture, of all the farmers.

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PRIVATE SECTOR AGRICULTURAL PRODUCTION LEVELS STUDIED

Bucharest REVISTA ECONOMICA in Romanian No 51, 18 Dec 81 pp 7-8

[Article by Dr. N. Brasoveanu]

[Text] The private farms play a significant role in the overall economy of agriculture. They are located for the most part in the hilly and mountain areas and avail themselves -- in the context of the agricultural land resources -- mainly of natural meadows; therefore, the basic branch of farming in these areas involved and will continue to involve animal raising, in addition to fruit-growing. In the context of the measures incorporated in the program for territorial self-management and self-supply for the purpose of providing the population with plant and livestock products during the 1982-1985 period, which promotes as the fundamental principle the balancing of the physiologically normal food ration, to the effect of increasing the proportion of livestock products, there is a significant increase in the role of this category of farms in ensuring greater amounts of livestock products, for own consumption and for the state central fund. The greater and greater input of meat and meat products, of milk, cheese and eggs in human nutrition will permit the significant reduction in the consumption of grain, thus releasing resources needed for animal feed and for other economic needs.

The program is part of a unified concept, in the context of a longer-term economic policy of our party and state on territorial self-management and self-supply, focusing on formation, distribution and utilization of farm food products for the various counties and localities, stimulation of the citizens who hold cultivable lands to use them in order to obtain the products needed for self-consumption, to raise the greatest possible number of fowls and animals, thus meeting their own requirements, contributing to the formation of the central fund of farm foodstuffs and also creating a surplus for marketing.

Against the backdrop of these economic and social factors, the development of agriculture, the ensuring of own consumption and the needs of all the people, the private farms in the noncooperativized hilly and mountain areas must meet halfway the state input regarding the supplementing of some grain products, cultivating each square meter of land to obtain grain, potatoes, vegetables and fruit and specifically boosting the animal output.

Technical, Economic, Social Factors in Growth of Plant Output

The private farms' land resources number 1.7 million ha, out of which arable land takes up 33.1%, meadows 16.9%, hayfields 45.1%, vineyards 0.8% and orchards 4.1%. The natural pastures (62% of all agricultural land resources) ensure an essentially pastoral trait to the structure of this agricultural sector. However, the relatively significant proportion of the arable land and of orchards requires and ampler examination of the manner in which these resources are utilized.

The structure of crops is as follows: wheat and rye, 4.8%; oats, 1.4%; corn (kernels), 61.6%; potato (in individual field), 12.9%; vegetables, 7.5%; fodder crops, 9.7%. We note great discrepancies between the economic levels of the main grain crops -- wheat and corn. The very low level of wheat crops on private farms is generated by a set of socioeconomic factors that were discussed in this review (No 46/1981). But the presence of wheat and generally of grain crops, in adequate proportions (30-40%) is necessary for technical reasons (this crop is a proper growing for corn and makes best use of the pedoclimatic conditions) and for economic reasons (it is better fit for mechanization and provides bran -- a valuable by-product in animal feed). In exchange, corn -- with a low favorableness as to natural conditions in these areas (specifically considering the thermal factor) is widely grown in the mountain areas, at levels that are not even known for this crop in irrigated lowlands. This kind of practice counters the rules of the risk factor materialized by the elemental manifestation of the thermal factor, frequently resulting in the nonmaturing of corn. The reduction of the areas used for corn to levels of about 35% in hilly zones and even lower in the mountain zones (with cultivation only in the areas where the required thermal minimum is reached) would create the prospect for introduction or expansion of some industrial crops such as rape for oil and sugar beet -- economically profitable crops, a fact which would also facilitate self-supply of mountain private farms with oil and sugar. This resizing of corn crops in the noncooperativized hilly and mountain zones would involve revision of the levels set for provision of corn meal from the state fund to private farms situated in the above-mentioned areas, on a differential basis in light of the favorableness in terms of this crop.

As for favorable conditions for the other crops, studies and practice indicate as proper crops potato, barley, rye, perennial and succulent fodder crops fit for hilly areas (fodder beet, fodder turnips, fodder cabbage) and cryophilic vegetables. We emphasize the successful cultivation of summer wheat and oats and in alternating crops, beans, potato, and squash on many areas, in noncooperativized zones and reduction of the range of crops on private farms in the areas situated at high altitudes (summer and winter wheat, rye, potato and feed crops).

For the mountain noncooperativized zones the technical research institutes recommend the following variants of production patterns, with equal crop levels:

a. In counties with a relatively higher temperature average (Hunedoara, Arges, Bistrita-Nasaud, Bacau, Neamt, Suceava, Maramures): 1. Grain, potato and corn; 2. Grain crops and alfalfa, individual alfalfa crop, potato and corn;

b. In counties with the noncooperativized area situated at higher altitude and with lower temperatures: 1. Grain crops and alfalfa, individual alfalfa crop and potato; 2. Two-row barley and potato; 3. Rye and potato.

Levels for Boosting Animal Output

During the past decade, because of a set of economic and social factors, the animal herds on individual farms indicated in some years a slightly significant growth and in other years a decline. Territorially, for the various natural zones, we note significant differences with regard to the density of animals (see table).

Animal Density on Private Farms

**Densitatea animalelor în gospodăriile agricole individuale**

1) — capete —

| | 2) Revin la 100 ha arabil + pășuni + fîneațe | | | | 3) Revin la 100 ha arabil cereale | |
|---|---|---|---|---|---|---|
| 4) | taurine | 5) caballine | 6) ovine | 7) caprine | 8) porcine | 9) păsări |
| 10) Carpații Meridionali ai Olteniei și Munteniei | 34,0 | 4,4 | 78,3 | 4,2 | 71,7 | 1 068,8 |
| 11) Carpații Meridionali ai Transilvaniei | 28,6 | 5,1 | 87,6 | 1,7 | 42,7 | 499,4 |
| 12) Carpații Orientali ai Moldovei | 46,0 | 5,8 | 64,2 | 3,1 | 53,4 | 1 257,9 |
| 13) Carpații Orientali ai Transilvaniei | 48,4 | 8,8 | 83,6 | 4,5 | 72,8 | 886,4 |
| 14) Podișul Transilvaniei | 51,8 | 9,4 | 91,8 | 5,2 | 53,5 | 722,4 |
| 15) Podișul Moldovei | 47,5 | 25,4 | 206,5 | 1,2 | 29,2 | 747,6 |
| 16) Cîmpia Tisei | 62,9 | 15,0 | 84,3 | 2,7 | 45,0 | 552,1 |
| 17) Podișul Dobrogei | 85,6 | 27,2 | 868,9 | 29,8 | 104,3 | . . . |
| 18) Cîmpia Română | 45,9 | 27,2 | 479,8 | 11,1 | 90,1 | . . . |
| 19) Media pe țară | 40,3 | 7,0 | 84,8 | 3,7 | 56,8 | 864,5 |

Key:

1. Head
2. For each 100 ha arable + meadows + hayfields
3. For each 100 ha arable grain
4. Cattle
5. Stud
6. Sheep
7. Goats
8. Hogs
9. Fowls
10. Southern Carpathians of Oltenia and Muntenia
11. Southern Carpathians of Transylvania
12. Eastern Carpathians of Moldova
13. Eastern Carpathians of Transylvania
14. Transylvanian Plateau
15. Moldova's Plateau
16. Tisa Plain
17. Dobrogea's Plateau
18. Romanian Plain
19. Countrywide average

With 52.8 UVM [expansion unknown] per 100 hectares of agricultural land, the average density of animal herds on private farms is significantly lower than that in the overall agriculture (76 UVM). With the exception of the Romanian Plain, Dobrogea's

Plateau and Moldova's Plateau -- zones that are insignificant in terms of the proportion of noncooperativized farms -- we note a larger livestock on private farms in the Transylvanian Plateau, the Eastern Carpathians of Transylvania and of Moldova.

As a result of the measures to improve animal breeds, in this sector of small-scale production of goods, the average output per animal went up as follows: for cow's milk from 1294 to 2363 liters, for wool from 1.8 to 2.3 kg, for eggs from 100 to 170. In the context of the requirements that result from the economic policy of our party and state with regard to the more intensive involvement of private farms in the formation of the state central fund of farm products, we point out the following evolution of quantities of livestock products contracted for annually by private farms with the state, during the same period: for meat from 50,000 to 77,000 t, for cow's milk from 292,000 to 1.207 million hl,for wool from 2116 to 3563 t, for bee's honey from 830 to 2716 t.

The sinuous evolution of livestock on private farms (sometimes even below the level of natural reproduction) and the relatively small involvement in the formation of the state fund necessitate the examination of the causes that produced them and the substantiation of a set of measures for correction. For instance, in terms of the programs involving the reproduction and selection of animals owned by private farms, we note that while the centers involved orient this activity toward promoting the most productive yields, the private farms promote the development of animal herds from breeds with a lower biological potential but characterized by greater resistance to the arduous conditions of the natural environment.

Moreover, being felt is the lack of or inadequate delivery by agricultural units and consumer cooperatives of the biological material and breeding stock and fattening material -- specifically involving hogs -- conditions under which procurement partly proceeds on the unorganized market, sometimes at profiteering prices. Furthermore, the cases of failure to meet the contractual clauses on granting concentrated fodder to animal raising farms in these zones still constitute an important cause of the inadequate development of animal production in this agricultural sector.

Ensuring of grazing, by the wiser distribution of the grazing resources belonging to people's councils and improvement of the productive capacity of pastureland are significant factors of the support from the state to increasing the livestock and production on private farms. The distribution of herbivorous animals on pastureland in the noncooperativized zone of agriculture is very different on the territory, the density of cattle and sheep herds of private farms on pastures which are privately owned or are used on a usufruct basis being in some counties several times larger than in other counties. In this context, transhumance stands out as an objective necessity. However, it must be better organized by the organs involved, in terms of the periods and locations of passage of herds along the routes specified in the contracts. For the purpose of extending the use of this centuries-old shepherding procedure, transhumance must proceed on the basis of long-term cooperation and reciprocity among mountain counties.

The dynamics of animal herds and the proportion of deliveries of farm products (specifically of livestock products) by private farms to the state fund will significantly improve as a result of the measures taken recently, to which, however, must be added the better differentiation of the level of marketing prices, in light

of the difficulty of working conditions and the high degree of naturalness of products, resulting from the development mainly of biological, scantly chemicalized farming. At the level of higher prices at which these products could be sold to consumers, one could meet the required addition to the current marketing prices, the ratio between production costs and contracting and procurement prices becoming stimulative. The development of private farms in terms of increasing animal herds and production will have very favorable results in the process of self-supply and especially in supplementing with livestock products the state fund, presenting important benefits for both private farms and by and large for society.

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## GLIGOROV DISCUSSES ECONOMIC-POLITICAL PROBLEMS

Belgrade KOMUNIST in Serbo-Croation 18, 28 Dec 81

[The text of the introductory presentation by Kiro Gligorov, member of the LCY Central Committee, at the 3 December session of the Commission for Preparing the Resolution for the 12th LCY Congress; headings and subheads provided by the newspaper editorial board]

[18 Dec 81 pp 12-14]

[Text] Some Problems of Socioeconomic Stabilization

We have seen a decade of major changes in the development of the socioeconomic and political system of Yugoslavia, based on socialist self-management relationships. The basis of these changes was contained in the amendments to the Yugoslav constitution in 1971, in the new constitution of 1974 and in the Law on Associated Labor, as well as in the resolutions of the 10th and 11th LCY congresses. The implementation of the decisions contained in those documents will require decades, and it is not without reason that it is said that the struggle to accomplish those tasks will fill an entire epoch.

Naturally, that does not reduce the LCY's obligation to make a thorough, critical analysis of the results and trends observed in 10 years of development, and particularly during the time between the 11th and 12th LCY congresses. This is even more the case since the accepted strategy for the development of socioeconomic and sociopolitical relationships can be implemented only by the timely identification and careful study of the contradictions and the ideological and other problems that crop up unavoidably in social practice. Since it is difficult to imagine a successful social product based on the automatic and autonomous functioning of the system, the basic task in preparing for the 12th LCY Congress is to study the practice, role and activity of the LCY in implementing progressive changes in social relationships, as well as to evaluate the effects of policy in realizing strategic aims during this period.

The most general conclusion that emerges from the broad consultations that have taken place in preparing the part of the Resolution on Socioeconomic Relationships and Material Development is that, in the period between the two congresses, socioeconomic development has been strongly influenced by state-property, technobureaucratic and group-property considerations and practical behavior; these factors have also had their impact on developmental and general economic

policy. This is not only a matter of sporadic, spontaneous manifestations which are objectively dependent on the overall Yugoslav level of material development, the level of conscientiousness and the functioning of remnants of the old system. Rather, it is primarily a matter of the firmly established position and strength of significant social and economic factors whose resistance is revealed in the slow transformation of existing statist relationships, in the strengthening of the tie between statist and technocratic elements and their role in making social decisions. The third congress of self-management leaders explicitly pointed out that factor as a hindrance to the development of self-management.

Strengthening the Tie Between State and Bureaucratic Elements in Carrying Out Social Decisions

No progress has been registered in worker determination of income. Decisions on the use of labor surpluses, accumulation, investments and expansion of capital reproduction in general are still largely made outside the associated labor system, or else the latter has only a formal role in them. The influence of the workers has failed to grow markedly in determining the portion of income to be used in free labor exchange, or the portion intended for general social consumption and other uses that are decided upon in the delegate system.

On the contrary, the influence of the sociopolitical communities, or their executive agencies, of banks, commercial agencies of organizations of associated labor and various other intermediaries has been predominant. There is frequently a factual, if not formal, usurpation of self-management rights (for example, in investment decisions). There has been an expansion of the role of the indicated agents outside the framework of constitutional rights and responsibilities. Not even the LCY and its agencies are beyond this sort of ties, despite the frequently repeated declarations and conclusions of leading agencies in the federation, the republics and provinces. Yet the LCY is expected to wage uncompromising battle against such tendencies.

The consequence of such behavior is the strengthening of trends toward central government, administrative regulation of social relationships and the material flow of the economy at the expense of self-management decisionmaking and self-management planning, with a clearly expressed subjectivism and voluntarism. These factors have certainly contributed to the preservation of old relationships, and in some places to their entrenchment, and this in turn has choked off and retarded the development of self-management. All of these things are justified by reference to the difficult economic situation and the impossibility of achieving agreements and contracts, while the solution is sought in the strengthening of intervention by sociopolitical establishments at all levels.

Under the strong influence of these tendencies, the last two 5-year plans were approved on the basis of a multitude of goals that could not be attained, while the changes that had taken place in the surrounding economic world were disregarded.

It was as if the world economic crisis had nothing to do with us in Yugoslavia. For several years, and particularly between 1973 and 1979, despite great economic difficulties Yugoslavia registered dynamic development, and everything achieved was attributed to the advantages of our system. Invaluable time for drawing

meaningful conclusions was lost, first, concerning economic events in the world, the necessity of a serious reevaluation of our energy and general developmental policy and exports, and second, concerning the future development of our society and the need for its fundamental restructuring on the basis of the 1974 constitution, in order to avoid stagnation in the development of self-management.

The determinations and basis directions given to the further development of self-management were not accompanied by adequate changes in the position of associated labor, either in material or social terms. Without denying the need for a gradual introduction of those changes, we must point out the fact that social practice did not follow those determinations. During this period, the centralized regulation of economic and social relationships grew, not only at the federation level with its administrative involvement in the society's economic life, but also in identical tendencies of interference by republics, provinces and opstinas.

The Delegate System Has Dissolved in the Practice of Paragovernmental Agencies

Finally, several new forms of self-management organization, such as self-management interest communities involved in both production and social activities, have taken on a paragovernmental character both in terms of their manner of organization, operations and decisionmaking, and in terms of their formation of a strong administrative apparatus, which in many ways has adopted the methods of state agencies in operations. A similar fate met the economic chambers at all levels, so that they were transformed into auxiliary governmental agencies.

In such a social ambience, not even the delegate system could separate itself from the methods and content of operations and decisionmaking used by representative agencies. The unavoidable final result of all these developments was the growth of administration and administrating, to levels previously unknown here, ranging from organizations of associated labor all the way to the federation. A number of intermediary institutions also emerged.

Finally, nearly half the organizations of associated labor and the workers in them lack the opportunity to expand their production, or have only minimal possibilities to do so. Since the calculated amortization figures are unrealistically low, in most cases simply maintaining capital reproduction is threatened. Under such conditions, even the worker is not sufficiently motivated to tie his fate to his organization of associated labor, or to see his future prospects in it. The organizations of associated labor are more frequently turning to the state to seek solutions to their problems there, including price increases, execssive investments and the covering of losses. That is the final consequence of the retardation of self-management and the strengthening of the technocratic and statist monopoly.

The above is only a crude sketch of certain significant manifestations in Yugoslav society and self-management; for the moment it ignores the numerous results in material development and in the development of self-management in the past decade, which have occurred primarily due to the formation of basic organizations of associated labor and the workers' approach to opportunities for direct self-management involvement and association. This sketch was made with the purpose of presenting in clear relief those factors that have impeded the development

of self-management on the basis of the constitution and the Law on Associated Labor. The balance sheet of results and problems can easily be drawn, presenting a more comprehensive evaluation, if we were to identify those manifestations that are continuing to hamper the further development of self-management. Without that balance, there can be no solution to our economic difficulties, or clear social and economic perspectives.

The Developmental Strategy Is Good, but Its Implementation Is Not

If we agree that this evaluation is basically accurate, we will have to ask how such a situation developed. When and where did we err; were the mistakes in the basic LCY determinations, in ideological meanderings, in inadequate actions by subjective forces, or do we just want, impatiently, to change the status that has been developed outside the realistic context of power relationships and the given material potential?

There are no theoretical or empirical proofs that we made mistakes in the basic self-management system. Therefore, even though we encounter the opinions of individuals who assert that the self-management system is to blame for our difficulties, it is very typical that these critics do not offer alternatives that could provide answers to current problems and for future trends in the society from the point of view of continuing development of self-management.

The Yugoslav community has prepared a developmental strategy for socioeconomic and political relationships. That strategy is contained primarily in the 1974 constitution and the Law on Associated Labor. Great importance was given, however, to individual systemic laws, which had the task of preparing the developmental strategy for socioeconomic and political relationships. These usually include laws on planning, prices, the monetary and credit systems, banks and the foreign exchange system. All of these laws have unquestionable significance, but by the very fact that their purpose was to work out the basic concepts contained in the constitution and the Law on Associated Labor, they cannot be raised to the level of the constitution, and they must be constantly subjected to the test of practice. That does not, however, mean that they should be changed without fundamental and serious cause.

Requests to change laws, which in reality indicate changes in certain bases of the socioeconomic system, are one thing; the need to adapt them and change them to suit actual operating circumstances, in accordance with practice and living experience, is something entirely different. A rigid attitude in that regard would either confuse or discourage active social elements from making a timely impact on the overcoming of certain weaknesses that have been revealed. In the contrary case, we would only be tying our own hands, dogmatizing social thinking and ignoring the results of practical experience.

It is my conviction, however, that the problem is not in the laws, or in certain of their provisions. If only that was in question, probably the task of identifying our problems and changing the existing, unsatisfactory situation would be much simpler.

The constitution and laws are only legal (institutional) presuppositions to the functioning of social elements and individuals. Without adequate policies and

resources for implementing them that are appropriate for the nature of Yugoslav society, even the best conceived system would have to reach a point of crisis, first of all in the economy, and then with political repercussions.

Administrative Measures Are Insufficient to Return Overflowing Economic Currents into the Channel of more Stable Flow

Without giving a precise quote, it is worth noting that Kardelj warned seriously that our system, despite its progressiveness, cannot be implemented all by itself, without an adequate economic policy and social action that is backed firmly by organized subjective forces.

Yet our plans and policies, primarily the economic ones, contained large portions of voluntarism, such as too many priorities and goals with unrealistic, overly optimistic temporal and quantitative dimensions, underestimation of the impact of foreign factors (such as the oil crisis and sharpened competitive conditions). They leaned too heavily on supplementary foreign funds and on currency issue at home as an inexhaustible source to cover inflated consumption, particularly in the domain of investments but also in other areas of public consumption. The logical consequence of such a social climate was an orientation toward the comfortable life above our capabilities.

In the meantime, the dynamics of growth began to decline, while instability increased. Then the consciousness grew that it was necessary to intervene, and to return the overflowing currents of the economy into the channel to achieve more peaceful and, especially, more stable trends. The resources used for this purpose bore the mark of state property; administrative intervention suited the relationships of forces in the society and the tendencies that had developed to solve problems using state resources in the same ways in opstinas, republics, provinces and the federation. Meanwhile, the policy remained essentially the same. That slow realization that the policy must be changed was contained in part in the current five-year plan, which should be in effect from the 12th to the 13th Congress. For that reason, the agenda of the Commission of Stabilization of federal social councils contains a proposal for narrowing the priorities of the current five-year plan, because that need cannot be postponed.

The use of adminstrative measures is justified by the poorly developed system, the slowness of reaching agreements and contracts and the seriousness of the situation, all of which cause resorting to various measures under duress. All of these factors are present to an extent, but basically the fact remains that neither policy nor the resources for implementing it have been adapted to the actual situation and the character of our basic production relationships.

Even though all social elements appealed, and still appeal, to the workers, under the given circumstances of the workers and of associated labor, it was impossible to expect that the workers, borne by the true prospects of changing their economic and social position, would utilize their inexhaustible energy to change the existing status of the economy and other social circumstances. By their nature, administrative measures counted primarily on the action of agencies in republics, provinces and opstinas, while counting least on the basic economic elements and their interests. Thus the large investment projects were continued, while other than personal income, consumption remain inflated.

Instead of a Market, Willfulness

Naturally, under these conditions, and without proper measures to change the status of associated labor, no results could be expected. Members of the LCY and other working people retained the conviction that we had not yet found the true causes of the problems, that no efforts were being made to hack at the centralist roots and that the basic economic elements, the basic subjects, were still being treated like the objects of economic policy. That led to the disintegration of economic policy, which its main subjects, the opstinas, republics and provinces, or their executive agencies, began to interpret and implement depending on how they estimated the economic situation, and whether their own interests, particularly in relation to major investment projects, would be affected. Yet it is well known that, up until about a year ago, the economic situation was seen and understood differently. Concerning investments, for example, more serious measures were undertaken only this year.

Another fundamental problem is found in the increasing ideology that is affecting some institutions in our system, in their interpretation along lines that favor subjectivistic attitudes toward economic and social problems. For example, the institution of seeking agreements and contracts is regarded by many to be a means and a direct opportunity to free themselves, not only from certain imperfections of the market, but from the market itself. The market is increasingly treated as a holdover from the past, a necessary evil that could be eliminated almost immediately, if only people would realize that this result could be obtained by the abundant, nearly exclusive utilization of the institution of seeking agreements and contracts. According to these views, prices could be established on the basis of agreement, regardless of domestic and foreign market factors. In a word, that which is a long-term historical process is often, in practice, interpreted as an accomplished fact, if only the subjects would adhere to the Law on Associated Labor. In this attitude, the Law on Associated Labor is often interpreted in isolation, without reference to an actual social context.

On the other hand, every attempt to point out the need to respect the market and economic principles has been attacked ideologically and proclaimed to be a laissez-faire orientation, and a request for markets such as no longer exist, even in capitalist countries. On the contrary, they plead for something that is indisputable, and speak of the need for organized markets, but they interpret this in various ways. On the one hand, they refer to a market in which associated labor will make agreements on everything, so that in fact markets will no longer exist; on the other hand, they say that an organized market actually does not mean its factual negation, but rather the conscientious treatment of the basic organization of associated labor, as the self-management producer of goods which by itself, or in association with others in the market, along with all measures of the system and of policy, should provide for planned development, which would respect objective economic principles, including economic responsibility for the results of labor and economic operations.

These are not questions of doctrine having no practical meaning for LCY actions. On the contrary. The consequences of these disputes are very sensitive, and in them should be sought part of the answer to the question as to how this situation came to be. Actually, when some principle is regarded to be always in effect, then subjective assessments are unavoidable concerning its validity both today

and in the period that is immediately before us. This fact contains the danger of an ideological overestimation of the transformation of social currents, with corresponding consequences, which in turn lead to a very favorable situation for a willful policy conception and apparently very radical view of the evolution of social relationships, essentially outside of objective, material limits. This in turn leads to an insufficient distinction between the desired and possible factor and reality. That sort of indoctrination is welcome to many elements whose desires and needs, intuitions and plans, came before realistic material possibilities for their realization. Such factors include attitudes toward real income, toward GNP and toward foreign indebtedness.

Thus, we can reach agreements and make contracts about everything and, as the jargon has it, prepare "financial constructions." And it is truly a matter of "constructions" which do not rest on any realistic foundations. Whether that foundation is realistic, however, cannot be tested if it is possible to live, and even to invest, without a known income that has been tested in the marketplace, if foreign debts can be transferred to some imaginary federation, if losses are automatically covered by funds expropriated by sociopolitical communities, or, in the extreme instance, by agreement of everyone, or by currency issue and the like.

Under Yugoslav conditions, this attitude toward the market has caused the most harm to the very institution of seeking agreements and making contracts. For this reason, many today minimize the institution's value to us, but in my opinion, the correct conclusion would be that it is one of the most important institutions here, which will gain increasing significance if we can clarify our attitudes toward the market and toward economic principles.

Autarchy Is Not Inherent to Either Basic Organizations of Associated Labor or to Self-Management

We can find similar conclusions on the need to change certain important parts of the system in the criticism of "atomization," as it is pejoratively labeled, the division of the entire society into organizations of associated labor, which does not rest on criticism of the conditions in which organizations of associated labor work, of the economic policy and ideological concepts that make it possible for an organization of associated labor to survive without really associating. The complex of socioeconomic conditions for economic operations must guide the organization of associated labor into associating, so that objectively, it cannot survive without being further associated into the most varied forms of association. Yet in order for organizations of associated labor to make further associations, conviction of the need to do so is not enough. There must also be economic and social need, a real likelihood that the associated organizations will achieve higher income and develop more quickly than those that remain independent, and that the worker in them will live better and attain greater satisfaction both economically and socially.

Here we should mention the LCY Program, which states that economic principles and the market are not obstacles, but essential presuppositions to the successful department of self-management. Naturally, we should not set out to prove that it is a matter of principles of production under circumstances of public ownership and socialist self-management, i.e., they are not outside of time and

independent of basic production relationships. Rather, we are speaking of principles that cannot be ignored without penalty. If such things occur 23 years after the approval of the LCY Program, then their causes should be sought in deeply rooted state-ownership and group-property consciousness, which strongly supports the central bureaucratic and technocratic elements in society that are bothered by every principle, since principles tie their hands and prevent subjective behavior. Those who have such attitudes always believe that they can do much more than they really can objectively achieve. Thus, it is the simplest matter to declare objective principles to be requisites of the past and to try to replace them in practice by strengthening state elements.

Such conceptions and orientations suit the autarchic behavior and the closing off of the Yugoslav economy that has occurred, the conservative attitude toward the surrounding domestic and foreign environment. It is the logical consequence of the conviction that it is possible to operate economically, earn and distribute income and develop, without respecting market principles. This is the beginning of autarchy in the basic organization of associated labor, but it is not inherent only to that level, or to self-management; rather, it is the fruit of social and economic circumstances and potential that it only uses for its benefit.

The same thing happens with an opstina, a republic or province which surrounds itself with its own interests, conceives and approves its plans independently of others, and makes use of every opportunity to realize its own republic or national interests independent of others, or in compromises with others. That is so attractive that no individual community has been able to eliminate it, although everyone knows what autarchy is, how long it can last and what its price will be. Not only individuals and organizations of associated labor, but also sociopolitical communities behave however they can under the given conditions. The LCY cannot, however, be only the interpreter of these manifestations; rather, it must be an active fighter for changing the conditions that make this sort of consciousness and behavior possible.

The Logic of Internalizing Many Basically Negative Manifestations

By following a logic of internalization, we can understand the decline of the export share of total earned income, the decline of Yugoslav exports in world exports, the balance of payments deficit and the indebtedness level that exceeds credit-return capacity. We also understand the indifference toward exporting, and thus the need for drastic measures to force economic subjects to export their products. The roots of such a situation in organizations of associated labor and in all other economic elements can be found in autarchy. That is how certain ideological deviations, in a society such as ours, which with self-management is open by definition and by nature, can be led into the throes of autarchy, to extremely restrictive measures in dealings with foreign countries, etc. The price is very high, it is not only economic and related to domestic policy, but also affects Yugoslavia's international position, encroaches upon our independence and throws a shadow on our system.

I would make the following points to conclude the first part of my remarks:

1. Our first task is to eliminate the causes of stagnation and give a strong boost to the continuing development of self-management on the basis of the

constitution and the Law on Associated Labor. Without that, there is no real basis for a stabilization program and for the proper role of the working class in its realization. The changes that must be made in that connection are not small; they relate to the strengthening of the material and social positions of the working class and of self-management.

2. It is essential that we bring the state back into the limits and functions established by the constitution. Wherever changes have occurred in functions between self-management and the state, we should put relations back in their former places. In implementing such changes, there is room for the strengthening of those governmental functions that it has not successfully performed, particularly regarding control and the protection of self-management, control of legislation and the maintenance of labor principles. When I speak of the state, I do not refer only to the federation, the republics and provinces, but also the opstinas.

In these matters, the self-management character and not just the governmental nature of all sociopolitical communities must be brought to the fore, and in many ways this depends on the role and level of association of associated labor in the process of capital reproduction and in the framework of the delegate system and its impact on making social decisions.

3. In order to reduce the power of the executive agencies of sociopolitical communities to their proper magnitude (and this relates as well to the operating agencies of organizations of associated labor, banks and similar institutions), the delegate system must make the next major step forward to become the locus for making decisions regarding all questions that associated labor does not resolve in its internal deliberations. The orientation of executive agencies, as well as of social councils and other auxiliary bodies of assemblies, along with a changed position for associated labor in them, is an essential presupposition for the affirmation of the delegate system. As a rule, the activities of the republics and provinces in the federation should take place in assemblies and before the public. That also holds for making agreements at the level of republics, provinces and opstinas as well.

Negotiations as a Dialogue Between Representatives of National States Without the Participation of Associated Labor Lead to Bureaucratism

Pluralism and the exhibition of individual interests occur, but there can also be the consideration of one's interest in harmony with the optimal realization of common interests. Such an approach would make us capable of effective negotiating and agreement. Thus it is essential that, in all phases of negotiations by sociopolitical communities, no matter what the level, we should always provide for the presence and preservation of the interests of associated labor, so that negotiations do not turn into simply a dialogue between representatives of the government or its top agencies.

The LCY must oppose negotiations that carry the stamp of state-property relationships of the negotiators toward national income and labor's product and it must oppose the clothing of such pretensions in national interests and the resulting internal conflict. We must resist attempts to make ideology out of individual interests and to connect them to the fate of self-management, to achieve

particular decisions in it, etc. Therefore, respect for the sovereignty and governmental integrity of the republics and the autonomy of the provinces must be basic presuppositions to the equality of nations and national groups. Increasingly, the principles of self-management must be introduced as the content of the system, with associated labor having growing influence.

Only in that way can we prevent a process that would create six or eight autonomous economies in Yugoslavia, a process that the LCY must regard as retrogressive, artificial, one that would cost us dearly and which is contrary to the interests of the working class. If we succeed in preventing it, we will eliminate one of the deepest sources of nationalism and cut off the roots of bureaucracy and technocracy. That can be achieved primarily by a major thrust forward in the development of self-management.

4. The LCY has enormous tasks to accomplish regarding ideology. If we maintain the state-property consciousness, the technobureaucratic monopoly and the acquisitive group-property attitude, nothing will be able to save us from this extremely unfavorable economic situation, not even the best-conceived program of economic and social measures. A predominant reliance on governmental measures and administration suits technocratic structures and the state-property mentality, for that is the basis of their strength, just as the association of labor and resources and the integration of organizations into the broadest possible associations is foreign to them.

Neither the former nor the latter can stand the operation of the market and of economic principles, for they limit their power and make their arbitration superfluous.

The LCY must resist the underestimation of the functioning of economic principles and the laws of the marketplace under circumstances of socialist production of goods, for that orientation burdens the development of self-management and strengthens other tendencies in society. The market is not a copy of foreign markets, but rather is a market of self-management producers of goods, which the latter should control using their economic power, the might of science and planning. Everything outside that scope is either an idealization of social relationships or (consciously or unconsciously) the encouragement of uncontrolled elements, the strengthening of governmental and technocratic power, belief in the automatization of the system's functioning and in a willful economic policy.

There Can Be No Solution to the Largest Problems Without Economic and Political Unity

5. Economic, social and other elements of our policy cannot in their goals and methods for implementation be essentially different from the nature of the production relationship, the character of self-management relationships and the economic system in which they are produced. That contradiction, which today seems so obvious, has affected and is affecting the stagnation in self-management and the shift in the center of power. Bringing these two components into harmony is the urgent task of all creative forces in society. A significant part of that job has been done by previous work on systemic laws, but obviously that is not enough, for some segments of the economic system are not functioning properly. Planning is being done largely in the old way and the monetary and credit system

must be changed. The Law on Prices is practically suspended, while the situations concerning the foreign-exchange mechanism that is now being applied and economic relations with foreign countries are such that they bring into question the continued functioning of the national currency as the basis of a unified Yugoslav marketplace. Debate continues on a system for expanding capital reproduction and the differences of opinion are great.

Thus goals and the means for attaining them must be brought into harmony with the basic production relationships as predetermined elements of the process. The divergence and ambiguities found cannot be allowed to exist, and deviations must be either transitional or of a limited nature, when they are caused by extreme need and the difficulties of adapting. In that sense, what we have called a program for economic stabilization should contain a program for the further development of self-management and economic and social development on stable foundations. An economic program cannot, however, be the complete answer to the present needs of our society. Solutions for inflation, structural disturbances, overexpansion and overindebtedness cannot be found without economic and political unity in which the integrative factor would be the free association of labor in a unified Yugoslav marketplace. The questions in dispute should be addressed from these positions.

New Challenges to the League of Communists and Its Every Member

6. Both before and after the congress, the LCY should devote itself to clearing up ideological differences and eliminating them in order to strengthen the ideological and political strength of the LCY and its unity in the struggle to change the power relationships in our society in favor of the working class, associated labor and self-management and to crush and cut off the roots of techno-bureaucracy and the state-property monopoly. The key determination in this course of action is that the worker should be totally in control of income, directly, through the free exchange of labor and in the delegate system. That can only be achieved by the much greater presence of the LCY in the basic units of society and in the delegate system, in which it should fight for its strategic and other positions. In this it must avoid the danger of becoming one with governmental agencies. The LCY dare not stand uncritically behind all measures of practical politics and accept or share the responsibility for them.

The tested readiness and capability of communists to join together and make their contribution to this course of action should be the basic criterion for selecting personnel for party tasks and all other duties, even the least important. Indecision, vacillation in approving decisions and compromises in the realization of the stabilization program and the overall LCY program, under the circumstances posed by the accumulated difficulties and tensions in society, can have unimaginable consequences.

[28 Dec 81, pp 12-13]

[Text] I will now refer to several other problems that have been topics of debate, without delving into them in great detail.

The Means of Production Are not "Ali Bey's Straw"

1. Every social system must base its analysis of its status and eventual changes primarily on an evaluationoof the economic and social position of its basic subject. In our system, that is the worker in associated labor, with the inalienable rights guaranteed to him by the constitution, and the basic organization of associated labor, as the economic and legal unit, the self-management producer of goods. In principles, the organization of associated labor cannot exist without being associated, first in a labor organization and then into all the other associations in which it can realize some of its interests.

Here in Yugoslavia, we usually consider that the organization of associated labor is an association of labor or of workers. The means of labor and resources in general as one of the essential conditions for carrying out the productive capacity of labor, are mentioned in passing or not mentioned at all. Apparently, that is not perhaps an essential difference, but in the practice of developing self-management, the consequences can be very great. For some it seems that the means of production have become nothing but the crude tools of labor, with no value or price; they can be utilized without any clear obligation concerning the creation of income. Since by definition they are social property and as such they are everyone's and no one's, and considering Marx's assertion that labor creates value, the specific value of the means of production in the production process is underestimated; their role in creating value as a means for increasing the productive power of labor is neglected.

Our organization of associated labor, as a producer of goods, is a producer of value that utilized social resources, with obligations to reproduce these resources and with their income to increase the resources needed for expanding production. Without mastering this process and producing added value by their labor, the future of the organization is uncertain. Precisely the association of labor and the means of production as a unified process enables the associated worker to be different from every other form of association, whether it be political, cultural or social. It is the basis of the worker's social position and his right to the fruits of his labor.

Without going deeper into these problems, we can find a significant part of the causes for an inadequate attitude toward social capital, careless use of accumulated resources and investment without responsibility, particularly outside organizations of associated labor, in the insufficient differentiation between the factors cited above. It is as if these resources did not have their own values, prices and everything that stems from those concepts. The fact that they are owned by the society should only increase the obligation to preserve their inherent value, to reproduce that value and to handle them in a rational way. In this we can also find part of the folly in underestimating the functioning of economic principles. Without the right attitude toward production, the worker cannot handle income properly. Someone beyond him will always find a way to expropriate income in the name of social ownership of resources, or to force the worker to accumulate resources while his obligations toward society are determined administratively by someone else.

The Basic Organization of Associated Labor Cannot Remain Outside of Associations

2. Since the Law on Associated Labor was adopted and particularly in recent times, the basic organization of associated labor has been criticized as the cause for the atomization of society, the creation of an enormous number of units without regard to size, whose fragmentation renders concentration and organization of large, rational production impossible. It is said that this type of organization of associated labor does not suit the needs for operational economy and conservation of resources and that it leads to internalization and squandering of income and social property on a group-property basis.

According to the constitution, our organization of associated labor should be an economic and technical unit that facilitates the direct self-management of the workers, and in that regard we cannot replace it with anything. At the same time, there is the hypothesis that, except in exceptional circumstances, the organization of associated labor cannot exist outside a labor organization, which has a special position among all forms of association. Directly or through a labor organization, it is necessary to imagine a multitude of various levels of ties by which the basic organization is associated with its partner organizations in an environment based on production ties and other needs. Therefore, there is no question of any sort of absolute value attributed to the organization of associated labor. Yet the critics make precisely that assumption and emphasize its closed nature and suboptimal economic character.

We, too, speak of the internalization of the organization of associated labor, about autarchic tendencies and their conservative nature, but not because that is in the nature of the organization, that there is a false conception of the basic organization of associated labor. Rather, it is because of the conditions in which they live and work, because they do not control income, they operate under inflationary conditions, they have no economic reasons for associating and they can exist without associating with other organizations, because operating conditions permit them to do so, etc. When they consider the importance and position of organizations of associated labor outside this realistic economic and social context, the critics make a crucial error. Therefore, that criticism should not deter us concerning the true meaning of our basic self-management and production unit. Rather, it should point even more clearly to the need for urgent changes of the conditions under which they work. Without that, one cannot explain why we see such internalization in labor organizations and more complex organizations, as well as in opstinas, regions, provinces and republics. The same phenomenon is present, with the same causes that should be eliminated.

Income Separated from Its Basic Source--Labor

3. It is essential that the formation and distribution of the social product and of national income be placed on realistic foundations. Without that, our discussions of economic trends, evaluation of the situation and, especially, the behavior of self-management workers will lack a sufficient basis and will err in many ways. Of the many problems in this area, I will cite only three:

a. Income calculations are not realistic. Because of underestimation of the value of social resources and low amortization, a larger income as a total and in every individual organization of associated labor was shown than actually

existed. Consequently, consumption is always higher, and its cumulative effect in the last decade had a fundamental impact by giving constant support to inflation. On that basis, many organizations showed an apparent profit, while actually they were operating with losses.

After so many administrative interventions in pricing, price relations or price distortions are more pronounced and the disturbances caused by them are greater than they were prior to 1965, when the price situation was one of the essential reasons for the economic reform. Today relationships between branches of the economy are affected by price decisions on three levels: the federation, republics and provinces and opstinas. Any sort of analysis of prices, meaning of the relationship between branches, or more precisely the relationships by which a self-management collective receives income, the relationships between workers, shows that in many ways those relationships are uneconomical. They have been formed by numerous interventions that frequently were purely chance incidents and were surely arbitrary and unjustified economically. Neither the criteria of income per worker and income based on resources, nor the criteria of world price trends balanced by prices, provide an economic justification for such a situation in primary distribution. Rather, they represent uncontrolled, elemental fluctuations on the one hand and pragmatic intervention policy from today to tomorrow on the other.

The meaning of this situation for stability in economic trends is clear, to say nothing of the development of self-management in particular. Thus, the LCY must demand the complete purging of this terrain without exception, so that we will be able to speak of the position of self-management on the basis of facts and economic categories. Today, it cannot be said with certainty that there is a certain amount of income; nor can amortization or simple capital reproduction be specified, or the degree to which these factors are fulfilling their functions be determined. Similarly, capital accumulation and its location cannot be determined. Today it is found even in production costs.

b. The distribution of national income and the income of each individual organization of associated labor does not reveal a situation that is any better. Transfer of income to accumulation and consumption is in large part arbitrary, particularly in today's circumstances which have seen real personal income fall for 3 straight years. Such a decline has not happened in Yugoslavia since the Informbureau period, and the same thing is happening to capital accumulation.

Numerous and unsynchronized interventions in income distribution have taken place on three different levels. They have occurred several times in a year, so that the collectives are uncertain about the amount of resources at their disposal and about the net effect of increased income that results from greater investments in the collective and from labor productivity increases. Yet increased prices are the basic source of the collective's income, while growth in production and productivity are supplemental factors. Last year and this year the nominal growth in income came over 90 percent from increased prices and less than 10 percent from all other causes. This has resulted in runaway growth in production costs.

One more factor should be noted concerning income distribution. The constitution provides that organizations of associated labor must set aside rent and extra income earned because of monopolies or competitive conditions and other factors,

so that the bulk of that income can be assigned to the capital accumulation of that organization. Despite that, this matter remains an open question to this day, under the excuse that there are no objective criteria for determining these categories or that they have not yet been defined. Naturally, that cannot be accepted as justification, for it is not a matter of establishing exact amounts for rent and extra income figures. Rather, possible criteria should be established, even if they are determined by conventional calculations. They will be corrected in practice, but only in this manner can we approach a proper income distribution based on labor and the results of economic operations. This situation results in inexplicable differences in personal income for the same quantity and quality of work in different branches and groups, a constant seeking of examples from one unit to another and support of inflation. Furthermore, the situation creates inequality and dissatisfaction within the working class.

The Dinar Is Ceasing To Be a Uniform Measure of Value

c. Any sort of formation and distribution of the social product presumes a uniform measure throughout the country, the dinar as the measure of value and price. In many ways, the dinar no longer serves that purpose because of the increasing circulation of foreign exchange as the means of payment in domestic commerce and because of sales agreements that call for partial payment in foreign money or required payments of certain amounts for investment. Depending on the territorial distribution of commercial partners and the like, prices can vary as well. In a word, the dinar no longer has the same meaning in all parts of the uniform Yugoslav market.

In that case, how can the results of economic activities be measured? How can we assure distribution on the basis of work performed, and how, which is the most essential point for this distribution, can we judge the results of self-management? When self-management is criticized and its shortcomings are presented, many have no notion about the conditions for its development that were created by the element of central governmental and willful alteration of economic categories and their functions and policies in various domains of economic life. With all that in mind, it can only be said that self-management can withstand a great deal and that it has a great ability to adapt.

We Must Prevent the Internalization and Erosion of the Uniform Yugoslav Market

4. As a result of the tendency toward internalization at various levels, economists and others in the LCY and the Yugoslav public are beginning to take positions either for or against national economies within Yugoslavia. That debate, which unavoidably is colored by various ideological views, is creating an uproar. Given the theme, it is bringing with it nationalist tensions that can only damage the society. Before the congress and at it, in the resolution, clear stands will have to be taken on this question that will reach to the bases of our governmental order. They will also have a marked impact on the conditions under which self-management will develop.

We can begin with the fact that our peoples and natonalities voluntarily opted for life together in the Yugoslav federation and that by the definition of the Yugoslav constitution and the constitutions of the republics and autonomous provinces, the peoples and nationalities in Yugoslavia have their own republics

as states, or in the case of Serbia, as a state and two autonomous provinces. Thus it is inherently obvious that these republics, and considering their broad autonomy, the provinces as well, have "their own economies." Some of them are called republic economies and others national economies, and naturally, these are not the same and are not without significance. Yet for the present debate and for what we want to bring out, these factors are not decisive. The fact is that the republics and provinces base their material foundations on their internal economies, or on the national income produced by their own workers.

More significant and more decisive than that for their nature are the conditions that bind them together, the manner in which they achieve their joint product, the Yugoslav GNP, that part of their social product that is produced on their own individual territory. For that, two fundamental constitutional provisions are of key significance. The first is that self-management is a uniform production relationship and, on that basis, the second refers to the uniform bases of the socioeconomic and sociopolitical system and the unified Yugoslav market. These are the basic features of the Yugoslav union of equal peoples and nationalities, republics that are sovereign states. If we ignore either the first or the second in the practice of our common life when reaching decisions and agreements, then we open the doors in our society and community to various other processes of governmental and self-management types. From these two aspects, then, we should analyze the present status and negative phenomena and seek answers for the advancement of self-management and common life in the federated community. From that point of view, there is a great deal to be changed.

In the first place, as I noted earlier, a proper measure is lacking for a uniform market and for income that would have equal value through Yugoslavia. There is no national currency that fulfills all functions, and therefore prices contain all these shortcomings within themselves.

Plans with numerous unrealistic goals, as well as economic policy and its instruments, support the growth of inflation and the earning of income that does not reflect only the contributions of the labor collective and its productivity, but also all the sources of income besides labor and those based on privilege as well. These things lie at the core of the present instability. In this situation, the market has only marginal significance as long as possibilities exist for incurring debts abroad, for that creates the opportunity for internalization, in a parallel way, both in individual organizations and regions and for autarchism as a general feature of the overall Yugoslav economy. On the other hand, until recently we displayed extreme liberalism in relations with foreign countries, with the uncontrolled and willful import of foreign technology and technical know-how, growing dependence on foreign countries and the increased involvement of foreign countries through complex dependency relationships (in technology, capital, production materials and exports, as well as in arbitration in the domestic economy, especially concerning the approval of decisions on development).

Parallel with these integrational processes of individual organizations with foreign firms came a decrease in interest for domestic ties and an increase in competition accompanied by internalization into individual organizations and within republics and regions. As these processes became more pronounced, the opstinas and republics became increasingly involved in developmental programs, with republic and province foreign-exchange balances and calculations as to what the

republic or province stood to gain or lose in these disturbed relationships and what devices and policies were most suitable to republic or national interests. The debate on "national economies" is a reflex of that situation.

The LCY dare not fall into that atmosphere and carry that debate from varying ideological positions into its own ranks and forums. Rather, it must demand a resolute elimination of all the causes, instruments and propositions of economic policy that lead to the destruction of the basic production relationship, to internalization and to the erosion of the uniform Yugoslav market.

We Dare not Ignore the Unemployment Problem with a Calm Conscience

5. I would like to say just a few words about employment, from the standpoint of the gravity of this problem, the situation of the unemployed and their relationship toward labor. The data show that 45 percent of the unemployed are under 25 years of age, 55 percent have skilled training and 65 percent are looking for work for the first time. We cannot ignore this problem with a clear conscience, for it is among the most severe and for part of the unemployed it represents a real tragedy. Here I am thinking of the young, educated people.

The LCY must come to grips with this problem and demand answers to it, including such approaches as a shorter work week and more rapid development of all activities that could increase employment, while using the technical capabilities of existing facilities. We must overcome a certain indifference in government and LCY agencies toward the gravity of this problem. Prospects must be opened and solutions found, not on the basis of some maximalist demand, but also not resting with the current status while resorting merely to slogans and references to the retail economy's potential as the solution, without corresponding stimulating measures.

Finally, increasing attention is given to the problem of the employed persons' "monopoly" in their jobs, even if they work poorly or fail to work at all, and to the practical impossibility of changing anything in these circumstances. Naturally, an interest in work and income and the ambition to create more for oneself and for society can be expected only if self-management can emerge from stagnation and if our overall policy can lead to more stable relationships in the economy. But even with optimal conditions for labor and self-management, there will continue to be a rather large number of people who will not contribute as much as is expected by their organization and by society. If, however, the point of departure is that the resources are public and that no one who fails to be a good steward has a right to them, and we have the situation where young people in the prime of working and creative capacities remain without jobs, then the question arises as to whether the labor collectives, under prescribed conditions (and not only if someone is guilty of a crime) can accept new workers from the ranks of the unemployed, while assuring full social security to those who are leaving organizations of associated labor. In that way, a process of circulating work would be opened that would correct the present indefensible status in which anyone who once received employment is guaranteed an income until he receives a pension, whether he works, works poorly or does not work at all.

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ECONOMIC RELATIONS WITH ALGERIA

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 29 Dec 81 p 3

[Article by V. Karakasevic: "A Stable Basis Is Achieved for 1982"]

[Text] The Socialist Federal Republic of Yugoslavia's total trade turnover with the developing countries, especially those in the Arab region, the Democratic and Popular Republic of Algeria has, and will play, an increasingly more important role in the future, according to a projection by the Section of the Economic Chamber of Yugoslavia for Economic Relations with Algeria. Of the total Yugoslav exports to Arab countries, Algeria accounted for 7.5 percent in 1980, and 9.8 percent this year, and the estimation for 1982 is 12.8 percent. Of the total Yugoslav exports to developing countries, Algeria will thus account for 6.3 percent.

As far as imports to Yugoslavia from the Arab region are concerned, Algeria accounted for 7.4 percent of the total in 1980; this year the figure will be 21.8 percent, and for 1982 the amount is estimated to be 14.3 percent, or 7.9 percent of the total imports from the developing countries.

In the total scope of economic relations, the exchange of goods plays a special role, and has developed with greater intensity from 1979 to the present. For the first 9 months of 1981, it amounted to $291.6 million, which is a 184.5 percent increase over the amount for the same period last year, and of this amount, Yugoslav exports increased by 42.5 percent to $92.3 million, and imports increased from $102.5 million to $199.3 million.

The structure of imports is composed of crude oil with a total of $197.9 million, iron ore with $550,000, and zinc with $600,000, while exports consist of automobiles, tractors, and spare parts totaling $49,816,000; clothing, fabric, and blankets make up $7,586,000; cables, conductors, and insulators $1,173,000; and paper $1,016,000. It is most important to mention that the total amount of Yugoslav exports for the 9-month period reached $92,314,000.

According to the 1982 plan of foreign exchange, the total exchange of goods with Algeria will reach $400 million, of which $160 million will be exports and $240 million will be imports. In an appraisal of exports for 1982, the Economic Section of the Chamber of Yugoslavia is of the opinion that a real chance exists to realize the volume of exchange, keeping in mind the transactions already signed as well as offers which Yugoslav organizations delivered in 1980 and 1981.

On the whole, commercial offers are concentrated in three areas: the export of automobiles (Zastava), tractors (IMT-Industrial Machines and Tractors), and caterpillar tractors (14 October factory); the export of kitchen appliances, washers, and dryers, and other household devices (Obod, Alfa-Vranje, Astra, Interexport); and the third, where exports can be significantly increased, is in marketing textile industry products and ready-made clothing.

According to signed agreements concerning investment collaboration, Algeria, after Iraq and Libya, was among the most important partners of our country from the developing countries in 1981, a fact which can be confirmed by a number of investment transactions signed by the representatives of Industrial Civil Engineering and Construction Export Association, the Ministry of Electric Power, Geosonda, the Business Association for Industrial Housing Construction, Rudis, Hidrotehnika, and others.

In addition, two textile plants, a leather factory, a fruit juice factory, and a lead and zinc mine constructed earlier, and our organizations have concluded or are in the process of concluding various investment transactions of over $677 million.

9548
CSO: 2800/165

## TRADE WITH PAKISTAN DISCUSSED

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 30 Dec 81 p 6

[Article by Z. Cicmirko: "The Volume of Exchange Lags the Real Potentials"]

[Text] Yugoslavia's economic relations with Pakistan have waned considerably in the last several years, and have fallen behind the real possibilities of both partners. The expectations that mutual economic collaboration would increase were not realized this year.

For years Pakistan has had a large trade deficit with our country, and this trend was also continued this year. The total exchange of goods for the period between January and November (1981) amounted to $18 million; of this exports consisted of $16.5 million and imports $1.5 million. Compared to the same period last year, exports increased by 49 percent and imports decreased by 63 percent. Thus, Pakistan is the only country in this part of the world with whom Yugoslavia has a positive trade balance [sic]. However, this exchange relationship hinders a more intensive and diverse development of economic cooperation between the two countries.

The structure of trade goods also does not live up to expectations; In 1981 imports consisted of leather, rugs, sports equipment, electric heaters, construction materials, and microscopes. Absent to a large extent were the traditional Pakistan imported products such as cotton, rice and molasses. Among the exports, the main item was tractors built by Industrial Machines and Tractors ($6.2 million), then medicinal preparations and prescription drugs $3.6 million), artificial wool-fiber, transformers, condensers, bars, aluminum wire, copper pipe, electronic materials, and refrigerators.

Investment collaboration with Pakistan was sufficiently well developed up to 1971. However, it has now stagnated. Of the investment projects proposed, which were established by Protocol in the Third Session of the Yugoslav-Pakistan Committee for Economic, Scientific, Technical, Cultural, and Educational Collaboration, the only one approved and signed up to now is a contract concerning the construction of a tractor factory in Lahore, on the basis of a joint investment of Industrial Machines and Tractors of Novi Belgrade and the Pakistan partner and a co-financer from the United Arab Emirates.

Pakistan will receive significant foreign assistance for the fiscal year 1982/1983. A consortium of world banks for assistance to Pakistan has already approved approximately $1 billion, and help is expected from Saudi Arabia, the OPEC countries, the Asian Bank for Development, and from bilateral arrangements. Foreseen in the development plan for next year are investments totaling $2.6 billion, which in comparison with 1981 is an increase of 22 percent.

Among the most important projects underway is the exploitation and flotation copper mine Saidak, a joint venture of the Mining and Smelting Bor and Jugometal. For this transaction to succeed it is necessary to provide for the following conditions; that it enter its final phase next year, and that the Yugoslav Bank for International Economic Cooperation play a significant role in it.

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END

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9 February 1982

# East Europe Report

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2230

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9 February 1982

# EAST EUROPE REPORT

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2230

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## BROAD PARTICIPATION IN INTERNATIONAL FAIRS

Sofia SOFIANEWS in English 6 Jan 82 p 2

[Article by Kiril Antov]

[Text]

Bulgaria maintains brisk trade with 116 countries. New products are added to her export list every year, the quality of goods is constantly improving, and their range is diversified

This enables our country to participate in the most prestigious international fairs and exhibitions. Dozens of Bulgarian-made products have been awarded gold medals and other distinctions.

In 1982 our country will take part in the traditional international fairs in Leipzig, Budapest, Poznan, Milan, Zagreb, Salonica, Izmir, Vienna, Damascus, Baghdad and Teheran, plus at the fairs in Delhi and Maputo. In addition, separate Bulgarian foreign trade organisations will arrange independent exhibitions and specialised international shows in scores of countries.

The machine-building industry will exhibit new models of machine tools, wood-processing and textile machinery of high precision and greater productivity. The new types of semi-automatic and automatic lathes will be of particular interest to businessmen, specialists and manufacturers. Complete technological lines with full automation and mechanisation, industrial manipulators and robots with high technical ratings, will be put on show at many of these fairs.

Bulgaria is one of the world's largest manufacturers of material-handling equipment. Every fifth industrial car in the world is Bulgarian-made. We shall exhibit electric and engine-powered trucks with a lifting capacity of 500 to 5,000 kg. and electric hoists with a lifting capacity of 250 to 12,500 kg. They are convenient for handling goods in warehouses and outside of them.

Also on show at these fairs will be the latest computer, office and registration equipment which find ever wider application in various industrial sectors and daily life. Bulgaria has registered substantial achievements in these spheres in recent years.

The chemical industry will exhibit various types of fertilisers, dyes, lacquers, plastics, artificial fibres, light-weight chemicals, polymers and items of industrial microbiology. The glass, leather, furniture and food industries will feature the latest products. Visitors to the Bulgarian stands will find the textiles, the trendy ladies', men's and children's ready wear as well as pieces of furniture from wood quite interesting. They will be able to sample various products of the food industry such as dairy produce, tinned vegetables and meat, stewed fruit and jams, all of them well-known on the international market because of their high qualities.

The demonstration of this country's increased economic potential at international fairs and exhibitions in 1982 will contribute towards expanding and diversifying trade and economic contacts.

CSO: 2020/24

GAS-, OIL-PIPE WORKS IN OPERATION

Sofia SOFIANEWS in English 6 Jan 82 p 2

[Article by Georgi Vlassev]

[Text]

A works making pipes for oil and gas lines has been built in the town of Septemvri, Southern Bulgaria.

It now manufactures spirally welded steel pipes and in 1983 is expected to start the production of seamless ones. The welded pipes are made on two flowlines. One of them makes pipes of 426 to 530 mm in diametre and the other pipes of 530 to 1,220 mm in diametre. They come off in 13 standard diametres. This year the plant will be equipped with bushings so as to be able to turn out pipes of all intermediate diametres, including pipes to western standards.

As to the seamless pipes, they will come in a large variety, both as regards diametre and wall thicknesses which will range from three mm, suitable for the manufacture of syringes, to 88 mm, robust pipes used in gas and oil pipelines. The seamless pipes will be made from alloy and special steels.

What necessitated such production in Bulgaria? In the first place it was prompted by her own needs and the needs of her CMEA partners. After the construction of the oil pipeline linking the petrochemical works in Bourgas with the main district centres, intensive construction is going on of two semi-rings for the delivery of Soviet gas. The northern semi-ring begins from the vicinity of Varna, reaches the chemical works in Vratsa and passes through the Kremikovtsi Iron and Steel Works and Sofia to reach the metal-producing plant near the town of Pernik and the cement plant at Temelkovo, South-Western Bulgaria. The southern semi-ring crosses the Balkan Range near the town of Karnobat, running towards Plovdiv. It is expected to reach Sofia by the end of 1985 where it will join the northern semi-ring. The supply of Sofia with central heating requires pipes still wider in diametre and so does the construction of the Silistra-Tolbukhin watermain which will ultimately solve the water supply problem of the Dobroudja plain.

Over the years Bulgaria manufactured only small-bore pipes to meet water-supply needs. All large-diametre pipes were imported from the Federal Republic of Germany, Italy and Japan. No longer. This country is gradually beginning to export pipes. It meets a small part of Soviet needs. Negotiations are under way for the export of pipes to Poland. We also export to Yugoslavia, Libya and Iraq. The plant in Septemvri which uses local raw materials is becoming an enterprise with a positive foreign trade balance.

The plant has reached and topped its design capacity and is now being expanded. No claims for poor-quality pipes have been put in.

A product of Bulgarian-Soviet cooperation, the plant was designed at GIPPRCMES in Moscow. All its equipment are Soviet-made and every third worker has undergone training in the USSR.

The pipe plant boasts the biggest hydropress in the Balkans. A supersound device detects faults in the seams while the pipes are still on the rolling mill. The fault defector can regulate the seam, shift it and carry out a second check on a 15-cm stripe around it. The pipes have both external and internal seams. This increases their reliability.

Pipe production is fully automated. The big rolling mill is operated by nine people but there is a tendency to cut their number to five.

The town of Septemvri is to become a major pipe-producing centre in the coming years. This is a great achievement for Bulgaria and for the socialist economic community.

CSO: 2020/24

NEW ELECTRIC BUS DEVELOPED

Sofia SOFIANEWS in English 6 Jan 82 p 2

[Article by Eng. Itsko Kohen]

[Text]

The idea of manufacturing an electric car is not new. Now that the price of liquid fuels is rising, it has become particularly topical. Furthermore, internal combustion engines are the main culprits for environmental pollution. That is why the idea of a broader practical application of the electric car proved highly attractive. The costs involving its technical exploitation are three times lower.

In Bulgaria, too, work is going ahead on the design of such vehicles. Specialists from the Institute of Electric- and Engine-Powered Trucks have developed and manufactured the first Bulgarian electric bus. It is simple in design and has an attractive appearance. Its body is from fibre-class plastics and can carry 22 passengers.

It can run 60 kilometres on its own power (45 kilometres in city conditions) without recharging. When fully loaded the bus develops a speed of 35 kilometres per hour and is highly manoeuvrable.

Power comes from a special longer life battery. The battery produces 144 Volts for a 22 KW d.c. electric motor with 3,200 rpm. Despite its high power, the engine is small in size and weighs 80 kilograms. The battery can be recharged 1000 times.

The lighting, sound and signal installations are powered by another battery of 12 Volts. It can be charged from the main battery. This facilitates the maintenance and exploitation of the electric bus, as the functioning of all systems can be secured by charging the main batteries only. It takes only 15 to 20 minutes to charge the main batteries up to 50 per cent of the energy consumed on the road.

Production is to begin soon of five types of this electric bus. One of them will serve tourists. It is an open-deck bus and a trailer can be attached to it. Its speed is lower at the expense of comfort. Another open-deck electric bus will be used for sports competitions and will develop a substantially greater speed. The bus is designed also to serve airport with a platform which can be lifted to a height of three metres. In addition, the electric vehicle will be used for supplying the network of shops with goods, and for passengers in the centre of big cities where the traditional automobile is becoming more and more unwelcome.

CSO: 2020/24

MEDICINES TO 70 COUNTRIES

Sofia SOFIANEWS in English 6 Jan 82 p 2

[Article by Zlatka Tsvetanova]

[Text]

Within a comparatively brief period of time, Bulgaria has become an exporter of a large number of medicines vitamins, herbal extracts, essential oils, preparations for the food industry, veterinary and immuniobiological products. Bulgaria holds one of the first places in Europe in the production of Tetracycline and is runner-up in the world in the manufacture of Analgin ( a pain killer). Our scientists have invented original preparations like Nivalin, Glauvent, Gastropharm, Normoflor, Cratemon and Voulnouzan, among others. During clinical tests and trials in Wiesbaden, in the Federal Republic of Germany, of all available anti-smoking preparations the Bulgarian *TABEX* was rated first.

Today Bulgarian-made medical preparations, perfumes and cosmetics are to be found in over 70 countries. Among them are the CMEA countries, as well as some developed capitalist countries like Austria, Great Britain, Spain, Italy, France, the Federal Republic of Germany, Holland and Switzerland.

The favourable soil and climatic conditions and the use of modern agricultural engineering make it possible to grow high-quality essential and oil crops which provide the basis of the perfumery industry. Apart from the traditional attar of roses this country likewise produces spruce, pine, dill and crane's bill essential oils. We should note that Bulgaria is a world leader in the production of lavender oil; its quality fully meets the strict requirements of the most prestigious perfume-makers. The Bulgaro-Micham oil of peppermint with its fine fragrance, refreshing taste and lack of bitterness is in great demand on the international market.

Our toothpaste *Pomorin* is made on the basis of the curative lye of the Pomorie lake, by the Black Sea, while we use mineral waters to produce the toothpaste *Meri*. These dental creams are known to possess curative and preventive qualities and are preferred in a number of countries. The new toothpastes like *Neo Pomorin*, *Fructo Pomorin*, *Phyto Pomorin*, *Zephyr* and *Lazur* have the same qualities as those of *Pomorin* and *Meri* but are more foamy and fragrant.

The new Bulgarian shampoos, perfumes and deodorants, produced to the latest requirements of modern cosmetics, are becoming more and more popular.

CSO: 2020/24

## SIX MILLION TOURISTS VISIT BULGARIA IN 1981

Sofia SOFIANEWS in English 6 Jan 82 p 7

[Article by Elena Noykova]

[Text]

The thick fog over *Gatwick* airport was the reason for the delay of the charter flight from London to Plovdiv. Nevertheless, many people had come to welcome the plane. Aboard it was the six millionth foreign tourist to Bulgaria for 1981.

The television cameras shot the happy moment when the English schoolgirl Denise Saubolle, 15, and her friends Noel McCarthy and Aidan O'Connor crossed the "finishing line". The group of 150 English children who came through the *Schools Abroad* travel agency was the focus of attention. Denise, who could hardly suppose that she would make such a VIP traveller, answered journalists' questions with some confusion:

"I live in the town of Ilford, Essex county, and study in a school ten kilometres from London. I collect stamps, can swim, play tennis and am fond of singing songs of the *Madness* pop group. I have come here with my schoolmates for a six-day skiing course."

The group of English children was officially welcomed in front of the *Leningrad* hotel in Plovdiv. They were all given flowers, travel literature about Bulgaria and a folk orchestra played national dances. The six millionth tourist to Bulgaria Denise and the rest of the English children were greeted by officials of the State Committee of Tourism, Balkantourist, Balkan Airlines and the *Mladost* sports goods enterprise. They were given presents. Denise got a fur coat, a silver bracelet, skiing outfit, a jubilee album of Bulgaria, souvenirs, a free air ticket and a week-long vacation in Bulgarian mountain in 1982.

Aiden and Noel, both aged 13, were overjoyed at the heap of presents in front of them.

"So many presents just because we were in front and behind Denise in climbing down from the plane," they exclaimed.

The head of the group, Mr David Little took me to a child who followed the official ceremony just as excitedly. That was Catherine, Denise's 12-year-old sister.

"We were given many Christmas presents, but the Bulgarian Santa Claus proves more generous than the English one. I shall remember this trip all my life," she said.

CSO: 2020/24

MINISTER URGES HIGHER PLANT, CATTLE PRODUCTION

Prague ZEMEDELSKE NOVINY in Czech 6 Jan 82 pp 1, 5

/Article by Eng Miroslav Toman, CSc, minister of agriculture and food of the CSR: "At the Threshold of a New Year"/

/Text/ We have entered the first days of 1982. We have behind us the Christmas and New Year holidays which showed how our agricultural and food complex meets the basic directive of the 16th CPCZ Congress regarding optimum supply of the domestic market with food from our own agricultural production. It can be stated that in spite of some partial problems this task of high social responsibility has been met not only during the holdiays but for all of last year. A task rendered even more responsible by the fact that products of our sector represent roughly 50 percent of retail sales. Thus a well-supplied food market contributes to creation of a favorable political climate in our country. This fact has been positively acknowledged by the highest organs of the party and the government. I am availing myself of this occasion to express my thanks to all of our workers who with their efforts have contributed to providing food for the nation.

Exact balancing of the results and causes for failure to meet the plan for agricultural production in some phases will require a more detailed assessment. Yet the differences in the results achieved in production and economy by individual agricultural enterprises in the course of the year indicate that in addition to less favorable climatic conditions the overall results were also influenced by managerial and organizational efforts.

Last year proved to be less than favorable particularly for plant production as a whole. Good results were achieved in the production of potatoes, rape and hops, satisfactory was the production of forage from permanent grasslands and annual fodders from arable land. A smaller deficit (approximately 3-4 percent) occurred in the production of forage plants in conversion to hay, but their quality was relatively good.

The most harmful and detrimental lapse occurred in the production of grain. Production of cereals amounted to only 87 percent of the plan, in the case of legumes the harvest was even lower (56 percent of the plan). Frosts also considerably affected production of vegetables as a whole and particularly also production of fruit, where the harvest represents less than half of the plan quota. There is also a serious concern about the harvest of sugarbeet and with it the production of sugar.

I want to state openly that the causes of unsatisfactory results achieved in plant production in some agricultural enterprises and even whole districts were due, in addition to the already mentioned more adverse climatic conditions and lower level of managerial and organizational effort, to the varying level of agricultural equipment and technological discipline, whose consequences became reflected not only in yield per hectare, but also in quality of production and, ultimately, in economy.

It is imperative that we once again analyze at all levels of agricultural production management the reasons for attainment of not only good, but primarily the less satisfactory results in last year's plant production and draw specific conclusions for meeting the tasks of 1982 and the subsequent years of the Seventh Five-Year Plan.

In animal production, because of a lower harvest of cereals and other fodders, toward the end of the year we had to resort to regulatory measures in raising and fattening of pigs. I want to repeatedly emphasize what has already been said at the Fourth Plenum of the CPCZ Central Committee, that no agricultural enterprise can rely on additional allocations of grain fodders from state resources. Unified agricultural cooperatives and state farms must make do with what they themselves have produced. The time when agricultural enterprises with short supplies of grain fodder just stretched out their arm for a handout from the central resources has come to an end. The situation of the national economy, unusually sharp increases in the price of cereals, oil cakes, animal flours and raw materials on foreign markets force us to rely on our own resources, to become better managers in all respects. Every agricultural enterprise must be self-sufficient primarily as regards bulk fodders--as directed by the resolutions of the 13th Plenum of CPCZ Central Committee in 1979.

We are still far from utilizing all of our own possibilities and resources for increasing production. Where I see the greatest room for improvement is our continuing failure to balance the large differences in the production and economy of individual agricultural enterprises. This applies not only to the differing yields of cereals, which under identical production conditions often amount up to a metric ton per hectare, but the same holds true of root crops, bulk fodders and, particularly, animal production.

In 1981 we achieved in the CSR an annual yield from milch cows of approximately 3,090 liters of milk. That is less by approximately 30 liters than in the preceding year. There still are districts where yield from cows does not exceed 2,600-2,700 liters. With a little more attention and effort we could have met our milk procurement quota, because the deficit represents milk procurement for less than 2 days.

We wound up in a very complicated situation last year in production and procurement of pigs for slaughter, mainly because there were no desirable means for controlling the reproduction process and there occurred an excessive increase in pig herds. Our current task is to channel farm animal herds, and pigs in particular, in such a manner as to facilitate meeting of replenishment programs as well as quotas in production and procurement of animal products in this and in the next year. The developments encountered in the past 2 years must not recur. In particular, we cannot ignore the greatly differing results in regards to production and costs incurred by large-scale animal farms using industrial methods of work. They primarily reflect the work of managerial personnel of agricultural enterprises and agricultural administrations.

Results obtained by leading enterprises show that even in today's complex situation we are capable of creating the prerequisites for continued effective development of animal production. But this also calls for improved technical and technological discipline and resolute dealing with problems, primarily at district and agricultural enterprise level.

In the current year, all agricultural enterprises will find themselves in much harder conditions for meeting the plan for agricultural and food production. We cannot but make ends meet with fodders, but we must also manage all energy sources much better, particularly fuel oil. As of 1 January of the current year the Set of Measures for Improving the Planned Management System will also apply to agriculture. Managerial personnel are well aware of how many serious discussions were held in this context in regards to future planning of agricultural production and how at the same time provide for agricultural enterprises adequate margin for developing their own initiative without undermining at the same time the role of the plan. At this point, I would also like to state unequivocally that the new conditions for planning of agricultural production cannot and will not in any case mean for management personnel of agricultural enterprises any lessening of their burden. Even though the number of fixed indices is limited to a minimum, managerial personnel in unified agricultural cooperatives, state farms and particularly district and regional agricultural administrations must create in the plan itself the prerequisites for meeting quotas not only in production for which fixed indices have been stipulated, but that our fields and herds will produce for our society all the rest. The improved system and everything connected with it must not be interpreted as some sort of a one-time measure. It will be implemented gradually and I say openly that it will require much greater responsibility by every member of agricultural enterprise management. But also greater responsibility by agriculture's partners. After all, our common goal is production of quality foodstuffs not only in an adequate amount, but also at a low cost without adversely affecting the environment.

Some elements of the improve system are currently becoming reflected in production plans for the current year. What is our main concern? We must achieve balanced production in its entire assortment. We need grain, we need fodders, but we also need sugarbeet and potatoes, industrial produce, fruit and vegetables and other products. And these must be included in the plan of plant production. For that reason district agricultural administrations sometimes cannot but require management personnel of unified agricultural cooperatives and state farms to provide, in addition to production called for by fixed indices, also for production of other produce not forming a fixed part of planning. And not only in regards to volume. Provisions must be made for allocation of the requisite amount of acreage for the cultivated plants. This applies primarily to sugarbeet, where we cannot condone capricious or unrealistic planning of yields.

I would also like to direct my address to the processing industry and commercial outlets, not to rely, as has been the case, on raw materials to be procured for them merely by a set of numbers in a plan. Personnel of these organizations, as well as of organizations engaged in services, must go after the raw material themselves to a greater extent than has been the case. Cooperation must be promoted directly already at the production stage. This always used to be the case in the past, e.g., sugar producers did their best to obtain quality sugarbeet in adequate quantities for processing. This type of cooperation is practiced by linen manufacturers, starch factories, partially even by canning plants and others. New approaches to planning of agricultural production must become reflected in a much larger share of such cooperation. Only in this manner can processors create any guarantee for obtaining raw materials.

In animal production, this year should mark a faster turnover in what counts most, i.e., increased orientation toward development of horned cattle keeping, as emphasized by the resolutions of the 16th CPCZ Congress. We have not accomplished very much in this direction so far. It is a process drawn out over a number of years, nevertheless we cannot afford any more delays, as this creates a very tense situation in grain fodders when the major part of meat production is still obtained through fattening of pigs. It stands to reason that this ties in with production of bulk fodders. Last year we took the first few little steps, in that we obtained more hay, in some cases by haylage and silage. These forms of conservation utilizing solar energy must prevail in view of the limited possibilities we face in fuels and energy. Hot-air drying will be used primarily for obtaining indispensable components for fodder mixtures, but we will not be able to afford preserving in this manner less valuable fodders. Solving of the entire complex of fodder production and increased orientation on horned cattle raising will be reinforced also by the system of economic measures which will favor primarily this sector. Nevertheless, we cannot rely on better procurement prices for horned cattle and milk alone to straighten things out without taking appropriate organizational measures. Here the decisive role must be played by responsible organizational efforts of all managerial personnel.

In connection with the necessity for greater economy, particularly as regards fuel and other energy sources, agricultural plants will do well to assess their existing system of organization and management, as well as concentration of production. In the future, it will be necessary to select effective forms of operational management and production that would be least costly and would result in fuel savings.

Extraordinary effort will have to be developed toward improved utilization of every single area of acreage so that all of it, really all of it, even that part of it not permitting use of mechanized equipment, be properly cultivated and harvested. We do not want, and in no case shall we revert to, agricultural production on a small scale, but we cannot let the immense societal wealth of arable soil lie idle. In cooperation with local national committees we shall strive for all acreage unsuitable for large-scale production to be turned over for use by social organizations, citizens, even nonfarmers. Contractual fattening which we started practicing 2, 3 years ago indicates that also this form of initiative is bringing benefit to our society. And the possibilities for this form of production are still far from having been exhausted.

I did mention that our agricultural-food complex manages to keep the domestic market supplied with food at an acceptable level and without major fluctuations. I am aware that in spite of planned increases in the capacities of the processing industry, even this sector has many obsolescent capacities and tasks can be met only through large sacrifices by people. Last year--due to limited sources of raw materials--the food industry too experienced more difficult conditions.

Thus, as we enter the new year, I would like to thank all the people working in agriculture and in the food industry for their selfless performance, for their daily care to provide our common table with all the things we need for proper nourishment.

Thanks are also due to national committees, organizations of the National Front, personnel of sponsoring plants, supply sectors, soldiers, students and apprentices who last year helped with the harvest.

Let us all make a wish that this year's results in the agricultural-food complex turn out much better than they did last year.

8204
CSO: 2400/111

# NATIONAL INCOME, LABOR STRUCTURES DISCUSSED

## Evaluation, Significance of Changes

Prague STATISTIKA in Czech No 11, 1981 pp 490-499

[Article by Irina Pozdniakova: "Some Methods of Evaluation of Structural Changes and What They Reveal"; superscript Arabic numerals refer to appended Bibliography]

[Text] The problem of development and of structural changes in the national economy is very topical. Structural changes in the national economy are regarded as one of the factors in higher efficiency and intensification. Thus it is no accident that the theory of statistics has recently paid increasing attention to the elaboration of statistical methods for evaluation of structural changes and their causes. The purpose of this article is to summarize the present simple methods of evaluation of structures, to propose some other methods of evaluation and to suggest potential interpretation of methods proposed. Explications are based on a simple numerical example.

The methods of evaluation of the structure and their choice depend upon the questions which must be explained in the analysis of the structure and on the degree of accuracy and details of this explanation. Usually the start is made with elementary, but at the same time also more telling, methods and then more complex methods are employed which explain individual aspects of analysis of structures: their development, changes, causes of changes and so on. The absolute structure is given in advance, for example, the sectorial structure of identical territorial units in a longer time series or the structure of identical elements in several territorial units and so on. The first and initial step for further evaluation of these structures is their conversion to a comparable basis. The most popular is the method of share of individual components in the total which is regarded as 1 or 100 percent. For example (Table 1) we have the structure of ND [national income] during the last five-year plan at 1967 stable prices (in order to eliminate the effect of prices on the evaluation of structural changes). The share of individual sectors determines the place and weight of each sector in the production of the national income in every single year. For better illustration, graphic methods are frequently used in this stage--circular or bar graphs on the same scale for all years surveyed. Then the change in the whole area (length of the radius, height of the bar and so

on in accordance with the scale indicated) can reflect the change in the total volume and the changes in the areas of individual components (or angle) reflect the changes in structures. This, however, is a rather elementary method, particularly if a small scale is used, and is suitable as a supplementary, illustrative method.

In case of time comparison of structures, it is expedient to determine the inter-annual growth rates for individual components and for the total (chain index) which can then be used for the evaluation of the effect of growth rates of individual components on the overall growth rate (Table 2). At this stage the graphic method of investigation is sometimes used, but if complex structures (a larger number of components) are involved, the results achieved by this method are less lucid. For this reason, either the components are aggregated or only the key components are depicted. A shortcoming of this method, if used apart, is the fact that it does not consider the weight of individual components. For this reason, a combination is sometimes used of bar graphs, which take the weight of components into account, and of the graph showing the development of these components. V. Kossov [3] proposes another method of graphic evaluation of the effect of the development of structures.

This method separates the biggest component with the plurality weight (in our example the industrial sector) and depicts the dependence between the development of this biggest component and development of all other components in relations to the development of the total, in other words it suggests a graph in which, in his opinion, the angle between the axis "industry" and the diagonal indicates the relation between industry and the total, and the change in this angle of relationship (it is analogous to the so-called "cosine coefficient") because the length of the diagonal is proportionate to the total quantity. I regard this method as unnecessarily complicated because it does not reveal anything more than the coefficient (or percentage) of the share of selected component in the total, that is, in our case the percentage of industry in the production of national income.

The conversion of structures to the comparable (numerical or geometric) basis gives an answer to the question, whether the structural change occurred in time or space. In our example we can state that changes occurred in the weight and growth rates of individual sectors during the period surveyed.

The next step is to determine the magnitude of this change. The fundamental method of evaluation and the basis of further evaluation of changes in structures is the characteristic of the total change, that is

$$P^t = \sum_{i=1}^{n} |w_i^t - w_i^{t-1}| \qquad (1)$$

Table 1. Structure of CSSR national income

| Sector | Production of national income by sectors (at comparable 1967 prices) in billion Kcs | | | | | | Share of individual sectors in production of national income in % ( $w_i$ ) | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1970 | 1971 | 1972 | 1973 | 1974 | 1975 | 1970 | 1971 | 1972 | 1973 | 1974 | 1975 |
| National income, total including | 280.8 | 296.2 | 313.3 | 329.6 | 349.0 | 370.8 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| Industry | 172.9 | 182.6 | 190.6 | 200.4 | 214.3 | 232.6 | 61.58 | 61.64 | 60.88 | 60.84 | 61.42 | 62.73 |
| Construction | 30.5 | 33.5 | 37.9 | 39.6 | 42.1 | 44.2 | 10.87 | 11.31 | 12.10 | 12.02 | 12.07 | 11.92 |
| Agriculture | 27.0 | 28.1 | 28.3 | 29.3 | 29.6 | 29.1 | 9.62 | 9.48 | 9.04 | 8.89 | 8.48 | 7.85 |
| Forestry | 3.6 | 3.7 | 3.8 | 3.7 | 3.6 | 3.8 | 1.29 | 1.25 | 1.21 | 1.12 | 1.03 | 1.02 |
| Freight transportation | 8.9 | 9.7 | 10.6 | 10.7 | 11.4 | 12.3 | 3.17 | 3.27 | 3.38 | 3.25 | 3.27 | 3.32 |
| Production communications | 1.2 | 1.4 | 1.3 | 1.4 | 1.5 | 1.6 | 0.43 | 0.47 | 0.42 | 0.43 | 0.43 | 0.43 |
| Material & technical procurement | 4.3 | 3.8 | 3.9 | 4.6 | 4.5 | 4.3 | 1.53 | 1.28 | 1.25 | 1.40 | 1.29 | 1.16 |
| Trade and public catering | 27.2 | 29.6 | 32.8 | 35.5 | 37.5 | 38.1 | 9.69 | 9.99 | 10.48 | 10.78 | 10.75 | 10.27 |
| Purchase | 1.7 | 0.6 | 0.6 | 0.6 | 0.6 | 0.7 | 0.61 | 0.20 | 0.19 | 0.18 | 0.17 | 0.19 |
| Other sectors of material production | 3.4 | 3.3 | 3.3 | 3.6 | 3.8 | 4.1 | 1.22 | 1.11 | 1.05 | 1.09 | 1.09 | 1.11 |

Source: Statistical yearbook

Table 2. Growth Rates of National Income ($G_i$) and Individual Sectors ($g_i$) Which Contribute to Production of National Income (according to data at 1967 comparable prices) in Relation to Previous Year = 100

in percent

| | 1971 | 1972 | 1973 | 1974 | 1975 |
|---|---|---|---|---|---|
| National income | 105.48 | 105.77 | 105.20 | 105.89 | 106.25 |
| Industry | 105.61 | 104.38 | 105.14 | 106.94 | 108.54 |
| Construction | 109.84 | 113.13 | 104.49 | 106.31 | 104.99 |
| Agriculture | 104.07 | 100.71 | 103.53 | 101.02 | 98.31 |
| Forestry | 102.78 | 102.70 | 97.37 | 97.30 | 105.56 |
| Freight transportation | 108.99 | 109.28 | 100.94 | 106.54 | 107.89 |
| Production communications | 116.67 | 92.86 | 107.69 | 107.14 | 106.67 |
| Material & technical procurement | 88.37 | 102.63 | 117.95 | 97.83 | 95.56 |
| Trade & public catering | 108.82 | 110.81 | 108.23 | 105.63 | 101.60 |
| Purchase | 35.29 | 100.00 | 100.00 | 100.00 | 116.67 |
| Other sectors of material production | 97.06 | 100.00 | 109.09 | 105.56 | 107.89 |

Source: Computed on basis of Table 1

Graph 1

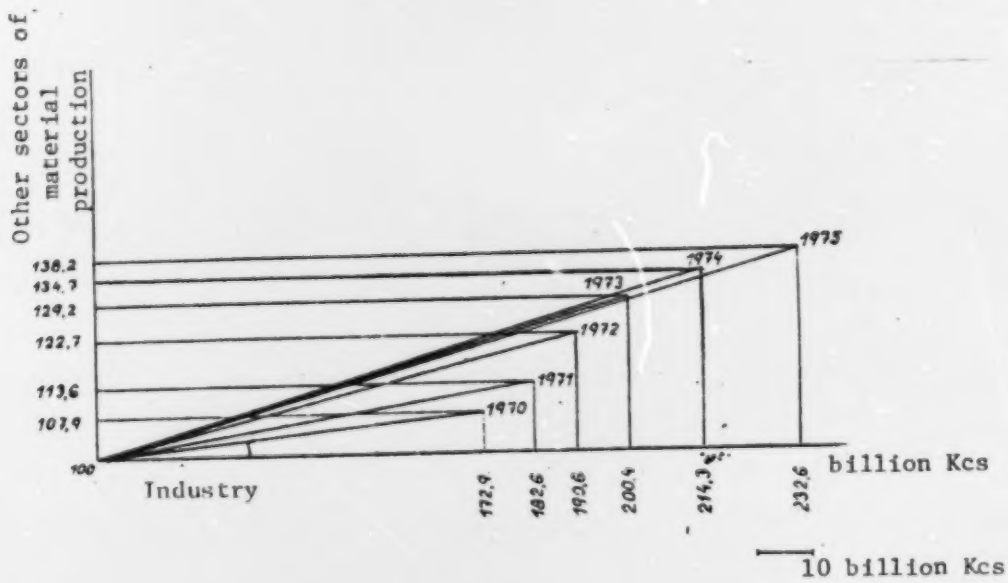

(the total of absolute differences between the shares of individual components. The coefficient $P^t$ determines how the weights of sectors change in the year "t" in comparison with the preceding year. This method of evaluation is used in all known sources. M. Butina[2)] analyses the nature of coefficient $P^t$ in the greatest details.

This characteristic fluctuates from 0 to 2, if the shares are expressed as a portion of 1, or from 0 to 200, if the shares are expressed in percentages to 100 percent. The closer this characteristic comes to the upper limit, the bigger changes occurred in the examined structure in time or space or the more two structures compared in space differ from each other[1)].

In a similar way, if a longer period is involved, the average total change is determined, that is

$$\bar{P} = \frac{1}{T} \sum_{t=1}^{n} P^t \qquad (2)$$

or the structural change over the entire period, that is

$$S^t = \sum_{i=1}^{n} |w_i^t - w_i^0| \qquad (3)$$

Coefficients $\bar{P}$ and $S^t$ likewise fluctuate from 0 to 2 or from 0 to 200.

The comparison of coefficients of changes between 2 years with the coefficients of average total change and of the change over the entire period makes it possible for us to draw conclusions on the nature of these changes. For example, if the coefficients $P^t$ hardly differ from the coefficient P, then it can be stated that the weights of individual sectors did not essentially change during the period surveyed. However, if the coefficients $P^t$ are bigger than $S^t$, it means that the changes in the structure were fluctuating. If the coefficient $S^t$ is bigger than $\bar{P}$ and $P^t$, it means that the changes in the weight of individual sectors were of a more permanent nature in individual years and caused an overall major change in weights.

In our specific instance, the above three coefficients looked as follows (Table 3):

Table 3

In %

| | $P_i^t$ 1971 | 1972 | 1973 | 1974 | 1975 | $\overline{P}$ | $S^t$ |
|---|---|---|---|---|---|---|---|
| National income total | | | | | | | |
| Industry | 0.06 | -0.76 | -0.04 | 0.58 | 1.31 | 0.55 | 1.15 |
| Construction | 0.44 | 0.79 | -0.08 | 0.05 | -0.15 | 0.30 | 1.05 |
| Agriculture | -0.14 | -0.44 | -0.15 | -0.41 | -0.63 | 0.35 | -1.77 |
| Forestry | -0.04 | -0.04 | -0.09 | -0.09 | -0.01 | 0.05 | -0.27 |
| Freight transportation | 0.10 | 0.11 | -0.13 | 0.02 | 0.05 | 0.08 | 0.15 |
| Production communications | 0.04 | -0.05 | 0.01 | 0.00 | 0.00 | 0.02 | 0.00 |
| Material and technical procurement | -0.25 | -0.03 | 0.15 | -0.11 | -0.13 | 0.13 | -0.37 |
| Trade and public catering | 0.30 | 0.49 | 0.30 | -0.03 | -0.48 | 0.32 | 0.58 |
| Purchase | -0.41 | -0.01 | -0.01 | -0.01 | 0.02 | 0.09 | -0.42 |
| Other sectors | -0.10 | -0.06 | 0.04 | 0.00 | 0.02 | 0.04 | -0.10 |
| $P_t$ | 1.88 | 2.78 | 1.00 | 1.32 | 2.80 | 1.95 | 5.86 |

It may be stated that all structural changes were small, because they were within the 1-200 range. The values of coefficients $P_i^t$ substantially differ from the values of coefficient $\overline{P}$ and fluctuate differently which indicates that the effects of individual sectors on the structural change differed. Graph 2 for example shows this for all sectors.

Graph 2

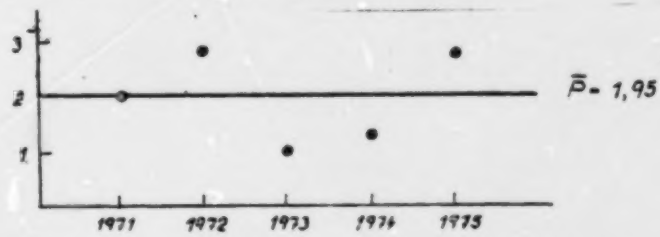


Coefficient $S^t$ is three times as big as $\overline{P}$ and also bigger than any value of coefficient $P^t$ which indicates that the changes in the weights of individual sectors were permanent during the 1970-1975 period. (Note: this reveals the very fact of change in the weights, but it does not tell, for example, that the weight of one group of sectors continuously increased in relation to the second group--for example, industry and construction in comparsion with other sectors.)

The initial relations (1) makes it possible to compute some additional characteristics of changes:

1. the characteristic of the overall increase in the share of sectors growing at a more rapid rate and also the characteristic of the overall reduction of the share of lagging sectors

$$k^t = \frac{1}{2} \sum_{i=1}^{n} |w_i^t - w_i^{t-1}| \qquad (4)$$

Then for the entire period surveyed

$$K(1,T) = \frac{1}{2} \sum_{i=1}^{n} |w_i^t - w_i^0| = \frac{1}{2} S^t$$

This characteristic is suggested by V. Kossov[3) 4)] who states that coefficient K possesses the following properties:

a) if the structure changes monotonously, that is if the group of sectors which grow at a more rapid rate and the group of lagging sectors do not change, then the coefficient K for the entire period equals the total of coefficients $k^t$ computed for every 2 years, that is,

$$K(1,T) = \sum_{t=1}^{T} k^t$$

b) if the share of at least one sector fluctuates during the period surveyed then

$$K(1,T) < \sum_{t=1}^{T} k^t$$

In our example (Table 4) K = 2.93 and $\sum k^t = 4.88$. The significance of this characteristic lies in the fact that it supplies the answer to the question whether or not the examined structure has developed monotonously ($2.93 < 4.88$, that is, that the weight of individual sectors fluctuated during the period surveyed). It can be assumed that the compliance with the first property is an exception rather than a rule.

After the conclusion that the structures did not develop monotonously, the question must be asked as to the degree of monotonousness. For such an instance, M. Butina[2)] suggests the following procedure: from the total set of sectors those sectors are selected which did not change the direction of their development, that is sectors in which the $(w_i^t - w_i^{t-1})$ or $(w_i^{t-1} - w_i^0)$ differences have the same sign and then the coefficient of the total structural change is computed for these sectors $C^t = \sum_{i \in I^*} |w_i^t - w_i^{t-1}|$, , where I* is the group of sectors with the unchanging direction of development. Furthermore, the coefficient of monotonousness of structural changes is determined

$$M^t = \frac{C^t}{P^t} \qquad (5)$$

Coefficient $M^t$ acquires values from 0 to 1. If $M^t = 0$ then all sectors changed the direction of their development. If $M^t = 1$, then no sector changed the direction of its development, that is the development of the structure was monotonous. For a longer period he suggests computing of an average coefficient of monotonousness

$$\overline{M} = \frac{1}{T} \sum_{t=1}^{T} M^t \qquad (6)$$

In the evaluation of coefficient $M^t$ it is necessary to compare its development with the development of coefficient $P^t$ because coefficient $P^t$ shows whether a structural change occurred in year $^t$, while coefficient $M^t$ indicates whether this change preserved its tendency or the tendency was upset.

c) the aggregation of sectors within the group does not affect coefficient $k^t$.

2. the characteristic of the average change between two structures[1)]

$$\bar{d} = \frac{P^t}{n} = \frac{\sum_{i=1}^{n} |w_i^t - w_i^{t-1}|}{n} \qquad (7)$$

Coefficient d "expresses how on the average every part of one group expressed by the relative number of structure differed from the analogous part in the second group" (Table 4)

Table 4

| | 1971 | 1972 | 1973 | 1974 | 1975 | $K$ | $\bar{M}$ | $\bar{P}$ |
|---|---|---|---|---|---|---|---|---|
| $k^t$ | 0,94 | 1,39 | 0,50 | 0,65 | 1,40 | 2,93 | | |
| $P_t$ | 1,88 | 2,78 | 1,00 | 1,30 | 2,80 | | | 1,95 |
| $C^t$ | | 1,97 | 0,59 | 0,51 | 2,83 | | | |
| $M^t$ | | 0,71 | 0,59 | 0,39 | 0,94 | | 0,656 | |
| $\bar{d}$ | 0,188 | 0,278 | 0,100 | 0,130 | 0,280 | | | |

This coefficient can be used not only for a separate characteristic of the structural change, but also for the determination of the sequence of sectors (division of sectors in relation to the average). This method proposed also by V. Abrahamova [1)] consists in the computation of the difference between the average value of the structural change and the value of structural change for each sector, that is

$$\bar{d} - (w_i^{\,t} - w_i^{\,t-1})$$

and then the order of sectors is determined from the biggest to the smallest value.

For better illustration, however, I suggest that the sequence be determined according to the absolute difference in changes in relation to the average change, that is

$$[({}_{1-1}{}^{t}m - {}_{1}{}^{t}m) - \underline{P}]$$

The change in the order characterizes the changes which occurred in the development of structures in relation to the average change (Table 5). In a similar way the comparison of coefficients $P^t$ with $\bar{P}$ and also of $\bar{M}$ with $M^t$ can be used for the evaluation of the development of interannual differences in relation to the average of changes during the entire period surveyed, particularly if a long period (of several five-year plans) is involved, when lucidity is lost.

These characteristics have uniform interpretation. Other characteristics of deviations from the average of changes which could be formally computed can be interpreted only with difficulty. Moreover, in the examination of the structure, when each component represents an aggregated quantity, it is questionable whether more complex characteristics of division should be used.

The last group of methods of evaluation of structures aims at the quantification of causes of established changes in the structure (this is not the quantification of real economic causes of changes in the structure, but the quantification of effects of some factors on the overall change, if this effect can be quantified at all).

The initial step in this analysis of the structure is the determination of the extent to which structural changes account for the total change in the volume. In this case the chain index of development of components of structure can be used, and the comprehensive index must be split into the index of permanent composition and the index of the structure:

$$I = \frac{\Sigma I_i}{n} . I_s$$

Symbol $\frac{\Sigma I_i}{n}$ represents the share in the change due to the increase in the average growth rate, symbol $I_s$ represents the share in the change due to the fact that the structure change in favor of components with the growth rate exceeding the average growth. Computation for our example are listed in Table 6.

V. Kosov [3] suggests that the share of the structural increase be computed in the following way: first the components $\frac{\Sigma I_i}{n}$ a $I_s$, are added, then the share is computed in the conventional way, that is $\frac{I_s}{\frac{\Sigma I_i}{n} + I_s}$

and the coefficient is then compared either with coefficient $k^t$ or $\bar{d}$ (Table 7)

Table 5

| | $[\bar{d} - (w_i^t - w_i^{t-1})]$ | | | | | Order of sectors | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 1971 | 1972 | $\bar{\pi}$ 1973 | 1974 | 1975 | 1971 | 1972 | 1973 | 1974 | 1975 |
| Industry | 0.681 | 3.734 | 1.4 | 3.462 | 3.678 | 8 | 1 | 6 | 2 | 1 |
| Construction | 1.340 | 1.842 | 1.8 | 0.615 | 1.536 | 5 | 3 | 5 | 10 | 4 |
| Agriculture | 1.745 | 2.583 | 2.5 | 4.154 | 3.250 | 3 | 2 | 1 | 1 | 2 |
| Forestry | 1.213 | 1.144 | 1.9 | 1.692 | 1.036 | 6 | 6 | 4 | 4 | 6 |
| Freight transportation | 0.468 | 0.604 | 2.3 | 0.846 | 0.821 | 10 | 10 | 2 | 9 | 10 |
| Production communications | 0.787 | 1.179 | 0.9 | 1.000 | 1.000 | 7 | 5 | 8 | 7-8 | 7 |
| Material and technical procurement | 2.329 | 1.108 | 0.5 | 1.846 | 1.464 | 2 | 7 | 10 | 3 | 5 |
| Trade and public catering | 0.596 | 0.763 | 2.0 | 1.231 | 2.714 | 9 | 9 | 3 | 5 | 3 |
| Purchase | 3.181 | 1.036 | 1.1 | 1.077 | 0.929 | 1 | 8 | 7 | 6 | 8-9 |
| Other sectors | 1.532 | 1.216 | 0.6 | 1.000 | 0.929 | 4 | 4 | 9 | 7-8 | 8-9 |

Table 6

| 1971/1970 | | | 1972/1971 | | | 1973/1972 | | | 1974/1973 | | | 1975/1974 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| $I$ | $\frac{\sum_{i=1}^{n} I_i}{n}$ | $I_s$ | $I$ | $\frac{\sum_{i=1}^{n} I_i}{n}$ | $I_s$ | $I$ | $\frac{\sum_{i=1}^{n} I_i}{n}$ | $I_s$ | $I$ | $\frac{\sum_{i=1}^{n} I_i}{n}$ | $I_s$ | $I$ | $\frac{\sum_{i=1}^{n} I_i}{n}$ | $I_s$ |
| 105,48 | 97,75 | 107,91 | 105,77 | 103,85 | 102,05 | 105,20 | 105,44 | 99,77 | 105,89 | 103,43 | 102,38 | 108,25 | 105,37 | 100,84 |

Another possibility of the evaluation of the structural change is offered by the decomposition of the coefficient of the overall structural change $P^t$. M. Butina [2] links the relation (1) to the growth rate of individual components of structure and of the total, that is

$$P^t = \sum_{i=1}^{n} w_i^{t-1} \left| \frac{g_i^t}{G^t} - 1 \right| = \frac{1}{|G^t|} \sum_{i=1} w_i^{t-1} |g_i^t - G^t|, \qquad (1a)$$

in which $G^t$ is the growth rate of the total, and
$g_i^t$ the growth rate of individual components.

If we use in our calculations according to the above formula for year t the growth rate for the year (t - 1), we obtain the coefficients of total structural changes from which the effect of changes in the growth rates between these 2 years have been eliminated.

This decomposition of coefficient $P^t$ offers a graphic proof that the lower margin of $P^t$ is 0. This will be so, if all growth rates $g_i^t$ are identical.

Table 7

| Indicator | 1971 | 1972 | 1973 | 1974 | 1975 |
|---|---|---|---|---|---|
| Share of structural increase in the growth rate of national income | 52.47 | 49.61 | 48.62 | 49.74 | 48.90 |
| $k^t$ | 0.94 | 1.39 | 0.50 | 0.65 | 1.40 |
| $\bar{d}$ | 0.188 | 0.278 | 0.100 | 0.130 | 0.280 |
| $P_t$ | 1.88 | 2.78 | 1.00 | 1.30 | 2.80 |
| Structural change from which effects of changes in growth of individual sectors ($P_f t$) have been eliminated | 1.61 | 2.88 | 1.01 | 1.29 | 2.74 |
| $M^t$ | -- | 0.71 | 0.59 | 0.39 | 0.94 |

Table 8

| | $\frac{[(w_i^t - w_i^{t-1})]}{P_t}$ | | | | | Order of sectors | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 1971 | 1972 | 1973 | 1974 | 1975 | 1971 | 1972 | 1973 | 1974 | 1975 |
| Industry | 3.191 | 27.338 | 4.000 | 44.615 | 46.788 | 8 | 2 | 7-8 | 1 | 1 |
| Construction | 23.404 | 28.417 | 8.000 | 3.846 | 5.357 | 1 | 1 | 6 | 5 | 4 |
| Agriculture | 7.447 | 15.827 | 15.000 | 31.538 | 22.500 | 5 | 4 | 2-3 | 2 | 2 |
| Forestry | 2.128 | 1.439 | 9.000 | 6.923 | 0.357 | 6-7 | 8 | 5 | 4 | 9 |
| Freight transportation | 5.319 | 3.957 | 13.000 | 1.538 | 1.786 | 9-10 | 5 | 4 | 7 | 6 |
| Production communications | 2.128 | 1.799 | 1.000 | 0.000 | 0.000 | 9-10 | 7 | 9-10 | 6 | 10 |
| Material and technical procurement | 13.298 | 1.079 | 15.000 | 8.462 | 4.643 | 4 | 9 | 2-3 | 9-10 | 5 |
| Trade | 15.957 | 17.626 | 30.000 | 2.308 | 17.143 | 3 | 3 | 1 | 3 | 3 |
| Purchase | 21.809 | 0.360 | 1.000 | 0.769 | 0.714 | 2 | 10 | 9-10 | 8 | 7-8 |
| Other sectors | 5.319 | 2.158 | 4.000 | 0.000 | 0.714 | 6-7 | 6 | 7-8 | 9-10 | 7-8 |

The data in Table 7 reveal that the sequence of years from the standpoint of structural changes which we can determine on the basis of coefficients $k^t$, d and $P^t$ differs (though insignificantly only in the years 1972 and 1975) from the sequence according to the coefficients $P_f^t$ and $M^t$. Then on the basis of comparison of data, for example, the following conclusions can be drawn. From the standpoint of the overall as well as average change in the structure, the smallest changes occurred in 1973 and the biggest in 1972 and 1975. However, the effect of change in the growth rates on the change in the structure was different in 1972 and 1975 which is confirmed also by the indicator $M^t$ whose values point to an almost monotonous development in comparison with the preceding year. The comparison of coefficients $P^t$ and $P_f^t$ in 1972 indicates that the change in the growth rates of individual sectors resulted in something more than structural changes alone, therefore $P_f^t \quad P^t$. This conclusion is partly confirmed by indicator $M^t$ which indicates a more monotonous development than in 1975. Such speculation would be probably even more substantiated if a longer time series were taken into account.

Finally, it is proper to evaluate the share of individual sectors in the total annual change in the structure $P^t$ which is taken for 1 or for 100 percent, and determine the order of sectors by using the formula

$$\frac{[(w_i^{\,t} - w_i^{\,t-1})]}{P^t}$$

A similar evaluation can be carried out also in relation to the average indicators of the change in the structure.

All methods described here characterize the structural changes in terms of time. With some modification these methods can be employed also for the space comparison, but they will have to be interpreted differently.

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## Sources, Distribution of Labor

Prague STATISTIKA in Czech No 11, 1981 pp 500-509

[Article by Dyna Tesarova: "CSSR Labor Force in the 1970's"]

[Text] Due to the continuous increase in the labor force in the national economy during the entire period of building socialism, the CSSR achieved full employment of men and a high degree of employment of women. The extensive utilization of all potential sources of labor, however, has almost depleted free reserves, particularly in regard to housewives. Moreover, the annual increases in the labor supply continuously declined in the course of the 1970's. The resolutions of the 15th and particularly of the 16th CPCZ Congress, therefore, paid great attention to the rational administration of the available labor force.

### Trend in CSSR Labor Supply

During the Sixth Five-Year Plan, the statewide labor force increased by 223,000, or 2.4 percent, which was approximately one-third (96,000) less than in the previous five-year period. The increase slowed down in the main component of the labor supply, namely, in the number of inhabitants in the productive age (men 15-59 years of age, women 15-54 years of age). The increase of 180,000 during the 1976-1980 period represents only 54.0 percent of the increase attained during the previous five-year plan. During the Sixth Five-Year Plan, persons born in the years with a low birth rate at the beginning of the 1960's reached the productive age. In addition, the men born in the years with equally low birth rate during World War I reached the postproductive age together with the women born in the years with high birth rates following World War I*. In this connection, the structure of the increase in the labor force markedly changed not only by sex (while women accounted for almost 55 percent of this increase during the Fifth Five-Year Plan, it was men who accounted for more than 85 percent of the increase during the Sixth Five-Year Plan), but also be age. The main factor in the increase of the labor force continued to be the population increase in the productive age. In comparison with the previous five-year plan, however, the relative significance of this segment declined (it accounted for only 80 percent of the increase in the total labor supply, while during the Fifth Five-Year Plan, when there was an absolute decline of the number of workers of the postproductive age, the population of the productive age was the only factor in the increase of the labor force). The workers of the postproductive age accounted for approximately 20 percent of the increase in the labor force during the Sixth Five-Year Plan and in case of female workers, due to the absolute decrease in the number of women of productive age, they were the principal factor in the increase. The development of supplementary sources of labor, consisting of foreign subjects working in the CSSR, was of a different nature in the two five-year plans. Likewise, the number of states whose citizens temporarily work in the CSSR, further increased after 1975.

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* Moreover, the population data for 1980 reflect the effect of more precise preliminary results of the 1 November 1980 census.

By the end of 1980, the Czechoslovak national economy had at its disposal a labor force of 9,349,000, 47.8 percent of whom were women. In comparison with the Fifth Five-Year Plan, its distribution offers the following picture:

Table 1. Trend in labor force during the Fifth and Sixth Five-Year Plans

| Sources of labor | Reality in thousands 31 December | | | Increase + Decrease - in thousands | | Index | |
|---|---|---|---|---|---|---|---|
| | 1970 | 1975 | 1980[1)] | 1971-1975 | 1976-1980 | 1975-1970 | 1980-1975 |
| | | | Total | | | | |
| Total | 8,807 | 9,126 | 9,349 | 319 | 223 | 103.6 | 102.4 |
| including: | | | | | | | |
| Population of productive age | 8,166 | 8,499 | 8,679 | 333 | 180 | 104.1 | 102.1 |
| Workers of postproductive age | 625 | 610 | 655 | -15 | 45 | 97.6 | 107.3 |
| Foreign nationals working in the CSSR | 16 | 18 | 16 | 2 | -2 | 112.4 | 86.9 |
| | | | Men | | | | |
| Total | 4,544 | 4,689 | 4,878 | 145 | 189 | 103.2 | 104.0 |
| including: | | | | | | | |
| Population of productive age | 4,263 | 4,375 | 4,569 | 112 | 194 | 102.6 | 104.4 |
| Workers of postproducdive age | 277 | 308 | 299 | 31 | -9 | 111.3 | 97.1 |
| Foreign nationals working in the CSSR | 4 | 6 | 10 | 2 | 4 | 117.0 | 198.3 |
| | | | Women | | | | |
| Total | 4,263 | 4,437 | 4,471 | 174 | 34 | 104.1 | 100.7 |
| including: | | | | | | | |
| Population of productive age | 3,903 | 4,124 | 4,110 | 221 | -14 | 105.6 | 99.7 |
| Workers of postproductive age | 348 | 302 | 356 | -46 | 54 | 86.7 | 117.8 |
| Foreign nationals working in the CSSR | 12 | 12 | 6 | 0 | -6 | 110.6 | 41.0 |

1) Preliminary data

During the Sixth Five-Year Plan, the economic utilization of the labor supply increased by 1.0 points and the share of some additional components of labor distribution also increased (during the Fifth Five-Year Plan--while the share of workers with only one or principal employment in the total labor force declined 0.7 points--a significant increase was registered, due to the measures promoting population growth enacted at the beginning of the 1970's, only in the number of women on maternity leave or extended maternity leave). As during the Fifth Five-Year Plan, a significant decrease occurred only in the share of other population of the productive age (including unplanned segments) and particularly of women.

Since many women of productive age who had not been gainfully employed before joined the labor force (at about the same rate during both five-year plans), the number of female workers increased 2.4 points, despite an insignificant absolute increase in the number of women on maternity leave and extended maternity leave, during the Sixth Five-Year Plan. By the end of the Sixth Five-Year Plan, the number of nongainfully employed women was 261,000 or 6.3 percent of women of productive age. A substantial proportion of them, however, could not join the labor force because they had to take care of children.

Changes in Economic Activity of CSSR Population

The economic activity of the population of both productive and postproductive age further increased during the last 5 years. Despite a larger number of women on maternity leave and extended maternity leave in the total number of women in the 15-54 age group (8.9 percent at the end of 1975 and 9.0 percent at the end of 1980 as compared to only 4.2 percent on 31 December 1970), the difference between economic activity of men and women of productive age was further reduced.

Employment in Czechoslovak National Economy

Despite the smaller increase in labor supply than during the previous five-year plan, however, employment in the CSSR national economy further increased during the 1976-1980 period--in fact more rapidly than during the previous five-year plan. The number of workers in the CSSR national economy reached 7,352,000 by the end of 1980 which was 306,000 (or 4.3 percent) more than in 1975. Employment increased 182,000 or 2.7 percent during the years of the Fifth Five-Year Plan.

The increase in employment during the Sixth Five-Year Plan, markedly exceeding the increase during the previous five-year plan as well as the plan estimates, was made possible particularly by:

--the more favorable structure of the labor force increase by sex. Men, whose economic activity exceeds 79 percent, accounted for more than 85 percent of the increase during the Sixth Five-Year Plan, while women, whose economic activity exceeds 70 percent, predominated in the increase in the labor force (almost 55 percent) during the Fifth Five-Year Plan;

Table 2. Distribution of CSSR labor force during Fifth and Sixth Five-Year Plans

| Distribution of labor force | Reality (31 December) | | | Increase + Decrease - | |
|---|---|---|---|---|---|
| | 1970 | 1975 | 1980[1)] | 1971-1975 | 1976-1980 |
| | | | Total | | |
| Workers with only one or principal employment (in 1000) | 6,783 | 6,966 | 7,224 | 183 | 258 |
| in percent | 77.0 | 76.3 | 77.3 | X | X |
| Women on maternity or extended maternity leave (in 1000) | 163 | 366 | 371 | 203 | 5 |
| in percent | 1.9 | 4.0 | 3.9 | X | X |
| Students of productive age (in 1000) | 477 | 481 | 521 | 4 | 40 |
| in percent | 5.4 | 5.3 | 5.6 | X | X |
| Apprentices of productive age (in 1000) | 349 | 335 | 353 | -14 | 18 |
| in percent | 4.0 | 3.7 | 3.8 | X | X |
| Disabled of productive age (in 1000) | 230 | 243 | 262 | 13 | 19 |
| in percent | 2.6 | 2.7 | 2.8 | X | X |
| Other population of productive age (in 1000) | 805 | 735 | 618 | -70 | -117 |
| in percent | 9.1 | 8.0 | 6.6 | X | X |
| | | | Men | | |
| Workers with only one or principal employment (in 1000) | 3,686 | 3,797 | 3,926 | 111 | 129 |
| in percent | 81.1 | 81.0 | 80.5 | X | X |
| Students of productive age (in 1000) | 216 | 218 | 231 | 2 | 13 |
| in percent | 4.8 | 4.6 | 4.7 | X | X |
| Apprentices of productive age (in 1000) | 248 | 223 | 227 | -25 | 4 |
| in percent | 5.4 | 4.7 | 4.7 | X | X |
| Disabled of productive age (in 1000) | 122 | 137 | 114 | -8 | 23 |
| in percent | 2.7 | 2.5 | 2.8 | X | X |
| Other population of productive age (in 1000) | 272 | 337 | 357 | 65 | 20 |
| in percent | 6.0 | 7.2 | 7.3 | X | X |
| | | | Women | | |
| Workers with only one or principal employment (in 1000) | 3,097 | 3,169 | 3,298 | 72 | 129 |
| in percent | 72.7 | 71.4 | 73.8 | X | X |
| Women on maternity leave or extended maternity leave (in 1000) | 163 | 366 | 371 | 203 | 5 |
| in percent | 3.8 | 8.3 | 8.3 | X | X |
| Students of productive age (in 1000) | 261 | 263 | 290 | 2 | 27 |
| in percent | 6.1 | 5.9 | 6.5 | X | X |
| Apprentices of productive age (in 1000) | 101 | 112 | 126 | 11 | 14 |
| in percent | 2.4 | 2.5 | 2.8 | X | X |
| Disabled of productive age (in 1000) | 108 | 129 | 125 | 21 | - 4 |
| in percent | 2.5 | 2.9 | 2.8 | X | X |
| Other population in prod. age (in 1000) | 533 | 398 | 261 | -135 | -137 |
| in percent | 12.5 | 9.0 | 5.8 | X | X |

1) Preliminary data

Table 3. Economic activity of CSSR population of productive and postproductive age

| | Productive Age | | | Postproductive Age | | |
|---|---|---|---|---|---|---|
| 31 December | Total | Men | Women | Total | Men | Women |
| 1970 | 75.2 | 80.0 | 70.1 | 21.8 | 27.0 | 19.0 |
| 1975 | 74.6 | 79.6 | 69.2 | 21.3 | 28.7 | 16.9 |
| 1980 | 75.5 | 79.2 | 71.5 | 22.7 | 30.4 | 18.7 |

-- the already mentioned increase in the number of workers of postproductive age (45,000 in comparison with 1975) which accounted for almost 15 percent of the total increase in the labor force during the Sixth Five-Year Plan. Women 55 years old and older accounted for approximately 36 percent of the increase in the number of gainfully employed women;

--the smaller increase in the number of women on maternity leave and extended maternity leave (their number increased 203,000 during the Fifth Five-Year Plan, but only 5,000 during the Sixth Five-Year Plan. The number of women on maternity leave and extended maternity leave has slowly decreased in recent years);

--the increase in the number of part-time employed, particularly in the sectors of the nonproduction sphere (their number increased by 48,000 which represented almost 16 percent of the total labor force increase during this period);

--a further increase in the number of housewives who became gainfully employed (by 137,000 during the 1976-1980 period, about the same number as during the previous five-year plan).

Table 4. Employment in CSSR national economy during the Fifth and Sixth Five-Year Plans

| Indicator | Reality in thousand (31 December) | | | Increase (+) Decrease (-) in thousand | | Index | |
|---|---|---|---|---|---|---|---|
| | 1970 | 1975 | 1980 | 1971-1975 | 1976-1980 | 1975-1970 | 1980 1975 |
| Total employment | 6,864 | 7,046 | 7,352 | 182 | 306 | 102.7 | 104.3 |
| including: | | | | | | | |
| workers with only one or principal employment | 6,783 | 6,966 | 7,224 | 183 | 258 | 102.7 | 103.7 |
| part-time workers | 81 | 80 | 128 | -1 | 48 | 98.7 | 159.9 |
| Of the total employment in | | | | | | | |
| --production sphere | 5,412 | 5,488 | 5,613 | 76 | 125 | 101.4 | 102.3 |
| --nonproduction sphere | 1,452 | 1,558 | 1,739 | 106 | 181 | 107.3 | 111.6 |
| In addition, women on maternity leave or extended maternity leave | 164 | 366 | 371 | 202 | 5 | 223.5 | 101.5 |

The growth rate of employment in the production sphere (index 102.3) was substantially lower than in the nonproduction sectors (index 111.6) during the 1976-1980 period. At the present time, the production sectors account for 76.3 percent of total employment (as compared with 77.9 percent at the end of 1975 and 78.8 percent at the end of 1970). The production sphere, however, claimed only 40.9 percent of the employment increase during the Sixth Five-Year Plan (as compared with 41.7 percent during the Fifth Five-Year Plan).

Among the production sectors, the biggest increase in the labor force was registered in industry (73,000), in domestic trade (59,000) and in construction (18,000). In comparison with the previous five-year plan, however, the increases were substantially smaller in these sectors. There was a smaller decrease in the agricultural labor force (56,000) after 1975 than in the previous five-year period, when the decrease amounted to 161,000. The labor force also decreased in forestry (4,000) during the 1976-1980 period.

Among the nonproduction sectors, the biggest increase in the number of workers was registered in education (45,000), culture (33,000) and health care (30,000). These sectors gained many more workers than during the previous five-year plan period. The more rapid increase in the labor force in the nonproduction sphere was closely related to the fact that the CSSR population's material needs were better satisfied: there were 114 workers in the nonproduction sphere per 1,000 inhabitants in 1980 (as compared with 101 in 1970 and 105 in 1975).

Employment of Women in CSSR

Women accounted for 48.2 percent of the increase in the labor force in the CSSR national economy during the Sixth Five-Year Plan, which was 7.4 points more than during the Fifth Five-Year Plan. Women accounted for the entire increase in the number of workers of postproductive age (the number of men of post-productive age declined absolutely). The number of women working in the CSSR national economy was 3,343,000 by the end of 1980 and was 147,000 (4.6 percent) higher than at the end of 1975. Their share in total employment, however, increased 0.1 points.

The percentage of gainfully employed women increased primarily in sectors of the nonproduction sphere during the 1976-1980 period. In the production sectors, on the other hand, their share in the total labor force decreased 0.5 points despite the insignificant increase in the absolute number of working women.

As to the labor force in respective sectors, women predominated in social welfare (86.7 percent), health care (78.5 percent), banking (77.0 percent), domestic trade (74.0 percent), education (72.0 percent) and some numerically smaller sectors. In industry which employed more than one-third of all working women at the end of 1980, women constituted 40.8 percent of the labor force.

Table 5. Employment in CSSR economy during the Fifth and Sixth Five-Year Plans by sectors (at the end of the year)

| Sectors of national economy (so-called net sectors) | 1970 | | 1975 | | 1980 | | Index | |
|---|---|---|---|---|---|---|---|---|
| | in 1000 | Structure in % | in 1000 | Structure in % | in 1000 | Structure in % | 1975-1970 | 1980-1975 |
| Total employment | 6,864 | 100.0 | 7,046 | 100.0 | 7,352 | 100.0 | 102.7 | 104.3 |
| Material production sectors including: | 5,412 | 78.8 | 5,488 | 77.9 | 5,613 | 76.3 | 101.4 | 102.3 |
| Agriculture | 1,156 | 16.8 | 995 | 14.1 | 939 | 12.8 | 86.1 | 94.3 |
| Forestry | 118 | 1.7 | 95 | 1.4 | 91 | 1.2 | 80.6 | 95.8 |
| Industry | 2,628 | 38.3 | 2,720 | 38.6 | 2,793 | 38.0 | 103.5 | 102.7 |
| Construction | 552 | 8.0 | 617 | 8.8 | 635 | 8.6 | 111.7 | 102.9 |
| Transportation | 216 | 3.1 | 216 | 3.1 | 224 | 3.0 | 100.0 | 103.6 |
| Communications | 49 | 0.7 | 51 | 0.7 | 53 | 0.7 | 104.8 | 103.2 |
| Domestic trade | 501 | 7.3 | 581 | 8.2 | 640 | 8.7 | 116.1 | 110.2 |
| Nonproduction sectors including: | 1,452 | 21.2 | 1,558 | 22.1 | 1,739 | 23.7 | 107.3 | 111.6 |
| Transportation | 151 | 2.2 | 149 | 2.1 | 159 | 2.2 | 98.5 | 106.8 |
| Communications | 49 | 0.7 | 51 | 0.7 | 53 | 0.7 | 104.8 | 103.2 |
| Science, research and development | 161 | 2.4 | 160 | 2.3 | 169 | 2.3 | 99.4 | 105.5 |
| Housing | 64 | 0.9 | 67 | 1.0 | 73 | 1.0 | 105.9 | 108.6 |
| Community-run services | 141 | 2.0 | 141 | 2.0 | 137 | 1.9 | 100.0 | 96.8 |
| Education | 328 | 4.8 | 359 | 5.1 | 404 | 5.5 | 109.7 | 112.5 |
| Culture | 78 | 1.1 | 83 | 1.2 | 116 | 1.6 | 106.2 | 140.0 |
| Health care | 229 | 3.3 | 269 | 3.8 | 299 | 4.1 | 117.4 | 111.3 |
| Social welfare | 26 | 0.4 | 32 | 0.5 | 41 | 0.6 | 125.3 | 126.7 |
| Banking | 24 | 0.3 | 24 | 0.3 | 25 | 0.3 | 104.5 | 99.8 |
| Administration, judiciary, public prosecutors, arbitration | 107 | 1.6 | 111 | 1.6 | 115 | 1.6 | 102.9 | 104.3 |
| Mass organizations | 34 | 0.5 | 33 | 0.5 | 40 | 0.5 | 95.7 | 121.4 |

Table 6. Employment of women in CSSR national economy during the Fifth and Sixth Five-Year Plans (at the end of the year)

| Sectors of national economy (so-called net sectors) | 1970 | | 1975 | | 1980 | | Index | |
|---|---|---|---|---|---|---|---|---|
| | in 1000 | in % 1) | in 1000 | in % 1) | in 1000 | in % 1) | 1975-1970 | 1980-1975 |
| Total employment of women | 3,122 | 45.5 | 3,196 | 45.4 | 3,343 | 45.5 | 102.4 | 104.6 |
| Material production sectors | 2,321 | 42.9 | 2,295 | 41.8 | 2,320 | 41.3 | 98.9 | 101.1 |
| including: | | | | | | | | |
| Agriculture | 575 | 49.7 | 464 | 46.6 | 409 | 43.6 | 80.7 | 88.2 |
| Forestry | 34 | 29.0 | 24 | 25.4 | 22 | 23.9 | 70.7 | 90.0 |
| Industry | 1,112 | 42.3 | 1,122 | 41.3 | 1,138 | 40.8 | 101.0 | 101.4 |
| Construction | 68 | 12.3 | 79 | 12.9 | 87 | 13.7 | 116.8 | 110.1 |
| Transportation | 47 | 21.6 | 48 | 22.4 | 50 | 22.3 | 103.5 | 103.1 |
| Communications | 30 | 62.5 | 33 | 63.5 | 34 | 64.5 | 106.4 | 104.8 |
| Domestic trade | 369 | 73.7 | 429 | 73.8 | 474 | 74.0 | 116.3 | 110.5 |
| Nonproduction sectors | 801 | 55.2 | 901 | 57.9 | 1,023 | 58.8 | 112.5 | 113.5 |
| including: | | | | | | | | |
| Transportation | 31 | 20.6 | 30 | 19.9 | 34 | 21.4 | 95.3 | 114.8 |
| Communications | 30 | 62.5 | 33 | 63.5 | 34 | 64.5 | 106.4 | 104.8 |
| Science, research, development | 54 | 33.4 | 56 | 35.2 | 62 | 36.6 | 104.6 | 109.8 |
| Housing | 31 | 48.4 | 32 | 47.4 | 33 | 45.2 | 103.7 | 103.4 |
| Community-run services | 72 | 50.9 | 73 | 51.6 | 75 | 54.4 | 101.4 | 102.2 |
| Education | 224 | 68.4 | 257 | 71.7 | 291 | 72.0 | 115.0 | 113.0 |
| Culture | 37 | 47.1 | 41 | 49.9 | 59 | 51.1 | 112.5 | 143.6 |
| Health care | 180 | 78.6 | 212 | 78.6 | 235 | 78.5 | 117.4 | 111.2 |
| Social welfare | 21 | 80.0 | 27 | 83.7 | 36 | 86.7 | 131.2 | 131.2 |
| Banking | 17 | 71.2 | 18 | 74.1 | 19 | 77.0 | 108.8 | 103.7 |
| Administration, judiciary, public prosecutors, arbitration | 55 | 51.3 | 59 | 53.8 | 66 | 57.3 | 108.0 | 111.1 |
| Mass organizations | 12 | 36.2 | 15 | 47.0 | 17 | 43.9 | 124.4 | 113.5 |

1) of the total employment in the respective sector

An increase in the labor force during the Sixth Five-Year Plan took place particularly in the enterprises and organizations of the socialist sector of the national economy (excluding JZD [unified agricultural cooperatives])--it amounted to 362,000 or 5.8 percent (the number of workers in this sector increased 359,000 or 6.1 percent during the Fifth Five-Year Plan). By the end of 1980, there were 31,000 fewer workers in JZD than in 1975, while the number of workers in the private sector decreased 39,000 since 1975. Most of these workers--35,000--were individual farmers (a marked decrease in the number of individual farmers, however, took place during the Fifth Five-Year Plan--by 97,000 or 66.1 percent). Approximately 27,000 worked in the private sector by the end of 1980, that is only 0.4 percent of all workers in the Czechoslovak national economy (their share was 2.4 percent at the end of 1970).

Changes in Structure of Labor Force

Within the increase in the labor force of the socialist sector of the national economy (excluding JZD) during the 1976-1980 period, the most rapid increase was in the number of operators of equipment, maintenance workers and white-collar workers (particularly in the categories 9 and 8 of JKZ [uniform job classification] and a smaller increase in the number of blue-collar workers whose share in the total labor force decreased from 54.6 percent at the end of 1976 to 53.5 percent at the end of 1980. Numbers of blue-collar workers increased only in categories 2 and 3 of the JKZ.

The regulation of the number of workers in white-collar categories by the state plan and other measures aimed at the reduction of technical-economic and management and administrative apparatus according to the CSSR resolution No 312/1979 was positively reflected in 1980--after some favorable developmental tendencies manifested themselves as early as 1979--in the changes in the labor force structure. In contrast to the situation on 31 December 1979, there was an increase by the end of 1980 in the total number of workers in the socialist sector of the national economy (excluding JZD) by 55,000: 45,000 of whom were blue-collar workers, and by 15,000 operation and service personnel. On the other hand, the number of white-collar workers decreased by 5,000 (during the first years of the Sixth Five-Year Plan, the increase in the number of white-collar workers accounted for approximately 90 percent of the increase in employment in this sector).

Table 7. Trend in labor force of socialist sector of national economy (excluding JZD) according to job category (class)

| Job category (class) according to JKZ [1] | 31 December 1976 in 1,000 | 1976 Structure in % | 1980 in 1,000 | 1980 Structure in % | Increase (+) Decrease (-) During 1977-1980 in 1,000 | in % |
|---|---|---|---|---|---|---|
| Total labor force | 6,298 | 100.0 | 6,593 | 100.0 | 295 | 4.7 |
| including: | | | | | | |
| Blue-collar workers (class 1-5A JKZ) | 3,437 | 54.6 | 3,528 | 53.5 | 91 | 2.7 |
| Class 1 of JKZ | 259 | 4.1 | 242 | 3.7 | -17 | -6.6 |
| Class 2 of JKZ | 228 | 3.6 | 246 | 3.7 | 18 | 8.4 |
| Class 3 of JKZ | 1,636 | 26.0 | 1,728 | 26.2 | 92 | 5.6 |
| Class 4 of JKZ | 465 | 7.4 | 462 | 7.0 | - 3 | -0.7 |
| Class 5A of JKZ | 849 | 13.5 | 850 | 12.9 | 1 | 0.1 |
| Operation and service personnel (Class 5B of JKZ) | 859 | 13.6 | 949 | 14.4 | 90 | 10.4 |
| White-collar workers (Cl.6-9 JKZ) | 2,002 | 31.8 | 2,116 | 32.1 | 114 | 5.7 |
| Class 6 of JKZ | 650 | 10.3 | 675 | 10.3 | 25 | 5.0 |
| Class 7 of JKZ | 781 | 12.4 | 817 | 12.4 | 36 | 3.8 |
| Class 8 of JKZ | 521 | 8.3 | 569 | 8.6 | 48 | 9.0 |
| Class 9 of JKZ | 50 | 0.8 | 55 | 0.8 | 5 | 11.1 |

1) Class 1--agricultural, forestry and fishery workers; Class 2--workers in mining and processing of raw materials in metallurgy, power sector and administration of water resources; Class 3--workers-processors (production, repair and maintenance workers); Class 4--construction workers; Class 5A--workers in transportation, services and auxiliary workers; Class 5B--operation and service personnel; Class 6--technical workers; Class 7--workers in the area of management and administration; Class 8--workers in education, culture, health care and other professional workers in the nonproduction sphere and Class 9--creative workers in science, research and development.

Reproduction of Labor Force in Czechoslovak National Economy

Considerable changes in the labor force of the Czechoslovak national economy took place during the Sixth Five-Year Plan. Approximately every seventh worker who was gainfully employed at the end of 1975 retired during the Sixth Five-Year Plan (in fact, every sixth worker did so during the Fifth Five-Year Plan). On the other hand, approximately every sixth worker who worked in the CSSR national economy at the end of 1980 joined the labor force after 1975 (every fifth worker during the Fifth Five-Year Plan).

Table 8. Reproduction of labor force in CSSR national economy during the Fifth and Sixth Five-Year Plans (in thousand)

| Indicator | Total | Including | |
|---|---|---|---|
| | | Men | Women |
| Number of workers in national economy as of 12 December 1970 | 6,864 | 3,742 | 3,122 |
| Increases during Fifth Five-Year Plan | 1,312 | 669 | 643 |
| including: natural increase | 1,125 | 603 | 522 |
| Decrease during Fifth Five-Year Plan | 1,130 | 561 | 569 |
| including: natural decrease | 851 | 478 | 373 |
| Number of workers in national economy on 31 December 1975 | 7,046 | 3,850 | 3,196 |
| Increases during Sixth Five-Year Plan | 1,276 | 616 | 660 |
| including: natural increase | 1,043 | 555 | 488 |
| Decreases during Sixth Five-Year Plan | 970 | 457 | 513 |
| including: natural decrease | 900 | 415 | 485 |
| Number of workers in national economy on 31 December 1980 | 7,352 | 4,009 | 3,343 |

The overwhelming majority of workers who retired during the 1976-1980 period did so because of old age, disability or death (92.8 percent) and only a small number for other reasons. During the period of the Fifth Five-Year Plan, the representation of natural increase was somewhat smaller (only 75.4 percent) because other decreases in this period were markedly affected by the fact that many women quit job because of motherhood.

The main source of the labor increase in the CSSR national economy during both five-year plans were young people who took their first job after finishing a school of all kinds or apprenticeship. These young people, 1,043,000 in number (46.8 percent of them were women), accounted for 81.7 percent of the total labor force increase during the Sixth Five-Year Plan (85.8 percent during the Fifth Five-Year Plan). More than 90 percent of them underwent, prior to their gainful employment, professional theoretical or practical training and completed higher than basic education. After 1975, the following numbers joined the labor force: 113,000 college graduates, 215,000 technical or vocational high school graduates, 35,000 gymnasium graduates and 531,000 graduates from apprentice schools and establishments.

The natural increase in the number of workers, that is, from the ranks of youth, was 143,000 higher than the natural decrease in the number of workers (due to retirement or death) during the 1976-1980 period. The difference between the natural increase and decrease was 244,000 during the Fifth Five-Year Plan. This means that approximately 86 percent of young people who took their first job during the period of the Sixth Five-Year Plan replaced those workers who ceased to be gainfully employed in the CSSR national economy due to old age or death (their proportion was lower and less than 76 percent during the preceding five-year plan).

Qualification Standard of Workers in CSSR

Due to a large number of graduates from schools and apprentice-training centers, the qualification structure of the labor force in the Czechoslovak national economy has continuously improved. Per 1,000 workers in the socialist sector of the national economy (excluding JZD), there are 257 experts with college or technical high school education (62 of them are college graduates and 148 graduates from technical high schools). The corresponding figures for 1970 were 216 experts, 45 college graduates and 118 workers with complete high school technical education. A negative phenomenon continues to be the fact that considerable numbers of workers with college education and particularly high school technical education work in jobs for which their qualification is not required and is, therefore, not fully utilized. In jobs for which training is required, there are 2,508,000 blue-collar and operation workers, 58.6 percent of whom have been trained in the field in which they work (trained blue-collar workers and operation workers constituted only 52.2 percent of workers in these jobs in 1971).

The shrinking sources of labor supply underscore the importance of rational utilization of the labor force. Despite the continuous increase in employment in almost all sectors of the national economy, however, no substantial progress was made in the solution of basic problems such as the continuously declining number of shifts worked in industrial enterprises, deteriorating utilization of working time in the principal sectors, rising tension between the sources of and need for labor, and so on.

The question of rational utilization of the available labor force will assume even greater importance during the period of the Seventh Five-Year Plan because in view of the anticipated lower increase in the number of persons of productive age as the main source of labor supply (the increase during the 1981-1985 period will be only one-third of the increase registered during the entire Sixth Five-Year Plan), the unfavorable trend in the development of labor supply will continue and intensify until 1985 and this will also affect the development of employment during this period.

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## CEMA COOPERATION IN AGRICULTURE, FOOD INDUSTRY OUTLINED

Prague REVUE OBCHODU/PRUMYSLU/HOSPODARSTVI in Czech No 11, Nov 81 pp 6-9

[Article by Eng Antonin Cibulka, Federal Ministry of Agriculture and Food: "The CSSR and Cooperation Among CEMA Countries in the Agriculture and Food Complex Sphere"]

> [Text] Adoption of the Comprehensive Program of Further Consolidation and Improvement of Cooperation and Development of Socialist Economic Integration Among CEMA Member States at the 25th meeting of CEMA in 1971 has been duly projected in continued development of cooperation in the area of agriculture and the food industry. As in other areas of cooperation, the agriculture and food complex was assigned specific tasks by this document directed not only at implementing new forms of cooperation which the socialist division of labor itself promotes, but also at attaining specific results in individual areas of the production process. Appropriate branch agencies of CEMA became the agencies responsible for developing multilateral cooperation according to the adopted principles of the Comprehensive Program, specifically the permanent CEMA commission for cooperation in the field of agriculture and the permanent CEMA commission for cooperation in the food industry area.

If we consider the results of cooperation in the area of agriculture and the food industry we find a number of specific projects which, shortly after approval of the Comprehensive Program, introduced both of the permanent commissions into their plans. It was logical to begin first with prognostic work which formed the basic condition for determining key initial data for the individual areas of cooperation. The results of jointly prepared prognoses indicated which hitherto unresolved problems could best be handled by international division of labor. Specific examples, for instance, are prognoses of the development of mechanization, electrification and automation of processes in plant and animal production, future developments in protein feed requirements and also future production developments in the meat, dairy, fat, canning, sugar refining, beer, wine and tobacco industries up to 1990. They prepared not only basic guidelines, particularly for implementing comprehensive mechanization, that is, the conditions for introducing complete engineering systems which would provide the required quality of work and enable meeting fixed agrotechnical deadlines, but at the

same time would make up through increased productivity for the natural shortage of workers in agriculture and the food industry. Other favorable factors promoting development of large-scale production in agriculture and the food industry among CEMA member states could also be mentioned. We also must not overlook the fact that prognostic data were important leads for research and development workers in the area of mechanization of agricultural equipment and food-processing engineering who thus obtained basic parameters for the machinery and equipment essential for the comprehensive mechanization of agricultural processes and the automation of processes in the food industry while meeting requirements of quality and sanitation. For example, researchers in improvement made use of prognostic data in their work directed primarily toward new varieties of fodder crops with high protein content which would be suitable for harvesting mechanically. We could continue enumerating the results of joint prognostic work but it can be stated briefly that they played an important part in directing the future development of economic and scientific-technical cooperation. The Czechoslovak side took part energetically in all the work connected both with the methodology of prognosis and the preparation of long-term plans of development in agriculture and food but especially with their mutual integration and coordination within the whole socialist community. This process was especially important to Czechoslovak agriculture and its food industry from the viewpoint of internationalization of its long-term objectives and course of development as related to the long-term course of development of these important national economic branches in the other CEMA member states.

One of the basic goals of the Comprehensive Program is the transition from simply relaying experiences and exchanging goods to higher forms of cooperation, such as, coordinating plans, using contractual relations to increase the importance of the documents adopted as well as increasing responsibility for obligations taken. This was necessarily also projected into the activities of the permanent agricultural commission. Evidence of this are the multilateral agreements in the field of scientific-technical cooperation as well as in the field of specialization and cooperation.

Scientific-Technical Cooperation in Agriculture

Since adoption of the Comprehensive Program, several pressing tasks in this sector have been taken up, such as, the application of biology in plant and seed propagation, the struggle against parasites and diseases, also increasing soil fertility and efficient application of fertilizers, observing physiological principles of feeding farm animals, increasing efficiency in the use of feeds, etc.

From the viewpoint of subject matter according to the individual kinds of agricultural disciplines and individual kinds of agricultural crops, there are 18 problems, in most cases divided into themes. The overall plan in question contains about 57 projects.

With respect to forms of cooperation, seven problems are being handled by coordination centers established through multilateral agreements in the years 1971 to 1974. Certain coordination centers work on selected projects of their programs by means of temporary international collectives. Scientific-technical councils were set up for two of the problems.

Two of the seven coordination centers are in the CSSR, those for mathematical methods and computer technology and for mechanization, electrification and automation of production processes in plant and animal production.

The most concrete results are being achieved at the coordination center for improvement of grains and seed propagation in the USSR. Its cooperation has already had a number of practical results, such as, new varieties of grains, some of which are also being grown in the CSSR.

Scientific-Technical Cooperation in the Food Industry

To meet the needs of the food industry of CEMA member states, upon adoption of the Comprehensive Program two coordination centers were established on the basis of agreements in the sector for scientific-technical cooperation. These concern the problem of increasing the nutritive value of food and developing new, high-quality types of food (Sofia, 1972) and the problems of wrapping and packaging in the food industry (Warsaw, 1972).

Cooperation in these areas is focused on two basically quite distinct problems: research in the acquisition and use of protein and research in enzymes and their use. Research in protein involves comprehensive utilization of protein from milk and whey, the production of protein from soybeans, sunflower seeds, rape, cottonseed, etc. In the matter of enzymes, scientific-technical work is directed toward the production of protease, amylase and cellulose.

Czechoslovakia is involved in these projects, particularly in the research for technological procedures in the production of soybean concentrate which was completed at the beginning of 1979, in work on the production of rape protein, devising the technological procedures for the production of protein concentrates from the discharge water obtained during the production of potato starch and research in curdling casein and its properties. The results of this research were used in 1979 in designing a pilot link for the production of acidic casein which can be used for human consumption.

The problem of wrapping and packaging involves not only production of the actual wrapping materials and containers but also the packaging itself, including suitable packaging machines and the question of handling and transporting containers and wrapped foods. The scope of the problem is increased by the diversity of wrapping materials.

The participation of the CSSR is channeled largely toward development work with the aim of improving the technology of metal containers and closures and the packaging of prepared foods.

The results achieved from the work of this coordination center include, for instance, the introduction of over 20 modern wrapping materials, especially polypropylene sheets for wrapping dried and frozen products, contracting sheets and aluminum foil and initiating production of new kinds of sealing compounds and protective varnishes which made it possible to reduce the importation of these materials from nonsocialist countries.

## Specific Results from the Operation of Branch Commissions

In the area of specialization, there is an agreement on multilateral international specialization in seed varieties, hybrids and plants of agricultural crops in which specific time limits and volumes of imports and exports are set. International tests of varieties necessarily precede mutual deliveries which have been conducted ever since 1961 and it may be stated that they brought very good results. For example, in 10 years there were introduced in the member states more than 350 varieties and hybrids of various agricultural crops. An assortment of seeds and plants was distributed in mutual deliveries with a 2-year specification and in volumes as given above and these are also the subject of cooperation within the framework of this agreement. Among the wheat varieties tested that were highly valued are Sadovo 1--BLR [Bulgarian People's Republic], Maitonbasari--MLR [Hungarian People's Republic], Turda--RSR [Romanian Socialist Republic], Petka--GDR, Iljicevka and Mironovska 808--USSR, Sava--SFRJ [Socialist Federal Republic of Yugoslavia] and Dvoran barley--CSSR, as well as others, clear proof of the results of the joint work organized by the agricultural commission.

In the area of animal production, there are multilateral agreements on specialization and making joint use of a black spotted livestock breed for milk as well as meat and also hogs and sheep. Also considered important is the agreement on international specialization and cooperation in production of veterinary preparations, which takes care of the needs of member states and assures smooth development of animal production.

## Multilateral Agreements of Specialization

An important contribution toward providing technical maintenance and repair of the ever-more complicated mechanized facilities being introduced into agriculture is the multilateral agreement on international specialization and cooperation in the production of equipment for the repair and technical servicing of agricultural machinery. Recently it was expanded to include facilities and special equipment for testing machinery before putting it into agricultural operation. Another result of joint efforts of the CEMA member states is assistance toward uniform rating of the parameters of machinery and equipment, including requirements for job safety and sanitation, and is a concrete contribution toward rating mechanized devices which are to meet the requirements of the International Engineering System (MSS) which was also set up by the commission.

The agreement on multilateral international specialization and cooperation in protein casings falls within the activity of the food commission. The CSSR holds a leading position in this agreement as a specialized country since it supplies protein casings in the amount of almost 105 million meters annually to member states such as Bulgaria, Hungary, the GDR, Poland and the USSR. And it may be added that this obligation is being fully met.

These agreements, however, do not provide merely mutual exchanges; they also have a provision which imposes on the contractual parties, hence mainly the suppliers of the product, the obligation to subject their products to regular tests rating their quality. From the results they obtain not only very valuable information for further improvements but also important data for further research and development work.

The activity of both the commissions not only brings specific results to individual member countries in the area of multilateral cooperation but it may be said it also has considerable influence on bilateral cooperation. This is primarily because of the specific conditions of the agricultural-food complex in individual countries (for example, characteristics of soil and climatic conditions) but also the characteristics of food producers where certain types directly determine the development of cooperation on a bilateral basis. Among these, for example,in the area of agriculture, is the propagation of sugar beet seeds for the CSSR in Yugoslavia or Bulgaria, propagation of alfalfa seeds in the southern provinces of the USSR, also for the CSSR, the propagation of barley seeds in the CSSR for beer brewing for a number of states, etc. In these few examples it can be seen that cooperation in these areas, stemming from the Comprehensive Program, also produces sufficient scope for the specific development of cooperation among member states on a bilateral basis.

If we speak of the Comprehensive Program we must emphasize that the DCPS [Long-Term Goal-Oriented Program of Cooperation] is based on projects prescribed by the Comprehensive Program and in selected areas of cooperation it designates projects which, in view of the worldwide political, and particularly economic, situation, must be addressed on a priority basis. This means that it emphasizes intensifying the coordination of plans from the results of research to providing increased priority production with the objective of maximum satisfaction of the needs of member states and assuring adequate reserves.

From this general basis there emerges also the long-term goal-oriented program for further improving cooperation among CEMA member states in agriculture and the food industry. It fully conforms with Section XI of the Comprehensive Program, especially with Point 5 which sets the objective of maximum satisfaction of the population's food requirements.

Basic Objectives of the Long-Term Goal-Oriented Program

Cooperation in agriculture and the food industry makes a maximum contribution toward dealing with the task of meeting the needs of the inhabitants of the CEMA member states with basic kinds of provisions and the most important food products and also building necessary reserves. Reaching these goals will be achieved primarily through intensive development of each country's own production and also by expanding and intensifying international socialist division of labor and by the development of economic and scientific-technical cooperation among CEMA member states on the principles of mutual advantage. At the same time, each member country will make maximum use of its soil and climatic conditions in order to meet as fully as possible its own requirements of grain, feed, products of animal production and other basic agricultural products.

The most important directions of cooperation among member CEMA countries to meet their needs in basic kinds of foodstuffs are:

--to contribute to raising the production of meat (mainly from its own feed supplies), fish, vegetable oils and grain in every CEMA member country;

--to expand the production and export of sugar, fruit, including citrus, vegetables, potatoes and cotton from those countries that have suitable climatic conditions for it;

--to improve future varieties and hybrids for agricultural cultivation;

--to set up and put into operation modern technology for the production, harvesting and processing of agricultural products;

--to acquire through efficient joint action biological supplies from the world's oceans and zones designated as "open seas" and to thoroughly process these raw materials;

--to make joint use of the very best lines of basic breeds of farm animals and poultry and to develop new lines and breeds that are best for production on industrial type farms;

--to intensify and broaden all forms of economic and scientific-technical cooperation, specialization and collaboration in production, mutual exchanges of industrial fertilizers, chemical preparations, wrapping and other materials, machinery and equipment for the refrigeration industry, etc., including new capacities built through joint efforts of interested countries and the use of various forms and methods of economic stimulation to develop production of deficient agricultural products and increased mutual deliveries of food commodities.

Carrying Out Cooperation Measures

In the course of carrying out the measures contained in DCPS in the area of agriculture and the food industry, the CEMA member countries will be greatly helping to accelerate the development and increasing efficiency of agriculture and the food industries in Cuba and the MoLR [Mongolian People's Republic]. It is a matter of using forms of cooperation that apply to specific conditions in these two countries with the objective of aligning and adjusting the level of economic development of these countries with that of the other CEMA member countries and also raising export funds for deliveries of citrus fruits, sugar, meat and other products to interested CEMA member countries.

Implementation of the provisions for cooperation contained in the long-term goal-oriented program of cooperation among CEMA member countries in agriculture and the food industry will be carried out primarily through a system of multilateral and bilateral agreements drawn up on the basis of technoeconomic studies and project background data which will involve mutual obligations of the parties concerned.

The obligations of CEMA member countries contained in multilateral and bilateral agreements will be integrated into 5-year and long-term national plans consistent with their internal system of national economic planning.

The 10-year period for meeting the objectives prescribed in the Comprehensive Program was successful. It is, however, also logical that, especially in the area of the agricultural and food industry complex, problems should crop up and that several tasks have not yet been fully carried out. The essence of overall cooperation within the framework of the CEMA countries, however, requires that it be managed on the basis of internationalism and mutually beneficial cooperation among the countries of this community.

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CHEMICAL INDUSTRY RESULTS IN 1981 SUMMARIZED

Prague HOSPODARSKE NOVINY in Czech 29 Dec 81 p 2

/Article by Jiri Skladal, executive of the CPCZ Central Committee: "The Chemical Industry"/

/Text/ Numerous economic and other problems surfaced with the greatest urgency in our economy this year and the Czechoslovak chemical industry also had to carry out its tasks under rigorous external and internal conditions, particlarly as concerns foreign trade and the area of quality indicators which express economic efficiency. Certain other negative phenomena, such as shortages of essential raw materials (sulphur, carbon disulphide, phosphorites, cellulose, etc.), difficulties in the fulfillment of higher requirements in exports to the nonsocialist states, as well as problems in supplier-consumer relations helped confuse the overall situation even further. For that reason our chemical industry enterprises had to meet national economic needs by mobilizing their own internal resources and by raising their overall efficiency.

The results thus far have shown that the chemical industry under the auspices of the CSR Ministry of Industry carried out its assignments successfully. Over the past 11 months of this year it fulfilled 92.2 percent of its plan for the whole year, of which the Unichem and Chemopetrol was 92.4 percent and Czech Rubber and Plastic Works 91.7 percent, thus achieving an advantageous headstart in the amount of Kcs 465 million before the year's end.

Tasks in exports to socialist states were met just as successfully during the same period. The Czech chemical and rubber industries achieved 100.9 percent of their annual plan in wholesale prices and 103.8 percent in prices quoted as "all charges paid," which meant an edge of about Kcs 296 million in wholesale prices and Kcs 310 million in prices quoted as "all charges paid," which also substantially increased our export efficiency.

During the above-mentioned period, the tasks in exports to the nonsocialist states were also successfully met with 93 percent of the annual plan in wholesale prices and 93.9 percent in prices quoted as "all charges paid." Chemopetrol, with its 95.3 percent fulfillment in wholesale prices and 97.3 percent fulfillment in prices quoted as "all charges paid," has earned a major share in successful results of exports to the nonsocialist countries.

Deliveries to consumer goods inventory were fulfilled at 93.6 percent of the annual plan in wholesale prices and 91 percent in retail prices. In the adjusted value added indicator, 93.9 percent of the annual plan was fulfilled and the advantage thus gained amounted to about Kcs 361 million.

All VHJ /economic production units/ of the chemical and rubber industries in the CSR have successfully met their plan in terms of profits and returns on their production assets. Furthermore, the chemical and rubber industries as a whole as well as individual VHJ improved their fulfillment of the plan according to decades and months. As compared with last year, shortfalls caused by breakdowns and accidents were substantially reduced--by almost 50 percent. Despite such generally positive results, certain shortcomings remain in evidence, such as, for example, a relatively high share of unfulfilled operational plans for the production of selected goods where, for instance, Unichem failed to meet 31 percent, Chemopetrol 26 percent, and the Czech Rubber and Plastic Works 30 percent of their production of goods controlled by the CSR Ministry of Industry. It should be mentioned here that in some instances the causes were objective, such as socially determined cuts in consumption, limited resources of imported raw materials, etc.; however, cases resulting from the enterprises' own internal shortcomings, breakdowns, technological problems, inadequate organizational and managing work or insufficient control and discipline cannot be ignored.

Appreciation is due to the efforts of the workers in the Chemical Works in Litvinov and in the Moravian Chemical Works in Ostrava where ammonia production was exceeded, which mitigated the consequences of the accident in the Duslo enterprise in Sala, and reduced the shortfall in the production of fertilizers supplied by the CSR chemical industry.

Among similar positive phenomena is the gradually improving attention to the problems of consumption norms by means of their systematic upgrading wherever the development has been unfavorable or where the norms have failed to meet the standards of comparable manufacturers in the CSSR and abroad. The results of better utilization of raw materials became best evident, for example, in the olefin unit of Chemopetrol where the consumption of raw materials was reduced 16 percent since launching the trial run; it will be cut about 7.5 percent below the plan. The savings in the Unichem VHJ amounted to more than Kcs 80 million above the plan.

The positive achievements of the chemical and rubber industries in the CSR thus far prepared ground for a successful accomplishment of the tasks of the 1981 state plan by all the chemical and rubber industries as well as by individual VHJ, which provides the necessary preconditions for next year's progress as well.

A more complex situation in the fulfillment of the planned tasks developed in the chemical industry under the auspices of the SSR Ministry of Industry. Over the first 11 months of 1981 the SSR chemical industry fulfilled no more than 91.9 percent of its annual plan for production; Slovchemia scored 91.1 percent and Slovcepa 88 percent. The reasons may be found above all in the fact that many of the newly built production capacities failed to meet their projected parameters and moreover, that considerable losses were caused by breakdowns and accidents, the most serious of which was the disaster in the Duslo enterprise in Sala which considerably reduced our ammonia production and affected numerous related processes of production.

We do not regard as satisfactory the situation in the fulfillment of the sales plan where the most serious problem is the failure to fulfill the entire annual plan. In terms of sales structures, an appropriate share has been achieved only in deliveries for exports to the socialist countries where the chemical industry accomplished 100.5 percent of its annual tasks in wholesale prices and 96.6 percent in prices quoted as "all charges paid." Slovchemia achieved 100.5 percent in wholesale prices and 96.9 percent in prices quoted as "all charges paid," Slovcepa fulfilled 103.6 percent of its annual plan in wholesale prices and 104.1 percent in prices quoted as "all charges paid."

During the above-mentioned period, deliveries for exports to the nonsocialist countries have not been met to satisfaction. The chemical industry fulfilled its annual plan at 90.8 percent in wholesale prices and 92.2 percent in prices quoted as "all charges paid," the Slovchemia VHJ 90.8 percent in wholesale prices and 92.2 percent in prices quoted as "all charges paid," and the Slovcepa VHJ only 72.6 percent in wholesale prices and 61.1 percent in prices quoted as "all charges paid" for reasons stemming mainly from unfulfilled production programs, unsatisfactory quality of their products and unsecured payments of orders by foreign-trade organizations.

The SSR chemical industry successfully completed deliveries designated for consumer goods inventory.

The partial results presented above indicate that it will be quite difficult for the Slovak chemical industry to fulfill the tasks of the 1981 plan in certain indicators. Predictably, neither of the VHJ will fulfill its tasks in production and by the same token, it cannot be presumed that the adjusted value added indicator will be met. Slovcepa envisages that its exports to nonsocialist countries in prices quoted as "all charges paid" will not be met and in all probability Slovchemia will fail to meet its deliveries to consumer goods inventory in wholesale prices.

For the rest of the year the managers of chemical industries in both republics will be facing a number of demanding tasks, above all, various problems concerning more efficient utilization of primary and secondary raw materials, reducing power consumption in individual enterprises of production, and overall improvement in the use of energy. Meeting in the best possible way the stipulated deliveries for exports, particularly those to nonsocialist countries, and also for the fulfillment of deliveries for our domestic market, is an important task.

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# East Europe Report

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2231

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16 February 1982

# EAST EUROPE REPORT

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2231

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ALL EFFORTS REQUIRED TO INCREASE FINANCIAL RESOURCES

Tirana RRUGA E PARTISE in Albanian Sep 81 pp 25-34

[Article by Gjergj Rakaj: "Let Us Mobilize All the Reserves and Possibilities Which Our Economy Possesses to Increase the Financial Resources"]

[Text] The draft-directives of the Eighth Congress of the AWP for the Seventh 5-year plan for the development of the economy and of culture have correctly and clearly set the objectives to be attained in this 5-year plan period through full reliance on our human, material and financial resources. On the basis of the tasks for the development of the economy and the growth of the effectiveness of the social product, of the rational use of the national income, in particular of the funds of socialist accumulation, the overall financial revenues in 1985 as against 1980 will increase 34-36 percent, whereas the general financial expenditures will increase 33-35 percent. The broad public discussion carried out in every work and production center proved that the setting of these objectives is not only realistic, but, by relying on the many and valuable proposals made at work and production centers, the possibilities exist to surpass them.

We are drafting, we are concretizing the Seventh 5-year plan, we have started to put it into practice and we must realize the planned objectives of the plan under the conditions of the continued worsening of the factors related to the capitalist-bourgeois encirclement and blockade toward our country. Under these circumstances, the main task of our finances is to mobilize all the possibilities and to discover and to utilize all the resources of the economy in order to secure the necessary accumulation, to guarantee the uninterrupted financing of the expanded socialist reproduction, to strengthen the state and foreign currency reserves, to avoid any type of inflationary phenomenon and to further strengthen our lek. Comrade Enver Hoxha stresses that it is precisely these reasons which make it necessary to strengthen the role of finances in the economy, by making our finances more vital and more dynamic, by improving their monitoring study and control role.

Comrade Enver Hoxha's speech at the meeting of the Politburo of the party Central Committee, on 22 April 1980, opened new horizons in this field. For the execution, concretization and implementation of the directives which were issued at this meeting, a series of initiatives were undertaken to increase and improve the activity of the organisms of all the workers of the finance system, as well as for the financial education of the working masses. As a result, the one-sided and mistaken practices

and concepts, according to which the entire attention was devoted almost exclusively to the material and technical aspects of production activity, while treating the economic-financial problems lightly, as a second-hand and third-hand questions, have been dealt powerful blows. The single scientific management of the economy and of production is becoming increasingly important by viewing in its dialectical unity the material and financial aspect of every economic-production and social activity.

The finance workers and the economists, under the guidance of the party organs and basic organizations, are actively participating in the management of the economy. They are raising to a higher level their work to overcome the backwardness which is still noted in the treatment of the financial aspects, in comparison to the material and technical aspects, of production, and to raise the degree of involvement of all the workers in financial problems, by increasing the efforts so that the records, the data and the entire system of the economic-financial indicators are better utilized and can better satisfy the demands for the perfection of the scientific management of the economy. A more correct understanding and evaluation of the financial aspect is currently noted among the other workers, cadres and production specialists at the grassroots level and at headquarters. A number of enterprises are now making not only monthly economic-financial analyses, but also 10-15 daily analyses, and their quality is improving from day to day. Some schools with experience in eco economic-financial problems have been opened. Often, debates are organized on the theoretical and practical issues of our development. The value of these types of activities becomes evident in the growing interest of the working collectives in financial problems, in raising consciousness and increasing personal and collective responsibility for the fulfillment of the tasks in this field too, as well as in the results which, in general, are better than those which were achieved up to now.

But as the public discussion of the draft-directives showed, in order to increase the role of finances, as an important lever of the scientific management of the economy, especially under the conditions of its development through total self-reliance, the good work which has begun to be carried out in this field, must be continued. For this reason, the study work of the financial and bank organs is being intensified, oriented toward big problems such as the most complete exploitation of production capacities and of the entire existing technical-material base, the most effective use of the resources of accumulation and of production expenditures, the constant strengthening of the policy of thrift and so forth.

The number of financial workers engaged in studies is constantly growing. Studies on the technical and technological aspects of production which are carried out in the economic enterprises or in the agricultural cooperatives, in the districts or ministries, are now starting to be supplemented with studies on the economic-financial effectiveness and profitability of every investment and expense. But we are still far from the party's recommendation to carry this out everywhere, in every case and with high effectiveness. The economists and the financial workers are faced with the task, in cooperation with the other specialists and cadres, to give their opinion, with full competence, as to which technical or technological solution is more profitable for the society from the economic-financial point of view. The valuable work which was carried out during the preparation of the draft-plan of the Seventh 5-year plan period, in which, for the major problems of development complete studies were undertaken and which were further expended during the public discussion of the draft-directives, must become a permanent work method in planning as well as during the execution of the plan.

The situation under which we work, and the high rates and dimensions of the development of the country, make it more than ever necessary for us to make calculations with pencil in hand for the high effectiveness of the expenses, as the party recommends.

More is expected in this direction especially from the economists of the more important sectors of the economy, as for example from those who work in the sector of petroleum and gas, whose studies must better meet the great demands of this very important branch of our economy. The relative backwardness of the economic-financial thought as compared to the technical thought which is noted in this sector charges them with responsibilities and, simultaneously, with tasks of this branch of industry. Production at a loss on the part of some enterprises of this branch, the reserves which it possesses for the more effective utilization of the technical-material base, the failure to attain the planned parameters from the investments carried out for the production of bitumenous sands and so forth, constitute concrete work and study fronts for the economists and the financial workers of this sector, by coordinating, better than heretofore, the work with the other specialists of production.

In some agricultural cooperatives in Korce, Shkoder, Lushnje, Fier districts and elsewhere, as a result of the good achievements in the fulfillment of the indicators of the economic-financial plan, relatively high accumulation funds have been created. This is undoubtedly a very good thing. But these cooperatives have not properly studied the possibility of the full and effective use of these funds, therefore, it also happens that these funds increase more rapidly than the expense funds. And this at a time when it is known that putting these funds in economic circulation for the benefit of the agricultural cooperatives would increase their potentials for higher rates of development, especially if they are used for such important fronts as increasing the fertility of the soil, strengthening of the technical-material base, and so forth.

As a result of the work which the party has carried out and is carrying out, the planned management of the economy is being constantly perfected.

A struggle has been waged in this context also against global tendencies in planning, especially in the fulfillment of plans. As a result, in general, there has been a more disciplined production and for more definite purposes, in order to better fulfill the demands and the planned needs of the economy, of the broad working masses and of defense through fixed values of use and according to an established order. Nevertheless, as was shown during the public discussion of the draft-directives of the Eighth Party Congress for the Seventh 5-year plan, there are still instances, for example, of a complete disharmony between supply and demand in the context of cooperation for the production of spare parts for complete machines, as well as instances of disharmony between financial aspects and materials, between the production plans and the technical-material bases, between production and distribution, also excessive supplies, slow-moving goods or stockpiles are created, all of which have their source sometimes in the weakness of global planning, according to general value, but, more often, in the weakness of seeking the fulfillment of the tasks in global terms during the execution of the plan. Therefore, a more accentuated and concrete struggle is expected from the state and economic organs in order to fight these mistaken and harmful practices and concepts.

The improvements which have been made in planning methodology and in the criteria of the assessment of the economic-financial activity of the economic enterprise and of the agricultural cooperative, and the efforts which are being made for their implementation, have been accompanied by a more effective management and a more profitable use of material and monetary resources. The goal is and a determined effort has been made to, use, in the most harmonized manner possible, the human and those material and technical factors which presently constitute the biggest reserve and the decisive condition for the fulfillment of the tasks. By raising this harmonization in production activity to a higher scientific level, important objectives are being attained in raising production while reducing expenses, in raising the profitability of the economy, by creating real opportunities for maintaining and improving the correct relationship between social production, national income and financial incomes.

The increase of the resources of accumulation is a basic factor for the uninterrupted financing of the economy and for guaranteeing high rates of development. And it is a fact that the realization of an active budget in our country, under the conditions of the fierce imperialist-revisionist encirclement and the further deepening of the economic-financial crisis which has engulfed the capitalist, bourgeois and revisionist world, proves the correctness of the line which the party has pursued for the building of socialism entirely through self-reliance. Our economy breathes freely and fully. This is shown by the high rates of its development without receiving credits and aid from the capitalist, bourgeois and revisionist states.

The effectiveness of the social production, Comrade Enver Hoxha, teaches us, is a result of all the factors of the development of socialist production. By taking in consideration this scientific conclusion, the increase of the resources of accumulation is being viewed ever more in close relationship with the fulfillment of the production tasks on time, in assortments, quality, cost and so forth. In this framework, special importance is being devoted to the problems of cost. They are being subjected to deeper analyses, by examining all the aspects of cost, whereas the strict planning of cost and the saving of labor and materials in the production process became one of the principal topics of the public discussion regarding the draft-directives of the Seventh 5-year plan period, as one of the most pressing tasks for securing the necessary accumulation for the uninterrupted financing of the economy.

But in the field of production costs there are also some problems which require greater attention, especially in the direction of scientific planning and the systematic pursuit of the fulfillment, in full unity with all the economic and technical indicators of production. Thus, for example, in the better administration of the material expenses, which occupy the main role in the expenses of production and construction, there are still problems which merit a greater attention than up till now, in order to use them more thriftily.

It is a known fact that during these past few years there has been a powerful movement for the more profitable use of raw materials, of energy materials and quite a few results have been noted in this direction. Still, the reserves which exist have not been utilized everywhere and sufficiently. There continues to be procrastination, for example, in the re-examination of the norms for the use of outdated materials which do not comply to the level of techniques, technology and of the training of the workers. The great reserves which exist in this field became more apparent also through the revolutionary initiatives for savings which many working collectives have

undertaken for the fulfillment and overfulfillment of the plan of the current year, especially those which have been taken to raise the coefficient of the valuable use of raw materials, which is accompanied by the production of technological shortcomings, which continue to be great, especially in some branches of industry, such as the machine, wood, and clothing industries. The use of mathematical methods in cutting and in other working processes, as well as encouragement everywhere of the creative spirit to find ways for turning the left-overs and rejects into valuable means for the society, are yielding very good results in the effective use of the material goods. The differences which exist between the enterprises in relation to the achievements in the valuable utilization of raw materials and of the principal materials, also reflect the many possibilities which exist for the further lowering of the cost, for the increase of production and accumulation at high rates.

In the methodology of planning our socialist economy, precise limits have been set for the proper relationship between the cost and the other indicators of production, and for determining the real resources of lowering the cost. And in the majority of the economic enterprises good work is being carried out for planning the cost. A good work has been done especially in the enterprises of the textile industry, the chemical industry, and so forth. But there are also some economic enterprises which do not carry out skilled work in this direction.

There are instances when the analysis of the cost plan is not documented by real sources of thrift. For example, the superphosphate plant in Lac had expected to fulfill only 12 percent of the cost reduction plan through savings in raw materials, and 88 percent through savings in general expenses of the enterprise. This type of planning indicates a failure to set precise limits for all the concrete sources of the fulfillment of this task. There are also some enterprises which have not drafted expenditure estimates, although it is known that they constitute the foundation on which all cost problems are based and solved. And it is precisely these gaps and similar ones which in some causes, cause attention to lowering costs to be incorrectly directed toward general expenses, not because there is a lack of reserves and possibilities for savings, but because the main reserves are to be found in the process of the production of material goods.

The public discussion of the draft-directives revealed many possibilities and new reserves for lowering the production expenses. But in some economic enterprises such as these in Mirdite District, Durres District and else, the operational branches have not fully executed their analyses, in order to further influence the creative thinking and to further clarify the objectives for each worker and collective, to further concentrate the work and the struggle for reducing production expenses and for strengthening, everywhere and in everything, the savings regimen.

The implementation of the tasks of lowering the production expenses, requires, among other things, a better coordination of the work between the branches and various specialists in the enterprise. The financial workers should not merely become data accountants, but should leave the offices, go more often to production areas and undertake economic-financial studies linked closely with the technical, technological and organizational problems of production, whereas the engineers, agronomists and the other specialists of these categories should not pursue and treat the problems of production only from the technical aspect, but should also take into consideration their economic-financial aspect, take notes, keep records and work with data in this direction too, to follow step by step the trends and phenomena observed in the economy, and draw from them the necessary conclusions for the management of the economic-financial activity.

Increasing the knowledge of financial workers about production and technology and increasing the knowledge of the economic and financial sciences by the production specialists, opens to them a horizon for a deeper understanding and evaluation of that organic relationship which exists between the technical, technological and financial aspects of production. The supplementing of this knowledge, which assures unity of scientific management requires a greater attention starting at the school level, in the teaching programs in which it is necessary to carry out the needed improvements, by overcoming that gap which is noted in many directions and which has been evident in practice.

In the public discussion of the draft-directives of the Eighth Party Congress for the Seventh 5-year plan, another important direction in which greater attention was concentrated was that of the planning and more effective use of circulating assets and capital investments.

Under the present conditions of the intensive development of the economy, the profitable use of circulating assets constitutes one of the important directions for raising the effectiveness of production and of national revenues. Thus, by increasing the rapidity of their circulation, by only one percent, millions of leks in material and monetary resources, are made available to the economy. Precisely in this field, there is room for the financial organs to try their best in order to find new possibilities for increasing the effectiveness of the use of these means.

The economy possesses billions of leks in circulating assets which have been provided to the enterprises in order to fulfill the plan tasks in a normal manner, and the data show that the effectiveness of the use of these means has grown from year to year, therefore in a new 5-year draft-plan, too, the rates of the increase of circulating assets are expected to be lower than the rates of the production increase, something which constitutes an objective necessity in order to have a highly effective economy. But this does not mean that the maximum limits have been reached in this field, on the contrary, as experience shows, here too there are many reserves and possibilities. Special attention should be given, in particular, to the study of norms of material expenditures.

It is known that the reserves of goods and materials can be held at the level of the norm only when strong discipline and control is established everywhere. Of course, the broad nomenclature of goods and of materials hampers the controlling and management work for accelerating their circulation, but practice has shown that if the problem is understood seriously and the information and evidence are perfected, good results can be attained, especially in some of their most important types, or in some other less important ones, but which contribute to the creation of stockpiles.

The accelerating of work on the part of all the ministries for the establishment of daily norms for circulating assets will create possibilities for the improvement of planning and for the strengthening of the control of their use. However, the conditions and the factors which determine the size of the daily norms for circulating assets constantly change, from time to time, therefore they cannot remain unchanged during entire years. But they cannot be changed in a careless manner, without a general study of the conditions and of factors which determine the daily norms for circulating assets. We stress this because the weaknesses which exist in this direction constitute one of the principal causes of the creation of stockpiles of materials

and goods in some enterprises. Thus, for example, in the UEM [Electro-Magnetic Plant] of Durres there is almost double the norm of materials, and in some of them there are reserves for an entire 5-year period. In this enterprise there are 810 articles valued at about 800 thousand lek which have not moved for over one year, 188 articles valued at over 1 million and 300 thousand lek which have not moved during a period of 6 months to one year, and so forth. The negative consequences in this field are clear, because the enterprise is unable to pay, whereas some other enterprises which need such materials, face difficulties for the normal fulfillment of plans.

The planning of circulating assets is a process in which many problems emerge, such as supply, distribution, the normative of the material expenses, the prolongation of the technological process, transportation conditions and so forth. For this reason, all the enterprise organisms must occupy themselves with the planning of circulating assets, by involving the creative thought of all the workers, and especially of the technical-engineering personnel. However, in practice, the planning of circulating assets, in many cases has been understood simply as a financial issue to be dealt with by the branches of finance and the financial workers, by not always relating it closely to the other plans, especially the supply and distribution plan.

The cases of non-scientific planning of needs for circulating assets are accompanied both by asking and securing above requirements, according to the tendency "to be on the safe side" as well by asking and securing below requirements. This constitutes also one of the causes for the creation of excesses or deficiencies in circulating assets. Somewhere, unnecessary reserves are created and somewhere they are insufficient for the normal development of the production process.

The increase of the effectiveness of circulating assets is hampered also by the regular non-fulfillment of production and distribution plans. In the sector of industry and of mines in Korce District, during the first quarter of this year it happened that during the first 25 days of each month only 30-35 percent of the monthly production was entered, whereas during the last days, of the month only 65-70 percent of the production was entered. As a consequence, in the distribution of production extreme oscillations take place during the month. Thus, during the 5 days of each month, 20-30 percent of the monthly production took place, whereas during the first 5 days of each month only 5-10 percent of the monthly production was distributed. An irregularity of this kind creates difficulties in the field of transportation too, by creating bottlenecks. This, however, creates, at the same time, irregularities in the other branches of the economy which process these raw materials.

It is clear that in these cases, it is not the technical-technological and material conditions of production which hinder the regular fulfillment of the tasks of the production and distribution plan, but it is the lack of concern and the failure to pursue the fulfillment of the production and distribution plans every day and in all the indicators which has its source in the mistaken concept that "there is time until the end of the month." Our economy is a single one. The violation of the plan, even in one link of production or of distribution, not only creates disturbing problems for users of material goods, but if no measures are taken, it affects the fulfillment of all other economic-financial tasks in special branches and enterprises, as well as on the level of the entire economy.

It is a fact that as a result of the care shown and the measures which have been taken, as a whole, the effectiveness of circulating assets has increased. The acceleration of their circulation has resulted in the increase of production at faster rates than the circulating assets. In order to ensure the normal production process, work is being done to create and strengthen the necessary reserves everywhere. There has been criticism of the harmful practice of some managers to secure "reserve" circulating assets," by keeping them out of economic circulation. There are many organized movements to record stockpiles and distribute them to the users. They have freed a number of enterprises from the heavy burden created for them in the financial area. During the discussion of the draft-plan for 1982 and of the draft-directives of the Seventh 5-year plan there has been better record-keeping of stockpiles of materials and of goods of slow circulation, and concrete tasks are being scheduled to put them at the service of the economy. On the other hand, a series of changes have been made in the rules and legal norms in order to strengthen the discipline and the responsibility of the supply enterprises and of the organs of foreign trade for securing the necessary reserves on time.

Investments occupy 40-50 percent of the expenses of the state budget and constitute the principal direction of the use of socialist accumulation. Their volume during the new 5-year plan period is 23-25 percent greater than during the Sixth five-year plan. Through investments, high rates of the expanded socialist reproduction will be maintained, the technical-material base will be strengthened and sources of accumulation will be increased.

Through the great work which the party has carried out, a revolutionary concept is now dominant in the field of investments. In contrast to some years ago, when technical thought completely dominated their planning, and data on their effectiveness were weak, now there is better harmony among them. The demands for the highest possible effectiveness of investments and the priority of production investments, are being introduced in a better way in the work and management methods of the economic and state organs. The monitoring and study role of the financial and bank organs is growing daily along with their influence.

In the discussion of the draft-directives of the Eighth Party Congress for the Seventh 5-year plan, a better work was done to acquaint the workers with the cost of the projects and with the parameters to be attained. This became evident in the analyses which the executive committees of the district people's councils carried out regarding the results to date. But, despite all these improvements in the work for the planning of investments, in some cases there continued to be shortcomings and weaknesses which have been criticized in the past too. Thus, in some districts tendencies were again noted to plan the greatest amount possible of funds and projects without scientifically examining the real possibilities and resources for their fulfillment and without complete studies about the economic-social benefit and profitability of the projects.

Some enterprises and districts have not drawn the necessary lessons from the criticisms of the party for the strengthening of the study and design work. How else can one explain the fact that in some cases the projects have been presented only in one version and have been planned to be built without complete studies. Thus, the nonfulfillments evident in the drilling and exploitation of petroleum are also related to the lack of knowledge about all the drilling points from the beginning of the planning phase. As a result, the funds, too, in some cases, have been earmarked according to the analogy method.

The accelerating of the construction schedule is of great importance, both for starting production and accumulation on time and also for avoiding the blocking of funds. The acceleration, only by a few days of the commissioning of projects called for in an annual investment plan is of great economic profit, and negative consequences result from their delay, even for a few days, especially now when an average of about 12 million lek a day are spent for investment.

These are important issues which merit greater attention than heretofore by the basic party-organizations, the building enterprises as well as the investment institutions, especially those which do not complete projects on schedule, or which increase the volume of construction-installation works underway, by blocking the funds. But regarding these issues, the financial organs which must greatly strengthen the study, analyses, operation and controlling work, also have many tasks.

The attainment of the objectives called for by the draft-directives of the Eighth Congress of the AWP for the development of the economy and of culture for the Seventh 5-year plan (1981-1985) will further strengthen the economy and the defense of the country. The greatness of this plan is based on the continued high rates of development by fully relying on our own forces, without aid and credits from abroad. The continued soundness of our finances during the years of this 5-year plan period constitutes one of the powerful bases to guarantee the high rates of our economic-social development.

The great possibilities which our socialist order assures, are being further concreticized during the examination of the draft plans coming from the grassroots. It is necessary for the ministries and the central institutions to reexamine during this phase the possibilities for a more complete documentation of the economic-financial indicators, to evaluate every proposal and suggestion made by the grassroots, with the main objective of raising the level of the guarantee of the fulfillment of the Seventh 5-year plan.

CSO: 2100/27

## FORTHCOMING GROWTH OF CONSUMER GOODS, SERVICES JUSTIFIED

Sofia POLITICHESKA PROSVETA in Bulgarian No 12, 1981 pp 50-55

[Article by Mariya Slavova, candidate of economic sciences: "Personal Consumption--Status and Trends"]

[Text] Among the multiplicity of problems which will be solved in our country during the Eighth Five-Year Plan in the area of raising the working people's material and cultural well-being is the problem of the further comprehensive development of personal consumption. It has a vital place and fulfills an important role in the multifaceted practical activity of man and society. Personal consumption under socialism is shaped purposefully and developed on the basis of a continuous increase in production and implementation of the party's social policy.

The main and immediate task of the country's social production and overall development--the attainment of a higher level in the comprehensive satisfaction of the people's material, spiritual and social needs--makes new demands on the various aspects of the reproduction process. These demands apply with special force to personal consumption and the structure thereof.

The level and structure of personal consumption are among the most important indices of the people's well-being. Personal consumption structure reflects the ratio between the individual groups of goods and services which are consumed or used by the people. The more important elements of material and spiritual goods are usually grouped as follows: current consumption of material goods whereby the individual's urgent needs are provided for (food products, clothing, shoes etc.); durable goods for furnishing a dwelling and for satisfying cultural needs (television sets, radios, personal means of transportation); and the consumption of (material) services--laundry, dry cleaning, repair of household appliances etc.

One of the vital tasks of social policy is the establishing of optimum proportion between the individual components of personal consumption and, more specifically at the present stage, "still fuller satisfaction of the people's needs of food and nonfood products and services."[1]

The rapid increase of the population's monetary income, the decline in income differentiation, and the increase of the role of consumption in the development of production have a significant influence on consumption structure and needs at the present stage, on the rate of economic growth etc.

The growth of household nominal income in our country contributes to the more effective development of production, on the one hand, and to a rise in the level and an improvement in the structure of consumption, on the other. Practical experience shows that the rise in the level of personal consumption and the structural changes therein are in direct relation to the dynamics and structure of household incomes. The total income of the observed households in our country grew from 2246 leva in 1965 to 4611 leva in 1979, and the per capita average correspondingly from 691 in 1965 to 1593 in 1979.[2] The population's real income will grow by 16-18 percent in the Eighth Five-Year Plan. Average annual pay will increase from 2185 leva in 1980 to about 2500 leva in 1985, and minimum monthly pay from 100 to 120 leva.

Wages constitute the vast part of the total income structure for all households. This shows that income received from payment for labor has the strongest effect on personal income structure. The role of personal income, however, must not be absolutized since some needs are satisfied free of charge through social consumption funds. Moreover, when living standard is estimated, it must be taken into account that individual households differ in their composition and this, to a significant extent, determines whether families have a higher or lower per capita nominal income. Social consumption funds play an important part in eliminating the differences between the budgets of individual households. Distribution via social funds physically effects the greater part of socially organized (collective) consumption.

During the Eighth Five-Year Plan a new approach will be made to the formation and utilization of social consumption funds. They will grow at a rate lower than at present, but their absolute amount will be greater since every percentage point of increase represents a larger sum than in the preceding period. In this five-year plan they will be 9 billion leva more than in the Seventh Five-Year Plan. The economic and social effectiveness of these funds will rise decisively in the area of education, public health and other spheres. The aim is to stimulate more productive labor and solve the problems of laboring man and his family rather than to intensify the people's consumerist attitude.

Progressive structural changes characterize an analysis of the population's consumption in our country. The share represented by food products has declined appreciably as against nonfood products and services. Food products' share of the total volume of consumption declined from 49.7 percent in 1960 to 37.3 percent in 1979, while that of nonfood products and material services increased from 50.3 percent to 62.7 percent.[3] With the further development and improvement of social production and with the growth of the population's income, the share represented by nonfood products and material services will increase still more with a simultaneous growth in the absolute volume of food products.

Among food products the consumption of meat and meat products, sugar and sugar products etc. is rapidly increasing. In 1980 2.7 times as much meat and meat products, 3 times as much fish and 3.5 times as much sugar were produced as in 1960.[4] The quality of the population's diet is improving and this is of vital importance for the people's proper physical development. Consumption structure is being improved by way of biologically more valuable food products. In terms of the calorie content of the food products consumed per capita per day, Bulgaria ranks ahead of several highly developed capitalist countries such as the FRG, Austria, Canada and France.[5]

Despite the great growth in the consumption of animal products it still lags behind the population's needs. That is why the decisions of the Twelfth BCP Congress set agriculture the task of sharply increasing the quantity and quality of animal husbandry output. Moreover, at the very beginning of the Eighth Five-Year Plan the domestic market will be more evenly supplied with all kinds of fruits and vegetables, meat and meat products, sugar and sugar products, milk and dairy products, edible vegetable oils, eggs, macaroni products, fish and fish products, rice, and nonalcoholic beverages. Food industry output will increase at least 25 percent during the Eighth Five-Year Plan.

Progressive changes in the personal consumption of nonfood products can be judged from the increase in the sales of some of them. For example, in 1980 1.8 times as many woolen fabrics were sold as in 1960, 2.5 times as many silk fabrics, 2.4 times as many shoes, 1.9 times as much cotton knitwear and 3.4 times as much woolen knitwear.[6] The production of light industry will increase about 25-30 percent during this five-year plan.

The great demand for, and the expansion of the consumption of durable goods account for the high rate of the increase of production and the enrichment of the assortment thereof. In 1980 there were 77 television sets per 100 households as against 42 in 1970, 77 refrigerators as against 29 in 1970, 71 washing machines as against 50 in 1970, 29 passenger cars as against 6 in 1970 etc.[7]

As a result of the growth of income and the rise of the people's education and technical know-how, the consumption of nonfood (industrial) products and durables will increase still more, and the requirements set for the quality and assortment thereof will rise. This makes it imperative to improve production structure, intensify imports of consumer goods as well as the influence of the market on the planning and satisfaction of the people's rational needs, overcome the seasonal character of the consumption of certain foodstuffs, and reduce the difference between the supplies of individual regions of the country, between cities and countryside. Retail goods turnover will increase by 20-22 percent in the Eighth Five-Year Plan.

Despite the progress made in developing the production of consumer goods and the performance of services a number of difficulties of an objective and subjective character are still encountered in satisfying the working people's needs. Inadequate development of the productive forces is a cause which still prevents meeting some of our population's needs in keeping with scientifically founded standards. This is true for satisfaction of the needs of certain nonfood products, housing, children's and health-care institutions, various kinds of services etc. (For the level of satisfaction of some of these needs, see the data in the table below.)

In order to raise the people's living standard, the party and government are now giving special attention to the housing problem. The provision of housing is one of the most important qualitative consumption indices. As a result of intensive housing construction, percapita living space in 1980 was 14.8 square meters as against 10.5 square meters in 1965. Apart from what has been achieved in this area, very many questions await solution. During the Eighth Five-Year Plan at least 400,000 new housing units will be built as against 352,000 during the Seventh Five-Year Plan. A fundamental problem here continues to be the provision of housing for every family and improvement in the quality of housing construction. It is

necessary to take into account such processes as the breakup of households, internal migration, the increase in the number of elderly people living in apartments by themselves etc. Greater attention must be paid to the ambient environment and to the planning and provision of public services and amenities. The housing allocation system is being improved by giving preference to young families and to families without housing. It is imperative also to continue efforts for the functional allocation and furnishing of housing units, for reconstruction and modernization of existing housing and for the more rational establishment in new housing complexes of a system of social services that will create better opportunities for people in the same block, residential district etc. to associate together.[8]

LEVEL OF SATISFACTION OF POPULATION'S NEEDS
OF BASIC FOOD AND NONFOOD PRODUCTS*

| Products | Measure | Level attained in 1980 | Rationalized standards | Attained level as percentage of rationalized standards |
|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 |
| I. Food Products | | | | |
| 1. Bread and bakery products | kg | 215.6 | 100 | 215.6 |
| 2. Meat and meat products | kg | 62.5 | 80 | 78.2 |
| 3. Fish | kg | 7.2 | 12 | 60.0 |
| 4. Milk and dairy products** (calculated as milk) | liter | 165.0 | 260 | 63.5 |
| 5. Eggs | each | 203 | 265 | 76.6 |
| 6. Sugar and sugar products | kg | 34.2 | 32 | 106.8 |
| 7. Vegetables and canned vegetables | kg | 98.0 | 180 | 54.4 |
| 8. Fruits and canned fruits | kg | 106.0 | 200 | 53.0 |
| II. Nonfood Products | | | | |
| 1. Cotton fabrics | sq m | 24.7 | 36 | 68.6 |
| 2. Woolen fabrics | sq m | 4.7 | 7 | 67.1 |
| 3. Silk fabrics | sq m | 3.5 | 7 | 50.5 |
| 4. Knitwear items | each | 12.0 | 19 | 63.1 |
| 5. Footwear (excluding rubbers) | pair | 2.0 | 4 | 50.0 |
| III. Supply of durable goods per 100 households | | | | |
| 1. Radios | each | 88 | 130 | 67.7 |
| 2. Television sets*** | each | 77 | 105 | 73.3 |
| 3. Refrigerators | each | 77 | 70 | 110.0 |
| 4. Electric washing machines | each | 71 | 100 | 71.0 |
| 5. Passenger cars | each | 29 | 40 | 72.5 |

*Table compiled according to data of "Statisticheski Spravochnik 1981,) pp 191, 220 and "Tezisite na TsK na BKP vuv Vruzka s Podgotovkata na Edinadesetiya Kongres

Concern for the development, enrichment and qualitative improvement of services has an important place in the social policy of the party and state. The whole sphere of services is called upon to create conditions for expansion of the reproduction of the labor force, for strengthening of public health and improvement of the people's living conditions, for provision of adequate leisure for the working people.

The consumption of services at the stage of the building of a developed society is increasing at a relatively faster rate than the consumption of material goods. In 1979 the population's expenditures for material goods increased 3.9 times as much as in 1960, whereas expenditures for services increased 5.3 times as much, including expenditures for production services which increased 13.9 times as much, and for nonproduction services which increased 4.2 times as much.[9]

Per capita consumption of some industrial services increased appreciably over 1970. For example, dry-wash laundering increased 11.8 times, drycleaning nearly twice, automotive services over 6.9 times, repair and maintenance of radio and television sets 4.7 times and of household appliances over 7 times etc.[10]

The spiritual needs of the people and the possibilities of satisfying them are growing rapidly. In 1980 theater attendance per 10,000 population was 711 as against 637 in 1970; the annual per capita printing of books was 6.5 as against 4.8 in 1970, of magazines 5.3 as against 6.9, of newspapers 112.9 as against 96.2. Television subscribers per 1000 population was 186 in 1980 as against 121 in 1970.[11]

There is a trend towards a constant increase in the number of the population with a secondary, college and higher education. In the number of VUZ students, Bulgaria ranks among the first in the world. Specialists with a higher education in the national economy increased from 163,000 in 1970 to 275,000 in 1980.

Qualitative changes are now taking place in the educational system with the establishment of the new ESPU [edinno sredno politekhnichesko uchilishte; integrated secondary polytechnical school] and the new type of tekhnikums, as well as with the reorganization of higher education in keeping with the decisions of the July (1979) plenum of the BCP Central Committee on education.

In order to implement the decisions of the Twelfth BCP Congress in the social sphere, the new economic mechanism will be used still more effectively here so as to make a turnaround in the service area in increasing the production and expanding the assortment of consumer goods.

The materials of the Twelfth Party Congress target an increase at an overtaking rate in marketable goods and services for the population as compared with disposable income, closer convergence of the rate of growth of group "A" and group "B" in

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na Partiya" [Theses of the BCP Central Committee in Connection with Preparation of Eleventh Party Congress], Sofia, Partizdat, 1976, p 91

**Excluding butter.

***Those registered for 1970 [sic] only (excluding transistor sets).

industry, and fuller utilization of the potentialities of social production for developing the population's self-sufficiency system and for overcoming the lag of certain types of services behind the working people's increased needs. Provision of comprehensive services within the framework of the settlement systems, the combining of traditional services with new and more progressive forms, improvement in the quality of services, a rise in the skill of workers, and development of the material and technical base and of municipal and domestic services will be a constant concern of state and economic agencies. In addition to the favorable changes in the fulfillment of the decision of the February (1974) plenum of the BCP Central Committee and the 1978 National Conference with key ideological cadres on the ideologization and politicization of this sphere, many more questions in this area will be solved so that the influence of the service sphere can be synchronized with the overall efforts to educate the New Man.

The goals of increasing the quantity, improving the quality, and diversifying the asssortment of goods and services have an important place in the pledges of the labor collectives to fulfill the decisions of the Twelfth Party Congress. And this is so because every worker is more and more becoming convinced that the production of more and higher-quality goods and domestic services means speedier and fuller satisfaction of his needs.

Under the leadership of party committees and organizations the work of state and economic agencies is now aimed, first and foremost, at improvement of the quality indices of consumption, at study and forecasting of consumer demand and timely direction of production towards the requirements of consumers, and at elevation of the economic and social efficiency of social consumption funds. The role of the subjective factor, of the labor activity of collectives, in increasing the country's material and spiritual goods is indispensable. The more favorable conditions and opportunities are for the development and utilization of people's capacities, for them to prove their labor and social worth and for the renewal of the labor force, the greater are the opportunities for an increase in the social productivity of labor and the material wealth of society.

Under socialism the socioeconomic functions of personal consumption are constantly enriched and reinforced. Society, by its planned, deliberate and purposeful activity, creates conditions for the formation of a volume and structure of personal consumption that will facilitate the multifaceted development of the personality and strengthen the socialist way of life.

FOOTNOTES

1. Twelfth BCP Congress, "Dokladi i Resheniya" [Reports and Decisions"], Partizdat, 1981, p 191.

2. See "Statisticheski Godishnik na NRB" [Statistical Yearbook of the Bulgarian People's Republic], 1980, pp 91, 92.

3. See "Razshireno Sotsialistichesko Vuzproizvodstvo na NRB" [Expanded Socialist Reproduction of the Bulgarian People's Republic], 1980, p 105.

4. "Statisticheski Godishnik na NRB," 1980, p 360; "Statisticheski Spravochnik" [Statistical Manual], 1981, p 195.

5. See "Potreblenie na Naselenieto (Osnovni Pokazateli)" [Consumption of the Population (Basic Indices)], KESSI [Komitet po Edinna Sistema za Sotsialna Informatsiya; Committee on Integrated Social Information System], 1978, p 27.

6. "Statisticheski Spravochnik," 1981.

7. Ibid., p 220.

8. A practical proposal in this respect is that of R. Gocheva to create communities of relatives and friends by place of residence in cities, with regulation of this process made possible by application of the Law on Property/ (See "Zhizneno Ravnishte i Nachin za Zhivot" [Living Standard and Way of Life], Sofia, Partizdat, 1977, p 72.)

9. Calculations are made according to "Razshirenoto Sotsialisticheskо Vuzproizvodstvo na NRB," 1980, p 128.

10. "Statisticheski Spravochnik," 1981, p 202.

11. Ibid., p 240.

6474
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## WORSENING WEATHER CAUSING ECONOMIC, ECOLOGICAL PROBLEMS

Prague HOSPODARSKE NOVINY in Czech 29 Dec 81 p 5

[Article by Vilibald Kakos, graduate physicist, Hydrometeorological Institute, Prague : "Atmospheric Chaos Increases"]

> [Text] In the course of this year, it was again demonstrated that the number of weather extremes had increased even over last year. All over the world, too, according to foreign experts, the number of disasters increased as a result of the vagaries of weather. Unfortunately, for the time being we do not have any physical explanations for this intensified atmospheric chaos, even though there now exists a broad "arsenal of hypotheses" about terrestrial and extra-terrestrial influences as well as harmful human activities causing pollution of our water and air.

Beginning with 1977, above-normal rainfall and below-normal temperatures have been noted every year during the summer (as can be verified in articles regularly published in double issues of HOSPODARSKE NOVINY at the end of every year). This year, the summer and, surprisingly, also the winter, were quite normal in respect to temperature, however, the amount of rainfall in the Bohemian lands, especially in the northwest half, was most extreme. Going toward the east, these anomalies of weather rapidly diminished so that in Slovakia, for example, there were no marked extremes except for some heavy downfalls of rain and minor flooding with damage limited to local areas. This year's flood damage in Bohemia alone exceeded Kcs 2 billion, which is one of the greatest such losses for this territory in the last 10 years. Most of this was due to the July flooding in the river basin of the Vltava, Labe and Luzicka Nisa and to a smaller extent the March flooding which also encompassed the upper course of the Morava and its tributaries originating in Jesenik as a consequence of the thawing of snow and the rainy period.

### Extreme Heat and Flooding in March

On the very first day of the new year the meteorological phenomena began, as though to foreshadow the unusual weather in the coming months. In the morning and again in the afternoon there was thunder over Prague accompanied by a snowstorm with gusts of wind reaching 40 miles per hour. Fortunately, this winter, from the viewpoint of precipitation and particularly temperatures, did not exceed reasonable

limits, even though January was somewhat colder in the CSR with a deviation from normal of -1.6°C. In February, there was only minor flooding along certain tributaries of the middle Labe (Cidlina, Melina and Doubrava).

Then in March there began a chain of hydrometeorological extremes. With a mean temperature of 8.6°C at Prague's Clementinum, this month, together with a like case in 1938, became the warmest ever in the history of observation at this station since 1775 when the deviation from normal was 4.7°C. The high daily temperatures reached a peak on 11 March when the reading of 17.2°C exceeded the highest ever recorded at this station and at the same time the rainy weather precipitated rapid thawing of snow on the mountains and slopes with consequent flooding. On the upper Labe, for instance, the flow into the Les Kralovstvi basin was about 340 $m^3/s$, corresponding to the highest flow in a century. So much water does not flow, on the average, even in Decin where the Labe departs from our territory. A long-standing average here amounts only to 300 $m^3/s$. Even some of the other tributaries of the upper Labe had never experienced such flooding ever since the end of World War II. The upper reaches of the Ohre and Morava attained their highest flows in 20 to 50 years, the middle Labe, upper Sazava, Bilina and lower Morava in 10 to 20 years.

Spring Frosts - Then Drought

In the first half of April the weather was so dry as to be harmful and the relatively warm temperatures were almost like summer. Thus 1 April again broke the record at the Clementinum with a reading of 21.1°C. Together with the record-breaking heat of March the weather in April also caused premature flowering of fruit trees. And as later seen, the results were disastrous. After an onslaught of cold air on 16 March there was a sudden reversal. In ensuing days the night temperatures fell to -2 to -6°C and in places even to -8°C. In certain fruit-growing areas and vineyards the crops were almost completely destroyed. As a result of even greater ground frosts, -6 to -10°C (in Klatovy in one case down to -13°C), even some agricultural crops were damaged (vegetables, sugar beets, etc). These April returns to winter are, of course, not at all exceptional in our krajs. Only after the cold spell in mid-May (12 - 14 May) is the danger of frost warded off.

With the exception of certain areas in the northwest half of Bohemia, from April until June a shortage of rainfall began to develop gradually which reached 51 mm for Bohemia. With a total of only 142 mm this 3-month period ranked in ninth place for lack of rain in approximately the last 100 years (since 1876). The statistical probability of this phenomenon recurring is thus once in every 12 years. Even worse precipitation conditions (than this year's) during these months, so critical for vegetation growth, occured in the postwar period only three times--the famous catastrophic drought of 1947, then again in 1957 and finally in 1976, one we still well remember. At that time, however, the drought was accompanied by temperatures greatly above normal which considerably increased evaporation, in contrast to this year's case.

This 3-month drought which, however, was not nearly as extreme as the later downpours in July and October, certainly did not help the ears of grain that were forming on dried-out oil. In large areas, there was considerable stunting of growth which later resulted in poorer grain harvests and losses in root vegetables,

in those places where, because of soil conditions, the roots could not make use of underground waters.

Record Rainfalls in July

The most noteworthy extremes of precipitation occurred in July. There was nothing like it in this century in respect to the number of downpours, size of area affected and very small likelihood of being repeated in the future. The highest records were noted on 19 July, with a band of precipitation running through the Sumava and Brdy range to Prague and then continuing past Melnik to the Frydlant promontory. With rains lasting all day, without thunderstorms, (the intensity of precipitation nowhere exceeded 8 mm/h) 17 stations measured a total of over 100 mm in Zelezna Ruda and 119 mm in Nove Mesto p. Smrkem (district of Liberec).

In the vicinity of Prague the area hit hardest was the recreational region around the lower Berounka and Vltava with the highest precipitation ever measured, a maximum of 109 mm, in Stechovice (district of Prague-west). Just as here in Prague these absolute records of daily aggregates were exceeded at more than 20 other rain-gauging stations, with the probability of being repeated less than once in 100 years. For example, again in Prague's Clementinum where precipitation records are available for the longest uninterrupted series from 1840, the rain amounted to 90 mm which broke the record of 87 mm of 4 July 1931. Compared with other such cases in the history of this century, it was stated that this persistent rain has absolutely no analogy in the lowlands and hilly regions of the CSR!

The enormous aggregation of rainfall from 18 to 20 July caused the greatest flooding ever known in history along the smaller tributaries of the Labe and Luzicka Nisa river basin. Among these were especially the streams originating in the Brdy and Hrebeny region (for example, Kocaba, Bojovsky, Vsenorsky River, etc). Amounts equal to 50- to 100-year peak flows which may also be rated among catastrophic floods were noted in the western portions of the Central Bohemian Kraj on almost all small and medium tributaries of the Labe, Vltava and Berounka, on the largest streams of the West Bohemian Kraj, chiefly on the Uhlava, Uslava and Klabava, and finally in the North Bohemian Kraj at Ploucnice. Of the larger streams, the lower Berounka was hit the hardest when it peaked at 565 cm (440 cm higher than the long-time average) which corresponds to a 30-year record flow of almost 1000 $mm^3/s$. The last time the Berounka's waters were higher, by 15 cm, was in 1957.

The weather in July could truthfully be characterized by the title of the well-known novel, "When the Rains Came." (Their intensity, however, could by no means compare with the monsoon downpours). In the territory of Bohemia, 195 mm of rain fell, which is 227 percent of normal. This amount, the highest of all months for over 100 years, actually equaled the record of July 1954. At the Clementinum secular station mentioned before, a record 214 mm was reached, greatly exceeding the previous maximum of 192 mm in August 1938. Similar absolute extremes were recorded at several scores of stations. For example, at Roudnice n. Labem 293 mm of rain fell, whereas the statistically computed norm based on weather tables here is only 70 mm.

All of this was not without its consequences for agricultural operations. The ground became muddy in places for long periods of time and perceptibly complicated

harvesting. The unusual saturation of the soil also caused landslides in some places, probably the biggest of which was noted on the steep slopes above the Sazava at the community of Luka p. Mednikem (district of Prague-west).

More Rains in October

Following quite normal weather in August and September, October seemed to revert to the rainy month of July, though in a somewhat milder form. The amount of 122 mm of precipitation in the Bohemian region ranked this October in third place (after instances in 1935 and 1923). Many stations in the northwest half of Bohemia again broke records for monthly rainfall totals. The impassable condition of the ground in this region almost disrupted fall agricultural work, particularly the harvesting of potatoes and sugar beets, the cultivation of winter crops, etc. There were also great difficulties at the surface mines in north Bohemia.

If we add up the rainfalls in Bohemia from July to October we get the figure of 439 mm which is an absolute record (!) since the year 1876. This is almost the same amount that normally falls in Zatec in a whole year (441 mm). In second place is the case in 1922 (397 mm), quite a while ago. The extreme weather in the second half of the year is best characterized by absolutely exceptional rainfull and the ensuing problems, especially in agriculture.

Even though it is impossible to discuss all the problems created this year, on the basis of the analysis given it may be said that the unfavorable weather conditions created problems in agriculture largely due to the drought, almost all over the territory of the CSR, and then because of the enormous rainfalls beginning in July which affected mostly the northwest half of Bohemia.

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## DEPUTY MINISTER'S VIEWS ON AGRICULTURE, FOOD INDUSTRY ISSUES

Prague REVUE OBCHODU/PRUMYSLU/HOSPODARSTVI in Czech No 11, Nov 81 pp 4-5

[Interview with Eng Emil Cakajda, first deputy federal minister of agriculture and food, by Miluse Tomasova: "On Fulfilling the Tasks of the Agricultural and Food System at the Beginning of the Seventh Five-Year Plan"; date and place not given]

[Text] [Question] What is the role of the agriculture-food system in our national economy and how would you characterize it from an international perspective?

[Answer] The position of the agricultural-food system in the national economy is determined primarily by the fact that this system provides an especially vital part of personal consumption--food products. Unlike durable industrial goods, market relations in the area of food products involve all social strata of the population practically every day. Thus, this is a politically highly sensitive function because it is directly controlled by all strata of the population. The agricultural-food system affects basic national economic proportions in nutrition to a significant extent because of the sizeable share of food products in total retail turnover, because it is an important consumer of products supplied by the engineering, chemical and construction industries and services, and furthermore, because if its share of the economically active population.

Food products as a whole have a vital share in retail turnover. Prior to 1965 that share amounted to approximately 60-57 percent. In 1965-1980 it dropped (with a constant rise of the volume of food products), amounting in 1980 to 46.1 percent, simultaniously deliveries of food products for our domestic market are permanently rising. The ministries of agriculture and food are the largest suppliers covering personal material consumption of our population with a line of about 6,000 food products. A balance between the consumption of food and the satisfaction of the needs of that consumption is one of the basic preconditions for a continuous process of social reproduction.

In particular, narrow interbranch correlations are developing in food production. The share of chemistry in the final value of agricultural-food production is 14.5 percent, of machine engineering 9.2 percent (depreciation of machinery and equipment, and spare parts), of fuel and energy industry 5.2 percent, of the fodder industry 2.0 percent, of agriculture 45.5 percent, and of the food industry 16.0 percent. Thus, by the same token, more branches of production have become responsible for food production.

The agricultural-food system also fulfills an important social function on the international scale due to the fact that agricultural products and foodstuffs as a whole are essential and irreplaceable in human nutrition. Their importance is enhanced by the general situation in world nutrition where the disproportions between an accelerated growth of population and the slow rise af agricultural production worldwide as well as the deteriorating international situation in general continue to escalate. From the political and economic points of view these aspects considerably affect the international market of agricultural products and foodstuffs and strongly influence the domestic economy of every state that depends on imports of agricultural products and foods.

For that reason, the 15th CPCZ Congress assigned the agriculture and food industry branches as their main task the gradual increase of our self-sufficiency in basic food products. It is a positive factor that self-sufficiency has gradually risen along with the growth of food consumption per citizen. The total extent of self-sufficiency expressed in terms of value and calculated according to the resulting balance of foreign trade amounted to 83.7 percent in competitive food products in 1960, while in 1980 it increased to about 90 percent. The extent of self-sufficiency in main groups of products of livestock origin increased in particular.

The increase in food consumption and in the extent of self-sufficiency stems from the intensive development of our socialist agriculture and food industry as well as of other national economic branches.

Its overall results rank Czechoslovakia among those states with advanced, dynamically developing agriculture. The total volume of its production as well as numerous other indicators achieved increments higher than the average achieved in certain capitalist states. Over the past 20 years, the CSSR achieved a 2.2 percent average annual increment in its gross agricultural production, as compared with 1.2 percent for Denmark, 1.4 percent for the FRG, 1.4 percent for Austria, and 1.8 percent for France. Thus, the achieved results improved the international status of Czechoslovak agriculture not only in terms of the total level of its production but also of its per citizen production.

[Question] What, in your opinion, determines the intensification of self-sufficiency and higher exportability of our agricultural and food products?

[Answer] The achievement of a higher degree of self-sufficiency in agricultural and food products in the CSSR depends on further intensification of the cultivation of our available land resources, on preventing their reduction, and on the new material and technical contributions of all branches of our primary agricultural production.

Another factor which affects the achievement of self-sufficiency is the attained standard of food consumption in the CSSR and its potential rise over the next period. The per citizen food consumption of certain products in the CSSR has reached a level equal or superior to the level of consumption in the most advanced countries of the world, particularly as concerns the consumption of flour and bakery products, sugar, meat and meat products. Especially from the medical point of view, it is not advisable to increase the consumption of those products any further, as it contradicts the principles of rational diet. Nevertheless, the

supply of raw materials for the production of the above-mentioned foodstuffs is the most important task for Czechoslovak agriculture and it affects to a great extent the potential for the further growth of its self-sufficiency.

From this perspective, higher self-sufficiency in grain is decisive for out future. The emphasis on the solution of our grain problem, however, must not distract our attention from the development of agricultural production in other sectors. so as to achieve the projected growth of self-sufficiency in other foods. In order to fulfill the demanding tasks in the coming years, priority must be assigned to the development of production programs which will enable us to eliminate step by step the current imports and which at the same time will help fulfill the export tasks of the entire ministry. During the current period, exports of other main products exported by the ministry, i.e., hops, malt and beer, should regain their role. In terms of foreign economic relations, the national economic significance of fruit, vegetable and potato production has drastically changed in recent years and therefore, we intend to reduce gradually the volume of imports of such produce, fresh or processed. The situation of wine, legumes, mustard, domestic spices, etc., is analogical. All those products used to be imported in great volumes, but now their domestic consumption must be covered by domestic production.

It is imperative to select such structures and quality of commodities for export as would render exports truly efficient. Our state is not yet self-sufficient in its food production; the sole reason for exports of certain types of food products is, and under such circumstances may be, only their economic effect which enables us to import for the earned hard currency other kinds of food products which we cannot produce in the CSSR at the same cost or which cannot be produced in our climate.

[Question] Could you assess the results of the cooperation among the CEMA member countries in the solution of problems of food industry and rational nutrition of the population as well as the Czechoslovak share in that cooperation?

[Answer] The cooperation of the CEMA member countries plays a meaningful role in the development of the agriculture and food industry and thus, it helps to a significant degree secure rational nutrition for the population of the CEMA member states.

This cooperation is focused on the development of new grain seed, breeds of livestock, modern technology, chemicals for the protection of vegetation, manufacture of food products, improvement of their quality, planning of new technological methods and basic parameters for the production of equipment and technological systems, more efficient utilization of raw materials, energy resources etc.

On the basis of coordination and cooperation, the CEMA member countries dealt since 1971 with approximately 500 scientific technical topics which helped improve the technical methods and technology of production in the meat, dairy, sugar-manufacturing and other sectors of the food industry as well as the rendering agriculture more intensive and productive.

According to jointly prepared technological documentation, the production of more than 600 types of new food products has been introduced in the CEMA member states over the same period.

The Czechoslovak scientific-technical base is actively involved in those programs and in many instances plays an important role in coordinating multilateral solutions of problems. For example, during the 1976-1980 period the plan for cooperation in scientific research included 34 main topics; appropriate research institutes of the CSSR assumed the coordination of 10 of those main topics, among them such vital problems as the production of baby food or prepared foods, the introduction of mathematical methods and computer technology, mechanization, electrification and automation of the processes of production in crop and livestock production, etc.

Furthermore, the fulfillment of the Comprehensive Program provides for gradual intensification of the specialization process in the production of traditional food products, which permits the states specializang in such production to organize their production on a modern mass-scale basis and to guarantee the importing CEMA member states continuous supplies of such products.

Among the multilateral agreements on specialization in the production of food signed in the past years was a contract on specialized production of protein sausage casings (cutizine) in which the CSSR specializes.

Another important document for the development and intensification of cooperation among the CEMA member countries--the DCPS [Long-Range Goal-Oriented Program of Cooperation]--specifies tasks for the agriculture and food industry which should contribute to a major extent toward the solution of the problem of how to satisfy the rational needs of the population for basic types of food products and how to stockpile contingency supplies. The DCPS lays the ground for the implementation of a whole system of measures related not only to our agriculture and food industry but also to other associated branches, such as engineering, chemical industry, and so on.

In conjunction with the implementation of the DCPS, since its approval 19 multilateral agreements concerning scientific technological cooperation and specialization in improving technology and technical methods in the main branches of food industry and agriculture, in industries manufacturing shortening, sugar, meat and canned foods, fresh-water fishing, varieties of grain seeds, genetic pools for cattle, hogs and sheep, technology, veterinary medicine, etc., have been signed.

[Question] What results may be expected in your ministry from the fulfillment of the tasks for the first year of the Seventh Five-Year Plan?

[Answer] Gross agricultural production will increase 2.6 percent, of which crop production will account for 10.6 percent, while livestock production will remain on approximately the same level as in 1980. The main task is to achieve the needed headstart of the crop production before livestock production.

The plan for food industry is based on supplies of raw materials from our domestic production as well as from imports. Its production will increase 1.8 percent over the current situation and the volume of deliveries for market funds will be up 2.8 percent. The key task concerns more efficient utilization and processing of raw materials and deliveries for market funds in agreement with consumer demands.

From the very beginning, agricultural production was affected to a significant extent by weather fluctuations, particularly temperature and precipitation,

mainly to the detriment of the per hectare yields of fodder and grain crop.

The level of the yields per hectare especially in the West Slovakia and South Moravia krajs was affected by the unfavorable hot and dry weather. The plan for main grain crops was not met. The shortfall amounts to about 13 percent of the production in the CSSR. Maize and sugar beets will not produce planned yields. As compared with past years, we noted better results in potato crops with yields at approximately the planned level.

The unusually unfavorable weather also affected the fruit and vegetable harvest. Lower yields were reported for all types of fruit and a shortfall was noted in vegetables, particularly onions, garlic, cauliflower, tomatoes and cabbage.

Livestock production continued to progress to our satisfaction. The herds of cattle and cows and the numbers of sheep and hens increased. In accordance with the planned regulations, the numbers of hogs and poultry were reduced. As compared with the same period of the previous year, the utility value of horned cattle and milk production was reduced due to an inferior quality of bulk fodders from last year's harvest. On the other hand, the production of pigs per sow was up and the mortality of calves and pigs was down. The average production of eggs per hen increased.

In conjunction with the development of the numerical situation and utility value, it is presumed that the plan for the procurement of livestock products for the whole year will be exceeded in slaughter hogs, slaughter poultry and eggs but will fall short in slaughter cattle and milk.

Despite a tense situation in terms of the resources of certain basic raw materials the dynamism of the production in the food industry appears pssitive.

In accordance with preliminary estimates, however, it has been projected that for the whole year there will be a minor shortfall in the fulfillment of the plan for food production and in deliveries of food products for our domestic market because of inadequate resources of certain domestic raw materials, packaging and materials, limited production capacities as well as because of the trends in consumer demand.

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## STATISTICS ON GDR-BUILT SHIPS GIVEN

Moscow MORSKOY FLOT in Russian No 12, Dec 81 pp 30-31

[Article by N. Krymov: "From GDR Shipyards"]

[Text] The export of ships and ship equipment occupies a significant place in GDR foreign trade. Every year up to 90 percent of the ships built are exported.

All enterprises and organizations in the GDR shipbuilding industry are united in a shipbuilding combine. This interaction between shipyards and marine machine-building enterprises makes possible the concentration of capabilities and the coordination of division-of-labor processes typical for shipbuilding and permits the output of manufactured items corresponding to world levels.

Making use of the advantages of socialist economic integration and taking into consideration the demand on the world market, enterprises of the GDR shipbuilding industry have built over 4,000 ocean vessels of total gross volume of about 7.7 million registered tons. Ships built in the GDR sail under the flags of over 30 countries: Algeria, Denmark, Finland, France, India, Norway, Sweden, and others. The Soviet Union is a basic customer for GDR ships.

In March 1981, the Murmansk Steamship Organization received the new ship "Mikhail Strekalovskiy," which was built at the Warnemünde shipyard according to an updated design for the class of ships represented by the "Dmitriy Donskoy," which was delivered to the USSR in 1977. The Motor Vessel "Mikhail Strekalovskiy" is intended for transporting ore concentrates on the Northern Sea Route and for general freight and containers. After completing navigation in the North, the vessel can be used on tramp routes.

The overall length of the motor vessel is 162.1 m; width, 22.8 m; draft, 9.8 m; deadweight, 19,250 t; and speed, 15.2 knots. Below deck it is possible to stow 282 international standard containers and on deck, 160 such containers. The vessel's main engine is a type K8Z70/120E DMR diesel, manufactured under license by the MAN company and it has a power of 8,240 kW with a shaft rotation rate of 2.24 $s^{-1}$.

Ships have been designed for extreme ice and temperature conditions for the highest ice class (UL) of the USSR Registry; they can sail in arctic waters with temperatures below -50° C.

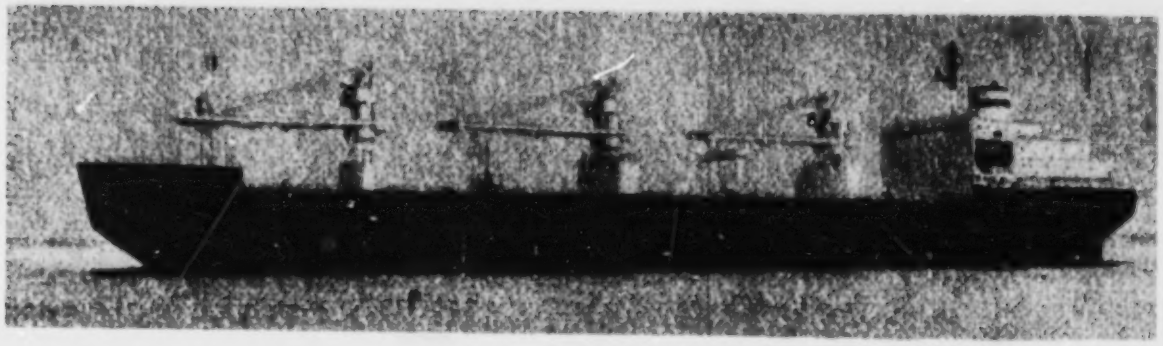

Figure 1. The Motor Vessel "Mikhail Strekalovskiy"

Figure 2. Design for the New Container Carrier

In 1982, it is planned to begin at this same shipyard the construction for the Soviet Union of a container carrier of 15,950 t deadweight. The vessel will hold 941 standard international containers, 57 percent stowed below deck. A type

9 DKRN 80/160-4 diesel from the Bryansk Machine Building Plant will be installed as the main engine on the vessel; it will have a power of 15,882 kW with shaft rotation rate of 1.95 $s^{-1}$. The overall length of the vessel will be 173.9 m; width, 25.4 m; draft, 9.8 m; and speed, 21 knots.

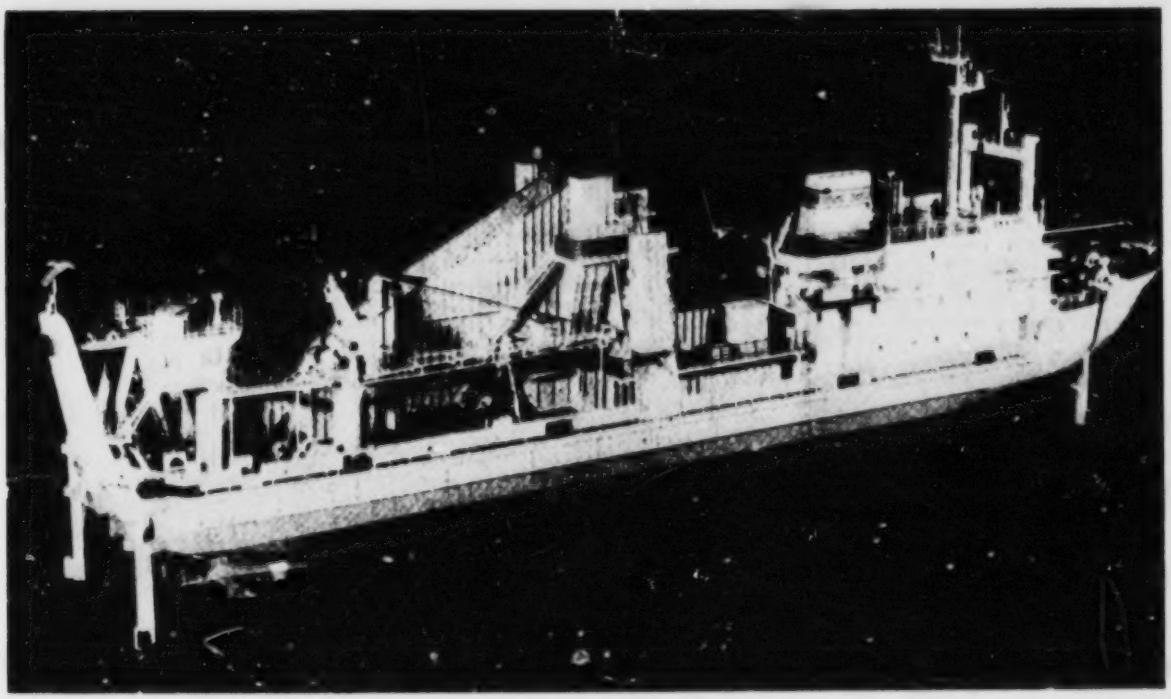

Figure 3. Seagoing Multiscoop Dredger (Model)

In addition to transport vessels, the GDR is providing the Soviet Union with vessels for the technical fleet. Thus, in 1981, the GDR is exporting to our country a seagoing multiscoop dredger which, because of the durability of its working structures and partial automation of the working cycle, can operate continuously during the navigation period. The scooped-up bottom is directed down a chute to a barge. The productivity of the dredger at a depth of 12 m is 750 $m^3/h$; the overall length is 80.1 m and the speed, 8.3 knots.

The characteristic features of vessels of all types constructed in the GDR are broad automation of power plants, the presence of equipment for environmental protection to meet the requirements of the Intergovernmental Maritime Consultative Organization and national regulations, and good working and living conditions for crew members.

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## PROBLEMS, CAPABILITIES OF COAL INDUSTRY ASSESSED

Cologne DEUTSCHLAND ARCHIV in German Vol 14 No 12, Dec 81 (signed to press 20 Nov 81) pp 1296-1303

['Analyses and Reports' feature article by Dr Wolfgang Stinglwagner, political scientist, consultant on GDR industry and construction, All-German Institute, Bonn: "The GDR Brown Coal Industry--A Strong Enough Bridge Into the Atomic Age?" Translations of the East Berlin DIE WIRTSCHAFT article cited in footnotes 1, 8 & 30 and of the Leipzig CHEMISCHE TECHNIK article cited in footnote 2 are published under quoted headings in the following JPRS issues of this series: "Petroleum Substitution Programs Described," 79135, 5 Oct 81, No 2182, pp 5-8; and "Fossil Fuel Utilization Capability to Be Expanded," 78184, 29 May 81, No 2131, pp 55-62, respectively]

[Text] For some years now, the significance of the GDR brown coal industry to the country's energy economy has been moving more into the limelight again. Since the annual petroleum deliveries which it can expect from the Soviet Union are no longer growing, and since nuclear energy cannot make up the emerging energy shortfall as rapidly as was originally hoped, today the country's brown coal industry is being awarded the status of a "secure bridge into the atomic age." If the current annual output rates are maintained, the reserves will last for about 80 to 100 years.[1] And henceforward raw brown coal is to be relied on for about 80 percent of the electric-power generation and 60 percent of the primary-energy supply.[2]

In the autumn of 1980 the objective was announced of realizing by 1990 a production of 300 million tons of raw brown coal. More recent statements permit the conclusion to be drawn that if anything this goal is to be reached even earlier. In an announcement made at the commencement of continuous operations at the newly opened strip mine of Cottbus North, it is said that an effort should be made to achieve the output goal of 300 million tons of brown coal as early as "by 1987/88."[3] In the Central Committee report given by Erich Honecker to the SED Tenth Party Congress, he fixed the production target for the year 1985 as follows:[4]

"The construction of a strong energy and raw-material base and the comprehensive utilization of our domestic raw materials are a basic prerequisite for our continued stable economic development. This is applicable especially to brown coal, the output of which will be raised to 285-290 million tons by 1985."

According to Wolfgang Mitzinger, the relevant minister for coal and energy, this would be the highest increase on record in a 5-year plan within the last 25 years.

## 1. The Past Development of the GDR Brown Coal Industry

In the GDR, that branch of the energy and fuel industry is referred to as the brown coal industry "which encompasses enterprises for the extraction, preparation, and processing of brown coal into briquettes, dry brown coal, lignite fuel dust, pressed coal, solid-pressed coal, and lignite coke."[5] Accordingly the most important components of the brown coal industry are the brown-coal strip mines, brown coal enterprises, and briquette factories. Power plants as well belong to this industrial branch. The brown coal combines in operation in the GDR are joined together into the Brown Coal Association of State Enterprises (VVB), with its headquarters in Senftenberg.

The activity of this industrial branch, which has increased again since the middle of the 1970's, is evident from its production figures:

Table 1. Production of the Brown Coal Industry, 1960-1980 (millions of tons)

| Product | 1960 | 1970 | 1975 | 1978 | 1979 | 1980 |
|---|---|---|---|---|---|---|
| Raw brown coal | 225 | 261 | 247 | 253 | 256 | 258 |
| Brown coal briquettes | 56 | 57 | 49 | 49 | 49 | - |
| Brown coal low-temperature coke | 6.6 | 5.0 | 3.5 | 2.9 | 2.8 | - |
| Brown coal high-temperature coke | 1.0 | 1.3 | 2.0 | 2.3 | 2.4 | - |

Sources: Statistical Yearbook of the GDR 1978, p 118, and 1979, p 44 (international surveys).

Statistical Handbook of the GDR 1980, p 44.

ND of 24/25 Jan 81, p 3.

The current output of the GDR brown-coal strip mines is already extraordinarily high, even on an international scale. With a share of 15.6 percent in world reserves, right now the GDR is carrying on almost 30 percent of the world's production (in this connection, see Table 2).[6] Despite a decreasing share held by the GDR in world output, even for the foreseeable future it will be by far the greatest brown-coal producer in the world. The importance of brown coal to the energy balance of the GDR is correspondingly great. About 80 percent of the total electric power generated in the GDR is produced in thermal power plants on a brown-coal basis. And this situation is not likely to change much in the future (see Table 3).

Table 2. Brown Coal Production, Most Important Producer Countries 1950-1979 (in 1,000 tons)

| Country | 1950 | 1960 | 1970 | 1975 | 1976 | 1977 | 1978 | 1979 |
|---|---|---|---|---|---|---|---|---|
| World | 381,400 | 634,700 | 792,652 | 862,830 | 892,664 | 904,000 | 917,000 | - |
| GDR | 137,050 | 225,465 | 261,482 | 246,706 | 246,897 | 253,705 | 253,264 | 256,000 |
| FRG | 75,841 | 96,138 | 107,766 | 123,377 | 134,535 | 122,920 | 123,559 | 130,579 |
| USSR | 75,831 | 134,206 | 144,745 | 160,216 | 160,031 | 204,713 | 212,000 | - |
| Czechoslovakia | 27,509 | 57,888 | 81,298 | 86,272 | 89,468 | 93,236 | 92,450 | 93,731 |
| Yugoslavia | 11,665 | 21,430 | 27,779 | 34,939 | 36,259 | 38,592 | 39,215 | 41,680 |
| Poland | 4,836 | 9,327 | 32,766 | 39,865 | 39,305 | 40,760 | 41,005 | 38,083 |
| United States | 3,057 | 2,491 | 5,409 | 17,979 | 23,255 | 26,232 | 32,316 | - |
| Australia | 7,445 | 15,207 | 24,175 | 28,177 | 30,939 | 29,268 | 32,869 | 32,508 |

Sources: Statistical Yearbook of the GDR 1979, p 44 (international surveys), and p 18;

Statistical Yearbook of the FRG 1980, p 633;

Statistical Handbook of the GDR 1980, p 44.

Table 3. Contribution of the Brown Coal Industry to Electric-power Generation in the GDR, 1960-1979

| Energy source | 1960 | 1970 | 1975 | 1977 | 1978 | 1979 |
|---|---|---|---|---|---|---|
| | | Gigawatt hours | | | | |
| Raw brown coal | 29,293 | 56,289 | 70,011 | 76,672 | 78,096 | 76,998 |
| Brown-coal briquettes | 2,738 | 1,216 | 780 | 800 | 801 | 634 |
| | Percentage of total electric-power generation | | | | | |
| Raw brown coal | 72.7 | 83.2 | 82.8 | 83.3 | 81.4 | 79.5 |
| Brown coal briquettes | 6.8 | 1.8 | 0.9 | 0.9 | 0.8 | 0.7 |

Sources: Statistical Yearbook of the GDR 1979, p 127;

Statistical Handbook of the GDR 1980, p 50;

Author's own calculations.

2. Coal Reserves and Regional Centers of Concentration

Measured at the level of 1 January 1975, the GDR then had geologically established reserves of about 45 billion tons, of which 18-21 billion tons are commercially recoverable on the basis of the current state of the art. However, not even half of this lies in fields with a content of more than 250 million tons. The somewhat larger remainder is distributed among smaller deposits, which often have a coal content less than 100 million tons.

The two regional centers of concentration for the GDR's brown coal production lie in the western-Elbe coal field on the one hand--above all the Leipzig Bezirk--

and in the eastern-Elbe field on the other, where in particular Cottbus Bezirk is of great importance. (A summary of the strip mines operated in 1981 is given in Survey 1). Over 50 percent of the GDR's reserves lie solely in the Cottbus Bezirk. However, extensive reserves are also found in the bezirk of Leipzig, where in the coming years production is supposed to be considerably expanded.[7] Seeing that from 1945 to the end of 1980 over 7 billion tons of coal have been extracted, if we assume a slight increase in the current average annual production then the exploitable reserves will last for about 80-100 years.[8]

Survey 1. The Brown Coal Strip Mines of the GDR (Status as of August 1981)[1]

| a) West-Elbe Field | b) East-Elbe Field |
|---|---|
| Amsdorf | Baerwalde |
| Borna-East | Berzdorf |
| Cospuden | Cottbus-North |
| Delitzsch-Southwest | Greifenhain |
| Espenhain | Jaenschwalde |
| Goitsche | Klettwitz |
| Groitzscher Triangle | Lohsa |
| Peres | Meuro |
| Profen-North | Meuselwitz |
| Profen-South | Nochten |
| Rossbach | Olbersdorf |
| Schleenhain | Schlabendorf-South |
| Witznitz | Spreetal |
| Zwenkau | Welzow-South |

c) Planned New Developments:

Graebendorf (1982), Reichwalde (1984), Breitenfeld (1984/85), Delitzsch-South (1987/88), Spreetal-Northeast, Dreiweibern, Seese-East, Scheibe-South

[1]No longer considered in this list were strip mines currently still being operated, but already becoming worked out. In July 1981, the number of GDR brown coal strip mines was put at 29 (see TRIBUENE of 17 July 1981, p 2).

The brown coal output of the GDR was increased from 137 million tons in 1950 to 258 million tons in 1980. For 1981, a production of at least 261 million tons is aimed at, and by 1990 the annual output is to be raised to a level of 300 million tons.[9] In connection with this, currently 57.7 percent of the GDR's production comes from the strip mines of the Senftenberg brown coal combine. Following Cottbus North, this combine is supposed to newly develop five more strip mines by 1985. In Cottbus Bezirk, 15 percent of the total GDR output is being produced at present in just three large-scale strip mines, with a daily output of about 80,000 tons. By 1985 this share is supposed to be increased to 23 percent.[10] Following the commencement of production at the strip mine of Delitzsch Southwest, Leipzig Bezirk is to put into operation three more newly opened workings, so that in the future it should be able to provide about 10 percent of the raw brown-coal output of the GDR.[11]

Some examples from individual strip-mining operations clarify the requirements arising from this: The main enterprise of the Bitterfeld Brown Coal Combine is supposed to increase its production by 16 percent in the year 1981, and at least 3 million tons of this should come already from the newly opened working of Delitzsch-Southwest, which was fully incorporated into the enterprise only on 14 March 1981.[12] By 1980 the Amsdorf strip mine of the brown coal combine "Gustav Sabottka," Roeblingen, had increased its annual production to 3.3 million tons, after having delivered just 2.17 million tons in 1970. The record-holder of the GDR brown coal industry is the large strip mine Nochten, which belongs to the brown coal combine of Senftenberg, and which had a production of 24 million tons in 1980. About 10 percent of the entire GDR production comes from there alone.[13]

3. Technical Level and Economic Efficiency

The relatively small size of the GDR brown coal fields, coupled with problems connected with heavy machine building, may have contributed to the fact that from the 1950's up to the middle of the 1970's the heavy equipment which came into use in the GDR's brown-coal strip mining involved machinery of relatively small capacities. In 1979, the number of pieces of heavy coal-mining equipment in the GDR was cited at 316, including 240 large power shovels, 16 conveyor bridges, and 60 stackers. Added to these were 785 coal trains. By the middle of 1980, the number of pieces of heavy equipment had grown to 361.[14]

Greater outputs than with the older bucket-ladder excavators are achieved with the swinging rotary bucket excavators made by the VEB Heavy-machine Building of Lauchhammer, which belongs to the TAKRAF [Transportation Equipment, Conveying Equipment and Cranes] Combine. Whereas the SRs 1200 has a daily output of about 50,000 $m^3$, the SRs 1300 manages a daily output of over 80,000 $m^3$ of overburden. The 1,600-ton rotary bucket excavator is being used at the strip mine of Groitzscher Triangle and is equipped with an electronic program control for automatic operation. In the Leipzig field it is the most high-powered piece of equipment. Getting even greater outputs is the swinging rotary bucket excavator SRs 6300, which is in operation at the strip mine of Greifenhain. This piece of equipment manages to handle about 14,000 $m^3$ per hour--and allowing for the usual downtimes, this corresponds to a daily capacity of about 250,000 $m^3$.[15]

For about 10 years now there has been an increasing use of overburden conveyor bridges (OCB's) wherever the coal seams are uniformly deposited and suitably spread out in terms of surface area. The OCB's installed in the GDR's mines attain to huge capacities. By now their production capacity is one of the factors determining the production level of the brown coal strip mines, since to produce a ton of brown coal larger and larger amounts of overburden must be removed. One OCB each for the digging height of 60 m sits at the strip mine of Welzow-South, at the strip mine of Nochten, and at the strip mine of Jaenschwalde. The OCB at the Jaenschwalde strip mine, which weighs 12,000 tons, has achieved a daily record of 158,000 $m^3$, while the highest daily output of the OCB in Nochten comes to about 250,000 $m^3$ and in Welzow-South to over 300,000 $m^3$ of overburden. The longest OCB in Europe is in operation at the strip mine of Espenhain.[16]

Also important are the flat-belt conveying systems with which brown coal and overburden are transported to the dump and to trains. In this connection, for

years now belt conveying has shown itself to be substantially more efficient than locomotive haulage, since in relation to overall overburden moving, the train-hauling method tallies out at only 27 percent quantitatively but 50 percent in terms of cost. In the year 1970, the GDR was still transporting 43 percent of the overburden by locomotive haulage, whereas today the figure is just 28 percent. By 1990 this fraction should decrease to 17 percent.[17]

In the GDR, four "pure" conveyor-belt strip mines have been in operation up to now. In addition to the strip mine of Peres, as of the spring of 1981 the intention is to organize the strip mine of Cospuden near Leipzig as a strip mine without locomotive haulage. The share of 15 percent held by belt conveying in 1975 is to be increased in the GDR as a whole to over 29 percent in 1990, while conveying by means of OCB's in the same period of time probably will remain at about 54 percent, for geological reasons.[18]

In the strip mines which are to be opened up by 1990, the conveyor-belt method is to be applied in 90 percent of the cases. As for the rest, the intention is to increasingly use the so-called direct dumping techniques, in which the overburden is immediately dumped again via a stacker from the power shovel, without an additional conveyance on a belt.[19]

At the end of 1979, the following prognosis was made about developments with respect to modes of conveyance:

Table 4. Shares Held by Various Modes of Conveyance in Overburden Moving in the Brown Coal Industry, 1975-1990 (in percent)

| Year | Overburden conveyor bridges | Belt conveying | Locomotive haulage |
|---|---|---|---|
| 1975 | 54.0 | 15.0 | 31.0 |
| 1980 | 53.0 | 20.0 | 27.0 |
| 1985 | 52.6 | 25.2 | 22.2 |
| 1990 | 53.6 | 29.4 | 17.0 |

Source: Klaus Strzodka et al, loc. cit., p 538.

Increasingly more powerful heavy equipment is required for removing the precipitously increasing volumes of overburden. In the GDR strip mines in 1960, an average of 2.8 $m^3$ of overburden had to be removed per ton of recovered raw brown coal. Today the figure is 4.7 $m^3$, and in some mines it is even more. Thus, in Senftenberg 5 $m^3$, in Greifenhain 7.1 $m^3$, in Klettwitz 7.2 $m^3$, and in Profen 8.5 $m^3$ of overburden must be handled per ton of produced brown coal. For 1990 it is figured that in the GDR as a whole there will be almost 6 $m^3$ of overburden per ton of coal.[20]

Also causing considerable technical problems is the water which accumulates in the strip mining pits and which must be removed. At present it is being collected in more than 10,000 vertical filter wells, where it is pumped out by means of submersible motor-driven pumps. In the strip mines of the GDR an average of 6 $m^3$ of water had to be pumped out per ton of brown coal in 1980. The expectation for the next 10 years is for an increase in the water load to between 8 and

10 $m^3$/ton. Corresponding to this, there are mounting dangers associated with a lowering of the groundwater at neighboring agricultural enterprises.[21] Overburden and water problems grow with the depth which must be reached in the future for extracting the coal. At present the coal seam in Senftenberg lies at a depth of 75 m, at the strip mine of Profen up to 180 m, and in Leipzig-Bitterfeld up to 250 m. In the future, they will have to go even deeper.

Deeper-lying seams worth being mined have been discovered near Groebers and Bruckdorf in the area of Leipzig-Bitterfeld. But for the time being in the GDR, the intention is to not tackle on a greater scale as yet the depths of 250 m, which are referred to as "extreme" depths. Depths greater than this are exposed only when several brown coal seams lie on top of one another--such as, for example, at Profen-South. The seams in this area are to be mined after 1985.[22]

Even though the data differ on the economic expenditure for the recovery of the raw brown coal, nevertheless it is obvious that this expenditure has risen considerably and will be climbing even further. Whereas back in 1979 the expectation for 1980 was a cost rise per ton of recovered brown coal of one third compared to 1970, a year later the corresponding expenditure increase was put at about 100 percent. The most precise figures date back to November 1980: According to these, the prime costs for brown coal recovery rose from 6.70 M/ton in 1971 to 11.02 M in 1979.[23]

Thus there are increasing requirements placed on the economic efficiency of methods used. After the OCB in Welzow, the OCB at the strip mine of Nochten is also to be provided with a computer. At the brown coal combine of Senftenberg, the hope is that 270 jobs can be eliminated by 1985 through the employment of microelectronics. To a large extent, heavy equipment is to be moved from exhausted strip mines to newly opened workings. According to plan, this must happen with more than 80 pieces of heavy equipment by 1985 alone--a very expensive transport task.[24]

Meanwhile, if it is at all within the realm of the possible that the goal aimed at for 1990 can be reached, success will come only by mustering great efforts. The coal seams to be mined lie deeper and deeper, the geologically young coal fields now being started on are more difficult to recondition, the recultivation of former strip mines is costing more and more. Relevant complaints can also be heard from individual brown coal enterprises. At the brown coal enterprise "Glueckauf" (Knappenrode), for example, there are considerable expenditure problems. At the strip mine of Borna-East, the water seeping in is causing particular difficulties. Even the reaching of higher and higher record outputs per shift cannot obscure the fact that long repair times are causing large economic losses. For this reason, the rationalization equipment building program of the brown-coal industrial branch was increased from 25 million marks in 1976 to almost 70 million marks in 1980. In 1981, about 30 percent of the capital expenditures made by industry as a whole is to be used to further expand the energy base of the GDR, a large part of which is to go to the brown coal industry.[25] In doing this, capital expenditures will also have to be made to improve the transport systems for the brown coal sector. Thus, it is remarked in a GDR technical journal that: "The unusual weather conditions in the winter of 1978/79 led to considerable difficulties in connection with the transporting of the coal and overburden."[26] In a letter to the editor of NEUES DEUTSCHLAND

written in the winter of 1979/80, it is said: "...our checks have revealed that in more and more cars recently, considerable amounts of residual fire coal have been making their way back again (to the brown coal combine). Per freight car, this amount ranges from 0.3 to 3 tons."[27] Organic loosening agents are recommended as additives in the winter to prevent the freezing to the cars of the highly watery raw brown coal. Also being increasingly used are electrical heating of switches and mobile jet mechanisms for blowing off snow-covered switches.

4. Future Developments

An output of 300 million tons is planned for the year 1990. Sights are set high with this goal. But an expansion on this scale is needed in order to improve electric-power generation and at the same time to achieve the country's raw-material goals. After all, at present about 12 percent of the recovered raw brown coal is being further processed in the coal-chemistry sector. According to a statement made by Minister Mitzinger, about 80 percent of the increase in the recovery of raw brown coal by 1990 is already scheduled for coal conversion.[28] In this way, brown coal is to do its part in the development of substitutes for petroleum.

Currently, GDR industry is producing coal-chemistry products in a volume corresponding to a petroleum equivalent of 7 million tons annually. Thus, already coal chemistry is furnishing about a fourth of all organic chemical raw materials and 5 percent of the motor fuel. This production is to be increased by 1990 to a petroleum equivalent of 11 million tons.[29] With synthesis gas generation as the basis, the gas combine of Schwarze Pumpe is going to produce chemical raw materials and intermediate products such as urea, ammonia, methanol, phosgene, hydrogen, and ethanol. By the end of 1982 the hope is to put into operation a facility for producing coal gas from low-grade brown coal (for example, salty coal). At the brown coal conversion outfits of Espenhain and Deuben, as well as at the Boehlen combine enterprise of the Schwedt PCK [Petrochemical Combine], the gas-recirculation carbonization of brown coal briquettes is being improved, so that additional valuable chemical raw materials are being recovered. The gas combine of Schwarze Pumpe and the brown-coal conversion outfit of Lauchhammer are producing BHT [brown-coal high-temperature] coke, which has an important role in carbide production and the metallurgical industry.

On the other hand, concrete plans for coal liquefaction are still at the initial stage in the GDR. Above all the procedures for making brown-coal fuel dust should be improved, since this can play an important role in finding replacements for heating oil in industry.[30]

Moreover, coal conversion is also of concern with respect to the energy economics involved. In the future, the efficiency of the energy conversion from transforming brown coal into electric power in thermal power plants is unlikely to go beyond the roughly 35 to 40 percent currently typical worldwide. But if synthesis gas (synthetic natural gas) is prepared from brown coal, then an efficiency of about 55 percent is definitely achievable. Therefore by 1990 the generation of synthesis gas is to have been increased by 40 percent over the 5 billion $m^3$ produced at present.[31]

In order to be able to achieve all the goals mentioned, by 1990 about 20 new strip mines must be opened up. However, that is not possible at the tempo typical up to

now--that is, a period of 6 to 8 years from the beginning of exploration work to the commencement of coal extraction. Therefore, the average times for opening up new mines are to be shortened to between 3 and 4 years "through scientific-technical measures of preparation and through the concentrated input of capital expenditures"--according to Minister Mitzinger.[32] Surely this will be successful only if capital expenditures and workers are shifted on a large scale from other economic sectors into the brown-coal mining sector. Clearly the medium-range and long-range planning for this sector is still resting on quite unsteady foundations:

Whereas at the end of February 1981 Minister Mitzinger put at 16 the number of newly opened workings needed by 1990, in a radio intérview which was broadcast in January 1981 he gave a figure of "about 20" as the number of new strip mines needed to be opened for the period from 1981 to 1985 alone--that is, he set a considerably higher goal.[33] We can see that even the first-mentioned plan will not be realized easily, bearing in mind that in the entire projection period of 1975 to 1980 it proved possible to open up just seven strip mines, and in the period between 1949 and 1980 a total of only 30--although at times within this period brown coal mining did not have as high a priority. However, in view of the high production levels and the relatively circumscribed areas of the separate coal fields in the GDR, new fields must be opened up constantly, simply because it is difficult to compensate for the decrease from strip mines which are being exhausted. Of the roughly 35 producing strip mines in the mid-1970's, about a third had been mined out by 1980. Of the roughly 30 functioning strip mines at present, probably 11 will be mined out by the end of the 1980's.[34]

Over the long term the brown-coal district centered hitherto around the bezirks of Leipzig and Cottbus may also undergo an expansion. The latest geological explorations have revealed that in the northern areas of the GDR one can expect relatively large brown-coal beds as well.[35] These beds have not yet been considered in the already-mentioned reserve deposits of the GDR, and possibly they will improve the country's energy base from the turn of the century on. Thus, in the long run also, brown coal will have a secure position in the GDR's energy balance.

The efficiency of this sector may yet be affected in a positive way by developments in the machine-building sector which manufactures the heavy equipment for brown-coal mining. In the past the GDR's brown-coal mining industry encountered problems particularly often in this area. In an article published in July 1981, the great difficulties this industry was facing are touched upon:[36]

"The new higher standards placed on the output capacity of the heavy equipment for strip mining, on its productivity, weight, cost, microelectronic accouterments, and so forth, have not by any means met with an immediate understanding by everyone in the party machinery and among the work force. In some cases goals were questioned even because, for example, a work backlog of several months was created in setting up the large rotary bucket excavator for the Welzow-South strip mine...."

To be sure, the TAKRAF combine which is active in this sector, with 40,000 employees, seems to have developed into an efficient industrial undertaking with a promising export potential. Heavy equipment from this combine has already been exported to Austria, Sweden, Spain, Italy, Greece, Mexico, Brazil, Argentina, and other Western countries. Moreover, October 1980 was the date of the formation of the Brown-coal Facilities Construction Combine, whose headquarters are in Regis-

Breitingen and which is concentrating above all on constructing conveyor-belt systems. Moreover, it is also going to make use of freely programmable robots. Since among other places, brown coal mining is to be increased notably also in Poland, the CSSR, and Hungary, in this sector as well additional efficiency improvements could be achieved within the framework of CEMA cooperative efforts.[37]

At the end of the first half of 1981, Minister Mitzinger announced the exceeding of the plan by 3.4 million tons of raw coal. Even assuming that it is at all possible to achieve an annual output of 300 million tons of brown coal by the end of this decade, still this can succeed only if workers and investable resources are withdrawn from other industrial branches on a considerable scale. It must be questioned whether this is compatible with the executing of other target programs, for example in the sectors of electronics, machine-tool manufacture, and metallurgy.

FOOTNOTES

1. See DIE WIRTSCHAFT 4 (1981), p 23.

2. See Hans Koehler: "The Prospects for Oil Refining and Petrochemistry as Well as for Coal Chemistry in the GDR," in: CHEMISCHE TECHNIK 3 (1981), p 112.

3. NEUES DEUTSCHLAND (ND) of 9 April 1981, p 3.

4. ND of 12 April 1981, p 7.

5. Oekonomisches Lexikon, Part A-G, 3rd edition, Berlin (East): DIE WIRTSCHAFT 1978, p 391.

6. See NEUE BERGBAUTECHNIK 6 (1981), p 367.

7. See Klaus Strzodka, Richard Steinmetz, and Werner Golczyk: "Problems With Future Technological Developments in the Brown Coal Strip Mines of the GDR," in: NEUE BERGBAUTECHNIK 10 (1979), p 537; DER BAU of 15 November 1980, p 8.

8. See DIE WIRTSCHAFT 4 (1981), p 23. For comparison purposes: The brown-coal stocks of the Rhine coal field, which contains about 90 percent of the FRG's reserves, total roughly 55 billion tons, of which about 35 billion tons are commercially recoverable. These reserves are sufficient for about 300 years, although not considered in this calculation are the increasing land-procurement problems in the densely populated Rhine district--see DIE WELT, 26 March 1980, p V.

9. See ND of 24/25 January 1981, p 3, and of 15 January 1981, p 3; TRIBUENE of 9 January 1981, p 3.

10. See ND of 8 December 1980, p 1, and of 30 January 1981, p 3; DER BAU of 15 November 1980, p 8.

11. See ZEITSCHRIFT FUER DEN ERDKUNDEUNTERRICHT 6 (1981), p 240.

12. See TRIBUENE, 14 January 1981, p 3, and 16 March 1981, p 1; ND of 30 September 1980, p 3.

13. See ND of 24/25 January 1981, p 1; NATIONAL-ZEITUNG (GDR) of 25 February 1981, p 6. As a comparison: The Rhine coal field furnished about 63 million tons

in the years 1940 and 1950. Since 1974 the annual output has leveled off at 110 to 120 million tons. Here as well, great efforts are to be made over the long term. From the year 2000 on, the strip mines of Frimmersdorf and Hambach are to produce 45 to 55 million tons per year each, the strip mine of Inden 20 to 25 million tons. Thus Rheinbraun (Rheinische Braunkohlewerke AG) has at its disposal substantially more concentrated deposits than the GDR does. See HANDELSBLATT of 10 November 1980, p B14.

14. See DIE WIRTSCHAFT of 12 July 1979, p 24; PRESSE-INFORMATIONEN of the press office for the chairman of the GDR Council of Ministers (in what follows called "PRESSE-INFORMATIONEN") of 5 August 1980, p 2. The Rheinische Braunkohlewerke AG has in use 16 rotary-bucket excavators and 19 stackers. See HANDELSBLATT of 10 November 1980, p B14.

15. Back in 1955 Rheinbraun already had at its disposal heavy equipment with a capacity of more than 100,000 $m^3$ daily. In the Rhine coal field today, a total of five equipment assemblies are being used which have a daily output of 200,000 $m^3$ to 240,000 $m^3$. See HANDELSBLATT of 10 November 1980, p B15.

16. See PRESSE-INFORMATIONEN of 5 August 1980, p 3; TRIBUENE of 9 January 1981, p 3; ND of 24/25 January 1981, p 1, of 6 May 1980, p 1, and of 29 July 1980, p 1.

17. See Klaus Strzodka et al, loc. cit., (footnote 7), p 538.

18. See BERLINER ZEITUNG of 14/15 March 1981, p 13; Peter Gerlach, Albrecht Meltzer: "Rationalization of Locomotive Haulage," in: NEUE BERGBAUTECHNIK 1 (1981), p 37.

19. See PRESSE-INFORMATIONEN of 24 February 1981, p 2; BERLINER ZEITUNG of 14/15 March 1981, p 13.

20. See BERLINER ZEITUNG of 11/12 October 1980, p 3, and of 14/15 March 1981, p 13; ND of 8 April 1980, p 3, and of 9 December 1980, p 3; NATIONAL-ZEITUNG of 29/30 November 1980, p 3. So far, Rheinbraun is in a better situation than this. At present, 3.0 $m^3$ of overburden must be extracted here per ton of recovered raw brown coal, although in the strip mines of Hambach I and II the figure is already 6.9 $m^3$.

21. See DIE WIRTSCHAFT of 12 July 1979, p 24; PANORAMA DDR of 1 August 1978, p 10; ND of 11/12 July 1981, p 9. In the case of Rheinbraun as well, about the same amount of water accumulates in the pits.

22. See BERLINER ZEITUNG of 11/12 October 1980, p 3; NATIONAL-ZEITUNG of 29/30 November 1980, p 3; WOCHENPOST of 6 June 1980, p 16. At Rheinbraun they are already extracting coal from a depth of 520 m, since very thick seams are found there.

23. See DIE WIRTSCHAFT of 12 July 1979, p 24; WOCHENPOST of 6 June 1980, p 16; BERLINER ZEITUNG of 10 November 1980, p 3.

24. See ND of 15 January 1981, p 3, and of 14 November 1980, p 2; BERLINER ZEITUNG of 22/23 August 1981, p 3.

25. See [ND?] of 14 January 1981, p 3; RADIO DDR I on 28 April 1980, according to RIAS-MONITOR of 28 April 1980, p 7; ND of 9 April 1980, p 3, and of 24/25 January 1981, p 3. See also, for example, the data in the TRIBUENE of 9 January 1981, p 3.

26. Peter Gerlach et al, loc. cit. (footnote 18), p 39.

27. ND of 27 February 1980, p 3.

28. Compare BERLINER RUNDFUNK on 14 January 1981, according to RIAS-MONITOR of 14 January 1981, p 5.

29. See BERLINER ZEITUNG of 16 June 1981, p 3; PRESSE-INFORMATIONEN of 24 February 1981, p 2.

30. See DIE WIRTSCHAFT 4 (1981), p 23; ND of 18 February 1981, p 3.

31. See PRESSE-INFORMATIONEN of 24 February 1981, p 2; HANDELSBLATT of 10 November 1980, p B15. In the Rhine coal field, the initial startup of the first synthesis gas factory is scheduled for around 1990.

32. See PRESSE-INFORMATIONEN of 24 February 1981, p 2.

33. Compare BERLINER RUNDFUNK on 14 January 1981, according to RIAS-MONITOR of 14 January 1981, p 5.

34. See TRIBUENE of 16 September 1980, p 5; WOCHENPOST of 6 June 1980, p 16; PANORAMA DDR of 1 August 1978, p 8f; ND of 24/25 January 1981, p 3.

35. See BERLINER ZEITUNG of 14/15 March 1981, p 13.

36. Hans Wetzel: "Political Leadership--Economic Achievements," in: EINHEIT 7 (1981), p 665.

37. See DIE WIRTSCHAFT of 4 June 1981, p 12.

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CSO: 2300/110

STATE BUDGET FOR 1982 PUBLISHED

Budapest MAGYAR KOZLONY in Hungarian No 80, 21 Dec 81 pp 1279-1280

[Law No III/1981 on the 1982 Budget of the Hungarian Peoples Republic]

[Text] Having regard for the provisions of Law No II/1979 on State Finances, the National Assembly has enacted the following law:

Principal Amounts

Section 1
The National Assembly adopts the 1982 budget of the Hungarian People's Republic in the following amounts:

491,500,000,000 (four hundred ninety-one billion five hundred million) forints of total revenue,
506,500,000,000 (five hundred six billion five hundred million) forints of total expenditure, and
15,000,000,000 (fifteen billion) forints of deficit.

Breakdown of Total Revenue

Section 2
Taxes and other payments by operating enterprise organizations, but not including social-security tax, will amount to 344.765 billion forints or 70.1 percent of total revenue.

Section 3
Social-security taxes and pension-fund contributions paid by operating enterprise organizations, budgetary organs and the population will amount to 71.750 billion forints or 14.6 percent of total revenue.

Section 4
Taxes and fees payable by the population will amount to 9.6 billion forints or 2 percent of total veneue.

Section 5
Revenues of budgetary organs will amount to 33.036 billion forints or 6.7 percent of total revenue.

Section 6
Various revenues from international financial relations, domestic credit operations and other sources will amount to 32.349 billion forints or 6.6 percent of total revenue.

Breakdown of Expenditure

Section 7
Expenditures on investments, on aiding the investment activity of agricultural cooperatives, on supplementing the development funds of the local councils, on aiding private housing construction, on providing working capital in conjunction with individual state investments, on supplementing the development funds of individual enterprises and large-scale farms, and on central stockpiling, may amount to 55.290 billion forints or 10.9 percent of total expenditure.

Section 8
Tax refunds and aid to support the production and commodity circulation of operating enterprise organizations may amount to 152.942 forints or 30.2 percent of total expenditure.

Section 9
1. To finance the tasks of budgetary organs, the budget allots 158.310 billion forints or 31.3 percent of total expenditure.

2. The amount specified in Paragraph 1 may be spent as follows:

   For health and welfare tasks, including the maintenance of hospitals, clinics and other institutions for in- and out-patient care, for the protection of mothers, infants and children, for public health and epidemiology care, for other health and welfare objective, and for subsidies to holiday resorts--25.529 billion forints or 5 percent of total expenditure;

   For cultural tasks, including the maintenance of elementary and secondary schools, higher-educational, scientific-research, cultural, artistic, child-welfare and student-welfare institutions and sports facilities--47.088 billion forints or 9.3 percent of total expenditure;

   For defense--20.05 billion forints or 4 percent of total expenditure;

   For the maintenance of law and order--12.516 billion forints or 2.5 percent of total expenditure;

   For central and local public administration--8.22 billion forints or 1.6 percent of total expenditure;

   For the highway- and bridge-maintenance, municipal- and community-economy, agricultural, water-conservation and other economic tasks of budgetary organs--32.268 billion forints or 6.4 percent of total expenditure;

   For the renewal of the budgetary organs' fixed capital and their other tasks--12.639 billion forints or 2.5 percent of total expenditure.

Section 10
The amount that may be spent for social-security tasks, including family allowances, sick pay, child-care and other cash allowances, health-care services, pensions and other services, is 97.345 billion forints or 19.2 percent of total expenditure.

Section 11
An amount of 42.613 billion forints or 8.4 percent of total expenditure is earmarked for international financial obligations, for the servicing of domestic debts incurred in years past, interest payments and other budgetary tasks.

Estimates of the Central Budgetary Organs

Section 12
Within the amounts specified in Section 1, for the central budgetary organs that comprise separate budget headings the National Assembly sets their relations with the state budget at 1.668 billion forints of transfers to the state budget, and 94.913 billion forints of aid from the state budget, in accordance with Supplement 1 [not available].

Local Councils' Operating Budgets and Development Funds

Section 13
Of the state subsidy to the operating budgets of the local councils pursuant to Law No IV/1980, Section 16, Item c, 35.147 billion forints is due; and of the state subsidy to the local councils' development funds pursuant to Section 17, Item c, of the aforementioned law, 15.971 billion forints is due.

Section 14
A breakdown of the 1982 state subsidies to the local councils' operating budgets and development funds--by the Budapest Municipal Council, the megye councils, and the councils of municipalities with megye status--is presented in Supplement 2 [not available].

Section 15
The state subsidies set for the Budapest Municipal Council, the megye councils, and the councils of municipalities with megye status, have to be increased or reduced if the deficit from shared sources of revenue exceeds 3 percent, or if the surplus from such sources of revenue exceeds 4 percent.

Sundry and Final Provisions

Section 16
The procedure outlined in Section 17, Paragraph 2, Item a, of Law No II/1979 on State Finances must be followed to amend the estimates contained in Sections 2, 3, 8 and 10.

Section 17
1. The Council of Ministers is hereby authorized to withhold from the budgetary organs of local councils the state aid for the operating costs when such aid becomes superfluous as a result of cancellations or delays in the case of lump-sum investments.

2. The Council of Ministers may delegate to the minister of finance the authority pursuant to Paragraph 1.

Section 18
To balance the deficit pursuant to Section 1, the National Assembly hereby authorizes the Council of Ministers to obtain a loan, respectively to issue state bonds and deficiency bills that are sold by banks and are covered by the time deposits of operating enterprise organizations. The terms of the state bonds and deficiency bills must be set so that the depositors' right of disposition will not be affected.

Section 19
The present law becomes effective the day of its promulgation. The Council of Ministers will see to its implementation, through the minister of finance.

Signed: Pal Losonczi, chairman Imre Katona, secretary
of the Presidential Council of the Hungarian People's Republic

1014
CSO: 2500/109

## HUNGARY FACES SHRINKING CAPITAL, TIGHTENING CREDIT CONDITIONS

Budapest FIGYELO in Hungarian 16 December 81 pp 1, 7

[Article by Matyas Timar: "Our Credit Policy in 1982"]

[Text] The government recently approved next year's economic plan and the rough draft of the state's budget estimate as well as the guidelines of its credit policy, all of which were worked out by careful consideration and orchestration of internal and external economic conditions. These guidelines reflect priorities which, since 1978, have characterized our economic policies: the pursuit of strengthening stability, the preservation of the present standard of living and improving the economic efficiency of labor and machinery. Because of these priorities, and also in accordance with the principles of national policy, credit is to be extended, basically without interruption, for

--improving production mechanisms,

--improving salary scales,

--fulfilling national obligations,

--rational use of energy,

--creating conditions to collect and utilize waste and less important raw materials and

--betterment of the people's food supply.

In the following lines I wish to write about those essentially new features which primarily characterize the Hungarian National Bank's policy toward enterprises and cooperatives.

### Less Credit for Investment

Because of the present economic conditions, there are fewer opportunities than during the past year for investment with credit. Instead of the 24 billion forints paid in the previous year the Hungarian National Bank, in 1982 can provide only 22.5 billion forints of investment credits. The obligations to repay previous loans exceed this amount by almost two billion forints. Therefore, credit reserves for investment

purposes will have to be somewhat smaller. Of the 22.5 billion forints, about 10 billion are set aside for expanding the manufacture of basic commodities which are saleable on every market. Most of the 22.5 billion are committed to the repayment of credit authorized last year and the year before, hence the fewer credit-extension opportunities for new projects in 1982. The amounts approved for the rational use of energy and the exploitation of waste and less important raw materials were 1.5 million forints respectively. Because of the many credit grants in 1981 which promoted these two objectives and which also served to recover investments to boost exports and reduce imports, we are assuming that the demand for these objectives is substantially greater than what the above-mentioned would indicate. In contrast, the expected for the rational use of energy and investment into energetics is four billion forints and that for the exploitation of less important raw materials is one billion forints.

Of course, the funds serving the latter two goals are not easily distinguishable. The criteria for credit are essentially the same. The Bank, with funds set aside for the above two goals, prefers requests which first of all meet the credit requirements and which also boost, or are in the process of boosting, exports.

The sum of the so-called sectorial credit appropriations exceeds seven billion forints. For the most part, these appropriations aid in the realization of various agreements within the socialist commonwealth and in the development of centralized programs. They also finance investments which serve the greater fulfillment of the needs of the population. The basic costs of expanding hotel construction alone amount to nearly 3 billion forints.

Tightening Credit Conditions

Since our credit opportunities are becoming fewer, the tightening of credit conditions was felt justified. Greater selectivity is to be exercised in the endorsement of companies and for this reason we are raising the profit-bearing minimums of approximately one percent. In connection with this increase we are also raising the interest rate by one percent. Thus, the highest interest rate for investment purposes is 11 percent which is still lower than the interest rates for credit in more developed Western countries. We must anticipate that in the future our credit policy will be in a truer alignment with the influence of foreign money markets.

Our preference to recover loans with interest is still in effect and in some respects has become even more desireable, especially with projects having to do with the rational use of energy and the exploitation of waste and less important raw materials. To a certain extent, the need to recover investments into the growth of exports also become more exacting. Investments must be recovered in foreign currency within 4 years even from companies enjoying preferential time extentions. (Previously, this length of time was longer.)

It is common knowledge that credit serves to complement the investor's own financial strength. Although since 1981 there are no required preconditions for the rate of flow of a company's own financial sources, the bank will work towards the endorsement of this idea and towards the gradual withdrawal of free sources for expansion purposes.

It is also widely known that some branches of industry and other enterprises experienced a rather high growth rate. This is what justified the acceleration of the repayment of previous credit from companies and cooperatives whose growth became

substantially higher than originally forecast at the time of the issuance of credit. Naturally, the bank must act with a high degree of discrimination in the evaluating economic opportunities.

In 1981 the interest rate on savings was also raised. Although there will be no new increase in interest rates, existing interests (savings deposited for 2 years, for example, grow at 9 percent) will encourage saving and in some instances the delay of some capital expenditures as well.

Realistic Inventories

There are still notable opportunities to improve our inventory management. The level of our inventories compared with the level of production, unlike in countries more developed than ours, is too high. For this reason our enterprises, cooperatives and the bank must do everything possible in order to attain more realistic inventories. In connection with this goal, enterprises must finance their circulating funds entirely on the basis of their ability to expand. For such companies the bank provides exceptional credit to the extent of 50%, unless the company in question exports in significant quantities or is in the process of rapidly increasing the volume of its exports.

The bank will also evaluate the short term requests for circulating funds by companies and cooperatives on the basis of the management of their surpluses. With these credit restrictions (i.e., the shortening the length of time for repayment) we wish to induce companies and cooperatives to take into consideration at the time of planning their purchases only their minimal needs for production and marketing or, in other words, to abstain from production for which no order has been placed.

The main feature of our economic relationships and international payments is our unalterable striving toward stability. It is well known that a few years ago of our negative foreign trade balance with capitalist countries caused distinct problems. The results of the past 3 years in this area, however, are not to be underrated: basically, we achieved a state of equilibrium and we can anticipate an adequate balance this year as well. As far as the future is concerned, our foreign trade still has a good number of difficulties to contend with. The present chronic inflation, economic stagnation and growing protectionism of capitalist economies further limit their ability to absorb new markets, thus making our export activities difficult. In order to achieve a state of near equalibrium in our foreign trade balance we need, among other things, higher quality and more modern products, more disciplined delivery [schedules] more precise pricing and better marketing.

In the past, in order to realize our development goals, above all with a consideration to boost exports, we had consistently assumed middle and long term loans on international money markets. Our obligations to pay off these loans with interest were always properly discharged, primarily with the sale of equivalent exports which, manufactured in satisfactory quantities and qualities, were made possible by the very funds that were obtained from these credits. So too, in 1982, we are counting on foreign credits in order to realize the necessary funds needed to strengthen our export structure. The difficulties experienced on the commodity markets though in different forms, made themselves manifest on the international money markets as well. We believe, however, that our accommodation to changing conditions, the stabilization of the country and the changes carried out in the direction of our economic mechanisms and in the structures of production all contribute to the attainment of credit transactions that are in accordance with our plans.

However, we must not lose sight of the fact that the influence of our economic policy depends on the effectiveness of our economic achievement. With our present stage of development we cannot significantly influence external conditions. In order to accomplish our plans, there is an indispensible need, in addition to increasing our own level of efficiency, to improve the international climate in the political as well as in the economic spheres.

1300
CSO: 2500/94

## WORLD ECONOMIC ENVIRONMENT JUDGED HARSH

Budapest NEPSZABADSAG in Hungarian 30 Dec 81 p 10

[Article by Andras Koves, head of main department, Business and Market Research Institute: "Difficult External Conditions. Our World Economic Environment at the End of 1981"]

[Text] For some time now, Hungarian economic policy has been based on the premise, that the unfavorable changes affecting the external environment of our economic development are not just temporary, and that the harsh conditions that had evolved by the end of the 1970's will be with us for a long time. Consequently, our success in improving the economic balance and preserving our existing standard of living will depend on our own economic performance.

Our international environment is constantly moving and changing. While in general our purchasing and marketing possibilities could be characterized as "unfavorable," we should point out that the development of economic conditions, trade and the market prices of various raw materials in different countries and blocs has been extremely diverse. At the same time, once in a while we also find favorable processes taking place in areas where earlier forecasts had indicated not only harsh, but for a long time significantly worsening conditions, and conversely, occasionally we find unfavorable developments occuring in places where only recently we had not expected conditions to deteriorate or at least not as seriously as we should have.

Whatever their signs may be, it is important for us to be able to respond to these changes continuously. In addition to creating an economic environment here at home that will compel our enterprises to adjust, this will depend first of all on our ability to establish a flexible economic policy, which is able to draw proper conclusions--by changing traditional views if necessary--from temporary or lasting changes affecting our external conditions.

### Developments in the Business Cycle

The economic recession that began in the West in 1980, has become more drawn out than expected. It is true, that in Japan only the rate of growth has declined, and that in the United States, following the recession at the beginning of 1980, in the third quarter of last year we saw the beginnings of an economic recovery, and in early 1981, the American economy was characterized by intensive investment activities, particularly in the areas related to energy and high technology. By

mid-year, however, this upturn came to a halt, presumably because of high interest rates, the major impact of which has been felt in housing construction, but which has also hurt investments in general. Today even the American government has conceded that the economy is slipping into a new recession.

In Western Europe, the recession which had begun in 1980, continued to worsen during the first half of 1981. Production levels--especially in industry--were lower than a year before in virtually every country. This recession was caused by significant new oil-price increases in 1979 and 1980, and by restrictive economic policies which consider inflation as public enemy No 1, aiming to reduce it even at the cost of an economic recession.

However, the protraction of the recession has, in part, also been due to the way external conditions have developed: i.e., to the significant revaluation of the dollar this year, against the currencies of Western Europe (between December 1980 and July 1981, for example, it was revalued against the DM by 24 percent), and to high American interest rates. The revaluation of the dollar has made imports from outside the continent very expensive for Western Europe. Therefore, dispite the stagnation of prices expressed in dollars, it has had to pay much more for its oil-imports than before. Although, as a result of the devaluation of their currencies, the competitive position of their exports on the world market has improved, their views considering inflation-fighting as the primary task, coupled with exchange-rate fluctuations, have made the economic policies of the Western European countries more restrictive direction. American interest rate policies, which have contributed to keeping European interest rates high, have also played a role in this. The reason for this is that the various governments and monetary authorities have chosen to use high interests to control capital outflow and to prevent further devaluations of their respective currencies against the dollar.

Out of the Recession?

These kinds of developments in the Western European business situation, have brought about certain changes in international commercial trends this year, which have been unfavorable for us. Although in 1980 there was already a quantitative decline in the imports of the developed capitalist countries, at that time this was the result of a drop in overseas demand. In 1981, however--according to data we have available so far--the recession has affected those Western European imports, among the industrial-commodity imports, which comprise 90 percent of our trade with the West.

Are we going to see, in the near future, the beginnings of a recovery in Western Europe from the present recession? Most experts seem to be saying a cautious "yes" to this question. In their opinion, while a further worsening of the business situation is unlikely, the growth which is expected to replace this year's stagnation in the Western European economies will be very sluggish and moderate at best, amounting to about 2 percent. After this year's slump, their industrial-commodity imports will increase once again. Whichever way we look at it, from the point of view of our export possibilities, this is a positive prospect. It does not mean, that we do not have to continue to prepare ourselves for fierce competition on the world market; what it does mean, however, is that depending on how well we are able to improve the macro- and micro-structure of our exports and the various other conditions which determine our competitiveness, we can even achieve an increase in our capitalist exports.

What, among other things, will eanble Western European countries to get off this low point is the fact, that exchange-rate conditions have been more or less straightened out (the revaluation of the dollar ended in August), and that exports--the price conditions of which have developed favorably from the point of view of the Western European countries, since the beginning of the year--will once again be able to play a business-stimulation role. What might help to smooth the way for this export-offensive, is the fact that even during the recession, several blocs of the developing countries that have come to play an increasingly greater world-economic role--i.e., the OPEC countries, non-OPEC member oil producers (such as Mexico) and the so-called newly industrializing states--have continued to have a dynamic economic development and, therefore, dynamically expanding industrial-commodity imports.

In addition, despite the recession, through 1980 and 1981, the developed capitalist countries have continued to make rapid technical advances, and have shown intensive investment activities, especially in the branches connected with the introduction of the most modern technologies, which has also had an effect on the economic situation as a whole.

Oil Market Prospects

Among the factors that have helped to enhance the recovery, we have to mention the oil market situation. Since spring, there has been such a glut of oil on the international market (a surplus of 2 to 4 million barrels a day), that the OPEC countries have been forced not only to cut back production, but also to lower their prices. In order to prevent any further deterioration of its position, OPEC was forced, at the end of October, to set its price levels according to the conditions laid down by the Saudis ($34 per barrel), which will remain in effect through the end of 1982. Therefore, the oil-importing western countries do not have to worry about oil-price increases in the near future, and the weakening of external inflationary effects will help to create better conditions for stimulating economic activities.

From the point of view of the oil-importing countries, including our own, the possible long-term developments of the oil market are more important than those world-market oil price developments which occurred in 1980 and 1981. The question, therefore, is whether the oil-glut has been the result of business-related, or other--structural--factors. Naturally, the recession in the business situation has contributed to the creation of the oil-glut, and has prevented the oil-exporters from being able to one-sidedly assert their demands. Undoubtedly, however, the improvement of the business situation (although in the near future we can hardly expect a significant recovery) may lead to an increase in the demand for oil.

Structural Effects

Other--and not necessarily business-factor related--economic processes, however, have played an important role in the creation of the 1981 oil-glut. Among these, it is the developed capitalist countries commitment to energy savings and to more effective energy utilization, which are the most worthy of mention. Their 1980 energy consumption has dropped down to their 1973 levels, while at the same time, their gross national product had grown by 19 percent. In the area of energy

consumption, advances have been made in finding alternative sources of energy to replace oil, while in the area of oil consumption there has been a growing emphasis on domestic production at the expense of imports from the OPEC countries, thus reducing the proportion of those imports.

Indicating even further savings-potentials is the fact, that up until 1977 the United States--which even today accounts for almost one-half of the developed capitalist countries' energy consumption--had still shown enormous increases in its oil imports. Since then, however, America's oil-import dependence has dropped by more than 40 percent. In 1980, simultaneously with the decontrol of domestic oil prices, in just one year, there was an 8 percent decline in oil consumption and a 20 percent drop in oil imports.

Energy-Saving Technologies

In other words the decline in the West's energy-consumption levels has been the result of an already started--although by no means completed--structural transformation, the spreading of energy-saving technologies, "rationalizing" (and not so much capacity-expanding) enterprise investment policies, and to a considerable extent, also of energy-savings on the part of the population induced by more rapidly spiraling increases in oil prices. There are signs, that by continually transforming their production and consumption structure, the capitalist countries have made some advances toward eliminating the kind of one-sided consumer-dependence on the producers, which twice during the past decade led to an explosion of oil prices. We can even expect, that given the high price of oil, this recovery in business will materialize precisely in terms of rapid structural transformation and a continued development of energy-savers and oil-substitutes.

The Situation of the CEMA Countries

The economies of our most important economic partners, the CEMA countries, have been developing under complex and difficult conditions. The Polish crisis, the seriousness of which is clearly shown by the fact, that this year industrial production has dropped by more than 10 percent, has caused serious tensions in providing supplies to the population, as well as maintaining the country's foreign-economic ties.

Looking at these countries as a whole, we find that in 1980 there was a continuation of the slowdown in the rate of economic growth that had become a universal trend since the mid-1970's. Last year, the growth of industrial production was smaller than at any time before, and in 1978, industrial growth has been very moderate once again. There have been growing difficulties in expanding the production of heating- and raw materials, there has been a slowdown in the growth of such--from the point of view of domestic economic development, CEMA cooperation and capitalist exports so vitally important--branches, as oil- and coal production, iron- and steel industry, lumber- and paper industry, etc.

In all likelihood, the 1981 agricultural performance of several countries will turn out to be unfavorable; consequently, as in previous years, we are going to be forced--in certain countries perhaps even more than before--to import grains and other foodstuffs. Therefore, our foreign-economic problems will continue to be with us.

Since the slowdown of economic growth has also affected several branches that produce commodities which also occupy an important position in Hungary's CEMA imports, it will--despite our efforts--also limit the growth of those imports.

But, since our balance of trade within the CEMA is continuing to worsen (in spite of the fact that the continuation of the shift in price-ratios in the favor of oil has failed to materialize), and since our partners are striving for a more balanced exchange of goods, the volume-growth of our exports will have to exceed that of our imports. And all of this has to be done under conditions when, due to a general decline in the rate of growth, the socialist market is becoming less and less able to absorb sub-standard quality products, which cannot be sold on other markets.

In all probability, therefore, the tasks facing us in 1982 in view of these external conditions, are not going to be any easier than they have been--as far as either our socialist or our capitalist trade is concerned--, and the only way we can fulfill them, is by using foreign-economic policy measures and methods, which are appropriate for solving the problems of today.

9379
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FARMS PREPARING TO COPE WITH NEW REGULATIONS

Budapest NEPSZABADSAG in Hungarian 15 Dec 81 p 3

[Article by Istvan Almasi: "Preparing for the Future"]

[Text] The directors of Vas and Gyor-Sopron megye state farms, at their meeting about the economic operating conditions for next year did not applaud the regulation changes which would reduce their profits by many million forints if they produce at the current year's level and with current efficiency.

Because of reductions in the milk premium, the increase in energy costs, the increase in shipping changes, the raising of the SZTK [Trade Union Social Insurance] contribution and a series of other measures the costs of production will increase considerably, or rather, the returns from operating will decrease. It is true, however, that next year the large farms will receive a price subsidy of 6 forints per kilogram of beef they sell. Moreover, they are also due 60 forints per hundred kilograms for grain produced in excess of the last 5-year plan's average plus 10 percent. Thus the returns would counteract a portion of production cost increases--but only a portion of them.

A Higher Standard

According to calculations, the regulation changes will take 26 million forints of profit away from the Lajta-Hansag State Farm. This is quite a substantial amount, if for no other reason than the fact that the profit is expected to be around 70 million forints on this year's monetary scale.

Despite all this, not a single complaint was voiced at the meeting. This was not because the constraints will not cause headaches, but because of the farm directors' awareness and understanding that the government is not making such decisions out of glee.

On the initiative of the National Center for State Farms, farm directors discussed the changes and the tasks not only in Vas and Gyor-Sopron, but throughout the whole country. It was observed at these meetings that the possibilities for development and progress were everywhere in the forefront.

The farm directors are well aware--since information about the changes that are taking place in the world economy are abundantly available to them--that above all, international economic life has become more severe. Demands have arisen on the world

market--where we must sell significant amounts of agricultural products--to which we can adapt only through rather logical operational changes.

Our economic progress and the continued development of our agriculture depend to a great extent, on the magnitude of the adaptation capacity of our production units. The economic regulations are endeavoring to bring this lofty international standard closer to the everyday reality of agriculture--while keeping the strength and performance capacities of the farms in mind. For years now, this approach has been accompanied by steadily increasing constraints.

Necessary Adaptation

In the Szombathely State Farm, the tightening economic regulations have taken away 4 million and 8.3 million forints in 1980 and 1981 respectively--always on the basis of the previous year's performance. For next year--calculated on this year's production--the regulations now coming into effect will reduce profits by 12.4 million forints. Anyone aware that the actual profit of this state farm in 1979 was 7.8 million forints could legitimately infer that after these deductions they are now operating at a loss at Szombathely. In reality, however, they closed out with a profit of 13.4 million forints in 1980, despite the deductions. According to data which can be considered sufficiently reliable, there will be a profit of 12.4 million forints this year. For next year, a profit of 12 to 13 million forints is projected, according to current calculations.

What is observable at Szombathely is true for state farms as a whole. In 1979, Hungarian state farms achieved a profit of 3.2 billion forints. Last year, the monetary balance of agriculture showed net receipts of 3.7 billion forints. This year, according to preliminary data, the profit will exceed 4 billion forints. Thus, while the monetary conditions of agriculture became more stringent the aggregate of enterprise profit increased. The constraints which multiplied the money management problems of state farm directors were rather effective incentives to the overcoming of the difficulties which appeared at the beginning of the year.

It is legitimate to conclude that whenever a portion of the agitating elements of economic policy were replaced by agricultural elements originating from economic regulation, much more happened towards innovations in production and operations than before. The internal management organizations of farms, the incentive system within farms and the sphere of activities in production changed considerably.

Initiative and entrepreneurial skill, because of which the overwhelming majority of farms has been able to adapt themselves to changing economic conditions year after year could only have developed through enterprise self reliance.

We have more or less succeeded in achieving the stage at which the primary consideration in the majority of decisions today is the effect of the decision on effectiveness, profit and economic efficiency. That is to say, if the profit derived from this year's labors provides the means for generating the appropriate funds--development, wages, social policy, etc.--then the prospects for agriculture will also be assured. If not, then agriculture will become drudgery, and most of all, the vitality of its leadership can be questioned.

The economic regulations have taken into account the performance capacities of the farms when the stringencies were enacted. If this year's regulations had gone into

effect 3 years ago, it is certain that state farm profits would have suffered unusual decline. As a consequence, development and other funds would have been reduced, there would have been hopelessness and a significant portion of the enterprises would have collapsed. Today, however--since even the perspective of farm leadership is completely different than it was 3 years ago--the constraints are felt to be tolerable.

Realistic Plans

The directors of the state farms of the two megye's, Vas and Gyor-Sopron, arrived at the meeting with preliminary plans which contained their chief conceptions for the coming year. Thus, at the suggestion of their national center, immediatley upon being acquainted with the regulations they calculated how much of a burden the new regulations are putting on them, and considered how the amounts to be withheld could be counterbalanced in their monetary balance. This was successful in most cases--at least in their plans.

The planned steps affected many areas in each farm. Those from Szombathely, for example--since the reduced milk premium and production price are still incentives in this direction--are planning to increase milk production by 300 liters per cow next year, after having already done the same for this year. Those from Lajta-Hansag are planning to increase milk production per cow from 4,900 to 5,000 liters next year. In grain, instead of the previous 5 year average plus 10 percent, or 37,500 tons, they are planning a production of 44,850 tons for next year. Thus they will be able to acquire more than 2.1 million forints in grain premiums. In addition to increasing the average yield, they are increasing the growing area for barley by 250 hectares in the spring. The growing area for corn is also being increased by the same amount. The Kisalfold State Farm increased the growing area of wheat this fall by 450 hectares with the same intentions.

Every farm is developing plant growing and animal raising, thereby endeavoring to utilize methods which lead to better yields. Sheep raising at the Sopron AG [State Farm] has long been a losing proposition. Good results were achieved by the shepherds receiving 18 percent of the branch earnings as their income. At the Csepeng AG animal feeding costs will be reduced by one million forints next year through the utilization of corn in the crushed ear instead of dried form.

At the Sarvar slaughterhouse they are planning to butcher and process 20,000 hogs next year--compared to 12,000 this year--through the more vigorous organization of small scale hog raising. The Fertod Farm will further refine the production structure of its well known canned goods in accordance with market demands. Nearly every farm is expanding its activities to include services and industrial cooperation. At the Rabamenti AG a gravel sorter is being put into operation, and negotiations are being held for installing weaving machinery. The Kisalfold AG hopes to perform work valued at 28 to 30 million forints through cleaning engine blocks for Raba.

The creative spirit--at least according to the tone of the discussions of the state farm directors--is unchanged. This perhaps is the greatest promise for next year and the future.

9093
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IMPROVEMENTS IN LIVING STANDARD OVER 30-YEAR PERIOD

Bucharest REVISTA ECONOMICA in Romanian No 52, 25 Dec 81 pp 10-11, 13

/Article by Reader Dr Costinel Lazar: "Evolution of Higher Living Standard"/

/Text/ Socialist construction on Romanian soil, a fruit of the heroic and selfless effort and creative purpose of all workers regardless of nationality under the party's far-seeing leadership, has been and is, as the indisputable facts show, a glorious path and a constant and rapid advance to ever higher levels of progress and civilization. It is the path of development and modernization of the productive forces and all economic sectors, the path of greater economic effectiveness, and the path of achievement of the masses' noble ideals and aspirations in keeping with the best interests of their material and cultural welfare and their wide access to the fruits of modern culture and civilization.

The supreme goal of the party's whole socioeconomic policy and revolutionary strategy is to build a society focused on the individual, his welfare and happiness, and provision for every opportunity for complete fulfillment of the human personality and the new, revolutionary humanism peculiar to socialism. Nicolae Ceausescu pointed out, "It is one of the major concerns of the party and state to provide for constant improvement of the people's material and cultural living standard alongside socioeconomic development and growth of the national income and national wealth."

The party's and state's theory and practice in the constant improvement of the people's living standard and quality of life are based on the urgent need to develop the economy as a whole and to obtain high productivity from the expenditure of material and manpower resources. The intensive effort toward modernization and efficiency deeply involved in development of the economy both geographically and by sectors since the Ninth RCP Congress, the long-range approach to the whole series of particular objective and subjective, domestic and foreign conditions under which the work of socialist construction is done in Romania, and the exacting revaluation of both the successes and failures of socioeconomic activity have enabled Romania to become a socialist state with a modern industry and an increasingly advanced agriculture operated throughout the entire nation while expanding its resources for bold but profoundly realistic objectives in the improvement of the Romanian people's standard of material and cultural welfare.

The RCP's entire economic policy and the precise provisions and fulfillments of the plans and programs for socioeconomic development combine in one uniform and

harmoniously integrated whole the aspects of economic growth and development with the social aspects of improvement of the masses' standard of living and socialist civilization. In the recent five-year plans, including the one for 1981-1985, special measures and programs were prepared for the living standard in the course of a comprehensive approach, in one indivisible whole, to the objectives of overall economic development together with the social ones of constantly improved welfare. This was and is intended for improvement of the quality of life in all its components, development and fulfillment of the human personality, assertion of all Romanian citizens' full equality of rights regardless of nationality or the area and community where they live and work, and their increasingly wide access to the fruits of socialist civilization.

Exemplary and punctual fulfillment of the provisions of those programs in their entire complexity and scope, even when the Romanian economy was faced with grave difficulties caused by natural factors and unfavorable developments in the world economy demonstrates the RCP's far-reaching, mobilizing capacity, the people's heroic work for a strong and vigorous development of the economy, and the profound identification of the aims of the party's and state's socioeconomic policy with the highest interests of all classes and categories of workers. While many countries of the world, including the economically highly developed ones, are not discussing the problem of further growth of incomes and consumption so much as that of maintaining the level of consumption that has been reached, and while many western countries are faced with galloping inflation, escalation of chronic unemployment, and the masses' insecurity about the future, the aims and tasks in the Directive-Program for Improvement of the Living Standard and Further Improvement of the Quality of Life ratified by the 12th RCP Congress, which objectives have already begun to materialize, essentially indicate the great capabilities for progress and civilization that Romanian socialism embodies.

Growth of the Public's Incomes and of Sales of Goods

Thanks to steady development and modernization of industry, continuing gains in agricultural production, rapid development of the other sectors, and intensive growth of the national income, the public's cash incomes are showing a constantly rising evolution. Some indicators in absolute magnitude show that the average monthly net wage of working personnel increased from 337 lei in 1950 to 1,289 lei in 1970 and 2,238 lei in 1980. Peasants' nominal net incomes per employed person also show high growth rates, from 167 lei a month in 1950 to 571 lei in 1970 and 1,373 lei in 1980. All these absolute increases were accompanied by increasingly close dependence of remuneration upon work actually performed and the results obtained and by provision for an equitable ratio among the incomes of the various categories of workers.

Consequently the distribution of working personnel among average wage groups was radically changed. While the proportion of working personnel paid up to 1,300 lei was 83.8 percent in March 1965, it was 61.5 percent in March 1970 and only 3.8 percent in March 1980. On the other hand the proportion paid between 2,001 and 2,500 lei increased from 1.6 to 5.4 and 28.8 percent respectively in the same years and that paid over 2,500 lei increased from 0.5 to 2.9 and 22.6 percent respectively. Those figures show a considerable leap in growth of incomes from labor thanks to the historic successes in development of the national economy and improvement of the living standard. Due to the increased nominal wages of all categories of workers, with gains far above the original provisions in the preceding five-year plan, the increased number of working personnel, and the creation of many new jobs in all

counties and communities of Romania (Working personnel increased from 2,123,000 persons in 1950 to 7.34 million in 1980), the volume of the public's total cash incomes in the socialist sector increased rapidly. They rose from about 15 billion lei in 1950 to 279.7 billion lei in 1980.

Workers receive large direct cash incomes from the social consumption funds via the pension system, state allowances for children, scholarships, compensations for illness and other aids. The levels and total volume of those incomes have undergone a pronounced evolution with the rise of the nation's economic potential and the attainment of higher parameters of quality and efficiency. In 1980 the outlays for social-cultural programs out of the state budget were 21 times greater than in 1950 and about 3.4 times greater than in 1965. They increased per capita from 211 lei in 1950 to 3,197 lei in 1980, that is by 15 times. On the other hand the sums allocated to state aid for children and the funds for state social insurance underwent an accelerated evolution, while the average monthly pension of state social insurance pensioners for the age limit and complete length of service increased from 898 lei to 1,335 lei. In addition to all this, the public receives large sums out of the funds for social-cultural purposes allocated by the cooperative and public organizations according to the charter provisions for the operation of those organizations.

As we know the growth of nominal incomes is not automatically reflected, under any circumstances,in the improvement of the living standard but depends upon the evolution of the purchasing power of those incomes. Accordingly, thanks to control through the plan of the evolution of the price level of consumer goods and the evolution of the rates for services to the public, the public's real incomes steadily increased along with the growth of the nominal incomes. Meanwhile the regular effort to make the public's incomes correspond to the volume, structure and adequate variety of goods and services is an essential aim of the provisions of the programs to improve the Romanian people's welfare. In other words, the necessary balance is struck between the value form and the natural-material form of the resources society can allocate to meet the needs of its members. The figures on the evolution of the real wage, the public's total real incomes, the real per capita incomes and the retail sales of goods through socialist trade make this balance abundantly clear (Table 1).

Table 1. Evolution of Some Main Indicators of the Standard of Living (in percentages)

| | 1980 / 1950 | 1980 / 1965 | 1980 / 1970 | 1980 / 1975 |
|---|---|---|---|---|
| Real wage (total personnel) | 418 | 185 | 154 | 129 |
| Public's total real incomes | 639 | 256 | 196 | 134 |
| Real per capita incomes | 470 | 220 | 179 | 128 |
| Retail sales of goods via socialist trade | 15 times | 314 | 215 | 146 |

Source of figures: Statistical Yearbook of Romania 1981, pp 93-96.

Corresponding to the increase in incomes, the volume of retail sales of goods through socialist trade showed a steady evolution as well as structural qualitative changes. It was 15 times greater in 1980 than in 1950 and about 3.2 times greater than in 1965 while the per capita increase was by 12 and 2.5 times respectively.

Proportions and correlations like the foregoing are also quite striking in the current five-year plan, as a regular feature of the RCP's social policy. Thanks to production development and a considerable gain in effectiveness, in 1981-1985 the average nominal wage of working personnel will reach 2,792 lei by the end of the period, showing a 24.8 percent increase from 1980, and the real wage will be up 15.5 percent. At the same time peasants' real incomes from labor on CAP's [Cooperative Farms] and private farms per employed person will be up 16 percent. The incomes collected by the public from the social consumption funds will show major gains of about 12 percent in the average real state allowance for children and about 10 percent in the average real social insurance pension, while the pensions of CAP members and other categories of pensioners and the aids to children of CAP members will be increased at the same time. Consequently the total volume of the public's real incomes will be up 19 percent, the total volume of sales of goods will be up 26.6 percent, and that of services will be up 76 percent.

Gradual application of the measures to raise the wages and incomes of the other categories of workers according to the decisions of the 12th RCP Congress will begin in 1982. An increase in the retail prices of a number of products will also begin in 1982, according to the plan provisions, the requirements of a better correlation between costs and prices, and a closer correlation of the prices with the increases in wages and incomes. This will be done in such a way that the increase in the public's real incomes stipulated by the 12th RCP Congress will be provided for throughout the five-year plan.

Increased Consumption and Improvement of Its Structure

The continuing rise of the Romanian people's living standard is directly reflected in the increased consumption of services and of industrial and food products, accompanied by major structural changes in consumption as it goes through new stages in satisfaction of the needs of the members of society and as production is increased and diversified and the purchasing power of all categories of the public is enhanced.*

As for food consumption, Romania is now one of the first 10 countries in the world in the number of calories per capita (In 1980 consumption of calories was 3,368 and consumption of proteins was 100.8 grams). Moreover Romania equals some developed countries in average annual per capita consumption of textiles, ready-made clothing and footwear. Supply of the public with consumer durables has increased rapidly and the demand for products meeting cultural and intellectual needs and those of proprofessional instruction is growing, as well as the demand for services (The volume of services rendered to the public by the socialist units rose from 9,386,000,000 lei in 1965 to 43,646,000,000 lei in 1980).

The documents of the 12th RCP Congress call for a duly rational consumption by the public according to the requirements for the individual's healthy development. The provisions of the Five-Year Plan for 1981-1985 accordingly specify increased consumption of food products by the public. Note in this connection the measures taken to improve the structure of food consumption by reducing the proportion of bread grain products and increasing the proportion of animal products with a high nutritional value such as meat and meat products as well as the proportion of vegetables. This will provide new and important prerequisites for a scientific, rational diet for the entire people that is also rich in high-quality nutritive substances. The structure of consumption of nonalimentary products has also been expanded and improved by a more plentiful supply of consumer durables and a rapidly growing volume of services to the public accompanied by diversification of their quality. In connection with the foregoing we note that the Program for Regional Self-Management and

*See Table 2.

Self-Supply To Provide the Public with Agricultural Products of Animal and Vegetal Origin in the 1982-1985 Period is accordingly an important document concerning the alimentary policy and reflecting a strict long-term alimentary strategy.

Better Conditions for Personality Development

As a direct expression of full implementation of the principles of revolutionary socialist humanism and all-around development of the personality, the party's policy of improving the entire people's welfare has consistently pursued a veritable revolution in the fields of education, science and culture, improved technical-occupational training, and indoctrination of workers in the socialist ideals and a high sense of responsibility for the nation's socialist prosperity. The workers receive a large part of their social remuneration in these many ways.

Table 2. Per Capita Consumption of Some Products and Supply of the Public with Consumer Durables

| 1 | UM | 1930 | 1965 | 1970 | 1980 | 1985 |
|---|---|---|---|---|---|---|
| **Consum pe locuitor** 2 | | | | | | |
| Carne şi produse din carne 4 | kg | 16,7 | 26,6 | 41 | 62 | 82,5 |
| Lapte şi produse (exclusiv unt) din lapte 5 | l | 107,6 | 105 | 111 | 180 | 250 |
| Ouă 6 | buc. | 59 | 115 | 142 | 270 | 300 |
| Zahăr şi produse din zahăr | kg | 6,9 | 15 | 19,3 | 28,2 | 39 |
| Legume şi produse din legume | kg | 65,6 | 73,5 | 87 | 140 | 185 |
| Ţesături (inclusiv confecţii) 7 | mp | 13,2 | 16,3 | 19,3 | 28,7 | 30,9 |
| Încălţăminte 8 | per. | 0,62 | 1,97 | 2,6 | 3,5 | 3,8 |
| **Bunuri de folosinţă îndelungată la 1 000 locuitori** 3 | | | | | | |
| Aparate de radio | buc. | 123,9 | 173,7 | 250,7 | 300 | |
| Televizoare | buc. | 28 | 81,8 | 200,7 | 256 | |
| Frigidere | buc. | 21,3 | 53,7 | 156,2 | 192 | |
| Maşini de spălat rufe | buc. | 22,9 | 45,8 | 102,2 | 155 | |
| Autoturisme | buc. | 1,2 | 6,4 | 28,9 | 44 | |

1. Unit of measure
2. Per capita consumption
   - Meat and meat products
   - Milk and milk products (except butter)
   - Eggs
   - Sugar and sugar products
   - Vegetables and vegetable products
   - Textiles (including clothing)
   - Footwear
3. Consumer durables per 1,000 inhabitants
   - Radio sets
   - TV sets
   - Refrigerators
   - Washing machines
   - Passenger cars
4. Kilograms
5. Liters
6. Pieces
7. Square meters
8. Pairs

Thanks to rapid expansion of the material base of education, the school population came to 5,585,821 persons in the last school year, or more than one-fourth of the total population, compared with 2,319,196 persons in the 1950-1951 school year. The number of pupils per 10,000 inhabitants increased from 1,267 in the 1950-1951 school year to 2,007 in the 1980-1981 school year, and the number of students from 32 to 87. From a country with a very high percentage of illiterates, Romania has now reached levels above those of many developed countries through generalization of the 10-year schools (first stage of high school) and through the present and long-range extent of high-school, occupational, expert and higher education, in addition to intensive development of the material base of culture and art and the extensive access of the members of Romanian society to the treasures of science and culture.

These achievements, which are a veritable title to glory for the socialist order the Romanian people are building, are the result of society's sustained material efforts. The allocations out of the state budget to education increased from 1,302,400,000 lei in 1950 to 17,691,200,000 lei in 1980. The outlays on culture and art increased respectively from 230 million lei to 1,180,700,000 lei. New measures will be taken in this five-year plan to improve the activity of education, culture, physical education and sports.

Society has made and is making particular efforts to develop the material base of health protection and of both the therapeutic and preventive networks. In 1980 there was one physician to 558 inhabitants compared with 1,047 in 1950. The number of beds for medical care per 1,000 inhabitants increased from 2.2 in 1938 to 4.2 in 1950, 7.6 in 1965, and 9.4 in 1980. These indicators are comparable to those of a number of economically developed countries and even higher in many cases. In 1985 there will be 2.4 physicians, dentists and pharmacists per 1,000 inhabitants.

The party policy of constant improvement of the quality of life is directly reflected in housing construction, a very extensive process in the last three five-year plans and at present. By the end of 1980 about 2 million apartments had been built out of state funds, including over 1.6 million in the 1966-1980 period. It is estimated that about 70 percent of the Romanian population moved into new houses in the last 30 years. The cities and villages of Romania have been radically renovated, providing the workers with increasingly good living conditions. In continuation of these highly important aims, 900,000 dwellings will be built out of state funds in 1981-1985.

As social production is modernized and labor productivity is enhanced, coditions are created for further improvement of working conditions and reduction of the work week. Implementation of the program to reduce the work week in two stages began in 1978, The shift to the 46-hour work week will be completed by the end of this year and the 44-hour work week is to be generalized by 1985.

Romania's truly historic achievements during the years of socialist construction on behalf of the entire people's material and cultural welfare and all-around development of the personality, the outstanding progress made in this respect in the decade of 1971-1980, and the prospects for the current five-year plan directly depend upon the political and organizational work of the party, which is honorably fulfilling its historic mission as a leading political force of Romanian society. All this emphatically demonstrates the fact that all that is accomplished in Romania is for the people's welfare and happiness, which is the essence of the party's policy.

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ROMANIA

EVOLVING ROLE OF AGROINDUSTRIAL COUNCILS EXAMINED

Bucharest AGRICULTURA SOCIALISTA in Romanian 28 Nov 81 p 9

[Article by Emilian Albulescu]

[Text] Taking action toward achieving the strategic goals incorporated into the party Program, the plenary session of the CC of the RCP held on 1 February 1979 adopted, upon the initiative and with the decisive input of Nicolae Ceausescu, new measures to upgrade agricultural management and planning, to create the state and cooperative unified agroindustrial councils and to boost agricultural production. In this context, promoted were advanced, revolutionary principles, forms and methods which conform with the imperative needs of the current stage of development, in regard to: ensuring the unified leadership of all agricultural sectors, on all its organizational echelons; stepping up the process of concentration and integration of production, of specialization of units and subunits, as prerequisites of agricultural modernization and rise in the efficiency of farm output; sensible and uniform use of the technical-material base made available to agriculture; intensification of the process of integration of research and education with production, for the purpose of more rapid introduction of technical advances, of scientific gains in the practice of agricultural units; upgrading and improvement in the training of specialized personnel, of all workers in agriculture, in compliance with the needs of modernization of agricultural production, of the technical-material base and of techniques for plant growing and animal raising.

During the period that has elapsed since the creation of the unified agroindustrial councils, on the instruction of the party secretary general, a set of measures was taken in regard to: organization of the unified sectors of mechanization, chemicalization, horticulture, transport, utilization of land resources developments, and the like; establishment of rules on the relationships between the stations for mechanization of agriculture and the agricultural units within the framework of agroindustrial councils; establishment of unified rotation systems for the various crops, regardless of land ownership. At the work session discussing the various agricultural issues, held in Brasov on 9 January 1981, measures were outlined with regard to the enhancement of the role of agroindustrial councils as plan coordinators: election of the ablest people to the leading bodies of these agencies, as chairmen and vice chairmen (respectively, as chairmen of the executive bureaus); strengthening of each council with another 3-4 experts with various specialities; assignment of officials of the Agricultural Bank to the various councils for monitoring the implementation

of the new economic-financial mechanism; upgrading of the activity of contracting and procurement; location, within the framework of the councils, of some food industry enterprises, and also the organization of a number of sectors of construction and production of construction materials; creation, at the level of the agroindustrial council, of a party committee to coordinate political activity.

For the purpose of increasingly solidifying the agroindustrial councils, based on the directives set by the Second Congress of the Peasantry, these agencies were resized: by reduction in their number from 710 to 558, the average area of the councils increased from 18,400 hectares of farmland and 13,200 hectares of arable land to 23,400 hectares of farmland and respectively, 16,800 hectares of arable land. Accordingly, the number of stations for mechanization of agriculture was reduced as well. As part of this measure, powerful units were created and the area of each IAS [State Agricultural Enterprise] tied in with one agroindustrial council.

New measures to upgrade the organization of unified agroindustrial councils were also outlined at the Work Conference on Agricultural Issues held on 29 August 1981 and at the recent plenary session of the National Council for Agriculture. They involve: improvement in the activity of IAS and CAP [Agricultural Production Cooperative]; enhancement of the role of general assemblies of state and cooperative agricultural units; strengthening of the responsibility of experts at all levels and trips of these experts to the basic units, to concrete work; elimination of red tape and orientation of the activity of all agricultural county bodies toward direction and practical guidance of agricultural production units. Criticizing the erroneous tendency to create an excessive number of so-called intercooperative or state and cooperative economic associations, that result in a greater number of unproductive personnel, of office workers, remove specialists from production, increase costs, solidify bureaucracy, impair the responsibility of basic units and have adverse effects on production, Nicolae Ceausescu stated: "Let us structure the operation of unified agroindustrial councils as coordinating organs and organs for the organization of work, not as organs for substitution of the activity of cooperatives or IAS." "The IAS, the agricultural cooperative, continue to be the basic units. They bear the responsibility and must manage the entire activity." Moreover, measures were outlined concerning improvements in the organization of SMA [Station for Mechanization of Agriculture], to the effect of full integration of mechanization in IAS and CAP, some changes that will be made in the system of payment for work done by SMA, including the firm implementation of the overall contract system which will be binding for machine operators, cooperative members, workers, and specialists.

The unified agroindustrial councils have been allotted special tasks in implementing the objectives of the new agricultural revolution, in developing and modernizing production in all the units that belong to them.

Now, during the wintertime, great attention needs to be paid to: thorough analysis of all the activity conducted by councils and units in the first year of the five-year plan, spotlighting of the pluses and minuses, for the purpose of disseminating the positive results and, respectively, eliminating the shortcomings; wise formulation of the production plans and income and expenditure budgets of agroindustrial councils and component units, in accordance with the tasks devolving upon them for 1981; organization of work teams and conclusion of engagements under the overall contract system, so that, from 1982 -- as requested by the party secretary general --

the incomes of all workers in agriculture should be tied to the results of work, to the outputs that are obtained; completion of winter plowing and storage of all the harvest; overhaul of tractors and farming machines for the spring.

Moreover, the agroindustrial councils must take care of: finalization of the unified restructuring of the territory and crop rotations, so that they may ensure a better location of crops and sensible use of irrigation systems; completion of the programs for irrigation, drainage, erosion combating, improvement of podzols and salt and sandy soils; determination of the amounts of products that will be delivered to the state fund and taking of all the measures that guarantee their obtaining. To this end, much attention ought to be paid to thorough preparation of general meetings, creation of conditions for ampler consultation and greater involvement of the masses of working people, of cooperative members, in the activity of managing each unit.

The councils of FDUS [expansion unknown], ODUS [expansion unknown], and CAP, the bodies of collective leadership in units and agroindustrial councils are urged to provide an even greater input into the wise utilization of every plot of land, of every resource, into the elimination of any kind of waste, into the development of profitable activities that ensure the highest possible profits, with the aim of implementing self-management and self-financing in each unit. In the overall agriculture it is necessary to establish a climate of complete order and discipline, to reinforce the spirit of responsibility in production of workers, experts and managerial personnel.

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## AGRICULTURAL DEVELOPMENT PLAN FOR 1982 DISCUSSED

Bucharest REVISTA ECONOMICA in Romanian No 48, 27 Nov 81 pp 9-10

[Article by Ovidiu Popescu]

[Text] The draft plan for the development of agriculture and the food industry for 1982, approved by the plenary session of the CC of the RCP and submitted for debate and adoption as a law to the Grand National Assembly directs all the activity in this area toward intensive expansion of agriculture, one of the basic branches of the Romanian economy, for the purpose of ensuring proper supplies of farm foodstuffs to the population, the required amount of raw materials to industry and meeting other economic needs.

The recent plenary session of the National Council for Agriculture, the Food Industry, Forestry and Management of Waters -- a democratic leading body of all peasantry -- examined in a thorough manner, with spirit of responsibility and strictness, the implementation of this year's plan in agriculture and outlined the steps that are required to exemplarily fulfill the 1982 plan, which ought to represent a firm step in boosting the output of farm foodstuffs, in achieving the new agricultural revolution.

The year 1981, versus the prior year, marked increases in some basic plant outputs, some animal herds, facts that ensure the proper implementation of the supply plan provisions. Nevertheless, the results obtained cannot be regarded as satisfactory, they did not fully match the conditions created for agriculture.

In his address at the plenary session of the National Congress for Agriculture and in the program document which his speech at the plenary session of the CC of the RCP constituted, Nicolae Ceausescu made a wide-ranging and profound analysis of the deficiencies and shortcomings that manifested themselves, of the inadmissible situations in our agriculture. He indicated the measures that need to be promptly taken in plant production, in animal raising, the food industry, improvement in lad resources, in the mechanization sector, in agricultural research, in the organization and management of the entire branch -- from the ministry up to the units -- in order to ensure, under this five-year plan, beginning in 1982, an agriculture placed on scientific bases, with high efficiency, and matching the potentialities that exist in Romania.

In light of the guidelines and directives given by the party secretary general, of the appeal addressed by the National Council for Agriculture to all units in Romanian agriculture, to all villagers for the exemplary fulfillment of the tasks devolving upon them in 1982, the workers in this branch have the patriotic duty to focus their efforts on eliminating the shortcomings in terms of wise utilization of lands and of the technical-material base, in the organization of production and work, in the style and methods of work.

We now have an advanced and continuously expanding technical base. It must be wisely used for on-time and quality performance of all the operations incorporated into the techniques involving the planting periods, plant density, the manner of conducting all the basic farming procedures. Moreover, there are sufficient amounts of choice seed and seed from multiplication I and II, and also productive hybrids that meet current needs.

In terms of animal raising, we have relatively good livestock. It is necessary to reduce loss caused by mortality and necessity slaughtering, to boost the birth rate, the weight at slaughtering time and the level of average outputs. This involves ensuring satisfactory feed -- both in terms of quantity and quality -- for the animals, in the first place by cultivation and appropriate use of the large area of pastureland and hayfields, and proper animal tending, strict implementation of sanitary-veterinary regulations, in order to obtain the planned productions. Cattle and sheep raising is expected to expand with priority in the hilly and mountain areas, for the purpose of better using the more than 4 million hectares of natural grazing land.

The general assemblies, the managing councils, all workers in agricultural units -- state and cooperative -- must firmly campaign for reinforcing order and discipline at every point of production, for enhancing strictness in implementation of duties, for fully asserting the sense of responsibility of each individual in relation to the asset entrusted by society for management.

Furthermore, far more attention must be paid to the training and advancement of personnel, to the overall use of the good experience gained by foremost units and the results of research.

Mobilizing, Realistic Tasks

As pointed out by Nicolae Ceausescu, "We must proceed from the fact that 1982 must lead to a radical change in our agriculture -- and this needs to materialize in the obtaining of at least the planned outputs; but we have the resources and we must plan to obtain higher outputs."

The 1982 plan anticipates the heightening of the process for the intensive expansion of agriculture, in compliance with the guidelines and tasks emanating from the documents of the 12th Congress and the plan for the development of this branch during the 1981-1985 period.

The starting point in working out the plan involved the level of actual potentialities existing in all the zones, in light of the more efficient use of land resources and of mechanical means, the implementation of the principles of self-management and self-supply, so that each unit may obtain great outputs, of a high quality, conduct a profitable activity, and end up its activity with profits.

The rise in the grain output remains the primary objective of agriculture, because the ensuring of adequate amounts of food and the expansion of animal husbandry depend on the level of this output. Moreover, there will be a rise in the output of sugar beet, sunflower, flax and hemp for fiber and other industrial crops, which will result in better meeting the needs for raw materials of the food and light industries to provide the population with prime necessities. The output of field vegetables and the output of winter potatoes will meet the local needs of each county. In grape and fruit growing new measures will be taken to increase the productive potential, by modernizing the existing orchards and vineyards and creation of new intensive and superintensive units. Special emphasis will be placed on fodder crops, to which an area of 1.2 million ha has been assigned, for the purpose of quantitative and qualitative upgrading of the fodder base. The outputs planned must be mainly obtained by maximizing the per hectare yield, by concerted measures to efficiently use the existing material base, to follow the techniques outlined and especially to perform all the operations during the optimal period and at a good qualitative level, in the context of per hectare plant density.

Animal raising will further involve a priority effort; its share is expected to reach 48% of the overall farm output. Significant rises are anticipated for animal herds, meat, milk and egg productions. The implementation of these tasks necessitates firm steps to upgrade the reproduction indices and specifically the birth rate, the considerable increase in the average outputs (specifically for milk) and the average weight at slaughtering time, and also to modernize the animal sheds and use mechanization for major procedures. Greater support will be given to private farms, by providing valuable breeding stock and technical assistance and guidance; cooperation projects will be expanded and diversified in the area of animal raising and fattening, for the purpose of fuller use of existing resources.

In the food industry, as a result of better utilization of existing production facilities and development and retooling of these units, and also as a result of higher efficiency, there will be great increases in the amounts of basic foods (meat, fish, milk, cheeses, and butter).

The comprehensive program for the development of agriculture and the food industry in the second year of the five-year plan also incorporates the completion of a greater amount of investment projects, chiefly focusing on provision of tractors, self-propelled combines -- multifunctional and with a high capacity -- for grain harvesting and other multipurpose farming machinery that will permit rapid mechanized performance of major works in agriculture.

In the area of improvement of land resources, primary matters involve the expansion and ensured proper operation of drainage and irrigation systems; the projects for combating soil erosion will be expanded. (The plenary session of the National Council for Agriculture also adopted a special program which anticipates that by 1985, the drainage systems will take up an area of 3.6 million ha, the irrigation systems 2.9 million ha, and additional soil erosion combating projects on slopes will be completed on 950,000 ha.).

## Goals and Responsibilities in Territorial Self-Supply

The program for territorial self-management and self-supply aimed at providing the population with animal and plant products during the 1982-1985 period -- formulated on the initiative and under the direct guidance of Nicolae Ceausescu -- is worked out in such a way as to constitute a new stage in upgrading consumption for the people, in accordance with the requirements of sensible nutrition.

Focusing on the firm implementation of the principle of self-supply, the program specifies a further significant rise in the average per capita consumption for meat and meat products, milk, eggs, fish, potato, fruit and table grapes, and so on. The increase in their share in nutrition will permit the reduction in the consumption of bread, flour, pasta and corn meal, so that the level of use of grain in animal husbandry may be increased and, consequently, the livestock output may be boosted. For the purpose of reaching the planned consumption levels and meeting other economic needs, the levels anticipated to be attained by the end of the five-year plan are as follows: for herds, a head of cattle of 100 kg (for meat) for 13-20 inhabitants -- respectively a cow with an output of 3000 liters of milk for 10-12 inhabitants, two pigs of 110 kg for 5 inhabitants, a head of sheep of 40 kg for 4 inhabitants, 15-18 fowls of 1.350 kg for one inhabitant.

The program contains measures for enhancing the role of the local organs of state power, for increasing their responsibility in proper provision of farm foodstuffs to the population. The people's councils, as organs of territorial self-management and self-administration, will work out programs for territorial self-supply and development of agriculture that will incorporate concrete tasks regarding production, local consumption, deliveries of products to the county consumption fund and the central state fund. In each commune, town and county determinations will be made in regard to the number of animals and areas for the various crops, the outputs that need to be obtained to ensure food consumption of the population in each locality and continuous upgrading of their structure. For the purpose of stimulating local bodies in increasing livestock production -- the basis for improving the food for the population, the entire increase obtained as a result of exceeding the weight at slaughtering time or the average output per animal will become an extra resource for the local consumption fund.

In order to enhance the involvement of the population in the implementation of the measures for self-management and self-supply, the program formulated by each administrative and territorial unit will be submitted for debate in the general assemblies of citizens and after adoption will become mandatory.

The basic condition for the attainment of the consumption levels planned per capita, for both the rural and town populations, involves more efficient cultivation of all the agricultural area and raising of animals and fowls at a level that matches the potentialities in each socialist unit and private farms. Therefore, all workers who hold agricultural lands must fully farm them and raise animals and fowls for both their own consumption needs and for obtaining surpluses of products with which they will contribute to the state fund.

The new measures adopted, the guidelines and levels in the 1982 plan center on the efforts of workers in agriculture, of central and local organs on fully utilizing the

potential existing in each branch. In the words of party secretary general Nicolae Ceausescu, "we have, in agriculture, all that is needed to go beyond the current state of affairs, in order to rapidly eliminate the shortcomings and to radically improve the entire activity, so that we may, as early as in 1982, demonstrate that Romanian agriculture, that working people, experts in agriculture are able and have the required strength to implement the decisions of the 12th Congress, to enhance the input of agriculture into the overall development of our socialist homeland, the improvement in the overall well-being of the people."

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## PEOPLE'S COUNCILS FOCUS ON AGRICULTURE, INVESTMENT SECTORS

Bucharest ROMANIA LIBERA in Romanian 11 Jan 82 pp 1, 5

[Interview with Romeo Dragomirescu, vice president of the Committee for the Problems of the People's Councils, by Constantin Sirbu: "Priority Problems on the Agenda of the Sessions of the People's Councils: the Plan, the Budget, Self-Management and Self-Supply"; place and date unspecified]

[Text] In 1982, the people's councils will have to intensify their activities in the field of collecting and using reusable materials - metals, secondary materials and textile wastes, used mineral oils, reusable tires and waste paper. To this end, the executive committees and bureaus of the people's councils are required to take energetic measures in all subordinate units in order to intensify actions regarding the collection, sorting and turning over of reusable wastes stemming from their subordinate units, from household and street waste and directly from the people. They must more closely pursue and support the activities of the enterprises in the recovery and use of reusable materials for the purpose of providing the places and areas necessary for the appropriate placement of collection points in all housing areas; they must introduce strict measures so that the full amount of used mineral oils will be turned over to the collection enterprises from all units; they must adhere to the conditions for using tires up to the permitted limits that will allow the recapping of these tires; they must organize the controlled storing of household and street wastes, with the opportunity to sort the useful materials; and they must collaborate to a greater degree with all mass and public organizations, with housing associations, with young people and with the pioneers in actions to collection, turn over and use reusable materials.

In small-scale industries, they must pursue the achievement in-full of programs to increase consumer goods according to the classes of quality and to expand the production achieved under the conditions of using local resources of raw materials and recoverable and reusable materials to a maximum. The measures that will be taken in the sessions to approve the 1982 plan must be aimed at the elimination of the deficiencies that were uncovered the previous year when the planned physical production for construction materials was not achieved in some counties.

[Question] How will the people's councils have to work in order to implement the directives regarding the achievement of the program to increase agricultural, meat and milk production and to ensure contracts and acquisitions?

[Answer] Despite the good results obtained in agriculture in 1981, we must say that not all the resources of this branch of the economy were used the way they should have been. In order to ensure the conditions necessary for obtaining the planned agricultural production in 1982, it is necessary for each town, each state and cooperatist unit to take measures for the full use of agricultural land areas, the improvement of the production potential of the land by fully using the large quantities of natural fertilizers existing in agricultural units and on the people's farms and the more efficient use of chemical fertilizers, as well as transport vehicles and workshops which, although noted in records, are not always used. The executive organs of the people's councils will have to show greater concern for the better use of those products stemming from the people's farms in order to increase the number of animals on these farms, requiring all those persons who live in the villages to raise animals and work the land. They should also permanently keep in mind that the agricultural farms of the people also have a significant production potential and that the participation of this sector in the state fund can increase much more through contracting and acquisitions. With regards to increasing the amount of products delivered to the state fund by the state socialist and cooperatist units and by agricultural producers, the people's councils have a duty to make known to the people as best as possible those recently-approved normative acts that created stimulating conditions for all the categories of producers. Having everything that is needed to ensure the proper supply of the populace, the people's councils must be concerned with the drawing up of territorial self-supply programs and with the development of agricultural, including precise tasks regarding production, proper consumption and the delivery of agro-food products to the local consumption fund and the centralized state fund. As a result, the number of animals and areas for crops, as well as the production that must be obtained in order to provide a level of food consumption to the people, must be established in each town, each city and each county. All these objectives will have to be discussed beforehand in the citizens' meetings.

[Question] An important are is investments...

[Answer] Certainly. The people's councils' investment plan has increased to 29.8 billion lei, with a majority being held by housing construction. This year, 190,000 apartments will be built and for the purpose of developing the material base of education we are planning to put into use 7,835 new places in kindergartens, 1,455 classrooms, 18,430 places in boarding schools and 6,000 places in school workshops. In addition to this, the plan calls for 1,550 new places in child care centers, 13 dispensaries and clinics, 6,315 hospital beds, 5,150 movie theater seats and 4,200 places in cultural centers and clubs. There will also be an extension of the water system, the sewage system and the public transportation motorpools. In 1982, projects will be continued in the central areas of certain municipalities and cities, such as: Brasov, Buzau, Oradea, Miercurea Ciuc, Bacau, Deva, Satu Mare, Rimnicu Sarat and Rosiori de Vede. There will be a continuation of housing construction close to industrial regions and centers, as well as the continued construction of housing in the Valea Jiului and Oltenia coal mining basins and in those cities where new economic projects will go on-line: Calarasi, Drobeta Turnu-Severin, Falticeni, Odorheiul Secuiesc and Cernavoda. Similarly, housing projects must also be completed for those specialists who will live in the towns where they will work, as well as for those who want to build their own homes at their own expense, with the state's help in loans and materials.

Among the concerns of the executive committees of the people's councils, we should not forget the timely provision of the manpower necessary for the construction of housing and other projects in the plan, with the order being that by 15 February 1982 the contract-committments will be concluded for carrying out projects under the overall contract agreement concept.

[Question] Since you mentioned services, could you tell us what they will involve this year?

[Answer] In the 1982 Sole National Economic-Social Development Plan, it calls for an increase in services to the public by 11.2 percent compared to 1981. The units of the people's councils have a significant portion of the overall services that the socialist units will offer to the populace. Moreover, it will be necessary for the executive organs of the people's councils to give attention to improving the services for the people within the framework of the community and housing administration units, the public transportation units and the recreational enterprises.

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ELEMENTS OF ECONOMIC GROWTH IN AGRICULTURE

Bucharest REVISTA ECONOMICA in Romanian No 52, 25 Dec 81 pp 8-9

/Article by Dr Docent Dumitru Teaci: "Agriculture As an Element of Economic Growth"/

/Text/ Harmonious development of all economic sectors is one of the first requirements for avoiding the discontinuities and disruptions that may occur particularly in periods of very rapid growth and that have extremely serious economic as well as social effects. Such periods of accelerated growth can occur only in climates of general peace and internal political-social stability free of disturbances disrupting the basic economic mechanisms and consequently the procurement of the economic and manpower resources to accomplish any very extensive objectives in any production sector.

Shaped and guided by the party's scientific policy, Romania's economic growth in the last three decades, and especially in the last 15-16 years, was one of the most accelerated in the world, showing increases by 3 to 50 times in most of the basic economic sectors within a period less than one generation.

The increases should be evaluated in the light of the base levels, especially in the case of the two basic elements, namely the production means and the labor force.

If we are to compare the two big directly productive sectors of the economy, industry and agriculture, taking the period of economic restoration since the beginning of the 1950's for example as the base levels, I would suggest the following evolution up to 1981:

Evolution of the Main Elements of the Production Process
(in %)

| | 1950 | 1960 | 1970 | 1980 |
|---|---|---|---|---|
| Proportion of employed population | | | | |
| - Agriculture | 74.1 | 65.4 | 49.1 | 29.4 |
| - Industry | 12.0 | 15.1 | 23.0 | 35.5 |
| Evolution of fixed capital | | | | |
| - Agriculture | 100 | 127 | 213 | 482 |
| - Industry | 100 | 225 | 664 | 20 times |

The above figures indicate that from the standpoint of the technical-material base of agriculture, the gains are relatively modest because the main production means was and still is the soil, the value of which must necessarily be taken into consideration because otherwise comparisons like those to the effect that agriculture increased by only 3 times in the value of its gross output, while other sectors increased by 20-30 times, are very much in error.

On the other hand, the declining proportion of the population employed in agriculture (from about 75-78 percent to about 25-27 percent of the total) also indicates a radical structural change in the Romanian economy.

Some phenomena in connection with society's overall effort to meet the requirements for food and other products of agricultural origin should be studied in greater depth. Many studies and statistics show that only 4-6 percent of the employed population is in agriculture in the heavily industrialized countries, some of which meet their food requirement entirely out of domestic production and also have surpluses for export. But it is forgotten that the actual number of those directly or indirectly contributing to acquisition of the agricultural food products is really much greater and amounts to 34-35 percent of the total employed population, only 4-6 percent of which is in the "visible" sector while the rest is in the "invisible" sectors "upstream" and "downstream" from agricultural production properly speaking, in the so-called "service units" and even in the industrial sector producing goods essential to the output of the agricultural products.

In analyzing the elements of the economic growth of Romanian agriculture, namely scientific research and introduction of technical progress, land resources, tractors and agricultural machines (external), agrozootechnical constructions, labor force (number and occupational training), biological resources (animals and plants), and sources of chemization (external), we must determine the extent of their contributions to the growth rates obtained in order to determine how far each of them has contributed to a production increase by about 3 times, both physically and in terms of value, with a decrease of about 60 percent in the labor force. And in general that indicates an increase by about 5 times in the value of the output per worker remaining in the "visible" sector of agricultural production. The phenomenon calls for analysis in greater depth, since such gains cannot be made in any one economic sector considered in isolation.

Today we can say we have about four or five "nonagricultural" workers supplied by one visible "agricultural" worker, compared with five to six agricultural workers to one nonagricultural worker as there were 30 years ago. This reversal of the figures, which took place in only three decades, generally reflects one of the most powerful impacts upon agriculture and also upon the whole socioeconomic and structural situation, which in some cases had remained unchanged for many centuries.

It is difficult to quantify the elements that contributed to the economic growth of agriculture and to "isolate" each one's contribution, but it must be done if we are to analyze the causes and general trends and influences future policies and decisions.

Scientific research, technological development, and introduction of technical progress have made the greatest gains, both in research "power" in terms of the number of researchers and the value of the material base and in research results in the form of biological creations and new and modernized technologies. The new varieties and hybrids brought about the absolute increases indicated by the following graph:

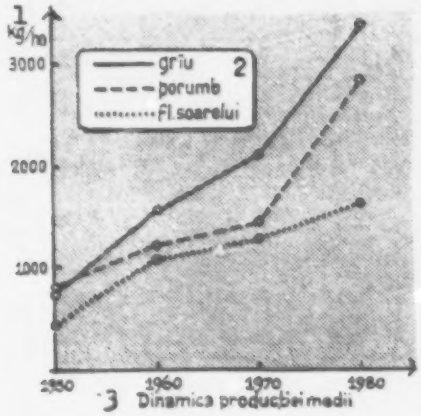

3 Dinamica producției medii

1. Kilograms per hectare
2. Wheat
   Corn
   Sunflowers
3. Evolution of average yields

The relacement rate of the varieties and hybrids increased from about 15 years in the 1930's and 1940's to 5-7 years today. This means that 10-12 percent increases in productive capacity must be obtained in the latter period because that is the only way the new creation can be placed in cultivation.

In the 1950's Romania was producing 8-11 million tons of bread grains on a area of about 7 million hectares out of its approximately 10 million arable hectares, while today it is producing at least twice as much on an area of only about 6 million hectares, which is a real increase by more than 2.5 times in the average yield (from 1.2 to about 3 tons per hectare). Technical crops are raised today (sunflowers, sugar beets and soybeans) on the area of about 1 million hectares released from bread grains, and they yield a total value about 4 times greater per unit of area than that of the bread grains produced in the past.

Of course the influence of scientific research was not confined to development of new varieties and hybrids and improvement of the genetic reserve of livestock but also affected many other sectors, like knowledge, use and improvement of soil resources, better technologies, development of machines and tractors, and use of chemical fertilizers and means of controlling diseases, pests and weeds. Today we know much more about agricultural production and we can even obtain much higher yields than the present ones if we make proper use of all that is needed and is available to us.

What were the other elements of economic growth?

Romania's land resources have very diverse productive potentials and lend themselves to efficient measures to improve the latter. On the whole there have been no essential structural changes in the uses of the land, except for the occupation of a large area (about 500,000 hectares) by constructions and other nonagricultural and nonforestry capacities which, however, have been practically recovered through extensive

embankment and drainage projects, especially on the Danube flood plain and the inland flood plains and meadows. The most important impact upon the present productive quality was made by irrigating about 2.4 million hectares of the best soils, which became the main safety reserve of the entire output of bread grains and technical crops when they were "transferred" from the arid zone where the yield is not certain every year. Embankment and drainage of about 1.5 million more hectares made another major contribution to the stability of the present productive capacities of the lands that could produce high and relatively steady yields. But we must say in all responsibility that about about one-third of the agricultural areas still have a very low productive potential, including both natural pastures and over 2.5 million arable hectares in the hill and foothill zones with podzolized and podzolic soils and extensive eroded and lapsed areas, where little and irregular action has been taken. A reasonable accounting of the effect of the efforts made on behalf of the land resources as a whole would show a relatively modest overall gain in the productive potential of the lands, especially as regards the permanent properties of the soil, which require sustained and concentrated efforts of many kinds.

Technical equipment and especially mechanization of agricultural operations showed the greatest change. In the period under consideration the technical equipment and the tractor and machine park increased in volume by 10-12 times, and the gain is even greater if we add in the changed quality of the equipment. Of course we must realize that the value of this equipment is relatively modest compared with that of the land and far from equaling or exceeding the latter. Some losses in the basic properties of the soil should also be noted, namely the decreasing humus content of irrigated soils, the growing acidity of soils heavily fertilized with nitrogen, and the structural deterioration and compression casused at points by excessive application of mechanized operations.

Expressed in terms of appraisal, the productive capacity of the agricultural lands averages about 40 points as a natural potential. The operations performed have added about 10 points more, so that it now amounts to about 50 points, with a gain of 20 percent.

The studies in technological description and appraisal made throughout Romania indicate real possibilities of raising the productive potential of the land by 23-25 points more, so that we could achieve an average of 72-75 points (out of a possible maximum of 100 points, ideal for the temperate zone in which we live) in Romania and accordingly expand the production base by 50 percent more than the present one.

This increase would require an investment effort of more than 600 billion lei in order to improve the nation's whole agricultural area by means of projects for drainage, irrigation, checking erosion and landslides, and intensive fertilization of sandy, saline and all other soils needing improvements. We can say in all responsibility that this would provide the resources for meeting the alimentary needs of the population increase that future generations will bring, in addition to the real possibility of recovering the investments made.

The effort to increase the productive capacity of the agricultural lands may be regarded as an absolute priority of the present and future periods, since the other increases in the effect of the productive factors depend upon it.

Machine and tractor supply: While the soil (as a production means) cannot be reproduced but only improved, the "mobile inventory" (consisting primarily of mechanical

equipment) can be increased up to the rationally and economically justified level. The spectacular increases (by 10 times in 30 years) Romania has made in the main equipment have released four out of five manual laborers in agriculture to other economic sectors, and they have also raised labor productivity by about 5 or 6 times in the period under consideration. In traction power, tractors have replaced over 2 million draft horses and oxen, permitting the fodder to feed them to be used to feed other productive animals to obtain meat, milk, wool and eggs.

Agrozootechnical constructions have also been greatly increased as the socialist reform of agriculture occasioned the "transfer" of livestock from each farm's modest individual constructions to new and modern stables and barns whose investment costs amount to many billion lei today. As modern production means, both the livestock shelters and the whole series of other constructions like greenhouses, storehouses, silos and installations for processing the products represent huge values created in the last few decades.

Biological resources (livestock and crops) have also been greatly increased, by about 2-6 times compared with the prewar situation as regards livestock species as well as plant varieties and hybrids and livestock breeds. Their quality has essentially improved and provided for much greater yields per unit of area and per animal. If we compare the per capita outputs of agricultural products quantitatively during the period under consideration, we find increases by 3-6 times in most of the products (bread grains, sunflowers, sugar beets, meat, milk and eggs), while the population increased by 1.3 times in the same period, so that the general increases are to be taken at their real quantitative value on the national level.

The sources of chemization, namely the quantities of fertilizers and pesticides used in agriculture, have incresed by 20-30 times -- a figure practically beyond comparison with the base years of the 1950's. Although those resources, as well as the agrozootechnical machinery and constructions, are to be regarded as coming from "outside" the sector, their effect upon growth has been considerable and the present outputs would be inconceivable without them. Better yields can be obtained by using more live labor, by cultivating the less fertile soils in the hill and mountain areas more carefully, and by exploiting the resources of natural fertilizers.

In general and on most lands in Romania, one unit of active content of a chemical fertilizer produces a gain equivalent to 5 or 6 units in the case of bread grains or a gain of 6-8 feed units in the case of fodder crops. In terms of meat, 1 ton of fertilizer can provide for 1 ton of meat. Therefore the contribution of chemization to growth of the volume of agricultural products is very considerable. Unfortunately we do not yet have the approximately 4 million tons of chemical fertilizers needed annually for a consumption of about 250-270 kg per agricultural hectare (including pastures), which would also provide for better use of the hydraulic resources we have.

The other chemization means, herbicides, insecticides and fungicides, also contribute heavily to increased production (15-20 percent of the harvests of the main crops, according the specialists on the subject) and especially to the release of a large part of the labor force needed to care for the crops, while also protecting the crops from dideases and pests.

And finally the labor force, its quality and the way it is used have been radically changed. As agriculture was modernized the number of workers in that sector was

drastically reduced, yet even today there are still about 5 hectares of agricultural land to one agricultural worker, about 1.5 hectares of which are in natural pastures and only 3.5 hectares in more intensive use.

Accordingly an available labor force to completely meet the requirement in any season would seem to be sufficient, but because of the high peaks that occur, especially in certain seasons, it is still necessary to resort frequently to forces outside agriculture.

As an element of growth, the labor force component requires occupational training in keeping with the demands of modern agricultural science and technology. Except in general, present-day agriculture no longer resembles traditional agriculture. The same products are produced by apparently similar processes, but by quite different means. And while traditional agriculture is taught in millions of family "schools," modern agriculture must be learned in trade schools, which are no simpler than those in other economic sectors, but the reverse.

In conclusion we should consider the problem of the extent of growth, posed by the limitation of agriculture's "external" resources and especially its energy resources. Agriculture existed for millenia before the petroleum era and it will also exist after it, but how and by what means? That will not be a concern of agricultural workers alone.

Such vital problems are faced by the new agrarian revolution, which the party and state administrations and Nicolae Ceausescu himself regard and are promoting as an extensive technical, organizational, economic and social process. Agriculture is accordingly advancing as a primary component of economic growth in the effort of all Romanian society to place Romania among the ranks of the developed countries.

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## SPECIAL STEELS PRODUCTION PROGRESS, PROBLEMS VIEWED

Bucharest REVISTA ECONOMICA in Romanian No 48, 27 Nov 81 pp 7-8

[Article by V. Boescu and C. Barnea]

[Text] The chief characteristic of the expansion of our metallurgical industry in recent years involves orientation toward a modern structure, respectively the production of high-grade steels and rolled products, in great demand with the machine building industry. For the purpose of obtaining essential changes in this area, adequate measures were taken in all metallurgical combines, concurrently with the construction in Tirgoviste of a large unit specialized in making products out of special steels. The switch, in the metallurgical industry, from an activity focusing on quantity to another, focusing on quality permitted the arrangement for the production of new brands of steels and greater outputs in terms of high-grade steels. Of course, the advances being made on a world scale and the increasing demands in the utilization of metals with superior features, that allow greater endurance and reliability of products, concurrently with smaller gauge, necessitate further intensified activity of the Romanian metallurgical industry in terms of arrangement for the production of the whole range of products from special steels.

### Quality, Dynamizing Factor of All Activity

A special issue in the activity of large metallurgical units this year involves greater concern with boosting quality metal production by stepping up the arrangement for the production of new brands of steels and rolled products shapes, in accordance with the overall economic needs. Some of the projects involved focus on an arrangement for the production of items out of steels and nonferrous alloys required by the aeronautical industry, heavy water plants, turning out of steels for heavy ball-bearings, production of flat items and sections for OLTCIT cars, of special shapes, of a wide range of welded and unwelded tubular products, sheets, strips and pipes out of stainless steels for the chemical and machine building industries, new kinds of ferroalloys (ferrochrome) and so forth.

The first 9 months of this year saw the achievement in this field of 43 objectives (arrangements completed for the production of new items) out of 54 anticipated for the entire year under the technical plan of the Ministry of the Metallurgical Industry. Outstanding achievements involve: tinsel cord, new kinds of steel for reinforced concrete (PC 60N) intended for the construction of nuclear electric power plants, shapes, cold-rolled sheets and strips out of stainless steel, new kinds of

strips for pipes, thick sheets more than 3000 mm wide, extruded and drawn products out of aluminum alloys, and so on. The input from the arrangement for the production of new items is valued at about 1 billion lei marketable output.

A special input into the production of these new metallurgical items was provided by the Tirgoviste Combine for Special Steels, the Hunedoara, Galati and Resita metallurgical combines, the Slatina Aluminum Processing Enterprise and other units. It may be estimated that the activity conducted in 1981 in terms of an arrangement for the production of new brands of special steels and in terms of increasing output for some much sought-after products was far superior to that of previous years.

The experience of the major supplier of products out of special steels -- COS Tirgoviste -- indicates that when favorable conditions were provided for the smooth unfolding of the activity, the achievements in all areas (respectively items) were superior to the provisions under the plan. This also was due to the better organization of production in the key sectors (steels works, forge sections, rolling mills), the completion of new production facilities, and the homogenization and qualitative-professional growth of the work collective. The advances made also are based on the switch to mass standardization of products: based on the studies made in close cooperation with the user units, workers at COS Tirgoviste succeeded in reducing the number of types and sizes from 6252 to a total of 4932. The standardization of products resulted in the better programming and organization of production, in more efficient utilization of facilities, in increasing the proportion of obtaining metal from the steel ingot to 81%.

Of course, the fact that at the end of the 10 months of 1981 marketable output was obtained in a proportion of 100.5% and the net output 107.2% points out the leap taken by the combine's collective versus the situation in prior years when these indicators were below the level planned. Moreover, in terms of efficiency, for the first time this year, the combine has exceeded the provisions for labor productivity 8.8% (the calculation involves the net output), has reduced materials expenditures for each 1000 lei of marketable output by 6.03 lei, with the total value of savings for 10 months of 1981 standing at more than 33 million lei.

Special achievements versus 1980 were also obtained for physical output. This year saw the achievement and delivery to the economy (main recipient, the Ministry of the Machine Building Industry) 3.28 times more steel for ball-bearings, 11.5 times more steel for assembly components, and so forth. Furthermore, resulting from an arrangement for the production of new items were block bars, semifabricated products for tools, medium and light rolled products, drawn bars (gauged steel), cold-rolled sheet and strip, forged products made on radial installations directly from ingot, and so on. Also, worthy of note is the fact that COS Tirgoviste is the only unit in our metallurgical industry to turn out products out of steel for ball-bearings in state A (directly rolled, without peeling), this year providing the economy with an amount which is 16.5 % greater than that for 1980. As for the quality of the products, evident progress has also been made in this area: the proportion of quality deficiencies declined from 4.89% in 1980 to 3.36% this year. The same period saw an arrangement for the production of eight new kinds of metallurgical products provided for in the technical plan, a fact that has upgraded supplies to the various recipients, from the domestic production.

On-Schedule Implementation of Technical Plan Provisions

Pointing out the achievements obtained in the area of arrangement for the production of special steel items, products which are increasingly sought after for making high-standard machines, installations and other facilities on a competitive basis, we also must stress that the provisions in the technical plans -- both in terms of number and quantity -- were not fully implemented. The delays in the arrangement for the production of new items and the failure to turn out the planned amount for newly produced items affected proper supplies to some recipients.

One of the major causes of this situation involves the failure to complete on schedule several investment projects that underlay the production of items such as: medium shapes on the continuous rolling mill (CS Calarasi), unwelded pipes on the continuous rolling mill (Zalau Pipe Enterprise), strips for pipes on the rolling mill for semifabricated products (CS Galati), electrotechnical cold-rolled sheets and strips for transformers, radial installations for forging directly from ingot (COS Tirgoviste), and so forth. The noncompletion on schedule of these projects is mostly due to the deficiencies of the enterprises for metallurgical construction and also of each individual recipient. The fact that preparations were made on an "individual basis," without on-time handling of a number of strictly required conditions -- contracting in advance for facilities to be imported and of facilities from domestic specialized units, improper organization of construction sites resulted in slow construction pace and non-completion of projects in the succession necessitated by the technical processes. More foreign currency efforts were required to meet the needs for quality metal.

Other shortcomings involve the failure to complete a number of connex installations attached to major units, that can facilitate diversification and upgrading of the quality of output. This applies to the lack of fitting plant (peeling, cutting, broaching) at COS Tirgoviste, CS Galati and other units) -- that permits diversification and upgrading of quality for special steel sections; lack of facilities to test quality, of charging machines (COS Tirgoviste, CS Galati, CS Hunedoara); inadequate provision of maintenance sectors with modern equipment in compliance with the needs for turning out some unique components in great demand, and so on (COS Tirgoviste, CS Resita). Moreover, the lack of some spare parts that were supposed to be produced and delivered by some machine building units (IMG Bucharest, IUG Craiova, Timisoara Mechanical Enterprise, and others) resulted in stoppages in the operation of some metallurgical facilities above the set time level, a fact which entailed decreases in production. In addition, there were drawbacks created in the process of cooperation among metallurgical units. For instance, while the activity of COS Tirgoviste developed smoothly in the first 5 months of 1981, when the contractual obligations were met by the chief suppliers (for example, CS Galati), this did not happen later on, a fact that generated serious disruptions in production, in the production of a number of major items ("trafo" strips, cold-rolled sheets and strips, and other items).

We must also point out the fact that, although there were requests for arrangements for the production domestically of some refractory products (basic bricks), the specialized units delayed long these arrangements and this had an adverse effect on the activity of the steel plants because of extended duration of repairs as the products involved were requested on the basis of imports. Furthermore, inadequate

meeting of needs for electrodes in electric steel mills (OS Tirgoviste uses trucks that daily bring small quantities from Slatina) also results in gaps in the properly efficient operation of the facilities.

Of course, there are other deficiencies, many of them in metallurgical units, tied in with the optimal scheduling of production, the job training of personnel, the sensible use of facilities, and so forth. Greater concern and spirit of responsibility can result in prevention or elimination of these shortcomings. In order for the plan provisions in the area of special seteel production to be implemented it is necessary for each unit individually, as a supplier or user, in the context of cooperation in turning out special items, to organize its production activity and forces so as not to harm the interests of other units and, specifically, the interests of potential recipients.

Priority Lines of Action

The complexity of the existing problems and the need for full implementation of the provisions in the technical plan necessitate finding urgent solutions at the level of enterprises of centrals and ministries involved -- as pointed out in recent party documents -- to eliminate lags and speed up arrangements for the production of all the items that are planned to be made out of special steels. Needed in this respect would be:

a. Establishment of a system of monthly monitoring, of analysis and taking of prompt measures for the major objectives incorporated into the technical plans in regard to an arrangement for the production of items from special steels (sheets from stainless steels, products for the aeronautical, electronics and electrical engineering industries, the nuclear power industry, and so forth);

b. Determination of realistic diagrams on completion of investment projects, specifically of those that involve an arrangement for the production of new items;

c. Formation of teams of experts from centrals, institutes of research and engineering and the ministry involved to provide concrete support in the arrangement for the production of special items, in handling the difficulties that arise in the area of cooperation and collaboration, and so on;

d. Speeding up of the completion of connex projects of major facilities, so that the last-named may be provided the conditions needed to turn out quality diversified items and to most rapidly attain the parameters planned;

e. Upgrading of the documentary-informational system regarding production of new kinds of items out of special steel;

f. Increase in the capacity of the enterprise making electrodes to meet the needs of user units for such products; mobilization of workers in units for refractory products to more rapidly making arrangements for the production of the kinds of items that still are imported, so as to fully meet the requirements of the metallurgical industry;

g. Overall use of advanced experience of units that make highly sophisticated spare parts, more sensible group structuring so that they may be turned out in the maintenance shops of major metallurgical units; supplementing of the equipment provided to maintenance sectors with up-to-date machinery characterized by capacity and size fit for the production of large and heavy parts.

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BETTER SUPPLY, CONSERVATION OF CONSTRUCTION MATERIALS URGED

Bucharest SCINTEIA in Romanian 24 Dec 81 pp 1, 4

[Unsigned article: "Supplying Construction Materials on a Regular, Timely Basis"]

[Text] During these days at the end of the year, people are energetically and constantly working at construction sites to finish projects and speed the start-up of new production projects. The sustained rate of work of the builders and assemblers, especially in recent weeks, has permitted supplying the assembly sites with an important volume of equipment, a fact reflected in the appreciable decrease in existing stocks at numerous sites and the readying of a large number of technological machinery and equipment for operations.

Concomitantly with these efforts, a large portion of the concerns of the authorities involved in the process of achieving investments are centered upon the thorough preparation of the projects contained in next year's plan. The fact that in the second year of the five year plan the investment program's objectives continue to remain great and complex - 800 important production facilities are to be put into operation in industry and agriculture - gives these preparations a special significance.

In light of the directives given by the secretary general of the party at the plenary session of the RCP Central Committee on 25-26 November of this year, at numerous construction sites, including the Giurgiu Chemical Combine, the Cluj-Napoca Heavy Equipment Combine, the Tulcea Metallurgical Combine and others, broad actions were initiated that were designed to ensure the vigorous beginning of builders' and assemblers' activities right from the first days of the new plan year. As a result, at many investment projects problems were generally resolved regarding the supply of technological plans and equipment, as well as the supply of necessary construction materials.

We say this in general terms since in some problem areas, strictly related to ensuring the steady and regular pace of work at numerous projects, there also continues to be at this point in time serious uncertainties. First of all in this regard is ensuring technical-material supplies at the investment project construction site. For example, the Industrial and Agro-zootechnical Construction Trust, the Chemical Equipment Assembly Trust and the Bucharest Trust for Insulators in Industrial Projects, units that have special tasks in 1982, still do not have all their allotments and, as a result, have not been able to contract for a series of materials at the level of the necessary amounts that were firmly established on the basis of construction plans. The situation

in which these construction units find themselves is far from constituting an exception. Practically every trust in the Ministry of Industrial Construction is encountering difficulties of this nature in the effort to ensure appropriate supplies of all construction materials needed by the construction sites. At a series of construction sites, the builders still do not know from where, how and in what manner they will procure important quantities of reinforced concrete, cement, prefabricated parts, metal assemblies, galvanized steel in thicknesses up to .5 mm, bitumen, thermal insulation materials, hydro-insulating materials and many others. The complaints made to date, including to the appropriate central organs, have not yielded the desired results.

The cause of this shortcoming, which can have negative effects upon the rate of work at numerous construction sites, lies in the manner of granting allocations for a series of materials on the part of the ministries responsible for the investments. More precisely, 25 important materials are distributed on a centralized basis through the intermediary of the ministries responsible for the investments. But neither the Ministry of the Machine Building Industry, the Ministry of the Chemical Industry, the Ministry of the Metallurgical Industry nor the Ministry of Agriculture and the Food Industry give allocations for the materials which they direct at the levels of the necessary amounts taken from plans. Moreover, these are plans that were drawn up by institutes that are subordinate to these ministries.

Although the causes of the shortcomings in providing supplies to the construction sites are known, nonetheless, the implementation of measures to strengthen order and discipline in this area is delayed. That is why, beginning with the difficulties that have been pointed out and with the need to reduce material consumption on an accentuated basis, it is as clear as possible that both the ministries responsible for the investments and the central and directing organs have the job of working more firmly to ensure the unified guidance and management of planning. In this regard, stress must be placed on the more energetic pursuit of the implementation of measures that will bring about a reduction in the volume of construction-assembly projects, on the orientation of designers towards the adoption of construction and technological solutions having the lowest possible levels of materials consumption, on the use of certain appropriate norms and standards in this regard and on the provision of a systematic review of the drawn-up construction plans.

Similarly, it is necessary for the broad collectives of specialists in the design institutes and the user enterprises and construction-assembly trusts in the ministries and central organs, under the direct guidance of the county party committees, to conduct in-the-field examinations of the construction solutions that are drawn up and to adopt, where it is possible, other new, more efficient solutions capable of permitting the appreciable reduction of materials consumption. In this regard, there is significance in the measures to replace certain short-supply materials that were initially proposed - stainless steel pipes of over 89 mm in diameter, carbon steel and stainless steel elbows and so forth. These measures were adopted on-site by the specialists of the Institute of Technological Engineering and Design for the Chemical Industry in the capital at the sites for installing low-pressure polyethylene at Timisoara, and specialists of the Dej Enterprise of Artificial Fibers, measures that

permitted the saving of certain significant quantities of metal, as well as reducing the timeframe to carry out the work. Concomitantly, the "dialogue" with the producers of construction materials must be revitalized for the purpose of quickly assimilating and introducing into production certain new materials and elements that are of light strength and economical.

The builders have the job of decisively reconsidering the role and duties that they have in the process of achieving investments. From being simple executors of the projects, they must responsibly assume the role of being active participants in the elaboration of new, more economical and quicker construction solutions and contribute, alongside the designers, to their quick implementation in practice. A recent example confirms the especially practical utility of these efforts: the specialists in the Bucharest Trust for Special Projects drew up and implemented an original solution for making industrial smokestacks at the construction sites for the artificial fiber enterprises at Suceava, Dej and Braila: the interior gas tube is mounted inside large panels made from plastic. The panels were made, on the basis of designs completed by the specialists in the Trust, at the Urziceni Prefabricated Parts Factory. Compared to the solutions used to date, the savings in materials totalled two million lei, while the time to complete the work was cut in half. The truth is that more than once the builders have carefully studied the designs that were received and proposed solutions to improve these designs, but their efforts did not always produced the desired results. And, this is especially so since the implementation of these more efficient measures does not always enjoy acceptance on the part of the designers.

It is especially important for the actions to reduce investment costs and materials consumption - major tasks in the field of investments - to have a permanent nature. In this regard, the basic criterion that must constantly stand before all the authorities in this field is a profound, encompassing analysis - down to the last leu and gram of material - of the level of efficiency in using material and financial funds that are invested. Never for a moment should it be lost from view that the exemplary fulfillment of the investment plan and the rigorous adherence to the start-up schedule of all planned production projects and facilities are influenced to a decisive degree by regularly supplying the investment project construction sites with the necessary materials.

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DEVELOPMENTS PLANNED FOR MACHINE BUILDING INDUSTRY

Bucharest REVISTA ECONOMICA in Romanian 11, 18 Dec 81

[Article by Dr Barbu Gh Petrescu, deputy director general of the Central Institute for Economic Research]

[Part I, No 50, 11 Dec 81 pp 13-14]

[Text] The present stage of Romania's economic development is characterized by strong qualitative changes and an amplification of intensive growth factors, with direct consequences on the sustained growth of labor productivity and on greater efficiency for all activities. In this context and as part of the dynamic development of the entire national economy, priority is being given to branches which promote technologic progress, and thus to the high-technology sub-branches of the machine building industry, with special attention to metal processing machine-tools that use various processes, and to means of automation.

Dynamic Development According to the Needs of the Economy

Given its modest beginnings, the machine building industry has undergone a rapid rate of development in recent decades, such that its share of industrial production, employment, and social product has steadily increased (table 1).

In 1980, machine building represented 40 percent of industry's contribution to the national income; at the same time, electromechanics and electronics represented about one-fifth of the branch total. During the 1965-1980 period, the machine building industry grew about nine-fold, at an average rate of about 15 percent; the 1980 production was about 1.8-times that of 1975. During the years of the building of socialism, foundations were laid for a modern industry for tractors, agricultural machines, large scale and high-tonnage dump trucks, and conventional and four-wheel cars, while steam locomotives were replaced with electric ones in the form of diesel-electric and diesel-hydraulic locomotives of various powers.

In recent years, the machine building industry has adopted and modernized a large number of products, some of which have been the first of their kind. In practice, this activity has included all the production sectors of this branch, independently of whether the products were large (2400 hp diesel-hydraulic locomotives, 55,000 dwt ore handlers, sea drilling platforms, 510 hp electric-powered wheeled bulldozers, 550 hp tracked bulldozers, high capacity excavators), or technical (machine-tools for processing large diameter parts, 5000 mm drilling installations, specialized

Table 1. The machine building industry.

| Share of: | 1950 | 1955 | 1960 | 1965 | 1970 | 1975 | 1980 |
|---|---|---|---|---|---|---|---|
| Social product | 5.2 | 11.7 | 10.0 | 10.6 | 15.3 | 22.0 | 25.5 |
| Industrial production | 13.3 | 18.8 | 24.0 | 21.2 | 25.0 | 30.5 | 34.0 |
| Exportations | 4.2 | 6.1 | 6.7 | 18.6 | 22.8 | 25.3 | 28.2 |
| Work force | 8.2 | 8.2 | 9.1 | 9.5 | 10.7 | 14.5 | 13.4 |

machine-tools, and multi-function processing centers), or complex electromechanical, electronic, and automation equipment (special types of electrical machinery, electronic equipment for numerical control, programmable automatic machines, peripherals for computer control of technologic processes, and peripherals for computers and expanded data networks). The machine building industry has participated with equipment, tools, and rolling stock in the construction of the large hydraulic power systems, and of the thousands of industrial objectives located in all areas of the country. Large combines were built in Iasi, Bistrita-Nasaud, Cluj-Napoca, Timisoara, and Craiova, specializing in complex technologic equipment for the metallurgical, oil, mining, chemical, and construction materials industries. An increasingly large contribution in achieving these goals, and in Romania's exports, was made by the electromechanical and electronic industry. Since 1967, with the approval of the first program to endow the national economy with computer facilities at the level of the most modern technologies available at that time, the machine building industry began the integrated fabrication of electronic components and computers, the development of domestic research in these areas, and the training of personnel.

As a result of this development, the machine building industry currently supplies most of the economy's investment products, as well as consumer products for the population. The extent to which domestic needs are met with products from the machine building industry, is constantly increasing: it is 100 percent for energy equipment and railway transportation, 95 percent for oil equipment, 90 percent for telephone and current carriers, and so on. At the same time, as the needs of different branches of the economy are being increasingly supplied from domestic production, a similar growth has been achieved in the degree of integration (reduced importations for production) and in the volume of exportations.

The achievements obtained in the development of the machine building industry, and in improved production structures are evident. Despite this, and as was shown during the recent plenary session of the Central Committee of the RCP, a number of shortcomings still exist, which prevent the satisfaction of current needs. Among these are the fact that assimilation cycles are sometimes very long, mostly due to poor correlation among assimilation phases, uneven distribution of technical-material supplies, and failure to receive products from collaborators on schedule. At the same time, the execution of key phases in the assimilation process (particularly in construction planning and product coordination) does not always make it possible to achieve established performances during operations.

Priority of High Technology Sub-Branches

The constant modernization of the national economy and a higher economic efficiency mean that the industry must be endowed with highly automated and complex equipment and tooling of the best quality and yield, machines which will enable the use of the most modern fabrication technologies in industrial production. Together with higher performances, the manufactured products must be built with much lower consumptions of materials and energy.

Consistent with the firm orientation toward assuring that intensive factors play a preponderant role in the economy, the machine building industry aims to acquire a modern structure, and to assign priority to the development of high technology branches which will strongly increase economic efficiency. As was shown by the 12th Congress of the RCP, machine building will continue to be the branch with the most dynamic development, growing at a rate of nearly 12 percent per year. The electromechanical and electronic industry will undergo a growth of about 13 percent per year, and machine-tool production will grow 2.2-fold during the five-year plan. The production of the fine machining industry will increase nearly 3-fold, supplying practically all the necessary hydraulic and pneumatic equipment, as well as components for automating the entire production. Machine building is currently entering into new domains (aeronautics, rapid diesel engines, and specialized equipment for mining, oil, and natural gas exploitation), as well as such advanced technology sub-branches as microelectronics, computer technology, and process automation by means of advanced systems such as distributed systems for automatic process control, electronic automated telephone switchboards, computerized automated testers, and so on.

The development of industry, and modifications in its structure to accomodate the restrictions created by difficulties in obtaining raw materials and energy, will also occur in machine building in terms of a radical restructuring of production which will provide equipment to promote the technologies of the future. And these technologies, which exploit raw materials obtained under difficult conditions and with a low content of useful substances, require an extensive utilization of high technology equipment. This will be illustrated with several extremely conclusive examples. For instance, 5 000 tons of equipment are needed to produce 1000 tons of steam per hour when oil or natural gas is used as fuel, 13,000 tons when the fuel is lignite, and 250,000 tons with bituminous shale. The equipment requirements for obtaining a given amount of useful power are thus considerably greater as the energy content of the fuel decreases.

In large hydroelectric plants, built during the 1970's, an average of 1.5 tons of metal were used per installed MW, whereas the micro-hydroelectric plants planned for 1982-1990 will require 10 tons/MW; and in well drilling, the required installations and equipment increases several-fold as drilling depth increases or when drilling is performed at sea. It is notable that this quantitative increase in equipment needs is also accompanied by greater complexity through the addition of devices for automating, monitoring, and controlling technologic processes. Similarly, in the exploitation of ore and energy deposits, the effort that must be made to obtain one unit of material or energy requires the introduction of increasingly greater technical means in the case of deposits that are poorer or less accessible (great depths, offshore drilling, or regions with unfavorable climates). Even the

transition from fossil fuel plants to nuclear plants involves significant changes and much greater complexity for the producers of power equipment and for those who assure operation safety. During 1982-1985 it will consequently be necessary to develop equipment for producing these installations and other technical means, so that the response to the crisis of materials and energy resources will be a higher industrial effort.

The continued development of industry will remain an objective and necessary condition for the progress of society. But the changes that have taken place in recent years impose that this development be carried out more selectively, more efficiently, and with more technologic creativity than at present. As part of this evolution, the machine building industry--which broadly integrates research and technical development activities to achieve very high cumulated added values, and whose manufacturing profile and product destination brings technologic progress in all economic and social activity branches--will obtain higher rates of growth to surpass the other industrial branches.

However, the machine building industry will be able to play its role of "bearer of technologic progress and endower of the economy" only through an outstading effort to renew products and manufacturing methods, and through a much greater contribution to scientific research and technical engineering. In this respect, the adoption of new products represents one of the fundamental processes which are a determinant condition for promoting technical-scientific progress in material production, greatly increasing labor productivity and the general efficiency of all activities, as well as improving quality and the competitivity of products of the Romanian industry. "Under the current conditions," Nicolae Ceausescu has said, "when products and technologies throughout the world are changing at an extremely rapid rate, we must act energetically and constantly--while we improve quality--to renew and modernize our products, redesign machines and tooling, and perfect manufacturing technologies. It is our duty to make all necessary efforts so that the improvements and performances of Romanian products will keep pace with the demands of international technical progress."

The position of new product adoption as part of these processes can be even better understood if it is examined in the context of other means, directions, and factors which promote technologic progress and increase labor productivity. It is for instance quite interesting to note that the adoption of new products makes it possible--at times within rather large limits--to promote technical and scientific progress even when the technologic endowment remains relatively constant or grows more slowly. During the 1950-1975 period, when great progress was being made in the adoption of new products, labor productivity in the Romanian industry increased 6.7-fold, while the technical support for labor grew only 3.5-fold.

The importance of new product adoption is magnified both because the rate of product renewal throughout the world is extremely rapid--according to some estimates, 50 percent of the existing products have a lifetime of no more than three years--and because the level of modernization of manufactured products, and their ability to satisfy given needs in a more complex and qualitatively superior way than existing products, ultimately represent the substance and weight which unilaterally characterize the degree of utilization of the technical-material and human basis of production. The level of technical endowment and its quality must necessarily find themselves reflected in the degree of production renewal and modernization. Otherwise, economic efficiency does not increase as it should, given the

possibilities opened by the advances of the modern technical and scientific revolution. That is exactly why the adoption of new products must not be in the least considered as a process independent of the other means for promoting technical and scientific progress, but as a process closely associated with the growing degree of technical endowment of labor, personnel training, and so on, and as a most important link in the rapid, efficient, large scale application of the advances of science and technology to production, and through it, as a way to accelerate the increase in labor productivity.

In order to improve the introduction of technical progress, which will result in shorter durations for product adoptions (research, design, prototypes, assimilation of technologic preparations, first assimilated models, introduction in fabrication) while diversifying the requirements of all sectors of the national economy and of exportation, it appears necessary to apply some measures of an organizational as well as technical nature. In the adoption of products with an individual character, specialized institutes coordinated by central institutes should be assigned the task of studying unique series of products on the basis of standardization, that is, to define their construction characteristics and their operation within the series, and to verify them against representative prototypes. The adoption of products included in this category should be the task of industrial enterprises which have the appropriate manufacturing technologies and technical endowment. This requires a better organization of departments or leading construction groups in the industrial enterprises. At the same time, the adoptions must be based on well founded marketing and technical forecast studies, so as to orient the adoption process over longer time periods. And finally, the methodological criteria of the research and adoption process should be improved, basing them on economic considerations (minimum fabrication and operation costs, low material and energy consumptions, wider domains of utilization, and higher productivity in manufacturing and operation).

[Part II, No 51, 18 Dec 81 pp 9-10, 14]

[Text] As the qualitative aspects of economic growth are becoming more important, the machine building industry will have to play an increasingly important role in promoting more decisively the production of sub-branches with advanced technologies and with extensive automation and computerization, which will better satisfy the needs of the national economy and exportation. In this context, great emphasis will be placed during the period to follow, on the construction and adoption into production of new machines and tooling, automated installations, and so on, which will improve the quality and raise the technologic level of production.

Of the more than 9000 new and modernized products which we will adopt during the current five-year plan, over 90 percent must be built on the basis of domestic designs, and must meet the current needs of production under optimum conditions.

Machine-Tool Production--High Technology

One of the priority orientations in this branch is the sustained development of the machine-tool industry (table 2). The priority objectives of the branch are to satisfy a greater proportion of the economy's machine-tool needs, reduce importation, and expand both the volume and variety of exportations. During the 1960-1980 period, the production of machine-tools for metal processing has grown about 54-fold in value and nearly 7-fold in volume, indicating that along with meeting the demand for machine-tools, particular attention has also been devoted to

Table 2. Evolution of machine-tool production (1960=100).

| Type of product | Unit | 1965 | 1978 | 1980 |
|---|---|---|---|---|
| Metal processing machine-tools | each | 161 | 612 | 662 |
| | tons | 173 | 11.43 | 11.45 |
| of which: | | | | |
| Lathes | each | 114 | 370 | 393 |
| Horizontal borers and mills | each | 100 | 19.04 | 26.39 |
| Milling machines | each | 275 | 12.89 | 13.07 |
| Grinders | each | 253 | 17.13 | 20.45 |
| Machines and tools for metal processing by hot or cold plastic deformation | each | 232 | 10.03 | 12.17 |
| | tons | 126 | 7.50 | 11.152 |
| of which: | | | | |
| Hydraulic parts | each | 100 | 7.37 | 24.68 |

the technical specifications, complexity, as well as to the functional and economic parameters of the equipment, with consequences on labor productivity, especially among users. The variety of machine-tools has been and is being constantly diversified, so that during 1980 nearly 60 percent of the national economy's demand was met from domestic manufacture; during that year we produced 557 types and models of machine-tools, of which 437 were cutting machines and 120 stamping and forging equipment. At the same time it should be pointed out that whereas in 1960 Romania exported 15.8 percent of its entire cutting machine-tool and imported 32.8 percent of its needs, in 1978 it exported 22 percent and imported only 12 percent.

The diversification and growing complexity of machine-tool production in recent years, has led and is leading to improved metal valorification, together with a higher specific value for the equipment. Whereas in 1965 the specific value of cutting machine-tools was 27.4 lei/kg, and that of pressing and forging machines 15.5 lei/kg, in 1980 these values reached 80.9 and 46.2 lei/kg respectively, and are expected to be 115.6 lei/kg and 68.4 lei/kg during 1985.

The dynamics and provisions of the program in the area of machine-tool production (table 3) will mean that in 1985 Romania's production will be fifth or sixth in the world instead of 13th as was the case in 1975.

During the 1981-1985 period, particular attention will be devoted to development and diversification in the production of combined, specialized machine-tools, and to an increase in the share of machines for processing by means of plastic deformation (up to 25-28 percent of the total production value). The structure of machine-tool fabrication must be improved by perfecting the heavy machine-tools that are currently being manufactured, and by increasing the proportion of small, high-value machine-tools, so as to reach an average of 12-15,000 dollars/ton. In 1982, we must assure a growth in the share of multi-functional grinders, lapping machines, honers, superfinishers, and sharpeners, within the total fabrication of cutting machine-tools; these must be available in high productivity models, at high specific prices, and low specific weights. At the same time, the organization of cutting

machine-tool production will be reconsidered so as to assure greater flexibility in the fabrication of custom products such as special machines, special features, universal machines, prototypes, and so on. These machines, which are not found in our production, are in demand by industry, command high specific prices, and have a low specific weight.

Expanded cooperation with foreign companies, the continued improvement in the structure of machine-tools (with emphasis on plastic deformation and unconventional processing), as well as developments in self-tooling actions, will improve this situation. Other actions undertaken to increase production capabilities and assure the necessary qualitative level in this extremely important sector involve:

Improvements in the specialization profiles of existing enterprises, together with the creation of new production capabilities;

Much more dynamic development of the horizontal industry for the production of machine-tools, particularly for specialized foundries, including their respective model-making facilities; concentrated development of accessories for machine-tools in specialized shops; increased production of hydraulic and pneumatic equipment; more advanced integration of specific electronic and electromechanical components, particularly of numerical control and of direct current motors with permanent magnets.

In this respect, particular attention will continue to be devoted to reducing the specific weight of cutting machines, as a result of which the investments made in Romania have been oriented to a large extent toward the adoption of large machine-tools. That is why means must be found to automate these machines in order to provide the standard equipment which increases sales prices.

The directions and orientations of the export structure are aimed at providing machine-tools with required performance levels, together with improving specific export prices. This can be achieved by supplying high performance electronic equipment and improving the specific structure of exportations, in the sense of increasing the amount of manpower incorporated in products; reducing the proportion of material costs, and increasing the share of plastic deformation machines within the total exports, so as to reach 30-40 percent of the total export value and 50-60 percent of the total value of plastic deformation machines; improving the variety and quality of electrical and electromechanical components so as to diversify the equipment and increase its reliability; and radically improving the quality of product execution.

Increased Production of Means of Automation

Higher labor productivity is one of the basic objectives of the national economy development. One of the major leverages in this respect is an expanded mechanization and automation in production, the modernization of manufacturing technologies, and the introduction of new technologies based on equipment and tooling with better operating specifications.

The present development in the production of highly automated technical equipment, and the construction of machinery, systems, or complex processing lines with automated processing steps, gradually reduces the sphere of utilization of manually operated universal machine-tools. It is notable that while ten years ago machine

Table 3. Machine-tool production in 1965-1985 (percent).

| Specific values | 1965 | 1978 | 1980 | 1985 |
|---|---|---|---|---|
| Cutting machines, thousand lei/each | 100 | 4.18 | 5.79 | 12.51 |
| Pressing and forging, thousand lei/each | 100 | 5.63 | 7.30 | 13.91 |
| Cutting machines, lei/kg | 100 | 2.47 | 2.95 | 4.21 |
| Pressing and forging, lei/kg | 100 | 4.04 | 2.98 | 4.41 |

tools with automated operation were selected for use in mass production or for large batches, at the present time, thanks to automatic control equipment, computerized numerical control (CNC), the possibility for rapid programming, and rapid program installation, machine-tools and systems with automated operation are also indicated for small batch or custom production. For the latter case, these machines are selected particularly for parts with complex shapes and large dimensions. Today, CNC automated systems in processing machines operate along as many as 10 distinct axes, and have programming capabilities, making it possible to successfully undertake the processing of very complex profiles. Processing centers and processing systems (lathes, milling machines, borers) are built with tool magazines (up to 64 different tools) and are operated through numerical control as well as through automatic devices programmable by means of static switching, programs which at one time were achieved with electromagnetic relays and control switches.

The development of electronics and the rapid introduction of microelectronics have naturally led to product miniaturization, and to higher densities of electronic components on printed circuit boards, which are currently built with two or more layers.

In machine-tool production, these result partly in more electronic equipment on machines, and partly in a drastic reduction in the dimensions of the control equipment.

Notable in the first place are the direct consequences on the actual construction and higher performances of machine-tools, where the development and utilization of rectifiers and variable transformers in control equipment has made it possible to power the machines (main power and auxilliary motions) with direct current motors whose speed is electrically controlled by the accessory equipment, with the immediate result that mechanical gear boxes are eliminated and that a wide range of speeds can be accurately maintained.

The construction of programmable automatic devices, entirely electronic products using microprocessors and semiconductor memories, and their utilization in machine-tools, has meant the elimination of conventional electric panels in which control was achieved by means of a large number of devices (switches and electromagnetic relays) with as many possibilities of failures during operation. Their construction in increasingly larger numbers and with particularly high-precision specifications, is helped in a large measure by the use of automated systems and machine-tools. In the fabrication of printed circuit boards for instance, the drilling of holes for electronic components (and there normally are up to 3000 holes of 1.1 mm-diameter per standard board) is not conceivable without

numerically controlled drilling machines (position control). Labor productivity in processing with such machines is 2.2 times higher, and from a qualitative standpoint, because of the automated means for measuring and verifying operations (part control, and automatic control and correction for tool wear), rejects are practically eliminated.

In the domain of complex automation equipment for machine-tools and their processing centers, our country's automation industry has built equipment which automaticaly controls the main and auxilliary power of machines equipped with direct current motors, using rectifiers and revolution counters, which in turn are controlled with numerical program devices (Numeron) and with programmable automatic devices to replace conventional equipment. In the area of CNC numerical control systems, the Institute for Scientific Research and Technical Engineering for Automation, and the Bucharest Enterprise for Automation Components, are involved in building a complete family of devices, including CNC equipment for controlling up to 10 axes, so as to achieve the most complex automatic processing steps.

The use of robots in the processing industry is being expanded in Romania at an increasingly more rapid rate, to take over increasingly complex functions: lifting and placement, execution of difficult operations (welding, riveting), as well as more complex cycles of operations when the robots are specially designed for various applications. For instance, complex casting lines are now being built in foundries, operated exclusively by robots, who perform even the casting operations. The use of industrial robots makes it possible to develop processes which cannot be performed by man, such as those in the nuclear reactors which will be used in nuclear power plants.

Of particular importance in the assembly shops of the machine building industry, is the higher level of mechanization of assembly and installation processes, resulting from the greater production of electrical and pneumatic assembly tools and devices, as well as from the fabrication of automated and semi-automated assembly lines. In this respect, the Institute for Scientific Research and Technical Engineering for Machine Building, together with the automation industry, is building assembly lines for mass production, in which the mechanization of operations and parts transportation increases labor productivity by more than five times, concurrent with better quality. Because of the evolution in the domestic fabrication of assembly tools and devices, as well as on the basis of the experience accumulated in the organization and achievement of moving line mass assembly, no mass assembly shop can be conceived without a level of endowment which will lead to the execution of difficult operations with the aid of equipment, and which in time, assures a high level of reproducibility.

The electromechanical and automation industry has begun to extend the mechanization and automation of assembly and control operations. Thus, in the production of low voltage electrical equipment, electromagnetic relays, and power switches, the mechanization of assembly and the automation of some operations, particularly in control, has successfully led to remarkable results in higher labor productivity and improved product quality. The electric power meters at IAEM (Enterprise for Electronic Measurement Instruments) in Timisoara, are currently being read by means of photoelectric cells, and are using automatic computer processing and direct display of the results.

In the automation and electronics industry, the automatic part-by-part control and testing of electronic components, sub-assemblies, and functional assemblies, reduces the volume of necessary labor by about one-tenth, and by means of programs loaded into automatic systems, verifies component and sub-assembly parameters, and displays defects and their location. Similarly, the mechanization of cabling operations and of component implementation, reduces by about one-third the volume of labor expended with conventional approaches.

The machine building industry produces a number of machines, tools, and installations for expanding mechanization and automation of production processes in other branches.

Based on special priority programs, the extraction industry has introduced new types of specially-built equipment for underground coal mining, for heavy machinery used in above ground extraction, and for oil and gas extraction. Complete installations are built for high capacity excavators, whose productivity cannot be compared to conventional ones. In addition, automatic remote operation and control equipment is being built to exploit oil and gas wells. The needs of steel combines at Hunedoara, Galati, Calarasi, and so on, have been met by producing in Romania direct current equipment with static high-power switching. In the power production industry, boilers and steam generators, as well as turbogenerators are being automated. In the chemical, petrochemical, and construction materials industries, the use of computers is being expanded in process control, which is now being performed automatically by means of automation equipment and devices built by the national automation industry.

In the expansion of automation and the accelerated increase in labor productivity, industrial robots must be used on a wider scale in the future. This must be achieved through a wider application of microprocessors in automatic process control equipment (machine-tool processing, in-plant transportation, thermal treatments, forging, stamping). At the same time, standardization in the use of electronic microprocessors and their ancillary components must be expanded, as well as materials must be devised which will withstand operating temperatures of 300-500 degrees (for transducers, direct regulators, control devices in chemistry).

The development forecast for the machine building industry, as well as the measures established to increase the production of automation devices, measurement and control instruments, professional electronic components, machine-tools, including those with programmed controls, fine machining, and so on, will contribute to structural improvements and higher efficiency in this branch, to greater possibilities for endowing the economy with modern means of production, and to higher labor productivity.

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## 'CREATIVE CRITICS' OF ECONOMIC SYSTEM REFUTED

Belgrade NEDELJNE INFORMATIVNE NOVINE in Serbo-Croatian No 1616, 20 Dec 81 pp 30-31

[Article by Zarko Papic: "What Economists Don't Talk About"]

[Text] It seems in our current economic debates that there is full agreement that economic laws and the functioning of the market of socialist self-managed commodity production has been displaced and that this is one of the essential causes of our augmented economic difficulties. This conclusion, which is unquestionably correct, is accompanied, however, by altogether different interpretations of the causes and of the directions to be taken to solve these problems.

Disputes concerning these matters usually remain within the limits of discussion as to principle in our economic theory, which in one way or another have been going on for decades now. The current political debates are disputing the relationship between the market and socioeconomic relations over the issue of whether the market and commodity production are more or less universal mechanisms and should therefore even in our case operate in more or less conventional form--or are they defined by the socialist relations of self-management and therefore operate in the new forms.

One of the cases of mystification concerns the division into "apologetic defenders" of the economic system and its "creative critics." Nor are there any practical or theoretical reasons whatsoever for the foundations of our self-managing economic system as given in the constitution and the Law on Associated Labor to be called into question, nor is anyone thinking seriously that any specific instrument of the system or any article of any law embodying the system has been set down once and for all. However, it is more interesting that the most serious and, I think, justified demand for a radical change of the system in the banking and monetary field is not receiving support from the front of the system's critics. On the contrary, our "creative critics" are either maintaining silence about this demand or implicitly look upon it as a case of adventurism.

We can assume that this defense of the existing system against criticism is based on disagreement with the direction of the proposed changes. This praiseworthy approach, however, would also have to be allowed in other "sectors" of the economic system, and criticism of criticism of the system should be regarded in certain of its segments as disagreement with the character and direction of the proposed changes.

There is no dispute, then, between "apology" for and "criticism" of the economic system, but a dispute over whether the necessary changes in our practice, and the related development of the economic system, will follow the orientation and spirit of the constitution, of that is, the society of true socialist self-management, or will expose it to an erosion of "steps backward."

One of the next mystifications concerns the division into "those for" and "those against" the market. It is not such a simple problem, nor is there theoretical evidence to support such a division.

We will start out in that direction on the premise that commodity production and the market are socially neutral, that is, altogether independent of the character of social relations, and that the essence of the matter lies in our increasing the space for operation of the market and commodity production conceived after that fashion. From the standpoint of Marxist analysis, of course, this kind of approach is a serious theoretical error. We are committing it in order to be able to communicate with the internal logic of such an interpretation of economic laws in our context and so as to be able to "perform" a criticism of it within the framework of its own premises; stated more precisely, so that we might analyze the theoretical and practical consequences of those premises.

We assume, then, that commodity production operates in the context of socialist self-management in its well-known universal forms and that the market performs its conventional functions of selection, distribution and allocation in all domains with "full sails." Of course, government planning "mans the helm" during this market "cruise" and is the guarantee of the socialist character of the entire situation. Yet let us examine without direct comment how this bare theoretical sketch develops in practice, taking as an example a recent collective and scholarly reflection on the desired change in our planning system.

The reason why economic laws in the market have been displaced in our context can be seen in the self-management accords and social compacts which have led to the replacement of the operation of commodity production by an all-embracing process of conscious regulation of the flows of reproduction. The planning system, which is based on the mechanisms of conclusion of accords and agreements by equal planning entities, because of its one-way character, because plans are built up from bottom upward, from the OOUR [basic organization of associated labor] all the way to the "highest forms of association of labor in sociopolitical communities," reflects the voluntaristic approach to the problems of the economic system and economic life.

The basis for solving the problem is to be found in precise definition of market relations on the one hand and the plan on the other. A determination must be made, then, as to how far the market operates and at what point the plan takes over so that effective functioning of the economy would be assured by their happy combination.

For this to be possible, relations and powers have to be clearly delineated between the microlevel of economic life (organizations of associated labor) and the macrolevel (sociopolitical communities). In that respect the orientation is to leave the microlevel to the fairly free operation of the market (thereby reducing

the domain and role of concluding accords and compacts) and to concentrate the planning functions at the macrolevel. In that conception there is no need for full-fledged planning at the level of OOUR's, and their planning function should be reduced to annual business planning. Of course, larger work organizations and complex organizations of associated labor should also be planning to cover medium-term periods.

Thanks to the prior reduction of planning by OOUR's, the macroplanning of sociopolitical communities is now freed of the "cramped situation" which resulted from the fact that it had to rely on the prior plans of associated labor, and broader horizons are opened up for free and unhindered government planning at all levels, and social planning becomes an "essential part" of the planning system. Of course, for relations between the planning of the various levels of sociopolitical communities to be correlated, there must first be a quite substantial strengthening of the functions of the federal plan, which "must contain both sources of resources and a method of obtaining them" for achievement of priority goals.

Now that the proposed planning system has been sketched out in the way described, the question is what effect it has on the market and its conventional functions, which, as is well known, are also apt to operate haphazardly. First of all, there is a need to establish economic means, criteria and instruments which must be used, that is, which "must be treated as economic objectivities" in the exercise of planning powers. This, as we see, resolves the problem of economic laws under socialism in a rather simple way, though without enough originality; what is set forth in the state plan is economically objective and is treated as being objective.

The further development of the interpretation we have been referring to shows that we are not dealing with an imprecise statement. That is, the system of guiding the objective market laws at the microlevel with a plan adopted at the macrolevel is supposed to include planning of the level of accumulation by fixing the planned use charge on social resources on the one hand and by planning personal incomes through criteria that would determine the personal incomes of a particular quantity, quality and kind on the other.

And finally, the connection between the micro- and macroplanning would be established through development policy and economic policy. The point of reconciling the plans of OOUR's and sociopolitical communities lies in using the measures of development policy and economic policy to guide economic entities toward the kind of behavior which is in conformity with the bases of the social plan and the established goals and tasks of development; that is, "reconciliation" means guidance furnished through the social plan.

Now our commodity producer, freed of painful conclusion of accords and self-management planning, which were the principal fetters imposed by administrative regulation, though he was not aware of it, enters upon a new scene which is referred to as affirmation of economic laws in the market. Our "antiadministrative regulation" doctrine will not be shaken by the fact that behind that term we find aspects of earmarked distribution (accumulation and personal incomes) which have been determined in advance by social plans, that it has been already decided what

is to be "treated" as economically objective, that the government is doing the planning and then economic and development policy are "reconciling" the behavior of commodity producers with those plans, and so on. Should there be discrepancies between the doctrine and its only possible practical consequences, so much the worse for the truth.

Remaining consistent with the error in theory and methodology concerning the social neutrality of the market, for the reasons we have given, we will altogether neglect the consequences of this kind of interpretation on the development of the socioeconomic relations of self-management and on the position of the working people.

Proceeding on that basis, we fear that the interpretation we have sketched of "affirmation" of commodity production under socialism has as its objective consequence a narrowing--and in certain elements even negation--of the space for operation of the market and commodity production. That is, the basic premise of the need to affirm the market, as we see, ends up in a very elaborate system in which planning and monitoring are roles performed by sociopolitical communities. Entities engaged in commodity production, the OUR's [organizations of associated labor], in the plane of the first premise, would supposedly behave in market fashion so that they would not even need any planning, except annual business planning. However, this remains only a mere theoretical supposition, since in the other plane of the analysis, it is "choked" by the very pronounced planning and by the economic and development policy of sociopolitical communities. This is a theoretical paradox only at first glance. That is, the functioning of the market in its conventional form inevitably "produces" an ever stronger conventional role of the government in regulating it. Arguments for this view lie everywhere about us, in the economies of advanced capitalism, for example. This is an objective and historical process. The growing scale of production and the development of the productive forces make the conventional market an unsuitable mechanism for regulating economic flows and makes their conscious regulation a necessity. In both social practice and theory the point of departure based on the conventional market inevitably ends up with the governmental and statist form of conscious intervention.

It is not a question, then, of being "for" or "against" the market in its conventional forms, but a question of choosing between the statist or self-management form of conscious intervention in the process of social reproduction. As we have seen, to call into question the all-embracing nature of the self-management system of conscious intervention in the name of "affirming" the market ends up in the ideas of all-embracing government planning.

The paradox we have referred to cannot be resolved unless we abandon this error in theory and methodology which we took as our point of departure, unless we return to the Marxist view of the problems of economic laws. We must take as our premise, then, that the specific historical forms of operation of economic laws and of the market are determined by social relations and that social relations determine the market, rather than the other way about. This, of course, brings us back to the fundamental dispute in our economic science, but we hope that now we have a somewhat clearer view of the heart of the issue.

Proceeding from what we have stated above, we arrive at our first conclusion: The social relations of socialist self-management alter the forms and historical character of the operation of commodity production. The question is How? Put simply, in that the producers themselves now consciously guide and monitor their previous conventional market relations and on that basis enter into association and relations at various levels of community. Does this signify negation of objective economic laws? No, it doesn't: It is a question of their conscious guidance at all points of social reproduction. Market laws are operative, but they are not guided by the state, but rather by the conscious activity of all the entities in self-management, which, of course, signifies a change in the form of operation of market laws.

If on the other hand conscious intervention were to remain within the framework of the government, and by the logic of development of the productive forces and the concentration of production, conscious intervention must develop, that would signify negation of economic laws under socialism in the true sense. There have been, as we know, experiences in this respect.

Now we can also draw another conclusion. The only objectively possible prospect for affirmation of economic laws lies in changing their form, in development of socialist and self-managing commodity production. Just as there is no self-management without independence of the work collective on the basis of commodity production, so in our context there is no commodity production, nor can there be, without self-management, without a change of its forms in conformity with socialist self-management. Income, as the incentive for production, entry into association and establishment of relations as the self-management form of integration and concentration of production, the conclusion of accords and compacts as mechanisms for conscious guidance of market relations, the system of self-management planning, whose basis is the planning of associated labor, and so on, are all integral parts of this.

The causes of our current economic problems, and of the displacement of economic laws above all, lie, if we follow the logic of our analysis, in the overemphasized statist role of sociopolitical communities in the economy, in the regionalization and regional confinement of both economic development and establishment of association, in the separateness of capital formation from associated labor, in the fact that current economic policy of the state is the dominant form of conscious guidance of the economy, whereby the variability of conditions for conduct of economic activity is such that the only planning possible in a real sense is short-term planning, and so on. So, the causes of the problem of the displacement of economic laws lie precisely in the fact that the interpretation which we have subjected to criticism is seen as the solution to the problem. At this point the present situation, which departs considerably from the logic of our self-management economic system, and with which we are all rightly dissatisfied, is in many respects being proposed as the "way out" of the present situation. At least as far as economic laws are concerned, we are afraid that this would lead to their further displacement, along with significant elements of governmentalization of our economic and social life.

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NEED FOR MARKET LAWS TO IMPACT ON ECONOMY URGED

Zagreb START in Serbo-Croatian No 333, 24 Oct 81 pp 7-9

[Article by Milan Gavrovic: "How to Manage the Crisis"]

> [Text] On the basis of objective market laws and acting in the interests of as well as by virtue of independent decisions made by associated producers it is possible to initiate programs geared toward efficient economic management, conservation, and the exploitation of all the resources which are at the disposal of this society, just as it is possible as part of the resources allocation process to give priority to productive, creative labor. This is the true essence of the omnibus economic stabilization program, the formulation of which is a mandate that the Central Committee has levied upon each and every organization of associated labor and upon Yugoslavia as a whole.

In reply to a question which asked what factor is to blame for constantly provoking our economic difficulties Doctor Vladimir Bakaric gave the following answer: "It is Yugoslavia's isolation that is to blame." The full force of this statement, which was made at the beginning of the summer in talks with representatives of the Republic Conference of the Socialist Alliance of Croatia, did not become apparent until this fall. In the meantime, this warning from the Presidency of the SFRY has delivered a jolt to, but has not altered the course of, economic events. People go on working and spending in the same way, but with a lot more anxiety, which in itself is a sign that the conviction has after all begun to hold sway in the structures of our society that changes are near at hand and that this time these changes cannot be put off. In his keynote address at the first fall session of the LCY Central Committee Dobroslav Culafic (secretary of the Central Committee Presidium) gave the following assessment: "One of the reasons why the expected results are not being achieved in the implementation of the economic stabilization program lies in the fact that a majority of the leaders, organizations, and members of the League of Communists have to this day still not grasped or accepted the fact that our country is in the midst of serious economic difficulties."

There is one fact alone that suffices to make this situation perfectly clear. "During 1981" Culafic also went on to say, "due to heavy obligations chargeable to the payment of principal and interest on foreign loans we will have

approximately 3 percent fewer resources left over from the net national product for domestic spending. Next year the percentage of the national product that we have earmarked for this purpose will almost double. So, we have gotten ourselves into a situation where we have to substitute the imperative of bringing spending into balance with the national product with the imperative and practice of spending less of what we earn. Any failure to recognize this fact could put us in an even more difficult economic situation and lead to economic and even social conflicts.

The calculation which holds that in 1982 there will be 6 percent less resources left over from the net social product--that is, the aggregate value of goods and services produced during that year--is drawn from the first draft of the Resolution. Displaying full professional integrity, the planners-authors of this first "working" draft openly warned that they had indeed succeeded in solving this equation on paper, but that they doubted that it would work out in real life in a satisfactory manner.

One of the essential premises of any plan is that it must balance needs and capabilities. Being mindful of our limited capabilities, the planners this time also scaled down our needs. Next year we are supposed to achieve a 3-percent increase in aggregate output, and this includes a 4-percent increase in industrial output. This is roughly equivalent to the level of output that will be achieved this year, and as such it represents a minimum feasible threshold of economic performance that has to be reached in order to make it possible to meet needs relative to public spending, the increase in the level of employment, and the preservation of current living standards. By all accounts it would seem that the latter goal, the preservation of living standards, is being written into these documents without any real conviction that it will be achieved, even if output does increase at the planned rate. There are at least two reasons for this. Namely, an insufficient quantity of goods and the practice of hitting personal incomes first as a source of funds to pay the economic stabilization bill.

However, the planned increase in output means that exports of goods and services will have to increase in real terms by 7 percent (exports which will be paid for in convertible currency, naturally), and this has to be accompanied by an equivalent increase in the volume of imported fabricating materials and a further substantial reduction in equipment imports. So, all revenues derived from increased export sales and the reduction in equipment imports will be spent to pay off the foreign loans which come due in 1982.

It is this part of the equation in which the planners themselves do not have any faith. As far as they are concerned, a 7-percent increase in export sales is not a realistic rate, rather it is the "required" rate. The realistic expectation is, they say (Spasoje Medenica, the general director of the Federal Institute for Social Planning, speaking at a session of the Federal Economic Council), is that, with the greatest efforts, export sales will increase from 3 to 4 percent. Everyone can draw their own conclusions as to what this means. Namely, inasmuch as the repayment of debts is an unavoidable necessity and can no longer be offset by taking out new loans to pay off the old ones and inasmuch as the scaling down of equipment imports also has its limits (limits which of course have not yet been defined with sufficient clarity), the slower growth of export sales can only mean that there will be fewer imports of fabricating materials. Consequently, the

growth of output is also bound to be slower. Smaller output is tantamount to a smaller social product, and so it may happen that the reduction in resources available for domestic spending may be greater than the aforementioned 6 percent.

In the heated debates that have been going on in the Yugoslav Skupstina--the delegates to the Skupstina obviously cannot be reproached for not being mindful of this aspect of their responsibilities--the following statement was also entered into the record: "If the crisis has already crossed our doorstep, and such is the case, then the wisest course to follow would be for economic policy to manage the crisis and not vice versa" (Dusan Cehovin, a delegate from Slovenia). Crisis management in this context stands for anticipating difficulties, preparing for them, and alleviating, insofar as possible, their adverse impact on the economy and society. However, the most important aspect of "crisis management" is the launching of programs designed to overcome the crisis. Onward through the brambles to the stars, said the ancient Latins, but in order to embark on this course one has to be wearing strong climbing boots and have a compass and map in hand.

A red warning sign erected along this road, which as a result of heavy use over a period of many years has turned out to be a most popular public meeting place, indicates that our most important task is to boost export sales. How many times before have we heard and read a whole host of formulas--running the gamut from those which contain economic axioms to the effect that our "problems will not be resolved by cutting back on imports, but rather by increasing export sales" or that "the economy must export for the sake of its own growth, and not just for the sake of earning foreign exchange" all the way to rhetorical flourishes along the lines of "it is not necessary to live, but it is necessary to export" (a paraphrase of the Hanseatic League slogan "to sail the seas is imperative, to live is not") or simply "export or die" (which is supposed to be a very free paraphrasing of Hamlet's "to be or not to be").

So, let us get on with our export sales. We have still not reached the point where we are at death's door. But as a nation we really are in pathetic shape. And the real truth of the matter is that our present economic difficulties are a welcome cold shower. These difficulties should bring the Yuguslav people to their senses--regardless of whether they use the term crisis to describe these difficulties or not, something which is a matter of taste or political calculation. However, if we are going to opt for the term "crisis," then we are going to have to arrive at an accurate understanding of what this crisis is all about. At this point, it would be a good idea to examine the context in which Doctor Bakaric advanced his argument about the isolation of Yugoslavia.

"The general platform on which the implementation of the economic stabilization program rests is essentially a matter of the drive to turn Yugoslavia into a social system that is capable of integrating itself into the international division of labor on a, so to speak, equal basis. This policy differs to a considerable extent from past approaches to this problem.

"Take, for example, the question of the balance of payments. This is a problem that crops up year in and year out. This means that there is something wrong with the system, namely, not with the laws that govern it, but rather with the way the system works in practice. And it is in this realm that pressure needs to be

applied. It is in this realm that adjustments need to be made. In effect, it is necessary to reach the point where this system does not virtually force us to opt for solutions that produce adverse consequences. So, why does it force us to do this and where does the blame for this pressure lie? Well, roughly speaking, I would say that it has something to do with the isolation of Yugoslavia. First, you isolate Yugoslavia, not only through tariffs, but also through uncontrolled imports and exports, and then you wind up with monopolies in the domestic marketplace that eat up great amounts of resources and foreign loans. Everything is available for sale, and everything is being sold for higher prices. Nominal incomes are rising in order to save the standard of living, and, as a result of all this, the ability of the economy to build up its capital stock is diminishing and the basic organization of associated labor is being rendered incapable of assuming its proper role in society. And in order to enable the basic organization of associated labor to assume this role it is first of all necessary to take certain palliative measures by way of paving the way for more serious policy changes.

"It is commonly said here in Yugoslavia that 'we are in a crisis.' But this is not a crisis, and the difficulties that face us are not difficulties that originate in the social system. Rather these are in fact difficulties that are associated with this transition process we are going through, with this retrenchment process, difficulties which we must overcome so that we can reach the point where we are able to play our proper role in the international division of labor. This means that we have to reach the point where something will urge us on to greater productivity, to an improved standard living, and so on."

One is bound to ask why Doctor Bakaric focuses precisely on the isolation of Yugoslavia, and not, say, on decisionmaking processes that occur outside the framework of associated labor, the failure to live up to agreements, or the unwillingness to change patterns of behavior? One possible answer is that this is because Yugoslavia has shut itself off from the influence of objective economic laws and because it believes that the solution to its present difficulties and its future growth must be based on the objective criteria that are being laid down in mutual relations between the world's most advanced economies.

"We were debating the question of the isolation of our economy while Kardelj was still alive," says Bakaric, "and at that time we came to the conclusion, a conclusion which was not translated into practical solutions however, that the fault lies in the fact that we are 'pretending' to be an underdeveloped country, since we gain certain advantages from this in terms of the loans which we so readily swallow up, but that it would be more useful to proclaim ourselves to be a medium-developed country and, accordingly, to develop tools that would help to integrate us into the international division of labor." This is especially important now, since our isolated economy has in fact discovered that there is at least one economic law that has somehow managed to penetrate its defenses. Namely, the ceiling on indebtedness. All of our monopolies, which were formed most often along territorial-political lines, were able to run a race to raise prices and were able to fight over existent or nonexistent revenues, import rights, and foreign capital investments for as long as conditions did not line up as were described as follows by Marko Bulc at a session of the LCY Central Committee: "Figured in per capita terms, we now have 400 dollars worth of exports, 800 dollars worth of imports, and 1,000 dollars worth of debt." These 400 dollars worth of imports are supposed to pay for 800 dollars worth of imports and 1,000 dollars

worth of debt. This is an equation which no mathematical or planning geniuses are going to be able to solve in any satisfactory way.

It is interesting and especially important that in reply to the question as to whether any chance exists that we will actually succeed in achieving this 7-percent planned increase in export sales or perhaps even a larger increase many people answer in the affirmative. The medicine which has to be swallowed in order to accomplish this has been well-known for a long-time, and for all of those who have been living off imports and foreign loans it is well-known for its bitter taste and unpleasant smell. Nevertheless, at this point in time the diagnoses asserting that this treatment is indicated are more unanimous than before and less obscured by diverse, special interests. And this in itself is a sign of the prevailing awareness of the seriousness of this situation. The medicine we are talking about is a consistent policy dedicated to a realistic foreign exchange rate. This is not a question of a one-time devaluation, similar to those which we have occasionally resorted to in the past, rather this is a question of giving constant support to a realistically valued domestic currency in relation to foreign currency.

There is a logical, orderly sequence of events that must attend the opening up of our economy to the rest of the world. Before the economy can be exposed to the competition of imported goods domestic industries must be made ready to stand up to this shock. Consequently, it must learn how to function and to grow in accordance with the same standards that apply in the rest of the world. A realistic foreign exchange rate makes it possible, in the first place, to figure out how much things cost, that is, the price of imports and the price of exports. It makes it possible for domestic prices to be compared with world prices, and, hence, it makes it possible for the efficiency of domestic industry to be compared with the efficiency of industries in other countries. By the way, there is a formula which shows that in our monopolistic, closed economy 93 percent of every increment to income is realized through price rises, compared to only 7 percent through improved labor productivity.

Last year's devaluation proved that every attempt to move closer to a realistic foreign exchange rate has a beneficial effect on export sales. This is quite natural, since a real unit of equivalent value is obtained in exchange for exported goods and the profit motive is the only thing that can induce work collectives to venture out into the world market. To be sure, the revenues they bring in in this way are very quickly submerged in the boiling cauldron of domestic spending and prices, but in 1980 export sales still went up by 2.2 billion dollars, that is, a real increase of 11 percent (let us remember that the draft resolution for 1982 is seeking a 7-percent increase in export sales), which made it possible to reduce the trade deficit for that year by 1.1 billion dollars.

Of course, after the devaluation there was still a certain amount of, to use the popular term, slippage, that is, the value of our domestic currency was still going through a process of adjustment in relation to the value of foreign currency, but it was doing so at a much slower pace than prices in the country were "slipping." Everybody knows precisely what the consequences are of the gaps between these two "slippages," i.e., every percentage point of increase in prices caused exporters to suffer losses of 0.4 percent, or 3 billion dinars (300 billion old dinars). It is both possible and necessary to make solemn pledges dedicated

to slowing down the rate of domestic inflation and it is even possible to cite specific percentage point figures along these lines (just as it is now being proposed that prices should not be permitted to rise at a rate any faster than 15 percent during 1982), but it is more important to lay the groundwork that will make this possible than it is to make pledges and cite percentage points. The first prerequisite is to bring imports, exports, and the level of indebtedness into balance and then proceed to establish equilibrium in certain other areas of our economy, in the realms of distribution and spending.

The desired equilibrium--and this is a fundamental goal that is built into the foundations of this country--must be achieved by respecting objective economic laws, and not by way of administrative reallocations of resources. This too is the reason for the perennial dilemma as to whether we should expand export sales incentives or introduce a realistic foreign exchange rate. Whenever prices on the domestic market rise by one percentage point, new and "fair" taxes should be introduced that yield a total revenue gain of 300 billion old dinars, and this money should be distributed just as "fairly" among exporters so that everyone gets back as much as they have lost to inflation. There is a point at which incentives can no longer be relied upon to accomplish our goals and at which they become totally meaningless. This happens when they no longer serve the purpose of stimulating exports and helping exporters to overcome the economic barriers which certain countries raise to protect their own markets, that is, when they are transformed into an instrument that is supposed to function as a substitute for a realistic foreign exchange rate.

This is the reason behind the dilemma over whether we should expand incentive programs or introduce a realistic foreign exchange rate. Socializing the costs of export sales, by accumulating the funds to pay for this through various forms of taxation, a policy which is based on incentives, is in fact also tantamount to socializing the costs of imports. A realistic foreign exchange rate, by setting a real price for foreign exchange, also sets a real price for the cost of imports, a cost which is paid by those who spend foreign exchange, that is, by importers.

Unless this argument is accepted, the longing for a foreign exchange marketplace makes no sense, and so it is equally pointless to set up task forces and look for ways to somehow get this marketplace working. What we have now is a marketplace in name only. Along with all of the necessary adjustments that have to be made, such a marketplace, if it is to exist at all, must observe the fundamental principle which holds that prices define the relationship between supply and demand. The setting of a meaningful price for foreign exchange is not only an incentive for exporters. This is the only price that can also show, really, how much we can afford to import--either in the form of goods or in the form of capital. Thus, it is an indicator of what can be produced efficiently here in Yugoslavia and of the advantages and disadvantages of taking out foreign loans.

Reconciling themselves to our high rate of inflation, some economists (for example, Dr Ante Cicin-Sain speaking at a session of the Federal Economic Council) have advocated a system based on the constant, regular adjustment of exchange rates at designated intervals, a system whereby the value of the dinar would be required to slide downward at a somewhat faster rate than the rise of domestic prices.

Exporters have to be made to realize, they claim, that their efforts are not going to be invalidated by domestic inflation.

Conditions on the world market should not be idealized. The world market is an arena for numerous, huge monopolies. But, notwithstanding this fact, these monopolies are efficient enough producers so as to "urge us on to greater productivity, to improve our living standards, and so on." In any event, we can only integrate ourselves into the international division of labor that exists here and now, and only then will arguments and efforts geared toward making changes in this international division of labor gain greater weight.

Export sales are now emerging as a first-priority task due to the fact that the shortage of fabricating materials is not causing dislocations in manufacturing industries. In fact, the Yugoslav economy has already come to grips with this problem, since unsatisfactory performance in the area of export sales this year has forced a radical curtailment of import licenses. We must prepare ourselves for the time when some of our manufacturing industries will be temporarily shut down, says one current word of warning. Temporarily, yes, but exactly how temporarily? The economy is too interconnected and too interdependent to be able to shut down production lines in some collectives without doing a great deal of damage to others. For example, the shutting down of one plant in the chemical industry employing 45 people, a plant which depends entirely on imported raw materials for its operations, would cause--according to a claim made by the General Association of Chemical Industries--dislocations in other collectives which employ approximately 45,000 workers. And it should be noted in passing that some of these collectives are ranked among our biggest exporters.

Shutting down some production lines may be a necessary evil, but it is by no means a policy. The only way we can overcome our difficulties is by putting all of the resources at our disposal to the fullest possible use, all of the resources that can be used efficiently. We can overcome our difficulties through production, and not by stopping production. It is rightly pointed out that Yugoslavia has a great deal of potential, that it is endowed with advanced machinery and skilled workers, but that problems are being created by the improper use of these resources. In talking about overextended capital investment projects the point is usually made that there are twenty or so thousand projects under construction, the total value of which matches the country's entire annual social product. However, during the past 5 years work has been completed on approximately 16,400 projects in which imported machinery and technologies have been installed valued at 14 billion dollars. In light of this fact, only an isolated and, therefore, inefficient economy can plan on a productivity growth rate of only 1 percent, as is the case with the draft version of our resolution for 1982.

As a result of the chilly winds which are blowing in the world market some people are going to wind up with pink noses and cheeks, some people are going to catch colds, and some people are going to come down with pneumonia, but all of this is going to show us what the Yugoslav economy--the old economy and the newly built up economy--is really worth. And it is quite certain that it is worth quite a lot; our economy has more than enough of what it takes to overcome problems even bigger than the ones with which we are presently faced. This is not "professional optimism." Is it not true, after all, that this year this same economy managed

to bear the brunt of excessive spending, irrational behavior, and distribution policies based on "vested rights," and not performance?

The introduction of objective economic laws is bound to wreak havoc with many of these vested rights to someone else's income and with the power relationships that exist in a society that makes it possible to exercise these rights. Let us quote Dr Bakaric once again: "The question arises as to what all of this means in a societal context. Why is this happening to us? This is happening because people believe that these problems related to the economy and the capital replacement process are problems that affect somebody else, and not themselves. And then there is the problem of 'them'--our homegrown bureaucracy in the factories and in society at large, since it is responsible for running things. The bureaucracy is being subjected to pressures, and the only thing it can do is give in and then, naturally, carry on as before. So, this is a problem of the transferral of rights or, to take it a step further, the transferral of all of these rights to the basic organization of associated labor, that is, to the producers."

The system, therefore, has to start functioning in a different way. It has to assert that these are not the problems of "somebody else," either in a given factory or in society at large. To be sure, illusions still exist to the effect that the system can be made to work more efficiently through a redistribution of power between the federation and the republics, something which would supposedly alleviate our present difficulties attributable to sluggish negotiating processes and give priority to the "common good" as opposed to special interests. The probable reason for this is that some people have "short memories." They forget that this did not work even in the days when our economy was much smaller and less complex. Everyone is also familiar with the consequences of centralism, namely, the refusal to recognize the historical fact that Yugoslavia is a multinational country and the constant bickering over the allocation of resources without making any attempt to encourage initiative and responsibility for the development of each individual region and the nation as a whole. Maybe this is a problem of short memories and maybe it is also a problem of a strong nostalgia for the "workers" state (in this context the emphasis is of course on the word state) which would apply a firm hand in order to settle whatever business has to be settled.

It is typical that nowadays, even among expert economists and in the realm of politics as well, a point is made of asserting the fact that no attempt has ever been made to formally establish a fundamental body responsible for the management of economic activities. The Third Congress of Self-management Officers raised the demand that management on behalf of the workers should be replaced by the concept of management by the workers themselves. "...workers must have the final say in making decisions when it comes to issues of fundamental importance, even when it comes to issues involving the sacrifice of their own self-interests. If these decisions are made, as is so often the case, without worker participation or behind the backs of the workers, this will most certainly give rise to mistrust and conflicts with possible serious consequences." This is a quote from a speech by Rade Galeb, president of the Yugoslav Confederation of Trade Unions, delivered during a session of the LCY Central Committee. A document which was adopted by the Central Committee makes the following statement: "The Central Committee places special emphasis on the ideological and political responsibility of LCY rank-and-file members and the LCY leadership for the realization and further

development and advancement of socialist self-management relations and the socioeconomic system as a whole."

The introduction of objective economic laws into our economy and the replacement of the principal protagonists in the growth of our economy are parts of one and the same process. On the basis of objective, market laws and acting in the interest of and by virtue of decisions made by associated producers it is possible to initiate programs geared toward the efficient economic management, conservation, and exploitation of all of the resources at the disposal of our society and it is possible to give priority to productive, creative labor in the allocation of these resources. This is the true essence of the omnibus economic stabilization program, the formulation of which is a mandate levied by the Central Committee on each and every organization of associated labor and on Yugoslavia as a whole. The prerequisites for this are spelled out in the Constitution, in the Law On Associated Labor, and in other laws--in other words, they are spelled out in that system which exists on paper, but which has been put into practice in a manner that deviates from these formal provisions.

The establishment of the Commission of the Federal Social Council, headed by Sergej Kraigher, president of the Yugoslav Presidency, inclines one to draw comparisons with the days when the federal councils were first formed. The manner in which agreement is reached on the shape of this new system will now also determine the manner in which the problems of its implementation are going to be resolved.

11813
CSO: 2800/141

## CROATIAN EFFORTS TO DEVELOP SMALL BUSINESS SECTOR

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 30 Dec 81 p 11

[Article by Jasen Grubic: "The Small Business Sector--Supplement to the Whole System"]

[Text] In order to develop industrial Organizations of Associated Labor [OAL] using handicraft methods, service, and repair and similar organizations, craftsmen's guilds, contract OAL's, independent commercial stores and home handicraft businesses, very concrete projects are necessary at the socio-political community level. This obligation of the opstinas and the regions was established of the Croatian Economic Parliament in mid-1979, then at the beginning of this year by resolutions of the Chamber of Associated Labor and the Community Chamber, and also by social and economic resolutions for the last 3 years and by a new midterm social plan of the Socialist Republic of Croatia, which states that the small business sector should be given the opportunity to make greater progress.

However, more than half the social and political communities have not conceived development plans in this area of social reproduction. This disregards the needs of the large business sector and the population itself for handicraft work and other limited production products and trade services. It also disregards the existence of resources for easily determining those who have succeeded in these activities.

In a recent discussion concerning the activities of the economic councils in accelerating the development of the small business sector, the Coordinating Committee of the Economic Council of Croatia for Inter-Council Cooperation (the CCIC is composed of the presidents of all councils in the Republic) emphasized its support for the most direct involvement of the regional councils, by means of their chambers, small business groups and the League of Associated Independent Artisans, in carrying out the program of the Parliament, the resolutions of its two chambers and the bases of the entire social and economic development of the Republic in this 5-year period. This refers to the tasks of the opstinas and the community of opstinas in the small business sector. Unless the councils take the initiative not only with the Syndicate of Handicraft Workers but also with the other signatories of the social agreement concerning small business (from the preceding midterm, since the new agreement has not been signed), unless they force the decision concerning the problems of the small business sector in the delegate assemblies, it is obvious that nothing will come of this "paper." Moreover, more concrete investment programs--two, three, a dozen in each region--must be insisted upon, so that by the end of this year we can record those that, with a relatively small investment and the support of the fund for financing economically underdeveloped areas in the Republic, are able to succeed in helping insolvent activities during 1982.

About 100 Programs in the Last 4 Years

This approach is necessary all the more since the small business sector has hardly any expert workers in administration and in the community of opstinas to be responsible for analyzing this area, participating in the development of general plans for its advancement, directing and supplementing the realization of its established concepts, eliminating the inevitable difficulties and finally responding in carrying out defined policy. Besides, the Republic arms of administration, and the social and political organizations, are occupied with the small business sector in the composition of the basic problems of its heterogeneous jurisdiction when and if they come, when some of the social authorities "call" them or stimulate them.

Nevertheless, the CCIC states, the relations of social factors with regard to the small business sector are changing as well as the thinking about the need for faster development of the activities in its structure. Not only has a positive climate in society been created, but the small business sector is gaining its equal place in the economy of the Republic. The large representatives of the technical system--as, for example, Rade Koncar, Prvomajska, Jugoturbina, Jugoplastika, the shipyards in Split and Rijeca, as well as some enterprises outside the Socialist Republic of Croatia, such as Unis in Sarajevo--are opening up more and more to the OAL's, the guilds and other advocates of the small business sector, in order to cooperate in the most diverse ways with them and to be associated successfully in joint development programs, which have been formulated in some group self-management agreements concerning development to 1985. Their strong development services can make this possible for them, as they know better than anyone what must be purchased from the import structure for the realization of production programs of these large systems, and what is worthwhile to substitute for them in special arrangements with domestic production in the OAL's of the small business sector.

Some decisions in the economic system have been adopted, to facilitate certain aspects of the small business sector in business management, while individual work with one's own resources will be ensured by a number of economic and social benefits. In this category fall changes and supplements in the Law Concerning Private Employment in Handicrafts and Trade Guilds, the passing of the Law Concerning Contract OAL's, the signing of self-management agreements concerning the reciprocal relations of the provider and the user of services and the prices of the services, and then to some extent the resolution of a federal social compact concerning small business. Of great importance for strengthening the material base of labor is giving back to personal services and to the services of home activity 50% of the calculated income tax, and to other activities of the small business sector 25% or 15% (last year and this year). Also, of importance, some parts of the small business sector, which perform certain activities within economically underdeveloped areas of the Republic, will not be obliged to repay the loan segment of the financing for the rapid development of undeveloped republics and the Autonomous Province of Kosovo.

The Republic fund for undeveloped areas in the last 4 years has aided in financing about 100 projects in the small business sector, which has made possible the creation of about 4,500 new working positions. In the Varazdin region seven programs have been put into effect in economically undeveloped opstinas; contract OAL's have taken on the real function as the chief form of associated labor and resources and are concerned with connecting the small business sector with some Slovenian systems.

Additionally programs involved in the organization of independent innkeepers and carriers have been put into effect to a large extent. In Lika, more than 800 workers have been employed in the small business sector; inhabitants of Rijeka have worked out a development program to deal with activities in this sector: Pula, and especially Buje have done the same thing in the Regional council. On the other hand, the Slavonsk-baranian results are so modest that along with the conditions permitting the growth of the small business sector, efforts should be taken so that matters are not left to chance any longer than necessary.

Revitalization--Conditions and Responsibilities

Disregarding these early successes, it is apparent that in order to ensure the rapid development of the small business sector it is necessary on the whole to create some sort of nucleus, most desirably within the Business Community for the Small Business Sector and Handicrafts of Croatia, which links the expertise of the developed sector of the large technical systems and scientific institutes and research teams to the advocates of prosperity in groups of heterogeneous industrial and handicraft production and service activities. Such a gathering of experts for individual areas of development of the small business sector is surely the best way to link the Croatian Economic Council with the Common Association of Small Businesses and with the League of Associated Independent Businessmen of Croatia in the construction of financing development programs. This collaboration has already been partially established with Jugoturbina-Commerce in Karlovac; the same attempt has been made with the Center for the Leather Industry in the same city. The Split area has determined that its development needs can be solved by means of "forward positions" of the Business Community for Small Businesses and Handicrafts; it therefore attaches great significance to the presence of all products of the small business sector in the permanent exhibit at the Zagreb international fair.

For more than 2 years the activities in these exhibitions have completely justified the investment of resources and efforts. Not only do a large number of domestic business people and foreign (potential) partners visit the fair for information about the scope of individual OAL's and guilds, independent businessmen and other people and activities in this product and service area, but also many transactions are concluded (even import-export), which attests to fact that the small business sector is an irreplaceable factor in our total economic development. These contacts indicate also that in a transitional period of profound and long-term structural changes in our economy (and the world's), provoked by decisive changes in the international division of labor and in great changes in the technological structure influenced by scientific and technical process, our small business sector cannot be, in the full sense of the word, an inevitable and integral supplement to the whole economy when it is based on outmoded knowledge, when it is not competitive in innovation, and until it works according to the methods and instruments that will revitalize it to the point where it will also influence the development of the total economic forces and the improvement of productive relations.

Cooperation Will Stimulate Greater Forward Thrust in 'Big' Business

With the creation of a nucleus, obtaining new development programs would certainly be ensured. Especially "big" businesses will realize that they must break up all production areas that are a burden for them because of limited production requirements--even individual unit custom-ordered production--and therefore barely exist within large industry without extraordinary development ambitions. At the same time this would contribute to the vertical, long-term self-manage and connection of associated labor, to the creation of the type of factory in which all parts of the manufacturing process would enter, even the cooperation of the small business sector. Furthermore, this would be a step toward liberation from "licensemania" and from the excessive reliance on foreign "know-how," because the large technical system in this must become the advocate of the development of these production and service activities as well. Along with the development of an information system concerned with the directions of the prosperity of the scientific and technical process, the achievements, the research programs, and the development of the potential needs that the small business sector must satisfy, the large technical system must also stimulate the creative activity of small business and directly offer assistance to it in the transformation of the corresponding technological innovations. In addition, this system must enter into the communal mode of production, must train people in the small business sector in the contemporary methods of marketing and provide expert training for those in the small business sector. Then this sphere would make a more significant contribution to increasing the effectiveness of the large system and to creating and stimulating the amount of cooperation that would unambiguously strengthen the forward thrust of "big" business.

Priority to Production Shops with Less Than 80 Employees

When a way has been found to include the banks in the more prompt realization of the development programs of the small business sector, the trends of cooperation will be accelerated even more. The conditions for obtaining loans are indeed not in accordance with the accumulative and manufacturing capability of the otherwise labor-intensive small business sector. Indeed, some banks have alleviated financing conditions for our region, but a uniform approach to this problem area has still not been developed. Perhaps, the CCIC adds, priority in banking investments should be given to production shops with 20 to 50, 80 or so employees, so that part of the savings accounts of citizens can be purposefully used for loans in service activities. In this way, greater credit potential would be assured, as well as its more favorable utilization in the area of the most immediate interests of the citizenry itself.

CCIC also favors the development of maintenance service of durable consumer goods for which the production OAL's, whose products are serviced in tandem with the investment program to broaden the modernization of personal production, will program and co-invest in service capacities. But, in this case, the service and repair organizations, on the basis of equal and not subservient relations, should associate their labor and resources with the producers (and organizations involved in the turnover of goods).

A selective approach to the activities of the small business sector in relation to calculating income taxes and the loan obligation for financing the rapid development of economically underdeveloped republics and the Autonomous Province of Kosovo, is

surely acceptable and, in the interests of strengthening the material base of the small business sector, should be extended. This--and the even better conception of production understanding within the Federal Executive Council of Croatia for Economic Relations with Foreign Countries, in order to ensure the necessary currency resources for the import of manufacturing material, equipment, spare parts, and for payment without goods--of course will contribute not only to more successful earnings and prosperity in this sphere but also to the creation of a currency influx, which in absolute numbers will more and more approximate the currency outflow. The question of prices for products and services of those in the small business sector should not be neglected; they should be set by mutual agreement in relation to the rest of the economy. Furthermore, a system of decisionmaking should be constructed by which--in accordance with social needs but also for the standardization of earnings and for the equal rights and responsibilities of working people in private work compared to workers in associated labor--private labor's position would be better regulated with resources that the property of citizens, and the type of tax system created to eliminate present deficiencies, the economic and legal uncertainties of private work, and also make speculation difficult. In addition, the system should stimulate, by means of the necessary capacities in this are, opening up the small business sector, above all in smaller places and villages, and it should enable returnees from temporary work abroad to find employment.

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19 February 1982

# East Europe Report

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2232

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# EAST EUROPE REPORT

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No. 2232

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# GOVERNMENT INCENTIVES AIM AT HIGHER MEAT OUTPUT FROM PRIVATE FARM PLOTS

## Private Plots Given New Incentives

Sofia ZEMEDELSKO ZNAME in Bulgarian 18 Dec 81 pp 1-2

[BTA report by G. Kotarov]

[Text] Sofia, 17 December. The government's concern for strengthening and developing private farm plots has been manifested yet once again. Today, the Council of Ministers passed Decree No 50 on increasing the production of livestock products and regulating grain sales for use by private plots.

The explanation of the document emphasizes that the purpose of the new regulations is to enhance the material incentive for increasing the production of livestock products, to create better conditions for the effective utilization of feed grain and to improve the system for purchasing goods produced by private plots.

The Council of Ministers decree stipulates that starting with 21 December 1981 the purchase prices of animal husbandry goods produced by private plots and with their own feeds will be as follows: hogs for butchering, 2,500 leva per ton in live weight; pigs no heavier than 20 kg, 3.50 leva per kg in live weight; and calves, from 2,400 to 4,040 leva per ton in live weight, depending on age, weight, breed and whether raised for export or not. Changes have been made in poultry purchase prices as well, based on quality and age. The purchase prices of chicks, pullets, turkeys, ducks and geese will range from 1,440 to 2,540 leva per ton in live weight. Depending on the time of year, the purchase price per 1,000 chicken eggs will range from 110 to 120 leva.

The funds for the increases in purchase prices and the differential between purchase prices and the price at which young pigs are sold to the farmers will be provided by the state budget.

The decree emphasizes that grain grown on private plots will be used for raising livestock and poultry while surplus grain will be purchased exclusively by the Grain Foods and Fodder Industry DSO [State Economic Trust] at 200 leva per ton. A separate account will be maintained for this grain which will be sold only to the private and auxiliary farms and the purchasing and fattening depots. Priority will be given to the areas in which the grain was purchased. As of 1 January 1982 agroindustrial complexes, okrug cooperative unions and consumer cooperatives will be forbidden to purchase food and feed grain from private plots for their own use.

The okrug people's councils and agroindustrial combines will allocate at no charge to workers, employees and pensioners who are willing to raise livestock with their own fodder neglected and unused land and will assist them in its cultivation.

The government document emphasizes that in order to encourage the production of livestock goods, the public farms will allocate to the population 100,000 fertilized pigs during the first quarter of 1982. The new government document indicates the areas in the private plots which offer possibilities of increasing output and guarantees that the necessary conditions for their realization will be provided.

The decree puts an end to the current practice of using fodder grown in private plots by other organizations. In the future, such fodder will be used exclusively for raising livestock and poultry by the private sector. This stipulation and the new purchase prices will unquestionably encourage the farmers to raise livestock with their own fodder.

The government's decision is significant from another viewpoint as well. It helps to increase cooperation between private farms and the cooperative sector. The intensification of this integration plays an exceptionally important role in turning the private plots into a stable reserve for supplying the population with more and better quality products.

It is natural to expect that the implementation of the decree will contribute to increasing the contribution of the private plots to the population self-sufficiency system and hence to increasing market abundance and variety.

## Council of Ministers Decree

Sofia KOOPERATIVNO ŠELO in Bulgarian 18 Dec 81 pp 1-2

[Text] The Council of Ministers decrees:

Article 1. (1) Approves as of 21 December 1981 purchase prices of livestock products from private farm plots which use their own feeds as follows:

1. Hogs for butchering: 2,500 leva per ton live weight;

2. Pigs weighing no more than 20 kg: 3.50 leva per kg live weight.

Per ton live weight, leva

3. Calves, live weight:

   a. more than 450 kg, male and more than 390 kg, female.....3,160
   b. from 400 to 450 kg, male and 350-390, female.....2,770
   c. 150-400 kg, male and 150-350 kg, female.....2,400

4. Calves, under 6 monthsof age, purchased for export.....4,040

5. Calves of the Iskursko Govedo, Mestno Sivo,

Jersey, Rodopsko Govedo and crossbreeds, live weight:

a. male and female, more than 150 kg.....3,160
b. male and female, 150 kg or less.....2,770

6. Purebred calves, all imported breeds for beef, Bulgarian Siementhal and all their crossbreeds, male or female.....3,400

7. Buffalo calves, live weight:

a. more than 400 kg, male and more than 350 kg, female.....3,160
b. 300-400 kg, male and 300-350 kg, female.....2,770
c. 150-300 kg, male and female.....2,400
d. under 6 months old, purchased for export.....4,040

8. Poultry:

a. chicks, pullets and cockerells.....1,600
b. hens, first grade.....1,540
c. hens, second grade.....1,440
d. roosters.....1,440
e. turkeys, male and female.....2,540
f. geese, hens and drakes.....2,520
g. ducks, male and female.....2,240

9. Eggs, hen's, for table use, leva per piece.....1,000

| | From 1 April to 30 Sept | From 1 Oct to 31 March |
|---|---|---|
| a. eggs, clean, first and second grade.... | 110 | 120 |
| b. eggs, unwashed, first and second grade.. | 80 | 90 |
| c. eggs, cracked, small, 1st and 2nd grade. | 75 | 75 |
| d. eggs, small, unwashed and small, cracked, first and second grade..... | 65 | 65 |
| e. eggs, undersized, 1st and 2nd grade..... | 60 | 60 |
| f. eggs, undersized, unwashed and cracked, first and second grade..... | 50 | 50 |

(2) The funds for the increase in the purchase prices and the differential between the purchase price and the price at which young pigs are sold to the farmers will be provided by the state budget.

Article 2. (1) The grain produced by the private plots will be used for raising livestock and poultry. The surplus grain will be purchased exclusively by the Grain Foods and Fodder Industry DSC at 200 leva per ton. This grain will be kept in a separate account and will be sold only to private and auxiliary farms and purchasing and fattening depots at cost and with priority to areas in which the grain was purchased.

(2) The purchasing of grain from private plots and the supply of private plots with mixed feeds shall be organized by settlement. The Grain Foods and Fodder Industry DSO may contract with the okrug agroindustrial unions, agroindustrial complexes and okrug cooperative unions to perform such activities.

(3) The agroindustrial complexes, okrug cooperative unions and consumer cooperatives shall be forbidden to purchase from private plots food and feed grain for their own use as of 1 January 1982.

Article 3. (1) It is recommended that the agroindustrial complexes review the question of increasing the number of animals raised by people employed in agroindustrial complexes at their general meetings, and make it possible for those who have worked out the mandatory minimum of man/days to raise an unlimited number of animals for their own needs and for sale to the purchasing organizations.

(2) The okrug people's councils and agroindustrial complexes shall grant to workers, employees and pensioners who are willing to raise animals with their own fodder neglected and abandoned land free of charge and to assist them in the cultivation of such land under the stipulations applicable to private plots of individuals employed by agroindustrial complexes.

Article 4. The okrug agroindustrial unions and complexes may contract with the okrug cooperative unions and the consumer cooperatives for the purchasing of farm produce from the private plots. This produce will be included in the plans of agroindustrial complexes for mandatory sales to the state.

Article 5. (1) The okrug agroindustrial unions and complexes must ensure the production of a sufficient amount of pigs to meet population needs during the period of heaviest demand (February-June).

(2) Before the end of the first quarter of 1982, no less than 100,000 fertilized saws must be made available to the population from the public farms in accordance with the appendix. The farmers will pay the agroindustrial complexes after the mother saws have been delivered to the purchasing organizations. The Bulgarian National Bank shall grant loans to the agroindustrial complexes to cover the cost of such pigs sold to the private plots.

(3) The bonus of 1.50 leva per kg live weight, as per Article 1 Decree No 41 of the Council of Ministers for 1980 (DV, No 62, 1980) for young pigs raised by private farmers on a contractual basis shall be retained and paid out of budget funds.

Article 6. (1) In coordination with the okrug agroindustrial unions and complexes, the Rodopa State Economic Trust, the Central Cooperative Union and the okrug cooperative unions and consumer cooperatives will set up depots for the purchasing and raising of lambs, weaned lambs, kids and other animals with a view to meeting the deadlines and conditions of the contracts on purchasing livestock from private plots.

(2) The agroindustrial complexes will meet their assignments on mandatory sales to the state with the meat in live weight obtained from the depots.

Article 7. the Bulgarian Agrarian National Union, the National Council of the Fatherland Front, the Central Council of Bulgarian Trade Unions and the Central Committee of the Dimitrov Communist Youth League are asked to undertake extensive explanatory work among the population on increasing the production of feed grain and livestock products in private and auxiliary plots.

Article 8. The Ministry of Finance shall allocate to the National Agroindustrial Union an additional amount of 7.1 million leva for 1981 for the raising of 500,000 weaned lambs by the public farms.

Article 9. (1) Violators of the stipulations of Article 2 shall be punished as per Article 32 of the Law on Administrative Violations and Penalties, unless they are subject to more severe penalties.

(2) Grain purchased in violation of the present decree shall be confiscated by the state as per Article 21 of the Law on Administrative Violations and Penalties.

(3) Violations shall be established by officials named by the Central Council of the National Agroindustrial Union and penal decrees shall be issued by the chairman of the Central Council of the National Agroindustrial Union or his representative.

Article 10. The State Planning Committee and the Ministry of Finance shall make the necessary amendments to the plan of the National Agroindustrial Union based on the present decree.

Concluding Stipulations

1. Paragraph 2, Point 1 of Resolution No 37 of the Council of Ministers Bureau (DV, No 22, 1981) is hereby deleted.

2. The implementation of the present decree is assigned to the Central council of the National Agroindustrial Union and the executive committees of the okrug people's councils.

5003
CSO: 2200/46/47

GDR HARBOR PILOTS AID DEVELOPING NATIONS

Dresden SAECHSISCHE ZEITUNG in German 9 Oct 81 'wir' supplement p 1

[Article by Karl-Heinz Scholz: "GDR Pilots in Young National States: Our Course Is Solidarity!"]

[Text] "Warnemuende pilot, please approach!" "Here Warnemuende pilot, what would you like, please?" Countless times day and night this is the way the interchange begins between the captain of a ship and the pilot station of Rostock-Warnemuende which coordinates the assignment of the pilots and the tugs. Circa 9,000 times each year the pilots, experienced seamen with a captain's license, climb aboard a ship to pilot it safely into or out of a harbor. Each of these men knows the great tasks the 10th SED Congress has posed for navigation.

In spite of that they all consider it an accepted fact that their collective has for years not reached and is not likely to reach for the foreseeable future the full strength according to plans. Up to today 20 Warnemuende pilots have been helping Arab and African countries, in genuine internationalist solidarity, overcome the legacy of their colonialist suppression and frustrating imperialist designs.

We are standing with the head of the Warnemuende pilots collective, tugboat chief Konrad Michaelis, on the upper floor of a highrise, where the management of the VEB dredging, towing and recovery shpping company of Rostock is located. The collective has 60 pilots and small-craft tugboat captains. Each ship beginning at a certain size--be it from the GDR or under a foreign flag--that wants to enter or leave the port must have a pilot aboard to advise the captain. And not seldom it happens that a pilot goes into a so-called overseas pilot assignment on a foreign vessel the captain of which is not familiar with the Baltic or the North Sea. Konrad Michaelis' farthest overseas pilot operation took him on a 50,000-ton Brazilian vessel to the English port of Brixham in the English Channel.

This tugboat chief, as all pilots before him, has exposed himself to the storms and tempests of the oceans. Whenever he comes east to Rostock, he always takes a look at the first trading vessel of the GDR Merchant Marine, the "Vorwaerts," which is permanently at anchor there now as a pilot vessel. Here he started his ocean-going career, other pilots did so on the "Wilhelm Pieck" training sailboat of the GST. He and all his pilots had a hard time taking leave of a ship's

bridge, and he often would glance wistfully at a ship leaving port while tucking his briefcase under his arm and going home.

Reminiscences

From the upper floor that houses the pilots station with its sophisticated equipment, our glance goes far out into the sea and the land. Down at our feet, small vessels and large "tugs" pass through the sea channel which connects the overseas port a few kilometers inland with the open sea. We count 12 ships at anchor in Warnemuende, waiting in the port. Behind us, inland, the imposing silhouette of the port installations. Our tug-captain notices the amazement of us laymen enjoying this view from the top for the first time: "Sure enough, you are always again impressed especially when you consider that 30 years ago all there was here was marshland." He points to a spot in the harbor where light grey concrete towers are stretching toward the sky: "There a new transshipment facility is being built for grain, foddder and fish meal that started testing its operations prematurely on the day of the republic.

Then we are also expanding our petroleum port and next, our chemical harbor. We now have an annual transshipment volume of 15 million tons. In 1985, it will be 23 million! We pilots are in for a good deal of work!"

"And still you are sending your people to other countries," we asked him.

First the captain looks at us askance but then senses what hides behind our question: "Of course we miss each man and have to make up for him. That is, you may say, the solidarity of the ones who have stayed home!" Again he points to the harbor: "They wanted to force us down on our knees too, those imperialists, when they split Germany in 1948. We did not have one efficient sea-going harbor. That we had to build for ourselves here in Rostock. Today we are helping young national states in warding off imperialist extortion!"

He remembers 1956: "When Nasser's Egypt nationalized the Suez Canal at that time, the imperialists made war on that country. Our protest helped make them withdraw. And when Egypt asked us for help in pilots, we did not hide behind problems we had ourselves. We sent our people, that was an obvious obligation."

He draws a parallel with the present: "In the mid-1970's the Portuguese authorities withdrew their pilots and port specialists from Angola. So our pilots flew there, as they had previously flown to Algeria. Today again colleagues are working in Angola, Algeria and the People's Democratic Republic of Yemen, and others are getting ready for assignments in other countries. Nowhere shall the imperialists make out. We shall see to that!"

The Finest Experience

The tugboat captain introduces us to Willi Jargow, a pilot 47 years of age, who together with two other GDR pilots, lived through those crucial months in Angola. "When I came to Angola, the country was in the midst of war," he starts out. "In Luanda, everything was in short supply. The foreign pilots had fled, and the whole port operation was practically paralyzed. They had taken everything along--the port diagrams, the sea maps, documents for the towing techniques in the harbor, all things without which a pilot is stuck. A single 220-horsepower tugboat had made it fairly through all the tumult. We had to start with point zero--had to

dredge the depths at the moorings and the waterways ourselves and work out the towing techniques anew. That was not simple at all, and in the first few weeks we hardly got any sleep." "What were your thoughts then when you were facing the chaos the Portuguese had left behind," we asked him. "We were incensed about such unscrupulousness, of course, and our anger gave rise to our determination: now more than ever! We knew we were needed and could help deal the imperialists a blow. We thought of our work as a political task. After all, in the 6 months we were there we piloted, without damage, 360 ships of 28 different nations into and out of the harbor, and that, with a single tugboat, which means something!" Moreover, the GDR pilots trained young citizens in that country so they could later take over the management and operations in the harbor themselves. "That sounds simpler than it was because most of them had no practical experience whatsoever with navigation!"

We asked what had his finest experience been. Willi Jargow reflects a while and then says: "Actually, every success in our work was a fine experience. But there was one success I like to recall especially: after we had been working there for 3 months they asked us one day whether one of us would like to act as captain for a ship taking foodstuffs to the port of Cabinda. People there were starving and absolutely needed help. Though we had absolutely no nautical equipment and did not know the water there, I accepted. That was the natural thing for us to do. Coming back we touched a port at the mouth of the Congo and took aboard needy people there. When we returned to Luanda all who had legs to walk had assembled in the harbor. We got a reception as I had never experienced in my whole life, and which I am not likely to forget for the rest of my life." "And there is something else I should like to add," he continues: "Whenever a ship from our republic arrived in the harbor with solidarity goods, to us it would be not only a greeting card from our homeland but also always a marvellous experience. We especially, working and living among these people and knowing their poverty could surely appreciate the importance of such solidarity shipments!"

More than 6,300 ships from 45 countries, so we learn from the tugboat captain, were handled by the GDR pilots in the 4 years they were in that country, taking them into and out of the ports of Luanda, Lobito and Mocamedes. That broke the blockade that had been intended by the withdrawal of the Portuguese pilots!

As a Pilot in Anaba

Another witness to the solidary work of the Warnemuende pilots in young national states we met in the 43-year old pilot Rudolf Stahn, who worked in the Algerian port of Anaba for 4 years together with his colleague Walter Mehlhorn, who right now is back again in Angola. "Anaba is an important harbor," he tells us. "When I was there they were building a large steel plant nearby, and all the supplies for it came through this harbor. We helped there because Algeria did not have enough pilots. At the same time we trained Algerian pilots and, on the request from the Algerian Ministry of Transport, prepared a pilot training program they are still using today. After we had returned home we heard from captains on GDR ships who came from Algerian ports that our pupils have turned out to be fine pilots, which makes us very proud and content, of course."

Him we also ask to tell us a fine experience. Without giving it any thought, he says: "The people we got to know and to work with. We and our families never felt like strangers among them but always as friends among friends."

We did not meet all the pilots who had at any time worked abroad when we were in Warnemuende. They either were again abroad or spent well deserved furloughs with their families at that time. Tugboat captain Michaelis handed us, as "concerned witnesses," the diary of the pilots collective which also reports on the pilots' experiences on assignments abroad.

Among the entires we find the following one of 25 April 1980: "As GDR pilots we enjoyed much respect among the port authorities of Anaba and the captains on the ships we piloted. During my 22-month assignment I piloted 1,653 ships without any damage. I believe to be able to say with the best conscience that we GDR pilots have worthily represented our republic."

A few pages later, under the heading, "GDR Pilots Near the Equator": "The help we are giving to the People's Democratic Republic of Yemen is an expression of the solidary attitude of our state. The realization that made the Romans refer to 'Arabia felix' (happy Arabia) is fully borne out today. We three pilots, assisting the People's Democratic Republic of Yemen, contribute to that as do many other GDR specialists. As seamen we will stay on course toward solidarity!"

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## MEASURES TO IMPROVE S&T PROGRESS IN COMBINES DISCUSSED

### West German Commentary

Bonn IWE-TAGESDIENST in German No 183, 14 Dec 81 pp 3-4

[Report from Berlin: "SED Threatens Economic Functionaries With 'Material Consequences.'" A translation of the East Berlin EINHEIT article cited below follows this commentary]

[Text] The theoretical SED journal EINHEIT (No 12, 1981) has threatened the GDR's economic functionaries with "material consequences" for their lack of dedication to scientific-technical progress. "More resolutely than up to now" one should have to take issue with deficiencies in the work of the functionaries. The journal in this context admitted considerable difficulties in committing the socialist managers to the SED's economic policy course. No combine director could of course any longer be found who would fail to explain right away how important a sound scientific-technical strategy is. Unfortunately, however, words and deeds or even good intention and resolute struggle still were not "one and the same thing" in rough reality. Many a functionary had trouble to let go the yardsticks of the past when raw materials and energy sources were much cheaper and international technical development had not yet required today's tempo. Often they also had trouble in implacably gaging the results of their own work against world standards without looking for extenuating circumstances. The journal in this connection asked for resolute struggle against what seems to be a widespread view on the executive levels of the economy "to ask much only of others while assigning modest goals to oneself or, while referring to the indeed frequently tough requirements for plan fulfillment, shun the necessary conceptual, future-oriented work."

### Material Rewards, Penalties Recommended

East Berlin EINHEIT in German Vol 36 No 12, Dec 81 (signed to press 11 Nov 81) pp 1199-1205

['The Topic' feature article by Dr Hans Modrow, economist, member, SED Central Committee; first secretary, SED Dresden Bezirk Management: "Party Work in the Struggle for Scientific-Technical Progress"]

[Text] The implementation of the party's economic strategy calls for a science policy resolutely oriented to the requirements of long-term economic efficiency and quality development. Bezirk management, thus, in its leadership activity, aims at having each combine purposefully work out its scientific-technical strategy and translate it, step by step, into concrete tasks. It induces the party organizations to provide for a creative climate in the R&D collectives and uniformly conduct the political struggle for high achievement.

In the efforts by the communists and all working people in the GDR to implement the 10th SED Congress decisions, aimed at the well-being of the people, the strengthening of socialism and the safeguarding of peace, the full utilization of our country's tremendous science potential plays an outstanding role. Genuine top achievements in science and technology, greater creative results from R&D and their rapid and broad economic utilization, that--as Comrade Erich Honecker emphatically pointed out at the 10th party congress--is a key issue for the implementation of the party's economic strategy. This way alone can under the changed and more complicated conditions of the 1980's the needed high performance improvement of the GDR economy be achieved, which has to be accomplished virtually without any or only an extremely small increase in energy, raw material and manpower resources. This course moreover is in line with the basic experiences and orientations of the 26th CPSU Congress on speeding up scientific-technical progress and shifting the USSR economy onto an intensive course of development.

New ambitious requirements arise from these decisions for the leadership work and all the political-ideological efforts of the party on all levels. That is true, not last, of the party organizations in Dresden Bezirk where a significant portion of the GDR's industrial and science potential is concentrated. In some important fields, especially in the nuclear and construction material sciences, and with respect to the theoretical principles in selected fields of electronics and electrical engineering, and in machine building, achievements by scientists in Dresden Bezirk to a very large extent determine the tempo and level of GDR development and its contribution in collaboration with the Soviet Union and other CEMA countries.

The prime consideration in the leadership work of the party bezirk management is that this is a science policy that is resolutely oriented to a long-range economic efficiency and quality development. That above all then raises the question about the position and responsibility of the combines in which in recent years the production and R&D potential of the GDR's industry and construction industry has been greatly concentrated. The combines must make concrete demands on science and technology for productive solutions of high economic benefit, they being the ones that translate scientific-technical data into economic benefit. That applies to inventions and scientific-technical solutions from the combines themselves as well as to basic research results from institutes of the Academy of Sciences, from universities, colleges and other science institutions.

From the experience of management and cooperation with the party organizations in important combines in electrical engineering and electronics, machine building, metallurgy and the light industry, which have their management in Dresden Bezirk, especially four problems and tasks stand out for ensuring through political work a higher speed in scientific-technical progress.

First: Party bezirk and kreis managements must emphatically see to it that each combine works out with great determination and purpose its scientific-technical strategy.

Producing top achievements where they are most urgently needed economically and ensuring on that basis a penetrating and lasting efficiency improvement of the whole combine is, in principle, not achieved through short-term actions, no matter how fast they are. If today in Dresden Bezirk there are on the one side progressive combines like Robotron Dresden, the Riesa tube combine and others, which in many respects set examples in implementing the 10th party congress resolutions, but then others as well, which in some positions are lagging behind, the reason can greatly be found in the differences in the status and level in which the scientific-technical strategy is worked out.

The "secret" of the most successful combines--as clearly confirmed by performance comparisons and experience exchange--mainly is that they plan and organize the science and technology tasks on which they are working today from the standpoint of the future, the results economically required in years ahead. They are basing that not only on the attained and known criteria but also on the international criteria to be expected at the time that new products and technologies assume their production effectiveness. Such approach alone conforms with the 10th party congress resolutions and leads to the great performance boost which we absolutely need under the conditions of the 1980's to secure what we have achieved and gradually improve it further.

The comrades in the Robotron Combine, which mainly makes electronic computer products and office machines, after much preparation began in 1976 systematically working on determining the combine's performance and product development for the years 1981 to 1985. To that end, essential criteria for their own work were made more specific. E.g., they came out with the task completely to replace their production assortment, mainly by means of microelectronics, within 3 to 5 years and reduce with the new products, as compared with the ones they had before, the labor expenditure in production between 30 and 80 percent while significantly improving intrinsic values. In the outcome of this intensive work the combine considered a plan project at the beginning of the broad plan discussion for 1981 to 1985 which compared with the plan project of 1978 anticipated a production growth nearly tenfold higher for this period while the number of manpower was greatly diminished.

Right now the working people in the Robotron Combine, led by the party organization, are making great efforts toward exceeding the 1981 annual plan through an extra increase in labor productivity and without any additional material and energy by a 4-day output and increasing the net production still more rapidly than the commodity production.

No party secretary or combine director can of course any longer be found who would fail to explain right away how important a sound scientific-technical strategy is. Unfortunately, however, words and deeds or even good intentions and resolute struggle still are not one and the same thing in the rough reality of life. All the more urgent it is for the party organizations to rule out any cutback of decisions in this field, disclose causes for deficiencies and stubbornly reject any "justifications" for not preparing a strategic scientific-technical conception proper as to scope and quality.

In political-ideological terms the key issue here is--as some disagreements in some combines have clearly revealed--to make, first and foremost, great demands on oneself in a party-minded, combative position and the will and readiness for genuine scientific-technical and economic peak achievements. All managers and work collectives must well understand there is no other alternative, no other way to ensure the needed efficiency growth. Many a comrade still has trouble to let go the yardsticks of the past when raw materials and energy were much cheaper and international technical development did not yet require today's tempo. The development in recent years, the demands of the present and a realistic glance at the future make the new situation perfectly clear, however. In our own country the demands and requirements placed on the scientific-technical level and on the quality of products have grown fast. The indispensable efficient participation in the international division of labor makes qualitatively higher demands today as well, especially on the GDR, a relatively small country. That principally concerns our close fraternal cooperation with the CEMA countries, particularly the Soviet Union. Top achievements are what is wanted there. He who expects much of his partner must himself give a lot. In trading with capitalist countries it is known well enough how increasingly intense the competition struggle there is and how the tendencies of the confrontation policy against the socialist countries have had their effect on it. Earning the necessary foreign exchange under such conditions is, in principle, possible only by products that stand up to any international comparison.

When the party organizations--especially the comrades in combine management and in the scientific-technical centers--purposefully clarify these matters and rigorously oppose the notions of asking much only from others while assigning modest goals to oneself or, while referring to the indeed frequently tough requirements for plan fulfillment, shun the necessary conceptual, future-oriented work, they will meet a decisive task in implementation of the 10th SED Congress resolutions.

Preparing a scientific-technical strategy is of course a creative process that every combine must carry out on its own. But the basic requirements and principles in the approach apply to all combines. Bezirk management hence pays great attention to experience exchange and to the compelling generalization of best experiences. It assists in special conferences where basic problems in the combines' development strategy, the intensification of research, the introduction of such modern technologies as microelectronics and robot technology, the full utilization of the social labor capacity, and the sales and export strategy are discussed thoroughly.

A special concern is to give still more thought to getting everything there is from the cooperation with the Soviet Union and the other CEMA countries and make socialist cooperative R&D work among combines and science institutions in our country still more effective. Not even the best combine can do with a strategy of reaching the scientific-technical top level all by itself. Good results, e.g. in microelectronics and electronic computer technology, or also in metallurgical refining, in the final analysis have their basis in our close systematic collaboration with our partners in the Soviet Union.

In electrical machine building such collaboration has reached a new level owing to the joint reconstruction of medium-size and large-scale machine production at Sachsenwerk, Dresden. This project, in the implementation of which the joint socialist competition of all participants from Leningrad and Dresden is becoming increasingly better, will boost the output so much, through the application of most up-to-date technologies and without an additional labor force, that the need of the fraternal countries for the electrical engines in question will be satisfied.

Other excellent achievements are due to advances in cooperation, the development of socialist cooperative work, in our own country, from basic research to production and sales. The comprehensive contracts between the Technical University Dresden and four combines in the bezirk and the Microelectronics Research and Technology Center Dresden, for example, have done a lot of good. And this pertains not only to specific research tasks but to all-inclusive cooperative work on preparing and implementing important scientific-technical conceptions, from basic research via development to production.

Also the social science disciplines are involved, and so are the matters of training the personnel. Here, among other things, we use certain experiences from the close cooperation between colleges and enterprises in Leningrad, which we were in the position to study thanks to the close partnership relations between Dresden and Leningrad and the great assistance received from the comrades on the rayon committee in the heroic city on the Neva.

This manner of shoving close together basic research facilities, universities and colleges, combines and enterprises is a most complex process. It calls for many new insights and attitudes and has implications for management and planning and certain other structures. Still only a few years ago, e.g., an argument could often be heard at the Technical University Dresden that one could not tie oneself up so closely with production, with enterprises, because that would come at the expense of the crucial tasks of the colleges, of instruction, and of basic research, not related to concrete application. To be fair it must be admitted that certain notions in the enterprises also blocked such cooperation. In particular there were notions considering the college potentials as a sort of fire department that could quickly be called to take care of a burning issue.

Under party leadership and while taking issue constantly, vividly and aggressively, with such opinions, through frank, creative debate on optimum solutions and on exhausting the great opportunities inherent in our socialist order, our planned economy, a profound change has taken place in this field in recent years which is constantly being further developed. Now it has long been no surprise any more

to find in combine enterprises whole student groups and colllege scientists, researchers and other working people from enterprises working, in implementation of the comprehensive contracts, in socialist taskforces, on state plan tasks of the science and technology plan, students takingcare of part of their training in enterprises, college professors taking on directly for extended periods responsible tasks and functions in enterprises, or men of practice giving lectures in colleges or even transfering to colleges, so that this way a fruitful exchange of personnel has begun.

Tied in with this process, that combines a further improved instruction and basic research level in the colleges with deepening their practical contacts and direct economic efficiency, is our now having begun to set up technical projects, where the colleges under their on responsibility take over certain directly production-effective R&D tasks. At Technical University Dresden, e.g., a technical project will get under way in 1982 in which scientists and students, through a precise division of labor coordination with the Microelectronics Research and Technology Center Dresden, take on a certain technological phase in the production of microelectronic circuits, doing all that is needed for them to be introduced at once into production.

Second: A sound and correct strategy leads to success only if it is translated, step by step, into concrete tasks and partial goals.

The quality and speed in which long-term conceptions, especially for R&D under the annual plan, the science and technology plan, and the concrete competition objectives and commitments, are turned over and the criteria and schedules are argued out, today have become a decisive testing ground for the party organizations in the combines. Only by barring any curtailment and by assuming the struggle for highest goals can the necessary results be obtained.

Among those who do exemplary work here are the communists in the VEB Planeta Druckmaschinenwerk Radebeul, an enterprise in the Werner Lamberz Polygraph Combine Leipzig. They insist that in the scientific-technical requirements, mainly in preparing, defending and accounting for the commitment folders, which most concretely set down the requirements, conditions and deadlines for any given R&D task, international performance comparisons and an assessment of the likely further development is what one must start from without fail. And this not only in terms of the products' technical parameters, but also of the production economy, the market situation when the production is complete, and sales. That is the only way it is possible not just to talk a lot about top products but to make it with them successfully through the sharp confrontation with world market conditions and to get the benefits we need for our economy. The modern sheet offset printing machines from Radebeul, where microelectronics also is increasingly in evidence, can compete with any comparable products in the world. The party organization's rigorous focus on peak performance, and the complex approach that brings that objective to bear on every partial task, make for a tenable starting point for success.

This leads to the question of investments. Our rigorous focus on intensively expanded reproduction and the conditions for the further development of the GDR economy call for the harshest criteria especially in this field. Wherever we

invest, we have to struggle hard to break through to peak levels in technology and products. In the Planeta enterprise referred to above, specific investments are concentrated from that vantage point. They must with all resolve however be aimed at the rationalization of production. Thus, by use of 146 industrial robots and through their own construction of various other means of rationalization, production sectors are to be developed that require little service. The aim is to reduce the 5,000 working hours of now to 2,500 for an output of M 1 million.

The party organization mobilizes all working people for these tasks and exercises a thorough party supervision over the main steps in implementation in line with a precise program.

Third: Extremely important for high science and technology achievements are the purposive efforts by the party organizations in the combine's R&D departments.

The role of a creative and progressive climate in these collectives was commented on by Comrade Dr Siegfried Schiller, deputy director of the Manfred von Ardenne Research Institute Dresden during the discussion of these matters at bezirk management, as follows: "The point is to provide a militant atmosphere and make the proper use of the advantages of socialism. In decades of practical work I have always found that it always depends on the climate created in the collectives by the managers whether new technologies became applicable or thousand reasons were found why they would not work." Not running after others and clamoring for imports, but seeking one's own efficient solutions and working them out through socialist cooperative efforts--that should have to be the motto, Comrade Schiller asserted.

Hence it is a most responsible task of the party organizations in the R&D collectives to see to it that there is a truly creative atmosphere and to encourage a deliberately militant dedication by the associates and all the collectives. Much depends here on the managers and the education, selection and proper assignment of the personnel. More still than elsewhere they affect, through their strength of conviction and radiation, their dedication and model role, the level of work. In the combines of Elektromaschinenbau and Robotron Dresden, e.g., in tasks such as the application of electronics in electrical machines, the production of a new microcomputer, and the development of certain peripheral ADP devices, managers are heading the collectives who with a high sense of personal responsibility and with scientific curiosity and research drive, with creativity, passion and tenacity, endeavor to solve the tasks. They are totally dedicated to it and are sweeping the collective along. Properly understanding our party congress resolutions means to them not only knowing them well but solving with categorical success the tasks arising from them in their own departments.

There are many factors of course that affect such a creative climate. That is why the party organizations must do work that is principled, expert and sympathetic. Often it is not easy gaging the status and results of one's own work implacably against world standards without looking for extenuating circumstances. As one knows one's own efforts and what one had to do frequently to surmount difficulties and limitations, it may be tough to be matter-of-fact about things and evaluate them realistically. But without honesty, one's own tasks and responsibility become hazy, and the needed results are not achieved.

Sometimes an idea fizzles, sometimes there are unforeseen difficulties. Maybe a high competition objective booked as a commitment fails to be attained. When one pushes into new territory one must not expect that every step will work out. Must this cause reproach? Premiums and awards come only for accomplished achievements, of course, and we shall have to take issue more resolutely still than we have with deficient work and insufficient dedication, which would even include material consequences. But with it we must promote the courage for healthy risks even if sometimes, with all the high dedication, efforts fail to culminate in success. Such courage is among the conditions for creative work. It must be developed and fostered and be made to conform with strict management and unequivocal accountability.

An important task the party organizations in the combines as well as the science institutions have to face with special concern in this field is working with the college graduates, the young technicians, engineers and scientists. Experience has shown that precisely the time that they start working in the practical field is especially critical for forming those characteristics that distinguish a genuine socialist fighter on this decisive frontline. How effective energy, revolutionary elan and also the knowledge acquired through study become depends, not last, on how quickly young people in this field are led into responsibility of their own and ambitious independent tasks. The party organizations have to be tough in doing away with the residues of such manifestations as that one would--as they say--"initially let the young people have their way for a while," let them look around and get used to it, so that, under such and similar pretexts, the young people are kept away from urgent tasks. The communists must see to it everywhere that the young scientists and engineers get their baptism of fire fast in crucial sectors of the struggle for scientific-technical progress. Dresden Bezirk aims many youth projects at that--at tasks, for which youth has been assigned the full responsibility.

Dresden Bezirk has placed crucial tasks in this field into the hands of the youth, e.g. in the bezirk youth project microelectronics, from developing certain microprocessors, via their testing and production all the way to the use of microelectronics in consumer goods, machine building, automated techniques and the handling of important ancillary tasks for microelectronics. That this is the correct way is borne out not only by a number of excellent scientific and economic results but also by the development of quite a large staff of young people who are doing well in solving these tasks, develop their skills in scientific work and management and promote militant communist positions on behalf of our cause.

Fourth: Uniform political leadership for all sides and processes in the effort toward high achievements in science and technology by the party organizations is of great importance.

With the high degree of division of labor which distinguishes the combines it is important for all to gain the necessary overview so as to better understand their personal responsibility for the whole and cope with their own well delineated task all the more consciously. The critical yardstick for every invention and patent is and remains the economic effect accomplished by it, the contribution to the national income and the cost/benefit ratio, not in just one area but in the whole combine and the entire economy.

The assignment and efforts of special party activists groups have found much acceptance when there are new products or technologies that are of special importance to enforcing the scientific-technical strategy of a combine or even several combines--for example for the application of microelectronics in machine building or the development of new micromotors and their being put into operations in the combine for electrical machine building. They are staffed by communists from all areas involved. As a tool of party management, they consider and determine how from the vantage point of ensuring the overall task, political indoctrination can be developed and a purposeful responsible cooperation of all partners be ensured.

In combines that have enterprises which often, with their own basic party organizations, are located in various bezirks, the work of the council of party secretaries proves an important method to promote via the party organization the coordinated R&D efforts all the way to sales and foreign trade.

On the political management of these fundamental processes in enforcing the economic strategy of the 10th party congress in Dresden Bezirk, the secretariat of the SED Bezirk Management Dresden, after a thorough discussion of all matters in a plenary session of bezirk management, has come up with its decision. It contains the main concrete tasks for the combines, enterprises and science institutions and thereby offers all party organizations a direct guideline for action.

Altogether, all efforts to accelerate the scientific-technical progress are aimed at still more decisively and effectively exhausting the great and superior possibilities offered to us by the socialist order in the GDR and within the scope of the fraternal community of the socialist countries. The great scientific-technical potential, the working people's high level of education, and the centers of economic capacity set up in the combines offer us the opportunity, as called for in the resolutions of the 10th SED Congress, to accelerate matters in this field further and comprehensively combine the scientific-technical revolution for the good of the people with the advantages of socialism.

## Incentives to Promote Creativity

East Berlin EINHEIT in German Vol 36 No 12, Dec 81 (signed to press 11 Nov 81) pp 1206-1213

['The Topic' feature article by Prof Dr Fritz Haberland, economist, department head, Central Institute for Socialist Economic Management, SED Central Committee: "Effective Combination of Science and Production in the Combine"]

[Text] Because the opportunities of our scientific-technical revolution have become the main reserve for performance and efficiency growth, the article probes the focal points arising from it for management aiming at more efficient scientific-technical work. Aspects of a target-directed motivation for the research drive and of its rigorous economic orientation and of the formation of a scientific-technical potential in the combines provide interesting suggestions.

Because the opportunities of our scientific-technical revolution have directly become the main reserve for the performance and efficiency growth of our economy, we must make increasing efforts and consistently pursue the appropriate ways for using those opportunities. Great weight attaches here to the task to combine science with production more closely still than we have done so far and to mold our production profile accordingly.[1] The economically crucial connection between science and production is brought about in the combines. Through them the basis has been set to adapt the GDR economy in good time to the reproduction and growth conditions of the 1980's. Our own as well as the inestimable experiences of the Soviet Union and other CEMA member countries have shown that the acceleration of scientific-technical progress and the economic utilization of its results, a resolute, economically highly beneficial intensification and socialist production rationalization, and a high flexibility in production and in our ability to react to market requirements compellingly demand large and efficient economic units. It is among the essential advantages of a combine that it can most effectively combine science and production under unified management within the framework of a large economic unit with high economic responsibility. Altogether it has much better opportunities than a single enterprise to bring the qualitative growth factors to bear, render the science-technology-production-sales cycle economically more effective, get a lot out of the advantages of close mergers with the USSR's significant scientific-technical potential and, hence, to enlarge the growth of our national income.

Most combines have learned more and more to get maximum economic results out of the use of science and technology: between 1976 and 1980, therefore, the production quality and efficiency in our economy, based on scientific-technical data, grew much faster than the input in scientific-technical potential. The level of scientific-technical work was raised with purpose. The proportion of top achievements in the tasks of the science and technology state plan grew significantly. Advances in enhanced production refinement and the dynamic production growth of commodities with a higher intrinsic value greatly contributed to increasing exports, strengthening the material-technical base of our economy and improving public supplies. The economic targets for saving working hours, energy and material were surpassed in industrial and construction combines through measures of scientific-technical progress. In harmony with it, the working people's working conditions were improved and the socialist character of labor was given a deeper development.

High economic results due to the combination between science and production have become visible especially in combines which have already been in existence for a long time, such as Carl Zeiss Jena, the Herbert Warnke Conversion Technology Combine in Erfurt, and the Werner Lamberz Polygraph Combine in Leipzig. They have all along focused their management efforts on high speed in scientific-technical progress. Carl Zeiss Jena, e.g., due to high achievements in science and technology, has achieved since 1976 average annual growth rates in labor productivity, of its industrial and sold industrial output between 11 and 12 percent, in export more than 20 percent, and in the renewal rate in the production program of 72 percent. The proportion of output bearing the "Q" quality seal was more than doubled.

Seeking Higher Economic Efficiency

On the basis of the altogether positive results, however, greater efforts are still both necessary and possible "for accelerating and most effectively using our scientific-technical progress. We expect new advances of our best combines," Comrade Erich Honecker explained at the 10th party congress, "and at the same time it is important to bring all of them closer to the level of the most successful ones."[2]

For implementing the economic strategy of the 1980's, there are evidently the following objectively conditioned requirements for science and technology in the combines and their enterprises that stand out:

--On a broader basis--including basic research--more top achievements must be obtained in investment and consumer goods, procedures and technologies, boosting their economic utilization immediately. Original scientific-technical solutions worthy to be patented, which would at the time that they reach the market or production stage represent advanced international standards, are marked by a highly enhanced degree of refinement and are suitable for being produced at favorable volumes act as pioneers for efficient long-range production. And this is precisely what it is all about. Because if we "talk in the future of top achievements in science and technology, we also then mean peak achievements in our economy."[3]

--It is necessary to organize the replacement process for our production assortments, procedures and technologies in line with international standards and developmental trends and, as a rule, speed it up. That is of crucial importance for our economic growth, especially for boosting our exports and maintaining and extending market positions under the toughest competitive conditions, and for further improving the lucrativeness of our export. Replacement means here not only an upward development in science and technology but an all-pervasive principle of constantly renewing products and services embracing the production, sales, organization, training and advanced training, working conditions and so forth.

-- Directly connected with that it is necessary to accelerate the speed in which we spread our new scientific-technical results. Experience has shown that at least 50 percent of our possible success depends on our having our scientific-technical solutions production-ready at the right time and offering them then on the market. The less time it takes to go through R&D and the production and marketing stage, the faster efforts expended accrue to us, the higher is the yield and the greater our contribution to increasing our national income.

--It is of an importance of principle for a higher economic effect of science and technology to focus the results of scientific-technical progress and investments resolutely on deepening the intensification process and connect them most closely with socialist rationalization and reconstruction. Especially with that aim in mind, in which our seeking higher efficiency combines closely with our improving our working conditions, investments should be placed and made effective as engines for scientific-technical progress.

In all the measures relative to the reproduction of our basic assets, an importance of the first rank attaches to constantly modernizing machines, installations and equipment by replacement and general repairs, while we also, as much as possible, observe maintenance for our inventory on a continuing basis. As has been demonstrated internationally, effectiveness can not only be recovered much more cheaply with some efforts, compared with new acquisitions, but can even be boosted significantly, provided one uses in these processes, e.g. the latest models in microelectronics, and in robot, control and ADP technology.

--To obtain the planned production boost almost completely from savings in energy, fuels, raw material and working material, science and technology in the combines have the fundamental task to find new solutions for energy, material and cost-saving designs, technologies and procedures and use them at once at a large scope. A key issue here is enhanced refinement of raw and working materials. We must also develop new procedures and technologies for making a more efficient use of secondary raw materials and waste products available in the GDR.

To meet all these demands placed on science and technology in the combines, we must always consider that scientific-technical work is not an end in itself but serves the objective social and economic needs of society. They "have to be satisfied by a high-grade technological and quality production through the most economical ways and means."[4] For the practical efforts of each combine and enterprise this means to do everything in research and technology to obtain a higher economic effect from scientific-technical progress and to keep in mind for all new scientific-technical solutions and measures that they have to be kept in line with the criteria for the well-being of the working people that are adequate to our socialist society, for easing their labor and further developing their abilities, talents and knowledge. To solve these crucial tasks it is extremely important thoroughly to study and utilize in our management activity the most pertinent experiences and new data.

As disclosed by performance comparisons and experience exchange among combines and by surveys in a large number of combines, the main trends are clearly marked for effectively combining science with production.

Responsible Conduct

In combines that have done well over many years, science and technology are in every respect fully integrated in the combine's reproduction process and management. Critical for it are a clear basic position taken by the general and enterprise directors and their management collectives on the key role of scientific-technical progress for performance and efficiency development, the mobilizing effect by the party secretaries and managements of the basic organizations and, no less, the understanding and commitment of those who are themselves engaged in R&D. A clear basic position means, of course, not treating science and technology as a "departmental matter." It rather requires that each manager--from the general director all the way down to the technical directors and department chiefs in the combines, enterprises, and R&D facilities--exercises his responsibility. This is the only condition that makes possible for the "aggregate" of management to fully live up to its duties to accelerate scientific-technical progress and utilize its data.

Combines that are successful in their everyday work live up to the 10th party congress demand to accept as criterion for evaluating research data none but the most advanced standards in any field. Together with the technical directors, therefore, the general directors see to it that technical-economic analyses of the current productivity, cost and quality standards and of the scientific-technical standards of main products are prepared and compared, without any compromise, with international top values. The economic leads for tasks in the science and technology plan are derived from economic requirements, substantiated by the commitment folder requirements and--without any curtailment--written into the plans of the combine. Altogether one can find in these combines that the planning of science and technology has become an authoritative point of departure for planning the performance and efficiency development. To that end, a close cooperation is organized with the chief cooperation partners in science and production.

The challenges resulting to a large extent from the altered growth conditions of the 1980's, as far as our economy is concerned, also are challenges of a definite kind to science, to the researchers, developers, innovators and rationalizers in the combines and enterprises. Their attitude toward these matters and their sense of political responsibility are seen mainly in the criteria they apply to their own work and in the economic results achieved. The approach of those combines should serve as a model where this "iron" law is observed: scientific-technical progress has to result in higher economic effects, in a greater contribution to the national income or else research and technology have failed in their social mission. The R&D facilities in these combines are oriented and committed to high economic results by means of economic contracts. Those who work here are fully aware that the greatest contribution to economic growth is expected of R&D, that high targets and requirements, in other words, are economically necessary. But they also find in this expectation the great appreciation our society has for them and their work, the great confidence in their ability and determination that commit them to our socialist society.

To find confirmation for one's work and receive a material and moral recognition for what one has accomplished for society means more to a researcher, designer or technician than just being "in love" with the new technology and the latest scientific methods. However great their enthusiasm may be for that--without which no good results are ever likely to be accomplished--, what successful operations on behalf of our society demand of them also are economic thinking, and a good knowledge of users' needs, of the markets, and of the compelling and ever tougher economic yardsticks. To find scientific-technical solutions that conform to such requirements one must have a fine technical knowledge, a profound understanding of political and economic contexts, and a clear political standpoint. That at once marks handles and tasks in the party organizations' political-ideological work. Party work should be very much concerned with providing the realization that any consideration shown for "weak" scientific-technical performance and insufficient economic results means, strictly speaking, lack of consideration for society. Only researchers and developers who work creatively with dedication and skill, have the courage for the new and for risks, are convinced of the need for cooperation with other scientific-technical disciplines and with production, and are capable of following that up, can guarantee top achievements. So as to keep shaping this basic position, this political responsibility, the managers and

party organizations in the most progressive combines see to it that the R&D facilities always again, in managerial awareness and self-critically, measure the results of their work against international top standards.

Ambitious Targets and Tasks

In conformity with the growing social requirements for the 1980's, which can be brought to realization only by a higher rate of economic growth, the elaboration of ambitious targets and tasks has become a key managerial issue in our scientific-technical work. The basis for it are central state leads, the saving of working hours, material and energy, and the quality improvements in products. Now it has been found that for long-term requirements, stable in their basic trend and flexible in detail, a high quality of basic knowledge is indispensable for scientific-technical work. This makes possible complex planning for effective innovator processes and for the reproduction process as such, on the requisite level. Determining the tasks no doubt is an extremely demanding scientific effort. After all, thoroughness and care in deciding which topic and which task are to be included in the science and technology plan go a long way toward ensuring the prospects of top achievements, avoiding mediocrity and minimizing risks. The care required implies close cooperation on every level that handles targets and requirements with the suppliers and users domestic and in CEMA member countries and with central and local state organs. Especially the exploration and consideration of future users' and market needs can hardly be overrated in their importance to the handling of R&D targets and requirements in our combines today.

Combines like Carl Zeiss Jena have worked out their required long-term leads through scientific-technical prognoses, research programs, product and cross-cut conceptions and developmental or intensification conceptions. Such documents increasingly take into account such new requirements and opportunities as the use of microelectronics and robot technology, higher production refinement and the production of high-grade consumer commodities. In a high-grade quality of such planning and decision documentation and the proper correlation between the targets and implementation conditions as to substance, time and methods, the managements find a crucial prerequisite for the ability of the combines to concentrate their funds and labor on the most efficient solutions and thus to arrive at internationally relevant peak achievements.

Targets planned can, in the interest of maximum efficiency, be realized only through cooperative work. Technical commissions for product groups or similar organizations have been found of benefit to this in some combines. Under the direction by the research chief of a given product group, the experts in the combine, the enterprise directors charged with producing the commodities, and representatives of the chief cooperation partner, domestic and foreign trade, and state organs and science institutions outside the combine work out and confer on the conception for the development and replacement of products and their most effective manufacture. In this they rely on data from scientific-technical prognoses and world standard comparisons, market and patent research, and the work of the market research groups. The knowledge gained from it and the objectives to be derived therefrom are periodically checked and supplemented. After the conception has been successfully defended before the general or enterprise director, the commissions see to it that it is taken care of expeditiously.

The most important knowledge to have come from the long-term planning and decision documentation is then used to prepare the commitment folders. They constitute a social mission for the subject collective. When they are so set down the decision is finally reached whether a top achievement in products, procedures and technologies that has a bearing on the most advanced international standards has in fact been achieved, been put on the market at the economically most favorable moment, and the long-term efficiency and quality requirements of the economy have thus been met. That makes it so important for the general directors and the combine and enterprise managements to attach the greatest value to the preparation of ambitious commitment folders. For that, of course, they have to have expertise and good judgment. For that purpose, a "science advisory council" for the general director has been found of use--as in the Werner Lamberz Polygraph Combine in Leipzig and the Microelectronics Combine in Erfurt. Representatives of the various science disciplines and practical experts through a debate point out possible consequences the scientific-technical developmental tendencies may have for the production in the combine and for satisfying users' needs.

Motivating Creativity and Initiative

What we need are passion and personal dedication for our thrust toward international top standards as needed by our economy: high-grade and highly refined products that get us good foreign exchange. That is the reason why more and more combine and enterprise managers, in close cooperation with the party, trade union and FDJ managements, pay the greatest attention to the motivation for high collective and personal creative achievements by those who work in R&D. They make it their personal business--as, e.g., in the Fritz Heckert machine tool combine in Karl-Marx-Stadt--to see to it that the basic conditions for inventive work and initiative are ensured and further developed. This manner of fully challenging their knowledge and skill and capability conforms with the interests and expectations of most of our researchers and developers and helps shape socialist modes of conduct. Young scientists deserve special attention here. They ought to be drawn into the solution of complicated tasks and be charged with responsibility much earlier in the game than is the case.

Effective material incentives and proper moral recognition are very important motivations. In advanced combines, the task-related merit bonus over and above the salary has become the main form of material incentives in R&D. Furthermore, the means of incentive available through plans are used as target bonuses to give special recognition for any outstanding creative achievement by top workers. Decisive for material incentives is that they are handled resolutely in accordance with the performance principle. Another important motivating factor, along with material recognition, is the experience of success, the joy and pride in that new, original ideas take shape materially in production when they conform, or in important field even are superior, to the technical-economic level of the competition on the world market and can become highly lucrative export items. These are all important impulses. Especially when there is added to the recognition within the enterprise a national and international recognition for personal creative achievement, it does a lot for motivation and points to the many forms of moral inducement and performance acknowledgement of which an effective use must be made.

Indispensable for developing creativity and initiative is systematic advanced training for the associates and managers in R&D. And so is their high-level political-ideological and technical training. How else could they be qualified, e.g., to apply microelectronics and robot technology fast and widely? But of course, an effective combination between science and production in the combines requires much that transcends even this: a new approach to vocational training, to the working people's training and advanced training, to a proper job and process related training well ahead of time and other things like that. If that is ignored, time is lost in the introduction of new and more efficient techniques and technologies that could certainly have been avoided.

Finally it is the work climate itself that releases motivating impulses. Maily creative debate and a progressive attitude toward new and novel ideas do a lot for creative activity. The work climate therefore must be marked always more by such factors as high criteria for one's own performance, willingness to take risks, pleasure in responsibility, comradely relations, readiness to cooperate in scientific work and open-mindedness for constructive criticism. The forming of such traits is effectively helped by socialist competition in the scientific-technical fields.

Important for such a work climate are the assigning of responsibilities and, above all, a confidence in the dedication and capability of the R&D personnel. They must sense at all times that the general director, the enterprise director and the party secretary will listen to them and help them in coping with complicated situations.

The Forming of the Scientific-Technical Potential

To combine science with production more closely in the combine, we must effectively structure and form the scientific-technical potential in qualitative and quantitative respects. The economic outcome largely depends on proper proportions as between basic research, applied research, development, technology, project planning, tool, model and experimental design, on there being pilot plants, testing or reliability laboratories, all the way to effficient capacities for a branch-specific construction of means of rationalization and their own construction department. That increasingly suggests the further development of cooperation among scientific-technical institutions in the GDR, the USSR and other socialist countries. The scope and suitable structure of the scientific-technical potential are clearly determined by the tasks that have to be solved. Consequently, there are improvements being made in the combines at present mainly showing the following trends:

--Basic research, the source and impulse for highly efficient innovations, is being strengthened. Depending on the specific requirements for product and procedural development, and for the reproduction conditions as such, the combines are building their own capacities for a targeted and application-oriented basic research. In the Carl Zeiss Jena Combine they have come to realize that they have to invest circa 10 percent of their research capacity in their own basic research.

--Technological research and technological work as such is being raised to the requisite level--as is done particularly in the Herbert Warnke Conversion Technology Combine in Erfurt. Implementing the requirements for science and technology in the combines, the rapid and broad application of microelectronics and robot techniques, and the enhanced refinement of output compellingly demand new technologies and, connected with it, a more efficient production organization. Proceeding from a technological concept, the further development and expansion of technological centers is being pushed in a number of combines. Their job is to prepare the technological lead through a division of labor and in a coordinated fashion, help ensure the material-technical conditions for a rapid and extensive application of highly productive technologies and procedures, and assist the combine enterprises in introducing them.

--Capacities in machine tool and model construction, in testing and in the construction of means of rationalization on their own are being quantitatively and, above all, qualitatively further developed. To emphasize but two aspects: For the marketability of our products, keeping the development time frame as brief as possible, thorough testing is highly important. That is why the combines--the chemical plant construction combine of Leipzig-Grimma among them--are starting to set up reliability laboratories. They make possible spotting quality problems in good time and putting mature solutions into production. Qualitatively new demands arise for their own construction of means of rationalization. This must produce important parameters for a rapid application of microelectronics and robot techniques, for modernizing the basic assets available and for ensuring spare part distribution.

Fully boosting the capacity of the combines and their enterprises above and beyond the customary measure--especially by effectively combining science with production--will bring it about for us to be able to make more and better end products available for public supplies, the economy and export that brings us much foreign exchange.

FOOTNOTES

1. Comrade Erich Honecker, "Bericht des Zentralkomitees der Sozialistischen Einheitspartei Deutschlands an den X. Parteitag der SED" (SED Central Committee Report to the 10th SED Congress), Dietz publishing house, Berlin, 1981, p 50.

2. Ibid., p 79.

3. Guenter Mittag, "Kombinate im Kampf um die Durchfuehrung der oekonomischen Strategie des X. Parteitages" (Combines in the Struggle for the Implementation of the Economic Strategy of the 10th Party Congress), Dietz publishing house, Berlin, 1981, p 36.

4. Ibid., p 37.

## Problem of Worker Displacement

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['The Topic' feature article by Dr Egon Heusing, engineer, operations director, VEB Robotron Accounting Machines Plant, Karl-Marx-Stadt: "Demands Posed by Microelectronics"]

[Text] How do advanced combine enterprises solve the demanding tasks resulting from the introduction of microelectronics in the production process? How is the creative potential of the entire enterprise collective put into effect? How can the advantages of socialism in the process of the scientific-technical revolution be translated into increasing efficiency in everyday work? These questions are answered with reference to the VEB Robotron Accounting Machines Plant, Karl-Marx-Stadt.

VEB Robotron Accounting Machines Plant, Karl-Marx-Stadt

--The republic's largest producer of accounting machines and automated machines and ADP devices with 8,800 working people.

--The plant is among the first major users of microelectronics in the GDR. The proportion of electronic products rose from 2.7 percent in 1974 to 58 percent in 1981.

--By 1980 as many as 84 industrial robots were in use. By 1985, as many as 386 industrial robots are scheduled to be in use.

--The production value of means of rationalization was boosted from M 178,000 in 1971 to M 4 million in 1980.

--Since 1976, 900 jobs are annually reorganized or newly organized.

--The plant was awarded the banner of merit by the SED Central Committee in preparation for the 10th party congress. In 1981 it was awarded the distinction of "enterprise of exemplary order and safety."

From the accelerated development, production and application of microelectronics, profound influences emanate on the further shaping of the reproduction process in the combines and the entire economy, indeed on all public domains and the everyday life of the people. It will change the nature of many jobs. It will largely release men from monotonous routine, put data and control processes under machine control and processing, make public information and communication processes more

efficient, improve labor organization and, not last, become an indispensable aid for skilled management and planning of the modern production process.

Microelectronics is at present the highest form of refinement for materials and raw material. It acts as impulse for scientific-technical progress and facilitates raitonalization effects at unprecedented economic magnitudes. But achievement comes before success. To release all the effects of microelectronics we must everywhere meet the demands made on development, production and application.

The VEB Robotron Accounting Machines Plant, Karl-Marx-Stadt--an enterprise which previously produced primarily mechanical office machinery--had to find, when microelectronics came in, new ways in R&D, production organization, technology and training, in all areas of the reproduction process, in other words. This conversion process, which started in our enterprise with the development of the 1840 minidataprocessing installation, was given long-term and systematic preparation and organization. It confronts us with the question of what effect microelectronics has on changing the substance of labor, so that we can draw the correct inferences from it for its future structuring and organization and, at once, take into account and direct onto the proper tracks all social consequences of those changes.

It is evident that the technical changes of the new products fundamentally alter the labor processes out of which these products come as well as those to which they will ultimately be applied. In our enterprise, focusing on the use of microelectronics in our products, the scope and substance of labor tasks therefore have been and are being increasingly modified. That becomes visible by the sequence of specific operations and is tied up with the use of novel means of rationalization all the way to producing complex automation solutions for complete sets of components or flexible processing systems.

Labor training and permanent advanced training are under such condition of special importance. We must carefully examine which modifications are necessary and take the requisite measures for them in good time. How important it is to consider far-reaching decisions carefully became especially clear in our enterprise when the question was raised whether or not ADP and accounting machine mechanics had enough training to cope with the new labor processes. Dropping our original ideas, we eventually came to the realization--which has now been corroborated by practical experience--that the application of microelectronics does not change what ADP and accounting machine mechanics have to do so much that they should have to be replaced by, say, electronics specialists. What is necessary instead is to provide for a correlation of the tasks the technicians and electronics specialists have in the production process so that a seamless transition is made possible, say, between assembly and testing. For that purpose one has also revised all the training documentation and the occupational profiles of the ADP and accounting machine technicians. When we compared the ways in which devices in our traditional production (e.g. an electromechanical automated accounting machine) and a device in our new production (such as an ADP device) typical of the output in our enterprise are put together, we found that the type and number of tasks involved were more or less the same but the intellectual-creative component in the work increased the more complicated the work became. That calls for a higher level of training, of course, because none but specialization qualifications can cope with the production of new products.

An example using two comparable tasks with the devices in our old and new inventory referred to may illustrate that:

--The assembly and adjustment of the BG Kl. 170 device we used formerly, with its highly repetitive cycles, demanded a great number of specialized manipulations (precision engine). The tools were mainly simple manual mechanical tools and scale embodiments (end measure and other gauges), used for installing mechanical components, functional adjustments or the correction of errors when tolerances were disregarded.

--The comparable testing and operation of the ADP device 1370 in our new inventory are, by contrast, marked by a low degree of repetition in the cycles but call for much more attention in measurements and controls. The tools that have to be used are much more complicated: the BUS analyzer, digital voltmeters and universal counters, needed for controlling the measuring points, analyzing the specification tables, and for data for repair.

Not only on the basis of the example given but also due to the analysis of our whole conversion process thus far in our enterprise it may be said: the application of microelectronics calls for a much higher degree of creativity and innovator spirit than did our old inventory, for higher qualifications and for an absolute determination to get more training in fundamental technical matters and acquire new knowledge and skills.

That up to now nearly all 1,700 college and technical school personnel and circa 4,800 out of 9,500 specialists have come to face the new demands of microelectronics was possible only because state management, the trade union and the enterprise party organization, relying on a thorough analysis and clear conception, have always made great efforts to have this task understood. Those efforts also take account of the fact that an individual may run into difficulties and burdens during the conversion period and take for granted that the process that goes on is not without problems.

So it has not yet been possible, for example, to find for all working people who faced these above-average training requirements and learned a second trade at once the kind of jobs that would be in line with such higher skills. Some of them temporarily are still assigned to simple and even at times monotonous jobs such as the mounting of conducter systems. From that one must derive all the more of an obligation for the managers, under party organization leadership, to consider further progressive changes and use, even while doing so, the higher skill level that has been created. What counts in any concrete case is to make these projects more effective through rationalization, to automate them or enrich the substance of labor through changing the technology and the labor organization. Here on finds that the use of industrial robots definitely makes for higher manpower skills and their application to obtaining optimum economic benefits. For that reason we look at the application projects in this technology that are scheduled up to 1985 as a demanding task resulting from the concrete conditions of the reproduction process, its rational organization and the effective us of our high training and education level.

For any socialist manager it must become a matter of standard procedure to cope with the penetrating changes in the enterprise production profile and with the specific ideological, economic, organizational and social tasks as they intertwine when the new devices are brought into production, and that, in particular, also includes those tasks that arise from the requisite displacement of manpower in the process of socialist rationalization. One can with certainty expect problems where this process fails to be prepared and implemented together with the working people and ignores their personal problems and interests. In turn, one can rely on the participation and understanding of the working people wherever they are convinced of the need for the changes and made aware of their political and economic importance, where they are prudently shown the future developments, by means of sensitive conversations, where they are instructed about how such developments will proceed and the social problems of the individual are included in these considerations. In our enterprise we have found it most useful to find out how much the working people are interested in their new jobs even before they get trained for them and to use great care while preparing new solutions for harmonizing as best possible the interests of the individual with those of the enterprise and of society. For that, we think it is imperative

--to make the best possible use of the working people's knowledge, skills and experiences;

--to inform the working people concerned about their new field of labor and their new jobs, the working methods, the composition of the collective and their further occupational developmental opportunities; and

--to conclude training contracts with the working people for their new labor tasks and to set down their wage rates while they are in training or are working themselves in.

Our experiences have confirmed that the modifications tied up with our production conversion were smoothest and most successful where we managed to establish conformity between the demand level of labor and the qualification level, between existing skills and the wage or salary group, and between the learned trade and the job one actually performs. We have also found that we must pay special attention to making our performance-oriented wage policy prevail. So we must always abide by the principle that assuming a more demanding job that calls for higher training has to crystallize in a commensurate pay-rate classification. In the outcome of the changes in our labor qualifications in our enterprise in the last 3 years, the demands made on the working people have increased so much that no one any longer works in wage group 3, the proportion of working people in wage group 4 has dropped by 10 percent, and the number of working people in higher wage groups increased accordingly.

The penetrating conversion process in our enterprise was carried out on the basis of a careful analysis of all jobs for which changes were in the wind. Included in our surveys were the working people's current qualifications, their activity, and their age and wage structure. But also matters concerning family situations, such as the number of children to be taken care of at home, must always receive careful attention in our enterprise where women make up 45 percent of the work force.

Only when the managers knew all that could they get a realistic idea of the training demands that could be placed on the individuals. If that is established, one can count on the participation by all of them and on their applying their experience to the success of the overall project. That is demonstrated by the example of the competition objective of the Werner Seelenbinder brigade: each of the 25 members of the brigade submitted his own contribution to the analysis of the technological process and the preparation of a scientific labor organization study, in the outcome of which the planned saving of working hours rose from 2,800 to 6,400. Thus, by raising the degree of automation from 50 to 60 percent and reducing manual work to as low as 15 percent, four workers could be released and made available for work in prototype constructions. The basic prerequisite was to train the brigade members in accordance with the existing training program in the enterprise as required by their new jobs and increase their versatility. The brigade members furthermore adopted the goal to reduce production consumption to 12 percent below their plan task and account for it in their budgetary obligations.

Experiences gained confirm as a necessary requirement this long-term steady training and information for the working people and their active involvement in the organization of the new processes. Advanced training has to be adapted purposefully and systematically to the speed in our development. This makes long-term personnel and training programs all the more important.

Our coping with this complicated process up to now shows how under the leadership of the enterprise party organization, in concert with enterprise management, an atmosphere can be created through the participation by all working people which can spread creative work toward a more definitive use of the advantages of socialism.

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## ENGINEERS DISCUSS PROBLEMS IN INTRODUCING INDUSTRIAL ROBOTS

### Improved Basic Research Essential

East Berlin SPECTRUM in German No 11, Nov 81 pp 2-5

[Article by Prof Volker Kempe, director, Central Institute for Cybernetics and Information Science: "Industrial Robots--Status and Long-Range Outlook of Research"]

[Text] According to recent data, by the end of this year 100,000 industrial robots will be in use in Japan. Of this number, more than 21,000 were purchased in 1980. Even two years ago, Even two years ago, the number of industrial robots in the world was stated as somewhat more than 30,000. The prognoses of that time have long been outdated by developments.

The rapid tempo of robot engineering is reflected in the objectives of our Republic. At the beginning of 1980, the use of about 6000 industrial robots was specified for the five-year plan. At the end of 1980, this goal rose to 10,000; the 10th Party Congress set the goal of replacing about 112,000 workers with around 45,000 industrial robots by 1985. Production and employment of these industrial robots are essentially borken down to the individual combines. Industrial robots serve to assure economic growth of 6 percent in our Republic. They are a component of the general strategy of refinement of policy under the changing conditions of the 1980s.

The Ministerial Council recently established a definition of the term industrial robot which is the same as the international standard. Accordingly, robots are not only freely programmable in several movement axes, with graspers or work organs on automated handling devices. We now count all devices used for independent handling of workpieces and tools for automation of main and secondary processes having the goal of releasing the labor force. Their axes of motion must be programmable. Accoridng to this definition, at the beginning of 1981 in the GDR there were more than 4500 industrial robots in use. This number clearly shows the necessity of correcting the initial objective.

Industrial robots should increase the level of automation in the entire economy. Robot engineering thus requires an analysis of all production and handling processes--especially in industry, but also in agriculture and forestry, construction, postal and communications services, in business, human services and health care. In order to meet the goal of the 10th Party Congress, problems similar to the use of microelectronics have to be overcome in the factories and combines. Development,

production and user groups in the districts are performing excellently in the organization of production and in preparations for the use of robots. They and other panels like the Central Working Group on Industrial Robots, have contributed to preparations on centralized decisions, performed an analysis and evaluation of the national and international status, worked out effectivity criteria, oriented research and promoted the coordination of development. Not least, they serve for a valuable exchange of experiences.

The central solution to the delivery problem, e.g. for drive mechanisms, special transmissions, sensors and controls is important for future work. Electrical engineering and electronics take precedence here. It is often forgotten that the cost fraction of electronic and electrical components make up 60 percent of the cost of an industrial robot.

An enormous problem for our economy and for universities and academies is the qualification of directors, workers, technicians, assembly-line workers. Preparations for the use of the new aggregates require extensive knowledge of the potentials and economic effects of robot technology. It requires the ability to analyze control algorithms, to master programming, to optimize the technological process under inclusion of the "intelligent" machines. In this qualification process, many industrial combines have made rapid progress in the last two years. I sometimes have the impression that in the academy, a similar, broad understanding among many directors is missing. To be sure, the progress in the development and use of robots has been proclaimed in radio and press. Nonetheless, it seems to me that the tremendous efforts behind this are largely unknown and not understood.

## The Known Three S

In the USSR a central, state management for the production and use of industrial robots has proven useful by means of the State Planning Commission and the State Committee for Economics and Technology. At present, about 30 institutes in the Soviet Union are working on robot research. They developed about 200 modifications of industrial robots, almost entirely of the first generation. The most important types are being produced. Main uses are in machine building, timing industry, optics and ceramics. Japan--the country with the greatest number of robots--has a state promoted research program which combines the efforts of many universities and industries. The practical success of the Japanese has not been attained primarily through a concentration on research on second and third generation robots--Japan has a leading position in this area of research--rather, it is due to the most effective utilization of manipulators, robots with a high degree of standardization, through specialization and use of the simplest solution variants, that is, by using the known three S: standardization, specialization and simplification.

## Highly Intelligent Generation

Internationally there are still no robots with complex, pronounced characteristics of the third generation. True, flexible manipulators are linked with high-performance computers in the laboratory and the essential behavior of third generation industrial robots is being simulated. Such robots are distinguished by rational reaction to unforseen or unprogrammable situations, by a learning ability and the needed situation recognition, and by simple teaching potentials to a high language

level. Some individual robots have reached a level which permits their economic use and they will make an appearance in the immediate future.

Second generation industrial robots are a e to adapt a programmed work sequence to the real situation, within certain limits. They have available a highly-developed sensory system and simplified programming. This generation is already moving into various areas like welding, spray-painting, assembly. It is being emphasized in international research today. Research on the complex use of robots of first and second generation in automated production steps including their optimization, is equally important. The goal is a complex rationalization with multi-robot systems.

A Real Vision of the Future

From this it is visible that industrial robots of the third generation are still in the future. But just for that reason, are preliminary results on artificial intelligence, on information processing, on discrete mathematics and mechanics urgently needed. They create the prerequisites for the development of such robots. We are dealing here with genuine basic research. Robots of the third generation at a reasonable price are closely connected with the effective use and mastery of design, and with the production of highly-integrated microelectronic circuits (VLSI). This is also the reason why the broad use of third generation robots is not expected until after 1985. The technical literature presently gives this schedule for 1990.

The developmemt line set by the 10th Party Congress on the use of industrial robots of the third generation is thus an exceptionally difficult task of a very complex nature. The time horizon will extend beyond the five-year plan and will require our best efforts. The main effect on use of robots in this five-year plan consists in the robotizing of production steps. The use of robots of the first and second generation--beginning around 1982/83--will remain in the foreground.

Waiting for the Super-Robot?

Our research must be able to meet this objective and the requirement of long-term lead for robots of the third generation. A one-sided orientation toward a super-robot would be wrong. It is important in this regard to warn against unrealistic preconceptions: Many persons are inclined to interpret the development line set by the 10th Party Congress--flexible automation solution using robots of third generation with fully integrated measuring and control mechanisms--schematically and one-sidedly. There are some administrators who are today promoting the third-generation robot. It would not be useful to begin its use prematurely.

In our republic, universities and the Academy of Sciences of the GDR are performing basic research and much applied research. The research work is being coordinated in a complex research task. In preparation for the 10th Party Congress, the design of the basic research in the area of robot engineering was revised and the Central Working Group on Industrial Robots was so advised. We attained a thorough orientation with emphasis of R & D on robots with a strict coordination with our most important industrial partners.

The Technical University at Karl-Marx-Stadt, the Technical University of Dresden and the Academy of Sciences developed into Centers for Robot Research in the GDR. Some engineering universities like the one in Zwickau and Mittweida provided important contributions. A total of nine universities, institutes and engineering schools are participating in the complex research task. In spite of considerable research capacities, the research tasks and industrial partnership could be more concise while coordinated, complex development and useage goals of industry simplify the effectiveness and orientation of the research.

Within the Academy, the working group "industrial robots" has been at work since the first half of 1980. It fine tunes the research tasks of cooperating institutes and coordinates them. The emphasis of basic research at the academy is on:

--Sensor systems with processing of sensor information for the control, and

--Control and teaching, including dynamic mechanical models.

For the applied research there result two objectives:

--Control methods and instruction for sensory robots, including processing of sensory information, e.g. with image character, must be worked out. Results should go into production after 1984; partial results, like picture recognition, will be used much earlier. By 1983 a series of sample solutions for robots of the second generation will be completed.

--The second goal is the scientific prototype for high intelligence robots which can act in partly indeterminable conditions. This research will open up new areas for robot engineering by 1985 and create the foundation for the development of third-generation industrial robots. Naturally, the area of robot research at our academy is not completely new. Some research subjects go back some years. Recently for example, our institute successfully defended a state plan on image recognition by industrial robots before representatives of industry and research. In our research area we are linked with the advancing international status, which is to be expanded.

Some physical institutes, especailly the Central Institute for Nuclear Research, have made important contributions to the development of sensors. Overall, the potentials of the physical institutes do not seem to me to be exhausted. Simple and low-cost sensors with robot-specific information processing, methods for positioning in space, including accurate and inexpensive distance measurement, force and moment sensors with adaptability features, and automated, high-precision quality measurement methods are urgently needed. The emphasis should be on the complete process and less on the individual sensor.

I am convinced that an intensive and target-oriented discussion with robotics engineers would open up many additional contributions by our academic institute. The cooperation with those institutes in the working group "industrial robots," which are not participating at present on robot research, could be the first step in deriving such additional contributions.

Engineering for Robots

Important for the transfer of research results is an experimental field for industrial robots; an engineering area operated jointly with industry, as empowered by the academy president in his discussion at the 10th Party Congress. Thus, we could examine concrete scientific results jointly for their potential uses, prepare real employment of the results, generate software and derive development requirements for the producing firms.

## Expense, Inefficiency Cited

East Berlin SPECTRUM in German No 11, Nov 81 pp 8-11

[Roundtable discussion, recorded by Utz Hoffmann, with research and enterprise engineers Dr Werner Gessler, responsible for procedures in introducing industrial robots, VEB SKET (Ernst Thaelmann Heavy Machine-building Combine), Magdeburg; Gero von Lenski, main department chief for industrial robot development, VEB BWF (Machine-Tool Factory, Berlin); Dr Manfred Schwandtke, director for research and development, VEB ZIM (Central Engineering Enterprise for Metallurgy); and Dr Gerd Stanke, chief, 'Artificial Intelligence' research group, ZKI (Central Institute for Cybernetics and Information Science): "Robots in Practice"]

> [Text] Robots weld and grind, they cut, drill, mill, spray and transport. But this alone does not make them universally profitable--expensive as they are. Scientists from Research and Production are trying to give the "steel workers" additional abilities. It is supposed to learn, understand its environment by taste and vision and take over auxiliary work independently. But the robot, too, has its requirements. When grafted to existing technology, it brings little success. Only "robot-friendly" assembly lines make it effective. Often both the technology and the end product itself are changed. Our conversation shows how complicated these problems are for research and practice.

SPECTRUM: In the GDR about 45,000 industrial robots are to be produced by 1985. What will this mean for your operations?

von Lenski: This number will have more meaning if we break it down to the individual economic areas in accord with the definition of robot engineering. In the area of the Ministry for Machine Tools and Heavy Machinery, 9000 industrial robots are to be produced. There is a requirement to use 4000 of these robots ourselves. This is one source for meeting the state demand. At the same time, it is obvious that universal equipment must be centrally produced. Then the users can concentrate on the employment of industrial robots.

Dr Schwandtke: In the industrial area of ore mining, metallurgy and potash, 2000 industrial robots are to be in use by 1985. Up to 67 percent of these will be simple, process-specific robots. Optimization equipment construction units can be useful here. However, the process-flexible robots will be centrally produced since this would overtax the firms. But for the long term, we must produce the assemblies for simple robots centrally as well. Only then can the user put together very profitable robots according to his needs.

Dr Gessler: I think that the numbers should not surprise us. The SKET has a plan for 297 robots by 1985. We broke down the increase to the individual years to 1985 and set up appropriate scheduling. This is always a matter of handling the total process. We already have applications where whole assemblies are produced for use with robots.

SPECTRUM: So central production and local optimization equipment building must run in parallel. What problems will this cause for an academic institute?

Dr Stanke: Basic research needs powerful central partners with their own research and development capacity. In our work on sensor engineering and image recognition, we have had three industrial partners, and it is difficult to concentrate on specific tasks. We are now working out the prototype for the second and third generation of robots. For our partner it will be very difficult to produce robots in large numbers and simultaneously cooperate in refinements and new developments. This is an area for planned work division. Each one should do that which he does best, but in such a manner that the effect will promote the total program.

SPECTRUM: Experiences with microelectronics and computers seem to be the father of all this. The word "assemblies" has already come up. Would it be useful to standardize individual assemblies for the numerous users and producers?

von Lenski: This is being examined by the Agency for Standardization, Material and Goods Testing (ASMW). We just had a discussion on standardization of grasper systems. The ORSTA Hydraulics combine will produce hydraulic assemblies for linear and traversing motions in the prefabricated parts assembly method. The optimication equipment construction can then use simple solution variants. But before standardization, a high reliability of assemblies is important to us.

Dr Stanke: Even the building of our own controls takes a great effort. The developed, universal robot controls are very expensive; they can only be used with process-flexible robots. For the expected 30,000 process-specific robots, we need a modular system of controls. The area of electronics/ electrical engineering must feel highly taxed by this. Previously, almost very university or firm had put together, with immense effort, its own control, since there were no modules available.

SPECTRUM: The president of the academy, Prof Scheler, at the 10th Party Congress, spoke about the establishment of a joint technical center. How far has this project progressed?

Dr Schwandtke: It is moving along well. Last week, we signed an agreement for this center. Academic Combine, "7 October," and ZIM are working out a frame program. With the articulated robot ZIM 10 we now intend to have joint testing of the most different types of application, to develop sensors for robots of the second generation and to prepare information on overall dynamics.

Dr Stanke: Naturally, such a technical center has other tasks. Representative uses have to be documented and users trained. Investigations on the control of automated production sections, on improving the mass/performance ratio and reliability are needed. The spectrum is large; we intend to be a part of this, down to the final product ready for practical use. The work prerequisites prepared by ZIM are indicative of a good start.

SPECTRUM: How can requirements of industry and the potentials of the academy be linked in this type of project?

Dr Schwandtke: The Technical Center fulfills a real need. In recent years we had to come up with pragmatic results, since we needed robots in order to collect some initial, practical experience. The basic research was insufficient then, so that the need to compensate arose. Today, we urgently need prototypes in order to reduce the exceptionally large expense for the periphery of the robot. We will surely not solve any daily problems of production. However, the center will open before ten years. We expect important results by 1985.

Dr Gessler: SKET is also happy about the cooperation between industry and the academy. We are still testing a robot IR2 with a new control, under our conditions with the BWF and the State Numerics Combine. These robots charge several turning machines in small to medium-series production. We could have saved a lot of time and effort if a final solution had been offered; thus we too, are interested in a prototype which we can use directly. You must never forget: All work with us is running under production conditions. Old turning machines are to be prepared for the use of robots. So many problems are coming up that we often do not reach the desired utilization of 16 hours per calender day. It would be ideal for us to take the robot out of the "tooling task" depending on the output, and to set it to the necessary machine according to need. But this flexibility is still in the future.

von Lenski: Our refined and new developed machine tools will be designed with robots in mind. But older machines must be modified so that they can be used with a robot in the combines. Many partial solutions to the problem of robot use are not yet in. We lack monitoring and orientation equipment for the robots; the robot cannot communicate with his environment. But the main problem of manufacturers and users is the constant meeting of the daily production quota. The technical center will certainly help to increase the effectiveness in feeding machine tools. Testing of the end product, deburring, washing and preserving the workpiece could be other jobs to be taken over by robots.

Dr Gessler: We would get by with first generation robots if we succeeded in answering questions of quality control. Just one simple example: It would be desirable to check the turning tool after a certain number of jobs. The use of robots will only be really economical when we have low-maintenance production segments in our firm.

Dr Stanke: This last part should be emphasized. As a contribution to this, we are working together with the "Fritz Heckert" Machine Tool Combine on a method for visual control of cutting tools. Other problems of visual inspection are porcelain sorting, monitoring of textile production, control of tiles and lightbulbs down to automatic fruit sorting.

SPECTRUM: It is expensive and energy-intensive to produce and use robots. Is there yet a design for their economical use?

Dr Schwandtke: The demand for machine tools is very great. Conversely, they are not fully utilized. Often there is a lack of labor force, sometimes continual jobs in very large lots. This problem can only be solved when a robot charges five machines for instance, and thus releases four laborers.

von Lenski: But we must note that a worker today often controls three or four NC machines. Transferring this job to a robot is too complicated. Thus, it is difficult to achieve economic effects. Thus, the robot must also execute secondary functions. And let's not forget that the robot is supposed to perform particularly hard heavy work under poor conditions. This cannot be a matter of the economy alone, since this is a social matter for the state. Nevertheless, we must naturally try to release laborers in order to use the existing equipment on three shifts.

Dr Stanke: It is not the robot in itself which brings the benefit but a high-productivity production lane. It is important to develop some practical examples of this in the GDR.

Dr Gessler: With regard to an economic evaluation we are proceeding from the savings of reduced labor caused by use of the machine. This savings is not just in wages. The economic use of industrial robots will surely be easier to understand here. For each firm, the quotient of investment to goods production is decisive. It should be 1.4 and we are striving for this goal.

Dr Schwandtke: Present amortization times are too long. We intend to reduce expenses for our robots by 30 percent. But we must also recall that in a few years there will be no workforce for many jobs. This is where the robot will find its place.

SPECTRUM: This certainly applies for heavy, physical labor. But how will robots be qualified for general use?

Dr Stanke: Qualification requirements can be increased, but also drop over the short-term. If we ask about economic and social effects of the use of robots, then the social scientists at our academy should be consulted. There are international investigations, but none for the quite specific conditions in our republic. The social scientists, especially economists, must participate with technologists in this decision-making in order to determine clearly under what economic and social viewpoints the use of robots is necessary and expedient. In the Working Union on Industrial Robots directed by Prof Kempe at the AdW [Academy of Science], the sphere of social science has not been represented.

Dr Gessler: In our firm, where the first robot was used, the concept of "job killer"--borrowed from the West--was heard. We explained in advance how the replaced workers would be used; we tried to harmonize personal and societal interests. Only in this manner was the "fellow robot" greeted in the plant.

von Lenski: Nevertheless, in the first phase of robot use, it can happen that the technical worker is undertaxed. This also occurs for other jobs. If we use sensors having the complicated technology of second and third generation robots in the plant, this question will become more important. Even given the conditions in our society, a qualified technician will have to expect that in a few years, a robot may take over his job. The answers can only be complex.

SPECTRUM: But shouldn't high technology make it possible for the technician to communicate with the robot?

Dr Stanke: With the development of sensors, we hope to contribute toward simplifying the handling of robots. The teaching technique must be made simpler and like existing technical language. It should have a form familiar to the robot operator. Work on this is underway at our institute and internationally.

Dr Schwandtke: I would like to call this a user software packet. "Teach-in" is a frequently heard description. But this is not applicable everywhere. For example, we have four robots in the complex. They take 120 different semifinished goods between 6 and 12 m long from a profiler machine and stack them according to various programs. In the teach-in method, this would be impossible. Here, the processes must operate by an algorithm, a task for methematicians who are used to thinking in this manner. Now the operator only need set the length and profile. Everything else is done by the computer and it feeds the instructions to the manipulators.

von Lenski: It is indespensible that the builder be able to have dialog with the machine. Even for machine tools, this tendency is seen. Internationally, CNC machines are offered almost exclusively which the builder programs in situ.

Thus, time-consuming preparation and programming work is eliminated. Here again, the man is overtaxed in conversation with the machine. A negation of the negation--the technician works with a new thing at his old jobsite.

SPECTRUM: How will future users of industrial robots prepare for this new technology?

von Lenski: We are organizing training courses jointly with the suppliers of controls. The territorial organizations are providing aid for the use of robots. In Berlin, this is the Development, Production and User Union (EPAG) directed by the "7 October" combine. Also note the establishment of a central data bank for the use of industrial robots.

Dr Schwandtke: We endeavored to use at least one robot in each plant and to form a team around it. These "nests" are then to help other groups to prepare for the problems of robot use.

Dr Gessler: Magdeburg also has a territorial cooperation between science and production. We are jointly training cadre and preparing for the use of robots in the production of household furnaces.

Dr Stanke: The academy is also participating. We are advising industry through a consultation unit on image recognition for industrial robots and on visual inspection. At the beginning of 1982, we intend to organize an initial, users conference.

[figure captions, in order of their appearance]

Automatic transport chain in the Erfurt Shaping Combine. A charging robot moves large machine parts to the processing machines.

Teacher and students prepare the use of a charging robot in the Engineering University of Zwickau, for the Sachsenring Plant.

A lathe operator of the Leipzig turning machine plant programs the industrial robots for the next shift.

Studies on the R6 robot at the Central Institute for Welding Mechanics, Halle. Here: An attempt at sensor-controlled fillet welding.

The work of the ZKI on image recognition is successful. With a visual image recognition unit, typewriter parts were successfully classified and their location determined. In one research test, the image recognition unit was linked to a PHM 4 robot of the State Robotron combine for an assembly task (see also second title).

Practical example of a charging robot. Here, the clothing worker aligns a sewing robot in the State Clothing Works, Lossnitz.

An IR2 robot in the BWF Marzahn takes parts from pallets and moves them into the clamping device of an NC turning machine.

Series production of the charging robot IR2 S2 in the BWF Marzahn.

In the future, this manipulator will be equipped with three programmable axes. Here: the test stand.

An electrician wiring the robot IR2 S2 in its final assembly in the BWF.

9280
CSO: 2300/107

## BRIEFS

PLANNED LIVESTOCK INCREASES--To permit a 1-2 percent increase in domestic consumption of protein-rich foods plus greater export of animal products, livestock breeding as well as crop production must expand this year. The 1982 plan calls for a 2-2.5 percent increase in livestock breeding as compared to 1981. Despite a continuing decline in the number of cows raised privately, the horned cattle herd is to remain at approximately the level of last year. To achieve this goal the large farms will have to make great efforts to enlarge their herds of dairy cattle and improve production of milk and beef cattle. Although it has been estimated that the herd of cows will remain at 765,000 head by the end of the year, milk production is supposed to increase by 40 million liters. The economy is counting on 625 million liters of milk from the combined herds of the coops and the private sector. Raising of beef cattle, under economic conditions more favorable than last year, is to increase from 320,000 to 326,000 tons. Last year there was a substantial increase in the number of hogs as well as poultry. The advance in hog raising is to be maintained and increased by 2 percent. Poultry breeders are expected to increase their gross value of production, calculated in fixed prices, by 500 million forints; they must also adjust to market demand more flexibly. Egg production is to increase by over 2 percent. As compared to 1981, a 3,000 ton increase in breeding of slaughter rabbits is expected. The herd of sheep is to increase by 120,000 head including 80,000 more ewes. [Text] [Budapest NEPSZABADSAG in Hungarian 26 Jan 82 p 1]

CSO: 2500/126

BARTOSZEWICZ-MONKIEWICZ BOOK ON POLISH FOREIGN TRADE REVIEWED

Warsaw SPRAWY MIEDZYNARODOWE in Polish No 6, Jun 81 pp 144-145

[Review by A.Z. of book TENDENCJE I PERSPEKTYWY POLSKIEGO HANDLU ZAGRANICZNEGO [Tendencies and Perspectives in Polish Foreign Trade] by Tomasz Bartoszewicz and Jan Monkiewicz, Wydawnictwo Interpress, Warsaw, 1980, 142 pages]

[Text] The authors have presented in synthetic fashion the most important tendencies in Polish foreign trade and perspectives of its development over the next few years. In the first chapter the authors discuss the assumptions behind and the practice of implementing the principle of state monopoly on foreign trade, the place and role of foreign trade enterprises, and the foreign trade management system. The second chapter covers the role of foreign trade in Poland's national economy, and above all its place in the country's socio-economic development strategy. The final three chapters comprise data from the sphere of Polish trade with individual socialist countries, integration within the CEMA framework (prospects for trade exchange are also indicated here), as well as trade with developed capitalist countries and with developing countries.

The authors' basic conclusion is that Poland's foreign trade entered a qualitatively new stage of development in the 1970's, although various obstacles and limitations can periodically impede the implementation of new trade functions. However, the authors further assert that in the long run the direction of the changes which have been initiated is irreversible, and that the upcoming years will bring a further increase in Poland's share in the international division of labor.

CSO: 2600/301

COOPERATION WITH BRITISH IN AIRCRAFT CONSTRUCTION

Rome AVIAZIONE in Italian Nov 81 p 736

[Article: "The Romanian One-Eleven Program Is Underway"]

[Text] The Romanian aeronautical industry has launched the program for the construction, on license, of the BAC One-Eleven, series 550. The tested medium-to-short range twin jet aircraft will be constructed at a factory in the vicinity of Baneasa Airport in Bucharest. The "roll out" and the first flight of the Rombac One Eleven, series 550 (this is the name of the Romanian version of the plane) are scheduled for the Spring of 1982. The Rombac 1-11, offered in 86, 104, and 119-passenger versions, maintains almost unchanged the characteristics of the English model and it is propelled by two traditional turbofan Rolls-Royce Spey 512-14 DW engines with very low consumption which respond to the requirements of ICAO annex 16 since they use effective silencers without having a negative effect on the services.

According to officials in the National Center of the Romanian Aeronautical Industry, the Rombac program represents one of the major transfers of advanced aeronautical technology and is of essential importance for the long term industrial and economic plans of the Socialist Republic of Romania. The Rombac program, which is currently administered by the National Center of the Romanian Aeronautical Industry, originated with the order of three airplanes from British Aerospace in order to initiate the adaptation of the equipment for production. Next, an order for parts for 22 airplanes in seven lots will complete the industrial transformation during 1986. Then, the production of complete aircraft in Romania will continue in accordance with market demands up to 1990. About half the scheduled production will be intended for the domestic market (the first airplane will go to TAROM, the Romanian government airlines, which already uses BAC 1-11) while the rest of the planes will be sold on foreign markets with prior approval of the British Civil Aeronautics Agency. Moreover, always in accordance with contract agreements, the first of these orders (which provide for the development of three parts of the fusillage, the wings and other important components) was completed in April of this year.

However, it should be mentioned that other units of the National Center of the Romanian Aeronautical Industry in Bacau, Craiova and Brasov are also participating in the construction of the airplane. In addition, Romanian technicians have gone to England to take basic courses in aircraft construction and about 700 Romanian

technicians are employed in the machine design section of the plant. As a result of this most recent collaboration with British Aerospace, Romania has consolidated her trade relations with the industry of the United Kingdom (initiated in 1968) and has acquired licenses for the construction of Islanders and more than 300 of these have been constructed. The photo shows the first two Rombac 1-11 planes being assembled at Bucharest's Baneasa airport--a preview of what the plane will look like when it is completed.

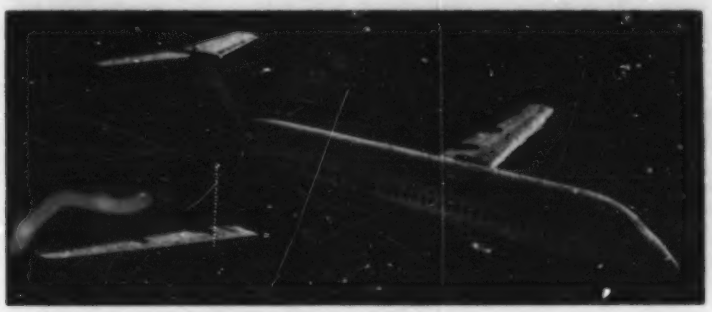

CSO: 3104/102

## CHANGES ANNOUNCED IN ECONOMIC DEVELOPMENT PLAN

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 22 Jan 82 p 1

[Excerpts] It is certain even now that during this five-year plan we will have to figure on 348 billion dinars less in investments, or 16 percent less than planned in the Social Plan of the country. This is a 23-percent lower volume of investments in relation to republic and provincial plans. This has resulted not only because foreign sources have "dried up" (foreign investments will account for only 7.5 to 8 percent of total investments, rather than the 17 percent in the last plan period), but also because of the reduced material possibilities in the country.

At a 21 January press conference at the FEC (Federal Executive Council) Spasoje Medenica, director general of the Federal Institute for Social Planning, announced changes and additions to the Social Plan to 1985. Planners now estimate that the social product will increase during this medium-term plan period at a rate of 3.2 percent instead of the 4.5 percent originally planned; an even more modest increase of 2.4 percent is planned for the first two years and 4 percent for the last 3 years.

It is now quite clear that the 5 percent annual increase planned for industrial production will not be achieved; present estimates call for an increase of 3.8 percent in the first 2 years and a 4.2-percent increase in the last 3 years. The most rigorous reduction is in investments; instead of the 1.5 percent reduction originally planned, investments would have to be reduced by 3.4 percent. That is, in the first 2 years the reduction would average 6.9 percent, while in the 1983-85 period they would average about 1 percent. Investment reduction up to now has already lowered the share of investment in the social product from 35.5 percent in 1975 to about 31.5 percent in 1981. In 1982 investments would account for 28.9 percent of the social product. The standard of living is to increase at a rate of 2.7 percent; in the last 3 years of the plan it is now expected to reach this rate, but in the first 2 years it will decline at an average rate of 1.3 percent. In 1981 3 percent more new workers were employed but employment in this five-year period will have to slow down to a 2-percent increase.

Medenica pointed out that the second part of the Plan which establishes the directions and outline of development will probably have to be changed. Some of these changes will certainly follow from the results of the future stabilization program which is now being formulated.

The FEC today revised the plan deadlines, according to which its suggestions will be submitted to the Assembly by the end of September and the changes themselves will be submitted by the end of November (not by 15 May and the end of June, respectively, as originally planned).

Today the FEC also established a program of action in implementing this year's Resolution on Socioeconomic Development. Most of these actions are planned for the first 2 months of this year, such as tasks involving economic relations with foreign countries, investments, credit-monetary policy, market and prices. One of the priority tasks is issuing the balance of payments and foreign exchange balance of the country, as well as the balance of payments positions of the republics and provinces; it is already certain that this job will not be easy, since it involves problems such as compensating organizations for which exports are prohibited, equal treatment of convertible and clearing-account currency, and the very function of the balance of payments and foreign exchange balance.

CSO: 2800/215

## BRIEFS

KOSOVO-ARAB TIES--Last year significant preparations were completed for expanding and strengthening [Kosovo] cooperation with a number of Arab countries (Iraq, Libya, Algeria, and Egypt], as well as with some central African countries. One of the important fields of cooperation is construction. The "Ramiz Sadiku" industrial construction combine in Pristina participated in building some facilities in Libya. About 120 workers took part in constructing a $24-million agricultural institute in Garija [sic.] scheduled for completion in June 1982. Preparations are being carried out for work in Algeria which has offered construction of secondary school and faculty centers. Last year [1980] 360 workers from Kosovo (60 nurses and 300 technicians) went to Libya to work. Cooperation with Libya in the health field continues also this year [1981]; Kosovo has promised to send more than 1,000 nurses and other technical personnel. Special attention has also been given to long-term scientific-technical cooperation between the Kosovo Academy of Arts and Sciences and Egypt. The program of cooperation for the next 3 years calls for research in the cultural heritage of Albanian emigres in Egypt and an exchange of experts in medical fields such as pathology, physiology, epidemiology, micro-biology, as well as in the area of agricultural toxicology. [Excerpt] [Pristina JEDINSTVO 31 Dec 81 DELEGATSKE NOVINE supplement p 2]

FOREIGN EXCHANGE FOR FEDERAL USE--A total foreign-exchange sum equal in dinars to 26,411,299,300 dinars has been established for use by the Federation in 1982. It will be divided as follows: for material reserves 2,879,531,600; for federal organs and for carrying out the rights and duties of the Federation 22,652,456,900 for the Fund for Granting Credits for the Faster Development of Underdeveloped Republics and Autonomous Provinces 786,775,100; and for the Solidarity Fund for Non-Aligned and Developing Countries 92,535,700 dinars. The exchange rate is figured at 27.30 dinars to one U.S. dollar. [Excerpt] [Belgrade SLUZBENI LIST SRFJ No 72, 31 Dec 81 p 1883]

EMPLOYMENT IN SERBIA--In the current medium-term plan average annual employment should increase 3.2 percent in Serbia (not including the provinces); this includes a 3.4 percent employment increase in economic sectors, a 1.5-percent increase in non-economic sectors, and a 12-percent increase in the private non-agricultural sector. This represents an increase in employed persons [by 1985] of 425,000 (395,000 in the socialized sector and 30,000 in the private sector); 350,000 would be employed in the economy, largely production trades and technical professions, while about 45,000 would be employed in sectors outside

the economy. The number of persons employed would total 1,717,000 by 1985, while the number of unemployed would decline by about 40,000. Employment opportunities will have to be sought in agricultural development, in small-scale business in the socialized sectors, and in private work. The introduction of shift work and continuous operation is expected to be a major factor in increasing employment. Tax incentives are planned for basic organizations of associated work that introduce shift work; i.e., taxes on income will be reduced by the amount paid workers on second and third shifts and it is also planned that newly employed workers who are working second or third shifts will not have to pay income taxes to the end of 1985. [Excerpt] [Belgrade PRIVREDNI PREGLED in Serbo-Croatian 15 Jan 82 p 4]

COUNTRY-WIDE EMPLOYMENT--At the end of September 1981 Yugoslavia had a total employed work force of 5,885,500, or 2.7 percent more than at the same time in 1980. Employment increased in all republics and provinces but faster in the less developed areas and slower in the developed ones. Thus, Kosovo had 5.1 percent more employed persons than a year earlier, Montenegro 4.8 percent more, Bosnia-Hercegovina 4.4 percent more, and Macedonia 3.7 percent more. In Vojvodina employment was up 2.7 percent, in Croatia 2.2 percent, in Serbia proper 2.2 percent, and in Slovenia 1.1 percent. In absolute terms Croatia and Serbia proper had the highest number of employed persons--over 1.4 million each. Bosnia-Hercegovina had 859,000, Slovenia 784,000, Vojvodina 569,000, Macedonia 439,000, Kosovo 184,000, and Montenegro 135,000. These figures reflect only the number employed in the socialized and private sectors, but not farmers (of which there are over 300,00 in Croatia alone). The number of registered unemployed was 10.7 percent higher in Croatia than a year ago, 11.1 percent higher in Slovenia, 15.2 percent higher in Montenegro, 7.9 percent higher in Macedonia, 4.5 percent higher in Kosovo, 4.2 percent more in Vojvodina, 3.8 percent more in Bosnia-Hercegovina, while in Serbia proper the number was 1.7 percent less compared to the same 1980 period; the average increase in unemployed persons was 3.7 percent at the end of September 1981 for all of Yugoslavia compared to September 1980. The average unemployment rate for Yugoslavia was 13.9 percent (39.3 percent for Kosovo, 28.8 percent for Macedonia, 17.9 percent for Serbia proper and for Montenegro, 17.3 percent for Bosnia-Hercegovina, 14.3 percent for Vojvodina, 6 percent for Croatia, and 1.7 percent for Slovenia). [Excerpt] [Zabreb VJESNIK in Serbo-Croatian 5 Jan 82 p 6]

TRADE WITH IRAN--In 1982 Yugoslav-Iranian trade is expected to increase 2 1/2 times, to a value of $500 million. However, expectations will be difficult to fulfill if questions of payment and letters of credit for already agreed-upon Yugoslav exports are not resolved. The Belgrade organizations, "Hempro," "Rekord,", "Rudnap," and the Krusevac enterprise "Miloje Zakic" have had successful cooperation with Iranian partners for about 10 years, but they have recently found themselves in an unfavorable situation. Because of the difficulty of acquiring letters of credit or collecting on bills, they have incurred losses, and finished goods already wait in factory warehouses. Certain contracted business has stopped until this problem is resolved. A solution should soon be found. Three days ago a consortium of eight Yugoslav banks concluded an agreement with the central Iranian bank in which 1981 and 1982 trade questions are to be regulated. The agreement becomes effective on 1 February but the Iranian side will probably issue letters of credit before this date. Business people are still

dissatisfied, however, that no more detailed information has been given on the method of payment. In addition, they are very dissatisfied with the work of the Joint Economic Representation in Teheran, because it has not provided timely information on the economy regarding sales possibilities. Despite all this, however, trade amounted to about $200 million in the first 11 months of 1981, or $60 million more than in the previous year. Yugoslavia exported $114 million (57 percent more than in 1980) worth of goods, while it imported 34 percent more. We export largely paper, tires, meat, iron and steel structures and we import oil, and small quantities of hides, raisins, and chromium ore. [Excerpt] [Belgrade PRIVREDNI PREGLED in Serbo-Croatian 14 Jan 82 p 3]

TRADE WITH MEXICO, CARIBBEAN COUNTRIES--In the January-November 1981 period total trade with Mexico amounted to $46.7 million, with Yugoslav exports amounting to $5 million and Yugoslav imports $41.7 million. In 1980 the value of imports was the same, while Yugoslav exports were $1.3 million more. In the same 11-month period [in 1981] trade with Panama amounted to $17.7 million (we imported $13.5 million worth of goods, largely bananas, and exported $4.2 million worth of goods). Total trade with El Salvador was $7.2 million $1.1 million in Yugoslav exports and $6.1 million in imports). This year trade with Guyana is expected to increase, i.e., projects in developing a dairy operation, gold mine exploitation, and an irrigation system are planned. [Excerpts] [Belgrade PRIVREDNI PREGLED in Serbo-Croatian 14 Jan 82 p 3]

TRADE WITH EGYPT--In the first 11 months of 1981 total trade value amounted to $211.9 million ($149.1 million in Yugoslav exports and $62.8 million in Yugoslav imports); this is an increase of 6 percent in exports and 24 percent in imports over the previous year. This year we expect to export $200 million worth of goods and to import $70 million worth. [Excerpt] [Belgrade PRIVREDNI PREGLED in Serbo-Croatian 21 Jan 82 p 1]

KOSOVO BUDGET--The 1982 budget for Kosovo is 4.6 percent more than last year and totals 11.34 billion dinars, not including the 1.18 billion dinars which represents earlier obligations the federation is meeting for the province to develop the social sectors. Most of the budget consists of supplemental federal funds, amounting to 8.28 billion dinars, while about 27 percent of the budget represents the province's own revenues. These sums are considerably less than requested and a large part of the needs of budget users will not be covered. Non-productive and non-economic investments must be reduced to a minimum and the number of employees in administrative services and SIZ [self-management interest communities) organizations must not be increased. [Excerpt] [Belgrade PRIVREDNI PREGLED in Serbo-Croatian 2 Feb 82 p 12]

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END

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22 February 1982

# East Europe Report

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2233

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22 February 1982

# EAST EUROPE REPORT

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2233

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DEVELOPMENTS IN CEMA PHARMACEUTICAL INDUSTRY REPORTED

East Berlin AW DDR-AUSSENWIRTSCHAFT in German Vol 9 No 49, 2 Dec 81 p 12

[Report by Information and Public Relations Department, GDR Ministry for Foreign Trade: "From the Pharmaceutical Industry of Socialist Countries"]

[Text] Cooperation Among CEMA Countries

Representatives of the CEMA member countries and the Socialist Federal Republic of Yugoslavia signed a protocol on the renewal of the agreement reached in 1978 on the multilateral international specialization and cooperation in the production of pharmaceuticals. This protocol broadens the list of drugs from 25 to 82 which come under the preview of specialization and is the result of studies carried out since 1979 by the section for pharmaceuticals within the framework of the permanent CEMA Chemical Industry Commission. In addition a list of the most important drugs and a table of estimated requirements for these drugs up to 1990 was compiled. It was established that for 87 of the items on the list requirements could be met by domestic production and partially in 4 cases.

The section is conducting further studies with a view to adjusting production facilities to existing and foreseeable requirements. A special effort is being made to start production in the member countries of those drugs which have been imported in large quantities up to now such as corticoids, caffeine, vitamin D8, sulfamethoxasol, guanadine, nicotinic acid, salicylic acid and vitamin C.

The volume of foreign trade in pharmaceutical products from 1975 to 1979 grew an average of 15 percent per year in the CEMA countries. In the same period exports of the People's Republic of Bulgaria rose by 18.7 percent, the People's Republic of Poland by 12.9 percent and the USSR by 4.8 percent. The largest exporter was, however, still the Hungarian People's Republic. In the People's Republic of Poland pharmaceutical exports were exceeded by imports which grew much more rapidly. The largest importer of drugs among the CEMA countries is the USSR which imports primarily from the other member countries, its purchases of pharmaceuticals from the industrialized capitalist countries are very slight.

With the exception of the USSR and the Socialist Republic of Romania, exports of pharmaceutical products exceeds imports in the CEMA countries. In the Hungarian People's Republic, for example, exports exceed imports by more than 70 percent. A program of the Hungarian People's Republic provides for the development of

production of drugs and pesticides by two and a half times from 1980 to 1990. The Hungarian People's Republic, the CSSR and the People's Republic of Bulgaria have an excess of exports of pharmaceutical products with the industrialized capitalist countries.

Efforts and plans of the Czechoslovak pharmaceutical industry are directed toward the traditional production of alkaloids and sulfonamides, but also toward introductng production of new substances, synthetic drugs and half-synthetic antibiotics. Production of half-synthetic penicillin and of cephalosporium as well as of new veterinary preparations is also being started in the People's Republic of Bulgaria. The latter is the leading producer of antibiotics in Europe. From 1980 to 1985 production of antibiotics will double while pharmaceutical production will increase by 80 percent. In the People's Republic of Bulgaria special emphasis is placed on the production of phytochemical substances and preparations.

Trends in the Pharmaceutical Industry of the People's Republic of Bulgaria

Within the CEMA countries the Bulgarian pharmaceutical industry is specialized in the production of 35 different products. Conversely 150 pharmaceutical products are imported from the CEMA which constitutes 50 percent by value of the pharmaceu-imports of Bulgaria.

The pharmaceutical factories which are members of the industrial combine PHARMACHIM have recently been increasing their efforts toward cooperation with firms in the non-socialist economic sector. Such cooperation has already been relatively far advanced for the past several years with Switzerland, France and Great Britain, from which Bulgaria imports mainly chemicals for the production of drugs. Conversations were held recently with foreign exprets on the possibilities for cooperation in the production of aromatic scents, perfumes and cosmetics as well as on the expansion of vitamin C production. PHARMACHIM has worked out a program according to which Franco-Bulgarian enterprises are to be established in which production will be carried out under French licenses and know-how.

Furthermore the People's Republic of Bulgaria intends above all to increase its support for the construction of pharmaceutical factories in the developing countries. For example, the possibilities of cooperation in the production of antibiotics with Brazilian and Mexican firms are being examined. In addition negotiations are being conducted with Libya, Mozambique and Nigeria on common projects for the production of pharmaceutical preparations for which Bulgaria will deliver the active ingredients.

Supply Problems with Raw Materials in the Socialist Federal Republic of Yugoslavia

The Yugoslav pharmaceutical industry has had difficulties in obtaining supplies of raw materials for a long time; about 80 percent of their needs in pharmaceutical raw materials must be imported. During the period of the 1976-1980 Five-Year Plan drug production increased by an average of 10 percent (by 20 percent from 1971-1975). In 1980 the 16 pharmaceutical manufacturers produced medicaments for human medicine worth a total of 10.61 billion dinars. Ninety-three percent of demand for medicaments is currently being covered by domestic production.

Imbalance between manufacturing and processing is characteristic of the Yugoslav pharmaceutical industry--processing capacity is very much larger. During the expired 1976-1980 Five-Year Plan only five pharmaceutical manufacturers undertook investments totaling 2.47 billion dinars--27 percent went to Pliva/Zagreb, 22 percent to Lek/Ljubljana, 18 percent to Krka/Novo Mesto, 17 percent to Galenika/Belgrad, and 9 percent to Belupo. During the same period 3.03 billion dinars were invested in processing plants.

The high export of pharmaceutical raw materials is cited as a further cause of an inadequate supply of raw materials. In the last 5 years exports rose by an average of 18.3 percent. As a result domestic supply bottlenecks increased. During the same period imports of raw materials by Yugoslav pharmaceutical manufacturers grew by an average of 10.9 percent a year.

Change in the Structure of Production

Structural changes have occurred in recent years which are primarily shown by a rise in the production of antibiotics--an average of 19 percent per year. At the present time these constitute a total of 30.8 percent of the production of medicaments. During the period of the 1976-1980 Five-Year Plan the proportion of production devoted to psychopharmacological drugs rose to 9 percent (8.7 percent in 1976), antirheumatics to 6 percent (5.8 percent in 1976) and all other drugs to 37.7 percent (37 percent in 1976). Conversely the proportion of production devoted to chemotherapeutic drugs sank to 4.6 percent (5.7 percent in 1976), cardiovascular therapeutic drugs to 9 percent (9.7 percent in 1976), analgesics to 3 percent (3.4 percent in 1976), and vitamin C to 9.6 percent (17.2 percent in 1976).

The last fact stands in contrast to current development in foreign markets where the production of vitamin C on a world-wide basis is being expanded. A change in this structure of production will probably only come about as a result of the planned construction of additional capacity for the carrying out of organic syntheses at the Lek enterprise as well as through the planned expansion of vitamin C production at the Pliva enterprise. The new production facilities at Lek require investments totaling 1.25 billion dinars and are expected to begin production in 1984. At a cost 2.5 billion dinars Pliva intends to expand production of vitamin C from the current rate of 3000 tons a year to 5000 tons a year.

Pharmaceutical Purchases by the USSR

The state enterprise MEDEXPORT of the USSR and the pharamceutical enterprise Orion Oy of Finland have signed a contract for the delivery of antibiotics for hospital use in the range of more than 60 million Finnish marks. This is the largest order which MEDEXPORT has so far given to a Finnish pharmaceutical producer. The contract runs to 1983. The preparations will be exported by Orion Oy to the USSR as a freeze-dried mass. Orion Oy expects a further improvement in export possibilities following the construction of a freeze-drying system in the drug factory, Mankkaa, for which more than 10 million Finnish marks have been invested. Since 1975 the enterprise has already been delivering heart and circulation medicaments to the USSR. It expects that after the expiration of the contract in 1983 the delivery of antibiotics agreed upon can be continued.

Expanded Foreign Trade in Pharmaceuticals by the Hungarian People's Republic

According to information furnished by the responsible foreign trade enterprise MEDIMPEX, exports of pharmaceutical products to other socialist countries reached a value of about 200 million rubles in 1980 (80 million in 1970). Corresponding exports to industrialized capitalist countries in the same period increased more than four times to $127 million ($29 million in 1970). Similar exports to developing countries increased six times to about $40 million from 1970 to 1980. Among the CEMA countries, the Hungarian People's Republic has specialized in pharmaceuticals for many years. Its per capita production of medicaments is exceeded only by Switzerland. The Hungarian People's Republic thereby meets about 90 percent of its own needs. Its share of world exports of pharmaceuticals is 4 to 5 percent. Outside the socialist countries the main markets are the FRG, Italy, Great Britain, United States, Mexico, Japan, India, Nigeria, the Democratic and Popular Republic of Algeria and Iraq.

The Hungarian pharmaceutical industry which consists of five firms has been cooperating closely for a long time with producers from other CEMA countries. However, it also cultivates ties with firms in industrialized capitalist countries on the basis of licenses and partnerships. Joint ventures are being carried out especially in Belgium, Switzerland, the FRG, the United States, Japan, Argentina and Mexico. During the current year the Hungarian model state farm Babolna (BCR), the pharmaceutical-chemical factory Chinoin, and the pharmaceutical works in Koebanya have concluded an agreement with the American pharmaceutical concern, Eli Lilly & Co. for the establishment of a joint company in the Hungarian People's Republic. This company is to produce veterinary medicines developed by the American concern in technologically up-to-date production facilities in the Hungarian People's Republic and sell them there.

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TRADE RELATIONS WITH SUB-SAHARAN COUNTRIES EXAMINED

Sofia MEZHDUNARODNI OTNOSHENIYA in Bulgarian No 5, 1981 pp 75-83

[Article by Filip Serafimov: "Bulgarian Economic Cooperation with the Countries of Tropical Africa"]

[Text] Socialist Bulgaria is a serious and dependable economic partner in the modern world. In relying on the experience and aid of the USSR and on cooperation with the nations of the socialist commonwealth and in utilizing its internal resources, our nation, as a member of CEMA, has carried out enormous development for its size during the last three and a half decades since the people's [communist] victory on 9 September 1944.

"Every Bulgarian," said Comrade T. Zhivkov at the 12th Party Congress, "cannot help but feel legitimate pride in the fact that our nation, which in territory stands in 101st place in the world in terms of territory and in 61st place for population, holds at present 1st place in the per capita production of battery-operated and internal combustion engine plant trucks, soda ash, cigarettes and tobacco and holds one of the 1st places in terms of the production of electronic products. In the Balkans Bulgaria stands in 1st place in terms of the per capita production of electric power, iron ore, coke, brown and lignite coal, artificial and synthetic textile fibers, wheat, sunflower seed, sugar and many others."[1]

All of this naturally strengthens the international prestige of our motherland and reinforces its positions on the international market.

For example, in the machine building area, Bulgaria has become an equal partner of the most advanced nations. Around 50 percent of the foreign exchange earnings of our our nation is now realized from the exporting of machine building products.

Industrial products already comprise 96 percent of the total volume of our exports while the share of machinery and equipment in them has reached 47.7 percent.[2]

There has been an ongoing increase in the relative share of the exports of industrial goods of nonagricultural origin, from 61.3 percent in 1975 to 69.7 percent in 1979.[3]

From 1978 onwards, our balance of payments and balance of trade have shown a positive balance. This was emphasized both at the July (1980) Plenum of the BCP Central

Committee as well as at the 12th Party Congress. For example, in 1979, with a commodity turnover of 15 billion exchange leva, the positive balance was nearly 500 million exchange leva.[4]

We must also emphasize that the stronger and ever-growing foreign economic positions of such a nation as ours which is so closely tied to the foreign market are of exceptionally great significance for our integrated socioeconomic development.

"The BCP," proclaims the Party Program, "is led by a realization that the harmonious and proportional development of our economy and the optimizing of the production of the economic units can be achieved not by the path of self-sufficiency but rather through the extensive participation in the international division of labor, particularly as part of the world socialist commonwealth."[5] This fundamental foreign economic tenet was emphasized with new strength and clarity at the 12th Party Congress. The congress reaffirmed that we view our involvement in the international division of labor as an exceptionally important and powerful factor for carrying out an across-the-board intensification of the national economy.

The significance which the party and government give to the nation's foreign economic ties and the consistent efforts which have been taken to further these can be seen most clearly in the successes of our foreign trade.

"Regardless of the presence of a number of unfavorable, restraining factors, our trade turnover, as a traditional form of international cooperation, continues to grow at accelerated and stable rates," pointed out the Minister of Foreign Trade, Khristo Khristov. "From 9.8 billion exchange leva in 1975, at the end of the current 5-year period, 1980, this exceeded the large amount for our size of 17 billion exchange leva. As a permanent trend in this process, we must point first of all to the more rapid rates at which trade has developed in comparison with general economic growth as taken in their physical volumes. While national income has risen at an average annual rate of 7 percent, total industrial product has increased at 6 percent and agricultural product at 1 percent, the nation's trade has increased at a rate of 8.2 percent. In subsequent years this trend will be maintained and strengthened."[6] As can be seen, the increase rate of foreign trade is around 1.5-fold higher than the increase rate of national income and while in 1970, the ratio of the value volume of foreign trade to national income was 42.6 percent, in 1980 this was already 88 percent.[7]

Economic collaboration with the developing nations has assumed ever-increasing significance in our nation's foreign economic relations. This has been brought about not only and not so much by the nation's foreign needs as by its international position vis-a-vis these countries and by profound feelings of solidarity and sympathy which characterize our attitude toward them.

"In full accord with our policy of cooperation and understanding we will continue to develop our economic relations with the capitalist and developing states on the basis of equality and mutual advantage."[8]

Understandably neither is there such an opportunity nor the necessity for a nation such as ours to maintain equal and all-round trade and economic ties with all the developing nations. Also the number of them is in no way small. There are over 70

of them with which we maintain such ties. Here the growth rate of cooperation with them is significant.

While in 1961, our trade with these nations amounted to scarcely 40 million exchange leva, in 1970, it climbed to 253 million to exceed at present 1 billion exchange leva. During the 1970-1977 period, Bulgarian foreign trade doubled while the share of the developing nations in Bulgarian foreign trade rose from 2 percent to reach 7.5 percent of its volume. In the 1965-1977 period, Bulgarian trade with the developing countries rose by around 9-fold (with a growth of the total volume of our foreign trade of 4.8-fold over the same period).[9]

According to UN data, Bulgaria holds one of the leading places in the world in terms of the development rate of trade ties with the nations of Asia, Africa and Latin America.

Subsaharan Africa as an Object of Our Foreign Economic Activities

The very geographic position of Bulgaria as a bridge between East and West even in the distant past put it in touch and in mutual relations with the countries of the Mediterranean Basin as well as with the other peoples of the African and Asian continents.

At present African nations are assuming ever-greater significance in our foreign economic ties. In 1960, Guinea was our sole partner in Africa. At present Bulgaria has economic and trade ties with 30 of the 40 independent states in Subsaharan Africa. With 15 of them, agreements have been signed on economic and scientific-technical cooperation, and with 10 of them (Angola, Mozambique, Tanzania, Nigeria, Zambia, Benin, Ghana, Guinea, the People's Republic of the Congo and Ethiopia), intergovernmental commissions have been set up for economic and scientific-technical cooperation. The treaties of friendship and cooperation with Angola and Mozambique were the first treaties of such a nature which Bulgaria concluded with African countries.

At present our nation's efforts to strengthen economic relations with the Subsaharan African countries are focused primarily on Angola, Nigeria, Mozambique, Ethiopia, Tanzania and Zambia. This also explains the visit of Comrade Todor Zhivkov to Nigeria, Angola, Mozambique and Ethiopia in 1978 and that of the then Chairman of the Council of Ministers, Stanko Todorov to Tanzania and Zambia in 1977. Also contributing to this were the official visits to Bulgaria by the heads of state of Tanzania, Mozambique, Ethiopia and Zambia in the last 2 years.

These are some of the basic states in this area and they comprise one-third of the territory and almost one-half of the population (130 million). Their aggregate social product is one-third of the region's (46 billion dollars in 1975).

These are nations with enormous underground riches. A larger share of the gold, diamonds, molybdenum, cobalt and other rare metals come from here. This area produces nearly one-half of the world's copper production. There are amazing reserves of iron ore, bauxites, phosphates, oil and so forth. This part of Africa produces 60 percent of the world production of cacao, 50 percent of the sisal produced in the world, nearly one-quarter of the world coffee output, a larger portion of the

cashew nuts as well as large amounts of valuable tropical wood, tea, cloves and so forth.[10] One other thing. This is Subsaharan or Tropical Africa. This means climatic and floral zones which are symmetrically positioned to the north and south of the equator with high temperatures and humidity. This causes rapid and extremely diverse vegetation as well as a continuous growing season year-round. In adding the thick and fertile soils which are predominantly unworked, plus the presence of a significant manpower reserve, it is easy to imagine what conditions these countries offer for highly efficient agricultural production and in which both they and we are equally interested.

Regardless of the differences in their political orientation there is a clearly expressed readiness for cooperating with our nation.

This is dictated primarily by their domestic economic and social problems which objectively force them to seek the aid and cooperation of the socialist countries as well.

The socioeconomic difficulties of these countries, like all the developing countries, are more than complicated. We might merely mention the fact that in 1980, their agricultural production which is the basis of their economy, in being recalculated on a per capita basis, reached its lowest level over the last 8 years. And what little general increase in production there has been was virtually eliminated by demographic growth.

In 1979, grain production here dropped by 3.5 percent and the index for the production of food products on a per capita basis over 5 years (1974-1979) annually declined by 1.4 percent.[11]

For their governments, regardless of the political line followed by them, it is perfectly clear that these acute domestic problems cannot be successfully resolved in relying just on the former colonial powers and generally only on the capitalist world. For a number of reasons these countries cannot eliminate this fact completely but they are compelled to endeavor to overcome a number of negative trends for them which have been brought about by this.

In Africa, as nowhere else, there is an acute disparity between the increased role of the liberated nations on the international scene and their unequal position in the world capitalist economy.[12]

According to official data, the foreign debts of the 45 African states by 1976 reached 32 billion dollars.[13]

The Secretary General of the Organization of African Unity, Edem Kodja, in an interview with the economic bulletin EUROPE pointed out that in 1980, the deficit in the balance of payments in the African states exceeded 44 billion dollars.[14]

The unfavorable nature of international economic relations for these nations deepens and does not reduce the difference between them and the former colonial powers[15] (Tables 1, 2 and 3).

Table 1

Gross National Product in 1976 (in 1970 prices; at official exchange rate)

| Nations | Total Value (million dollars) | Per Capita (dollars) |
|---|---|---|
| Developed capitalist countries | 2,542,000 | 3,420 |
| United States | 1,164,000 | 2,410 |
| England | 136,925 | 5,450 |
| Portugal | 8,020 | 825 |
| Developing countries | 531,770 | 275 |
| Subsaharan Africa (without South Africa) | 48,020 | 160 |

Source: MEIMO, No 5, 1979.

Table 2

Average Annual Growth Rate of GNP (%) 1950-1977

| Nations | Total Value | Per Capita |
|---|---|---|
| Developed capitalist countries | 4.1 | 3.0 |
| United States | 3.6 | 2.2 |
| Western Europe | 4.2 | 3.4 |
| Developing countries | 5.1 | 2.6 |
| Africa | 4.0 | 1.5 |

Source: MEIMO, No 1, 1979.

Table 3

Relative Share of Various Groups of States (in %) in Foreign Trade of Developing Countries (=100), 1950-1977

| Groups of States | Total Trade | | Exports to | | Imports from | |
|---|---|---|---|---|---|---|
| | 1950 | 1977 | 1950 | 1977 | 1950 | 1977 |
| Developed capitalist states | 77.3 | 70.0 | 75.9 | 70.3 | 78.3 | 68.4 |
| Socialist states | 4.7 | 6.6 | 5.5 | 7.0 | 4.0 | 6.3 |
| Developing nations | 18.0 | 23.4 | 18.6 | 22.7 | 17.7 | 25.3 |

Source: E. Malkhasyan, "Neokolonializum. Ikonomicheski deystviya i politicheski tseli" [Neocolonialism. Economic Actions and Political Goals], Sofia, Partizdat, 1979, p 37.

In recent years, the African countries have experienced significant difficulties in exporting foodstuffs which comprise a predominant share in their foreign trade turnover. The reason is rooted in the fact that under the influence of the scientific and technical revolution and under the effect of the raw materials crisis, the developed nations have significantly increased the production volume of agricultural products and have achieved significant self-sufficiency in these products. Moreover, in developing trade between themselves (particularly within the Common Market) and in curtailing imports from the developing countries, the imperialist states themselves are increasing the exports of food to those countries and at increased prices.[16] Obviously this is a double blow to the African countries. On the one hand, they are encountering serious difficulties in finding a market for their traditional export products. On the other, the imports of certain types of foodstuffs (wheat, flour, powdered milk, oils, canned goods and so forth) compete with and undermine the local production of such products. In this manner the agriculture of these agrarian countries is undermined and the degree of their dependence upon the foreign market not only does not decline but, on the contrary, is increased. The designated unfavorable result for the African countries has been intensified by the increase in the prices for petroleum, machinery, equipment, fertilizers, chemicals and so forth which are the monopoly of the developed nations. Recently the Soviet press announced that 20 years ago, for 25 tons of natural rubber it would have been possible to buy six tractors, but at present for the same quantity of rubber only two tractors could be purchased.[17]

To all of this we must also add the growing protectionism of the developed capitalist states. This maintains and deepens the inequality and discrimination in their foreign trade ties, the spontaneous fluctuations in the world capitalist market, the instability of raw material prices and so forth. For all of this it is clear why the young African states are looking evermore keenly at us.

In our nation which has made a tremendous leap toward the heights of modern technical and economic development since World War II, they see a particularly vivid example for their own development and are moving toward it.

Also of importance is the prestige which our nation has succeeded in establishing in the process of its previous economic and scientific-technical activities in this region.

"We will continue in the future to work with satisfaction with your nation," stated the Nigerian President, Shehu Shagari, recently.[18]

It is also important to note that the established traditionalness in our relations with many of these countries dates back to the time of their struggle for national liberation. After they had won independence, they readily and confidently developed international relations with our nation. A natural factor in the rapprochement of our nation with the independent African states has been the commonness of views on a number of important international problems such as the complete elimination of the vestiges of colonialism, the elimination of racism and apartheid, the opposing of neocolonialism, inequality and discrimination imposed by the imperialist forces and so forth. This point is particularly reinforced by the fact that three of the nations (Angola, Mozambique and Ethiopia) have proclaimed their socialist orientation while two (Tanzania and Zambia) are following a noncapitalist path of development.

The conclusion is that both the international as well as the specific socioeconomic conditions favor a permanent and fruitful economic presence of our socialist motherland below the Sahara and our attention quite correctly, validly and far-sightedly is focused here.

But if we wish to turn this favorable opportunity as much as possible into a reality, we are obliged to also consider certain unfavorable factors and both as a state and as an economic partner to draw all the necessary conclusions from them.

First of all, we must consider the diverse and still strong ties which link the economy of the young newly liberated states with the capitalist economy of the former colonial powers (Tables 4 and 5).

Table 4

Private Direct Capital Investments by Capitalist States in African Nations
(annual average, in million dollars)

| Economic Sectors | Classification | 1965-1966 | 1967-1968 | 1969-1970 | 1971-1972 |
|---|---|---|---|---|---|
| Extraction and processing of oil and gas | I | 328 | 352 | 487 | 379 |
| Manufacturing industry | II | 89 | 80 | 95 | 164 |
| Other sectors | III | 84 | 65 | 99 | 152 |
| Mining industry | IV | 85 | 85 | 58 | 73 |
| Total | | 586 | 582 | 739 | 768 |

Source: OECD "Development of Cooperation Efforts and Policies, 1973, Review," Paris, 1973, p 149.

Taken from: "SSSR i strany Afriki" [The USSR and African Countries], Moscow, Mysl', 1977, p 165.

Around 40 percent of the Angolan oil is purchased by the United States, around 30 percent by Canada, almost 15 percent by Japan and a smaller portion by Portugal, the FRG, Spain and others.

The United States purchases over 50 percent of the Angolan coffee exports. Large amounts of coffee are exported also to Portugal, Spain, the Netherlands and elsewhere.

Portugal is the basic purchaser of Angolan bananas and corn.

Angolan fish meal is exported predominantly to the FRG, Japan and Portugal, tobacco goes to England, Japan and Portugal, cotton exclusively to Portugal; sisal is exported to Portugal, Belgium, Spain, Italy, the FRG and elsewhere.

Around 60 percent of the lumber is exported to Portugal, 10 percent to Spain, 5-6 percent to France and so forth.

Table 5

Financial Involvement of Developed Capitalist Nations in Tanzanian Economy During the Third Five-Year Plan (1976-1981)

(in million shillings)

| Creditor | Grants | Investments | | |
|---|---|---|---|---|
| | | Industry | Agriculture | Construction, Transportation, Communications |
| EEC | — | 300 | 176 | 415 |
| FRG | — | 130 | — | 83 |
| Sweden | 2,000 | 774 | 164 | — |
| Denmark | 176 | — | 145 | — |
| Netherlands | 380 | — | 68 | — |
| Norway | — | — | 73 | — |
| World Bank | — | 328 | 747 | 912 |
| Total | 4,200 | 4,708 | 3,231 | 3,861 |

Source: "Tanzania--A Five-Year Development Plan, 1976-1981," Dar es Salam, 1977.

Angola imports machinery and equipment predominantly from Portugal, England, the FRG, Italy, France, the United States and Japan. Angola imports ferrous metals and metal products from Japan, Belgium, Portugal and elsewhere. Textile products are imported predominantly from Portugal and Japan.

Relations between Angola and Portugal which were frozen for a certain time directly after the declaring of independence have now been normalized and are moving forward.

Mozambique, like Angola, maintains active trade ties with the developed capitalist countries. Mozambique cashews, cotton and sisal are exported to almost all of them, sugar goes to Portugal, tea to England, the United States and the Netherlands, vegetable oils to Portugal, the United States and England, and copra to Spain, Portugal, England and France.

In addition to the designated nations, Japan and South Africa hold a significant place on the Mozambique import list. Means of transport are imported chiefly from Japan, England, France, the FRG and the United States, metal products from South Africa and Japan, industrial consumer goods from Portugal and Japan and chemical products from South Africa, the FRG and Portugal.

The substantial changes in the world economy and in the balance of forces on the world scene as well as the strengthening of the economic and political positions of the developing countries have forced the imperialist powers to resort to a policy of concessions and maneuvering.

Imperialism sees its main task as present in clearing a path for the development of capitalist production relationships which in turn contribute to the formation and strengthening of a national bourgeoisie in the developing nations. In accord with this, the policy characteristic of the previous period of restraining economic growth in the then colonies has been replaced by a policy of certain development of their productive forces on a basis of the capitalist method of production. By bourgeois reformism the imperialist circles are endeavoring to avoid new social troubles in the developing world. Without adapting to the changed situation, the former colonial powers would find it difficult to maintain their "special" rights in the developing world. On the other hand, the exacerbation of imperialist rivalry has opened up for the liberated nations a broader choice of variations for development and orientation, it makes their positions vis-a-vis the industrial West stronger and more independent and gives them freedom of action in defending their interests. Clearly the former colonial powers do not wish to admit such a possibility and are making every effort to defend their trade and economic interests.

Let us give two examples.

The member states of the Northern Council (Sweden, Norway and Denmark) in 1978-1980 financed 26 projects in Mozambique in the area of agriculture, forestry and fisheries amounting to 50 million dollars.

In 1977, England announced its intention to aid Tanzania with 28 million pounds sterling.[19] What we are seeing is an energetic jockeying for position in order to improve or recover their positions under the new conditions of the liberated continent.

England, weakened and compromised in its traditional zone of influence, has endeavored to compensate for this at the expense of the even more weakened and shunted-aside France, while the FRG has endeavored to recover its long lost African influence in penetrating into the former possessions of both England and France. The economic expansion of Japan is also gaining momentum. With its inherent energy and expansionism, American capital is driving out everyone wherever it can.

At the end of 1975, direct U.S. investments in oil production in the African nations was 54.5 percent of their total volume, in the mining industry they were 20.3 percent and in manufacturing just 9.6 percent. The United States receives from Africa 72 percent of the consumer cobalt, 51 percent of the manganese, 43 percent of the antimony and 14 percent of the copper. Almost 100 percent of the diamonds imported by the United States come from Africa as well as more than 50 percent of the imports of cacao, mahogany, gold, rubber, graphite and so forth.[20]

In endeavoring to realize its plans, the United States has broadened governmental aid to Africa. While at the beginning of the 1970's this was 6-8 percent per annum, in 1977-1978 it was already 10-11 percent and in 1979 reached 19 percent, surpassing for the first time the share of Latin America.

Over the 1966-1975 period, American investments in the continent have risen from 1.8 billion dollars to 4 billion.

The profit rate from the U.S. capital investments in Africa as a rule has been higher than in other regions of the world, running around 2-fold more than the average world rate. In 1974 this was 34 percent.[21]

A characteristic feature of modern neocolonialism has been the strengthening of its collective nature. For this reason the place and role of the European Economic Community [EEC] in this area have been of great importance.

As is known, the penetration and influence of the EEC here have been carried out under the form of so-called association.

The political leaders and economists in the West have endeavored to foster the term "Eurafrica," understanding this as a political and economic association of Western Europe and Africa which would play the role of a certain "fourth force" in the world.

It is no accident that Africa holds a leading place in the system of EEC integration measures.

In the first place, in Africa are most of the former colonies in which, as we have already pointed out, the political and economic positions of certain EEC members remain rather strong even after the collapse of their colonial empires.

The total amount of foreign capital investments in the continent amounts to 25 billion dollars and around four-fifths of this total is Western European investments. Western Europe receives from here 90 percent of the diamonds, 80 percent of the cobalt and gold, 60 percent of the platinum, 35 percent of the phosphates, 30 percent of the copper and so forth.

To what degree the EEC countries are dependent upon the delivery of African raw materials can be seen from the example of France which imports from Africa 55 percent of the consumed nonferrous metals, 25 percent of the iron ore, 99 percent of the uranium and 30 percent of the copper.

Secondly, this gigantic treasurehouse of natural riches is located close to Western Europe and is closer than all the other raw material sources in the developing world.

Thirdly, the West has a sociopolitical interest in the newly formed African states. In addition to the direct economic benefit, the EEC countries are also pursuing the strategic goal of implanting and maintaining capitalist orders in these countries.

The agreement of the African nations to associate with the EEC also has understandable reasons.

All of them were left a difficult heritage from colonialism. Their budgets cannot be balanced without outside aid, including subsidies from the former colonial powers. The economic backwardness, the high relative share of the former colonial powers in their foreign trade and their strong dependence upon the influx of foreign capital have forced them to seek out preferential markets and sources of external aid.

The system of preferential trade relations with the Common Market has provided an opportunity for the African states to obtain certain advantages.

For example, under the Lome Convention, 84 percent of the agricultural exports from the associated nations are permitted to enter the EEC countries tarift-free. For the remaining 16 percent, tariff conditions have been established which are more favorable than for the other nonassociated states.

Certainly these advantages also have a negative aspect.

The trade preferences, while easing the access of African goods to the EEC markets, reaffirm and deepen the colonial monocrop structure of their exports, that is, perpetuate the agrarian and raw material nature of their economy. Indicatively, in 1977, as in 1957, 90 percent of the exports from the countries associated with the EEC were made up of just eight commodities: Copper, iron ore, cacao, vegetable oils, bananas, wood, coffee and peanuts. Just 4 percent of the exports were manufactured goods.

The system of trade relations with the EEC in no way eliminates one of the main problems of the African nations, the problem of the deterioration of trade conditions. The associated nations suffer enormous losses from the growing difference between the prices for finished industrial goods which are about 40 percent of their imports from the EEC and the prices for agricultural products which comprise 43 percent of their exports to the EEC countries.

The given data leave no doubt that the neocolonialist pressure on the African countries is applied along a broad front and in many areas.

Basic Principles and Directions of Bulgarian Economic Cooperation with the Subsaharan Countries

The economic relations of our state with these countries, like with all the developing countries, are based on principles stemming from its socialist essence.

In the first place, the leading principle among them is full equality. In its relations with its partners, Bulgaria adheres to strict consideration of their sovereignty and noninterference into their internal affairs, it repudiates any discriminatory measures for political and ideological reasons and does not endeavor to achieve one-sided advantages for itself.

Derived from the first is another very important principle, that is, the principle of mutual advantage. Our socialist state endeavors to have both sides benefit from foreign economic relations. This means that in addition to its own interests, Bulgaria considers also the interests of its partners.

In recent years, in Bulgaria's economic relations with the young independent states, there has been a tendency to complement the traditional, predominantly trade ties with more modern (and more advantageous) forms of cooperation. We have in mind the exporting of complete installations, production cooperation, joint enterprises, engineering consulting activities and so forth. These are forms and areas which not only contribute to the achieving of the bilateral interests of the partners but also aid in greater planning and stability of the relationships and give them durability

and completeness. Also noteworthy is the flexible use of bilateral and multilateral forms of cooperation which our nation utilizes within CEMA.

All of these modern and effective forms are variously applied in our economic relations with the Subsaharan African nations.

As an example of successful cooperation, one might point to the joint companies in Nigeria of Globefish and Afrocommerce. In 1980, Balkankarimpex [Balkan Plant Truck Import-Export Association] concluded an agreement with a Nigerian firm to jointly produce and assemble battery-operated and internal combustion engine plant trucks in Nigeria. Joint and mixed companies, enterprises, individual projects and installations are functioning effectively in Angola, Mozambique, Ethiopia, Tanzania, the People's Republic of the Congo, Zaire, Ghana, Mauritania and elsewhere. A significant number of Bulgarian specialists have been hired on the spot to carry them out and along with this they pass on their rich experience to their local colleagues and actively aid in training skilled national personnel. At present, Bulgarian specialists are employed in various sectors and areas of the economic life in the Subsaharan African countries. Many Africans are being trained in our institutions of learning.

The results of multilateral cooperation are most starkly and convincingly apparent in the development of our trade with the Subsaharan African countries. At present they comprise over 25 percent of Bulgarian trade with the developing nations. Over 15 years, from 1960 to 1975, this has increased by more than 100-fold and reached 100 million dollars.[24]

Here is how trade has developed with five of them (without Zambia) since 1975.[25]

Table 6

(in million leva at current prices)

| Country | 1976 | 1977 | 1978 |
|---|---|---|---|
| Nigeria | 28.9 | 32.1 | 36.4 |
| Angola | 0.6 | 20.3 | 17.2 |
| Tanzania | 1.4 | 6.6 | 9.4 |
| Mozambique | 0.1 | 2.0 | 0.5 |
| Ethiopia | 0.2 | 2.8 | 0.4 |

At present the predominant share of Bulgarian exports to this region is made up of foodstuffs with around 33 percent. In second place are machinery and equipment with around 30 percent. Around 15 percent of the exports are made up of chemicals. There is an impressively broad range of Bulgarian exports to these countries. For Angola there is a predominance of batteries, battery-operated and internal combustion engine plant trucks and medicines, for Nigeria pumps and products of the textile industry, for Tanzania, construction equipment, for Senegal products of the food industry and so forth.

Our imports from Subsaharan Africa at present consist almost exclusively of raw materials and this is fully understandable. From Nigeria we import primarily oil, copper from Zambia, cotton from the Sudan, cacao from Ghana, coffee from Angola and so forth.[26]

The main areas and criteria for this cooperation in the following period are: aiding the development of the national economy of these countries, the ever-deeper

linking of them to the socialist commonwealth and providing the necessary conditions for their development along a socialist path, providing the necessary raw materials for our nation; realizing foreign exchange earnings.

From what has been stated, the conclusion can be drawn that the nations of Sub-saharan Africa and in particular the designated six countries of this region correctly and validly hold a special place in our foreign economic policy. The socio-economic goals and tasks which they have set for themselves, like the political and economic positions of our country as a part of the socialist commonwealth, create the necessary prerequisites for the full-scale development of Bulgarian economic relations with them.

## FOOTNOTES

[1] T. Zhivkov, "Otchet na TsK na BKP pred XII kongres i predstoyashtite zadachi na partiyata" [Report of the BCP Central Committee at the 12th Congress and the Party's Forthcoming Tasks], Sofia, Partizdat, 1981, p 11.

[2] Khr. Khristov, "Results and Prospects of Foreign Trade," VUNSHNA TURGOVIYA, No 3, 1981, p 4.

[3] K. Nikolov, "The Development and Improvement of Foreign Trade Ties," MEZHDUNARODEN ZHIVOT, No 4, 1981, p 18.

[4] G. Vutev, "From a Worthy Place in the World," RABOTNICHESKO DELO, No 19, 19 Jan 1981.

[5] "Programa na BKP" [The BCP Program], Sofia, Partizdat, 1971, p 55.

[6] Khr. Khristov, op. cit., pp 3-4.

[7] K. Nikolov, op. cit., p 4.

[8] T. Zhivkov, op. cit., pp 56-57.

[9] "Sofiya pres" [Sofia Press], R No 314/25 July 1979, R No 262/14 June 1979, R No 250/7 June 1979.

[10] "Afrika. Politiko-ikonomicheski spravochnik" [Africa, A Political-Economic Reference], Sofia, Partizdat, 1973, pp 12, 17.

[11] IKONOMICHESKI ZHIVOT, Nos 3, 14 January 1981.

[12] Of the independent African countries, 15 are in the sterling zone, 12 are in the franc zone and 18 are associated with the EEC.

[13] MEIMO, No 2, 1979, p 42.

[14] IZVESTIYA, 9 January 1981.

[15] In 1950, the production of the per capita total national product in the developed capitalist states exceeded this indicator for the developing nations by 11.2-fold, while in 1975, this difference was already 17-fold (Ye. S. Popov, "Novyy etap bor'ba za natsional'noye osvobozhdeniye" [A New Stage in the Struggle for National Liberation], Moscow, Mezh. otnosheniya, 1978, p 99).

[16] From 1970 onwards their annual increase has been around 14 percent and over 15 percent for grains (IKONOMICHESKI ZHIVOT, 14 Jan 1981).

[17] IZVESTIYA, 9 January 1981.

[18] RABOTNICHESKO DELO, 1 October 1980.

[19] Ye. S. Popov, op. cit., p 71. Table 5 also shows this.

[20] MEZHDUNARODNAYA ZHIZN', No 3, 1978, p 47.

[21] Y. Davidov, "Amerikanskiyat imperializum v Afrika na yug ot Sakhara" [American Imperialism in Subsaharan Africa], Sofia, Partizdat, 1977, pp 34, 35 and 36.

[22] OTECHESTVEN FRONT, 29 August 1980.

[23] EUROPA ARCHIV, May 1977.

[24] "Sofiya pres," No R-110/15 February 1980.

[25] VUNSHNA TURGOVIYA, No 7/8, 1980, p 9.

[26] "Vunshna turgoviya na NRB 1960-1973" [Bulgarian Foreign Trade 1960-1973], Sofia, pp 35-120.

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CSO: 2200/56

ACTIVITIES OF 12,000 BULGARIANS IN KOMI-ASSR DESCRIBED

Sofia IKONOMICHESKI ZHIVOT in Bulgarian 2 Dec 81 p 9

[Article by Dimitur Minchev, Sivtivkar-Sofia: "With Bulgarians in Komi ASSR--New Economic Approach in the Taiga Too"]

[Text] Improvement of Brigade Organization

Everybody Receives according to his Labor Participation Coefficient

Quality Incentives and Penalties

Electronics to the Aid of Labor Administration and Organization

Three settlements have been constructed for the Bulgarians engaged in timber logging in Komi ASSR, and a fourth is now being built. Over 12,000 people live here--more than 5000 loggers, 3000 machine operators, mechanics and drivers, 1500 construction men, and 900 employees in trading services, public food service and other activities. The managements of the trust and of the four forestry exploitation enterprises every day must not only manage production activity, but also solve all the problems characteristic of every settlement system in our country. Work in the taiga, in the settlements, in the enterprises and in the lumberyards must be organized and synchronized so that not only is the big production program successfully fulfilled, but that high efficiency is achieved as well.

Veteran economic executive Stefan Stefanov has been employed here for many long years as deputy director general for economic matters of the timber-logging and construction trust. His contribution and his organizational work in introducing the principles of the new economic mechanism are indisputable.

"Although conditions here are radically different--we operate with a temporary table of organization, we are endeavoring to introduce and prove the forms and methods of the new economic approach," he told me. "Brigade organization of labor has been introduced into all timber-logging and construction activities and we are systematically improving it. In spite of specific conditions the brigades operate on internal profit and loss accounting, which is based on three fundamental

elements--objects of labor, means of labor, and live labor itself. In the timber-logging brigades we have succeeded in working out norms for moral and material incentives and everybody here receives according to his contribution.

"Unfortunately, no such orderly system of incentives for economies of fuels, spare parts and materials has as yet been established in the timber-carrying brigades. We are seeking forms and ways of tying the activity of servicing personnel in with production. Last year we adopted the indirect piece-rate system of payment, linked with the final results of the units serviced. The remuneration of tractor mechanics, for example, is dependent on the fulfillment of the timber-logging plan. Of course, in our case all forms of pay and incentives are hard to introduce because of the great turnover. Every year 5500 new workers come here to work under contract and the same number leave. But the idea of the new economic mechanism must be very well explained to the workers if they are to understand and accept it out of conviction; otherwise, it will not yield the expected results."

Formerly, hundreds of small timber-felling and timber-carrying brigades worked in the taiga. The rayon BCP committee held a plenum at which problems in the brigade organization of labor were discussed. As a result of this, they were consolidated and now there are 102. Of these, 18 have four tractors each or, as they say here, a "quadruple complex" (one tractor with the people to man it constitutes a complex), 56 brigades have three machines each, 22 have two tractors each, and six have a single complex. Experience shows that brigades with four tractors each are most efficient, but those with triple complexes are most stable.

Improvement of internal profit and loss accounting has made it possible to introduce monthly settlement of accounts in the brigades. They have adopted the practice of determining every brigade member's labor participation coefficient, on which his remuneration depends. This is done at a brigade meeting. Every month the brigade council determines what each worker's contribution has been to fulfillment of the plan. This was introduced in the timber-carrying brigades 2 years ago, and in the timber-felling brigades this year.

Internal profit and loss accounting has also been introduced at the so-called lower lumberyard, which is actually a large sawmill where lumber is cut up and shipped out, and construction work is done under a job-contract-plus-bonus system.

In determining incentives and penalties not only direct production indices, but also certain moral-and-ethical and social behavior are taken into account. If a worker quits the brigade during the month, it forfeits the right to a bonus; conversely, if conditions are created in the brigade and new workers are hired and they stay on the job for at least 3 months, the brigade's pay is increased 5 percent. The purpose of this is to create a wholesome sociopsychological climate in the brigades and to eliminate turnover.

The brigades that fail to clean up the areas cleared after felling, that fail to lop the felled trees and thus hamper the work of the next units in the conveyor belt are penalized, while those who strive to create high job standards and leave the areas well cleaned up behind them receive bonuses. The brigade of distinguished logger and holder of the Georgi Dimitrov Order, Milko Stoyanov, provides

an example in this respect. It took the high job-standard initiative of delivering well lopped logs. The initiative gained great popularity not only among our timber-logging enterprises, but also throughout the republic of Komi. It introduced a new technology. Their allotment [delyanka] (sector in which they produce lumber) was visited by the first secretary of the oblast CPSU committee in the Komi ASSR, Ivan Morozov. He expressed his gratitude for the brigade's exemplary work. It was rewarded on the part of the Soviets with a tractor and a sum of money. The technology of Milko Stoyanov's brigade became the standard with which all timber loggers in the Komi ASSR are compared.

Application of the new economic mechanism has its favorable impact under the specific conditions of the taiga as well. Average fulfillment of norms in the timber-felling brigades is 135 percent (in the lumber enterprise at Blagoevo it reaches 150), in the transportation of logs 130, in the cutting up of timber at the lower lumberyards 143, and in railroad car loading 140 percent. The construction workers who are building the Northeastern Highway, the bridge over the Vashka River, housing complexes and other projects are also successfully coping with the tasks assigned them.

The newly built electronic computer center is of valuable help in the improvement of administration and in the betterment of the organization of labor.

"It is supplied with modern, integrated-CEMA-system equipment and is the fruit of the integration of the socialist countries in this sphere," the center chief, Ivan Kirilov told me. "Systems for the operational administration of timber logging, of material and technical supply and of transportation, as well as the technical and economic planning system have been set up and are already functioning. We rely a great deal especially on the personnel system, which at any moment helps solve such basic problems as requisitioning, personnel fluctuation, number of workers, qualitative personnel. Within the framework of the personnel system the so-called biorhythm for drivers of timber-carrying vehicles will be worked out so as to know at any moment which of them are able to fulfill their tasks successfully, which are not and for what reasons."

The collective of the timber-logging and construction trust in the Komi ASSR celebrated a sort of anniversary this autumn--in November the 26 millionth cubic meter of lumber was produced and sent to the homeland. And this is a great contribution not only to the provision of sufficient lumber for tremendous construction and for the production of furniture, woodwork, paper pulp and other products, but at the same time to the creation of normal conditions for the development of our timber resources as well.

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CSO: 2200/53

INDUSTRIAL PRODUCTION, COMMENT, DURING JANUARY-NOVEMBER 1981 PERIOD

Sofia IKONOMICHESKI ZHIVOT in Bulgarian 23 Dec 81 p 6

[Committee on Integrated Social Information System: "Industry of Bulgarian People's Republic During January-November 1981 Period"]

[Text] The plan for the production and sale of commodity output was overfulfilled during the January-November period.

Industrial production during the 11 months of the year increased 5.5 percent over the corresponding period of last year.

Broken down by ministries, fulfillment of the production and sales plan is as follows:

| Ministry | Production of commodity output | Commodity output sold |
|---|---|---|
| Ministry of Power Supply | 100.9 | 101.6 |
| Ministry of Chemical Industry | 101.1 | 100.4 |
| Ministry of Machine Building and Electronics | 100.5 | 99.9 |
| Ministry of Light Industry | 102.6 | 100.9 |
| National Agroindustrial Union | 100.8 | 100.5 |
| Ministry of Construction and Architecture | 100.3 | 98.2 |
| Ministry of Metallurgy and Mineral Resources | 100.2 | 97.4 |
| Ministry of Transportation | 101.0 | 100.0 |
| Ministry of Forests and Forest Industry | 101.8 | 101.0 |
| Ministry of Internal Trade and Public Services | 104.0 | 102.4 |

The production of certain basic industrial products is as follows:

| Product/Unit of measure | Output produced | Jan-Nov 1981 as percentage of Jan-Nov 1980 |
|---|---|---|
| Electric power, 000,000 kwhr | 33,145 | 106.0 |
| Briquets, 000 tons | 1,295 | 100.8 |
| Rolled ferrous metals, 000 tons | 3,016 | 105.7 |
| Galvanized sheet iron, 000 tons | 100 | 114.8 |
| Steel tubes, 000 tons | 236 | 106.8 |
| Electronic instruments, lot of 1000 | 297 | 115.8 |
| Lathes, each | 8,114 | 100.8 |
| Cranes, each | 1,919 | 103.5 |
| Internal combustion engines, each | 18,927 | 148.4 |
| Electrotelphers, lot of 1000 | 108 | 102.0 |
| Nitrogen fertilizers, 000 tons | 679 | 102.1 |
| Phosphorus fertilizers, 000 tons | 231 | 116.1 |
| Oil paints and varnishes, 000 tons | 44 | 93.3 |
| Synthetic fibers and rayons, 000 tons | 92 | 105.7 |
| Cement, 000 tons | 4,996 | 102.4 |
| Asbestos-cement pipes, 000 m | 2,365 | 109.7 |
| Bricks, lot of 1 million | 1,313 | 100.8 |
| Paper pulp, 000 tons | 166 | 103.6 |
| Paper, 000 tons | 313 | 108.7 |
| Cardboard, 000 tons | 60 | 107.3 |
| Household glassware, 000 leva | 25,754 | 113.6 |
| Faience tiles, lot of 1 million | 236 | 106.7 |
| Cotton fabrics, 000,000 m | 317 | 102.7 |
| Silk fabrics, 000,000 m | 32 | 105.6 |
| Outer knitwear, 000,000 items | 38 | 103.0 |
| Sewn goods, 000,000 leva | 269 | 106.2 |
| Shoes, 000 pairs | 15,953 | 104.6 |
| Meat, 000 tons | 427 | 101.6 |
| Meat products, 000 tons | 86 | 104.3 |
| Canned fruits, 000 tons | 241 | 113.8 |
| Brynza [sheep's milk cheese], 000 tons | 92 | 107.7 |
| Kashkaval [yellow cheese], 000 tons | 21 | 120.8 |
| Sugar, 000 tons | 350 | 106.8 |
| Tobacco products, 000 tons | 79 | 106.8 |

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POSITIVE EFFECTS OF HIGHER WHOLESALE PRICES OUTLINED

Sofia IKONOMICHESKI ZHIVOT in Bulgarian 2 Dec 81 p 2

[Article by Georgi Suev, director general of Main Price Administration of State Committee for Planning: "Wholesale Prices in Keeping With New Conditions"]

[Text] At the end of last month the government passed a decree regarding a planned wholesale price change in 1982 and the Eighth Five-Year Plan and establishment of new purchase prices for certain agricultural products.

After the wholesale price reform of 1 January 1980, the new planned wholesale price change of 1 January 1982 is a natural result of further improvement of the wholesale price mechanism and system.

Structure of Economy To Be Improved and Its Efficiency Raised

There are several reasons that necessitated the planned wholesale price change of 1 January 1982. To begin with, some new changes have taken place in the international prices at which the raw and other materials, machinery and equipment etc. imported into our country are bought, as well as in those for our export output. The effect of these changes had to be reflected in a planned way in our wholesale prices. Another reason was the necessity of creating conditions for the consistent application and strengthening of profit and loss accounting in production units. It was also dictated by the requirements of the economic mechanism, considering that the profitability index figures as the main criterion of production efficiency.

The planned wholesale price change encompasses mainly the output of manufacturing industry and, in part, certain raw materials and energy resources. The new prices assure greater personal interest on the part of economic organizations in economical and efficient utilization of raw and other materials and other resources through thorough processing thereof, in a comprehensive economy regime and in a sharp reduction of nonproduction losses so as to obtain maximum national economic effect.

The new wholesale prices take into account more validly the technical level and quality of output, which will foster the accelerated introduction of scientific and technical achievements into production. At the same time they economically impel organizations actively to replace scarce and imported materials with new effective

materials of local origin, as well as to make maximum use of secondary raw materials. By means of the prices more valid decisions are made regarding the replacement and the use of natural and synthetic raw materials, with an improvement in the ratios between the wholesale prices and the products made from them.

By virtue of price differentiation according to quality, the wholesale price mechanism creates greater personal interest on the part of economic organizations--producers and consumers--in increasing the proportion of high-quality output, thus assuring higher profitability in the case of the former, and relatively lower expenditures per unit of net result in the case of the latter.

From a viewpoint of efficiency, given our country's participation in the international division of labor, the new prices will help strengthen the ability of our goods to compete in the international market.

Another important tendency of the positive influence of the wholesale prices in effect as of 1 January 1982 is that they will assure favorable conditions for improvement in the structure of our economy, for preferential development of high-efficiency sectors and activities.

The new wholesale prices will also play a vital part in increasing and diversifying the production of goods needed and in demand in the domestic market. This is fully in keeping with the points in Comrade Todor Zhivkov's report and the decisions of the Twelfth Party Congress regarding a decisive increase in the production of consumer goods and an increase at an overtaking rate of marketable goods in comparison with disposable income, which is an extremely important economic, social and political task.

Purchase Prices That Match Socially Necessary Expenditures

The decree also approved new increased (from 6 to 12 percent) purchase prices for several basic products of the 1982 harvest (beans--shell and snap, mature onions, fall potatoes, peaches, dessert grapes, sugar beets delivered before 30 September, "Northern Bulgaria" tobacco--in the field, as well as cotton--unginned). The new purchase prices retrieve agriculture's expenditures from the effect of the new wholesale prices on the raw and other materials that agriculture consumes, and create additional financial interest in increasing production and providing more resources for the country's needs (domestic market, manufacturing, exports). These purchase prices, as well as those approved at the end of last year by Decree No. 68 of the BCP Central Committee and the Council of Ministers, have been correlated with socially necessary expenditures and assure profitability for reproduction needs at normal yields and rates of productivity. It can be pointed out that the agricultural-product purchase-price mechanism creates favorable economic conditions in agriculture for effecting the reproduction process and, at the same time, becoming a secure rear for accomplishing the production program and further elevating the people's living standard.

A characteristic of the purchase prices of these agricultural products is that they are differentiated and tied in with quality standardization indices, whereby additional financial interest is created in producing greater quantities of high-quality

output. This unquestionably necessitates exercising more care in raising, harvesting, storing and selling output, which directly affects the role of the subjective factor and the general exploitation of natural and climatic conditions.

For the products mature beans, fall potatoes and dessert grapes produced in mountainous and semimountainous rayons, whose purchase prices are increased effective with the 1982 harvest, a bonus in addition thereto will be paid. This will create still more favorable economic conditions for utilization of the country's available resources to produce more agricultural output, as well as for application of profit and loss accounting and self-support by the agricultural organizations in these rayons.

The economic organizations already know the specific wholesale prices and used them in elaborating their 1982 plans. It has been found, however, that individual units of economic organizations do not have all the price data for individual products (for the most part, products that they consume). Since there are no objective reasons for this, they must take measures to provide themselves with the relevant price lists in accordance with the established procedure.

Economic Conditions Created for Systematic Increase of Real Income

The government's announcement of the decree that it had passed regarding a planned wholesale-price change and the new purchase prices for agricultural products pointed out that these price changes will not affect the retail prices of the articles and products in question. Consequently, the results of applying the new wholesale prices, given the retail prices in effect for the goods and products in question, will not affect the interests of producer enterprises or those of the population when purchasing them from the trading organizations. The ensuing results of the operation of the wholesale prices and the retail prices will affect only relations with the state budget.

This is corroboration of the party's policy and the main socioeconomic task of the Eighth Five-Year Plan approved at the Twelfth Party Congress. Hence the mechanism and price policy create economic conditions for systematically increasing the population's real income—on the basis of an increase in the productivity of labor and the growth of wages and social consumption funds.

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WEAKNESS, VIOLATIONS IN DOMESTIC TRADE PERSIST

Sofia IKONOMICHESKI ZHIVOT in Bulgarian 2 Dec 81 p 11

[Article by Boris Genchev, director general of Main Trade and Public Services Inspectorate in Ministry of Internal Trade and Public Services: "Positive Changes Are Needed"]

[Text] In fulfillment of the main socioeconomic task of the Eighth Five-Year Plan, the mandate to produce additional quanties of the goods and services in demand by the population is being implemented. Further development of the self-sufficiency system of the okrugs and settlement systems has a definite contribution to make to market stabilization, too. The network of trade and domestic-services facilities is continuously being enlarged and improved. The number of stores, snack bars, shops and domestic-services pickup points in plants and enterprises is growing rapidly and appreciably.

Based on this, corresponding positive changes should occur in the work and behavior of trade and domestic-services employees. The results in this regard, however, do not match the growth in marketable goods and domestic services or in the material and technical base of trade and services.

Some Data

Without assuming that the figures here cited are the sole criterion for evaluating the activity of control agencies or the effectiveness of control activity, we must adduce the following data. In the first 9 months of 1981 the control agencies checked 63,815 trade, domestic-services and tourism facilities and found 8,738 different violations, or 13.7 percent of the facilities checked, as against 6,805 violations, or 17.6 percent, in the same period last year. Some 3,016 indictments were drawn up, or one indictment per 2.9 violations, as against 1,940 indictments, or one indictment per 3.5 violations, during the same period in 1980; 735 guilty officials were disciplinarily dismissed and 195 handed over to the public prosecutor for criminal action, as against 414 and 226 officials respectively during the same period in 1980.

Out of the total of 8,738 violations discovered during the 1981 9-month period, 71.5 percent were for injuries to citizens in trade, public dining and services. Of these, most were for inaccurate weights and measures, followed by price fraud etc.

Why is This Still So?

The data cited and the comparison made above show that violations are not wholeheartedly penalized to a sufficient degree by either the administrative and economic managements of trade and domestic-services enterprises or the agencies of the people's councils and the Main Trade and Public Services Inspectorate in the Ministry of Internal Trade and Public Services. At the same time they give reason to infer that control activity still boils down to making findings, seeking out and exposing deficiencies and the job is not vested with enough jurisdiction or a sufficiently political approach. For this reason there were only 735 disciplinary dismissals during the 9-month period as against 2,416 persons punished under PMS [Decree of the Council of Ministers] No. 127. This is an obvious sign of liberalism which will boomerang and create an opportunity for new infringements upon socialist property and injuries to citizens.

Also contributing to this state of affairs is the inadequate activity of intradepartmental day-to-day control, which in most places still has not been put on a planned organized basis; the necessary professional stringency is not displayed. Nor is the influence exerted by trade-union bodies in some enterprises sufficiently effective; sufferance and protection of some commercial employees who violate PMS 127 is tolerated. Educational work with trade and domestic-services employees is not linked everywhere in the most appropriate manner with the campaign against signs of corruption.

Violations in trade and domestic services and, above all, injuries to citizens are penalized by law. PMS 127 of 1975 figures most significantly in this regard. But obviously even after it has been in effect for 6 years there are no grounds for complacency for it must definitely be said that no reversal has occurred. A tendency is observable towards stability in the absolute number of violations and the proportion which they represent of the total number of facilities checked. Thus, during the 1980 9-month period the indictments drawn up under PMS 127 were 24.8 percent of the total number of violations found, while during the same period in 1981 they grew to 27.7 percent.

What More is Needed?

Rapid and systematic reorganization of the entire control activity in trade and domestic services in the spirit of the requirements of the Twelfth Party Congress, and application of a new approach and criterion are the most important precondition for lasting and discernible results in this area.

Attention and efforts in the campaign against negative phenomena in the service sphere must be directed towards the following:

--Intensification of control in trade and domestic services at three levels:

at the national level, control exercised by agencies of the Main Trade and Public Services Inspectorate of the Ministry of Internal Trade and Public Services by its rayon inspectorates throughout the country as an inseparable part of the integrated national control system and by supradepartmental control functions in trade, domestic services and hotels and in respect of the quality of goods and the serviceability of measuring instruments;

at the okrug level, control exercised by specialized agencies in the people's councils;

at the local level, control exercised by agencies of intradepartmental day-to-day control in trade and services enterprises. The conclusion is inescapable that wherever intradepartmental day-to-day control groups are set apart structurally in specialized units, as in the economic trade directorates in Sofia, there are real, practicel results. They have won recognition as prestigious bodies--direct assistants of managements, unlike those in most enterprises in the country where control is performed incidentally.

For there to be better results, it is necessary to achieve unity of action, harmony and coordination at all levels of control activity.

These agencies must not only record negative phenomena and ascertain the consequences, but must rapidly and systematically analyze and eliminate the reasons for them. Great significance now attaches to the question of how control agencies help economic organizations in trade and services set about favorable changes.

However, the principle must be established and expanded that control agencies "invade" trade, public-dining or domestic-services facilities after representatives of the enterprises' social organizations exert influence to restrict negative phenomena by their rich arsenal of educational resources.

The administrative and economic managements of enterprises and people's control commissions can also effectively exert influence to cut short encroachments upon socialist property by utilization of the new economic mechanism. In this way control will more and more become a function of the organizations and enterprises themselves.

Control agencies must seek out and expose the basic reasons for negative phenomena, processes and tendencies and render assistance in nipping them in the bud by appropriate administrative and organizational means.

--A factor for improving the standards of trade and domestic services, such as public ratings in setting the individual wages of workers employed in these activities, must be applied speedily, on a mass scale, and systematically. What is meant is a combining of the state principle and the public principle--the opportunity for representatives of public opinion in their place of residence, in fulfillment of article 10 of MPS 55 of 1979, to suggest to people's councils an up-to-20-percent reduction in wages at negligent trade facilities and of individual workers, and at the same time to make an increase in the remuneration of those doing a good job. This would most vividly show the public character of control, but essentially this is now being done to a great extent by campaigns and inadequately.

--Diffusion of the initiative for exemplary activity without external control would have substantial influence in reducing violations in trade and domestic services. This form of self-control is already practiced in 357 trade and public-dining facilities. It will be right for the social organizations in enterprises to become active initiators of its diffusion not only in trade facilities, but also in domestic-services facilities since it embodies the elements of the socidemocratic principle in the administration of socioeconomic processes. It has the full support of the control agencies because they are active champions of applying the New in everyday life, in practice.

> The Main Trade and Public Services Directorate, the control agencies in the people's councils and the intradepartmental day-to-day control in the enterprises are not equal, by themselves, to a successful campaign against the negative manifestations in this sphere. It requires a unification of the efforts and will of the vast army of workers in trade and domestic services. Control, being part of the integral system of our socialist society, must, wherever it is carried on, be still more closely linked with the activity of the collectives. Also, our entire society must rise up and overcome the apathy and indifferent attitude of some citizens towards the striking shortcomings and violations in services. In other words, a social front must be declared against violations in trade and domestic services.

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## DEPUTY MINISTER PUT IN CHARGE OF TSZ COUNCIL

### Appointment of Eleki

Budapest MAGYAR NEMZET in Hungarian 31 Dec 81 p 3

[Text] The council of Minsters has released Dr Janos Eleki from his post of deputy minister of agriculture and food industry--while recognizing his valuable services rendered, and in view of the fact that he had been elected secretary general of the National Council of Producer Cooperatives [TOT]. At the same time [the Council of Ministers] appointed Dr Gabor Magyar to deputy minister of agriculture and food industry.

### Eleki on TSZs

Budapest MAGYAE NEMZET in Hungarian 31 Dec 81 p 3

[Interview with Dr Janos Eleki, secretary general of TOT by Ildiko Bedo: "From Six Thousand to Six Million"]

[Text] It was just a few weeks ago that Dr Janos Eleki was elected secretary general of TOT. His links with the movement began a long time ago. Right after earning his diploma he began his career in Mezokovacshaza in the producer cooperative as trainee, in 1962. As early as in 1963 he became chief agronomist of the Uj Alkotmany [New Constitution] TSZ [Producer Cooperative]. The shortage in the supply of professionals at the time forced many of them then to progress upward rapidly on the ladder of ranks. There were too few college graduates, he was the only on in the cooperative with a university diploma. He had plenty to do. In addition to theory he had to learn the practical aspects of the job, and fit into the community. He was in an advantageous situation because he knew everybody in the area, he was from right there, and it made his situation easier that he "went back home" to work.

[Question] Others consider it a disadvantage. They feel that nobody can be a prophet in his own home.

[Answer] Perhaps not a prophet, but one can be a fellow worker who makes a profit of the community. In 1975 I continued my work as vice president of the TSZ in charge of production, and in 1978 I became the TSZ's president. We operated on an area of about 6,000 hectares. This was in part of the Bekes-Csanad [megyes] loess plateau where it was worth our whiles to include every square foot of the land in plowfield

production. A good production area. In the final analysis I spent 18 years in one place, and I believe this is no disadvantage. On the contrary. To move through all the steps, to try out responsibilities in various phases of the work is an opportunity to familiarize ourselves with the characteristics of the area, of the region, and of the production unit, and at the same time also of our own capabilities. These 18 years also provided me with the opportunity to live through and experience all the characteristics, the joys and difficulties of the TSZ movement in addition to the work.

[Question] The Mezokovacshaza TSZ president suddenly became deputy minister...

[Answer] Practically from one day to the next. And perhaps it need not be proven that the change-over and doing a good job in the new job assignments was not easy. I worked for one year as one of the five deputy ministers, then on the 12th of December I was elected secretary general of the TOT.

[Question] That is, while earlier you managed 6,000 hectares, you now manage 6 million. This includes 1,338 TSZs, 61 special cooperatives and 760 cooperative associations. What plans do you have at the start of your job as secretary general?

[Answer] As deputy minister I also maintained my links with the plants and also with TOT. It was part of my job. Thus I do not have to "change over" to the cooperative movement now, either, because I actually never left it. Of course, I embark on my new task with ambition, since agriculture is my life, I have been living in it for two decades, and I will endeavor to discharge the duties of my complimentary job according to the best of my abilities. Fortunately there are many opportunities in the movement, and I mean, feel and say the word movement with all capital letters. Since 1962, the beginning of the reorganization period I have grown up together with it, and this situation is definitive, it compels [my] future path of life.

[Question] Last year the TSZs produced almost 200 billion worth of goods, and in five years their total output increased by over 16 percent. Can this performance be increased under the present economic circumstances?

[Answer] It can be, but every member of the TSZ movement feels its weight. The plan numbers of the Sixty 5-Year Plan place very big tasks on the producer cooperatives, but the relationship between the movement and work has such momentum that we must exploit it and we must manage well its strength. Then the upward surge will not fail to materialize, either. It also helps that the cooperative policy is an organic part of our agricultural policy, and this even in itself is an assurance of progress.

[Question] How, amidst the tightening economic and financial circumstances?

[Answer] A certain technological background, biological foundations, or in a word material base is needed, without that it won't go. But the TSZ movement gladly accepts new things: for example, science as a production force. This can also be used to substitute for the financial things whenever, wherever, and however the opportunities open up for it. And we must have confidence in the membership which numbers over 1 million people, since they have proven themselves with their work in recent decades.

[Question] What are the points in the TSZ movement which need strengthening?

[Answer] The producer cooperatives work in innumerable other areas in addition to their basic activity. Of course, this broad scale has some colors which are more faint, some points which are weaker than the others. Such are, at this time, the units which operate at low levels, and which must be brought up to the average levels. The TOT has a very significant role in this. Even if for no other reason, then because in many locations the given natural conditions are not at all poorer than those of the neighboring field. At such times it is necessary to regroup the intellectual capital.

[Question] What do you consider to be the most important change in the life of the TSZs?

[Answer] Further reinforcement of the plant democracy. Cooperative democracy by itself is a productive force. We must use it.

[Question] There are many attacks on the household plots. The infrastructure of villages is being discredited. There are many debates about the situation of agricultural intelligentsia. There is great uncertainty in evaluating the role of the detached farms [tanya]. What do you think about these?

[Answer] A healthy impatience is understandable since the difference still exists between city and village. But the developing modern infrastructure of the districts can be greatly influenced by producer cooperative operating there. And even if the present situation of our national economy cannot permit us to develop the settlements at the rate we employed during the last decade, the strong TSZs can take over the care of the life of the village community. The water and electric lines, roads, schools and day care centers can have owners. These tasks are corollary to the activist life of the producer cooperatives. This is how the work of the TSZ can coexist with the social and political life of its surroundings. And the detached farms? At the time the large fields were formed, and during the course of large scale operation they hindered the economic operation in many places with the fact of their presence. For this very reason most of them ceased to exist during the last 15 years. For the most part the remaining ones today solve the livestock raising tasks of the household plots and auxiliary farms, and do small scale production. Of course, they do this meritoriously only in those locations where there is water and electricity. The situation of clusters of detached farms is different; serious agricultural production is conducted there. After all, the detached farms are not to be destroyed, nor to be kept alive at all costs. Their situation must be evaluated individually, and by region. And the intelligentsia? The agricultural intelligentsia has a significant role and respected place in the life of the districts. With its presence it carried a new spot of color to the ranks of the village intelligentsia during the course of recent years. Reinforced its numbers and the effect of its role on the community. In the beginning it was not easy to fit in. The agricultural intellectual was able to get recognition only when the level of the economic operation of the TSZs improved and society also took notice of their work. This is when the agricultural intelligentsia truly fitted in, this is when the village community accepted them among the rank of intelligentsia.

[Question] In your opinion, what is the main task of the movement until the fifth congress of TOT, during the next 5 years?

[Answer] First of all: to represent interests. But never against someone else, always on behalf of someone. The TOT as an interest representation organ must answer before the general public as part of the national economy's distribution of work, for the work of the TSZs in the interest of fulfilling the mutual goals, and for the further development of the life of the movement. And also to further develop the possibilities of this "answering" legally as well as economically.

[Question] What is your message to the agricultural engineer trainees now starting out? It is possible that, according to your example those who do their share of the work and take part in public life, two decades later will also have the opportunity to participate in directing?

[Answer] My advice to my young colleagues is: be impatient. Healthy impatience is a driving force. Of course, today there are fewer spectacular, rapid promotions which satisfy the professional and human desires. When we started out, the supply of specialists in the TSZs was different, the work often had to be organized in mud, on a bicycle or on horseback, there was less time for the professional part. This is different today, the young people find themselves confronted with a higher level of economic operation, and can live better in their profession. Myself, looking back at the past, can only say that I was just as proud of the respect I received as TSZ branch manager as I was later of my position as deputy minister, or am now to have become secretary general of TOT. In the final analysis it is not the position but the pleasure derived from the work done that qualifies a person.

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NUCLEAR POWER PLANT CONTROL SYSTEM READIED

Budapest MAGYAR NEMZET in Hungarian 31 Dec 81 p 3

[Article, no author given: "The 'Brain' of the Paks Nuclear Power Plant Comes to Life"]

[Text] The old year is being sent on its way with a farewell to work in the Paks nuclear power plnat. Its designers have accomplished this year's special, triple technical task: start-up of the first turbine with outside steam, lifting the No 2 reactor shell into its final place, and preparing the No 1 reactor block for operation.

The "brain" of the nuclear power plant, the complex process guidance and control system named Uran-2 which will come to life with the cooperation of Hungarian and Soviet experts, will also take part at the end of this year in the series of start-up operations, followed with tense excitement. One of the system's tasks is to collect operating data on the nuclear power plant. The type M-60 information collector will contain signals from about 7,000 monitoring locations.

8584
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## BALANCING TRADE PUTS BRAKES ON INVESTMENT

Budapest NEPSZABADSAG in Hungarian 6 Jan 82 p 10

[Article by Andras Nyilas, deputy director of the Economic Research Institute: "The External Balance and Investments"]

[Text] In 1979--result from well-known changes in external economic conditions--a new phase began in the development of our national economy, improving the external balance came to the forefront of our economic policy. Prior to this, between 1974 and 1978, domestic use--primarily as a result of the new international price relationships--significantly exceeded domestic resources, the real incomes deriving from domestic production. The deficit had to be financed with external resources.

Following 1978, in the interest of restoring the deteriorated external balance, we moderated domestic use so that even though consumption has risen slightly in the past 3 years, accumulation decreased considerably year by year; in 1981 it will probably be one-third less than in 1978 when the level of investments, but especially the accumulation of stockpiles, was prominently high. The decrease in domestic use also moderated economic growth; in the last 3 years together national income grew by hardly 2 percent. The new producers price system introduced in 1980 and the modification of economic regulators, which tries to grade the management of industrial enterprises on the basis of the value judgment of the world market, contributed to this. In 1980 to 1981, on the basis of the new price and cost relationships, the enterprises reduced their uneconomical production and export. The increase in relatively more economical production and export only balanced out this drop at best.

### Cyclic Fluctuation

Holding back domestic use (consumption and accumulation) and economic growth achieved the goal--our nonruble-accounting foreign trade balance improved and is approximately balanced. Although domestic use in 1981 still exceeded national income, this "over-use" was a good bit smaller than in 1978 and preceding years.

But with all this, the external balance did not improve to the extent intended in the original plans. In addition to the shortfalls with production and export plans, a role was again played by investments exceeding the plan. Despite the tightening and restricting measures, the investment plan was overfulfilled in 1980 and probably in 1981 as well. Although the magnitude of this is not nearly so great as in earlier

years, it can start processes endangering our balance goals. It appears that about the middle of the past year the investment cycle reached its lower turning point; a large number of investment starts, the appearance of postponed investment demand and starting the new economic policy development goals project the danger of an upswing of such magnitude as to increase overdistribution again.

Such a cyclic variation of investments is not an unknown phenomenon in the Hungarian economy. Since 1968 the swings have been damped somewhat but this cyclic fluctuation was characteristic of the development of investments during the Fifth Five-Year Plan also. In general, investments decline when the external balance deteriorates and pick up when the external balance improves. This interdependency applied even to the period immediately following the price explosion; even though the fundamental cause of the balance deficit was the change in international price relationships, which was extraordinarily unfavorable to us, the losses deriving from this were significantly worsened by the cyclic variation in investments. After a favorable development of the foreign trade balance in 1972 to 1973, investment activity accelerated in 1974 to 1975, then again stagnated temproarily in 1976 after the prominent balance deficit. Our foreign trade balance improved somewhat in 1976 and investment picked up again, reaching the peak of the cycle of 1977 to 1978, when our total foreign trade deficit reached a record level.

Investments have a manifold effect on the foreign trade balance, especially with import for direct investment purposes. In 1973 the import of dollar-accounting investment goods hardly reached 10 billion forints; in 1978 it was 27 billion forints. By itself this increase precipitated almost half the 1978 deficit of more than $1 billion.

A New Upswing?

We put a brake on the increase in investments in 1979 and in 1980 to 1981 we decreased their volume by about 6 percent annually. Various analyses concluded that domestic use must be reduced further, in the interest of consolidating the results in external balance relationships and because of the deteriorating external conditions. Reducing consumption, however, is not a realistic alternative, so investments must be moderated in 1982 also, despite the fact that numerous factors would justify an increase in investments. The most important of these factors are the following: as a result of the reduction in investments thus far the developmental resources available, in many cases, do not even permit maintaining the level of production and service activities; a significant change in production structure and export structure is accompanied by rising investment demand; the energy management rationalization program and an acceleration of it also increase investments; going beyond a reduction in investments, the original plans prescribed almost 1.5 times as much as the previous 5-year plan for export development and import replacement investments; the already known new development programs, central goals and interstate contracts require many billions in new investment; and making the so-called "crisis branches" and enterprises "in trouble" economical is also an investment question.

Investment Hunger

These factors, cited only as examples, show that it is just a hypothesis that after a 3-year investment "ebb" the danger of investment expansion in 1982 is real--despite the requirements of the balance. Economic guidance has already taken several measures

to avoid this. On the one hand these measures significantly reduced the framework for state investments and on the other hand they considerably moderated the enterprises' own developmental resources. This latter was necessary because experience thus far proves that enterprise investments were the determining factor in the development of the investment cycles, in the overfulfillment of the investment plans.

An "investment hunger" is characteristic of our management in general; this is especially true of the enterprises. Adding up the 5-year plans of the enterprises indicates an investment resource demand that is a good bit more than is calculated on in the national economic plan. According to a survey last year by the Economic Research Institute the industrial enterprises want to increase investment in 1982 by an average of 20 to 30 percent as compared to last year. Surveys by the banks also indicate an upswing in investment intentions. The enterprises are encouraged to do this now just as they were in 1969-1971, 1974-1975 and 1977-1978 by having at their disposal more developmental resources from profits greater (a good bit greater) than planned. In the first three quarters of 1981 the profits of the producing enterprises--disregarding agriculture--exceeded those of one year earlier by roughly 20 percent, with an increase in production of 1 to 2 percent. Looking at the past year as a whole, the tighter measures aimed at increasing the efficiency of management considerably moderated the increase in profits and, as a result, the enterprises' own developmental resources.

In spite of all this, according to experience, the increase in the enterprises' own resources in itself does not cause a proportional upswing, because without external resources their own resources are in general insufficient to justify larger developments. Thus, in addition to a cutback in investments by means of a global moderation of the enterprises' own resources it is also necessary to keep central financial resources and resources that can be controlled centrally (for example, supports) within the planned frameworks. In 1982 there will probably be a good bit greater pressure than before--for example, the credit sphere also--and there is a danger that the credit demand arising will ultimately lead to overstepping the planned frameworks also.

The present developmental period places very stepped-up requirements on our management. This also appears in the fact that we must export more and export more economically with less investment amid external economic conditions that are ever deteriorating and becoming more difficult for us.

But on the basis of an international comparison we cannot regard domestic investments as low. In the majority of the developed capitalist countries the level of investments has stagnated virtually at the 1973 level since the world market price explosion. Here the volume of investments in 1978 was almost 1.5 times that of 1973; even in 1981 it exceeded it by almost 30 percent. We should regard a planned development of investments as an especially important task because a possible investment upswing would endanger not only our external balance but also the standard of living of the populace.

8984
CSO: 2500/103

## AGRICULTURAL OUTPUT FOR COMING YEAR HIGHLIGHTED

Budapest NEPSZABADSAG in Hungarian 16 Jan 82 p 1

[Article by unnamed correspondent: "One Hundred Billion in Production Value"]

[Text] We Expect Higher Average Crops of Wheat and Potatoes

This year our national economy expects 4-4.5 percent more product from the agriculture than last year. Within this in crop growing the projected growth is 5-5.6 percent.

This year the gross production value of crops will exceed 100 billion forints according to the projections--calculated at 1976 prices. Within this the acreage production represents the largest value with over 70 billion forints. We expect gross production values of 9.5 billion forints each from vegetable and grape production. Our plan is counting on almost 8.5 billion from the fruit orchards and a gross production value of 3 billion from the other, smaller branches.

The various grain crops, spiked grains and corn among them, are the main plant types of our plowfields. For grain types the plan can be fulfilled by increasing the production acreage and the yields per unit area. This latter, the average yield must be vigorously increased compared to last year's mainly in the case of wheat (4 tons per hectare) for 1982 (4.6 tons per hectare). Projected wheat production is almost 1.4 million tons higher than last year's actual figure. In the overall picture, compared to last year's almost 12.5 million tons, approximately 14 million tons of grain will be able to cover the demands domestic supply and export place on the domestic grain production.

Among the so-called industrial crops this year the growing acreage of sugar beets will be similar to that of last year. By means of a small increase in yield the 122,000 hectares can produce 100,000 more tons of sugar beets--a total of 4,636,000 tons--than they did last year. According to the projections the growing acreage of tobacco will remain unchanged, while that of the oil crops will decrease. Instead of last year's 303,000 hectares, this year we expect only 290,000 hectares of sunflowers.

The country expects over one million tons of potatoes produced on the plowfields. In addition to this we can expect 500,000 tons of potatoes from the household gardens. We expect 1.5 million tons of vegetables from the plowfields instead of

last year's 1.4 million tons. The role of cooperation between large farms and the small producers will increase primarily in the case of vegetable types requiring much manual labor. The situation is similar in fruit production, and within this primarily in the case of raspberry, strawberry, currant, that is, the berry fruits.

Higher average crops will this year also have a large role in all branches of crop production. In many areas the biological conditions do exist for this. The plan the farms to use 15 percent more chemical fertilizers. Significant sums can be spent on improvements, on soil improvements, and on protecting and improving its producing capabilities.

The plan expects higher efficiency in the utilization of the materials and equipment used in the service of crop production, and the energy saving technologies will spread further. Simultaneously with the increase of production, its profitability and also the international competitiveness of the products of crop production will improve.

8584
CSO: 2500/118

MINISTER QUIZZED ON DISSOLUTION OF TRUSTS

Budapest MAGYAR HIRLAP in Hungarian 4 Jan 82 p 7

[Interview with Dr Imre Kovacs, deputy minister of agriculture and food, by Ivan Gador; date and place not specified]

> [Text] Cogitative people have their doubts, and Dr Imre Kovacs, deputy minister of agriculture and food, is no exception. Thus, as he said, he is basically optimistic about the prospects of the current changes. He, together with others, prepared the government decisions that last year decreed the dissolution of a total of seven food-industry trusts or nationwide enterprises. And he has to implement these decisions. This interview is with him.

[Answer] The theoretical debates are over. It has been demonstrated that, under the present conditions, only a variagated economic structure, with enterprises of varying size and with different forms of ownership, can satisfy the diverse social requirements.

Now the time has come when practice must prove or disprove the theoretical arguments. This will not be easy. International conditions have become even more complex during the period just ended; among the food-exporters there have appeared competitors with whom we did not have to reckon earlier; and our production costs have increased for objective reasons. Whether the birth of enterprise independence will liberate reserves sufficient to offset the deterioration due to changes in market conditions is a big question.

Are our enterprises able to utilize the opportunities inherent in independence? Or will they behave like the lion born and raised in captivity and now forced to survive amidst the inexorable conditions of the jungle?

[Question] Within days, then, a good many enterprises will be freed from the "captivity" of the trusts. Will they be able to survive in freedom? Exports worth hundreds and millions of dollars will hinge on their ability. Do you believe that all of them will be able to stand their ground and even increase their output?

[Answer] I would hesitate to lump together the more than 50 enterprises of the dissolved seven trusts. The food-industry sectors that the individual trusts represent differ in their level of development, and the situation of the individual enterprises

also differs. Some enterprises are well-equipped, while others are practically near collapse. Presumably the enterprises with a high technical level and skillful management team will prove more viable than the enterprises whose plant and equipment are obsolete and management not very imaginative. The latter enterprises will obviously need help, particularly in the initial period.

[Question] Let there be no misunderstanding. In this case there is no close correlation between the technical level of the enterprises and the quality of their managements. The trusts centralized the developmental resources, and in most cases used them in a concentrated manner. Thus some enterprises were modernized completely, while other enterprises did not get enough investment even to maintain their technical level.

[Answer] In itself the fact that this practice has now been abandoned would be poor consolation for, say, the Kobanya Brewery (Kobanyai Sorgyar) that accounts for half of Hungary's total beer output. A considerable lag has to be eliminated there. And we will eliminate it. The blue-collar workers and middle managers at this enterprise are fostering old brewing traditions. It is not their fault that the enterprise is in its present state. And it is likewise not their fault that they now lack internal resources for essential development projects. We will appoint a new director general to head the enterprise and will provide central assistance that will enable the enterprise to raise itself to a competitive level. The situation is similar at the Gyor Bisquit and Wafer Factors (Gyori Keksz- es Ostyagyar). It too will get central aid. Our objective is to ensure that every enterprise that has become independent recently, or will become independent in the near future, has the basic technical and financial conditions for enterprise operation. Without this it would be foolish to expect a profit of anyone. For in the future profit will be the primary criterion for the evaluation of any enterprise.

[Question] Up to now the general directorates of the trusts "spared" enterprise managers the trouble of making basic decisions. Will this task not be an unfamiliar one for them now? Will they have sufficient knowledge and experience for succesful independent operation?

[Answer] The member enterprises of the trusts enjoyed a certain degree of independence already in recent years. I have very great confidence in most of their managers, for they have been full of good ideas even up to now. Ideas for whose realization there is more opportunity now with the establishment of direct self-interest. The value judgment of the domestic consumer and foreign market will rate the realized ideas. In this way the unfit will soon be screened out. And there will be no appeal. Everyone will have only himself to blame for failure. The rules of the game for today and tomorrow cannot provide dispensation for failure.

[Question] But they do provide excuses. The deputy director of a winery complained that enterprise independence in their case is mostly illusory. He needs approval from MEM [Ministry of Agriculture and Food] to travel abroad; they must produce and market so-called low-cost wines although this is unprofitable; and even the purchase price of grapes is regulated by a MEM directive that can be regarded as binding. His appointment, dismissal and premium are decided by someone in the ministry who is mostly unfamiliar with the situation and has never met the deputy director. Perhaps all this is not even an excuse.

[Answer] I will give specific answers to specific questions. Authorization to travel abroad, appointment, dismissal and premiums are truly still within the competence of the ministry. However, the system of state supervision is undergoing simplification. In our opinion, the rights of deputy directors and supervisors should be entrusted to the enterprise management. When this happens, the chief executive officers of the enterprises will have to decide such matters. They are familiar with the situation and know the persons involved and thus can make correct decisions. However, no central apparatus of any size would be able to effectively supervise, in accordance with the regulations now in force, so many independent enterprises. The work of enterprise supervision must be simplified because our apparatus has to be enlarged even so, and because meaningful decisions can be made only there, at the enterprises, where the success or failure of the decision can be felt. Naturally, meaningful state supervision must remain a very important task of the ministry also in the future. And so far as low-cost wines are concerned, every product that does not and cannot produce a profit for the enterprise but is essential to the population's supply--such as milk, for example--will receive a suitable central subsidy. The final objective, of course, is to narrow the circle of subsidized products.

[Question] And what about the centrally regulated purchase price of grapes? Cooperative enterprises and state farms buy grapes at the going price and get good value for their money.

[Answer] The situation is the same at the wineries. Last fall we called a meeting of winery directors, and I myself told them that if they found the price specified in the MEM directive too low, they could depart from it at their own risk. But anyone who does so and ends up with a loss should not come to us for aid. The directive was issued not to hamstring the wineries, but to prevent unhealthy competition in purchasing.

[Question] Evidently you are saying this because you have had unfavorable experience in other areas. The state and cooperative enterprises that purchase rabbits competed with each other so "successfully" in bidding up the price paid to rabbit breeders that in the end the breeders became completely confused (they also reduced their output) and the situation deteriorated into open hostility. Yet these enterprises should be collaborating.

[Answer] This is true not only of the state and cooperative enterprises that purchase rabbits, but of all enterprises that specialize in the same field and now find themselves in a competitive situation. Even under the wildest free-market capitalism the competitors eventually came to the conclusion that hostility can bleed them all to death. The organizational framework for fruitful collaboration exists. In poultry production, for example, where there is likewise competition between the breeding, feeding and processing enterprises, an association was formed already last summer. It has brought together--on a voluntary basis, of course--all the state, cooperative and joint enterprises that have an interest in breeding, feeding, processing and foreign trade. We expect the association to successfully coordinate the mutual interests of all participants in the vertical integration of poultry production, on the basis of domestic consumption and export demand.

[Question] The association is a good thing, and it truly can serve as the framework for coordinating the ideas of mature and imaginative enterprise managers.

However, the already mentioned example of the rabbit-breeding and marketing association demonstrates that some enterprise and cooperative managers have fatally confused their presumed momentary group interests with their real long-term enterprise interests.

[Answer] I am confident that the mentioned example of the rabbit-breeding and marketing association is an exceptional case, and I am also confident that in the end all the interested parties will find a common ground, and that it will not be necessary to intervene officially in their dispute. Indeed, we must hope that the vast majority of our enterprise managers are not only profesionally competent, but are also able to recognize broader interests and to exercise self-restraint when necessary. Had we lacked this confidence, we would not risk to adopt our present measures that are changing the entire structure of the food industry. Last year --after dissolving, as the first step, the wine-industry, tobacco-industry and sugar-industry trusts, and the national confectionary-industry enterprise--we did encounter some lack of self-restraint during the first six months following the adoption of the mentioned measures. But the parties concerned very soon recognized that in certain matters they had to continue to cooperate, and that the coordination of their activity was expedient. This is what they are doing today, and our one-year experience with modernizing the organizational structure is unambiguously favorable.

[Question] Are you not disturbed by the fact that the present measures ordering the decentralization of the enterprises have been received with misgivings even by those who earlier had been ardent advocates of enterprise independence? Even in the present interview I have been able to call attention to so much doubt.

[Answer] There is nothing wrong in this. Our concepts and theories regarding enterprise organization are worth as much as we are able to confirm in the course of practical realization. Doubts that bring real contradictions to the surface, but at the same time seek solutions, can be of help to us in this respect. This is true, of course, only if we do not become like the Danish prince [Hamlet] who said: "...the native hue of resolution is sicklied o'er with the pale cast of thought; and enterprises...lose the name of action."

1014
CSO: 2500/115

## REASONS FOR DISSOLUTION OF AGROTROSZT NOTED

Budapest FIGYELO in Hungarian 30 Dec 81 p 15

[Article by Janos Felfoldi: "There Should be Dealerships"]

[Text] Progress is slow in converting the demand-market of agricultural production equipment into a supply-controlled market, and often we have achieved only temporary results. This conclusion is especially valid when we measure the balance between supply and demand not globally but on the expected quality, selection and continuousness of supply.

The AGROKER [Agricultural Supply Enterprises of Pest, Nograd and Komarom megyes] forming the backbone of production equipment supply were formed in the early 1960's, in the years following agriculture's socialist reorganization. Combining the trade organizations which earlier belonged to the state and cooperative sectors and creating enterprises doing business in each megye suited the needs of agriculture at the time.

### Lower Tolerance

The production systems created in the first half of the 1970's brought about a more significant quality change in the supply. That is, as it is commonly known, also undertook to supply production equipment in their area of operation. Numerous elements of the modern agrotechnology such as machinery systems, chemical materials, etc. were introduced into the Hungarian agriculture through this channel. The traditional supply organization fell a step behind the more dynamic methods of the production systems.

Beside the AGROKER enterprises other enterprises also participated from the beginning in the technical supply of agriculture. But the second trade channel, competition if you like, appeared only in the mid-1970's for machinery, chemical fertilizers, etc. These were the trade and agrochemical associations of agricultural enterprises.

A new change is that dissolution of the AGROTROSZT [Agricultural Supply Trust] combining the work of the AGROKER enterprises of the megyes has been placed on the agenda. The plans are to form a national enterprise of wholesale character that will have the task of coordinating import with the domestic needs. From now on in the sale of domestic products the enterprises selling directly to the users will

not have to use the services of the national sales enterprise, which may mean the development of a certain amount of competition.

The method of planning the trade of agricultural production equipment has not kept up with the demand. As a consequence of this, among other things during the time period of the Fifth 5-Year Plan selling difficulties appeared more and more often and for longer periods of time especially for tractors and some other work implements. And, by the end of the plan period, the shortage of spare parts and plant protection chemicals had become constant. It is also a hindering circumstance in planning machinery sales that the branch's machinery investment plan, which is the basis for the delivery contracts, no longer meets today's requirements. That is, the circumstances of mechanization have undergone fundamental changes compared to the earlier time period.

The mechanization of agriculture has entered a new stage. Most work processes are well machanized now and it has become possible to do the work at the best time. With such a higher degree of mechanization most machine purchases serve the goal of replacement, and the replacement tolerance of the machinery systems--that is, how long the possible eliminations or substitutions can be delayed--is greater than it was at the earlier, lower level of mechanization. This is because in larger machinery parks the possible eliminations and replacements are easier to delay than in a smaller machinery park, since there is a greater possibility to substitute the various machines with each other. Among other things, the increase of machinery stock depreciated to zero, as well as the unsold inventory during the time period of the Fifth 5-Year Plan also prove this. Machinery sales will have to consider these facts.

Six to Seven Percent per Year

Even though the value of the machinery investment plan of the Fifth 5-Year Plan's time period was minimally overfulfilled, the capacity of the investments is 15-20 percent lower than was planned. According to studies by the Agricultural Operations Research Institute the price level of machinery increased by 6-7 percent per year during this plan period due to price increases concealed in changed type structure and model modifications.

I mention machine price increases because this factor must be considered in evaluating the demand by farms able to pay for it. For this very reason a multi-factor planning method would be needed which takes into consideration the changes in solvent demand and is not limited solely to the distribution of investment budgets according to machine types.

This is especially important now when the independence of the trade enterprises is increasing and the danger of lack of coordination is raised. Nationwide coordination and comprehensive review must continue to be implemented in the supply of agricultural production equipment. But this coordination must be based on flexible new solutions that take into consideration the independence of the enterprises.

The coordination must cover: evaluation of the demands of the buyers, the domestic and foreign machinery puchase possibilities, attitude to be taken in dealing with suppliers, regrouping the supplies or orders deriving from machinery sales the extent of which differs with the various regions, etc.

## Isolated Inventories

Without the appropriate interest system of the production equipment trade enterprises it is difficult to keep up with the demands of the users. A significant portion of the development fund formed by the trade's profits had to be spent on building new facilities. After that there was hardly any money left to increase stock. (The strict regulatory system of financial management which often incorrectly interprets the national economy's interests also had a role in this.)

Faster growth of the spare parts trade inventories was not in the interest of commerce because, as we are talking about low turnover items, expected profits lag behind profits derived from the sale of the basic fast turnover inventory.

In the interest of insuring their production the farms increased their technical material stocks with large expenditures. Of the 85 billion inventory of our farms, the value of technical and chemical materials is 14 billion forints. At the same time the stock value of AGROTROSZT's network is 6 billion forints. (I left out the value of machinery from both sides of this comparison.)

Such a disproportionate distribution of the inventories is undesirable not only because of the load bearing ability of the farms but also is in contrast with the requirements of the national economy's efficiency. That is, it can be accepted as a general rule that with a well organized regional supply the inventory value can be at the most 40-45 percent of what the 1,500 user farms now keep on hand.

## 500 Million Expenditure

The situation is especially serious in spare parts supply. The problem is not a new one, and it seems that we cannot expect improvement either in the domestic or in the CEMA relationships with the present methods.

The chronic problems of spare parts supply can be solved only be placing it on new foundations. A coordinated program of measures would be needed which, beyond the import and international agreements, would provide room for direct contact among enterprises, for the technical supply organizations of foreign manufacturers to be set up in this country, for their consignment warehouses, and also for cooperative manufacturing.

Evaluating the operating areas of the production equipment sales organizations can also be linked to the spare parts supply. The regional network would significantly decrease the material purchasing costs of the farms. Twenty percent of the Hungarian agriculture's truck park of 30,000 trucks has load capacity under one ton, and about one-half of these serve the purpose of purchasing materials. On the national average 3,000 to 3,2000 motor vehicles are running around [sic] or waiting because of material purchases, and the cost effect of this exceeds 500 million forints per year. In the case of better organized supply this cost could be decreased by 30-35 percent.

The situation which has developed in supply probably cannot be changed quickly. Redirecting the inventories of the farms to commerce--without eliminating the basic reasons [for it]--is not a realistic goal.

But starting out from the given situation it would be expeditious to assign this job to regional associations. In addition to the farms of the region, the various production systems and the AGROKER enterprises would also participate in these. The activity of these associations could include the entire chain of spare parts management from suppliers to the users.

The jobs cannot be narrowed down to the various sections of the chain. It can not be assumed that most problems will be solved by eliminating the AGROTROSZT.

8584
CSO: 2500/118

FACTORY MAKES COMPETITIVE CNC MACHINE TOOLS

Budapest ESTI HIRLAP in Hungarian 3 Jan 82 p 3

[Interview Matyas Jakab, director general of Machine Tool Industrial Works, by Judit Palffy: "Machine Tools"]

[Text] The Classic Lathe--Rotating Chain Cartridge

The two-hundredth one and the first one. Both serial numbers designate the computerized processing center with numerical control completed just recently in the Esztergom Milling Machine Works of the Machine Tool Industrial Works. This was the twohundredth high performance and expensive CNC (Computerized Numerical Control) machine produced here, and the first one sold directly overseas from here, beyond the Atlantic Ocean in the USA.

Oil Industry

[Jakab] We are represented by North West Industry [sic] in Oklahoma City, and they have already placed an order with us for another 12 machines--Matyas Jakab, director general of the Machine Tool Industrial Works informs us. -- Our processing center contributes to the production of spare parts and subassemblies of oil industrial equipment, and is the largest supplement to the CNC machine tool line of the Makino firm of Japan. They also make and sell to the USA similar constructions, only their performance and size are smaller. Our firm also represents them.

[Question] So the Makino firm is a competitor in one way, but not in others?

[Answer] They compete with us in one sense, since if we cannot deliver the processing center as reliably for the exact deadline as the Japanese firm can deliver theirs, the North West Industry will look for suppliers elsewhere. But the Makino firm does not make such a large CNC center, so that they do not directly compete with us in the trade.

[Question] What is required by SZIM [Machine Tool Industrial Works] to be able to demand a place for itself among the other firms which produce at a very high standard for one of the most demanding markets?

[Answer] Production of the first digitally controlled NC machines began in this country a decade and a half ago, followed later as the construction continuously

modernized, by machines capable of handling more and more complicated operations. Many people felt at the very beginning that the use of equipment suitable for doing work automatically was not profitable. They claimed: the machine and the control equipment are so expensive that they are not worth ordering. Since then time has proven us right, the price of the control equipment decreased to one-eighth or one-tenth of what it was a decade and a half ago. Nobody argues today whether it is worth our while to produce and use digitally controlled and computer controlled machine tools.

Cooperation

[Palffy] There is much talk about having to discontinue the production of some older models with the advance of new constructions, because this is the economical thing to do. But there still are very many users in this country who need the classical machine tools because this better fits in with their technology.

[Question] You[r enterprise] produce[s] not only high performance machinery but also classical machine tools. For how long?

[Answer] We will gradually discontinue production of the classical lathes, milling machines and grinders. We have started negotiations with a machine tool factory in Ada, Yugoslavia--within the framework of long range cooperation--so that they would supply as much of the older type equipment as we discontinue producing, and at the same time for them to buy CNC machine tools from us.

[Question] What [best] characterizes your newest CNC processing center?

[Answer] It can machine slab and box-shaped castings and steel pieces fully automatically on the basis of computerized control. The tooling head stores 50 tools, in the links of a huge, rotating chain cartridge.

[Question] What is needed to make progress compared to recent years?

[Answer] Appropriate systematic work and technological discipline at all levels of management. Everyone should receive all the information, and all materials and tools should be available whenever and wherever they are needed. Within the opportunities specified by the wage control, we try to give higher wages to the best workers. We would like to keep our best trained good workers and strengthen our core staff. Every one of the workers, economists, engineers, technologists and sales staff, we all have to stand our ground in an even more demanding system of requirements than before. We must supply good quality product, and do so on time.

8584
CSO: 2500/117

## BRIEFS

AMPLE FODDER SUPPLY--Many will be affected by the success of meat production this year. Achievement of the two million one hundred thousand tons of slaughter animals specified in the plans will depend on the livestock raising enthusiasm of the large farms and small producers. The degree to which fodder supply is assured is an important condition of meat production as are financial incentives. According to Jozsef Bagi, deputy managing director of the Grain Trust, definite steps have been taken to provide the necessary fodder. He said that although dry weather in 1981 caused a cereal grain shortfall of one million tons, there will be no lack of fodder, because corn yields exceeded earlier estimates and were higher than 5.8 tons per hectare. Residual shortages will be offset by lower exports of grain. To ensure an adequate supply of fodder mixes, the grain industry will make greater use of the capacities of the fodder mix producing facilities of the large farms in addition to its own installations of this sort. Financial incentives have been adopted to encourage this, and the large farms are pleased to cooperate in providing the additional fodder mixes needed. At present livestock breeders can buy fodder at 5,700 outlets. 1,000 of which are maintained by the shops of the Grain Trust while the remainder are run by the large farms and other distributors. They can provide unlimited supplies of feed, fodder mix and feed concentrates. Private breeders can order supplies for the entire year in advance. In some cases it is even possible to arrange for home delivery at discount shipping rates. [Summary] [Budapest NEPSZABADSAG in Hungarian 8 Jan 82 p 4]

CSO: 2500/129

STABLE TAX POLICY FOR 1982 INDICATED

Warsaw TRYBUNA LUDU in Polish 4 Jan 82 p 2

[Article by J. Markusz: "Stable Tax Policy"]

[Text] On Saturday, 2 January 1982, a meeting took place at the Ministry of Finance between Minister Marian Krzak and representatives of the Central Crafts Union and the Chief Council of Private Trade and Service Associations.

As the head of the ministry emphasized, the general principles of the tax policy, which has been markedly liberalized since 1976, will be retained. The government is treating crafts, private trade and services as a permanent element of the socialist economy. With respect to other spheres, they will retain the status of a fully equal partner. This is after all the way in which the Council of Ministers Resolution No 112, on the basis of which a reform was carried out throughout the small manufacturing industry since last July, also deals with this question.

The possibility of an economic recovery, and above all of an increase in the supply of goods and services, is to a significant extent linked to the development of crafts, private trade and services. This is the reason why continual improvement of the tax and credit system is necessary.

Minister M. Krzak recalled that handicraftsmen opening new food establishments are exempt from the tax for a period of 3 years, and in the case of other types of production and services, for 2 years. Considerable reductions have also been implemented for those workshop proprietors who train apprentices and create new positions for people transferring from administration to handicraft production and services.

It appears from a statement by the representatives of the Central Crafts Union that due to the assurance of more beneficial and more stable conditions for development, over 50,000 shops have been added to crafts since 1975, and employment has increased by more than 100,000. There has likewise been a considerable increase in the number of establishments in the Association for Private Trade and Services. There is still, however, a shortage of production and service shops, both in the city and the country, while the existing ones are operating under unusually difficult conditions.

The supply situation has become even more complicated. The restriction on the allocation of fuel to private customers, in connection with martial law, has made it impossible for many goods to be delivered to stores. A gradual increase in the fuel allotments should cause this problem to be alleviated. On the other hand, the necessity of assistance, especially from local authorities, to handicraft shops producing market products is becoming apparent. There is apprehension that some establishments (among others, shops working on the basis of chemical raw materials, private hotels, and restaurants) may be obliged to limit their activity from time to time; in this connection, forms of taxation that would enable them to survive have to be instituted.

As Minister Krzak stated, more flexible types of taxes and credits will be applied, taking into account specific conditions. Proposals for improvements will be discussed jointly at similar meetings.

9909
CSO: 2600/195

## GOVERNMENT ACTIONS ON ECONOMIC REFORM REPORTED

Warsaw TRYBUNA LUDU in Polish 6 Jan 82 pp 1, 5

### Draft Law on Employment Fund

[Article; "Acceptance of Draft on Vocational Activation Fund; Nonrecurring Grain Loan; Coal Balance; Raw and Other Materials Supply"]

[Text] The Economic Committee of the Council of Ministers, meeting on the 5th of this month under the chairmanship of deputy premier Janusz Obodowski, considered and accepted the Council of Ministers draft resolution on the vocational activation fund. Work on this draft, as we know, has been going on for a long time. The proposals on most of the accepted solutions contained in the draft were the object of earlier consultations with the trade unions and social organizations.

The creation of a vocational activation fund is particularly important in view of the implementation of economic reform beginning January 1, 1982. Reform is supposed to improve the efficiency standards of employment and will make it necessary to relocate and retrain workers. Coproduction and supply problems and the accompanying unbalance in the labor market will require intervention activities by State organs. The vocation activation fund creates the proper material conditions for these activities. The draft resolution provides that the money in the fund will be used, among other things, to make it possible for persons temporarily out of a job, or changing jobs, to obtain new skills; to organize additional places of work; and also to pay allowances to workers in socialized work plants who have been furloughed without pay in connection with the halting or restricting of production.

The fund will also be used to finance temporary compensatory allowances, provided by Council of Ministers resolution No 169 for workers who had to change jobs, if their wages in the new plant were lower than those received in their former workplace, and also to finance allowances for juveniles, employed in plants in the socialized economy for the purpose of vocational preparation, and who are in particularly difficult material circumstances.

The draft resolution states that after all possibilities of providing employment to persons temporarily without a job are exhausted, a special allowance will be paid to ensure them an existence during this period. Thus the creation of a vocational activation fund will make it possible to guarantee all workers material means in difficult periods, will enhance the sense of social security, and increase vocational

activity everywhere where it will be of benefit to the people and the economy. The amount of the fund will be determined according to the needs dictated by the labor market. Due to the poor food market situation, the reduced procurement of farm products and the very limited possibilities of importing food, the economic committee undertook some decisions aimed at immediately activating the production and procurement of farm articles. The agricultural service is being required to conduct talks with the producers for the purpose of implementing, by February 15th, the commitments made in contractual agreements for delivery of grain and slaughter animals in the first quarter of this year.

The Economic Committee also considered the proposal from the Minister of Agriculture and Food Economy on a nonrecurring loan of grain from last year's crops. Within the framework of this loan, coupons would be issued for grain deliveries--coupons which the State would redeem during 1983-1985 according to the procurement price of grain in effect at that time. In addition, there is to be an exchange of grain and flour obtained from farm milling for bread and grain products and an exchange of consumer-type grain or fodder for sowing materials.

The Economic Committee appointed an interministerial commission which, within 4 days, will examine the coal balance and its distribution and consider the feasibility of increasing deliveries of coal for the needs of farmers. It is decided that by the end of the first quarter of this year all arrears in coal deliveries due to unfulfilled contractual agreements will be eliminated. In addition to emergency actions, long-range measures which could restore and strengthen economic ties between the villages and the tons were considered. In this context the consequences of economic reform in the field of production means for agriculture were discussed. It was stressed that the increase in prices of basic and important means of production should not effect the farmers' incomes and that the profitability of every type of farm production should be ensured.

In discussing the situation in industry, the Council of Ministers Economic Committee concentrated its attention on problems resulting from raw-and-other-materials supply. It also instructed that work on operational programs be accelerated and that the materials management office and the ministries involved quickly distribute the raw and other materials.

## Press Conference on Economic Reform

Warsaw TRYBUNA LUDU in Polish 15 Jan 82 p 5

[Report of press conference with foreign journalists: "Economic Reform and its Prerequisites"]

> [Text] The problems of economic reform and the preconditions of its implementation were the subject of a press conference held on the 14th of this month by Prof Zdzislaw Sadowski, government plenipotentiary on economic reform, with foreign journalists.

The conference took place at the Ministry of Internal Affairs information center in Warsaw. The government's press spokesman, Jerzy Urban, also took part. In opening the meeting he stated that reform in its present form would not have been possible prior to August 1980. But neither would it have been possible to conduct it in a

state of anarchy, during political struggles in the workplaces, and during a time of strikes. The process of implementing reform clearly conflicts with speculation on the willingness of the authorities to return to the conditions that existed prior to August.

NATO Session Resolutions - the Violation of Poland's Sovereign Rights

Taking advantage of the presence of many western journalists, J. Urban addressed himself to the recent resolutions at the Brussels meetings of the NATO Council, describing them as a violation of Poland's sovereign rights and interference in our internal affairs, and even as an attempt to dictate Poland's domestic policies, which results in a growth of tensions in Europe.

Professor Sadowski stated at the beginning that the main goal of reform is to implement a totally new economic mechanism, for the old mechanism failed. It destroyed the basic feature of good management, which is efficiency of action, brought chaos and confusion. Reform, therefore, is an absolute necessity, but it is also linked with the intention in Poland that the democratization process proceed. In Prof Sadowski's opinion, it is also the only way to overcome the economic crisis. Reform is being implemented under very unfavorable circumstances. This carries with it a great risk and uncertainty. It would be nice if it could be begun under better social and political conditions, but of course reform and its planned results should help in improving these conditions. Reform and the political-social atmosphere are linked together in a cause-and-effect relationship.

The Three "S" [self-dependence, self-government, self-financing] Formula Lives

The proclamation of martial law has made only one important change in the process of implementing reform. That is the suspension of activities of workforce self-governments. Prof Sadowski emphasized, however, that the authorities are definitely willing to have the self-governments gradually return to the enterprises. Thus the three "S" formula is still alive.

The basic economic threat to reform are the supply difficulties which result primarily from the country's very limited payments capability. The elimination of this threat will depend to a great degree on the attitude of our western creditors and contracting parties. A motivation system has been built into a strong economic mechanism, a system encouraging a growth of production and export. An improvement in supplies would undoubtedly increase the effectiveness of this system.

One of the first questions asked by foreign correspondents pertained to the undertaking of a system of temporary measures in the economy. Professor Sadowski explained that this concept can only be used in the legal sense. The temporary measures term was applied to the Council of Ministers resolution on the principles of enterprises' functioning in 1982. These principles are in agreement with the directions of reform. Only the method of their legislation is temporary. In view of the necessity to quickly familiarize the enterprises with the new mechanism, there was no time to pass parliamentary laws and the government resolution form had to be used.

The next question: Is reform possible when raw and other materials and energy are subject to distribution? In a situation where there are supply shortages, distribution is a necessity. An effort was made, however, to limit it as much as possible. The supply priority was given to the protected zone determined by so-called operational programs which cover basic means of consumption, production and export. The distribution method has been greatly changed and conforms with the spirit of reform. It is determined with the help of a formula of product [i.e., goods and services] allotment for a specific important production, and not by an organizational unit [i.e., plant and equipment] formula, as in the past--for the ministry, association or very influential enterprise.

In answer to the question of a guarantee that in the future a complete formula for reform would be applied, including the element of self-government, Professor Sadowski said that the only guarantee is that the new economic mechanism will operate successfully, that the crisis will be overcome, and that conditions will be created for the functioning of self-governemtns. One of the correspondents asked about the relationship between self-government and the party organization in the plant. These relationships were defined in the laws on an enterprise and on self-government. The more active and more resilient the plant party organization, the greater will be the role of the party in the life of the factory community.

Prices and Compensation

The foreign journalists were also interested in the anticipated effects of price reforms. Professor Sadowski emphasized that the form of the price decisions and the method of compensation will depend on the results of consultations with the public. An increase in prices is essential, but the main problem is to eliminate the danger that the population groups with the lowest incomes will not be hit too hard, and that the drop in the level of consumption will not be drastic. From this standpoint, it is most important to prepare a correct system of compensation. In his opinion the increase in food prices should be, generally speaking, fully compensated, and the size of the compensation should be related to the size of the ration-card allotments. J. Urban announced at this point that variants of decisions relating to prices and compensations are being prepared at this time which differ from those that have been published so far.

More Exports, Faster Debt Repayment

The last group of problems raised during the conference concerned Poland's economic links with foreign countries. In Professor Sadowski's opinion, the only way in which the debt will be paid and the amounts owed on foreign credits will be reduced is by an increase in exports. The new economic mechanism contains strong pro-export incentives. They include a system of foreign-exchange allowances for supply imports and a provision for granting foreign-trade licenses to enterprises. J. Urban stated in conclusion that correct trade and economic relations depend primarily on the general international climate. At present this climate was seriously disturbed by the American restrictions toward Poland and the USSR and the resolutions of the last sessions of the NATO Council in Brussels.

9295
CSO: 2600/22]

## IMPACT OF MARTIAL LAW ON ECONOMIC CONDITIONS REPORTED

Warsaw ZOLNIERZ WOLNOSCI in Polish 16 Dec 81 pp 1, 2

[Article: "Martial Law in the Country Facilitates Gradual Normalization of Life"]

[Text] -- Most Industries Working without Troubles

-- Transportation Operating Quite Efficiently

-- Improvement in Provisions of Milk and Bakery Items

-- Dismissal of Incompetent Governors and Directors

(PAP). Marial law in the country means special principles of public life and special obligations for every citizen. These rigorous principles of action were dictated by extraordinary goals, of which the most important is to assist the people's everyday lives. These principles are mandatory on everybody without exception, for on this depends not only the fate of the state of law and order but also the tranquility of its citizens.

The vast majority of society, having received news of such momentous import, demonstrated understanding and a sense of responsibility; people maintained calm and a good civic attitude. They submitted to the obligatory orders, prohibitions, and limitations. What decided them in this matter was an understanding of the fact that it had to come about, along with the information that anarchy and laxness in the economy could not continue ad infinitum if our country and people, located in the middle of Europe, did not wish to be annihilated.

There are still persons, however, who act as though they did not understand or believe the situation and the consequences of the executors of the new, extraordinary regime. Such persons are attempting to act in a manner which can in no way be tolerated any longer.

Lack of information cannot be any excuse here. The prescriptions are clear and specific, albeit harsh. And everyone knows what the consequences of violating law and order would be. Hence there is no possibility in any case for counting on indulgence. For this has become a matter of vital importance for the state and the people.

institutions, where production results are fundamentally affected by the smoothly regular delivery of copper as well as insulation materials shipped in from Bydgoszcz.

At the Krakow-Plaszow PKP Junction many members of the railroad institution remained at their posts after their own working hours in order to substitute for their co-workers who were unable to reach their shifts on time. Similar examples of understanding among fellow workers and a good civic attitude were provided by workers at the Skawina Electric Power Station.

Particularly outstanding service was rended by the workers of the Railroad Rolling-Stock Repair Plants in Bydgoszcz, where some of the workers voluntarily curtailed their leave time.

Key production institutions were also functioning without any great troubles in Kalisz Province, including the ZNTK in Ostrow and the WSK in Kalisz.

The efforts of the builders in the LAZ [Lublin Coal Basin] are now being concentrated on building a pilot extraction mine in Bogdaniec as well as a second one in Stefanow. Crews of the Mining Operations Enterprise in Leczno have proceeded to deepen one of the shafts for the mine in Stefanow; moreover, its construction has entered upon the phase of mining operations, while the important rail phase has been completed at the LZW construction.

From information coming in from the Szczecin-Swinoujcie port complex it turns out that on Monday the dock-workers trans-loaded 26,600 tons of cargo and did a similar amount of work on Tuesday.

A vitally important matter for society is the development of farm produce and meat procurement. Procurement points, including the Samopomoc Chlopska District Cooperative, as well as the food-processing industry, are operating at full speed. Beginning on Monday, the 14th of the current month, there has been a marked increase in the procurement of meat and grain from farmers in the Bydgoszcz Province. The procurement of livestock for slaughter in various other regions has been clearly very differentiated. In Bielski Province on the 14th of this month farmers brought in a great deal more flocks and herds than they had delivered in the preceding days. In other provinces things were varied and often very bad. And it is precisely the development of procurement which is the key to improving the food market.

Supplying the cities with food items on Tuesday was similar to what it has been up to now, although certain cities had difficulties with the delivery of baked items, for example.

Frustrated Attempts at Disturbing Work and Public Order

At certain places of work and institutions of higher learning within the country, despite the adoption of the decree on martial law, there were continuing attempts to disrupt work and public order.

The forces of law and order, supported by the workers' aktiv and operating in a decisive manner, succeeded in cutting short a strike at the Warski Shipyard in Szczecin. The leading strike committee was arrested, together with several other joint organizers of the strike.

Tuesday, 15 December was the second day of work and functioning of the country, of all state organs, of the life and work of citizens under the conditions outlined by martial law. How the situation looks in certain particular localities is testified to by the information flowing in from the country as follows:

A fact of particular value is the attitude of civic understanding in the face of events of such momentous importance. Although it is difficult to adapt oneself to the extraordinary means which have been undertaken in order to effect a return to equilibrium and calm, nevertheless, sober-minded citizens share the view that this is the path to normalize the situation and is inevitable for beginning a process which is of key importance today--bringing the country out of its deep crisis.

If it is a matter of the functioning of industry, then on Tuesday almost all the production institutions in the chemical and light industries were working. Among them were the Nitrogen Plants in Pulawy and the Stilon Distillery, the institutions of Tarnobrzeski Zaglebia Siarkowy, and the pharmaceutical enterprises. Clearly there has been no lack of problems--especially in the matter of maintaining supplies of materials and fuel.

From the information which the departments sent in to the Ministry of Metallurgy and Engineering Industry the directors of the 40 largest Warsaw institutions of this sector of the economy have reported that in all of them, as of the afternoon of the 15th of the current month, production was continuing at the normal rate. There is a problem, however, in maintaining supplies of technical materials, and there is a shortage of fuel.

The enterprise directors emphasize that the principle of one-man decisions, as introduced by the martial law, along with one-man responsibility, has favored the operational management of the institutions as well as the easing of situations which were sometimes tense.

During a meeting First Deputy Minister of Metallurgy and Engineering Industry Stanislaw Wylupek and Commissioner-Plenipotentiary of the National Defense Committee, Major General Jerzy Modrzewski underscored the present extraordinary status of the enterprise directors and managers.

Despite significant drops in the temperature, rail transportation was functioning basically without any troubles. Local transportation, for example, in Warsaw, Krakow, and Bydgoszcz, was likewise operating fairly well under the present conditions. There has been a marked decrease in the traffic of privately owned automobiles.

Nor have there been any significant difficulties in getting to work in the big cities. For example, most of the factories in the capital province of Warsaw have begun their normal operations early in the morning.

Almost all the production institutions were also functioning in Krakow. Nearly the full staff reported for work, for example, at the Vistula Clothing Industry Plant, where approximately 1,000 suits are produced daily. In some factories production complications have been caused by shortages of raw materials, and bonds of cooperation have been interrupted. This has been felt by the Armatura and Kabel

Developments and resulting actions were similar in returning to order such places as, among others, Huta Warszawa.

Likewise in Warsaw units of the law and order forces blocked off the area of the SGGW--AR [Agricultural Academy]. There were no incidents. Several persons were arrested from among the most active of those engaged in preparing a strike and complicating the easing of conflict.

Arrested at Warsaw University were three students from the Department of Philosophy, members of the suspended NZS who had hung up posters with false information and having the effect of causing a public disturbance. Criminal proceedings have been initiated against those who were arrested in accordance with Art. 48, Par. 2 and 4 of the decree of martial law.

Despite the above-mentioned incidents in various regions of the country, attempts to undertake strikes have been frustrated; nor was there any need for the regime to use force. This was the case, for example, at the Gryfia Shipyard and the Parnica Drydock in Szczecin, as well as at the Swierczewski Institutions in Warsaw.

Supplying the Needs of Human Society

Despite the extraordinary situation, deliveries of basic food items have not worsened. In certain sectors there is even a certain improvement.

Milk is being delivered to the market in quantities which are approximately 2 percent higher than during the corresponding days of the previous week. Furthermore, it arrives at the stores during the early-morning hours and with considerably fewer delays. Bakery production is being maintained at full capacity. Flour supplies guarantee the maintenance of continuous production of bakery items. At the same time, however, an excessive buying up of bread has been observed. Demand has increased about 20 percent.

[Ommission in text]; on the 16th of this month the principle of selling one loaf per customer was introduced.

There has been a clearly marked improvement likewise in the deliveries of rationed items. There are still some slight difficulties in purchasing flour. Its supplies, however, are sufficient, and they cover the full amounts allotted by the coupons.

An increase in discipline on the part of the producers has been observed. There has also been an elimination of the phenomenon of holding back on certain surplus goods in some provinces. This has brought about a greater degree of evenness and better proportionality in the conditions of supplying the human needs of particular regions. Improvement in the functioning of the coupon system has also been influenced by reducing the scale of the phenomenon of selling rationed items over and above the coupon system. Workers in the field of trade have treated their difficult duties with a great deal of responsibility. The transport of domestic trade is functioning without any troubles, and--let us recall--it has been militarized. It has obtained aid in the provision of fuel supplies

The system of supplying human needs is guided centrally by the Ministry of Domestic Trade and Services. Special groups are also called upon, including representatives

of the producers. Their goal is to ensure a smooth regularity and precision from the viewpoint of the basic requirements and the structure of deliveries.

In the Capital

On Tuesday evening--the third day after martial law was declared--life in Warsaw was rolling along calmly in general. There were relatively few vehicles on the streets and only a few privately owned automobiles. There were military patrols at the most important facilities, at street intersections, and at the central government buildings.

On some of the streets in the center of the city vehicular traffic was limited. In general, local transportation has functioned efficiently and smoothly.

At the Warsaw East Railroad Station around 1900 hours there were not many travelers. A few people were waiting in front of the ticket office. This place does not enjoy a good repuration in Warsaw, since it is a sort of "haven" for the marginal society of Praga.

For the last few days, however--as we were told by the deputy station chief, Mieczyslaw Polec--it has been peaceful here, and the hooligans have cleared out of the station areas. The implementation of martial law and the militarization of our institution have been accepted with understanding, and the new situation has not brought about many changes in our work. For discipline is a fundamental principle of railroad work; without it the railroad simply could not function.

Despite the lack of telephone connections, the Rescue Service was functioning normally. In the opinion of the vice-director for medical treatment of the Rescue Service in the capital city of Warsaw--Stanislaw Kosikowski--who was on duty Tuesday evening in service along Hozej Street, the number of calls and trips was about the same as that noted during the previous period. Radio connection, which had been rigged with the aid of a militia patrol, successfully passed the test.

The accidents in which the Service has provided aid recently have had no connection at all with the martial law and have been typical. At this time of year one notes, as usual, more breaks and other injuries as a result of the slippery street surfaces.

In certain Warsaw factories radical functionaries of Solidarity have undertaken attempts to exert pressure on their fellow comrades at work, trying to get them to strike. It was against this background that a situation at the Color Cinescope Plan Plant in Piaseczno led to an incident. In the break between two shifts in the monochromatic section a group of extremists from Solidarity were forcefully holding back people who were leaving the plant area. The workers who were being held back reacted very sharply; matters came to the point where violent words and punches were exchanged.

In Krakow

In Krakow there is an atmosphere of calm and dignity. Local transportation, trade, and deliveries were functioning normally. The troubles which initially occurred (on Monday) with the delivery of bakery items have been eliminated. The one city newspaper is appearing. In a clear majority of institutions the production of goods

which are so necessary for the country is rolling along without any trouble. The usual nervous grumbling and complaints brought about by the imposition of martial law have been settled by talks within the ranks of the plants.

The crew of the electric power station in Skawina has been working very well, providing 500 MW to the national network. Many members of the crew who were on leave, when they were informed of the need for an increased effort, voluntarily returned to work ahead of time.

The Senate of the Krakow Academy of Medicine addressed an appeal to its students that they, in connection with their lengthy holidays, voluntarily undertake work as assistants, nurses, and ward attendants in hospitals. This appeal met with a positive response.

Dismissal from Posts

For refusing to carry out tasks resulting from the decree of the Council of State concerning the introduction of martial law the Minister of Metallurgy and Engineering Industry has dismissed the following persons:

Master Engineer Jan Czogala from the post of director of the WSK PZL [Polish Aviation Plant] in Swidnik;

Master Edward Nitka from the post of director of the Polmo Shock-Absorber Factory with its facility in Krosno;

Master Engineer Stanislaw Matusik from the post of deputy director for technical matters in the Polmo Shock-Absorber Factory with its facility in Krosno.

In connection with the loss of fitness for effective management, which manifested itself in the lack of a genuine realization of the government programs, as well as the ineffective execution of urgent tasks, the Minister of Metalurggy and Engineering Industry has dismissed Master Engineer Henryk Wilek from the post of director general of the Ursus Heavy Industry Association with its facility in Warsaw.

For imcompetently carrying out the tasks resulting from the decrees of the Council of State's resolution dated 12 December of this year on introducing martial law the Minister of Metallurgy and Engineering Industry has dismissed from the post of director of the Bumar-Warynski Excavator and Hydraulic Equipment Plant, Master Engineer Zenon Sokalski.

At the same time the Minister of Metallurgy and Engineering Industry entrusted the execution of the duties of director of the Bumar-Warynski Excavator and Hydraulic Plant to Master Boguslaw Grzeskowiak.

2384
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## ECONOMIC SITUATION UNDER MARTIAL LAW REPORTED

Warsaw TRYBUNA LUDU in Polish 4 Jan 82 p 1

[Article by Andrzej Leszczynski]

[Text] In compliance with the instructions of the Military Council of National Salvation [WRON], a Council of Ministers resolution announced on 31 December 1981 outlined the principles for the operation of the economy during the period of martial law. In adapting these principles to the conditions resulting from this situation, the Council of Ministers was guided by the principle of simultaneously putting into practice new economic mechanisms, to the extent that this is possible.

Consequently, new producer prices have been introduced to reflect better the real value of raw materials and power. This represents an essential condition for initiating factory management based on cost effectiveness.

An obvious consequence of the change in producer prices will be changes in retail prices. But we were prepared for this. We knew that, in addition to goods sold at free prices and goods sold at regulated prices, some products, mainly consumer goods, and some services would be bound by official prices established by the Council of Ministers. Not only will this protective instrument be maintained, but the list of consumer goods sold at official and regulated prices will be expanded. However, this does not preclude price increases for these goods as well, which may occur on a limited scale corresponding to an increase in compensation.

Will limiting price increases on consumer goods place the factories producing these products in a worse economic situation? Will it not limit their profits, and the earnings of work forces as well? In order to prevent this, the Council of Ministers resolution provides for state budgetary subsidies to cover the difference between official prices and real production costs. In this way, the protection of society's living standard will be guaranteed and enterprises will not lose their equal chance.

At the same time, given the extremely difficult raw materials-power situation, many enterprises temporarily will not be able to undertake production or to manage under the new, reformed principles. This is because our meager raw materials resources and power potential must reach those plants in which production serves the most pressing needs of the society and the economy. In the November resolution concerning the principles of operation of state enterprises in 1982, the Council of Ministers specified nine priority operational programs.

These are the delivery and management of fertilizers and pesticides; the supplying of agriculture and industry with machinery and replacement parts; milk processing; the supplying of the health service with medications and equipment; the supplying of the market with the means serving the maintenance of cleanliness and hygiene; the production of articles of clothing for children and young people; the production and transport of coal; the production of hot-rolled products and the increased growth of export.

The December resolution adds more operational programs to this list, programs that are not less vital; namely, the production and supply of the market with meats and fats; a program of municipal management, transportation, heating and water purification and supply; rail and highway transport; and a program for producing and supplying work clothes and protective clothing.

For plants finding themselves outside the sphere of the operational programs, plans will be made for the displacement of employees; the principles for determining remuneration, the directions of alternative production and the ways of using the reserves and producer goods accumulated there will be established. We must utilize our people, our equipment and our raw materials.

The temporary limitations of economic reform are necessitated by the economic crisis and by the rules of martial law, the goal of which includes the resolution of rudimentary production matters. It is understandable--e.g., under martial law conditions--that individual management and individual responsibility come to the forefront. The directors and the directorial cadre play an important role.

The activity of workers' self-governments has been suspended under martial law. But this suspension will last only as long as martial law and its rules continue. Then the self-government must enter its role as one of the three fundamental mainstays of economic reform. It is already possible to introduce new financial tools enabling the initiation of cost effectiveness in plants implementing major economic tasks. In this way, a second mainstay of reform is constructed; i.e., the self-financing of enterprises.

The Council of Ministers December resolution supports the principle of liquidating associations and replacing them with voluntary unions. Although this does not include militarized associations, it represents a real manifestation of the independence of enterprises--the third mainstay of reform.

The complex economic and political situation dictates changes and modifications. But these corrections do not revise the principles of reform. The temporary restrictions are orders that issue from responsibility for the economy and for the life of society, that cannot be subjected to any more risky tests. At the same time, conditions are being created leading to economic stability, which will readily enable the institution of all principles of reform. Without a doubt, only total economic reform can ensure the developmental prospects of the nation. Paradoxically enough, the restrictions of martial law, which today foster the setting the economy in order, are creating a guarantee for the realization of this reform.

8536
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## NEW PRICE ADJUSTMENTS FOR 1982 REPORTED

Warsaw TRYBUNA LUDU in Polish 4 Jan 82 pp 1-2

[Article by T. Jezioranski: "When Will the Market Be Better? New Prices In the New Year"]

> [Text] "This year will be marked by a general adjustment of prices," asserted Minister Zdzislaw Krasinski, chairman of the State Price Commission, at a press conference on 2 January 1982, and presented a group of journalists with the long awaited pamphlet containing a draft of the new food prices and compensation. "The principal aim of these adjustments is to create a good market in Poland within one or two years; a good one," Professor Krasinski added, "meaning no worse than Hungary's."

Of course, it may seem to a person accustomed to the sight of completely bare shelves in stores that this is unrealistic in such a short time. This, however, does not alter the fact that it would be difficult to conceive of a good market at all without a price reform. It is, therefore, a necessary condition, although not a sufficient one, for creating a situation in which a person with money will be able to buy the goods he needs.

As a matter of fact, the proposed new retail prices for food, fuel, and energy that are contained in the pamphlet (distributed by the "Ruch" kiosks) do not differ from those suggested by Professor Krasinski last summer. While they aroused serious doubts at that time, however, judging honestly, it is difficult to question them now.

Last summer, though, the proposed retail price changes were of an almost exclusively drain-type nature and were not linked with other decisions contributing to economic recovery. On the other hand, today the same proposals are no longer a life preserver of dubious efficacy, but constitute the means to the end as part of a broadly conceived concept. This puts the unquestionable difficulties associated with the new price lists in a completely different light.

Viewing the matter logically, the first element in this concept is changing producer prices and setting in motion mechanisms for continually revising them in accordance with the level of world prices. Obviously this entire operation

will also rapidly affect the retail prices of virtually all industrial products. Some will rise in price more and will become more expensive more rapidly in the future; the prices of others will change less at first and then will change more slowly; but on the whole, objective market laws, rather than the whim of officials, will eventually begin to govern all of these prices.

The second part of this concept, socially the most sensitive one, is changing retail food prices. In this case, however, after a one-time increase to a level of profitability (with a few exceptions, for example milk and butter, the new prices of which will be showing a loss as before), producers will not be able to raise their prices freely. The State will decide on all changes in the prices of basic food products and basic services.

It is obvious that a one-time increase in almost all retail prices (in this case the term "one-time" may refer to a process lasting several months) and the establishment of mechanisms for continually revising them will cause severe gaps in the family budgets. The methods for counteracting these negative consequences of the price changes are the following two elements of the concept.

The first of these is of a social nature. As described in the pamphlet, it is an alternative system for public compensation, and a permanent mechanism, worked out under the auspices of the ministry of labor, wages, and social affairs, for increasing wages and services in order to compensate for the increase in living costs.

Independently of the methods of a social nature, however, new economic and financial mechanisms are coming into force throughout the entire economy, side by side with the new price lists and rules for price formation. In the final analysis they are the very element that was missing last summer, and that ought to result in a good market. Such a market will not be achieved even with the most thoroughly thought out system of compensations and payments.

It will only be possible to achieve a good market when straightforward cost effectiveness makes supply and demand into a system of naturally combined instruments, and when it will only be possible to achieve greater earnings as a result of greater production. It is unquestionable that the new prices together with the new rules for setting them will allow one to speak of cost effectiveness without quotation marks, probably for the first time in the history of the Polish People's Republic. This is not yet an indication of economic recovery, but it is in all probability an important remedy, although not the only necessary one. Its application will be painful, but will create a chance for recovery.

9909
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DETAILS OF PRICE REFORM EXPLAINED IN INTERVIEW

Warsaw ZOLNIERZ WOLNOSCI in Polish 13 Jan 82 p 3

[Interview with Prof Zdzislaw Krasinski, minister, chairman of the State Price Commission, by Roman Przeciszewski: "Before the Prices Change; A Difficult But Indispensable Operation"; date and place not specified]

[Text] Without a doubt, the most thoroughly read material at this time, which also arouses a great deal of comment, controversy and discussion, is the State Price Commission (PKC) brochure pertaining to the proposal to change retail prices. During the past year, when this topic kept returning to the mass media like a boomerang and became the subject of heated polemics conducted in family and social groups, the public slowly reconciled itself to the fact that price reform is one, and only one, of the main elements in the repair of the national economy. But reconciliation with the fact is now always synonymous with universal acceptance of the problem. So how is it now? With public agreement, will a normal market finally begin to function in our country, and will the correct economic laws become operative? The immediate future will give us the answer to these questions.

It is no secret that we are looking into this future with great interest. It is on this, of course, that pulling the country out of the crisis, thus improving our living conditions, depends. As of January 1st of this year, economic reform went into effect. New producer prices have been introduced and retail prices will soon be changed. The last attempt to do this was in 1976, but the proposals put forth by the authorities met with immediate, violent opposition. As judged by history, the proposal to increase prices was not a good one, for it gave no consideration at all to the rights of the people. Today, as we stand on the eve of price changes, the basic question arises: What is the difference between the reform in prices of 5 years ago and that which is to be implemented very shortly? And it is with that question that we begin today's interview with Prof Zdzislaw Krasinski, minister, chairman of the State Price Commission.

[Answer] Professor Krasinski: The most important difference lies in the size of the price changes, and also--and this is most important of all--on the implementation of a different system of compensation. I admit that we are now dealing with an enormous increase, much greater than that of 1976. But, as I often repeat, it is not the total amount of the price increase that is important for what is primarily important is how many times the compensation will be increased. If, for example, prices increase tenfold, and incomes increase tenfold, than for all practical intents and purposes, aside from the nominal size of the changes, there is no real basis for evaluating this fact.

Five years ago, the system, which had been debated for a very long time, provided that the higher-income groups were guaranteed a higher compensation than was guaranteed to the lowest-income groups. In addition, almost no notice was given to an entire social sphere: children, youth, nonworking women, pensioners and annuitants, received very small and almost identical allowances. It can thus be said that preference was given first to the rich, then to the wage-earners. The social injustice of such a system was immediately apparent.

[Question] How will it be now?

[Answer] We are now going in a totally different direction: We are giving priority to the poor and those less well-to-do, and we are also giving priority to the social sphere consisting of children, youth, nonworking women, and those who have not been getting any family allowances because they were not entitled to them under the regulations in effect. And so for example, a pensioner's wife, who never worked anywhere and thus was outside the sphere covered by family services, will receive this compensation. Here is another example of the direction in which this system is going: two-thirds of the total amount of compensations is allocated to the social sphere, that is, those whose share in the total receiving compensation is less than two-thirds.

This system provides special protection to families that are poor and those who have many children. It must be said clearly, bluntly, that the rich and the near-rich groups will lose, particularly if these are small families, childless families, and also the single persons, with the exception of retirees. We are dealing here with a regrouping of the apportionment of wealth, which is now very modest, in a totally different direction than has taken place during all of 37 years. In other words, this is not only a price operation, it is also a great social operation.

[Question] From the public viewpoint, there can be no disagreement with what has been said. But there still remains the unexplained matter of the size of the price changes. Do they have to be changed so drastically?

[Answer] Several days ago new producer prices went into effect, prices based--which I am emphasizing--on prices in effect in foreign trade. This is the first "price revolution" without which we cannot visualize reform, the independence and self-financing of enterprises, and the profitability of their production. The prices of raw materials thus far, which had not been changed for years and therefore were false and unrealistic, did not allow for any cost-effectiveness. Because of them, the enterprises suffered losses and the State had to subsidize them. The change in producer prices must, in turn, ricochet on retail prices--this is the normal rule. But should such drastic increases be made? If we did not do this, we would again be lying to the people, we would again be unable to face the truth. What is interesting is that the necessity for this is talked about more openly abroad than here in our country. It is worth noting that in the report of a commission of foreign bank experts which took part recently in talks concerning Poland's joining the International Monetary Fund, the first prerequisite for accomplishing this is a statement that prices must be raised and production costs must be made realistic. The need to increase the mining of coal is only in second place.

[Question] Does this then mean that prices that are below the social costs of production will cease to function?

[Answer] No, such prices will remain, that is obvious; for example the price of milk. The procurement price of milk is high. I would even say that it is too high in relation to other farm products, but since that has already happened we must reconcile ourselves with it. Conversion to the retail price would require an increase in the price of milk in trade to 25 zlotys per liter for whole milk, and 18.5 zlotys for skim milk. But if we did this, we would essentially make it impossible for children, particularly those in families with several children, to drink the amount of milk prescribed by dietitians. In this case, therefore, the State cannot skimp on funds for subsidies. And this subsidy will not be small--8.5 zlotys per liter. Similar subsidies must be applied to cultural values.

In the case of consumer goods, i.e. books, school supplies, clothing for children, we want to go in another direction, to stop subsidizing, which--let us be honest--has meant in the past that the industrial plant did not have to be extremely concerned about production efficiency. We want to include the entire price increase applicable to these products--the increase that will take place now and the increases that will take place in the future--in the increase in family allowances. Such a state of affairs will eliminate inefficiency in production, and it will also teach the habit of saving certain products from earlier years.

[Question] Many people now ask themselves what the relationship of retail prices will be to producer prices. We know what the price increase on food products may eventually be, but as a rule we know nothing about the increase in prices on manufactured goods. It is being said that now, when the enterprises want to establish prices themselves, simply enormous sums of money will be needed to purchase automatic washers or television sets.

[Answer] This is interesting: for the entire six months of last year we talked about prices of food articles, the necessity to increase them, and the public, as a result of this discussion among themselves, in the press, radio and television, intellectually accustomed itself to the fact which is going to take place. But now the public is becoming aware, or is being made aware, that an increase in producer prices must be reflected in an increase in retail prices of all articles. At present, when the shelves in the shops are empty, a double shock seems to be awaiting the public: goods will appear on these shelves, and the goods will be at higher prices. We must say at this point that the prices of goods purchased more frequently will increase less than those that are rarely bought. Today I talked with the director of "Pollena", who told me that most of the cosmetic articles in the area of hygiene and cleanliness will cost about 30 percent more. Surely, this is not so very much.

[Question] But there are also cases where the retail price will increase 80 or even 100 percent...

[Answer] The highest increases will be in prices of articles from the metals and electrical machinery industries, which is due to the large input of raw materials. But let us remember that these articles are only purchased once in a while, in any case, very rarely. A refrigerator has a life of about 12 years, and a television set, 10 years. The fact is that if someone goes to the store after a while and

sees that a black-and-white television set costs 17,000, instead of 10,000 or 12,000 zlotys, he may say to himself, dear Lord, the price went up by 5,000 and my salary is almost the same. But at this moment he should also remember that this 5,000 must be spread over 10 years, or 120 months, which amounts to an increase of about 40 zlotys a month. And that is how other items must be calculated.

[Question] Those who have already established their households will probably agree with this opinion. But those who are just beginning to establish themselves, who will just receive their housing and who face much higher expenditures in order to set up housekeeping, will undoubtedly disagree with the above reasoning. This start in life will certainly be made more difficult for them.

[Answer] We have not treated this problem with indifference. The State will ensure the establishment of households by young people. This will be done by granting two types of financial assistance. Credits for young married couples will be increased and also some thought is being given to allotting them once-only credits, not all that small.

[Question] Let us return, however, to the main subject of our converation. The State Price Commission's brochure on proposals on retail price changes was submitted to the trade unions for their comments. Unfortunately, most people do not know the results of these consultations.

[Answer] This is really a controversial matter. We hear frequently: Was there such consultation, or wasn't there. Did it come to an end and what were the results. I would not be honest if I were to tell you that we have documents from the trade unions which clearly say what the faults and virtues of the system are, and whether it is accepted. The final phase of consultation began on October 16th, when talks with "Solidarity" began in the State Price Commission building, and when we sent the brochure to all the other trade unions, allowing 15 days for consultation. Later we agreed with "Solidarity" that the consultations would last 4 weeks. At the very beginning, the "Solidarity" experts demanded that we give them all the materials which could help them in evaluating the program, that is, all the numerical lists of price calculations, methods of calculating, etc. What is more, at their request we had to gather materials also from other ministries. During the talks that were conducted, not once did they express any reservations as to the methods of calculating costs--compensation. Independent of the work done by the "Solidarity" experts in Warsaw, the union's center in Lodz made some scrupulous calculations. From this center we received something that was even more than an approval--praise for conscientious and accurate calculations, "down to the zloty"--as was emphasized. The course of that discussion in the groups of experts showed that the method of calculating prices and the principle of compensation met with full acceptance. However, we do not know what the workforces told the MKZ [municipal plant committees?] and the plant organizations, unfortunately.

[Question] Can their opinion not be found in the correspondence which flows into the State Price Commission by the thousands? What do these letters say?

[Answer] Most of the letters and comments we receive now are from representatives of the groups of people who are worst off, the elderly, the retirees, whose fears did not disappear after reading the brochure. This brochure, although it seemed to me

to be written in a simple and easy-to-understand manner, is difficult to read. This is particularly true of the tables on compensation. Many of the calculations given, for example, by pensioners, do not take into account certain allowances which are shown as separate items, including allowances for pensioners living singly in their own housing. It should be added that we put in this allowance precisely after consultation with "Solidarity". And in the margin, the comment appears: the matter of price reform requires further, broader information, further explanation.

[Question] Is it possible, on the basis of the letters received, to characterize the results of the poll so far?

[Answer] It is significant that the large majority of the respondents are in favor of a quick, one-stage increase. Out of 1,280 letters--opinions--, only a small number talks about spreading the increase over stages. As far as compensation is concerned, the rule is this: the equality variant was not accepted. The workers and the retirees gave 40 percent of their votes to variants B and C, i.e., the more or less degressive one. In the case of social compensation, 60 to 70 percent are in favor of variant 2. We will soon have to make a decision. We are still waiting for results of the seventh, the universal poll, in which 12,000 people will vote. The results of studies conducted thus far do not show the slightest deviation from the rule, so it will probably be no different now. In view of this we would have to preserve the golden mean and select variant B for the workers and the retirees. It is the best for it has more advantages than variant C, which only transfers the resources of some groups to other groups. Variant B, let us remember, also considers work motivation. In order for the operation to be conducted efficiently, it would be better also, in deciding on social compensations, to decide on equal compensation, not calculating according to income, on the correct assumption that family allowances are already differentiated. These compensations, sunk next year into the allowances, would take family incomes into account.

[Question] The last question. As of when will the new prices be in effect?

[Answer] Price reform should be implemented as quickly as possible, for each day's delay increases the inflationary curve by 1.5 billion zlotys. It would be best to implement the new prices on a day which begins both a new week and a new month. In 1982, these conditions are fulfilled by February 1st, and also, March 1st.

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INFORMATION ON PRODUCER PRICES PUBLISHED

Producer Price Tables Implemented

Warsaw TRYBUNA LUDU in Polish 2-3 Jan 82 p 2

[Text] On January 1, 1982 a comprehensive reform of producer prices on raw and other materials and other means of production, and on charges for energy and transport of goods, is being implemented.

The State Price Commission reports that detailed price lists have already been approved on all these articles.

The detailed rules for applying the new price lists, as contained in the State Price Commission (PKC) announcement, are as follows:

--price lists will apply in relation to raw and other materials included in the list of sources of production and services which are of fundamental importance for costs of manufacture, on which official prices are established. This list is comprised of attachment No 3 to the Council of Ministers' resolution dated November 30, 1981, on the princles of operation of State enterprises in 1982.

--these price lists were prepared before the Council of Ministers passed this resolution. Because of this, they cover in some part also raw and other materials to which in 1982 official prices will not apply, but regulated or standard prices will apply. In such cases, the prices contained in the price lists are not binding and may be regarded as simply tentative prices.

--in those cases in which the enterprise-producer (seller) does not have a new price list, temporary invoices should be drawn up on the raw and other materials sold, and the invoices will be revised after a price list is obtained.

--regulated prices will be applied to raw and other materials which are delivered on the basis of distribution lists (attachment No 6 to the above-mentioned resolution) or which are covered by compulsory intervention (attachment No 8 to the resolution). Regulated prices will be fixed by the enterprises-producers (sellers) according to the rules described by the State Price Commission. The general rule for creating these prices is given in the Council of Ministers' resolution dated November 30, 1981 on the principles of operation of State enterprises in 1982. The State Price Commission transmits more detailed rules to the interested enterprises through the appropriate ministries and associations.

--on the remaining raw and other materials (not covered by the mandatory application of official or regulated prices) standard prices established by written agreement between supplier and consumer will be applied in turnovers between economic units.

--in accordance with Council of Ministers' resolution dated November 30, 1981 on the principles of operation of State enterprises (par 2, attachment No 12 to the resolution) the enterprises are required to reassess their stocks as of January 1, 1982. The result of the reassessment is the difference between the prices in effect of January 1, 1982 (prices contained in the price lists issued, prices contained in past price lists taking into account the conversion factors approved by the State Price Commission) and the prices in effect on December 31, 1981.

--until regulated or standard prices are established, prices contained in price lists in effect thus far, including the conversion factors (multipliers) approved by the State Price Commission, should be applied in turnovers between enterprises in the socialized economy and to assess expenditures. Decisions approving these factors were sent by the State Price Commission to the appropriate ministries and associations.

--retail prices of basic means of production for agriculture (i.e. retail prices of artificial fertilizers, commercial fodder, farm machinery and equipment, farm tractors and pesticides) remain unchanged until the State Price Commission issues clear instructions on the scale and method for implementing the changes.

The distribution of the price lists that are of a general nature will be handled, just as previously, by the job-printers in Bydgoszcz, Gdynia and Krakow, and by the "Dom Ksiazki" bookshop in Warsaw on 12 Nowotki Street.

Price lists of an internal character are available at the appropriate ministries and associations. Transport charges, on the other hand, are distributed by the publishing house depots of the district directorates of the State railways and departments of other haulers (PKS [Polish State Railways], Navigation).

The State Price Commission has already sent information on the new price lists and where they may be obtained to the ministries and associations.

## Minister Writes on Producer Prices

Warsaw TRYBUNA LUDU in Polish 2-3 Jan 82 p 2

> [Text] The chairman of the Economic Committee of the Council of Ministers, deputy premier Janusz Obodowski, sent the following letter to the directors of State enterprises, managements of small-scale production units, and managers of cooperative manufacturing and service plants:

In accordance with Council of Ministers' resolution dated November 30, 1981, on the principles of operation of State enterprises in 1982, effective January 1, 1982, the prices of a considerable portion of the articles purchased by the population will be established independently by the trade producers and enterprises (standard and free prices). This is an important principle of the new economic mechanism. But we

must take into account also the necessity to protect the budgets of most families and the need to reduce the inflationary tendencies in the national economy. In this situation, the presidium of the Economic Committee of the Council of Ministers, in accordance with the recommendation of the Military Council for National Salvation, calls attention to the fact that the principle of independent fixing of prices by sellers cannot mean total freedom. It is essential particularly to adapt price policy to current requirements of the country's social, economic and political situation.

Therefore, the authority to determine and increase prices should be used with restraint. This means that prices of individual articles in 1982 should not as a rule exceed the level resulting from the costs of production, the obligatory turnover tax rate, and the indispensable profit. This principle, in addition to prices on market articles, should also apply to standard prices on producer articles, which very decisively affect the level of the finished product.

In establishing prices it is essential that prime costs be calculated honestly and that action be taken to reduce these costs.

The presidium of the Economic Committee of the Council of Ministers has issued instructions to the appropriate organs of the Ministry of Finance and the State Price Commission to exercise control over the way that prices are established by producers and to apply the indispensable sanctions in cases where sellers are taking advantage of their monopolistic position and gaining profits that deviate extremely from the average level, and also in those cases where prime costs are not calculated honestly.

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## NEW SYSTEMS OF WAGES AND INCENTIVES REPORTED

### New Principles for Wages

Warsaw TRYBUNA LUDU in Polish 12 Jan 82 p3

[Interview with Krzysztof Gorski, secretary of state at the Ministry of Labor, Wages, and Social Affairs, by Zofia Krzyzanowsk: "The Economic Reform -- New Remuneration Principles"]

> [Text] In keeping with the points of the economic reform, wages for work will be based on existing collective agreements. These will be guaranteed wages uninfluenced by the effects of the enterprise. On the other hand, supplementary payments, largely cash awards and bonuses, will come out of the profit of the enterprise. Workforce funds, that is, the social fund and the housing fund, will also be supplementary and come out of the profit. Will the adoption of such a principle not undermine the incentive function of worker participation in the results of the enterprise [profit-sharing]? It is with this question that we approached Krzysztof Gorski, secretary of state at the Ministry of Labor, Wages, and Social Affairs.

[Answer] From the viewpoint of motivating incentives, it would of course be more beneficial if the earnings which are guaranteed, those which are independent of the economic results, were far lower than the current level. But we must take into account the fact that the reform will be introduced under conditions where the enterprises have limited responsibility. First, the state of war limits this independence. Second, part of the enterprises will have their independence further reduced, particularly during the first part of the economic reform. They will therefore have limited possibilities for making a profit, owing to the restrictions on power and raw materials, the maintenance of fixed prices as set by the State Price Commission on certain products, or the limited demand for their products. We must count on the fact that for these reasons some of the enterprises will be making no profit at all and may not even have the resources to cover their operations.

Control of Incentives

[Question] What will happen to such an enterprise?

[Answer] We are counting on the necessity of temporarily subsidizing certain enterprises in justified instances. Besides this, an enterprise which has a deficit in payments or is not earning a profit will be able to obtain bank credit, but this means that there will be bank control over the management of the enterprise and that the bank will be obliged to carry out the instructions resulting from the monitoring done by the bank.

For example, the bank might tell the enterprise to reduce material costs or personnel costs, depending upon the improprieties it finds. If the enterprise does not perform as instructed, it will not receive any more credit from the bank, and it may face liquidation. We are also counting on the fact that the introduction of economic theory will sometimes lead to a reduction in employment. The counterbalancing of the social effects of such situations will be helped by the Vocational Activation Fund (FAZ) designated for those who are forced to be unemployed for a time or to be retrained.

[Question] Let us get back to the incentive system. Should we not worry that it will be criticized for being too weak and not create incentives strong enough to improve results?

[Answer] The accusation is undoubtedly merited. We can assume that if we had entered reform conditions in a different economic and sociopolitical situation, probably the incentives being proposed would be different, to put it in general terms: more radical. Our draft came into being under pressure from two sides with diametrically opposed demands.

One side, which has in mind the situation of plants in a position to set prices however they wish, those with a better supply situation, tried to increase the risk incentive. The other side, which represented the interests of plants with limited independence in terms of supply and pricing, wanted to reduce the role of risk. Our draft takes both situations into account, and it is for this reason that we are steering a middle course between the desiderata. I personally represented the view that the "13" should be financed out of profits, but I lost here to the position of many plants which brought up considerations related to living conditions.

[Question] The draft of incentives also assumes the application of a special tax on wage increases. Is this not one more hurdle which will reduce the system's incentive effectiveness?

[Answer] At the moment of "entry" into the reform conditions the enterprises will find their situations to be quite different from one another, for reasons beyond their control in many cases. If we take this fact into account, proposing solutions concerning the level of guaranteed wages favorable to the employees, then similarly we should probably take some action in the event of the possibility of maximum wages.

It would hardly be justified if in one of the enterprises producing, for example, goods for which prices are set centrally, an enterprise which also has supply difficulties, the wages remained fixed, while in another one, which has the possibility of setting prices as it wishes and operating under known market conditions, wages could increase -- on that account alone -- by 30-50 percent, for example, within a year. The fact that these are not unjustified fears can be proved by the practice of certain enterprises operating under the conditions of Council of Ministers Resolution No 112.

For this reason the systems solutions include the introduction also of a regulator of the growth rate of wages in the form of a tax on the behalf of the Vocational Activation Fund. There will be no tax on a mean wage increase of up to 3 percent. It will only be after this limit has been exceeded that a progressive tax will be applied. It is worth emphasizing that funds from this tax will not be put into the state budget. They will be earmarked to help employees who have had to change jobs or are looking for a job.

There is one more argument calling for the application of this sort of a tax, even in the final/solutions introduced within the framework of the reform. Such a tax can be an instrument for controlling the wage ratios, if only on the basis of periodic figures set jointly with the trade unions for the levels of the tax threshhold and also for the scales. In bringing this subject to a close, I should like to emphasize for the sake of clarity that there will be no tax on possible cost-of-living adjustments.

Does This Not Present the Danger of Chaos?

[Question] The new wage system will run concurrently with a reform in wholesale and retail prices. Some time has to pass before the enterprises will learn proper economic theory and become aware of the principles of its operation. This first period is likely to be a time of chaos, and it not immediately provoke an incentive to increase productivity. Instead it will create a wage and price race. What will become of people who are employed outside the sphere of production and material services? Their real wages will suddenly drop, to say nothing of the relative decline, compared to other employed persons.

[Answer] Of course, we cannot rule out such a development of the situation. In the event the first months of the reform produced a very substantial lower movement of prices, we should probably set in motion some other compensatory system to protect the population's interests. It cannot be ruled out that wages will be indexed every quarter in keeping with the movement of prices on goods of fundamental importance in the cost of living index, but there is also another possibility here foreseen in the draft of the price system law: the passage of a decision to free prices temporarily.

Insofar as the problem of the long-range assurance of proper ratios between the wages of employees working in units of the manufacturing sphere (that is, those operating under the new system) and the wages of employees in which is called the budget-financed (nonproduction) sphere (certain groups of persons receiving benefits), is concerned, we see here the possibility of adopting certain fixed "rules of play." For example, those consisting of an orientation of the growth rate of wages and benefits of persons employed in the budget-financed sphere to the growth rate which employees engaged in enterprises in the material sphere achieved the previous year. Such a mechanism would make it possible to see that a more or less stable ratio was maintained between the wages of the two groups.

What Else With the Wage System?

[Question] When we talked earlier, you mentioned the draft of the new wage system, introducing uniform remuneration criteria, thereby setting the proper proportions. What is happening with the draft?

[Answer] The issue is still timely. Of course the ideal -- quietly this is what we were counting on -- would be to have the reform come after the wage system had been completely put in order. This was possible only in the case we had introduced a general price and wage reform somewhere in the middle of 1981. For many reasons such an operation proved impossible, and as a result we are entering the reform with a wage system which is quite subject to reservations. Given the assumption that under reform conditions traditional wage adjustments based on subsidies will not occur, it is necessary to bring wages into order on an evolutionary basis.

In this way we imagine that during the next few months wage and price tables which are new, general, and yet uniform in terms of the methods by which they are created, will be drawn up. The latter will probably be constructed on the "fork" [widelkowa] principle. Enterprises will be able to fill in these tables insofar as their economically managed funds allow, and it can be assumed that under favorable conditions this will make it possible for them to provide for basic wages. Of course it is neither possible nor beneficial from the viewpoint of the logic of the reform, to let things get to the place where, for example, all the plumbers in category IX throughout Poland earn exactly the same. This is a postulate which is often brought up but is so unrealistic and inadvisable that it would interfere with the basic principle of the reform: to make part of employees' earnings dependent on the economic results of the enterprise.

On the other hand, we consider it correct and necessary to bring things into some sort of uniformity in terms of basic wages and the size of derivatives of them, such as supplements for seniority, night pay, and so on. As I have already said, it would have been better if we had entered the reform after these structures had been put in order.

[Question] In our interview, as in many published articles, there has been a certain uneasiness concerning the conditions under which we are entering the reform. Generally speaking, they are not favorable. Does this fact not endanger more than just the reform?

[Answer] Such dangers certainly do exist, but in the light of current realities we can hardly talk about a reversal or any sort of radical slowing of the process of introducing the reform.

There is nothing left except to use all available resources to mobilize it, so that the changes made will go as smoothly as possible, shoring up the reform with regulations to counteract chaos in the distribution of income and protecting the weakest groups. What is necessary is the courageous monitoring of the processes as they occur to see that they are in keeping with the law. I think that after the first stormy period there will be peace on the labor market and the commodity market. We will see the end of a situation in which it does not pay to produce anything and any sort of work is unprofitable. And this will signify a return to work discipline, work incentives, and the beginning of a way out of the crisis.

## Reform of Wage Incentives

Warsaw ZYCIE WARSZAWY in Polish 20 Jan 82 pp 1,3

[Interview with Prof Mieczyslaw Kabaj, Institute of Labor and Social Affairs, by Jacek Moukowski: "Reform of the System of Incentives"]

[Text] [Question] Since this January the enterprises have been operating under new principles. What are they bringing to the incentive system? Are they creating conditions for people to find it profitable to work more productively and for enterprises to have an interest in running more thriftily?and managing better?

[Answer] The incentive system is the most important element of the economic reform, the heart of the economic system. If there is truth in the notion that economic and technical progress and organizational efficiency depend on people, then the level of people's activity and their attitudes depend to a great extent on a system of incentives. It is no secret that for some time the incentive system has been in deep crisis. The most evident manifestation of this fact is the disorganization of the market, the empty shop shelves. When the money earned cannot buy certain goods, then the incentive system ceases to function. But this is the sign of many economic processes, especially structural deformities. One of the reasons for this is a practice which has after all been observed for many years, the separation of the relationship between the rise in wages, on the one hand, and the rise in production and labor productivity, on the other, that is, between work and wages.

[Question] Especially during the past year.

[Answer] Yes, although this phenomenon occurred as well throughout the entire five-year period from 1975 to 1980. In 1981 (data for 11 months) industrial production declined by 13 percent, construction by 20 percent, but the payroll fund increased by 25 percent in industry and by 21 percent in construction. There was a sudden expansion of the money supply, while the supply of goods dropped. Expenditures for social benefits also increased substantially. Numerous vocational groups demanded continual increases in wages and social benefits, and threatened to strike as well. There was born the impression that a rise in wages depends on the government and not on the effects of work. The desire for wage increases is a natural thing and does not create the risk of inflation and empty shelves in the shops, provided that it is backed by a rise in production and economic effects. The economic reform, therefore, is aimed at restoring the relationship between wage growth and production growth and therefore at rebuilding the market and the system of incentives.

[Question] What do these changes consist of?

[Answer] According to the targets of the economic reform, the increase in wages in 1982 will depend on improvement in the enterprises' operating effects measured in profit. The individual incomes of employees will consist of wages and a share of the profits. A Council of Ministers resolution on the principles of operation of state enterprises in 1982 gives enterprises the freedom to structure their payroll fund, and to set the level and structure of employment. Limits and prohibitions cease to be in force. So the higher production, productivity, costs, and profits are, the higher the employees' incomes will be.

[Question] But will the adoption of profit as the basis for determining employees' additional income really help increase labor productivity?

[Answer] It is worth remembering that three variants of the incentive system were considered. Two were based on the enterprise's income and one on profit. Each of these variants has certain virtues and defects. There is no ideal solution. The first proposals of the system based on profit presented to the Commission on the Economic Reform in July of 1981 gave rise to numerous doubts. I presented some of them in my article entitled "The Riddles of the Incentive System" (ZYCIE GOSPODARCZE No 43, 1981). The variant adopted in the Council of Ministers resolution differs substantially from the initial proposals. It takes into account many of the comments of the enterprises and specialists. In inculcating this system we must remember not only its virtues but also its defects, its dangers, so that we can eliminate them as soon as possible.

Profit can be increased using various methods. It is the intent of the reform that the enterprises expand their profit by increasing production and reducing direct costs, by improving productivity and effectiveness. In all the advanced countries, productivity is increased largely by rationalizing manufacturing costs. On the other hand, owing to simulated gross indices, counting the value of processing, and so on, we managed it so that 84 percent of all costs were material costs (materials, energy,

transportation, and so on), with 16 percent going for wages and insurance. Hence, to put it as simply as possible, the basic source for advancing productivity and real earnings is to be found in a reduction in material costs. Hence, the reduction of material costs means also the possibility of increasing the production of final goods and is particularly important under the conditions where there is a substantial shortage of materials and energy. The adoption of profit as a measure has the virtue of making it possible to have greater freedom to structure outlays. If the enterprise reduces its consumption of materials, it can increase wages or employment. Therefore the artificial division into the various funds disappears. It is important for the enterprise to achieve certain production, to reduce the consumption of materials, energy, and so on. And the new system will undoubtedly favor this.

[Question] Without a doubt, today the simplest thing is to push prices up. How can this be prevented?

[Answer] This is the main danger, and we must take care to see that it does not happen, but we need not condemn every rise in prices. If the production costs rise in a fundamental sense, for example, in the event there is a rise in the prices of raw materials and energy, or the quality is upgraded, then a price increase is understandable. Nobody denies the need for a reform of wholesale prices or the prices of many market goods which fail to meet production costs. There is only opposition to unjustified price increases, to enterprises' driving prices up merely in order to increase their income or to make up for waste and poor management by shifting the cost to the consumer.

[Question] Which we will be dealing with by and large?

[Answer] There are a couple of ways of combatting this. The Council of Ministers resolution is introducing new price control principles. If the enterprise's price increase does not fit the principles for setting prices, it will be forced to return to the consumer the amount of unjustified profit and also give the budget a like amount. Another element of protection is social supervision of prices and the action of the consumers federation, which should audit the producer to see why he raised the price without improving the durability and quality of the product. We can also introduce what is called standard cost accounting, which would dictate that such and such a quantity of materials of such and such quality is needed to turn out certain products. Then nobody could write down that he produced a product for 1,000 zlotys, since the accounting of the costs would show that it could not cost more than 800 zlotys. We can therefore say that price policy is a factor which determines the effectiveness of the reform and the possibilities of its achieving its goals.

[Question] Under the new principles progressive taxes on enterprises have been introduced. All sorts of monitoring, limiting, levelling, and similar factors depress motivation and incentives.

[Answer] The two issues which provoked the greatest discussion and doubt were the progressive taxation of profits and what is called a threashhold tax on mean wage growth in enterprises. The first drafts of Council of Ministers resolution for 1982, in my opinion, projected excessive taxation. Under the influence of the discussion, the progressive tax was greatly relaxed. Mean wage increases of up to 3 percent are not subject to tax. In addition, there is no tax on wage increases resulting from central cost-of-living adjustments. If the enterprise reduces employment, then the resulting wage increase (up to a limit of 5 percent) is not taxed. Nor is there a tax on earnings resulting from a bonus out of profits for distribution if the amount is not more than 7 percent of the level earned in 1981. Briefly speaking, an enterprise which is well run can increase its joint earnings by at least 10 percent (plus cost-of-living adjustments) without paying any tax.

The further increase in wages is not limited by any administrative means, except that people have to work for it and it is subject to taxation. Taxation is essential owing to the need to avoid glaring wage imbalances between enterprises. A substantial proportion of the profits will remain in the enterprise. This should gradually build up the incentive system. But this also depends on many other factors and conditions.

[Question] On what sort of factors and conditions, to put it concretely?

[Answer] The Council of Ministers resolution creates general principles. The enterprises will operate under the conditions of a severe raw-materials barrier. In order for an incentive system based on profit to produce the expected the results, the enterprises must translate these general principles into concrete terms which are understandable for every employee. The workforce must see what percentage of profit (after taxes) remains in the enterprise, what the principles for awarding bonuses will be, such as for thrifty use of materials and power, and so on. What follows from this system is a substantial extension of the enterprises' independence in the realm of wage policy. I think that the role of the center should be limited to defining the principles of wage policy, setting the minimum wage, establishing the permissible wage spread, setting basic principles for monitoring work, and the principles for work standards, and drafting and general wage tables, which must be consistently updated. On the other hand, the selection of the forms of remuneration, bonuses, awards, principles of promotion, distribution of profit, and other problems will fall within the jurisdiction of the enterprises. This creates the opportunity of improving the wage systems, but it calls for knowledge, a familiarity with the problems of wages and incentives, and the conducting of wage policy in the enterprise.

The new labor code in preparation will solve many problems. It concerns in particular the defining of guaranteed work, the role and place of joint work arrangements, and also the direct determination of the role and jurisdiction of the center and the enterprise in the new wage policy.

10790
CSO: 2600/235

## CRITICAL SITUATION IN POWER INDUSTRY ASSESSED

Warsaw TRYBUNA LUDU in Polish 22 Dec 81 p 4

[Statement by Prof Kazimierz Kopecki, chairman of the Committee on Energy Problems, PAN (Polish Academy of Sciences) Presidium; date and place not specified; statement recorded by Adam Hollanek]

> [Text] The development of industries that devour energy, primarily the metallurgical and the cement industries, together with the remissness of the power industry, has led to the current power shortage. The situation is critical--in this way Prof Kazimierz Kopecki* opened his statement for TRYBUNA LUDU.

The power shortage is so great that next year, if we do not begin to deal with it in various ways, the production of fertilizers will drop another 15 percent, hampering farm operations. The wait for housing, already over 20 years, will be extended. Industry will not be able to produce the minimum amount of machinery and equipment needed domestically and for export, in order to obtain an adequate amount of raw materials and goods in exchange.

### Coal, and Once Again, Coal

It is nearly impossible for us to end the power crisis quickly and radically. This will take from 6 to 8 years. However, immediate action is necessary to reduce difficulties and halt further decline. How much coal do we need? Here is a brief calculation. In 1979, with wasteful management of resources and of human potential, we mined 196 million tons of hard coal (if we deduct statistical falsification and rock --which is added in). Of this, approximately 40 million tons went for export and 156 million tons went for domestic use. This is how much we need domestically. We should not allow mining to decline further; this is in the vital interest of us all.

At least one mine should be built each year to replenish our exhausted reserves and we should see that miners have better working and living conditions.

### Toward Nuclear Power

A second vital recommendation is that we should finally begin the development of the Polish nuclear power industry, an initiative postponed and wasted for years. The revival of enterprising ventures around this issue would enable us to bring implementation. We ought to begin building our first nuclear power plant, but the planned

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*Prof Kazimierz Kopecki is a leading specialist on the power industry and the author of many works in this field. He is chairman of the Committee on Energy Problems, PAN Presidium.

construction time for this project is about 8 years--a long time. It takes less time to build a heating plant, about 5 years. This would mean a rapid increase in power for several large population concentrations. At the beginning we could aim toward building three such heating plants--for Warsaw, Gdansk and Krakow or Lodz.

A third issue of vital importance to the entire nation is ensuring an appropriate supply of hydrocarbons; e.g., in the form of the additional import of natural gas. We should join in the development of the East-West gas system. In this way we would obtain the valuable raw material for the various fields of the economy, as well as for the production of fertilizers for farming. Nor do I exclude our trying to get immediate deliveries of crude oil and crude oil products amounting to at least several million tons in exchange for the export of machinery and equipment. This would also be of great help to us.

In order to check the further decline of our energy potential, we need approximately 155 to 156 million tons of coal for our domestic needs alone. Nor can we manage without exporting about 20 million tons (instead of 40 million, as before), since then we would not receive the raw materials and goods indispensable for daily existence and maintaining production. In sum, it would be good if our miners were able to mine about 175 million tons of coal next year. But can we count on more than 162 to 165 million tons? For this reason, it would be good for us to seek immediate assistance and to consider what we could trade for speedy deliveries of additional power raw materials.

The Essential Aid of Science

Energy conservation would not enable us to save considerable amounts of energy quickly in industry and in the economy. On the other hand, the systematic conservation of energy and its strict management would enable us to save up to 20 percent in the course of several years. This is especially so in industry. Economical reserves are locked up in the rationalization and modernization of that part of energy-intensive industry--metallurgy, cement plants, large-panel building construction and chemistry--that still lends itself to such modernization. This is the operational sphere not only of economics itself but also of economics adequately assisted by science. I spoke of this not long ago at a meeting of section four of PAN.

We should also be able to expect assistance in the resolution of both energy problems and other problems from such industries as the power-construction industry, the chemical apparatus industry and the electrotechnical and electronics industries. It is a question of these fields' being capable not only of meeting the greater part of power needs but also of becoming a major element for satisfying the country's import needs through co-production in place of the limited export of coal and other raw materials and semi-finished products. This is certainly something attainable, something within the realm of possibility.

Thus we ought to wait for advice from science--and this is one of our most important tasks--on how to resolve the problem of the continued, necessary development of the acquisition of brown coal. Under our conditions, this is a considerable source of power and also of environmental pollution. How are we to cope with this threat to the environment, where should we locate new exposures to brown coal, how are we to create a suitable supply of mining equipment and what should this equipment be? These problems are linked with the issue of the skillful use of brown coal that is as economical and as environmentally safe as possible.

Within One Ministry

I chair advisory team 14 for matters of the fuel-energy complex of the Commission of Economic Reform. We postulated a concept of energy and fuel matters under the management of one ministry. This ministry would simultaneously direct the entire energy policy of the country. In this way, the sort of paradoxes that result from the lack of coordination would be eliminated.

The following example was presented at the December meeting of our team. In the mining of sulfur, valuable gas is burned in heating water. Meanwhile, there is a shortage of gas for an extremely pressing investment, that of nitrogen used for the production of fertilizers for agriculture in the region of Police. The water for the sulfur mine could be heated with the use of electrical power. This would free rich hydrocarbon raw material, more valuable than many others, for more important purposes. There are many such examples.

There is no miracle resource, nor are there miraculous anticrisis measures. We can only check the process while activating various fields of management that are more wisely selected and more wisely supported, as well as scientific endeavors.

8536
CSO: 2600/193

METRO OPERATIONS DATA REPORTED

Warsaw ZYCIE GOSPODARCZE in Polish No 3, 7 Feb 82 p 1

[Excerpt]

WARSZAWA - I LINIA METRA 1)

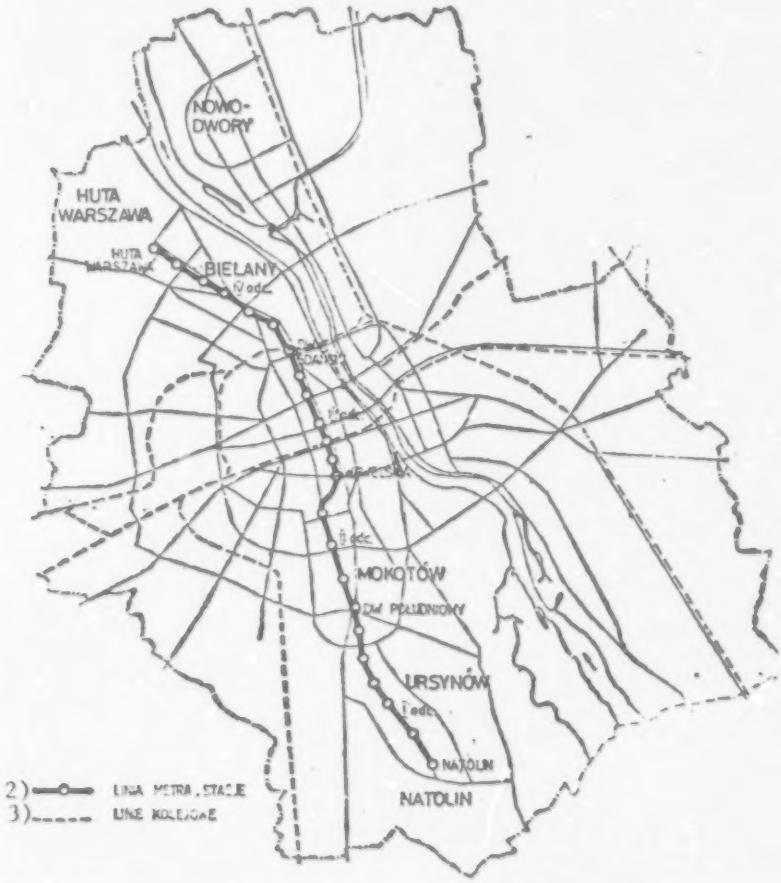


1. *WARSAW - FIRST METRO LINE*
2. Metro Line and Stations
3. Railroad Lines

*BASIC TECHNICAL AND OPERATIONAL PARAMETERS OF THE FIRST METRO LINE*

-- Total Length of Line: 23.1 kilometers
-- Number of Stations: 23
-- Distance Between Stations: Maximum 1,310 meters; Minimum 611 meters
-- Maximum Frequency of Trains Running: 90 seconds
-- Length of Trains: Six Cars
-- Passenger Carrying Capacity: (in one direction): 38,400 per hour
-- Sector I of Metro Line from Natolin Station to Pulawska Station: 7.5 kilometers distance and 7 stations
-- Sector II of Metro Line from Pulawska Station to Wawelska Station: 4.4 kilometers distance and 4 stations
-- Sector III of Metro Line from Wawelska Station to Dworzec Gdanski Station: 4.8 kilometers distance and 6 stations
-- Sector IV of Metro Line from Dworzec Gdanski Station to Huta "Warszawa" Station: 6.3 kilometers distance and 6 stations
-- Travel time from Natolin to Dworzec Poludniowy will take 11 minutes, to Wawel 18 minutes, to Dworzec Gdanski 26 minutes, and to Huta "Warszawa" 36 minutes.

CSO: 2600/322-P

## ECONOMIC ADVANTAGES OF TOURIST INDUSTRY RECOGNIZED

Bucharest REVISTA ECONOMICA in Romanian No 1, 8 Jan 82 pp 13-14

[Article by Dr Clement Gavrilescu: "The Economic Efficiency of Developing International Tourism"]

[Text] Today, when there is urgency in the problem of balancing foreign payments and reducing foreign loans, our international tourism, which has benefitted from significant investments and has a natural potential of a rare beauty and variety, must play a much more active role among the other sources for balancing payments. We have a valuable indigenous "raw material" that can be better used by rethinking our entire development policy for international tourism in the meaning of the directives issued by the secretary general of the party, comrade Nicolae Ceausescu, for obtaining a much greater volume of income and increasing tourist services.

Certainly, considerable progress has been made compared to the past, as we will point out succinctly in this article. The problem, however, that arises today is where we are, as a result of the progress that has been made, in relationship to other countries and what paths are suggested for us by international practices and our own experiences in order to make Romanian tourism better known and better appreciated.

Romanian tourism has recorded incontestable progress, especially in the last 15 years. The number of foreign tourists that have arrived in Romania has increased from 676,000 in 1965 to over 6.7 million in 1980, or nearly 10 times over, in comparison to worldwide tourism where the growth over the same period was 2.4 times over, from 115.5 million to 285 million tourists. This led to an increase in our country's portion of world tourism from .58 percent in 1965 to 2.36 percent in 1980. Hard currency receipts in 1980 were 15.5 times greater than in 1965, with the percentage of our tourism in receipts from international tourism worldwide increasing from .2 percent in 1965 to .38 percent in 1980.

As of 31 December 1980, we had approximately 257,000 places for housing, with 128,000 in hotels, compared to 102,794 places in toto in 1965. We have a good housing capacity use rate (approximately 73 percent on the average for the entire country).

Although the results obtained by our international tourism are significant, it is nonetheless necessary to make certain remarks: the receipts from tourism represent only 3.2 to 3.4 percent of the value of exported goods at the 1980 level, which can

also be explained to a certain degree by the sustained rate of increases in the export of goods (1.1 billion dollars in 1965 and 12.2 billion in 1980, in other words a level 11.1 times greater).

The hard currency income from tourism, although still below the level of the great possibilities that Romania has, contributed in 1980 to reducing the deficit resulting from the trade of goods by over 40 percent, with its percentage in the balance of foreign payments nonetheless remaining modest.

In other words, there is the problem of substantially increasing receipts from international tourism, especially in hard currencies, a situation where there has been a relatively more modest increase in the number of tourists, but not as an absolute figure.

In 1980, 855,000 tourists from Western countries came to Romania, compared to 729,00 in 1975, in other words a small increase (201,000), while from the socialist countries 5,887,000 tourists arrived, compared to 3,736,000 in 1975 (676,000 in 1965). There are some Western countries, large sources for sending out tourists, from which we receive very few tourists, in some cases less than in 1965. We receive an extremely small number of tourists from Switzerland, Denmark, Norway, Belgium and Sweden, countries that account for between 1.6 and .6 percent of the total of Western tourists. The importance of promoting this segment of the tourist market is shown by the fact that in 1980 in the total amount of hard currency receipts from international tourism over three-fourths were obtained from tourists from non-socialist countries, although they accounted for less than 15 percent of the total number of tourists in 1980.

Another indicator that characterizes the state of the development of tourism is the "number of beds per 1,000 inhabitants," an indicator that is at the level of 1.1 beds per 1,000 inhabitants, compared to 5-7 beds per 1,000 in the countries having a developed tourism industry. Investments raise many problems and they deal with not only the number of rooms, but also their location, the quality of construction, transportation capacities, including river and ocean vessels (we have no ocean-going passenger liners; we rent from a number of countries) and investments for the material base necessary for the diversification of ways to enjoy free time and for modern treatment facilities (balneary, geriatric, Pell-Amar and other forms of treatment).

In this context, we should note the special efficiency of investments made in tourism, which in the 1976-1980 five year plan represented approximately 1.5 percent of the value of investments in industry, while the convertible hard currency earned from international tourism represented approximately 20 percent of that earned from the export of industrial products.

The seasonal nature of our international tourism continues to be pronounced, although it decreased slightly from this trend. Measures are needed regarding policies in investments, charges, sales, publicity and others. For example, here are the percentages for the arrival of tourists in our country, by quarters of the year, for 1980 and 1971:

| | 1971 | 1980 |
|---|---|---|
| Tr. I | 7.5 | 9.2 |
| Tr. II | 18.4 | 18.0 |
| Tr. III | 61.9 | 54.5 |
| Tr. IV | 12.2 | 18.3 |
| Total | 100 | 100 |

The percentage of the receipts taken in is still high for hard currency spent on room and board. The attraction of tourists must be accomplished by a flexible pricing policy complemented by a group of measures that will stimulate tourists to spend more hard currency during their stay in the country. The achievement of these measures does not depend solely upon the Ministry of Tourism, but it must promote them, arguing appropriately for them.

Economic and technical cooperation with other countries to achieve a complex variety of actions regarding tourism, including in the field of investments, is practically non-existent over the last 7 to 8 years, although, if well thought out, such actions could noticeably increase the hard currency contribution of tourism (In 1980, the "Interncontinental" Enterprise brought in an amount of hard currency, excluding foreign currency, representing nearly one-fifth of the hard currency income of the "Litoral" Central). There are many other suggestions and proposals that could be made, the essential fact being that we have the tourism potential necessary to achieve a certain much greater level of hard currency receipts, that the party and state leadership supports the development of tourism and that the current situation requires us to develop international tourism for the purpose of earning supplementary hard currency incomes, with this activity effectively having a high economic efficiency. Ans, here is the argument: in the majority of cases, international tourism is more efficient than the export of goods.

Expenditures for Food. The calculations systematically made over the past 26 years, since the creation of the National Tourism Office, show that if the foodstuffs used in serving tourists had been exported, we would have taken in four to five times less hard currency. Additionally, it is appropriate to mention that:

- touristic exports are not accompanied by the costs specific to the export of goods (additional costs in production, packaging, transport costs to the border or the riverine or martime port and so forth);

- the hard currency is promptly earned, frequently prior to the arrival of the tourists because the companies organizing the tourists' trips abroad collect the costs of the services offered prior to the tourists' departures, and for their purchases made in country the export and the payment are made "on the spot." The increased speed of earning hard currency through tourism is currently not taken into consideration in calculating its economic efficiency;

- the products that are served at the dinner table do not always have to be of the quality required for exports. At the same time, we can also avoid the abuses in the qualitative acceptance abroad;

- In the export of fruits and vegetables, losses can exceed the permissible percentages for perishability, which sometimes reach 30 percent and more of the value of the goods being exported, which is not the case in tourism.

With regards to the food served to the tourists who make direct payments at restaurants, its value is shown within a unique commercial process of even under it. For example, a three-quarters of a liter bottle of wine, which costs over 30 lei, plus commission, in a category I or luxury restaurant, costs the tourist approximately $3.50 at the

exchange rate in effect ($1 = 11 lei), while the foreign price is several times lower. When the payment is made in the hard currencies of the socialist countries on the basis of non-commercial rates in effect and the coefficient of transforming these currencies spent into transferable rubles, we arrive at a result close to that expressed in dollars, with the note that the transferable rubles cannot be converted into foreign currencies.

Sales of goods in hard currencies, in the category of durable goods such as a pair of shoes, costs approximately $30 at the exchange rate in effect for the dollar, a lower price than that of the retail prices for similar products in the Western countries, but several times better than the export price and with lower domestic costs than if it were exported. Returning to food, during the summer season the tourist that buys one kilogram of grapes at the known price of 5.60 lei/kg pays the equivalent of .51 dollars in hard currency, or $510 per ton, while a ton of grapes of the same quality many times brings in less money if exported.

There is no need for too many demonstrations to see the clear fact that the export of consumer goods "on the spot" through tourism is much more efficient than the regular export of goods. This requires, however, a varied and attractive range of goods in order to stimulate the tourist to spend his hard currency, which he is much more likely to spend while on vacation than during the rest of the time.

Although most of the foreign trade enterprises currently have hard currency sales operations, in the area of international tourism there is still no enterprise that can legally set aside goods from the export plan to be sold in tourism units at retail prices. The difference between the export price and the retail price obtained in the tourist service units can serve as the basis for significant operations in bringing in hard currency.

A significant source of hard currency is the sale of imported and indigenous goods for hard currency, with the receipts earned by the "Comturist" Enterprise in hard currency constituting a significant percentage of the total receipts from international tourism.

The same goes for the diverse services which, although in the hard currency trade they have lower charges than in the Western countries, can become an important source of hard currency receipts, on the condition that these services be of quality and as varied as possible. Many of the services offered to the tourist, because of their nature, cannot be exported and as a result remain exclusively in the field of tourism. If, for example, along the Black Sea coast the public transportation system were equipped with modern vehicles that ran between the hotels along the coast, the charges were adequate and the schedules strictly adhered to, receipts could be had not only for the transportation, but because of the ease and comfort of the transportation the tourist would be stimulated to make other purchases. Telephones are another source, but there are few hotels along the seacoast that have telephones in the rooms. Also, the organization of certain cruises along the Romanian coast would be a normal service among such large numbers of foreign tourists, but these cruises do not exist. The variety itself of the services offered to the tourist who come to our country needs to be reviewed, much improved and systematized, since international experience points

out that these services must account for a major percentage of the receipts from tourism, with the specific investments in this area being much lower than those for rooms.

One can draw the conclusion from all this that bring economic efficiency to international tourism is a much more vast problem and the current methodology of bringing this about needs to be improved in the direction of:

- including all the incomes made in the hard currency receipts from tourism, independently of the organization responsible for the plan. (For example, currently, receipts are not included from international railroad passenger traffic or from air traffic because of narrow departmental interests);

- considering the speed of return on investments with regards to bringing in hard currency. The construction of a hotel takes approximately 1.5 years, more or less, and produces hard currency immediately after it goes into operation, while in industry the design and construction of the investment project takes 3-4 years and even more. The products from these projects, if they are machinery, are partially sold on credit over an average of 5 to 6 years, which means the recovery of the capital invested occurs much more slowly;

- considering the time value of money which is always taken into account in determining the profitability of investments and which, in tourism, would reflect a substantial economic advantage compared to other rates;

- recognizing that the profit margin on tourist services is below the level in effect, being lower than in the case of many exported goods, even though in tourism the calculation of the profit margin is not done on identical bases. If in the export of goods the marked price represents the complete export price of the goods to be sold, without transportation charges, in tourism we go by the public sale price - in other words a higher marked price on the one for export, which seems to show a less favorable profit margin than in reality for the tourism sales.

There are also other elements that should be included in a new methodology for correctly determining the economic efficiency of exported tourist services.

International tourism also gives rise to hard currency expenditures, but in differing from many other countries and in comparison with the majority of the goods exported the positive jump in receipts from tourism (receipts minus payments) or the net contribution to the balance of payments represents approximately three-fourths of the total receipts. Our international tourism is called upon to play a much greater role than it currently plays not only to help in the balance of payments, but also to create hard currency reserves. To this end, it seems opportune to draw up a 10 to 15 year program that will call for a much broader development of the entire material base of international tourism than that currently taken into consideration, including actions for international economic and technical cooperation. The creation of the most modern means to enjoy free time, the provision of an adequate supply of goods, the perfect organization of foreign and domestic transportation and the continuing improvement of the quality of tourist services should occupy an important place in future programs.

Also closely tied to this program is the commercial policy that should be flexible, having attractive prices for ground transportation and services, especially during non-peak seasons, together with foreign publicity that ought to receive much more substantial resources than those allocated currently.

Our country has everything that is needed to turn international tourism into one of the priority activities of our national economy.

In the context of the energy and raw materials crisis and the national economy's increased needs for hard currency, it is a patriotic duty to work rapidly and methodically to better use a potential that beckons us and the results obtained to date in our international tourism.

8724
CSO: 2700

SUGGESTIONS MADE FOR IMPROVING AGRICULTURAL RESEARCH

Bucharest ERA SOCIALISTA in Romanian No 21, 5 Nov 81 pp 6-10

[Article by Prof. Nicolae Giosan]

[Text] Romanian agriculture is experiencing a wide-ranging process of qualitative renewal, whose profundity derives from the new agricultural revolution. By its amplitude, this revolution is defined not only as a mechanical, biological or chemical revolution, but encompasses all the socioeconomic facets of this branch, equally involving the development and modernization of the productive forces, the sensible utilization of the land, of all the technical, material and human resources, the promotion of science and of high-standard techniques, and the advancement of people's skills, the upgrading of the organization of production and work, the improvement in the system of agricultural management and planning, the rise in the social efficiency of socialist democracy.

This program goal set by the 12th Party Congress emanates from the very substance of the multilaterally developed socialist construction, which involves, first of all, full satisfaction of the continuously growing material and spiritual needs of working people. Hence, there is the need for building a modern agriculture, characterized by high productivity and profitability, all the more so because agricultural production is not only a vital prerequisite for human life, but also represents, alongside the resources of raw materials, the irreplaceable basis for the expansion of industrial branches, for a vigorous and multilateral economic growth.

The transformation of our socialist agriculture into a major producer of farm foods and raw materials sets higher qualitative requirements for scientific research. The role of research is enhanced because of required solutions to the current problems posed by the growth and modernization of production and the materialization of the goals of the agricultural revolution. Nicolae Ceausescu, in his speech at the September 1981 work conference at the CC of the RCP with research and educational workers in agriculture, specified the determining role of agricultural science in creating the technical, technological, chemical and biological conditions that underlie modern agriculture. He stated: "One cannot speak of an agricultural revolution without agricultural science and this means that research must assume its responsibility and take action in this direction."

Romanian agricultural science, the carrier of prestigious traditions, priding itself with outstanding accomplishments of worldwide note, has high human and material potentialities, outcome of the sustained efforts of our party and state to enable scientific research to fully manifest itself as a major productive force in all the areas of the production of material assets. For instance, the network of agricultural research institutes and experimental research and production stations is based on a unified organizational concept, that ensures effective functionality to all scientific investigative departments, a close bond with agricultural practice and great mobility in approaching the experimental research topics and in disseminating on an overall scale the results obtained. Moreover, all research units conduct a dual research and production activity, and this permits performing the scientific test in close connection with the needs of practice, also ensuring the prompt incorporation of technical advances by the delivery of seed, nursery stock and breeding stock and homologation of the techniques required for the modernization of agricultural production. Furthermore, scientific research and application of the results in production are vigorously stimulated, because the entire research work develops under comprehensive, interdisciplinary and interinstitutional programs, ones that are based on modern principles, of team work, in large collectives, in the context of involvement of all institutes and experts, including teaching personnel, in compliance with the requirements of scientific investigation. The 26 research institutes and 120 research stations and centers of the Academy of Agricultural and Silvicultural Sciences are staffed with a large number of research workers and technicians and are provided with up-to-date technology, laboratory and apparatuses for scientific research. These research units employ more than 13,000 people, including more than 4,000 with college degrees, to whom are added over 1,000 teaching personnel from the higher education network. The scientific research units use more than 170,000 ha of farmland, including more than 140,000 ha of arable land, vineyards and orchards, about 100,000 ha of forests in experimental silvicultural units and also have a relatively developed zootechnological sector.

This scientific potential, concentrated in a unified organizational framework, is able to assert itself fully and higly efficiently because all the research work is based on the specific guidelines of our party policy. Based on the Directives of the 12th Party Congress, with the assistance of the National Council for Science and Technology and of the Ministry of Agriculture and the Food Industry, a program was worked out for the development of research and for introduction of technical advances in agriculture. By its objectives, this program of the Academy of Agricultural and Silvicultural Sciences focuses the efforts of all scientific research on achieving the new agricultural revolution, centering its concerns on formulating the approaches that ensure the maximal utilization of natural resources, climatic and soil conditions, material and financial resources, and work force, the growth of economic efficiency in agricultural production, in the food industry, management of waters and silviculture.

The wide-ranging and comprehensive investigative program tackled by scientific research is being successfully materialized. Research is maximizing its input into all the branches of agricultural production. For grain, industrial crops and fodder crops, strains and hybrids were evolved which are superior to those in cultivation. The wheat varieties "Fundulea 29" and "Lovrin 32" have a production potential of 7.5-8.5 tons/ha, with 13-14.5% protein and are noted for greater stability of crops. For corn, 18 hybrids were developed. They are characterized by a production

potential of 7 tons/ha, for early strains, and 14 tons/ha, for late strains.These hybrids are characterized by greater resistance to dropping, to diseases and to the variable environmental conditions. Emphasis was placed on diversifying the hybrids, for the purpose of complying with the diverse ecological conditions that exist in our agriculture. For instance, the research workers developed very early hybrids with a vegetation period under 100 days, which tolerate low temperatures and are meant for cultivation in the areas with very short vegetation periods in northern Moldova and Transylvania; other very early hybrids are destined for the second crop, after winter wheat and barley, in the irrigated areas; moreover, hybrids were evolved that are rich in lysine and tryptophan, and semilate hybrids, which are resistant to dropping and stem breaking. Outstanding sunflower hybrids include the newly homologated "Romsun 59" and "Florum 305," which have a production potential of 4-4.5 tons/ha and a level of 50-52% seed oil. Valuable also are the monogerm sugarbeet strains, that were developed and incorporated into production. They include "RPM 519" and "Stupini," which have a production potential of 65-75 tons of roots per hectare (8-11 tons sugar/ha) and permit a cut in manual crop thinning and maintenance. In addition to such results, progress has been made in research in vegetable, fruit and grape growing, pedology, and agrochemistry, in improving animal breeds, in upgrading the system of machinery, and so forth. Undoubtedly, all this has been instrumental in boosting agricultural output in the last 10 years and is reflected in a 25% increase for the five-year plan.

The achievements in research demonstrate the ability of our agricultural science to resolve the problems which are posed by the building of a modern, intensive and highly efficient agriculture. Precisely this ability prompts workers to conduct a qualitatively superior activity, as the human and material scientific potentials are capable of providing results on a par with world standards in all the areas of research, thus ensuring the effective use of the great resources of Romanian agriculture. To speak of the switch from quantitative accumulations to a new quality in agricultural production as well means, inter alia, the multilateral integration of research into the overall effort to expand agriculture, so that the good results, and some that even are exceptional, may be used on an overall scale and become a common asset in all agricultural units, for all agricural workers.

Qualitative Guidelines in Research

Modern agriculture is inextricably tied in with and impacted by the technical and scientific revolution in biology, specifically in genetics, physiology and biochemistry. Precisely these considerations underlie our party leadership's concept on enhancing the role of research in modernizing and boosting agricultural production. In upgrading and expanding research in the fields of genetics, physiology and biochemistry, the aim is, besides to evolve new kinds of highly productive hybrids for all crops, to eliminate deficiencies that are found in some of the biological products so far. Practice has pinpointed that some strains are not adjusted enough to the natural climatic and soil conditions in various agricultural zones and, also, do not meet the new technical requirements in our agriculture. Other strains are not resistant enough to diseases and pests and are not resistant to dropping so that they may ensure a harvets without loss. Moreover, there are varieties that are not early enough so that may reach full maturity in cool years.

Every condition has been provided so that under this five-year plan the strains and hybrids developed or improved may have traits such as great capacity of absorption

of mineral substances, natural resistance to diseases and pests, so that they may ensure crop safety and stability and great adaptability to the variety of pedoclimatic conditions in this country. The aim is, simultaneously with developing these properties, to enhance the biological production potential, evolving strains of wheat with 8-11 tons/ha, hybrids of corn with 10-15 tons/ha, hybrids of sunflower with 4.5-5 tons/ha and an oil level of 52-54%.

In vegetable, fruit and grape growing and in other areas, research focuses on evolving varieties and hybrids with a great production potential, with a higher level of nutritive substances (protein, vitamins, salts) which are qualitatively superior.

Research in animal raising centers on the use of modern methods for developing new lines, types and hybrids of animals, that provide superior and efficient outputs in the context of intensive farming.

Highly-efficient agriculture involves not only strains and hybrids with a high biological potential but also production techniques that ensure maximal utilization of the production conditions. Therefore, research, in addition to upgrading current techniques, also focuses on developing new techniques which will encompass, on an integrated basis, all the required factors, beginning with soil works, zoning of strains and hybrids, fertilization with organic and mineral fertilizers, optimal plant density, maintenance, harvesting, and production storage operations.

Nicolae Ceausescu emphasizes the need for constantly campaigning for the promotion of new developments, for resolving the current problems of boosting agricultural output and also continuously urges research workers to have in mind the projections. Consequently, special programs were worked out, which anticipate studies designed to result, in the future, in the development of strains and hybrids with a per hectare production potential of 20-25 tons of corn, 10-12 tons of wheat, 6-8 tons of sunflower, and so forth. In the first place this involves developing new kinds of plants which differ from the existing ones and are characterized by an ample and deep radicular system, are small-sized in order to permit high density, have dark-green vertical leaves with a greatly increased photosynthetic capacity, and have a far ampler fruition. Of course, these types of plants require new farming techniques, based on greater chemicalization and mechanization and on irrigation. These studies also include research into increasing the contents of useful substances: oil, sugar, starch, fibers, and the like, and especially, plant protein. The investigations focus not only on raising the protein level but also on enriching the plant proteins with essential amino acids (lysine and tryptophan), so that they may have a utilization rate and nutritional value close to that of animal proteins.

By their goal the special research programs are highly important in the national effort to build a modern agriculture, characterized by high productivity and profitability. They are conceived in such a manner that, based on the joint interinstitutional and interdisciplinary efforts, problems of high economic significance may be resolved, and also basic research may be amplified, research that may open up new prospects, may provide new investigative methods for all research in agriculture, the food industry and silviculture.

Proceeding from the fact that the current investigative methods are limited, that they do not permit special advances in crop and animal breed improvement, and also from the guidelines existing in the developed countries, special emphasis is placed

on genetic engineering or bioengineering. The objective of these studies involves developing completely new organisms, capable of exceeding by far the current levels in terms of production potential. The studies focus on evolving special forms, in the first place for grain and industrial crops, but also for other groups of plants, which can fix atmospheric nitrogen by symbiosis with microorganisms characterized by great fixation ability or by direct assimilation of nitrogen by the plants' own cells. For the purpose of obtaining a high productive potential for animals, new methods and procedures will be used for genetic transformation of biochemical and immunological traits connected with reproduction, for influencing the sex, for transfer of genes among species and within the species so as to develop animal organisms with special traits by grafting some biological properties with genetic resistance to the aggressive factors in the context of intensive farming, by correcting inborn metabolic errors, and so on. Under this program, outstanding are microbiological studies because of the role of microorganisms in increasing production and raising the energy conversion rates.

A special program focuses on boosting the output and utilization of the biomass. The guidelines center on improvement of some forest plants and species for the purpose of producing a maximal amount of biomass per unit area, the formulation of new procedures for the conversion of the biomass into agricultural foodstuffs and into fuel. If for a start this program is limited to devising approaches to obtaining proper sources of fuel, it seems useful to conceive it in a broader context, aiming at developing methods, procedures and techniques that may result in the rapid rise in all the biomass, in both agriculture and silviculture.

The utilization of unconventional energy sources in agriculture is a primary concern of research. This is the goal of research into the production and use of biogas in the productive activity of agricultural units, the use of eolian energy for water pumping in animal raising farms, hay drying, production of electric energy and other areas, utilization of solar energy in the drying of grain and other farming products, and in animal raising farms, the use of the heat of geothermal waters in growing hothouse vegetables, and so forth.

Results Fully Used in Production

The results in production represent the essential criterion by means of which one can assess research work, the manner in which research exercises its role in promoting the new, in ensuring high yields in agriculture. With good reason, Nicolae Ceausescu stated: "It is evident that, in assessing research, we must proceed not only from what we have obtained on an experimental basis, from what has been obtained in special farms or experimental fields, but from large-scale production, from the average production which we are obtaining in all counties, on a countrywide scale. Every strain of new plants, every new technique must mandatorily generate a corresponding rise in agricultural production on a countrywide scale. Only to the extent that we achieve this we can state that the results of research are good."

This points to a major truth which, unfortunately, often has been ignored, a fact which actually accounts for a number of deficiencies of research in agriculture, which reduce the impact of research in agricultural production. This explains why in research to evolve new strains the investigative cycle still takes a long time, and the testing period for homologation is long, a fact that lowers their efficiency. Frequently, in agricultural research workers neglected some modern investigative

methods that permit to obtain results in a short period of time and which ensure prompt and efficient finalization in production. Significant in this respect is the slow rate in applying the achievements of genetics, physiology and biochemistry in the activity of evolving new plant strains and animal breeds.

Moreover, although a number of good results were obtained in developing some strains and hybrids, large-scale production profited insufficiently from the researchers' assistance because of an erroneous concept that appeared in research according to which activity winds up once the strains and techniques are approved. Hence, from the amount of knowledge accumulated on the basis of a long research work, only a small part has been applied in production, with the number of agricultural units that satisfactorily use the recommendations of research being fairly small. This largely explains why some agricultural units have year by year been obtaining poor results even though the pedoclimatic conditions are similar and the conditions for use of the techniques are identical. Some calculations indicate that correct application of scientific approaches in production could result in the agricultural units' significantly boosting agricultural output. Erroneous is the opinion of some experts according to which allegedly there is a "crisis" of agrophytotechnical knowledge, that allegedly we do not have adequate knowledge or material resources to exceed the current production level. The truth is that only a part of the amount of knowledge accumulated is being applied in production and the number of agricultural units that satisfactorily use the recommendations of research still is fairly small.

One of the chief causes that generated this state of affairs involves inadequate cooperation among research workers and specialists in the activity of using the results of research on an overal scale in production. However, we know that full utilization of the results of research by their overall use in agricultural practice is a sine qua non for building a highly productive and profitable modern agriculture. This produces the need for flawless operation of the mechanism of transfer of technology and knowledge in production, an imperative that makes itself felt the more so because in this field a number of deficiencies are still found. Consequently, in a fairly large number of agricultural units many of the essential links of the techniques formulated by research, such as: crop rotation, performance of basic operations, fertilization, combating of pests and diseases, weed fighting, do not develop adequately. Of course, contributing to this is also the fact that research personnel and workers in higher education alike were not sufficiently involved in the system of transmission and participation in the application in production of the biological products and the techniques worked out. But, also, we cannot overlook the fact that in each agricultural unit there are at least five experts, a number which is sufficient to ensure the application of the techniques recommended by research. Because the duty of every expert in production involves organizing the production processes on the basis of modern technology, concurrently with systematically monitoring the way in which this technology is used in light of the specific production conditions.

As pointed out by Nicolae Ceausescu in his speech at the September 1981 work conference held at the CC of the RCP, the research workers, the staff in higher education and the experts in agricultural units must continuously campaign for the use on an overall scale of modern techniques in large-scale production, by organizing demonstration plots on big areas in state agricultural enterprises and agricultural cooperatives. By effectively participating in the entire activity of boosting

agricultural production the research workers and educational personnel can survey the manner in which these techniques are followed and are adapted to the specific conditions of production. Moreover, the units that strictly applied the recommendations contained in the technologies formulated obtained productions which were close to or even greater than those in the research stations, in this way refuting the concept displayed by some experts according to which high outputs can only be obtained on an experimental basis.

The provision of agriculture with quality seed and nursery stock from the most valuable varieties is an outstanding task which directly impacts production in the Romanian fields and which actually involves the materialization and a form of better utilization of research. In this area there are some positive results. For instance, the entire area under corn, sunflower, sugar beet and other crops, and also more than 70% of the area under wheat uses strains and hybrids evolved in research units. Furthermore, farming techniques were determined, which are differentiated according to the various varieties and pedoclimatic zones. Nevertheless, in the system of production and utilization of seeds and nursery stock no emphasis was placed on regenerating the biological material on the mandatory periodical basis and this has resulted in using for production seeds from multiplications IV-V, which were degenerated and strongly impurified. For some crops that are of major importance to the economy, such as barley for beer, hemp, flax for fiber and linseed flax, fodder crops, some vegetables, fruit and grape growing, not every year all the required amount of biological material was provided to the production units. Hence, there is the need for organizing a unified system for the production of quality seeds, concurrently with systematically upgrading, for all crops, the techniques for the production of seeds and nursery stock.

Proceeding from these concepts, I believe that it is useful to organize between research and agricultural practice an effective framework through which scientific approaches and recommendations are endorsed and promptly transferred to the agricultural production units. The experience gained in our agriculture proves that full finalization in production of the results of research can only be the outcome of the efforts of all experts, whether they work in the research institute, experimental station, state administration or the production unit. No matter what the level of work or the sector of activity may be, every expert has the professional duty to strive permanently so that the results in production may be brought to the level of those that are obtained in research. In this context also is the upgrading of the proficiency of experts in central and county agricultural bodies, whose tasks include transfer of scientific recommendations to production. This requirement is the more imparative because, nowadays, as a result of scientific activity, there is an increase in the area of upgrading the production techniques by the development of new methods and approaches, new strains and hybrids are evolved, and agricultural technique is being modernized and diversified. Acquaintance with these achievements on the basis of a constant tie with research provides the favorable context which enables experts in agricultural units to substantiate the decisions which are taken to upgrade the production processes. This is all the more imperative because there were cases when there were undertaken some projects that had not been recommended by science or were even combated by it precisely because of improper cooperation.

While actual participation of all experts in the use on an overall scale, in production, of the results of research is an indisputable requirement, the organization

of this activity, at its various hierarchical echelons and also the specification of the duties assigned to each factor in the relation research-education-production are decisive for the creation of the framework that permits the efficient use on an overall scale of the scientific approaches and recommendations. Hence, there is the need for a unified system for the utilization of technical advances, whose directions may be: annual determination of the varieties and hybrids for each species, differentiated according to the farming zones; production of seed and nursery stock in the amounts required on a countrywide scale, similarly ensuring in animal husbandry the production of the breeding stock and breeders in research institutes and stations; determination of the techniques for each individual crop, differentiated for the various strains and hybrids, based on the results obtained in research and by foremost agricultural units; specification of the techniques for sensible cultivation of irrigated areas, of the areas characterized by excessive moisture or eroded areas, of acid soils, of sandy soils and salty soils; determination, on a differential basis, according to the various zones, of the techniques for complex upgrading of grazing lands and meadows, for improving and zoning animal breeds according to pedoclimatic zones and upgrading the structure of the fodder base, and so forth.

Personality of Research

A gained asset is the coordination of all the activity of research in agriculture on the basis of a unified plan within the framework of the Academy of Agricultural and Silvicultural Sciences, in conformance with the instructions given by Nicolae Ceausescu. Likewise, increasingly better results are being obtained from the use of the contract system in scientific activity. The proper utilization of these conditions is a major factor in enhancing the role of research in agricultural progress.

The research stations are able to fully complete the assignments for which they were created in the context in which all the subject matter of scientific investigation is worked out in light of the needs of the area of activity and the requirements of the overall agriculture. This situation is necessitated by the complexity of agriculture, which requires the full utilization of the research potential in the agricultural zones where the experimental stations are directly conducting their work, thereby helping to elucidate problems of countrywide importance. However, this should not affect the resolving of the specific problems of the zone, which by their character, actually, also reflect countrywide importance. That is why it is useful to very discriminatingly determine the programs that involve the overall agriculture so that each research station may have its individuality in light of the specific conditions of the zone in which it operates. This will considerably enhance the effectiveness of research, tying it in with practice, with the interests of expanding agricultural production on a macro- and micro-economic scale.

The researchers' ability decisively impacts on the efficiency of research. Therefore, in this field, perhaps more than in other fields, the level of training is a vital issue of investigative progress. Because the formation of a researcher takes about 10 years, it is good to conduct the selection of scientific workers on the basis of objective and strictly followed criteria. The best graduates, who, as early as in their student days, proved aptitudes for research and inclinations for study, must be assigned to research. It seems that necessary are prior practical training of the would-be researchers in the first 2 years after graduation from college and, once they have become researchers, constant maintenance of the tie with production.

This can ensure the absorption of the specific elements of the basic trade and a direct contact of the prospective researcher with the realities of the sector of activity. The selection based on strict examination for researchers is the best method for recruiting the personnel needed for scientific activity. Consequently, the professional training of researchers and of all workers is destined to ensure the enhancement of the spirit of responsibility, the promotion of devotion and full dedication for the progress of our agriculture. That is why, in my view, it is good for the main concern in the future to be not so much the rise in the number but, especially, the enhancement of the training level of research workers.

The advancement of personnel and the encouragement of those who display special qualities and prove devotion and dedication to research must be given much attention by the leading bodies of research units. In my judgement, very useful is the utilization on a wider scale of scientific discussions in the context of research collectives and scientific councils. Although cooperation with kindred institutes in other countries has developed in recent years and the number of researchers who are taking trips for specialized training and documentation abroad is fairly great, their efficiency is still low.

Of outstanding importance for the qualitative enhancement of scientific activity is the upgrading of the system of planning the amount of time by formulating unified standards of activity for both reserchers and teaching staff, specifying a sensible ratio between the time destined for research proper and the time destined for the application in production of the results of research. This must be correlated with the modernization of work methods -- eliminating empirical methods -- methods that expedite the obtaining of results and the resolution of highly complex problems.

The transition of Romanian agriculture to a new quality involves the full utilization of the human potential -- of machine operators and cooperative members, of experts in production, in scientific research and agricultural education -- in radically improving the activity, for the obtaining of an agricultural output on a par with the major tasks allotted agriculture under this five-year plan. By concerted and sustained efforts, by a militant activity for the promotion of the new, research can help effectively so that each agricultural unit may take a great leap toward the high levels of the new quality.

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OPERATION OF AGRICULTURAL BONUS SYSTEM DESCRIBED

Bucharest REVISTA ECONOMICA in Romanian No 1, 8 Jan 82 pp 11-12

[Article by Dr Maria Stroe: "Improvements in Contract and Acquisition Prices and the System of Production Bonuses - Material Incentive Factors in Agriculture"]

[Text] The fulfillment of the program regarding nationwide self-management and self-supply in supplying the populace with agricultural, animal and vegetal products, as elaborated at the initiative of and under the direct guidance of the RCP secretary general, comrade Nicolae Ceausescu, constitutes a basic objective of the agrarian revolution in Romania.

Providing a new, stimulating framework in order to place agricultural production on the principles of economic self-administration and self-financing in socialist agricultural units and having a better management of resources currently existing on the people's farms represent constant concerns of our party's and state's agrarian policy.

By continuing the actions organized throughout the entire economy in 1981 of correlating and updating prices in all areas of material production and of basing these prices on economic principles, the Decision of the Political Executive Committee of the RCP Central Committee, of 15 December 1981, regarding the implementation of new measures to stimulate the agricultural producers who deliver grains, technical plants, potatoes, vegetables, fruits and grapes to the state fund and the fodder and seed-stock funds, as well as the recent normative acts - the Decree of the Council of State Regarding Contracts for and Acquisitions of Vegetal Agricultural Products and the Decree of the Council of State Regarding Contracts for and Acquisitions of Animals, Poultry and Animal Products, are balancing the relationship between the contract and acquisition costs and prices for the main agricultural products, introducing a judiciously conceived incentive for all agricultural producers. These measures are designed to strengthen the role of the price system in carrying out the party's agrarian policy and to mobilize all agricultural units to firmly implement the new economic-financial mechanism and the principles of self-management and self-administration.

The increases in recent years of the prices for the main raw materials, materials and products used in the processes of agricultural production, while the prices for contracting and delivering vegetal and animal agricultural products had remained nearly unchanged over the past decade, negatively influenced the profit levels of the agricultural units, creating an imbalance between production costs and the incomes obtained.

For the pupose of eliminating these imbalances and providing an appropriate profit level for all agricultural products, as well as a more complete incentive for all the categories of agricultural producers, the group of measures decided upon by the Political Executive Committee and approved as law by the Grand National Assembly established that, in addition to base prices, for vegetal and animal agricultural products there will be production bonuses granted in a differentiated and progressive manner according to the type of product and the quantity of products per hectare or number of animals delivered to the state (in reference to vegetal production, see Table No 1).

Table No 1

Average Bonuses per Unit of Product

| Agricultural Crop | Contract Price (lei/ton) | Average Bonus (lei/ton) | Percent Increase Over Contract Price |
|---|---|---|---|
| Rye | 1,500 | 300 | 20 |
| Barley-Dual Row Barley | 1,300 | 300 | 23 |
| Corn | 1,270 | 530 | 42 |
| Beans | 6,200 | 1,000 | 16 |
| Soybean | 3,250 | 450 | 14 |
| Sunflowers | 2,680 | 720 | 27 |
| Flax for linseed oil | 6,000 | 1,000 | 17 |
| Flax for fibers | 1,900 | 500 | 26 |
| Hemp | 1,250 | 450 | 36 |
| Sugarbeets | 345 | 205 | 59 |
| Early potatoes | 1,367 | 200 | 15 |
| Fall potatoes | 900 | 120 | 13 |
| Field vegetables | 1,360 | 400 | 32 |
| Grapes | 3,480 | 500 | 14 |
| Rice | 5,000 | 1,000 | 20 |
| Medicinal plants | 3,500 | 1,500 | 43 |
| Tobacco | 17,300 | 700 | 4 |
| Castor oil plants | 5,500 | 1,500 | 27 |
| Fruit | 4,800 | 300 | 6 |

Ensuring an appropriate balance for prices by periodically updating them will constitute a decisive factor for the proper carrying out of economic activities in all sectors of agricultural production. At the same time, this action designed to strongly stimulate agricultural production corresponds to the basic principle of our national economy regarding correlating and setting prices in relationship to the changes that are taking place in the production process, in material and labor costs and in world prices, as well as in accordance with the growth of the people's incomes.

The implementation, for the first time in our country, of a system of bonuses that are differentiated according to the quantities of products delivered from each unit of

land to the state fund and the fodder and seed-stock funds - bonuses paid to agricultural producers for agricultural products, in addition to the base prices - must bring about an increased effort on the part of the agricultural units, the coordinating organs and the units responsible for the plan to achieve a qualitatively superior planning activity based upon a full understanding of reality. The production plan will have to respond to a greater degree to the needs of the national economy, creating the premises for a better use of natural, material, financial and human resources available to each unit and each administrative-territorial region.

The full achievement of the annual production plan is the essential condition under which the socialist agricultural units and the people's farms will collect, during the 1981-1982 agricultural year, supplementary incomes worth approximately 14 billion lei, an amount that will fully cover material costs while at the same time permitting the producers to obtain a supplementary income of approximately 7 billion lei. The fulfillment of this objective will have profound implications in the implementation of the new economic-financial mechanism in the socialist agricultural units, contributing especially to an increase in net production.

The collection of supplementary incomes requires the agricultural producers to carry our a better, more efficient effort. This conclusion stems from the mechanism of implementing the system of bonuses, on the basis of which the specialists and all interested agricultural producers can calculate their supplementary incomes for each type of crop, establishing a just relationship between the maximum amount of production (technically) and the economic optimum. The economic calculation of the "effort-effect" relationship keeps in mind the establishment of the costs for the optimum allocation of production factors in relationship to the basic and supplementary incomes that can be earned by delivering certain increased amounts of agricultural products to the state fund so that all economic activity will be carried out in a permanent financial balance and will permit the self-financing of socialist agricultural units.

Taking corn as an example, in the variations that have been calculated we can see the operation of the stimulative factor of the bonuses that will be given (see Table No 2). Thus, the influence of the bonuses established for corn upon the incomes of the agricultural producers is 42 percent, compared to the incomes earned under the same conditions (land area, average production per hectare and the amount delivered to the state fund and the fodder and seed-stock funds) in 1981.

Corresponding to the efforts made to achieve an amplification of the three factors at the highest possible percentage, which will influence the amount of supplementary income obtained as a result of collecting bonuses, the units will earn significant amounts of supplementary income.

A decisive role is played by increasing the production of fodder and seed-stock delivered to the state fund. In the final analysis, this factor determines the level of income. For its part, it is influenced by the intensive factor (average production) and the extensive factor (the land area cultivated). The variants presented as examples in Table No 2 show the following:

Table No 2

Opportunities for Increasing Supplementary Income for Corn Crops in 1982

| Variante (1) | Suprafaţa cultivată (ha) (2) | Producţia medie (kg/ha) (3) | Preţ de contractare (lei/t) (4) | Producţie livrată la fondul de stat (t) (5) | Primă (lei/t) (6) | (7) Venituri 1981 (mii lei) (8) | 1982 (mii lei) (9) | Venituri realizate suplimentar în anul 1982 (mii lei) (10) |
|---|---|---|---|---|---|---|---|---|
| $V_1$ | 500 | 4 000 | 1 270 | 1 500 | 530 | 1 905 | 2 700 | 795 |
| $V_2$ | 500 | 4 000 | 1 270 | 1 950 | 530 | 2 476 | 3 510 | 1 034 |
| $V_3$ | 500 | 4 500 | 1 270 | 2 150 | 530 | 2 730 | 3 870 | 1 140 |
| $V_4$ | 600 | 5 000 | 1 270 | 2 400 | 530 | 3 048 | 4 320 | 1 272 |
| $V_5$ | 600 | 5 500 | 1 270 | 3 180 | 530 | 4 038 | 5 724 | 1 686 |
| $V_6$ | 600 | 7 000 | 1 270 | 3 900 | 530 | 4 953 | 7 020 | 2 067 |
| $V_7$ | 710 | 5 680 | 1 270 | 4 033 | 530 | 5 122 | 7 259 | 2 137 |

Key:

1. Variant
2. Land area cultivated (ha)
3. Average production (kg/ha)
4. Contract price (lei/t)
5. Production delivered to the state fund (t)
6. Bonus (lei/t)
7. Incomes
8. 1981 (thousands of lei)
9. 1982 (thousands of lei)
10. Supplementary incomes earned in 1982 (thousands of lei)

- a 30 percent increase in production delivered to the state fund, under conditions of maintaining a constant level of surface area and average production, brings about an increase in supplementary incomes in the same proportion (V2 compared to V1);

- in the case where the production delivered to the state fund increased by 12 percent, the land area increased by 20 percent and the average production by only 11 percent, the supplementary income increased by 12 percent (V4 compared to V3);

- if the production delivered to the state fund increases by 63 percent, principally on the basis of increasing the average production per hectare (an increase of 40 percent) while the land area cultivated remains unchanged, the supplementary incomes increase by 63 percent (V6 compared to V4);

- a 42 percent increase in the average production and the land area cultivated will permit an overfulfillment of the amount production delivered to the state fund by 169 percent, which means a corresponding increase in the supplementary income (by 169 percent) for the agricultural unit (V7 compared to V1).

The above examples demonstrate the operation of the mechanism of applying the new system of bonuses, which combines harmoniously the general interests of the national economy, including those of agriculture, with those of the agricultural producers. Thus, it has been demonstrated that fully providing the state fund and the fodder

and seed-stock fund represents one of the basic requirements for the more rapid development of animal production and especially industrial-type zootechnical production, whose technological systems are based upon the intensive feeding of the animals and upon whose implementation the achievement and overfulfillment of the planned production for meat, milk, wool and eggs depend to the greatest degree.

The search for and the implementation of solutions to obtain certain increased levels of production of grains, technical plants, potatoes, vegetables and fruits and their delivery to the state fund must be expressed from the placement of the crops on the soil and the provision of seeds, the supply of fertilizers and the application of advanced agro-techniques up to the delivery of the products and the honoring of the contracts to the state fund.

Along this line, it is especially important for us to point out the fact that the overall group of laws and decisions approved recently, which contain the 1982 agricultural development plan, the programs for self-management and territorial self-supply for this year and the current five year plan, and the new organization of the activities of the agricultural mechanization stations, as well as the measures to stimulate agricultural producers, decisively contributes to the setting of agricultural production on economic principles in all its production units and sectors. Thus, a framework is created to ensure an appropriate balance between the efforts of the units and all agricultural producers and the incomes that they can make as a result of delivering ever greater amounts of agricultural products to the state fund.

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POLICY FOR ACHIEVING 1981-1985 SOCIAL PLAN IN 1982

Belgrade SLUZBENI LIST SFRJ in Serbo-Croatian No 72, 31 Dec 81 pp 1870-1882

[Resolution of the SFRY Assembly, Act of the Assembly No 465, adopted in Belgrade 29 December 1981, and signed by Dragoslav Markovic, president of the SFRY Assembly, and Zoran Polic, president of the Chamber of Republics and Provinces]

[Text] 1. In the context of the goals and tasks set forth in the Social Plan of Yugoslavia From 1981 to 1985, and especially of the pronounced problems in overall social reproduction and the trends being carried over into 1982, particularly with respect to foreign economic relations, adjustment of relations in social reproduction and price movements, evaluation of the conditions and possibilities for development in 1982 and an assessment of the economic situation in the world, the tasks which are crucial to implementing the policy of socioeconomic development in 1982 are more effective achievement of the policy of economic stabilization, substantial augmentation of exports of goods and services, above all to the convertible market, and improvement of the country's payments and exchange balances, and an essential reduction of the rate of inflation, which necessitates that economic policy as a whole must be governed by this aim and an appropriate change of direction accomplished with respect to the functioning and bolstering of the mechanisms of the system and performance of commitments, and improvement of economic efficiency and qualitative attributes of the conduct of economic and overall social activity. These tasks are to be performed by virtue of the following:

1) creation of conditions which will powerfully motivate a growth of production for export and will strengthen the economy's ability to export, will guarantee a dynamic growth of exports, especially to the convertible market, and will essentially reduce the deficit in the balance of payments and the level of the country's foreign indebtedness;

2) achievement of better adjusted commodity-money relations and alignment of all forms of expenditure with the available social product and income and with material capabilities;

3) an essential slowing down of the rate of inflation;

4) adjustment of the volume and composition of output and the rate of economic growth to the need for dynamic growth of exports, a strengthening of the economy's ability to export and optimum import substitution, as well as with the

opportunities afforded by imports on the basis of funds realized through exporting and the country's payments-balance capability;

5) more optimum use of the available productive potential, reduction of all costs, and, on that basis, a growth of income and a rise in the share of associated labor in its distribution in order to strengthen the material basis of associated labor, to augment the economy's ability to export and to overcome overall material difficulties;

6) the undertaking of measures to slow down the decline in the standard of living of the working people and citizens and, within that context, to halt the decline of real personal incomes of workers, above all workers in production and creative jobs in physical production. Steps shall also be taken in line with material capabilities to ensure social and material security, especially of workers with the lowest income per member of the household;

7) development of the socioeconomic relations of self-management and, within that framework, a strengthening of the role of associated labor in taking control of the flows of social reproduction.

More successful linkage of organizations of associated labor through income sharing and mastery of the flows of social reproduction, a strengthening of the economy's ability to export and achievement of the policy of economic stabilization are to be guaranteed by further development of the socioeconomic relations of socialist self-management, by consistent implementation of the laws embodying the system, by amendment and supplementation of certain laws embodying the system, by assurance of more effective functioning of the mechanisms of the economic system, and by the measures of economic policy.

Performance in 1982 of the tasks enumerated in Paragraph 1 of this point will require exceptional efforts by the entire social community and all socioeconomic factors to achieve the policy of economic stabilization more effectively by increasing production, through maximum economy in all areas of social reproduction and at all levels, by a growth of exports and a policy of importing only what is necessary; through better organization of work, by raising the productivity of labor and through more effective linkage among producers in the process of reproduction, the latter aim to be pursued by intensifying the establishment of communities of associated labor for mutual collaboration in planning and conduct of business. The costs of the superstructure of society are to be brought within the limits of the capabilities of physical production. The conduct of a selective credit-and-monetary policy aimed at stabilization should prevent creation of a demand that exceeds the supply, but should also facilitate the unhindered course of the processes of social reproduction. An essential slowing down of the growth of prices is to be ensured through consistent enforcement of the price system and social price control and through vigorous activities. The distribution of the social product should strengthen the material basis of associated labor, should protect the integrity of the resources of society and should guarantee their expanded reproduction. Investments must be brought into conformity with funds realistically available, and accumulations should be pooled through self-management arrangements and assigned to the more narrow lines of development which have been agreed on and set forth in the Social Plan of Yugoslavia From

1981 to 1985, above all to increasing production intended for export, especially to the convertible area, and intended for optimum substitution of imports. The manifestations of particularism, monopolism and other forms of disruption of the unity of the Yugoslav market and the processes of social reproduction should be corrected through the development of socioeconomic relations on the foundations of socialist self-management. A contribution should be made through self-management mechanisms and other measures to the gradual emergence from the economic difficulties and to a strengthening of the country's positions in international economic relations, and conditions should be created for further development of social relations and stable economic development and a rise in the standard of living of the working people and citizens in the period to come.

The activities of planning entities and the measures of economic policy shall guarantee achievement of the tasks of development of the economically underdeveloped republics at a faster rate than the average development of the entire country and fastest development of SAP [Socialist Autonomous Province] Kosovo, and the agreed special measures shall also be undertaken to achieve the fastest development of that province, continuation of the reconstruction and construction of the earthquake disaster area in Montenegro, further strengthening of the country's defensive capability and performance of other tasks set forth in the Social Plan of Yugoslavia From 1981 to 1985.

Organizations of associated labor and other self-managing organizations and communities and sociopolitical communities should in their planning documents for 1982 set forth specific commitments, tasks and measures which will ensure achievement of the joint goals and performance of the joint tasks set forth in this resolution. Resources have to be committed through self-managing arrangements, but also by legal enactment in exceptional cases, to reproduction in order to stimulate the faster development of the production of goods and services for export, and the pace has to be stepped up in completing capital investment projects which are in conformity with the main lines of development envisaged in the Social Plan of Yugoslavia From 1981 to 1985, within the framework of the narrowed priorities which are to be established, above all facilities for the production of electric power and coal, scarce raw materials and the basic agricultural products, which will be a contribution to augmentation of the inflow of foreign exchange and to optimum import substitution.

2. For the sake of more effective alignment of relations in social production and implementation of the policy of economic stabilization, certain economic measures will also be applied and certain instruments of the economic system amended; regulations on revaluation of fixed capital and computation of the depreciation will guarantee more realistic determination of the income of organizations of associated labor; certain provisions of the Law on Establishment and Distribution of Gross Income and Income are to be amended which allow gross income and income to be augmented unrealistically through bills of exchange and other securities; provisions of regulations on settlement which allow the formation of demand without real backing will be amended; loopholes will be closed which allow funds for government and social service expenditure to be built up through the turnover tax and contributions on an inflationary basis, and appropriate changes in the system will prevent the creation of surpluses and the draining off of income beyond the agreed policy; an examination is to be made of

the procedures whereby resources are multiplied through the banking mechanism in order to eliminate opportunities for unrealistic creation of credit potential and cash assets, and other measures envisaged by the resolution are to be undertaken. The aim will be for the income of organizations of associated labor to express as realistically as possible the conditions of their operation and their performance, and steps will be taken to diminish the influence of monopolistic factors in creation of income. The Order on Procedure for Adjustment of the Value of Inventories and the relevant provisions of the Law on Establishment and Distribution of Gross Income and Income will be reviewed in order to prevent declaration of unrealistic income and social product on the basis of an unrealistic value of inventories. An agreement among the republics and autonomous provinces is to set forth criteria for establishment and separate indication of that portion of income which is the result of work under exceptionally favorable natural conditions or which is the result of exceptional favorable opportunities in the realization of income and to commit that portion of income to development of the organization of associated labor in which it was realized or to the development of the material basis of associated labor in the opstina and republic or autonomous province, in conformity with a self-management accord and law.

Accomplishment of the change of direction toward effective conduct of the policy of economic stabilization and stimulation of intensification of the process of pooling labor and capital on the unified Yugoslav market necessitates a resolute and effective drive by the competent bodies of sociopolitical communities, organizations of associated labor and other self-managing organizations and communities in order to ensure enforcement of legality; the faster development of self-management in associated labor; enhancement of the conclusion of self-management accords and social compacts and consistent performance of commitments arising out of those accords and compacts; development of normal business relations on the basis of pooling labor and capital without stipulation that payments be made in foreign exchange and the placement of funds for development in time deposits; determined suppression and elimination of cases of autarky and the closing off of markets; elimination and prevention of cases where social ownership is threatened from the positions of group-ownership tendencies and intensified interventions by the agencies of sociopolitical communities in disposition of the resources of associated labor, especially in the domain of capital investment and foreign economic relations as well as on the market.

3. The most important tasks of economic policy in 1982 and a condition for invigoration of overall economic activity are enhancement of the competitiveness of organizations of associated labor on the international market and improvement of the country's position in international economic relations, which should be furthered by economic policy, especially in the domain of production and expenditure, prices, money and credit, and taxes and contributions. Exports of goods and services should realistically be augmented by about 8.4 percent, 12 percent to the convertible market, total exports and the outflow of foreign exchange should be brought into line with the available inflow of foreign exchange, the deficit in Yugoslavia's balance of payments should be reduced and in 1982 may not exceed $500 million, and the level of the country's foreign indebtedness should be reduced.

The following measures and activities will be undertaken in order to achieve the projected growth of exports of goods and services:

1) by the middle of January 1982 full-fledged export programs will be adopted in organizations of associated labor, in communities for mutual planning and business collaboration, in general associations, in economic chambers, and in self-managing communities of interest of the republics and autonomous provinces for foreign economic relations--with respect to products and services, currency areas and individual countries which have a substantial share in Yugoslavia's foreign trade. Specific programs are to be drafted for the growth of exports to the countries of the convertible area with which the coverage of imports by exports is lowest. Economic policy measures shall promote the performance of those programs.

The export and import plans of organizations of associated labor and plans of foreign credit relations should be reconciled within and between self-managing communities of interest of the republics and autonomous provinces for foreign economic relations and the Yugoslav Community of Interest for Foreign Economic Relations, and they should be stimulated to establish broader relations in the process of reproduction on the unified Yugoslav market through the pooling of labor and capital for the sake of export transactions and the inflow of foreign exchange, which may not be thwarted by the payments-balance positions of the republics and autonomous provinces. Encouragement shall be given to the faster establishment of linkage based on income sharing of organizations of associated labor which are dependent on one another in the process of reproduction and to the conclusion of self-management accords on the pooling of labor and capital and on the joint realization and distribution of foreign exchange;

2) a vigorous policy of a single realistic rate of exchange of the dinar shall be conducted as one of the basic instruments for maintaining the economy's price competitiveness in its export efforts, for achievement of optimum imports and for adjustment of relations in the movement of domestic prices and prices on the foreign market;

3) funds will be furnished for the refunding of duties and import charges in accordance with the tasks set forth in this resolution and the limits set forth in the projection of Yugoslavia's balance of payments. The system of refunding duties and import charges will also be improved and amended by eliminating from the present system the linear rate and rights acquired unjustifiably; greater incentives should be afforded to the export of products in higher phases of manufacture and of services incorporating more domestic labor, domestic raw materials, and our own knowledge and technology. Measures and activities shall be undertaken toward conclusion of a self-management accord on the refunding of duties and import charges on the basis of uniform criteria within the framework of the Yugoslav Community of Interest for Foreign Economic Relations, and its enforcement commencing 1 January 1982 is to be ensured;

4) for the sake of enhancing the competitiveness of organizations of associated labor in their export efforts a more vigorous policy will be conducted of granting exporters exemptions and deductions of taxes and contributions on goods and services being exported, except for those taxes and contributions which are

directly related to preserving the standard of living of the working people and citizens, such as health and old-age insurance, etc. Such measures shall be used to motivate organizations of associated labor to operate on more than one shift and to increase production for export. These tasks are to be performed by the end of January 1982.

Activities to enforce the Law on Associated Labor shall encourage conclusion of self-management accords on the earning and distribution of the joint revenues and income realized on the foreign market so that conditions for earning income by exporting finished products and services on the foreign market affect equally all participants in the production of those products and performance of those services;

5) fifteen billion dinars will be furnished for the credit financing of exports of equipment, ships and capital investment projects abroad through the pooling of resources of interested organizations of associated labor, their commercial banks, a self-management accord among banks, borrowing abroad, the rediscount policy of the Yugoslav National Bank and other measures;

6) conditions shall be improved for the credit financing of the preparation of production and services, of the production of goods and rendering of services for export and of inventories of goods for export, special incentives to be established for exports to the developing countries;

7) support and encouragement shall be given to the long-range orientation of exports to particular markets and to development of new markets and special forms of foreign trade transactions shall be developed, such as the following: compensation deals, brokering, transactions involving the upgrading of goods, etc. It shall be made certain that in the conduct of these transactions payments-balance and exchange-balance positions are not allowed to be an obstacle to the development of such transactions if they promote and augment total exports. Regulations in that domain shall be reviewed and amended along those lines;

8) amendments and supplements to the Law on Long-Term Industrial Cooperation, Production and Technical Collaboration and the Acquisition and Granting of Rights to Technology Between Organizations of Associated Labor and Foreign Persons shall be adopted by the end of the first quarter 1982 for the sake of the long-range augmentation of Yugoslav exports;

9) specific measures shall be drafted to increase the inflow of foreign exchange from the export of technology and know-how, services, especially from tourism and transport and work on capital investment projects abroad. Programs for augmenting the inflow of foreign exchange from tourism, transport and work on investment projects should be adopted simultaneously with adoption of programs for the export of commodities. To that end the following efforts should be undertaken in 1982:

a) in the programs to augment the inflow of foreign exchange from tourism which will be adopted by economic chambers, general associations in the tourist industry, and the republics and autonomous provinces specific measures and mechanisms should be worked out for fuller utilization of available tourist capacities,

especially in the off season, for fuller utilization of capacity for winter tourism and capacities in spas and health resorts, and measures taken to augment spending for other items and food and lodging. Steps shall be taken to furnish funds for tourist advertising in the amount of at least 1 percent of the foreign exchange revenues realized from tourists in the past year, the granting of a price reduction in the sale of fuel to foreign tourists and exemption from taxes when goods are sold for foreign means of payment shall be continued, the operation of currency exchange offices shall be improved, and provision shall be made so that the inflow of foreign exchange from tourism goes as much as possible to the organizations of associated labor which brought it about. Programs shall be adopted to increase revenues from tourism. Foreign tourism shall be encouraged by all the incentives granted to encourage the export of goods;

b) with respect to international transportation, domestic carriers should attain a larger share of Yugoslav exports and imports as well as a larger share on the international transport market. Investment and credit policy should facilitate faster modernization and growth of capacity in international transportation, and the construction of rail, marine and river transportation equipment in domestic industry and shipbuilding should be ensured;

c) provision should be made for greater use of domestic equipment in work on capital investment projects abroad, and when complete facilities are being built, provision should be made to augment exports of domestic equipment, materials and technology. Special encouragement shall be given to accomplishment of large and complete projects which organizations of associated labor are carrying out abroad;

10) interest rate policy and credit policy, accompanied by appropriate support of primary note issue and other measures, shall encourage the inflow of remittances and foreign exchange savings of Yugoslavs employed abroad temporarily, especially the purchase of foreign exchange from the foreign exchange accounts of individuals, but also the export of books, magazines and other publications.

In 1982 goods will be imported within the limits of the ability to make payments from the inflow of foreign exchange earned by exporting goods and services, net remittances and the established deficit in Yugoslavia's balance of payments. Imports of raw materials and noncapital industrial goods may be increased beyond the agreed imports if exports are increased by at least the same amount, while the deficit in the balance of payments is not increased.

In the importation of raw materials and noncapital industrial goods self-management accords adopted in the framework of self-managing communities of interest for foreign economic relations of the republics and autonomous provinces shall make provision on the basis of physical balances for priority importation of those raw materials and noncapital industrial goods which have the largest impact on achievement of the envisaged growth rate of exports, especially to the convertible area, as well as production which guarantees supply of the unified Yugoslav market with consumer goods that have particular importance to the working people and citizens.

The review of tariff protection shall continue so that amendments and supplements to the customs tariff ensure optimum protection of domestic production in conformity with the agreed development policy and the optimum level of the burden of duty on the import of goods which are not manufactured in the country or are not manufactured in sufficient quantities.

Funds to import petroleum, petroleum products and coking coal shall be furnished in a manner which will eliminate disruptions in this sector.

The projections of the payments-balance positions of the republics and autonomous provinces shall ensure first of all the importation of energy raw materials; iron ore and raw materials for the production of steel; copper and aluminum metal; raw materials for the production of fertilizers and chemicals for plant pest and disease control; monomers; raw materials for the production of pharmaceutical products; rubber; raw materials for the textile industry and the leather and footwear industry and proteins for the production of livestock feed, which shall be regulated by self-management accords of self-managing communities of interest of the republics and autonomous provinces for foreign economic relations in the framework of the Yugoslav Community of Interest for Foreign Economic Relations. If those accords are not concluded by the end of January 1982, the Federal Executive Council shall no later than 15 February 1982 undertake the appropriate activities and measures to eliminate disturbances in these sectors. The projections of the payments-balance positions of the republics and autonomous provinces shall furnish the foreign exchange to import wheat, edible oil in conformity with budgeted needs, drugs, the most necessary specific medical supplies, and certain vital consumer goods which are not produced in the country, as well as for the discharge of obligations under international conventions.

Steps shall be taken to reduce imports of equipment. Within the limits of the diminished possibilities for importing equipment in 1982 that equipment is to be imported first which is not manufactured in the country and contributes to faster completion of construction projects which will increase the production of goods and services for export, which will reduce imports and will contribute to eliminating structural disproportions in the sectors of production of food, energy and basic raw materials. A certain percentage of total funds for the importation of equipment in 1982, which is to be fixed by the self-managing communities of interest of the republics and autonomous provinces for foreign economic relations, shall be committed to the modernization and enlargement of capacity of organizations of associated labor which by installing new equipment will in 1982 increase exports or reduce imports, the latter dependent upon assumption of specific commitments.

The self-management accords concluded in self-managing communities of interest of the republics and autonomous provinces for foreign economic relations should ensure more favorable conditions for organizations of associated labor with a better export performance to import raw materials and noncapital industrial goods.

Stricter responsibility is to be exacted for enforcement of legality in foreign exchange transactions and measures are to be taken for those transactions to be conducted through the organized foreign exchange market. The republics and autonomous provinces shall bear greater responsibility for achievement of

Yugoslavia's payments and exchange balances and the payments-balance and exchange-balance positions of the republics and autonomous provinces and conditions created for normalizing the operation of the foreign exchange market. The possibilities, conditions and criteria governing the sale of foreign exchange on the foreign exchange market by the Yugoslav National Bank shall be set forth in conformity with the law.

Foreign credits shall be used in conformity with the projection of Yugoslavia's payments and exchange balances. Conditions shall be created for a more effective use of credits already granted by international financial organizations. Unused rights under the Agreement on Contracting Indebtedness Abroad From 1976 to 1980 shall be carried over to 1982. In 1982 foreign credits for equipment may be used only by organizations of associated labor and other beneficiaries which can furnish foreign exchange to pay obligations off under previous credits and credits which will be concluded in 1982.

A proposal shall be made again in 1982 for adoption of a law on contracting of indebtedness abroad by the Yugoslav National Bank to ensure liquidity in international payments.

The extent of use of short-term credits of foreign banks which may be used exclusively to overcome seasonal irregularities in the current inflow and outflow of foreign exchange shall be reduced. The Federal Executive Council shall on the recommendation of the Yugoslav National Bank set forth criteria governing the use of short-term credits by banks no later than 10 January 1982.

Steps shall be taken to encourage economy of foreign exchange, reduction of the invisible outflow of foreign exchange in all its aspects, especially for official travel and foreign travel of individuals, expenses of branch offices, etc.

In the context of the measures envisaged to improve Yugoslavia's position in international economic relations, particular attention shall be paid to faster and more comprehensive development of Yugoslavia's economic cooperation with the nonaligned countries and the developing countries, to preserving and further development of the most favorable treatment of those countries in foreign trade relations on behalf of further development of mutual cooperation of the developing countries and a larger share of those countries in Yugoslavia's foreign economic relations, in conformity with the Yugoslav Social Plan From 1981 to 1985 and the resolutions of the SFRY Assembly. The granting of aid to the nonaligned countries and developing countries shall be continued, but within that framework more favorable treatment shall be granted to the least developed among the developing countries.

The activities of organizations of associated labor, self-managing communities of interest of the republics and autonomous provinces for foreign economic relations, and economic chambers, and economic policy measures shall ensure more organized and effective efforts on the foreign market. To that end, but pursuant to the resolutions of the SFRY Assembly, the effective performance of representative offices abroad shall be reviewed and guaranteed, the justifiability of the existence of certain representative offices shall be examined and steps taken toward greater efficiency in their business operation and toward effective operation of export-import organizations within Yugoslavia.

4. Emphasis in development of production shall be on stimulating its faster growth for export and to contribute to import substitution, which has a beneficial effect on the country's balance of payments, above all the production of energy from domestic resources, the production of basic raw materials and noncapital industrial goods and the production of the principal agricultural products.

Material development and overall socioeconomic development in 1982 should be based on stronger operation of the qualitative factors in the conduct of economic activity; productive employment through higher labor productivity, increased saving, better and more efficient use of work time, optimum use of available capacities and other production factors; productive employment, higher labor productivity, increased saving, better and more efficient use of work time, rational use of available capacities and other production factors, and reliance on domestic resources, greater involvement of domestic scientific potential and its more effective linkage with production proper, improvement of the system of education and its adjustment to the needs of associated labor, more optimum and broader use of imported equipment and technology, development of long-term business relations through income sharing between producers and other participants in the process of reproduction, along with consistent enforcement of the features of the system.

Thanks to greater exports, more efficient conduct of economic activity and consistent conduct of the agreed policy it is assumed that the social product will grow about 2.5 percent in 1982, which will be influenced by a growth of industrial output of about 3.5 percent and a growth of about 4 percent in agricultural production, along with a corresponding growth of the social product of other activities, assuming a reduction of output in construction. Because of augmented foreign obligations, resources available for domestic consumption will be smaller than the social product.

The growth of production and exports should first cover obligations in the balance of payments, and policy shall be conducted accordingly with respect to distribution of the social product and income, the standard of living, reduction of the share of expenditures for government administration and social services and the social product, reduction of the volume of investments relative to 1981 and of the share of investments in the social product.

5. In the implementation of the policy governing socioeconomic development in 1982 steps shall be taken and conditions created for a growth of industrial production, which should be based on better utilization of available capacities and greater reliance on domestic resources, on the pooling and assignment of savings to faster completion and activation of capacities for increased production for export and for production of energy and the principal scarce raw materials and noncapital industrial goods, as well as on establishment and strengthening of relations in reproduction, division of labor and specialization, and the development of relations based on income sharing among interrelated and interdependent producers. A policy shall be conducted of increased energy conservation and enlargement of reserves of energy fuels. Greater joint efforts shall be made on exploration and better use of domestic energy potential and better utilization of secondary raw materials.

The Federal Executive Council shall adopt the energy budget for 1982, which shall be subject to ratification by the executive councils of the republics and autonomous provinces. Programs shall be adopted concerning exports of industrial programs by industries, groupings and currency areas, including the relevant time schedules, and proceedings shall be initiated to conclude self-management accords on joint efforts on foreign markets to purchase crude petroleum and petroleum derivatives; on the distribution of coking coal among the coking plants in 1982; on allocation of petroleum to the various refineries and on uniform supply of petroleum derivatives to the market under equal conditions; a social compact on measures to stimulate the opening up of new coal mines and modernization of existing ones, including lines producing commercial coal, new development and modernization of oil and gas fields on the basis of income sharing, above all through the pooling of labor and capital. If any of the self-management accords or social compacts should not be enacted during January 1982, appropriate enactments shall be adopted no later than the first half of February 1982. The Federal Executive Council shall also undertake in good time other measures to ensure uniform supply of petroleum derivatives and fulfillment of the energy budget for 1982.

Self-management accords on joint production among organizations of associated labor which are interdependent in the production process from raw materials to finished products shall set forth long-term programs for guaranteeing the necessary raw materials and noncapital industrial goods, export programs, and appropriate mutual income-sharing relations. The initiative shall be taken by the Yugoslav Economic Chamber and by communities of organizations of associated labor for planning and business cooperation.

Petroleum and petroleum derivatives shall be imported in 1982 within the limits of the total resources envisaged for that purpose in the country's payments and exchange balances and the payments-balance and exchange-balance positions of the republics and autonomous provinces, but in line with the country's 1982 energy budget. Steps shall be taken in organizations of associated labor and in the republics and autonomous provinces to ensure reduced consumption of heavy furnace oil. Thanks to the business policy of organizations of associated labor, efficiency measures and reorientation to other forms of transportation, and the measures of economic policy, consumption of petroleum derivatives in highway transportation will not increase over 1981. Consumption of petroleum derivatives for energy purposes shall be reduced, and the agreed energy budget shall create conditions to augment their processing in the petrochemical industry. The development and production of vehicles and machinery which have lower specific energy consumption shall be encouraged.

6. The estimate is that agricultural output will increase about 4 percent, which will make it possible to meet domestic needs more effectively, to augment exports and to reduce imports. Thanks to better organization of all entities in the agroindustrial complex, along with appropriate measures by the agencies of sociopolitical communities, more efficient use will be made of the production capacity and funds, especially arable land. Proceedings shall be instituted toward conclusion of self-management accords to create conditions for appropriate supply of fertilizers, quality seed, fuel and necessary equipment for agriculture. In accordance with the Yugoslav Social Plan From 1981 to 1985, a program of measures and actions shall be adopted in good time for the production of wheat, industrial

crops, vegetables and fodder crops, and balances shall be adopted of the principal agricultural products and foodstuffs, and these documents shall in turn be used as the basis for conclusion of self-management accords and production and delivery contracts before the production process commences. The measures of economic policy, including the rebate on fertilizers, as well as accords among interested organizations of associated labor, should create conditions for more stable prices of fertilizers and the other most important noncapital producer goods for socially organized production and production under contract, which in turn should tend to stabilize the prices of agricultural products and foodstuffs. Faster construction of irrigation systems, which will be used over considerably larger areas, is to be encouraged on behalf of stable growth of agricultural production.

The anticipated growth of the wheat harvest, especially production for the market, is about 5.6 million tons (purchases about 3 million tons), and the corn harvest is projected at about 10 million tons (purchases about 3 million tons). Growth of the production of industrial crops, especially sugar beets and oilseed, will continue and will guarantee production of about 880,000 tons of sugar and about 250,000 tons of edible oil. The production of vegetables and animal feed crops will increase. Measures will be taken to increase and improve socially organized production on the farms of private farmers. Particular encouragement shall be given to production for a known customer through credit financing and through creation of conditions for the supply of seed, fertilizer, machinery, fuel and spare parts.

The structure of production and animal husbandry should be adjusted to the opportunities for sale on the domestic and foreign markets, along with reorientation toward more optimum use of animal feed resources within the country. The projected growth of meat production is about 1.35 million tons, and the growth of milk production about 4.6 billion liters.

The social compact on implementing policy governing development of the agroindustrial complex, set forth in the Yugoslav Social Plan From 1981 to 1985, shall state in specific terms the commitments of specific entities in increasing the production of important agricultural products and shall propose solutions and measures for stimulating the development of the socialized sector and the organization of private farmers in the self-management system and formation of their associations. That same compact shall state the volume and sources of funds for development of agricultural production and for expansion of cropland in the socialized sector of agriculture and more efficient use of farmland.

The growth of agricultural production will be encouraged by the measures of fiscal, land and urban planning policy. Households which do not use land for the purpose specified shall be taxed to a considerably greater degree, and tax deductions and exemptions shall be granted as an incentive over a specific period to households which bring neglected farmland into condition and under cultivation. Measures and activities shall be undertaken so that the land of owners who do not cultivate it is used according to the purpose of that land.

On the basis of the criteria set forth in the self-management accord, exports of farm products and foodstuffs shall be stimulated, especially tobacco and tobacco

manufactures, wine, meat and meat products, and fruit and vegetables and fruit and vegetable products. The export of corn and sugar shall be encouraged in line with the physical balances.

7. Activities shall be stepped up to implement the Social Compact on Yugoslavia's Transportation Policy, the program for its implementation shall be adopted, and measures undertaken to achieve a higher level of performance in rail transportation, reorientation of freight and passenger traffic from highway to rail, maritime and river transportation and to improve safety and punctuality in transportation.

In order to ensure conditions for harmonious development of combined transport through the introduction of uniform standards, standardization of transportation and accessory equipment and uniformity of other engineering and technological conditions, a social compact shall be adopted on development of integrated transportation by the end of the first half of 1982. By the end of the first quarter an agreement among the republics and autonomous provinces shall be adopted on the conditions governing the economic activity of rail transportation and measures taken to enable it to take over a considerably larger share of the freight and passenger traffic in land transportation. Provision shall be made to assign an appropriate portion of the resources of primary note issue to the credit financing of purchases of domestic equipment (locomotives and cars) for the needs of the railroad.

8. Steps shall be taken to regularize relations on the market, to bring supply and demand into line with one another, to regulate on a long-term basis relations among interrelated participants in the process of social reproduction and to eliminate cases of disruption of the unity of the Yugoslav market. The Federal Executive Council, in collaboration with the competent agencies of the republics and provinces, shall adopt physical balances of the most important raw materials, noncapital industrial goods and consumer goods for 1982. Initiatives shall be taken toward conclusion of an agreement to furnish stable sources of financing for commodity reserves and to build storage capacity, and proceedings shall be instituted toward conclusion of a social compact among the republics and autonomous provinces on measures to supply the unified Yugoslav market consumer goods especially important to the working people and citizens.

On the basis of the balances covering the 5-year period mutually reconciled balances of the principal farm products and foodstuffs for 1983 shall be adopted no later than 1 September in the republics and autonomous provinces and by 10 September 1982 in the Federation.

9. More effective achievement of the policy of economic stabilization, an essential reduction of inflation, improvement of the country's balance of payments and a bolstering of the income-related interests of organizations of associated labor in the dynamic growth of production and export and a slowing down of the decline of the standard of living necessitate an essential slowing down of the rise of prices and the cost of living. The following are necessary to this end:

1) through the economic policy measures of sociopolitical communities and the measures of organizations of associated labor and other self-managing organizations and communities to ensure more harmonious commodity-money relations,

bringing all forms of expenditure within the limits of available funds, and to change those instruments and mechanisms of the system which are having an inflationary effect;

2) to create all conditions for consistent enforcement of the Law on the Bases of the Price System and Public Price Control. In the setting of prices and in the conduct of public price control to ensure consistent application of pricing criteria, and in particular a stronger constructive economic impact of world prices on price movements and relations on the domestic market, and in that context to make appropriate amendments and supplements to the Instruction on Application of Pricing Criteria by 31 January 1982.

Regulations shall be adopted where they do not exist in order to ensure implementation of the Law on the Bases of the Price System and Public Price Control;

3) in economic chambers, general associations and other associations of associated labor activity will be stepped up toward conclusion of self-management accords and social compacts regulating on a more lasting basis price relations in the process of reproduction and in the price field in conformity with the Law on the Bases of the Price System and Public Price Control;

4) through the agreement on conduct of price policy in 1982 which is to be concluded no later than 31 January 1982 and in programs setting limits on price movements in particular activities, in conformity with pricing criteria and the established price policy, the obligations and responsibilities of all signatories of the agreement shall be specified and the coordinated work of communities for price affairs at the level of the Federation and the republics and autonomous provinces shall be set forth. Prices of products and services may not be raised before adoption of the agreement on the conduct of price policy. From the standpoint of the functioning of the unified Yugoslav market consistent enforcement of the established policy in the price field shall be guaranteed, and the present division of powers among sociopolitical communities in the price field shall be examined once again. A policy of eliminating price disparities and of aligning relations in primary distribution and a policy of slowing down essentially the rise of prices of products and services which have risen more than the level agreed in 1981 shall be conducted in the conduct of price policy and with respect to price changes;

5) the Federal Community for Price Affairs, the communities for price affairs of the republics and the communities for price affairs of the autonomous provinces should ensure direct mutual collaboration on behalf of uniform application of pricing criteria and pricing procedure and other provisions of the Law on the Bases of the Price System and Public Price Control and accompanying regulations to implement the established price policy and public price control;

6) in order to eliminate and prevent disturbances on the market and in the movement of prices the measures of actual price control shall be applied, except on products and services whose prices are regulated by self-management accords and social compacts brought into conformity with the Law on the Bases of the Price System and Public Price Control and the established price policy and on products and services whose supply and demand relations are judged to be in line or for

which other conditions for the movement of prices of such products and services have been met within the framework of the established price policy, such judgment to be made by communities for price affairs and agencies of sociopolitical communities according to their respective powers;

7) resources to cover losses may not be furnished by raising prices outside the established price policy. Prices may not be raised to furnish funds by applying the development criterion to investment projects and to the development of infrastructural and other activities, except for certain products so designated in exceptional cases which fall within the limits of the narrowed priorities, whose development, as set forth in the Social Plan of Yugoslavia From 1981 to 1985, is to be stimulated even by the application of this criterion;

8) long-range price policy in the fuel and power industry and agriculture shall be set forth in social compacts during the first quarter of 1982.

Support prices and producer sales prices of farm products of particular interest to the entire country shall be set in conformity with the Law on the Bases of the Price System and Public Price Control before 15 September 1982 for the 1983 farming year;

9) assurance should be given through the overall activity of organizations of associated labor and other self-managing organizations and communities, through economic policy measures, through consistent conduct of established policy, through price policy, including even the measures of actual price controls, so that the current rise of retail prices during 1982 (December 1982 relative to December 1981) does not exceed 15 percent.

10. Credit-and-monetary policy in 1982 shall support achievement of the policy of economic stabilization. It shall ensure that in their volume and structure the money supply and bank lendings consistently serve the goals and tasks of the policy of economic stabilization, improvement of the balance of payments and augmentation of exports of goods and services, above all to the convertible area. The money supply should accordingly increase more slowly than the nominal growth of the social product, and the growth of bank lendings shall be brought into line with that movement of the money supply, and bank lendings shall also grow more slowly than the nominal growth of the social product. A specific agreement on the policy of the fastest development of SAP Kosovo shall also set forth the relevant measures of credit-and-monetary policy to stimulate that province's development. The amount of money necessary to finance current reproduction shall also be furnished through larger use of securities issued by organizations of associated labor and through faster circulation of money, which shall be borne in mind in the conduct of credit-and-monetary policy.

The Yugoslav National Bank shall through the measures and instruments of credit-and-monetary policy ensure dynamic adjustment of the envisaged growth of the money supply and bank lendings in accordance with the seasonal needs of the economy, in such manner that the share of business organizations of associated labor have a larger share in bank lendings and that a larger share also goes to the lendings for the priority purposes enumerated in Point 4, Paragraph 1, of this resolution. Steps shall be taken to speed up the circulation of money and to improve the share of organizations of associated labor in the money supply.

The Federal Executive Council and the Yugoslav National Bank shall monitor monetary trends and keep the SFRY Assembly informed, and it shall also take and propose measures to prevent illiquidity.

Performance of the tasks of credit and monetary policy shall be furthered by instituting proceedings toward conclusion of self-management accords among the banks: on the conduct of selective credit policy in 1982 and on assignment of the banks' credit potential to priority purposes; on interest rate policy; on furnishing funds from a portion of the banks' credit potential to meet the needs of expanding socially owned farmland and development of the agrocomplex; on furnishing funds for the credit financing of exports of equipment and ships and work on capital investment projects abroad. Should any of these accords not be concluded in good time, specifically before the end of February 1982 at the latest, the relevant enactments shall be adopted.

Primary note issue shall be used to monetize transferable short-term securities issued by business organizations of associated labor, to extend credit to banks on the basis of such securities and to achieve the selective goals of credit-and-monetary policy. Primary note issue shall be assigned to the principal selective purposes set forth in the Social Plan of Yugoslavia From 1981 to 1985 and the Order on Goals and Tasks of Joint Policy on Note Issue and Money on the Joint Bases of Credit Policy in 1982.

The measures of credit-and-monetary policy shall prevent the funds from primary note issue from being used for unjustified buildup and holding of inventories to create an artificial shortage of goods on the market to exert pressure for higher prices. Should certain products be lacking in commerce and on the market, and should they be unjustifiably held in inventories, such products shall be removed from the list of selective purposes supported by primary note issue. The banks shall terminate use of loans from their credit potential when the competent agency finds that an organization of associated labor is unjustifiably holding back inventories.

The credit policy of the banks shall encourage the bolstering of inventories of organizations of associated labor in the distribution sector on behalf of better supply of the market and to slow down the rise of prices.

Interest rate policy in 1982 shall act more vigorously toward stabilizing economic flows, toward more optimum use of money, toward achievement of the priorities set forth in the Social Plan of Yugoslavia From 1981 to 1985, and toward more successful operation of business as a whole, through the selective raising of interest rates of banks and the Yugoslav national Bank. Interest rates on export credits granted from primary note issue shall be given the most favorable treatment.

In 1982 the measures of credit-and-monetary policy shall guarantee that the use of short-term funds for long-term lendings shall not exceed 25 percent. The Yugoslav National Bank shall inform the SFRY Assembly in good time on the conduct of this policy.

No later than 15 January 1982 criteria shall be proposed to serve as the basis for replacement in 1982 of certain selective credits financed from primary note issue by monetization with selective features. Those criteria shall be established by an order of the SFRY Assembly upon the proposal of the Federal Executive Council. The SFRY Assembly shall establish those criteria before the end of February 1982.

The National Bank and the competent agencies of the sociopolitical communities shall take steps so that the banks punctually discharge obligations on the basis of foreign credits and domestic credits. Stricter responsibility shall be imposed on the bank for fulfillment of obligations, for entry into obligations without coverage, for strengthening financial discipline and for ensuring prompt discharge of obligations arising out of credits for capital investment projects and other credits. To that end no later than the end of February 1982 the banks are to examine once again and revise their lendings and obligations on the basis of capital investment projects, in particular investments in projects which do not come under the priorities set forth in the Social Plan of Yugoslavia From 1981 to 1985. A determination should be made of the obligations of banks whose illiquidity problem has resulted from unrealistic and inappropriate assignment of credit potential and disturbances in the maturity pattern of resources and lendings, and within the period specified such banks shall adopt programs to improve their own liquidity and ensure liquidity in payments, and measures are to be taken if they do not put their operation on a sound footing.

In 1982 the Federal Executive Council shall propose the lines of activity and measures for transformation of the credit-and-monetary and banking system in such manner that associated labor takes command of flows in the financing of social reproduction.

In the conduct of credit and monetary policy foreign exchange and credit-and-monetary transactions should be aligned, and the outflow of a larger amount of the money supply than the amount envisaged in the Projection of Yugoslavia's Balance of Payments for 1982 through foreign exchange transactions, which would be the basis for increasing imports beyond the established limits, shall be prevented.

11. Public efforts and economic policy measures should guarantee in the realization and distribution of income that the growth of income be based to the greatest possible degree on the growth of production and the rise of labor productivity, a greater economy of labor and capital, fuller use of market criteria, greater use of internal potential and other qualitative factors in the conduct of economic activity. To that end there should be guarantees that the workers decide on all production costs and all obligations charged to income and on the basis of joint criteria establish that portion of income realized under especially favorable conditions and assign it to expansion of the material basis of associated labor. Conditions for realization of income in organizations which are intensive exporters and are producing under difficult operating conditions should be improved through establishment of income-sharing arrangements among organizations of associated labor and through the measures of economic policy.

The distribution of the social product and of income should ensure the economy an increased share in the social product and income should ensure the economy an increased share in the social product and income and a strengthening of the material basis of associated labor. Reduction of operating costs and appropriations from income for general public purposes and social services should guarantee a larger share of net income in income.

Social compacts in the republics and autonomous provinces shall establish selective growth of expenditures for per diems for official travel and compensation for traveling expenses during official travel; funds to pay compensation for use of privately owned automobiles for official travel, expenditures for entertainment, expenditures for advertising and public relations, expenditures on the basis of contracts on performance of occasional or temporary work, and expenditures to remunerate individuals for services performed shall be restricted so that in their sum total these expenditures do not exceed the limits set forth in federal law. Federal law shall be applied until the social compacts are adopted.

In the republics and autonomous provinces provision should be made so that the workers in organizations of associated labor operating at a loss, together with workers with whom they have income-sharing arrangements and linkage in the process of reproduction, and assuming greater responsibility on the part of professional management in the organizations of associated labor and in banks and executive agencies and organizations in sociopolitical communities, shall examine the causes which tend to create losses and propose selective measures and programs for the financial rescue of those organizations, taking as their points of departure the relevant features of the system and the agreed development policy covering the period from 1981 to 1985.

The policy governing distribution of net income should ensure that funds for personal incomes and social service expenditure increase no faster than the growth of net income and that funds for expansion of the material basis of associated labor increase faster than funds for personal incomes and social service expenditure and that in the distribution of net income the real personal incomes of workers increase in line with the rise of labor productivity.

In manufacturing organizations of associated labor there should be guarantees that funds for personal incomes depend above all on the trend of labor productivity, on operating costs and on the utilization of the means of production. Self-management accords and social compacts within industries and groupings and sociopolitical communities should ensure that personal incomes increase more slowly in organizations of associated labor in which there exist disproportionately large differences in level of personal incomes as compared to the same or similar jobs and tasks in other organizations of associated labor and if they rise considerably higher than the average personal income of the economy in the republic or autonomous province.

Funds for personal incomes in organizations of associated labor in the public services and in work communities must depend on the jobs and tasks performed in the work program, on the quality of work done, on costs, and on deadlines met in performance of jobs and tasks. Consideration should be given here to the necessary staff size and to the necessary alignment of the valuation of their tasks

and jobs with identical jobs in physical production. Funds for personal incomes and social service expenditure in work communities outside physical production should increase more slowly than the growth of funds for personal incomes and social service expenditure in physical production. In conformity with the bases set forth, differentiated growth of funds for personal incomes should be ensured in particular work communities and the public services as a function of the level of personal incomes that has been attained.

A public drive to add further to the system of distribution in organizations of associated labor should ensure that every worker be assigned a personal income according to his contribution in creation of income and that greater incentives be given to the work and results of work of production workers, workers who work under more difficult working conditions, organizers of work, and creative work.

12. Total resources to meet the needs of government and social services in the republics, autonomous provinces and opstinas, aside from the contributions to the federal budget, funds to repair the damage of natural disasters out of solidarity, funds to stimulate exports which are furnished on the basis of jointly agreed criteria of the republics and autonomous provinces, funds for compensation of the prices of foodstuffs which have been set so as to protect the standard of living, funds for benefits of veterans, military disabled and the families of war casualties and deceased war veterans paid under republic or provincial legislation, funds for adjustment of old-age and disability payments, compensation to unemployed persons and compensation on the basis of health care and social welfare and social concern for children may not increase more than 18 percent over the funds allowed to be used for those purposes under the provisions of the Resolution for 1981 and other regulations. Within the limits of that rate funds to meet general government purposes may not be greater than 17 percent over that same base. Funds for purposes on which a joint limiting rate has not been set in advance, except those which have the character of personal income, and also contributions to the federal budget and funds to stimulate export, may increase no more than the planned growth rate of the nominal social product.

Agreements in the republics and autonomous provinces shall set forth the growth of funds for individual recipients of appropriations for social services and general government purposes as a function of the specific nature of the various forms of that expenditure. Appropriate measures and activities shall be undertaken in the republics and autonomous provinces toward consistent enforcement of the Law on Prohibition of Use of Revenue Surpluses of Sociopolitical Communities and Self-Managing Communities of Interest in 1982.

All sociopolitical communities and other users of public funds shall again review their programs and expenditures and the scope of the established rights of beneficiaries and bring them within the envisaged limits. It is from this standpoint that sociopolitical communities should examine the purposefulness of the existence of various institutions within the country and abroad and examine once again the practice of organizing self-managing communities of interest in the social services and in physical production. Federal, republic and provincial, and other bodies shall again review legislation and practice contributing to rising costs of administrative, financial, bookkeeping, commercial and other tasks in the economy, the social services and sociopolitical communities with a view to their reduction.

The rates of the turnover tax may not be increased in 1982, but rather those rates should as a rule be reduced in accordance with the policy concerning the growth of government and social service expenditure and in cases when prices are raised.

On behalf of the most uniform distribution of the burden of stabilization on all the working people and citizens, the measures of fiscal policy should be drafted so as to ensure progressive taxation of the income and revenues of individuals, taxation of income earned through self-employment, income from property and income realized outside of regular employment.

A quarterly examination shall be made of the conformity of funds set aside for general government purposes and social services to the policy set forth. If the funds realized in the previous quarter exceed the planned limits, an appropriate reduction shall be made in the obligations of the economy and individuals for the next quarter, so that the total growth of that expenditure does not exceed the growth envisaged by this resolution.

Republics and autonomous provinces in which there has been a larger growth of funds for government and social service expenditure shall prescribe measures to bring that expenditure within the envisaged limits and to reduce the obligations of organizations of associated labor and individuals. Legislation shall be enacted by the end of March 1982 to ensure that entities receiving revenues for government and social service expenditure halt such collection when those revenues have reached the level established for this year on a prorated basis.

The growth of average pensions and compensation paid from old-age and disability insurance shall be brought into line with the growth of average nominal personal incomes of workers employed within the respective republic or autonomous province.

13. The budgetary expenditures of the Federation are to increase more slowly than the rate of the planned nominal growth of the social product.

Legislation which has established the rights of the particular users of the funds of the federal budget shall be reviewed once again and those rights shall be brought into conformity with the policy established by the Social Plan of Yugoslavia From 1981 to 1985, so that the total volume of budgetary expenditure in the Federation increases more slowly than the social product.

14. The conduct of investment policy in 1982 should ensure a 6-percent reduction of the total real volume of investments in fixed capital and a further reduction of the share of investments in Yugoslavia's social product by bringing investments into line with resources realistically available, assignment of available resources to the earliest completion of projects and commencement of construction of new facilities needed within the framework of the narrow program for construction in the production of goods and the rendering of services in order to augment export capabilities and for optimum import substitution, in the production of energy, scarce basic raw materials and noncapital industrial goods, the basic agricultural products and selective construction of main transportation routes and the development of integrated transport.

The competent bodies in the republics and autonomous provinces shall furnish the initiative and ensure that by the end of March 1982 investors and banks, on the basis of a review of the value of capital investment projects under construction and the self-management accords concluded by the banks on assignment of the available credit potential of the banks in 1982 to purposes and projects whose more rapid development has been agreed on, establish sources of resources to finance projects in conformity with commitments assumed in the framework of the narrow program of construction in activities whose more rapid development has been agreed on.

Organizations of associated labor and other self-managing organizations and communities and the republics and autonomous provinces should establish and specifically assume concrete obligations to build new capacities and to equip existing ones for augmentation of exports and for import substitution, to build facilities for production of electric power, coal, petroleum and gas, uranium and scarce raw materials and basic agricultural products. To that end the Federation, the republics and the autonomous provinces, within the limits of their respective jurisdictions, shall undertake measures and activities to encourage assignment of funds to finance construction of facilities specifically covered by the narrow program of priorities. A policy shall be established of granting certain tax incentives in the form of exemptions or deductions of tax on the income of investors and other users of social assets who invest funds in those purposes and in the form of a reduced tax burden on investors for a specified period of trial operation; measures shall be set forth to require the pooling of labor and capital in the socialist republics and socialist autonomous provinces for purposes which are a necessary condition for the normal process of reproduction if previous conduct of proceedings for conclusion of self-management accords on the pooling of labor and capital has not been able to furnish the necessary funds; and criteria governing assignment of the available funds, more favorable credit terms and other measures shall be established. Broader inclusion in the international division of labor necessitates better use of internal potential, which should be activated by eliminating bottlenecks, through cheaper and more rapid construction of projects, through adoption of operation on more than one shift, through greater use of domestic raw materials and noncapital industrial goods, and by vertical linkage of organizations of associated labor in the process of reproduction.

The republics and autonomous provinces shall take steps to tighten conditions for commencement of construction of facilities which are based on imported raw materials and noncapital industrial goods unless those investment projects will achieve larger results in exporting and import substitution than the value of the imports for that production.

The republics and autonomous provinces and the Federation should take steps to ensure optimum importation of techology and application of the agreed criteria to the transfer of technology from the industrially advanced countries. R&D programs shall be adopted in conformity with the agreed lines of development. Criteria for the selective importation of equipment and technology shall be set forth in the Economic Chamber of Yugoslavia and self-managing communities of interest of the republics and autonomous provinces for foreign economic relations, priority to be given to imports to complete projects already begun and to build new projects whose more rapid development has been agreed on.

By the end of March 1982 an agreement among the republics and autonomous provinces shall set forth the mechanism for social verification of investment decisions from the standpoint of an assessment that includes the socioeconomic justifiability of investment projects.

Inclusion in the international division of labor and solving the problems of the balance of payments should be among the basic criteria for selection of priorities and for adoption of investment decisions. Amendments and supplements to the Law on Special Terms and Conditions for the Extension of Credit for Capital Investment Projects shall expand the list of purposes for which credits may not be granted and shall increase the level of the investor's own share in the estimated cost of investment projects which do not come under the agreed narrowed priorities. Conditions shall be tightened for extension of credit for capital investment projects which do not come under the narrowed development priorities.

The basis for compensation of the guaranty potential of the banks for issuing guaranties for investments in capital investment projects shall be narrowed still further.

A self-management accord of the banks on the assignment of available resources and on terms and conditions for the credit financing of projects that come within the agreed narrowed priorities shall be concluded within the association of Yugoslav banks in conformity with the agreed criteria.

A law shall be submitted on temporary prohibition of the disposition of the portion of social assets to finance construction of new thermal electric power plants, heating plants and industrial power plants using heavy furnace oil from 1981 to 1985.

The volume of investment of social assets in housing construction shall be brought within realistic possibilities of building up funds for those purposes. Under the altered conditions for financing housing construction measures should be drafted in the republics and autonomous provinces to encourage housing construction both in the public sector and private sector and thereby encourage a larger share of the personal funds of individuals for housing construction and the building up of resources from the existing housing stock.

Meaures of the republics, autonomous provinces, self-managinc communities of interest, housing cooperatives and the banks should ensure more effective use of the available resources for housing construction and prevent use of these funds for other than the specified purpose.

Measures of the republics, autonomous provinces and opstinas shall ensure that project planning organizations, the construction industry, the manufacturing of materials and equipment and organizations for preparing and clearing building sites are active participants in the process of housing unit production.

In order to reduce the burden of optional contributions on the personal income of individuals and to diminish the opportunity for investments to build various projects in the noneconomic sector, optional contributions in 1982 shall be reduced solely to construction of the most necessary projects of interest to the

standard of living of the working people and citizens. A study shall be made of past experience and of legislation on the local optional contribution.

Amendments and supplements to legislation of the republics and autonomous provinces on construction of capital investment projects should establish the principle that investment decisions cannot be made or construction of capital investment projects begun unless real sources of funds have been provided for on the basis of documents, including the foreign exchange, to cover the entire course of construction and unless stable sources of energy, raw materials and noncapital industrial goods have been provided for in advance, unless the market has been researched, and unless the obligation has been met of establishing the real value of investment projects under construction and the amount of the cost overrun on investment projects and the prescribed procedure to cover them from authentic sources strictly carried out.

A reassessment shall be made of the instruments governing the furnishing of resources for investment projects, above all those which pertain to future revenues, and also of payments instruments, and stricter penalties shall be imposed for delinquent settlement of obligations of investors and banks toward building contractors and equipment suppliers.

No later than the end of January 1982 a social compact shall be concluded in the Yugoslav Economic Chamber on the keeping of records on the intended investments.

For purposes of monitoring implementation of investment policy in 1982 the relevant public information services (Social Accounting Service and bureaus of statistics) shall semiannually provide more complete data and information on investment projects under construction and especially on the achievement of investment policy in completion and construction of new projects in activities whose faster development has been agreed on and concerning which specific commitments have been assumed, in accordance with the orientation adopted in the Social Plan of Yugoslavia From 1981 to 1985, but within the limits of the narrowed program of investment projects in those activities.

The Social Accounting Service shall provide monitoring of consistent application of laws and other general acts in the field of investment.

15. Achievement of the policy of productive employment in the context of diminished opportunities for new employment in 1982 shall be ensured in conformity with the established priorities in development through better utilization of existing capacity, through a strengthening of the economy's ability to form capital and to reinvest, through the greater mobility of workers and capital on behalf of their optimum use, through reduction of supplemental labor to socially acceptable limits, through more successful prevention of unlicensed labor, through restriction of the hiring of pensioners and workers who have qualified for a pension, through more eseential reduction of work for fees and overtime work, through introduction of more than one shift when the proper conditions exist, through more rapid development of small business and agriculture on the basis of association and linkage between the private and public sectors and through adjustment of the educational system to the economy's needs.

Republic, autonomous provinces and opstinas should adopt programs as soon as possible on the growth of employment, in which they shall set forth the criteria, pace, specific responsibility and the entities responsible for conducting this policy of higher employment.

Stricter responsibility will be required of organizations of associated labor and other self-managing organizations and communities in connection with the obligation to hire trainees, and a program shall be drawn up for reducing the number of persons employed in administrative and similar jobs. Self-managing organizations and communities outside production and bodies of sociopolitical communities shall draft programs to guarantee an essential slowing down of the growth of employment in those activities and a certain reduction of the number of employees in the coming period.

Certain pieces of legislation in the field of employment relations and the general acts of organizations of associated labor, self-managing organizations and communities and the bodies of sociopolitical communities shall be reexamined and, if necessary, amended and supplemented in order to strengthen work discipline, to reduce absenteeism and to promote more effective use of work time.

16. In the context of socioeconomic development in 1982, society's overall efforts and the measures of economic and social welfare policy should ensure a slower decline of the standard of living of the working people and citizens, above all in households with the lowest income per member, along with a simultaneous campaign against leveling and in favor of incentives to encourage a growth of production. To that end implementation of the policy of an essential slowing down of the rise of prices, the rise in the productivity of labor, better utilization of capacity and better use of work time are the most significant factors for preserving the standard of living of the working people and citizens.

Public efforts need to work out more concretely a policy for protecting the standard of living of citizens with low earnings per member of the household, in line with material capabilities and specific features in the republics and autonomous provinces.

17. The taking of the steps envisaged by the Social Plan of Yugoslavia From 1981 to 1985 and fuller and more optimum use and activation of productive, human, natural and other potential and development factors shall make it possible for every economically underdeveloped republic and especially SAP Kosovo, as a markedly economically underdeveloped province, to achieve faster growth of the social product than the national average and more effective employment of the able-bodied population.

The bodies of the Federation, the republics and autonomous provinces, within the limits of their respective rights and reponsibilities, shall adopt the measures envisaged by the agreement in order to stimulate the pooling of the portion of the resources of the Federal Fund for Credit Financing the Faster Development of the Economically Underdeveloped Republics and Autonomous Provinces no later than the end of February 1982. By that same date the measures envisaged by this agreement shall be adopted, within the limits of their rights, responsibilities and jurisdiction, by the bodies of opstinas in the economically underdeveloped

republics and SAP Kosovo in which labor and capital will be pooled in joint development programs.

The efforts of organizations of associated labor and economic policy measures shall ensure that the agreed amount of at least 50 percent of the permanent resources of the fund shall be realized entirely through the pooling of labor and capital among organizations of associated labor from throughout the country in joint development programs of the economically underdeveloped republics and SAP Kosovo on the basis of income sharing and common interests.

All the agreed stimulative measures at the federal level and those which have been assumed by agreement by the republics and autonomous provinces and the Economic Chamber of Yugoslavia to carry out the policy of the most rapid development of SAP Kosovo will be realized in accordance with the pace established in order to carry out the Political Platform for the Campaign of the League of Communists of Yugoslavia in development of socialist self-management, brotherhood and unity and the sense of community in Kosovo. All regulations which ensure implementation of the provisions of the Agreement on Special Measures To Fulfill the Policy of the Most Rapid Development of SAP Kosovo From 1981 to 1985 shall be drafted and adopted by the end of February 1982.

The agreement among the republics and autonomous provinces dating from 1980 on assumption of obligations for construction of at least one economic project in SAP Kosovo shall be implemented.

The growth of the supplemental funds from the federal budget to finance the social and other services in the economically underdeveloped republics and SAP Kosovo in 1982 shall be brought into conformity with the agreed policy but the growth of the federal budget shall remain within the limits of the growth of the social product.

Intensive work shall be done to prepare the elements for establishing objectified criteria and indicators for determination of the level of economic development of the republics and autonomous provinces. The Federal Executive Council shall submit a draft of an order on those criteria and indicators to the SFRY Assembly before the end of 1982.

18. In view of the military and political situation in the world and the security situation in the country, the strengthening and development of nationwide defense and social self-protection shall be speeded up, specifically as follows: through creation of the material and other conditions for fulfillment of programs and performance of tasks set forth in medium-term plans for development of the Yugoslav People's Army and territorial defense; through more rapid and effective mastering of the production of noncapital industrial goods and raw materials within the country, along with priority supply to the armament and military equipment industry, provision for importation of the necessary equipment, raw materials and noncapital industrial goods for the production of armament and military equipment, and a higher share of domestic industry in equipping the armed forces of the SFRY; by achieving conditions for successful training of the armed forces of the SFRY, young people, women and the remaining population, and by taking steps to ensure enrollment of personnel in military schools in proportion to

the composition of the population; by establishing a more appropriate method of funding, credit financing and furnishing foreign exchange to meet the needs of the Yugoslav People's Army, territorial defense and manufacturers of armament and military equipment; by pricing policy in the manufacturing of armament and military equipment; by the establishment of incentives to promote military-economic cooperation with the nonaligned countries; by increasing the effectiveness of planning the development of territorial defense within self-managing organizations and communities; by a further bolstering of the system of protection and rescue, priority being given to shelters for multipurpose use, through the measures of fire protection, radiological, biological and chemical protection, and the bolstering of civil defense as a function of social self-protection; through the further bolstering and mutual linkage of information and alerting centers; through faster implementation of the social compact on mandatory linkage of owners of communication systems to form a unified communication system of the SFRY; through further bolstering of communications network for the administration of sociopolitical communities, and the cryptographic service in particular; through intensified preparation of economic and public efforts toward successful functioning in exceptional situations and in wartime; through adoption of programs for development of the hilly and mountain areas; through a strengthening and functional bolstering of social self-protection in local communities, organizations of associated labor and sociopolitical communities. Measures and efforts shall be undertaken to improve the staffing and material position of law enforcement agencies and to bring their operation up to date.

19. On behalf of furnishing the necessary statistical data and other information to all entities in the process of planning and implementing the policy of socioeconomic development, the relevant services in the public information system shall provide the necessary data and information in 1982 for effective monitoring of achievement of the tasks set forth in planning documents, and they shall draft a program along those lines by the end of January 1982. Pursuant to the Law on the Bases of the Public Information System and on the Federal Information System, the content, methods and other elements of the information system shall be adjusted to the new needs that have arisen with respect to the system for collecting, processing, analyzing and furnishing the necessary data and information.

In 1982 the bodies of sociopolitical communities and self-managing communities of interest shall encourage recordkeeping and statistical services to ensure implementation of the program for modernization and technical bolstering of the statistical service. Appropriate measures shall be adopted to that end, agreements and accords shall be concluded to provide the technical facilities of the statistical system through the linking up of equipment, technology and the organization of work and of specialized and development tasks of common and general interest within the framework of the public information system as a whole.

The Federation, the republics and the autonomous provinces shall undertake measures and discharge obligations assumed in the agreement to stimulate the development of the public news media providing political information.

20. In conformity with Point 44 of Part III of the Social Plan of Yugoslavia From 1981 to 1985 and proceeding from realistic material capabilities, a separate agreement shall be adopted in the first half of 1982 on the bases of the Social

Plan of Yugoslavia From 1981 to 1985 which will state concretely the commitments, selection and narrowing of priorities within the established lines of development.

In accordance with the specific agreement referred to in Paragraph 1 of this point, and on the basis of self-management accords of organizations of associated labor concerning the bases of plans and on the basis of those plans themselves, the republics and autonomous provinces shall accordingly state in specific terms their own obligations in agreements on the bases of their own plans and in those plans themselves.

21. In view of the pronounced problems and causes which for a long time now have been giving rise to instability in the flows of social reproduction and adverse development of foreign economic relations, in 1982 a long-term program of economic stabilization shall be adopted, including basic guidelines for adoption of economic policy to be used as the basis for evaluating the need to amend and supplement the Social Plan of Yugoslavia From 1981 to 1985.

22. The specific tasks referred to in Part III of the Social Plan of Yugoslavia From 1981 to 1985 which were not performed by the end of 1981 shall be performed no later than the first quarter of 1982.

23. Performance of the tasks set forth in this resolution shall be constantly monitored and analyzed, and appropriate steps shall be taken so that all participants in the process of planning and implementing the Social Plan of Yugoslavia From 1981 to 1985 discharge their tasks and obligations within their jurisdiction in good time, in conformity with the annual and medium-term development policy. In accordance with the Law on the Bases of the System of Social Planning and on the Social Plan of Yugoslavia, the Federal Executive Council shall regularly inform the SFRY Assembly and other bodies on fulfillment of the Social Plan of Yugoslavia From 1981 to 1985 and the socioeconomic policy set forth in this resolution.

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BANKER COLANOVIC INTERVIEWED ON INDEBTEDNESS, LIQUIDITY

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[Interview with Dr Branko Colanovic, chairman of the Professional Management Board of Jugobanka, by Misko Kalezic: "The Size of Our Debt"]

[Text] We are sitting in the office of Dr Branko Colanovic in July the 7th Street. The subject of our interview, until recently the governor of the Yugoslav National Bank, now the head of Jugobanka, one of our largest banks, told us at the outset that he did not want to talk about the large political topics, though he admits that politics and economics are "colliding," are interwoven, and that neither can be taken without the other. Nevertheless, Colanovic remains consistent: "I want to speak only about the economy! Not about that other then, only about the economy!"

[Question] What actually is stabilization? It is obvious that this term is not yet understood by many. In this connection is our credit-and-monetary policy aimed at carrying out the policy of stabilization?

[Answer] I agree that many still do not have a clear idea of what stabilization is. Perhaps stabilization is most used today to mean a cooling off of prices, a cooling off of inflation. It is, of course, very important to slow down prices, but stabilization is above all a state in which all participants in economic life pay particular concern to achieving the most favorable possible relationship between the funds invested, which represent labor, and the results which are derived.

We have an unstable situation in the economy today because the relationship is unfavorable between the capital and labor invested on the one hand and the results of production, of economic activity and of business operation. This coefficient of "input" and "output" is not good. This is also evident from labor productivity, the efficiency of investments and the utilization of capacity. It is here we need to wage the fight....

[Question] One gets the impression that economy and saving are the first things the term stabilization calls up. Is that a mistake?

[Answer] That is a small mistake if it is a mistake at all. Saving and economizing on assets, money, and materials, energy conservation, represent a postulate

that always applies. But it is not just a question of economy, but of productivity as well.

Our Sins

[Question] The present economic difficulties in Yugoslavia are mostly explained in terms of adverse trends in the world economy, credit and monetary policy, and the energy crisis and the like are also brought in.

[Answer] There is truth in that, since Yugoslavia truly is an open country with respect to the movements of commodities, foreign trade, tourism, financial flows, the movement of manpower, and so on. The stagnant international economic situation, with a recession in certain of the most important countries, certainly constitutes a large handicap for our industry. Many of our capacities are too large for the domestic market. They must, then, export, and that is increasingly difficult under these conditions. The energy crisis has dealt a serious blow to our economy. But our own sins are also involved here. We did not take a serious enough approach to the phenomenon of the international economic crisis. We were superficial in our conception of it in 1973, as indeed were certain other countries, and so we undertook an ambitious 5-year plan and its fulfillment regardless of what was happening to the planned growth of the social product and the pattern of investment. However, the second energy crisis in 1979 should not have found us so unprepared. We were left without a global and thoroughly thought-out program of energy conservation, without a program for altering energy consumption and the pattern of that consumption, and so the epilogue was to be expected. As a matter of fact, not only had we not drawn up a global conservation program, but we had also gone on to put the current 5-year plan, running from 1976 to 1980, on an ambitious level, including major investment projects, with a structure that once again anticipated strong reliance on imported energy.

Goods Which Are Lacking

[Question] Recently there has been a great deal of talk about our foreign indebtedness, which has become a limiting factor on our further development. The way out of the economic difficulties is seen in large exports above all. Does this mean that we should suppress domestic demand? And how will that orientation affect our standard of living?

[Answer] This certainly must signify a suppression of domestic demand! It is not possible to work out the balance of payments, that is, to diminish the payments deficit essentially without making stocks of commodities available for export. The stocks of commodities which might be oriented toward export are today being absorbed in domestic demand. Take, for example, housing construction. Yugoslavia is probably the first country in Europe with respect to the relative scale of housing construction, with respect to the share of the total social product which is earmarked for housing construction. Even with respect to the number of housing units built annually, if that number is stated in terms of the unit of the social product, we are in the first place in Europe. That is also an overly ambitious plan.

What might surprise the outside observer is the fact that we have many imported ingredients in housing construction (some estimates run to 30 or even 40 percent); housing construction that conforms to this conception is absorbing those stocks of commodities which might be used in part for export. In the world today, for example, there is a great deal of demand for asphalt, glass, building plates, prefabricated products, millwork.... But we are not importing them at all! We simply do not have those goods! We do not even have them in our stores, though production has been growing! Here we see, then, the direct connection between domestic demand and domestic consumption and the possibility of making stocks of commodities available for export. This cooling off of demand, however, will not be achieved by a restrictive credit-and-monetary policy, since it, conceived in a monetaristic sense, as it is conceived today in Great Britain or in America, for example, brings about abrupt conflicts with the institutional rights of the workingman, the collective and communes. Instead of a well-thought-out alteration of the structure which could help to straighten out the balance of payments, we may have only social, political and psychological conflicts.

What Is a Realistic Rate of Exchange?

[Question] Does the value of our currency encourage that larger scale of exporting, and what is the realistic rate of exchange of the dinar?

[Answer] From the standpoint of stimulating exports, which is what we need, the value of our currency is relatively dysfunctional. The "rate" of inflation's development in our country is much higher than in the countries with which we trade. First of all, with the European Economic Community, that is, with that part of the convertible area which is most important to us, with the United States of America and other countries. I do not speak about the East European countries, where price regulation is altogether different. It is therefore no wonder that many business executives point out that export means an appreciable loss of income for them and that the main incentive for exporting is the possibility of obtaining the foreign exchange for imports. That is not a good situation! It is not a good situation when there is no economic motivation or incentive to export based on income!

The realistic rate of exchange of the dinar is not, of course, any sort of objective parameter or criterion. If it affords the exporter an incentive based on income, then it is realistic, and if it does not, then the rate is too low. If it affords exporters large excess income, then, of course, it is unrealistically high.

[Question] How do you evaluate the present moment from that standpoint?

[Answer] The present moment is a very delicate one for two reasons. First, there obviously is no motivation to export based on income, which means that the rate of exchange, in spite of the addition of all the incentives which have been adopted, is lagging behind the role which it ought to have in this respect. Second, we have unfortunately spoiled the position of the single rate of exchange of the dinar which we had built up a few years ago.

That rate of exchange has dissolved, has broken down into many different rates of exchange which are operating in the free trading of foreign currencies, in the so-called pooling of foreign exchange, in "pegging," in which the percentage added to the rate of exchange ranges from a few to a few dozen points! We can even say that going from one republic or province to another we are already encountering different average levels of rates of exchange! That is not good, and it is creating an enormous space for a siphoning of income from one sector to another, from one region to another, and even between the economy and the public, which is an extremely important holder of foreign exchange and participant in the inflow of foreign exchange.

Banking "Defects"

[Question] Are our commercial banks, which would include Jugobanka, which you head, capable of resolving the country's external liquidity and of contributing in large measure to an aggressive export policy which is presumably necessary and indispensable in our future development?

[Answer] If I were to answer your question in the affirmative, the banks would be expected to give priority to export credits, and export credits would have to be cheaper. To go further: they would have to give priority to financing exports of capital goods, equipment, ships, construction work on capital investment projects abroad, and to look upon that function of theirs somehow as in their business interest. Which means that this cannot be the "patriotic duty" of the banks, but their business interest, a result which brings income for the organizations which are the members of the bank, which manage the bank. Here again we have problems with a restrictive credit-and-monetary policy. The present liquidity of Yugoslav banking is below any permissible criterion! Below any minimum! At the present moment of illiquidity of Yugoslav banking it is very difficult to conduct a policy that would grant priority to exports of equipment, ships and construction work abroad. Yet this is precisely our great opportunity to increase exports and to make an evident improvement in the balance of payments!

It is also difficult for Yugoslav banks to be able to extend credits in foreign currencies to foreign enterprises to purchase goods from our exporters! Credits, that is, not to the Yugoslav seller of the goods, but to the foreign purchaser of the goods. That credit must be in terms of foreign exchange. Here again, unfortunately, the foreign exchange potential of the Yugoslav banks is very modest! During this year we in Jugobanka have extended more than $30 million of credit to foreign firms to purchase Yugoslav goods! Those possibilities are still modest, and I hope that by improving the country's foreign exchange liquidity we will have more room in this regard.

[Question] Can the commercial banks provide the necessary financial funds, credits, for investment projects in this medium-term planning period, or will they insist on a narrowing of the investment front? After all, the large investment projects are stimulating one of the principal sources of instability--inflation.

[Answer] We have had three problems in this area. First of all, the total volume of investments has been too large, and a huge portion of the social product has gone for those investment projects. Here again we have been "recordholders"

on an international scale with the famous 40 percent of the social product which has been spent on investment projects! The pattern of investment has been a larger problem. Where did the investments go, in what sectors, do they signify the fastest growth of the social product? It is well known that the efficiency of our investments has been rapidly declining. And our third problem: How are the funds for investments to be concentrated on a self-managing basis at those real points which are in accord with social compacts and plans?

[Question] Have those issues been resolved?

[Answer] Only partially! The first problem, reducing the volume of investment, has been begun, and I think we are on the right road here. However, the pattern of investment is not good! It does not correspond to any social plan or social compact which has been worked out precisely and aimed at a rapid change of the pattern. We still have countless investment projects which are locally motivated, which result in underutilization of capacity, a lack of cooperation, disintegration, and so on. In addition, you can count on the fingers of your hand the investment projects and designs which are being carried out through a pooling of capital on the basis of self-management, and there have also been difficulties with the credit financing of major investment projects. We have been very generous in providing funds for small-scale investments, local construction, small projects, and so on. If it is a question of a hotel, a department store...the money will always be found. But when it is a question of major investment projects such as coal mines, steel mills, highways...then we have "thrown up our hands"!

Also, the condition of the Yugoslav transportation system is very bad! In our economic policy we do not refer enough to the exceptional importance of this factor. After all, because of the condition of our transportation system the burden on the cost of production of Yugoslav goods (which is extremely important in the case of exports) is two- or threefold greater than is the case in other countries! This is one reason for uncompetitiveness!

Are We Living on Credit?

[Question] It is widely thought that we are living more on credit than on work. Some people even go so far as to say that we are living at the expense of future generations. Do you share that opinion?

[Answer] In past years we have made an exceptionally large use of foreign funds because of large payments deficits. The only way we could have covered them was to increase our foreign indebtedness. It is certain that foreign financial circles see the Yugoslav debt as very large and that this is having a direct impact on our economic relations with foreign countries. That is why it is altogether understandable that economic policy for 1982 anticipates a very small current payments deficit of about $500 million. We cannot cover that deficit with "fresh" foreign credits, nor should we be looking in that direction!

If we succeed in that, it will be a great relief to all of us.

7045
CSO: 2800/206

END

JPRS 80163

23 February 1982

# East Europe Report

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2234

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JPRS 80163

23 February 1982

# EAST EUROPE REPORT

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2234

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LEGALIZATION OF PRIVATE CRAFTS, MAINTENANCE URGED

Prague HOSPODARSKE NOVINY in Czech 22 Jan 82 p 4

[Letter-to-the-editor by Antonin Jakes, Jilove u Decina: "Green Lights for Moonlighting"]

[Text] It is a known fact that for many years we have been searching for and experimenting unsuccessfully with ways to improve maintenance and other services. But even at the independent serviceman level we have to look for profitability. I do not intend to engage in polemics as to what is a small or large retail enterprise. We certainly are all aware that the least expensive way to obtain services is to have a workshop with minimal overhead. And so it occurs to me, that what is needed is to create favorable conditions for small workshops (for example, MNV [Local National Committee])without complicated administration but with availability of the requisite materials. Those workmen who would be willing, after their full-time employment, to offer their services on the basis of a MNV authorization, should be given consideration, and we should offer them conditions that would make such activity attractive to them. We have to realize that when regular services are not available it only provides incentives for unauthorized services. But what is a consumer to do if he unavoidably needs such services and cannot provide them himself? And that even to prevent large damage such as that due to neglected maintenance of a house or apartment, etc. Then the customer must be thankful to the unauthorized serviceman who offered his needed services at all even if one has to pay for them dearly.

When I mentioned building maintenance, in many cases it is left unattended to the extent that a building construction enterprise must make repairs at very high costs and so little would really be needed to extend a building's economic life.

All this forces us to ask: Is it better to take advantage of the person willing to do the work in his free time or continue to suffer through the existing conditions and the unhappiness of the citizens?

CSO: 2400/140

# SED PLENUM FOCUSES ON IMPROVING AGRICULTURAL PRODUCTION

West German Analysis

West Berlin DIW-WOCHENBERICHT in German Vol 48 No 49, 3 Dec 81 pp 575-581

[Article by Horst Lambrecht, German Institute for Economic Research (DIW), West Berlin: "GDR Agriculture: Pressure to Increase Yields in Crop Production." Translations of the addresses to the Third SED Central Committee Plenum by Heinz Kuhrig and Johannes Chemnitzer, cited in footnote 1, and of the article by Prof Ruebensam, cited in footnote 10, follow this analysis. A translation of the interview with Prof Hans-Joachim Liste, cited in footnote 7, is published as part of a report under the heading, "Independence From Grain Imports Seen as Long-Range Goal," in JPRS 78869, 31 Aug 81, No 2166 of this series, pp 16-37]

[Text] The focal point of the Third SED Central Committee Plenum in November 1981 was agriculture.[1] As a consequence, the discussion of problems concerning the development of yields and the organization in this area, which began as early as the end of the 1970's, received special attention. Of particular urgency is currently the increase in the yield of crop production, above all, grain. The reason for this is the fact that the GDR depends quite heavily on animal-feed imports--grain and albumin concentrates. Grain imports, which during the 1970's averaged more than 3 million tons annually, are a strain on the GDR balance of trade with Western industrial nations, which is already running a deficit. Consequently the GDR leadership is pursuing an important goal in agricultural policies, a step-by-step reduction in the import of grain until it finally--by increasing domestic production--becomes superfluous.

## Production Processes in Large Enterprises...

The agricultural policy of the SED is built on the concept of the socialized, industrially producing large-scale enterprise. This goal was realized consistently --yes, rigorously. Since it is a matter of fact, the agricultural policy of the GDR--following land reform and collectivization--has been in its third phase of development since the end of the 1960's: the establishment of an industrialized agriculture. An important step in this direction was the complete separation of crop and animal production.

At the present time field management in the GDR is concentrated on approximately 1,200 enterprises,[2] the average size of which is around 4,800 hectares. Today the most important enterprises in field management are the specialized agricultural producer cooperatives of crop production, the LPG's (P). In 1980 they cultivated nine-tenth of the land operated by cooperatives. The rest had been organized into cooperative crop production departments, KAP. The KAP were formed during the first half of the 1970's by establishing separate groups for crop production within the former LPG's--which were organized according to a well-rounded production program--and they were conducted on the basis of cooperation between enterprises. Later, especially between the years of 1975 and 1979, most of the KAP became independent and they were transferred to specialized agricultural producer cooperatives.

The extent of concentration and the tempo of structural changes can be demonstrated with the following figures: Whereas in 1955 there were still more than 800,000 enterprises with an average acreage of 8 hectares, in 1965 the average size of LPG's was 360 hectares, and by 1980 the average size of crop-cultivating enterprises--again--increased more than 13-fold.

Until recently GDR agrarian politicians proceded accoring to the motto: "The bigger the better and the more specialized the better." This belief has apparently been shaken. There are more and more indications that the rigorous separation of crop and animal production as well as the size of enterprises is now being judged more critically. Experiences confirmed that reservations had always been expressed by practitioners and scientists: Specialized enterprises did not meet expectations with respect to cost-effective production, and cooperation between crop and animal production was not functioning adequately. As a consequence, "an improvement in the relationship between cost and yield" was pronounced a crucial task in the new Five-Year-Plan. Furthermore, in the meantime agrarian politicians have apparently become willing to consider or even implement certain consequences--above all those that are of an organizational nature.[3] At any rate, it is evident from the course of the Third SED Central Committee Plenum in November 1981. The politburo report contains the following statement: "We will now have to examine the results, viewing the present and the future to determine what proved to be useful and what did not," it is important to reduce transportation costs, to create closer connections between production and the village and to use the advantages of "territorial production departments or brigades." Before the Third SED Central Committee Plenum a few measures and discussions could still be interpreted as a slowdown of the industrialization process. Now, however, it seems apparent that this process will be stopped--at least temporarily.

...Only Insufficient Increases in Yield

The Development of crop production in the GDR is showing a long-term positive trend: It applies to soil performance in general, the so-called gross soil production; but it also applies to most cultivated crops.

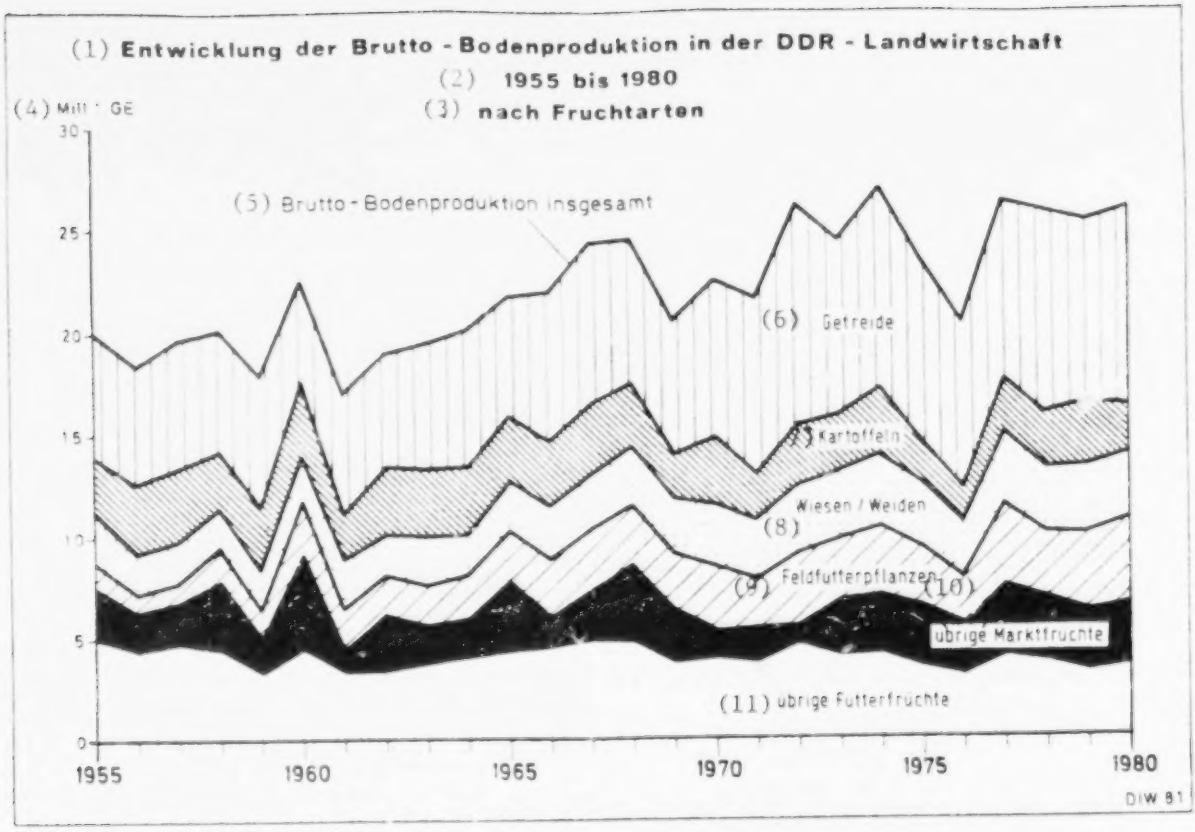


Key:

1. Development of gross soil production in GDR agriculture
2. 1955 till 1980
3. According to crop variety
4. Million ton grain units
5. Total gross soil porduction
6. Grain
7. Potatoes
8. Meadows / pastures
9. Field animal-feed plants
10. Other marketable crops
11. Other animal-fed crops

The gross soil production is the total of all crop products (original production of crops) in relation to the areal unit; it is measured in grain units (GE) and computed in decitons (dt) per hectare of arable soil (LN). The figure increases from an average of 30.6 decitons of grain units per hectare of arable soil for the years between 1956 and 1960 to 39.4 decitons of grain units per hectare of arable soil between 1976 and 1980. During the course of the second half of the 1970's,

however, the increase in yield in production slowed down somewhat. It is shown on the table which lists 5-year averages of gross soil production. When comparing the second to the first half of the 1970's, it is evident that the second half produced practically no increase in soil performance in GDR agriculture.

The fact that the development in yield in crop production did not meet expectations is evident when one looks at the planned goals of the expired Five-Year-Plan. Accordingly the yield per hectare was to be increased to between 46 and 48 decitons of grain units by 1980. In reality, last year's production reached 41 decitons of grain units, and it was even one of the best harvest's in the history of GDR agriculture.

In addition to the stated trend of a reduced increase in yields, considerable fluctuations in yield between the individual years and enterprises are typical in GDR agriculture.[4] This discontinuity and the big differences in yield have been problems in GDR agricultural policies for some time.

**Brutto-Bodenproduktion in der DDR-Landwirtschaft**

| | | (1) Im Durchschnitt der Jahre | | | | |
|---|---|---|---|---|---|---|
| (2) | Kulturart | 1956-1960 | 1961-1965 | 1966-1970 | 1971-1975 | 1976-1980 |
| | | (3) in Mill. t GE | | | | |
| (4) | Getreide | 6 043 | 5 828[5] | 6 886 | 8 879 | 9 038 |
| (5) | Kartoffeln | 3 332 | 3 016 | 3 271 | 2 721 | 2 449 |
| (6) | Wiesen u. Weiden | 2 119 | 2 031 | 2 774 | 3 174 | 3 188 |
| (7) | Feldfutterpflanzen | 1 [illegible] | 2 759 | 2 922 | 3 146 | 3 515 |
| (8) | Sonderkulturen[1] und übrige Marktfrüchte[2] | 2 478 | 2 334 | 2 419 | 2 733 | 2 943 |
| (9) | übrige Futterfrüchte[3] | 1 355 | 1 835 | 4 445 | 1 [illegible] | 1 605 |
| (10) | Brutto-Boden-produktion, gesamt[4] | 19 736 | 19 878 | 22 724 | 23 [illegible] | 24 757 |
| | in dt GE/ha LN | (30,6) | (30,5) | (34,0) | (38,9) | (39,6) |
| | | (11) Anteile in % | | | | |
| | | (12) Brutto-Bodenproduktion, gesamt=100 | | | | |
| (4) | Getreide | 30,6 | 29,3[5] | 30,3 | 38,0 | 36,5 |
| (5) | Kartoffeln | 16,9 | 15,2 | 14,5 | 11,6 | 10,0 |
| (6) | Wiesen u. Weiden | 10,8 | 11,7 | 12,2 | 13,1 | 12,9 |
| (7) | Feldfutterpflanzen | 7,9 | 13,9 | 12,9 | 12,6 | 14,2 |
| (8) | Sonderkulturen[1] und übrige Marktfrüchte[2] | 12,1 | 11,7 | 11,6 | 11,6 | 11,9 |
| (9) | übrige Futterfrüchte[3] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| | (13) (16) 15 (18) (17) (18) | | | | | |
| (19) | [illegible] | 20 | | 21 | | 22 |
| (22) | [illegible] | 23 | | | | 24 |
| (25) | [illegible] | 26 | | 27 | | |
| (28) | Quellen: Statistische Jahrbücher der DDR, Statistische Jahrbücher des RGW, Internationale Zeitschrift der Landwirtschaft, die Tabellen [illegible] Landwirtschaft der DDR [illegible] Plan im Jahre 1980, Sonderheft des DIW Nr. 117, 1977, Berechnungen und Zusammenfassungen des DIW. | | | | | |

Key:

1. Average for the years
2. Crop varieties
3. In million tons of grain units

Key continued

4. Grain
5. Potatoes
6. Meadows and pastures
7. Field animal-feed plants
8. Special products and other marketable crops
9. Other animal-feed crops
10. Gross soil production, total (in decitons of grain units per hectare of arable soil)
11. Share in percentages
12. Gross soil production, total = 100
13. Fruit
14. Vegetables
15. Wine
16. Hop
17. Tobacco
18. Hemp-straw
19. Legumes and oil plants
20. Sugar beets
21. In-between crops
22. Feed root crops
23. Straw and turnip leaves
24. Excluding flowers
25. Ornamental plants
26. Seeds
27. 1964 and 1965 excluding corn
28. Sources: Statistical yearbooks of the GDR; statistical yearbooks of CEMA; INTERNATIONALE ZEITSCHRIFT DER LANDWIRTSCHAFT (various years); Horst Lambrecht: Agriculture in the GDR before and after its restructure in 1960. Special edition of the DIW, No 117, 1977; calculations and estimates of DIW.

By far the most important crop production in the DGR is the cultivation of grain. The current agricultural area is approximately 2.5 million hectares; grain production takes up 40 percent of the arable area or 53 percent of the farmland; the average harvest for the last 5 years (1976-1980) produced slightly more than 9 million tons of grain and 1.8 million tons of grain units of straw, which means that almost 44 percent of the entire crop consisted of grain.

During the 1970's cultivated areas producing grain increased slightly. There were also changes in the composition of grain production itself and, as a matter of fact, it has been going on for some time. Whereas earlier rye ranked higher than barley and wheat, in the meantime it has slipped to third place. Today barley is the most important variety of grain cultivated in the GDR, wheat is second. The main reason for favoring the growing of barley and wheat is the higher yield potential, although the production of rye offers advantages based on its modest requirements when it comes to soil conditions and climate as well as fertilizers and protection from harmful elements, and considering the composition of the arable area in the GDR there are certainly locations that require this kind of crop.[5]

At the present time more than 90 percent of the cultivated areas used for growing grain produces the three major varieties of grain. Oats can be found today only

on 5 percent of the production area for grain cultivation. During the middle of the 1950's almost 20 percent was used for growing oats. This development can be traced to the strong decline in the number of horses due to mechanization.

In contrast to green and silo corn, the cultivation of which was forced excessively at times, kernel corn is still insignificant in GDR agriculture, although it already offers relatively high and cost-effective nutritional yields per arable unit and although its cultivation is favorable from the viewpoint of crop rotation. Kernel corn, which is adaptable to the climatic conditions in the GDR, has not been cultivated to date and it has not been acquired by importing seeds either.

(1) **Struktur der Getreidefläche und -ernte nach Getreidearten in der DDR**

| (2) Im Durchschnitt der Jahre... | (3) Weizen | (4) Roggen | (5) Gerste | (6) Sonstiges Getreide[1] |
|---|---|---|---|---|
| | (7) Erntefläche | | | |
| | (8) (Anteile in vH, Getreide, gesamt = 100) | | | |
| 1956 - 1960 | 17,1 | 43,2 | 14,1 | 25,6 |
| 1961 - 1965 | 19,0 | 36,2 | 19,4 | 25,4 |
| 1966 - 1970 | 23,7 | 31,3 | 25,8 | 19,5 |
| 1971 - 1975 | 23,7 | 26,6 | 30,7 | 18,0 |
| 1976 - 1980 | 28,5 | 25,6 | 38,9 | 7,0 |
| | (9) Ernte-Reinertrag (in 1 000 t) | | | |
| 1956 - 1960 | 1 307 | 2 231 | 994 | 2 535 |
| 1961 - 1965 | 1 357 | 1 741 | 1 291 | 1 457 |
| 1966 - 1970 | 2 006 | 1 718 | 1 913 | 1 289 |
| 1971 - 1975 | 2 797 | 1 774 | 2 966 | 1 142 |
| 1976 - 1980 | 2 998 | 1 748 | 3 715 | 577 |
| | (9) Ernte-Reinertrag | | | |
| | (10) (Anteile in vH, Getreide, gesamt = 100) | | | |
| 1956 - 1960 | 21,5 | 36,9 | 16,4 | 25,1 |
| 1961 - 1965 | 23,2 | 29,8 | 22,1 | 24,9 |
| 1966 - 1970 | 29,1 | 24,9 | 27,7 | 18,3 |
| 1971 - 1975 | 32,2 | 20,4 | 34,2 | 13,2 |
| 1976 - 1980 | 33,2 | 19,3 | 41,1 | 6,4 |

(11) 1) Hafer, Sommermengetreide sowie - außer 1964 und 1965 - Körnermais.

(12) Quelle: Statistische Jahrbücher der DDR.

Key:

1. Structure of grain area and harvest according to varieties of grain in GDR
2. Average during the years
3. Wheat
4. Rye
5. Barley
6. Other grains
7. Harvest area
8. Share in percentages; grain, total = 100
10. Harvest, net yield (share in percentages; grain, total = 100)
11. Oats, summer grain as well as--except for 1964 and 1965--kernel corn
12. Source: Statistical yearbooks of the GDR

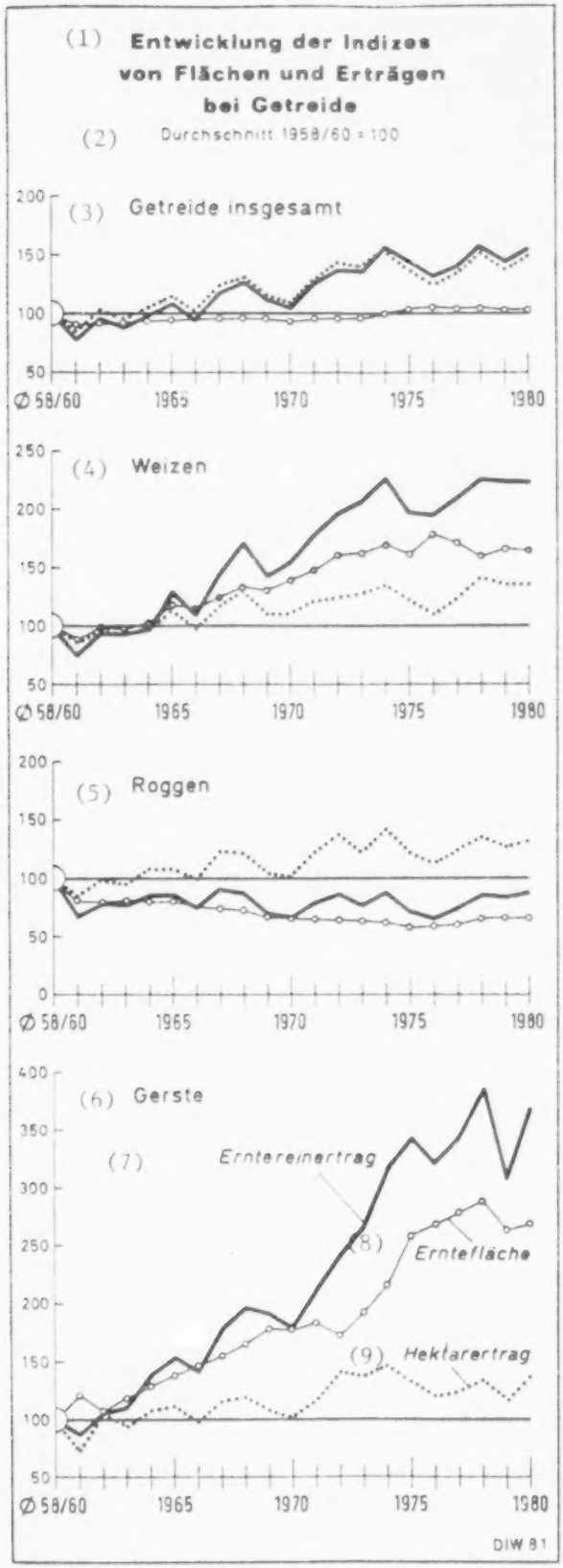


Key:

1. Development of indices of areas and yield for grain
2. Average 1958/60 = 100
3. All grain
4. Wheat
5. Rye
6. Barley
7. Harvest, net yield
8. Harvest area
9. Yield per hectare

Between 1958/60 and 1980 total grain production increased by approximately 1.9 percent annually, primarily because of the increase in yield per hectare. A considerable component was the structural change in grain cultivation--change from low-yielding grain varieties (rye oats, mixed grain) to high-yielding varieties (wheat, barley.[6] On the average, however, the yield per hectare stagnated between 1976 and 1980 when compared to the preceding 5 years.

After grain the most important positions in crop production go to field animal-feed crops, meadows and permanent pastures as well as potatoes. When combined, their average for the last 5 years--like grain--amounted to 37 percent of the total of gross soil production (see table). Among field animal-feed crops, clover and alfalfa as well as green and silo corn carry the heaviest weight.

There has been a slight long-term increase in the significance of meadows and pastures--measured by the gross soil production: Until the middle of the 1970's it was the result of an increase in areas, since then the yield per hectare has been raised.

The trend of agricultural policies is to aim at reducing grassland. Practitioners, however, are resisting a conversion from grassland to farmland, apparently because it requires more labor. Particularly the expansion of sugar beet cultivation has been unsuccessful, although the sugar beet is superior to other varieties of crops with respect to its nutritional performance per hectare and an increase in its production is an essential source for the improvement of feed supplies from domestic sources.

Declining Yields...

A superregional comparison shows that areal productivity in GDR agriculture is still below the level which has been reached by the FRG--although prewar yields were almost the same. The lag is productivity--based on the figures of gross soil production--even increased slightly over a long period of time: In comparison to the FRG, the average for the years between 1956 and 1960--which are the 5 years preceding full collectivization--was 90 percent; the trend was marked by strong fluctuations and a gradual decline, and the average for the years between 1976 and 1980 was only slightly more than 80 percent. Absolute figures put the difference in yield at 3.3 decitons of grain units per hectare of arable soil for the years between 1956 and 1960, and during the last 5 years the average rose to 7.8 decitons.

The decline in yields varies a great deal according to the individual crops. Compared to the FRG, yields for grain were lower by between 10 and 15 percent per hectare. Potatoes and sugar beets reached prewar results only in a few instances --in spite of considerable increases in fertilizer; today's yields per hectare are more than one-third below those in the FRG (cf. table).

There are various reasons why crops in GDR agriculture yield lower results. In part they have existed for a long time; some of them arose at a later date. During the 1950's, low yields were primarily attributed to a lack of available mineral fertilizers. At the present time, however, the GDR agriculture has at its disposal three times as much nitrogen as it did in 1959/60, and the use of phosphoric acid per hectare of arable land is twice as high. Current applications

of nitrogen exceeds those in the FRG by one-fifth. The use of potash and lime has always been higher in the GDR than it is in the FRG. By international standards, today's agriculture in the GDR is again highly fertilizer-intensive.

(1) **Ausgewählte Hektarerträge im Vergleich DDR — Bundesrepublik Deutschland**

| (2) Fruchtart | (3) Im Durchschnitt der Jahre ... 1935/1938 | 1956-1960 | 1961-1965 | 1966-1970 | 1971-1975 | 1976-1980 |
|---|---|---|---|---|---|---|
| | (4) DDR in Dezitonnen - dt - | | | | | |
| (5) Getreide, insgesamt | 23,9 | 24,8 | 25,8 | 29,9 | 36,0 | 35,8 |
| (6) darunter Weizen (7) | 28,4 | 31,2 | 31,5 | 36,5 | 40,7 | 41,7 |
| (8) Roggen | 19,5 | 21,1 | 21,2 | 23,7 | 27,8 | 27,1 |
| (9) Gerste | 27,0 | 28,9 | 29,5 | 32,4 | 40,4 | 37,9 |
| (10) Kartoffeln | 194,3 | 171,3 | 165,7 | 184,4 | 170,6 | 174,6 |
| (11) Zuckerrüben | 301,2 | 262,5 | 243,7 | 313,4 | 373,0 | 268,7 |
| (12) Futterrüben | 483,4 | 456,7 | 479,5 | 629,7 | 596,7 | 547,0 |
| (13) Klee und Luzerne 3)4) | 55,5 | 60,8 | 67,4 | 69,3 | 77,7 | 6) 90,0 |
| (14) Wiesen und Weiden 3) | 47,9 | 42,9 | 42,9 | 51,2 | 59,5 | 6) 69,7 |
| | (15) DDR in vH der Bundesrepublik | | | | | |
| (5) Getreide, insgesamt | 107 | 87 | 87 | 86 | 90 | 85 |
| (6) darunter Weizen (7) | 116 | 98 | 95 | 94 | 91 | 89 |
| (8) Roggen | 97 | 80 | 80 | 76 | 79 | 75 |
| (9) Gerste | 116 | 98 | 98 | 94 | 101 | 91 |
| (10) Kartoffeln | 105 | 75 | 67 | 66 | 60 | 63 |
| (11) Zuckerrüben 5) | 95 | 80 | 65 | 72 | 63 | 58 |
| (12) Futterrüben | 106 | 96 | 99 | 76 | 66 | 58 |
| Klee und Luzerne | 87 | 88 | 88 | 88 | 99 | 117 |
| Wiesen und Weiden | 89 | 76 | 72 | 75 | 87 | 97 |

(16) 1) Vergleichbare Gebiete, bei Getreide und Kartoffeln einschließlich Zuschlag von 10 vH zur amtlichen Ernteschätzung. — (17) 2) 1964 und 1965 in der DDR ohne Mais (18) Heuwert. — (19) 3) Ab 1968 einschließlich Kleegras (20) Bundesrepublik Runkelrüben (21) umgerechnet von Grummasse.

(22) Quellen: K. Merkel: Sektorale Produktionsleistungen der Landwirtschaft beider deutscher Staaten im Vergleich. In: FS-Analysen 6/1974; Berechnungen des DIW aufgrund der Angaben in den Statistischen Jahrbüchern der DDR, den Statistischen Jahrbüchern über Ernährung, Landwirtschaft und Forsten sowie dem Statistischen Jahrbuch 1981 für die Bundesrepublik Deutschland.

Key:

1. Selected yields per hectare, comparison between the GDR and the FRG
2. Crop variety
3. Average for the years...
4. GDR in decitons
5. Grain, total
6. Among them
7. Wheat
8. Rye
9. Barley
10. Potatoes
11. Sugar beets
12. Feed beets
13. Clover and alfalfa

Key continued

14. Meadows and pastures
15. GDR as a percentage of FRG
16. Comparable areas; for grain and potatoes 10 percent have been added for official harvest estimates
17. 1964 and 1965 excluding kernel corn in GDR
18. Value of hay
19. Beginning with 1969 includes clover grass
20. FRG: Mangel-wurzel
21. Converted from green stuff
22. Sources: K. Merkel: Comparison of sectorial production performance in agriculture in both German states. In: FS-ANALYSEN 6/1974; computations by DIW based on figures in statistical yearbooks of the GDR, statistical yearbooks for food, agriculture and forestry as well as the statistical yearbook 1981 for the FRG.

On the other hand, biological-technical progress in crop cultivation is inadequate. It applies in particular to crops like potatoes, which deteriorate easily. In cases like this one, the availability of better quality seeds would certainly increase yields noticeable. Apparently another significant factor is the influence on soil performance caused by damages relating to crop rotation.[7]

It must not be underestimated that efforts have been unsuccessful to adhere to the most favorable timetable from the agrotechnical point of view with respect to planting, cultivation and harvesting in field management. In this connection the minister for agriculture mentioned that "a high degree of agronomic discipline" must be implemented.[8]

In part agrotechnically right periods are also missed because of the bad condition of agricultural machinery depots. Since the machinery is not serviced and maintained adequately, it is often in need of repair; bottlenecks in the supply of replacement parts and in repair capacities frequently prevent repairs from being completed on time.[9]

Furthermore, on account of the collective work arrangement in connection with the large-dimensional and highly specialized production units, the GDR agriculture is not sufficiently able to adapt the use of labor organizationally to biologically limited and weather-related working conditions. Indeed, this economically disadvantageous fact is the drawback of the social goal to improve working and living conditions for the rural population (regular working hours and vacation time, 8-hour day).

A cause which gaining increasing significance for the unsatisfactory condition in yields is the bad composition of the soil, above all, the neglect in the management of humus. It is especially noticeable when it comes to potatoes and sugar beets, because they react particularly strongly to defects in soil culture; grain, on the other hand, is less demanding in this respect and is still able to produce a satisfactory harvest when sufficient commercial fertilizers are added.

Last but not least, in addition to mistakes in crop rotation, the deterioration of the soil can be attributed to the lack of organic fertilizers. This, in turn, is in large part a result of the change-over to liquid-manure management and the

simultaneous separation of crop and animal production. Many of the valuable organic substances, above all straw, are not returned to the soil or, as is the case with liquid manure, it is not used sensibly. Particularly critical is the constant accumulation of liquid manure during times of "fast crop growth" in late spring or summer and there is not enough space to put it and not enough storage facilities are available. The fact that the GDR agriculture has not been able to deal with the problems of liquid-manure management has apparently led to a certain change of mind: Now large animal facilities are again built on the basis of straw manure.[10]

The importance of soil fertility for increasing crop production has been pointed out on various levels in the GDR.[11] The enterprises had to prepare "programs for the rational use of the soil." Humus management, which has now been rediscovered, and the importance of organic fertilization[12] are now occasionally pictured graphically or metaphorically: For instance, frequently the "chain" is mentioned--soil, plant, animal, soil" and it is emphasized that "an exemplary humus management" is "the calling card of a good LPG." [13]

...Require Animal-Feed Imports

Of all the primary crops, in other words, the gross soil production in the GDR, in recent years approximately two-thirds were used for animal feed. With respect to grain, the portion of the available amount used for animal processing products is also about two-thirds. The share of potatoes used for feed also fluctuates--depending on the harvest--between one-fourth and one-half of the production.

Since the number of animals in the GDR is high, i.e. the number of animals in relation to the area of arable land--like the FRG--is depends on imports of crop products for its agricultural processing industry. More than one-fifth of animal feed production is based on imported food."[14] A large amount of specific food consumption in animal husbandry increases this need for imports.[15] Import dependence exists for feed grain and albumin concentrates, in other words, energy food.

Grain imports by the GDR developed in the following manner (quantities in annual averages):
--1960 till 1969: 1.85 million tons
--1970 till 1979: 3.24 million tons
--1976 till 1980: 3.5 million tons
The highest quantities were 4.8 million (1976) and 4.2 million tons (1980).

The problem of grain imports for the GDR has become much more pronounced because of price increases in recent years and because of the fact that the GDR can acquire these goods only in the West. Consequently animal-feed imports have in the meantime developed into a foreign trade problem. In 1980 the value of feed grain imports amounted to between 15 and 20 percent of all imports from the West. For the economic leadership of the GDR it is apparently a dramatic situation: "Today's grain problem ranks in seriousness with the petroleum problem."[16]

Increase in Yield a Key Problem

"The most effective use of soil and the increase of its fertility" is "one of the key questions" for the agriculture of the GDR. "The most crucial point for the

realization of the economic strategy of the 1980's in agriculture is the increase in crop production and especially in animal-feed production."[17] As a result, grain and animal-feed imports are to be reduced and eventually eliminated.[18] It remains questionable, however, whether and how this problem, which is a burden on the GDR economy, can be solved.

According to the directive to the 1981-1985 Five-Year-Plan grain production is to amount to at least 10 million tons. The goal is to reach yields of between 39 and 39.5 decitons per hectare. Compared to the average for the years between 1976 and 1980, it is an increase of approximately 10 percent. Larger increases in yields per hactare are expected for potatoes (between 14 and 20 percent) and sugar beets (between 12 and 19 percent). Until 1985 the total yield on crop production is to rise to between 43.2 and 43.7 decitons of grain units per hectare of arable soil. Compared to the average of the last 5 years, it is an increase of between 9 and 10 percent. During the Third SED Central Committee Plenum the figures that were mentioned were even higher. Compared to earlier performance projections these production goals must even be considered modest. But considering the current conditions in GDR agriculture, it will not be easy to reach these goals.

At any rate, the productivity per acreage envisioned by 1985 will not suffice to make the GDR independent of grain imports. The extent to which they will succeed in reducing this dependence will also depend on a rational animal-feed management, i.e. a reduction in the specific feed consumption in animal husbandry. To be sure, available reserves are not insignificant, but possibilities for their mobilization are apparently overestimated. It is unlikely that animal-feed imports by the GDR will be below the level of the 1970's by 1985.

Corrections in Agricultural Policies?

In contrast to most socialist countries and according to international standards, the agriculture of the GDR produces at a high level, and with respect to the quantity of food supplies for the population, the GDR is certainly on a comparable level with Western countries. Nevertheless, the agricultural policy of the GDR is currently undergoing an examination. What has become evident so far is that--especially for foreign-trade policy considerations--the domestic sources as much as possible. There is a certain determination, especially for ideological reasons, to stick to the goal of establishing an industrialized agriculture. In view of increasingly difficult economic conditions during the 1980's and certain functional weaknesses in the current production procedures, it has apparently been decided to make a few downward adjustments in the realization of these goals and, as a matter of fact, at least certain exaggerations will be withdrawn. At the present it is not clear whether this will also lead to a revision in current projections about the size and degree of specialization of enterprises under "industrialized production methods." It is also uncertain whether the controversial separation of crop and animal production will be relaxed. At any rate, the "territorial production organization" which was brought up for discussion is still without outline.

Nevertheless, it is probable that there will not be a return to the agrarian constitution of the 1970's, one reason is political credibility. The Farmers Congress which has been scheduled for May 1982 should give additional information about the direction of the agricultural policy; originally it was expected that an answer to the questions facing agriculture would be supplied during the Tenth Party Congress in April 1981.

FOOTNOTES

1. Cf. especially the politburo report to the Central Committee (Reporter: Erich Honecker) and the discusiions contributed by Heinz Kuhrig, minister of agriculture, and Johannes Chemnitzer, first secretary of the District Directorate of Neubrandenburg. In: NEUES DEUTSCHLAND, 20 and 21/22 November 1981.

2. Excluded are horticulture enterprises as well as those producing fruits and vegetables, the total of which is about 300 units.

3. "In a few cases the LPG's that were established by us through division are too big." J. Chemnitzer, op. cit., p 10.

4. "Assuming similar conditions, yields in crop production fluctuate by approximately 10 decitons of grain units per hectare of arable soil." Werner Felfe (politburo member in charge of agricultural problems) in NEUES DEUTSCHLAND, 18 June 1981.

5. Horst Lambrecht and Konrad Merkel in cooperation with Wolfgang Steinbeck: "Consumption and Production of Agricultural Products in the GDR--Analyses and Predictions," published by the FRG minister for food, agriculture and forestry in the series LANDWIRTSCHAFT--ANGEWANDTE WISSENSCHAFT [Agriculture--Applied Science], No 240, under the title of "GDR-Agrarpolitik," Muenster-Hiltrup, 1980.

6. Cf. Lambrecht, Merkel, Steinbeck..., op. cit., p 61.

7. In an interview with the LAUSITZER RUNDSCHAU, 18 June 1981, for instance, Prof Hans-Joachim Liste, director of the department of Crop Production at the Martin-Luther University in Halle-Wittenberg, explained that a "10-percent increase in yield could be achieved for rye alone if crop rotation were applied correctly in all areas and if simultaneously all other necessary agricultural measures were followed properly."

8. Kuhrig commented: "The work day and the work rhythm must be adapted to the special conditions of crop and animal production; because it is important to carry out the work in the field and in the stable at those times when the highest yields and best results are guaranteed. It has always been this way in agriculture and it will remain so." Cf. NEUES DEUTSCHLAND, 21/24 November 1981.

9. These problems were addressed in detail during the Tenth SED Party Congress; cf. NEUES DEUTSCHLAND, 12 and 18/19 April 1981.

10. Again and again damage to the soil is also caused by the use of some very heavy machinery. Prof Ruebensam, president of the Academy of Agricultural Sciences, recently demanded "a decrease in pressure on the soil to reduce structural damages to the farmland." (Cf. BAUERN-ECHO, 6 November 1981, p 6.) Minister for Agriculture Kuhrig even suggested that machinery be built which, among other things, would "cause less pressure on the soil." (Cf. NEUES DEUTSCHLAND, 21/22 November 1981.)

11. General Secretary Honecker and Minister Kuhrig raised this point during the last Central Committee Plenum. Also Werner Felfe emphasized the importance of this task in the middle of 1981; cf. NEUES DEUTSCHLAND, 18 June 1981, p 3.

12. Of late the advantages of pasture feeding for the raising of cattle has again been propagated and wherever circumstances permit, attempts are made to send cattle back to the pasture rather than feeding them in the stable. During the Tenth Party Congress a warning was sounded to strike the words hay and pasture from the vocabulary (cf. NEUES DEUTSCHLAND, 15 April 1981, p 6). During the Third Plenum, General Secretary Honecker criticized the backwardness of grassland management: "To date grassland has not been used sufficiently in our country. To be sure, a few things have happened in the meantime, but the current state is not satisfactory. Many farmers are saying that with respect to pasture management and hay production we did better in the past" (NEUES DEUTSCHLAND, 20 November 1981, p 5).

13. Cf. NEUER WEG. Supplement to No 12, 1981, p 464. NEUES DEUTSCHLAND, 18 June 1981, p 3 and BERLINER ZEITUNG, 22 June 1981, p 3

14. Calculations by Konrad Merkel (Technical University, Berlin). "Imported arable soil" as a part of the entire food production amounts to between 15 and 20 percent.

15. Cf. Lambrecht, Merkel, Steinbeck..., op. cit., p 133.

16. Cf. NEUES DEUTSCHLAND, 20 November 1981, p 5. Honecker emphasized already during the Tenth Party Congress that grain imports and problems of crop production had in the meantime become a question "of the international class struggle between socialism and imperialism." This statement, which is doubtlessly an accurate assessment on the international level, is certainly not only based on hard facts of quantity statistics and foreign-exchange balances but also on considerations and attempts on the part of American agencies to use grain as a strategic weapon.

17. Werner Felfe. In NEUES DEUTSCHLAND, 18 June 1981, p 3.

18. See resolution of the Secretariat of the SED Central Committee of 26 May 1981 (cf. NEUER WEG, supplement to No 12, 1981, p 464).

## Agriculture Minister Kuhrig Address

East Berlin NEUES DEUTSCHLAND in German 21-22 Nov 81 pp 8, 9

[Excerpts from address by Heinz Kuhrig, member, SED Central Committee and minister of agriculture, forestry and foodstuffs, to Third Plenum of SED Central Committee held 19-20 November 1981 in East Berlin: "Farmers With an Increasing Contribution to the Course of the Main Task"]

[Text] Dear comrades, men and women!

The report of the politburo presented by Comrade Erich Honecker honors the great work that was performed by our cooperative farmers, male and female, and by

laborers in agriculture, forestry and in the processing of agricultural products. It was presented clearly and comprehensively to indicate what the new, greater tasks will be in our realm of responsibility to continue the implementation of the policy of the main task in combination with economic and social policies.

New Initiatives for the Neceesary Order of Steps

As foreign trade and foreign policy conditions continue to change, we feel that our most important task is to continue unabatedly the stable supply of food to our population, raw materials for industry as well as the realization of our export obligations by relying firmly on the alliance between the working class and cooperative farmers and in close cooperation with all areas of our economy.

In LPG's (agricultural producer cooperatives) and on state farms our cooperative farmers and laborers are making great efforts and putting in good work this fall to harvest and process all those things that have grown on the fields and meadows, keeping losses at a minimum and assuring a high and an effective animal production. By last night's count, 92.7 percent of the sugar beets have been harvested and the processing in sugar factories is 1.8 days ahead of schedule. The state plan for the supply of animal products has been fulfilled and exceeded in all positions. In slaughterhouses and processing plants as well as dairies, male and female workers are directing their attention at processing agriculturel raw materials effectively to assure a good selection for the supply of our population. In addition to the total fulfillment of the plan for raw lumber shipments, forestry workers are stockpiling necessary reserves to assure uninterrupted supplies to industries during the winter months. Consequently collectives in agriculture, forestry and foodstuff industries are involved in a competition, making the most effective use of every available day until 31 December to improve the results that have been achieved to date by adding every kilogram possible and every mark possible.

Broad Discussions in Cooperatives

In connection with these efforts, cooperative farmers and laborers as well as all other workers in industry and other branches of the economy are discussing the goals of the 1982 economic plan and the Five-Year-Plan. The initiatives are particularly directed at making the biggest contribution possible to continual economic growth. Their suggestions, solutions and measures are designed to guarantee the necessary order of steps to assure continued growth in production and effectiveness, beginning with the first day of the new year. The concept also includes full utilization of the reserves on private farms of cooperative farmers and all other small producers. The idea of the concept is that to a growing degree villages are to become self-sufficient with respect to the supply of vegetables and fruit.

Discussions of the plan, which will be continued at major annual meetings, at kreis farmers' conferences and at the Twelfth Farmers Congress, are conducted by cooperative farmers, firmly convinced that significant foundations will be created and important decisions will be made for the continual development of their agricultural producer cooperatives. The broad democratic discussions among our cooperative farmers and laborers is borne by the responsibility that the goals

established in these resolutions--above all, the planned yield per hectare on farm and pasture lands--are concerned with the planned state supply of cattle, milk and eggs, while reducing and eventually replacing grain imports, as well as with the supply of raw lumber as contained in the plan. It is also recognized that these tasks are of a high priority in the political and economic realm. At the same time, farmers are aware of the main problem, which is self-sufficiency with respect to the necessary animal feed and its most effective use.

With this in mind, the discussions of the plan are concentrating on the idea how the production of crops and animals can be increased per hectare while simultaneously reducing costs and efforts and using all the advantages of the socialist production system in agriculture, fully unfolding them and intensifying them and introducing further steps for the industrialization of production methods to reach the highest international level under comparable conditions. Even in agriculture this means that the economic strategy of the party must be realized consistently in all LPG's and on all state farms and that all aspects of scientific-technical progress must be fully applied.

In this respect, as was pointed out by our general secretary in his report, it is of great importance that still existing differences in levels of yield, performance and effectiveness be overcome systematically to form one of the most essential reserves. It is evident that the measures which have been introduced to date for overcoming the unjustified differences must be applied much more consistently. LPG's and state farms must be given instructions and support by the ministry, by bezirk and kreis councils to deal with more specific and concrete needs of respective LPG's. Above all, a more exact investigation is needed to determine why some LPG's achieve high, stable and rising performance levels and a steadily improving relationship between expenditures and results, while others are below the average.

What LPG's With Stable Yields Demonstrate to Others

LPG's and state farms that have shown many years of high and stable yields are passing on their experiences, emphasizing the fact that the most important thing is the utilization of every square meter of farm and grassland as well as the application of a great variety of measures to increase the fertility of the soil, aided in particular by a significant increase in the supply of organic substances to the soil. Furthermore, high agronomic discipline must be applied everywhere. In the process it has been proven again and again that the key to success is the complex and balanced application of these measures.

In animal production the emphasis, above all, is on those universal experiences which guarantee high productivity in breeding and feeding, in milk and egg production with domestically produced animal feed, which contribute to the rational use of these feed as well as the meticulous care and maintenance of animals and which are aimed at implementing material and moral interests. At the same time, the firm principle must be followed of maintaining a stable and high number of animals as an essential guarantee for continued growth in animal production.

Cooperative farmers and laborers that handle the soil and things that grow with great care in these LPG's and on state farms and have seen years of stable economic growth, are just as careful when it comes to the handling of basic assets and

material-technical means. It applies to the masterful operation as well as exemplary maintenance, care and application of technology in the interest of its extensive usefulness and life expectancy, the optimization of all labor, above all, transportation to save diesel fuel, as well as the most effective use of fertilizers, pesticides and herbicides and all other materials on the basis of the highest values and latest scientific findings. The same purpose will be served by realizing the task of building machinery and equipment that will use less fuel and energy; they will be lighter, corresponding to our specifications, cause less pressure on the soil and manifest a higher degree of standardization reducing, particularly, the cost of replacement parts.

Combining Science With Experience

Productive LPG's and state farms are also distinguishing themselves by combining the application of scientific-technical progress with the preservation and strengthening of all those factors that stood the test over many years and by changing those things that are of no advantage or do not suit conditions, adapting them to current needs by using common sense.

Another reason why a few LPG's show an inadequate performance level is the fact that grassland is not utilized intensively. To exhaust this potential fully, it will be necessary to realize an entire complex of measures, beginning with continuing improvements in preflood and groundwater conditions by using ameliorative conditions that are as simple as possible, particularly the careful maintenance of existing amelioration equipment; furthermore, there should be a regular renewal of grassland by using grass mixtures that will produce the best results for its particular location, and there should be sufficient fertilization and appropriate care. Finally, harvest dates should be arranged consistently in keeping with the most favorable time for nutritional substances, while making maximal use of pastures and meeting the needs of hay production.

In keeping with the GDR standard, we have set the goal of using an additional 120,000 hectares of grassland for pastures. It will take place in those LPG's and on those state farms that have an opportunity of producing at least 5 decitons of hay per year for each head of cattle.

We also feel that we have an obligation to make advanced LPG's even more productive. As a result, the increase in their experience can have an effective influence on the total level of yields and performance. We in the ministry will put at the disposal of bezirks he best values and most recent data in accordance with GDR standards and pass on experiences that will show how they can be attained. The solution of these tasks also demands greater contributions from the agrarian science. As a result, jointly with the Academy of Agricultural Sciences stiffer requirements were instituted for research and development projects.

To overcome the unjustified differences, it is also important to introduce such questions for clarification to LPG's, for instance, there is the problem of qualification when it comes to cadres; the overall shortage of workers and certain specialists, the temporary or permanent delegation of experienced management cadres, the improvement of working and living conditions or the improvement of technical equipment depending on specific circumstances.

LPG's Cultivate 86 Percent of Acregge

When considering all these tasks, cooperative farmers have an extraordinary responsibility. In accordance with Comrade Erich Honecker's recent demand, we will use all our strength and make even greater efforts to develop the potentials of the cooperative farmers class, to use their solid training and eager willingness to go into action much more extensively for social development and an increase in production. These requirements arise from the fact that cooperative farmers and laborers who are working in LPG's, GPG's [horticultural producer cooperatives] and their cooperative establishments--who altogether make up 85 percent of all permanent employees in agriculture--are and will remain the main producers of agricultural products, responsible for 86 percent of the arable soil in the GDR, 86 percent of the cattle in socialist enterprises, 80 percent of the basic assets in agriculture as well as 95 percent of the state output of crops and 77 percent of animal products. Accordingly, further consolidation of the class of cooperative farmers and cooperative property requires that the cooperative output be reproduced as much as possible within the LPG itself and that 90 percent of the investments that are at the disposal of bezirk and kreis councils be realized within the LPG's.

While carrying out these investments during the process of rationalization, we are aiming at the creation of prerequisites and technological improvements of those processes that will bring the biggest increase in production and effectiveness. By applying these measures and shortening our construction periods, we are currently reexamining all investment projects jointly with bezirk and kreis councils. All released investment capacities, including those which are available because of the discontinuation of large facilities, will be used by concentrating on reducing losses during the storage of organic and mineral fertilizers, the conservation of silage, hay and for the application of technology.

In combination with other economic branches, particularly machine building, our efforts are also directed at finding solutions for those work processes which are of special importance for the use of our reserves: for the production of hay, the mechanization of hillsides and barren grassland, the mechanization of stables as well as the substitution of crude brown coal and city gas for heating oil and the use of alternative energy sources. In addition we are doubling the production of rationalized measures in our own domain.

The continuing consolidation of the cooperative farmers class is also served by a more suitable delineation of the cooperative distribution and performance principle, especially the consistent implementation of compensation according to yield and performance. We will spare no effort in the interest of achieving the projected increase in performance and decrease in cost. The workday and the work rhythm must be adapted to the specific conditions of crop and animal production, because it is important to carry out the work in the field and in the stable during those times that guarantee the highest yield and best performance.

In agriculture it has always been this way and it will remain so. In the long run, technology, general scientific-technical progress and good labor organization will reduce the differences when compared to industrial work step-by-step, but the peculiarities of production under the open sky and with living organisms will remain.

These are some of the questions which we are preparing for the Twelfth Farmers Congress in accordance with the tasks which were presented here by our general secretary in his report. It will also be a guarantee that the LPG's and the cooperative farmers class are and will remain an unalterable component of the socialist society in the GDR. It will consolidate what has already been achieved and create additional conditions for the developmnnt of productive forces and production circumstances in the country, as they arise from current requirements.

In this connection and based on experiences in recent years, the central question is still how the initiatives of all farmers can be better mobilized, by increasing cooperation between crop and animal production and, above all, more effective work by cooperative councils to utilize more comprehensively the production opportunities of their LPG's and the total strength of the village in the unified reproduction process of the field and animal industry.

As a consequence we have made it our task to implement more strictly much measures as, for instance:

--shortening transportation routes and simultaneously reducing the consumption of fuel by supplying animals with food from the immediate surroundings of the village and using all opportunities of putting cattle out on pastures or

--the organization of production in territorial departments and brigades whose members are for the most part from the village where the fields and stables of these collectives are, which also provides better conditions for using the labor force of the village more effectively and to the mutual advantage of the field and animal industry.

Firm Ties to Village and Soil

All these thoughts are intended to make the tie stronger between farmers and their soil, their animals and their village and to get them to put in more effort to increase the yield and performance in the field and in the stable at the lowest cost and consumption of production.

We will work in close cooperation with cooperative farmers and workers and use all our energies for the continual realization of the resolutions of the Tenth Party Congress to fulfill our tasks even under changed economic conditions.

## Chemnitzer Discusses Organizational Changes

East Berlin NEUES DEUTSCHLAND in German 21-22 Nov 81 pp 9, 10

[Excerpts from address by Johannes Chemnitzer, member, SED Central Committee and first secretary, SED Neubrandenburg Bezirk Management, to Third Plenum of SED Central Committee held 19-20 November 1981 in East Berlin: "Assuring Supply from Our Own Agricultural Production"]

[Text] Dear comrades, men and women!

I feel exactly like the speakers who preceded me: Comrade Erich Honecker, our general secretary, gave us clear instructions pointing directly to the goal as to

how the resolutions of the Tenth Party Congress can be further realized under the conditions that have developed. I would like to indicate my complete agreement with him and the report by Comrade Gerhard Schuerer.

Even in our bezirk party organization there will certainly be nobody who will treat lightly the tasks that are before us. They will require even more spirit and strength from our party members and from all workers, of whom we can say that they responded to the requirements of the Tenth Party Congress responsibly.

Thanks to the massive work by our party organization, the workers' understanding for our policy has deepened during the months since the Tenth Party Congress. They realize that it is really not easy to steer things politically in a manner which will result in further improvements of living conditions, considering the conditions created by the dangerous trends in the international situation and the over-all foreign-trade changes. Not long ago a foreign guest from an imperialist country told us: Your present reality is the future we are striving for.--Naturally, something like that strengthens the socialist convictions of our working people enormously.

Leadership Activities by Party Geared to Uncover Productivity Reserves

Even in the final weeks of 1981, the work is being done willingly and sacrificially to surpass the planned tasks. All our experiences in social and economic development are such that it will be possible to fulfill the tasks for 1982 and till 1985, if we concentrate our political leadership activities more intensively on the large productivity reserves, which includes our party organization's willingness to fight, the creativity of workers and their political and professional training and moral.

Differences in performance, which still exist, indicate to us that the level of party work and of the political effectiveness of every communist is to be continually increased. We are making new, higher demands on the political-ideological work, laboring intensively toward the fulfillment and new preparations of competitive programs in enterprises and cooperatives and toward battle programs in the main organizations. Naturally, we feel that agriculture is of crucial importance in this respect, as are higher and more stable yields in field and stable, and the effort to exhaust all reserves of performance and effectiveness in agriculture.

I can report to the party leadership that the dialog concerning fundamental questions of our domestic and foreign policy, which followed the Tenth Party Congress and the communal elections, expresses the deep relationship of trust that exists between the party and the people in our bezirk as well. In view of the criminal and repulsive U.S. war policy, the counterrevolutionary events in Poland and many new burdens, our citizens are moving closer together, emphasizing their feeling of security in socialism without existential fears. There is much discussion about the complicated tasks and difficulties, especially in the economy, and the discussions are heated and fierce but they are responsible and sensible. Here and there many doubts remain as well and the ways of solving the problems are not always shown concretely. As a consequence, the political-ideological work of the party must be intensified. Today one can feel everywhere that expressions like political power of the working class, friendship with the Soviet Union cannot be used lightly, but in view of the circumstances in Poland there is a deeper understanding of these

concepts. The enemy could not realize his intention to gain an ideological foothold in our country. Whatever happens in Poland because of the counterrevolution seems so repulsive and pitiful that, as a result, our population appreciates and guards the political values and accomplishments of socialism even more. The ideological struggle has become more concrete. It is gratifying to see the high sociological level of discussions among our comrades. At the same time we are using large reserves by recruiting all party members for the struggle.

Many Good Initiatives to Replace Grain Imports

The most recent politburo resolutions concerning agriculture led to new efforts in party and worker collectives. Agriculture is facing a new consistency with respect to efforts to guarentee the supply of food for the population from a domestically rising agrarian production and the improvement of the relationship between cost and result. The tasks in grain and animal-feed industries, in animal production and investment undertakings affect all areas of this economic branch, which is the most important one in our bezirk. We do not understand them from the economic aspect only; they require comprehensive sociological activities. Some thought at first that a comprehensive correction in our agricultural policy could be derived from it. Others acted as if nothing has changed. After all, the idea of no compromise with respect to avoiding grain imports had not yet been fully accepted everywhere. Broad and penetrating discussions are in progress to deal with the tasks, and the great number of good solutions is encouraging dealing with the replacement of grain imports in 1985.

The immediate tasks for 1981/82 till the next harvest are complicated.

According to our bezirk standard, we were able to supply 105 percent of course feed and 73 percent of concentrated animal feed. The most decisive factor is the increase in yields. During the next few months, however, there is nothing left to be harvested, therefore we can only use existing figures. The creating of stable foundations in all kreise and cooperatives will demand our complete attention in political leadership activities.

The current responsible attitude toward the new tasks as well as the course and the results of agricultural work since the Tenth Party Congress show that cooperative farms are meeting the challenges of the 1980's. In addition to conceptual evaluations of the Tenth Party Congress, the bezirk management oriented its efforts especially toward daily tasks. Many decisions in agriculture are based on the quality of work, punctuality, keeping agrotechnical deadlines, full use of vegetation periods. This year, the work of planting, cultivating and harvesting went considerably better. The yields for summer crops were higher. More was done to improve soil fertility. Crops that were planted in the fall look well, and wherever the planting process has not yet been concluded, we took a thorough look to find out reasons that had subjective causes.

The increase in yields as a political battle and task does no longer allow that we accept even one instance of a missed deadline or reduction in quality, even if it involves only 1 hectare. We will be absolutely uncompromising when it comes to the realization of these urgent factors that determine the yield and which are easily influenced. They represent the quickest path to transform natural forces

such as solar energy and water, into sources of high energy and foodstuff. In our opinion, one cause for unsatisfactory yields when it comes to potatoes, for instance, is the fact that they do not survive the entire growing season. Expenditures are high for planting and tending, and at a time when they should still be growing they have withered and have been killed by the danger of diseases. Certainly, all these questions will have to be analyzed in a much more complex manner in conjunction with scientific data.

Because of broad progress we are justified to be more critical of failures that occur. In most collectives successful efforts have strengthened self-confidence and optimism. Again and again, we receive confirmation that the workers themselves are our largest reserve of productive power or, to put it better, their great strength can always be fully tapped through qualified ideological work and leadership provided by state-economic agencies.

Viewing the Present and the Future to Determine What Has Stood the Test of Time

In the opinion of the political leadership of our bezirk management, the following questions must receive priority when it comes to the fulfillment of agricultural tasks: First of all, there are many tasks dealing with organization in production to achieve high, stable yields in field and stable. Planting conditions will have to be changed, the feeding regimen and the organic fertilizer industry will have to be improved. Higher life expectancy and maintenance of technology must be guaranteed. The basic direction of additional investments is to be realized. We are working on longer-term measures of soil fertility and paying attention to everyday farmland cultivation, orderliness and cleanliness. In addition to already existing treatises, it is necessary to generalize practical experiences, to weigh them and assess them scientifically; in Comrade Erich Honecker's words, we have to view the present and the future to determine what has stood the test of time and what must be improved to assure that the basic concept of the politburo resolutions is fulfilled economically favorably everywhere, even by the last work collective. We realize that everything must be oriented toward the goal of guaranteeing absolutely the recently established goals of plans and competitions and beyond that to maximize increases in yields.

Second, ideological clarifications concerning the intensification of agriculture must be continued. Not all enterprises have developed a politically firm attitude, according to which requirements that affect society in general take precedence over the interests of the enterprise. When we talk about effectiveness, it is understood that we mean economic effectiveness. In animal production, chairmen are discussing this problem openly; economy leads to hog raising, ideology forces us to engage in milk production. Because the soil can no longer be increased and animal feed can no longer be imported, the intensive use of every square meter receives new significance.

What is necessary now is persistent, concrete work to save labor wherever possible, for instance, through optimization of transportation, better maintenance and technical means. Labor is reduced all too quickly when it is supposed to produce many results. Economic rules alone do not guarantee the maximal use of each hectare of soil. Disciplined management must be supported even more through active ideological work by the party leadership and by party organizations.

## Managable Territorial Units

Particularly in 1982 we will concentrate even heavier on questions of intensification as part of the socialist competition and the effective application of the performance principle. Performance comparisons between kreise and enterprises show that there are great differences in the performance level. The concrete demonstration, particularly the emphasis on management causes, is an important moral motivation to exhaust the reserves more effectively. But even the best are required to improve their performance level.

Third: Many experiences point to the fact that the improvement in economic work and in firm management is a significant performance reserve. Particularly after the Tenth Party Congress we invested a lot of energy to reduce production units which had grown too big to a more manageable size so that they could be run more easily: They were impeding the rational use of labor power and technology and causing high expenditures and transportation costs. Many LPG's were divided into relatively independent territorial production units with their own assets and own plans. In the process a far-reaching agreement was reached between the proliferation and organization of crop and animal production. In a few cases we divided LPG's that were too big. We generalized examples such as the LPG's of Demmin, Wesenberg and Breesen, and there are many others that prove the same thing: The establishment of territorial departments with a firm structure for planting and crop rotation in crop production LPG's led to a more complex management of problems which they had in common with animal production.

The department collectives are responsible for the soil, the technology and--which is particularly important--the supply of feed for the animals. The transportation cost for animal feed was reduced. The farmers could again grow their beets in their own village and reach them on foot. Their interest in the soil and in yields has grown. The areas of responsibility are clearly defined. The performance principle, in particular the idea that cadres are compensated in accordance with their performance, can be realized more constructively. Better conditions have come into existence for the rights and duties contained in the statute and in company regulations and also for the socialist democracy.

## Production Cooperation Partners Make Daily Decisions

Originally we wanted to solve these company management questions by the end of this year. But many things are more difficult in practice, and greater and more specific cooperation by cooperative farmers is producing better and better solutions.

Fourth: In our opinion, another important task is the consolidation of the agricultural reproduction process, which in the course of history has become an organic union--particularly the interaction between crop and animal production. Yesterday Comrade Erich Honecker, our general secretary, stated that our greatest reserve is to support everything that is suitable for bringing the partners closer together.

Thousands of economic and naturally limited processes require daily operative directives and joint decisions. In addition to the complexity of the animal-feed industry, most of the LPG's in our bezirk, for instance, must manage organic fertilizers more efficiently. The use of animal feed and the loss of animals cannot

be handled on a strictly specialized basis. A decisive factor is the universal regard for the natural and economic intertwinement, the union between soil, plant and animal.

Relying on Experiences by Farmers

Agriculture deals with living organisms. The soil cannot be handled like a workpiece. Therefore permanence among cooperative farmers is so important. We have impressed on our party organizations the importance of the political-ideological task of making the production and life experiences of cooperative farmers so versatile that all natural requirements for yields are fulfilled.

No doubt, production cooperation councils are working very hard, but it is difficult to solve all these problems in a forum that meets once or twice a month, although they have a few commissions. We obligated the chairmen of crop and animal LPG's to discuss in person, daily or every other day, all tasks in their production decisions together. For many it has been understood for a long time. They said that they could not even imagine a good organization in production that would handle it any other way. Others, however, particularly in those areas where many arguments about animal feed occur, avoid one another for days and weeks.

In Demnin, the LPG which has already been mentioned, the managers of the territorial departments even meet with the area managers of animal production. In our opinion it is very important--building on the existing territorial structures--to have the closest connections on all levels, beginning with the executive committee, extending to the department and the brigade and reaching to the work collective in the field and in the stable. Particularly the preparation of animal-feed programs makes communication mandatory, not only between executive committee members but also between the smallest collectives for the discussions of all conditions. Finally, it is important that animals receive not only the most suitable food but also such food that was transported over the shortest distance.

We consulted with the comrades of the kreis management to determine how the forms of party work can better serve the interaction between crop and animal production within the basic organizations of crop production paryy groups, and in a few cases department party organizations are working analogously with territorial departments and production brigades. Joint active meetings of all party organizations of a production cooperation are a proven method, particularly when campaigns are being prepared.

Now even permanent party groups in both areas are moving closer together. I am in favor of supporting the efforts of a number of basic organizations and of organizing circles of party instruction in conjunction with the comrades living in the village. We want to place more attention on all those experiences that will be instrumental in guaranteeing uniform actions by all party members within the party organization of the village.

Some time ago, when we presented our report to the 1978 politburo, Comrade Erich Honecker already pointed out that more political understanding should be created for the fact that the cooperative farmers class, which will continue to develop for decades to come, will completely realize its social role. Our farmers are very

appreciative of the revolutionary changes that completely transformed the village. Nevertheless, all these things did not do away with the rural life but improved and enriched it. Actually, it only created the foundation for the idea that the farmer is indeed realizing himself as a farmer. It is a great historic fact that the cooperative farmers class in our country stands imperturbably and reliably at the side of the labor class, sharing the political power in our socialist state.

Of course, such qualitative social development requires that our leadership cadres, for instance, the chairmen of the LPG's do justice to thss political significance.

The stabilization of the labor force in many LPG's is the most important condition for the intensification. There are too few mechanics and animal caretakers. But the issue is not only workers, It is also the social role and continual development of the cooperative farmers class. In many cases it is a joy to experience the harmony of the class alliance between laborers and cooperative farmers. Wherever it functions, production is also in good shape.

Active Intellectual Life in Villages

The intellectual-cultural life in the villages and towns of our bezirk is receiving a new impetus, above all, because of the preparations for the Nineteenth Workers Festival. We want to show that the socialist developmnnt produced profound changes in the lifestyle of the people in the country, that a rich intellectual climate has developed, improving economic performance and increasing the level of the cultural life.

In most communities and LPG's people work according to annual cultural plans and the economic competition is combined with elaborate cultural and educational plans. The initiatives extend from improving the work environment to beautifying residential areas, from encouraging cultural creations by the people to exposing them to works of art and literature. We place special importance on good work by village clubs, youth clubs and central club councils, who promote the social life in the village in conjunction with state and company management.

I am convinced that our basic organizations, all bezirk party organizations have sufficient fighting strength to master the tasks that have been established here at the Central Committee Planum. In preparation for the party elections there are many possibilities to continue their development and to check them. The bezirk party organization will do everything to fulfill the resolutions of our party leadership in a disciplined manner.

## Agricultural Academy Research Discussed

East Berlin BAUERN-ECHO in German 6 Nov 81 p 6

[Excerpts from address by Prof Dr Erich Ruebensam, president, Academy of Agricultural Sciences, to anniversary meeting of academy in East Berlin: "Research Tasks for the 1980's"]

[Text] Our anniversary is a worthy and binding occasion to look back over 30 years of development and work by our socialist academy, and at the same time it is a preview of the path that has been placed before us by the Tenth SED Party Congress.

The words of Comrade Erich Honecker, general secretary of the SED Central Committee and Chairman, Council of State, are our special guiding principle: Safeguarding what has been accomplished in material and cultural areas as well as increasing it requires a rise in economic performance that must be greater than ever before. With this in mind, the creative activity of our workers, their qualified work and their initiative are as much in demand as is a significant upswing in science and technology, the accomplishments of which are penetrating the economy of our country more and more and which must place our economy an a new foundation."

Eighty New Grain Varieties

During the past 30 years revolutionary changes have taken place in our agriculture which are without precedent in German history. The work and life of farmers and all workers have changed radically. The results of agricultural research contributed in many ways to this revolutionary transformation as well as to the accompanying increase in production, work productivity and effectiveness, and these results are more and more becoming a decisive prerequisite for economic and social progress in the country.

A significant contribution to the development of yields in crop production and the performance in animal production were made by the results in crop cultivation and animal breeding as well as research in these areas. In crop cultivation it has manifested itself by the creation of 580 varieties, which are the result of 30 years of socialist cooperation, using the facilities of the academy, the seed and crop VVB [association of state enterprises] and higher education. Among them are 80 new grain varieties that have contributed significantly to the increase in the yield potential. The improvement in the characteristics of these grain varieties made it possible to increase the effective yield potentials between 1960 and 1980; field experiments showed the following results: Winter wheat increased by 35 percent, winter barley by 50 percent and summer barley by 70 percent.

In animal breeding, the process of changing black-spotted cattle into black-spotted dairy cattle, which was begun in the GDR in 1970--based on scientific findings by the Academy of Agricultural Sciences, the Animal Breeding VVD, university departments and practicioners--is continuing according to plans. In 1980 the proportion of black-spotted dairy cattle as a share of the entire population reached almost 40 percent. The performance results clearly show the superiority of black-spotted dairy cattle when compared to black-spotted cattle. The mild quantity is somewhere between 10 and 15 percent. The albumin and milkfat content is between 30 and 25 percent higher for each category.

To regulate propagation results in hog production, a complete system of biotechnical procedures was developed for practical use. These procedures have had a positive effect on the continuity of production as well as the creation of favorable working conditions.

In animal-feeding research new principles were prepared for energetic feed evaluations, serving as a basis for the GDR feed evaluation system which forms the foundation for the creation of an effective animal-feed economy as well as for objectivism in relationships between crop and animal production as it relates to the feed industry. Research work dealing with the albumin metabolism led to a more rational

use of albumin-feed products and an improvement in the supply of albumin for agricultural domestic animals. It includes the optimal use of NPN [nonprotein nitrogen] compounds and the evaluation of albumin sources of microbiological origin, to use all available resources for meeting the albumin need. Periodically prepared feeding regime for cattle and hogs contain complex results to meet the need in animal feed in a form that is ready for use. Among other things, they contain recommendations, for instance, how in practice the use of grain can be lowered in cattle feeding.

In veterinary medicine institutes more than 100 veterinary preparations were developed and are ready for use. Their application, in combination with other prophylactic measures, made it possible to eliminate or prevent several contagious diseases or reduce their effect to a considerable degree. At one time these diseases had devastating economic consequences.

Although we are not able to list them within this framework, the mentioned examples have shown effective results in practice and produced significant accomplishments based on fundamental research in our facilities and by our production cooperation partners and to an increasing extent, above all, through joint measures with collectives of the Academy of Agricultural Sciences and universities.

Last but not least, the level of scientific work, the certainty and the reliability of the results as well as the immediate and broad application in practice depend on how close science and production are connected to one another. We perfected proven ways, such as support bases, consultation enterprises and breeding teams, and established new ways, such as the joint management of competition in research and production collectives. We can only name a few examples of those that are representative of the great number of practical combinations or agreements which were made for their planned realization. Jointly established tasks are pursued by the agrarian-industrial associations of Wanzleben, Querfurt, Berlstedt and Pehrbellin, as well as additional LPG's and state farms, combines and enterprises in agricultural machinery construction, agricultural equipment construction and chemistry as well as the council of the Neubrandenburg bezirk.

We have a clear concept available for our work, which is the economic strategy for the 1980's issued by the Tenth Party Congress. It contains the tasks for increasing the economic performance in agricultural, forestry and foodstuff industries.

The first priority is to think over all areas in a more profound manner and to come up with more precise ideas as to what new demands can be derived from the changed reproduction conditions of our economy, how an increase in production can be accomplished with the available assets and labor force and how our research results can be made effective under the concrete social conditions of development:

More Effective Use of Energy

Important points that must be emphasized:

--Opportunities for the conservation and more effective use of energy as well as the search for unconventional sources of energy.

--All production procedures are to be arranged in such a manner that a more favorable relationship between cost and result is achieved. A decisive factor is a more consistent effort to make the increase and stabilization of yields and performance the local point. Reciprocation with the development of new technology and equipment is to lead to a more comprehensive use of opportunities for the reliable management of important processes, savings in labor and materials as well as reductions in losses, particularly through the use of microelectronics. In the process greater emphasis must be placed on the following:
--in field management the guaranteed use of technology, particularly during unfavorable weather, must be increased and structural damages to farmland must be reduced by lessening the pressure on the soil.
--In animal production possible investments must be used in such a manner that the least possible investments must be used in such a manner that the least possible cost will create a maximal number of animal spaces with improved maintenance and working conditions and lead to the comprehensive use of rationalization.

--To improve the fertility of the soil, complex procedures must be further developed with the differences according to location in mind, and the programming of yields is to be expanded step-by-step. Of primary importance is finding ways to increase the reproduction of organic substances for all types of arable soil, particularly the effective production, processing, storage and application of all suitable organic substances in close interaction with production cooperation partners in crop and animal production as well as the distribution of crop and animal production to various locations. In the process it will be possible to create step-by-step a balanced relationship between the reporduction needs of the farmland and the special needs of all locations. In those areas that show the biggest deficits, the cultivation of animal-feed crops is to be encouraged to increase the humus content, and also the number of cattle is to be raised.

Tasks of far-reaching preliminary studies that are to be attacked are the increased use of microbial N-compounds and the P-mobilization in accordance with our abilities.

Loss Reduction Strengthens Animal-Feed Assets.

--Because of the strategic importance, greater efforts will have to be made with respect to the discovery and use of additional possibilities for increasing animal-feed production, which comprises approximately 70 percent of the entire crop production, and a more effective use of all animal-feed products. It applies to all collectives and facilities that are involved in these complex problems, and there are only a few exceptions, because every measure intended for an increase in yield and quality and a reduction in losses also strengthens animal-feed assets. Particularly in these areas, special importance will have to be accorded to the broader application of existing findings and experiences.

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REGULATORS VIEWED AS HELPING DEFEAT ECONOMIC PROGRESS

Budapest MUSZAKI ELET in Hungarian 13 Nov 81 p 7

[Text] "In socialism, too," wrote Academician Jozsef Bognar in 1966, "the economic leader must have creative and associative aptitude. He must make decisions quickly and boldly, be circumspect in risk-taking and prepared to accept responsibility for judgments and decisions. It is hoped that the new economic mechanism which provides opportunity for creativity to unfold will simultaneously teach and compel risk-taking and assumption of responsibility." Before we confront Jozsef Bognar's thoughts with today's reality, let us detour a bit. What is the connection between managerial independence and responsibility? In what areas may the manager, alone, make decisions, and to what extent do the consequences of his actions affect him directly?

There are numerous examples of Western firms firing leaders in time of crisis without batting an eyelash. The VW crisis of a few years ago was followed by the departure of company leaders; the same scenario was enacted at the AEG concern when it was on the verge of bankruptcy. When the Olivetti firm had a $100 million loss in 1978, its first act was to replace the leaders. The new leader, Carlo de Benedetti, was granted unrestricted authority: in 1980, trade picked up by 20 percent, and the $100 million loss became a million dollar profit.

Our goal is likewise to operate the means of production efficiently, to attain maximum profit. The difference is that the majority rather than a chosen few profit from the income.

Our present managers see this clearly today. However, they also know that socialism has yet to solve the dilemna of reconciling full employment with efficient, profit-oriented management. The regulators have been repeatedly modified in vain. It has always been necessary to include restrictions which motivate the enterprises to only limited reduction of manpower. The tax on wage level increases in excess of 9 percent is exorbitantly high.

The second important element which shapes the mentality of managers is that so-called special benefits, usually dependent on ad hoc decisions of superior organs, affect enterprise profits in addition to the regulators. In reality, managers who are truly competent would deal with higher organs as little as possible; most would prefer to spend their time on plant problems, on

cultivating domestic and foreign contacts. They would be in accord with the principle which sociologist Ferenc Nemes calls the ideal manager mentality: "The present system of economic guidance and regulation presupposes an internally directed leader characterized by resourcefulness, decisiveness and initiative. However, the truth is that most leaders are externally guided and are characterized by conformity, reliance on connections and tact."

When I recently visited the executive director of an enterprise, he showed me a circular letter from the ministry requiring all directors of enterprises belonging to a certain branch to attend a ministry briefing each Thursday. What can a manager do? He grumbles but appears each week at the appointed time. This is because whether or not they like it, the enterprises are regularly forced to make use of the assistance of the superior organs. As long as recurrent shortages are a feature in the socialist economy, our managers must continue to appeal for aid either with their investments or problems relating to supply of basic materials. In fact, intervention from above cannot be dispensed with even in matters of foreign trade. Habits become conditioned reflexes and persist even when the help of the authorities is no longer needed.

Thus in addition to increasing enterprise profit, managers must continue to cultivate higher contacts if for no other reason than because their personal income depends on the opinion of their superiors. Even if we assume that income alone is not the sole determinant of managers' interests, it is still important and essential that there should be a close relation between enterprise profit and the personal income of the leaders. Managers should prosper in accord with their professional performance.

In the July issue of VALOSAG, Sandor Erdelyi, who, as chief engineer is an active leader, summarizes the opinion held by many as follows: "Quite naturally, we habitually came to embody that type of Hungarian leadership behavior which can be characterized as an attitude of maximum attention and realism towards current authority. Unconsciously we mirrored the view that in today's Hungary the personal opinion of authorities, the spoken or unspoken value judgments of comrades are of excessive, virtually decisive significance in the consciousness of the leaders. I am not speaking of top-level leaders but of the entire leadership hierarchy."

To what does such a behavioral model lead? Decision making rises to an ever-higher level. According to some economists, the regulators effective since 1980 inevitably and stealthily restore centralization. There can be only one solution: we need a group of leaders, managers who are responsible for production. And if this does not happen? Then we must expect what Erdelyi projects in the above-quoted article..."There is war in the world today, merciless, relentless economic war between systems, groups of nations and nations. Unless in the course of this we clarify the concept of leadership responsibility, break our self-forged shackles of zero responsibility and the chains of the forms through which this manifests itself, there is at most only one thing to do: join the ranks of the defeated yet again. And only one weapon is recognized in this war: production."

This is why the thoughts formulated in 1966 are more than ever pertinent today.

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PRICE REFORM, COMPENSATION DISCUSSED BY PANEL

Warsaw ZYCIE GOSPODARCZE in Polish No 1, 24 Jan 82 pp 5, 6, 7, 8

[Panel discussion, conducted in the editorial office 9 January on the reform in the price system and principles of compensating for the rise in the cost of living, including Alfred Banach, deputy director for economic affairs, Pollena-Uroda Plants in Warsaw; Zbigniew Ducin, secretary of the PZPR plant committee at the engine plant of Ursus Mechanical Plants; Krzysztof Gorski, undersecretary of state at the Ministry of Labor, Wages, and Social Affairs; Zdzislaw Krasinski, chairman of the State Price Commission; Andrzej Nalecz-Jawecki, chairman of the Consumers' Federation; Teresa Palaszewska-Reindl, director of the Institute of Domestic Trade and Services; Jerzy Rasilewicz, secretary of the main board of the Union of Socialist Polish Youth; Kazimierz Rusinek, deputy chairman of the Main Statistical Office, Sylwester Zintala, secretary of the PZPR plant committee at the Zelmot Plants in Warsaw, and Jan Glowczyk and Janusz Otaszewski representing the editors: "Price Reform -- Necessity and Uncertainties," compiled for publication by Janusz Ostaszewski]

[Text] [Question] Discussing the price reform today we must take into consideration the new conditions of social reception of this need to conduct the operation. First, the change in retail prices foodstuffs does not mean that they will not still be rationed. Second, there is no hope of quickly improving the market situation, although the price reform will be of some help. Third, the rise in food prices will be concurrent with changes in the prices on manufactured goods as the result of the new principles for setting them and the new wholesale prices. It is not yet clear just how high these prices are, and the method of compensating for the resulting rise in the cost of living has not yet been established. An important element in determining the situation is the fact that this year the population's income will not rise as quickly as last year. Created national income has declined, so that there is not much to divide. Although one might say that last year's increases were "anticipated compensation," in the mind of the society that is not the way it is, after all. Certain social groups felt keenly the influence which the new prices on alcohol, tobacco, and gasoline had on the cost of living. All this together will make it very difficult for the price reform to gain the necessary understanding and acceptance of the need for it. Let us add to this the fact that the scale

and scope of the proposed rationing is shocking, attracting a great deal of attention away from the immanent main element of the price reform, the systems for compensating for its effects.

[Z. Krasinski] The complexity of the problem is truly enormous. Let us recall that the 1970 increase in food prices was to amount to 11 percent, and that of 1976, 38 percent, but both of them evoked decided social protest. The increase currently being proposed is really tremendous in comparison to the other ones, but it is unfortunately also essential, if our economy is to be restored to health, and we all are to benefit from it, even though now we must bear the costs. We can no longer put off this operation.

[K. Gorski] I must admit that I would like to defer it, like most of the employees, thinking about my own budget. On the other hand, as an economist, I know that it is high time to do it. In my opinion these are the arguments calling for such decisive rationing:

First, money has lost its role as a real instrument in commodity exchange between town and country. It is hard to be surprised that farmers do not want to sell hogs or potatoes at full value on the zloty in exchange for zlotys which have lost part of their value. If things continue, farm production will die out more and more.

Second, money has lost its incentive function. People value their free time more highly than work, even work which is more profitable, because they cannot buy anything. The restoration of money's incentive capacity is a condition to getting control over the crisis.

Third, without flexible price-setting principles and the mantenance of rigid prices, the reformed economic-financing mechanism could not function properly. The price reform creates the chance that part, at least, of the enterprises will gain socially desirable production from the resources at hand which is finally profitable. We cannot go on with a situation in which a tractor part has an official price of 25 zlotys, while the producer's prime cost is 150 zlotys and the farmer is buying it for 300 zlotys, because he needs it so much, but nobody finds it profitable to produce it under such conditions.

[Question] Nonetheless, given the large scale and sphere of the pricing operation, it is probably possible to consider whether it should be introduced all at once or in stages.

[K. Gorski] I am for a single solution, because the whole remedy has been delayed from the viewpoint of the functioning of the economy, and the various stages would have to follow one another in short order, and this would not fail to impact the technique and effectiveness of compensation payments, and this aspect is important. After all, it is necessary to make the calculations and pay out money to 28 million people. I also think that given the large scope of the changes there is greater probability of proper compensa-

tion for family shopping baskets which have very great structural differences, although I realize that compensation which would be entirely satisfactory to everyone would have to increase the mean rise in the cost of living by 30-50 percent after the price change. This is not possible. After all, it is our aim to use the reform to obtain "good money," which will be covered by goods available on the market. Since we cannot achieve it by increasing production, we must raise prices and compensate for the increase in a ratio of at least 100 for 100 for those groups in the most difficult situation and, to some extent, for those situated at the moderate level. This is a painful step for many social groups, but it opens up brighter prospectives.

[Z. Ducin] Workers in my plant are critical of the scale of the increases, but they are in agreement with a one-shot increase, because if something has to be very painful for me, let the pain strike just once.

[Question] There is a certain contradiction in this. To do it once after all means to do it on just such a scale which is being questioned but is, unfortunately, irrevocable. The gradual introduction of the increases reduces the scale and should therefore favor acceptance. How do you reconcile these two views?

[Z. Ducin] I agree that it is not too logical, but I am giving here the views of our workers, and that is the way they are.

[A. Banach] In talking about a one-step or multiphased implementation of the price reform, we must also take into account the supply situation in the country. The enterprises are building prices on the basis of anticipated costs. If we are forced to reduce production for supply shortages, these costs will turn out to be different from those for planned production.

From the plant's point of view, then, the reform should be introduced all at once, because this will make it possible to determine the effects of the price change and also to draft all at once a suitable incentive system for wages taking into account the compensation for various professional groups, especially that for employees with good skills.

Compensation, the Most Important Problem

[Question] Compensation, which from the social point of view is the most important part of the price operation in its broad reception, is somehow on a secondary level, which is symptomatic, but in assessing the price reform proposals, after all, it cannot be overlooked.

[Z. Rusinek] Before we talk about the principles of price compensation, perhaps it would be useful to present the following facts:

In January 1980 the mean wage in the socialized economy, as I recall, amounted to 5,200 zlotys. By January 1981 it had already reached 6,300 zlotys, and by December 1981 it had reached a level of 9,000 zlotys (the December mean is somewhat inflated, owing to the fact that it is the end of the year and various leftover payments are made). Therefore, between

last January and last December wages increased by nearly one-third, and the monthly average wage in terms of the year 1981 amounted to about 7,250 zlotys, and this was an increase of 25 percent. This sudden increase, often forced, alongside a simultaneous decline in production, labor productivity, and supply of market goods, was responsible for what happened and what was bound to happen. In essence this was a horrible experiment which produced effects inimical to the goals on whose behalf it was forced.

I agree that the most important issue in the price reform is the system of compensation, which will determine whether the society will accept the reform. I have several comments to make on this subject.

There is no correlation between per capita income in a family and the level of wages. Hence, the most positive feature of the system is the amount of compensation for children and nonworking wives, an amount which is basically independent of income. We have many groups of families with very low employment levels, such as the families of miners, whose wives usually are not employed. In 80 percent of the families, the per capital income level is expalined by the number of persons supported by the person employed.

Only about 20 percent of the people in families with the lowest incomes are actively employed, compared to 80 percent in the families with the highest incomes. This explains why there can be no completely fair mechanism for regulating income solely through wages. Thus the principle of compensation for children and nonemployed persons coincides with the sense of justice. In the families with the lowest earnings, employed people do not have the lowest wages, although everyone thinks they do. Budget research shows us that above-average wages predominate in such families.

I think that overly degressive variants of compensation are unfair. Fairness is anticipated through the reduction of the incomes of people who earn a great deal. Meanwhile, contrary to popular belief, it is not just bureaucrats who earn the high wages. So do all the key sections of the working class. Hence, I am against variant C, which strikes right at the workers.

[Z. Krasinski] Results gleaned up until now from public opinion polls show the range of views on the compensation variants proposed, but equal compensation for employed persons is generally rejected. In the letters which we are now receiving, only 20 percent favor equal compensation. Variants B and C have been receiving 40 percent. Therefore, we must review all the elements including the motivating factors, which can determine the choice of a variant. I think that it is just these motivation elements which should incline us to variant B, with some compensation degression in keeping with the level of earnings, but not to the extent that wages will be made equal to the point where active employees with higher earnings will be discouraged from more productive work.

The only argument for equal compensation for children could be the point that this is a component of the family allowance, which is differentiated, so that in granting equal compensation we retain the principle of some degression. Nevertheless, 68 percent of those polled favored differentiated compensation.

[S. Zintala] I would like here to make a statement against some rather risky generalizations made in the press and on television that the whole society understands the necessity of making certain price changes and not others. It is not like this at all. A substantial proportion of the society is interested only in how much they have in their pockets, not having the foggiest notion of the whole complicated system of economic relationships overall. I do not like such generalizations at all, especially when there were recent slogans that the whole society has been categorically demanding something. Therefore, we can talk only about a part of the society, and even then with the reservation that not everyone who sees the need for raising prices agrees with the scope of price rises being proposed. What is being questioned is not only the size of the increases but also the system of compensation.

The proposed rise is associated with the fact that for several years there have been systematic jumps in prices on not only foodstuffs but also other products which we normally buy, so that the wage increases are immediately leveled. The inflation gap, which people talk so much about, is not in the workers' pockets. On the scale of the country it undoubtedly exists, but workers do not own it and are very malicious in the commentaries.

In the plant we have been discussing which employee groups will bear the brunt of the increases. In our place it is calculated that those of average wages will get it in the neck, that is, skilled workers too, those who have earned their qualifications and rank through many years of work. They feel the price changes most keenly who do not earn the most or the least, the latter correctly being the ones whom the compensation system protects.

This whole matter still has too many unclear areas which give rise to various sorts of assumptions. The leaflet, for example, talks about making up for the rise in the cost of living through a rise in wages, but after all this increase will depend on the plant's situation, on whether or not it can afford to grant employees a rise in wages. And these increases will not include the entire workforce either, just certain groups.

The sense of the Zelmot workforce does not coincide with the poll results televized concerning compensation in accordance with variant C, that is, strong degression according to the level of earnings. This variant is considered very improper, along with variant A, which would also grant compensation to the groups with the highest wages. People also say that the compensation for heating fuel should be awarded per apartment or dwelling, not per person.

[Z. Krasinski] Despite everything, we have to say openly to workers: You are dynamic, full of initiative. You work hard, and that is why you earn well, but during the present time, when production has dropped by 30 percent in relation to that of 2 years back, now that we are in the worst period of our entire postwar history, you are going to have to make sacrifices for a period of a year or two on behalf of the entire society. This applies not only to workers, but they are currently in the group of the people with the highest earnings and account for the largest share of that group.

Vocationally dynamic groups can manage a new situation in a year, according to the experience of both our country and others, because if the enterprises find themselves in a better situation, they will reward better work. It is in their own interest to see to it that those upon whom the existence and development of the plant depend are paid better.

[Z. Ducin] In our own political sense, we must and do say at Ursus that the cost and social dedication are necessary. We cannot come out with statements which are too scholarly and incoherent, because this does not say anything to either the group of activists or to the workforce. Hence, unless we call right away on the dedication of the working class, although at the present time this is so extremely unpopular that people grind their teeth in front of us, unless we tell them that it is necessary to help the state, then nothing will come of it, even if the professor issues one more pamphlet and appears on television ten times. I would like to take this opportunity, as an old Ursus man, to apologize to Prof Krasinski for the unpleasantness he experienced during a stay at our place not too long ago, although I myself have a number of bones to pick with him.

I have held a series of meetings with workers in our plant, and I think that this increase may be very difficult. There is a clearly growing and noticeable paralysis of fear, a lack of faith in the effectiveness of the undertaking. At many points this degenerates into extreme anger. That is the truth.

I do not deny this macroeconomic scale, but we cannot, do not want to, and must not talk like that with the workers. This is because of the overall rather low level of knowledge of all those economic mechanisms, and in our place, at Ursus, also the poisonous propaganda which was spread against the reform by the gentlemen from "Solidarity" and which -- let us not hide it -- is still being waged by the second, third, and fourth set.

People are saying clearly: We do not see absolutely any timeframe in which we will make any improvement; on the contrary, we see a long period of several years or more in which there will be no stability in the standard of living of our families.

A few words on incentives. In my plant, in the engine test house, an engine test bed worker earns up to 15,000. zlotys. We want to turn out a lot of engines. How is the administration to provide an incentive for people to turn out more, when money does not interest them? The worker

there will be very severely impacted by the price reform, because as an employee he will not receive any compensation at all, not even a minimal amount.

I should also like to emphasize this point: Please do not talk about any inflation gap with respect to the working class. It is not in our place. In the factories you must not talk about it.

[Z. Krasinski] In talking about the inflation gap, I often use this comparison. If each of us has an average of 1,500 zlotys in our pocket, and I assume that this worker in the engine test house has just such a sum with his earnings each month and can take it out of the envelope and spend it right away, then if we multiply this by all the people working in the country, we will get an approximation of the value of this unfortunate gap.

[Z. Gorski] In my opinion the tragic part of the situation is the fact that the gap is reality, money without goods to cover it too. After all, it is sufficient to compare the rise in income with the decline in production, but I too, as a consumer, prefer to have 5,000 inflated zlotys in my pocket than to have 5,000 fewer inflated zlotys. I will take them to the peasant market and buy two Hungarian salamis. This is therefore more advantageous to me, and I understand that from the viewpoint of the interest of the individual it is not easy to give up this inflated money.

On the other hand, the society must unfortunately make a sacrifice here, and we have to say so clearly despite everything. Hence, we have to make the best possible use of the time left remaining to us to find the way to compensate for those losses, a way which on the one hand would be the most acceptable and on the other hand, technically feasible. This is by no means a sidelines issue. The payments must be made efficiently. Nobody can explain to a pensioner the delays which may make his existence impossible. The technical aspects of the operation may as a consequence determine its success. This must be taken into account in selecting the variant of compensation to be used. It should be as simple as possible. Even the more or less logical proposal of making the compensation dependent on the level of earnings creates a problem as to what should be included and what should be excluded in determining the amount of earnings. We have decided not to include overtime or pay for free Saturdays.

What are we to do about somebody whose earnings increase or decrease in the meantime?

These are just two examples of the inherent problems. From the viewpoint of the technical aspects of the whole operation I would take a decisive stand in favor of equal, uniform compensation for everyone, but we cannot go along with such a concept, because public opinion is against it and there must be preferential treatment for the groups with the lowest earnings. But all this must be relatively simple for it to be effectively implemented. For example, with 5 million people to serve, ZUS will pay out compensation 3 months in advance.

[J. Rasilewicz] We are in the midst of broad discussion and consultation under the auspices of the Union of Socialist Youth (ZSMP). There is a general understanding there of the need for a joint view of the problem of economic reform and price reform, but we are also noticing many dangers.

Whom will this operation strike the hardest? Young people feel that it will be themselves, who are entering life and are forced to set up families, and old people, that is, large groups of the most modest means who, from the viewpoint of the ideals by which the socialist state is guided, should be most carefully protected, the former, so that their characters will not be warped and so that they will not go out on the street in the future, and the latter, so that they will have the peaceful old age they deserve without worrying about their existence, because they have worked hard all their lives.

Young people talk about the need to tie the price reform to a reform of the wage system. Today the effects of work are not related to the level of remuneration, and the young, skilled worker feels that he is not being paid in keeping with the contribution he is making to the overall national pot.

The system of compensation is not giving rise to as much emotion as the uncertainty about whether the state will create a safety net for young families in the form of credit policy or a certain market basket of products will be related to receiving the first apartment in their life, or to starting a family; whether the state will stimulate production to create a children's and young people's market and a market for older people, that is, a market not of luxury goods but of those which are a condition to the basis of existence; whether free prices will not become arbitrary and whether waste will not be calculated into them, along with poor management and administrative overgrowth.

[A. Nalecz-Jawecki] In connection with price hikes and regulation, the Consumers' Federation is calling for the introduction of a strict control of the quality of goods and services. The goods must be of good quality and worthy the prices on them. Commodities will no longer by subsidized by the state, and the producer will not add a supplement to them to make up for them. Therefore, the consumer will have the full right to demand that they are good. This will be a sort of compensation to which he will be fully entitled, and the federation will help him get it.

We think that the price must be lowered, if substitutes which reduce the utilitarian value of the product are used in production, if poor production quality is found, or if the design or aesthetical qualities are inferior. In this connection the trade ministry should adapt and upgrade the system of stamps very quickly. Commerce should also reach agreement with suppliers on the expansion of the range of product grades and classes.

The efforts of the Consumers' Federation -- this applies both to monitoring prices and watching quality -- as a group of people "from outside" will be relatively small, unless they coincide with the activity of the workforce of the production and commercial firms. The employees of these firms must

finally understand that they too are consumers. They must stop looking at their activity solely as producers interested in quantity and profits.

I am convinced that the sudden great freedom the enterprises have in setting prices, however, will be used by many of them for speculation masked by dishonest calculations, the calculation of the costs of wastefulness into the costs of production, the inflation of costs to cover lack of thrift or part of development (such as the modernization of fixed assets), and so on.

Both the rise in prices and the efforts at order performed during the state of war should be an opportunity and occasion to put elementary matters on the market in order. The following suppliers' obligations should be required at once: the marking of the product with the date of its production and the latest date it will be fit for consumption, the clear designation of exactly who produced a given item, the inclusion of clear instructions for use, the provision of guarantee and complaint provisions for the consumer, and so on.

[K. Gorski] I wish to say a few more words about the way compensation will be made for the rise in the cost of living and for free prices. Such a methodology was ready back in December of 1980. In January 1981 we sent it for appraisal to all the trade unions, to no avail. By December we had not received any official positions.

It boils down to the notion that a market basket of standard goods will be examined, and after a quarter or two wages, pensions, and other benefits will be corrected according to the rise in its cost. The defect of such a method under the conditions of a rapid increase in prices is the fact that the movement of free prices in January, February, and March may be compensated for in May of that year, for example. For this reason consideration is being given to the possibility of anticipatory compensation in advance for those groups of the population which earn the least, with a correction made later for the advance payment. Of course, this would apply to the standard market basket of manufactured goods and would consist of frequently bought items. It would not apply to luxury items or those purchased less often, like washing machines, refrigerators, television sets, and the like.

Price Element Barriers

[Question] We have already passed into another area of matters related to the compensation for the rise in the cost of living, the realm of prices on manufactured goods. How will they be set, and what will protect the citizen from -- let us also take this into account -- the possibility of a wage of price booms?

[Z. Krasinski] There are official prices for 35 percent of all commodity turnover, and they include footstuffs, except for marketplace prices and some minor assortments of food items, basic items for children and youngsters, gasoline, tobacco, and alcohol.

Regulated prices -- 15 percent of turnovers -- are set according to strict rules for calculating the costs of production and standard profit.

The standard prices -- 50 percent of turnovers -- will be based on agreements between producers working in cooperation [coproducers] and between a producer and commerce, taking into account the conditions of supply and demand.

The scope of standard prices is very broad. We are starting with the sphere which the Hungarians achieved after their economic reform had been functioning 15 years. Can and should we use strict care in overseeing the process by which they are set?

During the initial period they will undoubtedly tend to the level of equilibrium prices, and they will hence be higher, even considerably so, than regulated prices, but we have a tremendous inflation gap, which has also been accumulated by the highest earning groups. It is to be supposed that they will reach for goods with new prices and that at least part of the gap will be eliminated. Given the assumption that after the initial period the demand will drop, prices will have to come down, and then the goods will become available to others. I am aware that this is a theoretical assumption which is open to discussion, but it creates the opportunity of having the state budget take up part of the gap.

Will these prices be so very high? I know that the enterprises are very much afraid of excessively high prices and are making careful calculations. If they go right away to equilibrium prices, which will be very high, because they have to include the costs following from partial employment and exploitation of capacity, from the overgrowth of administration and the waste which exists generally in various forms, then given the limited demand and the accumulation of reserves, they will have to reduce these prices quickly, which will have an impact on the level of profits and the funds coming from them. Therefore, on the other hand, they will also be forced for probably the first time in our postwar history to dip into reserves in order to reduce the costs. If the price runs into a demand barrier, then they really will have finally to think about the effectiveness of their management. Therefore economic thinking and theory will begin to operate, and this will provide us all with clearer perspectives, although the onset may produce a shock in terms of how high the prices in which we come into contact are. These are all consequences of the functioning of the market mechanism, to which we must become accustomed and, unfortunately for which we must pay in order for the economy to be restored to health. I would therefore be against any sort of severe interference in this price-setting process.

But it is not just the producers' restraint and moderation which will protect us from boom prices The Council of Ministers has been given the right to intervene -- this includes freezing prices -- if this process is too sudden. Therefore, the consumer is by no means completely helpless in the pricing game of the producers, and the state can protect his interests.

[K. Gorski] Insofar as the limiting influence of demand barriers are concerned, experience up until now does not incline us to optimism. The research we conducted in small manufacturing, where free prices have been in use for some time does not confirm Prof Krasinski's expectations. We do not see there either a rise in production or a drop in employment, only a rise in prices, which proves that the demand barrier under our conditions is difficult to fathom.

On the other hand, however, there are elements which incline us to careful optimism and which speak in favor of Prof Krasinski's hypothesis.

The demand barrier may appear rather quickly as the result of the fact that the population has known for a long time about the impossibility of preventing the increases and for this reason, acting after all in a very rational way from the individual point of view, has stocked up on many items: several television sets, reserve supplies of clothing, shoes, and so on. After the increase they will hold out and not make any purchases, which fact which have an impact on demand and force the producer, even without the competition of cheap imported goods, to reduce prices but also to expand production, and this will be economic necessity stemming from the mechanism of the economic reform, and not administrative requirement.

[J. Rasilewicz] It is rather difficult to believe in these price reductions, inasmuch as we have been brought up under conditions where the producer and not the consumer dominates the market. We do not know what competition is. We have a market monopolized by "sole producers," who will still have particularly favorable conditions for driving up prices, giving no care to waste, bureaucracy, or organization and management. The buyer of many such products especially those coproduced, will not associate their prices with a concrete producer, and of course the state will bear the responsibility, because that is the easiest.

[S. Zintala] How do you force a plant like our Zelmot, for example, which has a monopoly in the automotive industry, to reduce prices on distributors or automobile reflectors? If it wants to produce cars, FSO, the automobile factory, has to buy them, and if it does not buy them, production comes to a halt.

[J. Rasilewicz] I see a conflict in the reasoning of Prof Krasinski and Minister Gorski. Let those who cannot afford it wait to buy things until the rich buy them, demand drops, and the product becomes cheaper. How long are the poorer people going to have to wait, and will they be able to wait? I do not know if a young mother will be able to extend her pregnancy by a few months in order to be able to buy a sleeper or stroller. It may take all the longer if the rich, as Minister Gorski said, have such reserves, after all, and are in no hurry at all to replace them at the higher prices. And then what?

This is exactly the thinking of the people standing in the workshops, and instead of working they are worrying about what things will be like in the

shop tomorrow and about whether they will be able to buy what they absolutely have to have with the money they earn.

I also have reservations about whether the information about the projected price operation is true. There is talk about the shocking new prices on pate and grits or the astronomical price on a color television set, but there is no information about how the price calculations look in concrete enterprises, in relation to concrete items. I do not believe that the enterprises are afraid of high prices either.

[A. Banach] Free prices cannot be voluntaristic prices. In setting them in the plants we must take the long-range prospects into account. You cannot jump the prices way up and then later reduce them. Trade has a very important role to play in setting the level of free prices, and it should discuss these prices with the producers. It is a question of becoming familiar with supply and demand. The producers do not have this knowledge, but I am afraid that commerce does not have it either. In the setting of free prices, trade organizations should play an important part.

Plant management here must have more in view than merely their own interest or the public interest.

I think that with free prices an incentive wage system must be in operation. This must be a system which helps to lower production costs. The enterprise must have freedom in using the payroll fund. It must feel completely independent and be a responsible manager, operating within the framework of general principles.

[K. Gorski] The 1982 enterprise operation principles state clearly that the enterprises are completely free in their choice of system and forms of employee remuneration. The ministry is making preparations for a major wage reform in 1983, but it will not be based on the traditional system of wage regulation. We are planning to introduce new general schedules and rate tables, with broad spans, and the enterprise will retain great freedom in regulating wages. We are not going to prejudge anything, and our referees are not going to make decisions for anyone. On the other hand, we will give advice and assistance.

[Z. Krasinski] The price law provides for the creation of a body independent of the State Price Commission, a social price commission, one-fourth of whose membership is to be made up of trade union representatives, the Consumers' Federation, independent scientists and specialists from the State Price Commission, advisers. This body will serve to perform advisory-monitoring functions in setting official and regulated prices.

But here we are talking above all about the need for price changes. We are anticipating the negative effects and we are somehow afraid to talk about the long-range prospects, about its positive effects. What will they be like?

Above all, a good market. I am convinced that making production profitable will expand the assortment of market goods and its range of quality grades as a result. In the not-too-distant future there is the chance that the store shelves will fill up, although we have actually already gotten out of the habit of seeing them full. Finally, the new economic mechanism, including the market mechanism, will also create better conditions for the functioning of trade. Along with free prices there will also be freely set profit margins, conventional ones established between trade and the producer. There is therefore the chance that new goods will be brought onto the market and that there will be a great rotation of goods.

There is the opportunity to break through the monopoly which certain trade enterprises have. By providing higher profit margins -- let us remember that in our country trade is very underdeveloped even in comparison to our neighbors -- we will allow trade to be very profitable, and this should provide encouragement for other partners besides those we have had in the past.

We are also talking about the absence of competition among producers. Let us remember that there are areas, the food and agriculture industry and light industry, for example, where there are many different plants, and the new conditions will further mutual competition among them. Basically, the production monopoly exists in a rather narrow range of products, those which are called "durable goods." We have 30 plants which produce furniture, a dozen and some which turn out footwear, and this too represents some sort of competition. But where there is a monopoly, the price law provides that if such a monopolist wants to hike the price on his products the price administration can change the free price into a regulated price with all the consequences resulting therefrom. Therefore, the monopolist must be very careful not to wind up in such a situation, to avoid facing its consequences.

Now about the legibility of the price-setting principles. Now there are four directives prepared for the price law. They are very precise in the information they give about the way various categories of prices should be set. They should be popularized, so that everyone becomes familiar with them and can see that they have nothing to do with voluntarism.

Social Policy

[Question] Then the whole job now boils down to selecting the most suitable and fair system of compensation and to becoming as well prepared as possible for this operation on the technical side and not lose anybody, although we are aware that on such a scale there are bound to be instances which are not taken care of and that there is no possibility of choosing an ideal variant which will meet all the requirements. The issue is still open to discussion, but it must be emphasized that while it is assumed that generally speaking in relation to food there will be full compensation for the market basket of products, compensation for the rise in the cost of living resulting from free prices could be accomplished -- time is

needed. It is necessary to become familiar with the movement of prices and to count up everything. The calculated compensation for those of most modest means comes into play.

It is not possible to find an ideal solution for the situation of each family individually. Therefore it is a question of seeing that social services operate as efficiently as possible in the plants, but we must not exclude the notion that some social groups might find themselves in a situation which had not been anticipated. Do we have some sort of safeguard here? If something like this happened, is there some possibility of making some correcting, with some delay, of course, after the analyses?

[K. Gorski] Yes, you could say that. In reserve we have the possibility of increasing cash social benefits. For example, it is possible to consider extending paid maternity leave, raising minimum pensions and annuities, additional benefits in the form of allowances, doing something in the realm of the plant social fund. We are considering the matter of creating a special social fund for rural areas, a fund which would equal possible extreme cases which might occur and even them out. The people without jobs will be covered by the vocational activation fund, and here the employment administrations will pay for compensation.

[J. Rasilewicz] Many stratified contraditions cannot be resolved, unless there is a clear perspective of what awaits us and unless the principles which injure the economy and demoralize the society are done away with once and for all.

A 30-year old worker today, for example, reaches the top step on the wage scale and faces the anticipated prices. He has reached his maximum. Now what?

The cardinal issue is the wages systems and the restoration of incentive features to them. Full information is needed on the principles of social policy. Meanwhile, there is the hope that this increase will not be treated as a move devised by economists which is intended to strike at society but one which is to create normal living conditions.

One other comment comes up here, related to the focus of state programs. I think that they should be aimed at the younger generation, the group which is the largest, in the greatest need, and the most necessary for carrying out any program.

[T. Palaszewska-Reindl] There is no doubt that the sensitivity of the whole enterprise will be tremendous, as has been expressed in the discussion. This is first of all because all this is happening under conditions of tremendous uncertainty applied to a very great many areas of our life. All effort must be directed to reducing this degree of uncertainty concerning the principles of the functioning of the economy and the operation of the

social system, but there are three special issues: the principle of price-setting, the market situation and its outlook, and the directions of social guarantees.

Price-setting principles give rise to many doubts, according to all the research we have done. The examples presented in the pamphlet for making the calculations try to resolve them, but I think they include a great deal of uncertainty as to the operation of the wholesale price system, so this has to be completely explained.

The next issue is the market outlook and the conditions of the market situation. It is very bad, and we all know it. Therefore should we not limit protective action to what has been called the protected sphere and clearly define the products and components of the population's expenditures which must be protected with particular care and where the price rise must be decidedly lessened?

At the institution we attempted to specify supply standards with respect to the nutrition needs of adults and children. It would perhaps be worthwhile on the basis of it to structure the realm of protection. To use social minima as a basis has a negative social impact and evokes a natural reflex of denial. Usually such a minimum, after all, does not coincide with the individual sense of consumers. This is what happens in the case of the data presented in the pamphlet, where the indices given for the consumption of various products give rise to doubts. This is the reason for my conclusion: the further concretization of the outlook for social protection and a program for getting away from the strict rationing of products could reduce the uncertainty which generally prevails. We intend to conduct further research consistently on households' reactions to the price changes.

It is not enough to propose even the fairest possible compensation. A program must be announced, a fixed mechanism to compensate for the current rise in the cost of living. This has already been discussed many times. Minister Gorski talked about prepared proposals.

There is a need to offer a clear social action program concurrent with the price reform. Otherwise the price reform will come as just one more bookkeeping measure which will not restore market balance, will not bolster incentive, and as has been said here will not be related to the principle of pay for work. If these issues are not fully explained, we should hardly be surprised that people are upset.

I would also like to mention here the results of family budget research, especially the research on the simulated effects of the price increases, as conducted by Docent Dr habilitowany B. Gorecki. This research shows that in anticipating the increase in the cost of living if we use data from the recent period we may find a low rate of compensation for expenditures, particularly for families of intermediate income and small families of two or three persons. Unfortunately, we have to expect these families to bear the brunt of the whole undertaking. It is not enough to talk about

this. Steps must be taken to reduce this burden. We must win these people over as allies of the reform and not put them on the opposition -- and there are a very great number of them.

Should we not also tell ourselves that the Polish child is unique and that we want to see that each one has proper conditions?

I am also for very strongly making a distinction between the stratum of social safeguards and that which is of incentive significance. This is a chance to say so openly. At any rate, it is worthwhile and necessary to do everything to get rid of all these uncertainties which the society is feeling and which is making it frightened about the future.

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IMPACT OF COST, PRICES ON ECONOMY REPORTED

## Impact of Cost, Prices on Economy Reported

Warsaw TRYBUNA LUDU in Polish 11 Jan 82 p3

[Article by Ryszard Bilski: "The Price and the Cost -- The Reform in the Factory, the First Week"]

[Text] Monday 4 January 1982

I talked to Antoni Terwinski, a stoker at the Pollena Uroda Cosmetics Factory in Warsaw.

"Today the basic principles of the economic reform go into effect," he says, "and we are still working in the old way. The management of the work is no better. Waste is not being eliminated. People are thinking only about the rise in prices... There are too many bosses. Some of the positions are probably there only so that somebody can get paid.

"I do not understand why the boilers have to get cleaned on overtime, as they have for years. After all, this work could be done during the regular working hours, especially since we have a reserve boiler."

The factory management is unavailable. They are working on the new prices. The next day I have an appointment with the director of economic affairs, Alfred Banach.

"The salesmen will be here at 12. We are going to give them the new prices for the first time. You will see the way they react."

Bonifacy Barylko, head of production, speaks:

"The daily tasks, still computed in the old prices, amount to 9.2 million zlotys. Unfortunately, today we did not fulfill the plan. We were nearly 2 million zlotys short. The inventory of materials interfered with it."

Tuesday, 5 January 1982

The meeting with the salesmen was postponed. It will take place off the plant site.

After all, there are still many unclear areas. They have to be discussed at the ministry. There were many surprises in the drafting of the new prices. It turned out that some products not only should not have their prices increased but should actually have them reduced. For example, clover shampoo should drop from 41 zlotys to 30 zlotys, mint shampoo from 45 zlotys to 37 zlotys, and nettle-burdock shampoo from 41 zlotys to 31 zlotys.

"Can I believe my ears?" I ask.

"That is right," A. Banach says. "The prices set during the past few years on novelties -- and this is just what we are talking about -- were based on tentative, inflated costs, and there is no reason to hide this fact. This is the main cause for the present differences. But there is also another reason. The tax now in effect is much lower."

The ministry's decision was that the prices on these products should remain at the previous level, which means that there would be neither the increase which had been expected nor the decreases which had not been expected.

We will have to wait for the decision on the baby oils, Ono and Jacek i Agatka, which with the new tax (at one time there was no tax on these products) will rise in price from 45 zlotys to 111 zlotys and from 27 zlotys to 100 zlotys, respectively.

Nevertheless, these are extreme unique examples. On the average wholesale prices at the cosmetic factory will increase by 30 percent (creams by 10-15 percent, colognes and perfumes by 30-40 percent, and liquid laundry products by 30-35 percent). Therefore, prices will increase more slowly than production costs (which will rise by 45 percent). Costs as a share of production value (computed in old wholesale prices) will reach 93 percent. In other words, if a plant were to buy raw materials at the new prices and sell the goods at the old prices, it would still obtain a benefit and be at an advantage. Of course the benefit would be very small and not permit an increase in wages or allowances for other funds.

The prices presently being set are also subject to certain errors, although these errors are decidedly smaller than they have been up until now, because there are no detailed price lists for raw materials and other materials or, what is more, for partly-finished products. For example, we know how much more expensive petroleum is, but we do not how how much petroleum products will cost. Still under discussion is which compensation variant should be used. Meanwhile, this must be calculated into the costs right now. At the cosmetics factory the figure used was 1,500 zlotys per employee.

"After yesterday's setback, today is a good day, nearly 10 million zlotys. But it could be still more. The Modlina branch is at a standstill. They are out of the raw materials to produce cosmetic creams," the head of production says.

Wednesday, 6 January 1982

The new prices have been presented to commerce. The two major customers, Ruch and Spolem, accepted the factory's demands. They signed the appropriate documents. Under the new self-financing conditions these initial agreements are terribly important to the producer. If the prices had been questioned, they would have to have been reduced or other customers would have to have been sought. If no customers had been found, there would have been the danger of having to reduce production and employment. The consequences would have been severe.

"Today is also a good day, although not so good as yesterday. We exceeded the production targets by tens of thousands of zlotys," says the head of production.

"And what are the comparisons with a similar period last year like?" I ask.

"In terms of value, we are doing less, but our deliveries are larger. It is simply that the assortment of items is different, cheaper but more necessary. There are no expensive aerosols, but there are shampoos and detergents. In a word, we are turning out the essential cosmetics and household products."

Thursday, 7 January 1982

Bad news from Ruch and Spolem. They are withdrawing and actually suspending yesterday's acceptance. Did they perhaps come to the conclusion that the prices are too high after deeper reflection? Nothing of the sort. The reason is altogether different. Commerce is starting to bargain with the producer over who is to print the retail price on the product packaging. Ruch and Spolem think that the producer should do it. He does not deny this but proposes that after the word "price" a blank space will be left in which the seller can write in the retail price which he after all determines.

The head of production says: "The figure is 9.3 million zlotys, which is again tens of thousands over the plan, but I am starting to worry that the setback in the pricing negotiations may slow production. The dispatch of goods is limited, and things are getting crowded in the warehouses."

Friday, 8 January 1982

The next problems are added to the prosaic issue of who is to print the prices on the packages. Commerce says that the price talks have to start

over again, because according to the latest news the range of regulated prices on the products of the Warsaw cosmetics factory is to be greatly expanded (according to the initial provisions only liquid detergents for the laundry, Ono baby oil, and one grade of shaving cream were to have been included). Hence, there will be more official prices, far fewer free prices.

The head of production says: "Today we will exceed our targets by about 100,000 zlotys, but yesterday's threat of a production slowdown is still with us. Not only are the warehouses packed, but things are getting crowded in the production halls. The reception of finished products is small. The reason for this is the extended price negotiations. Of course we are looking for substitute warehouses, but we cannot work like this for any length of time."

These are excerpts from the reporter's notebook on plant life during the first week of the new year and also the first week of the economy's shift to reform. This is undoubtedly a rather one-sided account, one which is basically devoted only to one issue, the matter of prices.

I purposely concentrated on prices, because this really was the number one subject in this factory, and this is the most important problem at the moment of the onset of the reform. Unless the prices are realistic, unless they are based on the costs really incurred, it will be impossible to introduce the principle of enterprise self-financing. For this reason we are very disturbed by the signs that this work is being prolonged, that there are problems with obtaining binding price information, and that changes are still being made, although there was time to make decisions about what sort of goods are to have the prices free and what sort are to have official prices.

The source of profit, as everyone knows, is more than just higher prices. The advantages of the factory and its workforce can also be expanded by reducing production costs. An active price policy consists not only of keeping up with growing costs. It must provide for action making it possible to slow the rise in costs or even to reduce them.

In the Warsaw cosmetics factory there are such programs. So why are they not being carried out? I was told that there are still too many unknowns, not only concerning pricing issues but also supply matters, that for example it would be premature to shift employees around in the plant or to transfer them, as has been proposed, to other work.

That is true, but after all, difficulties with materials or energy will not soon come to an end, and there is probably no justification for deferring these programs and waiting for "better times." It is their very implementation which should speed the arrival of "better times."

## Imperative Need for Change

Warsaw TRYBUNA LUDU 13 Jan 82 p3

[Article by Krzysztof Krauss: "The Meaning of an Essential Operation: Concerning the Draft Price Changes"]

> [Text] The prices changes which have been awaited with such uneasiness and fluctuations and have been so heatedly discussed -- we are probably all aware of this -- will not begin the moment a choice has been made as to which of the variants for the regulation of retail prices on food, heating fuel, and energy and the variants of the compensation systems will be adopted for implementation.

The price reform began 2 weeks ago, with the introduction, first of all, of the new price lists determining the conditions under which as of this 1 January enterprises will be buying basic raw materials and other materials and, secondly, of the new principles (also beginning this 1 January, except for small manufacturing, for which the date was 6 months earlier) determining who will determine prices in the reformed economy and in what manner.

### Economic Necessity

The various variants for arranging retail prices on food, heating fuel, and energy and the compensation systems which the State Price Commission (PKC) presented for discussion -- and the issue has not been resolved yet -- concern a certain area which is exceptionally important to absolutely all the families in Poland without exception, an area which is vital but only part of the problem encompassing the whole network of changes in the level and structure of prices. In this case we are talking about goods for which the state will continue to set prices, owing to their social significance.

Beginning the first of the year the state is no longer directly setting the prices on most goods and services, on the other hand, that is, not for those which we find on the market but buy perhaps less frequently, although we spend more than half of family budgets on them. The production enterprises and trade organizations will set these themselves, of course with state control, using state determined regulations (based on the cost of production), but they will be on their own responsibility within the framework of the jurisdiction transferred to them.

It is therefore clear that if as the result of the wholesale price reform there is an increase in the costs of production, then this fact cannot help but have an impact on retail prices.

Then let us call the thing by its name: we are standing on the threshhold of rather universal, and let us hope controlled, price increases, which is going to have an impact -- it is bound to, after all -- on the level of

the cost of living in 1982. The state is making various sorts of efforts to ease any effects on family budgets which may result from the upward motion of prices, and is especially interested in preventing any decline in the real value of income from jobs or social benefits in families which are living at or below the line of the social minimum. The current condition of the economy, on the other hand, will not permit everyone to receive full, absolute compensation. Part of them -- and this should be mainly those who find themselves in a relatively privileged material situation -- will feel the effects of the price operation keenly.

Since large social groups for some time now and the majority of the society for 2 years have been dealing with a deterioration in their material situation, why is the economic reform beginning with unpopular actions? We sometimes hear the argument of the so-called inflation gap, which means that only part of the money we receive in the form of wages, benefits, and so on is backed by goods and services. The remainder (which is quite a bit, since it amounts to several hundred billion zlotys) is printed paper and nothing more.

When Production Declines

The inflation gap is a fact, but I consider this argument to be only partly true, just as I consider there to be little justification in the rather widely disseminated hopes that price increases will suffice for shop shelves full of goods to appear before our eyes. When production declines and the distributed national income greatly exceeds created income, then wages do not remain in any sort of ratio to the effects of labor, the productivity of which decreases, and no nonrecurring pricing operations will solve anything in the long run. In this way the best that can be done is to "eliminate" -- and even this is problematic -- the existing "inflation gap."

But this does not stop the inflation machine from running.

If we do not push production up and the growing flow of money to the market continues with what is to a certain extent predetermined (a rise in the lowest wages, reform of annuities and pensions, to say nothing about the effects of doing away with limits on employment and the payroll fund), then the "inflation gap" will almost immediately come back to haunt us, and who knows whether its dimensions will not be even greater than they were before.

The meaning of the price operation, its necessity and economic virtue, consists of the fact that it is not a goal in and of itself, only an essential means of restoring to the economy the ability to develop. This is important but it is not the only condition for finally halting the economy's race to the bottom, for awakening impulses for real progress in management effectiveness, and for encouraging thinking in categories of economic cost effectiveness.

Rational Accounting

In keeping with the spirit and letter of the economic reform, which began to be implemented as of 1 January, the enterprises have become independent and take responsibility for their own financing. There are no formal barriers to their expanding initiative in all areas of their operation, without having to think about getting outside approval. What is more, since everything in the enterprise depends on the income they obtain, they must stir up initiative and earn money in order to be able to stay afloat.

On the other hand, the thing is to expand initiative and seek possibilities for improving their economic situation in such a way as to make progress using rational economic theory and non irrational. Up until now the enterprises have been "finding out," because the structure of wholesale prices on the goods and services they had been producing was such that it was the most profitable to turn out luxury goods for a relatively small circle of consumers, because these products provided the enterprises with the greatest profitability, instead of basic goods for the mass market, inasmuch as these goods brought the enterprise the least profit. It is not a question of being "rational" in this way but of being really socially rational in keeping with the joint interest of the plant and the consumer.

Through the intermediary of the wholesale prices by which they must abide, the enterprises also "found out" that labor is expensive, but are energy and raw materials half free? A ton of coal used to cost the enterprise just about the exactly same amount as, for example, in the FRG it costs an enterprise there in West German marks. A fraction of the real costs were covered by the wholesale prices paid by the enterprise for electric power, crude oil, gas, steel, transport services, and just about all basic raw materials and other materials. Using this information to determine production costs and what will provide the enterprise with a profit, it is obvious that on the one hand there was a reluctance to turn out goods which are of basic importance to meet social needs and that on the other hand it did not pay anybody to be thrifty in the use of scarce raw materials and other materials.

It is no accident that to produce 1,000 dollars of national income we used, for example, 1.78 tons of standard fuel, while the figures were .84 tons for the FRG, .77 tons for France, and we used 210 kilograms of steel, while the FRG used 117 kilograms and France, 92 kilograms. We used 225 kilograms of cement, while the FRG used 120 and France 115, and it goes on and on like that.

The principle of the enterprises' independence and self-financing is an opportunity to awaken their activity, for them to mobilize all the untapped reserves to be found in ingenuity, organizational effectiveness, knowledge, and techniques to gradually get out of the crisis, the reserves which can be brought into the economic machinery and will finally help us -- we hope as soon as possible in the greatest possible area -- to have more and more social product to share, instead of less and less.

Difficult but Necessary

On the other hand, for the enterprises' intiative to find the proper direction for the elements of economic theory which the enterprises will use in making production decisions, they must be genuine. Costs must be costs, and profits must be profits. This is why, although it is difficult for all of us, we must go through the definitely painful course of making prices realistic, beginning with the wholesale prices which the enterprises use in making their calculations and clearing accounts with one another to the prices at which they sell their production to other enterprises and economic organizations and to the retail price which we pay in the shops.

To put this remedy off until later when things are "better" would be to cancel the whole reform and bury our chances for things ever to be better. There are countries which live in greater prosperity than we do, but there are also countries for which what we call misery would be a luxury. Which of these models do we want to strive for? In deciding in favor of steps which are often very sensitive and painful for the time being, we are opening up prospects, even if perhaps at a slow rate, for a decided path toward the former model of prosperity.

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## BRIEFS

QUARTERLY PLAN CHANGES--In Issue No 1, dated 24 January 1982, we published information on the subject of the main targets of the draft plan for the first quarter of 1982, prepared by the Planning Commission. We have learned that in the course of further planning work some of the totals presented have been made more specific. The changes affect the following categories: It is estimated that the industrial production rate in the first quarter of the current year will reach 89-90 percent, equivalent to a drop in industrial production of 10-11 percent; (Table 1) crude oil refining in the first quarter will total 3.5 million tons (99 percent); (Table 2) from the overall outflow of hard coal, direct consumption for purposes included in operational programs will total 25.6 million tons; (Table 3) the first quarter share of annual industrial production will total 23.6 percent, the first quarter share of artificial fertilizer production will reach 21.8 percent, and that of phosphate fertilizers, 20.8 percent; (Table 4) it is estimated that livestock purchase for slaughter in the first quarter of the current year will reach 432,000 tons (73.8 percent), while the purchase of livestock for slaughter for the second quarter of the current year is forecast at 418,000 tons. At the same time the Planning Commission apologizes to our readers for the error that crept into the materials provided to the editors. The estimated total copper production for the first quarter can reach 80,000 tons, and not 8,000 tons (Table 1). [Warsaw ZYCIE GOSPODARCZE in Polish No 3, 7 Feb 82 p 2]

CSO: 2600/325

ECONOMIST HORVAT'S VIEWS SUMMARIZED, DISPUTED

Zagreb START in Serbo-Croatian No 337, 19 Dec 81 pp 12-13, 76

[Article by Slaven Letica: "Dr Horvat's Political Remedy"]

[Text] Three prestigious Yugoslav sociopolitical figures have suddenly found themselves at the center of the public's interest in recent days: Dr Jakov Sirotkovic and Dr Ivo Perisin have brought harsh criticism to bear on the views of Dr Branko Horvat presented recently in the Belgrade periodical INTERVJU [INTERVIEW]. Why has Dr Horvat updated the arguments of the so-called White Book dating from 1970, and why do Dr Sirotkovic and Dr Perisin feel that they were and have remained politically unacceptable?

Once again an interview given by Dr Branko Horvat, professor, has raised a great theoretical and political hubbub. (This time it was the interview entitled "Certain Propositions Have Been Turned Upside Down," which was originally published in the Belgrade periodical INTERVJU and reprinted in the Zagreb IZBOR, No 11, 1981.) I say "once again" because Horvat's public statements have often in the past aroused polemics, criticism and even court injunctions. There are several reasons behind this attitude toward his writing and his activity. First of all, Branko Horvat is not just "anybody" in economic theory, in economic policy, nor indeed as a public figure in general.

Equally successful as a researcher (of the economic system, of business cycles, of development and acyclical policy), as a university professor, as an organizer and supervisor of postgraduate study, as a writer (of textbooks, studies and articles), as a research institute director, as the editor of journals and books, and so on, and so on, Branko Horvat has always had the great and rare privilege (and great responsibility) of being read and listened to with attention as to both theory and political implications among professional economists and political circles at home and abroad. Along with all his virtues as a theoretician which we have mentioned, he has always had one other rare characteristic as well: he has made his views public even when he knew that they had virtually no value in day-to-day politics (his reforms, his debates with the nationalistic economic conceptions in 1971, and so on, are famous).

Precisely because Branko Horvat is what he is, I think it is valuable to devote a bit of attention to an analysis of his views as expressed in the interview we mentioned and the views of his critics. Especially since the authority of those critics in both theory and politics is just as great as Horvat's.

It is sufficient to say, for example, that at the 16th Meeting of the Croatian LC Central Committee (held 4-5 November 1981) Dr Jakov Sirotkovic (professor, president of the Yugoslav Academy of Sciences and Arts in Zagreb, a prestitious scholar and teacher and equally prestigious sociopolitical figure) and Dr Ivo Perisin (a professor, scholar and economist who is equally well known) took issue with Horvat's views for one to conclude that we are not dealing here with any ordinary spat about theory and politics. This becomes still more obvious when one takes into account the fact that the criticism of Horvat's views was already implicit in the opening address delivered by Milka Planinc.

Nevertheless, even the most thoughtful reader of Horvat's interview and of his critics will have a hard time getting at the gist of the conflict over theory and politics. Let us in any case briefly outline the arguments contained in the interview and the critical responses to it.

The Interview

As far as the interview goes, we shall dwell on that part of it which has been subjected to explicit criticism. Horvat speaks about the "fate" of two books: who wrote them, on whose commission (he wrote them both with a group of his colleagues), what purpose were they supposed to serve (practical political action), and why did they not serve that purpose (because they were "expelled from the debate").

The first, the so-called Yellow Book, was prepared in 1961 to meet the needs of the federal government. The second, which is referred to the White Book (whose title he also gives in full: "Ekonomske funkcije federacije" [Economic Functions of the Federation]) was prepared for the same client in late 1970. In Horvat's judgment, both books were supposed to be of use in two reforms: the first (Yellow) the famous 1965 economic reform, and the second (White) the 1970-1971 reform of the Federation.

In Horvat's view, the proposals of the Yellow Book were used only partially. He goes on to say that only the short-term proposals were used (he says: "... adjustments were made, and in 1963 we had one of the best postwar years on the basis of all economic parameters"), but not the long-range proposals ("... those long-range [proposals] which required certain reforms were forgotten"). The fate of the White Book, Horvat says, was considerably worse: its proposals were not only not accepted, but it was not even debated in public at all ("for reasons which have never been officially explained to me, someone prevented the discussion, so that the document was indeed distributed, but the public discussion concerning it was never held").

The concluding messages of the interview are clear (Horvat suggests them clearly in the interview).

The first is explicitly stated: the economic system is conceptually untenable: "... the self-management system of economic activity in Yugoslavia cannot be stabilized with the mode of operation which has been devised over the last 10 years. That system and the economic policy based on it are conceptually erroneous. We need a reform which will correct both the institutions and that economic policy. Otherwise we have no reason to expect stabilization.

The second, which was implicit, is consistently drawn from the logic of the entire interview: the proposals of the White and Yellow Books would be (that is, were) conceptually appropriate.

The Critical Responses

Before making any comment at all, let us look at the critical responses to Horvat's interview. Sirotkovic's criticism is the most thoroughgoing and explicit (he does not speak about "certain views" and "certain theorists," but about Branko Horvat and his views): "A very criticial discussion of the present situation is carried on from the positions of that book (the White Book), but actually we are talking about a pamphlet which cannot be said to be scientific in nature and which is a kind of catechism of statist Keynesianism" (quoted from the authorized text published in OKO, 26 November 1981, page 10). Sirotkovic explains the motivation for his own critical statement by observing that he would not take issue with Horvat's interview "if it were not a question of reviving such views even today and indeed even of projecting them as proposals for solving current problems, which is the case with the paper entitled 'The System of Social Planning--Status, Problems and Solutions' (prepared by a consortium of economics institutes in September 1981), which was written on commission from and for the purposes of the Federal Social Council for the Affairs of the Social System...." In his criticism Sirotkovic emphasizes the obvious tie-up between the 1971 White Book and the 1981 paper of the economics institutes, thereby broadening his criticism of Horvat's interview to economic science as practiced by the institutes. He says: "There is an obvious continuity in the views which I have mentioned in connection with the situation from the early sixties, the White Book from the early seventies, and this 1981 paper of the consortium of institutes. In a meeting of the republic councils we were unanimous in the judgment that this was a paper proposing solutions from ideologically unacceptable positions, which goes back precisely to profit as the driving motivation, which aims at centralistic regulation of accumulation and personal incomes as the prerequisite of optimum distribution, which treats our system as a planned market system, which identifies the market with the driving motivation, and which is actually aimed toward expanding the market and returning it from a market of goods to a market of manpower and capital.

"One must therefore be both critical and cautious concerning such conceptions, which are being passed off as science, just as we must ask what are the grounds for nurturing such conceptions in our institutes and for their adoption as the basis for examination of our society's current affairs."

Dr Ivo Perisin took up exactly the same political and theoretical position in his statement in the discussion. In addition, he generalizes his criticism so that it embraces all advocates of theses that call for centralizing and programming accumulation (and for programming personal incomes). Perisin also presents the thesis that behind these views stand not merely disagreements over theory, but "... a profound and fateful difference over fundamental social commitments. Their points of departure, not their words, originate in another concept--a concept which prevents setting up the self-managing organization of society, those new relations, the new vehicles of social development and the new driving forces."

The White Book and the Reform of the Federation

Now that I have presented the basic views of Horvat, Sirotkovic and Perisin, the observation that reading the interview and the critical responses does not help very much in understanding the essence of the dispute over theory will be clear to the reader. It is for that reason that I thought it worthwhile to substantiate and comment on the gist of the conflict so that the reader might make a competent judgment of it.

So, what did Horvat offer in his (and his collaborators') White Book? Why was what he offered not accepted, and would it--had it been accepted--be better today if politics had heeded science, i.e., the White Book, i.e., Branko Horvat and his collaborators?

The White Book, as its real title "Ekonomske funkcije federacije" says, discusses definition of a model of "reform of the Federation." Since the topic of the reform of the Federation was the principal subject matter of extensive sociopolitical actions (above all of the League of Communists) between 1969 and 1971, it seems logical for the Federal Executive Council to seek the opinion of a group of economics scientists as to their view of this matter. Certainly, it seems still more logical that economic interests (the interests of economic optimality) and views should not be the only ones, nor even the most important ones in the self-managing democratic procedure of defining the new model of Yugoslav federalism. After all, as is well known, the reform of the Federation was motivated by the interests of degovernmentalization--the interests of the League of Communist's campaign against the tendencies of administrative centralization and distribution of accumulation and the search for an optimum model of regulation of (all) interests of the republics and nationalities. So, the interests of class emancipation and emancipation of the nationalities (the campaign against state capital, statism and bureaucracy) spoke louder against the old "model of the Federation" than did the interests of economic performance.

On the other hand--altogether in line with its character--the White Book emphasized the interest of economic optimalization of the model of the Federation rather than the interests of a general legal and political (social, social-revolutionary-class) emancipation.

But even if we leave to one side this broader context of the reform of the Federation--which Horvat obviously does not want to take into account--an analysis of the content of the White Book and an analysis of the content of the legal and constitutional reform of the Federation do not yield grounds for the conclusion that the model of the Federation contained in the White Book was more optimal even from an economistic viewpoint. We will try to explain this view more precisely.

The economic model of the Federation adopted in the constitution is a very simple one:

First, the Federation has only those economic functions which have been passed on to it by general consensus of all the republics and provinces in the constitution (the "list" of those task-functions if contained in Article 281 of the SFRY Constitution).

Second, the Federation sees to the functioning of the unified Yugoslav market (the basic principles of the unified nature of the market are defined in Article 252 of the constitution).

Third, the Federation has no rights whatsoever to manage and dispose of the resources of society in the sphere of expanded reproduction, nor may the Federation establish any sort of funds or assume obligations unless it has the consent of the constitution or of the assemblies of the republics and provinces.

Fourth, a fund for the credit financing of the development of the underdeveloped republics and provinces has been established at the level of the Federation (Article 258).

Fifth, the instruments for coordination and regulation of relations in the Federation are as follows: the Social Plan of Yugoslavia, social compacts, and so on.

This economic and political model of the Federation has been adopted by consensus of all the republics and provinces. The political views concerning reform of the Federation have been adopted in conceptual terms already at a conference of the LCY held in Belgrade from 29 to 31 October 1970 (which indeed was attended by Dr Jakov Sirotkovic). The position on abolishing all the original economic functions of the Federation and especially its role in expanded reproduction has attained general political legitimacy from the republics and provinces. This needs to be emphasized because certain "theorists" like to play around with the view that the reform of the Federation is not a consequence of the revolutionary and democratic action of the LCY, but a consequence of its opportunism vis-a-vis "nationalism pressure." Tito presented the case for the reform of the Federation back at the Ninth LCY Congress: "We are renouncing statism because it has proven itself incapable of resolving social contradictions and the problems of effective development and because it is unacceptable from the standpoint of developing humane socialist social relations."

The White Book was published in December 1970, several months after the LCY Conference had already defined the model of the Federation in political terms. That delay could in and of itself have been the reason for "preventing discussion," as Horvat calls it.

A Battery of Federal Institutions

Leaving this fact to one side, let us discuss the case on its merits, i.e., let us compare the models of the Federation contained in the White Book and the SFRY Constitution.

Since the last (chronologically) version of the White Book's model is contained in the paper which Branko Horvat prepared for the Fourth Congress of the Federation of Yugoslav Economists, held from 27 to 29 October 1971, I will analyze that model (as published in the journal EKONOMIST, No 3-4, 1971; Branko Horvat: "An institutional model of a self-managed socialist economy."

In that paper Horvat offers a survey in words and diagrams of all the economic functions (and institution) of what are for him the three elementary participants in the economic process in our system: (1) the Federation, (2) the republics and (3) the enterprises; the fourth participant--the commune--he does not analyze because, as he says, he is not sufficiently "familiar" with it.

For the Federation to successfully perform its three basic (according to Horvat) functions in economic development: equalizing economic conditions, achieving short-term economic equilibrium and achieving long-term economic equilibrium, it must possess a battery of institutions.

In support of the author we must immediately mention the fact that he defines the "Federation" in the introduction in functional terms rather than institutional terms. He writes: "... the Federation is in this context a synonym for adoption of unified, that is, central or general social, decisions. But the fact that decisions are unified does not predetermine the way in which they are adopted, that depending on the political regime and organizational solutions. That manner may be autocratic or oligarchic, or it may be democratic and participatory. In particular, the Federation, as I define it, is not identical with the federal government, nor central decisions with bureaucratic arbitrariness...."

We will present the battery of institutions, i.e., the proposed federal function-institutions, by dividing them into three groups; in the first group will be institutions which already exist as institutions in the constitutional model of the Federation; we will make up a second group with institutions which also exist functionally in the constitutional model in a somewhat altered organizational and legal-political form; and we will create a third group with the institutions of the White Book which do not exist in our constitutional model.

1. The institutions proposed in the White Book that exist in the constitutional model and their functions: 1) the economic secretariat (function: central regulation of the economic system); 2) national bank (function: direct relation of the money market and the system of commercial banks); 3) social accounting service (function: monitoring money flows and legality of business operation); 4) the first "information factory"--the Federal Bureau of Statistics (function: "... produces information about the past"), 5) the second "information factory"--the Federal Bureau for Economic Planning (function: "... produces information about the future"); 6) Bureau of Prices (function: specialized agency for monitoring and controlling prices); and 7) Fund for Underdeveloped Areas (function: aiding development of the underdeveloped).

2. Institutions proposed by the White Book which also exist as function-tasks of the Federation in the constitutional model: 1) Directorate for Agricultural Commodities (this is a "compensation fund" which would guarantee prices and the supply of farm products to the market); 2) Directorate for Industrial Raw Materials (i.e., "compensation fund" for the same purpose in the case of raw materials), and 3) export fund (function: general and financial protection and promotion of exports).

3. Institutions of the White Book which the constitutional model of the Federation "did not adopt":

a) Interventionary investment fund to which Horvat would give a dual purpose: "(a) to participate in financing those projects which require an exceptionally large concentration of capital and/or long construction time and (b) to intervene in eliminating disproportions as to capacity ... whenever the market for whatever reason is unable to adjust supply and demand adequately" (Horvat also proposes republic-provincial interventionary investment funds).

b) An arbitration commission for income and prices: this is an altogether new institution whose purpose would be to combat market or administrative monopolies and abuses or, and I quote: "The arbitration commission would function much like a constitutional court, would be made up of elected representatives of the economy, the trade unions, science and the government, representatives appointed by assemblies for an indefinite period, and it would render definitive decisions binding upon all parties, including the government. The arbitration commission would be a guarantee that political bodies and agencies actually do achieve equalization of the conditions for conduct of economic activity."

c) A council of economic advisers consisting of top-level economists "could play an extremely important role in bringing science into the shaping of economic policy."

d) "A bureau for programming scientific research programs, together with a corresponding fund, ought to ensure an orientation toward that research which is most promising from the standpoint of the country."

For this economic model of the Federation to be altogether clear we also need to mention the fundamental position taken by Dr Branko Horvat and the economic model of the republics and provinces: "Whereas the function of the republic in the economic domain is relatively modest by the nature of the thing, it is basic in the noneconomic sphere. That is why only councils whose role is that of information and coordination have been left at the level of the Federation. The bodies of the republic shape and implement policy in the fields of education, culture, health care, and so on."

This kind of economic function of the republic-province is a logical consequence of the author's view that: "... only federal regulation of the economic system, through economic policy and planning (i.e., central, that is, of the entire society, that is, unified for the entire economy) is a necessary condition of authentic self-management."

The Nature of the Conflict Over Theory and Politics Between Horvat and the Rest

The economic functions of the Federation as set forth in the White Book which "were not (constitutionally) adopted" vary in their nature. The investment function was not acceptable because of the interests of the development of self-management, but still more because of the need to break up the institutional reproduction of so-called state capital, the debates on which in late 1971 had become a pivot for nationalistic retribution (and even earlier in 1969 the issue in the so-called "highway affair" in Slovenia). We might call the second function of the Federation advocated by Horvat the scientific function. Certainly, that is also a necessary function (nor is it politically doubtful), but as a principle of

activity, not solely in the form of a specific federal fund and institution. As for the "Council of Economic Advisers," this should be seen as an interesting proposal, and such a "council" does exist in a way in the form of the federal councils for the economic system and for economic policy.

The basic and essential difference between the economic model of the Federation in the White Book and the constitution concerns the existence of the central "interventionary investment fund" and central regulation of the economic system.

Even if we set aside what is politically and theoretically impossible to "set aside"--the political fact that the funds could no longer continue to exist--it is difficult to believe that the investment funds--even from the standpoint of economism--would ensure any sort of economic optimization of the system. Why? Simply because in reality centralizing and concentrating accumulation in our context has never proved to be any sort of problem at all! As a matter of fact, it was never easier to built mammoth investment projects than in the period after the reform of the Federation. The state (we use the term advisedly) has had no problem at all concentrating funds for investment even when formal law and the constitution state that it had no right whatsoever to do that. Centralization was achieved without a bit of trouble by contracting foreign indebtedness, through the hyperproduction of money and credit, and through the system of taxes and contributions. The case has always been that the bank-state mechanism has possessed 60-70 percent of the funds intended for investment projects, and the economic and self-managing mechanism only whatever was left. To be sure, it is difficult to judge which system of handling accumulation was worse: the previous one, through funds, which was statist even in formal terms, or the present one, which is self-managing in formal terms, but is actually statist.

In the light of all these circumstances it was necessary to substantiate the thesis that the White Book would not bring anything better, not even in economic terms; while in political terms its adoption in 1971 would have meant the absolute impossibility of resolving the political crisis of that time. That is why Horvat's suggestion that it is a sin and a shame that the White Book "was not heeded" objectively signifies an attempt to return the theoretical discussions to the period of 1961-1971.

But that return, because of the extreme political sensitivity, would objectively mean a diversion of attention from dilemmas as to theory to political dilemmas.

Reduction of all those problems and dilemmas to only one, whatever it might be, could become the basis of broader reductionist views in the fields of theory and economic policy.

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24 February 1982

# East Europe Report

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2235

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# EAST EUROPE REPORT

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East Berlin DEUTSCHE AUSSENPOLITIK in German Vol 26 No 11, Nov 81 (signed to press 2 Oct 81) pp 26-39

['Investigations and Surveys' feature article by Dr Harald Zschiedrich and Dr Martin Pelzer, Bruno Leuschner School of Economics, East Berlin: "Scientific-Technical Progress and Planned Intensification of Socialist Economic Integration." A translation of the SED Directive on the 1981-85 Five-Year Plan, cited in footnote 19, is available in JPRS 78163, 27 May 81, No 2130 of this series, pp 2-56. For a West German analysis of the Directive and for excerpts of the 1981-85 Plan and of the 1982 Plan and budget, see translations published in the following JPRS issues of this series: 79108, 1 Oct 81, No 2181, pp 42-56 and 79769, 31 Dec 81, No 2216, pp 7-29, respectively]

[Text] The party congresses of the fraternal parties that were held at the beginning of the 1980's clearly showed that the key to a marked improvement of the efficiency of social production in the 1980's lies in intensifying the economic effect of science and technology. The common ground shared by the parties comprises not only the identical evaluation of the role of science and technology in regard to the efficient functioning of the reproduction process, but also the consistent subordination of the scientific-technical problems to be solved to the requirements of intensively expanded reproduction within the CEMA countries. In terms of a common denominator, the point is that "science and technology must insure the requisite lead for the future intensively expanded reproduction."[1] In this connection, the "Main Trends of the Scientific and Social Development of the USSR for the Period from 1981 to 1985 and for the Period up to 1990" emphasize that "in the 11th Five-Year Plan the development of science and technology must be subordinated to an even greater extent to the solution of the economic and social tasks of the Soviet society, to the shift of the national economy toward an intensive course of development and to the improvement of the efficiency of social production."[2] Underscoring this organic interaction between intensification and scientific-technological progress, the Report to the 12th Congress of the Bulgarian Communist Party states: "The objective is to effect an intensification based on rapid introduction of the modern achievements of the scientific-technological revolution in all sectors of the national economy, in all elements of the reproduction process."[3]

An objective of equal importance for all of the European CEMA countries is to attain—through a higher degree of concentration in research and development and through an economically sounder selection of focal tasks—an improvement of the productive forces in the countries.

The statements formulated in this regard at the 26th CPSU Congress are of fundamental significance for the science policies pursued in all of the fraternal countries: "For the country, it is essential that 'big science' not only turn to theoretical problems, but also concentrate more intensively on the solution of key economic problems and on discoveries that can bring about truly revolutionizing changes in the production sector."[4] In their measures and resolutions concerning further improvement of the systems of administration, planning and economic stimulation, the fraternal parties of the CEMA countries proceed from the assumption that increased efforts are required in order to create the economic conditions necessary for utilizing more effectively and widely the results of the scientific-technical work. In this respect, all of the party congresses of the fraternal parties singled out the same crucial issue, namely "more closely to link science and production and to set up the production mix accordingly."[5] Likewise, the Report to the 16th Congress of the Czechoslovak Communist Party proceeds from the assumption that a "very close link between science and production is one of the most important requirements of the present. The objective is to make the scientific-technical development the foundation of the economic plans."[6]

On the State of the Scientific-Technical Cooperation Among the CEMA States

In the CEMA countries, the international cooperation in the realm of science is assuming increasing importance in regard to the acceleration of innovation processes in industry. In this respect, the states proceed from the fundamental realization that presently it is inconceivable "that any socialist country can develop independently of the other fraternal countries and that it can solve problems such as the energy and raw materials supply and the introduction of the latest findings of science and technology."[7] The economic interest in the further intensification of scientific-technical cooperation is based above all on the fact that—as was noted at the 16th Congress of the Czechoslovak Communist Party—the CSSR—like the other CEMA countries—lacks the research capacities necessary for solving all problems on its own. This is reflected in the conclusion "to develop further the cooperation with the scientists and specialists from the CEMA member states, and above all with the Soviet scientists."[8] The increasing importance of the scientific-technological cooperation is determined primarily by two aspects:

Firstly: The scientific-technical cooperation is an integral part of the intensification in science and production within the CEMA countries. The further intensification of the international cooperation in the field of science and technology is integrated in the long-term process of intensification of the scientific-technical work itself. Since the scientific-technical work is part of the social projects undertaken in the CEMA countries, it is included—like the work undertaken in the other sectors of the national economy—in the intensification efforts. The orientation toward intensification of the scientific-technical work results primarily from its function in the social reproduction process, which is to make an ever-increasing contribution to the improvement of production efficiency in the individual countries. This interconnection was emphasized in the SED Program, which stated: "The scientific-technological progress is the key factor in the intensification efforts and it is of crucial importance in regard to the solution of all other tasks. For this reason, the SED considers it necessary to intensify the scientific-technical work itself...."

The state of the international cooperation and division of labor in this process of intensification of scientific-technical work is characterized by the fact that it is oriented--a basic precondition for intensification--toward systematic mobilization of the individual factors concerning intensification of scientific-technological work (e.g. elaboration of ambitious economic objectives, intensification of the complex planning, rapid introduction of the research results into the social sector, improvement of the material-technological foundation of research and development, proportionality of the research and development capacities, and continuity in the research and development process in the individual CEMA countries).

However, the efforts to intensify the scientific-technological work cannot be measured exclusively by the number of problems and issues the cooperation is concerned with. Nor can they be measured by the growing number of finished projects or by the organizations and institutions that are included in the international cooperation. Increasingly, the determining criteria for evaluating the international cooperation in science and technology are the objective economic results, its concrete effect on the intensification, and the scientific-technical level of production in the CEMA countries.

Secondly: The level and the dynamics of the integration processes are dependent on the intensive development of the scientific-technological cooperation.

In determining the state of the scientific-technical relations in the total process of socialist economic integration, one must take into consideration the objective developmental trends of the international cooperation and division of labor, which are reflected in changes in the material content of the international division of labor and in new relations between its individual forms and trends.[9]

The international socialist cooperation and division of labor in science and technology is a key factor in regard to the further development of all forms and trends of the international division of labor under the conditions of intensifying socialist economic integration, for in this field there are determined both the main trends concerning structural changes in the individual countries and the changes in the material structure of the foreign economic relations. Of special importance in this respect are the effects of the international scientific-technological cooperation on the further organization of the international production specialization and cooperation, of the cooperation in the field of investment and of the volume and commodity structure in the field of foreign trade. At the same time, new qualitative demands are made on the international scientific-technical cooperation among the CEMA countries--demands resulting above all from the further intensification of the international production specialization and cooperation and from the requisite improvement of the scientific-technical quality of the products that are part of the commodity exchange. It is precisely these interrelationships that are pointed out in the Report to the 10th SED Congress: "The qualitative level and the growth rate of the reciprocal shipments are increasingly influenced by the results of the research and production cooperation."[10]

Generally speaking, from the above-described interaction between scientific-technical progress and socialist economic integration one can derive the following conclusion: In the organization of the developed socialist society, the socialist international division of labor in science, technology and production is both a precondition and a factor in regard to the intensification of social production and

of the scientific-technical work itself. On the other hand, in the course of the implementation of the complex program of socialist economic integration, it became apparent that the degree of improvement of the standards and of the economic effectiveness of the international division of labor in science, technology and production is increasingly dependent on the level and rate of acceleration of scientific-technical progress and on the level of intensification within the individual country.

High Demands on the Efficiency of Scientific-Technical Cooperation

The further development of the international cooperation and division of labor in the field of science and technology is part of the total orientation process of the CEMA states' foreign economic relations, which process aims consistently to help develop the inner qualitative factors of economic growth and to give additional impetus to the various ways of improving the efficiency of social production.

Likewise, in regard to the further intensification of scientific-technical cooperation within the framework of CEMA, the planning of pertinent measures in this field must be more extensively based on the fundamental economic requirement of the coming years—i.e. "marked change in the input-output ratio."[11] It is only through thorough calculations of the input and output of each measure concerning scientific-technological cooperation that an even greater concentration on key economic projects and a greater effect on the acceleration of innovation processes can be achieved. Thus the high demands in regard to efficiency and the implementation of the commitments made in regard to division of labor apply to all integration measures, including those in the field of science and technology, even though—as H. Tschanter justly emphasized—"the effects are not immediately manifested in the reproduction process."[12] All the deeper and all the more lasting are the long-term effects on efficiency and on the production and export structure—that is to say that both positive and negative effects may be magnified here. In this connection, one should bear in mind that F. Engels always insisted on a correct attitude toward the "intellectual element" of production, for it is "satisfying to know that the cultivation of science entails material rewards as well, to know that a single product of science such as James Watt's steam engine has given more to the world in the first 50 years of its existence than was spent by the world—from the very beginning—on the cultivation of science."[13]

Last but not least, the growing pressure toward a high degree of economic efficiency in the scientific-technical relations among the CEMA countries is a requirement resulting from the hitherto primarily extensive development of the cooperation in this field. Thus in the course of the last 15 years (1965-1980), the extent of the scientific-technical cooperation showed an 8-fold increase. The following table illustrates the dynamic force of the scientific-technical relations.

Increase in the Scope of the Multilateral Scientific-Technical Cooperation Among the CEMA Countries

| Item | 1966-1970 | 1971-1975 | 1976-1980 |
|---|---|---|---|
| Number of problems contained in the integrated plan of scientific-technical cooperation | 50 | 193 | 289 |
| Number of subjects contained in the individual problems | 183 | 706 | 1330 |
| Number of self-contained subjects in the integrated plan | -- | 102 | 69 |

Source: A. Shitkova, "Scientific-Technical Cooperation and Problems Concerning Its Improvement," in: Plan-Conformity of the Socialist Economic Integration—Problems and Prospects. (In Russian) Moscow, 1980, p 45.

A distinguishing feature of these relations is the intensifying interbranch character of the problems concerning the scientific-technical cooperation. For example: Whereas in the past five-year plan periods a problem comprised approximately three subjects, presently a problem concerning scientific-technical cooperation comprises an average of five subjects. Another characteristic is the increase in the number of institutes involved in the cooperation. Whereas in the mid-1960's over 700 research institutes and scientific-technical organizations were included, at the end of the 1970's there were over 3000 institutes. As a result of the 500 completed projects in the process of implementation of the coordinated plan for multilateral integration measures for the period from 1976 to 1980, there were developed 90 new machines and installations, 190 devices, 75 new kinds of materials and 50 new technological processes (count made at the beginning of 1980). In view of these dimensions, it is obvious that increases in the economic effectiveness of the international scientific-technical cooperation will less and less be attainable through extensive methods; rather, such increases will require consistent intensification of the cooperation in this field.

Thus the intensified economic orientation of the international scientific-technical cooperation among the CEMA countries is becoming a crucial factor in regard to the augmentation of its economic effectiveness. The systematic economic orientation, the gradual implementation of the transition from the planning of individual problems and subjects to the planning of economic results of the international research cooperation will lead to a situation where the labor-sharing scientific-technical relations among the CEMA countries will be intensive rather than extensive. In this regard, the experience gained in cooperation has shown that it is obviously a mistake to start considering the intensification of international cooperation after its subjects, problems and objectives have been defined. On the contrary: to a large extent, the selection of the problems and subjects and the elaboration of the objectives determine the economic effectiveness of the scientific-technical cooperation. In this regard, A. Anchishkin states:

"The potential of science and technology is practically unlimited. However, no country has the resources needed for developing simultaneously and equally all of the scientific-technical trends. This necessitates selection, the setting of priorities in the selection of these trends...these trends can be justified only from the position of production intensification...."[14]

Intensified economic orientation comprises above all a greater share of those problems and subjects that are directed toward the creation of new products, new technological processes, new installations and equipment. Increasingly, the intensification of the scientific-technical relations among the CEMA countries focuses on the coordinated and labor-sharing solution of problems in the field of material economy and thrifty energy use in the CEMA countries. There is no doubt that it is precisely in the course of elaboration of the long-term objectives of the cooperation that the economic orientation of the scientific-technical cooperation has been markedly intensified. This is reflected in the multilateral agreements concerning cooperation in the field of robot technology and in the multilateral specialization and cooperation agreement concerning the development and production of electronic computers with the object of expanding the commodity exchange. Another example is the cooperation--planned for the period from 1981 to 1985--concerning the improvement of automated machine tools and the production of new hydraulic and pneumatic elements and construction units that will greatly affect the scientific-technical quality of the end products. A significant factor within the framework of the joint efforts toward improving the economic effectiveness of the international scientific-technical cooperation of the CEMA countries is the collaboration in regard to the introduction of scientific-technical results--obtained through division of labor--in the social production of the CEMA countries. Since in many cases the introduction of scientific-technical results obtained through division of labor may be bound up with a great number of smaller or larger investments, this aspect is assuming increasing importance in the planning of scientific-technical cooperation.

Finally, the effective linking of scientific-technical cooperation and production cooperation is one of the key problems in regard to improvement of the international cooperation and division of labor in science, technology and production, for "along with the scientific-technical cooperation there are established favorable conditions for efficient production specialization and cooperation as a continuation of the research cooperation."[15] The close link between these two processes of cooperation is of an objective nature and presently it is assuming increasing importance, which is reflected in the resolutions adopted by the CEMA organs. The complex cooperation is to comprise all phases of research, development and organization in the production of top-grade, technically superior machines, equipment and other products on the basis of specialization and cooperation, including the establishment of the requisite production capacities. Thus in many cases the requirements concerning the further organization of the scientific-technical cooperation result directly from the ongoing transition from the preparation and conclusion of those agreements concerning international production specialization and cooperation, which "only provide for the distribution of developed production processes among the individual countries, to agreements oriented toward the production and technical improvement of new and scarce products."[16] A technologically oriented international cooperation in science, technology and production in fields such as the production of modern equipment for the control of production processes, the establishment of machine complexes and the production of programmed, automated machinery presupposes an organic link between scientific cooperation and production cooperation. This also entails high demands on the management, planning and organization of this complex scientific and production cooperation, and this is reflected not only in the intensification of the complex cooperation planning that includes all phases of the reproduction process. Emphasis is placed also on the comprehensive application of various effective forms of promoting the integration of science and production on

an international scale (e.g. cooperative technological centers and design offices, consolidation of the contractual basis of cooperation, temporary collectives for the joint solution of problems concerning research and transfer, establishment of cooperative test laboratories, and improvement of the forms of agreement).

Adaptation of Management and Planning to Higher Requirements

Solution of the problems involved in the intensive development of the international socialist specialization and cooperation in science, technology and production calls for further improvement of the state management, planning and economic stimulation in the CEMA member states. A key problem concerning the management and planning of the integration processes is to improve control of the interaction between the intrastate management and planning of the integration measures and the planning cooperation among the CEMA countries.[17]

One of the basic problems in connection with the development and intensification of the socialist economic integration is the conversion of the CEMA countries' economic and scientific cooperation into internal conditions conducive to improving the productivity and efficiency of social production and of safeguarding the supply of key raw materials, fuel, equipment, etc. It is primarily this aspect that the arrangements, treaties and agreements concluded within the framework of scientific-technical cooperation are concerned with. The basic aim of the socialist international division of labor, which is determined by the intensive reproduction type, is to help accelerate the scientific-technical advances and improve the efficiency of social production--and this aim largely determines the direction of the adaptation of the systems of state management, planning and economic stimulation to the requirements of the integration process. In this regard, one can discern the following basic trends in the adaptation of the state management, planning and economic stimulation to the new qualitative conditions concerning the further intensification of the socialist economic integration in the 1980's:

Firstly: Further improvement of the entire management and planning work at all administrative levels with the object of tapping additional reserves for improving efficiency by means of international socialist cooperation and production. This implies elaboration of constructive proposals on the part of the respective country--proposals that make allowance for the economic interests and specific conditions of the partners--and it generally serves to improve the quality of the plan-preparatory work (demand analyses, technical-economic substantiations, demonstration of net efficiency). "Studies of the interaction between intensification and socialist economic integration have shown that it...is important--especially in the 1980's--to utilize--on the basis of constructive proposals on the part of the respective country--the advantages of socialist economic integration as an intensification factor for the intensively expanded reproduction. In this respect," W. Kunz just emphasizes, "there is practically no alternative."[18]

A crucial problem in this connection is the inclusion of economic units in the preparations for measures concerning socialist economic integration. This entails high demands on the planning of the combines and on the long-term conceptional work of the central state organs. "Of great importance in this regard is the elaboration of developmental plans and programs for selected economic complexes and processes under the direction of the State Planning Commission, the Ministry for Science and Technology, the GDR Research Council and the ministries and combines."[19]

Secondly: Consistent orientation of the state management, planning and economic stimulation toward acceleration of innovation processes with due regard for the advantages of the socialist international cooperation and division of labor in science, technology and production. In this connection, it is necessary to accomplish the following tasks with due regard for accurate planning:

--Scientifically grounded selection of the key tasks and technical-economic substantiation of their inclusion in the scientific-technical cooperation with the object of further concentration of the international cooperation on the primary tasks concerning the intensification of the reproduction process in the CEMA states.

--Safeguarding of the complex cooperation--from research and development to comprehensive economic utilization of the results of the scientific-technical cooperation in one or several CEMA states. In these endeavors, the conceptual approach to the problems concerning utilization of the results should be designed to insure that the decision-making process is based on several variants of economic utilization (international socialist production specialization and cooperation, sale or acquisition of licenses, cooperation in third markets in regard to export of installations).

--Improvement of the planning of science and production--also in the international arena--as a unified process; to accomplish this, it will be necessary to eliminate any doubling of economic and scientific-technical cooperation and to consider, treat and analyze the scientific-technical cooperation and the research and development as an integral part of the entire reproduction process.

--For each project of scientific-technical cooperation, determination of the economic interests by means of thorough studies during the preparatory phase. In this way, one can more easily determine whether the respective partner takes an interest in joint research and in cooperation on the utilization of the results or whether the partner is merely interested in an exchange of information or documents.

--Timely preparation of measures concerning the international socialist production specialization and cooperation; above all, this calls for establishment of the requisite conditions in regard to labor, materials and capital. The resource aspect is of great importance in this regard. This is pointed out by I. F. Motorin who states: "The process of integration does not change the object of the planning; rather, it calls for intensification of the resource-oriented approach to the elaboration of the plan project."[20]

Thirdly: Increased emphasis on continuity, complexity and stability of the management and planning work.

The long-term character of the solution of a number of problems on the basis of further intensification of the economic and scientific-technical cooperation (e.g. in the raw materals and energy sector, in the field of science and technology and in the transport sector) and the long-term effects--resulting from the implementation of the measures planned in this field--on the structure, effectiveness and proportionality of the reproduction process call for close attention to the problems involved in improving the quality of the long-term planning in the CEMA

countries. What with the increasing complexity of the international socialist division of labor and the increasingly close links between the cooperation in the field of science and technology, the cooperation in the field of material production and the cooperation in the field of foreign trade, there is increasing need for a complex approach to the preparation and implementation of integration measures. This goes also for the interrelationship which exists between the development of the international socialist division of labor and the cooperation with nonsocialist countries and which must be taken into consideration here. "Regarding the concrete management and planning in the combines, one can thus deduce that one must also fully consider and plan the complex interrelationships between the socialist economic integration and the relations with countries of the nonsocialist economic area."[21] Likewise of great importance is the aspect of incorporation of the integration measures in the economic reproduction process, i.e. the necessity to conceive, prepare and plan them as an organic part of the economic reproduction process and to insure implementation of the integration commitments made. The basic problem in this connection is the safeguarding of the unity of plan, balance sheet and agreement and of the unity of material and financial planning; the safeguarding of the planning of the integration measures at all stages of the elaboration of the economic plan and the balancing of these measures vis-a-vis the target figures of the plans for science and technology, investments, production and exports and imports, and the safeguarding of a close link with key balance sheets, etc.

As the national economy of the various countries complement each other and interlock, they become more and more interdependent. Thus the factor of stability and reliability in the field of economic and scientific-technical cooperation assumes increasing importance and greater demands are made on the quality of the state planning and of the plan. The socialist economic integration requires increased stability in regard to the planning and consequently a high degree of balancing. It calls for real, stable and balanced plans in the countries.

Inseparably linked with the above problems are the problems concerning safeguarding of the implementation of the mutual commitments made in the fields of foreign trade, science, technology and production. "Experience has shown," H. Tschanter points out, "that at the present high level of division of labor the disruptions caused by tardy and sloppy fulfillment of the mutual obligations are magnified. Thus painstaking fulfillment of the agreements made is a precondition for the full utilization of the advantages offered by integration."[22] To make allowance for this, the commitments made must be incorporated in the economic plans and they must be made binding. In the last few years, great progress has been made in this respect in the various countries on the basis of elaboration of the specific plans for "socialist economic integration." At the same time, the development has shown that a number of crucial questions and problems in this field must be studied in greater detail. One of these problems is the safeguarding of the requisite planning complexity.

Fourthly: Further mutual assimilation of the intrastate systems of management, planning and economic stimulation. This trend is based on two aspects:

a) The aspect of the fundamentally identical social, economic and political objectives and basic tasks of the European CEMA countries in regard to the organization or improvement of the developed socialist society;

b) the aspect of intensification of the socialist economic integration as a characteristic feature and basic condition of developed socialism.

In consequence of the emphasis on these two aspects, it is evident that this is by no means primarily a question of standardization of the management systems. In regard to problems concerning the economic mechanism of cooperation among the CEMA countries, J. S. Shiryayev made the following interesting observations: "This is not a question (he is referring here to the assimilation and interaction of the management and planning systems in the CEMA countries—M. P./H. Z.) of standardization (even though standardization within certain limits appears to be expedient, if it is oriented toward introduction of the best solutions—as judged from the standpoint of the given country—in regard to the economic mechanism), nor is it a question of facilitation of contacts among the partners through introduction of generally recognized norms of foreign trade activity at all economic levels. We consider more important the common and identical orientation of the economic systems toward solution of those problems at the present stage of economic development that result from the great acceleration of scientific-technical progress and from the increased requirements in regard to the qualitative aspect of the production work."[23]

The first aspect places emphasis on a basic element—the necessary and possible exchange of experience in the development of the countries' intrastate management systems. Since the basic econopolitical tasks in the various countries are identical, this mutual assimilation is necessary for finding and applying the most effective means and trends in the further improvement of these management systems through utilization of the best results obtained in these countries. The second aspect emphasizes the interconnection with the socialist economic integration. Here the objective must be systematically and effectively to promote the integration process by applying the most efficient forms and methods in all of the CEMA countries.

At the 26th CPSU Congress and at the 10th SED Congress, it was demanded that experience be exchanged in the field of economic management and that the structures of the management mechanisms be assimilated; this demand implies a basic orientation toward further adaptation of the state management, planning and economic stimulation in the CEMA countries to the changed reproduction conditions in the 1980's and it brings into focus the requirements concerning intensification and socialist economic integration. This is a protracted and complex process, which comprises further thorough theoretical and practical studies concerning improvement of the intrastate management systems and an intensified exchange of experience on the further organization of the systems of management, planning and economic stimulation. At the same time, the mutual consultations and the coordinated, joint research projects will concentrate on those fields where assimilation of the management systems—due to the requirements of the intensification and of the integration process—is possible and necessary. Of crucial importance in this regard is the creation of appropriate management- and planning-related conditions for the expansion of the direct contacts among the ministries, offices, economic units and research institutions within the framework of the economic and scientific-technical cooperation among the CEMA member states.

## FOOTNOTES

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3. PRAVDA, Moscow, 1 Apr 81.

4. "26th CPSU Congress—Report of the CPSU Central Committee and the Next Tasks of the Party in Domestic and Foreign Policy," Berlin, 1981, p 58.

5. "Report of the SED Central Committee to the 10th SED Congress," op. cit.

6. PRAVDA, Moscow, 7 Apr 81.

7. "26th CPSU Congress, Report...," op. cit., p 13.

8. PRAVDA, Moscow, 7 Apr 81.

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12. H. Tschanter, "The GDR in the Process of Socialist Economic Integration," EINHEIT, Berlin, 1981, No 4/5, p 411.

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8760
CSO: 2300/95

## LAW ON SEVENTH FIVE-YEAR PLAN APPROVED BY ASSEMBLY

Prague HOSPODARSKE NOVINY in Czech 29 Dec 81 pp 10-11

["Law No 122/1981 of the Collection of Laws on the State Plan for the Development of the National Economy of the Czechoslovak Socialist Republic for the 1981-1985 Period"]

[Text] Proceeding from general policies for the building of developed socialist society, from the Main Directions of the Economic and Social Development of the CSSR for the 1981-1985 Period, approved by the 16th CPCZ Congress, from the results of the development achieved during the past period, as well as from the developing internal and external conditions of the current continuous development of national economy, the Federal Assembly of the CSSR promulgated the following law:

### Part One

### Main Goals and Tasks of the Seventh Five-Year Plan

#### Article 1

The present law stipulates the main goals and tasks of the state plan for the development of national economy of the CSSR for the 1981-1985 period (henceforth "Seventh Five-Year Plan") and the decisive preconditions for its implementation as the mandatory directive for the controlling function of the government of the CSSR for the governments of the republics, for the central and other authorities of the CSSR and of the republics, and for the economic function of socialist organizations.

#### Article 2

The key goal of the Seventh Five-Year Plan stemming from the economic and social policies of the CPCZ is to maintain even under substantially aggravated external and internal conditions and to upgrade the already achieved high living standard of the population and its social welfare in accordance with the results which the national economic development will achieve.

Article 3

The following basic tasks are hereby stipulated for the fulfillment of this goal and for the consolidation of the socialist state;

a) To create preconditions for a gradual growth of the rate of social production and for a dynamic balance during the Seventh Five-Year Plan by means of enforcing substantial intensification of the economy, efficiency and quality of all labor, by appropriate structural changes and by the most thorough application of the achievements of scientific and technological development;

b) To create preconditions for 2-2.6 percent annual growth of the national revenue and to cover approximately 90-95 percent of its increment by the growth of the social labor productivity; to increase the growth of the created national revenue faster than its expenditure;

c) When creating and using the social product and national revenue, to promote a more dynamic advance in the growth of exports before imports, to economize with resources for consumption in production, especially with imported raw materials, materials and products, to satisfy social and personal consumption of the population appropriately (in proportion to the accumulation of resources), and to use resources for investments and reserves economically; to reduce the share of accumulation in the created national revenue over past years;

d) To further intensify the participation of the CSSR in the international division of labor, particularly with the CEMA states, and above all, with the USSR;

e) To implement socialist economic integration, specialization, cooperation and scientific and technological collaboration more efficiently so that they help upgrade the technological standard of production, labor productivity, increase mass production and efficiency and reduce the consumption of energy and materials;

f) To increase the export efficiency of the Czechoslovak economy, to reduce its demands for imports, and to enforce more flexible adaptation of production and foreign trade to the requirements of world markets; to set preconditions for a 35-40 percent raise in the exchange of goods in foreign prices in foreign trade;

g) To continue dealing with the key problems of the unified Czechoslovak economy and to focus the development of the CSR and SSR in that direction, with faster economic dynamism in the SSR in order to raise its share in the formation of statewide resources; to utilize natural and economic opportunities for development, particularly the technical production base and the increment of the employable population, to the best advantage;

h) To safeguard the defense of the country and to further increase its strength;

i) To increase systematically the efficiency of management and planning in the national economy and to react with tenacity of purpose to changing objective conditions and preconditions on every level; for that purpose, to implement consistently measures for improving the system of planned national economic management and to develop them further.

Article 4

To fulfill the tasks in increasing national economic efficiency and quality of all labor and in enforcing good stewardship in every branch of the national economy, the following tasks are stipulated in particular:

a) To safeguard continuous growth of labor productivity in industry, construction and agriculture, to apply progressive output norms, and to systematically raise efficiency in the nonproduction sector; to upgrade significantly the utilization of available resources of manpower and to improve the existing structure of employment;

b) To achieve a decisive turnover in the intensity of utilization of capital assets and working capital, especially reserves;

c) To enforce more profitable utilization of capital assets, conservation and rationalization in the whole investment process, to reduce the rate of projects under construction, to limit the extent of newly launched construction projects, and to cut the construction timetable; especially in the processing industry to introduce programs that require moderate investments and bring fast return, as well as modernization and rationalization projects;

d) To adapt the production-technical base and the structure of production more efficiently to the demands of progressive changes and to the requirements stemming from the use of products;

e) To substantially improve the quality and technological standards of products, particularly their utility and esthetic quality and their reliability; to introduce rigorous norms of quality of goods and to implement measures for efficient application of new technologies in production and services;

f) To promote rational exploitation of natural resources, especially agricultural and forest land resources and water in accordance with the given potential and needs;

g) To mobilize and utilize in every sector of production, services and consumption.

Article 5

For higher savings, enhancement and more economical utilization of all types of fuels, power, raw materials and materials, and for lower material consumption of social production, the following tasks are stipulated in particular:

a) To achieve in the national economy during the 1981-1985 period at least 2 percent average annual savings and enhancement of fuels and power and a 4.5-5 percent annual savings and enhancement of metals in production, and to increase recycling of metal waste and other secondary raw materials above the current volume; by the same token, to proceed according to the state goal-oriented programs for rationalized consumption of fuels and power and for rationalized consumption of metals, and to that end to introduce new efficient technologies of production.

Article 8

For the development of industrial and construction proudction it is stipulated:

a) In the development of industrial production, to pay utmost attention to the structure of production and its utilization; to enforce substantial improvement of economic efficiency, quality and technical standard of goods, to reduce power and material consumption of manufactured products and to enhance raw materials, including raw materials of domestic origin and secondary sources of raw materials, to better advantage; to raise the overall volume of industrial production by 14-18 percent during the Seventh Five-Year Plan, 12-16 percent of it in the CSR and 18-23 percent in the SSR;

b) To ensure a further rise of labor productivity in all industrial branches, namely, by better organization of production, labor and management, by more efficient utilization and further improvement of the technical equipment of work forces, by intensified integration of the Czechoslovak economy in the international division of labor, by organizing socialist competition, by liquidation of obsolete and unsatisfactory types of production, and by other intensifying factors;

c) To utilize labor forces in modern capacities to better advantage by focusing on a higher shift frequency;

d) To provide preconditions for coal and lignite mining to reach 125-128 million tons in 1985; to achieve a decisive share in the increment of electric power from the production of nuclear power plants;

e) To improve substantially the quality and selection of metal products by increasing the share of tempered steel and efficient types of metallurgical products;

f) To enhance the role of machine engineering in the structure of industrial production; to achieve a 28-33 percent growth in machine production, 36-42 percent of this in the electrical engineering industry where an accelerated development of the sectors of electronics and modules will affect the development of the technical standard and quality of production and the branches implementing the state goal-oriented programs; to provide better supply of the needed spare parts;

g) To concentrate on the development of chemical production in the branches of advanced chemistry; to reduce by effective measures the consumption of petrochemical products to the necessary level;

h) To utilize more thoroughly wood pulp in the national economy; to increase production in the wood-processing industry by 22-25 percent;

i) To concentrate the development of light industry on better quality and technical standard of goods and on more intensive innovation of selection of products, and to supply the domestic market with novelties and luxury products; to increase light industry production by 12-15 percent in the Seventh Five-Year Plan;

j) To accommodate the development of construction production and of its structure to the needs of capital investment, repairs and maintenance, and to ensure the completion of construction projects and final deliveries; to concentrate

b) To introduce and consolidate systematically norms for the consumption of fuels, power, raw materials and materials, and to apply them in planning and accounting, in the control of the fulfillment of the plan and in the management on every level for which central authorities of the branches are directly responsible.

Article 6

In order to upgrade the technical-economic level of production and to implement expeditiously the achievements of the goal-oriented scientific and technological directions, the following tasks are stipulated:

a) To focus research and developmental capacities on the solution of the most urgent economic tasks in order to accelerate the programs and to advance substantially the implementation of their results in social practice; at the same time, to expand drastically the share of new products with high technical-economic parameters and thus, to help increase profitable exports to world markets and better satisfy the demands of the domestic market;

b) To introduce without delay the achievements of the scientific technological development in the production and other social areas by focusing preferentially on the planning and introduction of new products and technologies with the lowest requirements of resources of fuels, power, raw materials, materials, investments and foreign currency.

Article 7

For replacement of capital assets it is stipulated:

a) To utilize capital assets more efficiently and to ensure their proper maintenance and repairs;

b) To launch new capital investment projects with the highest efficiency of invested capital, and to use it exclusively to satisfy the most urgent needs of national economic development; to avoid increasing the scope of investments in individual years of the Seventh Five-Year Plan above the present volume so that their average annual volume of investments does not exceed Kcs 135-150 billion;

c) To concentrate capital investment mainly on programs designated to increase export efficiency and to prevent economically unjustified imports, on programs for rational fuel and power consumption, and on the necessary development of its resources, on modernization, on programs for more efficient utilization of facilities, for conservation of raw materials and materials, especially metals, on conservation of work forces, on application of scientific technological achievement and on greater self-sufficiency in food consumption; to focus on launching of capacities into operation according to schedule and on reducing the schedules for construction;

d) To avoid launching construction projects without fully guaranteed investments and planning, to improve efficiency of designs for urbanistic, architectural and technical projects; to use standard models and stereotype plans more extensively.

construction capacities on vital construction projects and on areas of concentrated capital investment, to improve the quality of construction technology and render it more efficient, to reduce its energy consumption, and to exploit, preferably, local sources of construction materials.

Article 9

For the development of branches supplying food for the population it is stipulated:

1. In the development of agricultural production

a) To increase agricultural production during the Seventh Five-Year Plan approximately 7-10 percent above the Sixth Five-Year Plan; to continue to intensify individual sectors of production with preference for higher crop production;

b) To gradually achieve self-sufficiency in grain production and furthermore, to increase self-sufficiency in food production in general; to create preconditions for that purpose by developing harmony among all branches involved in food supply;

c) To use agricultural land resources to the fullest extent for crop production, to upgrade its protection, and to increase its productivity systematically; to impose a strict system in the management of grain funds;

d) To develop livestock production in accordance with a realistic potential for the production of fodder and to expand it mainly by means of the development of cattle raising and higher utility values of livestock.

2. In food production

a) To achieve higher enhancement of raw materials and by-products in every branch;

b) To upgrade the quality of products and to accelerate the introduction of new products and innovations; to increase the durability and nutritional value of food items;

c) To integrate relations between basic agricultural production, the processing industry and trade;

d) To meet the planned needs of agriculture by the development and structure of engineering and chemical production and of other supply branches.

Article 10

For the development of the forestry economy it is stipulated:

a) To ensure preconditions and opportunities for the further growth of productivity and other functions of forests, and to protect the forest fund;

b) To cut timber according to productive capacities of the forests; to utilize wood pulp more efficiently and to use its waste.

Article 11

For the development of transportation and communications it is stipulated:

a) To ensure efficient, good and uninterrupted transportation for the needs of our economy and population;

b) To decrease the demands for transportation of social production primarily by rationalization measures by transporters and by liquidation of inefficient cooperatives and uneconomical transport of goods;

c) To develop advanced transport systems and to drastically cut power consumption in all types of transportation; to create preconditions for raising the volume of railroad transportation by 5 percent during the Seventh Five-Year Plan;

d) To continue the process of automation of telephone services, to improve the quality and raise the level of all communication services to the population and socialist organizations, and to improve their efficiency.

Article 12

For the development of the living standard and employment it is stipulated:

a) To enhance the living standards of the population in the areas of personal and social consumption according to the achieved growth of efficiency of social production and higher labor productivity;

b) In the development of wages, to systematically enforce their correlation with the effect of the work of the collectives and individuals and their contribution to society; to enhance the emphasis on the stimulation of high efficiency of all social labor in every area;

c) To improve the housing conditions of the population by building new housing, by remodeling and modernizing housing capacities, by improving public facilities and by emphatic regulation of underutilized housing units; to orient the participation of the population toward the same objective; to complete the construction of 480,000-550,000 housing units in 1981-1985;

d) While maintaining the current volume of services offered free of charge, to further improve the advanced system of health care and social welfare, school and educational systems and the care for the development of culture and physical education; to improve the stewardship and to use the work force resources in this area more efficiently;

e) To focus the development of employment so as to further enhance the efficiency of labor value added, particularly by creating a system of incentives and economic opportunities for more rational management with resources of labor forces, by modernization and better organization of labor, by better labor discipline and a higher standard of management;

f) To improve the environment, especially in industrial areas, and to protect the purity of water and air;

g) With the cooperation of trade union organizations to enhance care for better working conditions and working environment, occupational safety and health protection;

h) To develop the approved forms of care for children of preschool and school ages, for families with children and for elderly and handicapped citizens;

i) To improve the functions of the domestic market and of paid services; to improve the cooperation of the domestic market with production so that they react more flexibly for the satisfaction of consumer demand.

PART II

Conditions and Preconditions for the Fulfillment of the Seventh Five-Year Plan

Article 13

The government of the CSSR and the governments of the republics

a) supervise, within their administrative function, the fulfillment of the basic goals and tasks stipulated by this law;

b) specify the tasks stipulated by this law and systematically control their fulfillment;

c) according to preceding regulations, within their activity, coordinate the function of the state administration organs and organs of economic management so that the task stipulated by this law be fulfilled in the best way possible and so as to achieve the best possible economic results;

d) organize programs in operational (annual) plans for the best possible fulfillment of the Seventh Five-Year Plan.

Article 14

(1) The organs of the state administration and the organs of economic management are responsible for scrupulous fulfillment of main goals and tasks stipulated by this law, for the assignment of specific tasks and duties to their subordinate organs and organizations, and for their systematic control and evaluation.

(2) Economic organs and organizations must vigorously and with initiative seek and enforce the most efficient procedures and measures in exercising their duties and also to use counterplanning for that purpose.

(3) The organs must meet the planned goals in accordance with Paragraph 1 while systematically observing the principle of proportional development between the creation and utilization of resources in agreement with keeping each organization dependent on the results of its stewardship. In cooperation with the organs of the ROH [Revolutionary Trade Union Movement], the organizations will contribute toward the implementation of this principle by improving wage policy and by enhancing the quality of the norms of consumption of labor value added and labor content as well as by utilizing all potential untapped assets.

Article 15

(1) The government of the CSSR, the governments of the republics, central organs of the state administration and economic management organs are obligated to systematically raise the level of managing and organizational work and of control on all levels of the management; they shall pay due attention to improving the quality and authority of the plan as the basic tool of management and as a precondition for the protection of the growth of social efficiency and the resultant national economic effects. Economic management organizations are responsible especially for applying economic plans as efficient tools to implement the achievements of scientific technological development; they will supervise improvement of quality of production, reduction of the consumption of power and materials, expansion of export potential and better utilization of capital assets and work forces.

(2) Economic management organs and organizations must systematically promote the fulfillment of the main goals and tasks of the Seventh Five-Year Plan by developing creativity of the people, their social involvement, vigorous activity, initiative and responsibility in their work, by enhancing the discipline of labor and management, by organizing and further expanding socialist competition in its most versatile forms, and by developing inventors' and improvers' movements; in cooperation with the trade union organs, they must intensify the participation of the working people in the creation, implementation and control of the fulfillment of national economic plans and in other managing and control programs.

(3) The organs and organizations must strive to reduce administrative demands on management on every level, to render the managing and administrative apparatus more efficient and to reduce it and concurrently to increase both the professional qualification and the skills and performance of managers.

(4) All levels of management will systematically control the fulfillment of the Seventh Five-Year Plan and provide preconditions for its fulfillment.

Article 16

(1) The state budgets of the CSSR and the state budgets of the republics proceed from the main goals and tasks of the Seventh Five-Year Plan and from the five-year plans of the republics, from the estimated budget of the CSSR and from the estimated budgets of the republics for 1981-1985, from executive state plans and from the principles of fiscal policies stipulated by the CSSR government.

(2) The state budgets of the CSSR and the state budgets of the republics promote the objectives, intentions and tasks of the state plans and with the aid of financial economic policies they dynamically affect the fulfillment of the plans and enforce good stewardship.

(3) The government of the CSSR sets appropriate tasks to specify the goals and to fulfill society-wide programs of fiscal, budgetary and monetary policies.

(4) In their planning and in budget management all organs of the federation and of the republics responsible for the specification of budget proposals strive for the consolidation of the tasks stipulated in Paragraph 3.

Article 17

(1) In principle the state budgets of the CSSR and the state budgets of the republics are balanced.

(2) In conjunction with the tasks of the executive state plans of the CSSR and in agreement with the principles of economic management, goal-oriented and global subsidies to state budgets of the republics are granted from the state budget of the federation so as to balance the state budgets of the republics.

Part Three

Final Stipulations

Article 18

(1) The government of the CSSR will specify the data stipulated in this law in new wholesale prices announced as of 1 January 1982.

(2) For purposes of experimental testing of new factors in the planned management of national economy the government of the CSSR, or as the case may be, the governments of the republics may permit exemptions from the stipulations of laws regulating national economic management.

(3) The government of the CSSR may issue generally binding legal regulations to safeguard appropriate quality and efficiency of products and performances, especially in the production and similar economic functions.

(4) On the basis of this law and of the principles stipulated by the government of the CSSR, central organs of the state administration of the federation may issue generally binding legal regulations to safeguard economical exploitation of selected resources of materials and raw materials.

Article 19

The state plan for the development of the national economy of the CSSR for 1981 stipulated on the basis of law No 178/80 of the Collection represents the operational state plan for the Seventh Five-Year Plan.

Article 20

This law becomes valid on the day of its announcement.

9004
CSO: 2400/107

## EXPANSION OF SOVIET-CSSR TRADE, ECONOMIC RELATIONS

### Cooperation in Chemical Industry Reviewed

Prague HOSPODARSKE NOVINY in Czech 20 Nov 81 p 1

[Article by Eva Richterova, Office of the CSSR Government Presidium: "Fulfillment of Specialization and Cooperation Agreements"]

> [Text] Cooperation with the Soviet Union in the chemical and petrochemical industries has, since World War II, rendered important assistance in the building of our chemical industry and affected its subsequent development and achievements. As early as in the 1960's, the Soviet Union assumed second place in the world in terms of the absolute volume of chemical production. By now, its position has been further strengthened, and some branches such as, for example, crude oil, industrial fertilizer production, and others, it is in first in the world.

In the early postwar years, the USSR helped in the development of our chemical industry through organization, design and construction in various types of chemical production, such as ammonia, nitrogen and phosphorous fertilizers, synthetic rubber and alcohol, phenol, chemical fibers and raw materials for their production. In addition, there were deliveries of raw materials which made possible not only progress in our processing branches, but also throughout the national economy. It was the construction of the Druzba pipeline through which there has been since 1962 an uninterrupted flow of crude oil which continues to this day. Since the start of operations, almost 250 million tons of crude oil have been furnished the CSSR. These deliveries have in the past provided more than 90 percent of the overall needs of Czechoslovakia. Since the mid-1970's (i.e., since the appearance and continuation of the world energy crisis which is accompanied by a sharp price rise of this raw materials and its growing shortages on the world markets), the USSR has been the sole provider of crude oil to the CSSR, and this at a favorable price in comparison with the current world level.

The world energy crisis has to some, even though limited, degree been reflected even in conditions of the Soviet Union and Czechoslovakia. Moreover, sources of oil are limited even in the USSR and are moving out to more remote and less accessible areas (western Siberia) where drilling operations are significantly more expensive. For this reason, the 26th CPSU Congress, like the 16th CPCZ Congress, emphasized the inevitability of savings measures in oil consumption, especially in its use as a source of energy.

Another important energy source and raw material for the chemical industry (ammonia, industrial nitrogen fertilizers) is natural gas, deliveries of which to the CSSR have since 1968 covered more than 80 percent of our economy's needs. Another example of chemical raw-material supply are the deliveries of phosphorus fertilizer concentrates, based on the agreement on cooperation in the construction of the Fosforit plant in the Soviet Union.

During the 1970's, cooperation between Czechoslovakia and the Soviet Union began to extend in specialization and cooperation in production to production and mutual deliveries of chemical and petrochemical raw materials and products. In consonance with the coordination of the national economic plans of both countries, and on the basis of long-term 5-year trade agreements, the USSR also supplies in the sphere of chemical and petrochemical industries--beside the already mentioned basic raw materials, such as crude oil and natural gas--a number of others. These are primarily deliveries of industrial fertilizers where the USSR covers all of the CSSR import needs in nitrogen fertilizers and the major part of needed potash and phosphorus fertilizers. Furthermore, this includes deliveries of gasoline, petrol for chemical processing, petroleum, aviation fuel, synthetic rubber, automobile and industrial lubricants, chemical and natural fibers, cellulose, paper and cardboard, sulphuric acid, ammonia, methanol, and other products.

CSSR exports to the Soviet Union are primarily in the sphere of qualified chemistry, such as organic dyes, pure chemicals, pharmaceutical products, protective coating materials, rubber products, etc. Given the structure of mutual deliveries of chemical and petrochemical products and raw materials, the CSSR balance in this area continues to be passive.

With the rising turnover in CSSR foreign trade, the turnover of mutual goods exchange between the CSSR and USSR has during the period 1950-1975 risen roughly 11.3 times, and during 1976-1980 by about 195 percent in comparison with the preceding 5-year period. Based on closed agreements, it is expected that during 1981-1985 there will be an increase of more than 38 percent in goods exchange between the two states in terms of material volume. Of the overall important of chemical products and raw materials, deliveries from the Soviet Union in 1975 represented about 40 percent, and in 1980 rose to more than 70 percent. The share of CSSR chemical exports to the USSR has stabilized at the 15 percent level. The long years of cooperation between the two countries have created conditions for the development of specialization and cooperation in production. The first agreements were signed in 1971-1975. In comparing the overall turnover of deliveries of chemical and petrochemical products under the long-term trade agreement (not including deliveries of oil) with the deliveries of specialized products under closed inter-government agreements, the share of specialized mutual deliveries in 1975 amounted to about 12 percent, in 1980 rose to 32 percent, and in 1985 (in 1980 prices) is to reach, under valid specialization agreements, roughly half of the volume of mutual exchange of chemical and petrochemical products.

Within the framework of specialization, the USSR ensures the production and delivery of such products as, for example, basic organic and inorganic acids, chenicals for the protection of plant life, chrome and copper, bromine, iodine, peroxide, hydrogen, raw materials for the production of protective coating materials, photographic materials, selected types of organosilicous alloys and

plastics. The cited deliveries represent an important portion of the raw-material base in the CSSR chemical industry whihc we would otherwise have to purchase on third markets.

According to delivery volumes anticipated in the agreement, during 1981-85 we will be importing from the Soviet Union about 1 million tons of the above-mentioned products, for the production of which we would consume about 1.1 million TMP [tons of standard fuel]. We will balance this import by 50,000 tons of products which we will produce with a consumption of about 330,000 TMP. In this manner the CSSR national economy will save during the given period approximately 780,000 TMP, which is important especially now when savings in energy consumption in all branches of our national economy are extraordinarily urgent. At the same time, we expect that capital investment outlays expended for ensuring this production and mutual deliveries between the CSSR and USSR, will be roughly balanced on both sides.

In the long-term specialization under the agreement, the CSSR has a secure opportunity for building up mass production and for developing selected branches of the qualified chemical industry, especially in the area of pure chemicals and auxiliary rubber substances which make possible more effective utilization of expended outlays, along with reliable long-terms sales to the Soviet Union.

The agreement is in force until 1995, and for the eighth and ninth five-year plans we anticipate further expansion in mutual deliveries.

In the future, a coordinated approach must more decisively contribute to a speedier completion and introduction into production of new technological processes, with the aim of covering, above all, the need for products of high technological level and quality. In addition, there is the growing importance of a more rationalized utilization of all types of materials and energy. We must also consider the fact that there remain certain unresolved problems in international specialization and cooperation. Insufficient, for example, is the share of new, technologically more demanding, products, and current opportunities are not always reflected in the technological characteristics and quality of certain types of specialization, where we also find some duplication in production. Thus in the coming period, it will be necessary to utilize all reserves toward more effective application of the economic, scientific and technological potential in our two countries, and to make cooperation more effective.

In the petrochemical industry, the specialized deliveries of synthetic rubber and carbon black cover the bulk of CSSR needs in the import of these raw materials, and thus enable us to develop such important branches as the production of mechanical rubber and automobile tires. With the specialized deliveries of aviation fuel, automobile, aviation, and industrial oils and grease, the USSR guarantees the needs of CSSR automobile and air transport, as well as other industrial spheres, since we have no raw-material and capacity prerequisites for the manufacture of such products.

In its relations with the Soviet Union, Czechoslovakia specializes in the production and deliveries of such products as chemicals, organic dyes, and semifinished products for their manufacture, auxiliary textile means, rubber chemicals,

chemicals for the protection of plants, epoxide resin, and protective coating materials, as well as selected products of mechanical rubber, photo chemicals and others.

A mutually beneficial form of cooperation is the selective exchange of certain types of chemical and petrochemical products. This is implemented, for example, in tires delivered as reserve for vehicles of CSSR or Soviet manufacture, in chemicals for the needs of the population and in certain types of plastics.

Of greatest importance in the agreements of the CEMA member states on specialization and cooperation is the division of labor in the manufacture of high energy-demanding and less demanding chemical products. In this connection, an agreement was signed last February between the CSSR and USSR governments, within the framework of which the Soviet Union assumes long-term specialization in the production of high energy-demanding chemical products for delivery to the CSSR, while the latter specializes in less energy-demanding products for delivery to the Soviet Union.

Under this agreement, the CSSR will cover its growing needs in nitrogen fertilizers, methanol, selected types of synthetic rubber and plastics, possibly other materials, with deliveries from the Soviet Union. In return, the CSSR will ensure for the USSR the production and deliveries of chemical products of so-called qualified chemistry, whose production is not of a high energy-demanding type and which is typified by a high degree of processing. These include selected types of detergents, protective coating materials, glass materials, etc.

## Economic, Technical Relations Discussed

Prague HOSPODARSKE NOVINY in Czech 15 Jan 82 p 3

[Article by CPCZ Central Committee staffer, Vladimir Hamouz: "The USSR--The Most Important Partner"]

[Text] The economic and natural conditions of the Czechoslovak economy have always required broad cooperation with foreign countries. In the history of Czechoslovakia, the meeting of this objective necessity has not always brought about positive results. The orientation of the bourgeois republic toward the capitalist states, while neglecting cooperation with the USSR, resulted in a deep economic crisis in the 1930's, from which the Czechoslovak bourgeois economy did not recover during the entire remainder of its existence. It was, therefore, quite natural that the CPCZ in the Kosice government program insisted on changes in economic orientation toward cooperation with the Soviet Union and the newly emerging people's democratic states. It was only following the victory in February 1948 that such an orientation could be implemented as the fundamental policy line of Czechoslovakia's external economic relations. Cooperation with the Soviet Union has become the source and guarantee of a stable development in the Czechoslovak national economy during the entire postwar period.

In its foreign trade, Czechoslovakia exchanges with other states roughly one-third of its national product. Since 1948, the Soviet Union has been the most important trading partner of Czechoslovakia. After 1950, the USSR's share in the turnover of our foreign trade has been roughly one-third, while in 1980 it reached approximately 35 percent. Czechoslovakia, in turn, with its roughly 8 percent share is in fourth place in the overall foreign trade of the Soviet Union.

The high dynamism of mutual trade exchange is attested to by the fact that since 1948 it has risen more than 30 times. In 1980, it reached Kcs 58 billion, and during the Sixth Five-Year Plan Kcs 233 billion.

Economic Relations

Soviet deliveries hold a key position and play a decisive role in the dynamic and stable development of the Czechoslovak economy, not only with respect to volume but also in the structure of goods. They make it possible in a significant measure to satisfy our needs in fuels, raw materials, machinery and equipment. During 1976-1980 alone, we imported from the USSR over 15 million tons of coal, 88 million tons of crude oil, over 31 billion cubic meters of natural gas, more than 7 billion kWh of electricity, more than 33 million tons of iron ore reduced to 100 percent iron, about 4 million tons of pig iron, etc.

The Soviet Union is also the largest exporter of machinery and equipment to Czechoslovakia. It provides us primarily with aviation technology, agricultural machinery, computer technology, passenger cars, foundry and mining equipment, construction machinery, as well as whole industrial units. With USSR technological assistance and deliveries, we have during the years of the Sixth Five-Year Plan put into operation, for example, the first industrial nuclear power plant, built new sections of the Prague subway, and certain plants.

Analyses of the long-term development show a relatively stable CSSR export structure to the Soviet Union, especially after 1960. An important place is held therein by machinery, equipment and industrial consumer goods.

The most important in Czechoslovak exports of machinery and equipment are chemical goods, rolling and foundry equipment, machinery and equipment for the food and light industries, machine and shaping tools, transportation equipment, such as Tatra trucks, streetcars, locomotives, trolleybuses, peripheral equipment for the computer technology, communications equipment, flotation technology and other engineering products. We annually export about 900,000 tons of machinery and equipment to the Soviet Union.

The second most important category of exports to the USSR are consumer goods, which represent 20 percent of all CSSR export. The best konwn item in this grouping is footwear of which we have, during the last five-year plan, exported 177 million pair. The CSSR accounts for one-third of Soviet import of leather footwear. Among traditional exports are also clothing, knitwear, furniture, leather accessories, glass, porcelain, costume jewelry, etc.

Of great importance in the formulation of future CSSR-USSR economic relations is the coordination of the five-year national economic plans for 1981-85. The results of this coordination are reflected in the Long-term Agreement on Mutual

Delivery of Goods and Payments between the CSSR and USSR. Under the terms of this document, the mutual exchange of goods during the current five-year plan will, in 1980 prices, reach about 41 billion transferrable rubles, and includes both countries' commitments emanating from a whole range of previously closed agreements based on the Complex Program of Socialist Economic Integration. Thus, for example, the Soyuz pipeline constructed through a joint effort of the CEMA member states, is increasing its deliveries of Soviet natural gas to the CSSR by 2.8 billion cubic meters annually, and our participation in the construction of ultrahigh-tension transit line (750 kW) from the Soviet Union to the Hungarian Peoples Republic makes it possible to raise deliveries of Soviet electricity to the CSSR by 1.2 billion kWh annually.

Similarly, anchored in the long-term agreement are deliveries of iron raw materials, ferrous alloys, asbestos, phosphorus and other items from the USSR, emanating from CSSR participation in the construction of installations in the Soviet Union. Our mutual trade under existing conditions is not, nor can it be, based on a mere collection of random individual trade agreements. It is rather the result of a broadly-based economic, scientific and technological cooperation concept in practically all spheres and at all levels of management.

One of the most important facets of mutual cooperation in the area of fuels and energy--beside jointly constructed oil pipelines, gas lines, electric transit lines and deliveries of primary energy resources--is also cooperation in energy and mining engineering. Roughly since the 1950's, we have had deliveries of metallurgical technology, and in recent years extensive deliveries of equipment for our nuclear power plants. Soviet combines in our mine shafts annually extract more than 12 million tons of coal and excavate more than 28 kilometers of mine passages.

In metallurgy and heavy engineering, beside Soviet deliveries of iron ore raw materials and nonferrous metals, there is development especially of specialization and cooperation in production. About 62 percent of the overall export under the jurisdiction of the Federal Ministry of Metallurgy and Heavy Engineering to the socialist countries, goes to the USSR. In the area of electrotechnology and electronics, there is a long tradition of cooperation in telecommunications, computer and automation technology. To this is linked cooperation in the area of the electronics part base, and especially a wide-ranging agreement in the production of a unified series of asynchronic electric motors.

In the chemical industry, beside deliveries of raw materials from the USSR to the CSSR, of great importance is the agreement on the exchange of production highly demanding in raw materials and energy (developed in the USSR) for less demanding production (manufactured in the CSSR for export to the USSR). Based on this agreement, we will during the current five-year plan import from the Soviet Union about 1 million tons of production on which we would otherwise consume over a million TMP. For this we will export to the USSR about 50,000 tons of low-tonnage chemicals, on the production of which we will need over 300,000 tons of fuel.

We could cite more examples of mutually beneficial cooperation not only in the other industrial branches, but also in agriculture, transport, communications, commerce, in coordination on third markets, etc.

## Scientific and Technological Cooperation

An irreplaceable role is played in the development of the Czechoslovak national economy by the scientific and technological cooperation with the Soviet Union, on which the first interstate agreement was signed as early as 1947. In the early postwar years, it consisted mainly of mutual exchange of documentation and mutual visits by scientists and specialists for study purposes. Later it became increasingly oriented toward research and development, and the resolution of problems in which both sides had an interest. As a result, there was considerable expansion in the number of cooperating research and development organizations of both countries, from the original 40 to 800 today. A transition to the division of labor and cooperation in this area began in the 1970's, and today we jointly face the need to pass from coordination of five-year plans of scientific and technological development to overall coordination of scientific and technological policy with a long-term view.

Instead of listing voluminous examples of productive cooperation, perhaps Czechoslovak-Soviet cooperation in the area of the peaceful use of nuclear energy can serve as the most illustrative example. Agreement on this subject was signed on 24 April 1955, i.e., less than a year after the first Soviet, and first in the world, nuclear power plant became operational. Based on this agreement, we received significant assistance in the training of nuclear specialists. We established the Institute of Nuclear Research in Rez near Prague, for which the USSR provided the reactor, cyclotron, and instruments and outfitting of certain laboratories.

A considerable number of future Czechoslovak nuclear physicists and technicians from the metallurgical, engineering, and energy branches, began their training in Soviet schools and research institutes. In 1956, an agreement was signed which marked the CSSR's entry into the United Institute of Nuclear Research in Dubna, and the beginning of cooperation in the construction of the first experimental nuclear power plant using natural uranium in the CSSR.

Based on subsequent agreements in the 1970's, the CSSR not only builds industrial nuclear power plants, but also important equipment for the plants, such as, for example, the reactor and complete outfitting for the reactor shaft.

In June 1980, we signed the Protocl of Cooperation between the CSSR and USSR in the Area of Nuclear Energy through 1990, according to which Czechoslovak and Soviet organizations will closely collaborate in predesign and design preparation of nuclear power plant construction. The Soviet organizations in this respect will play the role of chief designer and will elaborate the basic handling of technical projects. The program also deals with problems of technological outfitting in Czechoslovak engineering enterprises, with rationalized utilization of the scientific and technological base, and with the creation of necessary prerequisites for the realization of Czechoslovak commitments emanating from multilateral and bilateral agreements.

## Specialization and Cooperation

During the years of postwar cooperation, an extensive division of labor developed between the production branches of both economies, which contributes to satisfying

the needs of both countries. The vast capacity of the Soviet market and the targeted character of planned economic development, has provided a natural foundation for the structural formation of the Czechoslovak processing industry, especially Czechoslovak engineering.

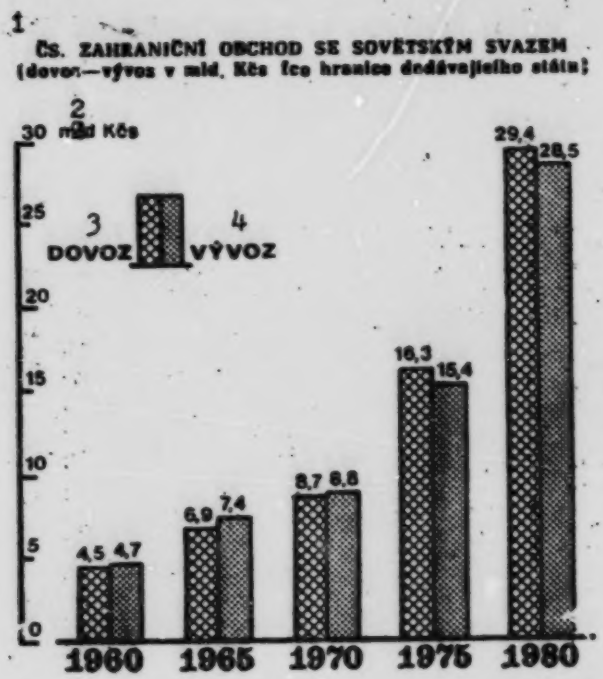


Key:

1. CSSR Foreign Trade with the Soviet Union (import-export in Kcs billion fco border of furnishing state)
2. Billion Kcs
3. Import
4. Export

An increasingly more important role herein is played by specialization and cooperation in production which has risen markedly during 1976-80. In 1980, the share of specialized items in overall Czechoslovak exports was 22 percent, and in imports more than 5 percent. The USSR imports 59 percent of the entire Czechoslovak specialized export production. Conditions for further development of this progressive form of cooperation were created in March 1980 by the signing of the Long-Term Program of Specialization and Cooperation in Production between the CSSR and USSR through 1990. This document reflects the need of both countries to expand production intended for the implementation of the most important national economic tasks. It also reflects the long-term target programs of cooperation approved at the 32d and 33rd CEMA sessions, and especially the

experiences gained and results achieved under previously-signed bilateral agreements between the CSSR and USSR. That these are positive experiences is attested to by the extention of most of the specialization agreements closed between the CSSR and the USSR during 1976-80. This applies especially to agreements on specialization and cooperation in the production of nuclear power plant outiftting, electronic computer technology, compressors and refrigeration equipment, asynchronic motors, construction and road-building machinery, machine and shaping tools, line technology for the manufacture of ammonia, food-industry equipment and agricultural machinery, electronic products, machines for automotion, textile machinery, light industrial equipment, etc.

The long-term program is divided into a number of branch subprograms dealing with heavy and transport engineering, chemical and fuel oil machinery, tractor production and agricultural machinery, engineering for the breeding industry, textile, light, and food-processing industries, energy machinery, electrotechnical industry, electronics, production of automated systems of management, computer and communications technology, automobile industry and shipbuilding, machine tool production, and tools and products for the chemical and petrochemical industries.

The signed documents thus create conditions for further intensification of our mutual economic relations, higher effectiveness and serialization of production, for joint research and development in new products, for a higher technological level and quality. With respect to most products, we anticipate joint handling of research and development of raw machinery and outfitting, and the aims, forms, and tasks in science and technology have been set. In this 5-year period, we will develop and introduce into production 140 new types of products, 95 new technological procedures, 15 automated systems of management, and 14 types of new materials. Within the framework of joint resolution of 328 technological problems and themes, we will prepare 32 complete sets of technological and design documentation. The agreements also contain coordination in the area of licensing policy and export of capital investment units, lowering of the dependence on technological imports from the capitalist states, and the construction or expansion of new production capacities. As is clear from the above, this is an extensive document which calls for overall intensification of mutual specialization and cooperation in production as one of the principal means of ensuring further development of mutual economic relations.

Both the internal and external conditions of economic development in our two countries today place in the forefront the basic task of raising the effectiveness of the whole reproduction process. Realization of this strategic line is connected with the resolution of many mutually linked and in many ways mutually dependent tasks. At the 18th Plenum of the CPCZ Central Committee the general secretary, Comrade Gustav Husak, characterized it as follows: "It is a matter of making the Seventh Five-Year Plan a five-year plan of high effectiveness and quality, scientific and technological progress, cooperation and specialization in production with the Soviet Union and the other socialist countries." The Soviet Union will always be our most important economic partner, therefore, we must devote more attention to a clarification of long-term perspectives of mutual cooperation in all areas. A number of important newly-closed contracts and agreements with the Soviet Union of a political, economic, scientific, and technological character, will to a significant degree assist us in resolving the basic problems associated with the building of a developed socialist society.

9496
CSO: 2400/116

## CHANGES IN USE OF BASIC ASSETS, INVESTMENTS DISCUSSED

### Modernization of Existing Equipment

East Berlin DIE WIRTSCHAFT in German Vol 37 No 1, 14 Jan 82 p 10

[Article by Prof Dr Hans-Joachim Beyer: "What Does a Change in Trend in the Use of Funds Mean?"]

[Text] In view of the harsher and more complicated foreign economy conditions, the economy in the current five-year plan also faces greatly changed accumulation requirements. Our economy simply cannot afford any more, today and in the future, to accumulate more and more in conformity with the basic assets that have grown from year to year. The primary task is to invest the means of accumulation more effectively and make more effective what we have got.[1] Of course, already in past years has a better utilization of basic assets been important to our economic efforts. But the implementation of the 10th party congress economic strategy involves a new performance requirement in principle also with respect to our basic assets. We must achieve a clear change in trend in the ratio between assets investments and economic benefits through a decidedly more intensive basic assets reproduction than heretofore. With it, it must be absolutely ensured for our expanded economic reproduction to be accomplished primarily on the basis of existing assets.

Expanded reproduction presupposes a steady growth in economic achievements, especially in our national income and industrial commodity production. As no growth requirement may bypass that course, what also counts from the vantage point of the basic assets is to achieve the necessary rate of economic growth in principle without any extra funds. Comrade Guenter Mittag has emphasized in this context that notions of paying for every percentage of increased labor productivity by an equally fast or even faster growing investment effort are contrary to economic efficiency.[2] This is what follows from it: we are not satisfied merely with a larger share in production growth by optimizing the use of the basic assets, but we expect of it the main share contributing to our performance. That to us is not an economic matter but a political matter of the first rank.

The extensively expanded reproduction of our basic assets has thus far been based on the growth of our basic assets with increasing rates of growth. While the basic assets in our economy grew at an annual average of 1.9 percent between 1951 and 1960, it reached 3.7 percent between 1961 and 1970, then 4.3 percent between

1970 and 1975, it came to 4.5 percent between 1975 and 1980. The 1980's mark also in this regard a fundamental turning point. One of the crucial developmental tendencies of the further development and reproduction of the basic assets, clearly distinguished from mainly extensive expansion, will be today and in the future a steady renewal and modernization by way of scientific-technical progress.

So-called international investment tests for the years till 1985 have established for the FRG, among other things, that rationalization not only continues to be the most important investment motive but will become even more important. Of all firms questioned, 89.8 percent regards it as the main motive for the years ahead. The higher energy and raw material prices are seen to be the decisive impulse for it by 90 percent of the firms. At the same time, 73 percent of the firms gives the conversion to new production methods, and 79 percent, quality improvements, as essential causes for the increasing importance of technical innovations and rationalization.[3]

These technical advances taking place on the international scale fully apply to us as well. They make possible as well as necessary achieving the essential performance and efficiency growth mainly through the rationalization of the existing basic assets and being more sparing in placing investments in the plan. From these new reproduction opportunities are derived, first and foremost, our greater economic expectations and the much higher demands that are made on the basic assets economy.

Modernizing of Existing Equipment

(1) First, we take it for a fact that existing machines and installations properly modernized can greatly increase our labor productivity. New advances in efficiency thus require an optimum rationalization of existing equipment. This orientation is based on the objective fact that in the intensification process simple reproduction increasingly becomes a source for expanded reproduction.[4]

Recent international comparisons clearly show that in capitalist countries in recent years, through modernization, for example, the performance level of machine tools in use was raised and their working life was extended. In Japan, firms are specializing in equipping available machine tools with modern controls ex post facto and with other means of rationalization, including industrial robots. Among other things, the Shoun Engineering Company has thus far modernized more than 1,000 machines of the Toyoto Industrial Corporation. An example of corporations that have specialized in retrofitting conventional machine tools is Rico Denshi with a special program that provides existing machines at this later stage with computer numeric control convenience.[5]

In particular, such international assessments point out that the briefer life cycles of the products to be sold normally make it impossible for the corporations to react through new investment decisions and full replacement of already amortized installations. Between 70 and 80 percent of the machine tools now in use in the world have already been in use for 10 and more years. More and more frequently one runs into the demand the efficiency of existing machines should be enhanced by their now being equipped with numerical controls and loading and unloading devices and into the problems of having old and very new machines operationally fit together. Along with the latest automation equipment, therefore,

one finds machines that are 10 years old or older in operation that have deliberately not been replaced though their linkage, i.e. the logistics in their processes, has been much simplified and accelerated.[6] The slogan, "doing the old thing in a new fashion," where, e.g., existing aggregates and means of transportation are more moderated in their energy consumption through new engines, is considered the up-to-date innovation principle, after simple possibilities to economize had previously been largely exhausted. This phase of innovation of existing processes is ongoing on an increasing scale since technical solutions for it exist.[7]

Systematically developing this way or similarly the simple reproduction into a source of expanded reproduction, therefore, is not only a possibility but a necessity under prevailing and future conditions. What we need for it, however, are more deliberations and ideas than before, so that actually the latest scientific-technical data are used in a targeted manner for the modernization of machines and installations, including their general repairs. We absolutely have to bring it about that with an increasing working life of the machines vis-a-vis new equipment, productivity will not drop but go up, moral wear and tear is countered, and eventually an extension of the standard working life becomes possible by raising performance and efficiency levels. The course toward modernization in GDR industry for the conversion machinery in use, taken by the Herbert Warnke Conversion Technology Combine can serve as a model. The idea here is that simple reproduction cannot mean merely preserving what one has but must also always include improving the effectiveness of the existing equipment.

High Productivity With a Long Working Life

These possibilities of our scientific-technical progress underscore that it would be irresponsible, in view of the significant potential of our basic assets, to mean to solve the replacement processes by means of a progressively increased discarding of old equipment. Comrade Erich Honecker ruled out handling the discard quota routinely as long as there is the possibility to reach important effects through low-cost modernization.[8] Any excessive discarding would be illusory also due to the foreign economy conditions and investment opportunities as such. Furthermore, merely a larger simple replacement would be vastly inadequate when we turn from extensive to intensive basic assets reproduction. One very essential starting point for better drawing simple into expanded reproduction would be to use the means of rationalization allocated in the plan truly for a continual renovation, modernization and reconstruction and radically avoid any attempt at using them for any extensive expansion. This is where the true cause lies for many an unresolved problem in the renovation and modernization of available equipment thus far. Combining the preservation of what we have with higher productivity and efficiency is now one of the most important intensification requirements. It is from this vantage point that the work on intensification conceptions has to be rechecked and refined in particular.

(2) Second, the timely use of the basic assets continues to be among the crucial productivity reserves and most important political-ideological tasks in raising the performance and efficiency of the basic assets. How seriously we have to deal with these matters becomes apparent by that in industry the basic capital goods per working person nearly doubled in 1980 compared with 1970.

Greatly Improved Use in Time

That now comes to circa M 100,000. Even this doubling within the last 10 years indicates how much of a growing economic importance has to be attached, especially, to the live labor in the process of intensive basic assets utilization. What matters, as Comrade Guenter Mittag put it, is to make the available production apparatus economically more effective also through our skilled labor.[9]

For important production equipment our economy in 1980 spent an average of 15 hours per calendar day, but in 1985 we have to get to 16 or 17 hours. Yet there still is a lot of equipment in industry which is still being used below the 1980 average. That partly includes numerical control machines and industrial robots.

Such level differences, normally unjustifiable, give rise in particular to the following inferences:

--Our most productive machines and technologies, which in particular include numerical control machines and industrial robots, and of which we properly expect the highest efficiency, mainly require an appropriate technological and organizational environment that fully meets the demands for long-time utilization. It is not enough to consider these complex operational conditions merely a reserve that is to be tapped in the future. Such complex demands have to be conceived and used from the outset, otherwise we would base the plan on much too low an efficiency level and waste our efficiency.

--Great efforts are necessary to reduce rigorously the causes for unscheduled standstill. That concerns in particular technically conditioned downtime and breakdown, amounting in part to 40 percent, and downtime resulting from labor shortage, the share of which is circa 33 percent. Those are the two crucial bottlenecks. Also the time lost due to ancillary supplies, a proportion of approximately 10 percent, still is excessive.

--Much more must still be done in adequately preparing, technologically and in terms of labor organization, the intended cutback in jobs. That is one of the essential experiences in applying the Schwedt Initiative to other industrial branches, and it requires especially prepared long-term rationalization conceptions. In particular, the labor cutback of partly 1.1 manpower per robot has to be increased to an average of 2.5. This matter is of extreme importance, not only for our manpower potential but also with respect to the overall efficiency through using robots. According to initial experiences, a productive reassignment of manpower can, after all, come to 80 percent of the total continuous benefit.

(3) Third, the results of a more rational and efficient use of the basic assets must lead to clearly ascertainable advances in basic assets and investment efficiency. The plan here relies on basic improvements for the parameters both of basic assets and investment efficiency, because it is these two parameters on which the planned labor productivity boost in the current five-year plan essentially is predicated. The plan is to bring about a change in trend in the basic assets quota, i.e., the production outcome per M 1,000 of basic assets, and achieve another rate of industrial growth by 1985. But if one examines who

mainly works with these parameters in the enterprises and combines, it often seems that they are of concern to a few specialists only. With their importance to boosting labor productivity, however, they are among the essential criteria that have to be the focal point when intensification conceptions are discussed.

Advances in the Cost and Benefit of Investments

Given the high allocation in funds, one-fourth of the scheduled labor productivity boost at least depends on attaining the planned basic assets quota in the current five-year plan. That quota is greatly affected by our investment efficiency, i.e. production growth per M 1,000 in investments. Our investment strategy in our rationalization and the most economical use of investments therefore aims at making a still greater contribution through available investments to improving the efficiency of basic assets than in the past. For that it is necessary to achieve a clearly higher efficiency level through the investments vis-a-vis the basic assets in current production. It means raising the investment efficiency faster than the basic assets quota. At present the investment efficiency is lower.

Especially of the investments we expect that they embody our progress and the at this time highest attainable level of our basic assets economy. Therefore our investment efficiency is meant to increase by 126 percent over the 1976-1980 level. Intensive basic assets reproduction hence is marked by our significantly improving by means of rationalization the ratio of long-term in favor of short-term investment effects, and that the volume of equipment is clearly improved in comparison with the construction share.

FOOTNOTES

1. Comrade Erich Honecker, "Aus dem Bericht des Politbueros an die 3. Tagung des ZK der SED" (From the Politburo Report to the Third SED Central Committee Session), Dietz publishing house, Berlin, 1981, p 36.

2. Guenter Mittag, "Full Steam Ahead Toward the 10th Party Congress--Speech at the Third GDR People's Chamber Session," NEUES DEUTSCHLAND, 4 December 1981, p 6.

3. "Energy Inflation Gains Great Significance as Investment Motive," IFO-SCHNELLDIENST, No 13, 1981, pp 3 ff.

4. Cf. also H.-J. Beyer, "Intensification and Simple Reproduction," DIE WIRTSCHAFT, No 19, 1981, p 21.

5. "Automation Brings Progress to Japan," VDI-NACHRICHTEN, No 10, 1981, p 18.

6. "Japan in the International Competition and as a Trade Partner," RATIONALISIERUNG, No 8, 1981, p 177.

7. "Developmental Prospects for the 1980's--Altered Framework Conditions for Machine Building," WERKSTATT UND BETRIEB, No 1, 1981, p 1.

8. Comrade Erich Honecker, op. cit., p 36.

9. Guenter Mittag, op. cit., p 6.

## Decree Restricts Investments, Imports

East Berlin GESETZBLATT DER DEUTSCHEN DEMOKRATISCHEN REPUBLIK in German Part I No 32, 16 Nov 81 pp 375-376

[Official text of "Third Decree on the Preparation of Investments of 30 October 1981," signed by Willi Stoph, chairman, GDR Council of Ministers, East Berlin]

[Text] In amending the decree of 13 July 1978 on the preparation of investments (GBL, Part I No 23 p 251) in the version of the second decree of 12 December 1979 (GBL, Part I, 1960, No 1 p 15), the following is decreed:

Article 1

Article 2 section 2 sentence 1 is given the following version:

"(2) The investments are principally to be used for the rationalization and renewal of the basic assets and to be aimed in this particularly at an efficient utilization and modernization of the existing basic assets at a high scientific-technical level."

Article 2

Article 3 section 6 is given the following version:

"(6) Those who place investments have to draw into the elaboration of proper requirements the competent enterprises and project management facilities of the investment goods industry and the construction industry. Those enterprises are obligated to take part in the preparation of realistic technical and economic lead assignments in preparation of projects. The data to be transmitted, if necessary with variables and tolerances, have to conform with scientific-technical top standards at the time investments go into effect and with the criteria for maximum efficiency. In particular, they must be prepared on the basis of confirmed norms as well as of offered projects and recycable project solutions. The data are binding on the participating enterprises and project management facilities. Economic contracts are to be drawn up on their participation."

Article 3

(1) In article 3 is inserted as its section 7:

"(7) Imports are to be provided for only when other solutions do not offer themselves. They must be based on the principles of strict thrift and economical utilization. He who places the investments has to draw the competent foreign trade enterprises into the preparation of the requirement. The foreign trade enterprises through taking part in this have to make sure that the requirement can be based on realistic import conditions, including the import expenditure. Before applying for an import license and signing the import contract, the economic need has to be checked once again in line with legal provisions.

(2) The previous section 7 becomes section 8 in article 3.

Article 4

Article 4 section 1 is given the following version:

"(1) The substance and scope of the requirement are to be established by the one who places the investment in conformity with the specifics in the investment project and the diverse requirements resulting from renewed investments, particularly to modernize existing basic assets, and from expansion and new construction investments, and they have to be correlated with the most important recipients of the order."

Article 5

Article 10 section 1 is given the following version:

"(1) To accelerate socialist rationalization and modernizing existing basic assets, the confirmation of the requirement can be made as a decision of principle for
--investment measures and investment projects essentially concerned with equipment, where the proportion of construction efforts does not exceed 10 percent of the investment expenditure, with a maximum of M 0.5 million. The requirement has to be supplemented by an intrinsic use computation or--if the benefit is not quantifiable--by a cost assessment; and
--renewal investments when, through the use of project offers and recyclable project solutions and of mandatory standards and parameters and through setting down binding price quotations, in accordance with article 8, the investment expenditure can be confirmed with a high degree of certainty as the upper cost limit as well as other important technical-economic parameters and the preparation does not proceed in terms of partial projects as of section 5.

Local authority has to be obtained to the extent that is required in terms of legal provisions."

Article 6

Article 10 section 7 is given the following version:

"(7) In the process of preparing a decision of principle, with the previous agreement from the one who places the investment and on his risk,
--equipment and materials that for technical reasons take long to produce or require long delivery time frames may be ordered when the status of preparation makes possible an unequivocal determination of the technical-economic parameters; and
--implementation projects may be worked out if there is a binding price quotation in accordance with article 8 and the technical-economic objectives anticipated by the confirmed requirement can be attained or improved. If the confirmation of the requirement is made as a decision of principle, in terms of section 1, a previous project production planning is not authorized."

Article 7

This decree goes into effect when promulgated.

5885
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## ASPECTS OF SECONDARY RAW MATERIAL EXPLOITATION DISCUSSED

East Berlin PRESSE-INFORMATIONEN in German No 128, 5 Nov 81 pp 2-4

[Special edition prepared by Press Office, Chairman, GDR Council of Ministers, in cooperation with Ministry for Materials Management, Ministry for Ore Mining, Metallurgy and Potash as well as other government and economic organs: "Answers to Questions on Secondary Raw Material Management"]

[Excerpt] What Importance Do Secondary Raw Materials Have in Our Raw Material Balance?

They have the same importance as the primary raw materials which themselves embody a high degree of skilled labor. Circa 450 different secondary raw materials and industrial waste-products are available in the GDR economy. They are combustion residues, dust and molten residues, silicate and mineral waste-products, scrap, glass and ceramic byproducts, synthetic, elastic and resinic residues, textile and leather waste-products, mud and saliferous waste-products and liquid waste-products. They embody a considerable raw material resource and are an important asset to the raw material balance of our economy. The energy and raw material resources our country has remain what they are or grow but slowly over long range. This we have to take account of. We are increasing our raw material and fuel supplies, including our secondary raw materials, with great determination. So here also applies the goal of our economic strategy, formulated by Erich Honecker at the 10th SED Congress, "to make much better economic use still of our raw materials and fuels."

In years past a constantly growing proportion of our economic raw material requirements was derived from an ever better utilization of secondary raw materials and waste-products. That amounts at present to approximately 10 percent of our raw material requirements, not counting crop products. And here we make use of circa 30 percent of the total of such raw materials. The remaining 70 percent contains potential reserves which we can and must exploit in years to come.

The proportion of raw material in metallurgy covered by scrap lies between 70 and 75 percent for steel, around 37 percent for copper, around 45 percent for lead and around 20 percent for zinc. For steel production there is no more effective and cheaper raw material than scrap, 1,000 tons of steel scrap making up for almost twice that much in imported ore and circa 500 tons of imported coke. The

energy expense drops, when compared with the use of iron ore, from 4,000 to 1,500 kilowatt hours per ton. Costs come to around one-third. It is similar in the use of other secondary raw materials in metal.

The paper industry extracts up to 47 percent of its raw material requirements from old paper. Circa 70 percent of the requirements of the bottling industry is now covered by the reuse of 650 million bottles and jars annually. Along with the considerable savings in raw material and energy there come remarkable economic savings in manpower and investments which would otherwise be needed for creating production capacities. Roughly one-fifth of lubricant requirements is covered by the recycling of old oil.

These traditional secondary raw materials like scrap, old paper, bottles and jars, old textiles, old oil and others have a stable position in our raw material supply. New activities must extend it further in the years ahead. But a greater use made of many other secondary raw material resources available in our economy has proven of no mean importance for our raw material supply and efficiency improvement. That applies, e.g., to thermoplastic byproducts, wood chips, spent sulphite, secondary silver, ash, slag and many others.

The plan is to raise the exploitation and utilization of secondary raw materials by from 128 to 130 percent between 1981 and 1985. That suggests the criteria that will determine the performance boost in the utilization of secondary raw material resources in the years ahead. Due to the altered starting position for economic growth, secondary raw materials and waste-products will have to be used at an unprecedented rate in the course of the five-year plan. Thanks to them, the requirements for economically important raw materials, not counting crop products, are to be met by a reduction of at least around 12 percent up to 1985. This then, as the 10th party congress has established, amounts to a maximum recycling of secondary raw materials and waste-products.

What Advantages Do Secondary Raw Materials Have Over Primary Raw Materials?

Among the ways that lead to an improved materials economy, the rational extraction, processing and utilization of secondary raw materials occupies an important spot. That is not principally the outcome of raw material shortage, let alone of a "poor people's policy," but is given birth by economic reason. Waste and residue recycling from production and consumption provides for a number of perceptible economic advantages when compared with primary raw materials.

Secondary raw materials increasingly show up as a source for our own raw material production and facilitate absolute and relative reductions in raw material and material imports. The importance of the secondary raw materials industry to us becomes evident through the example of copper. To produce a ton of copper at the VEB Wilhelm Pieck Mansfeld Combine, 50 times as much in cupreous rock has to be extracted. The annually recycled and processed volume of copper scrap saves us an extraction of 2.6 million tons of cupreous rock per year. Or consider that a liter of fixing bath solution thoughtlessly poured out normally contains between 3 and 4 gram of silver. The VE Secondary Raw Material Utilization Combine intends to recover from it circa one ton of silver for our economy this year. A treasure in the truest sense of the word.

Furthermore, the use of secondary raw materials often constitutes an energy economy factor of the first rank. Broken glass instead of the silicate raw materials requires of the glass industry only approximately one-tenth of the energy investment for re-fusing. Any ton of broken glass remaining unused thus amounts to an energy loss in magnitude. Waste and residue recycling moreover saves public investments for their harmless return to the natural environment. That includes efforts in decontamination, transportation costs, deposit fees and so forth.

The utilization of secondary raw materials thus constitutes a chief route of using material economically. It reduces the material intensity of production. Whole production stages can be omitted in the production of end products. That normally makes it possible to diminish the total expenditure for live and embodied labor.

Primary mineral raw material resources are diminishing everywhere. They are, as one knows, not reproducible. Many raw materials are becoming increasingly short and can still be had only with difficulty or not at all. Their exploration, extraction and processing are becoming more and more expensive. That also is of weight economically and the point of departure for creating raw material cycles. Even today the use of secondary raw materials already is cheaper most of the time than that of primary raw materials.

Wise Management of Secondary Raw Materials Benefits Every Enterprise and the Whole Economy

Wisely managed enterprises have always been marked by their correctly using what they have. That applies in particular to production consumption, the reduction of which has a direct effect on increasing our national income and is thus of great weight to our carrying on our tested policy in its unity of economic and social welfare management.

Secondary raw materials are domestic and widely available resources that are already above ground. The advantage in their extraction and use increases to the extent that the expense increases for primary raw materials and for the protection of our natural environment. And more than that: in many areas of the economy, material supply, in view of the worldwide shortages and the price hikes for raw materials, is no longer conceivable without an optimum utilization of secondary raw materials.

What has already once been extracted--let us only take steel scrap--need no longer be mined as ore but only be reprocessed. Of course, that is not possible without expense either and sometimes even gives rise to problems we have not yet come to grips with. Practice has sufficiently proven that for investments in raw material production and processing from secondary raw materials, per unit of raw material growth, not even half as much of an expenditure is required as with respect to primary raw materials.

Many examples, furthermore, illustrate that the production effort itself is much smaller. Steel production from scrap costs circa one-third of the same from ore. Shortages and price increases in fibrous wood permit but limited increases in

the production of traditional primary fibrous materials such as cellulose and wood pulp for paper production. Material costs through the recycling of paper come to circa only between 30 and 40 percent of that in the use of primary fibrous materials.

Another advantage is a big saving in energy. When steel scrap is used the energy consumption, as compared with iron ore, drops at a ratio of 4 to 1.5. For 100 million recycled bottles and jars we save, when compared with new production, 80,000 tons of coal, 18 million kilowatt hours of electrical energy, and 76 million cubic meters of gas, not even counting the savings of 10,000 tons of soda and 30,000 tons of glass sand. Great advantages are also derived from the use of broken glass. The use of thermoplastic wastes reduces the energy consumption by 15 percent.

The construction and construction materials industry derives up to between 8 and 10 percent of its raw materials requirements from secondary raw materials. Much slag in metallurgy is used as cement admixture or the production of light admixtures. With it, e.g., the use of copper tube melting slag as admixture in cement production saves limestone, loam and energy while reducing prime costs by 8.6 percent per ton of cement.

Hence there are many examples that can demonstrate the economic advantages of using secondary raw materials. They show these benefits for every enterprise and the whole economy. When one uses and recycles secondary raw materials one not only eases our raw material balance but also helps improve our capacity. Then one makes an important contribution to our intensification and efficiency boosts.

Uncover and Effectively Use More Secondary Raw Materials

A comprehensive utilization of secondary raw materials available is to make an increasing contribution to meeting the raw material requirements of our economy, as the 10th SED Congress directive demands. It is a matter of ensuring an economic use of all available resources. It calls for uncovering far more secondary raw materials, in particular. Recently the palette has broadened visibly. Along with ferrous and nonferrous metal scrap, old paper, old oil, bottles and jars, old textiles and bones, now there also are electronic scrap, used-up film materials and fixing baths, grease slush and fatty waste-products, fireproof material, corundum grains, sulphite waste liquor, synthetic and elastic residues and many other waste-products that are gaining increasing importance. From 22 million tons in 1980, the volume of recycled secondary raw material is to reach 29 to 30 million tons by 1985.

That calls for an industrialized approach to all matters of the secondary raw materials industry. With the two combines in metal reprocessing and secondary raw material utilization, a special industrial branch is emerging, as it were. Its task is to reprocess secondary raw materials in such a way that the intrinsic values of these raw materials, being so very important for our economy, are not only preserved but possibly even increased. At the same time, each combine and each enterprise bears itself a high responsibility for the utilization of secondary raw materials. Our economy observes as a principle that he who causes waste products is fully responsible for their further utilization.

Even in the uncovery of secondary raw materials what counts are methods to largely reduce the upgrading efforts. One way in which everyone can contribute to it lies in sorting out what is handed over--be it newsprint or wrapping paper from households or scrap from the enterprises. Also well prepared deliveries from dumping depots or from enterprises to the reprocessing centers of both combines are part of the effort. In many cases even a direct, which means the most efficient, way of handing wastes over from where they occur to the reprocessing plant is possible. That diminishes costly transportation, transshipment and storage processes.

As raw material suppliers the combines of the secondary raw materials industry have a great responsibility to supplying the processing industry proper as to schedules, qualities and assortments. In some raw materials they have to ensure half, in some places even the overwhelming part, of supplies for the economy.

Old paper, apart from direct deliveries to the paper industry, is collected in the various VEB secondary raw material uncovering centers and compacted into 500-kilogram bales by high-efficiency presses. That way it is shipped to the paper industry, from Berlin to Schwedt, e.g., and that is of higher energy economy than by way of inland navigation. Furthermore none but such large bales make possible forming volumes for an optimum utilization of storage areas available. The specific transportation effort also is reduced, transportation capacities are more fully used, and a uniform loading and unloading technique can be employed.

In contrast to the steadily ongoing reception of bottles by the beverage industry, reusable jars are greatly needed on a seasonable basis by the fruit and vegetable processing industry. That demands of the uncovering enterprises to adapt to these conditions and store and transport jars purposefully in palettes. A considerable manual effort is still connected with that. Rational procedures require for the future a palette technique coordinated with the consumer industry. For that there are already palette installations in operation in the VEB Secondary Raw Materials Utilization Berlin and Halle, which have to be further developed.

Efficient utilization finally also makes a high demand on industry. In the paper and cardboard industry, where old paper already makes up 47 percent of the raw material supply, scientific-technical work, new technologies, have created the premises for it. An example is the output of AROS paper for tickets, cashier's notebooks and similar items completely from old paper. Furthermore, in the treatment of wood in the paper industry we can already partly make use technologically of the leaching process that goes with it. From 2.5 percent each of the leaching, crude alcohol and food yeasts are distilled. Energy use also has been found useful in the VEB Rosenthal Cellulose Plant, for each ton of sulphite waste liquor has a heating capacity of circa 650 kilograms of softcoal briquettes.

What Is the Contribution of Science and Technology to Improved Utilization of Secondary Raw Materials?

As science and technology hold a key position today for the economic strategy of the 1980's, that also fully applies to the industrial branches of the secondary raw materials industry. Higher achievements through less investment can only come

by way of intensification from socialist rationalization. Comprehensive tasks for it, more than 300, are set down in the overall economic science and technology plans up to 1985.

Refined metallurgy, meaning more and better products from the same amount of raw material, is not only up to the producers but to the raw material suppliers as well. One of the most important ones is the VEB Metal Processing Combine with its open-pit miners, as scrap holds a proportion of up to 75 percent in the steel production, of 37 percent in copper production, and of 45 percent in lead production.

For years it had been complicated to reprocess large-perimeter old cables, for instance. The elimination of their plastic sheathing was possible only through burning them off, which was expensive. The realization that plastic materials become brittle at temperatures below 60 degree Celsius and can easily be knocked off led to a new technology, the cryo-technique, which is now successfully being used in the Liebenwalde plant. This amounts to a scientific-technical peak performance developed in the combine.

Recovering valuable scrap components with rare metal content most of the time still causes great problems. Any household refrigerator, e.g., has approximately 100 grams of copper in the form of capillary tubing. Zinc is found as alloy component or tin solder in many devices. Silver and gold are used in many electrical and electronic devices, in plugs, for instance. For this reason the decomposition of such scrap is of extraordinary economic importance. On behalf of keeping expenses low, this can however not be done haphazardly but calls for well considered technologies. Some were created in the metal reprocessing combine within the framework of the science and technology plan, e.g., for decomposing electronic scrap. They are being used in operations.

A wise raw materials economy today already expects of the designer that he will take rational recovery into account. The recycling research institute of the GDR Academy of Sciences, e.g., has developed a procedure for reprocessing domestic feldspar sand with a small proportion of feldspar at complex use. That has yielded a raw material with a high feldspar proportion for the glass and ceramics industry as well as with a low concentration for porcelain and quartz sand for foundries and an illit sludge for architectural ceramics. The so-called by-products here bring in nearly half of the profits in overall production.

Many other examples could be adduced. Thermoplastic waste, e.g., can be reused, after being broken up, as regranulate. But here one must be sure to sort things out painstakingly, and this applies also more and more to households. In years past such recycling and reprocessing was not possible, or possible only to a small extent. Plastic residue like bottle cases, canisters and barrels ended up on the dumping grounds of the large consumers. Shipping such bulky objects to reprocessing plants was found to be unlucrative. But in 1980, under the authority of the chemical advisory bureau of the Ministry for Chemical Industry the first mobile recycling plant was set up, a cutting granulator mounted on a truck trailer, produced in series in the machine building industry. Granulated, i.e. broken up fine, in situ, the waste-products, in sacks, get back to the synthetic processing plants.

For uncovering argentiferous fixers, we still have to transport considerable volumes of liquids to the reprocessing plant at present. The Freiberg Mining Academy is currently testing more effective procedures which can be carried out in situ. In 1982 they are expected to be given their first application and to help reduce expenses.

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NYERS ON REFORM'S ACHIEVEMENTS, PERSPECTIVES

Budapest HETI VILAGGAZDASAG in Hungarian 19 Dec 81 pp 4, 5

[Interview with Rezso Nyers by Richard Hirschler: "A Rational Turning Outward"]

[Text] "What will exist in Hungary 5 or 10 years from now depends on what we do today, as soon as possible." Giving life to entrepreneurial activity and a swifter improvement of international competitiveness necessitates a better exploitation of the possibilities of the microsphere. This is what HETI VILAGGAZDASAG was told in an interview by 57-year-old Rezso Nyers, scientific adviser to the Economic Sciences Institute of the Hungarian Academy of Sciences.

[Question] At a session of the academy--held at the beginning of October--dealing with the development of the past 25 years, you said that improving international competitiveness was an urgent task. Why is this most important in Hungary now?

[Answer] As I emphasized at that conference, the pace and qualitative value of our economic and social development depend on a swifter and better balanced expansion of our foreign economic contacts; in other words, our participation in the international division of labor. A swifter development than at present without an external balance is just as impossible for us over the long run as the reverse. We can break out of our present distressed situation, caused by external conditions, only by improving the international competitiveness of production. In the first place the world economic changes have indirectly weakened the competitive position of our export; in the second place, maneuvering with imports is only a passive defensive weapon. In reality, and an improvement of it, can be our active weapon. Naturally, an expansion of the internal market is of crucial importance in the development of the economy also. In our given situation domestic use can increase to a greater degree only with an improvement in external competitiveness. Central economic guidance can contribute to all this not by a stressed treatment and encouragement of export but rather by an evermore general realization of the principle of economic efficiency, and thus of profitability. The task of central regulation in achieving the goal is actually a double one: to increase gradually the efficiency requirements and at the same time to broaden the entrepreneurial freedom for profitable undertakings, the practical operational possibilities, and to decrease the restrictions, perhaps overt but more likely hidden, holding back undertakings.

[Question] But many are afraid to dissolve the restrictions because they feel that the foreign trade balance, more or less restored with such difficulty, will again deteriorate.

[Answer] I would distinguish two phases in the process of restoring the balance, starting from the state of affairs in 1977 to 1978, when the external balance deteriorated the most. Different tools should be used in each phase. We are approaching the end of the first phase. What was characteristic of this phase was that central guidance tried to improve the balance primarily with macrostructural tools, encouraging export and moderating import demand by restraining growth in investment and consumption. These measures brought astounding success and proved that central guidance, if well used, can be an effective tool in periods of tension in the realization of important social goals. But the problems of a lasting balance, of lasting development, could not be solved in this way. Actually the structure of production changed only slowly in this period; there were good results in improving international competitiveness in a narrow area but by and large the results were modest.

The task of the second phase will be to lay the foundations for lasting development on a new growth course--giving life to entrepreneurial activity and a swifter improvement of international competitiveness. This will require increased exploitation of the microeconomic possibilities. We must improve the entrepreneurial readiness and possibilities of the enterprises, using fewer financial restrictions; aiding a freer combination of production factors, capital, labor and material expenditures; encouraging a renewal of the internal mechanisms; aiding a development of higher quality leaders in many places; and further broadening enterprise democracy.

[Question] But would new institutional forms be needed to broaden enterprise democracy?

[Answer] I see many possibilities for a substantive deepening of democracy within existing frameworks, but I also approve of a search for new forms. The essential thing is that under the current concrete conditions the economic democracy of the microsphere cannot be limited to worker democracy in the strict sense or to a democracy of the intellectual elite. The key to a solution of the problem is a new type of more active cooperation of the two. The close link of the workers and the economic intelligentsia in national politics is becoming commonplace but it is rather rare in everyday life. This link should not be limited to the exchange of warm greetings or respect for one another; it should mean something more in the joint execution of everyday economic tasks. The existing institutional forms--the production conferences, the socialist brigade movement--are appealing, but they will not be satisfactory with their traditional content. In the present and coming period greater emphasis will be given to defending the concrete interests of the workers; this will require a more precise clarification of interests. The trade unions will have a very great task in this. But something else is needed. In the interest of concrete economic goals we must develop appropriate organizational forms for cooperation between intellectuals and the workers at the enterprise and factory or even shop levels. In any case, a broad movement must be created; we must establish the most appropriate organizational forms.

Self-administration is justified where the role of the human factor is preponderant in the work process, where the processes are labor-intensive and not capital-intensive, and where much of the economic risk can be put on the worker collective. For example, the service sphere, labor-intensive commodity production and agriculture, based on a special relationship of man and nature, are this type. But in large industrial, transportation and commercial enterprises, where a large amount of capital accumulates, and in banks, where central financial funds and tools have a special role, social goals may be best realized with a distribution of economic risk and a partnership link between leaders and workers.

[Question] But is it not precisely at these larger enterprises where the situation is ripe for a separation of the ownership and entrepreneurial functions, which have been mixed together?

[Answer] The experiences of 30 years of practice bring up a critical rethinking of the correct relationship of these functions. The collectives of state enterprises cannot be the owners of the social capital entrusted to them because this would end the possibility of carrying out state measures aimed at using and regrouping capital in the interest of social goals. But the future will question the rationality of the current solution. Today the supervisory organ, the ministry, plays the ownership role. It is evident already that a single ministry, in its own circumscribed function, is not suitable for the mobilization and use of social capital, given the complexity of social goals. Only a number of state organizations together can express the state interests because the interests of industry, commerce and the bank must be represented as well as the viewpoints of the state budget and labor affairs.

In socialism, property becomes socialist with the condition that it is also social, so the given collective, or rather the worker interests represented on the social level, must participate in the exercise of the ownership functions. The rationality of such a solution would consist of the fact that ownership representation would be exercised not by a single state organ with official responsibility but rather by a representation of complex state-social interests. One form of this, for example, might be a supervisory committee in which representatives of the various interests participated but it might be a banking framework or a unique state organization. Ownership functions include an indication of the long-term use of social capital, the regrouping of capital, establishing and evaluating the use of social capital in the leadership of the enterprises, selecting the higher leaders of enterprises and entrusting them with leadership.

But it does not include saying what and how an enterprise should produce, in what markets it should sell, with whom it should cooperate, what technical solutions it should choose, how its internal organization should be set up or what wage policy and interest system should be developed within the enterprise. These are not ownership functions but entrepreneurial functions. Clearly these functions should be exercised jointly by the enterprise leadership and collective; the organization of the state with economic guidance rights, the supervisory ministry, could participate in this in its unique way. The essential thing is that in regard to the future we should courageously seek new methods and not try to approach this question one-sidedly on the ideological level alone, even if ideological factors are involved.

[Question] The enterprising spirit was dormant for decades. Are the small undertakings awakening this spirit?

[Answer] Yes, they represent positive possibilities, a significant step toward transforming the industrial structure and satisfying market demand. Even in the short run much profit can come from them, but they can develop fully, in their true activity, fitting in well with planned management only over a longer run, when they can find their final role. They represent one factor for economic efficiency, but naturally they do not take the place of large industry, large undertakings. Some overestimate their significance, but this is the lesser danger because facts refute illusions almost automatically. Much more dangerous are those who immediately oppose new efforts

as soon as they appear--and unfortunately this is an old tradition in Hungary--and try to hinder their realization, not openly in a democratic way but in a hidden way by intrigue. Antipathy toward the new has always been a brake on Hungarian progress and it has been transplanted into our society under a new name. But if we are talking about the enterprising spirit, its revival is not negligible in the large socialist organizations either; indeed it is even more important.

[Question] Thus far we have talked only about desirable changes in internal conditions. But there are external conditions too.

[Answer] We must consolidate the external contacts of the Hungarian economy. Our economy has tolerated badly the great market changes occurring recently from a forced situation, the shift of a critical part of trade to the nonsocialist sphere of the world market. More concretely, import possibilities in our CEMA contracts have narrowed and we suddenly had to find new acquisition sources in the West or the developing world. This process must be stopped. Of course this presumes more dynamic cooperation among the CEMA countries. If we succeed in stabilizing the ratio of our Western economic contacts, then we will be able to improve our competitiveness in those markets more quickly.

[Question] To what extent are the new phenomena hindering a revival of cooperation among CEMA countries?

[Answer] I would divide the new developments into three groups. First, extractive industry, the production of raw materials, has hit a bottleneck throughout CEMA, especially in the Soviet Union. There are economic and geographical causes for this --the location of resources in Siberia, higher costs and the need for greater investments. Economic planning causes play a role also, the economic planners did not notice in time the development of this bottleneck and the development of it was virtually accelerated by the given economic development methods. A quick solution cannot be expected because the capital needed for a swifter development of raw material and energy in use must gradually be ended. For the time being, the new situation deprives cooperation between the Soviet Union and the smaller CEMA countries of its dynamism.

The second factor is that the impetus for East-West cooperation has been broken, for various reasons, both political and economic. Contributing to this is the fact that the developed technology bought by the CEMA countries, largely in the 1970's, did not produce a profit in the short run. Really broad and efficient use of imported technologies is difficult to guarantee because of the reigning economic mechanisms. To a large extent these technologies have been used only in narrow areas and they have not repaid their investment. Certain unfavorable transitional phenomena are having an effect also; a number of socialist countries have imported agricultural products for dollars in such large amounts that this has taken assets away from the import of technology that would otherwise be desirable.

Since protectionist phenomena are strengthening on a slowly expanding world market, the processing industry export of the CEMA countries is developing with difficulty and indebtedness burdens have appeared. The smaller CEMA countries--finding themselves in a difficult situation--in order to improve their dollar balances do not

offer each other the products that can be sold best. Although they try to import from one another, the better part of their export is directed to the Soviet market or to the world market, in order to increase dollar profits. In the case of the smaller countries this has given birth to a unique phenomenon of disintegration.

Finally, the weight of the developing socialist countries has increased within CEMA. Thus, CEMA could not become, entirely, a tool for the realization of the integration ideas in the complex program.

[Question] Is there a way to turn around the unfavorable trend, and if so what would it be?

[Answer] In the new situation there are three linked but independently existing problems to be solved within CEMA: We must intensify bilateral cooperation between the Soviet Union and the smaller CEMA countries, we must reduce the production parallelism among the smaller CEMA countries by a greater interweaving of their processing industries, and we must expand cooperation between the more developed and less developed countries of CEMA. These three tasks define the direction of what must happen within or among the CEMA countries. The fourth, general task for all the CEMA countries is to improve their world market positions in such a way that the processing industry will catch up with the competitiveness of raw material production. This task involves the previous requirements also and it must be attended to. There is need for a rational eversion. Without this, the development of the mutual cooperation of the CEMA countries cannot be resolved.

[Question] The question arises: What connection do the economic tasks have with politics?

[Answer] If I understand you, you are curious about the extent to which the problems of the economy can be regarded as questions of general political significance. The quality, efficiency, competitiveness and social effect and reception of economic performance are not political questions only when and to the extent that they become involved with national politics itself. Economic progress, if it extends to the entire national economy, represents political success. Economic problems, beyond a certain degree, will become sources of political tension. So a rigid separation of the economy from politics is a great mistake, a fundamental error, and can lead to an incorrect judgment of economic questions from the political viewpoint, regarding them as of subordinate significance from the viewpoint of political power. Such a conception causes serious political harm, if not in the short run then in the longer run.

Dangerous also, is the other extreme, a conception that does not see the relative independence of the economy, that washes it away under the spell of ideological opposition, that conceives in a mechanical way the political determination of economic life. Representatives of this view forget that there is not only a global struggle between the two world systems. Every national economy and people wages separately its own economic-social struggle for its own prosperity. It is not possible to derive this sphere of action simply from the global goals and treat it in rigid subordination thereto. In other words, we must do something concretely and independently, there, today to solve our problems. Of course this should not obscure where we stand in the world-scale confrontation. Over the long run, neglecting independent economic-political action would only harm the world movement struggling for socialism.

[Question] Finally, how much time do we have to act?

[Answer] A favorable exploitation of the time factor is very important. In our contemporary society, because of the mutual social dependencies, we can regard the consolidation as a great victory, a gigantic achievement, because it gives us time, lays the foundations for uniting social forces to solve difficult tasks. But the dialectic contradiction in this is that supporting and maintaining this are possible only with further renewal, a further development of our action. What will exist in Hungary 5 or 10 years from now depends on what we do today, as soon as possible.

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BANK OFFICIAL DISCUSSES 1982 CREDIT POLICY

Budapest NEPSZABADSAG in Hungarian 20 Jan 82 p 10

[Article by Dr Rezso Palkovits, vice president of the Hungarian National Bank: "Credit Policy in 1982"]

[Text] The most important requirement placed on credit policy is that it promote--in accordance with the objectives of economic policy, and in harmony with the national economic plan and the system of regulation--transformation of the production structure, and thereby the intensification of the ability to generate income, and that it stimulate restoration of equilibrium, particularly in the external economy. In the areas of production and salses, and also in the area of accumulation, credit must aim to unfold, broadly and as successfully as possible, the processes of economic development that produce a qualitative change. In the interest of strengthening the processes that lead to an improvement of efficiency and profitability, respectively to cut back uneconomic production, it is necessary to reinforce the selective nature of credit policy and the influencing role of credit. The set of conditions for providing credit must be formulated in agreement with the system of regulation, in such a way as to increase the creditworthiness of the profitably operating enterprises and cooperatives, and thereby to ensure their dynamic growth. We will support also with credit preferences the stimulation of production and sales activity that serves to restore economic equilibrium.

Limited Possibilities

The government approved its 1982 credit-policy directive in agreement with the general objective and task of credit policy, as outlined above. Of the economic organizations' developmental efforts the bank will thus support primarily investment that serves to favorably transform the production structure, to build export capacities that help to restore external economic equilibrium, respectively to maintain or expand existing export capacities, to reduce the specific energy consumption and to save energy, to promote the utilization and reprocessing of waste and secondary raw materials, and to raise the level of the population's supply.

The possibilities for providing investment credit this year are limited. In accordance with the requirements of equilibrium, the volume of investment credit outstanding must be reduced by 2.0 billion forints, the difference between the 24.5 billion forints of scheduled repayment and a ceiling of 22.5 billion forints on new investment credit. Despite the narrowing possibilities, the appropriations for investment credit to expand export capacities will not be reduced, and separate allocations of

1.5 and 0.5 billion forints will be available for investments to rationalize energy consumption, respectively to process and reprocess waste and secondary raw materials. And if we take into account that these objectives often are combined with the expansion of export or import substitution, then the possibilities are much greater than the amounts specified in the separate allocations.

Strict Yardstick

The tasks that stem from the national economic plan, and the requirements of equilibrium have necessitated a further tightening of the conditions of economic activity and, accordingly, minor changes in certain elements and rates of the economic regulators. Minor change or modification of the set of conditions has become necessary also in credit policy. The conditions under which credit is provided had to be tightened primarily to keep investment activity within the objectives and limits of the plan.

In 1981, the profitability criteria that were a prerequisite for obtaining investment credit were increased 2 percentage points over their previous level. A wide circle of the enterprises applying for credit accepted the stricter criteria, and these criteria were met on most of the completed investments. The available profit data warranted a further tightening of the profitability criteria, and as of this year the required rates of profit on invested capital have been raised another percentage point. Depending on the category of economic activity to which the enterprise is assigned, the required profit rate is generally 15 percent, but it may be lower in the building materials industry, food industry and in the production of basic materials in general, as well as in the case of investments in domestic trade, transport and communications where the minimum profit rate is 11 percent a year, while in agriculture and in the service industries it is 9 percent a year.

Although the yardstick of profit on invested capital is stricter, the bank will continue to give preference to those investment proposals where the credit is repaid on schedule autonomously, from the development fund generated by the investment. According to our estimates, the requirement of autonomous repayment is met by those investments whose rate of return on invested capital is at least 23 to 25 percent a year.

So far as own resources are concerned, the requirement that economic organizations must finance from their own developmental resources at least 30 percent of their investments was abolished already in 1981. Although no minimum share has been set, the basic principle unalterably applies that credit may be provided only to supplement own resources. Thus the bank--taking into consideration the size of the enterprises' development funds and the extent to which these funds have already been committed--strives to attain the maximum feasible share of own resources. In view of the narrowing possibilities for obtaining credit, primarily the enterprises that assume a greater share of the cost of their investments--while meeting the other prescribed objectives and indicators--can expect approval of their credit applications.

Considering the development of the economic organizations' profits and the higher costs of ensuring sources of credit, it has become necessary to raise by 1.0 percentage point the interest rates on credit. In the case on investment credit, this means a maximum interest rate of 11 percent. The higher interest rates on investment credit apply not only to new credits, but also to the unpaid balance of credits

outstanding. The higher interest rates compel the enterprises to weigh their investment decisions more carefully, to plan and undertake investments that are truly effective and profitable.

Preferential Objectives

In addition to the changes in credit conditions outlined above, mention must be made of the credit objectives that are the most important for the national economy and therefore enjoy preferences. In the area of investments such preferential credit objectives are development projects that expand export capacity, implement the program for the rationalization of energy consumption, and promote the utilization and reprocessing of waste and secondary raw materials.

The preferences have remained unchanged in the case of investments for the expansion of export capacity or import substitution: the maximum term of the investment credit is 12 years--as compared with 10 years in general--and a refund of 33 percent of the interest paid may be claimed if the conditions specified in the credit contract are met. However, the conditions are somewhat stricter in the sense that the time during which the credit must be repaid from the net foreign-exchange yield is shorter: the construction time and repayment time jointly may not exceed 4 years, respectively 5 years for agricultural investments related to the development of meat production. In the case of newly approved investment credits this means that the period of repayment from net foreign-exchange earnings may be 3 years if the construction time is 1 year, but a maximum of 2 years if the construction time is 2 years. Any credit applications on less favorable terms will simply drop out from the competition for credit. These conditions have been made stricter to ensure that investments financed with such credit will be paid off already during the current plan period, with the surplus export of the new capacities.

Efficient and quick realization of development projects to rationalize energy consumption, respectively to promote the use and reprocessing of waste and secondary raw materials, is enhanced not only by separate credit allocations for these purposes, but also by credit terms and interest rates more favorable than in general. The interest refund that may be claimed on credits for investments to save energy and rationalize energy consumption is 33 percent; the credit term is at most 10 years if the investment cost is recovered within 5 years, and 12 years if the investment cost is recovered within 3 years. In the case of development projects to promote the reprocessing of waste, the enterprise may apply for a refund of 25 percent of the interest paid, if it has met the conditions.

Circulating-Capital Credit

The conditions of the system for providing circulating-capital credit have remained essentially unchanged. By providing short-term and intermediate-term credit for circulating capital, the bank unalterably wishes to ensure the uninterrupted financing of production and circulation, and to aid the smooth operation of creditworthy enterprises and cooperatives.

Another requirement placed on the system for providing circulating-capital credit is that it must compel the enterprises to maintain an optimal level of circulating capital, including inventories, and to reduce unnecessary inventories. Within the framework of the system for providing circulating-capital credit, therefore, it is

necessary to seek methods with which more influence can be exerted on the enterprises with regard to how their manage their circulating capital and inventories. The conditions for financing permanent increases in inventories have been made stricter. If an enterprise is forced to apply for credit because it lacks sufficient resources in its development fund to directly replenish its circulating-capital fund, due to a permanent increase of its inventories, the credit may not exceed 50 percent of the permanent rise in inventories. But as an incentive to enterprises that rapidly increase their export (by at least 15 percent), or which derive a substantial proportion (25 percent) of their earnings from export, the bank may extend circulating-capital credit for up to 70 percent of the permanent increase in inventories. To improve the management of inventories, the bank carefully audits the inventory management of the enterprises that import substantial quantities of materials and parts. By setting strict credit conditions, the bank encourages the enterprises to use imported materials and parts more economically.

1014
CSO: 2500/120

SPECIAL CURRENCY EXCHANGE RATES PUBLISHED

Warsaw TRYBUNA LUDU in Polish 2-3 Jan 82 p 7

[Announcement by Stanislaw Majewski, president, Polish National Bank, Warsaw, dated January 1, 1982, of exchange rates in effect as of January 1, 1982]

[Text] Exchange Rates Table No 1/82

I. Foreign-Currency Exchange Rates in Zlotys for Countries in the 1st Payments Area [Socialist Countries]

1. Exchange Rates for Commercial Payments

| | Country | Curr Symb | | Currency | Purchase | Sale | Average |
|---|---|---|---|---|---|---|---|
| 10 | CEMA Countries | 101 | 100 | Transfer Rubles | 6,766.00 | 6,834.00 | 6,800.00 |
| 20 | Albania | 315 | 100 | Clearing Rubles | 6,766.00 | 6,834.00 | 6,800.00 |
| 30 | Korean PDR | 319 | 100 | Clearing Rubles | 6,766.00 | 6,834.00 | 6,800.00 |
| 35 | Laos | 322 | 100 | Clearing Rubles | 6,766.00 | 6,834.00 | 6,800.00 |
| 40 | Vietnam | 320 | 100 | Clearing Rubles | 6,766.00 | 6,834.00 | 6,800.00 |

2. Exchange Rates for Noncommercial Payments

| Country | Curr Symb | | Currency | Foreign Exchange and Money | | |
|---|---|---|---|---|---|---|
| | | | | Purchase | Sale | Average |
| Albania | 215 | 100 | Leks | 181.84 | 183.66 | 182.75 |
| Bulgaria | 202 | 100 | Leva | 2,618.66 | 2,644.98 | 2,631.82 |
| Czechoslovakia | 203 | 100 | Koruny | 230.44 | 232.76 | 231.60 |
| Korean PDR | 219 | 100 | Wons | 1,057.19 | 1,067.81 | 1,062.50 |
| Cuba | 208 | 100 | Peso | 1,730.05 | 1,747.43 | 1,738.74 |
| Mongolian PR | 204 | 100 | Tugriks | 459.41 | 464.03 | 461.72 |
| GDR | 205 | 100 | Marks | 720.13 | 727.37 | 723.75 |
| Romania | 206 | 100 | Lei | 277.64 | 280.44 | 279.04 |
| Hungary | 207 | 100 | Forints | 156.23 | 157.81 | 157.02 |
| Vietnam | 210 | 100 | Dongs | 201.08 | 203.10 | 202.09 |
| USSR | 201 | 100 | Rubles | 2,304.42 | 2,327.58 | 2,316.00 |

In the purchase of USSR Bank for Foreign Trade travelers' checks in rubles, payable outside the USSR in the currency of the country where cashed, an exchange rate of 11,444.80 zlotys for 100 rubles is applied.

II. Foreign-Currency Exchange Rates in Zlotys for Countries in the 2nd Payments Area [Capitalist Countries] [Money]

| Country | Curr Symb | Currency | Money Purchase | Money Sales | Money Average |
|---|---|---|---|---|---|
| Australia | 781 | 1 Australian Dollar | 89.07 | 92.71 | 90.89 |
| Austria | 786 | 100 Schillings | 501.76 | 522.24 | 512.00 |
| Belgium | 791 | 100 Francs | 209.62 | 218.18 | 213.90 |
| Denmark | 792 | 1 Kroner | 10.93 | 11.37 | 11.15 |
| Finland | 780 | 1 Markka | 18.03 | 18.77 | 18.40 |
| France | 793 | 1 Franc | 13.96 | 14.54 | 14.25 |
| Greece | 724 | 100 Drachmas** | 139.50 | 145.20 | 142.35 |
| Spain | 785 | 100 Pesetas | 81.84 | 85.18 | 83.51 |
| Holland | 794 | 1 Florin | 32.14 | 33.46 | 32.80 |
| Japan | 784 | 100 Yen | 34.55 | 35.97 | 35.26 |
| Yugoslavia | 718 | 100 Dinars** | 206.32 | 214.74 | 210.53 |
| Canada | 788 | 1 Dollar | 65.95 | 68.65 | 67.30 |
| Lebanon | 752 | 1 Pound | 17.04 | 17.74 | 17.39 |
| Luxembourg | 790 | 100 Francs | 209.62 | 218.18 | 213.90 |
| Norway | 796 | 1 Kroner | 13.36 | 13.90 | 13.63 |
| Portugal | 779 | 100 Escudos** | 121.95 | 126.93 | 124.44 |
| FRG | 795 | 1 Mark | 35.11 | 36.55 | 35.83 |
| United States NA | 787 | 1 Dollar | 78.40 | 81.60 | 80.00 |
| Switzerland | 797 | 1 Franc | 44.50 | 46.32 | 45.41 |
| Sweden | 798 | 1 Kroner | 14.31 | 14.89 | 14.60 |
| Turkey | 627 | 100 Pounds** | 65.40 | 68.06 | 66.73 |
| Great Britain | 789 | 1 Pound | 150.42 | 156.56 | 153.49 |
| Italy | 799 | 100 Lira** | 6.59 | 6.85 | 6.72 |

** In the purchase of money of the below-listed countries, the following exchange rates are applied:

| | | | |
|---|---|---|---|
| Greece | 724 | 100 Drachmas | 127.10 |
| Yugoslavia | 718 | 100 Dinars | 173.91 |
| Portugal | 779 | 100 Escudos | 111.11 |
| Turkey | 627 | 100 Pounds | 59.70 |
| Italy | 799 | 100 Lira | 6.00 |

Foreign-Currency Exchange Rates in Zlotys for Countries in the 2nd Payments Area
[Capitalist Countries] [Foreign Exchange]

| | Country | Curr Symb | | Currency | Foreign Exchange Purchase | Sale | Average |
|---|---|---|---|---|---|---|---|
| 190 | Saudi Arabia | 771 | 1 | Rial*** | 23.27 | 23.51 | 23.39 |
| 193 | Australia | 781 | 1 | Australian Dollar | 90.44 | 91.34 | 90.89 |
| 195 | Austria | 786 | 100 | Schillings | 509.44 | 514.56 | 512.00 |
| 200 | Belgium | 791 | 100 | Francs | 212.83 | 214.97 | 213.90 |
| 220 | Denmark | 792 | 1 | Kroner | 11.09 | 11.21 | 11.15 |
| 265 | Egypt | 639 | 1 | Pound*** | 141.69 | 143.11 | 142.40 |
| 270 | Finland | 780 | 1 | Markka | 18.31 | 18.49 | 18.40 |
| 280 | France | 793 | 1 | Franc | 14.18 | 14.32 | 14.25 |
| 300 | Greece | 724 | 100 | Drachmas | 141.64 | 143.06 | 142.35 |
| 303 | Spain | 785 | 100 | Pesetas | 83.09 | 83.93 | 83.51 |
| 305 | Holland | 794 | 1 | Florin | 32.64 | 32.96 | 32.80 |
| 310 | India | 543 | 100 | Rupees*** | 877.62 | 886.44 | 882.03 |
| 330 | Iran | 646 | 100 | Rials*** | 86.80 | 87.68 | 87.24 |
| 335 | Ireland | 782 | 1 | Pound*** | 122.20 | 123.42 | 122.81 |
| 340 | Japan | 784 | 100 | Yen | 35.08 | 35.44 | 35.26 |
| 350 | Yugoslavia | 718 | 100 | Dinars | 209.48 | 211.58 | 210.53 |
| 360 | Canada | 788 | 1 | Canadian Dollar | 66.96 | 67.64 | 67.30 |
| 390 | Kuwait | 770 | 1 | Dinar*** | 281.33 | 284.15 | 282.74 |
| 400 | Lebanon | 752 | 1 | Lebanese Pound | 17.30 | 17.48 | 17.39 |
| 410 | Libya | 651 | 1 | Dinar*** | 270.75 | 273.47 | 272.11 |
| 440 | Luxembourg | 790 | 100 | Luxembourg Francs | 212.83 | 214.97 | 213.90 |
| 450 | Norway | 796 | 1 | Kroner | 13.56 | 13.70 | 13.63 |
| 480 | Portugal | 779 | 100 | Escudos | 123.82 | 125.06 | 124.44 |
| 485 | FRG | 795 | 1 | Mark | 35.65 | 36.01 | 35.83 |
| 490 | United States NA | 787 | 1 | Dollar* | 79.60 | 80.40 | 80.00 |
| 495 | Switzerland | 797 | 1 | Franc | 45.18 | 45.64 | 45.41 |
| 497 | Sweden | 798 | 1 | Kronar | 14.53 | 14.67 | 14.60 |
| 500 | Turkey | 627 | 100 | Turkish Pounds | 66.40 | 67.06 | 66.73 |
| 510 | Great Britain | 789 | 1 | Pound** | 152.72 | 154.26 | 153.49 |
| 520 | Italy | 799 | 100 | Lira | 6.69 | 6.75 | 6.72 |

*Is binding also in clearing of accounts with the following countries: Bangladesh, Brazil, Egypt, Ecuador, Greece, Iran, Iceland, Cambodia, Colombia, Lebanon, Pakistan, Peru, Turkey.

**Is binding also in clearing of accounts with the following countries: Nepal, Pakistan.

***The Polish National Bank does not purchase money for this currency.

Foreign-Currency Exchange Rates Revised by Relative Value Rates of Currency in Zlotys

| Country | Curr Symb | | Currency | Foreign Exchange Purchase | Sale | Average |
|---|---|---|---|---|---|---|
| Chinese PR | 516 | 1 | Swiss Clearing Franc | 37.50 | 37.88 | 37.69 |
| Egypt | 639 | 1 | Egyptian Pound | 141.69 | 143.11 | 142.40 |
| Egypt | 539 | 1 | Clearing Dollar | 55.72 | 56.28 | 56.00 |
| Iran | 546 | 1 | Clearing Dollar | 63.68 | 64.32 | 64.00 |
| Iran | 646 | 100 | Rials | 86.80 | 87.68 | 87.24 |
| Turkey | 527 | 1 | Clearing Dollar | 69.25 | 69.95 | 69.60 |

Exchange Rates Table No 2/82

Warsaw TRYBUNA LUDU in Polish 11 Jan 82 p 7

[Announcement by Stanislaw Majewski, president, Polish National Bank, Warsaw, dated January 11, 1982, of exchange rates in effect as of January 11, 1982]

I. Foreign-currency exchange rates in zlotys for countries in the 1st payments area [socialist countries] for commercial and noncommercial payments given in Table No 1/82 remain unchanged.

In the purchase of USSR Bank for Foreign Trade travelers' checks in rubles, payable outside the USSR in the currency of the country where cashed, an exchange rate of 11,529.20 zlotys for 100 rubles is applied.

II. Foreign-Currency Exchange Rates in Zlotys for Countries in the 2nd Payments Area [Capitalist Countries] [Money]

| Country | Curr Symb | Currency | Money Purchase | Money Sale | Money Average |
|---|---|---|---|---|---|
| Australia | 781 | 1 Australian Dollar | 90.01 | 93.69 | 91.85 |
| Austria | 786 | 100 Schillings | 489.92 | 509.92 | 499.92 |
| Belgium | 791 | 100 Francs | 208.16 | 216.66 | 212.41 |
| Denmark | 792 | 1 Kroner | 10.88 | 11.32 | 11.10 |
| Finland | 780 | 1 Markka | 18.32 | 19.06 | 18.69 |
| France | 793 | 1 Franc | 13.12 | 13.66 | 13.39 |
| Greece | 724 | 100 Drachmas* | 138.31 | 143.95 | 141.13 |
| Spain | 785 | 100 Pesetas | 82.04 | 85.38 | 83.71 |
| Holland | 794 | 1 Florin | 32.27 | 33.59 | 32.93 |
| Japan | 784 | 100 Yens | 36.31 | 37.79 | 37.05 |
| Yugoslavia | 718 | 100 Dinars* | 197.19 | 205.23 | 201.21 |
| Canada | 788 | 1 Canadian Dollar | 66.67 | 69.39 | 68.03 |
| Lebanon | 752 | 1 Pound | 17.29 | 17.99 | 17.64 |
| Luxembourg | 790 | 100 Francs | 208.16 | 216.66 | 212.41 |
| Norway | 796 | 1 Kroner | 13.68 | 14.24 | 13.96 |
| Portugal | 779 | 100 Escudos* | 119.72 | 124.60 | 122.16 |
| FRG | 795 | 1 Mark | 35.30 | 36.74 | 36.02 |
| United States NA | 787 | 1 Dollar | 78.98 | 82.20 | 80.59 |
| Switzerland | 797 | 1 Franc | 44.34 | 46.16 | 45.25 |
| Sweden | 798 | 1 Kroner | 14.35 | 14.93 | 14.64 |
| Turkey | 627 | 100 Pounds* | 62.53 | 65.09 | 63.81 |
| Great Britain | 789 | 1 Pound | 152.24 | 158.46 | 155.35 |
| Italy | 799 | 100 Lira* | 6.64 | 6.92 | 6.78 |

*In the purchase of money of the below-listed countries, the following exchange rates are applied:

| | | | |
|---|---|---|---|
| Greece | 724 | 100 Drachmas | 126.01 |
| Yugoslavia | 718 | 100 Dinars | 179.66 |
| Portugal | 779 | 100 Escudos | 111.93 |
| Turkey | 627 | 100 Pounds | 56.97 |
| Italy | 799 | 100 Lira | 6.06 |

Foreign-Currency Exchange Rates in Zlotys for Countries in the 2nd Payments Area
[Capitalist Countries] [Foreign Exchange]

| Country | Curr Symb | Currency | Foreign Exchange Purchase | Sale | Average |
|---|---|---|---|---|---|
| Saudi Arabia | 771 | 1 Rial*** | 23.99 | 24.23 | 24.11 |
| Australia | 781 | 1 Australian Dollar | 91.39 | 92.31 | 91.85 |
| Austria | 785 | 100 Schillings | 497.42 | 502.42 | 499.92 |
| Belgium | 791 | 100 Francs | 211.35 | 213.47 | 212.41 |
| Denmark | 792 | 1 Kroner | 11.04 | 11.16 | 11.10 |
| Finland | 780 | 1 Markka | 18.60 | 18.78 | 18.69 |
| France | 793 | 1 Franc | 13.32 | 13.46 | 13.39 |
| Greece | 724 | 100 Drachmas | 140.42 | 141.84 | 141.13 |
| Spain | 785 | 100 Pesetas | 83.29 | 84.13 | 83.71 |
| Holland | 794 | 1 Florin | 32.77 | 33.09 | 32.93 |
| India | 543 | 100 Rupees*** | 884.05 | 892.93 | 888.49 |
| Ireland | 782 | 1 Pound*** | 127.90 | 129.18 | 128.54 |
| Japan | 784 | 100 Yen | 36.86 | 37.24 | 37.05 |
| Yugoslavia | 718 | 100 Dinars | 200.20 | 202.22 | 201.21 |
| Canada | 788 | 1 Canadian Dollar | 67.69 | 68.37 | 68.03 |
| Kuwait | 770 | 1 Dinar*** | 287.86 | 290.76 | 289.31 |
| Lebanon | 752 | 1 Lebanese Pound | 17.55 | 17.73 | 17.64 |
| Libya | 651 | 1 Dinar*** | 272.73 | 275.47 | 274.10 |
| Luxembourg | 790 | 100 Luxembourg Francs | 211.35 | 213.47 | 212.41 |
| Norway | 796 | 1 Kroner | 13.89 | 14.03 | 13.96 |
| Portugal | 779 | 100 Escudos | 121.55 | 122.77 | 122.16 |
| FRG | 795 | 1 Mark | 35.84 | 36.20 | 36.02 |
| United States NA | 787 | 1 Dollar* | 80.19 | 80.99 | 80.59 |
| Switzerland | 797 | 1 Franc | 45.02 | 45.48 | 45.25 |
| Sweden | 798 | 1 Kroner | 14.57 | 14.71 | 14.64 |
| Turkey | 627 | 100 Turkish Pounds | 63.49 | 64.13 | 63.81 |
| Great Britain | 789 | 1 Pound* | 154.57 | 156.13 | 155.35 |
| Italy | 799 | 100 Lira | 6.75 | 6.81 | 6.78 |

*Is binding also in clearing of accounts with the following countries: Bangladesh, Brazil, Egypt, Ecuador, Greece, Iran, Iceland, Cambodia, Colombia, Lebanon, Pakistan, Peru, Turkey.

**Is binding also in clearing of accounts with the following countries: Nepal and Pakistan.

***The Polish National Bank does not purchase money for this currency.

Foreign-Currence Exchange Rates Revised by Relative Value Rates of Currency in Zlotys

| Country | Curr Symb | Currency | Foreign Exchange Purchase | Sale | Average |
|---|---|---|---|---|---|
| Chinese PR | 516 | 1 Swiss Clearing Franc | 37.37 | 37.75 | 37.56 |
| Egypt | 639 | 1 Egyptian Pound | 142.72 | 144.16 | 143.44 |
| Egypt | 539 | 1 Clearing Dollar | 56.13 | 56.69 | 56.41 |
| Iran | 546 | 1 Clearing Dollar | 64.15 | 64.79 | 64.47 |
| Iran | 646 | 100 Rials | 87.44 | 88.32 | 87.88 |
| Turkey | 527 | 1 Clearing Dollar | 69.76 | 70.46 | 70.11 |

## Exchange Rates Table No 3/82

Warsaw TRYBUNA LUDU in Polish 18 Jan 82 p 7

[Announcement by Stanislaw Majewski, president, Polish National Bank, Warsaw, dated January 18, 1982, of exchange rates in effect as of January 18, 1982]

I. Foreign-currency exchange rates in zlotys for countries in the 1st payments area [socialist countries] for commercial and noncommercial payments given in Table No 1/82 dated January 1, 1982, remain unchanged.

In the purchase of USSR Bank for Foreign Trade travelers' checks in rubles, payable outside the USSR in the currency of the country where cashed, an exchange rate of 11,532.10 zlotys for 100 rubles is applied.

II. Foreign-Currency Exchange Rates in Zlotys for Countries in the 2nd Payments Area [Capitalist Countries]

| Country | Curr Symb | | Currency | Foreign Exchange and Money | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | Purchase 4 | Sale 5 | Purchase 1 | Sale 2 | Average 6 |
| Saudi Arabia | 771 | 1 | Rial*** | 23.62 | 23.86 | - | - | 23.74 |
| Australia | 781 | 1 | Austral.Dollar | 89.72 | 90.62 | 88.37 | 91.97 | 90.17 |
| Austria | 786 | 100 | Schillings | 498.89 | 503.91 | 491.37 | 511.43 | 501.40 |
| Belgium | 791 | 100 | Francs | 205.66 | 207.72 | 202.56 | 210.82 | 206.69 |
| Denmark | 792 | 1 | Kroner | 10.71 | 10.81 | 10.54 | 10.98 | 10.76 |
| Finland | 780 | 1 | Markka | 18.24 | 18.42 | 17.96 | 18.70 | 18.33 |
| France | 793 | 1 | Franc | 13.76 | 13.90 | 13.55 | 14.11 | 13.83 |
| Greece | 724 | 100 | Drachmas | 140.23 | 141.63 | 121.54 | 143.75 | 140.93 |
| Spain | 785 | 100 | Pesetas | 81.13 | 81.95 | 79.91 | 83.17 | 81.54 |
| Holland | 794 | 1 | Florin | 31.90 | 32.22 | 31.42 | 32.70 | 32.06 |
| India | 543 | 100 | Rupees*** | 884.32 | 893.20 | - | - | 888.76 |
| Ireland | 782 | 1 | Pound*** | 127.93 | 129.21 | - | - | 128.57 |
| Japan | 784 | 100 | Yen | 35.92 | 36.28 | 35.38 | 36.82 | 36.10 |
| Yugoslavia | 718 | 100 | Dinars | 170.65 | 172.37 | 147.91 | 174.94 | 171.51 |
| Canada | 788 | 1 | Canad. Dollar | 67.33 | 68.01 | 66.32 | 69.02 | 67.67 |
| Kuwait | 770 | 1 | Dinar*** | 283.42 | 286.26 | - | - | 284.84 |
| Lebanon | 752 | 1 | Lebanese Pound | 17.15 | 17.33 | 16.90 | 17.58 | 17.24 |
| Libya | 651 | 1 | Dinar*** | 272.82 | 275.56 | - | - | 274.19 |
| Luxembourg | 790 | 100 | Luxemb. Francs | 205.66 | 207.72 | 202.56 | 210.82 | 206.69 |
| Norway | 796 | 1 | Kroner | 13.78 | 13.92 | 13.57 | 14.13 | 13.85 |
| Portugal | 779 | 100 | Escudos | 120.70 | 121.92 | 104.61 | 123.74 | 121.31 |
| FRG | 795 | 1 | Mark | 34.99 | 35.35 | 34.47 | 35.87 | 35.17 |
| United States | 787 | 1 | Dollar | 80.21 | 81.01 | 79.00 | 82.22 | 80.61 |
| Switzerland | 797 | 1 | Franc | 43.01 | 43.45 | 42.37 | 44.09 | 43.23 |
| Sweden | 798 | 1 | Kroner | 14.26 | 14.40 | 14.04 | 14.62 | 14.33 |
| Turkey | 627 | 100 | Turkish Pounds | 61.70 | 62.32 | 53.48 | 63.25 | 62.01 |
| Great Britain | 789 | 1 | Pound** | 150.57 | 152.09 | 148.30 | 154.36 | 151.33 |
| Italy | 799 | 100 | Lira | 6.55 | 5.68 | 5.68 | 6.71 | 6.58 |

*Is binding also in clearing of accounts with the following countries: Bangladesh, Brazil, Ecuador, Greece, Iceland, Kampuchea, Colombia, Lebanon, Pakistan, Peru, Turkey.
**Is binding also in clearing of accounts with the following countries: Nepal, Pakistan.
***The Polish National Bank does not purchase money for this currency.

## Exchange Rates Table No 4/82

Warsaw TRYBUNA LUDU in Polish 25 Jan 82 p 7

[Announcement by Stanislaw Nieckarz, for the president, Polish National Bank, dated January 25, 1982, of exchange rates in effect as of January 25, 1982]

I. Foreign-currency exchange rates in zlotys for countries in the 1st payments area [socialist countries] for commercial and noncommercial payments given in Table No 1/82 dated January 1, 1982, remain unchanged.

In the purchase of USSR Bank for Foreign Trade travelers' checks in rubles, payable outside the USSR in the currency of the country where cashed, an exchange rate of 11,619.30 zlotys for 100 rubles is applied.

II. Foreign-Currency Exchange Rates in Zlotys for Countries in the 2nd Payments Area [Capitalist Countries]

| Country | Curr Symb | Currency | Foreign Exchange and Money | | | | |
|---|---|---|---|---|---|---|---|
| | | | Purchase | Sale | Purchase | Sale | Average |
| Saudi Arabia | 771 | 1 Rial*** | 23.62 | 23.86 | - | - | 23.74 |
| Australia | 781 | 1 Austral.Dollar | 90.02 | 90.92 | 88.66 | 92.28 | 90.47 |
| Austria | 786 | 100 Schillings | 498.98 | 504.00 | 491.46 | 511.52 | 501.49 |
| Belgium | 791 | 100 Francs | 205.00 | 207.06 | 201.91 | 210.15 | 206.03 |
| Denmark | 792 | 1 Kroner | 10.71 | 10.81 | 10.54 | 10.98 | 10.76 |
| Finland | 780 | 1 Markka | 18.23 | 18.41 | 17.95 | 18.69 | 18.32 |
| France | 793 | 1 Franc | 13.76 | 13.90 | 13.55 | 14.11 | 13.83 |
| Greece | 724 | 100 Drachmas | 136.62 | 138.00 | 118.41 | 140.06 | 137.31 |
| Spain | 785 | 100 Pesetas | 81.23 | 82.05 | 80.01 | 83.27 | 81.64 |
| Holland | 794 | 1 Florin | 31.92 | 32.24 | 31.44 | 32.72 | 32.08 |
| India | 543 | 100 Rupees*** | 884.14 | 893.02 | - | - | 888.58 |
| Ireland | 782 | 1 Pound | 123.68 | 124.92 | - | - | 124.30 |
| Japan | 784 | 100 Yen | 35.87 | 36.23 | 35.33 | 36.77 | 36.05 |
| Yugoslavia | 718 | 100 Dinars | 171.94 | 173.66 | 149.02 | 176.26 | 172.80 |
| Canada | 788 | 1 Canad.Dollar | 67.57 | 68.25 | 66.55 | 69.27 | 67.91 |
| Kuwait | 770 | 1 Dinar*** | 285.05 | 287.91 | - | - | 286.48 |
| Lebanon | 752 | 1 Lebanese Pound | 17.28 | 17.46 | 17.02 | 17.72 | 17.37 |
| Libya | 651 | 1 Dinar*** | 273.64 | 276.40 | - | - | 275.02 |
| Luxembourg | 790 | 100 Luxemb.Francs | 205.00 | 207.06 | 201.91 | 210.15 | 206.03 |
| Norway | 796 | 1 Kroner | 13.75 | 13.89 | 13.54 | 14.10 | 13.82 |
| Portugal | 779 | 100 Escudos | 120.26 | 121.46 | 104.23 | 123.28 | 120.86 |
| FRG | 795 | 1 Mark | 34.99 | 35.35 | 34.47 | 35.87 | 35.17 |
| United States | 787 | 1 Dollar* | 80.81 | 81.63 | 79.60 | 82.84 | 81.22 |
| Switzerland | 797 | 1 Franc | 43.46 | 43.90 | 42.81 | 44.55 | 43.68 |
| Sweden | 798 | 1 Kroner | 14.29 | 14.43 | 14.07 | 14.65 | 14.36 |
| Turkey | 627 | 100 Turkish Pounds | 58.65 | 59.23 | 50.83 | 60.12 | 58.94 |
| Great Britain | 789 | 1 Pound** | 150.85 | 152.37 | 148.58 | 154.64 | 151.61 |
| Italy | 799 | 100 Lira | 6.53 | 6.59 | 5.66 | 6.69 | 6.56 |

*Is binding also in clearing of accounts with the following countries: Bangladesh, Brazil, Ecuador, Greece, Iceland, Kampuchea, Colombia, Lebanon, Pakistan, Peru, Turkey.
**Is binding also in clearing of accounts with the following countries: Nepal, Pakistan.
***The Polish National Bank does not purchase money for this currency.

CSO: 2600/223

FEBRUARY SPECIAL CURRENCY RATES PUBLISHED

Warsaw TRYBUNA LUDU in Polish 1 Feb 82 p 7

[Table: Currency Rate Table No 5/82, effective 1 February 1982, issed by Stanislaw Majewski, Chairman of the Polish National Bank, in Warsaw on 1 February 1982]

[Text]I. The rates of exchange for foreign currencies in zlotys for countries of I (first) payments area [socialist countries] for commercial and non-commercial payments, as contained in currency rate table No 1/82 dated 1 January 1982, remain unchanged.

The rate of 11,673.70 zlotys per 100 rubles applies in buying ruble-based travellers' checks of the USSR foreign trade bank for payment outside the USSR in the currency of the country in which the exchange is made.

II. Foreign Exchange Currency Rates in Zlotys for Countries of II(Second) Payments Area [Capitalist Countries]

[Key] :

(a) Country
(b) Currency symbol
(c) Currency
(d) Foreign exchange and money
(e) Purchase
(f) Sell
(g) Mean

(1) Saudi Arabia
(2) Belgium
(3) Denmark
(4) Finland
(5) France
(6) Greece
(7) Spain
(8) Netherlands

[See table on next page]

(9) India
(10) Ireland
(11) Japan
(12) Yugoslavia
(13) Canada
(14) Kuwait
(15) Lebanon
(16) Libya
(17) Luxembourg
(18) Norway
(19) Portugal
(20) Federal Republic of Germany
(21) United States
(22) Switzerland
(23) Sweden
(24) Turkey

II. Foreign Exchange Currency Rates in Zlotys for Countries of II (Second) Payments Area [Capitalist Countries]

| (a) KRAJ | (b) SYMB. WAL. | (c) WALUTA | (d) DEWIZY I PIENIĄDZE | | | | |
|---|---|---|---|---|---|---|---|
| | | | KUPNO (e) | SPRZED. (f) | KUPNO (e) | SPRZED (f) | ŚREDNI (g) |
| ARABIA SAUD. (1) | 771 | 1 RIAL***) (27) | 23,81 | 24,05 | — | — | 23,93 |
| AUSTRALIA (28) | 781 | 1 DOLAR | 89,57 | 90,47 | 88,22 | 91,22 | 90,02 |
| AUSTRIA (29) | 786 | 100 SZYLINGÓW | 495,05 | 500,03 | 487,59 | 507,49 | 497,54 |
| BELGIA (2) | 791 | 100 FRANKÓW (30) | 204,50 | 206,56 | 201,42 | 209,64 | 205,53 |
| DANIA (3) | 792 | 1 KORONA (31) | 10,62 | 10,72 | 10,46 | 10,88 | 10,67 |
| FINLANDIA (4) | 790 | 1 MARKA (32) | 18,21 | 18,39 | 17,93 | 18,67 | 18,30 |
| FRANCJA (5) | 793 | 1 FRANK (33) | 13,64 | 13,78 | 13,44 | 13,98 | 13,71 |
| GRECJA (6) | 724 | 100 DRACHM (34) | 135,20 | 136,56 | 117,18 | 138,00 | 135,88 |
| HISZPANIA (7) | 785 | 100 PESET (35) | 81,64 | 82,46 | 80,41 | 83,09 | 82,05 |
| HOLANDIA (8) | 794 | 1 FLOREN (36) | 31,70 | 32,02 | 31,22 | 32,50 | 31,86 |
| INDIE (9) | 843 | 100 RUPII***) (37) | 885,37 | 894,27 | — | — | 889,82 |
| IRLANDIA (10) | 782 | 1 FUNT***) (38) | 122,20 | 123,42 | — | — | 122,81 |
| JAPONIA (11) | 784 | 100 YENÓW (39) | 35,39 | 35,75 | 34,86 | 36,28 | 35,57 |
| JUGOSŁAWIA (12) | 718 | 100 DINARÓW (40) | 169,85 | 171,55 | 147,22 | 174,11 | 170,70 |
| KANADA (13) | 788 | 1 DOLAR KAN. (41) | 67,23 | 68,51 | 66,81 | 69,53 | 68,17 |
| KUWEJT (14) | 770 | 1 DINAR***) (42) | 285,48 | 288,34 | — | — | 286,91 |
| LIBAN (15) | 752 | 1 FUNT LIB. (43) | 17,36 | 17,54 | 17,10 | 17,86 | 17,48 |
| LIBIA (16) | 651 | 1 DINAR***) (44) | 274,92 | 277,69 | — | — | 276,31 |
| LUKSEMBURG (17) | 790 | 100 FRANKÓW LUKS. (45) | 204,50 | 206,56 | 201,42 | 209,64 | 205,53 |
| NORWEGIA (18) | 796 | 1 KORONA (46) | 13,64 | 13,78 | 13,44 | 13,98 | 13,71 |
| PORTUGALIA (19) | 779 | 100 ESCUDO (47) | 120,63 | 121,85 | 104,56 | 122,84 | 121,24 |
| (20) REP. FED. NIEMIEC | 795 | 1 MARKA (48) | 34,75 | 35,09 | 34,22 | 35,62 | 34,92 |
| (21) STANY ZJEDN. AP | 787 | 1 DOLAR*) (49) | 81,19 | 82,01 | 79,97 | 83,23 | 81,60 |
| SZWAJCARIA (22) | 797 | 1 FRANK (50) | 43,46 | 43,90 | 42,81 | 44,55 | 43,68 |
| SZWECJA (23) | 798 | 1 KORONA (51) | 14,28 | 14,40 | 14,04 | 14,62 | 14,33 |
| TURCJA (24) | 627 | 100 FUNTÓW TUR. (52) | 58,50 | 59,08 | 50,70 | 59,97 | 58,79 |
| W. BRYTANIA (25) | 789 | 1 FUNT**) (53) | 150,82 | 152,14 | 148,35 | 154,41 | 151,38 |
| WŁOCHY (26) | 780 | 100 LIRÓW (54) | 6,50 | 6,53 | 5,63 | 6,08 | 6,53 |
| IRAN | 648 | 100 RIALÓW (55) | 102,30 | 103,32 | 100,75 | 104,87 | 102,81 |

[Key (continued)]

(25) Great Britain
(26) Italy
(27) Riyal
(28) Dollar
(29) Shilling
(30) Franc
(31) Krone
(32) Mark
(33) Franc
(34) Drachma
(35) Peseta
(36) Florin/Guilder
(37) Rupee***
(38) Pounds***
(39) Yen
(40) Dinar
(41) Canadian dollars
(42) Dinar***
(43) Lebanese pound
(44) Dinar***
(45) Luxembourg franc
(46) Krone
(47) Escudo
(48) Deutschemark
(49) Dollar*
(50) Franc
(51) Krona
(52) Turkish pound
(53) Pound**
(54) Lira
(55) Rial

*Also applies in clearing of accounts with Bangladesh, Brazil, Ecuador, Greece, Iceland, Colombia, Lebanon, Pakistan, Peru, and Turkey.
** Also applies in clearing of accounts with Nepal and Pakistan.
***Polish National Bank does not buy money based on this currency.
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## MINISTERS COMMENT ON PRICE CHANGES, ECONOMIC REFORM

### Phase One of Reform Implemented

Warsaw TRYBUNA LUDU in Polish 8 Jan 82 pp 1, 2

[Article by Mieczyslaw Gajewski]

> [Text] (TRYBUNA LUDU service) Neither the Military Council of National Salvation nor the government plans to depart from the initiation of comprehensive economic reform. The Council of Ministers resolution which presents the principles for the operation of the economy under martial law gives evidence of the fact that there is no question either of changing the reform principles adopted at the Ninth PZPR Congress, or of putting off reform until some future time.

Thus may be summarized the announcement made yesterday, 7 January 1982 by the government plenipotentiary concerning reform matters. Minister Wladyslaw Baka, in a meeting with reporters.

Prof Wladyslaw Baka alluded to numerous statements made by Gen Wojciech Jaruzelski which attest to the fact that he was and still is an ardent advocate of comprehensive economic reform. He cited examples from governmental practice confirming this desire.

A particular confirmation of this is the fact that the concepts which surfaced immediately following the declaration of martial law setting forth the idea that it is necessary to introduce a whole arsenal of directive-distribution measures to control the economy have met with no response. While the activity of self-governments has been suspended, this has been done mainly so that the role of the work force in managing the enterprise, a role stipulated in laws on the enterprise and self-government, which has been limited by the regulations of martial law, would not be disavowed. When martial law is withdrawn, these laws will be fully binding.

By the same token, full independence will be restored to those enterprises which have had some fields of operation and some functions associated with the implementation of operational programs curtailed due to militarization.

Of course there is the justifiable fear, as Professor Baka emphasized, that some will try to take advantage of the current conditions to restore directive-distribution practices, but the chief authorities, above all, are well aware of this danger, and such awareness is an important element of the use of such practices. The reform process has been initiated. Its progress may be followed on two fundamental planes. The eight draft laws which the government presented to the Sejm 4-8 December were upheld unchanged at a special meeting of the parliamentary subcommission held on 22 December (i.e., after martial law had already been declared). Work on the preparation of executory orders issuing from these laws continues.

The second plane is the adaptation of regulations contained in documents which usher in reform to the state of the martial economy. It is a difficult task to reconcile current management conditions with the intended image specified in the concept of reform. For the time being, however, we have managed to avoid basic clashes.

There also occurs the possibility of taking advantage of our present conditions to generally order the structure of the utilization of the country's available resources, the structure of industrial production and also the structure of the ties which issue from the international division of labor.

What has forced us into this is the shortage of raw and other materials, leading to the restriction or even the permanent abandonment of the production of many goods. There is a chance that present emergency actions will pan out in the future if the postulates of our research are used in a program of optimal structural changes.

We are entering the year 1982 with great plans, said the government plenipotentiary concerned with reform matters. The first stage of reform has been undertaken. These are actions which can act as a sound basis for reintegrating the work force.

Readers will find detailed information concerning the aforementioned issues in an interview with the governmental plenipotentiary concerning reform matters, Prof Wladyslaw Baka. We will publish this interview in a coming issue.

## Price Changes Painful but Necessary

Warsaw TRYBUNA LUDU in Polish 8 Jan 82 pp 1, 2

[Interview with Wojciech Pruss, first vice chairman of the State Price Commission, by B. Jastrzebska; date and place not given]

> [Text] This year will take its course under the banner of general price control. After the change made in procurement prices beginning 1 January 1982, retail prices are the next to follow.
>
> True, free and controlled prices will be established for industrial articles and some services. Basic food articles and services of importance to living costs, on the other hand, will be priced at official prices. It is this particular

part of the operation which is of special interest to the public, although no governmental variant of price changes and compensation exists as yet.

We addressed several questions concerning the price changes which await us and the anticipated system of compensation to Dr Wojciech Pruss, first vice chairman of the State Price Commission [PKC].

[Question] In the current situation, how does the PKC plan to familiarize itself with public opinion concerning the price changes? Are you already in possession of such knowledge?

[Answer] We did not begin our research into public opinion on this subject yesterday: such studies have been done consecutively since last summer. Several times, the Polish Radio Public Opinion Research Center conducted these studies, asking such questions as: Who is in favor of the price increase and who is opposed to it, and how it should be introduced--at once or by stages?

Minister Krasinski, in conjunction with the efforts of the employees of the Poznan Higher School of Economics, did his own research. The Katowice branch of the Institute of Domestic Trade, which analyses the situation of 12,000 households is currently continuing its studies. Independently of this, we at the PKC have received and still continue to receive many letters from private individuals expressing their opinions on the subject of price changes and compensation.

[Question] Is it possible to state, then, that you have enough information on society's attitude to the anticipated price reform?

[Answer] We have a considerable amount of information. Without a doubt, we will know more when we receive the results of the studies now being conducted, which I noted above. They will be ready by the middle of the month. We continue to await letters, each of which we examine with care.

[Question] What conclusions do you draw from the materials and letters you have received, and from the results of consultations and surveys?

[Answer] It is still a few days too soon for me to give you a complete answer to this question. We have available the preliminary results. However, I can state with certainty that at present a considerable majority is in favor of the price change. If the very idea last summer aroused firm opposition, then at present a considerable majority of society is inclined to consider such a step necessary, if painful. On the other hand, on the compensation issue, the decided majority is in favor of differentiated compensation.

[Question] Which means?

[Answer] Significantly higher compensation for lower wage earners and lower compensation for higher wage earners.

[Question] In the letters we receive, many people are concerned as to whether it would be possible in general to compensate such a high price increase, particularly for the poorest families?

[Answer] There will always be the special sort of family situation, and the sort of income and expense structure which is evidence of the fact that compensation cannot completely bridge the gap caused by the price increase. However, I would like to point out that the entire idea of the intended operation to increase prices for food articles, fuel and power is tied in with compensation. But it is a question here of a concrete increase, and not of compensating the general increase in the cost of living brought about by the movement of the price of all other goods, mainly industrial goods, and services. Increased outlays for food, fuel and power, as you know, depend upon the level of consumption, and may vary among different families. We have adopted the rationing norm as the point of departure, or, in the case of unregulated consumer articles, the statistical average. As for meat, our guideline is the statistical rationing norm, but the norm for the better period of last summer, or 3.6 kg per person. You may ask whether this is not too little. But such is the reality. With regard to consumer articles, this is all that is available for purchase in state trade and this is the only part of the outlays we can compensate.

[Question] In the price reform draft, the variants for introducing new retail prices are proposed--all at once or by stages. In the light of your research, which idea is winning out at this time?

[Answer] We have not yet determined this question definitively. However, we do not believe that this operation should be dragged out excessively. Thus, if we were to decide in favor of a gradual solution, the periods between the particular stages should not be too long, and it would be better to make price changes for groups of items than to increase the prices for all articles little by little.

[Question] The final question. When may we expect the price change to take effect?

[Answer] We will cotninue to await opinions, recommendations and demands until 15 January. We encourage all to write to us at the PKC.

The earliest date to count on would be the beginning of February. But when this will actually happen I cannot say at present. We must use the time remaining to hear out opinions and to clarify the entire complex of the price and compensation reform system for the people. It is especially with regard to this last question that there are constant misunderstandings.

[Interviewee] Thank you. We shall return to this subject.

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## BUDGET, INVESTMENT PLANNING FOR 1982 REPORTED

### Economic Committee Meets on Investments

Warsaw TRYBUNA LUDU in Polish 22 Dec 81 pp 1, 2

[Text] Assessment of the situation in the country. Session of the Economic Committee of the Council of Ministers. From 1 January 1982--the second stage in increases in family allowances--Plant social activity. Plan for central investments--Fuel balance.

The Economic Committee deliberation on 21 December 1982, under the leadership of Vice-Premier Janusz Obdowski, completed an assessment of the current socio-economic situation. Implementation undertaken at previous sessions was assessed. The following determinations were also accepted:

--In accordance with the announcement of the Military Council of National Salvation, the second stage of family allowance increases is being introduced. This is an implementation of the required social agreements of September 1981. The amount of the increase in family allowances depends on the income of the family. Rates of allowances for families with an income of 2,000 zlotys per person will receive 350 zlotys for one child, 800 for two and 1,250 for three children. Allowances will also be increased for families with higher incomes, with the exception of incomes over 3,500 zlotys per person. Thus, the increased allowances will be paid apart from the compensations based on price increases. Special care allowances for children will increase to 1,000 zlotys, irrespective of family income. Other beneficial solutions are being introduced; among them, allowances will be paid for children attending boarding schools and studying vocational courses that last over 3 months.

--The Economic Committee of the Council of Ministers has ordered directors of enterprises and managers of plants to develop social activities at the plant level. This activity, to be financed from the plants' social and housing funds, will be maintained by the plant workers' services. These services will concentrate their efforts on raising the standard of efficiency in the plant food service, ensuring prophylactic and regenerative meals for persons working outside and organizing in the plants the sale of food, including meat and meat products. Special care should be provided for women employees, retirees and annuitants, especially those who find themselves living under difficult conditions. Among the important tasks these workers' services can ensure proper living conditions in the homes of the young worker and in boarding schools. Details concerning life-social activities will be published in the next few days.

--The Economic Committee of the Council of Ministers has determined a plan for central investments in 1982 based on real investment possibilities from a financial and material point of view. The Planning Commission at the Council of Ministers and interested ministers have made the fulfillment of concentrations of investment outlays obligatory in the food and energy-fuel complex. A detailed list of central investments will be designated in a resolution of the Council of Ministers. There is a need for further restraining a number of investments without priority status. The obligation of proper security for these investments will rest with the investors. Managers of economic-type ministries and governors are overseeing the supervision in this area.

--In the face of a backlog in the unloading of railroad cars, including gondola cars, the minister of communications has been obligated to present a list of persons who flagrantly neglected their duties in unloading and loading cars and removing snow from railroad stations and sidings. The need for positively ensuring an efficient railroad transportation system that does not frustrate the efforts of the production work force, especially miners, has been stressed.

--The balance of fuels available for the period ending this year has been examined. Reserves are very low and there have been mix-ups in the delivery of fuels. In connection with this, actions have been undertaken to speed up delivery of fuels from the USSR and intensify the refining of crude oil supplied by the "Friendship" pipeline. The minister of the chemical and light industry and the chief inspector of energy management have been instructed to present without delay a solution to the problem of owners of taxis not being able to purchase quickly adequate amounts of fuel, especially in large urban areas.

--The Economic Committee has received the minister of communication's report on the completion of the electrification of the Tluszcz-Loch rail segment, which facilitates workers' travel to Warsaw considerably.

All the enactments of the Economic Committee of the Council of Minisers given in the committee reports are binding on the chiefs of all State administrative organs, both central and local, as well as on managers of all elements of the socialized economy.

## Planning Commission Head on 1982 Budget

Warsaw TRYBUNA LUDU in Polish 24-27 Dec 81 pp 1, 2

[Article by Tomasz Walat]

[Text] As the result of information relayed at the session of the Sejm Commission on the Economic Plan, Budget and Finances, the government has withdrawn from the Sejm the provisional budget drawn up there at the beginning of December 1981.

The draft of the National Sociol-Economic Plan has not yet reached the Sejm--in previous years the Sejm received it much earlier. A PAP [Polish Press Agency] reporter turned to the vice-premier, Zbigniew Madej, the leader of the Planning Commission, at the Council of Ministers for a clarification on this matter.

With the country under martial law, Vice-Premier Madej stated, we are compelled to do our planning in shorter than usual time periods--monthly and quarterly. For the time being, we intend to draw up a provisional budget draft for the first 2 months

of next year (1982). The plan's draft, however, would be worked out only for the first quarter of 1982, and in some important economic sectors--coal mining and market supply--for only a month.

The need for greater efficiency dictated by rapidly changing conditions compels us to do this. If the situation begins to stabilize, we will lengthen the operative period of these documents. Many unknowns have also emerged, most in the area of foreign trade. For example, certain threats regarding credits and coproduced and material imports from capitalist countries have arisen.

Also there have been changes in some internal economic elements. Working hours in many branches of industry have been lengthened under martial law. Also the principle of obligatory work in cases of need has been introduced temporarily. These conditions in terms of the dimensions of the plan must introduce necessary corrections in the present working papers.

The introduction of martial law has not, however, hampered work on economic reform. Practical measures aimed at instituting--in the broadest periods possible--elements of the new economic system will continue to be carried out.

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## PLAN FOR WARSAW SUBWAY PUBLISHED

### System Route Announced

Warsaw TRYBUNA LUDU in Polish 1 Feb 82 p5

[Article by M. Jefremienko: "In the Capital: Warsaw Subway -- How Far Is It to the Stop?"]

[Text] In connection with numerous questions from readers concerning the construction of the Warsaw subway, we contacted the Directorate of Transport Route Construction. Here is the information we received.

The line will begin at Kabacki Forest (Las Kabacki). In connection with the information already published that a subway yard was to be located in the forest, we should like to assure the naturelovers that it will not be right in the forest but somewhat north of it. The directorate assures us that it will abide carefully by the principles of environmental protection all along the construction route.

From Kabacki Forest the subway will run through Ursynow along the Aleje Komisji Edukacji Narodowej [National Education Commission Boulevard]. Here are the first working names and the locations of the stops:

A1, "Natolin"-Wawozowa Street stop, where there will also be a bus turn-around.

A2, "Wolica," 1,130 meters away, at Belgrad Street.

A3, "Ursynow North," a distance of 1,145 meters, at Nugat Street. From there the subway cars are to go 1,102 meters on Aleje Komisji Edukacji Narodowej [again] to the intersection of Herbst Street, where there will be a stop.

A4, "Ursynow North." The stop will be located nearly 850 meters further.

A5, "Imielin," at Bartok Street.

Subway Plan

[Key]:

(1) Mill
(2) North Praga
(3) Gdansk Station

(a) Section IV
(b) Section III
(c) Section II
(d) Section I
(e) First lines
(f) Proposed lines

At that point the subway lines will leave National Education Commission Boulevard and run under "Sluzew nad Dolinska" settlement to reach stop A6 at Walbrzych Street (somewhat east of Pulawska). The final stop of the first section will be 1,127 meters farther under Pulawska Street, near the old North Station.

The second section will begin here, running along Independence Boulevard [Aleje Niepodleglosci] and intercepting these stations: at Woronicza, in the Raclawicka axle, at Rakowiecka and Wawel Streets. From there the route will turn towards Constitution Square [Plac Konstytucji], where the next stop will be located. From there the subway will run along Marszalkowska and Nowotki. The stops will be at Aleje Jerozolimskie, Swietokrzyska (a large transfer station, intersecting another line, located where shopping centers are today), Plac Dzierzynski, Anielewicza, Gdansk Station. Here the line turns slightly to the west and runs under Felinski Street to a stop at Paris Commune Square [Plac Komuny Paryskiej], then parallel to Mickiewicz Street to Potocka (a stop) and then slightly west to the station at Serk Bielanski.

The final three stations are Aleje Zjednoczenia, Fortowa, and Huta Warsawa [Warsaw Mill].

## Construction Startup for 1983

Warsaw TRYBUNA LUDU in Polish 27 Jan 82 pp 1,2

[Interview with Engineer Jozef Zajaczkowski, director, and Mgr Engineer Andrzej Grochowski, deputy director for subway construction preparations, Directorate of Transport Route Construction, by A. Lawniczak: "Construction Begins Next Year on a Warsaw Subway; Soviet Experience Used; First Line to Be North-South Line"]

> [Text] For many years the residents of Warsaw have been waiting for a decision finally to be made concerning the construction of a subway, which is set for next year. We need not convince any Warsaw residents how essential this investment is to the urban center of the capital.
>
> The city is growing. New housing developments located along the periphery of the capital are springing up. On the other hand, street car and bus transportation cannot provide even in part for the efficient commuting of thousands of people to work and back home. In this situation, the construction of the subway is an urgent necessity.

[Question] There has been talk of a subway for a long time. During the 1950's certain preparations were even begun, but no decision was ever made [to begin construction]. Now, as the Sejm was informed by the chairman of the Military Council of National Salvation and the chairman of the Council of Ministers, Gen Wojciech Jaruzelski, subway construction will begin next year. Are you prepared for this?

[Answer] We have been preparing the investments technical-economic targets and have had them ready since 1975. They have been assessed by a group of specialists appointed by the mayor of the city, Soviet, Czech, and Hungarian experts, and also by Planning Commission experts. These targets are the point of departure for the preparation of technical drafts, upon the basis of which it will be possible to begin construction.

[Question] Has this documentation not gone out of date?

[Answer] No. The whole time we have been in contact with Soviet specialists. In our work we took advantage of their experience, particularly that from the construction of the Kharkhow subway, for which the conditions are similar to the conditions in Warsaw. We will still be calling upon them for expert opinion and be consulting them in the realm of the designing, construction, and operation of the subway. We will also use the experience of our colleagues in Praga. We will want to make contacts with Vienna.

[Question] What range of Soviet assistance is essential?

[Answer] We are expecting to import from the USSR the basic special construction equipment, including disk combines to bore out the underground tunnels, as well as subway vehicles and other equipment, such as special ventilators, traffic safety equipment, and so on. It will be necessary to send to the Soviet Union for training that part of the employees which will be working on the construction itself and then those who will be operating the subway.

[Question] Who is going to build the Warsaw subway?

[Answer] Our enterprise is the coordinator of all the work, but we shall entrust the execution to many other domestic enterprises prepared for this.

[Question] When will the first subway train run?

[Answer] The first planned subway line, 23 kilometers long, will link Ursynow-Natolin with the Warsaw Mill. It has been divided up into four sections. The first (7.5 kilometers) will run from Natolin to the North Station along Pulawska Street. This work will take the longest, 5 years. We project the completion date for 1988. We expect to complete the successive sections of the line and turn them over for operation every 2 years. In the year 1990 the section from Pulawska to Wawel Street, then from Wawel Street to Gdansk Station, and finally the section linking the Warsaw Mill will be completed, in 1994. The technical area and car barn at Kabacki Forest is to be completed along with the first section and is the basic support facility.

[Question] What method will be used in the construction of the line?

[Answer] Where the city land is less developed, for example, from Natolin to the region of Rakowiecka Street, we will use the open method, which means first of all excavation 9-10 meters deep which is later covered by a 4-meter layer of earth. On the other hand, in the central city area we are proposing the construction of stations using the open method, but for the tunnels we propose using disk combines for boring them out.

[Question] What will the first subway line do for the residents of the capital?

[Answer] We calculate that this line, running from the south of the city to the north, will be able to serve 713,000 persons, or about 45 percent of the residents of the capital. The projected transport capacity is 40,000 passengers per hour.

[Question] How much will the subway cost?

[Answer] We expect the first section to cost what the Torun Expressway with the bridge did, 7.5 billion zlotys.

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## GRASSROOTS POLL ON PRICE INCREASES PUBLISHED

### Young Couples, Pensioners Questioned

Warsaw TRYBUNA LUDU in Polish 16-17 Jan 82, pp 1,2

[Article: "Higher Prices and Your Budget"; passages enclosed in slantline printed in boldface.]

[Text] /The new prices and accompanying compensation are of broad public interest. Our readers transmit to us their opinions and comments by mail, by telephone, and through our reporters.

/Yesterday we discussed for several hours these problems of everyday life with a group of women working at Warsaw labor establishments.

(/A report on this interesting encounter will be published in the next few days./) On the basis of these numerous and varied talks and discussions we conclude that the public is interested not only in the new prices of food, fuel and energy but also in other matters relating to general living costs.

The questions that were asked concern, among other things, the situation of young married couples and pensioners, that is, of the groups that are relatively the weakest economically. We were also often asked yesterday as to who would calculate the compensation for ill individuals who are entitled to better rationing, and about the levels of compensation for mothers who receive childrearing allowances.

/We publish on p 5 successive articles by our reporters on talks with our readers./

### Comments on Poll

Warsaw TRYBUNA LUDU in Polish 21 Jan 82, pp 1, 2

[Interview with Minister Z. Krasinski, chairman of the PKC [State Price Commission], by A. Leszczynski: "On the Need to Adapt"; date and place not given]

[Text] /The new version of prices and compensation presented by the Economic Committee of the Council of Ministers was commented upon in yesterday's TRYBUNA LUDU by representatives of 10 families from various regions of the country./ We turned to the chairman of the PKC, Prof Zdzislaw Krasinski, asking him to comment on the opinions and remarks they expressed.

[Question] What do you think of these first few spontaneous conversations? What would you like to say to our readers about them?

[Answer] That was a "salvo of 10." The reporters of TRYBUNA LUDU reached middle-income families, which represent a majority in our society, so that your journalistic reconnaissance can be regarded as representative. I repeat, this is a "salvo of 10." But there is a but...

In such public opinion polls, unlike in markmanship, scattering is needed. I would encourage you in your further conversations to reach also the families living in extreme situations, that is, at the extremes of high and low incomes. The feelings expressed by the only pensioner you had polled, Stanislaw Marczewski of Sosnowiec, should find elaboration in conversations with other pensioner families. It would also be worth investigating the effect of new prices on private artisans, who, as is known, will not be paid any compensation.

[Question] That will be done in the next few days, but what do you say about the opinions expressed yesterday?

[Answer] From these comments, as well as from many others which I had occasion to learn while on my telephone-answering tour of duty at your editorial offices, I conclude that the wave of panic that arose last fall has now subsided. But at that time, much less information on what we were to expect as regards prices had been available. Now that people have read the PKC brochure and the new proposals of the Economic Committee of the Council of Ministers--now that they have correspondingly recalculated their budgets, the emotions are less strong. The public understands that it is certain to lose some [purchasing power], but this is no longer an unknown.

[Question] And once one knows what to expect and what not to expect, adaptation to change is easier...

[Answer] This is a sacred truth. But I have not observed any such attempts at adaptation in the persons whom you polled. As is known, food prices will go up considerably, but somehow no one is wondering how our traditional menu can be altered without harm to nutritive values.

There is hardly any need to say that we are a poor country. From this, practical conclusions must be drawn. In brief, one must seriously consider how to feed oneself more rationally.

[Question] Is this a matter of food alone?

[Answer] Not only food. One should also pay attention to insulating windows and doors so as not to waste valuable heat. There is also the question of more thrifty lighting, and of adequate maintenance of kitchen gas ranges. What I thus mean is simple prevention of waste in the average family, which would alleviate the consequences of price increases. Calculating the loss to be incurred is not enough. It is also necessary to consider how to cut that loss to the minimum.

[Question] It cannot be concealed, though, that the prices of certain manufactured consumer goods and services are also rising. This worries, among others, Miron Makowski of Warsaw, Zofia Piasecka, Irena Szymanska, and others.

[Answer] Yes. The prices of manufactured consumer goods, which for the time being are not covered by compensation, are rising and to an extent that is often unjustified by their production cost at that. Certain plants decided that, since there is so much unspent money on the market, this is an opportunity for raking it up. The PKC will resolutely oppose such trends.

It is worth noting here that, gradually, after the higher prices shrink the cash resources of the population, the producers will be compelled by market realities to consider cutting prices. I believe that this mechanism will cool the price-raising actions by enterprises, which will understand that unreasonable price hikes are not conducive to earnings.

/Besides, as is known, compensation for the general increase in living costs has been announced./

[Question] But how can the problems of young married couples just starting their own families be lightened? Consider, for example, the family of Andrzej Gniady of Opole, or the aforementioned Kwasniewski family of Warsaw...

[Answer] I believe that the situation of young married couples is particularly difficult, and perhaps even more difficult than that of certain pensioners. In this respect, suggestions for various additional compensation payments for such couples have been made in the course of the discussion.

I believe that perhaps even the highest possible compensation will not solve this problem. It is necessary to create a wage system that would reward honest and exerted effort and work. Young people do not lack strength, but they cannot always utilize it to augment their incomes. Our wage system is excessively barnacled with all kinds of pay allowances that are not directly linked to the labor invested.

Young people also do not find forms and possibilities of additional work. Another matter is that they do not always look for it. But even in this case, and perhaps above all in this case, responsibility for one's family dictates resourcefulness [in finding additional work].

[Question] Do you not think that you're straying from the subject of prices and compensation?

[Answer] Indeed, but the new price situation at whose threshold we're standing requires a broader look. Family calculations and plans must be altered. I believe that some assistance to families should be provided in the sense of popular guidebooks for rational nutrition, cooking, handy work at home, courses in sewing, cooking, etc.

[Question] Isn't this rather a program of fairly simple positivism?

[Answer] It may seem so, but isn't. This is a need of the times we live in, of difficult, critical times. Not everyone seems to realize it. It is time to consider seriously how to spend most rationally, to the greatest benefit of our families, the cash we have and additionally receive. This principle is binding on everyone, poor and less poor.

## Price Ratios Discussed

Warsaw TRYBUNA LUDU in Polish 16-17 Jan 82, pp 1, 2

[Answers by experts: "Higher Prices and Your Budget"]

[Text] /Yesterday we received questions and comments on prices and compensation from 87 readers. While generally not questioning the necessity of price increases, many of our callers expressed doubts concerning more detailed solutions. This refers to, among other things, the mutual price ratios of many commodities, chiefly food. In addition, many of the questions asked have not been, so far, answered by the available publications of the PKC [State Price Commission]./

/Today the questions are answered by experts from the PKC--Jerzy Chabros, director of the Economics Department, and Zenon Sierpinski, chief expert./

[Question] Will meals in milk bars increase in price in proportion to the prices of milk and dairy products?

[Answer] There are no binding decisions in this matter. The question is actually under consideration by "Spolem" [Union of Consumer Cooperatives] and the PKC. The point is that milk bars should be enabled to operate cost-effectively and at the same time that a dairy meal bought by a pensioner should remain inexpensive. Any eventual operating losses of milk bars (with prices of meals fixed at below their cost) should be offset from profit margins on food sales.

[Question] What was the reason for proposing a specific price ratio between butter and boiled ham? Throughout the world butter is more expensive than ham.

[Answer] The ratio would be closer to that prevailing abroad if the price of butter were based on its production cost. Then 1 kilogram of butter would cost 360 rather than 240 zlotys. But this price jump would have been too high. Hence, butter production will continue to be subsidized.

Inset

"People are terrified by the announced price increases, but... in general they accept them." This was one of the first remarks voiced by Minister Zdzislaw Krasinski right after he had completed his hours of answering telephone calls by readers of TRYBUNA LUDU. "The public understands increasingly better that low prices would be a fiction and would produce only seeming advantages."

[Question] Must milk and sour cream be subsidized?

[Answer] Sour cream will not be subsidized. Milk, too, must not be subsidized, but owing to social considerations in this case a subsidy is expedient and justified. Milk is chiefly consumed by children and represents a nutrition complement for many people in special need, especially pensioners and annuitants.

[Question] Will milk contain more fat after its prices are raised?

[Answer] No. All categories of milk are going up in price. Milk with a 2-percent fat content will continue to be sold, at a proposed price of 10 zlotys per liter. Any substantial increase in the market supply of whole milk at present is not yet feasible, since this would have led to a curtailment of butter production.

[Question] Why have the prices of the higher grades of cured meats soared so high?

[Answer] In order to slow down the increase in the prices of ordinary Kielbasa, mortadella, and many other cured meat products. Cost-based calculations show that 1 kilogram of ordinary kielbasa should cost 220 zlotyz whereas its proposed price is 190 zlotys.

[Question] I live in a community with gas heating, for which I pay 500 zlotys monthly, but now I will have to pay about 2,400 zlotys, whereas my compensation will be only about 1,000 zlotys. Could not a lower night rate be introduced?

[Question] My apartment is electrically heated. I figured out that my electricity costs will rise by a factor of 7. I am a pensioner and this expense is exorbitant for me.

[Question] Could not the gas rates be reduced for the winter season so that a chilly apartment could be additionally heated?

Questions of this kind are very numerous. Such signals should not be ignored. The matter is still under consideration. Ths suggestions for introducing a night rate are not unreasonable. But extra gas heating, and at a lower price at that, is not feasible. We have a gas shortage. If we burn more gas in kitchens, we will have less gas for producing artificial fertilizers. And fertilizers, as is known, are decisive to the fertility of our soils. A choice must be made. Common sense shows that fertilizers--and hence [more] bread--must be chosen.

"Kasprzak"--Warsaw: Doubts and Answers

/Yesterday, 15 January, in the afternoon, Minister Zdzislaw Krasinski met with the personnel of the Warsaw Radio Plant imienia Kasprzak. The topic: the draft of changes in the retail prices of food, fuel, and energy, as well as compensation. Which issue was of the greatest interest?/

[Question] Since prices ensue from calculations [of cost effectiveness], why should they be fixed at all?

[Answer--by the Minister] Right. But it should be borne in mind that uncontrolled prices would run out of control, which would be unjustified owing to social considerations.

[Question] Professor, do you agree that an ill-conceived compensation system would harm the incentives for work?

[Answer] This is a major problem. The current wage range is 1 to 7, and after the introduction of compensations it will shorten to 1 to 5. And then indeed the incentives for better work will be reduced. But does this mean that prices should not be changed and the rationing system should be continued? This would have meant the acceptance of a broader rationing, which would cause the wage range to become still shorter--1:2. Then there would be no sense anymore in speaking of any work incentives.

[Question] Examples from the years 1970 and 1976 are oversimplification, but in those periods people were concerned about compensation rather than about price increases.

[Answer] This is so indeed. In 1970 no compensation in general was provided for, and what was proposed in 1976 was nonsense. /That is why, even now, we have been discussing this subject for months and we are analyzing in detail the comments of the public so as to continually modify and improve on their basis the reform of prices and compensation so as to allow for the feelings of the public./

/Today the telephones at TRYBUNA LUDU (28-43-08 and 28-34-01, extension 154) will be manned between 1000 and 1800 hours. The queries by the callers will, after consultation with experts from the PKC and the Ministry of Labor, Wages, and Social Services, be answered in the coming issues of TRYBUNA LUDU. As for comments, opinions, and suggestions, these will be transmitted to the headquarters working on the whole of the price reform and compensation./

## Public Polled on Price Increases

Warsaw TRYBUNA LUDU in Polish 21 Jan 82 p 5

[Interviews by TRYBUNA LUDU reporters: "Higher Prices and Your Budget: TRYBUNA LUDU Reporters Poll the Public Following the Announcement of Proposals by the Economic Committee of the Council of Ministers"]

### Increases and Compensation

[Interview with Edmund Jedlinski, employee of Pulawy Nitrogen Plant, by M. Jefremienko]

[Inset]

[Text] /The Jedlinski family occupies a modest two-room apartment in housing erected by the Pulawy housing construction cooperative. Edmund, the head of the family, is a worker at the Azot Nitrogen Plant. His wife Halina does not work. They support 4 children./

The announced price increases are awaited with alarm by the Jedlinski family. The base pay received by Edmund, exclusive of allowances, according to which his compensation will be calculated, is 5,100 zlotys. /The head of the family works in a four-brigade system, often working overtime. This represents a sizable addition to his base pay./

With a copy of TRYBUNA LUDU in hand we begin to figure out Edmund's total compensation, which will come to 1,500 zlotys. For each family member supported by the wage-earner the compensation will be 1,000 zlotys. We add it up: 1,500 plus 1,000 zlotys for wife, plus 1,000 zlotys for the oldest child, Beata, 16 years old, plus 1,000 zlotys for 15-year-old Zbyszko, plus 1,000 for 9-year-old Dorota, and finally plus 1,000 for the youngest, Monika, add up to 6,500 zlotys in compensation.

We examine the family budget of the Jedlinskis. It turns out that, for example, they until now have been spending 90 zlotys monthly on electricity. This expense will double. They burn 72 zlotys worth of gas monthly, but now they will have to pay 216 zlotys. Thus the energy part of the budget will cost an additional 234 zlotys monthly (90 + 144). Similar calculations for central heating for the apartment, which measures 45 sq m in area, showed that the monthly increase in heating rates will be 122 zlotys.

/Halina, however, is most worried about the food part of the budget./ The family as a whole receives 21.5 kg of meat rations monthly. We start calculating. After some simplifications and rounding off, we find that this meat for the whole family will cost about 4,000 zlotys more than it used to, each month. On the basis of the corresponding ration-card allotments, we calculate that the Jedlinskis will have to pay 385 zlotys extra for sugar, about 700 zlotys extra for butter, and about 400 zlotys for milk. Thus, after the price increases, the expenditures on the above items (including utilities) will increase by 5,831 zlotys. But let's not forget that the total compensation received will be 6,500 zlotys.

Halina says: "/Our calculations show, however, that this compensation will be insufficient for all of our expenses on food and utilities. For example, we choose the better grades of meat, cheese, eggs, fats, and other items needed by children, to a greater extent than indicated by the averages./" /Halina is worried by the prospects for increases in the prices of manufactured consumer goods./ When, however, we discuss the necessity of the price increases, Mr and Mrs Jedlinski seem convinced that they are indispensable.

Not by Bread Alone

[interview with Alfred Keluk, electronics assembler, Warsaw Radio Plant imienia Kasprzak, by E. Kutyna]

This is a family of four. The wife, Renata, works at the Victoria Hotel as part of the so-called floor service. They have two school-age children. Their joint income is about 14,000 zlotys monthly, or 3,500 zlotys per family member. They consider their income to be somewhat above the average level.

In reply to the question about the nature of the family budget, Renata stated that currently she is unable to figure it out. Why? Because she does not plan her expenditures. This probably is the situation in almost every household. Housewives make their purchases on a helter-skelter basis and when they run out of cash, they borrow. Her financial situation is now very tangled.

Alfred Ciuk joins the conversation: "/The question of prices and compensation can be viewed from two different standpoints. I'm pessimistic about our being able to afford anything except food, and at the same time I prefer to be optimistic about the gradual improvement in our situation and the possibility, as noted in the letter of Minister Obodowski, that in time the prices of certain goods will even be reduced./

"I'm not enthused by the proposed prices, but I believe that if we are to attain a goal we have to pay the cost. To me personally, it is important to know just when, even if only approximately, the situation will begin to tangibly improve for me. It is obvious that, given the present prices, it does not pay to produce. Thus, price increases are indispensable. /Personally, though, I believe that a greater share of the burden for resolving the crisis should be apportioned to persons with really high incomes, for example, private enterpreneurs, orchard owners, and [truck-]garden owners."]

Concerning the price-reform proposals, the Ciuks prefer the proposal of the Economic Committee of the Council of Ministers. It must be better because... it provides for lower prices. But seriously, the cost of, for example, gas as specified in the KPC brochure is really too high. Renata says that they mention gas because in their apartment the hot-water heater is gas-fired so that they have to pay for every liter of hot water they use.

"As for the prices of other goods, probably they all will increase by at lease 100 percent. /As we figure it out, we should have enough money./ In our case we shall receive a compensation of 4,500 zlotys, which is not little." They ponder: "But what will it be like in reality? After all, man does not live by bread alone."

So that Goods Will Be Available in Stores

[Interview with Jozef Wawrzyniak, member of ZBoWID [Union of Fighters for Freedom and Democracy], pensioner, Szczecin, by M. Czekala]

"The recent decisions and extensive information about new prices forced me to thoroughly reassess my household budget. As a result, the price regulations were no surprise for me. The price chaos on our market which has lately grown so much must be eliminated.

"Of course, no one eyes price increases favorably. Despite the compensation I will receive, they shall undoubtedly affect me. /But economic laws are inexorable./ It is difficult to say authoritatively offhand how much the price increases will affect me. I cannot even now unequivocally state whether my standards of living will be fundamentally reduced.

I hope, though, that after a time, when I enter a store, it will have available what I want. /I am very happy that consideration has been given to us pensioners when determining our compensation in the same amount as for occupationally active persons./ If memory serves, this is the first time that pensioners have received such treatment.

For a Young Family

[Interview with Ryszard Strzelecki, M.A. in Engineering, Geological Institute, Warsaw, by K. Bien]

/Mr and Mrs Anna and Ryszard Strzelecki are geologists. Anna is not working. She is on child-upbringing leave. Their daughter already is in the first grade. Their two boys--twins--are 2 years old. Ryszard Strzelecki is a doctoral student at the Geological Institute in Warsaw. Below are their comments on the new version of price changes and compensation./

Of course, price changes are necessary. This is an unpleasant necessity. The currently proposed compensation system is simpler and more logical, without destroying motivation for better work. [If I have any objection] it is only that that second, variable part of the compensation is a little too undifferentiated. Persons with lower earnings may feel discriminated against. The uniform compensation payable for any and every child has the disadvantage that the needs of a 5-year-old child--and hence also expenditures--are different from those of a student and that, in its turn, a little child must be given more nutritious (e.g., ham) and hence also more expensive food.

/My doubts pertain to the prices of those foods which are not included for compensation and for which price increases affect the household budget greatly./

This also concerns such consumer goods as soap, toothpaste, or detergents. We don't know what the prices will be of the homogenized curd cheeses which are the basis of the morning meals of our children. The prices of vegetables and fruits are rising. One kilogram of apples, which costs 60-70 zlotys, in our home lasts 2 days at most.

In our family we calculate that compensation will increase our current income by about one-half. As a doctoral student I earn 5,600 zlotys, inclusive of allowances. Add to this a family allowance of 1,050 zlotys, five compensation payments for bread--800 zlotys, and my wife's child-upbringing allowance of 2,400 zlotys. Altogether, almost 11,000 zlotys [in compensation]. This will augment our combined income to about 16,000 zlotys. This would seem to be a lot, but at the moment we just don't know how the proposed price increases will affect our household budget. I believe that only after 2 or 3 months will the situation be clearer.

And lastly, I wish to point out that the current price increases, especially for manufactured consumer goods, produce a particularly painful impact on the budgets of new families that are just making a start in life, such as ours. This year we are finally to receive our first longed-for apartment. So far we have been living for 8 years with parents. Thus we will have an apartment of our own, but we

will face the need to spend a lot of money. /I believe that the state should provide greater help to young families that are just starting out./

Why We Can't Rely On Ourselves Alone

[Interview with an unnamed couple by M. Wieczorkowa]

/They both are 26 years old. Thanks to years of savings by their parents, they own what is only a dream to many other families--furniture, an M-4 [an apartment], and a car. They are unwilling to talk about their car--it will have to be sold, because who nowadays can afford gasoline? Katarzyna and Marek don't even want to give their last name, for reasons which will be explained later./ Marek said: "I work at a foreign trade center. My wife is at present on child-upbringing furlough--she's taking care of our year-old boy, Michalek. /Our income: 5,000 zlotys in my base pay plus (so far) a 70-zloty child allowance, a 160-zloty allowance for [knowledge of] foreign language, a 480-zloty bread allowance for 3 persons, plus a child-upbringing allowance of 2,400 zlotys, or altogether 8,110 zlotys./

After deducting the rent (including repayment of loan), /there remains only 5,610 zlotys for food, clothing, fees, and other expenditures./ Name me anyone who can support three people with that amount. We're really ashamed to be still taking money from our parents, and a lot at that--3,000 to 4,000 zlotys monthly. That's why I ask you not to reveal our name.

"Michalek unfortunately is a very sickly child. He needs a special high-protein diet, and we're spending a lot on fruits and vegetables. Now that the prices will be increased, raw and cured meats will cost a huge sum. We'll be satisfied with a piece of beef on a bone, but the child needs better grades of meat. Or eggs, at least."

Katarzyna said: "We're still hoping that a financial system enabling us to stand on our own feet will be created. /We are to receive a compensation of 3,350 zlotys. This will be just enough to offset the rise in food prices./ As for our other expenses, like before, we'll rely on help from our parents. But the price increases will affect them, too. I don't know if they'll be able to give us as much as they used to until now."

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FURTHER REPORT ON GRASSROOTS POLL ON PRICE INCREASES

Nationwide Discussion of Higher Prices

Warsaw TRYBUNA LUDU in Polish 20 Jan 82, p 1

[Article: "Higher Prices and Your Budget"; Passages enclosed in slant lines printed in bold face]

[Text] /Yesterday a reader told us on the telephone: "Finally, a discussion that is producing results. Earlier I had submitted my objections to the high prices of gas and electricity, and today I read that the Economic Committee of the Council of Ministers approved rate reductions for fuels and energy."

The new price system and accompanying system of compensations are being formed with the participation of the broad masses of society. We have received hundreds of telephone calls and many letters from our readers about these issues. As we were informed last evening by Andrzej Zmuda, the deputy chief editor of TV PUBLICYSTYKA, the television journalists receive some 600 calls daily. In the last few days, some 3,000 TV viewers expressed their opinions in this way, a broad exchange of opinions and comments shaping the government proposals.

Similarly, the proposal by the Economic Committee is being publicly evaluated. Yesterday, while the iron was hot, our reporters polled people on this subject.

The initial comments elicited indicate that the new variant of prices and compensations has won public acceptance, even though it is not an uncritical acceptance. Stress is placed chiefly on concern for families which find themselves in the most difficult material situation. Questions are being asked about the general principles underlying the announced compensation for the overall increase in the cost of living. The situation of newly married couples remains discussed. /This is a fundamental cause for concern, and yet currently a different issue is being decided upon: the increase of the retail prices of food, fuel, and energy, as well as the attendant compensation payments./

/(Accounts by our reporters as published on p 3)/

[Inset] A Dialogue

Even while under martial law, the state authorities found a way to consult public opinion: this is exemplified by the discussion going on with respect to the

proposed price increases and compensation. One of our callers expressed his satisfaction with the fact that this postulate has been allowed for in the new proposal for price changes. This is a significant satisfaction: on reading the answers to our poll it is difficult not to reflect that in the past decade, as well as in the last few months, public opinion has been consulted on an extensive scale. The opinions of ordinary people at present directly and significantly affect the ways and means of solving the difficult problems of everyday life. This current dialogue concerning a subject that has been most sensitive for many years can--I am convinced--open the road for tackling other issues in the interest of us all.--Editor.

## Higher Prices Discussed at Kedzierzyn

Warsaw TRYBUNA LUDU in Polish 20 Jan 82 pp 1,3

[Article by A. Leszczynski: "What Prices, What Compensation"]

[Text] "My acquaintances figured out that, following these price revision, their per person family income will markedly decrease," somebody declared during the discussions at the inaugural meeting of the Discussion Club of TRYBUNA LUDU, a club established last Monday at the Nitrogen Plant in Kedzierzyn./

I remember that comment, since it initiated interesting calculations. We performed them jointly, according to the proposal submitted earlier by the PKC [State Price Commission] as well as according to the new proposal whose outline was--several hours prior to its announcement on TV--presented by the experts visiting the club: /the director of the Economics Department of the Ministry of Labor, Wages, and Social Welfare, Jerzy-Szreter, and the adviser to the chairman of the PKC, Zenon Sierpinski./

This common effort made it possible to cut down to a realistic dimension the fears voiced. It turned out that the family income of our reader's acquaintances will not diminish, although, of a certainty, its real value will somewhat diminish. But that is a question of the market, of the shortage of goods, of problems with purchases, etc.

We expect that the TRYBUNA LUDU discussion clubs will become the centers of exactly such exchanges of opinions, comments, and views--of unconstrained, free exchanges in the course of which doubts and misconceptions can be dissipated and the feelings and expectations of the public can be revealed.

Such exactly was the nature of that first meeting at the Kedzierzyn club, devoted to an attempt to answer questions such as: "/What prices, and what compensation payments?/ The co-organizers--/comrades from the plant PZPR committee/--also invited representatives from other plants in the city. This has resulted in interesting comparisons and a confrontation of views.

/Thus, a Nitrogen Plant worker expressed his anxiety about the rapidly rising prices of artisan services. This met with the following riposte by the chairman of the local multibranch cooperative:/

"True, the fees for services are rising. But this is not an uncontrolled growth. At our cooperative, we are able to oppose trends toward excessive and unjustified hiking of fees. This is what we are doing. [We also] are explaining to our members that the public will not accept excessively high fees, and that then they will not earn anything."

/Another doubt expressed in the meeting room was whether the farmers are not faring too well. Are further increases of procurement prices justified?/ In his answers to these questions, the expert, Zenon Sierpinski, explained that the increases of the prices of artificial fertilizers and pesticides will of a certainty necessitate increasing procurement prices to up to 50 percent.

/"Why only 50 percent?" asked the general director of the Kedzierzyn Nitrogen Plant, Konstanty Chmielowski./ "As a producer, this does not directly concern me, because the central trading office will pay us according to the actual production cost. What concerns me is that if farmers are provided with relatively inexpensive fertilizer, they will neglect other maintenance operations, etc."

We need such collisions of opinions. We expect that precisely such creative discussions will be initiated in the next few days at other TRYBUNA LUDU discussion clubs: /today at the Lodz Plant imienia the People's Army--about the party; and at the Warsaw Mera Control and Measuring Equipment Plant--about the economic reform; and Thursday at the Stalowa Wola Plant--about prices and compensation payments.

[Inset]

"We must shoulder this burden at present so as to achieve an improvement in the situation in the not too distant future. This improvement will not occur overnight: we cannot promise that stores will be filled with goods as of 2 February. There exists a possibility, however, that within a few months a tangible rise in output will occur and that by the end of this year the market situation will begin to normalize itself." (From a letter by Deputy Premier J. Obodowski)

## People Interviewed About Higher Prices

Warsaw TRYBUNA LUDU in Polish 20 Jan 82 p 3

[Interviews; "Higher Prices and Your Budget; TRYBUNA LUDU Reporters Conduct a Public Opinion Survey Following the Publication of Proposals by the Economic Committee of the Council of Ministers"]

[Text] "Price changes will be a burden to society regardless of the steps we take to alleviate their consequences. Yet these changes are an economic necessity." (From letter by Deputy Premier J. Obodowski)

With a Calculator in Hand--[Interview with Miron Makowski, Foreman, Machinery Plant imienia Marceli Nowotka in Warsaw, by A. Kozminski]

/On the fourth floor of a building on Pola Gojawicynska St in the Zoliborz Gardens neighborhood I met the Makowski family. The husband, Miron, is a foreman at the Machinery Plant imienia Marceli Nowotka in the Wola district of Warsaw, while the wife, Jadwiga, is an office worker at the PKP [Polish State Railroads] Rolling Stock Directorate. They are supporting two teenage student sons of whom the older attends a railroad technicum and the younger, an electrical trades lyceum./

Mr Miron said: "I figured it all out accurately with the aid of a pocket calculator. My wife and I together earn 15,045 zlotys [monthly], that is, the income per family member is 3,761 zlotys. On the basis of the figures on average monthly consumption of food and goods given in the brochure by Professor Krasinski --though those figures are rather miserly--we currently spend 1,995 zlotys per person monthly on these products and on various fees.

[Question] What will your family budget be like if computed according to the new prices with allowance for compensation?

[Answer] Since my job is classified as arduous, I receive a monthly allotment of 4 kg of meat and hence, according to the proposal of the Economic Committee of the Council of Ministers, I stand to receive a compensation of 1,400 zlotys. The corresponding compensations for my wife and sons are 1,250 and 2,000 zlotys, respectively, or altogether we stand to receive 4,650 zlotys or 750 zlotys more than would ensue from Professor Krasinski's proposal. Thus our combined income will increase to 19,695 zlotys or 4,924 zlotys if averaged per family member.

[Question] And your expenditures?

[Answer] Under the new prices, our expenditures on ration-card allotments based on the proposed austere quotas as well as fees for electricity, gas, central heating, and hot water according to actual consumption and size of dwelling will total 6,950 zlotys, or as much as 33.2 percent of our income inclusive of the compensation payments. Thus the increase in our cost of living will be about threefold.

[Question] But this increase will be offset by the compensation, will it not...?

[Answer] In theory, yes, because both under old prices without compensation and under new prices with compensation for other expenditures, the amount will be nearly identical, i.e., about 13,000 zlotys.

But, first, the PKC norm so far has been too austere compared with actual consumption, and yet this norm was used as the basis for the calculations. For example, our daily milk consumption is as much as 4 liters, but the PKC figures only one-half of a liter per person. The norms for the consumption of cheese, especially yellow cheese, as given in the PKC brochure, are also too austere: 16 decagrams, whereas our boys alone eat as much just at breakfast. We make up with dairy products for the shortages of raw and processed meat. A quarter-kilo jar of jam per person per month also is very little.

[Question] And secondly?

[Answer] And secondly, we will have just as much money left for our other expenses as before the price increases, yet the cost of our other expenses has already greatly changed as well. These other expenses will be chiefly on complementing our diet, because in his list of staple foodstuffs Professor Krasinski omitted, e.g., eggs, whose official price has risen to 7.5 zlotys each, and which in practice are available in general only on the free market where they cost 15, 20, or even 25 zlotys each. A favorite dish in our family is cassoulet, particularly because it is very nutritious and replaces meat, but it is more expensive than meat--180 zlotys per kilogram. We must buy more butter, cheese and sometimes honey, than allotted by the ration cards, and for our children we have to buy candy, which is needed for their growth....

[Question] But a family's expenses are not on food alone....

[Answer] There still remains clothing, footwear, soap, cosmetics, detergents, laundry, and other services, as well as repair, expenditures on the cinema, sometimes theater, sports.... For our boys one pair of shoes a year is too little and besides they need sneakers for the playing field, as well as summer shoes--which we parents also need. As for services, they have risen in cost since the midule of last year without our being in any way compensated for this, and we hear horrifying rumors about further increases. The prices of manufactured consumer goods will rise--this is being declared officially--yet we have at our disposal only the same unchanged 13,000 zlotys. If the current living standards of our family are to be maintained, our older son would have to stop his studies and start working....

I believe that, inasmuch as the general cost of living will increase, working people should receive advance payments according to age, since any more exact calculations are not possible at present. We have been discussing this subject at our labor establishment and we believe that the cost of the crisis should not be shouldered by the working people alone, because private entrepreneurs, who have considerable funds "frozen" in their bank accounts, will "get even" at our expense.

[Inset]

/It is proposed that the fees for fuel and energy be fixed at the following level: electricity, 1.80 zlotyz per kwh; natural gas, 2.70 zlotys per cu m; central heating, 5.50 zlotys per sq m of dwelling area; and hot water, 2 zlotys per sq m of dwelling area./

/Thus the price increases are much milder than those proposed by the PKC. Moreover, the introduction of a night rate (0.80 zlotys per kwh) is intended for those who heat their dwellings with electricity./

Pensioners and annuitants with monthly incomes of up to 4,500 zlotys will receive a 200-zloty allowance for the increase in the prices of energy and fuel./

/Coal allotments for the 1981/1982 heating season can be purchased at unchanged prices./

## Acceptance Combined With Suggestions

[Interview with Leszek Bab, foreman, pipe rolling mill department, Iron and Steel Plant imienia Bierut in Czestochowa, by J. Rutkowski]

/I should like first of all to express my approval of the government for listening to critical comments in the discussion and approving a new draft for a price and compensation system that largely takes into account the expressed comments and demands./

The division of compensation into a ration-card part that is regular and completely offsets the rise in the prices of rationed foodstuffs and a part that is differentiated according to earnings could, in my opinion, first, protect the basic interests of the lowest-income groups and secondly, link the quality and kind of work performed to the amount of the compensation.

This would, I feel, serve to maintain the necessary range of salaries as based on the principle of social justice, and thus it would provide much greater incentives than the previously proposed system.

Let me draw attention to an issue that seems important to me. The new draft provides for uniform compensation of 1,000 zlotys for every child. I believe that this amount was determined on the basis of specific studies of consumption in this age group. /It might be worthwhile, however, to consider whether, owing to the need for special protection of the basic interests of children, special ration cards for children could be issued within that 1,000-zloty limit; such ration cards would serve as coupons for purchase of consumer goods and thus create a system correlated with the actual market possibilities./ This would probably also be much more advantageous to children from morally negligent families, since it would assure them of a definite living standard in the present difficult situation.

/Lastly, I wish to state that I fully approve of the coming tight control by the state over the evolution of prices so that their level would correspond to the actual necessary increase in production costs, as announced in the open letter by Deputy Premier Obodowski./ I am of the opinion that anything else would cause us working people to pay heavily for the incompetence of others, organizational cumbersomeness, or pure neglect. Such a statement of the issue thus lies in the best interest of society.

## Cost of Living Must be Continuously Monitored

[Interview of Teresa Giniewicz, brigade leader, Wroclaw Clothing Industry Plant, by T. Warczak]

/At the Intermoda Wroclaw Clothing Industry Plant most employees are women. One of them, brigade leader Teresa Giniewicz, commented:/

To many of us the proposed price increases are a shock. True the average wages in this enterprise are about 7,000 zlotys monthly, but many women earn from 4,500 to 6,000 zlotys. Some are single parents. Considering that at present they cannot make ends meet, what will happen to them after the prices increase?

My calculations show that my expenses after the price increases will be impossible to meet. After all, it should be borne in mind that the prices of manufactured consumer goods will also increase. Shoes and clothing also will have to be bought at higher prices.

/The full compensation for the prices of rationed goods is not enough. After all, a lot of unrationed extra food will have to be bought, and prices have soared and will continue to soar./

/It would also be necessary to carry out thorough studies of the cost of living, of family budgets, of the living standards of the working population, and eventually to adjust the wages./

Modestly, But I'll Cope

[Interview of Stanislaw Marczewski, retired driver, Sosnowiec, by A. Socha]

Our economic situation is tragic, and so some decisive changes must be made. The problem is that in principle any such move must be paid for by the public with specific sacrifices and a decline in living standards. This is an inevitable consequence of the absence of a correlation between price and wage mechanisms in the economic practice of the last 20 years.

As published last Tuesday, the proposals by the Economic Committee of the Council of Ministers represent a response to the critical comments voiced in the last few weeks. It is greatly to be deplored that the increases in food and fuel prices and energy rates coincide with increases in the prices of most manufactured goods (the proposed revisions make no allowance for corrections of food prices). And yet it is known that the prices of other foodstuffs have already risen, e.g., the prices of fruits, vegetables, juices and jams, which also are necessary for proper nutrition.

I happen to be in a fairly fortunate situation. /My retirement pension, including all allowances, is 8,400 zlotys [monthly] and I stand to receive a compensation of 1,250 zlotys. I think that I will succeed in living very modestly on this income, the more so as my needs are not extravagant. I believe, though, that the 100-zloty differences in compensation payments to discrete categories are purely symbolic: a pensioner receiving 13,000 zlotys will receive only 100 zlotys less in compensation than I, while a pensioner receiving 4,000 zlotys will receive only 200 zlotys more than I./

I believe that families with two and more children will experience the greatest difficulty. The public's understanding of the necessity of price increases will not replace for anyone a piece of meat, an egg, or an apple for children.

[Inset]

/All pensioners and annuitants, including those receiving benefits in exchange for transfer of their farms to their successors or to the state, as well as persons receiving allowances from the social welfare fund, will also receive twin-part compensation (ration card and energy-and-fuel compensation payments).

Depending on the amount of benefits received, this compensation would range from 750 zlotys to those receiving benefits of more than 13,000 zlotys monthly to 1,450 zlotys for those receiving benefits of up to 4,500 zlotys monthly./

The Needs of a Young Family

[Interview of Andrzej Gniady, electrician, Odra Cement Plant, Opole, by E. Filipczyk]

The new proposals by the Economic Committee of the Council of Ministers aroused great interest and stimulated extensive discussions within the Opole community of cement-industry workers.

/Andrzej Gniady is 26 years old and has been working for 9 years at the Odra Cement Plant. He is an electrician and lives with his parents-in-law in a village near Opole. His father-in-law also is still working--they own no land. A. Gniady supports a wife and two sons--the 4-year-old Leszek and 2-year-old Grzegorz. He shares with his parents-in-law the cost of fuel and energy; both he and his father-in-law are recipients of coal allotments./

[Comments by A. Gniady:] "The average earnings of the head of a young family during the last quarter of the year amounted to 7.190 zlotys [monthly], excluding seniority and overtime pay. His compensation, as computed for the category of workers entitled to higher ration-card allotments, will be 900 zlotys for the increase in the prices of rationed foodstuffs, plus 500 zlotys for the increases in the prices of fuel, energy, and other items--altogether 1,400 zlotys. The wife and two children will receive 1,000 zlotys apiece in compensation, that is, in this family the total compensation will be 4,400 zlotys or, including earnings (7,190+4,400), the total income will be 11,590 zlotys. This averages out to 2,897 zlotys per family member compared with the previous 1,797 zlotys (7,190 zlotys divided among 4 persons)."

A. Gniady stated: "That is why I fully agree with the statement in the proposals that "in families with many children the income per family member is low even if the wage earner's own income is high.

"I disagree, on the other hand, with the next sentence, which states that 'this concerns protecting the living standards of the young generation,' because this conflicts with reality. Suppose we had no children; then, even if my wife were not working, our income per person would be nearly 4,800 zlotys monthly. This means also that /the more children there are in a young and growing family such as mine, the worse would be the living standard given the proposed amount of compensation payments./

"In this connection, I propose that compensations for children should be computed as follows: 900 zlotys for the increase in food prices plus 700 zlotys for the increases in the prices of fuel, energy, and manufactured consumer goods, or altogether 1,600 zlotys per child. This is necessary because under the present proposal families with many children would be penalized. As a result, young people are discouraged from having children...one cannot live forever off loans and debts."

More Acceptable

[Interview of Zofia Piasecka and Irena Szymanska, Warsaw Pharmaceuticals Plant, by T. Strumff]

[At the Warsaw Polfa Pharmaceuticals Plant we talked with a group of female workers from the packaging department. The first impressions of the new project is that it is simpler, "milder," and somewhat more acceptable than its predecessors; but that its true consequences will be perceived only after some time passes.

Zofia Piasecka, a packaging-machine operator, commented: "Not everybody can be pleased at the same time. This version is intermediate, as it were, and so perhaps better. In the end, we all have been prepared to expect price increases.

"I like the uniform compensation payments for children, without any differentiation. Unfortunately, these payments do not allow for the soaring prices of vegetables and fruits--prices that are so skyrocketing that it is incredible./"

Irena Szymanska, a brigade leader, commented: "We all will lose something. This is inevitable, because only part of the rising food prices will be compensated for./ In reality, the price of every little thing is going up, be it jello or potato flour, nearly everything. I only hope that the government will control this price movement more tightly.

"But an equally important and perhaps also equally urgent problem is the rise in the prices of manufactured goods. Yesterday my husband and I saw a suit costing... 15,000 zlotyz. Not so long ago the same suit had cost less than half that. Men's socks cost 60 zlotys a pair. They used to cost something like 25 zlotys. How will I cope with all that? /I believe that the authorities must as rapidly as possible resolve that other problem of the general cost of living. We do not live on food alone./

"The reduction in the prices of fuel and energy under the new proposal, as compared with the previous variant, is to be welcomed. It will not deplete the wallet as horrendously, though here too the compensation payments will be insufficient."

[Inset]

/It is proposed that compensation payments for the [increased] prices of rationed goods will be set at 750 zlotys monthly for most workers. For those working under hazardous conditions, the compensation payments will average 900 zlotys, and for underground miners, 1,400 zlotys. The amount of "ration-card" compensation payments is computed on the basis of the most generous rationing allotments, for example, on assuming that 3.6 rather than 2.5 kg of meat is allotted for the average ration card./

/The other part of compensation payments (compensation for rises in prices of energy, fuel and nonrationed but price-controlled foodstuffs) has been made dependent on the size of income. Thus for people with incomes of up to 4,500 zlotys the compensation payments will be 700 zlotys; for those with incomes of

from 4,501 to 6,000 zlotys, 600 zlotys; from 6,001 to 9,000 zlotys, 500 zlotys; and from 9,001 to 13,000 zlotys, 300 zlotys. Workers earning more than 13,000 zlotys monthly are not entitled to this second part of compensation payments.

A New Married Couple

[Interview with Halina and Jerzy Kwasniewski, philologist and economist, respectively, by M. Wieczorkowska]

/They are a representative young married couple, just starting their own family, as the saying goes. They are inhabitants of Warsaw. She: Halina, completed studies of Polish philology. He, Jerzy, is an economist who works for a bank. The apartment M-3 in the Ursynow district, which they were assigned in September 1981, is inhabited by a third tenant--2-year-old Pawelek./

Halina: "Last fall I had to start professional work, because financially we could not manage. Jerzy earns 5,600 zlotys which may seem a high starting salary, but is not enough to feed and clothe 3 persons. So now I added to this my salary of 3,300 zlotys (I work in a library). Once a week I tutor in Polish a daughter of our friends, thus earning an additional 1,200 zlotys monthly. Our combined income at present is 10,000 zlotys.

"And our expenses? Deductions absorb nearly 2,000 zlotys, and we spend on the average 6,000 zlotys on food. Thus little remains for other expenses such as clothing, footwear, personal hygiene, drugs, toys, transportation. Some might say that 6,000 zlotys for food is too much, but those who have little children know that this is not so. If, for example, the store has no eggs for sale, I go to the free market and buy there several eggs for 18-20 zlotys each. After all, the child must eat several eggs weekly. This also applies to fruits and vegetables.

"Our menu at present is not very varied; thus, I try to complement it with whatever is available on the market--vegetables and fruits. But they, unfortunately, are expensive. Every time I go to a vegetable store I spend 200 zlotys there, and I make such visits several times a month. Pawelek is capable of eating 2 apples daily. Should I refuse food to my child?"

[Question] "Have you already figured out your expenses under the new price system?"

Jerzy: "Yes. But the figures on mean consumption stated in the brochure do not balance with our figures. Consider milk, for example. The brochure specifies 12 liters of milk per person monthly, but our daily need is 2 liters. The difference in cost is 86 zlotys, but multiplied by 3 it amounts to as much as 258 zlotys. I could give you several other instances. /That is why we are very satisfied with the new version of compensation payments. People have been greatly irritated by those averages./

"More about our expenses: We shall spend about 5,200 zlotys on 3 persons for the foodstuffs covered by compensation payments according to the previous proposal. In this sense, our calculations do not deviate greatly from those of Professor Krasinski. But there are other food expenses as well: candy, macaroni, kashas,

eggs, sometimes alcohol, and the most expensive foods at present--vegetables and fruits. Altogether we figured out that food will cost us 7,000-7,500 zlotys.

"Then there are the increased rates for hot water and electricity. This will absorb our total current income. I am not even mentioning unplanned expenditures, because if a store has for sale juices for children or powdered chocolate, we shall of a certainty buy them at the expense of our personal expenditures."

[Question] "How did you react to these price increases?"

[Jerzy] "With understanding. We believe that they are necessary. On the other hand, we realize that it is young married couples that they will hurt most. But such is the nature of the conflict between public and private interest.

"For reasons beyond our control we did not manage in time to apply for the loans available to young married couples. Now we doubt whether we could save anything from our modest income. Everything has gone up in price so much. Loans, too, are not the optimal solution to us, because they would have to be repaid monthly. And we need so many things--furniture for Pawelek's room, a washing machine, kitchen utensils, flooring. We also dream of a tape recorder and a sewing machine.

Halina: "Professor Krasinski had proposed for us a compensation of 2,950 zlotys. Truth to say, we were a little shocked. Now we will receive 3,800 zlotys, or nearly 1,000 zlotys more. Prior to the price increases we had 2,000 zlotys monthly left over for such expenses as clothing, cultural entertainment, etc, and now we have 3,800. This may help us to maintain our current standard of living, although things may also get worse.

We are most concerned about our child, which is growing and always needs new clothing, toys, and amusements. And then there is the apartment, which we inhabit only provisionally. Besides, we are only beginning to live. To us what counts is not only work itself but also leisure, a chance to spend vacations in an interesting way, and a decent living standard. After all, we have begun our marriage from the scratch...."

[Inset]

To assuage the consequences of price increases, it is proposed that, in justified cases, plant funds be used to finance the increased fees for heat and hot water and, further, that subsidies be introduced for student canteens and that the payment of child-rearing allowances to young mothers be extended by 6 months.

What Incentive for Saving?

[Interview with Jerzy Kaliszuk, Orchowek Village, Chelm Voivodship, by R. Wclak]

"Of a certainty, the price reform cannot meet with public enthusiasm. Hence it should be preceded by a very thorough and broad analysis of its every aspect. There is still uncertainty about /the issue of revaluating the savings by bank depositors. Unless this happens, people will stop saving./ In addition, the

current proposals benefit enormously those who have been living on credit and borrowing considerable funds. Is this socially just?

"I see that the proposals do not provide for compensation for heating or, more exactly, for fuel for the owners of single-family homes. On an annual scale, I will have to spend for this purpose 8,000 zlotys more than in the past. This will certainly discourage others, as will the high increase in the prices of building materials for private home builders."

Losing in Order to Gain

[Interview with the employees of the Lodz Iwona Plant by J. Kraszewski]

/Andrzej Raglaj, chairman of the plant governing board of ZSMP [Union of Socialist Polish Youth] at the Lodz Iwona Plant, declared that young people, and especially young families, are in the worst situation./ "I'm thinking not only of the prices of food and energy but also and primarily of the prices of manufactured consumer goods that are indispensable to the wage-earning population. Perhaps the increased credit limits will alleviate the situation. /But, on the other hand, I'm aware that, for the sake of the future, even drastic steps have to be accepted./"

Engineer Jan Steperski attempts to perceive the whole of the price revisions in a linkage with the work incentive system. He is doubtful about the financial system that is mandatory this year, since it impedes instead of stimulating a rise in labor productivity.

This motif was also discussed in the comments of Maria Plyta, the sewing room forewoman. "I do understand that there must be higher compensation for 8-hour shifts, but I don't see why the less productive piece-workers should be paid the same compensation despite their laziness."

Malgorzata Kulikowska, the stockroom head, proposes that compensation for children be differentiated. She believes that children and young people 11 to 18 years old should receive higher compensation.

Bozena Leman: /"The government project has reduced our anxieties. We know that we must lose now so as to gain later."/

1386
CSO: 2600/234

EXPANDED ROLE FOR CONSUMER COOPS IN SELF-SUPPLY PROGRAM

Bucharest ROMANIA LIBERA in Romanian 9 Jan 82 pp 1, 5

[Interview with Ion Radulescu, vice president of the Central Union of Consumer Cooperatives, by Mircea Scripca]

[Text] [Question] Taking place in the last 10 days of this month will be the 7th congress of the consumer cooperative, an important event for the cooperative movement in Romania, one which opens new prospects for the many economic-social activities which the cooperative organizations carry out. Taking action throughout the country and having available 2,836 cooperatives with nearly 100,000 commercial, production and services units and purchasing centers as well as 771 credit cooperatives which associate nearly 8 million members--Romanians, Hungarians, Germans and other nationalities--the consumer cooperative is a powerful economic and social force, an important organ in our country's life, one which acts with all determination to implement the party's policy to raise the standard of living of all our people. In 1982 the consumer cooperative will have important tasks, about which we have requested details from Comrade Ion Radulescu, vice president of the Central Union of Consumer Cooperatives.

[Answer] Taking action in the spirit of the decisions of the 12th party congress and the valuable indications given by Comrade Nicolae Ceausescu, the party's secretary general, the consumer cooperative will make a greater contribution--through the means it has available--to carrying out territorial self-supply, to intensifying the exchange of goods between city and village, to diversifying the services provided the population, to developing small industry and to increasing export.

Special tasks belong to the consumer cooperative in the area of contracts and purchases. In 1981 the consumer cooperative organizations increased their contribution to aid the increase in production on the population's farms with the goal of obtaining products to satisfy the consumer needs of the producers and their family members as well as to utilize the surplus of products in the state fund through the consumer cooperative units. As a result, in 1981, the entries to the state fund were higher than the plan tasks, being 30 percent greater than in 1980.

[Question] But What is forecast in this area of activity for 1982?

[Answer] The new regulations adopted on the basis of the decisions of the 25-26 November 1981 RCP Central Committee Plenum and of the Grand National Assembly give the consumer cooperative special tasks in the area of contracts and purchasing.

Kept in mind in establishing them was the greater role which the consumer cooperative must play in accomplishing territorial self-supply and in increasing the state fund of agricultural food products. So, in 1982, by concluding contracts and agreements, we must provide 1.5 billion eggs, 33,000 tons of chicken, 4,000 tons of honey, 800,000 tons of potatoes, 23,000 tons of various vegetables, 10,000 tons of beans, 45,000 tons of fruit and so forth. In order to provide an incentive for the peasant farms to increase vegetable and animal production, the consumer cooperative will deliver to the contracting producers more than 21,000 mating rabbits, 17 million day-old chicks, 1.3 million fruit-tree seedlings and shrubs, nursery transplants, seeds, various agricultural tools, chemical fertilizer, building materials for setting up greenhouses, solariums, shelters for the animals and other things. A large number of consumer cooperatives will organize pigeon-breeding farms in order to be able to reach 550,000 pigeons by the end of 1982. Also, to be organized is activity to produce mushrooms by utilizing existing areas. Around 20,000 sheep will be attained in 1982 on the farms attached to the cooperative organizations, thus increasing the quantity of meat, wool and milk to be obtained from this number of sheep.

[Question] The consumer cooperative also has important tasks in supplying the village population. In this area what is to be undertaken in 1982?

[Answer] In the spirit of the indications given by Comrade Nicolae Ceausescu, the party's secretary general, at the 25-26 November 1981 RCP Central Committee Plenum, the cooperative organizations will have to take action with a spirit of high responsibility and demandingness in order to insure the timely sale of goods to the population under good conditions.

In agreement with the development of the national economy and with the increase in the population's incomes, it has been forecast that in 1982 the consumer cooperative will sell a fund of goods valued at more than 46 billion lei, which is 3.6 percent greater than in 1981. Special attention is to be given to the sale of goods intended to aid the agricultural producers, such as agricultural tools, sowing seed-tree materials and other items, organizing units or specialized regions for this purpose. At the same time, the sales of household articles, knitwear, shoes, notions and cosmetics are to be intensified. In 1982 the sales from the textile-footwear sector will represent 23.3 percent of the total volume of sales and articles from the metal-chemistry sector will represent 23.3 percent of total sales.

At the same time, the activity of the food service units will improve, predominantly food production which should reach a volume of more than 3.2 billion lei in 1982. In order to satisfy the needs for vegetables, meat, eggs and other products to a greater extent, the plots attached to the public food service units will be extended.

[Question] What tasks belong to the consumer cooperative in other sectors of activity?

[Answer] Action will continue to be taken to develop small industry, thus satisfying both the requirements from the market fund as well as export requirements. The value of production forecast to be achieved in 1982 in small industry will be 10.2 billion lei, representing a 7.1-percent increase over 1981. We should emphasize the production of artisan articles which has nearly tripled and their share will increase considerably in the market fund and export.

At the same time, the activity of services also is to develop; it is to record a 13.9-percent increase over 1981. The number of units for maintenance of household electrical products, for housing construction and repairs and the attached units for clothing, footwear and so forth will increase.

The increase in the volume of consumer cooperative activity demands an improvement in its material-technical base. The necessary areas in simple, cheap and smaller constructions will be provided for directly productive activity both for the small industry sector as well as the contracting and purchasing sector. The new projects with a useful area of around 60,000 square meters will be built for activity of trade, tourism and services. The new constructions will mainly be set up in the future agricultural-industrial cities, in the communes with high economic power. The consumer cooperative organizations, in conclusion, will make sustained efforts to buil all the projects forecast for 1982, thus contributing to satisfying the population's requirements for supplies and services under better conditions and to the country's social-economic development.

8071
CSO: 2700/150

CITY OF ROVINARI ESTABLISHED IN GORJ COUNTY

Bucharest BULETINUL OFICIAL in Romanian Part I No 104, 9 Dec 81 p 4

[Decree of the Council of State to Organize the City of Rovinari in Gorj County]

[Text] The Council of State of Romania decrees:

Article 1. The city of Rovinari, in Gorj County is organized on the date of the present decree.

The city of Rovinari is composed of the localities Rovinari and Virt.

Article 2. The villages Rovinari and Moi, belonging to the Bilteni district, Gorj County, are joined to form a single village named Moi.

Article 3. The executive committee of the Gorj County peoples' council will organize according to law, the election of deputies to the peoples' council of the city of Rovinari.

A temporary peoples' council will operate until the election of the peoples' council of the city of Rovinari, composed of deputies elected in the electoral districts included within the boundaries of this territorial administrative unit.

The temporary peoples' council of the city of Rovinari will meet in its first session within five days from the date of the present decree.

The executive committee of the temporary peoples' council of the city of Rovinari will consist of nine members and will be composed of the deputies and members designated until the elections, by decision of the executive committee of Gorj County.

Article 4. The maximum number of positions stipulated in appendix 7 to the Decree of the Council of State No 70/1981 is modified according to the appendix*) which is an integral part of the present decree.

The number of positions for the Financial Service of the city of Rovinari will be assured by the Ministry of Finances as part of the number of positions stipulated in appendix 14 to the Decree of the Council of State No 70/1981.

The positions that are assured through reassignment in accordance with the present decree, and that have been frozen as a result of Decrees of the Council of State Nos 367/1980 and 345/1981, are released.

Article 5. The appendix to Law No 2/1968 regarding the administrative organization of Romania's territory, republished in BULETINUL OFICIAL, Part I, No 54-55, of 27 July 1981, with subsequent modifications, is changed in accordance with the provisions of the present decree.

Nicolae Ceausescu, President of Romania
Bucharest, 9 December 1981
No 366

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*) The appendix is communicated to interested institutions.

11,023
CSO: 2700/140

MOTRU, ROVINARI AGRO-INDUSTRIAL CENTERS ESTABLISHED

Bucharest BULETINUL OFICIAL in Romanian Part I No 104, 9 Dec 81 pp 4-5

[Decree of the Council of State to Establish in Gorj County the Motru and Rovinari Agro-Industrial Centers and the Motru and Rovinari Administrative-Economic Directorates]

[Text] The Council of State of Romania decrees:

Article 1. The Motru Agro-Industrial Center and the Rovinari Agro-Industrial Center, in Gorj County, are established on the date of the present decree.

The Motru Agro-Industrial Center includes the city of Motru and the districts Catunele, Dragotesti, Matasari, and Samarinesti.

The Rovinari Agro-Industrial Center includes the city of Rovinari and the districts Bilteni, Cilnic, Farcasesti, and Urdari.

Article 2. The peoples' councils of the cities and districts included in the Motru and Rovinari agro-industrial centers operate according to law, and are responsible for all the socioeconomic activities carried out in the administrative-territorial units in which they are elected.

Article 3. The Motru Administrative-Economic Directorate and the Rovinari Administrative-Economic Directorate, under the jurisdiction of the Gorj County Peoples' Council, are established on the date of the present decree.

The Motru Administrative-Economic Directorate carries out its activity within the boundaries of the Motru Agro-Industrial Center, and the Rovinari Administrative-Economic Directorate within the boundaries of the Rovinari Agro-Industrial Center.

Article 4. The administrative-economic directorates are plan holders for all the socialist units of local interest, as well as for all agricultural units within the boundaries of the Motru and Rovinari agro-industrial centers.

The administrative-economic directorates receive the plan from the county peoples' council, covering all the socialist units of local interest, as well as all agricultural units within the boundaries of the agro-industrial centers.

The peoples' councils of the cities and districts that compose the Motru and Rovinari agro-industrial centers are plan holders and are responsible, according to law, for the fulfillment of the tasks assigned to them in the unified national plan for socioeconomic development.

Article 5. The Motru and Rovinari administrative-economic directorates fulfill primarily the following functions:

a) Formulate according to law, plan proposals in close collaboration with economic and sociocultural units of local interest, as well as with the executive bureaus of peoples' councils,

b) Organize, guide, control, and be responsible for the timely and complete fulfillment of the plan tasks assigned to socialist units of local interest;

c) Supervise the firm application of the new economic-financial mechanism and of the principle of workers' self-management in the activity of local economic and sociocultural units, the good stewardship and utilization of the material and financial means entrusted to them, and the development of small industry, services, and other economic activities;

d) Supervise the fulfillment of programs to increase vegetal and animal agricultural production, the complete and efficient use of the land, the cultivation of all land surfaces, independently of their ownership, and the delivery of agricultural food products to the state fund;

e) Be responsible for the proper supply of agricultural food products and industrial goods for the entire population in cities, workers' centers, and other localities within the boundaries of agro-industrial centers; formulate, according to the principles of workers' self-management and territorial autonomous supply, programs for supplying the population with agricultural food products, and assure the complete fulfillment of these programs;

Be responsible for the distribution and good stewardship of the local consumption fund, satisfying the consumption needs of the workers and the entire population in cities, workers' centers, and other localities within their radius of activity, as well as for the sale of larger amounts of agricultural food products for miners, oil workers, and other categories of workers which make particularly great physical efforts;

Control the activities of workers' cafeterias and be responsible for providing the resources needed to adequately supply them; supervise the development of sales networks for public eating and services units, and control and guide the activities of these units;

f) Assure the application and respect for standardization drawings and details approved according to law;

g) Be responsible for the complete fulfillment of the plan for building housing and sociocultural objectives;

h) Supervise the proper organization and conduct of instruction and education processes in educational units, the development and judicious utilization of their material base, and the formation of a stronger bond between education and practical economic and social activities;

i) Be responsible for the organization and conduct of cultural and educational activities, and for constantly improving the socialist consciousness of the citizenry;

j) Supervise the manner in which are respected legal provisions regarding the population's health protection, and guide and control the activities of health units;

k) Take measures for the proper conduct, according to law, of district stewardship activities; supervise the construction and appropriate utilization of land management endowments, the administration and maintenance of the tenancy fund, the protection of the environment, and the development of other activities which contribute to proper services to the citizenry;

l) Fulfill any other functions stipulated by law.

Article 6. Local state units and subunits for trade, services to the population, district and tenancy stewardship, construction of housing and sociocultural objectives, education, culture, and health, which conduct their activities in the cities and districts included in the Motru and Rovinari agro-industrial centers, are also subordinated to the administrative-economic directorates.

Article 7. The Motru and Rovinari administrative-economic directorates have the organizational structure stipulated in appendix 1*).

The number of positions and the level of remuneration for the personnel of administrative-economic directorates are stipulated in appendix 2*).

Article 8. The State Committee for Planning and the Ministry of Finances will submit for approval, modifications to the unified national plan for socioeconomic development, as well as to the volume and structure of the state budget for 1981 and 1982, which result from the application of the provisions of the present decree.

Article 9. Appendixes 1 and 2 are an integral part of the present decree.

Nicolae Ceausescu, President of Romania
Bucharest, 9 December 1981
No 367

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*) The appendix is communicated to interested institutions.

11,023
CSO: 2700/140

MEASURES TO IMPROVE ORGANIZATION OF COAL INDUSTRY UNITS

Bucharest BULETINUL OFICIAL in Romanian Part I No 104, Dec 81 pp 1-3

[Decree of the Council of State Regarding Measures to Improve the Organization of Units in the Coal Industry]

[Text] The Council of State of Romania decrees:

Article 1. On 1 December 1981, the Rovinari Mining Combine, with head offices in the Farcasesti district, Gorj County, and the Motru Mining Combine, with head offices in the city of Motru, Gorj County, are established under the jurisdiction of the Ministry of Mines, through the reorganization of the Oltenia Mining Combine, which is dissolved.

The objectives of the combines are: lignite extraction and preparation; research and planning for lignite extraction below and above ground; execution of geologic, hydrogeologic, and drainage projects; execution of construction, installation, industrial, and sociocultural projects; construction of metal assemblies, subassemblies, and spare parts, and repair of mining equipment; automotive transportation and performance of services.

An additional objective of the Rovinari Mining Combine is the extraction and preparation of anthracite, as well as research and planning for its exploitation.

Article 2. The mining combines established in accordance with article 1 are economic units similar to industrial centrals, operate on the principle of economic-financial self-management, are legal persons, and are organized on the basis of legal provisions regarding the organization and management of state socialist units, and the uniform structure regulations for the coal industry and the mining extractive industry, approved by Decree No 162/1973 regarding the establishment of uniform structure regulations for economic units.

Article 3. The Rovinari Mining Combine and the Motru Mining Combine are classified as special grade organizations, group II branch, and have an organizational structure stipulated in appendix 1*).

Article 4. On 1 December 1981, the Tirgu Jiu Enterprise for Mining Equipment Repairs with head offices in the city of Tirgu Jiu, Gorj County, is established under the jurisdiction of the Ministry of Mines; its objectives are to repair mining equipment, fabricate spare parts and electrical items, contract for technical design, and perform services.

The Tirgu Jiu Enterprise for Mining Equipment Repairs operates on the principle of economic-financial self-management, is a legal person, and is organized on the basis of legal provisions regarding the organization and management of state socialist units, and the specific uniform structure regulations approved for the extractive industry by Decree No 162/1973.

Article 5. The Tirgu Jiu Enterprise for Mining Equipment Repairs is classified as a grade II organization, group III branch, and uses for its workers the level A remuneration, contract, and administration of the machine building network, in accordance with the Law for Remuneration According to Quantity and Quality of Work, No 57/1954.

Article 6. On 1 December 1981, the Jilt Enterprise for Mining Constructions and Installations, with head offices in the Matasari district, Gorj County, is established under the jurisdiction of the Motru Mining Combine, and the Rovinari Enterprise for Mining Constructions and Installations, with head offices in the Farcasesti district, Gorj County, is established under the jurisdiction of the Rovinari Mining Combine; their objectives are to contract for industrial and sociocultural constructions, equipment installations, hydrogeologic, geotechnical, and drainage projects, and constructions and installations of an industrial nature.

The enterprises stipulated in paragraph 1 are established through the reorganization of the Oltenia Enterprise for Mining Constructions and Installations, which is dissolved.

Article 7. The Jilt and Rovinari enterprises for mining constructions and installations are classified as special grade organizations, group III branch, and use for construction workers who execute construction and installation projects, the level "constructions A for contract work, as well as for units in which tariff remuneration is not differentiated by contract and administration," under the conditions stipulated by the Law for Remuneration According to Quantity and Quality of Work, No 57/1954.

Article 8. On 1 December 1981, the Motru Enterprise for Transportation and Construction Equipment, with head offices in the city of Motru, is established under the jurisdiction of the Motru Mining Combine, and the Rovinari Enterprise for Transportation and Construction Equipment, with head offices in the Farcasesti district, Gorj County, is established under the jurisdiction of the Rovinari Mining Combine, their objectives are to provide automotive transportation, maintain and repair their own rolling stock and construction equipment, and perform services.

The enterprises stipulated in paragraph 1 are established through the reorganization of the Rovinari Enterprise for Transportation and Heavy Construction Equipment, which is dissolved.

Article 9. The Motru and Rovinari enterprises for transportation and construction equipment are classified as grade I organizations, group IV branch, and will be assigned specific indicators for their basic activities--automotive transportation and performance of services.

Article 10. On 1 December 1981, the Comanesti Mining Enterprise, with head offices in the city of Comanesti, Bacau County, is established under the jurisdiction of the Ministry of Mines; its objectives are to extract and prepare lignite and brown coal, perform mine openings, as well as geologic, hydrogeologic, and drainage projects, execute repairs, and perform services.

The enterprise is established by separating the Comanesti Mine from the Ploiesti Mining Combine.

Article 11. The Comanesti Mining Enterprise operates on the principle of economic-financial self-management, is a legal person, and is organized according to legal provisions regarding the organization and management of state socialist units, and the uniform structure regulations for the coal industry and the mining extractive industry, approved by Decree No 162/1973.

Article 12. The Comanesti Mining Enterprise is classified as a grade II organization, group II branch, and uses for its mine workers the level B of network remuneration--below and above ground--according to the provisions of the Law for Remuneration According to Quantity and Quality of Work, No 57/1954.

Article 13. The Mehedinti Mining Enterprise is changing the location of its head offices from the municipality Drobeta-Turnu Severin, to the Husnicioara district, Mehedinti County.

The Mehedinti Mining Enterprise and the Craiova Institute for Lignite Research, Technical Engineering, and Mining Design, subordinated to the Oltenia Mining Combine, as well as the Horezu, Voivozi, and Salaj mining enterprises, and the Popesti and Sarmasag industrial high schools, subordinated to the Ploiesti Mining Combine, are brought under the direct jurisdiction of the Ministry of Mines.

Article 14. The department for planning technologies, capabilities, studies, forecasts, projects, and geologic projects at the Rovinari and Motru mining combines is organized in accordance with Decree No 297/1973 regarding the establishment of uniform structure standards for research and design units.

The department for planning technologies, capabilities, studies, forecasts, projects, and geologic projects is classified as an intermediate grade and grade II organization, respectively, for investment planning activities.

Article 15. The certificated personnel in the department for planning technologies, capabilities, studies, forecasts, projects, and geologic projects will be remunerated according to the provisions of the Law for Remuneration According to Quantity and Quality of Work, No 57/1974, appendix IV, chapter VIII--Scientific Research, Technical Engineering, and Planning, level II of Remuneration; and the non-certificated personnel with higher studies, as well as the personnel without higher studies, on the basis of appendix IV, letter B, group III branch.

Article 16. Subunits within the units established according to articles 1, 4, 6, and 8, or those reorganized, fall within the organization grades stipulated in appendix 2*).

Article 17. Departments, work sites, shops, and lots, as well as other subunits of units which are reorganized, maintain their approved organization grade, as well as the levels of remuneration and branch group, in which they are included.

Article 18. The structure regulations for the coal industry, approved by Decree No 270/1977 regarding measures for improving organization and activities in the coal industry, will also be applied depending on circumstances, to units and activities at the Rovinari and Motru mining combines.

Article 19. The working personnel at the Rovinari and Motru mining combines benefit from the rights granted to the working personnel at the Oltenia Mining Combine, and the working personnel at units under the jurisdiction of the Rovinari and Motru mining combines, from the rights granted to working personnel at units subordinated to the Oltenia Mining Combine.

Article 20. The assets and liabilities on the balance sheets of 30 November 1981, together with economic and financial plan indicators and contracts, are transferred from the Oltenia Mining Combine to the Rovinari and Motru mining combines, from the Rogojelu Mining Enterprise to the Tirgu Jiu Enterprise for Mining Equipment Repair, from the Oltenia Enterprise for Mining Constructions and Installations to the Jilt and Rovinari enterprises for mining constructions and installations, from the Rovinari Enterprise for Transportation and Heavy Equipment to the Motru and Rovinari enterprises for transportation and construction equipment, and the assets and liabilities of the Comanesti Mine, from the Ploiesti Mining Combine to the Comanesti Mining Enterprise.

The personnel which is transferred as a result of the provisions of the present decree is considered as transferred in the interest of their jobs.

Article 21. Personnel transferred or assigned to functions with lower remuneration rates as a result of the provisions of the present decree, benefit from the rights stipulated in article 21 of Decree No 162/1973 regarding the establishment of uniform structure standards for economic units.

Article 22. Mining enterprises under the jurisdiction of the Rovinari and Motru mining combines, can perform work for placing investment objectives in operation, including excavation operations, at the cost rates stipulated in prevailing regulations for contract projects.

Article 23. For the Motru Mining Combine, the maximum number of automotive vehicles for personnel and freight, with a capacity of less than 1.5 tons, stipulated in Decree No 277/1979 regarding measures to rationalize fuel consumption and economically manage the automotive vehicle inventory, and by Decree No 377/1979 regarding measures to concentrate the automotive inventory of socialist units for local or internal use, is increased by one microbus, two pickup trucks for transporting intervention personnel, tools, and equipment, and two specialized refrigerated trucks for food transportation.

Article 24. Endowment with one automobile for transporting personnel in the fulfillment of their functions, is approved for the Motru Mining Combine, the Rovinari Enterprise for Transportation and Construction Equipment, the Rovinari Enterprise for Constructions and Mining Installations, the Motru Enterprise for Transportation and Construction Equipment, the Jilt Enterprise for Constructions and Mining Installations, the Tirgu Jiu Enterprise for Mining Equipment Repair, and the Comanesti Mining Enterprise.

Article 25. Within 30 days, the State Committee for Planning and the Ministry of Finances, will present proposals for modifying the plan and budget for 1981 and 1982, as a result of the provisions of the present decree.

Article 26. The provisions of the present decree are applied within the framework of the economic and financial plan indicators approved for the Ministry of Mines for 1981.

Article 27. The legal provisions referring to the Oltenia Mining Combine continue to apply to the Rovinari and Motru mining combines, as well as to units under their jurisdiction.

Article 28. The Rovinari Mining Combine and Motru Mining Combine have jurisdiction over the units stipulated in appendix 3.

Article 29. Appendix 3 to Decree No 139/1974 regarding approval of the lists of research and design units organized according to Decree No 297/1973 regarding the establishment of uniform structure standards for research and design units, is completed according to appendix 4*) of the present decree.

Article 30. Appendix 3 to Decree No 269/1981 regarding the organization and operation of the Ministry of Mines, is completed according to the provisions of the present decree.

Article 31. The list of centrals and units with central status, appended to article 23 of Decree No 162/1973, with subsequent modifications, as well as appendixes 1 and 2 to the Decision of the Council of Ministers regarding measures for reorganizing industrial centrals, similar units, and some state enterprises, is modified according to the provisions of the present decree.

Article 32. Appendixes 1-4 are an integral part of the present decree.

Nicolae Ceausescu, President of Romania
Bucharest, 8 December 1981
No 365

## Appendix 3

### List of Units Under the Jurisdiction of the Rovinari Mining Combine and the Motru Mining Combine

I. Rovinari Mining Combine

1. Rovinari Mining Enterprise
2. Rosia Jiu-Pesteana Mining Enterprise
3. Urdari Mining Enterprise
4. Rogojelu Enterprise for Mining Equipment
5. Rovinari Enterprise for Transportation and Construction Equipment
6. Rovinari Enterprise for Constructions and Mining Installations
7. Rovinari Supply Base**)
8. Rovinari Schooling Group
9. Bilteni Schooling Group

II. Motru Mining Combine

1. Motru Mining Enterprise
   Motru Plant for Repairs, Metal Constructions, CET, CFN**)
2. Jilt Mining Enterprise
3. Lupoaia Mining Enterprise
4. Motru Enterprise for Transportation and Construction Equipment
5. Jilt Enterprise for Constructions and Mining Installations
6. Motru Supply Base**)
7. Motru Schooling Group

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*) The appendix is communicated to interested institutions.
**) Unit is not a legal person.

11,023
CSO: 2700/140

DIRECTORATE FOR QUALITY CONTROL OF AERONAUTICAL PRODUCTS

Bucharest BULETINUL OFICIAL in Romanian Part I No 4, 9 Jan 82 pp 1, 2

[Council of State Decree on the Organization of the Directorate for Industrial Control Over the Ensuring of the Quality of Aeronautical Products]

[Text] The Council of State of the Socialist Republic of Romania decrees:

Article 1 -- As of 1 January 1982 the Directorate for Industrial Control Over the Ensuring of the Quality of Aeronautical Products is organized, subordinate to the Technical Directorate in the Ministry of the Machine-Building Industry.

Article 2 -- The Directorate for Industrial Control Over the Ensuring of the Quality of Aeronautical Products has the following main functions:

a) it certifies materials, semifabricated articles, equipment and aggregates--called aeronautical products--and certifies the enterprises supplying these products; it tests and certifies aeronautical products which are manufactured in the Socialist Republic of Romania, including those intended for export;

b) it endorses programs for approval of aeronautical products;

c) it coordinates and monitors the activities of ensuring the quality of aeronautical products which will take place in accordance with the provisions of the quality control plans and manuals and periodically informs the State Aeronautics Authority in regard to conditions of aeronavigability achieved;

d) it coordinates and monitors the system of ensuring the quality and safety of flights in the enterprises for the construction and repair of aviation technology;

e) it endorses programs for approving aircraft and aircraft engines and transmits them to the State Aeronautics Authority for final approval;

f) it approves documentation for the preparation of the series production of aircraft and aircraft engines;

g) it participates in drawing up technical norms on the navigability of civil aircraft and international agreements of the State Aeronautics Authority in regard to conditions of aeronavigability which should be met in the construction, approval and certification of aircraft and aircraft engines;

h) it monitors, by means of polls, the production process in all technical compartments of the enterprises and takes the necessary measures. In extreme cases, it calls for an interruption of the production process, partially or for the whole enterprise.

Article 3 -- The Directorate for Industrial Control Over the Ensuring of the Quality of Aeronautical Products exercises monitoring activities in all the units of the National Center of the Romanian Aeronautical Industry and in other economic units which design or manufacture products intended for the aeronautical industry.

Article 4 -- Personnel with control functions in the Directorate for Industrial Control Over the Ensuring of the Quality of Aeronautical Products, in the case of violation of norms on product quality, apply the sanctions specified in Law No 7/1977 on the Quality of Products and Services, in all units which exert control actions.

Article 5 -- The Directorate for Industrial Control Over the Ensuring of the Quality of Aeronautical Products operates on the basis of the principle of economic-juridicial self-administration, with juridical personality; it is organized in accordance with legal norms on the organization and management of socialist state units; it forms part of a special level of organization and it has the organizational structure specified in the annex to the present decree. [Footnote: The annex is transmitted to the institutions concerned.]

Article 6 -- The remunerations given to the cadres of the Directorate are specified in Law No 57/1974 on remuneration according to quantity and quality of labor, for industrial centrals at a special level, branch group III. For the position of the director, the renumeration specified for the technical director of industrial centrals at a special level, branch group III, applies.

The amount of the special increase is specified in Decree No 100/1979 on the application of the Law on Remuneration according to Quantity and Quality of Labor, Annex 4, position 5, for the National Center of the Romanian Aeronautics Industry.

Article 7 -- The economic and financial indicators, including the number of personnel and the renumeration fund necessary for the Directors for Industrial Control over the Ensuring of the Quality of Aeronautical Products, are ensured in the plan approved for the entired activity, for 1982, for the Ministry of the Machine-Building Industry-the National Center of the Romanian Aeronautics Industry.

The number of cadres belonging to this directorate will not be taken into account in determining staffing according to norms for management, administrative and office cadres, approved for the National Center of the Romanian Aeronautics Industry.

Article 8 -- The necessary expenditures for the operation of the Directorate for Industrial Control Over the Ensuring of the Quality of Aeronautical Products are borne, on the basis of a quota, from production expenses, by the units subordinate to the National Center of the Romanian Aeronautics Industry.

Article 9 -- The Directorate is equipped with an automobile intended for the transportation of persons in the interest of the job, in accordance with Decree No 277/1979 on measures for the rationing of the consumption of fuels and the economic

management of the motor pool, by increasing the number of vehicles set for the Ministry of the Machine-Building Industry.

Article 10 -- The economic-financial activities, as well as the material base necessary for the execution of the activity of the Directorate for Industrial Control Over the Ensuring of the Quality of Aeronautical Products, are provided by the National Center of the Romanian Aeronautics Industry.

Nicolae Ceausescu
President of the Socialist Republic of Romania
Bucharest, 7 January 1982
No 5

CSO: 2700/164

ALLOCATION OF FOREIGN EXCHANGE FOR FEDERAL USE, 1982

Belgrade SLUZBENI LIST SFRJ in Serbo-Croatian No 72, 31 Dec 81 pp 1899-1906

[Order issued by the Federal Executive Council on 30 December 1981 in Belgrade, signed by its chairman Veselin Djuranovic: "Order on Allocation of Foreign Exchange Assigned To Meet the Needs of Federal Bodies and Agencies and To Meet the Needs of Exercising the Rights and Discharging the Duties of the Federation in 1982"]

[Text] 1. Foreign exchange to meet the needs of federal bodies and agencies and the needs of exercising the rights and discharging the duties of the Federation, as assigned under 2) of Point 2 of the Order on Assignment of the Total Amount of Foreign Exchange To Meet the Needs of the Federation in 1982 (SLUZBENI LIST SFRJ, No 72, 1981), equivalent to 22,652,456,900 dinars, may be used for payments in invisible and visible trade by federal bodies, agencies and organizations, by certain organs of public organizations and institutions doing jobs which have a bearing on performance of the functions of the Federation and which perform their activity over the entire territory of the Socialist Federal Republic of Yugoslavia, if the funds from their own income for performance of those tasks are not adequate, as well as to meet other needs of the Federation, as follows:

| | |
|---|---|
| 1) For payments in invisible trade--up to the amount of | 3,424,561,200 dinars |
| 2) For payments in visible trade--up to the amount of | 18,684,058,300 dinars |

Of the total amount of foreign exchange stated in Paragraph 1 of this point, the amount of 543,837,400 dinars shall be set aside to cover unforeseen and underestimated expenditures (contingency fund).

The federal secretary for finance is hereby authorized to approve disbursement of funds from the contingency fund referred to in Paragraph 2 of this point upon the request of the competent controllers, each individual disbursement to be limited to the amount of 100,000 dinars.

2. The Allocation of Foreign Exchange for 1982, which is appended to this order and constitutes an integral part of it, states the maximum amount of foreign exchange for individual users within the limits of the amount stated in Point 1, Paragraph 1, of this order.

3. Of the total amount of foreign exchange stated in Point 1 of this order 80 percent may be used in convertible currencies, and 20 percent in other currencies.

The federal secretary for finance is hereby authorized to grant approval to individual users to use foreign countries in higher or lower percentages than the percentages stated in Paragraph 1 of this point provided that convertible currencies do not exceed 80 percent of the total amount of foreign exchange.

4. So that the exchange referred to in Point 1 of this order is uniformly used in the course of the year, the federal secretary for finance shall set forth a schedule governing the use of foreign exchange in each quarter in accordance with the needs of users and the guidelines of the Federal Executive Council.

5. Funds for payments in visible trade, with the exception of expenditures for the Federal Secretariat for National Defense and the repayment of credit, may not be used for noneconomic investment projects before adoption of the allocation of funds envisaged in the Federal Budget for 1982.

6. The federal secretary for finance is hereby authorized to grant approval of funds by a specific decision for emergency purchases of noncapital industrial goods and spare parts which cannot be obtained within the country, up to the limit of the funds fixed for payments in visible trade in the Allocation of Foreign Exchange for 1982.

7. The federal secretary for finance is hereby authorized to change the purpose and amount of funds assigned for payments in invisible trade in the Allocation of Foreign Exchange for 1982 on the request of a competent controller.

8. The federal secretary for finance is hereby authorized to refund funds assigned in the Allocation of Foreign Exchange for 1982 at the request of a competent controller.

9. This order shall be applied as of 1 January 1982.

10. This order shall take effect on the date after publication in SLUZBENI LIST SFRJ.

Allocation of Foreign Exchange for 1982

| No<br>1 | User<br>2 | Expressed in Dinars<br>3 | |
|---|---|---|---|
| 1 | State Presidency of the Socialist Federal Republic of Yugoslavia | | |
| | Payments in invisible trade: | | |
| | Official travel | 3,000,000 | |
| | Miscellaneous payments | 300,000 | 3,300,000 |
| | Payments in visible trade | | 500,000 |
| | Total | | 3,800,000 |
| 2 | Department for Entertainment Facilities of the SFRY Presidency | | |
| | Payments in invisible trade: | | |
| | Official travel | 54,000 | |
| | Miscellaneous payments | 409,000 | 463,000 |
| | Payments in visible trade | | 1,076,000 |
| | Total | | 1,539,000 |
| 3 | SFRY Assembly | | |
| | Payments in invisible trade: | | |
| | Official travel | 3,192,000 | |
| | Membership dues and assessments | 650,000 | |
| | Miscellaneous payments | 11,000 | 3,853,000 |
| | Payments in visible trade | | 8,000,000 |
| | Total | | 11,853,000 |
| 4 | Council of the Federation | | |
| | Payments in invisible trade: | | |
| | Official travel | | 60,000 |
| | Total | | 60,000 |
| 5 | Administration of Brioni Islands | | |
| | Payments in invisible trade: | | |
| | Official travel | 43,000 | |
| | Miscellaneous payments | 1,638,000 | 1,681,000 |
| | Payments in visible trade | | 1,617,000 |
| | Total | | 3,298,000 |

| 1 | 2 | 3 | |
|---|---|---|---|
| 6 | Federal Executive Council | | |
| | Payments in invisible trade: | | |
| | Official travel | 14,135,000 | |
| | Membership dues and assessments | 53,249,000 | 67,384,000 |
| | Payments in visible trade | | 71,642,000 |
| | Total | | 139,026,000 |
| 7 | Department for Defense Preparations of the Federal Executive Council | | |
| | Payments in visible trade | | 4,000,000 |
| | Total | | 4,000,000 |
| 8 | Department for Translation of the Federal Executive Council | | |
| | Payments in invisible trade: | | |
| | Official travel | 100,000 | |
| | Advanced specialized training | 208,000 | 308,000 |
| | Payments in visible trade | | 930,000 |
| | Total | | 1,238,000 |
| 9 | Constitutional Court of Yugoslavia | | |
| | Payments in invisible trade: | | |
| | Official travel | | 33,000 |
| | Total | | 33,000 |
| 10 | Federal Court | | |
| | Payments in invisible trade: | | |
| | Official travel | | 60,000 |
| | Total | | 60,000 |
| 11 | Federal Public Prosecutor's Office | | |
| | Payments in invisible trade: | | |
| | Official travel | | 70,000 |
| | Total | | 70,000 |

| 1 | 2 | 3 | |
|---|---|---|---|
| 12 | Federal Attorney General's Office | | |
| | Payments in invisible trade: | | |
| | Official travel | | 96,000 |
| | Total | | 96,000 |
| 13 | Federal Secretariat for Foreign Affairs | | |
| | Payments in invisible trade: | | |
| | Official travel | 36,158,000 | |
| | Missions | 1,636,039,000 | |
| | Membership dues and assessments | 75,361,000 | |
| | Miscellaneous payments | 12,942,000 | 1,760,500,000 |
| | Payments in visible trade | | 10,000,000 |
| | Total | | 1,770,500,000 |
| 14 | Federal Secretariat for National Defense | | |
| | Payments in invisible trade: | | |
| | Official travel | 7,020,000 | |
| | Missions | 74,000,000 | |
| | Membership dues and assessments | 976,000 | |
| | Medical treatment abroad | 8,210,000 | |
| | Advanced specialized training | 70,860,000 | |
| | Miscellaneous payments | 6,450,000 | 167,516,000 |
| | Payments in visible trade | | 17,761,613,000 |
| | Total | | 17,929,129,000 |
| 15 | Federal Secretariat for Internal Affairs | | |
| | Payments in invisible trade: | | |
| | Official travel | 4,000,000 | |
| | Membership dues and assessments | 3,250,000 | |
| | Advanced specialized training | 1,000,000 | |
| | Miscellaneous payments | 100,000,000 | 108,250,000 |
| | Payments in visible trade | | 98,000,000 |
| | Total | | 206,250,000 |
| 16 | Federal Secretariat for Finance | | |
| | Payments in invisible trade: | | |
| | Official travel | 1,000,000 | |
| | Membership dues and assessments | 460,212,000 | |
| | Transfer of legacies | 12,000,000 | |

| 1 | 2 | 3 | |
|---|---|---|---|
| | Miscellaneous payments | 53,843,000 | 527,055,000 |
| | Total | | 527,055,000 |
| 17 | Federal Secretariat for Foreign Trade | | |
| | Payments in invisible trade: | | |
| | Official travel | 1,000,000 | |
| | Membership dues and assessments | 13,042,000 | |
| | Miscellaneous payments | 140,000 | 14,182,000 |
| | Total | | 14,182,000 |
| 18 | Federal Secretariat for the Market and General Economic Affairs | | |
| | Payments in invisible trade: | | |
| | Official travel | 200,000 | |
| | Membership dues and assessments | 2,879,000 | |
| | Miscellaneous payments | 30,000 | 3,109,000 |
| | Total | | 3,109,000 |
| 19 | Federal Secretariat for Jurisprudence and Organization of the Federal Administration | | |
| | Payments in invisible trade: | | |
| | Official travel | | 480,000 |
| | Total | | 480,000 |
| 20 | Bureau for Upgrading the Federal Administration | | |
| | Payments in invisible trade: | | |
| | Membership dues and assessments | | 257,000 |
| | Total | | 257,000 |
| 21 | Bureau for Data Processing of Federal Bodies and Agencies | | |
| | Payments in invisible trade: | | |
| | Official travel | 26,000 | |
| | Miscellaneous payments | 160,000 | 186,000 |
| | Payments in visible trade | | 5,300,000 |
| | Total | | 5,486,000 |

| 1 | 2 | 3 | |
|---|---|---|---|
| 22 | Federal Secretariat for Information | | |
| | Payments in invisible trade: | | |
| | Official travel | 1,646,000 | |
| | Miscellaneous payments | 2,000,000 | 3,646,000 |
| | Payments in visible trade | | 2,000,000 |
| | Total | | 5,646,000 |
| 23 | Federal Committee for Legislation | | |
| | Payments in invisible trade: | | |
| | Official travel | | 65,000 |
| | Total | | 65,000 |
| 24 | Federal Committee for Energy and Industry | | |
| | Payments in invisible trade: | | |
| | Official travel | 1,000,000 | |
| | Membership dues and assessments | 9,077,000 | 10,077,000 |
| | Total | | 10,077,000 |
| 25 | Federal Committee for Agriculture | | |
| | Payments in invisible trade: | | |
| | Official travel | 1,496,000 | |
| | Membership dues and assessments | 3,298,000 | |
| | Miscellaneous payments | 2,730,000 | 7,524,000 |
| | Total | | 7,524,000 |
| 26 | Federal Committee for Transportation and Communications | | |
| | Payments in invisible trade: | | |
| | Official travel | 1,100,000 | |
| | Membership dues and assessments | 9,952,000 | 11,052,000 |
| | Total | | 11,052,000 |
| 27 | Federal Committee for Labor, Health Care and Social Welfare | | |
| | Payments in invisible trade: | | |
| | Official travel | 1,100,000 | |
| | Membership dues and assessments | 38,021,000 | 39,121,000 |
| | Total | | 39,121,000 |

| 1 | 2 | 3 | |
|---|---|---|---|
| 28 | Federal Employment Security Bureau | | |
| | Payments in invisible trade: | | |
| | Official travel | 581,000 | |
| | Foreign branch offices | 190,000 | 771,000 |
| | Total | | 771,000 |
| 29 | Federal Committee for Affairs of Veterans and Military Disabled | | |
| | Payments in invisible trade: | | |
| | Official travel | 66,000 | |
| | Disability benefits | 34,400,000 | |
| | Medical treatment abroad | 2,000,000 | |
| | Miscellaneous payments | 1,689,000 | 38,155,000 |
| | Total | | 38,155,000 |
| 30 | Federal Customs Administration | | |
| | Payments in invisible trade: | | |
| | Official travel | 609,000 | |
| | Membership dues and assessments | 1,438,000 | 2,047,000 |
| | Payments in visible trade | | 3,300,000 |
| | Total | | 5,347,000 |
| 31 | Federal Flight Control Administration | | |
| | Payments in invisible trade: | | |
| | Official travel | 337,000 | |
| | Membership dues and assessments | 161,000 | |
| | Advanced specialized training | 1,200,000 | |
| | Miscellaneous payments | 4,259,000 | 5,957,000 |
| | Payments in visible trade | | 381,849,000 |
| | Total | | 387,806,000 |
| 32 | Federal Radio Communications Administration | | |
| | Payments in invisible trade: | | |
| | Official travel | 246,000 | |
| | Advanced specialized training | 36,000 | 282,000 |
| | Total | | 282,000 |

| 1 | 2 | 3 | |
|---|---|---|---|
| 33 | Federal Market Inspectorate | | |
| | Payments in invisible trade: | | |
| | Official travel | | 41,500 |
| | Total | | 41,500 |
| 34 | Federal Foreign Exchange Inspectorate | | |
| | Payments in invisible trade: | | |
| | Official travel | | 372,000 |
| | Total | | 372,000 |
| 35 | Federal Aviation Inspectorate | | |
| | Payments in invisible trade: | | |
| | Official travel | 350,000 | |
| | Miscellaneous payments | 22,000 | 372,000 |
| | Payments in visible trade | | 300,000 |
| | Total | | 672,000 |
| 36 | Federal Bureau for Social Planning | | |
| | Payments in invisible trade: | | |
| | Official travel | | 173,000 |
| | Payments in visible trade | | 600,000 |
| | Total | | 773,000 |
| 37 | Federal Community for Price Affairs | | |
| | Payments in invisible trade: | | |
| | Official travel | | 58,000 |
| | Total | | 58,000 |
| 38 | Federal Bureau for International Scientific, Educational and Cultural, and Technical Cooperation | | |
| | Payments in invisible trade: | | |
| | Official travel | 2,570,000 | |
| | Membership dues and assessments | 22,530,000 | |
| | Miscellaneous payments | 33,000,000 | 58,100,000 |
| | Total | | 58,100,000 |

| 1 | 2 | 3 | |
|---|---|---|---|
| 39 | Federal Bureau of Statistics | | |
| | Payments in invisible trade: | | |
| | Official travel | 355,000 | |
| | Membership dues and assessments | 16,000 | 371,000 |
| | Payments in visible trade | | 6,000,000 |
| | Total | | 6,371,000 |
| 40 | Federal Bureau of Hydrometeorology | | |
| | Payments in invisible trade: | | |
| | Official travel | 209,000 | |
| | Membership dues and assessments | 17,383,600 | |
| | Miscellaneous payments | 200,000 | 17,792,600 |
| | Payments in visible trade | | 4,299,000 |
| | Total | | 22,091,600 |
| 41 | Federal Bureau of Standards | | |
| | Payments in invisible trade: | | |
| | Official travel | 500,000 | |
| | Membership dues and assessments | 3,024,000 | |
| | Miscellaneous payments | 149,000 | 3,673,000 |
| | Payments in visible trade | | 1,805,900 |
| | Total | | 5,478,900 |
| 42 | Federal Bureau of Patent | | |
| | Payments in invisible trade: | | |
| | Official travel | | 144,000 |
| | Payments in visible trade | | 764,000 |
| | Total | | 908,000 |
| 43 | Federal Bureau for Weights and Measures and Precious Metals | | |
| | Payments in invisible trade: | | |
| | Official travel | 180,000 | |
| | Membership dues and assessments | 980,000 | |
| | Miscellaneous payments | 27,000 | 1,187,000 |
| | Payments in visible trade | | 600,000 |
| | Total | | 1,787,000 |

| 1 | 2 | 3 | |
|---|---|---|---|
| 44 | Federal Bureau of Geology | | |
| | Payments in invisible trade: | | |
| | Official travel | | 136,000 |
| | Total | | 136,000 |
| 45 | Federal Directorate for Reserves of Foodstuffs | | |
| | Payments in invisible trade: | | |
| | Official travel | | 160,000 |
| | Total | | 160,000 |
| 46 | Federal Directorate for Reserves of Industrial Products | | |
| | Payments in invisible trade: | | |
| | Official travel | | 350,000 |
| | Total | | 350,000 |
| 47 | Department Rendering Entertainment Services To Meet the Needs of Federal Bodies and Agencies | | |
| | Payments in invisible trade: | | |
| | Official travel | 1,105,000 | |
| | Miscellaneous payments | 31,851,000 | 32,956,000 |
| | Payments in visible trade | | 10,544,000 |
| | Total | | 49,500,000 |
| 48 | Department for Administrative and Bookkeeping Affairs of Federal Administrative Agencies and Federal Organizations | | |
| | Payments in visible trade | | 3,872,000 |
| | Total | | 3,872,000 |
| 49 | Garage of Federal Bodies and Agencies | | |
| | Payments in visible trade | | 2,000,000 |
| | Total | | 2,000,000 |

| 1 | 2 | 3 | |
|---|---|---|---|
| 50 | Administration of Office Buildings of Federal Bodies and Agencies | | |
| | Payments in invisible trade: | | |
| | Official travel | | 80,000 |
| | Payments in visible trade | | 3,285,000 |
| | Total | | 3,365,000 |
| 51 | Federal Fund for Credit Financing the Faster Development of the Economically Underdeveloped Republics and Autonomous Provinces | | |
| | Payments in invisible trade: | | |
| | Official travel | | 100,000 |
| | Total | | 100,000 |
| 52 | Presidium of the Central Committee of the League of Communists of Yugoslavia | | |
| | Payments in invisible trade: | | |
| | Official travel | 560,000 | |
| | Miscellaneous payments | 800,000 | 1,360,000 |
| | Payments in visible trade | | 4,000,000 |
| | Total | | 5,360,000 |
| 53 | Administration of the Building of the LCY Central Committee and Serbian LC Central Committee | | |
| | Payments in invisible trade: | | |
| | Official travel | 21,000 | |
| | Miscellaneous payments | 901,000 | 922,000 |
| | Payments in visible trade | | 6,000,000 |
| | Total | | 6,922,000 |
| 54 | Federal Conference of the Socialist Alliance of Working People of Yugoslavia | | |
| | Payments in invisible trade: | | |
| | Official travel | 2,100,000 | |
| | Miscellaneous payments | 5,490,000 | 7,590,000 |
| | Total | | 7,590,000 |

| 1 | 2 | 3 | |
|---|---|---|---|
| 55 | Presidium of the Conference of the Socialist Youth League of Yugoslavia | | |
| | Payments in invisible trade: | | |
| | Official payments | 2,839,000 | |
| | Membership dues and assessments | 234,000 | |
| | Miscellaneous payments | 103,000 | 3,176,000 |
| | Total | | 3,176,000 |
| 56 | Federation of Associations of Veterans of the National Liberation War of Yugoslavia | | |
| | Payments in invisible trade: | | |
| | Official payments | 573,000 | |
| | Membership dues and assessments | 53,000 | 626,000 |
| | Total | | 626,000 |
| 57 | Council of the Federation of Yugoslav Trade Unions | | |
| | Payments in invisible trade: | | |
| | Official payments | 1,898,000 | |
| | Membership dues and assessments | 450,000 | |
| | Miscellaneous payments | 3,905,000 | 6,253,000 |
| | Total | | 6,253,000 |
| 58 | Presidency of the Yugoslav Red Cross | | |
| | Payments in invisible trade: | | |
| | Official travel | 694,000 | |
| | Membership dues and assessments | 1,243,000 | |
| | Miscellaneous payments | 1,609,000 | 3,546,000 |
| | Total | | 3,546,000 |
| 59 | Yugoslav League for Peace, Independence and Equality of Nations | | |
| | Payments in invisible trade: | | |
| | Official travel | 280,000 | |
| | Membership dues and assessments | 15,000 | 295,000 |
| | Total | | 295,000 |

| 1 | 2 | 3 | |
|---|---|---|---|
| 60 | Federation of United Nations Associations of Yugoslavia | | |
| | Payments in invisible trade: | | |
| | Official travel | 74,000 | |
| | Membership dues and assessments | 33,000 | 107,000 |
| | Total | | 107,000 |
| 61 | Physical Fitness Federation of Yugoslavia | | |
| | Payments in invisible trade: | | |
| | Official travel | 6,512,000 | |
| | Membership dues and assessments | 2,263,000 | 8,775,000 |
| | Payments in visible trade | | 2,000,000 |
| | Total | | 10,775,000 |
| 62 | Popular Technology--Federation of Organizations for Popular Technical Education of Yugoslavia | | |
| | Payments in invisible trade: | | |
| | Official travel | 192,000 | |
| | Membership dues and assessments | 310,000 | 502,000 |
| | Payments in visible trade | | 120,000 |
| | Total | | 622,000 |
| 63 | Yugoslav Firefighters Federation | | |
| | Payments in invisible trade: | | |
| | Official travel | 178,000 | |
| | Membership dues and assessments | 30,000 | 208,000 |
| | Total | | 208,000 |
| 64 | Tourist Federation of Yugoslavia | | |
| | Payments in invisible trade: | | |
| | Official travel | 72,100 | |
| | Branch offices abroad | 65,322,900 | |
| | Miscellaneous payments | 26,709,000 | 92,104,000 |
| | Total | | 92,104,000 |

| 1 | 2 | 3 | |
|---|---|---|---|
| 65 | Yugoslav Council for Safety in Transportation | | |
| | Payments in invisible trade: | | |
| | Official travel | 88,000 | |
| | Membership dues and assessments | 55,000 | 143,000 |
| | Total | | 143,000 |
| 66 | Social Accounting Service of Yugoslavia | | |
| | Payments in invisible trade: | | |
| | Official travel | 300,000 | |
| | Membership dues and assessments | 140,000 | |
| | Miscellaneous payments | 3,000,000 | 3,440,000 |
| | Payments in visible trade | | 105,752,000 |
| | Total | | 109,192,000 |
| 67 | National Bank of Yugoslavia | | |
| | Payments in invisible trade: | | |
| | Official travel | 1,686,000 | |
| | Membership dues and assessments | 60,000 | |
| | Miscellaneous payments | 172,000 | 1,918,000 |
| | Payments in visible trade | | 90,058,000 |
| | Total | | 91,976,000 |
| 68 | Economic Chamber of Yugoslavia | | |
| | Payments in invisible trade: | | |
| | Official travel | 3,000,000 | |
| | Foreign branch offices | 116,000,000 | |
| | Fairs and exhibitions | 68,560,000 | |
| | Membership dues and assessments | 2,000,000 | |
| | Miscellaneous payments | 1,500,000 | 191,060,000 |
| | Payments in visible trade | | 1,000,000 |
| | Total | | 192,060,000 |
| 69 | Cooperative Alliance of Yugoslavia | | |
| | Payments in invisible trade: | | |
| | Official travel | 280,000 | |
| | Membership dues and assessments | 218,000 | 498,000 |
| | Total | | 498,000 |

| 1 | 2 | 3 | |
|---|---|---|---|
| 70 | TANJUG News Agency | | |
| | Payments in invisible trade: | | |
| | Official travel | 2,400,000 | |
| | Foreign bureaus | 61,554,800 | |
| | Membership dues and assessments | 624,500 | |
| | Miscellaneous payments | 23,603,000 | 88,182,300 |
| | Payments in visible trade | | 5,991,700 |
| | Total | | 93,174,000 |
| 71 | SFRY National Committee of the International Chamber of Commerce | | |
| | Payments in invisible trade: | | |
| | Official travel | 72,300 | |
| | Membership dues and assessments | 578,800 | 651,000 |
| | Total | | 651,000 |
| 72 | Federation of Health Insurance and Health Care Communities of Yugoslavia | | |
| | Payments in invisible trade: | | |
| | Official travel | 72,000 | |
| | Health care | 58,275,000 | 58,347,000 |
| | Total | | 58,347,000 |
| 73 | Federation of Old-Age and Disability Insurance Communities of Yugoslavia | | |
| | Payments in invisible trade: | | |
| | Official travel | 72,000 | |
| | Membership dues and assessments | 795,000 | 867,000 |
| | Total | | 867,000 |
| 74 | Yugoslav Archive | | |
| | Payments in invisible trade: | | |
| | Official travel | 141,900 | |
| | Membership dues and assessments | 4,100 | 146,000 |
| | Total | | 146,000 |

| 1 | 2 | 3 | |
|---|---|---|---|
| 75 | Film News [weekly newsreel] | | |
| | Payments in invisible trade: | | |
| | Official travel | 161,000 | |
| | Membership dues and assessments | 50,000 | 211,000 |
| | Payments in visible trade | | 2,000,000 |
| | Total | | 2,211,000 |
| 76 | Institution for Maintenance of Seaways | | |
| | Payments in visible trade | | 6,920,000 |
| | Total | | 6,920,000 |
| 77 | Institution for Maintenance of Inland Waterways | | |
| | Payments in invisible trade: | | |
| | Official travel | 97,400 | |
| | Membership dues and assessments | 57,600 | 155,000 |
| | Payments in visible trade | | 2,728,000 |
| | Total | | 2,883,000 |
| 78 | Yugoslav Register of Shipping | | |
| | Payments in visible trade | | 760,000 |
| | Total | | 760,000 |
| 79 | Sluzbeni list SFRJ Newspaper and Publishing House | | |
| | Payments in visible trade | | 27,500,000 |
| | Total | | 27,500,000 |
| 80 | Yugoslav Center for Technical and Scientific Documentation | | |
| | Payments in invisible trade: | | |
| | Official travel | 82,000 | |
| | Membership dues and assessments | 60,000 | |
| | Miscellaneous payments | 64,000 | 206,000 |
| | Payments in visible trade | | 2,000,000 |
| | Total | | 2,206,000 |

| 1 | 2 | 3 | |
|---|---|---|---|
| 81 | Radio-Television Yugoslavia | | |
| | Payments in invisible trade: | | |
| | Official travel | 1,934,000 | |
| | Membership dues and assessments | 26,386,000 | |
| | Miscellaneous payments | 14,572,000 | 42,892,000 |
| | Payments in visible trade | | 588,000 |
| | Total | | 43,480,000 |
| 82 | Komunist Newspaper and Publishing House | | |
| | Payments in invisible trade: | | |
| | Official travel | 595,000 | |
| | Miscellaneous payments | 1,921,000 | 2,516,000 |
| | Payments in visible trade | | 30,000 |
| | Total | | 2,546,000 |
| 83 | Borba Newspaper, Publishing and Printing Enterprise | | |
| | Payments in invisible trade: | | |
| | Official travel | 2,700,000 | |
| | Foreign bureaus | 7,242,000 | |
| | Miscellaneous payments | 2,862,000 | 12,804,000 |
| | Payments in visible trade | | 36,286,000 |
| | Total | | 49,090,000 |
| 84 | Geomagnetic Institute | | |
| | Payments in invisible trade: | | |
| | Official travel | | 55,000 |
| | Payments in visible trade | | 1,536,000 |
| | Total | | 1,591,000 |

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JPRS 80184

25 February 1982

# East Europe Report

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2236

FBIS FOREIGN BROADCAST INFORMATION SERVICE

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25 February 1982

# EAST EUROPE REPORT

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2236

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Leipzig CHEMISCHE TECHNIK in German Vol 33 No 12, Dec 81 pp 613-616

[Lead Article by Guenther Wyschofsky, chairman, CEMA Standing Commission for Cooperation in the Field of Chemical Industry: "Twenty-Five Years of Successful Development of the Chemical Industry through Cooperation in CEMA"]

[Text] When the Standing Commission for Cooperation in the Field of Chemical Industry commemorates the 25 years of its existence in 1981, it can look back at a period of successful and productive activity. Its development matches the successful balance which was struck by Leonid I. Brezhnev, Secretary-General of the CPSU at its 26th convention, when he reported on the socialist economic integration of our brother countries united in friendship. It was convincingly shown that there is an inseparable connection between the development of our communist society and the securing of peace in the world. The greater the economic strength of socialism, the more secure peace in the world will be and the more possible for disarmament and detente to dominate the course of political events.

We can look with pride upon the fact that the socialist community, particularly in the decade just past, has achieved new phases of progress that are of genuine historical significance. In the building of the material-technical basis of socialism and communism it has achieved the most significant results yet seen. Economic development within the sphere of the CEMA were marked during these years by a higher growth rate of national income, labor productivity and industrial production than was evident in the capitalist world. In the year 1979 alone the CEMA countries produced more in one month than they had in the entire year of 1950. From 1951 to 1979 the growth rate of industrial production in the countries of CEMA was 3 times higher than in all industrialized capitalist countries. We can assert with deep satisfaction that cooperation between the socialist brother countries and the indestructible fraternal bond with the USSR is, for all our countries, a stable foundation for the security and the success of the creation of a socialist society.

The countries of the socialist community can proceed from a successful balance of their cooperation to date. Thus the average annual growth rate of industrial production alone in the years 1951 to 1976 in the CEMA countries was 9.5 percent as against only 4.7 percent in the developed capitalist countries; in the USSR 9.4 percent compared to the US's 4.2 percent. Per capita industrial production in the countries of CEMA stands at 3.5 times greater than the world average and national

income 2.5 times higher. Today the CEMA countries, with only 9 percent of the world's population and 18 percent of the world's space, account for more than a third of the world's industrial production.

The work of our commission over the 25 years of its existence has had an important role in this positive development. Dynamic growth in the chemical, cellulose, paper and microbiological industries in the member countries of CEMA has shown that our labors for the benefit of mankind have been successful. In chemical production alone, total output in the member countries of CEMA was 25 times greater in 1978 than in 1950. The pace of development in this economically significant branch was twice that of other branches of industry.

When we look back, we can see that the foundation of the standing commission in October 1956 was an extremely important step for cooperation of the chemical industry within the member countries of CEMA, the chemical industry being one of the most important sectors for the attainment of scientific and technical progress. With the creation of this commission an essential condition for the creation of direct, multi-lateral relationships among the member countries was created as was a transition to a rational, international socialist division of labor in this field. While at the inception of the commission's activity only 7 countries were represented--Bulgaria, Hungary, the DDR, Poland, Rumania, the USSR and Czechoslovakia--, there are today 11 countries. Since 1964 Yugoslavia has been a participant in the activity of the Standing Commission for Chemical Industry. In 1972 Cuba began its participation, in 1978 the People's Republic of Mongolia and the Socialist Republic of Vietnam.

In accordance with its statute, permanent and ad hoc institutions were created for the preparation of proposals in the individual operating areas within its competence. Thus there are at present permanent standing sections for inorganic fertilizers, inorganic products, petrochemistry, basic organic synthesis, surface treatment materials and industrial carbon, plastics, laquers and paints; synthetic rubber, tires and industrial rubber products; cellulose and paper industry, microbiological industry and pharmaceutical industry. In addition, the standing commission has available to it a scientific-technical council for problems of environmental protection and an editorial review board for the CEMA information bulletin for the chemical industry. In accordance with the resolutions of the 32nd council meeting, the commission, since 1978 is also responsible for the international trade organization "Interchim," for low-bulk chemical products which was founded to serve member countries' interest on the basis of special agreements and the international industrial association "Interchimvolokno" in the field of chemical fiber production as well as four plenipotentiary councils dealing with selected problems in the field of research and development.

In the first 2 years of its existence the commission had already begun coordinating plans for the development of chemistry in the member countries for the periods lasting until 1960 and 1965. The catalog of chemical products at that time was limited to 50 items. In the course of working out coordination of plans the first experiences in this field were gathered, providing a good basis for further efforts at long-range planning. Through coordination of reciprocal deliveries of chemical products it was possible for the first time to have an impact on the development of planning for the individual national economies, since the determination of

component branches' distribution among the CEMA countries was already taking place in terms of the interests of the other brother countries. In the area of scientific and technological research the first efforts at coordination were marked by an intensified cooperation among the still young research centers for the development of progressive technologies for the extraction of chemical products from oil raw materials. In addition, a number of variant types of cooperation to secure the necessary raw materials were developed as were studies of required capacities and requisite transport facilities.

The recommendations of the 10th CEMA convention in Dec. 1958 were of extraordinary significance. They laid out the more rapid development of the chemical industry in the CEMA-member countries and directed primary attention to expanding the production of plastic raw materials, mineral fertilizers, synthetic rubber, chemical fibers and other products on the basis bi- and multilateral specialization and cooperation. In the same connection the 10th convention also recommended creating the conditions that would assure stable supplies of the raw material petroleum to the member countries by means of a petroleum pipeline system. At the same time the task was set, in terms of long-range planning, of replacing certain natural raw materials which were significant for human nutrition, such as animal fats, vegetable oils, cereals, potato starches and other products of vegetable and animal origin for industrial use by synthetic products on the basis of future processing of olefins.

Particularly important examples of the fruitful cooperation of the socialist brother countries in the field of chemical industry were development during the 1960's of the petrochemical foundation for the whole field of chemistry through the erection of petrochemical complexes. Without the construction and opening of the petroleum pipeline system "Friendship" this development would not have been conceivable. During the 1966 to 1970 Five-Year Plan, using this foundation, there began the ever more complex utilization of petrochemcial raw materiass through the substantial expansion of existing and the construction of numerous new plant facilities for the production of polymer materials, agricultural chemicals and other effective products of organic synthesis with a high scientific-technical sophistication.

The chemical industry of the CEMA member countries took a significant step forward with the construction of capacities for the production of aromatic hydrocarbons, methanol, acetic acid, acrylic nitrile, etc., all of them products based on modern technology. In increasing measure the determination of the capacities of each plant was based upon the requirements of the other member countries. By the mobilization of extensive investment means, new capacities in the CEMA member countries were put on line for the production of over 12.5 mill. tons of fertilizer, 2 mill. tons of ammonium hydroxide, 6.3 mill. tons of sulfuric acid. 2 mill. tons of anhydrous sodium carbonate, approx. 1.2 mill. tons of plastics, 0.5 mill. tons of synthetic rubber and 0.3 tons of chemical fiber.

Of especial significance for the CEMA member countries was the aggregate program for the further intensification and perfection of cooperation and development of socialist economic integration adopted at the 25th convention of CEMA in 1971. Particularly since the adoption of the aggregate program it has been convincingly demonstrated that socialist economic integration, as a cornerstone of the policies of the communist and workers' parties of the CEMA member countries, has become one

of the main forces for the realization of all the advantages and impulses of socialism, for strengthening of unity and solidaryty as well as the enhancement of the economic strength of the community of socialist countries. Important stages of cooperation of CEMA countries in the sphere of chemical industry in the 1970's were construction and operation of large olefin and polyolefin complexes, the ethylene pipelines connecting them in Leninvarosh (Hungary) and Kalush (USSR) as well as Boehlen (DDR) and Litvinov-Neratovice (Czechoslovakia), and preparation for further linkage complexes between Bulgaria and Yugoslavia.

Even in the period which followed, the chemical industry belonged to those branches of industry in all CEMA countries which evidenced an exceptionally high dynamic growth rate (see Table 1). Especially in recent years it has been possible to achieve a number of significant successes through a more intensive concentration of forces aimed at the joint development of new processes and installations. As a convincing example of creative and goal-directed research and development activity can be cited the joint development of the modern polymer process for the production of high pressure polyethylenes by research collectives from the DDR and the USSR. In a relatively short time a process was developed, the appropriate equipment designed and a highly efficient installation constructed at Novopolozk and put into operation. Parallel to its construction and operation, further research and development tasks were carried out which were applied at the Leuna polymer 60 installation in the DDR in 1979. Plans are currently under way for the construction of additional plants in socialist brother countries.

At the crux of activity during the past five-year planning period in the field of industrial chemistry was the further improvement of the supply picture in the economics of the CEMA member countries with respect to hydrocarbon materials and chemical raw materials derived from mining.

The measures initiated by the CEMA permanent commission for cooperation in the field of industrial chemistry for the resolution of the problems of the aggregate program form at the same time the basis for prioritizing the long-range programs of cooperation in the areas of mineral fertilizers, chemical and biochemical feed additives, plant protection agents, as well as dyestuffs and intermediate products. One example for the complex solution of such problems is the satisfaction of the demand among member CEMA countries by the cellulose and paper industry. To meet the ever-growing demand, a cellulose facility with a 500,000 annual ton capacity was built in Ust-Ilimimsk in the USSR with the common efforts of all concerned CEMA countries.

For the further attainment of the goals of the aggregate program the commission from 1971 to 1975 worked out development prognoses for the production and consumption of all important types of products within the chemical, cellulose, paper and microbiological industries. These included: phosphoric raw materials and products with a phosphoric base; olefins, aromatic hydrocarbons and other products of organic basic material synthesis; cellulose, paper and pulp, titanium dioxide, plastics, chemical fibers, synthetic rubber, chemical and biochemical feed additives, paints and laquers, household chemicals, surface treatment materials, tires and industrial rubber products as well as dyes.

Through the developmnnt of international specialization and cooperation in production, the conditions for a transition to higher forms of cooperation in the field of scientific-technical research were created on a contractual basis.

Newly developed processes and technologies as well as their test results in demonstration and semi-industrial facilities have found their place in industrial large-scale production. Such is the case, for example, with the production of polypropylene fibers, fibers of coplymers or acrylic nitrile, thermo-stable polymers and copolymers, ethylene-propylene rubber, cellulose, potassium and calcium phosphate compounds, concentrated fertilizers using nitric and phosphoric acids, the synthesis of acrylic acids and acrylates, propylene oxidation, etc. In the area of optimizing and automating chemical-technological processes and apparatuses, recommendations for the automation of the production processes for the manufcccture of ammonium hydroxide, methanol, sulfuric acid, phthalic acid anhydride and chlorine were applied with good results. The proposals laid down in the "Coordinated Plan for Multilateral Integration Measures 1976-1980" for the construction of specific production capacities and multilateral deliveries have been substantially realized.

Of great significance for the further development of the chemical industry were the target programs laid down in 1978 governing cooperation in the raw material and fuel sector until 1990, including also agriculture and foodstuffs as well as machinery construction. Subsumed within a special program in the raw material and fuel sector are measures in the areas of the chemical, cellulose, paper and microbilogical industries.

Of equal significance for the development of the chemical industry were the target programs laid down in Moscow in 1979 for the consumer goods sector and for the transportation systems of the participating countries. In this connection the program "Transport and Energy" is of fundamental importance, since it comprises the preconditions for the realization of the measures within all target programs.

With the signing of the multilateral general agreement and the bilateral treaties for cooperation in the area of energy-intensive chemical production and the development of a fodder yeast plant in the USSR, the transition from the preliminary planning stage for the measures agreed upon at the 32nd council meeting for long-range target programs was set in motion. In Mozyr the Soviet Union has constructed a plant for the production of fodder yeast with the active participation of CEMA members: DDR, Cuba, Czechoslovakia and People's Republic of Vietnam. These countries will be supplied with fodder yeast on the basis of long term agreements once the plant begins operation. Further agreements for selected production areas are already in negotiation.

With the actualization of the measures agreed upon in the long range target programs, further decisive conditions for assuring dynamic economic growth in central areas of the economies have been created. Thus one of the main thrusts of cooperation among CEMA countries within the sector program for chemistry in the period 1981 to 1990 consists of the rational distribution of regional focal points. Energy- and raw material-intensive chemical production facilities are to be constructed close to energy and raw material sources, less intensive facilities for such production are to be located in CEMA countries which have only limited raw material and primary energy sources available to them. This principle works to the advantage of all concerned, since each partner agrees to produce those products for which it has the most favorable natural and technological-economic resources and exchanges its products for those which are produced under optimal conditions in other countries. Thus the measures of the long range target programs are aimed at meeting

the growing demands of the member countries of CEMA for basic chemical materials, intermediate products, finished products and high-quality consumer goods in an ever more efficient fashion. In this phase the securing of raw and basic material resources and their effective use for the development of the chemical industry is of decisive importance.

The development of the chemical industry during the period from 1981 to 1985 will enable CEMA member countries to meet the demand for selected important chemical products more completely than before. These include ammonium hydroxide, nitrogen- and potash fertilizers, sodium hydroxide, methanol, butadiene-styrene rubber, industrial carbon, ethylene glycol, caprolactam, dimethylerephthalate and terephthalic acid as well as a number of products of petrochemistry and organic basic material synthesis. Better supply situations will be organized through increased domestic production as well as by reciprocal deliveries.

With the long range target programs we now have available for the next 10 to 15 years an extensive program of operations. The activity of the commission will continue the process of socialist economic integration particularly through its efforts aimed at international specialization and cooperation in research, development and production. By so doing we will reach a greater degree of integration among the economies of the CEMA countries and further close ties among our countries bound together in comradeship.

At the 59th session of the standing Commission for Cooperation in the Field of Industrial Chemistry at Dresden in the GDR the further focal points for future operations were set. These include the drafting and signing of further agreements for specialization and cooperation in production as well as scientific-technological cooperation, the economical and rational utilization of fuel, energy, raw materials and natural resources; the continuation of multilateral consultations on important problems of economic policy associated with the development of the cellulose, paper and microbiological industries and close cooperation with other CEMA institutions, particularly the commissions for machinery construction, radio technology and electronics, agriculture, light industry, oil and natural gas supply.

The standing Commission for Cooperation in the Field of Industrial Chemistry sees its task in the actualization of the resolutions of the 26th convention of the CPSU and the party conventions of its brother parties. There, the CEMA countries' renewed and unanimous resolve was confirmed, to work toward the realization of the principles of the aggregate program for the intensification and perfection of cooperation and the development of socialist economic integration within the long range target programs and the bilateral programs of cooperation. Toward this end it was stated in the communique of the 35th meeting of CEMA, that such cooperation toward the solution of vital economic problems, toward the intensification of societal production, toward the perfection of the individual national economies, the rational utilization of the entire economic and scientific-technological potential of countries of CEMA.

The CEMA standing Commission for Cooperation in the Field of Industrial Chemistry provides its contribution to the further strengthening of the socialist world system. It proceeds from the assumption that the common goals and the tasks which follow from them objectively determine the process of socialist economic integration

and serve as a important condition for multilateral rapprochement as well as the step-by-step balancing of the level of economic development of socialist countries. The development of the advanced socialist society and socialist economic integration are linked to each other by their very natures. Our progress to date shows that the countries of CEMA are basically working toward the solution of the same economic, scientific-technological processes and are creating in that way the conditions for the gradual transition to communism. This is also the basis for the fulfillment of the tasks that have been imposed upon the permanent commission for cooperation in the field of industrial chemistry in the interests of the countries of CEMA.

Table 1. Growth in Important Chemicals Products Within CEMA

| Sulfuric Acid (in 1000 t $H_2So_4$ | 1960 | 1970 | 1975 | 1978 |
|---|---|---|---|---|
| Bulgaria | 123 | 593 | 854 | 974 |
| DDR | 730 | 1099 | 1092 | 971 |
| Cuba | - | 302 | 416 | 345 |
| Poland | 685 | 1901 | 3413 | 3472 |
| Rumania | 226 | 994 | 1448 | 1655 |
| Czechoslovakia | 553 | 1110 | 1245 | 1195 |
| USSR | 5398 | 12059 | 18645 | 22411 |
| Hungary | 178 | 471 | 647 | 680 |
| CEMA | 7893 | 18137 | 27670 | 31403 |
| **Anhydrous Sodium Carbonate (in 1000 t $Na_2Co_3$** | | | | |
| Bulgaria | 128 | 300 | 989 | 1268 |
| DDR | 594 | 706 | 872 | 926 |
| Poland | 522 | 833 | 906 | 826 |
| Rumania | 180 | 582 | 693 | 899 |
| Czechosolvakia | - | 112 | 133 | 134 |
| USSR | 1793 | 3485 | 4692 | 4858 |
| CEMA | 3217 | 6018 | 8285 | 8941 |
| **Caustic Soda (in 1000 t NaOH)** | | | | |
| Bulgaria | 17 | 46 | 85 | 102 |
| DDR | 327 | 413 | 442 | 415 |
| Cuba | 1.4 | 1.8 | 2.0 | 2.4 |
| Poland | 167 | 313 | 392 | 454 |
| Rumania | 74 | 330 | 566 | 725 |
| Czechoslovakia | 115 | 180 | 257 | 319 |
| USSR | 704 | 1783 | 2395 | 2763 |
| Hungary | 10 | 63 | 81 | 128 |
| CEMA | 1414 | 3137 | 4220 | 4899 |

| Nitrogen Fertilizer (in 1000 t N) | 1960 | 1970 | 1975 | 1978 |
|---|---|---|---|---|
| Bulgaria | 84 | 287 | 380 | 409 |
| DDR | 338 | 395 | 538 | 892 |
| Cuba (1) | 21 | 14 | 194 | 77 |
| Poland | 270 | 1030 | 1533 | 1470 |
| Rumania | 19 | 647 | 1292 | 1723 |
| Czechoslovakia | 140 | 296 | 496 | 625 |
| USSR | 1003 | 5423 | 8535 | 9299 |
| Hungary | 57 | 350 | 436 | 609 |
| CEMA | 1007 | 8428 | 13404 | 15095 |

(1) Effective Quantities

| Phosphate Fertilizer (in 1000 t $P_2O_5$) | | | | |
|---|---|---|---|---|
| Bulgaria | 41 | 148 | 246 | 285 |
| DDR | 166 | 430 | 427 | 413 |
| Poland | 207 | 599 | 929 | 1026 |
| Rumania | 52 | 244 | 404 | 660 |
| Czechoslovakia | 147 | 322 | 425 | 412 |
| USSR | 1192 | 3585 | 5511 | 6153 |
| Hungary | 45 | 167 | 206 | 278 |
| CEMA | 1850 | 5495 | 8148 | 9225 |

| Plastics and Synthetic Resins (in 1000 t) | | | | |
|---|---|---|---|---|
| Bulgaria | 7 | 89 | 156 | 178 |
| DDR | 115 | 370 | 605 | 762 |
| Poland | 40 | 224 | 431 | 504 |
| Rumania | 12 | 206 | 347 | 552 |
| Czechoslovakia | 64 | 245 | 428 | 810 |
| USSR | 293 | 1479 | 2390 | 2949 |
| Hungary | 10 | 56 | 123 | 213 |
| CEMA | 541 | 2669 | 4480 | 5968 |

| Chemical Fibers (in 1000 t) | | | | |
|---|---|---|---|---|
| Bulgaria | - | 23 | 63 | 83 |
| DDR | 156 | 215 | 282 | 296 |
| Cuba | 7 | 2 | 6 | 5 |
| Poland | 78 | 138 | 220 | 252 |
| Rumania (2) | 4 | 77 | 159 | 198 |
| Czechoslovakia | 62 | 101 | 140 | 163 |
| USSR | 211 | 623 | 955 | 1131 |
| CEMA | 515 | 1187 | 1845 | 2156 |

| Synthetic Fibers Included Within Above (in 1000 t) | 1960 | 1970 | 1975 | 1978 |
|---|---|---|---|---|
| Bulgaria | - | 23.1 | 41.7 | 45.5 |
| DDR | 7.8 | 47.3 | 111.8 | 131.1 |
| Poland | 4.5 | 53.8 | 121.6 | 155.9 |
| Rumania (2) | 0.9 | 29.5 | 95.6 | 131.4 |
| Czechoslovakia | 3.4 | 31.4 | 69.4 | 92.9 |
| USSR | 15.0 | 166.6 | 364.6 | 497.3 |
| Hungary | 0.4 | 5.6 | 11.3 | 19.3 |
| CEMA | 32.4 | 357.3 | 816.0 | 1073.4 |

(1) Effective Quantities
(2) Includes Yarn

9878
CSO: 2300/118

LIVING STANDARDS CAN EDGE UP DESPITE ECONOMIC DIFFICULTIES

Budapest HETI VILAGGAZDASAG in Hungarian 19 Dec 81 pp 46, 47

/Interview with Academician Ivan T. Berend by Andras Korossenyi: "The Years of Greater Scarcity Need Not Become Years of Stagnation"/

/Text/ Hearing of the economic difficulties of our day the question frequently arises as to how many years the "seven lean years" promised so frequently by so many will last. Despite the problems towering before us many experts dealing with this question doubt that the quality of our life must deteriorate proportionally, indeed that a decline is unavoidable at all. Ivan T. Berend, 51 years old, academician and university professor, is of the opinion that by regrouping the few resources remaining and by reevaluating some of our concepts we can even achieve a qualitative improvement.

/Question/ These days we hear the expression quality of life more frequently than standard of living. Are people seeking in this way for a concept not so closely linked to the economy?

/Answer/ I would begin by saying that the problem of the standard of living and of the quality of life cannot be separated from one another. There are many linkage points and the quality of life certainly has a material foundation also. At the same time this sphere includes significant things apparently more distant from material living conditions, such as the relationship of people to one another, a good relationship between man and nature, use of free time, and even the way in which business is conducted. Quality of life has a few elements which are independent of the level of the economy. The historical and cultural traditions of a country, behaviorial forms, community forms and so forth can be regarded as such things.... Still, it must be emphasized that there is a very close link between material conditions and quality of life. This close link can be followed very well in the development and effects of the standard of living policy of the past decade.

/Question/ How can this be evaluated, in the broader sense mentioned by you?

/Answer/ Up to the 1970's there was an increasing contradiction between the constantly rising commodity consumption level and the popular infrastructure, which was not developing or was relatively backward. While popular consumption and per capita real earnings tripled the investments going to non-producing branches were too low up to the 1960's. This lag was not overcome in the 1970's either. As a result a

good part of the services determining the quality of life--health, education, sports, possibilities for use of free time, and I could continue the list--did not keep up with the rise in the standard of living, with the increase in needs. At the same time, there was a swift change in consumption habits with the sudden increase in real wages and consumption. Needs gradually shifted from primary consumption--I am thinking of food, clothing, the most elementary services--to the areas of durable consumer goods and consumer services.

Culture is the other area from which the quality of life cannot be separated--although we know that there is a great shortage of equipment and facilities. But, perhaps, I regard the cultured quality of everyday life much more important than human culture.

/Question/ The question arises, from the close link between quality of life and the economy: If there is little money, few resources, if economic growth has slowed and the real wage level stagnating, can the quality of life be improved?

/Answer/ The shortage economy has been largely overcome in commodity consumption. This is certainly true of food supply, the situation is somewhat worse with industrial articles, but as a whole we have made great progress in this area.

The situation is different, however, in the area of services. Here the shortage economy continues to be characteristic. The reasons for this are to be sought not only in the insufficiency of investments, there are also many reasons for this backwardness in the mechanism. This was proven, for example, in the change of the mechanism for housing construction when--in contrast to an earlier decade--the resources of the populace itself were liberated in the wake of a number of measures, accelerating construction incredibly. Since then two thirds of the dwellings have been built from private resources. The results of agriculture also show that great force and energy can be liberated by a favorable change in the economic mechanism. The development of the trade network, consumer services, and housing maintenance cannot be solved without the artisan industry and legalized second jobs. Especially now, in a time of narrowing investment resources. This means, of course, that people will work more, possibly a good bit more. But without this we cannot go forward. Extra work, longer work time invested by individuals means more goods and services for everybody.

/Question/ There appears to be a bit of a contradiction here. Making free Saturdays the general thing seems to show that we want to increase free time, group free time better, but if this is to be used well and usefully we expect extra work from many.

/Answer/ With such a regrouping of free time I am not necessarily thinking of more weekend trips and excursions. Rather it will give greater opportunities for secondary activities--construction, repair services, or even gardening--for which there is great need. There is a lifestyle ideal most propounded by certain circles of the humane intelligentsia. According to this ideal, with a reduction of work time people would go more to theaters and concerts, read more. Thus: the more free time, the more high, humane culture.

This idea is sympathetic in many respects, but it is not entirely realistic. In general people will not read more Thomas Mann or Goethe. It would be onesided to condemn weekend gardening and handicrafts in a way alien to life, to exclude them from the concept of culture, especially from the concept of quality of life, especially since half the worker class lives in the villages. The link between man and nature is a rarely mentioned but important element of the quality of life, one which is dying out in the urban way of life. What liberation there is in entering nature, the land, doing physical work in the open air! This also is part of the quality of life.

/Question/ If we regard the "more free time--more culture" view to be over-idealized, the same can be said of the position just mentioned too. The weekend house or little garden is not the same category as the garden, land or animal raising of those living in the villages either. The latter are based more on economic-social necessity. And even if they have something in common with the quality of life I would say this, especially as a way of life, in a negative sense.

/Answer/ Even if it is unrealistic to want everyone to read, instead of tending to the household pig, the culture of village life, the quality of village life can be, indeed, must be developed substantially and quickly too. The equally necessary infrastructure must be created there in the village too. The average commuting distance is not too great; travel time can be substantially reduced with a good road network and transportation. This is possible even in the present situation. The truth is that there is a need to develop the school, the infrastructure, the trade network in the village in order to develop the quality of life, to smooth the way for a cultured way of life.

/Question/ We have gotten back to the economy. Even up to now the infrastructure figured among the "other" categories of developmental policy. What can we expect now, when developmental resources in general are drying up?

/Answer/ In a mere quarter century we developed a commodity consumption level which is largely satisfactory for four-fifths of the population. In regard to a minority, however, it is true that we must face the fact that there is a problem of poverty in Hungary too. We must get used to the idea that we cannot raise this general commodity consumption level at present--but this does not change the task of raising consumption for a few strata. There is no sense in forcing it. An increase under 2-3 percent could not be noticed. But one can imagine a regrouping of these resources, not too great a regrouping, a few percent, since the ratio of consumption in income use is now 80 percent, and turning this to consumer services, to the infrastructure, or to a few stressed areas therein, to branches in a critical situation, thus achieving significant changes.

In this way it would not be impossible to achieve a breakthrough in a few areas which represent a focus of tension. Resolving these tensions, for example in health services or telephone network problems, might improve everyday conditions, the quality of life, in a way everyone could feel, more than they would feel a small increase in commodity consumption. The years of greater scarcity need not become years of stagnation. We must seek realistic ways to improve living conditions.

8984
CSO: 2500/100

INDUSTRIAL MINISTRY, TRADE UNIONS SIGN AGREEMENT

Budapest IPARI KOZLONY in Hungarian 3 Dec 81 pp 554-556

/Agreement on Cooperation of the Industrial Ministry and the Trade Unions/

/text/ In the interest of execution of Council of Ministers' Resolution No 2029/1980 (XII. 28.) the following agreement is made between the Industrial Ministry (hereinafter, ministry) on the one hand and the Trade Union of Mining Industry Workers, the Trade Union of Leather Industry Workers, the Trade Union of Construction, Wood and Construction Materials Industry Workers, the Trade Union of Local Industry and Urban Management Workers, the Trade Union of Press, Paper Industry and Printing Industry Workers, the Trade Union of Textile Industry Workers, the Trade Union of Clothing Industry Workers, the Trade Union of Iron, Metal and Electric Power Industry Workers and the Trade Union of Chemical Industry Workers (hereinafter, trade unions) on the other:

The purpose of the agreement is to develop cooperation between the ministry and the trade unions, to make this continuing and more effective, and thus to aid the development of the national economy and of industry therein and to aid an improvement in the living and working conditions of the workers. And by means of the trade unions to bring the workers into the guidance of production and the solution of political and economic tasks in order to realize the goals of economic policy.

The content and form of cooperation are defined as follows:

I.

1. The trade unions will exercise their right of giving an opinion in connection with the activity of the ministry:

--In establishing or qualifying the appointment or removal of workers with enterprise leadership positions belonging within the sphere of authority of the ministry or their material-moral recognition in the form of premium multiplier or awards and in evaluating the supervisory activity of supervisory committees.

*When working out a conception for industrial development and in the course of realization and supervision thereof.

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*In the themes marked with an asterisk the professional trade unions will harmonize their opinions--in questions embracing an entire industry--at conferences established on their own initiative and if necessary will develop a common position.

In these questions, if the decision affects the area of all or several professional trade unions, the interested trade unions should coordinate in advance the development of a combined trade union position.

3. The trade unions decide (regulate) independently, on the basis of previously requesting the opinion of the ministry:

--in providing labor protection supervision,

--in working out rules for preferential vacations, and

--in setting guiding principles for disposal of that part of the shares fund or welfare and cultural fund which belongs in the decision sphere of the trade union.

4. The supervisory right of the trade unions:

The trade union organizations have a supervisory right as part of their right of giving an opinion and agreement right and in every question affecting the living and working conditions of the workers. Any question interdependent with these things can be put on the agenda and the minister (or his representatives) can be asked for information about it.

II.

1. In order to exercise the trade union right of giving an opinion in the themes listed in point I/1 and in other themes in which the opinion of the trade union must be requested, the prepared drafts, studies, proposals or personal questions must be submitted in time so that they will be available for giving an opinion and passing judgment on the opinions before preparation of the final draft or making the decision. The cooperating organs should inform one another as to whether the opinions submitted have been taken into consideration or ignored.

2. In the themes listed in point I/2 and in themes subject to the same consideration by virtue of their character the ministry can take action only after obtaining the agreement of the trade union. The observations or opinion of the trade union must be taken into consideration in the final preparation of drafts, studies, proposals, etc. prepared in these themes.

In the interest of taking the opinions into consideration the drafts, studies or proposals must be sent to the trade union in good time and in a sufficient number of copies.

If the organ preparing the submission does not agree with the observations of the trade union then a harmonization must be attempted in the course of which there must be an attempt to clarify the difference of opinion. If harmonization is not successful the matter must be taken to a higher level.

The cooperating organs are obliged to work together in avoiding causes hindering agreement.

The minister and the presidium of the trade union must be informed immediately after a measure is taken if it required agreement but was taken without it; they will decide jointly whether to leave the measure in effect or invalidate it.

A measure in a draft, study or proposal cannot be carried out in the absence of agreement or ignoring the opinion of the trade union if in the opinion of the trade union the planned measure violates a regulation or the common agreement.

3. The minister and the presidium of the trade union will decide jointly in complaints which can be submitted due to trade union measures carried out without taking observations into consideration.

III.

For the purpose of providing mutual information the ministry will regularly submit:

--the work plan of the ministry.

--those points from the work plans of ministerial conferences which contain common tasks.

--more important informational data on the basis of a separate agreement, and

--the work plans of the interested main departments.

The trade unions will regularly submit:

--resolutions and work plans of the central leaderships of the trade unions,

--the work plan of the presidium,

--their experiences connected with the living and working conditions of the workers, health services, the condition of social facilities and the development of factory accidents, and

--plans of the central departments of the trade union pertaining to common measures.

IV.

Separate material attached to the present agreement contains the chief forums and order for cooperation between the ministry and the trade unions and a determination of the leaders responsible for contact. (Those interested can obtain the attachment directly).

signed, Lajos Mehes, Minister of Industry

signed, Laszlo Kovacs, first secretary of the Mining Industry Workers Trade Union

signed, Istvan Gyongyosi, first secretary of the Construction, Wood and Construction Materials Industry Workers Trade Union

signed, Janos Lux, first secretary of the Press, Paper Industry and Printing Industry Workers Trade Union

signed, Dr Mrs Marton Czervan, first secretary of the Clothing Industry Workers Trade Union

signed, Ferenc Petrak, first secretary of the Leather Industry Workers Trade Union

signed, Otto Juhasz, first secretary of the Local Industry and Urban Management Workers Trade Union

signed, Dr Mrs Istvan Martos, first secretary of the Textile Industry Workers Trade Union

signed, Karoly Herczeg, first secretary of the Iron, Metal and Electric Power Industry Workers Trade Union

signed, Ferenc Dajka, first secretary of the Chemical Industry Workers Trade Union

8984
CSO: 2500/113

## PROBLEMS OF RETIREES DISCUSSED

Budapest MAGYARORSZAG in Hungarian Nos 51-52, 1981 p 55

[Article by Endre Varkonyi: "On Retirements, Openly"]

[Text] An evocative celebration, flowers on the table, moving farewell speeches, the director's handshake, along with it the solemnized promise: We will not forget you, you will remain among us still, we will take care of you, etc.--this is the traditional order of retirement ceremonies at businesses and enterprises across the nation.

On the part of the retiree, as doctors and psychologists unanimously assert--and those invoved agree--psychic trauma, the feeling that the individual is no longer needed, follows.

### Requirement or Option?

The world's most socially favorable retirement policy is in effect in Hungary, if one looks at the legal retirement age. Men may retire at age 60 and women at 55. However, all is not right with this conditional mode; namely, at the completion of the appropriate year, either the employee or the employer may give notice of leaving, provided that 10 years' employment can be demonstrated. That is, it is not only possible to enter retirement, it is also possible to send one into it. Many avail themselves of this right in many places, and remarkably often. While they respect the letter of the law, it is not an exaggeration to say that here and there the law is abused.

Thus, every fifth citizen of Hungary is a retiree and the ratio will foreseeably continue to worsen. This is partially because the population of the country will decrease by 300,000 to 400,000 by the turn of the century; after the age group currently entering elementary school, only gradually smaller calsses will go to work. Also, because the average age is increasing, more and more retirees, especially among women, live two or more decades after the age limit is reached--which in itself is quite fortunate.

Whether to send everyone reaching the critical age into retirement is thus a thought-provoking question, especially considering that those collectively reaching retirement age beginning in the 1980's began work following the liberation--and their suitable replacement does not everywhere seem reassuring. A more feasible

path would be to discuss their plans with those reaching the age limit (but not formally, as in many places today, made more serious with pressure) and to involve the social organizations operating in the workplace with right of intervention or veto: the party organization and the trade union.

For decades, a serious economic problem has existed: While on one side a shortage of labor exists, on the other side surplus labor is available and the best ratio of the two is difficult to find. The same holds for the retirement system: At numerous enterprises a shortage of specialists exists, while at the same time many enter retirement from the same trade and enjoy (?) peace for decades.

In numerous countries in Europe and other parts of the world, the retirement age is higher than ours: 60 or 65 years. The state still does not think of raising the Hungarian retirement age, however (although such rumors arise periodically, but always groundlessly). The incentive retirement bonus has induced few older people to continue working; in 1976, 19,000 workers took advantage of it, but only 15,000 in 1980.

The number of those working beyond their 60th or 55th year has also sharply declined; in 1970 there were 400,000 and 10 years later only 165,000. The large difference stems primarily from the fact that around 1970,a considerable number still had not completed the years of service necessary for retirement.

On the other hand, those exceeding 42 years of service by their 60th year fare badly; i.e., according to the retirement law--who knows why--this is the ceiling. With 42 years, the retiree receives 75 percent of his current salary then (or, rather, [calculated] on the highest 3 years of the last 5 years [of employment]). Whoever worked more, wasted time; he can receive no more.

Perspectives

Thus, this law establishing low retirement ages has some deficiencies. One is disadvantageous to the worker. Another hurts the economy: the low age limit for women. A woman who goes to college and enters the work force around age 25 can stay home for 6 more years if she has two children, thus leaving a sight 15 years for working--and probably the same for retirement. (That precisely of women with degrees progressively fewer are taking advantage of state support to mothers, is a different question.)

In contrast, manual laborers receive 7 percent higher retirement pay if they work beyond the age limit. Among them, in the entire country, 8,400 took advantage of the bonus in 1980, compared with 6,300 intellectual workers. Since the retirement bonus for intellectual workers ceased this year, it is questionable how the situation will develop.

The amount of retirement pay presents a very colorful picture. Although the average pension was 2,421 forints at the beginning of the year, more than half of the retirees--53 percent--received an amount between 1,400 and 2,000 forints every month. The average is greatly reduced by the low sum of nondirect, primarily widows', pensions. The average amount of direct pensions was 2,932 forints at the beginning of 1981. A decree fixes the maximum at 10,000 forints.

In regard to prospects, though, assuming no change to the rules, we can look for an odd duplicity. First, "high" pensions will increase, because, as opposed to previous years, more and more highly educated workers, directors and workers whose service years are maximal or nearly so will be retiring. Second, the real-value gap between large and small pensions is decreasing.

The price-index increase allocated according to plan is 5 percent annually, and the automatic retirement increase is 2 percent, supplemented in the lowest categories by a fixed amount (70 forints monthly.) It is not difficult to calculate that in 20 years, for instance, today's 6,000-forint pension will have a real value of 3,240 forints. Such a drop will not be rare either, because the women now leaving work at 55 will be only 75 in the year 2001.

(We have been writing about women because with men, unfortunately, reaching old age is much more rare. According to statistics, Hungary holds second place in Europe for the mortality rate. In 1978 the ratio was 12.8 and has continued to worsen, as cited in the last report of the minister of public health. Especially many men die between the ages of 40 and 60 and immediately after retirement.)

Doubtless entering retirement produces emotional shock, even if it is voluntary; that is multiplied if an individual who feels himself physically and intellectually strong is sent into retirement against his will. This trauma is considerably reduced if the retiree continues to be employed by his old workplace. It is sad but true that many businesses and institutions today try to economize by ceasing the employment of retirees.

'Half-time' Retirement?

Naturally, how and with what the retiree is employed matters. A sham sphere of work or the demotion of a specialist to assistant janitor can fulfill few people. Retirees are thus employed in numerous businesses--frequently with peripheral activity in intellectual occupations--while there is great need for good specialists and the professional knowledge of the old people who left.

One solution then is appropriate employment. The number of people who worked in their retirement was 260,000 in 1971 and 410,000 in 1981. (The HUNGARIAN GAZETTE lists on page 18 the occupations permitting early retirement: miners, metalworkers, transportation workers, bakers, etc. In addition, retirement before the age limit is authorized in special cases for those who are exhausted and feel that they can no longer work under any circumstances. Very few belong to the later category.)

Another solution could be what the American Joseph A. Califano described in an interesting study. According to him, the opportunity should be offered while the individual is still of working age to borrow a certain amount of time--1 or 2 years--from retirement. During this time, the worker could learn a new trade, or some career modification could be given. Perhaps the "half-time retirement" could merely be used for regeneration or, especially in the case of women, for the organization of home affairs and sending children to school. After the age limit is reached, then employment would automatically be extended for the period of time taken early from retirement.

Perhaps it would be worthwhile also for us to think about such things, especially since the population of working age is decreasing and the newcomers cannot immediately replace many years' experience of their seniors, which we must not forget. As a last but definitely not least aspect, the institution of "half-time" retirement could serve the restoration of health and the preservation of work ability, perhaps even correcting the thought-provoking and saddening high mortality rate.

9890
CSO: 2500/104

## BENEFITS OF INCREASED CORN, GRAIN PRODUCTION ANALYZED

Budapest FIGYELO in Hungarian 23 Dec 81 p 11

[Article by Marton Lovas: "15 Million Tons of Grain"]

[Text] The minister of the agriculture and food industry, Jeno Vancsa, summarized the results of food production in the last 10 years and designated the main tasks of the Sixth Five-Year Plan before the autumn session of the national assembly.

He stated among other things that in 1980 the population consumed 28 percent more meat and 48 percent more milk and dairy products than in 1970; in addition to this we exported 2.5 times as much food.

### Realistic Goal

Summarizing the tasks of the future, he mentioned the development of grain production in first place. By 1985 the country's annual grain production must surpass 15 million tons. This result must be achieved by increasing crop yields rather than by larger production acreage.

Wheat and Corn Production Averages
(tons per hectare)

| | Averages of the years | | | | |
|---|---|---|---|---|---|
| | 1961-1965 | 1966-1970 | 1971-1975 | 1976-1980 | 1980 |
| Wheat | 1.86 | 2.43 | 3.32 | 4.06 | 4.74 |
| Corn | 2.61 | 3.23 | 4.12 | 4.86 | 5.35 |

The record grain crop of 1980 was 13.9 million tons. Of this, 6 million tons were wheat and 6.6 million tons, corn.

Considering the rate of growth and the results of the leading farms, the goal of 15 million tons can be called a realistic one, since the average crop has been increasing by at least 12 percent every 5 years. It would be easy to prove statistically that the 15 million tons can be achieved but the increase of the crops is not a question of statistical calculations. Factors such as type, the soil's producing capacity, quality of work and last, but not least, the weather play roles in this.

Perhaps the most important of these many factors is the high yield type. Yields as high as 6 tons per hectare have been harvested with the new wheat types on the land of the grain research institutions (Martonvasar, Szeged) and of some of the leading farms. Thus, the foundations exist for surpassing the 4.7 ton per hectare average of 1980 even with mediocre weather, by popularizing the new, high-yield wheat types--of course, with careful and professional work. The experts expect at least a 5-ton average wheat crop for 1985.

Surpassing the 1980 record is one of the conditions for the 15 million tons per year grain crop. Increasing the average wheat yield does not seem to be an impossible task, since many farms not only in 1980 but also in 1981 with its poor weather harvested 5 to 6 tons of wheat per hectare.

The assurance for continued growth of wheat production is the 40,000 well-trained and experienced, skilled workers and the 23,000 college-graduate professionals whose pride in production and conscientious work are also fueled by a system of financial interests.

Of course, the high production yields are also helped by central measures. Among these are financial and technical aid to farms with low yields, implementation of the improvement investments to increase the soil's productive capacity, purchase of the most modern mechanical equipment (sowing machines, combines, etc.), elimination of the shortage of spare parts, etc.

Six-Ton Average

The average production yield of the other main crop of grains, corn--which recently has been 5.3 to 5.4 tons per hectare--must also be significantly increased. Some farms have been obtaining yields of over 8 tons per hectare for years. Even 10-ton yields are not rare.

In recent years corn planting acreage has decreased by about 10 percent. The main reason for this is the price increase of the heating oil used for drying and of the material costs (chemical fertilizers and plant-protecting chemicals), due to which the profitability of corn has decreased.

Planting acreage of 1.2 to 1.3 million hectares of corn is necessary for the total projected production of 15 million tons [of grain]; at least 8 million tons of corn must be produced each year. This is feasible, even more so because we produced 7.3 million tons as early as in 1979; since then, higher producing types have been introduced into production.

Our corn production systems (KITE [Corn and Industrial Crop Growing Cooperative] of Nadudvar, IKR [Industry-type Corn Production System] of Babolna and the Szekszard and Baja systems) have for years been regularly surpassing the 6-ton-yield average. If the yield averages of the systems become nationwide averages, theoretically we will have the 8 million tons of corn.

The new corn storage systems with no drying increase the profit from corn by about 10 percent; presumably they will also contribute to the continued rise of corn's production yields.

We do not need 15 million tons of grain to supply the population with bread and provide for the domestic fooder grain consumption. Two million tons of wheat are enough to satisfy the bread and flour consumption demand. Export of the wheat and corn surplus is desirable and profitable.

Until now grain export just barely exceeded 1 million tons per year because for the most part the 6 million tons of surplus grain production achieved in the last 2 decades has been developed for the purpose of increasing the domestic production of meat and animal products. During this time the production of slaughter livestock almost doubled (from 1 million tons in 1960 to 2 million tons in 1980).

Egg production increased from 1.8 billion eggs to 4.4 billion. Milk production increased from 1.6 billion liters to 2.7 billion liters.

Now we produce 2 million tons of slaughter weight from over 9 million tons of fodder (feed grain). By means of raising the genetic characteristics and the standards of feeding, according to the experts the specific fodder consumption can be decreased by 15 to 20 percent; that is, instead of the present 2 million tons of live weight, 2.25 million tons could be produced from the 9 million tons of feed grains. Meat production can be further increased by implementing the frugal use of fodder, while the surplus grain produced can be exported.

Such increase of the food export can contribute to the foreign trade equilibrium. But in order to do this, in addition to agriculture and the food industry several industrial branches (chemical industry, agricultural machine manufacture) and also the foreign trade must help improve food production.

The Share of Industrial Materials

The ratio of agricultural production is decreasing in producing the national income. According to the data of KSH [Central Statistical Office], while in 1970 agriculture produced 21.2 percent of the national income, 10 years later in 1980 its share decreased to 16.7 percent in producing the national income.

It is a typical--and contradictory--characteristic of our production that while between 1970 and 1980 agriculture's gross production increased by 40 percent, its share in producing the national income decreased by 4.9 percent [sic] during the same time. This is primarily the consequence of industrialization of agriculture, since industry's share is increasing in the value of agricultural production.

Thus, in 1960, for example, 8.2 percent of agriculture's gross production had to be spent for industrial materials used (energy, chemical fertilizer, machinery, etc.). By 1979 this ratio almost reached 33 percent. Indirectly the industry produced 8 percent of agriculture's production value in 1960, but 33 percent in 1979.

In just 2 years, between 1977 and 1979, the consumption of materials of industrial origin increased from 106.6 billion forints to 112.7 billion. (The size of increase was larger than that of gross production.) The increasing consumption of industrial materials has to be subtracted from agriculture's gross production; thus we obtain agriculture's net production, which has been stagnating for decades.

Of course, agriculture must increase not only its gross but also its net production. This is unthinkable without frugality and the rational use of energy and the industrial materials. That is, expensive construction, the waste of fuel, poor utilization of the machinery all played roles in the approximately sevenfold increase of agriculture's consumption of industrial materials in the last 20 years. Since more efficient utilization of the indirect labor expenditures is a basic resource for increasing net production, this is one of the basic tasks of agriculture's Sixth Five-Year Plan.

8584
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DEPUTY MINISTER DISCUSSES NEW WAGE STRUCTURE

ZYCIE WARSZAWY Interview

Warsaw ZYCIE WARSZAWY in Polish 1 Feb 82 p3

[Interview with Mgr Jozef Bury, deputy minister of labor, wages, and social affairs, by Halina Lesnicka: "On the Formulation of Wage Policy"]

[Text] [Question] Mr Minister, one hears rather often the opinion that one of the important causes of the current economic crisis was the unrestrained increase in wages.

[Answer] If you had asked me about the principles of wage policy, I would have had to say that even under the condition of relative stability there was no comprehensive program for such a policy. It was continually changed by an excessive number of priorities. It is only now that we are trying to shape such a policy. Although our system and structure of remuneration had defects back earlier, what happened from August 1980 to December 1981, unrestrained rapid wage growth without any possibility of assessing the effects of it, led to a complete severance of the relationship between work and pay.

This relationship was disturbed back during the previous five-year period (1978-1980), because independent of social productivity we raised nominal wages, which grew by 55.6 percent at that time, while productivity rose by only 11 percent, but in 1981 wages increased by a whole 25 percent, although production declined by 11 percent. Thus, the gap between the rise in wages and the possibility of backing them with goods on the market amounted to 35 percent. Since it was possible to obtain a wage increase without an increase in productivity, the incentive function of wages disappeared. This applies both to relationships on the scale of the economy and those on the scale of the enterprise, department, and concrete employee. The wage systems were completely upset. There were many different wage entitlements, supplements, and additions, which also failed to serve as incentives.

[Question] This wage increase must be assessed in a somewhat different light, however, inasmuch as it was in the face of an increase in the cost of living.

[Answer] Of course we cannot be indifferent to differences in the rate at which wages increase or the extent of these differences.

Last year the mean wage increased by 25 percent and amounted to 7,200 zlotys, according to the Main Statistical Office, but the cost of living also increased last year by 25 percent. Given the differentiated rate of increase in wages, those groups whose wages rose more rapidly, and those groups whose wages increased at a lesser rate than the average suffered a decline in their real standard of living. If we take science and technical development, for example, real wages declined there by several percentage points. On the other hand, it is not merely a question of percentage increase. For example, in public health, wages increased by 29.5 percent (1,289 zlotys), but taking into account the low wage level, this was still an increase smaller than the mean national increase of 1,560 zlotys.

[Question] From this it follows that a different rate of wage increase did not create general changes in the wage ratios from one sector or branch of the economy to another.

[Answer] That is correct, although life needs make it necessary to place higher in the wage structure certain branches of industry which produce for the market or certain service industries, and they have a difficult time maintaining their old position.

Despite all efforts, it was not possible to implement social demands to maintain the proper growth rate and ratios of wages between the production sphere and the nonproduction sphere. Here the imbalances are the result, for example, of the differences in wage systems. It is simply that the system of creating the wage fund in relation to production provides greater possibilities for increasing wages than in the nonproduction sphere, where the advancement systems are less dynamic. In the targets and assumptions of current wage policy, we assume that a mechanism should be created for fixed, successive wage relationships, that wages should be increased in the nonmanufacturing sphere by that percentage by which they are increasing in the sphere of material production. This mechanism could be introduced after certain corrections in the initial condition, because as we know certain groups in the general wage movement were left behind, groups like education and public health, and it is only after the ratios has been put in order that we can talk about the effectiveness of this mechanism.

These problems have been addressed in the government draft law which we prepared. It would define the basic principles of wage policy, such as who determines wage policy and in what realm, which means what the jurisdiction is of the government, the Ministry of Labor, Wages, and Social Affairs, and the plants directly. This document would establish, for example, the maximum wage span and the general wage adjustment principles in the manufacturing sphere and for public service employees (employees in

education, public health, and so on). Up until now there has not been such a document, and we think that it may play an important role in bringing order to wage ratios and systems.

[Question] But will this not be a restriction on the enterprises, which under the conditions of the economic reform have gained freedom in the shaping of their wage fund?

[Answer] No, not at all. The enterprises will create the wage fund independently, being guided by the needs implied by production goals and the capabilities stemming from the execution of these tasks, but we must give the enterprises better instruments for structuring the wage system. For this reason we intend to reform the rate system, changing the standards of assessment and introducing a larger number of echelons of assessment. Today we have nine of them. In the future there will be ten or 11. We will be using more exact measurements to assess the difficulty of a job, the complexity of the job (qualifications essential to perform it) and the burden implied by the responsibility (managerial functions). The feature of how tedious a job is may receive a higher rating than it does at present, which means that it will be possible to pay relatively more for simple jobs which require effort and which are performed under difficult conditions. The wage tables must be updated and made more flexible (greater range), or this will be a set of various tables which can be selected according to the enterprise's financial capabilities.

[Question] But will this not lead to growing wage imbalances among the various enterprises which after all will have different possibilities in terms of raw materials, for example?

[Answer] Naturally, leaving the enterprises free to shape their payroll fund makes it possible for greater differences in the rate and level of wages, but this is tied in with the essence of the new economic system. During the initial period, this will be determined not only by people's attitudes but also by external conditions, like raw-materials possibilities, share of export, price ratios, and so on. The rise in wages should be the result of an increase in productivity. It is also for this reason that we cannot limit the wage ceiling too much. If employees become aware that they can no longer passively wait for a rise in wages but gain them from an increase in productivity, then this is an incentive to increase what there is to be distributed. Therefore, a rise in wages must be tied to the results of each concrete enterprise, department, and concrete employee.

Therefore, the central office will not intervene in all the details of the wage system, but it cannot entirely turn its back on the wage ratios and structure, because they are an instrument which helps to shift personnel to the areas where they are the most needed (for example, to services) and the most effective. Here the regulatory elements might be indirect methods, the financing system, the system of taxing wage increases, and the compensatory tax.

[Question] But the thing is for these differences to be socially accepted.

[Answer] The Ninth Party Congress established that the ratios between the mean wage and the minimum should be 1:0.5 and that the maximum wage should not be more than 350 percent of the mean wage level. This postulate is being met. The minimum wage (excluding supplements for length of service and dangerous conditions) currently amounts to 3,300 zlotys. We are trying to maintain these ratios in the wage tables, but the real earnings are often higher, (for example, for extended working time, for exceeding the norm, of course the pay is higher. I think that it is wrong to limit labor productivity artifically by setting a rigid limit on earnings. The compensatory tax should serve the function of easing excessive differences, but here I take note of the fact that the group of those earning the most is becoming more and more numerous and includes (there are more than 20,000 people in this group) far more blue-collar workers than white-collar workers. Therefore, we should probably lift the threshhold for this tax from the previous 12,000 zlotys to 19,000-20,000 zlotys. As for the minimum wage, we know from practice that it should correspond to the social per capita minimum. After the price reform the social minimum will have to be set at a far higher level. The minimum wage (along with compensation) will automatically have to be increased by the same amount, that is, by about 40 percent. On the other hand, the mean wage plus compensation will be increased by 20 percent, but the highest earnings, for example, those in the 20,000s, will be increased by only 3-4 percent. This will lead to a substantial reduction in wage differences. Therefore, grave problems will result. If it is easier for a person to get a wage increase through benefits than through a rise in productivity, it is clear that this fact will soften the incentive function of wages. There is also a limit to which these differences can be reduced. Experience shows that larger wage differences serve as stronger incentives. The rule is that they are greater in countries which wish to encourage their economic development than in countries with a high level of development. Social considerations justify reducing the differences. Therefore, it is not easy to establish the best wage ratios. This is more of a process which should be continually adapted to the changing socioeconomic conditions.

## 'TRYBUNA LUDU' Interview

Warsaw TRYBUNA LUDU in Polish 1 Feb 82 p 3

[Interview with Jozef Bury, deputy minister of labor, wages, and social affairs, by Romana Kalecka, of PAP: "On the Program of Putting the Wage System in Order -- the Criteria of the Quantity and Quality of Work"]

> [Text] In the fervor of the discussion about prices and compensation, we nearly lost sight of a subject of fundamental significance to the success of all the undertakings aimed at getting out of the crisis quickly, especially the market

crisis. It is a question of restoring to wages their role of marking the quantity and quality of work, and incentive to more productive work. For years wages have been the domain of untempered actions undertaken under the pressure of the stronger vocational groups, under the pressure of immediate needs. The past half year left in its wake great confusion in wage systems which to start with were imperfect. What can be done to bring order into this area? A PAP [Polish Press Agency] journalist asked Jozef Bury, deputy minister of labor, wages, and social affairs.

(At the same time the editors asked deputy minister Bury to comment on the principles of paying awards out of the plant awards fund. We will publish this information at a later date.)

[Answer] First of all a few words about today's situation. Never in Poland has there been an ideal relationship between work and pay. In 1978-1980 wages increased by 55.6 percent, but productivity increased by only 11.5 percent. Even then the incentive force of work was declining. Nevertheless, the real catastrophe took place during the latter half of 1980 and in 1981. Last year we already had an 11-percent decline in productivity. Given the rise of 25.2 percent in the mean wage under force and pressure, the link between the effects of work and its remuneration was completely severed. In this situation we were bound to reach the point where goods disappeared from the market, but this in turn was largely the reason for the decline in the incentive to work, to increase production.

From this the conclusions for wage policy are obvious. The first task is to pay out wages more carefully, with greater thrift. Of course, here it is not a question of freezing wages but of restoring the sensible relationship between pay and productive work.

At the same time we must put the wage systems in order, especially since as the result of the unrestrained actions of the recent period wage imbalances have occurred between the various vocational groups, imbalances which are not in keeping with a rational social division of labor, imbalances which impede the desired shifts in employment. An example might be the continuing low level of wages in such essential areas of services now or the sudden rise in wages in construction, despite the great reduction in the tasks of the construction industry. Finally, the third task of wage policy is to make better use of the wage system in the plants themselves, so that the system will serve as an instrument which will link, in a simple way which is understandable to the worker, the results of work and the level of earnings.

responsibility, to replace the present rate-scale system, which is out of date and overgrown.

[Question] But under the conditions of the economic reform, can the independent enterprises have wage principles thrust upon them?

[Answer] We are treating this not as compulsory but as assistance in elaborating the way work is evaluated and a job is assessed. The actual rating of employees' qualifications and the ranking of them is up to the enterprise.

But before the new system comes into being, it will be necessary to simplify the present rate scale once and for all. For example, it will be necessary to monitor the scope of positions included in them (many specialties have disappeared and given way to new ones), and to reassess them, for example, in terms of whether simple but tedious jobs rank high enough. These are jobs for which it has recently been difficult to find people. The growing complexity of many jobs also demands that their rank be increased to a higher number on the scale.

[Question] Compensation for the rise in the prices of food, heating fuel, and energy in the future is to be built into the wage system. Will their degressive nature not tend to even out pay and to weaken the incentive function of wages?

[Answer] Let us wait for the time being until compensation becomes fixed as a separate element, so that everyone knows exactly how much he will receive on this account. In the future compensation for employees -- of course not that which is related to the number of people in the family -- will be calculated into the fixed part of the wage, after the reconstruction of the wage system has been completed.

On the other hand, insofar as the degression of compensation is concerned, I would not share the fears about their incentive function, because the country's difficult economic situation and social considerations require even a certain flattening of the wage spread now. The currently soft market also fails to serve as an incentive to increase the wage spread, because the incentive force of wages is related right to the market situation.

It is only over a longer period that the levelling of wages creates negative consequences and discourages young people from undertaking jobs which require high qualifications. For this reason, in the future it will no longer be possible to use such operations as the one related to the present price reform. After all, we should not assume government price increases of such a magnitude.

On the other hand, a fixed compensation system for groups with the lowest earnings is essential, owing to the rise in the cost of living. A draft of such a system, with several variants, has already been drafted at the

[Question] For many years there has been talk about the need to change the internal structure of wages, a structure which has be continually growing in variable components, often without regard for the effects of work. Why has this not been achieved?

[Answer] The rapid rise in wages recently occurred largely in the variable part of them. At the same time a distinction was made among the various components, and there was a relaxation of the conditions for obtaining supplements. One example would be the additional amount paid for length of service or for working on a three-shift system. There was an expansion of the system of anniversary awards given sometimes after only 15 years on the job. Then too there are other supplements, such as coal allowances, which have the nature of social benefits. As a result, today the variable portion of wages exceeds 50 percent of pay. This means that the wage itself cannot have an influence on employee attitudes. It is therefore necessary to reconstruct the internal structure of wages in the direction of increasing the proportion of total earnings consisting of basic pay. Then the employee will be more concerned with advancement, with meeting higher standards, and with a bonus based on higher basic pay. Then it will be able to have an impact on the quality of work and on promptness in its performance.

[Question] In what way will this reconstruction take place? Will the supplements to which people have already become accustomed be eliminated?

[Answer] To conduct this operation in such a way that the employees do not feel that something is being taken away from them is a very complicated matter. We want to make a thorough analysis of the functions of the various components of pay. Those which play no economic role will be amalgamated into the basic pay.

To this end we can transfer percentage components to lump-sum supplements, which will make it possible to standardize them throughout the economy in a way which will not cause any conflict. For example, the 5-, 10-, and 15-percent grain supplements can be transferred to the lump-sum supplements, and what is left can be added to basic pay. On the scale of the economy as a whole we can also introduce lump-sum supplements for length of service in the Polish People's Republic and not in the plant or industrial sector, as in the past.

[Question] A few months ago there was talk about a draft of a new rate-scale system which was to include the wages of all employees, from the messenger to the director...

[Answer] Work on this system has been extended. The section on the industrial sector is to be completed by the middle of this year, and a uniform qualifications rate scale ready to implement in the enterprises according to their technical and organizational conditions should appear during the latter half of the year. A general assumption of this concept is the introduction of a group of rate scales based on three criteria: the complexity of the work, difficult conditions, and level of

labor and social affairs institute. The greatest difficulty here is to establish the list of basic items available on the market to which the compensation is to apply.

[Question] What sort of wage spread is considered desirable in the program to put wages in order?

[Answer] One of the basic issues is to establish the level of the minimum wage and to put it at the level of the social minimum for a single person. Its present level is approximately that of this minimum, which is estimated as 3,500 zlotys. Here after all it is more a question of adopting a biological minimum than of a social one. The ratios of the minimum wage as half the average wage and the maximum wage as 350 percent of the average wage are presently approximately those postulated in the resolution of the Ninth Party Congress. Now it is a matter of adhering to these ratios.

An issue of great importance too is the monitoring of the proper wage ratios between the manufacturing sphere and the nonproduction sphere, especially since the economic system favors rapid wage increases in production. Here it will be necessary to find a mechanism to adapt the wage growth rate like the system adopted in the Teachers' Charter (in relation to the wages of engineering-technical employees). Similar solutions can be used in the system of wages of culture and public health employees.

We are presently working on a draft law on remuneration and social benefits, one which is to establish the rights of various levels of management in this area, the principles for setting wages according to the sector of the economy or the plant, and also the principles for setting basic wage components, social benefits, compensation, and wage supplements.

10790
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## OFFICIALS DISCUSS NEW ROLE OF PEASANT PARTY

### Reforms Will Continue

Warsaw DZIENNIK LUDOWY in Polish 21 Dec 81, pp 1, 3

[Interview with Jozef Koziol, member of the board, secretary of the NK ZSL [Chief Committee of the United Peasant Party] by Stanislaw Ozonek, date and place not specified; passages enclosed in slantlines printed in boldface]

[Text] [Question] We are conducting this interview under unconventional conditions. All of us have had a deep psychological shock. Many questions, doubts and worries come to our mind. What next with the economic reform? What will happen to our domestic market? What will be the fate of social renewal and national understanding? Peasant Party members are very much perturbed by the prospects for further renewal in the peasant movement, by asserting the authenticity of the movement with regard to the country and the society at large.

[Answer] Indeed, the time of history flies all too quickly. We must find answers to all the above questions. I believe that these are going to be positive answers. I think that /becoming aware of the solemnity of the situation and the civic responsibilities ensuing from the state of martial law/ is everybody's most important matter now. The faster, deeper and more comprehensive this realization, the faster quiet, order and the rule of law will return, which are the points of departure and the basic preconditions for recreating social trust and reconstructing the economy. Resuming our normal life and work and bringing back civil liberties will depend on this. In a word, the pace at which order and better living comes back depends on us.

[Question] Is this to say that quiet and order must return first and economic reform will then follow?

[Answer] No. This was expressed in the speech of Gen W. Jaruzelski on December 13 as well as in the proclamation of the Military Council of National Salvation. "There can be no return to the methods employed before August 1980," "all significant reforms will go on." The ZSL has also come out in favor of deep reforms in the announcement of the board and the secretariat of the NK ZSL of December 14 and in the appeal of the secretariat addressed to all ZSL members and to all peasants. It is evident that the return to normal life and order in

the economy will come through the introduction of reforms and creation of understanding and social trust. This also refers to--even, especially refers to--agriculture and the food economy.

[Question] Let us concentrate more on the food market. It is known that the situation in this market is exceptionally difficult, that the implementation of the rationing system is running into great trouble.

[Answer] Yes, this is true. Never in the history of the People's Republic of Poland has so much depended on the farmers and the miners. Food and energy are the two commodities our country needs most, the commodities which are a precondition for everything else, including the revitalization of our collapsing economy. The awareness of the tremendous importance of improving the food supply was reflected in the declaration of the board and secretariat of the NK ZSL which states: "The party will do everything within its power in order not to leave the farming sector without the most necessary means of production and industrial commodities and also not to leave the city to starve." We have addressed the farmers with a passionate appeal for food for the city, and the workers, for the means of production for agriculture.

[Question] However, it follows from experience that appeals do not bring much in the way of results.

[Answer] Yes, it is true that in the past we appealed to the feeling of civic responsibility too often. Nonetheless, the present situation is exceptional. We are threatened by outright hunger, and this catastrophe attacks the weak first: the children, the elderly and the poorest.

However, I must strongly stress that we do not restrict ourselves to appeals alone. Further measures favoring agriculture are being undertaken and will be undertaken in all the most important matters. I also want to mention that much has been done in the year that is now drawing to a close despite considerable perturbations and tensions. We had an occasion to come to this conclusion during a review of joint implementation of the guidelines by the leadership of the PZPR and the ZSL concerning agricultural policy, agriculture and the food economy and the implementation of social agreements concluded in agriculture. It is true that the sphere of supplying agriculture with the industrial means of production got the lowest grade. However, it is also true that the measures which have been or are being implemented have facilitated appreciable interest in increasing production. We cannot let this opportunity slip. This is why we attach such importance to economic measures aimed at increasing procurement and restoring the agricultural market. To this end, the grain price was increased to a level planned for as late as the coming year. By the way, grain is immensely important now because the stocks of consumer-type grain will barely suffice for bread until February of next year.

All the farmers should learn as fast as possible about the details of the decision passed by the government in early December, on bonuses to the value of agricultural products sold to the state after 1 November 1981. This decision means that the zloty sums received in payment for the delivery of these products to the socialized market and amassed in a special account in the cooperative

bank will be increased by a share commensurate with the increase in procurement prices resulting from new prices. Thus, the price reform will not cause losses for the farmers and socialized enterprises. Those selling agricultural products to the socialized market earlier do not run a risk. These zloty sums must obviously find some coverage in market deliveries. This is part of the reason why we attach such importance to carrying out the already signed contracts, to improving the efficiency of the entire procurement system. The agreements should be a partnership commitment for both parties to the contract. The contract must tightly link sales of products to delivery of the means of production and other privileges. On top of everything else, contract agreements must be honestly fulfilled by both the farmers and procurement enterprises.

[Question] A much higher supply of industrial commodities and services is necessary.

[Answer] The truth of this statement must be fully recognized by those in charge of the matter. Restoring rhythmical development of our economy and quickly developing the process of readjusting industry to meet the production needs of agriculture both depend on this. We will get back to this matter in the nearest future. I attach great importance to urgent improvement in every possible way of the work of agricultural service enterprises. Both extemporaneous and long-term decisions should be made, both in the sphere of procurement enterprises and the activization of rural and cooperative self-government. I will say openly: nobody and nothing is capable of proving that the current difficulties with potato supply are not a result of mismanagement in the work of certain echelons of procurement organizations. Finally, the tremendous importance of honesty, efficiency and a high standard of servicing farmers should be stressed. These values have always been important, however, they have assumed special significance now. Administrative offices, the agricultural service, procurement and service enterprises should bear that in mind. The farmer deserves the highest respect, his time is especially expensive.

[Question] However, may it become necessary to resort to drastic methods of procurement?

[Answer] The ZSL has spoken out on the issue many times. It sees the restoration of commodity-monetary linkages between the city and the country as the only way to increase production and procurement. We also expressed this in the above-mentioned appeal. However, the state of martial law creates a new legal situation. Therefore, we must all the more seek and quickly implement efficient and healthy economic and organizational arrangements. This depends on all of us, on those who make decisions and on farmers alike. The farmers, especially ZSL members are aware of this.

[Question] The ZSL assumes great responsibilities in implementing all this. In my opinion, the party has not only great responsibility but great opportunities of proving its credibility to the rural population and the entire society as well.

[Answer] I share this opinion. This is a tremendous field for the activities of the ZSL circles and echelons. As usual, the power of personal example of ZSL members, self-government activists and all meritorious farmers is what counts.

Particular echelons of our party are playing an inestimable inspirational role in this matter. At various levels, they have tremendous opportunities for multiplying initiatives to ensure the smooth functioning of agricultural services and offices, to rally the entire agricultural community around an immeasurably important current issue, the issue of food supply.

[Question] We talk a lot about procurement, but agriculture is a long biological process. Concern about the efficient utilization of this harvest must be coupled with similar concern for the yields of next year. What follows for this sphere from the determinations recently made on the basis of the review of joint guidelines of the Political Bureau of the PZPR Central Committee and the board of the NK ZSL regarding agricultural policy, agriculture and the food economy? What follows from the socioeconomic plan for the next year?

[Answer] I suggest that I present a detailed answer separately, because it can take up a lot of extra space. I would only like to stress that these determinations are an expression of steadfast will to proceed with and develop the agricultural policy outlined in the joint guidelines of the PZPR and ZSL, a policy which is /marked by the permanence of private farms, even-handed treatment of all sectors of agriculture, an increase in the delivery of industrial commodities, profitability of production, improvement of social conditions and development of self-government/.

## Forms of Activity

Warsaw DZIENNIK LUDOWY in Polish 28 Dec 81, pp 1, 2

[Interview with Jozef Kijowski, member of the board, secretary of the NK ZSL [Chief Committee of the United Peasant Party] by Zofia Zielinska; date and place not specified]

[Text] [Question] We are having this first talk with you in your capacity as secretary of the NK ZSL under atypical conditions. The topic of this talk is atypical too, but not entirely so. After all, the ZSL is existing and operating, though under changed, difficult circumstances. How are the local echelons and party organizations operating, what issues are they handling?

[Answer] The ZSL has outlined new forms of activity under the conditions of the state of martial law, concentrating on three main spheres. Cooperation with the organs of authority aimed at representing and safeguarding the concerns of the rural population and agriculture under the complicated conditions of the state of martial law is the first such sphere.

At issue, in the face of disorganized markets, is the reorientation of the economic mechanism to the extent possible toward meeting production and consumption needs of the rural population and farmers to an optimal degree.

The arduous but necessary work of party echelons and members is currently the second sphere of our activity. It includes contacts of our [full-time] functionaries with activists and the membership, aimed at explaining the complicated

difficult problems troubling the peasants and village dwellers. Also, there is the issue of spreading among the membership the conviction that the ZSL is alive and operating, that we will not forsake any of the progressive traditions of the peasant movement, that the valuable changes in the ZSL initiated after the August events will be incorporated into the party program. Those changes which can be implemented now, will be. The changes which so far cannot be introduced in their entirety because of the state of martial law, will not be delayed for a moment once adequate conditions arise.

The work of our organizations, circles and echelons associated with the very necessary and urgent activization of agricultural production and intensification of food procurement is the third sphere. We believe that the country will furnish the urban areas with at least the quantity of food stipulated in contract agreements. The patriotic attitude of farmer-members of the ZSL is of paramount importance, along with the relevant economic stimuli created by the government.

[Question] New forms of activity must reflect changed conditions. This refers to both the supreme authorities and voivodship and local echelons.

[Answer] The forms of our activity are defined by statute. Certain restrictions apply only to larger meetings, congresses and conferences. I would say that today it is not keeping up the facade and make-believe activities that determine the methods and forms of work of party echelons and organizations, but rather consequent implementation of the goals determined in the Resolution of the board of the NK ZSL of 14 December of this year regarding the activity of the ZSL under the conditions of the state of martial law. It is feasible and sometimes necessary for leading functionaries of party echelons and WK [voivodship committees] chairmen to maintain contacts with Voivodship Defense Committees, which in no way restricts the authority and independence of the party.

[Question] Since the first hours after the introduction of the state of martial law, the ZSL, like all political and social forces, has been undergoing a test of its self-dependence and responsibility for reinstating quiet and order. In the estimation of the Colleague Secretary and the NK secretariat, has the test turned out positively?

[Answer] Information and reports are coming in from voivodship committess, functionaries and farmers. We can state unambiguously that our organization, which is almost half a million strong, has accepted the goals set forth in the proclamation of the Military Council of National Salvation with anxiety and solemnity, but also with understanding. The agricultural population is working and going about its current business. However, there are many reports expressing fears that agriculture will again have to pay for the economic consequences of the state of martial law, as has often occurred in the history of our country. Fears arise of whether the autonomy of enterprises and resultant higher prices for the means of production and industrial commodities needed in agriculture will reduce the level of income in this sector. It can be said with full responsibility that the intention of authorities is to preserve the basis of the worker-peasant alliance, and, therefore, to shape the real income of the agricultural population at a level guaranteeing expanded reproduction in agriculture and the maintenance of the standard of living of farmers and their families.

[Question] The necessity to suspend temporarily the report and election campaign in circles and gmina committees may worry some ZSL functionaries. Does this consequently mean a halt to the preparations for the Ninth Extraordinary Congress of the ZSL?

[Answer] Such doubts may appear here and there. As soon as conditions allow, we will resume the report and election campaign in all our echelons. However, we would like this campaign not to be restricted to the debate over program-type documents; we would like to see authentic changes in people and in the echelons in the course of this campaign. We want to emerge from the report and election campaign as an authentic political force, as a political representative of the Polish agricultural community, which carries out autonomously its program and statutory commitments, proceeding from the constitutional foundations of the People's Republic of Poland. At the root of these foundations are the worker-peasant alliance and the cooperation of the ZSL with the PZPR and the SD [Democratic Party]. We also envisage holding the Ninth Congress of the ZSL as a way of fulfilling statutory duties.

[Question] We have been going through a process of renewal in the party for many months now. ZSL members have voiced aspirations to acquire the status of a genuine autonomous political party representing the concerns of peasants and the agricultural community. What will be the prospects for this renewal?

[Answer] The process of renewal will go on in the entire country. So, it cannot be hampered in the ZSL. Many of its prerequisites have already been implemented.

To my mind, this is an easier process inside the organization. However, at issue is the practical implementation of economic and social transformations in the countryside. A timid, so far incomplete implementation of the Guidelines of the Political Bureau of the PZPR Central Committee and the board of the NK ZSL concerning crucial problems of agricultural policy and the food economy serves this purpose.

We are also considering far-flung proposals on reinstating and strengthening economic ties between agriculture and the city. These matters will decide the outcome of the process of renewal in the countryside and in the ZSL. We will create real guarantees of self-dependence, activity and, at the same time, responsibility of the ZSL for the fate of agricultural concerns and the nation.

[Interviewer] Thank you for the interview.

## Activity in Rural Areas

Warsaw DZIENNIK LUDOWY in Polish 28 Dec 81, pp 1, 2

[Article by Janusz Karmanski: "Political Dialogue of the ZSL [United Peasant Party] with Rural Population"]

> [Text] According to reports from all over the country, circles and local echelons of the ZSL have not ceased their activity but rather adjusted the forms of activity to the new conditions and limitations which apply to public life.

Meetings of the boards of voivodship committees of the ZSL have been held in almost all voivodships. At the meetings, the sociopolitical situation in the regions has been discussed and forms of activity for the ZSL in the current period have been defined. These issues have also been the subject of two teleconferences of members of ZSL leadership and chairmen of voivodship committees.

Many meetings of voivodship echelons of the ZSL have adopted proclamations and appeals to ZSL members and the rural population. They have called for preserving order and quiet, obeying the dispositions of military authorities and for expending effort to accelerate stabilization and normalization in the country. With regard to the critical food situation, local ZSL echelons appeal in the proclamations to the patriotic and civic posture of farmers, calling for fulfilling contract agreements promptly and increasing the sales of crops, which are in heavy demand by the urban population.

Board meetings have also been held in very many gmina and city-gmina ZSL organizations. For example, ZSL members from Kamien Pomorski (Szczecin Voivodship) gathered as early as the second day of martial law.

Increasingly frequent trips of party functionaries to local echelons, circles and village activists are a characteristic phenomenon of party activities. During these meetings, the party functionaries conduct talks with village dwellers about the current situation in the country and discuss forms of activity of local ZSL echelons. Issues associated with the increase in agricultural procurement and sales of food items occupy a prominent place in these talks.

Here are some examples of ZSL activities during the martial law period.

As the chairman of the ZSL Voivodship Committee in Zielona Gora, Czeslaw Slowek, has informed us, quiet reigns in the Lubusk countryside, the population has shown much understanding for the rigorous demands of the state of martial law. ZSL functionaries in the field provide many explanations to village dwellers, mainly about the current scope of activity of rural and village self-government, regulations on extending credit to farmers and the operation of the system of food resources rationing. The present awareness of information on these issues in the village community is estimated by the Lubusk functionaries as highly inadequate. There are many misunderstandings concerning, for example, the operation of associations and branch trade unions, principles of exchanging grain for fodder and the credits presently extended by the SOP [Savings and Loan Cooperative].

Farmers of the Zielona Gora region, while displaying much understanding for the food needs of the urban population, demand at the same time that supplying rural areas with means of production, coal, warm clothing and footwear be appreciably improved.

ZSL activists encounter similar problems in Kielce Voivodship, where there are many unclear points especially with regard to the restrictions on the activity of agricultural circles and KGW [Rural Women's Circle]. Functionaries from Kielce suggest enlivening the activity of rural self-government, especially in the sphere of economics and production.

The chairman of the ZSL Voivodship Committee in Sieradz, Jozef Szewczyk, has informed us that in the last days before the holidays an appreciable improvement in procuring cattle for slaughter was observed. This is the response of the Sieradz peasantry to appeals for delivering food for the urban population. However, local banks of food economy were not aware of the principles of revalorization of payments for crops until 23 December, which was a barrier to increasing procurement.

A similar upturn in procurement of milk and cattle for slaughter was observed in the villages of Slupsk Voivodship. However, as the chairman of the ZSL Voivodship Committee, Marian Adamiec, has stressed, the farmers who were selling more and more, expected in exchange an improvement in supplying the rural population with coal, winter footwear, warm underwear and means of production.

According to the opinion of Edward Harasim, chairman of the ZSL Voivodship Committee in Lublin, there is an exceptional need in the countryside for political and information work on the principles of public life under the state of martial law. The Lublin functionaries of the ZSL who are traveling in the field provide much information on the operation of rural self-government, branch unions, people's councils and the principles of revalorization of payments received by farmers for crop deliveries. These are the main problems and issues that are coming up during the meetings of ZSL activists with village dwellers of Lublin Voivodship.

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NEW ROLE, FUNCTIONS OF NATIONAL BANK REPORTED

Warsaw TRYBUNA LUDU in Polish 8 Jan 82 p 5

[Interview with Stanislaw Majewski, president of the Polish National Bank, by Henryk Borucinski; no place or date specified]

[Excerpts] The banking apparatus has also been the object of economic reform. The law on banking rights passed by the Sejm on 10 July 1981 has already placed new obligations on banks, especially in forming monetary-credit policy and implementing it on the principles based on economic reform. That is why the general framework of banking activity is conceived in the form of a credit plan and assumption of a monetary-credit policy, which were carried on the motion of the NBP [Polish National Bank] president in support of the opinion of the Council of Banks, which has been operating since July of last year. On 11 December 1981 the Council of Ministers had already approved the credit plan and the assumptions of the monetary-credit policy for 1982.

[Question] But what do the most fundamental changes in bank operations consist of?

[Answer] First of all, the relationships between the bank and enterprises will be based on voluntary credit agreements. Enterprises possessing a sufficient quantity of ready cash will not have to avail themselves of credits, neither for current activity nor for investment. This is the result of the principle of self-financing enterprises.

[Question] Will enterprises that work efficiently finally be able to have freely at their disposal the financial means that they have earned?

[Answer] This is being planned but it will be initiated gradually. This is partly because a great number of enterprises are entering the current year with deficits. Put more simply, losses force them to come to banks for special credit. Credit will be granted on a short-term basis at reduced rates of only 5 percent.

[Question] Will banks control this, the way enterprises manage money lent?

[Answer] I would like to avoid the word "control," which may be associated with pure formal control exercised by banks in the past. There will be no such type of control. Instead the banks will assess and analyze the results of enterprises' activity. We must be sure that enterprises will be capable of repaying contracted credits.

[Question] In other words, enterprises will be profitable?

[Answer] Of course they will. Since poor quality goods will not be for sale, only plants offering good products will realize profit. In this way, the interest of sobiety will be guaranteed.

[Question] Sir, will personnel who are accustomed to a different kind of work be able to handle the new banking functions?

[Answer] We have at our disposal personnel with good theoretical and practical training. Our employees have been anticipating the economic reform, as it were, and have made critical observations on the credit methods being used. In part, these observations helped determine new banking functions.

We have conducted for many months and will continue to conduct training session for our employees in the credit department by initiating them into the new functions.

[Question] Will banks that take a percentage from credit granted also be self-financing?

[Answer] In principle, yes, if the activity of the banking system, as a whole, is profitable and if banks make substantial payments to the state budget from their earnings.

[Question] In Western countries banks and insurance companies are the richest institutions. Can certain analogies be made here?

[Answer] No simple analogy can be made here, since one cannot make an analogy between socialist and capitalist economies. Our bank reform, which is aimed at strengthening the function of money, credit and interest rate in the economy, brings our banking system into the area of these functions, closer to the banking system in the market economy. Here I will avail myself of the example of the assumptions for the current. Since 1 January we have raised the basic interest rate of credits to 9 percent. This will allow us to amass means for payments of interest for those who deposit their money in banks.

[Question] Does this result in people's savings deposits also being good interest for banks?

[Answer] Interest has two sides to it. Deposits partly protect those with savings from the effects of inflation and allow more economical spending of money. What's more, these deposits are safe, which is partially expressed in their formal guarantee by the state treasury. I recall a recent raise in the interest rate of deposits in the accounts of the PKO [General Savings Bank].

On the other hand, from the point of view of the banking system, the savings amassed by the people, like financial resources of enterprises, are the real source of granting credits by the bank. Lately, this principle has been seriously violated, because many enterprises have been paying higher wages without working out the means for paying them.

[Question] The account doesn't balance. Where have these means that have not been :worked out" been coming from?

[Answer] They simply have been issuing them. This was one of the basic sources of inflation. Unfortunately, in a transition period we will continue such an "operation," since many enterprises need some time before they are on their way to making profits.

[Question] What if they don't?

[Answer] They will be bankrupt, and their property will be taken over by those enterprises that can make better use of it.

[Question] What is your own attitude toward reform?

[Answer] The full implementation of its assumptions creates conditions for a more efficiently functioning economy and therefore will lead us out of the crisis. I would like banks to contribute also to increasing management efficiency through credit activity. It is necessary, however, to bear in mind the conditions resulting from the current situation. These are partially expressed in the resolution passed by the Council of Ministers on operating an economy under martial law. For the banks, this means that there is the need for concentrating credit, first of all, in areas embraced by operational programs, which, as we know, have been established for areas that are the most socially wellfounded.

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PROBLEMS OF INDUSTRIAL UNEMPLOYMENT ANALYZED

Warsaw TRYBUNA LUDU in Polish 8 Jan 82 p 5

[Interview with Irene Sekula, director of the Department of Employment of the Ministry of Labor, Wages and Social Matters, by Romana Kalecka; place and date not specified]

[Excerpts] Are we threatened by unemployment? This question has often been heard in the past year. The number of unemployed has risen from 350,000 to over 1 million. At the same time the level of employment at the end of last year was even somewhat higher than in the previous year. How was this possible, given such a big drop in production? Has the all-clear been sounded? Are we not threatened by difficulties this time as we roll up our sleeves and to to work under this year's conditions of investment cuts, shortages in raw materials and energy, just at the time that we find ourselves in the first period of economic reform? Irene Sekula, director of the Department of Employment of the Ministry of Labor, Wages and Social Matters, gave answers to these questions to a PAP reporter; this is what she said in part:

The fears created last year by publicists and trade union activists, I. Sekula said, could not be confirmed if simple arithmetic ratios had been applied: the value of gross products rises, so employment must rise; the value of gross products diminishes, then it is necessary to dismiss employees. From the beginning of 1980, when GUS [Central Office of Statistics] began sending out signals of a drop in the level of production, an alarm was sounded for the need to reduce employment drastically. At the same time, for example, construction enterprises had made a large industrial investment in 1980; the following year, after stopping this investment, they proceeded with housing construction in which the value of the finished product, as a rule, is much less, though this activity is more labor-consuming. If the level of employment is made dependent on the value of the gross product, then a large part of the work force would have to be cut; at the same time, one must increase the work force considerably, particularly for finishing work.

Occurring simultaneously in a great number of areas is an actual increase in the work force. Allowing for last year's plan, even after it had been revised, the decrease in the level of employment by 150,000 persons has not been accomplished. There are several reasons for this.

Last year many directors still did not believe that the crisis would last. They felt that the shortages in raw materials were temporary, thinking that the situation

would turn around, they held on to their work forces. Another reason for maintaining surplus employment is that work done in spurts in connection with the unrhythmical delivery of supplies (as analyses show, effective work time decreases and, at the same time, overtime increases).

Enterprises still did not know last year--and a small part of them still do not know--the rules of the game employed in the reform. That is why every experienced director preferred to start on the tasks for 1982 with a high level of employment.

Finally, a fundamental reason--as a matter of principle--was the position of all trade unions, which was decidedly against all reductions in the work force.

All of this caused the level and structure of employment to remain unreasonably high at the end of last year. Many persons performed only a part of their work time if they could make more money working at another job.

[Question] What is the present labor market situation? Are signs of layoffs intensifying?

[Answer] Not yet. At the end of last year for 150,000 openings 28,000 persons registered in employment departments were looking for work. Even if this number is adjusted for people looking for work on their own, the ratio between supply and demand does not basically change, the more so because some of those registered have no intention of working. They registered in order to get ration cards for rationed articles. This in general, is not subject to change in the next few months.

Obviously this does not mean that there are no problems with employment in some trade groups or communities connected with the supply situation in industry and construction--this all happening when economic reform is getting started. In employment departments, 80 percent of the job offers are in blue-collar positions, while at least one-half of those registered are looking for white-collar jobs.

Our ministry takes pains to create new and necessary jobs in order to prevent any long-term unemployment. We anticipate, for example, amendments to the resolution on displacements and the introduction of further incentives for working in crafts and agriculture. The possibilities of early retirement for employees in work places that have closed have been extended this year.

An important instrument that will allow active employment offices to adjust to economic reform and create new jobs and the possibility of changing professions will be the vocational activation fund.

[Question] The ministry still must create new jobs for persons who have been transferred and for graduates. What is the economic sense of making work universally obligatory in this situation?

[Answer] It would be socially unjust in time of martial law, which is difficult for everyone, to tolerate a situation where one may live, and often well, without doing any physical or mental work. This is the moral aspect of the universal obligation to work. On the other hand, the economic aspect finds that there are over 100,000 unfilled jobs, there is snow to be removed and windfelled trees to be removed from the woods. In addition to this, we are, after all, in a phase of decreasing growth in labor resources. The government needs every pair of hands it can get. One only needs to use them effectively.

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ZSL ACTIVITIES UNDER MARTIAL LAW DISCUSSED

Warsaw TRYBUNA LUDU in Polish 8 Jan 82 p 5

[Article by Pawl Zaborowski, based on an interview with Jerzy Grzybczak, member of the Presidium and secretary of the NK ZSL (Chief Committee of the United Peasant Party): "Adjusting Activity to the New Situation"]

[Text] Jerzy Grzbczak, member of the Presidium and secretary of NK ZSL spoke with a PAP reporter about the problems of ZSL activities as well as the tasks of this peasant party, which represents the interests of agricultural and rural areas under new conditions. This is what he said in part:

When martial law was announced, a financial report-election campaign as well as discussion of ZSL's program materials was underway. We have periodically interrupted this program. Restrictions, in communications for one, dictated by the rigid conditions of martial law cause certain difficulties in the daily work of party elements and echelons. Therefore, party activity has had to change in some degree by adjusting to the present situation and the problems connected with it. Nonetheless, the party has remained alive both in rural circles and higher echelons.

In meetings and conferences in rural circles and echelons of our peasant party, a broad political dialogue is being carried out with members of ZSL and rural inhabitants. It mainly concerns explaining the reasons for introducing martial law and its consequences for public life. A lot of attention has also been given to the question of farmers increasing their sales of their farm products for socialized procurement. The course of this debate attests to the fact that rural society has generally accepted the requirements of martial law with understanding and seriousness. In addition to this, we are returning to organizational work in the provinces, working from the ground up--helping to solve various kinds of community problems.

Our echelons also actively cooperate with Local Operational Groups [LWP] and military commissioners.

We are the political representative of the rural areas; agricultural problems must be at the center of our situation--although their solution is a matter of concern to all people. This concerns, after all, the feeding of society, which is linked to the need for systematically improving conditions in agricultural production and activating procurement. This is not easy to do if we consider that economic

mechanisms have been knocked out of kilter, that there has been a loss of confidence in money, and so forth, in recent months. However, the experiences of the past few weeks have shown that farmers have generally understood the importance of the problem as demonstrated in their increased delivery of livestock for slaughter. The difficulties in obtaining food articles have not diminished. This results from the situation in agriculture--that is to say, partially from the decrease in the number of livestock on account of difficulties in obtaining fodder and the like--but significant reserves exist at the purchasing center for agricultural products. We will do everything we can in order to get the agricultural market moving without invoking mandatory deliveries or imposing quota deliveries.

The Presidium and Secretariat of the NK ZSL have all these matters in mind when they participate in decisionmaking, dealing with the introduction of economic reform, price changes and the like. At the same time they advise the aktiv of the party of their position; and example of this was the conference of presidents of WK ZSL [The Voivodship Committee of the United Peasant Party] in the final days of December last year. The party also initiated the writing of a national food loan, in order to increase farmers' sales of products, mainly grain. We also see to it that there is an improvement in the supply of industrial means of production to villages. Hence, we attach great importance to appropriate and correct implementation of the guilding principles of the Political Bureau of the KC PZPR [Communist Party Polish United Workers Party] in the matter of crucial problems in agricultural policy and agriculture and farm food policies.

The party has consistently sided with the idea of creating a conciliation front of all social forces that are for socialism and base themselves on the PRL [Polish People's Republic] Constitution.

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SUGAR CAMPAIGN NEARS SUCCESSFUL CONCLUSION

Warsaw ZYCIE WARSZAWY in Polish 21 Jan 82 p 6

[Unattributed article: "1.72 Million Tons of Sugar--15.8 Million Tons of Beets Processed--100,000 Tons of Coal Saved: Sugar Factories Conclude Successful Campaign"]

[Text] Only three sugar factories in Dobro, Raciborz and Werbkowice are still processing beets. Saturday they will stop cutting beets. For the sugar factories, this will mark the end of the sugar campaign, one of the best in the history of the sugar industry.

Monday and Tuesday the last kilograms of sugar will be bagged. A total of 1.72 million tons of sugar has been produced during the campaign just ending, 1.71 million tons of which are commercial sugar. The plan envisaged the production of 1,624,000 tons. To date, Polish sugar manufacturers have managed to achieve this result only a few times.

A record number of beets was processed during this campaign. Farmers supplied 15,856,000 tons of sugar beets for purchase. Polarization of the sugar amounted to approximately 14.6 percent, with each ton of beets yielding about 11.1 percent of sugar after processing.

The plans were exceeded. More importantly, the purchasers also felt this. Ration cards limit purchases, but it was possible to increase the monthly rations; reserves and commercial supplies rebuilt again; and industry has been adequately supplied. Besides sugar, also manufactured were 650,000 tons of molasses, which is a raw material for the alcohol industry and a fodder ingredient; 110,000 tons of dried beet pulps, also earmarked for fodder. The plan for production of citric acid also was exceeded by a significant margin.

The sugar industry is one of the few industries that can count last year as successful. Last year we often wrote about the course of the sugar campaign. Initially, as late as June, there were many fears whether the sugar manufacturers would manage to amass suitable stores of coal and limestone and to acquire missing spare parts.

Alarm was necessary, all the more since at that time it was possible to hope for record harvests. During the campaign, despite many malcontents--or perhaps because of them--no one complained about the lack of coal. Quite to the contrary, coal reached the sugar factories regularly and its quality surpassed the sugar manu-

facturers' dreams. Thanks to this situation, all plants worked without interruptions; good coal allowed output to exceed the norms. In addition to efficient production, good supply also yielde unhoped for results with a saving of 100,000 tons of coal.

Despite difficulties with the lack of spare parts, the sugar manufacturers managed to be well prepared, as usual. Parts that could not be obtained were completed there, and equipment and machinery were put into good condition. That there was a lot of work can be attested to not only by the fact that the sugar factory is an industrial installation comprised of establishments of various specialities: it contains a power station, calcinators, a hasting plant, a chemical factory, a transport base, etc. Many sugar factories have reached, for industrial establishments, the age of Methuselah. They are probably the oldest industry in Poland in this respect. Only four sugar factories have been constructed since World War II, the average age of the sugar factories approaches more than 90 years and the oldest sugar factory in Czestocice is already 154 years old.

The collection and transport to the sugar factories of nearly 16 million tons of beets were very essential to the efficient course of the campaign. These tasks were accomplished thanks to good organization of purchasing and transport; to know that these were not easy tasks, one has only to remember that troubles with storage batteries, tires and other vehicular details were no less common than at present. Also, the transport of beets by rail did not present as many difficulties as in preceding years. Of course, the weather helped greatly; it was a favorable as it has ever been.

To comply with all our annalistic obligations, we should add to all these records the rapid attainment of full production strength made by the newest sugar factory, in Ropczyce. In its first campaign, for 36 days it processed more in a 24-hour period than the planned 6,000 tons daily. It produced 42,500 tons of sugar.

At present, the sugar factories are beginning to prepare for the 1982-1983 campaign.

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PROGRESS IN APPLICATION OF NEW ECONOMIC MECHANISM ASSESSED

Bucharest ERA SOCIALISTA in Romanian No 21, 5 Nov 81 pp 28-30

[Article by Prof Dr Mihai Paraluta]

[Text] In the years of building socialism a modern system of planned organization and leadership of economic life has been created in accordance with the specific historical conditions of Romania. Following the 9th party congress the party's and state's concern rose for placing on scientific base all the activity of the planned leadership of the national economy, for creating a mechanism for the operation of our socialist economy capable of vitalizing and intensifying the process of building the new social system and of bringing new impulses in the development of production forces and in increasing labor productivity. In his report to the congress, Comrade Nicolae Ceausescu emphasized: "The complexity of the problems raised by the economy, by science, culture and by the entire activity of building the new society demands as an objective need the continual improvement in the organizational forms and methods of leadership. We must eliminate subjectivism and self-thanks, which lead to snobbishness and to failing to take the facts into account. A solid study of life and new phenomena is the main, absolutely required requirement for a correct leadership and planning of the economy."

Creation of a modern system and mechanism, an efficient system for organization, leadership and operation of our national economy took place gradually during a process in which an important role was played by the measures to improve the leadership and economic-financial planning adopted by the party's national conference in 1967. Later, through the documents of the 10th, 11th and 12th party congresses, as well as the national conferences in 1972 and 1977, new improvements were made according to the demands of a continually changing reality.

The primary importance in shaping an improved system of organization and leadership and of a new economic-financial mechanism was held by adoption of a series of laws which regulate the main component of the scientific leadership of society in all areas,laws which in turn have been improved regularly in order to provide the necessary legal framework for good operation of the new economic-financial mechanism.

Economic Mechanism--A Vital Concept

Improvement in the system of organization and leadership, continual adaptation of the economic-financial mechanism to the new requirements brought by the increase in production forces on the basis of the achievements of the scientific-technical revolution

act as laws in the socialist economy. Any tendency to underestimate this objective phenomenon, of immobilism and lack of flexibility hinder the progress of the production forces and cause disruptions in the area of production relations, ones which can affect harmony and the agreement of specific interests in socialist society. At the same time, it should be specified that any leadership system or economic mechanism appropriate at a given time can become null and void with time if it is not adapted effectively to the changes which occur in the development of production forces, while the impulses they bring later can weaken and gradually die away.

As we know, the RCP Central Committee Plenum of March 1978 adopted a series of measures on continued improvement in the economic-financial leadership and planning, broadening of the workers' participation in adopting decisions at all levels of social and state life, deepening of direct economic democracy, placing the activity of economic units on the basis of worker self-leadership and economic self-management as well as application of the newest achievements of the science of organization and leadership of socialist units. This entire series of measures basically is the new economic-financial mechanism. Through its scope and complexity, the new mechanism in one way or another aims at the entire system of leadership of the economic and the administrative-territorial units, all the mechanisms of economic life and the total economic-financial levers utilized in the economy.

In short, introduction of the new economic-financial mechanism, on one hand, has sought to bring into agreement the system of organization and leadership with the stage of development of the production forces and with the demands for creating the economy of the multilaterally developed socialist society and, on the other, the creation of a complex and modern involvement of the planned organization and leadership of the national economy--based on the science of the leadership of socialist society--capable of giving vitality to and utilizing at a high level all the values of socialist production relations and all the material, financial and human resources Romania has available.

Marxist economic literature's sphere of inclusion of the concept of economic mechanism is treated in many ways. We encounter viewpoints which place an equal sign between the system of organization and leadership of the national economy and the economic mechanism, including the organizational and functional aspect of the socialist economy in its sphere, also; some authors reduce economic mechanism either to economic-financial levers or to the use of economic laws or the overall process of regulating the socialist economy.

Any system of organization and leadership, in order to be able to be placed into operation and applied, needs an economic-financial mechanism. This includes all the forms and methods of organization and leadership of the national economy, of accomplishing economic self-management, the economic-financial levers which are used in the economy, the means and methods for conscious use of the economic laws and categories and plan-market relations. So, a number of mechanisms should be included in the economic-financial mechanism as a subsystem of the system of organization and leadership on the basis of an economic plan, mechanisms such as financial, banking, formation of prices, use of economic laws, currency and so forth. The economic mechanism--an organic component of the system of organization and leadership of the national economy--represents the motor and stimulating factor of the system. From here we have its importance and role in the good operation of any system of organization and leadership of the economy.

At times the tendency existed to reduce the economic-financial mechanism in principle to the financial-accounting aspect, to the actual financial mechanism. Improvement of the economic-social leadership and planning initiated by the RCP Central Committee Plenum of March 1978 and the guidelines set by the 12th party congress aim at a series of factors and the entire mechanism of operation of our national economy, from the lowest link--the enterprise--up to the macroeconomic level and all the forms, methods and levers of economic leadership. For that reason, any simplistic understanding of the new economic-financial mechanism can only influence its overall efficiency and lead to neglect of certain of its elements or aspects in practical activity. What are needed from the workers councils in the enterprise and the higher forums for its good operation are sensible substantiation of all the plan forecasts as well as maximum utilization of production capabilities, steady material-technical supply, strictly fitting into the set consumptions of raw materials, materials and energy and into the planned production costs, optimization of all the production processes, rationalization of utilization of the labor force and all these are with a view to maximization of economic efficiency.

Efficiency, the Basic Coordinate

Economic efficiency is a basic coordinate of the new economic-financial mechanism. The level of efficiency of all activity reflects in each enterprise the way in which the principles of the new mechanism are being understood and applied. For that reason, the party requires that its organizations and the workers councils intensify their concern with a view to applying the principles of self-leadership and economic self-management in all areas of social-economic activity and follow up on what material expenses and what labor force are achieving production and how the plan for physical production and that of net production are being fulfilled.

Although the period since application of the new economic-financial mechanism is relatively short, a number of positive results have been shown. The ratio between the growth rate of social product and of national income in favor of the national income and between total production and net production in favor of net production has changed, which reflects the predominance of intensive factors in carrying out broader reproduction; concern has been emphasized with reducing production costs in general and material costs in particular; relations have become simpler between the state budget and ministries, centrals and enterprises by substantially increasing the percentage of their own resources in establishing the development capital and other capital; economic democracy has been deepenedby the direct participation of the producers in the distribution of profits and so forth. In an overall evaluation, the party's secretary general pointed out at the 12th party congress that "introduction of the new economic-financial mechanism--based on worker self-leadership and the economic units' self-management and on the workers' participation in the profits--has played a particularly important role in placing planning and the flow of economic activity on new principles and has stimulated the enterprises' efforts to fulfill the plan forecasts both for the quantitativeas well as qualitative indicators and has brought a rise in the responsibility of the worker collective in efficient administration of the portion of the national wealth entrusted them by society."

The exacting analysis which the party leadership has carried out repeatedly as well as the forums of worker democracy--the congresses of workers councils and plenums of the National Council of Workers--shows that many shortcomings which have lessened the positive results have been demonstrated in application and operation of the new economic-financial mechanism. So, not all the workers councils have given proper attention

to fulfilling the plan for physical production in the variety structure established, a fact which has brought disruptions and imbalances and has negatively affected the general development of the national economy and has created disturbances in the operation of the new economic-financial mechanism. Intensive factors which lead to an increase in the value of net production, reduction in material expenses, growth in labor productivity and to an increase in general efficiency have not been fully utilized in all the economic units. Some enterprises still are demonstrating a tendency to underestimate the export plan, to overbid on imports and weak concern with increasing the competitiveness of the products on the world market.

Starting in 1981, the new mechanism became generalized throughout the national economy. Currently all the necessary conditions have been created for application of the principles of the new economic-financial mechanism in all the economic and administrative-territorial units. Fulfillment of the plan tasks for this year with increased efficiency as well as for the entire five-year plan depends considerably on the way in which the levers of the new economic-financial mechanism, the democratic organizational framework created, is to be utilized. The workers councils and the general meetings through their entire activity must take action for the continued emphasis on self-leadership, rise in the spirit of responsibility of each collective and each working man for good management of the resources entrusted by the people in use and for an increase in the productivity of economic activity.

Of course, the problems of the new mechanism must be analyzed and treated depending on the sphere of activity and the area in which it is applied. Although the principles of self-leadership and self-management are identical, actually there are particular features caused by the specific nature of each sector separately. Conventionally we can speak of many types of mechanisms: of the state socialist units, of the cooperative units, of the social-cultural area. For example, the principles of self-management in the social-cultural area have their own features, in the sense that a portion of the expenses, due to the free services provided, is subsidized either from the central state budget or the local budget. However, even in this sector of activity the problem of the management and administration with maximum efficiency is posed in the same terms. And these units are required to find new resources and opportunities for achieving their own incomes and for increasing the percentage of self-financing.

A Broad Sphere of Inclusion

The introduction and generalization of the principles of the new economic-financial mechanism in all sectors of activity require improvement in foreign trade activity. In one way or another, nearly all the economic units are involved in foreign trade activity, while the financial influences both of import as well as of export must be reflected in their management, in the financial results and in the level of profit.

The principles of the new mechanism also have been introduced in activity of foreign trade and international economic cooperation in accordance with the law for strengthening worker self-leadership and economic-financial and currency self-management. Established on this base have been the operating mechanism for economic-financial and currency self-management in foreign trade activity, contract relations between foreign trade enterprises and the units which produce goods for export or beneficiaries of imported goods, the ways of stimulating export activity and so forth.

Under the new conditions, balancing the commercial and payments balance must be done not only at the macroeconomic level but at all links, down to the base units.

To do this, the production units and the foreign trade enterprises are required to at least insure that the expenses are covered in currency from the currency receipts from their own activity, that credits received in currency are paid back on time, that capital intended for material incentives for the worker personnel participating in carrying out the exports is established. Also, all the units carrying out foreign trade activity are required to make their contribution to establishing the centralized state currency reserves. In the end, the new currency mechanism should become an important lever in stimulating exports, increasing the competitiveness of Romanian products on the world market, increasing the efficiency of all export and international cooperation activity, in adapting production effectively to the requirements of the foreign market, in managing currency resources rationally and promoting new and efficient forms of foreign trade and international cooperation.

Comrade Nicolae Ceausescu's speech at the 2d congress of workers from agriculture indicate ithe directions in which action must be taken for firm application of the new economic-financial mechanism in the agricultural units. Application of the principles of self-leadership and self-management in this branch first means achieving and overfulfilling production and the profits established, self-financing, permanent financial balance in all the agricultural units as well as increase in responsibility for fulfilling the production tasks and continually reducing expenses. At the same time, bearing in mind the large volume of credits given this sector of the national economy by the state, measures are required which intend to lead to improvement in the system of financing and allocating of credits, to creation of conditions so that each unit arrives at the point of coming into being through their own resources and appealing to credits only in exceptional cases.

By modification of the law on people's councils, the principles of self-leadership and economic-financial self-management also were introduced in the activity of the administrative-territorial units starting this year. In accordance with the local 1981 budgets, a large number of communes, cities, municipalities and county are financing themselves. In coming years their number should increase until all units are included.

The law on establishment, distribution and use of resources by counties for supplying the population with meat, milk, vegetables and fruit is playing an important role in placing the administrative-territorial units on the basis of the principles of worker self-leadership and economic-financial self-management. On the basis of this law, the people's councils are required to insure that the population's needs for agricultural food products are satisfied in the county in which they act, at the same time making a greater contribution to establishing the resources needed for the entire national economy. Also, the people's councils must fully carry out their duties in the spirit of worker self-leadership and economic-financial self-management for the good flow of industrial activity both in the national units as well as those locally, in small industry, in mobilizing the working masses to have exemplary plan fulfillment, increasing their contribution to the efficient solution to the problems connected with the optimum operation of all enterprises.

Bringing the correlation of production and delivery prices of products among the socialist units up to date and improving it on economic principles and true measurement of costs and incomes of the socialist units have been required as stringent demands in applying the new economic-financial mechanism. Price, by its nature and functions in the socialist economy, is contingent on and is involved in all the economic phenomena and processes and influences the measurability of value indicators, level of profitability and profit and the entire economic-financial mechanism. Through the

action of the law on value, in an economic mechanism price may exercise a propelling, vitalizing role , depending on the degree to which it reflects social labor and real production expenses, in the development of production and in raising economic efficiency or a hindering role in the case where prices are broken from costs and not placed on economic criteria.

Immobilism in the area of prices enters into contradiction with the principles of the new economic mechanism. It is necessary , depending on the evolution of production costs and trends existing on the world market and prices of raw materials and imported products, that the modifications which are required take place regularly . The law adopted by the Grand National Assembly on bringing up to date and improving the correlation of production and delivery prices of products to the socialist units on economic principles insures the correlation of production and delivery prices in industry in proportion to the expenses of real production, price estimates for construction-assembly jobs as well as taxes for services provided for the socialist units, at the same time creating approximately equal conditions for all the units to enjoy the results obtained in fulfilling the plan through the fund for participation in the profits as well as by other means provided by law. The new production and delivery prices applied since 1 January 1981 can and should become an active tool in the hands of the workers councils for stimulating a reduction in material expenses as well as consumption of socialist labor in the area of production and goods circulation.

Experience until now proves that exemplary promotion of measures to improve the economic-financial leadership and planning is indissolubly linked with the way in which the workers councils and other collective leadership organs at all levels insure the quality of decisions. At the same time, it is necessary to take action at all levels so that the economic and technical-organizational measures are combined with steadfast political-educational activity from the party organizations capable of bringing solid knowledge by all workers of the principles which are at the basis of the new economic-financial mechanism and methods for applying them efficiently.

8071
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EARNINGS OF CUTTING TOOL FACTORY AT CACAK DISPUTED

Belgrade ILUSTROVANA POLITIKA in Serbo-Croatian No 1203, 24 Nov 81 pp 14-15

[Article by Stevan Zec: "What the Lathe Saves, the Pencil Eats Up"]

[Text] With some advance knowledge of the very good business results of the Cutting Tool Factory in Cacak, we wait for the doorman at the entrance to sign our pass. Last year this work collective was the absolute winner in the "Stabilization at Work" campaign organized by POLITIKA. The same factory was also first by a wide margin on the list of exporters. Last year the 3,200 metalworkers of this firm, of a total income of 1.28 billion dinars, exported 421-million-dinars worth of products and achieved these earnings primarily in U.S. dollars. In the first 9 months of this year the Cutting Tool Factory increased its exports by almost another 60 percent.

Precisely because of these export deals, the most responsible managers of the factory will not be able to come to the agreed meeting with us. We will be received by hosts who even describe themselves as the backup, junior set of managers with full authorization from the staff and the general director to tell us everything and show us whatever would interest ILUSTROVANA POLITIKA. The chief managers are busy because some foreigners are visiting again. A large new export deal is in sight.

Passing through a long corridor in the administration building, we note a strange sign on one door: "Toilet for Foreigners." In addition to Serbo-Croatian, this is written in English, Russian and German. A true story in the factory is related: A certain German came for an official visit to the factory and he felt the need while touring the workshops. When he exited the place where "even the czar goes on foot," the German was absolutely pale and astonished, he stated that he had never seen such a terrible sight in his life. He almost demanded that his clothing and his body be completely disinfected. After that the director ordered this restroom for foreigners. The rest of the bathrooms unfortunately remained as they were.

At the editorial office of the factory newspaper, we note the countries to which this Cacak factory exports spiral drills, special tools and cutters (they explain to us that these cutters are actually a "female threat in the hole in the metal"). Let us record them in order: West Germany, the United States,

East Germany, the USSR, Czechoslovakia, Italy, Japan and even Albania at the end of the list. Also mentioned are the names of well-known multinational companies, also evidence of dependability and quality. It is really an honor to have such customers, but in the middle of our praise, Director Miles Mijajlovic dashes in and says, "Please do not mention the names of any foreign firms in the newspaper. These are a trade secret. Especially do not write whose representatives are in the factory right now. That could hurt us."

Be Quiet, So the SIZ [self-managing interest community] Won't Hear You

We did not manage to ask Comrade Mijajlovic why the name of a foreign company was a trade secret, because he had already dashed off to continue leading the foreigners through the workshops. Afterward he returned several times.

Our first host, Milojica Spajic, the managing editor of the factory newspaper, explains to us, "You should not get upset. This is a time for pretending. If we brag a lot to the newspaper, as Director Mijajlovic knows very well, tomorrow when he goes to the Economic Chamber or to some SIZ, they will immediately say, 'How is it that you do not have any money, how is it that you cannot give it, when the newspaper says that you are working, for example with Boeing, which makes airplanes for the whole world?' We have come to understand that in production firms one should not brag much. It is better if you complain. The horse that pulls the most is the one they beat the most."

The factory was founded by 23 workers, in accordance with a party assignment, as customary in 1953, in a low warehouse where grain and corn were stored before the war and where political prisoners were beaten during the war. For some time it was also a horse stable. Afterward the other workshops and administration buildings were built. All of this is in the center of Cacak. This factory has never operated at a loss. Outside appraisers say that the factory is doing very well, but they themselves assert for the already-mentioned reasons that it is not good enough, because it should be better. The secret of successful business, as we were told by graduate economist Dragan Mojicevic, is having each person working at the workplace for which he is trained.

"A long time ago we realized that only having people specialize could bring any sort of result. Here is an example. Our grinder Milan Pecinarevic has been working at the same lathe for 10 years and producing the same tool. Ten years ago he could make a cutter in 2 minutes. This year his norm is 40 seconds for one cutter," he said.

As proof that they have not yet done enough in improving production, the people at the factory emphasize that of 3,200 employees the work community (administration) amounts to 500 people, and another quarter of those employed in the production OURs [organizations of associated labor] earn their salaries with pen and paper, not behind a lathe. Some "wise man" thought of having each OOUR [basic organization of associated labor] and work community receive an obligatory number of trainees separately, rather than the factory as a whole; every year the factory received 1 new metalworker trainee for every 50 metalworkers and also 1 young administrator for every 50 clerks.

"The present work community and administrative apparatus in the OOURs can serve many more direct producers than in the factory," Dragan Mojicevic stated. "It is most likely that in the next few years we will not be employing economists but rather metalworkers."

Our fellow journalists from the factory newspaper told us that this firm could have an even better economic position but is sometimes hindered by human envy, which appears among the workers. How is this?

"In simple Serbian, let my neighbor's cow die. In the factory we have a staff of innovators. These people work and they are successful. But if they think of something and invent it, it is very difficult to collect payment for it. There is a certain Milutin Mitrovic, who is called Curve. What he thinks of, he makes. He improved work on several machines, but he received almost no compensation, either material or moral. Always the envious ones say, 'Look what Curve is curving. This is not anything original. He saw it somewhere and stole the idea.' Now Curve no longer announces his innovations to anyone. He keeps quiet and thinks only about himself."

The Workers Know Too Much!

At the Cutting Tool Factory, workers are proud of the part of the self-managing agreement on the distribution of wages that stimulates regular and timely arrival for work. This agreement has already reduced sick leave and has almost eliminated errands during working hours.

"Here every employee also receives 8 percent of his wages if he is at the factory entrance before 6 a.m.," says Blagomir Rakoevic, the planning and analysis officer. "Since we introduced this, the general director has also been observed racing to get to the entrance a minute before 6. We know that the presidency of the SSJ [expansion unknown] has criticized the practice of rewarding regularity and accuracy, but we feel that this is still necessary, at least here."

Jokers say, "Labor productivity? Well, we have some of that here." Everyone agrees that obviously productivity is considerably influenced by keeping the workers fully informed about the distribution of wages and deductions for income. We saw one pay envelope and realized why the workers at the Cutting Tool Factory are satisfied. It says everything: the amount of regular work, individual contribution, past work and the percentage that every employee receives, depending on the work of the entire firm. The same envelope also lists exactly 11 different social contributions deducted from the gross wages. The voluntary contributions are enumerated, followed by the federal, republican and communal taxes and the deductions for individual loans; these have a monthly listing of the total debt, the size of the installment, and the balance of the debt. All of this appears complicated, but Dragan Mojivevic, the head of the computer center, has devised and implemented everything very clearly and lucidly.

"It always bothered me that when I received an envelope with my wages, I did not understand anything what was written on it. I did not know how much I had earned, what had been deductedor what I was paying for. That is why I suggested it, the collective accepted it and now every envelope has 'a clean account and the friendship is over.' This is not a lot of work or very complicated. In 12 hours the computer prints all 3,200 envelopes for wages with all the data," he said.

They have never thought or said in this factory what many people have: "Economic stabilization is for those who have worked badly and taken losses, but we are doing well and there is no reason for us to get involved in economizing." Here they say what they have done, and they have as many meetings as necessary. They economize wherever they can. Nevertheless, even on the belt of the workers' pants there is a part where a new hole can no longer be punched. And there has to be an end somewhere to tightening one's belt; otherwise the seams break.

Velizar Tomasevic, who is called Solaja and is one of the most skilled grinders in the factory, reasons like this: "Five years ago I received 6,000 dinars a month. I have two children and a wife who does not work. Then 5 years ago, I deposited about 1,000 dinars every month in a savings account in the bank. This year I am receiving an average of over 13,000 dinars, but we are 1,000 dinars short every month. I am working better and more than 5 years. This means that my work is worth less and my family's standard of living has dropped. Who is stealing this from my work? Who is taking this money?"

The Climate Is Shaky Too

The factory management can no longer and will not conceal from the workers how many taxes the firm pays, because they work well, they make an even better profit--but there is no money.

"We understand what stabilization and recession and crisis are but we will not reconcile ourselves with the fact that the metalworker alone has to bear the burden of this with his 10 fingers and his spine," says Milos Mijajlovic. "I went to school for almost 20 years, but I cannot explain to anyone, because I do not know how to explain, why this year the factory must give the state, the SIZs and the other "tax collectors" 55 million dinars for various social obligations on top of what the law provided for at the beginning of the year. What is it worth that we killed ourselves, saying economize on imported steel, reduce rejects, do not let the lathe idle for a single second, when we can read in the newspaper that the football player Sliskovic received a billion old dinars in hard currency for just his signature and that the pianist Pogorelic does not know whether to take a private house or a communal one? How do I explain Pogorelic's villa when the workers' council loans the best worker in this factory only 5 million old dinars to repair his leaking roof? Our general social climate is shaky. All of this affects every individual."

The people at the Cacak factory also cannot explain to themselves why they are paying taxes and contributions for the part of their labor and their earnings that they are donating on the basis of solidarity to factories that have suffered from natural catastrophes (FAP in Priboj and RAS in Novi Pazar). The most serious political, personnel and economic problem in the factory is the apartments. Of 3,200 employees, almost half are young people, workers less than 27 years old, who naturally do not have their own homes. Since there is no money in the residential fund, the workers decided that they would work every free Saturday in order to purchase apartments. It was discovered very quickly that from this work for the workers' apartments, from every 100 dinars earned, 40 had to be paid for taxes and contributions. The action was a failure.

"People ask me, as the editor of the factory newspaper, why I do not write in our paper about the fact that the workers have not yet received the bonds from the loan paid for the highway and the regulation of the Morava River. I went to the bank to ask where the bonds were, and the clerk told me to ask the Serbian government. Probably he was thinking of the Executive Council of the Serbian Assembly," Milojica Sparic says.

Dissatisfaction at the Cutting Tool Factory in Cacak culminated last spring. The factory was operating very well. It was doing good business. It was exporting--God knows how. But then the money from a customer did not come on time, and for the first time the factory did not have enough cash in its current account at the bank to pay salaries. It is a great scandal if the payment of wages to such a good collective is delayed for even one day, so the factory management flew all over Cacak trying to borrow a couple billion old dinars. However, no one had any cash. It asked, implored, begged--but nothing. And then some money was found. The SIZ for guided education for the region in Kraljevo loaned the money to the Cutting Tool Factory for a few days, but at a usurous interest rate, immediately and in cash.

"This is a catastrophe," commented Dragan Mojicevic. "We finance the SIZs from our income and through our work, and they loan us cash to pay wages. As long as this relationship exists, for society as a whole, and not for our factory, it will be difficult for any stabilization here. As Marx said, the matter has to be turned upside down. First, productive work, which creates welfare, must meet its most basic requirements, and then the auxiliary services, the SIZs and the other social services, as much as there is. Now it is the other way around, and we are entering a situation in which the SIZs are distributing the surpluses and refunds, while we in the factory do not have enough for a warm meal. We know who is living off whom and who is working for whom, because no matter how much we have saved with the steel and the lathe, the pencils, reports and papers have eaten it up."

We agree.

9909
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## EFFECTS OF DECENTRALIZATION IN ECONOMY DISCUSSED

Belgrade NEDELJNE INFORMATIVNE NOVINE in Serbo-Croatian No 1614, 6 Dec 81 pp 15, 17

[Article by Mirko Cekic: "Has the Enterprise Lost the State?"]

> [Text] In the last few weeks, by chance, precisely on the fifth anniversary of the adoption of the Law on Associated Labor, politicians and economists have raised the same questions without agreeing with each other: Has decentralization in enterprises led to disruption of the firms, has income been alienated from the immediate producer or is it closer to him, and are the workers more or less motivated to work?

In one of the holiday television braodcasts in the last few days, recalling the successes in numerous areas of social life and taking a break from criticism, an unusual report flashed by: Since the last day in November, "FAP-FAMOS had begun to work for 1982." When this journalistic figure of speech is translated into everyday language, it means that the production plan was fulfilled an entire month ahead of schedule. The report from this OUR [organization of associated labor] would be prosaically ordinary, especially for holidays, if one did not add this commentary: It would have been considerably better if it had been possible to obtain a few tens of dollars from the SIZ [self-managing interest community] for purchasing abroad a few trifles on which, however, a large part of the production depends.

### Four Enterprises--Four States

A story almost identical to this one could have been read at this same time last year in our newspaper. The clock hands of the social relationship and production coincided again in this firm in the same place and in the same manner. The only encouraging thing is that we are becoming aware again that this purely economic and "apolitically" established integration, combining the work of four great factories from four republics (Zagreb, Sarajevo, Priboj and Skoplje), into a single whole in order to produce trucks and busses, still exists. If there were no real common interest among the producers, this group would not have had much of a chance to "survive all possible decentralization-etatization systems" for over two decades, as we were told at one time, coping with directly empire-building self-managing interest communities and the republic payments and foreign exchange balances. Fortunately, since this is a question of four factories reaching the conclusion them-

selves that it would be better for all of them if they were to constitute a single working whole, regional economic egoisms did not get the upper hand. In many other cases, they did.

Possibly the readers have already tired of stories about the division of the market and about regional and provincial barriers. However, the question itself--one of the most significant ones for further social development--suggests that in the entire country, in every republic, the disintegration tendencies are stronger than the tendencies of self-managing linkage and unity. Do disintegration or integration forces dominate relations in the firms themselves ("in the basic cells of the fundamental production relationship in our society")?

In a short period of several weeks, these questions have been brought up at a political gathering--at a meeting of the Serbian LC Central Committee, where Ivan Stambolic, the president of the Executive Council of the Republic, devoted the most significant part of his introductory speech to this very subject--and at an economic gathering--a conference of economists in Opatija, where Dragomir Vojnic proved in a detailed analysis that the state is becoming less and less a collaborator of the enterprise and more and more often only a tax collector.

How has all this happened exactly on the fifth anniversary of the adoption of the Law on Associated Labor (the Yugoslav Assembly accepted this unique "workers' constitution" on 25 November 1976)? We devote several lines to these questions: Is the atomization of enterprises a negative product of the desire for centralization, has income become closer to the immediate producer or become alienated, and is there more motivation to work?

Life has in fact confirmed what was said at the adoption of the Law on Associated Labor--that it was an "unconventional law, because it destroyed the established economic and legal ideas of documents used to regulate social relationships" and that "not routine but rather deeply involved action by an enormous self-managing base is essential for the implementation of this law." The law is "categorical in regard to preventing any alienation of income and funds from a basic organization of associated labor."

Life has shown again, however, the strength of the bureaucracy's natural characteristic of multiplying and expanding itself in a geometric progression.

Why Are the Directors Being Multiplied?

In regard to this, Ivan Stambolic says, "It is amazing how we seem to have fewer and fewer socioeconomic analyses that deal with the situation and processes within firms, and more and more that are devoted to the overall operation of the economic system. Meanwhile, what we wanted to avoid is happening on a small scale in certain firms, contrary to the Law on Associated Labor, both on a small scale and a large scale--the income and economic position cannot depend on the positions achieved in the current conditions of economic activity and on various types of special privileges but should rather depend on one's own work and productivity. Practice shows that many firms constitute a sort of economic confederation. If the basic organizations of associated labor are guaranteed independence, no one has the right to proclaim a vulgarized interpretation of independence as the only truth and to disrupt technological ties and unity in a firm."

He cites, "Few people would have believed that the relationships among basic organizations in a firm could be disrupted to the extent that one of them hides its development plans from another as the greatest trade secret. The result is absurd competition, instead of joint production and business activity. Where this process is in full swing, as sometimes happens, then it is logical for the directors of basic organizations to behave like directors of firms, with all those "attributes' that belong to them as if by some 'hereditary right.' Everyone creates a new 'working staff' around himself; everyone needs a new secretary, a car and a driver."

According to Ivan Stambolic, the wave of the creation of basic organizations that began with the application of the Law on Associated Labor brought a great deal that is positive with it: It freed workers from subordination to the techno-bureaucratic structure, from which for the most part every production initiative was derived. This can best be seen in firms with many participants in the production process and many subcontractors. The technostructure was previously dominant in these to such an extent that it was believed that without it, nothing could be done at all. Life has disproven this. There are more and more firms in which the workers do not just discuss salaries and social contributions but also guide production and development programs.

"It is time," Stambolic concludes, "for us to confirm the boundary line between what we will encourage and what we desire--for income to remain in the basic organization so that every worker will feel that it is the product of the joint work and his own--and what life throws to the surface as the negative residue, the fragmentation and disruption of production and income relations. We must not allow everything existing in firms to be divided into basic organizations: buildings, machines, engineers, accountants, secretaries and couriers."

The Money of the Economy against the Economy

Dragomir Vojnic, the director of the Economic Institute in Zagreb, who is well known for being professorially systematic, among other things, stated as part of the November conference of economists in Opatija first of all a definition according to which "the criterion for improving the position of associated labor in the system of social and especially expanded manufacturing is the degree to which basic and other organizations of associated labor take possession of the whole of the income, and especially the surplus of labor." Later he stated that "in this way the Marxist assumption...that whoever controls expanded manufacturing thereby also controls the entire society is in fact confirmed and authenticated."

How it began is well known. The professor, however, reminded us of the crossroads: "In the event that social relations that satisfy the criteria set are not reproduced through the overall operation of the socioeconomic and economic system, certain deviations occur in the quality of these relations. These deviations in the quality of social relations are manifested in the fact that along with the desired relations certain others also appear, such as state socialism, group ownership, capital relations, etc."

Leafing through the daily newspapers shows a stable increase in the power of the so-called state or administrative regulations. They are born like a phoenix and offer themselves like numphs to Odysseus, more enthusiastically the more difficult

navigation is, and more persuasively the greater the economic difficulties are. Why is etatism offered as a social relationship providing a way out of the crisis and why are the conflicts of interest between "the state and society" increasing?

Vojnic concluded, "In our development policy and practice, we have already been faced for several years with the phenomenon of a satisfactory reproduction in expanded dimensions of the material basis of society, and an unsatisfactory intensity in the reproduction of the corresponding--i.e., socialist and self-managing--socioeconomic production relations."

How much associated labor has taken possession of the income can most simply be seen from how much of the surplus of labor is left for it or, in very simple terms, how much money it has.

Exactly 20 years ago, economic organizations had 29.5 percent of the dinars for investments. The banks, so to speak, were without power and influence and were services of the central and general investment funds. Their participation was only 0.9 percent. The share of the institutions was 7.9 percent; the dominant share was that of the sociopolitical communities, with 61.7 percent. During the economic and social reform, in 1966, the share of the economy increased to 39.3 percent. This record was never beaten, since the share of the economy in financing investments dropped to 26.8 percent in 1971 and was stabilized at a little over 30 percent in the second half of the last decade.

Last year in economic investments, firms contributed 32.7 percent, the institutions 13.9 percent and the sociopolitical communities 7 percent. The share of the banks was 46.4 percent.

The indebtedness of the firms has become increasingly greater, a logical consequence of this "distribution" of the social capital. The funds that firms have used in the last few years to pay off investment credits have even been greater by half than the funds set aside for the business fund. In industry last year 1.10 dinars were set aside to pay off credits for every dinar added to the business fund.

To whom does the economy owe this? Since the banks do not have any capital, should the answer disclose the one who has a decisive influence in the banks? Is it the economy? It is illogical for it to be putting itself in debt and constantly making its own position worse.

Between Work and Idleness

Regarding the third topic, the decline in the motivation to work, Ivan Stambolic said, "I think that the degree of leveling is greater now than during the mid-1950's. It is possible, of course, to use the figures to prove otherwise, by an incorrect comparison of salary ranges. These ranges are not only small but are also worthless for any social evaluation of the incentive provided by remuneration according to work performance. A differentiation of work from idleness in the same setting would be the beginning of a process of differentiation in society. Socioeconomic and political relations in Yugoslavia are such that a decision must be made quickly on the directions for development in the area of remuneration and greater material motivation for working and increasing productivity."

A meeting with academician Dusan Calic at the conference reminded us of his analysis of the motivation of an individual to work, in which he says that "the merchandise economy, as a form of the social process of labor, is of primary importance for the formation of the interests of both the individual and social groups. The very essence of the merchandise economy requires this, as a form of production where the production is done for the market--i.e., for sale and trade--and where isolated producers confront each other as commodity producers on the market.... The distribution system and the extent to which we have succeeded in implementing the principle of remuneration according to work performance are a very strong motivation factor in Yugoslavia. It is precisely in implementing the principle of distribution in socialism that we have been standing almost in place for our entire socialist existence."

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JPRS 80201

26 February 1982

# East Europe Report

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2237

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26 February 1982

# EAST EUROPE REPORT

## ECONOMIC AND INDUSTRIAL AFFAIRS

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DEVELOPMENT OF LIGHT INDUSTRY MEANS MORE CONSUMER GOODS

Tirana RRUGA E PARTISE in Albanian Oct 81 pp 38-48

[Article by Myqerrem Fuga: "The Development of Light Industry and the Foodstuffs Industry Is the Basis for Fulfilling the Needs of the People with Consumer Goods"]

[Text] The draft directives of the Eighth Party Congress for the Seventh Five-Year Plan scheduled for light industry and the foodstuffs industry and for all the other sectors of the economy and culture, are very important tasks. In 1985, as compared to 1980, the production of consumer goods is expected to grow 29 to 31 percent, with an average yearly growth of 5.6 percent.

In all stages of socialist construction in our country our party, guided by the Marxist-Leninist principles of socialist industrialization, has always given priority to the production of the means of production, without ever forgetting to develop the production of consumer goods where, as is well known, most of the pressure is on light industry and the foodstuffs industry.

Due to the consistent implementation of the correct party line, our country has achieved important successes in developing light industry and the foodstuffs industry. The production of consumer goods has grown continuously in quantity, structure, variety and quality, fulfilling about 85 percent of the planned needs of the people with goods of domestic manufacture. This is a great victory, even when measured against other important victories, which testify to the superiority of our socialist system and the strength of our socialist economy which, contrary to what has happened in the capitalist, bourgeois and revisionist world, is developing at a fast rate, without crises and without inflation, with a price stability that has assured a continuous increase in the material and cultural level of the working masses.

Under these conditions, the different branches of light industry and the food industry have developed at a fast rate. In the course of the Sixth Five-Year Plan, regardless of the difficulties created by the harsh imperialist-revisionist blocade, the workers in this sector, inspired by the correct party line and the life-giving teachings of Comrade Enver Hoxha, on the whole, completed very well the principal tasks. The general industrial production plan was fulfilled 99 percent. In 1980, industrial production of consumer goods grew 23.1 percent as compared to 1975, realizing very nearly all the tasks set by the Seventh Party Congress.

During the Sixth Five-Year Plan several new factories and plants were established with our own forces, which increased production capabilities further and gave greater impetus to the production of consumer goods, as well as to the accumulation of agricultural products and livestock. The outstanding characteristics remains the fact that about half of the production increases in light industry and the foodstuffs industry were achieved through the better utilization of existing production capabilities, while the rest were assured by new capital investments and the adoption and use of advanced technology in production. By proceeding along the two paths of intensive and extensive development, an increase in the volume of consumer goods was made possible, not only in quantity, but is also assured improvements in their structure and quality.

As a result of increased work productivity, production expenses were lowered 55 million lek below projected costs; accumulations grew 30 percent more than in 1975, of which the net centralized return was 29 percent and the net enterprise return 64 percent. All these increases are concurrent; they are a powerful supportive base for defining and realizing the other more important tasks of the Seventh Five-Year Plan.

The project directives of the Eighth Party Congress for the Seventh Five-Year Plan, stress that "light industry and the food industry must develop through a greater utilization of existing production capabilities and by making improvements in techniques and technology. The functions of these industries must grow even more in order to fulfull better and better the needs of the people for consumer goods in quantity, structure and quality." (RRUGA E PARTISE No 7, 1981 p 15) It is foreseen that precisely on this basis light industry and the food industry will develop further in harmony with the other branches of the economy and especially with agriculture.

It is anticipated that by the end of the Seventh Five-Year Plan period the overall production of light industry and the food industry will have grown 29.7 percent more than in 1980. All the new branches and subbranches will develop further in harmony with one another and in agreement with the growing needs of the people and our exports. The biggest increases in production will be achieved through the utilization of the existing production capabilities and by increased work productivity. Capital investments for light industry and the food industry are anticipated to be 54 percent higher than in the Sixth Five-Year Plan period. Exports are predicated to grow 26.7 percent. Important tasks are expected for other economic and financial indicators.

The figures of the draft directives became objects of wide discussions. Workers in light industry and the food industry, as well as the whole nation, under the guidance of the basic party organs and organizations, turned the discussions on the draft directives into an important political and ideological activity where they expressed not only their unshakeable conviction of the correct party line and its economic policy, but they also unanimously endorsed the duties that were set down, and made valuable suggestions. More than 71,000 people took part in the meeting; 16,500 people took part in discussions and more than 11,700 important proposals were made concerning the improvement of the indicators and other measures that should be taken to fulfill successfully the tasks for the Seventh Five-Year Plan.

1.

The draft directives of the Eighth Party Congress for the Seventh Five-Year Plan, defined concrete duties for noticeable improvements in the structure of producing consumer goods in quantity, variety and quality as an absolute requirement in implementing the demands of the basic economic laws of socialism concerning the continued material and cultural well-being of the broad working masses.

The fact that consumer goods produced by light industry and the food industry are scheduled to grow during this five-year plan period at a rate almost three times the rate of growth of the population speaks clearly for the party's high materialistic goals to fulfill better and better the growing needs of our people. For example, the production of consumer goods by the mechanical industry will grow 41.7 percent, the knitting and textile industry by 43.7 percent, clothing industry by 27.5 percent, the shoe leather industry by 21 percent, the rubber industry by 84.9 percent, plastics by 88.7 percent, glass and ceramics by 86.7 percent, artistic productions by 44.5 percent, the chemical industry by 25.4 percent, the food industry by 22 percent, and so on. The importance of this development lies in the fact that these results will further improve the structure of consumer goods and as a consequence they will also improve the structure of consumption by the working masses; thus solving certain contradictions, which were noticed in the previous five-year plan period, between the growing demands of the people and the structure of certain foods and nonedible articles.

The achievement of these complex tasks requires a more scientific approach to production, an approach with a high proletarian discipline at work; it requires a more complete organization, especially in centralization, configuration and specialization. It is the task of the managing organs in light industry and the food industry, in the industry sectors of the executive committees of the people's councils in the district, as well as the apparatus of the ministry, under the gudance of the party organs and organizations, to focus their attention well on these basic problems, by considering seriously the work that has been done, and that which has not been done and that which still has to be done. We stress this point without belittling the important successes that have already been achieved, because there are still some disparities and deficiencies. For example, there are still inconsistencies in the production of consumer goods: in the assortment of ready-made clothes, shoes, glass and ceramic products, as well as in the manufacture of a number of good-quality metal articles which are still inadequate, and without mentioning here a lack in sizes and styles. During the public discussion of the draft directives these matters were discussed in all their breadth, even the close relation between the buying power of the public and the circulation of money was considered. However, they still remain objects to be realized, to be improved and discussed continuously by the workers of every brigade, department, factory and enterprise of the light and food industries, so that they can broaden the choice and improve, more and more, the structure of the goods which are produced in accordance with the present stages of our development.

The Ninth Plenum of the Central Committee criticized the state and economic organs of light industry and the food industry for lack of imagination and creativity in failing to introduce new methods to increase the variety and to improve the structure of consumer goods. Efforts are being made everywhere to

bring about the changes which the party requires in this direction. Based on explanatory, convincing, political and educational work and because of several technical and organizational measures which have been defined and are being implemented, there has been some improvement. However, the good work that has begun in this area must continue to improve, struggling against all expressions of formalization, deliberation and bureaucratization which are seen in some districts and enterprises.

Our people need more goods, with variety and styles according to age, sex, season and climate. The capabilities to fulfill these requirements exist. Rich experience can be found everywhere. Such are, for example, the initiatives of the workers at the Stalin Textile complex to improve the structure of fabrics, materials and velvet; the workers of the textile complex in Berat to increase the variety of clothes on coupons, the textile workers in Shkoder to produce by their own efforts printed knitted fabrics, the workers in the shoe factory in Tirane to produce special shoes, and shoes with artificial uppers, the workers in the Durres plastics enterprise to make toy drums, the workers in the Tirana plant for producing several kinds of fine metal articles by using technological leftovers, the workers in the garment factory in Korce for the variety and quality of their clothing line, etc.

However, this does not happen everywhere. The example of the shoe factory in Tirana is not being followed properly by other shoe factories. The knitting factory in Korce is progressing slowly in the production of printed knits. In some clothing enterprises, all the potentials are not being exploited to produce more clothing. At the Partizani plant and other metal plants, as was made clear during the public discussions of the draft directives, the production of many consumer goods, such as cooking utensils, meat, vegetable and fruit grinders, galvanized iron utensils, electrical hand tools and appliances, wall clocks, metal drums for children, etc. could be better organized and expanded. In the chemical enterprises, the production of several detergents and spot removers could be increased and organized better. The manufacture of some food items, such as dried curds, sausages and other meat products, as well as the production of heating stoves and inexpensive enamalled cooking stoves, electric frying pans, reflectors, bicycle parts and other items still do not properly respond to the demands of the people. There are many examples of this sort. The solution of this problem, as the party recommends, should be considered very seriously in every production enterprise. Creative ideas should be encouraged, the vanguard production workers and the specialists should be activated and the technological bureaus responsible for defining the manufacture of articles, their drafting, testing and projection should organize their work in orderly succession; overcoming every complaint and difficulty; at the same time, developing a determined struggle against foreign expressions which are noticed, especially in overall grading, by word of mouth and by articles which "raise the scales" of production and yields and against tendencies to avoid "difficulties," etc.

It is also very necessary to increase the level of cooperation between the production and commercial organs, especially in the need to have a more studied knowledge of the requirements for the people, so that production will always be preceded by scientific studies where the needs of the people are concerned and will respond to them not only in quantity and structure, but in quality and variety as well.

Experience shows that a qualitative struggle should take place on a broad front, reaching every unit of production. It is absolutely necessary to accompany the educational work to raise conscientiousness, controls and self-control to higher levels with organizational and technical measures, so that these measures will serve to make every production worker feel that he is also a consumer. The installation of technological charts for every type of production, the reexamination of technical conditions and outdated standards, the strengthening of technical discipline, the use of anthropometric measurements with fractions in the manufacture of clothing, knitted goods and shoes, improvements in the ticketing and packaging of goods, the strengthening of controls by tests and studies, as well as unyielding and effective qualitative controls are some of the important measures that have to be taken to achieve fundamental changes in the right direction.

Because of livestock and agricultural resources, the workers in the food industry have a wide field in which to increase their production and the variety of their products. The hauling and processing of these products on time is a very important task, not only to increase food products and improve their quality, to lower technological waste and damage to raw products, which at present is high, but also to implement correctly the policy of the party for the development of agriculture and for strengthening the alliance between the working class and the farmers.

Under the guidance of the basic party organizations and their levers, the struggle against expressions of subjectivism in the qualitative evaluation of agricultural products has increased. The struggle has also increased against weaknesses that are seen in the organization of collecting surpluses, especially during seasonal periods. Important measures have been defined and are being implemented to bring collections centers, processing factories and production lines close to the agricultural economies, assuring in this way a rapid, waste-free linkeage of agricultural and livestock surpluses.

2.

The rapid development of light industry and the food industry during the Seventh Five-Year Plan, is expected to be realized entirely on the basis of the more intensive utilization of existing production capabilities, as well as on the construction of new plants equipped with advanced technology.

Assimilating and surpassing the projected production capabilities by the maximum use of machinery and equipment, as well as perfecting the use of technology in production are important factors which help increase productivity. As a consequence, the efforts of the workers in light industry and the food industry have been considerable and the results are gratifying. Many projects production capabilities have been realized and surpassed. Nevertheless, there is no place for complaisancy because there are still unexploited reserves, and in some factories, departments and sectors the projected production capabilities have not been completely assimilated.

It is anticipated that about 60 percent of the increases in light industry and the food industry will be assured from the intensive exploitation of the existing technical and material bases. Experience shows that in order to have a more

intense utilization of material and technical bases, it is absolutely necessary to absorb accurate and deep concepts of the complexity of the tasks and on this basis build the work with people. These problems should be viewed specifically in depth and breadth for every piece of machinery, for every department and factory, for every enterprise and for every organizational link in production, with the intention that all the measures which have been taken will finally lead to a complete utilization of the working hours and to the efficient use of the schedule of each and every machine. Therefore, the party organizations and their levers have focused their attention on strengthening determination, organization and technical controls to encourage the careful use and maintenance of machinery, to perfect the servicing work of the mechanical brigade so they can clean and maintain machinery on schedule, avoiding defects and lowering the incidence of work stoppages. However, special attention must be given to the better organization of the second and third shifts. In some enterprises in the textile industry, for example, time losses from the second and third shifts make up a much as 20 percent of the existing production capabilities. Just the use of metal-cutting machines in three shifts will ensure a yearly production increase of about 8 million lek. As was made clear during the public discussions of the draft directives, shortening the time for the repair of production lines and factories and decreasing technological waste in production is an important front for technical and organizational work which would result in lowering costs and increasing productivity. The reserves in this area are numerous. For example, shortening by 1 day the time of repairs at the glass and pane factories without affecting quality is equal to savings of 150,000 pieces of packaging material and 4,600 square meters more glass.

Reserves of this kind exist in quite a few other enterprises, mainly in technological savings, which in some branches account for as much as 25 percent of production. The point now is to support and encourage the revolutionary beginnings that are flourishing in this area, within the framework of the 40th anniversary of the foundation of the party and the Eighth Congress, and at the same time increase the work for scientific study, strengthen and perfect technology in production, strengthen technological and proletarian discipline at work and make these problems a constant concern of all the workers collectives.

The draft directives of the Eighth Party Congress for the Seventh Five-Year Plan, have defined important tasks for the construction of new production facilities. Important financial funds are scheduled for the construction of a string of new plants in order to surmount the difficulties which exist today in some enterprises and branches of light industry and the food industry and to increase at a faster rate the production of consumer goods and broaden their structure. Characteristically, the construction of new plants will be done by keeping in mind the introduction of new advanced technology. Such, for example, are plants which are connected with the use of synthetic fibers in the textile industry, the use of artificial uppers of (neolite?) and polyurethane in the shoe industry and objects which will increase the variety of rubber and plastic products etc. Special importance will be given to establishing new plants in the food industry and for the collection of surpluses. The successful fulfillment of these tasks and the increased efficiency of the investments which are scheduled to be made depends mainly on the good organization of scientific studies, work and projects, on the efforts that are being made and should increase to produce machinery and

equipment domestically, and on taking good preparatory measures, starting with the study of the project plan through the construction stages and until the operation of the new plants; keeping in mind that every investment that is made for expansion, reconstruction or the construction of new plants will serve to introduce advanced techniques and technology, which will improve all production indicators. We stress this because in the past there have been instances when investments were not made with the required efficiency, for example, instead of expanding existing production lines by introducing elements of advanced techniques and technology, or building new production lines with more advanced technology, new production lines were built carrying the same old technology within the same enterprise.

3.

The uninterrupted growth of work productivity is and will continue to be considered the decisive factor responsible for increased production, for lowering costs, for increasing socialist accumulation and for improvements in the material and cultural standards of the working masses. We anticipate that about 50 percent of the production growth in this 5-year period will be accounted for by increases in work productivity. In order to initiate this task workers in light industry and the food industry, especially the managers, starting from the departments in the ministry to the basic organs, have become seriously involved with certain fundamental links which deal with problems that are connected to increased productivity Together with the measures to increase the level of mechanization and to improve technology in production, special importance is being given to measures for the improvement of the socialist organization of work. Achieving the objectives in this area depends primarily on measures to improve normative work in general and establishing technological norms in particular. During this 5-year period, work by norms will account for 95 percent of working time and work by technical norms accounts for 74.6 percent of the time. However, in examining the problem separately for every branch and every enterprise, we find that there are prounounced differences. Thus, in the industry for the treatment and curing of tobacco, normative work accounts for 84.4 percent of the time worked by norms, whereas, in the food industry it is only 79.7 percent, in the ceramic industry it is 74.7 percent. In addition, within the structure of work by norms, work by technological norms in the mechanical industry is only 48.7 percent, in memeography 41.6 percent, in the lumber and construction material industry it is about 50 percent, etc.

There are large reserves still to be realized in the area of work by norms. Without denying the present achievements, we still notice some weaknesses and deficiencies which have to do with the level of organization, management, controls and poor implementation of proletarian discipline at work. Thus, for the number of workers who not only fulfill the norms but even supass them, there are enough others who do not fulfill them. The nonrealization of norms has been influenced by unreasonable absences and administrative leaves, as well as by the usual inability to overcome incompetence at work, which in some enterprises continued to be relatively high.

Every brigade and sector has discussed these problems and the results have shown that together with deep, convincing and explanatory work to increase the spirit of mobilization and encourage the creative thought of specialists and workers in the vanguard, it is also necessary to implement a series of measures of a

technical and organizational character in order to improve the organization of work at the lowest levels and establish everywhere a healthy proletarian discipline at work, as well as raise the skills of the workers.

In order to improve management and organization, the party organizations are struggling against expressions of routine, liberalization and bureaucratization, which are seen now and then in the work of some employees in the ministry, in the industry sections at the committees of the people's councils in the districts and among some of the managers of light industry and the food industry. However, in order to establish everywhere revolutionary methods and styles at work, it is necessary, as was made clear during the public discussions of the draft directives, for the managing organs of the economy to ignore trivial matters among other things, and address themselves to vital problems, establishing a correct perspective in solving immediate problems and those for the future. It is very important to cope first with important problems whose solution plays a decisive role in the entire chain of work management which guarantees the successful fulfillment of the plan. Within this structure, work with people is the most important link and task because they are precisely the ones who, educated by the party and under the leadership of the party, will implement the important tasks set down by the Seventh Five-Year Plan. This is where our greatest reserves are to be found. Therefore, the party recommends that every communist, cadre and specialist endeavor to find more effective ways to work with people; to explain the tasks to them more clearly, not only at the enterprise level, but for every department, section, brigade and individual. We stress this because, as experience shows, on the political and ideological understanding of tasks depends the active, spirited participation of people at work, the stimulation of creative thought, the mobilization and participation of workers in concrete action to fulfill the duties of the plan.

At the foundation of all explanatory, organizational and managerial work lies, as always, the duty for all workers to become more conscious of the times in which we live and of the absolute necessity to fulfill all the indicators of the plan within the conditions of the harsh imperialist-revisionists blockade. Under these conditions, the strengthening of the system of thrift is one of the most important links to be considered in the work of the managing organs at base and at headquarters. It is important that the struggle to economize, as Comrade Enver Hoxha recommends, must remain active everywhere at all times, becoming second nature in all the workers. Special attention must be given to the rational use of raw materials, combustible materials, electrical energy and other raw materials. Due to the fact that in light industry and the food industry material expenses account for 80 to 82 percent of total production expenses, the revolutionary initiative to save 1 percent of raw materials and other materials above the plan, must be deepened and disseminated everywhere. The pledge to study, broaden and deepen the use of raw materials by technical norms, whose level is still very low, to introduce advanced technology in production, to use mathematical methods, as well as implementing tasks, which are derived from Comrade Enver Hoxha's speech made in April of last year, for the evaluation and management of economic and financial problems, in all their complexity, and their close relation to productivity also make up a broad area of activity for the basic party organs and organizations and for all the economic organs of light industry and the food industry.

The socialist organization and management of work is linked to a number of factors. Understanding the party directives and orientations, resolving and putting them into effect, controlling the implementation of decisions, keeping close relations with the working masses and actively involving them in the management of work, exploiting advanced experience, continuously deepening the technical and scientific revolution, etc, make up some of the principal links which will guarantee the improvement of the scientific progress of our economy so that we can successfully fulfill the tasks of the Seventh Five-Year Plan, which is a realistic mobilizing plan that relies completely on our efforts, on the abilities, effort and sweat of our people.

The workers in light industry and the food industry turned the discussion on the draft directives for the Seventh Five-Year Plan into a powerful emulating and mobilizing platform. Under the leadership of the party and Comrade Enver Hoxha they are working with high revolutionary spirit to fulfill successfully the plan for the first year of the Seventh Five-Year Plan, which is the year of the 40th anniversary of the foundation of our glorious party and the Eighth Congress. The results so far have been satisfactory. The balance sheet for work done in this 9-month period shows that industrial production in general in the branches of light industry and the food industry was fulfilled 102.1 percent, accumulation by 103 percent and costs were lowered 20 million lek below the plan. Everywhere, efforts are being made for this generally good beginning to continue to progress even more.

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## SIGNIFICANCE OF PRIVATE FARM PLOT STRESSED AGAIN

Sofia IKONOMICHESKI ZHIVOT in Bulgarian 13 Jan 82 p 2

[Article by Velichko Manchev, director of Self-Sufficiency and Private and Auxiliary Farm Plot Development Directorate in NAPS [National Agroindustrial Union]: "New Concern over Development of Private Farm Plot"; passages enclosed in slantlines printed in boldface]

[Text] The private farm plot occupies an important place in, and makes a definite contribution to the population's self-sufficiency in basic food products. It has at its disposal significant labor resources and physical facilities. It now produces 39 percent of the meat, 36 percent of the milk, 53 percent of the eggs, 27 percent of the vegetables and over 40 percent of the fruits. And this is not the maximum. The potentialities of the private farm plot as a natural extension of the socialized farm are not utilized as they should be. It has great undiscovered potential reserves for increasing the production of agricultural output not only for the plot-holder's own needs, but also for delivery to purchasing organizations.

In recent years the BCP Central Committee and the government have bestowed great concern and attention upon the development and strengthening of the private farm plot. The government has adopted a number of incentive purchase prices. All this has resulted in an upsurge, a significant increase in the output produced by the population. In 1981 more than 9000 tons of meat and over 40 million liters of milk were sold to purchasing organizations.

A new sign of concern for the development and strengthening of the private farm plot is Decree No. 50 of the Council of Ministers, passed at the end of last year, regarding an increase in the production of animal products and regulating the sale of grain on the private farm plot. This is a government document of great significance. It contains normative decisions and new provisions which will result in an increase in the production of animal products by the private farm plot.

/What are the basic features of the decree?/

/The first feature/ is that the government thereby approves new incentive prices for the purchase of almost all kinds of animal products produced with the plot-holder's own feed. Hitherto there was such a price only for pork, but it was of

no particular importance since it was very low (2100 leva per ton) and plot-holders hardly availed themselves of it.

The new decree establishes higher purchase prices for animal products produced with the plot-holder's own feed than the previous prices for animal products produced with feed from the state, as follows: for pork, 52 percent higher; for veal, 11.5; for poultry, 16; and for eggs, 11 percent higher.

Obviously, at these percentages, millions of leva (depending on how large the quantities of anomal products that are delivered are) have been budgeted to encourage the producers. All this is at the expense of the state budget and does not affect retail prices.

/The second feature/ has to do with regulation of the sale of grain produced on the private farm plot. What is new is that henceforth any more grain than is needed to raise livestock may be purchased only by the Cereals and Feed Industry DSO [State Economic Trust], and that at prices of 200 leva per ton. With effect from 1 January 1982 APK's [agroindustrial complexes], the TsKS [Central Cooperative Union] and consumer cooperatives are forbidden to purchase bread and feed grains from private farm plots.

What is the point of this provision?

The private farm plots of cooperators comprise more than 6 million decares of land. Moreover, an additional 700,000 decares were distributed under the procedure of Decree No. 1 of 1981. APK's are taking effective measures to increase grain yields from the land for private use. In many places the land is tilled, seeded and harvested by the farms and the grain distributed to cooperators according to the average yield they obtain.

Many of the plot-holders, however, have taken advantage of the shortage of feed and instead of using it to raise livestock have sold it at very high prices. And in this way they have wronged those who buy and use it for the production of animal products.

The ban on APK and TsKS purchases of grain from private farm plots is for the same considerations. They must seek their own ways of production and of solving the feed problem rather than purchasing in the market at high prices.

The point of the decree is objective and the state seeks no advantage from the purchase of the grain. This is obvious from the recorded text: "The grain is to be carried on a separate account and sold only to private and auxiliary farm plots and to purchasing and fattening yards at cost prices, with preference to the rayons from which it is purchased." What language could be more precise or a greater incentive--feed grain is to be used as intended--for the production of animal products?

/The third feature/ is the recommendation to agroindustrial complexes that they give an opportunity to those who work the specified minimum of man-days to raise

an unspecified number of animals for their own needs and on contract for sale to purchasing organizations. Moreover, manual and office workers and pensioners who raise animals with their own feed must be granted land for their use and given help in cultivating it.

The point of these provisions is better recruiting of the surplus manpower in families that not only in cities but also in villages is not fully used. The enlistment of more people in raising an unlimited number of animals, combined with their working a specified minimum of man-days in the APK's, is a measure that is advantageous in every respect. It creates the conditions for turning the private farm plot into a natural extension of the socialized farm.

The additional distribution of land for those who raise animals with their own feed is not only a genuine incentive for fulfillment of the goal, but also a reliable basis for raising cattle, cows, sheep and weanling lambs. Ruminants can be raised with minimum grain expenditures. And that is why the responsibility for providing more coarse feeds must not be underestimated.

/The fourth feature/ is the obligation to provide enough little pigs and baby chicks for the population--and that when they are most in demand, as well as the obligation to improve the organization of purchasing.

These are measures of great practical value. They have as their aim the introduction of technical progress into the private farm plot, too, by providing pigs and chickens of modern breeds and hybrids. The responsibility for supplying them becomes the obligation of the National Agroindustrial Union and its trusts.

The decree reflects the present state and imperfections of organization in the purchase of animal products. Plot-holders lose time unnecessarily and wait for weeks to deliver fattened animals. That is why the building of yards for the purchasing and finishing of suckling and weanling lambs and other animals is a measure, the carrying out of which brooks no postponement.

Finally, we cannot help noting that the decree is very timely. It does not abolish the previous practice of producing animal products in return for allotted feed. To the contrary, in a number of areas, some of which we have indicated, it elaborates upon and complements Decree No. 1. Plot-holders can take advantage of one form or the other, or of both together.

As can be seen, the decree proposes normative measures and solutions, the carrying out of which will lead to an increase in the production of animal products. That is why tangible and single-minded work is now needed in order to achieve full implementation not only of the provisions cited in the decree, but also of the obligations which the National Agroindustrial Union and the other departments, to which they apply, must perform.

6474
CSO: 2200/55

## MEASURES TO INCREASE TOURIST TRADE RECOMMENDED

Sofia IKONOMICHESKI ZHIVOT in Bulgarian 13 Jan 82 p 11

[Article by Senior Scientific Associate Emil Georgiev, candidate of economic sciences: "Complex and Diverse Opportunities"]

[Text] Rapid Rate of Increase in Foreign-Exchange Revenues

Problems in Making Further Progress

Intensive Way of Solving the Problem

Maximum Utilization of Available Potential Reserves

Revenues from international tourism are for many European countries an extremely important item in their balance of payments. By expanding the countries' export list, tourism acts powerfully to stimulate their economic development through the creation of new sectors and activities in the regions where it is promoted. Compared with the revenues from commodity exports,* revenues from tourism constitute 12 percent of commodity exports in Greece, 36 percent in Spain, 36 percent in Austria, 13 percent in Yugoslavia, 12 percent in Italy, and 6 percent in the Bulgarian People's Republic.

At present the countries of the Balkan peninsula realize annually about $18 billion in revenues from tourism. The forecast is that this figure will double by 1985.

During the past five-year plan our country increased its foreign-exchange revenues from tourism at a rapid rate. Revenues in socialist currency were 131 percent more than in the Sixth Five-Year Plan, and 163 percent more in nonsocialist currency. Average revenue per tourist almost doubled.

A significant portion of the increase was realized intensively by skillfully profiting from the tourist trade despite the crises in the capitalist tourist market.

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*For 1979. According to data of the International Monetary Fund (Washington, 1980). For the Bulgarian People's Republic the data are according to KESSI [Committee on Integrated Social Information System] (1980).

The average per-tourist per-day revenue structure was optimized by increasing the proportion of additional services and foreign-currency and leva trade.

The occupancy rate of physical facilities increased--not only at the seaside, but also inland--by an average of nine overnight stays per hotel bed, which is equal to the construction of a new 8000-bed seaside complex costing over 100 million leva.

In respect of the level of average foreign-exchange revenue from a second direction per foreign tourist per stay, our country ranks second among the Balkan tourist countries and yields at present only to Greece.

The problems in further increasing our foreign-exchange revenues from economic tourism are complex and diverse.

The first group of these involves our /tourism supply/ [passage enclosed in slant-lines printed in boldface]. The trend in the development of markets, the natural and climatic realities of our country and the tasks set by the Twelfth BCP Congress make it imperative that any future increase of our foreign-exchange revenues be accomplished exclusively by way of intensification. To this end, our supply must continue to be rapidly restructured in the following ways:

--by raising still higher the quality and complexity of the tourist product to and above the level of the advanced tourist countries by rebuilding and modernizing our physical facilities and by rapidly developing additional services;

--by overcoming the monostructure, and achieving the necessary diversification and specialization, of our supply through the development of highly effective types of tourism (trips to the mountains, trips for medical reasons, guided tours);

--by increasing the number of beds, raising the quality of private accommodations, and improving conditions for an extension of the season;

--by improving service standards through accelerated adoption of technical progress in the basic tourism activities.

Fuller utilization of trade opportunities, diversification of the forms and an increase in the number of sporting diversions, as well as a wider offering of trips to the mountains, trips for medical reasons and guided tours will, to a great degree, contribute to an intensive increase of foreign-exchange revenues.

Another important factor involving the utilization of existing physical facilities is an excellent knowledge of the competition and situation in the tourist markets. The forms of tourism--mainly from the nonsocialist countries--also affects the increase of foreign-exchange revenues. It is imperative to create preconditions for the development of unorganized tourism, given which the per-tourist revenues for the host country are as much as 40 percent higher than with organized tourism.

A very important potential reserve for increasing our foreign-exchange revenues is transit flow. The implementation of a package of measures for this purpose is a task confronting not only the DKT [Durzhaven Komitet za Turizum; State Committee

for Tourism], but also the settlement systems and agroindustrial complexes through whose territory the transit tourists pass.

The plan for the Eighth Five-Year Period targets a new increase in our foreign-exchange revenues from tourism—with a negligible increase in facilities. The role of other departments and national complexes in the execution of this task increases significantly. In the generation of the country's foreign-exchange revenue from tourism--especially of nonsocialist foreign exchange, it is expected that about 30 percent will be realized outside the enterprises of the DKT system.

In view of the fact that economic tourism is an open system, the Council of Ministers of the Bulgarian People's Republic in Decree No. 2 of 1979 made it the obligation of the DKT and the most important national complexes, departments and ONS's [okrug people's councils] to formulate and adopt a program of intensive tourism development during the period of the Eighth Five-Year Plan. These programs translate into concrete terms the tasks and measures for implementation of their joint activity. Precise observance of the commitments assumed in the current programs is an important condition for successful fulfillment of the plan.

A most important role falls to the National Transport Complex, which must effect further improvement in transport service for tourists in the following ways: by expansion and modernization of passenger rolling stock; by upgrading and improvement of the transport infrastructure servicing tourist complexes and itineraries; by expansion of the network of seasonal domestic and international rail and air lines to the most important tourist markets and complexes; by accelerated establishment of a transportation reservation system (the integration of which with the tourist reservation system will make possible full utilization of the physical and technical facilities of both tourism and transportation).

The NAPS [National Agroindustrial Union] and its trusts are no less significant for providing the highest-quality food products and goods to meet the needs of the tourist complexes. Under conditions of the world food crisis it is much more advantageous for our country to sell this output to tourists through the tourist complexes' network of food service establishments than to export it, investing additional outlays for special packaging, transportation, customs etc.

It is imperative to create normative conditions for exempting the agroindustrial complexes in the settlement systems that have express tourist functions from some of their obligations to export some fruits and vegetables, with the high-quality products sold to the tourist complexes counted as "export" on the spot. Under conditions of the new economic mechanism there is merit in studying the experience of some other socialist CEMA-member countries, where tourist enterprises buy the highest-quality goods from producers for foreign exchange, with the sale counted as exports thereof.

There must be wider integration of the efforts of OAPS's [okrug agroindustrial unions] and the managements of tourist complexes to establish local specialized farms for high-quality agricultural products and to establish small fruit-stores, hothouses, warehouses etc. for the fuller, high-quality satisfaction of tourist needs.

Domestic trade, light industry and the Central Cooperative Union must also assume a significant share of the commercial, personal and basic services for tourists. The important thing here is to improve the structure of the trade network and personal services facilities at a rapid rate and to make steady delivery of the necessary marketable goods. The specific character of some kinds of tourism necessitates the wider enlistment of pensioners in these activities and of schoolchildren and students in the trade network, but these must be people who have proved that they have the qualities to represent our country to foreigners.

As a result of the theses issued at the Twelfth BCP Congress regarding the further development of our highly efficient medical tourism, the role of the Ministry of Public Health has grown significantly too. It is anticipated that a big program of saturating the Pomorie, Druzhba [Friendship]-Varna, Kyustendil, Velingrad and other tourist complexes with a most modern network of medical infrastructure in addition to that now existing will be implemented at an accelerated rate.

Our country has available most highly skilled medical personnel who have international prestige. It is imperative that a broad program of scientific information be carried out at an accelerated rate by the joint efforts of the Ministry of Public Health and the DKT for wide groups of medical circles in the countries from which most tourists come, taking advantage of our country's favorable opportunities for effective treatment of some diseases.

Wide opportunities are also opening up for a number of other departments and enterprises to realize foreign-exchange revenues from foreign tourists stopping in our country.

The adoption of the tourist sector's foreign-exchange plan for the period of the Eighth Five-Year Plan makes it imperative to create the organizational preconditions for its successful fulfillment and overfulfillment. Along with the already-adopted intensive-development programs, which the DKT has with the most important national complexes, departments and ONS's, joint foreign-exchange programs must be formulated in addition to these, which will be realized in concrete joint measures during the period of the Eighth Five-Year Plan according to concrete requirements.

These are problems, the solution of which will contribute to the achievement of higher efficiency in tourism and to the provision of more foreign-exchange revenues for our country--a task assigned by the party and government to this important sector for our country.

6474
CSO: 2200/55

## EQUAL AWARDS TO ALL WORKERS HAMPER INCENTIVE SYSTEM

Prague PRACE A MZDA in Slovak Dec 81 pp 649-651

[Article bv Michal Majtan, candidate for doctor of science, Standard of Living Research Institute, Bratislava: "Greater Consistency in Compensation Differentiation According to Work"; passages within slantlines in boldface]

[Text] Most economists working in the areas of planning, management, finance and research have expressed the view that it is necessary to alter the development of leveling trends in the area of compensation according to work. This request is not new, and it is by no means a matter of an isolated change.

It is necessary to correct the existing shortcomings in compensation, thereby eliminating actual "injustice" in compensation and, therefore, fulfilling consistently in practice the specific principles of the socialist law requiring compensation according to the amount, quality, and social significance of work.

This problem has been characterized concisely by Minister M Stancel: "In particular, we have not been successful in consistently implementing a program to reverse leveling trends and to provide compensation according to work which has actually been performed and according to management performance. Equalizing tendencies still persist, and lead to an undesirable decline in the performance of individuals and work collectives, to the disruption of labor and technological discipline." In conjunction with this, when he speaks about the social climate for the implementation of wage policy in the Seventh Five-Year Plan, he states: "There should be no place in it for obsolete practices which do not respect sufficiently the principles of merit and which retain an unhealthy equality in wages, which often leads to passivity by creative and productive employees and, as a consequence, weakens the objectives of state wage policy. In this regard, we must, above all, change the positions of managerial employees, many of whom do not have the courage to differentiate among outstanding, good, and average employees...."

/The application of proper compensation principles according to work has had certain shortcomings in the practice of individual organizations, both in their development to date, and at present. This was even true at the beginning of, and during preparations for, the switch to the improved economic mechanism for the planned management of the economy. The crux of the problem lies, above all, in the area of inconsistent work by managerial agencies and employees. These individuals did not even utilize previously existing possibilities and opportunities for a proper differentiation of compensation in conjuntion with the theoretically accurate requirement of compensation according to work./

Let us cite several examples:

--bonuses and premiums in the production and nonproduction spheres are, in the great majority of instances, determined solely as a percentage of basic wages (advertisements for job opennings are also formulated in this way);

--the basic salaries of, for instance, technical-managerial employees, researchers, and employees in other branches of the nonproduction and production spheres are determined more with regard to the ratio between the number of available positions and the available labor resources than, for instance, on amount of experience, educational level, work quality, and the like;

--even in those locations where bonuses are not calculated as a percentage of basic wages, they are usually determined not according to "social" criteria, so that each employee obtains, in absolute terms, approximately the same amount of bonuses (premiums) differentiated, when at all, by age alone. In the view of many managerial employees, this practice is considered "just." They are often unpleasantly surprised, then, when creative and initiative-taking employees resign themselves to above-average or at least medium-progressive performance, and experience a reduction in their working elan;

--it is clear that in the past nothing has pushed, and that there is still nothing motivating, managerial employees to implement consistently the requirements of the law concerning compensation according to work. For instance, in 1974 a proposal was published of a relatively objective technique for determining differentiation in compensation based on the basic salaries of employees with designated basic salaries which were fixed. (The periodical PRACE A MZDA carried an article on this issue written by this author in No 9/1974). This technique rests in a taking into account of education, practical experience, the tendency to take initiative, the difficulty of the job in question, and the like. There were attempts to apply this technique, at least experimentally, at the level of two ministries of the nonproduction sphere, in research institutes, etc. But there was neither the interest nor the desire to study this proposal, or to evaluate it even on an experimental and theoretical plane. At the same time, this technique makes it possible for managerial employees and agencies to objectivize, according to the requirements of the law of compensation according to work, for instance the plan breakdown of the development of average wages and wages payable according to past and future principles of wage policy.

According to the Set of Measures for Improving the Planned Management System of the Economy, an increase is being assumed, at the level of economic production units, in their role in, and accountability for, the conscientious medium-term, long-term, (but short-term as well) planned management of technological and economic policy. In many instances, economic production units will become scientific-production units (associations).

/Certain enterprises have approached the Set of Measures, from the beginning, with a lack of trust and have anticipated a worsening in the conditions of their work. In its own way, and in conjunction with past development, their reaction is understandable. On this matter, however, it is necessary to state and to make very clear that this is not a question of a "worsening" of conditions. Only the demands on

the work of managerial employees have been increased. This is, however, a natural demand on their labor. There must be an end to the practice by which investment funds are "obtained" primarily in order to increase the volume of wages payable by negotiation, without any relationship to performance or an improvement of the situation in the area of indicators of efficiency, and the like. At the same time, however, demands also increase on the efforts of managerial employees in the area of compensation differentiation. This should, however, be an instrument (a resource) with the assistance of which it should be possible to increase the initiative and performance of employees, even in instances of a reduction in their numbers in individual organizations. It is possible to state justifiably that a decline in the number of employees in certain organizations is not an unfeasible component of the assumptions regarding the evolution of their conditions. Under these conditions, labor productivity, the volume of output and average wages are all to increase. This will, however, require at the same time the more consistent utilization of all types of standards and documentation of output (including in the area of technical-managerial employees and their colleagues, administrative employees)./

To date, however, attitudes regarding the role and importance of the development of average wages indicator have displayed a certain lack of accord with the Set of Measures. On this matter, it may be stated that it took the appropriate central agencies too long to repeal the so-called wage tax (levied based on the rate of increase in wages, on a per employee basis). At the same time, economic research had fully analyzed and documented in a timely manner its negative influence on incentives in the area of employee development and in compensation for their work. It caused, for instance, the appearance of a category of so-called "position holders," i.e., employees who were in many cases completely unnecessary for the performance of the work of the organization. They were hired, or retained in the complement of employees in order to reduce the growth rate of average wages.

/At present, it is justifiably required that, in conjunction with the Set of Measures, enterprises search for opportunities to reduce the number of employees, or at least hold it constant, while at the same time increasing output per employee, bringing about a resultant increase in wages payable. The opportunity is thereby created for an increase in the rate of growth of average wages of an obsolescent employee collective. The practice of planning agencies should correspond to this, so that they are primarily concerned with the management of the growth rate of the volume of wages payable and not with average wages. It is not proper, nor is it in accordance with the intention of the economic mechanism to put in place under the Set of Measures, that an increase in average wages receive priority consideration in plans and documents (as, for instance, the 1.7 percent figure contained in the report on the governmental proposal of a law concerning the state plan of national economic development for 1981). In the planned management of economic development, of compensation, of the balance on the market of consumer goods and services, as well as the monetary incomes and expenses of the population, it is important (in a material sense) to include the development of the volume of wage, labor, social, and overall monetary incomes of the population./

There is underutilized potential in the employee area and, therefore, also in the area increased labor productivity. At many work places, there is a high percentage (share) of inefficiently utilized work time. For instance, the current amount of lost labor time is at a level of about 15 percent in industry, and as much as 30 percent in construction. In 1975, working hours were 92.3 percent utilized, in

1978 they were 92.0 percent utilized, and in 1979 only 91.7 percent utilized. A decline of 0.6 percent in the utilization of labor time, in terms of a single shift, means the loss of about 3 minutes. Expressed in terms of the entire national economy, we lost over the above period, the work of about 45,000 people.

Achieving improvement in the sector of labor compensation and its differentiation requires a large amount of systematic work by all managerial employees. It requires an increase in the quality of standards for labor value added and the labor content of products, and better evaluation of those labor collectives and employees which deserve documentable credit for an improvement in economic performance.

9276
CSO: 2400/110

MAJOR ENTERPRISES REVEAL 1982 PLANS

Budapest NEPSZAVA in Hungarian 4 Jan 82 p 1

[Article: "Large Enterprises' Plans for This Year"]

[Text] Seven thousand buses to the Soviet Union--Strong technical development at Videoton--Transformation of production structure at LKM [Lenin Metallurgical Works] --Nationwide workers' meetings begin the year

On Sunday, the first working day of the new year, many enterprises held workers' meetings where the results of the past year were summarized and the main tasks of the coming year were outlined.

The Ikarus factory can begin the year in more favorable circumstances than last year, said managing director Jozsef Toldi at the workers' meeting. As a result of better marketing, more than 90 percent of this year's production has already been committed to orders. He recalled that last year, because of diminished demand, fewer buses than planned were manufactured--altogether about 12,200 were produced. Now at the beginning of the year orders have already been received for almost this many buses, and further negotiations which promise to be successful are under way. Already last year the more difficult market situation forced the enterprises to find more modern solutions; more valuable buses have been created in the 200 series. Ikarus is increasingly meeting the demand for semi-finished products and spare parts as well, especially for the assembly plants that established in developing countries. The production of Ikarus plants in countries of Africa, the Near East, and South America has grown significantly, and more materials and parts than before are being shipped to them from Hungary.

The enterprise's largest customer continues to be the Soviet Union, to which 7,000 buses will be exported this year. Larger orders have arrived from the GDR, Sweden, and France, and this year Hungarian buses will again be sold to Kuwait. The creation of new series of buses and the perfection of the production of some of them are being accelerated. A savings of 190 million forints in material and energy savings has been calculated.

At the brigade meetings of the Lenin Metallurgical Works there was talk mainly of transforming the production structure because this is a possible way of producing and exporting more economically in spite of low prices on the capitalist market. They are going to try to make use of the modern technology of the already installed "converter" steel plant, which is suitable for assisting in the manufacture of

products that can be exported. Investment in the second phase of the Combined Steel Plant will also be continued. Already during this month test of the continuous steel-casting plant will begin, and sooner than expected, probably in May, heat-operation tests of the electric furnace will start.

One of their important tasks is to supply domestic industry with alloy and other kinds of high-quality steel as well as with forged and foundry products. This year 1,100,000 tons of steel and 750,000 tons of rolled goods will be produced.

At the Sunday meeting of the Trans-Danube Oil-Machinery Works, director Ferenc Tornyos said that already last year conditions were created for the manufacture of several kinds of products that can replace imports and/or be exported. Thus at the beginning of the year manufacture of the long-life rock drill series can be started. These bits, which are made with a system of rollers, are being delivered not only to domestic hydrocarbon researchers, but also to Austrian and Indian customers. Another new type will be a kind of ball-pivot pipe valve that can be used well by chemical and steam industries as well as by the hydrocarbon industry. He said that a 13 percent increase in work productivity is planned, and if this succeeds wages can be increased by an average of 6 percent.

In discussions at each workplace of the MAV [Hungarian State Railways] repair station in Szolnok, the subject was mainly the regrouping of the work force necessitated by the introduction of the 5-day work week. The new motor-testing hall, which is the most modern of its kind in the nation, will be a great help to them, and it will soon begin its regular work. Even greater growth in productivity is presently hindered by the fact that--especially for diesel locomotives--spare parts do not arrive in time. They are increasingly trying to encourage their partners to make timely deliveries. They will undertake to manufacture those spare parts for themselves when this is still not successful. In this way they will see that MAV will get diesel locomotives and railroad cars awaiting repairs back into service as soon as possible.

At the workers' meeting of the Debrecen Canning Factory, director Gabor Nagy spoke of how they are establishing even closer ties to the large agricultural operations by giving them a financial interest to make appropriate deliveries of goods. Small enterprises will be established this year in Vancsod and Hajdusamson that will be more adaptable for the production of the small quantities that foreign companies require. They joined with the foreign-exporting enterprise Generalimpex a month ago, and they expect accelerated market openings from this cooperation.

Istvan Papp, director of the Videoton Electronic Enterprise, said at [their] workers' meeting that they want to produce 9.6 billion forints worth of goods, 600 million forints more than last year, which will require a 4-5 percent increase in productivity. This year they want to market 64 percent of their products abroad, compared to 60 percent last year, and for this reason strong technical development will be continued.

9611
CSO: 2500/116

## AGRICULTURAL LAND, LIVESTOCK INVENTORY STATISTICS FOR 1981 FURNISHED

Warsaw PRZEGLAD HODOWLANY in Polish No 20, 16-30 Oct 81 pp 2, 3, 4, 8

[Article by Marianna Wilk, (M.A, engineer), Main Statistical Office: "Changes in Land Use and Farm Animal Population According to the 1981 Agricultural Census"]

[Text] The agricultural census conducted this year on private farms, as it is each year as of June 30th, combined with reporting data from socialized farms for the second quarter of this year, showed:

--a further drop in total acreage of cropland,

--an increase in the total area of grain crops, but a drop in the sown area of the four grains and mainly wheat,

--an increase in sugar beet cultivation, but a drop in cultivated area for potatoes, rape and corn,

--a significant drop in farm animal production.

### Land Use

The total cropland area in the country decreased from 18,946.9 thousand hectares in 1980 to 18,909.8 thousand hectares this year. Thus there was a further loss in land used for farming, and considering the scale of the losses of agricultural acreage during the last several years (in 1978, as compared with 1977, agricultural acreage decreased 0.3 percent; 0.4 percent in 1979 as compared with 1978; and 0.2 percent in 1980 and 1981 as compared to the previous year), it should be said that as a result of increased action to reduce the takeover of land for nonagricultural purposes, the rate of dropout of land from agricultural use in the last two years has clearly diminished. The decrease in total farm acreage was due primarily to the decrease in arable land--39,200 hectares, 0.3 percent--and also pastures (6,100 hectares, i.e., 0.4 percent) and orchards (3,700 hectares, or 1.3 percent). However, meadowland increased by 11,900 hectares, or 0.5 percent.

As distinct from past years, when as a result of intersector turnovers of land, mainly through the State Land Fund, a gradual regrouping of land from private agriculture to the socialized economy took place, thus causing a gradual increase in the share of the socialized sector in the structure of land use, the agricultural

census this year showed an increase, in relation to last year, in land acreage used for farming by private farmers, while at the same time it decreased in the socialized sector, thus indicating a halt in the one-sided transfer of land.

Agricultural acreage in private farms increased by 42,000 hectares as compared with last year, whereas in prior years the farm acreage in this sector dropped from one year to the next at a rate of from 130,000 hectares in 1980 to 300,000 hectares in 1976.

This was due to a reduction in the number of farms transferred to the State Land Fund by private farmers in exchange for a pension or annuity. During the period from July 1980 to July of this year, farmers transferred to the State 54,600 hectares, i.e., 35.4 percent less than during the same period the previous year. This decrease is attributed to the fact that farmers took advantage of the opportunity that the October 27, 1977 law created, i.e., that they could also obtain retirement benefits if they transferred their farm to an heir. In 1980, 119,000 farmers took advantage of this opportunity, i.e., 47.1 percent more than in 1979, and in the first six months 34,000 farmers took this opportunity, i.e., also 47.1 percent more than in the first six months of 1980.

At the same time, as the data on the farming of lands transferred to SLF show, there was a significant increase in the interest of private farmers to purchase land from SLF. In the first six months of this year private farmers acquired either by purchase or through administrative decisions about 56,400 hectares, which means a 12 percent increase in comparison with the first half of last year.

The increased interest by the farmers in land purchase is shown also by the growth rate of land prices in private turnovers among farmers. During the first six months of this year these prices were on an average about 30 percent higher than in the same period last year, whereas in earlier years the level of land prices indicated a certain stability.

The decrease in agricultural acreage in socialized farms is due mainly to the fact that the farming units of the agricultural circles are no longer involved in farming production. The agricultural acreage used collectively by agricultural circles this year has decreased by almost 40 percent in comparison with last year. (Table 1.)

The total drop in agricultural acreage did not have an important influence on reducing the land areas under cultivation this year, and an increase in sown areas was recorded only for grain crops, sugar beets and fodder crops.

While total grain acreage increased, the four-grain sowing acreage this year was about 100,000 hectares (1.4 percent) less than last year, and the drop in wheat sowing acreage amounted to 191,000 hectares, i.e., 11.9 percent. Considering the good harvest under favorable weather conditions and the current estimate of the average yields obtained this year, it is forecast that this year's total crops of the four grain crops together with grain mixtures will be over 2 million tons higher than the crops obtained last year.

Table 1. Land Use in 1981

| (1) Wyszczególnienie | (2) Powierzchnia ogólna | | | (3) W tym użytki rolne | | |
|---|---|---|---|---|---|---|
| | (4) w tys. ha | 1980=100 | (5) w odsetkach | (4) w tys. ha | 1980=100 | (5) w odsetkach |
| (6) Ogółem | 31 268,3 | 100,0 | 100,0 | 18 909,8 | 99,8 | 100,0 |
| (7) Gospodarka uspołeczniona | 15 087,6 | 99,8 | 48,3 | 4 749,3 | 98,4 | 25,1 |
| w tym: | | | | | | |
| (8) PGR Min. Rolnictwa | 4 194,9 | 99,5 | 13,4 | 3 485,1 | 99,4 | 18,4 |
| (9) spółdzielnie produkcyjne | 857,2 | 103,5 | 2,8 | 780,0 | 103,3 | 4,1 |
| (10) kółka rolnicze | 186,8 | 61,7 | 0,6 | 169,1 | 61,9 | 0,9 |
| (11) Gospodarka nie uspołeczniona | 16 180,7 | 100,2 | 51,7 | 14 160,5 | 100,3 | 74,9 |

Key:

1. Item
2. Total surface
3. Cropland
4. Thousand hectares
5. Percentage
6. Total
7. Socialized economy
8. Ministry of Agriculture State Farms
9. Producer cooperatives
10. Agricultural Circles
11. Nonsocialized economy

Table 2. Sown Area of Main Crops in 1981

| (1) Wyszczególnienie | (2) Ogółem | (3) zbożowe | | (4) buraki cukrowe | (5) ziemniaki | (6) łubin i rzepik | (7) pastewne |
|---|---|---|---|---|---|---|---|
| | | (8) razem | (9) w tym 4 zboża | | | | |
| | | | (10) w tys. ha | | | | |
| (11) Ogółem | 14 509,2 | 7890,9 | 6870,2 | 477,3 | 2257,7 | 277,3 | 2362,1 |
| (12) Gospodarka uspołeczniona | 3 476,2 | 1548,5 | 1436,2 | 106,1 | 189,1 | 233,8 | 805,5 |
| (13) Gospodarka nie uspołeczniona | 11 033,0 | 6342,4 | 5434,0 | 371,2 | 2068,6 | 43,5 | 1556,6 |
| | | | 1980 = 100 | | | | |
| (11) Ogółem | 100,0 | 100,8 | 98,6 | 102,3 | 96,3 | 86,7 | 109,5 |
| (12) Gospodarka uspołeczniona | 98,9 | 99,2 | 98,3 | 90,2 | 87,1 | 95,6 | 115,2 |
| (13) Gospodarka nie uspołeczniona | 100,3 | 101,2 | 98,7 | 106,4 | 97,3 | 97,9 | 106,8 |

*Excluding corn for seed

Key:

1. Item
2. Total
3. Grain
4. Sugar beets
5. Potatoes
6. Rape and turnips
7. Fodder
8. Combined
9. Including four grains
10. Thousand hectares
11. Aggregate
12. Socialized economy
13. Nonsocialized economy

There may also be a possible increase in sugar beet crops (based on a 10,700 hectares, i.e., 2.3 percent, increase in amount of cultivated area over last year); however, yields will be dependent on further vegetation and harvesting conditions.

The potato planting acreage is smaller than last year by 86,000 hectares, and there are 42,500 hectares less of rape and turnips. (Table 2.)

Farm Animal Population

In accordance with earlier expectations, the agricultural census this year showed a significant drop in farm animal population. Cattle stock in agriculture as a whole as of June 30, 1981 totalled 11.8 million and was almost 0.9 million (6.7 percent) less than at the end of June in 1980. There has not been such a low cattle population in June in Poland since 1972. This further lessened the amount of cattle on private farms and was reflected in a drastically sharp decline in the cattle herds in the socialized economy.

The declining trend in cattle population on private farms which began in 1975 as a result of a gradual drop in successive years, reduced the cattle numbers this year to a 1970 level, i.e., to 8.9 million head. Compared with the highest numbers recorded in 1975 on private farms (10,378.3 thousand), this means a drop of 1.5 million head, or 14.6 percent.

Cattle herds in the socialized economy, after reaching 3.4 million head in 1978, showed a certain stabilization in the following years, ignoring seasonal changes resulting from production cycles. The first signals that the general state of the cattle population in the socialized sector is declining appeared in the middle of 1980. The decline is attributed to the relatively sharp reduction in cattle raising in the agricultural circle cooperatives in connection with the change in their economic activity. Lack of fodder also reduced cattle herds during the winter in the Ministry of Agriculture State Farms and in the producer cooperatives. At the end of June of this year the cattle population in the socialized economy amounted to only 2.9 million head and was over 0.5 million (14.6 percent) lower than a year ago. In the agricultural-circle group farming it dropped 58.1 percent, in the producer cooperatives 13.4 percent and in the Ministry of Agriculture State Farms, 13.3 percent (Table 3).

The cow population in agriculture as a whole at the end of June of this year showed a somewhat lower drop than the total cattle population, and although in the socialized economy this drop amounted to 6.3 percent and was much greater than that recorded at the end of the first quarter of this year (which compared with the first quarter of 1980 amounted to 0.9 percent), in the nonsocialized economy it essentially remained at the level shown in the quarterly April census and amounted to 2.8 percent. This would indicate that the declining trend in the basic herds of cattle on private farms was being halted; however, the gradually decreasing (with certain fluctuations related to the fodder situation and economic conditions in the production of milk), since 1975, number of cows in this sector fell so low in June of this year--4,954 thousand, or the level prior to 1957--that the rebuilding of these herds even with good fodder and economic conditions for cattle raising, will require at least 2 years. Now, after implementation of the April price increase for milk procurement and also in

Table 3. Cattle Population - End of June 1981

| (1) Wyszczególnienie | (3) Ogółem | (2) Gospodarka uspołeczniona | | | | (8) Gospodarka nie uspołeczniona |
|---|---|---|---|---|---|---|
| | | (4) razem | w tym: (5) PGR Min. Rolnictwa | (6) spółdzielnie produkcyjne | (7) kółka rolnicze | |
| | | (9) w tys. sztuk | | | | |
| (10) bydło | 11 797 | 2935 | 2480 | 374 | 38 | 8862 |
| (11) w tym krowy | 5 757 | 803 | 695 | 95 | 2 | 4954 |
| | | 1980 = 100 | | | | |
| (10) bydło | 93,3 | 85,4 | 86,7 | 86,6 | 41,9 | 96,2 |
| (11) w tym krowy | 96,7 | 93,7 | 93,6 | 95,6 | 57,4 | 97,2 |

Key:

1. Item
2. Socialized economy
3. Aggregate
4. Combined
5. Ministry of Agriculture State Farms
6. Producer cooperatives
7. Agricultural Circles
8. Nonsocialized economy
9. Thousand head
10. Cattle
11. Cows

Table 4. Average Prices of Cows and Heifers in Free-Market Turnovers

| (1) Wyszczególnienie | (2) Miesiące | | | | | | |
|---|---|---|---|---|---|---|---|
| | I | II | III | IV | V | VI | VII |
| | (3) Cena za 1 szt. w tys. zł | | | | | | |
| (4) Krowa | 19,3 | 19,8 | 20,7 | 25,5 | 29,5 | 31,7 | 35,3 |
| (5) Jałówka 1-roczna | 10,7 | 11,0 | 11,4 | 14,0 | 15,5 | 16,4 | 17,7 |
| | (6) Analogiczny miesiąc 1980 = 100 | | | | | | |
| (4) Krowa | 119,0 | 120,9 | 124,0 | 151,7 | 174,4 | 186,7 | 208,6 |
| (5) Jałówka 1-roczna | 117,1 | 118,2 | 119,7 | 147,0 | 161,7 | 169,9 | 184,0 |

Key:

1. Item
2. Months
3. Price per one in thousand zlotys
4. Cow
5. Heifer, yearling
6. Same month in 1980 = 100

view of prospects of better crops, a certain increase in interest by farmers in cattle raising is observed, as shown in, for example, the growth rate of free-market prices of cows and yearling heifers, prices which in July of this year reached a level twice higher than those of July of last year (Table 4).

But the steep drop in calf population recorded in the June census--by 357,000 head, i.e., 14.3 percent in relation to that of the end of June 1980--is disturbing. The low level of the calf population, combined with the higher than last year farm slaughter of calves as a result of strains on the meat market, will limit the expansion potential of the cattle population and the commercial production of beef livestock for slaughter in 1982 and even in 1983. Decisions to increase the number of calves raised, which may be made this year if crops are good, will not produce commercial results until 1984.

The hog population on June 30th of this year totaled 18.5 million and was 2.8 million (13.3 percent) lower than at the end of June 1980. In comparison with the highest figures on June hog population in Poland, which was in 1978, this indicates a drop of 3.2 million, i.e., 15 percent (Table 5.

Table 5. Hogs - Population at the End of June 1981

| (1) Wyszczególnienie | (3) Ogółem | (2) Gospodarka uspołeczniona | | | | (8) Gospodarka nie uspołeczniona |
|---|---|---|---|---|---|---|
| | | (4) razem | (5) PGR Min. Rolnictwa | (6) Spółdzielnie produkcyjne | (7) Kółka rolnicze | |
| | | | (9) w tys. sztuk | | | |
| (10) Trzoda chlewna | 18 480 | 4885 | 3365 | 940 | 229 | 13 595 |
| (11) prosięta poniżej 3 miesięcy | 6 774 | 1266 | 943 | 254 | 40 | 5 508 |
| (12) warchlaki od 3 do 6 miesięcy | 5 454 | 1534 | 1103 | 242 | 40 | 3 920 |
| (13) lochy na chów | 2 184 | 414 | 312 | 82 | 13 | 1 770 |
| (14) w tym prośne | 1 262 | 222 | 166 | 45 | 7 | 1 040 |
| (15) tuczniki, bekony i inne | 4 068 | 1671 | 1007 | 362 | 136 | 2 397 |
| | | | 1980 = 100 | | | |
| (10) Trzoda chlewna | 86,7 | 80,8 | 86,2 | 85,6 | 41,7 | 89,0 |
| (11) prosięta poniżej 3 miesięcy | 89,7 | 90,7 | 89,5 | 98,5 | 74,2 | 89,5 |
| (12) warchlaki od 3 do 6 miesięcy | 81,9 | 76,1 | 81,2 | 76,8 | 25,9 | 84,4 |
| (13) lochy na chów | 90,0 | 84,9 | 84,0 | 94,3 | 57,5 | 91,3 |
| (14) w tym prośne | 92,2 | 89,5 | 89,8 | 92,6 | 63,9 | 92,8 |
| (15) tuczniki, bekony i inne | 86,7 | 77,8 | 90,1 | 82,7 | 42,8 | 94,3 |

Key:

1. Item
2. Socialized economy
3. Total
4. Combined
5. Ministry of Agriculture State Farms
6. Producer cooperatives
7. Agricultural Circles
8. Nonsocialized economy
9. Thousands
10. Hogs
11. Piglets under 3 months
12. Shoats from 3 to 6 months
13. Gilts
14. Sows in farrow
15. Porkers, baconers, and others

Changes over last year in the individual age groups of hogs attest to the drop in production potential, and this phenomenon is greater in the socialized economy than in the nonsocialized economy.

In the socialized economy, the hog population stayed at a level of about 6 million for 3 years. It dropped to 4.9 million this year, i.e., by 19.2 percent. To a large degree this was due to the liquidation of almost 60 percent of the hogs in the agricultural circles group farming, but it was also the result of a decrease in the number of hogs in the producer cooperatives (16.1 percent) and in the Ministry of Agriculture State Farms, where the drop was 15.7 percent. The decisions of the socialized farms to reduce the hog population halted the previously high intersector flow of piglets and shoats (on the order of 0.5 million a quarter), particularly within the framework of direct coproduction purchases. In the first six months of

of this year, the socialized farms purchased half as many piglets and shoats from private farmers as they did in the same period last year. The reduction of demand for piglets on the part of socialized farms was responsible for the drop recorded in the June census, a drop lower than anticipated on the basis of the structure of the hog population recorded in the January and April censuses this year. At the end of June, 13.6 million hogs were counted on private farms, i.e., 1.7 million less (11 percent) than a year ago. The basic gilt stock showed a decline lower than that of the total hog population. In comparison with June of last year, the total gilt population was 8.7 percent lower, and of this there were 7.2 percent fewer sows in farrow.

The halt in the downtrend in gilts and the recently growing rate of increase in the free-market price of piglets, despite the reduced demand for piglets by socialized farms, would indicate a revived interest by farmers in raising hogs. But the lack, thus far, of activity at the copulation centers for gilts shows that the farmers are still undecided as to the extent to which they want to raise hogs. The farmers' waiting position is probably due to the current economic situation (large supplies of money and shortages of goods), fear about the potato crops and lack of guarantees that there will be coal and electric power (the frequent disconnection of current which is already occurring disorganizes work on the farms), and also shortages of commercial bulk fodder. What the profit ratio will be in the production of pork livestock for slaughter this fall is also very important, as is the fixing of prices for procurement of crops, especially potatoes, at a level that will make it more profitable to process them into slaughter livestock on the farm than to get rid of them directly.

The drop, recorded in the June census, in the number of porkers and shoats, which are the starting base for commercial production in the immediate future, indicates that the supply of pork slaughter animals for procurement will continue to be limited. Considering also the decline in piglets and sows in farrow, no improvement in the commercial production of hogs should be expected before the middle of 1982.

Possible decisions that the farmers may make on expansion of hog-raising after the crops are harvested, in view of the animal-production cycle, will not show results until the turn of 1982-1983.

The sheep population, according to the June census this year, dropped by over 320,000 (7.6 percent) in comparison with June 1980. This decline reflects a drop of 12.2 percent in the sheep population in the socialized sector and 4.9 percent in the private sector.

The horse population in agriculture as a whole, in comparison with last year, dropped 3 percent and totaled 1,726 thousand in June of this year.

The changing trends in the cattle and hog populations in all the voivodships are shown by the date contained in Table 6 on the following page.

Table 6. Cattle and Hogs - Population Ending June 1981

| (1) Województwa | (2) Bydło | | | (3) Trzoda chlewna | | |
|---|---|---|---|---|---|---|
| | tys. sztuk (4) | rok poprzedni = 100 (5) | obsada na 100 ha użytków rolnych (6) | tys. sztuk (4) | rok poprzedni = 100 (5) | obsada na 100 ha użytków rolnych (6) |
| (7) Polska | 11 797,0 | 93,3 | 62,4 | 18 479,7 | 86,7 | 97,7 |
| (8) Warszawskie stoł. | 84,8 | 95,6 | 41,2 | 188,0 | 92,3 | 91,2 |
| (9) Białostocki | 182,7 | 93,7 | 48,9 | 435,8 | 90,3 | 116,7 |
| (10) Białostockie | 316,9 | 93,1 | 52,0 | 458,0 | 83,7 | 75,1 |
| (11) Bielskie | 145,2 | 96,1 | 77,9 | 153,5 | 85,4 | 82,3 |
| (12) Bydgoskie | 338,8 | 87,6 | 56,5 | 747,5 | 89,4 | 124,6 |
| (13) Chełmskie | 125,1 | 85,2 | 49,4 | 154,9 | 72,4 | 61,2 |
| (14) Ciechanowskie | 291,3 | 96,2 | 60,4 | 459,9 | 91,4 | 95,4 |
| (15) Częstochowskie | 235,4 | 95,2 | 64,9 | 301,7 | 83,6 | 83,2 |
| (16) Elbląskie | 291,8 | 92,7 | 73,7 | 319,7 | 84,2 | 80,7 |
| (17) Gdańskie | 211,8 | 92,1 | 54,7 | 507,2 | 84,7 | 130,9 |
| (18) Gorzowskie | 229,8 | 88,3 | 63,4 | 382,8 | 92,0 | 105,7 |
| (19) Jeleniogórskie | 131,6 | 96,9 | 64,1 | 123,6 | 94,8 | 60,2 |
| (20) Kaliskie | 317,9 | 100,3 | 71,4 | 688,8 | 93,6 | 154,8 |
| (21) Katowickie | 205,8 | 96,1 | 63,2 | 319,1 | 84,3 | 97,9 |
| (22) Kieleckie | 368,0 | 92,2 | 62,4 | 415,9 | 77,5 | 70,5 |
| (23) Konińskie | 210,4 | 95,5 | 55,2 | 359,9 | 85,4 | 94,4 |
| (24) Koszalińskie | 245,9 | 88,2 | 60,1 | 417,7 | 82,1 | 102,1 |
| (25) Krakowskie m. | 143,8 | 96,7 | 64,2 | 195,3 | 85,3 | 87,2 |
| (26) Krośnieńskie | 182,7 | 85,1 | 75,5 | 90,6 | 64,1 | 37,6 |
| (27) Legnickie | 188,2 | 95,6 | 74,9 | 303,3 | 95,4 | 120,7 |
| (28) Leszczyńskie | 236,0 | 97,7 | 80,0 | 546,6 | 98,2 | 185,3 |
| (29) Lubelskie | 282,7 | 93,5 | 56,3 | 497,6 | 80,0 | 99,1 |
| (30) Łomżyńskie | 256,3 | 98,2 | 56,5 | 440,7 | 98,6 | 97,1 |
| (31) Łódzkie m. | 60,1 | 90,0 | 59,4 | 92,8 | 87,5 | 91,8 |
| (32) Nowosądeckie | 246,0 | 93,9 | 89,5 | 110,0 | 77,3 | 40,4 |
| (33) Olsztyńskie | 432,9 | 91,7 | 62,4 | 558,8 | 79,1 | 80,6 |
| (34) Opolskie | 415,2 | 99,3 | 76,9 | 623,9 | 91,0 | 115,6 |
| (35) Ostrołęckie | 226,0 | 92,9 | 56,2 | 362,1 | 91,4 | 90,0 |
| (36) Pilskie | 230,7 | 90,1 | 56,7 | 532,7 | 92,4 | 131,0 |
| (37) Piotrkowskie | 234,8 | 95,9 | 59,4 | 318,0 | 79,3 | 80,5 |
| (38) Płockie | 248,4 | 96,0 | 62,9 | 395,2 | 88,3 | 99,8 |
| (39) Poznańskie | 367,1 | 94,1 | 67,6 | 976,4 | 98,1 | 179,7 |
| (40) Przemyskie | 175,3 | 86,1 | 67,9 | 178,1 | 67,5 | 69,0 |
| (41) Radomskie | 241,4 | 97,1 | 47,4 | 401,8 | 90,7 | 78,8 |
| (42) Rzeszowskie | 217,1 | 89,0 | 74,5 | 199,4 | 66,2 | 68,4 |
| (43) Siedleckie | 329,2 | 100,4 | 55,0 | 716,0 | 96,1 | 119,6 |
| (44) Sieradzkie | 235,0 | 95,2 | 66,8 | 309,2 | 78,9 | 87,9 |
| (45) Skierniewickie | 179,1 | 91,4 | 57,8 | 296,7 | 83,1 | 95,7 |
| (46) Słupskie | 199,5 | 90,1 | 57,9 | 347,0 | 92,7 | 100,7 |
| (47) Suwalskie | 340,6 | 97,7 | 63,1 | 419,0 | 88,7 | 77,7 |
| (48) Szczecińskie | 328,0 | 93,2 | 61,4 | 632,9 | 88,9 | 118,5 |
| (49) Tarnobrzeskie | 231,1 | 92,8 | 60,7 | 240,2 | 75,0 | 63,1 |
| (50) Tarnowskie | 217,1 | 96,6 | 73,4 | 227,6 | 81,9 | 76,9 |
| (51) Toruńskie | 234,0 | 87,9 | 63,5 | 428,3 | 77,6 | 116,3 |
| (52) Wałbrzyskie | 169,0 | 94,7 | 67,4 | 170,3 | 96,2 | 67,9 |
| (53) Włocławskie | 192,1 | 90,5 | 60,2 | 328,6 | 80,6 | 103,0 |
| (54) Wrocławskie | 287,7 | 90,9 | 69,7 | 410,2 | 86,9 | 99,4 |
| (55) Zamojskie | 302,9 | 87,4 | 61,7 | 277,4 | 69,1 | 56,5 |
| (56) Zielonogórskie | 233,8 | 89,8 | 65,2 | 418,0 | 91,0 | 116,6 |

Key:

1. Voivodships
2. Cattle
3. Hogs
4. Thousands
5. Previous year = 100
6. Stock per 100 hectares of cropland
7. Poland
8. Warsaw Capital
9. Biala Podlaska
10. Bialystok
11. Bielsko Biala
12. Bydgoszcz
13. Chelm
14. Ciechanow
15. Czestochowa
16. Elblad
17. Gdansk
18. Gorzow
19. Jelenia Gora
20. Kalisz
21. Katowice
22. Kielce
23. Konin
24. Koszalin
25. Krakow City
26. Krosno
27. Legnica
28. Leszczyny
29. Lublin
30. Lomza
31. Lodz
32. Nowy Sacz
33. Olsztyn
34. Opole
35. Ostroleka
36. Pila
37. Piotrkow
38. Plock
39. Poznan
40. Przemysl
41. Radom
42. Rzeszow
43. Siedlce
44. Sieradz
45. Skierniewice
46. Slupsk
47. Suwalki
48. Szczecin
49. Tarnobrzeg
50. Tarnow
51. Torun
52. Walbrzych
53. Wloclawek
54. Wroclaw
55. Zamosc
56. Zielona Gora

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## FIRST QUARTER 1982 PRODUCTION PLAN REPORTED

Warsaw ZYCIE GOSPODARCZE in Polish No 1, 24 Jan 82 p 3

["Main Assumptions of the Draft Plan for the First Quarter, 1982" prepared by the Planning Commission]

[Text] Industry. The size of industrial production will be determined by three main factors; work time, delivery of raw and other materials, and size of imported means. The greatest obstacle is imports. The size of deliveries of domestic fuels, raw and other materials, has been adapted to the level of imports, allocating the surpluses that result for the alleviation of difficulties occurring in foreign trade turnovers. As a result of the significant deficit of imported means, the depletion of material reserves in the final months of the past year, industrial production in the first quarter of 1982 will amount to 90-92 percent of the value achieved in the first quarter of 1981. The production of basic industrial products was estimated as follows:

Table 1.

| Item | 1982 1st Qtr | 1st Qtr 1982 / 1st Qtr 1981 |
|---|---|---|
| Hard coal (million tons) | 44.3 | 107.4 |
| Coke from hard coal (million tons) | 4.4 | 96.2 |
| Petroleum products (million tons) | 2.8 | 79.2 |
| Electrical energy (billion kWh) | 32.0 | 99.4 |
| Rolled products (million tons) | 2.3 | 72.0 |
| Copper (thousand tons) | 8.0 | 94.6 |
| Sulfur (thousand tons) | 1,112.0 | 101.1 |
| Cement (million tons) | 3.5 | 104.8 |
| Coniferous timber (million cubic meters) | 1.3 | 101.6 |
| Paper (thousand tons) | 220.0 | 88.6 |

The key problem in industry will be structural transformation, facilitating an increase in the production of goods to satisfy the priority needs included in operaational programs. This was expressed in the corresponding allocation of centrally distributed means. The hard coal balance, for example, illustrates this.

Table 2.

| Item | 1st Qtr 1982 (Million tons) | 1st Qtr 1982 / 1st Qtr 1981 |
|---|---|---|
| Outflow of coal in total | 40.4 | 100.9 |
| for production-transport purposes | 32.3 | 99.4 |
| to supply the population | 7.8 | 106.3 |
| for export | 3.5 | 171.3 |
| from total outflow, consumed directly for purposes covered by operational programs | 24.7 | |

As a result, while industrial production fell about 9-10 percent, priority production of means for agriculture and clothing and footwear for children and youth grows:

Table 3.

| Item | 1982 CPSG* | Growth Rate | Share of 1st Qtr in Yearly Production |
|---|---|---|---|
| Industrial production in total (billion zlotys) | 3,280 | 100.5 | 23.9 |
| Production | | | |
| --nitrogen fertilizers (thousand tons) | 1,347 | 106.1 | 26.0 |
| --phosphor fertilizers (thousand tons) | 920 | 104.5 | 24.2 |
| --cloth garments for children and youth (millions) | 4.6 | 115.0 | 26.1 |
| --cloth undergarments for children and youth (millions) | 6.3 | 126.0 | 25.4 |

*Central socioeconomic plan

The proposed structural changes, indispensable from the standpoint of implementation of the plan's social goals, also entail some specific negative effects. They relate to the need to greatly limit, and in extreme cases to halt, production of an investment nature, durable goods of high imports-intensiveness, etc. In view of the often long period necessary to make changes in the structure of production, this may mean temporary halting of production in some departments, and sometimes in entire industrial plants.

Food Economy

The situation in the food economy in the first quarter of 1982 will be governed by three factors:

--a large drop in animal population and production in 1981,

--a reduction in imports of raw materials and farm products, due to the general payments situation in the country,

--the effectiveness of administrative and economic actions taken to restore ties between the village and the town.

As a result, it is estimated that procurement of basic farm products in the first quarter of 1982, as compared with the same period last year, will be as follows:

Table 4.

| Item | 1981 1st Qtr | 1982 1st Qtr | 1982 2nd Qtr Forecast | 1st Qtr 1982 / 1st Qtr 1981 |
|---|---|---|---|---|
| Livestock for slaughter (thousand tons) | 585 | 410 | 360 | 70.1 |
| including poultry (thousand tons) | 94 | 55 | 18 | 58.5 |
| Milk (million liters) | 1,647 | 1,700 | 2,600 | 103.2 |

The large drop in poultry deliveries results from the reduction in imports of fodder indispensable for this farming.

The reduced meat stocks will make it necessary to adjust the sales system accordingly, either by reducing ration-card allotments or by increasing prices. The second solution, in our opinion, is preferable.

Foreign Trade. The foreign-trade stuation in the first quarter of 1982 continues to be very uncertain insofar as the resolution of external factors is concerned. It is assumed that the value of imports from countries in the 2nd payments area [capitalist countries] will amount to 3.5 billion foreign-exchange zlotys in the first quarter of 1982, and will be 30 percent lower than last year. The growth of imports from socialist countries will be about 11 percent. Detailed forecasting data on foreign-trade turnovers looks like this:

Table 5.

| Item | 1st Qtr | 1982 1st Qtr | 1982 2nd Qtr Forecast | 1st Qtr 1982 / 1st Qtr 1981 |
|---|---|---|---|---|
| Exports | 9,680 | 9,500 | 11,230 | 98.1 |
| Socialist countries | 5,227 | 5,100 | 6,330 | 97.8 |
| Capitalist countries | 4,453 | 4,400 | 4,900 | 98.8 |
| Imports | 11,437 | 10,700 | 11,000 | 93.6 |
| Socialist countries | 6,481 | 7,200 | 7,000 | 111.1 |
| Capitalist countries | 4,956 | 3,500 | 4,000 | 70.6 |

As shown by the above data, it is assumed that the value of exports in the first quarter of 1982 will be only slightly lower than in the first quarter of 1981. This is a particularly difficult task if we note that imports of producer supplies from countries in the 2nd payments area [capitalist countries] will drop by 30 percent in relation to last year's level. An optimal distribution of imported means will, under these circumstances, be one of the most responsible tasks for controlling the course of economic processes.

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PRINCIPAL ECONOMIC REFORMS PUBLISHED

Warsaw ZYCIE WARSZAWY in Polish 16-17 Jan 82 pp 1, 2

[Article by (Ch): "New Economic Mechanisms. Reform of Producer Prices. Elimination of the Foreign-Exchange Zloty. Credit on Commercial Terms."]

[Text] A number of modifications have become effective in our economy since last January. They resulted either from the implementation of the new financial-economic system or from other decisions of the authorities, reported by the press on those days when ZYCIE WARSZAWY did not come out. We feel, therefore, under an obligation to our readers to present overall information on certain major changes in the economic area.

As is known, the "Principles for State Enterprise Activity in 1982," accepted by the Council of Ministers on 30 November, became effective despite martial law. A month later, the Council of Ministers slightly altered this document because of the conditions of martial law, e.g., suspending self-government activities and reinforcing one-person management. The number of operational programs was considerably increased, and offices of ministerial plenipotentiaries were instituted to handle those programs. Ministerial plenipotentiaries were also appointed to handle the affairs of separated economic districts (enterprise associations were placed in a status of pending liquidation). In general, however, it can be said that the November principles are now in effect.

State enterprises autonomously plan their operations on the basis of contracts or arrangements with suppliers and consumers, their own information on supply and demand and their objectives identified in conformity with the law on enterprises by respective founding body, i.e., a minister or a governor. Enterprises are also expected to be guided by data resulting from central annual plans.

A new system of price setting is in force. Side by side with official prices, determined by the Council of Ministers or appropriate state administration bodies, and so-called regulated prices, free prices are the rule. This is important because of the reform of producer prices implemented 1 January. New producer prices are a better reflection of actual value of raw materials and energy, allowing for price ratios in international markets. This is an essential condition for initiating cost effectiveness-based management in production plants, but at the same time it is a factor causing alteration of many retail prices. Thus, aside from the major price operation on food, coal, gas and power, we are witnessing price

changes in many articles. To counter abuses in this area, intensified monitoring and necessary fiscal countermeasures were promised.

Under the new economic mechanisms, the foreign-exchange zloty was eliminated as a unit and replaced by factors for conversion of currencies into zlotys in circulation. The average dollar conversion factor, fixed at 80 zlotys, ensures profitability of nearly four-fifths of our exports. This is another step toward simplifying economic calculation, permitting cost-and-benefit analysis in each plant, the more so since a uniform price system is in force in both exports and imports.

The departure from the command management system also increases the role of credit and poses new tasks for the banks, likewise included in the economic reform. The act on banking laws, passed by the Sejm, charges banks with new duties in policy making on money and credit and in adapting that policy to the assumptions of the reform. Relations between banks and enterprises are now supposed to develop on the basis of voluntary credit agreements. Enterprises will not be obliged to utilize credits to finance their continued operation or investment if they possess their own resources. Credit will be obtainable on commercial terms. Thus, a break was made with automatic crediting, which also presupposes the banks' compliance with the principle of self-financing, exacting definite terms from their debtors on, e.g., repayment guarantees.

Enterprises are no longer under an obligation to comply with wage and employment allotments whose levels are now to be determined by enterprises themselves depending on their needs and financial resources. This is a totally new principle which, however, may bring about substantial relocation of employment.

To alleviate social consequences of these economic mechanisms, social safeguards were instituted. Their basic component is a vocational activation fund that has already been established. Besides the above-mentioned trend to streamline employment, co-production and supply problems can cause necessary lay-offs if plants are unable to pay employee wages. Vocational activation fund should provide for the acquisition of new qualifications by those temporarily unemployed or changing jobs. It should also provide for the creation of new jobs. The fund will be used to disburse allowances to employees in the socialized sector who are granted leave without pay because of temporary reductions in or stopping of production.

These are just a few selected changes. We did not mention, for example, the new freight transport rates, new rates for air tickets on domestic flights and increased interest rates on citizens' savings accounts in banks. We will resume these matters and the new principles listed above in future informational articles and commentaries.

8795
CSO: 2600/246

ECONOMIC COMMITTEE OPEN LETTER TO NATION PUBLISHED

Warsaw ZYCIE WARSZAWY in Polish 19 Jan 82 pp 1, 2

[Article by Janusz Obodowski, chairman of the Council of Ministers Economic Committee, vice-chairman of the Council of Ministers]

[Text] The Council of Ministers' Economic Committee is submitting to the nation a draft reform of retail prices on food, heating fuel and power, interrelated with a system of compensations. We propose this reform to become effective on 1 February 1982. The Committee believes that a reform of these prices is necessary. Repeated postponement of this reform in the past, due to political reasons, was one of the causes of an increasing economic imbalance. Today this imbalance has reached its critical point. We live by rationing. The stores are empty. We are constantly forced to depend on foreign aid.

The proposed price reform is exceptionally large in extent. This raises justified concern. Earlier attempts to reform the price system, considerably lesser in scale, encountered resistance from many segments of society. Yet precisely because society has refused its acceptance of such changes for years, the extent of those changes is so large today. It is an invoice presented to the authorities and society alike by an economy whose laws had not been respected for many, many years.

Increases in the prices of heating fuel and power will be accompanied by concurrent compensations. We have attempted to make the compensation system as equitable as possible. We cannot, however, ensure that the effects of the price reform will be uniformly mitigated for all people.

This results from the fact that not only income and consumption levels but also the structure of consumption are different in every family. Therefore we cannot ensure everybody's receiving compensation exactly commensurate with their expenditures.

There are conflicting views as to what constitutes equitable compensation. Some think that uniform compensation for all is justified. This finds expression in the popular saying: "We all have identical stomachs." Others believe that compensations should be as large as possible for those who earn the least and should decrease as earnings rise. Still others assert that compensations should include allowances for greater effort and higher qualifications.

Each of these views is supported by valid claims and ardent proponents. For this reason, we tried to find a compromise solution. We propose full compensation for increased prices of foodstuffs included in ration allotments for all job holders, retirees and pensioners, regardless of the levels of their salaries and benefits. Moreover, we propose compensations for increased prices of those other foodstuffs whose prices are determined by the government, and for prices of heating fuel and power in amounts decreasing in proportion to earnings. With monthly earnings in excess of 13,000 zlotys, this portion of compensation would not be applicable.

The proposed reform of the prices of food, heating fuel and power raises the nation's concern that it would involve a decline in the standard of living. This concern is justified to the extent that, aside from official food, fuel and energy prices, free and seasonal prices will also rise. Furthermore, the reform of food, fuel and energy prices coincides in time with increases in the prices of many industrial products, resulting from the economic reform that is being implemented since 1 January and from a related reform in producer prices. These changes were necessary, for prices must reflect actual, genuine costs of our production. They reflect our labor productivity and quality of our work. Prices that are lower than actual production costs lead to empty stores and, at the same time, to profiteering and enrichment of dishonest individuals at society's expense.

However, we do not intend to ignore increases in these prices either. The state will exercise control over them so that such increases merely match necessary increases in production costs. We will agree neither to the effects of wastefulness being concealed in prices nor to egotistic actions by enterprises in the name of narrowly conceived self-interest. We will also introduce mechanisms to protect the indispensable standard of living for the people. Serving this purpose will be a system for computing an index of rising costs of living which will be a basis for increases in the lowest wages, annuities and pensions as well as those wages whose growth is not related to improving economic effects of a plant.

We will monitor price fluctuations in the market and their effect on the standard of living. After the first 6 months of this year, we will resume the issue of wage levels and social benefits in relation to the rising costs of living.

These price modifications will be a burden to the nation notwithstanding all the measures we are taking to mitigate their impact. This is, however, an economic necessity. We must shoulder that burden today so as to ensure an improved situation in the near future. The improvement will not come overnight: we cannot promise that the stores will be full as of 2 February. Still, there exist possibilities for a noticeable production growth to take place in the course of several months and for the market situation to stabilize by the end of the year. We must not waste this opportunity. In this spirit, the Council of Ministers' Economic Committee appeals to everyone to understand the purpose of proposed reform.

8795
CSO: 2600/254

AGRICULTURAL PRODUCTION FIGURES, NEW MEASURES DISCUSSED

Bucharest ROMANIA LIBERA in Romanian 13 Jan 82 pp 1, 5

[Interview with Emilian Mihailescu, deputy minister of agriculture and the food industry, by Eugen Sasu: "We Possess Huge Resources in Agriculture. It Depends on Us To Utilize Them"; date and place not given]

> [Text] Nicolae Ceausescu: "Let us make the year 1982 mark strong progress in our agriculture through modernization, the raising of productivity, the growth of vegetable and animal agricultural production, the achievement of the new agrarian revolution."

[Question] Comrade minister, we have begun a new year. I would suggest to you, first, that you describe to us what 1981 meant for Romanian agriculture.

[Answer] The 1st year of the current 5-year period represented for this sector another forward step on the path to attaining the objective established by the 12th party congress: the achievement of a profound revolution with regard to agricultural production, technical level, economic efficiency, the raising of the degree of civilization in our villages. As a result of the continual help from the party leadership and Comrade Nicolae Ceausescu personally, the continual development and consolidation of the technical-material base were provided, as expressed in the growth of the mechanical equipping and in the use of greater quantities of chemical fertilizer, the utilization of new areas equipped for irrigation, the modernization of a large number of shelters for animals, and in many other actions meant to raise the potential of Romanian agriculture.

The steps taken in 1981 to satisfy as fully as possible the requirements of the stage through which our socialist agriculture is now passing had and have the same major importance, steps meant, in particular, to improve the framework and increase the power of the material stimuli and others, in the direction of further development of agricultural production. Of course, the limited space does not permit us to review all these steps, but it is clear that the program concerning self-management and self-supply on a local level occupies a central place. This program, based on an innovative principle--inspired by the clear-sighted thought of the secretary general of the party--must become a strong instrument for mobilizing the huge resources existing, all the energies in agriculture, in order to achieve a true qualitative leap on the plane of the production activities and results.

Referring to the production results, I mention that about 20 million tons of cereals, 1.2 million tons of sunflowers and soybeans, nearly 4.5 million tons of potatoes,

over 4 million tons of field vegetables, a good yield of grapes and satisfactory yields of fruit and sugar beets were achieved in 1981. In addition, we also obtained significant achievements in zootechny. Nevertheless, agriculture owed significant quantities of agricultural and food products to the central state supply.

The analysis made and the criticism raised regarding agriculture by the secretary general of the party, Comrade Nicolae Ceausescu, at the joint plenum of the RCP Central Committee and the Supreme Council for Economic and Social Development in November 1981, are completely well founded, bringing out, first of all, the necessity of achieving a new quality that would provide full agreement between agriculture's real potential and the results obtained. Drawing the proper lessons, the leadership of the ministry proceeded immediately to apply an extensive program of measures aimed at qualitative improvement of the whole activity.

/Question/ What objectives must be attained in agriculture in this 2d year of the 5-year period?

/Answer/ The objectives for 1982 are--as is but natural--more mobilizing, involving the accentuation of the process of intensive development, in order to obtain high outputs, in proportion to the technical-material base that we possess, for substantially increasing agriculture's contribution to the progress of the whole national economy.

This year, the task of achieving a rate of growth of agricultural production of 6.0-7.9 percent--a rate that exceeds the rate of development of industry--devolves upon us. This is a basic choice that increases agriculture's role in developing the national economy and raising the people's standard of living.

The output of cereals will have to reach 24 million tons, including over 6.6 million tons of wheat and 13.3 million tons of corn. Significant increases in harvests are also expected for the technical plants, potatoes, vegetables, fruit and grapes. A significant increase in animal production, which will amount to 48 percent of the total agricultural production, is expected in zootechny. I would also add as important tasks for 1982 the raising of the area equipped for irrigation, so that this area totals 2.5 million hectares at the end of the current year, and the increasing of the land on which work of combating soil erosion and of drainage is done.

All these objectives whose attainment depends, first of all, on the way in which we will act and will know how to promptly solve all the problems that arise in the meantime have a solid material support. The volume of the investments allocated to the Ministry of Agriculture and the Food Industry from the funds of the state and the cooperative agricultural units amounts to about 43 billion lei and they will be utilized primarily to supply tractors, machines and other equipment, to develop and modernize the viticultural and pomicultural holdings and to perform work of modernization and reequipping.

I must add the fact--an extremely important one--that, this year, agriculture will be equipped with 18,400 tractors, 4,500 high-capacity self-propelled grain combines and other modern machines and equipment, which will allow us to perform the agricultural work in shorter periods, an extremely important matter in agricultural production. I feel that we possess all the conditions needed for fulfilling the tasks established for 1982, a decisive year for achieving the new agrarian revolution.

/Question/ A number of regulatory acts for stimulating the agricultural units and the individual producers were approved in past weeks. Obviously, a number of tasks in this regard also devolve upon the ministry. What are they?

/Answer/ The recent measures adopted by the higher party leadership with regard to stimulating the agricultural units and the other producers to raise the yield per hectare and increase the deliveries of agricultural products to the state supply have awakened an excellent response among those who work in the fields. It is as clear as can be that the improvement in the prices for some agricultural products and the awarding of bonuses for exceeding the planned outputs and the deliveries to the state supply will abundantly demonstrate their effectiveness, on the one hand, through the creation of an even stronger competition in the direction of growth in agricultural production--both in the socialist units and on the individual farms--and, on the other hand, through the achievement of additional incomes by the inhabitants of the villages.

There ought to be mentioned also the measures for improving the activity of mechanization, through its integration into the production activity of the units to a greater extent, as well as other important actions already taken, or in the process of being perfected, for improving the organizational framework, actions that, in essence, have as a goal the elimination of duplication, of those intermediate links that, as a rule, generate paperwork and bureaucratism. Regarding the ministry, we are acting perseveringly to achieve on a central level, as well as in the county, an apparatus that corresponds to the extremely valuable instructions given by Comrade Nicolae Ceausescu, with the center of gravity of the whole activity being concentrated in the units, where, in the final analysis, the fate of the harvests and the zootechnical production is decided.

/Question/ At present, the programs through which each county, each locality, will provide itself, in the main, the agricultural products needed for self-supply are in the process of being finalized. In what directions will the ministry act in order to ensure the attainment of this objective?

/Answer/ In this matter, very complex tasks devolve upon our ministry, tasks that are not limited just to placing the programs in the territory and correlating them with the state plan. One task of great responsibility is that in each county, in close collaboration with the local bodies, we are to determine with maximum competence the structure of the crops and the percentage of each one and, where the soil and climatic conditions do not permit the utilization of a certain crop with efficient results, we are to establish the possibilities of compensation through the achievement of agricultural products needed in other counties. This without abandoning the basic principle of self-supply, but only in the idea that it not contravene in any way the general requirement of placing the crops in their optimum area, where they find favorable conditions assembled. Hence, the necessity of finding the optimum solution for each particular situation. In order to carry out the programs established, the agricultural units and the agricultural producers have the duty to act with all possible determination to fulfill and overfulfill the production targets, utilize the land fully and efficiently, increase its productive potential, do all the agricultural work at the proper time and with quality, strictly comply with the technologies, densities and standards for cultivating the plants, ensure the gathering, transportation, storage and preservation of the harvest in a suitable fashion and without losses, and eliminate any forms of waste, degradation or destruction of the

agricultural products. No less important are the measures for completely achieving the stipulated populations of animals and for tending and feeding them, in compliance with the consumption standards, in order to provide the increases and weights on slaughtering and the outputs established in accordance with the law.

/Question/ I believe that it is not too early for us to talk about the sowing campaign. In what stage is the work that conditions the performance of the spring sowing in the optimum periods?

/Answer/ As you know, the workers in the fields do not have a "vacation" even in the winter period. After the end of the harvesting and the transportation of the production, they continued with the fall plowing, which, although it was delayed, has practically been finished. From this viewpoint, we can say that it will be easier for us in spring, in contrast to last year. We will be able to start with the preparation of the land and the sowing as soon as the weather lets us. In this period, special attention is being devoted to transporting the organic fertilizer to the field, given the fact that each unit possesses big quantities of stable manure. Nevertheless, one notes some lags, such as, for instance, in the counties of Constanta, Mehedinti, Braila, Gorj and Caras-Severin, counties in which the transportation of manure must be greatly intensified.

Regarding the stage of the repair of the tractors and machines that will be used in the spring campaign, the program stipulates that all of them are to be ready "to enter the furrow" on the date of 15 February. The preparation of the seeds is finished for the majority of the crops that are planted in spring. At present, the laboratory tests are being done on the last quantities of seeds, with us having to transmit to the counties the allotments according to biological categories and varieties. The task of ensuring the distribution of the seeds to all the agricultural units by the end of January devolves upon the county agricultural bodies. Our ministry will follow with maximum attention the development of the work in this period, in order to step in promptly and efficiently if need be.

I am convinced that the first good workday in this spring will find us thoroughly prepared to start the agricultural work with all the forces, with a view to doing each piece of work at the proper time, so that we can say that in agriculture we have embarked with sure steps on the path to achieving the new revolution.

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2 March 1982

# East Europe Report

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2238

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2 March 1982

# EAST EUROPE REPORT

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2238

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CAPITAL INVESTMENT PROGRAM CRITICIZED

Prague HOSPODARSKE NOVINY in Czech 15 Jan 82 p 2

[Article by Jiri Zvolanek, CPCZ Central Committee employee: "Capital Investment"]

[Text] Even though comprehensive data regarding the meeting of goals in capital investment for the past year are not available as yet, the results attained so far indicate that a number of goals, particularly qualitiative goals, failed to be met. The substance of the problems we encounter in capital investment, in the construction and machine industries--sectors that provide its material resources--and in the entire sphere of utilization of existing capital assets is constituted by less than effective implementation of the intensification process in this area.

The 16th CPCZ Congress, basing its action on a penetrating analysis of causes for the shortcomings in implementation of the investment-policy line in the course of the Sixth Five-Year Plan, most unequivocally directed responsible participants in the investment process to seek a systematic elimination of those causes without delay, as of 1981, the first year of the Seventh Five-Year Plan. The congress at the same time stipulated that as both external and internal conditions for economic development are becoming more and more severe, it will be imperative to introduce basic changes into preparation and implementation of capital investment. Their essence is constituted by economy in expenditure of disposable investment resources, a systematic approach to reducing excessive numbers of units under construction, shortening construction deadlines, expediently completing capacities and launching them into production. The guiding principle of a truly strategic turnover in capital investment which we must attain gradually but with full resolve in the course of the Seventh Five-Year Plan is optimum implementation of the investment process.

Experience in implementation of tasks of the state plan for capital investment in 1981 offers no proof that maximum effort was developed to improve the status quo and implement the requisite changes. Despite some good partial results, e.g., in meeting the overall volume of operations and deliveries for preparatory stages of construction projects, or achievement of further reductions in the volume of investments and launching new construction projects, there still persist shortcomings of long standing and adverse trends in accomplishment of planned goals.

The undesirable structured system of carrying out construction projects according to their category still persists. Even though there was a continued effort toward

more intensive concentration of contractor capacities on key construction projects with budgeted costs in excess of Kcs 2 million--and, among them, primarily on priority projects--the yearly plan was met, e.g., for the 1st to 3rd quarter of 1981, only by 65 percent.

On the other hand, continued efforts were developed by suppliers of technological systems and building contractors in the area of small, unessential construction in the category of projects up to Kcs 2 million of budgeted cost, as well as machinery and equipment not included in the budget for these projects. In consequence, this represents a considerable dissipation of contractors' manpower and resources on a tremendous number of smaller projects simultaneously under construction.

Launching of key capacities into operation in planned terms and targeted specifications still remains a problem in our capital investment. We also have to cope with serious slippage in the case of many priority construction projects, even though various statistical reports claim for them better overall progress of completion than applies to other projects. However, these are only general data that cannot be deemed satisfactory, because monitoring of implementation of specific individual projects is already showing in finer detail the extent of time delays and how many of them failed to be completed within the specified deadline.

For 1981, the state plan envisioned launching into operation 109 capacities at priority construction projects. Only 15 capacities were completed in 3 quarters of the year, i.e., 30 percent of the specific plan for this period and 13.8 percent of the yearly plan. This very unfortunate state of affairs is aggravated by the fact that the plan also included 14 construction projects for which the specified deadline for turning over into experimental operation had already expired in 1980. A renewed request has been made on behalf of some of them for extension of the deadline into 1982. We already can state now that once again not more than only one-third of the capacities planned for the year will be turned over for launching into operation.

The slippage includes such key projects as, e.g., the Pruneroc II thermal power plant with 210 megavolts of installed capacity, adaptations at the East Slovak Ironworks in Kosice providing an increment of 30,000 tons per year in rolled strips, the Brno-North II heating plant (115 tons of steam per hour), the Tatra plant in Koprivnice for engines and transmissions with a targeted assembly volume of 15,000 trucks per year, construction of a weaving mill at the Velveta plant in Varnsdorf (4,385 m of pile fabric per year).

Meeting the goal in capital investment has been very adversely affected over the past 2-3 years by construction enterprises. Particular deterioration in the construction industry occurred in 1981. Losses incurred in carrying out construction projects are becoming concentrated on key investment projects. Just in the case of projects with budgeted costs exceeding Kcs 2 million alone the deficit in construction operations amounts to Kcs 2 billion. And overall losses for projects carried out by building contractor organizations in capital investments exceed Kcs 4 billion.

Deterioration of efficiency in the construction industry in 1981 became distressingly reflected in completion of apartments. By the end of November

construction enterprises completed 38,682 apartments. This amounted to meeting the state plan by only 56.1 percent (60.6 percent in 1980). The situation is at its worst in the capital city of Prague where, e.g., only 1,370 apartments were completed in 3 quarters of 1981, i.e., 19.9 percent of the state plan. A fact to ponder is that even this minimum number of apartments could not be turned over for their intended use and only 706 apartments were taken over tentatively, pending approval.

Such a state of affairs is the object of justified criticism by the citizenry. We must realize that not only contractors are to blame for the shortcomings. For example, it will not be possible any more to forever offer excuses for failure to provide heat for apartments. This will call for concrete implementation of measures in the production of boilers, primarily by their supplier, the CKD Dukla plant in Karlin, and other contractors and subcontractors. Improvements must be made in territorial and design planning of apartments and in regards to providing of public facilities and utilities for settlements on the part of those involved in planning.

Machine-building sectors must create in their production the prerequisites for increased deliveries of key technology for construction projects, particularly in the challenging area of fuels and energy, chemistry, processing industries and metallurgical and machining conglomerates. It is also imperative that shortcomings be eliminated at an accelerated rate in the long lagging deliveries of steel structures, industrial assemblies, cables, boilers, cranes, belt conveyers, etc. We cannot rely on importation of lacking equipment in the future.

For that reason, the plan for capital investment points up more sharply for the year 1982 the requirement for further reducing the importation of machinery and systems from nonsocialist countries for capital investments that put an excessive burden on our economy in the past years. We must contribute more vigorously to development of cooperation with socialist countries, primarily with the Soviet Union, and implement a more flexible mutual exchange of machinery and systems for coordinated investment programs.

In keeping with the limited possibilities for generation and utilization of national income and limited sources of fuels, energy and materials, the procurement of which is getting increasingly harder and more expensive, it is imperative that we continue to reduce the extent of launching new construction projects. A few figures will suffice to characterize the substantial changes that have been taking place in this respect over the past several years. In 1979 launching of new construction projects still amounted to Kcs 80 billion of budgeted costs, in 1980 to Kcs 62 billion, but last year only to 40 billion and not quite 35 billion are envisioned for the current year.

At the Fifth Plenum of the CPCZ Central Committee it was emphasized that such development creates the requisite leeway for higher concentration of supplier capacities for completion and launching into operation of construction projects by the planned deadlines and targeted specifications. Orientation toward completion of projects belongs among the key tasks of the current five-year plan and no allowances can be made for failure to comply with it.

8204
CSO: 2400/117

## FUEL SAVINGS MEASURES FOR 1982 ENUMERATED

Prague HOSPODARSKE NOVINY in Czech 29 Dec 81 p 4

[Article by Eng Eliska Rohlova, Candidate of Sciences, the State Planning Commission: "Efficiency, Limits, Sanctions--Fuel Consumption and Supply, Effective 1 January 1982"]

[Text] Fuels, primarily motor fuels, represent an important constituent in the fuel and energy balance. Needles to say, we have not been economical sufficiently. Therefore, the measures, effective 1 January next year, will introduce a system for consistently limiting the consumption of most important oil products, a significant reduction of our national economy's transportation requirements, the rationalization of fuel conservation and better organization of supply.

### Limits on Consumption

The system of consistent reduction has been extended to the consumption of all important oil products. The plan for 1982 stipulates the restriction of the resources of the main types of oil products for internal use as follows.

The limits on automobile gasoline for socialist organizations will be on the average 12.5 percent lower than actual consumption in 1980. Apart from direct gasoline supplies, the plan also restricts travel limits; both restrictions represent deepened economizing throughout the entire socialist sector. The supplies for domestic business cover the development of consumption expected for 1982 to a full extent.

With respect to keeping the limits imposed by the government, the consumption of motor and heating oil as well as light heating oils constitutes a decisive problem within the entire system of the light product supply to the national economy. In nationally managed agencies, the state plan stipulates limits on motor and heating oil 14 percent lower than actual consumption in 1980, and for federal agencies and organizations on the average only 5.1 percent lower. This widely discussed imbalance between national and federal agencies rests in different consumption structures in both areas. Because of the preference of railroads and water routes (both types of transportation are most efficient from the point of view of the consumption of motor oil per performance unit), for the Federal Ministry of Transportation, the largest purchaser of motor oil at the federal level (about 69 percent of the total), supplies have been reduced only 2 percent, in comparison with 1980. This proportion is further affected by the Federal Ministry of General Engineering, which has been allotted about 22 percent of the total consumption as the first filling for product shipping.

The consumption of aviation fuels will also decrease in 1982; the decrease will result in further reduction of intrastate lines because of a high power demand per transportation performance unit.

The reduction in the resources of heavy fuel oils is of the same order. On the average, total supplies of asphalt will be 20 percent lower in 1982. The plan decided to differentiate significantly in the case of this product in order to secure raw materials for the production of roof-insulating materials and special asphalt products on the one hand, and, on the other hand, to reduce less effective consumption in the building industry branchs and organizations managed by National Committees.

Expressing lower resources of oil products to be used in terms of value is only one part of the problem. The other part of the problem rests in a system of measures which will enable individual enterprises to secure quality fulfillment of the production assignments determined by the plan both for internal needs and external demands, with respect to their own particular conditions and using a high degree of invention, despite the low supplies of oil products. The principal measures, which are part of the 1982 state plan, can be summarized and divided into the following areas.

Reduction of Transportation Requirements

In relation to the basic proportions of the national economy, the requirements for transportation of social products will be reduced next year. In comparison with the directive, this decision represents a reduction of the transportation performance by 4.5 percent. The reduction of average transportation distances (compared with 1980) is also part of the efforts to reduce transportation requirements; the reduction amounts to 1.3 percent in the railroad freight service, 2.3 percent in the Czechoslovak Automobile Transportation (CSAD) and 5 percent in enterprise truck transportation (distances have been extended only in water transportation, in order to reinforce water route transportation to and from foreign countries).

As far as the division of transportation work is concerned, the 1982 plan stipulated the following indices (in terms of shares in the freight transportation performance expressed in tons per kilometer): a slight increase in railroad transportation, a high increase in water route transportation (111.7 percent), and increase in the CSAD performance shares (103.5 percent) and a significant decrease of enterprise freight transportation down to 91.2 percent (all indices refer to actual data of 1980). This decision is based on long-term statistical evaluation of the effectiveness of all types of transportation and reinforces those which achieve lower specific fuel consumption per performance unit. To secure a total reduction of the transportation requirements, the plan differentiates and also regulates transportation according to appropriate central authorities of transportation and freight enterprises.

The preparations of the 1982 plan also considered the development of the structure of transportation activities where transportation of earth and construction materials represents a decisive share in terms of tons (in 1980, it was about 73 percent). Since the extent of such freight can mostly be influenced postively by the designer, investor and supplier of the construction, measures in the form of sanctions are being prepared for earth freight performed by public automobile transportation if

the distance is more than 5 km. Apart from these measures, the possibility of creating a more effective pressure to reduce the enterprises' requirements for truck transportation for distances longer than 5 km is being sought. Such transportation should be secured primarily by railroad freight, also by public truck transportation, which employs fully loaded vehicles in both directions and economically advantageous heavy trucks. In establishing supplier-purchaser relations, efforts will be exerted to stipulate priorities in public freight road transportation as follows:

--prompt public services;

--transportation of grain, potatoes and sugar beet;

--necessary transportation and delivery of coal;

--progressive transportation systems;

--construction materials for obligatory assignments.

Consumption, Supply

The rationalization of fuel consumption presents demanding problems related on the one hand to the measures concerning public road and railroad transportation, on the other hand also to the coordination of the development and manufacture of such mechanisms and means of transportation, which through their technical parameters will significantly decrease fuel consumption or permit replacing fuels by other kinds of power.

The solution to some basic problems of the State Program for Rationalization of the Fuel and Power Conservation related to economizing in oil products should be elaborated under the guidance of the Federal Ministry for Technology and Investment Development by working teams from all participating agencies, the State Planning Commission, Federal Ministry of Foreign Trade and Czechoslovak State Bank, which will permit complex evaluation, including the impact on foreign trade.

If compared with previous periods, the present system of supply, resting in stimulating mandatory limits for both motor and heating oil but not penalizing the transgression of these limits, constituted a positive contribution in the area of fuel-consumption planning, but it could not facilitate the fulfillment of the demanding tasks of the next year's plan. Therefore, positive experience with the effective economic means used in cases when the limits for automobile gasoline have been transgressed has been applied in deciding on the supplier-purchaser relation system in the area of motor oil. The newly proposed system introduces several principal changes as opposed to "free distribution" and is based on the effect of economic means of management on the customer (limits, sanctions, stimulation) as well as on the obligation for the supplier to secure supplies in accordance with the imposed limits. At the same time, the position of the coordinating project manager (the Chemopetrol concern) has been enhanced at all stages of distribution, beginning with the schedule and ending with the final evaluation of actual deliveries.

To overcome certain strains between motor and heating oil resources, a system of fund vouchers has been introduced for the first quarter of 1982 (the situation being affected by many factors: from exceeding this year's limits, which was detrimental

to the final stock, to a difference between the consumption of oil in the first quarter of 1982 and the resources determined by the level of oil refining in this period). This adjustment of the supplier-purchaser relations will secure keeping the limits for the first quarter of the year stipulated by national planning commissions with respect to differences for branches subject to their authority, and by the State Planning Commission for central federal agencies.

The active function of the sanction measures concerning next year's consumption will be secured in such a way that transgression of the limits for both motor and heating oil consumption will be penalized at the end of the first half of the year. This decision brought about the necessity to divide the year limits into the first and second quarter of the year and to introduce a new method for statistical evaluation of supplies and consumption. If a consumer exceeds the limits, the appropriate financial authorities shall penalize him by requiring additional payments equal to three times as much as the motor oil's retail price. At the same time, the coordinating project manager will propose and enforce a penalty of Kcs 6 fco/l per liter of motor or heating oil, which the planning authorities will relate to the area of import-export relations by adequate reinforcement of these relations.

Apart from the sanction measures, positive economic incentives for organizations in order to achieve economizing in the consumption of liquid and gas fuels and electric power have been recommended.

In his speech at the CPCZ Central Committee's Fourth Plenum, Lubomir Strougal emphasized that the "economizing program is not to be understood as a single emergency action but as systematic measures which will be deepened continuously as an integral part of the development of the entire management system."

The importance of the problems of fuel consumption during next year is already given by the application of the economic measures mentioned above and by the decision to decrease the transportation requirements of the national economy. It is necessary to realize that the question of fulfilling or not fulfilling the tasks assigned in the 1982 plan in this area is a principal question which directly affects the basic proportions of the national economy. However, next year's economizing measures cannot be understood as temporary but as one step toward efficient utilization of oil resources available both in terms of price and actual availability in coming years.

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## COAL MINING PROBLEMS DISCUSSED

### Machinery, Machinery Utilization Viewed

Prague HOSPODARSKE NOVINY in Czech 8 Jan 82 p 7

[Article by Eng Zdenko Uricek, Candidate for Doctor of Science, designated deputy of the Minister of Metallurgy and Heavy Engineering]

[Text] The assurance of extraction technology is the task of a restricted circle of contractors. This should not, however, be dismissed by employees in other branches with a wave of the hand. The numbers presented here are an overview of the gigantic demands with which the assurance of energy, whether it is utilized or wasted, burdens our national economy. These numbers show that which touches the life of every citizen, namely how expensive is any wastage of energy, in all its forms, how it deprives us of engineering facilities which would be preferable to use for the satisfaction of other needs. In other words, the mobilization of under-utilized capacity is always less expensive than the creation of new extraction resources.

The result of reading this article would ideally be yet another reformulation of measures leading to energy conservation, even if only on the order of several tons of standard fuel [TMP].

The fuel balance of the CSSR at the beginning of the sixties, and projections for Czechoslovak economic development during the fifth and sixth five-year plans dictated the need to substantially develop the mining of brown coal. This, of course, also increased the urgency of obtaining deliveries of technology, and especially of large machinery. In comparison with the Fifth Five-Year Plan, the production of large machinery units--digging wheel excavators and overburden removal machines--increased 184 percent, that of long-distance conveyor belt systems by 318 percent, and deliveries of assembly services, including repairs, by 167 percent. For instance, in the Fifth Five-Year Plan, 13 digging wheel excavators were delivered to the North Bohemian Lignite Basin, in the Sixth Five-Year Plan 18; 3 overburden removal units were delivered in the Fifth Five-Year Plan, 9 in the Sixth; 58 kilometers of conveyor belt transport in the Fifth Five-Year Plan, 96 kilometers in the Sixth.

This increase in production and deliveries was assured by heavy engineering enterprises, in particular by the Unicov Machine Works, Vitkovice, and Transporta, without additional capital investment, but solely through operative alterations in the production

program which, however, restricted the satisfaction of other requirements (for elevators, escalators, equipment for warehouse management, power shovels, etc.). In order to assure the production of bucket wheel excavators, the original breakdown of the Sixth Five-Year Plan guidelines for power shovels was lowered, as Eng Frantisek Barton, the technical deputy at Unicov, reported in HOSPODARSKE NOVINY (No 40/1981), as did the general director of Strojexport at the 1980 Brno International Trade Fair. A similar situation occurred in the operations of High-Voltage Electrical Engineering Plants VHJ.

The Federal Ministry of Metallurgy and Heavy Industry [FMHTS] obtained for Unicov an extraordinary allocation of new machinery, and a proposal was formulated for increasing the number of employees over the limits of the Sixth Five-Year Plan.

The production of long-distance conveyor belt transportation units was introduced at the Brezno Mostaren concern enterprise as a new production program, accompanied by a reduction in the production volume of steel structures for the construction industry, and by an expansion of production at the Breclav Transporta factory.

In addition, during the Sixth Five-Year Plan production of machinery for cable transportation and equipment for loading operations was terminated in favor of long-distance conveyor belt transport. The production volume of escalators, transportation carts and equipment for warehouse management was temporarily reduced at the Chrudim Transporta concern enterprise. Here as well the production base was strengthened by deliveries of new, sophisticated machinery.

At the sectorial level, motions were adopted for strengthening the production base by increasing the labor-plan breakdown and the dwelling-unit balance in excess of the plan for the Sixth Five-Year Plan. This task, however, was not successfully fulfilled during the Sixth Five-Year Plan.

In the area of overburden removal machinery, financial resources were freed up for cooperative import deliveries and the production base of the Klement Gottwald Iron and Machinery Works in Vitkovice concern enterprise was strengthened by deliveries of new machinery and equipment in excess of the prescribed limits of the Sixth Five-Year Plan. In order to improve the ties between production and requirements both in the area of deliveries and in the resolution of technical problems, a new Vitkovice VHJ was established in 1979.

For an operative link between machinery and equipment users and the production end, and primarily to eliminate defects, the Vitkovice concern organized a coordination center in Teplice in 1979. In addition to this, service centers of the main equipment suppliers, the Unicov Machine Works concern enterprise and Transporta, were also established with their bases in Teplice.

It may be stated that the volumetric requirements of the Federal Ministry of Fuels and Power [FMPE] were on the whole assured during the Sixth Five-Year Plan. However, the technology which has been delivered does not correspond in its technical specifications to the very complicated geological conditions in North Bohemia.

In view of the fact that an additional increase in requirements is being projected for the Seventh Five-Year Plan, several investment projects have been initiated to strengthen the production base of critical producers. The Sixteenth CPCZ Congress,

however, made the point that it is essential constantly to pay attention to achieving coal mining and electrical energy generation targets insofar as possible with the lowest possible demands on investment resources. It was also decreed that the unfavorable development of the overburden situation be arrested. The conclusions of the Sixteenth CPCZ Congress confirmed that the principal resources for the generation of electricity and heat during the Seventh Five-Year Plan will be coal and nuclear fuel. At the same time, the key to the coverage of the fuel and energy balance of the CSSR for the Seventh Five-Year Plan will remain in the area of coal. The plan for the engineering industry for the Seventh Five-Year Plan corresponds to this. During the first half of 1981, a comprehensive report was submitted to the CSSR Government concerning the assurance and modernization of large machinery technology. The report was prepared by the FMHTS, FMPE, the Federal Ministry of the Electrotechnical Industry [FMEP], and the Federal Ministry for Technical and Investment Development [FMTIR]. The CSSR Government Presidium discussed this report in May and adopted Resolution No 73/1981 on the issues concerned. All of the tasks stemming from this resolution were integrated into Decree No 8 of the FMHTS, dated August 1981. The fulfillment of these tasks is monitored on a regular monthly and quarterly basis by employees of the appropriate VHJs and the FMHTS, the FMPE, and the FMEP. In the event that changes arise in the originally adopted tasks, whether by the supplier or the user, resolutions and measures are to be adopted at the level of the ministries of the above sectors as well, in order to deal with problems which may arise. In addition, at the level of the metallurgy and heavy industry sector, meetings were convened on 10 August among the general directors of heavy engineering VHJs, following discussions among the sectorial leadership and on the basis of a letter dated 10 July from CPCZ Central Committee secretary Josef Haman, at which emphasis was placed on the responsibility for giving priority to the resolution of deliveries for the fuel and power complex, and at which appropriate tasks were also assigned.

And the requirements continue to increase sharply: by 177 percent for large machinery, by 201 percent for transporting equipment. Requirements for the modernization and reconditioning of machinery and equipment which was delivered earlier will increase 470 percent. Production is projected of 24 digging wheel excavators, 11 overburden strippers, and 223 kilometers of long-distance conveyor belts, including 13 kilometers of new belts with a width of 2,250 millimeters.

Current experiences from mining activities, supported by analyses of geological conditions and a reevaluation of the parameters of extraction technology, have demonstrated that it will be necessary to utilize more intensively the technology that is already operating by means of its reconditioning and the improvement of operations and maintenance. In addition, it will be necessary to assure timely deliveries of machinery and electrotechnical spare parts so that in the event of disruptions there will not be unnecessary downtime. Deliveries of extraction technology should also be assured in the contracted volumes and mix, within the contracted schedules, and should consult of the ordered models. Simultaneously, the speeded up development of new equipment for harsh extraction conditions should be assured, so that it will be possible to introduce it gradually within the shortest possible period of time.

The attention of the sector has, therefore, been focused in the first place on deliveries of spare parts, where during the last five-year plan there were shortages. When breakdowns occurred. hard to find spare parts were utilized from newly assembled

machines. But by 1980, spare parts for large machines and for conveyor systems were being delivered in accordance with user requests. In 1981, deliveries of most spare parts for large machinery and conveyor systems kept ahead of requirements.

The main principles of reconditioning programs for the KU 300 and KU 800 large machines have been technically and implementationally resolved. This reconditioning will be carried out as a binding target of the state plan and in accordance with the requests of the users.

The situation is more complex regarding the reconditioning of long-distance conveyor systems, where as yet the comprehensive reconditioning of individual sections and lines has not yet been undertaken. Gradually, with the resolution of scientific and technical development tasks which will increase the operational reliability of long-distance conveyor systems, there has recently been a significant increase in requests, particularly for reconditioning at the Merkur and Brezno mines, and at the Czechoslovak Army Open Pit Mine. Newly produced electrotechnical elements, which will be delivered beginning in the second half of 1982, will be used in the reconditioning of long-distance conveyor systems. The problem of short belt life will be resolved through the use of a steel cable reinforced belt produced by the Gumarne First of May concern enterprise in Puchov.

The assurance of the technology for the surface mining of coal necessarily requires the assistance of all agencies and organizations which have a direct or an indirect share in the fulfillment of this task. This concerns not only the timely assurance of subcontractor deliveries and of retail goods, but also the fulfillment of the planned complements of employees at key suppliers and the assurance of housing construction in the appropriate krajs.

Diagram 1. Graphic Representation of Annual Equipment Utilization

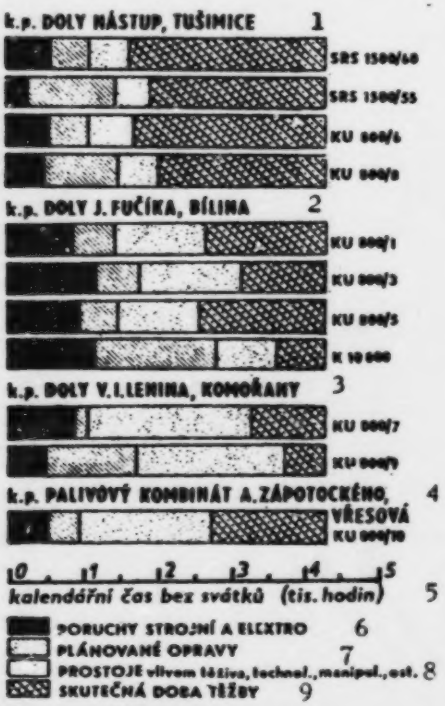


Key:

1. Progress Mines, concern enterprise, Tusimice
2. J Fucik Mines, concern enterprise, Bilina
3. V I Lenin Mines, concern enterprise, Komorany
4. A Zapotocky Fuel Combine, concern enterprise, Vresov
5. Calendar time, excluding holidays (thousands of hours)
6. Machine and electrical disruptions
7. Planned maintenance
8. Downtime, due to mine runs, technical problems, handling, other
9. Actual time used for mining

## Officials Interviewed on Production

Prague HOSPODARSKE NOVINY in Czech 15 Jan 82 pp 8, 9

[Interview with Frantisek Skornicka, secretary of the North Bohemian CPCZ Central Committee, and Miroslav Bauer, general director of the North Bohemian Brown Coal Mines, conducted by Jaroslav Pesta and Jan Prochazka; date and place not given]

> [Text] Almost exactly 3 years ago, in November 1978, we interviewed Frantisek Skornicka, secretary of the North Bohemian CPCZ Central Committee, and Miroslav Bauer, general director of the North Bohemian Brown Coal Mines [SHD], concerning the overall issue of coal mining and almost everything related to it, whether large machines, overburden, conditions, people, or work on days off. We sought the reasons for problems, but also solutions, we evaluated the efforts of miners, but also criticized the indolence of those who should be aiding them in their work with modern machinery. At that time, we titled our interview in a way suggested to us by its content: "Life without Sunday." And we have gotten together again, after the above-mentioned 3 years, in North Bohemia, with the same people, and chiefly curious as to what has changed in this time....

### Mining; Problem Remain

[Question] How would you characterize concisely the current situation in the SHD i.e., how is the mining, how are you fulfilling the plan, either for coal or for overburden, and what are at least the short-term prospects?

Bauer: The SHD increased their extraction of both coal and overburden during the Sixth Five-Year Plan in comparison with the Fifth. Specifically: 330 million tons of coal were mined for market, and almost 790 million cubic meters of overburen was removed. However, there was differing development of the structure of mining in individual enterprises.

Extraction increased the most rapidly, in terms of a comparison between the sixth and fifth five-year plans, at the Nastup Mines concern enterprise in Tusimice, which supplies the electric generating plants in Chomutov Oblast. From 1976-1980, annual extraction averaged 19 million tons of coal and more than 40 million cubic meters of overburden. Just for comparison; this enterprise mines the same volumes as the entire Sokolov Basin. In terms of targets, the amount mined by this enterprise will fluctuate in the vicinity of 21 million tons; it will approach this amount this year.

At the V I Lenin Mines concern enterprise, we are building the Czechoslovak Army Open Pit Mine and preparing for the reconditioning of the Sverma Open Pit Mine, where we want to replace large machinery that is 20 and more years old with TC 2 technical units and replace a rail transport system with conveyors.

Schematic Map of North Bohemian Brown Coal Mines

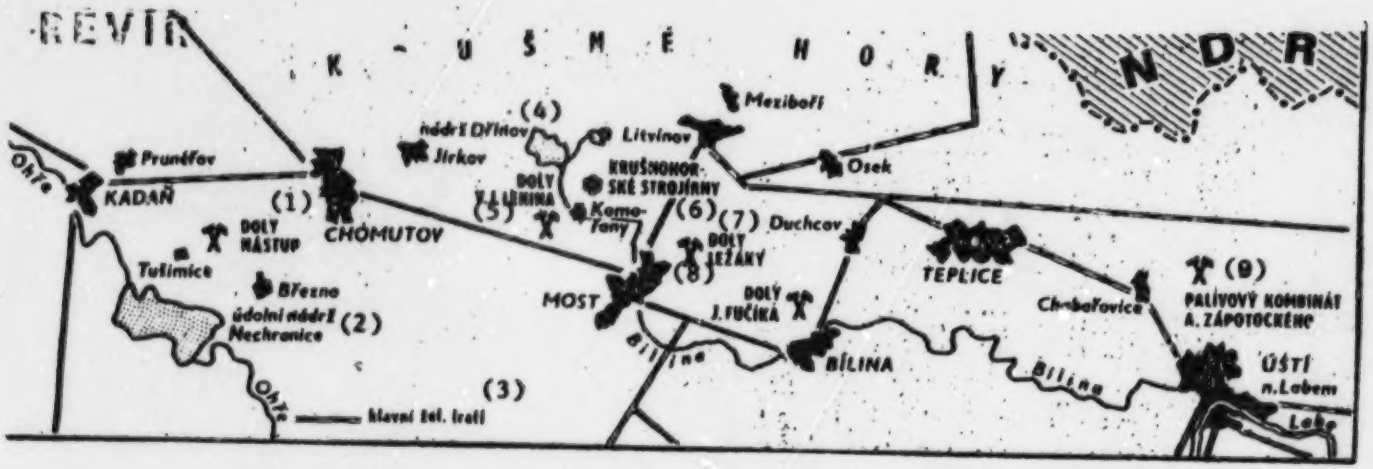


Key:

1. Nastup Mines
2. Nechranice valley reservoir
3. Main railway lines
4. Drinov reservoir
5. V I Lenin Mines
6. Krushnohorske Machine Works
7. Lezaky Mines
8. Julius Fucik Mines
9. A Zapotocky Fule Combine

Unfortunately, due to a delay in the construction of the Czechoslovak Army Open Pit Mine, we must extend the useful life of the Defenders of Peace Mine; in doing this, however, we find ourselves in more complex conditions in terms of mining geology. The greatest problems and difficulties are due to the fact, however, that we will have to continue to mine here for 3 to 4 more years. We will have to tie down here several hundred qualified employees we were counting on employing at the new mines, above all the Czechoslovak Army Mine.

In the Lezak concern enterprise we are having great problems, particularly at the mine in Most. There is a seam here with some of the highest quality coal in the entire basin, with a heat content of more than 12,000 kilojoules. In 1981, we mined 3.7 million tons of coal here, which is quite a lot when one considers the width of the working face. Moreover, this level of extraction is to increase to about 7 million tons by the middle of the Seventh Five-Year Plan. However, a large capital investment project connected with the introduction of the new KU 300 excavators from the Unicov Machine Works and particularly with the installation of a conveyor transport system was completed with almost a year's delay only in the middle of last year. And this is causing great problems for us, because the mine did not fulfill its extraction plan by almost 800,000 tons, and this is the greatest shortfall which we had last year in our basin, along with the Maxim Gorky Open Pit Mine, and it is one we did not completely succeed in replacing with increased extraction in other enterprises. We have similar problems in the Vrsany Mine, which was to have become operational in 1980, but where we began to remove overburden only in the spring of last year.

In the A. Zapotocky Fuel Combine we are preparing to open the Chabarovice Mine, which is located in a very complex territory. Not only did we have to clear out a number of houses, roads and water mains, but we also had to relocate the Teplice-Usti nad Labem railway line. During the Seventh Five-Year Plan, extraction at this mine is to increase to the 5-million-ton range.

Overburden: the Scissors Are Opening

[Question] Three years ago we discussed the fact that in the Julius Fucik Mines concern enterprise the Maxim Gorky Mine is critical in terms of the fulfillment of current and future tasks. We said that the deficiency amounts to about 5 million tons. What has changed during this time, and what is the leadership of the SHD and of the CPCZ Central Committee doing to foster an optimal situation?

Bauer: This difficult situation persists and, what is more, it is still more complicated and involved because we must mine more coal than in the Sixth Five-Year Plan. Therefore, our entire program is directed at a final solution, i.e., a substantial increase in overburden removal, at which we are not as yet completely successful, for both objective and subjective reasons. This, however, is unambiguously manifested in the fact that the current situation is very critical from an operational and technological viewpoint. The volume of extractable coal reserves is simply insufficient in relation to what is necessary if we are to have a certain operational certainty in our daily mining operations. We are mining coal, then, under a certain amount of tension in this regard. Every negative situation, whether it be the result of any kind of breakdown or of geological conditions, has a negative impact.

An improvement in the current situation is possible only by a substantial increase in overburden removal for the TC 2 and TC 3 technical units. We are, therefore, reconditioning the KU 800 excavators, and the reconditioning of the conveyor system awaits us. We have made it clear to our suppliers what must be done from a technical viewpoint, but more rapid implementation is necessary. It is our concern that within the framework of their sectors, i.e., the ministries of metallurgy and heavy industry and of the electrotechnical industry, the necessary production and assembly facilities be created at our supplying organizations, the Vitkovice VHJ and the Prague Electro-assembly Factories VHJ, for them to be able to implement the programs on which they have agreed with us.

The necessity of removing more overburden, however, does not apply only to the Maxim Gorky Open Pit Mine, but to the entire basin as well. This is why it is so essential to carry out the agreed upon general maintenance, revisions and even reconditioning in substantially shorter time frames than previously, beginning in 1982. It is a matter of reducing the downtime of technical units to roughly one-half of the current levels. Our technical and operational program is also designed so that when maintenance is performed on these technical units they are also equipped with necessary supplementary mechanized equipment. It has been increasingly evident, you see, that their operation extends not only to the excavator, "the belt," and the overburden remover, but that at the same time there is a great amount of other ground work, work which requires heavy bulldozers, cranes, ditching machines and other equipment.

And last but not least, there is the human factor "in the game." We are directing our efforts above all at the elimination of the actual shortcomings which appear in daily managerial work, in the creation of working conditions, in the reduction of breakdowns and downtime during shift changes, and in a number of other matters which belong to the area of concrete operational work. In addition to this, we must create the necessary preconditions for reducing the high level of migration and fluctuation of the work force, which is dependent on other factors as well, and for generating resources to the requisite extent for labor force recruitment. If we wish to attract qualified people we have to create corresponding conditions for them.

Skornicka: Regarding the Maxim Gorky Open Pit Mine, I can say without exaggeration that party organs, whether we of the presidium, or those directly present at the mine, have devoted uncounted hours to this problem. Comrade Bauer has quite properly pointed out that our extractable reserves are not increasing, and in certain locations we are even working with less than a 2-week lead time. Clearly, we must take this as a warning but, on the other hand, we cannot "pillage," with the result that in the end we would have no lead time at all and would have to cease mining operations.

The Central Control and Inspection Commission has contributed a number of suggestions and comments. The general directorate has prepared a program for elminating the shortcomings. The presidium and plenum of the kraj party commitee had a session in the basin and pointed to a number of problems. All of the complicated cases are being worked on, but the demands are extraordinarily great. The 1982 mining plan calls for 67.7 million tons. At the same time, however, it is a matter of possibilities and of material resolution if we are to be at all able to mine the necessary coal.

When we compare the situation as we spoke about it 3 years ago, much work has been done, but nevertheless there has been no fundamental improvement in the dynamic. On the contrary, I can say that in certain locations the situation is still more complicated. There are, at the same time, many influences on this....

[Question] The overburden here is beginning to incline at all drops; this is clearly a key problem which is giving you the most trouble. Can you describe it for us more concretely?

Bauer: The plan last year for operational overburden was 153.6 million cubic meters. In particular we are monitoring the TC 3 technical unit, because it is in testing operation as a prototype--it has not yet been approved--with a plan of 10 million cubic meters, and the TC 2 technical unit, which was made operational at the Vrsany Mine last year and was to strip 6.4 million cubic meters. Overall, the overburden was to reach 170 million cubic meters.

And the actual situation? In operational overburden there is a shortfall of 9 million cubic meters, a more than 1-million-cubic-meter shortfall for the TC 3 and, at the Vrsany Mine, a shortfall of 3.4 million cubic meters for the TC 2. On the whole, then, in terms of the planned level of 170 million cubic meters there is a shortfall of 14 million cubic meters.

Even though the planned targets have not been fulfilled, overburden has increased in comparison with the previous year by about 3 million cubic meters. The plan for this year projects 173 million cubic meters, or an additional 3 million. Practically speaking, however, this means an increase of 17 million cubic meters, since we underfulfilled the plan last year by 14 million cubic meters. And 17 million cubic meters is a lot!

[Question] We could, certainly, calculate in this way every year, because the overall shortfall continually increases. How did the last five-year plan turn out in this regard?

Skornicka: We removed 790 million cubic meters, while the implementation plan called for 829 million cubic meters, so the shortfall came to roughly 40 million cubic meters. But the scissors are still continuing to open. The assurance of this task is, at the same time, the alpha and omega for operation; when there is overburden, there will be extractable reserves and we can concentrate fully on the mining of coal. And when there is both coal and overburden, then we fulfill as well the economic indicators and thereby generate the resources for social policy.

The assurance of a 15-million-cubic-meter increase over last year's reality will require a substantial increase in the output of all the technical units at our disposal. There are 11 of them, and we should be making 2 more operational this year; 1 at the Czechoslovak Army Mine and 1 at Vrsany.

Technology: We Know the Solutions, But....

[Question] The technology, then, is still not reaching the necessary performance levels, just as 3 years ago?

Bauer: Top-level performance is being achieved only by the type SRS 1500 overburden-removal technical units. This is machinery imported from the GDR which is in operation at the Merkur Mine under conditions for which it was designed, that is, on surface faces, with good operational reliability. Its output is fluctuating at an annual level of about 10 million cubic meters.

For the new TC 2 series of technical units, represented by the KU 800 excavators from the Unicov Machine Works, we have not yet reached full output, but the utilization in terms of time is substantially higher than for the first machines of this type, in particular at the Maxim Gorky Mine.

[Question] At our last interview, you said that it is essential to carry out the reconditioning of large machinery. At that time you already had your own ideas of how such a reconditioning program would look. You were also convinced that all the necessary conditions for its implementation would seen be put in place. Three years have passed, however, and technology persists in being more than a small problem. What then has changed since this time?

Bauer: We have discussed this problem in recent years with our major contractors, especially with the newly formed Vitkovice VHJ, since we must solve these problems together. To put it another way: the situation is evaluated objectively, whether it be good or bad. One cannot draw conclusions from half truths! I think that we have already openly discussed these matters with the contractors and that we are agreed that each will do what he is responsible for, so that we may all carry this through to a successful conclusion. It is precisely in this that I view a positive movement forward which will provide a better base for the resolution and completion of these complicated tasks, whether it is a matter of the repair of technical units, of new deliveries and so forth.

We have been successful in clarifying together a number of technical issues, meaning that today we are aware of what to do and when. The fact of the matter is that this took a little longer for conveyor-belt systems, but even here it is clear to us how everything should be done. Now we are focusing on implementation during the next 2 to 3 years.

We have also divided up the tasks. Within the constraints of our machine building facilities in the Krushnohorske Machine Works and in the factory workshops of the Julius Fucik Mines, we have ourselves carried out a certain amount of reconditioning on the KU 800/1, KU 800/3, KU 800/5 excavators. We are now making them operational. We expect that these modifications will result in increased performance.

In spite of a number of modifications as well as organizational and technical solutions undertaken so far with the contractor, we have not as yet succeeded in achieving the necessary output from 3 TC 2 technical units at the Maxim Gorky Open Pit Mine, represented by a KU 800/1, a KU 800/2 and a KU 800/5 excavator. The best performance is by the KU 800/5 excavator.

It is, however, evident that an increase in output is limited by transportation; the weakest link in these technical units is, you see, the conveyor system, especially at the Maxim Gorky Open Pit Mine.

[Question] Or, if we may summarize: You have already resolved everything technically, you have agreed with the contractor on who will do what, and you will yourselves also see to a part of the reconditioning. The basic problems will then, be resolved quickly?

Bauer: Now it is a matter of implementing everything that we have agreed upon. For the TC 2 technical units it is, concretely, a matter of the KU 300 and long-distance-conveyor system; for the TC 3 technical unit at the Maxim Gorky Mine it is necessary to modify the K 10,000 excavator and the ZP 10,000 overburden remover. And then it is a matter of modifications to the TC 1 technical units, represented by the KU 300 excavators, where we may say, relatively speaking, that the modifications are nearly completed.

Conveyor transport is for the moment experiencing a time delay. Above all, some installed electrical components must be replaced, since they turned out to be inappropriate, both in terms of functional capacity and in terms of useful life.

[Question] It is, of course, nice that all of these difficult problems are beginning to be solved. Isn't everything taking too long, however? Were not opportunities missed before there were concrete discussions and concrete modifications on individual technical units?

Skornicka: I don't think it is possible to say that an opportunity was or was not missed. Comrade Bauer and the other employees have been trying to resolve these problems at all levels. Unfortunately, however, the overcoming of all problems truly takes too long.

Bauer: And we cannot say that our principal partners did not want to assist. Their facility potentials are greater now, even though they are still inadequate.

[Question] Then you agree: everything takes a very long time.

Bauer: Of course, it should have been resolved earlier. Today, however, enough has now been clarifed, we have done something, and now it is necessary to implement this quickly. Not at today's pace, but much more rapidly.

People: Tautness Persists

[Question] Three years ago we entitled our interview "Life Without Sunday." You compensated for technical shortcomings by a maximum application of workers. At that time you said that labor force replacement was inadequate and that this accustomed practice could not be a long-term solution. What has changed in this regard?

Bauer: Nothing, in concrete terms. In 1979, in 1980, and in 1981 we "kept rolling" at full throttle.

[Question] In other words, life without Sunday continues.

Bauer: Yes, for the time being it is essential.

[Question] But how long can it hold up? At that time, remember, you also said that you must reach a normal situation....

Bauer: Nor may that principle be formulated in any other way today.

Skornicka: Mining work is very difficult, from a health view as well. And even so, miners today work without Sundays or holidays.

[Question] Really, nothing has changed? What are the preconditions for a change in the future?

Skornicka: For the time being nothing has changed. Last year we counted on the miners being home on Christmas Day and New Years Day, but again they had to go to work. And the prospects for now are, likewise, poor. We are, you see, in a situation in which plan fulfillment requires almost every free day. And we ourselves, unfortunately, have a guilty conscience in this as well, in that we were unsuccessful in asserting ourselves so that people could be home at least on Christmas.

Bauer: In the basin, work goes on in the mines in uninterrupted operation, so that there actually is no free block of time. And the holidays?

1 January: in 1979, 1980, 1981 and 1982 we started mining at 1800 hours;

1 May: in the morning we join the parade, at 1800 hours for the most part we are mining;

24 and 31 December: mining takes place at least from 0600 to 1800 hours, but we also have operations where in past years mining has gone on at night as well;

25 and 26 December: we worked in the morning, afternoon and evening at full capacity both for mining and overburden removal.

Miners of course have alternating schedules, in which case they spend Sunday elsewhere.

[Question] That means then, that in this regard the situation has rather taken a turn for the worse....

Bauer: Rather, it is possible to say that it has persisted. We would all of course wish for a turn for the better in the basin, but the planned tasks which we have to assure do not permit us to do so. Inasmuch as this concerns overtime work, enterprises require about 4-6 percent; this is not too much. But it is necessary to understand that we have uninterrupted operations, where free days are already aggregated into the daily schedule.

Skornicka: At this time it is necessary to mention one matter: how the miners reacted to the accident last year at the Pluto Mine. In a classic miner fashion; the other subsurface mines began rapidly to make up for the shortfall which had arisen.

[Question] And you have really exhausted all of your internal underutilized capacity?

Skornica: When one looks for problems, he closes himself into a cursed formulation: it is necessary to improve management. One hears this everywhere. The underutilized capacity lies, for instance, in the fact that we could mine in a more balanced fashion. So as not to get into a situation whereby in July with ideal weather we are mining

160,000 tons and at the end of the year in bad weather more than 200,000 tons per month. We must then assure at least 24.5 percent in the first quarter. I agree with this. And in the summer about 25 percent, so that we are not left with 27 percent for the winter. But in the summer the electric power plants will tell us; there are modifications in the plan, the Czechoslovak State Railroads cannot move the coal because there are derailments on the tracks.

Bauer: We mine the most during the time with the worst weather conditions, in the winter. Therefore I, too, consider one of the most important tasks to be a balancing of extraction throughout the year.

Conclusions: The Problems Have not Lessened

[Question] We are beginning the second year of the five-year plan. With what, with what thoughts, with what intentions, but also with what kind of reality?

Bauer: The extraction targets assigned to the SHD for coal mining and overburden removal for 1982 are very high, and fulfilling them will be more complicated and difficult than it was last year. With regard to the current operational and technical situation, and in the creation of corresponding conditions, this task is not as yet fully assured. We want, therefore, to utilize fully all of the positive and negative findings which we gained last year in the solution of concrete tasks. We are not bending under the weight of still unsolved problems, we are not posing the question of the feasibility or lack of feasibility of the plan, but rather we are concerned with the creation of comprehensive conditions for ourselves and for all of our coworkers for the achievement of the greatest possible extraction levels in 1982.

Skornicka: So that the impression not arise, since we discussed various problems 3 years ago, that they have not been solved. The entire basin, as an entity, is in a certain dynamic, it is progressing somewhere and this causes the appearance of new complexities. We are not working on the Sahara, but in a country that is built up. If we had spoken 3 years ago, for instance, about the necessity for demolishing Horany, then today it would be a matter that would have been taken care of. One problem has been solved, but other ones appear.

There can be months when we will be successful, but then there will come a time when we will begin, as they say, to breathe with more difficulty. There is a serious problem in this; to comprehend the entire dynamic.

On the one hand, there is the requirement for greater amounts of coal, and thereby of overburden as well, but all of this brings even more problems, progress on all sides speeds up. Or, so that no one will make an erroneous conclusion that nothing was done. Much has been done, Comrade Bauer has, however, in part addressed this, but the problems have not lessened, they have on the contrary become greater....

[Interviewers] In the autumn of 1978, when we returned to Prague with our tapes and, then, also with the recorded interview concerning life without Sunday, coal and overburden extraction at the SHD was lagging. The reason was clear; a low level of reliability of the large machinery. Now, after more than 3 years, the situation appears to be the same. Coal mining is just below planned levels, overburden is lagging, the reliability of the large machinery has, to be sure, increased, but as

yet has not reached the specified levels. Human initiative is, then, hard put to replace technical shortcomings. In spite of this, however, the situation has changed--the miners and the machine builders have already agreed, cleared up a number of technical issues, and divided tasks among themselves. Now it still remains for everything on which both sides have agreed to be brought to a successful conclusion. And this ought to be in the course of 2 to 3 years. Thus, the schedule and the task is clear; we will inquire about their success in fulfilling them--again, say, in 3 years.

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## MITTAG, HOEFNER ADDRESS PEOPLE'S CHAMBER ON ECONOMIC CHALLENGES

West German Analysis

Cologne DEUTSCHLAND-ARCHIV in German Vol 15 No 1, Jan 82 pp 30-36

/Article by Hans-Dieter Schulz, editor, DEUTSCHLANDFUNK, West Berlin: "Now the Great Savings Must Begin -- Surprises at the Start of the New Five-Year Plan." Translations of the addresses by Guenter Mittag, cited in footnote 6, and Ernst Hoefner, cited in footnote 9, are published following this analysis. A translation of the West Berlin DIW-WOCHENBERICHT article cited in footnote 2 is published in JPRS 79108, 1 Oct 81, No 2181 of this series, pages 35-41/

/Text/ SED General Secretary Erich Honecker surprised the public with some good news and some bad news on the occasion of his party's Third Central Committee Plenum (19-20 November 1981). Both items of information are so important that each constitutes a minor sensation in its own right.

Honecker was almost casual in reporting the following piece of good news: "The fact that this year, in line with the policy envisaged in preparation for the 10th Party Congress, we have a favorable balance of trade -- especially considering the rigorously competitive situation on the world market -- underscores the reality of the objectives contained in the plans that have been submitted."[1]

The meaning of this comment is shown in the fact that calculations by Western institutes conclude that the last time the GDR had a positive trade balance was in 1972 -- the GDR itself long ago stopped publicizing the value of its imports or its exports. In the 1976-1980 Five-Year Plan the import surplus totaled 28.8 billion valuta merks, with 5.8 billion coming in 1980 alone.

Now, following this series of negative balances, a surplus of exports for 1981 is supposed to have been attained.

### Doubts Are Understandable

Both the Research Center for All-German Economic and Social Affairs and the German Institute for Economic Research (DIW) consider this possible. Nevertheless, Frau Haendcke-Hoppe of the Research Center figured out at the seventh symposium in West Berlin (19-20 November 1981) that the GDR was indeed able to increase its exports to the Soviet Union by a "whopping growth rate of 22 percent" in the first half of

1981, but its export trade with the West -- which had been very much on the debit side the preceding year -- increased by only 3 percent, while imports rose by 8 percent.

It was not until the summer of 1981 that the DIW became convinced that the GDR's cumulative foreign trade balance deficit would "grow even larger initially -- in the first few years of the plan period."[2] Thus, doubts regarding Honecker's report of success are understandable. They are supported by the fact that the positive trade balance was mentioned neither in the NEUES DEUTSCHLAND editorial on the Central Committee plenum nor in the People's Chamber speeches by Willi Stoph and Guenter Mittag; but Honecker's bad news, which we have yet to discuss, was reiterated.

Be that as it may, it is certainly striking that the SED leadership, which had made no public comment at all on the trade balance for more than 5 years, has suddenly come out with this favorable statement based on 10-month results for 1981.

This might be explained by the preparations for the swing talks at the meeting between Schmidt and Honecker and by the fact that the GDR has to be concerned about its reputation in the world of international banking, where people are asking who will be next after the alarming reports on the situation in Poland, Romania and Czechoslovakia.

The DIW noted -- although only in a footnote -- that the GDR's debt per capita (in convertible currency) at the end of 1979 had been only 10 percent lower than Poland's. In mid-November the Institute reported that between 1976 and 1980 the GDR had been able to finance only 67.5 percent (69.5 percent for Poland) of its imports from the OECD states with its exports to those countries.[3]

On a list of countries drawn up biannually by between 75 and 100 major Western banks engaged in international banking operations, the GDR slipped from 36th place in March to 44th place in September 1981 in terms of its rating as a credit risk.[4] It would be in keeping with the Marxist-Leninist style of governing to point out in this situation that statistics are not supposed to be objective but are meant to be a weapon in the class struggle.

Even Less Than in April...

The second surprise in Honecker's Politburo report to the Central Committee reads as follows: "Socialist intensification, the fact that we intend to use even fewer raw materials and materials than anticipated at the time of the 10th Party Congress in implementing its economic and social policy directives, is making heavy demands on the management of national economic processes, on raising the quality and effectiveness of social labor."

The SED leadership had definitely not promised any abundance of supply in April of 1981. Honecker made this comment at that time: "The supplies of energy and raw materials that our country has at its disposal will remain the same or increase only slightly. Allowances have to be made for these realities, and for a very long time to come."[5]

What was it about the possibilities for supplying the GDR with raw materials and materials that changed so drastically between April and November that Honecker had to communicate this information to the Third Central Committee Plenum — a message that has meanwhile been repeated frequently by other top officials? Prices for important raw materials on the world market have fortunately declined. Yet the word is that the USSR is not going to supply some of the smaller socialist countries with the quantities of petroleum that were agreed upon. This may also apply to the GDR. The amount of the annual cut is said to be 2 million tons, which would be approximately 10 percent of the amount originally promised to the GDR.

"A Tremendous Challenge"

The Law on the 1981-1985 Five-Year Plan is now emphasizing savings even more strongly than the directive passed by the 10th Party Congress. East Berlin's plan-smiths are not squeamish when it comes to their regulations on how savings are to be made in all areas. They hope in this way to be able to deal successfully with the problems of the 1980's, problems which Politburo member Guenter Mittag described to the People's Chamber on 3 December as "a tremendous challenge for us in the GDR as well."[6]

The effect of the altered situation on planning has also been such that the margin of percentages of increase mentioned in the directive has for the most part been reduced to its lower limit, which means only a minimal change. By contrast, planned investments have been reduced significantly. The law calls for them to total M 256 billion from 1981 to 1985; the directive had foreseen between 268 and 272 billion, or a good 2 to 6 percent more.

Consequently, what Honecker said to his comrades at the Central Committee meeting applies equally to investment aspirations and the proposed amounts of raw materials and materials: "We are asking every enterprise and every facility to determine what can be sacrificed in favor of urgent tasks." Preference has to be given to the modernization of existing installations, not to the construction of new ones. Industry is supposed to increase its goods production for each M 1,000 invested to 126 percent of the volume for the preceding 5-year period.

For all practical purposes, this means that industry is to receive scarcely more investment capital during the new five-year plan period than it did over the last 5 years, but it nevertheless is supposed to show a hefty increase in production. And not only that; it also has to save on labor.

Ambitious Savings Goals

Willi Stoph told the People's Chamber that 660 million labor hours must be saved in the economy as a whole in 1985, compared to about 493 million in 1981. "I emphasize that we are striving to exceed the plan targets precisely in the area of labor productivity, which is so crucial."[7]

Two other savings goals are no less ambitious. Said Stoph: "An average annual reduction by 6.1 percent in the specific consumption of economically important energy sources, raw materials and material by 1985 is to be considered the minimum goal." The preceding five-year plan for 1976-1980 called for a 3-percent reduction, but

this figure was greatly improved upon during this period and amounted to 5.9 percent in 1980.[8]

The profitability of the enterprises is to be increased by saving labor time, energy, raw materials and materials and by making better use of investment capital. Finance Minister Ernst Hoefner says that 1982 must see an "increase in the operating result to M 35 for each M 100 in investments, thus by nearly 50 percent over 1981."[9]

Hoefner announced that state industry is supposed to reduce its total prime costs by 2.7 percent in 1982, or half again as much as last year. This is not some kind of request, but a central intention. "The struggle to reduce costs requires the attention of everyone," reminded Guenter Mittag in the People's Chamber; he found fault with the fact that in some areas this is still being regarded as something "secondary."

Increase the Pace of Development

Despite many changes, the GDR's most important planning index figure continues to be the produced national income — the sum of that which can be consumed, invested or used as surplus exports to reduce debts. Guenter Mittag's comment on this to the People's Chamber is interesting:

"If, in accordance with the bill under consideration, the national income should increase during the five-year plan period to 128 percent in 1985 compared to 1980, the pace of development will not only be maintained but even exceeded." An increase to 127.9 percent had been planned for the preceding 5-year period, but only 122.1 percent was realized according to the latest "GDR Statistical Annual."

A further remark by Guenter Mittag on this subject is confusing. "The absolute volume of ths national income will amount to more than M 1,000 billion compared to 862.5 billion in the last five-year plan period." The surplus should thus come to more than M 137.5 billion. According to official statistics, the last 5-year period saw a surplus of M 163.1 billion compared to the 1971-1975 period.

One Outdoes the Others

It is typical of the GDR's public information policy that the public now has before it three different figures — but each one official — on the national income produced in the last 5-year period.

The State Central Administration for Statistics is the most moderate. If the figures published in the annual for the 5 years from 1976 to 1980 are added up, the result is the sum of M 804.3 billion.

Erich Honecker arrived at a larger figure at the 10th SED Party Congress — 812.5 billion. By far the largest amount mentioned was Guenter Mittag's 862.5 billion. All three figures apply to the same, already concluded, time period.

For his calculation Mittag presumably used the new plan prices with 1980 as the base year. Honecker's figures are based on "effective prices," as NEUES DEUTSCHLAND noted in April. The "Statistical Annual," however, uses "comparable prices" (1975

as the base year). This of course makes the task of helping to plan and govern very much easier for the working people, who are supposed to see through this with no explanation.

Industry Puts Up the Lion's Share

Centrally managed state industry has the obligation to contribute the lion's share of the demanded increase in production. While the produced national income in 1985 is supposed to amount to 128 percent of the 1980 level, goods production by the combines and enterprises that are subordinate to the industrial ministries must be raised to 131 percent. A total of 123 percent is planned for enterprises of the Construction Ministry; 120 for retail trade turnover; 112 percent for transportation and communications services.

The process of structural change is continuing within industry. Production of agricultural machinery and foundry installations is supposed to reach 150 percent of the value attained in 1980. Other figures planned are these: machine tools, 162 to 165 percent; cement plants, 175 percent; data processing installations, 270 percent; microelectronics components, 435 percent.

Relatively modest compared to these figures is the 143 percent targeted for machinery and equipment for the textiles, clothing and leather industry, although this percentage is also above the average for industry as a whole (131 percent).

The planning for agriculture is surprising. Several targets for 1985 are lower than those prescribed by the last five-year plan for 1980. According to the planners, yields of hoed crops in 1985 will even be smaller than those which Walter Ulbricht once set for 1965 in his seven-year plan.

Total crop production in 1985 must be between 43.7 and 44.2 decitons of grain units per hectare of agricultural land. The preceding five-year plan names an average of 46 to 48 decitons per hectare for 1980.

Plan targets look somewhat better for livestock farming. The state yield in slaughter animals for 1985 is supposed to be approximately 2.4 million tons, compared to the 2.3 million tons that had been planned for 1980.

East Berlin's expectations for the new five-year plan period also do not foresee that hoed crops will become accustomed to socialist production methods. An average of 220 decitons of potatoes per hectare are supposed to be harvested in 1985. Ulbricht's seven-year plan called for 245 in 1965.

The problems with sugar beets appear to be even greater, since the State Planning Commission's expectations are even lower than before. While the 1965 Seven-Year Plan called for a per-hectare average of 385 decitons — a target that was never met — the new five-year plan has set the figure at 330 decitons. This is somewhat less than GDR agriculture managed in 1954, when it was still largely a matter of private farming operations. By way of comparison: Agriculture in the Federal Republic of Germany harvested an average of 483 decitons of sugar beets per hectare in 1980.

## Revision of Agricultural Policy

It became evident at the Third SED Central Committee Plenum that the party leadership had finally decided in 1981 to permit a partial revision of its agricultural policy to eliminate the worst excesses of a socialist industrial gigantomania. This happened not because of any change in the SED's social policy designs, nor solely at the behest of the farmers, but because the disappointing results by many mammoth enterprises and the price increases for imports had become too great a drain.

Land reform after the war had brought the number of farms on the territory that is now the GDR to more than 800,000. Their average size was about 8 hectares of usable land.

The hasty forced collectivization that took place in 1959 and 1960 brought down to about 20,000 the number of farms, which had already declined sharply in the interim; the average size was approximately 300 hectares.

During the 1970's, dogmatic agricultural policy makers in the party forced a consistent separation of crop and livestock farming against the advice of many farmers and scientists. The number of enterprises specializing in crop production dropped to about 1,200; their average size is 5,000 hectares. By comparison: Full-time farming enterprises in the FRG average 30 hectares of land.

Neither the separation of crop farming and animal husbandry nor the establishment of mammoth enterprises — a few of them covering 30,000 hectares — brought the expected results. At the Third SED Central Committee Plenum, Erich Honecker suddenly thought it proper to make this statement: "Cooperative farmers stress over and over again that anything that will bring crop and animal production closer together ought to be supported."

## A Pleasant Situation

Speaking as though it were a question of overcoming a natural disaster rather than changing the party line, Heinz Ziegner, first secretary of the Schwerin SED Bezirk Directorate, had this comment for the Central Committee: "Cooperative farmers have repeatedly told me that once again a pleasant situation is developing wherein the stable is no less familiar to the man who grows crops than the field is to the man who takes care of the animals."

Johannes Chemnitzer, SED first secretary in the agricultural bezirk of Neubrandenburg, reported that some of the enterprises that had gotten too large and some of the fields that were too large had been divided up. The result: "The farmers were again able to thin their beets in their own villages and get to them on foot. Their interest in the land and in the yields has grown." Also interesting about this comment is the fact that the beets still have to be thinned.

The fateful mistake by the party leadership — and several West German observers — is also apparent from what Ernst Timm, SED first secretary of Rostock Bezirk, told the Central Committee: "Once again we're planting the fields within sight of our own farmyards. Now everyone knows who is working which field. Who wants to have this said of him in front of the others?: You've botched the job here."[10]

Honecker summed up the change in policy with the remark that "new steps" were being taken in agricultural policy. He said a sense of proportion and foresight would determine what has worked and what has not. A farmers congress scheduled for the spring of 1982 will perhaps shed light on how far-reaching the change is to be.

Also part of the new agricultural policy is the intensification of all efforts to harvest more grain (expansion of acreage) and to save grain in the feeding of livestock in order to be able to reduce grain imports. Honecker lent emphasis to this intention with the following statement: "Today the grain problem can definitely be compared with the oil problem in terms of priority."

Standard of Living To Rise

The new set of figures conveys the impression that the party and state leadership intends to endeavor to raise the public's standard of living even further in spite of all the difficulties. Of course, the key to distribution of the joint pie has been altered somewhat, to the disadvantage of the consumer.

While output, the produced national income, is to be raised to 128 percent by 1985 (the old five-year plan: 127.9 percent by 1980), an expansion to 120 — including price increases for goods that are not basic commodities — is planned for retail trade turnover, the bulk of consumption; the old plan called for 121.5 percent with "stable consumer prices."

Nor is the intention of increasing the "social funds" to M 295 billion for the new 5-year period any indication of a particularly consumer-oriented policy since the corresponding amount in the last 5-year period was 234 billion and part of the increase is to be financed by the consumers themselves by way of price increases on higher-quality consumer goods.

The DIW's assessment of the funds was that they are "also not designed to improve the real standard."[11]

Exports and Armament

Since the GDR's new five-year plan can be realized only through a successful effort to activate the working people's readiness to produce on the very grand scale that is envisaged, it is questionable whether the material incentives are great enough. All the same, they do come off better than investments, which are supposed to be not even 2 percent more than for the 1976-1980 period.

The fact that consumption and investment percentages are supposed to increase by less than output makes it possible to give unusually heavy consideration to other tasks. These will be exports and the military effort. Exports to the socialist states are scheduled to increase by a memorable 50 percent up to 1985, figured at prices for that time. An increase of 53 percent was realized in the 5-year period just past.

The law on the five-year plan contains this provision on the subject of the military effort: "The economic tasks involved in safeguarding the national defense and internal security and order must be insured comprehensively and preferentially in

accordance with the requirements for the 1981-1985 period." "Preferentially" was not a concern in the preceding five-year plan.

The portion of defense expenditures published in the GDR's state budget (excluding the Border Troops and the police) had to be increased by the unusually large increment of 8.4 percent in both 1980 and 1981. On this basis an increase of 5.7 percent has been programmed for 1982.

More for Army Research

Before and after the Third SED Central Committee Plenum, it became apparent in East Berlin press reports that the increase in research spending in the GDR was also to benefit the military effort. When Erich Honecker visited the Academy of Sciences in the middle of November, he was accompanied — according to NEUES DEUTSCHLAND — by members of the Defense Council.[12]

Academy President Werner Scheler assured his guests that the scientists were aware that their performance is being judged also by the effectiveness of the results "for the concerns of defense."

A little later, in remarks to the Central Committee on the development of science, Scheler also expressly mentioned the "safeguarding of our defense readiness."

Science Minister Herbert Weiz called it a "declared goal in the mastery of science and technology" to see that defensive strength is constantly kept "at the requisite level."

Shortly after the new economic plans were resolved, Army General Heinz Hoffmann, the GDR defense minister, dedicated the newly established Academy for Military Medicine. This report appeared in the East Berlin press:

"Under the direction of Lt Gen Prof Dr Gestewitz, the new academy — which has been granted the right to award degrees by the minister for university and technical school affairs — will effectively contribute in basic and advanced education and in research to a further increase in the fighting strength and combat readiness of the National People's Army."[13]

Will Miracles Become Reality?

In addition to the will of the working people to produce, which is to be mobilized on a hitherto unknown scale, scientific-technical progress is scheduled to be the main motive force behind fulfillment of the plans. A further concentration of the research and development potential was announced to the Central Committee, and a gearing up time of 2 years was announced as a "compulsory norm" (at present it often takes more than 4 years.

Like Guenter Mittag at the end of the 1970's, Erich Honecker had this complaint: "When it comes to a significant portion of our scientific-technical tasks, we are still settling for the level of development that has already been attained in the world."

An initial overall assessment of medium-range planning up to 1985 leads to the impression that the GDR has its back to the wall to a certain extent. If the foreign trade deficit is to be reduced and debts from previous years amortized while simultaneously "making sacrifices" (Honecker) to bring the military effort up to the required level, while not allowing the population's living standard to decline but continuing to raise it, albeit more slowly, in order to avoid Polish tendencies — if all this is to be done, reserves will have to be used to a degree which normally cannot be done and which would leave no reserves to cover unforeseeable problems.

Will this effort succeed? Honecker showed himself to be optimistic in a way that will arouse pessimism among many residents of the GDR. At the Academy of Sciences, of all places, he declared that the GDR was entirely capable of "turning miracles into reality."

FOOTNOTES

1. NEUES DEUTSCHLAND, 20 November 1981, p 4.

2. WOCHENBERICHT DES DEUTSCHEN INSTITUTS FUER WIRTSCHAFTSFORSCHUNG, West Berlin, 30 July 1981, published in DEUTSCHLAND-ARCHIV, Vol 9, 1981, p 938 ff.

3. WOCHENBERICHT DES DEUTSCHEN INSTITUTS FUER WIRTSCHAFTSFORSCHUNG, West Berlin, 12 November 1981.

4. HANDESLBLATT, 25 November 1981.

5. NEUES DEUTSCHLAND, 12 April 1981, p 6.

6. NEUES DEUTSCHLAND, 4 December 1981, p 3.

7. Ibid.

8. NEUES DEUTSCHLAND, 12 April 1981, p 5.

9. NEUES DEUTSCHLAND, 4 December 1981, p 5.

10. All speeches in NEUES DEUTSCHLAND, 21/22 November 1981.

11. German Institute for Economic Research, West Berlin, WOCHENBERICHT, 30 July 1981.

12. NEUES DEUTSCHLAND, 13 November 1981.

13. NATIONAL ZEITUNG, 10 December 1981.

## Mittag: Modernization Is Essential

East Berlin NEUES DEUTSCHLAND in German 4 Dec 81 pp 5-6

[Address by Guenter Mittag, member, SED Politburo and secretary, Central Committee, representing the SED parliamentary group, to the third session of the People's Chamber held 3 December 1981: "Moving Forward on the Course Set by the 10th Party Congress"]

[Text] The parliamentary group of the Socialist Unity Party of Germany gives its full and unqualified approval to the pending bills for the 1982 Economic Plan, the 1982 State Budget Plan and theFive-Year Plan on Development of the GDR Economy from 1981 to 1985.

It is of great importance to the present and future of the German Democratic Republic for the People's Chamber to be able today to discuss and approve these fundamental documents on economic and social development in 1982 and in the period to 1985. They have their basis in the far-reaching resolutions of the 10th SED Party Congress. As you know, Comrade Erich Honecker, general secretary of the SED Central Committee and chairman of the State Council, said at this party congress that the course set forth in the main task, the unity of economic and social policy, will be determinant in the development of our republic also in the 1980's.

Comrade Erich Honecker's Politburo report to the Third SED Central Committee contained an assessment of the good results achieved thus far in implementing the resolutions of the 10th SED Party Congress as well as a course to be followed in continuing to realize these resolutions in a determined manner; Comrade Honecker's remarks have met with a lively response and great approval among the working people of the GDR.

In his Politburo report Erich Honecker responded to those questions of domestic and foreign policy that presently affect every citizen of our country. The results of the Third SED Central Committee Plenum radiate confidence and an awareness of our strength; they set new tasks and show the way to their accomplishment.

In the name of the SED parliamentary group in the People's Chamber of the GDR, I should like to declare here that the bills before you correspond to these lofty goals in every respect.

### With the Full Strength of Our Republic for a Secure Peace

Above all, however, the goals that underlie the five-year plan are more closely linked to the GDR's policy aimed at safeguarding peace than at virtually any other time in our history. With great earnestness and a deep sense of responsibility for the fundamental task of preventing a world nuclear holocaust, the Third Central Committee Plenum called attention to the tremendous heightening of tensions with respect to the international situation. The causes lie in the U.S. policy of confrontation.

Unfolding for months before our eyes has been the entire design of a policy that is aimed at undoing everything that has been achieved so far on the road to detente and social progress — be it at the expense of one's own people or other nations.

This entire U.S. and NATO policy essentially comes down to shifting in favor of the United States the approximate balance of military forces that now exists between the United States and the Soviet Union. Figured into their calculation is the possibility of a nuclear war in Europe. It is precisely this objective that is served by the so-called "zero option," which is being handed out in a demagogic manner as an alleged disarmament proposal. This is nothing but a back-door attempt, if you will, to change the existing approximate military balance in Europe.

It is a mockery that such a scheme is even being called a peace plan, for he who seeks to alter the balance is undermining peace. This "zero option" diversion was thought up especially to stem the tide of the powerful peace movement that is rising day by day in the West European countries. The inventors of such schemes overlook the fact that an increasing number of people recognize precisely where their fundamental vital interests lie, who is jeopardizing them and who is truly safeguarding them.

Together with the Soviet Union and the states of the socialist community, our republic is firmly resolved to place its total strength on the peace side of the scale.

Leonid Brezhnev, general secretary of the CPSU Central Committee and chairman of the Presidium of the USSR Supreme Soviet, established the basis for a constructive peace program at the 26th CPSU Party Congress. The GDR People's Chamber has given the peace appeal of the USSR's Supreme Soviet its full approval.

With its constructive policy on safeguarding peace, the GDR is acting in full consonance with the constitution. The GDR is acting on the basis of unanimous approval of this policy by its citizens. More than 13 million citizens have already confirmed their support by signing the GDR's declaration of intentions dating from October 1979. The GDR is acting in the spirit of the revolutionary traditions of the German and international workers movements. Erich Honecker expressed all of this at the Third SED Central Committee Plenum in the name of the SED and in accord with the interests of the entire nation.

Commitment Strengthens Socialism

Socialism and peace are inseparable. Peace policy is not a tactical question for the socialist countries; it is a fundamental principle of its international dealings. This was revealed anew in the constructive behavior and awareness of responsibility exhibited by Leonid Brezhnev, general secretary of the CPSU Central Committee and chairman of the Presidium of the USSR Supreme Soviet, during his visit to the FRG, a visit that was dedicated entirely to this lofty concern. We value the results of this meeting between the general secretary of the CPSU Central Committee and chairman of the Presidium of the USSR Supreme Soviet, L.I. Brezhnev, and FRG Chancellor Helmut Schmidt as an expression of the consistent efforts by the Soviet Union to further enliven the principles of peaceful coexistence between states of differing social orders and to take real steps to eliminate the threat of a nuclear war.

The GDR is doing its constructive part for peace in the international arena as well, as shown by the visits to Austria, Japan and Mexico by Comrade Erich Honecker,

general secretary of the SED Central Committee and chairman of the GDR State Council. There is no doubt that they were of great benefit in safeguarding peace, promoting international understanding and adding to the prestige of socialism. Significant results were obtained for the development of the GDR's relations with these states.

We, all the citizens of the GDR, whether communists, members of allied parties or political independents, whether atheists or Christians, openly advocate peace and espouse the constructive peace policy that is so ardently championed by the Soviet Union, the GDR and the countries of the socialist community; for nothing is more important to us than the preservation of peace. The most effective thing that we in the GDR can do here is to make a commitment to work creatively to strengthen and protect socialism in the GDR.

Economic Issues Here Are the Concern of All the People

The bills before you are aimed at realizing the resolutions of the 10th SED Party Congress, resolutions which our party passed in the interests of the working class, the cooperative farmers, the intelligentsia, the craftsmen and tradesmen, the young people and the veterans of labor -- in the interests of every citizen of our republic.

It can be said with complete rectitude that this policy of our party is understood and supported by all the people. Behind it are better and better economic and social achievements. And we can all be proud that -- as shown in the final accounting at the 10th Party Congress and by the implementation of its resolutions by the Third Central Committee Plenum -- our party has carried out its social policy program point by point and is continuing on this course.

Economic issues in the GDR are, in the truest sense, the concern of all the people. Everyone here in our country understands that without work there can be neither social progress nor improvements in the material and cultural living standards of the individual, and that our path to prosperity for the people requires steadily improved economic accomplishments. The word work has a good ring to it in our republic. Our strength lies in this creative labor, in this truly constructive partnership by the citizens of our republic in the business of shaping our social development. This is evidenced not least of all by an accomplishment such as this one: By the end of November, 2.8 days worth of production in excess of the high goals contained in the 1981 Economic Plan had been achieved in industrial goods production.

Third Central Committee Plenum Set Standards

By following this course, we have made our republic into a highly productive socialist state. By following this course, and only this course, we shall continue to achieve further economic and social advances.

As the bills indicate, tasks have been set for 1982 and the period through 1985 with which the GDR will carry on with its continuous and, at the same time, dynamic growth in the area of production. In the process we can rely on all the good results that we obtained over the past decade by putting to use the advantages of

socialism. At the same time, we must take note of the new requirements that will arise in the 1980's.

We are taking note of these new elements — which were set forth very distinctly at the Third Central Committee Plenum by Comrade Erich Honecker, general secretary of the SED Central Committee and chairman of the State Council — from the standpoint of implementing our basic policy of doing everything for the welfare of the people through good performances, as resolved by our 10th Party Congress.

Here we can build equally on the favorable pricing conditions for important raw materials purchased from the Soviet Union and on our own important experiences in the struggle to reduce our consumption of raw materials and energy. Socialist intensification, the fact that we intend to use even fewer raw materials and materials than anticipated at the time of the 10th Party Congress in implementing its economic and social policy directives, is making heavy demands on the management of national economic processes, on raising the quality and effectiveness of social labor. All of these requirements set by the Third SED Central Committee Plenum tell us that the necessary conclusions have to be drawn everywhere.

Economic Strategy Points the Way to Success

Thus, we again base the 1981-1985 Five-Year Plan on a high level of growth in economic performance. If, in accordance with the bill under consideration, the national income should increase during the five-year plan period to 128 percent in 1985 compared to 1980, the pace of development will not only be maintained but even exceeded. The absolute volume of the national income will amount to more than M 1,000 billion compared to 862.5 billion in the last five-year period. This fast pace of growth of the national income is supported by the continuing growth of production in all sectors of the economy — in industry as in construction, in agriculture, in transportation and communications and in trade.

To achieve it is a major task — but it can be done, and we will accomplish it with the strength of the people and the creative initiative of all. The results of the Third Central Committee Plenum show that we will successfully accomplish our tasks for 1982 and those of the five-year plan. In carrying out these objectives, our party will go every step of the way with all the people of the GDR, just as it has before, in a solid relationship of trust shared with the working class, the cooperative farmers, the intelligentsia and all the working people.

What it comes down to now is the consistent realization of the economic strategy resolved by the 10th Party Congress. Its 10 major points cover the fundamental tasks that must now be accomplished so that we will be able to meet fully the demands of the 1980's. This is the path leading to mastery of the challenging projects contained in the 1981-1985 Five-Year Plan.

Particularly in these months since the 10th Party Congress, it has been demonstrated with all clarity that the economic strategy for the 1980's corresponds fully to present and future demands. We are just beginning to put this strategy into effect. It is aimed at a radical process of economizing the entire national economy of the GDR. When we speak of this economization of the economy, we mean operating more economically in industry and everywhere else.

These 1980's constitute a tremendous challenge for us in the GDR as well. We are facing the challenge with a scientifically based and realistically constructed strategy — our economic strategy.

It is based on full use of the advantages of socialism, on the ability of our socialist planned economy to respond in a flexible manner to changed conditions; it is also grounded in a major new development of mass initiative in the socialist competition that is being organized by the trade unions. Deserving of our full support in this regard is the performance comparison of the youth brigades under the motto "Each with a good balance sheet every day."

Right at the center of this economic strategy is the struggle for greater labor productivity and effectiveness through science and technology, the struggle for a definite improvement in the cost-benefit ratio. If this is to be accomplished, it is necessary for everyone to accept fully the content and goals of the economic strategy in his own sphere of responsibility, to draw his own conclusions without delay and to act accordingly. This will be decided through qualified management work. It applies to everyone. The increased performance depends upon the consistency of action everywhere, upon the pace at which the 10th Party Congress resolutions are implemented. This is a fundamental economic requirement, and at the same time it is a great intellectual challenge to each individual, to the strength of the collective, to the systematically organized interaction involving all sectors of the economy.

This struggle for a high level of effectiveness is expressed now and will be in the future in the effort to make comprehensive use of our domestic energy sources, especially brown coal, and to mobilize additional reserves of material and energy.

Top Performances Through Science and Technology

This begins with the consistent establishment of economic objectives for the work in science and technology. Scientific-technical work must always be directed toward producing the latest top-quality products that can be marketed with a good economic result. This means employing the latest technologies and thus simultaneously reducing costs, so that cost and benefit are distinctly improved. It is a matter of achieving economical operation everywhere. The main problem consists in obtaining the best possible economic results by international standards, not just by the standards of our own country.

It is not only a question of saving time in scientific-technical work, though that is very important. The work as a whole has to merge into a greater economic benefit. The standard for the economic benefit cannot be set in some subjective way of other. The necessary economic benefit is decisively determined by the law of the economy of time. In order to achieve greater economic benefit, it is necessary to use less material and spend less time. The point is to achieve good scientific-technical results not just at any time, but within the shortest possible time. The same holds true for investment work. Everything ultimately comes down to obtaining a greater economic benefit.

Thus, it is necessary to proceed on the basis of what will be required in the future and to derive scientific-technical goals from this.

However, anyone who makes today's world level the task of tomorrow's production is already programming himself to lag behind. In this regard, the greatest importance attaches to the duty manuals — those documents that set society's requirements. There is no point in talking about science and technology in general, allocating manpower in general and accumulating capital in general. Here there can and must be only one course: concentration on the priority tasks, their planning, accounting and financing. Every manager has the highest responsibility to the state to see that the work in every area is organized according to these new standards, that manpower and means are employed accordingly.

We can assume that a scientific-technical potential such as this exists and is increasing in the German Democratic Republic, a potential which will basically enable us to accomplish every critical economic task as it pertains to the economical use of science and technology.

This is being confirmed in a very impressive and convincing manner in the work of the GDR Academy of Sciences and its research institutions. It is of very great value to the political, economic and social development of our republic that a significant measure of support is given to the sciences in our country, and that our scientists are producing fruitful accomplishments for the republic. It is to the advantage of all the people that such a close relationship of mutual confidence exists between the party and state leadership and the scientists.

Our Wealth — Intellectual Potential

Furthermore, of inestimable value is the fact that we have ties to the enormous potential of the USSR, particularly in those areas of scientific-technical progress that determine the future. In the process of implementing the program of specialization and cooperation between the GDR and the USSR up to the year 1990, we shall be putting this cooperation on a new basis.

The number of trained university and technical school cadre in our republic increased by 695,000 from 1970 to 1980; the number of master workmen and skilled workers rose by 1,404,800. Thus, 80 percent of all those employed in our economy in 1980 were skilled workers and/or master workmen or had degrees from universities or technical schools. Nearly one out of five employed persons has completed a university or technical school education.

And let me add another fundamental fact that characterizes the intellectual potential of our society. It is the fact that of our 8.7 million working people, 4.1 million have already completed at least a 10-grade polytechnical secondary school in our socialist education system.

Thus, the challenging tasks in this five-year plan based on our economic strategy are being carried out on new premises — as regards the intellectual, but also the material, potential — in order to achieve the greatest effectiveness through science and technology. This applies above all to that which has already been done in the field of microelectronics in our republic. It applies to the new steps to be taken here with the plan and the faster pace that is being set. Microelectronics constitutes a crucial basis in the struggle for the highest level of effectiveness

now and in the future, and it cannot be rated highly enough that we are setting ourselves new tasks, building on a substantial existing potential.

Now a fundamental issue in reaching the production goals of this five-year plan consists in applying the results at hand in the economy as a whole in substantially greater breadth and with the highest level of effectiveness. We want mainly to direct the attention of all managers in the combines and that of the social forces to this aim, for the realization of these goals has become a vital issue in the further development of the GDR as a modern industrial country with high living standards for its citizens.

More Efficient with New Technologies

The application of microelectronics is also the most effective way to focus our economy on a higher level of refinement. The accomplishment of these economic strategy objectives must be determinant for the years ahead, for when we speak of a higher level of refinement, we mean increased effectiveness. As you know, refinement means obtaining a higher production value through more highly skilled work with every kilogram of material. This is why following this course is so decisive to achievement of the production goals set by the five-year plan.

If we are to produce more with less material, we shall have to move ahead even faster with refinement. Included here are tasks involving quality improvement and design, but also the reduction of product weight and thus lightweight construction as well. Anyone who does not focus on this is bound to cause losses instead of gains for the GDR economy, and here one would have to say in a variation on a well-known phrase: "Weighed, and found too heavy."

Here it is a matter of accomplishing all the tasks of further intensification in our economy with a sense of proportion and foresight. The constant point of reference is the best ways to attain our goal -- a high level of production growth for the benefit of the people -- using the most effective methods, thus reducing expenditures. We should also like to say, however, that no one is permitted to accomplish his tasks at the expense of others -- for instance, if some violate their credit obligations when goods are delivered. This is illegal conduct and must not be tolerated.

The greatest effectiveness calls for introducing the latest technologies via rationalization, thereby increasing labor productivity to a decisive degree, saving jobs and simultaneously improving working and living conditions.

In view of the enormous fixed assets in our economy, a key issue in overall economic effectiveness is the modernization of existing capital investments. Ideas to the effect that every percentage of increase in labor productivity must be paid for with capital spending that increases at the same or even faster rate work against economic effectiveness. What matters is to employ the modern technology in such a way that the existing technology is modernized, thus achieving a higher level of productivity with the already existing installations.

Over the last 10 years, our country has replaced substantial portions of our industry's production apparatus. Over half of the machines and installations are no

more than 10 years old, and nearly a third are no more than 5 years old. The value of the installations, computed on a per-employee basis, exceeds half a million marks or more in a growing number of enterprises. The crucial issue is therefore their multiple-shift utilization.

On the whole, it is a matter of modernizing the existing production apparatus, of making it more economically effective through quality work in order to gain the greatest benefit for the republic at the lowest cost. This is a fundamental requirement. From these standpoints in particular, the introduction of robot technology will create new opportunities to make better use of capital investments in terms of time, especially the multiple-shift operation of highly productive equipment.

One Percent More from Capital Investments Would Add Billions in Earnings

The most important thing is to make much more effective use of what we have now and any new resources at our disposal. If we succeed in getting only 1 percent more out of the capital investments which the five-year plan calls for in the producing sectors, we will get an increase in the national income amounting to between M 2 billion and M 2.4 billion, or additional industrial goods production valued at M4 billion to M 4.8 billion. As anyone can see, the question here is one of great social riches. Therefore, it is everyone's responsibility to put them to much more effective use than before for our economy, for our society. And with this in mind we also intend to use those capacities that have been established for the in-house construction of rationalization means.

In the 5 years from 1981 to 1985 combined, the in-house production of rationalization means in the combines will produce almost M 26 billion worth of equipment. This is as much as the total volume of investments in equipment available to the national economy in approximately 1 year. These capacities for the in-house construction of rationalization means have thus become an economic factor of the first order. Their expansion and use represent one of the decisive prerequisites at our disposal for the realization of our important goals.

Thus, the task of achieving better results at lower cost is the overriding one. Only in this way can we steadily increase the national income as a basis for individual and social consumption as well as for accumulation. Increased production and reduced consumption of production -- only by pursuing both of these courses can we achieve the increase in the national income that we are calling for in the plan. The struggle to develop production and reduce costs must now be waged in the interest of a high rate of growth of the national income as a uniform entity.

In this sense, economy under socialism encompasses the entire cycle of intensively expanded reproduction. The groundwork is laid at the drawing board, in research and development.

It is continued in technology, or the economic manufacturing process, and this economic route is pursued in the overall manufacturing process all the way to the sale of products at home and on international markets. It is reflected in the best results. This is what we mean by the term intensively expanded reproduction. It means pace, quality, better economic results. These are the new standards.

Attention by Everyone to Costs

Here and there people have become accustomed to seeing only the tasks involved in increasing production, while regarding tasks designed to reduce costs as something secondary — or even neglecting these tasks. The cost reduction goals set by the five-year plan no longer permit this kind of one-sided conduct. The struggle to reduce costs requires the attention of all. Everyone, truly everyone, must live up to his responsibility on the job. What one person saves must not be expended by someone else who goes beyond the established norms.

The growth of labor productivity on the national economic scale is ultimately decisive for a rise in the national income. As far as investments are concerned, on the one hand their effectiveness in production is helping us carry on a great struggle to increase the national income. On the other hand, the struggle for the efficient use of the national income is not yet being waged at all times.

The call for more investments is often in the foreground. But it is not the level of investments that is decisive, it is the economic benefit they yield.

Performance comparisons should uncover previously unrecognized reserves and indicate ways to develop them on a broad basis. When we talk about this performance comparison, the point is to compare with truly the best. This applies not only to the best levels attained on the scale of our own economy but also by international standards. Thus, it is a question of what is objectively possible; only this is the standard, and nothing else. So it is necessary in every enterprise, in every collective, in every ministry, in all sectors of the economy to draw conclusions from the results that have been obtained.

In the process of implementing the resolutions of the 10th Party Congress, steps were taken to improve economic accounting procedures. The main idea is to link economic accounting more closely and more effectively with the plan. The main concern of these measures is that of reducing costs, whose precise calculation, exact analysis and balancing apply to all sectors of the economy and all economic units. The tasks set forth here must be observed just like the other plan tasks, and they may not be changed.

It is also important in this connection for further determinations to be made on setting industrial prices. National economic outlays will thus be correctly reflected everywhere in the costs. Moreover, the industrial price will further increase the economic interest in improving product quality and reducing production consumption. Every consideration must begin with economic calculations, starting with the tasks for science and technology. This is emphasized here in all seriousness, because we are concerned with our lofty goal — accomplishment of the main task. This is the fundamental concern of the tasks for the entire economy as contained in the plan.

And this approach must be continued in every combine, every enterprise, every LPG, every trade establishment and every transportation enterprise — everywhere the national income is produced and spent. Thinking along economic lines must now increasingly determine the conduct of each and every one of us. In this regard we are

conscious of the common action of everyone — the trade unions, the Free German Youth and every working person and citizen of our republic.

Our plans are plans for growth and stability. They are evidence of the forward progress of our economy, indeed of the entire society. In this we are worlds apart from the majority of capitalist industrial countries, whose development is marked by economic stagnation or declining production. On the other hand, there are quite a few monopolies which, even under these conditions, have used intensified exploitation to increase or further increase their profits. An economy that evokes that kind of social contradiction, in which tremendous productive forces are lying idle, in which inflation rages like a rising fever while the public's real income declines — an economy such as this represents an enormous waste of material assets and intellectual capabilities.

The People's Welfare Is the First Dictate of Our Policy

Our economy in the GDR, on the other hand, is healthy because it rests on the firm foundation of socialism and the diligent labor of its people. The solidity of our economic development and the resulting systematic rise in the material and cultural living standards of the people constitute influential factors in the internal stability and external authority of our republic. This is important in the continuing effort to strengthen socialism and safeguard peace. These important concerns are served by the economic production goals called for in the bills before you. They are aimed at devoting our entire strength to the GDR, our socialist homeland, and at strengthening our republic as a whole.

Many fundamental values of our socialist existence have long been linked to the concept of homeland for us — for instance, respect for any useful work, love for our children, the joie de vivre of youth, care of the elderly, the striving for knowledge by science, the enrichment of our intellectual lives through art and culture, and last but not least, the loyal performance of duty for the protection and security of our republic. All of these things create the wonderful feeling of security and well-being that is experienced daily by millions in our country. It is a country in which the people's welfare is the first dictate of all policy and all productive development. This also applies to our new plan targets, to every ton of extra raw brown coal that we will bring out, to every product being produced at a higher quality level, to every extra ton of grain and feed, to every extra mark's worth of national income that we produce in the interests of our state and its citizens.

It is on this foundation of high economic growth in production coupled with a substantially more effective use of the materials available to us that our significant and lofty goal rests -- that of safeguarding the people's material and cultural standards of living and continuing to improve them step by step. The large-scale housing construction program up to the year 1990 is now and will remain the key element of our social policy. In this five-year plan we are calling for the construction or modernization of 940,000 residential units.

Together with the units already built between 1971 and 1980, a total of approximately 2,362,000 housing units will have been made newly available to the public within a period of 15 years.

This will improve living conditions for 7 million citizens of the GDR. Evidence of this policy can be found from Rostock to Suhl. And people everywhere will agree that there has never been a development like this in the history of our republic.

We want to place very special emphasis on the fact that we regard the development of Berlin during this five-year plan as a matter for the entire republic, and we will be continuing the effort in a consistent manner, just as is expressed so positively in the "FDJ Berlin Initiative." When we talk about Berlin, we are talking about socialism, about the worker and peasant state and about peace. Reflected in large measure in the flourishing of our capital city is the essence of socialism and what it does for the welfare of the people and the peaceful lives of all citizens. With its accomplishments, Berlin puts the present and future of our country on display. We can all be justly proud.

Using the same consistency and continuity with which we are carrying out our large housing construction program, we are also carrying our republic's social policy over to all other areas.

This applies to the development of net cash income, like that from retail trade turnover. And it concerns the large and growing range of services provided by society to its citizens. We should like to give first prominence here to the further development of our socialist educational system, since intellectual values, the ideals of true humanism, have always been accorded a prominent place in our republic.

We are realizing the development of people's material and intellectual/cultural living standards as a uniform process in fashioning a society whose constant commitment on all issues is to the human being and his fundamental needs.

It also concerns the comprehensive support of culture and science, of medical care and a healthy way of life for the citizens of our country. The plan documents contain specific projects and tasks covering all these issues, and everyone has his own responsibility for carrying them out in his own area -- in the combines and enterprises, in cooperatives and institutes, in cities, kreises and towns.

Our state is allocating in this five-year plan a total of M 295 billion in the form of social funds for development of our citizens' standard of living. This is in turn an increase over the past 5-year period, during which those funds had already reached the extraordinarily substantial sum of M 234 billion.

Thus, we see a closing of the arc between a high level of economic performance resulting from the labor of the people and the objective of doing everything for the welfare of the people. Each person is being called upon to make his contribution. The bills before you are in the truest sense plans for national prosperity, socialism and peace!

## Hoefner Discusses State Budget

East Berlin NEUES DEUTSCHLAND in German 4 Dec 81 pp 5-6

/Address by Ernst Hoefner, minister of finance, to the third session of the People's Chamber held 3 December 1981, on the 1982 state budget: "State Budget Serves

Policy of Main Task." Translations of the 1982 plan and budget and the 1981-1985 plan are published in JPRS 79769, 31 Dec 81, No 2216 of this series, pp 7-29]

[Text] In line with the 1981-1985 Five-Year Plan for Development of the GDR Economy and the 1982 Economic Plan, the bill before you on the 1982 state budget is aimed at consistent implementation of the resolutions of the 10th SED Party Congress. The state budget plan was closely coordinated with these plans and is linked to them structurally. It takes into account the wide-ranging political and economic guidelines for strengthening socialism in the GDR as presented to the Third Central Committee Plenum by Comrade Erich Honecker, general secretary of the SED Central Committee.

Planned Economy as the Basis of Stable Finances

The state budget plan is targeted at the continued stable and dynamic development of our economy. An indispensable prerequisite for this is to make of the 10 focal points of economic strategy for the 1980's a strict standard for action.

The state budget plan is influenced by optimism and confidence in the creative strengths and capabilities, in the will of the party and the people to produce, to carry out the resolutions of the 10th SED Party Congress, the proven policy of the unity of economic and social policy in our lives.

The government of the GDR presents to the highest representative body of the people a balanced state budget for the year 1982. Income in the amount of M 177.9 billion is to be produced, and expenditures of up to M 177.8 billion are to be made. The solid base for this stable financial development is to be found in the socialist planned economy, which is proving its success and constantly being improved.

A secure basis for our forward progress, and thus for the stable development of the GDR's finances, is the fraternal alliance with the Soviet Union and the other states of the socialist community.

It deserves to be emphasized that the stability of the GDR state budget carries great political weight considering the changed conditions on foreign markets. On the basis of great challenges to increased efficiency, and in consonance with the economic results, the 1982 State Budget Plan is also setting out to carry out social policy as resolved by the 10th SED Party Congress.

Reflection of Citizens' Social Security

Reflected in this plan are social security and prospects for a happy future for every citizen of our republic.

How unique such accomplishments of socialism are becomes crystal clear when one looks at the situation in capitalist countries. The budgets of these countries are characterized above all by stockpiling for the military effort through deficit financing and national indebtedness. In the capitalist countries, especially the United States and the FRG, the monopolist magnates and their governments have ruthlessly and comprehensively launched the mightiest raid of postwar history on the pockets of the working people of these countries.

Of decisive importance for a stable state budget is the production of a steadily growing net income.

The draft plan for 1982 sets the task of 5.8-percent growth for this, our socialist state's most important source for further expansion of the material-technical base, for larger social funds derived from state monies and for the financial assurance of national defense.

Consequently, the chief requirement for the combines of industry and the construction industry, for the agriculture and food industry enterprises, transportation, trade and all other material sectors of the economy is to achieve a better cost-benefit ratio through consistent intensification.

As came out at the Third SED Central Committee Plenum, solutions to the vital questions of economic effectiveness have to begin with scientific-technical progress.

Thus, underlying the draft plan for 1982 is the concentration by research and development personnel on new products and procedures, which produce profound economic effects. The task of combine and enterprise management here is to be more emphatic in making economic benefit the point of departure and a standard for scientific projects and goals.

The 1982 State Budget Plan provides nearly M 2.5 billion for science and technology. Together with the funds for research and development in the combines, a total of M 8.9 billion has been planned for 1982 — an increase of 7.8 percent in spending for science and technology.

The Council of Ministers has passed measures designed to upgrade the management and planning of science and technology. Accordingly, it is to be made certain that these funds are earmarked exclusively for use on research and development tasks, always subject to the cost-benefit accounting that is to be shown in the research collectives' manual of duties. A maximum increase in economic strength is to be gained in 1982 in this way from scientific-technical findings.

The draft plan for 1982 also sets high economic benefit requirements on the use of financial capital for investments, which will total M 54.8 billion.

The effective use of these funds according to the standards of the 10th Party Congress includes above all making good use of what we already have.

The Council of Ministers therefore stresses that investment monies must be used in such a way as to put our existing extensive capital investments, as the most important part of our national resources, to intensive use for production growth through rationalization and modernization.

The rationalization of existing installations on the basis of advanced technologies is proving to be a favorable way to insure greater effectiveness. In this regard the draft plan sets the task of improving the capital-output ratio by means of the skillful management of existing assets and a high level of effectiveness for investment funds and repair funds; it also sets the task of raising the increase in the operating result to M 35 for each M 100 in investments, thus an increase of nearly 50 percent over 1981.

Improved Cost-Benefit Ratio

A decisive improvement in the cost-benefit ratio is the fundamental economic requirement for the years ahead. It is above all a matter of reducing production consumption and prime costs. The plan for 1982 contains high goals designed to achieve this. Prime costs in our state industry are to be reduced by 2.7 percent compared to the 1981 level. This objective is 50 percent higher than in 1981. Similarly great demands are being made on the other sectors of the economy.

The Third SED Central Committee Plenum stressed that the standards that apply to economy in the use of materials are just as strict as those that apply to the consumption of energy.

Resulting from this are great challenges to the responsible managers at all levels and to the steady encouragement of initiatives on the part of the working people at the same time.

Management, planning and economic accounting must be tied in more closely with one another.

The Council of Ministers has passed corresponding resolutions on improving economic accounting and upgrading cost accounting.

These resolutions are aimed at effecting a closer connection between planning based on value and planning based on materials; they are also aimed at the drafting of cost and finance plans for the combines and enterprises in total conformity with state-established norms, standards, allocations and limits with reference to reducing consumption and making efficient use of raw materials, energy, fuels and vehicle fuels.

In the future it will be assured that costs are accounted for on the same basis used in their planning. This will allow enterprises that make real economic progress to accrue greater benefits.

The Council of Ministers directs the attention of combine general managers toward making even better use of the experiences of advanced combines intheir work with cost conceptions.

Cost Conceptions an Important Part of Competition

Among the good experiences of these combines is the circumstance that the objectives of cost conceptions are closely connected with the working people's socialist competition through the worker's performance ledger, through engineer, master workman and quality folders and other forms of industrial management.

Convincing evidence of the good economic results that can be obtained in this way is to be found in the experiences of the VEB Strip Steel Combine in Eisenhuettenstadt in implementing the 1981 plan. In this combine the cost conception is closely connected with the socialist competition and an action program for all enterprise collectives. This program sets high economic goals for the processing of

metallurgical products, something which is simultaneously reflected in a growing effectiveness of production.

What goals are being set in this combine, and what are the results?

Surplus product output has to be accomplished exclusively on the basis of materials saved; the percentage of material -saving assortments in total production must be increased.

Plan fulfillment for 1981 presently shows a total savings in basic material costs amounting to M 28 million.

A further task relating to the plan is that of reducing energy intensity. Any surplus production has to be accomplished with the same allocations.

Costs for energy, fuels and vehicle fuels were actually DM 9 million — or 6 percent — less than the 1981 plan provided. According to the cost conception, costs for rejects, follow-up work and warranties can be substantially reduced. Fulfillment of the plan required M 1 million less — 6.3 percent — for this work than was planned.

The resolutions passed by the Council of Ministers charge all general directors of combines and all plant managers with consistently applying proven methods of socialist industrial management such as these in an effort to improve economic accounting. They are important instruments in promoting the working people's readiness and desire to produce, as one of socialism's most substantial accomplishments.

On the basis of the policy of alliance between the working class and the cooperative farmers, a policy that has been successful for three decades, the 1982 State Budget Plan again calls for substantial outlays for state-owned and cooperative agriculture, forestry and the food industry. They total more than M 12 billion.

It is crucial that we open up sizable production reserves in socialist agriculture. The resolutions of the 10th SED Party Congress call for using appropriate forms of labor to obtain higher yields from field and stable, an effort that will simultaneously lead to an improved cost-benefit ratio.

As SED Central Committee General Secretary Erich Honecker noted at the Third Central Committee Plenum, in agriculture too we are facing challenges that can no longer be measured by past standards.

The Council of Ministers made decisions that consistently tie considerable funds from the state budget to performance and effectiveness goals, thus making even greater contributions toward developing internal reserves, eliminating existing unjustified differences in the economic results of enterprises and cooperatives and preventing losses.

True to the program of the Socialist Unity Party of Germany, to do everything for the welfare of the people, the bill on the 1982 State Budget Plan is aimed at safeguarding and gradually improving the public's material and cultural standards of

living that have been attained. Social funds totaling M 61.7 billion have been provided for this out of state budget monies.

On the basis of overall economic production growth, these payments that benefit the citizens of our state daily in many different ways as supplements to their earned income have thus been increased by M 3.1 billion to 105.3 percent compared to 1981.

The draft plan contains M 8.5 billion for the consistent continuation of the housing construction program, the core of our social policy. Including credits and the industry's own funds, housing construction and the housing industry will be receiving a total of M 18.8 billion in the year ahead.

Every citizen of our state can appreciate this proven policy. Rent profiteers, not to mention the worry of being evicted tomorrow, are infirmities of capitalism that are foreign to the everyday lives of GDR citizens. At the same time, the growing dimensions of housing construction in our republic underscore the need to give adequate attention to the modernization and maintenance of housing units, to perform the highest-quality work at all times and with great effectiveness, and to adhere consistently to spending norms.

The Council of Ministers indicates that even better use should be made of the many different initiatives by citizens in the successful "Join In!" competition and on the basis of communal contracts, as expressed in letters from deputies and mayors from Karl-Marx- Stadt, Suhl and Rostock Bezirks to Comrade Erich Honecker, General Secretary of the SED Central Committee.

Large Sums for Education and Culture

In consistent implementation of the resolutions of the 10th SED Party Congress, the proven policy of stable prices for everyday basic commodities and rates for services to the public will be continued in 1982 as well. The draft plan for the 1982 state budget contains expenditures of M 21.2 billion for this.

As before, it will be assured that the necessary higher expenditures by the combines, enterprises and cooperatives for raw materials and energy sources will not lead to burdens on the net income of the citizenry.

Our socialist state has always spent a great deal to establish increasingly better conditions for high-quality education and training, to promote, preserve and restore the health of its citizens, to take care of the general welfare of veteran workers and to establish conditions conducive to a life that is rich intellectually and culturally. The support of youth is especially important. Substantial amounts are being provided for public education and vocational training and for universities and technical schools.

An extra M 380 million is to be spent in 1982 just for larger payments to apprentices, for the new ruling on scholarships and for educational grants to all 11th- and 12th-graders in expanded secondary schools.

The bill on the state budget plan calls for spending M 10.4 billion on education.

Outlays for health and social affairs and social insurance, which serve to protect the health and social security of our citizens, will total M 18.8 billion. This is a 6.6 percent increase over 1981.

Among other things, this money assures the payment of M 15.7 billion in pensions to our veterans of labor. It guarantees the payment of child-support allowances and natal benefits in the amount of M 1.5 billion. It pays M 1.1 billion in pregnancy and maternity benefits as well as paid release-time for mothers.

Also included in these expenditures are the funds needed to finance the performance-related wage measures in the health and social affairs sector that went into effect on 1 December 1981.

As our developed socialist society becomes more advanced, art and culture are becoming more and more important to our citizens' personality development and to the unfolding of their creative abilities. Together with substantial sums for the further development of physical culture and sports, and increased spending in the recreation sector, the draft plan for the 1982 budget calls for spending M 2.6 billion in this area.

All of these measures contained in the plan are an expression of the fact that our successful social policy is being continued on the basis of the increase in our economic performance.

Broad Cooperation Uncovers Reserves

The Council of Ministers underscores for all these sectors the task of using properly that which is at hand and of gaining the greatest social effects with all of our material and financial capital.

Our most important task at present is that of safeguarding peace. In light of the intensifying imperialist policy of aggression, it is the duty of our socialist government to provide reliable protection for that which socialism has built and accomplished. The bill on the 1982 State Budget Plan has set aside M 10.8 billion for national defense. This is an increase to 105.7 percent over the amount for 1981.

Essential tasks in the economic and social policy area are carried out within the sphere of responsibility of the local assemblies, particularly in the cities and towns. According to plan, they have at their disposal material and financial capital that increases every year.

Underlying the 1982 State Budget Plan is the circumstance that the income and expenses of local budgets will rise to a total of M 36.3 billion -- which means approximately a 2-percent increase over 1981. Included is the sum of M 3.9 billion for the continued priority development of the GDR's capital city, Berlin.

The Council of Ministers stresses the great responsibility of the local assemblies and their organs for the systematic generation of their own income, particularly by improving the performance and effectiveness of combines and enterprises in the

local construction industry, transportation and agriculture, forestry and the food industry. Territorial resources are to be put to better use. This applies especially to territorial rationalization designed to coordinate investments, to the construction of rationalization means, the forming of car pools and the tasks involved in making transport as effective as possible.

The Third SED Central Committee Plenum issued the appeal to promote systematically the initiative of advanced combines in the socialist competition aimed at making available to the national economy supplies of raw materials, materials, energy and financial means received by them under the plan.

Every enterprise and every institution must determine what can be sacrificed in favor of urgent tasks. Collectives from many combines and enterprises have already made convincing responses in the form of their competition pledges.

The Council of Ministers expresses the certainty that the imagination and creativity of our working people will uncover additional important reserves for the even more effective handling of the enormous material and financial resources in our national economy.

This will be an important factor for a high degree of effectiveness in implementing the 1982 State Budget Plan.

On behalf of the Council of Ministers, I ask you, honored delegates, to approve the bill on the 1982 State Budget Plan.

7458
CSO: 2300/140

MINISTER INTERVIEWED ON PRODUCT PRICES

Warsaw KURIER POLSKI in Polish 7 Jan 82 p 3

[Interview with the State Price Commission [PKC] chairman, Professor Zdislaw Kransinski, by Irena Scholl: "Free but Not Unrestricted Prices;" date and place not specified]

[Text] [Question] On 1 January the new rules for enterprise management went into effect, although they have been somewhat restricted by the martial law situation. The economic mechanisms on which the economic reform is based are thus beginning to be operative. The purpose of the reform is to increase the efficiency of management, reduce all [kinds of] wastefulness and, if possible, achieve a market equilibrium rapidly. Will prices have an effect on the achievement of these goals?

[Answer] Obviously they will. This is a result of economic laws that are proving true everywhere in the world. In order for prices to affect supply and demand, however, they must be part of a coherent system.

[Question] What has been done to create such a system?

[Answer] Neither the State Price Commission [PKC] nor the Economic Reform Commission was idle last year. Among other things, new rules for constructing producer prices were developed in order to bring them closer to world prices.

[Question] What are the advantages of that?

[Answer] The advantage is improving the interrelationship of the prices. So far what has been expensive [elsewhere] in the world has been cheap in our country. For example, coal was actually free, even though it was mined with so much difficulty and for increasingly higher wages. This led to many negative consequences. For example, builders did not worry about heating houses properly; the inexpensive heat--inexpensive in price, not actual value--escaped through improperly constructed walls. An industry that has really devoured electricity will now be forced to look for economical production methods.

Another very important document is the law on prices, a draft of which has been discussed in the Sejm commissions.

[Question] What will it cover?

[Answer] It will introduce on a wide scale a mechanism for price formation, based on production costs, in the first place, and on the principle of profitability, in the second. Until this time enterprises did not have to worry about profitability, since they were subsidized. In the third place, [the prices will be] based on the principle of market equilibrium; that is, [an equilibrium] of supply and demand.

[Question] Since there is nothing available on the market, can the prices run wild?

[Answer] They cannot, at all. The law is introducing three categories of prices. Official prices, established centrally by the State Price Commission, will include first of all articles that are essential for life, and thus basic foodstuffs, with the exception of those sold mainly in marketplaces, such as eggs, cream, vegetables and fruit. They will moreover include coal, electrical energy, gas, gasoline, alcohol, tobacco, medicine, school accessories and textbooks, payments for nursery schools and kindergartens and public transportation fares. The second category is regulated prices. They will be established by enterprises on the basis of very precise rules, and established by enterprises on the basis of very precise rules, and the State Price Commission has the right to control and reduce them.

[Question] This is done according to what criteria?

[Answer] An analysis of the profit is the criterion. If it turns out from our inspection calculation that an enterprise has obtained an undeserved profit by raising the price for a product out of proportion to the production costs, it will be forced to pay a "fine" and thus return the undeserved profit.

[Question] Which products will be affected by the regulated prices?

[Answer] Canned goods and baby food, seafood and seafood products, standard footwear and clothing for children and young people up to age 15, hosiery products, rubber and textile footwear and items for nursing infants and for washing and scrubbing--articles purchased frequently and consumed rapidly will be affected. On the other hand, agreed prices, free ones, will apply to services and objects that are less frequently purchased, including durable goods.

[Question] What will the proportions among groups of goods look like from the point of view of the division into price categories?

[Answer] If the entire value of trade is taken as 100 percent, then 35 percent of the goods will be covered by the official prices and 15 percent by the regulated prices, while half the value of the goods will be sold at free prices.

[Question] Does this mean an immediate change in the prices of goods in stores?

[Answer] It means nothing of the sort. The new prices will apply to those products just manufactured. We must take into account the fact that [some] products will become more expensive but likewise [others] will become cheaper--a great deal depends on the formation of supply and demand. A real revolution is coming in the market; we must become accustomed to it, buyers as well as manufacturers.

[Question] In regard to the goods sold at agreed prices, will the producer be able to proceed completely without restrictions?

[Answer] Absolutely not--the PKC and society obviously must take into account the fact that many enterprises would like to use the situation and raise prices without any restraint--especially the monopolies, such as "Polar," for example, which manufactures 90 percent of the freezers and refrigerators. But there is a remedy for this. If the monopolies want to abuse their powerful position in the market to raise prices without any justification, they will be treated by the law in the same way as those whose products are covered by the regulated prices. On the other hand, 14 large footwear factories or 39 furniture factories will compete among themselves in a natural way. When they discover that they are not selling excessively expensive products, they will lower their prices. The market mechanism will be the best controller for the prices.

[Question] But only when the market is saturated, and we are a long way from that. On the other hand, with the traditional pressure on wages, it is possible to imagine that an enterprise may want to earn as much as possible by raising the prices of its products in order to obtain more funds for raising wages?

[Answer] Allowing for that situation, the authors of the reform provided for a high rate of progression in the tax on excessive increases in profits and on the wage fund. It was not easy to do this in such a way to avoid going too far and causing a reduction in the enterprises' interest in developing production and increasing profitability. It has been established that if an enterprise achieves 5 percent profitability it will not pay any tax at all but if it exceeds 30 percent, then only 1/10 of the excess profit will be kept by the enterprise, since the tax will absorb the rest. A similar thing will occur with interest on an increase in the wage fund. There will be no tax up to 3 percent, but above 8 percent the tax will already be 400 percent. Five percent will be the optimum increase in wages.

[Question] These are strong curbing mechanisms.

[Answer] Obviously they are. But with a large profit, the enterprise will still keep a great deal; this is not a small matter. Both the plant and Minister Krzak will be satisfied.

[Question] What will pay an enterprise the most--what sort of tactics in its conduct?

[Answer] "Ingenuity" in the area of raising prices without justification, which I was just discussing, will pay the least. On the other hand, an enterprise will benefit the most from any initiatives aimed at saving energy and raw materials and at full utilization of the machines, the workers' training and working time. The new system will require efficient management, in contrast to the old system in which wastefulness was "rewarded" by subsidies and additional financing, which after all had to affect the general level of the incomes of the population, since the minister of finance did not take the money for the subsidies out of his own pocket. If I may use a current comparison, this system is dressed in an army uniform, while the previous one wore a ballet dancer's dress.

[Question] Nevertheless, the prices originating from this system will go up. How much will they increase?

[Answer] Goods whose prices are free or regulated will probably appear in the stores in the next few days. One may expect that in view of the changes in producer prices, they will be from 60 to 100 percent higher. For example, footwear and clothing will be about 60 percent higher. The PKC will be following the course of these prices with great attention and will begin to fight against occurrences of irregularities. It will prosecute all disgraceful practices in the area of price increases unjustified by costs.

[Question] Especially since we are facing a major reform in the prices of food, fuel, electrical energy, gas...

[Answer] Exactly. But that is a different subject and a broad one.

9909
CSO: 2600/267

END

JPRS 80256

5 March 1982

# East Europe Report

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2240

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5 March 1982

# EAST EUROPE REPORT

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2240

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SHORTCOMINGS IN COMMUNAL SERVICES EXAMINED IN VLORE SEMINAR

Tirana ZERI I POPULLIT in Albanian 10 Jan 82 p 3

[Article by Mitro Cela: "On Initiatives and Fantasies in Regard to the Improvement of the Level of Communal Services"]

[Excerpts] A few days ago the Party Central Committee organized a national seminar in Vlore to discuss problems of communal services. Opinions were exchanged on the further improvement of this sector by implementing the decisions of the 8th party congress. Some 6 months ago, the communal enterprises, the party committee, the executive committee, and the mass organizations in Vlore District and the Ministry of Communal Economy began to prepare for this seminar. The idea was that the communal services system in this district should be an example for the others. Some results were achieved during this period.

It was emphasized in the seminar that a number of successes have been achieved in raising the level of services, improving quality and expanding new activities. Workers in this sector in Vlore, Tirana, Librazhd, and Korce have had good experience in this area. But in order to achieve the results the party demands in repairs and services, it is necessary that work be done in a cultured, knowledgeable, and competent manrer. What is the present situation? In some cases the needs of the people are not properly satisfied. This indicates that the long range aspects are forgotten; the studies scratch the surface of the problems.

In the seminar, the following question was asked: Why do people try to have some services done through private channels? The reason can be found in the poor quality of repairs of television sets, washing machines, the poor quality of stitching on garments, etc. Violations of schedules are frequent in shoe repair and dressmaking units. There are delays in the distribution of firewood. The fact that these defects occur repeatedly shows that the monitoring and accountability processes have not yet been placed on sound organizational bases. The problems cannot be solved solely by appealing to the consciousness of the workers; this appeal must be accompanied by persuasive measures, organization, supervision and accountability.

The 8th party congress set the task of expanding communal service and repair services in the villages. The seminar analyzed the experience gained in this area in Vlore District. Within a short period of time, 100 specialists were trained to work in the villages. Several new units were opened and the communal

services system was equipped with the necessary means. In order to combat delays, emphasis on minor matters, and backward concepts and methods, the district party committee took hold of the matter and assigned tasks to the executive committee of the people's council of the district, the mass organizations, the communal enterprises, the peoples councils of the villages, etc. The Ministry of Communal Economy also gave concrete assistance. Within a short time, services were expanded and the quality was improved. On this basis, the task was assigned to study, plan and disseminate this experience throughout the country. In order to better serve the cooperative members, the workers in the communal economy must radically improve their work; they must carry out thorough studies and strengthen their collaboration with the mass organizations and the government organs.

During this five-year plan 80,000 apartments and houses will be built in the cities and villages. In addition to the contribution of the masses, more than a billion leks will be invested by the state in their construction. They will be managed and maintained by the workers of the communal economy. It was emphasized in the seminar that many problems which seek solutions have arisen in regard to the construction and maintenance of housing units. For example, last year, investment projects were not completed in some districts. There have been cases where the construction of apartments has been stretched out for a very long time. Why does this happen? The completion of construction work on time depends, first of all, on the setting aside of a construction area. Work experience in Korce, Pogradec, and Vlore proves this fact. How can the apartments in Shkoder, Durres and Lushnje be completed on schedule when the beginning of the work is postponed from one month to another because construction areas have not been set aside on time? This is an indication of lack of fruitful cooperation between investors and builders in resolving problems on time and overcoming difficulties. Recently, good work has been done in the area of centralization, which has helped to improve quality, reduce costs and achieve the completion of the housing units on schedule. But centralization has not become a work method everywhere. As a result, materials are wasted and means of transportation and other machines are not used effectively.

The seminar stressed that defects are evident in the quality of the housing units. Before the builders leave the units, the plaster is cracking, the plumbing installations are leaking, and the doors and windows barely open and close. This happens because the communal workers do not make inspections during the construction phase. The builders make very few complaints about the quality of the bricks, limestone, lumber, etc. The defects increase during the maintenance of the apartments. Some communal enterprises do haphazard repair work. Often they do not adhere to the set schedules. This situation, it was emphasized in the seminar, should be a matter of serious concern for the basic organizations of the party and their levers. The communists, workers, and specialists in this sector should be creative and innovative; they should find new work forms, more diverse and more skillful methods, to extend the life of the housing units.

CSO: 2100/50

TU OFFICIAL URGES IMPROVED WORKER APPROACH TO ECONOMY

Bratislava PRACA in Slovak 23 Jan 82 pp 1, 2

[Article by Jan Visvader, editor in chief of PRACA: "It Is in Our Hands"]

[Text] The 14th plenum of the Central Trade Union Council [URO] ended last Wednesday. On the agenda were very topical and socially important questions. The entire trade union membership should pay the maximum attention to them. These questions represent not only the key for further work but literally arouse the entire trade union aktiv to better and more direct participation of members in the fulfillment of tasks. They also stimulate each and every trade union functionary to understand and accept the role of the trade unions and increase his participation in solving problems. No tactic of foot-dragging or shadow-boxing can result from good trade union activity. Often even labor discipline falls short of the required level. The trade unions should take partial blame for the fact that we have lost 1.3 million days in our republic--which represents an economic loss of Kcs 1.13 billion--in the past 3 years. There are obviously shortcomings in our educational work.

In the first place, members of the URO evaluated the course and results of annual membership meetings and conferences of the ROH [Revolutionary Trade Union Movement] basic organizations and the progress toward the preparations for the 10th All-Trade Union Congress. The plenum univocally stated that in spite of certain shortcomings these meetings and conferences fulfilled their missions and showed that the ROH activity is related to the interests and needs of our working people and the goals of our society. The annual meetings evaluated the results and the share of the ROH in the fulfillment of the party's economic and social program and the efforts of the trade unions in caring for the development of the national economy, the growth of production, the rights and interests of our workers as well as the conditions of the workers' work and life. These meetings also offered a chance to search for points of departure and for efforts to assist in the solution of complex and, compared to previous years, more demanding national economic tasks. True, they also constituted a tribune for open and sincere criticism of shortcomings which linger on and often negatively affect results. Many meetings and conferences heard unmerciful criticism of bad management, insufficient organization of labor and insufficient work with people and discussed how to make our workers more interested in the fulfillment of tasks. There are plenty of agitators who say "tell the truth to our people," but those who really tell the truth are fewer. And often we depend on the latter to secure a broad and creative participation and unselfish support of our people

in securing our tasks. In the end, our people will not only understand but will even be grateful if we express our confidence in them. Why should we ignore this Leninist principle? Such attitudes result in the fact that certain methods are reflected in the conclusion and fulfillment of collective contracts and affect the level of production meetings and interest in them. And even if the initiative of our workers often makes up for shortcomings in planning, management and organization, there is still a lack of parameters of high activity and enthusiasm. When there is no appreciation or if this appreciation is done only mechanically, our workers lose their healthy and enthusiastic attitude. And this enthusiasm should be revived from day to day. Ideas planted among our people should lead them to spontaneous activity. The conferences showed that we still have enterprises which fail to appreciate the participation of our workers in management. Also, the introduction of the new system of measures, long-range planning, remuneration, etc, is not done in all places in such a way as to be adopted everywhere and to have results.

Too much was said and summarized to permit a practical and concrete echo which would lead us to a solution. Even such a question as price policy was handled at many conferences in such a way as to demand that price policy be related to wage and social policy in order to prevent waste and correctly affect the development of personal needs.

The members of the URO concentrated at their meeting on the tasks of the ROH in securing the national economic plan in 1982. Naturally, the basic idea at the meeting was to orient the entire trade union movement to active support for developing our economy and securing our standard of living. These plans will put high demands on the participation of our workers in the fulfillment of each task, meeting all qualitative indices, and economizing as well as in more effective ideological-educational and mass political work. We are still behind in mass political work because the latter is still not sufficiently reflected in our attitudes and relations. Why do we say high demands? Because our economy reacts to new outside influences, must work with limited material resources and deal with certain unforeseen complications, especially in foreign trade relations.

Our problem is that at the present stage the trade union organs and functionaries at workplaces must openly and consistently explain to our workers the conditions governing the fulfillment of this year's plan and through their organizational activity and adoption of correct measures encourage and direct initiative. No production sector where the tasks are not being fulfilled should stay outside the ROH's attention. Even if it is up to the enterprise's management, the trade union functionaries should with equal responsibility pay attention to the adaptation of industrial production to the needs of foreign and domestic markets, new products, progressive changes in the structure of production and to the sufficiently flexible application of scientific and technical development. True, to this are related all supportive steps--organization, management, care for the innovators' movement, rationalization of labor, the level of initiative and competition, new appropriate methods and forms of work, scientific approach and relations with workers and concern about their interests. In other words, a real and informal Leninist style of work.

Yes, this was emphasized by the URO which demands from its members and functionaries better activity. There is no other way as far as cooperation and co-responsibility is concerned. Only in this way can we improve our trade union activity. Our trade unions have enough strength and ability and they are also ready to master positive participation in the plan, establish effective control and help improve our economy. At the same time, however, they must carefully listen to the opinions of the masses, understand their needs more and more and secure the justified interests of the working people.

The targets of this year's plan are known. They anticipate an increase in the volume of the national income of Kcs 2.5 billion. The direction, how to achieve this goal, has been stated. In addition to production tasks, this goal can be achieved through savings in production, consumption, growth in the social productivity of labor, structural changes in industrial branches and sectors which bring in foreign currency and improved use of domestic raw materials. If we translate all this into a more concrete picture in our engineering industry, we are talking about faster innovation, improved reliability, quality and efficiency of machines, and of technical level, and broader selection of consumer products. In our electrical engineering sector, it means catching up with our backlogs and gradually reaching the peak. In agriculture, it means increasing production 3.2 percent and solving the disproportions between plant and animal production.

It is known that in spite of saving measures, noninvestment expenditures for social services and activity are anticipated to be Kcs 8,706 per capita in 1982. The volume of social assistance will increase 2.6 percent and financial incomes of our people should grow by Kcs 10 billion. Yes, we also talk about the development of our people. And for this reason the trade unions are supportive of all these ideas. They support them by trying to fully engage all our people in them. They insist that the breakdown of the plan into interenterprise units at each and every workplace makes it possible to reach the ears of all our workers and that together with them the forms of initiative be worked out. The idea is to count on the help of the people and to increase their interest and will. And to break down the plan for each and every workshop and therein for each and every individual. All this requires the implementation of the principles of the new system of measures. It is necessary to courageously resist every manifestation of inconsistency and irresolute implementation of these principles or a mere administrative approach. The new system of measures ought to be applied everywhere in accordance with local conditions. The basis of success lies in long-range planning in spite of numerous obstacles in material-technical deliveries of supplier-customer relations. Here there is much elbowroom in lagging production for the initiative of collectives and enterprises in order to strengthen the role of the plan vis-a-vis the state plan.

To all this is closely related a need for a faster and broader application of the results of science and technology. In this respect the trade unions, as emphasized at the plenum, fully support the mobilization of all creative forces, social and working activity in support of improved quality, reliability and technical-economic level of products. At every work place they ought to do something about the unjustifiably long period necessary to solve problems and implement tasks in practice. After all, often many new products only reach the market after 10 years,

when the world's producers are already offering products of a new generation. There are many examples in our country where we hear talk that we can solve this problem. However, what is needed is courage and a new approach. It is bad when out of 120 generally recognized basic research achievements realized in the CSAV and SAV most of them have never reached the practical stage. For this reason, the URO expects that individual trade unions and their commissions for innovators' and inventors' movement will discuss the plans of technical development and contribute to the development and utilization of new technology in production. We hope to increase cooperation between economic organizations and individual trade unions, we expect better use of brigades of socialist [BSP] and KRB [comprehensive efficiency brigades], inventors and innovators. We hope for more personal and collective plans of scientists and engineering-technical workers. The URO recommends the acceptance of associated socialist pledges, aiming at better cooperation between science and production.

We should not repeat what happened during the Sixth Five-Year Plan when out of 27,939 accepted patents 16,578 were not utilized at all and when out of 619,635 accepted innovation proposals 85,635 remained on paper. It is in these areas where a bureaucratic goblin is active and we, trade unionists, do not know how to get rid of him. It is necessary to give more assistance to innovators and inventors, to create a better atmosphere for all creative workers and thus to strengthen their authority.

The URO with equal urgency emphasized the significance of labor initiative and socialist competition. It also criticized their deformations, opportunistic attitudes and formalism. All these are well-known things which were criticized many times in the past and which do not go away. For this reason it is necessary to solve all these ills in a courageous way, firmly and perhaps with all the consequences. Otherwise we will remain in a vicious circle without achieving any desired effects. At the same time, many steps, solutions and tasks, on one hand, and obligations, on the other, should be reflected also in the collective contracts which ought to be negotiated everywhere not only at the level of enterprises but also plants. The last plenum of the URO emphasized again that the way to improve initiative is in improving relations between socialist competition and planning, in concrete pledges, in increased economic incentive for our workers, in comparing the results among individual collectives, and in the effective evaluation of results.

Consequently, it is indispensable for the trade union organs of all levels to fulfill their tasks, insist on their rights and obligations in the control of the plan, in other words, to carry out their economic function. Of course, they must uncompromisingly support the idea to uncover reserves, solve problems related to the causes of nonfulfillment of collective contracts and shortcomings in the organization of labor which slow down development. The trade union organs should, upon the recommendation of the URO, discuss in the presence of the management the situation in the plan fulfillment and the level of the plan's breakdown, check on the fulfillment of its main tasks, and use all these results for the negotiation of a collective contract.

All results--achievements and shortcomings--and all further development are in our hands. It is up to us what speed--in spite of outside influences--we adopt. It is up to us to deal with the difficulties we are facing.

1277
CSO: 2400/123

HIGHER ROLE OF 'SPOTLIGHT OF YOUTH MOVEMENT' URGED IN ECONOMY

Prague RUDE PRAVO in Czech 21 Jan 82 p 1

/Editorial: "Sharp Focus of the 'Spotlight"/

[Text] The young generation has domonstrated on more than one occasion that it has an active rapport with the development of the socialist society. It is not lagging behind in that respect at present, either--in implementing a task of the first order, namely in making savings of raw materials, energies, fuels. Numerous youth collectives and even entire basic organizations of the Union of Socialist Youth are bringing frequent proofs of their zest, inventiveness, and creativity in the "Zenith" movement. This movement has already produced values amounting to millions for the benefit of our economy by applying innovating proposals and by saving tons of metals and raw materials.

The "Spotlight" movement of young people also demonstrates that the new generation is not indifferent to the question as to whether in some places the economic management does not act in the interest of the entire society, whether there is waste of resources which have come out and are coming out of the sweat of human labor. These young people are fighting against abuses, confusions, waste, violations of labor discipline, failures to observe laws and regulations.

This movement, which is led by young people, at the same time leads them themselves to assume responsibility for the tasks which have been entrusted to them, to have a socialist attitude to collective values.

The "Spotlight" of young people has won its place in the life of our society during 11 years of its activity. It is finding an increasingly broader response among young people. There are 85,000 members of the Union of Socialist Youth active in the present 25,000 patrols and 1,500 staffs, mostly in industrial establishments. By checking on economic operations, the "Spotlight" has returned to the national economy values representing Iccs 2.5 billion.

Members of the "Spotlight" have completed successfully seven statewide thematic inspections, which concentrated on savings of fuels, energies, production effectiveness, quality of labor and products, application of inventions and innovation proposals. They continue along that line. They are important aides in the implementation of the party line designed to increase the effectiveness of production and the quality of all labor. This activity was valued highly at the 16th CPCZ

Congress. It was pointed out that "...the party believes in the strength and ability of the young generation and will make sure that young people are entrusted with responsible tasks...."

Rightfully so. Most young people are not burdened with the established practice full of inertia, sterile routine, they have no inhibitions which would hamper them in surpassing what has been achieved before.

However, the patrols of the "Spotlight" of young people do not have a "green light" everywhere. That is very often related to the authority of the youth organization in the given establishment. In those places where members of the Union of Socialist Youth maintain good cooperation with members of trade unions, economic management, and listen to the advice of the party organization, they also discuss regularly the results of inspections conducted by patrols of the "Spotlight" of young people and get things straightened out. But in those places where such relationship is lagging, or where the activity of the youth organization is a mere formality, the effort of the "Spotlight" encounters difficulties, and shortcoming are remedied only in isolated cases.

There are even cases where the economic management interprets the activity of young people as some sort of an attempt to hamper its work. It argues that young people cannot understand the complex problems of the given manufacturing enterprise or establishment, and is willing to "give reasons" why the establishment must keep holding, for example, scrap iron, even though they do not need it, and when the scrap iron should have been actually in metallurgical works a long time ago. Or, as an example, someone from the Armabeton in Plzen, which handles construction work inside Ceramics Works in Chlumcany, has obviously destroyed a bulletin board which had publicized the results of an inspection carried out by a "Spotlight" guard. Photographic material was used as supporting documentation, giving names of the workers who were responsible. Who destroyed it? Probably someone who was subjected to criticism.

And so there still are people who may support criticism verbally, but heaven forbid if the criticism affects them personally or if it concerns a piece of work for which they are responsible.

The patrols of the young people's "Spotlight" deserve much praise. That is why the Central Committee of the Union of Socialist Youth purposefully regulates and organizes the patrols of the "Spotlight," particularly at selected investment constructions in Czechoslovakia. Acting side by side with party and trade union organs of the entire construction sites, these patrols are helping to develop the initiative of young people, they also bring the attention of other patrols to cooperation of organizations of the Union of Socialist Youth in dealing with relations between suppliers and buyers.

An uncompromising attitude to shortcomings and effort to deal vigorously with problems has always been characteristic of youth. The "Spotlight" of young people is always a big supporting factor in that respect. That is why its staffs and patrols must intensify even more their cooperation with people's control committees, the State Energy Inspectorate, the Union of Fire Fighters, recruit and bring into the movement more young manual workers, technicians, agricultural experts, be more

consistent in discussing the results of inspections made in basic organizations of the Union of Socialist Youth, which in turn should insist that the economic management correct the situation faster. And that always requires consistency, frequently also personal courage, determination not to be discouraged by obstacles which one may encounter.

Central organs of the Union of Socialist Youth should also disseminate more information about experience gained by the patrols in their work, stimulate them purposefully to do their work while keeping in mind the goal to be reached. Kraj, okres, and all-factory committees of the Union of Socialist Youth must guide the patrols in their activities by assigning specific tasks to them, perhaps even by giving them one-time assignments, the purpose of which would be to determine the situation immediately. They must always inform all the members about the results, and mainly make each member participate in the effort designed to eliminate shortcomings. That has not happened too often so far, and as a result good initiative often foundered on the administration or on an underestimation of the "Spotlight" work.

It would be definitely beneficial if the committees of basic party organizations and party groups analyze carefully the findings and warnings of the patrols and support properly efforts to correct the shortcomings. Young people as a rule have a more critical attitude to everything which does not satisfy established principles and criteria. That is why, in the interest of solving the problems of the future development of socialist society in a complex manner, it is absolutely necessary to see to it that young people take part as much as possible in dealing with these problems. These young people can keep influencing the process fight now and bring about a more decisive approach to the handling of the urgent questions of the present days.

5668
CSO: 2400/122

## CSR DEVELOPMENTS IN PRODUCTIVITY DISCUSSED

Prague SVET HOSPODARSTVI in Czech 31 Dec 81 p 3

[Article by Eng Bretislav Domisch, CSR Ministry of Labor and Social Affairs: "Labor Productivity Development in Selected Sectors"]

> [Text] The characteristic features of the development of the social productivity of labor during the Sixth Five-Year Plan were a decline in its rate of increase in comparison with the rate achieved during the Fifth Five-Year Plan and significant fluctuations of the increases of individual years. These trends are also clear in the basic production sectors--CSR industry and construction.

### 1. Basic Trends in Labor Productivity Development

While during the Fifth Five-Year Plan the average annual growth rate of the social productivity of labor (national income per employee) amounted to 5.5 percent in the CSR industrial sector, it declined during the Sixth Five-Year Plan to 3.4 percent. In the CSR construction sector, this decline was still more marked, from 5.2 percent to 1.3 percent. The above reduction in rates also appeared, of course, in a lower overall increase in the level of the social productivity of labor in comparison with the Fifth Five-Year Plan. For CSR industry, this increase amounted to 18.1 percent for the Sixth Five-Year Plan (a reduction of 12.6 points), while for CSR construction the increase was 6.5 percent (a decrease of 22 points). Fluctuations in the growth of the social productivity of labor (in construction for the years 1977 and 1979 there was even a decline in this level in comparison with the previous years) were caused above all by the uneven development of national income, increases in which fluctuated, for instance in CSR industry from 0.8 percent (in 1977) to 6.7 percent (in 1976).

In spite of the above slowdown in the dynamic, which had already been provided for in the plan, the social productivity of labor was, in the years 1976 to 1980, and especially in industry, the decisive intensifying factor in the growth of national income, covering 98.9 percent of the increase recorded by the industrial sector. The level of coverage in construction is substantially lower, which is primarily the result of the above-mentioned unfavorable situation in 1977 and in 1979.

The overall worsening of the conditions for the further development of the Czechoslovak economy brought about by tautness in the raw material and energy

assurance of production, and in some cases by marketing limitations has also contributed to this decline in the growth rate of labor productivity. At the same time, these growth rate figures reflect the overall exhaustion of extensive resources and the insufficient engagement of intensive factors in economic growth, a condition which has appeared most clearly in the inadequate utilization of capital stock, of the labor force and in the insufficient intensity of the necessary changes in the structure of production and its technical sophistication. In addition to factors of a technological nature (structural changes in production, the delayed startup of new facilities, the inadequate modernization of production equipment, etc.), the slowdown in the growth rate of this indicator has also been caused by a low level of engagement of underutilized potential for increased labor productivity related to shortcomings in the organization of production and labor, in the utilization of working hours, and in the failure to adhere to labor and technological discipline. Shortcomings in supplier-consumer relations, which have reached such an extent as to constitute a barrier to further labor-productivity increases, have also been a significant limiting influence. In this area, the slowdown in labor productivity has not been a cause, but a result of a slowdown in the growth of production.

As a consequence of the above realities, neither the industrial nor the construction sectors of the CSR fulfilled the original Sixth Five-Year Plan guidelines for labor-productivity growth (gross production per employee). In industry, only 80.2 percent of this original projection was fulfilled, and only 70 percent of the original projection for construction. However, it is necessary to emphasize in this regard that the magnitude of the above problems led at the same time to plan modifications and, then, to a reduction in the originally projected increase. For instance, for CSR industry the projected increase was reduced from 24.3 percent to 19.6 percent.

During the Sixth Five-Year Plan, labor-productivity growth was achieved in CSR industry by the relative reduction of almost 400,000 employees, and in CSR construction by reductions of roughly 70,000 employees.

2. Development Trends of Certain Factors Influencing Labor Productivity Growth

The Influence of Investment Factors

The influence of these factors had a critical significance (in spite of certain above-mentioned negative trends) for the increase of labor productivity in the Sixth Five-Year Plan, especially in the industrial sector.

The value of capital assets in industry and construction grew continually. For instance, in CSR industry from 1976 to 1980, this value increased 38 percent, and 51 percent in the construction production of the CSR Ministry of Building. On a per employee basis, i.e., expressed as an indicator of capital assets per employee, these figures represent an increase of 35.8 percent and 47.1 percent respectively. This means that the capital assets per employee indicator grew more rapidly in the Sixth Five-Year Plan than the labor-productivity indicator, both in the industrial and construction sectors of the CSR (even though we are considering only the construction production of the CSR Ministry of Building, this sector, both in terms of production volume and capital assets, possesses a critical significance in overall

CSR construction. The more rapid growth of capital assets per employee than of labor productivity meant, on the one hand, a continuation of the so-called investment-intensive type of technical development and, on the other hand, a decline in the efficiency of capital assets (labor productivity may be expressed as the product of assets per worker and capital-asset efficiency). Moreover, it is possible to state that the more rapid increase in capital assets than of the gross production indicator (the dynamic of which is similar to the labor-productivity dynamic) meant an increase in the capital intensiveness of production. The decline in capital-asset efficiency and increase in the capital intensiveness of production in critical sectors of the production sphere of the CSR national economy has been one of the negative phenomena in the area of investment factors.

In addition to capital-asset utilization, a further precondition for an increase in efficiency is also an increase in the technical sophistication of such assets. The technical sophistication of capital assets is characterized by the level of mechanization and automation of machinery and equipment, the content of which from an economic point of view is the degree of substitution of technology for manpower. A statistical study undertaken as of 30 June in 1976, 1978 and 1980 showed that in centrally managed industrial and construction organizations the average level of technical sophistication of machinery and equipment is, basically, stagnating, as shown by the following data:

Structure of Technical Sophistication of Machinery and equipment in CSR Industry and Construction (as of 30 June)

| | 1976 | 1978 | 1980 |
|---|---|---|---|
| 1. Manually operated | 1.14 | 1.87 | 1.29 |
| 2. Mechanized machinery | 39.05 | 39.60 | 39.02 |
| 3. Partially mechanized | 34.46 | 33.18 | 32.35 |
| 4. Machines | 2.98 | 3.59 | 4.37 |
| 5. Fully automated | 8.42 | 8.70 | 8.60 |
| 6.&7. Machinery | 0.92 | 1.48 | 3.59 |
| Unclassifiable machinery | 13.03 | 11.58 | 10.78 |
| Average Technical Sophistication Level of Machinery and Equipment | 2.8 | 2.8 | 2.9 |

It is clear from this data that certain partial changes in technical sophistication among individual levels (and the most significant change in classifications 6 and 7) did not substantially influence the overall technical sophistication of machinery and equipment in the above sectors.

Likewise, the level of capital-asset utilization, as measured by the shift-work coefficient, has not evolved in the desired direction. Beginning in 1976, it continually declined in CSR industry. A turnaround in its development occurred in 1979, when its value (1.291) exceeded the 1976 level. The absolute magnitude of the coefficient indicates the existence of considerable underutilized potential in capital-asset utilization.

Over time, inadequate capital-asset utilization not only increases the costliness of production, but above all results in the gradual obsolescence of capital assets. The process of generating resources and of replacing capital assets is disproportionately drawn out. From the above, it follows that scientific and technical

development and, above all, its implementation in the production process has not been at a desirable level in our national economy. Technicoeconomic parameters have not changed significantly, and the process of replacing capital assets has often been reduced to the simple exchange of existing equipment. Likewise, the utilization of the existing production stock has not been favorable. The artificial retention of old and fully depreciated production equipment in the production process with the objective of assuring a high number of work openings on the first shift has been the cause of inadequate utilization of machinery and equipment with high technicoeconomic parameters. An increase in the amount of shift work, the elimination of inefficient operations, and the multishift utilization of expensive machinery is at present essential and is the most rapid path to an increase in the efficiency of capital assets in the production process and, thereby, is also one of the paths to an increase in labor productivity.

The Influence of Shifts on Employee Structure

The influence of shifts on the employee structure during the Sixth Five-Year Plan was evident in practically all sectors of the production sphere of the CSR national economy. A consequence of this influence was a deviation in the dynamic of worker labor-productivity growth from the dynamic of employee labor-productivity growth, as documented by the following data:

| | Employee Labor Productivity - index 1980/1975 | Worker Labor Productivity - index 1980 1975 |
|---|---|---|
| Industry on CSR territory | 119.8 | 123.1 |
| Construction on CSR territory | 120.8 | 126.8 |

This share of workers in industrial activity declined in industrial organizations on the territory of the CSR from 69.7 percent in 1975 to 68.4 percent in 1980, while in construction organizations, the share of workers declined from 56.8 percent to 54.4 percent. The trend toward a decline in the percentage of total work performed by workers has an objective character and appears in practically all economically advanced countries. It is connected above all with the advance of scientific and technical progress and the resultant shift of employees to preproduction phases, and with increasing demands on technicoeconomic and service activities. The extent of this decline is, however, disputable, since on the one hand it leads to a directly proportional slowdown in the pace of labor productivity while on the other hand creating the preconditions for its future growth. In our economy, the trend toward a decline in the amount of work performed by workers, in conjunction with technical progress, is clearly intensifying the still substantial administrative difficulties of the current management system, and producing slight pressure toward the economical use of the work force in nonworker classifications. Thus, a substantial part of the increase in new employees is being realized in these nonworker classifications. In addition, this trend is at present supported as well by the preparation structure for qualified personnel. In a situation in which the number of people entering high schools and colleges is constantly growing, there must logically also be an increase in the numbers of those interested in nonworker occupations, and a resultant decline in the percentage of future workers.

Influence of the Length and Utilization of Worktime Fund Following the introduction of a comparative worktime fund 260 working days in length, the magnitude of the worktime fund as a factor in increased labor productivity is significantly influenced only by the amount of overtime work. During the Sixth Five-Year Plan, the amount of overtime work showed a rising trend. In CSR industry, it grew from 5.4 percent in 1975 to 6.0 percent in 1980, and in CSR construction from 4.0 percent in 1975 to 4.5 percent in 1980.

In 1980 the increase in overtime work in industry and construction was arrested, even though, on the other hand, it must be stated that the same percentage (and a lower percentage in construction) in 1979 was influenced by the reality that overtime work in that year became one of the principal measures for eliminating the shortfall resulting from unfavorable developments at the start of the year. Although a certain amount of overtime work is clearly necessary for the resolution of extraordinary tasks, the volume of overtime work in industry and construction during the Sixth Five-Year Plan appears to be excessive. Among the main reasons for inefficient overtime work belong, above all, shortcomings in supplier-consumer relations, shortcomings in managerial and organizational work, temporary shortages in certain professional employee classifications, earnings reasons and others. Overtime work, which in effect lengthens legal working hours, has thus become one of the stable extensive factors in the growth of production and thereby of labor productivity.

The introduction of the comparative worktime fund is connected as well with the problem of so-called working Saturdays, and more specifically with their effectiveness, an analysis of which pointed out their small contribution. Earlier findings from modifications in worktime were once again confirmed, i.e., that the intensity of work declines with a lengthening of working time, and increases when the amount of time is reduced. The resultant effect of working Saturdays is about 50 percent in comparison with other working days. This means that all of the costs of the functioning of the social and administrative structure fall upon roughly 50 percent of normal production levels. Among the basic reasons for this low level of efficiency war, above all, the low level of work intensity, lesser preparation for work, and the like. It is evident that for the assurance of extraordinary tasks or to eliminate the consequences of losses stemming from various disruptions, differentially elected overtime work by only of an essential number of employees is more efficient.

In addition to the above factors, several other factors also affect increased labor productivity, the classification and quantification of which, due to their heterogeneity, is very difficult and would exceed the framework of this article. Nevertheless, it is appropriate to mention briefly still another factor which in the near future should become one of the main impulses for further increases in labor productivity, thereby contributing to a convergence of this indicator with worldwide standards. There still exists significant underutilized potential in this area.

The long-term changes in the structure of production (macrostructural and internal sectorial structural shifts) which are taking place in our country are analagous to worldwide trends (the advance of sectors more demanding of technology and qualifications, and the decline of the less demanding), but are, however, less

intensive than in the economically most advanced countries. In addition, priority developments have not always been realized in the prospectively most effective sectors and, moreover, without the proportional cutting back of less promising sectors and products. This is also one of the main reasons that labor productivity in our national economy (in spite of its constant growth) is still significantly below world levels.

The dynamic of labor productivity in CSR industry and construction has been significantly lower in comparison with the rate achieved during the Fifth Five-Year Plan. A substantial portion of this decline has already been incorporated in the plan for the Sixth Five-Year Plan and further emphasized in the annual implementation plans, as a consequence of a reduction in the dynamic of production in conjunction with what amounts to a stagnating level of employment (though there was an increase in construction employment). The main external and internal reasons for this development have already been presented in the introduction. The overall exhaustion of extensive factors of economic growth have not been eliminated to a sufficient extent through the engagement of intensive factors. The implementation of economic intensification is much more difficult that the utilization of the extensive factors of economic growth. Also for this reason a labor productivity growth rate achieved by an intensive path is more difficult to achieve than an "extensive" rate. Given the above-mentioned insufficient intensification, the rate of growth of labor productivity quite logically had to decline.

9276
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## BRIEFS

NICARAGUA MINING ASSISTANCE DISCUSSED--First Deputy Minister of CSSR Ministry of Foreign Trade L. Vodrazka met with the Nicaraguan Minister of Mines Alvaro Guzman in Prague on 23 February. Discussed was the possibility of Czechoslovak participation in reconstruction and development of nonferrous and precious metal mining in Nicaragua. [Prague SVOBODNE SLOVO in Czech 24 Feb 82 p 4]

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## SED OFFICIAL PRAISES JAPAN'S ECONOMY, NOTES SIMILARITIES TO GDR

East Berlin HORIZONT in German Vol 15 No 4, 1982 (signed to press 18 Jan 82) pp 16-17

[Article by Prof Dr Otto Reinhold, member, SED Central Committee; rector, Academy of Social Sciences, SED CC: "Japan--Impressions and Analyses"]

[Text] There is almost no other country in the world of capital which has been written about or discussed as much in recent years as is Japan. Erich Honecker's visit in this Far-Eastern country, closer and closer cooperation between the GDR and Japan in economic, scientific-technical and other areas was responsible for the fast growth in our country of the interest in Japanese development. This interest has grown even more since the Tenth SED Party Congress and its economic and social strategy. In some respects Japan finds itself in a similar situation as the GDR does. Almost without exception, raw materials and fuel must be imported and, in turn, finished products have to be exported. The only way to achieve economic success is the best possible refinement of raw materials and fuels through the maximal application of modern science and technology, through international top performance in decisive areas.

The tasks which Japan has to master are clear. But how, in which way, with what means is this to be done? There is no end to the questions. I am sure it is not really necessary to emphasize the fact that we were glad and full of expectations when we were asked to visit the country at the beginning of November 1981 at the invitation of the Theoretical Center of the Japan Socialist Party (JSP). When I say we, I am referring to a delegation from the Academy of Social Sciences at the SED Central Committee, to which Professor Huemmler and I belonged. For a long time we have had close, friendly relations with the Theoretical Center of the JSP, the focal point of which is a fruitful scientific cooperation. These relations were also reflected in the program which had been prepared for our stay. It contained a scientific seminar that lasted for several days and dealt with SED policies following the Tenth Party Congress and the JSP strategy, a number of discussion meetings, visits to several combine plants--among them production departments that were operated exclusively with robots--or plants with almost total automation of production of integrated circuits, a discussion in the Office for Planning the Government, a reception by the Lord Mayor of Hiroshima etc. The highlight of our stay in Japan was a talk with Asukata, who in the meantime has been reelected chairman of the JSP.

All these discussions make possible a number of realizations and conclusions. Two facts will have to be placed at the top. The first thing that becomes apparent is the determination to use all strength available to fight for the preservation of peace, the prevention of a nuclear inferno. In Hiroshima we heard the opinion again and again that whoever saw the consequences of the American atomic bombs will use all his energies to fight against any nuclear adventure. The chairman of the JSP explained that in spite of differences in the forms of the struggle and the specific goals, it is necessary to find a common strategy against the U.S. policy of heavy arms buildup.

It became also clear that Japan's economic success is not caused by any miracle, but it is the exclusive result of diligence, hard work and the creative activity of Japanese workers.

Significant Economic Growth

During the discussion with editors of THE NIHON KEIZAI SHIMBUN, Japan's largest economic paper, it was pointed out with a certain pride that for a very long time there had been three driving forces of economic development in the world of capital--the United States, the FRG and Japan. The United States dropped out some time ago, the FRG has become "tired," only Japan is left. While all the other industrially developed capitalist countries are in a crisis or a phase of stagnation, Japan alone is showing significant economic growth. For 1981 the real growth of the gross national product is estimated at approximately 4.2 percent and in 1982 it may be in excess of 5 percent. The Japanese economy apparently succeeded in overcoming the consequences of the so-called second petroleum crisis of 1979. The main course was a significant acceleration of scientific-technical progress, attainment of international leadership positions in important areas and their short-term transformation into high productivity as well as material- and energy-saving technologies. In the process the conditions were created for a new economic boom at the beginning of the 1980's.

A closer acquaintance with Japan's economy and society shows that, on one hand, they are following the developmental laws and characteristics of the capitalist order; on the other hand, they show a number of specific characteristics. These specific conditions could probably be summarized by the following points:

The first item that has to be mentioned is the specific system of regulations by the state monopoly in connection with the low expenditures for arms. State activities are highly developed in many respects. First of all, it is based on the exact analysis of those areas of science and research that are crucial for Japan. On this basis, comprehensive promotional and financing programs were and are being prepared jointly with participating combines. Examples are micro-electronics, energy- and material-saving technologies. At the present time, a long-term project is being prepared which alone will cost 104,000 million yen and which is to be financed by the state. The goals are unorthodox industrial materials, biotechnologies and electronic elements. The intentions are to develop within the next 8 to 10 years pioneering technologies that will have a vital influence on the structure of the economy.

Since the beginning of the 1970's expenditures for research are increasing much faster in Japan than they are in the United States and the FRG--by about 7 percent

per year (4 percent in the FRG and 1.5 percent in the United States). At the same time, however, one must also take into consideration that the share for military research in Japan is extraordinarily low when compared to other imperialist countries, above all, the United States.

Proceeding from the exact determination of the main direction of the scientific development, the regulating activities of the state monopoly are concentrated, above all, on the promotion of an effective economic structure. As a consequence, promising branches of the economy--for instance, microelectronics, robot technology--are supported with state funds, other ineffective areas are curtailed and enterprises in these areas are bought up. There are also other areas of the social reproduction process, among other things, the demand on the domestic market, foreign trade, that are influenced and managed by the state in many different ways.

It is completely clear that the funds for this regulating process by the state monopoly can only be raised because expenditures for arms have to date been extraordinarily low, when compared to other imperialist countries. Again and again we heard the opinion that the U.S. demand for increased military spending by Japan is to impair, above all, Japan's competitiveness.

Utilization of Historic Traditions

The second, and in some respects the most important, characteristic is the utilization of historic traditions within the framework of the state-monopoly system. These traditions are manifold. Among them are the great industry of the workers as well as their discipline and endurance in their work. Above all, however, it also includes their aspirations to work in the same enterprise all their lives, if possible. A change of jobs is in contradiction with their traditional morality.

As a consequence, dominant economic circles are striving to utilize and promote these traditions and habits maximally to create the closet ties possible with the enterprise.

The most important factor of the wage system is therefore the number of years a worker is employed by an enterprise. A number of social facilities are serving this goal as well. As a rule, the unions of the enterprise are organizations of the respective combine. The promotion of this relationship within the combine plays a central role in the management of the entire enterprise. In one of the combines that we visited, all new employees who had just graduated from college or a technical school had to complete a traineeship, which has as its focal point the relationship with hourly and salaried employees and with the union.

It is clear to everybody that lifelong employment is only possible when there is continual growth in production and sales. Within the framework of the capitalist world, however, such growth can only be achieved if top positions on the international market can be obtained, maintained and expanded technologically as well as from the viewpoint of cost and quality of products. Today this means, above all, that the utilization of historic traditions within the framework of the state-monopoly system serves the motivation of the workers in their effort to keep up with scientific-technical progress and maintain high quality. In electronics

enterprises we heard the same opinion again and again: The most important thing for us is to remain on top internationally and to beat the Americans.

This spiritual motivation is also the basis for the collective effort to achieve the highest quality. According to Japanese statements there are several thousand quality circles in combine enterprises; all workers are involved, and sometimes the quality of the products are checked daily and necessary measures are established. Discussions with combine representatives revealed the opinions that the most important advantage enjoyed by Japan, when compared to the United States and West Europe, is the fact that it succeeded in motivating Japanese workers spiritually--and not only a small group--to engage in an unconditional struggle for scientific-technical progress and that there is very little resistance to modern technology.

At any rate, it is apparent that the spiritual attitude among workers--laborers as well as members of the scientific-technical intelligentsia--represents a decisive factor in the effort of keeping up with the scientific-technical revolution and the high performance level of the Japanese economy.

Relationship Between Large and Small Enterprise

A third element of Japan's state-monopoly system is the specific relationship between small and large enterprises. One can more or less proceed from the assumption that each of these two areas employes half of the Japanese blue- and white-collar workers respectively. But the decisive factor is not this quantitative relationship but the fact that the small enterprises are completely dependent on the large combine enterprises. In a comprehensive manner, they specialize in shipping many different supplies. This specialization is the cause for their complete dependence. If these supply shipments were eliminated, the majority of the small enterprises would go bankrupt.

This dependence provides combines with the opportunity to dictate production and delivery terms--including prices. Part of this system is also the fact that delivery dates can be determined almost to the hour, so that the combine enterprise can do without keeping its own inventory and the necessary cost connected with it.

Consequently this structure, this relationship between large and small enterprises is not primarily a remnant from the past but, above all, it is a consciously preserved and strictly organized source of high additional profits for the large combine enterprises.

Extensive Striving for Basic and Continuing Education

Finally, a fourth element of the Japanese economic development is the high educational level. At the present time approximately 96 percent of all Japanese youths complete high school. The continuation in colleges and technical schools requires a high performance level. In addition, all combine enterprises have instituted a comprehensive system of continuing education. In those enterprises that we visited you can only become a foreman after completing at least several training courses. It is understood that these training programs take place after work. The interest in these courses is very great, because in addition to the length of employment at the enterprise the development of wages and salaries depends essentially on the successful completion of these continuing education courses.

The extraordinarily intensive striving for basic and continuing education is without doubt one of the decisive sources of high productivity. A characteristic in this respect is that not only specialized knowledge is transmitted, but much attention is given to the development of an attitude which is necessary for the state-monopoly system. It requires a willingness to be productive, discipline, perseverance and hard work while solving complicated problems, training in collective attitudes and cooperation with the respective combines.

Japan's scientific-technical and economic accomplishments are impressive and amazing. At the same time the situation of the working class becomes visible; social disputes and struggles by Japanese workers show that the boundaries of the capitalist order cannot be crossed. A visit to Japan shows that the state-monopoly order has its national variations, different faces, but it cannot change its nature, its fundamental legitimacy and its contradictions. This fact was confirmed again and again during our discussions in Japan with representatives of the labor class as well as the combines. At this time we will only point to a few moments.

The remarkable way in which Japan rose to its current position as an economic power was only possible because military expenditures, military research and arms production are minimal when compared to other industrially developed, capitalist countries--the United States and the FRG, for instance. The Japanese constitution stipulates that armed forces must exclusively serve one purpose, self-defense.

Many combine representatives also know exactly what that means today when it comes to advantages in competition. Because of the growth in economic power and the course of increased arms buildup in the United States, however, more and more forces and interests are moving into the forground, desiring a change in course. More than has been the case to date, they want to transform economic power into political power, create the most stable international spheres of influence possible and, in addition, expand Japan's military power. Aspirations are growing to participate in totally new dimensions of the imperialist arms buildup and in the export of armament.

On one hand, the utilization of historic traditions for the state-monopoly system is a decisive source for the big increase in productivity. But at the same time it is the foundation of a particularly intensive system of capitalist exploitation. Today there is no other industrially developed country where the working class works as hard, as intensive and as long as it does in Japan. This fact has not been changed in spite of a highly developed state of automation. Among industrial countries, Japan is the only one with an official 48-hour workweek--naturally without overtime. The so-called lifelong work in one combine creates a certain job security. But the cost is high because it gives the combine management greater opportunities to carry out its own interests against the working class and it limits considerably the options for the labor union struggle. We were told that many workers even give up their rightfully earned vacation time, because they do not want to endanger this relationship with the combine and, above all, naturally they do not want to imperil their jobs. The living standard of the blue- and white-collar workers is lagging behind those of other comparable countries.

Again and again many discussions pointed to the fact that "lifelong employment" in one enterprise is only possible as long as a minimum of growth can be achieved. Of

late a certain slowdown in the rate of growth in combination with a rapid increase in productivity has already led to a few problems and contradictions. It was already necessary to resort to forced retirement and other measures.

Within the framework of the capitalist world economy, conflicts between Japan and the United States as well as the EC states have become much more pronounced, especially during the last year. Japan achieved an export surplus in its trade with these states, which will probably amount to $25 billion for 1981, and in 1982 it will be even higher. To date the United States and the EC countries have not yet come up with effective economic means to meet this expansion. The conseuqence is that the struggle of competition will gradually turn into an economic war.

Japan is an admirable and lovable country. The expansion of relations between the GDR and Japan on the state level, in economic, scientific-technical as well as cultural areas, but particularly with the parties and organizations of the working class and other progressive forces is of great benefit. These relations are based on traditions that go far back into the 19th century but also on many mutual interests which are an effective, strong force in spite of the different social orders.

8991
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# POSSIBILITIES FOR USING GEOTHERMAL ENERGY EXAMINED

Leipzig ENERGIETECHNIK in German Vol 31 No 12, Dec 81 (manuscript received 19 Aug 81) pp 457-,62

[Article by Dr Andreas Lippold, engineer, Institute for Energy Supply, Dresden: "Possible Uses of Geothermal Energy for Heating"]

[Text] This paper first presents an overview of the international status of geothermal energy useage. The development of the Hot-Dry Rock method and the prototype facilities for using low-heat water at average geothermal depths, have moved geothermal heat within reach as a real and widely available energy source for heat supply. If the geothermal heat is used to cover basic heating needs, the low-heat water cooled to about 5°C by electrically driven heat pumps and the peak load is met by an electric boiler system, there result primary energy utilizations of about 100 percent compared to conventional boilers.

## 1. Introduction

The pattern of the world's energy consumption indicates that about 30 percent of the primary energy consumption (35 percent of the GDR primary energy consumption) is by heating systems and technological processes operating at a low-temperature level. Under the influence of the constantly increasing expenses for procurement of the primary energy carriers, the use of:

--alternative energy sources (direct and indirect solar energy useage, geothermal energy), usually in connection with

--new energy conversion technologies (electrically powered heat pumps, absorption heat pumps) is becoming increasingly important.

In Central Europe, solar energy is only able to provide low-temperature heat economically due to the meteorologic conditions, e.g. for heating and hot-water preparation. One principle problem in direct solar energy useage is the fact that the greatest radiation intensity and greatest heat consumption, e.g. for space heating, do not coincide. For indirect use of solar energy (e.g. ground water) and of geothermal energy, this problem does not occur.

According to previous experience, geothermal energy does suffer from an extraordinary localization. Anomalies with large geothermal gradients as on Kamchatka Peninsula or in California are well-known.

The technical use of geothermal energy for space heating began in the 18th century on the "Steam field" of Lardarello in Italy mentioned by Dante Alighieri (used in ancient times for balneologic purposes). The start-up of the first geothermal power plant in Lardarello in 1913, its expansion to a present 421 MW electric power, the currently largest geothermal power plant "The Geysers" (USA, 608 MW), the use of thermal waters of the Pannonian basin in Hungary or the geysers of Iceland for space heating are the milestones of previous development in this area up to the beginning of the 1970s.

All these facilities are connected with significant geothermal anomalies which generally occur in regions of younger volcanism. In many countries [1] at present extensive prospecting for geothermal energy is underway with the goal of finding such geothermal anomalies.

The development of low-heat water in France (Paris basin) at nearly average temperature gradients and its use for space heating and the development of the Hot-Dry rock method for generation of heat from dry, hot rocks have made geothermal heat into a real alternative source of energy. Emphasis of research must be directed toward economic technologies for recovery and use of this energy for normal geothermal gradients.

## 2. Availability of Geothermal Energy

The limiting parameter for the generation of geothermal energy is the poor heat conductance of rocks of the earth's crust of about 2 W/(m · K). According to recent geophysical findings, the temperature at 100 km depth is 1,500 to 3,000°C [2]. The poor heat conductance of the rock means that the heat flow from the earth's interior, related to the earth's surface, is an average 60 $mW/m^2$, or several thousand times less than the heat flow from the sun to the earth. This low heat flow reaches only about 300 $mW/m^2$ for anomalies and means that each geothermal deposit has a limited life-span, since at an economic use of geothermal heat, the withdrawn heat flow is much greater than that flowing up from the earth's interior. Consequently, geothermal heat is not (at least for several generations) a regenerative energy source. With the average thermal conductance of 2 W/(m · K) there results an average temperature gradient in the earth's crust of 30 K/km.

The geothermal energy supplies can be broken down into four types of deposits:

1. Hydrothermal convective systems

a) Steam systems

b) High temperature water systems ($t > 150°C$)

c) Low temperature water systems (low-heat water $50 < t < 100°C$)

2. High-pressure steam/water systems

3. Hot-Dry rock systems

4. Magma occlusions in the upper earth's crust

The deposit types 1a, 1b, 2 and 4 are linked with recent vulcanism. Known regions of such occurrances are in Italy (Lardarello), USA, Mexico, Japan and others. In these countries, temperature gradients sometimes of more than 200 k/km are measured. These deposits are exceptions on a world scale and are able to make a certain contribution to the primary energy balance of the affected countries, but overall they cannot achieve any notable percentage.

## 2.1 The Geothermal Situation in Europe

A world-wide useage of geothermal energy is only possible if we succeed in withdrawing heat from the subsoil, even in regions of normal geothermal steps--generally from greater depths. The heatflow density map of Europe by Hurtig and Cermak [5] shows (fig 1) that geothermal anomalies with $\dot{p} > 100$ mW/m$^2$ occur only in Iceland, Italy, Hungary (Pannonian Region), FRG (a very small region in the Upper Rhine Valley) and in the Aegean. These anomalies thus cover only a fraction of the particular country (except Iceland). If we were to limit ourselves in future to these anomalies, then the useable potential of earth's heat in Europe would be practically negligible with respect to the primary energy balance.

The geothermal situation in the GDR corresponds to the European average. In the North are slightly warmer flow values equalling those in the Paris region, where geothermal heat is used already on a larger scale.

## 2.2 Hot-Dry Rock Systems

In depths of 3000 to 4000 meters, the permeability of sedimentary rocks decreases due to the mountain-load so much that the circulation of a heat carrier is impossible. Granite, usually hotter than its environment due to the decay of contained radioactive elements, is practically impermeable. The use of hot, dry rock heat requires the creation of zones with large heat-transfer surfaces and large permeability. The crack surfaces needed for this can be produced hydraulically (hydraulic fracturing). This method represents the state of the art in petroleum pumping. The outline of a hot-dry rock system is shown in figure 2. Two holes are drilled down to 3000 to 4000 meters depth. Between the holes, the rock is broken up so that the required fracture surface and permeability is obtained. Between the injection and delivery holes, a circulation system can be installed. The circulating water withdraws heat from the rock via the fracture surface and transfers the heat, above ground, to another cycle, e.g. a heating cycle.

The generation of a sufficiently large fracture system (for 150 MW heat output about 1 km$^2$ [1]) by hydraulic fracturing is the fundamental problem of the hot-dry rock method.

Large-scale tests in Los Alamos, N.M. and in Urach (FRG) were designed to answer the following questions:

--Can the crack system be generated so that the circulation system can be operated at reasonable pressures?

--What is the effect of chemical reactions between hot rock and water on the operation?

--What is the long-term behavior of a hot-dry rock source?

--What is the optimum drill-hole pattern?

For the users of this heat source, its long-term behavior is the decisive point. At a constnat temperature withdrawal, the available heat flow decreases exponentially with time. Through a time-variable heat withdrawal in which the average temperature of the circulating water is reduced as a function of time, a constant heat flow can be obtained. In this case however, at the beginning of the operating period, the obtained heat flow lies far below that theoretically possible. In regions of normal geothermal step, the earth heat only comes into consideration as a heat source, since the generation of electricity at this temperature level is possible at an efficiency of only about 5% and the environmental pollution would be 20 to 30 times that of the electric power output.

The use of low-temperature heating systems brings economic advantages since the difference between initial mountain temperature and the average temperature of the circulation system is greatest and the greatest possible quantity of heat can be withdrawn from the reservoir fractured-rock system.

For a heat-supply system of a decentralized housing area, the annual expenses (n = 30 years) were estimated in [3]. At a final depth of drilled holes of 4000 meters and a low-temperature heating system, there results a ratio of annual expense of 1.2:1 compared to soft-coal briquette heating in each house. The system configuration was selected so that geothermal covers about 50 percent of heating needs and the winter peak is filled by the auxiliary heating system (electro-boiler/hot-water reservoir).

Using the same geothermal assumptions, Noack et al. [4] arrive at a cost ratio of 1.9:1 using monovalent geothermal supply and conventional parameters. Thus it is clear that above-ground system configuration must take into account the special conditions of geothermy.

## 2.3 Low-Temperature Water Systems (Low-heat water)

Besides the use of thermal sources, e.g. of the Pannonian basin, recently the geothermal heating Centrals of the Paris basin became known; they use thermal water from the Dogger at depths of 1500 to 2000 m and temperatures of 57 to 75°C (normal geothermal step). The first system in Melun began operation in 1970. in 1976 three other systems came on stream, so that in 1978, 13,000 households in France were geothermally heated. By 1990, this figure will be 400,000 to 500,000. Calculations showed a savings of 13 to 16 percent over conventional oil heating standard in France [2].

The use of low-heat layer water is linked to suitable reservoirs at depths of 1500 to 2000 m. In large sedimentary basins, generally these petrographically suitable and large reservoirs are present. In Upper Paleozoic basins on the Northern territory of the GDR, suitable, sufficiently permeable and porous reservoirs are expected. The layer waters are usually only under hydrostatic pressure, so that at rest, the water level is always below the ground level. Via appropriate immersion pumps, a water delivery is possible. The depression should be selected in accord with the reservoir properties, so that a maximum delivery rate is achieved, and so, e.g. a minimum amount of sand occurs; this will prevent erosion in pumps and pipelines.

In general, the high level of minerals in the pumped and cooled water (more than 200 g/l) will not permit above-ground purification, due to the environmental pollution. Thus, for the first time, the French system in Creil by Paris used a reinjection of the cooled water into the same reservoir level; the following advantages were achieved:

--No pollution by mineralized water

--Possible collapse of the earth's surface is avoided

--Only about 25 percent of the total heat content of the reservoir is contained in the water. By reinjection of the cold water, the heat of the rocks can be used again, thus more than doubling the available heat energy

--The delivery rates at the same depression are 1.5 times greater in a two-hole system with delivery and reinjection hole than for a simple delivery hole [7] due to the maintenance of the initial pressure of the deposit.

Under these considerations, even smaller reservoirs with petrographically unfavorable conditions gain importance, and the costs for the second hole are compensated by the named advantages.

## 3. Geothermal Heating Centrals with Low-Heat Water

In the section on the Hot-Dry rock deposits, the importance of above-ground system configuration for the economics of geothermal heat useage was pointed out.

### 3.1 Thermal System Configuration

Experiences in remote heat supply have shown that for a peak heat output of the remote heat system of 50 percent of the max. heat load, only around 10 percent of the annual heating needs occur (at 25 percent, only 1 percent). Since the deep drilling costs affect the geothermal heating Centrals, it was suggested to adopt methods of remote heat supply: The energy-minimum, maximum-investment heat generation version (low-heat water, comparable with heat power plant) takes over the base heat demand, and a minimum investment system (heat-plant in remote heat supply) with generally higher operating (energy) costs, takes over the peak heat load.

The personnel needed to operate the drilling system is very low [2]. The peak heating system which in the worst case has a maximum full-load useage of 500 hours/year, must take this into account. In the French systems, oil or gas boilers are used. In the GDR, under consideration of the particular load situation in the electric energy grid and the local supply net, electric boilers could be considered; these can charge hot-water boilers with low-cost "night" electricity. The geothermal heating centrals is then viewed as a single-rail supplier which combines the advantages of decentral siting with a very good primary energy utilization.

In the Northern sediment basin of the GDR at depths of 1200 to 2000 meters, temperatures of the thermal water of 60 to 80°C are expected [6]. These temperatures require the use of low-temperature heaters (e.g. $t_V/t_R = 65/35$). The heat content of the low-heat could only be used 30 to 50 percent. The use of heat pumps permits a further cooling down to 5°C at power coefficients of the heat pump system of $\varepsilon = 4$ to 4.5.

The annual useage for heating and domestic hot water with the corresponding fractions of

--electric energy for delivery pumps

--electric energy for heat pumps

--geothermal energy, direct useage or via heat pump

--electric energy for peak heating system

is shown in figure 3 for a linkage factor of 0.5. Since the heat pumps are operated only outside the periods of peak demand for electric energy, a geothermal heating central uses mainly the power reserves of the electric energy grid. One possible heat circuit of a geothermal central heating is shown in fig 4. The circuit must assure that the thermal water is used directly without heat pump as much as possible. Thus, a central domestic hot-water supply is useful, whose first stage cools the thermal water down to about 35°C. Since the domestic hot water is operated all year long, the final heating of this water is with the thermal water coming directly from the hole. The recycled hot mains water is preheated in a large-sized heat exchanger (at less than full load operation, the fraction of direct useage becomes greater, due to the lower return temperature) and finally goes into the condensors of the heat pumps. Condensors and vaporizer of the heat pumps are circuited in series in order to simulate the Lorenz process for the large vaporizer temperature spread of 30 K. At outside temperatures below zero degrees centigrade, hot water of about 160°C is mixed in via the inlet temperature controller through the motor valve, so that the needed inlet temperatures are attained. The hot water is produced at night and fed into tanks which can be used during the transition time as low-temperature reservoirs. Due to the corrosiveness of the thermal water, it may be necessary to use an intermediate loop before running the thermal water into the vaporizer.

## 3.2 Economy

The determination of the minimum-cost linkage factor x is a real optimization problem. With increasing linkage factor electric boiler/geothermy, the annual primary energy efficiency, the ratio of used energy to expended fuel energy, improves (fig 5). Due to the annual useage of space heating, an enlargement of the linkage factor above 0.75 brings only a minor improvement in primary energy utilization. The expense for the drilled holes is no longer in an acceptable proportion with the primary energy savings. The annual expense for improving the primary energy utilization from 1.1 to 1.2 is increased by only about 2 percent, whereas a 13 percent increase in expenses is needed to improve the primary energy utilization from 1.58 to 1.68 ($x=1$, $t_{geo} = 80°C$; figure 6). The maximum primary energy utilization factor is reached when geothermal energy without heat pumps covers the greatest heat demand. The expense for this version is 100 percent and more over that having a link factor of $x = 1$ and cooling with heat pumps, depending on temperature and depth.

If equal delivery rates are reached in different reservoir horizontals at various depths at constant geothermal step, then these horizontals may be equivalent in the region $x < 0.7$ on an annual expense basis. In such a case, it will always be expedient to pump from the upper horisontals.

The annual expense for a geothermal central heating including extra expense for the low-temperature heating system was related to the annual expense of a small, decentral heating plant based on a link-boiler using soft coal briquettes in the Northern GDR, or to a heat-supply version of small, decentral housing units. Figure 6 underlines that today, geothermal use via low-temperature water can be a viable alternative heat supply variant.

## 4. Summary

The technologies for utilization of geothermal energy and the constantly growing expenses for extraction of conventional energy carriers have moved geothermal heat within grasp as an alternative energy source. The development in this area by the year 2000 will be characterized by initial prototype facilities using the Hot-Dry rock principle and a larger number of heating centrals using low-heat water. These central heating units world-wide will not make any notable contribution to the primary energy balance, but regionally, in unfavorable areas from a supply standpoint (e.g. expensive fuel transport) they can represent a relief to the energy supply. The heating circuit of central heating affects the economy of geothermal heating significantly. Under the conditons in the GDR, a simple, single rail version of central heating will be preferred. It connects the undisputed advantages of night-reservoir heating while excluding its disadvantage: The primary energy utilization is improved from 0.27 to 0.9 - 1.1, depending on the design.

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Figure 1. Heat Flow Map of Europe, from Cermak and Hurtig [5].

Key:

1-regions of low heat flow
2-regions of high heat flow
3-lines of constant heat flow in 10 $mW/m^2$ (e.g. 80 $mW/m^3$ Lines (4,6,8,10,12) of constant heat flow

Bild 1. Wärmeflußkarte von Europa nach *Cermak* und *Hurtig* [5]

1 Regionen niedrigen Wärmeflusses ($\dot{q} \leq 40$ mW/m²)

2 Regionen hohen Wärmeflusses ($\dot{q} \geq 80$ mW/m²)

— 8 — 3 Linien konstanten Wärmeflusses in 10 mW/m² (z. B. 80 mW/m²)
Linien (4, 6, 8, 10, 12) konstanten Wärmeflusses

Figure 2. Schematic of a Hot-Dry Rock System

Key:

1-delivery hole
2-injection hole
3-crystalline rock
4-final depth
5-fracture zone

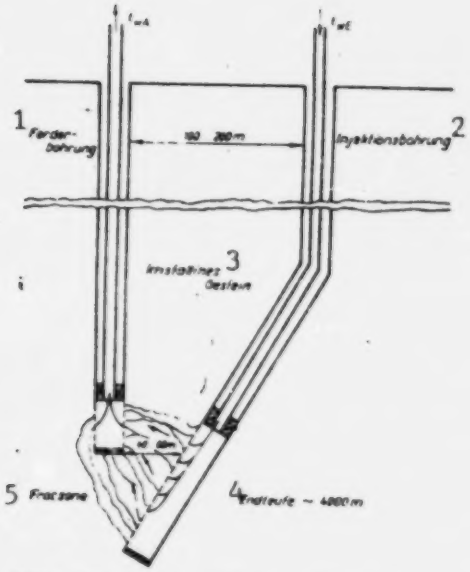


Bild 2. Schema einer Hot-Dry-Rock-Anlage

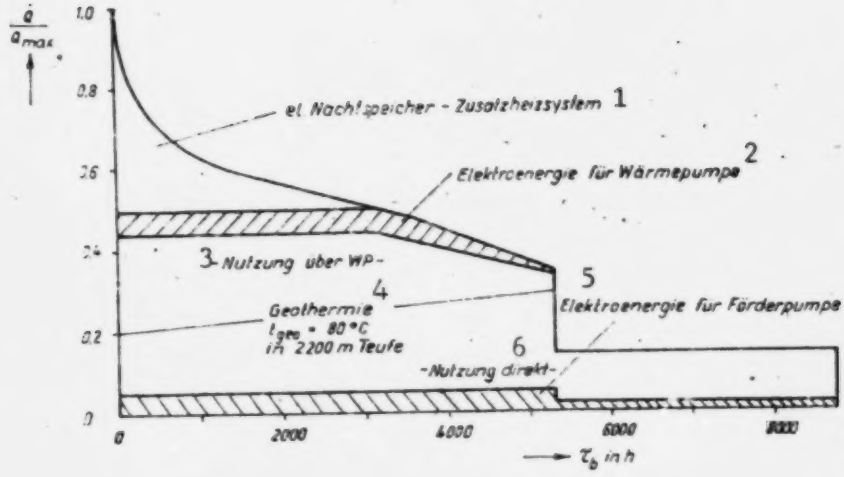


Bild 3. Jahresdauerlinie für Raumheizung, Anteile der Energieträger für einen Koppelfaktor x = 0,5

Figure 3. Annual Useage of Space Heating, Fractions of Energy Carrier for a Linkage factor of x = 0.5

Key:

1-electric night reservoir, auxiliary heating system
2-electric energy for heat pump
3-used by heat pump
4-geothermal t geo = 80°C at 2200 m depth
5-electric energy for delivery pump
6-direct utilization

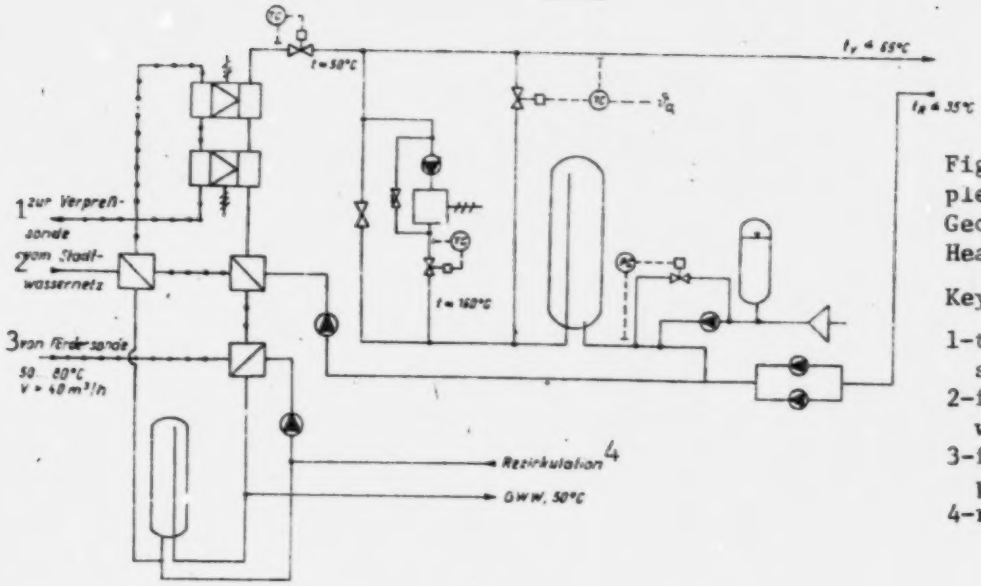


**Bild 4. Wärmetechnisches Prinzipschaltbild einer geothermischen Heizzentrale**

Figure 4. Principle Circuitry of a Geothermal Central Heating Unit

Key:

1-to the compression probe
2-from the city water mains
3-from delivery probe
4-recirculation

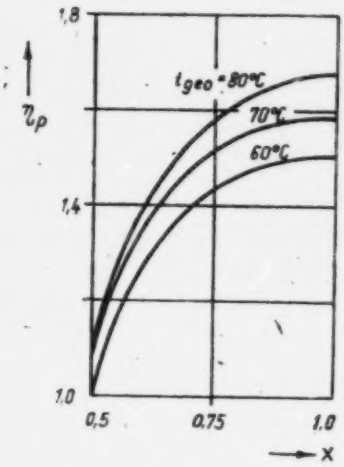


**Bild 5. Jährliche Primärenergieausnutzung einer geothermischen Heizzentrale mit Elektrokessel als Spitzenheizsystem mit Niedrigthermalwasser in Abhängigkeit des Koppelfaktors**

Figure 5. Annual Primary Energy Utilization of a Geothermal Central Heating System with Electric Boiler as Peak-load System with Low-heat water as a Function of the Linkage Factor

**Bild 6. rechts Primärenergieausnutzung als Funktion des jährlichen Aufwandes**

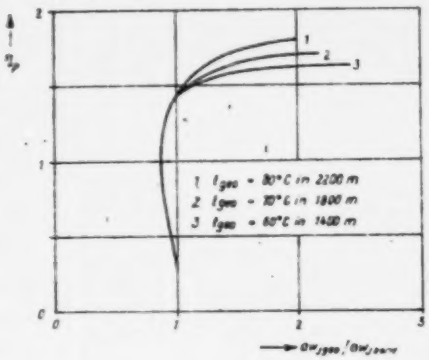


Figure 6. (Right) Primary Energy Utilization as a Function of the Annual Expense

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CSO: 2300/133

END

JPRS 80269

8 March 1982

# East Europe Report

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2241

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# EAST EUROPE REPORT

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2241

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## BRIEFS

SHIPS FOR USSR--The "Split" shipyard, and the "Treci maj," shipyard in Rijeka, as well as the "Tito" shipyard in Kraljevica, will build for the USSR 15 tankers for transporting oil derivatives, with a carrying capacity of 16,400 tons each, as well as three ships equipped with cranes which can lift 100-ton loads. The value of this work, which is the highest Yugoslav shipyards have had with foreign purchasers in this 5-year plan, will amount to over $500 million. The ships are expected to be delivered in 1984 and 1985. A contract which was signed on 10 February in Moscow between representatives of "Jadranbrod" and the Soviet foreign trade organization, "Sudimport," is the result of many years' efforts by specialists of both countries in designing and building ships with the latest transport technology. Yugoslav shipyards will also build for the USSR 10 smaller ships for transporting workers. [Text] [Belgrade PRIVREDNI PREGLED in Serbo-Croatian 12 Feb 82 p 1]

TRADE WITH USSR, MONGOLIA--Last year Yugoslav-Soviet trade amounted to $6.61 billion (Yugoslav exports were $3.64 billion). This was considerably above the planned commodity trade of $5.75 billion (with Yugoslav exports planned at $2.92 billion). This reduced Yugoslavia's deficit of nearly $1 billion in 1980 to $323.5 million. The plan for this year of a trade value of $7 billion (Yugoslav exports, $3.74 billion) is a goal which is possible to attain. As of 1 February 1982, $1.23 billion worth of export business (including $742 million worth of machines and equipment) had been concluded, as well as $860 million worth of imports. The section [on Yugoslav-Soviet trade] in the Yugoslav Economic Chamber said that it is necessary to resolve the question of the exchange rate of the clearing-account dollar within our system's measures; until this is done it is difficult to figure on fulfilling our obligations. The section delegates foresee a trade structure in which Soviet raw material and [other] material exports would make up 92 percent of Soviet exports [to Yugoslavia], while such material would account for 23.4 percent of Yugoslav exports to the USSR. The section delegates believed a positive factor [in Yugoslav-Soviet trade] to be the fact that machinery and equipment account for nearly 35 percent of Yugoslav exports and that consumer goods account for 32.1 percent. Last year trade with Mongolia amounted to $2.83 million in value, with Yugoslav exports accounting for $1.46 million; this year a total trade value of $5.28 million is planned. [Excerpts] [Belgrade PRIVREDNI PREGLED in Serbo-Croatian 11 Feb 82 p 1]

BORDER TRADE WITH BULGARIA--This year, according to the conclusions of recent Yugoslav-Bulgarian discussion in Sofia, border trade in Serbia and Macedonia with economic organizations in neighboring Bulgaria should amount to about $6 million; last year such trade amounted to only $1.5 million. At a recent meeting in Nis of the Yugoslav Economic Chamber's coordinating council for border trade with Bulgaria, the need for more coordination of such trade was stressed, noting that Bulgaria had only two organizations in this area, while there were considerably more such organizations in Serbia and Macedonia. Participants at the meeting favored a suggestion that a special account for regulating financial obligations in border trade be opened up. [Excerpt] [Belgrade PRIVREDNI PREGLED in Serbo-Croatian 18 Feb 82 p 2]

CSO: 2800/253

CZECH, SLOVAK 1981 PLAN FULFILLMENT SUMMARIZED

Prague RUDE PRAVO in Czech 3 Feb 82 p 2

/Article compiled from reports of the Czech and Slovak Bureau of Statistics in regards to the development and implementation of the Plan for Development of the National Economy in the CSR and the SSR in the year 1981/

> /Text/ The key goals of the plan for 1981 were oriented toward improved efficiency and quality of all labor, further intensification of our economy and reinforcing its external balance. However, the goals of the state plan failed to be satisfactorily met in some sectors. The structure of industrial production was slow in adjusting to the needs of both the foreign and domestic market, the extent of product innovations was inadequate, as was implementation of results of scientific and technical development.

Czech Socialist Republic

Industrial production volume on CSR territory increased 2.0 percent in comparison with 1980. A more accelerated increase in production was achieved in some sectors of the processing industry.

In the chemical and oil-refining industry, overall production rose 2.3 percent in comparison with 1980. A higher growth rate was attained in the rubber and asbestos industry and in processing of plastics, where production increased 3.1 percent.

Production in the wood-working industry increased 3.2 percent. The overall volume of light industry production increased 2.2 percent; in the glass, porcelain and ceramic industry, 1.9 percent; in the textile industry, 2.7 percent; in the clothing industry, 1.8 percent; in the leather, shoe and fur industry, 1.5 percent; and in the printing industry, 2.4 percent.

Production of construction materials increased 1.3 percent. A particularly sharp increase occurred in the production of ceramic wall and floor tiles and lime.

The food-processing industry increased its production 0.9 percent as compared to the previous year.

Construction enterprises located in the CSR accomplished with their own personnel 2.0 percent fewer construction projects than in the preceding year, while the state plan envisioned a 3.4 percent increase.

According to preliminary results, the volume of gross agricultural production was down 3.6 percent from its 1980 level and was 5.1 percent less than called for by the yearly implementation plan. The total harvest of cereals was 6,239,000 tons, i.e., 10.5 percent less than in 1980. The plan for state procurement of cereals was met and that for potatoes for the consumer market was exceeded 4.7 percent, the procurement plans for sugarbeets, produce and fruit failed to be met.

The overall plan for procurement of animals for slaughter was met by exceeding the planned quota for procurement of pigs for slaughter. The planned procurement of poultry for slaughter and of eggs was also met. Milk production lagged 9 million liters in comparison to 1980.

Timber-felling on CSR territory amounted to 12,852,000 cubic meters, i.e., 0.4 percent less than in 1980 and 0.2 percent more than planned.

Production of potable water increased from 1,032,000,000 cubic meters in 1980 to 1.06 billion cubic meters, i.e., 2.7 percent.

The volume of railroad shipments amounted to 175.5 million tons, i.e., 2.0 percent more than in 1980. Road haulage by the CSAD /Czechoslovak Automotive Transport/ accounted for transportation of 219 million tons of goods, i.e., 4.2 percent more than in 1980. River navigation transported 7.8 million tons of goods, i.e., 4.4 percent more than in the previous year. The number of passengers carried by CSAD increased 2.5 percent.

Research and development tasks dealt with as part of the state plan for technical development numbered 257. Of the planned implementational output, 93.5 percent were introduced in production.

Investment projects and deliveries in the national economy of the CSR in 1981 amounted to Kcs 86.9 billion. The planned volume of investments failed to be met by 0.8 percent. Goals of the state plan for completion of construction projects failed to be met and the number of unfinished units simultaneously under construction remains high.

The CSR national economy employed in 1981 roughly 4,694,000 personnel. Real earnings increased 0.9 percent. The increment in savings with the Czech State Savings Bank attained in 1981 the amount of Kcs 7.3 billion.

Retail trade turnover was Kcs 3.4 billion higher than in 1980; the state plan failed to be met.

Receipts from the populace for paid services were met by local production and service enterprises and by production cooperatives on the order of 102.0 percent.

Total social security benefits increased to Kcs 49.1 billion. Payments for income and retirement benefits amounted to Kcs 31.9 billion (Kcs 30.9 billion in 1980), health insurance benefits decreased Kcs 0.2 billion.

A total of 59,710 apartments were completed in residential construction, i.e., 8.4 percent less than envisioned by the plan.

By the end of the year the CSR had 10,307,000 inhabitants.

Slovak Socialist Republic

Industrial production of centrally planned SSR industry increased more than 2 percent in comparison to the previous year and met the level called for by the state plan.

In keeping with the goals of the plan, there was a mild decrease in the level of production in the chemical industry. Petrochemical production maintained its level. There was an increase in the production of chemical fibers and in the rubber industry.

Production in the wood-working industry dropped 0.8 percent with a production increase of 2.2 percent in the paper and pulp industry and a decrease of 2.6 percent in the wood-working industry.

The production volume in light industry increased 3.3 percent. Accelerated growth occurred in the textile industry (3.9 percent) and the clothing industry (5.2 percent). Production in the glass industry increased 1.8 percent and in the shoe industry by 2 percent.

Production of construction materials increased 1.9 percent commensurate to the demand. Production of masonry materials increased 5.2 percent but cement production remained at the previous year's level.

The overall increase of production in the food-processing industry amounted to 2.9 percent, of which the milling and baking industry accounted for 3.7 percent and the meat industry for 2.8 percent.

According to preliminary results, gross agricultural production amounted to Kcs 32.6 billion, which is 2.8 percent less than in 1980 and 7 percent less than called for by the plan.

The plan of state procurement of cereals (to include corn) and legumes was met. The plan for procurement of rape seed, consumer potatoes and sugarbeets was not met.

The plan for procurement of animals and poultry for slaughter was slightly exceeded. In the structure, deliveries in excess of the planned quotas accounted for 8,500 tons of pigs, 193 tons of sheep and 401 tons of poultry. In spite of an increase in procurement of milk in comparison to 1980 by 34.3 million liters and 31.7 million eggs for consumption, meeting of planned quotas lagged slightly.

Forest management of state forests slightly exceeded the plan by felling almost 5.2 million of cubic meters of timber, which represents 20,000 cubic meters more than in 1980.

Building-contractor organizations delivered a volume of construction projects completed by their own personnel on the order to Kcs 27.9 billion, meeting the plan by 94.7 percent. The volume of operations in all types of construction was lower than in 1980.

Railroad cargo transportation shipped 123.9 million tons, which amounted to more than a million tons less in comparison to the previous year, and also less than called for by the plan. In highway cargo transport, the CSAD exceeded the annual plan by 3.8 percent. The 137 million tons of goods transported amounted to 8 percent more than in the preceding year.

The average registered number of personnel in the socialist sector of the SSR national economy (without JZD /unified agricultural cooperatives/) increased by more than 24,000 in comparison to 1980 and included almost 1,956,000 persons.

Average monthly earnings increased 1.6 percent in comparison with the preceding year and amounted to Kcs 2,655.

The extent of investment construction in an amount exceeding Kcs 46 billion (not including project "Z" /community self-improvement program/) remained approximately at the level of the previous year. Starting of new construction projects decreased one-third in comparison with 1980 and the number of unfinished units simultaneously under construction decreased 10 percent.

The state plan of technical development included 118 tasks, 18 tasks were completed and the average time for their solution took 4.7 years.

Retail trade turnover attained Kcs 69.8 billion. The state plan was met on the order of 100.5 percent.

The 31,638 apartments completed in residential construction accounted for only 73.9 percent of the state plan quota.

Local economy enterprises increased their overall volume of production and services for the populace by 3.8 percent in comparison to the preceding year.

The volume of expenditures for social security benefits increased 3.3 percent compared to 1980. The average retirement income for all personnel increased 1.5 percent, 2.3 percent for cooperative farm members.

By the end of the year the SSR had 5,032,000 inhabitants.

8204
CSO: 2400/134

SPRING PLANTING PLANS, CONDITIONS DISCUSSED

Warsaw ZYCIE WARSZAWY in Polish 21 Jan 82 pp 1, 6

[Briefing of Deputy Premier Malinowski]

[Text] While public attention is being focused on the procurement of agricultural products, perhaps it is more important for our further fortunes what we will succeed to raise and harvest this year. The harvest will depend, among other things, on the progress of the so-called spring campaign, and the "preliminary estimate of preparations for spring is not the very best." This opinion was expressed by Deputy Premier Roman Malinowski on Wednesday 20 January at a meeting of the representatives of ministries responsible for the condition of agriculture.

First, Deputy Minister of Agriculture Andrzej Kacala explained what farmers will have to accomplish in the spring. Grain must be sown over 3.7 million ha, so that, adding the winter crops already growing over 4.5 million ha, one could plan a harvest that would satisfy our needs. Legumes plants will be sown on 240,000 ha and industrial plants on 1 million ha. Root crops will not be increased; 2.25 million ha will be earmarked for them. In accordance with the new principles of supply contracts, in force as from 18 January 1982, they cover all sectors of agriculture. The plan envisages buying up 3 million tons of grain. Such is a vision. The difficulty consists in its implementation, and the prognosis is not optimistic.

In the first place, there is a shortage of the seed material, whose amount is being estimated at being 120,000 tons less than in the past year. There are no seeds of pod-bearing plants, those from the import. Potatoes are rotting in the ground and we need about 1 million tons of seed-potatoes, whereas there might be less than 300,000 tons less. There is a tremendous shortage of some horticultural seeds--for example, onions are about 40 percent.

Unfortunately, it is not certain that even that which is to be sown will yield good crops, since agriculture cannot expect to have sufficient amounts of mineral fertilizer and plant pesticides. Fertilizer enterprises are working in low gear and reserves in the GS (Rural Commune Cooperatives) have been exhausted. Plant pesticides are derived mainly from imports and in the country itself we have, for example, only 60 percent of the necessary preparations to combat the Colorado beetle and, for example, 10 percent of herbicides for papilonaceous

plants. It is true that many western firms have goods ready to be sent to Poland (despite embargos and blockades), but the Ciech [Export-Import Center for Chemicals and Chemical Equipment] has no hard currency available to pay for the ordered products.

Concerning the condition of the agricultural equipment, Minister Kacala said: "I have essential misgivings about having the equipment ready before spring." The Minister's arguments are rather significant--for example, the lack of tires and batteries will cause 50,000 tractors to remain out of commission, which is tantamount to annual deliveries of tractors to the countryside. Agriculture has so far been promised only 50 percent of the leaded gasoline on order and 70 percent of diesel oil for the first quarter.

Proposals of the ministry are as follows: assign 100,000 foreign exchange zlotys to buy of plant pesticides, assign $9 million to buy seeds, urgently buy fertilizer or its components abroad, and once again consider possibilities of increasing production and deliveries of the spare parts and assemblies for agricultural machines.

--We begin from a wrong starting point--stated Jan Kaminski, Chairman of the CZRS "Samopomoc Chlopska" [Peasants' Mutual Aid]. The State has not as yet met delivery commitments for articles owed to farmers for their slaughtered livestock. Arrears in coal deliveries amount to about 1.4 million tons and the only consolation is the fact that, during the 18 days of January, the backlog was reduced by 300,000 tons. The work pace of the miners promises that we will be square by the end of the first quarter. However, the expected price increases for coal will exert pressure on the market and, also, the increased deliveries for the flood victims should be considered.

Industrial feeds in the first quarter will amount only to 60 percent of that last year. "I must also mention an embarassing thing," said Chairman Kaminski. "Forks, nails, scythes, etc. A government decision has even been adopted concerning an increase in the production of these simple tools. And then nothing. Can we find a common language with the farmers, as the talks concerning procurement are being reduced to a simple question--what will we get in return? Demands cannot be one-sided, directed only at the countryside."

The chemical and light industries' ministry was represented by Director Krzywda. His ministry has also objective difficulties. There is a shortage of fertilizer, for there are no ingredients from which to make it. Imports have collapsed. Perhaps we will be lucky to get ammonia from the USSR and phosphorites from Marocco. Moreover, it also has its difficulties with gas, energy, and spare parts. Distribution of tires is being handled outside of the ministry. The director assumed the obligation that the ministry would take into consideration the most urgent needs of the farmers and would resume the production of pesticides from domestic raw materials (sulfur, copper).

--It seems that this year we will solve the problem of oil filters and perhaps it is a most optimistic announcement--said Director Roszewski, representing the Ministry of Metallurgy and Machine Building Industry, yet another debtor of Agriculture. The operational plan envisages the production of machines for the

amount of 35 billion zlotys and that of the spare parts for 25 billion zlotys. We will produce more nails, scythes, chains, and forks, but not as many as could be sold. Their production has just been resumed and the plants must gear up. "I cannot make any statements, for I have no coverage for 14 operational plans with which we have been burdened, and we are likewise being hindered by [lack of] imports and foreign exchange, said Director Roszewski. He agreed, however, with a suggestion of Deputy Premier Malinowski that agriculture must be provided with spare parts, even final production suffers. It is also necessary to widen the selection of the simple machines and tools.

Deputy Minister Kun from the Ministry of Construction could not promise much. In the first quarter, there will be produced 3.5 million tons of cement; but, if there will be no binder, production will be curtailed by 400,000 tons. Asbestos cement cannot be produced because of the lack of asbestos, and roofing paper cannot be manufactured because of a cardboard shortage.

The representative of the Ministry of Foreign Trade and Maritime Economy informed the meeting that additional funds were assigned for imports, amont others for agriculture and industries producing for agriculture. The ministry will try to use the funds from France to get supplemental imports for agriculture from France and will try once more to intervene to obtain deliveries of the spare parts from socialist countries.

Among the proposals adopted at the meeting, two constitute exceptions from the economic reform in force. According to the first one, the right of the AGROCHEM to distribute fertilizer will be suspended and it will be transferred to the Minister of Agriculture. It is also being proposed that the central distribution continue to manage building materials because of their scarcity and increased requirements, among others as a result of recent hurricanes and present floods.

All proposals, gathered by Deputy Premier Malinowski, will be presented to the Economic Committee of the Council of Ministers which will have a decisive voice in this contest for agricultural spring.

1015
CSO: 2600/255

## HARVEST RESULTS FOR 1981 REPORTED

Warsaw PRZEGLAD TECHNICZNY in Polish No 46, 15 Nov 81 pp 3, 4 of Insert

[Text] GRAIN. The total grain crops reached 19.9 million tons, that is 2.8 percent less than targeted in the National Socio-Economic Plan [NPSG], but 1.6 million tons more than last year (8.7 percent) and 434,000 tons more than the average for the years 1976-1980. The grain acreage--7.9 million hectares--was higher than projected in the NPSG and than the last year's (by 64,000 hectares). The average yields were estimated at 26 quintals per hectare (last year they reached 23.4 and, in the past 5-year period, 24.8).

The crop structure worsened due to reduced sowing of wheat. The winter and spring crops reached 4,229,000 tons, while, in the 5-year period of 1976-1980, 5,090,000 tons (the share of wheat in the total grain crops dropped from 18.8 to 14 percent). Despite a relatively good harvest, the procurement plan set at the 4,200,000-ton level is unrealistic. By 20 September 1981, only 1,248,000 tons were collected, while the same time last year, the figure was 1,558,000 tons and, in 1978, the year of the record harvest, 3,536,000 tons.

POTATOES. According to the most complete estimates of the Government Inspectorate for Agriculture Production, the potato crops this year reached 43.1 million tons; that is, it was 8.8 percent higher than the plan projections, over 300,000 tons greater than the average for the past 5-year period, and 16.7 million tons (63.2 percent) higher than the disastrous harvest last year.

The potato acreage, however, was the lowest in the entire 30-year period. The average crops--191 quintals per hectare--were high (177 quintals per hectare in the 1976-1980 period).

SUGAR BEETS. Their crops are higher than the planned target by 5 million tons; that is, by 49.4 percent as compared with the last year and by 1 million tons higher than the average for the past 5-year period. The acreage was smaller than the multiyear average; however, the crops are higher and reach 323 quintals per hectare (280 quintals per hectare in the 1976-1980 period). According to the estimates of the Sugar Industry Administration, sugar polarization on 10 September 1981 reached 14.41 percent as compared with 12.63 percent last year and 14.09 percent 2 years ago.

The yields of raw material allow us to estimate the level of sugar production for this year at 1.580-1.620 million tons.

OLEAGINOUS CROPS. The harvest of oleaginous crops was lower than targeted as well as last year's (by 15 percent) and with the exception of the disastrous 1979 crops, which was the lowest in the last 8 years. The raw material gathered this year will yield a little more than 200,000 tons of oil, that will barely cover two-thirds of the present demand.

FODDER FOR HOGS. Potatoes and grains are the fodder basis for hogs. Total crops of both (potatoes were converted to the grain fodder equivalent) reached 30.7 million tons. They are 5.8 million tons or 23.1 percent higher than last year's (in the state farms [PGR] higher by 9.4 percent, in agricultural cooperatives [RSP] by 17.3 percent, and in individual farms by 26.2 percent).

FODDER FOR CATTLE AND SHEEP. Production of bulk fodder, which constitutes the basic feed for these animals, is considerably higher than last year. Hay yields reached 12.7 million tons as compared with 10.6 million tons last year with an average yield of 12.3 million tons for the last 5-year period. The corn crops intended for silage reached 21.8 million tons, that is nearly 4 million tons more than last year and more than the average for the 1976-1980 period (21.5 million tons). Fodder root crops reached 10.7 million tons, that is over one-third more than last year and more than the multiyear average--9 million tons. Considering greater availability of beet pulp and silage from sugar beet leaves, the fodder situation in the field of cattle breeding can be regarded as exceptionally favorable.

VEGETABLES. Production of vegetables will reach 4.850 million tons and thus about 1 million tons higher than last year's and 600,000 tons higher than the average for the last 5-year period. Increased production of vegetables is a result of good crops in cabbage, cucumbers, onions, tomatoes, and all vegetable root crops as well as a consequence of a 6,700 hectare increase of field vegetables, which should be noted as a positive development. Last year, the following was produced per capita: 43 kg of cabbage; 11 kg of tomatoes; 14 kg of cucumbers; 11 kg of onions; 17 kg of carrots; and 13 kg of beets. Production of cucumbers, green peas, and tomatoes was increased. The last estimate for tomatoe crops projects 410,000 tons, that is 2.5 higher than last year and nearly one-half more than the multiyear average. Procurement level is expected to reach 140,000 tons, that is twice as much as last year. It is estimated that 110,000 tons of tomatoes will be processed into tomatoe paste and juice (last year's figure--7,900 tons). Onion crops are estimated at 400,000 tons, that is one-fourth more than last year and by 50,000 tons more than the last 5-year period average.

FRUIT. Production of fruit is expected to reach 1.379 million tons, that is about 184,000 tons (13 percent) less than last year. This is due to poor crops from apple, cherry and sour cherry trees; and, consequently, the crops from fruit trees barely reached 1 million tons and were by 364,000 tons lower than the last 5-year period average. The following was produced per capita: 21 kg of apples; 3 kg of pears; 3 kg of plums; and 5 kg of strawberries. Strawberry crops reached 380,000 tons and were 9.1 percent higher than last year. About 100,000 tons of strawberries were procured by the government; of these, 82,000 tons were processed, 14,000 tons reached the market, while 3,000 tons of fresh fruit were exported to other countries.

8609
CSO: 2600/248

SOWING TIMES, DEVELOPMENT STAGES OF WINTER GRAINS DISCUSSED

Warsaw NOWE ROLNICTWO in Polish No 13-14, 1-31 Jul 81 pp 13-16

[Article by Jozef Zdybek: "Times for the Sowing and Certain Development Stages of Winter Grains"]

[Text] In organizing agricultural production, it is essential to be aware of the times when the more important development stages of crops occur, since certain agro-engineering activities are associated with these times. For example, on winter grain farms, the first top enrichment with mineral fertilizers must be done before the vegetation begins; application of the second portion of the mineral fertilizers is recommended during the stalk shooting stage; pesticide spraying is also used during this stage, and especially weed killers; and from the point of view of physiology, the heading stage is very important, in view of the susceptibility of the crops to pluvi-thermal conditions during this period. Many researchers (1,2) call the period of 14 days before heading and 7 days afterward a critical period for grains, in which the level of precipitation, together with the temperature, determines the level of the crop yield. For example, according to Azziego (1), the optimum precipitation for wheat during this period is from 46 to 116 millimeters at a daily temperature of 14 to 24°C. It is possible that in the future the yields of certain grains may be forecast on the basis of the climatic conditions during the critical period.

Deputat (3) investigated the effect of temperature on the length of the inter-stage development periods of spring grains. I worked out (6) the effect of the weather of the yields of cultivated crops. On the other hand, we lack studies demonstrating the times of the occurrence of all of the more important development stages in winter grains.

Taking the above into consideration, in this work I attempted to determine the actual dates of certain development stages occurring in the production of winter grains, independently of subjective factors (such as poor organization of the work), and in connection with objective factors (such as the effect of weather conditions). For this purpose I used observations conducted at varieties assessment stations. These stations are equipped with the necessary machines and equipment to ensure the prompt performance of all agro-engineering activities, and any changes in the times are caused by weather conditions. Furthermore, the full set of varieties currently registered for various requirements and for varying degrees of sensitivity to weather conditions are sown there. It is thus

possible to assume that the times observed in the stations are representative of the times of the development of vegetation under production conditions.

The observations conducted between 1974 and 1977 have been used for comparisons. The 4-year observation period is too short for drawing full and reliable conclusions. Nevertheless, in view of the lack of this type of study in the literature, I decided to publish these data as tentative ones.

The data are presented in tables 1, 2 and 3 according to climatic regions. The regional division is presented in drawing 1, adopted from Lubkowski (5). It is currently used in evaluating varieties, since it meets the criteria for a division and is a practical one, because it corresponds to the physiographic form of the country.

The initial time affecting the development stages of winter grains is the sowing time. The optimum times for sowing winter grains have been established empirically and are well known. For example, according to Herse (4), the optimum sowing time for winter barley in central and southeastern Poland is in the first 10 days in September, and before 15 September in the southwest. The formerly recommended sowing at the end of August is considered to be early, since it causes excessive growth in the barley and a susceptibility to frost. The optimum period for rye is considered to be between 5 and 20 September in northeastern Poland, between 15 and 25 September in the northwestern, central, and eastern parts of the country, and until the end of September in western Poland. Delaying the sowing time for rye until October causes a marked reduction in the yields. The sowing time for winter wheat is between 15 and 30 September in northeastern, southeastern, and central Poland, between 15 September and 5 October in the west and northwest, and on the other hand it is longest in the southwest, lasting from 25 September to 5 October.

The outline map shows a graphic distribution of the recommended sowing times.

It is apparent from the comparisons presented that for the most part the winter wheat was sown during the optimum time, with the exception of central eastern Poland (region III), where it was sown on the average 7 days early, and the mountainous areas, in which an inadvisable delay until even as late as 15 November was observed. These delays were caused by excessive autumn precipitation. Delaying the sowing times like this was possible because of the existence of varieties that are not very sensitive to delayed sowing. According to the IUNG [Institute of Cultivation, Fertilization and Soil Science] agrotechnical recommendations (6), such varieties include Holme, Alcedo, and Mironowskaja 808.

Rye sowing was begun and in general completed during the optimum time. In some cases, however, especially in regions VII and VIII, the sowing took place up to 12 days late.

Winter barley sowing was also begun and generally took place during the optimum times, but was considerably extended (in 1977 until 6 October in the mountainous region). It is obvious that with such a delayed time, it is necessary to give up on sowing winter barley in production (4). The date of the appearance of the

Table 1. Times of the Vegetation of Winter Wheat in Experiments at SOO [Varieties Assessment Stations] in the Years 1974-75 to 1977-78 According to the Regions for Assessing Varieties

| (5) Rejony | (6) Liczba doświadczeń | (1) Siew | | | (2) Wschody | | | (3) Ustanie weget. | | | (4) Początek weget. | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | (7) najwcześniejszy | (8) najczęstszy | (9) najpóźniejszy | (7) najwcześniejsze | (8) najczęstsze | (9) najpóźniejsze | (7) najwcześniejsze | (8) najczęstsze | (9) najpóźniejsze | (7) najwcześniejszy | (8) najczęstszy | (9) najpóźniejszy |
| I | 44 | 20.IX | 2.X | 15.XI | 27.IX | 21.X | 25.XII | 10.IX | 22.XI | 25.XII | 25.II | 17.III | 7.IV |
| II | 14 | 15.IX | 24.IX | 5.X | 26.IX | 16.X | 30.XI | 10.XI | 22.XI | — | 11.II | 22.III | 5.IV |
| III | 56 | 18.IX | 27.IX | 25.X | 1.X | 12.X | 25.XI | 10.XI | 25.XI | 20.XII | 28.II | 15.III | 10.IV |
| IV | 41 | 20.IX | 30.IX | 5.XI | 1.X | 11.X | 25.X | 5.XI | 20.XI | 18.XII | 20.II | 19.III | 5.IV |
| V | 42 | 20.IX | 9.X | 15.XI | 1.X | 31.X | — | 8.XI | 26.XI | — | 20.II | 10.III | 5.IV |
| VI | 47 | 18.IX | 1.X | 6.XI | 28.IX | 14.X | 30.XII | 1.XI | 19.XI | — | 25.II | 18.III | 8.IV |
| VII | 18 | 25.IX | 18.X | 5.XI | 5.X | 8.XI | — | 15.XI | 28.XI | 30.XII | 28.II | 20.III | 5.IV |
| VIII | 18 | 20.IX | 8.X | 15.XI | 26.IX | 11.XI | — | 10.XI | 27.XI | -- | 20.II | 18.III | 10.IV |
| (10) | 280 | | 4.X | | | 20.X | | | 24.XI | | | 18.III | |

Key:
(1) sowing
(2) germination
(3) suspension of vegetation
(4) beginning of vegetation
(5) regions
(6) number of experiments
(7) earliest
(8) most frequent
(9) latest
(10) average

Table 2. Times for the Vegetation of Winter Rye in Experiments at SOO During the Years 1975-76 to 1977-78 According to Regions for Variety Assessment

| (6) Rejony | (1) Siew | | | (2) Wschody | | | (3) Zak. weget. | | | (4) Rusz. weg. | | | (5) Strzelanie w źdźbło | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | (7) najwcz. | (8) średnio | (9) najpóźn. | (7) najwcz. | (8) średnio | (9) najpóźn. | (7) najwcz. | (8) średnio | (9) najpóźn. | (7) najwcz. | (8) średnio | (9) najpóźn. | (7) najwcz. | (8) średnio | (9) najpóźn. |
| I | 18.IX | 24.IX | 30.IX | 30.IX | 2.X | 10.X | 3.XI | 20.XI | 5.XII | 20.II | 6.III | 30.III | 15.IV | 25.IV | 3.V |
| II | 10.IX | 15.IX | 30.IX | 20.IX | 22.IX | 3.X | 20.XI | 28.XI | 5.XII | 10.III | 15.III | 30.III | 22.IV | 30.IV | 5.V |
| III | 15.IX | 23.IX | 28.IX | 28.IX | 4.X | 10.X | 12.XI | 22.XI | 15.XII | 1.III | 10.III | 28.III | 11.IV | 15.IV | 28.IV |
| IV | 10.IX | 22.IX | 30.IX | 25.IX | 3.X | 22.X | 10.XI | 22.XI | 30.XI | 5.III | 9.III | 10.IV | 20.IV | 27.IV | 5.V |
| V | 12.IX | 23.IX | 1.X | 18.IX | 12.X | 10.XI | 8.XI | 22.XI | 30.XI | 20.II | 8.III | 25.III | 7.IV | 13.IV | 25.IV |
| VI | 10.IX | 21.IX | 30.IX | 25.IX | 5.X | 12.X | 25.X | 25.XI | 22.XII | 21.II | 16.III | 30.III | 10.IV | 22.IV | 8.V |
| VII | 25.IX | 30.IX | 12.X | 10.X | 15.X | 30.X | 10.XI | 14.XI | 20.XI | 1.III | 13.III | 30.III | 20.IV | 27.IV | 4.V |
| VIII | 15.IX | 30.IX | 7.X | 27.IX | 14.X | 2.XI | 10.XI | 20.XI | 22.XI | 1.III | 10.III | 25.III | 20.IV | 26.IV | 4.V |
| (10) Przeciętnie | | 23.IX | | | 5.X | | | 21.XI | | | 9.III | | | 24.IV | |

Key:
(1) sowing
(2) germination
(3) end of vegetation
(4) beginning of vegetation
(5) stalk shooting
(6) regions
(7) earliest
(8) most frequent
(9) latest
(10) average

Table 3. Times of the Vegetation of Winter Barley in SOO Experiments, Average for Poland

| (5) Rok zbioru | (6) Liczba doświadczeń | (1) Siew | | | (2) Wschody pełn. | | | (3) Ustanie weget. | | | (4) Pocz. wegetacji | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | (7) najwcześniejsze | (8) średnio | (9) najpóźniejsze | (7) najwcześniejsze | (8) średnio | (9) najpóźniejsze | (7) najwcześniejsze | (8) średnio | (9) najpóźniejsze | (7) najwcześniejszy | (8) średnio | (9) najpóźniejszy |
| 1974 | 26 | 28.VIII | 9.IX | 20.IX | 10.IX | 23.IX | 20.X | 23.X | 17.XI | 8.XII | 10.II | 8.III | 25.III |
| 1975 | 24 | 8.IX | 13.IX | 22.IX | 14.IX | 25.IX | 30.X | 29.X | 23.XI | 20.XII | 15.I | 7.III | 10.III |
| 1976 | 21 | 3.IX | 11.IX | 20.IX | 11.IX | 23.IX | 25.X | 15.XI | 20.XI | 7.XII | 2.III | 31.III | 30.IV |
| 1977 | 27 | 7.IX | 15.IX | 6.X | 15.IX | 30.IX | 18.X | — | — | — | 20.II | 4.III | 17.III |
| 1978 | 28 | 5.IX | 18.IX | 30.IX | 13.IX | 28.IX | 15.X | — | — | — | 28.II | 15.III | 4.IV |
| (8) Średn. | 126 | 28.VIII | 13.IX | 6.X | 11.IX | 26.IX | 30.X | 23.X | 20.XI | 20.XII | 15.I | 13.III | 30.IV |

Key:
(1) sowing
(2) full germination
(3) suspension of vegetation
(4) beginning of vegetation
(5) harvest year
(6) number of experiments
(7) earliest
(8) average
(9) latest

| (1) Strzelanie w źdźbło | | | (2) Kłoszenie | | | (3) Dojrzewanie woskowe | | | (4) Zbiór | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| (6) najwcześniejsze | (7) najczęstsze | (8) najpóźniejsze | (6) najwcześniejsze | (7) najczęstsze | (8) najpóźniejsze | (6) najwcześniejsze | (7) najczęstsze | (8) najpóźniejsze | (6) najwcześniejszy | (7) najczęstszy | (8) najpóźniejszy | |
| [illegible] | 10.V | 22.V | 3.VI | 10.VI | 20.VI | 12.VII | [illegible] | [illegible] | [illegible] | 10.VIII | 30.VIII | [illegible] |
| [illegible] | 12.V | 22.V | 5.VI | 15.VI | 22.VI | 20.VII | [illegible] | 12.VIII | 27.VII | 13.VIII | 3.IX | 58 |
| 15.IV | 3.V | 15.V | 1.VI | 7.VI | 18.VI | 10.VII | 26.VII | 8.VIII | 29.VII | 10.VIII | 25.VIII | 58 |
| [illegible] | 10.V | 25.V | 31.VI | 11.VI | 22.VI | 20.VII | 30.VII | 10.VIII | 29.VII | 10.VIII | 5.IX | 50 |
| 20.IV | 7.V | 27.V | 1.VI | 8.VI | 20.VI | 5.VII | 27.VII | 15.VIII | 25.VII | 12.VIII | 5.IX | 47 |
| 20.IV | 7.V | 20.V | 1.VI | 7.VI | 15.VI | 7.VII | 27.VII | 13.VIII | 20.VII | 8.VIII | 30.VIII | 49 |
| 30.IV | 11.V | 28.V | 8.VI | 12.VI | 25.VI | 10.VII | 31.VII | 20.VIII | 1.VIII | 24.VIII | 5.IX | 45 |
| 12.IV | 14.V | 22.V | 7.VI | 11.VI | 20.VI | 20.VII | 2.VIII | 12.VIII | 1.VIII | 12.VIII | 30.VIII | 46 |
| | 2.V | | | 10.VI | | | 28.VII | | | 12.VIII | | |

| (2) Kłoszenie | | | (5) Kwitnienie | | | (3) Dojrz. wosk. | | | (4) Zbiór | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| (6) najw. | (9) średnie | (8) najpóźn. | (6) najw. | (9) średnie | (8) najpóźn. | (6) najw. | (9) średnie | (8) najpóźn. | (6) najw. | (9) średnie | (8) najpóźn. |
| 15.V | 22.V | 28.V | 1.VI | 5.VI | 15.VI | 20.VII | 27.VII | 5.VIII | 1.VIII | 10.VIII | 20.VIII |
| 10.V | 18.V | 30.V | 1.VI | 10.VI | 20.VI | 25.VII | 3.VIII | 10.VIII | 1.VIII | 8.VIII | 20.VIII |
| 10.V | 15.V | 22.V | 25.V | 4.VI | 12.VI | 10.VII | 25.VII | 5.VIII | 29.VII | 12.VIII | 20.VIII |
| 10.V | 16.V | 30.V | 1.VI | 5.VI | 15.VI | 7.VII | 23.VII | 3.VIII | 28.VII | 7.VIII | 22.VIII |
| 5.V | 16.V | 25.V | 27.V | 3.VI | 20.VI | 4.VII | 22.VII | 4.IX | 1.VIII | 13.VIII | 25.VIII |
| 4.V | 16.V | 30.V | 28.V | 3.VI | 10.VI | 10.VII | 25.VII | 10.VIII | 20.VII | 5.VIII | 25.VIII |
| 10.V | 20.V | 30.V | 2.VI | 8.VI | 20.VI | 20.VII | 7.VIII | 30.VIII | 5.VIII | 26.VIII | 30.IX |
| 10.V | 18.V | 25.V | 1.VI | 6.VI | 12.VI | 15.VII | 1.VIII | 7.VIII | 10.VIII | 12.VIII | 20.VIII |
| | 18.V | | | 4.VI | | | 26.VII | | | 10.VIII | |

Key: (1) stalk shooting
(2) heading
(3) wax maturing
(4) harvest
(5) blooming
(6) earliest
(7) most frequent
(8) latest
(9) average

| (1) Strzelanie w źdźbło | | | (2) Kłoszenie | | | (3) Dojrzałość woskowa | | | (4) Zbiór | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| (6) najwcześniejsze | (9) średnie | (8) najpóźniejsze | (6) najwcześniejsze | (9) średnie | (8) najpóźniejsze | (6) najwcześniejsze | (9) średnie | (8) najpóźniejsze | (6) najwcześniejszy | (9) średnio | (8) najpóźniejszy |
| 2.IV | 22.IV | 22.V | 10.V | 20.V | 2.VI | 4.VII | 12.VII | 28.VII | 9.VII | 20.VII | 30.VII |
| 1.IV | 24.IV | 15.V | 12.V | 15.V | 20.V | 24.VI | 1.VII | 8.VII | 1.VII | 6.VII | 20.VII |
| 15.IV | 6.V | 25.V | 16.V | 27.V | 12.VI | 28.VI | 7.VII | 17.VII | 5.VII | 15.VII | 20.VII |
| 5.IV | 30.IV | 17.V | 12.V | 25.V | 8.VI | 25.V | 7.VII | 15.VII | 1.VII | 15.VII | 30.VII |
| 5.IV | 10.V | 18.V | 16.V | 29.V | 8.VI | 1.VI | 10.VII | 28.VII | 12.VII | 20.VII | 5.VIII |
| 1.IV | 30.IV | 15.V | 10.V | 23.V | 12.VI | 25.V | 7.VII | 28.VII | 1.VII | 15.VII | 5.VIII |

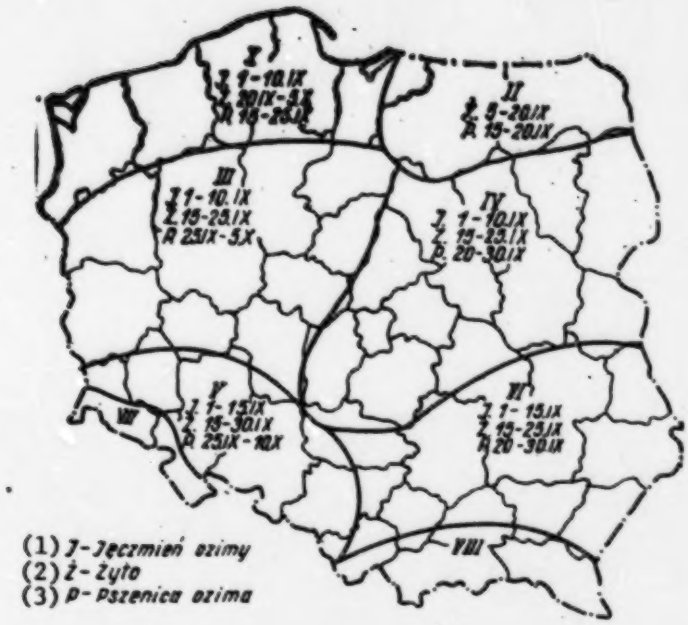


Climatic Regions and Times for Sowing Winter Grains

Key: (1) winter barley (2) rye (3) winter wheat

first leaf has been used for the germination stage. The germination times depend mainly on ground moisture and temperature (4). Depending on the region, wheat germinated earliest in the eastern part of the country, and latest in the mountainous regions (25-30 days after sowing). In extreme cases the germination began near the end of November or during the winter, under the snow.

Rye took longest to germinate in the southern part of the country (an average of over 14 days after sowing), with the latest germination observed as late as the borderline between October and November.

Winter barley germination was observed on the average between 23 and 30 September, with the latest time being during the final days of October.

The suspension of vegetation takes place in the last 10 days in November, and the period of winter quiescence lasts from 110 days in the southwest to 120 days in the northeast.

The beginning of vegetation begins earliest in rye, and then in winter barley and wheat. The average date of the beginning of vegetation in wheat is 18 March.

The appearance of the first internode on the main shoot above the ground is used for the stalk shooting stage. In barley and rye this stage generally begins during the last 10 days in April, and in winter wheat, during the first 10 days in May.

Heading is recorded at the time when the head emerges halfway from the sheathe of the flag leaves. In winter barley and rye it takes place during the second half of May, while in wheat it takes place during the second 10-day period in June. As has already been stated, weather conditions during this stage affect the grain yield to a great extent.

The times of wax maturing are more difficult to determine, and that is why they are distributed over three 10-day periods. The earliest time for winter barley maturation was observed on 7 July; for rye it was 26 July, and for winter wheat, 28 July.

On the average harvesting began 14 days after wax maturation was observed. Sometimes, however, a delay in the harvest until September was observed. In an extreme case in 1978, rye was gathered on 30 September in a mountainous region (VII). The delay in the harvest was caused by excessive precipitation during that period.

In summary, it should be stated that the calendar times for sowing that were empirically assigned are consistent with the times occurring in practice but modified by the influence of the weather. It is only in the area of central-eastern Poland (i.e. region III) that the sowing time in practice is somewhat early. It is well known that sowing too early causes excessive growth of the crops, which leads to their being affected by pests (e.g. fruit flies) or by disease; on the other hand, sowing too late prevents proper "preparation" of the crops for the wintering period. Delaying the sowing is especially harmful in mountainous regions, where the crops are more exposed to frost.

The times of the occurrence of the individual development stages differ depending on the climatic region.

Their distribution in time is also considerable; assigning a time for the most frequent occurrence of the relevant stage, however, makes it possible to predict cultivation measures for a given variety. It is obvious that these times can be modified by varying the vegetation characteristics (early or late varieties), but they should not occur beyond the extreme dates of the development stages observed.

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9909
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DOMESTIC TRADE MINISTER DISCUSSES CONSUMER SUPPLY FOR 1982

Bucharest ROMANIA LIBERA in Romanian 28 Jan 82 pp 1, 5

[Interview with Ana Muresan, minister of domestic trade, by Mircea Scripca: "Trade in 1982"; date and place not specified]

[Text] [Question] What are the main tasks for trade in 1982?

[Answer] In accordance with the development of the production of consumer goods and the increase in the workers' incomes, there especially is an increase in the requirements to supply the populace. Being directly subordinate to the major objective of our party's policy of continually raising all the people's material and spiritual well-being, trade is making its significant contribution to the proper supply of and provision of services to the people under conditions of an effective movement of material goods. The development and continued improvement of trade represents not only an economic problem, but also a political problem of great social significance and with a special influence upon raising the quality of life.

Currently, the more than 240,000 workers in the Ministry of Domestic Trade system are involved in implementing, under the best possible conditions, the decisions of the 12th RCP Congress and the tasks of major importance in the broad speech presented by comrade Nicolae Ceausescu, the secretary general of the party, at the 25-26 November 1981 Plenary Session of the RCP Central Committee. The important provisions in the program regarding self-management and territorial self-supply for providing the people with agricultural, animal and vegetal products during the 1982-1985 period, as well as those in the program regarding supplying the people with foodstuffs and consumer industrial goods for the fourth quarter of 1981 and the first quarter of 1982, constitute graphic proof of the special concern of our party and state, and the personal concern of comrade Nicolae Ceausescu, the secretary general of the party, for increasing consumer goods and the fund of goods to be sold to the people and for continually increasing all the people's standard of living.

On the occasion of finalizing the 1982 draft plan, I want to stress that at the direction of comrade Nicolae Ceausescu the delivery of goods to supply the people was supplemented by over three billion lei. With regards to the growing requirements and exigencies of the people, measures were taken with the supplying ministries to provide goods in diversified categories and of improved quality.

Concomitantly with these concerns, we are giving special importance to improving commercial activities. Evaluating as precious help in our work those criticisms made by comrade Nicolae Ceausescu, the secretary general of the party, in his speech presented to the 25-26 November 1981 Plenary Session of the RCP Central Committee regarding the shortcomings exhibited in the organization of selling goods, the Ministry of Domestic Trade took firm measures to eliminate these shortcomings. We ensured a judicious distribution of goods throughout the country, the responsible administration of goods within the system, the combatting of any tendency to oversupply or to speculate and the strengthening of order and discipline in each commercial unit and at each place of work.

In organizing the supplying of the people, we have in mind ensuring a good correlation between the goods made available for sale in the commercial network, the necessary amounts for consumption and the use of the foodstuff resources from the people's farms to a greater degree. Along these lines, special significance is represented by the rigorous carrying out - through the people's councils - of the provisions of the programs regarding production and the provision of supplies of consumer goods to the people, the achievement of retail sales listed in the county plans and the achievement of a balanced supply throughout the country. Supply will be carried out in a differentiated manner according to the structure of the population, by branch of activity, by level of physical activities and by urban and rural locations, in accordance with consumer traditions.

[Question] How will the stock of goods be provided this year?

[Answer] The socialist trade sales plan for this year totals 232.7 billion lei, representing an increase of 4.6 percent compared to the preceding year. For food products, there will be an increase on the average of 4 percent and for industrial products 5 percent. Compared to 1981, 1982 we see put on sale increased amounts of milk and fresh milk products, cheeses, butter, eggs, pasta and other foodstuffs, as well as potatoes, vegetables and fruits.

The necessary amounts have been ensured to supply the entire population with grain products, both from the state fund and from our own resources of wheat and corn and the agricultural cooperatives and people's farms. At the same time, we have ensured the necessary amounts of wheat for bread and flour, of corn for cornmeal, of meat, sugar and cooking oil and for ensuring the plan levels for establishing a normal level of consumption among the people.

Concerning the sale of industrial products, for this year increases have been scheduled - increases in comparison to last year - of 8.3 percent for ready-made clothing, 6.8 percent for knitwear, of over 11 percent for radios and televisions, of over 10 percent for washing machines, of over 10 percent for detergents, of 6.4 percent for porcelain articles and so forth.

[Question] Good supplies to the people also requires a judicious territorial distribution of stocks of goods. What have you done in this direction?

[Answer] The distribution of stocks of goods throughout the country has been done of the basis of elements that characterize the necessary level of consumption, keeping in mind the possibilities and requirements of using - within the framework of territorial self-management and self-supply - those reserves to increase production and improve supplies in each city, town and village. In carrying out territorial distribution, we took into consideration the number and structure of the population in all the counties and localities, including the workers who work in cities but live in the villages, the number of students, tourists, retired persons and those persons who benefit from eating at canteens and other forms of collective consumption. For each category in the population, depending upon the specific nature of the product and the consumption habits, we ensured those quantities of products corresponding to a balanced, rational level of consumption.

[Question] What other measures will be taken for the purpose of ensuring good supplies to the people?

[Answer] On the basis of a program drawn up by the Ministry of Domestic Trade, actions will be organized with the supplying ministries, with the county commercial directorates and with the commercial enterprises throughout the country in order to fully produce the planned and contracted stock of goods in the planned assortments. The people's councils will have important tasks in achieving the program for territorial self-supply and development in agriculture and the food industry.

The local commercial organs will pursue on a daily basis the supplying of foodstuffs under good conditions to the cities, worker centers, mining centers, petroleum, steel and iron centers, forestry centers and so forth, ensuring and permanent and balanced supply of foodstuffs. For the purpose of reducing the movement of goods through storage warehouses and increasing effectiveness in serving consumers, we will extend direct deliveries of goods from the producers to the stores. We will intensify quality control in the acceptance of goods so that the commercial network will receive only those goods of an appropriate quality that will satisfy the people's demands. Similarly, checks will be reinforced throughout the entire commercial system in order to instill discipline and order in all units and to ensure an effective, civilized service for customers. A series of measures will be taken along the lines of more efficiently using the existing commercial spaces, as well as developing the commercial network, in accordance with extending the construction of new housing areas.

[Question] What details can you give us in this regard?

[Answer] By continuing the expansion of the commercial network, this year we will make available to the people new commercial units and public food supply units having a useable surface area of 318,000 square meters. Among the more important projects are those slated for miners, such as the department stores of 6,500 square meters each in Petrosani and Vulcan and 4,500 square meters at Lupeni, the general stores of 4,000 square meters at Rovinari and the 1,500 square meter stores at Aninoasa and Uricani.

A large department store of 11,000 square meters floor space will be opened this year in the Manastur housing development in Cluj-Napoca. Other important department and general stores will also be built in Craiova, Zalau, Satu Mare, Bistrita, Focsani, Alexandria, Calarasi, Caransebes, Fagaras, Copsa Mica, Tecuci, Caracal and Dragasani. New public food supply complexes will be built in Galati, Lupeni and Vulcan, while food factories and canteen-restaurants will be built at Petrosani, Lupeni, Vulcan, Calan and Tulcea. At the same time, new agro-foodstuff markets will be constructed in Cugir, Motru, Tirgoviste, Giurgiu, Sibiu, Bistrita and so forth. Similarly, approximately 1,000 units in the existing network will be modernized.

Special attention will be given to training and improving personnel and to intensifying political-educational work among the ranks of the commercial workers in the spirit of the norms of socialist ethics and equity, of protecting public property, of good administration of the stock of goods, of stricy adherence to order and discipline on the job and of increasing attention and responsiveness to the customer.

The leadership personnel in the Ministry of Domestic Trade and in the apparatus of the county commercial directorates and commercial enterprises throughout the country will intensify work to carry out guidance and control, shifting the center of gravity to the commercial units and the public food supply units where they can decide the fate of achieving the sales plan and the proper provision of supplies to the people, and taking measures to solve on-the-spot those problems that crop up in connection with providing a regular flow of supplies to the people in various assortments and of good quality. Working in this manner and taking other measures along the way when they are considered necessary, comrade minister Ana Muresan told us at the end of our conversation, we will be able to contribute to the fulfillment of our tasks with good results in the field of supplying the populace and to the raising of all our people's standard of living.

8724
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## RISKS, LOSSES IN YUGOSLAV INVESTMENT ABROAD

Zagreb VJESNIK in Serbo-Croatian 13 Feb 82 p 4

[Article by Radmila Stankovic: "But the Responsibility and the Risk Are Too Great"]

[Text] Yugoslavia has made an arrangement with the Soviet Union to purchase 7 thermal electric power plants with 11 generating units between 300 and 500 MW, and we are to deliver to them certain projects containing material imported from the West. If we continue in that way, a serious question arises: What is it that we are fitting ourselves for, what is it that we will take to a higher level of production? Where is our own turbogenerator unit, since on one occasion we take them from Czechoslovakia, on another occasion from Poland, still a third time from the USSR, a fourth time from the West? India will soon offer thermal electric power plants to the world, though we began to work on that before she did.

This is how we are becoming more and more dependent on imports, was the comment on all this of Ratko Svilar, member of the Presidium of the Economic Chamber of Yugoslavia, to business executives during the debate on foreign investments of Yugoslav OUR's [organization of associated labor]. The occasion was furnished, of course, by those of our enterprises (for example, in India, Cameroons and elsewhere) which were set up a few years ago with our own capital and the capital of our partners, and which are barely getting along or are almost at the point of closing down.

### Bitter Experience

From the excess of regulations to mistaken orientation--that is the range of troubles that have accompanied Yugoslav investments abroad over the past decade. A passage from the statement of Ivo Stevicnik (of the Economic Chamber of Slovenia) provides an essential illustration of the situation at the moment:

"Slovenijales invested a great deal of money in timber-cutting operations in Central Africa for its plants in Koper, but also to be sawn in Africa. This wood is also needed by the organizations which are our members. However, we have been compelled to export that raw material and intermediate products to the foreign market, and we get nothing from that. That is, when we invest, even though we have invested our own capital, those imports are subject to the same procedure as

other things being imported. In practice this means that a better chance is given to those who do not invest and can use their money for other purposes."

Joint investment abroad involves a risk, and the experience of cooperation with the West indicates that at first the investments do not bring income or profit, but a loss. How is this absurdity to be overcome, how are we to arrive at a methodology of regulations which would be valid over the long run, is it possible to enter into arrangements with foreign partners with a precisely defined security?

Little Benefit

The SOUR [Complex Organization of Associated Labor] FAP--Famos has several factories abroad, but Dragan Milinkovic, a representative of that collective, has this to say:

"There is too much responsibility and risk involved in establishing enterprises abroad. The mistake is that we took as our point of departure that everything that applies within the country must also be applied in this case. That is not possible. If we continue to insist on that, then there is nothing to gain from such a transaction. This applies to the Law on Bookkeeping, the Law on Gross Income, and so on. I think that this is a very fundamental issue. Why should our laws also apply to transactions in a country with which we have those relations, when we do not permit foreign partners to do this when they make investments in our country? We have stated in law that a foreign partner must in our country acknowledge the profit and joint income as established according to Yugoslav regulations. But when we are operating abroad, we still take as our point of departure the Law on Bookkeeping, the Law on Gross Income...."

Obviously, the power(lessness) of legislation regulating this sphere is becoming one of the key problems. Which is why the law on conducting economic activity abroad, which was passed a few days ago, has a chance to change things for the better. The Federal Executive Council has been commissioned to reexamine the provisions of the Law on Bookkeeping and other statutes so that they might be amended to conform to the changes embodied in the law which has just been passed. For example, there are no provisions in the law any longer that make it necessary to obtain a certificate from the embassy before establishing an enterprise abroad.

Simpler Pieces of Legislation

As for the piece of legislation which regulates the importation of goods produced in jointly owned enterprises (especially in the developing countries), we should expect that it will soon be amended (on the basis of the conclusions of the Federal Executive Council dated 18 December).

The Law on Conduct of Economic Activity Abroad has amended--or, more precisely, has simplified--the procedure for obtaining the so-called "green card" for technical experts. Consent is now obtained only for those who have special authorities and responsibilities, and that means for supervisory personnel, but not for technical personnel as well.

All business executives are agreed that these improvements in the law will not have a real effect until the statutes on bookkeeping and other accompanying documents are amended. They also agree that our cooperation and utilization of the opportunity to invest in the developing countries are still disturbingly weak.

Joint Efforts

And the logic of that interest, according to Ratko Svilar, is not just for us to "expect of the developing countries that they will only deliver raw materials to us, and we only machines and equipment to them, as the West and indeed even the eastern European countries have done and are still doing with us." The essence of this interest is to find an answer to the question of how we will develop our own raw materials and production supplies (and which ones) so that the burden of dependence on imports is as light as possible.

The new words on paper will continue to fall short of effect if the amended law is supposed to solve all the problems of our investments abroad. We should therefore anticipate a broader discussion and the suggestion of certain solutions in this area in the federal councils, but also in the everyday proceedings through the commissions of the Federal Executive Council and the committees of the Assembly.

The Chamber's program to augment exports is a part of the same orientation. All of this presupposes at the same time collision with a fact like this: If, for example, we compare ourselves to the French with respect to the number of mechanical and process engineers, we are stronger than they are. However, if we compare the effects of this, matters are essentially different. It does not take much wisdom to put the question of why this is the case? A great many joint efforts are needed throughout the country to reduce the number of such comparisons as much as possible.

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## CROATIA DISCUSSES TAX BENEFITS FOR SMALL BUSINESS, FARMERS

Belgrade BORBA in Serbo-Croatian 9 Feb 82 p 2

[Article by Seada Hodzic: "Largest Benefits Going to Private Farmers"]

[Text] The work on amendments of the law on taxes on individuals and organization of the revenue service in Croatia, which has almost been completed, is encountering various reactions. Whereas it is expected on the one hand that the changes in the legal regulations will put more order into fiscal policy, which has been pretty much discredited, while on the other hand there is suspicion and even fear concerning this enormous task.

The work to amend the law has been going on for quite some time, and all those interested have had an opportunity through the wide discussions to influence the final appearance of the legal provisions. As for the various reactions to the law and expectations concerning it, they are indeed understandable, not only because there are differing interests, but also because of the essentially new approach in fiscal policy.

### Reduced Taxes

The most significant changes in fiscal policy certainly await those taxpayers who are private farmers; there are nearly a million of them in Croatia. However, only a third of them derive their income exclusively from farming, while the others fall in the "mixed" category. The tax system in place up to now, and this is one of its greatest paradoxes, prescribed disproportionately large obligations for so-called "pure" farmers, so that in practical terms they had no incentive to increase agricultural output.

Speaking a few days ago in a meeting of the Presidium of the Croatian Republic SAWP Conference to debate the proposed version of amendments of the tax law, Darinka Puskaric recalled that the radical changes made in this segment of fiscal policy were motivated above all by the need to produce more food, that is, the need for agriculture--not only in declarative terms, but also in practical terms and through the tax system--to be afforded the status of a strategic sector of the economy. "Pure" private farmers can accordingly expect lower taxes, since their tax base will be reduced by the contributions which they pay for health care and old-age and disability insurance. In addition, a number of benefits have been envisaged, especially for senior-citizen households, whose tax has up

to now depended on the level of cadastre [income], which will not be the case in the future. Also, all those who wish will be able to enter into association with the socialized sector under considerably more favorable conditions than up to now.

We should certainly take into account as well the proposal which Milutin Baltic made at that meeting of the presidium, to the effect that the law provide a differentiated or separate tax for the various farm costs and also a rate for taxing the rent on land or buildings to prevent conversion of land use from field crops to construction.

Moreover, in order to prevent neglect of farmland, which has been a rather frequent phenomenon in Croatia in recent years, the law envisages a different treatment of those who inherit land. Rather high tax rates have been provided for those who inherit land (beginning with the second remove) if they do not wish to continue agricultural production on the land or if they release the land for use to the socialized sector. There have been demands, however, for still more radical treatment of this section of the law, that is, for it to cover heirs once removed as well.

Unjustified Fear of Private Craftsmen and Tradesmen

Large changes will also affect the system for taxing the personal income from self-employment, that is, for taxing all forms of crafts and trades and self-employed performance of service and other activities. One hears stories from the ranks of the self-employed that the new tax provisions will destroy the crafts and trades, which is not true. As a matter of fact, the case is quite the reverse. Fiscal policy is aimed at encouraging development of small business, and a growth of employment is counted on as well. The stories making the rounds are all the more absurd in light of the fact that every year Croatia imports about 200,000 products of various kinds of small unit value and costing a billion dinars annually, so that the development of small business is in the public interest.

To be sure, some people have reason to be suspicious of the new tax regulations. Above all those who up to now have been fishing in muddy waters and amassing billions upon billions by taking advantage of loopholes in the law and even more the ineffectiveness and inconsistency of tax authorities. It is well known that in recent years there have been countless deviations and extreme cases of flouting the law by private building contractors, various entrepreneurs and hostelers. People are also aware of the incomprehensible tolerance shown in various tie-ups between the public and private sectors and the outflow of public money into private pockets, of which Jovo Ugrcic, member of the Presidium of the SAWP Republic Conference and of the LCY Central Committee, says that they represent outright thievery and belong in the domain of criminal prosecution. It is also well known that in many of these cases people holding key positions in opstinas have either been their sponsors or at the least have known about them. And it is no secret, says Mirko Mecava, president of the Croatian trade unions, that many prestigious people often intervene with tax authorities so that they will be lax toward this or that hosteler.

In short, the great majority of the 57,000 registered private craftsmen and tradesmen and other self-employed persons rendering services or engaged in other economic activities have no reason to fear. The lawmaker's intention has been to encourage the development of small business and of its private sector. That is why opstinas, for instance, will be afforded the possibility of applying differentiated tax rates, which will be applied on a selective basis. Little cafes, for instance, in which the earnings pile up quickly, will not be taxed the same as privately owned restaurants, in which there is less and less interest. Consideration will also be paid to certain other conditions: for example, the location of the particular establishment. Finally, a number of benefits will make it possible for opstinas to encourage productive and other activities for which there is a need in their jurisdiction.

There is no doubt that opstinas will thereby assume very great responsibility for the conduct of fiscal policy, which will make it necessary for them to upgrade the work of tax authorities and inspectorates, which have been subject in the past to quite a bit of justified criticism.

The law, then, cannot solve everything, though this does not mean that the present proposed version of amendments has provided the maximum in all respects. The provisions on taxation of property, for example, resulted in large part from a compromise, since aside from apartments, family dwellings and vacation cottages, automobiles, yachts, motorboats and automatic equipment used in games and entertainment (if the individual value is more than 10 million old dinars and total value more than 50 million old dinars), other expensive items, often of far higher value, have not been covered. But if the law, with all the shortcomings it has, is enforced consistently, it will provide a sound and firm obstacle to the further growth of social inequities.

7045
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END

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9 March 1982

# East Europe Report

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2242

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9 March 1982

# EAST EUROPE REPORT

## ECONOMIC AND INDUSTRIAL AFFAIRS

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DAILY ANALYZES NEW ECONOMIC MECHANISM

AU271536 Sofia RABOTNICHESKO DELO in Bulgarian 26 Jan 82 p 1

[Editorial: "The Economic Mechanism--A Cause We Should All Adopt, A Task That Concerns Us All"--passages between slantlines published in spaced type]

[Text] The new economic mechanism has become valid as of the beginning of 1982. As regards its inner substance and the social goals it pursues, this economic mechanism represents a great reform in the management of our national economic complex, a reform which is in full accordance with the present stage of development in building a developed socialist society. The principles and stands of the mechanism are entirely founded on the new economic approach and on the 12th BCP Congress decisions. The new economic mechanism embodies the remarkable theoretical analysis contributed by Comrade Todor Zhivkov, as well as the tremendous experience acquired by the party and the state in organizing socialist social production.

It is quite understandable that the new economic mechanism is a subject of great interest for the working people and the social and economic organizations, as well as for the entire people. The character of the results obtained by the activities of the production collectives, of the economic organizations and of the national economic complex as a whole now largely depends on the consistent and exact application of the economic mechanism.

As Comrade Todor Zhivkov stressed in this connection: "Our economic policy cannot be successfully implemented, unless the new economic approach is consistently and comprehensively, applied. The main and crucial question now is that all elements and components of the new economic approach and of its mechanism should be comprehensively applied in every economic organization, in every brigade and in all social activities."

What is the main topical task, what are the basic trends in the activities of the party organizations and economic managements, of all social administration organs?

Regardless of how perfect an economic management system may be, it cannot automatically achieve its goals, because it is concerned with the management of complicated human activities, with social processes of the widest scope. It is sufficiently clear that the new economic mechanism demands /businesslike and efficient political as well as organizational work/, so that its basic principles may be adopted by every working man as an active and permanent code of behavior. The political work

we are facing in this respect is based on the 12th BCP Congress decisions as a source of inspiration, and on the economic strategy which this congress adopted, as well as on a number of theoretical principles worked out by Comrade Todor Zhivkov about the new economic approach in social administration.

The new economic mechanism was thoroughly and accurately analyzed in the report read by Grisha Filipov, chairman of the council of ministers, at the national instruction conference held on 13 January 1982.

The most important issue today is /promptly to engage in the explanation of the consistent application of the new economic mechanism in all spheres of the national economy and in all social activities./ In party-political work particular emphasis should be laid on the characteristic features of the main essence of the mechanism and at the same time, all necessary measures should be adopted for a comprehensive application of the mechanism in the practical work of every workers collective.

One of the features of the new mechanism is that it provides /real prerequisites for accelerating the transition from extensive to intensive development/, that it guarantees the most efficient utilization of all resources available in our economy. In this respect the mechanism largely meets the basic goals of the eighth 5-year plan period and expresses the very essence of these goals. Efficient incentives and measures likely to accelerate the scientific-technical progress are becoming effective, guaranteeing a prompt application of the advanced experience and of worldwide achievements in social production. Precisely this aspect of the mechanism, should be the main subject of political and organizational work. Very important problems of the strategic trends of scientific-technical progress, problems pertaining to the comprehensive mechanization and automation, have already been fully resolved within the framework of our national economy. Painstaking and detailed work is now necessary. The creative spirit and the initiative of the economic managements and of the experts, of all workers collectives, must be mobilized for this task.

The new approach in national economic management is /an impressive expression of socialist democracy and of the people's real rights and freedoms./ Working man participates with a decisive share in national economic management and in the administration of state affairs. His incomes and his material prosperity depend upon his real contribution to social development. This just principle will undoubtedly result in an even greater working and social achievement of the individual and will encourage people to engage in creative research, in conscientious work and in strict discipline.

The all-round application of the new economic mechanism will produce /a full coordination of social, collective and individual interests/, it will help to expand the creative initiative of all working people on a very large scale. By consistently applying economic cost accounting and full self-sufficiency in every economic and social organization, optimum effectiveness and a high labor productivity on a social scale, we can demonstrate the historical advantages of the socialist system in the most brilliant manner.

One of the features of the new approach in national economic management consists of its /comprehensive effect and stable rules/--starting with the planning and

organization of production and ending with selling the finished product on domestic and international markets. This is the only way of establishing uniform criteria and economic management methods, which escape the so-called "vicious circles" and avoid bureaucratic restrictions. Today everyone not only has the duty, but also a real interest in thinking about how to improve his own work, how to proceed toward greater achievements, now to manage the national wealth.

The role assigned /to the workers collective as the master of socialist property/ is a characteristic trait of the new economic approach. The rights of the workers collective are expanded. It has more scope for initiative and the responsibility which it bears toward society is enhanced as regards the utilization of resources. The role of the state, as the owner of national resources, which conducts on behalf of and in the interests of the people an overall policy pertaining to the planned development and structure of productive forces, to scientific-technical progress, to socialist economic integration and to international, economic cooperation, is also enhanced.

The economic approach is a creative approach, a truly popular approach, compatible with the mentality of the working people and close to their view of life. This approach conforms with their interests and aspirations. The working people have wholeheartedly accepted without any hesitation the new methods and means of management in a sphere which is most familiar to them, which is linked to their own work and destiny. This, however, is only one of the important prerequisites for successfully applying the economic mechanism. Another great task is facing the party organizations, the trade unions, the komsomol and the economic managements. This is the task connected with implementing the reform down to its final stage and introducing it as practical experience to all levels of social administration.

The party organizations and the communists, with their purpose-oriented ideological and organizational activities, will be capable of testing the deep political significance of the new economic mechanism in practical experience and of transforming it into a true school for millions of working people--into a school of national economic management and of social affairs.

The press, television, radio and all branches of socialist journalism also have an important role to play in explaining the basic principles and rules of the new approach. Today Rabotnichesko Delo is beginning the publication of a special series containing articles, reports and analyses of advanced experience on this important subject.

The economic organizations, departments and state organs are today facing very important tasks pertaining not only to the accurate and uncompromisingly disciplined application of all the requirements posed by the new mechanism, but also pertaining to the guarantee of all prerequisites for a full implementation of counterplans at a regular and uninterrupted pace. The economic mechanism exerts a comprehensive impact. It applies, to a high degree, to all links in social administration and no one is exempt from his duties and commitments stemming from plans, existing agreements and economic interrelations.

The consistent application of the new economic approach and of its mechanism is a great cause of the party and people which will result in even greater aspirations and in greater creative energy as regards our work and struggle devoted to progress and to the successful development of our socialist motherland!

CSO: 2200/67

## BRIEFS

NEW NATIONAL ASSEMBLY DEPUTIES--Tolbukhin, 10 Jan (BTA)--Elections for a national assembly deputy were held here yesterday. People's artist Prof Velichko Minekov, deputy chairman of the Bulgarian painters union and rector of the "Nikolay Pavlovich" Institute of Figurative Arts, was elected to replace the deceased Stamen Stamenov, National Assembly deputy of the 350th Tolbukhin election distirct. A total of 99.99 percent of the constituents voted for the new deputy. Varna, 10 Jan (BTA)--Elections for a National Assembly deputy were held at the 35th election district in Varna today. The constituents of the "Primorsko," "Dimitur Popov" and "Anton Strashimirov" rayons elected Strakhil Khristov, chairman of the Okrug people's council executive committee, as their new National Assembly deputy. [Text] [AU171535 Sofia RABOTNICHESKO DELO in Bulgarian 11 Jan 82 p 2]

CSO: 2200/67

ADMINISTRATIVE OPERATIONS, PERSONNEL REDUCTION SET

Prague HOSPODARSKE NOVINY in Czech 22 Jan 82 pp 8-9

[Article by Federal Finance Minister Belo Bosak: "Need to Economize"]

[Text] In late 1981, the CSSR government approved the Program of Savings in the Seventh Five-Year Plan, which contains not only immediate measures but also longer term tasks setting forth longer term approaches to savings in allotted funds. The program sets task for a reduction of personnel in management and administration, additional savings in official automobile travel, reduction in unproductive outlays, savings in certain expenditures abroad, strengthening of fiscal discipline, rationalization in administrative operations. The following article brings detailed information on the program.

As again stressed by the Fifth Plenum of the CPCZ Central Committee, we must orient the broad working masses toward savings and general effectiveness in production, and unify their attitudes toward fulfillment of the demanding tasks of the state plan and the state budget for 1982. Given the available resources, production tasks, and the demand to further improve effectiveness in our economy and the quality of labor, there is increasingly urgent need for diverse savings measures primarily in the industrial sphere, but also in public and private life.

In a family, we naturally understand that proper management of money is necessary because it is the family which pays when a light is left on in an unoccupied room, or when a window is left half-opened for unnecessary airing. What applies to a family is even more valid for society. Often it is enough to observe carefully and consistently search for unused opportunities for savings at every work site.

Today, the problem is not a lack of resolutions governing the struggle for higher effectivnees, quality, and economy, but rather their consistent, activist and purposeful application leading to concrete results.

Savings, as a lasting principle and characteristic of socialist management, represent in their broad overall concept a rationalized and purposeful utilization of all resources throughout the process of expanded socialist reproduction in all areas of social life. In order to fulfill the tasks expressed at the 15th and 16th CPCZ congresses, the CSSR government and other state and economic organs have adopted a number of measures toward savings in the consumption of fuels,

energy, and raw and other materials. They also focus on reduction of the work force requirements, better capital investment construction, and more economical operations in all types of transportation. But the new elements which must be adopted in practical usage, include a gradual transformation of fragmentary individual operations into a unified program of conservation at all levels, in enterprises, VHJ [economic production units], in ministries and throughout the country.

A better approach to economizing is also essential in the whole state and budget sphere in which, during the Sixth Five-Year Plan, we have implemented a number of measures which resulted in partial positive results. This process demonstrated how important it is to ensure the effects on economizing on a long-term and targeted basis. Measures to strengthen this trend, therefore, must not be regarded as a one-time act, but rather must be viewed as a permanent effort aimed at better fulfillment of the state plan and state budget, in harmony with the whole system of management.

Consequently, the program of savings approved by the CSSR government for the coming years, contains not only concrete immediate measures, but it is also a program of further intensification of conservation. Thus, it is an open program which will be supplemented and developed in consonance with the needs of effective growth in the national economy.

Concrete conservation measures of the program are focused on the following:

--work force reduction in management and administration;
--reduction of certain unproductive outlays;
--savings in certain expenditures in relation to foreign countries;
--better fiscal discipline in all sectors of the national economy;
--rationalized administrative operations and a check on certain budget outlays.

Work Force Reduction

In the management and administrative sector (category 7 in the unified job classification scale) there were as of 31 December 1980 (without the JZD [Unified Agricultural Cooperatives] a total of 817,271 employees, i.e., 29,696 (3.8 percent) more than in 1976. During the same period, the total number of technical and economic personnel (categories 6 through 9 of the unified job classification scale) rose 114,559, i.e., 5.7 percent, the number of blue-collar workers by 91,790, i.e., 2.7 percent, and the number of sales and services employees by 89,622, i.e., 10.4 percent.

Of the total number of employees in management and administration, the management and administrative apparat (the so-called RAS) in 1976 accounted for 570,637 employees. During 1976-79, this apparat gradually grew and reached 573,697 employees. As a result of the economy measures decreed by the CSSR government in Resolution No 312/1979, this number fell in 1980 to 560,851, i.e., by 2.2 percent.

The organs of state administration had in their 1981 table of organization a total of 71,421 employees--21,787 in central organs and 49,634 in the national committee apparat. This was a 1980 ceiling which had already been reduced from 1979 by 5 percent (2,754 employees).

The volume of wage means for the organs of state administration was, in the 1981 table of organization, set at the level of 1980, following deduction of the amount corresponding to the reduced number of employees. That means that in the organs of state administration average wages required the same as in 1980.

Just as in the organs of state administration (ceilings), this system was also applied in 1981 in certain budgetary organizations directly managed by the central organs which operate under organization tables (there are 24,469 workers in these), and in the central offices of the so-called nontabled central organs, such as in the central offices of the Czechoslovak State Bank, the main State Bank offices for the CSR and SSR, the main offices of Czechoslovak Television, Radio, Press Agency, and Film (where 2,329 workers are employed).

In other budgetary and contributory organizations directly managed by the central organs, in which the table of organization has not been introduced, there are in the management and administrative sector roughly 18,000 employees. In 1980, the number was reduced by 470 employees.

In the budgetary and contributory organizations managed by the national committees, which are also not covered by a table of organization, there are in the management and administrative sector about 67,709 employees. In 1980, the number was reduced by 1,178 employees.

Up to 1981, the number of management and administrative personnel in economic organizations was bound by the regulation governing the total number of technical and economic employees. This regulation was enforced through binding ceilings set in the state plan and the branch breakdown of individual VHJs and organizations. On the one hand, these ceilings have the form of absolute figures, on the other, of the share of technical and economic personnel in the total number of employees. Currently, both of these ceilings are binding for the branches, VHJs and organizations.

In scientific research organizations, there are 180,000 workers. In economic research institutes (roughly 2,400 employees), the number was reduced in 1980 by 199 employees. In the other institutes, the management and administrative apparat was reduced by 620 employees.

The number of workers in the management and administrative sector is still disproportionately high, despite measures adopted in recent years. Consequently, the CSSR government has decreed that, during the Seventh Five-Year Plan, we must gradually limit--through organizational and rationalization measures--the scope of management and administrative duties, with a corresponding reduction in the number of employees, and we must initiate this process right now. This will require, above all, activist measures toward higher productivity and professionalism of individuals, simplification of the administrative process, removal of needless middle echelons, rationalization of operational processes, elimination of duplication, formation of larger organizational units and higher quality in management work and effectiveness of operations.

Based on these measures, the task of reducing the number of employees by the end of 1985, is set as follows:

--in federal and republic central organs operating under the table of organization, by 12 percent (roughly 2,500 workers);

--in central federal and republic organs not operating under a table of organization (state bank, press agency, radio, television, film), by 10 percent (roughly 230 workers);

--in the national committees apparat (except municipal and local national committees in localities of up to 40,000 inhabitants), by 12 percent (roughly 3,500 workers);

--in budgetary organizations directly managed by the central organs, which are not under a table of organization, by 5-10 percent (roughly 1,800 workers);

--in other budgetary and contributory organizations directly managed by the central organs, by 10 percent of employees in category 7 of the unified employment classification scale (roughly 1,800 workers);

--in budgetary and contributory organizations managed by the national committees, by 10 percent of employees in category 7 (roughly 3,200 workers);

--in specialized economic organizations directly managed by the central organs, by 20 percent (roughly 4,600 workers);

--in scientific research organizations, except for those of an economic character, at least 10 percent of workers in employment category 7 (roughly 1,500 workers);

--in scientific research organizations of an economic character, by 20 percent (roughly 500 workers); prepare for this prupose a proposal for a more rationalized organization of economic research;

--in economic organizations, differentiated according to branch, by 10 percent of employees in category 7 (roughly 50,000 workers).

This reduction in individual years should be fully projected into the ceiling for employees in categories 6 through 9 in subsequent years.

In order to accomplish the labor force reduction to the extent indicated, the Federal Ministry of Labor and Social Affairs will, in cooperation with other concerned ministries, issue appropriate regulations and directives which will outline how these tasks are to be carried out in consonance with the legal code. We will also make sure that this task is not evaded but that, at the same time, there will be instructions on the procedures of placing released workers elsewhere and on protecting their material welfare. This directive will be issued by the end of January 1982.

Economy in Official Automobile Travel

Other measures are being adopted to economize in official automobile travel. The aim is to further reduce, through rationalized utilization of automobile transport during 1982-85, the number of official cars to fit actual requirements in individual branches, a reduction of 10 to 30 percent of the planned level of 1981.

In 1977, state, social, and cooperative organizations (excluding the armed services) owned 132,720 official cars to transport people and satisfy technological needs. For their operation, we needed 50,846 professional drivers and consumed 641,335 tons of gasoline.

Through implementation of savings measures approved by the CSSR government, the number of official cars was reduced by the end of 1980 to 112,923 vehicles (a reduction of 19,797 in comparison with 1977), the number of professional drivers to 34,004 (16,842 less than in 1977), and the consumption of gasoline to 474,153 tons (167,182 tons less than in 1977).

Good results were also achieved in other sectors of official travel. New cars are assigned to organizations exclusively in the form of availability allotment. Organizations are not permitted to purchase used cars from private individuals. Order was also established in the assignment of T 613 cars and in granting exceptions for the use of official cars to travel to and from work. Throughout the CSSR, we have designated 1,060 users who may be assigned new T 613 vehicles. In all other cases, organizations may in principle use only medium or small cars, or used T 613 vehicles (with more than 90,000 kilometers of travel). Contrary to the past when 1,200 permits for official car use for travel to and from work were issued, the number of exceptions from the general ban on such use was greatly reduced. At present, there are only 136 cases of such exceptions throughout the country, 55 serving the federation, 41 the CSR, and 40 the SSR.

Fulfillment of the government-approved measures to economize in automobile transport, has been checked, and organizations and individuals guilty of violations were penalized in the form of surplus deductions and lower premiums and rewards to eligible management personnel. During 1978, organizations paid penalties amounting to Kcs 109.1 million; in 1979, Kcs 31.9 million, and in 1980, Kcs 5.2 million. Penalties for nonfulfillment of tasks (exceeding the binding ceilings on the consumption of gasoline, the number of authorized official vehicles, number of drivers, etc.) will be assessed for 1981 as well.

Despite the positive results achieved in the last 4 years in conservation in the use of official transportation, there are still partial shortcomings which were noted by the control organs. Thus, for example, the reduction in the number of drivers was accomplished by formally transferring an individual to another job, while he kept performing the duties of driver. Low economic utilization of vehicles indicates that their number could be further reduced. The form of availability allotment has thus far not satisfied the requirements of organizations for smaller cars. Cases have even been found of T 613 vehicles being assigned outside the authorized circle of leading officials, or else in greater numbers than prescribed. The central organs and organizations have a tendency to broaden the granting of authorized exceptions. The control organs often find that the use of official cars for travel to and from work extends to leading officials other than those with such entitlement.

We continue to devote attention to the implementation of measures to reduce official automobile travel. CSSR government Resolution No 281/1981, effective 1 November 1981, eliminated the use of official cars by leading officials for private purposes. The State Planning Commission expects in the 1982 state plan a further reduction of availability allotment of new official cars, as well as

a reduction in the binding ceilings on gasoline consumption. The Federal Ministry of Finance and the Federal Ministry of Labor and Social Affairs are preparing a new system of both sanctions and incentive measures toward savings in propellants, fuels and energy, the effective date of which will be 1 January 1982.

In carrying through additional conservation measures, it is essential to simplify the system of implementation, and eliminate the needless administrative burden in this area. The use of vehicles for official purposes must henceforth be characterized by maximum economy.

Despite the above-mentioned successes in making automobile transport more economical, the government decided that additional conservation measures were needed in this area:

--through rationalized use of available vehicle inventory, ensure during 1982-85 further reduction in the number of official passenger cars, according to concrete possibilities in individual branches; by 10-30 percent of the planned level for 1981;

--assign Tatra 613 cars only to ministers, first deputy ministers, chiefs of central organs, chairmen of regional national committees, and mayors of the capitals Prague and Bratislava;

--apply similar procedures in assigning Tatra 613 vehicles to legislative bodies, National Front organs, and consumer production collectives;

--eliminate the custom of transferring used Tatra 613 cars to other components, but rather leave them in an organization until their final removal from operations, or until, having been driven at least 90,000 kilometers, they are sold to organizations of the taxicab service;

--in cases other than the above, change over during 1982--according to availability--to the use of vehicles with lower gasoline consumption, including travel in the city, short distances elsewhere, and authorized travel to and from work;

--review and further reduce already issued permits for travel to and from work;

--given the current situation and the proposed measures, reassess the production of Tatra 613 cars, in consonance with CSSR government presidium Resolution No 76/1981;

--in the interest of thoroughness and equity of the penalties for failure to heed the measures for economy in automobile transport, assess higher penalties for overuse of gasoline within the framework of supplemental penalties for exceeding binding ceilings on deliveries of selected crude-oil products, according to CSSR government Resolution No 339/1981;

--make sure that at least one-fifth of all passenger cars and smaller trucks assigned to central organs and organizations are driven not by full-time drivers but by the individuals who use them on a regular basis. The professional drivers thus released can strengthen those branches which have a shortage of workers.

Unproductive Outlays

In an effort to reduce certain unproductive outlays, ceilings have been set during the Sixth Five-Year Plan on general travel expenses, advertising, entertainment, refreshments, gifts, etc. This method was basically successful and produced good results.

The annual reduction of ceilings on general travel expenses, produced in the state budget not only a more economical way of expending fiscal means in this area, but also savings in propellants and lubricants. The ceilings on expenditures for advertising were introduced in 1980, primarily due to their uneconomical nature, as seen by controls. The introduction of ceilings and stricter accounting requirements in this area produced a fiscal effect of Kcs 1 billion, compared with the level of 1978. By the same token, the annually reduced ceilings on entertainment, refreshments, and gifts, creates a climate of more economical approaches to the use of allotted funds. In 1980 alone, for example, these expenditures were reduced in a differentiated manner by 30 percent, compared with 1979.

Available information from checks and controls, especially in the above areas, justifies the decision to continue the reduction of unproductive outlays in the Seventh Five-Year Plan, especially the ceilings on general travel expenses, entertainment, refreshments, and gifts.

The government decided to reduce the following in 1982:

--ceilings for entertainment, refreshments and gifts by another 10 percent against the goal set for 1981, with the condition that, in applying consistent differentiation in breakdown, the expenditures not exceed Kcs 125.4 million;

--ceilings on advertising by another 10 percent as against the goal set for 1981, with the condition that, in applying consistent differentiation in breakdown, expenditures not exceed Kcs 711.9 million;

--general travel expenses, as compared with the 1981 ceiling (Kcs 10.5 billion), by 5 percent, while taking into consideration construction assembly, services and similar operations on which depends the fulfillment of production tasks.

It was also decided to apply in 1982 the present system of penalties with respect to controlled expenditures in the sense of material and organizational measures, such as those used to ensure budgetary economy in 1981.

Exceeding binding limits will be consistently punished. Exceeding the limits on expenditures for entertainment, refreshments and gifts will not in principle be permitted, and the ceiling for the following year will be reduced by the size of the overage. Similarly, no authorizations will be granted for exceeding the ceiling in advertising.

In the course of 1982, the overall system of ceilings under existing conditions, will be assessed with the aim of intensifying the effectiveness of these measures, especially as to their operational suitability and to what extent they contribute to enhancing the responsibility of the branches. At the same time, we will evaluate the effectiveness of the current system of penalties applied in selected

types of expenditures. In this connection, the directives of the Federal Ministry of Finance on the handling of entertainment, refreshments and gift allocations, will be amended with the aim of narrowing the authorized areas for this type of expenditure.

It was also decreed to introduce stricter procedures in the handling of other personal expenditures, with the aim of reducing them from the 1981 level, while devoting more attention to agreements on work performed outside the regular employee relationship.

In the interest of reducing expenditures for symposia, aktivs, seminars, boarding schools, other types of training and similar activities, we were charged with conducting during 1982 a check on their usefulness and economic or other justification for their continuation.

Beginning with 1982, it is forbidden for all socialist organizations to purchase furniture on individual orders (exceptions may be authorized in national monument renovation, with concurrence of the appropriate central organs). Purchase of expensive works of art will be sharply limited and the highest degree of economy will be exercised in authorized cases of this type.

With respect to expenditures for other investments, it was decreed to apply the principle of maximum economy with the aim of reducing them. Therefore, such other investments will be planned in a limited extent only. It is especially against regulations to cite these as purchase of fixed assets in the plan of funding capital investment construction. These funds can be purchased only where organizations have sufficient resources of their own. Purchase of fixed assets can be included in the plan only exceptionally in the purchase of buildings, construction projects, or land for construction of housing or other purpose, provided that these funds are backed by concrete data and documentation. This measure will be projected into the methodological instructions of the State Planning Commission and the Federal Ministry of Finance beginning in 1983.

The government also ordered an evaluation of the advisability of requiring mandatory payments into the federal and republic budgets for failed (or obsolete) projects in capital investment construction and technological development. Appropriate directives on this subject will be issued by the Federal Ministry for Technological and Investment Development and the Federal Ministry of Finance.

Throughout the five-year plan, more attention will be devoted to unproductive outlays going abroad, including both personal and operational expenses of CSSR diplomatic and commercial installations, with the aim of achieving maximum economy in outlays expended for their activity and maintenance.

Reducing Administrative Burdens

Measures in the area of administrative work are aimed primarily at improving the system of planning, fiscal and statistical accounting, utilization of computer technology, and at overall simplification of the regulatory process.

For quite some time now, there has been criticism of the untenable scope and constant growth of administrative procedures. Administrative demand in management

has become a serious problem which requires an objective assessment. Consequently, under the supervision of the Government Committee for Problems of Planned Management in the National Economy, we have organized an effort to examine and resolve these questions.

The problem of administrative burden cannot be viewed merely in terms of the volume of paperwork, reports, statistical, accounting and other documents, but it must also be judged with respect to basic relationships in terms of the main causes arising from planning and management. In certain areas, the need is great to resolve it in a systematic fashion, especially through computer technology.

In economic practice, there are tendencies to regulate through directives virtually all aspects of social life (which is neither appropriate nor necessary), to the point that everything is covered by regulations, so that the risks of decision-making become miniscule, in other words, so that we have something "to lean on." Adjustments carried out under many regulations, lead in some cases to administrative methods of work, to insufficient flexibility in operations, to stereotyping and at times even to bureaucratic forms of activity. The volume, breadth and complexity of legal norms then lead to arguments that not all tasks emanating from these regulations can be met in proper quality and prescribed deadlines, given the available number of workers.

If we start with the concept that administration is a set of standards, then the administrative norm is binding for the recipient. Nonfulfillment may be penalized through all means which the manager has at his disposal. Incorrect application of this concept can mean that the manager is basically able to issue any number of directives and demand their fulfillment. The manager may understand his role in simplistic terms as simply the source of regulations. The more of them he issues, the better he manages. Yet, we must bear in mind that a directive which disregards the capability and specific conditions in the subordinate units cannot be effective. Where the number of exceptions grows, we see a signal of poor quality norms or overly centralized management.

Administrative standards issued by a higher organ cause a chain reaction in issuance of standards in subordinate organizations. It is therefore necessary to improve mutual coordination in the issuance and interpretation of regulations.

With respect to current needs, it is thus desirable to check over existing management acts from the viewpoint of their timeliness, mutual benefit and legislative quality. Consequently, the CSSR government has decreed the following:

--review of the standing intrabranch directives and instructions, in order to identify areas where there is need of maximum simplification and reduction of these management acts;

--despite a certain amount of simplification already accomplished in the various required forms and questionnaires, reassess their volume, content and number of recipients, the need to subdivide the plan (months, quarters), the number of planning groups and extent of indicators according to planning groups and regions, possibly from other points of view, and conduct this reassessment as early as in connection with the preparation of the plan and budget for 1983;

--check the scope and content of statistical questionnaires with the aim of their reduction, and use a stricter approach to approved procedures for newly proposed forms and reporting mechanisms;

--prepare and organize in all organs a check of the need to submit various statements and reports; differentiate their scope according to different echelons of management and according to their importance for a given management level with respect to planning methods;

--improve the process of summarization and channels of submission, as well as the utilization of available data to eliminate duplication and make maximum use of information already at hand;

--check the preparation and utilization of existing statements of account and reports, along with a check of the effectiveness and utilization of summary data prepared in various sections and containing an informational system of a long-term character and multipurpose use;

--in the sector of summarization of state accounting statements for higher economic bodies, we must first obtain the reports from the subordinate VHJs, thus accelerating central compilation in the statistical organs, and reducing the number of units contributing directly (to less than one-tenth), allowing elimination of duplicate perforation of enterprise data contributions;

--in order to improve effectiveness in the area of computer technology, conduct a check of its utilization in the national economy and its correct application; analyze the positive and negative factors bearing on the effectiveness of computer use, and based on the findings, draw appropriate conclusions for production management and for the use of computer technology in the national economy;

--in order to assure rationalized placement and utilization of investments in computer technology, prepare a more precise system of its planning and inventory which would suit the actual conditions in production, especially import. At the same time, apply the principle that the use of computer technology is part of a complex program for a system of management in individual branches for which these branches are directly responsible;

--tighten the criteria for import and installation of equipment for automated data processing.

With the aim of further intensification of fiscal discipline and fiscal control, the government ordered an overall evaluation of the effectiveness of fiscal control and oversight, an analysis of the effect of the various financial penalties, and proposals for strengthening the effectiveness of these penalties, with graduated effectiveness beginning on 1 January 1983.

In an effort to find additional reserves in outlay items of the state budget, the CSSR government also ordered a check on the usefulness of certain sizeable budetary items, especially in the noninvestment sphere, this assessment to be accomplished at the time of recomputation of the 1982 state budget to the new wholesale prices.

Through these and other measures, we strive gradually to reach a point where, together with emphasis on effectiveness in production, there is better management in the entire nonproduction sphere as well. In this we must remember that not all of us will become good and high-quality managers overnight. However, each of us can do his job better today than yesterday and tomorrow better than today. Therein lies the first prerequisite for economizing, thoughtfulness in our work, and constant search for improvement in it, how to improve the quality of our performance, how to save time needed for production, in short, how to be a better manager in each sector of the national economy.

To seek new opportunities for savings is naturally important. However, increasing effectiveness and savings in this manner alone is not enough. The basic answers must be sought in new production processes, in more intensive application of scientific and technological discoveries, in a change of structure in production and other operations, so that they strive for the achievement of a preset goal made concrete by the parameters of high effectiveness, quality and technological level.

9496
CSO: 2400/142

RETAIL TRADE PROBLEMS IN LAST QUARTER OF 1981 DISCUSSED

Prague HOSPODARSKE NOVINY in Czech 22 Jan 82 p 2

/Commentary by Jan Kumr, CPCZ Central Committee: "Retail Trade Turnover"/

The last quarter of 1981 terminated the first year of the new five-year plan. It involves a period for which the 16th CPCZ Congress stipulated, among other things, maintenance and improvement of the quality of the high standard of living of our working people. In keeping with its resolutions, the domestic market was assured of supplies of goods and, according to recorded results, personal consumption expressed in retail trade turnover in key trade systems increased 2.4 percent in the course of the year. Its dynamics were higher in the past. Due to known external and internal effects, the planned rate of increase in consumption became reduced. Development of the standard of living is commensurate to how well we are succeeding in expanding our productive forces, meeting the plan quotas, accelerating the efficiency of all economic growth and eliminating adverse external effects.

In spite of many serious problems, it can be stated that the attained results did make it possible to maintain material consumption meeting the stipulation of the directive, making its implementation comparable to a majority of the most advanced countries in Europe. Market supply is quite often considered to be the decisive indicator of the standard of living, but it must be taken into consideration that the standard of living includes an entire complex of achievements which the part of our population--specifically due to the fact that it does not know any other system than the socialist system--takes for granted. Thus, market supply can neither be considered to be the only criterion deciding the standard of living, nor can it be underestimated, dealing with it postponed, or offering of excuses instead of a realistic approach to its promotion.

Problems on the domestic market are not due to any shortage of goods. But we do have problems in the structure of supply. The cause of these problems is to be found in underestimation of the fact that in our country there is occurring a gradual change in vital priorities of personal consumption. The consumer does not consider mere satisfying of his basic needs to be of vital importance any more, but, on the contrary, he demands that the domestic market offer the widest possible array of goods that are on a par with worldwide standards, calling for a well-supplied table and quality commercial services. In realistically assessing this situation we must come to the conclusion that--despite a number of adopted and, in the course of time, implemented measures--there are still many tasks that are still pending and have not been met. The fact that they persist for protracted periods provides an indication that the efforts developed in this regard by production and trade have been less than sufficient.

Everyday life convinces us that mere political directives by themselves, no matter how well devised, are not enough, even though they are the initial and indispensable prerequisite. What counts is their implementation. The political aim of adopted measures--as emphasized also by all sessions of the CPCZ Central Committee--is to make positive improvements highly visible. They must be felt by each retail buyer who evaluates the situation quite pragmatically, depending on how well his needs were satisfied in the sales outlet. Regretfully, in implementing these measures we still encounter manifestations of indolence, imbalance, smugness and using others as an excuse. Those are the facts on the one hand. On the other hand, there are also many phenomena which are hard to predict in the behavior of consumers.

A good survey of consumer interest is an indispensable prerequisite for supplying the domestic market with the requisite goods from production and from imports. However, it is of little help in a situation when there occurs an enormous increase in purchases, interference with continuity of the planned rhythm caused by enemy propaganda to which some people succumb. That leaves no other approach than regulation in a responsible manner, prevention of excessive accumulation of goods in households, losses and waste. This became manifested very unequivocally at the outset of the fourth quarter. Consequently, e.g., retail trade turnover in October exceeded the plan quota by 9.9 percent, and the situation was similar in the first 10 days of November. On the other hand, toward the end of November, the market showed a certain amount of restraint in purchasing occasioned by the upcoming reduction of selected retail prices.

Overall, the plan for retail trade turnover in the last quarter was met in key trade systems by 105.2 percent. Steady rate of sales, particularly for certain types of goods, was strongly affected by the already mentioned excessively high purchases.

In food supplies, high interest was concentrated on purchasing of selected basic types, primarily sugar, salt, edible vegetable oils and flour. The extent of demand is illustrated by the development in wholesale supplies which, in comparison to the same period of the previous year, increased in the case of sugar by 24 percent, salt 16 percent, oils 14 percent and flour 10 percent. Increased demand failed to be met in the case of meat and lard, while there was an adequate supply of poultry, saltwater fish, eggs, milk and dairy products (with the exception of hard and fatty cheeses). The demand for syrups and preserved fruit remained unmet. In spite of sales regulation, the demand for typical varieties of Christmas foods also failed to be fully met due to high demand.

In industrial goods, there was a surge of interest in products for which the retail prices were lowered--black-and-white television sets, vacuum cleaners, small appliances, radio receivers, tape recorders and watches. In textile products they were curtains, carpets, knitted goods, thermal sets and some types of readymade clothing. In the case of soap products, in spite of a substantial increase in supplies and enforced regulation of sales, supplies became sold out shortly after delivery to sales outlets.

Even if we disregard these intermittent, extreme situations on the domestic market, there still comes to the fore an illness of long standing, common to production and trade: namely, that in spite of considerable inventories of many types of goods, supply does not fully correspond to demand, and demand for desired types of goods is not met. Trade must, therefore, better represent the interests of consumers

in relation to production and meet the demand for continuous supply of goods in the requisite assortment, quality and various price ranges. This does not mean satisfying any kind of demand, but that which is commensurate to a long-term average, being simultaneously compatible with the socialist life style. This mutual responsibility of trade and production which cannot be delegated must lead to respecting social interest by producing only what can be effectively utilized.

Our economy currently faces one of the most difficult tasks of the era of socialist development. In the national economy, we are undergoing a fundamental reorientation in management and planning as well as in topical orientation of further planned approach. Tasks are more complex, conditions are harder. Our mental attitude must rise to the occasion. If we thought that we could still tolerate waste and poor-quality products with impunity, no such thing applies to the year 1982 and subsequent years if we do not want to bring adversity on ourselves. We can divide only as much as we produce. Nobody will give us anything for nothing and we cannot live on credit. That must form the basis of our demands as consumers and of our performance as producers and managers. That must also form the point of departure for the activities of all personnel engaged in trade.

Resolutions of the 16th CPCZ Congress cannot be regarded as fulfilled and relegate them as last year's program. They will remain a task until they are implemented. For responsible personnel in production, trade and services, the fewer tasks they have managed to implement so far, the more obligatory they are.

Retail Trade Turnover in 1981

According to preliminary information, retail turnover within the sphere of activity of the Ministry of CSR and SSR Trade (in other words, not counting those trade organizations directed by other ministries) amounted to 221.5 billion Kcs last year, which, in comparison with the previous year, represents an increase of 1.3 percent. Total results are influenced most each year by December figures (1981/1980 = 103.3)

RETAIL TRADE TURNOVER
(Main Trading Systems) in the years 1974 - 1981
And Its Development Over the Individual Months of Last Year (in billion Kcs)

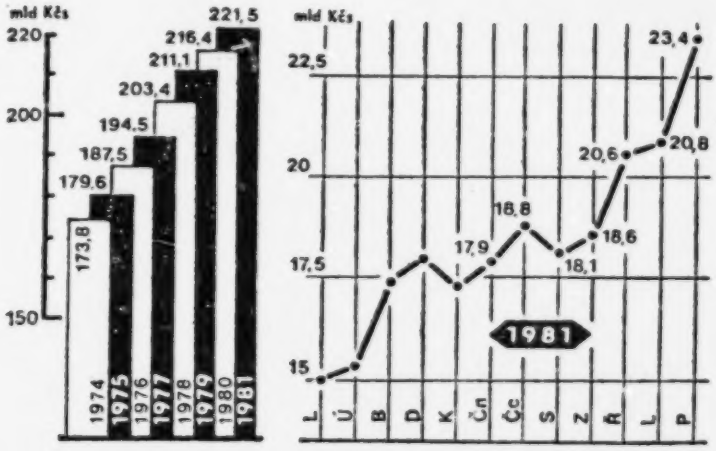


8204
CSO: 2400/139

## BRIEFS

WASTE BREAD COLLECTION SHAM--Not only waste bread, but also dumplings are now being purchased for animal fodder by the Druzba unified agricultural cooperative in Jenisovice. The Pioneer youth organization has been collecting waste bread for this organization since January at six basic education schools in Jablonec. The competitive nature of this program at schools encouraged some parents to purchase excessive amounts of fresh bakery products, a part of which ultimately ended up in waste bread collection. To remedy this situation, the program has been reverted to a noncompetitive one. [Prague SVOBODNE SLOVO in Czech 17 Feb 82 p 3]

CSO: 2400/151

INCREASED FERTILIZER USE HAS NOT IMPROVED YIELDS

Warsaw RZECZPOSPOLITA in Polish 21 Jan 82 p 4

[Article: "Is Agriculture Short of Fertilizer? Other Countries Consumer Less Fertilizer But Obtain Higher Yields"]

[Text] During the past 20 years, the consumption of artificial fertilizers in terms of pure component (NPK [nitrogen, phosphorous, potassium]) has increased more than five-fold (from 36.5 kilograms per hectare cropland in 1959/1960 to 192.9 kilograms in 1979/1980). The consumption of lime fertilizers increased by nearly 13 times (respectively from 12.4 kilograms to 159.7 kilograms).

On the other hand, this great increase in chemical fertilizers was not accompanied by a corresponding rise in crop production. Grain yields in 1976-1980 were barely 7.5 quintals per hectare higher than in 1961-1965 (an increase of about 43 percent), while the increase for potatoes was 23 quintals (up about 15 percent), sugar beets -- 13 quintals (up about 5 percent), and meadow hay -- 22.2 quintals (up about 63 percent).

In 1976-1980 the 32-kilogram increase in fertilizer application using NPK in terms of per-hectare consumption even coincided with a decline in yields. This decline was precipitated, for example, by adverse weather conditions in 3 of the years of the five-year period. Nonetheless, the progress made in yield levels should be considered astoundingly low, particularly when we consider those of certain other European countries.

Austria and Sweden, which use a smaller amount of artificial fertilizer per hectare cropland than Poland do , obtain grain yields of a dozen and some quintals higher. Similar differences showing Poland's disadvantage concern other crops. If we gleaned as much as Austria and Sweden do per hectare, Poland would turn from an importer of grain into an exporter.

In our country the reasons for the lesser effectiveness of the application of chemical fertilizers are the differences in the level of fertilizer consumption from one sector and region to another, the unregulated water ratios in our soils (excessive or insuffient moisture); undermechani-

zation of cultivation, inadequate progress in crop-raising and seed production, losses from plant pests and diseases, and so on. We continue to see great waste of natural fertilizers, without which it will be difficult to obtain high yields, given the fact that most of our soils are quite light.

Owing to imperfect agroengineering, part of the fertilizers applied in our country winds up in the rivers and lakes. Certain estimates show that we lose about 20 percent of all the nitrogen fertilizer applied, in this way.

In the coming years we must accelerate the growth of crop production. This is a fundamental condition for coming close to self-sufficiency in terms of food. Chemical fertilizer application in and of itself will not help much here, unless we concern ourselves with the other crop-production factors.

10790
CSO: 2600/336

## REPUBLIC, PROVINCIAL ECONOMIC PLANS FOR 1982

### Introduction

Belgrade KOMUNIST in Serbo-Croatian 22 Jan 82 p 12

[Articles by various authors: "Approximation to Reality"]

[Text] With respect to economic development this year is expected to be different from previous ones in many respects. The difference lies above all in the fact that all the republics, both provinces and the country as a whole began it after having already adopted resolutions on policy for implementing the medium-term plan. More important than that is the fact that those resolutions expressed commitment to economic stabilization. That is, every republic and province, taking its own specific circumstances as its point of departure, has set forth those tasks whose performance ought to contribute to augmenting the quantity and improving the quality of goods for the foreign market. The extent to which those tasks are in agreement with that goal can, it seems, be partly illustrated by articles on the most important directions in the republic and provincial resolutions. We are publishing this series of articles in this and our next issue.

### Socialist Republic of Montenegro

Belgrade KOMUNIST in Serbo-Croatian 22 Jan 82 p 12

[Article by Vidoje Konatar: "Economy as a Rule of Behavior"]

[Text] Montenegro cannot have a deficit larger than $50 million this year. However, the appetites of organizations of associated labor which, converted to demands, have reached the republic self-managing community of interest [for foreign economic relations] exceed that amount sevenfold.

The first days of January brought great troubles in the supply of scrap iron to the Boris Kidric Steel Mill in Niksic, which is the collective with the largest workforce in Montenegro. Output was cut in half, and there were days when not one of the eight furnaces was in operation.

These examples illustrate the inheritance from the past and the difficulties which await Montenegro's business entities this year. That is why the resolution was based on quite modest and realistic growth indicators, but also on the requirement that the negative trends be halted, especially in the sphere of foreign economic relations, investments, utilization of capacity and the attitude toward work.

The first task singled out is reducing the deficit in foreign trade. These figures give testimony to how indispensable that is: Montenegro's indebtedness is twice the national average; the share of exports in the social product is 14.5 percent and that of imports 34.3 percent; 40 percent more will have to be exported and imports considerably reduced to achieve the average Yugoslav level of indebtedness.

The very first talks about dividing up the "foreign exchange pie" led to squabbles for all these reasons, but the overall principle is that importing can no longer be done at someone else's expense. Every organization is responsible for and dependent on fulfillment of the export plan. Up to now cases have not been rare when the business entity which exports $2.5, receives only $1, while others take advantage of the blessing of high prices on the domestic market.

What can be done in this area? There is a realistic possibility of reducing consumption of heavy fuel oil to half, and then of reducing imports of electric power, scrap iron and wood.... After all, to take an example, the recycling of scrap paper alone can replace about 80,000 cubic meters of wood every year, nor is the potential for collecting scrap iron so small. Nevertheless, though this is constantly being emphasized, little attention is being paid to collection of secondary raw materials, whose purchase means a drain of millions of dollars.

The consequence of this situation and this kind of behavior is a very restricted channel for foreign indebtedness. But in spite of that, since this republic's economy is rather dependent on imports, preference must be given to industrial goods, to raw materials and imported equipment, but only to those which will quickly "generate" foreign exchange.

The 5-percent growth of industrial output anticipated for this year is based above all on new capacities, as well as on better utilization of existing ones. The need for greater utilization of internal potential is rightly pointed to. After all, there is little talk about introducing more than one shift, though this is the fastest way of increasing employment and of stabilizing economic activity. Material costs are often rising faster than income, and in a large number of cases because standards concerning the specific inputs of raw materials, energy, spare parts and work time are being exceeded.... If we add to this irresponsible behavior, poor discipline, and idleness--which the working people are combating with little success, it is only then we see the size of the internal potential represented by shortcomings.

It seems that the planners have finally begun to lower their sights from the high and expensive smokestacks to the fields and meadows. A larger growth of agricultural output has been foreseen. It is an encouraging datum that new investment projects can no longer be undertaken without thorough study. The number of

investments has in any case been reduced, and the overruns have been covered except in three or four opstinas. But problems remain: slow progress in construction, delays of startup, inappropriate planning....

Since the remedy for many shortcomings lies in faster development of self-management relations and in a change of behavior, that ought to become the locomotive of the train referred to as economic stabilization. And certainly economy, conceived less as a tightening of the belt and more as optimum and stewardly behavior, should be one of the first cars.

SR Croatia

Belgrade KOMUNIST in Serbo-Croatian 22 Jan 82 p 12

[Article by Drago Kojic: "Production Governed by Exporting"]

[Text] Adoption of the resolution on socioeconomic development of Croatia during this year was preceded not only by a thorough and occasionally very fierce public discussion, but also by a lengthy procedure that was a bit complicated. It was not until the final meeting of the Croatian Assembly in the last week of 1981 that that document, with its accompanying financial planning literature, received its "pass" for application in practice. Up until the very last moment, up to the point when the smallest details were reconciled, the proponents of that key economic breviary were showered with numerous objections and demands that certain sections and postulates be supplemented and amended, and a thick bundle of amendments arrived. Much of that material that arose during the public discussion was woven into the text which was finally adopted, a text which differs essentially from the version originally offered. Yet this does not mean that the resolution has been freed of all shortcomings and that it is fully stated specifically and in all details--which was one of the most frequent criticisms.'

The persistence of the Chamber of Associated Labor in the Croatian Assembly, which insisted that last year's losses not be recognized as an "advance" against the increased expenditures of the social services in 1982, paid off in the end, since the other signatories of the resolution were also inclined to that opinion. Not that that is any major material victory, since at the same time the delegates have no illusion that the health service and the educational system, for example, can halt the rise of expenditures when prices are galloping (even if the forecast of the synoptic planners, which set the rise of prices at "only" 15 percent, were borne out). More important in this case is the victory of the fundamental view that bills for losses, regardless of what caused them, should be presented to those who are making them up.

The resolution was adopted, and it would be pointless and harmful to exhaust oneself seeking out its shortcomings. A more difficult and crucial task remains: accomplishing the principal planning targets for 1982. It will not be at all easy to augment industrial output by 4 to 5 percent, but there is need to persist in that effort, since it is an unconditional prerequisite for an 8.5-percent growth of exports and reduction of the payments deficit. These figures indicate that the principal battle of stabilization will be waged on the export front, and that means that overall behavior must be governed by export transactions. Even under last year's unfavorable conditions a portion of the economy of SR Croatia did manage to demonstrate its productive vitality even on the international

market. However, viewed as a whole, exports have still been more motivated by the necessity to avoid upsetting the already unstable foreign exchange equilibrium than by the interest of associated labor to realize income in this way. Many OOUR's [basic organization of associated labor] have announced their readiness to persist in the orientation toward exports, but they have a fully justified expectation that their endeavors will meet with concrete support from economic policy, which presupposes relaxation of administrative controls. Those who are exporting promises and in exchange are importing raw materials and other industrial goods for which a high price is paid should not count on such support by any means. Some like that have managed to "slip through," even in the dense forest of last year's restrictions and limitations, which is still another link in the chain of evidence that errors in behavior cannot be corrected (merely) by means of legal provisions.

The public discussion during the preparation of the resolution showed that the greatest fear is caused by prices, which in the past have rarely paid any attention to the planned rates and percentages. This will probably be the key chapter this year as well, since any overflow of inflation out of the trough that represents stabilization would threaten all the key postulates, and we would find ourselves in a still more difficult position. That is why all those for whom a hiking up of prices is the favorite way of augmenting income must think twice before making such a decision. Those who give their "blessing" to application of that kind of formula will have to be still more restrained.

SR Serbia

Belgrade KOMUNIST in Serbo-Croatian 22 Jan 82 p 13

[Article by Rastko Jovetic: "Conditions for a More Confident Move"]

[Text] The resolution on policy for implementing the Social Plan of SR Serbia during this year has stated that the growth rate of the gross social product would be about 4 percent, that of industrial production 5.5 percent and that of agricultural output 4.5 percent. It must be said at once that this kind of growth represents the lower limit, which is why better results than those planned are expected in certain sectors of economic activity. Aside from these figures, the other numbers and percentages in this document also range within the limits of realistic possibilities. It is obvious that the proponents and the participants in the public debate concerning this document were aware of the fact that the economy of SR Serbia will confront serious trials in 1982, perhaps even greater ones than last year, in 1981.

Nevertheless, there are also those who believe that the tasks set in this resolution are rather modest, since Serbia has an economic potential and the personnel for exceeding certain planned growth rates. For example, according to the judgment of Aleksandar Mitrovic, president of the Economic Chamber of Serbia, there are opportunities for the growth rate of exports this year to be twice as high as planned (8.5 percent).

This assessment was arrived at on the basis of an analysis of export plans, but also of the real capabilities of the 150 largest exporting organizations in SR Serbia. These analyses showed that those collectives could achieve an export level of about $2.65 billion, which is considerably more than SR Serbia's

obligatory share in Yugoslav exports. Achievement of that does not depend solely on the exporters, but also on whether legal provisions and economic policy measures will motivate them to produce for export or not. One of the conditions for larger exports is the furnishing of foreign exchange to purchase foreign raw materials and industrial goods. That will not, of course, be an easy job and will not depend solely on those collectives. There have been proposals to the effect that the federal regulations whose purpose is to restrict imports not be equally applied to all organizations of associated labor, but be at least somewhat less strict in the case of those producing for export.

There is quite a bit of doubt that employment will increase by only 2 percent. That is, figures are cited from past years showing that the growth of employment has been twice as high. The resolution states that this will be achieved only provided there is no new hiring of administrative personnel, but only personnel for production jobs. At the same time, it is recommended that a beginning be made this year to "move" workers from the office out into the plant. This is highlighted by the fact that in SR Serbia today the number of personnel in the administration is almost equal to the number in production. By all appearances this "transfer" of manpower is quite possible, since analyses show that this republic's economy has vacancies for another 300,000 new workers, but under the condition that all available capacity is fully utilized. When it comes to investments, those which are coming most under attack are noneconomic investment projects (they have been cut by one-third compared to last year), and especially projects to meet the needs of agencies of sociopolitical communities and sociopolitical organizations, which will not be building anything.

Practically every obligation to find in the resolution on economic policy in 1982 can be followed by the words: will be fulfilled provided.... And all those conditions are extremely important, so that it is really difficult to draw up some accurate sequence. Nevertheless, there is no doubt whatsoever that responsibility is an indispensable condition. So, followup on performance of tasks needs more than ever to become constant practice, as well as calling to account those who are not doing their part of the job as they should.

## SAP [Socialist Autonomous Province] Kosovo

Belgrade KOMUNIST in Serbo-Croatian 22 Jan 82 p 13

[Article by Milijana Apt: "Priority Going to Industrial Development"]

[Text] The development of SAP Kosovo this year should consist of faster growth of industrial production, agriculture, construction and transportation. Other sectors are also supposed to contribute to overall development, to a change of the economic structure, and to faster growth of income and employment through more stable growth. An effort is to be made to provide the conditions for more harmonious development of economic relations based on shared income and for the growth and faster activation of investment projects. Another important factor is that the dynamic and harmonious development of the province's economy in 1982 should be based above all on better utilization of existing capacity and faster activation of plants under construction, more effective undertaking of economic policy measures and other measures, and also on enhancing the responsibility of all entities for consistent performance of the tasks which have been set forth.

A dynamic 6.7-percent growth rate of industrial production will be achieved this year through the activation of new plants and more optimum utilization of existing ones. The principal vehicle of this growth will be the electric power industry, which should achieve a growth rate of 10 percent over the previous year by putting one unit, Kosovo B, on line and through better utilization of existing capacities. Growth of the production of electric power will, of course, be accompanied by larger production and processing of coal (production is to increase 19.5 percent and processing 30.4 percent).

Achievement of the projected development of industry calls for exceptional efforts and responsibility for optimum utilization of existing capacities, for respecting deadlines for the opening up of new plants, for the supply of raw materials and other industrial goods, for seeking out stable markets, for better organization of work, etc.

It is especially important to achieving the anticipated agricultural output (growth of 4.5 percent) that producers be furnished supplies and raw materials (fertilizer and seed) in good time and at the same time receive the machines they need. It is also necessary to carry out in good time land reclamation measures and all measures envisaged by the Agreement on the Bases of the Social Plan of SAP Kosovo on Development of the Agroindustrial Complex in the Period 1981-1985.

A 7.6-percent increase in the value of construction work in 1982 is to be guaranteed through firmer relationships between construction crews and members of the building trades, through an increase in their efficiency and through the organized supply of building materials.

The goal of investment policy is more efficient and optimum use of resources, especially with respect to completion of projects now under construction. New investments will be oriented toward carrying out programs that afford more new hiring and achievement of greater income. In that respect particular importance is being attributed to the pooling of labor and capital with organizations of associated labor from the advanced republics and SAP Vojvodina. It is expected that the real volume of investment in the fixed capital of the socialized sector will increase 16.7 percent this year over last year (19.3 percent for the economy and 5.9 percent for noneconomic activities). Industry would have the largest share in the structure of total investments, all of 66.4 percent. The high growth rate of employment, 5.8 percent, should furnish jobs for nearly 200,000 persons.

The development of the social services is to ensure their firmer integration with associated labor. Augmentation of the volume of services and improvement of their quality will contribute to more efficient utilization of capacity, personnel and resources. There is particular insistence on the development of education, which in the coming period should first of all prepare personnel needed by associated labor.

## Macedonia

Belgrade KOMUNIST in Serbo-Croatian 29 Jan 82 p 12

[Article by Jovan Baseski: "A Close Interweave of Interdependence"]

[Text] During last year exports were up 25.1 percent over 1980. At the same time, imports increased at a rate of 8.2 percent. This helped to improve the "coverage" of imports by exports by all of 15.6 percent, which is the highest "coverage" over the last 5 years. But in opting for far larger exports, we should not forget the lessons from last year's visible foreign trade. The "coverage" of imports by exports last year exceeded 90 percent in trade with the bilateral payments area. With the convertible area, on the other hand, this indicator recorded a drop of 12 percent.

That is why the point of departure for exports this year is the need for a greater effort in the convertible area. If sufficient raw materials and other industrial goods are to be obtained for production, exports to that area must not grow at a rate below 11.5 percent. This borderline is the point of departure for overall calculations necessary to development and reproduction. It is difficult to foresee how these commitments will be carried out in practice, especially since not even a month has passed since the new year began. However, it is becoming increasingly obvious that the problems imposed by this year's development are more difficult and complicated than last year. In the endless race in which production, imports and exports are interdependent and interacting, many organizations of associated labor seem to have run out of wind. Not to mention the fertilizer factory in Titov Veles, which has not been operating for 4 months now because of imported raw materials and other industrial goods. Over the past 30 days several plants have been forced to halt production or are in danger of suspending production at any moment. Even the large exporters such as the factory in Titov Veles we have mentioned are confronted with import problems. The same problems with imports are also faced by sizable exporters such as the 11 October Bus Factory and the Skopje Steel Mill.

An important contribution in this area is expected from new projects which are supposed to go into production soon. For instance, a few days ago trial operation began at the third synthetic fiber plant of OHIS [Skopje Organic Chemical Industry]. This increased the republic's total output of Malon to 26,000 tons a year. At the same time this means an import substitution worth between $25 and $30 million. Though no significant inflow of foreign exchange is expected when FENI goes into production, since the major part of production will go to pay off foreign credits during the first years of operation, the first tons of ferronickel expected would soon remove the burden of a portion of obligations to foreign countries.

## Bosnia-Hercegovina

Belgrade KOMUNIST in Serbo-Croatian 29 Jan 82 p 12

[Article by Milan Trivic: "Number One--Increase Production"]

[Text] Stabilization is the word which was mentioned most often even in discussions concerning enactment of the development resolution. Stabilization, that is,

augmentation of production, a bolstering of the economy's export capability, growth of productive employment, halting the drop in the standard of living, reducing the volume of investments.... That is why it is rightly pointed out even now that the character of 1982 will depend on the attitude of everyone toward achieving the policy of economic stabilization.

A detailed and complete discussion of 1982 cannot be accomplished in a brief sketch, but certainly we should emphasize the first task on the list: increasing output. Output last year grew 7.6 percent, which is 2.6 percent more than was planned. Its growth this year is once again set at about 5 percent. However, we should say that some 20 major industrial projects are going into production this year. Better utilization of capacity is also counted on. Every increase of 1 percentage point in utilization of capacity means 300 million dinars more of income.

Stabilization calls for a change of behavior in investment spending as well, since this is one of the ways of reducing the rate of inflation. That is why it has been envisaged that investments would be reduced by 4.9 percent in 1982 as compared to the previous year. As for the economy, it should utilize what has already been built, introduce, for example, a second shift, and thus achieve better results. And when something has to be built, priority must be given to that production which is oriented toward export or will help to reduce imports. Not only will certain investment projects have to be suspended where the financing has not been furnished, but even those for which funds have already been provided will have to be postponed when at the moment they are not indispensable.

In the present economic situation the growth of employment is becoming an ever more difficult problem, and there is a need to find appropriate solutions of mitigating that problem. The orientation in employment policy should be above all toward hiring people for production and toward slowing down the growth of employment in the social services. The growth of employment in administrative jobs in the past can serve as a warning. In administrative entities, government agencies and the staff services of sociopolitical communities employment increased 35 percent between 1975 and 1981; in sociopolitical and public organizations it grew 79 percent, in the Social Accounting Service it grew 50 percent, and in banks and the insurance industry the number of employees grew all of 78 percent.

## Slovenia

Belgrade KOMUNIST in Serbo-Croatian 29 Jan 82 pp 12,13

[Article by Misa Sovdat: "Exports as a Commitment"]

[Text] More moderate growth rates aimed at stabilizing economic flows will be the principal feature of the Slovenian economy in 1982. The social product is supposed to grow at a rate of 1.5 percent, industrial output at 2 percent, and agricultural output at 3.5 percent. Real income would be approximately at last year's level, but prices are not to exceed a growth of 15 percent. Employment would increase only 0.5 percent.

However, when it comes to foreign economic relations, the Slovenian economy is increasingly aware of its great dependence on foreign trade. In practical terms this means that sales should increase by leaps and bounds in certain countries,

since only in that way will it be possible to guarantee favorable conditions for supplying imported raw materials and other industrial goods to production.

This kind of orientation is necessary and actually the only acceptable one. That is, in 1981, precisely because of the inadequate supply of raw materials and other industrial goods, industry faced many difficulties. Production was often halted for that reason, and workers were transferred to other jobs or went off on collective vacations. Particular attention will be paid this year to seeking out internal potential so as to reduce imports and increase exports in this way as well. This year the Slovenian economy will have to increase visible exports to the convertible market by 13.1 percent and exports of invisibles 12 percent. This increase will "guarantee" a 2.5-percent larger volume of imports of goods from the convertible market, and within that a 4.5-percent larger volume of imports of noncapital industrial goods.

Within this context the importation of equipment is still a large problem. We cannot go on forever allowing administrative--and, it can be said, artificial--restrictions. Slovenia will make it possible for equipment to be imported for the priority activities, especially when the output is intended for export, and then to the fuel and power industry and agriculture. All of this and the fact that more than $360 million of debt (which amounts to nearly 5 percent of the republic's planned social product) will have to be repaid in 1982 indicates that a still firmer and more extensive orientation of the Slovenian economy toward export is truly the right task and the most important one.

Practically all else, including investments, will for all practical purposes be subordinated to foreign trade. Investments will be reduced 5 percent in real terms, and investments will be made with one sole aim: restructuring the economy toward production for export. This does not concern only new investment projects, but also the reorientation of certain existing plants.

## Vojvodina

Belgrade KOMUNIST in Serbo-Croatian 29 Jan 82 p 13

[Article by Branko Krstin: "Agriculture--Unused Potential"]

[Text] Even late last year it was felt that the growth of the social product this year could not exceed 3.4 percent, and now only 2.7 percent is being proposed. The greatest impact on such an important change was exerted by the new assessment of the potential for development of agriculture, whose growth rate was reduced from 4.5 percent to barely 2 percent. We say "barely" because it is felt that in our country, as indeed in all developing countries, it is most realistic for agriculture to develop at a rate of at least 4 percent if it is to meet the needs of the population for the foreseeable future. That is the goal toward which all measures being taken in Vojvodina are aimed with respect to food production, crop planning, and timely setting of producer and sale prices of the principal farm products.

However, economic conditions up to now and the measures being taken in the country as a whole have for several years now failed to offer any major opportunities for the development of agriculture, though in past years, at all meetings discussing agriculture, unambiguous commitments have been expressed to the effect

that this sector represents a great opportunity for our country, not only in the matter of economic stabilization, but also in improving the country's balance of payments. Not only have these opportunities not been taken advantage of, but in the past medium-term period, after an initial growth, there came an abrupt drop in production. From 11.2 percent in 1977 it dropped to 0.3 percent just 3 years later. This stagnation was also appreciable last year, when the growth of agricultural output was only 0.7 percent, so that it is difficult to have any sizable ambitions in that kind of business climate and economic situation. But even the growth which is now being proposed will be based above all on the measures which will be taken by the province in collaboration with associated labor, which is not sufficient for the more dynamic development of food production which our country needs.

The resolution on Vojvodina's development policy also clearly emphasizes the need for all planning entities to set forth altogether concrete programs of measures and activities to carry out this document. This is extremely important, since it has been shown that past activity in narrowing priorities in investments has yielded good results at major projects, and there has been a relative drop in the volume of investments for these purposes. However, the abrupt growth of investments in small-scale projects has been detracting from the results, which indicates inefficient use of the savings needed for pooling and for investment to complete major capital investment projects already begun which use domestic raw materials and which would replace imports. Nevertheless, the setting aside of funds for investment projects should be about 9 percent lower than last year.

The key question of development this year is exports, especially to the convertible market. It is therefore proposed that the growth rate of total exports be 8.8 percent, within which exports to the convertible market alone would increase 13 percent. This is necessary under present conditions if the necessary imports [original reads "exports"] of raw materials and noncapital industrial goods are to be achieved. There is, moreover, particular insistence on augmenting exports in the form of work on foreign capital investment projects and other activities. Extension of incentives is envisaged for these purposes, but more is expected from the rise of labor productivity, better utilization of capacity, reduction of production costs, and more efficient and optimum business operation.

A further drop in the personal standard of living is expected because personal income and social welfare benefits would increase slower than the cost of living. At the same time, employment is expected to increase only 1.9 percent. This is the largest possible increase in view of the expected growth of production and labor productivity. All of this indicates that development will take place in 1982 in a very problematical context, since difficulties are anticipated which came about in previous years and which are having a restrictive effect on development. That is why the task on which the resolution focuses is achievement of the policy of economic stabilization.

## Comment on Economic Plans for 1982

Belgrade KOMUNIST in Serbo-Croatian 29 Jan 82 p 13

[Article by Slobodan Ignjatovic]

[Text] It seems that planning documents concerning economic development this year are in large part and finally the result of a mature awareness that the economy can be

stabilized only on the basis of realistic assessments of possibilities. This is in fact indicated by the articles which have been published in this series concerning the most important directions in the development policy of the republics and provinces for this year. However, more than that, they are a kind of criticism of an illusion long passed over in silence that promises to be seen and found primarily in construction of new plants. For example, that is why all the republics, Vojvodina and the country as a whole are planning a real drop of investments for this year, and emphasis is being put on more efficient utilization of capacity. A more essential question than that of how much the country's balance of payments has caused the search for sources of development to look in other places is the question of whether the proposed growth rates have been well measured.

Pessimistic tones are often heard in discussions concerning these prospects (at many gatherings and in the press). To be sure, few people would fail to agree that there is no place for exaggerated optimism. However strange it may seem, that circumstance is exceedingly important for our situation. It indicates that the mentality that prevailed until recently is being displaced, a mentality that is perhaps best illustrated by the slogan "We'll Do It Easily," that there is a stronger awareness that the way out of the difficulties must be sought in bringing goals into line with potential. In other words, this could also mean overcoming a practice in which wishes were made the backbone of the plan. The commitment that more moderate growth rates, which are supposed to be an approximate expression of the economic development achieved, is another result of criticism of that practice. The question of whether this year's rates could have been different is not perhaps a decisive one at this point. It is important, however, that we not abandon one extreme only to go to the other--to establish growth rates even lower than they objectively could be. We are also thinking here of the announced revision of the country's medium-term social plan and hints that an effort will be made not only to narrow the priorities set forth in it, but even to reduce the established growth, for example, of the social product, of industrial output, and so on. That is, the framework of progress is nevertheless determined by the plan, which is in large part the result of an assessment. If in this process potential is being assessed, there could easily be a drop in the pace of development which would be difficult to make up later. And judging by the articles from the republics and provinces, this year's rates, especially those for industrial and agricultural output, are on the borderline which absolutely must be achieved. For example, the article from Serbia states that they are below the real capabilities of its economy. Exports worth approximately $2.6 billion can be achieved by just 150 collectives, which is considerably more than Serbia's obligatory share in total Yugoslav exports. There is unutilized potential in other places as well. In Montenegro 80,000 cubic meters of imported wood can be replaced by processing scrap paper. Every percentage point which utilization of capacity rises would bring 300 million more dinars of income to the Bosnia-Hercegovina economy. Slovenia sees optimum saving as an important opportunity for reduction of imports, and Vojvodina sees firmer links with associated labor outside that province as the way to increase agricultural production (incidentally, the growth rate of the most important sector in Vojvodina is half what it is in the other republics), and so on.

Those are just some of the possibilities that production even this year could exceed the planners' expectations. Not to mention that trained personnel represent 65 percent of the total labor force in Yugoslavia's socialized sector, that use of work time is less than 60 percent (employed persons with junior and senior postsecondary education use their work time at a level of only about 50 percent). Whatever effort is made by the actual producers, their productivity is being "eaten up" by administrative personnel and the huge expenditures for nonproductive consumption (in Bosnia-Hercegovina the number of persons employed in sociopolitical and public organizations increased 79 percent between 1975 and 1981). Such a large increase in the number of employees outside the economy is the reason why productivity has been dropping in spite of the fact that the level of equipment per worker has been increasing at a high annual rate of 3.6 percent over the last decade. So as not to go on enumerating--all these figures indicate favorable prospects for larger output, but they also represent a kind of stimulus for thinking about the real potential of the Yugoslav economy. It is true, for example, that the Yugoslav economy is characterized by structural disproportions. However, the fragmented market tends to multiply their importance. Because of the need for foreign exchange an organization exports a semifinished product, while another organization from a neighboring sociopolitical community which is using it in its own production imports it. It would be difficult to prove that the mechanism for concluding agreements and establishing linkage between these two organizations had failed. It is closer to the truth that this mechanism is not functioning because of the barrier between them which has been raised by forces outside associated labor. How otherwise to interpret the fact that of current investment projects, amounting to 1,800 billion dinars, those crossing republic boundaries represent only 5 billion, if not in terms of the endeavor to prevent investment outside one's own borders, supposedly in the interest of "one's own" area. It is not enough for associated labor to show goodwill in concluding agreements and establishing links (so that by consolidating savings they would mitigate the structural disproportions of the Yugoslav economy as a whole), but there is also a need for the blessing of those forces--which are "duty-bound" to see to the situation in their own preserve--when organizations within their jurisdiction seek partners beyond the established demarcation line. Thus such barriers perfectly serve their purpose--they justify the existence of those forces. How large a potential would be attained by eliminating barriers of this kind which stand in the way of pooling on a larger scale?!

Restricting the power of those forces, and that means expanding the powers of associated labor, would signify more efficient utilization of the potential which, we are convinced, offers a favorable opportunity for successful development. Incidentally, this is also confirmed by the articles which have come in from the republics and provinces.

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10 March 1982

# East Europe Report

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2243

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10 March 1982

# EAST EUROPE REPORT

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2243

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MEASURES TO IMPROVE ENERGY SUPPLY SYSTEM REVIEWED

Tirana BASHKIMI in Albanian 31 Dec 81 p 2

[Article by Llazar Papajorgji, director of the Directorate of Energy in the Ministry of Energy: "Implementing the Decisions of the Eighth Congress—Further Strengthening the Energy System of the Country"]

[Text] The Eighth Congress of the Party defined very important tasks for the workers in the energy system. Comrade Enver particularly recommended that the workers in the energy sector devote special importance to studies for the prognosis of energy resources, to studies for extending and strengthening the energy system in the country and using the system more scientifically so that we can assure a high level of uninterrupted supply of electrical energy to our consumers.

Within the conditions of the rapid development of the energy system, the workers in the sector are continually confronted with complex technical and scientific problems which have been faced and successfully resolved by our specialists. We have always believed that the problems of how best to exploit the energy system are specific and the problems are dynamic and always growing; therefore we can solve them successfully only, as the party recommends, by relying on our own forces.

The problems of the most practical and safe way to exploit the energy system are thematically broad because, not only do they extend into the field of electrotechnology and its branches, but they also extend into the field of hydrotechnology, chemistry, mechanics and electronics. The problems of the energy system are complicated by nature and the above-mentioned sciences, as well as mathematics and computer sciences, which are becoming more and more a necessary part of the energy studies, support and accompany them and are involved in the solution of these problems.

On this basis and using these guidelines, many important technical problems have been successfully resolved. Thus, in the Fier thermo-electric power plant technical measures were studied, planned and implemented which resulted in increasing the production capacities of the boilers; rational methods were implemented to lower the effects of corrosion on the thermoenergy equipment; the causes of the damage to the insulation of electrical equipment in the industrial area were defined. Good work was done to start operating the 60 megawatt block etc. In the hydroelectric power plant in Vau i Dejes, a suitable plan

was studied and successfully adopted for the 220 kilowatt generators and for the automatic safeguards which provide the system with a guaranteed supply of energy from the aggregates of this hydroelectric power plant. The problem of the elimination of the effects of corrosion on the blades of the hydroelectric turbines were solved; components, equipment and spare parts for the aggregates which were imported from abroad in the past are now being produced domestically. The same thing applies to other energy objects. For example, in Korce, Maliq, Cerrik, Vlore, Bistrica, Stalin City etc., a number of technical problems have been solved which made the normal function of the aggregates possible, they have increased the potential supply of electrical energy and have improved economic efficiency.

Good work was done to replace liquid combustible materials with solid combustible materials or with gas, in the thermoelectric power plants in Vlore, Tirana, Ballsh, etc.

Good work has been done and satisfactory results have been achieved by the workers and specialists of the Fierze "Light of the Party" hydroelectric power plant. They studied, experimented and successfully resolved the problem of starting the generator without raising the rotor which led to an increase in the preparedness of the aggregates; they uncovered and isolated the causes resulting in parasitic signals which prevented the protection of the power lines, etc.

The important consumers of electrical energy, such as the "Steel of the Party" metallurgical complex, the polyvinyl chloride plant in Vlore, the Ballsh petroleum refinery and others, have put the energy system at the top of their special list of high priority requirements. In order to respond to these requirements many workers and specialists, from the grassroots and headquarters, have been activated and are working on more than 180 scientific studies and themes.

To resolve these important problems we are working in close cooperation with the Computer Mathematics Center of the Academy of Sciences and the university departments for the introduction and broad utilization of scientific methods. Important problems have been resolved, such as defining the optimal plan for the energy system which will assure the most rational distribution of the flow of energy, not only to cut power losses in the system, but also to increase the certainty of the guaranteed supplying of energy to our consumers. With the help of electronic equipment the following are being studied and defined: short circuits at different points of the system, the absolute minimum technical work for the thermoelectric power plants within the condition of the large amounts of water brought by the rivers, and the condition of the loads on the subordinate and principal power lines within the conditions of the breakdowns which accompany the overloads etc. Studies have also been made to deal with chemical problems, especially to decrease the effects of corrosion by using rational methods of work. As far as thermal problems are concerned, attention has been concentrated on lowering the costs of combustible materials per unit of production and increasing the use of coal with low calorific power.

Under the conditions of strengthening the system by introducing new sources, especially the "Light of the Party" hydroelectric power plant in Fierze, which

double the present power of the system and will increase 20 times the hydroenergy reserves in the lake that has been created, bigger and more complicated problems face our workers in the energy sector to satisfy the demand for energy supply by all the consumers in general and the more important consumers in particular.

Special attention is being given to the scientific processing of the hydroelectric power plant basins in order to assure the optimal exploitation of water power reserves. A group of energy specialists and mathematicians are working on this plan together with the Computer Mathematics Center in the Academy of Sciences, with the university, and with the Hydrometeorological Institute, and others. This study will make it possible, in accordance with flow from the rivers, to exploit the lake waters more rationally.

Decreasing the various losses in the system, decreasing internal consumption in the power plants, especially in the thermoenergy area, lowering the consumption norms of combustible materials by improving the plans and by certain reconstruction, replacing liquid combustible materials with solid ones, discovering the causes of corrosion etc., defining measures to lower negative effects in the system and other mechanical, chemical and thermoenergy problems are also important energy-related tasks. This requires increased cooperation with specialized institutions, such as the Academy of Sciences, the University, the Ministry of Construction etc. This requires, among other things, the prefection of the organization of work and the strengthening of the nucleus of studies at the center of the system. Parallel to this, a mass training of all the cadres in the system, a better organization of post-graduate courses and better scientific activity at headquarters and at the grassroots, improvements in the first levels of job qualification are matters that are becoming more and more items of priority importance. Knowledge of the results of contemporary scientific research work in the energy field requires the best possible organization of scientific information in order to advance these studies as much as possible. The workers in the energy sector will apply all their forces to realize the important tasks set down for them by the Eighth Congress of the Party.

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MINISTER VIEWS SLOVAK AGRICULTURE, NEW MEASURES

Bratislava ROLNICKE NOVINY in Slovak 13 Jan 82 pp 1, 3

[Speech by Jan Janovic, minister of agriculture and food industry of the Slovak Socialist Republic, at an active concerning the tasks following from the CPCZ Central Committee's Fifth Session: "Accelerating the Intensification Process"]

[Text] To understand correctly the new measures for improving the Planned Management System in our agriculture, it is necessary to bring to mind the significant changes that have taken place since the last adjustment of this system in 1967 and also to put the new internal and external conditions of development in agriculture in a new perspective.

The first significant fact is that a certain break occurred in the long-term dynamics of the growth of agricultural production in recent years. In the last 15 years, the total volume of agricultural production increased 60 percent nationally, despite the decrease in the total area of agricultural land by more than 300,000 hectares and the decrease in the number of workers by 295,000. Agricultural production per hectare of land increased nationally 66 percent and labor productivity by 112 percent. Under the same conditions, cereal production doubled, production of oil plants increased 207 percent, livestock by 45.5 percent, milk by 50.6 percent and poultry by 233 percent. This permitted increasing supplies of better quality products, primarily from animal production.

In accordance with the intention to gradually balance the economic level in both republics, agricultural production in the Slovak Socialist Republic [SSR] increased even more rapidly than in the entire country. During 1965-1980, the SSR share in national agricultural production increased from 30 percent to 32.3 percent.

During the Sixth Five-Year Plan, however, the dynamics of the growth of agricultural production slowed down and the planned intentions remained seriously unfulfilled, primarily in the development of plant production. This area in particular was affected by the consequences of extreme climatic conditions, by the decrease in acreage and in the pace of intensification investments in soil and nourishment and protection of plants, by long intervals in machinery supplies, but also by persistent shortcomings and weak points in the use of material production factors.

In connection with the general slowdown of the growth rate of the total volume of agricultural production during the Sixth Five-Year Plan, which increased nationally 9 percent, plant production increased only 6.7 percent instead of the planned

14 percent, whereas animal production increased 11 percent. Therefore, the planned production and consumption of animal products could be secured only through increased imports of fodders. Rather than the originally planned 3.5 million tons in grain imports, the country imported as much as 7.8 million tons during the Sixth Five-Year Plan, which is 4.3 million tons more than the plan's expectations. Thus, we did not succeed in increasing the level of the country's self-sufficiency in grain; it remained essentially at the level of the Fifth Five-Year Plan.

The imbalance between fodder resources and animal production needs was deepened by the fact that the assignments in the purchase of hogs and poultry were relatively easy to fulfill and even exceed, since hog and poultry raising requires high grain supplies, whereas the development of cattle and sheep raising, where feeding is based on bulk fodders, lagged behind the plan's expectations.

As was emphasized at 13th Session of the CPCZ Central Committee as well as in congress discussions, principal economic and political reasons do not allow continued development of animal production and increased animal product consumption to be supported by expanding grain fodder exports and, therefore, it is necessary to quickly achieve self-sufficiency in domestic production even in this area. The Fifth Session of the CPCZ Central Committee imperatively restipulated the requirement to overcome the imbalance between resources and demands for fodder; this should be achieved, on the one hand, through all available measures aimed at increased domestic production of fodder and improving its quality, on the other hand, through consistently fulfilling another exceptionally serious task--to adapt the entire extent and structure of animal production to our own fodder base.

Our foreign-exchange currency balance and external political and economic circumstances forced us to intervene in the general dynamics and structure of animal production as early as 1981, immediately after it had become clear that there would be a considerable drop in grain yields, which actually amounted to 1.6 million tons nationally, 646,000 tons in the SSR.

As you undoubtedly know, the CPCZ Central Committee Presidium and Czechoslovak Government adopted active measures aiming at solving the situation in feeding farm animals during the 1981-1982 economic year. As early as last September when extensive hog raising began being reduced, a conception of reducing meat and milk production in this year's plan was adopted.

In this situation, it became clearer than ever before that the conception of self-sufficiency in fodder requires increased responsibility from enterprises for the internal balance of plant and animal production and developing surplus supply necessary in order to balance the fluctuation in fodder harvests. Consequently, all management units must provide significant support, primarily through economic means, to the orientation toward beef cattle and sheep raising, for which we have large potential resources in our own fodder basis.

There are other unfavorable circumstances restricting the possibilities of the intensification of agricultural production. The situation in raw materials for the manufacture of nitrogen and phosphoric fertilizers as well as that in foreign-exchange currency resources for agrochemical imports appear to be very complex. For this year, we must expect the nitrogen fertilizer supplies to be lower than last year. This fact only emphasizes the urgency of the measures aiming at rational utilization of these fertilizers and the elimination of the losses in fertilizer nutrient value during storage and application.

Further, we must confront yet another limiting factor--significantly reduced resources of motor and heating oils. The extent of the reduction is such that it cannot be coped with merely by applying rationalization measures. Considerable changes in production volume and restructured general economic activities of cooperative and state farms are equally inevitable, with all the consequences to performances and financial resources. The System of Measures stimulates here economizing to a maximum extent primarily in such a way that the increased costs of fuel and energy will be largely covered by the purchase prices of agricultural products. Those farms which apply technological methods less demanding in terms of energy and simultaneously increase production and which sell more preferentially priced products and save more motor and heating fuel will profit economically.

The measures adopted for this area are not temporary or transitory either; they represent new approaches, including the reevaluation of some technological and production conceptions. As CPCZ CC Secretary Comrade Pitra stated at the Fourth Session of the CPCZ CC, it is especially the drying program that must be revised from this point of view. It is expected that dried products will be limited only to protein components for fodder mixtures. The production of dried components for granulated fodders must be reduced, the working methods in plant production must be organized adequately, unnecessary transportation of machinery must be eliminated, changes in production organization and distribution which undesirably extend distances in the transportation of fodder and natural fertilizers must be avoided. This frequently means many radically changed conceptions in the construction of the material and technical basis of agriculture as well as changes in our intentions for concentration and specialization of agricultural production which were formed in the period when the problem of fuel shortage did not arise so sharply.

Consumption Control and Supervision

We paid much attention to this question in the preparations of the 1982 plan. A special team of experts at the ministry elaborated these problems in detail. It will be determined centrally which needs for motor oil, fuel and energy must be given priority. An administration hierarchy reaching down to individual enterprises has been established for objectivizing the elaboration of limits stipulated by the plan. However, the main task was to determine what technical, organizational and economic measures should be taken at particular stages of management to minimize the negative impact of the reductions in fuel and power resources on the production and the economic activity of organizations in general, specifically in agricultural basic-production enterprises. The draft of these measures utilized also the knowledge and experience of those enterprises which have been seeking ways and means of reducing the consumption of power resources, both last year and this year.

Also in other material resources intended to intensify agricultural production and to increase labor productivity, including the investments program, we are enforcing a determined orientation toward maximum efficiency, toward the use of directions in scientific and technological progress facilitating economizing with material and power and toward full use of the existing, effectively modernized, production technology basis. As the report by the CPCZ CC Presidium puts it, "...it is important that we exploit as many high-quality products as possible from each acre of soil, each farm animal, each invested or paid crown, each kilogram of fertilizers and each unit of energy."

The transition to this approach, emphasized essentially long ago but never properly adopted, will be very demanding, since it is a complex task. Certainly, we have considerable unused resources in the subjective factor. Much can be done especially through increasing discipline in work and technology. Therefore, significant technological systems for raising individual crops have been developed and will be introduced gradually in agricultural enterprises. Special attention will be paid to areas and enterprises that lag behind; we will discuss this later.

In order to elevate the level of qualifications and to consistently supplement technical knowledge, higher requirements will be demanded from our training and postgraduate education institutions. However, in many areas technical progress and the results of rationalization are conditioned by further, technically more improved investments in agriculture.

Apart from mobilizing people for harvesting fodders, the basic problem of coping with the situation in bulk fodders also requires sufficiently adequate technology for working on hillsides. The progressive direction which we started in this area several years ago, i.e., hot-air fodder drying, must be now substantially restricted and replaced by other ways of effective conservation and treatment. Similar problems in the area of production technology also exist in other sectors. In recent years, the mechanization of agriculture has become a bottleneck not only in terms of the productivity of labor, but also production intensity, reducing losses in finished production and quality.

All these circumstances, new tasks and the directions and methods of fulfilling and limiting these tasks had to be incorporated into the 1982 plan, which is unusually demanding for all sectors of the agriculture-food industry complex. Some problems will even have to be resolved in the last phase of the process of planning, i.e., while completing plans for individual enterprises and even in securing seasonal work.

Only Through Intensification

The main task of our program for 1982 and the central measures for securing the same can be summarized as follows:

To increase the yield of grain represents a number one task. The plan expects a yield equalling 3.8 million tons from 875,000 hectares of fields. This is 290,000 tons more and 16,000 hectares more than the average during the Sixth Five-Year Plan. If we do not secure the yield to this extent, we will not be able to restore the dynamics of animal production growth. This would have far-reaching consequences both for the balance of domestic trade and the economy of agricultural enterprises. We can achieve a lot through improving agrotechnology, but we must also secure ourselves through preparing grain fields according to the plan.

Bulk fodders represent another--and it is necessary to say--central task of further development of agricultural production. The course for bulk fodders can in no way be solved through increasing grass acreage over arable soil as is sometimes suggested or even recommended without any knowledge of deeper relations.

Our efforts, as well as all the measures aiming at improving the situation in bulk fodders, can be realistically secured only through intensification, through utilizing all permanently grassy areas, substantial reduction of losses during harvesting,

transportation and conservation of fodders, stabilizing the production of intermediate products at least at this year's level as well as through good use of straw. Also, complex care for improved quality of bulk fodder must be included.

This year will be a year of extensive construction of silos, hay-drying buildings, haylofts and so-called pasture areas. We want to direct investment limits, the capacities for agricultural enterprise construction and self-aid construction precisely toward this type of construction. A directive has been issued instructing disapproval of plans that do not provide for a substantial increase in the construction of these facilities, primarily in the Central Slovak and East Slovak Krajs. Yet, before the spring harvest we must secure more effective conservation means in a way better than in previous years.

Also, the solution to the problem of the quality of fodders must find its right place in reward schedules and in the criteria for personal monetary incentive of enterprise managers and supervisors as well as in overall operative management and control, directly in agricultural enterprises but also in superior authorities.

In relation to the need to maximize the supplies for domestic trade market funds, vegetables are becoming more and more important. For a long period of time we have not been successful in securing desirable development in this area, from the material and technological equipment for basic production and related units to the problems of satisfying the needs in consumer assortment and quality.

With the meat market funds reduced, it is possible to expect an increase in the demand for vegetables, particularly for those that have been in short supply. The SSR Ministry of Commerce demands an increase in the production of cauliflower, cabbage, green beans and green peas. The ministry will provide maximum assistance to purchasing, commercial and processing organizations and will secure their requirements in order to facilitate the fulfillment of the assignments in vegetables to a maximum extent.

To secure the purchase of vegetables in short supply--garlic, summer vegetables, greenhouse vegetables--it will also be possible, if necessary, to determine purchase assignments in the form of obligatory indices. We have also stipulated the principle of self-sufficiency for counties for those kinds of vegetables which can be grown under given conditions as complementary to regular crops. In this connection, differential extra payments have been introduced for selected kinds of vegetables.

One of the key tasks in agriculture is to secure the planned production of sugar beet and sugar; in this area, the assignments have remained seriously unfulfilled in recent years. Even last year, the purchase plan for sugar beet was fulfilled only slight over 92 percent.

Not an Easy Task at Present

In the area of animal production, the planned purchase of livestock constitutes a primary task. The plan for livestock purchase from state funds is 12.1 percent lower than original intentions, however, it does not mean that this task will be easy, since fodder resources are even lower.

The rationalization and intensification program is of primary importance for next year's animal production. Beside other things, it means solving the problem of effective use of fodder and improving the animal-production economy far more consistently and with results better than at present by reducing animal-mortality rates during raising, and by improving the results in reproduction, especially in beef cattle, sheep and poultry.

A series of both technical and organizational measures will be adopted in order to implement a complex nourishment program concerning both bulk and grain fodders and protein components using effectively fodder surplus from all available resources.

Several measures have been adopted to control better the purchase of livestock with a necessary quality structure. There are considerable unused resources for better space and time distribution of breeding patterns for hogs and one-day poultry and in more disciplined adherance to time schedules for beef and poultry meat purchase.

The specifications of assignments in food-industry production, in market-fund supplies, exports and basic indices for the financial plan is based on the effort to reinforce the intensity of evaluation in final products to an extent even larger than in recent years, not only through technical and rationalizing measures, but also through innovating production technology and product assortment. This is a demanding, but the only realistic, way to overcome the narrowest spots in the resources of domestic and particularly imported raw materials. Also, our industry should be more active in trying to resolve the problem of appropriate packaging.

The plan elaborated at the ministerial level expects that the increase of finished products and technological innovation will affect considerably and favorably the economy of the meat, dairy, poultry and preserving industries as well as the volume of commodity supplies from these industries. However, not small profits are also expected to result from the rationalization and innovation programs in the areas of sugar and candies, mills and bakeries, cosmetics, etc.

In discussing the program, particularly with respect to food-industry tasks, we emphasized strongly that general and enterprise directorate managers, cooperating with foreign-trade enterprises, seek intensely and organize flexibly effective complementary export-import operations, including cooperative actions. Another important thing is to make rational use of some temporary surplus processing capacities and not fully utilized labor forces even in such areas where there are only seasonal fluctuations in raw-material resources. Also, it is required that economic production units [VHJ] and enterprises seek solutions to their problems more intensely and persistently, in cooperation with their customers and the suppliers of material means necessary for food-industry production, particularly package and machine technology lines and equipment.

We consider maintaining a balanced food market an important task even from the political point of view, and it should be viewed as such not only by direct producers but also by all who either directly or indirectly create material and technological conditions for failure-free operation of food production and the market network. We believe that we would run considerable risks in this area if we did not expect a certain fluctuation both in raw-material supplies from both agricultural production and exports as well as in consumption, which is also

affected by extraeconomic factors such as consumer attitudes and behavior. However, the efforts to balance the fundamental ratio between the citizen's purchasing fund and the volume of goods supplies to as domestic market necessitated determining the assignments for the workers in the food industry as reaching extreme limits, and some questions which have thus remained open must be solved during the implementation of the plan itself.

Just as in field basic production, we expect thorough, detailed elaboration of technical and organizational measures for securing the planned tasks of the food industry, measures which will be prepared by special teams of experts and managers at all levels.

On a New Way From 1 January

Simultaneously with dealing with concrete problems of the 1982 plan and specifying assignments even for internal enterprise organizational structures, executive guidelines and adjustments are being completed in our ministry, which relate the approved principles of the improvement of the System of Planned Management in agriculture, effective 1 January 1982, to concrete tasks.

A question can be asked, why this is taking place a year later than in other sectors of the national economy.

The situation is as follows: the so-called branch application of the principles of the System of Measures, applying to the entire national economy was adopted even for the area of agricultural basic production as effective 1 January 1981 and for some economic means, even ahead of schedule, 1 January 1980. Unfortunately, we did not succeeded in dealing with some problems, primarily because of the obstinate attitudes by some streamlining organizations which did not respect sufficiently specific production, technological, organizational, social and economic features of agriculture and enforced mechanically methods suitable for industry. The controversial questions were concluded as late as during 1981 through an authoritative intervention, even though at the cost of certain--in our opinion--not always justifiable compromises. It has also been agreed that important changes in the institutional arrangement of agricultural production management cannot be justified even at the present stage, even though this aspect of the management system is being analyzed.

The Set of Measures for Improving the System of Agricultural Management has been published in the form of three supplements to the CSSR Government Resolution No 249/81 and has been publicized relatively widely, particularly in a complex explanation in the CPCZ CC Presidium report to the CPCZ CC Fourth Session, delivered by a CPCZ CC secretary, Comrade Pitra.

I will mention several changes in the system, which have perhaps been most widely discussed.

As for planning, a question has been raised as to whether it is pertinent to grant agricultural enterprises greater freedom in deciding the structure of production and supplies of agricultural products.

The practice of prescribing to agricultural enterprises, more or less directly many indices which actually determined "from the above" the structure of the production and purchase of agricultural products has been criticized for a long time. It is necessary to recognize that this practice partly deprived the SDZ [United Agricultural Cooperatives] and SM [State Farms] of participation in the plan formulation and weakened their initiative and responsibility for rational utilization of their production conditions, resources and unused capacities. Therefore, the System of Measures expects that the Seventh Five-Year Plan will be accomplished with far more active participation from agricultural enterprises. Their proposals will be elaborated in the form of implementation counterplans in close cooperation with purchasing organizations, which will sign contracts with agricultural enterprises on product supplies, in which county agricultural administration will actively participate by coordination and control. We do not intend to introduce such a mechanism of incentive in the formation of a progressive plans as operated in industry, since the objective conditions in agriculture are different. The weather factor, which is always very significant, comes into play, interfering particularly with result evaluation and affecting considerably the progress of work, yields, the quality of products, the extent of losses and the amount of costs. Besides, there is no reason to prefer the so-called progressive plan to fulfilling less urgent tasks. It is necessary to reward actual improvement in the results over the starting basis and to apply the mechanism of economic incentive.

The principle of the implementation counterplan in agriculture for the Seventh Five-Year Plan is based on proposals made by the enterprises themselves with respect to specific agricultural conditions, as to how the enterprise will secure the social need for agricultural products, expressed, on the one hand, by a limited number of state plan directive and informative indices and, on the other hand, in the form of orders from purchasing organizations. The drafts of the five-year plans for enterprises will be prepared before the Seventh Five-Year Plan's detailed breakdown and will serve as a fundamental basis for the distribution of the five-year plan assignments to individual enterprises.

The state plan will determine the assignments in the purchase of grain and livestock as mandatory for all levels of management for the entire period of the Seventh Five-Year Plan, beginning with 1982. According to the directives from the SSR Ministry of Food Industry and Nourishment and the CPS [Communist Party of Slovakia], county agricultural administrations can stipulate, according to new principles, three more mandatory indices which will express the most important tasks of the plan in the production and purchase of agricultural products. Cooperative and state farms will be informed about objectivized requirements for the supply levels for other products--to be secured in interaction with purchasing organizations.

To Combine Interest and Responsibility

Another basic intention of the Improved System of Planned Management in Agriculture is to combine more effectively interest and responsibility of all branches that participate in securing the nourishment of the population, i.e., to plan the agriculture-industry complex as a real whole. This is a question of better interrelations between the agricultural production plan and its material and technical fulfillment in a situation when about 70 percent of material investments into this sector has its origin in other sectors of the economy.

Therefore, the plan is expected to be formulated by planning commissions as based on proposals from all sectors that participate significantly in securing production in terms of material and technology. This will be a comprehensive plan for the agriculture-industry complex, which will guarantee the satisfaction of the needs necessary for agricultural and food production, according to the system of assessed indices. The plan will be submitted for approval to the federal government as well as to national governments, and its fulfillment will be evaluated by ministries, planning authorities and, in its totality, also by the governments.

This measure, which will be elaborated further according to acquired experience and the success in overcoming conservative approaches, is expected to contribute considerably to the solution of the bottlenecks which exist in this area due to extreme separation of branches and unbalanced planning.

Changes will also be made in planning the replacement of fixed assets. From the point of view of enterprises, the new categories in investments are of primary interest. Action with a budget not exceeding Kcs 5 million will be considered "under limit," which should simplify the investment process and make more room for the program of effective constructions and reconstructions of farm buildings, storage areas and the like.

Further, the so-called green investment will be extended by such actions as, for instance, field roads, dunghills, pasture improvements and the like. In the cases of "over limit" investments, however, the responsibility of the ministry for the determination and distribution of actions has been increased.

The significance of the plan in the management of the scientific and technological basis and the implementation of scientific and technical development has been increased.

The economic means of management are being changed significantly. The approved adjustments aim at encouraging economically stimulated interests in agricultural enterprises in increased production with a socially desirable structure and strengthening the khozraschet position of enterprise's in financing extended replacement.

A fundamental question has been how to encourage economic incentive in the development of beef cattle raising and some industrial crops and at the same time increase the pressure for more rational utilization of material-intensification investments which are in short supply, particularly imported material.

A conception of reinforcing the decisive distributive functions of the prices of agricultural equipment and purchase prices of agricultural products has been adopted. Even though price changes have been proposed in such a way as to minimize the resultant differences in the incomes of enterprises which operate under different production conditions, it has been inevitable also to reinforce such system means as will solve the effect of the profit differences on the enterprises' khozraschet efficiency and on the resources of their extended replacement.

Thus, a relatively large shift in the levels of individual types of prices as well as other economic means has resulted. I will mention here only some basic instances.

The intervention of the fodder mixture prices for agricultural enterprises is reduced Kcs 3.5 billion, i.e., 15.6 percent on the average. The following increase of costs in animal production is reflected in increased purchase prices of animal products.

Another measure in the area of input prices endeavors to cope with the consequences of increased wholesale prices of some industrial and building industry products, effective 1 January 1982. As a result, for instance, prices for spare parts have been raised 4.4 percent on the average, metallurgical material will be approximately 15 percent more expensive, construction material 11 percent higher, construction investments will be raised approximately 8.7 percent, machinery investments 5.4 percent, etc.

The total impact of the changes in these prices on agriculture represents Kcs 2.3 billion nationally, which is also reflected in the total sum of agricultural costs.

To a considerable extent, the increased agricultural costs also reflect a further increase of motor oil and light heating oil prices. As is the case in other areas, agricultural organizations must accommodate 20 percent of the total effect of this measure in their costs, as indicated in the adopted rationalization measures. With this 20 percent subtracted, the impact of this measure as reflected in agricultural costs represents Kcs 1.7 billion nationally.

The total imput-price increase represents Kcs 6.9 billion, of which roughly 6.5 billion is reflected in increased agricultural costs.

Apart from balancing finances in this way, the total sum of agricultural costs is being increased by another nearly Kcs 3 billion, as a reaction to a long-term decrease in the khozraschet efficiency of agricultural production as a result of a low production and economic effect of always more expensive material investments and labor value added.

Increased Receipts Rewarded

This measure represents a boost of the present profitability of agricultural enterprises nationally on an average of roughly 3 percent. (Profitability decreased more than 5 percent during the Sixth Five-Year Plan period.) The proposals have been approved and formulated considering that many enterprises, including state farms, are capable of creating necessary resources from their own activities and with a reasonable credit load. Now, true, the effect will be lower than expected, since both animal production and the advantageous transportation activities of agricultural enterprises will decrease as a result of the oil shortage.

Bonuses for current-year receipts higher than the average of the previous 3 years represent new or, more precisely, "old-new" means; the bonuses may amount up to 30 percent from the difference achieved, out of which amount a portion is directly allotted for personal monetary incentive.

The approved measures ascribe particular importance to better and more effective application of socialist principles of economic incentive for enterprises, workers, collectives and individuals. Direct control over average bonuses in agriculture

was dropped as early as 1981. The relation of the volume of wages and bonuses and total performance in both areas of agriculture will be taken as a standard for the development of wages and bonuses.

The method of control described above is based on the need to stimulate maximum intensification of agricultural production. If applied consistently, it will be sufficient to prevent the inflation of wages and bonuses and, simultaneously, efficiency will be strongly stimulated by factors more flexible than before. There are not sufficient reasons in agriculture for adopting the general program of direct dependence of wages on the labor value added that has been adopted in industry and the production-technological and economic nature of agricultural production does not even make it possible.

Special measures are being adopted to deal with the serious problem of enterprises that have long been lagging behind. In our country, this question has been discussed even by the Presidium of the Central Committee of the CPSL and the SSR government and according to the procedure approved, these enterprises will design a special program of effective intensification of their production, which will also constitute a fundamental condition for winning the right for aid from the state budget. Finances allotted in this way must be intended for strictly defined purposes. They will depend on detailed programs and will be allowed to be used exclusively in dependence on the fulfillment of these plans. For these purposes, a fund for production intensification has been established by national ministries, concentrating present finances, provided in the form of stabilizing grants and investment subsidies.

At present, every cooperative and state farm must embody new measures concerning the planning of economic means and the economic incentive system into specific internal rules and regulations and the khozraschet internal management. It is necessary to restate here, as CPSL CC secretary Comrade Janik said at a CPCZ CC session, that "...khozraschet is frequently considered as of concern only to economists and workers in economic departments, less to chairmen and directorates and even less to other managers and supervisors, namely production technologists;" however--I quote again--"...we must make managers realize that khozraschet is a complex organizing economic system of management for socialist enterprises."

Our management units must pay considerable attention not only to clarifying the fundamental changes and new measures in the management system, but also to profound knowledge of all executive regulations that are being issued. Much depends on how we explain all these problems to working people, how we manage to stimulate their activity by mass political efforts. Political, organizing and campaigning efforts of all party and social organizations as well as competent economic publicity campaigns and education, including courses for the staff from management units at all levels, will play an important role.

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## PROBLEMS IN MEAT PRODUCTION EFFICIENCY REVEALED

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[Article by Eng Jiri Rehak, Eng Zdenek Helcl, Eng Miroslav Slouka, and Eng Alena Spitalska, People's Control Commission of the CSSR: "What Shortchanges Our Tables"]

[Text] In per capita meat consumption (which in 1980 amounted to 85.6 kilograms), Czechoslovakia ranks among the top 20 countries in the world and among the top 10 in Europe. Nevertheless, a check of rational meat management carried out last year by a team of people's control agencies indicates that it would be possible to obtain still more meat from the same number of animals. In other words, this check uncovered significant unused potential and losses along the chain from primary agricultural production through the processing and distribution spheres right up through final meat consumption. This article will present the most important findings of this check, and at the same time also identify possible means for eliminating the discovered shortcomings.

The assurance of increasing meat consumption has not been taking place completely within the spirit of the main strategic objective of the development of the agricultural-food industry complex, i.e., the constant strengthening of our self-sufficiency. To be sure, we have succeeded in gradually limiting meat imports, but the structure of its production has diverged from the possibilities for the production of fodder in the plant production sector. While in 1970 the per capita consumption of beef represented 36.3 percent of total meat consumption, in 1980 this percentage was 34.2. On the other hand, consumption of meat from monogastric animals (swine, poultry) amounted to 60.3 percent of the total in 1970, and had increased to 64.9 percent of the total by 1980.

The production and consumption of meat from those animals which require grain and quality protein supplements in their feeding grew more rapidly. Because our production capacity was not up to this, livestock production in the Sixth Five-Year Plan was assured for the most part with concentrated fodder imported even from non-socialist countries. The priority development of pork and poultry production depleted the quality concentrated fodder necessary for the feeding of cattle. This, together with insufficient attention to the production, harvesting, and storage of bulk fodders led to an intensification of extensive trends in meat production during the last five-year plan.

is in the area of primary agricultural production, especially that of cattle. The number of cattle increased 13.2 percent in the Sixth Five-Year Plan, but the production of beef increased only 7.6 percent. Weight increases for feedlot cattle declined steadily from 0.79 kilograms per head per day in 1973 to 0.72 kilograms per head per day in 1980 and even to 0.68 kilograms per head per day in the first half of 1981. This means that a larger number of animals is necessary to produce the same amount of meat, and therefore that a portion of the fodder stocks are unnecessarily consumed.

With regard to planned targets, this declining utility value is necessitating the procurement of cattle for slaughter at ever lower average slaughter weights. Between 1975 and 1980, average slaughter weight declined an average of 20 kilograms, and by an additional 2 kilograms in the first half of 1981. An increase in 1980 slaughter weights of 4 percent (i.e. to the 1975 level) would have provided approximately 15,700 extra tons of dressed beef.

There is a significant difference in slaughter weights, both among territorial area and according to the time of the year. For instance, in the North Bohemian Kraj 1980 slaughter weights were 39 kolograms lower than the average for the CSR, and 35 kilograms lower in the Central Bohemian Kraj. Moreover, slaughter weights commonly decline toward the end of the year in the interest of fulfilling the porcurement plan. Between January and December 1980, the average slaughter weight of cattle for slaughter declined 18 kilograms in the CSR and 46 kilograms in the SSR. Certain firms even fulfill the cattle procurement plan with cattle weighing under 400 kilograms, while others which have fulfilled the plan leave cattle which are ready to be slaughtered for the fulfillment of targets of the next year. The negative consequences of these differences may be eliminated by improved planning of procurement tasks according to the actual possibilities of livestock production.

Shortfalls in beef production are balanced by the exceeding of planned targets in the procurement of swine and poultry for slaughter. Excess deliveries of only 14,200 tons of live weight swine in 1980, or roughly 140,000 extra swine, nevertheless represents the unplanned consumption of about 56,000 tons of concentrated fodder. This would be eonugh to cover the ration of concentrated fodder for cattle throughout the republic for 10 days.

Intensification of cattle and swine production requires fundamental changes in the management of agricultural production. We must reduce the percentage of monogastric animals, which require a lot of concentrated fodder, and merge the structures of plant and livestock production in such a way that the bulk and concentrated fodder which is produced (in optimal amounts on agricultural land) will be sufficient for the nutritional requirements of the herds of livestock which have been adapted to this production structure. Only by increasing the nutrient content of the daily fodder ration is it possible to achieve higher daily weight increases. This will shorten the period required for fattening, and the improved utilization of concentrates in fodder rations will make it possible to reduce its overall consumption for the same meat production.

The deaths of livestock lead to substantial losses of the raw materials for meat production. It is, of course, impossible to eliminate them completely, but their numbers are unjustifiably high. Most of the deaths are of young; in 1980 almost

Meat Production, 1970-1980, in Thousands of Tons Live Weight.

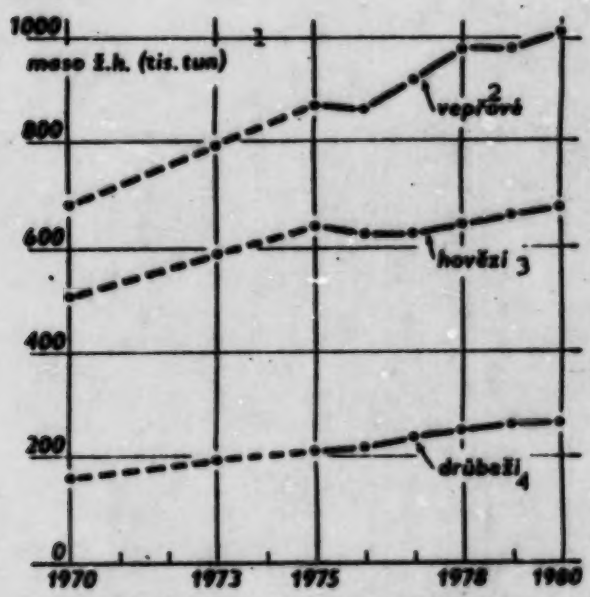


Key:

1. Meat, thousand tons live weight
2. pork
3. beef
4. poultry

Source: CSSR Statistical Yearbooks

The shortfall in last year's grain harvest and the impossibility of continually repeating imports of ever more expensive feed grains in excess of the plan have forced a reevaluation of the current evolution of livestock production and meat consumption, both in terms of their structure and desired amounts. The objective is the achievement of a balance between plant and livestock production and the further strengthening of our self-sufficiency. In the future it will be the case that the level of meat consumption will depend solely on the capacities of our fodder base and planned imports of fodder.

We Need Not Waste So Much

The inspection of rational meat consumption pointed to a number of sources of unused potential and unnecessary losses in meat production. The greatest unused potential

100,000 calves and about 740,000 suckling pigs died. Nor may deaths among older livestock be ignored. In 1980 almost 87,000 head of cattle died (exclusive of calves) and 476,000 swine (exclusive of suckling pigs).

A large part of this situation is due to inadequate husbandry care, the failure to maintain zootechnical and zoohygienic principles, the irregular feeding of animals, shortages of or low fodder quality. Also a factor is the inconsistent performance of veterinary service, and on occasion shortages of necessary medicines. All of this culminates in illnesses of the digestive system, dietetic and metabolic disturbances. Most contagious diseases, particularly some mass infections, have a more objective character, as does a shortage of stabling facilities and the existence of inappropriate stalls.

There are significant differences in numbers of deaths among enterprises. The inspection in the CSR was directed at organizations with high levels of calf deaths. In the first quarter of 1981, an average of 13.66 percent of the calves which were born died at the 36 inspected enterprises, while, for instance, at the Zeletava JZD the death date was 20.3 percent, at the Budisov JZD (both in Trebic Okres) it was 14.65 percent, at the Dobsice JZD, calf deaths were reduced in 1980 to 1.61 percent, while at the Modrovka JZD in the same okres (Trencin) the figure was 14.28 percent.

The main reason for this rests in a failure to maintain principles for the care of cows prior to and after delivery, in inadequate care for calves after birth, in the failure to adhere to techniques for feeding and watering, and in the failure to observe norms of hygiene. Bear in mind that for the most part calves are born at night and this is necessary to assure constant staffing of a facility. It is possible to reduce deaths by increasing the sophistication of managerial and organizational work, through greater employee discipline, and the elimination of shortcomings in the focus of material incentives. Nor is it possible not to mention the intensifying of material incentives for veterinary services directed at the reduction of death levels.

The inspection showed that consistent managerial work produces results. For instance, in Znojmo a reduction in deaths at the Jirice u Miroslavi and Jevisovice JZDs occurred on the basis of limiting losses, reducing the variable components of the compensation for responsible employees in the event that established loss levels were exceeded, and even replacing husbandry personnel.

Deaths in all categories of livestock represent annual losses of more than 70,000 tons of undressed meat. The saving and fattening of those calves which are born dead or die later represents a nationwide potential source of 60,000 tons of undressed beef. In future years it will be possible to utilize this potential, to the extent of obtaining an additional 7,000-10,000 tons of undressed meat, by improving the activity of managerial employees, husbandry personnel and veterinarians through more effective material incentives. In addition, it is necessary to alter the structure of fodder rations according to the needs of specific categories of livestock, in terms of the amount of generally digestible nutrients and their required representation in the fodder ration. There is significant underutilized potential in the structure of fodder crops in specific production areas, and in increasing the quality of harvested and stored fodder.

## Insufficiently Utilized Resources

Limited sources of raw materials for meat production require that we increase yields in the meat industry (i.e., increase the ratio between the amount of raw material utilized and the amount of meat products obtained from them) by three main methods: the improved utilization of raw materials, regulation of the mix of meat products and by the processing of additional protein sources into meat products.

To stimulate the more efficient utilization of meat in the meat industry and in retail-trade organizations, the CSSR Government Presidium adopted, as early as June 1980, Resolution No 134 concerning the more efficient use of meat in the meat industry and in retail-trade organizations, and concerning measures for strengthening sources of meat. This made possible in the remainder of 1980 the obtaining of about 3,400 additional tons of raw material, expressed as undressed meat, while in 1981 an increase of almost 9,000 tons was projected.

Separators for meaty bones have also been installed for the fulfillment of the tasks related to this resolution, which will make possible improved cleaning of bones (including pork heads), thereby obtaining extra raw meat materials. However, sufficient raw materials for the separators are not always available, and export service is sometimes lacking. For instance, in March 1981, 910 kilograms of raw material, expressed in terms of daily performance, was processed on a single separator at the Plaza nad Luznici meat combine, and 750 kilograms at the Ceska Skalice meat combine, but at the Louny North Bohemian Meat Industry factory only 380 kilograms were processed, and only 290 kilograms at the Hroznetin West Bohemian Meat Industry factory. Improved separator utilization and an increase in their numbers will make it possible in the future to obtain about another 7,500 tons of raw material.

There exist, however, other areas of underutilized potential as well. At the stage of the transportation and preslaughter stabling of animals, deaths arise which represent, in terms of annual slaughter volume, 490 tons of dressed meat. In addition, there are other losses: the animals go hungry, suffering from thirst, and undergo stresses due to the overall poor conditions. The worst situations arise during the emergency transportation of animals or when they must wait over Saturdays, Sundays, or holidays prior to slaughter.

Losses of this type are not even monitored of documented. State inspections of the quality of agricultural products within the context of the inspection determined that the average loss of weight prior to slaughter was 1.2 kilograms for swine, and 7 kilograms for cattle. In terms of the total number of animals slaughtered in 1980, this represents the loss, nationwide, of 6,700 tons of pork, and 7,108 tons of undressed beef. Even though in the first days of confinement primarily water is lost (as the animals become hungry), a not insignificant part of these losses is raw meat material.

A reduction in losses during transportation and confinement is also possible through improved organizational and managerial efforts in the meat industry. There is also unutilized capacity in the optimalization of transportation routes without regard for the territorial range of activity of individual factories and enterprises, in a more operative management of the transfers among factories and enterprises to achieve a more balanced utilization of facilities, in the avoidance of

technical disruptions in the operations of the meat industry, in the more consistent limitation of frequent employee absences, etc.

Unmaintained Processing Standards

Significant losses also arise from unbalanced demands on slaughterhouse facilities. For instance, in 1980 the maximum number of cattle slaughtered in any month in the CSR was 20 percent higher than in the month with the lowest level (in the SSR this difference was 42.4 percent), The figures for swine were similar, with a differential in the CSR of 56.3 percent and in the SSR of 45.3 percent. The daily movement of animals fluctuates as well,; in the course of a monitored month at the Holesovice slaughterhouse of the Prague Meat Industry, admittances of swine fluctutate as well; in the course of a monitored month at the Holesovice slaughterhouse of the Prague Meat Industry, admittances of swine fluctuated from 50 to 149 percent of slaughtering capacity, and of cattle from 17 to 260 percent of capacity.

Certain losses may be eliminated by more balanced procurements and improved organizational work. For a start, the quarterly divisions of the procurement plan must be more balanced. Likewise it is necessary to work out a balance between the fulfillments for individual quarters, so that overloading will not always occur at the end of a period. This is also related to a more balanced herd turnover, but also to a timely knowledge of planned targets.

Through the joint efforts of agricultural enterprises and the meat industry, it is necessary to shift more quickly from the procurement of animals firmly on the hoof (under which procedure procurement is made in terms of live weight, with subjective adjustments downward for well-fed animals and upward for hungry ones) to the more precise method of procurement firmly for meat (in which procurement is in terms of the weight of sides of the animal which have been processed at a slaughter house). Firm procurement for meat assumes the slaughter of the animals within 34 hours, which limits, then, preslaughter losses and also makes possible fodder conservation, since certain agricultural enterprises unnecessarily feed animals prior to slaughter in order to achieve increased weight and, therefore, income. This is no longer effective when payment is based on the actual weights of processed animal sides. The modification in wholesale prices applicable to the meat industry as of 1982 should also aid in the more rapid expansion of this more objective method of procurement.

Additional losses of meat and meat raw material are also the result of what is known as "confiscation" in the meat industry. It is a question of meat that is completely unusable by people, and which is therefore transported to veterinary decontamination institutes. Such confiscation reaches an annual level of more than 21,000 tons of undressed meat (in 1980). The confiscated meat includes body parts of slaughter animals, internal organs, but also meat products and canned products.

A whole complex of reasons is at work here; particularly disturbing, however, are the damages caused by the failure to adhere to technical procedures, that is losses which did not have to occur had there been better organization of labor, greater management sophistication, and a higher level of material incentives. At the same time, the number of such reasons is increasing. For instance, the failure to adhere

to technical procedures accounts for 17.8 percent of the instances of confiscation of internal organs. Confiscation in the other phases of processing, those which follow the slaughterhouse, are unambiguously the fault of employees in the meat industry. The extent of confiscation declined during the Sixth Five-Year Plan in the CSR, but increased by a factor of five in the SSR.

Meat raw materials are also lost due to a failure to adhere to techncial standards in the processing of slaughter animals. In 12 factories of the meat industry in both republics, we checked on whether pork fat for lard, tallow for shortening, and bones designated for processing at decontamination institutes had attached to them more pieces of meat than prescribed by standards. Table 1 presents the findings.

Table 1. Average Amount of Meat on Raw Materials (in percentages)

| | Raw Pork fat for lard | | Tallow for Shortening | | Bones | |
|---|---|---|---|---|---|---|
| | standard | actual | standard | actual | standard | actual |
| CSR | 1.5 | 7.83 | 0 | 7.62 | 0 | 3.25 |
| SSR | 1.5 | 7.28 | 0 | 4.65 | 0 | 7.90 |

Source: calculations by the authors

With a single exception, the standards were not adhered to in any case. For instance, at the Uvaly u Prahy Central Bohemian Meat Industry factory, the fat from the trimming of legs was determined to have a meat content of 12 percent, and the meat content was found to be 13.88 percent at the operations of the Prerov Central Moravian Meat Industry. It is testimony to sloppy work that it was not unusual to find pieces of lean meat on the trimmed fat that weighed more than 0.3 kilograms, and at times more than 0.5 kilograms (at the Ruzomberok Central Slovak Meat Industry Factory), and even of 0.8 kilograms (at the Prerov operation of the Central Moravian Meat Industry). Proof that the standards may be upheld is provided by the approach of the Puchov factory of the Central Slovak Meat Industry, where pork fat for lard contained only 0.98 percent meat, which is one-third below the standard.

If we generalize the above instances of the failure to maintain standards to the entire extent of pork fats designated for lard and tallow for shortening throughout the republic, we may state that in this way we deprived ourselves in 1980 of more than 5,200 tons of quality meat raw materials. After all, the pork used for feed scraps represented raw material for the production of more than 3,000 tons of ham salami in 1980 alone.

Standards for the cleanliness of the skins which have been removed are also not adhered to in meat industry factories. Tallow and meat remains on beef cattle skins, and are partially utilized for the production of glue, soaps, and feeds. For example, at the Kladno meat combine at the Central Bohemian Meat Industry about 4 kilograms of these raw materials remain on every skin. Another indication of the varying levels of care taken in the cleaning of beef cattle skins are the varying levels of declared reductions in skin weight, which are applied by tanners to the meat industry factories. For instance, a deduction from delivered cattle skins was applied on 10 February 1980 at Ostrava in the amount of 0.8 percent, while on the other hand on 12 November 1980 there was an 8.2 percent reduction applied at Kladno, and a 7.4 percent reduction was applied at Olesnice on 3 June 1980.

The above shortcomings come about through lack of employee discipline, the benevolence of their superiors, insufficient qualifications of the work force, the emergency processing of raw materials, etc. However, at the same time they also have more general causes. The increase in the extent of slaughtering and processing of slaughter animals has occurred concurrently with a constant increase in labor intensive operations, and the lack of utilization of all meat raw materials including internal organs. The increase in technical progress was not, you see, as rapid as the demonstrated growth in labor productivity.

It is our opinion that the growth of labor productivity has its own objective limit, because the maximum utilization of expensively produced meat raw materials is socially more efficient and necessary than high labor productivity at any cost. From this viewpoint, it will be necessary to verify objectively the labor intensiveness of individual operations and, in conjunction with this, yield standards as well. The shortfall in the 1981 grain harvest and, the related lower projected volume of livestock slaughtering in 1982 provide good preconditions for a return to the economical use of all raw materials in the meat industry, even at the cost of a little more labor intensiveness.

The Unmet Product Mix Plan

It is possible to produce differing amounts of product from the same amount of meat raw materials. The yield in the meat industry may also be increased by regulating the product mix, especially by increasing the amount of meat products (and within this, especially the high yielding groups of chopped, soft, baked and boiled products) in comparison with other groups. Bear in mind that additional proteins, of both animal and vegetable origin, are processed into meat products. For this reason, we will continue to count on an increase in the percentage of meat products; the warehousing of raw materials also corresponds to this trend (increased deliveries of swine, a greater share of pork heads, flanks, and fatty cuttings. The actual development of the product mix, however, has not been according to these management principles, as indicated by Table 2.

Table 2. Individual Groups of Meat Products as a Percentage of Total Production of Meat Products

| | CSR | | SSR | |
|---|---|---|---|---|
| Group | 1979 | 1980 | 1979 | 1980 |
| Chopped, soft, baked and boiled meat products | 61.63 | 60.42 | 52.67 | 52.10 |
| Storable products, specialties, smoked meats | 37.47 | 38.67 | 47.28 | 47.85 |

Note: local specialties account for differences from 100 percent
Source: calculations by the authors

The demand for smoked meats, for storable meat products and for specialties is greater and greater, retail trade requires increasing deliveries, and this is integrated into the product mix. However, even meat industry factories at times

prefer the production of storable products and specialties and do not adhere to the planned mix. As we have determined, stores have their orders shortened for chopped and soft products such as knockwurst, frankfurters, kolbasy, and rolled salami. The Jivin Potraviny Store No 009 had ordered, on 13 March 1981, 25 types of normal products. The actual delivery amounted to 6 types. On 16 March 1981, 24 types were ordered. Delivery amounted to 4 types.

The failure to adhere to the planned product mix for meat products deprives us of meat raw materials. In the CSR, for instance, the fact that in 1980 more products were produced that required a larger consumption of meat than planned caused about 1,700 tons of meat raw materials to be wasted. In the SSR, as the above table shows, the percentage of higher yielding meat products is lower than in the CSR, and only 90 kilograms in the SSR. Given the identical yield in the SSR as in the CSR, it would be possible to obtain about 5,000 tons more of undressed meat. More than half of the above-mentioned underutilized capacity should be utilized in upcoming years by more consistent managerial activity in the meat industry and the retail trade organizations of the SSR.

The unsatisfactory development of the share of chopped and soft products has, however, other reasons as well. Shortages of packaging material have gradually been intensifying, especially of intestines for frankfurter casings, the producer of which is the Cutisin enterprise in Jilemnice. The solution to this problem may be an expansion of its capacity.

However, there is also underutilized potential in the area of more efficient exploitation and utilization of domestic natural intestines, and in the development of the production of other types of covering (for instance, those made from natron and from low-pressure polyethylene) and in the utilization of nonpackaging technology (insofar as they are not economically more costly, as they are for frankfurters). Higher sales of chopped and soft products is also limited by retail prices which are little differentiated from the prices of high-quality cuts of meat and quality meat products.

Butchering Not To Be Done at Stores

At present we have a long way to go to the comprehensive utilization of all the raw materials in the meat industry. Most meat designated to be sold as cuts of meat is transported to stores as beef quarters and as sides of pork; these are then butchered by hand at the stores themselves. More butchering within the meat industry would contribute not only to higher labor productivity but also to improved usage of raw materials, including bones. That is to say that meat is often not processed as it is supposed to be. It has heavy layers of fat, ligaments and membranes, and sometimes even hide with bristles. This has been confirmed by the findings of inspections. For instance, in only four instances in South Bohemian Kraj did the percentage of those parts which were not to be on cuts of meat account for as little as 4.2 percent of the total weight, and in one of the stores inspected they amounted to 19.9 percent of the total weight. In the CSSR, this represents a total of about 3,000 tons of raw materials, about 700 tons of which are nonfat, the remainder fatty trimmings.

At the same time, these undesirable "supplements" on meat signify, from a national economic viewpoint, a loss of raw materials which could be processed into meat

products such as liverwursts, spreads, head cheeses, as well as certain soft salamis and other smoked products. In households they are for the most part discarded. To be sure, at first it seems that the improved utilization of these raw materials will deplete the sources of the meat balance, because their weight may not be included in calculations of consumer goods inventories. However, after processing they may, for specific types of products, contribute to the meat product balance as well as the fats balance.

Greater processing, cutting, portioning and especially economical packaging in the meat industry should contribute to the economical marketing only of that amount of meat which the consumer actually requires. We cannot, however, be content with the evolution of packaging. In 1980, the percentage of packaged meat did not exceed 11 percent of total deliveries of meat sold as cuts of meat. From the viewpoint of economical and rational sales, the task of increasing this percentage to 25 percent of the total by 1985 may be regarded as a minimum.

The capacity of those packaging assembly lines which are installed in the meat industry is not being fully utilized. In 1980, a Holimatic 40 line achieved an adjusted daily output of 6.6 tons at the Brezhrad factory of the Eastern Bohemian Meat Industry, 6 tons at the Ceska Skalice meat combine, but only 3.3 tons at the Klatovy meat combine, 2.3 tons at the Louny factory of the North Bohemian Meat Industry, and only 2.8 tons at the Kladno meat combine and at the Uvaly u Prahy factory of the Central Bohemian Meat Industry.

This insufficient utilization is explained by a shortage of imported automatic scales, of packaging materials, and by the excessive amount of down time for the packaging assembly lines. Other reasons, however, include inconsistent target fulfillment and standards. The current method of meat packaging has only a hygienic character, and in no way extends the shelf life of the meat. According to industry standards, packaged meat should be sold within 2 days after it is packaged. Because, however, sales are not constant throughout the week and tend to bunch up at the end of the week, the packaging lines may not be utilized in a balanced manner.

The gradual limiting of the butchering of meat in retail stores, and a greater degree of processing at the level of the meat industry, therefore, requires the conceptual resolution of the further development of meat packaging. It would be appropriate to choose, at least in part, packaging methods which would extend the shelf life of packaged meat. It will also be necessary to clarify both the amounts and types of packaging materials, of which there is not an abundance (sometimes, however, a product is packaged luxuriously in a package made from artificial materials, even though this is unnecessary), and on the basis of this to design the development and production of a new generation of packaging machines, because the packaging machines produced currently by Pardubice Kovopodnik (at its Holice operation) are already obsolete.

Customers Not to be Cheated

Limited butchering of meat at retail stores should also contribute to greater customer satisfaction, since customers now often point out that meat has been improperly provided, with regard to the substitution of cheaper cuts for more expensive ones (for instance, pork knees which are too heavily trimmed, pork chops

which include parts of flanks), and in terms of dishonest selling. Retail inspection employees have discovered a number of such instances during inspections. In the CSR, the most common reasons for overcharging in 195 cases of inspection of purchases of meat and meat products were improper weight (82 cases), sale at improper price (17 cases) and the sale of cuts of meat that had been prepared improperly. Other causes of overcharging were improper price, the shaving of parts and improper weighing technique.

An additional problem caused by the butchering of meat at retail stores is the return of tallow to the meat industry. To protect the consumer, an agreement was reached between the meat industry and retail trade organizations whereby excess tallow is to be returned to the meat industry. As long as the meat industry factories would adhere to the standards for the permissable fat coverage of slaughterhouse-prepared animal carcasses, this should only be a question of the marbling fat of overfattened beef quarters, which is discovered only after butchering. The voluntarily agreed upon payment of Kcs 20.42 per kilogram of returned tallow is the average price for fore and hind beef quarters and is inspiring certain managerial employees to return other, less valuable, raw materials as well.

Retail stores return meat and meat products as well. A frequent reason in their low quality (for cuts of meat, this may mean processing that does not correspond to the cut delivered, or the presence of bloody remains, and the like, while for meat products it can mean split containers, excessive fluid, poor smoking, disintegration, etc.).

In many instances, meat and meat products are returned because they were not ordered. Meat industry firms, that is, negotiate with consuming organizations an annual volume of product deliveries and product mix, then adjust them quarterly, In practice, however, the supplier-consumer relations are often realized between a store manager and the loading docks for meat industry trucks. Store managers order a product mix which does not correspond to the facility potentials of the supplier, and many times they do not respect the concluded agreements.

In the okreses of East Bohemian Kraj which were inspected in 1981, there were 90 instances of returns, of which 21 were cases when stores returned goods which they had not ordered. In South Moravian Kraj, this was true in 24 of 271 instances. In the SSR, data of the general director of Zdroj indicate that returns of meat products in 1980 amounted to about 18 percent of the overall delivered volume of goods. Handling these returns increases the costs of reshipment (as goods are offered gradually in other retail stores), and of reprocessing. The respecting of concluded agreements would aid in improving supplier-consumer relations.

Significant losses of meat also occur right in households. It is possible to conclude, based on a random study by the Internal Trade Research Institute, that in 1979 households discarded about 51,000 tons of meat and meat products, and about 26,000 tons in 1980. These losses are caused in part by inadequate meat processing (34.2 percent of the discarded meat could be used in the meat industry) and by the low quality of meat products (approximately 48 percent of the discarded smoked products are thrown out immediately after purchase). Consumers, however, are also at fault in this, because post-purchase losses include meat discarded after improper storage (8.3 percent), uneconomical food preparation (26.7 percent), and food left on the plate (30.8 percent).

Frugality is slowly disappearing from our kitchens, and there are few homemakers who are capable of utilizing various leftovers for homemade meatloaf, stuffed potatoes, and many other dishes which may be made from ground meat. The differing approaches to meat usage are also indicated by these generalized data from a study by the Internal Trade Research Institute (which apply to 1979): about 26,000 households discarded weekly three-quarters of a kilogram of pork and a kilogram of beef (including meat products), about 30,000 households discarded weekly a kilogram of pork and three-quarters of a kilogram of beef, more than 200,000 households discarded weekly half a kilogram of pork and half a kilogram of beef, and almost 1.3 million households discarded weekly a quarter kilogram of pork and a quarter kilogram of beef. It is clear that there exist households for which waste belongs to their concept of a high standard of living, while, on the other hand, there are households which cannot afford to waste.

The constant growth in our agricultural production has contributed to a significant increase in the living standards of our population, which is indicated in part by an increase in the annual per capita meat consumption of about 40 kilograms in the past 25 years. The meat industry has been processing the entire amount of procured

Annual Per Capita Meat Consumption, 1936-1980, In Kilograms of Undressed Meat

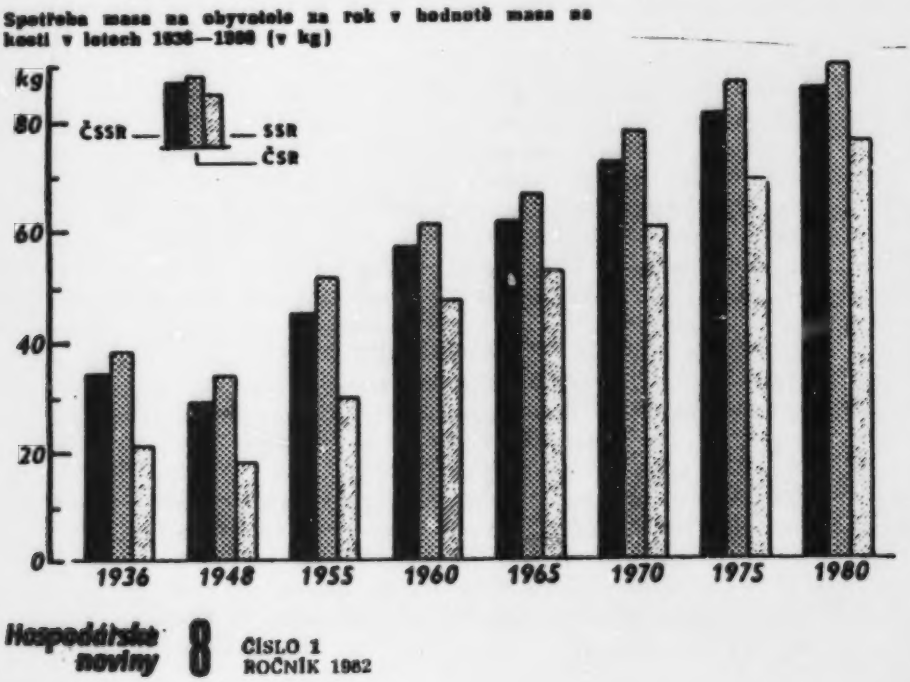


Source: CSSR Statistical Yearbooks

livestock. There still exist, however, underutilized possibilities for the improved utilization and valuation of meat. The sum of losses and unutilized capacity, given

an overall slaughterhouse production of 963,000 tons of meat (beef, veal, pork, and lamb, in 1980) represents more than 107,000 tons of raw material in terms of dressed meat, an additional 60,000 tons of dressed beef which would be obtainable by increasing the slaughter weight of cattle. The greatest unused potential is in primary production, but there is also significant potential in the meat industry, in the distribution sphere and in final consumption. Some of these losses and this potential are exploitable through improved managerial and organizational activity at all levels of management. In the near future, changes in these areas would yield about an additional 30,000 tons of dressed meat.

The utilization of this wastage and this underutilized potential is also the focus of CSSR Government Resolution No 215 of 10 December 1981, which is based on discussions of the report of the CSSR People's Control Commission concerning its check of rational meat management. The adopted measures are oriented, in agricultural production, primarily at a reduction in deaths and at intensifying material incentives for employees of agricultural enterprises and veterinary services to reduce losses, to increase the slaughter weights of cattle, and to the more balanced management of herd turnover. In the meat industry, these measures are directed at the elimination of losses by death during transporting and preslaughter confinement, at a reduction in confiscation, the adherence to production standards, to the more rapid shift toward the procurement of livestock firmly in meat, at an increase in the percentage of high-yield meat products, at an increase in the processing of meat at the meat industry level, including an increase in the percentage of packaged and specially prepared meat, and at an improvement in the quality of meat industry production.

At the level of retail trade organizations, the measures aim at an adherence to applicable standards for the butchering of meat at retail stores, at adherence to agreements which have been concluded regarding the quantities and product mix of delivered products, at increasing the honesty of the selling process and at creating the preconditions for increasing the extent of the sale of packaged meat. The necessary tasks for the assurance of these principle measures have been assigned to the appropriate branch and sectoral ministries and planning agencies.

The constantly increasing difficulty of external economic conditions, the necessity for strengthening our self-sufficiency, and the increasing strategic significance of food are all forcing a much more economical and frugal valuation and utilization of everything that is produced by agricultural production. The necessity for a more decisive limitation of losses and utilization of unused capacities of all kinds from livestock production, through the meat industry, right through rational behavior by consumers will have an ever greater significance if we are not unnecessarily to shortchange our table.

9276
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CHEMICAL FIRM MAPS STRATEGY FOR EIGHTIES

Budapest NEPSZABADSAG in Hungarian 27 Jan 82 p 10

[Article by Janos Vad manager of United Chemical Works: "Open Plan--As the Enterprise Sees It"]

[Text] Experiences of Medium-Range Planning at the United Chemical Works

This country's chemical industry underwent spectacular growth in the last 20 years; production increased almost eightfold, and productivity about fivefold. This growth, which significantly exceeds the industry's average, contributed to the welcome successes of agriculture and the food industry and made technological modernization possible in a number of areas of the national economy.

At the same time, the rapid expansion of the selection of chemical products, the contradiction between the domestic market's absorbing capacity and economical operation sizes, as well as the relative narrowness of development resources did not make possible the extent of development which could have prevented the rapid growth in the import of chemical products. The Hungarian national economy's imports of chemical products amounted to about $1.4 billion in 1980. Decreasing these imports and more economical fulfillment of the rapidly growing demands for products of the chemical industry justify the fact that, according to the projections of the Sixth Five-Year Plan, the chemical industry must grow faster than the average of industry as a whole.

Rapid growth of the chemical industry is made more difficult also by the world market's problems. That is, in spite of the fact that the oil price explosions increased the value of the chemical industry's products within the economy, recession, unexploited capacities, depressed price levels, etc., exist on the European markets most important from the viewpoint of our exports.

Points of Emphasis in Development

Under such circumstances, it is not a simple task to designate development goals for the Hungarian chemical industry and for its enterprises which will simultaneously insure an equilibrium in the export and import ledgers of the chemical products, development of a profitable product structure and more successful utilization of the existing research and development apparatus. The achievement of these goals and insuring the future of the Hungarian chemical industry place big tasks on the chemical industrial enterprises, and among them on the United Chemical Works, which in 1980 supplied 1.3 percent of the chemical industry's output with an employment

of 750 people, and the value of its per capita production was 2.7 million forints. Calculated at world market prices, the value of production is about $80 million, for which we are using imported raw materials worth about $19 million. At the same time, in spite of the dynamic growth of recent years, our capitalist exports barely reach $3 million.

We sell 95 percent of our products on the domestic market. In 1980, our enterprise with its production valued at 2.1 billion forints contributed to domestic production worth several tens of billions of forints.

The fact that the value of our imports based on capitalist raw materials are high, that the foreign currency balance at the enterprise level shows a deficit of $16 million, is a depressive burden on the enterprise's economic operation.

We started out from these conditions when we prepared our Sixth Five-Year Plan, and make it our goal to improve the foreign trade balance at the enterprise level. During the course of this planning work, we established that we are not able either by means of improving the domestic chemical industry or within the framework of socialist integration to obtain significant quantities of those raw materials which until now we have been importing from the capitalist area. It also became vident that if we decrease production of those of our products based on raw materials obtained from capitalist imports, though the enterprise's export-import balance can be improved, the national economy's capitalist trade balance will deteriorate due to increased imports of finished products.

At the same time, there is much competition on the European market with the products we produce, these products are sold at greatly depressed prices and we can create a foundation for increasing exports only by means of radical improvements in the enterprise's product structure.

We had to find the right raw-material foundation for this. In additions to several possibilities which proved unsatisfactory, we investigated and included in the plan the utilization of domestically produced animal fats from which glycerine, fatty acids, glyceric alcohols and amino compounds can be made. As the first step, we are planning to process in the chemical industry animal fats valued at $6 million per year, from which chemical products worth $10-$11 million can be produced. The cost of the investment is about $12 million, which will be returned from the net foreign currency produced in 2 to 2.5 years. Beyond implementation of the investment, it will also require serious work to build up the market in Europe for new products produced by chemical processing of animal fats. We trust that as a result of changing the product structure we can turn the export-import balance of the United Chemical Works into a surplus during the 1980's, and we consider this to be the central issue of the enterprise's strategy.

Beyond insuring the raw material base, definition of the enterprise's strategy and development of a modern product structure also require precise evaluation of the market demands and opportunities. The preparation of medium-range plans in production enterprises usually begins with requesting information from their customers concerning their medium-range requirements. Even though we do generally receive such information, the experiences related to the earlier deficit operation manifested themselves in efforts for overinsurance in almost all areas. We see in many cases that unfounded investment ideas exist behind the declarations of requirements, and it also causes no problem for the buyer if these are not implemented, since a

contract neogitated for smaller quantities than had been declared does not cause any kind of a disadvantage for the buyer. At the same time, from the supplier's viewpoint preparing to satisfy the higher demands may involve developmental consequences. The United Chemical Works produces two-thirds of its products for further industrial processing and, in connection with what has been mentioned above, lengthy reconnaissance work has to be done at times in order to establish realistic needs.

The situation is also similar in many respects in the case of domestic sales. Here, theoretically we should start out from the point that realistic information should be provided to the producers by domestic commerce, which is in direct contact with the consumers. But the situation is not so simple because the distribution function of commerce is being vigorously implemented. The insufficient warehousing, shipping, etc., preparedness of wholesale commerce and the shortcomings of product distribution cause structural shortages and surpluses on the market. Therefore retail trade often considers the supply to be adequate even when instead of certain types of products the store has so-called substitute products. These and similar reasons lead to shortages of some items and inventory increases causing financing problems appearing simultaneously on the market. And all these things make it much more difficult to accurately evaluate demand.

Foreign Market Relations

Foreign market information is even more inadequate for the exporting enterprise. They usually have sufficient information for developing a sales strategy for commodity items where the foreign sales agencies which have great experience in evaluating the international market regularly issue market reports, prognoses and estimates for the expected price trends.

The situation is much more complicated for those products whose market situation can at best be analyzed from information published in trade journals--often in the form of brief news items. The specialized foreign trade state enterprises put out many publications now, but the producing enterprises receive the market news in these in bulk form, the summary of partial information into a more-or-less coherent picture is missing, therefore they cannot be used very well for real marketing work.

Factors of Competitiveness

On international markets, the success of products is determined basically by two factors: One, the quality of the product and the service related to it, and two, the selling price of the product, including the costs of delivery to the buyer. Today the industrial enterprises cannot really get answers to these questions from the foreign trade enterprises. Under such circumstances there are many contingencies involved in making sales abroad, and lasting [customer] relationships do not develop. It also happens that by the time industry sets up for production based on the price of products imported earlier and begins to export the product, the obtainable price is only 60-70 percent of the export price.

Each year the United Chemical Works delivers six to eight kinds of products to capitalist markets. We have only one product whose export value exceeds $1 million per year. Even our total export does not amount to 1 percent of the export of the foreign trade enterprise which handles it. During the course of medium-range planning, we were unable to secure export demands from the foreign trade enterprise for our products. In spite of this, we have developed our export ideas, but they are not supported from the market angle. Industry has a shortage of markets, and foreign trade has a shortage in its merchandise base.

Considering all these things, the search for demand and market preparation must receive a much greater role in the enterprise's work than it now has, since this is the basic condition for effective implementation of the developed enterprise strategy.

8584
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TV BROADCASTS ECONOMIC ROUNDTABLE DISCUSSION

Budapest MAGYAR HIRLAP in Hungarian 30 Jan 82 p 6

[Excerpts from television broadcast 21 January 1982: "Economy—Second Economy"]

[Text] The following are excerpts from the roundtable discussion shown on Hungarian Television on 21 January 1982. Participants: economist R. Istvan Gabor, sociologist Lajos Hethy, economist Sandor Kopatsy, lawyer Peter Schmidt, economist Laszlo Samuely. Host: Zsolt Papp.

Zsolt Papp: One topic of discussion today is work done outside the state sector—and income earning activity. Many of our viewers are already asking, what is the role of the state here?

Peter Schmidt: This is a basic, conceptual question. Socialist development has increased the role of statehood to a large degree. The socialization process which in socialist states is accomplished in the area of economy has taken place decisively by means of the state. However, it is not accidental that very significant debates have always accompanied this process: debates centering about the NEP-era [expansion unknown] in the Soviet Union, debates over the degree of socialization, debates in Hungary over the nature of the planned directive system essentially since the 50's. Today, these debates lead to the conclusion that the role of the state must be diminished. The state's system of implements is too large; too many bureaucratic tools enter into social production. The disengagement of this system may allow us to approach the sphere of activity of the state.

Zsolt Papp: One of our attitudes is this: economy, inasmuch as it is socialist economy, is state socialized economy. Historically, how did this attitude develop?

Laszlo Samuely: We are dealing with a unique, partly historical, partly logical paradox. According to Marx and Engels, state ownership and social-sationt direction would have extended to the so-called societalized sector of the economy, for which large-scale development, industry and, in part, agriculture were already the stage under capitalism. Yet, in interesting fashion, in most countries which underwent the process of socialist revolutionary change, the unique

situation has developed that after a very short time the state sector "absorbed" not only large-scale industry, but also the small industrial, service, and other sectors. Let us take the example of Soviet Russia: according to a decree of 1920, all industrial enterprises of more than five people had to be socialized. But the socialization-nationalization process was much broader than this. According to the industrial census of the time, one-seventh of all state enterprises employed only one worker. Those of up to 15 workers comprised two-thirds. The Eastern-European developments after World War II and the later ones, from Cuba to China, demonstrate the same ratios. The question is, why? Why did nationalization and socialization well exceed that which the classics of Marxism deemed necessary? Many causes can be considered, for instance, ideological causes! The future view that socialist society is a homogeneous one, the interest of whose every member immediately and directly depends on the success of the larger society developed and spread out of the study of scientific socialism. Another reason is the economic planning standpoint.

Peter Schmidt: It is worthwhile to think through how state involvement in the housing question came about. In 1945, not at all on socialist ground, the state system received a very powerful involvement opportunity in housing management. This was a social necessity, because social equality could not be brought about in any other way. Nationalization proceeded after that. And now we have reached the point where the housing question must be resolved not as a central or social problem, but market conditions must also be connected. The debate is still in progress: one side says that many more homes must be constructed out of social reasons. We have gone too far in the direction of market economy. The other side maintains that housing management should be freed further, to speed the solution of housing problems. This in turn means crowding out the state direction. Either way, the state plays an important role in social direction, of course, but which means it uses to do this makes a difference. This is the situation with industrial direction also.

Sandor Kopatsy: We are fetishizing the question of state direction a little. It did not bother us to know that the state apparatus ordered large industry to step up its productivity, to take account of its internal underemployment, to improve quality, to economize--and of these, actually, not one goal was reached. Let us think back to how many party and state decisions were concerned with these problems. Yet we still did not question that the state could direct large-scale industry. We are ideologically perplexed with the economics of the household plots or, the second economy, either because we cannot so-to-say, direct them. On the other hand, if we go to the market, we see that many, high-quality vegetables are available, those which we need. Is this not a better realization of planned economy, a better realization of state power? We should not consider that to be state power which the state orders, prescribes, or forbids; it is also power if the state is able to realize its goal through market means, and the citizens have access to what they want. I find it important that the second economy should develop because it, too, is related to the improvement of the much more important first economy. And it would not hurt if the public opinion would once measure the role of direction by how effective it is.

R. Istvan Gabor: A fact that can give an idea of the health of the second economy is that the worktime expended here is approximately one-fourth of the total worktime base of socialist sectors.

Lajos Hethy: The objective socio-economic bases for the second economy can be found in the various individual needs, which a large industrial socialist sector bound by its organization, technology, and mass production size cannot meet appropriately. The objective base also exists in the labor and financial reserves of the population. At the same time, its origin must not be restricted to objective technological or organizational reasons. The second economy also has an origin (forgive me for the oversimplification) in the inflexibility of the first economy, the socialist sector, and the state enterprises, in disorganization, and in weak, poor leadership.

Zsolt Papp: Let us then state the question differently: Why aren't the enterprises productive?

Lajos Hethy: The party decision of February 1980 dealing with the second economy put it into words: in the second economy, proportionally higher wages and income can be attained through additional labor and additional effort. In contrast, the opportunity to attain proportionally additional income does not exist in the first economy, even if the people have the desire to do so. Even the party directives state that this would cause keeping back of activity under the first economy. It would be useless to deny that this is an abnormal situation. Since we want to stimulate more effectively, why are we maintaining this situation? One reason is central wage regulation. In the past few years, central wage regulation has resulted in a practice which fixes the wage level for one individual at enterprises at a fairly low value and in an equalized way, so that the enterprises are generally incapable of operating an effective incentive system within this framework. I do not wish to criticize wage regulation in general, because wage regulation and the wage system are necessary for numerous economic, political and social requirements. For instance, wage regulation contributed to restricting of wage increases which were not based on production results, braking of inflationary tendencies, and contributed to maintaining full employment. But it hindered realization of the goal that we move toward an effective incentive system. We must work out a wage regulation construct which aids enterprises as much as possible to operate an effective incentive system—or at least not prevent it.

Sandor Kopatsy: Wage regulation can be criticized for that reason, but everything is related to everything else. How wages can be regulated in the enterprise and cooperative sector depends on their organization and our industrial and economic policies, our rate of accumulation, our financial policies, and our tax system. If these do not change, one cannot say what kind of improved wage regulation can be effected. This question has often been posed to us practical economists, and the questioners have always been indignant that we could not answer. Perhaps the most important reasons for our economic and organizational faults are that they developed in a certain milieu of the economics of shortage. All goods production which reduces this shortage economy makes it possible for us to realize more consistent reforms in the first economy. Actually, this is the "contribution" of the second economy.

Lajos Hethy: The second economy is useful, almost indispensable to our development, but the decisive task is to make the work of the socialist sector and state enterprises more efficient. The second economy does remove certain burdens from

the socialist sector, and thus makes it possible to enact reforms there; but in my opinion, it also promotes these reforms because it is one form of criticism of the socialist sector. Systematic, scientific analysis of the second economy can provide insights to incentives or labor organization which can then be used in the first economy. In regard to the future of the second economy and the related worries, the problem must be divided into two parts. There is a part of the second economy which has already been in existence, partially in the cracks in the first economy, and which will continue to function unchanged if the conditions remain approximately the same. However, economic policies have initiated a new side in the second economy, the small business sector, which is just beginning; its goal is to draw the labor and the financial resources of the population into our development. Concerns for the future arise here. I think the political intention for a positive solution exists, but the solutions, from many standpoints, come later. The deciding question of the development of the second economy and the small business is income. Can we keep our promise that we will remunerate additional labor efforts with proportionally higher income in the second economy and the small enterprises, and can we tolerate this socially and politically--this is the question.

9890
CSO: 2500/121

MINISTER INTERVIEWED ON 1982 ECONOMIC PLAN

Warsaw ZYCIE GOSPODARCZE in Polish No 1, 24 Jan 82, pp 1,3

[Interview with Vice Premier Zbigniew Madej, chairman of the Planning Commission, by Karol Szwarc: "In the New Situation"]

[Text] [Question] In the public memory the plan for the current year has been maintained in the various forms of fear and hope, especially after these proposals were publicly presented to the Sejm last fall. Are these still relevant?

[Answer] I recall the government chose two of the three variants in the final report: one close to the hope variant and the other the golden mean variant. But they rejected the fear variant, the most pessimistic, which should not even have been given consideration in the opinion of the people. The Council of Ministers adopted the draft plan understood in this way at the beginning of December. This plan is compulsory. Today, we are proceeding to construct quarterly plans based on this.

[Question] But did not the final balance last year require essential changes in the plan?

[Answer] Many things have happened since the plan was adopted. None of the planners considered the fact that in a short time martial law could be delcared. Therefore this was not allowed for in any of the plan variants.

Today we in effect have a new situation: it has developed one way in the mining industry, and it is assuming a different shape in the processing industries. For mining there is every chance that results close to those formulated last autumn by the optimistic form will be achieved as early as the first quarter, and probably in the following months as well. I remember that in the hope variant they expected coal extraction to reach about 175 million tons for the year. At the present time with a six-day work week in mining, more than 620,000 are extracted between Monday and Friday, and approximately 500,000 tons on Saturday. Therefore the achievement of these 175 million tons is highly probable.

Here we do have a certain modification. It was also published last autumn that could would be a decisive factor in the course of economic events.

[Question] There have been complaints about you saying that you have prepared a simplified outline of economic development based in principle on a single raw material....

[Answer] I was aware myself that this is a simplified approach. I only wanted to make the public aware of the great importance coal has in our economy. And in a certain sense I have done this.

However, the factor limiting development today is completely different. Namely, it is the resources entering our economy from abroad, or all raw and other materials and components for production which we import from capitalist countries. In other words, it is the lack of free foreign exchange.

The inflow of foreign exchange funds into our country, which began to be restricted sometime in the second half of the 1970's, was flowing in a very, very narrow stream as early as last autumn. And in effect this narrow stream has come to a standstill in recent weeks. Many capitalist countries have applied economic sanctions against Poland. The very harsh attitude of the United States toward the Polish economy, and the attitude of France--which was quite a surprise--and of the other EEC countries are unfortunately not favorable to us. Other countries have a different approach. For example, Canada states that it will not impose any restrictions.

But aside from the different attitudes of individual countries as expressed in diplomatic language, in economic language and in financial language we basically have no positive facts to report. Financial credits are not flowing, and transactional credits, on which we count a great deal, are not being initiated. There have even been indications of freezing our own financial resources by West European banks. We also have to deal with the phenomenon of restrictions on the inflow of raw and other materials and other goods which were contracted earlier.

In this connection in the processing industry, which was built up in such a way throughout the 1970's that it was based on technologies imported from capitalist countries and requires foreign exchange input for production, many subsectors are condemned to incomplete utilization of the potential they possess. We have industrial subsectors of which will use lower than 50 percent of their production capacity. For example, approximately 60 percent of the tire and wheel covering industry in general, which bases its production to a large degree on imported rubber, will be used in the first quarter because of the lack of foreign exchange. The fur and leather industry will not even be able to use 50 percent of its production capacity for the same reasons. The same thing applies to industries based on chemical imports.

[Question] What steps are planned in this area to strengthen foreign resources to prevent such a great collapse in the processing industry?

[Answer] We have a scenario, or more precisely several scenarios, which we have already begun to implement.

First of all, in our relations with socialist countries, we have asked for an acceleration of raw materials deliveries already contracted for the current year, so that they can be concentrated to a great degree in the first quarter and the beginning of the second quarter. In this sense Polish industry can get additional raw materials quickly, obviously those which can be replaced. At the same time we have turned to these countries for supplies of additional raw materials which have not been traditionally exported to our country and which we usually purchased in

capitalist countries. We have been met with friendship, but we are aware of the fact that there is a much more difficult problem. And in this way we will try to overcome the blockade of western imports to a certain extent.

Likewise we are establishing relations with many socialist countries to offer production services for them in those subsectors which will have available production capacity. This refers to USSR, CSSR and GDR, and will be done mainly in light industry.

But with the best of goodwill and with the greatest efficiency of action, we cannot eliminate in the first quarter the situation in which the inflow from the capitalist countries is already essentially drying up without substitute deliveries keeping up yet. For this reason I anticipate that the drop in industrial production in the first quarter of this year may amount to 8-10 percent of the level reached in the same period last year. This decline will be more acute in the processing industries.

It is clear that this will have an effect on market supplies. However, lest we passively submit to this situation, we have asked the socialist countries to concentrate in the first quarter and the beginning of the second quarter the deliveries of market goods which have been anticipated for 1982. In this way we shall first fill many gaps, and at the same time will attempt to equalize supplies by ourselves.

We are still ready for relations with capitalist countries. We wish to continue our previous financial policy and, if only it is possible, to continue our wide economic relations.

There are signs that France will introduce some deviations from its initially sharp declaration of "no" on the import of grain. The anticipated import of approximately 800,000 tons may be partially implemented and in several stages. However, the restricted importation of grain and fodder from the United States is badly restraining us. Much of our fodder grain and corn have been imported from there.

These considerations led to the question of a grain loan in our country. It has already been discussed and will be rapidly implemented, because otherwise a complete lack of even bread grains would threaten us in the months immediately ahead. For the same reasons we have turned to socialist countries for aid, which would also have the nature of a grain loan. Some of these countries have also had shortfalls in their grain and fodder supplies, since they import them. Nevertheless we want to ask for this loan, and perhaps we will be able to return the grain and fodder from harvests of future years.

[Question] Can it be said that in view of all of these facts the situation in the processing industry in the first quarter will be close to the fear variant, while the extraction industry will be close to the hope variant?

[Answer] Yes. At any rate such a situation will occur in the first quarter.

[Question] However, will there not be sectors in the processing industry which will be closer to the hope variant?

[Answer] Actually I spoke too generally about the processing industry. It has certain priorities in conformity with the so-called operational programs. In light industry, for example, the production of clothing and footwear for children and youths will increase decidedly in comparison to the first quarter of last year and in comparison to all of 1981. In exactly this case it is possible to make a rather large shift. It is similar to the chemical industry which concerns personal care items, medicines and fertilizers. It is true that in regard to fertilizers the matter is beginning to become complex for us, especially in connection with nitrogen fertilizers. We must also think of how to assure materials for the production of these fertilizers.

[Question] What will be the situation in agriculture, and what will determine it?

[Answer] In recent years we have observed active purchases of hogs, cattle and grain. However, this briskness is not completely satisfactory.

This is why the grain loan mentioned above, which would mean an additional 1-1.5 million tons of grain is considered an urgent matter. On the other hand new relations between procurement prices and prices of means of production will be introduced in the long run. Certain forms of connecting deliveries from the countryside with industrial deliveries for the countryside are also being prepared, but not in a direct form as has occurred up to now. It is rather a contractual system which is being considered.

The potential possibilities of stimulating rural econmic sector are still great. A complete solution to the grain question will require several years. But to achieve it the industry producing for agriculture must first of all develop considably faster. An increase in agricultural cultivation is also indispensable. Finally crops must be processed decidedly better, since sometimes the losses between field and table even reach 20 percent. The revival of agriculture will not occur in the course of a quarter or in the course of a year. It will require several years. After all, in this respect our projections about the end of the crisis, presented in autumn, are still valid.

[Question] Does not the economy alone have domestic resources which could mollify to some extent the negative effect of the economic sanctions applied by the West?

[Answer] First of all, at this time our economy has an elementary order and regularity. The first results of this already exist. Not only the excavation of coal, but also of sulphur and copper will probably be greater than last year.

There are also opportunities for greater confidence in our co-production associations. This does not mean that there will be an abundance of raw and other materials, but simply that it will be known in advance who will receive deliveries and who will not or will obtain them in limited quantities.

Transportation should function better. In the second half of December we had severe frosts and heavy snowfalls. However, railroad and highway transport in principle functioned normally. This is the result of martial law. what is still a plan and should soon be a fact should also have a positive effect, namely that the domestic market will acquire greater stability due to the retail price reforms instituted.

Furthermore new producer prices, new principles of enterprise financing, new principles of incentive and new principles to stimulate exports have been put into effect. All of these aspects of the economic reform are becoming facts. It is true that it will not produce immediate results and that the mere introduction of these principles will take the entire first quarter and possibly longer, but they will certainly be elements stabilizing the economy.

[Question] What methods will the central plan use to implement this stabilization?

[Answer] The obligatory elements of the central plan, which seemed unnecessary or sounded false to many people for emotional rather than sound considerations, have been given special importance.

There was no doubt among the experts that the plan should include obligatory elements....

[Question] ....This was written into the reform drafts at the same time.

[Answer] That is correct. On the other hand in the informational uproar on this question, in the uproar which had a great effect on the so-called mental attitude of the entire populace, the elements hostile to the obligatory part of the plan seemed to be strengthened by the myth of self-regulation. This uproar has died down, or at least is not conspicuous.

I believe, and I have already said this, that the obligatory elements have been given their own importance. This refers to such basic matters as outlays for central investments and the entire sphere of budgetary expenditures.

Obviously they also refer to the operational programs which are connected with the allotments of raw materials, foreign exchange and a definite obligation to manufacture products which are anticipated in the draft. The number of operational programs has been increased from 9 to 14. But this is not the result of a desire to increase the obligatory elements in the central plan. It is the effect of trying to give special treatment to some narrow economic sectors. Let us take, for example, the program of producing protective clothing. There was a great deal of pressure on the part of the workers not to push into the background implementation of these demands. On the other hand, in the case of the meat and fat production programs, it is not a question of suddenly taking control of an abundance of these goods, but of more reasonably managing the supplies we do possess.

[Question] What was the governing factor in introducing something essentially new in the form of quarterly plans?

[Answer] Obviously it was not the fact that the year is divided into four parts. As early as autumn we expected the economic situation throughout the current year to be differentiated in time, that winter would appear one way, the period before harvests in another way, and that things would also be different after the harvests.

[Question] Will elements of certainty and uncertainty change in the course of time?

[Answer] Obviously. The quarterly plans will be arranged from the viewpoint of the need to reassess current economic realities and also more flexible methods.

6806
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## PRODUCTION RESULTS FOR 1981 EVALUATED

Warsaw ZYCIE GOSPODARCZE in Polish No 3, 7 Feb 82 pp 1, 4

[Article: "The Economy in 1981; From Main Statistical Office Materials"]

[Text] It is not easy to make even a preliminary evaluation of the work of the economy in 1981. The statistical data are merciless. They show an economic breakdown that is without precedent in our postwar history, without precedent in the history of higher developed countries of the world. We will be analyzing the reasons for this state of affairs for a long time. There are so diverse, so complex, that an economic analysis alone will explain little, for in addition to the economic sources we must delve into the reasons that lie in the social and political situation, into sociological analyses as well as historical.

In this material we want to principally present the numerical data pertaining to specific fields of the economy and to simply point out certain tendencies, without attempting to evaluate them deeply or analyzing them fully. We feel that familiarity with these data is indispensable if we are to know the condition from which we are beginning in 1982. The data are also important as a starting point for the predictions on what awaits us. We need physical work badly, but we also need the work of the imagination, based on realities and able to find active solutions to the problems facing us.

As shown in the Main Statistical Office's report, published a couple of days ago in the mass media, the generated national income in 1981 dropped 13 percent compared with 1980. There was also a drop in the generated national income in the two previous years--6 percent in 1980 and 2.3 percent in 1979. Industry had a determining influence on this drop. Preliminary estimates indicate that net production in socialized industry declined by 19 percent in 1981, in comparison with 1980 (in 1980 this decline was 1,7 percent; in 1979 this production rose 2.7 percent).

The decline in the efficiency of the economy is even more apparent in the light of data on financial accumulation. According to estimated data, financial accumulation in socialized enterprises (excluding the "agriculture" sector) in 1981 was unfavorable and amounted to 58 billion zlotys, compared to favorable in 1980 amounting to 297.5 billion zlotys and, in 1979, 414.1 billion zlotys. We wrote about the steep drop in financial accumulation several weeks ago ("The Scale of the Inefficiency", ZYCIE GOSPODARCZE, No 50, December 13, 1981), on the basis of statistical data for the first three quarters of last year. The figures from the fourth quarter show a further catastrophic deterioration in the economy's financial situation.

Sold production in enterprises and plants of the socialized industry (in fixed sales prices) amounted to 2.96 trillion zlotys in 1981, or 0.43 trillion zlotys less, i.e., 12.6 percent, over that of 1980. We observe a weakening production growth rate in industry in the 1970's since 1977. In that year, the increase in industrial production still amounted to 6.7 percent; in 1978 it was 4.7 percent; in 1979, 2.5 percent; and in 1980, there was a slight drop in this production (1 percent).

Net production in industry declined, as we already mentioned at the beginning, still further, for it was by 19 percent. Utilized financial accumulation in industry last year amounted to 48 billion zlotys against 307 billion zlotys in 1980--a drop of 84 percent.

The above-mentioned drop in industrial production (sold) in 1981 of 12.6 percent occurred under conditions, and this should be emphasized, of increased production capabilities in industry. The gross value of fixed assets in the national economy increased last year, as preliminary estimates show, 3 percent, including 4 percent in industry.

The decline in industrial production last year was accompanied by a highly irregular rate of production, greater than in past years. The characteristic of this irregularity also changed. Before 1980, during the last quarter there was generally an "improvement" in the production for the whole year. But last year the fourth quarter was worse than the first three quarters. The result of this irregularity was an exceptionally strong growth of reserves in industry, including production in progress. The value of reserves in industry at the end of last year was about 695 billion zlotys higher than at the end of 1980, which represents an increase of 9.4 percent.

The decline in production of some of the more important industrial products was described in the Main Statistical Office's report by several dozen representative examples. We will confine ourselves to the 12 shown in Table 1. We have concentrated on products in which the production drop was relatively the steepest.

As the table shows, hard coal output, which in 1981 amounted to 163 million tons, was 15.6 percent less (30.1 million tons) in comparison to 1980, and 18.9 percent less (38 million tons) in comparison to 1979, which was due to many reasons, including reduced working time and a general decline in work discipline. But at the end of 1981, a certain slowing down of the declining tendency in the coal industry was ascertained. Therefore, at an average drop, 15.6 percent, in hard coal output (in thousand tons) in relation to 1980, in the last four months the indicators of change (compared with the same months in 1980) were, successively: plus 4.4 percent, minus 9.4 percent, plus 2.3 percent, minus 1.4 percent. (Compared to 1979, they were, for all four months, unfavorable and amounted to 16.8 percent, 23.3 percent, 18.3 percent, 14.8 percent, at a 18.9 percent drop for the entire year.)

Unfortunately, there was no similar slowing down of the growth rate of production decline (in fixed prices) in most of the branches of the processing industry, including especially in the electric machinery industry, but also in many branches of the chemical industry and light industry, which was due mainly to the increasing raw-materials and co-production difficulties. But in some branches of the food

Table 1.

| Item | 1981 Production In Absolute Numbers | 1981 Production 1980=100 |
|---|---|---|
| Hard coal (million tons) | 163.1 | 84.4 |
| Petroleum products (million tons) | 13.6 | 81.4 |
| Rolled products (without semifinished products for export) (million tons | 11.1 | 81.6 |
| Zinc (thousand tons) | 167 | 76.8 |
| Metallurgical aluminum (thousand tons) | 66 | 69.4 |
| Plastics (thousand tons) | 475 | 86.6 |
| Cement (million tons) | 14.2 | 77.2 |
| Trucks (thousands) | 37 | 77.7 |
| Tractors, two-axle farm (thousands) | 50.5 | 88.0 |
| Synthetic fiber (thousand tons) | 199.6 | 77.6 |
| Cotton and cottonlike fabrics (million tons) | 783.1 | 87.7 |
| Wool and woollike fabrics (million tons) | 103.5 | 85.5 |
| Washing machines and household electric rotary appliances (thousands) | 713.0 | 88.2 |

industry signs of a halt in the decline of production appeared. These were attributed to the relatively good harvest of sugar beets and certain other crops.

A setback even greater than that in industry occurred in construction. Basic production in socialized construction-assembly enterprises dropped in 1981 from 308 billion zlotys to 243 billion zlotys, i.e., 19.6 percent. This amounted to a drop of 28.4 percent in relation to 1979.

This was connected with an over 25 percent reduction in investment outlays. This represents a further significant decline in the share of net investments in the national income, from over 24 percent during 1976-1980, including from about 17.5 percent in 1980, to 11 percent in 1981. Outlays for construction-assembly work decreased in 1981 (in comparison with 1980) by 20.3 percent, which was slightly less than investment outlays as a whole. Outlays for machines and equipment dropped slightly more (24.7 percent). Outlays for machines and equipment from import declined 21.2 percent, including 18.9 percent from capitalist countries. Because employment in construction-assembly enterprises declined only 4.3 percent during this time, this also indicates that there was a marked underutilization of human labor resources in the performance potential of investments. Labor productivity per one employee in these enterprises declined (17 percent in relation to 1980 and 20.3 percent in comparison with 1979).

There was also a large setback last year in housing construction. Approximately 139,000 dwellings from socialized construction were released for occupancy, which was 22,000 dwellings less (13.5 percent) than in 1980. The decline in nonsocialized housing construction was even greater, for it reached 20 percent. As a result, we returned to the housing construction level of 1974. Yet during these years there was a large increase (from 1.3 million persons to over 2 million persons) in the number of people waiting for housing, both adult members and candidates for membership in the cooperatives.

The critical economic situation last year did not bypass any sector in the materials sphere. In 1981, socialized transport enterprises hauled a total of over 1.2 billion tons of cargo, i.e., 26 percent less than in 1980. The Polish State Railways hauled about 17 percent less, but the public and branch motor transport enterprises hauled over 31 percent less (maritime service transport dropped over 19 percent). Labor productivity declined even more because despite the drop in haulage, employment increased (2.8 percent in the Polish State Railways and 0.2 percent in the Polish Motor Transport).

The sector of materials production which, after industry, has the most important and definitely growing influence on the economic situation, is agriculture. As distinct from the remaining sectors of materials production, it is estimated that the generated national income in agriculture in 1981 was higher, by 3 percent, than in 1980. But the 1979-1980 years were a period of very sharp decline in agricultural production (0.4 percent in 1979 and 17.3 percent in 1980). In this light, the slight increase in total farm production in 1981 (about 3.5 percent in comparison with 1980) is still no cause for optimism.

The relative stabilization of total production in agriculture was accompanied by significant changes in its structure. Crop production was over 20 percent higher than in 1980. But animal production dropped 13.5 percent. Even greater changes occurred in the structure of agriculture's marketable production.

The increase in crop production last year was due primarily to the grain crops, which amounted to 19.7 million tons, i.e., 1.4 million tons more than in 1980, and over 0.2 million tons more than the average crops during 1976-1980. The increase in grain crops was the result of larger yields, which are estimated at 24.9 quintals per hectare, compared to 23.4 quintals per hectare in 1980. Sugar beet, potato, and vegetable crops were also good. The fruit crops were not as good.

The drop in animal production in 1981 was due in large measure to the poor crops in 1980. According to the farm animal census, there were 11.8 million head of cattle at the end of June 1981, i.e., 0.9 million less than in 1980 (a drop of 7 percent), and there were 18.5 million hogs, i.e., 2.8 million less (a drop of 13 percent). Data obtained from representative studies last October show that the number of cattle declined from 11.6 million head (1.1 million less than in the middle of 1980) and the number of hogs grew to 20.2 million (but it was still much lower than in June 1980, but this time only by 1.1 million).

The very difficult problem in agriculture, which had a bearing on the whole economic situation, was the drastic drop in procurement last year. In 1981, total procurement of livestock for slaughter, in terms of meat, amounted to 1.9 million tons, almost 0.64 million tons, i.e., 26 percent, lower than a year ago, and in the final months of last year this decline reached a level of 40 percent. The sharpest drop in procurement of livestock for slaughter (from 35 to 40 percent on the scale of one year) occurred in the central and southeastern voivodships.

Throughout the entire country there was an extremely large increase in free-market turnovers in farm-animal production at prices several times higher than the retail prices of these articles in socialized trade and much higher than the prices used in socialized procurement.

The drop in procurement of farm animal products affected milk to a lesser degree. Milk procurement during all of 1981 amounted close to 9.3 million liters, i.e., 7.6 percent lower than in 1980. But an improvement in procurement was observed during the year. In the fourth quarter it was 4 percent higher than during the same period in 1980. However, in the final months of last year, egg procurement declined somewhat. On a yearly scale, egg procurement remained at the 1980 level.

The procurement of crop production from last year's harvests was also proceeding poorly. Although crops were relatively good, the procurement of consumer grain to the end of last December amounted to 1.7 million tons (of which 0.7 million tons came from the socialized farming), compared to over 2.0 million tons the year before. At the same time, an exceptionally large increase in free-market prices of grain could be observed, particularly at the end of the year, despite the reserves of grain which were accumulated on the peasant farms as a result of relatively good harvests.

However, due to larger harvests, procurement of potatoes increased (to over 3.2 million tons) and sugar beets (15.8 million tons). In view of the especially poor harvests of these crops in 1980, this represents a rather large improvement.

In evaluating agriculture over the past year, we must also take into account the increased problems in supplying it with means of production. For the 1981 crops, agriculture used 3.5 million tons of artificial fertilizers (in pure ingredient), i.e., 3.7 percent less than for 1980 crops. The consumption of these fertilizers in the 1980/1981 marketing year, amounted to 186.2 kilograms per 1 hectare of cropland, i.e., 6.7 percent less than in the previous marketing year. This was due to a drop in the consumption of these fertilizers in socialized farming from 313.7 kilograms per hectare in 1979/1980 to 279.5 kilograms per hectare in 1980/1981; while consumption in nonsocialized farming increased from 152.4 kilograms per hectare to 155.8 kilograms per hectare.

During the entire past year, there was a serious shortage of many stocks and parts for tractors and farm machines.

But at the end of the year, some signs of improvement in deliveries of certain means of production for agriculture were seen. In comparison with 1980, the number of tractors delivered did not fall. In all of agriculture by the end of 1981, 645,000 tractors were delivered, which was an increase of 4.1 percent. One of the central problems of strategy on the threshold of the year 1982 is that of safeguarding deliveries from industry for agriculture.

In evaluating the economic situation we cannot ignore the nonmaterials sectors. Despite the critical situation, last year the not-insignificant sum of 245.3 billion zlotys was allocated for social and cultural services, which represented a 29.3 percent increase in expenditures. Expenditures for health protection and social welfare rose the highest (122.2 billion zlotys was spent, an increase of 31.2 percent) and for education and upbringing (103.6 billion zlotys, an increase of 29.5 percent).

The number of employed physicians at the end of December totaled 65,000 (a 1.4 percent increase), and there were 203,400 hospital beds (an increase of 1.2 percent). The infant death indicator declined almost 3 percent (from 21.3 to 20.7 per 1,000 live births). However, this sector was also affected by general supply difficulties. There was a shortage of many medicines and sanitary goods.

Table 2.

| Item | January-December 1981 | | | December 1981 | | |
|---|---|---|---|---|---|---|
| | In Absolute Numbers | All 1979 = 100 | All 1980 = 100 | In Absolute Numbers | 12-79 = 100 | 12-80 = 100 |
| Sold production in socialized industry (1981 prices in billion zlotys) | 2,959.0 | 85.9 | 87.4 | 233.5 | 68.5 | 74.6 |
| Hard coal output (in thousand tons) | 163,022 | 81.1 | 84.4 | 13,187 | 85.2 | 98.6 |
| Electrical energy production (in million kWh) | 115,228 | 98.1 | 94.5 | 10,842 | 96.9 | 97.1 |
| Population's money receipts (in billion zlotys) | 2,080.5 | 139.3 | 126.6 | 200.4 | 146.6 | 121.2 |
| Population's money expenditures (in billion zlotys) | 1,803.2 | 126.8 | 116.1 | 177.1 | 126.1 | 116.5 |
| Average employment in socialized economy (in thousand persons) | 12,037.3 | 100.4 | 100.3 | 12,038.0 | 99.3 | 99.3 |
| Procurement of livestock for slaughter (in terms of meat in thousand tons) | 1,896.1 | 71.5 | 77.7 | 143.3 | 64.5 | 61.7 |
| Deliveries of goods to supply the market (current prices in billion zlotys) | 1,459.5 | 109.9 | 104.1 | 126.8 | 96.3 | 97.8 |
| Foreign trade turnovers (in million foreign-exchange zlotys) | | | | | | |
| Export | 44,312 | 88.3 | 85.4 | 4,729 | 73.5 | 83.8 |
| Import | 51,191 | 94.2 | 87.8 | 5,800 | 62.1 | 68.0 |

Note: Preliminary data, subject to change

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The social and economic situation last year was increasingly subjected to the adverse influence of changes taking place in foreign trade and payment relations with other countries.

Exports to capitalist countries last year amounted to 18.2 billion foreign-exchange zlotys and fell 20.3 percent. Because instalments and interest on loans had to be repaid--despite the fact that a large portion of them were postponed--not much revenue remained to pay for imports. Imports from this area last year amounted to 18 billion foreign-exchange zlotys, a drop of 30.4 percent. Imports from the second payments area [capitalist countries] were especially sharply reduced at the end of last year. In the fourth quarter, imports from this area amounted to 4.9 billion foreign-exchange zlotys compared to 8 billion foreign-exchange zlotys in the fourth quarter of 1980 and 9.4 billion foreign-exchange zlotys in 1979.

Despite the large reduction in imports, in order to finance them it was necessary under these circumstances (due to the necessity to repay a portion of the instalments and interest) to borrow more money. As a result, the government debt in capitalist currencies rose still further by a sum on the order of 12-13 billion foreign-exchange zlotys, to a level, as preliminarily estimated in the Main Statistical Office's report, to 23.5 billion dollars.

Exports to socialist countries amounted to 26.1 billion zlotys in 1981, which represented a drop of 10.2 percent. In fixed prices, this drop was even greater, for it amounted to 17.1 percent in relation to 1980 and 26 percent in relation to 1979.

In current prices imports from socialist countries last year reached a level of 33.2 billion foreign-exchange zlotys, i.e., they increased 2.3 percent. Imports from socialist countries in fixed prices decreased 8.8 percent in comparison with 1980 and 3.8 percent in comparison with 1979. Exports to socialist countries, therefore, dropped much more than imports from these countries.

As a result, an unfavorable trade balance occurred last year in turnovers with these countries, amounting to 6.4 billion foreign-exchange zlotys. In 1980, too, there was an unfavorable balance of trade with these countries, in the sum of 3.3 billion foreign-exchange zlotys. The unfavorable trade balance with socialist countries is due almost entirely (both in 1981 and in 1980) to the excess of imports from the Soviet Union over exports to that country.

The unfavorable influence of foreign trade on last year's economic situation was attributed primarily to the reduction in imports of producer goods from capitalist countries. The value of these imports declined from 22.8 billion foreign-exchange zlotys in 1980 to 16.1 billion foreign-exchange zlotys, thus about 30 percent in current prices and close to 40 percent in fixed prices. In the fourth quarter these proportions became even larger.

All of the problems discussed above were reflected in the constant deterioration of the market and money situation last year.

Sales of retail goods by units of the socialized economy amounted to 1.46 trillion zlotys, including 1.42 trillion zlotys for the population, which represented an increase of over 17 percent compared to last year. But in comparative prices, it is estimated, sales declined 6-7 percent. Deliveries to trade dropped even more sharply--11 percent. This meant that trade was depleted of reserves. At the end of the year, the value of reserve goods in market trade still in the retail network and in the wholesale warehouses amounted to 184 billion zlotys, calculated in current retail prices. In comparison with the end of 1980, a drop in value of reserves amounting to 78 billion zlotys had occurred, i.e., 30 percent. The value of nonfood reserve goods amounted to 144 billion zlotys, a decline of 84 billion zlotys.

However, the population's money receipts last year grew very rapidly. Over the entire year they totaled 2.1 trillion zlotys, which represented a 26.6 percent increase over 1980 and a 39.3 percent increase over 1979.

The wage fund made up the largest share in these receipts. It reached a level of 1.2 trillion zlotys, 26.7 percent higher than in 1981 and 41 percent higher compared to 1979. Social pressures, including strikes, forced concessions to be made in the area of wage increases, although these were not warranted either by economic conditions or by production. We have already written about the general character of wage increases encompassing all sectors of the materials sphere as well as the nonmaterials sphere in the article, "1981 Wages and Social Services" (ZYCIE GOSPODARCZE, No 1, 1982).

Second, from the standpoint of the size of the item in the population's money receipts (370 billion zlotys), were receipts from sales of agricultural products to socialized procurement. Despite the drop in procurement, these receipts grew almost 40 percent compared to last year. The farm population's money receipts from the sales of its production are, of course, much larger (and also growing much more rapidly), if we take into account receipts from free-market sales, and also black-market sales. If we take this trade into account, we must, of course, also calculate the farm population's expenditures higher, since it is forced to purchase some nonfood articles at prices many times higher than those in effect in socialized trade.

The so-called discretionary fund (total population money receipts reduced by taxes, payments and loans repaid) amounted to almost 1.96 trillion zlotys last year (an increase of 27.3 percent in relation to 1980 and over 40 percent compared with 1979). The growth rate of this fund, therefore, was much greater than the growth of the population's money expenditures, which had to mean a further important accumulation of money reserves by the population.

The population's money reserves at the end of last year totaled 1,050 billion zlotys, of which 679 billion zlotys was in savings deposits and 371 billion zlotys was in cash. At the end of 1980, these reserves amounted to 766 billion zlotys, including 500 billion zlotys in deposits and 266 billion zlotys in cash. The result is that reserves grew last year by over 37 percent, including a 35.7 percent increase in deposits and over 39.6 percent in cash. In comparison with the end of 1979, the total amount of money reserves grew 55 percent, deposits, 45 percent, and cash funds, 76 percent.

For one zloty of population's money reserves, there were, at the end of 1981, reserves of goods in trade valued at 17.6 groszy, as against 34.2 groszy at the end of 1980, 40.5 groszy at the end of 1979, and 44.6 groszy at the end of 1978 [100 groszy equals 1 zloty].

In making an attempt at a summation it must be said, unfortunately, that despite the exceptionally deep economic crisis last year, the tendency for the economic situation to deteriorate further may remain. In this light, the concentration of efforts last year on these fields: coal mining, supplies for agriculture and the food economy, and health protection, was an absolutely proper choice. Because of this we may avoid some of the most severe difficulties and dangers. We must continue to rally all possible reserves to rescue these most important elements in order to survive the crisis.

One of the factors in the further deterioration of the economic situation in the coming months may especially be the further breakdown of imports from capitalist countries. The restrictions announced by NATO, and particularly by the United States, point to this. Last year we began the process of linking our economy more closely to the socialist countries. However, this will require structural changes, which will take quite a long time. At present, industry is not adequately prepared to rapidly restructure its production. The interminable struggles and negotiations caused by social tensions last year were not conducive to progress in this restructuralization.

The herald of hope is the improved output of hard coal. If this tendency continues, it may turn out to be one of the important paths leading out of the crisis. Thus, coal mining continues to require particularly careful attention.

A herald of hope could also be the relatively good crops of grain, potatoes, sugar beets and vegetables last year. It could be, if procurement increases, and these crops are used harmoniously to supply the city population with bread and other articles that are processed from these agricultural raw materials, and animal production is expanded accordingly. The problem of subordinating the work of industry and other sectors of the economy to the needs of agriculture continues to be a current one.

We enter 1982 undertaking extremely difficult and complex price operations. The entire economy not only faces an accumulation of restructuralization problems, conforming to the reduced supply capabilities, but it most also adapt itself to new functioning conditions arising from the application of economic reform. This is an extremely difficult test for the economy and society, but at the same time, it is also a herald of hope. Although these reforms were prepared with unusual haste last year, there is no return from them now.

9295
CSO: 2600/321

ECONOMIC COMMITTEE MODIFIES PRICE, COMPENSATION REFORMS

New Proposals on Compensation

Warsaw ZYCIE GOSPODARCZE in Polish No 1, 24 Jan 82 pp 6, 7

[Text] The Council of Ministers Economic Committee is introducing a revised draft of the system of monetary compensation to moderate the effects of retail price increases for food, heating fuel and power. With regard to the proposals contained in the State Price Commission [PKC] brochure from December 1981, the following changes will be made:

First, the rate of increase in charges for electrical power, gas, central heating and hot water will be reduced;

Second, the compensation system will be radically simplified and it will be based on the principle of the total offsetting of the basic price increase of food articles purchased with ration-cards;

Third, the proposed compensation for certain socioprofessional groups will be increased.

Discussion of the PKC brochure has shown that the necessity of increasing food prices is not generally questioned. While the enormity of the increases has shocked many people, the awareness of the harm done by the tremendous disparity between procurement prices and retail prices is becoming more and more widespread. The rate of increase for electrical power, gas, central heating and hot water has evoked the greatest alarm as well as much criticism.

The issue was also raised that compensation for increased charges for central heating and hot water, which must be allocated per person due to practical considerations instead of per dwelling, in many cases will be significantly lower than the increase in expenses.

The proposals concerning the compensation system have likewise been criticized, primarily with regard to the amount of compensation, the method of distribution among particular socioprofessional groups and the excessively complicated system of calculation. Moreover, the fear is becoming universal that an increase in the price of manufactured goods and food articles with seasonal prices will sharply reduce the living standard.

In conjunction with this, the proposals will change only the prices of basic food articles, power and heating fuel as established by the state. On the other hand, the position of the Council of Ministers Economic Committee on the issue of the prices of other articles is the following:

First, an essential condition for a healthy economic system is price flexibility, or price movement upward and downward according to changing production conditions and the monetary-market situation;

Second, the government is preparing a system of temporarily offsetting the consequences of the increase in prices and living costs, primarily for lowest income families, pensioners and annuitants. This system will be separate from the proposed system of compensation. The first operation of this type would be carried out after midyear 1982;

Third, control over price trending will be stepped up and sanctions will be applied against producers or against trade for attempting to increase prices unjustifiably;

Fourth, the problem of compensation for private farmers due to an increase in the prices of the means of production will be solved separately. This compensation will assume the form of a suitable increase in the procurement price.

The Council of Ministers Economic Committee is submitting the present draft to the scrutiny of public opinion. This draft, following social consultation and public discussion over it, will then be presented to the Council of Ministers for a final decision with the proposal that beginning 1 July 1982 the increases in the retail prices of basic food articles, heating fuel and power, together with the system of compensation, be put into force.

A Modification of the Assumptions on an Increase in Retail Prices Proposed by the PKC

The Council of Ministers Economic Committee, taking into consideration results of the discussion over the PKC brochure, believes it expedient:

1) To cut the charges outlined in the proposals contained in the brochures for:

--electrical power from 2.2 to 1.8 zlotys per kilowatt-hour;

--natural gas from 4.0 to 2.7 zlotys per cubic meter;

--central heating from 8.0 to 5.5 zlotys per square meter of usable floor area;

--hot water from 3.0 to 2.0 zlotys per square meter of usable floor area.

2) To establish a second (nightly) rate for electrical power for users living in residences heated by electricity at 0.80 zlotys per kilowatt-hour (the price proposed by the PKC was 2.2 zlotys per kilowatt-hour). These prices have been set below cost and thus represent a departure from the general principle of setting prices, in order to preserve the living standard of the population. They

would be compulsory for at least 1 year, after which, to the extent that the economic situation has improved and personal income has increased, they would be raised to a level guaranteeing production profitability.

3) To apply new, increased charges for electrical power and natural gas immediately following the first meter readings after the new prices have been put into force.

4) To ensure the possibility of purchase by the urban populace of the fuel coal allotment not yet purchased for the 1981-1982 season, at former prices.

5) To increase the compensation for pensioners and annuitants living alone on monthly incomes of up to 4,500 zlotys by 200 zlotys. These people would be especially hard hit by a price increase for heating, hot water, electrical power and natural gas. This allowance would be paid throughout the year, not only during the heating season.

Compensation for Workers

1) In conjunction with the critical remarks about the compensation variants heretofore published, the Council of Ministers Economic Committee proposes that compensation be ensured for all employees of socialized plants. Such compensation would be made up of two parts to be differentiated according to the amount of ration-card allocations and the amount of earnings.

2) Every authorized employee would receive the first part of the compensation, regardless of the amount of earnings. This would completely offset the price increase of those food articles being rationed, according to the allotment to which the employee is entitled during the most favorable period. The "ration-card" compensation would amount to 750 zlotys per month for workers in general. Workers receiving higher rationing allotments due to noxious or difficult working conditions would receive 900 zlotys per month; miners working underground would receive 1,400 zlotys per month.

3) The second part of the compensation would offset increases in the prices of power, fuel and those basic consumer articles whose prices are established by the state but are not covered by rationing. The amount of this compensation would be differentiated according to the amount of earnings. It is proposed that the following scale be used:

for earnings up to 4,500 zlotys--700 zlotys per month;
for earnings from 4,501 to 6,000 zlotys--600 zlotys per month;
for earnings from 6,001 to 9,000 zlotys--500 zlotys per month;
for earnings from 9,001 to 13,000 zlotys--300 zlotys per month.

This part of the compensation would not apply to employees making more than 13,000 zlotys per month.

Thus, the amount of combined compensation would be represented in the following way:

Combined Compensation for Earnings

| | Up to 4,500 | From 4,501 to 6,000 | From 6,001 to 9,000 | From 9,001 to 13,000 | Over 13,000 |
|---|---|---|---|---|---|
| For workers in general | 1,450 | 1,350 | 1,250 | 1,050 | 750 |
| For workers entitled to higher rationing allotments | 1,600 | 1,500 | 1,400 | 1,200 | 900 |
| For miners working underground | practically speaking, does not occur | | 1,900 | 1,700 | 1,400 |

Compensation due to price increases for bread and grain products would continue to be paid according to former rates. This principle would apply not only to working people but to all those currently receiving this form of compensation.

The Council of Ministers Economic Committee proposes that the amount of earnings determining the level of compensation be established on the basis of the average wage from the fourth quarter of 1981. This would not include additional pay for overtime work, pay for work on free days (e.g., mining work on free Saturdays) and allowances for period of service. The same amount of compensation would be paid to an employee regardless of any change in his earnings at the same plant. A change in the amount of compensation can occur through the subsequent adjustment (increase) in wages in the given sector.

4) It is likewise proposed that employees entitled to monetary equivalents for services in kind (partial payment in kind) are to be paid these equivalents at new prices (e.g., the value of a partial payment in kind for 3 tons of coal would increase from 1,650 to 6,000 zlotys).

Compensation for Pensioners and Annuitants

1) The Council of Ministers Economic Committee proposes that compensation be guaranteed for all pensioners and annuitants without exception and likewise for those persons who receive benefits in exchange for turning over a farm to a successor or to the state. It is proposed that this likewise apply to persons drawing benefits from the social assistance fund.

2) The amount of compensation should be established according to principles similar to those proposed for workers in general. Hence, the compensation would likewise be made up of two parts; i.e., "ration-card" compensation for an amount of 750 zlotys per recipient and an amount contingent upon the amount of benefits received.

Thus, those receiving benefits of:

--up to 4,500 would receive combined compensation of 1,450 zlotys;
--4,501 to 6,000 zlotys would receive combined compensation of 1,350 zlotys;
--6,001 to 9,000 zlotys would receive combined compensation of 1,250 zlotys;
--9,001 to 13,000 zlotys would receive combined compensation of 1,050 zlotys;
--more than 13,000 zlotys would receive combined compensation of 750 zlotys.

3) Pensioners and annuitants living alone and drawing benefits not exceeding 4,500 zlotys would be paid an additional 200 zlotys per month year-round because they must bear increased heating fuel and electrical power costs alone.

4) The basis for calculating the compensation would be the amount of pension or annuity paid in December 1981; for persons entitled to more than one benefit (e.g., pensioners who likewise are entitled to a disabled veteran's or disability annuity), the combined amount of benefits paid. This amount does not include family allowances, allowances for the disabled in group 1 and allowances for persons over 80 years of age.

5) In a situation in which more than one person has the right to a pension or annuity (e.g., a family annuity paid to a widow and her children or a farm pension-annuity paid to both spouses), compensation will be paid to each person.

6) Given the particularly difficult situation of the disabled in group 1 and of pensioners and annuitants who are over 80 years of age, it is proposed that, independent of their compensation, the "nursing care" allowances to which they are entitled be increased (from 500 or 800 zlotys per month) to 1,000 zlotys per month.

Compensation for Members of Families Supported by Workers, Pensioners and Annuitants

1) The Council of Ministers Economic Committee proposes that compensation be guaranteed to members of families supported by workers (including those employed in nonsocialized plants), pensioners and annuitants.

2) It is proposed that compensation be paid in the uniform amount of 1,000 zlotys per person supported, regardless of the amount of family income.

The proposed uniform amount of compensation for all supported family members (children, wife) takes into account social considerations above all. In families with many children, even if the employed person's earnings are high, income per family member is low. Hence, it is a question of protecting the living standard of the young generation.

Compensation for Certain Others

It is proposed that compensation due to the increase in prices of basic food articles, heating fuel and power likewise be guaranteed to certain other groups of persons, such as:

--mothers taking an upbringing leave to care for a young child, regardless of whether they receive an upbringing benefit;

--students on a stipend and doctoral candidates;

--persons doing handicraft contract work on behalf of units of the socialized economy, "Ruch" kiosk workers and the like;

--persons drawing benefits from the alimony fund;

--authors and artists who are not otherwise employed; due to the specific nature of such professions and the income differentiation of these groups, the scope, forms and amount of compensation will be regulated separately.

Concluding Remarks

The Council of Ministers Economic Committee is aware that the compensation system does not solve all individual problems and that there will be groups of families for whom the consequences of price increases will be severe in spite of compensation. However, general principles encompassing the entire society cannot avoid such individual situations. For this reason, it is also proposed that the possibility be created for further moderating the consequences of increases by the use of enterprise funds and funds issuing from local authorities, above all through:

--the financing of increased charges for heating and hot water from the plant housing fund, for individually justifiable cases;

--an increase in funds for social assistance;

--an increase in plant subsidies for cafeteria meals and the introduction of subsidies in student cafeterias;

--a 6-month extension of the period during which an upbringing benefit is paid to new mothers; counting from the end of the maternity leave, this would amount to 24 months.

This draft, stating the position of the Council of Ministers Economic Committee, is herein submitted for further discussion. While we all know that, like every price increase proposal, it cannot evoke satisfaction, we do hope that it finds social understanding.

Signed
The Council of Ministers Economic Committee
Warsaw, 18 January 1982

## ABC of Price Reform

Warsaw ZYCIE GOSPODARCZE in Polish No 1, 24 Jan 82 p 6

[Article by "n"]

[Text] Consumers are afraid that price reform and economic reform will mean a skyrocketing increase in prices, which producers and suppliers will be able to set freely and uncontrollably.

According to the "Principles for the Operation of State Enterprises in 1982," however, which was published on the basis of a Council of Ministers Resolution dated 30 November 1981, the picture is not as black as it seems. The "Principles"

provide for the application of four basic types of prices: official, regulated, agreed and free. The setting of regulated prices, and especially of official prices, is not subject to any whims of particular producers.

Official prices will be set by the Council of Ministers or the State Price Commission [PKC] according to guidelines provided by the Council of Ministers. They affect four groups of products and services:

1. Means of consumption and services of basic significance to living costs or the protection of people's health. They include the following: bread, flour and groats; pork, beef and veal, as well as products made from these meats, and chicken; lard and bacon; milk for consumption, butter and vegetable oils; sugar; coal, coke, hot water and heating power for heating residences; piped gas, bottled gas and electrical power for household use; human transport via urban mass transportation; domestic human transport via railroads and automobile transportation; pharmaceuticals and intoxicants as well as sanitary articles; socialized services of social assistance institutions, homes for young children, preschools and nurseries; textbooks, notebooks and basic school instruments.

2. The means of production and services of basic significance to production costs, including finished products making their way into the market. These are: hard coal, brown coal and coke; crude oil and heating oil; piped and bottled gas; electrical power; metal ore and scrap metal; iron and steel metallurgical products; nonferrous metallurgical products; lumber and timber; cement; cellulose; cotton and wool; chemical fibers; dried skins, rubber; apatites and phosphorites; sulfur and sulfuric acid; fertilizers and fertilizer lime; grain, manufactured fodder and fodder additives; domestic goods carriers via rail transport, automobile transport and water transport.

3. Basic agricultural products purchased by units of the socialized economy--grain, live cattle for slaughter, slaughter hogs, chicken, milk, sugar beets, cole and tobacco.

4. Official prices will be likewise set for alcoholic beverages, tobacco products, salt, ethyl gasoline and motor oil, gold and precious metals, as well as postal-telecommunications services.

The fact that official prices will be set for these products and services means that they will have a uniform price regardless of various producers' production costs. Official prices are maximum prices, unless a regulation or a price-fixing decision determines otherwise.

The prices of consumer goods or services produced domestically with basic significance for living costs or the costs of health protection for people (group 1) are set on the basis of the average costs incurred in the production and sale of these goods and services taking into account:

--indispensable profit to ensure the self-financing of the enterprise producing and selling these goods and services;

--turnover tax according to the compulsory rate;

--the market situation in the area of supply and demand.

Although such pricing will aim toward enabling the retail price to cover costs and to make at least minimal profit, this does not mean that in warranted cases the official price cannot be lower than these costs. Many goods and products will simply continue to be subsidized.

Let us take milk as an example. At present the compulsory procurement price is from 14 to 17 zlotys per liter, while the retail price proposed by the PKC is 10 zlotys. If we were to take into account all costs, a profitable price for milk would be 18 zlotys per liter. It is the same with butter--the PKC proposes 60 zlotys as the price of a quarter-kilogram stick of table butter, while a profitable price would be 86 zlotys. Of course, the scale of the subsidy will be greatly reduced.

The prices of imported consumer goods of basic significance for living or costs for the health protection of people are set in a ratio corresponding to compulsory prices for similar domestically produced goods.

The prices of means of production and services of basic significance for production costs (group 2), especially the prices of raw and other materials, are set on the basis of prices ruling in free foreign-exchange turnover in foreign trade. In the event that the deviation between the official price and the average price ruling in free foreign-exchange turnover in foreign trade exceeds 10 percent, the official price should be changed accordingly.

The setting of official prices for basic means of production is only ostensibly unlinked with the retail prices of market products. Let us consider that the production costs of hogs and greenhouse vegetables depend to some degree on the price of coal. The schedule of rail fares reflects the costs of the transport of practically all goods. The prices of apatites and phosphorites reflect the prices of fertilizers and, consequently, the prices of grain and bread and so forth. In this regard, the system actually is of basic significance to market prices confronting purchasers.

Regulated prices are established by enterprises (producers or suppliers) on the basis of the costs incurred in the production and sale of goods and the charge for services to which is added a profit surcharge according to principles specified by the PKC.

Regulated prices are set for:

--goods and services, the production of or charge for which is subsidized by the state;

--materials, if they are supplied on the basis of distribution lists or through a conventional middleman and for which official prices have not been set;

--imported means of production if they are imported within the framework of foreign-exchange funds appropriated for this purpose and if they are not covered in the schedule of official prices;

--the basic means of production for agriculture (farm machinery and equipment, farm tractor and pesticides);

--other means of consumption of a standard nature (other than those for which official prices will apply); namely, "Bobo-Vita" canned foods and baby foods, salt-water fish and fish products; cotton and cotton-blend linen fabrics--and thus, shirt fabrics (with the exception of 100 percent cotton), toweling and diaper fabrics; diapers; standard garments, clothing, personal linen for children and youths to 15 years of age; hosiery products; rubber footwear and vulcanized cloth-rubber footwear; standard footwear for children and youths up to 15 years of age; baby care items (oils, powder, talc, bottles); laundry detergents and scouring agents.

The introduction of official prices and regulated prices set by the government and the PKC is designed to stop uncontrolled price trends. But does this completely safeguard against the conceivable dishonesty of producers and suppliers? It is impossible to exclude this, especially in setting prices. This is why the "Principles for the Operation of State Enterprises in 1982" introduce the obligation of price control. Agencies of state and social inspection will check prices. Here is the resolution:

"In the event of the ascertainment by the inspection agencies of the application of official and regulated prices of the violation of the regulations of the resolution, the enterprise violating these regulations is obliged to return the undue profit to the consumer and additionally to pay an amount equivalent to the undue profit into the state budget. In the event that the consumer is unknown, the amount subject to payment into the state budget is equal to two times the amount of the undue profit."

In short, if a producer swindles consumers of 10 million zlotys, for example, he must return this amount and, moreover, he is penalized 10 million zlotys. Previously this penalty was 50 percent of the undue profit--now it is twofold higher.

We will cover the subject of agreed and free prices more extensively in the near future. However, let us mention that agreed prices are set in turnover between economic units for goods and services not covered by regulations on official and regulated prices. Agreed prices are set by the supplier and the consignee and the agreed level of prices must be confirmed in writing by both parties. Prices in retail turnover not covered by regulations on official and regulated prices are set by the dealer as free prices.

It is also important to consumers what proportion of articles on the market will be in the particular price categories. In market turnover, according to PKC estimates, products at official prices will represent approximately 35 percent, while products at regulated prices will represent 15 percent. Thus, 50 percent of all products are in the other categories.

Price trends on the market will be subject to continual observation and analysis. The "Principles" stipulate that "in the event of the excessive increase in prices,

the Council of Ministers can freeze all prices temporarily or prices in specific groups of goods and services."

Allowing free prices does not at all mean that they will be "ceiling," voluntary prices. The resolution on prices stipulates that the central pricing organ will be authorized to change the price category for a given product. Thus, it will be able to introduce a regulated price in place of a free price.

## Price Plan Difficult But Necessary

Warsaw ZYCIE WARSZAWY in Polish 19 Jan 82 p 3

[Article by Stanislaw Markowski]

[Text] Our society's attitude and the attitude of the authorities at different times to changing retail prices are like the man who, knowing that a visit to the dentist is unavoidable, tries to put off the experience as long as possible. Experience teaches us that this type of attitude leads ultimately to a situation in which, instead of relatively mild treatment, brutal and painful methods of treatment become necessary.

Retail price issues, which are the subject of universal discussion, feverish calculation and questions full of anxiety, have reached such a point. How will my family budget shape up under the new conditions? Questions are also being raised whether price changes are really necessary now, whether the new price proposals are not excessive and whether compensation concepts are just. Against this background, various statements contained in the State Price Commission [PKC] brochure are being questioned; personal suggestions concerning them have been made. Some of the doubts voiced result from a lack of understanding and the improper reading of the complex questions contained in the brochure, but some are well-aimed doubts, if not from an economic viewpoint, then from the social point of view.

Therefore it is especially important that we make use of the time separating us from the implementation of a final decision to clear up misunderstandings and to take into consideration the most pertinent of the remarks and recommendations proffered by public opinion in future endeavors.

In an examination of the complex question of retail prices, the point of departure must be the causes requiring an increase. There are many such causes. They may be divided into two basic groups. The first general reason is the need to create conditions facilitating the balancing of popular demand with the supply of goods and services. The second is the urgent necessity of basing production activity and consumer decisions on real cost effectiveness.

The first group of cases is linked with the fact that the supply of goods does not meet the demand and the purchasing power of society. Current production is running at barely 1972-1973 levels. This, given the increased population and a tremendous increase in the amount of money in circulation, creates severe difficulties on the market that are suffered universally. The shortage of food, especially meat, the consumption of which has long exceeded the potential of

domestic agriculture, is particularly vexing. The level of meat consumption attained in recent years has been based to a considerable degree on the substantial, growing import of fodder.

Since Poland's import possibilities will be very limited for the near future, meat deliveries on the domestic market cannot increase radically. The economic restrictions recently introduced by the United States government are an added factor. According to published figures, these restrictions will, above all, considerably reduce the amount of poultry (which are fed fodder imported from the United States) and eggs consumed by the average Pole--the consumption of which compensated for the shortage of other meat varieties.

The incompletely conceived WOG [expansion unknown] system, the ill-considered investment and payments policy that since 1974 has been outright irresponsible, and the likewise irresponsible forcing of a rapid increase in wages and social benefits occurring in the last 2 years, along with a simultaneous decline in production and labor productivity, have led to the avalanche growth of inflationary phenomena.

Every day the amount of money without backing increases by 1 billion zlotys; the purchase of most unregulated goods is plagued with nightmarish anxiety or is totally impossible.

While we will not enter into a broader discussion of this subject, it should be stated that when supply does not equal demand, sooner or later price increases occur. The state can limit and delay this phenomenon but no one has yet succeeded in completely averting the operation of this basic law of economics. That is why prices on the free market for many items, particularly meat products, are fivefold to eightfold higher than official prices and there are always enough people ready to pay such high prices.

Consequently, in order to strengthen the zloty and balance the market situation to enable the purchase of a needed item at any time for ready cash, prices must be raised to a level making them "equilibrium prices."

A second basic group of causes for price changes is the burning need to base the totality of our national economic life, both with regard to production and consumption, on rational cost effectiveness. This necessitates basing prices on an accurate calculation of costs. Nor is the implementation of economic reform, and particularly of the independence and self-financing of enterprises, possible without the application of the proper standards for evaluating activity, including correct prices.

The introduction of new producer prices on 1 January 1982, based on ratios in foreign trade, was a basic step in this direction. In their structure and level, these prices differ completely from those that have been compulsory domestically for over 30 years. They are characterized by a particularly high increase in the prices of conveyors for power and raw materials. In this way we have finally overcome our cult of the means of production, dragging on since the 1940's and 1950's, that ordered that their prices be held at irrationally low levels, with the simultaneous collection of excess accumulation from consumer articles.

The financial-economic mechanism implemented since January ensures enterprises a great deal of freedom in establishing prices. It is estimated that nearly half of the goods on the market will be fixed voluntarily by producers and the trade apparatus. As a consequence of these authorizations, enterprises may set excessively high prices, to the consumer's great detriment. When one looks at the prices of goods appearing in stores, these fears are confirmed.

To return to the discussion of economic reform that has been ongoing in Poland for more than a year, one must assert with regret that practically every speaker has devoted many remarks to tracking down real and alleged enemies of reform and considerably fewer remarks to the negative, secondary symptoms associated with reform.

This is why there is always the open question, How are we effectively to conquer excessive pricing appetites without ruining reform and encroaching upon the independence of enterprises?

It would also be worthwhile for factory work forces, who complain so vociferously about price increases, to devote some of their energies to researching whether by chance the prices of their own products are not excessively high.

Finally, another cause of price changes is the much touted nonsense of the price system for food articles. The prevailing system is one of "lunar economics," in which retail prices are considerably lower than procurement prices, so that the official price of meat is equal to 1 or 2 packs of cigarettes, and for 30 eggs sold on the free market one can buy a ton of coal.

One may say here that such phenomena have been occurring for 10 to 15 years, if with lesser intensity, and could we not carry on in this way just a little longer? Must we resolve the problem by raising prices and painfully lowering the living standard of our people?

These are good questions, to which we must answer that if it were possible for us to live so long with faulty prices it was because we obtained substantial foreign loans, that deficit food prices were balanced by the high accumulation gained on many manufactured goods and finally that more and more unbacked money has been issued in recent years.

All these possibilities are now closed to us and radical price moves are becoming inevitable. On the other hand, however, I do not agree with those who say that the only way out is through price increases. They are one of the basic conditions for overcoming the crisis but only in conjunction with an increase in production, a reduction in costs and improved management of raw materials and the work force.

Nor do I agree with the statements of those who treat unconcernedly the great losses that will be incurred as a consequence of the price changes by those who are actually earning more. Every decline in the living standard should disturb us, even though the concern over those who are economically the weakest is understandable.

Since the price increase is inevitable, further discussion should cover what can be done to lessen its severity as much as possible. This demands in particular that the critical observations concerning the compensation system and the excessive encumbrance of household budgets due to proposed price increases for electrical power, gas, central heating and hot water be taken into consideration.

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CSO: 2600/264

## NEW ECONOMIC SYSTEM IN PRODUCER COOPERATIVES DISCUSSED

Warsaw RZECZPOSPOLITA in Polish 20 Jan 82 p4

[Interview with Lucjan Kowalski, vice chairman of the Central Board of the Union of Agricultural Producer Cooperatives (RSP), by Edmund Szot: "A Good System for the Good -- New Self-financing Principles in the RSP's"]

> [Text] We talked with Lucjan Kowalski, vice chairman of the Central Board of the Union of Agricultural Producer Cooperatives about the operation of the agricultural producer cooperatives under the new economic conditions.

[Question] Please first of all give us a short description of the place of the cooperative sector in Polish agriculture.

[Answer] Agricultural producer cooperatives farm an area of 788,000 hectares of cropland, which represents 4.2 percent of all such land in Poland. On the other hand, they supply 10.6 percent of the country's procurement of grain, 9.5 percent of the livestock, 7.2 percent of the wool, and 35.6 percent of the poultry for slaughter.

[Question] Those are impressive results. Where then does the unfavorable opinion about the production cooperative system come from?

[Answer] Some of this goes back to earlier times. Besides that nobody up until now has explained to the society what the current RSP position is like or how cooperative members live. We have also suffered at the hands of some scientists who wrote about us exaggerating the dimensions of the state's aid to cooperatives.

[Question] Was not this aid indeed great?

[Answer] I do not deny that it was great, but it went to create resources accumulated as fixed assets. This was and is public property. Therefore state aid was used to create the workplace for cooperative members, and somehow nobody protests when the state creates a workplace for white-collar workers.

[Question] But there seems to be a difference between workers and members of cooperatives, who are rather peasants farming together.

[Answer] Theoretically that is so, but after all it was not the peasants in Poland who organized the agricultural producer cooperatives. Part of them would have preferred to forego their land and emigrate to work in the towns. Somebody had to work that land, and it was on just that land that the cooperatives were organized using people who often became farmers only in the cooperatives. We presently have 183,000 producer cooperative members in Poland. Besides this, the self-financing system in RSP was such that people felt more like workers than cooperative members.

[Question] That is just it, but the directive-distribution system ceased to be required in the cooperatives as of 1 January 1982. Now the cooperatives are to run under a new system.

[Answer] Not completely new. It is more like a return to the ways under which we operated the RSP's from 1956 to 1970. It was only afterward that there were the famous state subsidies which created an unfavorable climate for producer cooperatives.

[Question] What are the major components of the current self-financing system in the RSP's?

[Answer] Mainly independence in economic planning and the use of income. The economic plans are drafted by the cooperatives themselves, without any sort of directives from above. The limitations on the principles of income distribution have also been eliminated. Up until now, ;in order to raise the level of earnings of cooperative members it was necessary to seek the agreement of the voivodship RSP unions, and there were even trends toward introducing permanent guaranteed rates, as in the PGR's, so that the cooperative income was independent of whether anything grew in the field or not. Now the cooperative members have as much for distribution as they manage to obtain through their work. Interest in good work has immediately increased.

[Question] What will the other consequences of independence be like?

[Answer] Changes are being made in livestock production, and most of them will be adapted to the cooperatives' own fodder capabilities. In this production we are getting away from buying stock for raising from outside. We are going to try to create closed cycles. This means that we want to raise only those animals which are born in the cooperatives piggeries and barns.

[Question] Will the fodder self-sufficiency principle also apply to poultry production?

[Answer] For years broiler production has been based on buying fodder from outside. This year we will obtain far less fodder, which will present the production cooperatives with a tremendous problem, but this is a separate issue.

[Question] Then let us return to still other principles of the new self-financing system...

[Answer] The next novelty in the system is the cooperatives' creation of their own funds for investments, for repairs, for social and cultural purposes, for housing construction, and the like. The general meeting of the members will determine the size of the deductions to be made from the income of the cooperatives. The financing principles are also changing. Now the cooperatives will be interested in accumulating their own working capital for economic activity. Then they will not pay interest on credit, and if there is an excess of these funds the cooperative's interest-bearing account will increase. Another new feature is the fact that each cooperative must now put in a share of its own funds for investments. The new system also calls for the creation of the cooperative's own development fund. It will be created out of deductions from the income of the cooperative, out of the interest on funds deposited in the cooperative's account, out of property from other cooperatives, and so on. Cooperative members will also be interested in not taking all their income out of the cooperative but in leaving some of it in personal accounts, which will bear interest.

[Question] The new system therefore is based on the personal interest of cooperative members in the successful development of the cooperative.

[Answer] Yes, only that for such a system to "win" it must have a basic condition met: the procurement prices of farm products should insure that agriculture is profitable. We believe that the state will provide for just such prices.

[Question] Summing up, is the new system favorable to the RSP's, or not? After all, the state subsidies are coming to an end.

[Answer] Partial subsidies will remain: to obtain skilled people, for the construction of housing, but only for those skilled workers and for the production of mixtures, concentrated fodder. Nonetheless, the size of state aid will not be great. Of course there will be a group of the weaker cooperatives which are going to have trouble initially. This applies in particular to the young cooperatives which do not have a production base yet, and so do not have anything on which to earn. For those cooperatives Council of Ministers Resolution 208 provides for assistance in the form of cheap credit, but this is a marvelous system for the good producer cooperatives and the intermediate ones.

[Question] Are there a lot of those good and intermediate cooperatives?

[Answer] Ninety percent.

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## AGRICULTURAL PROCUREMENT PRICES INCREASED

### February Press Conference

Warsaw CHLOPSKA DROGA in Polish 10 Feb 82 p4

[Article: "Change in Prices on Crop Procurement, Farm Machinery and Services"]

[Text] On Thursday, 4 February, at a press conference at the Ministry of Agriculture and Food Economy, information was given on the details of the price reform for procurement of farm products and for the means of production for agriculture and services, the reform which went into effect as of 1 February of this year. The procurement prices for farm products rose on an average of 21 percent. Prices on farm machinery and implements increased by 130 percent on average, with prices for services going up about 300 percent. At the same time decisions were made concerning subsidies for certain means of production and services.

Here is the detailed list of new procurement prices. The prices on the four basic grains were raised from 950 zlotys per quintal to 1,200. For grain contracted for and supplied under the auspices of a grain loan, the farmer receives 10 percent more than this. In addition, another 10 percent is added to the basic price if the grain is delivered within a set time. Thus, the mean total procurement price for grain which any farmer can receive (if it is under contract or is supplied within the framework of a loan within a set time limit) amounts to 1,440 zlotys. Prices on rape are up: high-sugar rape to 3,300 zlotys and low-sugar rape from 2,500 to 3,960 zlotys per quintal. The price on sugar beets is up 23 percent to 320 zlotys per quintal. Tobacco's price is higher by from 16 to 42 percent, depending on the variety.

In livestock production there was a major increase in the procurement price for cattle (up 36.4 percent) and a lesser one for hogs (up 13.6 percent), because the procurement price on hogs was increased not so long ago. A kilogram of beef livestock for slaughter will cost about 90 zlotys (while the price on young cattle for slaughter weighing over 400 kilograms will bring about 110 zlotys), while a kilogram of hogs for slaughter will average

125 zlotys. The price of a liter of milk will go up to 16.50 zlotys, with the seasonal price difference's being maintained: 14.35 zlotys in the summer, 17.50 zlotys in the winter. The prices of eggs, sheep, and poultry (except for broilers, at 110 zlotys per kilogram) have been put into the free price group.

As we mentioned at the beginning, the prices on farm machinery and implements have increased by 130 percent on the average, but the ministry says that the new ratios between the prices of machinery and those of farm products will be more favorable than the pre-1980 ratios. The prices on some machinery will be subsidized by the state. The prices on farm services will increase by about 300 percent, but here decisions have been made to subsidize certain types of services for a total of 12 billion zlotys per year.

Commercially-produced fodder prices have risen in keeping with the higher procurement prices on grain and other components. Because of a 15-billion zloty subsidy, the smallest increases will be on basic fodder items for hogs (about 48-percent increase) and cattle (about 62-percent increase). Fodder for poultry will not be subsidized. These fodder prices will more than double.

If all the manufacturing costs of artificial fertilizers are taken into account, prices on them would have to increase by several times. For this reason the state will grant a subsidy of about 30 percent on fertilizers. Their exact prices will be publicized in the near future.

According to the Ministry of Agriculture, it is calculated that as the result of the price reform, farmers' production expenditures this year will increase from 160 billion zlotys to 333 billion. On the other hand, the value of marketable production of agriculture will increase from 449 billion zlotys to 632 billion. As the ministry's figures show, rural nominal income is to increase by about 20 billion zlotys. In billions this amount seems large, but the real value of rural income will decline by about 20 percent. As the result of procurement price increases it is true that this will be less than that with respect to other population groups, but an income decline will occur. Unfortunately, such are the costs of getting out of the crisis.

In closing it is worth emphasizing that in connection with numerous comments and warnings expressed by farmers concerning the higher prices for the services of agrarian circles, the secretariat of the Supreme Committee of the United Peasant Party has appointed a group to investigate the economic-production rationale of the level of prices for services on the price list of CZKiOR [Central Union of Agricultural Circles and Organizations].

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The new procurement prices will compensate for the farming cost increase which has come into being. The Ministry of Agriculture says this pricing

operation will prove favorable not only to agriculture but also to the industries which manufacture the means of production and the institutions providing services, because it will make them profitable. The ministry is counting on industry's increased interest in producing the means of production for agriculture and on greater interest on the part of the SKR's and other institutions (RSP [Agricultural Producer Cooperatives], PGR, and so on) in rendering services to private farmers.

This pricing operation, which is essential, because it represents an integral part of the economic reform being introduced, finally sets up some sort of honest relationship between wholesale prices on farm products and the prices of the means of production and services bought by farmers. This fact will lead to a reestablishment of the economic ties between town and country, so greatly disturbed in recent years, and sometimes broken altogether in some instances, because prices on farm products have been subject to rather frequent increases, while prices on machinery land services have remained unchanged for long periods of time. In extreme cases, such practice has led to fantastic relationships, when the selling prices on some machinery were lower than the costs of the raw materials from which the machinery was made.

At the Ministry of Agriculture it is estimated that the introduction of the new ratios will not undermine the economy of the farm, but when we compare the new ratios with those seen in the recent past, we can get the impression initially that they have undergone substantial change to the detriment of agriculture, but that is not the way it is, experts on this problem emphasize. They say that the ratios currently being introduced must be compared not to the fanciful ratios of yesterday which were among the factors leading to the disruption of the economic balance between the urban and rural areas but to the ratios in existence, for example, in 1978.

We can see the great significance of the current pricing operation to the improvement of the supply of machinery, implements, fertilizers, and pesticides to agriculture and the improvement of services, if only from the fact that the state has not placed on agriculture the full burden of the real costs being borne by industry, because the state is maintaining subsidies for industry, mainly the chemical industry. It will subsidize certain services of particular importance to agriculture. The price reform through which our country is living, beginning with prices on raw materials and passing through retail prices, and ending with the prices on the means of production and services, is an important element of the economic reform being conducted.

We will return to this subject several times. In the next issue we will publish an interview on this subject with Prof Zdzislaw Grochowski, deputy minister of Agriculture and Food Economy.

## Deputy Minister Comments

Warsaw CHLOPSKA DROGA in Polish 14 Feb 82 pp 1,3

[Interview with Prof Zdzislaw Grochowski, deputy minister of Agriculture and Food Economy, by F. Piotrowski: "About the New Procurement Prices and Supply Prices in Agriculture"]

[Text] [Question] Everyone today is feeling the effects of the disruption of the economic link between the cities and the rural areas. What are the major causes behind this conflict?

[Answer] The basic cause was the disorganization of the market. I recall that last year the population's cash income increase by more than 30 percent, while production on a national scale declined drastically. One-third of the money in people's pockets had no goods to back it. People began to buy up all sorts of commodities regardless of whether or not they needed them. There was a flight from money. The rural areas were in a worse situation. They had more difficulty in spending the money. But when the farmer had nothing to spend his money on, he held up sales of those products which he could store. After all, this was not just grain. Here grains are the classical example. Grain has always been the currency of currencies.

[Question] The above statement implies that an adequate supply on the market of the means of production needed by agriculture would prevent the severing of the economic link. The farmer would have something to spend his money on and would work actively to increase marketable production...

[Answer] Undoubtedly. It is true that the amount of machinery directed to rural areas in 1981 was higher than the year before, but its was still negligible compared to the needs, especially for some items. There was simply less fertilizer, fodder, and pesticides. Given the shortage of the means of production, the rise in farm product procurement prices simply accelerated the disorganization of the market. During the past 2 years procurement prices more than doubled. On the other hand, the prices of most of the means of production for agriculture remained unchanged. Relatively speaking, if we take the year 1978 as 100, then the prices on the means of production last year had dropped to only 45. Hence, for the same amount of farm products, farmers could buy more means of production, but the thing is that they could not obtain as great a quantity as they needed. Hence, especially great emphasis was placed on their purchase.

[Question] Hence, the shortage of the means of production became still more obvious?

[Answer] It also came to light that often they were not properly distributed throughout agriculture, because it is true that despite appearances excessively cheap means of production are not beneficial to agriculture either. You can see this using the example of machinery and also services.

There was a demand for them not only on the part of farmers for whom certain machines are indispensable, but also on the part of those farmers who bought them just because they had money. Cases are known where tractors were bought by farmers owning 2-3 hectares of land. And I myself saw on one of the 3-hectare farms a rotational mowing machine which was used only 8 hours a year. On the other hand, farmers with farms of 20-30 hectares came to the Ministry of Agriculture, because they could not buy such machines. I think that making the means of production more expensive would bring about their more rational distribution on farms and therefore their more effective use.

[Question] What was decisive in the next successive rise in farm product prices?

[Answer] Prices on the means of production are on the increase. Therefore costs in agriculture are on the increase. Therefore, in keeping with the social agreement and political declarations, any sort of rise in costs is to be made up for in the procurement price, and the current rise in procurement prices fully compensates for the increase in agricultural production costs.

[Question] What is this compensation like in figures?

[Answer] As the result of the increase in procurement prices, the value of the means of production purchased by agriculture -- both that for ongoing production and fixed assets -- will increase:

from 160 billion zlotys to 333 billion, that is, by 173 billion zlotys. This is a somewhat larger figure than I gave on television, because certain corrections have been introduced. Resources for ongoing production are increasing by 115 billion zlotys (from 125 billion to 240 billion). Rural expenditures for machinery, building materials, and capital goods will increase by 58 billion zlotys.

On the other hand, the value of agriculture's marketable production, along with the free market, will increase by 193 billion zlotys. Thus, revenues will exceed expenditures by 20 billion zlotys. Expenditures should be treated together with investments, which, as I mentioned above, are increasing by 58 billion zlotys, but current expenditures plus depreciation are all that are included in production costs, and therefore the rise in procurement prices also covers depreciation.

[Question] Nevertheless, in contrast to the nonagricultural population, the agricultural population did not receive compensation for the rise in prices on food, coal, and so on. Why not?

[Answer] Last year the increase in the income of the agricultural population was twice that of the nonagricultural population. Net cash income (after subtracting all expenditures and benefits) increased by a whole 65

percent, but the income of the nonagricultural population increased by only 30 percent. Therefore, income parity last year clearly leaned toward the agricultural population. This is one of the reasons why this year the income of the agricultural population will feature a smaller index of growth.

Another reason is that the nonagricultural population is being compensated for an increase in food prices. On the other hand, the agricultural population receives such compensation partially in another form too, one which we usually do not talk about. How does it manifest itself? Well, in rural areas expenditures for food, generally speaking, amount to one-third as much as in urban areas, per capita. The other two-thirds are products from the farm itself. If we were to calculate the products which come from one's own farm at market prices, then we would have an increase in income not of the above-mentioned 20 billion zlotys but one amounting to 110-120 billion, because it is estimated that the value of the food items which the agricultural populations supplies for itself calculated in retail prices will increase by about 90 billion zlotys. I would also like to point out that during the past few years in our country we have had an unfavorable stock value. For example, stocks mainly of fodder have declined. On the other hand, last year there was a great increase in stocks, right up to 40 billion zlotys. Poland has not seen such an increase in stocks, and such an analysis has been going on for the past 20 years. There is a great surplus of both fodder and grain. Despite the fact that the flow of fodder from the state will be smaller, the reserves are nonetheless great. This means that the potential for increasing farm production is greater.

[Question] Then there are possibilities for a production increase above and beyond the indices included in the plan and therefore possibilities for an increase in income?

[Answer] The ministry has not presented this in the calculations, but in the case of favorable circumstances there is the possibility of exceeding the plan indices. In the future the increase in farmers' income must go hand in hand with a rise in production. If sometime there is a regulation of prices and they are increased, then this will merely be compensation for a rise in the prices of the means of production. For example, at present part of the means of production will be subsidized (to 53 billion zlotys): seed, livestock, veterinary services, insemination. Such subsidies have existed and will continue to exist, but there is presently a subsidy on the production of commercially-produced fodder, and prices on fodder have not currently been increased sufficiently for the fodder industry to be able to free itself of the subsidy. Such a situation cannot exist in the future. The whole economy simply must operate profitably, and there will be no supplementary payments for fodder. The same goes for chemical fertilizers, because the current state of affairs should be considered temporary. Food prices after all were set earlier. Their increase is great even so. If we were to use a system without any subsidies at all, it would be necessary to increase some retail prices by another 35-40 percent. Therefore, the handling of this matter was postponed.

[Question] So if the decision were made now to do away with the subsidies on fodder and fertilizers, then the procurement prices for farm products would have to be increased still further?

[Answer] Of course, and this would be by some 10 percent, in order to spread the approximately 50 billion zlotys of subsidies over the prices of procurement. And that is the way it will be in the future. Maybe even by next year.

[Question] The farmers can hold it against the Ministry of Agriculture that not everything is going to be handled the way they thought.

[Answer] During discussions on the problem of the price rises attempts were made to undermine the ministry's reasonable position by proving that the ministry somehow wanted to created better conditions for the agricultural population than for the nonagricultural population, but the ministry stayed with the position of such a solution of the problem that would take into account the interests of both urban and rural areas. In the discussions with the farmers we presented two variant pricing solutions. One excluded subsidies, and the other maintained subsidies for the prices on the means of production. Most of the farmers came out in favor of the nonsubsidy system. The farmers said: "Why should anyone say we are being subsidized? Let the means of production and services cost what they cost, but we should receive appropriate compensation." But then it would be necessary to keep providing large subsidies for food prices, and finally an intermediate solution was adopted, because the costs of getting out of the crisis should be spread fairly over the agricultural and nonagricultural population. Efforts were made to do this. But if this had not been true, then, statistically speaking, the real value of the income of the whole society would decline by more than 20 percent. Rural expenditures must increase on both food and on manufactured consumer goods.

[Question] Not all farmers bear the brunt of the reform equally.

[Answer] True. Those farms which are not investing or which have already invested, particularly during the past few years and need not invest this year nor during the next few years, will surely incur smaller losses. But in agriculture the situation already is such that the farmer who makes an investment usually does it to a certain extent at the cost of the consumption fund. Thus, the brunt of the reform will also weigh on the agricultural population. What distinguishes it from the nonagricultural population in this respect is the fact that those who earn the best outside of agriculture lose the most. On the other hand, in agriculture the person who provides greater production will be in a more favorable situation.

[Question] What about the proper price ratios? What about the hikes in procurement prices, inasmuch as the rural areas will continue to suffer from a shortage of the means of production?

[Answer] I think that now when the means of production are becoming relatively more expensive, the durable means of production will be bought mainly by those people who really need them. If you are talking about the long range, there are great hopes in the economic reform. Now, let us remember that a year ago there was an announcement that more than 100 plants were to take up sideline production on behalf of agriculture, but only a few more than 30 actually did so. It simply was not profitable for the plants. The subsidy system adopted later had not great impact on this. At present industry, especially engineering industry, will have to look for a sales market, because during the past few years industry has been working for industry. Not much for the market. I think that in a couple of years, if you are talking about machinery, agriculture will become completely saturated. A farmer will not have to go to the voivodship for machinery, or to the minister... He will go to the gmina cooperative, make his selection, and complete his purchase.

[Question] Shaker-rakes too?

[Answer] Yes. Things are not the best with fertilizers either. The real index for 1985 is 213 kilograms NPK [nitrogen-phosphorous-potassium] per hectare, so there must be an increase in the role of improved agroengineering, the application of organic fertilizers, and the use of aftercrops. Here there is the possibility of improving domestic production, because we have sulfur, copper, and zinc. The most important thing is that the chemical industry has recently been showing great good will and understanding. This is very important, because the possibilities of import continue to be very limited. Therefore, we must look for our own solutions, and in its own way priority is being given to pesticide needs in the allocation of foreign currency.

[Question] Is agriculture also disturbed by the level of prices on services?

[Answer] Prices on services have not changed in years. If we compare them in products and not in cash, for example those of 5-6 years ago with those which the farmer must now pay, these services are even cheaper. For example, one had to pay 3.5 quintals of grain to mow a hectare with a combine, but the current price is 2.6 quintals. After all, we have to say the same thing about the rise in the costs of the means of production, even tractors. For most machinery the farmer now will have to pay less in terms of products than in 1978, but of course he will be paying more than last year. And we already know the causes for this.

The higher services prices will prove advantageous not only to the enterprises rendering the services but also to the farmers. Sometimes the farmer has had to wait 3 days for service, because services were cheap. He waited, although sometimes he could have done the thing himself somehow. There were instances where the farmer had his own machinery, his own tractor, but he availed himself of the cheaper SKR services, and at the same

time the services were unavailable to those who needed them. This applies to a large number, several hundred thousand, of farms without horses, farms run by peasant workers, and the like.

After all, considerable subsidies on the prices of services are projected to continue. They amount to about 12 billion zlotys. Not all services will be subsidized, but chemical services, that is, plant protection, application of fertilizers, transport and application of lime, and also the peeling of potatoes, and even the spreading of manure. The service must be profitable for the SKR. Hence, subsidies will be paid to the SKR's on the basis of the services performed for farmers at prices below direct costs.

[Question] The new procurement and supply prices should improve the situation regarding crop contracting and also the organization of wholesaling...

[Answer] There are plans to pay bonuses for deliveries made by the deadline specified in the contract. Bonuses will be introduced for delivery on a specific day, for example, in livestock deliveries. The contract system will encompass the widest possible range of farm products, but this is a separate subject and a very broad one.

[Question] What should agriculture and the towns get out of the rise in procurement and supply prices?

[Answer] Generally speaking, the price reform is to lead to market balance prices with regard to both the prices on the means of production and retail prices. On the other hand, the equilibrium price is that price which makes everyone buy as much as he needs and not stock up, because the market is continually well supplied. People work and save money, because money has its value. There is market balance when the amount of money on the market corresponds to the value of the commodity on it. For example, last year the consumption of meat in our country, raw weight, of course, was somewhat above 60 kilograms per person, which means the same amount as in 1973. But then there were no problems on the market, because there was market balance. And after all there are many countries in Europe where the consumption of meat is lower than it is in Poland, but the butcher there is still waiting for the customer. The system of market balance is to lead to the end of rationing of both the means of production and manufactured consumer goods, and also foodstuffs. For example, the meat rationing system in our country is not going to last long, provided that next year the successive corrections are introduced to make it possible to do away with subsidies. What is most important, market balance stimulates genuine incentives to increased production, and to better, more productive work.

I was recently in my native village and talked to my neighbor. He said that he had collected a little money. If he had to spend it on something, he could still raise a couple more hogs.

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CSO: 2600/342

## LOSS OF FARMLAND TO OTHER USES NOTED

Warsaw RZECZPOSPOLITA in Polish 20 Jan 82 p 4

[Article: "Improvement in Land Management But Inadequate"]

> [Text] Cropland declined by another 36,000 hectares in 1981. Where are things better? Where worse? Should forestation of poorer soil continue? Tighter regulations for the protection of farmland and forest lands in preparation.

Between 1960 and 1981 we lost nearly 1.5 million hectares of cropland (1,492,000 hectares, to be exact). Two-thirds of this area was put under forestation, but nearly one-third (448,900 hectares) was transferred to nonagricultural and nonforest purposes, that is, for the expansion of urban areas and industry, for roads, railroad lines, artificial reservoirs, and the like.

It is worth emphasizing that between 1960 and 1981 more than 545,000 hectares in the country were reclassified into the statistical groups we call nonarable land and remaindered land. Currently such land withdrawn from agricultural use totals 3,664,000 hectares altogether.

Hence the picture of land management from 1960 to 1981 is very unfavorable. More than 54,000 hectares of cropland dropped out of production annually between 1970 and 1980. The figure for 1981 is 36,100 hectares, which is also a very great deal, although it is below the average of the previous decade.

The agricultural census which the Main Statistical Office conducted in June 1981 shows that the area of cropland is not shrinking everywhere. A certain increase in cropland has been noted in Warsaw, Przemysl, Suwalski, Tarnobrzeg, and Zamosc Voivodships. This was the consequence of the stoppage of certain investments and also of the recultivation and management of nonarable land. Such actions merit recognition and should be duplicated.

Unfortunately, in most of the voivodships the amount of cropland continued to decline in 1981. The greatest cropland losses occurred in such voivodships as Bialystok (3,200 hectares), Czestochowa (1,300 hectares), Gorzow (2,200 hectares), Krosno (1,000 hectares), Lublin (1,800 hectares), Nowy Sacz (1,800 hectares, Pila (3,300 hectares), Rzeszow (1,900 hectares), Skierniewice (1,700 hectares), and Tarnow (2,100 hectares).

The afforestation of lands of poorer quality is also becoming a problem which merits consideration. The country's forested area after World War II increased from about 21 percent to 27.8 percent. Of course, this is a good thing, up to certain limits. The country's food needs are increasing, and the population increases at an annual rate of 0.8 percent. We must therefore produce food not only on the areas with black soil, the loess, the fertile soil, the fertile loam, or the strong rubble, but also in the whiter soil areas, the lighter rubble, and the sandy soils, because such land makes up over half of all the cropland in Poland. It therefore seems essential to tighten up the criteria for turning the weaker land over for forestation.

We must devote increasing attention to the protection of cropland. The improvement of the country's food situation depends on it. Useful to this end will be the next revision of the law on the protection of farm- and forest land and its recultivation, a draft of which the government has already sent to the Sejm. To put it in the most general terms, this law is aimed at further tightening the requirements to protect farmland from any forms of disrespect or its use for other purposes.

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## ENERGY-FUEL PROBLEMS, PRODUCTION ASSESSED

### Major Fuel-Energy Problem

Warsaw RZECZPOSPOLITA in Polish 15 Jan 82 p 4

[Article by Tadeusz Podwysocki: "The Major Problem in the Economy; Why Improvement in the Consumption of Energy and Fuel Has Not Been Profitable"]

[Text] New producer prices on raw and other materials and payments for energy and heating fuel have gone into effect. A ton of hard stoking coal now costs, on an average, 1,870 zlotys (the previous average was 467 zlotys), and crude oil costs approximately 13,400 zlotys, compared to 2,000 zlotys before controls. And so not until now has there been compliance with the demands of specialists who for many years have assured us that the low wholesale prices of fuel and energy constitute an obstacle in the path of measures which might reduce the energy-intensiveness of the economy and industry.

I have before me the professional report prepared by the Committee on Energy-Industry Problems and the Raw-Materials Team of the "Poland 2000" Research and Forecasts Committee of the Polish Academy of Sciences. This report, dated June 1978, contains this revealing statement: "The fact that Poland is in the group of the largest devourers of fuel and energy is an alarming problem." Further on, the scholars list among the most important reasons for the high energy-intensiveness of our economy, "the maintenance of irrational prices on energy sources, prices which create no incentive to economize".

In essence, efficient consumption of electrical current or coal did not pay. Current was simply too cheap to make it worthwhile to install in the mining industry, or metallurgy or transport, such items as modern electronic elements and subassemblies (diode and thyrictor converters, thyristor power-drive systems). The cost of this electronic equipment was too high and it was more profitable to waste energy than to save it. Yet one megawatt of generating capacity of electronic energy equipment in the national economy represents a savings of over eight percent of energy converted. In the case of industrial power drives operating under changing load these savings amount to over 20 percent, and for locomotive drives, over 15 percent. If diode and thyristor power feeds were used as current transformers in the refining of copper or aluminum, as much as 10 percent of the consumed energy could be saved in these tremendously energy-intensive processes. Replacement of a motor converter with a thyristor device in the power drive of the spindles of a textile machine

would increase efficiency as much as 40 percent. And use of thyristors in a rolling-mill unit increases efficiency 38 percent, making it possible to increase production 11 percent.

According to Swedish specialists, thyristor control of arc furnaces not only results in significant savings in energy but also reduces smelting time by over 13 percent. Use of thyristor inverters for induction heating can cut costs by over 25 percent in comparison with the traditional use of gas and oil.

## The Struggle With Waste

The waste of fuel and energy has reached such proportions that it exceeds the imagination. In Poland, two to four times more energy is used to produce a unit of national income than in other industrialized countries. Industry wastes three times more energy than our society uses for its personal needs. The analysis of the experts shows that the excess amount of energy consumption in our industry amounts to 30 percent. A machinery factory in France or the FRG, employing 4,000 people, requires 20 to 40 percent less electrical energy than a similar factory in Poland.

Although in the FRG 1.9 times as much fuel per conversion is used (in the middle of the last decade) than in Poland, 2.8 times more electricity was generated there, 2.7 times as much steel, 6.6 times as much aluminum, 1.8 times as much cement, and as much as 12 times more plastics. Technology and machinery and equipment, obsolete from the standpoint of fuel and energy consumption, increased in Poland. The waste curve rose. Not even the largest and most modern industrial plants were designed and built with the idea of saving energy.

## The Growth in Energy-Intensiveness

The excessive and growing energy-intensiveness of our economy is shown by the fact that in 1974, in order to obtain a one-percent increase in generated national income, there was a half-percent increase in primary energy, but the following year, in order to obtain the same growth rate, 0.7 percent energy was consumed. During the following years this steady increase in energy-intensiveness was not halted, for in 1978, in order to obtain a one-percent increase in national income, a more than 1.5-percent increase in primary energy consumption was required. The further growth in the energy-intensiveness of the national income in 1980 amounted to 8 percent, in comparison with 1979.

In France, for $1,000 in total product, 597 kilograms of standard fuel are consumed, but in such Third World countries as Indonesia, the figure goes up to 932 kilograms, and in Mexico, 1,100 kilograms. It turns out that on this list Poland is in worse shape than many technologically backward countries, for its consumption of primary energy in relation to total product (per $1,000) is 1,337 kilograms of standard fuel! Immediately after us is India, with 1,464 kilograms.

## The Likelihood of Progress

Economy and improvement in the consumption of energy do not rest in the hands of those to whom, on the whole, the appeal is made. The most important and fundamental influence on the process of energy utilization is exerted not by those who operate energy-intensive equipment, but by those who design, construct and modernize it.

If, in ferrous metallurgy, the designers always took into account the correct preparation of the charge and the aerodynamics of the blast-furnace process; if very large units were constructed with pressure and heat recovery; if, during modernization and expansion in past years only modern, convector, oxygen-basic processes had been applied; and if continuous casting and between-operations heating had been used--our energy savings would be from one-half to two-thirds.

Technical progress is costly, and because in industry, fuel and energy were not very important in the cost-accounting of an enterprise's production, units and machines that were expensive only because they were energy-efficient were not designed nor were they purchased abroad. Under the old producer prices it was not in the interests of the enterprises to improve the consumption of energy and fuel. Why use expensive transistors, thyristors, and automation that would optimize energy consumption, if this does not have a great effect on prime costs of manufacture, and, on the contrary, increases the outlays for modernization or new investment.

But that is how it was until the end of last year. Today producer price controls should force industry to look for ways to improve the consumption of fuel and energy. Let us hope that the incentives for savings have appeared.

## Hard Coal Production Decrease

Warsaw RZECZPOSPOLITA in Polish 16-17 Jan 82 p 4

[Text] The National Socioeconomic Plan for 1981 envisaged the production of 188 million tons of hard coal, based on an 8-hour workday and a 5-day workweek. Negotiations with trade unions resulted in 7.5 workday and reduced the days worked, which, since production at the beginning of the year was low, made the plan's assumptions unrealistic. Thus, in February, a so-called mobilization fund was established, which provided extra pay for mining on free Saturdays. When payments from this fund stopped in April of this year, production began to decline and was 1.3 million tons lower in the second quarter than in the first quarter. A plan was updated which envisaged that after a number of technical and organizational measures were taken (e.g., increasing mine employment--it rose by 20,000), production would reach 168 million tons.

Production was also low in the third quarter, amounting to 593,000 tons on regular workdays and 145,000 tons on voluntarily worked Saturdays. Thus it continued to be lower than in the first quarter. Under these circumstances, Council of Ministers Resolution No 199 was adopted, which provides a new system of material incentives for miners. Its effects are hard to estimate in view of the short time it was in effect prior to December 13, 1981. By the end of the year, 163 million tons of coal were mined, i.e., 25 million tons less than initially envisaged.

The first days of the new year show a considerable improvement. Daily production on normal workdays averages 620,000 tons.

How soon the country comes out of the crisis depends to a large degree on how long this trend continues. [See bar chart on following page]

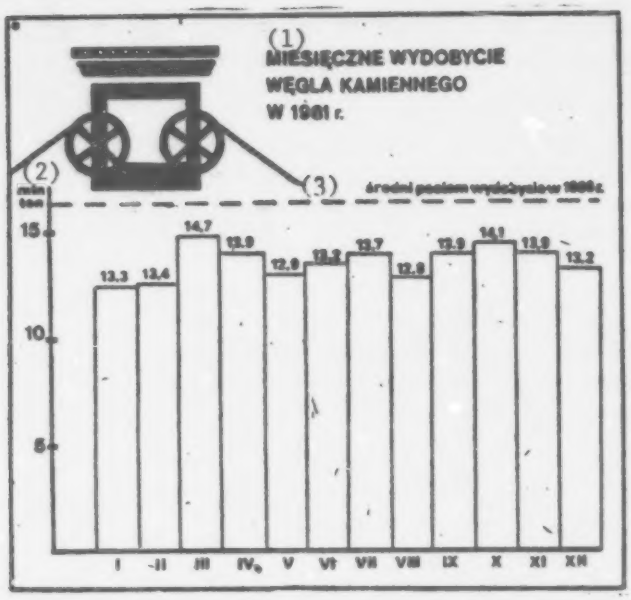


Key:

1. Monthly production hard coal in 1981
2. Millions of tons
3. Average level of production in 1980

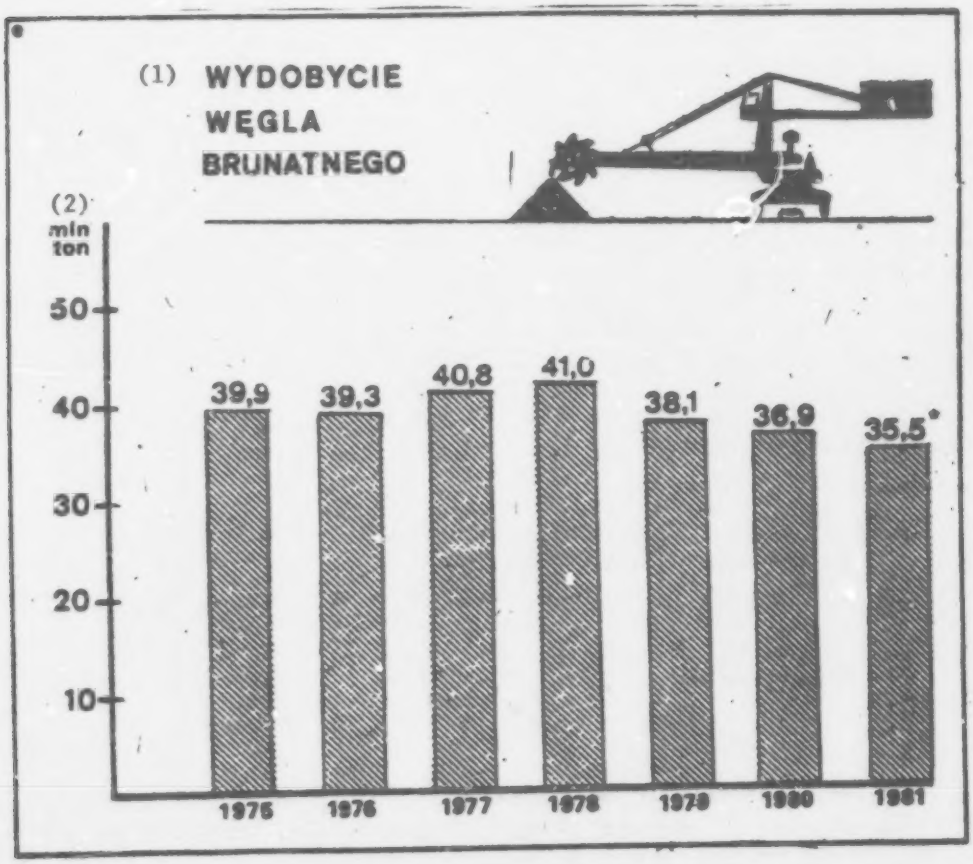


Key:

1. Production of brown coal
2. Millions of tons

*Estimated data

## Brown Coal Production Decrease

Warsaw RZECZPOSPOLITA in Polish 15 Jan 82 p 4

[Text] Brown coal mining also declined [see bar chart on preceding page], but not as sharply as hard coal. The decline was primarily responsible for the drop in the production of electrical energy in four electric power plants (Turow, Patnow, Konin and Adamow) which have a total capacity of 4,400 MW and produce 23 percent of the energy generated in public-utility power plants.

One of the most important reasons for nonfulfillment of the mining plants is the 1-year delay in the construction of two new mines in Belchatow and Lubstow.

The situation should improve this year because it may be possible to remove the overburden in the Belchatow region by using the machinery that was initially intended for the construction of another mine.

Furthermore, advancement of the Lubstow mine may make it possible to mine 0.5 million tons of brown coal this year, 3.5 million tons in 1983, and 5.4 million tons in 1984. This will permit full utilization of the production capacity of the Patnow and Konin electric power plants and gradual elimination of coal deliveries from the strip mine in Turow.

## Major Fuel Difficulties

Warsaw RZECZPOSPOLITA in Polish 21 Jan 82 pp 1, 8

[Interview with Jerzy Wojcicki, chief inspector of power management, by Slawomir Popowski, PAP, Warsaw; date and place not specified]

[Text] The 30-million-ton drop in hard coal output, the reduction in imports of crude oil from the Arab countries, and finally the delayed overhauls in electric power and heat generating plants--all caused last year's fuel-energy balance to be exceptionally strained. For example, some cement factories had to be shut down for lack of coal. In turn, the shortage in electrical power meant that (especially in the fall) sometimes, in order to save the power system, we had to resort to drastic reductions in current supplies. And finally, crude oil. The problems with this fuel were attested by the tremendous lines at gasoline stations, and temporary suspensions of sales of gasoline to private drivers, and in large part, to socialized consumers.

The chief inspector of power management, Minister Jerzy Wojcicki, talks about the country's present fuel problems in an interview granted to a PAP journalist.

[Jerzy Wojcicki]: The country's present power situation is decisively affected by the fuel problems with which we contended last year. Despite everything, I am still an optimist. Hard coal mining is showing good results of late. This gives us hope that the situation will gradually improve, insofar, naturally, as there are spare parts obtained from imports and materials and equipment obtained here. We are now operating under difficult winter conditions. December 1981 and January thus far have been much colder than the last several years. But we have been able to assure relatively good supplies of fuel--coal, coke and heating oil--needed for power purposes.

In 1981 the biggest mishap in the power industry were the delays, more or less two months, in the course of the repairs and overhaul campaign. What it finally came down to is that even now, in January, repairs on some equipment are being completed, which naturally has a bearing on the possibilities of supplying the country with electrical energy.

[Question] Your assessment of the present hard coal supply is really encouraging. On the other hand we know that precisely for lack of coal entire industrial installations, and even plants, are not operating.

[Answer] This is true. Last year, due to the coal shortage, we had to close some installations and plants, mainly in the construction materials industry and in the raw materials industry. I would like to emphasize, however, that these are plants--house or cement factories--about which we had already made decisions either to reduce their production or shut them down entirely. We must call attention here to two elements. The situation in mining actually has begun to improve (due, among other things, to mining on Saturdays), but we are still a long way from the amounts that mining delivered in 1979 or 1980. Second, we must finally become aware of the truth, known throughout the world, that the days of abundant fuel belong to the past.

But returning to the plants that are shut down. The decisions that we have made as a rule pertain to the units with the worst indicators of fuel consumption.

To put it simply, if we have small amounts of coal it is better to use them in the plants that show the best results, and not give all the plants a little. That, it seems, is logical.

[Question] The next problem--crude oil. What happens with gasoline and when will gasoline sales again be made to private consumers?

[Answer] The difficulties with deliveries of liquid fuels were caused primarily by the reduction, of about 2.5 million tons, in the processing of crude oil, This was the result of the need to reduce to an absolute minimum, and actually to eliminate, the import of crude oil from countries in the so-called third payments area, mainly the Arab countries. We simply did not have the foreign-exchange funds. It is worth remembering here that up to now we have purchased about 20 percent of the crude oil used in our country from the Arab countries. And that is how much we are short. The breakdown occurred in the fall of last year. The needs grew very rapidly and the production of gasoline began to drop sharply. Finally we even had to go into the basic reserves of this fuel. In total, last year, for example, in the private sector, we used 1.7 million tons of gasoline, and in the socialized sector (it was drastically limited), it was 1.5 million tons. This explains, to a certain extent, why the decision was made to suspend sales to private consumers. There simply was no other way out.

At this point we should explain one of the myths that is popularly believed. It is often said that the share of private automobile consumers in the total consumption of gasoline is minimal. This would still be true if we were talking about 1975, but it is not true now. Seven years ago the socialized economy consumed almost 2 million tons of gasoline, while the population consumed only 693,000 tons. But since then the demand by private vehicle consumers has been rising on an average of 200,000 tons annually and surpassed the socialized sector a long time ago.

[Question] But when will normal sales of gasoline be resumed?

[Answer] It is hard for me at this point to give an exact date. The matter will be examined very shortly and, I expect, some decision on when sales will be resumed will be made as early as this month. At present, talks are going on regarding future deliveries of this fuel.

[Question] For some time now radio reports have given information on the levels of power supply in effect in supplies of natural gas. Is this the next fuel of which there will be a shortage?

[Answer] The matter of supplying the country with natural gas is a little like the situation in the power industry. If the outdoor temperature stays up to minus 5 degrees Celsius, we have no great difficulties with supplies. But if it drops below this figure, we must limit supplies. The reason for this state of affairs is the lower deliveries, by as much as one-half, of high-methane natural gas from domestic sources. This is a problem that our economy has been contending with for several years and in this case, it is essential that research and geological searches be accelerated.

[Question] The last question--what happens now? If the fuel shortage is to be something permanent, if we will never return to the years of abundant fuel, then what are we supposed to do in order to keep the consequences of this state of affairs to a minimum?

[Answer] There is only one answer, and it become banal from frequent repetition: Above all we must save fuel and energy and improve its consumption.

There is a great deal of expectation now that economic reform will perhaps finally create the mechanism that will force efficient fuel-energy management.

The start for this has already been made. It is the new producer prices on all basic fuels and energy.

## Fluidized Boiler Operation

Warsaw RZECZPOSPOLITA in Polish 16-17 Jan 82 p 6

[Text] The most important goals of political science for 1981-1985 center around raw-materials and energy problems.

They include the comprehensive processing of coal, optimal utilization of resources, the development of production of products from copper and alloys, and the comprehensive development of the energy industry. As reported by the Ministry of Science, Higher Schooling and Technology, the application, in hard-coal mines, of the technology of removing a thick bed by layers from the ceiling to the floor by using a hydraulic filling, will make it possible to work crumping beds, will reduce losses in coal reserves, improve safety and work conditions, and stabilize the organization of the work.

However, series production of a new type of gangway casing will, in practice, eliminate the import from Western countries of this type of mining equipment, which is valued at 20 million foreign-exchange zlotys per year. A large expansion in production of these casings is expected by 1985.

The plan to conduct operational tests on a fluidized boiler (WF-40) in 1982 is worth noting. Thus the home energy industry would enter into the period which would bring the practical application of one of the most progressive and promising technologies in the world today a little closer. Fluidized boilers make it possible to burn the lowest-quality coal, even mining wastes, without polluting the environment.

## New Power Plants, Difficulties

Warsaw TRYBUNA LUDU in Polish 2 Feb 82 pp 1, 2

> [Text] The recent violent temperature fluctuations had an effect on the country's power system. Demand for energy changed drastically, and a 20 level of power supply was also recorded. The average daily shortage of power in January was about 1,000 megawatts.

The end of winter is still a long way off and if industry does not use energy more efficiently, the shortage may become even worse.

Coal supplies improved in January. Stocks amount to 2.1 million tons and are sufficient for 10 days of uninterrupted power plant operation. Most of the credit for this should be given to the mining workforces. Coal is delivered 6 days a week, which makes it possible to reduce the drop in the stocks.

### Belchatow and Polaniec Will Decide

Continuation of construction of new power plants may make it possible to improve the power balance. It is estimated that if unforeseen disruptions do not occur at the construction sites, 2,100 megawatts from new power units will be switched into the national network this year.

Work on the "Polaniec" electric power plant is moving at a rapid rate. Unit 5 was started up recently. Units 6 and 7, each 200 MW, are under construction.

The first unit in the Belchatow electric power plant is also being "broken in". If this proves to be efficient, another, a 360 MW unit, will be put into operation as early as this year.

The construction of the pumped-storage electric power plant in Zarnowiec, which has been going on now for a couple of years, will finally come to an end this year. All four units, after startup in peak-period hours, will supply the country's system with 680 MW.

Work on several electric-power and heat-generating plants is far underway. For example, Poznan will receive 50 MW of power, Gdansk, 55 MW, and Bydgoszcz, 32 MW.

This will improve the unfavorable heat balance in these cities. The Poznan investment deserves particular attention. It will make it possible to eliminate the operation of boilers heated with heavy fuel oil, thus saving many tons of this very scarce fuel.

Expectation that Repairs Will be Better Organized

The power units which will be put into service, even though they will improve the country's energy balance, will not satisfy all the needs. Above all, they will not create a reserve of power which would be available in case of sudden failures.

In most power plants the equipment is old, overworked by excessive operation. It has been calculated that the time during which maximum power was being used in recent years amounted to 5,000 hours, which is 2,000 hours more than in other countries. That is why, this year, repair rigors and work discipline have been sharpened.

The ministry management, reported Witold Kasinski, deputy director of the Department of Electric Power Plant and Electric-Power and Heat-Generating Plant Operation in the Ministry of Mining and Energy, has ordered that the overhaul time on the power units be reduced. Last year the halting of work on free Saturdays slowed up the rate of the work quite substantially. Although previously, for example, overhaul of a power unit took, on an average, 37 days a year, in 1981 this extended to 50 days. This meant that last year's overhaul campaign was not conducted properly.

We have prepared an analysis of the power availability rate of the overhauled units. It showed poor work quality and a large equipment failure rate. We have prepared a totally different system for conducting repairs. Responsibility for the work performed has been tightened. This will contribute to more efficient conduct of repairs and also to better performance.

Planned inspections, by the new organizational rules, have been made on equipment totalling 830 MW. During this year's overhaul campaign electric power plants with a total power of 20,000 MW will be covered.

## Coal Production, Economic Recovery

Warsaw TRYBUNA LUDU in Polish 8 Feb 82 p 3

[Article by Stanislaw Albinowski: "Not by Coal Alone; The Economy in the Crisis Noose"]

> [Text] We have an enormous production potential, of which we are utilizing only 60 percent in industry and 50 percent in construction. We have sufficient, and at this time an actual surplus, of labor resources, and the skill level of the workers is higher than in many of the world's most developed countries. There is an absorbent and unsatisfied domestic sales market, and export capabilities are many times greater than current export.

Why, then, has production and income been falling, for the third year in a row? Primarily because we have nothing which to produce from. We lack raw and other materials, energy and fuels. Again, the same question. Why?

We are, of course, a country that is rich in raw materials. Although we do not have our own crude oil and iron ore, the total documented reserves in our mines amount to over 500 billion tons! Our mining production at the end of the last decade, calculated per one person, was twice that of the world average. Such developed countries as Switzerland, Austria, Belgium and Italy, to say nothing of Japan, would be happy today if, relatively speaking, they had half of what we have.

It is said that we do not have enough raw and other materials and so material supplies are the bottleneck in our economy. This misconception should be corrected. The bottleneck is really excessive consumption of materials and waste or failure to utilize available reserves. But let us look at both sides of the coin, if we can compare our materials management with a coin. Actually, it is a time bomb. This bomb has been ticking for a long time, but the people responsible for the economy have been deaf to its signals. Now this bomb has exploded, shattering our economy. Although the fact that there has been an explosion is admitted (for it would be hard to deny), the primary cause for it continues to be ignored.

Let us begin with the supply side of the problem. Supply is determined by domestic production and foreign trade turnover balance. What is our production of raw and other materials? It is impossible to answer this question accurately. Polish statistics are among the most developed in the world, but the Main Statistical Office does not give an amount so basic as the division of production into raw-materials and processing. In the face of this astounding phenomenon, I am forced to make my own estimated calculations. For these purposes I include in raw-and-other-materials production the "basic" industries: coal, fuels, power, ferrous metallurgy, nonferrous metals, construction materials, and timber. It is impossible to separate the chemical raw materials. I must leave out agricultural raw materials for industry because there are no inter-subsector input-output tables for the final years of the past decade. I include the remaining branches of industry (along with chemistry) in the processing industries.

Under this formulation, whose conventionality is forced, it appears that based on data from the Main Statistical Office, during 1970-1979 the increase in value of production from the processing industries was four times greater than that from the "basic" industries. Respectively: 896 and 218 billion zlotys (in 1971 prices). Thus the supply gap was somewhat planned, and its size, taking into account the increase in materials input from 50 to 56.6 percent, amounted to almost 300 billion zlotys in 1979! If, in spite of this, the balances were supposed to "measure up", then apparently it was expected that imports would grow--but about this later.

There are still no data for 1980 and 1981, but we can assume that although there were no important changes in 1980 in the area mentioned, the situation deteriorated drastically in 1981: production of the most important raw and other materials (except electrical energy, copper, coke and natural gas) dropped to a greater degree than all of industrial production. The causes for this were varied, but the main cause without a doubt was the suddenly reduced working time.

There can be no doubt that the most severe blow to the economy was the 30-million-ton drop in coal output. This represented, after conversion, a loss on the order of 2 billion dollars. Of course, only a portion of this sum would have been obtained in the form of foreign-exchange revenues in convertible currencies.

The loss of 30 million tons of coal is, without a doubt, tremendously important, but it does not give anyone the right to say, as Mieczyslaw Kaminski, for example, did, in RZECZPOSPOLITA, dated January 16: "The decline in coal output has become the most serious obstacle in the implementation in the program for overcoming the crisis." To support this thesis, M. Kaminski tells us that ..."in the difficult year of 1981, the reduction of coal output by 1 million tons represented a loss of industrial production amounting to 30 billion zlotys".

Hence the conclusion that if coal output had not fallen by 30 million tons, industrial production would have been higher--compared to what it actually was--by 900 billion zlotys. Therefore, in place of a drop in this production in 1981 of about 430 billion zlotys, we would have had an increase on the order of 470 billion zlotys, or almost 14 percent as compared to 1980. Please, let us not go mad or else we will never get out of this crisis.

A realistic calculation looks approximately as follows: Assuming the existing structure and coal-intensiveness of industrial production, and assuming the very optimistic hypothesis that imported raw material valued at 1 dollar will allow us to produce a unit with a total value of 150 zlotys, the result will be that out of these (not produced) 30 million tons of coal we will have to earmark 21 million tons for import of input material, and 9 million tons for consumption in industry, so as to obtain an increase in total production on the order of 220 billion zlotys. Of this, only 80 billion zlotys would constitute net production (national income), while the rest would be used for "internal" needs of industry. Therefore, if we had these 30 million tons of coal, the drop in industry's total production would be over half less, but the drop in national income generated in fixed prices would be 9.3 percent instead of the actual 13 percent.

This calculation, which should be regarded as a very "rough" estimate, makes it possible to formulate several conclusions:

--First, it gives an approximate determination of the actual size of the production losses suffered by the economy as a result of the reduction in coal output by 30 million tons in 1981;

--Second, it rejects the thesis cited above that places the main responsibility for the economic catastrophe of the past year on the coal mining industry. Because even if 193 million tons of coal had been produced, there would have been a drop in income of over 9 percent, while the first version of the plan envisaged an income drop of 3.3 percent with coal output at 188 million tons;

--Third, the conclusion is that some other, more powerful factors in the economic recession, had to "operate" here, and not just the decline in output of coal.

I have always opposed this "monocultural" coal concept, because our economy is too complicated (diversified structurally) for only one product, however extremely important it might be, to decide its fate. That which may be correct in relation to a situation in a "banana republic", is not correct in relation to Poland. I have criticized making the variants of the plan for 1982 almost exclusively dependent on the size of the coal output, and I have also critized the officially announced thesis that the fate of economic reform is dependent on 20 million tons of coal (see TRYBUNA LUDU, October 14, 1981). Coal is not and never was the only bottleneck in our economy, and the "coal" possibilities of widening the bottleneck shrink not only to the extent that receipts from coal exports shrink, but also because of the growing dependence on import of supplies from capitalist countries.

I can say with satisfaction that this viewpoint has now been recognized by the Planning Commission, as shown by the following statement by deputy premier Zbigniew Madej for PAP, published in TRYBUNA LUDU, January 23/24, 1982: "Only a couple of months ago I said that the country's coming out of the crisis will be decided by an improvement in the coal mining situation. Now, without diminishing the importance of coal for the economy, I believe that the center of gravity has shifted to the sphere of supplying industry with raw and other materials imported from the second payments area [capitalist countries]."

I will now go on to a very abbreviated presentation of the second factor in the supply of raw and other materials, i.e., the import of supplies. The dependence of domestic production on this import has increased dangerously in the past decade. I will not discuss the reasons for this, because this is a subject for separate consideration, but I will state an unshakeable fact, that in 1972 we assigned 51 percent of the total import for industry's current production requirements, while in 1980 this amounted to almost 60 percent, of which 70 percent was import from capitalist countries, expending over 6 billion dollars for this purpose. Not expending, I should say, but taking on credit. Our indebtedness had already reached such a level that repayment of instalments and interest in 1980 exceeded 80 percent of our foreign-exchange receipts from export to this area. In 1981 the situation was still worse. As a result, the imports of supplies from capitalist countries for all industries (with the exception of food and agriculture), were reduced drastically, as much as 40 percent (calculated in fixed prices. It was only due to the equalizing deliveries from socialist countries, mainly from the USSR, that the total volume of supply import decreased by 20 percent. Converted to domestic prices, this represented a widening of the supply gap in 1 year to 60 billion zlotys. For comparison, I would like to remind you that during the entire past 10 years, this gap, caused by domestic disproportions, reached a level on the order of 300 billion zlotys. At that time we filled that gap with imports on credit, and now we had to reduce these imports drastically.

After taking into account the drop in domestic production, we can assume that the shortage of raw and other materials consumed by industry amounted to at least 430 billion zlotys in 1981, which roughly corresponds to the estimates in accordance with which the loss of total production due to incomplete utilization of existing potential amounts to 900 billion zlotys. That is the partial cost of the mistakes of economic policy in the past decade. The growing accumulation of these effects meant that in 1981 those threshold amounts had already been exceeded beyond which

a spontaneous escalation mechanism begins to function. In cybernetics it is called favorable feedback, i.e., a mechanism which moves a given system away from a state of balance at an increasing speed. Counteraction to such motion is much more difficult and requires more energy than simply keeping the system in a state of balance.

The principle counteraction method, which would make it possible to stop the rate of decline and gain control over it, was to weaken the basic factor that was destabilizing our economy. This is bad materials management, so bad that the results in relation to the outlays borne were increasingly lower. Under such management, the more we work, the less we have. Materials management, which I take also to be management of reserves and production consumption, will be the subject of the next article in this series.

(The first article in this series was published February 4, 1982 [in italics])

9295
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## CEAUSESCU PRAISED FOR CONSISTENT SUPPORT OF AGRICULTURE

Bucharest REVISTA ECONOMICA in Romanian No 3, 22 Jan 82 pp 6-7

[Article by Prof Oprea Parpala]

[Text] In the modern world, where the food problem more and more is a condition for man's social-economic development, theoretical and practical concerns with modernization of agriculture long ago lost their subjective nature and they represent a vital option for creating a flourishing economy able to insure the people's well being. It is remarkable that in the agrarian economic thinking of the president of socialist Romania--Comrade Nicolae Ceausescu--the scientific option for development of agriculture is combined with the love for his forefathers' land and for the oldest creator of material goods and preserver of the national continuity--the peasants.

I think it is very significant that in a period in which the thesis predominates of the conservatorism of the peasants, presented as an amorphous social and political level devoid of revolutionary combativeness, whose contribution to Romania's social-economic development was deliberatlly reduced, Comrade Nicolae Ceausescu is the first to rehabilitate the role and place of the peasantry in the revolutionary struggle of the Romanian people for national independence and social justice and reestablish it at its true dimensions. Smashing old dogma, the secretary general of the Romanian Communist Party brings out the peasantry's revolutionary force in the life of the Romanian people: Under conditions in which it was the main class of Romanian society, the country's history overwhelmingly is the history of the peasantry. To deny the peasantry's revolutionary force means to deny an important page in the revolutionary past of the Romanian people. The big peasant uprisings which culminated in 1907--and this spring it will be 75 years since then--are witness to their patriotism and revolutionary froce, demonstrated with such self-sacrifice in the big class battles and resulting in just as many victories which they carried out alongside their natural ally, the working class, which became the leading class in the job of creating socialism on Romania's land. The victory of socialism in the villages--which at the same time meant the final and irrevocable victory of socialism in Romania--changed the peasantry into a new social class with a powerful revolutionary spirit. In building the multilaterally developed socialist society as well as in creating conditions for the move toward communism, the peasantry represents an important social force which is dedicating its efforts to raising the country to new heights of progress and civilization. There were many writers and poets--coming from the land or tied to the land--who extolled the vitality and revolutionary force of the Romanian peasant. However, not one of them, through scientific depth and love, equals the pages in which Romania's president rehabilitates the Romanian peasant's revolutionary role, pages which praise those who always were the "peasantry."

Because in Romania's social, economic and political life the peasant does not mean just the past or the present but, rather, the future: his work takes place in the most important and complex branch of material production, vital not only for development but even for the existence of Romanian society--agriculture. It is the indisputable merit of Romania's president that in a period in which the role of agriculture in the socialist economy is being minimized, he has substantiated the role and place of agriculture as the basic branch in the socialist economy, particularly in the countries which have natural conditions and favorable economic conditions for practicing intensive and multilateral agriculture. Combatting mistaken theses on the so-called priority development of industry to the detriment of agriculture by neglecting the modernization of agriculture, Comrade Nicolae Ceausescu has militated for the harmonious development of these two basic branches, depending on the needs and possibilities of each national economy. In this context, the very important thesis on speeding up the process of intensification of production was worked out in order to increase agriculture's contribution to increasing the national wealth and, in particular, the national income, taking into account the special capacity of agriculture to produce more national income per unit of material expense compared with all the other branches of material production, including with industry.

Under the new conditions of the world energy crisis and the world food situation, the priority development of agriculture (along with energy production) has become an urgent need.

The interdependence of industry and agriculture in a period in which the development of industry more and more is a condition of the importing of raw materials and fossile energy changes agriculture into a true base for Romania's industrial development, since it not only provides the supply of the nonagricultural population with agricultural food products, but it also supplies raw materials for development of certain processing industries. The capacity of agriculture as the single branch of material production which accumulates new energy gives it new features and functions in the strategy of Romania's economic growth.

The particularly important role which agriculture has in the thinking of President Ceausescu also is carried out in the new thesis on self-leadership and territorial self-supply, upon which basis the four-year program was worked out for territorial self-supply with agricultural products. Actually, territorial self-supply is a natural result of the concept of territorial self-leadership as an expression of broad democratism in the leadership of modern Romanian society through establishment of the worker's councils at the county level, too. It is natural for one of the main duties of self-leadership to be local self-supply, primarily on the basis of the local consumption fund and only for the products which do not give optimum output--through the state's central fund which mediates the intercounty exchange of agricultural products. Although territorial self-supply does not equal (and cannot equal) territorial food independence, it stimulates all agricultural producers to utilize production resources on a high level, given the fact that the production obtained beyond the plan remains at the disposal of local consumption.

One of the most current innovative theses for agricultural policy of the Romanian Communist Party, worked out by President Ceausescu over a long period of time, is the one on the new agrarian revolution in Romania. What is also characteristic of this thesis (as well as of the others) is the tireless struggle of Comrade Nicolae Ceausescu against immobilism in act and thought. The party's secretary general

pointed out just several years after conclusion of the cooperativization process that cooperativization of agriculture alone does not resolve the problem of its modernization but it is merely the condition for a prolonged and complicated process of the radical and revolutionary change of the material production base in Romania's agriculture, through implementation of a vast investment program. Developed in particular at the 12th party congress, this new concept, which has been assigned the name of the new agrarian revolution, was presented in a final form to the 2d congress of the peasantry, when not only the goals but also the ways and means of carrying out the new agrarian revolution in Romania were indicated. Conceived as a form specific to agriculture and the modern scientific-technical revolution, the new agrarian revolution seeks a considerable increase in agricultural production, an increase in economic efficiency in agriculture, growth in labor productivity and improvement in the general social conditions in agriculture. By fulfilling these goals, the new agrarian revolution contributes to the radical improvement in the structure of the population's food consumption, to generalization of self-leadership and self-management at the level of each agricultural unit, to an increase in agriculture's contribution to growth in the national income and, on this basis, to Romania's change into a socialist country with average level of economic development.

Fulfillment of the goals of the new agrarian revolution does not exclude but, rather, means an improvement in the relations of socialist production from the villages, including improvement in the methods of the leadership system. These improvements are intended to create the necessary social-economic and organizational framework for bringing the two forms of ownership in agriculture closer together through cooperation on equal footing.

At the same time, making working and living conditions uniform throughout the country, changing agricultural work into a version of industrial work and eliminating the basic differences between cities and villages require new organizational forms which, along with the social integration of the two forms of ownership, would achieve vertical economic integration of agriculture with the branches upstream and downstream from it. On this basis the new, revolutionary concept was worked out for the establishment and role of the state and cooperative united agroindustrial councils as territorial organs for the leadership and guidance of the agricultural units in their area of activity, with a view to more efficient use of all production resources, uniformization of production conditions in the state agricultural enterprises and agricultural production cooperatives (at the level of the leading units) and cooperation between state ownership and cooperative ownership. Through the historic role they have to fulfill the future, that of the revolutionary change of production relations in agriculture (of course, on the basis of the corresponding development of production forces), the united agroindustrial councils exceed the framework of a simple coordinating organ for cooperation in production, representing the bud for a future social-economic organization of Romanian agriculture.

With this prospect, President Nicolae Ceausescu is demonstrating permanent concern with improving relations between the socialist agricultural units within the united agroindustrial council, with a view to the maximum use of production reserves and resources which each form of ownership still offers.

In this context, one should mention that even since the 9th party congress Comrade Nicolae Ceausescu has drawn attention to the fact that the agricultural production

cooperative is the peasantry's form of social-economic organization throughout the period of building the multilaterally developed socialist society and the move to communism. It is interesting to stress that working out of this thesis was taking place under conditions where--as an expression of the attitude of lack of faith in the Romania' peasant's ability--insistence was being placed on changing some of the agricultural cooperatives--poorly developed ones--into state agricultural enterprises. The thesis on the role of the agricultural production cooperative is the natural result of Comrade Nicolae Ceausescu's concept on the political force of the peasantry and the Romanian peasant's ability to manage himself and to overcome the difficulties caused by the prior state of backwardness in which Romania's agriculture had found itself. And what is more, the organization of the united agroindustrial councils in no way affects the role of the agricultural production cooperatives and the state agricultural enterprises, which remain basic production units in Romania's agriculture. The main problem being posed in the current stage is that of finding similar forms of cooperation among them--on one hand--and among them and the stations for mechanization of agriculture on the other, which would insure the utilization of important production reserves available with maximum efficiency in order to raise Romania's agriculture to the level of the developed countries.

Stressing just several of the areas of economic activity in agriuclture which have benefitted from the innovative thinking of President Nicolae Ceausescu, we mention that the originality of these solutions is determined not only by the need to adapt the general truths of socialist construction to the specific nature of Romanian agriculture but, in particular, by the period in which they were worked out. The fact is that the theoretical and practical activity of Comrade Nicolae Ceausescu as the head of the party and head of the state has its beginnings in the period immediately following conclusion of the cooperativization of Romanian agriculture. Whereas the experience of some socialist countries already existed at the world level on problems regarding the methods and forms for cooperation in agriculture, this was not present on problems regarding the role, functions and methods for integrating agriculture into the system of relations for building the multilaterally developed socialist society; even the more developed socialist countries were in the same phase of solving the agrarian problems.

For that reason, the importance of the theoretical theses--of great practical resonance for the development of agriculture--worked out by President Nicolae Ceausescu is the real contributions to the development of the agrarian theory of scientific socialism at the world level.

8071
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IMPORTANCE OF MEASURES TO STIMULATE AGRICULTURE EXPLAINED

Bucharest SCINTEIA in Romanian 19 Jan 82 p 3

/Article by Univ Prof Dr Oprea Parpala: "The Reasons of an Economic and Social Order That Were the Basis for the Adoption of the New Measures for Stimulating the Agricultural Producers"/

/Text/ Public opinion in our country has received with obvious and justified interest the two decrees of the State Council on the contracting for and purchases of vegetable agricultural products, animals, poultry and animal products, an interest also increased by the fact that the new regulations that increase the personal interest of the peasantry in increasing the production and the deliveries to the state supply were adopted only 1 year after the Decree on the Updating and the Improvement of the Correlation, on Economic Principles, of the Production, Contract and Purchase Prices for Some Agricultural Products.

Under these conditions, the natural question is raised, both on the part of the producers and on the part of the purchasers of agricultural products: What are the considerations of an economic and social order that generated the adoption of the abovementioned measures?

As is known, Romania is promoting a policy of self-sufficiency regarding food, supplemented by the distinguishing of reserves for exportation. The promotion of this policy is based on the natural and economic conditions favorable to the development of intensive agriculture, a priority branch of the national economy, with an extremely important role in securing the country's general progress and raising the people's standard of living. The growth of agriculture's contribution to the transformation of Romania into a socialist country with an average level of economic development must also find expression in the providing of a food consumption--quantitative and qualitative--at the level of that in the countries with developed agriculture. With this end in view, the Program on Territorial Self-Management and Self-Supply for Providing Animal and Vegetable Agricultural Products to the Population in the 1982-1985 Period was also drawn up and has acquired the force of law. The priority aspect of this program consists of the qualitative improvement of the structure of the food consumption, taking into account the present absolute predominance of the food resources of a vegetable nature. According to the calculations that we made (on the basis of the statistical data of the FAO), it results that, in order to achieve the structure of the food resources per day and per capita in the FRG (with which we are equal as regards the total resources, that is, 3,368 calories in Romania and 3,362 calories in the FRG, but, of them, the calories of animal origin are only 714 in

Romania, in comparison with 1,303 in the FRG) and considering that a consumption of 6-7 calories of "raw material" of vegetable origin is necessary in order to obtain 1 calorie of animal origin, our country must double the vegetable and animal physical output (without taking into calculation the population growth). The problem is magnified if we consider that the resources of animal protein per day and per capita are 54.5 grams in the FRG and 39.3 grams in Romania (which, from this viewpoint, is in one of the last places in Europe, surpassing only Portugal, Yugoslavia and Albania).

At the same time, the absolute growth and the qualitative improvement in the food consumption per capita (in 1966-1968, the resources were only 3,070 calories, including only 529 of animal origin, and the resources of animal protein were only 27.3 grams) combined to reduce the reserves for exportation, in a period in which it was necessary for us to increase the importation of petroleum and mineral raw materials. So it is, for instance, that, according to the data of the FAO, the average annual net exportation of cereals in the 1977-1979 period was only 282,000 tons, and for sugar we reached a net importation of 26,000 tons per year.

All these things increase the necessity of at least doubling the vegetable and animal production, as a primary objective of the new agrarian revolution in Romania.

But, under the conditions of our country, where the possibilities of expanding the cultivated area are very low, the matter of increasing--of at least doubling--the yield per hectare, especially in the agricultural production cooperatives, has an absolute significance. Despite the vitality attained in the development of our agriculture, the yields that we are obtaining are not yet at the level of either the possibilities or the needs. For the majority of the agricultural crops, the ratio of yield between Romania and the developed countries is 1 to 2. But even from this ratio there also result the reserves that we possess for increasing the yield by accenting the process of intensive development of agriculture, on the basis of allocating additional production resources per unit of area. The situation existing in the agricultural production cooperatives--the main sector of our agriculture--reveals these reserves even more strikingly. In 1980, for wheat, for instance, 57 percent of the cultivating cooperatives obtained less than 2,500 kg per hectare (including 303 cooperatives below 1,000 kg). For grain corn, 72 percent of the cultivating cooperatives obtained less than 3,000 kg per hectare (including 589 cooperatives below 1,000 kg).

Such yields are being obtained under the conditions in which the material and pay expenditures are increasing, influencing the production costs. The growth of the expenditures for fuel and other energy resources and the increase in the prices of various means of production are burdening more and more the income and expense budgets of the agricultural units, increasing the volume of the losses, in a period in which the application of the new economic and financial mechanism puts first and foremost the matter of self-administration. However, in 1980, the financial activity of the agricultural production cooperatives, for instance, ended with a loss of over 5 billion lei (calculated at the real level of pay--just 28.85 lei per norm of category I). Only 20.2 percent of the cooperatives did not suffer losses, while 54.2 percent of them registered losses of over 1 million lei (with the losses exceeding 5 million lei in 177 cooperatives). It is as clear as can be that such a situation necessitated the matter of better placing on economic principles the exchange of products between the village and the city, for strengthening the worker-peasant alliance--the political basis of the socialist order in Romania.

At the same time, it must be mentioned that in most cases--at least for the main vegetable products (especially cereals)--the prices had not been changed for nearly a quarter of a century, a period in which great upheavals occurred in the world economy and agriculture. The world economic crisis, at least through two of its manifestations--the energy crisis and the food crisis--seriously affected the prices of the agricultural products, causing a true "explosion" of them. For instance, in comparison with the price at the end of 1972, the average price in 1980 rose from 259.50 cents to 458.37 cents per 60 pounds for wheat on the Chicago market, from 151.75 cents to 311.11 cents per 56 pounds for grain corn on the same market, from 9.79 cents to 30.62 cents per pound for sugar on the New York market, and from $249 to $600.91 per ton for soybean oil on the Rotterdam market, while the average price of 1 ton of sunflower oil was $615.05 on the same market.

The above considerations put in its true light the well-substantiated reason for the new measures adopted by our party and state for stimulating the agricultural producers, through the factor of prices, for better utilizing the production resources in order to increase the yield and the deliveries to the state supply per hectare or per head of stock.

In connection with this, two basic problems had to be solved: the size of the financial incentives (a price increase) and the criteria for granting these price increases.

According to the calculations made by us (and presented in a scientific paper prior to the adoption of the recent decrees), it results that in order to make the whole socialist system of our agriculture profitable--at the level of the economic and financial results in 1980--15-20 billion lei (besides the 9.6 billion lei in supplementations through the measures in 1980) are additionally necessary for: covering the more than 12 billion lei in losses; supplementing the pay fund of the agricultural production cooperatives by at least 9 billion lei in order to reach a pay of about 55 lei per norm of category I; and providing a rate of profitability of 10-15 percent (for self-development), which would represent between 8 and 12 billion lei. If we consider that in the 1981-1982 agricultural year, just from the production bonuses, for the vegetable products delivered to the state supply, the agricultural producers are obtaining additional incomes of about 14 billion lei, to which are added the price increases and the production bonuses for animals, poultry and animal products, it can be judged that for the first time in the history of our agriculture the conditions exist for self-administration and the achievement of equitable incomes by the agricultural producers, this being the second objective of the new agrarian revolution in Romania.

Regarding the criteria for awarding the incentives, under the conditions in which the main objective is to increase the yields per hectare, as a basis for increasing the deliveries to the state supply, it can be only one thing: the increase in production delivered to the state supply from each hectare or from each animal. It is natural for the level of the bonus per ton of product to increase along with the increase in the limit per hectare of the deliveries to the state supply, given the fact that a higher output also requires a greater financial effort. As a matter of fact, this progressive character of the production bonus constitutes the essence of the stimulative measures provided in the new decrees of the State Council. As authentic documents of agrarian policy, the two decrees also pursue the attainment of other objectives, such as: the awarding of production bonuses (in percent of the basic price)

for the products of greater economic importance (grain corn) or those in short supply (sugar beets, sunflowers and so on); the awarding of the production bonus to the agricultural production cooperatives starting from a lower limit per hectare of the deliveries to the state supply; the awarding of financial incentives for the raising of the average slaughtering weight of the animals, the raising of the birth rate, the regularity of the delivery of the animal products to the central supply, and so on. Through the additional incomes provided by the state to the agricultural producers, the new system of material incentives has the mission of helping to speed up the process of intensifying the agricultural production in our country.

Obviously, the new regulations on the contracting for and purchases of vegetable and animal agricultural products correspond not only to the interests of the agricultural producers but also to the general interests of the development of our socialist society, within which agriculture is called upon to manifest itself more strikingly as a basic, priority branch for the economic and social progress of the country, for the raising of the well-being of our whole populace.

12105
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## PRODUCT PRICES MUST REFLECT ACTUAL PRODUCTION COSTS

Bucharest REVISTA ECONOMICA in Romanian No 4, 29 Oct 82 pp 10-11

[Article by Virgil Pirvu, a director in the State Committee for Prices: "Basing Prices on Social Production Costs"]

[Text] Under the conditions of the new economic-financial mechanism based on self-management and self-administration, prices must direct the enterprises towards the achievement of planned production at the highest possible levels of quality, with a minimum of costs and a maximum of profits. At the same time, prices must allow society to evaluate as exactly as is possible the contributions of the different units, sub-branches and branches of the economy in obtaining the final economic results in order to plan the improvement of the structure of production in the direction of getting maximum economic efficiency.

### The Economic Basis of Production Costs

The system of prices can exercise these important functions of documentation and control on behalf of society, as well as a factor for optimizing economic processes, only if they correctly reflect the social costs necessary to produce the goods. Any deviation in the prices from their economic base, which is determined by the social production costs, not only distorts the synthetic indicators of the economy or of the branch and units, but also can directly have negative implications for the normal carrying out of production and the movement of goods in the economy.

The existence of certain underestimated prices does not provide these enterprises the means of obtaining the financial resources necessary to create the funds outlined by the current economic mechanism and does not stimulate the development of production corresponding to the needs of the national economy. At the same time, the setting of certain prices at levels higher than those economically justified creates a false picture of the efficiency of these production processs and does not stimulate the enterprises and centrals to improve the technologies in order to decrease labor and material consumption and to thus reduce their production costs.

According to the fundamental requirement of the new economic-financial mechanism, each sector, activity or product must be efficient and must produce profits. This raises new requirements in the activity of setting prices, in the sense of most judiciously determining the scope of the objectively necessary costs recognized in society. This increased requirement does not mean, however, identifying individual costs through prices, whatever their level may be, that is, basing prices on

marginal costs. Prices must be based on costs that are critically analyzed and judiciously determined on the basis of the standards and norms in effect.

The need to reflect real social costs in prices applies not only to those domestically-produced products, but also those that are imported. In this case, the domestic prices must reflect the real efforts made by the national economy in order to obtain the hard currency needed for import activities. As such, their prices must be established starting with the prices paid for the imports and with the cost in lei of the hard currency earned from export operations. Deviations from these criteria can unjustifiably stimulate the consumption of certain import materials if the prices are underestimated in relation to their real cost to the national economy, generating at the same time financial redistribution processes. If the prices of the imported products are judiciously set, under conditions of a balanced commercial exchange, the budget will not have to intervene in order to finance foreign trade.

It is a known fact that our country does not have its own raw materials base that will fully satisfy the needs of industry. Under these conditions and paralleling the efforts to develop our own production of raw materials, Romania is required to import significant amounts of crude oil, coal, coke, iron ore and so forth. And, in recent years, especially after the start of the energy crisis, the prices on the world market have noticeably increased. Thus, crude oil prices over the 1972-1981 period have increased approximately 15 times over, while those for petroleum products are over 11 times greater. As a result, prices have also increased for other products: 4 times greater for coal, 2.2 times greater for metals, 1.8 times greater for ores, 2.8 times greater for rubber and 2.9 times greater for wood and wood products. At the same time, prices have also gone up for food products. The price for grain has increased by approximately 2.3 times, for oil-producing plant seeds by 2 times and so forth. For the main raw materials imported by our country, the prices have also experienced great increases (see Table No 1).

Table 1

The Growth in Prices for Imported Raw Materials

| | (1) Creşteri (%) | | |
|---|---|---|---|
| | 1977/1973 | 1980/1977 | 1980/1973 |
| Ţiţei (2) | 242 | 152 | 762 |
| Minereu de fier (3) | 8 | 88 | 103 |
| Cărbuni cocsificabili (4) | 83 | 60 | 183 |
| Cocs metalurgic (5) | 120 | 90 | 319 |

Key:

1. Growth (in percent)
2. Crude oil
3. Iron ore
4. Coking coal
5. Metallurgical coke

Thus, in 1980, compared to 1973, a ton of imported raw material cost us 7.6 times more for crude oil, 1.9 times more for coking coal, 3.2 times more for metallurgical coke and so forth. It is easy to see the considerable effort that our national economy had to make in order to obtain the necessary amounts of raw materials.

At the same time, under conditions of using certain mineral resources containing lower useful content levels, costs also increased for raw materials stemming from our extractive industry (see Table No 2).

Table 2

The Increase in Costs of Domestic Raw Materials

| | (1) Creşteri — % | | |
|---|---|---|---|
| | 1977/1973 | 1980/1977 | 1980/1973 |
| Lignit subteran (2) | 30 | 25 | 62 |
| Ţiţei (3) | 30 | 74 | 127 |
| Huilă cocsificabilă (4) | 24 | 39 | 72 |
| Minereu de fier (5) | 71 | 34 | 128 |

Key:

1. Increases - in percent
2. Underground lignite
3. Crude oil
4. Coking coal
5. Iron ore

Maintaining prices at unchanged levels under the conditions of such increases in basic raw materials leads to a decrease in their expressiveness, to a separation from their basic nature - as production costs - and to a situation of financing part of production costs from the budget.

Creating agreement between production prices and the changes that have occurred in the level of costs has been achieved by resetting the prices from the 1974-1976 period and by updating the prices in effect from 1 January 1981. Through this updating process, we have achieved a more realistic reflection of production costs in the prices, we have created the possibilities for implementing the new economic - financial mechanism under better conditions in all branches of the economy, we have intensified the role of prices in improving economic efficiency and we have eliminated a series of financing activities from the budget. By increasing prices to a significant degree in the sectors producing raw materials, energy and certain basic materials, along with maintaining prices at unchanged levels for products in the final processing branches, we have improved the value relationship between the branches and the subbranches of the national economy and their participation is more correctly reflected in the creation of national income, stimulating the enterprises, at the same time, to more efficiently use material and financial resources.

The agreement between costs and prices must, however, be achieved as much as possible on an annual basis according to the long-term changes that occur in the levels and

correlations of domestic costs and foreign import prices and in close correlation with the indicators in the country's unified national economic and social development plan. Right from the point at which the plan is drawn up, we must reflect in the plan the changes that must be made to production and delivery prices beginning with the next year. This is an objective necessity in order to ensure the stability of the plan's value indicators and their strict correlation. As comrade Nicolae Ceausescu pointed out, only by analyzing real costs in a systematic manner and eliminating old prices and charges on a timely basis will we be able to exactly evaluate, with the help of prices, what products cost us, what the profits will be and whether we are competitive on an international level.

A Strict Correlation Between Costs and Prices

The realism of prices, their basis in the social production costs in all the branches and sub-branches of the economy and their maintenance in accordance with the changes that occur in their levels, as well as the priorities for development in the economy, are defining characteristics of the pricing policy promoted by our party. In connection with this, the 12th RCP Congress emphasized that "there will have to be a better substantiation of the correlations between the prices of basic products and those of finished products, beginning with the socially necessary costs and world market prices and with the need to better use raw materials, materials and energy."

In the year that has passed since the updating of production prices, a series of elements has intervened that makes it necessary to change price levels in some sectors, sub-branches and groups of products.

In the extractive industry, as a result of a complex group of factors, production costs for energy coal increased by an average of 9 to 14 percent, for iron ore by approximately 7 percent and for crude oil by approximately 8 percent. The prices for agricultural products were increased in 1981 by an average of 12 percent, and on 1 January 1982 a system of progressive, differentiated bonuses was introduced based on type of product and amounts delivered to the state fund per each hectare cultivated, while, at the same time, purchase prices were increased for a series of animal products. As a result of the increases in agricultural prices, costs in the food industry are going up by approximately 20 billion lei at the levels of this year, affecting the prices of all products in this branch.

Aside from the changes that have occurred in the level of production costs in the extractive industry and in the food industry, in recent years on a worldwide scale there have been significant changes in the price relationships between crude oil and natural gases. If in 1980 this relationship was approximately 3:1, currently, as a result of significant increases in the price of gases, the relationship has reached an approximate 1.6:1 level. This important change, decisively brought about by the energy crisis, also had influences upon the prices of those products that use large amounts of natural gases, influencing the price correlations for a series of products.

Keeping in mind these factors and the requirements to firmly implement the principles of the new economic-financial mechanism, it is necessary for us to permanently achieve full agreement between production prices and costs. To do this, it is necessary for

us to periodically update production prices so that they will correspond to actual, real costs and will permit each economic unit to achieve an appropriate level of profitability for each product. At the same time, in order to carry out a judicious pricing policy to have agreement between retail prices and the new production prices and to preserve certain appropriate relationships between costs, production prices and retail prices.

Reducing Production Costs - A Priority Task

The normal carrying out of activities in the enterprises on the basis of the new prices, as well as the full implementation of the economic mechanism in all branches and sectors of activity, are influenced by the continuing reduction of production costs. Only by a systematic action to reduce production costs, and especially material costs, by all means available will we be able to ensure the levels of profitability foreseen in setting the new production and delivery prices.

An important role in reducing costs is played by the critical analysis of costs at the time of setting new production prices. If we keep in mind the especially high rate of updating products, especially in certain branches like light industry and machine building, the contribution of the price setting organs to judiciously setting prices and preventing the unjustified growth of certain prices is even more graphic. In connection with this, it must be pointed out that, although it has happened less frequently in recent times, there still are numerous cases where enterprises or centrals and even some ministries, which are tempted to obtain "reserves" in order to more easily fulfill their plan's value goals, propose prices at levels higher than those needed on the basis of certain correctly determined levels of labor and material consumption. Thus, just during the period of 1 January 1981 to 30 November 1981, after an examination by the State Committee for Prices of proposals presented by the two ministries in the machine building branch, prices were set at levels lower than the ones proposed for approximately 300 products. The level of costs proposed by the ministries - which, after the analyses, were shown that these levels did not have to be reflected in new prices - totalled approximately 2.5 billion lei.

The existence of such cases of over-estimating costs and profits for the purpose of obtaining prices higher than those that are justified, as well as sometimes formal approaches alone to measures that must ensure staying within the planned levels of production costs at each economic unit, make it necessary to create a mass opinion in the ranks of the workers who work both in the finance-accounting and pricing sectors and in the technical and commercial sectors in order to correctly understand the balance that must be provided in the economy between costs and prices, as well as between the different categories of prices used in the economy.

The proper operation of the economic-financial mechanism requires measures to ensure a permanent correlation between costs, production prices and retail prices. The achievement of a just pricing policy and the maintenance of certain appropriate relationships between production costs and prices and sales prices constitute a legal, objective requirement for the proper management of economic activities. In this direction, in the session of the Political Executive Committee of the Romanian Communist

Party's Central Committee in December 1981, it was specified that the updating and improvement of prices in agriculture make it necessary to move to the improvement of retail sales prices for a series of products, an action that is to be carried out in close correlation with the plan provisions regarding increases in the people's real incomes.

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JPRS 80301

11 March 1982

# East Europe Report

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2244

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## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2244

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MAJOR INDUSTRIAL CONSTRUCTION PROJECTS FOR 1982 LISTED

Sofia STROITEL in Bulgarian 27 Jan 82 p 1

[Article: "Especially Important Projects in 1982"]

[Text] Kozloduy Atomic Power Plant—reactor V and VI; Maritsa-East 2 Thermoelectric Power Plant: modernization, reconstruction and expansion.

Ruse Heavy Machine-Building Combine.

Radomir Heavy Machine-Building Combine.

Blagoy Popov Production Complex--Pernik.

Chavdar Bus Combine—Botevgrad.

Chemical Machine-Building Plant—Khaskovo.

Steel Foundry—city of Rakovski.

Madara Truck Combine—Shumen.

Vasil Kolarov Diesel Engine Combine—Varna.

Computer Store Plant—Stara Zagora.

Magnetic Disc Plant--Pazardzhik.

Printed Circuit Board Plant—Ruse, Byala branch.

Burgas Petrochemical Economic Combine: vacuum distillation with thermal cracking, catalytic cracking, ethylene oxide and ethylene glycol.

Konstantin Rusinov Rubber Plant--Pazardzhik.

Dimitrovgrad Economic Chemical Combine: sulfuric acid and triple superphosphate plant; reconstruction and modernization of ammonia plant.

Reconstruction of ammonia and carbamide plant--Vratsa.

Kremikovtsi Economic Metallurgical Combine: concentration plant and reconstruction of tailings dump; coal-tar chemical plant--Coke Battery No. 4 with installation for dry casting; hot rolling shop; Mill 1150--modernization and reconstruction; cold rolling shop; continuous etcher--2; environmental protection.

Lenin Economic Metallurgical Combine--Pernik: electric steel-producing shop; rolling shop--mill 500.

Georgi Damyanov Copper-Producing Combine--Srednogorie: modernization, reconstruction and expansion--stage II.

Asarel Mining and Concentration Combine.

Elatsite Mining and Concentration Combine.

Burgas Economic Metallurgical Combine: mill 300.

Vegetable Storehouse--Sofia.

Milling Combine--Sofia.

Glazed Pottery Works--Isperikh.

Ninth of September Furriery--Ruse.

"Trakiya" [Thrace] Cardboard, Corrugated Cardboard and Packaging Combine--Pazardzhik.

Silistra Lumber Industry Combine: paper mill.

Vratsa Water Supply--Mikhaylovgrad: Srechenska Brooklet dam.

Water Supply of Maritsa-East Complex.

Sofia Wastewater Treatment Station.

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INEFFICIENT POWER GENERATION, CONSUMPTION, CRITICIZED

Sofia POGLED in Bulgarian 1 Feb 82 p 3

[Article by Barukh Shamliev: "Everybody's Responsibility for a Drop of Fuel"]

[Text] The era of cheap energy and raw materials is over. But it is not just expensive fuel that necessitates economies. Bulgaria can no longer permit itself the luxury of spending a great part of its foreign-exchange revenues for fuel imports. Therefore, the establishment of an economical economy is no campaign, but a constant goal.

The electrification of the country was a great feat of our people. In little more than 3 decades we have traveled the difficult path from the production of a paltry 311 million kilowatt-hours in 1944 to about 32 billion today.

We were first in the Balkans to cross the threshold of the atomic energy era and in the percentage of energy produced by these power plants we rank among the foremost in Europe.

The level of power consumption is one of the most serious factors in the technological conditions of industry and of the entire national economy, while the ratio of electric power available per worker is perhaps the most important factor in high social productivity. But agreement with these elementary truths is far from meaning that absolute power consumption is always substantiated and rational. Technical progress, as a rule, leads to a relative reduction of power consumption.

Truth to tell, in recent years much has been done to bring about wholehearted economies in the country.

In consequence of the measures that have been taken, as was emphasized at the Twelfth Party Congress, the average annual increase of power consumption declined from 5.5 percent in the Sixth Five-Year Plan to 2.9 percent in the Seventh. Power's share of the national income decreased about 12 percent.

Hitting the consumer in the pocket, these measures aimed at eliminating the waste of power.

## Difficulties

The establishment of an economical economy also necessitates technological and technical measures that will make possible the production of power-economizing products, and requires structural, sectorial and technological changes resulting in power saving. This applies first and foremost to large power consumers (metallurgy, chemicals and transportation, anything involving a great deal of capital investment) and, not last, to the mass-scale and accelerated introduction of electronics and automation, which as a rule are more frugal power consumers.

The Twelfth Party Congress gave a fundamentally new interpretation of this question, namely, not to economize at all, but to catch up with the most advanced countries in the area of interest to us and, what is still more important, there should be a relative breach of the association between the growth of national income and the growth of power consumption. The problem is to reduce the amount of energy per unit of output on the basis of technical progress.

Unfortunately, we are still far from this cherished goal. We consume more grams of comparison fuel than Hungary, the GDR and the USSR to produce 1 kilowatt-hour at the thermoelectric power plants. By multiplying the grams times the billions of kilowatt-hours we shall obtain what our overexpenditure is per unit of work in the prodution of power by the thermoelectric power plants. Coke consumption to produce 1 ton of pig iron and thermal energy consumption to produce 1 ton of finished rolled products in our country are also higher than in some economically developed countries.

The first conclusion from these examples confirms that we are not only inefficient producers, but also indirect exporters of electrical power. Thus we are plundering ourselves. Other conditions being equal, the higher prime cost of part of our output is due to the higher consumption of power and raw materials in its production. It is no accident that Comrade Todor Zhivkov declared at the Twelfth Congress, "Costs for the production and processing of raw and other materials are increasing. If we continue to follow the present course, we shall not sharply increase the social productivity of labor or achieve high efficiency and high quality; we shall not prove equal to our task of raising the standard of living."

Consequently, the watchword is economies. Well-founded and reasonable economies everywhere and in everything.

## Prospects

The economy campaign must be turned into a genuinely wholehearted movement of the entire people. It must be tied in still more closely and precisely not only with the enthusiasm, but also with the financial interest of the working people. The changeover of economic units, including brigades, to profit-and-loss accounting and self-support in accordance with the new economic approach makes it imperative that they be equipped with control and measuring instruments to note the energy consumed. True, this will take money, but science has established that the savings, once the money is spent for such rationalization, are 20 to 30 percent higher than the amounts constantly paid out because of unmonitored energy consumption.

A not inconsiderable potential reserve for providing Bulgaria with energy sources is socialist economic integration. The current long-term specifically targeted program of cooperation for solution of the energy and raw-materials problem among the CEMA countries is discovering firm prospects for the solution of this vital problem. We do not possess substantial fuel reserves. That is precisely why we compensate for the nonuniform distribution of energy and raw-materials reserves by expanding socialist international division of labor and integration on the basis of solidarity.

The important thing is that the energy and raw-materials problem should be solved comprehensively, that other sectors such as machine building should be enlisted in the solutions that are sought. This is coordinated strategy. Its emphasis is placed, not on the further extensive increasing of production, but on the rational use of resources, especially our own.

The long-term specifically-targeted program of cooperation anticipates the maximum development of atomic energy and, not last, of atomic machine building. A multilateral agreement has been signed whereby 50 large industrial enterprises and trusts of the seven European socialist countries--CEMA members and Yugoslavia--are participating in the production and supply of machinery and equipment for atomic power plants. By the end of the decade, new 37-million-kilowatt capacities will be put into operation in the CEMA-member countries, which will make possible the saving of about 70 million tons of comparison fuel. Moreover, mighty hydroelectric power plants are under construction or are to be built on the Danube River in cooperation between Czechoslovakia and Hungary, between Yugoslavia and Romania, and between Bulgaria and Romania.

A mark of socialist solidarity on the part of the Soviet Union is its proposal that highly energy-intensive production processes be transferred to its territory, which has vast resources of energy and raw materials, while subsequent processing be done by way of cooperative effort in individual CEMA-member countries.

The long-term specifically targeted program also provides for the gasification of coal--especially of low-calorie coal, which is of great interest to us.

The economical economy requires technical and psychological adjustment by everybody because there is no sector of the economy where energy is not employed. A long and difficult path will have to be traveled. It is precisely this fact that requires talent and labor to be gathered into one hand so that this path can be traveled painlessly and successfully.

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## TRANSPORTATION FIVE-YEAR PLAN FULFILLMENT EVALUATED

Prague DOPRAVA in Czech No 4, 1981 pp 290-297

[Article by Jaroslav Houska: "Fulfillment of the Tasks of the Sixth Five-Year Plan in Transportation Evaluated"]

[Text] Implementation of the decisions stemming from the 15th CPCZ Congress brought to light the important role of transportation in the national economy. Its great impact on the fulfillment of our society's needs and its vital share in the systematic development of all branches of the national economy were demonstrated.

The directive for the Sixth Five-Year Plan assigned to transportation the task of increasing before 1980 the volume of freight transport by 23-25 percent above 1975 and of passenger transport (including municipal mass transit) by 10 to 12 percent by coordinated use of individual branches of transportation, by improving the standard of their management, also by better utilization of the technological base in highway factory transportation and by further development of container transport by the transporters and haulers alike. For individual sectors of transportation the directive envisaged the following:

--in railroad transportation, to increase the volume of freight transport by 12.4 percent with priority to the transport of solid fuels;

--in highway public transportation of the CSAD [Czechoslovak Automobile Transportation], to expand freight transport by 33.6 percent and in highway factory transportation by 22.2 percent so as to achieve a 51.2 percent share of the CSAD public highway transportation in operations divided between public and factory transport;

--in river transportation, to double the volume of cargo transport in conjunction with the transport of power engineering coal for the power plant in Chvaletice on the Labe waterway, which was launched in 1977.

The fulfillment of the tasks assigned to transportation in the 1980 operational plan demonstrates that the rate achieved in freight transport was 3.1 percent below the estimate for the Sixth Five-Year Plan. The five-year plan envisaged a growth of 23.2 percent, but only a 20.1 percent increment was achieved, of which in railroad transportation it was 5.1 percent against the projected 12.4 percent,

and in CSAD public highway transport the rate was 11.5 percent; the increase of 29.3 percent in factory highway transport surpassed the estimated growth of 22.2 percent, and the increment in river transportation amounted to 84.2 percent as compared with the estimated 101.7 percent.

Outputs in freight transport were fulfilled more successfully, particularly in highway transport. The share of the CSAD public highway transport in the total transport performance of highway transportation amounted to 50.6 percent, which is a 2 percent increment as compared with 1975; however, the 51.2 percent projection for the Sixth Five-Year Plan has not been achieved.

The container transport system and piece shipment in the system of the CSAD pickup service contributed toward outputs in freight transport. More efficient utilization of container transport was hampered by a lack of transporters with technical training.

Although during the Sixth Five-Year Plan the transportation system met transport requirements of our national economy, the shortcomings in the continuity and quality of freight and passenger transport could not be completely overcome. A review of the fulfillment of the transportation plan is presented in Table 1.

The development of railroad transportation during the 1976-1980 period has shown that despite its failure to achieve the projected rate, in 1980 this transport increased 13.9 million tons over 1975, of which loading accounted for 10.6 million tons. The remaining increment stemmed from foreign ballast accepted in imports and transshipments.

The increase of loading was evident in loading of solid fuels where the increment over 1975 amounted to 5.3 million tons; however, the projected increment fell 3.2 percent short of its goal. In addition, loading of ores, metallurgical and engineering products increased by 1.6 million tons, of crude oil and petrochemical products by 1.2 million tons, and of construction materials by 2.6 million tons. The share of the loading of solid fuels in the total freight load increased from 34.9 percent in 1975 to 35.6 percent in 1980.

In the overall structure of railroad transportation the share of loading declined from 83.6 percent in 1975 to 83.3 percent in 1980; the share of imported goods rose from 9.8 percent to 10.1 percent. The share of transshipment remained on the same level at 6.6 percent.

The overall fulfillment of loading operations was affected also by the fulfillment of exports which was exceedingly irregular and generated problems with loading assignments, especially toward the end of each quarter when the demands for loading of export goods increased.

During the entire Sixth Five-Year Plan the performance of railroads was affected by exhausted capacities (the capacity of transport routes and their technical condition), by the situation of its technical base, by the deliveries of spare parts, accessories, safety aids, by shortages of workers as well as by the transshipment capacities which failed to satisfy the requirements of transportation with necessary resources. On the other hand, the transporters lacked appropriate

Table 1

Evaluation of the Fulfillment of the Sixth Five-Year Plan
Plan of Transportation

| Indicator (a--6 FYP; b--annual plan; c--reality) a | Specific unit b | 1975 1 | Sixth Five-Year Plan 1976 2 | 1977 3 | 1978 4 | 1979 5 | 1981* 6 | Index 1980/1975 7 |
|---|---|---|---|---|---|---|---|---|
| Total freight transport | a mil. t | - | 1,322.0 | 1,384.8 | 1,450.4 | 1,510.8 | 1,570.5 | 123.2 |
| | b mil. t | - | 1,322.0 | 1,398.6 | 1,422.0 | 1,479.4 | 1,511.2 | 118.5 |
| | c mil. t | 1,275.1 | 1,330.6 | 1,364.6 | 1,416.3 | 1,470.7 | 1,532.0 | 120.1 |
| where transport: | | | | | | | | |
| railroad | a mil. t | - | 278.3 | 285.0 | 292.2 | 299.2 | 306.0 | 112.4 |
| | b mil. t | - | 278.3 | 282.2 | 283.0 | 285.0 | 285.0 | 104.7 |
| | c mil. t | 272.3 | 276.4 | 275.2 | 278.9 | 283.3 | 286.2 | 105.1 |
| CSAD public highway | a mil. t | - | 319.0 | 340.0 | 361.0 | 382.0 | 404.0 | 133.6 |
| | b mil. t | - | 319.0 | 342.0 | 333.03 | 337.0 | 336.0 | 111.1 |
| | c mil. t | 302.3 | 316.9 | 318.0 | 326.7 | 329.1 | 337.2 | 111.5 |
| river | a mil. t | - | 5.7 | 6.8 | 9.2 | 10.6 | 11.5 | 201.7 |
| | b mil. t | - | 5.7 | 6.4 | 8.0 | 9.4 | 10.2 | 178.9 |
| | c mil. t | 5.7 | 5.9 | 6.4 | 7.9 | 8.8 | 10.5 | 184.2 |
| factory highway | a mil. t | - | 719.0 | 753.0 | 788.0 | 819.0 | 849.0 | 122.2 |
| | b mil. t | - | 719.0 | 768.0 | 798.0 | 848.0 | 860.0 | 126.7 |
| | c mil. t | 694.7 | 731.4 | 765.0 | 802.8 | 849.5 | 898.1 | 129.3 |
| Total passenger transport (not including river and MHD**) | a mil. t | - | 2,482.9 | 2,498.9 | 2,517.0 | 2,536.0 | 2,556.0 | 104.5 |
| | b mil. t | - | 2,482.9 | 2,470.6 | 2,444.9 | 2,486.0 | 2,472.0 | 101.1 |
| | c mil. t | 2,445.2 | 2,424.1 | 2,443.0 | 2,448.6 | 2,449.7 | 2,551.9 | 104.4 |
| where transport: | | | | | | | | |
| railroad | a mil. passengers | - | 491.0 | 481.0 | 473.0 | 466.0 | 460.0 | 34.6 |
| | b " " | - | 491.0 | 470.7 | 445.0 | 433.0 | 410.0 | 84.3 |
| | c " " | 486.4 | 461.7 | 455.2 | 423.2 | 411.5 | 415.6 | 85.4 |

* [sic]

**MHD--Ministry of Metallurgical Industry and Ore Mines

[Table continued on following page]

| a | b | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
|---|---|---|---|---|---|---|---|---|
| CSAD highway | a " " | - | 1,990.0 | 2,016.0 | 2,042.0 | 2,068.0 | 2,094.0 | 107.0 |
| | b " " | - | 1,990.0 | 1,998.0 | 1,998.0 | 2,051.0 | 2,060.0 | 105.3 |
| | c " " | 1,956.9 | 1,960.6 | 1,986.1 | 2,023.5 | 2,035.7 | 2,134.6 | 109.1 |
| air | a " " | - | 1.9 | 1.9 | 2.0 | 2.0 | 2.0 | 105.3 |
| | b " " | - | 1.9 | 1.9 | 1.9 | 2.0 | 2.0 | 105.3 |
| | c " " | 1.9 | 1.8 | 1.7 | 1.9 | 2.0 | 1.7 | 89.5 |
| in addition: | | | | | | | | |
| municipal mass transit | a " " | - | 2,326.0 | 2,368.0 | 2,409.0 | 2,450.0 | 2,490.0 | 119.1 |
| | b " " | - | 2,326.0 | 2,401.0 | 2,507.0 | 2,617.0 | 2,697.0 | 129.0 |
| | c " " | 2,089.8 | 2,389.9 | 2,492.3 | 2,572.3 | 2,654.0 | 2,723.4 | 130.3 |

equipment for mass-scale unloading and adequate presupplies, which became evident particularly during the crisis in the winter in early 1979. Such circumstances along with the consequences of accidents and slow passage affected the development of quality indicators, especially the turnaround of cars, whose fulfillment steadily deteriorated.

The achievements in railroad transport were produced by joint efforts of railway workers and transporters, as evident from the fact that during the Sixth Five-Year Plan not only loading but also unloading became more regular, which is important particularly because the unloaded cars may be expeditiously utilized. While the average daily unloading and the unloading on Sundays and holidays differed in 1975 by 2,416 cars, in 1980 the difference was only 1,079 cars. In either case, i.e., in both loading and unloading, however, unused assets, such as higher nighttime processing, still remain.

The loading space capacity in freight cars could not be expanded due to the nonfulfillment of the decisive indicator of transport operations--car turnaround. In this area of operations, main quantitative and qualitative indicators of the technical plan had not been met. Above all, this concerns local operations where loading and unloading operations had not been balanced. Local load in railroads was not distributed evenly and sufficiently and set for unloading. Balancing tasks in coal basins and VSP have not been fulfilled. In operations with the OPW [General Freightcar Pool] fluctuations appeared mainly in high-sided wagons and thus, with a higher overload the CSD [Czechoslovak State Railroads] sustained sizeable losses in foreign exchange.

Substantive shortcomings appeared on every level of the basic management in railway and transshipment operations proper. Railroad operations proceeded slowly, the intensity of railroad transportation in interstate and interline transit could not even approach the level set by the time schedule for railroad transportation, which resulted in idle time of the trains and in high losses of locomotives mainly on the first main line.

The technological base of railroad transportation was expanded during the Sixth Five-Year Plan by the newly opened repair facilities, a new dispatch depot in the main railroad station in Prague was completed, and shunting operations in railroad stations of Ceska Trebova and Bratislava were fully automated. Steam-driven railroads were discontinued, an additional 371 km of tracks were electrified, and 214 km were furnished with automatic safety systems. During the Sixth Five-Year Plan, 165 electric and 668 Diesel locomotives, 329 motor cars and 26 electric units were added. The output of operating locomotives rose 4.5 percent.

The staff of the locomotive management, reduced by about 1,000 workers in locomotive teams, increased services 4.3 percent and simultaneously reduced overtime 11 percent. This favorable development was made possible mainly by steppedup initiative of workers operating single propelled vehicles, which was reflected in the reduction of 3,547 engineers during the Sixth Five-Year Plan.

The mileage of electric locomotives between periodical repairs was raised from 319,000 to 383,000 km and of Diesel locomotives from 213,000 to 250,000 km.

Serious problems emerged gradually in railway line management, although the reconstruction of the tracks stipulated in the directive had been 100.7 percent fulfilled. Line maintenance was organized for a period of several years under the most complicated conditions. Because of the disproportions between the line loads and the capacities available to the railroad line management, the conditions of the lines deteriorated, the accident rate increased, the slow traffic in several sections reduced the capacity of the network and affected the safety of transportation mainly due to the ongoing reduction of work forces which was not in step with the construction of the technological base and its comprehensive utilization and to deliveries of essential materials. Railroad troops rendered efficient assistance as replacement for the unavailable work forces.

Repairs of freight cars were unsatisfactory because the stipulated norm for repairs was annually exceeded, amounting on the average to 7.9 percent of the total freight-car stock. The norm for repairs was exceeded due to short supplies of certain spare parts and materials as well as due to the underfulfilled repair plan which was the result of understaffing in the repair sector.

During the Sixth Five-Year Plan 450,892 cars operated by the CSD or received from industrial tracks were found to be forcibly damaged; the amount of the damages was Kcs 317 million and during the Sixth Five-Year Plan the costs of repairs of such cars represented Kcs 612 million. From a review for individual years of the Sixth Five-Year Plan it appears that these costs follow a continuous and almost systematically rising trend. A set of measures was issued to correct the problems evident from the above-mentioned data on the extent of forcibly damaged freight cars.

The maintenance, particularly complete conversion of the traction lines to a unified, more reliable system steadily improved the technical conditions of traction systems and solid traction equipment. Its reliability was demonstrated by a steep decline in defects of the traction systems.

Silicon rectifiers introduced in supply stations led to substantial conservation of power and more reliable operations.

Despite its 34.9-million-ton increase during the Sixth Five-Year Plan, the development of highway automobile transport in CSAD public transportation failed to achieve the rate envisaged in the directive. On the other hand, the estimate for transportation outputs was exceeded considerably--by 9.8 percent. Factory highway transport was the only one to fulfill its tasks; neither planned public highway transport nor highway transport in general reached the projected level, as evident from the following review:

| | | | | |
|---|---|---|---|---|
| CSAD | tons ... 111.5 percent | tkm ... 146.9 percent (index 80/75) |
| factory planned | tons ... 129.3 percent | tkm ... 136.4 percent |
| Total | tons ... 123.9 percent | tkm ... 142.0 percent |

The transport volume was slightly underfulfilled due to the changes in the structure of transport in the public highway freight transport which was affected by increased division of transport operations; the outputs of all highway transportation demonstrated good results and the plan for the Sixth Five-Year Plan was

exceeded 8.4 percent. This affected the development of distances in transportation where the plan to develop mainly short- and medium-distance transportation remained basically underfulfilled while, on the other hand, the distances in transportation increased.

The tasks to meet the needs of foreign trade by using trucks to expand transport was fulfilled. In 1980, international highway freight transport hauled a total of 2,329,500 tons with outputs equal to 1,767.7 billion tkm. As compared with 1975 the growth index in tons amounted to 189.7 percent and in tkm to 168.7 percent.

Transport of coal from the North Bohemia lignite basin was facilitated particularly due to higher demands on coal production and with regards to the inadequate capacities of railroad transportation. Ever since 1977, highway freight transport was called upon to carry large amounts of coal to prevent disproportions between the supply in mining areas and the retail network. Initially the demands were rising and 2.6 million tons were hauled in 1977, 3 million tons in 1978, and nearly 3.2 million tons in 1979, but then the railroads improved the removal of coal, which exerted counterpressure to reduce the removal [by trucks]. In accordance with the directive of the plan, coal removal by trucks was reduced to less than 2.4 million tons.

Transport systems which helped increase the efficiency of highway freight transport considerably advanced during the Sixth Five-Year Plan in scope and quality, especially unit shipments within the system of the CSAD pickup service and in the container transport system. Gradually a system was developed whereby the vehicles were loaded on their return trips.

The fulfillment of the tasks in highway freight transport may be evaluated positively since the main tasks of our national economy were met. Shortfalls were evident in factory transport due to inferior organization of transport operations and a relatively higher increment of transport capacities.

In 1976-1980, the development in river transportation involved substantive structural changes in consequence of the launching of transport of power coal for the power plant in Chvaletice on the Elbe River. Furthermore, river transport began rendering important service in domestic transportation in addition to its tasks in foreign transportation. Combined railroad-river transportation was launched in 1977 and now 1980 appears as a year when continuous deliveries of lignite for the power plant in Chvaletice have been consolidated; the plan for 1980 was slightly overfulfilled and the achieved volume of transportation corresponds in essence with the objectives of the Sixth Five-Year Plan. Nonetheless, on the whole river transport fell short of the projections for the Sixth Five-Year Plan, particularly because of limited deliveries of vessels and crane technology necessary for transshipment of foreign goods in the ports on the Danube and Elbe rivers.

The directive for the Sixth Five-Year Plan stipulated that air transportation increase its outputs as follows: in transportation services by 10 percent [psr tkm], in air services rendered to the agriculture by 68.5 percent/average ha, and in helicopter service by 237.7 percent operating hours. Late in the Sixth Five-Year

Plan, the development of outputs in transportation was affected by restrictions of operations on deficit and unprofitable lines.

The fulfillment of national economic tasks in the Sixth Five-Year Plan was enhanced significantly by special aeronautical services in the form of airborne operations for agriculture and of helicopter service. Aeronautical services rendered to agriculture were organized to assist agricultural production as stipulated by the directive. In absolute terms, 5,068,000 ha were treated in 1980, which represents a 67.5 percent increase over 1975. Helicopter services marked even better results; in 1980 they operated 5,511 hours. As compared with 1975 this service increased on the average by 403.7 percent during the Sixth Five-Year Plan, considerably exceeding the rate envisaged by the five-year plan.

The quality of passenger transportation continues to pose certain problems, especially as concerns cleanliness of the means of transportation, its punctuality and services offered to the traveling public; on the other hand, safety of transportation was improved.

The total of passengers transported, including municipal mass transit, rose 16.3 percent, with a significant share for municipal mass transit, which rose 30.3 percent following the opening of additional sectors in the metro system. In 1980, the metro transported nearly 217 million passengers, or triple the number of 1975.

The task of public highway transportation in redistributing working time, particularly in public autobus transport and municipal mass transit systems, was successfully met.

During the Sixth Five-Year Plan, passenger transportation underwent structural changes. Our traveling public's interest in workers' and recreational transportation turned to the CSAD public highway transport which increased 9.1 percent. Better coordination was introduced in the division of passenger transport between the CSAD and CSD toward the end of the five-year plan. Because of its high consumption of energy, domestic air transportation was partly reduced, which was reflected in a 10.5 percent drop in passenger transportation as compared with 1975. On the Prague-Brno-Bratislava line, air transport was cut and replaced by express automobile transport on the superhighway.

During the Sixth Five-Year Plan, gross production in the railroad industry rose 11.1 percent and value added increased 16.4 percent. Annual plans were fulfilled but the targets of the Sixth Five-Year Plan were not met mainly because the planned strength of labor forces was underfulfilled. The facilities of the railroad industry met the needs of railroad operations in terms of repairs of track vehicles, production and repairs of means of mechanization in the track network, and production of reinforced concrete sleepers. Some of the facilities turned to the production of spare parts representing Kcs 1,224,000,000. In 1980, it rose 146.1 percent above 1975 due to higher demands of railroad operations and unfulfilled deliveries from suppliers outside the ministry.

Railroad construction completed 98.4 percent of the construction programs under contract. Basic production in the construction undertaken by internal work

forces was 98.1 percent fulfilled. This unsatisfactory fulfillment stemmed from objective causes (irregular subdeliveries, shortage of work forces, concentration of capital investment in North Bohemia Kraj, etc.) as well as from subjective effects. Shortcomings in the management, control and comprehensive deliveries of completed projects could not be completely eliminated. Nevertheless, production in construction successfully exceeded the targets of the Sixth Five-Year Plan by 14.1 percent in the territory of the North Bohemia Kraj and by 3.6 percent in the territory of the capital city of Prague. However, its goals were not met in the territory of the capital city of the SSR, Bratislava, for the simple reason that investments, particularly in municipal mass transit, had not been adequately planned in advance.

The development of employment is reviewed for the entire FMD [Federal Ministry of Transportation]. The annual plans and actual results express the material and organizational developments during the Sixth Five-Year Plan which affected the absolute level of employment. (As of 1 January 1978 temporary assignment [delimitage] of parcel units from railroad transport to the CSAD took place--the plan for such assignment involved 4,237 employees and actual assignment 2,588 employees; as of 1 January 1978 a new organization was introduced in air transport.) The development of employed fell below the targets of the plan for the Sixth Five-Year Plan. The planned annual situation of work forces could not be achieved in the department of transportation, with the exception of river transport. During the first years of the Sixth Five-Year Plan, the actual strength of work forces declined primarily in railroad transportation and in operational facilities. Following the implementation of Decision No 123/78 by the Presidium of the CSSR Government on measures restricting fluctuation and promoting recruitment and stabilization of work forces in railroad transportation, work forces became partly stabilized, however, meeting the planned strength of workers in selected traffic operations still poses problems.

The average wage per employee rose faster than the wage approved for the Sixth Five-Year Plan due to a gradual implementation of significant wage regulations. As opposed to the plan, the actual level of average per employee wage includes payments of stabilizing bonuses which increased the wages by 0.9 percent in the early years of the Sixth Five-Year Plan and by 1.5 percent after 1978. The development of work forces and of average wage appears in Table 2.

The labor force department of district national committees tolerated excesses over the limits in individual years of the five-year plan in organizations under direct control of the FMD and in the sense of Decision No 313/77 by the CSSR government, or as the case may be, as exceptions from Law No 70/58 of the Collection of Laws, it did not impose material penalties on such organizations.

Effects appearing in the financial management in individual years of the Sixth Five-Year Plan affected the development of indicators in the financial plan differently than the approved five-year plan.

The differences between the Sixth Five-Year Plan and the annual plans, or the actual effects in profitmaking stemmed from organizational changes on the one hand, and, on the other--which was most important--from material factors of which the following influenced the development in profitmaking:

Table 2

Fulfillment of the Sixth Five-Year Plan Evaluated
Plan of Employees and Average per Worker Wage

For the FMD--Total

a--6 FYP
b--annual plan
c--reality

| Indicator | | Specific unit | Territory | 1975 | Sixth Five-Year Plan 1976 | 1977 | 1978 | 1979 | 1980 | Index 1980/1975 |
|---|---|---|---|---|---|---|---|---|---|---|
| a | | b | c | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| | a | | | 270,140 | 273,772 | 276,712 | 277,577 | 278,135 | 278,537 | 103.1 |
| | b | | CSSR | 274,588 | 273,772 | 272,712 | 268,506 | 269,582 | 270,107 | 98.4 |
| | c | | | 270,135 | 269,109 | 268,435 | 266,453 | 267,925 | 268,312 | 99.3 |
| No of workers | a | person | | 191,512 | 193,407 | 195,465 | 195,959 | 162,282 | 196,319 | 102.5 |
| | b | | CSR | 195,193 | 193,407 | 192,513 | 189,626 | 190,095 | 189,729 | 97.2 |
| | c | | | 191,508 | 190,041 | 188,762 | 187,560 | 188,392 | 188,686 | 98.5 |
| | a | | | 78,628 | 80,365 | 81,247 | 81,618 | 81,853 | 82,218 | 104.6 |
| | b | | SSR | 79,395 | 80,365 | 80,199 | 78,880 | 79,487 | 80,378 | 101.2 |
| | c | | | 78,627 | 79,068 | 79,673 | 78,893 | 79,533 | 79,626 | 101.3 |
| | a | | | 2,617 | 2,653 | 2,713 | 2,776 | 2,841 | 2,908 | 111.1 |
| | b | | CSSR | 2,562 | 2,653 | 2,751 | 2,903 | 3,015 | 3,097 | 120.9 |
| | c | | | 2,640 | 2,725 | 2,821 | 2,961 | 3,067 | 3,149 | 119.3 |
| Average wage per worker | a | Kcs | | 2,628 | 2,664 | 2,724 | 2,787 | 2,852 | 2,920 | 111.1 |
| | b | | CSR | 2,569 | 2,664 | 2,761 | 2,922 | 3,029 | 3,112 | 121.1 |
| | c | | | 2,651 | 2,730 | 2,836 | 2,982 | 3,084 | 3,165 | 119.4 |
| | a | | | 2,589 | 2,627 | 2,687 | 2,749 | 2,813 | 2,880 | 111.2 |
| | b | | SSR | 2,544 | 2,627 | 2,727 | 2,859 | 2,980 | 3,064 | 120.4 |
| | c | | | 2,615 | 2,711 | 2,787 | 2,912 | 3,027 | 3,111 | 119.0 |

--The development in railroad transportation in individual years considerably differed in the area of outputs and special profits, although the 1980/1975 index on the whole appears balanced. The growth of receipts in individual years was affected by the volume of transportation; in 1978 and 1979 it was influenced by the new MTT tariff for transit. In 1980, freight and passenger transport even failed to achieve the receipts stipulated in the annual plan; material costs in individual years mostly reflected higher outlays for rentals of foreign cars, repairs and maintenance, higher consumption, particularly of traction power and Intrans traffic.

In view of the understaffed railroad industry, the original regulations concerning the requirements for repairs were reduced and the kilometer run of locomotives extended. Outputs fell further below the Sixth Five-Year Plan because more four-wheel passenger wagons were liquidated and the repair cycle for eight-wheel passenger cars extended. Furthermore, the change in the structure of the production in the MTH enterprise and the cut in the production of reinforced concrete sleepers in the ZPSV became evident.

--In railroad construction, the price list of construction works was revised in 1977. Its application demonstrated that the projected overestimate based on the economic result of the approved Sixth Five-Year Plan had not been achieved and that, on the contrary, because of it, enterprises had sustained losses, which were taken into consideration in annual plans; this also affected the volume of the outputs. In addition, reduced work forces further affected the level of outputs in a negative way.

--The dynamism of costs in air transportation was generated by the escalating prices of aviation fuels and services abroad; by the resultant dynamism of outputs and receipts due to the concurrently implemented tariff adjustment; by methodical and other material effects (compensation for extensive VPD repairs from operational costs, deliveries of air fleet above the plan, higher insurance rates, etc.) and by the effect of incipient changes in the structure of the aircraft fleet and in the system of its repairs in Slovair.

--A higher growth rate in river transportation also stemmed from the fulfillment of lucrative transport of goods from transshipment services; material and other costs were affected primarily by higher foreign prices, rising costs of the newly established transshipment facilities for power coal, higher drawing of costs for repairs and maintenance of outdated and wornout craft, and higher drawing of wages paid to foreign citizens.

As compared with the original figures for the Sixth Five-Year Plan, further increases in individual years affected the following:

--wage costs due mainly to the implementation of wage regulations pursuant to Decision No 123/78 of the Presidium of the CSSR Government on stabilization of work forces and others, as specified in the plan for the development of employment and wages;

--depreciation of ZP primarily in conjunction with the introduction of sophisticated models of latest technology purchased at higher prices;

--financial costs stemming mainly from higher interest for operational credits in conjunction with higher inventory, from the implementation of Decision No 123/78 of the Presidium of the CSSR Government on stabilization of work forces, and from the implementation of Decision No 14/78 of the CSSR Government--costs of social contributions to old-age pension funds for a selected group of preferred employees.

The development in the fulfillment of the financial plan for the FMD in general is presented in Table 3.

The evaluation of material-technical supply concerns only selected main indicators:

Motor and fuel oil--due to the liquidation of steam traction, an increment in motor traction was projected in the Sixth Five-Year Plan. Further requirements were specified in annual plans according to the progress of the changes in above-mentioned tractions and with regard to outputs and standard consumption in motor traction. The failure to draw annual limits mainly during the early years of the Sixth Five-Year Plan was affected by absolute savings in the motor traction of railroad and river transportation.

Rolled material in general--annual assessment allocations were set lower than envisaged in the Sixth Five-Year Plan in view of the volume of supplies of certain products in the ministry's organizations. On the other hand, since fewer supplies had been drawn, deliveries of certain types of rolled material in short supply have not been confirmed.

Consumption rose in 1978 due to the stepped-up production of spare parts for repairs of freight cars and in 1980 because assessment allocations were reduced by 8,000 tons. The higher consumption was covered from unused resources.

Capital investment in railroad transportation was subordinated mainly to the handling of the extracted coal, to the services rendered to the fuel and energy base, to remodeling of all railroad facilities--i.e., track, station or repair facilities--and to social needs.

Electrification, automatic track safety systems and relay station equipment in particular raised the efficiency of the tracks. Steam traction was gradually eliminated over the entire CSD network. This directive was implemented by means of electrification and dieselization.

The tasks to eliminate the bottlenecks in coal transport from the North Bohemia lignite basin proceeded from the decision of the 15th CPCZ Congress concerning the sector of construction investments.

Mandatory construction projects in North Bohemia were completed on schedule: temporary relaying of the tracks on the Trebusice-Chomutov line; first stage in the remodeling of the Trebusice station; relaying of the tracks on the Chomutov-Prunerov line, second stage; remodeling of the station in Obrnice. The Chodv-Sokolov line was relaid and put into operation; service started on the relaid lines of Trebusice-Chomutov and Usti nad Labem-Teplice where construction works

Table 3

Fulfillment of the Sixth Five-Year Plan Evaluated
Financial Plan

Economic organizations of the FMD--Total

| Indicator (a--6 FYP, b--annual plan, c--reality) | | Specific unit | 1975 | Sixth Five-Year Plan 1976 | 1977 | 1978 | 1979 | 1980 | Index 1980/1975 |
|---|---|---|---|---|---|---|---|---|---|
| a | | b | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| Outputs unaffected by foreign trade | a | Kcs mil | 26,987.2 | 28,085.7 | 28,897.0 | 29,673.3 | 30,477.1 | 31,358.7 | 116.20 |
| | b | | 26,910.4 | 28,273.6 | 28,370.3 | 28,525.0 | 29,378.0 | 31,116.0 | 115.63 |
| | c | | 27,311.8 | 27,956.1 | 28,198.5 | 29,520.2 | 30,231.6 | 31,165.5 | 114.11 |
| Outputs and special outputs--total | a | Kcs mil | 27,095.2 | 29,197.0 | 29,007.0 | 29,783.3 | 30,587.1 | 31,468.7 | 116.14 |
| | b | | 26,911.8 | 28,384.9 | 28,373.3 | 28,555.0 | 29,399.0 | 31,157.0 | 115.77 |
| | c | | 27,311.8 | 27,984.7 | 28,265.5 | 29,565.2 | 30,291.7 | 31,223.6 | 114.32 |
| Mat. and other costs without ZP depreciation | a | Kcs mil | 11,979.7 | 12,311.2 | 12,662.9 | 12,993.5 | 13,361.2 | 13,758.0 | 114.84 |
| | b | | 11,352.4 | 11,897.9 | 12,484.0 | 12,484.0 | 13,104.0 | 13,810.0 | 121.65 |
| | c | | 11,629.4 | 11,707.5 | 12,305.0 | 13,080.8 | 13,569.3 | 13,899.0 | 119.52 |
| Total costs unaffected by foreign trade | a | Kcs mil | 24,940.1 | 25,703.0 | 26,563.5 | 27,346.6 | 28,143.1 | 28,991.9 | 116.25 |
| | b | | 24,515.6 | 25,628.9 | 26,365.1 | 27,049.8 | 28,350.2 | 29,699.0 | 121.14 |
| | c | | 24,826.5 | 25,619.6 | 26,438.3 | 27,766.3 | 28,908.9 | 29,778.8 | 119.95 |
| Profit+ loss- | a | Kcs mil | +2,165.1 | +2,504.3 | +2,454.6 | +2,447.3 | +2,455.3 | +2,488.0 | 114.91 |
| | b | | +2,396.2 | +2,756.0 | +2,008.2 | +1,505.2 | +1,048.8 | +1,458.0 | 60.85 |
| | c | | +2,485.3 | +2,365.1 | +1,826.9 | +1,799.0 | +1,381.0 | +1,443.6 | 58.09 |

continued according to the approved timetable. The total volume stipulated for North Bohemia Kraj by the government was fulfilled and according to the evaluation by external organs, the FMD had met its tasks in this particular sector of capital investment.

The volume of operations and deliveries for mandatory governmental programs was fulfilled on schedule--important capacities were put into service. For example, in the Prague junction area a new hall was built in the main railroad station in Prague and the railroad stations in Liben and Vysocany were remodeled. The Haniska pri Kosiciach-Zvolen line was put into operation and its efficiency improved; CSD shops were opened in Trnava and Zvolen. Automation of the humps in Ceska Trebova and Bratislava is under way. Overall, 215 km of lines were furnished with automatic block systems and 9 container transshipment stations were opened.

As regards the employees' welfare and social construction projects, about 1,250 enterprise-owned housing units, 900 beds in CSD dormitories, 160 places in training institutions and 60 places in nursery schools were put to service during the Sixth Five-Year Plan.

The task to remodel annually 750 km of railroad superstructure, including 1,500 km of switches, was finalized on schedule.

In accordance with the directives for the Sixth Five-Year Plan, capital investment in air transportation focused on higher safety, punctuality and good management of that transportation. The takeoff and landing lines in Kosice and Brno were extended and remodeled. The VPD 13/31 and the dispatching surface in the main airport in Prague-Ruzyne were remodeled. The building of repair facilities for the Slovair continued according to the concept for the development of agricultural works.

The programs for river transportation were fulfilled mainly by expanding the capacities of modern ports and transshipment facilities and increasing the number of tow systems in the fleet. The coal transshipment port in Lovosice was put into service and the construction of a repair and service center in Chvaletice has begun. The port in Bratislava-Palenisko is still under construction.

Important programs in surface communications focused on further modernization of the highway network. The Prague-Brno-Bratislava superhighway opened to traffic before the end of 1980. Furthermore, other sectors of the superhighway, namely, Bratislava-Trnava and Ivachnova-Liptovsky Jan, were put into service, and the construction of certain approaches to the superhighways from Prague, Brno, Bratislava and Presov has begun.

In view of the requirements of the state fuel and energy base and of the atomic program, and due to shortages of certain capacities in supplier enterprises and of certain essential materials, the CSSR Government in its annual directives and annual plans adjusted the volume of the Sixth Five-Year Plan as follows:

The total volume of operations and supplies amounts to Kcs 39.9 billion, of which construction projects above Kcs 2.0 million represent Kcs 9.8 billion. The ceiling of budget costs for construction projects currently launched remained at

Kcs 10.6 billion. Annual plans for the Sixth Five-Year Plan were fulfilled in special-purpose construction as follows:

| | |
|---|---|
| The plan--total volume | 39.9 |
| Fulfillment of the Sixth Five-Year Plan | 38.7 |
| Difference | 1.2 |
| | |
| of which construction projects over Kcs 2 million | |
| Plan--total volume | 9.8 |
| Fulfillment of the Sixth Five-Year Plan | 9.1 |
| Difference | 0.7 |
| | |
| Budget costs for newly launched construction projects | |
| Plan--total volume | 10.6 |
| Fulfillment of the Sixth Five-Year Plan | 10.6 |

The plan was not fulfilled in the category of construction projects over Kcs 2.0 million; the rest involved construction projects under Kcs 2.0 million and comprehensive remodeling programs. Moreover, the plan for deliveries of machine equipment also fell short of target.

Construction of superhighways--programs of the Sixth Five-Year Plan were met in the following amounts (Kcs million):

| | | | | | |
|---|---|---|---|---|---|
| CSSR total | 7,018 | CSR total | 4,683 | SSR total | 2,335 |
| nonfulfillment as compared with: | | | | | |
| the Sixth Five-Year Plan | 1,167 | | 575 | | 692 |
| annual plan | 228 | | 70 | | 158 |

The volumes were not fulfilled because the volume specified in annual plans even during the Sixth Five-Year Plan were lower than the directive had envisaged.

As concerns material supplies for the programs of the Sixth Five-Year Plan, a total of 262.4 km of superhighways were put into service during this period, of which 190.0 km was in the CSR and 69.4 km in the SSR. The Prague-Brno-Bratislava route opened for traffic as of 7 November 1980 and thus, it may be said that the material tasks have been overfulfilled 71.8 km.

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## NEW MEASURES TO CURB DEMAND FOR TRANSPORTATION SERVICES ANALYZED

### Transportation Minister's Interview

East Berlin DDR-VERKEHR in German Vol 14 No 12, Dec 81 (signed to press 26 Nov 81) pp 400-401

/'Exclusive Interview' with Otto Arndt, GDR minister for transportation; date and place of interview not indicated: "Most Efficient Freight Transportation Is Nationwide Economic Task"/

> /Text/ By sketching the main targets of the new transport planning procedure, the new freight transportation prices for inland traffic in the GDR and the related new freight transportation law, the interview answers primarily those topical questions which arise from the qualitatively higher status of transportation in the economic reproduction process. This applies to, among others, the new quality in the preparation and operation of transport services, the qualitatively new features of the work of transport committees and regional organs, the characteristic features of the new freight transport law as well as the qualitatively new obligations for the transport system arising from the qualitatively higher transport costs.

/Question/ Comrade Minister, qualitatively new tasks arise for the transportation system also from the economic strategy decided at the Tenth SED Congreee. A new transport planning procedure, new freight rates for the GDR's inland traffic and, related thereto, a new freight transport law have been introduced. What are the main targets of these provisions?

/Answer/ At the present time the working people in all sectors of the united socialist transportation system and also in the transport sectors of other branches of the economy are making a concerted effort more rationally to organize freight transportation as a whole. As you know the Tenth SED Congress required us to carry out all freight shipments more efficiently, on the shortest routes and with less fuel and energy use. This assignment responds logically to the demands of our economic operations which are directed to the reduction of production consumption. In other words it means that all transport expenditure is production consumption. Therefore the less we need to use economic funds for transportation, the lower will we be able to hold production consumption and thus contribute to the rapid growth of the national income.

You mention three new regulations which will take effect at the beginning of next year. They all serve this goal and represent a single unit. We consider them important tools for effectively carrying out the new directions of our transportation policy based on the Tenth SED Congress resolutions. They are to help us toward the goal of carrying only that freight which must absolutely be carried, and that carriage itself be as rational as possible, especially with regard to energy use which must be kept at a minimum. To do so we will have to totally exploit in our nationwide economy all benefits of socialist production conditions, beginning with the effective management and planning of transportation by way of the more pronounced effect of freight rates and socialist law on the many kinds of socialist cooperation.

Lastly it will be imperative not to increase transportation services as an absolute despite further dynamically growing goods production in our economy. Compared with earlier practice this will require a completely new approach to this problem and a general and profound transformation of our thinking. The new regulations are designed effectively to assist this process.

/Question/ Obviously the branches of the transportation system and the economy will thereby be confronted with greater responsibilities, because involved here is a generally higher quality in the preparation and operation of transports. What questions should be paramount for management?

/Answer/ I think that my remarks in answer to your first questions already clearly showed that transportation will in future have to assume a far higher status in the economic reproduction process.

To put it simply, the new quality may be demonstrated from two aspects:

1. It will be necessary noticeably to lower the demand for transportation services in all sectors of the national economy. We intend to achieve this by the greatest possible optimalization of delivery and transport ratios, of technologically necessary production transports between combine enterprises as well as of production and storage sites.

Optimalization definitely includes the most rational vehicle use. We are surely entitled to claim that, on principle, only optimalized transportation will in future receive economic approval.

2. We must lower costs, especially the expenditure of energy, in all transportation processes. One of the most basic requirements is that of handling every transport by those carriers which are least costly, especially with regard to energy.

It follows that the railroad and inland shipping--the most energy efficient branches of transportation by comparison with road transport--must quickly raise their capacity and expand their services as a genuine alternative to road transport. From the energy economic standpoint road transport use must be noticeably reduced.

Of course the nationwide economy will have to join in this approach to a shift in the division of labor. This will certainly require many technological changes wherever the transportation system meets the transportation customer.

At the same time the lowering of expenditure involves an entire complex of new tasks regarding substitution and the reduction in specific energy consumption. We understand by this, for example, the rapid increase in electric traction for the railways as well as the greatest possible energy conservation in the operation of the railroad and motor vehicles by the use of technical devices based on microcomputers.

As you see, very different quality criteria need to be consulted whenever we now talk about transportation.

/Question/ Transport committees and regional organs have far ranging tasks and powers in this connection. What are the qualitatively new features of their work?

/Answer/ In connection with the necessarily increased cooperation between the economy-region-transportation system, coordinating functions are bound to multiply. These are to be handled in particular by the transport committees at bezirk, kreis and city councils. On the one hand these tasks involve the need for the transport committees and competent technical organs in the region to exert more influence on the optimalization of delivery and transport relations, the rationalization of freight movements (especially the shift of freight from the road to rail and inland shipping), and on the appropriate organization of technological processes at the contact points between the economy and the transportation system already mentioned before.

Consideration for the wider implications, the common utilization of all resources available within the framework of factory transport, loading and unloading cooperatives or in other forms--these are priority needs for socialist management in the regions.

Moreover the responsibility of regional organs has increased with regard to the implementation of more efficient management of planning of transport processes, especially the close cooperation between the centrally and regionally administered sectors of the economy. It must be the goal of all of us on the basis of transport indices or transport normatives as well as the quotas for energy consumption to secure the efficient completion of necessary transports in every situation.

/Question/ Comrade Minister, the new rates show considerable changes, both from the aspect of railroad rate levels and from that of the system generally.

What are the ends pursued by these changes?

/Answer/ The wish to carry out transports as efficiently as possible evidently requires more than good will to be realized. It is therefore necessary more emphatically to stimulate by economic means the minimization of transport services and transport needs generally.

Rates are very important in this context. The change going into effect now takes into account mainly the higher costs due to higher energy prices and, at the same time, sets new criteria for the systematic reduction of transport costs in combines and enterprises. These rates will serve better than hitherto to stimulate savings,

the lowering of transport distances by transport optimalization, the greatest possible utilization of the means of transport as well as the use of rational transport technologies such as through freight trains.

Given the greater burden of transport costs within the framework of the economic accounting of combines and enterprises, it will in future be possible from this aspect also to exert greater pressure on the thriftiest and most rational use of transport services.

All in all, the new freight transport rates make transport rationalization more compelling as well as more rewarding for combines and enterprises.

/Question/ The new freight transport law contains extensive new regulations. What are the features distinguishing this law from earlier regulations?

/Answer/ First of all we should welcome the fact that the new freight transport decree (GTVO) represents the first legal provision to be in effect for all inland freight carriers and uniformly regulates all stages of transport preparations and operations.

While it builds on tried and tested procedures from the old decree, it incorporates important decisions in the field of transportation by the Council of Ministers and its presidium.

The new GTVO is adapted to the changed situation and regulates the responsibility of the Ministry for Transportation. At the same time it establishes the precise tasks of other state organs, combines and enterprises of the national economy for the purpose of the efficient operation of freight transports. A novelty is represented by the regulations concerning the duty to transport which will in future apply when an economically warranted transport need exists within the scope of the indices assigned for the demand upon freight transportation services.

I also consider sensible the extension of the organization of contracts by the adoption of the transport coordination contract. This puts in the proper legal form the valuable experiences gained by the transportation branches in cooperation with the customers at the point of contact involving freight shipments. We must hope that this transport coordination contract will quickly become general practice and a basis for cooperation between transportation enterprises and transportation customers.

/Question/ A question regarding the transport planning procedure. It is obviously necessary here properly to evaluate many new elements and future practical experiences in the work with transport indices and transport normatives.

How do you see this group of problems?

/Answer/ The new transport planning procedure has the primary task of significantly raising the responsibility for rational transportation in all sectors of our national economy. It intends to carry out all planning of transport services by way of production specific transport indices or normatives and thereby affect as planned the reduction of specific transport use.

At the same time the new planning procedure is designed completely to reconcile transport services with the available sources of energy used in transportation.

The dynamic course of plan implementation within the year was taken into account insofar as the transport plan will be broken down into quarters so as to consider all changes occurring in the national economy. We thus generally set transport planning equally at the side of other planning complexes such as material management, and so on.

It is important for the experiences gained this year to be thoroughly evaluated and utilized for the even more efficient organization of the ratio of transport services to goods production.

In this spirit all sectors and all levels must constantly exchange experiences, and we must steadily raise the efficacy of the new transport planning procedure.

/Question/ Comrade Minister, we may claim generally that the transport costs of enterprises and combines will in future rank equally with energy and materials costs. This presents the transportation system with qualitatively new obligations. Would you tell us the most important of these?

/Answer/ That is a very important question, linked with the greater responsibility of all sectors for the operation of transport processes. As you know the current freight rates do not reflect the rising costs of energy, raw materials and other materials. Compared with the socially required expenditure, transport services have therefore been undervalued in the past. This increasingly hindered the consistent enforcement of economic accounting in industrial combines and enterprises as well as in the enterprises of transportation. It was not possible either fully to finance from profits the necessary expanded reproduction or the funds of material interestedness. The enforcement of the new regulations will therefore require the ongoing improvement of cost planning, reporting and analysis in all combines and enterprises as well as at the overall nationwide level.

By specially planning, reporting and checking transport costs, the cost/result ratio in combines and enterprises will be decisively affected. That is why all efforts to lower transport costs must be given equal status with the reduction of, for example, energy and materials costs.

/Question/ Comrade Minister, your answers show that all these measures on the one hand take into account current economic requirements and, on the other, correspond to the maturity of our socialist production conditions. The question therefore arises where to seek the responsibility of the socialist owners, in other words the working people themselves, and what are the tasks involved for state managements?

/Answer/ Our entire strategic conception for the more efficient organization of freight transport can work only if the working people in the transportation system and all sectors of the national economy actively cooperate in its implementation.

It will therefore be necessary for the basic scheme and the workers own targets arising therefrom to be thoroughly explained.

I consider it very important for every worker to know why he must do his job in a certain way. Such knowledge is always linked with his own creative activity. In the past we have had much proof of the truth of this assertion. Especially in the field of rational transport operations we are bound to rely on the active involvement of the working people. They must know that the lowering of transport costs ultimately also reflects the unity of economic and social policy, because the savings achieved will benefit them.

In this spirit we have introduced a series of provisions on the economic stimulation of diesel fuel conservation so as to make this interrelation immediately obvious. Of course this means a great deal of responsibility for the state managements who must set clear assignments, explain the problems in the various work collectives, increase their educational efforts and ensure the greatest possible order, discipline and safety of transport operations.

We can certainly claim that the success of state managers in close cooperation with party organizations, labor union executive bodies and the youth federation firmly to lead and mobilize their collectives will allow us all successfully to cope with the challenging target of not allowing transport needs to rise and satisfying them with a lesser use of energy.

## Transportation Planning Procedure

East Berlin DDR-VERKEHR in German Vol 14 No 12, Dec 81 (signed to press 26 Nov 81) pp 402-404

/Article by Hermann Trunte, economist, and Dr Wolfram Paetzold, chief and deputy chief, respectively, Planning Department, GDR Ministry for Transportation; members, DDR-VERKEHR editorial board: "On the Continued Development of Transportation Planning in the GDR"/

/Text/ The planning of the objectively necessary freight transport services and freight transshipment as part of economic planning, including the planning of new production and consumption sites and the freight movement arising therefrom is regulated in principle by the 1981/1985 Order of Planning of the GDR Economy, the Transport Balancing Order (TBAO) and the supplementary regulations issued thereto, as well as the transport order for operational monthly transport planning.

The authors outline significant aspects regarding the rational development of freight transport in the GDR's economic reproduction process in the 1980's as the subject and object of transport planning as well as regarding the function and principles of the new transport planning procedure. Some key issues and problems of the new transport planning order are described.

The SED Central Committee Report to the Tenth SED Congress calls for a definite reduction in the expenditure for all transport processes in the national economy. That is a task affecting the transportation system itself but also industry, construction, agriculture, forestry and the food industry, trade and all other sectors.

SED Central Committee General Secretary Erich Honecker commented this target as follows:

"All freight transport must be expedited more efficiently, via the shortest routes, with less fuel and energy. We need rational transportation, transshipment and storage processes."

The assurance of the transport tasks needed to safeguard the economic reproduction process at the least expenditure requires the further perfection and improvement of transport planning as a tool of socialist transportation policy.

The planning of objectively required freight transport services and freight transshipments as an element of economic planning, including the planning of new sites for production and consumption and the freight movements arising therefrom, is basically settled in the 1981/1985 Order on the Planning of the GDR National Economy, The Transport Balancing Order (TBAO) and the supplementary regulations issued thereto as well as the transport decree on operational monthly transport planning.

Freight transport planning includes

-- The ascertainment and definition of the economy's transport needs,

-- The balancing of socially acknowledged needs with the transport capacities of the public and factory carriers, taking into account available energy sources,

-- The preparation of the GDR's transportation balance as well as the regional transportation balances in the districts.

The realization of transport plans proceeds with the scope of the legal regulations derived from the transport decree. However, the possible problems arising are not the subject matter of this article. The decision on state transport balances and transport plans for the plan year also establishes the transportation tasks of transportation combines and enterprises as well as of enterprises with their own factory vehicle fleets. Transportation planning therefore significantly affects all sectors of the economy and the supply of the public and, consequently, the smooth flowing economic reproduction process.

1. The Rational Development of Freight Transports in the GDR's Economic Reproduction Process in the 1980's as the Subject and Object of Transport Planning

The demands on freight transports rise alongside the growth of production and the consumption of goods and services as well as the constantly shifting regional structure of the social division of labor. In the GDR the growth of output in industry, agriculture and construction has involved the following rise in inland freight traffic:

Table 1

| 1970 | 1980 | Percentage Rise |
|---|---|---|
| 743 million tons | 1,058 million tons | 143 |
| 56 billion tons/km | 80 billion tons/km | 142 |

We now need to daily transport almost 3 million tons of freight by rail, road and inland shipping. The average distances are around 180 km in the case of the railroad, about 132 km in that of inland shipping, 58 km in public road traffic and 20 km in factory traffic.

In 1980 some 63 tons of freight per GDR resident were carried across an average of 75 km. That is a tremendous achievement by the workers in the transportation system.

However, international comparisons show that the transport volume and transport output in the GDR are very high in relation to goods production, and that a reduction in specific transport needs is bound to result in considerable savings of transport costs.

The economic strategy for the 1980's resolved upon by the Tenth SED Congress therefore called for restricting society's transport needs to the objectively necessary minimum by way of intensification and lowering specific transport expenditure by at least 20 percent by 1985.

In the 1981/1985 Five-Year Plan period freight transport services in inland traffic are not supposed to grow at all, despite a 28-30 percent rise in industrial output. This contrasts with the 1976/1980 Five-Year Plan, when freight transport services grew by 16 percent and industrial output by 30 percent.

The long-term strategic task consists in lowering specific transport needs by 4-5 percent annually. This will provide a significant contribution to the reduction of production consumption in the national economy, especially to energy conservation.

Just 1 percent means a saving of about M170 million per annum.

The lowering of specific transport needs is a priority task of transport planning. It requires long-term, medium and short-term plan decisions. As early as the time of long-term conceptual planning will it be necessary to influence the production and regional structure with the aim of minimizing transport needs. The utilization of all opportunities for optimalizing transport and delivery relations, for progressively refining raw materials and reducing the volume of various freights--these represent a basic issue of the economic strategy for the 1980's.

The steady lowering of transport and energy expenditure also requires the enforcement of the best possible division of labor between carriers.

The capacity of the energy efficient carriers railroad and inland shipping will be raised further in order to conserve diesel fuel; at the same time it will be necessary considerably to limit the volume of road transport services.

Table 2 demonstrates the planned shift through 1985 in the percentage shares held by the various inland carriers in freight transport services:

Table 2

| | 1970 | 1975 | 1980 | 1985 |
|---|---|---|---|---|
| GDR railroad | 74.0 | 72.3 | 70.9 | 82.0 |
| Inland shipping | 4.2 | 3.4 | 2.7 | 3.0 |
| Road traffic | 21.8 | 24.3 | 26.4 | 16.0 |

In order to realize the conception of the priority development of rail transport, more than 50 percent of the investment funds available to the transportation system will be allocated to the DR /GDR Railroad/, especially to ensure the rapid rate of electrification, expand its main network and switching yards, equip it with modern safety devices and comprehensively apply microelectronics and robot technology.

The more intensive utilization and modernization of capacities in inland shipping will enable this carrier to enjoy the most rapid advancement.

With the exception of special freights and in border crossing traffic, the use of road transport must be confined to local routes.

In 1980 45 million tons of freight were still carried by long-distance road transport. By 1985 a considerable part of this freight will have to be shifted to rail.

Another task of transport planning consists in providing the prerequisites for transport operations to proceed rationally and on the basis of the most suitable technologies.

This aim is served by regulations regarding the use and utilization of means of transport as well as the balancing of the necessary transport services with energy allocations. Transport planning must therefore fully agree with energy planning.

## 2. Target, Function and Principles of the Further Development of Transport Planning Procedures

Transport planning methodology is always called upon to facilitate the realization of the economic strategy of party and government in the respective stages of the construction of the socialist society.

In the years following the Eighth SED Congress the procedures of transport planning were further developed with the aim of achieving greater efficiency of transport operations by the inclusion of all transport capacities available in the national economy, including factory vehicle fleets, and by balancing these with the reported transport needs. Developments showed that transport planning helped ensure that the transport needs of the dynamically advancing national economy were satisfied.

Our earlier experiences showed up the following problems in the application of the transport planning methodology:

1. The enterprises reported transport needs, based on production plans, do not sufficiently take into account intensification effects, especially in connection with the developing cooperation relations of the new combines.

   The enterprises reported needs tended to be excessive and did not sufficiently respond to the necessity for conserving transports and energy. The reports of transport customers and their operation in transport planning were confined to tonnage, the type of freight and the means of transport.

   The planning of transport services and, therefore, distances proceeded entirely by the efforts of the carriers without the cooperation of transport customers.

2. The transport customers choice of carriers--lacking adequate stimulation by freight rates--and the rapid expansion of factory vehicle fleets resulted in a not always satisfactory division of labor with public carriers, especially the railroad and inland shipping.

3. There was no nationwide economic reporting of the observation of transport balance shares confirmed to the transport customers and, consequently, no agreement between the annual plan and operational monthly plans. The enterprises failed in detail to account for transport costs, and these costs did not represent a key issue of enterprise planning and, consequently, cost reduction.

In order to achieve a nationwide reduction in transport expenditure, the economic strategy for the 1980's requires transport planning

-- To respond to the growing economic potential and the greater opportunities arising from the development of combines to lower production consumption, including transport, by the use of new methods

-- To secure the agreement of transport indices with energy quotas and assist the appreciable lowering of energy consumption

-- To result in the lowering of transport distances by planning freight transport services in the sectors of the national economy in conjunction with set targets for the optimalization of transport and delivery relations

-- To ensure the most favorable possible division of labor among the carriers, especially the shift of transports from road to rail, by the inclusion of the economic stimulation of the new freight rates,

-- Even more closely to organize the connection between performance and capacity planning for the more intensive utilization of the transportation and transshipment capacities

-- To increase the mandatory force of transport planning by the setting of state plan indices and guarantee their exact reporting and control.

The following are important elements in the new transport balancing decree (TBAO):

1. Freight transport planning will be organized as a standardized process beginning with long-term conceptual planning via five-year and annual planning down

to quarterly and monthly planning. It will thus become the main tool of traffic policy within the scope of economic planning and provide the conditions for the steady reduction in specific transportation expenditure.

2. For the purpose of plan preparation the ministries will be assigned state targets for the need for transport services in tons and ton/km per carrier. The ministries must break these down to the combines and enterprises.

   The bases for the state targets to be handed the ministries are

   -- The development of output in these sectors and the measures adopted to reduce specific transportation expenditure,

   -- The energy available for the accomplishment of the transport assignments,

   -- The transport capacities available to the carriers, including factory vehicle fleets.

   When determining the state targets, analyses of earlier production, sales and transport indices are to be used as well as optimalization computations, variant comparisons and technological studies.

   To improve transport planning, the gradual preparation and use of transport normatives will be an absolute must--whether such normatives serve as commodity or value indices.

3. Transport customers will receive their transport indices in tons and ton/kms, that is by volume and distance. They are therefore confronted with the necessity as far as possible to avoid long-distance transports and to sell their products with a minimum transport service requirements.

   The utilization of all opportunities for optimalizing delivery relations thus becomes a compelling requirement.

   All measures to lower materials and energy expenditure in production will have to be reflected also in the lowering of transport expenditure.

   The transport indices are the basis for calling on transport services. Their observance must be supervised by the carriers and the economy.

   A non-requirement of transport indices is to be judged the same as an additional lowering of production consumption, provided it is the result of the enterprise's own efforts. If transport indices are exceeded as a result of additional output, a decision by the balancing organ is required.

4. Transport plans must be consistently derived from the plans of output and sales. They are to be broken down by quarters and linked to quarterly production plans. Since 1981, in cooperation with ministries and districts, quarterly plans for inland freight transports are submitted for confirmation to the Council of Ministers. This ensures that the agreement of production and sales plans with transport plans is maintained in the course of the implementation of the plan.

It will therefore be necessary in general to organize closer cooperation between the combines and their enterprises on the one hand and the offices and facilities of the carriers on the other for the purpose of plan preparation, plan drafting and plan execution, and also to orient the conduct of the competition accordingly.

3. On Some Key Issues and Tasks of the New Transport Planning Procedure

We have already explained that, in addition to the planning of the freight volume by types of goods and means of transport, the economy will have to proceed with the planning of transport services (ton/km), broken down by carriers, as an essential new element of transport planning. That is a precondition for reducing transport and energy expenditure at the rate required and for removing the former trend of a steady rise in average transport distances. This will apply to road traffic in particular. For reasons of energy considerations alone it is not admissible for the average transport distance of public freight traffic on the roads, for example, to rise as much in the 1980's as it did in the period 1970-1980 (from 34 km to 58 km). The TBAO therefore includes clear rules concerning the planning of transport needs and the use of the services of carriers by the combines and enterprises of the economy. These compel the ministries and combines, especially with regard to bulk goods (which account for about 80 percent of the transport volume), to organize as planned the optimalization of transport and delivery relations and the reduction in transport costs on the basis of branch conceptions and with the aid of the transportation system.

The transport plans of combines and enterprises in the economy are thereby acquiring a new status. Within the management and planning process they must be handled exactly like the plans of materials and energy consumption.

It is crucially important for transport plans to be drawn up on the basis of central state targets issued to the ministries (in tons, ton/km and by carriers), coordinated between the State Planning Commission and the Ministry for Transportation. The State Planning Commission will issue these transport indices to ministries and bezirk councils, and the latter in turn will break them down to combines and enterprises.

Enterprises in the economy are obligated to direct the initiatives of working people and their research potential to keeping transport needs as low as possible. This may involve shifts in the regional division of labor among the enterprises in a combine. Particularly beneficial, for example, is a rise in the extent of refinement on the manufacturing site in order to lower the freight volume.

To increase the responsibilities of the ministries, diesel fuel quotas for the operation of factory vehicle fleets will be issued to the industrial ministries for distribution to the subordinated centrally managed sectors as of 1 January 1982.

This procedure is currently being tested by 11 industrial ministries.

The issue of 1982 fuel quotas for factory vehicle fleets proceeds in conjunction with the State Planning Commission's plan documents handed to ministries simultaneously with balancing shares for the use of freight transport services provided by public transportation.

Upon recept of the state plan targets, enterprises must inform the competent organs of their carriers regarding the dimension of the transport indices for public transportation and factory fleets as well as the diesel fuel quota issued them.

From 1982 on the ministries (for centrally managed combines) and bezirk councils (for locally managed combines and sectors) within the scope of the TBAO assume responsibility for planning their factory fleet operations and, therefore, the drawing up of state targets or plan targets for the services of factory fleets in their sphere to agree with the diesel fuel quotas issued by the State Planning Commission.

The new elements of the transport planning procedure also require a higher standard of the work with transport balances. Consonant with the balance pyramid, the following transport balance organs now exist in connection with the central transport committee or local transport committees:

| | | |
|---|---|---|
| Ministry for Transportation | -- | for the GDR transportation balance |
| Bezirk councils | -- | For the transport balances of bezirks (including DR and inland shipping) |
| Kreis councils | -- | For the road transport balance of the kreises. |

The transport balances are the tool for balancing the necessary transport services with the transport capacities of the various carriers and, therefore, the basis for drawing up the state plan indices in terms of tons and ton/km for the economy and the carriers as well as the determination of joint measures for the more intensive utilization of transport capacities and for transport rationalization.

Another new and significant element is the introduction of quarterly transport planning in conjunction with the quarterly planning of industrial and farm production. Quarterly plans for transportation will be drawn up in order to produce an even closer link between output, sales and transport plans in the implementation of the economic plan.

The ministries will submit their transport requirements for the following quarter 6 weeks before to the Ministry for Transportation so that the Council of Ministers decision may be prepared. The transport allocations, broken down to enterprises after the issue of the government decision, represent the basis for the monthly use of transport services.

Quarterly planning will enable us to even more purposefully affect the rise in the smooth flow of usage and the reduction of transport services.

At the same time coordination will be facilitated with the monthly transport planning in the scope of plan implementation.

The competent ministries and balancing organs of the transportation system must exercise supervision of the observance of transport indices. If divergences are excessive, the transport committees must discuss them and issue decisions.

Within the framework of transport planning special regulations apply to the planning of road freight traffic. In accordance with the principles of the division of labor, road transports should ensure unit traffic across short distances only.

Here the capacities of factory fleets are to be included. Bezirk transport balances including road freight transport will be submitted to the Ministry for Transportation and form part of the GDR's transport balance. They are to be subdivided into ministries.

Reviews have shown that enterprises in the economy still fail to make adequate efforts with regard to reporting, observing and undercutting transport indices. Many dispatch enterprises still know nothing about the actual consumption of transport services, do not record tons and tons/km per carrier. Sometimes not even transport costs are recorded on their own. The ministries therefore lack comprehensive data.

The improvement of reporting is thus a matter of priority. The improvement of the quality of transport planning and reporting is possible only in a struggle against routine and traditional attitudes and behavior.

It is imperative consistently to enforce the new transport balancing order and thereby to provide an important contribution to the lowering of the nationwide transport expenditure.

## Freight Transportation Decree (GTVO)

East Berlin DDR-VERKEHR in German Vol 14 No 12, Dec 81 (signed to press 26 Nov 81) pp 405-408

/Article by Dr Ehrhard Thiele, chief, Law Department, GDR Ministry for Transportation; member, DDR-VERKEHR editorial board; and Heinz Oschlies, jurist in the same department of ministry: "The GDR's New Freight Transportation Legislation--The Decree on Public Freight Transportation Via Railroad, Inland Navigation and Motor Vehicles--Freight Transportation Decree (GTVO)"/

/Text/ The decree on public freight transport via railroad, inland navigation and motor vehicles--freight transportation decree (GTVO)--is to take effect in 1982.

This article intends to explain the most important features and basic targets as well as the essential content of the decree.

Mentioned in this connection are significant aspects of the targets, the build-up and organization as well as the scope of application of the decree. It outlines the tasks of the Ministry for Transportation, other state organs, economy managing organs and combines in the management, planning, organization and further development of freight transports as well as principles of socialist cooperation between those involved in freight transportation.

The SED Central Committee Report to the Tenth SED Congress states: "Considering the needs of the future, it is important constantly to perfect the socialist legal system. That includes the review or revision of such laws and other legal regulations as no longer conform to the respective stage of development."[1] This basic strategy of the party of the working class regarding the steady advance of the socialist state and legal system is met by the further development of the GDR's inland freight transportation legislation. It is expressed in the decree on public freight transportation via railroad, inland navigation and motor vehicles--Freight Transportation Decree (GTVO)--and subsequent legal regulations intended to take effect in 1982. In the following we will explain the basic targets and essential content of the decree. Regarding the implementing regulations, see the specific articles in this issue of DDR-VERKEHR.

1. On the Targets of the New Decree

1.1. The Minister for Transportation has precisely outlined the targets arising for the transportation system from the Tenth SED Congress resolutions. The application of the 10 key issues decided upon by the party congress with regard to the economic strategy for the 1980's mainly implies the following for the transportation system:

-- The more realistic ascertainment, inclusion and planning of nationwide transport needs,

-- The further optimalization of delivery and transport relations,

-- The most favorable division of labor among the carriers; this emphasizes the greatest possible energy conservation,

-- The rational organization of transport processes within the various sectors of the transportation system.[2]

This basic strategic orientation must be backed by socialist legislation. The transport decree (TVO) of 28 March 1973 (GBl I No 25 p 233) significantly contributed to the improvement of cooperation relations between the carriers railroad, motor vehicles and inland navigation on the one hand and transport customers on the other. As a consequence of the joint responsibility originating therein for the assurance of smooth flowing and efficient freight transports, relations have developed on this basis between the carriers and the customers, which are characterized by socialist cooperation of those involved in freight transports. However, the TVO's overall targets and the resulting rights and duties of those affected no longer meet the needs of the 1980's in regard to inland freight transportation legislation.

1.2. Taking effect in 1982 is the decree on public freight transportation via railroad, inland navigation and motor vehicles--Freight Transportation Decree (GTVO)--including implementing regulations Nos 1-8. Losing effect at the same time are the transport decree of 1973 and its implementing regulations.

The GTVO is the first legislation in the GDR uniformly applying to all stages of inland freight transportation and largely regulates them for the three most important inland carriers both uniformly and comprehensively. It consists of the principles for the management, planning and organization of public freight transportation,

for the division of duties and the cooperation of the carriers railroad, inland navigation and motor vehicles, including the transport-related transshipment of freight. It also includes the principles, applicable to all carriers, of the organization of cooperation relations with transport customers in the preparation, execution and completion of freight shifting in loading, large and medium containers as well as in the shape of small packages.

The new freight transportation legislation builds upon the tried and tested provisions of the transport decree and its implementing regulations as well as the freight legislation now in force. It develops these regulations in accordance with the demands of the 1980's arising from the Tenth SED Congress directive, accompanied by the realistic appraisal of the resources and potential of those involved in freight transportation and the respective stage of development achieved.

The directives issued in earlier years by the GDR Council of Ministers regarding the assurance of nationwide justified transportation, the guarantee of discipline, order and safety in freight transportation, the optimum utilization of transportation capacities as well as the acceleration of circulation and reduction in damage to the means of transportation, represent another important basis. The transport-relevant orientations arising therefrom have lost none of their topicality and are reflected in the new freight transportation legislation in the form of definite legal duties of all those involved in freight transportation.

These duties are directed in particular

1. To the reduction of social transportation expenditure in the national economy as a whole by way of the intensification of cooperation among those involved in freight transportation, especially at the points of junction. In conformity with the principles of the contract law, the transport coordination contract is designed to be the specific type of contract applicable to the long-term organization of this cooperation in terms of commercial law. In future this type of contract will result in the improved cooperation of the partners in accordance with the most far reaching standardizing principles possible.

2. To rationalization by the carriers as a result of the optimum organization of transportation processes and the optimalization of transport routes. This will focus on the division of functions among the carriers, oriented to technical, technological, managerial and--most of all--energy-related requirements, in conjunction with the simultaneous intensification of their cooperation in matters division of labor.

3. To the reduction of the social transportation needs by the transport customers. Involved here is particularly the optimalization of delivery relations and the organization of products, production and technology oriented to transportation requirements.

2. On the Structure and Organization

In the interest of the greatest possible practicality and clarity of the freight transportation legislation, the legal scheme proven for many decades has been retained. Accordingly

-- The GTVO as the decree issued by the Council of Ministers

includes the stable transportation and legal principles for public freight transportation,

-- Implementing regulations or orders

include the stable legal regulations for the rights and duties of those involved in freight transportation and their efficient cooperation in conformity with the technological processes of a carrier or the complex tasks involving several carriers,

-- The TVA /rate and traffic schedule/ publications

include the traffic regulations subject to rapid changes due to the dynamic development of freight transportation processes and the further perfection of cooperation among those involved in freight transportation and their legal organization.

3. Tasks of the Ministry for Transportation (MfV), Other State Organs, Economy Managing Organs and Combines in the Management, Planning, Organization and Further Development of Freight Transportation (Articles 2, 3 and 4)

3.1. In article 2 the GTVO lists the most important tasks of the Ministry for Transportation to guarantee efficient freight transportation.

-- Meeting the economically justified need for freight transportation and

-- The issue of instructions regarding the reduction of nationwide transport expenditure, their coordination with other state organs and supervision of their implementation.

Implementation of these targets calls primarily for

-- The exact planning and balancing of transport capacities

-- Keeping available generally employable transportation and transshipment resources at the carriers and their transshipment enterprises

-- The comprehensive utilization of socialist rationalization and intensification as well as scientific-technological advances

-- The organization and enforcement of an economically justified energy-optimum division of functions among the carriers.

3.2. In clear definition of targets--and outside the responsibilities of the Ministry for Transportation--the GTVO includes tasks for the state organs, economy managing organs and combines of the other sectors of the national economy regarding the planned development, rational conduct and speed-up of freight transportation. Key issues here are the reduction of the nationwide need for and expenditure on transportation in the respective sphere of responsibility, the optimalization of delivery and transportation relations as well as the preparation, observance and enforcement of production or service related transport normatives.

All those involved in freight transportation share the responsibility for the utilization of the means of transport, the smooth flowing use of the freight space and the observance and undercutting of loading and return time limits. The GTVO emphasizes the implementation of these tasks as key points of the work of state organs, economy managing organs and combines.

In addition to the orientation to other key issues such as the increasing establishment and further development of factory fleet cooperatives and the obligation of local state organs to encourage socialist cooperation among those involved in freight transportation (article 4 paragraph 3), these articles represent a significant advance in socialist freight transportation legislation. According to these articles, state organs, economy managing organs and combines must at an early stage coordinate with the transportation enterprises all qualitative and quantitative changes in material production, which affect freight transportation and transshipment, so that public freight transportation may adjust as per plan to the changed requirements.

4. Principles of Socialist Cooperation Among Those Involved in Freight Transportation (Article 5)

One of the main targets of socialist freight transportation legislation is the steady evolution of socialist cooperation among all those involved in freight transportation. Based on the satisfactory experiences gained in the operation of the TVO, the GTVO emphasizes key issues. One of the crucial factors involved is the need, if possible, to conclude long-term contracts and steadily further develop the most advanced forms and methods of socialist cooperation for the accomplishment of all freight transportation tasks. The focus of conscious collaboration between the enterprises of transportation and their transport customers should be on the further establishment of factory fleet cooperatives and the beginning or further development of inter-enterprise socialist cooperation on the basis of the Odessa/Iliychovsk method at the points of junction of transportation. Interesting aspects of this type of cooperation, in particular between the railroad and its partners, were described in issue No 7/80 of DDR-VERKEHR[5] and No 3/81 of EISENBAHNPRAXIS.[6]

5. Transport Committees (Article 6)

The transport committees and their organs occupy key positions in the accomplishment of the challenging tasks arising from the rapid and dynamic growth of the economy for the transportation system. In the transport committees representatives of state organs, economy managing organs, combines and enterprises consult with the enterprises and organs of the transportation system on outstanding problems and basic issues. The GTVO builds upon the experiences gained earlier with regard to transport committees and largely confirms the principles which have proved their worth.

Article 2 letter g of the statute deals with another priority tasks of the ZTA /central transportation committee/: The discussion of traffic regulations. Defined as traffic regulations in the meaning of article 2 paragraph 2 letter g GTVO are those provisions applying to freight transportation and transshipment also, which are published as instructions by the Minister for Transportation in the official publication of the Ministry for Transportation[8]--TARIF- UND VERKEHRSANZEIGER

TVA--on the basis of article 30 GTVO. This new provision in the ZTA statute ensures that important traffic provisions to be published in the TVA are discussed by the ZTA plenum. In addition article 4 paragraph 3 of the statute provides that regulations affecting the economy must first be agreed with the ZTA members.

6. Division of Functions in Freight Transportation, Transport Planning and Balancing (Articles 7 and 8)

In another section this issue of DDR-VERKEHR deals with the division of functions, transport planning and balancing. Let us merely point out here that the GTVO provides the legal framework and basic orientation for these important tasks of freight transportation and its codification.

Further details will be issued in implementing regulations or other traffic regulations, especially with regard to transport planning.

7. Transportation Duty (Article 9)

For the first time in GDR freight transport legislation, the transportation duty is uniformly established. Up to now this dod not exist with regard to motor vehicles or inland shipping. The most important principle states that a transportation duty arises from the stipulations of article 9 paragraph 1 letters a-c whenever, within the scope of the assigned plan targets for the use of freight transportation services, an economically justified transportation need exists, and that as a rule it involves the carrier who, as per article 7 GTVO, is able to carry out the transport with the least economic expenditure.

8. GTVO Contracts in Terms of Commercial Law (Articles 10-14)

Business contracts regulated within the scope of the GTVO represent an important management tool for the realization of the main concern of the freight transportation decree, that is the accomplishment of all freight transportation tasks, by the inclusion of all those involved in freight transportation in the processes of management, planning, organization and operation. It is the common prime function of these contracts to exploit the respective and specific legal means, opportunities and necessities for the purpose of guaranteeing the accomplishment of all freight transportation tasks. The GTVO contracts concluded in terms of commercial law are at one in this purpose. The specific requirements of the relations, which tend to vary considerably, as well as of the respective objective of the regulations or services made it necessary to provide new definitions for the various types of contract in the interest also of easier handling in practice. Some of the legal principles tried and tested in earlier practice were retained or further developed.

8.1. The Transport Coordination Contract (Article 10)

A new feature is the introduction of the transport coordination contract. This comprehensive business contract is designed to coordinate cooperative measures in the common accomplishment of freight transportation tasks and provide long-term contractual settlements. This type of contract represents the total of experiences gained in the cooperation between transport enterprises and transport customers at the points of junction of freight transportation. The GTVO has generalized these

experiences and--taking into account the respective enterprise and local possibilities--orients to key issues of the transport coordination contract without describing them in great detail. The following principles are to be observed:

-- There is a legal obligation to conclude a transport coordination contract if the efficiency of freight transportation may be improved and transport expenditure reduced thereby.

-- The textual target arises from article 10 paragraph 1 letters a-f. It is to extend comprehensively to the exploitation of all possibilities for cooperation in freight transportation.

-- If the conditions called for in the GTVO are present, the conclusion of a transport coordination contract may be imposed with the aid of the contract court.

-- The transport coordination contract does not replace other special contracts provided for by the GTVO to secure the management, planning, organization and execution of freight transportation. In particular it cannot alter the extent of material responsibility provided for in the case of the breach of such contracts. The object of transport coordination contract may be measures involving the purposeful satisfaction of obligations arising from special contracts. In conformity with the principles of the contract law, further penalties may be agreed for the neglect of comparable duties arising from the transport coordination contract.

By its nature and function the transport coordination contract may be described as a service preparatory, service promoting and service ensuring comprehensive business contract in the field of freight transportation.

It should become accepted practice as soon as possible. Every effort must be made to ensure that the many existing contracts are improved in accordance with these terms and requirements of the GTVO. It will be most important for managers of the transportation and economic enterprises fully to utilize the opportunities offered by this contract.

To secure significant economic targets the GTVO, article 10 paragraph 2, continues to provide for the possibility that, in conformity with the above named targets, special agreements may be concluded between the MfV and central state organs or combines. It is now expanding this opportunity to include combines also.

8.2 The Transportation Contract (Article 11)

T he transportation contract is the special bilateral business contract to actually settle relations between transportation enterprise and transportation customer, which arise in the preparation and conclusion of freight transportation for a plan year. The transportation contract also serves steadily to further develop and deepen the socialist partnership relations of all those involved in freight transportation. The importance of the transportation contract as a planning tool is enhanced by the compelling requirement of article 11 GTVO for state plan indices for the use of freight transportation services to be the basis of all transport contracts. The terms of the GTVO and its subsequent regulations for the organization

of transportation contracts are not settled in complete detail. Further rights and duties regarding the exploitation of all local reserves in the interest of speeding up the transportation process are to be agreed. The conclusion of the transportation contract is mandatory within the scope of the terms listed.

8.3. The Freight Contract (Article 12)

In contrast to the transportation contract which settles relations in the preparation and completion of freight transportation, the freight contract is the legal tool for organizing cooperation between transportation enterprises and transportation customers for carrying out transports (changing the location of the freight). It is the logical continuation of the relations established by the transportation contract. It is a characteristic feature of the freight contract that a third party, the recipient, is involved in the contract. If the terms of the GTVO or its subsequent regulations are met, the recipient accedes to the freight contract in addition to the transportation enterprise and the dispatcher of the freight as the original partners. To secure the smooth and rapid change of location of the freight, few opportunities are offered for diverging from the exactly regulated rights and duties of the partners.

8.4. The Transshipment Contract (Article 13)

The process of concentrating freight transshipments at car loading junctions, carried out in recent years on the basis of GDR Council of Ministers resolutions, has been largely concluded. The GTVO and its fourth implementing regulation (DB)--regulations for freight transshipments--therefore logically no longer orient to concentrated transshipment but basically to the transshipment of freight by enterprises which have the necessary facilities. The terms for the transshipment of freight, the rights and duties of the partners, are settled in the transshipment contract. Here the fourth DB to the GTVO builds on the experiences gained with regard to the transshipment contract by the transportation decree (TVO).

8.5. Other Contracts (Article 14)

Given the many kinds of relations between those involved in freight transportation, new types of cooperation arise, which are either not at all or only partly reflected in the business contracts earlier described (see the transport coordination contract), as dealing with the organization of freight transportation. These include, among others, switching service, repair and connexion railroad contracts. In the meaning of the contract law these contracts always represent special contracts involving a special service.

9. The Regulation of Material Responsibility Within the Scope of the GTVO (Articles 25-28)

9.1. The accomplishment, appropriate as to date and quality, of freight transportation services (considerably increasing in the Five-Year Plan through 1985) requires a resolute effort for the fulfillment of transportation plans. This includes the further diminution of damage to freight and to means of transport, circulation delays and the incomplete exploitation of means of transport as well as excesses of loading and unloading time limits. Every manager is fully responsible

within his sphere of responsibility for the strict enforcement of order and safety in the transportation process. Unfortunately analyses and checks of this group of tasks have shown that not all managers at all times consistently apply and enforce the law. It is therefore vitally important to take heed of the statement by Willi Stoph, chairman of the GDR Council of Ministers, at the Tenth SED Congress: "The conscious use of socialist law and its implementation serve the strict observance of order and safety and must be mainly directed to the prevention of offenses of all kinds."[9]

9.2 The most important principles are:

-- The new freight transportation legislation does not provide for any basic changes in the extent of material responsibility in the case of dereliction of duty in freight transportation. General commercial law is the basis of the provisions respecting responsibility. The extent of the responsibility of carriers was settled in conformity with the traffic legislation of other socialist countries and international traffic law. At the moment no extensions are possible given the stage of development and the capacity of the transportation system.

-- In conformity with the respective decisions by the GDR Council of Ministers and in the interest of the optimum utilization of all transport capacities, it will be necessary to retain the special nature of penalties for derelictions of duty which are liable to result in circulation delays of the means of transport, in damage and the unauthorized use of means of transport and ancillary means of transport; no exemption is possible from the legal consequences of responsibility.

-- Transportation and transshipment enterprises guarantee the full replacement of direct freight damage. In the case of total or partial loss of freight, compensation is payable at the fixed price or present value of the freight. Dropped for this purpose is the limit of M100 per kg of weight for compensation payments, which used to be part of the legal regulations governing the railroad. (The exception made for inland shipping in article 50 paragraph 1 of the second DB is due to technological reasons.) No other compensation (for loss of profit, for example) is payable (article 26).

-- Transportation and transshipment enterprises are not responsible for damage arising as a result of causes fully listed in article 27 letters a-h. Following a Council of Ministers decision, the responsibility for transportation in open freight cars was newly settled. The so-called "open freight car danger" in the carriage of freight by rail was abolished.

-- Transportation customers must pay compensation to the transportation enterprise in the case of damage to means of transport, ancillary means of transport and means of loading as well as to transshipment and traffic facilities (article 28 GTVO).

10. On the Scope (Article 32)

10.1. The GTVO applies to all transportation customers who are subject to the scope of the contract law (in the case of the DR this accounts for more than 99 percent of

customers). On the part of the carriers it includes, in addition to the railroad, transportation enterprises of all types of ownership in motor vehicle traffic and inland shipping. However, it also applies to enterprises of other economic sectors if their motor vehicles are used for public freight transportation on the basis of the coordination decree of 11 September 1975.[3]

10.2. International agreements apply at all times with regard to transportation customers domiciled outside the GDR. The GTVO, though, expressly allows for the application of the GTVO--and therefore other traffic regulations issued on its basis (article 30)--to be agreed between these transportation customers and the transportation enterprises.

10.3. For citizens, enterprises and facilities in the German Democratic Republic not subject to the scope of the contract law, the following are applicable at this time:

a) For public cargo transportation by rail the railroad traffic order (EVO) in the version published on the basis of order No 30 of 8 January 1970 (GBL II No 4 p 17). (A revised version is in preparation),

b) For public cargo transportation by motor vehicle the order of 16 June 1976 on public cargo transportation by motor vehicle for citizens--Cargo Transport Order Motor Vehicles (LTOK)--(GBl I No 26 p 353; amended No 35 p 428),

c) For public cargo transportation by inland navigation the general shipping terms for the river regions of the Elbe and Havel and their tributaries and canals--AVB--in the latest mandatory version.

In effect for all transportation customers with respect to small packes--in addition to the GTVO--is the order on small package transportation by rail and motor vehicle --Small Package Transportation Order (StTO)-- of 25 November 1966 (GBl II No 114 p 921) in the version of Order No 3 of 23 February 1971 (GBl II No 31 p 252).

11. Concluding Remarks

In the coming weeks and months it will be imperative quickly and effectively to enforce the provisions of the GTVO and its implementing regulations as issued. In addition to the responsibility of the managers, this is the great political responsibility of the legal services of the transportation system.

Based on the decree on legal assistance and by using the tried and tested forms and methods of socialist cooperation, combines, enterprises and facilities must undertake comprehensive explanatory and training work.

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## Inland Shipping Regulations

East Berlin DDR-VERKEHR in German Vol 14 No 12, Dec 81 (signed to press 26 Nov 81) pp 422-424

/Article by Klaus Sommer, engineer, chief, Main Administration for Inland Navigation: "Legal Regulations for Inland Shipping--Cargo Transportation in Accordance With Second Implementing Regulation for the Freight Transportation Decree (GTVO)"/

> /Text/ The second implementing regulation for the Freight Transportation Decree (GTVO), taking effect in 1982, settles the relations in law between transportation customers and the Inland Navigation VEB as the transportation enterprise for cargo transport on inland waters.

The second implementing regulation (DB) for the Freight Transportation Decree (GTVO) settles the relations in law between the transportation customers and the Inland Navigation VEB for cargo transport on inland waterways. It is the main concern of this implementing regulation to provide a basis in law for the process of the more intensive utilization of the ships employed in cargo transport at all times in the implementation of the GTVO, especially article 5. The new DB mentioned above sets new emphases by comparison to earlier regulations in effect for cargo transport on the waterways. This applies especially to contractual relations between the Inland Navigation VEB and the dispatcher as per the transportation and freight contract and the reciprocal information obligations to be observed for the purpose of

improving the circulation of the means of transport. Many provisions were simplified or made more comprehensible. In view of the long dominant technology of pusher/barge shipping, which accounts for 70 percent of all transports, the special provisions governing relations in law with transport customers since the time this technology first arose were adapted to present-day conditions.

The status of the Inland Navigation VEB as the sole carrier for all GDR cargo transports by way of inland shipping was retained and, in supplementation of article 18 GTVO, small package cargo included in the cargo transport of inland shipping.

Indicated in the following are the most important new provisions of the second DB:

1. Transportation Planning and Transportation Contracts

Though the old-established forms of the conclusion of transportation contracts and monthly operational transportation planning were retained, special provisions governing them are published in the TARIF- UND VERKEHRSANZEIGER (TVA). The Inland Navigation VEB is no longer obligated to submit a contract offer. This takes account of the increased use of state plan indices for the use of cargo transportation services which serve the shipper as the basis of contract conclusions. The forms for such transportation contracts continue to be held by the Inland Navigation VEB.

To be kept in mind are the restrictions of the Inland Navigation VEB's transportation duty as per article 6, which are due to the specific conditions of this kind of transportation, and the provisions of article 7 concerning the exclusion of cargo in the transportation process or on the carriage of various cargo in certain circumstances.

2. Chartering, Availability and Use of Ships

The duties regarding chartering ships and making them available are basically unchanged. If transportation is to be interrupted, the transshipment enterprise to be employed must be designated at the time of chartering (article 11 paragraph 1). The regulation concerning the evening out of any divergences from the continuous use of the transport space were adjusted to the rules in effect for the railroad and published in the TVA in connection with the settlement of transportation contracts.

Regarding the notification of the ships availability, article 12 paragraph 6 includes the Inland Navigation VEB's duty to inform the customer if a delay in the original time of such availability is expected to exceed 1 hour. This is to better enable the transport customer to prepare for the imminent loading or unloading of the ship despite the delay and thus observe the time limits for these operations. According to the provisions of article 13 paragraph 1 the same duty to inform applies for the Inland Navigation VEB even if the transportation duty is limited as per article 6 and the appropriate availability therefore delayed or made impossible.

The principles of the procedure involved in the handing over/acceptance of ships without crews between the Inland Navigation VEB and transport customers or their authorized agents are published in a separate TVA. As a result these duties (which used to be regulated only within the enterprise) have now achieved the rank of traffic rules as per article 40 paragraph 2 GTVO. That had become necessary because defects in the cooperation between the Inland Navigation VEB and transport customers tended to occur precisely in this field.

Also new is the special mention of the facts of the matter in the case of the cancellation of the charter (article 18). To enable the Inland Navigation VEB to make the ship available to another customer and, in any case, avoid unproductive laydays for the ship as well as the costs of needless delivery, cancellation should be as early as possible. For that reason ship layday fees without surcharge will be charged in case of cancellation if the ship had already been dispatched. Cancellation without penalties--excepting of course possible contract penalties for a shortfall in use--is therefore possible only before the Inland Navigation VEB has begun allocation of the transport space. Also to be noted is the provision in article 20 on obstacles to availability. This applies if the loading pier designated in the charter is inadequate for use by the ship concerned or the safety of the ship threatened.

3. Loading Times

The implementing regulation now only contains the provisions on the use of loading times; the table for their computation is published in the TVA.

There is a direct connection between the orderly notification of ships by the Inland Navigation VEB to the transport customer and the observance of loading times by the latter. That is why the beginning of loading times is now tied more definitely to the factual records of notification (article 21 paragraphs 1 and 2). No longer provided for is the 2-hour preparation time, because this was often used illegally to extend loading times. If notification has been properly made, the transport customer will now have to realize that loading time begins as soon as the ship is made available. This method has long been used by the railroad. Furthermore, the transport customer's duty to accept the notification or advice is tied directly to the loading time (article 21 paragraph 3). Permitted suspensions of loading time were extended to meet the case of an interruption needed to record damage or loss.

The observance of loading times is basically subject to the same conditions as before. To be certainly noted, though, is the extension in the duty to inform the Inland Navigation VEB about the probable completion of loading or unloading 2 hours ahead for all ships mentioned in article 24 paragraph 4. In the earlier second DB for the TVO this was prescribed only for pusher barges. This also is designed to speed up the circulation of the means of transport.

By comparison with article 20 paragraph 2 of the second DB for the TVO the possibility of compulsory unloading was more precisely defined by linking it with a considerable excess of the loading time. Moreover, whenever the Inland Navigation VEB intends to proceed in this manner, it must coordinate its measures with the competent kreis/city transportation committee. A standardized extra time allowance on

top of the normal loading time will be published in the TVA for any necessary towing to a landing pier other than agreed in the original contract.

4. Unauthorized Use of Ships

As per article 13 paragraph 3 the Inland Navigation VEB decides the availability of the ship suitable for the transport on the basis of the transport customer's charter. For that reason unauthorized use of a ship as per article 28 is already established if the ship is loaded differently than the charter provides. In future the shipper will have to be careful to observe this provision and also the circumstance that the rule on unauthorized use no longer applies to pusher barges exclusively.

5. Cleaning the Hold

The intensification of inland shipping processes requires, among others, the most far reaching avoidance possible of waste movements of the fleet. In this connection it is increasingly important to keep the hold clean. In addition to the considerable delays in circulation arising by the fact that many ships need to dock at an Inland Navigation VEB facility for servicing and cleaning before they can be loaded again, the shipper also experiences problems when confronted with the need to remove residues of cargo which he cannot utilize. That is why the issue of clean swept holds has been more broadly and precisely regulated than in earlier provisions (articles 30 and 31). Further instructions will be published as traffic regulations in the TVA.

Charges for cleaning, published in the TARIF FUER BINNENSCHIFFSLADUNGSTRANSPORTE (TBT) /Rates for Inland Shipping Cargo/, No 1, price list 1, article 5 paragraph 6, are unchanged. A uniform standardized additional time limit on top of the loading time is allowed for shippers to clean the hold.

6. Loading and Unloading of Ships According to Instructions

For the further improvement of order and safety on the waterways it is imperative to enforce the loading and unloading of ships according to instructions. The corresponding basic directives will therefore be published as traffic regulations in the TVA. As before the transport customers must consult the ships papers to inform themselves about special rules for the respective ship made available. To be noted is the fact that the transport customer will in future have to pay a contract penalty as per article 49 paragraph 3 letter b in the case of any dereliction of duty. Proper loading includes the duty to take soundings, which serves not only the ascertainment of the volume of the cargo loaded but also the safety of the ship (article 32 paragraph 2).

Article 48 of the DB more precisely defines article 14 paragraph 2 in conjunction with article 16 paragraph 4 GTVO and specifies the transport customer's duty to advise the Inland Navigation VEB about defects and damage to the ship. However, as per paragraph 2, the transport customer is authorized only with the approval of the Inland Navigation VEB to repair any damage he caused to the ship.

As in the case of the railroad, the Inland Navigation VEB also emphasizes the increased repair of damage to ships by the transport customer responsible for it. Special regulations are in effect for specific repairs as per the classification of ships by the GDR Ship Inspection and Classification Agency (DSRK).

## 7. Freight Law

Following upon the standardized principles of the GTVO with regard to freight law, the second implementing regulation is particularly concerned to emphasize the specific interests of inland shipping only insofar as necessary in view of the specific risk on waterways compared with other carriers. A particular effort was made to achieve regulations in conformity with the railroad, thereby facilitating the handling of legal matters by the transport customer as well as the employees of the Inland Navigation VEB. The existing legislation as issued in the general shipping terms for the river regions of the Elbe and Havel and their tributaries and canals --AVB--included some quite far reaching provisions in the field of freight legislation, which were no longer appropriate to our socialist contract system and had to be revised.

### 7.1. Freight Documents

Applicable in inland shipping is a standardized waybill, regardless whether bulk cargo or general cargo is loaded. A special case is the bill of lading used in import and export transactions (article 33 paragraph 4). However, this may only be issued in addition to the waybill, not as a replacement. This provision is to be noted mostly if it is necessary to amend the freight contract when the partner of the Inland Navigation VEB is the sole owner of the original bill of lading. Another special feature is the bill of delivery, the use of which is now more precisely defined by article 34. According to this provision a freight contract takes effect on the basis of the bill of delivery even before the waybill is handed over, though the bill of delivery does not replace the waybill. As the completion of loading with respect to the observance of the loading time continues to be linked to the handing over of the waybill, the obligation remains to promptly file this document.

As before the Inland Navigation VEB holds all freight documents and conveys them to the shipper for entering the prescribed data. The shipper is responsible for ascertaining the volume.

### 7.2. Freight Contract

Articles 35 and 36 settle the right to amend the freight contract, subdivided by shipper, authorized agent and recipient. To maintain brisk transport organization, the limitation imposed by article 35 paragraph 5 is to be observed, according to which instructions by authorized persons are admissible once only and must be given in writing.

The provisions of article 35 do not apply if a waybill was issued.

To be noted also are the restrictions on the duty of the Inland Navigation VEB to carry out directives as specified in article 36 paragraph 2.

The definition of order loading in article 37 also specifies how to handle such cases, especially if waiting times arise for the ship as a consequence of delays in the designation of the actual recipient or destination. Up to now such laydays were at the expense of the Inland Navigation VEB and resulted in delays to circulation and loss of earnings. Order loading should be used exceptionally only if in fact the final data cannot be provided by the time loading is finished, because it does make the technological process of the transport more difficult in every case. In connection with the fulfillment of the freight contract it is to be noted that the phase of unloading is no longer part of the freight contract and that--as per article 46--the Inland Navigation VEB has in principle met its obligations arising from the freight contract once it makes the ship available and files the waybill. The recipient is responsible for organizing unloading.

8. Computation and Payment of Transportation Charges

The specific instructions for computation are included in the TBT; the second DB merely lists the principles applying to the rates. To be noted are the payment instructions as per article 39, according to which the description "free" may be entered in the waybill only if the entire transportation charge, in other words not the cargo rate alone, is paid by the shipper. All other types of payment must be described as "carriage forward" in the waybill, in addition to other entries.

Increasingly to be used in order to reduce administrative costs are all opportunities for agreeing on simplified settlement procedures as per article 49 paragraph 3.

9. Terms of Delivery

In contrast to earlier provisions about terms of delivery in the second DB for the TVO, the period of the term of delivery will be published in the TVA. It has been changed to hourly divisions from the former daily division.

Included in suspensions of the term of delivery is the time needed for loading and unloading parts of the cargo as arising in the case of partial shipments.

10. Specific Features of Inland Navigation

Articles 42-45 settle the procedure and correlation of costs in special situations connected with transportation on waterways. These provisions have the force of law, especially if applying to the transfer of cargo to another carrier as per article 42.

The right of the Inland Navigation VEB to lighten or add to the load of the ships and apportion the costs (article 44) is current practice and derived from the various directives of the general shipping terms...(AVB). This also ensures that ships are not blocked by fluctuating water levels or compelled without adequate loads to operate on waterways independent of water levels.

Article 44 deals with events requiring short-term measures to protect ships and their loads from damage.

11. Computation Principles and Prescription

In the past accounting of compensation, including compensation for loss of earnings, in the case of damage to ships has tended to be difficult. The principles of articles 53 and 54 must therefore be noted in particular.

## New Domestic Ship Cargo Rates

East Berlin DDR-VERKEHR in German Vol 14 No 12, Dec 81 (signed to press 26 Nov 81) pp 425-426

/Article by Dr Wolfgang Hettler, general director, Combine for Inland Navigation and Waterways: "Rates Charged for Shiploads Transported by Inland Shipping"/

/Text/ The following principles were the starting point:

1. Division into two parts of transport charges--one part independent, the other dependent on distance

2. Differentiation of transport charges in accordance with the volume of cargo to be loaded (in kg)

3. Differentiation of types of cargo by the type of goods (goods cargo class)

4. Use of rate distance.

The tremendous rise in the capacity of the national economy and the challenges to more efficient transport operations on a nationwide scale confront the uniform socialist transportation system with ever new tasks. The accomplishment of these tasks can be achieved only if the advantages inherent in every carrier are consciously utilized within the scope of a purposeful division of functions.

Inland shipping is the most energy-favorable carrier and largely contributes to the reduction in the consumption of diesel fuel. This sector of the transportation system is therefore steadily gaining in importance. It is accordingly prescribed to maximize the utilization of inland shipping capacities by shifting freight transports.

The advantages of inland shipping compared with other carriers are relfected in the following:

-- A favorable ratio between payload and the total weight of the means of transport

-- Low investment and cost expenditure per load capacity ton of the means of transport

-- Longer life of the means of transport

-- Low manpower needs per unit of performance

-- Environmental advantages.

Within the scope of the socialist division of labor in the transportation system inland shipping is obligated to operate the transport of bulk cargoes in house-to-house traffic and at ratios most favorable to the ships involved, mainly in division of labor with the railroad.

Consonant with this target the new rates for inland shipping transports (TBT) therefore fit with the system of inland freight transport rates and establish new criteria for the division of labor among the carriers. In future this will make it necessary increasingly and steadily to analyze the entire chain of transport from supplier to purchaser in order to achieve the further improvement of the management and planning of transport output and carry out shifts of freight to inland shipping as per plan and consciously as well as purposefully in the interest of the national economy.

The drafting of the domestic ship cargo rates was based on the goal of having the rate stimulate the lowering of transport costs in general, coupled with the simultaneous increase in energy conservation and the full assurance of economic accounting by inland navigation. Also emphasized was the need to lower transport costs per unit of performance.

The rates apply to all customers and to those liable for payment. They do not affect the public at large, craft cooperatives, private craftsmen and businessmen, the self-employed and self-employed professionals nor enterprises and facilities of agriculture. This was done by the use of differentiated discount quotas or the inclusion of earlier price tables in the new rates.

The introduction of the domestic ship cargo rates effected new regulations only for Nos 1, 3 and 5 of the German Domestic Ship Cargo Rates (DBGT). No 2--rate distances--and No 4--skipper remunerations--of the DBGT were transferred unchanged to the TBT.

The following principles governed the conception and drawing up of domestic ship cargo rates:

1. Division of transport charges into a part independent of distance and another dependent on distance (basic rate and route rate)

2. The differentiation of transport charges by the volume of the cargo to be loaded (in kg)

3. Differentiation of types of cargo by the kind of goods (goods cargo class)

4. The use of rate distance.

The division of transport charges proceeded on the basis of dependence on costs and represents a significant element of transport rate fixing with regard to both its measuring function and its function as a lever.

The differentiation of transport charges by the volume of the cargo to be loaded is a crucial factor in the necessary transport expenditure and a most important feature for differentiating the ratio of expenditure per unit of performance.

The differentiation of the transport charge for type of cargo by goods cargo classes proceeded in step with the freight type differentiation at the GDR Railroad and is closely linked to the volume of the cargo as a price fixing element. It also takes into account certain demands on the transport container.

The use of the rate distance must always be based on the distance on the waterway. The shortest distance on the waterway is to be the basis of the rate distance.

The amount of transport charges was computed and the level of rates determined in conformity with the transportation and economic targets and keeping in mind the fact that domestic shipping is the most energy-favorable carrier.

The rates for domestic ship cargo now include another principle for rate fixing, which significantly affects the optimum operation of transports. This is a differentiation of the part of the charge depending on distance (route rate) by the type of the cargo to be carried. In future the route rate will distinguish between direct and interrupted transports. The cargo rates for interrupted transport are applicable only to ship loads preceded and/or succeeded by rail transport. The rail route before and/or after depends on the principles settled in the rates. The second DB for the GTVO settles the question when route rates are to be used.

Route rates amount to:

| | For Direct Transport | For Interrupted Transport |
|---|---|---|
| Goods cargo class 1 | 9 pf/tkm | 6 pf/tkm |
| Goods cargo class 2 | 7 pf/tkm | 4 pf/tkm |

The basic rate, on the other hand, is standardized at M2.50 per ton transported.

Canceled upon introduction of the new charges is the system, in effect until now, by which the railroad does not charge axle fees in combined railroad-inland shipping operations. In future freight charges will be computed at break rates. This means that every carrier charges the transport customer full freight for his part of the transport route.

The following examples will illustrate the effect of the domestic ship cargo rates vis-a-vis the transport customers:

1. Coal

Sabrodt--Kwh--Kirchmoeser

123 rail kilometers plus 120 waterways kilometers

M 13.53 per ton rail freight
M 1.75 per ton transshipment
M 0.20 per ton transfer
M 2.50 per ton basic rate
M 4.80 per ton route rate

M22.78 per ton

rail freight rate only
351 rail kilometers = M38.60 per ton

2. China Clay

373 waterways kilometers plus 98 rail kilometers

M10.78 per ton rail freight
M 2.65 per ton transshipment
M 4.95 per ton transfer
M 2.50 per ton basic rate
M14.92 per ton route rate

M38.50 per ton

rail freight rate only
362 rail kilometers = M39.80 per ton

The domestic ship cargo rates also provide for special services as well as towing and pushing services operated by inland navigation. Among the special services are

-- Demurrage,

-- The cession of ships for use in technical operations in ordinary and difficult circumstances,

-- The cession of ships for storage purposes.

Standardized rates apply to the computation of demurrage and the cession of ships for use in ordinary circumstances. A surcharge is added for the cession of ships for use in complicated circumstances.

The computation of services for towing and pushing now proceeds only as per the carrying capacity and cargo rate. Computation by hours therefore ceases. Payment rates for these ancillary services were set in accordance with costs. Moreover these payment rates are purposefully designed to ensure that no shipping space needed by the economy is lost to the transport process. Accordingly the use of the transport fleet for special services as well as towing and pushing services will be kept as low as possible.

The aim of the new rates will be achieved if they contribute

-- To the appropriate division of functions among the carriers, and

-- To the lowering of nationwide transport costs.

## New Domestic Freight Rates

East Berlin DDR-VERKEHR in German Vol 14 No 12, Dec 81 (signed to press 26 Nov 81) pp 409-411

/Article by Joachim Leyendecker, economist, chief, Finance Department, GDR Ministry for Transportation; member, DDR-VERKEHR editorial board: "New Rates for Domestic Freight Transportation in the GDR"/

/Text/ The new domestic freight rates are designed effectively to assist the economic task of lowering specific transport needs in the implementation of the reproduction process.

The new freight rates increase the weight of transport costs in the planning and economic accounting of industry, construction and other sectors of material production as well as of trade. They direct these combines and enterprises more effectively to lower transport costs and prudently choose the most favorable carrier. Basic explanations are offered of the objectives of the rates for carload freight on the railroad, motor vehicle freight traffic and inland shipping cargoes. Also explained are important aspects of the tasks of combines, enterprises and facilities of the state economy.

The new domestic freight rates decided for 1982 are designed to assist the lowering of specific transport needs in conformity with the Tenth SED Congress resolutions and to encourage the thorough-going intensification of transport processes.

The change in domestic freight rates was necessary in order properly to reflect the socially required expenditure of live and embodied labor for transport operations and thereby provide sound foundations for purposeful work on transport costs and generally the steady improvement of the cost/result ratio.

In past years the national economy was compelled to proceed to extensive industrial price changes due to the high rate of inflation on foreign markets with regard to imports--especially of liquid energy sources--and the rising cost of our domestic raw materials production.

The result was increased expenditure by the transport enterprises to carry out their operations, while rates remained unchanged since 1967. Consequently the percentage of transport costs in total reproduction costs declined steadily and, at the same time, transport costs lost meaning. The stimulation required to be exercised by freight rates in order to minimize transports was less and less effective.

This benefited inefficient cooperation relations across long distances and resulted in a disproportionate rise in energy-inefficient long-distance road transports. These took the place of more energy-efficient and cheaper rail and inland shipping transportation in domestic traffic.

The new domestic freight rates are designed effectively to assist the economic task of lowering specific transportation needs in the implementation of the reproduction process.

The new freight rates increase the importance of freight costs in planning and economic accounting of industry, construction and other sectors of material production as well as of trade. They direct these combines and enterprises more emphatically to the reduction of transport costs and the choice of carrier most efficient from the economic aspect.

Consequently and on the basis in particular of optimum energy efficiency and the effective utilization of transport capacities, rates were so fixed that

-- The average expenditures for the types of transportation are met and carriers are able to operate profitably,

-- The most expensive shipments are those going long distances,

-- Rail freight is cheaper than road freight,

-- Freight that may be carried by inland shipping is cheaper than rail freight,

-- Rates stimulate the greatest possible utilization of the available transport space,

-- Rates for express and small package freight do not encourage the shift of small shipments from the railroad to postal road vehicles.

To achieve these objectives, the most important rates of the various carriers were raised at different rates. On the average the increases amount to

| | |
|---|---|
| -- Carload freight on the railroad | 55 percent |
| -- Truckloads by motor vehicle | |
| .. in local traffic | 79 percent |
| .. in long-distance traffic | 81 percent |
| .. cartage of railcar and ship cargo loads | 55 percent |
| -- Cargo loads by inland navigation | 47 percent |
| -- Container transports | |
| .. by rail | 59 percent |
| .. by road | 63 percent |
| -- Small package freight by transport cooperation between rail and road | |
| .. Combination road-rail-road | 140 percent |
| .. Combination road-rail or rail-road | 152 percent |
| .. By motor vehicle only | 44 percent |
| .. By rail only | 170 percent |
| -- International forwarding services | 35 percent |

The introduction of the new domestic freight rates ensures that no adverse effects are suffered by the public, craft cooperatives, private craftsmen and businessmen, the self-employed and self-employed professionals as well as enterprises and facilities of agriculture, cooperatives of working fishermen on the high seas or in

coastal waters and facilities of religious communities. This will be done by the application of differentiated methods with regard to the various carriers rates. Accordingly there will be no change in the former price tables for small package, container, freight taxi transport and for the cartage of express freight and baggage as well as storage. With respect to carload freights carried by the railroad, the new rates will be converted to the former freight rates with the aid of electronic data processing. As regards the rates for road freight, inland navigation, heavy truck and furniture van carriage, differentiated discount quotas will be used with the new rates, depending on type of vehicle, distance and types of goods.

Objectives of the Rates for Carload Freight by Rail

The rates for carload freight by rail are the basic rates for the entire domestic freight rate structure. They are designed to contribute in particular to the accomplishment of the following tasks:

-- Stimulate the handling of bulk freight by the railroad, including rates to encourage freight to be carried from siding to siding,

-- Stimulate the maximum utilization of the railroad's transport space,

-- Stimulate the shift of long-distance transports from road to rail,

-- Back the establishment of through freight trains by rate differentials.

Consequently the system of carload rates of the railroad was totally reorganized. Deleted from the rates were the former axle charge and the system of minimum carload weight. The new rates are across the board rates. The price per ton kilometer rises with the distance covered.

The bases for the computation of carload freight are

-- The rate distance,

-- The type of freight, and

-- The volume of the carload.

Freight is classified in rate classes 1-4. Freight classifications were not changed, but the types of freight in the former rate class 5 (sugar beet) were incorporated in rate class 4.

The capacity utilization of freight cars is stimulated by way ov volume classes. The volume of the carload determines the classification of the shipment in one of the volume classes. The rates for carload freight include six volume classes for each rate class, ranging from 5-30 tons.

To safeguard relations to other rates and meet the costs of starting and concluding operations, that is traction services independent of distance, the new rates include minimum freight rates. They amount to M120.00 for two-axle freight cars and M200.00 for four or more axle freight cars.

The following examples will illustrate the operation of the rates:

1. Differentiated Increase Depending on Type of Freight and Distance

| | Old | New | Difference M/t | Difference % |
|---|---|---|---|---|
| 20 tons gravel (Freight class 4) for 60 km | 7.00 M/t | 7.30 M/t | 0.30 | 4 |
| 160 km | 12.00 M/t | 19.30 M/t | 7.30 | 61 |
| 20 tons electrical engineering products (Freight class 1) for 60 km | 12.40 M/t | 15.80 M/t | 3.40 | 27 |
| 160 km | 26.40 M/t | 42.20 M/t | 15.80 | 60 |

2. Stimulation of Capacity Utilization

1 Carload of Electrical Engineering Products for 194 km (Freight Class 1)

| | Old | New | |
|---|---|---|---|
| 17.5 tons | 31.77 M/t | 55.90 M/t | |
| 20.0 tons | 31.20 M/t | 51.20 M/t | |
| | 0.57 M/t | 4.70 M/t | rate differential for greater capacity utilization |

3. Increase in Consignment Volume

1 Carload Machines and Equipment for 194 km (Freight Class 1)

| | Old | New | Increase |
|---|---|---|---|
| 5.0 tons | 43.20 M/t | 93.10 M/t | 115% |
| 30.0 tons | 32.53 M/t | 46.50 M/t | 43% |
| | 10.67 M/t | 46.60 M/t | |

4. Formation of Through Freight Trains

60 Two-Axle for 339 km Sabrodt-Guestrow

| | |
|---|---|
| Old | M1,260.00 allowance for shipper |
| New | M2,580.00 allowance for shipper |
| Increase | M1,320.00 = 105% |

Objectives of the Motor Vehicle Freight Rates

Within the scope of the most efficient division of labor in terms of the national economy, motor vehicle traffic has the following principal tasks:

-- To carry freight in local traffic if direct rail or waterway connections are lacking

-- To collect and distribute freight in specific limits, including combined carriage with the railroad and inland navigation

-- To carry special freights, furniture and certain heavy loads.

These objectives are reflected in motor vehicle freight rates.

The motor vehicle freight rates (GKT) are the most important rates. They also apply to enterprises with their own vehicle fleets for the computation of freight charges vis-a-vis third parties. Changes were made in kilometer fees, basic charges and charges for waiting time with respect to differentiated classes of payloads.

The rate system was further simplified insofar as in future only load/kilometers will be charged. The inevitable average empty/kilometer proportions were incorporated in the load/kilometers. Motor vehicle enterprises are thereby given an incentive to hold down empty kilometers.

In order to stimulate transport customers to use the more energy-efficient carrier railroad in the case of long-distance freight, a long-distance surcharge of 20-25 percent on top of the kilometer rate will be charged for motor vehicle freight to be carried more than 50 km. Exempted from this charge are certain special freights and border crossing freight. Road transport enterprises and enterprises with factory fleets must pass on the complete surcharge to the state budget; it is not part of either goods production or net production. Consequently road transport enterprises will not be tempted to carry on long-distance freight hauling.

The domestic motor vehicle freight rates include freight charges for the following types of service:

-- Delivery

-- Collection and distribution

-- Capacity shipments

-- Cartage of railcar and ship loads within 50 km as the crow flies

-- Other special services and

-- Ancillary services.

The following examples illustrate the rate change and the encouragement of efficient division of functions, especially between the railroad and motor vehicles:

1. Collection and Distribution

10 tons payload, 30 km, length of operation 8 hours

| | | |
|---|---|---|
| Old freight rate | M87.00 | |
| New freight rate | M145.60 | Increase - 67% |

2. Long-Distance Haulage

15 tons payload (detergents), various distances

| | | |
|---|---|---|
| -- Distance: 55 km | | |
| old freight rate | M166.85 | |
| new freight rate | M312.64 | Increase = 87% |
| including long-distance surcharge | M 45.79 | |
| -- Distance: 90 km | | |
| old freight rate | M240.00 | |
| new freight rate | M458.33 | Increase = 91% |
| including long-distance surcharge | M 74.93 | |
| -- Distance: 134 km | | |
| old freight rate | M 332.00 | |
| new freight rate | M 641.50 | Increase = 93% |
| including long-distance surcharge | M 111,60 | |

3. Comparison with Rail Rates

15 tons brown coal for 12 km

| | | |
|---|---|---|
| Railroad | M120.00 | 8.00 M/t |
| Motor vehicles | M 86.00 | 5.73 M/t |
| | M 34.00 | 2.27 M/t |

9 tons iron scrap for 48 km, carriage interrupted once

| | | |
|---|---|---|
| Direct road transport (48 km) | M262.48 | 29.16 M/t |
| Interrupted rail transport (44 km) with prior road transport (4 km) including transshipment costs | M247.19 | 27.47 M/t |
| | M 15.29 | 1.69 M/t |

15 tons woodwares for 134 km (with long-distance surcharge)

| | | |
|---|---|---|
| Motor vehicles | M641.50 | 42.77 M/t |
| Railroad | M420.00 | 28.00 M/t |
| | M221.50 | 4.77 M/t (sic!) |

As in the calculation of carload rates of the railroad and in order to avoid other increases in costs for the carriers for some time to come and also avoid the need for more rate adjustments in the next few years, a cost reserve was incorporated in the calculation of motor vehicle freight rates, which at the present time is still to be paid to the state budget as a product-related levy. With respect to the GKT the levy amounts to 17 percent of the total amount of the invoice. This levy must also be planned and paid for factory vehicle fleets as per the legal regulations in effect.

Objectives of the Domestic Ship Cargo Rates

Inland navigation represents the most energy-efficient carrier and, taking into account its special conditions, should take over as much freight carriage as possible and fully utilize its capacities.

Given its specific features, inland navigation is suitable most of all for transports of bulk cargo such as building materials, coal and farm produce.

The new rates reflect this economic and transportation objective.

They offer the transport customers considerable cost savings when choosing waterways over railroad and motor vehicle transportation.

The entire level of the new rates is below that of railroad rates and offers economic benefits to the transport customer even if the distances on the waterways are greater than on the rail route.

Transport customers also benefit with respect to so-called interrupted transports, that is preceded and succeeded by rail carriage and the transshipment of cargo involved.

For that reason particularly low route freight rates were fixed for interrupted transports; they are actually below the rates for direct domestic ship cargoes. The system of rate fixing was not changed for the new rates for domestic ship cargoes.

The following charges were fixed by comparison with the old rates:

| | (Old) | (New) |
|---|---|---|
| -- Basic rate per ton | M2.50 | M2.50 |
| -- Route rate--direct transport by ship per ton kilometer | | |
| .. Rate class 1 | M0.05 | M0.09 |
| .. Rate class 2 | M0.03 | M0.07 |

| | | |
|---|---|---|
| -- Route rate--interrupted transport --per ton kilometer (preceded and succeeded by rail transport) | | |
| .. Rate class 1 | M0.05 | M0.06 |
| .. Rate class 2 | M0.03 | M0.04 |

The former special reduction of freight rates on the prceding or succeeding rail route is no longer granted, because the route rate for interrupted transport already includes this reduction.

Rate class 1 corresponds to rate classes 1-3 and rate class 2 to rate class 4 of the railroad.

The above freight computation examples show that rates for domestic ship cargo are cheaper than railroad rates, both for direct and interrupted transportation by ship.

1. Transport of 500 tons gravel from Oderberg-Bralitz to Berlin (direct ship cargo)

| | Freight Charge | |
|---|---|---|
| | Total | per Ton |
| By inland ship (103 km) | M2,795.00 | M5.59 |
| By rail (79 km) | M4,345.00 | M8.69 |
| Difference | M1,550.00 | M3.10 |

2. Transport of 500 tons manganese ore from Rostock-Overseas Port to Eisenhuettenstadt

| | Freight Charge | |
|---|---|---|
| | Total | per Ton |
| -- Interrupted inland shipping with preceding rail transport to Anklam (137 km rail, 200 km inland shipping) including transshipment costs | M15,780.000 | M31.56 |
| -- Direct rail transport (363 km) | M19,950.00 | M39.90 |
| Difference | M 4,170.00 | M 8.34 |

3. Transport of 500 tons calcereous sandstone from Ruebeland (Harz) to Eisenhuettenstadt

| | Freight Charge | |
|---|---|---|
| | Total | per Ton |
| -- Interrupted inland shipping with preceding rail transport to Magdeburg (93 km rail, 259 km inland shipping) including transshipment costs | M13,480.00 | M29.96 |
| -- Direct rail transport (342 km) | M18,800.00 | M37.60 |
| Difference | M 5,320.00 | M10.64 |

Tasks of Combines, Enterprises and Facilities of the State Economy

To implement the tasks set for reducing transport expenditure, actual calculations and reviews are to be carried out everywhere on the basis of the new domestic freight rates. It will be necessary to rethink all purchasing, cooperation, production, storage, transshipment and sales processes from the aspect of their dependence on transportation. It must be remembered that the impact of transport costs has risen considerably as the result of the new domestic freight rates. Every avoidance of unnecessary shipments, every improved utilization of the transport space means better economic results.

Road transport must be cut back in favor of the far more energy-efficient traction by rail and waterways. It will therefore be necessary resolutely to review all freight hitherto carried by trucks and ascertain whether such freight could be shifted to the railroad or inland navigation. It is imperative for the implementation of the 1982 plan for all combines, enterprises and facilities to determine the necessary measures for the rational organization of transportation processes in order to achieve, in particular, a significant reduction in energy and motor fuel needs.

Particular attention must be devoted to

-- The lowering of transportation needs as a whole and to the reduction in transport distances by the optimalization of delivery and transport relations

-- The choice of the most efficient carrier

-- The m aximum utilization of transport capacities.

## New Rail Freight Rates

East Berlin DDR-VERKEHR in German Vol 14 No 12, Dec 81 (signed to press 26 Nov 81) pp 414-417

/Article by Erhard Grahl, social scientist, economist, deputy general director for economics, GDR Ministry for Transportation: "The Rates Charged by the Railway"/

/Text/ This contribution offers basic explanations of the principles governing the change in the rates for rail freight, the basic outlines of the change in the rates for large container freight and the basic outlines of the change in the rates for less than carload freight.

### 1. Preface

In 1982 extensive price changes will take effect for services in carload, container and less than carload freight transportation.

The charges for ancillary services and local services were already amended in 1979, those for other services by the railroad and for loading services in 1981.

The differentiated rise in freight rates, especially the change in the system of determining the rates for carload freights on the railroad, is designed to direct the economy to a lowering of transport expenditure and effectively stimulate the enforcement of a more energy-efficient division of labor. Moreover, the new rail freight rates of the DR will guarantee the full efficacy of economic accounting and its ability to earn the means for expanded reproduction, coupled with the full assurance of the necessary centralized net income for the DR's general societal tasks.

The new domestic freight rates of the railroad include the following:

1. Rate for carloads carried by rail only (TWE)
2. Rate for containers carried by railroad only (TCE)
3. Rates for less than carloads carried by rail and road (TSt)

### 2. Basic Features of the Rate Changes for Carloads

#### 2.1. The Extent of Price Differentials

As far as the rate system is concerned, the rates now in effect for carloads carried by rail only--GDR Railroad Freight Rates (DEGT)--are based on the first socialist rail freight rates set in 1958. The most important features of rate fixing are the division of freight charges into a part independent of distance (axle fees) and one dependent on distance (route rate) as well as the use of the rate fixing parameters volume of freight, type of freight, the number of axles of the freight car used and rate distance.

Consequent upon a critical analysis of the operation of rate fixing parameters used for these carload rates and their appraisal as well as by utilizing experiences gained with the rate policy of the socialist railway, the following principles for rate fixing were conceived for the new rail carload rates:

1. Computation of carload rates as across the board rates

2. Rate differentiation by the type of freight following the establishment of four freight classes

3. Rate differentiation by the colume of freight following the establishment of volume classes, the use of minimum volumes and special rates applicable to loaded and closed freight trains

4. Railroad rate distance.

## 2.2. Features of the Rate System and Its Operation

Taking into account the new requirements on the rate system for freights, the former division of freight charges in the form of the axle fee and route rate was abolished, because the stimulation of long-distance transports ensuing from this division runs counter to the need to reduce nationwide transport expenditure. Carload rates were therefore deliberately organized as across the board rates.

The establishment of constant rates differentiated by freight and volume classes has the effect of freight charges increasing proportional to distance. This distance dependence of carload rates, just as the introduction of long-distance surcharges for road freight, serves the clear purpose of noticeably stimulating the optimalization of transport and delivery relations and, especially, the minimalization of distances.

This new feature of carload rates is absolutely and relatively reflected in the rising differences in the level of old and new rates:

Table 1--Comparison of the Price Standards of the DEGT (as of 31 December 1981) with the TWE

Type of freigh/class of freight: Brown coal briquettes DEGT: 4M
TWE: 4A

Volume: 26.5 tons
Vehicle: Two-axle freight car

| Distance (km) | Price in Marks DEGT (old) | Price in Marks TWE (new) | Rate Difference Marks | Rate Difference Percentage |
|---|---|---|---|---|
| 50 | 146.30 | 152.00 | 5.70 | 3.9 |
| 100 | 212.50 | 303.00 | 90.50 | 42.6 |
| 200 | 345.00 | 607.00 | 262.00 | 75.9 |
| 400 | 610.00 | 1,212.00 | 602.00 | 98.7 |
| 600 | 875.00 | 1,818.00 | 943.00 | 107.8 |

Volume: 53.0 tons
Vehicle: Four-axle freight car

| Distance (km) | Rate in Marks DEGT (old) | Rate in Marks TWE (new) | Rate Difference Marks | Rate Difference Percentage |
|---|---|---|---|---|
| 50 | 292.50 | 292.00 | - 0.50 | - 0.2 |
| 100 | 425.00 | 583.00 | 158.00 | 37.2 |
| 200 | 690.00 | 1,166.00 | 476.00 | 69.0 |
| 400 | 1,220.00 | 2,332.00 | 1,112.00 | 91.1 |
| 600 | 1,750.00 | 3,493.00 | 1,743.00 | 99.6 |

The continuing price differential for types of freight is reflected in the four-class organization of the TWE.

Though, from the aspect of the reflection of transport expenditure, two classes would have been enough, it was not possible to realize a radical reduction of the four classes of freight due to the considerable financial effects arising therefrom.

The type of freight scale is reflected in the lowering of rates from freight class to freight class. For the TWE this means a range of 1 : 2.18 (DEGT range 1 : 2.57) between the lowest and the highest freight class. The total range of the TWE scale--the ratio between the final rate of the lowest freight class and the beginning rate of the highest freight class--amounts to 1 : 4.4 (for the sake of comparison: Carload rates of the CSSR Railway 1 : 2.41, of the Polish Railway 1 : 4.28) and provides an idea of the rates operation arising from the combination of the various price differentials--ascertainable in the combination of the freight and volume classes (see table 2).

Table 2--Total Range of the TWE as Percentages (shown for a distance of 200 km)

| Freight Class | Volume Class 5 tons | 10 tons | 15 tons | 20 tons | 25 tons | 30 tons |
|---|---|---|---|---|---|---|
| 1 | 436.4 | 305.5 | 261.8 | 240.0 | 226.8 | 218.1 |
| 2 | 316.4 | 221.4 | 190.0 | 174.1 | 164.5 | 158.1 |
| 3 | 239.5 | 167.7 | 143.6 | 131.8 | 124.5 | 120.0 |
| 4 | 200.0 | 140.0 | 120.0 | 110.0 | 104.0 | 100.0 |

As regards the differential by volume, this is based on the consideration that freight costs per performance unit decline with increasing freight volume. This price differential is reflected in the freight rates in various ways and was realized in the DGT, for example, especially by the use of the freight computation minimum volume (Fbmg) and payment for the shipment of loaded closed trains. Despite

its weaknesses, due mainly to the limitation of its effects by the amounts involved, the Fbmg in conjunction with the axle fee has certainly had a considerable influence on the improvement of the capacity utilization of freight cars.

In the interest of raising the effect of the rates and the increasing adjustment to the rate structure of other railway administrations, the new freight rates introduce direct price differentials by volume in the form of volume classes. This volume scale is so organized that 6 grades at intervals of 5 tons each were fixed. Based on the basic freight rates per freight class, the rate appropriate for the respective volume was computed in accordance with the range of the volume classes of 1 : 2. Consequently the same increases arise for all freight classes on top of the rate for the 30-ton class (see table 3).

Table 3--Percentage Ratio of Rates by Volume Classes

| Volume Class | 30 tons | 25 tons | 20 tons | 15 tons | 10 tons | 5 tons |
|---|---|---|---|---|---|---|
| Percentage Range | 100 | 104 | 110 | 120 | 140 | 200 |

This volume scale results in a degression of the freight charge per ton as the volume increases.

The introduction of the 25-ton and 30-ton grade is exemplary by comparison to the freight rates of other railway administrations and stimulates the use of large-space freight cars.

Moreover, these rate effects are emphasized in freight charge computations by the fixing of differentials for minimum volumes (Fmbg's).

An important and effective type of price differential by volume is represented by the bonus for the delivery of loaded and closed freight trains. By comparison to the transport of single carloads, the cost per car involved in the dispatching, train formation and running of a loaded and closed freight train is definitely less. This fact is taken into account and the transport customer reimbursed for his additional expense as well as given an additional material incentive for the provision of loaded and closed freight trains. This type of incentive has been in effect since the 1958 rate reform, but its effect has now been strengthened (see table 4).

Table 4--Development of Bonuses for the Delivery of Loaded and Closed Freight Trains

Example: Type of freight: Brown coal briquettes
42 two-axle freight cars
Volume per freight car: 26.5 tons
Distance: 110 km
Assumed savings of regrouping: 2

| | DEGT (as of 1.1.1958) | | DEGT (as of 31.12.1980) | | TWE | |
|---|---|---|---|---|---|---|
| | Freight in marks per | | | | | |
| | Rail Car | Train | Rail Car | Train | Railcar | Train |
| | 124.80 | 5,241.60 | 225.80 | 9,483.60 | 334.00 | 14,028.00 |
| Bonus | - | 46.00 | 15.00 | 630.00 | 33.00 | 1,386.00 |
| % | - | 0.9 | 6.6 | | 9.9 | |

2.3. Principles and Special Features of Rate Computation as per the TWE

In conformity with the rate fixing described in the earlier sections, freight computation is based on

-- The volume of carloads,
-- The rate distance, and
-- The freight class.

The volume deemed liable for freight charges is the actual volume, rounded off to the nearest 100 kg; to be taken into account are the stipulated minimum volumes for various freight cars, the various volume classes and certain freights (capacity utilization freight). Each freight class has six volume classes and special rates for 100 kg; they are the 30-ton, 25-ton, 20-ton, 15-ton, 10-ton and 5-ton volume classes.

Charged as minimum freight rates are

| | |
|---|---|
| -- For freight cars with two or three axles | M120.00 |
| -- For freight cars with four or more axles | M200.00 |

The TWE also includes some special provisions and blanket rates for certain freight and freight cars, for example for rail vehicles running on their own wheels, buffer cars, unusual freight, freight on flat cars and also for freight carried in leased and private rail cars, special and passenger trains; for factory owned trains running on GDR Railway routes and the computation of payments to those transport customers who are designated to still be charged freight rates as per the price status of 31 December 1981.

## 3. Basic Features of Changes in the Rates for Large Container Freight

When container freight was first introduced in the GDR (in 1968), freight rate fixing was confronted with the need effectively to assist the progress of this modern transport system by economic incentives and, by means of freight rate, encourage the economic interest of transport customers in the use of this new type of freight transportation.

At that time, taking into account the cooperative links between rail and motor vehicle transport, special price parts were adopted for railroad and motor vehicle haulage as well as container handling. These were included in the container freight rates introduced as part of rail freight rates.

In consideration of the fact that containers mainly replace carloads, the rate system and standard of charges for the price part railroad freight was largely adjusted to rail freight rates.

This resulted in the application of the following rate fixing factors

-- Container unit,
-- Class of freight,
-- Railroad route rate

and in a greater differential for container units by

-- Four large container groups and two medium container categories,
-- Six large container or medium container rate classes based on a four-class scale ot types of freight (principle of space utilization).

Decisive for the definition of the container rate class were different capacity utilization scales (computation weights).

The standard of rail freight rates was determined by the conversion of the axle fee in the rail freight rate to the container unit as well as by the differentiated use of route rates for rail freight classes 2, 3 and 4.

The expectations regarding the price effect were met in part only. Considered now therefore was the possibility of greatly simplifying the container rate structure.

The provisions and payment for the transport of large containers (GC) and medium containers* are now fixed in a separate rate, the rate for container transports by rail (TCE). Included in the TCE also is the list of places and railroad depots handling GC transports.

Payment for the transport of large containers is made up of

-- The charge for railroad transportation,
-- The fee for the use of railroad owned large containers,

---

* Rates for the transport by rail of freight in railway owned medium containers and privately owned containers are computed as per the provisions of the rail freight rates (TWE).

-- The fee for handling large containers or the conversion of freight cars loaded with large containers,
-- The freight charge for the delivery or collection by motor vehicle, and
-- Miscellaneous fees.

The new rates castly simply the fixing of the price part rail freight.

Analogous to the method of computing rail freight rates, a constant rate was established per container kilometer and differentiated by container groups. This signifies the organization of the price part rail transport as an across the board rate.

The freight rate and other payments are separately computed for each large container.

The freight charge per large container and kilometer amounts to the following for large containers of

| | |
|---|---|
| -- Group 10 | M0.80 |
| -- Group 20 | M1.60 |
| -- Group 30 | M2.40 |
| -- Group 40 | M3.20 |

A minimum distance of 50 km is assumed in the computation of the freight charge.

The price part motor vehicle haulage for the delivery and collection of containers by motor vehicle was established on the basis of the motor vehicle freight rates (GKTO), using the following factors for rate fixing

-- Container group and
-- Distance by road.

The prices computed for rail and road transport are shown recorded in freight tables. All other payments are included in the fee table, for example for

-- The use of railroad owned large and medium containers,

-- The handling of large containers as well as loading or unloading of large containers on or from a freight car,

-- Motor vehicle haulage services in connection with the delivery and collection of large and medium containers by truck or outside the freight contract.

4. Basic Features of the Change in the Rates for Less than Carload Freight

The process of reorganization of less than carload freight carriage, proceeding in the GDR since the late 1950's, offered an opportunity for enforcing a new standard of regulations governing relations in transport law and the organization of freight rates.

Accordingly a common rate was introduced in 1967 for the transport partnership GDR Railway/motor vehicles, within the scope of the industrial price reform.

These "Rates for Freight Traffic--Less Than Carload Freight by the GDR Railway and Motor Vehicle Traffic (GSt)" facilitated a standardized, thorough and simple computation of freight charges consonant with the standardized organization of less than carload freights.

In accordance with the principles then stated, the fixing of the TGSt had to be based on the average level of the rates of the sectors of transportation in effect until then (less than carload freight rates of the railroad (DEGT, No 6) and motor vehicle haulage (PAO No 694).

The assessment and valuation of the various factors for setting the rate therefore needed to be modified so that the establishment of computation of a standardized house-to-house rate could be made possible.

These premises resulted in price differentials governed by the following considerations:

-- Use of the rate fixing factors freight volume and distance (as the crow flies)

-- Division of less than carload freight rates into a price part each for railroad and motor vehicle haulage

-- Division of the rail freight charge into a price part independent of distance (forwarding charge) and a price part dependent on distance (route rate).

A standardized computation base for distance by rail and road was needed to set a standardized freight rate. This arose by the use of distance as the crow flies and on the basis of a special process of ascertainment. The territory of the GDR was divided into square with 10 km long sides, and every place given the appropriate square number. The rate distance is always the straight line between the centers of the respective squares of the places of origin and destination.

The rail freight part rate is composed of the forwarding charge and the route rate. The level of both part prices was fixed in relation to the axle fee and a specific route rate of the carload rate.

The route rate had to be fixed in a graduated manner so as to compensate the divergence between the distance as the crow flies and the rail distance rates of the DEGT.

The part of the rate for motor vehicle haulage was computed by way of a weight-related graduated average rate. The features of rate fixing described were basically retained for the new rates for less than carload freights of the railroad and motor vehicle traffic (TSt). Only the part prices mentioned were raised across the board by the price change quotas fixed in a differentiated manner for rail and motor vehicle freight.

The following are the base of the computation of chargesL

-- The real volume of the shipment in kilograms
-- The distance between the places of origin and destination.

The rates computed for shipments up to a volume of 5,000 kg are listed in the various freight tables. Depending on the carrier combination possible for the shipment between rail and road, basically three different freight tables are used.

In addition to general provisions for computing charges, the less than carload freight rates include some other instructions, for example regarding

-- The use of pallets and small containers,
-- Shipments in border crossing traffic,
-- Ancillary services.

5. Concluding Remarks

In summation we may characterize as follows the new standards of the rates for carload, container and less than carload transportation by the railroad included in the price changes:

In view of the fact that rail freight rates

-- Were fixed on the basis of the estimated socially necessary expenditure and therefore basically reflect transport expenditure, and

-- By the changes in significant system features are better adapted to changed production and realization conditions,

the effect of rail freight rates is considerably strengthened both externally with respect to the transport services to customer combines and enterprises and internally with regard to the management of the railroad itself.

The restoration and improvement of its measuring and stimulating function has provided a basis for transport charges for rail freight to act as a genuine and effective criterion of transport demand for the transport customers and the transport offer for the transport enterprise.

In this respect the operation of the new freight rates for rail transportation is directed to

-- Assistance for the process aiming at reducing nationwide freight transport needs,

-- The choice of the most energy-efficient carrier by the further perfection of the division of functions among the sectors of transportation and within the railway among the various service sectors,

-- Assistance for the rationalization of rail freight transportation, that is in particular the efficient use of means of transport by the use of the most appriate means of transport, their greatest possible utilization, by the reduction of empty runs and stopovers, and by the further development of modern transport technologies.

## New Motor Vehicle Freight Rates

East Berlin DDR-VERKEHR in German Vol 14 No 12, Dec 81 (signed to press 26 Nov 81) pp 417-421

/Article by Guenther Thiele, engineer, chief, Main Administration for Overland Transportation, GDR Ministry for Transportation: "The Rates Charged for Motor Vehicle Transportation"/

> /Text/ Illustrated are significant aspects of the Motor Vehicle Freight Rates (GKT), the rates for heavy freight transportation (TSL), the rates for haulage by special furniture trucks (TTM), the rates for freight traffic by taxi (TGV), the rates for the delivery and collection of express freight and baggage as well as storage (TERL) and the rates for less than carload freight carried by the railroad and motor vehicles (TSt).

The rate changes taking effect in 1982 for the haulage of freight by motor vehicles in the GDR are designed to encourage the efficient division of labor among the GDR Railroad, motor vehicles and inland navigation. The new rates more effectively direct combines and enterprises to the lowering of specific transport needs and to the choice of the most economical type of carrier.

The rates are based on the estimates of socially necessary expenditure, so that they may act as economic incentives and result in lower expenditure for a lengthy period of time.

In conformity with our policy toward cooperatives and private business, care has been taken that no income changes arise for private carriers from the rate changes and the use of the new rates.

To enforce the use of the more economical rail freight transportation rather than motor vehicle haulage, the motor vehicle enterprises and transport customers are directed to use motor vehicles mainly for local traffic.

### 1. On Rate Fixing

The new rates were drawn up on the basis of the resolutions on the improvement of the efficacy of domestic freight rates for efficient transport operations. State price and cost normatives were the bases for the drawing up of rate directives and payments for the period of application envisaged.

The new rates for motor vehicle freight are so adjusted to the rate structure of the GDR transportation system, that they stand in a relation to the other carriers suitable for stimulating the most sensible and energy-efficient division of functions between inland navigation, railroad and motor vehicles as well as the minimalization of transport expenditures as a whole.

Price factors were largely standardized and no longer warranted special features (such as the furniture truck meter) and deviations from other rates eliminated. At

the same time the division into time and distance-related freight components, consonant with meeting costs, was enforced in the rates (examples are downtime and kilometer charges). The payments for ancillary services are coordinated for all rates from the cost aspect. It will thus no longer happen for a different price to be charged for the same or comparable ancillary service. Also basically excluded is the possibility for selectively using different rates for the same or similar services (as used to be the case, for example, in the employment of special furniture trucks, when either the motor vehicle freight rate or the furniture freight rate was charged).

The following rates will take effect in 1982:

-- Motor vehicle freight rates (GKT) for general loads and other services by motor vehicles

-- Rates for heavy freight haulage (TSL) for the haulage of heavy freight by tractors and/or special vehicles or by heavy transport workers (manual)

-- Rates for haulage by special furniture trucks (TTM) for haulage by special furniture vehicles and the manual handling of furniture

-- Rates for taxi freight haulage (TGB) for haulage by freight taxis

-- Rates for the delivery and collection of express freight and baggage as well as storage (TERL) for the above listed transport services and the warehousing of freight.

To be observed and applied in particular are the following new rail freight rates in effect for combined transports by rail-road:

-- Rates for less than carload freight on rail and road (TSt) for less than carload freight including work pieces and ancillary services in combined less than carload transports

-- Rates for rail container transports (TCE) for combined container transportation as well as the delivery and collection of large and medium containers as per Part D of the GKT

-- Rates for rail carloads (TWE) for the ascertainment of rate distances for freight in the scope of the GKT and TTM, which exceed the 50-km radius as the crow flies.

Changes in earlier charges, in addition to the PAO No 370, also take effect for other services by motor vehicle enterprises, such as winter services and crane operation.

## 2. The Rate System

### 2.1. Motor Vehicle Freight Rates (GKT)

#### 2.1.1. Scope

The GKT applies to all haulage and ancillary services by motor vehicles in domestic and border crossing traffic. It does not apply to special loads (such as heavy loads, haulage by special furniture trucks).

The scope of the GKT was extended by the inclusion of additional services earlier governed by special price allowances (for example milk tankers, motor vehicles detached as stationary facilities).

The scope in terms of persons corresponds to the earlier rates.

2.1.2. Definitions of Terms

The definitions of the terms used in the rates are designed to make the GKT intelligible. This is necessary to achieve the objective whenever they (albeit sometimes only slightly) differ from the definitions of these terms in other directives. The definitions of terms were expanded by comparison to the former rates and more precisely defined to the extent required. Important changes occurred with regard to the following terms:

-- "Engine capacity--in kilowatt (kW)--"; formerly: in "PS" /horsepower/,

-- "Border crossing traffic"; new: Excluding haulage to and from GDR seaports,

-- "Targeted haulage"; new: Now only from a loading point to an unloading point

-- "Collection and distribution haulage"; new: Already from a total of three loading points.

Accurate knowledge of all the definitions of these terms is extremely important for the appropriate use of the rates.

2.1.3. The Use of Rate Parts

Part A--Targeted Haulage

Part A is to be used for invoicing all targeted haulage.

Charged on the basis of the payload ordered and the superstructure of the motor vehicle are:

-- The basic charge
once for every use

-- The charge for additional driving
once for every additional loading point or other point to be driven to as per the customer's instructions (M10.00 at all times)

-- Payment for waiting time
per minute of waiting time not justified from the aspect of motor vehicle traffic at loading points and other points, taking into account the provisions of transport legislation

-- Kilometer charges
per rate kilometer driven by loaded vehicle

-- The special vehicle surcharge
as a percentage surcharge on top of the kilometer charge

-- The long-distance charge
with the exception of exmption from charges for the use of certain special vehicles on behalf of certain customers liable for payment as well as for specifically designated types of service (see article 6 paragraph 2), this is a percentage surcharge on top of the kilometer charge for distances exceeding a 50-km radius as the crow flies

-- Other charges listed in the rates, surcharges or discounts (for example for ancillary services, difficult terrain).

Part B--Collection and Distribution, Other and Special Services

The structure and rate system of Part B basically correspond to their predecessors. Due to the more up-to-date definition of collection and distribution this rate part is now applicable to more haulage operations.

The computability of unavoidable empty runs is retained in this rate part.

Changed, though, is the computation of special vehicle surcharges, which will in future have to be computed as percentage surcharges on top of the kilometer charge.

Newcomers to this rate part are surcharges for the operation of loaded vehicles on difficult terrain and the long-distance surcharge for services subject to price tables 2 and/or 4 and for excess of a 50-km radius as the crow flies.

Part C--Capacity Utilization Shipments

With the exception of minor changes (for example more definite rules for rounding off in the ascertainment of the minimum volume), the proven directives of the former rates (Part D) were retained in the new GKT.

Capacity utilization shipments are to be charged on the basis of fees listed in price table 1 of Part A, excluding long-distance surcharge. It is a new feature that a constant amount of M10.00 is to be charged per point if, as per contract, additional points must be driven to prior to loading.

Part D--Delivery and Collection of Rail Carloads and Ship's Cargoes

In contrast to the former rates, this rate part also applies to the delivery and collection of parts of a rail carload or ship's cargo. It regulates delivery and collection to and from temporary storage as well as the transmission of shipments. The freight type nomenclature was revised and now conforms to that in the rates for loading services (TL). Their use has been facilitated by the quotation of the appropriate price group for each individual class of freight.

### 2.1.4. Explanations of the Most Import New Provisions in the Rates

To meet the higher costs involved in the use of special vehicles (analogous to the former rates), surcharges have been fixed for the operation of special vehicles. In contrast to the former rates these surcharges are no longer quoted as rate charges per kilometer in the price tables but are to be computed as percentage surcharges

-- On top of the kilometer charge as per Parts A or B

-- On top of the charge per ton of freight as per Part D.

No longer considered special vehicles in the meaning of the rates are:

-- Special furniture trucks

-- Vehicles with tipping and mixing equipment for cement haulage.

The introduction of a long-distance surcharge is designed to provide an economic incentive for the more economical division of functions among the carriers, in other words encourage the shift from road to rail and inland waterways, both of which enjoy a more favorable energy consumption ratio. This surcharge on top of the kilometer charge results in higher motor vehicle freight rates by comparison to rail freight.

Excepted from the long-distance surcharge are freight shipments

-- For certain transport customers (for example the public at large),

-- For some services (for example collection and distribution within the transportation combine itself),

-- Carried by specified special vehicles (for example refrigerated vehicles).

The long-distance surcharge is a rate charge which must be paid to the state budget in full and is therefore not part of the goods production and net production of the motor vehicle enterprises, so that the motor vehicle enterprises may not be tempted to carry out long-distance haulage.

## 2.2. Rates for Heavy Freight (TSL)

### 2.2.1. Scope

The TSL applies to heavy freight services and ancillary services to be carried out by tractors, special vehicles, technical auxiliary means or heavy freight workers in domestic traffic and border crossing traffic.

By comparison to the former rate, the actual scope has been restricted on the one hand by the exclusion of crane services, road roller-regulating traffic of the railroad, cable trolleys and platform trailers and platform trucks up to 15 ton payloads, but expanded on the other hand by the inclusion of higher engine capacities and payloads.

### 2.2.2. Definitions of Terms

The definitions of the terms of the new rates diverge from former definitions or include new terms and definitions to the extent required by the change in the scope and the adjustment to the current performance parameters and other quality features of the capacities and technologies of heavy haulage and other freight rates. The definitions apply to these rates only.

The following new definitions of terms were adopted in the rates:

-- Engine performance in KW) of the tractor

-- Payload (in tons) of special vehicles

-- Function value grade (GWS) of the tractor pulling the special vehicle

-- Motor vehicle enterprises

-- Factory fleets

-- Distance covered

-- Period of use.

The differentiation of the price fixing factors--especially the effect on standards by the GWS--require exact service agreements between customer and supplier, which must be preceded by accurate rate information for the transport customers.

### 2.3.3. The Application of Rate Parts

Price List 1--Haulage Services

The charge is to be computed on the basis of the agreed performance parameters of the vehicles (engine capacity, payload, GWS) and the extent of the service (period of use, distance covered).

To be charged are:

-- Payment per kilometer (distance covered) to be computed for tractors and special vehicles from a performance-related part (engine performance, payload) and a GWS-related part.

-- Payment per hour of use to be computed for tractors from a performance-related and a GWS-related part, for special vehicles only in relation to GWS.

Price List 2--Manual Service

The computation of manual services is simplified by virtue of the fact that

-- A time rate per hour and person is to be charged in future,

-- The general definition for period of use in the rate directives is applicable,

-- No additional computation of surcharges for difficult work is called for.

3.2.4. Explanations of the Most Important New Features of the Rates

Taken into account by the new rates are the changes which have arisen in the past 15 years in the service sector heavy haulage. Used during these years was the PAO No 4424 and several supplementary price concessions. In conformity with the costs arising, this rate also determines a division of the freight charge into distance-related and time-related price parts. The abolition of the time rate in the old rates to include across the board minimum kilometers is a consequence of the method of computation used for the new motor vehicle freight rates, which aims to separate time and distance-related charges. It satisfies present-day technical possibilities with regard to vehicle-related average speeds that cannot be standardized.

In addition to the performance parameters engine performance and payload, some other quality features of the vehicles are important for the conduct of transport services, the route and the time necessary for the operations. Such quality features are, among others, trailer load, semitrailer load and axle load, the load dimensions (length, width and height) as well as their flexibility, maneuvrability, possible vehicle speeds and fixed accessories. On the one hand they cause expenses to the transport enterprise and, on the other, affect price fixing factors, especially the period of use, to the benefit of the transport customer. Both these reasons were decisive for the introduction of the GWS in the TSL.

2.3. The Rates for Haulage by Special Furniture Trucks (TTM)

2.3.1. The Scope

The TLM applies to all haulage by special furniture trucks as well as the manual handling of furniture and to ancillary services in domestic and border crossing traffic. By comparison with the former furniture freight charges the scope of application has been changed from the aspect of the persons concerned but not from that of the objects carried. The new rates are to be used for all haulage by special furniture trucks ordered, independent whether furniture or other freight is carried and whether the furniture haulage enterprise carries out manual handling and loading services.

2.3.2. Definitions of Terms

The definitions of terms are changed, supplemented and adjusted to those used for other rates--especially motor vehicle freight rates--to the extent required in consideration of the scope and specific features of this type of service.

Introduced in the rates for the first time were the terms payload, collection, use, border crossing traffic, 50-km radius as the crow flies, waiting time, carrying distance grade (TSS), rate distance and manual handling.

Retained from the former rates were--with amendments--the definitions of terms involving special furniture trucks, load and partial load.

No longer included in the rates is the term of the furniture truck meter (Mm) as the basis for measurement and such terms and their definitions as concerned instructions for the use of rates in the former rate tables (for example freight computation minimum weight, waiting time).

The extent of the textual change of definitions of terms compared with the former rates is considerable. That is due to the complete revision of the rates, leaving little in common between the new and the old rates.

2.3.3. The Use of Rate Parts

By contrast to all other motor vehicle freight rates, the changes in the rate system and scope justify their difference from the former rates insofar as their use does not allow for comparisons between the old and the new rates.

From the aspect of freight elements the TTM is possibly comparable with the motor vehicle freight rates and actually coordinated with them to quite an extent.

The Basic Charge

In contrast to the motor vehicle freight rates the basic charge is made for collection and distribution also. The additional expense for driving to the collection and distribution point is taken into account in the charge

-- For manual handling and loading services by the furniture haulage enterprise applying an across the board average handling charge, or

-- For manual handling and loading services by transport customers--also for help in these operations--by applying a constant charge per loading point.

The constant charge is imposed also if, as per the customer's order, additional points are included in the route, where neither loading nor unloading takes place.

The basic charge is differentiated in relation to the payload. The constant charge for additional points in the amount of M25.00 is to be imposed independent of the payload.

The Manual Handling Charge

The new rates also take into account that, in the case of many services--especially removals--manual handling and carrying services continue to be regular services offered by the furniture moving enterprise and therefore provide for them to be charged as primary services--in the GKT these are defined as ancillary services.

In contrast to comparable charges in the former rates, the differentiation of the charge for manual handling is adapted to the costs involved in the respective carrying distance. It therefore more effectively stimulates the furniture removal

enterprises more radily to provide this service for removals and also the extent of the service requirements of transport customers with regard to the haulage of new furniture and other freight.

In contrast to the former rates (PAO No 4425 article 4 paragraph 1), the charge for manual handling is not to be imposed if employees of the furniture removal enterprise and the transport customer together do the loading and carrying. This case is separately accounted for in the rates as "help." When the TTM is used to compute haulage services, the charges for loading and handling may not be computed on the basis of another rate (for instance the rate for loading services (TL)).

Charges for Waiting Time

A charge will be imposed by the furniture removal enterprise for each minute of unwarranted waiting when when loading and manual handling are undertaken either by the transport customer alone or jointly by the transport customer and furniture removal enterprise (help). It is not permissible to charge both waiting time and manual handling involved in loading or unloading. Also inadmissible is a charge for waiting time on top of the charge for making available additional manpower if the furniture removal enterprise alone carries out loading and manual handling services.

Kilometer Charge and Long-Distance Surcharge

Kilometer charges are basically computed on the same terms as those set ou in Part A of the new motor vehicle freight rates and have the same function; their level corresponds to the specific conditions (taking into account the special vehicle surcharge and higher basic charge). Analogously the instruction for agreement between the two rates also applies to the computation and function of the long-distance surcharge. The directives for the computation of the kilometer charge represent a definite simplification by comparison with former rates. To be specially noted in the application of the rates are the changes made with regard to

-- The determination of the rate distance basic for the computation, taking into account the 50-km radius as the crow flies,

-- The abolition of the charge for empty runs in local traffic and border crossing traffic.

The Charge for Manual Handling of Furniture

This charge is to be imposed only when furniture is manually handled and neither a furniture truck nor a vehicle of another type of superstructure is used.

2.3.4. Explanations of the Most Important Rate Changes

The introduction of the payload--calculated in tons (t)--as the basis of the volume in furniture haulage also is due, among others, to the need

-- Appropriately to take into account in the charges the costs arising as related to the payload,

-- To produce coordination and comparability with other freight rates,

-- To conform to the use of charges unrelated to type of freight,

-- To stimulate the capacity utilization of special furniture trucks, and

-- To simplify the ascertainment and ease of verification of the extent of the service in relation to the volume of freight.

The exemptions from the charges for the payload ordered--haulage for the public at large and the extent of manual handling and loading services--are required, because

-- The extreme differences in the ratio volume:payload present in typical furniture trucks and meaningless in household removals for the transport customer must not bring about a change in the former rate level for private citizens;

-- The cost of manual handling and loading services frequently does not depend on the payload of the furniture truck ordered by on the dimensions and volume of the freight actually carried and loaded, and must be charged only at the corresponding rate.

The former rates charged for manual handling and loading up to a specific number of floors were imposed as barely differentiated (freight class related) charges and therefore did not meet the costs involved. The lack of the carrying distance-related differentiation meant that furniture removal enterprises were not interested in services involving several flights of stairs. On the other hand the transport customers in the new furniture trade sector did not consider the cutting down of carrying distances a possibility for lowering transport costs. The introduction of carrying distance stages now provides incentives by price rate.

## 2.4. The Rates for Taxi Freight Traffic (TGV)

Compared with the old rates (PAO No 4426) the TGV is barely changed. The terms used in the rates have been adjusted to the GKT. The same applies to the new price level for business customers not enjoying preference. The prices in effect hitherto will continue to be charged the public at large and certain other customers.

### 2.4.1. The Scope

The rates apply to freight carried by motor vehicles of up to 3.5 tons payload within a 50-km radius as the crow flies and in domestic traffic only. The rates are not applicable when freight is carried by passenger vehicle, carried beyond the 50-km radius as the crow flies, freight contracts need to be concluded as per the provisions of transport legislation, and enterprises use their own vehicle fleet to carry freight.

## 2.5. Rates for the Collection and Delivery of Express Freight and Baggage as well as for Storage (TERL)

Similarly to the TGV, the level of these rates was actually changed only with regard to business customers. The rate system and rate level for the public at large and exempted customer sectors remains unchanged.

2.5.1. The Scope

The rates apply to the collection and delivery of express freight and baggage if carried out by enterprises of public motor vehicle transportation as well as to the storage of freight carried out by enterprises of all types of ownership and sectors of the national economy.

They are also to be used if services within its scope are provided by horse-drawn vehicles.

2.6. The Rates for Less Than Carload Freights Carried by Rail and Road (TSt)

The TSt replaces the former rates (freight rates--less than carload freight carried by the GDR Railroad and motor vehicles (TGSt)--PAO No 4422.

The rate system was basically retained. In addition to the increase in the price level required to meet costs and to changes designed to achieve easier comprehension, its scope was expanded by including the carriage of production parts.

2.6.1. The Structure of the Rates

The new rates consist of

-- Booklet 1--General rate directives including the directives and fees for ancillary services

-- Booklet 2--Register of places including instructions for the ascertainment of rate distances

-- Booklet 3--Fee tables including instructions for use.

3. Concluding Remarks

The introduction of the new motor vehicle freight rates in 1982 requires the transport customers of all sectors of the economy to be comprehensively informed about the new legal regulations of the rate settlement and their application as well as about the political objectives involved. This must be done with the guidance of the local technical organs in charge of traffic and communications, in close cooperation with the financial and price organs. Particular attention must be directed to private factory fleets.

The more thorough this political preparation, the faster the effects intended by the introduction of the new rates on the reduction of nationwide transport costs will be achieved and the principles of the party and government leadership safeguarded with respect to the retention of the current rate level for services to the public at large and certain types of ownership.

## New International Freight Rates

East Berlin DDR-VERKEHR in German Vol 14 No 12, Dec 81 (signed to press 26 Nov 81) pp 421-422

/Article by Rainer Schwabe, economist, general director, VE Kombinat DEUTRANS: "Rates Charged for International Forwarding of Export Goods"/

/Text/ The rates apply to

a) Forwarding services in border crossing freight traffic;
b) The handling of fair and exhibition shipments and empties;
c) Miscellaneous ancillary and special services related to a) and b).

The PAO No 370 on charges for freight haulage also includes new prices for international forwarding carried out by handling GDR foreign trade goods; they will take effect in 1982. The introduction of new charges for international forwarding was necessary to properly reflect the actual cost of the services rendered by the VE Kombinat DEUTRANS as the sole international forwarding enterprise in the German Democratic Republic within the scope of its duties in handling foreign trade forwarding and thereby contribute to the steady improvement of the cost/result ratio. Charges for forwarding services are subject to the generally valid inevitabilities and principles of socialist price fixing, but branch specific problems in the sector of international forwarding had to be taken into account. In conformity with the development of freight charges, forwarding also is confronted with the need further to adjust prices of forwarding services to the socially necessary expenditure.

The new rates are based on an hourly rate that was multiplied by the ascertained average time needed for the services listed in the respective rate position.

The hourly rate computation is made up of costs and a surcharge to represent profit.

The points of reference for the profit surcharge were the enterprise funds required and the prime costs capable of being computed.

The rates apply to

a) Forwarding services in border crossing freight traffic

b) The handling of fair and exhibition shipments and empties on the occasion of the Leipzig Fairs, the GDR Agricultural Exposition (AGRA) in Markkleeberg, the Fair of the Masters of Tomorrow and other exhibitions in Leipzig

c) Miscellaneous ancillary and special services related to a) and b).

The following main objectives were pursued by the inclusion of these rates in the complex of the planned price changes in domestic freight rates:

1. As the planned price changes for the carriers affect especially charges for consolidated freight, drayage for air freight and fees for ancillary and special services, they had to be taken into account in drawing up international forwarding rates.

2. In the past the performance structure based on shipping in both directions, shifted to a structure based on carriers. This also was taken into account when the rates were drawn up.

   Also to be noted was the disappearance of some services and the addition of new ones as well as qualitative and quantitative changes in services. This is reflected in, among others, the changed features of the services listed in the rate positions. Furthermore, appropriate rate positions were established for services which used not to be subject to the law on pricing. New rates were adopted, for example, for the domestic clearance of trucks carrying imports and the clearance of large containers of export and import goods, carried by truck.

3. Provided were sound economic ratios with regard to the charges for various services, taking into account the desired stimulating effect of the rate structure, for example in view of the fact that the increase in fees for additional ancillary and special forwarding services is designed to restrict such services as far as possible if not altogether obviate them. To be stimulated thereby is, in particular, the orderly placing of orders as the condition for optimum transportation procedures. Furthermore, discounts for consolidated freight provide an incentive for this type of freight.

4. By the inclusion

   -- Of the charges for taking over and storing freight on the occasion of fairs and exhibitions in Leipzig and Markkleeberg (formerly PAO 4428 "introduction of the motor vehicle freight rate for fairs and exhibitions in Leipzig and Markkleeberg"),

   -- Of the charges for services involving the export and import of large containers (formerly regulated by price index card)

   the objective was met of establishing standardized combined rates for international forwarding services.

5. Another objective was that of providing (by means of clear formulations and definitions of services) rates suitable for data processing, comprehensible and appropriate for accounting.

The planned change of the rates based on the principle of equal prices for equal services and the adjustment of prices for comparable services to the prices established for other carriers or within the scope of other industries. (This applied especially to price list IX--charges and fees for ancillary and special services.)

The computation of charges and fees is based on

-- The dispatch of the waybill
-- The volume and type of freight or the number of large containers
-- The period of use
-- One transport service.

As before, the computation of service charges for consolidated freight is based on the less than carload rates of the railroad applicable in the respective case. In future also an incentive in the shape of percentage discounts with respect to less than carload freight charges will be granted on GDR and FRG routes, but without the former gradation of discounts depending on weight subject to freight charges.

As regards factory-packaged freight less than carloads, not hitherto granted any discounts, a discount will in future be granted analogous to plant consolidated freight. This will pay for certain services rendered by the supplier factories. In the case of shipments of standard freight by ocean-going vessel via GDR seaports a change has taken place in the base rate from "per shipment" to "per ton," because the old charges do not meet the costs of the services involved.

Altogether the new charges for forwarding services contribute to the confrontation of the GDR export trade with the actual costs incurred by the shipment of export trade goods and thereby provide an incentive for balancing these higher costs by the improvement of the export structure and higher export earnings.

## Fuel Consumption Standards

East Berlin GESETZBLATT DER DEUTSCHEN DEMOKRATISCHEN REPUBLIK in German Part I No 34, 27 Nov 81 pp 393-400

/Official text of "Order No 4, dated 26 October 1981, on Fuel Consumption Standards for Motor Vehicles in Road Traffic," signed by Minister for Transportation Arndt, East Berlin/

/Text/ Article 1

On the basis of Article 2, Paragraph 2 of the Order dated 10 July 1975 on the Standardization of Motor Vehicle Fuel Consumption in Road Traffic (GBl I No 32 p 602). the fuel consumption standard catalogue--1981 edition--(supplement) is declared mandatory.

Article 2

(1) This order takes effect on 1 December 1981.

(2) Losing effect on the same date are:

-- Order No 2 of 14 March 1978 on the standardization of motor vehicle fuel consumption for motor vehicles in road traffic (GBl I No 13 p 157),

-- Order No 3 of 9 January 1980 on the standardization of motor fuel consumption for motor vehicles in road traffic (GBl I No 4 p 38).

Appendix to Preceding Order

Motor Fuel Consumption Standard Catalogue--1981 Edition

The motor fuel consumption standards listed in this catalogue were ascertained on the basis of the TGL 39-852 Bl.2 (kilometer motor fuel consumption).

They are the basis for the establishment of enterprise motor fuel consumption standards.

Testing was done in ordinary road traffic conditions consonant with average driving conditions on a circular route with fixed sections of city traffic, highways crossing villages, and motorways--coupled at all times with the observance of the traffic code. The motor fuel consumption standard does not include the section city traffic.

For the establishment of motor fuel consumption standards, the consumption standards of exemplary motor vehicle combines and factory traffic enterprises were taken into account.

This standard catalogue applies to motor vehicles and special motor vehicles used to carry passengers and freight in public road traffic.

The motor fuel consumption standards listed in sections II-V were ascertained for tare weights as well as the permissible total loaded weight of the vehicles and are to be applied only in these conditions.

Appropriately differentiated fuel consumption standards are to be set for vehicles which do not achieve the permissible total loaded weight when loaded. The standards to be fixed by the enterprises arise from the difference between consumption when empty and consumption with total loaded weight multiplied by the average utilization rate. The amount of liters arising must be added to consumption when empty.

Whenever the subsequently listed employment criteria apply, the motor fuel consumption standards may be raised by the appropriate addition or reduced by deduction.

Table: Additions and Subtractions

1.1. Additions--kilometer related

| Serial No | Use Criterion | Addition | Application |
|---|---|---|---|
| 1 | Trailer operation | a) up to 10% | when towing a trailer |
| | | b) up to 20% | when towing a loaded trailer |

| Serial No | Use Criterion | Addition | Application |
|---|---|---|---|
| 2 | City driving | up to 15% | only for kilometers driven in city traffic |
| 3 | Transports in special technological conditions | up to 10% | for motor vehicles except KOM /buses/ for distribution and service trips |
| 4 | Scheduled services outside city limits | up to 5% | For KOM operating regular scheduled services |
| 5 | Driving on mountain roads | up to 5% for passenger cars<br>up to 15% for all other motor vehicles | this addition may be made only if<br>-- the proportion of steep grades in the total distance driven exceeds 20% |
| 6 | Driving on construction sites | up to 15% | Exclusively for driving on construction sites with metaled roads |
| 7 | Winter driving | a) up to 10%<br>b) up to 5% | if roads are snow covered<br>if outside temperatures are below $0^{o}C$. |
| 8 | Heavy loads and special freight transportation | for this type of use the additions depend on the degree of difficulty and are to be fixed individually in each case | |

1.2. Deductions--kilometer related

| Serial No | Use Criterion | Addition | Application |
|---|---|---|---|
| 1 | Overhead line facilities | up to 5% | for vehicles equipped with overhead lines, this percentage is deducted from the motor fuel consumption standard |
| 2 | Driving outside city limits | up to 10% | to be used only for permanent driving on roads carrying little traffic (motorways, night runs) |

1.3. Additions--fuel consumption time-related

| Serial No | Use Criterion | Addition | Application |
|---|---|---|---|
| 1 | Hydraulic pump driven by the vehicle engine | a) up to 3 l/h | for vehicle engines up to 150hp/ 110kW |
| | | b) up to 5 l/h | for vehicle engines above 150 hp/ 110 kW |
| 2 | Mechanical auxiliary drives, driven by the vehicle engine | ) due to different engine load are to be ascertained by time studies in l/h and fixed as enterprise standards | |
| 3 | Additional combustion engines to drive implements | ) | |
| 4 | Vehicle heaters using liquid fuels | this addition may be claimed only when passenger compartment inside temperatures fall below 18°C. Consumption must be fixed as an enterprise standard as per the manufacturer's information about the possible degrees of heating | |

Explanations of the Use of Additions and Deductions

The following principles are to be observed when computing additions and deductions:

1. The additions are maximum amounts. The amount must be differentiated for the various use criteria consonant with the conditions of the respective operation.

2. The use of any addition or deduction must be based on the motor fuel consumption standard (with the exception of time-related additions).

3. When several additions apply, the enterprise standards to be used arise from the motor fuel consumption standard plus the total of additions (with the exception of time-related additions).

4. In trailer operation additions must relate to the motor fuel consumption standard for truck plus trailer addition, with due regard for Nos 1 and 2 of these explanatory notes.

5. Addition No 2--city driving--and addition No 3--transports in special technological conditions--may not both be claimed.

   The application of addition No 2 forbids that of addition No 3 or vice versa.

6. Additions No 2--city driving--and No 7a--winter driving on snow covered roads--may not both be claimed.

7. Additions for winter driving No 7a on snow covered roads--and No 7b at outside temperatures below $0^{o}C$--also may not both be claimed.

8. Trailer trucks and tractor trailers may claim the addition as per No 1--trailer operation--only when pulling a second trailer.

9. In the case of deductions the procedure to be used should appropriately correspond to Nos 3 and 4 of these explanatory notes.

10. If additions (with the exception of time-related additions) to and deductions from the motor fuel consumption standards are both applicable, the following procedure is to be adopted:

    -- Ascertainment of the difference between additions to and deductions from the motor fuel consumption standard.

    -- The difference is to be added or deducted from the motor fuel consumption standard and represents the standards to be used by the enterprise.

    -- The reporting of motor fuel consumption arising from the use of time-related additions must proceed independent of kilometer-related motor fuel consumption.

## I. Motor Fuel Consumption Standards for Passenger Cars

| | (1) Fabrikat und Typ | (2) Leistung PS/kW | (3) Hubraum (l) | (4) ab Baujahr | (5) Kraftstoffverbrauch 1/100 km | (6) Kraftstoffart |
|---|---|---|---|---|---|---|
| | 1 | 2 | 3 | 4 | 5 | 6 |
| (7) | **DDR** | | | | | |
| (8) | P 50 sämtl. Typen | 20/15 | 0,500 | 1959 | 6,3 | (19) Gem. |
| (8) | P 60 sämtl. Typen | 23/17 | 0,595 | 1963 | 6,8 | Gem. |
| (8) | P 601 sämtl. Typen | 26/19 | 0,595 | 1963 | 7,2 | Gem. |
| (9) | P 601 Kübelwagen | 26/19 | 0,595 | 1966 | 7,2 | Gem. |
| (10) | P 601 Lieferwagen | 26/19 | 0,595 | 1966 | 7,2 | Gem. |
| (11) | Wartburg 311 außer Kombi | 40/29 | 0,900 | 1955 | 8,6 | Gem. |
| (12) | Wartburg 311 Kombi | 40/29 | 0,900 | 1955 | 9,0 | Gem. |
| (13) | Wartburg 311 Schnelltransporter | 40/29 | 0,900 | 1961 | 9,5 | Gem. |
| (11) | Wartburg 311 außer Kombi | 45/33 | 0,992 | 1962 | 9,0 | Gem. |
| (12) | Wartburg 311 Kombi | 45/33 | 0,992 | 1962 | 9,5 | Gem. |
| (13) | Wartburg 311 Schnelltransporter | 45/33 | 0,992 | 1962 | 9,9 | Gem. |
| (11) | Wartburg 312 außer Kombi | 45/33 | 0,992 | 1965 | 9,0 | Gem. |
| (12) | Wartburg 312 Kombi | 45/33 | 0,992 | 1965 | 9,0 | Gem. |
| (13) | Wartburg 312 Schnelltransporter | 45/33 | 0,992 | 1965 | 9,9 | Gem. |
| | Wartburg 353 Limousine | 45/33 | 0,992 | 1966 | 9,0 | Gem. |
| | Wartburg 353 TOURIST | 45/33 | 0,992 | 1967 | 9,5 | Gem. |
| | Wartburg 353 Limousine | 50/37 | 0,992 | 1969 | 9,0 | Gem. |
| | Wartburg 353 TOURIST | 50/37 | 0,992 | 1969 | 9,5 | Gem. |
| | Wartburg 353 W Limousine | 50/37 | 0,992 | 1975 | 9,0 | Gem. |
| | Wartburg 353 W TOURIST | 50/37 | 0,992 | 1975 | 9,5 | Gem. |
| | **ČSSR** | | | | | |
| | Skoda Oktavia | 39/29 | 1,089 | 1959 | 7,7 | (20) VK |
| | Skoda Oktavia Super | 44/32 | 1,221 | 1959 | 8,1 | VK |
| (12) | Skoda Oktavia Kombi | 44/32 | 1,221 | 1962 | 8,6 | VK |
| (12) | Skoda 1202 STW-Kombi | 44/32 | 1,221 | 1962 | 9,0 | VK |
| (10) | Skoda 1202 Lieferwagen | 44/32 | 1,221 | 1964 | 9,5 | VK |
| | Skoda 1000 MB Limousine | 37/27 | 0,988 | 1964 | 7,2 | VK |
| | Skoda 1000 MB Limousine | 43/32 | 0,988 | 1966 | 7,2 | VK |
| | Skoda S 100 Limousine | 40/29 | 0,988 | 1970 | 7,2 | VK |
| | Skoda S 110 Limousine | 49/36 | 1,107 | 1971 | 7,2 | VK |
| | Skoda 105 S | 46/34 | 1,046 | 1977 | 7,2 | VK |
| | Skoda 105 L | 46/34 | 1,046 | 1977 | 7,2 | VK |
| | Skoda 120 L | 52/38 | 1,174 | 1977 | 7,7 | VK |
| | Skoda 120 LS | 58/43 | 1,174 | 1977 | 8,1 | VK |
| | Tatra 603 | 95/70 | 2,545 | 1958 | 11,7 | VK |
| | Tatra T 2-603 | 105/77 | 2,472 | 1963 | 11,7 | VK |
| | Tatra 613 | 165/121 | 3,48 | 1976 | 15,3 | VK |
| (14) | **Frankreich** | | | | | |
| | Peugeot 305 | 74/54 | 1,472 | 1980 | 8,0 | VK |
| | Citroen GSA | 65/48 | 1,299 | 1980 | 8,0 | VK |
| (15) | **Italien** | | | | | |
| | Fiat 131 spezial | 75/55 | 1,585 | 1976 | 9,0 | VK |
| | Fiat 128 cl | 55/40 | 1,116 | 1976 | 7,7 | VK |
| (16) | **Sozialistische Föderative Republik Jugoslawien** | | | | | |
| | Zastava 1100 | 55/50 | 1,116 | 1975 | 7,7 | VK |
| (17) | **VR Polen** | | | | | |
| | Fiat 125 p Limousine | 60/44 | 1,295 | 1966 | 9,0 | VK |
| | Fiat 125 p Limousine | 75/55 | 1,481 | 1969 | 9,0 | VK |
| | Fiat 125 p Limousine | 65/48 | 1,295 | 1975 | 9,0 | VK |
| (18) | **Sozialistische Republik Rumänien** | | | | | |
| | M 461 Kübelwagen | 77/57 | 2,512 | 1967 | 15,3 | VK |
| | M 473 Kübelwagen | 77/57 | 2,512 | 1968 | 15,3 | VK |
| | Dacia 1300 Limousine | 54/40 | 1,289 | 1971 | 7,7 | VK |
| | Aro 240 Kübelwagen | 80/59 | 2,495 | 1977 | 15,3 | VK |

(I)

| (1) Fabrikat und Typ | (2) Leistung PS/kW | (3) Hubraum (l) | (4) ab Baujahr | (5) Kraftstoffverbrauch l/100 km | (6) Kraftstoffart |
|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 |
| UdSSR | | | | | |
| (9) GAS M 69 Kübelwagen | 63/46 | 2,430 | 1960 | 13,5 | (20) VK |
| Wolga M 21 | 70/52 | 2,445 | 1957 | 11,7 | VK |
| Wolga M 21 | 75/55 | 2,445 | 1962 | 11,7 | VK |
| Wolga Kombi | 75/55 | 2,445 | 1965 | 12,2 | VK |
| Wolga GAS 24 Limousine | 98/72 | 2,445 | 1971 | 11,7 | VK |
| (12) Wolga GAS 24-02 Kombi | 98/72 | 2,445 | 1974 | 12,2 | VK |
| Wolga GAS 24 | 85/63 | 2,445 | 1975 | 12,6 | VK (BOZ 79) |
| (9) UAS 469 B Kübelwagen | 72/53 | 2,445 | 1973 | 14,4 | VK |
| Saporoshez/SAS 966/968 | 40/29 | 1,196 | 1969 | 8,1 | VK |
| Moskwitsch 403 Limousine | 45/33 | 1,360 | 1963 | 8,6 | VK |
| Moskwitsch 407 Limousine | 45/33 | 1,360 | 1958 | 8,6 | VK |
| Moskwitsch 408 Limousine | 50/37 | 1,360 | 1966 | 9,5 | VK |
| (12) Moskwitsch 423 Kombi | 45/33 | 1,360 | 1958 | 9,5 | VK |
| Moskwitsch 412 Limousine | 75/55 | 1,478 | 1970 | 9,5 | VK |
| (12) Moskwitsch 427 Kombi | 75/55 | 1,478 | 1970 | 9,5 | VK |
| (10) Moskwitsch 434 Lieferwagen | 75/55 | 1,478 | 1970 | 9,9 | VK |
| Moskwitsch 2140 Limousine | 75/55 | 1,478 | 1976 | 9,5 | VK |
| (12) Moskwitsch 2137 Kombi | 75/55 | 1,478 | 1976 | 9,5 | VK |
| (21) Moskwitsch 2734 Kasten | 75/55 | 1,478 | 1976 | 9,9 | VK |
| WAS 2101 Limousine | 60/44 | 1,198 | 1971 | 8,6 | VK |
| (12) WAS 2102 Kombi | 60/44 | 1,198 | 1972 | 8,6 | VK |
| WAS 2103 Limousine | 75/55 | 1,450 | 1973 | 9,0 | VK |
| WAS 21011 Limousine | 69/51 | 1,294 | 1974 | 9,0 | VK |
| WAS 2106 | 78/57 | 1,570 | 1977 | 9,0 | VK |
| (12) ISH 2125 Kombi | 75/55 | 1,478 | 1974 | 9,5 | VK |
| (10) ISH Lieferwagen | 75/55 | 1,478 | 1974 | 9,9 | VK |

Key:

1. Make and model
2. Capacity hp/kW
3. Cubic capacity (l)
4. From year of construction
5. Motor fuel consumption 1/100 km
6. Type of fuel
7. GDR
8. All types
9. Pickup
10. Delivery van
11. Excluding station wagon
12. Station wagon
13. Express van
14. France
15. Italy
16. Yugoslavia
17. Poland
18. Romania
19. Mixture
20. Gasoline
21. Box

## II. Motor Fuel Consumption Standards for Motor Buses

| (1) Fabrikat und Typ | (2) Leistung PS/kW | (3) Hubraum (l) | (4) ab Baujahr | (5) Sitzplätze | (6) Kraftstoffverbrauch (l/100 km) (7) zul. Gesamtmasse | (8) Leermasse | (9) Kraftstoffart |
|---|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
| (10) DDR | | | | | | | |
| Barkas V 901 | 28/21 | 0,900 | 1957 | 8 | 11,4 | 10,5 | (13) Gem. |
| Barkas B 1000 | 42/31 | 0,992 | 1965 | 8 | 12,4 | 10,0 | Gem. |
| Barkas B 1000 | 46/34 | 0,992 | 1973 | 8 | 12,4 | 10,0 | Gem. |
| Granit 30 K später Garant 60 PS | 55/40 | 3,000 | 1954 | 18 | 21,4 | 20,0 | (14) VK |
| Granit 32 K später Garant | 52/38 | 3,181 | 1954 | 18 | 15,2 | 13,8 | (15) DK |
| Robur LO 2500 | 70/52 | 3,345 | 1961 | 18 | 22,8 | 20,0 | VK |
| Robur LO 2500 | 70/52 | 3,345 | 1965 | 21 | 22,8 | 20,0 | VK |
| Robur LD 2500 | 70/52 | 3,927 | 1965 | 21 | 16,2 | 14,3 | DK |
| Robur LO 3000 | 75/55 | 3,345 | 1973 | 21 | 23,8 | 20,0 | VK |
| CSSR | | | | | | | |
| Skoda 706 RTO CAR | 160/118 | 11,781 | 1958 | 41 | 25,7 | 22,8 | DK |
| Skoda 706 RTO LUX | 160/118 | 11,781 | 1958 | 35 | 23,8 | 20,0 | DK |
| (11) VR Polen | | | | | | | |
| Jelcz CAR 043 | 160/118 | 11,781 | 1969 | 52 | 25,7 | 22,8 | DK |
| Jelcz 021 | 160/118 | 11,781 | 1969 | 42 | 36,1 | 28,5 | DK |
| (12) Ungarische Volksrepublik | | | | | | | |
| (16) Ikarus 55 Linie | 125/92 | 7,983 | 1955 | 44 | 30,4 | 28,6 | DK |
| (17) Ikarus 55 Luxus | 125/92 | 7,983 | 1955 | 38 | 28,5 | 26,6 | DK |
| (18) Ikarus 55 sämtl. | 145/107 | 8,275 | 1960 | 38/45 | 30,4 | 28,6 | DK |
| (16) Ikarus 66 Linie | 145/107 | 8,275 | 1960 | 41 | 30,4 | 26,6 | DK |
| Ikarus 66 Stadt | 145/107 | 8,275 | 1960 | 26 | 35,2 | 30,4 | DK |
| Ikarus 620 | 145/107 | 8,275 | 1959 | 23 | 33,3 | 28,5 | DK |
| Ikarus 630 | 145/107 | 8,275 | 1959 | 40 | 30,4 | 26,6 | DK |
| (16) Ikarus 31 Linie | 85/63 | 5,322 | 1959 | 30 | 21,9 | 19,0 | DK |
| (17) Ikarus 31 Luxus | 85/63 | 5,322 | 1960 | 27 | 21,9 | 19,0 | DK |
| (16) Ikarus 311 Linie | 95/70 | 5,517 | 1966 | 30 | 21,9 | 19,0 | DK |
| (17) Ikarus 311 Luxus | 95/70 | 5,517 | 1966 | 27 | 21,9 | 19,0 | DK |
| (19) Ikarus 180 Stadt | 192/141 | 10,350 | 1967 | 37 | 42,8 | 33,2 | DK |
| (16) Ikarus 180 Linie | 192/141 | 10,350 | 1968 | 37 | 40,0 | 30,4 | DK |
| (19) Ikarus 556 Stadt | 192/141 | 10,350 | 1968 | 26 | 33,3 | 26,6 | DK |
| (20) Ikarus 250 Reiseomnibus | 192/141 | 10,350 | 1970 | 42 | 28,5 | 24,7 | DK |
| (21) Ikarus 255 Land | 192/141 | 10,350 | 1973 | 47 | 28,5 | 24,7 | DK |
| (17) Ikarus 256 Luxus | 192/141 | 10,350 | 1974 | 47 | 28,5 | 24,7 | DK |
| (19) Ikarus 260 Stadt | 192/141 | 10,350 | 1971 | 23 | 33,3 | 26,6 | DK |
| Ikarus 280 Stadt | 192/141 | 10,350 | 1971 | 36 | 40,9 | 31,4 | DK |
| (16) Ikarus 280 Linie | 192/141 | 10,350 | 1971 | 54 | 38,0 | 28,5 | DK |
| Ikarus 211 | 125/92 | 6,560 | 1976 | 36 | 22,8 | 19,0 | DK |
| (22) Ikarus 266 Vorortlinie | 192/141 | 10,350 | 1977 | 40 | 31,4 | 25,7 | DK |
| UdSSR | | | | | | | |
| PAS 672 | 105/77 | 4,250 | 1970 | 24 | 30,4 | 26,6 | VK |
| RAF 977 | 75/55 | 2,445 | 1974 | 10 | 13,3 | 11,4 | VK |
| (20) LAS 697 M Tourist | 150/110 | 6,000 | 1973 | 35 | 39,9 | 34,1 | VK |
| (16) LAS 695 ME Linie | 150/110 | 6,000 | 1975 | 33 | 39,9 | 34,1 | VK |

Key:

1. Make and model
2. Capacity hp/kW
3. Cubic capacity (l)
4. From year of construction
5. Seat capacity
6. Motor fuel consumption (1/100 km)
7. Total admissible load
8. Tare weight
9. Type of fuel
10. GDR
11. Poland
12. Hungary
13. Mixture
14. Gasoline
15. Diesel
16. Scheduled services
17. Luxury
18. All
19. City use
20. Tour bus
21. Rural service
22. Suburban service

## III. Motor Fuel Consumption Standards for Trucks, Semitrailers and Special Trucks

| | (1) Fabrikat und Typ | (2) Leistung PS/kW | (3) Hubraum (l) | (4) ab Baujahr | (5) Nutzmasse | (6) Kraftstoffverbrauch (l/100 km) (7) zul. Gesamtmasse | (8) Leermasse | (9) Kraftstoffart |
|---|---|---|---|---|---|---|---|---|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
| (10) | **DDR** | | | | | | | |
| (11) | V 901 Pritsche | 28/21 | 0,900 | 1954 | 0,8 | 11,4 | 10,0 | (24) Gem. |
| (12) | V 901 Kastenwagen | 28/21 | 0,900 | 1954 | 0,7 | 11,4 | 10,0 | Gem. |
| | B 1000 Kastenwagen | 40/29 | 0,900 | 1961 | 1,0 | 12,4 | 9,5 | Gem. |
| | B 1000 Kastenwagen | 42/31 | 0,992 | 1964 | 0,9 | 12,4 | 9,5 | Gem. |
| (13) | B 1000 Pritsche u. Koffer | 42/31 | 0,992 | 1966 | 1,0 | 13,3 | 10,5 | Gem. |
| (14) | B 1000 Kastenmehrzweck | 42/31 | 0,992 | 1967 | (23) verschied. | 12,4 | 10,0 | Gem. |
| (13) | B 1000 Pritsche u. Koffer | 46/34 | 0,992 | 1973 | 1,0 | 13,3 | 10,5 | Gem. |
| | Granit 30 K später Garant 60 PS | 55/40 | 3,000 | 1953 | 2,0 | 21,4 | 19,5 | (25) VK |
| (15) | Granit 32 K später Garant | 52/38 | 3,000 | 1953 | 2,0 | 15,2 | 12,8 | (26) DK |
| | Granit 30 K/Allrad | 60/44 | 3,000 | 1956 | 1,9 | 23,8 | 21,9 | (25) VK |
| | Robur LO 2500 | 70/52 | 3,345 | 1962 | 2,6 | 22,8 | 19,0 | VK |
| (15) | Robur LO 2500 Allrad | 70/52 | 3,345 | 1964 | 2,5 | 23,8 | 20,0 | VK |
| | Robur LD 2500 | 70/52 | 3,927 | 1963 | 2,5 | 16,2 | 12,8 | (26) DK |
| (15) | Robur LO 1800 Allrad | 70/52 | 3,345 | 1960 | 1,8 | 23,8 | 20,9 | (25) VK |
| | Robur LO 2501 | 70/52 | 3,345 | 1967 | 2,6 | 21,9 | 18,1 | VK |
| (15) | Robur LO 1801 Allrad | 70/52 | 3,345 | 1967 | 1,8 | 23,8 | 20,0 | VK |
| | Robur LD 2501 | 70/52 | 3,927 | 1967 | 2,5 | 16,2 | 12,8 | (26) DK |
| | Robur LO 3000 | 75/55 | 3,345 | 1972 | 3,0 | 23,8 | 19,0 | (25) VK |
| (15) | Robur LO 3000 Allrad | 75/55 | 3,345 | 1972 | 2,8 | 24,7 | 20,0 | VK |
| | Robur LO 2002 Allrad | 75/55 | 3,345 | 1972 | 2,0 | 24,7 | 20,0 | VK |
| (13) | H 6 Pritsche u. Koffer | 150/110 | 9,840 | 1952 | 6,5 | 32,3 | 26,6 | (26) DK |
| (16) | H 6 Kipper | 150/110 | 9,840 | 1952 | 6,0 | 32,3 | 26,6 | DK |
| (13) | S 4000-1 Pritsche u. Koffer | 90/66 | 6,024 | 1958 | 4,0 | 20,9 | 16,2 | DK |
| (16) | S 4000-1 Kipper | 90/66 | 6,024 | 1958 | 3,4 | 21,9 | 17,1 | DK |
| (17) | S 4000-1 Sattelzug | 90/66 | 6,024 | 1964 | 7,9 | 30,4 | 23,8 | DK |
| (13) | W 50 L Pritsche u. Koffer | 110/81 | 6,560 | 1965 | 5,2 | 22,8 | 17,1 | DK |
| (16) | W 50 L Kipper | 110/81 | 6,560 | 1965 | 4,7 | 23,8 | 18,1 | DK |
| (13) | W 50 L Pritsche u. Koffer | 125/92 | 6,560 | 1967 | 5,2 | 21,9 | 17,1 | DK |
| (16) | W 50 L Kipper | 125/92 | 6,560 | 1967 | 4,8 | 22,8 | 18,1 | DK |
| (18) | W 50 L Kesselsaugwagen | 125/92 | 6,560 | 1967 | verschied. | 22,8 | 20,0 | DK |
| (19) | W 50 L Müllwagen | 125/92 | 6,560 | 1969 | verschied. | 22,8 | 18,1 | DK |
| (20) | W 50 L Kehrmaschine | 125/92 | 6,560 | 1969 | verschied. | 22,8 | 20,0 | DK |
| (21) | W 50 LA Kipper/Allrad | 125/92 | 6,560 | 1967 | 4,7 | 22,8 | 18,1 | DK |
| (17) | W 50 LS Sattelzug | 125/92 | 6,560 | 1972 | 10,0 | 28,5 | 20,9 | DK |
| (22) | W 50 L SHMS Ladekran | 125/92 | 6,560 | 1970 | 5,0 | 21,9 | 17,1 | DK |
| (27) | W 50 LA Pritsche/Allrad | 125/92 | 6,560 | 1975 | 4,9 | 22,8 | 18,1 | (26) DK |
| | Multicar M 24 und M 25 | 45/33 | 1,997 | 1975 | 2,0 | 15,2 | 11,4 | DK |
| (28) | **BRD** | | | | | | | |
| (29) | Mercedes-Benz Koffer | 256/188 | 12,760 | 1975 | 7,0 | 34,2 | 26,6 | DK |
| (30) | Mercedes-Benz Dreiseitenkipper | 256/188 | 12,760 | 1976 | 17,0 | 42,8 | 30,4 | DK |
| (31) | Mercedes-Benz Mulden-Hinterkipper | 256/188 | 12,760 | 1976 | 16,5 | 42,8 | 30,4 | DK |
| (32) | Mercedes-Benz Sattelzug-Hinterkipper | 256/188 | 12,760 | 1976 | 23,8 | 52,3 | 34,2 | DK |
| (33) | Mercedes-Benz Sattelzug-Bitumenkessel | 256/188 | 12,760 | 1976 | 23,8 | 52,3 | 34,2 | DK |
| (34) | Mercedes-Benz Pritsche mit Ladekran | 256/188 | 12,760 | 1976 | 11,5 | 38,0 | 28,5 | DK |
| (29) | Magirus-Deutz-Koffer | 256/188 | 12,760 | 1976 | 7,5 | 34,2 | 26,6 | DK |
| | **CSSR** | | | | | | | |
| (11) | Skoda 906 R Pritsche | 145/107 | 11,781 | 1956 | 8,0 | 30,4 | 24,7 | DK |
| (16) | Skoda 806 RS Kipper | 145/107 | 11,781 | 1956 | 7,5 | 33,3 | 28,6 | DK |
| (19) | Skoda 706 ROE Müllwagen | 145/107 | 11,781 | 1956 | 5,0 | 34,2 | 28,5 | DK |
| (11) | Skoda 706 RT Pritsche | 160/118 | 11,781 | 1959 | 7,8 | 28,5 | 22,8 | DK |
| (16) | Skoda Kipper 706 RTS und RTS/1 | 160/118 | 11,781 | 1959 | 7,6 | 29,5 | 23,8 | DK |
| (35) | Skoda RTH Sprengwagen | 160/118 | 11,781 | 1962 | 7,1 | 30,4 | 25,7 | DK |
| (19) | Skoda 706 RTK Müllwagen | 160/118 | 11,781 | 1964 | verschied. | 30,4 | 25,7 | DK |
| (17) | Skoda 706 RTTN Sattelzug | 160/118 | 11,781 | 1965 | 11–12 | 38,0 | 26,6 | DK |
| (36) | Skoda MTC 5 Pritsche u. MTV 5 | 200/147 | 11,940 | 1972 | 8,0 | 30,4 | 23,8 | DK |
| (16) | Skoda MTS 24 Kipper | 200/147 | 11,940 | 1971 | 8,6 | 31,4 | 24,7 | DK |
| (17) | Skoda MTTN 5 Sattelzug | 200/147 | 11,940 | 1971 | 16,0 | 39,9 | 28,5 | DK |
| | LIAZ S 100.45 Sattelzug | 270/199 | 11,940 | 1977 | 23,0 | 47,5 | 33,3 | DK |
| | LIAZ S 100.47 Sattelzug | 304/224 | 11,940 | 1979 | 23,0 | 49,4 | 34,2 | DK |
| (11) | LIAZ S 100.04 Pritsche | 270/199 | 11,940 | 1977 | 8,0 | 30,4 | 24,7 | DK |
| | LIAZ S 100.05 Pritsche | 304/224 | 11,940 | 1978 | 8,0 | 31,4 | 25,7 | DK |
| (16) | Tatra 138 S Kipper | 180/132 | 11,792 | 1962 | 12,0 | 36,1 | 28,5 | DK |
| | Tatra 148 S Kipper | 212/156 | 12,667 | 1971 | 14,0 | 39,9 | 30,4 | DK |

[See key at end of table]

| (1) Fabrikat und Typ | (2) Leistung PS/kW | (3) Hubraum (l) | (4) ab Baujahr | (5) Nutzmasse | (6) Kraftstoffverbrauch (l/100 km) zul. Gesamtmasse | (7) Leermasse | (8) | (9) Kraftstoffart |
|---|---|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | | 8 |
| (37) **Großbritannien** | | | | | | | | |
| Leyland-Beaver 14 B/14 AL | | | | | | | | |
| (17) Sattelzug | 203/149 | 11,093 | 1965 | 15—18 | 39,9 | 28,5 | | DK |
| (38) Leyland-Albion Mischfuttertransporter | 127/93 | 8,538 | 1965 | 10,0 | 30,4 | 21,9 | | DK |
| (39) **Sozialistische Föderative Republik Jugoslawien** | | | | | | | | |
| (16) FAP 6 GGF-K Kipper | 130/96 | 8,000 | 1964 | 6,6 | 26,6 | 20,9 | | DK |
| (40) FAP AM 3500 Betonmischer | 130/96 | 8,000 | 1965 | 7,4 | 27,6 | 21,9 | | DK |
| (11) FAP 1516 BD Pritsche | 160/118 | 9,500 | 1970 | 8,1 | 30,4 | 23,8 | | DK |
| (16) FAP BK 18 Kipper | 200/147 | 10,000 | 1971 | 8,1 | 35,2 | 25,5 | | DK |
| FAP BK Kipper | 130/96 | 8,000 | 1971 | 7,7 | 27,6 | 20,9 | | DK |
| (41) **Österreich** | | | | | | | | |
| STEYR/DOLL 043 | | | | | | | | |
| (42) Langholz-Zug | 280/206 | 9,726 | 1980 | 26,8 | 52,0 | 35,0 | | DK |
| STEYR/DOLL S 29 | | | | | | | | |
| (43) Schnittholz-Sattelzug | 280/206 | 9,726 | 1980 | 17,8 | 50,0 | 38,0 | | DK |
| (44) **VR Polen** | | | | | | | | |
| (11) Jelcz 315 Pritsche | 200/147 | 11,100 | 1969 | 8,0 | 32,3 | 25,7 | | DK |
| (17) Jelcz 316 Pritsche | 200/147 | 11,100 | 1973 | 12,0 | 38,1 | 26,6 | | DK |
| (16) Jelcz 317 Sattelzug | 200/147 | 11,100 | 1973 | 18,0 | 42,8 | 28,5 | | DK |
| Jelcz 317 Kipper | 200/147 | 11,100 | 1973 | 8,0 | 32,3 | 25,7 | | DK |
| (17) Jelcz 317 D Sattelzug | 243/179 | 11,100 | 1973 | 18,0 | 42,8 | 30,4 | (26) | DK |
| (45) ZUK A 06 Kasten | 70/52 | 2,120 | 1975 | 0,94 | 14,3 | 12,4 | (25) | VK |
| (46) ZUK A 07 Kombi | 70/52 | 2,120 | 1975 | 0,83 | 14,3 | 12,4 | | VK |
| (11) ZUK A 11 B Pritsche | 70/52 | 2,120 | 1975 | 1,12 | 14,3 | 12,4 | | VK |
| (47) **Sozialistische Republik Rumänien** | | | | | | | | |
| (48) TV 41 Kasten und Pritsche | 77/57 | 2,512 | 1968 | 1,25 | 17,1 | 15,2 | | VK |
| TV 12 Kasten und Pritsche | 80/59 | 2,495 | 1974 | 1,25 | 18,1 | 16,2 | | VK |
| TV 14 Kasten und Pritsche | 70/52 | 3,120 | 1978 | 1,35 | 11,4 | 9,5 | (26) | DK |
| (17) ROMAN R 19.215 DFS Sattelzug | 215/158 | 10,350 | 1978 | 23,0 | 52,3 | 34,2 | | DK |
| ROMAN R 10.215 FS Sattelzug | 215/158 | 10,350 | 1978 | 23,0 | 52,3 | 33,3 | | DK |
| (16) ROMAN R 19.215 DFK Kipper | 215/158 | 10,350 | 1975 | 16,0 | 38,9 | 26,6 | | DK |
| (49) **Schweden** | | | | | | | | |
| (11) Volvo FB 88 Pritsche | 260/191 | 9,600 | 1967 | 12,0 | 38,0 | 28,5 | | DK |
| (50) Volvo F 88 Koffer | 260/191 | 9,600 | 1967 | 6,9 | 34,2 | 28,5 | | DK |
| (17) Volvo FB 88 Sattelzug | 260/191 | 9,600 | 1967 | 20,0 | 49,4 | 36,1 | | DK |
| Volvo F 88 Sattelzug | 260/191 | 9,600 | 1968 | 20,0 | 49,4 | 36,1 | | DK |
| (11) Volvo FB 89 Pritsche | 330/243 | 11,970 | 1972 | 12,0 | 38,0 | 30,4 | | DK |
| (50) Volvo F 89 Koffer | 330/243 | 11,970 | 1973 | 6,9 | 36,1 | 30,4 | | DK |
| (17) Volvo FB 89 Sattelzug | 330/243 | 11,970 | 1973 | 20,0 | 47,5 | 34,2 | | DK |
| Volvo F 89 Sattelzug | 330/243 | 11,970 | 1973 | 20,0 | 47,5 | 34,2 | | DK |
| Volvo F 12/32 Sattelzug | 330/243 | 11,970 | 1978 | 25,0 | 47,5 | 32,3 | | DK |
| Volvo F 12/38 Sattelzug | 330/243 | 11,970 | 1978 | 25,0 | 47,5 | 31,4 | | DK |
| **UdSSR** | | | | | | | | |
| (11) SIL 130 Pritsche | 150/110 | 6,000 | 1965 | 6,0 | 36,1 | 30,4 | (25) | VK |
| GAS 52 Pritsche | 75/55 | 3,480 | 1970 | 2,5 | 28,6 | 20,9 | | VK |
| MAS 500 Pritsche | 180/132 | 11,150 | 1967 | 8,0 | 32,3 | 21,9 | (26) | DK |
| (16) MAS 503 Kipper | 180/132 | 11,150 | 1967 | 7,7 | 34,2 | 22,8 | | DK |
| (17) MAS 504 Sattelzug | 180/132 | 11,150 | 1967 | 12,5 | 41,8 | 30,4 | | DK |
| (11) MAS 5335 Pritsche | 180/132 | 11,150 | 1978 | 8,0 | 32,3 | 21,9 | | DK |
| (16) MAS 5549 Kipper | 180/132 | 11,150 | 1977 | 8,1 | 34,2 | 22,8 | | DK |
| (17) MAS 504 W Sattelzug | 240/176 | 14,860 | 1977 | 18,0 | 52,3 | 36,1 | | DK |
| (11) KrAS 257 Pritsche | 240/177 | 14,860 | 1967 | 13,0 | 45,6 | 36,1 | | DK |
| (16) KrAS 256 B Kipper | 240/177 | 14,860 | 1967 | 12,0 | 45,6 | 36,1 | | DK |
| (51) KrAS 258 Sattelzug mit Zementauflieger | 240/177 | 14,860 | 1967 | 18,0 | 57,0 | 41,8 | | DK |
| (52) KrAS 255 B Allrad | 240/177 | 14,860 | 1967 | 8,0 | 47,5 | 36,0 | | DK |
| (48) UAS 451/452 Kasten u. Pritsche | 70/52 | 2,445 | 1968 | 1,0 | 15,2 | 13,3 | (25) | VK |
| (11) GAS 53 A Pritsche | 115/85 | 4,250 | 1974 | 4,0 | 30,4 | 23,8 | | VK |
| KAMAS 5320 Pritsche | 210/154 | 10,850 | 1978 | 8,2 | 33,3 | 25,7 | (26) | DK |
| (16) KAMAS 5511 Kipper | 210/154 | 10,850 | 1979 | 10,0 | 38,1 | 28,6 | | DK |
| (17) KAMAS 5410 Sattelzug | 210/154 | 10,850 | 1978 | 20,0 | 49,4 | 34,2 | | DK |

[See Key at end of table]

| (1) Fabrikat und Typ | (2) Leistung PS/kW | (3) Hubraum (l) | (4) ab Baujahr | (5) Nutzmasse | (6) Kraftstoffverbrauch (l/100 km) (7) zul. Gesamtmasse | (8) Leermasse | (9) Kraftstoffart |
|---|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
| (53) Ungarische Volksrepublik | | | | | | | |
| (54) Csepel D 450 Milchtanker | 100/74 | 5,517 | 1963 | 4,1 | 20,0 | 18,2 | DK |
| (17) Csepel D 450 Sattelzug | 100/74 | 5,517 | 1963 | 7—8 | 28,5 | 20,9 | DK |
| (54) Csepel D 510 Milchtanker | 143/107 | 8,278 | 1959 | 6,75 | 30,4 | 22,8 | DK |
| Csepel D 710 Milchtanker | 145/107 | 8,278 | 1959 | 6,75 | 30,4 | 22,8 | DK |
| (17) Csepel D 705 Sattelzug | 145/107 | 8,278 | 1960 | 11—12 | 38,0 | 26,8 | DK |

Key:

1. Make and model
2. Capacity hp/kW
3. Cubic capacity (1)
4. From year of construction
5. Payload
6. Motor fuel consumption (1/100 km)
7. Total admissible load
8. Tare weight
9. Type of fuel
10. GDR
11. Platform
12. Box truck
13. Platform and wagon
14. Multipurpose box truck
15. Four-wheel drive
16. Dump truck
17. Semitrailer
18. Pump truck
19. Garbage truck
20. Road sweeper
21. Four-wheel drive dump truck
22. Loading crane
23. Various
24. Mixture
25. Gasoline
26. Diesel
27. Platform/four-wheel drive
28. FRG
29. Wagon
30. Triangular dump truck
31. Dump-type hopper truck
32. Semitrailer-rear dumper
33. Semitrailer-bitumen boiler
34. Platform with loading crane
35. Water sprinkler wagon
36. Platform with MTV 5
37. Britain
38. Mixed feed carrier
39. Yugoslavia
40. Concrete mixer
41. Austria
42. Lumber truck
43. Cut lumber truck
44. Poland
45. Box car
46. Station wagon
47. Romania
48. Box car and platform
49. Sweden
50. Wagon
51. Semitrailer with cement delivery
52. Four-wheel drive
53. Hungary
54. Milk tanker

## IV. Motor Fuel Consumption Standards for Trailer Trucks and Tractor Trailers

| (1) Fabrikat und Typ | (2) Leistung PS/kW | (3) Hubraum (l) | (4) ab Baujahr | (5) Nutzmasse d. Zugm. (t) | (6) Kraftstoffverbrauch (l/100 km) (7) zul. Ges.-masse | (8) Leermasse | (9) Kraftstoffart | (10) zul. Anh.-masse (t) | (11) Ges.-Anh.-masse bei Messungen (t) |
|---|---|---|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| (12) DDR | | | | | | | | | |
| S 4000-1Z | 90/66 | 6.024 | 1958 | 2,5 | 26,8 | 21,9 | (13) DK | 14,4 | 7,2 |
| Z 6 | 150/110 | 9.840 | 1958 | 5,15 | 38,0 | 28,5 | DK | 22,0 | 11,0 |
| W 50 L/Z | 125/92 | 6,560 | 1968 | 4,8 | 28,6 | 21,9 | (13) DK | 16,0 | 8,0 |
| (14) W 50 LA/Z Allrad | 125/92 | 6,560 | 1968 | 4,7 | 28,5 | 22,8 | DK | 16,0 | 8,0 |
| W 50 LA/Z Allrad | | | | | | | | | |
| (15) ND-Reifen | 125/92 | 6,560 | 1968 | 4,5 | 32,3 | 24,7 | DK | 12,0 | 12,0 |
| ZT 300 | 90/66 | 6,560 | 1978 | – | 32,3 | 25,7 | DK | 24,0 | 12,0 |
| ZT 304 | 90/66 | 6,560 | 1988 | – | 32,3 | 25,7 | DK | 24,0 | 12,0 |
| (16) BRD | | | | | | | | | |
| Mercedes-Benz | 320/236 | 15,950 | 1976 | 9,5 | – | 41,8 | DK | 100,0 | (20) Zugm.-Solo |
| ČSSR | | | | | | | | | |
| Tatra 141 | 185/136 | 14,825 | 1981 | 8,1 | 42,8 | – | DK | 100,0 | Zugm.-Solo |
| Tatra 813 6×6 | 250/184 | 17,640 | 1971 | (19) Rüstgew. 21,1 | 52,3 | – | DK | 100,0 | Zugm.-Solo |
| Skoda/RTTN | 160/118 | 11,781 | 1963 | 5,7 | 34,2 | 28,6 | DK | 22,0 | 11,0 |
| Zetor Super | 42/31 | 4,160 | 1959 | – | 28,6 | 20,9 | DK | 12,0 | 7,0 |
| Zetor 50 Super | 50/37 | 4,160 | 1964 | – | 25,7 | 20,9 | DK | 16,0 | 8,0 |
| (17) Volksrepublik Polen | | | | | | | | | |
| URSUS C 335 | 28/21 | 1,960 | 1969 | – | 23,8 | 18,1 | DK | 4,8 | 4,8 |
| (18) Sozialistische Republik Rumänien | | | | | | | | | |
| UTOS 650 | 65/48 | 4,760 | 1964 | – | 28,5 | 22,8 | DK | 16,0 | 8,0 |
| UTOS 651 | 65/48 | 4,760 | 1965 | – | 28,5 | 22,8 | DK | 16,0 | 8,0 |
| UdSSR | | | | | | | | | |
| MTS 50 | 50/37 | 4,750 | 1966 | – | 30,4 | 25,7 | DK | 15,0 | 7,5 |
| MTS 52 | 55/40 | 4,750 | 1966 | – | 31,4 | 26,6 | DK | 15,0 | 7,5 |
| KrAS 258 Z | 240/177 | 14,860 | 1967 | 9,3 | – | 47,5 | DK | 100,0 | Zugm.-Solo |
| (21) Ungarische Volksrepublik | | | | | | | | | |
| Csepel D 705 | 145/107 | 8,278 | 1963 | – | 34,2 | 26,6 | DK | 22,0 | 11,0 |
| D 4 KB | 90/66 | 7,990 | 1964 | – | 49,4 | 42,8 | DK | 16,0 | 12,0 |

Key:

1. Make and model
2. Capacity hp/kW
3. Cubic capacity (l)
4. From year of construction
5. Payload of tractor
6. Motor fuel consumption (l/100 km)
7. Total admissible load
8. Tare weight
9. Type of fuel
10. Admissible trailer load
11. Total trailer volume for measuring
12. GDR
13. Diesel
14. Four-wheel drive
15. Tires
16. FRG
17. Poland
18. Romania
19. Empty weight plus fixed weight
20. Tractor only
21. Hungary

V. Motor Fuel Consumption Standards for Motor Cycles, Small Motor Cycles, Motor Scooters and Mopeds

| (1) Fabrikat und Typ | (2) Leistung PS/kW | (3) Hubraum (l) | (4) ab Baujahr | (5) Kraftstoff-verbrauch l/100 km | (6) Kraftstoffart |
|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 |
| (7) DDR | | | | | |
| MZ ES 125 | 8,5/6,3 | 0,123 | 1961 | 3,0 | (8) Gem. |
| MZ ES 150 | 10,0/7,4 | 0,143 | 1961 | 3,3 | Gem. |
| MZ ES 175 | 12,0/8,8 | 0,172 | 1960 | 3,6 | Gem. |
| MZ ES 250 | 17,5/12,9 | 0,250 | 1961 | 4,3 | Gem. |
| MZ ES 300 | 18,5/13,6 | 0,293 | 1961 | 4,6 | Gem. |
| MZ ES 175/2 | 13,5/9,9 | 0,172 | 1966 | 3,8 | Gem. |
| MZ TS 250 | 19,0/14,0 | 0,250 | 1973 | 4,3 | Gem. |
| Simson Suhl KR 50 | 2,3/1,7 | 0,048 | 1961 | 2,4 | Gem. |
| Spatz SR 4/1 | 2,0/1,5 | 0,048 | 1964 | 2,4 | Gem. |
| Sperber SR 4/3 | 4,6/3,4 | 0,050 | 1966 | 2,9 | Gem. |
| Schwalbe KR 51 | 3,4/2,5 | 0,050 | 1963 | 2,7 | Gem. |
| Star SR 4/2 | 3,4/2,5 | 0,050 | 1964 | 2,7 | Gem. |
| Simson S 50 N | 3,6/2,6 | 0,050 | 1975 | 2,7 | Gem. |

Key:

1. Make and model
2. Capacity hp/kW
3. Cubic capacity (1)
4. From year of construction
5. Fuel consumption (1/100 km)
6. Type of fuel
7. GDR
8. Mixture

## Fuel Conservation Rewards

East Berlin GESETZBLATT DER DEUTSCHEN DEMOKRATISCHEN REPUBLIK in German Part I No 34, 27 Nov 81 pp 401-402

/Official text of "Order, dated 26 October 1981, on Financial Recognition of Workers for Motor Vehicle Fuel Conservation in Road Traffic," signed by Minister for Transportation Arndt, East Berlin/

/Text/ In order to promote the initiatives of the workers for the most economical fuel consumption on the basis of progressive standards, and in agreement with the minister for materials management, the managers of other competent state organs, and in coordination with the FDGB Federal Executive Board, the following is ordered:

Article 1

This order applies to state organs, economy managing organs, combines, enterprises, facilities and cooperatives having motor vehicles used in road traffic (hereinafter designated enterprises).

Article 2: Ascertainment of Enterprise Norms

(1) Enterprise norms are to be ascertained in liter/100 km for the fuel consumption of every motor vehicle. For motor buses, trucks, semitrailers and special motor vehicles enterprise norms must be ascertained separately for

-- The admissible total load or possible total load in accordance with the type of freight,

-- The tare weight.

Enterprise norms must be recorded in the budget book of the foreman section or collective (hereinafter driver collective) and the logbook of the individual motor vehicle.

(2) Enterprise norms as per paragraph 1 must be set by the enterprise director in agreement with the competent enterprise labor union management organization at least once a year on the basis of the motor fuel consumption standard catalogue in effect,* the analysis of the actual fuel consumption of the previous year and actual operational coniditions, and specifically for every motor vehicle. Enterprise norms exceeding the motor fuel consumption standards or standards to be set by the enterprise (hereinafter designated standards) are not permissible.

(3) Enterprise norms already below the standard are to be retained and further improved as progressive enterprise norms.

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* In effect at this time is Order No 4, dated 26 October 1981, on the Standardization of Motor Fuel Consumptions for Motor Vehicles in Road Traffic (GBl I No 34 p 393)

(4) The standards to be set by the enterprise on the basis of the motor fuel consumption standard catalogue are not enterprise norms in the meaning of paragraph 1.

(5) If the monthly accounts of a motor vehicle shows a more than 5 percent excess of motor fuel consumption by comparison with the set enterprise norms, the vehicle must be promptly checked out.

(6) If the monthly accounts of a motor vehicle show a more than 10 percent shortfall in motor fuel consumption, the enterprise norm must be immediately checked and revised.

Article 3: Accounts and Checks of Motor Fuel Consumption

(1) Taking into consideration the order of 12 October 1979 on the Improvement in the Readiness for Employment of Commercial Vehicles in the National Economy (GBl No 37 p 351), the enterprise director must provide the necessary technical-organizational conditions for the greatest possible conservation of motor fuel and the orderly accounting and checks of motor fuel consumption.

(2) Technical conditions must relate to the following in particular:

-- Fuel injection setting
-- Smoke metering
-- Metering the content in liters
-- Internal tire pressure metering.

(3) Organizational provisions must relate to the following in particular:

-- The orderly recording of the trip and all services in the documents (waybill, logbook, and so on),

-- An exact record of the services within the scope of the trip (loaded and empty kilometers) and the volume of refueling by the motor vehicle.

(4) The orderly accounting and checking of motor fuel consumption and the record of the motor fuel conservation achieved must proceed monthly per vehicle and driver collective on the basis of enterprise norms, the motor fuel used and the kilometers driven.

(5) The motor fuel conservation achieved must be recorded monthly per motor vehicle and in liters and mark in the budget book so that it can be checked. At the end of each quarter a cumulative and balanced account per vehicle in liters and mark must be prepared. The final account must be drawn up at the end of the plan year.

(6) The motor fuel conservation achieved per driver collective must be accounted monthly in liters and marks for the balanced addition of the motor fuel conservation achieved by the motor vehicles allocated to the driver collective and entered in the budget books so that it can be checked. At the end of each quarter a cumulative and balanced account in liters and marks must be prepared per driver collective. A final account is to be drawn up at the end of the plan year.

Article 4: Financial Recognition

(1) The computation of financial recognition for the individual employee proceeds on the basis of the individual account for each motor vehicle. Financial rewards may not exceed the motor fuel conservation achieved according to the balanced addition recorded by the driver collective. The financing of financial rewards proceeds

-- In state combines and enterprises as well as cooperatives by way of the cost savings achieved as a consequence of reduced motor fuel consumption,

-- In facilities, state organs and economy managing organs from the savings in the expenditure on motor fuel.

(2) At the end of each quarter of the plan year a cumulative intermediate account of financial rewards must be prepared. Fifty percent of the financial reward provided for motor fuel conservation achievements are to be paid as an instalment. Already granted instalment payments are to be fully debited at the time of the intermediate cumulative accounts at the end of the second and third quarters as well as the final account at the end of the plan year. The account drawn up for the grant of financial rewards must be checked and confirmed before payment by the chief bookkeeper or farm manager.

(3) Financial rewards per liter fuel conserved over and above the enterprise norms are granted in dependence on the enterprise norms relative to the standards as per the motor fuel consumption standard catalogue. They amount to:

| Ratio of Enterprise Norm to Standard | Financial Recognition per Liter Fuel Conserved |
|---|---|
| -- Enterprise norm same as standard | M0.25 |
| -- Enterprise norm up to 0.5% below the standard | M0.30 |
| -- Enterprise norm from 0.5-1.0% below the standard | M0.35 |
| -- Enterprise norm from 1.0-1.5% below the standard | M0.45 |
| -- Enterprise norm from 1.5-2.0% below the standard | M0.55 |
| -- Enterprise norm more than 2% below the standard | M0.75 |

For the determination of the ratio of enterprise norms to the standard the basis is the standard norm in liter/100 km (to be ascertained as per article 2 paragraph 1)

for the admissible total load or possible total load according to the type of freight, for passenger vehicles on the enterprise norm in liter/100 km .

(4) Motor fuel conservation over and above the set enterprise norms are financially rewarded only for up to 10 percent below these norms.

(5) If one motor vehicle is driven by more than one driver, the financial reward for the motor fuel conservation achieved is to be divided according to the kilometers driven by the various drivers. If several drivers normally drive the motor vehicle, the manager of the collective may, in exceptional cases, distribute the financial reward to the various drivers on a basis of performance assessment. Such a procedure must be approved by the competent enterprise labor union management following discussion in the work collective.

(6) The managers of the collectives are to be included in the financial rewards awarded their driver collectives. They will receive up to 10 percent of the financial rewards paid their driver collective. The enterprise manager, with the approval of the competent enterprise labor union management, decides the amount of the financial reward to be awarded the manager of the collective.

(7) Financial rewards for motor fuel conservation hitherto granted must continue to be paid the working people in the collectives provided the earlier actual level of consumption is at least maintained or improved up to the standard of the new enterprise norm. The period 1 January-30 September is the base period for the ascertainment of the financial rewards hitherto granted. The money required for that purpose may be additionally planned as costs. Financial rewards as per article 3 also take effect if motor fuel conservation is achieved on the basis of enterprise norms which correspond to or fall below the standard.

Article 5: Concluding Regulations

(1) This order takes effect on 1 December 1981.

(2) Losing effect at the same time is Article 5 of Order of 19 July 1975 on the Standardization of Motor Fuel Consumption for Motor Vehicles in Road Traffic (GBl I No 32 p 602).

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CSO: 2300/135

## REPORT ON 1981 DEVELOPMENT OF ECONOMY PUBLISHED

Budapest NEPSZABADSAG in Hungarian 6 Feb 82 pp 1, 3

[Report of the Central Bureau of Statistics: "Development of the Economy in 1981"]

[Text] In 1981, the economy developed basically in the direction specified by the plan. External economic equilibrium improved. The population's real income and consumption exceeded the plan. Purchasing power and market allocations were on the whole in balance. Living conditions improved as a result of net gains in the stock of housing, and through the expansion of the network of educational and health-care institutions.

Fulfillment of the tasks specified in the national economic plan was hampered by several external factors. The conditions of export sales worsened due to the unfavorable market conditions related to the economic situation of the capitalist countries, and to the measures that some of these countries adopted. Imports of some products from socialist countries were below the plan, because of the partner countries' limited ability to export.

To stimulate better economic work at home, and also to make perceptible the unfavorable external effects, certain elements of the system of economic regulation were modified during the year, and both the economy's system of organizations, and the system of institutions for managing the economy, were further modernized.

Amidst the hardships and stricter conditions, some economic organizations improved the efficiency of their production and export. Production was better geared to demand than in the past, and the quantity of production changed in a differentiated manner, by enterprises and sectors. An increase in sales was hampered in some areas by the inadequate competitiveness of the products.

National income in 1981, according to preliminary estimates, exceeded 620 billion forints. At comparable prices, the increase was 1.8 percent, slightly less than planned. Employment in the productive branches dropped 1 percent, while labor productivity in the entire economy increased by 2.5 to 3 percent. The economy's energy consumption lessened somewhat. Specific consumption of materials and energy declined.

At comparable prices, domestic expenditure was the same as in 1980, and its value slightly exceeded national income. The proportion of import surplus within domestic expenditure declined. Personal consumption increased 2.4 percent, faster than had been planned. Accumulation, and within it investment, approximately corresponded to the planned rate. The proportion of accumulation within domestic expenditure lessened further.

Principal Indicators of the Economy's Development in 1981

| | Plan | Report |
|---|---|---|
| | (Percent of 1980) | |
| National Income | 102.0-102.5 | 101.8 |
| Domestic expenditure of national income | 99.0- 99.5 | 99.9 |
| Industrial production | 103.0-103.5 | 102.3 |
| National volume of construction and installation work | 99.0 | 96.5 |
| Farm production | 103.0 | 100 |
| Per capita real income | 101.0 | 102.2 |
| Personal consumption | 101.5 | 102.4 |
| Socialist organs' investment, billion forints | 182 | 183.5 |
| Housing construction, 1000 units | 77 | 77 |

Industry

Industrial production increased by 2.3 percent. The output of state industrial enterprises rose by 1.9 percent; that of the cooperatives, by 8.6 percent. Quantitative change of production was differentiated considerably by sectors, and even by subsectors. This reflected, in addition to the change in demand, also the incentive that enterprise income regulation provided to improve efficiency.

The engineering industry increased its production by 5 percent. Within this there was outstanding growth in the instrument industry, and in the telecommunications and vacuum-engineering industry, and the output of machinery and equipment was expanded significantly. Iron and metal mass production did not achieve the 1980 level. The output of ferrous metallurgy declined, that of aluminum metallurgy rose. The chemical industry increased its output by 2 percent. Within this there was significant growth in the pharmaceutical industry, in the plastics fabrication industry, and in the production of household chemicals and cosmetics, but the output of petroleum refining declined, in conjunction with energy conservation and the structural changes in energy consumption. Light industry's production increased by 2.8 percent. Significant within this was the growth of the paper and printing industry. The increase in the output of the textile industry as a whole was only moderate, but the output of the linen and hemp industry, woolen industry and knitware industry rose at a rapid rate, while the output of the cotton industry declined due to unfavorable market conditions. In comparison with the preceding year, the food industry increased its output by 2.4 percent, the building materials industry produced as much as the previous year, while the mining industry' output was lower than the year before.

Industry's product structure changed, but at a slower rate than necessary. Product development, production development, and the assigning of new products to production are still slow. In 1981 the output of some more important products developed as follows [see next page].

Industry's supply with energy was satisfactory; and its supply with materials was similar to previous years. Reduction of the output of energy-intensive products, and also energy conservation contributed to the fact that the economy consumed less energy than in 1980. Within the consumption of energy sources the proportion of coal rose, that of natural gas remained unchanged, and the proportion of petroleum and petroleum products declined. Electric power generation increased in power plants fueled with lignite and natural gas, but declined in oil-fired power plants.

Output of Some More Important Products in Socialist Industry

| | 1981 output | 1981 in percent of 1980 |
|---|---|---|
| Electric power generation, billion kWh | 24.2 | 101.4 |
| Coal, million tons | 25.9 | 100.9 |
| Petroleum, million tons | 2.0 | 99.6 |
| Natural gas, billion cubic meters | 6.0 | 97.6 |
| Steel, million tons | 3.6 | 96.8 |
| Rolled steel, million tons | 2.8 | 92.6 |
| Bauxite, million tons | 2.9 | 98.8 |
| Alumina, 1000 tons | 799 | 99.3 |
| Semifinished aluminum, 1000 tons | 143 | 106.7 |
| Bricks, billion | 2.0 | 101.3 |
| Cement, million tons | 4.6 | 99.4 |
| Manufactured fertilizer, 1000 tons of active ingredient | 1112 | 106.4 |
| Plant protectants, 1000 tons of active ingredient | 29.0 | 103.6 |
| Plastics, 1000 tons | 311 | 94.9 |
| Buses, 1000 units | 11.1 | 89.4 |
| Computer equipment, billion forints at current prices | 5.0 | 109.3 |
| Television sets, 1000 units | 424 | 101.6 |
| Of which: color TV sets, 1000 units | 77 | 132.4 |
| Tape recorders, 1000 sets | 554 | 120.5 |
| Refrigerators, 1000 units | 504 | 101.0 |
| Washing machines, 1000 units | 256 | 110.1 |
| Furniture, billion forints at current prices | 11.9 | 105.4 |
| Cotton fabric, million square meters | 320 | 96.2 |
| Woolen fabric, million square meters | 44.5 | 104.1 |
| Shoes, million pairs | 43.4 | 100.3 |
| Fresh boned meat, 1000 tons | 595 | 98.0 |
| Milk for consumption, million liters | 819 | 103.6 |
| Dressed poultry, 1000 tons | 186 | 108.5 |
| Sunflower oil, 1000 tons | 185 | 143.5 |
| Beer, million liters | 793 | 101.1 |
| Sugar, 1000 tons | 490 | 104.8 |

Employment in industry dropped by 33,200 persons or 2.1 percent. The reduction of personnel was the largest in metallurgy, in the engineering industry, in light industry, and in the building materials industry. Labor productivity in industry--computed in terms of output per employee--was 4.5 percent higher than the 1980 level.

Industry's stock of fixed capital was expanded further. Some of the important investment projects under construction were partially commissioned in 1981, for example at the Markushegy coal mine, Nagyegyhaza coal mine, and in the Bito II and Halimba III bauxite mines. In the converter-steel plant of the Danube Iron Works (Dunai Vasmu), the No I converter with a capacity of 500,000 TPY was completed. The export-expanding investment for the production of chassis at the Hungarian Railway Car and Machine Factory (Magyar Vagon- es Gepgyar), the expansion and modernization of the BHG [Beloiannisz Telecommunications Factory] Telecommunications Equipment Enterprise (Hiradastechnikai Vallalat), and the 5600 TPY aluminum-foil capacity at the Kobanya Light Metal Works (Kobanyai Konnyufemmu) were realized. The cattle-slaughtering line at the Szekszard Meat Combine (Szekszardi Huskombinat) was commissioned.

In 1981, the export of industrial products slightly exceeded the 1980 level.

Within domestic sales, the quantity of products sold to the population increased by 4.2 percent. Sales for capital construction increased by 1.6 percent, and the purchases of the productive branches increased by 1.5 percent.

Construction Industry

In conjunction with the slowdown in capital construction, the national volume of construction and installation work dropped by 3.5 percent. The output of the contracting construction-industry enterprises was 2.6 percent lower than the previous year. This decline occurred at the state construction-industry enterprises, while contractors in the cooperative sector slightly increased their output.

Construction starts in 1981 were 6 percent higher than the previous year. In spite of this, the number of buildings under construction declined, because commissioning was more on schedule than previously. The construction-industry enterprises increasingly undertook and completed construction work abroad.

Employment in the construction industry continued to decline in 1981. There were 12,000 or 3.7 percent fewer workers in the contracting construction industry than the year before. Output per employee rose by 1.1 percent.

In accordance with the plan, 77,000 housing units were completed during the year. This included 23,000 state-built housing units, and 54,000 privately-built housing units.

Agriculture and Forestry

In 1981, the total output of agricultural products was the same as the year before. Crop production was 2.4 percent below the 1980 level. The output of livestock production rose by 2.2 percent. The decline in crop production stemmed primarily from the fact that the weather caused losses in grain and grapes.

The grain harvested on the nation's plowland in 1981 was 8.6 percent less than the previous year. On a smaller acreage than previously, the wheat harvest was 24 percent lower than the previous year. The average yield per hectare was 16 percent lower than for the 1980 bumper crop. The corn harvest was 4.4 percent more than the year before. The 5860 kilograms per hectare, the highest so far, was 10 percent more than in 1980.

The harvest of sunflower seed increased by 37 percent; and the sugar-beet harvest, by 19 percent. The increases are the combined result of a larger acreage and higher average yields. The 14-percent increase in the potato harvest stemmed from higher average yields. The rice harvest was 45 percent more than in 1980.

Vegetable production declined slightly, and fruit production was essentially at the same level as in 1980. The grape harvest was 30 percent less than in 1980, but the quality of the wine is much better.

The year-end cattle population was 1,945,000 head, 1.4 percent higher than the year before. The 8.3 million hog population was essentially the same as at the end of

1980, but the number of brood sows was substantially higher than in recent years. The sheep herds of the large-scale farms declined by 2 percent, numbering 2.4 million head at the end of the year. Within the 1-percent increase in the production of slaughter animals, the production of slaughter hogs remained essentially at the 1980 level, the production of slaughter poultry and slaughter sheep rose, but the production of slaughter cattle declined. Among the livestock products the production of milk exceeded the 1980 level by 4 percent; the production of wool, by 2 percent; but the production of eggs dropped by 2 percent.

The nonagricultural (industrial, construction-industry, service-industry, etc.) activity of the farms was expanded considerably. The combined average employment on state farms and agricultural cooperatives exceeded the 1980 level by 22,000 persons or 2.8 percent. Primarily the number of workers in agricultural cooperatives assigned to nonagricultural work rose.

Agriculture's supply with manufactured fertilizer improved slightly over 1980, and the average consumption was 216 kilograms per hectare of farmland. During the year the farms procured, among other things, 3600 tractors, 850 harvesting combines, and 5000 trucks.

Forestry's timber output in 1981 was 7.7 million cubic meters, slightly more than in 1980. Afforestation and reforestation jointly increased by more than 10 percent over 1980.

Water Conservation

Water conservation's principal objectives for 1981 were fulfilled. The capacity of public waterworks increased by about 2 percent or 90,000 cubic meters per day. The number of persons connected to the water-supply system increased by 160,000, and thus 77 percent of the country's population are supplied with piped water. Sewage-treatment capacity increased by 13 percent.

Most of the planned water-conservation investments were completed and commissioned. Stage II of the Kiskore barrage was completed.

The main dikes for flood control were further reinforced. By the end of the year, 61 percent of the main dikes met the maximum flood-control specifications. The average time required for inland drainage dropped somewhat.

Transport and Communications

The freight performance of the transportation enterprises increased by 0.7 percent. Within this the freight performance of trucking increased by 2.5 percent; that of inland navigation, by 7.1 percent; and railroad's freight performance remained essentially unchanged. In inter-city passenger service the number of passengers dropped by 8.1 percent, but the length of the average trip rose. In municipal mass transport the number of riders increased by 3 percent over the preceding year. Streetcars transported fewer passengers than in 1980, but the subway and buses transported more.

During the year, the railroad procured 46 diesel or electric locomotives, 150 passenger coaches, and 824 freight cars. The railroad converted to electric traction 66 kilometers of lines, 268 kilometers were modernized, and automatic block signals were installed on 63 kilometers of lines.

Nearly 19,000 new trucks were assigned to highway transport, and municipal mass transport acquired 1029 new buses and 50 subway cars. At the end of the year, service was begun on the Deak Ter--Elmunkas Ter section of [Budapest] subway's North-South line. During the year, 100,000 new cars were sold, and the number of cars exceeded 1.1 million, of which more than 1.0 million were privately owned.

The number of installed phones, including extension phones, increased by 35,000, of which nearly 14,000 were residential telephones.

Employment in transport and communications dropped 1.1 percent or about 4,300 persons, in comparison with 1980.

Foreign Trade

The foreign-trade turnover rose, despite the unfavorable state of the world economy. The net import surplus of merchandise trade was smaller than in 1980.

The import volume slightly exceeded the previous year's import volume. Within this there was a decline in imports of sources of energy, and of machinery for investment purposes, but a rise in imports of materials for production and of products for the population's supply. The export volume was about 3 percent higher than in 1980. Within this the export of farm and food-industry products, at favorable prices, increased significantly. Sales of finished industrial goods on foreign markets rose, although at a significantly lower rate. However, exports of materials, semifinished products and parts declined.

Socialist countries accounted for 55 percent of the trade turnover. Coordinated cooperation with the CEMA countries continued, on the basis of mutual advantages. At current prices, ruble-denominated import rose by 5.3 percent, and ruble-denominated export by 8.9 percent, due to the sharp price increases. The net import surplus was smaller than in 1980.

In nonruble-denominated trade, the value of import and export rose at more or less the same rate. The net balance of trade was influenced favorably by the fact that export prices rose faster than import prices, and thus the terms of trade improved slightly.

Investment

The volume of investment declined by about 7 percent. At current prices, the socialist organs' investment totaled 183.5 billion forints, 6.2 billion less than the previous year. The decline occurred in investment within the state's decision-making competence. Expenditure on such investment declined by 9 percent. Three new large-scale investment projects were started in 1981, three were completed, and a fourth was commissioned partially. Total enterprise and cooperative investment increased slightly, with a greater share of the enterprises' own resources and with credit approved on the basis of stricter criteria. A substantial proportion of the development projects served to increase export allocations, directly or indirectly.

The decline of investment outlays was not general. In some branches--in the chemical industry, agriculture, domestic trade, and also in the area of education and health care--investment outlays rose.

## Population, Mobility, Employment

The slow population growth of recent years changed to a decline in 1981. On 1 January 1982, Hungary's population numbered 10,711,000, which was 2,000 fewer than a year earlier. There were 143,000 births in 1981, 5,800 fewer than in 1980. Fewer women of child-bearing age were the primary cause of this decline. There were 145,000 deaths in 1981, the same number as the previous year. The infant mortality rate declined further: to 20.6 infants under 1 year of age per 1000 live births, from 23.2 in 1980.

On 1 January 1982, the number of persons gainfully employed was 4,995,000 or 46.6 percent of the population. During the year, their number declined by 20,000 or 0.4 percent. The cause of this decline was that attrition due to retirement or death exceeded the number of youths joining the workforce and the number or mothers returning from infant-care leave.

The regrouping of employment among the branches of the economy continued in the same way as in years past: employment declined in the productive branches and rose in the nonproductive branches. Within the productive branches, employment declined slightly in industry, the construction industry and in transport and communications, but rose slightly in trade and significantly in agriculture.

As of 1 July 1981, the changeover to a 5-day workweek began at continuously operating plants and at plants working three or more shifts per day. At the end of the year, about 900,000 persons worked a five-day week, and preparations were made for a general changeover to a five-day week at the beginning of 1982.

## Personal Income and Consumption

Average monthly earnings per worker or employee were 4720 forints, including supplementary pay. In nominal terms this was more than 6 percent higher than in 1980. In the agricultural cooperatives, average earnings from joint farming--again including supplementary pay--rose by not quite 8 percent, to 4230 forints.

Social cash benefits rose by more than 8 percent, to 19 billion forints. The amount of benefits in kind--health care, education, cultural services--likewise rose.

A total of 61 billion forints was paid out in pensions, 9 percent more than in 1980. The fact that the number of retired persons increased by 49,000 in one year, to 2,131,000, and also higher pensions for the new retirees played a role in this. A contributing factor was that the minimum annual rise in pensions is 100 forints per month as of June 1981, in comparison with 70 forints a month previously. Simultaneously the allowance for the retired person's spouse was increased by 100 forints. In 1981, the average pension per retired person was 2415 forints.

The state paid out 14.6 billion forints for family allowances in 1981, which represents a growth rate of 8 percent. Infant-care aid totaled 3.7 billion forints, slightly less than in 1980. At the end of 1981, a total of 241,000 mothers were claiming infant-care aid, 13,000 mothers fewer than in December 1980.

Considering the growth rate of total income, which is the sum of earned income and social benefits, and on the basis of the 4.6-percent rise of the consumer price level, the growth rate of per capita real income was 2.2 percent on average for Hungary.

Total personal consumption rose by 2.4 percent. The increase manifested itself mostly in the turnover of domestic trade. By intensifying its procurement and expanding its stock, domestic trade improved supply. The retail turnover was 3.4 percent higher than in 1980. Sales of food and gustatory products rose by 2 percent; clothing sales, likewise by 2 percent; and sales of sundry industrial goods, by 5 percent.

The net increase in savings deposits during the year was 14.8 billion forints, to a total of 160.1 billion forints on 31 December.

Health Care, Education

The personnel and institutional conditions of health care improved further in 1981. The number of doctors per 10,000 population rose above 29. The number of hospital beds increased by 1,200. Sixty-eight new general-practitioner and pediatrician districts were formed. The number of unfilled vacancies for district doctors declined.

Day-nursery capacity increased by 3,300 cribs. At the end of 1981, 68,000 day-nursery cribs were available.

The number of kindergarten places increased by 15,800, to a total 401,000 at the end of the year. In the corresponding age group, 82.8 percent of the children attended kindergarten. The overcrowding of kindergartens eased.

Enrollment in day classes of general schools increased by 51,000 in the 1981-1982 school year. Of the students leaving the 8th grade of general school, 93 percent are continuing their studies, in secondary schools and vocational schools, approximately in a ratio of 50:50. In comparison with the preceding school year, enrollment increased slightly in vocational schools and in the day classes of secondary schools. Last year, 68,000 students successfully graduated from secondary school, including 42,000 full-time students. The number of graduates who studied in evening classes or correspondence courses is 2,600 fewer than in 1980.

There are 102,600 students enrolled in higher educational institutions, 1,400 more than a year earlier. The nation's various higher educational institutions awarded diplomas to 25,200 graduates, of whom 14,700 had been full-time students.

The number of general-school classrooms increased by 1,700 over the previous year. The number of general-school teachers increased by 2,600, to 78,000. There are 16,000 teachers in secondary schools, 500 more than in the previous school year.

Social provisions for students improved. Of the students of general schools, 39.9 percent receive meals in daytime homes, as compared with 38.2 percent in 1980. The proportion of apprentices and university students living in apprentice homes and residence halls rose, and the proportion of secondary-school students in such accomodations dropped slightly.

Tourism

In 1981, 14.8 million foreigners visited Hungary, 850,000 or 6 percent more than in 1980. This includes 10.5 million tourists, 11 percent more than the previous year. The average tourist spent 7 days in Hungary.

During the year, Hungarian citizens took 5.5 million trips abroad, 7 percent more than in 1980. In 1981, net revenue from tourism was greater than the year earlier.

About 1000 beds were added to hotel capacity in 1981. Other commercial accomodations --tourist homes, summer cottages, camps, and households accepting paying guests--increased their capacity by 19,000 beds.

Budapest, 5 February 1982.

1014
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## RESULTS OF ENERGY CONSERVATION PROGRAM VIEWED

Budapest PENZUGYI SZEMLE in Hungarian No 1, Jan 82 pp 3-7

[Article by Dr Laszlo Kapolyi, state secretary, Ministry of Industry: "Results of Implementing the Energy Conservation Program"*]

[Text] On 24 December 1980, the Council of Ministers approved the energy conservation program of the government for the Sixth Five-Year Plan and the action program establishing the basis for implementing it. The goal of this program is to moderate the increasing rate of energy consumption and to change the structure of energy consumption and energy sources, in the interest of increasing the ratio of our domestic energy resources (coal, natural gas, and nuclear energy) and to decrease the amount of imported petroleum and petroleum products. The program budgeted 30 billion forints of investments for the plan's time period for the developments needed to reach these goals. Half of this will be used to finance major investments by the state for improving the production of natural gas and increasing the production of inert gases and electrical energy, while the other half was earmarked for energy rationalization investments by the enterprises (aimed at energy savings and replacement of energy sources). Of this latter, the enterprises will receive 6.4 billion forints as state subsidy, while 8.6 billion forints will become bank loans and private resources of the enterprises. An announcement for competitive bids was announced in November 1980 for the opportunities of taking advantage of the state subsidy and loans. Normative requirements which are required to obtain the state subsidy and loans were specified in this.

Results of the program's beginning can be summarized in the following:

It is projected that in 1981 the country will have used significantly less energy than was predicted in the calculation material of the national economy's Sixth Five-Year Plan. It is expected that this favorable process will continue and the energy consumption of the 1982 economic year will also be significantly lower than the plan.

The decrease in the consumption of energy sources can be traced back in part to moderation and changes in the extent and structure of economic growth as compared

*Study based on a report delivered to the Industrial Committee of the National Assembly (on 18 October 1981).

to the plan—of the volume of energy-demanding products within the industrial production. But beyond this, the energy rationalization, conservation and price measures which were motivated by recognition of financial reasonability and by the positive changes in social awareness, also have an effect on the decreasing demand for energy.

The program projected a savings of about 50 PJ [pitaJoules=$10^{15}$ Joules] of energy per year (12 Pcal [pitacalories=$10^{15}$ calories] per year) by the end of the plan period as a result of the energy rationalization activity.* For the first years of the plan period a savings of about 8.4 PJ per year (2 Pcal per year) was projected from these savings.

Table 1.

11 M. e.: PJ (Pcal)

| 8 Energiafelhasználás csökkenése | 9 PJ-ben | | 10 Pcal-ban | |
|---|---|---|---|---|
| | 1981 | 1982 | 1981 | 1982 |
| 1. A gazdasági növekedés mértékének csökkenése következtében | 13,4 | 23,9 | 3,2 | 6,7 |
| 2. A termelésszerkezet változása következtében | 5,4 | 7,5 | 1,3 | 1,8 |
| 3. Tervezett energiatakarékossági tevékenység mértéke | 8,4 | 8,4 | 2,0 | 2,0 |
| 4. Energiaracionalizálási beruházások terven felüli eredményeként | 3,3 | 6,3 | 0,8 | 1,5 |
| 5. Szervezési intézkedések révén és az ár- és egyéb ösztönzők hatására | 15,5 | 12,6 | 3,7 | 3,0 |
| 6. A tervhez képest összesen (1+2+4+5) | 37,6 | 50,3 | 9,0 | 12,0 |
| 7. Az energiagazdálkodási program végrehajtásának eredményeként összesen (3+4+5) | 27,2 | 27,2 | 6,5 | 6,5 |

Key:

1. Due to decrease in the extent of economic growth
2. Due to changes in the production structure
3. Size of the planned energy conservation activity
4. As result in excess of the plan of the energy rationalization investments
5. By means of organizational measures and due to the effect of price and other incentives
6. Total, in comparison with the plan (1+2+4+5)
7. Total, as a result of implementing the energy management program (3+4+5)
8. Decreases in energy consumption
9. Expressed in terms of PJ
10. Expressed in terms of Pcal
11. Units of measurement: PJ (Pcal)

*1 Pcal=4.18 PJ

Note: It can be seen in Table 1 that the above savings of energy sources contain the direct savings of energy sources which appear at the consumer [level] and do not take into consideration conversion and transportation losses. With these, the value at the national economy's level can be increased by about 10 percent.

Thus, energy consumption is decreased by several factors. Table 1 shows the effect of these on decreasing the energy demand.

In addition to decreasing the growth rate of energy consumption, that is, the absolute conservation of energy, the program also prescribed changes in the structures of energy consumption and energy sources, in the interest of decreasing the import of petroleum and petroleum products. Within our resources of energy bearers, Table 2 shows the ratio of domestic and imported energy sources.

Table 2.

| | 1978 | 1979 | 1980 | 1981 |
|---|---|---|---|---|
| Domestic production, percentage | 52.9 | 49.0 | 47.7 | 48.4 |
| Imports, percentage | 47.1 | 51.0 | 52.3 | 51.6 |

The ratio of energy source imports reflects the increase in the imports of electrical energy and natural gas (Orenburg). The import of these two energy sources from the Soviet Union economically improves the structure of our energy sources even at today's world market prices. The increase in the ratio of domestic production beginning in 1981--which will be relatively small for the time being--is the result of increased production in the domestic coal mining.

The composition of our energy resources, broken down by types of energy bearers, developed as shown in Table 3.

Table 3.

| | 1978 | 1979 | 1980 | 1981 |
|---|---|---|---|---|
| Coal types, total | 30.0 | 28.9 | 29.0 | 29.7 |
| Hydrocarbons, total | 64.5 | 64.3 | 63.3 | 61.9 |
| Of this: liquid | 40.7 | 39.8 | 36.2 | 34.8 |
| gaseous | 23.8 | 24.5 | 27.1 | 27.1 |
| Miscellaneous (imported electrical energy, fire wood, etc.) | 5.5 | 6.8 | 7.7 | 8.4 |
| Total | 100.0 | 100.0 | 100.0 | 100.0 |

Table 3 shows well the process by which the first favorable results of conservation and structural changes appeared first in 1979 in our energy management, and as a result of this the ratio of liquid energy sources (petroleum and petroleum products) in our energy balance decreased from 40.7 percent in 1978 to 34.8 percent in 1981.

Detailed implementation of the government's energy-management program was defined in our Action Program. Its implementation is in progress with great enthusiasm. There are already results and experiences gained in connection with the implementation of the goals of energy rationalization and energy technology development as well as of the industrial background. The most important ones of these are:

--By 10 October 1981 bank contracts have been signed for the implementation of 198 investments worth 4,151,000,000 forints. As a result of which in the following years of the plan time period a saving of energy sources with an equivalent heat value of 7.53 PJ per year will take place, and in addition to this 2.6 PJ per year of heating oil, 3.0 PJ per year of metallurgical coke, and 0.4 PJ per year of household coke will be replaced with other types of energy sources.

--An additional 16 enterprises will implement energy-rationalization investments with their own resources and without taking advantage of subsidies, in the amount of about 630 million forints. This is expected to result in savings of about 1.2 PJ per year in 1982.

--Energy-source savings of 6.3 PJ per year (1.5 Pcal per year) are expected in 1982 by energy-rationalization applications submitted and accepted thus far. This value includes those energy-rationalization investments which will begin to operate by 1 January 1982. By speeding up the program and with the investments which will begin to operate after January 1982 the expected savings will be 3.5 Pcal per year in 1982.

--In the interest of fulfilling the goals of the program, it would be important to speed up the studies of identifying energy losses. Based on these studies the interested enterprises can work out their energy-rationalization proposals for energy conservation, decreasing specific energy consumption, and economical energy-source replacements.

--The fact that in 1981, due to budget shortages, the Hungarian National Bank [MNB] did not issue loan contracts for applications which would have realized in mostly fuel oil replacements of about 160 TJ per year [teraJoule=$10^{12}$ Joule] temporarily put the brakes on the process of the energy rationalization program. This temporary slowdown was ended in October 1981 when the National Development Bank [AFB] transferred funds to the MNB to enable it to finance these applications.

--The concept which, at the start of the program, qualified the energy-source substitutions unfavorable and excessive also slowed down the implementation of the energy rationalization program. It is unanimously accepted today that energy-source replacements in the favorable direction (replacing oil products with coal, natural gas or agricultural byproducts) serve the goals of the energy-rationalization program if they satisfy the normative requirements.

In summary: the following tasks must be carried out in 1982 to implement the energy-rationalization goals of the Sixth Five-Year Plan's energy management program:

--the ministries which use significant amounts of energy, by accelerating their studies to identify losses, by the beginning of next year should identify application opportunities to result in the appropriate amount and proper level of absolute energy-source savings and replacements, and should help finalize these contracts;

--by taking advantage of still-unused state subsidies and loans, bank [loan] contracts should be negotiated for as economical investments as possible;

--the evaluating organs (OEGH [National Energy Management Authority], MNB, AFB) will accept proposals aimed at insuring implementation of the national economic goal in an accelerated process and will within a short time finalize appropriately supported contracts.

Equipment incorporating modern energy-management requirements is for the most part available in sufficient quantities to implement the manufacturing and product-improvement tasks included in the energy-management program. Some of these (gas appliances: stove, room heater; electrical appliances: stove, hot plate; oil-fired room heaters; solid fuels: stove) are also available to the population in sufficient numbers.

Supply is not yet satisfactory in several appropriate-quality gas and electrical appliances, and automatic condensate water drains. The supply of solid-fuel room heaters is not satisfactory either from the quantity or the quality viewpoints. Efforts must be made to eliminate these--some quantitative, and some qualitative--shortages.

In agriculture, the technological developments needed in the interest of moist storage of grain crops and utilization of byproducts in energetics, as well as the establishment of quality-control measures on the equipment have expanded during the year, and in some cases have grown into plant-wide operations. The farms are accomplishing this partly with imported equipment and partly with prototypes and experimental samples of domestic technological growth. Implementation of the program is progressing at a good rate.

The action program's organizational measures fostering energy savings resulted in 1981 in significantly higher energy-source savings and replacements than had been projected. This saving became possible--due to the effect of price measures--primarily by eliminating waste, making the control discipline more strict and more reasonable, and by traffic and plant organizational measures; and by decreasing specific energy consumption resulting from these. It is very important that these savings continue to be made, that in 1982 the measures continue to exert their favorable effect.

Decreasing the burdens of energy imports on the national economy is an important goal, and therefore it is desirable to expand the program in 1982 and speed up its implementation. To this end, while we preserve the results already achieved through organizational measures, it is necessary to open up additional conservation and substitution opportunities, but it must also be considered that the growth rate of savings attainable through organizational measures--without investments--will decrease in the future.

The branch ministries issued information about the goals of the energy-management program to the branch trade unions so that these could be taken into consideration in organizing and managing the labor competition, the innovation movement and the brigade movement.

The MTESZ [Federation of Technical and Scientific Associations] continues the activity it started. Three rounds of the energy-conservation competition announced by the federation have been completed. The energy-saving opportunities brought to the surface by the competition entries brought results which form an organic part of the energy-management program and are in close harmony with it. The enterprises incorporated the opportunities opened up by the competitive entries into their energy-management plans, and as a result of their implementation 4.18 PJ per year of savings have already been realized. Additional energy-source savings of 4.6 PJ per year can be expected in 1982.

In the future, the MTESZ plans to announce one round of competition per year within the framework of a modernized competition system. The regional organs of MTESZ will continue to take an active part in helping to implement the energy-management programs of the megye councils.

The IpM [Ministry of Industry] and the KISZ [Hungarian Communist Youth League] Central Committee have signed an agreement in which the KISZ has agreed to perform significant energy-management tasks. The IpM has prepared its proposal of specific tasks and delivered it to the KISZ Central Committee. According to the proposals, the energy-management bureau--now in the process of organization--operating side by side with the KISZ Central Committee will assist implementation of the program by collecting energetics information, performing waste-analysis studies, developing specific energy-consumption indices and social supervision of the observation of energy-conservation regulations.

In summary, it can be concluded that the startup of the Sixth Five-Year Plan's energy-conservation program can be considered successful. Decreasing energy consumption and shifting the structure of energy sources in a favorable direction were successfully accomplished to a greater extent than the program's original goals specified. But decreasing the national economy's burdens which derive from the import of energy sources makes it necessary to expand and accelerate the program. Both the enterprises and the directing organs will have to make additional efforts to accomplish this.

8584
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## GOVERNMENT MOVES AGAINST EXCESSIVE PRICE INCREASES

Warsaw ZYCIE WARSZAWY in Polish 1 Feb 82 p 3

[Text] The government Press Office has informed the nation about actions taken against excessive price increases for market goods. As a result of the numerous cases of significant and unjustifiable price increases for manufacturing goods set by producers, a Price Inspectorate has been established, whose goal is to halt excessive increase in prices.

The resolution by the Council of Ministers calls for a Price Inspectorate whose task will be:

- to control conformity in price calculations, based upon the need to set official and regulated prices;
- to control the level of prices, costs and profitability of goods and services, for which prices are agreed and free;
- to determine whether obligatory prices are honored; and
- to prepare periodic evaluations about the state of discipline in prices set by producers and service centers.

The above tasks of the Price Inspectorate will be carried out through a cooperative effort with the state's field administrative organs; financial, ministerial and social organs; and also with organizations acting to defend the public interest; e.g., the Consumers' Federation.

The Price Inspectorate has also recommended joint action with the State Trade Inspectorate and the Polish Committee for Standardization, Measures and Quality so as to increase the protection of buyers from excessive prices or lower quality of goods without a corresponding price reduction.

Violation of the principle of price stabilization will be punishable by financial and service sanctions. Producers will pay to the central budget an amount equal to 150 percent of the profit derived from violating calculating regulations or set prices.

The Price Inspectorate also will go to the chairman of the State Price Commission with the conclusions made as to the elimination of the right of producers to set agreed and free prices.

In accordance with the decision made by the Economic Committee of the Council of Ministers, an interministerial team was called to coordinate the work on the

methodology of price creation, and also to introduce schooling and instruction in this area.

On 26 January 1982 the team recommended to economic-type ministries that they establish principles for calculating costs in setting free prices. Particular attention was paid to eliminating from calculation the costs of reserves like:

- too high of an increase in salaries, based upon respect;
- unjustifiable increase in work shifts and job classifications, without consideration of labor productivity;
- acceptance in calculations of significantly higher losses for deficits than in previous years.

The ministries of the light and chemical industries, as well as metallurgy and the machine industry, were given information about glaring examples of the level of price increases for some market goods for the purpose of introducing an analysis and eventual verification of their level.

Likewise, the State Price Commission is introducing a multiple control activity based upon:

- a constant observation and analysis of the level of free prices; and
- upon sending inspectors to the enterprises producing market goods, after receipt of information regarding glaring price increases.

In the course of the price inspections, a method will be introduced to set new prices, honesty and correctness in calculating costs and adherence to profit regulations, turnover tax and margin of profit. At present, price calculations are taking place at 90 enterprises.

Stipulations have been announced for several prices on market goods. As a result of inspections, many plants now verify their cost calculations. A portion of those prices set at too high levels has been reduced.

Here are several examples of prices lowered by some enterprises as a result of inspections made by the State Price Commission. The knitting plant LUBGAL in Lublin is lowering its price for women's skirts from 1,100 zlotys to 910 zlotys and children's skirts from 230 zlotys to 198 zlotys. Prices for nine other products were lowered. The Lublin Buczek plant, which produces leather products, lowered the prices of its suitcases from 1,350 zlotys to 1,050 zlotys and travel bags from 1,400 zlotys to 950 zlotys. The Gansk knitting enterprise FALA, which produces girls' pullovers, lowered its price from 980 zlotys to 600 zlotys. Also, ZPP ZYNTEX in Lowicz changed the original prices on several goods; e.g., men's wool and elastic socks from 95 zlotys to 52 zlotys.

The State Price Commission also has set into motion a system of current information on the level of prices for new industrial goods appearing in stores throughout the country, as well as the degree of demand for those goods.

9807
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## FEED SHORTAGE AFFECTS MEAT PRODUCTION

### Poultry Production

Warsaw ZYCIE WARSZAWY in Polish 11 Dec 81 p 6

[Article by L. Bojko]

[Text] I cannot remember such clashes and so large a press conference in the Ministry of Agriculture, and I remember a lot of them. The storm broke over the issue of poultry producers, who caused alarm by reason of reduced feed deliveries, which can lead to a significant reduction in poultry deliveries in the market. The problem in essence is unsettling, because a considerable reduction of poultry deliveries will be added to the lack of pork, beef, milk, butter and cream. In the fourth quarter of this year, the poultry industry has guaranteed deliveries of 590,000 tons of feed and 36,000 tons of grain, from which 122,000 tons of meat will be produced. In the first quarter of next year, the share of feed was limited to 530,000 tons, which will cause a 25,000-ton reduction in chicken production.

This decline in production still would not be so worrisome, but in March a real poultry crisis may await us, as the initial signs of a reduction in feed deliveries will show up at that time. The Ministry of Agriculture estimates that poultry production in January and February will be 78,000 tons, while in March it could fall to 6,000 tons. The problem--like the majority of our current problems--originates in the balance of payments. The issue is that all feeds for chicken production are imported and paid for with dollars. Each kilogram of chicken costs us $1; for 122,000 tons of poultry, we have to pay in the fourth quarter $122 million. Of course, a portion is paid in cash and the balance on credit which we shall have to repay with interest. The whole thing comes down to whether or not Vice Premier Zbigniew Madej, who is currently in the United States, will obtain credits to purchase corn and other feed products. And even if he gets the credits, will we make it in time to get the feed across the Atlantic?

The Ministry of Agriculture warned the POLDROB association about the eventual threat of a feed shortage. The association in turn alarmed the producers, who in turn used every means possible to alarm society. And society is alarmed.

The bottom line is that now not everything depends on the minister of agriculture, but rather on the vice premier and the American negotiators, because the basic component of feed is corn, which--despite all sorts of attempts and financial outlays--has refused to grow in Poland. Again we are trapped--either we pay out several million dollars to import feed for poultry farms or we shall not have any chicken in March. I know life, and I believe that the latter alternative will not happen. After much press pressure, our negotiator already has received instructions not to return without corn, so we shall eat another share of our dollars. It cannot be ruled out that as a result we shall have a dollar shortage for the import of feed for pigs or worse--grain for consumption.

I for one can only express my regret that in no other production area have the farmers been able to bring out such a large societal resonance. Let us recall the uproar last year concerning pigs, when in the Sejm one of the vice premiers proposed the old Polish dish--baby pig with buckwheat grits. At the time, the issue was also assistance and prevention of a crisis that was far worse than the current one with poultry. It could have been avoided by increasing feed deliveries for producers of sows and pigs, among others, at the cost of the poultry industry. It was not done, the uproar over pigs subsided quickly, the farmers slaughtered the sows and now the price of pigs is often 10 times higher than that of last year.

There was also no success in organizing milk producers to force production not of milkers but rather of carriers, and the production of hygenic means fell as a result of the lack of even smaller quotes for the import of indispensable components. This year, a significant portion of our potatoes is spoiling because we have not succeeded in preventing potato blight, as means for import... These issues concern all farmers on 3 million farms. Poultry is produced on 2,200 farms, of which one-third are collectivized and the remainder are in private hands. The subject of a separate article--why did we fall into the current "poultry trap"? Why were we forced into a 100 percent import-inclined production? Why did we have the green light to move all possible credits in the banks during a time when the farmers could not obtain help to remodel the cow shed? Let us add that if this production had anything in common with agriculture, it was only with American agriculture. In Poland, we could have developed it anywhere, even on Defilade Square in Warsaw, or better yet--near the port so as not to transport feed around the country. Farm owners do not have any feed base. Everything for production comes from industry.

For today, let us state a simple fact--we are in a trap.

## More Grain Needed

Warsaw TRYBUNA LUDU in Polish 5 Jan 82 pp 1, 2

[Article by Ewa Fiala; portions in slantlines printed in boldface]

[Text] /Our interests and emotions with respect to the food market are concentrated above all on meat and meat products.

This is understood and based upon many considerations. Fundamental among them is the fact that it is simply difficult to purchase meat./

But meat and all animal products making their way to the market are "products" of feeds. And of these feeds, the basic and most valuable is grain. It can thus be said that everything begins from grain. Therefore, our interest should be concentrated on grain. This is especially true now, as there are enormous problems with it; in essence, there is not enough grain for meat and other animal products, and not enough grain for flour, cereal, macaroni and bread.

/The grain-fodder balance for this year (counted in agriculture from 1 July 1981 to 30 June 1982) stands at 9 million tons of grain and 1.5 million tons of feed components. We need this much. To a large degree, imports are supposed to guarantee our needs./ It is estimated that we purchase from abroad 5.5 million tons of grain and 1.5 million tons of corn components. We need to buy 3.6 million tons of grain from the farmers. /Unfortunately, none of these entries is certain./

Imports to date are about 3 million tons, and further deliveries are very problematical. This is not only because of the country's payments situation, but also because of the economic restrictions placed on Poland, above all by the United States. Grain purchases in Poland are going very sluggishly.

Of the 1980-81 harvest, farmers sold to the state 1.4 million tons, although there were contracts for about 1 million tons more. Recently taken actions to require the administrations of production organizations and buyers to guarantee the implementation of the contracts by 15 February at the latest have brought very paltry results. Grain purchases continue to be low.

/And after all, it is not true that there is no grain in the country./ Last year's harvest was not outstanding, but 20 million tons cannot be regarded as nothing. Even acknowledging a certain error in this calculation, and adding the actual state of stock, it must be accepted that there is more grain in the granaries than is necessary for the farmers' own needs, including fodder for inventory.

Why do the farmers not wish to sell grain? Simply, they regard it as the best investment of money. But they are making a mistake as a result of ignorance. The farmers do not know that from November, as it appears, for each kilogram, quintal or ton of grain, they will receive next year's price. Information about the revaluation (or, in other words, payments for used quotas)--beginning 1 November 1981--for agricultural products sold to the state, which will be squared as soon as the new prices take effect, did not reach all interested parties.

Deficiencies in the state granaries, which were projected by problems with grain for basic market goods produced from grain, lead to irritability. Feed problems increase it. Counting what is "in the hand," one cannot guard against the worst-case scenario; i.e., 1) there will not be enough grain for bread, and 2) grain needed to feed stock will be even more needed, as those farmers with stock do not always have grain.

/However, grain is not an obligation placed upon the farmer, but it is a necessity required for societal needs and it must be found where it should be--in mills, stores and bakeries. How can this be done?/

If information concerning the November revaluation of used quotas has not yet reached everyone, then the first thing to do is inform each farmer in each village about it. But there is still one other issue--the concept that was born not long ago in opposition to the government's decision to revalue used quotas; i.e., the so-called GRAIN LOAN.

What was supposed to have been its basis? Vice voivodes dealing with agriculture just before the beginning of the new year had a meeting at the Ministry of Agriculture and the Food Economy, where the concept was introduced. Initial opinions were positive.

/The grain loan was supposed to have been based on the sale of grain to the state not for cash (although it was possible, of course), but rather for bonds and I.O.U.'s that would be honored in 1983-85 for prices existing at that time./ It was to have been an honest transaction and so profitable for the farmers that they could have obtained production means more easily through "loaned" grains. It was also possible to think about whether it would have been useful and possible to award a bonus with attractive industrial goods for the farm or the rural household.

There is probably no other sensible way to obtain grain. What the farmers need to buy from the state is no longer for sale, as it is not within the capacity of industry to produce it. It is thus necessary to set demand aside for the time being so as to create the conditions whereby--let us hope--this will be real.

On the other hand, there is a real possibility today of purchasing grain from the countryside. If the farmers were "to loan" about 3 million tons of grain (i.e., the same amount they sold in previous years), then the possibility would exist to meet the country's most urgent needs.

To be sure, the material chances for such a solution exist. It is necessary to create a certain "loan" climate in the countryside. The bottom line, as always, should be to inform the farmers about the proposed concept's principles. However, along with this is the need to change the attitudes of the people in the countryside.

## Insufficient Procurement

Warsaw TRYBUNA LUDU in Polish 5 Jan 82 pp 1, 2

[Portions in slantlines printed in boldface]

[Text] /The supply on the market of basic food stuffs like meat, milk and its byproducts, potatoes and farinaceous goods depends primarily on the purchase of agricultural products./

Last year's procurement of animals for slaughter, milk, grain and potatoes on a national scale was unsatisfactory and lower than requirements, although there are regions where despite many difficulties, the annual plan for the procurement of some agricultural products was met. Among others, the annual plan for the procurement of animals for slaughter was met by farmers in Pila Voivodship, which delivered 71,600 tons of meat (about 1,200 tons more than anticipated) to the county procurement points.

In other regions, the situation varies considerably. For example, in Ciechanow Voivodship, the increased movement of animals for slaughter in procurement points was noted only during the second half of December 1981. At the beginning of December, farmers delivered daily to the state 350-400 porkers and about 40 cattle. In the last days of the past month, procurement points in Ciechanow Voivodship accepted daily over 1,200 porkers and 150 cattle. The higher procurement of animals at the end of December, however, could not overcome the procurement deficit for the month. /In Ciechanow Voivodship, the procurement of porkers and cattle met 63 and 56 percent of the plan, respectively./

A similar situation exists on a national scale. /In 1981, procurement of animals for slaughter from private farmers and collectives together reached over 1.46 million tons of meat, which was over 30 percent less than last year. Such low meat procurement has not been noted since 1973./ On the last day of December 1981, procurement points accepted from farmers about 2,000 tons of animals for slaughter. At present, the market's daily needs for meat stand at 6,000 tons.

On the other hand, the situation regarding milk procurement is not bad. During the course of the new year's first 3 days, milk collectives accepted almost 54 million liters of milk from cattle producers. On 3 January 1981, 18.8 million liters of milk were procured, or about 420,000 liters more than on this same date last year. This higher level of milk procurement as compared to last year continues. /Therefore, there is hope that during the next few months the market will receive more milk and cheese, both of which are most needed. Thanks to the higher procurement of milk, there should not be any difficulties in supplying milk with 3.2 percent fat for children aged between 1 year and 3 years, and also powdered milk for infants.

/Up to now, farmers have not realized contracted deliveries of potatoes, which had been earmarked for urban dwellers. It is estimated that the potato shortage stands at about 350,000 tons./ The situation is gravest in Katowice, Walbrzych, Bielsko and Warsaw Voivodships. Toward the goal of correcting the potato shortage in the large urban agglomerates, it was decided to continue their procurement throughout the winter. It was also decided to create a constant reserve of 17,000 tons of potatoes in voivodships having surpluses /(e.g., Sieradz, Kalisz, Bialystock, Lomza, Siedlce, Ostroleka, Lublin and Piotrkow)/, from which the stored potatoes will be transported by truck or rail to voivodships where potato shortages exist. The remaining voivodships must either fill their winter reserves or guarantee their current supply by implementing contractual agreements in their own areas. At present, the possibility exists to activate the procurement of potatoes.

/Still at an impasse is the procurement of grain. County procurement points take in daily from farmers 250-300 tons of grain, which is an amount significantly less than the needs of the grain-milling industry./ This is why the urgent necessity exists to implement contracts with farmers for the delivery of grain to the state. Not a small role in this is played by the procurement organization, which must be corrected. Much also depends both on the preparation of threshing aggregates and the introduction of threshing action, as many farmers still have their unthreshed grain in stacks or barns.

## First-Quarter Deliveries

Warsaw TRYBUNA LUDU in Polish 11 Jan 82 pp 1, 2

[Portions in slantlines printed in boldface]

[Text] /Last year's grain harvest and the majority of deliveries to procurement points of all agricultural products for the food industry, including deliveries resulting from con-racts signed earlier and the degree tying farmers to those contracts at present, will decide the level of the market's food supply during this year's first quarter./

Unfortunately, procurement to date has been bad, especially with respect to pork, beef and grain. Prognosis for the next 3 months is also not too optimistic. This is why deliveries of some foodstuffs to supply the market can be lower in the first quarter of the year as compared to the same period last year.

/According to estimates by the Ministry of Agriculture and the Food Economy, the procurement of animals for slaughter, together with poultry, in the first quarter of 1982, should be somewhere over 400,000 tons, and thus it will be almost 180,000 tons less than in the same period last year. The greatest decline--it is almost guaranteed based upon a shortage of imported corn--will be in the procurement of poultry; i.e., about 39,000 tons or 42 percent as compared to the first quarter of last year./ Anticipated 30 percent lower procurement of animals for slaughter, together with poultry, is justified as a result of the contract between the farmers and the government for meat in January and February.

/Therefore, if the situation with respect to the procurement of porkers and cattle is not corrected within the next few months and the ministry's projections are not fulfilled, the market will receive in the first quarter of 1982 about 312,000 tons of meat and its byproducts, or about 68,000 tons less than in the same period last year. Estimated deliveries of poultry for the period are 36,000 tons, or 52,000 tons less than in the first 3 months of 1981./ The greatest decline in poultry deliveries will occur in February and March. If a basic improvement in the procurement of animals for slaughter does not occur, then in January the market will receive about 130,000 tons of meat, but only about 110,000 each in February and March.

/The consequence of a low procurement of pigs for slaughter also will be fewer deliveries of animal fats and bacon.

/The low procurement of grain will have a negative influence on the production and delivery to the market of flour and grain goods./ During the first quarter of 1981, the grain-milling industry delivered 928,000 tons of flour to the market and bakeries; this year it will deliver 892,000 tons. The bakeries using rye and wheat flour are not suffering from this, as in the first quarter of the year they will receive 760,000 tons, or 2,000 tons more than in the same period last year. /On the other hand, deliveries of farinaceous goods to the market will be lower./ During the course of 3 months in 1982, the trade will receive, among others, 11,500 tons of oats (about 500 tons less than last year), 78,000 tons of cereals (over 3,000 tons less) and 22,000 tons of macaroni.

/On the other hand, vegetable oils and margarine are not in bad shape.

/Sugar deliveries this quarter stand at 292,000 tons and they will be about 55,000 tons greater than in the same period last year. However, there will be 11 million fewer liters of alcoholic beverages on the market. The tobacco industry will deliver to the market almost 21 billion cigarettes, or over 1 billion less than during the same time last year./

## Grain Procurement Still Low

Warsaw TRYBUNA LUDU in Polish 11 Jan 82 pp 1, 2

[Article by Wl. Bielski; portions in slantlines printed in boldface]

> [Text] /On Saturday, 9 January 1982, at the session of the Main Committee of ZSL (United Peasant Party) in Warsaw, a meeting of farmers' representatives from the entire country took place--one of the first on such a scale during the martial law period. The farmers were represented by chairmen and members of the producers' associations./

The meeting was chaired by the ZSL vice premier, Roman Malinowski. Others in attendance included the secretary of the PZPR Central Committee, Zbigniew Michalek, and the minister of agriculture and the food economy, Jerzy Wojtecki.

/The most urgent and important tasks of agriculture--immediate and long-term--/ were the primary motivation of the discussions among the farmers and the appearances of Roman Malinowski, Jerzy Wojetcki and Zbigniew Michalek.

/Most attention was paid to the issue of agricultural goods procurement./ Despite the marked improvement in the supply of animals for slaughter during the past few days, the situation with respect to grain procurement continues to be unsatisfactory. From last year's harvest estimated at 20 million tons, farmers set aside--in accordance with contractual agreements--1.35 million tons. /This is a very small amount, especially if it is taken into consideration that the people's consumer needs require the earmarking of 500,000 tons of grain per month. It is also small in relation to the procurement plan, estimated at 3.6 million tons, of which 2.4 million tons is under contract between the farmers and the government./

Because the actual reserves of procured grain, although frequently supplemented by imports, would be sufficient only to the end of February, the minister of agriculture has decided /on the necessary repurchase of the full amount of contracted grain, thus an additional 1 million tons. Realization of this recommendation should be introduced by 15 February of this year./

At the same time--as we already have discussed--the proposal of so-called /grain loans/ was introduced. The farmers who sell to the state by 30 June additional amounts of grain over that contracted for can obtain bonds (rather than cash), which will be repurchased by cooperative banks in 1983-85 for prices existing at that time.

/The bonds will be based on interest rates, just like savings accounts. The value of "loaned" grain sold also will be calculated with respect to the amount of the agricultural pension./ Farmers present at the meeting also proposed that additional sales be tied to the preferential system for purchase of production means.

A particular actuality as regards the problem of grain procurement results from the fact of an essential reduction in import possibilities. /As a result of financial difficulties and the additional burden of restrictions placed on Poland by the American government, the principal plan for the procurement of grain and components abroad (7.5 million tons) was not realized./

Reductions in imports have caused us /to produce about 400,000 tons of poultry less than anticipated/ (chiefly as a result of a corn shortage); /pork production also could see a periodic stoppage./ Most essential is the rational and maximal utilization of grain in production, in order to minimize the chances of unprofitable tendencies in the raising of animals.

Taking into consideration the reality resulting from the balance, a decision was made for /a temporary reduction in meat-rationing quotas./ As is known, this concerns urban consumers for the most part, but also farmers in particular. Owners of farms of more than 0.5 ha in general have been deprived of meat-rationing coupons.

This unpopular, though necessary, decision has caused an understandable controversy which found expression at the Saturday meeting. Minister Jerzy Wojtecki explained that /the reduction in the system of meat rationing in no case will concern infants, retired people and pensioners or farmers without regard for the state of their property./ There is also the possibility of raising the size of farms excluded from the meat rationing system to those over 1 ha.

However, elimination of the period of temporary reductions in meat-rationing coupons will require regular deliveries of agricultural products in the next few weeks and months.

The country's very difficult economic and, in particular, financial situation demands the necessity for understanding /such a production direction so that Polish agriculture may become self-sufficient in supplying feed for raising

animals. This is the primary motivation of solutions proposed for agricultural development in 1982-85./ We shall discuss this issue at a later date; in the meantime, we shall limit ourselves to a few comments.

Within the area of capital investments, preference for land reclamation and water projects are anticipated. As regards organizational efficiency--closer connections between the agricultural producer and the farmer--new contractual principles, including all agricultural sectors and products, are planned. /The principle of giving first priority in obtaining industrial production means to those farmers who realize their contractual obligations will be observed. These farmers will also have first priority in land purchases; e.g., from the state fund./

Those farmers participating in the deliberations accepted the proposals. They also confirmed that despite the numerous difficulties with which rural inhabitants are struggling, the feeling is that discipline in the service of agriculture will lead to an improvement in the social frame of mind in the countryside. In practice, this involves an increase in the number of animals for slaughter and more declarations for increased grain production.

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ORDER ON CUSTOMS EVALUATION RATE FOR IMPORTED GOODS

Bucharest BULETINUL OFICIAL in Romanian Part I No 13, 29 Jan 82 p 2

[Order on the Coefficient for the Customs Evaluation of Imported Goods]

[Text] The deputy prime minister and minister of foreign trade and international economic cooperation and the minister of finance,

on the basis of Decree No 164/19798 on the organization and operation of the Ministry of Foreign Trade and International Economic Cooperation and Decree No 784/1969 on the organization and operation of the Ministry of Finance,

taking into consideration the provisions of Article 24 of the Customs Code of the Socialist Republic of Romania and Article 85 of the Customs Regulation,

in accordance with Article 9 of the agreement on the application of Article VII of the General Agreement on Tariffs and Trade, accepted by the Socialist Republic of Romania in Decree No 183/1980,

issue the following order:

Article 1--In order to determine the customs value of goods imported into the Socialist Republic of Romania, the foreign hard currency prices of these goods will be calculated in lei, on the basis of the customs evaluation coefficient set at 15 lei for 1 U.S. dollar.

Article 2--As of the date of the present order, instruction No 76/1973 of the Ministry of Foreign Trade and International Economic Cooperation and of the Ministry of Finance on the coefficient for customs evaluation is abrogated.

Deputy prime minister of the government and minister of foreign trade and international economic cooperation, Cornel Burtica

Minister of finance, Petre Gigea

Bucharest 31 December 1981
No 88

CSO: 2700/189

NEW REGULATIONS ON SPECIFYING DANGEROUS INDUSTRIAL UNITS

Bucharest BULETINUL OFICIAL in Romanian Part I No 10, 26 Jan 82 p 2

[Council of Ministers Decision Specifying Units With Open Flames or With Installations, Equipment or Machinery Whose Use Presents a High Degree of Danger]

[Text] On the basis of Article 4 of Council of Ministers Decree No 400/1981 on the establishment of regulations on the use and maintenance of installations, equipment and machinery, the strengthening of order and work discipline in units with open flames or with installations whose use involves a high degree of danger, as supplemented by Council of State No 16/1982, the Council of Ministers of the Socialist Republic of Romania resolves:

Article 1--Units with open flames or those which have installations, equipment or machinery whose use involves a high degree of danger, such as combines, enterprises, factories, plants, sections, sectors, workshops or similar production units which have such equipment which is subject to the provisions of Council of State Decree No 400/1981 are specified in annexes 1-78 which are an integral part of this decision. [Footnote] The annexes are being transmitted to the institutions concerned by the General Secretariat of the Council of Ministers.

Article 2--If there are changes in the conditions which have caused the units and subunits to be included in the annexes to the present decree or in their name, address or subordination, the ministries, the other central organs, the executive committees of the peoples councils of the counties and of Bucharest Municipality, with the approval of the Ministry of Technical-Material Supply and Control of the Management of Fixed Assets and the Ministry of Labor, will immediately present corresponding proposals for modifications to the Council of Ministers.

Article 3--Council of Ministers Decision No 211/1981 specifying units with open flames or with installations, equipment or machinery whose use presents a high degree of danger is abrogated.

Council of Ministers of the Socialist Republic of Romania
Prime minister, Ilie Verdet

Bucharest, 21 January 1982
No 6

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# East Europe Report

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2245

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15 March 1982

# EAST EUROPE REPORT

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2245

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GDR SEEKS PARTIAL LIFT OF CEMA INTEGRATION

Munich SUEDDEUTSCHE ZEITUNG in German 9 Feb 82 p 19

[Report by 'W.S. Berlin': "GDR Depresses Deficit in Foreign Trade: Volume 10 Percent Higher in 1981--Plan Not Fulfilled"]

> [Text] The survey of GDR foreign trade which becomes constantly more meager in the GDR plan fulfillment report, this time again was not very revealing. According to the report the volume increased 10 percent even though the plan target was 16 percent. Hence, the plan was not fulfilled.

This is also admitted indirectly, for the report says verbatim: "Some combines and enterprises failed to fully reach the envisaged high goals for exports." But we must do them justice and add that the GDR in 1980/81 scored a remarkable feat in foreign trade. Along with a purposeful throttling of the import increase rates exports were considerably increased. According to a balance sheet now made up by the specialized journal DIE BERLINER WIRTSCHAFT in West Berlin the GDR as early in 1980 succeeded in turning its trade balance deficit with the Western industrial states in the amount of about 770 million dollars into a surplus of just about 70 million dollars. This development continued in 1981.

Even though no exact figures are available it stands to reason that the GDR in 1981 may well have attained a foreign-trade surplus on the whole. After the deficits of the seventies this is all the more remarkable since the GDR's raw-material and energy imports from the Soviet Union continue to involve a price-increase automatism. Logically the GDR imports from the USSR in 1981 again showed an above-average increase. In this connection it is necessary to note that the Soviet Union will decrease its oil deliveries to the GDR by a total of 4 million tons to 17 million tons a year. This entails a certain relief on the GDR trade balance with the USSR which otherwise continues to show a structural deficit.

In order to reduce this deficit vis-a-vis the Soviet Union the GDR under the 5-year plan from 1981 to 1985 proposes to further enhance the bilateral economic relationship with its most important trade partner. While in 1980 the GDR deficit still came to nearly M2 billion in a mutual goods exchange amounting to M42.6 billion or more than one-third of the GDR's total foreign trade volume,

it seems that the GDR managed to reduce that deficit in 1981. In the GDR's foreign trade turnover of M132 billion, which involved an increase by 10 percent, trade with the USSR showed an above-average increase rate of 17 percent to a volume of nearly M50 billion. This is why the proportion of this bilateral goods exchange increased to nearly 38 percent (in 1980: 35.5 percent).

What also fits into this strategy of the GDR which climaxes in the objective of reducing by 1985 the debts vis-a-vis the USSR dating back to the past years of high trade balance deficits in the bilateral goods exchange, is the attempt to partially revoke integration within the framework of CEMA. It is not just in the case of Poland that the responsible people in the GDR in individual cases gathered unfavorable experience with respect to the quality and promptness of deliveries by the cooperation partners.

CSO: 2300/158

REPORT ON FULFILLMENT OF 1981 ECONOMIC PLAN

Sofia RABOTNICHESKO DELO in Bulgarian 3 Feb 82 pp 1, 2

[Report published by the Committee for the Unified Social Information System: "A Happy Accounting, Full-Scale Development; Results from the Fulfillment of the 1981 Bulgarian Unified Socioeconomic Development Plan"]

[Text] During the jubilee year of 1981, as a result of the developed socialist competition and the high labor enthusiasm of the labor collectives, in carrying out the decisions of the 12th BCP Congress, they have successfully fulfilled the Bulgarian socioeconomic development plan. The economy has continued to develop steadily. New qualitative changes have occurred in the development of the material and technical base and in raising the standard of living of the people. This has been the result of the further intensification of the national economy and of the consistent application of the economic approach and its mechanism.

The plan was fulfilled for the production of national income with its volume, according to preliminary data, reaching 22 billion leva in current prices. The fixed capital in the national economy at the end of 1981 was 82.7 billion leva.

The annual plan was also fulfilled for social labor productivity and profit. The realized above-planned profit amounted to 470 million leva and this was to a significant degree due to the reduction in material expenditures.

The production programs for industry, construction, transportation and communications were overfulfilled. The plan for introducing scientific and technical achievements into practice was fulfilled by 107.5 percent. Some 1,407 new and improved production methods were introduced along with 1,230 new and improved articles and 551 plans for automated system.

There was the further comprehensive satisfying of the material, spiritual and social needs of the people. Over 75 percent of national income went into the consumption fund.

Real per capita income increased by more than 3 percent.

More locally produced goods were available to the public. The domestic market was more dependable, richer and more diverse.

## I. Industry

The economic organizations and divisions fulfilled their annual plans. In comparison with 1980, industrial product increased by 5.6 percent. The production of electric and thermal power rose by 6.8 percent, ferrous metallurgical products by 6.4 percent, machine building and metalworking products by 6.6 percent, the products of the electrical engineering and electronics industry by 10.1 percent, the chemical and rubber industries by 11.1 percent, the light and food industries, respectively, by 5.4 and 3.2 percent.

The fulfillment of the plan for sold commodity product and the production growth rate for the ministries was as follows:

(in percent)

| | Fulfillment of annual plan for sold commodity product | Total industrial product 1981 over 1980 |
|---|---|---|
| Ministry of Power Supply | 101.4 | 105.7 |
| Ministry of Chemical Industry | 101.2 | 106.9 |
| Ministry of Machine Building and Electronics | 101.3 | 107.9 |
| Ministry of Light Industry | 102.5 | 105.6 |
| National Agroindustrial Union | 101.1 | 103.5 |
| Ministry of Construction and Architecture | 100.0 | 105.3 |
| Ministry of Metallurgy and Mineral Resources | 98.2 | 103.5 |
| Ministry of Forests and Forest Industry | 100.8 | 104.8 |
| Ministry of Internal Trade and Public Services | 104.3 | 106.1 |

The needs of the national economy were more fully satisfied for the more important raw products and materials as well as for commodities going to the domestic market and exports.

The production of certain basic industrial products was as follows [see the next page]:

The plan was also fulfilled for the production of cranes, high-voltage circuit brakers, cables, plated sheet, digital program devices for metal cutting machines, household glassware, silk textiles, tobacco goods and so forth.

A number of economic organizations did not reach their planned quotas for the production and sales of important products for the national economy, including: conversion iron, rolled ferrous metals, ingot steel, structural shaped steel, unit-head machines, electric tools, polyvinyl chloride, softwood lumber and pieces and chipboard panel.

| | Produced product | 1981 in % of 1980 |
|---|---|---|
| Electric power, million kilowatt hours | 36,964 | 106.1 |
| Rolled ferrous metals, 1,000 tons | 3,350.8 | 104.3 |
| Electric hoists, thousands | 125.7 | 100.3 |
| Battery operated plant trucks, thousands | 40.7 | 92.8 |
| Internal combustion engine plant trucks, thousands | 21.0 | 96.8 |
| Power transformers, thousands | 8.4 | 110.2 |
| Soda ash (98%), thousand tons | 1,468.7 | 99.3 |
| Nigrogen fertilizers (100%, including carbamide), 1,000 tons | 752.8 | 103.1 |
| Chemical fibers and rayons, 1,000 tons | 101.3 | 106.3 |
| Paper, 1,000 tons | 343.9 | 108.8 |
| Pulp, 1,000 tons | 222.4 | 103.2 |
| Cement, 1,000 tons | 5,443.4 | 101.0 |
| Cotton textiles, million meters | 352.5 | 102.3 |
| Woolen textiles, million meters | 37.8 | 97.9 |
| Silk textiles, million meters | 35.3 | 105.4 |
| Footwear (excluding slippers), 1,000 pairs | 18.7 | 104.1 |
| Meat, 1,000 tons | 476.3 | 102.2 |
| Meat products, 1,000 tons | 94.2 | 102.9 |
| Butter, 1,000 tons | 20.7 | 96.4 |
| Vegetable oils, 1,000 tons | 142.5 | 91.1 |
| Canned vegetables, sterilized, 1,000 tons | 293.5 | 103.0 |
| Canned fruits, 1,000 tons | 308.8 | 116.5 |

During the year the industrial enterprises introduced 225 mechanized flow and automated lines and 149 sections, shops and production lines with fill mechanization and automation.

The costs of industrial products have declined. The efficiency of industrial production has risen.

Some 380 million leva of above-plan profits have been realized.

## II. Agriculture

Total agricultural product increased by about 4 percent in comparison with 1980.

Production increased for the basic agricultural crops. In comparison with 1980, grain production was 11.4 percent higher, for sunflower 17.9 percent, for Turkish tobacco 7.8 percent, for vegetables 5.9 percent and for fruits 11.3 percent. Regardless of the increased production, the plan for a number of crop products was not fulfilled mainly due to the smaller planted area in comparison with the plan and the lower average yields in certain drought areas.

Livestock products have also increased. Dressed meat has increased by nearly 1 percent, milk (with a 3.6 percent fat content) by 1.4 percent and eggs by 0.7 percent.

The number of farm animals and poultry on all categories of farms was:

(thousands)

| | 1 Jan 82 | 1 Jan 82 in % of 1 Jan 81 |
|---|---|---|
| Cattle | 1,807 | 100.6 |
| Including: cows | 706 | 100.6 |
| Sheep | 10,725 | 102.8 |
| Pigs | 3,843 | 100.9 |
| Poultry | 40,554 | 97.4 |

There has been ongoing deepening of agroindustrial integration, specialization and the introduction of industrial methods in livestock raising.

At the end of the year, agriculture possessed around 150,000 tractors (in 15-hp units).

Agriculture received 1,043,500 tons of mineral fertilizers and this was 25.7 percent more in comparison with 1980.

Certain agricultural organizations permitted weaknesses of an organizational nature in harvesting, in using the equipment and purchasing the products. In comparison with 1980, the purchasing for virtually all agricultural products increased but the plan was not fulfilled.

The increased activities of the obshtina people's councils, the agricultural organizations and enterprises have contributed to the increased agricultural production and the fulfillment of the national self-sufficiency program. The production of fruits and vegetables, milk and eggs on the private and auxiliary farms has increased.

III. Construction

In 1981, 5.9 billion leva of fixed capital were put into operation and this was 9.8 percent more in comparison with 1980. New projects were built such as the polypropylene installation at the Burgas petrochemical SKhK [Economic Chemical Combine], oleum production in Devnya, the Boris Antov Plant in Breznik, the industrial rubber products plant in Madan, the chemical machine building plant in Khaskovo, the fourth turbine block at the Maritsa Iztok-3 TETs [Thermoelectric Power Plant], the first stage in expanding the N. Iliev plant in Sevlievo and others.

New projects have been built and others expanded for satisfying the public's need for foodstuffs and industrial goods. These include: the bakery in Troyan, the brewery in V. Turnovo, the winery in Asenovgrad, the cheese shop in Purvomay, the Dorostol fish farm in Silistra, a mill and fruit storage facility in Sliven, and wallpaper production at the SKhK in Botevgrad.

The construction program was overfulfilled.

The plan for completing fixed capital was fulfilled by 95.4 percent.

A number of investor economic organizations did not completely or partially finish production capacity and fixed capital at important projects such as the Elprom [Electrical Industry] DSO [State Economic Trust]; the semiconductor equipment NPK [scientific-production combine] in Botevgrad; the chemical machine building DSO; the Srednogorie SMMK [?expansion unknown, possibly a type of construction combine];

the Kremikovtsi SMK [construction-installation combine], the Lenin SMK in Pernik; the Bulgarian state railroads SO [State Trust]; the SMEK [economic mining and power complex] in Pernik; the Cement and Lime DSO; the Household Appliances DSO; the Burgas NKhK [Petrochemical Combine]; the Sofia vegetable storage facility; the Dobrudzha Plant in Isperikh; bakeries in the towns of Gotse Delchev, Tryavna, Velingrad and Mikhyalovgrad.

During the year the expected decline in incomplete construction was not achieved. Certain shortcomings were not overcome in the organization of work such as a lack of manpower, building materials, construction equipment and so forth.

## IV. Transportation and Communications

In comparison with the previous year, freight shipments increased by 3.6 percent. The work performed by all types of transport amounted to 96 billion ton kilometers, or 2.7 percent more in comparison with 1980. Passenger traffic increased by 4.2 percent with an increase in motor transport by 4.3 percent and urban rail transport by 5.6 percent.

The transport infrastructure continued to develop rapidly. Some 149 km of electrified track and 90 km of double track were completed, the highway section between Yana--Vitinya, a new automatic humping center at the Poduyane switching yard, the expansion of the Burgas airport complex and others.

Certain technical and economic indicators for the use of means of transport were improved. The turnaround time of freight cars improved by 8.5 hours and the average daily run by 7.3 percent. The average gross weight of a freight train increased by 0.6 percent in comparison with 1980. Social labor productivity rose by 5.9 percent.

There were disruptions in the transport schedules in the operation of the transport.

The realized income from the services performed in communications rose by 1.2 percent in comparison with 1980. In 1981, the postal network was expanded by 32 post and telegraph stations. Some 126,000 new telephones were installed.

## V. Foreign Economic Ties

Foreign trade rose by 15 percent in comparison with 1980. The positive changes in the export structure were continued in 1981. In comparison with 1980, we exported 553 million leva more of machinery and equipment. The improvement in the balance of payments continued in 1981.

## VI. The Standard of Living of the People

The fuller and more complete satisfying of the people's needs as the main socio-economic task of the Eighth Five-Year Plan was continued.

The income of the public rose. Average monthly wages of employees surpassed 190 leva. Public consumption funds increased by 3 percent in comparison with 1980. The realized retail commodity turnover during the year exceeded 12 billion leva and increased by 4.6 percent in comparison with 1980. Per capita meat consumption rose

by 2.9 percent, by 1.1 percent for milk, by 2.5 percent for eggs, by 2.3 percent for sugar, by 4.5 percent for vegetables and by 7.8 percent for fruit. Footwear consumption increased by 10 percent and by 3.3 percent for knitwear articles.

Trade and consumer services were improved. Some 3,184 trade facilities were opened along with 1,273 consumer service facilities at enterprises in the material sphere. The plan for consumer services was fulfilled by 104.3 percent. Regardless of this, the increased demands of the public have still not been fully satisfied, particularly for the repair of radio and TV equipment, textile and knitwear services and dry cleaning.

In 1981, 70,308 residences were completed and turned over to the public, but the plan was not fulfilled by 2.9 percent. New children's nurseries with 7,223 places were completed and children's creches with 860 places. The nurseries cover around 76 percent of the children and the creches 21.8 percent.

During the year, over 98,000 young men and women completed their secondary education. Over 50,000 specialists were trained for the national economic sectors, including 18,000 with a higher education, 7,400 with a semi-higher and 25,000 with a specialized secondary education. Over 6,800 of those completing their higher education were in the engineering and technical specialties.

Beds in vacation facilities increased by about 106,000. Around 1 million persons took vacations there. Organized leisure at school camps was provided for 39.5 percent of the students of grades 1 through 11.

The basic tasks in the cultural area were fulfilled. Theatrical performances were given to 6 million spectators and films were shown to 92 million viewers. Bulgaria produced 42 full-length films, 230 short- and medium-length films, 42 documentary films and 172 TV films. In 1981, the library holdings reached 96 million. The number of books and pamphlets published increased from 53.9 million in 1980 to around 61.5 million in 1981.

At the end of 1981, the Bulgarian population reached 8,903,000 persons.

## VII. Conservation of Nature

In 1981, activities continued to be broadened in natural conservation. Over 314 million leva were used to carry out these measures. Some 788 conservation projects were completed.

The relative share of recovered harmful substances from the total quantity released into the atmosphere with industrial gases reached 75.4 percent while the share of treated water in the total volume of waste water was 45.6 percent. The construction of urban treatment stations has fallen behind. The annual plan for the capital investments to build them was fulfilled by 62.8 percent.

During the year, over 3 million tons of various waste products were not released as a result of introducing waste-free production methods. From them we produced additional product valued at 100.5 million leva. The newly completed recycling water supply systems save 289 million $m^3$ of water annually.

Erosion prevention was carried out on nearly 468,000 decares, over 11,000 decares of destroyed area were recultivated and around 45,000 hectares of swampy area were drained. Chemical reclamation was carried out and the fertility restored on nearly 154,000 decares of salined area and soils with harmful acidity. Over 3.9 million decares were treated with biological agents and integrated plant protection methods. Over 327,000 decares of new forests were planted and 276 new areas were surveyed, studied and declared under protection of the Law Governing the Conservation of Nature. Some 22 installations were silenced and moved while 36 bypasses, noise barriers and so forth were built.

The results achieved in the socioeconomic development of Bulgaria during 1981 were a good basis for fulfilling the plan in the second year of the Eighth Five-Year Plan and the five-year plan as a whole.

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## COUNCIL OF MINISTERS REVIEWS FULFILLMENT OF 1981 PLAN

Sofia RABOTNICHESKO DELO in Bulgarian 3 Feb 82 pp 1, 2

[Unattributed article of the Bulgarian Telegraph Agency: "At the Council of Ministers"]

[Text] Yesterday an enlarged session of the Council of Ministers was held with the participation of the chairman from the executive committees of the okrug people's councils and the general directors of the economic organizations. It discussed the results of fulfilling the 1981 national socioeconomic development plan and outlined measures to ensure the realization of the plan tasks in 1982.

Participating in the work of the meeting were: the Candidate Member of the Politburo of the BCP Central Committee and Chairman of the Central Council of Bulgarian Trade Unions, Petur Dyulgerov, and the secretaries of the BCP Central Committee, Georgi Atanasov and Vasil Tsanov.

The fulfillment of the plan during the first year of the Eighth Five-Year Plan was a successful beginning to carrying out the plans of the 12th BCP Congress. As a result of the enormous organizational and political work carried out under the party's leadership and the nationwide socialist competition which has been developed by the labor collectives of the enterprises, the agroindustrial complexes, economic organizations, scientific institutes, engineering-introduction organizations, the ministries and departments, new successes have been achieved in further national economic development and in the growth of the economic and scientific-technical potential of the nation. Produced national income rose. Industrial product and agricultural production increased. New fixed capital was put into operation. The process of intensifying social production was strengthened in all the sectors and activities of the economy.

The main socioeconomic task of the Eighth Five-Year Plan was successfully carried out. The standard of living of the public reached a new, higher level. Real per-capita income increased. Average monthly wages of employees rose. The plan was overfulfilled for retail trade and consumer services for the public. There was an increase in the consumption of the basic foodstuffs and nonfood commodities and consumer durables. Wider services were provided to the public. A large amount of housing was completed and turned over for use. New children's nurseries and creches were put into operation along with other social, domestic and cultural projects.

The nation's participation in the international division of labor and particularly in socialist economic integration has deepened. The policy of all-round integration and cooperation with the Soviet union has gained new dimensions.

Along with the positive results, the session thoroughly analyzed the weaknesses committed by certain enterprises and economic organizations which did not fulfill the planned state tasks for the basic physical indicators, for the production of goods and services for the public and for profit and foreign exchange earnings.

The Council of Ministers obliged the general directors of the economic organizations, the chairmen of the executive committees of the okrug people's councils and the ministers, in accord with the tasks outlined by Comrade Todor Zhivkov at the October National Conference (1981), to take effective measures to overcome the permitted weaknesses. The need was emphasized for a more rapid reorganization in the leadership of the economic organizations and enterprises, the ministries and departments for fully utilizing the advantages of the economic approach and the new economic mechanism.

It was decided that the economic organizations in their 1982 counterplans are to provide compensation for the unfulfilled 1981 state plan quotas, in paying special attention to the basic product types which ensure the national balances and quality indicators with the aim that each organization will guarantee the fulfillment of quotas for the Eighth Five-Year Plan as a whole.

Emphasis was put on the important task of effectively utilizing fuels, energy, raw products and materials as well as production capacity, of increasing the exactingness and responsibility for manifestations of mismanagement and embezzlement and of strengthening state, planning, financial and labor discipline.

The corresponding economic organizations were instructed to actualize and coordinate with the executors the final schedules for planned repairs in 1982 in the aim of preventing a halt in production caused by equipment breakdowns.

The economic organizations, the executive committees of the okrug people's councils, the ministries and departments were instructed to undertake specific measures to improve work in the area of construction, in ensuring a further concentration of the material, labor and financial resources on building the capacity planned for completion and for reducing the volume of incomplete construction. Special concern is to be shown for the rapid construction of housing. Particular attention is to be paid to providing high quality plans for newly built projects.

The government has issued instructions to the Central Council of the National Agroindustrial Union and the okrug agroindustrial unions to create the necessary conditions for planting all the planned areas in accord with the planting dates, in paying particular attention to the planting of the spring crops and chiefly corn.

Special attention was paid to measures ensuring an even-calmer and richer domestic market in 1982. The task was posed of bringing contractual discipline to a higher level and increasing the production of the assortments and commodities in demand by the public and satisfying their increasing needs. A system must be more widely developed for self-sufficiency in foodstuffs and work must be improved for the subsidiary farms and full social services.

The Council of Ministers expressed the confidence that the economic organizations, the executive committees of the okrug people's councils, the ministries and departments, on the basis of the economic approach and the new economic mechanism, will increase labor and political activeness to carry out the decisions of the 12th BCP Congress and will further activate the nationwide socialist competition for successfully fulfilling and overfulfilling the 1982 counterplans as this is an important prerequisite for carrying out the tasks of the Eighth Five-Year Plan.

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COMMENT ON FULFILLMENT OF 1981 ECONOMIC PLAN

Sofia RABOTNICHESKO DELO in Bulgarian 3 Feb 82 p 2

[Article by Dano Balevski, Chairman of the Committee for the Unified Social Information System: "Stable and Steady Paces"]

[Text] The 1981 balance sheet has shown that the plan for the socioeconomic development of Bulgaria was fulfilled in terms of the basic qualitative and other indicators. Our national economy continued to develop at a stable and steady pace. line has been continued of the further comprehensive satisfying of the constantly growing material, spiritual and social needs of the people on the basis of intensifying the national economy, the consistent application of the new economic approach and its mechanism and the further improving of socialist social relations.

The sectors and production creating conditions and means for intensification in all the national economic spheres have continued to develop at a more rapid rate. The economic potential of the nation has increased. Fixed capital has reached the impressive figure of 82.7 billion leva. Produced national income amounted to around 21.5 billion leva and a larger portion of the increase has been a result of a rise in social labor productivity.

Last year new and advanced production methods, products and plans for automated systems were introduced into production. A significant portion of them was Bulgarian developments. Industry as a whole and its basic sectors such as power, ferrous metallurgy, machine building and the chemical industry, achieved significantly better results than in 1980. There has been a trend toward accelerating the process of product sales. All the basic ministries overfulfilled their sales plans.

During the jubilee year, the industrial sectors produced, in comparison with 1980, more electric power, rolled ferrous metals, power and telephone cables, nitrogen fertilizers, chemical fibers, pulp, cotton textiles, canned fruits and vegetables.

Due to incomplete capacity loads and the nonfulfillment of contractual obligations by certain economic organizations, however, the plan was not fulfilled for the production of ingot steel, electric tools, sugar and meat.

In 1981, agriculture produced more grain, sunflower, cotton, vegetables, fruits and other products in comparison with 1980. Increased production on the private farms also contributed its share to increasing agricultural product.

The physical plant of the national economy has continued to expand and be improved. During the year fixed capital valued at 5.9 billion leva was completed. Projects were built which increased the production potential of Bulgaria as well as those which provide an opportunity for producing more consumer goods.

Certain technical and economic indicators were improved for the use of transport. The transport and communications networks were improved. As a result of this, during the year all types of transport achieved record results with 100 billion ton-kilometers and the income realized from communications services rising by 1.2 percent.

Our foreign economic ties were also more active. Two-way trade increased by 15 percent. The nation was visited by 6 million foreigners.

An expression of the great attention shown by the party and the government to ecological problems has been the broader activities in the area of protecting nature and 314 million leva were spent for this purpose.

The real per capita income in 1981 rose by around 5 percent. Average monthly wages of employees exceeded 190 leva. All of this ensured higher consumption of goods and services. The increased consumption of all basic foodstuffs with the exception of bread and bakery goods and rice indicates positives changes in the structure of our diet.

In 1981, the public received around 70,000 new residences and this was a new step to solving the housing problem.

The results achieved last year in the socioeconomic development of the nation are not only a source of pleasure but also a source of obligation. For carrying out the decisions of the 12th BCP Congress during the second year of the Eighth Five-Year Plan there must be the fuller and more efficient use of the material, labor and financial resources for solving the main economic and political task, that is, the ever-fuller satisfying of the increasing material and spiritual needs of the people.

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PRODUCTS OF COMPUTER INDUSTRY DESCRIBED

Isotimpex, Export-Import Specialists

Sofia ECONOMIC NEWS OF BULGARIA in English No 11, 1981 pp 1, 4

[Article by D. Vesselinov, head of the Isotimpex Sales Department]

[Text] Isotimpex is a foreign-trade organization dealing in the export and import of automated management systems, computers, business machines, electronic measurement and control devices, automation, electronic and contractor elements, as well as machines and equipment designed specially for the manufacturing and maintenance of such hardware.

Established in 1968, it is now one of the major Bulgarian firms doing business abroad.

Progress in technology and the boom in electronic and electrical engineering have increased exports enormously, to a level in 1980 which was 36 times that in 1970, and 14 per cent higher than in 1979. The upward pace was maintained throughout 1980 and 1981, with exports reaching nearly a thousand million dollars' worth annually.

Isotimpex FTA at the same time imports machines and equipment for the needs of several other Bulgarian corporations, including Isot, Priborostroene i Avtomatizatsia (Instrument-making and Automation), Electromateriali i Gradivni Elementi (Electric Materials and Components), and Electron.

The plants of these associations use sophisticated technology and a high degree of specialization and cooperation, characterized by profitable mass production and highly-trained personnel which maintains the automation and mechanisation devices, etc.

Isotimpex itself provides efficient service both during and after the maintenance period. Its PR officers seek to establish the corporation's name ever better on the world market.

All in all there are 14 plants and four research organisations in Bulgaria belonging to the ISOT Corp., and another nearly 120 plants from other

machinebuilding sectors which are involved in manufacturing computer and business hardware.

Their production list includes medium-type computers, central processors, flexible magnetic disc peripheral memories, control desks, printers and video-terminals, data-preparing devices, teleprocessing systems, problem-oriented calculators, typewriters, electronic cash registers, etc. Numerous new products are added to this list every year.

The major part of this output is earmarked for the socialist countries, in line with the specialisation programme of the Council for Mutual Economic Assistance. The USSR is the corporation's top client, followed by the GDR, Hungary, Poland, Czechoslovakia, Cuba, etc. Recently, there has also been a severalfold growth in the export of computers and business machines to such non-socialist countries as Austria, Federal Germany, the USA, Italy, Britain, France, Turkey and India.

Steady development in the manufacturing of computers and business machines, devices, automation means and semiconductor hardware, together with the regular launching of products based on principally new methods help Isotimpex score greater exports with each passing year, and establish itself on the international market.

1035 computer centre – made by the Sofia Computer Hardware Plant

## Plovdiv Typewriter Works

Sofia ECONOMIC NEWS OF BULGARIA in English No 11, 1981 p 4

[Article by E. Emanouilova]

[Text] The Plovdiv Typewriter Works have a production list which includes portable typewriters of the Maritsa family, lightweight portable electric typewriters of the Hebros family, and electric office typewriters of the Maritsa

family. The works manufacture also printing devices for small and big computers.

The high qualification of staff and personnel and the strict observance of manufacturing standards have enabled the works to find steady customers in 65 countries around the world, including the USSR, USA, Canada, UK, Belgium, France, Greece, Turkey and Australia.

Incorporated in the works is an R&D enterprise working on new methods and designs for the mechanization and automation of production processes. This enterprise maintains contacts and cooperates with twenty of the country's R&D and higher educational institutes, and with the Plovdiv branches of the Bulgarian Academy of Sciences. Among the products designed and developed by it are the new portable Maritsa 30 typewriter, the Hebros 300 and Hebros 300L electric typewriters, and a series of computer printing terminals. Works is currently going on with the development of new typewriters, desk-top printers, high-speed printing devices, system terminals, etc. These feature high technical ratings and modern design.

The design and introduction of new products and manufacturing methods is attuned to the trends of the international market. The Typewriter Works maintains close contacts with the Robotron Company of the GDR and its plants in Erfurt and Dresden, Olivetti of Italy, Olympia of the FRG, etc.

The Typewriter Works in Plovdiv is among the biggest within the system of ISOT Corp. Their production list and international economic relations are expanding dynamically in a modern world economy.

## Orgtechnika Plant of Silistra

Sofia ECONOMIC NEWS OF BULGARIA in English No 11, 1981 pp 4, 5

[Article by G. Kairov]

[Text] The Orgtechnika Plant in Silistra, manufacturers of business machines, is one of the leading plants within the system of the ISOT Corp., with products that compare with the best on the world market.

Elka 21 was the first electronic calculator produced by the plant, followed by the Elka 22 and Elka 25, featuring inbuilt discrete elements, and then the Elka 40, 41, 42 and 43, with solid-state circuits.

In view of the national economy's growing demand for electronic products, the plant started manufacturing a system of minicomputers with printers under licence from the Japanese firm Seiko.

Orgtechnika's series of pocket-size calculators, Elka 101, 103, 105, 130 and 131, have been selling well in the FRG, France, Britain and elsewhere.

Through the Isotimpex Foreign Trade Corp., Orgtechnika has also been exporting electronic calculators Elka 51, 55 and 1300, Elka 80 electronic cash registers and other products in the USSR, Czechoslovakia, Poland, Hungary and other countries.

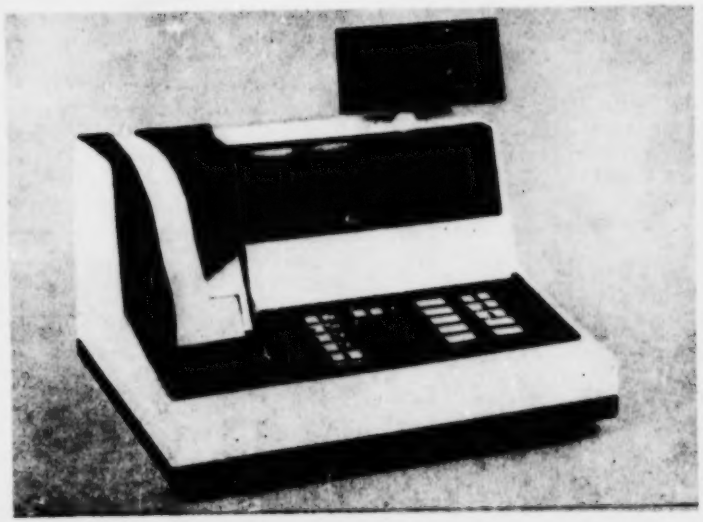

Elka 90 made by the Silistra Business Machines Plant

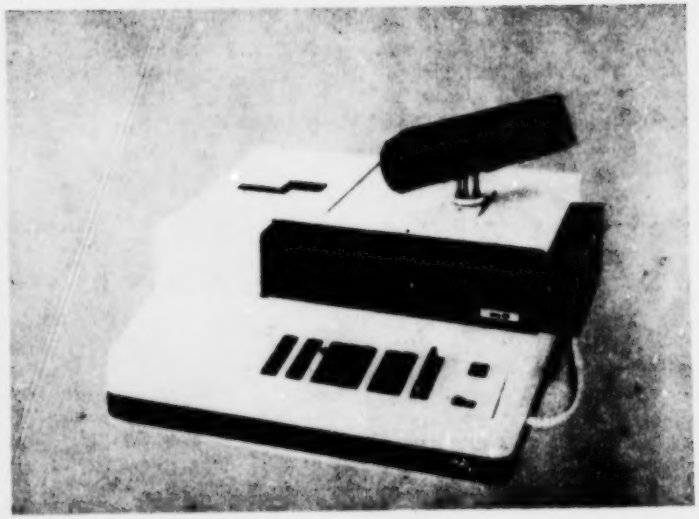

Elka 89 calculator made by the Business Machines Plant in Silistra

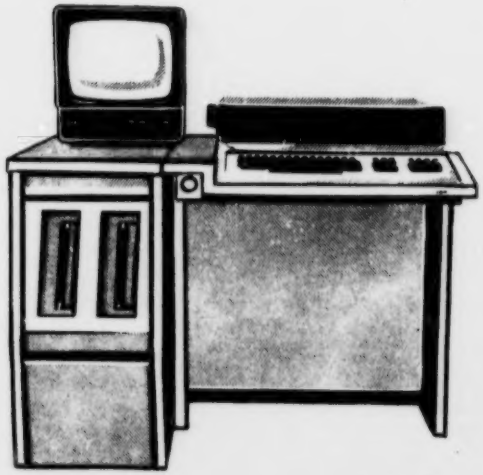

ISOT 1002 C word-processing machine made by the Business Machines Plant in Silistra

ELTAX 20 made by the Silistra Business Machines Plant

Elka 80 cash registers are finding wide application in the retail network. They feature three accumulating registers of sale sums, one register for deduced amounts, and two registers for temporary addition or subtraction. The calculator performs all basic arithmetic functions and works in two modes. Linked to the register is an electric cash drawer for notes and coins. When disconnected from the mains, the register's battery is capable of preserving the memorised data intact for a period up to one month.

The Orgtechnika Plant manufactures also electric mimeographs OT-2008 for duplicating texts and diagrams, graphics and drawings in small numbers, from stencils that are either handwritten, typed or electronographed. The feeding of paper and ink is automatic, and the machine turns out between 50 and 150 copies per minute.

The ISOT 1002 C word processor is another interesting new product capable of performing the following operations: drafting, editing, referencing, and printing texts of documents. The machine weighs just under 190 kg.

The ISOT 250 management system is one of the achievements of Orgtechnika. This is a sophisticated system for the processing of economic data. It features very good technical and economic ratings, high processing speed and excellent reliability. The input is performed from a keyboard complete with translating device; the machine further checks the programme and records it on a diskette. The programme can be duplicated, texts and data can be transferred from one diskette to another, and diskettes can be duplicated. Weight: about 150 kg.

The ISOT 250 management system finds broad application in the industry, agriculture, transport, commerce and the building trade. It helps achieve optimum organization of labour in various sectors of the economy.

The Orgtechnika Plant also manufactures a machine called Sekret, designed to destroy letters, invoices, drawings, copies, and other documents by shredding them into thin strips. It can shred between 8 and 12 sheets of paper at a time, and weighs 35 kg.

All products manufactured by the Orgtechnika Plant in Silistra are designed at the Computer Technology Institute in Sofia by highly-trained experts.

The output of Orgtechnika features high quality and reliability, which makes it quite popular a trademark in many countries around the world.

## Solid-State Circuits Plant

Sofia ECONOMIC NEWS OF BULGARIA in English No 11, 1981 p 5

[Article by G. Todorov]

[Text] The Solid-state Circuits Plant in Rousse is one of the major enterprises of Bulgarian electronic engineering.

From seven million levs' worth at the beginning, its annual output has reached a level of 160 million levs and shows a tendency of sustained growth. Flexible and

multilayer printed circuits with metallized outlets are the plant's main product. Besides, it manufactures various electronic units for the entire industry, including magnetic tape memory units, peripherals, disc memory units, different system testers, data-transfer terminals, and video-terminals with printers.

The plant produces also electronic components for the generation of R-35 computers.

The manufacturing of these complex systems and units requires absolute precision and great skill. Most of the operations are performed by highly-trained personnel using modern technology. Besides them the plant employs over 70 engineers, most of whom have specialized in the USSR, GDR or elsewhere abroad.

The plant's computer centre performs, among other things, final control over output. It also evolves the production programmes, plans, etc., and solves various tasks related to the complex technology.

The plant meets the entire domestic demand for solid-state circuits and sells part of its output in the FRG, Austria, Switzerland and elsewhere.

## Stara Zagora Memory Units

Sofia ECONOMIC NEWS OF BULGARIA in English No 11, 1981 p 5

[Article by S. Savov]

[Text] The Stara Zagora Amalgamated Works for Memory Units, equipped with up-to-date machinery, are the chief manufacturers of disc memory units in the countries of the Council for Mutual Economic Assistance.

In recent years, it has laid emphasis on a range of such new products as floppy and miniflop discs. Five types of memory units featuring high basic technical and economic ratings have been launched in production. Servo-technology is used to manufacture memory units, which increases the radial and axial density of data-recording severalfold. The flexible magnetic disc units with contact recording are also of very high quality. The first industrial-robot controlling device was launched into production recently.

Mastering modern technologies of making new products have led to higher productivity.

The range of peripheral memory units is now being updated through an increase of the recording density and a cut in perbit recording costs by the adoption of new structures that consume less metal and raw materials in manufacture. The range of floppy disc devices of double density and two-side recording capacity is being developed with priority. Thin-layer technology with density up to 10,000 bits per inch is to be introduced soon. At the same time, production is starting of new generations of semiconductor-based memory units, together with an accelerated development of control devices for all types of industrial manipulators and robots, made by the Beroe Robotics R&D Combine in Stara Zagora.

Computer Equipment Photographs

Sofia ECONOMIC NEWS OF BULGARIA in English No 11, 1981 pp 4, 5

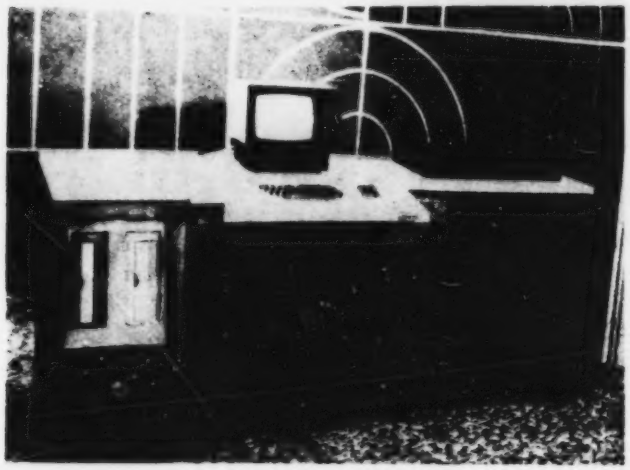

ES 9004 made by Electronika Plant in Sofia

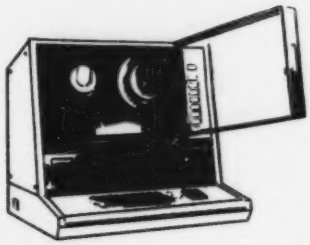

ES 9002 device for the input of data on magnetic tape

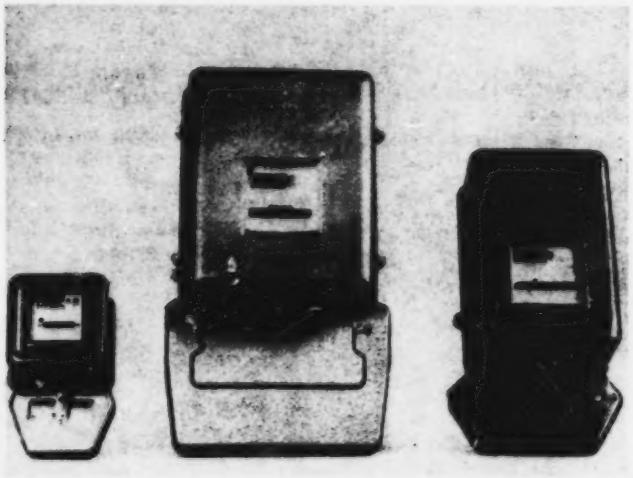

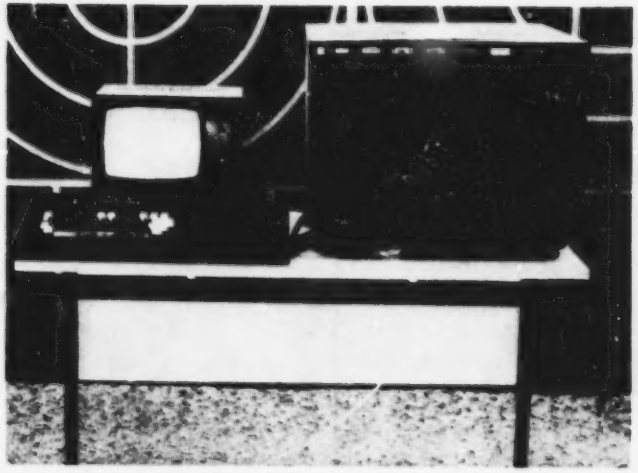

ES 9113, a product of Electronika Plant in Sofia

Diskettes made by the Pazardjik factory

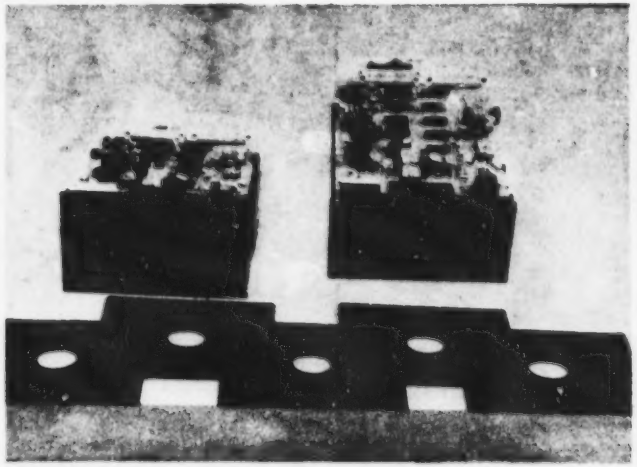

Floppy disc made by the Amalgamated Works in Stara Zagora

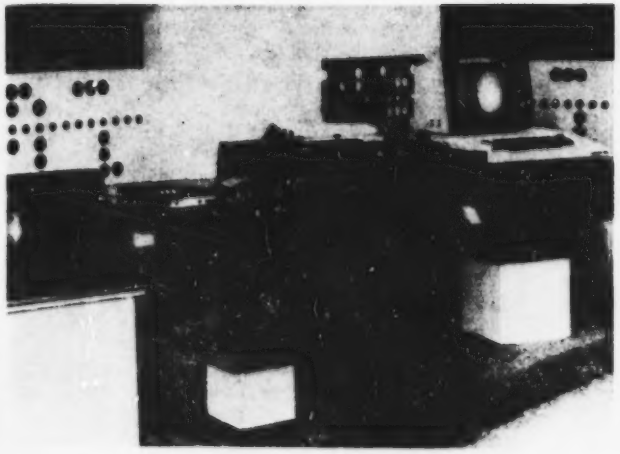

Word processing machine made by *Electronika* Plant in Sofia

AGENCIES, ORGANIZATIONS TO REDUCE WHITE COLLAR STAFF

AU190915 Bratislava PRAVDA in Slovak 17 Feb 82 p 4

[Article by Frantisek Zdobina: "Pondering the First Stage of the CSSR Government's Thrift Program; Too Much Paper Work in Management and Administration"]

[Excerpt] In accordance with the decision of the federal government and the first chapter of its thrift program, the number of management and administration employees will be reduced in the course of the Seventh Five-Year Plan as follows:

--The establishment [systemizovane] federal and republics' central agencies, by 2,500;

--The headquarters of nonestablishment [nesystemizovane] federal and republics' central agencies, by 230;

--The apparatuses of the national committees (with the exception of the city national committees and local national committees in localities with less than 40,000 population), by 3,500;

--The establishment budgetary organizations directly managed by the central bodies, by 1,800;

--In the other budgetary and contribution organizations directly managed by central bodies, the number of employees in the seventh grade of the uniform employment catalogue by 1,800;

--In budgetary and contribution organizations managed by national committees, the number of employees in the seventh grade by 3,200;

--Specific-purpose [ucelove] economic organizations managed directly by central bodies, by 4,600 employees;

--In organizations of the scientific-research base, with the exception of organizations with an economic character, the number of employees in the seventh grade will be reduced by at least 1,500;

--Organizations of the scientific-research base with an economic character, by 500 employees;

--In economic organizations the number of employees in the seventh grade will be reduced--in a differentiated manner--by 10 percent, and this reduction in the individual years is to be fully projected to the limit of the number of employees of the sixth and ninth grades, total by 50,000 employees.

CSO: 2400/154

## BRIEFS

SHIPBUILDING STATISTICS--Last year 59 seagoing and coastal ships were built at GDR shipyards. The some 55,000 working people of the 18 enterprises of the shipbuilding combine delivered vessels with a total of 375,000 brutto register tons to shipping companies of 8 countries. By 1983 the shipbuilding combine will supply to the market more than 20 new and further developed types of vessels. As a result of increased use of electronic equipment and of higher automation of operations, the ships will have an up to 35 percent higher utility value than their predecessors. [AU071829 East Berlin NATIONAL-ZEITUNG in German 6 Jan 82 p 5]

INLAND NAVIGATION--Whereas in 1950 some 10 million tons of goods were carried, the provisional balance sheet for 1981 shows roughly 17 million tons hauled by GDR inland navigation. Until the end of October alone 270,000 tons of goods were carried which originally had not been planned for inland navigation. More than 50,000 tons were shifted directly from motor transport to inland navigation. [AU071829 East Berlin NEUES DEUTSCHLAND in German 5 Jan 82 p 2]

CSO: 2300/156

## BANK REPORTS ON RESTRAINED INVESTMENT ACTIVITY

Budapest FIGYELO in Hungarian No 6, 10 Feb 82 pp 1, 7

[Unsigned article: "The State Development Bank Reports: Investment Activity Has Declined"]

[Text] In 1981 183 billion forints' worth of investment has realized in the socialist sector. This is one percent more than planned and 3 percent less than in 1980. Calculating the planned growth in the investment price level at comparable prices in volume of investments decreased by about 7 percent. The dynamics of investment performance have moderated continuously since 1979--in accordance with our intentions.

In 1981 the weight of one's own financial resources and of sources offered with a repayment obligation increased further in the financial resources for investment and the ratio of free money decreased. Resources for investment purposes were generated to a degree exceeding the plan at enterprises and councils alike.

The repayment burden was re-examined primarily on the basis of the ability of the enterprises to bear the burden and it increased considerably following this as a result of modified state credit contracts. As a result of tightening support conditions for enterprise investments supports decreased and the ratio of the repayable part within supports increased; the enterprises received more than 80 percent of the awarded supports as state loans.

The financial basis for investment performance exceeding what was calculated was the greater self-financing ability of the enterprises and the credit possibilities which increased during the year.

### Enterprise Developments

Enterprise investment performance was 104 billion forints, one percent more than in the preceding year. The dynamic of payments by the state sector within this was 99 percent; investments by the cooperative sector varied but were substantially higher than last year, at the 109 percent level. The growth appeared primarily in the agricultural cooperatives, which make up 80 percent of the cooperative sector. This year about 60 percent of the enterprise investments were realized exclusively from one's own resources; their growth was 8 percent as compared to the preceding year.

The overfulfillment of enterprise investments was caused by the surfacing of a part of the delayed investment demand held back in preceding years. The great majority of the assets for their satisfaction were at the disposal of the management units. In addition to the already mentioned extra resources of their own the enterprises used 24 billion forints of credit, 2.5 billion forints more than the originally approved credit allotment. Accelerated credit repayment made possible about half of the surplus; thus this did not represent purchasing power above the plan. Higher level decisions during the year increased the credit award possibility by one billion forints. About 10 billion forints of the credits used were turned to export expanding investments.

Financial resources prescribed for supports have been moderated by 10 percent in 1982 but actual use is even smaller—about 9.5 billion forints. Supports offered to developmental actions aiding rationalization of energy use have come to the fore in the interest of realization of the energy management tasks of the national economy and thus they have increased. A great part of the requests are directed at replacing fuels. A number of bids have come from agriculture. More than 3 billion forints of support were authorized in 1981, nearly 300 for a total of about 5 billion forints for targeted investments.

Large State Investments

The 24 billion forint performance of large state investments was substantially smaller than prescribed. This is partly because, among other things, they spent half of what was calculated on developments in the planning or preparation stage. It is also because completion of the Paks Nuclear Power Plant is behind schedule.

Twenty large investments were under way when the Sixth Five-Year Plan started. Of the five developments prescribed in the 1981 plan—on the basis of the status of preparation—the Manyi Mine, the Szolnok Paper Factory, the broadening of the Arpad Bridge and the renovation of Florian Square got under way during the year. Realization was on schedule, as reflected by the financial process, and the prescriptions for them were overfulfilled.

The national economic plan prescribed the completion of five large investments in 1981. The Szikra Press was virtually completed in 1980; the commercial facilities at the Hungarian Rolling Bearings Works and Stage II of the Kiskore Water Ladder were finished by the end of 1981. Technical delivery of the Budapest Great Sport Hall did take place in December but it will be ready for use only after defects are eliminated, probably this month. The financing of the Recsek mining research facilities as a large investment ends in February. It did not figure in the national economic plan but according to the documents completion of the Szekszard Meat Combine was due at the end of the year. The two basic production lines were put in operation but the completion of several auxiliary facilities and final financing have been postponed to 1982. A saving of about 0.3 billion forints is expected with this investment.

Introduction of partial or full capacity planned for 1981 was realized in the Nagyegyhaz and Markushegy mines and in the Bito II and Halimba III bauxite mines. The Number I converter of the Danube Iron Works, with a capacity of 900,000 tons per year, was put into operation and the Number III cold rolling frame, within the

framework of the semi-finished products development of the Szekesfehervar Light Metal Works, was put into operation one year ahead of schedule. Together with the partial capacity introduced in 1980 the latter makes possible the production of an extra 43,500 tons of rolled goods. A 2.4 kilometer long, three-station section of the north-south metro line between Deak Square and Elmunkas Square was put into operation. The Budapest refuse burning works, capable of getting rid of 440,000 tons of waste per year, began operation.

The country turned more than 55 billion forints to special group and other state investments being realized in the infrastructural branches. The supply of housing and health facilities significantly influences social public feeling and the development of the standard of living of the populace.

Infrastructure, Housing Construction

Of the state investment expenditures 13 billion forints were directed to central bousing construction. The 19,000 council special group housing units technically delivered are somewhat more than planned; the number of units delivered as miners' housing and in other council investment were under what was expected. The scheduling of housing deliveries was worse than in preceding years; there were shortfalls during the year especially in Budapest.

The planned sum was not used to develop and reconstruct hospitals and clinics and modernize and expand health institutions. But on the basis of natural indexes the prescribed improvement in the level of service was realized in 1981, with some minor exceptions, primarily as a result of the delivery of investments carried over from the Fifth Five-Year Plan. New hospital capacity came to 1,200; during the year the Bekescsaba, Eger, Szeged and Satoraljaujhely hospitals and the Budapest Margit Hospital were expanded by 200-300 bed wards. More than 4,000 new nursery places were created. But capacity of infant homes and social homes did not increase to the necessary degree. It is a favorable phenomenon, however, that the volume of machines and instruments for institutions exceeded what was planned.

Nearly 22 billion forints were turned to the transportation branch in 1981. In addition to the already mentioned metro construction about 240 kilometers of rail line were modernized, electrification was completed on another 66 kilometers, and highway transportation was modernized further also.

Twelve billion forints were spent on development of water management. More than planned was turned to expansion of sewerage, water supply and sewage purification as a result of more concentrated contracting and weather favorably influencing pipe laying work.

In domestic trade 10 billion forints were turned to developments serving public infrastructural services. Nearly 30 percent of this in 1981 was the share of hotels being built as part of an Austrian-Hungarian credit deal.

A More Favorable Material-Technical Composition

The material-technical composition of investment expenditures deviated from what was expected. The 88 billion forint construction expenditure developed according

to the plan and at a lower level than in the preceding year but the total of investment jobs rejected by the construction industry increased somewhat, in harmony with the increase in investment demand characteristic of the beginning of a medium-range plan period. In accordance with expectations the ratio of maintenance jobs increased and that of investment jobs decreased. Domestic machine expenditures, which came to nearly 36 billion forints, were slightly lower than planned although the total, after the 1980 decrease, again exceeded that of the base period. Not quite 20 billion forints were turned to import machines in ruble accounting; this was less than planned and less then in the preceding year, due to the restricted offering of socialist countries, depressed domestic demand and delivery delays. After the large scale, absolute decrease of preceding years the 19 billion forints paid out in non-ruble accounting exceeded the preceding year and the plan for both state and enterprise investments. In the state sphere the larger expenditures were linked to large investments in metallurgy (the Lenin Metallurgical Works, the Light Metal Works), the Szolnok Paper Factory and Phase III of the Soviet-Hungarian natural gas pipeline.

In the enterprise sphere an increase, as compared to the base, arose in investments being realized purely from one's own resources and in those being realized with credit. In the area of so-called other expenditures the management organs spent 20 billion forints in 1981, 13 percent more than planned, an planning, preparati acquisition, interest and various fees connected with investment.

Investments Made By Socialist Organs

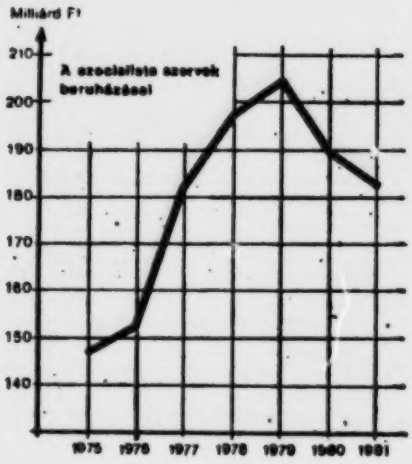


8984
CSO: 2500/131

UNCERTAINTY, HOPE, HURDLES FOR NEW SMALL BUSINESSES

Budapest MUSZAKI ELET in Hungarian 21 Jan 82 p 1

[Article by Nandor Bognar: "From Labyrinth to Gordius"]

[Text] We might say with some exaggeration that we have become a country of small entrepreneurs. Industrial and economic work groups are being formed one after another in various special areas and a significant number of the members are coming from the ranks of the professional intelligentsia. In our article we take a look at a few of the more interesting undertakings.

If I wanted to start a small undertaking I think that first I would seek out someone who could explain the rules of the game and provide orientation among the possibilitieis and the possible pitfalls. Perhaps I need not tell you--an undertaking has been formed already to provide this service. "Entrepreneurs Planning an Association! Civil law association made up of experts provides complete information and advice in legal, financial, etc. matters related to organizing and conducting your activity." Thus one of their advertisements.

At the time agreed to on the phone three young attorneys awaited me in a fifth floor apartment in Buda. They asked that I keep their names secret.

"Why?"

"We would not like to call attention to our names, but rather to what we are doing."

"And what, precisely, are you doing?"

"To simplify it one might say that we help set things up. If someone comes to us we talk to him, ask him what he wants to do, give him advice, what form to choose, what profit he can count on, what his taxes will be, and so on. If he likes then this contact can develop into legal assistance later. It appears that we have undertaken to satisfy a real need, because many are uncertain in these affairs and we always have work."

"What developmental possibilities do you see before you?"

"At present we are organized on a family or friendly basis and sooner or later we will have to bring in co-workers due to the increase in work. This is a rather

difficult matter, because again family members must be selected. We want to transform ourselves into an economic work group. Then our name will be: Labyrinth--small entrepreneurs' legal and economic services."

"Who come to you first?"

"The flow of technicians, or professional intellectuals, is interesting--they are virtually fleeing from large enterprise jobs. There are many intellectuals even among those undertaking physical work. The scale is quite broad in regard to specialties--cleaners and buyers, architects and inventors, designers and innovators. There was one who simultaneously was undertaking to build parks and make toys...."

At the address given I could hardly find the Integral Technical-Economic Consulting Office. Out of "good will" someone had removed the sign from the gate of the District IX apartment house.

"The environment around one changes oddly if he begins a small undertaking, and not only here in the building," reported economist Tamas Vekony, leader of the five member association, a membership which changes according to need. "Those who accepted me professionally and as a human being when I represented a large enterprise now regard me as a tricky drummer...."

"According to them one should work primarily for enterprises?"

"Naturally, but I think one of the chief goals in setting up the 'littles' is that they should help the 'bigs' with their flexibility and mobility. In our case forming a civil law association was an obvious thing to do because this same group was doing a lot of work 'privately' with the interposition of some large enterprise authorized to do it. We have an economist, a sociologist, an advertising expert and an engineer; we undertake virtually any technical-economic activity."

"And what guarantee is there that you will do it well?"

"We have personal guarantees; if we could do these same jobs adequately before, why should we not do so hereafter also....?"

Two economists and one financial expert--this is the present membership of the Gordius Economics and Marketing Civil Law Association.

"We have worked out different offerings for small and large enterprises," said Margit Csurgay, one of the three members of emphatically equal rank. "For the larger firms we offer market research, a press reading service and sample testing; for small undertakings we offer primarily to keep their business books and other very useful activities. Our collection of regulations, with explanations, is a success for example."

"Problems?"

"There are many opponents, and this is partly why we have no orders from state enterprises. Of course, we do have work and it can now be said that what we have undertaken is an activity which constantly brings in money."

The Perfekt Program Service and Advertising Office offers something special. Its leader Jozsef Czigany lists the achievements of the new departure:

"We are working on a contract which will assist the commercial introduction of a whole group of products and we have undertaken the organization and holding of the exhibits in Hungary of a famous graphic artist. We have several inquiries from provincial hotels to start advertising campaigns and we are working on bids for these. We have signed contracts to hold two large carnival balls, including sending a good orchestra...."

Which suggests that it would do no harm if one of the members of the association was an active performer. And in this case it is the composer and singer Andras Payer....

If there is a pro in this profession it is Dr Janos Asperjan, officer director of the B Consulting Service. The first thing I noticed was the letter "B."

"What does it mean?"

"Something very important; the office works within the industral main branch of the Borzsony MGTSZ [agricultural producer cooperative] and its birth can be attributed to an idea of Geza Bisztray, chief of the main branch. I was working on the creation of an economic work group when we got together, and I can say that this form of cooperation has gigantic possibilities."

"Why is an economic consulting service good if it is included in a producer cooperative?"

"It seems you were never a small entrepreneur or you would not ask. The cooperative provides a legal framework and a place, among other things a telex and a telephone. In regard to form the B Consulting Service functions as a self-accounting, self-maintaining, profit oriented, lump sum payment undertaking of the producer cooperative. This is made possible by a decree concerning the operation of some sections of cooperatives in a lump sum payment system. I worked out the principles of a lump sum payment operational system in 1959 and submitted the draft to the secretariat of the Presidential Council, but I think they pigeonholed it."

"What does this accounting system give to the cooperative, and what does it give to the office?"

"It is rather complicated, but I will explain. I undertake various jobs and cover all costs from the gross receipts coming in; this includes taxes, material expenditures, wages and shared burdens and overhead; I pay in the profit according to an appropriate key; I pay back the sum loaned to cover advertising--and the rest is mine."

"If there is a profit. And if there is not?"

"Our agreement is a strict one; in this case I bring in the money from home. But this will not happen as things stand now."

"Who does the work?"

"If possible the workers of the cooperative; if not then whom I ask. I can pay well, not only for the work but for getting the business too."

"I have heard that you undertook to work out the technology for a special chemical operation...."

"Yes, and I found the best expert in the country to do it. You know, we have a gigantic intellectual capacity here in Hungary and the enterprises are not exploiting it. If somebody would get this accumulated expertise, these brains, into the circulatory system of the economy he could do wonders. Naturally one must pay honestly for such activity. For example, the father of the chemical technology mentioned received a five figure honorarium.... At the moment I have four signed deals with large enterprises, to a value of several million forints."

And I met with the most fantastic idea so far too. In one office they showed me a mimeographed appeal; its publisher is organizing a federation of small entrepreneurs. For the promise of interest representation and various services he is asking the return of a filled data sheet. And 200 forints.

Monthly.

8984
CSO: 2500/137

OFFICIAL SAYS TIME NEEDED TO CHECK ECONOMIC DECLINE

AU111410 Warsaw TRYBUNA LUDU in Polish 4 Jan 82 pp 1-2

[Interview with Prof Wieslaw Sadowski, Main Statistical Office chairman, by PAP journalist Tomasz Walat: "A Difficult Year in the Economy: Main Statistical Office Chairman Assesses Last Year's Results"; passages enclosed in slantlines printed in boldface]

[Text] /The year 1981 is over. A PAP journalist asked Prof Wieslaw Sadowski, Main Statistical Office chairman, to assess last year's results. Here is what he said:/

A broad table of statistical data making it possible to publish a comprehensive and documented communique on the country's socioeconomic situation in 1981 will be available toward the end of January or early in February this year. Data that I can produce now are based on the results of the 11 months and on the December estimates. They can be corrected later on.

/Preliminary estimates show that the national income in 1981, compared with 1980, dropped nearly 15 percent, or significantly more than in the previous 2 years when the drop amounted to a few percent./ A very unfavorable phenomenon in the form of reduced production and labor productivity actually affected the whole national economy. In particular, there were large disturbances in the fuel and energy balance, caused by the declined extraction of fuel, and particularly of coal, by the sharply restricted import supplies, by the aggravating disproportion between the increased wages and social services, on the one hand, and labor productivity, on the other, by the disorganization of the internal market, and last but not least by the disorganization of the management system, which was increasing under the conditions of social tensions.

/The production marketed by the socialized industry in 1981 was more than 13 percent smaller than in 1980. The drop in production affected most basic industrial goods./ In many branches, the quality of production also deteriorated. Along with the large drop in production, the average employment in the socialized industry only decreased about 0.4 percent, while the wages fund increased about 25 percent.

As a result of the favorable weather conditions, the results of agricultural production significantly improved. According to preliminary estimates, agricultural

gross output, compared with 1980, increased somewhat less than 4 percent. While plant production went up more than 20 percent, livestock production declined 14 percent. The effects of farm labor could have been much better, if we did not have acute shortages in production means, particularly fertilizers, plant protection means, farm machines and equipment, as well as spare parts. Notwithstanding the better results in plant growing, the supplies of livestock produce to the population declined. Decisive in this respect was primarily the drop in procurements. The procurements of livestock declined more than 25 percent, those of milk nearly 8 percent, and those of eggs about 1 percent.

/Production also declined significantly in other fields of material production. For example, basic production at socialized building and assembly enterprises went down nearly 20 percent compared with 1980./

Since many painstaking calculations are still outstanding, it would be difficult to discuss now at some length the problem of the division of the national income, particularly of consumption. Now it is estimated that the national income distributed dropped by about 12 percent. The drop in consumption was even smaller and amounted to a few percent.

/Enormous restrictions were made in investments./ According to preliminary estimates, net investments in fixed assets were cut nearly 50 percent. Difficulties in commissioning socialized capital investment projects increased; the number of new dwellings dropped.

/The deepening disequilibrium between supply and demand was on the whole characteristic for the monetary and market situation./ That resulted from the significant drop in the production of most market commodities and in farm produce procurements, on the one hand, and from the significant increase in the population's cash income, on the other. According to preliminary data, the wage fund alone increased about 25 percent compared, like most data presented here, with 1980.

The supplies of commodities to the market were significantly smaller. According to preliminary estimates, their total value, including national and imported goods, in terms of constant, comparative prices, shrank by about 10 percent. Particularly perceptible were the shortages of meat and other livestock produce. On the other hand, pains were taken to keep the population constantly supplied with other basic consumer goods. As production was declining and the market imbalance increasing, the shortages of nonfood articles were increasingly drastic.

/According to preliminary data, in foreign trade exports declined about 14 percent and imports about 7 percent./ On the whole, the significant drop in exports--particularly in coal exports--significantly restricted the import abilities of the economy, thus reducing the utilization of the production potential and deepening payment difficulties. Under such conditions, the additional imports from the socialist countries, particularly from the USSR, were of great importance.

What are my personal reflections? /The economic situation, as characterized by phenomena and figures, shows that many efforts and much time will be needed to

check the decline./ The improvement in labor discipline, already evident under the conditions of martial law, must go in step with higher productivity and with the willingness to switch over the economy and collectives to new tracks. The point is to more rapidly adapt to the aforesaid obstacles stemming from the poorer material supplies from abroad. Under such conditions, it would be advisable to switch over more rapidly to new production wherever it is impossible to continue the old production because of the lack of materials. Measures stimulating exports should also contribute to overcoming those difficulties. If we follow these rules, Prof W. Sadowski said, we may hope that the falling tendency in the national income, emerging, unfortunately for our country, each year, will be discontinued.

CSO: 2600/355

## POULTRY PRODUCTION PROBLEMS, FEED SHORTAGE DISCUSSED

Warsaw RZECZPOSPOLITA in Polish 15 Jan 82 p 4

[Article by Zbigniew Kujawski: "How to Raise Poultry Without Imported Fodder. Controversy Over Poultry Farms. Small Poultry Farmers Are Waiting for a Sponsor"]

[Text] One of the bigger "scandals," recently, on the food market was the fate of poultry farm production which became threatened with a drastic reduction in fodder deliveries from State supplies. Some journalists (among these, Andrzej Mozolowski in POLITYKA, Marcin Makowiecki in ZYCIE GOSPODARCZE as well as the popular television spot "Letters On the Economy") took a rather dramatic stand in defense of the threatened broilers and egg-laying chicken farms. The decision regarding the substantial reduction of poultry farm production, which was made by the Ministry of Agriculture and Food Economy, was described as incomprehensible, unreasonable and downright detrimental.

The reduction of poultry meat production from more than 500 thousand tons in 1981 to approximately 170 thousand tons in 1982 and the production of eggs on poultry farms correspondingly from 2.6 billion to 1.7 billion units is, clearly, a severe blow to our present "very meager" food economy. This was, however, a valid and necessary decision. Poultry farm production, which was already very well organized in our country and very attractive financially for farm owners--actually had only one shortcoming. It was dependent, by nearly 100 percent, on imported fodder from the dollar zone while the foreign exchange cost of this fodder--not even taking into account the country's present payment capabilities--was so high that it made this entire enterprise questionable.

### Instead of Broilers

The foreign exchange cost of fodder of essential high quality, the cost of its transport to Polish ports as well as the operating costs of credits negotiated for this purpose were so high that for nearly the same amount of money, it would have been possible to import ready broilers and eggs. However, fodder represents only a part of the foreign exchange costs. We must also account for liquid fuel for the heating of chicken coops; imported, poultry slaughter facilities; breeders [animals], etc. We used to buy all of this abroad. Besides foreign exchange costs, poultry farming also entails expenses in zlotys, above all, those involving capital expenditures. In other words--under Poland's conditions, in our unusually difficult feed situation--the rapid development of poultry farm production was, at

the very least, a risky venture, entirely dependent on importing and always exposed to the risk of a sudden collapse--in the event of a shortage of foreign exchange funds for this purpose. We have currently found ourselves in just such a predicament.

The opinion that broilers give a twice as great production yield from the same amount of fodder as compared to pigs is not true. The feed, which is consumed by broilers is by far better than that used for the feeding of pigs and besides this, broiler meat cannot measure up by comparison to pork. If we were to convert the consumption of fodder into the production of 1 kg of edible protein--then there would be no difference in the use of fodder between broilers and pigs because a [dead] broiler contains proportionately more inedible parts and in terms of nourishment, its meat is considerably less valuable than pork.

It was calculated that if the highly nutritive protein used in the feeding of broilers was to be intended for pigs, which in our country feel the severe lack of this ingredient--the production result would be 2-3 times more favorable. In other words--instead of a ton of broilers we would have, from the same amount of protein, 2 and in some cases even 3 tons of pork. Therefore, the choice is between broilers and a 2-3 times greater amount of ham, pork roast or bacon.

Negative Consequences

The rapid development of poultry farm production had yet another very negative consequence. All of the attention was concentrated on the development of poultry farms, entailing nearly one-third of the total amount of imported grain and fodder. The ignored and left to itself, traditional poultry production on privately-owned farms declined more and more. Therefore, at the present time, when poultry farms are coming to a standstill because of feed shortages--their production can be compensated only in small part by the production of small producers which in 1970 supplied more than 80 percent of eggs while in 1981 the amount already dropped to less than 30 percent!

In 1978, we already even had a surplus of eggs. Neither the domestic market nor exports could absorb them. As a result, in 1979, this brought about the earlier lowering of seasonal, spring procurement prices for eggs intended for the purpose of...slowing down the production of small producers. This move turned out to be effective. The number of egg-laying hens on privately-owned farms declined. Also in 1981, at the time of the April reform of procurement prices on agricultural products--eggs were completely forgotten. A very small price increase was not introduced until the summer months of the current year. However, by that time, this increase did not have an effect on an increase in the number of egg-laying hens. Naturally, all of this was reflected on the market. Eggs, supplied in larger quantities could be used as a complete protein substitute for meat which is scarce. Unfortunately, an increase in demand is not accompanied by their increased production.

The decline encompassed not only the production of small egg producers. The number of geese, which in 1970 still amounted to 4.1 million head, fell in 1980 to 1.3 million head; the number of ducks declined during this period from 5.1 million head to 3.4 million head and that of turkeys--from 1.7 million to 0.4 million head.

Simply put, there was no one who would look after this production. After all, we noted considerable progress, at this time, in other areas of animal production. The entire, domestic poultry breeding enterprise was overshadowed by the scene of poultry farms, which are an excellent means of managing fodder in countries which have huge surpluses of it but in a country as poor in grain as Poland, it turned out to be an acquisition which poses many problems today.

Some years ago, in Holland, the growth of poultry farm production took on such huge dimensions that it began to seriously weigh down on the balance of payments of that country since all of this was based on the increasing import of fodder. A strict ban was, then, issued on raising poultry in quantitites higher than 25 head--without one's own feed supply. We must go in the same direction, at the present time, in Poland.

Possibilities and Restrictions

Poultry farm production can be maintained and even developed, however, the farm owners must concern themselves with producing an essential part of the fodder which they need--on their own. There is still a lot of land in Poland waiting for intensive cultivation. Poultry farm owners can take it upon themselves to cultivate this land or they can work together with feed producers. They should receive only those feed ingredients from the State which they are unable to produce within their own capacity.

There is also the possibility of the temporary use of poultry farms for other purposes. The raising of waterfowl, swine, sheep or rabbits deserves particular attention--actually any kind of animal production which can more easily do without imported fodder as compared to broilers and egg-laying chickens.

The small farmers' poultry production, on which everybody is counting so much today, is waiting for its own caring sponsor. Whether we like it or not, we must make amends with the hen which busies herself around the peasant yard. In comparison with chicken farm output, the egg-laying capacity of peasant hens is lower but they have the overwhelming advantage of doing without imported feed.

Such is the strange coincidence that the decline in the small farmers' production of poultry meat and eggs went hand in hand with the elimination of the collectivization of egg-poultry production and the taking over of the entire poultry turnover by the monopolistic "Poldrob." Therefore, either "Poldrob" will pay closer attention to the development of poultry raising on peasant farms or small producers will begin to aim for the reactivation of collective forms of organizing this production, which [the collective forms] had equally old as good traditions in Poland.

9835
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## LIGHT INDUSTRY OFFICIAL DISCUSSES 1982 PRODUCTION GOALS

Bucharest ROMANIA LIBERA in Romanian 6 Jan 82 pp 1,5

[Interview with Laurean Tulai, secretary minister of state, by Marcea Scripca]

[Text] — To start our conversation we request, Comrade Secretary Minister of State, that you review the primary goals of light industry for the year 1982.

— As a basic part of the consumer goods industry, light industry has significant tasks in the new year. In light of the valuable guidance given by the Party General Secretary, Comrade Nicolae Ceausescu, at the plenary meeting of the RCP Central Committee on 25-26 November 1981, as well as the resolutions of the December 1981 session of the Grand National Assembly, light industry will have to attain an increased and diversified volume of production in order to better satisfy the requirements of domestic consumption as well as export. Modernizing production, increasing the degree of utilization of raw materials, raising labor productivity and reducing material expenditures are among light industry's priority tasks.

A growth in net production of 8.4 percent is planned, compared to the preceding year. An increase in industrial production of 6,4 billion lei is anticipated over that of 1981. Four billion of this will be attained by increasing the degree of utilization of material resources. Important increases are expected in the primary physical products. As a result, the manufacture of products from our country's raw materials will increase to a greater degree. Particular examples of this growth are 7.2 percent for silk fabrics, 44 percent for non-woven fabrics, 8.3 percent for glass products, 79 percent for popular ceramics, and 25 percent for solid-fuel heating units and stoves. Three million square meters of finished linen and flax fabrics will be produced; one million pieces of readymade clothing for outerwear will be made from these fabrics.

Higher growth rates are also planned, for which improved utilization of both raw materials and labor has been insured. Examples are nine percent for knitted goods, 19.2 percent for moroccan-style leather articles, and others. Simultaneously, production of goods made with new manufacturing technology will increase at a greater rate. Examples are glass-thread fabrics with a 22 percent increase, crystal glass productions with 30 percent, and others; products made from recycled and substitute materials also fall into this category. Examples of the latter are carded wool-like fibers--by eight percent, footwear with textile uppers--by 22.5 percent, footwear made of rubber--by 13.8 percent, and others.

Compared to last year, 1982 will see a net increase in labor productivity of 7.3 percent. In fact, approximately 90 percent of the net production increase for 1982 over 1981 will be achieved through higher labor productivity. A reduction in production costs of 16.5 lei is planned for every 1,000 lei of produced goods; of this, 14 lei will be recovered from the costs of materials. These reduced production costs will mean total savings of 1.9 billion lei; savings in materials will account of 1.6 billion of this sum. As far as total deliveries to the marketplace are concerned, a large part will continue to be those products that involve a high level of processing. For example, ready-made clothing of textiles and knitwear will make up 42 percent of total deliveries.

— While examining these plans we cannot help but mention that consumer demand for certain products such as carpets, towels, curtains and ready-made clothing of natural and artificial fur has increased greatly. Will this demand be better met than in the preceding year?

— We have studied this and have planned production increases that will result in greater output of these particular articles this year. Compared with last year, commerce will be furnished with 10.1 percent more carpets, 27.3 percent more towels, 7.1 percent more curtains, 84.6 percent more fabric for blankets, 77.8 percent more pajamas and nightgowns of printed flannelette, and 37.1 percent more clothing of natural and synthetic fur.

With respect to carpets, the start up of the new production enterprises in Alba Iulia, Beclean and Dumbrava will insure the increased output for this year. And just the same, new production facilities opened last year will contribute to the increased output of the other products. These new facilities include the expanded and modernized curtain production enterprise in Pascani; the newly opened knitwear enterprise in Negresti-Oas, the new section of the Miorita Knitwear Enterprise in Oradea, the new silk weaving mill in Tirgu Mures, the new footwear enterprise in Toplita, and the associated enterprises for fine linen in Zalau and Jibou; etc.

Other investments are planned for this year to bring about additional production growth and diversification. Among them, the Maratex Enterprise in Baia Mare will received a new finishing section for extra-wide fabrics. The furiture upholstery enterprises in Bucharest, Gheorghieni and Deva will also be expanded. The new tannery in Bucovat-Dolj will be put into operation. The Metaloglobus Enterprise in Bucharest will increase its output of zippers to 4.5 million ml. per year, thereby even better satisfying the demand for these accessories. Also, the Red Enamel Enterprise in Medias will open a new section for the production of enameling paste in a diverse range of colors.

— In line with the significant needs of the national economy, an established primary goal has been that of increasing the optimum utilization of recycled materials. What will be done in this direction?

— We have set a goal of using 25.8 percent more recycled textiles in 1982 than last year. Steps to provide for the technologies to process these materials have been taken; efforts have been made to provide the necessary production facilities and distribution arrangements to bring these products to the consumers. These measures require the combined utilization of the production facilities of carded wool factories, vicuna yarn factories, and other enterprises; it is also important that the

newly opened production units attain their planned levels of output. The facilities in question include the vicuna yarn factories in Birlad and Vladeni-Iasi, the weaving mill in Birlad, the new non-woven textile section of the Netex Enterprise in Bistrita, the sorting and teasing center of the Proletarul Enterprise in Bacau, and others. A broad program will be carried out in the branch's industrial centers in order to gradually replace cotton fibers with fibers of vicuna yarn produced from recycled materials. The efforts to start up production of the non-woven textiles enterprise in Rimnicu-Vilcea will also be intensified; this enterprise will be the largest facility using recycled materials. Its products will replace such standard articles as moquettes (a carpet or upholstery fabric), supports (backing) for PVC (plastic) carpets, cottonwool stuffing for upholstery, etc.

Shifts will be made in the leather goods and footwear branch toward utilizing recycled leather resources that have not been used to present. It will become possible for the two new sections of the Mineral Tannery in Jilava and the "13th of December" Enterprise in Sibiu to manufacture, for the first time, auxilliary products from a collagen base. This will result in more than 2,600 tons of recycled leather materials being brought into the economic cycle each year.

— And what is planned for 1982 in terms of the diversification of products?

— As a result of the conditions created, product diversification will be emphasized to the extent that about 72,000 articles, models, designs and new color schemes will be produced this year. Along with better use of raw materials, special attention will be given to producing goods of four categories of quality: general (masa), improved (superior), extra (extra) and luxury (lux).

This year's production will include new cotton-type fabrics with special fibers for skirts, blouses and shirts; a new assortment of fabrics for clothing; knitwear in new styles and forms; pierced work with jacquard motifs; lace trimmings; pleated fabrics; a wide range of spring and sportswear; diverse items of clothing made of linen and hemp fabrics; new styles of winterwear such as overcoat substitutes; and others. A new assortment of footwear with textile uppers and heels of light materials; new styles of adult and children's shoes of natural and synthetic leathers; various articles of morocco-style leather (purses, gloves, belts, etc); and clothing made of textiles using PVC (plastic) will also be produced.

As far as the variety of household articles is concerned, available products will include new types of cooking stoves with three and four burners that are equipped with safety devices, have a high quality finish, and use less fuel. There will also be new styles of enamel dishware, some of which will be available in complete sets; heat-resistant dishware of ceramic and glass in various forms and shapes; sets of glasses and plates having new designs and others.

The more than 600,000 workers in light industry, many of whom are women, will make increased efforts to fulfill all the objectives for the new year and thereby contribute to the improved level of supply for the population and better meet the requirements of export.

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## TOMA GRANFIL DISCUSSES EXPORTS, ECONOMIC COOPERATION

Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 18 Jan 82 pp 21-24

[Interview with Toma Granfil, chairman of the management board of the Yugoslav Bank for International Economic Cooperation, by EKONOMSKA POLITIKA; date and place of interview not specified: "The Road to Comprehensive Cooperation"]

> [Text] The long-term orientation toward a world market has a considerably broader and deeper reason than the present balance of payments imbalance. We discussed the conditions for a lasting and economically rational inclusion of our economy in the international division of labor with Toma Granfil, the chairman of the management board of the Yugoslav Bank for International Economic Cooperation. We are publishing a free rendition of the conversation.

EKONOMSKA POLITIKA: Exports are now being referred to primarily as a necessity. We would like to talk with you [about exports] as a way of doing business. We are furthermore proceeding from the assumption that being capable of exporting means being productive, technologically modern and efficient, and not separating the domestic market from the foreign market.

Toma Granfil: It is correct that one cannot be a good producer and not export, just as one cannot export for a long time in a high-quality and competitive manner unless one also produces goods for the domestic market under the same conditions. A small country always has to export relatively more than a large one. It has to specialize, because if it wants to have a profitable production capacity it has to join in the broader international division of labor. For example, Belgium and the Netherlands export 40 to 50 percent of their gross national products. America, which is a large country, can allow itself to export only seven percent.

We have achieved the rank of a semi-developed industrial country, which means that we are at the initial stage of the battle for the world market. But I would say that because of certain errors in the conduct of our economic policy, we are in a situation of having to fight for the domestic market as well. This is why. During the last five year plan Yugoslavia imported equipment worth $13.5 billion, and at the same time we exported equipment worth $8.5 billion. It is well known that we have imported on a large scale what could have been produced in Yugoslavia. We all know various power plants, sugar factories, and many other industries were

built, even though 50 to 70 percent domestic equipment could have been installed in these sites.

EKONOMSKA POLITIKA: In regard to equipment, we must recall that our domestic industry has most often dropped out of competition because it was unable to finance the investor. This means that we did not have enough capital accumulation for the development that we have carried out.

Granfil: This is not a question of a shortage of capital, but rather of an inefficient expenditure of it. For this reason we have tried to utilize additional capital from abroad, mainly by importing equipment. Someone who imports too much equipment, however, suffers from unfavorable terms of trade. Viewing the trend in the last few years, the greatest jump has been in the prices of equipment and technology: on the average closer to 20 than to 15 percent annually. Now, when oil prices are settling down and the prices of raw materials have already been stagnating or falling for years, equipment prices are still maintaining the trend of high annual jumps.

Now the question is raised of whether we can, on one hand, import less equipment and thus avoid harming our truly necessary and possible development, and on the other hand, whether we can become net exporters of equipment. Both of these are possible. The analyses that we performed with the planning institute and the members of the Bank show that in this medium-term plan we can export $20 billion of equipment.

EKONOMSKA POLITIKA: That is a large jump...

Granfil: Just let me finish...and there is no need for us to import $13.5 billion of equipment as during the last planning period. Such a jump is possible, and if there were any doubt of it, it would have to be made necessary.

EKONOMSKA POLITIKA: The unavoidable question is how?

Granfil: First of all, we have to do this. Primarily we have to produce more equipment for the domestic market. In this medium-term plan we cannot count on a net influx of capital from abroad for investment, because the foreign loans will be used mainly for payments on the credits [already] used.

In the second place, we are not starting from scratch. Equipment producers are already achieving exports of $3 billion per year, when sales for cash and for credit are added. This is not the level of the German or American market, but it is a significant experience and a potential that can offer considerably more if we conduct the appropriate economic policy.

EKONOMSKA POLITIKA: It is precisely about such a policy that we are asking.

Granfil: First of all, domestic capital should be made more movable, and a free association of funds should be made possible. In fact, free association across republican borders should be ensured, and self-management and the collectives should be given the freedom to move and associate with each other in a unified Yugoslav market. Not only should they be given this freedom, but such trends should also be supported by all possible measures.

It is not normal for our industry to build power plants abroad and for our shipbuilding industry to make ships for export, and for us to import power plants and our domestic fleet. The question arises of, let us say, why our shipbuilders cannot obtain credits in Yugoslavia even though they have good credit ratings and have a foreign currency capital through which they meet their obligations to a foreign creditor in a very orderly manner. This means that we need more efforts and more determination to organize our domestic market in a more unified manner. We can likewise build power plants based on domestic equipment, with additional participation by foreign suppliers, but considerably less than in the past.

ECONOMSKA POLITIKA: Importing complete installations, of which thermoelectric power stations are the most striking example, has not been accompanied by the participation of domestic production for the sake of its development. What is the main reason for this?

Granfil: One problem is that we are importing what we could be producing ourselves, and an additional problem is that nearly every imported power station is from a different producer. Often a municipality decides which thermoelectric power station will be imported. Granted, all the firms from which we are buying are well-known ones, but if we had taken a unified approach and selected a single partner, and agreed with it that we would build the first of, let us say, ten thermoelectric power stations with 50 percent Yugoslav participation, and build the tenth with 90 percent--and if we had taken a joint approach together with this partner abroad--we would be an export power today. But if, for example, a municipality that does not have a single equipment factory decides about a thermoelectric power station, then it is logical that this municipality will not take into account the circumstance that this equipment is manufactured quite well by MINEL, termoelektro, Djuro Djakovic, Jugoturbina, Rade Koncar, or Energoinvest.

ECONOMSKA POLITIKA: Some analyses show that the equipment industry has relatively modern plants and machines on an enviable technological level, but is nevertheless unable to offer a complete factory assembly line, not to speak of the complete installation. What are the consequences of this for our export capability?

Granfil: It is correct that our industry is not yet sufficiently equipped to offer complete installations more extensively; but in the developing countries, toward which we ought to be oriented, we cannot see only series-produced machines. Preference must rather be given to exporting technological aggregates.

In 1981, it was shown that the developing countries are a promising market for our equipment producers. The total exports to those countries were increased by 28 percent, and the exports supported by the Bank, by 50 percent (in nominal terms). We have to go farther than we have to date, however, if we want to increase our further exports to these markets. We cannot be concentrated in only several countries. At the moment we are only symbolically present in the markets of Latin America and Southeast Asia, and these are markets which are today among the most dynamic ones in the world. If we are not involved there, this is harmful and dangerous to us because these are countries where we purchase a great deal and with which we have an enormous deficit. We cannot ensure a greater presence in these markets overnight. We should have a ten-year program and systematic work on that program.

EKONOMSKA POLITIKA: A significant side of that program is our own qualitative development.

Granfil: Half of our present export problems are in developing our capacity. The other half is our overall relations with those countries. All of the developing countries have financial difficulties, and will for a long time. This is nothing new, but we have not drawn practical conclusions from this well-known truth. We have not drawn the conclusion that comprehensive mutual economic cooperation is necessary for exports. These countries have goods that we are exporting in any case: food, energy raw materials, minerals. We have equipment and technology, which are extremely necessary to them. These must be linked to each other. The developing countries are offering this to us. But what are we doing? We have bought Burmese rice in Switzerland, and we are building a copper mine in Burma. We are buying copper from multinational companies instead of linking our work with national companies and obtaining copper from them. Thailand is offering to allow us to build several installations if we buy its rubber. But we are buying rubber from another country, where we do not have so many exports.

There are many similar examples. But we could do otherwise. Now oil is part of this scheme too. Two years ago buyers begged to obtain their quota for oil imports. Today the producers are making their imports conditional upon oil purchases. Recently we signed an agreement with one country for a million tons of oil, which, through a special account, will pay for its imports from Yugoslavia. Side by side commodities will move in both directions, and both countries are interested in using the commodities that they have to pay for imports of the commodities that they have to import, all at world prices and in a freely chosen currency. These are the paths that were built by others through the years.

EKONOMSKA POLITIKA: Is there a danger, as some people are saying, that we will put the domestic buyer in a difficult position by exporting, even through such arrangements? Agriculture, for example is warning that it will be hard for it to maintain its rate of production because it is increasingly harder for it to obtain machinery.

Granfil: You know, Mercedes did not halt its exports because the domestic buyers each had to wait for two years. Maybe this is not a good example, but a producer who is interested in a long-term and secure position in the market will never neglect one aspect in favor of another. Some of our organizations stopped exporting when there was a boom in Yugoslavia. And what now?

EKONOMSKA POLITIKA: That is what we are asking too.

Granfil: We have to be better organized, and we should already have an orientation for the period until 2000. I will return to the developing countries again, since they constitute two thirds of humanity. The problem of the developing countries is complementary to our present possibilities. Their problem is the development of the power industry, the production of food, and a transportation infrastructure. This is exactly what we have been developing the production of equipment for since the fifties, and a field in which we have significant achievements. But our offer has to be more comprehensive than a trade deal.

EKONOMSKA POLITIKA: The Yugoslav Bank for International Economic Cooperation really should develop and promote exports, especially to the developing countries. What are the prospects for the Bank's support for the overall exports to be greater than the present 4 percent?

Granfil: First of all, I would like to turn your attention to the qualitative significance of the Bank in our foreign trade, which is reflected in opening up new markets for equipment exports. Secondly, the Bank's participation in overall exports is increasing from year to year. This year, these exports will be between $750 million and $800 million; that will already be six percent of the total exports. When you take into account the fact that 93 percent of these exports are going to the convertible area, these are over nine percent of the total exports to the convertible area.

But I fully agree with the need for a Yugoslav export bank to play a broader role. The Yugoslav economy and the Yugoslav banking system have a serious need for a broadly conceived bank for foreign trade that would enter into broader long-term arrangements, and which, together with the commercial banks, could offer the economy a long-term, systematic, and comprehensive link to a foreign trading partner.

The conditions for this, primarily the sociopolitical ones, are ripening, but very slowly. There is still great resistance, but the fact is that by this method we should overcome the relations of the present regional separation, in which the banking system is also separated too much into regions.

EKONOMSKA POLITIKA: What could such a Bank offer that the present one cannot?

Granfil: To begin with, such a bank could assist in the assimilation of new markets, which lasts for several years. Individually, exporters cannot stand up under the necessary effort of investing in individual markets for several years in order to create something there. In this case the bank could provide financing, but it could also check on how much can realistically be expected from a given market. Another part of its role is to assist in comprehensive arrangements that include exports and imports, on the basis of which a certain advantage is obtained. In practice the bank should ensure more comprehensive cooperation among the developing countries. All the exporting countries in the world have such banks. It is quite insufficient to limit such a bank to refinancing exports.

EKONOMSKA POLITIKA: Where are such limitations coming from now, when JUBMES [Yugoslav Bank for International Economic Cooperation] is involved?

Granfil: Part of the limitations are legal ones, but most of them are the consequences of practical measures. It is primarily a question of ensuring the necessary funds, and a lack of agreement on the policy that we will follow. We will never be able to resolve the problem of funds with our present narrow activity, even though we have written in three resolutions in a row that this has had to be resolved in the current year. Thus, we remain the only equipment producing country that does not have a long-term solution for a system for financing these exports.

EKONOMSKA POLITIKA: In this context the issue of the possibility of foreign indebtedness in order to finance exports is an interesting one, since as far as we know there is no agreement on this.

Granfil: The plans and agreements state that the Bank can incur debts abroad and thus finance an expansion of our exports. Even the wealthiest countries get capital on the world market in order to combine it with the funds that they have themselves, and this is a very normal transaction in international indebtedness.

The use of foreign capital accumulation in this way is even more favorable since we are financing goods that are produced in Yugoslavia in order for these loans to be realized in Yugoslavia, and on the other hand, funds used in this way create foreign currency claims abroad. As a rule these are very stable foreign currency reserves, because so far we have not paid more than one percent of the claims.

It seems paradoxical--everyone agrees that is it necessary, but in operation we cannot ensure a solution.

EKONOMSKA POLITIKA: If the problem is linked to the balance of payments positions of the republics and provinces, isn't it possible to make an exception in this case, since these are clear arrangements?

Granfil: We have abided by the standpoint that an agreement has to be reached among all of the republics and provinces. But an agreement is not reached in order for it to be disputed whether it is necessary to incur debts in this way, but rather because this cannot be separated from the "package." My impression is that this is also one of the areas in which administration is a hindrance.

JUBMES's Identity Card

The Yugoslave Bank for International Cooperation, founded on 1 July 1979, performs additional financing for export deals, insurance against non-commercial risks, and through this work links the Yugoslav economy to the world economy. The bank has taken over the role of the former Fund for Financing Export Deals.

During the period from 1976 to 1980, the Bank and the Fund financed 15 percent of the capital goods exports, i.e. 3.9 percent of Yugoslav exports. The regional orientation was: 70 percent of the exports financed were made to the developing countries, 23 percent to the East European countries, and 7 percent to the Western developed countries.

The Bank's analyses, as well as the analyses of authoritative international organizations, show that equipment and technology will have a proportionately more rapid growth in world trade. The strategic significance of the growth of this type of exports in our total exports is reflected in: 1) the effect on achieving a more equal economic position in the international division of labor, since the prices of equipment and technology in the world market are growing more rapidly than the rest; 2) the role of these exports in establishing long-term and modern higher forms of cooperation and a long-term stabilization in the balance of payments; 3) more efficient use of the available plant capacities; 4) the effect on the organization of our approach in exporting complex products with a high degree of processing.

## Credit Conditions in the World

The Organization for Economic Cooperation and Development (OECD) coordinates policy in financing exports, and for this purpose has adopted the following:

1. An arrangement on guidelines for official support of export credits (a "gentlemen's agreement"), adopted in July 1976. The conditions are:
- a minimum mandatory case participation of 15 percent;
- an interest rate between 7.50 and 8.75 percent, depending on the degree of development of the country receiving the exports (developed, semi-developed, and poor). In November 1981 the interest rates were increased to 10 percent for the poor countries and 11.25 percent for the developed ones;
- terms of from two to 8.5 years for the developed countries and ten years for the poor countries;

2. An agreement for export credits for ships, in effect beginning 1 December 1979, provides for the following:
- a minimum cash participation of 20 percent;
- a term of repayment of 8.5 years;
- an interest rate of 8 percent, except for some EEC countries for which it may be 7.5 percent;

3. An agreement on export credits for aircraft and nuclear power

## Conditions for Additional Financing

The Yugoslav Bank provides additional financing for an average of 70 percent of the value of the deal. The rest is provided by the exporter with his commercial bank.

The credit terms are between two and ten years, including:
- series produced machines and equipment, studies and projects up to five years;
- individual machines, devices, and installations for the machine building, electrical machine building, and telecommunications industries, up to seven years;
- ships, complete plants, investment work, investment in one's own or jointly owned enterprises, up to ten years.

The interest rates are: 5 percent in financing exports of capital goods for convertible currency, 4 percent if financing exports to the least developed countries, and 6 percent for clearing accounts. Commercial banks can increase the interest rate by another 0.5 percent.

Special conditions (a term of 10-13 years, an interest rate of 4 percent) are given for financing exports to the least developed countries, in cooperation with the Solidarity Fund.

## Studies and Research Projects

A special decision regulates the method of covering the expenses incurred by members of the Bank in research projects and studies performed in order to promote exports. The Bank provides these funds mainly from its own sources, but may provide up to 50 percent from other sources.

The studies and projects can be ordered by the Bank, but also by the members themselves, in which case the Bank employees do not participate in drawing up the studies or performing the projects.

The criteria for selecting studies and projects can be classed in three groups: economic, financial, and other criteria.

The financing for drawing up studies and research projects is as a rule not returned, but through special contracts between the Bank and the contractors it is possible to specify the conditions for a possible return of the funds spent.

In 1981 the Bank financed ten projects undertaken by its member firms, including PKB, RTB Bor, IMR, FA and Magnohrom.

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PROBLEMS IN REPUBLIC, PROVINCIAL SHARING OF OIL LINE

Zagreb VJESNIK in Serbo-Croatian 14 Feb 82 p 3

[Article by Vlado Raic: "Organizing Pipeline Use Consistent With Self-Management"]

[Text] Another several centimeters have been added to the 761 km of the Yugoslav oil pipeline. In other words, that is the thickness of the written material devoted to the problem of organizing the Yugoslav oil pipeline consistent with self-management. The dispute, at least it so appears at first glance, occurred because of the length of the pipeline, which passes through three republics and one province. At second glance the problem does not lie in the length but in the republics and the province. And at third glance: though there were numerous difficulties and troubles in building that pipeline, organizing it consistent with self-management is not causing less trouble.

What is it about?

It is all a bit sad. After all, less petroleum is flowing through the pipe than the sweat that has been produced in establishing the legal status of the Yugoslav oil pipeline. Two years ago the coordinating committee of the founders, on the proposal of Naftovod [oil pipeline], adopted a decision for the preparations to be made to set up a work organization as soon as possible. That "as soon as possible" was only a fond wish. And nothing more!

The Law on Associated Labor Is as Clear as a Tear

On the last day of February 1980 a working group was named. Its members concluded that there are components in the Yugoslav oil pipeline "which fulfill the legal requirements for organization as OOUR's [basic organization of associated labor]: each part constitutes an operating entity, the performance of such components can be expressed independently in terms of value, and the workers in those components can exercise their socioeconomic and other self-management rights."

Pure Law on Associated Labor, without objection.

There were five OOUR's headquartered in Omisalj, Sisak, Virje, Bosanski Brod and Novi Sad. Plus the work community, headquartered in Zagreb, Rijeka and Belgrade (as necessary).

But, like any other group, this group also had small groups within it. That first proposal was the idea of the first small group. A second small group concluded that the Yugoslav oil pipeline (we are all the time talking about the same pipeline, let there be no confusion) should be organized as two OOUR's: the "Transport" OOUR and the "Maintenance" OOUR, plus the work community, but only one. Its arguments were "the unified nature of the technological process of transport in the pipeline, the mutual technological dependence of all the parts, operational planning needs to be done centrally, for the entire system." To this was added the fact that the Sisak "dispatching component"--the center from which petroleum in the pipe is controlled, when it will flow, when it will stop--is responsible for the movement of petroleum. Given the fact that the "dispatching center" wields the power over the entire pipeline and the petroleum in it, there is no OOUR which could make a decision on that petroleum at its own discretion.

Aside from the detail about the "dispatching center," this is also pure Law on Associated Labor, as clear as a tear.

And what now? Two small groups were unable to work out a joint opinion for a large group. Though it involved the founders of the entire pipeline, the refineries in Novi Sad, Pancevo and Bosanski Brod (the first small group) and those in Zagreb, Sisak and Lendava (the second small group).

If it was easy to reach agreements on construction of the pipeline, it is not so easy to divide up "power" over it. Let us ignore for the moment the fact that each of the groups is carrying the banner of a particular republic or province. The essential thing is that both groups appeal to the Law on Associated Labor. Moreover, to the same article in it, Article 320.

The attentive reader who is interested in how the pipe is organized in the system of self-management certainly has not overlooked that the groups have divided up the pipeline on the basis of two principles: by geography (not to say by republics) and by function. Is there an article in a law capable of two such opposed interpretations?

No One Is Asking the Workers

Back when it was still one large undivided group, the Council of the Federation of Croatian Trade Unions was called on for help. But so that the issue would not be placed in the hands of one of the small groups, that authentic and serious meeting was scheduled for 20 January 1982 at the federal level, in the Federal Committee of the Trade Unions of Fuel and Power and Petrochemical Workers of the Council of the Federation of Yugoslav Trade Unions. In the meantime, during 1981, the proposals of the two small groups became demands. Naftagas and Energoinvest were demanding that the pipeline be set up in such-and-such a way (see above), INA was calling for it to be set up in such-and-such a way (see above, but a bit lower down). Neither of the two groups departed from the opinion as stated. During 1980 and 1981 the collegium of directors of the pipeline proposed that a work organization be created without OOUR's. Within a period of 1 or at most 2 years. However, the proposal was rejected by the coordinating committee of the founders, and matters came to a standstill.

It is interesting that over that entire time no one asked the workers of the Yugoslav oil pipeline: well, now, comrades, what do you think about all this? Nor was the question put to the workers of INA, Energoinvest, and Naftagas. As though they did not exist. The dispute involves only the management structures, and perhaps even the top leaders of the sociopolitical communities, hidden behind them.

What, incidentally, does Article 320 of the Law on Associated Labor state?

The same thing that the first small group gave as its line of argument. But the Law on Associated Labor also has an Article 321. "It shall be assumed that a component of production or of other social labor in a work organization constitutes an operating entity, in the context of Article 320, Subparagraph 1, of this law, if the workers in it are directly linked together by a single work process and are thereby mutually dependent in their work and if in that component they realize joint results of their work through their work with common instruments of labor."

So, that is what the Law on Associated Labor says. It is true that it does not anticipate pipelines extending through three republics and one province, nor does it foresee all those interests which are involved in it, nor that the workers from so many different communities would be responsible for care of the pipeline and of the petroleum in it. We know, incidentally, that no law is perfect.

Who Is Refusing To Listen

But we are not even certain that this is a practice which will correct the law. Especially since there are certain other important things taking place in that practice, such as political gatherings on the order, say, of the Third Congress of Self-Managers of Yugoslavia, at which it was clearly stated: the principal basis of linkage should be production, regardless of republic and other boundaries. If the petroleum which is flowing through the pipeline is the production of an oil pipeline, then there is no more graphic example for carrying out this suggestion of the Law on Associated Labor and the congress.

The question arises: Who is refusing to listen?

We have said that the trade union was also asked for an opinion. We have said that the meeting was held under the sponsorship of the Federation of Yugoslav Trade Unions so that there would not be trade union bias along republic and provincial lines. Fadil Mumini, chairman of the Federal Committee of Trade Unions of Fuel and Power and Petrochemical Workers, called a meeting for the end of this January.

Postponed for Another Occasion

The point of departure was "the right and duty of the workers" to decide on everything, including organization of the self-managing enterprise. There were no workers at that meeting. Who knows why. Nor was there any evidence of the fact that the work process is the basic factor in linkage, rather than capital, and that is why the whole scramble over the pipeline occurred in the first place.

But when the question is not put to the worker, and when work is not honored, then things go as they are going. Then it is clear why the request was made to omit from the report of the Council of the Federation of Croatian Trade Unions on the problems of organizing the work organization of the Yugoslav oil pipeline consistent with self-management the last paragraph, which contained these two facts.

What did the meeting at the trade union level contribute?

Informed sources say--nothing. The issue was postponed for yet another occasion, when representatives of the executive councils of the interested republics and provinces are to meet. But even at the last meeting a very important thing was overlooked: What happened to the trust and assurance that each of the founders would get its share of the income pie regardless of which idea prevailed as to organizing the enterprise? Can it be that in this example the OOUR has become the guardian of the income of the republic or province realized by the fact that petroleum is flowing through a pipeline? And now that we have raised the question of lack of confidence, what is it that is confirming the mistrust even to the point of disputing a law said to be capable (as matters now stand) of being interpreted in two ways?

Or the entire issue is quite simple, quite clearly contained in the answer to the question of to what extent the narrow interest of the republic (and that of the province) is represented in the interest of work and income?

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## AGREEMENT LIMITS ELECTRIC POWER EXPORT

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 6-8 Feb 82 p 2

[Article by Radmila Jovanovic: "Reins on the Export of Electric Power"]

[Text] As of 1 January of this year none of the eight electric power industries in the country will be able to export even a single kilowatt-hour of electric power without first having obtained consent of all the others, that is, of the Community of the Yugoslav Electric Power Industry. In future there will be more order within that community than there has been in the past, when at times there were ruptures in the Yugoslav electric power system, which is unified from the standpoint of engineering and technology.

In mid-December of last year a self-management accord was signed on joint operation within the Yugoslav electric power system, and it took effect this year. It states very strict rules of behavior which will be the ongoing concern of a particular staff service within JUGEL [Community of the Yugoslav Electric Power Industry], which shall automatically impose financial penalties on offenders.

### With the Knowledge of All

The need for foreign exchange will no longer be honored as grounds for exporting electric power if there is a shortage within the country. The accord states that electric power can no longer be exported if there is a customer in the country willing to pay for it on the same or better terms and conditions. An exception is to be made for those amounts which the Community of the Yugoslav Electric Power Industry has contracted to export or on the other hand obligations assumed in intergovernmental treaties.

It is especially emphasized that the parties to the accord can export only that electric power which they themselves have generated and imported for their own needs. Collection and payment on this basis is to go through the foreign exchange account of JUGEL.

Whenever anyone applies for export, the community is immediately required to contact the electric power industry of every republic and province in order to ascertain whether there is a need for additional amounts of power. Yet in recent years there has been no question whatsoever of any constant surpluses of power. For 2 or 3 years now it has not been possible to balance the electric power budget of

the country because domestic generating capacity (along with imports contracted for) was smaller than estimated needs of consumers.

Yet a surplus of power for export could occur under exceptional hydrometeorological conditions, when the inflow of water is so great that storage reservoirs are "up to the neck," when hydroplants are operating at full capacity, and when thermal plants are operating at the technical minimum.

The accord also provides for more economical and reliable functioning of the Yugoslav electric power system: its generating and transmission facilities. All electric power organizations are required to furnish a constant rotating reserve in their annual, monthly, weekly and daily plans of operation of their facilities. Thus each of them will be able to provide aid in a flash should some unit fail anywhere in the country.

Each electric power industry is required to furnish a rotating reserve representing 5 percent of the planned generating capacity on line. But should some unit fail, every power industry is required to put its own rotating reserve on line first. If this is not enough, the other power industries will provide aid with their reserves automatically, through synchronization of the load control center in JUGEL.

The joint rotating reserve will be used for a period of 8 hours. During that time the electric power industry whose unit has gone off line must find a solution: by correcting the fault, by purchasing the necessary power within the country or abroad, or again by extending use of the joint reserve for a specified period of time.

Under the Magnifying Glass at All Times

By contrast with purchases under normal conditions, use of the reserves is based exclusively on solidarity. Power obtained in this way is not paid for immediately. It is recorded by the staff services of JUGEL, which at the end of every month draws up the net amounts of power received and delivered for the power industries of the republics and provinces. A particular power industry may immediately collect for a positive balance from the recipient, but it may also carry it over to the next period.

The organizations pay one another for negative balances on the basis of use of the joint rotating reserve at the average sales price of electric power at the transmission threshold which was in effect during the same half of the previous year within the country, but multiplied by 150 percent. That average price is fixed by the executive board of JUGEL on the basis of the 6-month and year-end statements of the parties to the accord.

Clear rules of behavior have also been envisaged with respect to transmission of electric power to nonneighboring republics and provinces and to them from abroad so that the transmission system, above all the new 400-kv network, would be used with the greatest efficiency. JUGEL also has broad powers here in that the recipient of power transmitted in this way must reimburse the electric power organization transmitting the power for a portion of the cost for transit. Those

costs include power losses in the transmission network and coverage of simple and expanded reproduction, all of which depends on the accurately determined length of the route and the type and level of guarantee of the transit computed at prices in effect.

A Free Hand

The accord also provides rules for reconciling the electric power budgets of the republics and provinces at the national level, conservation of liquid fuels, secondary regulation of the electric power system, coordination of operational control of the transmission network between 400 and 220 kv and matters related to development and maintenance of the Yugoslav control center.

A similar accord on mutual cooperation among the power industries of the republics and provinces existed back some 10 years ago. It was almost completely suitable so long as there was enough power in the country. As soon as some of the power industries and the country as a whole fell behind consumption in building generating and transmission facilities, its first cracks appeared. They have been getting larger and larger in view of the gap between generating costs and electric power rates.

The largest shortcoming of the former accord was that the unity of the Yugoslav electric power system in terms of engineering and technology existed only on paper because the organizations of the republics and provinces were not willing, because of their differing positions, to give JUGEL authority for automatic action in case of a hazard. Differing interests were stronger than common interests up until 8 December 1980, when the system suffered an infarction and almost the entire country was thrown into darkness. Whether people want to admit it or not, this did bring about a more sober attitude in individuals, and ultimately it speeded up adoption of the new accord which has finally given JUGEL a free hand.

To whatever extent the new accord is better than the previous one in its details and as a whole, even it cannot be all-powerful. There is not enough power in the country, and JUGEL, with the broad powers just obtained, will often have to be more than a virtuoso in maintaining the unity of the electric power system.

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SLOVENIAN 'SURPLUS' IN ENERGY ALLOCATION, 1981

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 5 Feb 82 p 8

[Article by Vlastimir Popovic: "Dispute Over 11,000 Tons of Petroleum"]

[Text] Once again this year the Federal Executive Council was compelled to adopt an energy budget of Yugoslavia, since the republics and provinces were unable to agree on their own about the necessary amounts, above all of petroleum and petroleum derivatives. The basic criterion for distribution was last year's consumption, and the republics and provinces endeavored to indicate the largest possible needs. Now, one might say, a majority are dissatisfied or are at least trying to represent things in that way.

Looking at the totals, Slovenia "received" for this year 1,899,000 tons of petroleum and derivatives, which is 11,000 tons more than was consumed last year, but also 11,000 tons less than was necessary according to the republic energy budget. According to the calculations of "Petrol" Slovenia should have received 60,000 tons more of these fuels.

At first it seems that the difference of 11,000 tons is not a large one, but people here say that every single ton that is lacking will have an adverse effect on normal operation of industry and on the regular supply of consumers. After all, it is said, Slovenia did not need those 11,000 tons to create inventories covering 5 or 10 days of consumption, which are the normal stocks, but for urgent everyday needs. If it wanted to build up such industries, then the computation of "Petrol" would come the closest.

Conservation

When the amounts of petroleum and petroleum derivatives envisaged are broken down, it turns out that this year the republic will consume 6,000 tons less of heating oil and more than 80,000 tons less of heavy furnace oil. On the basis of the energy budget of Yugoslavia the republic has been allocated more gasoline and diesel fuel than it envisaged in its own budget. Some are now saying that the republic energy budget was indeed modest in that area. The federal budget, then, is more realistic, at least as far as gasoline and diesel fuel are concerned.

Thus by all appearances this year's consumption of liquid fuels in Slovenia will represent 12.5 percent of total Yugoslav consumption. Consumption of these fuels

over the last 3 years has dropped 28 percent in the republic. The reduction occurred mainly because of greater orientation toward natural gas.

It is true that in Slovenia last year consumption of petroleum and derivatives was 11,000 tons below what has now been approved in the federal budget. But last year, it should not be forgotten, there were frequent stoppages in this republic because of a shortage of these fuels (and also of petroleum as a raw material in the chemical industry). Nor have the amounts been included which Slovenian consumers obtained on their own from other republics and provinces. People here also say that in their budgets they did not make any sort of calculations in the style of "we will ask for the maximum, so that we will get more." It is not said openly, but it is felt that some others have done that in budgeting their needs.

It is felt that Slovenia could not have reduced consumption of liquid fuels more than it has done so far, and that is why they continue to insist on 11,000 tons more of petroleum and derivatives. As is well known, the republic has an advanced manufacturing industry, and usually it is impossible to substitute coal for liquid fuels. Sometimes there are ecological reasons involved. At the same time it is not possible to purchase adequate amounts of better-quality brown coal.

Clean Fuels

According to Slovenia's energy budget, this year's requirement would be 1.91 million tons of petroleum and petroleum derivatives, 8.2 million tons of coal, 232,000 tons of coke, 720 million cubic meters of natural gas, and 8.7 billion kilowatt-hours of electric power. It is the petroleum that is in dispute, while in other segments there are no large discrepancies in the estimates of the federal and republic budgets.

As of now it cannot be stated reliably how much of its need for electric power Slovenia will meet from its own sources. The beginning of the year does not give grounds for optimism. Coal production in the republic this year is anticipated at 6.7 million tons. Last year Slovenia imported large amounts of briquetted coal for general consumption. The federal budget reduced this republic's projected imports by 20,000 tons of briquettes and 32,000 tons of coke. "Kolubara," "Kreka" and Kosovo are expected to provide 470,000 tons of lignite this year and Banovic and Ugljevik 410,000 tons of brown coal.

There is talk now about the supply of natural gas from Algeria in coming years, in addition to the supply from the Soviet Union. Expansion of domestic fields in Lendava is also counted on. It is anticipated that 700 million cubic meters of gas will be imported from the Soviet Union this year, which is the amount imported last year. Yet these amounts are not enough to cover all the republic's needs for that form of fuel.

According to certain computations, gas consumption represents 10 percent of total energy consumption in Slovenia, and over the next 3 years it is supposed rise to 17 percent, coming close to the share of electric power in total consumption. Toward the end of this medium-term period natural gas consumption is expected to be 28 percent higher than in 1981. Industry is orienting toward the so-called "clean" fuels--gas and electricity.

An energy drought is announced in Slovenia for this summer. To what extent these estimates are premature remains to be seen. The creators of the republic budget have obviously been most affected by the allocation of petroleum and derivatives. Nor can it be said that they are satisfied with the anticipated stagnation of consumption in any other republic or province. The smaller purchases of petroleum, no reminder is needed, are the result of the country's payments-balance position. In that light, be it stated in conclusion, manufacturing plants which the entire society has already built can make a larger contribution than in the past to improving the import-export situation. We are referring this time to those plants which cannot replace other types of fuel with coal.

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## VOJVODINA PLANS CHANGES IN FUEL SOURCES

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 5 Feb 82 p 8

[Text] Vojvodina is striving to halt the growth of consumption of imported petroleum and natural gas for energy purposes through substitution and by conservation. The program for substitution of domestic fuels for imported liquid fuels and natural gas (which is consumed to produce thermal energy in boiler installations and other furnaces in industry, agriculture, public establishments and general consumption) calls for modernization and construction of new energy facilities.

The emphasis is on reducing Vojvodina's energy dependence in the years to come at minimum investment cost. On the basis of an examination of energy consumption up to the end of 1985, preference in construction of facilities for combined production of electric power and heat should be given to Pancevo, Subotica, Vrbas, Kula, Sombor, Kikinda, Senta and Sremska Mitrovica. On the basis of past experience and data collected from the machinebuilding industry, it is estimated that construction of various plants would take between 5 and 7 years. A heating network 120 km long would have to be built in Vojvodina settlements.

It is felt that 1.2 million tons of brown coal has to be provided for the overall energy consumption of 480,000 tons of heavy furnace fuel in those settlements. That amount requires an investment of 3 billion dinars, or 1,500 dinars per year for every ton of coal delivered. That high level of investment points up the need to speed up the opening of coal fields at Kovin, Cerevic and Banostor.

It is felt that 1 million tons of coal could be supplied from Kovin for the heat and power plant at Pancevo, the same amount from Cerevic and Banostor for Vrbas and Sombor, and 600,000 tons of brown coal for Subotica. Construction of facilities in those settlements by 1985 would make it possible to replace 790,000 tons of heavy furnace oil a year, while the present consumption is 480,000 tons of heavy furnace oil, or about 56 percent of total consumption of liquid fuel and natural gas burned in various furnaces in 1980.

Carrying out this program requires that 25 billion dinars be invested: 18 billion for power generating facilities, 4.2 billion for the heating system and 3 billion dinars for fuel. Vojvodina's annual production would be 5.6 million megawatt-hours of heat, 600 gigawatt-hours of electric power and 270 gigawatt-hours in the summertime.

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## YUGOSLAV ECONOMIC COOPERATION WITH NIGERIA

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 17 Feb 82 p 3

[Article by Miodrag Bjelic: "The Results Also Depend on Our Agility"]

[Text] Nigeria is the most populous country on the African continent and also the country with the greatest economic strength. According to recent estimates, nearly 100 million people live on its approximately 900,000 square kilometers of area. The Moslem population inhabits the northern and eastern regions, and the Christians are in the southeast.

Nigeria is a federation of 19 states. Each has its own budget, which it disposes of freely and independently. The federal budget finances sectors which are under government control and which have vital importance to the country. Lagos, with a population of 4 million, is the capital and largest city, but will be turning over its political function to the new capital (Abuja), which is to be built in the central regions of the country. The anticipated investments to build this city go as high as $17 billion.

This country's per capita social product is about $500, and the annual growth rate of the social product is 8-10 percent. Nigeria's economic relations with foreign countries are very vigorous. During 1980 this country's exports were nearly $24 billion, while imports amounted to $20 billion. Precise figures are not yet available for last year, but since petroleum production dropped off by two-thirds, a sizable drop in income from exports can be anticipated. Efforts are being made to prohibit imports of many types of goods with various regulations, since they have been growing uncontrollably in recent years. Crude petroleum has the largest share in this country's exports. Nigeria has in recent years experienced an economic boom.

### How To Become Part of This Country's Development Program

Nigeria is rich compared to the other countries producing petroleum and many other raw materials: coal, minerals and the like. It has huge areas of arable land. Nigeria wants to base its economy on its own raw materials, and in future it will keep a close watch on imports of raw materials and intermediate products. Imports of foreign manpower have also been strictly minimized, especially with respect to unskilled and semiskilled manpower. What are referred to as legal "quotas" strictly limit the entry of even trained manpower.

Record crude petroleum production of 115 million tons was recorded in 1979. This placed Nigeria among the first six or seven world producers. Petroleum production dropped drastically last year because of the extremely high price ($40 a barrel) and the slack demand on the world market, and Nigeria therefore had a problem with sales. That is why production in 1981 fell to one-third: from 2 million barrels a day to 700,000. Nigerian readiness to tie exports of crude petroleum to imports of goods and services from Yugoslavia also dates from that period. According to recent reports, petroleum production has again reached 1.5 million barrels a day, which at a price of $34 can furnish Nigeria sufficient capital for normal fulfillment of a 5-year plan which is a very ambitious one. It is believed that Nigeria's foreign exchange reserves will not be reduced up to 1985. At present they stand at about $10 billion.

Yugoslavs Have Good Chances

The Nigerian 5-year plan (1981-1985) gives preference to the agroindustrial complex. The so-called Green Plan envisages intensive investments in this sector ($8 billion). It is expected that during the coming medium-term period this sector will develop sufficiently for it to be able to meet Nigeria's needs for food. Plans call for introducing up-to-date technology in primary production and construction of processing facilities. In addition, sizable capital will be invested in heavy industries, the infrastructure, education and health care.

Plans call for investing about $500 million during 1982 to build the new Nigerian capital (Abuja). The Nigerian ministry responsible for this city's construction has expressed readiness to allocate one quarter ("district") to Yugoslav contractors for construction with all the envisaged accompanying structures. Whether our construction organizations will take up this job will depend in large part on their organization. The size and complexity of this undertaking makes the consortium approach a necessity. It involves the construction of housing, various institutions, roads, airports, and so on. A group of 3-5 experts is soon to visit Nigeria, where they will become more familiar with all the details of this project. Some 20 Yugoslav construction organizations are interested in this project. The embassy and the joint economic chamber in Lagos are keeping interested organizations informed about this project through the Economic Chamber.

Visible Trade Between Yugoslavia and Nigeria, in thousands of dollars

| Year | Exports | Imports | Total | Balance of Trade |
|---|---|---|---|---|
| 1978 | 18,293 | 32,617 | 50,910 | -14,324 |
| 1979 | 76,728 | 110,440 | 187,168 | -33,712 |
| 1980 | 106,430 | 187,294 | 293,724 | -80,864 |
| 1981 | 36,800 | 89,400 | 126,200 | -52,600 |

The decline in the volume of visible trade last year was affected by the termination of delivery of ships to Nigeria: in 1980 ships had a 58-percent share in exports. Among other products, mixed fertilizers had a share of 22 percent. Exports of fertilizers also dropped last year. Further contracts on delivery of ships are uncertain, our exporters have not managed to restructure their export mix to that country.

Last year $76 million worth of petroleum and $11 million worth of cacao were imported. According to contracts concluded this year, INA [Zagreb Petroleum Industry] will take nearly 1 million tons from Nigeria, so that we can expect our deficit in the balance of trade to be much larger.

Composition of Exports in 1981, first 11 months, in millions of dollars

| | | |
|---|---|---|
| 1. | Pharmaceutical products | 15.03 |
| 2. | Mixed fertilizers | 5.72 |
| 3. | Pyrotechnics | 1.71 |
| 4. | Books in Yugoslav languages | 1.62 |
| 5. | Miscellaneous types of motor vehicle tires | 1.65 |
| 6. | Portland cement | 1.41 |
| 7. | Electrical equipment | 1.20 |
| 8. | Miscellaneous machines | 0.90 |
| 9. | Paints and varnishes | 0.93 |
| 10. | Rolled wire | 0.70 |
| 11. | Generators, transformers | 0.36 |
| 12. | Miscellaneous | 1.62 |
| Total | | 32.7 |
| Total adjusted to 12 months | | 36.8 |

The Nigerians declare their readiness to link exports of crude petroleum to imports of goods and services from Yugoslavia: our economy is being offered an opportunity to pay for petroleum with its own goods and services. This year petroleum exports from Nigeria are expected to cost about $200 million, and our economy--exporters, contractors who work on investment projects and banks--are to get organized and orient themselves toward achieving that kind of arrangement so that last year's large deficit in the balance of trade would not recur.

The Right Way To Do It Is With Joint Enterprises

The experiences of our work organizations present on that market show that this is a very difficult market and that exceptional efforts and considerable investments are necessary to obtain business. Business cannot be conducted in this country unless a joint firm is established; such a firm, depending on its registration, can do business in one or in all 19 federal states. Founding capital usually ranges between 5,000 and 10,000 (nair) (1 N = $1.5 U.S.). These costs are not in fact excessively high when compared to the expenses of representative offices. It costs about $500,000 to open a small branch office, and the annual expenses are several hundred thousand. In Nigeria there are representative offices of the organizations: Progres, Astra-Masinoimpex, INA Energoprojekt, Energoinvest, Splosna plovba and Ljubljanska banka.

Up to now it has proven very advantageous to establish bonded warehouses for our goods in that country. There are a large number of small commercial firms in Nigeria, and goods are often bought at retail. Progres' experience with sales through the bonded warehouse might be very beneficial. Unfortunately, the poor cooperation among our exporters is also evident in the fact that many of our organizations know little about these possibilities. Nigerian laws and regulations

are not well known to say the least, and every organization is on its own dealing with the particular situation, rather than entering into business arrangements on an ad hoc basis. When a joint firm is established, the Nigerian partner usually invests 60 percent of the founding capital, but often, taking advantage of our ignorance, it concludes a contract which is unfavorable to our own OUR [organization of associated labor] and derives a manifold benefit. Our organization may even wait several years to correct an error made in signing a multiannual contract in ignorance of regulations and the situation on the Nigerian market.

The joint companies established in Nigeria are the following: NECCO Ltd, Lagos (Energoprojekt); Galenika-Nigeria Ltd, Lagos; Yugo-Herwa Shipping Company Ltd, Lagos (Jugobrod); Niger Progres Ltd, Lagos; Tehnoimpeks; Niger Imos Ltd, Lagos; Danube Chemical Ind. Ltd, Awka (JUB, Dol pri Ljubljani); Gradis Ltd, Lagos; Meblo Furniture Nigeria Ltd, Ogoja; Nigeria Engineering Services Ltd, (MINEL); Elektromontaza Nigeria Ltd, Mina; Neimar Nigeria Ltd, Lagos; Genex Nigeria Ltd, Lagos; Yugobrod Pinwest Africa Ltd, Lagos (PIM, Belgrade); Monting Ltd, Ibadan (Montenegro-export); Maya-Vojvodinaput Road Company Ltd, Benin.

Only a few days are required to register or establish a joint company in Nigeria. It is very important to select the right partner.

The following organizations are establishing (or have already established) joint companies: Rad of Belgrade, Dom of Belgrade, Kosovoproject, Primorje of Rijeka, Geotehnika of Zagreb, Lek of Ljubljana, Energoproject of Belgrade, Hmezad of Zalec, Srbijaput of Belgrade, Brodomaterijal of Rijeka, INGRA of Zagreb, Termofriz of Split, Partizanskiput of Belgrade, Sever of Subotica and Napred of Belgrade.

Nigeria has obviously become very active from the business standpoint, but people go there without appropriate preparations. The joint economic chamber in Lagos is often not informed or is contacted when the error has already been committed.

Efforts of Contractors

Cooperation with this country in building investment projects has up to now been conducted through the activity of NECCO. This joint company employs more than 4,000 Nigerians and about 150 Yugoslavs. In 1980 it did more than $100 million worth of business. Last year NECCO brought to a successful conclusion construction of the Kiri irrigation dam. The volume of business was greater than in 1980. The contract was obtained for designing and building the fairgrounds at Kano ($30 million). Many problems have arisen, and Energoprojekt is seeking new partners. Within NECCO Energoprojekt has the federal government of Nigeria for a partner.

Large jobs have also been refused to build irrigation systems in the states of Kano and Gongola.

Meblo expects $10 million worth of business this year. Gradis, Kosovoprojekt, Vojvodinaput, Neimar, Dom, MINEL and PIM expect to begin work this year, but specific jobs have not yet been contracted for.

JUB of Dol pri Ljubljani is successfully manufacturing paints in its new factory (the entire output for 1982 has been purchased). It is expected that the Dajub joint company will build several other similar factories in various regions of Nigeria.

INGRA has obtained the job of building cement warehouses in a Nigerian seaport together with a Nigerian partner. This terminal will also be capable of use for other goods.

Elektromontaza of Ohrid has concluded electrification contracts in the amount of $4.5 million. This is a very successful beginning, and it can be expected that new business will be obtained.

Rade Koncar of Zagreb has finished generators ($10 million) for a Nigerian hydroplant.

Progres will deliver trucks and buses (FAP-FAMOS) worth $10 million this year.

Emona is conducting negotiations to obtain contracts for building several hog farms. The value of this job runs to the fantastic sum of $190 million. The talks are going successfully, but problems have arisen concerning the large-scale corn-growing operations necessary for these farms. That is, Progres withdrew from this project because of unfavorable terms and conditions on the Nigerian side. The new situation which has come about is that the Nigerian partner has offered much more favorable terms and conditions, and certain of our other organizations might take up this job. Certainly this is an opportunity to export our agricultural machines.

Organizations of associated labor in Vojvodina (Agrovojvodina, Agroindustrija, D-T-D [Danube-Tisa-Danube Canal]) are conducting talks about building livestock farms in the state of Kano. PPS of Osijek has sold its Nigerian partner a study on the construction of fish ponds, but the partner has not yet responded.

Partizanskiput has obtained the contract for building the railroad line from Enugu to Makurdi, a job worth about $326 million.

INA has signed a self-management accord with Partizanskiput concerning joint efforts on the Nigerian market. It is a question of the possibility of paying for imported petroleum with the services and construction work of Partizanskiput.

Imos-inzenjering will begin to operate a quarry and separation plant this year in (Abuja).

There is a high tax on profit in Nigeria, so that the greatest opportunity of our OUR's is to export equipment.

The governor of the state of Kano in Nigeria visited our country last December as the head of a delegation consisting of some 10 experts. He was a guest of Energoprojekt, Invest-import of EI [Electronics Industry]-Nis, Agrovojvodina, Smelt, Slovenijales, Lek and Progres. There were also conversations about a number of projects, and the members of the delegation familiarized themselves with our

economy's capabilities during their stay in Belgrade, Novi Sad and Slovenia. One of the central topics was involvement of our OUR's in building livestock-raising farms in Kano.

We Dare Not Be Unprepared

The next meeting of the joint committee for economic cooperation between the two countries is planned for 20 March in Lagos. The topics of the talks include the problem of double taxation and protection of investments, the possibilities of linking exports of our goods and services to imports of Nigerian petroleum. In the balancing of petroleum it would be necessary to indicate separately the amounts which are directly balanced by exports of equipment and those balanced by work on investment projects. In addition, bank mechanisms have to be provided for regulating the discrepancy between exports and the petroleum produced as well as the related payments problem.

In view of our need to secure adequate amounts of imported petroleum on a long-term basis, the Nigeria side would have to provide us the necessary information on an ongoing basis concerning marketing opportunities for our goods--all aimed at providing the necessary funds to import petroleum. If such arrangements come about, even partially, they must not find our economy (above all the association of banks) unprepared, which could mean a repetition of the example of Iran.

The next meeting of the joint committee should offer concrete results which can serve as the basis for the Yugoslav economy to become more intensively involved in carrying out the Nigerian 5-year development program.

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## BRIEFS

SLOVENIAN-MACEDONIAN PROJECTS--Representatives of the executive councils and economic chambers of Slovenia and Macedonia have signed an agreement on building several economic projects which will be financed from the Fund for Stimulating Underdeveloped Republics and the Province of Kosovo. According to the agreement, Slovenian and Macedonian work organizations will build 11 projects in Macedonia. For this purpose, 40 Slovenian OURs (organizations of associated labor) will pool 605 million dinars. The most important project will be the lead and zinc mine to be built in Toranic near Kriva Palanka. The lead mine and smelter in Mesica [Slovenia], the "Cinkarna" enterprise in Celje and the "Zletovo" mining-smelter combine in Macedonia will pool their funds and labor for this purpose. Total investments in this mine will amount to about 2 billion dinars, two-thirds of which will be provided by the Slovenian partners. [Excerpt] [Belgrade BORBA in Serbo-Croatian 13 Feb 82 p 1]

TRADE WITH IRAQ--Last year the value of commodity trade with Iraq was $968.3 million, with Yugoslav exports amounting to $579.3 million (89 percent more than in 1980) and Yugoslav imports amounting to $388.6 million (56.5 percent less than in 1980, because of reduced oil imports), thus achieving for the first time in trade with this country a positive balance of trade. On the basis of the program for this year, Yugoslavia should export $700 million worth of goods. In 1981 Yugoslavia purchased 1.22 million tons of oil from Iraq; this year it expects to buy 3 million tons. [Excerpt] [Belgrade PRIVREDNI PREGLED in Serbo-Croatian 11 Feb 82 p 1]

FINANCE TALKS WITH HUNGARIAN AMBASSADOR--Yesterday Petar Kostic, Federal Secretary for Finance, received Pal Simon, ambassador of the People's Republic of Hungary in Yugoslavia; they discussed bilateral, financial-banking relations, the situation on the international capital market, and in connection with this, especially, international interest rates. [Text] [Belgrade BORBA in Serbo-Croatian 17 Feb 82 p 7]

FRENCH ENTERPRISE DIRECTORS' VISIT--Dusan Popovski, SFRY ambassador to France, visited Michel Jobert, state minister of the French government responsible for foreign trade and president of the French part of the French-Yugoslav committee for economic, scientific, and technical cooperation. They examined preparations for the coming visit to Yugoslavia of several directors of large French enterprises to be led by Minister Jobert next month. [Text] [Belgrade BORBA in Serbo-Croatian 17 Feb 82 p 7]

FOREIGN EXCHANGE SAVINGS--At the end of 1981 citizens had a total of $10.7 billion in foreign currency savings accounts. During the course of last year $5.9 billion was deposited and $3 billion withdrawn from these accounts. Of these $3 billion only one-quarter was changed into dinars. If the exchange were made more attractive, and it could be, those who have hard currency could change one-third or one-half [into dinars]. [Excerpt] [Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 25 Jan 82 p 6]

OSIJEK, LARGEST RIVER PORT--The largest river port in Yugoslavia is being built at Osijek on the Drava River which was proclaimed an international waterway 3 years ago. The port will be completed by 1985 (it is already being partially used) when it will handle 5 million tons of goods annually. [Excerpt] [Belgrade BORBA in Serbo-Croatian 15 Feb 82 p 12]

POPULATION SHIFTS IN SLOVENIA--From 1970 to 1980 the proportion of the peasant population in the total population of Slovenia declined by 12 percent, while the total population of the republic increased by 177,779, or more than 10 percent. This includes about 57,000 persons who moved in from other republics and provinces; in 1980 this influx began to decline. Also during this period about 10,000 Slovenians went abroad to work, but about 6,500 have now returned. In 1970 35 percent of the population was employed, while in 1980 42 percent was employed and in 1982 this percentage is expected to be 47 percent; in 1980 women accounted for 44 percent of the employed. [Excerpt] [Belgrade BORBA in Serbo-Croatian 6 Feb 82 p 3]

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END

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17 March 1982

# East Europe Report

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2246

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17 March 1982

# EAST EUROPE REPORT

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2246

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# HUNGARIAN ARTICLE VIEWS ALBANIA'S ECONOMY, FIVE-YEAR PLAN

Budapest KULGAZDASAG in Hungarian No 2, Feb 82 pp 61-67

[Article by Gyorgy Reti, research worker in the Hungarian Foreign Affairs Institute: "Albania's Economy and the New Five-Year Plan"]

[Text] The document on the Albanian Seventh Five-Year Plan emphasizes that "this is the first time that our party and people are working out and realizing a five-year plan by relying entirely on their own resources." Following the break with the PRC, Albania enacted into its constitution the provision that in the future it will not accept credits and assistance from abroad. A centrally determined plan in every detail, a faith in the power of moral-consciousness education in place of material incentive, and the explanation of socio-economic problems by handling them mainly at the ideological level and as the intrusion of bourgeois-revisionist principles--these are the characteristics of the small Balkan country which have become known to the outside world. Without implying that any country can boast of plan indexes free of cosmetics, we can at the best make only deductions from the official announcements that rely on the indexes and from texts that are tantamount to "victory pronouncements" regarding the course being followed by the Albanian economy, surmise its detours and possibly its pitfalls and its hairpin curves. On the basis of available data resting on uncertain methods, the author assumes a number of important phenomena, for example, that the extensive reserves of Alabanian agriculture are at the point of exhaustion. Otherwise, as compared to the previous five-year plan, the new plan signals an advance in two areas--transportation and export. Foreign trade, the only "umbilical cord" which ties the Albanian economy to the world economy, will be the most dynamically developing sub-branch by 1985 with its more than 50 percent increase as planned.

## Results and Problems of Economic Development

Albania has undergone significant economic development in the past 35 years, and the backward agrarian country has become an agrarian-industrial country. At the same time, we can state that this development has been extremely rapid only in comparison to its own former development because in regard to its economic development Albania still lags significantly behind the level of the European socialist countries.

A realistic evaluation of the Albanian economic situation is made more difficult by the fact that as of the mid-1960's it hardly publishes actual production data, only the percentage ratios of growth. Thus we can obtain the more or less accurate data on the basis of earlier published data and ratios.* The Albanian economy has been one of the most rapidly developing economies in Europe also because of the extremely low starting points. In fact, despite significant development in comparison with itself, the Albanian economy is struggling with numerous objective and subjective difficulties:

Table 1. The Most Important Indexes and Annual Average Rates of Growth in the Albanian Economy Between 1951-1980, in the period of six five-year plans (in percent)

| | |
|---|---|
| Total social product | 8.7 |
| National income | 7.4 |
| Industrial production | 12.4 |
| Agriculture | 5.0 |
| State investments | 9.2 |

The historical backwardness is difficult to overcome because of the subjective economic policy of the Albanian leadership which leads to contradictions between goals and plans as well as objective possibilities. It can be ascribed to this fact that despite the significant increases only rarely have they suceeded in fulfilling the high indexes of the plans. Because of the rigid planning system, which is centrally determined in every detail, the role of enterpirse incentive and initiative is forced into the background.

By making absolute the otherwise correct principle of reliance on "its own resources" and because of mistrust of the outside world, Albania is obstructed from adopting the achievements of the technical-scientific revolution. ("The complete building of a socialist society," said E. Hoxha in this respect at the 7th Congress of the Albanian Workers Party, "is closely related to the realization of the principle of self-reliance in every area and every phase of life. This great Marxist-Leninist and profoundly revolutionary principle is not only the law of building socialism but--in the present period--an urgent necessity for our country successfully to overcome the blockade and encirclement by the enemy.")

Albania is still in the extensive stage of its economic development where they still regard quantitative indexes more important than qualitative. Still characteristic of Albanian economic life is a voluntarist economic management which undervalues technical norms.

*Most of the date we give in the present study are derived from the following works: "35 vyet Shqiperi socialiste" (Statistical Reference, Tirana, 1979); E. Hoxha and M. Shehu: lectures delivered at the AMP 7th Congress, Tirana, 1976; Gyula Varadi: Albania (a study from "Economies of the European Socialist Countries" Kossuth, 1975); Gyorgy Reti: "What Need We Know About Albania?" Kossuth, 1981; and the plan announcement of June 1981 (ZER I POPULLIT, 19 June 1981).

The economic development which uses forced and extensive methods increases the manpower shortage. This causes problems particularly in agriculture, where the degree of mechanization is still very low. To a great extent, they use the urban population, the young and the military for season agricultural work and for road and railroad construction. In contrast to a process that is evident in the world economy, a campaign is underway in Albania to repatriate a part of the urban population to the villages. But this process is creating a manpower shortage in industrial production. (At the same time, there is a significant amount of "indoors unemployment" because of the inadequate use of manpower.)

Despite the development that has taken place, the level of mechanization in industry and agriculture--and as a consequence, work productivity--is still very low. Most of the machinery used in industry and agriculture is worn out in every respect, and lags far behind the world level.

The ratio of savings is very high in the consumption of the national income because of the accelerated rate of industrialization and the slack investment activity. Albania is perhaps Europe's only socialist country where the ratio of savings in recent decades has not declined below 33 to 34 percent. And from this derives the relatively low level of consumption as one of the characteristics of economic development.

Insufficient means are available for the development of agriculture and for raising the people's living standards because of the accelerated industrial development. Table 2 shows how the various sub-branches of the economy shared in the investments of the six five-year plans.

Table 2. Share of the Economic Sub-Branches in Investments of the Six Five-Year Plans (in percent)

| Sub-branch, branch | 1951-1955 | 1955-1960 | 1961-1965 | 1966-1970 | 1971-1975 | 1976-1980 |
|---|---|---|---|---|---|---|
| Industry | 52 | 44 | 49 | 46.6 | 65.7 | 53.1 |
| Agriculture | 12 | 18 | 15 | 16.0 | 11.7 | 14.7 |
| Transport and Communications | 13 | 13 | 11 | 11.4 | 5.7 | 6.0 |
| Housing Construction | 8 | 8 | 8 | 6.9 | 4.9 | 5.2 |
| Education, Culture and Health | 6 | 5 | 4 | 5.4 | 3.6 | 2.5 |
| Other | 9 | 12 | 13 | 13.7 | 8.4 | 18.5 |

While in general more than one-half of the investments were devoted to industrial goals, it is apparent from the table that 12 to 18 percent was for agricultural development. Investment activity was relatively very low in the field of housing construction, education and health, which decisively influence the living standards of the population.

In order to increase production and productivity, they are granting priority to an excessive degree to moral-consciousness education as opposed to the inevitable material incentives in socialist production. Political campaigns for increasing production weave through the lives of the Albanian workers; these are

not adequately paired, however, with a greater material appreciation for better work. For this reason and for the contradictions between high-sounding slogans and the realities of life, the apathy of the workers is increasing, and their indifference toward work. The Albanian press also reports regularly on the manifestation of these negative phenomena--as "an intrusion of bourgeois-revisionist ideology."

The omission of PRC assistance represents a serious but not unsolvable problem for the Albanian economy. Albanian and PRC sources publish rather differing data on the extent of the assistance. According to the note of 7 July 1978 on the termination of assistance, the PRC extended between 1954 and 1978 more than 10 billion yuans' (about 5 billion dollars) worth of assistance and credits, and cooperated in the establishment of 142 facilities. Six thousand PRC economic and military experts worked in Albania, and more than 2,000 Albanian specialists were trained in the PRC. The PRC delivered 1.8 million tons of wheat, more than a million tons of steel, and 10,000 tractors to Albania. Albania also received large volumes of free arms shipments. In contrast to the above data, according to the 29 July 1978 note, the total PRC credits came not to 10 billion but only to 3.5 billion yuans, and the Albanians used only 75 percent of the latter sum. PRC grain deliveries amounted to only 436,000 tons. Only 74 percent of the equipment for the Elbasan iron works as delivered. There was an average delay of 1 to 6 years in the completion of facilities, built by the PRC. The PRC experts burned, and they left many investments unfinished. According to Albanian documents, Albania delivered between 1954 and 1977 1.7 million tons of petroleum, more than 1.3 million tons of bitumen, 2.7 million tons of chrome ore and other commodities to the PRC. The events of the 3 years that have elapsed since the PRC-Albanian rupture show that the Albanian leadership is seeking to solve its problems through diversification of foreign economic relations.

Up to now the Albanian budget has suffered from a chronic deficit. In the 1950's and 1960's the extent of this deficit came to half the annual budget, and in the 1970's to 5 to 25 percent. Formerly, the budgetary deficit was covered with the help of foreign credits and assistance. Following the rupture with the PRC, they stated constitutionally that in the future Albania will not accept credits and assistance. As a consequence, the 1979 and 1980 budgets take only domestic resources into account. However, this undoubtedly limits the budgetary sums that can be devoted to the improvement of economic development and living standards, and this situation does not contribute to reducing Albanian backwardness in these areas.

Serious problems still exist in the field of plant and financial discipline. This was acknowledged by E. Hoxha in the most recent report to the Congress, placing responsibility on the Ministry of Finance and the National Bank "for the bureaucratic and liberal concepts" manifest in this area.

Fulfillment of the Albanian Sixth Five-Year Plan, and Guidelines for the Seventh

They published in Tirana in June 1981 and opened to public debate the report on the fulfillment of the economic plan and the guidelines of the next. In analyzing the 30-page document, we must proceed with these in mind: 1. Albanian

documents similar to this can be regarded as "victory pronouncements," which give indications only rarely, and then only "between the lines," of problems and negative features; 2. As usual, Albania does not publish concrete production data but only relative ratios in percent. Despite this, by using the earlier documents, a relatively objective picture can be gained of the situation and the plans of the Albanian economy.

Regarding the completion of the main tasks of the Sixth Five-Year Plan (1976 to 1980), the document states: "In this period the producer forces continued to develop, the social product became sustantially greater, production relations were improved, education and culture were raised to a higher level, and the scientific-technical revolution deepened." It also emphasizes that "we achieved the successes as a result of the titanic struggle of our party and people amid the extremely difficult and characteristic circumstances of the savage imperialist-revisionist blockade and encirclement and amid the difficulties created by the inimical activity and sabotage of the Chinese revisionists against our country."

As for the main economic indicators, they do not publish data on the growth of the national income, from which one may conclude that they lagged behind the 30 to 40 percent increase they had planned for the 5 years. Since it is unlikely industry with its 6.1 percent annual increase in the rate of growth lagged behind the index, the lag must be ascribed chiefly to agriculture, which increased overall production by only 21 percent instead of the planned 38 to 41 percent. In industry, the weight of the A-sector for creating means of production increased to 64 percent as compared to the earlier 56.8 percent.

In particular, the energetics industry developed rapidly. Electric energy tripled (due primarily to the three turbines at the Fierza hydroelectric power station), and coal production attained the lower level of the planned 63 to 65 percent increase. New natural gas and petroleum deposits were discovered, but the specific index as published indicates that they did not fulfill the planned increase of 27 to 29 percent.

The 57.7 percent increase in the machine industry is substantially greater than the targeted 40 to 42 percent. It can be attributed to this that 95 percent of the spare parts requirements of Albanian industry is manufactured domestically. The omission of specific data indicates that despite the "striking progress" referred to in the report, the goals (which we put here in parentheses) were not fulfilled in chrome and copper mining (71 to 73 percent and 40 to 42 percent respectively), in the chemical industry (140 to 145 percent), in the construction industry (50 to 53 percent), or in the paper industry (18-20 percent). No mention is made at all of iron-nickel production, one of the basic subbranches of Albanian industry. It may be assumed that this sub-branch was the one that lagged most behind an unrealistically high goal (500 to 510 percent).

The report speaks of the further development of the manufacture of consumer goods. The decrease in the specific weight of the B-sector and the lack of concrete data indicate here also that they did not fulfill the goals. We have already spoken of the overall lag in agriculture. Among successes, the report mentions that agriculture is now regularly producing the bread grain needs of the country, the irrigated areas have increased by 40,000 hectares, and the

production of fertilizer rose by 50 percent. Since it is not mentioned, it may be assumed that they did not fulfill the high goals in increasing production yields, or in fruit production and livestock breeding.

The volume of investments increased by only 15 percent instead of the planned 35 to 38 percent. Apparently this can be explained by the absence of PRC assistance on which they had counted when the plan was prepared. The most important investments of the Sixth Five-Year Plan were: various new operational units at the Elbasan metallurgical combine; the Ballsh oil refinery; the three turbines of the Fierza hydroelectric power station, the Burel ferro-chrome factory, the Lacs copper foundry, the 220 kilovolt transmission line between Fierza, Burel and Elbasan, and the Prrenjas-Guri i Kuq railroad line that carries ore to the Elbasan combine.

In commodity deliveries they attained the lower level of the 30 to 32 percent planned growth. In 1980 they continued the construction of the railroad linking together Tirana and Titograd. It is a question, however, whether the 1981 events at Kosovoi will not delay the finish of Albania's first international railroad.

According to the report, foreign trade has "overcome those difficulties which derive from the rupture of commercial relations with the PRC revisionists." This means that they succeeded in transferring primarily to East and West European markets the commodities from the relation that made up about one-half of their foreign trade.

In respect to living standards, they "succeeded in maintaining and improving the living standards of the working masses." Since the document is silent on the planned 11 to 14 percent increase in real incomes, it may be assumed that in Albania, too, maintenance rather than improvement of living standards was in the forefront. In the past 5 years, 20,000 persons received higher education, 57 percent more than in the previous plan period.

The part dealing with plan fulfillment concludes that "we successfully fulfilled the basic tasks of the Sixth Five-Year Plan," and "these successes represent a significant step on the path leading Albania toward becoming an industrial-agrarian country." It is another matter that the attainment of the latter goal was already set for the beginning of the 1960's.

The document describes the main tasks of the Seventh Five-Year Plan as follows: "The development of the economy in all respects, the deepening of the country's socialist industrialization, the intensification and strengthening of agriculture, increased work productivity, and the deepening of the scientific-technical revolution amid conditions of socialist production relations. The goal is to see that the material welfare and cultural level of the working masses should be assured and continue to increase, and that the socialist order and the capability of defending the country should be further strengthened." In the table below we compare the main goals of the Sixth and Seventh Five-Year Plans.

Table 3. Main Goals of the Sixth and Seventh Five-Year Plans (in percent)

| Designation | 1976-1980 | 1981-1985 |
|---|---|---|
| National income | 38-40 | 33-35 |
| Overall industrial production | 41-44 | 34-36 |
| Overall agricultural production | 38-41 | 31-33 |
| Transportation | 30-32 | 36-38 |
| Investments | 24-26 | 56-58 |
| Export | 24-26 | 56-58 |
| Productivity in industry | 15-17 | 13-15 |
| Retail trade | 22-25 | 22-24 |
| Percapita real income | 11-14 | 8-10 |

It is evident from the foregoing that the goals of the Seventh Five-Year Plan are lower than those of the Sixth Five-Year Plan, except for transportation and export.

The main factors of industrial growth are: the rational use of basic materials to be found in the country, better utilization and reconstruction of existing producer capacities. The A-sector (38 to 39 percent) is still given priority over the B-sector (29 to 31 percent). The main task of the energetics industry is the development of the petroleum and natural gas industry. They hope to attain the remarkably high growth of 56 to 58 percent primarily by the rational and scientific utilization of existing producer facilities. The coal production growth index is 48 percent, and electric energy 15 percent. The latter rather low index indicates that they still do not count on having the biggest Albanian hydroelectric power plant enter in production at Koman during this plan period.

They want to achieve a 29 percent increment in chrome ore, 52 percent in copper ore, and 250 percent (!) in iron-nickel production. They plan to increase iron and nonferrous metal metallurgy accordingly. The growth rate for the machine industry is 38 to 40 percent, for the chemical industry 60 to 63 percent, and 24 percent for the construction material industry. The light industry goal is 37 to 39 percent, and food industry 20 to 22 percent. Here the document urges a "radical improvement" in the quality of the products and the production of new consumer items.

According to the document, the main requirements of Albanian agricultural development are: the intensification of production, the cultivation of the soil on scientific bases, the enhancement of sowing seeds, and the specialization of production. Ninety percent of the increment must derive from productivity increase. All this indicates that the possibilities for extensive agricultural development have been exhausted in Albania also. The average 31 to 33 percent growth must come from the following: bread grain 20 percent, corn 26 percent, sugar beet 42 to 45 percent, sunflower 56 to 58 percent, cotton 56 to 59 percent, and tobacco 46 to 49 percent. The draft plan also faces livestock breeding with big tasks: an increase in milk production of 29

to 31 percent, meat production 53 to 55 percent, egg production 50 to 52 percent, and wool production 34 to 36 percent. It emphasizes the need for type enrichment and for assuring the fodder basis. Fruit production must increase on the average by 35 to 37 percent. As in the previous five-year plan period, they wish to increase the size of the irrigated area by 45,000 hectares.

The Seventh Five-Year Plan is also characterized by a very high ratio of 31 to 33 percent for the savings base. At the same time, the volume of investments has been set at 23 to 25 percent growth instead of the planned 35 to 38 percent for the previous plan period. The plan emphasizes the need for better concentration of human and material and resources and the need for shortening construction deadlines.

In transportation, priority is given to railroad transport, which must be increased by 80 to 84 percent. The statement in the plan that "the construction of the new railroad lines and the branch lines must continue without interruption" may be taken as a sign: despite deteriorated relations they want to continue the construction of the railroad line connecting Albania with Yugoslavia.

According to the plan, foreign trade will be one of themost dynamically developing sub-branches in the Albanian economy: the planned 52 to 55 percent increase is more than double what it was for the previous plan period. They are now again urging the more rapid development of export (56 to 58 percent) than import, and the need for replacing import with domestic goods.

The indexes for growth in living standards are lower than those for the previous plan period. Real income will increase by only 8 to 10 percent instead of 11 to 14 percent. The plan counts on the construction of 50,000 state and 31,000 cooperative houses.

The document emphasizes that "this is the first time our party and people are working out and realizing a five-year plan by relying on their own resources and without any kind of credit and assistance whatsoever...."

In summary, it may be stated that the draft of the Seventh Five-Year Plan was conceived under the sign of the economic policy that has been followed up to now. On one hand, its essence is rigid central management, and on the other hand seclusion from modern forms of international work distribution. Foreign trade continues to be the only "umbilical cord" which links the Albanian economy to the world economy. All this, however, does not make it easier for Albania to move up to the level of the medium developed countries.

The draft plan was approved in November 1981 by the 8th Congress of the Albanian Workers Party on the basis of the speech by Prime Minister Mehemet Shehu, who died recently amid mysterious circumstances.

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## DECREE EXPANDS REWARDS, PENALTIES FOR ECONOMIC PERFORMANCE

### Explanation of Decree

East Berlin DIE WIRTSCHAFT in German Vol 37 No 2, 11 Feb 82 pp 8-9

[Article by Harald Rost, deputy chairman, State Planning Commission: "For the Improvement of Economic Accounting." A translation of the official text of the Council of Ministers Decree under discussion is published following this article]

[Text] Main Trends:

1. Tightening Cost Planning and Its Normative Base.
2. Closer Links Between Performance and Efficiency Development and Assets Formation and Utilization.
3. Showing Actual Economic Costs in Industrial Prices.
4. Speeding Up and Raising the Economic Effectiveness of Science and Technology and Investments.
5. Higher Combine Responsibility for Solving Foreign Economy Tasks.
6. Tightening Working Capital Planning and Speeding Up the Turnover of Inventories Also Through Reorganizing Credit, Interests and Production Fund Dues.

In implementation of the 10th SED Congress resolutions, important tasks in further improving economic management and planning were initiated in recent months. They are aimed at organizing and further developing our proven socialist planned economy so that it will increasingly better conform to the requirements of our party's economic strategy for the 1980's. That includes measures for improving the efficiency and effectiveness of the combines, e.g. by perfecting the performance evaluation and the assigning of foreign trade tasks to the combines, as well as the first steps toward fundamental improvements in materially balancing the economy on all levels and the perfecting of management and planning in science and technology and in investments. Closely linked with that is the task to improve economic accounting further so as to turn the improvement of the cost/benefit ratio into the criterion that will govern economic thinking and action in all enterprises and combines, down to every working person. The authoritative objective for it was described in the SED Central Committee report to the 10th party congress by Comrade Erich Honecker, secretary general of the SED Central Committee, as follows: "A critical change of

in the cost/benefit ratio is the fundamental economic requirement for the years ahead. This fact must be fully reflected in the economic situation of the combines and enterprises and in the production collectives. All collectives that reach or exceed their production quotas while reducing their costs according to plan ought to derive still more of a benefit from their great achievements. Good work should become worthwhile in every case. The main thing is to stimulate the reduction of production consumption and of prime costs. This is how we shall further develop economic accounting as based on the plan." To implement this objective, extremely important as it is for the effectiveness of the planning system, the SED Central Committee Politburo issued appropriate measures on 3 November 1981. On their basis, close cooperative activities have been prepared between central state organs, economic research institutions and experienced practitioners from combines and enterprises, enacting the "Improvement of Economic Accounting on the Basis of the Plan." What is new about it is that it is a uniform, cohesive, complex decree combining all the requirements, tasks and measures for improving economic accounting. The experiences of progressive combines and enterprises have crystallized in this decree. What are its main trends?

1. It is taken as an accepted fact that economic accounting is closely linked with the national economic plan and is prepared on its basis. Therefore the measures for improving economic accounting start with our tightening our cost planning and its normative base. The binding authority of the cost plan is raised considerably. That sets the basis for still more consistently and purposefully organizing, on the basis of the plan, the effort at reducing costs--this centerpiece of economic accounting--on all economic levels. With it, it has been stipulated that costs per 100-Mark commodity production (planning costs of planned production), as allocated by the national economic plan, must in the future become the authoritative and unalterable yardstick for the combines and enterprises in keeping to their total prime costs. When production assortments are changed in the course of a plan year, it is no longer permissible to alter the planned costs per 100-Mark commodity production. Rules up to now had allowed for adjusting upward planned cost in the course of a plan year when assortments were changed. Some enterprises would use that for dodging the economic obligation to reduce costs systematically. Now that is not possible anymore. Now we make it possible for the economic requirements to reduce production consumption and improve the cost/benefit ratio to become effective, without restraint, in the performance rating and economic accounting of the combines and enterprises. To improve the effects costs and funds can have on reducing production consumption, the cost and financial plans of the combines and enterprises have to be prepared on the basis of and in full conformity with the state allocations in terms of standards, norms, inventory shares, contingents and limits for reducing the consumption and making rational use of raw materials, energy, fuels and propellants, material and working materials. Finance inspections have demonstrated that fulfilling this demand for conformity between material and financial planning, though it should be in effect everywhere, has by no means yet become standard procedure.

To tap further reserves in a targeted manner for cost reduction, the general directors of the combines have been charged with the task to allocate additional progressive norms to the enterprises, apart from the centrally allocated cost parameters, for reducing the following cost packages:

--Energy and fuels;
--Rejects, make-up work and repairs under warranty;
--Shipping costs;
--Advertising; and
--Other ancillary supply costs per 100-Mark commodity production.

Utilizing the experiences of advanced combines, to improve cost discipline and the effectiveness of economic accounting, costs that may not be planned are more precisely defined and given an authoritative nomenclature. Penalties for delays in the loading and unloading of freight cars are included in this nomenclature and thus will in the future no longer be paid out of the working funds.

From a cost reduction that exceeds the state plan figures and the higher profits earned from it, the combines and enterprises get extra opportunities for receiving bonuses and working funds. In this, the conditions for forming and using working funds are altered so that material and energy savings are becoming much more important.

In connection with more effectively inducing work collective initiatives for cost reduction, the task has been assigned further to develop intra-plant economic accounting in order to combine more closely the planning with emulation management, the budget and the bonuses. Collectives making a high contribution to cost reduction are the ones that are to receive material recognition.

2. The high criteria the 1981-1985 Five-Year Plan has issued for efficiency improvements and reducing public costs also require significantly raising the responsibility the enterprises and combines have for producing and passing on the planned state budget revenue. The consideration here is that the profit as planned by the state expresses the contribution by the combines and enterprises to raising the national income.

Combines and enterprises absolutely must meet their financial obligations to the state budget, even when the planned net income was not fully achieved. If the profit produced for it does not suffice, combines and enterprises have to use some funds of their own. The bank has to be informed about which funds of their own were used for it. Payments of wages and bonuses to the working people in accordance with their performance have to be secured, of course, in line with prevailing legal regulations. These regulations exclude the thus far possible automatic reduction in tax obligations to the state budget when a profit plan was not fully met.

With the measures for improving economic accounting, the connection is strengthened between performance and efficiency development on the one side and the formation and utilization of own funds by the enterprises and combines, on the other. When costs exceed their limits, the manager on the higher level will close certain financial funds, means and allotments until the situation returns to being according to plan.

Furthermore, a close link between efficiency and liquidity in the combines and enterprises is established by strengthening the connection between their own funds and their control on suitable special bank accounts, preventing the use of temporarily available money to make up for irregularities, and enforcing payment discipline--even by raising the effect of credit and interests.

3. The effectiveness of economic accounting is largely governed by industrial prices. The measures issued for industrial prices emphatically support the reduction in production consumption, the acceleration of scientific-technical progress, and an extensive use and enhanced refinement of domestic raw materials. Industrial prices for products must reflect the actual economic costs of their production. That requires setting industrial prices in the years ahead that conform to the rapid international price hikes and the greater expense in producing domestic raw materials and energy sources. And the industrial prices and price increases are handled in such a way that the producers as well as the users become interested in the solving of the economic requirements for resolutely reducing production consumption and enhancing the products' degree of refinement.

We maintain and further perfect the proven principle to set prices for new products on the basis of economic costs and with regard to economic benefit, which uniformly affects the producers and buyers in our economic accounting.

For preparing proposals on cost and price indicators and for the industrial prices for new and further developed products, the anticipated international scientific-technical level must be taken more strongly into account. More importance must be attached to the parameters which decidedly give the products world marketability, e.g. the input/output ratio, the specific energy consumption and specific space and area requirements, in setting prices according to the cost/benefit ratio.

Rising industrial prices stimulate the producers' interests in making commodities that need less material and show a high degree of refining, and new high-grade consumer goods, excellent in quality and design. That recognizes the efforts in more highly refining raw materials and energy sources and in the production of most up-to-date techniques and technology and ensures a higher net production and more of a profit than unrefined products do.

In principle, prices are set uniformly for producers and buyers. And when products are insufficiently refined, it cuts more into the profits of their producers. The sales prices are thereby not reduced.

Actual efforts are not considered as determinants when higher sales prices are set to stimulate, in a targeted manner, a substitution for the thriftiest use of economically important energy sources and raw materials.

So that industrial prices put more economic pressure on reducing prime costs, the plan is that state pricing organs systematically reduce sales prices within the framework of annual industrial price modifications for products bringing in excessive profits. More than previously, discounts are offered for technically obsolete commodities.

4. Through improving economic accounting, better conditions are created for the acceleration of scientific-technical progress, a higher economic effectiveness of science and technology, and a more efficient preparation and placing of investments. Starting with 1982, combines will be allocated efficiency criteria pertaining to the growth in profit, output, net production, export and labor productivity, always in relation to the efforts of science and technology and of investments. This makes feasible and accountable, within the scope of economic accounting, the task posed by

the 10th party congress, to wrest a higher use value from every Mark put into research and investments. Research draft commitments as much as basic decisions on investment projects are firmly tied into the planning structure and economic accounting. That has the implication that the economic benefit projected for the year in which production becomes fully effective, according to draft commitments and basic decisions, are included and accounted for at their full rate in the combine and enterprise plan--investments taking account of the run-in curve.

An indispensable prerequisite for financing R&D tasks and investment projects in the combines and enterprises are draft commitments and basic decisions authorized separately by the funding source. They must make mandatory the state-allocated minimum requirements for economic efficiency, related to a concrete topic or project. Financing is made on the basis of the plan in a task or project-related manner exclusively. The bank exercises controls about it.

Banks may grant combines and enterprises credits or credit extensions under preferential conditions for an ahead-of-schedule or concentrated production and a speeded-up transition of planned R&D tasks into production and for encouraging an overfulfillment of planned performance and efficiency quotas. Credit extensions may also be made available for quick reactions to export and domestic market needs and for speeding up the reduction of production consumption.

Production fund dues and a more differentiated handling of them will more effectively stimulate in the future the scheduled placing of investments, the modernization and rationalization of basic assets and the utilization of the base capital.

For means of rationalization toward releasing manpower, the reduction of energy and material consumption, and improving foreign trade effectiveness, lower-interest credits may be granted within the framework of the planned material investment funds.

5. The measures that were introduced are aimed at also making effective in economic accounting the contribution of the combines and enterprises to solving the foreign economy tasks and the greater responsibility of the general directors of the combines to the foreign economy field. For that purpose the combines, beginning in 1982, will gradually be given state tasks and targets for foreign exchange revenue. The responsibility of the general directors of the combines thus is being expanded beyond the production and delivery of export commodities to ensure foreign exchange income. Combine responsibility for making the combine enterprises more lucrative in terms of exports is being further extended.

The output of foreign trade enterprises attached to the combines will in the future be included in the combines' overall output. This creates important preconditions for directing the effort in meeting export tasks in the combine and the foreign trade enterprise from uniform economic positions.

The economic stimulation of the combines' exports is made more strongly dependent on the increased export lucrativeness--particularly by improvements in the export structure.

6. The planning of working capital in the enterprises and combines is being further refined with the purpose of combining the planned growth of output and the reduction of production consumption with an accelerated inventory turnover. There is no denying that considerable reserves can still be tapped in this field. That is why inventory limits are set for all positions in the working capital plan. In principle, all positions in the working capital plan--material supplies, unfinished products and finished products--are to be covered by supply standards. Every year, days when guidelines are to be formulated are scheduled in a differentiated manner.

The financing of the working capital in the combines and enterprises comes out of their own funds as set up by the plan and from credits. The measures decided on provide for credits, interests and production fund dues to be used more for improving plan controls over inventories and stocks. When credits are granted for surplus stocks, the interest rate goes up. For certain surplus stocks, commodities produced without contract or below qualitative standards, e.g., credits are no longer granted.

On the basis of this decree on the improvement of economic accounting, the various special regulations in force thus far are revised or supplemented, e.g. the finance guideline for the VEB economy, the credit decree, the decree on forming a uniform output, the decree on planning the financing of working capital, the decree on production fund dues, the decree on the planning, formation and use of performance funds in the VEB economy, and others.

Improving economic accounting based on the plan is an important step toward further strengthening democratic centralism. Accordingly, the implementation of the measures explained makes higher demands on central state planning as well as on the combines' and enterprises' economic activity under their own responsibility.

As far as the work in the central state organs is concerned, these higher demands relate mainly to enforcing the unity of material and financial planning, the enforcing of performance and efficiency comparisons, and the elevation of the place value of economic efficiency computations as a basis for material plan decisions. We need more sophisticated cost planning, control and accounting and a further development and extension of the standards on the central level on which they are based. That is tied up with having financial and banking institutions bring a stronger influence to bear on efficient economic management, with a more effective exercise of control by our currency, with improving information derived from economic accounting and statistics, and with their extensive use in improving the cost/benefit ratio.

In the combines and enterprises the higher demands mean thinking more in cost/benefit terms for resolutely implementing the party's economic strategy on every job. For that purpose, we should rapidly generalize the experiences of combines and enterprises that have in their own plants applied the objectives for cost reduction and efficiency improvements by the various methods in socialist industrial management, and we should make them a part of the collectives' socialist emulation. Improving industrial cost accounting in terms of types, positions and bearers of costs, together with improving our working with cost conceptions, is a task that has to be solved in each enterprise and combine if the 3-percent prime cost reduction annually, called for in the law on the 1981-1985 Five-Year Plan, is to be met and surpassed. Aiming the collectives' thoughts and actions at our economic goals--therein lies the basic idea of the measures taken.

## Text of Decree

East Berlin GESETZBLATT DER DEUTSCHEN DEMOKRATISCHEN REPUBLIK in German Part I No 3, 5 Feb 82 pp 85-92

[Official text of "Decree of 28 January 1982 on the Further Improvement of Economic Accounting on the Basis of the Plan," signed for the Council of Ministers by Werner Krolikowski, first deputy chairman, GDR Council of Ministers; and for the chairman of the State Planning Commission, by Heinz Klopfer, member, Council of Ministers, and state secretary in the State Planning Commission]

[Text] The implementation of the economic strategy for the 1980's, as issued by the 10th SED Congress, requires a further improvement of economic accounting. What mainly matters is to reduce production consumption, and that means the prime costs, enhance the economic effectiveness of science and technology, and of investments, advance the effectiveness of foreign economy activity, and improve the economy in our inventories.

The measures for improving economic accounting on the basis of the economic plan are to be aimed at making more use of economic categories such as costs, prices, credit and interests, and raising the responsibility of the combines and enterprises for producing the funds and using them efficiently and economically.

### Section I: Range of Application

#### Article 1

(1) This decree applies to
--combines and enterprises operating in accordance with economic accounting,
--the central and local state organs, and
--the banks.

(2) In accordance with it, this decree applies to the economic management organs and institutions operating in accordance with economic accounting. In enterprises that do not belong to combines, the duties set down in this decree for the general directors of combines are to be assumed by the managers of their executive organs.

(3) Requisite branch-specific regulations on the basis of this decree have to be issued by the ministers for the combines and enterprises in their respective spheres of responsibility in concurrence with the chairman of the State Planning Commission, the Minister for Finance and the head of the State Central Administration for Statistics.

### Section II: Requirements for Cost Planning, Accounting, Control and Analysis

#### Article 2

Cost reduction, the centerpiece of economic accounting, has to be resolutely organized on the basis of the plan on all economic levels. Through uniform planning of commodity production and prime costs, the combines and enterprises have to determine the cost/benefit ratio for decisive positions with the aim of decidedly reducing public expenditures. Cost reduction is to be held to be the criterion for the economic contribution by the combines and enterprises to improving the cost/benefit ratio.

Article 3

(1) On the basis of the economic plan, the ministers and the chairmen of bezirk councils have to assign to the combines, and the general directors of the combines, to the enterprises, state tasks and plan requirements for
--costs per 100-Mark commodity production or construction industry production,*
--base material costs per 100-Mark commodity production or construction industry production,** and
--managerial and administrative costs.

The chairmen of the other local councils have to proceed accordingly with respect to the combines and enterprises under their responsibility. With the five-year plan, the base material costs per 100-Mark commodity production or construction industry production have to be assigned a prime cost reduction in percentages, and the managerial and administrative costs, in terms of years.

(2) The general directors of the combines, for purposefully tapping efficiency reserves in the enterprises, have to assign and set down other state tasks and plan requirements--in addition to the ones referred to under (1)--particularly for reducing costs in
--energy and fuels;
--rejects, make-up work and repairs under warranty;
--shipping costs;
--advertising; and
--other ancilllary supplies.

(3) The costs levied per 100-Mark commodity production and the base material costs per 100-Mark commodity production, with the economic plan, are to be applied throughout, down to the enterprises, as a binding and unalterable criterion for staying within costs and thus for attaining the planned cost reduction. In the combines and enterprises, the set of planning costs in planned production has to be based on the accounting given for the plan. Changes in the production assortments no longer automatically modify planned costs per 100-Mark commodity production. The general directors of the combines and the directors of the enterprises have to ensure expert planning of assortments and the bearers of costs. Through greater economic efficiency in science and technology, enhanced refining of energy sources, raw materials and working materials, and the application of advanced technologies, costs have to be reduced in conformity with state requirements, cost planning of 100-Mark per commodity production has to stay in, or below, its limits, and assortments proper as to needs have to be produced.

(3) Costs per 100-Mark commodity production and base material costs per 100-Mark commodity production have to be allocated on a quarterly basis by the ministers and

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*This parameter applies to the centrally and locally managed industry and construction industry (not including industrial plant construction).

**Applied in industry and construction (centrally and locally managed) but not in industrial plant construction. To industrial plant construction there applies the parameter of production consumption per 100-Mark commodity production in industrial plant construction. For the Ministry for Coal & Energy we have branch-specific regulations. For the Ministry for Transport material costs per 100-Mark commodity production are to be planned.

the general directors of the combines, or the chairmen of the bezirk councils, through quarterly or monthly allocations of selected state plan requirements for the combines and enterprises. Doing so, they have to stay within the allowances set for the whole year.

Article 4

(1) The cost and finance plans of the combines and enterprises have to be prepared on the basis of, and in full conformity with, the state requirements for standards, norms, proportions, contingents and limits for reducing consumption and the rational use of raw materials, energy, fuels and propellants, material and working materials. The chief accountants in the enterprises have to prove and control that conformity.

(2) When production consumption is reduced in that funds in material and energy by means of socialist emulation are returned, it counts as prime cost reduction achieved by the combines and enterprises themselves. When state standards, norms, proportions, contingents and limits change, the general directors of the combines and the directors of the enterprises have to block the costs planned for them.

Article 5

(1) The general directors of the combines and the directors of the enterprises have to use and further improve the cost plans as an important instrument of their management activity. In the cost plans of the combines and enterprises, costs, in principle, have to be allocated in terms of types, positions and bearers or groups of bearers. The general directors of the combines have to decide for which main products and important commodity groups costs have to be planned separately and are not to be included in the groups of cost bearers.

(2) The effects of changes in industrial prices on the cost trend, on the yield and the profit and the working capital and its financing must be separately shown when the combines and enterprises submit their draft plan and prepare their annual plan, presented for endorsement to the superior organs, by combine enterprises, to their combine.

(3) On the basis of the economic plan, the cost plans of the combines and enterprises must be made specific in terms of areas of responsibility and main products by no later than 15 February of the planning year.

Article 6

Through forming and using a proficiency fund, the reduction in production consumption and costs must get a stronger incentive. Thus
--the proportion of material savings must be raised with the idea of turning material saving into the most important source of the proficiency fund,
--more value must be attached to saving imported materials in forming the proficiency fund, and
--the return of contingents and the reduction in energy consumption must receive extra recognition.

The means of the proficiency fund are to be used on a priority basis for measures in socialist rationalization and the improvement of the working people's working and living conditions on the basis of well-balanced material funds.

Article 7

(1) Cost conceptions have to be worked out in all combines for the five-year plan period. In it, conformity has to be ensured with other conceptions, particularly on refining, the use of industrial robots and the application of microelectronics.

(2) Through the cost conceptions it has to be ensured that the five-year plan goals are achieved for reducing production consumption and costs mainly through scientific-technical measures. The cost conceptions must show the systematic prime cost reduction for the five-year plan, subdivided in terms of years, in accordance with the following major considerations:
--enhanced refining of raw materials and reducing energy consumption;
--substitution of raw materials in connection with cutting back imports;
--a better use of the social labor capacity;
--improved utilization of shift work;
--reducing costs for rejects, make-up work and repairs under warranty and economically significant outlays like costs for maintenance and repair, general overhaul, transport costs and sales costs; and
--reducing the outlays for the export production, so as to make export goods more profitable.

Cost conceptions must be brought up-to-date annually by the combines.

(3) By draft plans for the economic plan, the combines must demonstrate the extent to which measures in scientific-technical progress and investments achieve the planned prime cost reduction. To that end, the planning of prime costs must be improved in a target-directed manner, in terms of qualitative factors affecting it.

Article 8

(1) When costs are exceeded, the ministers or general directors of the combines have to prepare cost reports within 4 weeks after the excess was found and rapidly reestablish the order according to plan. That applies accordingly to the chairmen of the local councils who are in charge of combines or enterprises.

(2) The cost reports of the enterprise directors before the general directors of the combines must be attended by
--the economic directors and chief accountants of the enterprise or combine; and
--the representative of the bank concerned.
The cost reports by the general directors of the combines before the minister must be attended by
--the economic director and chief accountant of the combine; and
--a competent representative each of the chairman of the State Planning Commission, the Minister of Finance, and the president of the State Bank.

(3) To substantiate their cost reports, the enterprises and combines must present:
--an analysis explaining why the costs were exceeded and
--measures and suggestions for reestablishing order according to plan in cost trends.

(4) When costs were exceeded, the director of the next higher organ, in combine enterprises, the general director of the combine, has to block proportionately the following funds or means to be used on their own responsibility:
(a) the proficiency funds,
(b) means of the investment funds and other financial funds not used directly for fulfilling scientific-technical tasks or for production, supply or export tasks, e.g. for furnishing offices,
(c) expenses for representational purposes and free gifts in advertising;
and for the combines, futhermore,
(d) the general director's disposable fund and
(e) the reserve fund.

Payments from the blocked funds or perquisites may be released only by the head of the next higher organ, in combine enterprises, by the general director of the combine, after cost reports are rendered.

(5) Cost reports are required on a monthly basis until the order according to plan is reestablished.

Article 9

(1) To enhance cost discipline and make economic accounting effective, costs detailed in the appendix are not to be planned (unplanned costs).

(2) The general directors of the combines and the directors of the enterprises have to lay down binding rules for the personal accountability of the technical directors and other executive associates by which they must stay within costs in their areas of responsibility. Proceeding from the well tested methods in socialist industrial management, unplanned costs must be documented in accordance with the principle that induces them. The material accountability is set down in the Labor Code.

Article 10

Intra-enterprise economic accounting is to be made specific in such a way that, on the basis of the plan, emulation management, the budget and the bonus system are more effectively combined with one another in the collectives. For that, the general directors of combines and directors of enterprises, through analyzing and generalizing progressive experiences, have to set down concrete rules for their areas of responsibility. They must see to it that those collectives and working people that are making a great contribution to cost reduction get benefits from material incentives.

Article 11

(1) The general directors of combines and directors of enterprises must prepare meaningful cost analyses at least every quarter. They must contain

--accurate cost trend assessments including comparisons with the plan quotas assigned and with previous years, and the causes for exceeding or staying below planned costs;
--indications for reserves for further cost reductions; and
--analyses of the influence of the cost trend on efficiency.

Concrete decisions on improving the cost/benefit ratio have to be derived from the cost analyses.

(2) The general directors of the combines, the competent ministers, and the chairmen of the local councils, in exercising a greater influence on reducing production consumption and costs, must conduct and analyze cost comparisons within the scope of performance comparisons among the enterprises or combines. Regulations have to be set down to surmount unjustified level differences.

Article 12

(1) The general directors of the combines and the directors of the enterprises have to make sure that the computations for the types, positions and bearers of costs can be used as an effective managerial and control instrument in the cost reduction efforts.

(2) In computing the types of costs one has to make sure that all outlays are accounted for, independent of their financing, in accordance with how they arise within the reproduction process, and are settled accordingly, and rapidly. Through computing the types of costs the prerequisites are to be laid for a precise and position-oriented control over the development of production consumption and for staying within allocated limits and contingents. This is to be used more, in connection with material accounting, for staying within or dropping below the required standards, norms, proportions, contingents and limits. By an analysis of plan fulfillment and of the development of the various types of costs and their connection with the development of production or performance, all enterprises, plants, departments, sections and brigades must receive assignments for the rationalization of production and a better use of the available production capacities, aiming at the tapping of reserves for cost reductions and efficiency improvements.

(3) Through computing cost positions, a precise and rapid cost accounting is to be made in terms of departments and sections. To mobilize the working people for ensuring throughout the reduction of costs which they themselves can affect, the cost positions must conform with delineated areas of responsibility. Cost position computation is to create important preconditions for a well balanced accounting for socialist emulation. On this basis, public emulation management and the budgetary work must be refined and a close link is to be established between performance trends and cost trends, so as to interest all working people in improving the cost/benefit ratio.

(4) Computation of the bearers of costs in the enterprises has to be structured in such a way that the general directors of the combines are in the position to make short-range management decisions, if necessary, to provide the main products with the efficiency development planned for them. The results of the cost-bearer computations must be used in such a way that the enterprises, after research data were

carried into production, rapidly meet the cost allocations set down in the draft commitments for new products. For ensuring the proposed reduction of administrative expenses one must see to it that for the main products and important export commodities a product-specific and concrete cost-bearer computation is carried out. At least once a year there has to be a recomputation for these products.

Section III: Enhanced Economic Effects from Scientific-Technical Progress

Article 13

(1) The general directors of the combines must see to it that the scientific-technical potential is used in a concentrated manner for attaining the aims, derived from economic requirements, in performance and efficiency improvement. The efficiency criteria, stipulated in the five-year plan, are to be substantiated by economic objectives in the draft commitments for R&D topics. In particular they are the return rate, production effectiveness, the effect on forming new values, exportability, productibility and the reduction in base material costs as well as the central leads for scientific-technical work on saving working hours, material and energy and on enhancing the quality of products. Draft commitments once ratified become the basis for the planning and financing of scientific-technical projects and for accounting for, evaluating and stimulating the results achieved in combines and enterprises. To all other science and technology tasks the aforementioned duties apply accordingly.

(2) The general directors of the combines and the directors of the enterprises have to see to it that the economic benefit, as stipulated in the draft commitments, requirement comparisons and basic investment decisions, is included and accounted for to its full measure in the year that the combine or enterprise plan reaches production effectiveness in it. For establishing economic intrinsic effects from measures in scientific-technical progress, the relevant legal provisions are applicable.

(3) The science and technology funds are to be formed at the expense of prime costs at the level of the means set down through state planning requirements.

(4) For the R&D projects to be performed, the general directors of the combines have to prepare and apply time frame standards for working on and realizing scientific-technical tasks and performances. The normal maximum is 2 years from the ratification of the draft commitments to the termination of the projects.

Article 14

(1) The ministers, the chairmen of the local councils, the general directors of the combines and the directors of the enterprises have to make sure that the financing of R&D tasks and investment projects based on the plan is, without fail, task or project-related.

(2) Prerequisite to releasing funds from the state budget for tasks in the science and technology state plan by the ministers, and for investment projects by the ministers and the chairmen of the local councils, are ratified draft commitments, comparable requirements and decisions of principle. It must be made certain that

the efficiency criteria and economic requirements stipulated by the state are all attained. The financing of the early stage of scientific-technical tasks is permissible only on the basis of proven intermediate results in accordance with the draft commitment objectives for any subsequent phase of the work. To that the general directors of the combines and the directors of the enterprises have to conform when they release funds from the science and technology fund or from funds they have produced themselves for investments. The same principles apply to the granting of credits for financing investment projects and R&D tasks by the banks.

Article 15

(1) The general directors of the combines and the directors of the enterprises must apply authoritatively in their areas of responsibility and substantiate by project-related parameters the parameters and standards set down in the economic plan for rating basic assets and investment effectiveness, especially the basic assets quota based on net output, the investment quota, the manpower development and the reduction of incomplete investments. On those parameters must be based the elaboration and confirmation of decisions of principle with the aim
--to wrest from every Mark invested a higher performance and efficiency growth,
--to cut back more jobs through investments than create new ones, and
--to reduce decisively the time frames needed for completing the projects and the construction proportion in investments, as stipulated by the plan.

(2) The general directors of the combines and the directors of the enterprises have to keep control of the production, performance and efficiency objectives as set down in the decisions of principle, and of the expenditures and deadlines in achieving the technical and economic parameters as ratified in the decisions of principle. There they have to account for the growth in commodity production and net production resulting directly from investments, in particular, and for the growth of export and profit as well as for the reduction of prime costs and the enhanced effectiveness of the basic assets. Arrears in obtaining the goals as stipulated in the decision of principle have to be explained by the enterprises to the general director of the combine, which has to be combined with suggestions on how to obtain the objective and reestablish order according to plan. The general director then must make the necessary decisions.

(3) When investment projects are finished, the ratified parameters of the decision of principle have to be accounted for. That computation, a document of cost accounting and statistics, then becomes part of the annual profit-and-loss statements, which the enterprise or general directors must include in their status reports to their next higher managers.

Article 16

(1) The State Bank of the GDR and State Finance Audit have to supervise the economic objectives of selected R&D tasks, including their carry-over into production, on the basis of draft commitments and decisions of principle. They have the right, as part of their supervision, to ask for measures implementing economic requirements for the efficiency and proper use of draft commitments.

(2) The State Bank of the GDR, the State Balance Inspectorate and State Finance Audit keep control on keeping investments exclusively within the framework of the planned material funds for equipment and construction.

(3) When it is found that research means and investments are used inefficiently or the state and plan discipline is violated, the bank has the right, until a decision is made by the chief of the next higher organ, which would be the general directors of combines, for the combines, to block financial means entirely or in part. When access to budgetary means is barred, completely or in part, the relevant decisions have to be made by the competent ministers in concurrence with the Minister for Science and Technology.

Article 17

(1) In the case of completing production ahead of schedule or concentratedly or of an accelerated carry-over into production of planned R&D tasks with a high economic effectiveness, combines and enterprises may be granted preferential credits.

(2) Extra credits may be allocated for rapid reaction to export market needs, for satisfying domestic demands and for a speed-up in reducing production consumption.

(3) Low interest credits may be granted for rationalization measures within the framework of the planned material investment volume leading to the release of manpower through a cutback in jobs, to a reduction of energy and production consumption, cutbacks in imports and the extraction and utilization of secondary raw materials.

Article 18

Combines and enterprises have to pay production fund dues as soon as investment projects go into effect, in line with decisions of principle taken. When there is a delay in this, an additional rate of the production fund dues of 6 percent has to be paid for the period between the planned and the actual start of operations, of the total value of the investment project or partial project, which is not plannable.

Article 19

The general directors of the combines and the directors of the enterprises have to ensure a high efficiency and intensive use of the basic assets available, on the basis of the centrally allocated basic assets quota, the normal working life and the amortization allowances resulting therefrom. Through modernization and careful handling, maintenance and preventive repairs, the efficiency and working life of available basic assets have to be improved. To that end, general repairs and rationalization investments, including the requisite efficiency development of their own construction of means of rationalization and their own construction departments, are to be planned in a complex fashion and managed uniformly in the combines and enterprises.

Section IV: Financial Obligations to the State Budget, Forming Own Funds and Strengthening the Influence of Credit and Interests

Article 20

(1) The combines and enterprises get state plan requirements for producing the net income. In this way the profit planned by the state expresses the contribution the combines and enterprises are making to increasing the national income. The combines and enterprises must absolutely meet their financial obligations to the state budget, even when the planned net income is not produced. If the profit produced is not sufficient, the combines and enterprises must use their own funds for it. The bank has to show which funds of their own are being used for it. The payment of wages and bonuses to the working people according to their performance is to be secured in accordance with regulations in effect.

(2) If they have financial needs that, because of reduced profits, cannot be supplied out of their own funds, combines and enterprises may apply for bank credits. The application has to point out the measures through which planning order is expected to be reestablished. If the bank refuses the credit, the head of the next higher organ, which would in combine enterprises be the general director of the combine, must prepare an accounting. In the outcome of the accounting, decisions have to be made on the reestablishing of the planning order and the financing. Such decisions have to be made jointly with the competent finance and bank organs, the State Planning Commission or the bezirk and kreis planning commissions.

(3) Along with the annual profit-and-loss statements of combines and enterprises which due to less profit could put less money into their own funds than planned or could pay only smaller dues from their funds, the following has eventually to be decided or prepared for decision:

--the use of finances from their own funds;
--the total amounts put into their own funds;
--the consequences from that for paying net profit dues to the state; and
--the redemption of extra credits granted because of a temporary drop in profits.

(4) Decisions as to (3) are up to

--the competent minister in concurrence with the chairman of the State Planning Commission, the Minister of Finance and the president of the State Bank of the GDR, for centrally managed combines and enterprises; and
--the chairman of the bezirk council in concurrence with the manager of the competent branch of the bank, for locally managed combines and enterprises.

For combines and enterprises of the bezirk-managed industry, the decision is up to the Minister for the Bezirk-Managed Industry and the Food Industry in concurrence with the chairman of the State Planning Commission, the Minister for Finance and the president of the State Bank of the GDR as well as the chairman of the competent bezirk council.

(5) The Minister of Finance has to inform the Council of Ministers or the managers of the finance departments of the local councils, the competent council, on the decisions made in the annual profit-and-loss statement.

Article 21

Combines and enterprises, in principle, have to put equal amounts each month into their own funds, in conformity with the regulations in the finance guidelines. Derived from their profits, they have to be deposited from the operations capital account to appropriate special bank accounts when due. Except for the specifications under Article 20 (1), funds on these special bank accounts are to be used exclusively for their planned disposition. The depositing into finance funds, according to plan, has to be correlated with the plan on cash on hand.

Article 22

(1) For ensuring payments, when due, for deliveries and services, proper as to contract, to combines and enterprises, the general directors of the combines and the directors of the enterprises have to keep abreast of the balance of payments, call for analyses of payment difficulties, and set down measures to ensure a disciplined payment policy.

(2) For the combines and enterprises to become more involved in satisfying claims when due, finance charges for overdue payments at an annual rate of 18 percent are assessed in conformity with legal regulations.

Article 23

(1) Combines and enterprises which are apt to meet the basic parameters of their efficiency rating on a continuing basis may, to cover temporary fluctuations in their financial needs, exceed their regular working capital credits, after having made arrangements with the bank, under the condition that on the average they stay within their regular credit limits.

(2) To encourage the overfulfillment of planned performance and efficiency goals, the bank grants combines and enterprises extra credits on a preferential basis, especially for working capital temporarily exceeding the plan for
--an additional production and the use of industrial robots and other means of rationalization,
--an additional production of spare parts, and
--a rational utilization of shipping space.

(3) The bank has the right to grant combines and enterprises other credits at higher interest rates for
--temporary surplus, provided such surplus is used for the production and distribution responsive to supply and demand and measures are in evidence, and are implemented, to reduce and eliminate the surplus and causes for more surplus. The interest rate for such credits is 8 percent at most, somewhat depending on how long it takes to do away with the surplus;
--overdue claims with higher finance charges, provided there were no deficiencies on the supply-side; and
--paying for contractually satisfactory shipments and services, specific to this purpose, when enterprises become temporarily insolvent due to arrears in their plans. Such credits run for no more than 90 days and carry an annual interest rate of 12 percent. The bank combines the granting of such credits with concrete demands

for reestablishing conditions that are according to plan and may make them dependent on a guarantee from the general director of the combine.

(4) The bank grants no credits to finance excessive expenditures and losses or an output that might invalidate sales. That also applies to noncontract output, unless other central decisions were taken.

Article 24

(1) Combines and enterprises have to refine their planning of working capital with the idea that that production growth and the reduction of production consumption will make for a faster turnover of inventories. For that purpose, the general directors of the combines have to assign the enterprises requirements on expediting the turnover of their inventories and on inventory limits for all the positions in the working capital plan.

(2) Material supplies and inventories of incomplete products and finished products in the enterprises have to be standardized. Inventory standards have to be reviewed every year; the enterprise directors have to revise them in accordance with their most up-to-date knowledge on how to speed up the turnover of material goods. Such days for deciding on economically important inventory positions must be authorized by the general directors of the combines.

(3) The bank has to see to it that the enterprises comply with the assigned planning parameters for speeding up their inventory turnover.

(4) For surplus material supplies and incomplete products and finished products, an extra 6 percent rate in production fund dues has to be ~~paid, which~~ is not plannable.

Section V: Tasks in the Field of Industrial Prices

Article 25

The general directors of the combines and the directors of the enterprises have to exercise the responsibility with which they are charged in enforcing state policy in the field of industrial prices in that they effectively support
--the acceleration of scientific-technical progress, its maximum economic utilization and the effort for a higher grade of products,
--a significant increase in labor productivity,
--a far better utilization of raw materials and fuels,
--intensively expanded reproduction including extensive socialist rationalization,
--the reduction of production consumption and of prime costs, and
--production growth based on efficiency improvements.

Article 26

(1) Proceeding from their own analyses of the effectiveness of industrial prices within the scope of eocnomic accounting, the general directors of the combines have the right to make recommendations for scheduled changes of industrial prices to the competent minister and the chief of the Pricing Office. There they must focus on the targets for reducing costs, strengthening intensification, and encouraging production growth and labor efficiency.

(2) Within the scope of the annual price changes for industrial goods, price from which excessive profit accrues must be reduced on schedule. Recommendations for that from the general directors of the combines and the industrial ministers are to be included in the recommendations as to Article 1. The sales prices for products remain unchanged. The difference between the reduced industrial prices as per schedule and the unchanged sales prices is to be turned over, as a product-specific revenue, to the state budget.

(3) The general directors of the combines and the directors of the enterprises have to see to it that the industrial prices from scheduled price changes are effectively used, within the scope of economic accounting, by the working people in socialist emulation for reducing costs.

Article 27

(1) In preparing recommendations for cost and price requirements and for industrial prices for new and more advanced products, in terms of the cost/benefit ratio, and in accordance with legal regulations, the general directors of the combines, in particular, have
--to take more into account international scientific-technical standards to be expected,
--to give greater weight to the parameters that are decisive for the products' world marketability such as their input/output ratio, their specific energy consumption, or their specific space and area requirements, and
--to check by strict criteria the costs projected by the enterprises and ensure the standards, norms, limits and parameters on which the cost and finance plans of the combines and enterprises are based.

(2) Managers responsible for ratifying the draft commitments have to ensure that with this ratification upper limits for prime costs and sales prices are set which take account of the demanding economic and scientific-technical targets for new and further developed products. The cost and price requirements derived from the upper limits must not be exceeded when industrial prices are confirmed.

(3) The general directors of the combines, in determining cost and price requirements and industrial prices, have to take care of the tasks as to (1) and (2).

Article 28

The general directors of the combines and the directors of the enterprises, to enforce high efficiency, have to use the surcharges, as set down in legal regulations, for the production of
--commodities produced with modest material efforts and highly refined, and
--commodities in excellent quality, good design, and highly profitable as exports.

These surcharges, in principle, apply to both producers and buyers uniformly.

Article 29

The head of the Pricing Office has to establish price discounts in dealing with combines and enterprises the products of which are insufficiently refined, or technically outdated, so that their exportability goes down, use too much energy or show a poor input/output ratio.

## Section VI: Higher Combine and Enterprise Responsibility in Foreign Economy Activity

### Article 30

The export capacity of the combines and enterprises has to be increased to solve our demanding foreign economy tasks; imports have to be handled most carefully while we noticeably improve the effectiveness of export and import. To that end we must in particular award uniform industrial results and a recognized high exportability of our products by extra bonuses, improving them resolutely to that the combines and enterprises are thereby effectively assisted in their assuming their greater responsibility to the fulfillment of our foreign economy tasks. The ministers and general directors of the combines have to make sure that export reports by the production enterprises and the foreign trade reports by the foreign trade enterprises become uniform in terms of legal regulations in effect.

### Article 31

(1) Above and beyond the production and deliveries of export goods, the general directors of the combines bear the responsibility for ensuring systematic foreign exchange income from export to the nonsocialist economic region. This responsibility also embraces securing scheduled foreign exchange revenue from the export of other combines and enterprises which are realized via the foreign trade enterprises or foreign trade areas of the foreign trade enterprises that are parts of the combine. Combines that contain a foreign trade enterprise or a foreign trade area in a foreign trade enterprise, and other centrally designated combines, have to be given, as of 1982, state plan parameters for foreign exchange revenue from export to the nonsocialist economic region.

(2) The Foreign Trade Ministry is responsible for preparing the state plan parameters for foreign exchange revenue, as per (1), and has to ensure a rigid central management of all foreign exchange economy processes for export and import.

### Article 32

(1) The combines have to produce in summary form, as their unified total industrial achievement,
--their income from domestic products and other turnover,
--their export income, and
--the income of the foreign trade enterprises that are part of the combine.

(2) The foreign trade enterprises that are part of a combine have to submit, out of their total income, profits not due to their own activities and net profits, at least in the planned magnitude, via the Foreign Trade Ministry, to the state budget.

(3) The Foreign Trade Ministry, by centrally setting down trade margin clauses and by annually turning over the net profits, has to ensure uniform economic criteria for the development of circulation costs in the foreign trade enterprises.

(4) The general directors of the combines have to use export profits for making up for export losses incurred by some enterprises.

Article 33

(1) The bank's approval is required for import licenses and for signing contracts on the import of machines and equipment--except plant imports, completion imports and imports for production consumption. This is done upon the buyer's application, after the economic need for the import was examined and on the basis of the import certification by way of signed import credit contracts or the financing authorization given in GDR currency.

(2) The buyer has to present to the bank documentation affirming the planned assembly and operations deadlines, the confirmed plan-effective intrinsic values and other agreed credit conditions. In case they are infringed, the buyer has to prove to the State Bank of the GDR that he is making arrangements to reestablish order according to plan. When a credit contract is violated, especially when imported machines or equipment are not put into operation according to plan, the bank can raise the import credit interest to as much as 8 percent. Interests exceeding the basic rate are not plannable.

Article 34

Foreign exchange accruals to combine and enterprise funds are to be curtailed when the state plan requirement for export lucrativeness in the nonsocialist economic region is not met.

Section VII: Greater Responsibilities for the Chief Bokkeeper

Article 35

Based on the chief bookkeeper decree (7 June 1979, GBL, Part I No 18, p 156), the work of the chief bookkeepers is to be expanded in the following direction:
--Controls the economic objectives in the R&D draft commitments and in the investment decisions of principle in terms of their conforming with the centrally assigned efficiency criteria for improving the scientific-technical performance of the combines and the effectiveness of investments,
--keeps control over having financial means for R&D used exclusively on the basis of ratified draft commitments,
--controls the full conformity between cost plans and planned material funds,
--fully enforces the measures for refining enterprise cost accounting and the analysis of its results for management decision proposals to reduce expenses and prevent losses,
--import-export efficiency analysis and supervision, and
--secures priority payments to the state budget and prepares measures for maintaining a high state and plan discipline in the formation and utilization of financial funds, in inventories and supplies, and in meeting contracted obligations.

Section VIII: Final Provisions

Article 36

(1) In all centrally managed enterprises of industry and construction which plan, and account for, at a reduced scale, the general directors of the combines must gradually enforce cost planning and accounting in terms of cost positions and cost

bearers with respect to the main products of the enterprise. Through labor rationalization it is to be ensured in this that the monthly plan requirements handed out to the combines for reducing managerial and administrative costs are met.

(2) The specifications for cost planning and cost accounting in the locally managed combines and enterprises which are producing, and accounting for, at a reduced scale are the responsibility of the competent ministers advised by the chairmen of the bezirk councils.

Article 37

This decree goes into effect when promulgated.
Berlin, 28 January 1982.

Appendix to Above Decree: Unplannable Costs

Costs induced by deficient scientific-technical work (Account 398)
Amortization for shut down basic assets (Account 3002), unless legal regulations or central decisions have made other arrangements
Remaining balances for basic assets (Account 304), unless central decisions have made other arrangements
Costs for making unauthorized use of funds for investments (Account 3901)
Surplus costs due to faulty investment activity (Account 3900)
Lost investment efforts in terms of Article 5 of the decree of 10 November 1971 on settling investment funding and dealing with surplus and starting costs--GBL, Part II No 78 p 690--(Account 3902)
Costs for abandoned investments according to legal regulations (Account 3992)
Inc~~reased dues~~ for the use of the soil (Account 3990)
Economic penalties (Account 3913)
Penalties for infringing standards, contingents and limits as per state requirements (Account 3918)
Contract penalties and damages within the GDR (Account 3910)
Contract penalties and damages outside the GDR (Account 3911)
Monetary penalties and stallage (Account 3912)
Reject, make-up work and repairs under warranty to the extent that they exceed branch-specific limitations (Account 408)
Warranty work - export (Account 6471)
Sewerage, dusting and gas exhaust money (Account 3915)
Unsatisfied claims (Account 392)
Service charges for delays (Account 385)
Extra interests for credits and interests according to plan in case of credit extensions due to temporary irregularities including credits for planned but not yet produced means under own production (basic interest rate plus extra interests) and penalty interest (from Account 382)
Devaluations (Account 393) (in domestic consumer goods trade in accordance with branch-specific conditions)
Inventory minuses (Account 394) (in comestic consumer goods trade in accordance with branch-specific conditions)
Price hikes not plannable in terms of the provisions applying to them.

5885
CSO: 2300/152

## CSIKOS-NAGY DESCRIBES DEVELOPMENT OF PRICE LEVEL

Budapest NEPSZABADSAG in Hungarian 10 Feb 82 p 10

[Article by Bela Csikos-Nagy, chairman, National Material and Price Office: "On the Development of the Price Level"]

[Text] The possibilities and limitations of government price controls, and closely connected with them, the controllability of price levels are among the most widely debated questions of our economic policy. They were first discussed in 1975, by the Economic Panel of the MSZMP under the theme, "The Domestic Problems Connected with the Fluctuations in the Purchasing Power of Our Currency, Especially the Problems of Changing World Market Prices," and just recently they were examined again on the basis of a document entitled, "Factors Affecting Price Increases During the Periods of the Fifth and the Sixth Five-Year Plans."

The 1975 debate occurred under the shock-effect of the first world market oil-price explosion, put into effect in the fall of 1973 by OPEC. At that time, there were still many who believed that it was possible to ward off and offset future increases in the world market price of petroleum, and that they should be viewed merely as temporary phenomena. In the course of that debate considerable attention was devoted to the developments which had occurred during the balanced--and even favorable--foreign market conditions of the preceding 10-15 years. The prevailing notion of that time was that the only phenomenon that can accompany economic growth under our conditions is a moderate and "tightly controlled" increase in prices. However, it was clear already back then that the inflationary pressures from the world market would continue to increase, that they would be lasting, and furthermore, that they would manifest themselves even in the price calculations of the CEMA cooperation.

The present debate materialized after the second oil-price explosion had been put into effect by OPEC in 1979, and following our 1980 price adjustment under which the domestic value of natural resources was to be based on world market prices. Consequently, the rate of price increases has accelerated, and there have been several signs which seem to indicate that the pressures caused by price-straining forces will not diminish in the forthcoming years either. It is for this reason that it was deemed advisable to carry out a new, comprehensive analysis of the factors which affect price increases, and to examine how much freedom of action we have to regulate the rate of price increases.

Virtually the entire period of socialist construction has been accompanied by price increases. During the past 34 years, the average price level increase in producer and consumer prices has been around 4 to 5 percent annually. The increase in agricultural price levels has been greater, amounting to an annual average of about 7 percent. In agriculture we have also had to solve a historic task. During the 1930's, day-wages had been around 40 percent of the minimum industrial wage. It was only during the early 1970's that agricultural incomes and industrial wages were finally equalized.

Average Annual Price-Level Changes (in percentages)

| Period: | Industry | Construction | Agriculture | Consumer price |
|---|---|---|---|---|
| 1947-49 | + 6.9 | | +15.5 | +15.0 |
| 1950-52 | +12.6 | + 1.5 | + 8.0 | +20.4 |
| 1953-57 | + 0.6 | + 3.1 | +17.8 | - 0,8 |
| 1958-59 | +15.4 | +30.5 | - 3.5 | - 1.0 |
| 1960-65 | - 1.4 | - 1.2 | + 2.9 | + 0.7 |
| 1966-68 | + 2.1 | + 4.4 | + 7.1 | + 0.8 |
| 1969-78 | + 2.9 | + 3.8 | + 3.5 | + 2.8 |
| 1979-81 | + 9.0 | + 3.0 | + 5.7 | + 7.5 |
| Annual average over the 34 year period: | + 4.0 | + 3.9 | + 6.8 | + 4.4 |

It was in connection with the 1968 economic reform, that the gradual introduction of value-proportionate consumer prices over a 10 to 15 year period was laid down as a goal to be attained. This was one of the reasons why under the new economic management system price-level increases accelerated and became more consistent compared to their earlier periodicity. The rate of price-level increases, which during the first five or six years following the economic reform had remained consistently around 1 to 2 percent, increased only slightly after the oil-price explosion, but only because, using financial means, we were able to keep import-price increases down. Later, however, our growing losses made it imperative for us to revise our domestic price-ratios and to raise our price level. In 1980, significant steps were taken toward becoming more elastic in our response to world market price developments. As a result, our domestic price system has become more inflation-sensitive. At the same time, during the 1970's, as a result of growing nominal wages, there were steady increases in the population's per capita real income (4.3 percent annually between 1969-1978); in other words, between 1979-1981 we were able to maintain the level of per capita real income and preserve the standard of living that had been attained.

The Factors of Price Increase

The concept of price-level reductions, which even during the early 1950's were based on the economic laws of diminishing goods values, stands against the entire historical trend of price development. Undoubtedly, our society offers increasingly larger volumes of goods, and at the same time the utilizable basic work time is not only not increasing, but is actually decreasing today. And this can only be achieved through a reduction in the volume of social labor

expended for production and through a similar drop in the value of goods. The problem, therefore, is that if prices have to adjust to values, then why is it that prices are not going down. Recently, this question was examined by our best economists. Therefore we can use their findings to help us provide an explanation.

The general tendency of increasing productivity and decreasing goods values does not assert itself in every sphere of the economy. In our age, natural conditions have deteriorated in a number of areas, and as a result, production in these spheres has required not decreasing but increasing expenditures of labor, which has affected social production as a whole. In the extractive branches--in mining and in agriculture--prices are determined by the costs of the marginal producer, that is, of the producer operating under the least favorable conditions. The demand for energy resources and foodstuffs is rapidly growing, hence marginal costs are also continually rising.

These days, of course, oil prices are regulated by political challenges and not by production costs. In the case of the masses of crude oil that can be extracted under favorable natural conditions these costs amount to merely a fraction of the total price. However, as a result of our import dependence, our price conditions in the case of petroleum is regulated not by costs, but by world market prices.

The oil price explosion was a world economic event, which has caused a chain reaction, and which has led to the acceleration of inflation. While before 1973 countries had tended to shift the burden of inflation to domestic consumption, and had hoped to preserve their international competitiveness through stable export prices; since 1973, industrially developed countries showing oil deficits have been "exporting" inflation in order to partly offset their "oil bill." The "spiral" effect of world market inflation, which is also referred to as inflation import, therefore, has intensified. One of the reasons why the revaluation of the forint currency has not been able to completely offset this is the fact that world market price increases have had a much greater impact on the product structure of Hungarian imports than that of our country's exports.

One of the most important accomplishments of technical development has been improved productivity, and through it, a reduction in per unit expenditures. Certain types of technical development, however, cannot be brought into direct relation with productivity. Technical advances (new technologies) also serve developments which bring about changes that manifest themselves not in the quantity of expended labor, but in the specific nature of work and in the welfare of the members of society. In other words, today the success of technical development can no longer be measured merely in terms of economic categories, or be narrowed down to increased productivity, i.e. to savings of labor expenditures.

Furthermore, today we are living in an age when work-wages have lost their earlier elasticity. The possibility of lowering wage levels has virtually disappeared. In fact, the general rate of wage increases has been adjusting to

those sectors which have shown the most rapid growth in their productivity. This is precisely what has led to increases in the relative cost of services, for example, which due to budgetary supports have only been partially felt by consumers.

Economic policy affects the way prices develop. In itself, stimulation of economic growth leads to rising prices. This is especially the case, if--for a shorter or longer period--it results in spending over and beyond the accumulated resources available; and over-demand has been a virtually constant concomitant of socialist economic development. The only favorable change in this regard is the economic policy which we have been pursuing since 1979, for it has placed balance before growth, We must take into consideration, however, that due to changes in world market price relations, increases in the national income during the next few years will be taken away by exports; in other words, real wages cannot be increased. Without about a 5 percent increase in the nominal wages, however, it becomes impossible to provide continuous wage incentives. It follows then, that in harmony with the wage level, consumer prices must be increased by an annual average amount of almost 5 percent.

International Comparison

Among all of the CEMA member states, our country has had the most significant price increases, which even during the 1980's have only been exceeded by the Polish price hikes. The greatest stability in this area has been shown by the Soviet Union and the GDR.

This, however, deserves a few additional comments. Consumer price stability greater than ours can only be maintained by way of increased governmental price supports. In spite of this, the consumer price indexes of most countries do not reflect increases in the free market price of agricultural products, nor do they include small commodity production or, in many cases, even services. Reports of price increases affecting products that are included in the price statistics are also based mainly on the so-called list-price method, under which only those price hikes are considered price increases which pertain to items included in the price list. Since 1968, however, Hungarian consumer price statistics have not been measuring the movement of retail prices; instead, they register price-level changes which affect the entire sphere of consumption, and furthermore, they also take into consideration those price increases which stem from selection-compositions within interchangeable, narrower groups. In addition, we have used price development to insure uninterrupted commodity supplies.

Long-run comparisons with the capitalist countries unequivocally show, that our price-level increases have been among the lowest, although in the past five years we have been among the countries that are in the middle of the list.

Our Price Policy Under the Sixth Five-Year Plan

The requirements laid down in the Sixth Five-Year Plan concerning our price policy state, that in view of the probable increases in world market prices and of the price-boosting effect of certain domestic factors, we must pursue a price-increase retarding government policy, in other words, that prices must be used increasingly to encourage efficiency and to improve our international competitiveness.

The forecasts are calling for reducing the expected increase in import foreign exchange rates in a way that would limit price-level increases in domestic producer prices to only 20 to 30 percent over 5 years.

The primary responsibility for bringing about a relatively significant slowdown in the increase of world market prices falls on our exchange rate policy. The conditions of our exchange rate policy, however, must be established in the economy itself. Consequently, a whole line of measures have been designed under the Sixth Five-Year Plan to help prices and exchange rates live up to these tasks. The forecasts expect an improvement in production and export commodity structures. Our support policy has become tougher. In industry, the plan expects a reduction in production modernization subsidies. Custom duties have been dropping. The sphere of applicability for competitive pricing has been broadening.

The forces that have been pressing prices upward cannot be completely eliminated. Hence, the primary factor determining our attitude toward inflation should not be whether prices are rising or not; instead, we must pursue an economic policy that will ensure, and with the help of production, will properly support a satisfactory improvement in the standard of living, and in connection with these kinds of alternatives we have to examine, whether an increase in prices can help improve such a situation or not. If yes, their role is justified; if not, they are uncalled for.

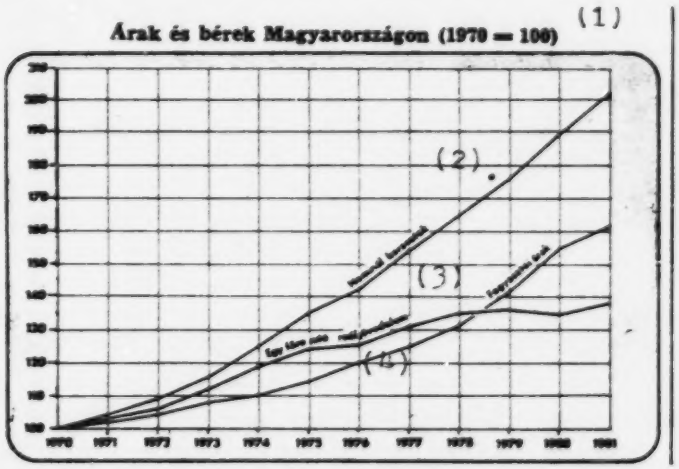


Key: 1. Prices and wages in Hungary (1970=100)
2. nominal earnings
3. per capita real income
4. consumer prices

9379
CSO: 2500/130

NYERS INTERVIEWED ON ROLE OF INTELLECTUALS, MANAGERS

Budapest FIGYELO in Hungarian 20 Jan 82 p 3

[Interview with Rezso Nyers, advisor to the Institute of Economics, by Miklos Breitner: "Towards Appreciating Creative Intellectuals"]

> [Text] According to linguists, the word "intelligencia" as the plurality of educated people, appeared in the Hungarian language for the first time in 1831 in Szecsenyi's WORLD as follows: "... the more genuine, that is, resourceful intelligencia a nation has...." We could continue this thought in terms of today's realities if we used the words "intellectuals" or "spiritual" instead of "intelligencia," and by expanding its scope to the category of the "non physical." Ultimately, the essence remains the same--how the intellectual capacities of the country are utilized.

[Question] Various forms of restrictions can be found in the restrictions of today's Hungarian intellectual life. We are economizing with intellectual energy in the wrong sense. Admitting that a characteristic of intellectual work is that performance is difficult to measure, and that the losses in this area cannot be considered harmful in all cases, how could the restrictions on performance be reduced?

[Answer] The effectiveness of intellectual effort depends upon the organizational effort depends upon the organizational level of society. In Hungary today, the relationships among the various domains of the division of labor are weak and are achieved only through intermediaries. Such is the case, for example, in the rigid separation between scientific research and production. It is similarly true of production and marketing as a whole. Breaking down the barriers between various domains was already begun in 1968 and has achieved some successes. The economic condition of the country today is forcing intellectual work between relatively narrow monetary boundaries. The country is currently spending 3.2 percent of its national income on the development of research, while the current five-year plan is endeavoring to reduce this proportion to 3 percent through decreases of state expenditures. In addition, we may add that through the selection of research projects which are not always appropriate, the continuation of research which brings little result and the creation of too much status the 3.2 percent amount is expended while some research institutes and researchers feel that their level of support is too low. The degree of flexibility in the reprogramming of funds is also too low. This is the panorama of extensive development.

[Question] The latest development can be summarized by stating that the new small and medium sized ventures are attracting the intellectuals away from even the research and development bases which are still relatively well supported.

[Answer] The good and the bad in this process do not seem equal to me. I hope that ultimately the concentration of a portion of the intellectual capacities into smaller, more agile organizations will be beneficial to even the large industrial and research organizations. Indirectly, the large organizations will now utilize the intellectual capacities to their advantage. This they were not able to do when they had them because they could not create the appropriate incentives due to the existing wage system, although the possibilities were theoretically there. In these organizations the outstanding scientist adjusted himself to the average performance level because he was so constrained by his income. If, however, this group of researchers stayed where they were, presumably they would not, in the near future, receive sufficient incentives to turn their capacities to work which is useful to society. If researchers were to receive positive opportunities for self realization in the smaller organizations, then we should not appraise this phenomenon negatively at all. In this case, our intellectual capacities will not be occupied with small scale, partial, supplementary tasks.

[Question] If we accept and follow your train of thought and, in addition, compare it with international observations, we can indeed discover that in many cases research results of great significance originate from small scale laboratories. The successes of electronics and biotechnology are proof of this. In comparing the foreign and domestic situations, however, it becomes apparent that the capital resource supply for endeavors with these kinds of research goals--through bank credit or possibly issues of shares--has not been resolved in Hungary.

[Answer] While it is true that today the institutional system for its acceptance does not yet exist, we have recently taken the first steps with small enterprises. Their role in industrial development and their accommodation into the total system of plan management will evolve later along the way. The framework of institutions which will forge a unity out of large scale, small and medium sized industrial and service systems must be developed in later steps. This is true of the capital supply, the technical development policy and of raw materials supply. We must find a socialist solution to all of these.

[Question] From the preceding we can surmise that today the qualified specialists are "retreating into the basement" and are producing shortage items.

[Answer] Unfortunately this is true, but we can use this phenomenon as a sort of "pressure relief valve." The esteem for intellectual work in Hungary is low and its place in the order of social values is inappropriate. This can and should be changed, but debates are raging about methods to resolve them. First of all, in the appreciation of intellectual work, outstanding accomplishments must gradually receive increasingly greater monetary and moral recognition. Our society is not able to raise the average income of this group significantly from one day to the next. Besides, it can be questioned whether as a result of current social selection the ones employed in research and development positions

and in creative intellectual endeavors are in all cases those who in fact can produce well, and thus deserve large scale income increases. Because of the regrettable selection of the unfittest demonstrated by examination of various intellectual fields, perhaps many are not capable of more than their level of performance of today. In that case, why should they receive more pay? The outstanding rather should be paid more. The 35 years of experience in building socialism in Hungary indicates, however, that the tendency to equalize seems to have nearly the force of a natural law, and is always regenerated. The rewarding of outstanding performance is up against this obstacle which must be deliberately countered. The forces and mechanisms of equalization are so stubborn that the requirement for a higher esteem of values must be deliberately brought into our social-economic life from the outside. It would not be good if some distorted form of differentiation arose on the periphery of the official social order, or outside of the first economy, in the second.

[Question] As far as differentiation is concerned, today nearly everyone thinks of it in terms of money. Is it not possible, and should there not be a change made in social values?

[Answer] But of course. Under current conditions, however, an increase in the moral esteem can be imagined only along with monetary considerations. It is an undeniable fact that in intellectual work success is in the accomplishment itself and in the securing of its acceptance by society. There is also a significant difference between mere official state recognition of the creative and the according of a higher position to intellectual work in society's order of values. The former should not, in any case, be disparaged, but ideally it should rather be a consequence of social approval. If society is innovative, then these values are accepted and the true accomplishment from the false and genuine action from the apparent are precisely distinguished. Society must recognize that the "good and the well" at the work benches and in the fields depend primarily on the level of intellectual work. The oversimplifying conception that all we need for significant improvement in Hungarian performance is simply to be more industrious and exact and to have better work discipline must be discarded for good. These are requirements, but are insufficient in themselves. If we are not successful in raising the level of intellectual work significantly, then the additional and more industrious work will not be turned into value--emphatically into value recognized on the market. The market, competition and the effectiveness of intellectual work are three factors which must be brought into harmony quickly.

[Question] This depends in no small measure on the selection of leadership. It is thought provoking that more than 30 years after the socialist revolution not a small portion of highly qualified individuals are working in positions inappropriate to their capacities. Moreover, a significant proportion of the leadership also does not have the appropriate specialist training. How then can we expect to have quality organization and direction and an esteem for intellectual work?

[Answer] The chaos in intellectual reproduction is actually perceivable and can be traced back to the lack of balance among education, employment requirements and the efforts of the youth. Thus, changes would be necessary in all three areas. The problem of the direction, however, is another matter. Man-

agement and expertise taken in the narrower sense are divorced from each other in not a few cases. Naturally, improvement is needed on all levels. Within this, the selection system for directors needs critical review since there are no ready formulas. A director selection which is more public and which can be continuously monitored is needed. It can have vigorous democratic features, but in certain cases the method of selection from above should not be discarded. Neither should a combination of both methods be disregarded. I would not cast my vote for either side. First of all, I agree with those who contend that there ought to be competition for every type of intellectual position, whether it is leadership of subordinate. If there is no competition for employment on the lower level, then truly suitable personnel will not be developed for leadership. When the economic mechanism was developed, such a basis was formulated, but afterwards it became a formality for some professions or faded out of use and implementation. In addition, the leadership of institutes and enterprises also should become more open and the cares and joys ought to be shared with the intellectuals, and naturally the intellectual segment of the working class have a greater need for information than the average worker. In many places the enterprise intellectuals are lulled with superficial information to the belief that all is well. Then in some cases the opposite breaks out unexpectedly. Thus there are no volunteers as replacements in leadership positions.

[Question] If in our economic life the differentiation between the various enterprises and institutes would be made clear cut, the problems of underutilization or low utilization of intellectual capital would almost automatically disappear among good workers. Would this be an excessive simplification and conclusion to our discussion?

[Answer] No. We need a social-economic medium in which the good and the bad, and the strong and the weak performances are not hidden from society. As far as political-economic leadership is concerned, realistic positions, perspectives, incentives or restrictions are necessary. The content of political work must be made more economical--and by this we do not mean apoliticism. The intellectuals should receive a greater role in the formulation of policy, and not only in its approval. We must and we are able to conduct a worker policy today--different from earlier ones--in which the intellectuals are the key figures and not simply supporters. A necessary corollary of this policy is the increasing harmony of perspectives among the various specialized intellectual groups--economists, technologists and cultural workers.

9093
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## EXCHANGE RATE POLICY, INTERNATIONAL INFLATION PROBLEMS DISCUSSED

Budapest FIGYELO in Hungarian No 5, 3 Feb 82 p 3

[Article by Ivan Wiesel: "Market Politics and International Inflation"]

[Text] One of the classic tools for realizing economic goals is exchange rate policy. There is a cause-and-effect relationship between the balance of foreign markets and fluctuations in the exchange rate. The all-time market level and other means not related to the market but similar in effect—such as tariffs, the quota system, subsidies and curtailments—significantly influence the domestic price level, capital mobility, and through these, income and demand.

It does not suffice to look at the effectiveness of exchange-rate policy simply from the standpoint of foreign balance. It can only be evaluated with consideration to the development of real currents in the economy.

### Fixed--Free--Floating

The exchange rate policies employed in individual nations are quite varied. However, all can be categorized between two extreme types--fixed and freely fluctuating exchange rates.

In the case of the fixed rate, the exchange rate is only rarely changed, by the decision of the national central bank. Movements of the exchange rate in this case are only loosely tied to changes in the international currency market and real domestic currents: they either follow these, or proceed ahead of them. Central banks are sympathetic to supporters of fixed parity, because they can enjoy the flowering of exchange policy that comes with changes occurring on administrative paths. Change in the exchange policy then affects the entire economy simultaneously.

In the case of freely fluctuating rates, policy can only be effected through market mechanisms--for instance, interventionary buying and selling by the reserve bank, or changes in the discount rate.

We can observe these means in the present financial policies of many capitalist countries with floating exchange rates. ("Floating" rates differ from the classic free market rates in that they may fluctuate between certain acceptable boundaries determined by the central banks of the individual countries.)

From the standpoint of exchange rate policy, the type of economy in the country is also important. Different exchange rate policies are connected to the Keynesian model, the Chicago school model, and the various state capitalist models of developing countries. Even models and economic principles that prohibit state intervention do not deny the necessity of employing exchange rate policy.

Whose Weapon is Currency?

The effect of exchange rate policy on the national economy depends to a large extent on how it relates to the division of labor among countries and what role it plays. In smaller countries with "open" economies, exchange policy decisions can significantly influence general domestic price levels, the rate of employment, and economic growth. In this respect, the firepower of the "currency weapon" is relatively smaller for countries with large internal markets that have foreign market dealings on a smaller scale.

In terms of the effectiveness of exchange rate policy, the role that the currency plays in international calculations is a significant factor. It is obvious that so-called key currencies such as the dollar will influence the domestic market and international decisions equally. Thus exchange rate policy decisions in America regarding the dollar will touch the sphere of international finances more than the development of the internal economy of the USA. The currency tensions of the 1970's adequately demonstrated this point.

It is also important which currency zone, which economic integration group, and which currency's attractive sphere the country belongs to. It is quite apparent, for instance, that the currencies of the dollar belt (Panama, Canada, etc) in general mechanically follow the dollar. The Holland florin, the Austrian schilling follow the exchange rate of the West German mark. Nevertheless, the currencies of the European exchange system can only float to certain limits relative to each other. In case of necessity, it is the responsibility of the central banks to effect changes in the "exchange-rate snake."

The effects of fluctuations on income balance (during increases: cheaper imports, the outflow of capital; during decreases: more marketable exports, the influx of capital) is well-known from technical literature. Nonetheless, economists have paid little attention to other economic effects, although their importance cannot be ignored.

Appreciation brings about deflationary effects in the economy. However, until the marketability of the country's export goods declines because of deflation, revaluation is not detrimental to the rhythm of the country's economic growth, its foreign exchange reserves and its employment. An example of this is the economic development of the 1960's and 1970's in West Germany and Japan.

Vicious Circle

However, the deflationary effect can cause problems if the marketability of exports declines. In this case, foreign exchange reserves must be altered and the economy must be financed by foreign credit. In turn, the excessive

influx of foreign capital turns the deflationary effects around and brings about inflationary pressure in the economy as a result of the budgetary loss. Austria provides the typical example of this case: its crisis conditions are inseparable from its deficit financing and its state and foreign debt.

Depreciation brings about inflationary effects. Namely, depreciation brings about a general price level increase, because price increases cannot be limited to the circle of imported goods. General price increases necessitate the increase of minimum wages, even if real wages are decreased; this brings about the "vicious" circle of wage and price exchanges. This "vicious" circle has a deflationary effect at a certain point: when inflation has caused such a decrease in production that marketability cannot be maintained. We can observe this occurrence in the case of the French, Italian and Belgian economies.

Perhaps these few examples illustrate that the opinion that appreciation always brings deflation and depreciation always brings inflation is incorrect. These criss-crossing effects are also increased by the fact that currency and price policy tools besides the exchange rate (subsidies, tax exemptions, etc) are overgrowing. As a result, decisions and market actions pertaining to the exchange rate produce less and less certain results. Thus, neither deflationary nor inflationary effects can be found in sterile form.

In international economic relations, increasingly important noneconomic factors can also cross planned exchange-rate policy effects. In international economics, there are general and specific occurrences which have brought market risks greater than exchange rate fluctuations to the surface, and thus the economic role of exchange rate corrections has been moderated.

Because of all these factors, prediction of the effects of exchange rate policy holds much uncertainty. Estimation is also hampered by the fact that we have not yet found the ideal rate from which all deviations could be calculated.

A Weakening Monetary System

Previously, economists showed great partiality for the buying power rate as the center of exchange rates. Through various methods they computed domestic price levels, and they considered the ratios to correspond to the buying power (real) rate.

Perfectly freely fluctuating prices are nowhere effective today, due to the price regulation of state and international monopolies, etc. Thus simple computation of price levels can hardly be significant as an exchange rate deciding factor. Today, not only has the gold standard ceased to be the source of fluctuations in the exchange rate, but buying power has also. This is supported by calculations of the buying power rate appearing in technical literature.

The present high interest rate and significant differences in interest have caused a rediscovery of interest parity in technical literature. (Interest parity--with very diverse methods of calculation--seeks to determine the connection between daily and periodic interest rates and the motifs of the expectation of capital.)

Interest parity indeed seems suitable for determining the incentives for short-term capital movements, but it is not suitable as a basis for the central bank's exchange rate policy decisions. I say this even though the present high American interest rates apparently contradict my statement.

Because of the present high American interest rates, capital is flowing not into the productive, but into the monetary sphere. This perpetuates the stagnation of the capitalist world economy and may eventually cause the as yet unforseen deepening of the financial crisis.

It is even apparent today that the quality of the international financial system is declining. The IMF era and countries seek to develop effective means to "counteract the exchange rate weapon."

9890
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## BRIEFS

BEEF CATTLE RAISING ASSOCIATION--An association for increasing the herd of beef cattle and for making such enterprise more profitable has been formed with 60 participants. The Agricultural Combine of Mezohegyes will be in charge of operations, and collaborators will include state farms, coops, sugar factories, the Livestock Breeding Research Institute, the Animal Trading and Meat Industry Trust and the foreign trade enterprise, Terimpex. Beef cattle raising has been stagnating over the past few years, and herds have declined in number. The conditions under which the animals were kept virtually precluded an increase in profitability. Because beef is in demand abroad, it is important to increase the size of the herds and raise them more efficiently. At present the herd of beef cattle consists of 75,000 head, and it is estimated that as the result of the new association the number will double by 1985. [Text] [Budapest MAGYAR NEMZET in Hungarian 5 Mar 82 p 5]

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## FOREIGN AFFAIRS MINISTRY PRESS CONFERENCE ON REFORM HELD

Warsaw RZECZPOSPOLITA in Polish 15 Jan 82 p 8

[Article by jt]

[Text] Zdzislaw Sadowski, deputy to the government plenipotentiary for economic reform, and Jerzy Urban, press spokesman for the government, answered questions of foreign newsmen at a conference 14 January at the press center of the Ministry of Foreign Affairs. Here are the main points of the government representatives' statements.

### Provisional Economic Situation

The government's resolution of 30 September 1981, concerning principles of enterprises' activities in 1982, can be defined as provisional only in its legal and not economic interpretation, despite its current designation. The time factor decided the necessity of its introduction. It was necessary to create such a legal situation--before the Sejm would pass acts establishing the final form of the reform--that the enterprises could operate on new principles as of 1 January 1982.

### Centralized Distribution

Only 16 groups of raw material commodities are distributed in a centralized way. Instead of the general distribution of means to carry out particular orders, state-controlled raw materials are distributed in the first place to those enterprises that produce consumer's and exports goods or render welfare and communal services. The majority of enterprises operate under an entirely new system, which requires initiative in obtaining means of production and in forming a production profile.

### New Retail Prices

A recently published booklet, containing the new price and compensation system, presents one of the proposals under consultation with the community. The question of price and compensation levels is not yet settled. The decline in the standard of living is already a fact because of a deficient supply of goods. There is no other way to save the market but a price increase. The question is in what way the rise in cost of living can be compensated for

social groups with different incomes. A dangerous situation could arise--a too large "flattening" of incomes may limit to a considerable degree the motivation for more efficient work.

Cooperation With Foreign Countries

The new economic system includes very strong incentives for enterprises to expand export. This may call for the introduction of contorls to prevent the impoverishing of the domestic market. Export presents the only possibility to pay the debts. However, in order to increase export, import of production means is necessary. Possibilities of obtaining larger imports from the West would set our export in motion, as well as eliminate to an important degree our own limitations in technical materials and goods. In this way our enterprises would finally gain total independence.

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ECONOMIC PERFORMANCE IN 1981 ANALYZED

Warsaw ZYCIE GOSPODARCZE in Polish No 1, 24 Jan 82 p 11

[Article by Janusz Gorski: "Economy 1981: Elements of Diagnosis"]

[Text] The Polish economy of the late 1970's was a seriously sick one. On the one hand, it was mired in the debt trap; on the other, it was plagued by increasing inflation. Opportunities for raising production and national income were increasingly limited by the bottlenecks on imports, raw material and energy supplies.

Failure to solve the problem of retail and producer prices along with the obsolete, overly centralized system of management did not provide prerequisites for economic activities and led to the preservation of obsolete, inefficient production structures.

Opportunities That Slipped By

Were there opportunities for overcoming this "sickness" and embarking on a road of normal development?

Attaining equilibrium required boosting exports in order to secure equilibrium in the trade balance and, further on, quotas for increasing raw materials and coproductive imports and for at least partial servicing of the debt. Demonstrating to foreign countries that Poland was beginning to attain equilibrium in payments turnover could provide the opportunity to secure the rescheduling of debts and to obtain additional credits for the payment of the debt service, which would be decreasing over several years. From the economic standpoint, such a maneuver would give the economy a chance.

However, the growth of exports required temporary limitations on domestic consumption and investment as well. Reducing grain imports could have played a role in releasing funds for increased imports necessary for production purposes and for an increase in export-oriented manufacturing. In the year 1980, this measure would have required reducing consumption by 6 to 7 percent, which would have allowed the economy to break through the bottleneck of debt trap and, given the introduction of the economic reform, created conditions for turning the economy around and gradually increasing its efficiency.

Reducing consumption by 6 percent and limiting certain investments would have provided for eradicating the inflationary gap and securing commodities with a value of about 80 billion zlotys for export. This would not have been an easy measure to implement; nonetheless, there were opportunities at the time for increasing many commodity exports to both the West and CEMA. An equivalent of about $2 billion could have been obtained; this would have allowed us to attain equilibrium in the trade balance and also to transfer part of these funds to cover the debt service payments.

Carrying out this undertaking, however, was not possible in the political environment of early 1980. It required that the leadership of the country admit the defeat of executed strategy, which had been considered optimal for so long, and that social acceptance be acquired, which also was not possible at the time.

Changes initiated in August 1980 gave rise to hopes of increasing the efficiency of economic processes, of creating an environment conducive to work and a relatively fast overcoming of the economic crisis. Unfortunately, it turned out, as early as the last months of 1981, that numerous destabilizing processes evolved in the economy and the social sphere alike, causing a further exacerbation of the process of economic breakdown.

Manifestations of Breakdown

The decline of production and national income in 1981 by about 15 percent--or compared to the relatively normal year 1979, by about 20-21 percent--was among the most important manifestations of the breakdown. This is a very significant breakdown, unparalleled in the postwar period in any capitalist or socialist country. The breakdown in 1980 spread primarily to agricultural production, largely due to the bad harvest. In 1981, however, the breakdown occurred primarily in industrial production while continuing in agriculture, where, to be sure, crop production increased by an appreciable quota, but animal husbandry declined due to the fodder shortage caused by the bad harvest of the previous year.

The total decay of the market is an example of breakdown that immediately meets the eye. In the final months of 1981, shortages increased in the meat market, hard cheese supplies fell short and gaps appeared in the furniture market. During 1981, all markets successively collapsed before September, food and nonmanufactured goods markets alike. Rationing was extended to many food items.

The deepening state of disintegration, of undoing cooperative links, of raw and other materials shortages, especially of those imported from second payments area [capitalist countries], shortages of energy, etc., became characteristic of our economy. The deterioration of economic links between the city and the countryside occurred, manifested in the reduced procurement, which was not commensurate with the decrease in agricultural production. Various modes of barter among industrial enterprises and among agricultural producers and industrial enterprises evolved.

As public opinion saw it, the reasons for the precipitous breakdown of 1981 were connected only with the initial stages of the crisis, which manifested themselves in the end of the previous decade. This reasoning was especially fostered by the propaganda arms of Solidarity. This is not entirely in agreement with a correct economic evaluation. The magnitude of breakdown also resulted from the emergence of an array of additional phenomena, which could have been avoided under normal conditions.

Foreign Trade--The Ultimate Bottleneck

One can risk making a statement that a precipitous fall of imports from the countries of second payments area due to decreasing exports was the initial cause of the breakdown in production. Polish exports to these countries fell by 25 percent during the first 10 months of 1981, or actually by a real value of 35 percent since the prices of exported goods increased by almost 10 percent. As a result, imports decreased proportionately, which had a significant unfavorable effect on the economy, considering its express dependence on the economies of capitalist countries.

The precipitous collapse of exports was linked primarily to the decline in coal production and, to a certain degree, to the declines in copper, sulphur and silver output. The decline of coal production by about 20 million tons (compared to 1979) meant a decrease in coal exports by more than one-half (by about 25 million tons). This means that export capacity of about $1.4 to 1.5 billion was eliminated, given the current high coal prices.

The total quota exceeds $2 billion if losses caused by the decline of copper, silver and sulphur production are included. Securing additional export capacity of $2 billion would have enabled us in 1981 to solve many problems of raw materials and coproductive exports, to maintain the level of production in manufacturing industry, which was in many cases depressed by [the unavailability of] minor hard currency inputs. Most importantly, it would have enabled us to increase exports of many manufactured goods that were in considerable demand.

The decline of exports to the second payments area undoubtedly made it considerably more difficult to talk with Western banks on rescheduling the debt. Postponing debt payments was helpful to a degree; the arrangements made were more favorable with regard to the public debt and less so with regard to the debts incurred in the banking system. However, we did not manage to obtain new credits in order to compensate for the decline in imports and maintain industrial production even at the previous levels. It seems that a certain segment of Western politicians was banking on the decay of socialist structures in Poland.

It follows from available estimates that if we had had about $1 billion dollars in exchange funds in 1981, it would have allowed us to loosen the abominable chain of coproduction difficulties, to increase the rate of export production and to improve the market situation appreciably, primarily due to the increase of domestic production.

This chain operated in the following way: Since export was permanently falling, import had to be kept down. Food imports could not be curbed, so imports of raw materials and coproductive commodities were restricted. As a result, domestic industrial production decreased and, along with it, export capability. The negative balance in the foreign trade remained the same but at lower volumes of production and national income.

Shortening the Workweek and Growth of Income

In 1981, the decline in coal production and the restrictions on energy deliveries that it entailed also made a direct negative impact on the volume of domestic industrial and agricultural production. The impact was especially strong in the production of cement and other construction materials--and, consequently, on construction activity--and in the production of many chemical compounds, iron and steel products, etc.

This precipitous breakdown was primarily associated with the shortening of the workweek in mining and in the raw materials industry in a hasty fashion and with no organizational preparation. Aborting the process of shortening the workweek in the mid-1970's after attaining the level of 12 free Saturdays [annually] was an undoubted mistake of the leadership in the past decade. However, decisions of this kind cannot be implemented overnight. Inasmuch as the majority of manufacturing industries had considerable organizational reserves and worktime in many cases was utilized inefficiently due to the shortages of raw materials and energy, applying that same reasoning to raw materials industries had to lead to a considerable decrease in the volume of production and respective deterioration of the overall situation in the economy.

Increasing output, especially in the coal industry, was achieved through excessive lengthening of worktime, resulting in mines operating on a considerable number of Sundays. However, stirring up uneasiness by the slogan "all Saturdays free" in mining, which the leadership of Solidarity did, harmed the interests of the entire society and was bound to become the reason for a significant production breakdown. This also goes for the striving of the leadership of this union to frustrate volunteer work on Saturdays in mining in 1981. In that year, the linkage between the slump in production and the decrease in raw materials output was beyond doubt only for economists but for any sensible citizen as well. The aims of this struggle were clearly political.

The growth of average wages by almost 30 percent over 1 year was another reason for the precipitous aggravation of the crisis in the Polish economy. From the standpoint of the state of the economy in 1980, the decisions of wage raises were forced and incorrect. As mentioned, the economy was characterized at the time by the state of general disequilibrium. The inflationary gap was already in evidence. The real economic situation, however, was not known to the majority of our society. The negative effects of the success propaganda were taking a toll. Inflationary processes that had been developing for several years caused dissatisfaction and demands for wage and income compensation to which the society had been accustomed in the 1970's, when the growth of wages was divorced from the national basis of the growth of productivity.

The eighth demand of the Gdansk MKS [Inter-Enterprise Strike Committee] of August 1980 read: "To raise the basic wages of each worker by 2,000 zlotys per month by way of compensation for the growth of prices so far." This was an unrealistic demand, though formulated in a practical fashion. The question should be asked: Why the economic experts of Solidarity with many economists highly knowledgeable about the state of Polish economy among them, did not try to state that this was not the way to overcome the crisis and improve the state of the economy, that this growth of wages will be only nominal and, moreover, paid for by the disorganization of the market. It may once again be suggested that at issue were primarily political ends and rallying the support of a significant segment of society through demagogy.

State of the Market

The progressing disorganization of the market was a result of the growth of wages. The current inflationary curve, defined as the excess of the flow of incomes over the flow of commodity and service production, amounted to more than 250 billion zlotys in 1981. Thus the former flow exceeded the latter by 15 percent. The magnitude of the curve was kept down by price increases, which over the last year amounted to more than 10 percent in the socialized sector. Without those increases, the magnitude of the curve would have reached 400 billion zlotys. As already mentioned, the curve successively eroded the markets, which was facilitated by the simultaneous significant drop in production. As a result, a situation emerged in our country that can be described as a state of "barbaric" inflation.

The phenomenon of inflation is not new; it has been experienced in all contemporary countries. The specific nature of inflation in Poland was associated with the fact that in our economy prices for a considerable part of basic products were fixed. The policy of flexible pricing applied only to a few items such as fruits, vegetables and products of the private sector. Under such circumstances, the available surplus of incomes over the volume of delivered goods and services led to almost all goods in stores being snapped up and also caused a disproportionate, simultaneous increase of prices in the free market, where a large share of "free" income was funneled. The price gap between the socialized trade and the free and profiteer's markets had to widen increasingly.

In Western countries, the process of wage growth is accompanied by growth of prices, which is often very steep—in recent years up to 10 to 20 percent annually. As a result, goods are available in stores, since the growth of prices eliminates excessive growth of monetary incomes. This is regular inflation, which we may term "civilized." In the Polish environment, with a certain rigidity of prices, especially for basic foods, inflation manifests itself in the inflationary curve that erodes the market, where goods simply become unavailable.

Inflation of this kind gives rise to additional negative economic consequences not present under "civilized" inflation. Among these consequences are the development of profiteering due to the existence of considerable price differentials between the official and the "black" market, the disappearance of incentives to work productively (the income received is more than sufficient

to purchase official rations) and immense loss of time associated with the lining up of numerous persons, and this during worktime. It is exactly these additional consequences of this type of inflation that allow us to term it "barbaric."

Ties Between the City and the Country

The severing of economic, and especially commodity, ties between the city and the country became a specific element of the economic situation in 1981. The production capability of Polish agriculture deteriorated in the last years of the [previous] decade. This was caused by both the unfavorable average weather conditions and a certain deterioration of the supply of means of production. Under the conditions of 1980, which was unfavorable with regard to yields, monetary income in agriculture sustained a certain decline. Under the influence of too shallow an evaluation of economic reality and of pressures from trade unions, especially rural and urban Solidarity, the strengthening of economic ties between the city and the country was sought through a basic raise of procurement prices for crops. This raise was supposed to create stimuli for financial interest in the quick development of production.

In two subsequent steps, an almost 100 percent raise of average procurement prices was instituted, which boosted twofold the flow of funds to agricultural producers--from 250 to about 500 billion zlotys at regular yields. Unfortunately, in making these decisions, opportunities for increasing the deliveries of goods for agriculture, including the means of production, were not taken into account. The available income of agriculture (after withholding taxes, insurance premiums and so on) grew almost threefold compared to the income of agriculture in 1979, whereas the production of goods for the country registered a certain drop. It turned out that the country resorted to hoarding all products that can be stored over a long time (grains, etc.), having harvested good yields in 1981 in the progressing economic chaos. The monetary income of agriculture even from reduced sales met the needs of this sector in liquid funds, which can be utilized especially given the rise of speculative prices in this sphere. The growth of such incomes affects the strengthening of the inflationary trend already evident in the economy. This is one of the economic paradoxes; under the conditions of disturbed equilibrium, the growth of prices may stop encouraging the increase in production and may even affect a certain limitation of its scope.

Destruction of the System

Spreading strikes had a very substantial negative impact on the economy. Direct losses caused by work stoppages were not the most important ones, though in many cases those were significant, as, for example, a protracted general strike in Zielona Gora Voivodship sparked by an irrational petty personnel decision, a strike in Tarnobrzeg Voivodship and so on. Even more important was the negative influence of permanent strike alerts, the paralysis of the management apparatus at the level of enterprises and the entire economy. This apparatus was trying to strike a balance between contradictory interests while being deprived of executive privilege and at the same time was trying with great dedication to restore the severing lines of production and coproduction ties. In many cases, emerging self-government bodies did not take up matters of production in the enterprise but rather played up political issues

under the influence of Solidarity leadership, such as the elimination of party organizations from enterprises, dismissal of unfavorably disposed personnel, etc. This reinforced the trend toward anarchy in economic and social life. The threat of a strike, which was frequently called over quite minor issues, rendered impossible the functioning of authority, without which no economy can operate.

In 1981, especially during the first half of the year, many elements of the "magic" thinking about the problems of economic reform spread. The shortcomings of the centralized management system have been mentioned and nobody intends to defend it. However, eroding the existing system before a new one could be worked out aggravated the situation still further instead of improving it. Elaboration of the economic reform went in the direction of increasing the autonomy of enterprises and strengthening the use of commodity and monetary mechanisms. Undoubtedly, this was a correct direction. At the same time, a tendency emerged, which was reinforced and propagated by the economic and news media communities, toward the extreme limitation or even eradication of all functions of central control and transition to the action of entirely unrestricted market mechanisms.

A vision began to take shape in Poland of a system of perfect competition between enterprises guided in their activity only by the signals picked up in the market. The feasibility and opportunity of a return to the system of perfect competition were not under discussion. This system was characteristic of the capitalist economy of the 19th century, the economy of small and atomistic enterprises, none of which occupied monopolistic positions. In contemporary industrialized economies, in Western countries as well, forms of centralized control have emerged, employing parametric devices (prices, interest rate, taxes, etc.), the information system and investment policy. It is difficult to say whether this attack against the elements of centralized control originated solely due to a utopian belief in the efficiency of market mechanisms or due to the desire to bring about the erosion of all the elements of the system and thus the desire to wreck the socialist system.

In the conditions of far-gone decay of the economy, elements of centralized operational activity are needed in order to overcome this decay. There probably were too few activities of this kind in the Polish economy in 1981. Thus, the average economist could not comprehend why in the transitory stage of economic reform there was an attack against the partial preservation of allocating some raw and other materials in short supply needed for the implementation of operational programs. In the current environment, the wholesale cancellation of allocating coal, energy, other raw materials and semifinished products would lead to their shortage in the production of basic commodities, where prices will be fixed in a centralized fashion and in many cases below the social cost of production. At the same time, raw and other materials would be available for the production of higher standard lines of commodities, where prices would be set without control.

Second, given the shortage of raw and other materials, the danger would arise of enterprises not being able to assemble sufficient quantities of these materials and, therefore, part of them could be badly utilized. It is no accident that in the year 1981, the year of raw and other materials shortages

declining final output, the stocks of materials in most industrial enterprises registered very significant growth. The regulation via market mechanisms does have its virtues--if the supply situation is normal.

The year 1981 drew to a close in an increasingly powerful economic crisis. The crisis was characterized by increasing disintegration, severing of coproduction ties, shortages of raw and other materials and energy and so on. The drop in production was not contained and neither were the further decline in labor discipline and the strengthening of the inflationary process. The threat was becoming increasingly real of the economy simply splitting into several or a dozen centers that would try to produce something for local needs. In such a case, the only integrating element between them would be found in the attempts to wrest coal from Silesia in bartering for food and industrial consumer goods. Of course, even more apocalyptic visions of what this state could have led to can be painted.

It will probably be determined in further, more elaborate studies why in 1981 so many illogical destructive actions on economic matters promoted decay in the economy. It is difficult to determine at this moment which of these activities were due to conscious ill will and which to the uncritical belief in the truth of new slogans, how much of it was Polish disarray and how much, the tendency to subvert the system. The year 1981 did not make the Polish economy healthier; on the contrary, activities lead by Solidarity aggravated the breakdown significantly and made coming out of the crisis and achieving stabilization much harder than in the beginning of 1980. New bills, which the entire society will have to pay, were incurred.

Many questions linger over the economic situation of the country. On 13 December 1981 we made a choice, as General Jaruzelski put it, between the greater and the lesser evil. Making this choice was a sad, national necessity. At this moment, we can already say that we have avoided the worst, that we are not threatened by further chaos and the erosion of the economy. The return from a long trip or truancy, where a large segment of our society went, may be more or less difficult. (It is an important and interesting issue why they submitted to being led there with such ease.) It depends on the society itself, on its ability to understand elementary truths saying that the way to well-being always requires honest and productive work, that something must be produced first and allocated second, that implementing economic and social reforms requires order and social peace, that confidence in the state is necessary and in its turn the state must be subject to the mechanisms of social control. The more quickly these truths are understood, the more quickly the losses of the previous decade and the still larger losses of 1981 can be made up and we can embark on a road of constant, stable development. We have adequate manpower and material potential to implement such development.

9761
CSO: 2600/258

BASIC PRINCIPLES OF INVESTMENT FINANCING REPORTED

Warsaw ZYCIE GOSPODARCZE in Polish No 2, 31 Jan 82 p 5

[Article by Henryk Mlodzianko: "Principles of Financing Investments"]

[Text] In light of regulations of the RM's [Council of Ministers] resolution of 30 November 1981, economic organizations and banks will conduct finance and credit activity in the investment sphere in accordance with the following principles.

1. In state enterprises there will be only two categories of investments: 1) centran and 2) enterprise. The intention of this division is, first of all, the localization of the organizational unit's [plant and equipment] responsibility for investment decisions and economic-financial results. A no less important aspect of this division is creating conditions for independent and rational management of monetary resources in an enterprise and tying in central investments--undertaken with general economic and social circumstances in mind--with the monetary possibilities of the state budget as well as of the enterprises themselves, since they will be the users of the new--as a rule, large--amounts of fixed assets.

The decision on each new central investment will be made at the highest level by the Sejm or the Council of Ministers after research, design, work on balancing accounts and the like have been completed. Consequently, these will be the largest industrial undertakings of a nationwide infrastructure, whose financing exceeds the finance possibilities of one or even several enterprises. Moreover, it is being organized so that this category of investment will not predominate, for the share of outlays for central investments will not exceed 30 percent of the total volume of outlays in the socialized economy (in 1982 this share will amount to an estimated 15 percent).

On the other hand, the second investment category is the sphere of independent decisions undertaken by the management of enterprises and workers' self-government bodies dependent on their own financial means and acquisition of credit, which banks will grant according to the credit policy established by the government and depending on the level of effectiveness of the economic (financial) investment.

2. The category of central investments has already made its appearance in 1982. It is the result of verification and selection of previously developed investments that have not been completed before 1982 or that were going to be completed but for various reasons were not begun in past years, although justified as a result of production ties with ongoing investments that had been started.

In 1982 almost all investments being made are continuous investments whose further implementation and completion--in light of the most urgent needs given the limited possibilities of investment--are recognized as indispensable.

The Council of Ministers has examined and approved an individual list of these investments; at the same time, it has established that outlays for these investments are in amounts with fixed limits. This obligates investors to be coordinated properly with contractors and suppliers regarding labor and deliveries of machines and fittings in 1982 within the limits of established outlay quotas.

3. These determinations are equally binding for banks, which, in practice, means an extension of the validity of credit agreements negotiated in previous years and assurance of the continuity of granting credit but only to central investments are included in the individual list approved by the government (this list is an enclosure to the resolution regarding the central social-economic plan for 1982).

Resumption of granting credit can take place only for qualified investments for central investments and not any earlier--as anticipated--than after 1983 in case there is a need to change the material-type designation of the qualified investment.

4. An essential change in the principles of financing has occurred in the area of sources for covering investment outlays.

Beginning with 1982, central investments will come from three sources: 1) bank credit, 2) the enterprise development fund and 3) state budget subsidies. The amount of monetary resources appropriated from these sources for financing each specific investment will be determined in the investment decision, which will be expressed in the agreement as it is negotiated between the industrial-type ministry and the enterprise over the performance of duties of the immediate investor and the future user of fixed assets. This systems-type principle will be implemented in 1982 in regard to continuing investments. This agreement is the basis for important determinations between the enterprise and the bank concerning the amount of credit for financing outlays indispensable for completing investments. Enterprises in particular ought to coordinate with their own bank branches the quotas for development fund resources and budget subsidies designated for future--beginning with 1982--financing of outlays until the investments are completed. The bank credit quota left for utilization after 1981 from the total credit quota designated by the credit agreement negotiated before 31 December 1981 will be reduced by the equivalance of these resources. The enterprise should make out monetary drafts from the development fund and budget subsidies to the appropriate account in coordination with the branch bank.

Utilized bank credit will be subject to repayment from fund development resources in a period established in the credit agreement. The present provisions of agreement on credit concern in part the period of repayment; also when repayments on the first annual installment are due, they will be subject to verification and adjustment to the current systems-type principles and altered conditions in forming the enterprise's financial situation.

However, this will be possible only after fully recognizing the financial effects of supply-investment and market price reforms as well as calculating the outlays indispensable for completing investments at new prices. Moreover, the remaining elements that decide the level of financial effectiveness (profitability)--i.e., the value of production from future fixed assets as well as prime costs must be calculated.

5. The enterprise investment category in 1982 will be made up of former development investments, which are not included among the central and renovation-modernization investments, the highly effective quick-return investments and the social and housing fund investments.

An estimated 37 percent of the total volume of outlays in the socialized economy in 1982 will go into enterprise investments. The actual share of outlays will be formed under the influence of the supply of capital goods and services and the supply-materials distribution policy, as well as the demand determined by the amount of the enterprises' monetary resources and bank credit assigned to this category. In connection with this,the amount of credit and banks' credit policy are the main tools of intermediary influence on the amount and structure of enterprise investments. Only that part of the total amount of planned credit left for satisfying the demands of granting credit to continuing investments will go into new investments in 1982.

6. In accordance with the assumptions of the credit policy accepted by the government, the banks will grant credit in 1982 to enterprise investments ending in 1982 and 1983, if these enterprises are connected with food production and production means for agriculture, save on fuel and energy, increase export production or decrease (replace) imports and rely both on building construction involved in developmental undertakings and investments of socialized units and small-scale industry that operates according to the principles defined in Resolution No 112 of the Council of Ministers of 8 June 1981.

By ensuring credit to these investments, banks will turn their attention to the feasibility of termination dates of investment tasks in light of verified agreements on the execution of construction-installation work. In the case of a recorded improper concentration of investment outlays or absence of conditions for proper implementation and completion of investments in 1982 to 1983, banks will refuse them further credit.

In order to ensure continuity of credit to the investments that have been discussed, state enterprises ought to conduct negotiations with branch banks, whose object should be the verification of credit agreements negotiated before the end of 1981. The most urgent matter in these negotiations is the mutual consideration of a feasible termination date for investments and limits of the

share of development fund resources in financing outlays for completing an investment task. Moreover, both enterprises and banks ought to follow the principle of a monetary-credit policy that states that development fund resources should first be allocated for repayment of credits due in 1982 and then for an increase of their own funds in turnover and in financing noncredit continuing investments. The negotiated termination date of investments and the share of development fund resources in financing future investments will be the basis for appropriate changes in credit agreements. At the same time the quota of allocated credit will be reduced by the equivalance of these resources. Utilized bank credit will be subject to repayment from fund resources in the period established in the credit agreement. The basis for determining the period of repayment should be an assessment of the enterprise's financial situation--its solvency in the perspective of that time period--and the financial effectiveness of its investments. Of main importance in this regard is the period of repayment of outlays from the enterprise's expected profits from investments. Enterprises maintain the right of repaying credit in less time than established on the credit agreement.

7. Enterprise investments granted credit before 31 December 1981 and not meeting the criteria established in the assumptions of the credit policy can be continued in 1982 from resources of the enterprise's development fund. In connection with this, banks will formulate further granting of credit to these investments.

When the enterprise makes the decision to stop implementing an investment as a result of this investment being denied credit by the bank, the principles operative in relation to suspended investments will be applied. If, on the other hand, the enterprise continues to invest from development fund resources, then the bank at the enterprise's suggestion can defer the date of repayment of credit until the investments are transferred for utilization. The payment date of the first installment in such a case will be set for the year in which the transfer of the investment for utilization will take place, unless a profitable financial situation allows repaying part or all of the credit before this payment date.

Enterprise investments, as well as other socialized units of the economy, financed entirely from noncredit resources or with a share of allowed credit before 1982, are financed on existing principles within the limits of the resources accumulated by investors in their respective bank accounts. Beginning in 1982 the so-called practice of having the financing of investments, in regard to financial investment tasks, come entirely from noncredit resources is being abolished for not conforming to the assumptions of economic reform. Bank control with respect to distribution allotments of outlays, which has been connected with this institution in previous years, among other things, will therefore be discontinued.

8. Several comments are in order on granting credit to enterprise investments to date, which should be stopped in accordance with the recommendations of the resolution of the Council of Ministers in the matter of adjusting the area of investments for the possibility of investment in 1982. In this area the banks' operations will be the following:

--granting credit to investments indicated in the enclosure to the government resolution will be stopped with the exception of regulation of payments with regard to obligations and indispensable labor for protecting investments for new construction that have been suspended.

--in the case where the enterprise recognizes the need for continuing investments, further financing of these investments will be possible through the enterprise's exclusive use of its own resources. In such a case, credit utilized for financing investments is subject to repayment from development fund resources in a time period agreeable to the bank with the proviso that it is possible to defer the repayment date until investments are transferred for utilization.

9. In accordance with the established credit policy, banks in 1982 will grant credit to new investments of enterprises relying on purchases of ready capital goods as well as to short-term small investments relying on building capital.

However, in the face of limited credit possibilities and the need for ensuring the continuity of granting credit to the most urgent continuing investments, banks will not, in principle, grant credits for new tasks involving building capital during the first quarter of 1982. As for the type of investment for purchasing ready capital goods, banks will grant credit in the first quarter of 1982 within the limits of 10 percent of the purchase value but no more than 5 million zlotys to a single enterprise in the course of a year. After this period, possibilities for future credits for new investments will be determined.

One of the important conditions for granting credits for new investments will be the enterprise's assurance of providing a share of its own monetary resources in financing investments and repayment of credit from its own development fund in a time period agreeable to the bank.

9866
CSO: 2600/293

## SOME INCREASES ANTICIPATED IN 1982 AGRICULTURAL MACHINERY SUPPLIES

Warsaw RZECZPOSPOLITA in Polish 22 Jan 82 p 4

[Text] This year's supplies of agricultural machinery will be 10 percent greater, in terms of value, than last year's according to 1981 prices. A great deal more of simple machinery and tools will reach the rural market than in previous years. However, supplies of more complex machinery will remain at the same level or will even decrease.

In the operational program, "Supplying agriculture and the food industry with machines and transport facilities," it is envisaged that agriculture will receive less tractors this year since only 51 thousand units, while last year it received 55 thousand units of them. This amount is made up of domestic supplies as well as those which are imported. The insufficient supply of new tractors should be partially compensated by this year's markedly larger supplies of storage batteries and tires. As it is, agriculture will receive 320 thousand units of storage batteries this year; i.e., approximately 50 percent more than last year; tire supplies will come to 1726 thousand [as published] units while last year, they amounted to only 600 thousand units. Therefore, the--until now--major cause of tractor standstills will become limited. This year's increased tire supplies will also make it possible to activate considerable numbers of wheeled trailers. Here is how the envisaged increase of certain machine deliveries is shaping up in comparison with 1981: sprayers--140 percent; electric steaming plants--140 percent; 1-row potato harvesters--147 percent; sheaf-binders--120 percent; horse-drawn mowers--286 percent; horse-drawn haymaker-raking machines--375 percent; tooth harrows--162-174 percent; tractor-drawn cultivators--300 percent; soil-tillers--328 percent; lime and fertilizer spreaders--370 percent; grain sowers--240 percent; 2-furrow, tractor-drawn plows--195 percent; 3-furrow, tractor-drawn plows--266 percent.

The growth indicators for simpler machine and tool supplies are, as can be seen, significant. This year's more plentiful offering, especially to the private, agricultural sector, was possible mainly due to a change in the production structure of the agricultural machinery industry as well as the, this time, real priorities in the supply of electrical energy and materials.

Supplies [deliveries] of replacement parts are increasing to a lesser degree than supplies of ready machinery. Including storage batteries and tires, supplies of replacement parts are increasing by only 2 percent. This will meet the demand only to a small degree because the reported demand of these parts has been much greater.

The demand for ready machinery will also not be fully satisfied despite a significant increase in supplies. It is estimated that this year's offering of the agricultural machinery industry will satisfy only 70 percent of the reported demand. Unfortunately, such are the actual possibilities of the economy at the present time.

With a smaller supply than demand in certain groups of machines, it was, quite naturally, necessary to maintain distribution. However, it should be pointed out that from the, until recently, large group of machines where regulation was implemented, this year, it remained in effect in regard to only 12 kinds of machines. Among others, the distribution of the following was maintained: tractors, trailers, lime and fertilizer spreaders, manure spreaders, clamshell loaders, 1-row potato and beet harvesters, elevator-diggers and potato planters.

This year, agricultural machinery was not centrally divided into specific sectors but only into provinces whereby this allocation takes into account the sector structure in a given province. However, the way in which this machinery will be divided among the sectors--that is something that the governor himself [of a province] decides as someone who understands the needs of his region better than the head office in Warsaw.

9853
CSO: 2600/338

## INDUSTRIAL PLANTS SUBJECT TO IMPORT RESTRICTIONS LISTED

Warsaw RZECZPOSPOLITA in Polish 15 Jan 82 p 6

[Text] As of 31 December 1981, import of industrial investment goods intended for certain enterprises is restricted. Permits issued for the importation of these goods will become invalid. The minister of foreign trade is responsible for the execution of this decree of the Council of Ministers.

A full list of industrial investments falling under the definition of this restriction follows:

1) Katowice Smelting Works;
2) Laziska Smelting Works in Laziska Gorne--furnace room 5 construction and works' modernization;
3) The Bierut Smelting Works--expansion of metal plate mill;
4) Baildon Smelting Works in Katowice--stamping plant complex construction;
5) M. Buczek Smelting Works in Sosnowiec--construction of metallurgical rollers' plant;
6) Drilling and mining machines factory--cast-steel foundry in Glinik Mariampolski;
7) Experimental-production coal gasification plant;
8) Electric power plant--Zatonie 2 x 360 MW;
9) Hydroelectric power plant--Mioty 2 x 250 MW;
10) Truck factory--Starachowice;
11) M. Nowotka Mechanical Plant;
12) POLMO Plant--Jelcz;
13) Bus factory--Sanok;
14) Automobile factory--Zeran;
15) Agricultural vehicles factory--Poznan Antoninek-Tarpan;
16) "Pafawag" Railroad Car Factory--Wroclaw: expansion of the plant for the production of guiding trucks for freight cars;
17) Polyester fiber plant--Pila;
18) Window glass works in Sandomierz;
19) Tops cotton spinning mill in Wroclaw;
20) Construction of the Central Coal Harbor in Tyche;
21) Construction of the ore transshipping base in the Northern Harbor;
22) Construction of the aluminium-oxide factory in Sitkowka-Nowiny;
23) Construction of the cement plant "Przyjazn II" in Wierzbica;
24) Ciechocinek water system.

9841
CSO: 2600/300

## LOW MEAT PROCUREMENT EXPECTED TO CONTINUE

### December Results, Fodder Problems

Warsaw RZECZPOSPOLITA in Polish 18 Jan 82 pp 1, 8

[Article by R. Miazek]

[Text] Recently, two pieces of information about the state of our economy have raised particular interest in our society. The first concerns the level of coal production, and the second is the procurement of livestock for slaughter. In mining, as a result of the strenuous labor of the miners, the new year has brought a significant increase in production. Thanks to this, we can hope for a revival of the Polish economy. News from the agricultural sector is not as optimistic.

December did not bring any fundamental changes in overcoming the most difficult problem--meat supply. The monthly plan for meat procurement, although set at a low enough level, was not achieved. Information supplied by the Ministry of Agriculture and the Food Economy showed meat procurement to be only 103,000 tons of meat (excluding poultry). In December 1980, procurement was over 190,000 tons, and even then there were severe shortages on the market. There was enough meat to cover rationing demands, thanks to meat purchases abroad, especially from the USSR.

In the face of bad prognoses for the procurement of animals for slaughter during the next few months, it was decided to reduce the meat allotments for office and temporary employees and to halt allotments for agricultural producers. This decision is severe for farm families who have small farms or take care of garden plots. This is why the question is universally posed as to how long will this low supply of animals for slaughter last?

When can one expect a revival of available farm animals after last year's good harvest?

The current level of procurement of animals for slaughter is a result of a decision made last year by farmers, when the fodder harvest was the worst in 20 years. It must be remembered that agricultural losses in 1980 were in areas of the highest production level, which are called the "country's granaries." It is now that we are feeling the results of those disasters, about which we have forgotten in the fervor of social events.

Taking into consideration the production cycle in agriculture, the initial effects of good fodder harvests in 1981 will be felt in the meat market not earlier than in the second quarter of this year. However, one cannot expect it to be an especially perceptible improvement. Restrictions imposed by some countries on grain deliveries to Poland will be very harmful to poultry production. Thus, we must count on our own animal production. It will be, however, a long-lasting process.

For over 1 year, a universal and public discussion has been taking place on price reform. It also is found in the agricultural market and favors setting aside the sale of agricultural products. The opening of special accounts in cooperative banks, upon which means for the procurement of agricultural products will depend on revaluation, should calm down the moods of producers. Incorporation into daily life of price reform and an improvement of supply in the rural market undoubtedly can contribute to the return of normal economic bonds and to a lively exchange between the city and the country, whose decisive link is the procurement of animals for slaughter.

## Prospects for 1982

Warsaw RZECZPOSPOLITA in Polish 19 Jan 82 p 4

[Text] According to estimates by the Ministry of Agriculture and the Food Economy, the procurement of animals for slaughter and poultry in the first quarter of 1982 should be somewhat above 400,000 tons, and thus almost 180,000 tons less than in the same period last year.

The largest decline--which is almost certain as a result of a shortage of imported corn (which appears in poultry procurement)--is around 39,000 tons, or about 42 percent as compared to the first quarter of last year.

As compared to 1981, individual farms have contracted for pig deliveries of 44 percent less in January and 29 percent less in February, and for over 20 percent fewer cattle. Also, collective farms have announced over 20 percent fewer meat deliveries for the first quarter.

If the situation in the procurement of pigs and cattle does not improve in the next few months and the agricultural ministry's projections come to pass, then the market will receive around 312,000 tons of meat and meat byproducts in the first quarter, or about 68,000 tons less than in the same period last year. Poultry deliveries are estimated at around 36,000 tons, or about 52,000 tons less than in the first 3 months of last year. The greatest decline in poultry deliveries will take place in February and March. If a fundamental improvement in procurement does not take place, then in January the market will receive around 130,000 tons of meat, and in February and March only 110,000 tons each.

A consequence of the low procurement of pigs for slaughter also will be lower deliveries of animal fats and bacon. With respect to the anticipated procurement, it will be possible to produce only around 21,000 tons of lard and bacon, of which the market will receive around 18,000 tons, with the balance going to industry; e.g., the pharmaceutical and food industries.

Also anticipated is a low grain procurement, which will have a negative influence on production and delivery of flour and farinaceous products.

9807
CSO: 2600/337

INCENTIVES OFFERED TO INCREASE AGRICULTURAL PRODUCTION, PROCUREMENT

Warsaw ZYCIE WARSZAWY in Polish 11 Dec 81 p 2

[Interview with the deputy minister of agriculture by Franciszek Bobula, PAP; date and place not given]

[Text] The so-called related-sale system, introduced at the end of October 1981, which was supposed to activate procurement of livestock for slaughter, did not meet expectations of either authorities or farmers.

Admittedly, in November 1981 deliveries of livestock for slaughter were somewhat higher than in October before the introduction of the related-sale system but in the first place they did not attain the planned amounts and, second, deliveries of the other agricultural products not only did not increase but decreased still more. Therefore, after seeking again the advice of agricultural producers and taking into consideration their demands and resolutions of the agreement between the Protest Committee of the Main Council of the CZKiOR [Central Union of Agricultural Circles and Organizations] and the Interministerial Commission of the Council of Ministers, a resolution was adopted concerning surcharges to monetary funds being obtained from the sale of agricultural products to the units of socialized economy.

Thereby, the previous resolution concerning related sale becomes invalid. One should assume that the present solution will contribute to the intensification not only of the procurement but also of the production of agricultural products, both livestock and vegetable.

The meaning of this resolution lies in the fact, as stated in a talk with the PAP reporter by the deputy minister of agriculture and food economy, Prof Dr Zdzislaw Grochowski, that the monetary funds obtained both by the private and socialized farms from the sale of agricultural products to socialized procurement organizations in the period from 1

November 1981 until the introduction of the new procurement prices, will be increased by surcharges matching the increase of procurement prices. These surcharges will be granted to [private] farmers or socialized farms, subject to accumulation of the funds obtained from the sale of agricultural products on the special bank accounts.

To be sure, farmers will be able to withdraw without restrictions the monetary funds owned on these accounts but the surcharges will be owed to them not from the entire sum obtained from the sale but from what remains on the bank account. Moreover, surcharges will not cover the so-called outward production (for example, that from poultry farms), as well as horticultural and fruit-growing production, which involve prices of day and place; that is, they are regulated by supply and demand. Detailed principles of the application of surcharges will be determined by the Ministry of Agriculture and Food Economy in concert with the interested ministries and trade unions of the private farmers. The funds accumulated by farmers on bank accounts, to which surcharges are applicable, will also bear interest in the amount applicable to savings deposits payable on demand.

[Question] What have been the premises of the adoption of this very solution?

[Answer] In the recent months the procurement of agricultural products was too low compared to the production level. A basic cause of this is the awareness of farmers that the introduction of the economic reform will entail the increase in prices of the industrial means for agricultural production and therefore also that of the procurement prices of agricultural products. Farmers, unlike other groups of the population, do not receive work monthly wages to cover their current expenses.

[Question] Should we then assume that the farmers are apprehensive that by selling their products now they might to a great degree lose the effects of their whole year's work after the increase in prices?

[Answer] Yes, farmers--for whom over 40 percent of monetary income obtained from the sale of agricultural products must be earmarked for the purchase of industrial means of production, so that in the next year their farms can function normally and increase production--are apprehensive, and rightly, that after the increase of prices they will be able to buy considerably fewer means of production for the monies obtained at present. This would bring limit production possibilities of farms in the next year. For this very reason they refrain from selling those products, which they can, for a prolonged period--that is, until the increase of prices--keep on their farms.

[Question] Can we already estimate the effects of this to date?

[Answer] Certainly, we can. The most vivid example is the procurement of grain. Of the planned procurement of consumer grain of 3.6 million tons from

this year's--we procured barely 1.3 billion tons. Despite the 5.5 million tons of grain imported this year, we are over 2 million tons short compared with our requirements. If we do not procure this grain, we will be short not only of feeds but also of flour for bread, for we cannot count on its still higher import because of the lack of funds.

The situation is similar with the procurement of livestock for slaughter, especially beef, whose sale farmers may considerably delay. After introduction of the related sale in November the procurement of livestock for slaughter somewhat increased but in a degree far from sufficient.

We expect that the present solution of using surcharges, guaranteeing the purchasing capacity of the monetary funds being obtained by farmers from the sale of agricultural products to the socialized economy units, will be an effective stimulant to intensify both the production and procurement of agricultural products. For that solution meets wholly demands voiced by the agricultural producers and their trade unions.

1015
CSO: 2600/249

## BRIEFS

FOREIGN TRADE ENTERPRISES--One of the meetings of the Ministry of Foreign Trade management with the directors of foreign trade and shipping enterprises took place at the ministry on 14 January. Current problems connected with the trade exchange were discussed. Particular attention was called to the necessity of smoothing difficulties in trade exchange with capitalist countries, particularly in fulfillment of imports necessary for Polish production. A major part of the meeting was devoted to discussions of principles of performance of foreign trade enterprises after the introduction of economic reforms and to the foreign trade apparatus cooperation with the industry by extensive utilization of economic tools. The necessity of the fastest possible foreign exchange write-off for enterprises producing for export has been emphasized. Problems resulting from difficulties in efficient operation have also been discussed. This concerns in particular contacts of foreign trade enterprises with local producers as well as with foreign partners. Ben Bde Jan Zielinski, commissioner of the National Defense Committee (KOK), took part in the conference. [Text] [Warsaw RZECZPOSPOLITA in Polish 15 Jan 82 p 1] 9841

LABOR COOPERATIVES--A conference of national and provincial Unions of Labor Cooperatives presidents took place at the office of the Central Union of Labor Cooperatives (CZSP) in Warsaw on 14 January. Wiktor Sielanko, CZSP president, presided at the meeting. Edward Kowalczyk, deputy prime minister, and Gen Bde Jan Sosnicki, plenipotentiary of the National Defense Committee (KOK), took part in the conference. The conference had a character of a business meeting. CZSP representatives introduced participants to the cooperative movement operation under martial law conditions and to the tasks for 1982. They also replied to numerous questions concerning problems in individual provinces. Deputy Prime Minister E. Kowalczyk explained to the participants the socioeconomic situation in the country and outlined the tasks of work cooperatives, their framework and forms of activity. Gen J. Sosnicki presented certain aspects of martial law. He thanked the members of cooperatives for carrying out economic tasks performed during 1981. [Text] [Warsaw RZECZPOSPOLITA in Polish 15 Jan 82 p 1] 9841

VEGETABLE OIL INDUSTRY--The growing demand for margarine, vegetable shortening, edible oils, as well as increased needs of the fish, confectionary and baking industries, resulted in maximum overloading of the vegetable oil-producing industry. Last year's deliveries were higher than those of 1980 by 24,000 tons. During this year the vegetable-oil industry will have a

difficult period because the insufficient purchase of rape has been further intensified by the lack of import credits. Several trade contracts have not been renewed. Equally alarming, farmers for this year have contracted only 350,000 hectares for rape cultivation, which will not satisfy this industry's demands. [Text] [Warsaw PZECZPOSPOLITA in Polish 15 Jan 82 p 8] 9841

CSO: 2600/300

## OFFICIAL DISCUSSES ENERGY STATUS, OUTLOOK, PLANS

Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 25 Jan 82 pp 19-21

[Interview with Djuro Podunavac, assistant chairman of the Federal Committee for Energy and Industry, by EKONOMSKA POLITIKA; date and place of interview not specified: "The Concept of Long-term Development"]

> [Text] On several occasions at the beginning of this year, the Federal Executive Council [FEC] discussed energy: the disagreements over oil imports have been overcome for the time being by an FEC decision, but temporary measures were adopted instead of a coordinated energy balance. The outline for the long-term development of the Yugoslav power industry until 2000, a document prepared jointly by the Federal Institute for Social Planning and the Federal Committee for Energy and Industry, caused the least disagreement, and even introduced a measure of optimism during the discussion in the FEC. We attempted to clarify what this outline contains and what the main weaknesses of the power industry are in a conversation with Djuro Podunavac, the assistant chairman of the Federal Committee for Energy and industry.

EKONOMSKA POLITIKA: Two significant things may be concluded from the name of the document on which you worked. First, this has to do with a unified Yugoslav view of the development of the power industry, and second, the long-term development has never been thought out before; usually energy development programs have been adopted along with the medium term 5 year plans. What is the purpose of this outline?

Djuro Pdunavac: The outline for the long-term energy development of Yugoslavia until 2000 was drawn up as a basis for reaching agreements among the republics and provinces. Since the agreements are not presented for public discussion, and all of the interested parties should take a position on the long-term development of energy, from associated labor, through the institutes, all the way up to the sociopolitical communities, this material will serve that purpose, because togehter with the report on a broader examination of the problem of energy development, it will be a basis for drawing up the agreements. The outline was accepted by the FEC and the Federal Committee for Energy and Industry as a solid basis for public discussion.

It is well known that the 5 year plans for energy development are too short. Some power engineering installations take 7 or 8 years to build, and this is even normal for the larger installations, whether they are nuclear power plants, coal mines, or hydroelectric power stations. It was necessary to view energy development on a more long-term basis, but we cannot let it go at this. I think that both the figures and the qualitative elements have to be looked at every year, or at least every 5 years without fail, because this concept was worked out without [taking into account] the long-term development of the economy, and energy is linked to the development of the economy and the standard of living.

EKONOMSKA POLITIKA: Did you use anything from the numerous studies and materials prepared in the last few years by the institutes and energy associations? Where do you expect the most criticism of the outline for long-term development?

Podunavac: We made use of all of the available documents, but the trouble is that changes in energy are so rapid that studies become obsolete very quickly. I will illustrate this with an example: an EEC representative told me at one time about a plan to build 200 thousand megawatts in new nuclear power plants; after a year the plan was revised to 120 thousand megawatts, and after 2 years to 80,000 megawatts. I don't know where they are now, but such changes are a worldwide characteristic. I believe that the most objectives will be to the figures, as has been shown by the discussion so far. We only indicated production, expenditure, imports and exports--thus the balance [of payments]--for 1985 and 2000. The question is why we did not do the same for 1990 and 1995. It is difficult to quantify this now, because in the outline we are predicting basic structural changes in energy and the introduction of several new technologies, specifically processing coal into gas, into liquid fuel, drying coal, briquetting, etc. As far as we know the new technologies will be commercially feasible by the end of the century, but it is difficult to plan whether they will come into use in Yugoslavia in 1988 or 1996.

EKONOMSKA POLITIKA: You only mentioned the processing of coal; surely there are other energy sources involved as well.

Podunavac: Certainly, there are oil shales, new types of energy about which a fair amount is already known, but to what extent they should be developed and how much of a role they will play in our energy balances is for the time being a question without an answer. This is likewise not only a Yugoslav, but also a world characteristic of energy development. Changes in figures are rapid and frequent. There are no great changes, however, in the orientations, policy, and directions of development--all countries have clarified their energy situation, and determined their own possibilities and what they have to go to the world market for. As experience shows us, the world market is very unfavorable becuase it is dominated by oil. Now coal is beginning to be included in significant quantities. Western Europe, let us say, has a 2 percent growth rate in coal production, and 4 percent in consumption, so that it is already importing large amounts of coal (it is not very much in percentages, but it is very significant in [absolute] quantities).

EKONOMSKA POLITIKA: In the last two medium-term plans we did not lack orientations either. Are the main orientations--domestic energy sources, the replacement of imported sources, more efficient use of energy--still in the long-term outline for energy--still in the long-term outline for energy development?

Podunavac: In my public appearances I have asserted several times that as a country we do have a long-term policy for energy development, although it has never been officially adopted anywhere as a document for development until the end of the century. We established this policy in the 1976-1980 plan and in the 1981-1985 plan. In the main orientations of this outline, we are actually maintaining the same positions as in these plans. We have even heard the objection that all of this is already well known, and that there is nothing new. We do not see any other course. We could, however, discuss our conduct in carrying out the policy adopted.

I must say that our outline consists of about 70 pages, of which half are a review of the situation in the world and an analysis of our development to date, especially in the last 5 years. The other part covers the possible directions of development, which kinds of energy we should develop. In the committee we have the official energy policies of dozens of countries, and they are all presented in three to ten pages of text, with a table and diagram showing the structure of energy consumption. We went farther for the public discussion, in order to obtain a concise text by reaching an agreement among the republics and provinces. The main orientation, furthermore, is reliance upon domestic energy resources--coal and hydroelectric potential; this does not mean that oil, gas, and other sources have been neglected. We have to reduce energy imports to [the level of] our essential needs, because we do not have the domestic sources to give them up entirely.

EKONOMSKA POLITIKA: It is well known that we are an energy-poor country, but industries that are heavy energy consumers have assumed a significant place in our economic plans. Are there at least any traces in the outline of a demand to change our development strategy?

Podunavac: We support a re-investigation of the development plans of those industries that consume a great deal of energy in manufacturing a unit of production, and require cheap energy; but more on this should be expected in the documents on the long-term development of the economy. Energy has become terribly expensive, and through our economic policy measures we are underestimating it, consuming it inefficiently, and pouring it into other products.

EKONOMSKA POLITIKA: It seems that the heart of the matter is in economic policy measures and the relationships established between the sociopolitical communities, and also between the various types of energy.

Podunavac: There is no doubt that we have followed the rest of the world in our basic orientations and our energy policy. We have not been consistent, however, in carrying out this policy. In the 1976-1980 plan, for example, we planned for more coal production and a reduction in oil consumption, namely in the part of the oil that we burn up in our boilers and stoves and that we can replace. When an analysis is performed now, it can be seen that during

that period we increased our oil consumption; since 1976 to 1978 the rate of the growth in oil consumption has been greater than in the period from 1970 to 1978. This was even with fuel oil and heating oil, in which the increase was much greater than in gasoline and diesel fuel, which we cannot replace. I think that by the force of inertia we have continued to increase our consumption as if nothing had happened, although it had been 5 years since the beginning of the "energy crisis." There are several reasons for this: it is easier to handle liquid fuels, it is simpler to build boilers for fuel oil, and we did not have any effect on investment decisions. It seems to me that we did not even realize the extent of the change; although oil increased in price from $16 to $96, many people believed that there would not be any more changes in prices. In view of inflation and the fact that in the following 5 years oil became $10 per ton more expensive, it seemed that oil was cheaper in 1978 than in 1973. A similar confidence existed elsewhere in the world, especially among the energy consumers. In 1979, however, the price of oil went up $70 per ton, and we had not even recovered from that when prices jumped another $80 per ton in 1980. Later another $50 per ton was added to that, so that a ton of oil costs us $270-280, togehter with freight costs.

EKONOMSKA POLITIKA: Reasons of inertia may also be discerned from the practice in which a consumer is neither interested nor forced to take energy expenses into account, since a greater outlay is immediately passed on to someone else by raising one's own prices.

Podunavac: Obviously. A difference should be noted: while individual consumers adapt very rapidly to new prices and conditions, in an organization of associated labor we do not behave in that way; we simply need energy, we pay the invoice, and we submit a request for price increases. Three years ago we consumed 2.6 million tons of gasoline, and last year 1.9 million tons. I think that this is one of the basic problems; it always seems to us that someone else is going to pay, and the consequences for the overall economy are pivotal.

We made a calculation: if we compare 60 billion kilowatt-hours of electrical energy from 1980, produced for the most part from domestic coal and water, with 15.17 million tons of derivatives (which is the equivalent in energy, since four kilowatt-hours can be obtained from a kilogram of oil), we receive the following relationships. Electrical energy, which is the final product, was sold to the final consumers for about 60 billion dinars. In 1972 prices the value of the oil was 9.36 billion dinars, but in prices at the end of 1980, 146.25 billion dinars. And oil is a raw material.

Because of the difference in prices it was necessary to pay, as an expenditure, 87 billion dinars more in just 1 year. What does this mean for the economy? This has nothing to do with domestic organizations, or the republics and provinces; oil is mostly imported. With all the difficulties, we are capable of organizing ourselves and paying an invoice for a foreign firm. When we want to change the energy structure, unfortunately, the process of reaching an agreement is endless. Matters are not simple, and instead of paying a foreigner it is necessary to invest in a mine, a thermoelectric station, and a replacement of expenditures. If we want to replace a million tons of oil, let us say, the value of which is about 11 billion dinars, we have to invest approximately 22 billion dinars. Thus, in 2 years we would have eliminated the expenditure for oil through our investment role.

We are thus able to give 87 billion dinars more 1 year, but we are unable to provide the same amount for mines in the course of 5 years, even though this will be returned in 2 or 3 years, will create new income, and will be creating new value for 20 years.

EKONOMSKA POLITIKA: But where do we find the funds, how do we begin this process?

Podunavac: In order to obtain the basis for a healthy start, not only for energy but also for the economy as a whole, we have to start investing somewhere. Look, we are buying oil for 11 dinars a kilogram, and selling it as fuel oil for 8 dinars a kilogram. If we convert it into diesel fuel and sell it to a farmer for a tractor or to a shipper for a truck or bus, we are paying 24 dinars a liter; if we dye the same fuel at an additional expense and sell it as household heating oil, we pay 14.30 dinars per liter. Someone is thus subsidizing this oil combustion. Furthermore, we can convert oil into more valuable products through petrochemistry and secondary refining, for which we have equipped our refineries. If in the next few years we reduce our fuel oil consumption by 3 million tons, and I think that this is the minimum, and converted them into more valuable derivatives, we would save 52 billion dinars each year. This is a source of funds for investments and boiler conversion. There is room in the prices of derivatives for this kind of intervention, but a policy has to be agreed upon and measures have to be adopted.

EKONOMSKA POLITIKA: According to the balances, how much oil do we "burn up" that could be replaced?

Podunavac: In 1980 47 percent of the oil was consumed as fuel oil and household heating oil. But this is not a question of importing less oil, but rather of making better use of it and increasing its value. By the savings in derivatives that we burn up we can ensure a normal growth of requirements for the other part of the irreplaceable derivatives.

EKONOMSKA POLITIKA: Have the changes in the last 2 years, when a reduction in consumption has been evident, been a result of this awareness?

Podunavac: We have not been organized well enough, not even in science, to offer real information to those who adopt economic policy measures. In clear calculations, with clear orientations, we should arrive at this course for the changes in energy structure, which in my view is the only one. As for the changes in consumption, the data show that since 1979 we have made astonishingly great changes, even more radical ones than the developed countries. They are, however, the result of impotence; we were not able to bear the leaps in oil prices, especially in our balance of payments, and so we initiated a price restriction so that no one would be left without energy, enterprises would not come to a stop, and there would not be any shortages. The changes, however, as with others, should be the result of a well thought out policy and the economic measures whose goals we agreed upon and adopted through our main orientations in energy development. In 1979 we consumed 17.4 million tons of derivatives, and last year about 15 million tons, which is 16 percent less. Others have not had such rapid changes. It should not be forgotten that we are still hungry for energy: Slovenia and Croatia consume about a thousand

kilograms of oil per inhabitant, which is close to the European average, but on the other hand Bosnia-Hercegovina consumes 440 kilograms, and Kosovo only 200 kilograms per inhabitant.

Consumption and Reserves

Yugoslavia has about 0.6 percent of the world population, about 0.4 percent of world energy consumption, and only about 0.1 percent of world energy reserves.

Yugoslavia has about 4.1 percent of the population of Europe (without the USSR), about 1.6 percent of its energy consumption, and about 3.4 percent of its energy reserves.

The Structure of Energy Reserves

Coal constitutes 86.6 percent of the total geologic reserves of energy raw materials in Yugoslavia; crude oil and natural gas is 8.4 percent, bitumenous shale 3.8 percent, and uranium ore 1.1 percent.

In the energy reserve balances (the degree to which individual types of energy have been researched differs), coal constitutes 95.4 percent, and crude oil and natural gas about 4 percent.

The Structure of Energy Consumption

| Year | Coal | Oil | Natural Gas | Hydroelectricity |
|---|---|---|---|---|
| 1965 | 65.1 | 18.7 | 1.7 | 14.5 |
| 1975 | 37.1 | 42.0 | 4.3 | 16.6 |
| 1980 | 33.6 | 42.6 | 7.5 | 16.3 |

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DATA ON MOTOR VEHICLE TRANSPORTATION

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[Article by Ivo Markovic: "The Operation and Economic Condition of Yugoslav Highway Transportation"]

[Text] The State of Transport Capacities and Needs

Work organizations in Yugoslavia within this group possessed the following motor pool, or transport capacities, at the beginning of 1979:

--11,112 buses with 478,988 seats

--31,613 motorized freight hauling vehicles with a capacity of 324,582 tons

--10,482 freight hauling, attachable vehicles with a capacity of 145,581 tons.

By now these capacities have increased by approximately 10 percent.

The description of motorized freight hauling vehicles in the following table, structured according to capacity, is given to achieve a more realistic picture of the problem of supply.

| Capacity | Number of Units |
|---|---|
| Below 1500 kg | 330 |
| 1500 to 3000 kg | 2,561 |
| 3000 to 5000 kg | 1,551 |
| 5000 to 7000 kg | 6,363 |
| 7000 to 10000 kg | 7,976 |
| over 10000 kg | 12,832 |
| | 31,613 |

Motorized freight hauling vehicles with a capacity of over ten tons are well represented in the motor pool of Public Bus Transport [PBT]. However, it should be emphasized that public highway transportation (PHT) has less transport capacity than that which is used for internal needs (inter-production) and for private transport needs, as can be seen in the following survey:

| Class Number | Activity | Freight Vehicles % | Attached Vehicles % |
|---|---|---|---|
| 1 | Public highway transportation (PHT) | 19.0% | 12% |
| 2 | Interproduction | 53.7% | 38% |
| 3 | Private transportation | 27.3% | 50% |
| | TOTAL | 100.0% | 100.0% |

PHT's motor pool has a utilization rate of 80.4 percent with buses and 76.7 percent with freight vehicles, while vehicles used in interproduction are used at rates ranging from 36 percent to 38 percent. The advantage of PHT here is apparent. Motor vehicles used in PBT have a relatively short period of service, approximately 5 years. At this time they should be replaced in order to maintain the fleet at a safe and profitable level of operation.

Based on available information concerning fleet vehicles in use, PBT labor organizations need to procure the following number of vehicles every year for replacement purposes: 2,200 buses, 6,300 freight hauling vehicles of which approximately 4,200 must have over ten tons capacity, and 1,000 attachable vehicles.

PBT gets more than 90 percent of its buses in the domestic market. Smaller freight vehicles of up to ten tons and attachable vehicles are purchased from domestic producers, although the labor organizations are often not satisfied with the time of delivery, the selection, the quality, and other aspects of purchase from this source.

The motor pool has not been renewed on a regular basis by PBT labor organizations, especially during the last few years. The result, using data based on a questionnaire given to organizations in the Socialist Republics of Croatia, Serbia, Slovenia, and Bosnia and Hercegovina, is the following distribution of vehicles according to age:

| Age in Years | Percentage | Age in Years | Percentage |
|---|---|---|---|
| 1 | 16.1% | 6 | 6.6% |
| 2 | 14.8% | 7 | 7.6% |
| 3 | 15.1% | 8 | 7.1% |
| 4 | 12.1% | 9 | 4.5% |
| 5 | 9.9% | over 10 | 7.1% |
| | | | 100.0% |

The problems involved with the supply of commercial vehicles, especially with those over 10 tons, are very complex. The domestic motor vehicle industry cannot completely satisfy the needs of the PBT with regard to quality, selection, and quantity.

Due to the balance of payments situation in Yugoslavia, foreign currency reserves in the Socialist Republics and Autonomous Provinces are limited, and merchandise shipments at the national level are insufficient in order to bring in the required number of vehicles for the replacement of those in the motor pool which are already worn out, unless special efforts are made.

The Communities of Associated Labor expect that organizations which have vehicles for internal needs will have to be organized into basic organizations of associated labor. This process has been accelerated by the energy crisis and by additional measures that followed in its wake during 1978-1980; at this time a number of organizations registered for public transportation.

This process obligates the PBT to fulfill the transport needs of the economy in an effective manner.

In accordance with Resolutions of the Federal Executive Council on the problem of classification, unification, and standardization, a highway transport group took a comprehensive inventory of the state of the motor pool through republic commercial associations and highway transport communities in 1978 and 1979. Based on the predominant quantities, qualities, and needs, and intended for the future reference of Organizations of Associated Labor with regard to imports from markets using convertible currencies and from eastern markets, the following classification schedule was adopted:

| | Phase One | Phase Two |
|---|---|---|
| Vehicles imported from the western market | Mercedes, Fiat Magirus, Scania Volvo | Mercedes, Fiat Magirus |
| Vehicles imported from the eastern market | Raba-Man, Skoda Kamaz | Raba-Man, Skoda Kamaz |

This program reduces the diversity of the motor pool from approximately 25 makes to only three from the western market and three from the eastern market.

2. Transportation--It's Growth, Efficiency, and Some Comparisons in Yugoslavia

Total transport activity in Yugoslavia, as measured by the volume of transportation services, grew by 950 percent from 1948 to 1980. The transport industry is still young, because it barely existed right after the war. It really came into its own after 1960, and grew by approximately 24 times in the last 20 years. In 1978, 915.3 million passengers were carried by public transportation, which amounted to 28.4 billion passenger-kilometers; 113 million tons of goods were carried, which amounted to 14.2 billion ton-kilometers. Approximately 120 thousand workers are employed in the public transportation industry in Yugoslavia.

The dynamic development of highway transportation has been closely linked with the development and modernization of the highway system, the development of the

motor vehicle industry, and the growth of the need for transport services; all of these elements were the result of rapid economic development, increased international trade, and an increased standard of living.

Highway transportation has developed rapidly because of its adaptability, the nature of its services (door-to-door delivery, speed), and the relatively small investment which is needed to purchase equipment.

The fact that railroads and river transport have experienced rather modest growth has also given a boost to highway transportation.

The great majority of passengers are carried on public highways. Highway transportation carries 88.6 percent of all passengers, and as measured by passenger per kilometer, it accounts for 65 percent of total transport. This statistic is evidence that passengers travel short distances by highway, in accordance with the Social Compact concerning transportation policy in Yugoslavia.

The average distance a passenger was carried in 1978 was,

| | |
|---|---|
| by railroad | 96 km |
| by highway | 31 km |
| by sea | 31 km |
| by river | 160 km |
| by air | 956 km |

Highway transportation played a significant role in the transport of goods in 1978. As measured by tonnage of goods carried in 1978, highway transport accounted for 58 percent, railroads 26.2 percent and sea transport 7.2 percent. These proportions change when activity is measured by ton-kilometer: sea transport accounted for 79.7 percent using this measure, railroads 10.2 percent, and highways 7.4 percent. Sea transport obviously carries goods for the longest distances.

The average distance goods were carried in 1978 was,

| | |
|---|---|
| By rail transport | 289 km |
| By highway transport | 94 km |
| By sea transport | 8,225 km |
| By river transport | 223 km |
| By air transport | 1,814 km |

If sea, river, and air transport are excluded from consideration, and railway and highway transportation are compared, then the ratios based on data for 1978 are:

Relation Between Railway and Public Highway Transportation in the Volume of Passengers Transported in the Socialist Rederal Republic of Yugoslavia for 1978

| | Passengers Carried in '000s | % | Passenger-km in '000s | % |
|---|---|---|---|---|
| TOTAL | 1,048,219 | 100 | 39,185 | 100 |
| Railroads | 112,780 | 10.8 | 10,445 | 26.7 |
| Highways | 935.439 | 89.2 | 28,740 | 73.3 |

Source: Saobracaj i veze (Transportation and Communications) 1978, Belgrade, Federal Bureau of Statistics, 1979

Relation Between Railway nad Public Highway Transportation in the Volume of Goods Carried in the Socialist Federal Republic of Yugoslavia for 1978

| | Goods Carried in '000s of tons | % | Ton-km in '000s | % |
|---|---|---|---|---|
| TOTAL | 259,672 | 100 | 40,251 | 100 |
| Railroads | 80,763 | 31.1 | 23,378 | 58.1 |
| Highways | 178,909 | 68.9 | 16,873 | 41.9 |

Source: Saobracaj i veze (Transportation and Communications) 1978, Belgrade, Federal Bureau of Statistics, 1979

From the information presented, it is apparent that, as measured by the volume of service performed in transporting passengers and goods, highway transportation is the dominant form of land transport in Yugoslavia. This is especially true with regard to passengers as 89.2 percent of this traffic is carried by highway: moreover, highway transport accounts for 73.3 percent of passenger-kilometers. In the transportation of goods, it accounts for 68.9 percent of the amount carried and 41.9 percent of ton-kilometers.

What was emphasized above about the transport of passengers can also be said about the transport of goods- highway transport is essentially responsible for carrying goods for shorter distances (the average distance per ton in 1978 was 94 km).

Goods transported by highway are carried for distances less than 500 km 96.7 percent of the time, and 3.3 percent of the time over 500 km, when measured by weight alone. When measured by ton-kilometers, 72 percent of road transport is for distances less than 500 km and 28 percent for those over 500 km. What is true for Yugoslavia is also true for the Socialist Republic of Croatia, with minor differences.

The Amount of Railroad and Highway Transportation in Total Transportation by Republics in 1979

| Socialist Republic | Passengers Carried by % | | Goods Carried in Tonnage by % | |
|---|---|---|---|---|
| | Railroad | Highway | Railroad | Highway |
| 1 | 2 | 3 | 4 | 5 |
| Bosnia and Herceg. | 7.3 | 92.7 | 47.5 | 52.2 |
| Crna Gora | 10.1 | 88.8 | 44.6 | 35.0 |
| Croatia | 17.4 | 75.2 | 34.1 | 37.5 |
| Macedonia | 10.5 | 89.5 | 25.7 | 74.3 |
| Slovenia | 6.8 | 89.9 | 46.0 | 48.7 |
| Serbia | 8.0 | 91.5 | 32.7 | 50.6 |
| Yugoslavia | 9.7 | 88.6 | 34.4 | 58.5 |

The table shows that public highway transportation in Yugoslavia was responsible for 88.6 percent of passenger travel and 58.6 percent of goods carried by tonnage in 1979. In some republics, public highway transportation carried an even greater percentage than the Yugoslav average. Thus, public highway transportation in the Socialist Republic of Croatia in 1979 transported 75.2 percent of all passengers, but this was 13.4 percent less than the Yugoslav average. In the same year in the Socialist Republic of Bosnia and Hercegovina, the percentage transported by public highway transportation was 92.7, or 4.1 percent more than the average.

The relationships in the transport of goods are a little more favorable. Highway transportation carried more than did railroad transportation, but according to the republic the relation was different, and nowhere was it less than the average railroad percentage for the whole country. After the appearance of the energy crisis, the relationships in transportation changed in favor of the of the railroads.

4. Container Transportation in Yugoslavia

The transportation of goods by container transport is becoming more and more popular and its future prospects are good; in the table below, total container transportation according to manner of transport is given for Yugoslavia, including that for public highway transportation:

| Year | Yugoslav Railroad | | Highway | | Sea-Going | |
|---|---|---|---|---|---|---|
| | Container units | Lancani Index | Container units | Lancani Index | Container units | Lancani Index |
| 1973 | 11,655 | - | 2,352 | - | 3,583 | - |
| 1974 | 21,582 | 185.2 | 3,920 | 166.6 | 7,808 | 217.0 |
| 1975 | 22,211 | 202.9 | 4,591 | 119.7 | 10,828 | 138.7 |
| 1976 | 21,363 | 96.2 | 2,956 | 63.0 | 7,442 | 68.7 |
| 1977 | 17,824 | 83.4 | 6,532 | 220.9 | 12,010 | 161.4 |
| 1978 | 17,953 | 100.7 | 10,126 | 155.0 | 54,003 | 449.6 |
| 1979 | 16,793 | 93.5 | 27,130 | 267.9 | 145,741 | 269.9 |

Source: Federal Bureau of Statistics, Saobracaj i veze (Transportation and Communications) for 1975 and 1976, p 36, 1978, p 36, and 1979, p 36

The data given above show that highway transportation of containers grew by 43 percent between 1973 and 1974. The trend slowed somewhat between 1974 and 1975 with a 19.7 percent increase. The 1975-76 period saw a decrease in container transport in all areas, but mostly in the highway sector, which experienced a 37 percent decline. The world-wide economic recession was responsible for the results for these two years. Highway transportation suffered the most, while ship transport was less effected, and railway transport was effected very little. However, after 1978, container transport resumed its growth. Highway transport of containers increased 167.9 percent between 1978 and 1979.

Transportation of Containerized Goods
In Yugoslavia (in '000s tons)

| Year | TOTAL | By rail | Highway | Sea | Lacani Index |
|---|---|---|---|---|---|
| 1977 | 637 | 185 | 152 | 300 | - |
| 1978 | 790 | 146 | 287 | 357 | 119 |
| 1979 | 1,546 | 140 | 776 | 630 | 195 |
| 1980 | 1,980 | 300 | 930 | 750 | 128 |

According to the data given, containerized transport of goods in all areas increased by 19 percent between 1977 and 1978, by more than 95 percent between 1978 and 1979, and by approximately 28 percent between 1979 and 1980. The greatest increase was achieved by the highway transport of containerized goods, as measured by the tonnage of goods carried.

5. The Economic Condition of Public Highway Transportation in Yugoslavia

In spite of all difficulties, this area of transportation brought in revenues totaling 51.1 billion dinars in 1979 for all of Yugoslavia, an increase of 43 percent over the previous year. Net income was 20.3 billion dinars, an increase of 38 percent over the year before. This amount is important for the

whole society, but especially for improving the business environment and way of life of transport organizations. Despite the struggles and difficulties, highway transport businesses achieved results which compare well with the average business in Yugoslavia. This means that a desirable rate of growth was maintained in spite of various problems. These claims are substantiated in the following table:

Business Indicators for 1979

| | Category | 1978 | 1979 | Index |
|---|---|---|---|---|
| 1 | Revenue brought in by each worker | 140,399 | 175,084 | 125 |
| 2 | Accumulation in proportion to net income | 5.6 | 7.9 | - |
| 3 | Accumulation in proportion to average utilization of business assets | 2.8 | 4.0 | - |
| 4 | Production capacity rate | 20.5 | 20.4 | - |
| 5 | Average net personal income per month per worker | 5,063 | 6,309 | 108 |

Evaluating the basic categories of business indicators of Yugoslav public highway transportation, both revenues and worker's average personal income are satisfactory, as they roughly correspond to the results and values achieved in the economy as a whole.

In addition to these indicators and results, there are the following: labor productivity grew by 2.5 percent, business savings fell by 2 percent, business profitability remained at the previous year's level.

The large increase in material expenses is the result of increased fuel prices, as well as higher prices for other products and services used by public highway transport. Increased business expenses are not only the result of higher prices, but also the result of using a large number of vehicles which are in need of replacement. The inadequate supply of vehicles in the market, especially those capable of carrying large tonnage loads, necessitates the use of older vehicles which require a large investment in current and preventive maintenance.

Public highway transportation in the future is going to encounter a number of real problems which will hinder and retard its financial results. Among the most important is the fact that the increased price for transport services in 1979 did not completely cover increased costs of products and services incurred by public carriers in the use of their vehicles. Because of this, expenditures

grew faster than revenues, and this disturbed relations in primary distribution.

After considering the existing situation with regard to public highway transport, one can say that it will probably maintain its market share, but this will require increasing effort, especially because of the significant increase in the cost of fuel.

Today's conditions require much careful and skillful organization, association, and attempts at finding new ways to pool labor and resources. Improvements can best be made in the more efficient utilization of what's available and in reducing unprofitable runs and consumption as much as possible.

Problems of the Current Role of Domestic Highway Carriers in the International Transport of Goods

1) Transport of Goods

In spite of both the energy crisis and a stagnating economy, the role of motor transport in the international exchange of goods continues its healthy growth. The increased volume of rail and highway transport in the import and export of goods from 1970 to 1980 is illustrated by the following data for a number of European countries (based on the Annual Bulletin of Transportation Statistics for Europe for 1979).

| Country | Growth Index | |
|---|---|---|
| | Railroad | Highway Transport |
| Austria | 104.6 | 213.7 |
| France | 96.7 | 185.0 |
| Socialist Republic of Germany | 111.5 | 249.0 |
| Hungary | 127.4 | 397.4 |
| Italy | 93.1 | 164.9 |
| Yugoslavia | 161.2 | 166.9 |

The reasons for the significant increase in the role of highway transportation in international trade are twofold: the basic technological and operational characteristics of this form of transport, and the fact that, along with sea transport, it is the basic means of transport to countries in the Near and Middle East.

The main reason that transport by international highway from Europe to the developing countries, especially to the Near and Middle East, has developed so fast is that these countries have undeveloped railroad connections, crowded port terminals, and in general are poorly equipped to handle transportation duties because of lack of equipment, inadequate unloading facilities, and lack of trained personnel. Another reason for the growth of highway transportation is that it is easily combined with other forms of carriage.

2. The Role in the Country's Balance of Payments Situation

Motor transport has an advantage in international trade because the country of the shipper is guaranteed revenue throughout the entire process of carriage, from receipt of the goods to the transportation and delivery to the recipient. This is one reason some countries use to justify developing their freight hauling motor pool to a level well above that necessary for their own international trade dealings (Holland, Bulgaria, Austria, and more recently, Hungary, have all done this).

Yugoslav auto-transport realized a gross foreign currency income of approximately $135 million in 1980. The net foreign currency amount was approximately $75 million. These results are even more significant considering that the motor fleet is not particularly large, it is rather old, spare parts are in short supply, and that many other difficulties also exist.

3. The Capacity of Our International Highway Transport Facility

Approximately 11 percent of our vehicles are used in international transport, accounting for 13 percent to 14 percent of total weight capacity. The fleet consists of 1,500 trucks, about the same number of tractors, and about 2,000 trailers and semitrailers. Only about 120 refrigerator trucks can be used for international transport.

This fleet is quite small and inappropriate in comparison to ones possessed by some other European countries which are even smaller than Yugoslavia. For example, the specialized Bulgarian enterprise for international transport, SO MAT, has approximately 6,000 modern tractor vehicles, and about 9,000 semitrailers, of which 3,000 are refrigerated. The Hungarian enterprise Hungarokamion, has about 1,100 refrigerated trucks, etc.

Economic and social justification for renewing the motor fleet of our country is provided by the following practical example. In order to export 10,000 tons of meat to the Middle East, the services of a shipper must be engaged because our fleet of motorized, refrigerated vehicles cannot guarantee the continuous transport of this amount. The number of transports which would be required to carry out the task both ways is 600. The price of the transport for each ton of goods is about $450, or, for each vehicle with a 16.5 ton capacity, $7,425, and for all 600 transports, $4,455,000 (133 million dinars). The price for one refrigerator truck is about 3 million dinars, which means that 44 refrigerator trucks could be bought for the freight charges paid to the shipper. This fleet of trucks could realize a gross foreign currency income of 220 million dinars a year, or a net income of 110 million dinars, an amount which could purchase 36 new vehicles.

4. Transport of Passengers

The transport of passengers in the territory of Yugoslavia is performed by Yugoslav and foreign carriers using autobus lines and van transport.

The transport of passengers is regulated, as is the transport of goods, by corresponding agreements between Yugoslavia and almost all European countries, while carriers outside of the contract countries carry out transportation services on the basis of the Law Concerning Transportation in International Highway Transport.

Among Yugoslavia and other countries, 168 lines are maintained, of which 135 are year-round, and 33 operate on a seasonal basis. Yugoslav carriers operate 80 full-time and 8 seasonal lines, while foreign carriers operate 55 full-time and 25 seasonal lines. Yugoslav carriers have 22,300 departures a year (one-way) and foreign carriers 13,700.

Although one might conclude from the above that Yugoslav carriers are in a favorable position, this is not necessarily so. The situation changes when one takes into consideration the distance traveled by the carriers of one country into the territory of the other. By this measure, things are equalized, because Yugoslav carriers do not travel as far in foreign countries as foreign carriers do in Yugoslavia.

International bus lines which operate between Yugoslavia and other countries are of various lengths and range from two or three kilometers (in border zones) to routes with distances of over 1000 kilometers (between Yugoslavia and Turkey, France, and the Socialist Republic of Germany).

5. Transit Lines of Foreign Carriers Through Yugoslavia

Recently, the increased interest of foreign carriers in establishing transit bus lines through Yugoslavia has been of note. These lines are primarily being established to satisfy the need of carrying citizens from countries in southeastern Europe (Greece and Turkey) to and from temporary employment in Western Europe. Nine of these lines are in operation now, although there are indications that this number is greater and that some lines are operating without our official approval. These lines travel between the Yugoslav-Italian and Austrian borders, and the Yugoslav-Greek and Bulgarian borders, running in parallel with the railroad line which connects Ljubljana (or Maribor) with Zagreb, Belgrade, and Nis (or Skopja).

The status of these transit lines, as well as their approval, is regulated by agreements involved with highway transportation; several of the agreements provide extremely liberal treatment of the lines if another form of transportation (usually railroad) also provides service along the same route.

Our country does not have any real interest in encouraging the establishment of these lines, except for the common goal of using public transportation to a greater extent to save fuel, and to reduce the number of vehicles on overburdened travel routes.

Limiting opportunities for establishing transit lines would, however, provoke certain political difficulties because of violation of the principle of free transit.

International van transportation is mostly used to carry tourists, as well as our citizens who are temporarily residing abroad. The number of tourists carried is unknown because these statistics are not kept separately, but it is certainly a significant number. Virtually all of the transport of foreign tourists in our country is carried out by foreign carriers with their own buses.

6. The Compansation Regime

Most bilateral agreements, concluded to remain in effect for 60 years, provide for mutual freedom from compensation for traveling purposes. Based on platforms adopted by the Federal Executive Council, resolutions passed by mixed commissions, or other regulations facilitated by agreement, an exchange of compensation regimes with regard to transit transportation has taken place, without formal agreement, with the following countries: Austria, Belgium, Bulgaria, Denmark, France, Greece, Holland, Italy, Norway, Poland, Rumania, Switzerland, Sweden, and the United Kingdom. Vehicles carrying goods which are registered in these countries, as well as in Finland, pay compensation in transit through Yugoslavia.

Expanding the compensation regime to practically all transit activities and to a significant number of bilateral transport activities performed by foreign vehicles in our country led to a large increase in the total amount of compensations collected. These amounts for the last 7 years are listed below (in thousands of new dinars):

| | | |
|---|---|---|
| 1974 | 72,768 | (index:100) |
| 1975 | 131,698 | (index:181) |
| 1976 | 262,080 | (index:360) |
| 1977 | 338,279 | (index:465) |
| 1978 | 446,783 | (index:614) |
| 1979 | 502,553 | (index:691) |
| 1980 | 470,482 | (index:847) |

Compensations collected for the first three months of 1981 came to 124.92 million new dinars, compared to 91.25 million for the same period last year (index:137).

Based on the new international highway transportation law prepared 10 May 1981, a new compensation structure for road use in Yugoslavia is now in use. This new structure changes both the basis of compensation (gross ton-km instead of net ton-km) and the level of compensation. Using the new structure will result in approximately one billion new dinars a year more revenue, based on the same amount of international highway traffic as in 1980.

Permits and Transportation Performed

The total number of permits issued to foreign carriers and the number of entries of foreign freight hauling vehicles for the last 4 years are presented in the table below:

| Year | Number of Permits | Total Number of Entries | Entries in Transit |
|---|---|---|---|
| 1976 | 188,602 | 370,000 | 299,000 |
| 1977 | 206,565 | 346,000 | 280,000 |
| 1978 | 207,751 | 327,000 | 271,000 |
| 1979 | 211,686 | 294,000 | 237,000 |
| 1980 | 232,069 | 292,000 | 238,000 |

According to this, the number of entries is on the decline.

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CSO: 2800/198

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JPRS 80375

22 March 1982

# East Europe Report

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2247

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22 March 1982

# EAST EUROPE REPORT

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## EAST-WEST TRADE'S CONTINUING STAGNATION PHASE ANALYZED

West Berlin DIW-WOCHENBERICHT in German Vol 48 No 46, 12 Nov 81 pp 535-541

/Article by Heinrich Machowski, German Institute for Economic Research, West Berlin: "East-West Trade in Continuing Stagnation Phase." A translation of a relevant analysis by writers of the East Berlin Institute for International Politics and Economics (IPW) is published under the heading, "Prospects for East-West Economic Relations in 1980's Analyzed," in JPRS 80032, 4 Feb 82, No 2228 of this series, pp 1-14/

/Text/ The real exchange of goods between the European member countries of CEMA[1] and the OECD countries--East-West trade-stagnated in 1980. In nominal terms East European exports to the OECD region rose by more than 21 percent, imports by just under 12 percent. These growth rates, however, conceal hefty price increases: The average values of East European exports--estimated[2]--were about 20 percent, of CEMA imports about 14 percent above the level of the preceding year. This represents a renewed almost 5 percent improvement in the exchange ratio in favor of the CEMA countries. Their exports to the West rose only slightly in real terms (+ 1 percent), while imports somewhat declined in real terms (- 2 percent).

Within this overall result, though, remarkable national differences are to be noted. Last year the USSR managed again to raise its percentage share in East-West trade to a total of 50 percent (1970: 36 percent; 1975: 43.5 percent). Its exports and imports in trade with the West increased by 3 percent each in real terms (export prices: + 23 percent; import prices: + 15 percent; terms of trade: + 7 percent). The trade of the six smaller CEMA countries recorded a far less satisfactory development. Their exports to the West stagnated in real terms, while the corresponding imports declined by more than 8 percent in real terms, largely due to the 12 percent decline in Polish imports. These different trends are particularly evident when we consult the OECD data[3] for our quarterly analyses: The smaller CEMA countries achieved their best results in Western trade in the fourth quarter of 1979; ever since the trend has been toward a definite decline. By contrast the quarterly values of Soviet trade with the West rose in 1980 also, and no change in the trend has so far been noted.

### Asymmetrical Trade Links

A third of total 1980 Soviet exports went to the Western industrial countries. In the course of the last 10 years this share, primarily related to prices, rose almost steadily from a base of 19 percent. As regards the USSR's total imports, last year 35 percent originated in the OECD region. Though this rate is 10 percent

higher than in 1970, it has stopped rising in the past 5 years. At the beginning of the 1970's the OECD region accounted for 25 percent of the exports of the smaller CEMA countries; as regards imports it accounted for 27 percent in 1970 and 34 percent in 1975; since then there has been a steady decline (1980: 28.5 percent).

The Cema countries trade involvement with the West has always been much greater than the OECD countries involvement with the East. The East European share in the foreign trade of the Western group of countries never achieved more than 3-5 percent. Admittedly there are pronounced differences between the various countries. Among the seven member countries of the so-called Western world economic summit, the FRG recorded $201 per capita exports to the CEMA region in 1980, the United States only $18. Even greater is the difference between the two national economies with regard to imports from CEMA (Ratio $188 to $6). Differences are also considerable between the FRG and France, the Western country with the second greatest Eastern trade links (per capita French exports to the East: $87, imports: $97). In this connection the FRG holds a special status from another aspect also. Its most important trading partners in Eastern Europe are the smaller CEMA countries, not the USSR.

Against the background of the differences in the links it is understandable that we find serious conflicts of interest among the OECD countries with respect to the appraisal of the economic (and political) significance of East-West trade. The most important prerequisite for an at least basically coordinated Western trade policy toward the East must be the readiness of all those involved to largely take into account these differing interests. However, the economic summit in Ottawa clearly showed that the West is still far from such an attitude. Within the framework of the preparations for the summit meeting of Western industrial countries on 20 and 21 July 1981 attempts were made to achieve agreement on the handling of East-West economic relations. Unfortunately no such agreed standpoint was produced in Ottawa. The statement put out by the heads of state and government merely says: "We arrived at the conclusion that consultations and, if necessary, coordination are required to ensure that our economic policy with regard to East-West relations continues to be compatible with our political goals and our defense... We have agreed to consult with one another so as to improve the present system for controlling trade with the USSR in the sphere of strategic goods and relevant technologies."[4]

Complementary Goods Structure

At this point we have only Soviet data on the composition of the 1980 goods trade between East and West. According to these data the structure and development of USSR exports to the West have featured mainly deliveries of hydrocarbons (oil, oil products, natural gas). Export revenues derived from this class of goods rose by a third to 11.3 billion TRbl's /transferable rubles/[5] (equaling $17.4 billion). Their share in total Soviet exports to the West thus achieved almost 70 percent (1979: 66 percent).[6] Oil continued in 1980 to hold the strongest position within Soviet energy exports to the West. Revenues amounted to 9.4 billion TRbl's (+ 26 percent). Once again the USSR profited from OPEC price policies to obtain windfall profits. The volume sold in the West declined by 4 million tons to 55 million tons (- 7 percent), the revenue (average value) per ton, on the other hand, rose by 35 percent. However, the share of oil in Soviet exports to the West stopped rising by comparison with the previous year (58 percent). Natural gas was responsible for

the expansion of energy exports (1979 export share: 7.5 percent; 1980: 11.5 percent). Revenues here amounted to almost 2 billion TRbl's and have thus nearly doubled. This result is primarily due to price increases (+ 70 percent) but also to a rise in volume (+ 13 percent). The structural change in Soviet energy exports will continue in this direction.

Soviet exports to the West of machines, vehicles and equipment declined by 13 percent in 1980; their share in total exports to the West amounted to only 2 percent (1979: 3 percent)--an indication of the chronic export weakness of USSR processing industries.

Among USSR imports, machines, vehicles and equipment continued to be the most important group of goods at 4.7 billion TRbl's (+ 3 percent), although their share had declined by 4 percent to 30 percent by comparison with 1979. A special American study discloses[7] that Soviet machine purchases in the West concentrated in the 1970's as before on goods of traditional technologies. In the period from 1970-1979 the share of high technology products[8] in finished goods exports from the Western industrial countries to the USSR never even managed to achieve 20 percent--a result which is analogous to that of East-West trade as a whole.

In 1980 the USSR purchased from the OECD countries (mainly the United States, Canada and Australia) grain to the value of more than 2 billion TRbl's (+ 3 percent). The effect of the partial American embargo on grain is noticeable both with regard to import prices for grain and the supplier country structure of Soviet imports. In 1980 the price (average value) per ton imported rose by 30 percent. American deliveries to the USSR declined from 18.5 million tons to 7.5 million tons; the volume purchased from the other OECD countries rose by 6 million tons (compared with 1979) to 10 million tons. The OECD share in Soviet grain imports declined in terms of value from almost 90 percent in 1979 to roughly two thirds in 1980.[8] This development in the country structure will reverse in future, because the embargo imposed by President Carter in January 1980 by reason of the Soviet invasion of Afghanistan was lifted in April 1981 by President Reagon for domestic reasons.

Reduced Trade Deficit

Last year the deficit in the East European balance of trade with the industrialized West was reduced by half, to $3 billion. The USSR (+ $0.5 billion) and Romania[10] (+ $0.1 billion)--though admittedly the data are not quite conclusive--were even able to earn an export surplus; Bulgaria's trade was in balance.

For the 1976-1980 Five-Year Plan period the accumulated deficit ($38 billion) was greater for all countries--with the exception of Bulgaria and Romania--than in the 5 preceding years ($23.5 billion). Measured by the cover ratio of exports to imports, though, Eastern Europe's situation in trade with the West has clearly improved: In 1976-1980 81 percent of imports were financed by export earnings; in the previous five-year plan period this rate was about 75 percent. According to ECE data[11] from Geneva, the accumulated adverse balance of East European service transactions in 1976-1980 amounted to more than $14 billion (balance of returns on capital: - $17 billion)--due to the constantly rising interest payments; balance of tourist trade: + $2.5 billion). The CEMA countries surplus from the transfer balance amounted to more than $5 billion, so that the current account of the CEMA (7)

economies with the OECD region concluded with an accumulated deficit of $47.5 billion (estimate).

The CEMA countries do not, on principle, publish their balances of payment (the exceptions are Hungary and Poland). It is therefore not known how these current account deficits were financed. It is more than likely, though, that the CEMA countries borrowing on Western financial markets was crucial. According to Western estimates the CEMA countries net debts (liabilities minus claims) in convertible currencies rose in 1980 by $5.5 billion-$6 billion (1979: $6 billion to $6.5 billion); three quarters of these new debts were accounted for by Romania and Poland. The East European debt mountain (net) ex panded to $70.5 billion-$75 billion (end of 1980); compared with 1975 this represents an increase ranging from $42 billion to $46.5 billion.

Available Western estimates on East European debts vary considerably, depending on the countries reporting. USSR debts, for example, are recorded as $7.5 billion in some instances, as $12 billion in others. For that reason it is impossible to carry out an analysis by individual countries. Due to the necessary restructuring of the Polish debt due to be repaid and current Romanian payment difficulties, East-West financial relations are at present in a tense and particularly fluid phase. In such a situation it is particularly important as soberly as possible to discuss the dominant problems. At this point in time such a discussion--and that is one of the lessons learned from the Polish crisis--must be carried on separately for each individual CEMA country, and this is not possible without adequate and detailed data.[12]

Outlook

According to available East European data[13] the CEMA countries exports to the West have risen by 1 percent in the first half of this year (Poland: - 28 percent, USSR: + 7.5 percent). In the same period CEMA imports from the West rose by 13 percent (Poland: - 21 percent; USSR: + 27 percent). Deducting the price increases, particularly high in the second half of 1980, imports have probably stagnated and exports declined. This agrees with the trend of weak business activities in the West: In real terms the gross national product of the 15 most important Western industrial countries (weighted by their share in the previous year's CEMA exports) will decline by 0.5 percent in 1981 (1980: + 2 percent). Assuming a slight business revival in the West in 1982, a 1.5 percent growth in the gross national product may be expected. This would mean that OECD imports from CEMA would also revive somewhat (2-3 percent).

At the present time the smaller CEMA economics are beset by considerable economic difficulties (declining growth rates, large debts to the West and to the Soviet Union, the need to adjust to energy shortages, and so on). It is altogether impossible to guess at future developments in Poland.[14] It is therefore highly doubtful whether these countries will be able to make use of the scope for greater exports.

The outlook for Soviet trade with the West is somewhat more favorable. Currently the Soviet Union has no trouble in meeting its payment obligations to the West so that even the (unplanned) rise in the importation of grain can be financed. Due to another most unsatisfactory harvest (estimated at 170-180 million tons), the Soviet

Union will have to import an estimated 40-42 million tons of grain in fiscal 1981/1982[15], including 23 million tons from the United States alone.[16]

In addition Soviet trade with the West will be affected in future years by the new natural gas pipe business. The Soviet Union has for some time negotiated in this matter with some West European gas supply firms. Should these negotiations be concluded this year[17]--and it looks as if they may well be--, the USSR would import steel pipes and the respective equipment valued at $10-15 billion in the course of the next 2-3 years--on a credit basis. It would repay these loans from 1985 on by natural gas deliveries (40 billion cubic meters per annum, 12 billion cubic meters to the FRG). The Soviet economy's exceptional status in East-West trade is likely to remain the same for a considerable time to come: Energy deliveries in payment of grain and technology purchases.

Up to now transatlantic differences of opinion have prevented the political framework for East-West trade in the 1980's from being put in place on the Western side. This open-ended political flank brings an additional element of uncertainty to the future development of trade relations. In the course of the ongoing discussions in the Western alliance for a consensus on trade with the East we must n ot forget that trade relations with the Soviet Union and the other CEMA countries represent an element of stability in relations between East and West Europe, which should not be frivolously jeopardized.

## FOOTNOTES

1. Excluding Albania and the non-European member countries of CEMA (Cuba, Mongolia, Vietnam); including inner-German trade.

2. Data on the development of average values are available only for the CSSR, Poland, Hungary and the Soviet Union; they also relate to trade with the so-called nonsocialist world (Western industrial countries and developing countries).

3. OECD data do not include inner-German trade.

4. "The Summit Meeting of the Western Industrial Countries," EUROPA ARCHIV No 16, Series 1981, pp D 421ff.

5. The TRbl is the common foreign exchange unit of the CEMA countries. Its computed value, determined by an official and purely fictitious gold content (0.987412 gr); amounted to $1.53 in the year under review.

6. Last year the increase in foreign exchange revenues from Soviet energy exports amounted to 2.8 billion TRbl's; this amount corresponds to more than 51 percent of the total exports to the West of all CEMA countries.

7. U.S.Department of Commerce, International Trade Administration: "Quantification of Western Exports of High Technology Products to Communist Countries," Washington, January 1981.

8. Involved here is a list of 4-5 place SITC items assumed to represent the most modern technologies.

9. Last year the USSR imported a total of 30 million tons of grain, including 12.5 million tons (valued at 610 million TRbl's) from Argentina.

10. Romania's payment difficulties evidently did not arise in trade with the OECD countries. They were caused by the deficit in trade with OPEC. In 1976-1979 this amounted (accumulated) to 1.5 billion TRbl's (more than $2 billion); another deficit--amount hitherto unknown--must be added for 1980.

11. See "Economic Survey of Europe in 1980," New York 1981, p 180.

12. Not very helpful in this connection is a study recently presented by the Vienna Institute for International Economic Comparisons (Gerd Fink: "An Assessment of European CEMA Countries' Hard Currency Debt," research report No 72, September 1981). This extrapolates the debts of the various CEMA countries, based on four different assumptions ("old elasticities," "base scenario," "low OECD growth scenario," "high interest scenario") to 1985-1990. However, nothing is said about the likelihood of these assumptions, and this precisely would be crucial for appraising the future creditworthiness of the various debtor countries. Moreover, the assumptions are so broad that error is excluded; the results of the extrapolation range for 1985 between $90 billion (best case) and $138 billion (worst case), for 1990 between $30 billion and $264 billion (at prevailing prices).

13. From Bulgaria, the CSSR, Poland, Hungary and the Soviet Union.

14. In 1982 the Polish Government expects exports to increase in convertible currencies by 9.5 percent and imports in convertible currencies by 2.5 percent, so that the balance of trade will be equalized.

15. In its efforts to obtain more sources of supply outside the United States, the USSR concluded a grain agreement with Canada. This provides for Canada to deliver at least 25 million tons of grain to the USSR from August 1981 to July 1986.

16. The 1975 U.S.-Soviet grain agreement, set to expire in September last, was extended by another year; it permits the Soviet Union to purchase up to 8 million tons of grain in the United States without special permits. It is interesting that this agreement, allowing for the orderly process of Soviet grain purchases, was concluded without any political strings and has now been extended.

17. The Reagon Administration, though, has not yet abandoned its reservations with regard to this transaction. From the American point of view this is not contradicted by the fact that the United States recently granted an export license to Caterpillar for supplying 100 pipelaying machines to the USSR (valued at $40 million). It seems to be U.S.strategy to do everything possible to prevent the completion of the Siberian gas pipeline or at least delay it. If this does not succeed, the 1979 export control legislation will be so interpreted as to enable American firms to enter into aggressive competition with European and Japanese producers of pipeline equipment (see FRANKFURTER ALLGEMEINE ZEITUNG, 16 October 1981).

Table 1--Development of the CEMA Countries Trade with the West[1)]

| | RGW-Länder (3) | Ausfuhr[2)] (1) | | | | | | Einfuhr[2)] (2) | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 1970 | 1975 | 1977 | 1978 | 1979 | 1980 | 1970 | 1975 | 1977 | 1978 | 1979 | 1980 |
| | | (4) -- Mrd. TRbl[3)] | | | | | | | | | | | |
| (5) | Bulgarien | 0,26 | 0,35 | 0,48 | 0,53 | 0,93 | 1,08 | 0,32 | 0,96 | 0,74 | 0,79 | 0,88 | 1,08 |
| | CSSR | 0,70 | 1,17 | 1,37 | 1,47 | 1,79 | 2,18 | 0,82 | 1,57 | 1,87 | 1,99 | 2,30 | 2,48 |
| (6) | DDR[4)] | 0,90 | 1,69 | 1,84 | 1,95 | 2,34 | 2,97 | 1,17 | 2,45 | 2,82 | 2,77 | 3,72 | 4,11 |
| (7) | Polen | 0,91 | 2,42 | 2,82 | 3,15 | 3,53 | 4,04 | 0,84 | 4,63 | 4,65 | 4,60 | 4,56 | 4,51 |
| (8) | Rumänien | 0,54 | 1,39 | 1,62 | 1,86 | 2,49 | 2,86 | 0,70 | 1,68 | 1,93 | 2,38 | 2,64 | 2,77 |
| (9) | Ungarn | 0,59 | 0,95 | 1,27 | 1,33 | 1,72 | 1,76 | 0,67 | 1,41 | 1,80 | 2,16 | 2,18 | 2,35 |
| (10) | RGW(6) | 3,90 | 7,97 | 9,40 | 10,29 | 12,80 | 14,89 | 4,52 | 12,70 | 13,81 | 14,69 | 16,28 | 17,30 |
| | UdSSR | 2,21 | 6,17 | 8,87 | 8,79 | 12,80 | 16,19 | 2,57 | 9,75 | 10,64 | 11,24 | 13,36 | 15,83 |
| (11) | RGW(7) | 6,11 | 14,14 | 18,27 | 19,08 | 25,60 | 31,08 | 7,09 | 22,45 | 24,45 | 25,93 | 29,64 | 33,13 |
| | | (12) Veränderung gegenüber dem Vorjahr in vH | | | | | | | | | | | |
| (5) | Bulgarien | + 10,1 | + 3,8 | + 3,4 | + 8,9 | + 76,6 | + 16,1 | + 38,0 | + 40,7 | - 4,7 | + 6,7 | + 10,5 | + 23,7 |
| | CSSR | + 9,4 | - 6,0 | + 13,9 | + 8,2 | + 20,9 | + 21,8 | + 26,0 | + 2,0 | + 6,4 | + 6,8 | + 15,4 | + 7,9 |
| (6) | DDR | + 7,8 | - 5,3 | - 10,4 | + 5,9 | + 19,8 | + 27,0 | + 32,1 | - 0,4 | - 9,8 | - 1,8 | + 34,7 | + 10,5 |
| (7) | Polen | + 19,2 | + 9,0 | + 6,6 | + 11,8 | + 12,2 | + 14,5 | + 4,2 | + 17,2 | - 8,5 | - 1,0 | - 1,0 | - 1,0 |
| (8) | Rumänien | + 20,2 | - 8,8 | - 1,4 | + 14,7 | + 33,7 | + 15 | + 5,1 | - 13,1 | + 16,5 | + 23,3 | + 10,9 | + 5 |
| (9) | Ungarn | + 22,5 | - 8,8 | + 8,3 | + 4,6 | + 30,0 | + 2,2 | + 42,2 | + 3,5 | + 17,9 | + 19,9 | + 1,0 | + 7,8 |
| (10) | RGW(6) | + 20,8 | - 0,5 | + 2,3 | + 9,4 | + 24,4 | + 16,3 | + 19,0 | + 7,5 | - 1,0 | + 6,4 | + 10,8 | + 6,3 |
| | UdSSR | + 4,7 | - 2,4 | + 12,5 | - 0,9 | + 45,6 | + 26,5 | + 11,5 | + 57,4 | - 4,9 | + 5,7 | + 18,7 | + 18,5 |
| (11) | RGW(7) | + 14,4 | - 1,6 | + 7,0 | + 4,4 | + 34,2 | + 21,4 | + 16,2 | + 24,7 | - 2,6 | + 6,1 | + 14,3 | + 11,8 |
| | | (13) Westhandelsanteil (Gesamtausfuhr bzw. -einfuhr = 100) | | | | | | | | | | | |
| (5) | Bulgarien | 14,2 | 10,1 | 10,5 | 10,3 | 15,8 | 15,8 | 19,1 | 23,8 | 15,9 | 15,2 | 15,5 | 17,1 |
| | CSSR | 20,4 | 20,0 | 18,8 | 18,5 | 20,4 | 21,8 | 24,9 | 24,8 | 23,6 | 23,4 | 24,3 | 24,4 |
| (6) | DDR | 21,9 | 22,5 | 20,5 | 19,7 | 20,8 | 24,2 | 26,7 | 29,0 | 26,4 | 25,5 | 30,8 | 30,5 |
| (7) | Polen | 28,4 | 31,5 | 30,7 | 31,3 | 31,2 | 34,6 | 25,9 | 49,5 | 42,5 | 40,2 | 37,3 | 34,4 |
| (8) | Rumänien | 32,3 | 35,0 | 31,0 | 33,7 | 38,1 | 35,1 | 40,4 | 42,2 | 36,9 | 39,1 | 36,1 | 31,1 |
| (9) | Ungarn | 28,4 | 22,3 | 22,1 | 22,5 | 24,2 | 22,2 | 29,6 | 28,4 | 28,9 | 30,1 | 28,3 | 28,5 |
| (10) | RGW(6) | 24,0 | 24,3 | 22,9 | 23,1 | 25,2 | 26,2 | 27,2 | 34,2 | 30,3 | 29,8 | 29,9 | 28,7 |
| | UdSSR | 19,1 | 25,7 | 26,7 | 24,6 | 30,2 | 32,6 | 24,3 | 36,6 | 34,6 | 32,3 | 35,3 | 35,6 |
| (11) | RGW(7) | 22,0 | 24,9 | 24,6 | 23,8 | 27,5 | 29,2 | 26,1 | 35,2 | 32,0 | 30,8 | 32,1 | 31,6 |

(14) Angaben für 1980 vorläufig; für Rumänien geschätzt.

(15) 1)OECD-Länder.-2)Wertstellung: fob; Ungarn Einfuhr: cif. Generalhandel. Einkaufs- und Verkäuferland; UdSSR und Ungarn (ab 1971): Herkunfts- und Bestimmungsland.-3)Der Transfer-Rubel ist die Außenwährungseinheit der RGW-Länder; sein rechnerischer Wert betrug bis 1971: 1,11 US-$, 1975: 1,39 US-$, 1977: 1,36 US-$, 1978: 1,47 US-$, 1979 und 1980: 1,53 US-$.-4)Sogenannte kapitalistische Industrieländer (Gruppenausweis).

(16) Quellen: Außenhandelsstatistiken der RGW-Länder; Berechnungen des DIW.

Key:

1. Exports[2)]
2. Imports[2)]
3. CEMA Countries
4. Billion TRbl's[3)]
5. Bulgaria
6. GDR[4)]
7. Poland
8. Romania
9. Hungary
10. CEMA (6)

/Key continued on following page/

11. CEMA (7)
12. Percentage changes compared to the previous year
13. Share of trade with the west (total exports and imports = 100)
14. Data for 1980 preliminary; estimated for Romania.
15. 1) OECD countries.-- 2) Value date: fob; Hungary imports: cief. General trade. Buying and Selling country; USSR and Hungary (from 1971): Country of origin and country of destination.-- 3) The transferable ruble is the foreign exchange unit of the CEMA countries; up to 1971 its computed value amounted to: $1.11, in 1975: $1.39, in 1977: $1.36, in 1978: $1.47, in 1979 and 1980: $1.53.-- 4) So-called capitalist industrial countries (group return).
16. Sources: CEMA countries foreign trade statistics; DIW computations.

Table 2--Data on the CEMA Countries Trade Balance with the OECD Countries

| CEMA Countries | 1970 | 1971 to 1975[1] | 1979 | 1980 | 1976 to 1980[1] |
|---|---|---|---|---|---|
| | Balance in Billion $[2] | | | | |
| Bulgaria | - 0.1 | - 1.4 | + 0.1 | 0 | - 1.1 |
| CSSR | - 0.1 | - 1.4 | - 0.8 | - 0.5 | - 3.3 |
| GDR[3] | - 0.3 | - 3.6 | - 2.1 | - 1.7 | - 7.8 |
| Poland | + 0.1 | - 7.0 | - 1.5 | - 0.7 | - 10.0 |
| Romania | - 0.2 | - 1.3 | - 0.2 | + 0.1 | - 1.3 |
| Hungary | - 0.1 | - 1.7 | - 0.7 | - 0.9 | - 4.0 |
| CEMA (6) | - 0.7 | - 16.4 | - 5.2 | - 3.7 | - 27.5 |
| USSR | - 0.4 | - 7.1 | - 0.9 | + 0.5 | - 10.7 |
| CEMA (7) | - 1.1 | - 23.5 | - 6.1 | - 3.2 | - 38.2 |
| | Exports as Percentages of Imports | | | | |
| Bulgaria | 81.3 | 58.3 | 98.3 | 100.0 | 82.7 |
| CSSR | 85.3 | 81.5 | 76.6 | 87.8 | 77.6 |
| GDR | 77.4 | 71.0 | 62.8 | 72.3 | 67.5 |
| Poland | 108.4 | 61.5 | 77.4 | 89.4 | 69.5 |
| Romania | 76.9 | 84.3 | 90.1 | 103.2 | 92.0 |
| Hungary | 88.9 | 72.8 | 79.1 | 75.1 | 72.3 |
| CEMA (6) | 86.5 | 70.7 | 77.4 | 85.9 | 74.7 |
| USSR | 85.9 | 79.8 | 95.8 | 102.2 | 88.2 |
| CEMA (7) | 86.3 | 74.2 | 85.7 | 93.8 | 80.8 |

Totals vary due to rounding off of figures. 1980 data are preliminary; estimated for Romania.

1) Accumulated values.-- 2) At prevailing prices and exchange rates; export surplus: +, import surplus: -.-- 3) With so-called capitalist industrial countries (group return).

Sources: Statistical yearbooks and foreign trade yearbooks of the CEMA countries.

Graph 1--OECD Countries Exports to the CEMA Countries[1]

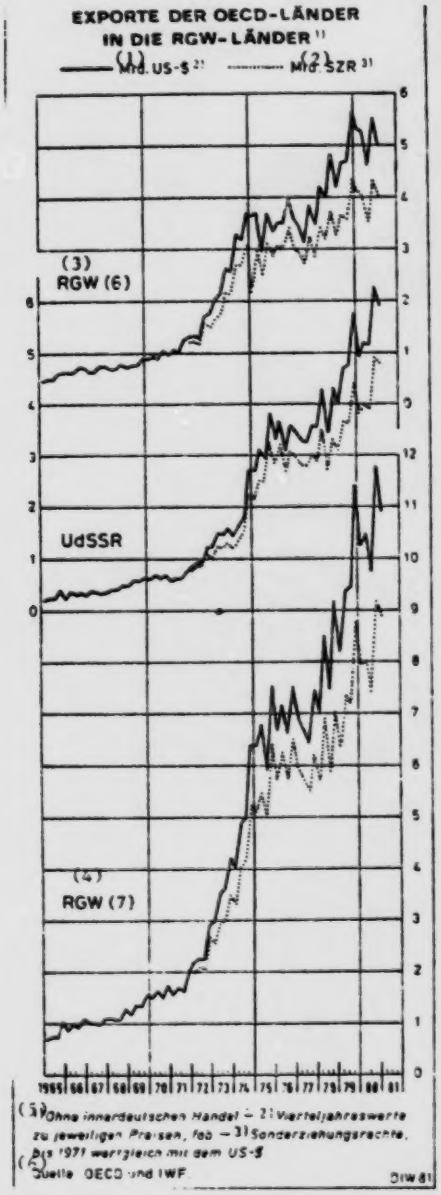


Graph 2--OECD Countries Imports from the CEMA Countries[1]

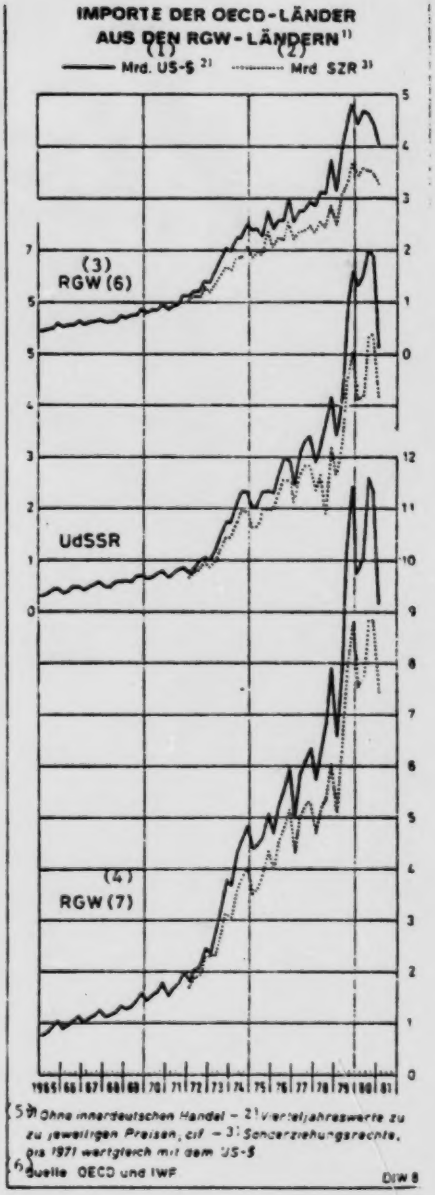


/Key on following page/

Key for graphs 1 and 2:

1. Billion $[2)]
2. Billion special drawing rights[3)]
3. CEMA (6)
4. CEMA (7)
5. 1) Excluding inner-German trade.-- 2) Quarterly values at prevailing prices; fob.-- 3) Special drawing rights, up to 1971 equivalent to the U.S.dollar.
6. Source: OECD and Institute for International Monetary Fund.

Graph 3--Eastern Trade Links of Selected OECD Countries in 1980

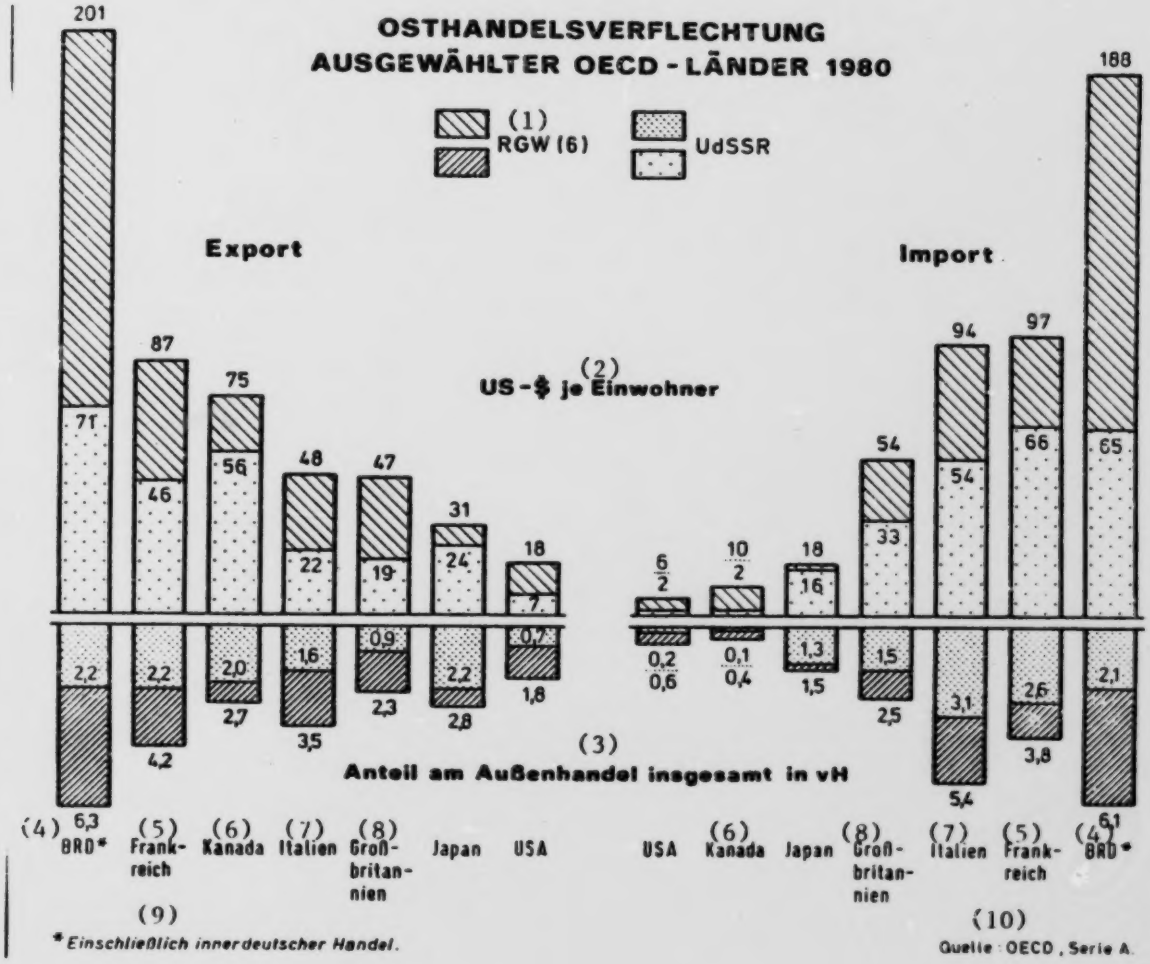


Key:

1. CEMA (6)
2. U.S.dollar per capita
3. Percentage share in total foreign trade
4. FRG
5. France
6. Canada
7. Italy
8. Britain
9. * Including inner-German trade
10. Source: OECD, Series A

Graph 4--Good Structure of the OECD Countries[1] Exports to the CEMA Countries 1961-1979

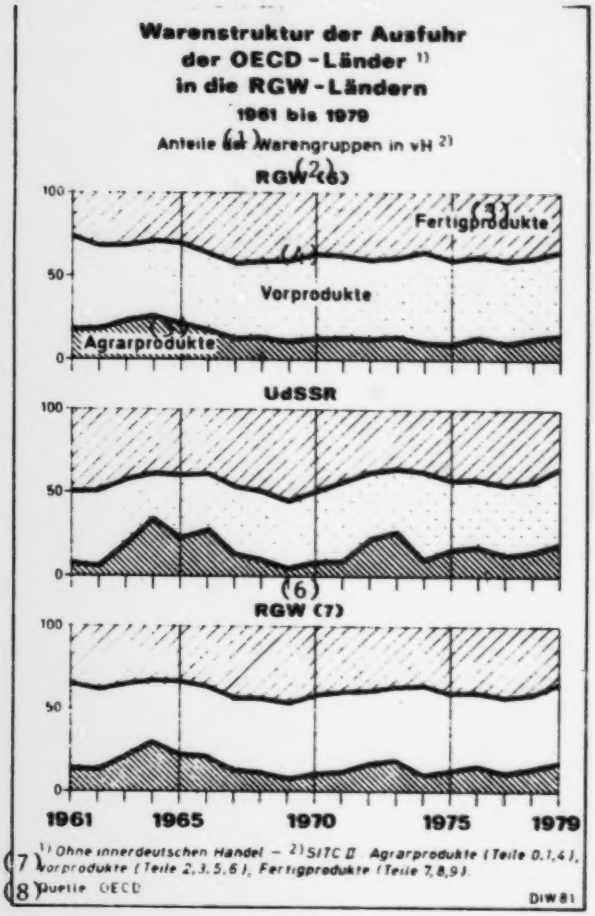


Graph 5--Goods Structure of the OECD Countries[1] Imports from the CEMA Coun- 1961-1979

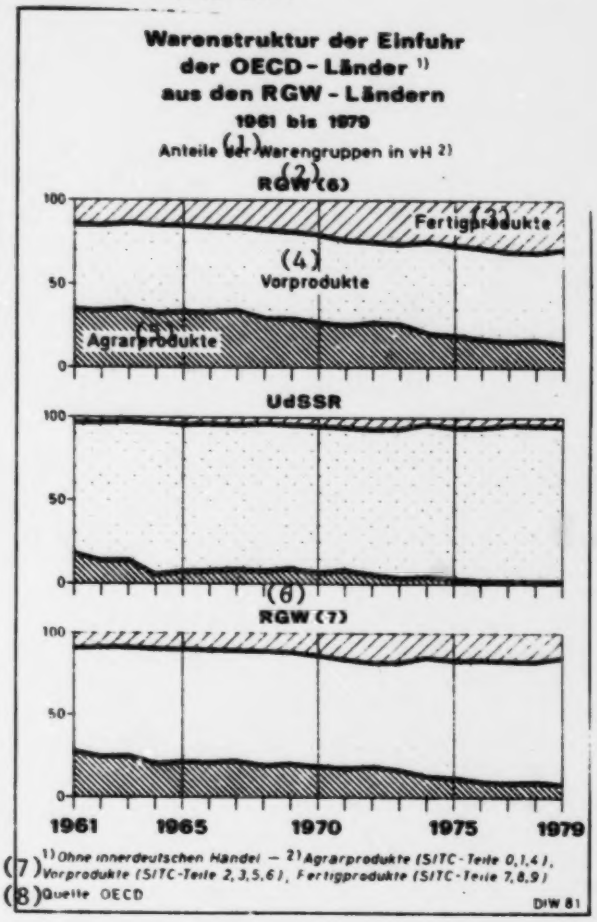


Key to Graphs 4 and 5:

1. Percentage share of the goods groups[2)]
2. CEMA (6)
3. Finished goods
4. Primary products
5. Farm products
6. CEMA (7)
7. 1) Excluding inner-German trade.-- 2) Farm products (SITC Parts 0,1,4), primary products (SITC Parts 2,3,5,6), finished goods (SITC Parts 7,8,9).
8. Source: OECD.

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## YUGOSLAV-HUNGARIAN TRADE, ECONOMIC COOPERATION

Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 1 Feb 82 p 30

[Text] A protocol on commodity trade between Yugoslavia and Hungary in 1982 was signed in Belgrade last Friday. It calls for a considerable increase over last year--29 percent more than actual trade and 7 percent more than the trade planned, so that the value of Yugoslav exports will reach $330 million and the value of imports $345 million. When the value of services is added to this ($65 million in services offered by Yugoslavia and $50 million by Hungary), a balanced amount of $395 million is arrived at on both sides.

Among the more important items are machines and equipment (Yugoslav exports and imports of $77 million each), metallurgical products ($23.3 and $36.5 million, respectively), chemical and pharmaceutical products ($79.1 and 93 million, respectively), products of the wood and paper industry ($38.7 and $26.5 million, respectively), coal ($30 and $17 million, respectively), Yugoslav exports consisting mainly of processed Hungarian coal, nonmetallic minerals and building materials ($8 and $10 million, respectively), consumer goods ($15 million in each direction), and farm products and processed foods ($20 and $25 million, respectively), while $25 million for each side is envisaged for local border trade.

Though the increase is fair in size, it should be borne in mind that the year it is being compared to is one in which the plan was not fulfilled, but fell short by about 15 percent. This does not mean that one has to be dissatisfied with the results of trade in 1981, especially in view of the situation in the world economy and also in view of the difficulties of the two economies, but rather that last year's plan was overambitious. Visible trade exceeded a value of $520 million, which is more than actual achievement in 1980, and by and large it was in balance. The value of trade reached about $620 million when services were included, and once again it was basically in balance.

This year's plan, though it seems to us that it does not exhaust all the possibilities, will not be easy to fulfill in view of various international and national circumstances. Certainly the very favorable political atmosphere in relations between the two countries should be supplemented by development of relations in other areas as well, among which the economic area certainly takes first place. There is room, at the moment perhaps not so much in direct visible trade as in the domain of industrial cooperation, services and the like.

Cooperation in the sector of agriculture is promising. First of all in this area there is the arrangement with the Danube-Tisa-Danube SOUR [Complex Organization of Associated Labor] involving $65 million. The Hungarians would like to finance production in Yugoslavia and to receive payment in the form of the surplus of products which would result from the investment. This would be suitable to the Yugoslav side if the other side, which by and large would be delivering machines and equipment, would agree to itself taking Yugoslav machines and equipment in a certain percentage, and not exclusively food. Similar arrangements might be concluded with the Beograd Agroindustrial Combine, Agroslavonija and also in Macedonia, in Kosovo....

Industrial cooperation is envisaged in the chemical industry. This involves cooperation in the manufacturing of chemical fertilizers at Prahovo and cooperation between Sodaso in Tuzla and Hungarian firms in the production of polyols. Cooperation is also beginning between Crvena Zastava [Red Flag Motor Vehicle Plants] and the Hungarian firm Mogurt, between Energoinvest and the firm Nikex in the production of gas boilers and exchange of electric and gas boilers, and there are other ideas as well.

Hungary might make greater use of Yugoslav services. The reference here is to rail transportation and seaports. There is room especially in the construction industry, where Yugoslavia has capabilities, excellent references abroad, including in Hungary itself, and it could even partially finance the performance of construction work. These might either be complete projects or participation in the work being done by Hungarian or foreign firms.

Finally, tourist trade could be substantially increased. It is in the nature of things that more Hungarians will always want to visit Yugoslavia than the other way about (Hungary has Balaton, but it does not have the Adriatic and so on).

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CEMA PLASTICS INDUSTRY GROWTH REVIEWED

East Berlin AU—DDR-AUSSENWIRTSCHAFT in German Vol 10 No 5, 27 Jan 92 p 14

['AU Market Information' report by Information and Public Relations Department, GDR Ministry for Foreign Trade: "Growth of CEMA Plastics Industry"]

[Text] Between 1960 and 1980 CEMA plastics production grew by more than twelvefold. The average annual production increase was 17.3 percent between 1960 and 1970, 10.9 percent from 1971 to 1974 and 7.8 percent in the last five-year plant. [See Table 1].

The CSSR and GDR achieved the highest production increase. The per capita plastics production [in these countries] amounted to 58.3 and 51.3 kilograms, respectively, in 1980 as compared with 31.6 kilograms in Bulgaria, 30.6 kilograms in Hungary, 26.1 kilograms in Romania, 16.2 kilograms in Poland and 11.4 kilograms in the USSR. CEMA countries plastics production is characterized by a low share of thermoplastic mass polymers. [See Table 2].

Plastics Production Concentration Areas

Since 1956 there has existed in CEMA the Working Group for Plastics which is subordinate to the Permanent Commission for the Chemical Industry and was renamed the Plastics Section three years ago. Consultations by specialists done within the framework [of the section] have shown corresponding successes through many initiatives. Thus, in 1973 Bulgaria, Poland and the USSR signed a cooperation agreement to develop a technological process for the annual production of 60,000 tons of suspensive polyvinyl chloride (PVC) for installations. The work on this project is in the final phase. The scientific and technical cooperation plan of the member countries also provides that, by 1985, work will be accomplished on

- improvement of the present process for production of high density polyethylenes by the suspensive method, primarily by decreasing energy intensity,
- developing domestic technologies for low density polyethylene production for facilities with an annual capacity of 100,000 to 150,000 tons,
- developing technology for production of ethylene and octanvinyl copolymers for facilities with annual capacities of 50,000 to 80,000 tons,
- developing formulas based on polyethylene and its copolymers for the production of weldable foils and
- developing improved production processes for styrene plastics.

In the evaluation made at the 25th anniversary session of the conference of plastics specialists, it was established that the work done within the framework of the Working Group — subsequently the Section — had made it possible to solve many technical individual problems.

The increase of plastics production in CEMA countries has resulted in a significant increase in the export of plastics during the last five-year plan. In 1980 total export of plastics from CEMA countries amounted to 825,000 tons (1975: 260,000). At the same time the corresponding import has remained steady at about 600,000 tons annually. The export surplus achieved since 1979 results from the beginning of deliveries to capitalist industrial countries. The USSR has had the largest exports in this regard. They result from agreements made with the FRG for the construction of two low density polyethylene production facilities (capacity: 120,000 and 240,000 tons annually, respectively) and one PVC facility (250,000 tons) as well as with France on the [construction] of a facilities complex (300,000 tons) to produce styrene and various types of polystyrene. [See Table 3].

Plastics Industry Construction Projects in Individual CEMA Countries

One factor significantly limiting an increase of plastics exports from CEMA countries is the largely unsatisfied domestic demand. For this reason a further expansion of appropriate capacities as quickly as possible is considered necessary.

The greatest construction activity is to be noted in the USSR. The applicable national economic plans provide for the production of plastics and paint resins to increase to 6 to 6.25 million tons annually by 1985 and to 8.0 to 8.5 million tons by 1990. The percentage of polymers will increase correspondingly to 45 or 50 to 52 percent. In the near future high density polyethylene plants (capacity: each 200,000 tons annually) in Prikumsk, Omsk and Shevchenko, a low density polyethylene plant (120,000 tons) in Angarsk, polystyrene plants in Omsk and Shevchenko (each 100,000 tons), a polypropylene plant (100,000 tons) in Tomsk and PVC [plants] in Zima and Kalush (each 250,000 tons) will be put into operation. The construction of a second PVC facility of the same size is planned in Zima.

In Romania the production of plastics is to be increased by 50 to 70 percent from 1980 to 1985. In the near future capacities for manufacturing plastics will be increased by putting into operation more facilities for low density polyethylene in Brazi and Navodari, high density polyethylene in Navodari, Teleajen, Timisoara and Ploiesti and for polypropylene in Midia and Teleajen. Each of these facilities has an annual capacity of 60,000 tons.

In Hungary additional facilties for plastics manufacture will be built in the near future only at the Borsod Chemical Combine. The contract signed with a Japanese firm in 1981 provides for the construction of a facility with an annual capacity of 40,000 tons of polypropylene polymers for chemical fibers with about 25,000 tons of this to be delivered to the USSR each year from 1986. Hungary, in turn, will receive 60,000 tons of ethylene annually via the Kalush-Leninvaros pipeline. This will be used to produce low density polyethylene in a new facility with an annual capacity of 120,000 tons.

In Bulgaria the first polypropylene facility with an annual capacity of 80,000 tons went into operation in Burgas in 1981. It will produce 16 different types of polypropylenes from which cellophane, carpet fibers, ship's ropes and containers in particular will be manufactured. This is one of 11 new facilities in Bulgaria's largest petrochemical works. The already existing facilities include ones for production of ethylenes, acetaldehyde and high density polyethylenes. Facilities for the manufacture of ethylene oxide and glycol, pyrolen [as published] and acrylics are to be completed in the near future.

Since the PVC production facility put into operation in Devnja in 1980 reached full production capacity (120,000 tons annually), PVC production in Bulgaria will double from 1980 to 1985. A program is being prepared to further develop plastics processing.

In the CSSR at present no major expansion of plastics production capacity is planned except for two propylene facilities, with each having an annual capacity of 30,000 tons, and intensifying polystyrene production at Kralupy nad Vltavou. The situation is similar in the Czech chemical industry overall, the production of which is to increase by 12 percent in the current five-year plan.

As early as the 1970's the CSSR began a forced expansion of its domestic plastics production so as to become more and more independent of foreign imports. Thus plastics imports dropped to 41,743 tons by 1980 (1979: 29,673; 1975: 83,262 tons). The increase of approximately 40 percent between 1979 and 1980 resulted from special agreements within the CEMA framework, especially with the USSR which almost tripled its deliveries to the CSSR as compared with 1979, and purchases of special plastics not yet manufactured in the CSSR. Here the import of plastics in 1980 amounts to less than 5 percent of domestic production. [See Table 4].

At the same time the import of artificial resins grew by 28 percent.

Table 1. Plastics Production

| Year | 1960 | 1970 | 1975 | 1979 | 1980 |
|---|---|---|---|---|---|
| Total (x 1,000 tons) | 541.7 | 2,669.1 | 4,480 | 6,021 | 6,513 |
| Country totals | | | | | |
| USSR | 293.0 | 1,479.0 | 2,390 | 2,911 | 3,028 |
| CSSR | 64.0 | 245.0 | 428 | 853 | 893 |
| Romania | 12.4 | 206.0 | 347 | 516 | 579 |
| Poland | 40.1 | 224.0 | 481 | 468 | 576 |
| Hungary | 9.9 | 55.9 | 123 | 294 | 328 |
| Bulgaria | 7.3 | 89.2 | 156 | 200 | 250 |

Table 2. CEMA Plastics Production Structure in 1980

| | | |
|---|---|---|
| Total (x 1,000 tons and percentage) | 6,513 | 100.0 |
| **Categories** | | |
| PVC and copolymers | 1,390 | 21.3 |
| Polyethylenes | 1,305 | 20.0 |
| Amino plastics | 909 | 14.0 |
| Polystyrene and copolymers | 442 | 6.8 |
| Polyester resins | 89 | 1.4 |
| Polyacrylic resins | 82 | 1.3 |
| Epoxy resins | 74 | 1.1 |
| Ion exchangers | 43 | 0.5 |
| Silicons | 29 | 0.4 |
| Other plastics | 2,168 | 33.2 |

Table 3. Foreign Trade in Plastics (x 1,000 tons)

| Year | 1975 | 1978 | 1979 | 1980* |
|---|---|---|---|---|
| Export | 260.9 | 650.2 | 588.1 | 825 |
| USSR | 72.1 | 132.8 | 150.9 | 190 |
| CSSR | 32.0 | 171.1 | 144.4 | 170 |
| Hungary | 19.8 | 62.5 | 112.4 | 115 |
| Import | 684.8 | 652.6 | 561.6 | 615 |

*preliminary figures

Table 4. Import of Plastics and Artificial Resins (in tons)

| Year | 1979 | 1980 |
|---|---|---|
| Total Plastics | 29,673 | 41,743 |
| Country | | |
| USSR | 5,574 | 14,233 |
| FRG | 6,045 | 7,232 |
| Austria | 4,750 | 5,979 |
| Switzerland | 6,243 | 5,509 |
| Italy | 1,345 | 1,921 |
| Holland | 1,150 | 1,391 |
| Great Britain | 1,549 | 1,086 |

[table continued on following page]

| | | |
|---|---|---|
| Total Artificial Resins | 23,130 | 29,677 |
| Country | | |
| USSR | 1,480 | 1,516 |
| Yugoslavia | 1,492 | 1,353 |
| Belgium | 5,893 | 4,422 |
| Austria | 4,123 | 3,202 |
| Italy | 982 | 1,823 |
| Great Britain | 1,329 | 1,411 |
| FRG | 679 | 1,067 |

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## NEGATIVE REACTION TO NEW ECONOMIC MECHANISM IMPLIED

Sofia OTECHESTVEN FRONT in Bulgarian 29 Jan 82 p 2

[Article by Belcho Zhivkov, Hero of Socialist Labor: "On the Construction Workers' Scales." Slantlines indicate italics as published.]

[Text] Our construction brigade "Georgy Dimitrov," part of the construction enterprise number 2 at the Construction and Assembly combine in Stara Zagora, has been working for several years now on a self-accounting system. This means that the more we produce, the more we will receive. However, whether we produce more or less does not depend on us alone. Until recently we worked on apartment buildings using the broad-surface casing system. Twenty people were able to complete one hundred apartments in a year's time. We worked like "men" if we were given the chance to. Here is one example: One Monday we expected to receive a pump for pouring cement. We had made the proper arrangements, we had assigned tasks to the workers, we had secured sufficient space for work; but the pump still did not come. And this went on for a whole week. During this time /the highest-rated construction workers were doing low-rated work/, and all this happened at a time when there was a shortage of highly-rated workers. The so called "hidden stoppages" always reveal organizational weaknesses. And these weaknesses affect wages. That is why highly-rated construction workers are hard to come by; and it seems to me, that they will be even harder to come by in the future.

In the past, people lived frugally, saving the bread crumbs from the table rather than throwing them away. Poverty made them economize. Today we have learned to squander open-handedly: we lose a plywood board or a piece of cable now; tomorrow, we will throw a whole machine to rust out in the open. Bulgarians are still very frugal, but not at the construction site. I have been in the construction business for forty years, /but I have never seen a foreman or an engineer, walking in the project site, reprove someone for wasting materials/ or bend over to pick up a nail or something else that has fallen to the ground. And when the worker sees that the managers are indifferent, he will be negligent too. Neither the wage of the individual construction worker, nor the wage of the foreman is linked to the saving of materials and fuel.

We are fully aware of our weaknesses: insufficient coordination, poor supply, worsened quality of construction materials. Moreover, the wages of our workers

depend on many other people, from the designer and the engineer to the supplier, from the manager to the foreman. All this means that /the relations between separate construction brigades should become contractual/, instead of being based on good will and word of honor. The person who failed to provide the pump for a whole week (I wish the pump were the only problem) should be fined by the same percent of his wage that we lost because of his negligence. And that is precisely why a contract is necessary.

Many cranes stand idle at construction sites. We lose much because there is not a tight schedule for the use of construction machines, and because we give little thought to the fact that in the final score this affects the income of each of us. Presently, we work at a project of four decares, but we work in the same way we used to 20 years ago. When the crane comes, I begin to calculate how and where to erect it, while this should have been done by the engineers, and we should only execute. Unfortunately, there are young engineers, who have graduated with A's, but cannot calculate one supporting column ... To achieve optimal schedule of the machines, one needs much more knowledge and organizational skills.

Often, fewer people can do the work of more people. Furthermore, they can do that and achieve a better quality, even though that quality, in professions like ours, will show years later. If the foreman organizes the brigade efficiently, if the workers are highly rated and conscientious, if the control is where it should be, the people can do a great amount of work.

/rating and education are not always the best criterion/; it is the role of the brigades council to establish who deserves how much. Unfortunately, I do not recollect in my experience a case when fewer people have done a given job and have used the same wage fund...

I have heard people say, "Whether you work or not, the money is the same." We all understand the danger of this phenomenon wherever it exists. But there is something else too; sometimes the work is approximately the same, yet the wage is different. It seems to me, for example, that it is unfair that construction workers in the capital receive about 50 leva more than we do. Isn't the nature of the work the same? It is true that often one construction brigade earns more, but it is because the work organization is better, and the supply is prompt.../it seems to me that the mechanism for stimulating the workers in the construction business, and more specifically in our brigade, can be perfected/.

In the first place, the norms should be modernized; they are too old, and more importantly, they do not stimulate the quality of work. If the building is finished ahead of schedule, it does not matter that as soon as next year we will have to repair it. Together with this, it is time to find a stimulus for saving raw materials, building materials and energy. Furthermore, this should be done in such a way that the personal interest of every worker and the interest of the brigade as a collective be preserved.

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## CSSR FINANCE MINISTER EXPLAINS TASKS OF 1982 BUDGET

Prague HOSPODARSKE NOVINY in Czech 29 Dec 81 pp 1, 8-9

[Article by Eng Leopold, Ler, ScC, minister of finance of the CSSR: "The Tasks of the State Budget for 1982"]

[Text] It was far from simple to plan the state budget for 1982 which was approved by the Federal Assembly on 16 December. In comparison with the preceding years, it involved solutions of tasks and various effects whose importance and scope are far from ordinary. The sum total of the external factors affecting our economy and of internal tasks aimed at changes in its structure calls for substantive changes in our approaches to the concept of the substance and form in the solution of signifi-fant economic problems.

The decisions of the 16th CPCZ Congress, which outlined these basic directions, demand that financial and credit policies be applied vigorously to enforce higher efficiency and intensification of production in plans and in their implementation, and to consolidate the monetary, financial and budgetary balance. The decision of the fourth and fifth plenuris of the CPCZ Central Committee specify the basic policy of the 16th CPCZ Congress even further and also offer completely detailed directives for the program of the entire financial and credit system.

While drafting the state budget for 1982, the key question was how to cope with the tasks for 1981 in the financial area. It is evident that the state budget drafted for 1981--which was the first year of the Seventh Five-Year Plan--is balanced; this was made possible by the tasks aimed at higher efficiency of the management system as well as accumulation of budgetary funds in various branches in the amount of roughly Kcs 6 billion (emergency funds, the fund for improvement of transportation, etc.).

The development of our national economy during the current year deviated in several areas from its stipulated goals, which necessitated changed in the state plan and which caused a debit in the state budget amounting to Kcs 6 billion. However, our government is legally obligated to operate on a balanced budget and thus, it immediately took the necessary steps in that direction. Budget funds for investment and other purposes could not be fully exploited and in the second half of 1981 measures for more rigorous management were adopted. Some budgeted incomes were exceeded due, among other things, to the effect of adjustments in the prices of propellants. For that reason, we may anticipate on the whole a balanced budget for 1981 again. However advantageous this achievement, it cannot be overestimated in terms of achieved efficiency and economy.

## Principles of Budget Policy

Once we recognize the role of qualitative changes in our economy in the 1980's--unlike in the 1970's and the initial experience in 1981--we can draft our financial and budgetary policies for the nearest period, including 1982.

First of all, we proceed from the principle that the state budgets must be planned and implemented as balanced budgets. This does not mean a narrowly cash-register point of view or a "fiscal" approach. In accordance with the general economic strategy, the entire system of financial planning must promote and stimulate all tendencies toward a balanced economy, suppress all causes of a scissorlike action between the created assets and their internal use, with the emphasis on a higher share of domestic resources in financing our national economy to the debit of foreign resources.

Therefore, in its internal concept a balanced budget must proceed from preference for exports before imports and from measures targeted at a more balanced domestic market; by the same token, it must steadily improve the efficiency and utility of expended investment funds (which must be cut unconditionally below their current level), and develop better inventories and comprehensive economic management when using social resources.

Budget policies must help develop all factors of an intensive national economic growth and adopt a more aggressive attitude to every tendency and expression of extensiveness. Specifically, it is imperative to enforce improvement of all factors which raise profitability of production assets--growth of outputs while cutting costs and increasing profits, better utilization of fixed assets and cash, higher quality of production, more advantageous correlation of foreign and domestic prices, a higher share of sciences and technology in improving efficiency and outputs and so on.

When planning and implementing the state budgets, the principles of improving the planned management system must be fully applied. The contents and specific objectives of the state budgets must support without any reservation the principle of merit and the development of khozrashchet principles of management.

Budget policies must also comprehensively enhance good stewardship as an indelible trait and principle of socialist man.

## Proportions and Structure of the Budget

The above-mentioned principles are reflected in the proportions, structure and tasks of the state budget for 1982. The volume of incomes and expenditures of the state budget of the Czechoslovak federation amounts to Kcs 176 billion, the state budget of the CSR is Kcs 161 billion, and the state budget of the SSR is Kcs 83 billion. The volume of the budgets of national committees equals Kcs 95 billion.

The entire budget system is based on balanced incomes and expenditures in general as well as in individual sections of the budget, which is the result of goal-oriented and general grants. Such grants allocated from the state budget of the Czechoslovak federation to state budgets of the republics total Kcs 114 billion, of which Kcs 67 billion are grants to the state budget of the CSR and Kcs 47 billion to the state

budget of the SSR. The budgets of the national committees receive grants from the state budgets amounting to Kcs 58 billion, of which Kcs 39 billion to the national committees in the CSR and Kcs 19 billion to the national committees in the SSR. Total budget incomes and expenditures are 1.6 percent up.

The share of internal incomes used to cover budget expenditures increased within the budget system, which reflects the mobilization of internal resources in our national economy. The structure of incomes and expenditures of state budgets remains basically unchanged.

The following share in incomes (=100 percent):

| | |
|---|---|
| taxes paid by economic organizations | 42 percent |
| sales tax and differentials from the domestic market | 32 percent |
| taxes aid levies paid by the population | 14 percent |
| taxes from financial and insurance systems | 3 percent |
| other incomes in the budget sector | 9 percent |

The following share in expenditures (= 100):

| | |
|---|---|
| investment and noninvestment grants to economic organizations | 21 percent |
| noninvestment costs of social services and activities for the population | 44 percent |
| expenditures for the defense and security | 7 percent |
| other expenditures of the budget sector ( for example, the costs of investments in the educational and health systems, culture, administration, grants for technological development, etc) | 28 percent |

Four-fifths of the increment in budget incomes is derived from higher taxes paid by economic organizations. The increment in expenditures is earmarked primarily to advance the development of social consumption and to raise certain grants related to the living standard of our population. The expenditures for state administration were cut.

Attitudes Toward Economic Organizations

The total effect of the state budget depends on a decisive factor, namely, the attitudes toward economic organizations whose tasks for 1982 are focused mainly on mobilization; to fulfill them we must take advantage of every direct and indirect opportunity in the management of individual areas in the process of replacement.

On the basis of processes occurring within our own economy (without any foreign intervention), the active difference of taxes and grants of economic organizations is up by Kcs 5.77 billion, i.e., 10.4 percent above 1981, which was made possible by taxes on economic profits, up almost 9 percent; by social security contributions, up by 1 percent; by taxes on depreciation, up 33 percent; while certain taxes (on receipts, costs and funds) were slashed. On the other hand, investment grants are cut more than 4 percent and noninvestment grants remain unchanged.

Nevertheless, if we consider the external factors as well, the abovementioned increment of resources from economic organizations is reduced by Kcs 3.23 billion

due to the deteriorated relations between foreign prices and domestic wholesale prices in exports and imports.

Behind these general figures we must discern a very specific complex of problems concerning the growth of outputs and profitability and consolidation of the merit and khozrashchet principles. With a 0.3 percent increase in the outputs of economic organization, profitmaking will be up 2 percent. Therefore, 65 percent of the overall increment of profits may be achieved by cutting costs, although in recent years one-half of the increments of profits was derived from reduced costs and the other half from higher outputs.

The center of gravity is in lower material costs (down by 0.94 percent) of which, however, about 50 percent will be "consumed" by a higher rate of depreciation (we have not created any corresponding increment of the outputs for the growing fixed assets). The share of wages has deteriorated moderately and the share of financial costs increased significantly (due mainly to the escalating volume of the interest rate as well as due to higher contributions to the funds for technological development, etc).

The profitmaking plan poses considerable demands, especially if we consider the fact that special profits may not reach the same level as in 1981, and that it is necessary to curtail the growth of foreign prices in import costs of a great many raw materials and materials, and to use savings to cover a part of the price increase for propellants, the annual 2 percent hike in wholesale prices of fuels and power, and so on.

The Set of Measures furnished certain tools for that purpose by focusing economic incentives on the main factors in the growth of efficiency, particularly on reduction of material costs, on the amount of disposable profits, on efficient exports, on utilization of production assets and on a higher share of technically advanced products of top quality.

We Need Norms of Quality

This particular situation compels us to improve immediately and substantially the norms and the norm base. Without norms, without their improvement and without standards representing a "scale" of demands for better stewardship, one could hardly speak of real, measurable and deserved achievements. Without norms one cannot seriously discuss the development and consolidation of khozrashchet in the VHJ [economic production units] and enterprises and especially the development of enterprise subdivision khozrashchet which represents the best way to uncover internal resources in enterprises and which is unthinkable without norms of quality because both tasks and evaluation of achievements and rewards are determined on the basis of norms.

In mutual relations this will help economic organizations achieve higher financial independence. The VHJ and enterprises will finance their own needs from their disposable assets (this share is up 2 percentage points) to a greater extent than in 1981.

This is reflected to a significant degree in such an important factor of economic incentives of enterprises as the fund for development. The allocation from profits to the fund for development is almost 12 percent above 1981 and the share of profits

to cover investments financed from the fund of development has been raised from 31 percent in 1981 to 37 percent.

The grant to organizations for revolving funds were reduced by almost Kcs 1 billion (50 percent) in view of the need to improve the development of supplies, to speed up their turnover and to upgrade their structure. After several years of slower turnover of supplies in industry and construction, the plan calls for its acceleration by 0.8/day. The importance of this potential resource is confirmed by the fact that just to maintain the turnover of supplies achieved in 1977 (far from the best year) would require, under the conditions of 1981, industry and construction to operate with supplies reduced by Kcs 10 billion, which would not fail to be reflected in the generally improved efficiency of our economy and of our domestic and foreign trade. Several measures were adopted in support of this effort, such as differentiation of the 6 percent uniform interest rate in the range from 4 to 8 percent according to the efficiency of the management; all unnecessary supplies ascertained by the bank will be subject to a rate raised by 2 percentage points.

Profitability of production assets is set at 4.6 percent--somewhat higher than in 1981, because production assets have been growing faster than profits.

The fund for cultural and social needs will be subsidized from profits with Kcs 3.65 billion, i.e., at the same level as in 1981, which will make possible further vigorous stimulation of work teams in enterprises and plants toward the fulfillment of important qualitative tasks of the plan by maximizing labor efforts and initiative.

The other most important financial resource of our society in the development of our national economy is the sales tax, which is planned at Kcs 87.6 billion, with an increment of more than Kcs 1 billion; its fulfillment reflects the problems facing our domestic market. Its purpose is to take advantage of every opportunity in direct and indirect management in order to innovate the line of consumer goods more expeditiously, in the desirable structure and quality as well as with consideration of the changing income of our population.

Effect on Science and Technology

Scientific and technological progress affects economic efficiency more than ever before. Here again financial and budget policy, along with broader application of khozrashchet principles and economy, must support more and more scrupulous implementation of scientific technological development as the fulcrum of all our activities focused on vital tasks.

Noninvestment expenditures for the development of sciences and technology will amount to Kcs 17.4 billion, of which Kcs 6.7 billion will be covered from the state budget. A major part--10.7 billion--will be financed from internal resources of economic organizations.

The general scope of funds allocated for scientific and technological development in relation to national income and the share of the state budget correspond with the statistical data of advanced industrial states. In accordance with the tasks articulated in the Set of Measures, however, the funds expended for scientific and technological development must be increasingly more related to its economic results and finances and other economic tools must affect the entire cycle--research-development-production-consumption--and its acceleration from the perspective of the greatest economic effect.

Nonproduction Consumption

The entire complex of national economic problems is inevitably also reflected in the vast area of nonproduction consumption which represents a major part of our population's living standard. In conjunction with the opportunities to benefit from the national income, it was stipulated that noninvestment expenditures in this area remain basically on the same level as in 1981, except for social security, a wage increase in this area in accordance with the plan, a 6 percent increase in costs of pharmaceutics and national defense and security. Costs of administration have also not been raised.

The total volume of noninvestment expenditures for social services and activities to the benefit of our population will amount to Kcs 134.9 billion

Noninvestment expenditures of state budgets for social consumption in 1982

| | 1982 in Kcs billion | Increment 1982/1981 in Kcs billion | Index 1982/1981 in percent |
|---|---|---|---|
| Total | 134.84 | 2.85 | 102.2 |
| of which: | | | |
| - social security | 74.12 | 2.02 | 102.8 |
| - educational system | 22.58 | 0.27 | 101.2 |
| of which: | | | |
| wage funds | 12.38 | 0.26 | 102.1 |
| - health care | 21.15 | 0.50 | 102.4 |
| of which: | | | |
| wage funds | 8.83 | 0.18 | 102.1 |
| drugs and special medical materials | 5.31 | 0.30 | 106.0 |
| - culture | 3.61 | - | 100.1 |

In view of the existing volume of funds for material expenditures, it will be necessary to increase the outputs in the educational system and health care, which makes considerable demands on the economic management. At the same time the quality of their operations must not deteriorate.

Especially important is direct participation of the state in the development of our agriculture due to the specific character of world food markets and to the superior role of food in the consumption of our population. Therefore, a vital part of the set of measures for improving the planned management system in agriculture beginning with 1982 involves increasing of overall funding of agriculture from societywide assets at Kcs 2.9 billion annually. Such funds are designated to consolidate the financial economic situation of agricultural enterprises and, thus, to facilitate operations based on the khozrashchet principles in more enterprises and at the same time, expansion of the production of such foods which thus far have not been profitable enough and, therefore, frequently ignored.

The proposed budget for housing construction in 1982 proceeds from the proposal of the material plan. It is envisaged that in 1982 a total of 101,200 housing units will be completed in all types of new construction projects in the CSSR. Scheduled

for completion are 20,200 housing units in communal construction, 5,150 housing units in enterprise construction, 42,850 housing units in cooperative construction, 33,000 housing units in private construction, and 2,892 housing units are earmarked for remodeling.

Expenditures of state budgets for housing construction and housing management total Kcs 22.3 billion (basically on the level anticipated for 1981), of which Kcs 12.2 billion for investment costs of housing construction, Kcs 2.9 billion in costs for state contribution to cooperative housing construction and Kcs 1.1 billion for private housing construction. Enterprises of housing management will receive compensation for losses in the amount to Kcs 4.47 billion, i.e., an increase of 3.2 percent. Compensation for shares in cooperative stabilizing construction (according to new regulations) will total Kcs 560 billion.

Grants for the operation of municipal mass transit amount to Kcs 2.6 billion, or 6.6 percent more than in 1981.

Fight against Waste

The state budgets and the whole system of financial planning must enforce more vigorously improvement in economic management. Naturally, such problems must be dealt with in principle in the plan for capital investment by strict import regulations, goal-oriented programs for conservation of fuels, energy, metals and raw materials, implementation of better economic measures, etc. Even in those areas, however, opportunities for effective budgetary financial policies have not been totally exhausted and their efficiency must be further reviewed and improved by introduction of the Set of Measures. For instance, in order to put more pressure on observation of the limits stipulated for the consumption of petrochemical products, a surtax to be introduced will amount to 3 to 5 times the price over the exceeded limit.

By the same token, it is imperative to consolidate good management in the state and budget areas, to fight against inexpedient, unproductive costs and against any kind of waste. Poor management appears in various forms: waste of financial and material resources, enforcement of personal and local interests to the detriment of societywide assets, unnecessary ostentation, an indifferent attitude toward the destruction of our national property. Those are some of the examples of the more conspicuous forms of poor management, which also includes wasteful conduct of various programs, superfluous interrelations and inefficient deployment of workers. In the final analysis, a common denominator of all that characterizes poor management is the fact that society as a whole suffers from it, that its assets which should serve its development and welfare are wasted and thus, also the endeavor to create such assets is in vain.

To consolidate a highly efficient economic system of management, the government adopted several measures which have already brought some positive partial results. For example, in 1981 the staff of employees in organizations of state administration was 5 percent below the situation in 1979. The number of employees was cut in other fiscal organizations as well. Measures aimed at more rational operation of automobile transportation for business purposes were adopted, thus gasoline consumption, use of automobiles and the number of professional drivers were reduced. The costs of propaganda and representation and other nonproductive expenditures were reduced.

## Program of Economic Management

Nevertheless, the measures to consolidate economic management must not be interpreted as a one-shot action or as a campaign to be repeated once in several years. Nothing but a systematic approach and a long-term concept thoroughly implemented year in and year out will bring success. In this spirit the Program of Economic Management in the Seventh Five-Year Plan was drafted and discussed by our government.

In specific measures we proceed from the premise that the number of employees in the management and administration sector remains disproportionally high despite the measures implemented over the past 5 years. Our task is to reduce the number of employees before the end of 1985 by 10 to 20 percent on a differentiated basis, i.e., by 60,000 to 70,000 employees in the administration.

Economic incentives will lend support in the outlined tasks so that those workers who set example to others and who contribute more to the benefit of our society receive higher rewards from a part of the wage funds saved.

Other measures were adopted for better economy of automobile transportation for official purposes. We are interested in more advantageous use of our automobile fleet in 1982-1985 and thus, in 10 to 30 percent reduction of additional official passenger cars according to specific conditions of individual branches as compared with the level planned for 1981, in lower consumption of gas and more economic automobile transportation in general.

The envisaged reduction of nonproductive costs in organizations and more economical expenditures of certain costs in foreign relations will save us foreign exchange. Furthermore, areas have been identified where the efficiency of certain budget expenditures will be reviewed and on that basis specific measures will be adopted.

Unproductive costs will be further reduced and financial management will be more rigorously controlled, whether it concerns travel expenses, various non-employment rewards, organization of various conferences, aktivs and other undertakings of that kind, and all other nonproductive expenditures, including foreign expenditures.

Measures concerning administrative operations are focused mainly on the process of simplification in the system of planning, accounting and statistical records, utilization of computer technology and overall simplification of the regulations in force.

## Consolidation of Financial Discipline

Our struggle for higher efficiency must be narrowly tied with consolidation of planning and financial discipline.

On the basis of current financial control and audit, additional taxes to the state budget during the Sixth Five-Year Plan amounted to Kcs 3.8 billion, of which nearly Kcs 1 billion represented penalties. Periodical audits disclosed additional shortcomings.

Among the most frequent grounds for financial penalties were incorrectly documented or delayed taxes to the state budget, incorrect use of financial assets (for example,

for investments, improper use of funds for technological development, etc.), distortion of economic results, etc.

Financial audit and control must be improved according to the decisions issued by the statewide aktiv of the financial administration in June of 1981.

Financial administrations will focus their future operations so that increasingly better forms and methods be used to achieve effective control of incomes paid to state budgets and so that the grants from the state budgets be justified and efficient. This means focusing mainly on the aspect of quality in the fulfillment of planned tasks in the VHJ and individual enterprises, pinpointing main economic problems of organizations in order to search for the roots of their shortcomings, and endeavoring to eliminate them, and thus, helping to render the management and creation of resources more efficient.

Analyses of economic operations and their application in enterprise and intraenterprise management should correspond to the tasks facing our national economy in 1982.

Analyses of economic management for 1981 which are now being compiled in enterprises and VHJ should further concentrate on higher objectivity, criticism and efficiency. Indicators decisive for evaluation and completion of results of economic operations in organizations and stipulated by a superior authority, especially indicators stipulated for control and evaluation of the fulfillment of the plan, must be met in 1981.

Nevertheless, it is not enough to penalize organizations which fail to meet their assigned tasks; specific conclusions must be drawn from the analysis of unfulfilled tasks and necessary measures must be taken to remedy the situation and to eliminate the ascertained shortcomings.

The state budget approved for 1982 will be translated into new wholesale prices in force as of 1 January 1982. The anticipated movement and rise of world prices of raw materials, the envisaged development of contractual prices, particularly of crude oil, and the estimated development of costs in individual branches up to 1985 are projected in wholesale prices valid as of 1 January 1982. An important purpose of the new wholesale prices is to render economic calculations more realistic and to exert, on their basis, pressure to reduce the consumption of materials, particularly of fuels and energy.

As follows from the outlined tasks of the 1982 state budget, the work of financial authorities enters a qualitatively more complex stage which calls for necessary demonstration of initiative in searching for, and finding, new solutions and for adequate improvement of methods and style of labor input.

The current economic situation, however, demands more than further improvement of the techniques applied in the management of financial relations and application of modern data processing systems. It calls mainly for sophisticated, creative thinking by our financial personnel--in other words, for a strict, logical concept of economic laws, comprehensive utilization of economic calculations in order to achieve better economic effects and efficient management in general, and for application of financial analyses, control techniques and other advanced methods of operation.

The application of the abovementioned principles is indivisible from involved work and political activity. The employees of our entire financial system must approach the new, demanding tasks of the budget in 1982 with considerable political responsibility and expertise.

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## BANK MONETARY POLICY TO STIMULATE EXPORTS

Prague NOVA MYSL in Czech No 12, 1981 pp 15-27

[Article by Jan Stejskal: "Bank Monetary Policy at Present Stage of Development"]

[Text] Relying on the experiences of the Soviet Union in building socialism, the CPCZ and Czechoslovak socialist state purposefully make use of the state socialist bank monopoly and of specific bank tools for the socioeconomic transformation of our society.

The Czechoslovak State Bank and the entire bank system discharge their responsibilities and fulfill their tasks in the national economy in accordance with the directives issued by the party and the state, and actively carry out their duties related to the implementation of economic policy, five-year and annual state plans.

As the central bank of the state, the Czechoslovak State Bank draws up and submits to the CSSR Government for approval the CSSR monetary plan, which is one of the integral parts of national economic plans, and in this context its suggestions are used in the planning process for the consolidation of monetary and financial equilibrium. Through its participation in drawing up the economic plans for VHJ [economic production units] and enterprises, the banks presses for their more progressive nature and mobilization of reserves in order to implement the goals of economic policy. By granting credits to the socialist organizations, financing and control of investments, and using tools in the administration of foreign exchange, the Czechoslovak State Bank and the entire bank system actively assist in achieving the goals and fulfillment of tasks of plans of development of the national economy. They control the money supply and by their entire economic activity affect the creation of conditions for withdrawal of excessive amounts of money from circulation. They participate in controlling wage development and carry out payments, treasury and bills of exchange operations.

In accordance with the general emphasis in the management system on increasing efficiency and quality in the entire reproduction process, the State Bank lays greater emphasis on efficient utilization of credits and foreign exchange in the implementation of the state plan, while it promotes on a priority basis the process of more rapid application of new equipment, expansion of progressive productions which achieve optimal results on foreign markets, and effective and economical utilization of basic capital and floating assets.

Special importance has been attached particularly in recent years to the role of the bank in consolidation of monetary equilibrium. The development of currency and its stability are linked to the economic results of enterprises. The planned, proportional development of the social reproduction process is thus of key importance to the planned development of currency.

The bank's monetary policy during the period after 1980, therefore, lays emphasis on the fact that, together with the active promotion and support of goals, intentions and tasks of CPCZ economic policy, conditions must be created for the active use of financial and credit tools in order to promote increased production efficiency and intensification, and simultaneously to consolidate monetary, fiscal and budget balance as stated by the 16th CPCZ Congress in the Main Directions of CSSR Economic Development during the 1981-1985 Period. In pursuing this policy, the Czechoslovak State Bank makes use of experiences and results achieved in the implementation of bank monetary policy and monetary plans in the last period.

Main Tendencies of Economic and Monetary Development during the Sixth Five-Year Plan

The gradual enlargement of the material base of socialists society and the intensification of domestic and international division of labor is making economic management increasingly complex and demanding. The same applies to bank monetary policy, increased effectiveness of bank tools and application of both time-tested and new methods of bank work, particularly in financing, granting of credits and administration of foreign exchange.

Credits advanced to the enterprise sphere amounted to Kcs 421.8 billion by the end of 1980. The amount of these credits represented 86 percent of the national income. The amount of money made available through credits to the economy for financing of the national economic needs is thus considerable and creates the basis for the active role of the bank in affecting the reproduction process.

The bank monetary policy contributed during the Sixth Five-Year Plan to the fact that, despite complex and demanding external and internal economic conditions, our economy further developed; that the basic plan targets were met and the living standard of the population and the economic potential further increased. Social production and social labor productivity also increased. The production increase and the economic growth created the necessary resources for investments as well as for the increase in personal and social consumption. The CSSR's participation in the international division of labor intensified. Foreign-trade turnover increased two-thirds during the Sixth Five-Year Plan.

Monetary development also had some positive features. The state budget was balanced in all years of the Sixth Five-Year Plan and the payment and clearing system in the domestic economy worked smoothly. In contrast to the continuing inflationary development and rapid depreciation of the purchasing power of currencies in all nonsocialist countries, the development of the purchasing power of the Koruna can be regarded as positive.

There were also some problems which were critically pointed out at the 16th CPCZ Congress. The conditions of development worsened to such an extent that, despite unquestionably positive results achieved, the targets set for the Sixth Five-Year Plan were not completely met. Our economy was adversely affected by the general price trend in the world and by the problems in the world supply of energy and raw materials. Among our domestic problems, it was primarily the unsatisfactory implementation of scientific technical achievements in production and inadequate utilization of energy and raw-materials resources and of capital production assets and labor force.

The processing industries insufficiently adjusted their production structure and quality to the national economy's and population's needs. Engineering did not manage to fully adapt to the demanding conditions of the world market and failed to meet its export targets.

Unfavorable climatic conditions during the 1976-1979 period were negatively reflected in the production of grains. The unplanned emergency imports necessitated by our needs put an extra burden on our balance of payments.

These undesirable deviations were reflected also in the monetary area.

The failure to meet the targets set for the increase in efficiency resulted in the smaller production of funds in the enterprise sphere. Profits were 20 points below the monetary estimate. Moreover, inventories increased disproportionately to needs. Inventory turnover slowed down by 3.2 days in industry and construction instead of the anticipated speedup of 6.3 days. Thus credits advanced to the enterprise sphere increased 7.3 points more rapidly than anticipated by the monetary estimate.

The population's rate of savings, an important source of credits, during the Sixth Five-Year Plan was 3.2 percent and 1.2 points below the monetary estimate. The increase in the population's assets was Kcs 20 billion below the monetary estimate.

The fund structure of the monetary estimate and the use of funds contributed to the failure to meet the plan targets in the export of engineering products and necessitated some imports not originally planned. Deterioration of the relation between export and import prices accounted largely for the unfavorable trend in the trade balance. Nevertheless, the balance of trade showed a surplus in 1980.

The aggravated conditions during the Sixth Five-Year Plan made the work of the bank system more demanding in the implementation of principles of bank monetary policy. The greater importance monetary aspects assumed, the more attention had to be paid to the credit and foreign-exchange functions of the State Bank, which was reflected particularly in the improved monetary planning and specification of stricter monetary criteria in regard to effectiveness and repayment of credit in Korunas and foreign exchange. In the drawing up of monetary plans and their implementation in relation to the enterprise sphere, more attention was paid to the problems of the balance of payments, capital investment, money relations to the population, the situation on the domestic market and efficient management of inventories. The method of management by principal goals and other progressive methods began to be employed in the work of the bank.

The application of active methods in the implementation of bank monetary policy during the Sixth Five-Year Plan helped mobilize the reserves in the economy and produced some concrete positive results. Valuable was, for example, its assistance in search and implementation of suggestions for improving the balance of payments, pressure on increased shipments to the domestic market and more effective utilization of reserves in floating assets, on making capital investment more efficient and so on. The achievement of these results was also made possible by more subtile differentiation in granting credits and enforcement of bank rights toward mismanaged organizations.

Bank monetary policy after 1980, whose principles were approved by the CSSR Government in December 1980, maintains continuity with the previous period in the use of bank credit and foreign-exchange tools, preserves and expands what proved effective in the past, but modifies it in accordance with the "Set of Measures for Improving the Planned Management System." It reacts to the specific, complex and demanding conditions expected in the 1981-1985 period in order to actively and effectively affect the economy in accordance with the economic policy formulated by the 16th CPCZ Congress and to fulfill the Seventh Five-Year Plan, budget estimate and monetary estimate for this period.

Bank Monetary Policy in the Seventh Five-Year Plan

The goals and intentions stated in the "Main Directions of CSSR Economic and Social Development during the 1981-1985 Period," which were approved by the 16th CPCZ Congress, will be specified in the Seventh Five-Year Plan of development of the national economy and in the annual operations plans. The fulfillment of these tasks will be considerably demanding because it will take place, as is already the case during this first year of the Seventh Five-Year Plan, under more complex internal and external conditions. Among them, we must mention particularly the limited possibilities and higher costs of acquiring the necessary fuels, energy and a number of important raw and industrial materials both from abroad and from domestic sources, intensification of competition on Western markets, higher demands of foreign and domestic consumers in regard to the quality and technical standard of products, but also the smaller increase in the labor force and more limited possibilities of investment.

In order to accomplish the main goal of economic policy, namely to maintain and raise the living standard even under these demanding conditions, the emphasis is laid on the vigorous promotion of intensive economic development and structural changes aimed at smaller production increase in sectors with a big energy and imported raw-materials consumption and at a bigger increase in production sectors using domestic raw materials, while substantially reducing fuel and energy consumption, and making more efficient use of material inputs.

Undisputable priority is assigned to the area of foreign economic relations. The emphasis is put on achieving a marked excess of exports over imports and increased efficiency of foreign trade.

The monetary estimate for the Seventh Five-Year Plan and the annual monetary plans will help create conditions for the implementation of these tasks, goals and intentions listed in the "Main Directions of CSSR Economic and Social

Development during the 1981-1985 Period." In comparison with the period of the Sixth Five-Year Plan they are characterized by a slowdown in granting new credits (reduction of credit volume). The credit increase will be secured by the mobilization of internal reserves.

The slowdown in granting new credits has been necessitated not only in regard to the pertinent tasks and economic problems, but also because of strengthening the ties between credits and their source. Its purpose is to exert more pressure on the efficiency and quality of the reproduction process and mobilization of reserves in the khzoraschet sphere, on increasing production of funds, particularly of profits in enterprises, and their increased share in financing of enterprise needs, investments and operation.

To secure the planned development of operations credits, the bank has set itself the task of pressing in industry and the building trade for the acceleration of inventory turnover in comparison with the Sixth Five-Year Plan in such a way as to exert pressure on the utilization of considerable reserves in inventories to achieve a production increase which is of extraordinary importance under the conditions of limited supply of fuels, raw and industrial materials. Due to the restriction of investment projects, the increase in investment credits will also slow down. The key criterion for granting investment credits will be the effective support of target programs and plans aimed at the restructuring of the economy, and of societywide priorities which will result in the improvement of the balance of payments.

The population's assets should account for approximately 50 percent of the planned increase in credit funds. This presumes that the rate of the population's savings will be maintained at least at the average level attained during the Sixth Five-Year Plan. In pursuing this goal, the bank will assist in creating conditions to improve the domestic market situation primarily by coordinating the cash earnings of the public with national income formation and ensuing consumer goods supplies in the planned volume, structure and quality.

The monetary estimate for the 1981-1985 period and its concretization in the annual monetary plans will simultaneously set the goals and tasks whose accomplishment and fulfillment will be promoted by the implementation of principles of the bank's external and internal monetary policy during the period after 1980. These principles were approved by CSSR Government Resolution No 400 of 9 December 1980.

The bank monetary policy for the Seventh Five-Year Plan is an integral part of state economic policy, supports the intentions of the state plan and simultaneously also its priorities. Its principal goal is to press for efficiency and economy in the entire national economy, effectively encourage the mobilization of internal economic reserves and utilization of domestic and foreign resources in order to achieve the necessary restructuring of our economy and modernization of production, and particularly to promote the expansion of profitable export productions. This is at the same time also how to consolidate the economic and monetary equilibrium within our economy as well the equilibrium in the balance of payments, and thus also how to consolidate the stability and purchasing power to the Koruna.

To accomplish this fundamental goal, the bank monetary policy will be of an actively restrictive nature during the Seventh Five-Year Plan. This means that, on the one hand, credits and foreign exchange will not be as easily available to the enterprise sphere as in the past. In other words, Korunas will become more precious. This is to be achieved by a more strict and differentiated procedure in granting credits, while observing the basic monetary principle of repayment of credits Korunas and foreign exchange on schedule, and systematically exerting increased pressure on their more effective use with reference to world parameters of efficiency and labor productivity. This tendency will be supported by the slowdown in granting of new credits which should ultimately lead to the mobilization of reserves in the enterprise sphere and to greater economy. On the other hand, the bank monetary policy will markedly support all progressive tendencies toward increased profitability, effective projects connected with the application of scientific-technical progress and increased effectiveness of international commodity exchange. There will be enough Korunas and foreign exchange available to our enterprises for the progressive projects which will open the road to foreign markets.

In accordance with the fundamental goal of bank monetary policy and its actively restrictive nature, the application of scientific-technical achievements will be supported more vigorously in replacement of basic production assets by capital investment in order to compensate for the gradual depletion of the labor force reserve and deteriorating internal and external conditions for acquiring basic raw materials. The emphasis is on the support of efficient forms of capital investment, such as modernization and automation and more rapid application of scientific-technical progress aimed at the restructuring of the Czechoslovak economy and rationalization of production processes. As to the imports of progressive equipment and technology, the emphasis will be on the more rapid repayment in foreign exchange of credits granted in foreign exchange.

The bank monetary policy will more resolutely insist on further gradual reduction of material consumption in the production sector, on more effective utilization of all raw and industrial materials particularly fuels, energy and metals, in order to achieve the greatest possible economy in all sectors of the national economy.

To facilitate the solution of problems concerning the balance of payments and acquisition of foreign exchange necessary for indispensable imports, more assistance will be rendered to the desirable structural changes aimed at the expansion of profitable export and anti-import productions, to broadening the scope of cooperation and specialization agreements and integration projects, and to the more rapid adaptation of production to the requirements of foreign markets.

To cover the population's purchasing power with the corresponding material values in the required quality and structure, bank monetary policy will create conditions for granting credits on and foreign-exchange support of the increase in needed production of consumer goods, including goods obtainable only with difficulty or in short supply, and for providing better services paid for by the population in order to help maintain and raise the existing living standard.

## New Features and Tools of Bank Monetary Policy

To attain the goals followed by the bank's internal and external monetary policy, the mechanism is being improved for use of bank monetary tools, such as credits, interest, money-supply control and foreign-exchange monetary tools in order to make them more effective in the national economy and to create conditions for better discharging of the functions and tasks of the bank system, particularly in the areas which are most important from the monetary standpoint, such as balance of payments, intensification of the equipment-replacement process, profitability of investment projects, utilization of inventory reserves and consolidation of the balance on the domestic market.

The improvement of bank tools is part of the new economic mechanism, employed in accordance with the "Set of Measures for Improving the Planned Management System" since the beginning of 1981, and is linked to the measures effected in other areas of economic policy and economic management.

The improvement of monetary planning is also closely related to the measures for improving the planned management system which lay greater emphasis on the long-term nature of planning of target programs and the qualitative aspects of development. The role and mandatory nature of the five-year monetary estimate is underscored. This creates conditions for concretization of goals and tasks in the credit and foreign-exchange area in relation to ministries, VHJ and enterprises with reference to their five-year plans, and spells out in the five-year credit protocols also the conditions for attaining these long-term goals. Qualitative monetary criteria will be applied more effectively at all stages of the planning process in order to enforce the criteria of efficiency. Methods of implementing the monetary plans will be devised in such a way as to increase the interest and responsibility of ministries and enterprises for the development of credits.

Further work on improving monetary planning aims at the tightening of links between individual parts of the monetary plan in such a way as to strengthen the unity between the activities of the bank system in the area of credits, money turnover in cash and instruments of credit and administration of the foreign-exchange supply in order to establish closer ties between the Korunas and foreign-exchange area in the drawing up and implementation of plans, and to make bank tools more efficient.

Conditions will thus be created for exerting a bigger effect by the bank system on the implementation of domestic and foreign bank policy.

## Domestic Bank Monetary Policy

The purpose of new measures in the domestic bank monetary policy is to enhance the active role of the bank system and effectiveness of its work in relation to the enterprises and thus to help implement the CPCZ economic policy.

The focus of the bank economic work shifts to the stage of drawing up of economic plans in order to strengthen the preventive impact of the bank on the optimization of these plans in accordance with the criteria of efficiency and economy. The active bank participation in drawing up of plans for VHJ and enterprises, connected with the discussion of credit needs and terms for

and enterprises, connected with the discussion of credit needs and terms for granting credits, will focus on the enforcement of requirements necessary for achieving equilibrium in the balance of payments, on the support of increased production for the domestic market and on the utilization of all production factors. The bank will render active support of the worker initiatives in the application of principles of counterplanning.

To implement the intentions and measures in the new economic mechanism which are designed to increase the responsibility and interest of enterprises in the qualitative aspect of the reproduction process, the differentiated attitude of the bank toward enterprises is becoming more strict. The terms for granting credits are defined in more detail and the requirements of their effective use are made stricter. The criteria of effectiveness in using credits will be specified in accordance with the conditions prevailing in individual VHJ and enterprises. If the agreed upon criteria are not observed in the implementation of plans, the bank will exercise its authority to force the elimination of shortcomings in the management of those organizations to which it granted credits.

On the other hand, the bank will increase its assistance to VHJ and enterprises which on their own initiative try to carry out progressive measures in order to implement the plan and economic policy. The conditions are therefore, modified for granting interest rebates in order to alleviate bottlenecks and lessen the risks involved in planning. The bank tries to create credit and foreign-exchange reserves in the monetary plan and link them to the material reserves in the state plan through utilization of which a broader basis could be acquired for credit and foreign-exchange assistance to highly profitable projects, which are judged as such according to strict economic criteria and guarantee rapid recovery of invested Korunas and foreign-exchange funds.

In view of the increasing complexity of our economic development and persistent shortcomings in capital investment, the bank will employ stricter criteria in granting investment credits and in economic control over capital investment. The bank will more thoroughly examine as early as in the planning stage the effectiveness of individual projects, their indispensability with reference to the existing capital assets, and the prerequisites for their future operation. It will pay special attention to their positive effect on the balance of payments and particularly to the recovery of foreign exchange spent on imports and to the verification of future exports and their effectiveness by parametric criteria. Credits will not be granted on projects with the low profitability rate or other major shortcomings.

In the course of construction, the bank will advance additional credits, if by so doing it will speed up the completion of projects. On the other hand, the procedure will become more strict, if the investment process reveals basic defects such as nonadherence to completion deadlines or exceeding budget costs. In such instances, the drawing on credit will be stopped and additional penalties will apply.

The work with credits following the completion of projects will substantially intensify in order to strengthen enterprise financial incentives for observance and shortening of planned construction deadlines and to emphasize their

responsibility for construction defects at the same time. For this purpose, the possibility will be used of making credit more or less expensive within the specified 4-8 percent interest rate range instead of the former uniform rate of 6 percent.

In support of the goals followed by the establishment of development funds in VHJ and enterprises, the bank will grant credits in this category of investment projects--at a more advantageous interest rate of 4 percent--only to those complying with the specified criteria of profitability and particularly with the rapid recovery of Korunas and foreign-exchange funds invested.

In support of the implementation of the basic line of CPCZ economic policy aimed at the intensification and increased efficiency of the national economy, more operations credits will be used for this purpose. The criteria of effective use of operations credits have been so defined as to actively support the initiative of economic organizations and progressive tendencies, particularly in support of profitable export productions, enlargement of the assortment of consumer goods for better satisfaction of workers' needs and of measures designed to improve supplier-customer relations and the structure and more effective use of working capital and inventories. At the same time, however, the application of these criteria will exert greater economic pressure on the elimination of shortcomings in enterprise management caused by the inadequate use of production factors, waste and insufficient innovation activity.

The most important operations credit is credit on inventories. By credits on inventories the bank makes available the funds necessary for maintaining adequate inventories for the fulfillment of planning tasks while insisting on definite inventory turnover and improvement of inventory structure in order to achieve the optimization of inventories whose development has not been favorable in recent years. The bank will grant credits primarily on the key types of inventories which are of decisive importance for the efficient administration of inventories and particularly on inventories resulting from imports. Special attention will be paid to inventories earmarked for production for exports.

To enforce payment discipline and to consolidate supplier-customer relations, the bank renders credit assistance to organizations which have a temporary shortage of funds. For enterprises with a chronic shortage of funds, special long-term credit assistance will be rendered in the form of so-called consolidation credits which are advanced, in cooperation with the enterprise supervisory organs and other central agencies, in those instances when the enterprise is not able to restore, with its own funds, the balance in management and when it is necessary, with the help of supervisory organs, to enact more radical measures.

In connection with the production-specialization and concentration process, application of scientific-technical achievements and increasing the complexity of economic development, the VHJ will have to exert greater authority and assume greater responsibility. This new position of VHJ in the khozraschet sphere is also taken into account by the bank, and the discussion of basic credit problems thus shifts to the middle level of management and appropriate organizational department in the bank (the so-called sectorial department).

This is not just a formal, administrative centralization of credits which is carried out apart from other areas of management, but an economic centralization which stems from the economic conditions created by the decisions on investments, planning, recording and storing of inventories, billing, management of technical development, personnel and so on. Relations between the bank and VHJ will preserve the economic ties in the areas in which the decisions are made on efficiency and economy, plan fulfillment, costs and worker initiatives in order to eliminate the possibility of covering up deficiencies in some enterprises by excellent results achieved by other enterprises.

External Bank Monetary Policy

The resolutions of the 16th CPCZ Congress on further development of the Czechoslovak economy during the Seventh Five-Year Plan are based on the necessity of achieving the long-term dynamic equilibrium of the balance of payments by using the greater part of the increase in national income for the improvement of the balance of external economic relations. This emphasized priority of external relations means that the financing of all import needs, despite the continuous increase in import prices, will require a big increase in exports, substantially more effective utilization of all imports and particularly of imported raw materials, while restricting the scope of investments.

The foreign-exchange policy of Czechoslovak banks will, therefore, focus in the future on increasing the profitability of exports, reducing the import requirements of production and exports, adaptability of the production sphere to the requirements of foreign markets, enforcing the principle of rapid recovery of foreign exchange in the use of all foreign-exchange funds, and on the systematic promotion of export competitiveness, primarily in the area of new investment projects, by making more effective the monetary tools in the area of foreign exchange--particularly the monetary plan, the Korunas exchange rate and foreign-exchange regulations and incentives.

The foreign-exchange policy will focus on the support of greater international socialist economic integration within CEMA member states as the basic factor in the dynamic development of the economies of the socialist community. The tool for this territorial orientation of foreign-exchange policy will be the coordination of national economic plans with the CEMA member states, long-term agreements and annual protocols on mutual commodity exchange and payments.

The implementation of the "Comprehensive Program of Further Expansion of International Socialist Economic Integration" will result in the permanent and dynamic development of the economies of CEMA member states on the basis of international socialist credits advanced by the International Bank of Economic Cooperation (MBHS) and International Investment Bank (MIB) in Moscow. Within these socialist forms of multilateral economic cooperation, the CSSR grants bilateral credits on a multilateral basis, for example, for construction of major production capacities in CEMA countries, within economic cooperation and assistance to the MoLR [Mongolian People's Republic], VSR [Vietnam Socialist Republic], Cuba and others. On the other hand, the CSSR obtains credits from the MBHS and MIB for projects of an integrational nature either in the CSSR or in other CEMA countries in whose construction the CSSR participate.

The resolutions of the 16th CPCZ Congress emphasized the necessity of rapid transition to the intensive development of the Czechoslovak economy with its full participation in the international division of labor and further increase in efficiency resulting from increases in labor productivity and application of technical achievements. One of the major prerequisites of this orientation of CSSR economic policy during the Seventh Five-Year Plan will be the strengthening of the role the Koruna exchange rate as the objective tool for comparing the results achieved by Czechoslovak production with top world manufacturers and for exerting greater pressure on increasing the efficiency and performance of the Czechoslovak economy.

A characteristic feature of this foreign-exchange policy will, therefore, be the active use of the domestic trade value of Korunas for putting value relations on a realistic basis in the process of drawing up and implementation of plans. In accordance with the dynamics of development of the relation between domestic wholesale prices and prices of our products exported abroad, the bank will systematically and continuously objectify the domestic trade value of Korunas, and thus offer to economic subjects at all levels of management a reliable criterion of efficiency of domestic production and commodity exchange with foreign countries. The more frequent adjustments of the domestic trade value of Korunas will guide both production and foreign trade to more pertinent and prompt reaction to the actual conditions in the world.

The purpose of this active foreign-exchange policy is to show the directions of further increase in efficiency of production and foreign-trade exchange, to stimulate Czechoslovak exporters to achieve greater export profits, to contribute to the elimination of adverse effects of capitalist price inflation on domestic value relationships, and thus to contribute to the stabilization of the domestic price level.

The long-term equilibrium of the CSSR balance of payments in relation to the socialist states is maintained by the annual coordination of national economic plans and their implementation, and in relation to the nonsocialist states by the regulation of payments for the planned imports in accordance with the fulfillment of export plans directly linked to the collection of payments.

During the Seventh Five-Year Plan, the bank will release foreign-exchange funds primarily for imports necessitated by projects requiring minimum foreign-exchange inputs (including payments for imports raw and industrial materials) which will soon and permanently produce the largest additions to our foreign-exchange supply, which in turn could be used for financing of our society's needs. The best way to achieve this goal will most likely be the granting of fully recoverable foreign-exchange credits provided that the net foreign-exchange gain will amount to one Koruna for each Koruna paid for imports. Only in exceptional instances of imports important to the national economy, could this relation be reduced, but not to less than 0.75 Kcs. This means that the net value of imported machinery or equipment (its FOB price in crowns after the subtraction of interest paid to the supplier or foreign bank) must be repaid in less than 1 1/2 years.

Such a rapid recovery can be achieved primarily by modernization projects of an intensification nature--with low construction costs and a short period of putting them into operation--which will make the production process more

efficient, increase the number of shifts worked, reduce the labor force requirements, utilize the domestic production base more effectively, contribute to the innovation of products and their improved salability abroad, and so on.

The implemenation of the above goals of bank monetary policy will require that the workers of the entire bank system actively contribute to the fulfillment of the tasks of CPCZ economic policy which were set for the period of the Seventh Five-Year Plan by the 16th CPCZ Congress. An indispensable prerequisite for that is the increased efficiency of the economic work of the bank, particularly in relation to the enterprise sphere, which will require not only the improvement in the political and professional qualification of its workers, but also their initiative and committed national economic attitude and search of new work methods by the bank for the solution of complex problems. Specific measures in this respect are spelled out in the "Czechoslovak State Bank Program for Implementation of Tasks Laid Down by the 16th CPCZ Congress" which directs the bank workers to increasing their share in the solution of basic tasks under the present demanding conditions.

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## DEPUTY MINISTER VIEWS FOREIGN TRADE POLICY

Prague HOSPODARSKE NOVINY in Czech 22 Jan 82 pp 1, 5

[Article by Jaroslav Jakubec, deputy minister of foreign trade: "Effective and Rationalized Import Policy"]

[Text] It is a generally known fact tha the Czechoslovak economy has a typically industrial-processing character and its functioning is to a large measure dependent on imports, especially in fuels, raw materials and a number of other materials and products of the processing industry. More than one-third of CSSR net national foreign trade income derives from the raw national processing fees in the foreign trade area (exports and imports). It is natural, therefore, and this was emphasized at the last session of the CPCZ Central Committee, that our economic policy must devote maximum attention to the area of import management.

This necessity is accentuated, on the one hand, by developments in external conditions, notably the sharp price increase of fuels and raw materials on world markets in the 1970s, as well as the more difficult conditions of their procurement and, on the other, by certain unanticipated developments in internal economic factors which in many ways increased the demand for imports in our economy, despite the increasingly unfavorable external situation. This is attested to by basic data on our imports during the Sixth Five-Year Plan (1976-1980).

While our social product rose 24 percent and the national revenue 17.5 percent during this period, our imports increased 61 percent during the same period, of which imports from socialist countries rose 60 percent and from nonsocialist countries 69 percent (all data in prevailing prices, was about 10 percent, while the annual growth of the physical volume of imports/represented 3.2 percent. The difference between the two indicators expresses primarily the effect of increased import prices. With respect to our trade and payment balance (expressed in foreign-exchange Kcs) in 1981 showed a debit even in relations with the principal trading areas, while the greatest liability was registered in relations with the developed capitalist states (about 2.5 billion foreign-exchange Kcs).

The basic goods structure of our imports during the Sixth Five-Year Plan, was characterized by the following figures:

--the share of fuels, substances and raw materials in overall CSSR imports, rose from 46.6 percent to 48.7 percent, while import growth during 1975-1980 was about 70 percent;

--the share of machinery, equipment, and instruments in overall CSSR imports remained at about 37 percent, while import growth during 1975-1980 represented slightly over 60 percent;

--the share of food products and raw materials fell slightly (from 9.2 to 8.7 percent), the share of foodstuff raw materials, however, rose. Imports of food products and raw materials rose almost 60 percent from 1975 to 1980.

--the share of consumer goods (excluding foodstuffs) fell from about 7 to 6 percent, nevertheless, imports of these goods rose about 40 percent from 1975 to 1980.

The cited figures show the dominant role of fuels, substances, and raw materials (especially fuels, mineral raw materials and metals) in our imports in terms of imports from both the socialist and nonsocialist countries. The share and dynamism in imports of this goods grouping, along with necessary imports of agricultural products, greatly limit the available means in our trade balance for imports of machinery, equipment and other products of the processing industry.

Reflection of Insufficient Intensity and Thrift

There is no doubt that the overall volume and basic type of goods we import are dictated to a great degree by the given material and economic conditions in the CSSR. However, we must not underestimate the effect of those factors and pressures from within the economy and its reproduction process which are a reflection of insufficient intensity and effectiveness of production processes and their management, inadequate emphasis on scientific and technological advances, slow progress in desirable structural changes, etc. on the existing level of and increasing demand for imports in our economy. Imports made necessary by these problems and shortcomings lose, especially with respect to a long-term outlook, their socially rational and effective character, and rather contribute to the problems which they are meant to resolve.

Fuels and raw and other materials constitute the largest and most forceful component of our imports from abroad. According to certain calculations, consumption of energy and raw and other material per unit of net production in the CSSR is as much as 40 percent higher than in other industrially developed countries, which raises disproportionately the demand for imports. It is without doubt that consumption rationalization in fuels, energy, metals and other raw materials, lowering their standard use per unit of production, represents a great reserve of higher effectiveness throughout our economy, as well as less pressure on the balance of payments.

In agricultural production, higher import requirements (besides those caused by inclement weather) are caused especially by insufficient intensity and utilization of plant and animal production reserves, disproportionate losses in production, shortcomings in adding value to foodstuff raw materials in the food-processing industry, inadequate protection and utilization of soil, etc. All this raises the demand for imports of temperate climate agricultural products (fodder, grain, fruit and vegetables, so-called low-tonnage raw materials, etc.).

Shortcomings in capital investment construction, extension of investment cycles and failure to meet deadlines are unfavorably reflected in imports. Among the most flagrant of these is the fact that imported machinery and equipment are left idle and are not immediately put to use in the production process due to failure to adhere to harmonograms and deadlines of capital investment construction. Falling behind planned deadlines in activization of new and reconstructed production capacities often causes a need for more imports of those products which were to be replaced by domestic production.

Some negative influences in imports emanate from insufficient application of scientific and technological progress, from inconsistent implementation of modern structural changes, from shortcomings in and adaptation of the structure of production to the structure of need and from a slow tempo throughout the processes of innovation. This is clearly demonstrated by cases cited in another context.

Also among these are, for example, the consequences of insufficient progress in the application of modern changes and innovative processes, especially in the microstructure of our production, which lead, among other things, to steadily growing imports of finishing products and components needed for securing our deliveries of capital-investment units for export. It is here that the lagging state of our electronics industry and production elements is most pronounced.

From a long-term point of view, it is downright harmful to continue imports of semifinished products and products of those branches which could be developed through an adequate raw material base at home (e.g., lumber, glass and ceramics raw materials, etc.) and for which there are appropriate economic conditions here. In this respect, we must mention especially the inadequate final processing of many types of domestic raw materials, often semifinished products (but also a number of imported raw and other materials), which hinders our national effort to add maximum value and causes additional import requirements.

Innovation in assortment and quality of both engineering and nonengineering consumer goods is not as good as demanded by a growing living standard and the needs of our consumers, and has not yet undergone structural changes corresponding to the demand for high-quality, even luxury, goods. The shortcomings in assortment and quality of our consumer goods on the domestic market are then often resolved through imports of even those goods which have traditionally been produced here. At the same time, certain production capacities manufacture goods in which there is no interest on the domestic market or abroad, and often use for this purpose raw materials and energy which had been imported, not to mention other production factors.

## Consequences of Uncontrolled Relations

Many problems and cases of waste in imports also stem from shortcomings in the system of management, especially in the planning process of production and the securing and application of producer-consumer relations throughout the national economy, and between production and foreign trade. Increased pressures for imports appear, for example, as a result of insufficiently balanced intermeshing of sources and needs, production and utility, of low planning and contractual discipline between producers and consumers within the framework of our economy, of difficulties in ensuring cooperative and finishing deliveries for the final producers, etc. These problems affect our economic subjects primarily as consumers (buyers). Many of these seek a way out--rather than the more difficult internal solution--by submitting requests for imports.

The system of management has so far not exerted sufficiently forceful pressures on the growth of effectiveness and thrift and on adding maximum value. To all sources of economic growth, including imports. Economic instruments and value-added criteria (especially relations and level of wholesale prices) have also not provided enough leverage in this direction.

Shortcomings in the balance of availability and needs, and in producer-consumer relations have in some cases led to undesirable counterdirectional exports and imports of identical utility values, with accompanying waste in foreign exchange.

Among the most serious shortcoming, however, is the fact that all that we know of the unfavorable external influences on the reproduction process and on securing the import needs of our economy has not yet been projected with sufficient urgency and seriousness into the economic thinking and action in all areas and at all levels of management. It is taking a disproportionately long time to overcome this 'mental block.'

Certain elements of waste are also brought into our import operations in the area we might call the import infrastructure in the CSSR. This involves, for example, shortcomings in storage management, in transportation, etc., which make the handling of and adding of value to imported goods more difficult, increase cost, limit possibilities of import purchases at more favorable prices (the so-called business-boom purchases), etc. Moreover, in many cases there is even unwarranted demand, in other words, insufficient differentiation of CSSR producer and consumer standards, inadequate effort to eliminate certain undesirable traditional habits and preferences of our consumers, etc.

## Binding Element in Economic Policy

The above-mentioned principal problems and shortcomings demonstrate or touch upon the main areas and avenues of approach through which economic policy must strive for higher rationalization, effectiveness and thrift in the securing and optimum utilization of resources in economic growth, including imported assets. In this, especially in imports, there is no doubt that elimination of unnecessary, excessive, thus economically irrational, imports, can open a long-range opportunity for more imports of those products which will more

significantly contribute to the growth of effectiveness in our national economy and to optimum utilization of the advantages stemming from the international division of labor (purchase of modern technology, machinery, equipment, licenses, etc.), as well as enrichment and diversification of our domestic market, etc.

We have already discussed the external conditions under which we ensure our import needs, i.e., the overall trends in global economy and international trade. In this regard, we should recall the fact that the development of new price relations on the world markets also affect (often drastically) the economic criteria for the utilization of domestic raw materials (and the effectiveness of related processing operations) in comparison with outlays for their import and provides an impulse for better value-adding and general utilization of domestic natural resources and existing production factors in the CSSR.

The question of a dynamic concept in the overall economic balance is currently the focus on economic policy of any rationally managed state and national economy. The higher its participation in the international division of labor, the more important is a country's external economic balance. Therefore, securing a balanced payment and trade development with foreign countries, is one of the most important elements of the concepts of Czechoslovakia's economic and foreign-trade policy.

If, in connection with the balance of payments and trade, we speak of import needs in our national economy, we should remember that it is not merely a question of importing material values, but also of the means for the purchase of transport and many other services related to the realization of export and import operations in our foreign trade, the cost of licenses, credit, etc.

To cover objectively and economically justified import needs in our economy, early enough in the process, we must create the necessary foreign currency funds through exports of our goods and services. These must not be exports "at any price" but rather economically effective exports through which we will best maximize the value added by our national effort. Raising the export potential, increasing the competitiveness of our products on the world markets, and higher exports than imports, must become the strategic cornerstones of our economic policy in the area of external relations. In this respect, we start from the fact that internal and, especially, external conditions and their development categorically demand that we restore and maintain within a relatively short time an even payments and trade balance overall, especially in trade with the nonsocialist countries.

We are led to this requirement by many factors. Getting credit in the nonsocialist countries is becoming increasingly more difficult. The conditions and cost (especially interest rates) of its procurement are so prohibitive that its use in our economy is highly ineffective. We cannot allow the overall level of our indebtedness to exceed a reasonable level which reflects the economic potential of our country. We cannot permit the emergence of an untenable burden on our balance of payments and export potential in the form of credit obligations (principal and interest payments).

Such a situation would entail serious economic risks, narrow significantly the scope of our economic policy and could even bring about the danger of political misuse of the indebtedness against the interests of Czechoslovakia and the entire socialist system. It is certainly not necessary to look too far for examples of such phenomena.

The task of ensuring dynamism in the payments and trade balance is dealt with in our foreign-trade policy in the context of our fundamental goals and tasks of economic strategy set forth by the 16th CPCZ Congress, namely, a more effective integration of our economy in the international division of labor and its full application in raising the intensity and effectiveness of the whole reproduction process in CSSR economy. An activist approach to meeting the cited goals lies especially in improving the export performance of our economy as the basic prerequisite for securing our import needs.

This area of securing import needs is a part of and subordinate to the strategic goal of intensification and effectiveness growth throughout the reproduction process of the national economy, such as maximum value added to all resources, lowering standard consumption of energy, raw and other materials, better utilization of domestic raw materials, higher effectiveness in capital investment construction, faster application of scientific and technological progress and innovation, carrying through structural changes in production and consumption, intensification of agricultural production, etc.

We rightly believe that our economic and foreign-trade policy even in this area is quite compatible with the criteria of economic rationality and effectiveness on both the national and international scale and that in its orientation it does not differ from economic and trade policies of other countries involved primarily in industrial processing.

No one--neither at home nor abroad--should expect that we will benevolently tolerate, or even support, the continuation of manifestations of poor effectiveness and waste in the reproduction process of our economy at the cost of disproportionate growth of imports or even higher external indebtedness.

We Are Not Striving for Autarky

For the purpose of summing up the goals and measures of our economic policy, we often use the simplified and consequently quite inaccurate term "anti-import policy." It naturally follows from the preceding analysis that the term "anti-import policy" cannot be interpreted as a trend toward autarky or reduction in CSSR participation in the international division of labor, nor can it be reduced to "a struggle against all imports." In the context of the economic and natural conditions in Czechoslovakia and given the future goals of its economic development, such an interpretation is devoid of all logic and economic justification.

We will continue to import those types of goods and products for the manufacture of which we have no natural or economic conditions here at home and we will be purchasing transport and other services abroad, etc. The volume and structure of imports, however, will be subject to strict criteria of economic rationality, effectiveness, thrift and maximum value added to all production factors and resources applicable to our entire economy. We apply an activist approach to

creation of funds for imports, i.e., higher export potential and better competitive qualities of our products. Both these avenues are necessary for the restoration and maintenance of external balance.

The choice of imported resources will be made in a manner which satisfies economic needs in the procurement of the needed technological and economic level of imported utility values, under the most favorable price and other commercial conditions, and with consideration of the requirement to reduce currency outlays.

It will be necessary to further improve internal systemic and substantial conditions for higher effectiveness in commercial and technical operations in imports, for better utilization of favorable prices in business-boom purchases, for making purchases directly in the producing countries, thus eliminating unnecessary intermediaries, as well as other measures which would contribute to lower foreign-currency payments for imports.

It is obviously also desirable to develop nontraditional enterpreneurial forms allowing import of modern technology to enhance our export potential on the basis of self-financing.

Like our exporters who are encountering increasingly more complicated conditions and sharpening competition on the foreign markets, current and potential suppliers of our market must expect a higher demand by our importers for overall competitiveness of their products, commercial and price conditions, technical services, etc.

The goal of our economic policy calling for the restoration and maintenance of external economic balance (in its individual components, such as trade and payment balances, etc.), is economically justified and has an activist and dynamic character which does not at all limit the opportunities for further growth, integration of our economy in the international division of labor, nor does it hamper development in foreign trade or other forms of economic cooperation. In order to make full use of these opportunities, an adequate approach by our economic and commercial partners will naturally be required, too.

To ensure conditions for balanced and dynamic trade development with the socialist countries in the future, above all, within CEMA, we will, along with our partners, utilize much more actively and with more incentive opportunities of developing economic, scientific and technological and other forms of cooperation within the process of socialist economic integration, and continue to improve the effectiveness of its mechanisms.

It is significant in this respect that the CEMA member states place in the foreground the requirement of consistent passage to an intensive type of economic development, which fully corresponds to our own strategy.

Trade is a Two-Way Street

With respect to our relations with the nonsocialist countries, it is a known fact that our balance of payments in convertible currencies has to some extent been evened up by our accepting credit from abroad. Stated differently, this means that our export performance in this area was unable to fully compensate for our import needs, including necessary foreign-currency means to cover services, etc. For this reason, the fundamental condition of future development of economic and trade relations with the nonsocialist countries is accelerated dynamism in our exports by means of internal measures to enhance the competitiveness of our products on world markets.

On the other hand, we should note that our exports to this area, especially to the developed capitalist states, are encountering some problems emanating from the unfavorable economic and business situations in these countries. We are disturbed by some of the protectionist and restrictive measures in these states, aimed at limiting imports, frequently in a discriminatory manner, which affects our traditionally exporting branches (many types of consumer goods, metallurgical products, etc.). It would be in the interest of mutally beneficial future development of trade relations to reduce, or at least not expand further, these political and commercial obstacles. By the same token, in other forms of economic cooperation, such as technical and production (industrial) cooperation, it would also be desirable to create mutual conditions for their development on the basis of mutual benefit and thoughtful balance.

In the export policy of the developed capitalist states toward the CSSR and the other socialist countries, there increasingly appear elements of a discriminatory and restrictive character whose continued motivation in a number of cases clearly stems from subordinating economic relations to political objectives. This includes especially the misuse of the embargo, sharpening of so-called export-control in the area of high-technology products, measures governing the extent and conditions for granting export and other types of credit, etc. These manifestations signal to us the need for caution by us in planning future development of economic relations with certain capitalist countries, even with respect to possible future orientation of our import sources.

In relations with the developing countries, it will be necessary in future development of our imports, to make sure that both sides, the CSSR and the respective developing countries, create conditions especially for direct export from these countries to the CSSR without unnecessary intermediaries, and for more activism and competitiveness of the exports of these developing countries on our market.

By means of gradual structural changes in production and consumption, and through development of higher forms of economic cooperation between the CSSR and interested developing countries (especially technical and production cooperation), it will be possible to create conditions for further growth of exports of semifinished and industrial products from the developing countries to the CSSR.

It has often been said with authority that development of foreign trade is a two-way street. The course on our side of that street is characterized by continuing activist efforts toward a mutually benefical, equitable and balanced growth of economic and trade relations with all interested countries. We expect a similar course from our partners abroad.

9496
CSO: 2400/143

## BRIEFS

MERCHANT FLEET REDUCTION--The GDR is reducing its merchant fleet. As announced, "several large ships" are to be "decommissioned" this year. The primary reasons are apparently economic; among other things, fuel is to be saved. With a clearly reduced transport capacity, the merchant fleet is to transport about 10.5 million tons of cargo according to the 1982 plan (12.5 million tons in 1980). The target for this year is to be attained especially by increasing the "tonnage productivity." In 1980 the GDR merchant fleet listed 192 ships totaling 1.3 million gross register tons. [Text] [Bonn IWE-TAGESDIENST in German No 9, 20 Jan 82 p 1]

CSO: 2300/175

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HUNGARY REDISCOVERS MORTGAGE BONDS

Budapest FIGYELO in Hungarian 10 Feb 82 p 5

[Article by Endre Ferenczi: "Mortgage Bonds Rediscovered"]

[Text] There is an increase in the number of ads seeking financial backers for business ventures. There obviously are, and will be, persons with liquid assets who would like to derive more income from such assets than what interest the OTP [National Savings Bank] pays on deposits. However, the bringing of such assets into a partnership is legally limited, and the transfer of such assets is not entirely without risk. The objective is to create a flow of personal capital that truly enhances the interests of the national economy. Today this is already necessary and even feasible.

At present there is practically no framework within which the Hungarian banking system can supply credit for the business partnerships of private individuals (outside agriculture). Therefore it will be worthwhile to consider reviving a forgotten branch of bank business: the writing of mortgages and the issuance of mortgage bonds. (One should not be confused by the fact that today OTP provides mortgages for housing construction, but it does not issue and market certificates covering a partial interest in the mortgages.)

It will suffice to start out from the fact that eager and imaginative entrepreneurs often do not have sufficient cash. However, they might have a summer cottage or building lot that they do not wish to sell to finance the venture, but would gladly put it up as security for credit. The private individual who in principle would be willing to make his liquid assets available for the venture will find it very difficult and complicated to have his claim secured with such real estate. The practice of securing loans with real estate worked well for a long time, but in our country it has fallen mostly into disuse. It could be employed again, although on a limited scale.

Questions of Interest

"Since in Hungary the issuance of mortgage bonds has ceased in practice more than four decades ago, even experts have forgotten most of concepts, regulations, methods and business practices related to the issuance of mortgage bonds, and to the loans on the basis of which the mortgage bonds are issued," wrote Dr Laszlo Jozsef Nagy in 1972, in his work entitled "A Zaloglevel-Kibocsatas Alapjaul Szolgalo Torleszteses Kolcson Konstrukciojanak a Kialakulasa" (Development of the Scheme of the Amortization Loan That Serves as the Basis for Issuing Mortgage Bonds) that was commissioned by the Economic Department of the Hungarian National Bank. Not much has

happened in the ten years since the publication of this work, and the proces of falling into oblivion continues. Thus it will be worthwhile to refresh our knowledge of these concepts.

"A mortgage loan is a loan secured by real estate. The real-estate property is the security. Personal property usually is pawned: the debtor transfers possession to the creditor. But real-estate property is pledged as security only symbolically, by entering the mortgage in the creditor's favor, on page C of the real estate's cadastral file."

"The mortgage bond, usually a bearer bond that earns interest at a fixed rate, is issued pursuant to special statutory provisions, by a financial institution that engages in mortgage lending, up to the amount of its outstanding loans that have been approved in accordance with the institution's by-laws and are fully secured by mortgage."

"Over the course of the loan the debtor repays it in equal-amount annual installments that include both principal and interest. Fixed capital's payoff period is long, and therefore also the loan must be a long-term one." (All quotes from the cited work.)

The first question we must examine is what type of real estate can be mortgaged, with special attention to the peculiarities in Hungary. On the basis of the statutory regulations restricting the acquisition of real-estate property, the types of real estate that can be used to secure a mortgage loan are vacation homes, weekend cottages, empty lots, and possibly nonowner-occupied, temporarily let condominiums and family homes. A condominium or family home peramanently occupied by the owner or someone else is unsuitable for this purpose, because the auctioning of such real estate in the case of default would raise numerous and well-known problems in conjunction with finding other premises for the owner or tenant.

The rate of interest on mortgage bonds must be sufficient to offer, after income tax, a higher return that the 7-percent interest currently paid on a 3-year savings certificate. The mortgage bond's term can be 10 to 15 years. This would approximately be in accord with the longest terms of the investment credits offered by MNB [Hungarian National Bank].

On the basis of the term and the interest rate, the annual installment should be around 18 to 20 percent. At first glance this seems high. But one should consider that one of the conditions for obtaining investment credit, according to the credit-policy directive for 1981, was a profit of at least 14 percent on invested capital; and for 1982 it is even more, due to the higher interest rates and the changes in the economic regulators. Moreover, a profit much higher than 20 percent can reasonably be expected of small, agile ventures that are labor-intensive rather than capital intensive.

Negotiability

Mortgage bonds must be nogotiable. Since there is no stock exchange under our social and economic system, negotiability can be solved only by having the issuing bank repurchase the mortgage bond--at the owner's request, and perhaps below the nominal value--and then resell it. The question is what volume and value of mortgage bonds can be expected to be issued and resold if this idea is adopted.

There are two limits on the volume and value of the mortgage bonds. One limit is the lending capacity and interest of individuals with suitable liquid assets. And the other limit is the number of entrepreneurs that have real-estate property suitable for mortgaging and are seeking such loans, in the expectation that the profit from the venture financed with the capital borrowed in this manner will exceed the cost of servicing the loan. It is of course impossible to offer numerical estimates in the stage when an idea is first raised. If suitable interest rates are set, however, I assume that the volume and value of mortgage bonds will be limited by the demand for credit rather than by its supply.

Acceptance of the proposed scheme raises questions of taxation and legislation as well. At first glance it seems that interest payments on the loans should be charged to the costs of the venture, while the interest earned by owners of mortgage bonds--unlike the interest paid on OTP deposits--would be subject to income tax. If the financial authorities concerned were to depart from this concept and decide that such interest income is not taxable, then the interest rate could be lower, to stimulate ventures. The securing of mortgage bonds is governed by two laws, one enacted in 1876 and the other in 1928. It is safe to assume that these statutory regulations will have to be brought up to date and amended.

It would be warranted to ask whether the unearned income of the owners of mortgage bonds would mean the return of capitalist society's "coupon clippers," although fewer in number and on a smaller scale. It will be worthwhile to quote again from the cited publication of the Hungarian National Bank: "In any social system that recognizes private or personal ownership of real-estate property it is possible to issue mortgage bonds and make mortgage loans. Thus the mortgage bonds, and the loans on the basis of which the bonds or certificates are issued, are by no means capitalist categories. They existed already in the last decades of feudalism, and there is nothing to prevent the issuance of mortgage bonds in the period of building socialism, as this has been demonstrated also by the example of GDR.

To these arguments we might add that the interest is income derived from savings, in the same way as the interest on savings deposits. Furthermore, the value of privately owned real estate, often inadequately utilized, could be employed in this manner to help finance ventures that are in accord with the objectives of the economy.

1014
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## SEVERAL ENTERPRISE BUSINESS WORK PARTNERSHIPS LAUNCHED

Budapest MAGYAR HIRLAP in Hungarian 18 Feb 82 pp 1, 4

> [Text] Taking advantage of the existing opportunities, many enterprises have already formed or are forming intramural ventures for which the enterprises themselves provide equipment and work. MTI reporters acquaint us with such initiatives.

The Transelektro Foreign-Trade Enterprise (Transelektro Kuzlkereskedelmi Vallalat) hired multilingual architects, engineers and technicians. They form a separate work partnership that monitors foreign invitations to tender, quickly prepares the plans and budget for the proposed investment and submits the tender. The greater flexibility and speed can benefit the entire business of the foreign-trade enterprise. Earlier Transelektro was able to subimt its tender only late and in many instances did not get the contract, because the planning-and-design enterprises and industrial enterprises often had conflicting interests and were late in preparing their own proposals.

Among the possible forms of entrepreneurship, the Orion Factory is considering the founding of subsidiaries, jointly with other industrial enterprises in the telecommunications industry. With the Telephone Factory (Telefongyar), for example, it is considering a joint subsidiary that would undertake turnkey construction of various transmission systems and microwave links. Another joint subsidiary to be formed soon--again with the Telephone Factory, and also with the Telecommunications Enterprise (Hiradotechnikai Vallalat), Precision Engineering Enterprise (Finommechanikai Vallalat), Budavox and Emexport--will organize and undertake construction of complete telecommunications systems. A market survey showed that, for example, several Middle East countries would be willing to order telecommunication links on a turnkey basis, which includes construction, installation, training and servicing. Earlier the enterprises were able to work on such projects only with difficulty, because manufacturing the equipment, planning and design, construction, servicing, and the supply of spare parts--all had to be planned and organized separately, and the interests of the various enterprises were not always identical.

At the Hungarian Shipyard and Crane Factory (Magyar Hajo- es Darugyar), after encouragement from management, many blue-collar workers are interested in forming enterprise business work partnerships that can help plan fulfillment. There have already been some specific initiatives. For example, several workers of the structural steel shop are planning to form a work partnership that would make structural components after their regular shift, using the enterprise's equipment. There is great need for such structural elements at MHD [Hungarian Shipyard and Crane Factory]

because their production has been plagued by bottlenecks for years. Another collective, consisting of designers and editors, has undertaken to translate and adapt the technical documentation. Previously such technological specifications and technical analyses were farmed out to outside organizations, but translation was too slow and involved too much red tape.

Several work partnerships will soon be formed at the Komarom Megye State Construction Industry Enterprise (Komarom megyei Allami Epitoipari Vallalat), by painters, tilers, masons and ot her craftsmen. The enterprise will place the plans, machinery and materials at their disposal and will provide technical guidance and even legal advice. These work partnerships will undertake construction projects that the enterprise itself was unable to accept in 1982, because of capacity shortage. The work partnerships will be working on the construction of a new hospital wing and the cultural center in Tatabanya, and on the expansion of the school in Sarbereg. The enterprise is offering such work primarily to its own employees, but it does not exclude even outside small organizations and private aritsans.

1014
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# CHIEF CROP PRODUCTION SYSTEMS PLANS FOR 1982

Budapest MAGYAR MEZOGAZDASAG in Hungarian No 2, 82, pp 4-5

[Articles by Dr Janos Toth, managing director of the Babolna Industrial Corn Production System; Laszlo Juhasz, deputy director, and Lajos Zubek, central agronomist, of the Baja Corn Production System; and Laszlo Avar of the Corn and Industrial Crop Production Cooperation System: "Crop Production Systems: How To Proceed"]

[Text] IKR [Babolna Industrial Corn Production System]: We Are Continuously Developing Technology

The management committee accepted our plan on 30 September 1981 for the development of corn production. Following a review of our experiences, we now regard it as our most important task to hold consultations with the experts of our member farms.

Our material possibilities and our investments are presently declining. In addition to the enterprise sums of money available for production development, our system intends to use the means of the member farms in the service of production development by employing available and releasable means. We must use our reduced amount of money more intelligently and purposefully, and we are directing our machine purchases and other investments accordingly.

We want to improve the present temporary situation with a better acquisition of spare parts supplies by using surplus capacities for the manufacture of spare parts, and by putting the spare parts we lack into production. We shall survey the spare parts supply of the member farms in order to have an exact inventory of shelved and slow-moving spare parts that we may bring the inventories in motion and thereby reduce the means that are now tied up and moderate the shortage of certain spares.

To have mutual agreement by the enterprise and member farms on the Seventh Five-Year Plan, we have taken into account next year's development goals of our member farms. Among other things, it may be stated that in comparison to the 7-ton average corn production planned at the IKR level our member farms have planned 7.3 tons. Both in wheat and corn production we are striving to increase and improve our use of the genetic potential, increase the oil and protein content, and preserve to the maximum extent the biological values.

In the field of restoring nutritive material, we are urging deep fertilization, and to this end we are conducting in increasingly greater areas comprehensive clay mineral studies in cooperation with the Plant Protection and Agrochemical Center of MEM [Ministry of Agriculture and Food Industry].

We shall use the full capacity of our liquid fertilizer plant. As a result of technical alterations, we have raised the capacity from the planned 15 tons per hour to 20 tons. Planned annual production is 31,000 tons, which is enough for the liquid fertilization of about 45,000 hectares. For the operational implementation of liquid fertilization we have established the AGROBER-NEVIKI-IKR Association in the framework of which we shall increase the domestic production of suspensoid fertilizers. We have included in this year's plan the construction on our member farms of 5 to 6 liquid fertilizer plants, where the work is already in operation. Our member farms regard the use of suspensoid fertilizers as one of the real possibilities for production development, and in their development plans up to 1985 they require liquid fertilizers adequate for 250 hectares.

The BHF [Babolna Meat Processing Plant] will begin operating this year and its technology has been realized on the basis of a Babolna Agricultural Combine license for the manufacture of means useful in the field of crop production and foddering. On the basis of a cooperation contract we signed with VASKUT [Iron Industry Research Institute] we want to exploit the advantages of micro-element fertilization and to satisfy primarily the demands of the IKR member farms at lower prices than last year.

In order to establish a better base for technological development, we are providing our member farms the technical means for energy saving procedures, such as the medium-deep scufflers (lazitok), heavy cultivators and digger harrows (asoboronak). Our longer term plan for automation is to put out our spraying machinery only with automatic liquid regulators, to use spraying diagnostic equipment, and to use drum loading regulators (dobterheles-szabalyozot).

For modernization of the B1-15 drying equipment we will provide our member farms thermal insulation in the form of a unit package, and we will urge the manufacture of the new dampness regulator automatic which has been tested at IKR. We shall organize use of the heat-regenerator drying technology realized at the Nagyszenas 6 October Producer Cooperative.

We shall increase the use of wet corn storage, primarily by making general use of the technology for a grain-cob mixture preparation. For working out the credit conditions for energy rationalization competitions, we have a model which we will make available to all our member farms. In the coming weeks we shall hold at our production-organization units demonstrations on how to prepare grain-cob mixtures, and to which we shall also invite the farms from the territorially appropriate megyes. We shall undertake the technical means for preparing the grain-cob mixture, the BF pulverizing machines, and we shall also manufacture the Class modifying units and meet the entire domestic demand.

To transmit and cirulcate production experiences, we have formed at the IKR a club of 8-ton corn producers, the functions of which we hope will promote the further growth of production.

BKR [Baja Corn Production System]: Wider Cooperation

In December 1981 we had 164 partner farms with 238,829 hectares of contracted area on which the main crops were divided as follows: corn 81,122, wheat 99,892, sunflower 18,388, lucerne 12,101, grass 10,501, and silage corn 9,638 hectares.

We plan to make progress in the following major areas in 1982.

We have signed an agreement with the GDR Fortshcritt Agricultural Combine for the manufacturers' service of the E-516 combines and for the so-called "E" machines which they distribute. For the manufacture of additional spare parts we are sending in 1982 about 100 trained and unskilled workers to the GDR. Because of the extremely bad spare parts supply, we have initiated the import from socialist trade (GDR) of ZT-300 and ZT-303 tractors to replace the Zetor Crystal tractor, and the licensing for this is already in process. In cooperation with the reorganized MEGEV [Agricultural Machinery Spare Parts Supply Enterprise] and AGROTROSZT [Agricultural Supply Trust] we are organizing the manufacture of spare parts that are on the shortage list, based partly on the technical manufacturing capacity of our Combine and the system, and partly on the industrial activity of our partner plants. Together with MEGEV we are organizing the dismantling of used machines, the distribution of usable spare parts, and the renovation of spare parts.

For further development we are increasing the area first used in 1981 for intensive corn production and the Baja large-yield wheat program. The primary goal of these two programs is to harvest the largest possible production volume per unit of area in such a way that the profits of the sub-branches will also increase. In both programs we would like to achieve our goals by maximum exploitation of the biological producer capabilities latent in the types, or in hybrids. However, our intensive grain production technology requires stricter technological discipline and in execution "tablaszintu" expert advice from our system. All this will be realized through the high-level unity of science and the production experiences of the system, the results of which in 1981 were as follows: revenue on one hectare through the use of traditional technology 6,137 forints and through the use of intensive technology 12,373 forints, which means a surplus revenue of 6,236 forints per hectare besides an average production of 10.94 tons.

The Baja Agricultural Combine, the Szeged, Ujvidek and Zagrab agricultural research institutes, the BKR partner farms, and the BKR participate in the Baja large-yield wheat program. The research institutes recommended a certain type and gave a type-specific technology to go with it.

We also want to improve the sowing seed supply of our partner farms by developing the sowing seed units of our Combine, by growing good quality corn, wheat and sunflower sowing seed and working these up according to the requirements of the partner farms.

To improve our grass utilization program we shall cooperate more closely with the Kiskunhalas State Farm. The BKR is recommending to all its partner farms the grass growing and beef cattle breeding program worked out by the BKR Grass and Beef Enhancement Sub-Center which is located there, and is expanded by its sheep breeding and keeping program. With this we can significantly increase the yields of about 40,000 hectares of grass-growing area. It also means that the capability of the areas for supporting livestock will be significantly increased.

Many of our partner farms have sandy areas that are weak in productivity. For the utilization of these areas we are starting an experimental tabacco growing program in 1982.

One condition for the dynamic operation of our production system is the flow of reliable and mutual information. In order to develop this, we are modernizing our organizational structure starting on 1 January 1982. We wish to solve the problem of a higher level service to our partner farms by establishing a new district (Kaposvar) and through rational reorganization of the tasks of the central staff. Our new investments, our expanded educational activity, and our new cooperation program with the supply enterprises, our foreign partners, and other production systems and institutes will also serve this goal.

KITE [Corn and Industrial Crop Production Cooperation System]: The Results of the Largest System

The Nadudvar Corn and Industrial Crop Production Cooperation System held an extraordinary management session 28 December under the chairmanship of Istvan Szabo.

Dr Gabor Magyar, the director, gave an account of 1981 activities and results.

The largest crop production system, largest in area as well, became recently one of the shaping forces of domestic agricultural production. It operated, according to the Nadudvar system, on 15,500 hectares in 1973 and on 629,000 hectares in 1981. On the largest areas they sowed and harvested wheat (257,520 hectares), corn (217,953 hectares), sugar beet (42,257 hectares), sunflower (77,412 hectares), rice (12,974 hectares), and potatoes (4,590 hectares). Moreover, they produced hybrid corn seed, beet seed, rape, soya, and pumpkin seed.

It is worth noting that the total arable area of the KITE partner farms is 1,339,000 hectares, and 47 percent of this is for crops that are in the system. These data show that KITE is the largest arable crop-production system in the country.

Expanding Foreign Ties

Since the establishment of the production system, it has been continously striving to create the possibilities of a developed agriculture. The present activity of the system center extends to the working out and

developing of technologies and to improve the biological bases. It devotes a great deal of attention to the provision of sowing seeds, the acquisition of producer means, and the technical servicing of machines. It undertakes the marketing of certain products. It regards education as a particularly important task, continuation training all the way from the production managers to the tractor drivers.

KITE has established and maintains ties with domestic and foreign plant improvement and seed production firms: in wheat with a Zagrab and Novi-Sad firm, in barley with an Australian firm, in corn with the Pioneer, Funk and PAV firms. For diffusing scientific results they established the Grain Seed Association, which will take over and start counselling on hybrid culture on 1 January. For the mechanization of the production of corn seed, it has tried out various kinds of machinery to establish that there are good sowing and harvesting machines.

There is much to be done in the dissemination of cereal seeds; interests do not as yet coincide. We regard as rightful the requirement of the production system that at the highest second grade wheat seed should be recommended, for a weakness in the biological bases or lack thereof (third grade wheat) can hinder the fulfillment of the grain program.

Therefore, in the development of production technologies great emphasis was placed last year in KITE on the modernization of soil cultivation, the application of time and cost-saving means, and procedures and means that preserve the moisture of the soil.

They worked out the Industrial Grain Production Program to help in the fulfillment of the grain program, and this has been started at 34 farms on 63,000 hectares. They have also worked out the KITE long-term grain production development program, separately for the best, the medium, and the poor units. They have also made recommendations for increasing the grain-producing area, for which possibilities are afforded by the complex development of rough fodder and grass management.

The level of KITE sugar beet production has improved a great deal. The propagation of import types is now at a point where it is possible to increase the ratio of these types.

The farms have learned high-level sugar beet production, but they have still not mastered it--findings state. This is shown by experiences gained in visits to Australia. It is possible and necessary to develop more. Hard, disciplined and consistent work is necessary for the realization of actual industrial-type sugar beet production.

To do this, we have good sowing machines. Hungarian industry has done a great deal in developing harvesters, but still not enough. KITE supports the efforts of domestic manufacturers, but it demands security of operation and good factory services.

Dynamism also characterizes the organization and development of sunflower production in the Nadudvar system. They work in close cooperation with the oleaginous industry as manifested in the selection and provision of type and hybrid seeds. The activity of the production system extends to marketing, storage, and the organization of deliveries. They have eliminated the purchasing enterprises, and thus the whole profit margin belongs to the farms. This means a significant sum of 80 million forints. The oleaginous industry together with the farms and the system center have established storage places. At present they have six, each with a capacity of 5,000 tons.

They have been occupied with the organization and development of rice production for only 5 years. While up to then it had been rather neglected, rice became a crop that could be successfully raised by 1981. All this verifies the correctness of the position that is worth dealing with rice only on modern fields and with a good technical base. Today it has become clear that the experiences of the earlier years (Japanese, Italian, Soviet technologies) verify the correctness of the decisions by the experts. They adapted technologies--water cultivation, sowing and water cultivation, planting--which make sowing possible at the end of April or the beginning of May regardless of the weather.

The production system has also made progress in potato growing.

Last year they started organizing the rough fodder and grass sub-branch. In addition to the technology, they are also organizing the marketing of the dry materials with AGKER and TSZKER. Mention should be made of the production and processing of grass seed by the system, which serves to meet in part the needs of export and in part the needs of the grass management program.

More Machinery--From Eigen Resources

In 1981 KITE purchased more machinery than in previous years. The reason for the upswing was the start of the IGP. Last year they purchased a total of 762 million forints' worth of machinery, mostly from eigen resources and to a lesser extent from credits. It is unconditionally a good initiative, for example, that KITE placed 38 million forints' worth of machinery in 1981 on farms that do not have an adequate development fund. Together with earlier placements, the value of the machines now is at 99 million forints.

It is worthwhile to review last year's machine purchases by the production system, for this gives a picture of the work and the development concepts. They purchased altogether 10 John Deere, IH and Rabá Steiger 250 tractors. The member farms of the production system purchased 25 Cyclo corn sowers, and 28 IH 6200 grain sowers. The purchase of harvesters has gone well: 80 Class Dominator 106 combines, 27 Bizon-Gigant combines, 35 Hesston Herriau sugar beet harvesters, 11 Hesston self-propelled chaffers, and 57 Hesston trailer chaffers. There are 35 John Deere stalk crushers in operation and 134 Hesston round balers [korbalazo].

The service network is gaining an increasingly greater role in technical service.

Service is not worth much without spare parts, and therefore from the begining they tried to have the spares for the machines they repaired. And they have been successful, for in 1981 they had a trade of 600 million forints.

Three Hundred Seventy Six Farms

The member farms of the Nadudvar system can be proud of their 1981 results. Despite the unfavorable start because of the early spring drought, we can list record results for every crop except wheat.

One hundred and thirty four farms produced 4.41 tons, 106 farms 4 to 5.5 tons, and 29 farms over 5.5 tons.

On 218,000 hectares the average for corn was 6.94 tons. Two hundred eighty three farms raised corn according to KITE technology: 57 under 5 tons, 66 between 5 and 6 tons, 99 between 6 and 8 tons, 50 between 8 and 10 tons. Eleven KITE farms attained an average over 10 tons.

They harvested an average of 42.3 tons of sugar beets on 42,500 hectares. Twenty four farms produced under 30 tons, 96 farms between 30 and 50 tons, and and 21 farms above 50 tons.

They harvested an average of 1.99 tons of sunflower on 77,000 hectares.

They had an average of 3.01 tons of rice on 13,000 hectares.

They had a production average of 27.5 tons of potatoes on 4,500 hectares.

Thirty four KITE farms participating in IGP produced corn on 48,500 hectares. Here surplus production came to 1.7 tons.

This year's plans include applications from 12 farms for entry into KITE and requests from 6 farms for withdrawal. As a result of associations, 376 farms plan to be members of the Nadudvar KITE in 1982.

The KITE area will grow to a much greater extent than this. This year's service contracts have been signed: their area has increased by 103,000 hectares. Accordingly, the farms will be managing under intensive circumstances on 732,000 hectares, of which 31,000 hectares of grassland is a part. This is a huge expanse which also brings a tremendous responsibility. Last year's KITE results verify that the managers and experts of the Nadudvar production system are equal to this responsibility and confidence.

After these things, the extraordinary management session arrived at decisions in personnel matters. Because of other important assignments, it released Dr Gabor Magyar from certain administrative tasks. At the same time it entrusted these tasks to Csaba Balogh, who up to now has been the technical deputy manager of the production system.

6691
CSO: 2500/138

STATE FARM ACCOUNTING SYSTEM VIEWED

Budapest FIGYELO in Hungarian 10 Feb 82 p 13

[Article: "The Background of Incentive"]

[Text] The introduction of various incentive and management systems is not merely a matter of arriving at a decision. For example, it was only in 1979 that the Komarom State Farm reached, as a result of purposeful production development and organization, the level where it could introduce an internal self-accounting system.

Let there be no misunderstanding! This method is fairly well known, and therefore it is not likely to have the impact of an innovation, but the planning, organizing and incentive systems which are latent in it are not only different from one another but are often still undeveloped.

Stepped Up Plans

It is difficult to coordinate sub-branch and overall enterprise interests. To put it more exactly, there are always hidden channels through which the profits formed in the sub-branches or the production units escape at the cost of profits to the overall enterprise.

At the Komarom farm the basis of accounting and evaluation of the self-accounting units is to be found in their considerably stepped up plan. Analytical and preparatory work precedes the preparation of the annual operation plan during which they measure the expected effect of the economic regulators on the farm as a whole, including the profitability of the individual main sub-branches and the self-accounting units.

On this basis the managers of the main sub-branches--taking into account the five-year plan of the farm--work out next year's production ideas for the main sub-branches under their managemnnt. As a result of the analytical work performed in this way, the large-scale annual plan concept of the farm is born.

The managers of the self-accounting units begin to work out the plans of these units given their knowledge of the large-scale plan concept. The plan follows formally (by printed matter) the building up of the farm plan.

It is the task of the business management department operating at the farm center to offer, in this period, assistance, coordinate relations along the

self-accounting units, create continuous awareness of the central goals, and of course coordinate the finished plans.

Material incentive is linked to the plan targets of the self-accounting units. Care must, therefore, be taken to see that the planning does not become a form of plan bargaining in which the "more clever" self-accounting units may from the beginning create for themselves a more favorable position for fulfilling the plan. The attainment of this is promoted by the development of accelerated but achievable plan targets. The degree of acceleration is 10 to 15 percent as compared to the "official" plan. This means that the total plan of nine self-accounting units exceeds by this much the farm plan. A greater degree of acceleration is not advisable because the plan would lose its incentive character.

This "acceleration" is needed because if the self-accounting units should lag behind the plan this would not endanger the farm plan fulfillment. On the other hand, it could happen that despite a plan that was not fulfilled at the enterprise level the self-accounting units would fulfill their plan tasks, and by pointing to this they could demand payment of the targeted material incentives.

Inventory Evaluation

The evaluation of inventories produced by agricultural operations themselves is a much-debated question. During planning work, this is of interest to the extent that we must achieve the following with prices used in planning:

--accounting at unified prices of inventories to be consumed,
--comparability of the costs of the individual self-accounting units,
--the interest of the self-accounting units in quality grading, in harvesting and using byproducts, and in the sale of products.

They solve this at the Komarom farm, for example, by planning and accounting the purchased inventories not at the same accounting price but at the purchase price. The differences in the acquisition price, that is, the difference between the accounting price and the actual acquisition price, which because of the frequent and large-scale price changes may even amount to millions, can in this way be reduced to the minimum.

In the case of inventories produced by the producers themselves, industrial products are planned and accounted for in mid-year at accounting prices developed at the level of state marketing prices. The achievements of the auxiliary operations are calculated at accounting prices developed at the level of the planned prime cost. In the case of products with an official price (meat) and in the case of products belonging to a free price form, industrial products are calculated in plan and accounting according to cost calculation. (Thus in the case of self-accounting units, profits in industrial activity are formed theoretically only in marketing.)

Mid-year prices in the farm balance, of course, are corrected in accordance with prevailing prescriptions of the inventory evaluation.

The forms and substantive signs of the annual plans of self-accounting units scarcely differ from the annual farm plan. The difference is represented by already discussed price application methods and the depth of result planning.

With the setting up of the annual operation plan, the self-accounting units prepare, with a completely identical content, the production costs, yields, and commodity production plans belonging to their operational areas, the maintenance and auxiliary operation budget and the achievement target for their self-accounting unit.

Unified Wage Regulation

The plans of the self-accounting units include, moreover, the general sub-branch costs linked to producer activities and plan index numbers for general costs related to the management of the self-accounting unit. In fact, the production taxes, price supplements and subsidies are built into the plan for the commodity output in proportion to the planned receipts.

One of the characteristic features of the self-accounting units within the farm is their independent manpower management. The managers of the self-accounting units are invested, therefore, with employer rights in a sphere of authority transferred from the farm director.

There is a unified wage regulation valid for very production unit of the farm. Thus there is no question of a free wage regulation, because within the farm this could lead to wage tensions or to a possibly undesirable manpower migration among the self-accounting units. Between the extremes of centrally prescribed wage regulation and completely independent wage management by the self-accounting units, the Komarom farm found a sound middle road by handling about 5 to 8 percent of the annual, planned wage bill of the self-accounting units as so-called mobile wages. The managers of the self-accounting units decide on its use for the payment of incentive surplus wages in the case of specially important jobs and for quantity and quality awards to good workers, and so forth.

Accounting System

The farm has developed instructions for the reporting and evaluation of the managing activities of the self-accounting units and the related information system.

Processing and servicing of basic data takes place through a closed system of accounting; the bookkeeping data include all the data necessary for preparing the evaluation. For this reason, the invoices for the place of the cost and bearer of the cost are broken down by self-accounting units.

The evaluations are prepared monthly on the basis of the general ledger summary. Managers of the self-accounting units report quarterly, in self-evaluation form, on the management of the production units under their control.

For measuring and evaluating the plan fulfillment of self-accounting units, the state farms up to now have used a comprehensive table which has proved the best in the report system and which is none other than No 21 and 25 tables of the annual operational plan in revised form. With this method, therefore, they make a virtue of necessity because the data which served exclusively external information up to now have been built into the enterprise plan.

This table gives a comprehensive, monthly picture of the managing activity of the self-accounting unit, of the situation in the fulfillment of the result plan by the self-accounting unit, and shows excesses and savings in costs and yield. By comparison with the evaluation prepared for the identical period of the previous year, it also makes forecasts possible.

Award and Sanction

The establishment of self-accounting units has made it possible, and at the same time necessary, to place the material incentive system on new foundations. The interest of the managers is linked decisively to the fulfillment of the accepted or approved plan. The aimed-for premium or award has been set at a 3:2 ratio like the premiums for upper level enterprise managers, that is, 60 percent premium and 40 percent award.

Forty percent of the premium is paid on the basis of the total fulfillment of the result plans of the self-accounting unit or the main sub-branch, 30 percent on the basis of the fulfillment of the result plan for 100 forints in cost, 10 percent on the basis of the developments in the quantitative indexes with the most important characteristics. Thus 80 percent of the premium depends clearly on the activity of the self-accounting unit. The remainder is paid according to the accident situation and the development of the brigade situation.

In case of plan overfulfillment, the premium may increase by a maximum of 50 percent, but if the sub-branch lags behind the profit plan the premium may also be reduced by 40 percent.

Thirty-five percent of the awards are paid if the planned wage fund and level is maintained, or if the exceeding of the wage level is accompanied by the same degree of wage bill savings. However, if the wage level excess is not accompanied by a savings in the wage bill, the award is reduced by 15 percent; and if there is a wage bill excess, or if the increase in the wage level exceeds 1.5 percent, the award may be reduced by 30 percent.

The Komarom farm does not regard the independent accounting system and its elements as final. These will be further developed in accordance with the economic environment and changes in material and technical conditions.

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PRELIMINARY FIGURES IN AGRICULTURAL RESULTS PUBLISHED

Budapest FIGYELO in Hungarian 10 Feb 82 p 13

[Article by Dr Ferenc Leszak: "Preliminary Figures on the 1981 Balance"]

[Text] According to the preliminary data of MEM-Stagek [Statistical and Economic Analysis Center, Ministry of Agriculture and Food Industry], farms had more working capital and greater development funds available than formerly. The starting stock of the reserve and the security fund was also considerably greater than in 1980. All these things improved the conditions for the financing of 1981 production and increased the security and flexibility of agricultural management.

Because of the rise in prices for materials and energy sources, the production costs of large farms rose in 1981 altogether by 10 to 11 percent as differentiated by activity groups. The increase in expenditures linked to products for basic activity was more moderate while the ratio of industrial activity was greater.

The farms used their supplementary outlays, in accordance with incentive relations, chiefly to increase supplementary activity and less to increase agricultural production. For example, in 1981, as compared to the previous year's level (lowest since 1975), fertilizer purchases increased only by 1 to 2 percent. As a consequence, the producing capacity of the soil will not be adequate to the production yields planned for the Sixth Five-Year Plan period.

Because of the unfavorable weather and the decline in sown area, crop production lagged behind the targets of the economic plan, and as a matter of fact, according to preliminary data, it will not even reach the 1980 level. It is of great importance in the management of large farms that in crop production the purchasing price level of producer means increased to a greater extent in 1981 than in the case of products. Therefore, the profitability of various important sub-branches was further reduced as a function of energy and industrial material intensiveness.

Average corn production was greater than ever before, and this countered in part not only the decreased sowing areas but also a production drop in cereals. But even so, grain production lagged 8 to 9 percent behind that of 1981.

Industrial crops continued to improve, primarily because of the interest in sunflower seed production.

The weather was not favorable for grape or for some fruits. However, apple production was better than planned, and thus fruit production was around the 1980 level. Grape production declined by 20 to 25 percent as compared to 1980, but the favorable autumn weather influenced the quality of wine and its price advantageously.

Specific yields improved in large scale livestock breeding. Production in the main sub-branch increased by 2 to 2.5 percent. Cattle, pig and sheep stocks also increased as compared to 1980. Poultry stocks remained essentially the same.

In butcher meat production there was a somewhat different trend than in livestock changes. On most large farms, beef cattle breeding was not profitable. Pork production and marketing remained at the 1980 level. According to purchasing data, mutton sales increased to the greatest extent, by about 5 to 6 percent. In the dressed poultry field, production rose in response to the more favorable export possibilities.

Among animal products on large farms, milk production and sales continued to grow the most dynamically.

On balance, 40 to 50 percent of the production increment in large-scale animal breeding came from livestock breeding, and 50 to 55 percent from product output.

As a result of the increase in production and income incentive, the supplementary activity of large farms increased in 1981 by 8 to 10 percent as compared to the previous year.

A significant share of the farms countered the revenue decline in crop production --chiefly in cereal grain and grapes--by changes in the production structure, by a reduction in specific energy and material use, and to a significant extent by supplementary activity. Thus enterprise results developed more favorably than expected and will, it is anticipated, approach the 1980 level.

According to preliminary surveys, total results on state farms, as compared to 1980, increased by 4 to 5 percent while on cooperatives they declined moderately by 3 to 4 percent. It is anticipated, however, that the losses will increase on state farms and decline on cooperatives by one-half to what it was in 1980.

Budgetary withdrawals increased because of growth in gross income. Therefore, the enterprise-destined results--serving to form funds--became smaller in both sectors than in 1980. A survey by the MEM-Stagek shows that with the exception of the obligatory reserve fund there was generally less money for the enterprise funds than the year before.

The state farms devoted twice as much to increasing the reserve funds as in 1980. On the other hand, the development fund was 17 percent less than in 1980. The sharing fund increased by 2 to 3 percent as a function of the increase in enterprise results. Total personal income and average level was 8 percent greater than in 1980.

In 1981, the cooperative reserve and security fund increased by 16 percent as compared to 1980, while the development fund declined by 18 percent. As a consequence of the decrease in results, the sharing fund, it is anticipated, will be 10 to 11 percent less than in 1980. In the cooperatives, total personal income in 1981 surpassed by 7 to 8 percent the amount for 1980 (close to the increase for state farms), while the per capita amount increased to a lesser extent, or by 6 percent.

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MODEL FOR ECONOMIC DEVELOPMENT TO 1990 PUBLISHED

Warsaw GOSPODARKA PLANOWA in Polish No 10, Oct 81 pp 437-443

[Article by Zdzislaw Sadowski, Joanna Kotowicz and Andrzej A. Szeworski: "Variant Forecast of Poland's Basic Economic Ratios to 1990"]

[Text] 1. Basic Restrictions on the Process of Economic Development During the Current Decade

A determination of the future forming of macro-economic ratios of the country's development necessarity contains a considerable element of conventionality. At the present time[1], the forecast must take as its starting point the conditions that exist in a situation of deep crisis in 1981. The extent and nature of this crisis are to a large degree determined by:

a) the unprecedented share of foreign-debt servicing in the balance of payments,

b) the high degree of underutilization of producer goods due to shortages of fuel and raw materials, and also due to faulty structure,

c) the wide and growing inflationary gap on the consumer-goods market.

Because of these factors, the number of choices of direction for future economic strategy and probable scenarios of the course of economic processes is very limited.

The foregoing study was based on the assumption that the main restriction during the coming period is the forming of the balance of payments with capitalist countries. Thus, attention has been concentrated on an analysis of the forming of macro-economic ratios from the standpoint of assumed variants of economic strategy in the domestic sphere.

As the criterion for the selection of alternative scenarios of strategy, we have taken the moment that the process of debt-clearing in the national economy begins, i.e., the decline in the share of debt servicing in the balance of payments. Guided

[1] The work was done in February, 1981

by this criterion, we examined three test scenarios of principle macro-economic ratios to the year 1990:

a) a "cautionary" variant--the base variant,

b) a variant which assumes that the growth rate of industrial production will increase,

c) a variant which assumes postponement of payments on debt-servicing (2- and 5-year moratoriums).

The base variant, regarded as a cautionary scenario, envisages continuation of foreign-debt incurrence in order to stimulate growth of imports, which, by increasing the growth rate of industrial production and growth of exports, would lead to a decline in share of incurred debt servicing in exports. This variant is unrealistic for two reasons:

a) due to the country's weakened credibility on the world's capital market, the availability of foreign credit is becoming increasingly limited,

b) under expectations as to the possibility of a quick and fundamental improvement in management efficiency, before pro-export results of the incurred credits would appear, there would be a dangerous growth in the indebtedness spiral and further growth in the share of incurred debt servicing in exports would have to occur.

This variant was included in the analysis and regarded as a point of issue specifically to demonstrate the internal reasons for its lack of realism; it could not be used as a scenario of strategy even if further credits were obtainable under existing conditions. It may, thus, be regarded as one of the extreme variants. Analysis of the more realistic variants showed that their common characteristic is the maintenance of a very low growth rate of consumption during the entire period under study (and even, temporarily, an absolute drop in consumption), although the rates of growth are obviously different. At the same time, the underutilization of production capabilities remains, due to lack of corresponding import capabilities.

The overall picture would be more favorable if it could be assumed that in a relatively short time a considerable improvement in management efficiency would occur, demonstrated by a sharp reduction in the coefficient of the economy's imports- and exports-intensiveness. This may be related to changes in the structure of investment, production and employment. In the foregoing study, these possibilities were considered only to some degree in the assumptions pertaining to the forming of the right model coefficients. The model permits us to make these assumptions more optimistic than they were when they were accepted for analysis. We have not seen sufficient premises for this aside from our own desires.

The assumption was made, therefore, that meaningful results of changes in the system of the economy's functioning, made during the transition period, may not appear until the final years of the 10-year period under study.

By analyzing the three test scenarios, we ascertained that the base variant, envisaging stabilization of imports, should be contrasted with the scenario oriented towards a highly restrictive imports policy: this is the drastic-reduction-of-imports variant. This variant, just as the base variant (although for a totally different reason) also may be impossible to apply in practice, but it was deliberately presented to show the results of a very keen attempt to eliminate the deficit in the balance of payments when there are no possibilities of a rapid increase in the growth rate of exports.

Thus the two contrasting hypothetical variants, although they are both unrealistic and extreme, indicate the field in which the correct politico-economic solution must be found.

## 2. Description of the Research Method

A simulation model, MODO-3, which is based on a method of systems dynamics and is written in the Dynamo[2] language, was used in the research.

The current version of this model is comprised of approximately 100 equations. We refer those interested to the description of the model and show its more important interconnections in Figure 1.

Among the exogenous variables of the model (shown in double frames in Figure 1), we can distinguish decisionmaking variables, of which imports is the most important, and model coefficients, whose size is determined on the basis of empirical data and assumptions as to their anticipated forming in the future.

The following is a brief discussion of several of the more basic model interconnections:

1. Interconnection between imports and total production. The interconnection between size of total production and size of imports is shown by means of the variable "production capabilities determined by imports" (14). The exogenous variables were taken to be the size of imports from socialist and capitalist countries and--in the present version of the model--the ratio of total production to imports (15), showing efficiency, or the reverse of production imports-intensiveness[3].

3. Interconnection between investments and total production. The dependence of total production on investments is expressed by the variable "production capabilities determined by investments" (6). This is determined by investment outlays

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[2] A detailed description of this model can be found in the article by Z. Sadowski, J. Kotowicz and K. Cwalina, "An Experimental Model of General Growth Ratios in the National Economy, MODO", GOSPODARKA PLANOWA, No 9, 1979. The version of the model now used contains several improvements, but the general logic of the model is the same.

[3] In the version described in the cited article, coefficient (15) was the ratio of rates of growth of total production and imports. The change in form of dependency was due to the difficulty of forecasting elasticity coefficients as the sizes which they depicted underwent anisotropic changes, which occurred recently in the case of growth rates of total production and imports.

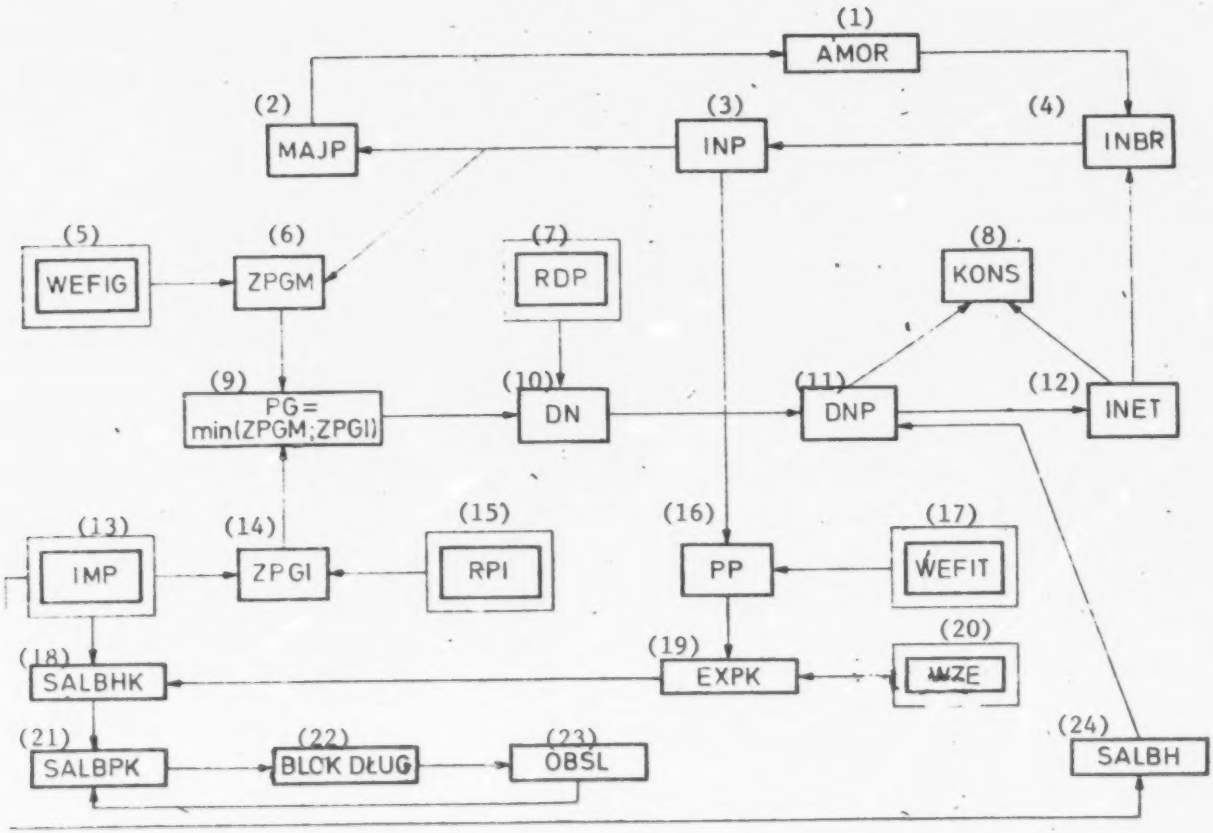


Figure 1. A Simplified Interconnection Diagram for the MODO Model

Key:

1. Amortization
2. Producer goods
3. Production investments
4. Gross investments
5. Investment efficiency coefficient
6. Production capabilities determined by investments
7. Materials-intensiveness coefficient of national income
8. Consumption
9. Total production = min (production capabilities determined by investments and imports)
10. National income
11. Distributed national income
12. Net investment
13. Imports
14. Production capabilities determined by imports
15. Ratio of value of total production to value of imports
16. Industrial production
17. Industrial investment efficiency coefficient
18. Balance of trade with capitalist countries
19. Exports to capitalist countries
20. Export capabilities coefficient
21. Balance of payments with capitalist countries
22. Block of equations determining size of debt at a given period taking into account repayments and new credits
23. Debt servicing
24. Balance of trade

incurred, taking into account a 2-year time delay, and also by the exogenously assumed production investment efficiency coefficient (5). Other exogenous variables in this interconnection are the coefficients of sector structure of investments and the share of non-production investments in gross investments.

3. Interconnection between balance of payments and size of debt servicing. Debt servicing is dependent on the total sum of the indebtedness, which is made up of long- and short-term credits. The total sum of the debt in a given year is determined by the credits of the preceding 8 years remaining for repayment. There is a feedback between the size of debt servicing and the balance of payments with capitalist countries.

The amount of this balance is also determined by the trade and service turnovers balance.

4. Interconnection between investments and the balance of trade. Two important exogenous variables appear in the interconnection. The coefficient of exports capabilities (20), which is the ratio of the size of exports to capitalist countries to the size of industrial production, and coefficient (17), understood to be the ratio of industrial production growth to investment outlays incurred 2 years earlier.

An increase in industrial production has a bearing on an increase in exports. Larger exports, reducing the unfavorable balance of foreign-trade turnovers, have a negative effect on the size of the national income for distribution. On the other hand, they make it possible to change the assumptions pertaining to imports, which may have an effect on increasing the national income for distribution. And so we are dealing here with two feedback loops going in opposite directions. The level of distributed national income then determines the size of net and gross investment outlays. In the model, the share of the consumption fund in the national income for distribution is the resultant quantity.

5. Test Scenarios in the Strategy of Development in the Transition Period and During the 5-Year Period 1986-1990

Base variant--"cautionary". In the base variant it was assumed that imports from capitalist countries during 1981-1985 would remain at the first-year, 1981, level. The prerequisite is that the economy will continue to be dependent on external sources of financing.

In assuming the possibility of stabilizing imports, the feedback between the size of exports to capitalist countries and the level of public consumption becomes a very important restriction in directing the strategy of development. A choice appears between preservation of consumption at the entry level at the expense of a lower growth rate of exports to capitalist countries, and orientation towards increasing the growth rate of exports, with a further reduction in the level of consumption.

But the second of these possibilities may encounter a strong social barrier. That is why we have acknowledged it to be very improbable and have ignored it in our further analysis.

As a base variant, therefore, we have accepted the first of the possibilities mentioned. We have assumed a relatively low growth rate of exports to capitalist countries during the transition period, with a stabilization, and after 1985 a gradual improvement, in the growth rate of consumption.

In the base variant we have also assumed that in the 10-year period under study, a moratorium will be negotiated on foreign-debt servicing payments. This means that it will be necessary to negotiate more credits to cover existing obligations and the continued growth of share of debt servicing in the balance of payments, up to a level double that of the size of foreign-exchange revenues from exports in the last year of the 10-year period. That is why we have called this scenario the "cautionary" variant.

We have also hypothetically assumed that the new principles that have been applied in the planning and management system--despite certain favorable changes in materials- and imports-intensiveness of production and investment efficiency--will not bring about a significant improvement in the growth rate of exports, thus reducing the share of debt servicing in exports.

Assumption on the forming of basic model coefficients in the imports-stabilization variant are as follows:

--a halt, during the transition period and until 1984, in growth of imports-intensiveness of production, with a gradual decline after 1985, i.e., an increase in the efficiency of coefficient (15) as a result of changes made in the planning and management system,

--stabilization of the materials-intensiveness coefficient of national income (7) during the transition period and until 1984, at the 1980 level, i.e., halting the growth of materials-intensiveness of production during this period mainly as a result of applying immediate efficiency-improvement measures. It is assumed that after 1985 there will be a gradual drop in materials-intensiveness resulting from application of a new mechanism for controlling an enterprise,

--stabilization of the coefficient of the share of net investments in national income (12) at the 14 percent level until 1984, with a gradual increase of 1 percent annually after 1985,

--gradual improvement in the investment efficiency coefficient (5) during the entire period under study, except that during the transition period, until 1982, this coefficent will have have an unfavorable value, in 1983 it will be equal to zero, and not until after 1985 will it assume a favorable value,

--gradual growth in exports capabilities coefficient (20) during the entire period under study. After the phase of steep decline in industrial production and "forced"

exports to maintain the past level of exports capabilities, a slight improvement in the coefficient was assumed, related to possible improvement in the efficiency of exports to capitalist countries[4].

In trade turnovers with capitalist countries, it was assumed that the size of imports from capitalist countries until 1985 would stabilize at the 1981 level, and that after 1985 they would slowly grow until towards the end of the period, the 1980 level would be reached.

Observation of the imports-stabilization variant suggests the following conclusions:

a) Conducting a mildly restrictive imports policy in the forms of imports stabilization at the first-year level means--if exports capabilities remain unchanged--that it will be necessary to continue to obtain new financial credits to reschedule the debt and trade credits to equalize the balance of trade,

b) During the transition period, no significant improvement in the exports capabilities of the economy should be expected in view of the supply barrier that is occurring (raw and other materials), which slows down the growth of industrial production, including pro-export production. As a consequence, therefore, we cannot expect a reversal in the tendency towards a further large increase in the share of debt servicing in the balance of payments coefficient (23), which also points to the unreality of the variant and the main problem which must be solved.

c) Under these conditions, increasing exports during the transition period and by so doing, slightly accelerating the process of clearing the debt, would be theoretically possible only at the expense of a further slowdown in consumption, which would encounter an unsurmountable social barrier.

The increasing-the-growth-rate-of-production variant. We regarded the previously proposed variant of forming of ratios of development to be the base for the creation of subsequent variants. The unfavorable forming of the debt servicing coefficient, as well as the balance of trade with capitalist countries, persuaded us to search for a way to improve this situation by way of increasing the growth rate of exports to capitalist countries by increasing the growth rate of industrial production.

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[4] It may be assumed that further improvements in the exports capabilities coefficient can be obtained as a result of exports of unutilized machinery and equipment and also as a result of increasing the trade turnovers with socialist countries by making those production capabilities that are not being utilized available to our partners (exports of finished products produced to fill orders from contracting parties from raw materials furnished by them). (See discussion, "Do we Have to be in Debt?", ŻYCIE GOSPODARCZE, No 50, 1980.)

The anticipated scale of exports arises from both of the above operations, however this does not warrant significant corrections in the assumptions. In turnovers with socialist countries, a constant level of balance of trade was assumed for the entire period under study, at a constant growth of imports by 1 percent annually.

Table 1. Forming of the National Income, Exports and Imports With Capitalist Countries and the Balance of Payments and Debt During 1980-1990 (in billions of foreign-exchange zlotys; current prices)

| | | 1980 | 1981 | 1982 | 1983 | 1984 | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **(1) WARIANT BAZOWY** | | | | | | | | | | | |
| (5) | *IMPK* — import z KK (4) bez moratorium | 27,4 | 24,7 | 24,7 | 24,7 | 24,7 | 24,7 | 25,5 | 26,0 | 26,5 | [illegible] | 27,5 |
| (6) | *EKSPK* — eksport z KK (4) bez moratorium | 24,2 | 23,9 | 23,4 | 23,3 | 23,5 | 24,6 | 24,9 | 25,9 | 26,8 | 28,0 | 29,5 |
| (7) | *DNW*[a] (mld zł) — dochód narodowy wytworzony (4) bez moratorium | 1670,1 | 1578,8 | 1536,7 | 1524,0 | 1532,2 | 1559,9 | 1602,5 | 1651,0 | 1712,1 | 1777,8 | 1843,6 |
| (8) | *DLUG* (4) bez moratorium | 65,1 | 73,2 | 79,5 | 86,7 | 94,6 | 103,0 | 111,7 | 121,0 | 130,8 | 140,8 | 151,0 |
| (9) | *SALBPK* — saldo bilansu płatniczego z KK (4) bez moratorium | —26,1 | —26,8 | —30,1 | —33,1 | —34,6 | —38,0 | —41,9 | —44,8 | —47,7 | —50,0 | —54,1 |
| (10) | *DLUG* z moratorium 2-letnim | 65,1 | 73,2 | 79,5 | 86,7 | 94,6 | 103,0 | 111,7 | 121,0 | 130,8 | 140,8 | 151,0 |
| (11) | *SALBPK* z moratorium 2-letnim | —26,1 | —26,8 | —7,2 | —9,3 | —34,6 | —38,0 | —41,9 | —44,8 | —47,7 | —51,1 | —54,3 |
| (12) | *DLUG* z moratorium 5-letnim | 65,1 | 73,2 | 79,5 | 86,7 | 94,6 | 103,0 | 111,7 | 121,0 | 130,8 | 140,8 | 151,0 |
| (13) | *SALBPK* z moratorium 5-letnim | —26,1 | —26,8 | —7,2 | —9,3 | —11,7 | —14,3 | —17,8 | —43,6 | —47,5 | —50,9 | —54,1 |
| | **(2) WARIANT DYNAMIZACJI PRODUKCJI** | | | | | | | | | | | |
| (5) | *IMPK* (4) bez moratorium | 27,4 | 24,7 | 24,7 | 24,7 | 24,7 | 24,7 | 25,5 | 26,0 | 26,5 | 27,0 | 27,5 |
| (6) | *EKSPK* (4) bez moratorium | 24,2 | 23,9 | 23,4 | 23,3 | 23,5 | 24,4 | 25,6 | 27,1 | 28,8 | 30,7 | 33,2 |
| (7) | *DNW*[a] (mld zł) (4) bez moratorium | 1670,1 | 1578,8 | 1536,7 | 1524,0 | 1532,2 | 1559,9 | 1602,0 | 1651,0 | 1722,0 | 1809,8 | 1909,4 |
| (8) | *DLUG* (4) bez moratorium | 65,1 | 73,2 | 79,5 | 86,7 | 94,6 | 103,0 | 111,3 | 119,9 | 128,2 | 136,1 | 143,1 |
| (9) | *SALBPK* (4) bez moratorium | —26,1 | —26,8 | —30,1 | —33,1 | —35,8 | —37,9 | —40,8 | —43,2 | —45,2 | —46,8 | —47,8 |
| (10) | *DLUG* z moratorium 2-letnim | 65,1 | 73,2 | 79,5 | 86,7 | 94,6 | 103,0 | 111,3 | 119,9 | 128,2 | 136,1 | 143,1 |
| (11) | *SALBPK* z moratorium 2-letnim | —26,1 | —26,8 | —7,2 | —9,3 | —34,6 | —37,6 | —40,9 | —43,1 | —44,8 | —46,8 | —48,0 |
| (12) | *DLUG* z moratorium 5-letnim | 65,1 | 73,2 | 79,5 | 86,7 | 94,6 | 103,0 | 111,3 | 119,7 | 128,0 | 135,8 | 142,9 |
| (13) | *SALBPK* z moratorium 5-letnim | —26,1 | —26,8 | —7,2 | —9,3 | —11,7 | —13,9 | —16,9 | —41,9 | —44,7 | —46,6 | —47,7 |
| | **(3) WARIANT GWAŁTOWNEGO OBNIŻENIA IMPORTU** | | | | | | | | | | | |
| (5) | *IMPK* | 27,4 | 12,3 | 12,4 | 16,4 | 20,0 | 24,7 | 25,5 | 26,0 | 26,5 | 27,0 | 27,5 |
| (6) | *EKSPK* | 24,2 | 23,9 | 23,4 | 23,3 | 23,5 | 24,4 | 25,6 | 27,1 | 28,8 | 30,7 | 33,2 |
| (7) | *DNW*[b] (mld zł) | 1690,7 | 1692,0 | 1651,4 | 1719,3 | 1761,3 | 1831,3 | 1881,8 | 1938,3 | 2010,0 | 2087,0 | 2164,4 |
| (8) | *DLUG* | 65,1 | 73,2 | 67,1 | 61,0 | 58,5 | 59,2 | 63,8 | 68,3 | 72,3 | 75,3 | 77,2 |
| (9) | *SALBPK* | —26,1 | —14,5 | —14,3 | —17,0 | —19,2 | —22,1 | —23,3 | —24,2 | —24,2 | —23,9 | —22,9 |

[a] 1980 prices

[b] 1981 prices

Key:

1. Base variant
2. Increasing-the-growth-rate-of-production variant
3. Drastic-reduction-in-imports variant
4. Without a moratorium
5. Imports from capitalist countries
6. Exports to capitalist countries
7. Generated national income (billions zlotys
8. Debt
9. Balance of payments with capitalist countries
10. Debt, with 2-year moratorium
11. Balance of payments with capitalist countries, with 2-year moratorium
12. Debt, with 5-year moratorium
13. Balance of payments with capitalist countries, with 5-year moratorium

Assumptions made on the forming of imports, the structure of investments and the share of investments in the national income, were the same as in the preceding variant. However, more optimistic assumptions were made as to the effects of systems-type changes made within the framework of planned economic reform and better utilization of producer goods. A faster rate of decline in materials-intensiveness of national income in the last 3 years of the decade was assumed, which was reflected in the more rapid, compared with the preceding variant, growth of national income during those years. It was assumed also that there would be an earlier and more distinct, than in the preceding variant, improvement in the industrial investment efficiency coefficient (17), which would express, for example, a gradual release of the frozen, or not fully utilized, producer goods. As a result, we obtained an increase in the rate of industrial production during 1985-1990, compared to the preceding variant. In turn, this growth facilitates an increase in the rate of exports to capitalist countries, whose growth rate exceeeds the growth rate of industrial production by almost one point during successive years. National income for distribution, however, initially grows somewhat more slowly, in view of this, than in the base variant, which is seen in the slower growth of consumption during 1985-1987. But there is a distinct improvement in the balance of trade with capitalist countries and the debt servicing coefficient, which reaches a maximum value in 1988 and then begins to drop. The proposed variant of increasing the growth rate of production, although it gives a certain improvement in the ratios, still retains this fundamental defect: it leads to the beginning of the decline in the share of debt servicing for exports too late; this share remains so large over the next few years that it continues to require that new, and very large, credits must be obtained. The assumption on increasing the growth rate of production, therefore, brings results too late for this scenario to solve the main problem of the base variant.

The variant postponing repayment of foreign credits. In this situation, an examination of the effects of the possible negotiation of a moratorium on debt instalment payments appeared to be indispensable. We considered two cases: a 2-year moratorium, covering 1982-1983, and a 5-year moratorium, covering 1982-1986. We have accepted a simplifying assumption that the moratorium will apply to all of the debt arising from medium- and long-term credits at the end of 1981, but will not apply to the interest. During the period of the moratorium, payments of capital instalments are suspended, but interest accrues and is paid. In addition, payments on new credits obtained during the moratorium period will not be deferred[5].

The moratorium variant was superimposed on the previously discussed two variants, based on the assumption that imports from capitalist countries would be stabilized. What effects of the moratorium were observed?

In the case of the moratorium for 1982-1983, suspension of capital instalment payments during these years quite substantially reduces the size of the balance of payments. But the assumption of imports stabilization is so strong, that this balance continues to form unfavorably, because the unfavorable balance of trade with capitalist countries continues, and, in addition, the share of the debt burden

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5 [illegible] these assumptions, certain changes had to be made in the logic of the model, which we will not go into because they are extremely detailed.

resulting from the interest on credits also continues. As a consequence, the debt servicing coefficient falls greatly (from 112 percent in 1981 to 29 percent in 1982), but only during the period of the moratorium, after which it returns almost to the previous level. This applies to both of the examined variants.

It should be mentioned here that we have made still one more simplifying assumption--that the interest rate will not change. In reality, the moratorium may bring with it an increase in the interest on new credits, which continue to be indispensable. A moratorium based on the assumed principles, therefore, only relieves the economy of the necessity to obtain huge credits to service the debt for 2 years. After the moratorium expires, the situation returns to the same level as in the previously discussed variants, and the future course is analogous--in the base variant there is no reversal of the tendency for continuous growth of the debt servicing coefficient, and in the increasing-the-growth-rate-of-production variant this coefficient reaches a maximum in 1988 and then begins to drop.

If we assume that the interest on the credit (the cost of the moratorium) increases, than the share of debt servicing for exports (and the entire debt) will increase accordingly.

The 5-year, 1982-1986, moratorium, has the same effect. During the moratorium, the debt servicing coefficient forms not only as a result of the unfavorable balance of trade with capitalist countries and the growing interest on unpaid credits, but also as a result of payments of instalments and interest on credits obtained to cover the unfavorable balance of payments during the moratorium. The debt servicing coefficient drops sharply in the first year of the moratorium, i.e., 1982 (to 29 percent), but immediately begins to rise again and in the last year of the moratorium it amounts to 70 percent. In the first year after the moratorium has ended (1987), it grows sharply, returning to a level of over 160 percent--to the line of the trend that prevailed before the moratorium.

It ultimately develops that the function of the assumption of stabilization of imports is so strong, that the moratorium, on the conditions that were assumed, only slightly improves the situation relating to the country's high foreign debt and the servicing of this debt. In addition, this is an improvement of short duration, which creates no prospects for breaking the vicious debt cycle.

An analysis of the test variants has thus shown that the solution should be sought in a sharp reduction in imports from capitalist countries, since the efficacy of other measures aimed at improving the balance of payments seems to be slight, if realistic assumptions are made.

The drastic-reduction-of-imports variant. The second extreme variant of strategy for the 1980's is the scenario in which there is a drastic slowdown in imports from capitalist countries in 1981 and 1982, a reduction of 15 billion foreign-exchange zlotys in comparison with 1980. Imports then increase gradually, in 1985 reaching the 1981 level in the base variant, and, finally, at the end of the decade, the 1980 level.

Table 2. Growth Rate of National Income, Consumption and Investments During 1980-1990

| (1) Lata | 1980 | 1981 | 1982 | 1983 | 1984 | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| (2) WARIANT BAZOWY | | | | | | | | | | | |
| (5) *SWDN* | —5,0 | —5,5 | —2,7 | —1,0 | 0,5 | 1,8 | 2,7 | 3,0 | 3,7 | 3,8 | 3,7 |
| (6) *SWDNP* | —3,2 | —8,3 | —2,3 | —0,7 | 0,4 | 1,4 | 2,6 | 2,6 | 3,2 | 3,3 | 3,0 |
| (7) *SKONS* | 0,4 | —4,0 | 0,6 | —0,7 | 0,4 | 1,4 | 1,4 | 1,4 | 1,9 | 2,0 | 3,0 |
| (8) *SINET* | —13,4 | —25,3 | —16,5 | —0,4 | 0,4 | 1,4 | 10,0 | 9,5 | 9,8 | 9,3 | 2,8 |
| (3) WARIANT DYNAMIZACJI PRODUKCJI | | | | | | | | | | | |
| (5) *SWDN* | —5,0 | —5,5 | —2,7 | —1,0 | 0,5 | 1,8 | 2,7 | 3,0 | 4,3 | 5,1 | 5,5 |
| (6) *SWDNP* | —3,2 | —8,3 | —2,3 | —0,7 | 0,4 | 1,0 | 2,3 | 2,2 | 3,4 | 4,0 | 4,2 |
| (7) *SKONS* | 0,4 | —4,0 | 0,6 | —0,7 | 0,4 | 1,0 | 1,1 | 1,0 | 2,1 | 2,7 | 4,2 |
| (8) *SINET* | —13,4 | —25,3 | —16,5 | —0,4 | 0,4 | 0,9 | 9,6 | 9,0 | 10,0 | 10,5 | 4,1 |
| (4) WARIANT GWAŁTOWNEGO OBNIŻENIA IMPORTU | | | | | | | | | | | |
| (5) *SWDN* | —5,0 | —13,7 | —2,4 | 4,1 | 2,4 | 4,0 | 2,7 | 3,0 | 3,7 | 3,8 | 3,7 |
| (6) *SWDNP* | —3,6 | —23,9 | —2,2 | 8,0 | 5,3 | 7,0 | 2,4 | 2,4 | 2,9 | 2,9 | 2,6 |
| (7) *SKONS* | 0 | —23,6 | —5,3 | 8,0 | 5,3 | 7,0 | 1,2 | 1,1 | 1,6 | 1,6 | 2,5 |
| (8) *SINET* | —13,3 | —25,3 | —31,3 | 8,0 | 5,4 | 7,1 | 9,8 | 8,9 | 9,5 | 8,9 | 2,7 |

Key:

1. Years
2. Base variant
3. Increasing-the-growth-rate-of-production variant
4. Drastic-reduction-of-imports variant
5. Growth rate of generated national income
6. Growth rate of distributed national income
7. Consumption growth rate
8. Net investments growth rate

Table 2. Debt Servicing Coefficient (in percentage) During 1980-1990

| (2) Wariant \ (1) Lata | 1980 | 1981 | 1982 | 1983 | 1984 | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| (3) Wariant bazowy | 97 | 112 | 126 | 130 | 150 | 160 | 168 | 176 | 183 | 189 | 193 |
| (4) Wariant bazowy z moratorium 2-letnim | 97 | 112 | 28 | 37 | 145 | 159 | 169 | 176 | 182 | 189 | 193 |
| (5) Wariant bazowy z moratorium 5-letnim | 97 | 112 | 28 | 37 | 48 | 60 | 72 | 171 | 181 | 188 | 192 |
| (6) Wariant dynamizacji produkcji | 97 | 112 | 126 | 139 | 150 | 157 | 163 | 166 | 168 | 167 | 163 |
| (7) Wariant dynamizacji produkcji z moratorium 2-letnim | 97 | 112 | 28 | 37 | 145 | 156 | 163 | 166 | 166 | 167 | 164 |
| (8) Wariant dynamizacji produkcji z moratorium 5-letnim | 97 | 112 | 28 | 37 | 48 | 59 | 169 | 161 | 166 | 166 | 163 |
| (9) Wariant gwałtownego obniżenia importu | 97 | 112 | 111 | 106 | 100 | 92 | 94 | 96 | 95 | 92 | 88 |

Key:

1. Years
2. Variant
3. Base variant
4. Base variant with 2-year moratorium
5. Base variant with 5-year moratorium
6. Increasing-the-growth-rate-of-production variant
7. Increasing-the-growth-rate-of-production variant with 2-year moratorium
8. Increasing-the-growth-rate-of-production variant with 5-year moratorium
9. Drastic-reduction-in-imports variant

In the variant under discussion, we also made a basic change in the materials structure of imports from capitalist countries, as compared with assumptions contained in the base variant. In the base variant, two-thirds of the imports from capitalist countries were supply imports, with one-third comprising the others (including investments). In the "drastic reduction" variant, we assumed a reduction of the others to zero, and a one-sixth reduction of supply imports. For 1982-1984, we assumed a growth in volume of imports from capitalist countries to the size corresponding to its level in 1985, assumed in the base variant, and a return to its structure as in the base variant.

On the basis of the assumptions made pertaining to the structure and size of imports, we have calculated a value for the imports efficiency coefficient for the "drastic-reduction-in-imports" variant. We have also assumed that the trend of changes in this coefficient corresponds to the imports efficiency coefficient trend in the base variant.

Another important assumption of this variant was the assignment of a value to the exports capabilities coefficient, which allowed the growth rate of exports to capitalist countries to remain at a level enabling comparison with the base variant.

As a result, the drastic-reduction-of-imports variant makes it possible to immediately begin the process of reducing the debt servicing coefficient and clearing the economy's debt. But this process is slow and expires in 1985, which is reflected in the assumption that a gradual increase in imports will occur as early as 1983. After 1985, the debt again begins to grow, but due to the assumptions on the growth of exports, the debt servicing coefficient essentially has a declining tendency. The variant under discussion shows the drastic reduction in generated national income and industrial production in 1981, which, in view of the assumed retention of exports to capitalist countries at the 1980 level, leads to a still greater reduction of distributed national income and consumption. But already in 1983 a gradual growth in national income and industrial production begins, and remains quite uniform in the following years, although the growth rate of both these units is low. In turn, consumption, after a sharp drop in 1981, due to a slowdown in accumulation, increases rapidly over the next 4 years, reaching, in 1985, the 1980 level; after that, because of the need to again increase investments, its growth rate will stabilize at a rather low level.

The results of this variant indicate that in order to accelerate the process of reducing the share of debt servicing, the period of slowing down the growth of imports from capitalist countries, after the sharp reduction in 1981, must be extended. It must be noted, however, that acceptance of this variant of strategy would cause a longer period of slowdown in the growth tendency of the national income and the elements of its distribution, unless it was possible to effectively compensate the reduction of imports with an increase in management efficiency.

The process of reducing the debt servicing coefficient would also be more rapid if we would assume a higher growth rate of exports. However, under the highly restrictive imports policy, this would not be realistic and furthermore, it would have even greater repercussions on the level and growth rate of consumption.

Final Conclusions

In the light of the presented variants of strategy for economic development in the 1980's, the following observations can be made:

1. All of the scenarios of economic macro-ratios that we examined indicate the enormous scale of social costs that are unavoidable during the next 10 years, as a result of the excessive scale of investments during the preceding 10 years, investments financed in large measure from external sources.

In all of the variants studied, a decline and then stagnation, or a very gradual growth of consumption, is observed, and

--in the variant directed towards accelerating the debt-clearing process, greatly increasing the growth rate of exports and weakening the dependence on foreign credits (it may conventionally be called an "autarkic" scenario), we see a relatively deeper drop in consumption during the entire period under study,

--in the variant oriented towards continuing to supply the economy with increasing amounts of foreign credits, this drop is somewhat smaller than in the case of the "autarkic" variant. These variants, however, indicate a further sharp rise in the debt spiral, which must either be regarded as unrealistic or which, over the long term, will lead to greater economic imbalance and a weaker growth rate of consumption.

2. We can put forth the hypothesis that practical politico-economic solutions must be sought in combining the strategy of a drastic reduction in exports with an extended period of return to the "base level", with a moratorium on debt repayments. The effects of a highly restrictive imports policy could be accompanied by a somewhat lower, than in the drastic-reduction-of-imports variant, growth rate of exports to capitalist countries, which could bring with it a certain weakening of the sharp drop in consumption. Such a variant has not been examined yet.

3. The forecasting analyses conducted with the aid of the research instrument presented here, have made it possible to observe the scenarios of economic macro-ratios to 1990, formed mainly from the standpoint of different variants of strategy in the area of external economic relations.

We can put forth the hypothesis that in the sphere of internal economic strategy, the attainment, during the 1980's, of a certain improvement in the growth rate of public consumption, will be determined by two fundamental factors:

a) Implementation of comprehensive changes in the system of planning and managing the national economy, directed at broadening the self-dependence of basic economic elements,

b) Extensive restructuralization of the investment front, taken over from the 1970's. and the directions of production and employment.

Only these factors can effect an overall improvement in management efficiency and thus, in our model, make it possible to apply more favorable assumptions as to coefficients of efficiency, thus improving the overall results.

NEW REALITIES OF ECONOMIC REFORM CONSIDERED

Warsaw ZYCIE WARSZAWY in Polish 23-24 Jan 82 p 3

[Article by Czeslaw Bobrowski: "Second Phase of the Reform"]

[Text] Many assumptions have been made on the subject of economic reform throughout the past year. There were those who thought that the whole affair would amount to nothing and those who believed that the direction given by the Commission for Reform Affairs would become grossly distorted, etc. One group of economists and activists were demanding haste, without regard for any introductory considerations, and another group was stressing the necessity of preceding the reform with activities designed to restore equilibrium. In this respect a split compromise had insued, i.e., has been acknowledged that it did not make sense to wait for full equilibrium since the reform itself would favor a restoration of balance, however, on the other hand, it would be necessary to reduce the inflationary gap to such an extent that its size would not prove to be an obstacle in the course of the reform's introduction.

Writing in ZYCIE GOSPODARCZE" (21-22 November 1981) I have analyzed four possibilities and rejected three of them: introduction of reform without any additional safeguards; introduction of the reform by stages (for example in the manner it happened with the small-scale industry); and a postponement of the reform for three months while making better preparations of the safeguards and while conducting a brutal deflation (personally I was sympathetic to the latter, though I did not believe in the possibility of its approval).

However, it happened entirely different from what anybody could have imagined. Thanks to a resolute posture of the government--it is impossible here to omit the Premier, General of the Army W. Jaruzelski--the reform, in the sense of systems-type principles, became a fact on 1 January 1982, despite the fact that the legislative processes could not be completed in time and all the details have not been fully worked out (I'm thinking here about pricing instruments, fiscal matters, etc.). The imposition of martial law forced a suspension, for the duration, of workers' self government without additional introduction of other systemic changes. Because the legislative processes are proceeding in accordance with expectations of the reform builders (and additionally are introducing fortuitous corrections to the text presented by the government), it is becoming apparent that at the termination of the martial law the legal foundations and institutional regulations will be in complete accord with the assumptions.

New Realities

During the past three months important changes in the area of reform-activities conditions occurred. On the one hand some anti-inflationary price increases have been imposed (alcohol, gasoline) and were preceeded by an increase of tobacco prices. These changes, although conducted without compensation did not erase the inflationary gap but did, nevertheless, somewhat reduce its monstrous dimensions. This was not a brutal deflationary operation on the balance-restoring scale, however, it was a step in the right direction.

Unfortunately, phenomena or more precisely dangers acting in an opposite direction have also appeared at the same time. We did not manage to extricate ourselves from the commitments made in the understandings pertaining to the extension of our foreign-currency credits; this has endangered our chances for profitable new understandings. Even prior to the assumption and declaration of the extreme position of President Reagan, it had become apparent that we could not count on chances of feed grain purchases, on credit, from the USA, in amounts and on schedules which were necessary for us (in this respect Reagan's sanctions, stated subsequent to the imposition of martial law, represented only a minimal tightening of the USA position which was announced a little earlier). If we consider the dependence of our animal husbandry on the extent of our fodder imports, one can freely say that the conditions of our reform introduction have suffered a serious setback. Of a slightly smaller, but of no lesser, significance is the fact of the general difficulty, or at least a delay in regard to other transaction-type credits which are necessary to maintenence of a steady supply of raw materials and semi-finished goods on a desirable level. Aid from socialist countries reduces the impact of this aspect, but only in part, because these countries, in many cases, do not have commodities which could replace Western imports.

What can be presented in comparison to these negative aspects on the tally sheet of changes in conditions? A number of small, positive happenings can be shown (for example the good results in the sugar industry or some progress in the small-scale industry due to a change in prices for its products), but in reality only one item may be acknowledged as significant: an increase in coal production that has already been noted since November and has solidified during the period of martial law. There may be two more positive aspects or rather possibilities or expectations which are yet to be confirmed by facts. The first one is connected with the state of martial law and the halt of social unrest, sometimes expressed in the form of strikes (I do not consider this aspect as being the most important one, though occasionally its extent, during the fall, started to assume a dangerous scale), in lowering of the work discipline, unreliability of co-workers, in the erroneous ways of many of enterprise directors who cared not so much for production resluts as for avoiding, at all cost, any conflict with workers, in the growing ineffectiveness of the administration, etc. The press is quoting many examples of progress in this area, however, it is difficult to justify the generalization on that basis, to which I am partial, however, that is, we are witnessing an improvement in the economy in that, within the limits set by the supply situation, we are now exploiting our production possibilities in a better way.

## The Supplier Decides

The second aspect is connected with economic reform; this problem is so new that one can only make assumptions. The freedom to set prices for a number of industrial products (both of agreed and regulated prices) should facilitate a proper allocation of the production factors which are at the disposal of a given enterprise. I shall not discuss here possibilities of abuse of such freedom, in the form of a simple increase in these prices, rather than a search for a profitability through a more realistic application of costs--this is a natural risk based on independent adaptive processes, under conditions of a "hungry" market and lack of competition. A more important matter is that positive processes may only take place within the framework formed by supply difficulties. This may happen, in some cases it will happen, that the production program will be decided not by economic rationalization but by the effectiveness of supply. It is still too early to determine the extent of the profits which we will gather in this respect due to the reform; however, I believe that thanks to the reform and the state of martial law, certain opportunities have presented themselves for utilizing our, so-called, shallow reserves.

This statement may astonish those readers who may perhaps recall that in the past I have, serveral times, opposed the modern theory, that the new system will automatically liberate large reserves. I have instead stressed that some of the, so-called reserves may demand if not larger investments, then at least modernization. Some reserves, on the scale of a single enterprise, will not be useful on the scale of national economy. The process of utilizing reserves must always be an extended one.

Why then am I willing to attach more importance to it today? It is simply this: under the conditions of reduction of production and a general loosening of the production apparatus there emerged new, shallow reserves whose exploitation, under the conditions of order and freedom of action by the enterprises, should not be so difficult.

## Fight With Inflation

I'm looking with a more pessimistic eye on the activities pertaining to the matter of the new motivational system which, in its intentions, ties the earning to an effective functioning of the enterprise. Simply stated: no motivational system tied to an increase in earnings will be truly effective in face of inflation. On the other hand, a good market should be only the result of, and not the departing point for economic activity in the immediate future.

I'm being reinforced in this belief by the latest decisions pertaining to changes in retail prices for food articles, fuel and energy (I've no doubt that the decisions of the government will be in accordance with the draft of the Economic Committee of the Council of Ministers). Reform of these prices was supposed to be one of (albeit not the most important one though not entirely without significance) the elements of the deflation policy. In

the course of those unfinished discussions which were conducted on this subject, primarily with Prof Krasinski, it has been stated that--truthfully--the next project will not present the final solution. A simple comparison of the Economic Commission's draft with the draft of the Price Commission shows that a majority of compensations [rebates] have been increased while some price increases have been reduced. All the same, in a general overlook, the compensations give an increase over the burden of the consumers.

The sharp points, in the earliest proposals, have been at first converted to a form of redistribution of wealth between the rich and the not-so-rich, until in the end the whole operation ceased to be a viable element in the restoration of the equilibrium. Certainly, this does not detract from its importance, in a long range outlook, perhaps as an element of normalization of the disproportion of food prices to prices of industrial production items (we were not able to solve this problem for several decades) or for the establishment of proper proportions between individual food item prices (now, meat will cease to be cheaper than a serving of "Melba" ice cream from "Hortex"). It has to be strongly underlined that as the new anti-inflational element we will only see, or rather we shall observe in the course of the next three months, an increase in the prices of industrial goods resulting from the new production prices (in the course of three months because not all the enterprises would immediately increase all the prices). And so, as a consumer I rejoice that my compensation [rebate] will be higher than it would have been under the provisions of Prof Krasinski's draft, as an economist I'm saddened that the great pricing operation is resulting in such small anti-inflationary measures on such short range. This leads me to the obvious conclusion that we must still seek other means for restoring the market equilibrium, both from the supply side--which is more agreeable though more difficult--and from the demand side by application of means of taxation or (even compulsory) means to increase the degree of savings.

Are there Too Many Priorities?

Many words have been spoken on the subject of the negative impact of distribution [allocations] without which, unfortunately, we are unable to overcome our current production difficulties, particularly in imports. I shall only add that I have certain apprehension as far as it concerns the (so-called) operational programs (my fears are even greater since I am one of the co-authors of the concept of these programs). I'm not concerned so much about the fact that the number of such programs have grown, amounting to 14, as I am concerned about the possibility that some programs may grow far in excess of proper size. They were conceived as a measure to insure acute priorities of limited extent. The reason I'm not certain is that I'm unfamiliar with the programs which are currently in effect. I'm afraid, however, that when applied together the positions occupied by these programs may grow to such an extent that either their priorities will destroy the remainder of the supply or that they will become mutually destructive. Then it will become necessary to introduce "super-priorities" (we are familiar with this phenomenon from long years of bitter experiences--let us hope we can learn from our mistakes).

I'm omitting the matter of labor force relocations, I know too little about it and I've no inclination to trust theories, based on presumptions, that this process is not so difficult after all and that it cannot overcome resistance and other difficulties by application of a responsible policy. I'll try to come back to this once I've gathered some more intelligence about it. Similarly, although to a lesser degree, I'm not too certain about the subject of financial means and savings policies which are supposed to be complementing planned anti-inflationary activities, therefore, I will also omit it today. I mention the two above ennumerated subjects only in order to enter them on the list of unresolved problems which are present on the threshold of the reform's introduction. This is a statement of fact and not necessarily an accusation, some of the problems are still in need of a thorough analysis, other problems are not so urgent and a hasty action may be just as damaging as procrastination.

In the article: "Ways and Dilemmas of Economic Reform" which I wrote in March 1981, I demanded from the economists that they differentiate more precisely between the moment of the reform's introduction and the moment in which the reform will achieve its full effect. I believe that this matter has been fully understood by the economists for some time now. The problem is much worse with public opinion which has a tendency to subscribe to the theorem: "all or nothing." It either expects, exaggeratedly, quick results or has no appreciation for those positive aspects of long-range results. In that article I've answered a question which I posed to myself, specifically, how much time will pass between the introduction and the full effectiveness of the reform? The answer was: "Variant of Hope" to be under three years, "Variant of Fear" to be over the three year mark. Taking into consideration the difficult circumstances and the complexity of the still unresolved tasks I'm pulling for the "Variant of Hope."

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PRICE SITUATION UPDATED IN INTERVIEW

Warsaw ZYCIE WARSZAWY in Polish 16 Feb 82 pp 1, 2

[Interview with Minister Zdzislaw Krasinski, chairman, State Price Commission by Henryk Borucinski; date and location not given]

[Text] (W) The chairman of the State Price Commission PKC, Minister Zdzislaw Krasinski, speaks with a PAP representative about pricing problems.

[Answer] The timing of the price reform coincides with an unfavorable combination of circumstances, including the exhaustion of raw materials reserves in industry and finished products in trade. Last year, there was a very great decline in industrial production. However, the reform was a necessity. The PKC, already in the process of preparing the reform, became confronted with a delay because an avalanche of consignations forestalled us. We did detailed calculations and engaged in extensive consultations with various social groups. This took time.

On the other hand we knew that industrial production was declining, but that the reform could not wait because it was obvious that an increase in production at the old prices was impossible, while it is now at least probable. It is important that a change in the production structure take place rapidly, for the benefit of agriculture, above all. It is too early to evaluate the effects of the reform, but we at the commission are already positively shocked at the substantial stabilization of the food market.

[Question] Can you substantiate this statement?

[Answer] Well, we have access to interesting observations. There are regions in which people began to set up their household budgets differently from the outset, e.g., in Wielkopolska, where the greatest demand is noted for the least expensive varieties of cured pork products and meat. There are also regions, e.g., Warsaw, where the structure of consumption has not yet changed and people are continuing to look for the most expensive varieties of meat and cured pork products. Not everyone realizes that certain items have become available to them. Yesterday they could not buy them because they were not there and today they cannot buy them because they cannot afford them.

It is an unfortunate and painful operation, but we have not created illusions here for anyone. The results of a poll conducted by the Center for Public Opinion indicate that at present every third citizen feels the lack of money more than the lack of goods. The poll was conducted during the first days of the month, when salaries had not yet been handed out. This attests to the fact that people are already calculating their expenses differently.

[Question] Minister, man does not live by bread alone. He needs shoes, clothing and household equipment. It appears that the new prices for manufactured goods "eat up" compensation.

[Answer] No one buys suits every day (nor have they increased in price as much as was indicated initially) or household equipment. Thus, these products do not "eat up" compensation. Most families already have such equipment. I should like to bring up a basic point, that in the field of manufactured products, the laws of the market should be most readily apparent. A person must buy bread, but one can wait to buy a radio, a washing machine or even clothing until the producer eases prices. Now producers cannot afford to wait because they will live from what they sell. Lately one hears that producers are reducing their newly established prices as a result of various actions. This is the pressure of the market. A force of 20 million supervisors in the form of thrifty consumers is a powerful force. The new prices for manufactured goods hit families just starting out the hardest, i.e., newly married couples.

[Question] One could say that since they do not have apartments, why do they need equipment?

[Answer] That is an attempt at black humor. The government sees and appreciates the housing problem. As you know, despite a considerable increase in construction costs, attempts are being made to keep housing prices at an unchanged level. It is a positive phenomenon that newlyweds are borrowing trouble, for like our entire society, they must learn to live with pencil in hand.

[Question] Rumors are circulating that there are new prices for alcohol, cigarettes and other products.

[Answer] There will be no price increases for alcohol and cigarettes. In proportion to the average wage, the current prices for alcohol and cigarettes are the highest of the entire 35-year period. This is not only draining, but has a social effect as well. However, no State on earth will set prices at a level which will cause a decline in budgetary revenues instead of an increase. Moreover, as regards vodka the current price has made it profitable to take the risk of producing alcohol illegally.

[Question] What about beer and coca-cola?

[Answer] These products are priced at free market prices. I know that breweries must now pay considerably more for barley, and that they intend to raise the price of beer by several zlotys per bottle. I do not know what will happen to the price of coca-cola.

[Question] Since you at the PKC do not anticipate any price changes, you will be out of work.

[Answer] That is no threat, but I do admit that we counted on a "breather" after the price reform was introduced. Meanwhile, a period which is no less difficult for us has now begun. We are analyzing the signs of the movement of free and agreed-upon prices and we are conducting a struggle against the tacit collusion of producers who establish prices according to the production costs of the most expensive manufacturers. With this type of tacit agreement we will not mobilize producers to look for ways to reduce costs, which is the goal of the reform.

Fortunately, we are able to do battle with industry because we have the proper legal authorization. The situation is worse with trade. With SPOLEM, we note a trend toward the monopolistic control of the market. I would be happy to see the development of factory and state-farm stores and the creation of organizations in trade that would compete with SPOLEM.

Voivodship governors can do much here by transferring stores to labor and trade cooperatives, or to private hands. Under conditions of the economic reform, the policy of uniform prices to which we have become accustomed is to be considered detrimental to, and at odds with, the spirit of reform.

8536
CSO: 2600/362

RECENT AGRICULTURAL DATA PROVIDED

Updated Harvest Results

Warsaw RZECZPOSPOLITA in Polish 19 Jan 82 p 4

[Text] Crop production results in 1981. Harvests. Trends. Causes.

According to the State Inspectorate of Agricultural Production's estimate, harvests of the chief agricultural crops in 1981 look like this:

/total grain crops/--19.7 million tons, i.e., 0.8 million tons less (by 3.8 percent) than NPSG's [cannot locate] estimates and 1.4 million tons more (by 7.6 percent) than last year's harvests; in relation to average harvests for the years from 1971 to 1980, last year's grain harvests were down by 2.4 percent;

/potato harvests/--42.6 million tons, i.e., 3 million tons more (by 7.5 percent) than NPSG's estimates and 16.2 million tons more (by 61.2 percent) than the very low harvests obtained in 1980; in comparison with average harvests for the years from 1971 to 1980, last year we had potato harvests that were 5.3 percent lower than average.

/sugar beet harvest/--15.8 million tons, i.e., 0.8 million tons more (by 5.3 percent) than NPSG's estimates and 5.7 million tons more((by 55.8 percent) than last year's harvests; these were the highest beet harvests in the history of Poland's sugar industry;

/oleaginous crop harvests/--497,000 tons, i.e., 33,000 tons less (by 6.2 percent) than NPSG's estimates and 86,000 tons less (by 14.8 percent) than last year's harvests; last year's oleaginous crop harvests were the lowest in 8 years (except for 1979);

/harvest from meadows (adding hay harvests)/--14.7 million tons, i.e., 2.3 million tons more (by 19.1 percent) than last year's harvests;

/vegetable harvests/--5,087,200 tons, i.e., 1,240,100 tons more (by 32.2 percent) than in 1980 and 940,200 tons more (by 21.6 percent) than the average harvest for the years from 1976 to 1980;

/fruit tree harvests/--1,006,400 tons, i.e., 208,200 tons less (by 17.1 percent) than harvests attained in 1980 and 357,000 tons less (by 26.2 percent) than the average harvest for the years from 1976 to 1980;

/berry fruit harvests/--380,100 tons, i.e., 31,800 tons more (by 9.1 percent) than 1980 and 26,400 tons more (by 7.5 percent) than the average annual harvest for the years from 1976 to 1980.

Unfavorable initial production conditions affected the level of harvests of many agricultural crops--especially the following conditions; a significant amount of nutritive elements washed out of the soil (as a result of torrential rains and floods); belated and, in many cases, unfinished field work.

In comparison with harvests in 1981, procurement of grain and potatoes to date is relatively low. About 1.7 million tons of grain (barely 38 percent of the plan) and 3.5 million tons of potatoes (64 to 70 percent of the plan) have been procured. Due to small procurement, agricultural crop stocks available to the State are considerably less than last year's, which has a negative effect, first of all, on industrial production of grain products and concentrated fodder. In the next several months there is a threat to supplying the populace with flour products.

Taking into consideration the level of grain and potato harvests in 1981, the course of procurement of these agricultural crops, and the condition and productivity of the number of farm animals, as well as the level of fodder crops harvests (which can be substituted for grain)--the State Inspectorate of Agricultural Production estimates that farms have certain grain and potato reserves which should find their way to procurement centers. The State's procurement of these reserves requires conducting intensified but prudent operations, so as not to cause a depletion in the fodder base on farms engaged in animal production.

## January Livestock Inventory

Warsaw RZECZPOSPOLITA in Polish 20 Jan 82 p 1

[Text] A little optimism from January's inventory. An increase of 600,00 head of cattle, including 126,000 cows. An increase in the number of hogs in 45 voivodships. An abundance of fodder for replenishing herds.

As the Central Office of Statistics has informed us--preliminary results for the quarterly inventory of farm animals on non-socialized farms of the economy indicate an increase in the number of cattle by 600,000 head (by 7.4 percent), including 126,000 more cows (by 2.6 percent). In comparison with a year ago, there has been an increase in the number of cattle in all voivodships, while the number of cows continues to trend at a lower level since January of last year in the voivodships of Katowice, Rzeszow, Krakow, Nowosad, Tarnobrzesk, Krosno, Tarnow and Bielsk.

The number of swine has increased by 1.3 million head (9.9 percent), including an increase of over 600,000 head of piglets and porkers and 22,000 head of

breeding sows. The number of swine has increased in 45 voivodships, the largest increases (above 15 percent) were in the voivodships of Pila-Lomza, Sieradz, Bydgoszcz, Piotrkow, Wloclawek, Konin, Warsaw, Rzeszow, Skierniewice, Kielce, Jelenia Gora, Radom, Krosno and Lodz.

A certain drop in the number of swine (ranging from 6.4 to 0.3 percent) has been recorded in the voivodships of Szczcin, Gdansk and Zamosc.

The inventory points to growth trends in the breeding of farm animals, though --as GUS sees it--holding back slaughter animals on farms may have had some effect on the increase in the number of head, which has been confirmed by their weak showing in procurement in the fourth quarter of last year and an increase in the average weight per head delivered to procurement centers.

An indisputable favorable phenomenon, however, is the increase in the number of cows and sows, which, in connection with the information on the intensity of their cover, presages the replenishing of herds--obviously under the condition of accumulating sufficient fodder stocks.

However, changes in the number of animals on socialized farms are still not known, that is to say, one has to wait until the end of January when GUS will have gathered complete data on the number of animals in all of agriculture before final conclusions can be drawn on the prospects for animal production.

## Sugar Production

Warsaw RZECZPOSPOLITA in Polish 20 Jan 82 p 4

[Text] Balance of sugar. Not so sweet. One million seven hundred thousand tons of sugar in this year's campaign. A lack of possibilities for increasing present allotments.

This year's sugar campaign will probably end on 20 January. Predicted sugar production may amount to over 1.7 million tons. This is good, but the incomplete result of the sugar campaign presently coming to an end has raised unfounded hopes for increasing ration card allotments. Meanwhile, this year's harvests are hardly enough to cover the present 1.5-kilogram (for some groups of the populace--2-kilogram) monthly ration. Why is this so?

Well, the 1981 sugar campaign harvests were not bad, to be sure, coming as they did after a truly disastrous campaign in 1980. Then we produced barely 1,043,000 tons of sugar and until the beginning of the next campaign (beginning in September) we succeeded in consuming not only stocks for trading but the State's reserves as well.

To supply the market for the month of September 1981 alone, it was necessary to take 82,000 tons of sugar from the present campaign, whereas in normal years in September, sugar from the previous campaign is consumed. It was also necessary to restore guaranteeing continuities in supplying stocks for trading at the amount of 62,000 tons. So already "at the start" the result of this year's campaign had to be reduced by about 200,000 tons.

Then in November a decision was taken that one may also purchase sugar for unused monthly ration cards (again, a loss of 25,000 tons), and--on the basis of good forecasts for the final result of the campaign--a 0.5-kilogram increase of ration card allotments for December absorbed another 12,500 tons of sugar.

Moreover, in the fourth quarter of last year, 290,000 tons of sugar have been directed to trade, 134,900 tons to processing, 30,000 tons to sugar beet planters, 16,000 tons to apiarists; food harvest agencies have taken 4,000 tons.

Likewise, sugar has already been distributed for the third quarter of this year. Seven hundred and seventy three thousand tons are directed to trade 558,000 tons of which for covering supply cards; collective consumers take 9,000 tons; 144,00 tons of sugar goes for non-market dupply (restaurants and tradesmen); 5,000 tons goes to BALTONA and PEWEX; and apiarists will take 30,000 tons.

This year 298,000 tons of sugar are designated for production purposes. So much of this production goes to all industries taken as a whole, that is to say, for the prouction of sweets, jams, marmalades, wine, soft drinks, and the like.

Sugar export is not large and it is covered by sugar imports from Cuba, with whom we have had relations for many years. For the time being, a decision has been taken on the export of 20,000 tons of sugar, which we are it last exchanging for cooking oil.

With 1.7 million tons of sugar, the monthly allotment continues to be 1.5-kilograms. Dieticians maintain that these rations are quite adequate. And it could not have turned out any better that such a large allotment has been maintained and greater quantities of sugar have been directed to the food industry. After all it is sugar we eat, so much of it in a more varied form. Only specialists can be led away from the "liquefaction" of this product.

9866
CSO: 2600/333

DEEP SEA FISHING GOALS DISCUSSED AT CONFERENCE

Warsaw RZECZPOSPOLITA in Polish 22 Jan 82 p 3

[Article by (KP)]

[Text] Yesterday in the Office of the Maritime Economy there was a meeting of the interministerial group for deep-sea fishing. The condition of the fleet operating in distant sea areas, its requirements in the years 1982-1985 and prognoses to the year 1990 were discussed.

The current situation on the food market necessitates that fishing supply a minimum of 7 kg of fish per inhabitant. This will be possible when the annual catch of the fleet reaches 0.5 million tons of fish per year. This task can be accomplished provided that the fishing fleet is modernized and productive fishing grounds are assured. As it happens now, fishing boats work in sea areas where the costs of catches are double the average costs.

Last year, 20 old fishing boats, unsuited to today's needs, were withdrawn from service. These are B-15, B-20 and B-23 vessels, on which the costs of catching a ton of fish are three-fold the costs on other vessels. By 1985, an additional 40 worn out fishing boats will be dropped from the deep-sea fishing fleet. That is more than one-third of the entire number of units working beyond the Baltic Sea basin.

There was lengthy discussion of the problems of financing the maritime economy.

A basic concern is considering the specific nature of fishing enterprises, by establishing a system of utilizing foreign-exchange income. If they operated on the same basis as planned for land enterprises, they would have to sell their entire catch abroad in order to cover their foreign-exchange costs. Representatives of deep-sea fishing enterprises are in favor of a system of accounting out of the State budget which would enable them to finance their foreign-exchange outlays through the sale of 40 percent of their catch, with 60 percent being designated for the domestic market.

A system of prices and subsidies was also considered. The complete elimination of subsidies would have to bring an increase in retail fish prices. For example, 1 kg of cod fillet would cost approximately 230 zlotys. By comparison

with current prices, or even with proposed prices after an increase is put into effect, this is an astronomical sum. It was pointed out, however, that despite such drastic increases, these prices will still be lower than meat prices as outlined in the well-known State Price Commission brochure. Of course, all drafts creating profitable deep-sea fish prices for fishermen can be considered at some time in the future, and only in conjunction with proposals of the full compensation of expense increases from family budgets.

8536
CSO: 2600/344

COAL SUPPLY SHORTAGE ASSESSED

Warsaw ZYCIE GOSPODARCZE in Polish No 49, 6 Dec 81 p 2

[Article by Krzysztof Fronczak]

[Text] Since August of last year the coal problem has been a subject of very serious concern. Great concern is being expressed over reports on coal production, which is a far cry from what it was in the fat years gone by. Coal is commonly regarded as a factor which has a critical impact on the performance of our entire economy. All economic analysis scenarios, regardless of whether we are talking about the hopeful or fearful versions of these scenarios, in effect portray coal as the prime mover which is finally supposed to set the economic stabilization process into motion and later on gradually extricate us from our economic crisis.

Nobody denies the importance of coal for the nation as a whole. It has always been enormously important. However, the debate goes on and there are differing opinions as to whether the problem is basically attributable to the fact that there has been a sharp falloff in coal production or also whether it might not even be possible to meet all of our needs with what the miners are producing right now on the condition that efforts are made to provide for the better distribution of coal output and its more efficient, conservation-oriented consumption. But the truth of the matter is that there is no way to improve the exploitation of this Silesian motherlode overnight. Since we are talking about this and not some other industry, an industry which is endowed with certain technologies that are not the most cost-effective, there is no way we can look forward to such an outcome. The prospects for obtaining relief in this way are rather remote, a fact which to be sure cannot be cited by way of making excuses for the lack of fresh ideas on how to deal with this problem and downgrading efforts aimed in this direction. But this takes time. So, the actions taken by the government to step up coal production, actions which are a source of great controversy--and not just among miners--are hardly surprising. Without going into the merits of this approach, it can still be pointed out that the problem has been oversimplified by viewing reduced mine working hours as the principal reason for the slowdown in production, while for years now it has been "traditional" to point out that a very great deal remains to be done in the area of work organization, transportation system servicing, maintaining the serviceability of mining machinery, and so on. The debate goes on and it will continue

to do so indefinitely, but in the meantime the most important thing as far as the economy is concerned are the realities of the coal situation in the here and now.

In 1979 201.9 million tons of coal were mined, compared to 196.5 million tons last year. This year's plan, which touched off a big furor when it first came out, officially still calls for a production target of 168 million tons, even though now no one labors under the slightest illusion that this target can be met inasmuch as barely 135.8 million tons were mined during the first 10 months of this year.

This year's total output will not amount to more than 162 million tons (i.e., 20 percent less than was produced in 1979). During these past 10 months 30.3 million tons less coal was mined than during the same period last year (a drop of 18.2 percent). As a result, this means that coal deliveries for industrial consumers will decline by 13.9 million tons (12.6 percent), for private consumers--by 2.2 million tons (8.2 percent), and for export sales--by 14.8 million tons (51 percent), which includes an 11.2 million ton falloff (61 percent) in coal export sales to payments zone II [capitalist countries]. The final 2 months of this year surely are not going to witness any major turnaround in these statistics, since this is simply no longer possible.

Let's take a look at the figures given in the table below that portray the hard coal supply situation. Who has been hit hardest by the coal crisis? [Table on following page]

The following qualification should be made right away with respect to this table. Namely, we know by now that the 1981 socioeconomic plan is not going to be fulfilled. And so if the plan itself projected coal deliveries for individual categories of consumers that are down by approximately 10 percent over a year ago, then the impact of this underfulfilled plan is going to be all the more painful. Considering that we are already three quarters into 1981, the hardest hit consumers are the chemical industry, light industry, the timber and wood products industry, the Ministry of Agriculture and the Food Industry (even though this was the only sector for which the plan envisioned increased deliveries in relation to last year), and the construction and transportation industries.

It is hard to estimate what the effects of reduced coal supplies will be. For example, it is impossible to say by how much the output of textiles or plastics in plants under the jurisdiction of the Ministry of the Chemical Industry and Light Industries will go down for this reason, since there are many other factors that could be blamed for production cutbacks, e.g., shortages of imported raw materials and machinery spare parts, plant shutdowns caused by power outages, and so on--to mention a few. In order to define the scope of this problem in somewhat clearer terms I would say that a 1-million ton coal shortage is tantamount to a loss in aggregate industrial output on the order of Zl 25 billion, while shortages of additional millions of tons will multiply the magnitude of these losses in almost geometric progression and sever the already fragile bonds that exist between producers. One ton of coal generates approximately 2 MWh of electricity and yields up 0.6 to 0.7 tons of coke. One ton of coal makes it possible to manufacture 4-5 tons of rolled products, 4 tons of cement, and 400 kg of sugar.

The Hard Coal Balance Sheet

| Category | 1980 | 1981 National Socio-economic Plan | 1981/1980 X 100% | Progress toward fulfillment of the National Socioeconomic Plan by end of 3d quarter 1981 in percent |
|---|---|---|---|---|
| | in thousands of tons | | | |
| Sources, including: | 197,420 | 170,700 | 86.4 | 72.7 |
| Extraction | 193,121 | 168,000 | 88.2 | 72.4 |
| Briquette production | 1,567 | 1,600 | 102.1 | 72.4 |
| Imports | 1,012 | 1,100 | 108.6 | 73.6 |
| Supplier reserve stocks | 1,720 | 1,000 | 58.1 | 36.2 |
| Uses, including: | 197,420 | 170,700 | 86.4 | 72.7 |
| National supplies--deliveries | 167,065 | 153,530 | 91.9 | 72.3 |
| Production-operating uses | 134,179 | 123,830 | 92.2 | 71.7 |
| Ministry of Mining and the Power Industry | 66,863 | 61,630 | 92.1 | 73.4 |
| Ministry of Metallurgy and the Engineering Industry | 33,312 | 30,850 | 92.6 | 73.3 |
| Ministry of the Chemical Industry and Light Industries | 11,206 | 10,360 | 92.4 | 68.0 |
| Ministry of Agriculture and the Food Industry | 5,724 | 5,800 | 101.3 | 67.7 |
| Ministry of Forestry and the Wood Products Industry | 3,158 | 3,000 | 94.9 | 66.0 |
| Ministry of Construction and the Building Materials Industry | 7,083 | 6,490 | 91.6 | 65.4 |
| Ministry of Transportation | 3,684 | 2,900 | 78.7 | 67.0 |
| Miscellaneous ministries | 3,149 | 2,800 | 88.9 | 65.1 |
| Residential-municipal uses, including: | 32,886 | 29,700 | 90.3 | 74.8 |
| Market supplies | 24,903 | 22,850 | 91.7 | 73.1 |
| Supplies for state farm workers | 959 | 850 | 88.6 | 67.5 |
| Workers salaries paid in kind | 5,020 | 4,800 | 95.6 | 75.1 |
| Group consumers | 992 | 900 | 90.7 | 75.8 |
| Direct mine sales | 1,012 | 300 | 29.6 | 224.0 |
| Exports | 31,048 | 17,170 | 55.3 | 75.7 |

Source: "Basic Fuels and Electric Power Balance Sheets" prepared by the Materials Management Section of the Productive Assets and Finance Department, Main Office of Statistics.

Finally, for 1 ton of coal sold on western markets we earn--on the average--65 dollars.

Coal stocks are dwindling. They are down by 15 percent over a year ago, and even back then they were considered to be undersized. Three quarters into the year the chemical industry and light industries have not much more than half of the coal stocks envisioned by the plan. Plants under the jurisdiction of the Ministry of Metallurgy and the Engineering Industry have not quite 70 percent of their plan-mandated stocks. Coal stocks in the retail trade sector have shrunk to the point where they are twice as small as they were last year. One out of every three coal depots does not have any coal at all. Let us hope that we have a mild winter!

Declining export sales are a source of special concern. The comparison between the 41.4 million tons of coal that was sold abroad in 1979 and the mere 17 million tons which we want to sell this year speaks for itself.

And it is after all true that the less we earn from export sales the less we are able to buy other industrial raw materials and consumer goods and the greater the strain on our balance of payments. There is probably no need to go on spelling out what all of this means.

The coal shortage represents a national bottleneck. As of right now this problem overshadows the problem of imports. It cannot be ruled out that by the start of the new year this situation might be reversed, that is, imports might turn out to be the most formidable barrier standing in the way of industrial growth. One thing is certain, both of these factors are closely related and it is indeed hard to overrate the importance of the role coal has to play in overcoming this obstacle.

Economic survival and putting a stop to the spreading economic paralysis depend on coal. Coal is essential in order to bring things back to normal in industry and in order to boost agricultural production. Everyone knows by now that there will not be as much coal around as one would like. The coal supply balance sheet which we have published here is an illustration of this bitter truth which, unfortunately, is something we are going to have to live with, in addition to realizing that, notwithstanding the hard work of the coal mining fraternity, the intentions of the government, emergency organizational measures, and the hiring of more miners, the rapid attainment of a level of output on the order of 200 million tons, which would insure a relative abundance of this fuel, is virtually impossible. These figures attest to the passing of the era of cheap energy resources which used to be managed in such a reckless fashion without paying any heed to costs. Those days are gone forever.

11813
CSO: 2600/211

'STABILIZATION PROGRAM' HELD NONEXISTENT

Belgrade DUGA in Serbo-Croatian No 206, 16 Jan 82 pp 20-21

[Article by Slaven Letica: "Open Letter to the Federal Government, Respectfully...."]

[Text] The Federal Executive Council, more precisely its chairman, ended calendar year 1981 with an extraordinary and bizarre public recognition. The TV magazine STUDIJO in Zagreb awarded Veselin Djuranovic three stars for the interview broadcast on the program "Wednesday's Choice" (TV Belgrade, 23 December 1981). The reasons the editors gave in making this award are worth quoting:

"... For political, professional and TV effectiveness of a presentation which demonstrated that viewers can be familiarized with the economic difficulties of the functioning of the Federation and the federal government with calm, sound argument and political wisdom. In the flood of presentations and statements by scholars and public figures overflowing with nervousness and intolerance, Djuranovic issued pleas for democracy, tolerance and reason, and surely he received the applause of all our viewers."

At the very least the award and the reasons given can please Djuranovic's vanity. The manner in which the substantiation of the award was written reveals, that is, the obvious intention on the part of the editors to emphasize almost provocatively how exceptional Djuranovic's interview was in all respects(!): different and better than the TV "presentations" of his fellow politicians. As a viewer and listener I agree with STUDIJO's editors. For 1.5 hours of the television interview Djuranovic did indeed come across convincingly and even brilliantly. He left the impression of a man whom one could take "at his word." He responded to the 30 or so questions calmly, logically and comprehensively, without the help of "material" or advisers. He took even the most provocative questions quite naturally, with the calm composure of a man who has decided in advance to offer his own sincerity as a pledge to the public's confidence. That is why he listened to the questions without that typical awkwardness which our public figures usually await questions loaded with criticism and questions which are provocative. Finally, with a refined sense for allowing every opposing viewpoint, he used logic and argument in defending the positions of the Federal Executive Council and his own personal positions: concerning the need to reach agreement in the

Federation, concerning economic policy, etc. Nor was the latter the least important: he spoke understandably, with no intention to conceal possible ignorance or uncertainty behind an overpowering political slogan or bureaucratic formula.

One Criticism

With this congenial "excess" on the part of a public periodical (and it will become clear why I use the word "excess") to signify a change in the general attitude of the public toward the activity of the SIV [Federal Executive Council], this perhaps should even disturb us. That is, the present federal government, not without pride, was until quite recently able to brag of being the most criticized federal government. Often uncritically praised in the international monetary and financial community, it has experienced a great deal of criticism from the domestic public: business circles, specialists and the parliament. Those criticisms of SIV: of the organization of its work, its behavior and its economic policy, were very often extremely radical but--and this is a compliment to the government--they were never taken (by SIV), at least not publicly, with visible restrictiveness and intolerance.

I would like to mention here one piece of criticism which because of the author's name and the post he once held perhaps sketches out most illustratively the nature of the public's attitude toward SIV.

In an interview published in START on 10 December 1980 Mitja Ribicic, one of the former federal prime ministers, criticized Djuranovic's government without any sort of "collegial" restraint:

"... in the recent period we have not had a sufficiently firm or strong federal government, but rather it has behaved as though it could not reach agreement itself; the republics exert much more influence on it than would be natural in the present situation. SIV ought to be quarreling with almost every republic." In answer to the question "What was the case with you when you were prime minister?" Ribicic responded: "Almost like that. I was quarreling with the Slovenians over highways, with Bosnia over Bosanska Krajina, with Vojvodina over the prices of farm products, with Serbia over tax benefits granted to Crvena Zastava, and with the Croats over the funds not covered by the budget."

I have already made one previous public attempt (in a newspaper column) to explain why Ribicic's criticism does not stand up from a methodological standpoint of view. In that criticism in which he offers his own administration as a general model of "government" (which the present SIV should accept) the critic has neglected at least two fundamental facts.

First: he (Ribicic) "governed" in the period of the first world and Yugoslav energy crisis, when the payments deficit was relatively low or at least not so large as to determine all other economic policy; in a period when the cost of capital was low and when construction of some 30,000 investment projects was pointed to as a symbol of the great economic power of the state (and not, as it is today, as an indicator of the seriousness of the economic crisis).

Second: he governed in the period of the reform of the Federation, when SIV had considerably greater room in which to maneuver in economic policy, and when it could "quarrel" with the republics (since it did not depend on the complicated procedure of their reaching agreement).

A Short-Winded Policy

Hoping that a theoretical assessment of SIV's activity is nevertheless more important to both SIV itself and to my reader than a television assessment, I will attempt in this comment to sketch in rough outline the basic features of "federal" economic policy in 1981. First of all, I think that the economic policy of SIV in 1981 cannot be measured and evaluated by the usual (current) macroeconomic indicators: growth rates, size of the payments deficit or the level of government debt. It will be possible to use these quantitative indicators as measures of the success or failure of current economic policy only when and if it returns to the framework of the legitimate constitutional principles concerning "free operation of market and economic laws." Unfortunately, only then--when the effect of the administrative and coercive measures of economic policy cease to be operated in foreign trade policy, foreign exchange policy, price policy, development policy, investment policy, etc., it will become definitively clear whether current economic policy in 1980 and 1981 was a policy of "firefighting" or a necessary policy of the "transitional period" toward the programmed policy of long-term stable development. In view of those circumstances SIV's economic policy in 1981 should be evaluated by assessing the basic and fundamental tendencies and conceptions which stand at the base of practical policy.

Quite consistently with my previous position I will attempt--admittedly more in a common sensical rather than theoretical and logical analysis--to distinguish those elements in 1981 federal economic policy which are constructive in their tendency from those which are adverse in tendency.

The two basic features of that policy (obvious even to the informed layman). First: in 1981 SIV has given absolute priority to current economic policy (as compared to development policy and policy governing the economic system). Second: within the framework of current economic policy priority has been given to foreign trade and foreign exchange policy, and in part to monetary and credit policy. This conception of SIV's economic policy is logically derived from the conception of the (priority) goals of development. That is, the strategy of economic policy has been adapted primarily, even exclusively, to the need to achieve ONLY ONE DEVELOPMENT GOAL: achievement of the planned payments deficit.

The second most important goal (with a disproportionately lower weight) in current economic policy was "reducing all forms of expenditure." This goal was based on the belief that the fundamental cause of the current economic crisis is "exaggerated spending" (investment spending in particular). I do not wish to comment here on how right or wrong that belief is, since I could get into an argument with our rhetorically aggressive MONETARISTS! I must nevertheless make this remark: I always saw it to be a greater evil for us to build the wrong projects at a high price than to build a great many projects!

SIV has mainly been trying to "reduce expenditure" through a somewhat more restrictive monetary and credit policy and through an attempt at administrative control of investment projects (i.e., halting those which are begun). This is a very oversimplified sketch of the essence of the conception of SIV's economic policy in 1981 ("odd--even," the customs barrier of 200 dinars which is politically offensive and offensive to the public, and similar ministerial and parliamentary excesses will not be mentioned here because they pertain to the workings of the so-called "law of triviality" which is, of course, inherent in our administration).

As at the end of 1980 I will present a basic assessment of the conception which has been sketched out: perhaps it cannot be defended by any sort of arguments out of economic theory, but it can be defended by irrefutable arguments in Realpolitik! That is, the question should be defined approximately like this: What could the federal government objectively do in a situation when the precise facts (and not just suspicions) show that the country's payments deficit objectively ought to be at least $4-5 billion (if the import of capital, industrial goods and consumer goods were moderately liberalized and if exports were not "stimulated" administratively) and when the opportunities afforded by the balance of payments allow a maximum deficit of $2 billion? The answer in terms of pragmatic policy runs like this: (1) the government can submit its resignation or (2) the government can enforce a harsh and linear policy of administrative regulation of all flows of foreign exchange.

There is, of course, nothing in theory that could justify such a policy except--its inevitability. All the business people and specialists and politicians who assert that such a policy is undemocratically founded (it never was submitted to a plebiscite of our specialists and people in the economy), that it is destructive to development, that it engenders speculative and middleman behavior and stands in the way of productive and planned behavior, and so on, and so on, THEY ARE ALL RIGHT. However, the fact that they are all right can hardly in terms of formal logic, much less in terms of Realpolitik, call this (unsympathetic) policy of SIV into question.

There is only one circumstance which possibly could be called into question. The possible circumstance that alongside this kind of current economic policy SIV and the republic-provincial "governments" are not preparing DRAFTS OF STABILIZATION POLICY which would be more constructive and would cover a more lengthy period. That is, a policy of restriction, a policy of coercing exports, a policy of administrative handling of income, prices and business conditions is a short-winded policy. This is a policy of improvisation, necessary in a situation when the "stabilization program" simply does not exist.

And here, as far as that "program" is concerned, I am afraid there is potentially still another and even more fundamental error.

Over the long run SIV cannot on its own either draft or carry out a "stabilization program." The federal government and the so-called "Krajger commission" can and must draft a program of (possible) reforms of the economic system and of economic policy. However, since the true solutions and the real problems in economic development lie in the sphere of work, production and

microeconomic structures, the federal "stabilization programs" should take more pains at optimalizing the prerequisites of the processes of stabilization embodied in the system than to concern itself with practical "formulas" for the policy and practice of stabilization.

Conclusion

Summing up, I conclude as follows: following 1980, in 1981 SIV showed an almost hard-headed consistency and obstinacy in carrying out a single concept of economic policy, unfortunately one that holds absolutely no promise and is destructive in the long run. Thanks to that consistency SIV has created a breathing space for the calmer work of the "Krajger commission," which has undertaken the task of drafting a long-term economic stabilization program.

Should that program be drafted soon and if it is effective (i.e., if it has general power in motivating and mobilizing optimum economic behavior on the part of all economic entities: individuals, workers, enterprises, SIZ's [self-managing community of interest], and so on, and so on), in a few years SIV's policy in the period 1979-1981 will have to be given extremely good marks in both theory and Realpolitik. If that does not happen, and that is also likely, that policy will have to be given radically poor marks.

And at the very end something which need not be a complete digression. In the resolution for this year SIV extended the list of the basic goals of development. Along with "reducing the deficit" and "reducing spending" it emphasized a third strategic goal--"reducing inflation" (from last year's rate exceeding 40 percent to "only" 15 percent). Many theoreticians have judged this goal to be altogether unrealizable. Personally, because of all the "behavioral" characteristics of Djuranovic's government we have described, I am willing to take a bet that that goal will be achieved. I certainly hope that the reader has himself already been able to conclude that if he has carefully read the article so far: and that reduction of the rate of inflation will be paid for at the price of administrative price control, and precisely for that reason in and of itself it will neither be good nor bad. But it will cheer the pensioners and all business people who have managed to win a favorable position for themselves in the present relations of relative prices.

7045
CSO: 2800/275

FOREIGN TRADE REGIONAL BREAKDOWN, 1981

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 23 Feb 82 p 3

[Article by M. Urosevic: "Progress Is Obvious in Reducing the Deficit"]

[Text] The final figures on foreign trade and the 1981 trade deficit which the Federal Bureau of Statistics published a few days ago indicate appreciably more favorable relations and results than a year ago, and this has helped to halt the negative trends in trade with the world that have persisted for several years.

This conclusion follows, of course, from the figures which measured exports and imports, but without elements such as the consequences of restrictions on imports taken when it was seen, after the first half of the year, that exports were not growing, that imports were growing, and that the coverage of imports by exports did not exceed about 55 percent. Much has been said about those consequences, it is likely that they have affected certain organizations of associated labor and even entire groupings, just as in previous years when it became inevitable to resort to restrictions. It should therefore be understood that the only way to fight such measures is to consistently respect the proportions that have been agreed on in the foreign trade sector of the economy.

Appreciable Improvement

It has become almost the rule that business people in the chambers and general associations, as if in accordance to some rule, say at the beginning of every year that the proportions set down in the planning documents cannot be achieved. That is also the way it was at the beginning of last year when the plan was published which called for the trade deficit to be reduced by approximately one-fifth. With all the qualifications that have already been stated, it is now clear: the results show that the forecasts were realistic.

The growth of exports to 298.3 billion dinars, as against 245 billion in 1980, that is, by 22 percent, and the growth of imports by only 5 percent, from 411.3 billion dinars in 1980 to 433 billion last year, brought about a reduction of the deficit by slightly less than one-fifth--from 166.2 billion dinars to 131.8 billion, and that is a most worthwhile result. Expressed in dollars, according to the order of the Federal Executive Council setting the rate of exchange of foreign currencies on the basis of which the value of the dollar is 27.30 dinars, earnings from exports amounted to $10.9 billion, but $15.7 billion were

paid for imports, so the deficit was $4.828 billion, which is $1.259 billion less than a year previously.

Trade Balance in 1981

| Sociopolitical Community | Total, in millions of dinars | | | Share in Total, % | | |
|---|---|---|---|---|---|---|
| | Exports | Imports | Deficit | Exports | Imports | Deficit |
| SFRY--total | 298,360 | 430,166 | 131,806 | 100.0 | 100.0 | 100.0 |
| Bosnia-Hercegovina | 42,388 | 57,118 | 14,730 | 14.2 | 13.3 | 11.2 |
| Montenegro | 4,234 | 10,434 | 6,200 | 1.4 | 2.4 | 4.7 |
| Croatia | 65,967 | 108,507 | 42,540 | 22.2 | 25.2 | 32.3 |
| Macedonia | 14,907 | 25,622 | 10,715 | 5.0 | 6.0 | 8.1 |
| Slovenia | 61,604 | 72,496 | 10,892 | 20.6 | 16.9 | 8.3 |
| Serbia proper | 77,714 | 93,777 | 16,063 | 26.1 | 21.8 | 12.2 |
| Kosovo | 5,771 | 12,137 | 6,366 | 1.9 | 2.8 | 4.8 |
| Vojvodina | 23,801 | 36,119 | 12,318 | 8.0 | 8.4 | 9.3 |
| The Federation | 1,974 | 13,956 | 11,982 | 0.7 | 3.2 | 9.1 |
| Total, in dollars | 10,929 | 15,757 | 4,828 | -- | -- | -- |
| Convertible area | | | | | | |
| Dinars | 175,843 | 320,672 | 144,829 | -- | -- | -- |
| Dollars | 6,441 | 11,746 | 5,395 | -- | -- | -- |

However, trade is more unfavorable with the convertible currency area, where the deficit reached $5.3 billion, so that the surplus in trade with countries of the bilateral payments area, amounting to about 13 billion dinars, or $476 million, only partly mitigated the negative results.

Differing Contribution

As in previous years, the share of the various republics and provinces in the results achieved varied greatly, as can be seen in specific terms from the figures given in the table.

Three-Year Comparison of the Deficit in World Trade

| Sociopolitical Community | Deficit, in millions of dinars | | | Coverage of Imports by Exports, % | | |
|---|---|---|---|---|---|---|
| | 1979 | 1980 | 1981 | 1979 | 1980 | 1981 |
| SFRY--total | 116,267 | 166,171 | 131,806 | 50.5 | 59.6 | 69.4 |
| Bosnia-Hercegovina | 9,435 | 17,238 | 14,730 | 65.1 | 66.4 | 74.2 |
| Montenegro | 3,066 | 3,901 | 6,200 | 38.5 | 49.6 | 40.6 |
| Croatia | 34,703 | 52,050 | 42,540 | 46.1 | 52.1 | 60.8 |
| Macedonia | 8,098 | 10,071 | 10,715 | 43.2 | 53.2 | 58.2 |
| Slovenia | 14,895 | 17,103 | 10,892 | 60.7 | 74.6 | 85.0 |
| Serbia proper | 17,190 | 16,633 | 16,063 | 62.7 | 78.8 | 82.9 |
| Kosovo | 3,031 | 4,782 | 6,366 | 47.5 | 54.3 | 47.5 |
| Vojvodina | 11,884 | 25,059 | 12,318 | 41.7 | 44.8 | 65.9 |
| The Federation | 13,965 | 19,334 | 11,982 | -- | 5.4 | 14.1 |

The share of the various republics and provinces in the total deficit, expressed in absolute figures, is easy to see. Montenegro, Macedonia and Kosovo showed an increase over 1980, while the other republics and Vojvodina by and large, some more and some less, have reduced their deficit, and this also contributed to the more favorable overall results.

Viewed in terms of the coverage of imports by exports, which is an exceedingly important indicator of success or failure in foreign trade, the trends at the national level have been increasingly favorable over these 3 years. In 1979 the coverage of imports by exports only slightly exceeded one-half, the next year it climbed to 59.6 percent, and in 1981 it reached 69.4 percent. The coverage of imports by exports in trade with the convertible currency area, though at an appreciably lower level, has been improving during those 3 years: in 1979 it was very modest at 41.3 percent, and in the next year it climbed to 49.8 percent, and last year it climbed another 5 points to 54.8 percent.

One is struck by the fact that last year only Slovenia with an enviable 85 percent, Serbia proper with 82.9 percent and Bosnia-Hercegovina with 74.2 percent had a higher coverage of imports by exports than the Yugoslav average, while the other republics and both provinces were on that other, negative side of the average.

One other detail deserves attention, and that is the growth of imports charged to the Federation, since the republics and provinces have difficulty agreeing about division of the "burden" of purchasing certain products on foreign markets, and then the way out is found by charging that to the entire community.

7045
CSO: 2800/268

TRADE WITH LIBYA, MALTA

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 4 Feb 82 p 3

[Text] Belgrade, 3 February--The value of trade with Libya in the first 11 months of 1981 reached $463.3 million, which is 24.4 percent more than in the same period in 1980, when the value of this trade was $372.5 million. In this period exports to Libya reached a record $218.9 million, which is 64 percent more than in the first 11 months of 1980. Due to these results Libya has taken second place among the developing countries--after Iraq--on the list of customers for our goods. We have registered a value greater than $5 million in exports of eleven types of goods, of which machines and equipment, devices, and materials comprise 41.5 percent.

An increase was also noted in imports, a 2.5 percent increase to $244.4 million, but since oil still constitutes 99.7 percent of the total imports from Libya, Libya's dissatisfaction, which is emphasized at every meeting of the Joint Committee, is justified.

After almost 20 years of Yugoslav involvement in this investment area, Libya is still in first place in the value and extent of the investment work completed. The total value of the contracts concluded in 1981 exceeds $1.8 billion; among the most valuable of these are those for the power industry and an aluminum complex (Energoinvest), the second phase of the Misurata port project and a fishing port (Ivan Milutinovic), the Naval Academy (Energoprojekt), a hospital (GP Bosna), and supermarkets (Gosa).

In regard to higher forms of cooperation, four joint companies have been formed: two by Energoinvest in the areas of energy and industry, one by Hidrogradnja in the area of agriculture, and one by Geotehnika in the area of water power engineering, while three other joint enterprises are now being registered: Ivan Milutinovic for port work, the Jaroslav Cerni Institute and Geozavod for a consultant bureau, and the Yugoslav Bank for International Economic Cooperation, for a company for work in third markets.

In addition to the above-mentioned results, the delegates at the meeting of the [Yugoslav Economic Chamber] section [for Libya and Malta] were informed of several problems, primarily of a legal nature, which must be settled in order for these joint companies to do business as successfully as possible. Among other things, these unresolved issues include the transfer of the net profit achieved and the repatriation of the capital invested.

Since a meeting of the Joint Committee for Economic and Scientific-Technical Cooperation with Libya is expected at the end of February, these problems and others that have been encountered will be added to the Platform and pointed out to the Libyans.

As for the results of Economic Cooperation with Malta, in the first 11 months of 1981 our trade amounted to $3.4 million, 23.5 percent less in comparison with the same period in 1980. Imports also declined, and reached a modest $481,099, which is 41 percent less than during the same period in 1980, when they amounted to $810,000.

9909
CSO: 2800/247

## DRAFT AGREEMENT ESTIMATES ENERGY PRODUCTION TO 1985

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 20-22 Feb 82 p 2

[Excerpt] If all republics and provinces as well as economic organizations, regardless of whether they are coal, oil or gas producers, had voluntarily invested in opening up new and modernizing existing energy sources, the social agreement for this medium-term plan would have been signed already and each would be doing his share of the work. But instead of such an agreement being issued, which was called for in last year's resolution, things are still at the beginning stage. A new version of such an agreement on measures for stimulating the opening of new coal mines and modernizing of existing mines, as well as the exploration of oil and gas fields, recently came to light. According to it, 70 billion dinars would be provided as soon as possible to develop coal mines so that by 1985 we could produce 82 million tons of coal. In order to have an annual production of 5 million tons of oil and 5 billion cubic meters of gas, an additional 85 billion dinars (figured at 1980 prices) would be provided up to 1985. The funds for the planned development of coal mines have contributed most of all to the postponement of the social agreement. While the oil industry believed it could provide funds for its own development, this is not the case with mines. They are so poor that even the above-average increase in the price of coal has not made it thus far possible to allocate significant sums for development. Those who drew up this new version of an agreement (the General Association of Coal Mines, Oil and Gas, the Federal Bureau for Social Planning, the Federal Committee for Energy and Industry) did not specify how much each republic or province should contribute in coal mine development funds. [But] the agreement calls for a coal price rise that would include a percentage for development, which has not been the case up to now. It is believed that 5 percent of the price of solid fuels should be allocated for coal mine development. The request by mines for a 30-percent increase in prices this year is largely motivated by the lack of funds for development.

By making the price of domestic oil equal to that of imported oil, the oil industry is accumulating considerably more funds than other parts of the energy sector. It was suggested [in the agreement version] that this increased capital accumulation be channeled toward opening new oil and gas fields and modernizing existing ones, and that about 11 percent of the total funds needed be provided from retail prices of gasoline and diesel fuel through obligatory fees paid by consumers up to 1985.

By introducing similar fees on the consumption of mazut and heating oil, an additional 46 percent of the total funds needed would be provided by 1985; and the fee on the consumption of less-refined derivatives and gasoline would provide 57 percent of the funds planned for developing coal, oil and gas production up to 1985.

The remaining funds would be provided, it was proposed, largely by long-term bank credits at low interest rates.

CSO: 2800/281

## PROBLEMS IN OIL, OIL DERIVATIVE SUPPLIES IN VOJVODINA

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 12 Feb 82 p 11

[Article by Slavica Razic: "The Heavy Demand Is A Consequence of Insecurity"]

[Text] The crude oil imports, reduced by 5.7 percent in comparison with last year, as was decided at the national level, are making conservation absolutely necessary in order to avoid disruptions in supply. Curde oil imports are fixed, and consumption is not, because nothing has been undertaken in an organized manner to orient a reduction in consumption, with the exception of more or less general principles that conservation is necessary everywhere; but where and how this conservation is possible has not been specified. Supplying Vojvodina consumers is even more difficult because this year Vojvodina has to provide 140,000 tons for refineries and 300,000 tons of crude oil for the Pancevo Chemical Works out of its quota. The cases of Bosnia-Hercegovina and Croatia are similar.

Because of the fact that there are no concrete measures for conservation, nervousness has occurred in the market, as well as greater demand, and even temporary abnormal shortages that are more serious than a real shortage is, because someone is creating stockpiles.

### Lower Derivative Purchases in January

According to the balance drawn up by the Naftagas-Promet firm for turnover, import-export and services in Novi Sad, there was enough motor gasoline in the province's 1981 supply, and three percent more of it was even sold than in 1980. Gasoline was available almost regularly at all the gas stations; all of them have kept statistics on consumption and all of them have received enough to meet the demand. It is important to emphasize that Vojvodina has the only service for supplying gas stations that supplies all of the stations equally; if at a given time there is 3 percent less gasoline, for example, then deliveries to all of the stations in the province are reduced by this percentage. Vojvodina is supplied with gasoline by the Pancevo refinery, which gives 20 percent of its total production to Vojvodina and 80 percent to the other areas of the Republic.

Last year there were a fair number of problems with diesel fuel and heating oil for households and industry, because there was 8 percent less of them

than in 1980, and it had not been definitively established who was to receive less, so priorities were established, as Svetislav Nedeljkovic, the director general of Naftagas-Promet, emphasized. Thus, for example, at the height of the agricultural season agriculture took priority in diesel fuel supply. There was also a problem with fuel oil, because there was a fourth less of it than in 1980.

In the first month of 1982, 35 percent less oil derivatives were sold than during the same period in 1980. The FEC [Federal Executive Council] in fact made a decision on how oil imports would be financed, and established who could import how much crude oil and from where. According to this agreement, Vojvodina is to import 310,000 tons of crude oil in the first quarter of the current year. So far it has imported 80,000 tons from the USSR and 61,000 tons from Iraq. Because of the shortage of raw materials the Pancevo Refinery is operating at reduced capacity, while the Novi Sad Refinery has a sufficient flow of oil from domestic sources and is operating at full capacity. It should be mentioned that together with imported oil domestic oil forms part of the total quantities of oil distributed in Yugoslavia among the republics and provinces, so that each political-territorial unit has to have about 38.5 percent of its amount of oil imported from the convertible area, about 31 percent from the clearing area, and about 30 percent from domestic production.

Refineries Operating At a Loss

As Nedeljkovic emphasizes, the problem is that the domestic oil belongs to everyone equally, but only Vojvodina and Croatia are financing prospecting and the production of oil. Requests have therefore been made that everyone participate in this financing.

The supply situation is now somewhat difficult and in the next few months the supply will be irregular, because the law on financing crude oil imports is not yet functioning as it should, and the banks are not performing their part of the work promptly, so the crude oil imports are late and have not begun to take place at the planned times. In order to alleviate the shortages, material reserves have been temporarily utilized until this entire procedure regarding oil imports gets under way.

The greatest problem is that agricultural work begins in February and requirements for diesel fuel are appearing, but there are no reserves. Last year at this time there was a stockpile of 10,000 tons of diesel fuel, but now, according to Nedeljkovic, there is not even a drop. Since there has to be some fuel for agriculture, either imports have to be normalized quickly or material reserves have to be utilized. It is expected that the law [on financing oil imports] will begin to function in a month at the latest, and that a regular schedule of oil imports will commence, so that everyone will have access to the planned quantities, even though they are reduced, and the refineries will be able to supply the market with derivatives in a uniform manner.

Last year the refineries operated at heavy losses, since the value of the dollar increased and the interest rates for foreign credits were high, but neither of these had been figured into the refining cost. The losses are enormous and it is necessary to find a solution for covering them; a new price for oil also has to be determined. The oil industry is proposing that the prices of oil derivatives be increased by 18 to 25 percent, with gasoline for aircraft being increased the most. The position of the FEC and the Community on prices is that the increase in retail prices should not be more than 15 to 17 percent, since it is only in this way that the general price policy could be maintained and inflation could be curbed. This increase (15 to 17 percent) would satisfy the refineries only if the Federation did not collect sales tax and if the price were formed differently than in the past. Nedeljkovic gave two examples of the formation of prices in the past. The refinery price for super gasoline is 14.671 dinars, the trade margin is 0.650, and the contributions are 13.179 dinars. For diesel fuel, the refinery price is 12.325, the trade margin is 0.550, and the taxes and contributions are 11.125 dinars, which all together amounts to 24 dinars. The solution in reducing the contributions and increasing the refineries' share in the price.

9909
CSO: 2800/247

## AIR TRANSPORT, 1981 EXAMINED

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 3 Feb 82 p 12

[Text] According to the initial assessments, the airplanes of Yugoslav airlines carried 3,658,612 passengers and 19,072.5 tons of goods in 1981. This is 4.9 and 11 percent more, respectively, than in 1980. The best results were achieved in long-distance transportation, carrying 129,132 passengers, or an increase of 32.7 percent, and 4,824.9 tons of goods, or 64 percent more in comparison with the preceding year.

An increase in passengers was also noted in Euro-Mediterranean transportation, with 952,345 passengers, or 5.8 percent more, and 4.838.3 tons of goods, or 0.7 percent more than in 1980.

The number of passengers in domestic transportation was also increased to 2,253,265, or an increase of 4.2 percent, while 9,409.4 tons of cargo were carried, or 0.3 percent less.

In general, a total of 3,334,741 passengers were carried on the regular lines, which is 5.5 percent more, and 19,072.5 tons of cargo, which is 11 percent more than in 1980. Charter transportation, however, showed a decline in the volume of services rendered, namely 0.9 percent less than in 1981 [sic], with 323,870 passengers carried.

9909
CSO: 2800/247

RESULTS OF RESTRICTIONS ON PRIVATE FARMING

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 18 Feb 82 p 11

[Article by Tomislav Kapetanic]

[Text] Why is the land maximum policy a taboo theme, even though all investigations unambiguously show that the classic form of small individual land holding is undergoing a deep production crisis? The land is becoming ever more a source of supplementary income and economic reserve.

Agriculture is once more the source of great concern and unrest. "Where is agriculture heading?" "What is the hitch in land association?" "Low productivity and low profit motivation among agricultural producers form one of the major components of the present stagnation in agriculture." Of course, there are a multitude of opinions about the state of the farmers in Yugoslavia, which are not only different but extremely antagonistic. They range from that old, well-known maxim: "If the farmer has any money, so does everyone else," all the way to opinions that hold that in practical terms there are no more farmers in our country, at least in the literal sense of the word. How then do we explain the undeniable fact that fully 85 percent of all the land is owned by farmers? Thus there still are farmers, but they have "been let loose."

The agricultural worker can own two tractors, a combine and a mill, a car for the city, or for business, he can even have an airplane, but he cannot have more than ten hectares of land. Nothing else is a waystation on the way to wealth, only having more than ten hectares of land is. And why do people not join in association with social complexes? Really, that is the most common topic, but almost no one says what has been done concretely to bring the farmers to associate, or why that process is held up. Despite books and studies, as well as marathon meetings on the subject, the number of associations has not increased noticeably. Is it normal, let us say, for a farmer to transport stock, which in any case has been assigned to the cooperative by agreement, for 100 kilometers and more to a buyer who at the moment is paying more? The farmers' barns are full of last year's corn, but there is no corn at the market. The farmer is waiting. It is even good that the individual producer with his ten hectares should get as much out of them as he can, for that way things will be better for everyone. It is another question, however, as to how many farmers there are who can hold their corn for better days.

Who Can Cultivate the Land?

Studies by sociologists and other experts in the republics and provinces unambiguously show that the classic form of individual ownership is in a deep production crisis. Obviously, all terrains cannot be adapted to the demands of modern food production, nor can an income be assured that will provide the average standard of living for all. Thus it is not surprising that most agricultural workers hold their corn in their barns like dry gold, while they sell their little excess to whomever offers the highest price. That is not peasant demagogy, that is a simple truth with which we must contend under current agricultural conditions, which time has trampled. Agriculture without doubt will have to give in to the people who are not fearful of farmers getting rich, of vacillating and indecisive moods, ignorance and confusion. Faced by the truth of the impossibility of planned food production, few people can remain calm and disinterested.

Does the farmer dream of further integration with the social sector, or is he somewhat sceptical of that? The individual producers do not raise the question of a land maximum directly, or they have an aversion to raising it, but here and there by their example they prove that they are interested in cultivating more land, when they are capable of doing so.

For example, Bernard Bartol of Vrbovec points out that "No one has a right to take away his hoe and shovel." As a producer, he tends 400 swine, plants 23 acres of corn, all without help. He has also leased some land. He got those fields from the local community office, when everyone had already exhausted them. He does not have any long-term agreement for them; rather, there is a limited time period of 3 years and not a day longer. He produces as much as he can. In 1973 he built his farm and took out a credit of 4 million dinars, but he immediately gave the bank 2 million dinars as his participation. Others got as much as 25 million dinars, but they only produce stock in one cycle. Why? They produce only for fall, when the demand for pork is high. Before that, they have no promise of sales. When there is a single surplus hog, or a single surplus beef, or a single extra liter of milk, it is an open question as to whom they can sell to.

The agricultural workers talk concretely; Bogumil Benak, from near Daruvar, says: "I am quite amazed that our politicians, and experts as well, avoid the realization that the whole world knows. We are constantly seeking some technological system of our own, but people thought up those systems long ago. We simply have to adjust them to suit our circumstances. But what happens: 'We are afraid the farmers will become rich, and so we constantly seek some other solutions.' And finally, everything stays the way it was..."

The Standstill is Developing the Individual Sector Continues

The situation, problems and difficulties in agricultural development these days are once again brought up to date in certain parts of the draft resolution "The Report on the Activities of the Croatian League of Communists and the Work of its Agencies Between the 8th and 9th Congresses." Along with the comprehensive judgment that the results achieved in that period have not been

satisfactory, but rather stanation has set in, and production of basic agricultural products has dropped, this material suggests conclusions that, because of insufficient cooperation between the social and individual sectors of agriculture, this second segment continues to lag in development. Meanwhile, social agricultural enterprises are unable to satisfy current market needs.

Social agricultural enterprises have not utilized the climate of agrarian decline and the weakening interest for making the land provide the basic sources of existence. Since that disintegration of the village is continuing, there is a steady decline in the number of potential heirs, so that it is apparent that much more importance must be attributed to the present phase of social changes in the village. Consequently, the direction for concrete social action must be determined; certain specialists call this endeavor a new agrarian policy.

It is no longer a rare occurrence for people to advocate higher land maximums for full-time agricultural workers. There are households in the republics and provinces that work considerably more than ten hectares of tillable land. By economic logic life itself, outside the law in practical terms, has increased the farmers' land maximums in many regions. It is a fact that in Slovenia, there are farmers who work as many as 100 hectares by leasing land. This caused no reaction, for to many this sort of discussion is taboo. Leasing is a day-to-day deal, and for serious economic and long-term goals it is the most dangerous solution.

The fact that the matter of the land maximum here has become more a political issue than an economic one is further demonstrated by the fact that only two republics, Bosnia and Hercegovina and Slovenia, have passed a law permitting increased land maximums in hilly and mountainous areas. In Croatia and Serbia, however, they are still discussing such action from various, largely negative viewpoints. They forget that due to the functioning of economic principles, increased land parcels would be preferable to small holdings, for in that manner the producer would have to specialize for increased production, which he would sell to a social organization. Naturally, he would receive an established price for his produce, along with incentives and benefits. It would certainly be easier for the social sector to accomplish labor and program adjustments with a small number of larger individual producers than with hundreds and thousands of small landholders. In seeking solutions that would bring higher food production, we certainly should not lose sight of elementary political, social and economic principles, but at the same time we cannot advocate conceptions that were logical and essential decades ago.

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CSO: 2800/240

## BRIEFS

JOB INSECURITY FOR WORKERS IN AUSTRIA--We expect that the Austrian trade union federation in which we represent the largest number of members will take necessary measures in accord with Yugoslav-Austrian bilateral agreements and Austrian social welfare laws, but also on the principle of worker solidarity, to prevent the further radical worsening of the position of Yugoslav workers and to provide for their protection and social security. This was stated in a letter to the presidium of Austrian Trade Unions which was sent by representatives of coordinating councils and the Association of Yugoslav Workers throughout Austria. In the letter to Anton Benn, president of the trade union federation, it was also stressed that Yugoslav workers in Austria are concerned over the abrupt and serious worsening of their position which is partly caused by the present situation on the labor market. From mid-December 1981 to mid-January 1982 the number of foreign workers in Austria, most of whom are Yugoslavs, was reduced by more than 20,000. [Text] [Belgrade BORBA in Serbo-Croatian 20 Feb 82 p 7] According to official data, 13,518 Yugoslavs temporarily employed in Austria are without work, or 8.7 percent of all unemployed in Austria. In the last few years the number of our workers employed in Austria declined by 12,268; at present 91,347 Yugoslavs are working in Austria. Employers have not renewed some contracts and even the usual agreement for seasonal Yugoslav workers has not yet been signed. Also of concern are the more severe government measures to prevent an increase in unemployment among Austrians, by reducing foreign labor by 10 percent. [Excerpt] [Belgrade BORBA in Serbo-Croatian 28 Feb 82 p 2]

FIRES IN 1981--Last year there were a total of 10,972 fires in Yugoslavia, including 4,930 in the socialized sector; this is a 2.6 percent increase over 1980. The material damage was more than twice that in 1980, amounting to 2.8 billion dinars (2.2 billion dinars in the socialized sector). Of the total number, 5.3 percent were deliberately set, while the cause could not be determined for an additional 20 percent of the fires. In only 5 to 10 percent of the cases have criminal proceedings been brought against those responsible. [Excerpt] [Zagreb VJESNIK in Serbo-Croatian 10 Feb 82 p 3]

RAILROAD PROBLEMS--Yugoslav railroad transportation organizations recorded 2.3 billion dinars in losses last year. The cost of travel increased about 40 percent, but there was [still] a considerable lag in the cost of transport services compared to other branches of the economy. There were also very clear problems in regard to the position of railroads on the

transportation market, their lack of foreign exchange for operation, and the poor possibilities for developing and modernizing the railroads. Last year there were 386 railroad accidents in which 97 people were killed and 138 passengers and railroad personnel seriously injured. More than 100 people lost their lives and almost 200 were seriously injured in accidents at railroad crossings. The volume of goods transported has stagnated and the quality of services continues to be unsatisfactory. Delays in freight transportation increased by almost 13 percent over 1980 and off-loading waiting time increased 7.5 percent. [Excerpt] [Sarajevo OSLOBODJENJE in Serbo-Croatian 27 Feb 82 p 5]

PORT OF KOPAR--This year the port of Kopar should increase goods traffic 5 percent compared to 1981, or to 1.16 million tons, not including oil and oil products. Most attention this year will be directed to modernizing on- and off-loading operations, and especially to the development of container terminals and preparatory work on coal terminals to handle coal shipments to Austria and West Germany. Modernization and increased traffic at the port is expected to raise total revenue 11 percent over last year and to increase revenue from services to foreign partners 25 percent (this revenue will account for almost one-third of all revenue). [Text] [Belgrade PRIVREDNI PREGLED in Serbo-Croatian 20-22 Feb 82 p 14]

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END

JPRS 80381

23 March 1982

# East Europe Report

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2248

FBIS FOREIGN BROADCAST INFORMATION SERVICE

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23 March 1982

# EAST EUROPE REPORT

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# FUEL AND ENERGY MINISTRY DECREE ON WORKER COMPENSATION STRUCTURE

Prague HORNIK A ENERGETIK in Czech 14 Jan 82 pp 1-16 (supplement)

[Decree No 4, 1981 of the Federal Ministry of Fuels and Energy, dated 18 November 1981, Concerning Worker Compensation]

[Text] The Federal Fuel and Energy Ministry, under Section 43, Para 2, Law No 133/1970 of the Laws of the CSSR concerning the jurisdiction of federal ministries, and under Section 95 of the Labor Code, and in conjunction with the Federal Ministry of Labor and Social Affairs and the central committee of the Mining and Energy Industry Employees Trade Union, hereby decrees the following:

## Section 1: Extent of Validity

1. This decree covers employees in the working professions (hereafter referred to as "workers") in state economic organizations (hereafter referred to as "organizations")[1] under the jurisdiction of the Federal Fuels and Energy Ministry (hereafter referred to as the "ministry") and these organizations.

2. This decree does not cover

a) employees of factory and school cafeteria and housing operations,

b) members of factory fire-prevention units,

c) employees of centrally managed organizations of the research and development base,

d) employees of design and engineering organizations,

e) employees of the State Power Inspectorates (SEI),

f) employees of organizations engaged in machine building, construction, coking-chemical and agricultural production, forest management and housing construction, whose compensation is fixed by specific regulations.

3. This decree covers employees of the mining rescue service with exceptions established by a specific regulation.[2]

4. This decree covers workers at atomic power plants, with exceptions established by a specific measure of the ministry.

Section 2: Wage-Rate Scale

1. According to the nature of the working, production and other conditions under which work is performed and the social significance of a given job, the wage-rate scale presented in Supplement No 1 is being established for specific branches, sectors, groups of activities, and in some cases professions and types of work. These will be the basis of a determination of the wage rate for a category of performed work and the wage rate for the personnel category of a worker.

2. An organization may raise the wage rate of a personnel category by Kcs 1.50 per hour for workers with a full secondary education in the ninth personnel category.

The workers covered and more detailed conditions are outlined in Supplement No 2.

Section 3: Qualification Catalogs of Working Professions

1. Qualification catalogs of the working professions are the basis for the inclusion of employees in the working professions and for the inclusion of work activities and professions in rate categories.

2. Supplement No 2 establishes the qualification catalogs of the working professions and the conditions of their utilization.

Section 4: Personnel Category

1. An organization awards a worker a personnel category on the basis of the appropriate qualification catalog and under the conditions presented in Supplement No 2.

2. The certificate of employment issued by an organization to a worker at the end of a job[3] is also to include the personnel category which was awarded, an indication of profession in terms of a qualification catalog and on what basis the personnel category or, if applicable, the performed work category was awarded.

Section 5: Compensation Methods

1. An organization is required, within the bounds of a work contract, to assign a worker, above all, to work which corresponds to his awarded personnel category.

2. A worker is to be compensated basically in terms of the wage rate of a performed work category. It is possible to compensate a worker in terms of a personnel category wage rate

a) In cases of work performed for an hourly wage, if this involves, during a shift or an accounting period, the frequent alternation of labor activities included under various categories or of the amount of work performed in different wage categories is difficult to monitor,

b) In the case of work performed for an individual project wage, if this involves, during a shift or an accounting period, the frequent alternation of work activities included under various wage categories. This method of compensation may be used by an organization on the condition that the difference between the average personnel category and the average wage category for work performed by workers who are thus compensated within the organization is reasonable and, in principle, does not exceed 0.3 of a category in its average for the most recent half year.

3. In cases of work performed for a collective project wage, the fixing of the collective project rates is based on the wage rates of performed work categories. The allocation of realized collective earnings to individual workers is conducted according to Art 4, Para 9 of the guidelines of the Federal Ministry of Labor and Social Affairs dated 30 January 1981, file number 313-1674/80-7210 for the implementation of wage forms.

4. If an organization assigns a job to a worker compensated according to a wage rate for a performed work category that is within the terms of his contract but which belongs in a category at least two levels below his personnel category[4], or work for which a lower wage rate has been established, then it will provide him during the time he is performing this work, up to a maximum of 30 days, a supplementary allocation equal to the difference between the wage rate of the category which is one level lower than his personnel category and the wage rate of the performed work category.[5]

This supplementary allocation is not provided if there is alternation of various work activities during work in a group during a shift, because this requires production technology or labor organization.

5. If an organization assigns a worker, within the framework of his labor agreement, to several important tasks (projects) for a temporary period of time, and it is impossible to compensate him for them efficiently with a more appropriate form of wages then he is qualified to receive, during this period, a wage equal to the corresponding average earnings, exclusive of overtime wages[6], for a period of not over 60 working days or, with the agreement of the supervisory organ, for a period of 90 working days in a calendar year. Such tasks (projects) include in particular:

a) the testing, passing on and mastery of new labor methods, new techniques and technology (with the exception of specialized instructional teams),

b) the testing of production and other equipment,

c) development work,

d) work related to the shakedown period of new production,

e) the elimination of serious operational disruptions and equipment accidents,

f) the repair, rebuilding and modification of production units and machinery apparatus,

g) urgent work to avert natural disasters and to overcome their consequences,

h) participation in essential briefings prior to and after returning from assembly assignments,

i) work at exhibitions and trade fairs,

j) participating in, or acting as an escort on excursions,

k) participation in professional training established by an organization as a responsibility related to the performance of an agreed upon type of work.

6. An organization may also provide a worker with wages under the preceeding paragraph when that worker has been transferred, due to other essential operational needs of the organization, to work other than that agreed upon, and will be performing this work for more than 30 days in a calendar year[7], but for a period no longer than an additional 30 working days or, with the agreement of a supervisory organ, for an additional 60 working days in a calendar year; under the condition that the essential operational requirement continues to exist and that the organization does not consider it to be effective or economical to terminate the working agreement with the employee and cannot undertake other appropriate organizational measures. This provision may not be utilized in cases of downtime or of work disruptions caused by unfavorable weather conditions.

Section 6: Personal Wages

1. An organization may grant an hourly or monthly personal wage which exceeds by as much as one-third the wage rate of the awarded personnel category to those workers who have been awarded the sixth or higher personnel category and who have demonstrated by their superior work performance an exceptional ability to practice their profession.

2. A personal wage is always established for a worker from the first day of a calendar month and is provided only for the period for which the reasons continue on the basis of which the personal wage was awarded. The repeal of a personal wage may be undertaken by an organization as long as it informs the worker of the reason for this decision in writing and lets him know at least 1 calendar month prior to the repeal date.

3. A personal wage may not be awarded to workers who have chosen to work according to personal evaluation.

4. The ministry may establish more detailed conditions for the awarding of personal wages.

Section 7: Wage Forms

1. An organization may compensate workers by hourly, task, percentage, or mixed wages. The choice and application of a wage form is to be decided by the organization according to guidelines of the Federal Ministry of Labor and Social Affairs[8], suggestions of the ministry and supervisory organs, so long as the utilization of a wage form is not established by a generally binding wage regulation.

2. The granting of personal evaluation, premiums, bonuses and shares according to economic performance is to be administered according to internal guidelines, rules for premiums and, in some instances, by collective agreements in accordance with specific regulations and implementational suggestions of supervisory organs.

Section 8: Bonuses for Exceptionally Hard Physical Work

Workers who perform exceptionally hard physical work as described in a special directory (Supplement No 4) are provided by an organization with wage adjustments in the form of bonuses equal to 10 to 20 percent of their earnings (excluding shares in economic performance, wage reimbursements and one-time bonuses) in performance of this work during the wage-computation period. The amount of this bonus is to be determined by the organization according to the difficulty of the work, and, on occasion, according to previously established conditions.

The general directorate of a concern may, within the framework of its margin, establish a single level for this bonus for comparable work activities. It may also decide that the bonus will be provided from task earnings or category wages.

Section 9: Bonuses for Work Under Conditions Which Are Difficult and Harmful to the Health

1. An organization is to provide bonuses to workers who work under significantly difficult and health-threatening conditions.

2. This bonus is graded into two groups and amounts to, per hour of work under significantly difficult and health-threatening work conditions to the extent that these are not aggregated into the wage rates:

| | |
|---|---|
| for group I | Kcs 1.00/hour |
| for group II | Kcs 1.50-3.00/hour |

3. The evaluation and inclusion of significantly difficult and health-threatening work conditions in groups, and the amount of the bonus, within the framework of the margin for group II, is established in Supplement No 3.

Section 10: Compensation for Work Entailing High Health Risk

Workers who perform work under exceptionally difficult and risky working conditions, under which it is necessary to use self-contained breathing apparatus, or who work under water or under very high temperatures are compensated according to a special regulation.[9]

Section 11: Extra Pay for Work in High Places

1. Workers who work in high locations in a restricted working space, or under conditions requiring forced body positions are provided with bonuses by organizations.

2. On an hourly basis, this bonus amounts to

a) in a restricted working area on working platforms (in cages, on suspended scaffolding, on a working walkway, etc.), an amount equal to Kcs 1.50-2.00 for heights over 10 meters; an amount equal to Kcs 2.00-3.00 for heights over 50 meters;

b) in enforced body positions without a work platform (working from a rope ladder, hanging chairs, and slings with a safety harness, etc.), Kcs 3.00 for heights in excess of 10 meters, Kcs 3.00-4.00 for heights over 20 meters, and Kcs 4.00-5.00 for heights over 50 meters. If the work in question is performed at greater heights, an increased bonus amount may be provided, as follows;

--at heights in excess of 150 meters, an additional Kcs 6.00 under the conditions described in letter a) above, and Kcs 8.00 under the conditions described in letter b);

--at heights in excess of 300 meters, an additional Kcs 10.00 under conditions described in letter a), and an additional Kcs 13.00 under conditions described in leter b).

3. The general directorate of a concern may establish a higher bonus amount within the framework of its established margin.

Section 12: Bonuses for Work Abroad

1. An organization is to provide bonuses for workers sent on assembly assignments or on other, similar jobs (for instance, construction work) to countries (areas) with difficult climatic and hygienic conditions.

2. This bonus is to amount to Kcs 2.00 per hour

a) in Murmansk, Archangelsk, Tjumen, Amur and Magadan oblasts of the USSR, in the Komi ASSR, the Chabarov Kraj, in other locations in the Asian part of the USSR lying north of the 60th parallel and in the Central Asian republics of the USSR,

b) in other Asian countries with the exception of Japan and Cyprus,

c) in the countries of Africa with the exception of the Republic of South Africa,

d) in the countries of Central and South America,

e) on the islands of the tropical zone of Oceania.

3. An organization may increase the bonus under the preceeding paragraph by as much as Kcs 3.00 per hour in particularly difficult climatic and hygienic conditions in the countries mentioned in the preceeding paragraph, with the exception of the Central Asian republics of the USSR, the Algerian Democratic and People's Republic, the Republic of Tunisia, the Kingdom of Morocco, the Egyptian Arab Republic, the Socialist People's Libyan Arab Jamahiriyah, the United Mexican States, the Republic of Cuba, the People's Republic of China, the People's Democratic Republic of Korea, Israel, and with the exception of the cities of Sao Paolo, Rio de Janeiro, Damascus, Ankara and Beirut.

Section 13: Bonuses for Group Leadership

1. An organization is to provide bonuses for the leadership of a group to workers who are entrusted with the administration and organization of work in a floating work group (hereafter referred to as a group leader) and who themselves work in the group. A work group is a collective composed of at least four employees, including the group leader.

2. A bonus is also provided in instances when, because of safety regulations[10], fewer than four, but at least two workers (belonging to the same rate category) are assigned to certain work sites of coal mines (on waste dumps), one of whom must be designated as the foreman.

3. The bonus amounts, on an hourly basis, to Kcs 1.00 for the leadership of a group with 4 to 8 members, and Kcs 1.50 for groups with 9 to 14 members.

4. For the leadership of large groups (15 and more members), a bonus in the amount of Kcs 1.50-2.50 per hour is provided. The bonus amount is determined within the framework of organizational margin and with a view to the difficulty of leading the group.

5. Bonuses for group leadership of up to Kcs 2.50 per hour may also be provided on an exceptional basis for the leadership of groups with fewer than 15 members in a shift, if it is a matter of work under especially difficult technological and organizational conditions. The general directorate of the organization is responsible for determining the criteria for especially difficult conditions and for the differentiation in bonus amounts.

6. Bonuses are not provided for group leaders for whom the directing and organizing of work for group members is a characteristic of their profession (a bound group)[11].

Section 14: Work Incentives in Multishift Operations

1. An organization is to provide bonuses in the amount of Kcs 1.50-2.50 per hour for workers who work on an afternoon (second) shift, but for a maximum of 8 hours. The general directorate of the concern is to determine the bonus amount within the constraints of its margin.

2. An afternoon (second) shift is understood to be that shift in a multishift operational schedule, at least 5 hours of which fall within the period from 1400 to 2200 hours.[12]

In cases of exceptional alterations in the starting time and alternation of shifts, the definition of the afternoon shift rests with the ministry, in conjunction with the Federal Ministry of Labor and Social Affairs and the central committee of the Mining and Energy Industry Employees Trade Union.

3. No bonus is to be provided

a) for work in a single-shift work schedule,

b) for overtime work, with the exception of cases when a worker draws on his replacement leave while working overtime, or

c) for work performed during normal working leave, for which the worker is not entitled to wage replacement.[13]

Section 15: Work Incentives for Night Shift

1. An organization is to provide bonuses in the amount of Kcs 2.50 to workers who work on a night shift[14], and in the amount of Kcs 3.50 per hour for workers who perform work primarily on a night shift, for a maximum, however, of 8 hours.

Decree No 63/1968 of the Laws of the CSSR, concerning the principles for a shortening of the weekly work time and for the introduction of operational and work schedules based on a 5-day work week.

2. The night shift is understood to be a shift at least 5 hours of which fall between 2200 and 0600 hours.[15]

3. A bonus of an equal amount is also provided to workers for night work which lasts at least 2 hours. Night work is work performed between 2200 and 0600 hours.

4. A bonus is not provided

a) for overtime work, with the exception of instances when a worker draws on his replacement leave while working,

b) for work performed during normal work leave, for which the workers is not entitled to wage replacement,[13]

c) for work which ends at night, but before 2400 hours, or work which begins after 0400 hours.

Section 16: Work Incentives for Saturdays and Sundays

1. For workers who, within the framework of the established work period, work on Saturday and Sunday, an organization is to provide extra pay in the amount of 50 percent of the wage rate for the awarded personnel category per hour of work on Saturday and Sunday, and in the amount of 25 percent in cases of work in excess of the established work week; for the work involved in loading and unloading railway cars, an organization may increase the extra pay to as much as 50 percent of the wage rate.

2. Workers are entitled to a bonus in addition to any extra pay due them for overtime work, work on afternoon and night shifts, or on holidays.

3. No bonus is provided

a) for work performed during normal work leave for which a worker is not entitled to wage replacement[13],

b) for work on those Saturdays and Sundays which are considered working days by decision of the CSSR Government.[16]

Section 17: Wage for Overtime Work

1. For overtime work arranged by the organization, or performed with its authorization, the organization is to provide workers with replacement leave only by agreement with them, and then for each hour of overtime work there is to be one hour of replacement leave. If an organization provides replacement leave for a worker, that worker is enttitled to be paid for the work he performs without any extra pay, according to Para 2, and Para 3.

2. A worker who has been granted replacement leave is entitled to a bonus on top of his base pay, per hour of overtime work

a) in the amount of 25 percent of the wage rate of the awarded personnal category or

b) in the amount of 50 percent of the wage rate for the awarded personnel category, if it is a question of overtime work at night or during days of uninterrupted rest during the week.

3. Guards, doorkeepers and factory security guards are entitled to a single bonus in addition to their base wage in the amount of 33 percent of the wage rate for their awarded personnel category per hour of overtime work, without regard for whether this overtime work took place during the day, at night, or on days off.

The ministry, in conjunction with the central committee for the Mining and Energy Industry Employees Trade Union, may establish additional worker categories for which single bonuses of the same amount may be awarded for overtime work.

4. A worker who is compensated by a monthly wage and who has not been provided with replacement leave, is entitled to a wage for each hour of overtime work which amounts to, as a percentage of the basic monthly wage, with bonuses according to the preceeding sections

--1/185, for 42 or 42 1/2 hour workweeks,

--1/180, for 41 1/4 hour workweeks,

--1/175, for 40 hour workweeks.

Section 18: Wages and Wage Replacement During Downtime

1. If a worker is unable to perform, through no fault of his own, work due to an unforseeable, temporary problem caused by a breakdown of machine apparatus, in the delivery of raw materials or propellants, questionable working conditions, or other similar operational reasons (downtime), and if the organization transfers him to other (replacement) work than that which had been negotiated, he is entitled to a wage according to the work performed, but which amounts to no less than the corresponding average earnings, not including overtime wages[6]. A worker is not entitled to supplements to his average earnings if he does not achieve, through his own fault, the same average performance for the work for which he was transferred as that achieved by workers who perform the same work. Work interruptions caused by unfavorable weather conditions are not considered to be downtime.

2. If an organization does not transfer a worker to other work, he is entitled to wage replacement equal to the wage rate of his awarded personnel category.[4] Insofar as his average hourly (daily) earnings, presented in Para 1, are lower, then wage replacement is provided in the amount of these average earnings. If it is a question of downtime during work on a holiday, then a worker is entitled to wage replacement in the amount of his average earnings.[17]

3. Wage replacement, according to Para 2, may be granted a worker if the disruption in work lasts at least 60 minutes on a shift; individual work disruptions on one shift which last at least 15 minutes are added up.

4. A worker who cannot continue at work for reasons of his own causing, or who refuses, without good reason, work to which he has been transferred, or who does not immediately inform his direct superior of a situation preventing him from performing work, or who is compensated on the basis of a shared wage, or in some instances a mixed share wage,[8] is not eligible for wage replacement.

Section 19: Wages and Wage Replacement Under Unfavorable Weather Conditions

1. If a worker cannot perform work due to unfavorable weather conditions and if the organization transfers him to work other than that which had been contracted for, he is entitled to a wage equal to the wage prior to his transfer to other work because of downtime (Section 18, Para 1 of this decree).

2. More specific conditions may be established by an organization when they are not set by a supervisory organ.

Section 20: Wages for Continued Training

Worker compensation during completion or continuation of training is administered by a special regulation.[18] Where a qualification category is mentioned, this is to be understood as a personnel category.

Section 21: Compensation for Work Preparedness

1. If an organization[19] arranges with a worker, or contracts with him so that he will be prepared after working hours to be called to the work site, it will provide him a bonus in the amount of Kcs 1.00 per hour of preparedness and,

if it is a question of a day off, in the amount of Kcs 2.00 per hour. If a worker is called upon to perform work, he is entitled to a wage for that work.

The minimum amount of compensation for work preparedness amounts to Kcs 10.00 per calendar day, and Kcs 25.00 for days off.

2. For work preparedness at the work site, or for the performance of inspectional preparedness services, an organization will provide a worker compensation per hour of this preparedness in the amount of 50 percent, and if on a day off, in the amount of 100 percent of the wage rate for the category of work for which it arranged or contracted for the preparedness.

In place of this bonus, the general director may establish a single rate in korunas for the performance of inspectional preparedness services.

3. In addition to the bonuses mentioned in the preceeding paragraphs, it is impossible to provide other bonuses or extra payments for labor preparedness.

Section 22: Special Provision for Drivers of Highway Motor Vehicles

1. For expecially fatiguing and difficult work, an organization is to provide drivers of motorized cargo vehicles extra pay which amounts to, per hour of transport output

a) Kcs 1.00 for trucks and tractor trailers with a trailer (or trailers) with an overall trailer weight of up to 12 tons, semitrailers with a total trailer weight of up to 16 tons, for assembly trucks with hydraulically telescoping work platforms and for tank trucks of all types;

b) Kcs 1.50 for trucks and tractor trailers with a total trailer weight of from 12 to 20 tons, semitrailers with a total trailer weight of from 16 to 30 tons, or for the transportation of loads more than 18 meters in length by motorized vehicles;

c) Kcs 2.00 for trucks and tractor trailers with a trailer(s) having a total weight in excess of 20 tons, or semitrailers with a trailer weighing in excess of 30 tons.

2. When project wages or other wage forms are utilized, it is possible to award bonuses under the preceeding paragraph on the basis of kilometers traveled rather than on the basis of transport performance per hour. Bonuses awarded in this way, when converted to transport performance per hour, may not exceed on the average the rate established in para 1.

3. An organization may award a bonus in the amount also of Kcs 1.00 per hour of service of other mechanized equipment making up a part of a vehicle, and on occasion of specialized equipment making possible the mechanization of loading operations (hydraulically telescoping arms, telescoping platforms, portable compound mixers, etc.). This provision does not cover hinged vehicles.

Section 23

1. For the interruption of work caused by a split shift, drivers of personal and delivery vehicles, buses and trucks transporting people are entitled to extra pay in the amount of Kcs 10.00 for each split shift.

Drivers of a vehicle cited in Para 1, which is not utilized on a given day for work purposes either at all or only for a part of the normal work day while on a business trip and staying at a temporary location, are entitled to a wage for hours corresponding to the working period established for that day. If, however, his output reaches or exceeds this established worktime, then he is to be compensated for those hours spent in the performance of work.

FOOTNOTES

1. For the purposes of this decree, an organization is to be understood as the general directorate of a concern, a concern enterprise and a concern target organization, to the extent that the statute has designated the concern as one which may deal independently in legal and labor relations.

2. Federal Ministry of Fuels and Energy Decree No 4/73, dated 28 September 1973, concerning the wage conditions of the employees of the mine rescue service.

3. Section 60, Para 1 of the Labor Code (full text in No 55/1975, Laws of the CSSR), Section 6 of CSSR Government Resolution No 54/1975, which is the implementing legislation of the Labor Code.

4. The rate for an awarded personnel category is established according to the normal weekly work time, the scale of wage rates at a work site prior to transfer, and the work schedule.

5. The amount of the personnel category rate does not change after a period of 30 working days.

6. Section 5 of Decree No 112/1975 of the Laws of the CSSR, which modifies certain details concerning the determination of average earings.

7. In the event that a worker is transferred to another job under Section 37, Para 3, letter c of the Labor Code, he is entitled after 30 working days to a wage according to Section 115, Para 3 of the Labor Code.

8. Guidelines of the Federal Ministry of Labor and Social Affairs of 30 January 1981, file number 313-1674/80-7210 for the implementation of wage forms.

9. Guidelines of the Federal Ministry of Labor and Social Affairs concerning the compensation for jobs which are highly hazardous to human health and are performed with self-contained breathing apparatus.

10. Volume I, Section 01011 and Section 01015 of the decree of the Czech Mining Agency, dated 3 January 1971 and of the safety regulations of the Slovak Mining Agency, dated 1 February 1971.

11. Guideline No 1/80 of the Federal Fuel and Energy Ministry; Principles for the provision of bonuses for floating group leadership.

12. If a worker works at least 5 hours in an afternoon (second) shift, a bonus is provided to him for the entire shift, to a maximum of 8 hours, on the condition that the entire shift proceeds according to the established schedules for shifts.

13. Section 27, Para 2 of CSSR Government Ordinance No 54/75 of the Laws of the CSSR, according to which the Labor Code is implemented.

14. Sections 83 to 85 of the Labor Code.

15. If a worker works at least 5 hours on a night shift, he is provided with a bonus for the entire shift, up to a maximum of 8 hours, on the condition that the entire shift proceeds according to the established schedules for shifts.

16. Section 94 of the Labor Code.

17. Section 118 of the Labor Code.

18. Decree of the Federal Ministry of Labor and Social Affairs, dated 1 July 1971, file number II/3-190/71-7208/Sm, concerning the compensation of employees following a period of advanced training (No 13/1971 of the CSR Central Committee, No 27/1973 of the SSR Central Committee, registered in Section 13/1971 of the Laws of the CSSR).

19. Decree No 9 of the Ministry of Mining, dated 1 April 1967 to support the carrying out of Art II of the Labor Code.

Guidelines of the former Central Energy Administration, dated 17 February 1966, No 4--implementation suggestions for the Labor Code.

9276
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## PLAN FULFILLMENT FIGURES FOR 1981 REPORTED

Prague RUDE PRAVO in Czech 2 Feb 82 pp 1, 3

[Report of the Federal Office of Statistics: "Effort To Meet Plan Targets Characterizes 1981"]

[Text] In accordance with the resolutions of the 16th CPCZ Congress, the principal goal of the 1981 state plan was the attainment of higher efficiency and quality of all work, intensification of the national economy and strengthening of its balance. The emphasis was placed on the agreement between the production structure and domestic market demands, capital investment and foreign trade.

Despite complex external and internal conditions, a number of positive results were achieved in 1981. The country's political and economic potential further increased. This was made possible by the self-sacrificing work and initiative of workers. The economy continued to register an upward trend. The present high living standard and social security of citizens were maintained.

Exports exceeded imports and this favorably affected the balance of payments. The application of the Set of Measures for Improving the Planned Management System of the National Economy in industry since the beginning of 1981 was favorably reflected in surpassing the plan of adjusted value added, reduced material costs and increased returns on production assets. The overwhelming majority of industrial enterprises fulfilled production plans. Fuels and electric energy were supplied to the national economy without interruptions. The year 1981 was characterized by the effort of the party and society to meet the plan targets and enforce the quality criteria.

The fulfillment of planned tasks was adversely affected by objective difficulties and defective management. These shortcomings manifested themselves in the insufficient use of intensive growth factors, particularly in the slow practical application of scientific and technical achievements, the low increase in labor productivity, delays in putting completed capacities into operation, inadequate utilization of capital assets, insufficient export competitiveness of the economy and excessive increases in inventories. Despite a small decrease per unit of production, the state target plans for fuel, energy and metal savings were not fulfilled. The inadequate results in the rationalization of fuel, energy and metal consumption undermined the effort to achieve higher efficiency.

According to preliminary estimates, the national income increased slightly and amounted to Kcs 454 billion.

It was industrial production which largely accounted for the national income increase. In comparison with 1980, the total industrial production volume increased 2.0 percent. Production in engineering and light industries increased most rapidly. The planned volumes of shipments to the domestic market, foreign trade, investment projects and manufacturing consumption were fulfilled, although the specific structure was not maintained.

The volume of gross agricultural production was smaller than anticipated by the plan. In comparison with 1980, it declined 3.4 percent and crop production alone declined 7.1 percent. The shortfall in the harvest of grains and some other agricultural products adversely affected the fodder supply.

The volume of construction work was 2.0 percent below the 1980 level, although the plan had anticipated a 2.7 percent increase. The construction enterprises failed to adjust the structure of construction capacities to the needs of the national economy.

The volume of investment work and deliveries was 1.9 percent small than in 1980. The rate of investments was reduced. The efforts failed, however, to shorten the construction periods, reduce the scope of unfinished projects on the scale specified by the plan or to put production capacities into operation on time.

In comparison with 1980, the foreign trade volume increased 7.5 percent and with the socialist countries alone 10.6 percent. The basis for the expansion of external economic relations was economic cooperation with the socialist countries and particularly with the Soviet Union. Further progress was made in production specialization and cooperation within CEMA.

The share of individual and social consumption in the national income increased. Individual consumption increased 1.0 percent. The further increase in earned and social incomes resulted in a 2.8 percent increase in nominal money incomes over the 1980 level. Real incomes increased 2.0 percent. Despite considerable effort to maintain the stability of the domestic market, there were minor shortcomings in regard to assortments. Retail trade turnover increased 2.0 percent and 94,100 apartments were completed. Further progress in education, culture, health care and improvements in living and working environment improved living conditions in general. Expenditures on social consumption increased.

Scientific-Technical Development

Despite the achieved results, the rate of application of scientific and technical achievements in the production sector corresponded neither to the needs nor to the possibilities of the economy.

The research and development tasks of the state plan of technical development were fulfilled 95.5 percent and implementation outputs 92.3 percent. The forces and funds of the research and development base did not sufficiently concentrate on the solution of key tasks.

Among the research and development problems successfully solved were for example mechanized mine tunneling, automation of designs in electronics and electrical engineering, a system of rotary components' machining, radial low-profile tubeless tires with steel cords for trucks.

On the basis of implementation outputs, production started of weldable structural steels, a modernized type series of fully automated centrifugal separators, very efficient solution chromatographs, self-propelled harvester-movers, seamless pipes made of microalloyed steels, hybrid integrated multi-layer circuits.

The share of new products in the total production volume increased from 10.7 percent in 1980 to 15.3 percent in 1981. Likewise, the share of products of high technical-economic standards in the total production volume increased.

There was a further increase in the number of license agreements signed with the Soviet Union and other socialist states, particularly in the area of construction and operation of nuclear power plants. The use of licenses in the production sector contributed to the innovation of products and production technologies. The innovators and inventors movement made further progress.

Scientific-technical cooperation with the CEMA countries further expanded. The CSSR participated in the work of more than 50 coordination centers for scientific-technical research operation within CEMA.

Scientific-technical cooperation of the CSSR with the Soviet Union accounted for important problems being solved in 1981, such as production of a series of spindleless pneumatic spinning machines for cotton, wool, flax and synthetic fiber yarns which double or even triple the labor productivity increase in the finishing-spinning process. Cooperation also continued in the development of industrial equipment for electronic lithography. The main contribution of the solution of these problems will be to reduce imports from the nonsocialist states and increase exports to the socialist countries.

Capital Investment

The scope of investments and deliveries was smaller than in 1980; total volume, including the "Z" beautification campaign and private construction, amounting to Kcs 144.8 billion including construction work worth of Kcs 85.5 billion and machinery and equipment worth Kcs 59.3 billion.

Considerable amounts of funds were spent on the expansion of the fuel-energy basis, gradual creation of conditions for the implementation of planned structural changes and comprehensive housing construction.

The planned volume of work and deliveries for capital construction was fulfilled 98.6 percent. Deliveries for construction projects with budget costs exceeding Kcs 2 million were not met, while construction work in projects with less than Kcs 2 million in budget costs were exceeded by Kcs 0.5 billion.

The balance of budget costs of projects under construction were reduced 13 percent, primarily by restricting the scope of new building starts. On the other hand, the construction periods were not substantially shortened nor was the completion of projects sped up. This was significantly reflected in putting production capacities specified as mandatory into operation. Some major capacities were not put into operation on time. Of 107 capacities listed as mandatory tasks, only 62 were put into operation last year. Shortcomings in territorial and design preparation persisted.

Among the production capacities put into operation on time, the following must be particularly mentioned: the Cierny Vah repumping hydroelectric power plant; M. Gorky Giant Mine -- Project 4; Nejedly Mine -- Rtyne mine; Most Mine -- Project 2; VZSKG [Klement Gottwald Iron Works in Vitkovice] Ostrava -- expansion of gearing systems production plant; Hodonice grain silo. With a small delay, the following key production capacities were put into experimental operation: new refinery in CHZ CSSP [Chemical Plants of Czechoslovak-Soviet Friendship] Litvinov; Ruzomberok wood pulp processing plant; Michle II heat plant; NKHG [New Metallurgical Work of Klement Gottwald] Kuncice -- coke-oven battery No 11; Trmice heat plant.

Industry Resource Formation

Production in the centrally planned industries increased 2 percent over the 1980 level which was 0.2 percent less than anticipated by the plan.

The production increase in individual sectors varied. The production increase was bigger in the processing sectors and smaller in the sectors consuming relatively more raw materials and energy.

The total deliveries of products and merchandise increased (at comparable wholesale prices) 1.7 percent in the centrally planned industries. Shipments for manufacturing consumption and operation increased 2.4 percent, for export to the socialist countries 2.6 percent, for export to the nonsocialist countries 5.2 percent, and deliveries of machinery and equipment for capital investment projects 5.5 percent. The volume of deliveries to domestic trade increased 0.4 percent. The structure of deliveries gradually adjusted to the needs of the economy.

In accordance with the adopted measures and increased financial enterprise incentives for reduction of material costs, favorable fulfillment was achieved of the plan of adjusted value added, which was surpassed 0.9 percent in the centrally planned industries.

The costs of industrial production declined in 1981. The share of total costs in production volume decreased 0.3 percent and of materials costs alone 1.1 percent in comparison with 1980. The wage costs registered a slight increase. The tendency toward reduction of material costs has not yet fully manifested itself in some sectors and branches.

Labor productivity in the centrally planned industries (in terms of industrial output per worker) increased 1.6 percent in comparison with 1980. The labor productivity increase accounted for 79 percent of the production increase. The average monthly wage of the worker amounted to Kcs 2,831 which represented a 1.9 percent increase in comparison with 1980. The relation anticipated by the plan in the development of labor productivity and average wages was not maintained.

The utilization of working time by blue-collar workers in industry increased from 91.3 percent in 1980 to 91.5 percent in 1981. The share of overtime work decreased from 5.8 percent in 1980 to 5.6 percent in 1981. The shifts coefficient among industrial blue-collar workers reached a value of 1.325 (as compared with 1.324 in 1980). Average employment in centrally planned industry was 2,646,000 in 1981 which was 11,000 more than in 1980.

The following results were achieved in individual industrial sectors in 1981: Output in the coal industry amounted to 122.8 million tons of coal and lignite. Despite the difficult weather conditions in the fourth quarter and a labor shortage, the annual output plan was fulfilled 99.9 percent. However, the anticipated structure of mined coal was not attained nor were the plan targets for the removal of overburden met. The continuous supply of the national economy and population with fuels was secured. In this context, the work effort of miners in the fulfillment of their tasks must be highly appreciated.

Electricity production amounted to 73.5 billion kWh which was 1 percent more than in 1980. The nuclear power plant accounted for 83.6 percent of the total increase in electricity production. The supply of the national economy with electric energy was generally smooth.

In the metallurgical industry, production increased 0.9 percent, though the plan had anticipated a slight decrease. The production increase in ferrous metallurgy amounted to 1.5 percent, while a 1.8 percent decrease was registered in ore output and dressing, and production in the metallurgy of nonferrous metals declined 0.9 percent. Within the slight increase in the production of basic metallurgical products, there was a 2.8 percent increase in the production of materials made of high-grade steels, a 4.4 percent increase in the production of thin sheets, a 14.2 percent increase in the production of rolled sheets for electrical engineering and so on.

Overall engineering production increased 3.9 percent. This was 0.9 percent below the planned increase. The production increase in heavy engineering was 3.1 percent, while the state plan had anticipated a 5.5 percent increase. Production in general engineering increased 3.9 percent but the increase fell 0.9 percent short of the target. The production increase in heavy engineering amounted to 3.1 percent, while the state plan had anticipated a 5.5 percent increase. Production in general engineering increased 3.6 percent, while the state plan had anticipated a 4.3 percent increase. The biggest production increase was registered in the electrical engineering industry, where planned production growth rate was surpassed 1.3 percent.

In the engineering production structure, some modern progressive sectors were further strengthened sectors, such as production of component parts for the electronics industry, electrical engineering, nuclear power plants as well as for some consumer products. Even the expanded production in these sectors, however, still did not meet the needs of the national economy.

A bigger -- 95.1 percent -- increase was registered particularly in the production of equipment of nuclear power plants, a 32.4 percent increase in the production of microelectronic circuits, a 20.0 percent increase in the production of machinery and equipment for the chemical industry, a 14.2 percent increase in the production of diesel locomotives above 600 kW, and a 8.3 percent increase in the production of machinery for building and highway construction.

In the area of spare parts, the biggest increase -- 12.1 percent -- was registered in the production of spare parts for trucks and buses and a 7.5 percent increase in the production of spare parts for cars. Problems in the production and assortment of spare parts still persisted.

In connection with the necessity of restricting imports of basic raw materials, the total production of the chemical industry increased 0.1 percent. Production in the chemical industry and crude-oil processing declined 0.5 percent. Production in the rubber-asbestos industry increased 3.6 percent. Production increased 1.8 percent in the wood-processing industry, including a 1.9 percent increase in the wood pulp and paper industry and a 1.8 percent increase in the wood-processing industry proper.

The total production volume in light industry increased 2.5 percent. A more rapid increase of 2.9 percent was registered in the textile industry and a 3.3 percent increase in the garments industry. The production increase amounted to 1.6 percent in the leather and shoe industry, 1.9 percent in the glass, porcelain and ceramics industry and 1.6 percent in the printing industry.

Production of building materials increased 1.5 percent. A bigger increase was registered in the production of wall tiles -- 11.8 percent, bricks -- 4.7 percent, while the production of ceramic roof tiles and prefabricated sections slightly declined.

Production in the food industry increased 1.5 percent. The most rapid production increase was registered in the flour milling and bakery industries -- 5.2 percent.

The nonfulfillment of the plan of purchase of some agricultural raw materials and the partial reduction of their imports were reflected in the fulfillment of planned production tasks in some branches of food industry. The sugar industry fulfilled the plan 91.4 percent, the milk industry 98.4 percent, the fats industry 98.8 percent and the canning and distilling industries 99.0 percent.

Within the production increase over the 1980 level, there were produced 974,700 tons of meat for direct consumption (a 1.2 percent increase), 776, 900 tons of refined sugar (a 0.3 percent increase) and 23,934,000 hectoliters of beer (a 2.3 percent increase). A total of 126,700 tons of butter were produced in 1981 or 99.0 percent of the 1980 volume.

Output of Important Industrial Products

| | Standard Unit | 1981 Reality | 1981 in % of 1980 |
|---|---|---|---|
| Pit coal (output for sale) | 1,000 tons | 27,513 | 97.6 |
| Brown coal including lignite (output for sale) | 1,000 tons | 95,282 | 100.4 |
| Electric energy | mil. kWh | 73,462 | 101.0 |
| Ingot steel | 1,000 tons | 15,270 | 100.3 |
| Rolled material | 1,000 tons | 10,794 | 100.3 |
| Nitrogen fertilizers | 1,000 tons/N | 539.2 | 87.2 |
| Potash fertilizers | 1,000 tons/$K_2O$ | 205.8 | 101.4 |
| Plastics | 1,000 tons | 912.9 | 102.1 |
| Synthetic fibers | 1,000 tons | 165.1 | 102.2 |
| Tires for cars | 1,000 | 3,229 | 103.4 |
| Cars | each | 180,590 | 98.3 |
| Trucks | each | 45,908 | 100.5 |

| | Standard Unit | 1981 Reality | 1981 in % of 1980 |
|---|---|---|---|
| Antifriction bearings | 1,000 | 70,171 | 102.9 |
| Machinery and equipment for chemical industry | Millions Kcs | 1,061.5 | 120.0 |
| Machinery and equipment for agriculture 1) | Millions Kcs | 2,471.2 | 103.1 |
| Refrigerators and freezers for households | 1,000 | 379.6 | 107.7 |
| Washing machines for households | 1,000 | 374.8 | 105.5 |
| Furniture made of wood and other materials | Millions Kcs | 6,637.5 | 99.9 |
| Cotton fabrics | Million meters | 574.2 | 102.4 |
| Shoes, total 1) | Million pairs | 114.8 | 100.3 |
| Cement | 1,000 tons | 10,645.6 | 100.9 |
| Lime | 1,000 | 3,234.3 | 107.2 |

1) Excluding local industry and Union of Production Cooperatives

Building Industry

The state plan was not fulfilled in construction. The construction volume performed with internal labor resources declined 2.0 percent in comparison with 1980, while the state plan had anticipated a 2.7 percent increase. The planned tasks were not fulfilled, particularly in capital construction and comprehensive housing construction.

The main reasons for the nonfulfillment of the plan were the slow adaptation of construction enterprises to the changed conditions and requirements of capital investment, shortcomings in the work organization, improper labor structure and inadequate structure of the material-technical base of construction enterprises. The fulfillment of the construction work plan was also hindered by the dispersion of available capacities among the excessive number of unfinished projects and defective territorial and design preparation of a number of newly started projects.

The volume of construction work performed on the projects specified as mandatory tasks increased 1.7 percent over the 1980 level and the state plan was surpassed 5.7 percent.

The average number of workers in the construction enterprises was 552,000 in 1981, which was a 0.7 percent decrease in comparison with 1980. Labor productivity was 1.3 percent lower than in 1980, while the average monthly wage of workers of construction enterprises increased 1.1 percent and exceeded Kcs 2,900. The planned relation between the development of average wages and labor productivity was not maintained.

Transportation and Communications

Public freight transportation carried 653.6 million tons of goods which was 3.1 percent more than in 1980. The state freight transportation plan was fulfilled 101.2 percent. The volume of freight transportation handled by industrial plants increased 1.8 percent. It was an unfavorable fact that freight transportation increased at a more rapid rate than production.

Railroad transportation carried 286.3 million tons of goods, or approximately the same amount as in 1980. Railroad loading amounted to 241.8 million tons, the 1980 level being surpassed 1.5 percent. Nevertheless, the planned shortening of the average period for railroad-car circulation was not achieved because of shortcomings in management of railroad operation and partly inadequate coordination with the shippers. Spare parts were not delivered in the necessary structure. Railroad transportation did not fulfill the labor force plan particularly in regard to key operating jobs.

CSAD [Czechoslovak Automobile Transporation] highway transportation carried 356.2 million tons of goods, which was 5.6 percent more than in 1980, and the state plan was fulfilled 102.9 percent. Another positive achievement was the reduction of motor fuel standard consumption per 100 kilometers.

River transportation carried 11.1 million tons of goods or 6.1 percent more than in the previous year. The increase in transportation of coal for the Chvaletice power plant largely accounted for this increase.

Public passenger transportation carried 2,583,900,000 persons, while the total number of passengers increased 32.0 million. In comparison with the previous year, the number of passengers carried by CSAD increased by 48.2 million persons, while the number of passengers carried by CSD [Czechoslovak State Railroads] declined by 15.7 million. Due to the economy measures effected in bus transportation, the number of railroad passengers increased in the fourth quarter of the year.

The Prague subway carried 254.8 million passengers, 17.5 percent more than in the previous year.

In communications, there was a further increase in long-distance and interstate telephone calls, and 75,500 new telephons were installed in 1981, 25,000 of which were installed in the households. As of 31 December 1981, there were 3,226,000 telephones including 1,147,000 household telephones in operation. There were 21 telephone stations per 100 inhabitants. The share of long-distance automatic dialing increased from 75.7 percent in 1980 to 79.1 percent in 1981.

In radio communications, six new radio transmitters and the Trencin television station for the second television program were put into operation. As a result, 7 percent of the CSSR territory is now covered by the second television program. Approximately 78.7 percent of Czechoslovak television programs are now broadcast in color.

Agriculture

The results achieved in agriculture last year did not correspond to the plan. A considerable shortfall in the harvest of most agricultural products contributed to the nonfulfillment of the plan and, in comparison with the previous year, was reflected in the decline of agricultural, and particularly crop, production.

According to the preliminary results, the value of gross agricultural production amounted to Kcs 100.3 billion, 3.4 percent less than in 1980. The plan fulfillment fell 5.7 percent short of the target. In comparison with 1980, crop production declined 7.1 percent, while animal production reached almost the 1980 level. In

comparison with 1980, the share of crop production in the total gross agricultural production declined from 41.9 percent to 40.3 percent in 1981. Grain crops accounted for 64.5 percent of the decrease of gross plant production as compared to 1980. The achieved results were adversely affected by unfavorable weather in the course of the entire year and varied widely in individual areas of the state. This was most markedly reflected in West Slovakia and South Moravia krajs which are our important grain-producing areas.

Not all areas were sown in 1981 as planned. The shortfall amounted to 63,000 hectares for grains, 12,000 hectares for legumes and 3,000 hectares for potatoes. The percentage of plowing-in of winter grain crops increased considerably. The harvesting was more difficult and this resulted in considerable losses, particularly in sugar beet. The operability of agricultural equipment was adversely affected by shortages of spare parts.

With the exception of potatoes, corn for silage and hay from permanent meadows, yields per hectare remained below the 1980 level and mostly also below the average level achieved during the Sixth Five-Year Plan. As a result, the intensity of crop production and fodder supply was reduced.

Purchase for the state funds, and particularly for food production, amounted to 3,363,000 tons of grain (excluding corn), 195,000 tons of rape and 835,000 tons of potatoes for direct consumption. The plan of grains (excluding corn) purchases was fulfilled 100.4 percent and the plan for purchase of potatoes for the domestic market 102.3 percent.

Purchase of Animal Products

| | Unit of measure | 1980 Reality | 1981 Reality | 1981 Plan | ± Difference against 1980 Reality | ± Difference against 1981 Plan |
|---|---|---|---|---|---|---|
| Slaughter animals total (excluding poultry) | 1,000 tons of live weight | 1,599 | 1,612 | 1,586 | +13 | +26 |
| Including: | | | | | | |
| slaughter cattle | " | 669 | 651 | 685 | -18 | -34 |
| slaughter pigs | " | 902 | 937 | 874 | +35 | +63 |
| Slaughter poultry | " | 245 | 240 | 232 | - 5 | + 8 |
| Milk | Million liters | 5,163 | 5,169 | 5,200 | + 6 | -31 |
| Eggs | Million | 2,683 | 2,705 | 2,660 | +22 | +45 |

In animal production, the average annual milk production per cow amounted to 3,092 liters, which was about the same as in the previous year, and the average egg production per hen was 229.8 as compared with 228.3 in 1980. The average daily increases in the weight of pigs for further growth and fattening declined from 0.516 kg in 1980 to 0.498 kg in 1981. The corresponding figures for cattle were 0.72 kg in 1980 and 0.68 kg in 1981.

The restrictions on the purchase of beef cattle designed for slaughter and the reduction of the mortality rate of calves positively affected herds. In comparison

with 1980, they increased by 102,000 and those of cows alone by 3,000. The plan targets set for the increase in the number of cows, however, were not met. In accordance with the measures effected in the regulation of numbers of pigs, their numbers declined from 1980 by 591,000 at the end of 1981. The reduction in the numbers of pigs resulted in the temporary increase in the purchase of pork.

Deliveries of industrial fertilizers to agriculture amounted to 1.7 million tons, which represented approximately 250 kilograms of pure nutrients per hectare of agricultural land. Approximately 55,000 hectares of land were reclaimed and 16,000 hectares irrigated.

Forestry

The lumber output amounted to 18,483,000 cubic meters in 1981 and thus exceeded the plan target by 229,000 cubic meters. Shipments of timber amounted to 17,150,000 cubic meters. They surpassed the 1980 level by 147,000 cubic meters and the 1981 plan by 127,000 cubic meters. Fir accounted for 76.9 percent of total lumber output and for 77.8 percent of wood shipments. Apart from wood supply to the national economy, demanding tasks were successfully fulfilled, particularly in reforestation, protection of forests and care of young trees. Some 48,700 hectares were reforested (as contrasted with 46,800 hectares in 1980), while the plan was surpassed 2.8 percent.

Management of Water Resources

Despite some difficulties, drinking water needs were essentially met. The production of drinking water increased from 1,488,000,000 cubic meters in 1980 to 1,548,000,000 cubic meters in 1981. The proportion of population supplied with water from public water supply systems increased to 71.5 percent by the end of the year, and the proportion of persons living in houses hooked up to the public sewer system to 58.4 percent. The plan for both production of drinking water and proportion of population supplied with water from the public water supply system was met.

External Economic Relations

The plan goal to achieve an excess of exports over imports was met.

The Growth Rate of Foreign Trade Turnover
(1981 in % of 1980 at current prices)

| | | | |
|---|---|---|---|
| Exports, total | 109.4 | Imports, total | 105.8 |
| Including: | | Including: | |
| to socialist countries | 111.8 | from socialist countries | 109.8 |
| to nonsocialist states | 104.0 | from nonsocialist states | 96.4 |

In relation to the nonsocialist states, the excess of exports over imports was achieved, not only by increased exports, but also by economical use of foreign exchange for necessary imports. The actual exchange relations further deteriorated.

Economic cooperation with the Soviet Union and other CEMA countries constituted the basis of external economic relations. In comparison with 1980, commodity exchange with the CEMA member countries increased 10.2 percent and with the Soviet Union alone 16.5 percent.

Commodity exchange with the socialist countries accounted for 71.9 percent of Czechoslovak foreign trade turnover in 1981. The predominant part of our raw materials and energy needs was secured by long-term trade agreements with the CEMA member countries. The development of foreign trade with the socialist countries was favorably affected by further expansion of production cooperation with the CEMA member states particularly in the area of engineering and electrical-engineering production. By our participation in development of raw materials, prerequisites were created for supplying the Czechoslovak economy with necessary raw and industrial materials.

Living Standard

Despite the aggravated external and internal conditions, the already high living standard was maintained in 1981. With full employment, the average monthly wage, real money incomes and public consumption all increased.

Approximately 7.39 million persons worked in the national economy in 1981, which was 0.7 percent more than in 1980. The labor force increased by 26,000 in the production sphere and 24,000 in the nonproduction sphere.

The average rate of disability due to illness or injury was 4.1 percent.

The population's total money incomes amounted to Kcs 366.9 billion and increased 2.8 percent in comparison with 1980. Earned incomes increased 2.8 percent and social incomes 1.9 percent.

The average monthly wage of workers in the socialist sector of the national economy increased to Kcs 2,690 or 1.8 percent in comparison with 1980. The real wage increased 1.0 percent. Savings deposits increased Kcs 10.9 billion in 1981 and amounted to Kcs 166.2 billion at the end of the year.

Retail trade turnover was Kcs 260.9 billion in 1981, which represented an increase of more than Kcs 5.6 billion in comparison with 1980. Nevertheless, the state plan fell Kcs 0.3 billion short of the goal. The sale of industrial goods did not increase, as planned, more rapidly than the sale of food. Retail trade turnover in industrial goods amounted to Kcs 137.8 billion and accounted for 52.8 percent of total retail trade turnover, while the plan had anticipated its share at 53.7 percent. There were fluctuations in the satisfaction of consumer demand particularly in regard to the industrial goods assortment. Despite local difficulties caused by increased purchases in the fourth quarter, the population's supply was generally adequate.

The comprehensive index of retail prices of commodities and services increased 0.8 percent in 1981 in comparison with 1980. There were no changes in prices of food and meals in public catering establishments. While the prices of motor fuel increased, the prices of some types of consumer goods decreased. The index of household living expenditures rose generally 0.8 percent, of blue-collar workers and employees households 0.9 percent, of cooperative farmers 0.9 percent and of pensioners 0.3 percent.

The population's social consumption increased 3.2 percent in comparison with 1980. On the average, Kcs 9,221 were spent per capita from the social consumption funds in 1981 as against Kcs 8,938 in 1980.

The social security benefits amounted to approximately Kcs 69.9 billion in 1981, including Kcs 43.7 billion paid as retirement benefits. Health insurance benefits remained on the 1980 level. The number of benefits recipients reached 3,827,000, including 2,045,000 old-age benefit recipients, by the end of the year. Allowances for children and other money assistance amounted to Kcs 19.8 billion.

There were 707,000 children in kindergartens during the 1981/1982 school year, representing approximately 85 percent of the respective age group. Of 248,000 students who completed basic school education in 1981, approximately 60 percent continued in their studies, while the rest were placed in selective schools. The total number of apprentices was 405,000, almost 50,000 of whom were enrolled in the courses with a naturita graduation examination. There were 393,000 high school students and 156,00 college students.

The capacity of health care establishments reached 191,000 beds including 120,000 beds in the hospitals. There were 300 persons per physician as compared with 309 person in 1980. Day nurseries accommodated 116,300 children, 25 percent of whom were in nurseries run by factories and JZD [Unified Agricultural Cooperatives].

In housing construction, 94,100 apartments were completed, that is, 15,700 less than anticipated by the plan. Of this total number of completed apartments, 18,700 were constructed by communities, 33,200 by cooperatives, 12,700 by enterprises and 29,500 by individuals.

Dwelling permits could not be issued for 32 percent of completed apartments primarily because of unfinished technical facilities. There also were shortcomings in public facilities for the new housing projects. Building starts were made for 87,900 apartments in the course of the year.

Systematic attention paid to the living environment was reflected mainly in the set of active measures adopted for the solution of existing problems in this area, in the further construction of buildings and equipment for better air and water protection. There was improvement in the disposal of solid waste in scrap yards and dumps. The national committees directed citizens initiative in the "Z" beautification campaign to the construction of additional social, educational and other establishments and beautification of towns and villages. The total value of such construction amounted to Kcs 4.7 billion.

The population increased 57,000 since the end of 1980. Some 117,000 marriages were contracted and 34,500 dissolved during 1981. There were 237,000 live-born children. The CSSR population was 15,339,000 by the end of the year.

Despite unfavorable external and internal influences and the necessity of faster adaptation of the national economy to the new conditions and to the demands for higher efficiency, the results achieved in the development of the national economy in 1981 were generally positive. The national economy further developed in 1981. Workers' initiative in the form of socialist competition made a significant contribution to it.

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## EXCESSIVE MEAT PURCHASES BLAMED ON LACK OF CONSUMER GOODS

Prague HOSPODARSKE NOVINY in Czech 29 Jan 82 pp 8-9

[Interview with Eng Vladimir Barta, CSc, director, Trade Research Institute; Eng Stanislav Hejduk, deputy minister in charge of the Federal Price Office; Eng Zdenek Lamser, CSc, CSAV [Czechoslovak Academy of Science]; Eng Frantisek Vanicek, CSc, Research Institute of the Economics of Agriculture and Food; and Eng Milos Vesely, first deputy chairman, Czech Price Office, by Miroslav Kana, Pavel Karel and Jan Prochazka; date and place not given]

[Text] A relatively insufficient supply of good and technically industrial products in our market is unable to attract consumers and forces them to choose between the consumption of a disproportionally high volume of food and the replacement of quantity by quality, namely, to choose at the market from a wide variety of first-class goods and thus to optimize the consumption of food in accordance with the principle of a good diet. After all, these goals are in line with our present economic conditions: Food has become a strategic merchandise; on the other hand, the high productivity of labor in our industry has made it possible for relatively inexpensive production of sound products which can be quickly renewed and which will enable us to satisfy the constantly new needs of our people.

At a roundtable discussion concerning the optimization of consumption--and that applied not only to food--which took place in the middle of January, we talked with the following individuals: Eng Vladimir Barta, CSc, director, Trade Research Institute; Eng Stanislav Hejduk, deputy minister in charge of the Federal Price Office; Eng Zdenek Lamser, CSc, CSAV Economics Institute; Eng Frantisek Vanicek, CSc, Research Institute of the Economics of Agriculture and Food; and Eng Milos Vesely, first deputy chairman, Czech Price Office.

### Constantly Growing Costs

In his report concerning party activity and the development of the society in the period following the 15th CPCZ Congress and further tasks of the party in respect to the development of retail prices, Comrade Gustav Husak said the following: "The development of retail prices will to a great extent depend on our work and improved labor productivity and on our successes in introducing effectiveness, quality production and savings. We cannot afford indefinitely

to sell on the domestic market for less than we pay to foreign importers. Price policy must remain under firm management and state control. It must be in harmony with wage and social policy and at the same time it must influence the development of personal consumption and prevent waste."

[Question] Perhaps it would be a good idea to describe at the beginning of our discussion the recent development of food cost.

Hejduk: The cost of food is rising. We are witnessing higher prices of imported merchandise. We pay substantially more for fodder, the raw materials needed for the production of fertilizers and for technology than was the case in the past. Naturally, we also have to deal with internal influences--for example, technology which requires larger investments. However, we must do this if we want to replace human labor by technology. All this is reflected in the growing cost of agricultural production. Consequently, in recent years we have seen a decrease in the profitability of agricultural production and, to some extent, even in the incomes of agricultural enterprises. All this leads us to a need to regulate retail prices and wholesale prices of food.

Vanicek: Let us talk in concrete terms. In the Fifth Five-Year Plan, agriculture showed approximately 12.5 percent cost profitability and in the Sixth Five-Year Plan, only 7 percent. High prices of inputs have significantly affected the structure of agricultural production.

To this you must add the recent deficit in last year's production of grain in the approximate volume of 1.6 million tons. This naturally affects negatively the development of livestock production.

On the other hand, we are witnessing a simultaneous increase in the prices of grains on foreign markets. In addition, there are negative influences resulting in the changes we had to make with respect to our importing partners. We now buy more from advanced capitalist countries. This affects unfavorably our balance of payments and economic effectiveness and complicates our foreign trade position and obviously also the situation in our own agricultural sector.

Vesely: Our goal is to harvest approximately 11 million tons of grain annually. We have not succeeded fully in this respect. Under a rational economy, this volume ought to be sufficient for us. In some years we have come close to this goal.

[Question] How does our agricultural production plan to deal with all these problems look when we cannot count any more on the existing volume of imports of grain and fodder?

Vanicek: To meet the existing conditions, we have reduced the numbers of livestock last year and this year. Consequently, we are reducing our purchase of hogs, cattle, poultry and calves for slaughter, as well as milk and eggs.

The item most affected will be the production of pork because it requires the largest amount of fodder. If, for example, hogs for slaughter need approximately 3.9 kilograms of fodder per kilogram of meat, the figure for

poultry earmarked for slaughter is 2.7 kilograms, for cattle for slaughter only 1.5 kilograms, and for calves for slaughter, 1.1 kilograms. Under these circumstances, the society naturally prefers those categories of animals which require less fodder.

Vesely: As far as the future is concerned, we should be able to secure enough grain domestically for our meat production. We will import certain selected fodder, such as corn. However, this means that we must change the structure of meat production. We must orient our agriculture more toward beef production, which has been receiving state support through the regulation of purchase prices for some time. Cattle provides us not only with meat but also with milk, which is indispensable for our people.

So far, our peasants have paid more attention to the production of pork, among other reasons, also because the technology of cattle breeding has not yet been fully mastered in our country. An important role here is played by its dependence on fodder.

Vanicek: In this connection, the purchase prices of plant and animal products were changed as of 1 January 1982.

In fact, for the first time since 1967, when we introduced a system of economic rationale in agriculture, we have injected into our agricultural sector additional funds from the state budget in the approximate amount of Kcs 2.9 billion. Until now, prices of agricultural products were regulated through price changes within this sector. From all this, it is obvious that the state is interested in improving the current situation and increasing the effectiveness of production of major agricultural commodities, especially in animal production and there mainly the production of beef.

[Question] In other words, we are more realistic in planning our agricultural production.

Vanicek: Yes. Simultaneously with the preparation of the new measures in the system of economic rationale we also introduced new principles of planning of agricultural production which will give to our agricultural enterprises more meaningful participation in decisionmaking relating to the trends of agricultural production.

[Question] You are saying that the number of hogs has been increased and that the same applies to meat, milk and egg production. Will our agriculture be able to feed our people at the same level as in the past?

Vanicek: Per capita meat consumption in Czechoslovakia--approximately 85 kilograms annually--is one of the highest in the world. To maintain this level we need an additional 1.6 billion tons of grain this year. Of this amount we will import only about 0.5 billion tons. Precisely because of this we are reducing the number of livestock. This will mean a certain reduction in production and thus naturally a partial reduction in meat consumption. We still believe that this is a temporary arrangement.

[Question] In the last analysis, are the costs needed to produce food, including meat, justified? We have in mind different results in agricultural enterprises under comparable conditions when we spend different amounts for the same volume of production or, conversely, when the same costs result in different volume of production. Or, to offer another concrete illustration, why must we spend different amounts to keep one and the same animal in different stables?

Vanicek: In the past, our investments were in certain cases oriented toward high-cost projects, especially in animal production. This naturally led to increased costs of production in these projects. Reserves in this area are primarily in reconstruction, modernization and the completion of projects which should in turn benefit labor productivity and culture of work.

Hejduk: There are also big differences in the consumption of fodder per kilogram of animal weight and increases in fertilizers per hectare of land. Our price offices compare the actual costs with planned costs. The results clearly show that that overall we use more fertilizers than originally planned and that we do not apply scientific methods to fertilizing. If applied correctly, we should use much less fertilizer, in a more economic way and with better effect. Similarly, there are great differences in the consumption of fodder. This shows that we could secure far better animal production while using the same amount of fodder.

[HOSPODARSKE NOVINY] The cost of agricultural production is growing especially because of the increased prices of inputs. In our opinion, we should not consider as negligible the influence of serious losses in the entire chain, starting with agricultural primary production via processing and the sphere of circulation to final consumption. This is shown by a check of organs of the people's control whose results we published in HOSPODARSKE NOVINY No 1 1982. For example, the total production of 963,000 tons of meat (in 1980) in slaughterhouses was accompanied by an annual loss of over 70,000 tons in terms of meat on the hoof. All additional costs are then paid for by the society, in other words by us as both producers and consumers.

Orientation--Purchase of Food

[Question] Here it is necessary to take a stand on the question of whether the present daily consumption of food is necessary for the diet of people living and working under our native conditions.

Barta: The recommended daily intake of food is approximately 11,200 kilojoules. This amount is affected by the conversion of losses and by the categories of workers in question. If we look at our own development; we can state that we met the optimal level of our caloric intake sometime in 1956-1957.

In the next years our consumption continued to go up until we achieved almost 13,000 kilojoules which occurred sometime in 1960-1961. Our consumption breakdown then was drastically different. The then dynamic development in the consumption of flour, flour products, sugar and other relatively

calorically rich foods leveled off and even started to go down. A substantial increase in the dynamics of consumption was registered in protein-rich or vitamin-rich foods. In the first place, we concentrated on meat and meat products.

Hejduk: In the consumption of meat, we occupy on of the top places in the world. While we consumed 85.6 kilograms in 1979, the figures were 70 kilograms for Italy, 79 kilograms for the Netherlands, 90 kilograms for West Germany, 76 kilograms for Britain, 80 kilograms for Denmark, and 87 kilograms for Austria. This was also obviously a result of the fact that our prices in past years ceased to be related to demand and failed to influence it.

One cannot claim that it is advantageous that the price of high-quality meat should not be too different from that of low-quality meat. The same applies to meat products. For this reason, our demand is oriented toward those products.

While in 1953--when we basically established our system of retail prices--our average monthly wage was Kcs 1,097, the figure for 1981 was Kcs 2,690. However, prices in this period remained basically at the same level at which they had been fixed in 1953. During this entire period food prices were not basically changed. As far as meat is concerned, we introduced insignificant qualitative changes in price relations in 1966, but they were not too important.

Another reason for higher demand for meat is that the preparation of food from meat does not require too much time. When we add to this the relatively low price of meat, we get an explanation for our high demand for meat. Our agricultural production is unable to meet this demand with the amount of fodder it has at its disposal. In the past, we were able to maintain this high consumption by importing grain. In the last five-year plan this import amounted to 1.5 million tons annually. For all practical purposes, a quarter of the meat and meat products we consumed was produced from imported fodder.

Lamser: Our diet today is at a level of 12,500 kilojoules daily. In other words, 1,300 kilojoules more than we really need. This is a burden on our economy which on the one hand, adversely affects the health of our people and, on the other hand, results in higher costs when our society must waste money on these superfluous kilojoules.

Vesely: We often buy meat regardless of need. We buy it for stocking. Such meat usually remains for a long time in our refrigerators where it deteriorates.

One cannot imagine that meat would be sold in kilograms in advanced capitalist countries. In these countries, meat is purchased with a great deal of common sense in smaller cuts nicely wrapped. We too should adopt a system of selling meat in cuts which are packaged well and esthetically. This would lead to the elimination of other problems, i.e., cheating.

[Question] The structure of retail prices leads the consumer to spending his money on food. Prices of industrial products are relatively high but food prices are relatively low. Thus, the decision by the consumer on what to buy is predetermined.

Hejduk: This is a result of our policy of low-priced foods which was established at the time of the introduction of monetary reform back in 1953. We fixed all food prices at a relatively low level at that time. Some of these prices were the same as in the prewar period. Our premise was our belief that policy on retail prices had a singular sociopolitical character and that we had to carry out a class policy beneficial for our working people. Thus, changes in food prices were very exceptional in the past. These principles, in a modified form, still apply today.

Lamser: In 1953, a kilogram of rib roast was Kcs 18.40; in 1981 it was Kcs 17. In 1953 boneless rump steak was Kcs 25,00, pork butt was Kcs 26.20, and frankfurters, Kcs 28; in 1981, they were Kcs 29, 20, and 25, respectively.

I prepared a budget for 1976. For example, households with a minimum income per capita (up to Kcs 9,600 annually) and households with the highest income (over Kcs 24,000) consumed pork for which they basically paid the same price. Those with a minimum wage spent Kcs 28.50 per kilogram and those with the highest income, Kcs 28.80 per kilogram. Consequently, households with the highest income increase their standard of living not by consuming better quality food but by increasing their amounts.

Barta: It is very important to have minimal differences in our basic intake of proteins as far as meat consumption is concerned. We should differentiate much more in other areas of our consumption.

[Question] How high is the state food price support?

Hejduk: If we put all the food together, then Kcs 100.00 in retail sales require approximately Kcs 25.00 in state subsidies. These subsidies are as follows: Kcs 18.00 per kilogram of a quarter of beef, Kcs 2.50 per kilogram of lean pork, Kcs 18.30 per kilogram of goose, Kcs 13.00 per kilogram of veal, Kcs 12.00 per kilogram of turkey, Kcs 4.40 per kilogram of duck, and Kcs 3.90 per kilogram of chicken.

To a certain extent, the policy of relatively low food prices increased food consumption above a rational limit. We tried to bring the supply of meat and meat products in line with the increased demand. The consumer prefers food over purchase of industrial products.

Solution--How To Send a Customer in a New Direction

[Question] What should we do to reorient the outdated structure of food consumption?

Lamser: The possibilities of our domestic agricultural production are limited. Thus, it is necessary to pay attention to consumption. I believe that in this respect we should in the foreseeable future adopt two measures: Short-range measures--for example, a suitable price policy which can to a certain extent imrpove the existing imbalance in our market even if it cannot solve the problem altogether. However, such short-range measures ought to be based on long-range measures.

What measures do I have in mind? In the first place, those that would stimulate value-added growth. In other words, to stabilize the physical volume of consumed foodstuffs and to increase average food prices. All this means that we should see to it that the consumer gets top quality products for which he will be willing to pay more. In sum, the introduction of certain measures in the food industry in the processing of basic agricultural products in order that this industry may offer products with new consumption characteristics.

Vesely: Value-added growth is a term which could create an impression among our citizens that we are looking for all possible ways of solving the problem of shortages at the market by price increases while we seek to maintain present volume and quality. But, on the contrary, it is our goal to see that producers offer high-quality products with a high degree of usefulness. If our market were to have products of such a type, we would be willing to ask for higher prices. Let us permit the producer to earn more, let him realize a higher-than-average surplus. This to us is value-added growth in production.

Barta: The solution of problems in the domestic market cannot be viewed as a one-shot operation. It must be seen as a process to which individual instruments of our trade policy contribute.

The effects of the instruments of our economic policy must always be viewed from both the short and long range. Price is an instrument which naturally carries with it long-range consequences. It must help in creating economic conditions for rational production and rational consumption. Of course, these long-range aspects will become more evident only if other necessary conditions exist. This means that production on its own cannot be changed overnight to supply the market with packaged meat. To achieve that, the producer must have the necessary means which must be changed into concrete equipment able to produce packaged meat. All this requires investments.

We thus deal with processes based on economic, organizational and material conditions. The existing constant pressure on the volume of meat de facto has prevented the creation of such conditions to a great extent. And I do not refer at all to the fact that the packaging of meat as now practiced does not prolong the freshiness of meat when kept at home.

[Question] Well, the solution of the problem is a long-range matter requiring technology which will permit us to improve quality and variety of selection in such a way as to place before the consumer the following choice: Either much food or less food but of first-class quality to be supplemented by other products. However, we cannot postpone the solution any longer.

Lamser: Nobody will overstuff himself by eating rolls. The difference in consumption between the lowest and highest income group is insignificant. For example, the consumption of bread in the highest income group is 17 percent higher, the consumption of milk 10 percent higher, but the consumption of meat is 89 percent higher, of pork, 26 percent higher, and of meat products, 82 percent higher compared to the lowest income group.

Except for a few cases, the consumer does not have a chance to choose among top-quality food products for the purchase of which he would not regret spending more money.

A positive illustration of such a product is "Sunquick"--a concentrate made from citrus fruits. It is relatively expensive but it disappears from the counters very quickly. However, such produces are nothing more than a drop in the bucket.

The consumer is primarily interested in meat consumption because there are no other attractive food products appealing to him. The supply of fruit, vegetables, milk and dairy products is insufficient. Hence, these products cannot fully replace meat. The situation is also aggravated by the shortage of processed foods and ready-to-eat foods. The consumer prefers meat dishes because their preparation does not take too much time.

The Way Out--Nonmaterial Growth

[Question] Unlike the case of the consumption of industrial products and services, the consumption of food has physiological limits. Obviously, our interest will continue to concentrate on the consumption of industrial products. Thus the consumer will want to spend the bigger part of his income on the purchase of consumer goods. However, our market so far is unable to meet this demand.

Vesely: I will not talk about consumer goods deliveries where so far the supply has been relatively good and where we lack mainly fashionable, fancy, and better quality items. However, consumer appliances do not at all appear in such numbers as to meet the demand. For example, there are no do-it-yourself kits and we are behind in the construction of family homes. I do not want to mention dishwashers, but we can find a different product mix where--if we had them--we could change the interest of the consumer. If we had enough appliances consumers would demand them more than food.

[Question] A black-and-white TV set sold for Kcs 4,000 in 1981, the same price as approximately 100 kilograms of roast or approximately 200 kilograms of pork butt.... With such prices the decision on what to buy is predetermined....

[Vesely] Do we or don't we have expensive products? Staple foodstuffs, when we ignore items that do not help our health (liquor and cigarettes), are more subsidized than taxed. Thinking logically, the tax should be higher on industrial goods. In spite of that, however, I must state that the prices of electrical appliances, though seemingly high, correspond the the level of our actual production costs. A color TV set has a 20 percent sales tax on the wholesale price. The average sales tax on industrial goods is approximately 43 percent. We sell for more than in the rest of the world. But our production is also more costly.

What is the way out of all this? We know: increase labor productivity, technological development, mass production and the division of labor. All this should result in a substantial improvement of our effectiveness in production which, in turn, should lead to lower retail prices. Perhaps we will then be able to use the money we save on food to spend on these industrial goods.

[Question] The problem is not so much high prices but their comparison with the technical-economic utility of products. The consumer must get for his money the value which, in his opinion, corresponds to the amount he spends.

Lamser: The problem is value and its increase becomes a central question. The consumer is primarily interested in technical innovation. In other words, he would like to know what the new product will offer him and whether it corresponds to his needs. Thus, if the producer discovers the real need of the consumer, then the latter will be ready to pay without question even an unusually high price. He will understand that a top-quality product demands that. And if we fail to secure a sufficient supply of top-quality products, we will witness a tremendous tension in household budgets. Then the consumers will think twice about what to buy, will try to justify individual expenditures and will search for ways in which they will best utilize their income. They will then perhaps come to the conclusion that food is the very item on which they can save. I can eat for Kcs 3.00 if I buy a roll and cottage cheese or for Kcs 25.00 in a restaurant. Or, I can prepare my own meal from 25 decagrams of meat. Unless this happens, consumers will continue to concentrate irrationally on food.

The corresponding price structure will be able to maintain the market equilibrium only for a relatively short period. If the supply of consumer goods is not sufficiently attractive, the consumer will continue to prefer the purchase of food.

Industry--Innovation Is Lacking

[Question] Do the enterprises not make it easy for themselves by introducing price changes at the expense of real innovations?

Hejduk: You can have different answers to this question. Some people say that we do not stimulate improved products sufficiently. Naturally, there are also views holding that innovation can be observed more in prices than in products. We are doing our best to approach incentives or sanctions objectively. In the end, we do not do this at price offices alone. We also involve in this process state testing centers which issue attestations. Also, the ministries of development and technology certify the products as being technologically progressive. Only after the evaluation of products by these institutions do we introduce price incentives. Price sanctions against the producer are taken by us only after a decision by the Ministry of Development and Technology, this Federal Ministry for Technical and Investment Development, or state testing centers if the product is classified in the third-quality category or declared technically outdated.

[Question] The price of new products is determined on the basis of the parametric method. However, such a method of price determination includes a certain danger. For example, we manufactured small vaccum cleaners--one rod, another rod, and in the center a motor--for less than Kcs 500. Because the manufacturer was after a while in danger that his product would be reclassified in the third-quality category, he started to manufacture a new vacuum cleaners which prior to the price reduction cost almost twice as much as the first vaccum cleaner. The new vacuum cleaner contains a few technical improvements. However, from the point of view of the consumer these improvements are not too important because the value of the new machine is not too different.

Vesely: When fixing prices we compare the usefulness of the products, look at the costs and, on the basis of all this, we determine the price of the new product. Consumer goods are not sufficiently up-to-date. We are doing our best to encourage, through price manipulation, the improvement of new products. We are trying to take into consideration technical aspects and the improvement in the qualitative characteristics of the new products. In this way we hope to encourage the trade and production sectors to be interested in improving their products. I believe that we have seen some positive results in this respect in recent years. Naturally, we do not act one-sidedly, namely, using our pricing mechanism to support certain qualitative improvements in our products. We also see the other side of the coin: Improvement sometimes is insufficient, enterprises manufacture the same product for a number of years and the consumer is not sufficiently interested in it any more. In such cases, after a report from a testing center or if the product is technically outdated, it is reclassified into the third-quality category and we reduce the price the enterprise can charge.

Recently, the fact that part of the income for technically progressive products has been earmarked to the fund for enterprise and personal incentive, the fund for cultural and social needs, etc., has significantly contributed to the improvement of the situation.

Hejduk: The price offices, the producer and customer and, in this respect, the entire trade sector as well, contribute to the final determination of the price. They also judge whether a higher price corresponds to the difference in value of two products and whether the product will be saleable at a proposed price. The trade sector naturally does not accept any proposal made by the producer. Each year the price offices reduce prices proposed by producers in the overall amount of several million Kcs.

Barta: When determining the price, we must also evaluate the trend of the product's utility and its relation to the development of the abilities of our citizen. We must give him products which propel him toward positive and creative activity.

It is necessary to admit that we do not know all human needs in their smallest details. Thus, to a certain extent we also use a trial-and-error system in our market. Even if we can anticipate many things, we are not always able to determine the reaction of the consumer to a product's utility and its price. It is estimated that in foreign markets over 80 percent of new products fail. Thus, we can also find out whether certain new products will be rejected by the consumer.

[Question] In the long run, not even an adequate price can guarantee market equilibrium without additional measures.

Hejduk: Each price regulation has a time limit on its effectiveness. Consumers get used to the new prices, they adjust themselves and consumption returns to its original level. This is so because the producers do not react sufficiently to price changes. Price policy must be carried out in conjunction with other measures or these measures must immediately follow price changes. Otherwise every price change will have a limited and short-term effectiveness.

We know of cases of price changes made in isolation. These price changes have become ineffective. A shortage of spare parts is a long-range problem. It was thought that a price increase would lead to more spare parts on the market. We therefore increased prices in order not to be stuck with the problem even when we knew well that such a step would be ineffective. And we were right.

Many people believe that a price increase for certain products will result in their sufficient supply on the market. Consequently, in agreement with the price offices of the two republics we reclassified a number of products into a category in which the final price is mutually agreed upon between the producer and retailer. In spite of that, these products are still manufactured in insufficient numbers because the producer failed to create the necessary conditions. The fixing of prices can thus encourage increased production but must be accompanied by other necessary steps. Thus the fixing of prices is neither a miraculous medicine nor an end in itself.

Barta: Our neighbors in the GDR secure market equilibrium with the help of selection concepts. They started to work with these concepts a few years after we did. One can even say that they were inspired by our experience. However, they were able to make these concepts more binding. If they are not fulfilled, our neighbors not only state so but the entire problem is discussed at the ministerial level or even directly in the government.

As far as quality goods are concerned, the GDR adopted a policy of developing stores equipped with luxury goods, so called boutiques or delicatessens. This is a form which well suits the organization of GDR domestic trade, which is somewhat different from the situation in our country. We cannot say dogmatically that we should follow their example step by step. However, a decision to let certain units manufacture high-quality goods is certainly an interesting idea. We have some producer cooperatives which manufacture or could manufacture quality products. There are also other ways. Some of our enterprises manufacture top-quality products. The latter, however, appear on the domestic market only when they are not all exported. In such cases, it is necessary to investigate whether it is politically and economically useful to earmark such products for export only.

Vesely: It will be a good idea if we clarify what we can solve through the fixing of prices. Through this process we can anticipate and plan long-range and short-range measures, create a particular situation. Obviously, we can use prices for taking certain measures and then we must follow up on their consequences.

Naturally, we are not abdicating our tasks and responsibility. If we come, as a result of analyzes in a year or two, to the conclusion that this or that price measure was ineffective, we must have the courage to discard it. Certainly we do not want to give money to those who do not deserve it.

[Editors] It is necessary to give the consumer a choice between a "full belly" or eating only as much as his body needs, but high-quality food and in great variety. Overeating is being encouraged by insufficient supply of industrial products which would be able to divert the consumer from his excessive consumption of food.

The consumer, when he comes to the market with his income, wastes a substantial part of it in one direction: on food, and primarily on meat. The reason is that he finds the market relatively poor in consumer goods. The food industry does not offer high-quality raw materials in the form of desired products and prepared products. The enterprises manufacturing consumer goods do not care at all or, if they care, then only a little about the demand of consumers for novelties and luxury goods. In addition, some goods, especially of the electrical-engineering industry, are totally lacking in the market or are available on the market to a very small extent. Nor do service enterprises satisfy the needs of our citizens. Comrade Gustav Husak, speaking at the 16th CPCZ Congress, showed the way out of this dilemma: "Production and trade are both responsible for the production and sale of goods in the required variety, quality and price which are in harmony with the demand of consumers. In this respect, the responsible ministries, producer and consumer cooperatives and local economy enterprises must adopt the basic measures." Thus it is high time that the food industry enterprises and enterprises manufacturing consumer goods under the jurisdiction of the ministries of industry and the federal ministries of general engineering and electrical-engineering industry as well as service enterprises and travel offices undertake these tasks as their own and start to carry them out.

1277
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TRUCK COMBINE STEPS UP SERVICE, TRAINING OPERATIONS IN LDC'S

East Berlin DIE WIRTSCHAFT in German Vol 37 No 1, 14 Jan 82 p 3

['Economy Accents' feature article by Lothar Heinzmann, general director, VEB IFA Combine for Utility Trucks, Ludwigsfelde: "Export for the Benefit of the National Economy"]

> [Text] The five-year plan tasks us with boosting by 1985 sales of NKW W50's to 144 percent over the 1981 state quota, quadrupling the export of NKW IFA Robur's and increasing the output of Multicar M 25 two and a half times.

These export requirements place a high political responsibility on us. Meeting it amounts to an important contribution by our combine to the continuation of the main task in its unity of economic and social policy even under the more complicated conditions of the 1980's.

The further exacerbation of the international situation has led to tough confrontation in the foreign economy field. The U.S. high-interest policy has had repercussions for international trade and also has placed burdens on our republic we must meet effectively by a broad export offensive.

We have to consider that world economic crisis manifestations on capitalist markets also create new competition conditions to which we have to react still more flexibly.

In recent years we have created important preconditions for it from which we can now benefit. Last year alone we succeeded, e.g., in boosting exports from our Ludwigsfelde parent enterprise to the nonsocialist economic sector by 189 percent over 1980 and bringing in more foreign exchange for our products. It pays off for us to supply our buyers with lucrative and high-grade products at the proper market values, do intensive market research, keep developing our customers service, and ensure a stable spare parts supply. All 18 enterprises in our combines have a share in that.

For further boosting the export capacity we need, it is imperative for the managers, starting with the general director, and all working people in the combine to devote themselves to these tasks and carry on an everyday effort to solve them through high achievements in socialist emulation.

Every year, 40,000 trucks in the 2 to 5 ton utility range come off the line. And then there is the production of spare parts and a considerable number of motor vehicle accessories.

For our various buyers, our designers and mechanics have developed, e.g. for IFA W 50, 53 basic models with more than 200 country-specific modifications. So our combine can meet almost any customer preference--in conformity with the international trend toward economic and reliable special purpose vehicles.

Already IFA W 50 has stood up well even under complicated climatic conditions in 30 countries in the world.

New design features and technologies in recent years have improved their technical level, working life and operations, their operational range and capacity. A greater sense for quality and high technical skill by our working people as well as modern production, assembly and testing procedures have helped ensure and constantly further improve the quality of our products.

These are basic conditions for prevailing on the world market. Each utility truck we make must truly bear the quality seal attesting to the socialist output of our republic.

The production and export of our products greatly depend on market requirements.

We concentrate our attention on rapidly perceiving customer preferences, working them into the development conceptions for our vehicles and putting those data into production expeditiously. For certain customer preferences we can guarantee a 6-month production schedule, from development to series production. Such a fast reaction to market requirements is imperative for meeting our high export tasks, even though the production and fulfillment of plans lead to some problems. Nine times the production plan had to be modified in our Ludwigsfelde parent enterprise last year. Utility truck NKW W50 had to get a metal plank, e.g., instead of a wooden one, special accessories had to be included in the production program, and the proportion of all-wheel drive vehicles had to be raised.

IFA Robur was, as desired, equipped with fuel-saving Diesel engines. For Multicar M 25 a new export model was produced with a larger plank and wheel base.

It makes sense that modifications on such a short notice are possible only if they are made to make sense to the working people through persuasive political-ideological work, who will then respond to it with high dedication.

Such production plan modifications have still more far-reaching implications to our cooperation with some 500 ancillary suppliers in our republic. The success of our work much also depends on how the enterprises themselves adjust to the increased export requirements and make their production conform to our foreign economy, whereby to support our export offensive reliably. Especially reliable partners we have found in the Riesa steel and rolling mill of the tube combine, the Brandenburg steel and rolling mill of the VEB Fortschritt textile and leather processing of Magdeburg, and the Lausitz cable plant of Niederoderwitz. Though the cooperation with our supplies is generally good, there still are differences in levels because not all of them have yet joint in the strong commitment that is needed.

An important prerequisite for our meeting our foreign economy tasks with success has been and is for the management of the entire combine to focus on the priorities of ensuring our exports, particularly to the nonsocialist economic sector.

Based on party leadership resolutions on our export, concrete measures were taken in the last 2 years to establish the preconditions in terms of personnel and material for selling utility trucks, which led to a considerable intensification of all our market research. These measures are being constantly reviewed. The management forms and methods developed for it are increasingly being improved.

Close and constructive cooperation with Transport Equipment, the foreign trade enterprise that handles our combine, has had a crucial share in the results achieved thus far. Based on regular conferences between the general director of that foreign trade enterprise and myself, all industrial and foreign trade measures needed to ensure our export tasks are jointly laid down and enforced with regard to customer preferences. The technical directors and export departments are working well together. It has been found useful to work in accordance with a joint market conception and assign special market research task forces and personnel geared to the various countries. Another measure to raise combine responsibility to foreign economy tasks came through setting up a foreign trade enterprise for IFA in utility trucks and trailers for export-import.

The resolute implementation of the accords made between the general director of the transport equipment foreign trade enterprise and myself will help improve further the effectiveness of all our foreign economy activity.

Through purposefully working together with the foreign trade enterprise we achieved a good contract lead by the start of the year. We have already a contractual commitment to 49 percent of our export task for the nonsocialist economic sector. For our main export line, NKW W50, this commitment comes to 65.1 percent. That is, not last, also a result of our customer service. We now have an efficient customer service, staffed by longtime, experienced specialists. Especially the success of IFA W50 on non-European markets brought it about that we could set up a ramified network of IFA customer service workshops and that our 400 customer service specialists are now at work in many countries. In cooperating with young national states, we expanded our customer service to take in the training and direction of national personnel. Through thorough political, technical and foreign language training, our customer service personnel get the necessary qualifications for coping with the demanding tasks abroad through solid technical skills and political responsibility.

In order to train also young people systematically and in line with their qualifications for this trade, we started a direct training of customer service mechanics in 1980. They will mainly work in youth brigades; many of them already do so, in Angola, for instance.

In all countries that have IFA vehicles there usually are several central workshops, which we set up and equip. Right now there are 10 central workshops and 15 provincial workshops in the countries of the nonsocialist economic sector alone.

In many countries, e.g. in Angola and Mozambique, training centers with the most up-to-date equipment are attached to the central workshops, to train the national IFA personnel. In 1981, more than 700 foreign personnel in the countries that have IFA vehicles got training as mechanics or truck drivers.

Furthermore, we also have intensified the training of foreign citizens in the GDR. In a course that lasted several weeks, e.g., Angolan workshop directors learned all about the process of organizing the maintenance and the spare part management.

To make our customer service and training still more effective, our combine last year developed a mobile all-wheel driven training and service center. The idea of this mobile complex using IFA W50 trucks is based on our desire to ensure high-level theoretical and practical training, irrespective of territorial conditions, and carry out certain repairs and services.

We are also strengthening our advisories for users and buyers on the economic uses and advantages of the whole range of our products. Documentation is already available in more than 20 languages.

New customer service tasks arise also from the international trend of exporting vehicles unassembled; our combine too is going to take account of that in the future.

Our combine management pays tribute to special achievements of our customer service personnel by, among other things, awarding the title, created in the combine, of major instructor or chief instructor in customer service.

In 1981, we boosted the export of spare parts to the nonsocialist economic sector by 69 percent, compared with 1980.

This development, which will continue in 1982, ensures the proper use of our vehicles. However, we do not ignore the fact that in spite of this positive development there still are problems with our assortments; targeted measures in the combine will surmount them.

Ancillary industry must tackle this task to the same measure. To ensure, long range, our export interests in spare parts, spare part advisors are operating on foreign markets.

The country task forces of the main customer service departments in our parent enterprise are working on requirements for permanent spare part agents in the various market areas. In the countries of major concern we are setting up centralized spare part supplies, equip them with the proper service and storage techniques, and also supply them with the requisite organizational documents. To reduce spare part consumption, customer service personnel prepared maintenance and repair techniques.

Relying on the capacity of all the collectives in our combine, we shall, under party organization leadership, do all we can in 1982 to meet the export tasks assigned to us.

5885
CSO: 2300/174

## DANGER OF AGROCHEMICALS TO GROUND WATER PURITY DISCUSSED

East Berlin BAUERN-ECHO in German 21 Jan 82 p 7

[Article by Prof Dr Horst Beitz, Institute for Crop Protection Research, Kleinmachnow: "Keeping the 'Cool Water' Clean and Healthy--What Must Be Taken Into Consideration in the Use of Crop Protection Products in Protected Drinking Water Zones"]

> [Text] The continual increase in GDR industrial and agricultural production is closely linked with the use of chemical in all branches of the national economy; that is, in the entire economy the most diverse chemicals were increasingly used to modify utility value characteristics, increase production, reduce manual labor and for other objectives. There was likewise a constant increase in the number and scope of household chemicals such as detergents and cleaning additives, among others. So the result of the use of the most diverse sorts of chemicals was an influence on the quality of available water resources. Surface waters, that is, rivers and lakes are affected to a much greater degree than underground water.
>
> In order to guarantee a stable supply of good-quality drinking water to the population, the water resources available in the GDR must be protected. That is especially true for underground water, since it has to safeguard about 70 percent of the GDR drinking water consumption.

The GDR is the country with the most strained water balance in Europe, as can be seen in the table below. Therefore, particular attention to ground water protection corresponds to the all-round interests of our socialist society, also in relation to the further intensification of our agriculture and the associated use of agrochemicals.

Average Annaul Water Supply and Demand

| Country | Annual supply in cubic meters/inhabitant | Demand in percent |
|---|---|---|
| GDR | 880 | 36 |
| CSSR | 2230 | 15 |
| Poland | 1900 | 10 |
| USSR | 1500 | 2 |
| FRG | 1750 | 15 |

The procurement of drinking water from ground water or surface water (dams, lakes and flowing waters) requires that these waters be sufficiently pure so that the normal treatment procedures in the GDR can guarantee a drinking water quality corresponding to the standard.

Physical, chemical and biological processes generally enrich ground and surface waters with relatively small quantitites of inorganic and organic components in varying proportions. The addition of industrial, household or agrochemicals can decidedly influence this quality, especially when substances harmful to water are involved. These are chemical substances that

--are poisonous to warm-blooded animals or water organisms, or that
--disturb the self-cleaning process or are not accessible to it, or that
--impair water usage.

In order to illustrate the dangers it should be mentioned that 1 liter of oil can pollute up to 1 million liters of water and make it unfit for human consumption. For this reason restrictions exist for animal and plant production as well, when the agricultural producer cooperatives and their agricultural acreages are located in protected drinking water zones. In addition to the use of liquid manure, in plant production that is especially true for the use of agrochemicals.

On the one hand nearly the whole gamut of crop protection substances and substances for control of biological processes authorized for use in the GDR represents substances harmful to water according to the law, but on the other hand the use of these substances is an important prerequisite in guaranteeing high stable yields of plant production.

Apart from protected drinking water zone one, where no use of crop protection products or products for control of biological processes is allowed, and where only about .02 percent of the total GDR acreage and less than .4 percent of the pasture land is located, protected drinking water zones two and three are much more important. Protected drinking water zone two has about .5 percent of the acreage and about 1.8 percent of the GDR pasture land. For this protected zone there are significant restrictions in the use of crop protection products and substances for control of biological processes, which are to be discussed in this article. In contrast, all state-allowed compounds may be used in protected drinking water zone three.

In order to meet the statutory requirements for the use of crop protection products and products for the control of biological processes, plant production enterprises must consider which species are found in the protected drinking water zones. This should occur with the departments for agriculture, transportation, energy, environmental protection and water resources at the competent district or city council, and should be noted in the field charts. The appropriate species file should likewise be labeled with the reference "protected drinking water zone one, two or three."

One must recommend that the species be organized so that they belong to only one protected drinking water zone, as has occurred in the number of agricultural producer cooperatives. These documents should be coordinated with the appropriate

agrochemical center. Most important is to avoid damage in these regions from the use of crop protection products.

Once it has occurred, ground water pollution is in any case a problem that must be taken seriously, since the purification capacity of the ground water strata is relatively slight, so that there is a possibility of extensive underground spreading. As a rule in such cases the appropriate sanitation agency must close the entire ground water supply to further use, which usually causes enormous drinking water supply problems. Therefore, in order to exclude any strain on the ground, in protected drinking water zone two

--no temporary advanced airfields can be constructed
--no mobile mixing and loading stations can be operated
--no crop protection machines can be filled
--no crop protection machines can be washed
--no crop protection product waste water can be eliminated, even following preliminary ground liming.

In addition, it should be noted that in protected drinking water zone three

--cultures requiring intensive crop protection, such as tobacco, seed potatoes and cabbage, for example, should not be grown, or, as in the case of pomes, should not continue to be set out, in order to assure that all pests can be combated with the most effective compounds applied in an optimum manner, and
--following the use of crop protection products and substances for the control of biological processes for a period of at least 3 days no irrigation measures should be carried out, in order to avoid washing off substances that have not yet been absorbed by the plants and thus putting an additional burden on the soil, or to prevent herbicides already applied from being washed deeper into the soil.

It is possible, under consideration of the above-mentioned conditions, to introduce into protected drinking water zone two those crop protection products and substances for the control of biological processes that meet the hygienic and toxicological requirements. Initially that requires that drinking water values must be established. That occurs through the appropriate "commission for establishing maximum allowed residue for crop protection products and substances for the control of biological processes in foodstuffs" in the Health Ministry, since hygienic foodstuffs criteria must be applied in evaluating drinking water. Drinking water is to be evaluated as a staple foodstuff, for its average intake factor is 2.0 to 2.5 liters per day, and thus is considerably above that of individual foodstuffs.

In accordance with their mineralogical composition and geological origin, all soils can create and store ground water. The reserves of ground water that are used up are replenished through the creation of additional ground water by means of the seepage of precipitation or surface water. As a rough estimate one can suppose that in the case of clay and loam soils about 5 to 20 percent and in the case of sandy and gravelly soils about 30 to 70 percent of the annual precipitation seeps into the soil.

The most important criterion for adequate ground water protection is the presence of a layer above the aquifer which is impervious or nearly impervious to water.

Ideally that is clay or loam, whereby the humus in the soil, and especially in the layer of native soil is of paramount importance.

Thus the native soil layer can play a decisive role in keeping the ground water pure, since the purification effects are most notable only in the upper soil layers. From this it is clear that all ground waters under a covering of sand (for example all primeval river valleys and mainly the northern part of the GDR belonging to the porous rock region) are more easily polluted than ground water under black or brown soils.

The result, therefore, is that a number of crop protection products and substances for the control of biological processes cannot be used over sandy soils, in order to guarantee the protection of ground water.

All of these viewpoints were considered in determining which crop protection products and substances for the control of biological processes can be used in protected drinking water zone two. In this regard it was also presupposed that their use can always be controlled. The basis for this assumption is the plant protection regulation of 10 August 1978, which in Article 16, paragraph 4 requires documentation for the use of crop protection products and substances for the control of biological processes. That means that plant production enterprises must present this evidence in the case of controls by the facilities of the public health agency, plant protection agencies or other state control agencies.

In closing it must be pointed out that those compounds authorized for use in protected drinking water zone two are to be published in the January 1982 issue of "Nachrichtenblatt fuer den Pflanzenschutz in der DDR" [Bulletin for Crop Protection in the GDR].

9746
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BANK OFFICIAL COMMENTS ON REVALORIZATION OF SAVINGS ASSETS

Warsaw TRYBUNA LUDU in Polish 1 Feb 82 pp 1, 3

[Interview with Zdzislaw Pakula, vice president of the Polish National Bank by staff reporter Tomasz Jezioranski: "Deposits Revalorized by 20 Percent--The Thrifty Will Lose The Least": date and place not given]

[Text] Only Three Exceptions--Bonds since September--New Credit Basis for Newlyweds--Any Sum at Any Time

[Question] At the beginning of December when you were interviewed, at the occasion of an increase in the interest rate on savings deposits by the Polish National Bank (NBP), you stated that the bank, taking into account increased living costs in 1982, is considering a revalorization of savings deposits. The increase in living costs is already a fact....

[Answer] The government, at the suggestion of NBP, has decided on a nonrecurring revalorization by 20 percent of people's savings deposits on record as of 31 January 1982. This transaction is dictated not only, or rather not so much, by the increase in living costs as by an increase in prices--a lowering in the value of money. The NBP, as well as any other bank in the world, is not an institution called into existence for the purpose of equalization of cost-of-living increases and it does not have a mission of insuring social security. The role of the bank is to insure the security of savings deposits. The interest rate is a fixed instrument of [fiscal] security; on the other hand, a revalorization, in connection with an (also) nonrecurring sizable lowering of the value of the zloty is an incidental instrument.

[Question] Does the revalorization pertain to people or to savings passbooks?

[Answer] The bank, as a fiscal institution, is interested in the deposits, not in the depositors. Therefore, revalorization will be performed on passbooks, bonds and savings-checking accounts.

[Question] It will be performed on all of them?

[Answer] All, with but three exceptions. There will be no revalorization of deposits on apartment and house passbooks [mortgage payments], which are included in a bonus guarantee; on farmers' deposits held in a special account in

cooperative banks, where the funds are accumulated on the basis of farm products deliveries, which in turn are included in a value guarantee; this includes deposits on accounts of physical persons [not enterprises] engaged in farming as well as on deposits held in current accounts of political, trade union and social organizations. All remaining deposits, regardless of the conditions on interest rate crediting, will be revalorized.

[Question] What dictated these exemptions?

[Answer] Since 1965, mortgage payment passbooks are protected by a guarantee, which means that the bank will automatically revalorize the accumulated funds every time the official construction prices, per square meter of usable floor space, are increased in housing construction. This means a full revalorization, based on 44 square meters of usable floor space; of course, it is still subject to the normal interest rates, similar to deposits, independently of bonuses for systematic savings.

Since November 1981, a binding government decision dictates that the monies of farmers accrued from sales of farm products to the state, paid to special bank accounts, are automatically revalorized with every raise of prices in farm products purchases by a degree equal to the degree of raise in those prices. Therefore, any change of official housing prices, per square meter of usable floor space, or any raise of farm product purchase prices-- (i.e., the money that the state pays the farmer for his goods--will result in an automatic revalorization of the respective deposits. The third exception does not pertain to savings but rather to current accounts; i.e., working capital used for daily activities. On the other hand, a revalorization is a form of compensation due to a lowering in the value of money intended for those who save.

In total the revalorization will include about 85 percent of all the accounts of the populace (for a grand total of 550 billion zlotys); payments on its account will amount to 110 to 120 billion zlotys.

[Question] What was the deciding factor in accepting 20 percent as the rate of revalorization?

[Answer] This was done because, as stated, the purpose of the operation was to protect savings deposits. The adopted rate constitutes an average of the amount of the wages fund, social services and compensations on one side and the official price changes on the other.

[Question] When will the banks revalorize the deposits?

[Answer] We will begin in September 1982 and conclude in December 1983.

[Question] Why will you begin so late and continue so long?

[Answer] We have adopted the principle of revalorization payments not in ready cash but in revalorization deposit bonds, in nominal values of 100, 500, 1,000, 5,000 and 10,000 zlotys. A thorough preparation of this task will take time and the period of realization--for the convenience of the customers--must be correspondingly long. It will be better if during the last 3 months or so

no one will come forward for a bond payment than if someone should be caught short by only 1 day.

[Question] Why is it that the form of the revalorization money will be in bonds and not in cash or a credit to the savings account?

[Answer] We wish--while preserving the value of savings--to avoid spiraling the inflation and magnifying the extent of market imbalance. Thus, the adopted form of revalorization payment is also a form of freezing the revalorization sum for the protection of the market. This form of protection is a milder form compared to a total freezing of all deposits--a method stubbornly advocated by some economists. However, we have adopted the position that the principle of trust in the banks does not permit us to freeze the very savings entrusted to us for safeguarding; on the other hand, the temporary freezing of only the [revalorization] bonuses is definitely in the public interest. This pertains only to those bonuses paid to the depositors in the form of interest-bearing securities.

[Question] How long will this freeze be applied?

[Answer] It will apply for 3 years: Beginning on 1 February 1985, the banks will commence purchases of revalorization bonds paying out their face value plus accumulated interest. These bonds, like all savings deposits, will be interest-bearing, rather high at that, at a rate of 15 percent per year.

To illustrate this briefly, if between 1 September 1982 and 31 December 1983, a customer will come to the bank with his savings passbook on which he had on account 50,000 zlotys on 31 January 1982, he will receive a revalorization bond with a face value of 10,000 zlotys. After 1 February 1985, in exchange for this bond he will be paid, by the bank, the 10,000 zlotys plus 5,209 zlotys interest (figured at a compound rate) or a total of 15,209 zlotys. Any monies on the passbook during those 3 years would be independently subject to standard interest rates and this capital would be at the free disposal of the depositor. The base sum for revalorization purposes will not be subject to freeze.

[Question] Then those 50,000 zlotys will almost double during the 3 years and in the end this money will reach the market anyway....

[Answer] Agreed, but it appears, from all government action programs, that in 3 years the market situation will be normal, the market mechanisms that govern the economy will be firmed so much that the market will be able to withstand this (probably) increased flow of money. I say "probably" because personally I have doubts that this phenomenon will take place. Market stabilization will not be a day-to-day occurrence but shall become a continuous process. In step with this progress, human reactions will become progressively less violent, there will be less panic on the market caused by the appearance of goods, purchases will become gradually more dictated by need and common sense and not by--what we otherwise experience today--nervousness.

[Question] In your opinion, when will we experience this market normalization, so desired by all of us?

[Answer] This should start in February; i.e., at the same time the new food prices come into effect and simultaneous with the new influx of manufactured [consumer] goods to retail outlets. Those goods will bear new retail prices adjusted in accordance with the new guidelines. On the basis of this assumption--economically based and sound--the president of NBP and the minister of finance made a joint decision to suspend, as of 1 February 1982--i.e., today--all limitations pertaining to domestic [zloty] transactions in savings accounts; those limitations were originally imposed on 13 December 1981. I do not exclude the possibility that withdrawal of these limitations, together with the new interest rates on savings that we adopted at the beginning of this year, will be the cause not of payments but quite the opposite--an increase in savings deposits.

[Question] Why is there such a paradox?

[Answer] This only looks like a paradox. The limitations imposed under the conditions of martial law, pertaining to utilization of savings, or more precisely to savings withdrawals, were a great inconvenience and burden to the populace. Many persons held on to cash instead of making savings deposits, just in case.... Psychologically speaking, this was a perfectly normal reaction. However, now that there are no limitations on withdrawals, when everybody will be able to withdraw any sum from their savings, at any time--the motive for voluntary sacrifice of savings interest will no longer be there and things will be more normal.

[Question] A few days ago a press agency release appeared in the media pertaining to a government resolution that established new credit conditions for newlyweds. The press release was very laconic, however; there are still many questions on this subject especially from the interested parties, in particular from persons who received such credit last year and had no opportunity to use it.

[Answer] For these persons the amount of unused credit, prior to 31 January 1982, will be doubled, upon the request of interested parties, of course. The entire credit--i.e., the amount already used and the doubled, unused amount--will be subject to repayment under the same conditions in force until the end of January of this year. Thus, the interest rate will be 3 percent annually and the place of employment may pay for the employee--the debtor--up to 40 percent of the credited amount. February and March of this year have been earmarked to settle all this old business.

In April we will begin to conclude credit agreements with newlyweds based on the new rules. Those changes pertain to lowering the credit eligibility age limit on the older member of the married couple from 40 to 35 years of age (the age of the second member remains unchanged at 30 years); increasing the amount of credit to 150,000 zlotys; increasing the interest rate to 6 percent; suspending the repayment for 75 percent of the credit including the interest (not to exceed 75,000 zlotys) beginning from the date the repayment starts; i.e. the realiztion of the entire credit or the length of the term of its realization. The suspended portion will be repaid, on a one-time basis, by the debtor's place of employment provided that the debtor works there for 5 years, beginning from

the time the payments are suspended, and also provided that the debtor repays the reminder of the credit during that time. Graduates of institutions of higher learning, who concluded the credit agreement during their studies--as an exception--must "work off" the loan suspension in a period of 2, instead of 5 years.

[Question] This seems rather complicated....

[Answer] Nonsense, it's very simple. Let's assume that on 2 April this year a newlywed couple receive a credit of 150,000 zlotys, which will be realized--assumed--by the end of the year. Beginning with first day of 1983, and for 5 years, to the end of 1987, they will continue to repay it. This being the case, starting with 1 January 1983, the repayment of the sum of 75,000 zlotys will be subject to an automatic suspension. The debtor(s) will continue to repay the reminder of 75,000 zlotys over a period of 5 years, with interest. When at the end of the 5-year period the debtor has not changed his place of employment, on 1 January 1988, his place of employment will mandatorily credit the bank with the suspended payment sum of 75,000 zlotys.

The new regulations were thought out so that, on one hand, theyassist new marriages in establishing a household by smoothing out the effects of the higher prices of durable household goods while, on the other hand, they stabilize the work force at the places of employment.

[Question] It looks like the social and the economic aims are made to coincide; nowdays this can be seldom achieved.

[Answer] I agree; however, if the entire socioeconomic system were to function on the basis of administrative-type decisions, as in the past, such harmony in unification of various aims is extremely difficult to achieve and it happens rarely. The application of economic instruments on the basis of socioeconomic analysis and not somebody's say-so or compulsion should allow better, more economic and more natural decisions. In the future this should always be the case.

[Question] Thank you for the interview.

9511
CSO: 2600/284

## GRAIN SUPPLY, PROCUREMENT PROBLEMS DISCUSSED

### Decreased State Supplies

Warsaw RZECZPOSPOLITA in Polish 18 Jan 82 p 4

[Article by Ryszard Miazek]

[Text] Phenomena not experienced earlier have been occurring for several months on the domestic grain market. During the period of last year's very meager free market preharvest period, grain prices reached a level that was double the then obligatory procurement price, but they did not greatly exceed the prices negotiated with farmers which were to be obligatory from the harvests. In light of favorable predictions of large harvests, a very great supply of grain was expected. Hence the introduction of higher prices during the winter period as an incentive for farmers to hold onto their grain for a time. These expectations were completely frustrated.

After several weeks of relatively high grain procurement, harvested by combines, at the end of August the grain supply began to decline rapidly and almost totally stabilized during the next weeks. The supply of grain on the market was not large; thus, after the harvests, grain increased in price instead of decreasing.

By the end of the year, market prices in many regions of the country reached a level that was fourfold the price paid at socialized procurement points. This situation was, on the one hand, the result of growing inflationary phenomena. On the other hand, it reflected the mood of uncertainty prevalent in rural areas. The holding of grain on farms created the threat of the nonexecution of tasks in grain procurement and caused a tremendous gap to arise in the state grain balance. Small peasant farms, which traditionally have been supplied with feed grain on the free market, likewise found themselves in a difficult situation.

By 20 December 1981, a gross amount of 1.7 million tons of grain had been procured. During the same period for the previous year, during which there was a very poor yield, 1.9 million tons had been procured; in 1979, 2.6 million tons were procured; and during the good harvest year of 1978, 4.5 million tons were procured. Practically the total amount of the planned procurement up to now was implemented during the second half of the calendar year. Thus, the current year is likewise atypical from this point of view.

Given conditions of rapidly declining grain supplies in state warehouses, actions aimed at activating procurement have become indispensable. The first step is to step up deliveries of contracted grain, which should bring in another 1 million tons. However, this does not fully cover the domestic needs for the first half of 1982, since it will not be possible to implement all grain purchases from abroad planned for this period. In conjunction with this, additional amounts of grain for consumer needs, and partly for fodder as well, will have to be purchased on the domestic market.

Surpluses of marketable grain on farms are estimated at approximately 2 million tons. In the interest of the state, this must reach procurement points.

The final days of the old year and the first days of the new year did not foster the threshing and delivery of grain. Many roads were impassable, and haystacks toppled in the mud and snow.

It must be remembered, however, that grain reserves are rapidly diminishing. By 15 February, grain deliveries were to have been essentially completed. Otherwise, the difficult situation may result in decisions as stipulated by the martial law decree. We expect that farmers will take a position which averts the need for such action.

The prices paid today by the state for grain are considerably divergent from free market prices. However, this is not a consequence of a bad harvest, but of this year's particular conditions, including the withheld supply. The process underway toward stabilizing the life of society is creating conditions for the restoration of normal goods exchange and trade on the rural market. This also refers to the grain trade.

In order to encourage farmers to sell their surplus grain, the minister of agriculture and the food economy has announced an initiative of a one-time loan of grain from last year's harvests. On 6 January, this was the subject of deliberations by the Council of Ministers Economic Committee. The institution of this concept will enable the implementation of a remittance for grain supplied within the framework of this loan from 1983-1985 at the then obligatory prices.

## One-Time Grain Loans

Warsaw RZECZPOSPOLITA in Polish 19 Jan 82 pp 1, 8

[Text] (PAP)--In addition to the shortage of meat and processed-meat products, there may be problems in maintaining the current level of supplying the population with bread and grain products. The purchase of 3,600 tons of consumer grain from farmers was planned out of last year's harvests, which amounted to approximately 20 million tons. This was a realistic plan which, even given the shortage of artificial concentrated feed, did not affect animal production, since it encompassed only one-fifth of the total harvest.

Initially, grain procurement ran smoothly. During the harvest, farmers delivered an average of 30,000 tons of grain per day. Later, however, they

withheld deliveries. In October 1981, deliveries reached only 1,300 tons daily and in December they did not exceed an average of 200 tons daily. This situation was caused by continued higher grain prices in free-market trade and the tendency of private farmers to warehouse their grain surpluses.

As a result, by 10 January 1982 only 1.4 million tons of consumer grain from last year's harvests had been purchased, instead of the planned 3.6 million tons. By the same date last year, despite 1980's poorer harvests, over 2 million tons of consumer grain had been purchased. Thus, if farmers do not increase their grain deliveries both within the framework of contractual agreements (for the implementation of which 800,000 tons is still lacking) and outside of contracts made with the government, then, given our very limited import possibilities, there will be problems with supplying people with bread, flour and grain products. In order to supply the population with bread and grain products, we need approximately 600,000 tons of consumer grain per month. Given the very meager reserves at present, we must purchase--beyond the 800,000 tons of grain already contracted--at least another 1.5 million tons outside of government contracts with farmers. It is only this kind of procurement, along with grain imports, which will ensure that the populace will be supplied with bread and grain products at current levels.

In addition, many endeavors have been made in order to guarantee an increase in procurement, such as, e.g., the introduction of price surcharges for farm products supplied now, following the introduction of new procurement prices, as well as the initiative which has been advanced to float one-time grain loans.

In consideration of the positive response which this initiative has met among a considerable percentage of farmers, the Council of Ministers, in a decree dated 12 January 1982, has introduced a one-time grain loan participated in by private farmers and socialized units of the agricultural economy. For uncontracted grain supplied to socialized procurement points within the framework of the grain loan until 30 June 1983, private farmers and socialized farms can receive remittance in the form of grain coupons.

The loan guarantees that farmers who sell their grain to the state now will not lose anything in the deal and it eliminates problems with warehousing it, as well as losses which are inevitable when grain is warehoused for long periods. For grain supplied within the first half of 1982 within the framework of the loan, the farmer will receive coupons which will be redeemed by cooperating banks from 1983-1985 at the grain procurement prices obligatory on the day the coupon is redeemed. Grain coupons which are implemented by cooperating banks after the end of 1986, however, will be redeemed by Cooperative Banks at the procurement price for grain which is obligatory on 31 December 1985.

Grain coupons will bear interest at the amount applicable to savings deposits payable on demand and the value of grain supplied with the framework of the grain loan will be included the amount of one's pension or annuity. Thus, with all of the farmers' interests having been taken into consideration, it is

expected that the floating of the grain loan will meet with full approval in rural areas, and that the result will be increased grain deliveries.

## Some Increase in Procurement

Warsaw RZECZPOSPOLITA in Polish 22 Jan 82 p 1

[Text] According the PAP reports, approximately 1.4 million tons of consumer grain has been procured from last year's harvests up to this time, including approximately 50,000 tons of grain from 1-20 January 1981. However, this is not enough to meet needs, since the milling industry needs 18,000 to 19,000 tons daily for processing.

The most obvious improvement in grain procurement is in Wroclaw Voivodship, where farms have supplied approximately 96,000 tons of grain, or nearly 71 percent of the contracted amount. Furthermore, farmers in Opole Voivodship supplied 1,885 tons of grain from 1-15 January 1982.

The initial results of the floating of grain loans have also become evident. For example, a farmer from Szymieszow in Opole Voivodship, Pawel Szczerbinski, supplied 1 ton of grain in exchange for coupons.

## Procurement Still Too Low

Warsaw ZYCIE WARSZAWY in Polish 29 Jan 82 pp 1, 2

[Text] (PAP)--On the national level, currently approximately 3,000 tons of grain is being procured daily. This is considerably more than in November or December 1981, when farmers delivered approximately 250 tons during the course of a day. However, the procurement process is very uneven. For example, from 16 to 24 January 1982, procurement was greatest; nearly 4,000 tons of grain was purchased from farmers in Bydgoszcz Voivodship. On the other hand, in each of the voivodships of Poznan, Konin, Kalisz and Opole, farmers delivered over 2,000 tons of grain to procurement points. In sum, on the national level, grain procurement continues to be too low. Until the present time, approximately 1,445,000 tons of consumer grain has been procured from last year's harvests.

The delivery process has been relatively the best in the Wroclaw, Jelenia Gora, Walbrzych and Opole voivodships. On the other hand, until now procurement has been the worst in the Ciechanow, Czestochowa, Lublin, Nowy Sacz and Ostroleka voivodships, in which less than 20 percent of planned tasks have been executed.

Thus it is urgently necessary that farmers fulfill their contractual agreements and increase uncontracted sales of grain, which is needed for the baking of bread, among other things. The needs of the milling industry are considerably greater than the current daily procurement of grain. In a 24-hour period, up to 19,000 tons of grain is used for consumption, while approximately 3,000 tons is being procured.

## Further Details on Loans

Warsaw RZECZPOSPOLITA in Polish 2 Feb 82 p 3

[Article by A. K.]

[Text] The domestic grain situation is extremely difficult. Procurement from 1981 harvests is very low. By 31 January 1981, approximately 1.5 million tons of grain had been procured, while the annual plan envisaged 3.6 million tons. At the same time, grain imports are reduced, primarily as a consequence of economic sanctions applied by the U.S. Government.

It is, quite understandably, in the interest of society and the state that we draw upon our own domestic grain reserves. It is not merely a question of bread for the cities. Last year, 401,799 tons of rye flour, 1,106,061 tons of wheat flour, 115,257 tons of groats, 21,073 tons of grain flakes and 34,318 tons of noodles were directed into the rural trade network. All together, this was 1,678,508 tons of grain-flour products, for which at least 2.1 million tons of grain was used.

In this list, the volume of grain procured until this time from last year's harvests acquires its own sort of significance. Thus far, rural areas have not fulfilled their obligations resulting from voluntarily signed contractual agreements. It is estimated that on this account, farming owes the state approximately 800,000 tons of grain. While it is true that talks with farmers have already stimulated of grain procurement, the improvement continues to be insufficient.

Nearly 2.8 million tons of consumer grain is needed to supply the population in the first half of 1982. The measures undertaken are not solving this problem. On the other hand, a one-time loan for a volume of at least 1.5 million tons of consumer grain announced by the Council of Ministers may solve it.

In announcing the grain loan, the state is creating very profitable conditions for its implementation.

First, for grain delivered to socialized procurement points within the framework of the grain loan by 30 June 1982, private farmers and socialized units of the farm economy, when this date has passed, can receive remittance in a cooperating bank in the form of grain coupons, the issuance of which is guaranteed by the minister of finance. Thereby, grain coupons are guaranteed by the state treasury. If they so desire, farmers will also be able to receive remittance in cash for the grain supplied, at the procurement prices obligatory on the day of delivery.

Second, grain coupons which private farmers and socialized units of the farm economy receive through cooperating banks, on the basis of delivery orders drawn up by socialized procurement points, will be redeemed by these banks from 1983-1985 at the grain procurement prices obligatory on the day the

coupon is redeemed; coupons implemented after 1985, but no later than the end of 1986, will be redeemed at grain procurement prices obligatory on 31 December 1981.

Third, grain coupons bear interest at 7 percent annually of the nominal face value on the day of delivery, calculated from the date of the grain delivery.

Fourth, the value of grain supplied within the framework of the grain loan is included, according to the procurement price obligatory on the day of delivery, in the value of products sold, recorded for the purpose of the granting of pensions and annuities to private farmers.

The grain loan, which is a voluntary act, has a markedly social character. It represents an important element in the policy of getting the state out of the economic and food crisis. By nature it is of humane significance through and through, since it means providing daily bread for the entire Polish nation. At the same time, it is to the farmer's benefit, since it makes it possible for him to take advantage of future price controls on grain and the increase in the purchasing power of money as the country gains economic stability.

It is in the social interest of all that the goals of the grain loan be fully achieved. What will determine this will be the social attitude of private farmers, the managers and social agents of state farms and the farm boards of production cooperatives.

## Official Discusses Procurement Problems

Warsaw ZOLNIERZ WOLNOSCI in Polish 11 Feb 82 p 5

[Interview with Col Docent Dr Zygmunt Kolodziejak, Faculty of Economic Science, Military Political Academy in Warsaw; interviewer, date and place not given]

> [Text] Among the various problems to be solved in the food economy, the most pressing is the increase in grain procurement. The reserves available to the state are practically nil. What is the reason for this? In a PAP interview, Col Docent Dr Zygmunt Kolodziejak, Faculty of Economic Science, Military Political Academy in Warsaw, speaks on this subject and others.

[Col Kolodziejak] First, entering the new economic year without suitable reserves; second, the disproportionately lower than possible procurement of grain from the unsocialized sector; and, third, economic sanctions imposed by the United States and other NATO states, including the withholding of grain and fodder deliveries. With regard to reserves, the issue is fairly well known. Formerly they were not large enough to create a reserve supply; moreover, they were based on imports to a very great extent. The severe limitation of grain and fodder coming in from this source places us in an unusually difficult situation. This can be rectified by increased procurement

from resources within our own agriculture. This issue is all the more critical since economic restrictions imposed by the West will last so long that we can only count on this source for an improvement in our balance.

Does our agriculture have such resources available? If we calculate last year's harvests and the needs of agriculture for seed, means of self-subsistence and fodder, we would have to answer in the affirmative. Yes, there are grain reserves. Farmers from various regions of the country confirm this themselves. Then why do we not see this in procurement? There are many reasons. The times are hard, there are inflationary phenomena and there is the not always consistent and correct state policy with regard to the farmer, who prefers to withhold his grain from sale, understanding that it represents hard currency. The high free-market prices are an added factor supporting this move. The amount the farmer sells in free-market trade is peripheral with regard to his resources.

If the free market were to be fully activated, the price in this market would decline sharply. But the peasant evaluates the phenomenon without delving into its complexities. The blunders in agricultural policy committed until this time have not bypassed the sphere of grain procurement. The negative experiences which the farmer has in this regard are based on the fact that farmers who rush to sell right after the harvest feel they have been robbed since the further away from harvest time it is, the higher the prices paid by the state. Moreoever, the state also gives these farmers the right to purchase the means of production in which there are shortages and the like.

The lack of concentrated feed mixtures likewise affects the limitation of grain sales, since this means that the farmer reserves more grain for fodder. Finally, these are the consequences of the breakdown of economic ties between agriculture and industry. These are facts. While they cannot explain the existing situation in procurement, they do represent a point of departure for efforts to activate it.

[Question] For the sake of truth we must state that some things are already changing. In January 1982, approximately 120,000 tons was procured. Did this still fall much too short of the need?

[Col Kolodziejak] Yes. In order to have enough grain-flour products to feed the population, at least 700,000 tons of grain must be procured each month. Despite appearances, this is needed not only for the urban population.

Last year, 401,799 tons of rye flour, 1,106,061 tons of wheat flour, 115,257 tons of groats, 21,073 tons of grain flakes and 34,318 tons of noodles were directed into the rural trade network. All together, this was 1,678,508 tons of grain and flour products, for which over 2 million tons of grain was needed. Practically no one in the village bakes bread anymore. Like townspeople, villagers buy bread in stores. Thus, grain deliveries are in our mutual interest. Within the framework of contractual agreements, farmers delivered 1,088,000 tons of grain, while the agreements were made for over 2 million tons. All together, procurement throughout the entire economy has reached 1.51 million tons of grain thus far as against the planned 3.6 million tons.

[Question] What must be done to change this situation?

[Col Kolodziejak] We must definitely appeal to the farmer's civicmindedness. Such appeals, however, can only play an auxiliary role. Other, more effective actions are needed here. It is urgent that we implement the deliveries stipulated in contractual agreements in the very near future. Much effort must be expended to popularize and convince farmers to float grain loans. Nor can actions on behalf of free procurement be neglected. Recent decisions concerning price increases of grain beginning 1 February 1982, as well as advantageous loan principles, should help step up procurement in the short term. For the future, as long-term action, we must bring about the elimination of all negative phenomena which create obstacles to the procurement of farm products in general. There must be new and clear principles of government of farm products in general. There must be new and clear principles of government contracting with farmers, a regular price policy established at the beginning of each new economic year, an increase in the availability of the means of production, the expansion of services, an active taxation and credit policy and the like. All of this must be suitably integrated with the system of new economic reform.

[Question] Let us return, however, to the present day. There is an immediate need for energetic action by gmina agricultural services, gmina cooperatives and self-governing bodies and the rural aktiv among farmers, for the implementation of the determinations and plans which have been made thus far.

[Col Kolodziejak] Yes, a particularly great responsibility falls upon the above-mentioned services, institutions and the aktiv in those voivodships which are especially procrastinating in the fulfillment of their civic obligation. This is one-third of the voivodships. I believe that under present conditions we should do everything possible to see that contracted grain which has not yet been delivered reaches state and cooperative warehouses in February. For the first time in many, many years we are at the threshhold of an unusually hard preharvest season. Would that we might never have to live through it in the way that people of the older generation in the Polish village did. This was real poverty, when hunger stared one in the face and there was not even a crust of bread. Today rural Poland, at least in its overwhelming masses, does not have to face the preharvest season. This primarily threatens the urban population. The elderly know that in such critical situations people lent a helping hand, lending their grain. There were also occasions in which wealthy farmers exploited the poor. But this was in the past. Today during the preharvest season, the state is approaching farmers for such a loan. In making this announcement, it is convinced that farmers understand the importance of this decision, all the more so since the conditions proposed for its implementation are very profitable for farmers.

Let us call to mind its basic assumptions. For grain delivered within the framework of the loan to socialized procurement points by 30 June 1982, farmers can receive a remittance from a cooperating bank in the form of grain coupons which are guaranteed by the state treasury. If they so desire, they can receive a remittance for the grain delivered in cash at the procurement price which is obligatory on the day of delivery.

Grain coupons will be redeemed by cooperating banks from 1983 through 1985, at grain procurement prices obligatory on the day the coupon is redeemed. Coupons implemented after 1985, but not later than the end of 1986 will be redeemed at the grain procurement prices obligatory on 31 December 1985. It is likewise worthwhile to remember that coupons bear interest at 7 percent annually, according to the face value on the date of delivery. Grain supplied within the framework of the loan will be included, according to the obligatory procurement prices on the date of delivery, in the value of products sold and recorded for pension purposes.

Despite the difficult situation, state authorities are demonstrating much good will. In acting both in the farmer's interest and in the interest of urban residents, they are consolidating the worker-peasant alliance. The loan in question will be a voluntary act, and has a markedly social character. It represents an important factor in getting us out of the economic and food crisis. It is an incentive which has deeply human significance, for it is a question of bread for us all. This includes farmers. It is in the interest of us all that this task be executed in accordance with the intentions of state authorities. Farmers will determine this by their social attitude.

[Question] Can we wait passively for the social initiative to be unleashed?

[Col Kolodziejak] No, we must help it along. In addition to talking with farmers, we must introduce additional factors to liberate the attitude of society. As quickly as possible, we must introduce the behavioral principle of "something for something." The farmer who releases his contracted grain, the one who supplies grain within the framework of the grain loan and the one who sells his grain freely should be distinguished in some way. How? As everybody knows, in the current situation--and this situation will last for some time--there is a shortage of many means of production, beginning with nails and ending with tractors. If this is so, then the farmer who sells to the state should have a greater right to purchase these things than any so-and-so who notices nothing that goes on beyond the limits of his own bailiwick. In conjunction with this, tied-in sales should be introduced. I know that some will protest this, but life is tougher than we think.

I am of the opinion that this principle should be binding at least until the new harvests. A farmer delivering grain should receive vouchers to which a value if attached authorizing him to purchase the means of production which he needs, and of which there is a shortage. Farmers withholding sales to the state must be deprived temporarily of the right to purchase these means of production. The mutual relationship between articles sold by the farmer and the authorization to purchase the means of production should be established in order to guarantee their implementation in full. There is nothing worse than a voucher which is not covered. I would be in favor of applying this principle to all farm products sold to the state.

Within these considerations, I do not exclude the worst, that is, that despite the use of every possible measure, the volume of grain deliveries will be

insufficient. What do we do in such a situation? I would then be in favor of a one-time contingency plan as a last resort, to be used, naturally, only if all other methods fail. But I do not think that we will have to use this extreme measure. I do not believe that the slogan which is seen on peasant banners "They Feed and Defend" is only of historical significance today. I would be ashamed of the others, for I myself am of peasant stock.

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## AREAS FOR IMPROVING USE OF AGRICULTURAL LAND CONSIDERED

Bucharest ERA SOCIALISTA in Romanian No 22, 20 Nov 81 pp 16-18

[Article by Dr N. Brasoveanu]

[Text] The limited nature of the land--attributed specifically to the land fund--emphasizes the need for maintaining and increasing its production capability through a converging action of methods placed at the disposal of science and technology.

First, an increase in the land's production capability requires, in particular, correcting some shortages or excesses in the balance of water from the ground, preventing and fighting soil erosion and land slides, floods and so forth.

Their effect , high effectiveness,may be influenced by a coordinated consideration of the entire land fund--forest and agricultural--and by rational exploitation of it. So the preservation of a balance in development of the forest and agricultural lands can contribute to diminishing the negative manifestations of certain components of the natural framework and to increasing the contribution of land improvement projects. Under the conditions under which there was not enough concern with the mountain agriculture, the unprofitable crops yield land to the permanent pastures, while they or even the field crops make more and more room for the forests, thus threatening the agricultural-forest-pasture balance established by generations and, by this, disrupting the harmony of the natural framework.

The timelieness of land improvement projects fit into the background of the general characteristics of our country's agricultural area, resulting from which is the fact that the majority of lands are suffering, alternately or at the same time as, the combined effect of many unfavorable factors. Thus, in the Siret plain and interior, 60 percent of the territory is affected by erosion, 55 percent--by drought and 48 percent--by excess humidity. Despite this, for a long time the irrigation projects done were not joined with the drainage projects, although both projects are necessary, of course in varying proportions, on most of the country's territory. Also, a lot of time had to pass until the option was given credit for having integrated accomplishment of the entire complex of improvement projects in the hydrographic reservoirs. During a period not so long ago land improvement projects were being carried out nearly exclusively on the territory of the state sector of agriculture, with "small little islands"

forming along the perimeters throughout the country, localized projects, for the reason of higher efficiency, at the "foot" of the slope or of mountains. As a result, the first high floods of water from the mountain ridges were destroying the costly projects done and were clogging the territory affected. Just recently--and today it is not everywhere--land improvement projects are being carried out completely on the territory, proceeding from the enforesting of the watersheds, continuing with the entire complex of specific land improvement projects.

Quantisizing the effect of land improvement projects on the territory and crops would contribute to substantiating the agricultural systems and the marks for economic intensification of the land's fertility. In this way, the planning and forecasting activity would gain scientific support, which would permit differentiating the production levels by zones and pedoclimatic microzones, judiciously establishing the dimensions and structures for intensification under the conditions of the agricultural systems.

Economic efficiency at the level of the overall land projects is estimated at .128 lei increase in net income for each leu invested, thus giving a recovery schedule of around 8 years. But in agricultural practice the effect and efficiency of land improvement projects are considerably smaller by omitting of the specific maintenance projects. Also, the establishing of reduced ceilings for the specific investment leads to carrying out improvement projects with reduced functional nature. For irrigation, for example, under the conditions of inappropriate specific investment there is a great reduction in the opportunity for carrying out thorough water-tightness jobs. As a result, a harmful reduction takes place in the water tightness of the canal network, which brings large losses of water and, in addition, leads to deterioration of the land fund.

Long-lasting experiments on the effect of irrigation bring out a slight reduction in the proportion of clay,silt and humus, meaning a start of destruction of the clay-humus complex, conditions in which the ground has the tendency to have its initial natural qualities worsen. From here we have the need for a systematic practicing of combined organic-mineral fertilization, which contributes to the neutralization of this process and insures that the organic reserve and the ground's physical and chemical properties are preserved.

Contribution of land improvement projects is not limited just to the immediate economic efficiency and the level of the categories of use and beneficiary crops. Eliminating the unfavorable state of certain land and intensifying its production capability, the improvement projects preserve and transmit to the future generations a land with high production value. So the usefulness of land improvement projects must be analyzed in the framework of the past-present-future dialectical relationship at the level of immediate and future economic effects and not just with regard to economic efficiency but, rather, social-political efficiency.

Land improvement projects bring quality changes in the structures of agricultural production. Irrigation, together with fertilization actions, facilitate extending the system of intensive production to the level of all categories of land use, that is, the use of natural hayfields as cultivated hayfields, reducing

the percentage of grain, increasing the percentage of vegetable, corn, early summer potatoes, sugar beet, soy and lucerne crops as well as concentrating animal production in the irrigated zones. Under conditions of drainage of the lands with excess humidity, against the backdrop of raising the production potential of the natural hayfields, it becomes possible to make certain areas of pastures and hayfields arable, concentrating corn, sugar beet and potatoes in the zones which have benefitted from these projects. Combatting soil erosion permits extending the tree and grape-growing plantations to the lands on slopes, terraces and requires an increase in the proportion of fodder crops on the affected territories and installing forest plantations on the agricultural lands with a maximum state of destruction, with all this favoring the concentration of sheep and cattle in the hill and mountain zones.

Changes in the production structures, in the crop rotation system, fertilization system as well as in those involving work techniques brought by land improvement projects form specific agricultural systems on the territory, against the background of each of the main land improvement projects and the zonal intensification activities as a whole. In the framework of these subsystems of the agricultural systems, the organization of vegetable production in crop rotations, which would include crops which improve the soil in the crop rotation and the utilization of organic fertilizers, would contribute basically to maintaining and increasing humus in the soil. Thus a balanced energy balance is achieved between the inputs which the soil benefits from and the outputs of raw material from the soil.

Also fitting into a more comprehensive view of the relationship between the rational use of the land fund and the saving of energy is the contribution of agricultural systems to obtaining higher production, with lower energy consumption and consumption of raw materials per unit of product. That is why we are choosing the organization of the system of irrigated agriculture in the plains zones, the anti-erosion agricultural system on sloping land, the agricultural system with improving crops on the podzol and acid soils, with excess humidity and the mountain agricultural system in the zone of pastures which overwhelmingly predominate at high altitudes. Within the framework of these agricultural system one would find the proper place of energy-intensive and energy-extensive crops in the necessary proportion, corn in proportion to its thermal crop limit, clover in accordance with the hydro system and with the end being improvement in the land's production potential, animal breeds in proportion to the natural resources of fodder which, against the background of adequate production techniques, led to profitability of agricultural production and reduction of specific energy consumption. This kind of judicious placement of all agricultural production on the territory would also lead to solution of the problem of the sizes and structure of animal production by zones, giving new numbers and development rate for the cattle and sheep in the country. A broader opening ofherbivore animal raising in the pastures--planned by the higher party and state leadership--would contribute to better utilization of pastures and hayfields and to obtaining cheapter animal products, with considerably lower energy consumption in proportion to the industrial complex for animal raising in the plains zones, which have number of animals beyond the possibilities for nourishing them with volume fodder and which require large consumption of energy and raw materials as well as high production costs brought

by costly construction and by obtaining and preparing of fodder. Also, some crops would regain their place in the branch of vegetable production, crops which are particularly resistant to natural given conditions, crops existing and verified in practice for dozens of years but disconsidered and eliminated or reduced in substantial proportion for many years, crops like rye, oats, winter fodder, peas .

Fertilization is just as important an activity for conservation and raising of the land's production potential. For ages land fertilization was done by using the stable garbage and with the aid of perennial leguminous plants. In the last 20 years, fitting into the coordinates for intensification and modernization, our country's agriculture has seen a large contribution from chemical fertilizers. It is just that their application did not occur sufficiently on scientific bases with regard to both the levels as well as structures of fertilization of the territory, crops and social-economic sectors. So for a long time considerably larger doses of chemical fertilizerwere administered on the lands of the state sector of agriculture and priority attention was given to the crops which are contracted for the state fund, neglecting the fodder crops and, in particular, the natural steppe vegetation, a fact which affected animal production which also participated in the state fund. Also, there was not enough differentiation between the level of fertilization on the territory and the balance of nutritional substances from the soil, with chemical fertilizers being distributed for the most part to the solvent beneficiaries, that is, the agricultural units able to pay back the production credits given for these fertilization resources. In the end, the ration of NPK chemical fertilization did not correspond to the pedoclimatic conditions on the territory and the crop requirements. In this framework of the problem, as an example we mention that at very close levels of phosphate fertility and production the doses with phosphorous fertilizers in recent years differ 39 percent between Alba and Cluj Counties, 38 percent between Brasov and Sibiu Counties, 44 percent between Caras and Gorj Counties, 64 percent between Salaj and Maramures Counties, 80 percent between the former Ilfov County and Bucharest Munccipality and so forth. At the same time it was found that the quantities of phosphate fertilizers are very close at distinctly differing ceilings of phosphate fertility between Botosani and Iasi Counties and between Neamt and Suceava Counties. Referring to the contribution of potassium fertilizers on the territory and crops, the problem is posed of reconsidering the thesis on the lack of its timeliness. The need for potassium seems clear under the conditions of using large doses of nitrogen and phosphorous, which bring high production and large consumption of potassium. One notes the contribution of potassium, particularly to certain technical and food crops such as sugar beet and the potato. Even for grain and corn potassium contributes to increasing harvests on the podzol. These truths are in disagreement with the concept which dominated a long time in agricultural research and practice, according to which our country's soil has available enough reserves in potassium so that it is not necessary to fertilize with these fertilizers. Even now, types of nitric acid fertilizers--particularly ammonium nitrate--are still being used in fertilization with nitrogen and this has contributed and will continue to contribute to an even more powerful acidification of the podzol soils under conditions where alkaline or neutral nitrate fertilizers could be produced.

The most important lack in the fertilization process has been the fetish with chemical fertilizers, nearly completely neglecting stable waste. Under conditions

of slaughtering the work animals even during the period of the cooperatization of agriculture and the high cost of motor transport, the stable waste--a complex fertilizer with more agricultural-technical effects than chemical fertilizers--has been used for a long time in very reduced proportions, sometimes mostly around the stables. Clearly, the evolution of the demographic-food ratio invites the use of chemical fertilizers in greater and greater proportions, but the energy and raw material crisis still hinders this impetus. Under these conditions it is becoming urgently necessary to have complete use of stable waste, of green fertilizers, compost, vegetable remains, perennial fodder crops, with chemical fertilizers merely to complete the lacking balance of nutritional sutstances. Against the background of this group of fertilization resources, it is necessary, on the basis of agrochemical research carried out strictly and frequently, to analyze the balance of nutritional elements from the soil. This is especially necessary since, under the conditions of the imbalance between the increasingly greater need for fertilizers required by the soils and continually more productive hybrids and the quantities of fertilizers administered, the crops are consuming from the centuries-old organic material accumulated, with the tendency to achieve higher and higher biological potential. So that, in the last two decades, a shortage of around 3.4 million tons of active substance has been recorded between the quantity extracted by the crops in proportion to the level of production and that repaid through chemical,natural fertilizers and vegetable remains, with the proportion of lands supplied on an average basis or well supplied with phosphorous falling in greater proportion. The constant involution brings out the need for considering energy laws, with an economic analysis not having taken into account, until now, the content and finality of this law, considering the resources, especially the natural ones, inexhaustible. As Georgescu Roengen correctly observes, it has been found that as often as energy is expended to create values of usage, an increase also appears in the disorder in law.

Improving the lands still is an activity which contributes to inproving the land's production capability and to fuller utilization of chemical fertilizers. However, since this requires large expenditures of social labor and large consumption of investments and energy, it is being considered more and more timely to introduce the utilization of neutral and alkaline fertilizers in greater proportions and extend their use, which would take over a portion of the effect of the improvement.

A superior intensification of the land's production capability under conditions of maximum efficiency can take place against the background of a systematic concept in the process of intensification on the basis of optimum zonal combinations of the factors of technical progress. In this regard, in mind is the use of chemical fertilizers in different varieties of combination on the territory with other economical production means--irrigation, organic fertilization, liming and so forth. Knowledge of the effect of intensification activities in optimum combinations of the factors of technical progress is needed not only because it brings superior effects with relatively lower means but also because in this way a truthful picture of the action is obtained in the complex of the particular factors. So, having available merely the partial manifestations of one or another of the means of intensification mentioned, if we were to add them up we would not have a spectrum of development but an explosion. The special effects of the zonal combinations of factors for intensification, against

the background of the fertilization process, leading to the reduction in the need for chemical fertilizers and in general to a high ratio between effort and economic effect, bring out one of the postulates of Marxist theory on economic growth, according to which supplementary production "originates either from the difference in size of the capital utilized or from better use of it." Under conditions of the scarcity of raw materials and energy and the need for superior utilization of natural and economic conditions, our party and state economic policy aims at the second option.

A problem of great theoretical and practical importance results from the question of whether the entire series of factors of technical progress in agriculture bring a homogenization tendency for natural fertilization of the land or if it emphasizes the existing gap even more. In other words, the question is raised of whether differential revenue II diminishes the levels of differential revenue I on the territory. The studies made have led us to the following conclusions: under conditions of lack of irrigation, the process of fertilization and liming brings a tendency for homogenization of the land's natural fertility on the irrigated lands but, at the same time, a pronounced difference in the land's production potential compared with the nonirrigated territories. These findings require a reconsideration of the substantiation of the production ceil ings in the framework of the territorial planning of agricultural production. In this context, a replacement of them on the territory is needed depending on the new potentials of the land for agricultural crops.

So one reaches the conclusion that rational use of the land fund requires a consideration of agriculture on different systems of agriculture, against the background of one or some land improvement projects specific to the given zones and a reconsideration is required for production structures, types of crop rotation, work techniques, levels and structures of fertilization, thus establishing a perfect interrelationship between the agricultural system as a whole, intensification of agricultural production as a component part of the system and rise in the land's production potential.

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## OPERATION OF NEW MECHANISM IN FOREIGN TRADE ILLUSTRATED

Bucharest ERA SOCIALISTA in Romanian No 22, 20 Nov 81 pp 22-24

[Article by Ion Stanciu, deputy minister of foreign trade and international economic cooperation]

[Text] In the current stage, that of Romania's transition to the stage of a socialist country with average level of development, the activity of foreign trade and international economic cooperation gains an increasingly more important role for the country's general progress and for raising the people's material and spiritual level. Emphasis on the process of the international division of labor, carried out in the development of foreign economic relations with more than 140 countries all over the world, relations which are continually diversifying and expanding, leads to a continual rise in the proportion of products headed for export. In our overall industrial production, around 30 percent is headed for export, while in some subbranches of industry, such as is the case for tractors, field vehicles, technological equipment for the machine construction industry, chemical industry, clothing and footwear industry and so forth, the production for export predominates. The rising importance of foreign trade and international economic cooperation requires as an objective need the application of the new economic-financial mechanism in this area, too, a mechanism for which all the necessary conditions have been created in this five-year plan for its full operation in all its complexity. The priority goal is achieving an active commercial balance, which would insure a balanced balance of foreign payments and consolidation of the country's currency reserves. Basically this goal is an important component in the new economic mechanism not only in foreign trade but in our economy as a whole, since keeping and consolidating economic independence, strengthening the national currency mean balancing imports with export and covering all the foreign payment obligations with incomes obtained from export and other activities which bring currency.

As we know, currently the circumstances of the foreign market are generally unfavorable for the development of commercial exchanges, as a result of the increase in the price of crude oil and of a number of raw materials, emphatic crisis phenomena, inflation and unemployment, rise in the interest levels in some periods of up to more than 20 percent per year for credits in dollars, through measures artificially adopted by the industrialized capitalist states and so forth. The volume of interest in the conditions of such a high rate and the rise in the developing countries' foreign debt cause a heavy burden for these countries, a drain of an increasingly large portion of their national incomes to the credit-giving industrialized countries.

In this general context of the international economic circumstances, the particular theoretical and practical value of the guidelines set by Comrade Nicolae Ceausescu for the gradual reduction in the foreign debt is brought out even more strikingly. Referring to this problem at the 2d congress of workers councils, the party's secretary general said the following: "In the party and state leadership we have decided, and I am placing this for the approval of the workers congress, that we should no longer permit any kind of rise in the foreign debt and we should take firm action to continue reducing it until it is eliminated completely."

In the 1981-1985 period foreign trade activity, characterized overall by a harmonious joining of the emphatic growth in commercial exchanges with deep and complex changes structurally and qualitatively, intended to lead to a considerable rise in economic efficiency, is firmly being directed toward precise fulfillment of this major task of gradually reducing the foreign debt. According to forecasts, the total volume of commercial exchanges is to grow dynamically, more emphatically for export (15.7 percent ) compared with the average annual growth rate of imports (7.7 percent). The tasks thus established should insure an active commercial balance and a balance of foreign payments with the surplus intended to reduce the foreign debt.

In the overall actions to create the conditions needed to apply the new economic mechanism in the foreign trade area, the Law on Strengthening of Worker Self-Leadership and Financial and Currency Self-Management in this sector occupies a principal spot. Initiated and worked out under the direct guidance of Comrade Nicolae Ceausescu, the law, in complete agreement with the requirements and realities specific to our national economy, establishes the measures of vital importance, aimed at increasing the initiative and responsibility of those working in the area of production and commercialization of goods for export in order to put out competitive products with high efficiency, ones which incorporate our own work and creativity, parallel with giving them direct material inventives to increase export, reduce import and activate the balance of foreign a payments and commercial balance.

The direct link between the administration of the enterprises which deliver goods for export and the results obtained by commercializing these products, with respect to the size of currency receipts, currency contribution and other parameters of efficiency, represent one of the definitive principles of the new economic mechanism in foreign trade activity. By applying this principle, which combines responsibility and material incentives, the enterprises receive the cou tervalue in lei for the goods exported, calculated on the basis of foreign

prices actually achieved and the planned rates of return in lei for each dollar or ruble. This ratio, as the basis for the system of discounting the goods exported, leads to a direct increase in incomes and, thus, to an increase in profits correlated with the volume of prices achieved on foreign markets.

The close and direct relationship between the enterprises' incomes and currency receipts for the goods exported stimulates efforts and concern with producing and delivering goods under conditions of quality, schedules, method of presentation requested by the foreign partners, with direct favorable effects on the prices obtained, together with concern for adapting production to the requirement and changes which frequently occur on foreign markets. Of course, fulfillment of these goals makes necessary the direct and actual participation of the enterprises which produce goods for export, together with the foreign trade ones, in prospecting the market, in the treaties with foreign partners, in agreeing on and concluding contracts, in solving all the technical, economic and financial-currency problems which occur in unfolding of these contracts. Such a participation becomes more and more an inseparable aspect of production for export; it must be characterized by examination and jointly finding constructive and efficient solutions for increasing competitiveness on foreign markets for a more striking assertion of the goods exported to the particular markets.

A basic and innovative element is the introduction of the system for discounting imports, except for basic raw materials for which fixed prices are set by law, and invoicing products for domestic beneficiaries on the basis of the foreign prices actually paid and the rates of return planned by products or groups of products. This contributes to stimulating all the beneficiaries of imports to find solutions to replace them with products from the country and, in the case that such a measure is not possible, to select those varieties which fulfill the quality requirements of the technological process for which they are intended and at the same time can be obtained at the lowest possible prices. The creative thinking of our specialists in research and production thus is stimulated for adopting efficient solutions able to bring currency savings on imports, savings of expenses in the management of the beneficiary enterprise and, as a result, a rise in the incomes of the workers in the particular units.

The new system for receipt of the countervalue of export and payment of imports has been a powerful impulse, even from the first year it was applied, for improving the quality of the products headed for export, for orienting it toward products with a high degree of processing of raw materials, commercialization of goods in zones and on markets which offer the most favorable conditions. In the end we have reached an additional income in the management of enterprises (compared with those attached to the payment of products at the domestic delivery price) of more than 500 million lei in the first half of 1981 alone.

Commercialization of goods for export, particularly in the current period of the emphatic economic crisis, takes places under conditions of bitter competition, of large variations in parities between various currencies, of a broadening of measures of a restrictive, protectionist nature and so forth. Overall, these phenomena bring an important influence to bear on the prices at which goods can be sold and on the payment schedules and other factors of commercialization. That is why the new economic mechanism requires that maximum

effectiveness, flexibility and a spirit of responsibility at the level of all organs with duties in this area be demonstrated when any decisions are adopted in the area of foreign trade, such as review of prices and rates of return. The decisions made, bearing in mind all the implications resulting from circumstantial phenomena in the particular sector, must continually consolidate the concern with fulfilling and overfulfilling the export plan under conditions of continually higher efficiency.

Improvement in the material incentives for all those who work in the sector which produces goods for export and those for commercializing them is another important aspect of the new economic mechanism. The measures adopted in this area, organically fitting into the general principles for stimulating the socialist enterprises and the state and cooperative ones, as well as workers to fulfill and overfulfill the plan indicators for respect for the quality aspects of activity, include varied forms of incentives for foreign trade activity and international economic cooperation. So, the enterprises producing goods for export benefit from a portion of the currency obtained beyond the plan forecasts in an amount of 80 percent for state enterprises and 50 percent for the cooperative ones. A portion of this currency is for the centrals and ministries for carrying out certain overall actions in the particular sectors while the difference, predominant in the total amounts, remains with the enterprises which have produced the goods for export,to be used to produce the imports for development of export production, introduction of new technologies, obtaining of subassemblies, materials and parts for the production for export and organization of excursions abroad, in accordance with the decisions adopted by the enterprise's decision-making factors.

The application of these measures from the series of factors in the new economic mechanism achieves an interconditioning capable of leading to a continual growth in export. Because any overfulfillment of the plan creates resources which, as we have seen, are used to broaden the material base needed for a quantitative and qualitative growth in the production intended for export, competitive assertion of Romanian products on foreign markets, parallel with deepening of the process of specialization of enterprises or of certain of their sections for export. Of course, such favorable effects for the development of export production do not flow automatically by themselves. Great care is needed in adopting decisions on utilization of the currency to which the enterprises overfulfilling their export plan are entitled. Each action must give efficiency and must lead to broader export production and a rise in the products' competitiveness.

In agreement with the principles of ethics and equity and with the requirements and realities of the current stage, worker personnel in the enterprises producing goods for export are benefitting from supplemental incentives compared with those manufacturing goods for other purposes. Thus, greater funds for participation in the profits are given for overfulfilling the export plan and prizes for special results and collective trips abroad from the currency belonging to the particular enterprises. In turn, worker personnel in the foreign trade enterprises are paid from a fund resulting from application of shares in lei for each 1,000 rubles or dollars belonging to the export and import activity and, separately, for the currency contribution obtained from special operations. Within the limit of amounts calculated in this way, the rights for being paid

are given to worker personnel in the foreign trade enterprises and the network for foreign commercialization without any ceiling, which creates a powerful incentive, bringing a concentration of efforts to increasing export and obtaining high prices for the goods exported.

The creation of this direct relationship between the incomes obtained through salary and the volume of export, import and the currency contribution is a new element in the salary system, a factor of active material incentives for the worker personnel working in the area of commercialization for finding solutions to contract goods, to orient sales on the markets and in the most advantageous periods.

However, one should state that the flow of the process for commercialization of goods under the conditions of the current circumstances, influenced by a multitude of factors bringing basic changes at short intervals, requires great attention in the application of the salary so that a rational correlation is permanently kept between the effort made by the worker personnel in the foreign trade enterprises for finalization of contracts, creation of all foreign conditions for the flow of goods for export and the results obtained on one hand and the incomes which they benefit from on the other hand. Only under the conditions of the optimization of this correlation is the necessary stimulus maintained so that the commercialization process takes place well and brings maximum efficiency.

Achieving an active commercial balance and a balanced foreign payments balance involves an active contribution from the enterprises producing goods for export or the beneficiaires of imports.

In carrying out their activity, the enterprises and centrals have the natural duty to deposit into the planned currency fund or to receive from the same fund, according to the case, at most the amounts representing the planned liability balance through the balance of receipts and payments in currency. But this requires that the ministries, centrals and enterprises draw up the commercial balance and the balance of currency receipts and payments and, in particular, firm actions to fulfill in their entirety their forecasts and the balance which was established.

Application of these regulations in the general context of the new economic mechanism, however, has not been understood and respected by certain enterprises and centrals as is proper; there are cases when imports have been requested under conditions where the export has not been fulfilled and the planned contribution to the centralized state currency fund. The task is to do everything to fulfill and overfulfill export and to find solutions which lead to continually reducing import.

Under conditions where Romania must obtain a large portion of the raw materials and basic materials used in the industrialization process from imports, a rise in the degree of their utilization--reflected in the ratio between foreign prices in currency of the finished exported product and the expenses in currency belonging to the imported basic raw materials--is a basic criterion by which the efficiency obtained by products or groups of products is quantified.

We know that superior utilization of raw materials and ise in their degree of processing and reduction in specific consumption, as inseparable aspects of this process, are a constant concern in all industrial branches. In the machine construction industry, for example, there has been a constant rise--and this is also valid for this five-year plan--in the percentage of electronics and electrotechnics, in complex installations, in improved machine tools with programming and numerical control; in the chemical industry in coming years there will be a reduction in the percentage of fertilizers and sodium products in favor of those with small volume and high value such as fibers, dyes, varnishes and paints and cosmetic products; in the wood industry the percentage of furniture from the valuable varieties will increase; in light industry there will be an increase in the export of clothing, readymade, with a decrease in knitwear. These actions will contribute directly to a continued rise in the degree of utilization of raw materials, and, implicitly, to an increase in the efficiency of export.

The efficiency of export in the end is reflected in the currency contribution obtained for all the products for export. Through the foreign prices obtained it is necessary to compensatefor the material expenses of the raw materials and basic materials, fuel and energy calculated in currency at the world price, while the difference between the price of the finished product and these expenses, that is, the currency contribution--the basic indicator characterizing the degree of efficiency of the export--must compensate for the expenses of management , labor, those for preparing the goods for export, transport up to the border, calculated in currency, at a parity of 15 lei to the dollar or the ruble. Finally, the highest possible profit in currency must be achieved.

Improvement in the economic mechanism in the activity of foreign trade and international economic cooperation has had positive effects even since the first year of the current five-year plan. In the 1 January-30 September 1981 period, compared with the same period in 1980, export rose--we repeat, under conditions of a barely favorable circumstance--17 percent, while imports were reduced, being at a level of 97.2 percent compared with the same period. Continuation of this trend, parallel with intensification of export, the indicator for which some enterprises and centrals have not fully fulfilled the planned tasks, will contribute to fulfilling the goals in the Directives of the 12th party congress.

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## STATUS OF DINA PETROCHEMICAL COMPLEX DISCUSSED

Belgrade PRIVREDNI PREGLED In Serbo-Croatian 19 Jan 82 p 8

[Article by T. Kapetanic: "Why Did Dow Chemical Company Leave Krk? The Real Reasons Have Not Been Given."]

[Text] DINA, the largest industrial project (a petrochemical complex) in Croatia as well as Yugoslavia, will be continued even though its foreign partner has withdrawn from participation in the construction of the second and third phases. The DINA Petrochemical Labor Organization was founded on the basis of an agreement of mutual investment signed by INA, an industrial petroleum company in Zagreb, and the Dow Chemical Company of the United States, in order to construct facilities for producing polyethylene of low density, vinyl chloride monomers, ethylene dichloride, styrene monomers, ethylbenzene, polyethylene of high density, benzene and other products. The construction of the petrochemical complex on the island of Krk was planned in three stages. The first, planned to be completed by the end of this year, involved the construction of facilities for making polyethylene of low density, vinyl chloride monomers and ethylene dichloride.

### What's Going on Here?

Now, after considerable delays and cost overruns, a year before completion of the first phase and with much of the construction already behind schedule, the American partner has proposed a moratorium on the construction of the second and third phases of DINA. The project is of great importance for our economy, considering that approximately $2 billion a year is being spent by the manufacturing industry for the import of raw materials that this large petrochemical plant will be able to produce.

This international company (the second biggest in the United States and the sixth in the world) does not want to abandon Krk completely or pull out of the agreement but wants to postpone the other two phases until a more favorable time. If DINA wants to continue working on the project by itself, the American partner will provide technological assistance; this will require additional foreign currency. The argument used by INA's partner that the moratorium is necessary because of serious difficulties in the world is unconvincing. INA recently issued a special report concerning these matters, which in general said nothing about the real reasons for the withdrawal of the foreign partner, we can only guess why this unusual misunderstanding between the two partners took place.

The report says, among other things, that the agreement concerning mutual investment in the project was concluded 26 March 1976. Most of the production was intended to satisfy the needs of the Yugoslav market, currently met by imports costing approximately $500 million. The remainder was to be used for export to provide foreign currency influx in order to meet the foreign currency obligations to the foreign investor and to repay the loan held by foreign banks. The construction of the facilities of the first phase has provided a production capacity of 270,000 tons of polyethylene and vinyl chloride monomers, while work is still underway on power installations and the infrastructure. The first phase is supposed to be finished by the end of 1982.

Financial Arrangements Coordinated with Stabilizing Measures

The report also says that the Commercial Bank of Zagreb, on behalf of DINA, will guarantee the funds for the whole complex, that the financial arrangements have been coordinated with stabilizing measures in the Croatian and the Federal Executive Councils and that the Executive Council of the Parliament has provided for the necessary importation of equipment with its own measures. At this time the partners were assessing the progress in the construction of individual parts of the project, including the power installation and the infrastructure, which has almost been completed. Keeping the present circumstances in mind, the partners will take measures in accordance with mutual long-term goals, in order to construct the entire complex, which will justify itself economically in meeting the growing needs of the domestic market for petrochemical products.

Thus, the report does not explain much and gives little indication of the real reasons behind the withdrawal of the foreign partner from its participation in the construction of this large petrochemical project. Should we continue it ourselves with the help of foreign banks that have been involved in the project till now? In order to answer this question, there must be some agreement within our country, because labor organizations from virtually all republics and provinces are interested in DINA and its products.

Why have these problems involved with DINA come about? The general director of INA, Vladimir Lemic, in a statement for VJESNIK INDUSTRIJE NAFTE [Oil Industry News], indirectly responded to this question: "These problems were caused by the familiar difficulties in our economy provoked by insufficient foreign currency. Because of this, completion of some projects was late. This creates certain problems in our relations with foreign partners, primarily in keeping to the agreed construction schedule."

Association of Labor, Solidarity...

Everything possible must be done in the DINA project this year so that production in the first phase can begin as soon as possible. Then it must be ascertained what must be done with the second and third phases in order to adapt to recent changes both in the world and in our economy, especially with regard to the oil and petrochemical industry, where the changes have been the greatest. Of course, Yugoslavia still imports large quantities of these products. Our needs will not be completely satisfied even when DINA is in full operation. But all in all, the problem of the completion of the DINA project as quickly and

as efficiently as possible will remain one of our most fundamental tasks this year, according to Vladimir Lemic, the general director of INA.

The agreement between the two partners specified that INA would put in 51 percent of the total investment and that Dow Chemical would contribute 49 percent. Loans in dinars were obtained to pay for project needs paid for in this country, foreign currency loans were obtained for payment of foreign services. According to the most recent investment program, the investment has been completely financed, the chief director of DINA, Fedor Rescec, has claimed.

The first detailed investment program was composed in 1978 and amounted to $971 million. The program was revised in August 1981 and it came to $1.2 billion. There are many reasons for the increase but the most important one is, of course, inflation both in our country and in the world. Adding to the increase are delays in construction and in the delivery of equipment, especially from domestic sources.

The DINA project on Krk is based on the association of labor and resources of three organizations in INA, the refineries in Rijeka and Sisak, and OKI [Organic Chemicals Factory] in Zagreb. It is the largest industrial project in Croatia and the most important program in the Yugoslav chemical industry. It is expected to produce more raw materials for intermediary petrochemical producers as well as for manufacturers. For example, the products of the first phase will be used by Jugovinil of Split, Polikem of Zadar, OHIS [Organic Chemistry Factory] of Skopja, Iplas of Kopar, OKI of Zagreb, SODASO of Tuzla, the Synthetic Rubber Factory in Zrenjamin, Varteks, Borovo and Chromes and many others.

In its maintenance and development policies, INA has reduced significantly its number of investment plans in order to give priority to DINA and Kutina II (a fertilizer factory). Now the DINA project must be adapted to changed conditions in order to satisfy the needs of the domestic market more fully and to provide foreign currency for meeting obligations to foreign creditors. According to all authorized statements, the DINA project should not be endangered, although it is hard to believe that the second and third phases can be completed by the end of 1985 as planned. Iplas of Kopar and OHIS of Skopja have expressed a willingness to invest money in the future production of DINA, which indicates an important element of cooperation in the development of our basic industry. Other collectives in the country that are interested in the DINA production program will probably join this show of solidarity in the face of recent conditions.

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## MACEDONIA HARDEST HIT BY ENERGY SHORTAGE

### Electric Power, Mazut Shortage

Skopje NOVA MAKEDONIJA in Macedonian 16 Feb 82 p 2

[Article by Erol Rizaov]

[Text] Macedonia is in the most difficult energy situation in the country. The situation is particularly bad in supplying electric energy and mazut. Every day there are limitations on the supply of power to consumers, with households having their power turned off every fourth day for a number of hours, while the overall economy is getting 30 to 40 percent less electrical energy than anticipated needs. This situation is no better for heavy oil. Some labor organizations in the republic have stopped production, or are about to do so, because of shortages of this fuel.

It is understandable that this has severe conseuqences for the economy, the more so since no improvement in the situation is expected soon. On the contrary, reserves have been at minimum levels and in critical shortage for some time, for example, at the Negotino thermoelectric power center, where they say that all reserves of mazut have been used. Because of the bad situation throughout the country, the Yugoslav electrical energy system's supplies of electrical power and mazut from refineries is constantly worse. On the other hand, the Yugoslave energy balance for 1982 does not promise anything better for Macedonian needs. Thus, according to the Yugoslav balance for the year, 599,000 tons of mazut have been allocated to Macedonia.

As far as electric power is concerned, the situation is even more difficult; this year the republic will be short 800,000 kilowatt hours of electrical energy. It must also be said that this shortfall is estimated on the basis of the assumption that all anticipated kilowatt hours from domestic sources, from imports and from the Yugoslav power grid will actually be received. That means that, in addition to that amount, there will be a larger shortage of electrical energy.

A solution to these problems cannot be expected merely from economizing and replacing imported fuel with domestic. Even though major efforts must be made in these directions, shortages of this magnitude can only be eased by changing the Yugoslav energy balance for 1982. Therefore, the Executive Council of the Macedonian Assembly at its latest session decided that it should submit a request

for changes and supplementary quantities in the Yugoslav energy balance, in order to increase the total energy alloted to Macedonia by 285 million kilowatt hours and 150,000 tons of mazut.

Why only that amount?

The simple reason is that, according to the Macedonian electric power balance for 1982, it is anticipated that the Negotino TEC will produce 580 million kilowatt hours. (Even with this anticipated production there will be a shortage of 800 million kwh, and 150,000 tons of mazut are needed for that. On the other hand, only 30,000 tons of mazut can be alloted to the Negotino TEC from the 599,000 tons assigned Macedonia in the Yugoslav energy balance. That means that if these energy distribution factors are retained, the electric power shortage in Macedonia that cannot be rectified will amount to nearly 1.5 billion kwh. Such a shortage would provoke extremely serious consequences, of both economic and other types. In that case, neither restrictions nor savings would help much. The Macedonian economy would simply be paralyzed for months, while domestic consumers would be without power more frequently than they would have any power.

The operations of the Skopje mines and iron works are also uncertain. It is known that, according to the long-term agreement, the iron works is supposed to receive 1.1 billion kwh annually from the Kosovo TEC. However, according to the Kosovo electric power balance for 1982, the iron works is alloted only 819 million kwh. Specialists assert that, if the Kosovo TEC really delivers fully 300 million kwh less this year than called for in the agreement, that would mean a serious crisis for the operations of this metallurgical complex.

The reasons for this sort of energy crises in the country are well known. The weaknesses lie primarily in the pursuit of a poor energy policy for years at a time. Despite the enormous capital undertakings in the country for the construction of various other types of facilities, it nonetheless appears that little attention has been paid to the construction of energy installations. Naturally, now comes the time to pay the check. In comparison with other republics and provinces, however, the situation is the worst here in Macedonia. For several years, not a single project to build an energy facility has been started, and the only one that was already underway, the Bitola mining and power complex is late. No one can say how much harm the delays in completing this thermoelectric power complex are causing, but its initial operations are awaited like one's daily bread. The Bitola MPC is to deliver its first kilowatt hours on 1 July 1982!

Finally it remains, as the unavoidable need in such instances, to repeat as we have uncounted times before that energy savings and the replacement of imported fuel with domestic can achieve a great deal. There is no more time for vacillating, all consumers must make serious analyses and develop programs for saving all forms of energy. For now, that is the only way to achieve quick results that will improve the situation. No matter how unpopular and painful restrictions may be in such circumstances, they must remain a component of our daily lives. Such forced savings, even though they bring great losses to all consumers and producers of electrical energy, must necessarily be applied.

## Workers Laid Off

Skopje NOVA MAKEDONIJA in Macedonian 10 Feb 82 p 3

[Article by N. N.]

[Text] Stip, 9 February--Yesterday 240 workers were laid off, today 600 more do not have work, and if mazut does not arrive, work will end for all 4500 employees.

The technology of the "Makedonka" cotton production plant is such that without mazut, not a single production line can operate. Since the last reserves of this essential fuel are being used up in the collective, for 4500 workers (together with those at Politeks) the danger exists that, in the next day or so, instead of going to work they will stay at home. Beginning today, at the basic organization of associated labor "Oblagorodilnica," which is the largest user of technological power, or heavy oil, the second and third shifts will employ 30 workers instead of 150. Tomorrow 600 workers of the third shift at this plant will not be at work. With interruptions of work at this plant, work at other plants that have mazut fuel reserves will be able to continue, but for only one more day. That means that if no new supply of fuel arrives during the day tomorrow, the day after tomorrow all 4500 workers at "Makedonka" will stop working.

As we were informed at today's press conference at the collective, a one-day total work stoppage at "Makedonka" would mean 3 million dollars less income, 7.6 million dinars less in gross product, and 100,000 fewer meters of material produced. Since 30 January this year, they told us at "Makedonka," despite daily inventorying, they have not been able to get even a gram of mazut. According to our sources on the mazut supply situatuion, the first quantity expected, two tank trucks (which incidently is not enough for a single day's operation), would not be delivered until 8 February. However, the mazut did not arrive, and they have not been informed as to why that had happened.

For now, no one at "Makedonka" can answer as to how long this situation will continue. According to some statements, no mazut will be delivered in the next 15 days.

## Small Users Affected

Skopje NOVA MAKEDONIJA in Macedonian 12 Feb 82 p 2

[Article by E. Rizao]

[Text] The big industrial facilities are not the only consumers of mazut. More than 100,000 tons of this expensive fuel is used by so-called "small" consumers, who can switch to other fuels very quickly.

We have said how much mazut the big consumers use, and how much the republic itself uses. We have seen that we are talking about more than 400,000 tons of expensive mazut. Yet there is the surprising fact that the remaining quantitites, amounting to 100,000 tons of heavy oil, are used by so-called "small" consumers.

For that it is necessary to allocate more than 1.5 billion dinars every year at today's prices!

Who are these small consumers?

There are more than 400 of them in the republic, beginning with private homes and cafeterias and including hospitals, clinics, schools, museums, greenhouses, grain elevators, institutions, small enterprises, larger labor organizations, and so forth and so on.

Besides possibilities for savings or the replacement of mazut with other fuels at large industrial installations, it seems that much could be accomplished by rapid intervention in this area as well. Here it would seem the largest role could be played by large central heating facilities in big city centers. For example, in Skopje, where the largest number of these "small" consumers are located, urgent measures should be undertaken to include them in the city central heating network. Actions are already underway to accomplish that. Of particular interest in Skopje's initiative, which foresees construction of an electric heating center, which besides producing electric power would make secondary use of the heat of operation by providing heat for all of these small consumers. In the same way, it is expected that geothermal explorations in Skopje will provide good results, and that they will lead to replacement of mazut with natural hot water. Similar initiatives have been underway in Prilep, where great expectations are projected for Mariovo lignite deposits.

It seems that the time exigency and the mistakes made in the past provide good lessons. Thus memeories are fresh of the time when, in Skopje, many labor organizations and institutions did not want to join the central heating system simply because of the 100 million dinar cost involved. Then came the changes in the current price for mazut. Thus the consumers themselves would have paid for the pipes for hooking into the system, but they did not want to lift a finger to do so. There have been instances where steam heating pipes have disappeared from storage rooms of institutions when mazut boilers were being installed. Then, momentary interests prevailed, and now the entire republic is paying for it.

That is the situation as far as replacing mazut with domestic fuels is concerned. However, it should not be forgotten that there is an imperative need for future savings and rational use of mazut where it cannot be replaced with cheaper fuels for various reasons. In that regard, the Skopje Heating Plant is a good example. This year the plant has reduced heat 1 or 2 degrees in apartments, and has cut off the heat after 10 pm. These steps have saved significant quantities of mazut. To the extent that other labor organizations and in general, all consumers follow this example, the specialists claim that it will be possible to save a great deal. Simply stated, there are thousands of ways to save through better urbanistic solutions including such steps as reducing the temperature in apartments by a degree or two.

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# East Europe Report

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2249

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# EAST EUROPE REPORT

## ECONOMIC AND INDUSTRIAL AFFAIRS

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MARSZALEK REVIEWS BOOK ON CEMA-EEC RELATIONS

Warsaw SPRAWY MIEDZYNARODOWE in Polish No 5, May 1981 pp 150-153

[Review by Antoni Marszaled of book "CEMA-EEC. Realities and Perspectives," collective work under the editorship of Wirginia Grabska. Polish Institute of International Affairs (PISM). Warsaw 1980, 320 pp]

[Text] This work deals with a very important area of international relations, including integration processes in EEC and CEMA and economic relations between these groupings. Several works have already been written on the subject of integration within EEC and CEMA, as well as on economic relations, mainly of East-West cooperation. Many of these works are valuable and thoroughgoing, both from the documentary and factual side as well as for theoretical generalizations, the search for specific methods of proper functioning, premises, tendencies, prospects. All these works, however, concern either EEC or CEMA or East-West relations individually.

This work, written by a team of authors headed by Wirginia Grabska, has a somewhat different character, although the work's composition seems traditional enough. The novelty lies in an attempt to consider comparatively first of all the integration processes within the framework of CEMA and EEC, their premises, political and economic conditioning, correctness of the process, as well as consequences for third countries, which includes partners from the competing grouping, and for intra-European cooperation. Therefore, the work is devoted to those issues of economic theory and practice in an area where scientific examination has been hitherto highly insufficient. The importance of this subject matter in scientific research will intensify and the work reviewed here can be included among pioneer works. Also, the problem of contractual relations between the CEMA and EEC countries and the previous course of negotiations between these organizations analyzed in this work [illegible] discussed broadly enough in the scientific literature.

In the introduction W. Grabska asserts (p 8), that a lack of cohesion between subregional integration mechanisms and mechanisms of Europe-wide links is evident. If this is true, then can there be a more important correlation of the development of both processes (the integration of groupings and Europe-wide cooperation) at all? The author indicates that it is possible to find many convincing arguments for an affirmative reply. However, it appears that the mere fact of the occurrence of a correlation between the development of

integration processes and of intra-European cooperation does not give to the author sufficient foundation for an unequivocal reply to the question of whether subregional integration will be conducive to the development of Europe-wide ties or whether it will set the relationships back (p 9).

This is so because: 1) this lack of cohesion has a stronger negative influence on the correlation under discussion than the author suggests; 2) in the integration processes of the two groupings there are certain political and economic motivations, which are directed against the competing integration grouping. Here one can argue against the thesis of the closed nature of EEC and the open one of CEMA. At most, one can talk about a specific degree of openness and closedness of the integration groupings. Replies to the questions raised in the introduction are presented in subsequent parts of the work, where hypotheses made in the introduction are also verified.

In Chapter I, Jozef Misala describes the state and prospects of CEMA countries' economic integration. He positively evaluates the progress of these processes and particularly the institutional factors. He indicates that CEMA is not a supranational organization, and acknowledges trade exchange as the most fully developed form of integration links among CEMA countries.

It appears that a gauge of the participation of CEMA member countries in their global foreign trade would be of value only if--besides the high share of fo foreign trade in the national income, which can be considered as partially achieved--these countries were to have high shares in world commerce. At present, their share in industrial production amounts to less than one-third. Given this situation, it is not possible to accept the declaration of CEMA's openness as an economic organization, for the high shares in mutual turnovers, cited among others calls for the formulation of an opposite thesis.

Many interesting comments on the subject of specialization and cooperation, joint investments, joint enterprises, links in the sphere of science and technology can be found. A number of interesting observations concern the CEMA countries' economic integration mechanism. The author presents the evolution of this mechanism, proving that it went in the direction of decentralization. As examples he gives Poland and Hungary. I do not intend to comment on these, but they cannot help but show that internal and integration mechanisms in our economic practice are effectively separated. The role of relations between goods and finances in the CEMA integration mechanism is negligible.

The chapter by W. Grabska is devoted to the state and prospects of integration within the framework of EEC. The integration of this organization should result in a uniform economic and political body. The positions of individual countries on this question are, as we know, divergent. The author feels that the expansion of EEC membership during the 1970's, the crisis conditions of capitalistic countries and the growing dependence of these countries on global conditioning has caused this organization to reach a turning point in its development. From this it appears that the thesis about integration having to lead to the creation of "one organism" is not so sound. This last assertion finds its confirmation in the fact that integration acts to reduce developmental disproportions to a small degree, that these disproportions are still increasing in various areas [of the world] and fields.

Interesting considerations include problems of conflicts between general integration and national aims. The author notices that there has occurred a conflux of the economic crises in capitalism with the transition to the second stage of integration. At present, there exists a need for higher forms of integration organization. Ensuing problems lie in strengthening a common trade policy, in particular through the so-called organized exchange and currency problems. The latter occupy an important place in the considerations because they have a special role in integration processes, and they are among the most interesting in the entire book.

The next chapter (by Pola Landau) deals with the attitude of the principal states of EEC to the problem of the political unity of Western Europe. The problem analyzed here is mainly of a political nature and concentrates on issues and attitudes connected with a question which from the beginning has accompanied integration concepts of capitalist Europe and practical solutions after the Second World War: what should a unified Europe be, what ought to be her place in the world? Depending on the reply, the proper position is included in the Atlantic or European trend, and the confederational or federational trend. The principal states, the positions of which have been presented, are France, the FRG, and Great Britain. In the French postulates the evolution of Charles de Gaulle's "European Europe" position is presented--a confederation of Europe, G. Pompidou's modifications and the relatively far-reaching modifications of V. Giscard D'Estaing. In the FRG position a unified Europe is mainly a tool of revisionist Bonn policy; it is a federal Europe and its essential part is the Paris-Bonn axis. For the English, "Atlantic Europe" is to be a platform on which to rebuild their influences. They are advocates of a pragmatic approach to institutional problems.

In Chapter IV, Jerzy Wieczorek discusses factors limiting trade exchange between CEMA and EEC countries. This issue has fundamental importance for the CEMA countries, including Poland, which is to an important degree tied to EEC economically. The creation of this organization meant a deterioration of exchange conditions of CEMA countries with the countries of that organization [EEC], particularly from the moment of the introduction of "organized exchange" in 1974. Trade with Western Europe deteriorates for CEMA countries as EEC grows by accepting new members.

J. Wieczorek also analyzes factors which limit exchange and documents statistically the raised reasons. He indicates the faulty structure of this exchange which has existed for many years and the fact that the participation of EEC countries in global export as well as in the import of CEMA countries is incomparably higher than the analogous participation of socialist countries (p 167). The qualification "incomparably higher" is not quite clear. Protectionism undoubtedly causes the participation of socialist countries on the capitalist markets to be lower than it would be under conditions where this protectionism did not exist. But this asymmetry would exist as before, since it is not generally a result of protectionism, but of the socialist countries' level of economy and of their participation in world trade (which is derivative). The problem of our foreign trade structure looks the same. Reflections on this subject in several scientific papers appear to be overly schematic: cause--protectionism. This thesis is valid only in part, and statistical data, true in themselves, often serve to justify a not entirely true thesis.

This chapter, while containing here and there elements one could polemicize with, is acceptable as a whole. Particularly interesting and well qualified are reflections on barriers limiting export by CEMA countries to the EEC market. It is important to realize, that these barriers may be rooted in CEMA's lagging behind the demands of the world market's developmental tendencies.

In the next chapter, Krystyna Michalowska-Gorywoda and Jozef Misala discuss the state of agreement relations between the CEMA and EEC countries. This issue is extremely important in the area of EEC-CEMA economic relations, and rightly finds itself in this reviewed work. The authors emphasize the role of long-term agreements, particularly in the field of cooperation, the role of long-term programs, divergence of standpoints, and the position of the EEC Commission. Particularly interesting are considerations concerning specific forms of contacts by CEMA countries with the Community and its organs. "Generally, a characteristic feature of these contacts was the aspiration of socialist countries to maintain the principle of political and legal nonrecognition of the Community" (p 226). In this work the raising of this principle is extremely important and it should not remain without commentary. This standpoint to a serious degree, if not primarily, has weighed heavily on EEC-CEMA relations. Only in the 1970's has a greater realism been shown in CEMA, but there has been no success in taking advantage of it. The next chapter, IV [sic] rather interestingly written, should consider the problem of negotiations between CEMA and EEC in the context of this main principle, namely of political and legal nonrecognition of EEC, a principle which, from the pragmatic point of view, is harmful for our relations with EEC.

Chapter VI (by Krystyna Michalowska-Gorywoda) is devoted to the course of negotiations between CEMA and EEC to date. The analysis of the course of the negotiations is preceded by a discussion of conditions for the formation of mutual EEC-CEMA relations, the genesis of the dialogue between these organizations, and content of understandings presented by both sides. An evaluation of the past negotiations between EEC and CEMA ends this chapter. The author emphasizes the political factor in the establishment of EEC and CEMA, assigning an aggressive political role to EEC and a defensive one to CEMA. This matter is quite complicated since it depends on which of these political concepts is analyzed and which among them will prevail in the practice of implementing integration processes. From this point of view the concepts presented in EEC include, in every case, a specific relation to socialist Europe, and this does not result in imposing an insurpassable embargo on the relations with these countries. The Charles de Gaulle doctrine was certainly not like this. If EEC would develop in the direction of collective economic self-sufficiency, it would end in failure in the nearest future. It is not so, therefore, evaluations have to be more comprehensive. I agree with the evaluation of the past negotiations between CEMA and EEC.

In Chapter VII W. Grabska discusses intra-European economic cooperation in the 1970's. This chapter represents a kind of recapitulation of the entire work, since after having treated the questions of EEC, CEMA and the relations between them, it was necessary to look at Europe as a whole. It is

mainly a view through a prism of East-West relations, but these are, after all, the basic factors of Europe's functioning as a single, indivisible continent.

In sum, this work under review deals with extremely important problems, not always elucidated sufficiently in literature. The team of authors has given assurance that their work has been prepared competently and in an interesting manner, broadening our knowledge in many respects.

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## ROLE OF AGRICULTURE IN NEW FIVE-YEAR PLAN DISCUSSED

Tirana RRUGA E PARTISE in Albanian Oct 81 pp 25-38

[Article by Stavri Rista: "In This Five-Year Plan Agriculture Will Play an Important Role in the Independent Development of the Country"; passages between slantlines printed in boldface]

[Text] The party has always considered the development of agriculture as one of the main links of the general economic and social development of the country. In the Seventh Five-Year Plan, too, the solution of many problems assigned by the party for the development of the people's economy in general, the development of the various industrial branches, the increase of exports and reserves, the regular supplying of the market with agricultural products, and the better and better satisfaction of the people's demands for consumer goods depends on the fulfillment of the tasks stipulated for agriculture.

In implementing the tasks assigned by the Seventh Party Congress, during the past five-year plan important successes were also achieved in agriculture, on the basis of the intensification of production in all its branches. The overall agricultural production achieved in this five-year plan was 21.4 percent greater than that obtained during the Fifth Five-Year Plan. The basic task of satisfying all the needs of the people and of the economy with bread grains produced in the country was implemented. Also, the other agricultural and livestock products were increased, thus ensuring the fulfillment of most of the needs for food articles with our own products.

These successes, as stressed in the draft directives of the Eighth Party Congress for the Seventh Five-Year Plan, "further increased the role of our socialist agriculture in the struggle for the independent development of the country, better satisfying the needs of the people, of industry and of the expo
E PARTISE, No 7, 1981, p 9). It is a fact, however, that opportunities existed to further increase the indicators of agricultural production and to better fulfill the plan tasks. This was the conclusion of all concrete analyses and the many discussions that were carried out. This is also shown in the great results achieved by many progressive agricultural brigades, sectors and units.

On the basis of achievements, experience gained and conditions created, the draft directives of the Eighth Party Congress for the Seventh Five-Year Plan set very important tasks for the further development of agriculture mainly in the area of

intensification, for a greater increase of agricultural and livestock production. Thus, the average agricultural production is expected to be 31-33 percent higher compared to that of the Sixth Five-Year Plan. The main task for this five-year plan also remains the production of bread grains which will increase about 20 percent during the 5 years taken together, in comparison with that of the Sixth Five-Year Plan. A considerable increase is expected in all field crops. For example, the production of sugar beets is expected to increase by 42-45 percent, of sunflower 56-58 percent, of cotton 56-59 percent and of tobacco 46-49 percent, in comparison with that obtained during the Sixth Five-Year Plan. A greater development will also be given to the production of potato, vegetables and beans by producing all varieties in the necessary quantity. Production of other agricultural branches, such as livestock, fruit tree planting and so forth, will also be increased at rapid rates. In 1985, compared to 1980, the production of milk is expected to be 29-31 percent greater, meat, 53-55 percent greater, eggs, 50-52 percent greater and wool, 34-36 percent greater.

A distinctive characteristic of the development of agriculture in this five-year plan will be /the progress on the road to intensification at greater rates than in any other five-year plan./ Thus, for example, 90 percent of the increase of overall agriculture and livestock production will be insured increasing yields of agricultural crops and production per head of livestock, and the entire increase in the production of bread grains, rice, cotton, sugarbeets and so forth is expected to be provided by the increase of yield from every hectare sown with these crops.

The achievement of planned outputs is based on the improvement of organizational and management work in harmony with the demands of the present stage for the intensive development of agriculture, and on the strengthening of discipline, increase of work indicators, broad implementation of progressive experience and advanced technologies, invigoration and most effective use of the material and technical base and so forth. These matters assign very important tasks to cadres, specialists and all agricultural workers who, under the leadership of the party organizations, must attach greater attention to the knowledge and use of organizational, technical and scientific factors which affect the fulfillment of the planned tasks to increase production.

During the examination of the draft directives in all enterprises and agricultural cooperatives, the participants gave valuable ideas on the improvement of the indicators of the Seventh Five-Year Plan on the basis of a better utilization than now of all the conditions created for the expansion of the intensification of agricultural production, placing it on the most sound scientific bases.

Among the main factors which affect agricultural development on the road of intensification, there are, as practice shows, the increase of manpower and labor for every unit of arable land, the increase of investments and their effective use, and the correct use of all other factors which affect the increase of the productive capacity of the land, utilizing on the basis of correct criteria the data of agro-pedological and chemical studies existing in every agricultural unit.

The existing progressive experience--especially, that of the Plase agricultural cooperative in Korce District, of the Krutje agricultural cooperative in Lushnje

District, of the agricultural enterprise in Levan, Sukth and Lukove, and of many other agricultural units--linked with the implementation of the studies carried out for the systematization and mobilization of land, is an important base where many other agricultural units can learn, always implementing these experiences in accordance with the concrete conditions prevailing in every agricultural unit.

However, the execution of the necessary improvements in the land systematization requires, first of all, the creation and strengthening of the necessary convictions about the necessity of the use on the basis of correct criteria, of planned investments, of the material base and, especially, of agricultural machinery. We stress this because there are still many cadres, specialists and other agricultural workers who calculate and rate the achievement of great results in production particularly in accordance with the great volume of investments, the number of mechanized means added and, mostly, according to the way the soil is worked, that is, as deeply as possible and in proper time, and few people think, for example, that every investment for land systematization must be properly studied and implemented with great effectiveness or that all land work and leveling must be carried out with plows, disk harrows, milling machines, leveling machines and so forth, and that, first of all, it is essential to insure a perfect systematization of the plot so that the best conditions possible will be created to implement advanced technology in the cultivation of agricultural crops. Or, it is a known fact that surface land systematization produces the maximum effect when it is accompanied by deep systematization and by a complete drainage and irrigation system for the land. Therefore, based on experience gained and possibilities created, it is stipulated that during the years of the Seventh Five-Year Plan the areas drained with ceramic tubes and with other means will be increased 2.4 times in comparison with what has been drained until now. However, the result of this work in the development of agricultural production will be great if the concern for the production of good quality drainage tubes and for respecting technological conditions in regard to the construction of drainage works are also increased in accordance with the requirements of mechanization of work processes and if new technologies that speed up their construction are used.

In regard to the further development of agriculture on healthy scientific bases, many important studies have been carried out for the centralization and specialization of agricultural crops, improvement of the level of mechanization, increase of the capacity of irrigation, improvement of irrigation methods and so forth. Of great value is the study done on the extension of the intensification of agricultural yields in the plains and coastal area of some districts. On the basis of this study, the draft directives of the Eighth Party Congress for the Seventh Five-Year Plan assign the task "of adopting measures to intensify agricultural production at a higher level in the plains and coastal area of the country. To this, a more rational centralization and utilization of the material base, of agricultural technology, of investments and of the people's work must be carried out on more than 100,000 hectares of land of this area" (RRUGA E PARTISE, No 7, 1981, p 16).

Regarding the implementation of this task, concrete work has begun in all agricultural units situated in this area, on the basis of studies carried out and programs established in accordance with the measures adopted. Particular attention is being devoted to the structure of agricultural crops, as a starting point for

the best scientific organization possible of agricultural production. It responds to the guideline of the party that bread grains must hold the main position in production. Thus, about 45 percent of the land sown with agricultural crops in this area will be assigned to bread grains, building a proper relationship between cultivated and non-cultivated crops which favors the sowing of second crops for fodder, on very large areas. Along with bread grains, an important place will be given to fodder crops, as first crops. There are also plans to sow about 94 percent of the cotton crop in this area; while, the areas sown with vegetables will better satisfy the requirements for export and the needs of the population in Tirana, Durres, Elbasan and in other cities.

The extension of the intensification of agricultural production in this area aims, for example, at obtaining an average yield of 50 quintals per hectare from the areas sown with bread grains. It is also expected that the yields from the production of industrial and fodder crops will be higher than those of the other plains areas which are not included in this [plains and coastal] area.

The achievement of high yields, as anywhere in agriculture, especially, in the intensified area, will be based mainly on the improvement of the organizational and technical-scientific factors linked with the implementation of advanced experiences and technologies, on the improvement of the effectiveness of the use of organic and chemical fertilizers, on irrigation and on chemical preparations used for the protection of crops and on various mechanisms. In the meantime, new investments will be granted for improving the soil and increasing its productive capacity. Concrete tasks have been set and are being executed, for example, for the draining of about 47 percent of the lands under cultivation and for improving the irrigation capacity to satisfy all the increasing demands for irrigation of agricultural crops. In this direction, the scientific research institutions and the water and systematization enterprises in districts have planned, in accordance with the technology of the irrigation of cultivated crops, to carry out reconstructions in the irrigation canals, to construct new masonry works, to increase the water capacity of existing reservoirs and of the reservoirs to be constructed and to further extend irrigation in the form of rain through the use of natural means and power. The increase of the level of mechanization in this plains and coastal area will be about two times greater than the average increase at the national level. This will be achieved not only through the increase of motor power, but also through the increase of the coefficient for the utilization of existing means and of new machines and pieces of equipment which have been assimilated or will be assimilated by our machine industry, such as graders, deep plowing plows, hoeing and fertilizing millers, harrows with active organs, sowing machines combined with a fertilizer distributing mechanism, silage processing combines, self-propelled combines for crops and so forth.

Important investments will also be granted for the development of agriculture in all the districts in general so that agricultural production will be increased mainly through intensification, without neglecting the expansion of workable areas. In this five-year plan, the specific proportion of investments for agriculture, in the total of all investments, is greater than in any other five-year plan. But, as it also appeared during the discussions and meetings carried out to approve the indicators of the Seventh Five-Year Plan, a greater reserve for

increasing agricultural production, in the stipulated and planned quotas, is to be found in the implementation of the technical and organizational measures for the best possible utilization of the existing material and technical base, in order to improve the effectiveness of the use of organic and chemical fertilizers and of the mechanical means and so forth, correctly combining the increase of manpower with the concrete labor for every unit of production.

In the Seventh Five-Year Plan the yields of field crops and, especially, the production of bread grains will undergo a rapid development. And, we stress that an increase of about 37 percent over the Sixth Five-Year Plan in the production of field crops will be insured, first of all, from the increase of yields of agricultural crops. Thus, for example, in 1985 it is expected that the following average yields will be obtained: wheat, 32 quintals per hectare; corn, 46 quintals per hectare; sugarbeets, 379 quintals per hectare; cotton, 14.3 quintals per hectare; and so forth.

/The targets set for increasing yields in the production of field crops in this five-year plan are high, but fully achievable. There are many agricultural brigades, sectors and units which already fulfilled and overfulfilled in the Sixth Five-Year Plan the targets that had been set for this five-year plan. Now, one can find dozens of agricultural units yielding over 40 quintals of wheat per hectare, 60 quintals of corn per hectare and so forth. The agricultural cooperatives in Plase and Kemishtaj, the agricultural enterprise in Maliq and others have been yielding, for years, up to 50 quintals of wheat per hectare and, in general, have had consistent results in increasing the production of bread grains. Also, the agricultural enterprises in Vrine and Vurgu, the agricultural cooperatives in Cakran and Peze and hundreds of brigades and sectors have yielded more than 70 quintals of corn per hectare in all their sown areas.

These examples of progressive experience show that the targets established for this five-year plan have real bases and, as Comrade Enver Hoxha says, /if we tackle the job seriously so as to generalize the progressive example which exists on a wide level, not only in all the country but also in every district and agricultural unit, will the plan be fulfilled, and all opportunities exist to overfulfill it every year./

Advanced experience served and is serving to create healthy convictions about the many reserves that exist in agriculture, to combat erroneous concepts and practices observed in certain cases and, especially, to combat one-sidedness in solving problems--practices which do not take into consideration the entire complex of factors of development. It is a known fact that the nonfulfillment of some tasks in the past five-year plan was caused mainly by shortcomings of this nature. One-sidedness existed, for example, in the evaluation and utilization of organic and chemical fertilizers. Thus, some directors of agricultural units, on the basis of the fact that chemical fertilizers had been increased, did not show proper care for increasing and promoting greater effectiveness in the use of organic fertilizers or did not properly harmonize their utilization in accordance with the composition of the soil and the requirements of crops. One-sidedness is also seen in the erroneous concepts of some cadres who think and say that "it is enough to have fertilizers and water to obtain the yields," thus, neglecting

the other factors such as crop services, sowing on schedule and with selected seeds, harvesting on schedule and without loss and so forth.

Of course, all these erroneous concepts and practices have been criticized and serious measures are being taken to correctly harmonize all the factors for increasing agricultural production. And, here again, what does progressive experience show today in the struggle to realize the tasks of the new five-year plan? The workers of advanced agricultural brigades and units, who have worked seriously according to scientific bases and have sweated over it, have achieved and are achieving great results by overfulfilling the expectations from the first year of the five-year plan. Thus, for example, the results of the agricultural enterprise in Fier, which produced more than 7,000 quintals of wheat above the plan, are not by chance, nor are the results of the agricultural cooperatives in Lapardha and Donofrose in Berat District, in Nikle in Kruje District, in Shirgjan and Shtermen in Elbasan District and of many other agricultural units which fulfilled and overfulfilled the plan tasks for increasing yields in the production of wheat and other crops.

However, to acquaint oneself on a general basis, simply and only with the results achieved by advanced agricultural units, in the production indicators and in the economic and financial indicators, as some cadres and specialists do, is not sufficient in order to deal with the generalization, dissemination and implementation of progressive experience. Such an action is not sufficient. With some figures of achievements one neither creates the proper conviction nor discovers the factors that had led to these results. As long as the requirements of the laws of science and technology find their practical implementation in progressive experience, it is understood that its assimilation and implementation require a thorough treatment, study and perseverence in an organized and scheduled manner. On the other hand, progressive experience must not be sought in some matters which are purely technical and organizational, only in some matters concerning the implementation of agrotechnology and of scientific discipline. Progressive experience is, at the same time and first of all, a matter of deep political and ideological content expressing a new understanding and attitude on the part of advanced workers toward duty, the responsibility that everyone feels toward the collective and society in general in regard to the implementation of the tasks. It is not possible to refer to large yields in agricultural production, Comrade Enver Hoxha teaches us, without having revolutionary concepts and convictions, without political and ideological clarity and without strengthening scientific discipline and work discipline. In this understanding, progressive experience keeps to itself, for example, how much and how one should struggle without retreating in the face of difficulties and how these difficulties are overcome, being always prepared for such an event.

This year the implementation of progressive experience, especially, that of the cultivation of wheat and corn, but also of the other crops, has been extended to a great number of agricultural units in all the districts of the country. In the meantime, the new experience is born and is being generalized. For this, a particular role is played by the schools of progressive experience operating in the agricultural units which have obtained and are obtaining great yields in production; they serve to encourage and perfect scientific thought, to document and

generalize progressive experience and the new things of science and agricultural technology on scientific bases, and to execute them in broad production. The schools of progressive experience for corn growing in agricultural cooperatives in Cakran and Peze and the schools for the livestock fodder base of the agricultural enterprise in Berat and the agricultural cooperatives in Bushat and Bucimasi and so forth have done good work this year. The schools of progressive experience for cotton and sunflower growing, for the creation of herds of cows with great productivity and those schools for economic and financial indicators in production have also fulfilled their tasks at a high level.

Nevertheless, from the analyses of the progress made by the schools of progressive experience, one can also see shortcomings in the work of these schools, especially, in regard to the drawing of necessary theoretical and practical conclusions. In this direction, the scientific research institutions can and must do more in regard to the scientific documentation of progressive experience and the generalization and dissemination of new elements of science and production. We find this positive experience in the work being done at the Dajci agricultural cooperative in Shkoder District, where, as a result of cooperation with the Institute of Corn and Rice, an improved technology of corn growing has been determined and is being implemented with scientific discipline, relying on the improvement of the level of utilization of existing machines, on planned and regular supplying of chemical fertilizers and on the use, with great effectiveness, of chemical fertilizers and of the entire material and technical base, aiming at yielding more than 75 quintals of corn per hectare from the entire area of 600 hectares sown with corn. It is worth mentioning that in this unit, as a result of the combining of progressive experience with the data of the scientific research work of accurate scientific workers, a complete systematization of the land was carried out, a bed suitable for the precise sowing of seeds was prepared, a correct combination of chemical fertilizers with organic fertilizers was assured in accordance with the chemical and physical composition of the soil and with the requirements of crops, and a number of new technical and organizational measures, including the harvesting of crops without loss of yields, are being implemented with scientific discipline. Present results show that the established targets will be overfulfilled. It is the task of the Ministry of Agriculture and of the district agricultural sections to disseminate more this experience and that of the Vrine agricultural enterprise in complex mechanization more rapidly in the plains area of the country.

In the execution of studies carried out by the agricultural units, the districts and the Ministry of Agriculture, special importance must be given to the measures /regarding the perfection of the scientific organization of agricultural production and of the utilization of new technologies./

In this framework, measures are foreseen for extending the centralization of agricultural crops according to districts, within the districts, and according to the agricultural units, sectors and brigades in order to further improve the structure of agricultural production, establish the most correct relationships between cultivated and non-cultivated crops and, along with the expansion of irrigation, progress toward the elimination of sowing of cultivated crops on the lands over water and of the sowing of wheat following wheat. In this way, concrete conditions will also be created to execute the rotation of agricultural crops on sound scientific bases.

Many agricultural units have embarked on the road to the complete assimilation of studies on the centralization and specialization of production and on the rotation of agricultural crops. The experience of the Plase cooperative in Korce, of the Grecalli and Pojan cooperatives in Fier, the Kemishtaj and Gorrese cooperatives in Lushnje and many other units show the great role played by the scientific organization of agricultural production in increasing yields. However, this problem is not correctly evaluated everywhere; there is still lack of clarity, lack of evaluation of studies carried out and lack of implementation of measures assigned. There also are cases showing that studies have not been completed or that they have not been completely harmonized with the given tasks. Therefore, these studies are being reviewed everywhere in order to reflect in them the proposals made during the discussions on the draft directives of the Eighth Party Congress for the Seventh Five-Year Plan. The Ministry of Agriculture, too, together with the scientific institutions under its jurisdiction, has begun to deal better with the perfection of zoning, centralization and specialization of agricultural crops at the level of the entire country and of every district.

According to preliminary studies, it is stipulated that 70 percent of the sunflowers will be sown in six districts, 95 percent of the cotton, in four districts and 50 percent of the tobacco, in three districts. There are plans to carry out further improvements in the centralization of production of field crops at the level of agricultural units and sectors which will grow not more than five or six crops; while, the brigades will grow not more than two or three crops. This will help to provide a better specialization for workers and to increase mechanization of work processes and so forth.

However, the government and economic organs in agriculture and, especially, the scientific institutions have important problems to solve /in the field of continual improvement of the structures of the varieties of each agricultural crop,/ in harmony with ecological conditions by securing elite seeds, of the first reproduction and hybrids of high productivity, resistant to diseases and with suitable technological quality. In this field, the Institute of Corn and Rice in Shkoder, the Institute for Vegetables and Potatoes in Tirana, the Institute of Agricultural Research in Lushnje and the scientific stations under their jurisdiction, in cooperation with production cadres and specialists, have done and are doing a good work to satisfy the needs of the country for seeds with great biological capacity. A very good work is also being carried out in the field of zoning and dissemination of varieties and of hybrids of various agricultural crops, in accordance with the concrete conditions of the land and climate in the districts and agricultural units. However, the requirements of the present stage of agricultural development demand a more extensive work in this field, relying on healthy scientific bases and aiming at taking into consideration the types of soil, the pre-crop conditions, the climate conditions and the sowing deadlines in determining the structure of species for each agricultural unit. This is the only way possible to assimilate the biological producing capacity of the various seeds in a complete manner.

The treatment of these problems in national aktivs, in consultations and discussions held in agricultural units has helped to increase the concern of specialists and workers to implement, in broad production, the technologies recommended by the scientific institutions. In the meantime, there are many agricultural units

which, in cooperation with the workers of the scientific institutions, are carrying out the multiplication of seeds and ensuring, according to the plan, the necessary quantity of varieties and of hybrids of agricultural crops, whose production has been increased from year to year. During this five-year plan, too, on the basis of experience gained, not only will greater quantities of seeds of various species be insured, but also noticeable improvements will be carried out in regard to their quality, adapting them better for the scientific requirements of the creation and multiplication of seeds of great productivity and with good technological quality.

To insure high yields, on the basis of the biological capacity of the seeds used in agricultural units, along with the work which is being done and which must be further improved so as to ensure the genetic base of production, better work must be carried out to improve the agrotechnology of growing bread grains and other agricultural crops so that this agrotechnology will respond to the requirements for the treatment of new species of seeds of high productivity. We stress this because there are many cases showing that, in practice, the level of services to crops and that of technologies and techniques used in their treatment is not in complete harmony with the biological requirements of the new varieties of crops which we are growing.

The guidelines of the party assign important tasks for the better satisfaction of the needs of the people and of the economy for fats, sugar, cotton and other articles because, in the conditions when the population of our country is increasing rapidly, it is stipulated that in the Seventh Five-Year Plan further improvements will be carried out to increase the per capita consumption of fats, sugar, cotton products and other agricultural products. And we must say that this will be achieved mainly by increasing yields for every hectare of land sown with industrial crops and improving production quality, by increasing, for example, the sugar content in sugarbeets tubers, the fat content in sunflower seeds, and the length of the yarn of cotton balls by improving the quality indicators of tobacco and so forth. These things will be achieved by introducing new species in production and by improving the technology of growing these crops.

The increase in vegetables and potato production in the proportions stipulated by the draft directives will be reached through the extension of the centralization of these crops in specialized agricultural units, sectors and brigades and through the increase of the areas in protected environments, the extension of drained areas, the increase of irrigation in the form of rain and so forth.

As it appeared from the public discussion on the draft directives of the Eighth Party Congress for the Seventh Five-Year Plan, a special role in increasing agricultural production and reducing production expenditures will be played by /the improvement of the level of mechanization of operations for every crop,/ a fact widely proven by practice. It is a fact that many of the agricultural brigades, sectors and units which obtain high yields and which are steadily and continually increasing their yields, have insured this success because of a higher level of mechanization of their operations in comparison with other units. This factor has positively helped them to use their material and technical base more effectively and to increase the effectiveness of all other production factors. This

is also shown by the experience of the Vrine agricultural enterprise in Sarande District where, as a result of a complex mechanization of operations and services for the corn crop, satisfying the needs of the crop on schedule and with quality, for 2 years a yield of more than 70 quintals of corn per hectare has been obtained on all the area sown with this crop and at very small cost.

However, despite the results achieved up to now in the improvement of the level of mechanization of operations and of services in agriculture, there still remains much to be done in this field. Even a general examination reveals that there are significant differences among the districts, the machine tractor stations, and the agricultural enterprises in regard to the utilization of tractors, machines and other pieces of agricultural equipment, a fact which constitutes a great reserve in regard to the improvement of the level of mechanization without investing supplementary expenditures for other machines. And, every machine tractor station and agricultural unit has the opportunity to improve the coefficient of utilization and the effectiveness of every tractor and agricultural machine, only if they profit from the experience of the best elements. However, the utilization of these possibilities requires that better organized work be carried out in regard to popularizing the measures that have led many tractor drivers and tractor brigades to fulfill and over fulfill the planned load of machine means and to schedule and execute concrete measures so as to increase the present coefficient of utilization for every tractor and agricultural machine, as is being done in many districts and agricultural units.

When concentrating our attention on the most complete utilization of tractors, machines and other basic agricultural equipment, we must never lose sight of the tasks which the party has assigned for the small-scale mechanization, using simple and very simple mechanisms. Every year, our agricultural units are supplied with simple mechanisms produced by our machine industry, mechanisms activated by animals, such as mechanisms for plowing, sowing, hoeing and for other services. As a result, the volume of work carried out by simple mechanisms has been increased; but, still, in many agricultural units these mechanisms are not used at the proper level, according to correct criteria and with great effectiveness. Good experience in this field has been gained by Korce District which has provided the necessary system of mechanisms for agricultural work for every work animal and the suitable types of carts for internal transportation service, achieving high indicators in the utilization of mechanisms and of work animals.

The draft of the Seventh Five-Year Plan stipulates important measures for the rapid development of livestock, as a very important branch of agriculture and, especially, of livestock production. /The increase of the production of milk, meat and eggs will be achieved mainly by improving the productivity per head of animal, invigorating the fodder base as the main factor for the development of livestock./

Implementing the guideline of the party--that there is no intensive agriculture without an advanced livestock sector--a number of measures have been adopted and are being implemented for increasing the number of heads of livestock and the productivity of all species of livestock, placing its development on healthy scientific bases. In the struggle against erroneous trends and practices of unilateral development, in regard to some livestock species, now in all agricultural

units there is a livestock structure in which, beside sheep and goats which have developed traditionally in our country, cattle, pigs and poultry have taken on great proportions and are becoming more and more important in livestock production, in accordance with the concrete conditions of every agricultural unit, area and district. Great investments have been made and are being made for the improvement of livestock breeding, achieving noticeable results in this field. The increase of investments for the land for the mechanization of agricultural works, for irrigation and for fertilizing helps, at the same time, to invigorate the livestock fodder base.

What attracts attention in the draft directives of the Eighth Party Congress for the Seventh Five-Year Plan is the fact that the increase of livestock production will be implemented mainly through the increase of production per head of animal. This will be realized through the invigoration of fodder base and the creation of massive herds with high productivity and through the measures scheduled to be taken to improve the conditions of the administration, treatment, and feeding of animals and poultry, by means of fodder processing, by constructing lines and plants with advanced technology for the production of balanced fodder for the various species and categories of animals and poultry. Large investments are also earmarked for setting up livestock complexes for cattle, pigs, poultry and lambs.

As a result of the measures adopted and of those to be adopted for the improvement of livestock breeding, it is expected that at the end of the five-year plan the number of thoroughbred and improved breed cows will be about 90 percent of the total number and the number of thoroughbred and improved breed sheep will be 80 percent. Conditions are being created for the scientific administration of the herds of animals belonging to the families of the members of cooperatives; this part of livestock constitutes a great national resource.

However, without denying the successes we have achieved, the material and technical base of livestock is not being utilized everywhere with complete effectiveness. In some districts, as a result of undervaluations and of an uncompleted work observed in regard to fodder crops and to livestock in general, the yields from animals is far from the possibilities and capacities they have for production. In some agricultural units the costs of livestock products, especially the cost of meat products, is still high. As the public discussions on the draft directives showed, if some agricultural units do not fulfill the plan tasks for livestock products, this happens because there still exists a kind of disharmony between the level of breeding improvement and the biological producing potential of animals, on the one hand, and the level of ensuring the fodder base and the scientific treatment of the feeding of animals, on the other hand. It happens that some agricultural cooperatives obtain low yields in livestock production because they do not work with the same intensity for increasing the number of animals and improving their breed as for insuring the fodder base for livestock, a fact which has led to the reduction of the effectiveness of the social labor spent in the livestock sphere and of the investments carried out for building stables, improving breeds, training specialists and so forth. While, progressive experience shows that in those agricultural units, such as the agricultural enterprises in Berat, Lezhe, Lushnje and Korce and the agricultural cooperatives in Bucimas, Kemishtaj, Lekaj and in other places, where measures for the developing livestock

and increasing livestock production are evaluated in their entirety, the effectiveness of the use of the material and technical base has been great and livestock production has continually been increasing, at lower costs.

The increase of livestock production in the proportions stipulated in the draft directives requires a better understanding and evaluation of the tasks for the intensive development of livestock. To reach targets in livestock, among other things, particular importance is being devoted to the construction of livestock complexes and some other units which support the numerical development of animals and their breeding improvement and the invigoration of their fodder base, using new technologies in the administration of animals and in feeding them. On the basis of studies carried out, there are plans to construct 26 livestock complexes which will provide 18-20 percent of the meat and 55 percent of the eggs. The work on their construction began a long time ago and some of them have already started their production. The technology of the administration of animals in these complexes is an advanced one. In these complexes almost all the main processes are carried out in a mechanized manner and the technological parameters and indicators of the microclimate, such as temperature, light, air and so forth are controllable and some of them are automatic.

As it is stressed in the draft directives, in order to realize productivity per head of animal in livestock, priority is given to the rapid increase of the fodder base and to its best utilization. As a result of the measures adopted this year, the area sown with fodder crops has been increased and, in addition to other things, efforts are being made to provide about twice as much silage, as last year, where an important role is played by corn silage in the second stage of ripening. Seeing the providing of the fodder base as a decisive link for livestock development and for ensuring the necessary quantity of fodder for livestock, especially, in the conditions of the herding of animals belonging to the families of the members of cooperatives, organizational and agrotechnological measures are being taken to obtain, from fodder crops, production yields 2-3 times higher than those obtained up to now. More attention is being devoted to increasing the productivity and capacity of grasslands and to the collection and processing of all by-products of agricultural crops which will be used as livestock fodder in order to increase the reserves of fodder base. However, in order to insure the greatest stability in livestock products, priority will be given to high productivity fodder crops, such as alfalfa, corn and sorghum of meadows from which, through the implementation of high technology, an average of more than 70 fodder units per hectare will be yielded. In the present conditions, a particular importance will be given to the construction of some special plants for the processing of fodder and of the by-products of agriculture and industry, which will increase the reserves of fodder base for livestock, will elevate the use of coarse fodder food to a higher level and, on the basis of improved technology of their consumption in a combined manner with the other kinds of fodder, will provide the animals with fodder balanced in quantity and quality.

The achievement of the targets assigned by the draft directives of the Eighth Party Congress for the Seventh Five-Year Plan in the field of agriculture requires evaluation and implementation with strict discipline of study data, of scientific research work and progressive experience in order to elevate the

effectiveness of work in general and the investments already invested and to be invested in agriculture.

The tasks assigned for the development of agriculture in this five-year plan can be executed. Their execution relies, first of all, on the mobilization of the agricultural workers to utilize, with great effectiveness, all the material and financial resources which the party has put at the disposal of agriculture. Therefore, let us further elevate the great spirit of optimism, of readiness and of mobilization, which characterized the discussions of the draft directives, for the fulfillment and overfulfillment of the tasks assigned to us.

9150
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## VALUE ANALYSIS REINSTATED AS ECONOMY MEASURE

Prague HOSPODARSKE NOVINY in Czech 22 Jan 82 p 7

[Article by Eng Vladimir Duchek, PAL [Instrument and Accessory Industry for Aircraft and Automobiles] Kbely and Docent Eng Radim Vlcek, CSc, Advanced School of Economics, Prague: "Value Analysis Reinstated"]

> [Text] Value analysis has been known for a long time and is a time-tested tool by means of which the optimum quality and proper functioning of products is achieved at reduced production costs. The design and management workers in a number of our enterprises have already realized this. Many years ago, virtually since 1965, steps were taken to introduce value analysis and use it permanently. However, this method met the same fate in the considerable number of progressive enterprises. After a short period of admiration and enthusiasm for value analysis, problems and difficulties began to arise in its application. This article describes how it was and is in PAL Kbely enterprise.

Value analysis can reveal the possibilities of considerably reducing material consumption as well as laboriousness, while maintaining or even increasing the quality and functional reliability of products. A 20-40 percent reduction of production costs represented frequently the above-average results achieved by value-analysis teams. The reduction of production costs by 60 percent or more was by no means exceptional, although quality and functional reliability remained the same. But at a time when enterprises worried about the fulfillment of gross production or commodity production plans, this activity began to be regarded as secondary and was eventually discontinued.

### Why Was Value Analysis Discontinued?

Due to the planning mechanism and methods of pricing at the time, it often happened that value analysis actually harmed the interests of enterprises which were predominantly set to meet the quantitative indicators of gross production. It happened occasionally that a radical reduction of production costs exceeding the planned rate, a reduction which was achieved by means of the value analysis, resulted in the revision of wholesale price of the respective product.

This was ultimately reflected in the reduction of gross and commodity production, and the enterprise began to worry about complying with the indicators in which it was financially interested. It began to encounter problems because it reduced the prices of products in a socially desirable way, while its plan targets remained unchanged.

Labor productivity calculated on the basis of the commodity production indicator "declined" in such an enterprise, although it continued to produce the same and sometimes even bigger quantity of goods, but at lower prices. This led to extreme situations in which the enterprises observed the well-known rule: the more expensive, the better. What actually was the problem? The virtual discrepancy between the value and use value. It was a discrepancy which continued to increase due to the active effect of scientific-technical progress in production or in other words to the practical application of scientific and technological achievements.

Under such circumstances, value analysis must have appeared as something far removed from the enterprise interest, something from which the enterprise could not benefit. This was the general tendency which, however, did not rule out the sensitive application of value analysis in the solution of those problems of an intensive nature which gradually reasserted themselves in economic development. This explains also the reason why this method--such an explicitly intensification tool--existed in the economy with the still noticeable and prevailing features of extensive development.

Moreover, it existed in a model of economic management which was based predominantly on the indicators taking into account only the value aspect of social production. Despite all effort exerted by the state, such a model could not rationally record the key, socially positive changes in the area of use values and was, therefore, a favorable climate for the above-mentioned discrepancy between values and use values. Particularly by its qualitative plan indicators, the "Set of Measures" embarked on the road toward the alleviation and gradual elimination of this discrepancy.

All this was generally true also of the PAL Kbely enterprise which organized courses in value analysis for its workers in 1972 and thus made the first step toward its introduction. At the beginning, it seemed that there were no obstacles to making value analysis a permanent tool for increasing enterprise efficiency.

This impression must have been gained by everybody who attended the courses or came into contact with the participants after their training was finished. Steps were taken to put value analysis into effect immediately. In the course of 2 years, value analysis helped complete and introduce standardization of the size of liquid switches, which not only simplified and shortened the preproduction stages for these products, but also--due to mass production--reduced their cost for consumers.

It became clear even during the first 2 years of application of value analysis at PAL Kbely, however, that those 30 trained workers were not enough for innovation purposes on the basis of value analysis. Moreover, there was no managing and methodological center which could direct and further develop the

application of value analysis. The management of PAL Kbely enterprise then had to deal with more urgent problems related to the fulfillment of the gross and commodity production plan, and was not very interested in the fate of the method which could substantially affect the required quality and efficiency of production.

Why Was Value Analysis Reinstated Again?

Although there was no lack of zest and enthusiasm among the few workers when value analysis was first applied at the Pal enterprise in Kbely, the enterprise management failed to back it up and assume responsibility for the method guaranteed by the department or at least by the authorized worker. It seems that nobody in the enterprise management felt like doing this, which was absolutely indispensable if the method was to be successful and permanently used. In other words, the necessary motive and economic pressure was simply lacking. That pressure which due to the gradual application of the "Set of Measures" is beginning to appear in the form of the necessary increase in quality and technical progressiveness of products, not only at unchanged, but often at lower production costs.

For this reason, during the preparation for the conditions created by the "Set of Measures," value analysis was reinstated at PAL Kbely 2 years ago. A center for on-the-job training was established, where the necessary number of experts were trained. It is clear from the above that they, in one of the few enterprises so far, began to develop a well-rounded, comprehensive system of management of product innovation and modernization changes in production by means of value analysis. The utilization of this method first as a management tool--the analysis of production costs and functional reliability of products--and the application of the same method later as a tool for product innovation proved to be an economy measure. The analysis of product cost and functional reliability revealed some new facts on efficiency and inefficiency of products.

On the basis of these findings, the enterprise subjected to value analysis particularly products with a high percentage of material costs and inferior performance. Within the State Target Program 03--Reduction of Metal Consumption during the Seventh Five-Year Plan--the windshield wiper for cars was selected for value analysis since some materials required for their production, particularly stainless steels, are in short supply.

A team of technicians, economists and blue-collar workers succeeded in developing, by means of value analysis, a new design of windshield wipers with an almost 25 percent reduction of production, particularly of labor and materials, costs. The samples are being tested now.

Another example of the use of value analysis was the establishment of the team for redesigning the lever drive of windshield wipers. The results are very encouraging. The adoption of some of proposed variants may result in as much as 15 percent reduction of their production costs.

Due to its past experiences, the PAL Kbely enterprise now participates in the value-analysis experiment which has been organized, on the initiative of the Government Committee for Planned Management of the National Economy, by the

Central Technical Section of Value Engineering of CSVTS [Czechoslovak Scientific and Technological Society]. The purpose of this experiment in value analysis, in which approximately 20 VJH [economic production units] and enterprise participate, is to work out in more detail those sections of the "Set of Measures" which concern qualitative plan indicators. It is to further develop those management tools and incentives which will promote increased active participation of workers in management and their rationalization and modernization activities stimulated by value analysis. This should lead to the more effective utilization of intensification elements in the development of our economy. Those elements which should contribute to further alleviation of the above-mentioned discrepancy between value and use value.

10501
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DEBTS TO WEST SEEN LIMITING ECONOMIC GROWTH

Zurich NEUE ZUERCHER ZEITUNG in German 18 Feb 82 pp 11-12

/Article by 'oo': "The GDR as Conversion Candidate? Doubts About the High Economic Growth Rate"/

/Text/ In view of the strong economic growth resulting in large imports, the GDR has been compelled to run up large debts to the West in recent years: The loans outstanding amount to around $10 billion. The country is also in the red with the USSR. When we consider the accumulation of loans maturing this year, the GDR may well have difficulties in meeting all payment obligations without conversion. On the plus side, though, we must note that the country is still getting loans, so that conversion may not be absolutely necessary. Some Western experts continue to have a good deal of confidence in the GDR economy. The lack of data in East German statistics, on the other hand, allows little insight in that economy, and this encourages speculations about the actual situation.

Insufficient Exports

In recent years the GDR has not succeeded in translating its respectable economic growth into a strong rise in exports, something which would considerably reduce the balance of trade deficit and now allow the debt to increase even further. Though, by comparison with the other CEMA countries the GDR boasts an efficient economy, it is not able to earn the high interest payments by way of exports, because the quality of its products is not good enough.

Last year the country achieved a 5 percent growth in the produced national income. This represents an advance compared with the 1976-1980 Five-Year Plan. The GDR is the only CEMA country not to have reduced its economic growth in recent years. Unfortunately this resulted in increased imports and rising debts. In its report the German Institute for Econom ic Research (DIW) emphasizes that the great growth of the GDR suggests the question whether such a development is plausible in view of the recognizable trends of production factors. East Berlin's own reporting practice contributes a good deal to such skepticism: In many respects it is full of holes and supplies figures that cannot be directly compared with the data of the economic plans and the official statistics; indeed in some cases they directly contradict them. In this connection some Western experts point out that the Polish Solidarity trade union discovered Polish statistics to have been deliberately manipulated by the Warsaw Government in order to present a more favorable image of the economic situation.

Indicators of Economic Development (to some extent estimated)

| | 1976-1980 Actual Results | 1981-1985 Plan | 1981 Plan | 1981 Actual Results | 1982 Plan |
|---|---|---|---|---|---|
| Produced national income | 4.1 | 5,1 | 5.0 | 5.0 | 4.8 |
| Industrial goods production | 4.7 | 5.1 | 5.1 | 5.1 | 6.4 |
| Agriculture | 0.3 | 2.1 - 2.3 | - 1.0 | 0.7 | - |
| Total investments | 5.2 | - 0.3 | - | 2 | - |
| Retail turnover | 4.1 | 3.7 | 4.0 | 2.5 | 4.8 |

Uncertain Situation in the Investment Sector

The official figures reported by East Berlin for investments are quite enough to muddy the image. The DIW researchers estimate that the real growth rate of investments for the total economy amounted to about 2 percent in 1981. However, a serious decline in the rate of construction investments was recorded--26 percent following 30.5 percent the previous year. This signifies a remarkable shift in investment expenditure: Construction investments may be assumed to have dropped by about 10 percent; equipment investments, on the other hand, rose by roughly 10 percent. The weak development of domestic investments and the decline in the investment rates is therefore greater than would be assumed at first glance. Success has also been achieved in stimulating rationalization investments, in the past the Achilles heel of the GDR.

At the same time the decisionmaking about investments is strongly centralized: Investment projects exceeding M5 million are subject to checks by the competent minister and the State Planning Commission; local organs are competent for smaller projects. The combines decisionmaking authority is thus strictly limited.

Expansion investments were mainly recorded in the coal and energy sectors, also in the chemical and metallurgical industries. It is part of the new strategy, though, to raise the efficiency of existing plants by modernization. Renewal processes are to be initiated not by way of replacement but by reequipment. While this may not be the most efficient way in every case, it seems initially to have been quite successful.

The organizational factor also has had some impact. Combine establishment signified the better organization of production, greater coordination of component supplies and, especially, the integration of research and production. It has therefore yielded growth promoting impulses. It should not be overlooked, though, that economic growth also involves better individual performance. The DIW experts in West Berlin assume that there has been some success in improving the willingness to perform.

1982--Key Year

Despite the strong economic growth the GDR managed in 1981 to keep primary energy consumption steady. The official plan fulfillment report proudly notes a decline in heating oil consumption by 15 percent and of hard coal consumption by roughly a third; this amounts to about 1.3 million tons heating oil and 2 million tons hard coal less than in 1980. However, the reduction in the consumption of heating oil is only in part due to conservation: Mainly involved seem to be the effects of a restructuring--in the past 2 years several power and heating plants have been converted from oil to the use of raw brown coal.

It must be remembered also that it is easy for the GDR to achieve some success in conservation, because the country's specific consumption is extremely high: In 1981 7.6 tons per capita of hard coal units (SKE) compared to 6.0 tons in the FRG. As the GDR's national product is well below that of the FRG, energy use in East Germany should in fact be proportionately lower, not higher.

In 1981 industrial output grew by 5.1 percent. The original plan targets were not met in four sectors--chemicals, general machine construction, glass and ceramics and bezirk managed food industry. The plans were exceeded in other industries. According to the DIW report the construction industry built or modernized 185,000 housing units, almost 10 percent more than in 1980. On the other hand the GDR leadership was less than satisfied with the results achieved in farming.

The standard of living generally stagnated: Nominal net cash incomes rose by 3.3 percent in 1981 (plan: 4 percent). Net wages and salaries increased by 4 percent. Retail turnover grew by only 2.5 percent, the smallest growth in many years. If we take into account the higher prices for better quality goods, real private consumption must be assumed to have barely risen in 1981.

In 1981 subsidies for the maintenance of stable consumer prices of essential goods and fares rose by 17 percent to a noteworthy M19.8 billion. They were designed to offset for the consumers those price increases arising for various industrial goods and, especially, foods, in the course of the "planned price rise" at enterprise level. Subsidies to the housing system grew by 10 percent to M7.9 billion.

The development of produced and domestically used national income shows that the GDR economic leadership pursued in 1981 with particular emphasis a strategy of reducing foreign trade burdens. The produced national income expanded by about 5 percent, domestic consumption by only 1-2 percent. Obviously increased has the share of production growth earmarked for exports. As usual, though, the plan fulfillment report is particularly reticent on the topic foreign trade; it reports only a 10 percent growth in foreign trade turnover (compared with 16 percent the previous year).

1982 plan targets are set somewhat lower. In the opinion of the GDR leadership the current year is a key year for the realization of the total 1981-1985 Five-Year Plan.

11698
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## TRAINING OF PILOTS FOR LOT DISCUSSED

Warsaw SKRZYDLATA POLSKA in Polish No 51-52, 20-27 Dec 81 p8

[Roundtable discussion with Docent Dr Adam Borowski, Dr Tadeusz Knap, Director of the Aviation Institute, and Dr Andrzej Tomczyk, on the subject of their views concerning the training of engineer pilots, at the headquarters of the Aviation Institute, Rzeszow Technical University, by Tadeusz Malinowski: "The Training of Engineer Pilots"]

[Text] [Question] Our meeting is taking place during a period when there are still opposing views concerning the training of civilian professional pilots, especially for the needs of LOT Polish Air Lines. There is a view held by many pilots that in order to fly professionally all one needs is to handle the control wheel or stick well. Although at one time a pilot's manual skills were the sole determinant of his suitability in aviation, now such skills are no longer considered to be the most important.

[Dr Andrzej Tomczyk] Views differ on the subject of training, but we must remember that as aeronautical engineering develops, requirements increase for all those who use aircraft, especially pilots. High demands are made of them. Abroad pilot training tends to become more and more technical, and it is geared more to technology, to logical thinking, and to the overall knowledge of the pilot than merely to manual skills. Docent Borowski had the opportunity to acquaint himself with various pilot training facilities abroad, including those in Japan. For example, the Japanese told him that they consider a pilot's skills to be 10 percent manual and 90 percent familiarity with the aircraft and all sorts of traffic and technical issues which go together to pilot the aircraft...

[Doc Dr Adam Borowski]... and also skill in making a decision based on the familiarity with the technical aspects.

[Dr Tomczyk] All these issues lie at the foundation of the assumption that it is not enough to provide mere flight training like the air clubs provide, for example, the sort which instills certain pilot skills. What is lacking in it is the general aeronautical and technical preparation which should be expected from the future airline transport pilot. Various flight training theories are used abroad. Within our group there has developed the concept of linking technical higher education to the acquisition of professional

pilot qualifications. A college diploma is not required of a pilot everywhere, although this requirement is common enough, for example, in the Soviet Union, Japan, the United States, and other countries, in which flight academies have the standing of institutions of higher education.

[Dr Borowski] In the training centers for English transport pilots no formal university studies are conducted, but it is worthwhile to look at what they do in the course of this training, what their recruiting is like, and what disqualifies them. What disqualifies them is not some sort of lack of manual dexterity but, above all, mathematics. When we take a look at their training curriculum, we come to the conclusion that he is also an engineer, without being called one.

[Dr Tadeusz Knap] You have to also remember that in our country the distinction is very rigid: secondary education and higher education. In the western countries, on the other hand, the system of training is differentiated.

[Dr Borowski] There they have something like a College. Nobody knows what it is, whether it is a good post-secondary college preparatory or a low-quality university.

[Dr Tomczyk] In the pilot's profession, along with the acquired skills: the general technical, flight, and piloting skills, you also need independence and responsibility...

[Dr Borowski] The studies require a certain way of being, and thinking characteristic of people with a college degree. Of course I have in mind not only those people who have the course credits and have taken the examinations but also those who have spent the time at that age in an academic environment. This very fact itself changes a person.

[Dr Knap] It simply develops the person.

[Dr Borowski] One of the reasons LOT began to look for a partner to cooperate in the training of pilots with college degrees was the fact that they wanted to have captains under 50 years of age. The training cycle in our country has meant that the pilot came to LOT at about 40 years of age, more or less. I may be exaggerating a bit when I say that from the day a pilot is hired the management of LOT worries about when he will lose his medical. Our engineer pilot, according to our calculations, has the chance of making it to the left seat [that of pilot-in-command, or captain] by age 30-35, in the target type, of course. He will make it in the first type several years earlier.

[Question] This is a great advantage, because this sort of extends the lifetime of the pilot at LOT by at least 10 years, if not more. We should expect it to be more profitable for LOT to train a young engineer pilot aged 22-23 years following graduation from Rzeszow Technical University than to train two or three pilots 35-42 years of age without a college diploma.

[Dr Borowski] Views on the subject of the captain's age are divided. At some of the airlines, and this includes the most important ones, it is thought that on the heavies (Jumbo Jets, Boeing, DC-10s, and so on) the captain must be older, experienced. He simply cannot be a man of 28-30 years old. In Japan, for example, they put a technical university graduate into an aircraft for 7 years as a flight engineer. Then he flies for a few years as a first officer [second pilot]. He finally becomes a captain. The period he flies as first officer there is not clearly specified. When Americans fly the heavies, the whole crew looks like scouts except for the captain of the ship, who is already an old man. Of course he does not start to fly on the airlines, as in our country, at the age of about 40, but he does not get put into the left seat much earlier. And so we have two examples. The first, a pilot who we might say is at the peak of his psychophysical condition is already flying in the left seat. In the second, the pilot should have a little ordinary life experience, a sense of responsibility.

[Question] Is it not a waste of time to cart around a pilot as a flight engineer for 7 years?

[Dr Borowski] I had similar doubts. I asked the Japanese the same question. They asked me whether I was a pilot. I told them that I had only flown gliders at one time. Very good. They sat me down for an hour in an original Jumbo Jet simulator. I flew a little. Then they asked me whether it was so difficult. I botched a little of it, but how much would you have to be taught as somebody right off the street in order to be able to handle the control wheel? After all, it is very simple. If you were to get some training from time to time, it would be quite enough. On the other hand, the aircraft are very complicated. Let us assume that there is some incident or emergency and the pilot has to make a decision. After all, the pilot needs more than mere manual skills. He makes the decision solely on the basis of technical information gained from the other members of the crew of the aircraft. The future captain (of course from time to time he also sits at the controls of the airplane) is endlessly getting experience through many years' observation from the position of flight engineer watching the crew at work, especially the pilot-in-command, the captain.

[Question] How did they work out this model for themselves?

[Dr Borowski] The Japanese use the three-pilot model: the pilot-in-command, (or captain), the first officer (or second pilot), and the flight engineer.

[Dr Tomczyk] I think we are taking too one-sided a look at the matter, as solely a pilot problem. After all, we are dealing not only with the pilot but with the entire crew.

[Dr Borowski] For a short time the Japanese also send the future pilot to the business department, and this is solely to learn how to deal with people. The Japanese do not consider this a waste of time.

[Dr Tomczyk] As LOT gathers experience from the preliminary courses it has organized, it is astonished at the low level of many pilots in these courses. Pilots with a great deal of experience also apply. In this connection the level of the course should be averaged. It cannot be high. On the other hand LOT has what is called "authomatic advancement." There simply comes the specified time, and then the first officer becomes a captain (first pilot). Therefore the level of certain captains is not the greatest. Actually, such a captain should not fly without a good first officer. In our talks LOT expressed the view that airline candidates should be on more or less an even level.

[Dr Borowski] The profession of the pilot is one of those professions which one can cease to exercise from one day to the next for various reasons. We think that a pilot with a post-secondary aviation diploma (even with a pilot specialization) has a second profession at the same time. He simply does not drop out of aviation. He can continue to work in it. He can be employed at various positions in aviation.

[Question] Thank you gentlemen for meeting with us. I would like to invite you to another discussion on the subject of youth already in college, of recruiting for pilot specialties, and of experience stemming from past work in instruction.

10790
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# APPLICATION OF ECONOMIC EFFICIENCY MEASURES IN INDUSTRY

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[Article by Dr Gh. Sica]

[Text] In the current international economic context, when the evolution of prices for certain raw materials and materials as well as for technological equipment is rather sustained, when interest in credit operations has taken on alarming proportion when the monetary and financial-currency system has deteriorated and when inflationary processes are besetting the national economies, one of the few healthy alternatives which can counterpose this kind of situation is the increase in economic efficiency in the area of material production. Truly, the saving of social labor, growth in labor productivity, reduction in costs per unit of product--endogenous components of economic efficiency--can represent a firm and effective answer to the current international economic context.

As we see from recent speeches by Comrade Nicolae Ceausescu at meetings of the supreme party and state forums and of our socialist democracy, it is necessary more than ever to promote the intensive factors in social-economic development firmly and on a broad front and to fully satisfy the requirements of the increase in economic efficiency with a high spirit of responsibility so that the maximum results can be obtained from the production assets advanced by society.

## The Indicators of Efficiency and Economic Practice

In a general acceptance, economic efficiency is the expression of the ratio between useful effect and expenses for obtaining it, in other words, the expression of the ratio between results and the effort made by society. The greater the effect achieved per unit of expense or, inversely, the smaller the expense incurred by production of a certain useful effect, the higher the efficiency.

In our socialist system, the determination and continual growth in efficiency is of primary importance, with society being deeply concerned with the most efficient possible utilization of material, financial and human resources it has available with a view to social-economic progress. For that reason, each decision must be substantiated in conformity with the requirements for economic efficiency in carrying out the technical-economic processes in enterprises and centrals. This means a solid knowledge of the volume and structure of production factors which participate in the particular process with the goal of maximizing the results.

Taking in an immense variety of aspects of economic activity, efficiency cannot be judged according to a single indicator but according to a large number of indicators such as the level of production costs and of material expenses per unit of product, the level of labor productivity, the rate of profitability, the net income per 1,000 lei of production capital, the net production per 1,000 lei of fixed capital, the profit per 1,000 lei of fixed capital and so forth. These indicators measure in particular the efficiency in the microeconomy, that is, the base units, since efficiency at the macroeconomic level can be judged according to other indicators such as, for example, the rise in national income per worker, the rise in national income per unit of investment, the net efficiency of fixed capital, the correlation between growth in labor productivity and increase in fixed capital and so forth.

Clearly, depending on the specific nature of technical-economic processes (production, investments, foreign trade, scientific research), appeal is made to adequate indicators in order to investigate efficiency. In our opinion, the indicator in production which expresses best the results-effort ratio is the "net income per 1,000 lei assets of average production" (fixed and circulating).

Whereas we distinguish an "immediate efficiency" and a "future efficiency" with regard to calculations of efficiency in relationship to the period of time to which we are referring, from the viewpoint of the scale of economic processes, we note an "efficiency at the microeconomic level" as well as an "efficiency at the macroeconomic level." In this stage, the emphasis must be placed particularly on immediate efficiency and at the microeconomic level, since in this way the necessary impetus also is given for future and macroeconomic efficiency.

The contradictions which can be demonstrated between various forms of efficiency (macro- and microeconomic, current and long-term) can be eliminated when production and delivery prices are judiciously placed on the scale of values of usage according to the principle of "equal price for equal useful effect." From here we have the need for a systematic observation of the price-quality relationship, for systematically bringing production and delivery prices up to date in order judiciously to reflect the consumptions of social labor and the principal correlations established at the world level between various values of usage.

Acting on each job to reduce material costs and expenses and to block any channels of waste and to strengthen discipline and increase labor productivity, at the same time we are taking action to increase economic efficiency.

The recent five-year plans have been characterized by continued intensification of concerns with increasing the economic efficiency of all branches of material production with a view to providing the necessary resources for the social-economic progress of Romania and for fulfillment of the party's program to create the multilaterally developed socialist society under the best possible conditions.

In the preceding five-year plan, for example, the average annual growth rate of the national income (7.2 percent ) exceeded that of social product (6.9 percent) as a result of reduction in the share of material expenses. Clearly this was obtained mainly through broad promotion of technical progress in the production units; on the basis of the large investments made, the average value of fixed assets rose at an average annual rate of around 8 percent. The volume of savings

achieved in the last five-year plan due to reducing production costs was more than 120 billion lei for the national economy as a whole. Progress was made in reducing material consumption, in utilization of recoverable materials and in more rational use of fuels and energy. Emphasis was placed on the degree of processing and utilization of raw materials and materials and concern rose for intensive use of production capabilities and for utilization of the economic, financial and human potential with maximum results.

As an overall evaluation one may say that in past years the problems of saving social labor entered more into the field of observation of the decision-making factors in the economic units, centrals and ministries. Despite the positive results obtained, some aspects of economic efficiency were neglected, particularly in the production and profits obtained per 1,000 lei of fixed assets; some production capabilities were not used completely; enterprises existed, ones which ended their activity with losses or which manufactured products at a loss. The qualitative aspects of the economic processes were not always in the center of attention of the workers councils. These negative phenomena were the subject of serious critical analyses in the party, state and public forums which recently met, establishing measures to eliminate them and raise activity to the higher levels of efficiency in light of Comrade Nicolae Ceausescu's indications.

Knowledge of the effort made by society in a material production process is a basic requirement, elementary to the concept of efficiency. The procedure of the industrial centrals for drugs, cosmetics, dyes and paints was a judicious one; together with applying the new economic-financial mechanism, it found it necessary for the first action to be that of instructing all the decision-making factors in the enterprises to have knowledge of the volume and structure of production assets (fixed and circulating)which participate in the technical-economic processes and, of course, the results obtained from these assets.

Unfortunately, currently one still encounters decision-making factors in the enterprises who do not know the value of the production assets they are managing. There are many situations where the decisions are not substantiated on the criterion on economic efficiency. Some industrial centrals do not attentively follow the evolution of costs per product, do not systematically bring up to date the plan calculations of the costs per product with the new elements intervening. This is the case of the industrial central for technical and chemical equipment and refineries and of the central for the wool industry and others.

A basic problem connected with the way in which we understand how to satisfy the requirements of the economic efficiency is that of not "working" with this concept by following the flow of the technical-economic processes but, rather preventively, in other words, not launching decisions until the implications for efficiency are known. In a number of places the aspects of economic efficiency are shifted toward the records sector (of the head accountant) who can furnish data for the past and with great delay; under such circumstances, appropriate and effective measures cannot be taken in all cases to prevent defects. The need is becoming more and more stringent to move to developed methods of calculation and record-keeping of costs (the method of standard costs, the method of direct standard costs, the method of hour-machine costs and so forth) as well as the spirit of responsibility for the level of costs toward the technical and production sectors. The experience of some economic units such as the Arad

train car enterprises and Sibiu's Flamura Rosie enterprise is graphic; in their calculations of plan and records of the costs they use the method of normed costs, which is capable of effectively following the deviations from the standards of expenses established for each job and of efficiently informing the decision-making factors to eliminate the shortcomings in good time.

Taking into account that the head accountant can only intervene in an enterprise efficiently for 5 percent of the volume of production expenses and administrative-management expenses , while 95 percent of the expenses are incurred by the technical and production sectors, we are of the opinion that the possibility deserves to be studied for the cost departments to move under the head engineer or plan services, thus, directly under the director.

The economic efficiency must work in practical activity with both current measures and, particularly, with future measures, with measures prepared in time to obtain certain economic effects in the near or further future. However, we observe that in many enterprises and centrals, under pressure of current problems, the future measures are neglected and eventually when they are adopted they are not sought systematically. The lack of concrete and lasting actions in the area of reducing material costs and expenses per unit of product, the position to come out in agreement with the requirements of efficiency in words alone and not in acts, the assertion that efficiency is found in others and not in one's own technical-economic processes--all these denote a mentality which does not fit into the line of respecting the objective economic laws which act in socialism.

The tendency of some producers to unjustifiably inflate prices for industrial equipment is proving harmful and this causes supplemental costs in production for the beneficiaries through amortization. So the Bucharest enterprises for machinery and aggregates, inflating the prior calculations, requested a price for the "machine-special aggregate for shaping and threading" which was 28.4 percent higher than the normal result from the analysis of technical-economic parameters. If this price had been approved, the Roman pipe enterprise, which was the beneficiary of this industrial equipment, would have loaded the cost of products in the amortization period for the particular equipment by nearly 4 million lei. Such situations not only unjustifiably load the beneficiaries' costs but exercise undesired pressure on the general level of the country's prices.

Goals and Directions of Action

A problem which must be considered in the current stage is that any economic unit or any kind of unit, regardless of its volume of activity, should be included under indicators of efficiency, either through the single national plan or through the departmental plan. The basic criterion for establishing these tasks should be the rise in the particular unit's contribution to the process of creating the national income or at least maintenance of this contribution as well as amplification of the effort to increase labor productivity and reduce production costs or circulating expenses, according to the case.

The concept of efficiency to the highest degree involves saving social labor. Undoubtedly, net production is a much more expressive indicator than total production in the system of indicators with which we characterize economic processes and the introduction of it into the planning and measuring of economic

activity has been a forward step along the path of improving our economic and financial mechanism. But the requirements of objective economic laws for speeding up the money-goods-money circuit can be satisfied if more attention in the economic units is given to the indicator of "production-good sold and received." This indicator stimulates the speed-up of rotation of production assets, reflects the satisfying of the social consumption need and answers the principle of worker self-management and self-leadership and, in the end, "deciphers" the obstacles along the path of speeding up broadened socialist reproduction.

Under the conditions of a hard and decisive exam which our enterprises must take with the intensive factors of development, the increase in competitiveness of Romanian products is one of the basic tasks. Understanding by competitiveness the product's ability to resist any competition and the struggle to improve its technical-economic parameters, it is clear that it is a matter of obtaining performances which are gained with difficulty and can easily be lost if the battle for competitiveness is not sustained and permanent.

Broad promotion of technical progress and the rise in the quality level of production, extending of complex mechanization, rise in the degree of technical supply of the jobs, automation and cybernetization of certain production processes, improvement in vocational training of the labor force are factors which aim at a sustained growth in labor productivity during the current period. In accordance with the forecasts, labor productivity in industry should increase in the five-year plan at an average annual rate of 7 percent, while it should be 5.4 percent in the construction-assembly sector. Around 80 percent of the rise in national income and around 75 percent of the rise in net production are to be obtained from labor productivity.

Under the conditions of moving to the application of the second stage in reducing the work week, hourly labor productivity must also increase more, with the goal of obtaining the planned production with a smaller fund of time each week. For example, the working time consumed per unit of reference (ton, cubic meter, piece and so forth) must be reduced 22.5 percent for lignite and brown coal extracted undergound, 30.8 percent for converted steel, 12.6 percent for tractors of the 45-CP class, 27 percent for products processed from polyethylene, 19.2 percent for timber from resinous trees, 44.6 percent for processed sugar beet and so forth.

The basic factor in increasing labor productivity is the intense promotion of technical progress. Overall this is reflected in a 40-percent increase in the degree of technical supply of labor, expressed by the value of production fixed assets per person employed in industry. In equal measure, technical progress must insure the harmonious development of agriculture, a rise in the volume of agricultural products and their quality, increase in efficiency through increasing the productivity per animal and average per hectare production. Of course, energetic measures are needed in all economic sector to improve the organization of production and work and to strengthen order and discipline, also in this way providing the necessary impetus for increasing labor productivity.

Reduction in production costs forecast for this five-year plan is based mainly on strict rationalization of the consumption of raw materials, materials and

energy, on increasing the output and degree of utilization of raw materials and materials, optimization of the structure of production, improvement in indicators of utilization of industrial and transportation equipment, and, in the end, on insuring maximum efficiency of the production assets and labor resources with which the enterprises and centrals are supplied. By reducing production costs for the economy as a whole, it is estimated that a volume of savings of more than 250 billion lei will be achieved, of which more than 200 billion are in the national industry. Production costs are to be reduced 8.2 percent in national industry by 1985 compared with 1980, by 12.5 percent for state agricultural enterprises, 5.7 percent in construction-assembly and 5.1 percent in transportation.

Bearing in mind that material expenses in many industrial branches represent 70-85 percent of production costs (the chemical industry, machine construction, metallurgy, construction materials, metallurgy, construction materials, light and food industry), it is necessary for the enterprises and centrals to seek on a priority basis to reduce the specific consumption of raw materials, materials, fuels and energy in all ways and to emphasize the processes for superior utilization of them. At the same time, taking into account the high share of expenses with amortization, the repairs and maintenance of fixed assets in total production costs (especially in the energy, extraction, metal--lurgical, machine construction, construction materials and wood processing industries as well as in transportation), special attention must be given to utilization of all fixed assets in the supply at full capacity and rise in the quality of capital and current repairs.

An important source of savings is rationalization of expenses of the production and general sections and the administrative sections of the enterprises, elimination of any losses, rise in efficiencyof transportation, reduction in expenses connected with material-technical supply and sale of the products.

In the current five-year plan, a special stress must be placed on increasing the economic efficiency of investments. In this regard, measures are needed which will insure compensation for the growth in specific investments in the extraction and energy industry as a result of the more dfficult exploitation conditions, by obtaining high efficiency in the processing branches. For the economy as a whole, the ratio between the growth rate for social product, national income and volume of investments is presented as follows:

| | | | | Ratios of efficiency | |
|---|---|---|---|---|---|
| | Social product | National income | Investments | 2:4 | 3:4 |
| 1 | 2 | 3 | 4 | 5 | 6 |
| Total national economy 1981-1985 | 6.1 | 7.1 | 5.2 | 1.17 | 1.37 |

Average annual rates in percent

Investment activity is oriented in the direction of concentrating forces toward fulfillment of the basic goals of the national economy and termination of those being fulfilled so that the successes from the preceding periods are consolidated, so that an intensive development and considerable rise in the assets allocated for machinery, equipment and installations are obtained in this way.

Converging actions are needed for modernization and development of existing units, supply with machinery, equipment for the areas built, building of new capacities with optimum sizes, judicious substantiation of their technical-economic indicators, adoption of the most modern solutions for constructions and technological processes, particularly through standardization of constructions in close connection with that of the production and equipment technologies. Concerns for reducing specific investment, for avoiding the dispersal of construction equipment and labor force on too many job sites built simultaneously, shortening the time it takes to carry out the investments, prevention of tie-ups of assets in unfinished investment and unassembled equipment are central ones.

One may say that the problems of efficiency are pressing with continually greater force on all economic activities and not just economic ones. An analysis of them with seriousness and a high spirit of responsibility, systematically finding measures for their optimum solution occupies and must occupy more and more of the time of the collective leadership organs at all levels, in the end polarizing the interest and concerns of all workers.

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IMPORTANCE OF CONTROL FACTOR FOR WORKER SELF-MANAGEMENT

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[Article by Dr Radu Ciurileanu, director general in the Ministry of Finance]

[Text] "Do not assume responsibility for signing acts, for issuing money or materials which are not in conformity with the law and which do not insure economic efficiency." These words delivered by Comrade Nicolae Ceausescu spur on workers in the financial-banking area, leadership cadres and also all those who management the socialist property to high demandingness and responsibility in work. At the same time, they express the special importance in preventive control, self-control in general in handling the country's resources.

Worker self-leadership, as an intrinsic component of it, means the organization and exercising in all socialist units of a systematic and efficient self-control which insures the supervision and guidance of the entire process of exemplary achievement and steady fulfillment of plan tasks, of managing material and monetary values with maximum efficiency with a view to obtaining superior results with the lowest possible efforts, under conditions of strict respect for plan, contractual and financial discipline.

As we know, the measures established by the March 1978 RCP CC Plenum on improving the economic-financial mechanism brought an increase in the role and responsibility of the worker collectives in the leadership of our economic and social life so that together with their direct participation in making decisions, the self-control of each working man has been required more and more over the way in which he fulfills his tasks on the job, the results obtained as well as the self-control of the collective leadership organs over the efficiency of their own decisions.

At the recent plenum of the National Workers Council, Comrade Nicolae Ceausescu in particular drew attention to the need to increase the role of the leadership councils of the centrals as well as of the workers councils in enterprises

> in the good organization and leadership of all activity, in conformity with their rights and responsibilities. These organs of worker democracy are obligated to solve the complex problems of production with the greatest exactingness since, as the party's secretary general stressed, "the activity of organizing the fulfillment of the country's laws and decisions is decisive for fulfilling the plan for 1982 and the five-year plan under good conditions." And this means raising the quality level of control in general and self-control in particular to the highest degree so that they insure the strengthening of worker discipline and order and revolutionary order in the activity of all economic units, firm elimination of any deviations or negative demonstrations which contribute to perpetuating shortcomings in economic-financial activity.

The self-control carried out day by day, systematically, on each job and over all activity and more precisely over all the technical, economic or financial operations means the involvement of all workers in our socialist units and each person separatelyin management over the property entrusted by society with a spirit of party-like responsibility. In their triple quality as owners of the means of production, producers and beneficiaries of material and spiritual values, the workers can only take action in this way, since they are vitally concerned with obtaining maximum efficiency in the units where they do their activity, and each person's well being depends on this.

A particularly important place in providing well-organized, systematic and efficient self-control in all socialist units belongs to preventive control--both financial and economic--as a basic tool of worker self-leadership, with the role of contributing to the use of material and monetary resources with maximum efficiency, to strenghtening of order in handling all kinds of funds and increasing the responsibility of all decision-making factors at all organizational levels of the Romanian economy. At the same time, preventive control is intended to intervene promptly, efficiently to prevent shortcomings and their negative effects and to identify the causes and ways to avoid them in the future.

The importance of preventive control also results from the fact that the act of collective leadership, among other things, also means the ability to take continual action in the direction of preventing any "disturbances" and "events" which are undesirable in economic activity such as incurring expenses outside legal provisions, change in the intention of funds, the existence of tie-ups of materials, launching certain products into manufacture without insured sale or exceeding consumption standards for raw materials and materials and others, hindering any phenomenon in time which could bring harm to the socialist property or could reduce results.

Proceeding from such reasons and in order to insure maximum efficiency of the preventive control, this is regulated on unified bases, through law, which provides for tasks, obligations and precise responsibilities for all those called on to organize it and carry it out. The party program itself stresses the need for strengthening financial control, "whose task it is to prevent the involvement of

funds without economic justification, the tie-up of economic resources and to insure that maximum efficiency is obtained in the use of the material and financial resources of society."

Facts and data on which we shall dwell in the following show the way that the activity of preventive financial control and preventive economic control is carried out, showing through everything which is positive and negative the need for more intense utilization of these tools of worker self-control, for the purpose of applying the new economic-financial mechanism with greater firmness.

Organized in all socialist units and carried out by the financial-accounting organs over the operations resulting from which are rights or obligations for a socialist unit toward another socialist unit or other legal or physical persons, preventive financial control has succeeded in halting a number of operations before they are carried out, either illegal ones, either inefficient ones such as, for example, supplying with raw materials and materials beyond what is necessary, the payment of certain improper salary rights or fines or undesirable penalties, rejecting bank credits which were not justified under conditions of the self-nancing of socialist units, avoidance of over-supply with certain equipmenat and means of transport and so forth. In short, preventive financial control carried out with authority and competence has brought a rise in the concern of decision-making cadres in the socialist units with strengthening order and plan and financial discipline and has contributed to increasing responsibility in utilizing materill and monetary eresources.

The efficiency of this activity has reflected favorably on the economic-financial results recorded by more and more enterprises, a fact found in a number of analytical actions, aid and control made by organs of the High Court of Financial Control, together with inspection organs of the Ministry of Finance. We shall not give examples of this kind here since there are too many of them; in exchange, we shall mention that in the activity of some economic units and state institutions one still finds aspects and shortcomings in the organization and exercising of preventive financial control. Measures are not being taken in all cases to employ appropriate personnel in the preventive financial control departments, in proportion with the changes which have occurred in the structure of personnel following transfers, retirements or promotions to other jobs; not all operations are being included in control, operations which, in accordance with the law, should be subject to this action, while the operations and documents subject to control are not always drawn up and completed with respect for the changes which have appeared along the way in the regulations in effect.

What particularly draws attention is that this control is being carried out in a number of cases without the necessary firmness in halting illegal, untimely or uneconomical expenses on time and completely. This explains why we reach the incurring of illegal payments or the creation of tie-ups of funds and resources in immobilized stocks. For example, at the group of forest contruction sites in Deva, the fact that preventive financial control was carried out with less attention led to the acquisitioning beyond what was necessary of 400 tons of metal, valued at nearly 1.5 million lei.

A problem which should be dwelled on is the need for a principled discussion of any situation when differing opinions occur obetween the director or other cadres with leadership jobs in the enterprise, on one hand, and the head accountant on the other. In general we can say that there are relations of collaboration, understanding and mutual respect, a collective, team spirit between the head accountant and other leadership cadres. There are many directors who, in problems of efficiency and of engaging funds and incurring any expenses, do not "make a step" without consulting beforehand with the head accountant in order to find solutions to solve the problems jointly.

Unfortunately, there also are situations where the organs in the enterprises or from outside "urge" the head accountants to accept certain supply operations or to incur certain expenses "alongside the law." However, if the head accountants still refuse to sign these acts, they are categorized often as "unreceptive," "unresourceful" in finding solutions to elude or get around the law. Such mentalities and practices must be erased, since the law is obligatory for everyone, regardless of the job and place held in our society.

But respect for the socialist legalities in spending funds is not the only goal of preventive financial control. Just as important is subjecting any expenses to criteria of efficiency, of strict timeliness and need. In the area of material-technical supply, for example, preventive financial control sometimes encounters resistance from those who are guided by the slogan of "better an excess than a lack" and who request and put on pressure to obtain raw materials, materials, spare parts, items in the inventory beyond the necessary or much before the period of manufacture in which these goods are incorporated. A totally anti-economical situation appears when, contrary to law, supply is requested with production resources for manufactured goods which do not have their sale insured through contracts or orders. Some feel that these kinds of supplies should be accepted by preventive financial control in order to prepare conditions in time for launching the particular products into manufacture, calling the head accountant's opposition a lack of "orientation" which "endangers" the good progress of the enterprise's activity. Life has shown that most time the acceptance of supplies for products which do not have insured sale later has caused stocks above the norms, thus, tie-ups of the enterprise funds, with all the consequences resulting from this. Precisely for this reason the law prohibits such operations as a measure of prevention and combatting of the phenomenon of tie-ups of funds in stocks above the norms of all kinds. Also from here we have the need for the closest possible cooperation between the financial-accountating department and the supply, production and sales department.

From what has been shown one also can draw the conclusion that as often as the problem of tie-ups of funds is analyzed, all the factors who have contributed to this situation should participate in the discussions, and not just the head accountant, as often we see in practice. Without in any way reducing their duties and responsibilities but, rather, emphasizing them, it should be stressed that, equally, if not even more, the responsibility and contribution of all workers in the technical and economic departments in the enterprises must increase to strengthen plan and financial discipline and to increase economic efficiency. The practice of activity "by the piece" is as harmful as possible.

However, it is no less true that the head accountants also can have a more active, involved and participational role in the other enterprise activities, different from the purely financial-accounting ones. An accountant cannot be limited to saying that one or another of the technical-economic or financial activities "cannot be carried out" and that "nothing can be done." He should be permanently concerned that, within the strict framework of the law and the funds approved, all problems rising in the current and overall activity of the enterprise be solved positively--from prevention of shortcomings, reduction in expenses, combatting of waste up to the good management of material and monetary resources and, on this basis, increase in profitability and profits.

Firm, steadfast application of the new economic-financial mechanism in all areas of economic and social activity require following and systematically knowing the production process, the way in which consumption is achieved and expenses made as well as the results obtained. This is since each unit, of any kind, must know what it is producing, what incomes it has, what it is consuming and what it must give society.

Proceeding from these requirements, in the context of concerns for finding new means offering the opportunity to the working collectives and leadership organs to take action and intervene more systematically--in the spirit of the principles of worker self-leadership--in order to influence the economic and financial processes in the direction of exemplary fulfillment of the plan tasks and obtaining of the highest possible efficiency, preventive economic control was introduced at the beginning of this year at the section, factory, work site level in industrial and construction-assembly units.

With its being a question of a new activity which primarily involves the technical cadres, starting with the head engineer of the enterprise, in following up on operations such as launching products into manufacture, respecting the specific consumptions, establishing and applying labor standards, making current and capital repairs for equipment and installations and others, the Higher Court for Financial Control, the Ministry of Finances, the economic ministries and centrals have taken action to aid and guide the base units in the organization, instruction and exercising of preventive economic control.

In a relatively short period since the introduction of this new form of preventive control specific to worker self-leadership, promising results have been obtained. Here is an example. The Cluj Railroad Construction Enterprise has organized this form of control since May. Given the seriousness of the organization and exercising of preventive economic control in this enterprise, in which 42 technical cadres are participating, starting with the director and ending with the heads and foremen of the construction lots, no surplus consumption, rights of personnel paid illegally, equipment beyond what was necessary, production reported but not achieved have been recorded, with all the problems appearing having been solved efficiently and in conformity with the law.

Of course, one could ask: what should the criterion be to evaluate the activity of preventive economic control or, said another way, its efficiency and finality? The answer can only be the economic-financial results in the particular unit. In other words, it cannot be a matter of the efficiency of preventive economic

control when and where negative phenomena appear, such as programming and launching into manufacture of products without insured sale and without legally approved prices, exceeding the specific consumption, failure to achieve the indicator of value of net production. These consequences can be avoided by the prompt and firm intervention of preventive economic control. However, what are important are the good organization and exercising of it, together with emphasis on the technical cadres' concerns and responsibilities for increasing economic efficiency. Unfortunately, in some enterprises the personnel assigned to carry out preventive economic control have been instructed superficially and substitutes for the empowered persons have not been established as they should. In a number of places tasks belonging to the cadres who carry out the preventive economic control have been formulated very summarily in the regulations for organization and operation.

Things are not satisfactory everywhere with regard to the way that this control is carried out and its efficiency. For example, at the enterprise for industrial operation of mineral aggregates for construction in Bucharest, although the leadership has taken the measure to organize preventive economic control, having fulfilled the formal part of the action, it no longer sought whether this control was actually being carried out or not. So it is not surprising that the unit is in an inappropriate economic-financial situation, with a large volume of tied-up material values, debts not followed, uneconomical payments, consumptions beyond the standards and so forth. Under these conditions, instead of taking measures to correct the situation, the unit has continued to put products into manufacture without insured sale, to report a production which partly has not been executed and to exceed consumptions without well-based justification.

Today, when more than ever a maximum deliberation and fully responsible deliberation is needed when involving our society's funds, all the levers and tools of worker self-leadership can and must operate irreproachably. That is why we need improvement in the organization of preventive control at the level of each socialist unit, a review of the personnel entrusted with carrying out this control so that the important duties and responsibilities they have should be entrusted to the best cadres who are solidly trained politically and professionally who take action with competence, firmness and partylike responsibility. Of course, the success of preventive control depends a lot on the close collaboration and cooperation between the technical, economic and financial cadres, knowing that only through the converging efforts can the complex problems of increasing economic efficiency be solved in the best way. We feel that periodic discussions in the collective leadership organs of the preventive control activity are of particular importance, with a view to establishing the measures needed to continually improve and strengthen this basic tool of worker self-leadership.

Finally, it is a duty of the centrals, ministries, financial-banking inspection organs to intensify their work of aiding and guiding the enterprises in raising the quality level of preventive control to correspond to the current tasks for our country's social-economic development.

8071
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NECESSITY FOR UPDATING AGRICULTURAL PRICING SYSTEM SHOWN

Bucharest REVISTA ECONOMICA in Romanian No 6, 12 Feb 82 pp 6-7, 13

[Article by Emil Niculescu, director in the Ministry of Domestic Trade]

[Text] Firm and efficient application of the new economic mechanism in all branches and sectors of social-economic life means the operation of a scientifically substantiated pricing system, respecting the requirements of economic laws which insure a correct correlation between production expenses, costs and sales prices.

In the Romanian economy, in the full process of implementing the requirements of the new economic mechanism, the current concerns with aligning prices to the rise recorded in the world economy as well as with the real production expenses in the national industry and agriculture have taken the form of a broad program of measures, among which the recent Decision of the RCP CC and Supreme Council for Social and Economic Development of the Socialist Republic of Romania joint working meeting on placing the prices of agricultural products back on economic principles and correlating them and raising retail prices for agricultural food products and increasing worker personnel's salaries and the allocation for children and pensions is a new stage in the utilization of economic levers for material incentives in fulfilling the goals to increase agricultural food production and, on this basis, the people's standard of living.

Since the multitude of products called on to satisfy a particularly complex and varied range of the people's needs on the market, in the commercial network, appear as goods, the retail sales price, as well as the ratio between it and production costs, is an element which powerfully makes its mark on the way in which production takes place as well as the supplying of the population with goods.

As in other branches of the national economy, achievement of the principles of economic-financial self-management also in trade involve carrying out efficient, profitable activity intended to provide complete recovery of costs in different

phases of the reproduction process, together with obtaining of an appropriate profit. A profitable activity may be achieved only on the basis of respect for the requirements of economic laws, utilizing economic levers to provide a lasting foundation for health economic development and, implicitly, for raising the population's standard of living.

Stressing the economic principles at the basis of reestablishing prices, Comrade Nicolae Ceausescu showed in his speech at the joint working meeting of the RCP CC and the Supreme Council for Economic and Social Development: "It has become necessary for us to bring into agreement international prices and the increase in cost prices and production prices in Romania in order to insure application of objective economic laws in the leadership of all social-economic activity."

In the economic policy of our party and state, the judicious utilization of the lever of prices is a reference point in the framework of the scientific system of leadership and organization of social-economic activity, promoted with special firmness and in a creative spirit. What is definitive in this regard is to systematically seek the evolution of prices, for the purpose of insuring appropriate correlations between their level and the other indicators of economic development and rise in the population's standard of living.

Achieving good supply of the population with goods is a long-lasting strategic goal in the fulfillment of which in the years of building socialism remarkable results have been obtained. Against the background of the continued growth in consumer goods production and the population's monetary incomes and of important and complex social-economic process, a special rise in sales of goods has been recorded. Last year they totalled more than 223 billion lei, of which nearly 110 billion were food goods, that is, 23.5 times more than in 1950; in 1981 nearly 10,000 lei were sold on the average per capita, of which more than 4,900 per capita were through the network of food stores and public food service units, compared with 287 lei in 1950 and 1,680 in 1965.

From the data on the evolution of retail sales of goods in the last two decades, we see that in 1980 the total value volume of sales of food goods was 5.8 times greater than in 1960 in the Socialist Republic of Romania, 4.9 times greater in the People's Republic of Bulgaria, 4.7 times greater in the People's Republic of Hungary, 3.2 times greater in the USSR, 2.3 times greater in the Socialist republic of Czechoslovakiaand 2.1 times greater in the GDR (see Table 1).

Table 1: Rise in Retail Sales of Goods in Socialist Republic of Romania and Other Countries (1960=100)

| | Total sales (food + nonfood) | | | Sales of foods | | |
|---|---|---|---|---|---|---|
| | 1970 | 1975 | 1980 | 1970 | 1975 | 1980 |
| Socialist Republic of Romania | 233 | 351 | 528 | 260 | 394 | 581 |
| People's Republic of Bulgaria | 231 | 340 | 501 | 227 | 325 | 493 |
| Socialist Republic of Czechoslovakia | 173 | 224 | 270 | 158 | 194 | 230 |
| GDR | 142 | 183 | 223 | 145 | 173 | 205 |
| People's Republic of Poland | 200 | 368 | 610 | 192 | 342 | 581 |
| People's Republic of Hungary | 205 | 320 | 501 | 204 | 307 | 472 |
| USSR | 198 | 268 | 344 | 202 | 287 | 321 |

Source: "Statistical Yearbook of the CEMA Secretariat,1981"; current prices in the currency of each country.

Since both the quantitative growth in sales as well as evolution of retail sales prices are reflected in the value volume of sales of goods, there is interest in making a separate analysis for each of them. Going to the statistical figures for Romania, we find that in the last decade the sales of food goods rose 2.2 times, while the indicators for prices for these products rose just 11 percent, a fact which denotes achievement of an increase in sales due overwhelmingly to quantitative growths under conditions of a high degree of price stability.

On the basis of the efforts made by the consumer goods producers in agriculture and the food industry year after year, through socialist trade more and more quantities of agricultural food goods have been placed at the population's disposal in a structure of continual renovation and diversification of varieties. Graphic in this regard are the figures referring to the evolution of retail sales prices for the main agricultural food products (Table 2).

Table 2: Retail Sales Prices Through Socialist Trade for the Main Agricultural Food Products

| | Absolute Volumes | | | Absolute Increases in 1981 over: | |
|---|---|---|---|---|---|
| | 1950 | 1965 | 1981 | 1950 | 1985 |
| Bread: | | | | | |
| Thousand tons | 668 | 1,755 | 2,487 | 1,879 | 732 |
| kilogram/resident | 41.0 | 92.2 | 111.3 | 70.3 | 19.1 |
| Meat: | | | | | |
| Thousand tons | 76 | 157 | 412 | 336 | 255 |
| kg/resident | 4.7 | 8.2 | 18.4 | 13.7 | 10.2 |
| Meat preparations: | | | | | |
| Thousand tons | 10 | 54 | 267 | 257 | 213 |
| Kg/resident | .6 | 2.8 | 11.9 | 11.3 | 9.1 |
| Oil: | | | | | |
| Thousand tons | 24 | 115 | 201 | 177 | 86 |
| Kg/resident | 1.5 | 6.0 | 9.0 | 7.5 | 3.0 |
| Milk (including powdered): | | | | | |
| Thousand hectoliters | 354 | 2,499 | 6,240 | 5,886 | 3,741 |
| liters/resident | 2.2 | 13.1 | 27.9 | 25.7 | 14.8 |
| Cheeses: | | | | | |
| Thousand tons | 9 | 38 | 56 | 45 | 18 |
| Kg/resident | .5 | 2.0 | 2.5 | 2.0 | .5 |
| Butter: | | | | | |
| Thousand tons | 2 | 10 | 23 | 21 | 13 |
| Kg/resident | .1 | .6 | 1.01 | .9 | .4 |
| Eggs: Thousands | 27 | 314 | 1,840 | 1,813 | 1,526 |
| Number/resident | 1.7 | 16.5 | 82.3 | 80.6 | 65.8 |
| Sugar: Thousand tons | 84 | 190 | 370 | 286 | 180 |
| kg/resident | 5.2 | 10.0 | 16.6 | 11.4 | 6.6 |

Source: Statistical Yearbook of the SRR for 1950 and 1965; operative dates for 1981.

Returning to the problem of the evolution of sales prices for agricultural food products, we should stress the much slower rise in indicator of prices in Romania compared with the evolution in other European countries (Table 3).

Table 3: Rise in Indicator of Sales Prices for Agricultural Food Products in Some European Countries (1970=100)

| | 1975 | 1980 |
|---|---|---|
| Romania | 105.5 | 111.0 |
| Bulgaria | 103.0 | 139.0 |
| Hungary | 113.0 | 162.0 |
| FRG | 130.0 | 153.3 |
| France | 157.5 | 254.0 |
| Austria | 136.4 | 170.3 |
| Switzerland | 141.4 | 162.8 |
| Italy | 172.2 | 355.6 |

It should be noted that during one decade (1980 compared with 1970), while the increase of 2.2 times in food goods sales in Romania took place under conditions of an 11-percent rise in sales prices, sales in the People's Republic of Bulgaria rose 2.18 times and prices rose 39 percent, while in the People's Republic of Hungary the rise in prices was 2.31 times, together with a 62-percent rise in prices.

Throughout the entire period of building the socialist society in Romania, our state has made large financial efforts to insure the population the opportunity to buy the most necessary goods at advantageous prices, in most cases with the commercialization of agricultural food products being characteristic at sales prices which did not change for a long time, as we see in Table 4:

Table 4: Level of Retail Sales Prices for the Main Agricultural food Products

| | Current price,lei/kg | Year set | of years with no price change |
|---|---|---|---|
| White bread | 4.40 | 1952 | 30 |
| Black bread | 2.00 | 1954 | 28 |
| Semi-white bread | 3.20 | 1953 | 29 |
| Simple pasta (bulk) | 5.00 | 1955 | 27 |
| Egg pasta (bulk) | 6.60 | 1955 | 27 |
| Hulled rice | 8.00 | 1960 | 22 |
| Sugar | 9.00 | 1954 | 28 |
| Eating oil | 11.00 | 1952 | 30 |
| Butter | 40.00 | 1970 | 12 |
| Cow's milk (liters) | 2.30 | 1970 | 12 |
| Farmer's cheese (bulk) | 11.60 | 1970 | 12 |
| Pork leg | 25.00 | 1973 | 9 |
| Chicken (without head and feet) | 24.00 | 1973 | 9 |
| Lemons | 12.00 | 1959 | 23 |
| Oranges | 13.00 | 1959 | 23 |

Differing from the high level of stability of the prices for food products in Romania in the last 25-30 years, in other countries sales prices for these products have risen sharply. For example, for a 1-kg bread--3 times higher in the United States, 8 times higher in Italy, 5 times higher in Austria and FRG; for rice--3 times higher in the United States and England, 4 times higher in Belgium, 3 times higher in Italy; for sugar--4.5 times higher in the United States and more than 3 times higher in Italy and England.

Figures on the evolution of retail sales prices for agricultural food products in Romania gain new meaning and significance when an examination is done correlated with the evolution of the population's monetary incomes. Using figures for 1970-1980, we find that the average net monthly salary for worker personnel much surpassed the rise in the price indicator for food goods (Table 5), thus being a factor which favored the substantial growth in the population's purchasing power and sales of food goods.

Table 5: Comparative Rise in Retail Sales of Food Goods, Average Net Salary for Worker Personnel and Price Indicator in 1970, 1975 and 1980

| | 1970 | 1975 | 1980 |
|---|---|---|---|
| 1. Average net salary | | | |
| Lei/month | 1,289 | 1,595 | 2,238 |
| In percent | 100.0 | 123.7 | 173.6 |
| 2. Price indicators for food goods | | | |
| In percent | 100.0 | 105.5 | 111.0 |
| 3. Sales of food goods (including public food service) | | | |
| Millions of lei--current prices | 47.2 | 71.4 | 106.2 |
| In percent | 100.0 | 151.3 | 225.0 |

Taking into account that new phenomena and requirements continually appear in social and economic life, a characteristic which must find its proper place in our pricing system is bringing them up to date in direct ratio to the action of certain factors which affect both the production of consumer goods and their achievement as goods on the market. In this regard we know that in recent years a number of objsctive factors, practically in all areas of activity, have brought a rise in production costs. So we have in mind in particular the substantial increase in prices of fuels and energy on the world level, together with large price increases for many raw materials. This has meant that in Romania's food industry in the last 5 years alone, production costs and prices rose more than 24 percent, with the increases being 39.4 percent for meat, 49.0 percent for drinking milk and 27.0 percent for flour.

Proceeding from the realities of our social-economic life and from a deep understanding of the meaning of the action of objective economic laws, the leadership of our party and state, together with the entrance into the new 1981-1985 five-year plan, established a series of measures aimed at bringing up to date and improving the correlation, on economic principles, of production and delivery prices for agricultural products as well as prices for production, contracting and acquisition, which are reaching average growth level of 30 percent for agricultur as a whole.

These large increases give the agricultural producers the opportunity to cover their production expenses and to obtain supplemental incomes so that they enjoyed an additional 10 billion lei for the products delivered in 1981, representing more than double all the price increases for the entire 1970-1980 period. Also, starting in 1982, on the basis of the decisions adopted by the RCP CC Political Executive Committee, new measures are being applied to provide incentives for the producers who deliver to the state fund grains, technical plants, potatoes, vegetables, fruit, grapes, fodder and seeds. On the basis of these new regulations, which are in direct agreement with the requirements of the new economic-financial mechanism, agricultural producers this year will obtain 25 billion lei more than in 1981 under conditions of achieving the planned production, with the peasants' incomes to increase around 25 percent in this way.

Also taking into consideration the expenses incurred by changing agricultural products into products of the food industry, we have reached the situation in which production prices based on real costs are larger than the retail sales prices.

Some difficulties which have appeared in supply have been caused by some producers' tendency to obtain profitable products in particular, to the detriment of others, for which delivery prices no longer were covering production costs. This situation also led to failure to carry out the delivery contracts to the market fund, both in the structure of variety as well as for some products like sweet-water fish (80 percent of the 1981 plan was delivered), yeast for beer (68 percent), mineral waters (89 percent).

In order to fulfill the tasks established by the 12th party congress on providing for the good supply of the population with goods and to move to a new, higher quality in economic activity, the recent decision has sought not only to cover material and production expenses from agriculture and the food industry but also to increase material incentives for the workers and for the peasants in general.

So conditions will be created to effectively stimulate the production of agricultural food products and to strictly fulfill the delivery tasks for these products to the market fund and to honor the contracts in an exemplary way and consistently apply the new economic-financial mechanism both for the producers as well as in trade and to achieve self-leadership and territorial self-supply.

All these are among the most favorable conditions for being able to offer the population a higher volume of agricultural food consumer products, more diversified as far as variety and of better quality, in agreement with the goals and tasks belonging to socialist trade from the program for raising the standard of living and continually raising the quality of life in this five-year plan.

It is worthwhile noting that, in agreement with the party's general policy of raising the workers' standard of living continually, measures have been established with a view to increasing salaries and allocations for children and pensions, which will cover the supplemental expenses, also insuring a real growth in the workers' salaries. In this way maintenance of the population's purchasing power is insured, parallel with improvement in their supplies through the increase and diversification in the supply of consumer goods. Also included in the

structure of the new higher prices for agricultural food products are the increased expenses for transportation and distribution, a fact which is to be positively reflected in the self-management of the commercial enterprises, being a powerful stimulus for improving the circulation of goods, including agricultural products.

Of course, utilizing the potential of the new economic mechanism through a pricing system judiciously correlated at the same time means the good organization of the self-supply programs in order to achieve agricultural production and the acquisitions and contracting of agricultural products at the level of the plan tasks.

8071
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CONSUMER COOPERATIVES REACT TO INCREASED RESPONSIBILITIES

Bucharest REVISTA ECONOMICA in Romanian No 5, 5 Feb 82 pp 9-10

[Article by Dr Ian Vetrinean, deputy director of the Central Union of Consumer Cooperatives]

[Text] The 7th consumer cooperative congress which recently ended discussed with high responsibility and exactingness the activity carried out in the system since the last congress as well as the tasks belonging to it in continually increasing its contribution to implementing the decisions of the 12th party congress.

In the spirit of the greater tasks resulting for our sector of activity from the decisions of the joint plenum of the party's Central Committee and the Supreme Council for Economic and Social Development of November 1981 and other party and state decisions for territorial self-supply for 1982 and the 1981-1985 period, the congress established the goals for improving the activity of production, acquisition and distribution of goods through our cooperative system and raising it to a higher level of quality.

Self-Supply: Territorial Goals

In the current five-year plan the consumer cooperative organizations, on the basis of the principles of territorial self-supply and self-leadership, will put in the center of their activity the intensification of actions of contracting and acquisition of agricultural food products. In 1982 alone 33,000 tons of poultry, 1.5 billion eggs, 800,000 tons of potatoes, 10,000 tons of beans, 23,000 tons of vegetables, 45,000 tons of fruit, nearly 4,000 tons of bee honey, 3,100 tons of medicinal plants will be purchased for the state fund. Large quantities of grains, hay, forest fruit and mushrooms, domestic rabbits, geese, ducks, pigeons, snails and frogs will be obtained.

At the same time work will intensify to organize and develop our own zootechnical sector and to aid the population's plots in increasing animal production. As a result, 17 million day-old chicks will be sold to the population in 1982 from our own incubators, while in 1985 it will be 50 million; the number of layers from our own zootechnical sector by the end of this year will reach 1

million. Some 21,000 breeding rabbits will be delivered this year to the population's plots for raising, fattening and contracting and in 1985 it will be 62,000. In the hill and mountain zones the attached plots will be extended to raise sheep and cows, hogs, geese and ducks and pigeons. The number of cooperative sheep pens will increase, the development of beekeeping will be aided as well as the development of the production obtained. In order to obtain the fodder needed for our own zootechnical sector, the workers in the cooperative organizations will cultivate all the lands they hold either because they own them or they are to receive them from the people's councils.

Greater attention is to be given to raising the quality of bread and to diversification of bread products from our own bakeries. The cooperatives will take firm action to supply the population with bread, in conformity with legal provisions, under the conditions of a strict savings program and struggle against waste.

For the purpose of aiding the population's plots in raising vegetable production, complete satisfaction of the population's requirements is to be insured for scythes,rakes,hoes, other tools, agricultural machinery and household items needed for small farming; together with the specialized enterprises, also to be provided are the necessary seeds, vegetable transplants, chemical fertilizer, insecticides, fungicides, polyethylene and other materials needed on the population's plots.

All these measures will contribute to local self-supply with these products, together with increasing the contribution to supplying the urban population. superior processing of the agricultural food products will permit some goods to be obtained with a high degree of competitiveness, a greater currency contribution per unit of products exported, thus increasing the efficiency of the foreign economic relations of our cooperative organizations.

Services: Amplification and Diversification

The providing of services, an important component in the entire population's standard of living and a basic condition in raising the degree of civilization of the village, as pointed out in the message addressed by Comrade Nicolae Ceausescu to the 7th consumer cooperative congress, will be "an area in which the consumer cooperative must take action in the most decisive way to radically improve work."

Mobilized by this task, the cooperative organization will take firm action so that in 1985 the providing of services for the population will be more than double that of 1981. In this regard, in mind is the development of a network of units for the maintenance and repair of household items--refrigerators, washing machines, vacuum cleaners, radios, televisions, tape recorders, furniture and upholstery, the construction and repairing of homes and attached plots and so forth. At the same time services will develop for filling the soda bottles, for transport with animal traction as well as barbershops, shoemakers, tailors as well as for repairs and basic work that is ordered. Starting in 1982, no village will be without these. At the same time the self-service network will increase and units for repairing motorcycles, motor bikes, bicycles and so forth will be established.

Special emphasis will be placed on extending the traditional services specific to the village, such as ironmongery, cooper's shops, wheelwright's work, jacket making, the making of carding tools, saddler's shops, tanners, stove making as well as other services requested. In order to come more and more to the aid of the village population, new units are to be organized for the rental of household items and, according to the specific nature of each locality, units will be established providing services for transport, care of the beehives in the pastures, egg incubators, fodder harversting, animal slaughtering.

For the purpose of raising the quality level of the service jobs and of promptly satisfying the customers' requests, special concern will be given to supplying the particular units with the equipment and apparatuses needed to carry out a large range of operations. Greater emphasis is to be placed on recruiting cadres, on raising the degree of their training and on educating them in the spirit of socialist ethics and equity.

Small Industry: Utilization of Local Resources

An area of major importance in which the activity of the cooperative organizations and enterprises will concentrate their activity is that of the development and diversification of small industry. In conformity with the congress decisions by 1985 its production is to more than double compared with 1980. By 1982, small industry will increase 16.8 percent or by 1.8 billion lei compared with 1981. Action is to be taken so that the participation of our organizations and enterprises in the area of nonfood cooperative production increases in the production of tools, devices and other articles needed on the peanants' plots, with the increases forecast in this sector being 3.8 times higher than the last five-year plan.

Special attention is to be given to organizing the production of household items, which will increase more than 3.5 times , as well as the production of textiles, knitwear, leather shoes and leather substitutes, items of wood, metal and other materials, which will triple. In this way, this activity will provide for completing the fund of goods,both locally as well as centrally, needed by the population.

Emphasis in the development of small industry and the production of handicrafts is to be placed on superior utilization of materials existing in each zone and locality so that the highest production possible, with a high degree of processing, is obtained per unit of raw material and with a great diversity and superior finishing.

For this purpose, with the aid of the local people's councils the following will be cultivated on the lands not included in agricultural circulation: osier willows,sorghum and other plants and activity will intensify to gather and utilize straw, different kinds of twigs and other materials which can be used in handcrafts production.

In conformity with the indications given by the party's secretary general, Comrade Nicolae Ceausescu, in fulfilling the handicrafts goals the emphasis to the greatest extent will be placed on ceramics, wood, woven items, basketry from willow twigs, birch, from rye and rice or other local raw materials which are

requested very much on the domestic market as well as for export. Greater attention will be given to stimulating the production of craftsmen creating popular art and the artistic traditions specific to each folkloric zone will be utilized to the maximum.

A priority task for the consumer cooperative in the area of the food industry is supplying the population with bread.

Toward this goal, together with the operation of existing bakeries at full capacity, another 254 bakeries will be built in 1982-1983. In the center of attention will be improvement in the bread's quality, diversification of bread products as well as the development of products for pastry houses and coffee houses. At the same time, the production of canned goods and semi-canned goods of vegetables and fruit coming from the population's plots will develop. Toward this end, each cooperative organization, food service unit or tourism unit will process the surplus of the local vegetable and fruit production with a view to processing in the farm system, with their own personnel and without costly methods, for obtaining the largest possible quantities of canned or siloed fruits and vegetables. Also to be intensified is the activity of the harvesting and superior processing of sponge, mushroom, forest fruit, medicinal plants from spontaneous flora as well as the increase in production of soft drinks. Also to be utilized are the clay lands for ceramics production, production of brick and pottery and activity will intensify for reconditioning and reusing certain materials of wood, textiles, metal, glass, plastics recovered from the population. The organization of the cooperative for production, acquisition and distribution of goods will take action, at the same time, to utilize new sources of energy such as biogas, secondary thermal energy, wind and sun energy and so forth.

Measures will be taken to fulfill the goals forecast for development of small industry in order to draw the available labor force into the activity of production and providing of services, primarily housewives, and a greater emphasis will be placed on work in the craftsman's home.

Trade: A Higher Role in Village-City Exchanges

Special tasks belong to the organizations of the cooperative for production, acquisition and distribution of goods and in the area of supplying the population with goods, in accomplishing the exchange of goods between village and city. In accordance with the overall development of the national economy and with the workers' higher incomes, a volume of sales of goods which is 47 billion lei greater than in the preceding five-year plan is forecast for this five-year plan.

Action is to be taken to provide the village population with agricultural tools, household appliances, clothing, shoes, knitwear, cosmetics and notions, furniture, building materials and other items. A more and more important place in the share of sales will be held by household articles built by our own small industry units. Concerns existing for building high-quality products, with a high degree of innovativeness, will permit extending trade with extra and luxury articles, organized in regions and specialized stores, particularly in cities and communes with high buying power, in the balneary stations with permanent activities.

In accordance with the provisions of the law, at the same time action is to be taken for the good supply of the population with bread, flour, cornmeal, sugar, oil and other products, for providing a rational consumption, avoiding waste and the losses of any kind. Supplying the rural population with basic food products is to be achieved by firm application of the principles of self-leadership and territorial self-supply, using the population's plots' own resources and those of the agricultural production cooperatives and from the state fund.

Public food service is an activity to which special attention is to be given. In this area action is to be taken to develop and improve the food-preparation units--restaurants, pubs, snack shops and so forth. Special attention is to be given to increasing the production of food preparations and diversification of the meals.

Much firmer action is to be taken in the area of tourism and recreational activity to create the conditions needed for the most pleasant free time. At the same time better utilization of existing housing capacity is to be insured and the possibilities will be extended for housing in tourist inns. Greater attention will be given to developing recreation near the big public food service units and tourist units by creating opportunities for sports as well as providing games for enjoyment.

Measures for modernization of commercial and public food service units, extending of modern forms and intensification of practicing active forms of trade in fairs, cattle fairs as well as increase in discipline among the sales people will lead to raising the quality in the level of service to the population substantially and to a civilized trade being carried out in accordance with current requirements.

Particularly important tasks belong to the cooperative for production, acquisition and sales of goods and in firm application of the new economic-financial mechanism and growth in efficiency of all activity. In the 1981-1985 five-year plan special attention is to be given to substantially raise profits in all economic organizations and activities by increasing incomes to the maximum and reducing production and circulation expenses, particular material ones. On this basis our own assets will increase nearly 50 percent by 1985 compared with 1980, which will lead to providing the funds needed for development of economic activity, participation of the consumer cooperative in the country's social-economic development to a greater extent. Toward this end action will be taken to increase the degree of self-financing of the cooperatives so that their number by 1985 reaches at least 1,200, that is, nearly half of the cooperatives.

Greater concern will be given to utilization of the existing material-technical base and the most efficient possible use of it so that the volume of production, of sales and of profits per unit of existing fixed capital increases.

Important measures also will be taken in applying a strict savings program, with special attention being given to saving fuel, energy, raw materials and to increasing labor productivity, strengthening economic-financial self-management and, on this basis, consolidating financial balance in all organizations and enterprises.

8071
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## FINANCE SECRETARY KOSTIC DISCUSSES STRENGTHENING THE DINAR

Belgrade RAD in Serbo-Croatian 19 Feb 82 p 5

[Interview with Petar Kostic, member of the Federal Executive Council and Federal Secretary for Finance, by Zoja Jovanov; date and place not given]

[Text] Administrative measures were taken at the beginning of the fiscal year to create more orderly domestic and foreign currency markets. How effective will these actions be? We'll let the subject of our interview be the judge of that. In any case, government intervention in these matters is sometimes inevitable. One need only be reminded of the chaos in the business community provoked by governments defending their currencies abroad, and the occasional but perceptible loss of confidence in the dinar.

Are the domestic and foreign currency markets in our country being established in accordance with legitimate, socialistic practices, or are the markets and the relationships which they create being governed by something else? This is one of the questions we asked Petar Kostic, member of the Federal Executive Council [FEC], and Federal Secretary for Finance.

RAD: After the recent devaluation of the dinar and Yugoslavia's greater penetration in the foreign market, there are two almost equal currencies in effect in the domestic market. Should this be tolerated?

Kostic: According to the Constitution, the dinar is the only means of payment in the country, and all transactions with foreign currency instead of the dinar are illegal and punishable offenses. Many business transactions are only formally based on self-management agreements concerning the pooling of foreign currency, and in essence they amount to the sale of foreign currency at an exchange rate above the official one. It is becoming more and more obvious that the Organizations of Associated Labor are using convertible currencies as a part of their reciprocal payments. I can only say that measures are being taken through inspection agencies to identify those engaged in this type of activity.

RAD: You appear to be alone in claiming that the two currency market has appeared because of illegal possession of foreign currencies. Does this illegal possession also refer to organizations which are compelled to secure a share of foreign currency income which they have not helped to create in order to obtain the necessary imports of raw materials and manufacturing materials?

Kostic: The law concerned with foreign currency management and credit relations with foreign countries makes possible the distribution of foreign currency revenue to all those who make products for export. However, it has been demonstrated that organizations within the whole manufacturing process do not distribute the currency as the law envisioned. To be honest, it is a complex process, but there is no justification for collectives to avoid the responsibility of deciding in a reciprocal manner the contribution of all those who participated in earning the foreign currency. The procedure for determining the contributions to foreign currency revenue is quite complicated and it should be simplified while keeping to the basic determinations of the law.

RAD: Would things work fairly well if they were done according to the law?

Kostic: For the most part. There would be more order in foreign currency management, but there would still be some room for improvement. This law has been discussed in the Federal Councils for almost 2 years, but until some better decisions are made, it should be carried out.

RAD: Properly speaking, a foreign currency market does not exist, although many months have gone into making it work. What are the prospects that this market will become a reality?

Kostic: The current, basic, legal decision concerning the foreign currency market cannot be disputed from any viewpoint. The manner in which this complex system of relations should function has been precisely regulated. However, the market is not working as it should, although I think that it has been well conceived. There are different opinions as to why it is not working. Some say that the balance of payments situation in the country is the problem; the most popular theory is that there is a shortage of foreign currency. Others put the blame on various legal decisions, the economic autarchy of the republics, illegal business activities of Organizations of Associated Labor, the banks. And there is the problem of the quite frequent attempts by some to realize large profits by selling foreign currency outside of legal channels and exchange rates.

RAD: What do you think has hindered the foreign currency market?

Kostic: All of the reasons I have mentioned are in part responsible for interrupting the operation of the foreign currency market. It functions now for the most part because of interventions by the National Bank of Yugoslavia, but these actions should not be allowed to go on much longer. Conditions should exist now for the market to function in a normal manner, but it would be impossible to say when this will actually happen. In any event, the market must be established.

RAD: In principle, those who earn foreign currency income should also manage it. This does not always happen in practice. What are the possibilities of this proclaimed principle being implemented?

Kostic: If you think about it enough, this principle is not such a simple one. When products and services are created for export, there are a number of organizations, in addition to the direct exporters, who participate in the process

indirectly. Taking these organizations into consideration, the rule that foreign currency goes to those who earn it is valid. Those who have brought in the currency have the first claim when it is distributed; then come those who do not produce goods for export, but who must import raw materials. Part of the currency must also go to the social-political and self-management interest communities in order to carry out the functions of the government and social services. Of course, in all three cases, the currency must be earned by the economy.

RAD: This year was begun with administrative measures. Do you think that these powers were exercised by the FEC too quickly?

Kostic: It seems to have become normal to challenge the FEC whenever it takes administrative measures. When this is done after all other possibilities have been exhausted, the critics say that it did not react in time. When it sees that a consensus is lacking and then takes timely measures, they say that the FEC did not have enough patience to wait until self-management solutions could be found. I am not defending the FEC or its actions, but I think that administrative measures have been taken only when there is no other choice. In truth, there have been a number of these measures recently, but in the given situations they were completely justified. However, the regulation of economic developments by administrative measures as a permanent policy is not acceptable.

RAD: The effectiveness of these measures has been discussed, in general, a great deal. As is usually the case, what is heard is criticism. For example, if clothing merchants and consumers can agree to the conditions on loans without higher participation, why is the FEC regulation about this participation still in effect?

Kostic: If organizations give credit from their own revenue then there is no problem. But if this is done through banking capital, thus incurring debt, then this clashes with the FEC regulation. The purpose for the regulation is to equalize the relations between goods and money and to restrict demand more effectively. It is understood that I do not question the momentary interests of the merchant, and especially the consumer in this case.

RAD: You have probably heard that limiting the value of goods that can be brought into the country, tax-free, to 200 dinars is a measure which people say you are responsible for. Do you expect any effect from this measure?

Kostic: Limiting imports is a normal economic instrument of every country. We have a special reason for doing this--the large outflow of dinars. Because it cannot be used for international payments, foreign tourists return them to us instead of leaving foreign currency behind. This is a double blow at domestic finances and at the dinar itself. It is difficult to tell what effect this measure will have, but it will certainly reduce the flow of dinars across the border.

RAD: Last year, the payment deficit was reduced by half in comparison with 1980. Does this mean that our debts to foreign countries are less?

Kostic: No. But because the deficit must be covered by loans or by other financial instruments which are even less favorable, reducing it also reduces the need

for incurring more debt. To be sure, this does not happen immediately. Now we owe $18.3 billion, $16.8 billion of which is in convertible currencies. In 1979 the deficit amounted to $3.7 billion, the next year it was $3.3 billion, and last year $750 million, although we had expected it to be $1.8 billion. This year the deficit should not exceed $500 million, and the next year it should be completely eliminated.

RAD: When do you expect a more significant reduction in the amount of money owed to foreign countries?

Kostic: No one can give you that date, because it is a matter of the relative reduction, the degree in relation to the development of productive capacities and the growth of exports.... Moreover, the criterion is not the amount of the debt but the percentage level of indebtedness of the country. Every year we plan to reduce it by one point. We're still talking about the level for this year.

RAD: Besides the deficit, it seems that something could be done to stop the slide of the dinar....

Kostic: There is still a great deal to be done. Especially concerning the high level of inflation. Last year, retail prices were up 38.3 percent. After we have reduced the payment deficit we have to pay a lot more attention to greatly reducing the level of inflation. It should not be greater than 15 percent. As opposed to previous years, conditions exist now to do something about it. The economy has been relieved of a number of public expenses; there is a larger material base which can be used to check the momentum of inflation. It does not appear that it was transferred from business expenses to consumer prices. This is already being prevented by a number of regulations, starting with those concerning investment all the way up to personal consumption. However, I do not rule out the necessity of using new administrative limitations in order to subdue inflation.

RAD: Does this mean that this year will be a turning point, that now we will have to pay the price for excessive indebtedness, consumption, and the increase in prices during the last few years?

Kostic: I do not believe in critical years and I think that the public has had its fill of turning points and historic years. This strikes me as being economic campaigning, and it does not contribute to stability. But I deeply believe that inflation will be reduced and that the deficit in the exchange of goods with foreign countries will be decreased according to plan.

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SERIOUS SHORTAGE OF PETROLEUM PRODUCTS IN MACEDONIA

Skopje NOVA MAKEDONIJA in Macedonian 6 Mar 82 pp 1-2

[Article by T.I.: "Difficult Supply Situation for Petroleum Products"]

[Excerpts] The irregular supply of petroleum products during the course of the year has complicated even more an already difficult energy situation facing the Macedonian Republic. Due to the increased need for electric power and the late provision of hard currency funds, during the past 60 days production in the domestic refineries has come to a standstill. Thus, only 14,000 tons of the anticipated 48,000 tons of diesel fuel have been delivered. The situation is even worse for mazut--of the planned 100,000 tons only 20,000 tons have been supplied (in order to alleviate the situation an equal amount has been imported), and deliveries of gasoline have been 75 percent of what is expected for this period.

In a meeting of the Assembly of the Economic Chamber of Macedonia, the director of Makpetrol, Gavro Gavrilski, said that there is a chance that the situation will be alleviated somewhat in coming days. This is because in the last days of February the refineries began to work at a slightly increased rate due to the arrival of imported oil. But, aside from that it is difficult to say if the refineries will be able to compensate during the course of this month for the quantities which have not been delivered. The supply of diesel fuel will be especially critical from now on. The majority of the diesel fuel that we expect to receive soon in Macedonia will be supplied to the agricultural combines in order to successfully carry out the spring sowing. In order to complete all of this work, Makpetrol is asking for even greater understanding from its business partners, from whom at the moment it is requesting 700 million dinars, although it has not yet paid for petroleum products already received.

The problem with mazut has been and remains very serious. Although there is constant talk about substitution, due to the start-up of operations of new projects (several brickyards, Hemteks, FENI, a cement works) the Republic now needs an additional 100,000 tons of mazut. Together with the 150,000 tons which is now needed by the Negotino Thermal-Electric Power Plant, the mazut requests for this year are 250,000 tons greater than what was anticipated in the energy plan for the Republic.

END

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26 March 1982

# East Europe Report

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2250

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26 March 1982

# EAST EUROPE REPORT

## ECONOMIC AND INDUSTRIAL AFFAIRS

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DEPUTY PLANNING COMMISSION VIEWS 1982 EXPORT-IMPORT PLAN

Prague MLADA FRONTA in Czech 10 Feb 82 p 3

[Interview with Eng Jan Strba, deputy chairman of State Planning Commission by Miroslav Pavel: "Plan 1982: We Shall Pay for Imports with Exports"; date and place not given]

[Text] [Question] After fuels and energy, foreign trade is another area which is of key importance in the 1982 national economic plan. How would you characterize Czechoslovakia's present situation with reference to external economic relations?

[Answer] All speculations about our economy, in my opinion, must be based on the fact that we must exchange approximately 25 percent of our gross national product with foreign countries because the structure of manufactured commodities is designed for export. This reflects, above all, the fact that Czechoslovakia is a processing country which imports a considerable proportion of its raw-materials needs: 100 percent of crude oil, almost 100 percent of iron ore, 90 percent of natural gas, and the same applies to nonferrous metals, rubber, cotton and wool. This in itself does not constitute a problem. It becomes a problem only when we examine the so-called exchange relation or relation between our import and export prices. This exchange relation underwent major and well-known changes in world trade during the last decade--prices of raw materials began to increase more rapidly than the prices of finished products. Naturally, we also felt this in our country. Everybody can find the respective figures in the Statistical Yearbook: if we take the year 1970 as the initial basis and designate it as 100...

[Question] Does this mean that the import of 100 commodity units cost us 100 exported units?

[Answer] Exactly. The exchange relation was 90 in 1975 and only 82 in 1980. In other words, for each 100 imported units we had to export approximately 120 units. To put it very simply: the import of any commodity is becoming increasingly expensive for our economy because we have to pay for it by steadily increasing exports of our commodities.

[Question] Does this apply in relation to the nonsocialist countries only or also to trade within CEMA?

[Answer] Trade between the socialist countries is also carried out on the basis of world prices. This is nothing new, because this principle has been observed since the 1950's. Why world prices? The main reason is that world prices in the final analysis reflect the world value in money, that is the amount of socially necessary labor in production of a specific commodity. For this reason, they not only play the role of an equalizer in trade between countries--commodities are ultimately exchanged in the relation which corresponds to the amount of labor put into their production and recognized as necessary by the market--but also contain the competitive factor, a comparison between the top and lagging producers. The socialist countries cannot ignore this process of equalization and competition, and just "play in their own backyard". This will logically result in their lagging behind.

[Question] Except that world prices to a considerable extent also affect the phenomena which are typical of the functioning of the capitalist economy. Does this exert a negative influence on the socialist economy?

[Answer] In the first place, I would like to emphasize that we do not have to interpret every price increase on the world market as a negative phenomenon. If the social expenditures necessary for production of a specific commodity increase--this is typical, for example, in those instances when production needs increasingly expensive energy--then the increase in the world prices is objective. An adverse effect can, of course, be exerted by various business fluctuations caused by the erratic development of capitalist economies. The CEMA members try to offset this by using the 5-year averages of world prices in their long-term trade agreements. The averages effective during the previous five-year plan were always applied to the next five-year plan.

[Question] This principle, however, has not been observed for a long time.

[Answer] Right. CEMA adopted the principle of sliding prices as early as 1970. This means that the 5-year average is always computed retroactively, but this average is moved forward every year without waiting for the end of the five-year plan. The reason for such price policy is clear: the price changes on the world market take place so rapidly that the present arrangement providing for price changes only once every 5 years actually slowed down the adaptability of socialist economies to the conditions on the world markets.

[Question] Does the principle of sliding prices also apply to products which Czechoslovakia exports?

[Answer] Naturally. Personally I am convinced that this principle could be of great advantage for us, if only we were to learn how to use it.

[Question] What do you mean?

[Answer] If we managed to innovate our products more rapidly, we could more often demand the revision of existing prices. New prices are determined in accordance with the momentary situation on the world markets.

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[Question] The revision of prices depends, of course, not only on us, but also on our customers. What is the course of price negotiations between two CEMA countries?

[Answer] It is similar to other price negotiations. The seller asks a higher price and the buyer offers a lower one. In order to reach reasonable agreement, both partners must present technical and economic documentation. If we sell a piece of equipment, for example, we try to support our price demand by the argument that this or similar equipment is sold at a certain price on the world markets. Our partners naturally may argue and present documentation that they know equipment which is even better of that they have already bought it at a lower price. It is always a matter of specific agreement.
[Question] In connection with CEMA, there has frequently been talk about the stability of sales and production. Does not this stability also mean price stagnation? After all, if we do not offer new products, we cannot open new price negotiations. Such a commodity which we have already been exporting for a long time, is for example, the CME locomotive. How is it with their price?

[Answer] If the world market prices of some products reflect, for example, the increase in prices of raw materials and energy inputs, this will also be reflected in our prices. As to locomotives, for example, there have been no substantial innovations on the world market in recent years, but their production costs and thus also their prices continued to rise. This increase in the price of our locomotives exported in 1981 amounted to approximately 30 percent. However, we should not find consolation in this increase because the competitive struggle forces the world producers to sell the unchanged product at an unchanged price and to offset higher production costs by more efficient production. The basic tendency should therefore be to innovate products even during a five-year plan. Czechoslovak manufacturers, however, have demonstrated little initiative in this respect.

[Question] At the beginning of our interview you quoted some figures on the deteriorating exchange relation in Czechoslovak foreign trade. Higher technical standards of exported products for which we could then demand higher prices is one of the potential solutions to this problem. What are, in your opinion, other alternatives?

[Answer] It became clear during the Sixth Five-Year Plan that with considerable effort we were able to maintain a balance in our relations with the so-

cialist, but not with the nonsocialist, countries. In relation to the socialist countries, this necessitated increased exports of our goods. From the long-term standpoint, I am of the opinion that our economy should be able to function without external funds. This certainly does not mean that we will not also in the future receive and grant various trade and bank credits. This already lies in the nature of trade. But for fundamental reasons, we cannot finance by credits that difference between exports and imports which arises from the fact that our economy is not able to export with adequate profit. To offset this difference by credits is a very dangerous economic policy.

There are many ways of dealing with this problem, but I regard the three outlined below as the most important. Incidentally, I want to stress that not only we, but the entire world, tries to make use of them. In the first place, we must reduce pressure on the balance of payments by importing less of those raw materials which are the most expensive. This is mainly crude oil. Here are some interesting figures: while in 1970 we paid for imports of crude oil and natural gas with approximately 3-4 percent of our exports, the corresponding figure will be 22 percent this year. Yet, the quantity of imported gas and crude oil increased only 20 percent during this period. The import of crude oil from the Soviet Union is still more advantageous for us. We will pay 115-120 rubles for a tone of crude oil in 1982, while the price on the world markets is 178-180 rubles. Expediency is corroborated by another calculation. If we imported all crude oil from the nonsocialist countries--for example, from the nearest Arab countries by way of the Adriatic crude oil pipeline--the total import of crude oil at the price of $274 per ton would cost us Kcs 60.8 billion, while our total exports to the nonsocialist countries are approximately Kcs 8 billion smaller. How would we then pay for the purchases of cotton and wool, nonferrous metals and modern equipment? Secondly, we must manufacture more products from the imported raw and industrial materials, and thirdly these articles must have a high technical standard and will, therefore, command higher prices.

[Question] As to the economic relations within CEMA, it has been pointed out with increasing frequency in recent years that there were many unused opportunities of cooperation, for example, in the manufacture of cars or the electronics industry.

[Answer] I completely agree with this view. In most instances we hold on the traditional approach: "If we manufactured something in the past, we should continue making it." The result is small-scale production, but ours. We must learn to think in different terms. Production costs exceeding the world average automatically debit our balance of payments and create an imbalance in our foreign trade relations. Having participated in many negotiations, I got the impression that other socialist countries show much greater initiative in this respect.

[Question] Why is it so? Do not half the workers in the enterprise sphere enough information for comparing our production costs with the world average? Should we not compile a list of production programs in Czechoslovakia which do not meet this basic criterion?

[Answer] There is enough information available. The manufacturers can learn the world prices. First of all, there is a list of foreign exchange rates and strict rules for computing their relation to domestic prices. We have a number of indicators--beginning with the differential indicator which compares the wholesale price with the price attained abroad, the indicator of capitalization of materials and labor in terms of foreign exchange and so on. Moreover, analyses of production and export efficiency have been worked out in detail for the economic production units and foreign trade organizations. It thinks that a compilation of the list of production programs to a certain date would represent only a partial solution. Production and foreign trade should jointly compile such a list of advantages and disadvantages of production, exports and imports continuously because the conditions of world trade also change all the time. I am convinced that the Set of Measures whose one section focuses on financial incentives related to foreign-trade results will also exercise pressure in this respect.

[Question] The workers in the enterprise sphere frequently complain that the principle of foreign-exchange controls, that is, the release of foreign-exchange funds in the bank earned by imports only after the enterprise met its export target, considerably restrains the flexibility of production.

[Answer] I do not like at all your term "controls" because it sounds like a sort of restriction.

[Question] Is it not a restriction?

[Answer] It is and is not a restriction at the same time. Let us look at the facts. Despite persistent warnings by the Czechoslovak State Bank, machinery in the approximate value of Kcs 2.5 billion was imported from the capitalist states in 1981 which was not put into operation for various reasons. Just imagine the returns if we had made this sum available to the banks where the present interest rate is 17 percent. How can we buy machinery for stock, when everybody knows that the rate of capital investment was cut down? Why should we stock such large quantities of imported raw materials, when we do not need them? Competitiveness among the world producers is, in addition to other things, reflected in their keeping minimum inventories because they do not want expensive capital to lie fallow. For these reasons, we are compelled to exercise some control over import needs which, after all, is done by every country which tries to keep its balance of payments in equilibrium. We make no secret of the fact that we are in a similar situation. We therefore regulate. On the other hand, however, this is no regulation but rather an economic linkage of a special kind which offers to every manufacturer the possibility of additional imports if they are backed by corresponding exports.

[Question] Will this not lead to the situation that everything that is not "nailed down"--metaphorically speaking--will be exported? I have in mind particularly the relations with the nonsocialist countries. Are, for example, exports of metallurgical material, coke, brown coal advantageous for us?

[Answer] Let us begin with coke. It is our traditional export article. I am all in favor of continuing its exports because any other utilization would

be possible only through the metallurgical process, and this would mean additional imports of iron ore and energy. The prices of coke in the area of free currencies are advantageous, and so every reduction of domestic consumption represents a direct gain in foreign exchange. A similar situation exists in regard to browncoal from the Sokolov region which we export to the GDR. This business started at a time when it seemed to us that we would not need as much coal because we would replace it with refined fuels--crude oil and natural gas. We signed a long-term contract with a steam power plant in the GDR to supply it with coke and we cannot back out of it because, according to international usage, we would have to pay not only damages, but also the cost of conversion to another type of fuel. Moreover, the prices of coal and coke are continuously adjusted in relation to the increase in price of other power-generating raw materials. It is true that the exports of metallurgical materials are being curtailed, but let me point out something in this context: if the engineering industries were to produce as much foreign exchange as the exports of metallurgical products, they would have to increase their exports 50 percent immediately. And this is impossible--apart from the fact that machinery is sold on credit, while the metallurgical materials are paid for in cash. Their export is still advantageous for us and it would be even more advantageous, if we improved the quality or were able to deliver ready-made steel structures.

[Question] Will we not increase production and exports of traditional consumer products?

[Answer] Glass exports are obviously very profitable, particularly if we have in mind glass with certain artistic features. The same applies to ceramics, costume jewelry and others. A considerable part of this group of exports is accounted for by textile products, garments and shoes whose production depends to a considerable extent on imported materials. We try to pay by exports for imports of raw materials not only for export purposes, but also domestic needs. From the standpoint of foreign-exchange requirements it would be expedient to reduce the production volume. However, because we also need cotton, wool and leather for domestic consumption, these sectors must also produce for export. If we plunged into production of consumer goods exclusively, this definitely would not represent a panacea for all problems involved.

[Question] Does this mean that the engineering industries cannot free themselves from their national economic responsibility for most of our exports?

[Answer] The answer is: no. Moreover, their tasks will be even more difficult to fulfill. They are increasing their exports by 12 percent this year. This is a realistic goal if we are able to offer technically better products and merchandising improves. We should not refuse any request from abroad simply because the machinery or equipment is not included in the production program. With the help of licenses, subcontractors and cooperation, we can master the situation. Foreign manufacturers are doing the same thing, and we can also do it within our system.

[Question] You are one of the experts who possess most information on Czechoslovakia's relations with the world, and on all successes and failures in this area. Do you judge our present situation with pessimism or optimism?

[Answer] I am an optimist because business with the socialist countries and particularly with the Soviet Union continues to be a stabilizing factor. As to the nonsocialist countries, they also want to produce and sell, and must therefore buy from us. This business, of course, must be expanded in such a way that we do not have to draw on external funds and that we do not increase our debt, but live from our own resources. The results achieved in 1980 and 1981 indicate that we possess all necessary conditions for attaining this goal, if we approach our export obligations responsibly and our import needs on the basis of maximum economy.

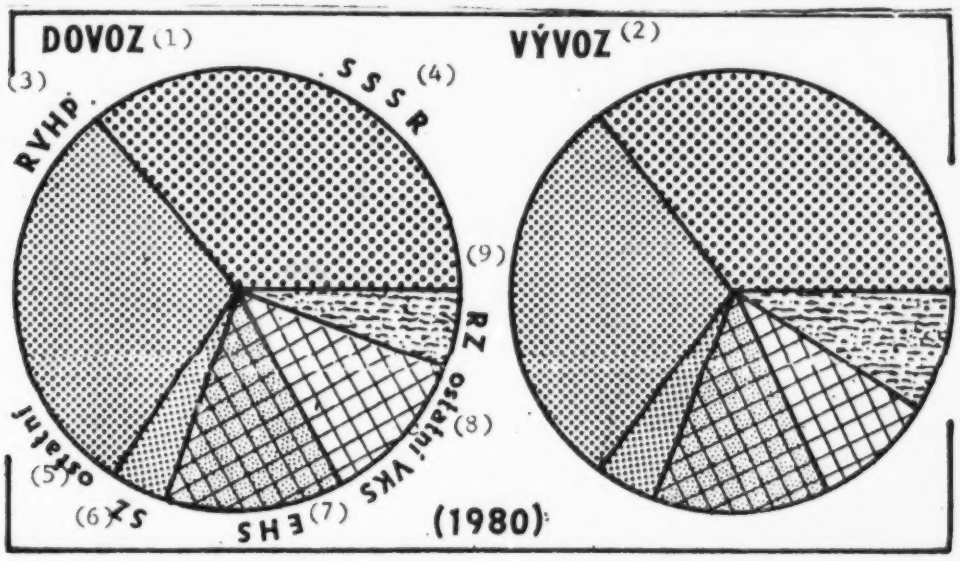


Key:

1. Imports
2. Exports
3. CEMA
4. USSR
5. Other CEMA States
6. Socialist countries
7. European Economic Community
8. Other Developed Capitalist States
9. Developing Countries

Development of import and export prices, and exchange relations during 1975-1980 period

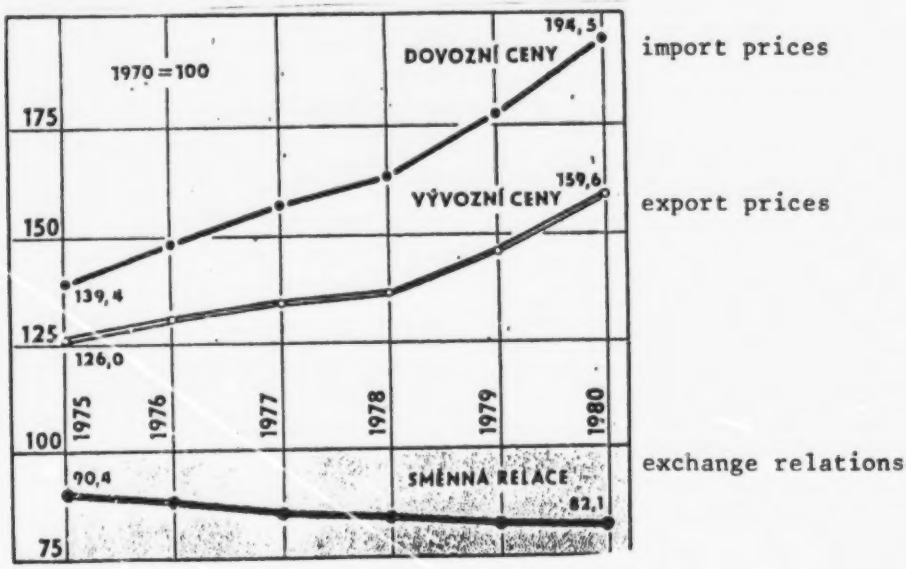


Czechoslovak foreign trade by commodity groups

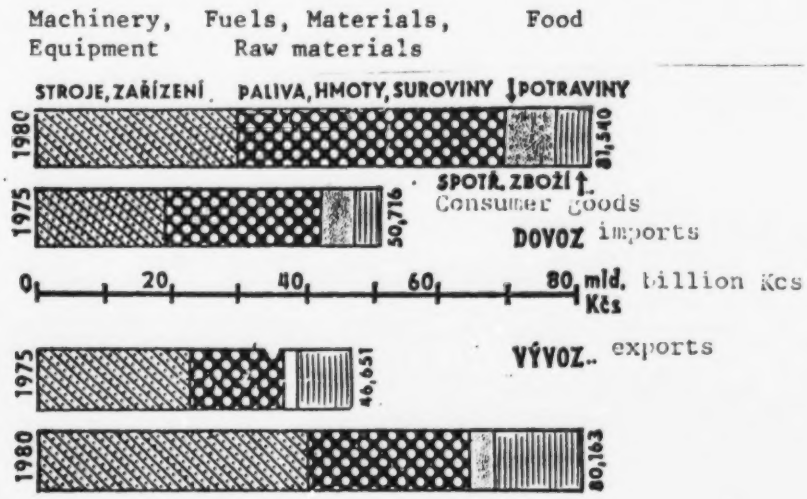


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CSO: 2400/153

## INDUSTRY URGED TO FOCUS ON PRODUCT QUALITY, NOT QUANTITY

### West German Commentary

Bonn IWE-TAGESDIENST in German No 7, 15 Jan 82 p 3

[Report from Berlin: "SED Criticizes GDR Industry for Insufficient Awareness of Quality." A translation of the East Berlin EINHEIT article cited below follows this commentary]

[Text] The theoretical SED journal EINHEIT (No 1, 1982) has criticized GDR industry for still not paying proper attention to product quality. Frequently, improved labor productivity on the one side and improved product quality, on the other, were being regarded as opposite aims and the opinion was being expressed that the one could only be attained at the expense of the other. Alternatives, concretely, amounted to either an increased number or better quality of products. Such alternatives came from the wrong presuppositions, however, and were "not acceptable" in practice. If the precepts for product quality were neglected with output increasing at the expense of quality, the party journal affirmed, society would reap no benefit from it at all, even if an enterprise concerned should manage to sell its products for the time being. In such cases the society would have to pay the price for it in the form of unscheduled stocks of finished goods or expensive make-up work.

### SED Economist on Economic Strategy

East Berlin EINHEIT in German Vol 37 No 1, Jan 82 (signed to press 9 Dec 81) pp 33-44

['The Topic' feature article by Prof Dr Claus Kroemke, economist, deputy department chief, SED Central Committee: "Struggle for Highest Labor Productivity--Requirement of Economic Strategy." A translation of the Guenter Mittag address cited in footnote 6 is published under the heading, "Mittag, Hoefner Address People's Chamber on Economic Challenges," in JPRS 80213, 2 Mar 82, Nov 2238 of this series, pp 22-48]

> [Text] Proceeding from increased labor productivity, the indispensable prerequisite for any social progress, its importance is being explained for carrying on the main task policy in its unity of economic and social policy. Which economic and ideological questions are primary under concrete conditions today for boosting our labor productivity as our party's economic strategy would have it? Why and how does the effort for increasing labor productivity connect with efficiency improvements? What does it mean to conduct this struggle politically?

At the Third Central Committee session, Comrade Erich Honecker pointed the way to implementing the 10th party congress resolutions. For us to be able to keep implementing the proven main task policy in its unity of economic and social policy this way, we find the economic strategy for the 1980's, as set down at the 10th party congress, a clear guideline and sound foundation for purposeful action.

The effort in greatly boosting our labor productivity is one of the buttresses of this economic strategy. It is of first-rate importance for enforcing our economic and social policy, as the Politburo report affirms.[1] Especially in view of the fact "that we intend to carry out its economic and sociopolitical directive through still less raw material and other material than had been assumed at the 10th party congress"[2] a quality and efficiency boost of social labor gains an importance, economic and political, that exceeds all previous criteria. To produce more with less effort is a fundamental requirement at a time "when, due to scientific-technical progress, higher labor productivity is more crucial than ever."[3]

General Conditions for Social Progress

Indeed, higher labor productivity turns out to be the fundamental condition for the required economic performance growth and the policy, based on it, for a gradual improvement in the people's material and cultural standard of living. The results of increasing labor productivity directly affect the growth of social production, the size of our national income and, hence, the conditions for implementing our social policy. The economic content of increased labor productivity lies in a growth of productive performance without any extra working hours and labor. Labor productivity is a direct expression of the efficiency of live labor, of its degree of efficacy. Higher labor productivity means making available more intrinsic values to society within equal time frames. Thereby, at the scale of the national economy, the decisive prerequisites are created for enlarging the scope of social production and of our national income.

The social importance of labor productivity is derived from the Marxist-Leninist realization that labor is the most important source of all wealth, wherefore its increasing degree of efficacy constitutes an indispensable material prerequisite for any progress altogether, as increasing labor productivity is the economic quintessence for the development of the productive forces. This connection between labor productivity and social progress exists, as much as the connection between a higher degree of labor efficacy and increasing output, in every form of society. Yet, of course, it wholly depends on the concrete character of the form of society, on the prevailing power and property relations, who is benefited by the greater output coming from increased labor productivity, for whom and for what the greater volumes of intrinsic values are meant, which class appropriates them, and for which end. Practice keeps confirming to us that the answers to be given to those questions, and the effects of this connection, are completely opposite, e.g., in capitalism and socialism.

For Whose Benefit?

Not until we have socialist power and production relations can, through the appropriation of the outcome of labor altogether, the outcome of higher labor productivity benefit the workers class, the cooperative farmers and the socialist intelligentsia and express itself, e.g., in increasing social accomplishments for all

the working people in the GDR. For example, the value of the produced per capita national income, computed on a comparable price index, rose from M 16,334 in 1970 to M 25,082 in 1980, i.e. by 54 percent. The value of industrial commodity production per hour rose from M 112 million in 1970 to M 210 million in 1980, i.e. by 88 percent. At the same time, the population's net income rose by 52.4 percent. Voluntary services from social funds rose by 105.9 percent.

The facts contained in the 10th party congress materials and documents, which anyone can have access to, unequivocally refute the lies of bourgeois ideologues about our advances and show how untenable their distortions are about the actual connection between increasing productivity and the development of the people's material and cultural standard of living. They show the results of our labor benefit primarily the people directly. They also demonstrate the social accomplishments of the citizens in our country ultimately depend on the work done by the people under socialist conditions. Everything that has been created by way of our united economic and social policy since the eighth and ninth party congresses and everything that is being produced in the outcome of the purposeful implementation of the 10th party resolutions has been due to the people's creative and diligent efforts achieved under Marxist-Leninist party leadership. It has been accomplished through hard efforts, through constantly seeking a higher labor productivity; our country's citizens are rightly proud of such achievements.

These unrefutable facts should be food for thought to all those, mainly, who, to the west of our borders, have made it their business, as it were, to deal with the analysis of economic processes in the GDR, for the purpose of misinterpreting them, while they are evading any serious examination, that would reach the core of things, of the contradictions and problems in the capitalist countries. Could it fail to give rise to the question what the social system of a country and its growth impulses and expectations of the future must be all about if--as is the case in highly developed West European countries--despite further advances in their increasing labor productivity stagnation has set in or even a reversal in their production growth? What can explain that, despite increased performance by the working people, their real income moves ahead at a snail's pace at best, if at all? And how is that compatible with that, on the other side, the profits of the largest corporations have reached new heights? This should make it all too evident that the economic effects of increasing labor productivity are marked solely and exclusively by the capitalist appropriation of production and that the results of increased labor productivity in no way primarily serve those that have done most for it. Such a distortion of the real connections, by the way, is in principle nothing new in the exploiter society. More than a century ago, in his penetrating and still completely valid analysis of capitalist economics, Marx demonstrated that to be so, and it is only still more emphatically being underscored by historic development and contemporary facts. All that confirms, especially today, that the capitalist system has long been an impediment to the further development of the productive forces and to boosting the efficiency of social labor, and that it altogether blocks the path to improving the working people's social situation and to social progress as such. In contrast, development in our republic also demonstrate that in real socialism those social premises are laid that ensure for all economic advances to take effect for the good of the people and the progress of society.

The boosting of labor productivity thus is a deeply social and class-conditioned process and never "purely economic in character." Not last because of these social prerequisites, conditions and effects it is among the central issues in the class conflict. Due to the fact that in socialism the social purpose of higher labor productivity is unequivocally determined by the economic laws, especially by the basic economic law, inherent in socialism, the law of constantly increasing labor productivity likewise is inherent in the socialist system. Conforming to it is included in living up to the universal principles of socialism and developing its great advantages and possibilities. And that is why our party attaches so much importance to the effort of significantly boosting labor productivity and attaining a much higher level all-around.[4] If the party underscores that "only that can be distributed which we ourselves first produced or created by our labor beforehand,"[5] we can and must tie this idea up with that under the changed conditions we have to face a higher speed of productivity growth is required so as to ensure a distributable product at the same level and enlarge it beyond it.

## The Laboratory and the Drawing Board Are Increasingly Decisive

The task of significantly boosting labor productivity is closely entwined with all major aspects of the party's economic strategy for the 1980's. That is true in particular of the one aspect which, because of its fundamental and overriding importance, is mentioned first: Taking another step in combining the advantages of socialism with the scientific-technical revolution. That pertains mainly to the possibility to use science and technology data directly for boosting our labor productivity in the broadest sense of the word; and it means more than that: This basic thesis spells out that scientific data and their immediate all-inclusive utilization are the decisive and crucial basis for boosting labor productivity. This places, in principle, the struggle for high labor productivity on a new foundation.

The use of the scientific-technical revolution opens a virtually unlimited field of opportunities for boosting our labor productivity. Demands made on management activity become all the greater thereby. The actual skill in managing this process lies in creating conditions for R&D to be pervaded by economic objectives to a higher degree than in the past and for their data to crystallize in measurable achievements in the process of material production.

"Basics start with the drawing board, with R&D."[6] This fact precisely also expresses that the scope assumed by the speed in boosting labor productivity is increasingly due to the activity of the "social total worker." For it becomes, after all, ever more important how the results of the socialist educational system, of science, of R&D work, in the construction of means of rationalization, in the innovator activity within the overall social scope, and particularly in the combines, are organized and brought together in such a way that we produce higher achievements, in every phase of the production process and on every job, not only through a greater labor effort and more physical strength, but through creating and using our intellectual leads. For that purpose it is necessary to introduce modern technologies and increase our own construction of means of rationalization while improving all working people's skills and using them in a way that the opportunities the new technology provides for are exhausted to the fullest.

The criteria adopted are crucial for ensuring a maximum contribution by all science and technology measures to the boosting of labor productivity and obtaining an optimum degree of economic effectiveness. They must take their clues from optimum values obtainable today and in the future and satisfy international requirements completely. Abiding by these crystal-clear economic measures is the basic prerequisite for producing the greater economic result required for the continuation of our party policy, aimed at the good of the people.

## The Growing Importance of Socialist Rationalization

With respect to our economic strategy, the decisive preconditions for boosting our labor productivity are set by socialist rationalization, which is meant to become all-inclusive. In all the efforts made to extend it, it is to be taken into account that socialist rationalization is a social process that is fashioned in its targets and approaches by the socialist production relations. Most clearly that is expressed in that the boosting of labor productivity in our society always has to go hand in hand with improving the working and living conditions. After all, ultimately it concerns the people for whose benefit labor is to become more productive. Yet even in socialism--where we are concerned with labor free from exploitation, with diminishing demands made on muscle power and, instead, with nimbleness of mind and creative potency--labor is not likely to come without toil and trouble, as the whole person is challenged with all his awareness, will power, strength of character and performance capability. In our socialist society, which offers all the people, every individual working person, leeway and objective premises for developing and shaping their creative abilities and talents as no other social order ever has, where high accomplishment, diligence, and honest and disciplined labor enjoy the highest respect and find recognition, labor is more than ever turned into a field for social testing and the formation of personality in everyday confrontation with the substance of labor. Increased labor productivity and socialist rationalization do not amount to an "abolition" of labor either but to a modification of labor in a direction where it is becoming ever more adequate to the nature of man. Precisely because labor, assuming its proper substance, is such a great challenge to men and their abilities, the point that matters is to do everything, within the scope of the possible, to create better conditions for it, "which mainly means less heavy physical work, fewer health hazard impediments, less monotony and more room for satisfying skilled and creative activity."[7] That marks the requirement for socialist rationalization meeting the concerns of working man.

Socialist rationalization is a mental and a material process. What it comes down to is that working man reflects on his own concrete activity, seeking to perfect it in terms of making it more productive. Doing that, he himself develops further and creatively shapes his most important social articulation of life. One of the great advantages of socialism is that rationalization without the worker's doing, without his inner participation, is actually inconceivable, he being, instead, always drawn into this process, a process which often, in fact, starts from the worker's ideas and is brought to realization through collective work. Thus setting up departments for constructing their own means of rationalization in the combines is not merely an organizational measure but an expression of a social process in which the working people themselves systematically create their production conditions for their own benefit.

It is possible to extend this idea all the way to the basic principles behind the utilization of investment funds, which essentially are a part of the surplus product accreting through productive labor. The requirement in the five-year plan to use most of the investment funds for rationalization illustrates how much weight is being attached, even from the vantage point of the plan, to more productive work under more favorable conditions. So the high economic effect of our investment policy is tied up with profound social content.

Quality Improvement--Synonymous With Increasing Labor Productivity

Of growing importance to the effort toward high labor productivity is that we decisively improve product quality. Imperative for it is more skilled labor which, along with it, also gains in importance as a way toward higher labor productivity. In everyday work at times, higher labor productivity on the one side and better product quality, on the other, are conceived to be opposite targets, and one encounters the opinion that the one target is attainable only at the expense of the other. The alternatives, concretely, then are either more of an output or better product quality. But such alternatives start from the wrong premises and are not acceptable in practice. Such an issue cannot be settled from the vantage point of daily tasks, let alone from that of a one-sided focus on one or the other parameter placed in contrast. What is necessary instead is to penetrate to the essence of the economic process. In considering that increased labor productivity means producing more intrinsic values in a given time frame, and also, that the new value created thereby can be realized only to the extent that the commodity meets the clearly defined quality parameters of that intrinsic value, the question is essentially resolved in purely theoretical terms. If in practice the product quality precepts are not always followed and a larger output is produced at the expense of quality, society derives no benefit from it at all, not even if the enterprise concerned should manage to sell its products for the time being. The price in such a case has to be paid by society in the form of unscheduled finished stocks or in expensive make-up work. Monetary sanctions in consequence of it may in deed be a necessary economic consequence for the enterprise but do not mitigate the heart of the matter, the loss that has been incurred for the economy as a whole. Therefore the effort to produce more of an output while preserving the quality of each and every product is from the outset also a matter of the basic ideological position, of economic understanding and appropriate management activity.

But there still is another aspect in viewing the connection between productivity and quality: Better quality in its effect is identical with higher labor productivity. There is not likely to be any doubt that better quality must be reflected by a higher intrinsic value; else it would make no sense economically to speak of better quality. The essential thing about intrinsic value is that it can only be gaged against any existing social need at the given or foreseeable status in the development of the productive forces, economically expressed by the sales of the products. Thus better product quality has, in principle, the same economic effect as increased labor productivity through a higher output stable in quality, if one only takes, e.g., a longer working life or greater reliability of the products. All this is equal to increasing the volume of products made available to the economy. But then there is still a further effect because every product that is likely to require fewer repairs, lasts longer and functions more reliably at the same time

makes for savings in material and energy and working hours while being used. And so the struggle for labor productivity aimed at high quality makes for possible savings in social labor. This is an effect of which, through greatest determination, much more must be made.

And that, finally, also is precisely what is meant by enhanced production refinement. Enhanced refining always means greater intrinsic value and, thus, better quality. It is attained by that a greater value is added through more skilled labor to each kilogram of material. In this value accretion is seen the economic effect of more complicated labor, coming into its own in the formation of value as simple labor at a higher power. So the idea cycle is closed: More highly skilled labor leads to better product quality and with it, to a higher production value and to greater labor productivity. The economic effect of such a process is impressively being demonstrated by microelectronics.

Labor Productivity and Efficiency

By now our considerations have led to the linkage between the struggle for high labor productivity and the fundamental task to produce a greater benefit through less effort, to become more efficient, in other words. Even the 10th party congress explained that the struggle for increased labor productivity must not come at the expense of a higher material or energy consumption or an increased investment effort.

The principle that all economic considerations and decisions must be aimed at a high overall economic result fully applies of course also to all measures in boosting our labor productivity. Not rarely, however, in practical economics, one finds the reduction of the expenditure of live labor is treated as one task and the reduction of the expenditure of embodied labor, as another task, each by itself. It is understandable that someone might reach such a conclusion because, in his economic thought and actions, he let himself primarily be guided by a parameter scheme. He has failed to see that a methodology--however perfect it may be--is at best an aid to conceive of, or control, certain processes but can, like any other set of instruments, never make up for penetrating into the essence of economic processes. The approach to understanding that essence and deriving the necessary and correct conclusions from it is given to us by our Marxist-Leninist economic theory alone. It is this theory in all its riches which, with the realizations of the classic authors and its creative further development through the ripening of the socialist planned economy, belongs among the greatest scientific achievements humanity has ever produced, and which has done so much to advance historic progress.

As to the question of efficiency, the study of Marxism-Leninism must needs lead us to the realization that embodied or--as Marx usually calls it--"past" labor previously always was live labor. Therefore an extra effort in embodied labor always is de facto a deduction from what was accomplished by saving live labor, a curtailment, i.e., of labor productivity. Even if everything still may seem to check on the invoices of an enterprise when that principle is violated, the economic invoice will make it all apparent that, perhaps, embodied labor was not handled as carefully and economically as prudently as was live labor. That is

why our party is making so much of reducing production consumption and keeps reiterating that it makes our national income rise as much as does increased production.

That is why the struggle for increasing production per unit of manpower--this being the parameter by which labor productivity in the enterprise is expressed--must go hand in hand with reducing costs as such. That alone will take care fully of the whole matter of boosting labor productivity as an economic objective. Here we should merely reiterate emphatically once more: Ultimately, higher labor productivity is only another angle for the need to achieve higher efficiency. If that is ignored or disregarded, the savings made on the one side may all be canceled out again through higher expenditures on the other.

This connection applies also in particular to the ratio between production increases and the basic assets economy. Increased labor productivity, as one knows, largely depends on applying the latest technologies. Yet these new technologies can be realized only through the appropriate equipment and so, to a certain extent, call for seed money. For the overall effectiveness of the results to be achieved from increased labor productivity, it is then of extraordinary importance how high such advances that are put up for them are. To achieve optimum results here too by minimum expenditures, the modernization of extant production equipment is the most effective way because that makes more efficient embodied labor already in operation, which taps simple reproduction as a source for expanded reproduction. The point simply is that extant technology is used with additional equipment and new possibilities for linking it through technical redesign with introducing most up-to-date production procedures. It also means that we must not drop extant production equipment merely because it has outlasted its "normal working life." Replacing extant technical equipment may , to be sure, often be the easier way for us, calling for less effort, less complication and less of a risk; it is not normally the economically more favorable and less expensive way. So we always have to consider how even when we boost our labor productivity the best economic advantage can be produced through the least expenditure of funds. This is all the more important in that, in accordance with the 10th party congress requirement, we have to engage in this effort at a broad range.

Joint Efforts Under Political Leadership

Boosting labor productivity in our country has become a matter of the utmost concern in overall social terms. This places the economic responsibility for productivity growth as much as the contributions by the other social domains to it more than ever in the center of our attention today.

And so the tasks for boosting labor productivity are a regular component of the 1982 national economic plan as well as of the 1981-1985 Five-Year Plan. These tasks, in conformity with the objective requirements of our economic and social policy, constitute genuine objectives of our struggle. Proceeding from there, every combine knows its concrete targets. In implementing these plan tasks it is of great importance for us to overcome the partly still existing large level differences in labor productivity and gear ourselves to optimum values.

How the targets are met, that depends on disciplined work on every job. The results greatly come out of the efforts in material production, but they increasingly also depend on the premises created in particular by science and technology for more productive work. Being successful in the struggle for high labor productivity thus also means organizing labor cooperation among many. This identifies prudent management activity that is aimed at arousing all creative forces as a significant productivity factor. It must extend mainly to connecting all the phases in the cycle of intensively expanded reproduction. The combines' growing responsibility is seen, precisely, in their providing production efficiency to all possibilities in "combined labor." That applies particularly to issuing clear requirements while determining how high production targets are to be reached. But it also concerns operations management. Every responsible person should always ask himself how productive the work has been today, which advances were made, and which reserves are showing up, so as to draw inferences from it at once. The permanent checking and analysis of important parameters of labor productivity should always receive attention. This includes the parameters of time investment per unit of production as much as that of quality and, above all, of the costs. Results in labor productivity boosts ought to be analyzed and judged always in connection with overall costs.

As work in socialism altogether, so also the struggle for high labor productivity is marked by the character of socialist production relations, by their deeply humanistic substance. Wherever labor serves man--as it does in our country because it is socialist--, fosters his development and gives him the full benefit of its results, it is only natural that everything is done to make the work itself more effective, which means more productive. That is not only a matter of high economy but also one of the respect for human labor itself. Each advance in increasing productivity calls for a degree of effort, creative search for new ways, diligence, discipline and steady work. But each result achieved thereby also confirms the ability of the ones involved, boosts their self-confidence and inspires them to tackle new tasks. And so the struggle for high labor productivity also means constantly facing what is objectively required and a spur to mobilizing all subjective possibilities for it. That makes it all the more important to exercise political leadership in it and struggle, in joint, confident cooperation with all working people, for the implementation of the 10th party congress resolutions which serve the well-being of our entire people.

FOOTNOTES

1. Comrade Erich Honecker, "Aus dem Bericht des Politbueros an die 3. Tagung des ZK der SED" (From the Politburo Report to the Third SED Central Committee Session), Dietz publishing house, Berlin, 1981, p 24.

2. Ibid.

3. Ibid., p 27.

4. Cf. Comrade Erich Honecker, "Bericht des Zentralkomitees der Sozialistischen Einheitspartei Deutschlands an den X. Parteitag der SED" (SED Central Committee Report to the 10th SED Congress), Dietz publishing house, Berlin, 1981, p 52.

4. Comrade Erich Honecker, "Aus dem Bericht . . .," op. cit., p 25.

5. Guenter Mittag, "Forging Ahead Along the Course of the 10th Party Congress, NEUES DEUTSCHLAND, 4 December 1981, p 6.

6. Comrade Erich Honecker, "Aus dem Bericht . . .," op. cit., p 33.

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## SOCIALIST MARKET ECONOMY, 'EQUAL RIGHTS' FOR COMBINES REJECTED

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['The Topic' feature article by Prof Dr Gerd Friedrich, economist, deputy director, Central Institute for Socialist Economic Management, SED Central Committee; member, GDR Academy of Sciences; chairman, Council for Economic Management Problems: "Socialist Planned Economy and Democratic Centralism." A translation of the Guenter Mittag address cited in footnote 9 is published under the heading, "Mittag, Hoefner Address People's Chamber on Economic Challenges," in JPRS 80213, 2 Mar 82, No 2238 of this series, pp 22-48]

> [Text] Today it is historically proven that--as the classic authors of Marxism-Leninism had shown--the socialist planned economy can prosper only on the basis of democratic centralism and its improvements in line with any given developmental conditions. Precisely for that reason is this essential element of socialist management exposed to unabating attacks from bourgeois ideologists. In which directions is this principle being shaped, under party leadership, as required for making our economic strategy prevail in the 1980's?

Socialist planned economy constantly being improved on the basis of democratic centralism--as all experiences confirm--is of fundamental importance for the successful construction of socialism. With regard to our more than 30 years of experience with our planned economy, Comrade Erich Honecker remarked at the most recent Central Committee session that "central state planning is among the most valuable advantages of socialism. More and more effectively we have managed to adapt it to the requirements for intensified economic development."[1]

Through organizing and constantly perfecting the socialist planned economy in line with concrete developmental conditions, its advantages have been more and more brought to bear, and the fundamentally changed life of the working people, as far as their position in production and in society is concerned, also has become increasingly richer in the material and the intellectual-cultural sense. Social reality therefore confirms the ideas of Marx and Engels, who defined socialism as a society in which the "associations of free and equal producers" work together "consciously in accordance with a joint and rational plan,"[2] "production is placed under genuine predetermined societal control,"[3] and thus social working time is distributed on production assortments in accordance with social needs.

Not until anarchy in social production gets replaced by conscious organization according to plan--as they concluded--"will men make their own history in full awareness, and from then on the social causes put in motion by them will principally and increasingly have the very effects they intended for them."[4]

While all this remained still a matter of reference on general principle for Marx and Engels, gained from deep theoretical insight into revolutionary social development--i.e. the indispensable necessity for socialism of the conscious and planned management of social and economic processes at the social scale and in the interest of the producers themselves, and for the sake of ensuring proportionality--, it turned into a practical issue after the triumph of the October Revolution. Lenin kept addressing the problem of how the process of the "actual socialization of production" would have to be advanced and showed that socialism is inconceivable "without state organization according to plan that would induce dozens of millions of people to abide strictly by unified standards for the production and distribution of the products."[5] He explained the need "for bringing to realization in the economic field, particularly, democratic centralism," and he emphasized that this "centralism, understood in its true democratic meaning, presupposed the possibility, created for the first time in history, of a complete and unrestrained development not only of local particulars but also of local initiative, the multiplicity of ways and means and methods for advancing toward a common goal."[6]

Marked by the closest cooperation between central state economic management and planning and the conscious and creative activities of the working people in the economic units, branches and territories, democratic centralism is among the indispensable and essential elements of the socialist planned economy. Like the unity of political and economic management, the connection between planning and economic accounting, and the relation between individual management and collective consultation, it is among the basic socialist management principles--worked out, and applied with great rigor, by Lenin--and has lost none of its importance. These principles derive of necessity from the political power of the workers class and the public ownership in the means of production, and in their unity they ensure that in the socialist planned economy the interests of the workers class, and thus also of all other working people, are made to prevail, basic social rights are secured, and the material and cultural standard of living is systematically raised commensurate with higher economic performance.

To refer to the universally valid Marxist-Leninist insights and principles, which throughout the decades of socialist construction have stood up so well, is all the more necessary because the basic issues in the shaping of the socialist planned economy have time and time again become subject to sharpest ideological conflicts. Bourgeois ideologists cannot help but offer us unsolicited "advice" on how socialism could be "improved" by abandoning Marxist positions. Incidentally: it does call for a good dosis of brazen stupidity for such "advice" to be trumpeted precisely from those countries that have rampant unemployment comparable only to the great world economic crisis, with the working people's social product and net income dropping, social welfare benefits dropping for the benefit of arms buildup and of profits, and social insecurity, inflationary price hikes and capitalist rationalization causing serious worry about survival among broad masses of the working people.

"Complete Departure From Socialism"

Ideological attacks by the enemy on the socialist planned economy, which he seeks to defame as an "autocratic system for the exercise of power," keep aiming at three decisive points. In front are--and how could it be otherwise--attacks on the leadership role of the Marxist-Leninist party, the functions of the socialist state in general and democratic centralism, in particular. Coming from the class position of the bourgeoisie, this is all too understandable, because if they succeeded in doing away with this cornerstone of socialism, it would amount to doing away with socialism altogether. Second, our class enemies seek to undermine the planned economy by saying it advocated a complete "autonomy" of the economic units, their "self management" on the basis of socialist property turned into group property. The consequence would of necessity be that socialist production relations of comradely cooperation and mutual aid and social overall interests would come to be replaced by competitive enterprise interests in all their juxtaposition and opposition, whereby at least one crucial advantage of socialist society would be repudiated and the social impulse that lies in the identity of social, collective and personal interests would be canceled. And finally--and indissolubly tied up with it--it is a matter of undermining the role of the plan as a steering tool of the economy and replacing all its fundamental functions by a "market economy mechanism."

The consequences of such a "socialist market economy" are obvious: the destruction of the unity of economic and social policy, because there would no longer be any basis for it when group interests prevail over the total interests of the workers class and of society. Basic social rights, like the right to work, to education, to social welfare, to equal wages for equal labor, and the working people's social security could as little be ensured as they are in the capitalist countries. Planned production and productive forces development proceeding from overall social interests would no longer be possible because the basis for them would be gone, the overall social power of disposition over the country's resources, on which the socialist planned economy relies in the conscious shaping of the processes of public life for the benefit of the people.

Such notions have nothing in common with socialist planned economy. Lenin already pointed out that this kind of "self administration of the enterprises" based on group property was incompatible with the principles of socialist economic management. He emphasized that it was "the grossest distortion of the basic principles of Soviet power and a complete departure from socialism if the workers in a particular plant or a particular occupational branch were legally granted, directly or indirectly, the right of ownership in their specific area of production, or the right to mitigate or obstruct the orders issued by state power."[7]

The Party's Leadership Role and Marxist-Leninist Policy

Economic and social management always conforms with who owns the means of production. Life has confirmed that as a universal inevitability of social development. As the capitalist ownership in the means of production causes their typical capitalist disposition--with all its social ills--, so the socialist economy and society of necessity require democratic centralism. Things would not function without this basic socialist managerial and organizational principle. And the decisive leadership

force of management can be only the Marxist-Leninist party, exercising its leadership role with support from the socialist state and other social organizations. Our party, just like the CPSU and other Marxist-Leninist parties, lets itself be guided resolutely by that the further development of management and planning in the socialist economy requires the consolidation and further perfection of democratic centralism.

All experience has confirmed this: The most important prerequisite "for making the socialist planned economy function is a Marxist-Leninist policy proceeding from the requirements of the objective economic laws of socialism and aiming at putting fully into effect all advantages and impulses of socialism for the benefit of the people on the overall social scale. That is the cardinal issue for shaping the socialist planned economy. Not one rule or another is what matters, but the correct strategy and tactics for overall social development, in which the perfection of management and planning is embedded."[8] As the only social force the working class party is in the position to charter such a social strategy that serves the good of the people and, guided thereby, point the way to constructing and constantly improving the socialist planned economy.

The goal of socialist economic management, as expressed in the basic economic law of socialism, is to satisfy the people's material and cultural needs at an ever higher level. So, socialist economics must needs be growth-oriented: Without increasing output and national income, without higher labor productivity and the most rational utilization of energy sources and raw materials, the tasks for the further shaping of the developed socialist society in the GDR cannot be solved. The 10th party congress resolution to carry on the political course of the main task in its unity of economic and social policy even under the changed conditions primarily amounts to a demand made on our country's economic efficiency.

Clearly aware of the available sources for our growth, and of others that are to be tapped, Comrade Erich Honecker at the 10th party congress presented the economic strategy which constitutes the consistent way for extending the main task with its great mobilizing effects throughout the 1980's. That strategy "relies on the full utilization of the advantages of socialism, the ability of our socialist planned economy to react flexibly to changed conditions, and a new great development of mass initiative through socialist emulation, organized by the trade unions. The centerpiece of this economic strategy is the struggle for higher labor productivity and efficiency through science and technology and the struggle for critically improving the cost/benefit ratio."[9]

Unity of Democracy and Centralism

Ultimately the strength of the socialist planned economy relies on the strength, diligence and initiative of the working people, on their ability to organize according to plan and with increasing awareness the processes of the material production and reproduction of their living conditions, under party leadership and on the basis of the organized work of state power, through understanding the objective economic laws. Under central leadership, the development of the economy proceeds according to plan at the overall societal scale in conformity with the working people's fundamental interests.

Karl Marx called the "national centralization of the means of production" the "natural basis" for socialist society.[10] This centralization is the first and foremost precondition for the development of socialist democracy; for only through socialist state power can the workers class enforce its interests, and with them, those of all the working people, and protect its rights. It attest to a misconception of democratic centralism or to a deliberate denial of its nature that bourgeois ideologists keep splitting this unified principle up into two purportedly opposite poles--democracy and centralism--, from which they then derive the need for an allegedly still to be performed "democratization" of socialism. The truth is that the democratic character of centralism is ensured through the real influence the working people have on decisions. That influence is exercised in the political organization of socialism in our country through the leadership role of the party, the collaboration of the allied parties and mass organizations in the National Front, the position of the people's representations as the supreme power organs of our state, and the extensive rights of the trade unions as the most comprehensive class organization of the ruling workers class. The citizens' sphere of influence thus has a very broad range: from the variety of opportunities for making their interests prevail by means of the socialist state and its organs, to their direct involvement in plan preparation, all the way to the guaranteed rights for every individual to bring an influence to bear on state affairs by oral or written petitions for helping justified interests or concerns to break through.

Without the clarity about the goals at the national scale that comes from a consistent application of centralism, as expressed in the economic and social policy of the party and the state, and without the ability to organize the cooperation of the enterprises and institutions addressed at those targets, socialist democracy would lose its ground; it would be impossible to direct the working people's initiatives at enforcing their very own interests. Doing away with centralism (and the enemy is perfectly aware of the effect intended by his "well meaning advice"), far from strengthening socialist democracy, deforms essential elements of the socialist planned economy and surrenders the advantages and accomplishments the workers in socialist countries have achieved in past years. Through conflicting group interests, the basic social rights--the right to work and education, to social security in every phase of life and for every citizen, as well as other basic rights--would fall by the wayside; the undoubtedly complicated problems of economic development in the 1980's could not be coped with.

"More centralism or more democracy" are pseudo-alternatives, neither theoretically acceptable nor feasible in practice. What matters instead is to find concrete answers to the new questions arising with the perfecting of democratic centralism and the further development of the socialist planned economy under the changing conditions in the process of the shaping of the developed socialist society. That concerns, e.g., the relationship among the various state management levels and with the economic units and the concrete ways and means by which the identity of social, collective and personal interests can be made ever more perfect so as to make the party policy prevail, which aims at the well-being of the people. In the 1970's, the most important step toward making our economic management system more effective on the basis of democratic centralism was the formation of the combines and their development into basic economic units for material production in industry and the construction industry. Thereby better opportunities were created for connecting

central state economic management and planning with the initiatives of the working people and their collectives. Proceeding from there, the 10th party congress has answered the question how--in conformity with the conditions for carrying on the political course of the main task--the party's economic strategy for the 1980's has to be organized and the socialist planned economy be further perfected.[11]

Perfecting State Management and Strengthening the Combines

As spelled out by the 10th SED Congress resolutions, our socialist planned economy "is being perfected further so as to take extensively into account the requirements for high economic performance improvements, especially those that come from a rigorous production intensification."[12] For management, planning and economic stimulation fully to focus on a, by and large, intensively expanded reproduction of the economy thus also is the fulcrum and pivot in the development of the economic management system.

New demands arise from the changed conditions under which economic laws work, as characteristics of intensively expanded reproduction. These changes touch on concrete requirements and manifestations of the law of planned proportionate development as on the value law, the law of remuneration according to performance, and others. Thus, in contrast to an extensive expansion of the field of production, intensively expanded reproduction is marked by a constantly increasing technical-economic production level. Scientific-technical progress, this crucial growth factor, strengthens the dynamics of economic development and leads to changes in the proportions and in the structures, focuses on the matters of a complete accounting for, and use of, the qualitative growth factors in the national economic plans, and raises, accordingly, now demands for cost accounting. The commodity-money relations and the economic categories that go with them have to be shaped and used by the plan in such a way that they permanently foster our scientific-technical progress and high labor efficiency. The production socialization process assumes new dimensions under the influence of the close connection between science and production and the rapidly expanding international economic and scientific-technical relations, which raises not only new demands for cost accounting but also new questions, linked with cooperation, and at a new quality, about the unity of planning, balancing and contracts. Finally, intensively expanded reproduction always calls for an application of the performance principle at the overall social scale by which not only the quality of labor expended is rated but also, and particularly, the quality and efficiency of labor activity.

The demands the party has raised, to the effect of improving managerial projections, elevating the complexity of planning, further developing cost accounting, developing the combines and strengthening them so that they can control their reproduction process with all its ramifications over the long range, to a large extent derive from these greatly changed effects of the conditions under which the economic laws work, which have still much more been exacerbated by the foreign policy and foreign economy changes. Other party demands derived from it include, no less, an increasing of the authority of state requirements with respect to the efficiency development in the combines and enterprises, improving the efficiency ratings of the collectives, economic units and branches, and structuring prices in such a way that it will encourage scientific-technical top achievements and a broad use made of them.

Another consequence of the changed conditions is the need to strengthen the cooperation between industrial and local organs; they must jointly ensure the development of working and living conditions and the best linkage between branch-specific development and territorial production resources. How skilled management activity succeeds on all economic levels in accelerating scientific-technical progress in production, reducing production consumption, increasing labor productivity and making maximum use of available production resources, all this then becomes a key issue in ensuring the requisite performance improvements between 1981 and 1985.

The development of socialist democracy and the consolidation of democratic centralism can and have decisively to be gaged against how the state, economic and party functionaries with and in the work collectives are seeking, through rich initiatives, to achieve the higher performance and efficiency goals. The consolidation of democratic centralism always includes providing state management with greater skills, increasingly including broader strata of the working people in economic management, and the spreading of their initiative in socialist emulation through effective political-ideological work and meaningful economic incentives. It is precisely socialist emulation that expresses an essential aspect of democratic centralism: an ever broader activity of the working people, marked by their own initiative, in solving economic and social tasks, in realizing that it pays off to do good work toward strengthening the republic. That is given eloquent expression by the results of the fulfillment and overfulfillment of the 1981 plans in most of the combines and their enterprises and by the emulation programs for 1982 aiming at a total fulfillment and targeted overfulfillment of the 1982 plan in accordance with the slogan, "High performance growth through increasing labor productivity, efficiency and quality--Everything for the good of the people and for peace!"

Democratic centralism means cooperation between central and local state organs and the managements of economic units--aimed at the implementation of their joint tasks. A key position in this process, which concerns a great use of the advantages of the socialist planned economy toward improving production efficiency, is held by the cooperation between central state management and the combines. New conditions arose with the combines for strengthening democratic centralism because the combines, based on the plan, have essential rights and material preconditions for being able to solve under their own high responsibility to all of society their concrete reproduction problems. Accordingly, the 10th party congress focused on further developing the combines as a whole and aligning central planning, bilancing and anlysis much more with these large economic units. In the work of the central state organs, which thereby get more work to do, the following tasks are therefore coming to the fore:
--Ensuring the proportions needed for attaining the economic policy goals, especially for the linkage relations in science, technology and production exceeding specific combine capacities in the economic innovator processes and processes making for structural changes, by means of the five-year plan, the annual plans and economic cost accounting;
--tapping available reserves through economic performance comparisons among combines and improving economic planning skills in terms of combines;
--allocation of material and financial funds on the basis of careful analyses and precise standards, to tie more strongly still the use of means to achieved or anticipated economic results; and
--perfecting the performance ratings and economic accounting in the combines and their enterprises in conformity with the principle, "Whatever benefits the economy, must also benefit the combines and enterprises."[13]

Scientific-technical progress, the energy and raw material situation, the continuing national and international division of labor and the necessary accommodation to the changes on the world market caused changes at an unprecedented scope. To make the performance potentials of the combines fully effective under these conditions, we need to do more long-term conceptual work. This demand addresses in particular the ministries, the other central state organs and the bezirk councils, which have to ensure through their cooperation a high degree of coordination for overall economic, branch-specific and territorial tasks.[14]

Especially in the process of analytic-conceptual work in preparation for the economic plans, closest cooperation with the combines is becoming increasingly important for the central state organs. This by no means puts the combine on an equal level with the state management organ on top of it. Economic tasks, solved in common, as necessary, presuppose clear lines of instruction and subordination relations, in the sense of democratic centralism, so that each management level can fully meet its responsibility on behalf of society.

The dimensions and the position of the combines are such that essential decisions made by a general director as a rule affect the reproduction process of an entire branch, even of the economy at large. Therefore they need to be fixed in the plan and coordinated with the minister. In turn, a minister's decisions on basic issues in the branch will be all the more competent and solid, the more the combines themselves proceed from basic economic requirements in their work and conceptions.

For combine management it is important to work out the main developmental trend of the economic unit on the basis of economic requirements. As premises for that have to be accepted--as the Central Committee most emphatically explained at its third session--, in particular, the enforcement of international requirements in terms of science and technology, the satisfying of domestic and foreign demands, and the improvement of the cost/benefit ratio. Each combine, in line with the economic strategy issued by the party, has to form the kind of production profile that accords with its overall economic responsibility and lead the production process up to the highest levels of refinement. The extent and speed of advances made here greatly depend on the ability of combine management in tapping the working people's wealth of ideas for shaping these processes, orienting the collectives in the combine enterprises that are working under their own responsibility to high achievements in socialist emulation, and rigidly organizing plan implementation.

Close Connection between Planning and Economic Accounting

Democratic centralism in socialist economic management calls for a high political and economic responsibility of the economic units for the results of their work. Without that responsibility, brought about through combining planning with economic accounting, the "local initiative" and the "multiplicity of ways and means and methods toward a common goal," which Lenin mentioned, cannot be secured.

Economic accounting must always be further developed as an integral part of the whole management, planning and economic stimulation system--focusing on economic strategy, on the plan requirements. Enforcing the principle, "What benefits the economy, must also benefit the enterprises and combines," implies appropriate interrelations between the plan, economic accounting, and the performance rating of the

economic units. The connection between social, collective and personal interests, the identity in principle of these interests, fundamental to the spreading of socialist democracy and the consolidation of democratic centralism, cannot be ensured without a systematic utilization of the commodity-money relations, without an economic responsibility by the economic units, as expressed, particularly, through their economic accounting rules, and without extensively making the socialist performance principle prevail.

To bring about a decisive change in the cost/benefit ratio, which is the basic economic requirement for the years ahead, we must more rigorously see to it that good work in the combines and enterprises and production collectives pays off in every case. That implies the need to extend further the position of the three basic parameters in performance rating (industrial commodity production, net production, and base material costs per M 100 of output) in the economic accounting system and in material incentives for fulfilling and exceeding the plan requirements. The main thing that matters, however, is to induce reductions in production consumption, which means in prime costs, turn cost and profit accounting into an active tool to disclose efficiency reserves, and still more resolutely promote, through prices, higher product refinements and qualities and scientific-technical progress in products and procedures. Our target must be to put economic pressure on prime costs and reduce them while improving our world marketability. The resolutions for that were taken, as Comrade Erich Honecker explained at the Third Central Committee session.[15]

All this underscores that an extensive use made of the commodity-money relations and of the economic categories relating to commodity production, the value law and the law of a planned proportionate development, such as price, prime costs and profit, finance, credit and interests, the lucrativeness of funds and export income, of necessity become more important through an ever more rigorous application of our intensively expanded economic reproduction. The reason for that is that the cost and benefit, and therefore the economic efficiency of many separate processes and of the whole reproduction process, not only can be accounted for but even be affected, that, above all, an effective possibility is provided for state standards and the control of them and that, moreover, these economic categories are apt to induce the proper economic modes of conduct on all economic levels.

Thus, on the basis of the plan, economic accounting is being further developed, and the conditions are being improved for measuring more accurately and stimulating more vigorously the economic performance contributions of the combines and enterprises--as required for the implementation of our economic strategy.

FOOTNOTES

1. Comrade Erich Honecker; "Aus dem Bericht des Politbueros an die 3. Tagung des ZK der SED" (From the Politburo Report to the Third SED Central Committee Session), Dietz publishing house, Berlin, 1981, p 40.

2. Karl Marx, "On the Nationalization of Landed Property," Marx/Engels, "Werke" (Works), Vol 18, Dietz publishing house, Berlin, 1962, p 62.

3. Karl Marx, "Das Kapital" Vol III, Marx/Engels, "Werke," Vol 25, Dietz publishing house, Berlin, 1964, p 197.

4. Friedrich Engels, "Anti-Duehring," Marx/Engels, "Werke," Vol 20, Dietz publishing house, Berlin, 1962, p 264.

5. V. I. Lenin, "'Left-Wing' Childishness and Petty-Bourgeois Mentality," "Werke," Vol 27, Dietz publishing house, Berlin, 1960, p 332.

6. V. I. Lenin, "Draft Article on 'The Next Tasks of the Soviet Power,'" "Werke," Vol 27, p 197.

7. V. I. Lenin, "On Democratism and the Socialist Character of Soviet Power," "Werke," Supplementary Volume October 1917 - March 1923, Dietz publishing house, Berlin, 1971, pp 77-78.

8. Guenter Mittag, "The SED--Leading Force in the Perfecting of Management and Planning," EINHEIT, Nos 4/5, 1981. p 341.

9. Guenter Mittag, "Forging Ahead Toward the 10th Party Congress," NEUES DEUTSCHLAND, 4 December 1981, p 5.

10. Karl Marx, "On the Nationalization . . .," op. cit., p 62.

11. Cf. Comrade Erich Honecker, "Bericht des Zentralkomitees der Sozialistischen Einheitspartei Deutschlands an den X. Parteitag der SED" (SED Central Committee Report to the 10th SED Congress), Dietz publishing house, Berlin, 1981, pp 77-82.

12. Ibid., p 77.

13. Ibid., p 80.

14. Cf. Comrade Willi Stoph, "Direktive des X. Parteitages der SED zum Fuenfjahrplan fuer die Entwicklung der Volkswirtschaft der DDR in den Jahren 1981 bis 1985" (Tenth SED Congress Directive on the Five-Year Plan for the Development of the GDR National Economy, 1981-1985), Dietz publishing house, Berlin, 1981, pp 40-41.

15. Cf. Comrade Erich Honecker, "Aus dem Bericht des Politbueros . . .," op. cit., p 42.

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## CONTACT WITH WESTERN CUSTOMERS URGED TO IMPROVE RESEARCH RESULTS

East Berlin EINHEIT in German Vol 37 No 1, Jan 82 (signed to press 9 Dec 81) pp 69-74

['The Topic' feature article by Prof Dr Siegried Schiller, deputy director, Manfred von Ardenne Research Institute, Dresden: "Greater Yield From Research"]

> [Text] In analyzing the research institute's results and experiences, it is being shown how R&D could still contribute more to the implementation of our party's economic strategy. What role is played by top technologies; what is necessary for them to take hold? What does it mean to adapt to the standards of international markets and to customer preferences? How can research be made more dynamic, and how can we speed up the application of R&D data?
>
> The Manfred von Ardenne Institute--founded in 1955--has circa 440 associates. By far the largest part of its research capacity is invested in technological research, notably in the fields of electronic radiation technology, vacuum treatment and plasma technology. The great reputation of the institute, to the efficiency of which its founder and director, Prof von Ardenne, significantly contributed through his own research, is not based solely on its results in applied basic research. It is due in particular also to being rapidly made applicable--in concert with its industrial partners, who always exercise stimulating effects on the research. The research institute works in accordance with the economic accounting principle.
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> "To know is not enough, one must apply oneself as well.
> To intend something is not enough; one has to do it, too."
> (Goethe)

To live up to the clearly outlined scientific and technical future requirements in our party's economic strategy and keep in step with international standards, much still has to be done in terms of research efficiency and, particularly, of applying R&D data to production. Much greater efforts are needed for reacting fast to new science data and rapidly transfer R&D results into production. Our present status,

current problems, and a glance at the future tell us that a much higher contribution has to be made to the development of our economy. For research, the future has already started. Ongoing discussions and the many initiatives that are being strongly encouraged by the party and trade union organizations show that inferences are being drawn that conform with the situation. Publications in the daily press and many technical journals reflect the extensive activities in research institutions and enterprises. In particular, EINHEIT also has dealt with the questions of research effectiveness repeatedly. In the following I should like to comment on some experiences I have made myself in industry-related research and draw some conclusions from it. These experiences relate in particular to the development and use of new working principles and with installations unique in character, which have so high a productivity that only a small number of units is needed to satisfy demands. The following remarks therefore are a contribution from practice to practice.

Saving of Material and Energy

Of all prognoses that are known about economic developmental trends in developed industrial countries for the next decades, one surely will also apply to our own country: Supplying our economy with material and energy will become increasingly difficult; we have to have a larger and, mainly, better production by using less material and energy. Various favorite raw materials are going to become very scarce before the century is up; and scarcity usually increases prices. Price hikes of recent years for certain extremely important raw materials are eloquent testimony to that development, in which a not insignificant role was played by the monopolies' price manipulations, fuzzy speculation business on the capitalist markets, and the exploitation of scarce material for political purposes. Prices for finished products on the average rise much more slowly than for raw materials and energy sources. As highly industrialized capitalist countries like Japan and various West European countries are hard hit by that, competitive pressure on the world market is going to get tougher and will make things also still harder for the GDR. This all the more so because developing countries without raw materials will have even less money to buy industrial products. To be able to pay for the imports in raw materials and energy sources we need, we therefore will have to export more than thus far, partly under difficult conditions.

Success will greatly depend on our being able to save material and energy. A central research task, therefore, lies in new technologies which will make that possible.

Scientific innovations alone, however, do not suffice. Long-term management planning in enterprises combined with a suitable price policy for material and energy sources crucially control our actually taking new approaches. This complexity may be explained by the example of saving silver. Silver has always been used, for example, in making mirrors. Through saving silver, their coating kept getting thinner and their working life, especially in humid rooms, shorter. So we also were looking for new ways that would avoid the use of silver for this purpose altogether. The management of the VEB Flat Glas Combine Torgau, which is in charge of mirror production in the GDR, therefore decided, together with our institute, to introduce an appropriate new technology for it, called Plasmatron-Sputtern. Mindful of the adage, "You will find something new when you do something new," it was then seen that this new technology not only saves silver but also

prolongs the working life. And then some specialized products can also be made that way, which had not been possible at all through previous procedure. Substitution thus need not lead to reduced utility features, as is often commonly assumed. The production line needed is scheduled to be set up still in 1983. The decision to develop it and set it up was made by the Torgau combine management when the development of the process still was in its infancy and the new coating principle had not yet established itself internationally either. Managerial vision and the courage to take risks thus are importantly prerequisite to introducing top technologies early in the game. Our own high technological level in the end now gives us the opportunity to export such scientific-technical accomplishments and get good foreign exchange for them.

Similar long-range planning and high risk willingness by the managements of the VEB Ceramics Works Combine Hermsdorf and VEB Electronics Gera formed the basis for introducing the Plasmatron-Sputtern technique in that industrial branch as well. From the very outset, new products in microelectronics were oriented to other than fine-metal coating though nowhere in the world were any analogous solutions known thus far. Without this focusing on new technologies, many tons of silver would have to be set aside each year in the Ceramics Works Hermsdorf and the VEB Electronics Gera to supply the economy with electronic components. Together with our partners in the glass industry and in electronics, new techniques and installations will be put into production by 1984 that can save a considerable portion of the GDR's overall silver consumption.

Material substitution, however, also has consequences with respect to the technique of planning. Novel technologies and reduced material consumption at times lead to diminished output and, frequently, to higher internal production and a higher proportion of R&D. The introduction of the three proficiency parameters--commodity production, net production and base material per M 100 of commodity production--has greatly eliminated obstacles such processes had to face in the past. Further plan requirement measures could still more accelerate the transition to material-saving commodities and technologies. Our socialist system, in principle, offers the best opportunities for that. A correct stand taken by the managers will decide how fast material-saving technologies can be introduced and how rapidly we can go into making products using up less material while keeping their working life intact.

## Thinking of the Customers

It is the task of socialist production to be requirement-oriented; social needs must be met at proper quantity and quality and, especially, through acceptable prices. The true technological level, decisive in qualities and costs, is ultimately revealed, particularly, through our export to highly industrialized countries offering us tough competition. "Can a product be sold at reasonable prices on the international markets?"--that marks the essential criterion for the production level and the scope made of the use of science and technology. As early as in the R&D stage, scientists and engineers should imagine themselves in the role of the users. Everyone in research and production should occasionally ask himself whether he would like to be his own customer. And a guideline even in R&D must much more still be composed of questions such as these: Who will be the customer? What would he like and what will he pay? What may I spend for my development and for my product?

Those in development must keep in view the whole chain up to sales and have an idea of the sale's sector and of the prices one can reasonably ask for. The chief features of the products must be accommodated to the use made of them. For sales to Japan, different installation systems must be developed from sales to India or the Arab sector. One customer takes microprocessor controls for granted, another customer must still largely do without. Costs, prices and sales are thus not only of concern to economists; the people in development should also have an idea of and an influence on those areas. What is particularly educational is a direct confrontation between representatives of the development collectives and the users. Those in development can that way be made familiar with how the customers think, which in turn then also stimulates economic ideas. Tough confrontation with the products of competitors and concerning prices again give the developers insights into new interconnections, which can fertilize their future projects. And finally, representatives of the developers collectives are the ones who can properly judge their own products by comparing them with those of the competition. Direct exports by the combines marks a great advance for establishing this feedback from the customer to the development sector.

I have had some experiences that lead me to still another aspect. Contact with customers, especially from countries with a high technical level, is an important information source. Even certain inquiries suggest some developmental trends that may still be in their earliest stages of infancy, or even in a predelivery stage. Such information can no longer be established by reading the literature. Many a capitalist enterprise saves that way considerable R&D funds, has others do the work and research for it, as it were. Most relevantly and economically one can thus use the international status of knowledge for one's own work. Scientific conferences on commercial tasks also often are interesting; after all, right there in the auditorium are sitting the customers of tomorrow, whose attention and interest one must attract.

When Marx said, with respect to capitalist enterprises, that they had to take into account the market requirements lest they perish, that demand is of general importance to the functioning of the social reproduction process. We today must most emphatically draw our own consequences from that. Undoubtedly, through a greater market orientation in all stages, from research to sales, there still are reserves to be found through our organizationally and properly linking research, development, economics, information gathering and sales in organic unity.

Research Dynamics

For every good reason, our society expects more top accomplishments, i.e. technologies and products that stand up in international comparisons or that have not even established themselves as yet internationally. To achieve such results, one often has to push into virgin territory. Naturally, one often finds things then of which one had not even thought beforehand. Research planning must have its own dynamics to make industrial use at once of suitable intermediate solutions or even of unforeseen data.

For example, our institute in 1974 was looking for a suitable ionization source for our ionization-based vacuum coating. Then we found a discharge system that meanwhile has become known under the name of Plasmatron atomizer. After a closer

look, it was found that this system had still another property that was much more important. We were looking for property A and found property B. Property B boosted our productivity by more than 500 percent compared with previous systems. One could see that this productivity boost and the implications resulting from it would lead to a transformation of the entire vacuum coating process. Now this realization had to be put into practice with all its proper dynamics. The research plan had to be modified within the current year. Without working through the various developmental stages and without first waiting for a buyer, 10 facilities were set up on our own risk on the basis of the simplest production documentation. A market analysis at that time would probably have remained futile. Decisive for getting things started speedily in our industry ultimately was a clear and positive position taken by party leadership and the state management of the Microelectronics Research and Technology Center in charge of developing and producing the necessary equipment. Due to this quick reaction, this enterprise became the first one in Europe to include the appropriate installations in its production program. By and large responsible for the development eventually were the users who, with confidence in their partners and with the courage to take a risk, had oriented themselves early in the game to this new technology.

When this development was applied, it also became evident, however, that there were still quite some scientists and engineers who in their attitude toward innovations and in the style in which they worked, had settled for being technologically behind the highly industrialized countries. There were not a few who would make do with technologies that had long been established in those countries. Naturally, much less will go awry if one continues doing what has been found practicable elsewhere for years. Always to follow along, however, means settling for being technologically behind and fixing that for good. What matters, however, is to make use of what is internationally known and work on it creatively, as our own conditions permit.

Another conclusion can be drawn from the development explained here: Respecting the unity between process and installation is a key for obtaining top achievements. For new procedures with their appropriate new installation systems, ideas are needed that differ from those that apply to carrying on technologies familiar and introduced for years. It is not enough to be basically dedicated to top achievements; the organization and the working style must be brought in line with high objectives. Too sharp a separation between procedural and installation development then most of the time leads to complications; not even the best coordinated commitments are likely to bridge that gap. Analyzing prospectuses and on that basis working out the commitments to installation development all too often means that one systematically organizes one's own technological backwardness or, because of ignorance, burdens a development, through excessive demands, with unjustified extra expenditures. Only to a limited extent will model testing provide binding assurances, however; the proper technology as such cannot be worked out until the proper installation has been set up. This conflict is best resolved by closely intermeshing the procedural and installation development collectives. And when the installations have been set up, what counts then is that the installation and the technology are made to fit each other, without bureaucratism but with the proper inner determination. Modifications and adjustments in the plant and in the technology intended are in this phase standard procedure.

Those who are engaged in the installation and procedural development then also find out about the intricacies in their creation; negative as well as positive surprises are the rule. Managements have to put together suitable testing collectives, create technical prerequisites, according to plan, for having the testing done properly, and provide courage and confidence, and lend their assistance, when things do not seem to work so well.

Matters of Application

The application of R&D data doubtless is among the most difficult tasks in the sequence of the various developmental stages. When one tries to find out why so much time is often used for that, compared with the international level, one runs into causes like the current arrangements about ordering material and components and unreliability in deliveries, which can only to a limited extent be made up for by operations procurement and well targeted inventories. Another developmental factor that is time and cost consuming lies in the scope and accuracy of the documents needed for getting production started. The effort in processing production documentation is especially, and unjustifiably, high when small series production must be carried out in areas that normally deal with large volumes. To keep the installations permanently on a high level, new data are to be worked into new products at intervals that are not too brief; especially in the first few years, the innovation rate is relatively high. The problems resulting from that, mainly in the larger enterprises, can be greatly mitigated if for the solution of such tasks production sectors are set up that are adapted to them in a targeted manner. While many enterprises have made a good start in this, there still are likely to be more reserves to be found in better adapting the production organization to production volumes and innovation rates, so that with less documentation effort modern high-level installations can more quickly go into operation. Even with small series and special installations, after all, excellent business is often possible internationally. Sometimes, together with such installations, one can then also sell procedural know-how. A fast development, production and sales reaction is critical for getting good export orders.

There is one measure that cuts down the time it takes to start new technologies in operation and that is to get going in good time with the man-machine system. When installations and procedures go through their testing stage, production workers should still be involved in it. That can avoid what is sometimes encountered: a breakdown after procedures or installations have started operating. The best experiences we were able to gather came out of the setup of mixed research and production collectives in the VEB Ceramics Works Hermsdorf. For months and sometimes even for years, associates of the microelectronics enterprise in that combine are working in our institute and then return to their plant with the new installations in the development and testing of which they themselves were involved. Then comes a phase where associates of our institute work in the production enterprise. Thereby, information slippage can largely be avoided. Operational and maintenance provisions for the installations are prepared partly with the users themselves and are optimally adapted to the operator's conditions. This form of organization presupposes personal sacrifices at times and a high dedication to the fulfillment of the task. But then there is also more pleasure in the work when through this joint effort the colleagues form closer human ties and feel close to their task. Enterprise egoism and waste of manpower for reinsurance can be avoided completely. Our socialist economic system provides all opportunities for that sort of cooperation. What always matters simply is that the fullest use is made of the advantages of socialism and the correct attitude is developed within the collectives.

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MAJOR ECONOMIC ISSUES OF CROATIAN LC PLENUM

Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 22 Feb 82 pp 13-14

[Text] The principal topic of the Plenum of the LCC [League of Communists of Croatia] Central Committee, which was held on Thursday, was the draft of the Resolution for the Ninth LCC Congress in mid-May (13-15) in Zagreb. In the draft, which comprises 60 some pages, the commission for drafting the resolution, according to the introductory address in support of the resolution delivered by Ivica Racan, endeavored to concentrate on the key issues and tasks, rejecting the view that this kind of document should cover all areas of activity of the League of Communists if only rhetorically and in principle. That choice was supported in the debate, but there were quite a few suggestions and objections about how it was carried out in this first version, the most important document of the congress. Those critical remarks can mainly be divided into those which are more or less formal in nature (length, repetitions, stylistic vagueness, etc.), and those which enter into the substance of the resolution: how far its coverage should extend, which dilemmas and topics need to be decided.

In actuality, it seems to us, it is not a matter of great moment--though there are differences of opinion even about that--whether the resolution will deal more extensively with the results, difficulties and their causes, or whether this will be left to the report and detailed survey, defining in the resolution primarily the goals and guidelines for the future activity of the League of Communists. The thoroughness and success in defining the diagnosis and the lessons and guidelines following from it are more important.

The very first participant in the discussion, Marko Boric, wanted the resolution to speak to the membership of the LC [League of Communists] as tersely and specifically as possible about the basic problems and tasks, and Cedo Grbic made a related criticism to the effect that it was not enough or necessary to reiterate the solutions offered in the constitution and the Law on Associated Labor, but that a more specific commitment should be made in carrying out certain concepts and principles. He illustrated by saying that the problem of the operation of market and economic laws has for all practical purposes been evaded in the resolution ("it is mentioned in one place, but in several places there seems to have been an effort to save the day without dealing with those market and economic laws"), as has the attitude toward the private sector (toward which, in his judgment, our dominant view is still the

dogmatic ideology based on a fear of class differences and outrageous extremes).

And while he obtained support concerning the private sector and reasonable use and guidance of its potential in conformity with society's needs and relations, in initiating and making the case for the first of his topics ("we cannot go out onto the world market, which at present we are stridently emphasizing on the one hand, if at the same time we are supplanting the operation of the economic laws of the market," accompanied by a reminder that in the constitution and the Law on Associated Labor we set forth that our system operates on the principles of socialist commodity production and the judgment that the voluntaristic evasion of those laws has to a large extent led us to many of the difficulties we have today) he by all appearances touched upon one of the most sensitive and polemical topics.

In the judgment of Stipe Suvar, the resolution might have emphasized more strongly the need to honor and enforce economic laws and business operation on the market, but "combined with the precise addition that this must be a market organized by the associated workers themselves by developing relations proper to associated labor, and by no means a market of mere purchase-and-sales relations in which everyone acts independently and every OOUR [basic organization of associated labor] is waging a fight against all other OOUR's," and in no case without that context "since we today have apologists for the market in Yugoslavia a priori, people who do not say whose market that is and which production relations it would tend to develop. You have even explicit demands along those lines, and in the Federal Assembly there have even been some delegates, for reviving the 1965 reform, yet in our present stage of development we cannot go back to the 1965 reform, since the way it was implemented it strengthened the technocratic monopoly and engendered all those 'isms' and brought us to the condition we have today, in which to a certain degree we are pressured precisely by those old things and are conducting a policy of economic stabilization in order to prevent that."

This already shows the polemical nature of the possible approaches, as was confirmed by the statement made by Kosta Spajic, one of the members of the commission for drafting the resolution, when he mentioned that the issues raised by Grbic had been discussed in several meetings in which, just as here "there had been opposite opinions and, as far as I know, we did not think of anything more intelligent along those lines than to omit the subject." And since he also feels that these are matters which the resolution could not have omitted, he thereupon made an appeal for "this body to take a position on this now." But even Ivica Racan agreed that skirting around the problems which have not been adequately examined or on which opinions differ would lead to opportunism.

Milka Planinc, chairman of the LCC Central Committee, concluded the debate on this occasion with the observation that in the constitution and the LCY Program the fundamental point of departure had been clearly stated, emphasizing that "self-management cannot operate otherwise than in the atmosphere of market conditions, but at the same time self-management and the pooling of labor and capital are the socialist method of overcoming the spontaneity of the

market and the adverse aspects of the market, while this society should take advantage of everything that is constructive in the operation of the market and economic laws...."

How to carry this fundamental point of departure over into practice most successfully after the upcoming congresses, that is a question on which valuable guidelines should be offered by the upcoming congress debate in the party rank and file, which has been stimulated not only by the proposed version of the resolution, but also by experiences gained by self-managers and the party rank and file in their activity to date and in the events which have taken place.

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## CREDIT PROBLEMS PREVENT DEVELOPMENT OF SMALL BUSINESS

Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 22 Feb 82 p 17

[Text] The development of small business has not yielded the results desired so far; this observation was to be heard once again last week at a meeting of the commission for small business of the Economic Chamber of Yugoslavia. That is, in the previous medium-term period the growth rate of production and services of small business reached only 5.2 percent instead of the planned 7.2 percent, and the size of its work force also grew slower than planned.

The social compacts concluded at the level of Yugoslavia and then in almost all the republics and provinces concerning the faster development and encouragement of small business, which still have not been altogether reconciled with one another, have still not resulted in specific and effective measures. According to the report presented at that meeting most has been done so far in the field of fiscal policy. That is, so it was said, taxes are no longer a check on the development of small business. Incentives, however, have not yet been worked out, they are inadequate and they vary from republic to republic. For example, small business organizations in Croatia are exempted from the income tax, while in Serbia this is the case only with newly established organizations. In many places the regulations which pertain to small business are just in the process of enactment, or that task is still in the future. All in all small business by and large faces the same set of problems. These are primarily the following: a credit financing procedure that is unfavorable to small business and does not encourage it, and then difficulties about importing production supplies, obtaining foreign exchange, the high import charges.... Nor have the conditions improved in obtaining commercial space, and there are also personnel problems....

It seems that the credit financing procedure is the most unfavorable factor and, as it was stated on this occasion, the principal reason for the retarded development of small business. The sources of credit for small business are the following: funds for development of underdeveloped regions, resources of the SIZ [Self-Managing Community of Interest] for Old-Age and Disability Insurance, its own resources, and in certain cases the resources of work organizations or sociopolitical communities. The banks still have not become the usual partner of small business in credit financing, and it is still rare for a bank here and there to set aside resources for this purpose. Insofar as it does so, the terms and conditions do not differ from the mode of cooperation

with "big" business, but those interest rates are high for small business, nor are the repayment periods suitable. That is, these activities, which have a low rate of capital formation and are labor intensive, have to agree to repayment periods extending from 3 to 20 years (if it is a case of the private sector) and interest rates running from 10 to 12 percent, or a repayment period of 10 years at an interest rate of 9 percent, for the socialized sector of small business. Sources based on foreign credits have just begun to be used.

The next most important troubles of small business lie in the foreign trade and customs regime. Up to now small business has exercised rights to foreign exchange through self-management accords with the rest of the economy. Now it is entitled to a quota which depends on the payments-balance positions of the republic. Yet this still does not guarantee that sufficient foreign exchange will be furnished to import production supplies.

In future the development of small business will depend in large part on the relations and motivation of other business and distribution organizations. At present cooperation between these organizations is more on an ad hoc basis and short-lived. The large-scale economy seems not to be particularly interested in concerning itself with the development of small business, and small business lacks the resources and strength to do this on its own.

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FOREIGN TRADE IN AGRICULTURAL FOOD PRODUCTS, 1981

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 26 Feb 82 p 3

[Article by Milorad Urosevic: "Deficit Cut in Half"]

[Text] In the situation when growth of exports and a corresponding appreciable reduction of the trade deficit, which is viewed a bit one-sidedly through the figures showing the results achieved, are a condition for achieving economic stabilization, the exports and imports of the branches and groupings of the economy making up the agroindustrial complex can be considered satisfactory. The qualification arises from the fact that during the past year emphasis was put mainly on exports, even when a direct consequence of that orientation was a shortage of the same commodity on the domestic market so that purchases abroad had to be made.

The second fact is that exports were forced regardless of economic benefit, since the question of economic justifiability of exporting was not even posed, but on the import side there was some "holding back," mainly concerning those products which are not available in the country, or ingredients of livestock feed whose shortage will only be felt in the future or tropical fruit and coffee, previously imported in unlimited amounts and now increasingly rare in domestic stores.

However, something more about these results can be learned, especially with respect to the rise of the coverage of imports by exports and the reduction of the deficit only on the basis of the figures.

Food Exports and Imports 1980 and 1981, in millions of dinars

| | 1980 | | | 1981 | | |
|---|---|---|---|---|---|---|
| | Exports | Imports | Difference | Exports | Imports | Difference |
| Food manufacturing industry | 17,094 | 13,303 | + 3,791 | 16,089 | 16,272 | - 183 |
| Beverages industry | 2,169 | 178 | + 1,199 | 2,884 | 88 | +2,756 |
| Livestock feed | 84 | 191 | - 107 | 59 | 237 | - 178 |
| Tobacco manufacturing | 2,591 | 638 | + 1,953 | 3,515 | 391 | +3,124 |
| Field crops | 3,949 | 17,180 | -13,231 | 4,434 | 12,242 | -7,808 |

Table (continued)

| | 1980 | | | 1981 | | |
|---|---|---|---|---|---|---|
| | Exports | Imports | Difference | Exports | Imports | Difference |
| Fruitgrowing | 840 | 9,557 | - 8,717 | 1,177 | 7,123 | -5,946 |
| Grapegrowing | 177 | - | + 177 | 110 | -- | + 110 |
| Animal husbandry | 2,730 | 3,688 | - 958 | 4,509 | 4,260 | + 249 |
| Fishing | 307 | 658 | - 351 | 387 | 537 | - 150 |
| Total | 29,941 | 45,393 | -15,432 | 33,124 | 41,150 | -8,026 |
| Coverage of imports by exports, % | | 66.0 | | | 80.5 | |

In relative terms exports in 1981 increased 10.6 percent over 1980, while imports dropped 9.7 percent, and the deficit was reduced from 15.432 billion dinars in 1980 to only 8.026 billion last year, which means a 48-percent reduction. Converted, this means that the trade deficit of the agroindustrial complex in 1980 was $566 million, and last year it was $294 million, since the coverage of purchases abroad increased from 66.0 percent to a high 80.5 percent.

As is evident from the table, in both those years a surplus was shown by the beverages industry, the tobacco industry and grapegrowing, and last year by animal husbandry as well in a smaller amount. The industries from which the most was expected showed the least. The food manufacturing industry, in which enormous capital was invested in the view that it would be the backbone of strengthening the competitive capability of Yugoslav food producers and of increasing their share in the international division of labor, showed a drop of 1 billion dinars in its exports in 1981 and increased its imports by 3 billion over the previous year.

By contrast with the food manufacturing industry, field cropping is not so much expected to export or to increase its exports as it is to make a much greater effort to free the country of imports, which last year was only partially achieved, and there was no very realistic prospect that that reduction would continue and would thus contribute to balancing exports and imports of grain. The growth of exports by about half a billion dinars and the reduction of imports by about 5 billion brought the coverage of imports by exports of Yugoslav field crops from 23 percent in 1980 up to 36 percent last year, which can by no means be considered satisfactory. Still less is there reason for a "good night's sleep" when we learn that in addition to the half a million tons of wheat imported last year, at least as much again will have to be purchased before the new harvest, and imports of between 300,000 and 400,000 tons of corn have become inevitable.

These are the facts or the consequences, and the causes cannot be attributed solely to food producers, though they bear the greatest portion of the blame. The influence of prices of everything necessary to food production, and

especially the uncertain position of private farmers, who hold about four-fifths of the entire production potential in agriculture, those are certainly the essential causes, though they are not insoluble; it is only that a bit more goodwill is needed to correct them.

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## COMPLAINTS OF PRIVATE FARMERS DESCRIBED

Belgrade DUGA in Serbo-Croatian No 206, 16 Jan 82 pp 25-27

[Article by Dragoljub Golubovic: "How I Found the Federal Minister for Agriculture"]

[Text] These are the days that belong to the peasant. The ground is covered with snow, the livestock is in the barn, and the winter holidays have come along one after the other. Even the poorest is cutting up some bread or roll, and there is a smell of country cooking from the pot on the woodstove.

Plum brandy is poured out, mild and strong, cold and mulled. Or one after the other. He sits, he talks and he converses.

They are not holding pencils in their hands, but everyone is "computing" and "recomputing" something, he is thinking what he will do and what he will do it with, since, like it or not, he is still the only one under these skies who has to look up to the stars and think what kind of year it will be: a good year or bad year, rainy or dry? Will it be a flood or burn up, in spite of the chemicals applied as fertilizer to the soil?

When the city is rejoicing in the warm winter days, the peasant is afraid that growth might begin, that the fruit trees might start to bud, and then fall off as in the song about the willows and sterile women: "You flowered, but you did not bear." I spent Christmas in a well-run household in the Stig region, at Drmno and later at Klicevac, where the land is so fertile that "You sow a dinar in the morning, and in the evening a 100-dinar note springs up."

I listened to those people measure things three times, and then cut once, I listened to them computing what to sow and what to not sow, what is worth it and what isn't, and I remembered the times when Prince Milos had the need to talk over some affair of state with sensible men of the people. To that end, as the anecdote goes, he and his close associate chose one sober-minded man from each district. Coming to the Uzice District, they asked him: "How shall we do it, Prince?" And he answered: "That at least is easy! Write down immediately and summon whoever comes into your head first. They are all the same."

If Prince Milos knew at that time that the first peasant they met in the Uzice District was capable of being a national deputy, everyone here in the Stig District could today be a minister of agriculture. It even seems that the fellow without education knows more than the one who has attended the university.

But as if no one is listening to them.

"The Peasant Carried Off the Money ..."

We were sitting in a well-run house in Drmno, drinking a bit of homemade red wine.

There was ice outside, the wind was sweeping down the Danube, cutting like a knife, as though it were bringing all the blizzard from the Carpathians.

No one wanted to go out, and anyway where would they go? They do not go to coffeehouses on holidays, but sit around the table with friends. To talk and agree on things.

It is said, everyone says--"The peasant is taking away the money"! But the peasant, who spends 16 hours in the fields, in the stables, in the wind, in the rain, in the mud. Everyone is trying to take as much as possible from him.

Milosav Arsic of Klicevac tells how this is being done, how others are skimming off the cream.

Their cooperative, Jedinstvo in Pozarevac, he says, does not have a single tractor, but has 26 cars. Not a single calf, but 120 people in the office. So why should one enter into association with them? They are not producing anything, but it turns out that they are advancing agricultural production. Commerce is their entire business. They buy and resell. The peasant produces, and they collect the sales margin.

"They divide up surpluses, and we divide up losses," Milosav says.

We are drinking wine, but we are talking about milk.

And How the Peasant Gets Into Trouble

"Everything has gone topsy-turvy! Why," he says, "put a rebate on milk or any other product? The peasant does not need that, that dinar per liter which the republic gives him. Let them buy milk at a cheaper price. But let them put a rebate on the supplies the peasant cannot do without. That is the way to create conditions for production."

And down the line, from milk to fertilizer.

Milosav cites the example of manufactured fertilizer. It is expensive, and there isn't any. And if it does arrive, it arrives when it is already late, when the plant has passed its part of the growing season.

Everything the peasant has he sells to the cooperative, and the cooperative to the processor: grain to the mills, meat to the packinghouses. If there is to be more of all of that, both grain and livestock, he has to have fertilizer, seed, tractor parts and herbicides. But what happens? The fertilizer factories are seeking a loan from the peasant. If he doesn't give the loan, there is no fertilizer. No one even mentions the packinghouses and the livestock feed mills.

Can it be that they, above all, a man says, "are not interested in promoting production, in being able to purchase more, in everything being available and cheaper in the markets?"

I listened to them in their sincere talk and heard how some things they could not understand at all. Society, they say, allows the processors to raise prices. They raise them on the basis of their "declared" needs. The peasant does not get anything from that, he is still in trouble. They do not raise his purchase prices, since, it now turns out, stabilization has to be achieved, the standard of living has to be protected!

"The peasant wants to feed the worker," Dragi Stojanovic breaks in, "but the bureaucracy will not let him...."

Meat here is like wood, but, as we know, there is none on the market. Domestic customers are waiting there, exports are waiting, everyone is looking to the peasant, but the peasant is unable to do anything. How to organize production?

The cooperative does not grant them, they tell, a larger credit than 20,000 dinars per head of young beef cattle, and that at 4-percent interest. But with that money one can buy only a calf weighing 250 kg. A peasant who obtains such a credit signs a contract that he will turn that calf into young beef in 3 months. In that time unfortunately he can gain only 100 kg. That is a total of 350 kg, but the cooperatives are not purchasing young beef lighter than 450 kg. And what now? The peasant has not performed under the contract, he pays another 4 percent in penalty interest and 100,000 per head of young beef for not having fulfilled the contract. He has a young animal for beef, but one which no one will buy from him.

So fine, better then to eat it, though that is not what he wants.

"That is why every day, every hour, is measured in terms of credit," Milosav says. "But the peasant is unable to take part in that race against time. It is true that he could add his own money to what he has obtained, and to buy a larger calf for fattening, and everything would be all right. But where is he going to get the money? When he sells his goods to the cooperative, he has to wait some 2 months for them to pay him. And that applies also to grain, to milk and to meat. The cooperative is turning over his money, but he is dizzy in the head and is waiting."

When one sits and waits, he can expect worse to come!

Thus on the basis of a contract with the cooperative concluded in March last year our Milosav sold sugar beets at 1 dinar 70 paras per kilogram with the proviso that he receive a certain amount of sugar at the prices in effect at that time--17 dinars per kilogram. But when the time came for them to give him his sugar, somewhere in August, they billed the sugar at the new prices--at 28 dinars. Thus his sugar became bitter.

How the Worker and the Peasant "Take Care"

Or, the tale about sunflowers.

Milosav delivered the sunflower seed under the same contract and at the same time. He sold the sunflower seed at 18 dinars, and the cooperative sold him oil at 32. That at least was the agreement. However, now the cooperative is delivering him oil at 48 dinars, and if he doesn't want it, he does not have to take it. It is more expensive on the market.

That is how the cooperative "keeps to" the contract.

They buy at any price they like, and later they also seek price rises from the Federal Executive Council. "They complain and they get it. And what we have produced they sell at any price they like. No one asks the peasant anything."

The host pours out ruddy wine. There is no water or sugar in it. A clear head. The more you drink, he says, the straighter you will stand. And it does not nourish only the soul, but also the spirit.

"Who sets the price on tractors?" Dragi wonders, who would just like to run into him somewhere. There is money, and there are no tractors. He asks and answers the question himself: "The worker! The one who produces the tractor. Who makes the decision to raise the price of tractors? Again the worker, the direct producer, on the basis of some calculation of his own concerning the work invested. And who sets the price on corn? On grain, meat, milk?... The government! Others in his name. No one asks him anything. So, there it is, the worker is looking out for his income, but the peasant is 'taking care' not to threaten the worker's standard of living. By God, we take good care of you, instead of our entering into agreement."

The right moment has come for Milosav to take the floor:

"The rural voice is not heard very well. Farmers are poorly represented in the delegate system. In society, in the reaching of agreements, if we can call it that. When a vote is taken in SIZ's [self-managing community of interest] to raise the rates of various contributions, the peasant is the minority in that 'voting machine.' He is outvoted...."

There is, of course, no end to the tales. And we were just about to return to the dining room when Zvonko Milenkovic of Kostolac, a friend of the host's, came in the door.

## You Can Watch the Crop Grow Before Your Very Eyes

"Eh, this one," Milosav says, as he spies him at the door, "has given up both livestock and grain."

The man, caught by surprise in this way, sits down to get his bearings and rub his frozen hands.

The woman of the house brings hot brandy, Zvonko lights up, and begins his tale.

He had been sowing corn on 10 hectares of land, that corn that goes to the sky. He had even been leasing land in order to produce still more. He was a pure farmer, as they are called, pure as before the church. And his palms are like tanned hide. Work, from dawn to tomorrow.

In the fall he would have as much as seven cars of corn in his cribs, which are 20 meters at the bottom. One year he would sow corn and the next sugar beets. From this fertile soil he would harvest as much as 33 cars of sugar beets. Anything you throw into that soil will bear! You can watch it grow before your very eyes.

Zvonko also kept livestock. As many as 50 to 60 young beef cattle in a "batch." And three or four batches during the year.

Now there is none of all that. Neither ears of corn nor livestock. The corn cribs are empty, and the barns are closed. And he no longer sows sugar beets.

He says of corn and sugar beets that he never knew what price they would give him.

"You never know whether it is better to have a big crop or a little one?! When it is good, they drop the price, when it is not good, you still lose."

He was unable to wait for a better price, since he had no "capital." He needs his money immediately, people are waiting for it like ravens on all sides. The SIZ's, fiscal authorities, the people at home.... Much less think how to cover the costs of a new crop? And so when everything is deducted, when you render to the emperor what is the emperor's and to God what is God's, the net result of all that corn and sugar beets is--zero! "Absolute zero"!

## When the Cooperative Cuts Out His Cap

He no longer raises livestock, since he simply loses! When he delivers the fattened young beef cattle, they do not pay him immediately, he says, but when they are slaughtered. Afterwards they classify the meat, and a first-class bull can be put in the lower category of a nondescript local animal. Only to get around the price in the Official Gazette. It is true that the government guarantees the price, but the cooperative decides the class of the meat.

That is the case, Zvonko tells, both with meat and milk and also wheat. Even when they "pay him honestly," the cooperative takes out a 5-percent commission per bull, the slaughterhouse 1,000 dinars per head just to slaughter the animal. Everyone has a certain profit built in, and he, the peasant, the farmer, the private producer, gets what is left....

Yet the Man Is Not Unhappy

But, strange to say, Zvonko is not unhappy because of all this. Although he is now buying milk from a "neighbor" by the tenth of a liter, bread at the bakery and sugar in the store. He has worked out another calculation.

On his farm, on his hectares--in the heart of fertile Stig--Zvonko is now planting blackberries! And roses! Instead of grain, he is planting "thorns"! A man born in the grain, who has always looked fondly on cribs full of golden corn, has become a blackberry grower.

Instead of ears of corn, "oh, my ear of corn in the midst of the bare hills ..."--briars are springing forth! But the briars are bringing in millions. You do not even have to water or spray blackberries. Blackberries are more fruitful and patient. If there is no irrigation, the crop is two cars on 2 hectares. If there is irrigation, and if it is a good year, he gets a car more. Three cars go for 90 million old dinars. He can sell as much as he likes at a good price. The west, they say, is swallowing up our blackberries like crazy.

And for 12,000 roses from half a hectare of land he gets 20 million! He did not get that much even for a corn crop grown on 10 hectares. Neither corn, nor livestock, nor sugar beets would bring him that much in 4 years.

"If that is the way it is going to be," Zvonko says, "let the one who will have less be unhappy. If that is the way, it can go topsy-turvy!"

So that is why there is no milk, sugar, flour, meat.... That is where the lines come from!

But he will be a flower seller!... "Buy my red roses...."

That is how those who are resourceful get by, to their own benefit, to society's loss. And the rest?

Rural children do not want to remain on the soil, to turn over fallow land. They all want to turn over the leaves of books, some sort of book at least, just to get some schooling. No one wants to be all muddy.

The girls mostly go to medical schools.

"There will be a time," Milosav Arsic says, "in 10 to 15 years when there will be one nurse to come for every baby to every housewife who remains in rural areas."

Thus, when they take employment, they will be seeking from their fathers still larger appropriations for SIZ's in the field of health care, for the health centers they will work in. But there will be fewer and fewer sick people in rural areas.

And, what is to be done?

We are back to where we were at the beginning of the tale.

I asked the first man I came upon in Stig, I asked this Milosav Arsic, an ordinary peasant, a field cropper, what he would do if he were minister of agriculture, and he said:

If I Were Secretary for Agriculture ...

First, I would not bill the peasant by quarters. He would pay the tax at the end of the year, since the farmer is not a "monthly person"--he does not receive a salary on a monthly basis. This way, the tax bill comes in for partial payment, and he must sell goods at the wrong time, when the price is poor. If by 15 February he has to pay for the first quarter 35 percent of the total tax bill on the basis of the cadastre income from the previous year, then he has to sell the pig before it has become a hog or the calf before it has become a bull.

Second, I would guarantee prices for all farm products before planting so that the peasant knows what to plant and what he can expect. That is done even in the tourist industry where nothing grows. The man who does not set the price in October cannot reap the tourist harvest up to the end of the year.

Third, the peasant pays 63-percent social security on his cadastre income, and he has no protection against job accidents, nor does he have sick leave for that money. Only medical treatment. If he wants a pension, he has to pay 19 percent on the basis of the average republic income, while a worker in associated labor pays only 11 percent of gross income. Really, why should we not be on an equal footing, when in the war we built the "country of workers and peasants"? This way we are both doing harm.

Fourth, in the field of culture the city is getting everything, but rural areas are paying for everything. If one wants a paved road to his house, a cultural center, electricity, or drinking water ... he must pay an optional local tax. If someone in the house is working in the city, then the surplus value of his labor remains there. In this area why should we not respect the slogan: "Culture to the people!" To one's own people. After all, the young people are fleeing the rural areas because of the "lack of culture."

Fifth, the income which through "joint production" the peasants earn for the packinghouses, factories and other processors of their products does not go back to rural areas. Instead of the economy being subsidized from the profit earned, we subsidize it from Austria and Germany. I have sent my son and daughter-in-law to Austria to work to make an investment in agriculture for me. Instead of exporting meat, we are exporting producers to others.

Sixth, I would see that rural areas get what they need--the conditions to carry on farming. If a private individual can have a car to take a ride, a peasant can have a tractor to work with. Tractor attachments, drills, harvesters, planters.... And to purchase them for his own dinars, not for foreign currencies, as he must, if he wants one, say, a Zetor from Czechoslovakia. After all, there are no domestic Fergusons, and outside one makes payment in foreign currencies. Where is the peasant to get foreign currency? It is only the packinghouse which is exporting his meat which gets the foreign exchange.

Seventh, the peasants are cutting back the area of their plowland, they are selling land to the socialized sector, which is not paying the burden on that land which the private farmer is paying, so that then the SIZ's are compelled to raise the rates of contributions on that area which the peasant still has in order to meet its needs. But there is a real need to keep the peasant on the land and to encourage him to produce more and better.

So, that has been our conversation during these winter days at a rich dining table in rich Stig.

It is not true that things are bad with them. And it is true that they are living better.

But it is also true that they could live still better. After all, the peasant, they say, did not come into this world just to bear children, to wage war and to pay taxes.

7045
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KRAGUJEVAC AUTO PLANT ACHIEVES GOOD EXPORT RESULTS

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 26 Feb 82 p 3

[Article by M. Jovicic: "Net Foreign Exchange Inflow for the First Time"]

[Text] The Crvena Zastava Plants have for the first time planned for this year a net inflow of foreign exchange: in the manufacturing of vehicles they expect exports in the amount of $276 million, while imports of parts and components and of vehicles on the basis of long-term industrial cooperation with the Soviet Union, Poland and Italy will be several million less.

More than 60,000 passenger and commercial vehicles will be offered to customers abroad, which is about 50 percent more than were exported last year. This figure does not include exports of delivery trucks, since the plan has not yet been drawn up for the foreign sales of vehicles from the factory in Sombor.

The largest share in total exports of the Crvena Zastava Plants will be achieved by the Kragujevac auto plant, which is to have a net foreign exchange inflow of $215 million. Within that amount the share of industrial cooperation is $120 million and it is balanced on a 1:1 basis.

The factory in Kragujevac will this year offer the foreign market 55,000 vehicles, which is about 20,000 more than in 1981. Conventional export sales will amount to 36,000 vehicles, while the remaining amounts will be covered by international industrial cooperation. The largest number of cars will be delivered to Egypt, more than 16,000, and then to Algeria, 10,500, to Syria, 5,000, to Poland, 2,950, and so on.

Aside from passenger cars, the Crvena Zastava Plants are also exporting parts installed in vehicles of the Soviet Union, Poland and Italy on the basis of long-term cooperation with business partners abroad. In return the factory in Kragujevac will obtain parts of equivalent value for its own vehicles and cars being sold on our market. In this way domestic customers will be offered about 27,500 Ladas, Polonaises, 126-P's, 125-P's, and Fiat 132 Argents.

Within the commercial vehicle program the Crvena Zastava Plants will this year export 5,800 trucks under 2.5 tons capacity and sizable quantities of components for Fiat vehicles to Italy. The Kragujevac factory will receive from Italy the same amount in the form of parts which have not yet been put into

production in Yugoslavia. Incidentally, more than half of the total output of commercial vehicles (the plan for this year is 10,200 trucks) will be exported. In addition, one out of every four passenger cars is scheduled for export.

The sizable growth of vehicle sales on the foreign markets was indeed the only way of furnishing foreign exchange for the indispensable importation of components and industrial supplies which are not manufactured within the country. This is supposed to make it possible to improve supply this year, since a portion of the foreign exchange will also be offered to subcontractors using imported raw materials.

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END

JPRS 80427

29 March 1982

# East Europe Report

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2251

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29 March 1982

# EAST EUROPE REPORT

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2251

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DECREES, ORDINANCE OUTLINE MEASURES TO STIMULATE ECONOMY

Sofia DURZHAVEN VESTNIK in Bulgarian 29 Jan 82 pp 83-87

[Council of Ministers Decree No 53 of 31 December 1981 on improving the economic mechanism in the Eighth Five-Year Plan]

[Text]

In order to implement the decisions of the 12th BCP Congress and theoretical stipulations formulated by Comrade Todor Zhivkov at the October national conference on basic problems of building a developed socialist society in our country, the systematic application of the economic approach in all areas and sectors, intensifying the material interest and incentives in combining social with private interests, ensuring the comprehensive intensification and accelerated application of scientific and technical achievements, upgrading the role of counterplanning and labor collectives in planned management, developing the initiative and creativity of the working people for the fuller and more effective utilization of material, manpower, financial and currency resources and ensuring further improvements in the living standard of the people on this basis,

The Council of Ministers Decrees:

Article 1. (1) Adopts:

1. A regulation on the economic mechanism;

2. A directive on the specific rules of the economic mechanism in agriculture.

(2) Defines the general functional competence of ministries (departments) as stipulated in the appendix.

Article 2. ....

(3) Determines the amount of tax on the profits of economic organizations as follows:

1. Domestic trade, tourist and marketing-supply activities--40 percent;

2. The Central Cooperative Union system--30 percent;

3. All other activities--55 percent in 1982 and 50 percent in subsequent years.

(4) The tax rates stipulated in the preceding paragraph shall not apply to:

1. Profits from services to the population;

2. Profits of economic organizations using the directive as stipulated in article 1, paragraph 1, point 2.

....

Article 4. (1) Ratifies:

1. Payments to obshtina people's councils--3 percent of the balance sheet profit of economic organizations;

2. Norms for withholdings from the income of economic organizations and their branches for their monetary funds as stipulated in the appendix;

3. Scale for controlling average gross wage increases in accordance with the appendix;

4. Norms governing the formation of the maximally allowable wage fund:

a. For lowering production costs--30 percent of savings on direct material outlays per unit of output compared with the preceding year;

b. For increasing the general revenue from other factors--no more than 0.5 percent increase of the wage fund in economic organizations and branches, and no more than 0.8 percent in foreign trade, marketing-supply and tourist activities, for each percentage of increase of the general income compared with the preceding year. The norms of economic organizations shall be differentiated by the State Committee for Planning and the Ministry of Finance. In 1982 the differentiated norms shall be applied in amounts equal to the norms approved for the economic organizations for 1981 for increasing the consumption income per individual for each percentage of increased social labor productivity.

....

6. Ratifies a table on the amount of withholdings for the Technical Progress Incentive Fund, in accordance with the appendix.

(2) Together with the respective sectorial ministry, the State Committee for Planning and the Ministry of Finance may change the basic general income of economic organizations in ore mining, coal extraction, timber extraction and other sectors and activities in which natural and other objective factors may have an adverse effect on end economic results. Such changes shall be reported to the economic organizations together with the ratification of state planned assignments. They shall ensure the growth of average gross wages stipulated in the unified plan for the socioeconomic development of the country for these sectors.

(3) In addition to the monetary funds based on Regulation on the Economic Mechanism, the socialist organizations shall also set up an Inventions and Rationalizations Fund. The assets of the fund shall be collected and used in accordance with the procedures stipulated in legal acts.

....

Article 6 (1) In order to encourage the increased production of some particularly important agricultural products, the purchasing organizations shall pay bonuses from budget funds as follows, as of 1 January 1982:

1. Sugar beets--20 leva per ton of purchased goods above the average annual quantities purchased in the previous 5 years, and 40 leva per ton for quantities in excess of the state planned sales assignment;

2. Basma oriental tobacco--2,000 and 4,000 leva per ton, respectively;

3. Bashibali oriental tobacco--1,500 and 3,000 leva per ton, respectively;

4. Virginia and Burley tobacco--1,000 and 2,000 leva per ton, respectively.

(2) The maximal amount of products on which bonuses may be paid may not exceed 20 percent of the average annual quantity purchased during the preceding 5 years.

Article 7. (1) In accordance with the appendix and exceptionally for 1982 and 1983, the economically weak agroindustrial complexes will be paid a supplement not to exceed 10 percent of the value (including markups and bonuses) of grain, tobacco, flax, potatoes, apples, plums, grapes, hops, meat, milk and wool sold to the purchasing organizations.

....

Article 8. Purchasing organizations shall pay bonuses and supplements as per articles 6 and 7 to forest farms for agricultural commodities supplied by them.

Article 9. (1) The Bulgarian National Bank shall grant loans for capital investments at a 2.5 percent privileged interest rate in accordance with the stipulations governing crediting, activities and payment terms, as follows:

1. Development of land reclamation systems and pasture complexes--10 years;

2. Perennial crops--8 years;

3. Farm herds--6 years;

4. Development of warehousing facilities for grain crops and of capacities in the feed industry--10 years;

5. Development of coal extraction and energy production--8 years;

6. Development of ore mining in ferrous and nonferrous metallurgy--6 years.

(2) Loans as per items 1, 2 and 3 of the preceding paragraph shall be granted also to forest farms engaged in agricultural production providing that they have signed contracts for the sale of their goods.

....

Article 11. Tourist economic organizations shall deposit 15 percent of their balance sheet profits (excluding export bonuses) to the State Committee for Tourism for the financing of its maintenance costs, including general state expenditures.

....

Article 13. By 20 January 1982 the economic organizations and branches must redraft directives and internal regulations on the organization of wages and of internal cost effectiveness, including brigade cost effectiveness, in accordance with the regulation and directive as per article 1, paragraph 1.

Concluding Stipulations

No 1. The following legal acts of the Council of Ministers are hereby invalidated:

1. Regulation on the organization of economic activities (published in DV, No 100, 1975; amended and supplemented, Nos 4 and 63, 1977 and No 67, 1987);

2. Regulation on planning (published in DV, No 101, 1975; amended and supplemented, Nos 4 and 63 of 1977);

3. Regulation on financing economic activities, with the exception of articles 42-44 (published in DV, No 64, 1978, amended and supplemented, Nos 53 and 80, 1980 and No 3, 1981);

4. Regulation on the organization of wages with the exception of article 20, paragraph 1 (DV, No 62, 1978);

5. Regulation on prices (published in DV, No 101, 1975; amended and supplemented Nos 14 and 63, 1976);

6. Article 1, articles 11-21, articles 26-37 and No 1 of the additional, temporary and concluding stipulations of Decree No 5 of 1977 (published in DV, No 19, 1977; amended and supplemented, No 96 of 1977 and No 82, 1978);

7. Decree No 29 of 1978 and its regulation on basic rights and responsibilities of economic organizations (DV, No 51, 1978);

8. Directive on engineering-application activities of economic organizations (DV, No 86, 1978);

9. Directive on procurement, marketing and trade activities of economic organizations (DV, No 87, 1978);

10. Decree No 1 of 1979 and its regulation on the specific rights in agricultural production management (published in DV, No 7, 1979; amended and supplemented, No 35, 1979; No 79, 1980; and No 5, 1981);

11. Decree No 36 of 1979 and its directive on the specific regulations on managing economic organizations and production branches in the industrial sector (DV, No 71, 1979);

12. Decree No 25 of 1979 and its directive on specific regulations on managing the activities of foreign trade organizations (published in DV, No 45, 1979; amended and supplemented, No 73, 1980);

13. Decree No 52 of 1979 (with the exception of article 10, paragraph 1) and its directive on specific regulations on managing economic organizations and branches in transportation, with the exception of article 5, paragraph 1, paragraph 2.1 and .3, paragraphs 4 and 5 and articles 6-11 (published in DV, Nos 100 and 101 of 1979; amended and supplemented, Nos 65 and 94, 1980);

14. Directive on the specific regulations on managing economic organizations and production branches in the construction sector (DV, No 100, 1979);

15. Directive on the specific regulations on managing economic organizations and branches in the international and domestic tourism sector (DV, No 102, 1979);

16. Decree No 55 of 1979 (with the exception of article 8, article 11, paragraphs 5, 6 and 7, and article 13) and its directive on the specific regulations on managing economic organizations and branches in the internal trade sector (DV, No 6, 1980);

17. Decree No 57 of 1979 and its directive on the specific regulations on managing economic organizations and branches in the material and technical supply sector (DV, No 9, 1980);

18. Resolution No 177 of 1980 and its basic regulations on foreign trade companies and associations;

19. Resolution No 180 of the Council of Ministers buro of 1981.

No 2. Legal acts on economic management which are not specifically annulled will remain in effect to the extent to which their stipulations are not preempted by the present decree and its legal acts.

No 3. The present decree and its legal acts shall be effective as of 1 January 1982 with the exception of specifically stipulated exemptions.

The Council of Ministers expresses its confidence that the economic organizations and branches, executive committees of people's councils, labor collectives, trade union, Komsomol and other public organs and organizations shall, on the basis of the comprehensive, consistent and creative application of the economic mechanism in the course of the formulation and implementation of counterplans, find and utilize all possible reserves for the conservation of raw materials, materials, fuel and energy, the fuller utilization of production capacities, the reduction of working time losses, the production of additional consumer goods and services, the increase in profits and foreign exchange earnings, the lowering of material intensiveness and enhancement of public labor productivity, the extensive use of technical progress and leading experience, and the implementation of the resolutions of the 12th party congress.

Grisha Filipov, Council of Ministers Chairman

Ivan Shpatov, General Secretary of the Council of Ministers

Appendix to Article 4, Paragraph 1, Point 2

Norms on Withholding from the Economic Organizations and Branches for Their Monetary Funds

1. For the Expansion and Technical Improvements Fund: minimum withholding of 4 percent of the general income based on the balance sheet profit.

2. For the Foreign Exchange Fund:

a. 1 percent of current foreign exchange earnings, 10 percent of which shall go to the Foreign Exchange Fund of the okrug people's councils, of which 50 percent shall go to the obshtina people's councils;

b. 50 percent of the foreign currency income in excess of the state planning assignment with the exception of income from deals made by the state.

3. For the Economic Risk Fund: 2 percent of the balance sheet profit.

4. For the Price Control Fund: based on the goods turnover norm: 1 percent for noncomestible goods, 0.5 percent for comestible goods, medical drugs and other medicines, and 0.2 percent for public catering.

5. For the Improvement of Cultural Services Fund: 2 percent of the income from passenger transportation.

6. For the Passenger Rate Differentials Fund: 0.4 percent of the income from passenger transportation.

7. For the Reserve Fund of the people's councils: 0.5 percent of the overall amount of normative outlays for individual activities under their direct control.

8. For the Transportation Regulation Fund of the Ministry of Transportation: 0.5 percent of the income from transportation activities; 30 percent of the additional savings as a result of the efficient coordination of transportation by the Ministry of Transportation shall be added to the fund.

Appendix to Article 4, Paragraph 1, Point 3

Scale for Controlling the Growth in Average Gross Wage

| Percentage of Growth of Average Gross Wage Compared With the Previous Year | | Normative Deposit | |
|---|---|---|---|
| | | Lower Limit | Upper Limit |
| from 100 | to 102.5 | -- | -- |
| 102.5 | 105 | -- | 50 |
| 105 | 110 | 1.19 | 60 |
| 110 | 115 | 3.86 | 70 |
| 115 | 120 | 6.74 | 75 |
| 120 | 125 | 9.58 | 80 |
| more than | 125 | 12.40 | 85 |

Appendix to Article 4, Paragraph 1, Point 6

Table of Amount of Withholdings for the Stimulation of Technical Progress Fund

| Amount of Actual Savings in Leva | Maximum Amount of Withholdings Based on Actual Economic Savings in Percentage |
|---|---|
| No more than 10000 | 12 |
| from 10001 to 25000 | 6 + 600 leva |
| from 25001 to 50000 | 5 + 850 leva |
| from 50001 to 100000 | 4.5 + 1100 leva |
| from 100001 to 200000 | 3 + 2600 leva |
| from 200001 to 400000 | 2.5 + 3600 leva |
| from 400001 to 800000 | 2.25 + 4600 leva |
| from 800001 to 1000000 | 2 + 6600 leva |
| more than 1000000 | 1.75 + 9100 leva |

Remark. Economic organizations and enterprises may withhold for the fund no more than 80,000 leva for any specific scientific and technical achievement (measure). Higher withholdings may be made only by permission of chairman of the State Committee for Science and Technical Progress and the minister of finance.

Appendix to Article 7, Paragraph 1

List of Economically Weak Agroindustrial Complexes in Mountainous, Semimountainous and Border Areas

1. Malko Turnovo APK [Agroindustrial Complex]. 2. Elena APK. 3. Zlataritsa APK. 4. Belogradchik APK. 5. Chukrena Village, Vidin Okrug APK. 6. Roman APK. 7. Gabrovo APK. 8. Dryanovo APK. 9. Tryavna APK. 10. Stokite Village, Gabrovo Okrug APK. 11. Nevestino Village, Kyustendil APK. 12. Gyueshevo Village, Kyustendil Okrug APK. 13. Treklyano Village, Kyustendil Okrug APK. 14. Gavril Genovo Village, Mikhaylovgrad Okrug APK. 15. Beli Mel Village, Mikhaylovgrad Okrug APK. 16. Berkovitsa APK. 17. Vurshets APK. 18. Velingrad APK. 19. Panaguyrishte APK. 20. Belovo APK. 21. Kovachevtsi Village, Pernik Okrug APK. 22. Zemen APK. 23. Trun APK. 24. Kotel APK. 25. Devin APK. 26. Rudozem APK. 27. Zlatograd APK. 28. Smolyan APK. 29. Dospat APK. 30. Borino Village, Smolyan Okrug APK. 31. Davidkovo Village, Smolyan Okrug APK. 32. Smilyan Village, Smolyan Okrug APK. 33. Slaveyno Village, Smolyan Okrug APK. 34. Samokov APK. 35. Pavel Banya APK. 36. Gurkovo APK. 37. Antonovo APK. 38. Bolyarovo Village, Yambol Okrug APK. 39. Topolovgrad APK. 40. Cherven Bryag APK.

Decree No 54 of 31 December 1981 on the Application of a Shorter Workday in Some Production Facilities, on Amending and Supplementing Normative Acts on Wage Tariffs and Additional Wages; on Amending and Supplementing the Regulation on the Categorizing of Labor in Retirement, of Decree No 60 of the Council of Ministers of 1980 and Decree No 138 of the Council of Ministers of 1974.

Council of Ministers Decree:

Single Paragraph. (1) In accordance with article 41 of the Labor Code, as of 1 January 1982 a 7-hour workday and 35-hour work week will apply to the following:

1. Personnel in agglomeration production at the Kremikovtsi Economic Metallurgical Combine for a period of 3 years;

2. Personnel at the Staple Plant and the plant for artificial silk of the Sviloza Economic Chemical Combine in Svishtov for a period of 5 years;

3. Personnel employed in the chemical-pharmaceutical and volatile substances industry and the technological, analytical and medicinal technology sections of the Scientific Research Chemical-Pharmaceutical Institute of the Farmakhim DSO [State Economic Trust] in Sofia, for a period of 5 years;

4. Personnel using optical magnification instruments at the Geological Enterprise for Laboratory Research in Sofia and the Geological-Repair-Machine Enterprise in Asenovgrad, for a period of 5 years.

(2) In coordination with the Ministry of Public Health and the Central Council of Bulgarian Trade Unions, the Ministry of Metallurgy and Mineral Resources and the Ministry of Chemical Industry shall approve a list of professions and jobs to which the reduced workday shall apply.

(3) The Ministry of Public Health shall formulate a suitable schedule of work and rest for personnel using optical magnification instruments.

(4) The reduced workday as per paragraph 1 shall be introduced within the framework of the formulated wage fund in accordance with the state planning assignments for 1982 for the respective economic organizations.

Concluding Stipulations

....

No 2. The words "and the Metalsnab DSO" shall be added following the words "Metalurg "Metalurgremont SK [Economic Combine]" in article 35, point 3, letter "a" of the Ordinance on Wage Supplements for Adverse and Other Specific Working Conditions (published in DV, No 19, 1977; amended and supplemented, Nos 32 and 96, 1977; No 82, 1978; Nos 32, 38, 52, 63 and 94, 1979; Nos 38, 56, 69, 72, 77, 88, 95 and 99, 1980; No 5, 1981; amended, No 20, 1981; Nos 21, 27, 68, 1981).

No 3. The following amendments and supplements will be made to the Regulation on Categorizing Labor for Pensioning Purposes (published in DV, No 102, 1967; amendments and supplements: No 97, 1969; No 67, 1972; Nos 7, 46 and 64, 1975; No 4, 1977; Nos 82 and 83, 1978; Nos 65 and 93, 1979; Nos 31 and 56, 1980; and No 68, 1981):

1. In point 5a the words "converter and electric steel production, tong-crane machine operators of mill 1150/700/500, martin steel production at the Lenin Economic Metallurgical Combine" shall be added to the words "workers in the mixing department in steel production."

2. ....

3. ....

4. In point 69, the words "Ministry of Labor and Social Welfare" will be replaced by the words "State Committee for Planning," and the following new fourth paragraph will be added:

"Amendments and supplements in this regulation shall be made by the Council of Ministers based on a report submitted by a commission consisting of the deputy minister of public health as chairman and the secretary of the central council of Bulgarian trade unions and the deputy minister of finance as members. The suggestions shall indicate the period of time needed for the elimination of factors harmful to health."

No 4. (1) Paragraphs 1 and 2 shall become effective as of 1 January 1982 within the framework of the wage fund based on the state planning assignments of the respective economic organizations.

(2) Ministries, other departments and economic organizations shall take the necessary steps stipulated in the decree to improve labor conditions in said production facilities and activities in accordance with the requirements and norms of safe and hygienic work and shall terminate the respective stipulated compensations.

....

No 6. The following supplements shall be made to article 6, paragraph 1, of Decree No 138 of the Council of Ministers of 1974 (published in DV, No 7, 1975; amended and supplemented, Nos 36 and 65, 1975; No 26, 1976; Nos 65 and 92, 1977; Nos 7 and 67, 1978; No 17, 1979; and Nos 29 and 56, 1980):

1. In point 1, the words "State Tourism Inspectorate" will follow the words "trade and services."

2. The words "State Tourism Inspectorate" will follow the words "agroindustrial union."

3. In point 11, the words "as well as health institutions in the country" will follow the word "institutes."

Grisha Filipov, Chairman of the Council of Ministers

Ivan Shpatov, General Secretary of the Council of Ministers

Order No 1 of the Council of Ministers Buro of 19 January 1982 on Improving the Organizational-Production and Management Structure of Construction Work in the Capital

Council of Ministers Buro Order:

1. The House Building Combine in Sofia shall become part of the Sofstroy State Economic Trust without losing its status of economic organization.

The Sofstroy State Economic Trust will engage in the following activities: comprehensive development of residential areas in the capital, such as housing, children's institutions, schools, commercial establishments, service combines, polyclinics, hostels, power distribution centers, automated telephone exchanges and other projects related to the comprehensive servicing of residential districts.

2. The Public and Industrial Construction Economic Combine shall be set up under the Sofia People's Council as of 1 January 1982 as a juridical person located in Sofia and with the following activities: development of public buildings of national and regional significance such as hospitals, administrative buildings, scientific research and design institutes, higher educational institutions, hotels, general stores, cultural houses, motion picture houses, theaters and sports complexes; construction, reconstruction and modernization of industrial projects within the capital's city limits.

The Public and Industrial Construction Economic Combine shall be based on the facilities of the Industrial Construction Administration, Construction Administration No 4 and Construction Administration No 6 of the Sofstroy DSO.

....

The Construction Materials Economic Combine shall be organized under the Sofia People's Council as of 1 October 1982 as a separate juridical person centered in Sofia with the following objects of activity: production of construction materials, semifinished goods, items and structures, nonstandard equipment and assembly parts.

The Construction Materials Economic Combine shall be based on the facilities of the corresponding subunits and activities of the Sofstroy DSO, Inzhstroy DSO and other enterprises of the Sofia People's Council.

The structure of the combine shall be established by the executive committee of the Sofia People's Council.

4. The Public Works Economic Directorate of the Sofia People's Council shall terminate its activities as of 31 December 1981. Starting with 1 January 1982, the executive committee of the Sofia People's Council shall set up economic enterprises for public works and communal activities with the facilities of the subunits of the terminated economic directorate and the unit in charge of the maintenance of street and artistic lighting of the Electric Power Supply Economic Combine in Sofia.

....

7. As of 1 January 1982 the activities of the Sofproekt Comprehensive Study and Design Institute shall include scientific research and standardization activities in urban construction, architecture and construction in the capital.

....

9. The reappointment, release or redirection of the supernumerary personnel shall be strictly based on the stipulations of Decree No 22 of the Council of Ministers of 1981 and other legal acts and the measures stipulated in protocol No 25 of the Council of Ministers buro of 1981.

10. The 31 December 1981 assets and liabilities of the economic and other organizations reorganized on the basis of the present decree as well as their other rights and obligations shall be assumed by the economic and other organizations to which the respective units and activities shall be transferred.

Grisha Filipov, Chairman of the Council of Ministers

Ivan Shpatov, General Secretary of the Council of Ministers

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CSO: 2200/63

## ECONOMIC DEVELOPMENTS IN 1981 SUMMARIZED

Prague HOSPODARSKE NOVINY in Czech 29 Jan 82 p 2

[Article by Dr Eng Vaclav Cap, Candidate for Doctor of Science, Federal Statistical Office]

[Text] Preliminary data concerning economic development for last year currently indicate that this growth continued under ever more difficult external conditions. Imported energy sources, raw material and other inputs became more expensive and conditions for the sale of finished products on world markets became more competitive. To this was added worsened conditions for the extraction of domestic fuels and raw materials, also compounded by unfavorable weather which noticeably reduced agricultural plant production. The main positive aspects of last year include a continuation in economic development, the adherence to its proportional development path, both in terms of the balanced nature of the replacement process not only within the country, but also in relation to foreign economic affairs. At the same time, the standard of living not only held its own, but increased slightly. A higher rate of growth of exports in relation to imports was achieved and the growth rate of indebtedness reduced.

Nevertheless, we cannot be content with the results of 1981; we were far from fulfilling all that we were capable of accomplishing and what we had undertaken.

Administrative shortcomings are one of the reasons for this. One of the main shortcomings is the slow rate of application of science and technology. Given the exhaustion of, and in some cases the impossibility of using, extensive factors of development, the growth rate of the national income has necessarily slowed in recent years. In 1981, given the same volume of energy, raw materials and other inputs as in the previous year, the level of national income increased to Kcs 454 billion. Production innovations, technical sophistication and product quality do not yet correspond to the needs of the economy, and the valuation of energy, raw materials and other inputs is lower than that achieved by the world's best products; likewise, there is significant underutilized potential in changes in the production structure and product mix.

The relatively low growth of the national income and the need to improve the balance of payments position in relation to the mature capitalist countries by increasing exports relative to imports (in view of the continuing unsatisfactory effectiveness of the foreign exchange of goods) have influenced the use

structure of national income. Along with a 1981 increase in personal consumption of 1 percent in comparison with 1980, and an increase of 3 percent in material social consumption, there was a reduction in the volume of accumulation. This made possible, above all, a desired reduction in the high percentage of uncompleted investment projects.

The level of industrial production was 2 percent higher in 1981 than in 1980; to be sure, it did not reach planned levels, but the volume of deliveries was maintained for all principal use categories. In comparable wholesale prices, the volume of deliveries for domestic commerce increased 0.4 percent in 1981, for exports to socialist countries by 2.6 percent, for exports to nonsocialist countries by 5.2 percent, deliveries of machinery and equipment for capital investment purposes by 5.5 percent, and deliveries for production consumption by 2.4 percent. At first glance however, a positive approach to the assurance of economic needs was undermined by a number of shortcomings. It is necessary to improve, primarily, export capability, the product mix for domestic commerce, promptness of deliveries for investment projects and the balanced nature and smoothness of production. A lack of rhythm in the production process results not only in inefficiency at the enterprise itself, but also in losses and tautness, above all for its dependent consumers-producers and in transportation, and leads to unnecessarily high inventories.

The structure of industrial production has changed in favor of machine building and light industry. The volume of machinery production in 1981 was 3.9 percent higher than in 1980, and 2.5 percent higher in light industry. Production was 1.8 percent higher in the processed-wood industry, which did not achieve its planned increase, 1.5 percent higher in the construction materials industry, 0.1 percent higher in the chemical industry (due to a lesser amount of refined crude oil), and 1.5 percent in the foodstuff industry.

The assurance of fuel and energy supplies has had a crucial importance for the economy. In 1981, matters proceeded satisfactorily on the production end, but not as well at the consumption end. The 122.8 million tons of coal and lignite which were mined, and the 73.5 billion kilowatt hours of electricity produced, in conjunction with imports of crude oil and natural gas (which were higher in comparison with 1980) were sufficient to cover needs. On the other hand, a comparison of the increases in utilized primary energy resources indicates that we were not able to reduce energy consumption per unit of national income formation.

Construction and agriculture exerted the primary influences on the failure to fulfill planned increases in construction industry output of 2.7 percent, while in reality this output declined 2 percent in comparison with 1980. Economic policy has already been exerting pressure for a number of years to reduce the level of incomplete construction projects, to speed up the completion of construction and to adapt the structure of construction output to the most pressing capital investment requirements; construction enterprises, however, have not proved themselves capable of reacting to these new conditions.

A poor harvest in the agricultural sector resulted in a decline in agricultural production of 3.4 percent, and of 7.1 percent in plant production, in comparison with 1980. The foreign-currency position does not permit, at current world

prices, the purchase of the amounts of grain which are lacking in the fodder balance. In 1982, therefore, agricultural factories will have to make do, basically, with their own resources. This means, above all, that they will have to rationalize the feeding process. In 1981, agricultural factories fulfilled procurement targets for slaughter livestock and eggs, while milk procurement remained slightly below planned levels. Meat procurement trends were becoming evident at the end of the year in a reduction in swine herds and the stabilization of beef cattle herds. In comparison with 1980, 8,000 more tons of slaughter livestock live weight was purchased, an additional 6 million liters of milk, and an additional 22 million eggs.

In 1981, the Set of Measures for Improving the Planned Management System of the National Economy took effect, which was, above all, to support efficiency and quality policies. Certain of these measures have a longer term character, and their influence is thus difficult to determine after only 1 year. It is possible to conclude on the basis of the results in 1981 that these measures are already having a positive effect in the conservation of material costs. Over the first 11 months, materials costs and costs of services of a nonmaterial character (excluding the influence of foreign trade) amounted to Kcs 63.58 per Kcs 100 of output, while the annual plan had projected a figure of Kcs 64.01. Analysis will show to what extent this reduction in costs was realized from easily accessible underutilized capacity and to what extent it was a result of thorough economic measures.

The basic tasks of capital investment were not fulfilled last year. There were delays in facility startups, i.e., of the 107 facilities designated as binding tasks, only 62 actually began operations. Moreover, as a result of this, far more resources than planned were tied up in incomplete capital investment projects. In accordance with the intentions of investment policy, the overall volume of capital investment was reduced 1.9 percent in comparison with 1980. The overall volume of investment projects and deliveries reached approximately Kcs 145 billion.

In foreign trade, the rate of increase of exports increased relative to that of imports. Exports in current prices at commercial parity increased 8.7 percent in 1981 over 1980 levels, imports by 4.5 percent. This trend was maintained in relation to both socialist and nonsocialist countries. In trade with the nonsocialist countries, however, imports were regulated, especially those of a noninvestment character. The increase in export and import prices, however, meant a further worsening in exchange relationships. The integration of the Czechoslovak economy into the international division of labor within the framework of socialist economic integration continued.

A 2.8 percent increase in the monetary incomes of the population characterizes the maintenance of a high standard of living in 1981. Given an increase in the cost of living of 0.8 percent, this means that real incomes of the population increased by 2 percent.

Basic Indicators of the National Economy's Development in Increases Over Comparable 1980 Period (in percent)

| | Dec | Jan-Dec | State Plan[1] |
|---|---|---|---|
| Deliveries of the Centrally Administered Industry for: | | | |
| --investments at wholesale prices | - | 5.5 | -2.3 |
| --domestic market | | | |
| in wholesale prices | - | 0.4 | -0.9 |
| in retail prices | - | -0.1 | -0.6 |
| --export to socialist countries | - | | |
| in wholesale prices | - | 2.6 | -1.5 |
| in FOB prices | - | 2.2 | 4.9 |
| --export to nonsocialist countries | | | |
| in wholesale prices | | 5.2 | -0.1 |
| in FOB prices | | 1.1 | 4.6 |
| --other sales for industrial production and operations at wholesale prices | - | 2.4 | - |
| Volume of industrial production | 2.7 | 2.0 | 2.2 |
| Average number of employees | 0.4 | 0.4 | 0.5 |
| Labor productivity based on industrial production | 2.3 | 1.6 | 1.7 |
| + Construction | | | |
| Construction work performed with internal labor resources | -1.0 | -2.0 | 2.7 |
| Average number of employees | -0.2 | -0.7 | 0.5 |
| Labor productivity based on construction work | -8.8 | -1.3 | 2.1 |
| Housing units delivered by contracting enterprises | -44.7 | -32.8 | -19.1 |
| + Procurement | | | |
| Slaughter animals (including poultry) | -5.1 | 0.8 | -1.4 |
| Milk | 0.0 | 0.1 | 0.7 |
| Eggs | 0.3 | 0.8 | -0.9 |
| + Retail Turnover of the main trade systems | 3.6 | 2.4 | 2.4[2] |
| + Foreign Trade[3] | | | |
| Exports to socialist countries | 28.2 | 11.8 | 7.1 |
| Exports to nonsocialist countries | 19.9 | 4.6 | 8.7 |
| Imports from socialist countries | 8.2 | 10.3 | 11.6 |
| Imports from nonsocialist countries | -6.3 | -4.4 | 6.6 |
| Personal Earnings[4,5] | 3.8 | 2.8 | 3.6 |
| of which: income from wages | 3.1 | 2.7 | 3.1 |
| Actual cash expenditures[5] | 3.6 | 2.5 | 3.3 |

1. Increases compared to actual 1980 results.
2. All trade systems.

3. Data on actual results refer to actual transactions and the state plan (in contrast to overall actual results) does not include unplanned actions within the framework of cooperation, unplanned reexports trade, exchanges and conditional trade transactions, etc.
4. Including estimated interest on loans.
5. Data based on treasury plan of the SBCS (CSSR State Bank).

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## REPORT ON 1981 ECONOMIC PLAN FULFILLMENT PUBLISHED

### West German Analysis

Frankfurt/Main FRANKFURTER ALLGEMEINE in German 18 Jan 82 p 4

[Article by "Gz," datelined Berlin, 17 January 1982: "The Economic Balance of the GDR for 1981 Is More Favorable Than in Other East Bloc States--Five Percent Growth; Results in Foreign Trade Less Satisfying; Doubt About the Reliability of Some Figures." A text of the plan fulfillment report for 1981 follows this analysis]

[Text] By and large, the GDR is satisfied with the economic results achieved in 1981. According to the report of the Central State Office for Statistics, which is presented every year in mid-January, in 1981 the "national income produced" increased by 5 percent; the corresponding figures for 1979 and 1980 were 4 and 4.2 percent, respectively. The report states that the increase of M 9 billion represents "the hitherto highest absolute annual growth rate." No matter how these figures were ascertained and regardless of what values underlie the GDR statisticians' computations, the GDR's economic balance for 1981 is decidedly more favorable than those of the other states of the Eastern Bloc. It appears, however, that the GDR was less successful in its efforts to improve its foreign trade balance. Whereas the plan had stipulated a 16-percent increase in "foreign trade turnover," no more than 10 percent was actually attained. The report--which in this regard again is very scant--repeats SED General Secretary Honecker's recent statement to the effect that in 1981 the GDR had an active trade balance, i.e. that exports had exceeded imports. The report points out, however, that due to their difficulty in increasing exports to the world markets, "some combines and enterprises did not fully attain the high export targets set." The FRG is one of the Western countries mentioned in connection with a "pronounced development" of trade relations. According to the report, the people of the GDR had demonstrated their ties with the People's Republic of Poland by supplying urgently needed goods valued at M 200 million. The report does not comment on the apparent disruptions in the economic relations among a number of Eastern Bloc states. It states that additional measures have been taken in order further to consolidate the socioeconomic integration within CEMA and that in regard to promising fields related to scientific-technical progress the close ties with the USSR are of inestimable value.

With great satisfaction, it is noted that in the field of housing construction record results have been achieved: 125,731 new apartments, i.e. an increase of 5,525 over the preceding year; in addition, there has been an increase in owner-occupied homes and a greater number of old apartments have been restored. According

to the plan, the "net monetary income" of the population was to increase by 4 percent, but the actual increase realized was a mere 3.3 percent. The report points out that on account of last year's sociopolitical measures several groups of working people--e.g. apprentices and students--received increased financial assistance and that beginning on 1 December 1981 the child support for the third and every additional child was raised to M 100 per month. Even though there are no price statistics, the GDR statisticians claim real wages increased by 4 percent. This calculation--which can hardly be verified--includes the so-called "second paycheck," i.e. the M 860 per month (on average; 1980: M 760) a family of four receives in the form of services and assistance from social funds. These funds, which insure--among other things--the continuance of the low rents, transportation rates and prices of the so-called "basic necessities," had to be expanded by 10 percent and now total M 58 billion. The report emphasizes that the supply of industrial goods has become more differentiated and that the commodity assortment for children and young people has been considerably expanded. The medium-price goods of standard quality (there are three price categories in the GDR) constituted the largest share of the commodity supply.

In the last few years, the SED leadership has put forth considerable efforts to increase the output of the industrial combines so as to cushion the shock--felt also in the GDR--of the energy and raw material price hikes. It appears that these efforts have not been entirely successful. According to the report, only 10 of 157 combines attained significant production increases and cost reductions, while 38 combines registered a cost reduction of 3 percent. In conclusion, the report therefore insists on the need for improving the input-output ratio in all sectors.

Apparently, the GDR planners have succeeded in tightening up their control over the investment activities, which in previous years had been characterized by a lack of restraint. Whereas the plan had stipulated a 2.5-percent increase in industrial investments, the actual gain totaled a mere 2 percent. Likewise, the number of investment projects launched was further reduced.

Considerable doubt has been expressed in regard to the reliability of the GDR statistics in connection with the employment of industrial robots. Last year's report stated the industrial sector had used 320 robots, but the 1981 report presents a total of 13,000 robots. This totally unrealistic increase cannot be explained, unless one assumes that robots--also called machines equipped with "operating technology"--are defined differently now. Conceivably, all semi-automatic machines are now considered "industrial robots."

However, the generally optimistic report permits the conclusion that the GDR leadership is dissatisfied with the results produced by the large-scale crop-producing enterprises. The report states that in crop production the "overall" output target has been exceeded--a summation of "apples and pears" hardly acceptable to statisticians--whereas grain production has fallen short of the plan target. The report presses for tapping of the available reserves, primarily through elimination of the existing production and performance differences.

Whereas previous reports made reference to the GDR's "enthusiasm for babies" and presented "rates of increase," the present report merely states that in 1981 237,476 children were born; it does not mention the fact that this total falls short by 7,614 of that of the preceding year. At present, all of the GDR children

can be accommodated in the kindergartens; as regards daycare centers, however, only 625 of 1,000 infants can be accommodated (in the preceding year: 610). The tourism statistics--always present in previous reports--are not included in this year's report.

## Trade, Energy Situation Assessed

Frankfurt/Main FRANKFURTER ALLGEMEINE in German 30 Jan 82 p 6

[Article by "Gz," datedlined Berlin, 29 January 1982: "GDR Economy Like a 'Lighthouse' in the Economic Waves--Surplus in Inner-German Trade; Petroleum Prices Force Saving of Energy"]

[Text] The participants of a colloquium staged by the Berlin Research Center for All-German, Economic and Social Affairs and directed by Professor Thalheim were agreed that the GDR's 1981 economic development had been relatively favorable and that in comparison with other Eastern Bloc countries the GDR looked like "a lighthouse of relative economic stability in a crisis-ridden sea." To be sure, the researchers expressed doubts as to whether after its successful start in the new five-year plan period (1981-85) the GDR would be able to maintain its growth rate and above all whether it could overcome its difficulties in the field of foreign trade. The figures published are increasingly scant and less and less comparable; the researchers deplored the "nonchalant approach to the plan data on the part of high functionaries."

In the field of foreign trade, the GDR has been able--by pursuing a policy bank experts consider adroit--to uphold its reputation in the international capital markets. In the credit rating records kept by the European banks, the GDR still occupies a solid middle position behind the USSR and in the course of the Polish crisis it "slipped" only by a few places. It is known, however, that toward the middle of this year loans totaling approximately $4 billion will become payable and possibly must be renegotiated. This is the equivalent of approximately 40 percent of all loans ($10 billion) that the GDR obtained from Western banks. Consequently, it is essential for the GDR to maintain its international credit standing; however, aside from Honecker's remark that in 1981 the GDR had an active trade balance--i.e. that its exports exceeded imports--there are only very few reliable data. The experts hold that the 1981 trade balance surplus resulted primarily from the fact that up to November 1981 the GDR had effected a surplus of M 0.5 billion. In the second half of the year, the GDR also succeeded in reducing its grain imports from the United States. In 1982, however, the GDR will be faced with a sharp oil price increase within CEMA. This increase will unfavorably affect the payments balance vis-a-vis the Soviet Union. Moreover, the GDR could find itself compelled to buy on Western markets the oil that the USSR is unable to supply.

In the GDR's transport policy, too, the necessity quickly to save energy is more evident than ever. In the last few years, the demand for gasoline and diesel fuel has grown immensely. Rail and motor transport account for two-thirds of the diesel fuel consumed in the GDR, and passenger transport accounts for nearly 45 percent of the total transportation services. Presently, interplant transportation constitutes over 50 percent of the total freight transport volume. Through reorganization and by increasing the transport rates, individual freight volumes and stringent penalties, the GDR is now trying to enforce the necessary cutbacks.

Text of Report

East Berlin NEUES DEUTSCHLAND in German 16-17 Jan 82 pp 3-5

[Official text of "Report of the State Central Administration for Statistics on the Implementation of the 1981 Economic Plan"]

[Text] In 1981, the year of the 10th Congress of the Socialist Unity Party of Germany, the working people of the GDR did excellent work toward the further all-round consolidation of our republic. The creativity, initiative and industriousness of the workers, of the cooperative farmers, of the intelligentsia and of the other working people show that the resolutions adopted by the 10th SED Congress were understood and supported by the entire population. Even though the situation had become more complex, the proven policy of carrying out the principal task--which policy is characterized by the unity of economic and social policy--was continued for the benefit of the people and energetically and successfully implemented. The positive economic results show convincingly that the GDR economy is successfully developing along the course charted. The advantages of the socialist planned economy were again made evident.

The report delivered by the general secretary of the SED Central Committee, Comrade Erich Honecker, to the 10th SED Congress gave impetus to the enormously forceful and extensive socialist competition organized by the trade unions. Under the motto: "Rapid increase in output through growing labor productivity, efficiency and quality--for the benefit of the people and for peace," the working people totally met and systematically exceeded the targets set by the 1981 economic plan. These efforts were supported by all sectors of the national economy. The attainment of the ambitious objectives of the 1981 plan further advanced our country in regard to the organization of the developed socialist society.

The steady and dynamic economic expansion was successfully continued. It was possible through improved work efficiency to accelerate the rate of production increase. The work of the combines was an important contributing factor in this regard. The seminar-based exchange of experience between the Leipzig secretariat of the SED Central Committee and the general directors and Central Committee party organizers exerted a mobilizing influence on the mass movement and on the entire economic activity in the GDR. The commitments made in this respect were met; M 4.2 billion worth of commodities were produced in excess of the plan targets; this is the equivalent of a production volume of more than 3 days' output.

Through intense commitment, through many new activities, through proposals and through considerable work results, the cooperative farmers and agricultural workers and the workers of the forestry sector and the food industry are successfully implementing the resolutions adopted at the Party Congress.

The special significance of economic growth lies in the fact that the intensification of economic development was consistently continued, which resulted in increased efficiency. The first successful steps were taken toward all-round implementation of the economic strategy for the 1980's that was adopted at the 10th SED Congress. In regard to improved efficiency, the consistent orientation of the socialist planned economy toward the requirements of intensive development and the economy's ability flexibly to respond to changed conditions were of crucial

importance. The great expansion of output was attained almost exclusively through improved labor productivity and capital goods efficiency without any increases in material and energy input. The input-output ratio was improved through consistent socialist rationalization and more efficient use of basic assets.

Science and technology proved to be the key factors in regard to intensification of social production and improvement of productivity and efficiency. The economic effect of science and technology was further intensified. New revolutionary technologies and products were rapidly introduced into the production process. The increased refinement of raw and secondary materials greatly helped to increase the distributable end product and to reduce production input.

The expansion of the material-technical basis was attained above all through modernization and renovation. In regard to development and utilization of microelectronics, extensive work was done in all sectors. In the industrial sector, the number of robots used exceeded the plan targets.

In 1981 as in previous years, the positive results produced were based on the staunch fraternal alliance with the Soviet Union and on the solid integration of the GDR in the community of socialist states. On the basis of coordinated plans and through the implementation of the program of production specialization and cooperation between the GDR and the USSR up to 1990, further steps were taken toward closer integration of the national economies of the two countries. The close link with the tremendous potential of the USSR--especially in the future-oriented fields of scientific-technical progress--is of inestimable value in this regard. Further projects concerning intensification of the socialist economic integration within CEMA were systematically implemented.

Through active support, the people of the GDR demonstrated their internationalist attitude and their friendship with the People's Republic of Poland. By supplying urgently needed goods valued at over M 200 million, the citizens of the GDR made an important contribution to the further normalization of life in our socialist neighbor state.

Thanks to the steady continuance and acceleration of economic growth, it was possible successfully to continue the social policy and to take further steps toward improvement of the citizens' working and living conditions. In 1981, extensive sociopolitical measures took effect. In the field of housing construction, the results attained were the best ever.

The projects concerning national defense and internal security and order--an integral part of the economic plan--were given a solid economic foundation.

In the mass movement "FDJ [Free German Youth] Mission 10th Party Congress," which was launched by the 11th FDJ Parliament, the young people--showing great willingness to perform, great creativity and a sense of social responsibility--made a significant contribution to the positive economic development. The performance comparison among the over 40,000 youth brigades guided by the motto "Everyone every day good results" has become an important element of the socialist competition. In the socialist competition entitled "For Greater Beauty in Our Cities and Communities--Join In," millions of citizens achieved significant results.

In the implementation of the 1981 economic plan, the following key results were achieved (preliminary data):

--At a growth rate of 5 percent, the GNP continued to show dynamic development. The increase attained (M 9 billion) is the hitherto greatest annual gain. The high growth rate of the national income is attributable to the steady performance increase and to the reduction of material and energy consumption in all sectors of the national economy. The industrial sector--posting a 6-percent increase in net production--accounted for a M 7.5 billion share of the increase in national income.

Over 90 percent of the GNP increase resulted from the rise in labor productivity. The ratio of production input to national income produced was further improved. The economic growth was attained without any increases in primary energy consumption.

--In the sectors under the jurisdiction of the industrial ministries, industrial commodity output rose by 5.9 percent, while in the national economy as a whole it showed a 5.1-percent increase. Thus the value of industrial commodities produced for the population, for the national economy and for exports exceeded by M 18 billion that of the preceding year. The plan targets concerning industrial commodity production were fully met (101.3 percent). The combines in the sectors under the jurisdiction of the industrial ministries produced M 4.2 billion worth of commodities in excess of the plan target. This is the equivalent of a production volume of more than 3 days' output. Essentially, this overfulfillment was achieved through material economies.

--The increase in industrial output was achieved primarily through improved work efficiency. In the sectors under the jurisdiction of the industrial ministries, the net production targets were exceeded by 3 percent.

The specific consumption of economically important energy sources, raw materials and materials was reduced by 5 percent. In the sectors under the jurisdiction of the industrial ministries, the plan targets concerning reduction of production and raw material costs per M 100 of commodity production were exceeded. The cost reductions totaled over M 1 billion.

--Labor productivity in the industrial sector increased by over 5 percent; 75 combines increased their rate of productivity increase over the preceding year. Over 90 percent of the production increase attained was achieved through improved labor productivity.

--The targets set by the state plan and by the enterprise plans concerning science and combine technology were met and in part exceeded. The share of top-level results of the tasks set by the State Plan for Science and Technology increased to 79 percent. The economic effect of science and technology was further intensified. The rise in labor productivity in the industrial sector is attributable almost entirely to the intensified utilization of scientific-technical results. Through introduction of scientific-technical measures, savings of M 493 million hours of working time were effected in the national economy; this represents a 12-percent improvement over 1980.

--The quality level of industrial production was raised further. M 53 billion worth of industrial goods bearing the "Q" quality seal were turned out; this represents a 19-percent increase over 1980. Many products were distinguished by greater reliability, longer service life and improved design.

--In order systematically to consolidate the material-technical foundation of the national economy and to continue the social policy adopted, a total of M 57 billion was invested. In the sectors under the jurisdiction of the industrial ministries, the investment volume was expanded by 2 percent; in complex housing construction, the investment volume increased by 4 percent. The share of investments for the rationalization of available basic assets was further extended. As a result of the investments in the metalworking industry, the number of jobs eliminated exceeded that of new jobs.

--Construction production increased by 4.1 percent and the plan targets were exceeded (100.9 percent). The overfulfillment was achieved without any additional material funds. Through improved efficiency, the net production plan targets were exceeded, with concomitant reduction of the basic material costs targeted per M 100 of construction output.

--185,350 apartments were newly built or modernized, i.e. an increase of 10,850 over the plan target and an increase of 16,127 over the preceding year. Housing construction in the working class centers showed above-average increases. Living conditions were improved for 550,000 citizens.

--Socialist agriculture met or exceeded the plan targets concerning products related to livestock breeding. As to total crop production, the plan was overfulfilled. In regard to potatoes, sugar beets, corn and field-grown feedstuffs, the harvest exceeded the plan targets and the average yield obtained over a number of years.

--The transportation sector moved 1.1 billion tons of goods. The transport requirements of the national economy were met. Through measures concerning improvement of the transportation and transshipment conditions, it was possible to effect transport and energy economies. The specific transportation input was reduced. The shift of motor transport shipments to the railroads and to inland shipping helped further to reduce the consumption of fuel and energy.

--Foreign trade turnover increased by a total of 10 percent, while the volume of trade with the USSR expanded by 17 percent. Exports to the developing countries and to the capitalist industrialized countries showed significant increases. Even though the relations with these countries had grown increasingly complex, the great efforts put forth by the working people of the combines, enterprises and foreign trade firms brought about an active trade balance.

--In keeping with the improved results, the net monetary income of the population increased by M 4.0 billion (3.3 percent). In accordance with the plan, the share of the workers' and employees' salaries and wages of the population's monetary income expanded. In 1981, another 265,000 workers, foremen, university and technical school cadres received performance-oriented basic wages and salaries. For selected groups of employees engaged in health care and social work, wage increases went into effect on 1 December 1981.

--The real per capita income was raised by 4 percent.

--The retail trade turnover rose to M 102.5 billion. The plan target concerning production of finished goods for the population was met. Services and repair work for the population expanded by 12 percent.

--State services based on the social funds for the improvement of material and cultural living conditions of the population totaled M 58 billion. This amount exceeded by M 5.3 billion the funds allocated in 1980 for housing, for maintaining at a stable level rents, rates, and prices of basic necessities, and for satisfying the growing health-oriented, social and intellectual-cultural needs of the population.

--In the field of education, the quality and effectiveness of instruction were further improved. The material and personnel-related conditions concerning all-round education and training of the children and young people were continuously upgraded; 2,749 instruction rooms and 25,663 kindergarten openings were established. Every high school graduate was given access to an apprenticeship program or to university studies.

--The quality and effectiveness of medical and social care of the population were improved; 524 medical and dental positions, 14,205 daycare center openings and 3,811 rest home openings were created; 360,000 adults and children were granted treatment in health resorts.

--The mass character of physical education and sports became more pronounced in all sectors, above all in the sports programs for children and young people and in leisure-time and recreational sports.

--Since the opening of the Sports and Recreation Center in the GDR capital, Berlin, nearly 5 million visitors spent enjoyable hours in this place of active recreation.

--Through new creations, the artists and culturally creative individuals made a significant contribution to the enrichment of the intellectual-cultural life.

--The GDR capital, Berlin, underwent further development as the political, economic and intellectual-cultural center of the socialist GDR; this endeavor has become a concern of the entire republic. The 14,574 young people delegated to the Central Youth Project "FDJ Initiative Berlin" played a leading role in this regard.

## I. Industry

As a result of the working people's great initiative and industriousness in the daily struggle for fulfillment of the economic plan, it was possible in 1981 to continue the steady and dynamic development of the industrial sector and to accelerate the rate of industrial production. The industrial sector's share of the national income and of the social end product was further increased. The plan target for industrial commodity production was exceeded each month.

Due to a 5.9-percent production increase, the state targets concerning industrial commodity production in the sectors under the jurisdiction of the industrial ministries were overfulfilled (101.2 percent). In all industrial sectors, the plan targets were exceeded. The combines made good the commitments made in April 1981 in Leipzig during the exchange of experience between the SED Central Committee and the general directors and Central Committee party organizers and their commodity production exceeded the plan targets by more than 3 days' output. Thus, in excess of the plan targets, M 4.2 billion worth of consumer goods were produced for the domestic trade, for the national economy and for exports, and for the most part these goods were produced with materials obtained through economy measures.

| Enterprises Under the Jurisdiction of the Ministry for | Attainment of the State Targets for Industrial Commodity Production in 1981 (%) |
|---|---|
| Coal and energy | 101.7 |
| Ore mining, metallurgy and potash | 101.0 |
| Chemical industry | 101.1 |
| Electrical engineering and electronics | 101.5 |
| Heavy machinery and installations | 101.2 |
| Machine tools and processing machines | 101.2 |
| General machine building, agricultural machines, automotive construction | 101.2 |
| Light industry | 101.2 |
| Glass and ceramics industry | 101.0 |
| Bezirk-controlled industry and food industry | 100.9 |
| Geology | 105.0 |

The plan targets for net production were exceeded by 3 percent. As regards reduction of raw material costs per M 100 of commodity production, the centrally controlled enterprises overfulfilled the plan target. The following 10 state-owned combines showed a 10-percent increase in both industrial commodity production and net production: Riesa Pipe Combine, Wolfen Photochemical Combine, Dresden Robotron, Erfurt Microelectronics, Carl Zeiss Jena, Berlin Automation Installations, Teltow Electronic Building Elements, Karl-Marx-Stadt "Fritz Heckert" Machine Tool Combine, Erfurt "Herbert Warnke" Transformation Technology, Leipzig "Werner Lamberz" Polygraph. These combines also attained great gains in labor productivity.

In the sectors controlled by the bezirk [GDR administrative unit] economic councils, the industrial production targets were met (100.9 percent), while the output volume rose by 4 percent. All of the bezirk economic councils exceeded the plan targets for industrial commodity production.

The plan quotas for the sale of finished goods for the population were overfulfilled in all industrial sectors. The combines producing primarily capital goods made an important contribution in this regard. They expanded their output of finished goods for the population, and vis-a-vis the producers of consumer goods they exceeded their supply targets. The consumer goods assortment was expanded by new products distinguished by greater use value and serviceability, lower energy consumption and improved design.

The supply of the national economy and of the population with fuel and energy sources was insured. In 1981, the coal industry produced the hitherto best annual result, recording an output volume of 267 million tons of crude brown coal, i.e. an increase of 3.3 percent. In the case of crude coal, the plan targets were exceeded by 5.1 million tons, and in the case of coal siftings, by 0.7 million tons. Regarding coal refinement products the production targets for brown coal briquettes were exceeded by 353,000 tons, and the targets for brown coal high-temperature coke, by 22,000 tons. The open-pit mines overfulfilled the plan quotas so as to provide ample winter supplies.

The average annual power plant output increased 105 percent over the preceding year. New capacities (1,000 megawatts) were put in operation according to schedule or even ahead of schedule.

The workers of the geological industry fulfilled or exceeded the plan targets concerning expansion of the supply of domestic mineral raw materials and ground water. The natural gas production target was fully met (103.6 percent).

The production plans concerning most of the key raw materials and fabricating parts were fulfilled or overfulfilled. Above-average growth rates were attained in regard to high-pressure as well as low-pressure polyethylene, steel pipes, conveyor belts, devices and installations for monitoring, regulation and control, hydraulic products, metal-cutting tools, industrial motors, and digital control devices.

With regard to microelectronics, the production targets were exceeded. The production of semiconductor elements and electronic building elements increased by 25 percent, while the output of basic components of electronic circuits rose by 45 percent. The output of industrial robots exceeded the plan targets, primarily on account of the FDJ initiatives "Microelectronics" and "Industrial Robots" that were launched by the 11th FDJ Parliament.

Significant increases were registered in the production of important machines and installations for rationalization and exports and in the production of various consumer goods.

Labor productivity in the industrial sector increased by over 5 percent. In 38 combines, the increase in labor productivity exceeded that of commodity production; 75 combines increased the productivity growth rate over that attained in 1980. The increase in labor productivity accounted for over 90 percent of the production gains.

The quality level of industrial production was further raised. The industrial sector turned out M 53 billion worth of goods bearing the "Q" quality seal; top-grade products accounted for 27 percent of the industrial commodity output subject to testing. A key factor in regard to the quality improvement were the 541 enterprises designated as "high-quality enterprise." The costs for rejects and warranty service were reduced by 5 percent per unit of commodity output; on the whole, these costs were below the level stipulated by the plan.

The enterprises' own capacities for the construction of means of rationalization were further expanded and utilized. Independent construction of means of rationalization increased by 23 percent over the preceding year. In excess of the plan

The 1981 Development of the Production of Key Products As Compared to 1980

| Products | % |
|---|---|
| Electrical energy | 101.9 |
| Crude brown coal | 103.3 |
| Brown coal briquettes | 100.2 |
| Steel pipes | 108.4 |
| Cast-steel products | 108.7 |
| Polyvinyl chloride | 112.4 |
| ABS plastics | 126.1 |
| Synthetic silk | 107.9 |
| Synthetic fibers | 103.6 |
| Pumps | 108.4 |
| Industrial motors | 109.2 |
| Fittings | 105.7 |
| Roller bearings | 107.5 |
| Hydraulic products | 109.8 |
| Apparatus and devices for monitoring, regulation and control | 111.3 |
| High-voltage cables with aluminum conductors | 108.5 |
| Steel-enforced conveyor belts | 141.0 |
| Metal-cutting machine tools | 108.8 |
| Cold-forming machine tools | 118.3 |
| Machines for the treatment of plastics | 108.9 |
| Machines for industrial process engineering | 113.7 |
| Special equipment for the production of articles pertaining to electronics and electrical engineering | 117.2 |
| Machines for the textile, clothing and leather industries | 106.7 |
| Combines | 117.6 |
| Color film | 121.4 |
| Household washing machines | 103.6 |
| Household freezers, | 102.9 |
| including household refrigerators | 110.9 |
| Gas stoves | 106.1 |
| Mopeds (up to 50 $cm^3$) | 104.6 |
| Color television sets | 117.8 |
| Plate glass | 110.7 |
| Textile flooring | 106.6 |
| Knitted outer wear | 101.7 |
| Hosiery | 105.0 |

target, M 257 million worth of branch-specific rationalization equipment was produced and put into operation. Many combines and enterprises raised the technological level of the production of rationalization equipment. The construction of rationalization equipment was oriented more strongly toward the production of industrial robots. The industrial enterprises' own construction departments increasingly contributed to rationalization and value maintenance.

In all industrial sectors, the advances made in regard to refinement of raw and secondary materials greatly helped further to improve energy and material economy. Through this intensified refinement, it was possible with an approximately equal amount of raw materials and energy sources to expand the volume of finished

products for the consumers, for exports and for the national economy. In the metallurgical and chemical industries in particular, good results were achieved in the production of high-grade products and in the reduction of production input, primarily through the application of advanced procedures and technologies. In the metallurgical industry, refined assortments accounted for 58 percent of the rolled-steel output.

Strict management and various initiatives of the workers helped better to meet the higher requirements concerning a more efficient use of energy and to reduce energy consumption in all sectors of the national economy.

The specific consumption of economically important energy sources, raw materials and materials was reduced by 5 percent. The metalworking industry reduced the specific rolled-steel input by over 6 percent. Likewise, cutbacks were effected in the consumption of nonferrous metals and plastics. This economic growth was attained without any increases in primary energy input. Price-related measures contributed to the reduction of production input.

On account of overfulfillment of the plan targets for domestic energy sources, it was possible largely to replace imported fuel. In the case of hard coal, consumption was reduced by one-third, and in the case of fuel oil, by 15 percent from the preceding year's level. The share of crude brown coal of primary energy consumption was increased: it rose from 64 percent in 1980 to over 67 percent in 1981. The requisite changes in the enterprises and combines were made without any disruption of the production process.

Further progress was made in the procurement and utilization of secondary raw materials, which presently meet approximately 10 percent of the demand for industrial raw materials. The procurement of steel scrap increased by 1 percent over the preceding year. The steel scrap share in the production of crude steel amounted to over 70 percent, and the share of recycled paper in the production of paper and cardboard amounted to 46 percent. Increasingly, the initiatives of the population contributed to the procurement of secondary raw materials. In the "Material Economy" operation, the members of the FDJ and of the "Ernst Thaelmann" pioneer organization effected returns of M 1.6 billion. They recycled 425,000 tons of scrap metal and 78,000 tons of waste paper.

In the industrial sector, the time-related utilization of the production capacities amounted on average to 15.0 hours per calendar day. In the metalworking industry, the number of enterprises fully utilizing their machines and installations on a 3-shift schedule on all working days--with the highly production production equipment used on weekends as well--increased further. Significant reserves can be tapped by transmitting the experience gained in enterprises such as Erfurt Radio Works, Enterprise for Optics in the Carl Zeiss Jena VEB, Rothensee Steel Foundry, and the parent enterprises of the Karl-Marx-Stadt "Fritz Hekkert" Machine Tool Combine and of Erfurt "Herbert Warnke" Transformation Technology, all of which enterprises did exemplary work in regard to time-related utilization of production capacities.

The results achieved in economizing on materials, energy and human labor are reflected in the reduction of costs. The total production costs per M 100 of actual commodity output were reduced by 1.5 percent, as compared to 1980; 38 combines effected a cost reduction of 3 percent and more. The plan target concerning

reduction of the total production costs per M 100 of commodity output was exceeded; the cost reduction thus realized totaled over M 1 billion.

The water management sector insured a stable supply of drinking water for the population and of water for all of the sectors of the national economy. Through systematic investment and thanks to the efforts of the population, 35,000 households were linked up to a central drinking water supply system. The targets concerning water management-related investments and conservation measures toward further intensification of agricultural production were met or exceeded. Under the conditions of extreme precipitation prevailing in 1981, the flood protection installations and reservoirs proved effective. Thus it was possible to limit the extent of flood damage.

The measures concerning environmental protection, above all in the industrial high-density areas, were systematically continued.

## II. Science and Technology

In science and technology, significant work was done toward raising the level of production quality and efficiency and reducing production input.

The production of top-grade products for exports and for the national economy and of consumer goods was expanded to 119 percent and the rate of increase exceeded the increase of total commodity output.

Through introduction of scientific-technological results, including the results obtained in robot technology and microelectronics, the national economy effected savings of 493 million hours of working time, i.e. the equivalent of the annual working capacity of 275,000 workers. Thus the production expansion was largely the result of increased labor productivity.

Moreover, through creation and reorganization of 222,000 jobs in accordance with the findings of scientific work organization, it was possible to ease working conditions and eliminate health hazards for 26,000 workers.

Increasingly scientific-technical findings concerning efficient use of energy were applied in practice. The specific energy savings effected in this way equaled over 10 million tons of crude brown coal. Through the simultaneous substitution of liquid and other imported energy sources, it was possible to insure production gains without any increases in primary energy input.

Through introduction of material-saving designs and technologies, the specific consumption of economically important raw and secondary materials was reduced. Of special economic significance is the reduction of the specific rolled-steel consumption, by means of which it was possible to effect savings of 350,000 tons of rolled steel.

Thanks to these results, it was possible—in accordance with the resolutions adopted at the 10th SED Congress--markedly to increase the economic effect of science and technology through high-level, creative work in research and development, through acceleration and extension of the transmission of the results to the production process and through improvement of the input-output ratio.

On the basis of the state orders and the other tasks set by the State Plan for Science and Technology, the scientific-technical capacities were focused on the economically most crucial areas of scientific-technical progress; in this way, the following top results were achieved:

--In order to accelerate the development of microelectronics, new basic technologies and highly productive equipment including high-performance atomizing installations and fully automated wire bonders, were introduced in the production process. Through new circuits, including a new microprocessor system, new storage circuits of increased capacity and monolithic analogue/digital transformers, the possibilities concerning application of microelectronics in the national economy have been expanded.

--The startup of series production of multipurpose industrial robots and the completion of the development of key robot components such as hydraulic linear motors and electronic control systems created further conditions favorable to the extensive employment of robot technology in the national economy.

--The intensification of refinement of the available raw materials and energy sources was advanced by new results such as the procedure for hydrorefinement of vacuum distillates for a more efficient utilization of oil, the technology allowing replacement of oil through use of brown coal dust and briquette shavings in small steam generators, the introduction of new highly refined plastics such as polyethylene for heavy-duty foil and PVC for pressure pipes, and the production of refined metallurgical products such as high-alloy construction wire and galvanically refined cold-rolled steel strips.

--In order further to improve the supply of the population with high-grade consumer goods, the industrial sector started production of new color television sets, household gas stoves, washing machines equipped with an energy-saving program, the ETZ-250 motorcycle, new types of furniture, textile products distinguished by improved wear characteristics, and new paints and tools for the do-it-yourself trade.

The tasks set by the state plan and by the combines' plans for science and technology outside the state plan were met and in part exceeded. The scientific-technical results transmitted in 1981 to the production process created the preconditions for the production of M 17 million worth of top-grade commodities in 1982.

The improved scientific-technical quality of the research results is reflected in the further increase in patent applications. In comparison with 1980, the number of inventions resulting in patent applications increased by 12 percent.

The share of top-level results of the tasks set by the State Plan for Science and Technology increased to 79 percent. In regard to the tasks set by the combines' plans for science and technology outside the state plan, it is necessary--subsequent to examination of the objectives of all research and development tasks in accordance with the resolutions adopted at the third session of the SED Central Committee--markedly to increase this share.

The scientific-technical cooperation with the USSR and with the other CEMA member states helped to accelerate the accomplishment of the tasks of science and

technology. The goals established in ministerial arrangements and government agreements with the USSR were attained. Of inestimable value in this regard is the fact that the GDR's research and technology has in this way been linked--especially in the future-oriented areas of scientific-technical progress--with the tremendous potential of the USSR.

Within the framework of the practice-oriented basic and applied research of the academies, universities and technical colleges, it was possible in regard to over 90 percent of the tasks set by the State Plan for Science and Technology to produce research results that are so good as to be considered in the determination of the advanced international standard. This is impressively and convincingly confirmed by the work of the GDR Academy of Sciences and its research institutions. To increase the rate of the scientific advance, further concentration-oriented measures were taken both in basic research and in process- and product-oriented research and development. This goes above all for the intensification of the work in the energy and raw material sector, of microelectronics and automation, of raw material management, of agricultural and food production, and of health and environmental protection. Thus there were created in crucial areas the requisite conditions for future improvements of performance and efficiency.

The creativity of the innovators, inventors and efficiency experts was systematically oriented toward accomplishment of the tasks set by the plans for science and technology. In the state-owned economy, 1.8 million workers participated in the innovator movement. The 1981 returns of the innovations introduced in the production process amounted to M 4.8 billion.

Through initiatives and through the movement "Fair of the Masters of Tomorrow," the young people and the members of the Chamber of Technology made an important contribution to the utilization of scientific-technical progress for improved economic performance. The plan targets of the central youth projects of the State Plan for Science and Technology were met and in part exceeded. Of the 2,200 exemplary achievements shown at the 24th Central Exhibition of the Masters of Tomorrow, over three-fourths were based on the science and technology of the combines and enterprises. In consequence of the high scientific-technical level, patent applications were submitted for over 200 of the exhibits shown. The number of licensing agreements concerning use of exhibits (1,135) was approximately twice as high as that of 1980. The scientific-technical work of the young people was given great impetus by the accomplishment of the tasks set by the plans for science and technology and by the FDJ initiatives "Microelectronics" and "Industrial Robots."

## III. Investments

The investments designed systematically to consolidate the material-technical basis of the national economy and to pursue the social policy adopted totaled M 57 billion. In the sectors under the jurisdiction of the industrial ministries, investments increased by 2 percent. In complex housing construction, the investment volume rose by 4 percent.

The effectiveness of the investments was improved. Increasingly, investments were directed to areas such as microelectronics and robot technology, which are of crucial importance for the introduction of advanced technologies, for the refinement of raw materials and for automation.

In the industrial sector, investments for rationalization of the material-technical basis increased by 11 percent. The share of construction investments was reduced to 26 percent. On a larger scale, the available basic assets were rationalized on the basis of advanced technologies. These efforts were effectively supported by significant increases in independent construction of rationalization equipment and by the increased construction volume of the combines' own construction departments. Over 17 percent of the investments in machinery in the sectors under the jurisdiction of the industrial ministries resulted from indepedent construction of rationalization equipment.

The number of new investment projects was further reduced. Thus it was possible to focus more strongly on economically urgent projects, to shorten the time span needed for implementation, and to reduce the investment input. Thus progress was made in regard to rapid transmission of important results based on the State Plan for Science and Technology to the production process. In the case of certain projects, implementation was still too time-consuming, and much effort will be necessary to reduce the construction times to the social norm of 2 years and less.

Numerous high-quality capacities were completed and put successfully in operation ahead of schedule. As a result of the solid preparations for the startup of the capacities, the technical-economic targets were in part exceeded and the planned startup times were reduced. The planned commodity production increase based on completed investment projects was exceeded by 5 percent.

In 1981, 251 production complexes based on centrally planned investment projects were put in continuous operation. These capacities include the following:

--For energy and raw material production and for refining metallurgy, the first 500-megawatt block in the Jaenschwalde Power Plant; the steam generators 1 to 3 and the first and second turbo sets in the Berlin-Rummelsburg Power Plant; the Cottbus-Nord and Jaenschwalde open-pit mines; the cracking and aromatics complex in the Schwedt Petrochemical Combine VEB; installations for copper and enameled wire and for copper and copper-alloy strips in the Hettstedt Rolling Mill VEB.

--Production complexes for products based on microelectronics and electrical engineering such as silicon disks in the Freiberg Trace Metals VEB; heavy-duty transistors in the Stahnsdorf Rectifier Plant VEB; synthetic condensers in the Goerlitz Condensor Works VEB; integrated circuit elements in the Hermsdorf Ceramic Works VEB; low-voltage switching mechanisms in the Oppach Circuit Electronics VEB.

--Production complexes for fabricating parts such as Polyamid-Dedotex in the Guben "Herbert Warnke" Chemical Fiber Works VEB; finished flanges in the Bebitz Flange Works VEB; brake hydraulics in the Limbach-Oberfrohna Brake Hydraulics VEB; chipboards in the Beeskow Chipboard Works VEB; and aerated cement elements in the Hennersdorf Aerated Cement Works VEB.

--Production complexes for producer goods such as metal-cutting machine tools in the Aschersleben Machine Tool Works and in the Berlin "7 October" Machine Tool Combine, parent enterprise; cold-forming machine tools in the Aue Machine Tool and Sheet Metal Working VEB.

--Production complexes for consumer goods such as woven blankets in the Kirschau United Coarse-Yarn Works VEB; knitted outer wear in the Apolda Thueringer Knitted Outer Wear VEB; men's shoes in the Ehrenfriedersdorf "Panther" Shoe Works VEB; the new brewery in Dresden, and greenhouses in the Vockerode Greenhouse Works VEG.

The ratio of reduction of jobs to creation of new jobs was further improved. In the metalworking industry, the number of jobs eliminated in 1981 exceeded the number of newly created jobs. The accelerated application of robot technology was a significant factor in this regard. The number of robots employed in the national economy increased to 13,000. Due to the use of robots, it was possible significantly to increase labor productivity and simultaneously to improve the employees' working conditions.

The total investment volume for housing construction, education, health care and social welfare, culture, recreation, physical education and sports amounted to M 13 billion. The completed projects include 115 high schools, 1,500 student dormitories, the Neue Gewandhaus in Leipzig, the House of Culture in Gera. The construction and reconstruction work at the Charité were continued. The diagnostic complex was completed according to schedule. In Halle-Sued, a special-education complex for handicapped children and children with hearing difficulties was inaugurated. Thirty-five new department stores were erected to improve the consumer supply situation.

The reconstruction work at the Platz der Akademie, the construction of the Berlin Friedrichstadtpalast and the reconstruction of the Dresden Semper-Oper were continued according to schedule.

IV. Construction Sector

Each month, the workers of the construction sector exceeded the plan targets. They met their competition commitment to exceed the production plan target of the construction sector by 3 days' output.

The construction volume increased by 4.1 percent over the preceding year. The plan targets were exceeded (100.9 percent). The fact that the construction work exceeding the plan targets was accomplished without any additional materials is of special economic significance. The centrally controlled construction combines and the locally controlled bezirk construction enterprises exceeded their plan targets.

Overfulfillment of the plan targets and very great increases in output were achieved by the Leipzig Technical Building Equipment Combines, the Leipzig Light Metal Construction Combine, the Erfurt Construction and Assembly Combine, the Dresden Building Mechanization Combine, the Magdeburg Housing Construction Combine and the Leipzig Transportation and Underground Engineering Combine.

The plan targets concerning production of building materials and products of the prefabrication industry were exceeded (101.2 percent). In regard to key products such as heating panels and sanitary ceramics, the plan targets were exceeded.

The net production plan target was exceeded with concomitant overfulfillment of the target concerning reduction of basic material costs per M 100 of construction output.

The qualitative growth factors were utilized to a greater extent. Labor productivity increased by 3.2 percent, thus exceeding the rate stipulated by the plan; 823 new projects based on the state plan and the enterprise plans for science and technology in the construction sector were introduced in the production process.

The scientific-technical work increasingly focused on reduction of the specific construction input and of construction time and on measures concerning enforcement of an energy-saving construction approach. Through introduction of new or advanced products or technologies, it was possible to cut down on the specific consumption of key materials such as rolled steel, lumber and cement.

Reserves for rapid growth and improved efficiency can be found in elimination of the differences between the individual combines in regard to performance development and in cost reduction through elevating the best performance to the general norm. In industrial construction, the capacities were increasingly focused on rationalization and reconstruction projects. The construction volume of industrial enterprises maintaining their own construction department increased by 12 percent.

The housing construction sector achieved the hitherto best annual result: 185,350 apartments were built or modernized, i.e. an increase of 10,850 over the plan target and an increase of 16,127 over the preceding year; 125,731 new apartments were completed, including 15,636 owner-occupied homes; 59,619 apartments were modernized. In all bezirks, the plan targets were exceeded.

The following projects were completed: 14,205 daycare center openings, 25,663 kindergarten openings, and 2,749 instruction rooms and 158 school gymnasiums at the general-education high schools. For senior citizens, 3,811 openings in rest- and nursing-homes and 2,631 openings in dormitories were newly established. Thus the plan targets concerning establishment of communal institutions were exceeded. In a number of kreises [GDR administrative unit], the plan targets were not fully attained or the attainment fell short of the site specifications.

The housing repair work showed an above-average increase (8 percent). Through considerable achievements in the "Join in" competition, the population contributed to the improvement of housing conditions. Among other things, 130,000 apartments for handicapped and senior citizens were renovated. The network of repair centers was expanded to 3,300. In the course of its "Rebuild and Expand" operation, the FDJ modernized 11,800 apartments.

In the capital city of Berlin, 19,509 apartments were newly built or modernized--an achievement unmatched in any previous year. The construction targets set for the republic's bezirks in regard to projects in the capital were exceeded. The young construction workers taking part in the "FDJ Initiative Berlin" played a leading role in this regard.

## V. Agriculture, Forestry and Food Industry

In close collaboration with all sectors of the national economy, the cooperative farmers and agricultural workers amply supplied the population and the industrial sector with foodstuffs and raw materials, respectively, and they fully met their export commitments. The commitments made in the letter by leading agricultural cadres to the SED Central Committee were met.

The state production plan was fulfilled or overfulfilled for all animal products.

| Product | Fulfillment of the 1981 Economic Plan kt | % | Development as Compared with the Preceding Year % |
|---|---|---|---|
| Meat animals | 2508 | 108.3 | 107.4 |
| Milk | 6843 | 100.0 | 98.8 |
| Eggs (mill) | 4884 | 107.3 | 103.7 |

The high livestock volume was maintained.

| Item | Livestock as of 31 Oct 81 (in 1000 head) |
|---|---|
| Cattle | 5,749 |
| Including: Cows | 2,122 |
| Pigs | 12,869 |
| Sheep | 2,169 |
| Layer hens (mill) | 26 |

Through improved breeding results--combined with a reduction of the losses of calves and piglets--and thanks to improved feed economy, it was possible further to improve livestock breeding efficiency.

In regard to crop production, the planned harvest volume was exceeded. The grain harvest was relatively good, but the plan targets were not fully met. The harvest results for potatoes, sugar beets, corn and field-grown feed exceeded the plan targets and the average yield obtained over a number of years. The following yields per hectare were obtained:

| Crop | Average 1976-1980 dt per hectare | 1981 dt per hectare |
|---|---|---|
| Grain | 36 | 36 |
| Potatoes | 175 | 205 |
| Sugar beets | 269 | 301 |
| Field-grown fodder | 355 | 403 |
| Green and silage corn | 293 | 366 |
| Meadows and pastures | 276 | 297 |

The state plan for crop production was fulfilled for grain, cooking potatoes, sugar beets and vegetable, while the targets for oleiferous crops and for fruit were not fully met. Late-season frost caused harvest losses in regard to cherries, plums and berries.

The cooperative farmers, the agricultural workers maintaining private plots, the members of the Association of Allotment Gardeners and Small Livestock Breeders and other small producers greatly helped to supply the population with fruit, vegetables, eggs, fowl, rabbit meat and honey.

Through their fall cultivation efforts, the cooperative farmers and the workers of the LPG, VEG and cooperative associations laid the foundation for systematic crop production and livestock breeding in 1982. Winter grain was sown on 1.9 million hectares, oleiferous crops on 127,000 hectares, and winter intercrops on 419,000 hectares.

Through drainage and irrigation measures, water regulation and thus soil productivity was improved on 61,000 and 38,000 hectares of agricultural acreage, respectively.

The workers of the food industry met the plan targets for industrial commodity production (102.6 percent). In comparison with the preceding year, output was increased to 102.0 percent.

The maintenance enterprises of the agricultural, forestry and food industries fulfilled their plan for independent performance (102.5 percent).

In the agricultural, forestry and food industries, the plan concerning independent construction of rationalization equipment was overfulfilled (105.3 percent). Total output exceeded by one-sixth the volume attained in 1980.

In socialist agriculture, the input-output ratio was improved. Reserves can be tapped through closer cooperation between crop production and livestock breeding and through elimination of the still existing differences in the yield and performance levels between the LPG, VEG and cooperative institutions working under comparable production conditions.

The forestry workers made available to the national economy 9.9 million cubic meters of timber, thus fulfilling the economic plan. Through great efforts on the part of forestry workers, through the FDJ's "Healthy Forest" operation and through the collaboration of cooperative farmers, additional forces from enterprises and institutions and volunteers from the population, it was possible by the end of 1981 to salvage 6 million of the 7 million cubic meters of timber damaged by snow and wind and to make this timber available to the national economy.

## VI. Transportation, Post and Telecommunications

The transportation sector moved 1.1 billion tons of goods. The transport requirements of the national economy were met.

Through measures concerning a more efficient organization of delivery and transportation conditions and of the transshipment processes, transport and energy economy was improved.

The specific transportation input of the national economy was reduced by 4 percent. The shift of motor transport shipments to the railroads and to inland shipping helped further to reduce the consumption of power fuel and energy. The specific consumption of power fuel was reduced.

In regard to domestic freight transport, the share of the railroads and of inland shipping rose from 70 to 72 percent.

The railroad system moved 315 million tons. The total freight volume exceeded by 8 million tons that of 1980. This applies above all to important types of cargo such as coal, fertilizer and building materials. To improve efficiency, 30 electric locomotives, 8,300 freight cars and 3,500 containers were put in operation; 95 kilometers of track were electrified. The freight volume moved by electric locomotives increased from 20 percent in 1980 to 22 percent.

Through improved cooperation with the production enterprises, a higher rate of freight car utilization was attained. Not all enterprises were able to accelerate turnaround through timely unloading of the freight cars.

The inland shipping sector expanded its freight transport volume by 9.4 percent. The plan targets were exceeded.

The public transportation sector and the interplant transportation system moved 686 million tons of goods. By means of a more efficient layout of transport routes and by shifting shipments to the railroads and to inland shipping, it was possible to reduce by 6 percent the freight volume moved by motor and interplant carriers.

In the GDR seaports, the ship handling times were shortened. All ports exceeded the freight transshipment plan targets. The transshipment volume totaled 19.5 million tons. Thus the plan was overfulfilled by 0.5 million tons.

The public means of transportation transported an average of 11 million passengers per day. Through addition of new coaches, Tatra streetcars, autobuses and subway cars, the vehicle fleet was further modernized. By putting into service new routes, by increasing the vehicle frequency on existing routes and by organizational arrangements with the enterprises engaged in passenger transportation, the quality of commuter transport was improved. The transport-development measures in connection with the housing construction program were systematically implemented.

The services of the post and telecommunications sector increased by 3 percent over the preceding year; 40,000 telephone connections were established, three-fourths of which were set up in private households. The share of automatically transmitted long-distance calls amounted to 95.2 percent. The plan targets were exceeded.

## VII. Foreign Trade

Due to the acceleration of the GDR's economic growth and the considerable achievements of the workers of the combines, enterprises and foreign trade firms, the foreign trade turnover increased by 10 percent.

A key factor in the GDR's economic development was the trade with the USSR and the other CEMA member states. The USSR is the GDR's most important trading partner. Regarding trade with the USSR, the turnover volume increased by 17 percent.

Within the framework of socialist economic integration, further measures were taken toward long-term safeguarding of the raw material and energy basis, provisioning of the population with consumer goods, development of economic and scientific cooperation, and production specialization and cooperation. Benefiting from the cooperation with the socialist fraternal countries, the GDR has been participating in the worldwide international division of labor.

The economic and scientific-technical cooperation with the developing countries, which is based on the principles of equality and mutual benefit, was further intensified.

Exports to the developing countries and to the capitalist industrialized countries were significantly expanded. In view of the continuing economic recession in most of the capitalist countries, the disruptions of currency relations, 2-digit inflation rates, record-level interest rates, stock market slumps and foreign trade restrictions comprising embargoes, the industrial and foreign trade sectors were hard put to increase exports to the capitalist industrialized countries. The trade relations with France, Austria, Japan, Sweden and the FRG were developing quite favorably. The great efforts put forth by the workers of the combines, enterprises and foreign trade firms brought about an active trade balance.

Introduction of new products meeting the requirements of the world market improved the export structure in key areas. A number of combines and enterprises did not fully meet the high export targets.

## VIII. Development of the People's Material and Cultural Living Standard

On the basis of steady and continuous economic growth, the social policy was successfully continued. New steps were taken toward improvement of the citizens' working and living conditions.

The continuation of the housing construction program, the cornerstone of the SED's social policy, improved in 1981 the living conditions for 550,000 citizens, primarily in the centers of the working class. In regard to allocation of the newly built or modernized apartments, workers, young couples and large families were given precedence. In 1981, 237,476 children were born.

In keeping with the increased economic performance, the net monetary income of the population increased by 3.3 percent. The share of the workers' and employees' wages and salaries of the monetary income of the population increased according to plan.

Extensive sociopolitical measures were put into effect:

--Beginning on 1 January 1981, performance-oriented basic wages and salaries in combination with scientific work organization were gradually introduced for another 265,000 workers, foremen, university and technical school cadres.

--Beginning on 1 December 1981, 265,000 workers engaged in health care and social work received higher wages.

--Over 36,000 employees in the housing sector and in private trade enterprises were given raises.

--Further generous measure concerning assistance for young people in training programs, on their jobs, and in their families were put into effect.

Beginning in September 1981, the following allowances were granted:

A higher apprenticeship allowance for all apprentices;
state scholarships to all students at universities and technical colleges;
bonuses for outstanding study performance;
education allowances for all students of grades 11 and 12 of the expanded high schools.

Beginning on 1 September 1981, the credit terms for young couples were eased considerably.

Beginning on 1 December 1981, the child allowance for a given family's third and every additional child was raised to M 100.

The state's social fund-based services for the improvement of the people's material and cultural living standard amounted to M 58 billion. Thus the amount allocated to the housing sector, to maintenance of low rents, stable rates and retail prices for basic necessities, and to satisfaction of the people's growing health-related, social and intellectual-cultural needs exceeded by M 5.3 billion the total allocated in 1981.

A family of four received an average of M 860 per month in the form of services and assistance from the state's social funds.

The real per capita income was raised by 4 percent.

The increase in the net monetary income of the population was accompanied by numerical and qualitative increases in the commodity assortment. The retail trade turnover increased by 2.5 percent, i.e. to M 102.5 billion. In regard to industrial goods, the retail trade turnover rose to M 50.8 billion, and in regard to foodstuffs and nonessential foods and beverages, to M 51.7 billion. The population was amply provided with the basic necessities and the supply of top-quality industrial consumer goods was markedly improved.

The Quantitative Supply of Foodstuffs and Nonessential Foods and Beverages Showed the Following Changes as Compared with 1980

| Item | % |
|---|---|
| Meat and meat products | 101 |
| Fish and fish products | 99 |
| Cheese | 104 |
| Baby food | 101 |
| Cocoa and chocolate products | 104 |
| Spirits | 103 |
| Wine and champagne | 108 |
| Fresh vegetables | 104 |

The industrial commodity supply was adapted to the increasingly differentiated demand. The assortment of goods for children and young people was significantly expanded. For most industrial consumer goods, the targets of the supply plan were met and in part exceeded. In regard to a number of products, high rates of increase in supply were attained.

1981 Quantitative Increase in the Domestic and Imported Commodity Supply as Compared with 1980

| Item | % |
|---|---|
| Household freezers | 113 |
| Electric stoves | 110 |
| Mixers | 109 |
| Vacuum cleaners | 106 |
| Color television sets | 112 |
| Washing machines | 104 |
| Household china | 109 |
| Reflex cameras | 106 |
| Bicycle tires | 118 |
| Sports clothes | 104 |
| Hosiery | 103 |
| Knitted underwear | 107 |
| Bed linen | 112 |
| Terry towels | 113 |

The supply of top-quality, well-designed consumer goods was increased. In accordance with the differentiated development of demand, goods were made available in all price categories. Medium-price, well-made goods constituted the bulk of the commodity supply.

The population was provided with a larger assortment of the "1,000 little things." The production and supply of spare parts was further expanded.

The supply of top-quality household consumer goods was increased. Ninety-three percent of all households owned television sets and 99 percent were equipped with freezers; as regards washing machines and automobiles, the percentages were 84 and 39, respectively.

Consumer services and repair work increased by 12 percent, while the volume of repair work on technical consumer goods expanded by 8 percent. Marked improvements were made in regard to customer service in connection with repair work. The cooperative and private tradesmen stepped up their customer service and repair work by 9 and 11 percent, respectively. Through evaluation of the best results and through application of efficient technologies, a number of bezirks were able to reduce delivery times and to improve the quality of the services and repair work. The volume of automobile repair work for the population expanded by 9.5 percent.

In the field of public education, the quality and effectiveness of instruction showed further improvement. The work of the educators was oriented toward high-level, practice-oriented education of the young people, toward development of their class consciousness and their political awareness.

The material and personnel-related conditions necessary for the all-round education and training by the schools were improved on a continuing basis; 2,749 instruction rooms, 158 school gymnasia, 2,205 boarding schools and 25,663 kindergarten openings were newly established.

All children whose parents wanted to make use of such programs were given access to kindergartens; at present, 92 percent of the children in the respective age groups are accommodated in kindergartens and prepared for school. All pupils of grades 1 to 4 have access to a school-affiliated daycare center. The share of the children taking advantage of such centers constitutes approximately 75 percent.

9,260 graduates of the pedagogical academies assumed their duties as school teachers, boarding school instructors or kindergarten teachers.

The polytechnical training of the students was further improved. The students of grades 7 to 10 were taught by 9,445 full-time and 26,400 part-time teachers. The quality of the extracurricular education and training was further improved. At present, the general-education schools and the extracurricular institutions maintain 113,550 study groups comprising 1.4 million members. Over 72 percent of the students of grades 1 to 12 engage in sports in the school sports associations or in the DTSB [German Gymnastics and Sports League] sections.

Over three-fourths of the students took advantage of the school lunch programs, while two-thirds received milk.

Thanks to the various initiatives of the instructors and educators, the quality of the vocational training was further improved. Great progress was made in regard to the training of new talent for all sectors of the national economy. In keeping with the requirements resulting from the improvement of technologies through application of microelectronics and robot technology, new curricula were introduced for five trades, while for other trades the training programs were further developed and defined. All high school graduates had access to an apprenticeship program or to university studies. In September, 219,300 high school graduates began their vocational training; 86.3 percent of these students had graduated from grade 10 of the general-education, polytechnical high school.

To improve the material-technical conditions of the vocational training, 186 instruction rooms and 8 school gymnasia were established in communal and intraplant vocational schools; in the dormitories for apprentices, 3,296 openings were created.

Due to the further qualitative improvement of the practical vocational training and of the vocational competition, the apprentices produced better and better results. By the time these apprentices were ready to take the journeyman's examination, 90 percent of them were producing work appropriate to a skilled worker. Fifty percent of all apprentices actively participated in the MMM [Fair of the Masters of Tomorrow] and innovator movement.

To insure efficient energy use in the work process, the adult education program started advanced training of over 8,000 workers on the basis of newly developed programs for the personnel operating and controlling electrically and fuel-powered industrial and boiler installations.

At the universities and technical colleges, progress was made in regard to the training and communist education of the students and junior scientists on a high professional level and in the spirit of the scientific world view of the working class. Detailed instruction programs and curricula were a key factor in these efforts. The universities and technical colleges intensified their contacts with

the combines and enterprises. As a result, research results were more rapidly given practical application.

81,300 students embarked on university or technical school studies; 62,000 of these individuals were full-time, attending students; 66,000 students successfully completed their studies.

Greater attention was directed toward the advanced training of university and technical school cadres on the basis of increased specialization and stronger orientation toward economic issues. Among other things, the universities, the GDR Academy of Sciences and the Chamber of Technology developed a long-term "microelectronics" training program.

The working, study and living conditions at the universities and technical colleges were further improved. A total of 1,500 dormitory openings and 2,500 auditorium, seminar and work places were newly created; kitchen facilities with a capacity of 1,650 helpings were established.

The quality and effectiveness of medical and social care were improved. In the big cities and industrial high-density areas in particular, basic medical care--especially in the fields of general medicine, pediatrics and stomatology--was improved; 524 medical and dental work places were established; for every 489 citizens, a physician is available. By means of reconstruction, modernization and new construction, the hospitals were able to add 1,160 beds.

Further progress was made in regard to specialized and highly specialized medical care. Preventive therapy was expanded in regard to cardiac and circulatory disorders, the care of diabetics and other widespread diseases.

The 3,800 intraplant health-care centers take care of 6 million workers, i.e. more than two-thirds of all working people.

The number of work-related accidents and the incidence of accidents continued to decline. For many years, the GRD has been one of the countries distinguished by the lowest incidence of work-related accidents per 1,000 employees.

360,000 adults and children were granted treatment in health resorts.

Care of physically and mentally handicapped individuals was intensified. As a result of the increase in the number of protected jobs (to 34,500), additional severely and extremely handicapped citizens were enabled to hold a job; 13,420 physically and mentally handicapped children and young people receive special support in appopriate institutions.

Thanks to the establishment of 14,205 daycare center openings, further progress was made in regard to care of infants; consequently, 625 of 1,000 children of the respective age groups have access to daycare centers.

The housing and living conditions of retired workers were improved. For senior workers and for workers in need of care, 3,811 openings in old-age and rest homes and 2,631 openings in dormitories were created.

In all sectors, above all in the sports program for children and young people and in the leisure-time and recreational sports, the mass character of physical education and sports became more and more evident. Millions of people participated in various ways in sports activities. The German Gymnastics and Sports League of the GDR intensified its social influence--especially in the enterprises--through formation of new athletic associations, sections and sport groups; 164 athletic associations and 1,291 sections were established.

Visible evidence of the young athletes' striving for excellence was the participation of over 1 million children and young people in the children's and young people's winter and summer olympics in the kreises. In 1981, the requirements for obtaining the GDR sports badge--"Ready for Work and for the Defense of the Homeland"--were met by nearly 4 million citizens. At world and European championships, GDR athletes won a total of 56 gold, 40 silver and 26 bronze metals. Since the opening of the Sports and Recreation Center in the GDR's capital, Berlin, in April 1981, nearly 5 million visitors have spent restful and enriching hours in this place of active recreation.

The population was provided with a total of 272 sports facilities, including 54 stadiums and 180 sports arenas.

The FDGB [Free German Trade Union Association] Holiday Service and the socialist enterprises granted a total of 4.65 million vacation trips to working people and their families, including 1.85 million to vacation centers of the FDGB Holiday Service and 2.8 million trips to company-owned and contractually utilized vacation centers. The FDGB Holiday Service and its enterprise-based interest groups produced nearly 2,200 sleeping accommodations. New holiday dormitories and settlements were built in Zeulenroda, Binz, Heubach (II), Biberau and Ferch.

The GDR Travel Service and the travel agency of the FDJ's "Young Tourist" arranged over 600,000 vacation trips. Over 700,000 citizens spent their vacations at state-owned camping grounds in the GDR. During the summer holidays, approximately 80 percent of the high school students were taken care of in this manner. In the central pioneer camps, 3,140 openings were newly created. Thus the pioneer camps "Palmiro Togliatti" in Einsiedel, "Hermann Matern" in Wetteratal, and "Kim Il Sung" in Prerow greatly expanded their capacities.

In the camps of recreation and work and in the FDJ student brigades, approximately 250,000 young people--guided by the motto "My Work for My Republic"--participated in the accomplishment of economic tasks.

The richness and the variety of the intellectual-cultural life showed continuing growth. Through new accomplishments, the artists and culturally creative individuals made a significant contribution to the enrichment of the intellectual-cultural life. High points of this development were numerous cultural events staged on the occasion of the 10th SED Congress and the 11th FDJ Parliament. The solemn inauguration of the Neue Gewandhaus in Leipzig as a significant place of art by the general secretary of the SED Central Committee, Comrade Erich Honecker, was a cultural event of international significance. The opening of the House of Culture in Gera expanded the cultural and artistic opportunities available at an important center of the working class.

The further raising of the cultural level of the working class and its accomplishments regarding the development of the socialist culture and art was reflected in the over 3,600 enterprise festivals attended by approximately 10 million people.

Thanks to the further increase in the number of youth clubs (by 579; 19,763 seats), the requisite conditions were created for meaningful leisure time activities on the part of the young people.

Great acclaim was accorded to events such as the Leipzig Bezirk Days of Popular Art in the Palace of the Republic, the 25th Berlin Theater and Music Festival, the 24th Documentary Film Festival in Leipzig, the 8th Berlin Music Biennial, the Dresden Music Festival, the 11th Political Song Festival in Berlin, the 13th Central Workshop of the Potsdam FDJ Glee Club, the FDJ's 11th Central Poetry Seminar in Schwerin, and the 2nd National Children's Film Festival "Golden Sparrow" in Gera. Numerous popular artists made valuable contributions in regard to organization of the intellectual-cultural life in the cities and communities.

The cultural cooperation with the socialist fraternal countries was intensified and consolidated. Of special importance were the 12th International Film Festival in Moscow, the 10th Soviet Film Festival in the GDR, the Dresden Hit-Song Festival of the socialist countries, and the 9th Socialist Film Days in the GDR.

Important theater groups and orchestras of the GDR gave guest performances in many countries. The Berlin State Orchestra and the ballet of the Berlin State Opera received great applause in Tokyo and Hiroshima. The Dresden State Orchestra performed in Paris and in nine big cities of Great Britain. The Berlin Symphony was applauded in Mexico, and the GDR's Cultural Week was successfully staged in Japan and Mexico. The GDR exhibition "Masterworks of German Art from Duerer and Cranach to the Present," which was shown in Tokyo and other Japanese big cities, met with great acclaim. The Paris Museum for Modern Art staged the exhibition "Painting and Graphic Arts in the GDR." A number of international, private cultural organizations--e.g. the International Federation of Library Associations and Institutions (IFLA)--held conferences in the GDR.

The cultivation of the humanist cultural heritage occupied a prominent place. Evidence of this were events such as the Weimar Shakespeare Days, the 30th Handel Festival in Halle, the 4th International Bach Festival in Leipzig, and the Berlin Brecht Days. On the occasion of the 200th anniversary of the death of Gotthold Ephraim Lessing, the 90th anniversary of the birth of Johannes R. Becher and the 150th anniversary of the death of Georg Wilhelm Friedrich Hegel, tribute was paid to these personalities. The tribute paid to Karl Friedrich Schinkel on the occasion of the 200th anniversary of his birth was an outstanding event in the GDR's cultural policy which is oriented toward preservation and cultivation of the progressive heritage.

An important factor in regard to satisfaction of the growing cultural needs were the 6,200 new books (total number of copies: 150 million), the 16 million records and the 2.5 million cassette tapes.

The results produced in 1981 show that our economy is successfully developing along the course charted. In the first year of the 1981/1985 five-year plan period, outstanding results were produced in regard to further consolidation of our national

economy's economic growth. Thus excellent conditions have been established for consistently implementing in 1982 the principal task for the benefit of the working class and of the entire nation.

To implement the economic strategy adopted at the 10th SED Congress, it is necessary to tap new performance and efficiency reserves for a forceful advance in regard to the further organization of the developed socialist society in the GDR. To accomplish this, it will be necessary to attain higher and steadier production and productivity growth rates and markedly to improve the input-output ratio in all sectors. The results of the third session of the SED Central Committee demonstrate that the further economic growth will be increasingly determined by the socialist intensification and rationalization. In this regard, it is imperative that we combine more closely the advantages of socialism with the accomplishments of the scientific-technical revolution.

In regard to the leadership of the state and economic organs, it is necessary to promote the working people's initiative, creativity and willingness to perform so as to meet the ambitious targets of the 1982 economic plan and to fulfill the commitments made by the working people in the socialist competition. To accomplish this, all combines, enterprises, institutions and cooperatives must make the results produced by the best workers the general standard and they must consistently apply the principles of socialist management and socialist thrift so as to make a great contribution to the growth of the national income and to the reduction of production input and costs. Through their actions and their work results, the working people are making a decisive contribution to the overall consolidation of our socialist fatherland, to the augmentation of its international reputation and to the struggle for the preservation of peace.

8760
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ACHIEVEMENTS, PLANS OF INDUSTRIAL CONSTRUCTION MINISTRY

Bucharest ROMANIA LIBERA in Romanian 19 Jan 82 pp 1,3

[Interview with Nicolae Manescu, first deputy minister for industrial constructions, by M. Radu]

[Text] The year has just begun, and together with Eng Nicolae Manescu, first deputy minister for industrial constructions, we wanted to review the activity of the branch for this year. To begin with, we asked him to indicate some of the most important achievements obtained during last year.

[Answer] The year 1981, the first year of the 1981-1985 five-year plan, has been for the workers in our branch an important stage in fulfilling Romania's vast program for socioeconomic development, as approved by the 12th Party Congress for the seventh five-year plan. The major characteristic of the plan for 1981 was that about 80 percent of the total plan volume consisted of projects at an advanced stage of execution or with an extensive amount of finishing. As indicated by the higher party leadership and by the secretary general, Nicolae Ceausescu, our most important task in 1981 was to complete and place in operation the production capabilities that had already been started. To this end, the collectives of our trusts and enterprises assigned priority to projects that were close to completion, by providing the necessary qualified personnel, technicians, and engineers, as well as construction machinery, equipment, and materials. This concentration of forces and means on a smaller number of objectives during 1981, allowed us to complete and place in operation 404 large production capabilities (supervised at central level) for the current plan; nine of these were ahead of schedule. At the end of the year, another 125 large projects had completely finished their construction and installation work, and 40 of these were already undergoing technical tests. I would also point out that during 1981, we installed technical equipment with a value of more than 13 billion lei, at an average monthly installation rate of 1.1 billion lei, thereby reducing the equipment stock by 79 percent over the course of the year.

[Question] Could you name some of larger capabilities placed in operation during last year?

[Answer] The new capabilities for advanced crude oil processing at Borzesti; rubber and plastics at Botosani, Pitesti, Nasaud, and Tg. Jiu; tires at Zalau, Danubiana in Bucharest, and Victoria in Floresti; polyester fibers at Vaslui, Roman, and Cimpulung; caustic soda and chlorine-soda products at Giurgiu; the steel plant and forge at CUG Iasi; rolling mills at Zalau and Beclean; plants for prefabricated products at Arad and Doaga; pig-raising complexes in Ialomita and Timis counties; the Ianca sugar plant; wool and cotton mills at Patirlagele, Isaccea, Bistrita, Abrud, Simleul Silvaniei, Negresti, Darabani, and Murgeni; knitting plants at Nehoiu, Fetesti, Caracal, and Radauti; silk, linen, and wool plants at Bistrita, Jibou, Zalau, Tibanesti, Buhusi, Suceava, Falticeni, and Tg. Mures; and many others in all branches and sectors of the economy.

As a result of the decisive measures that were taken, we succeeded in standardizing most of the technologies used in construction and installation, and thereby in placing many modern technologies in general use. I might also mention the introduction and utilization of efficient work techniques, many of them new, which we will expand or introduce in the coming period. Some of these are: hydraulic-mechanical processes in earth moving; soil consolidation with earth, sand, ballast, and with concrete containing ashes from thermal power plants; construction of reservoirs and tanks in general, by prefabrication or by precompression through wrapping; more extensive automatic and semi-automatic welding in the installation of technical equipment and machinery; prefabrication of technical installations; and so on. During the last period of time, we successfully applied a technique for installing technical equipment and metal constructions in large subassemblies of tens and hundreds of tons, which significantly reduce manpower and time requirements; and we broadly developed the prefabrication of subassemblies for technical, electric, and sanitary installations.

We have similarly heightened the industrialization of construction projects, with an increasingly larger volume of processes and activities being transferred from work sites to specialized shops organized within secondary industrial production bases; we have expanded the degree of mechanization of construction and installation operations, particularly as as result of adopting and placing in fabrication various construction machines and equipment; and we have completed lines of machines specializing in earth moving operations, the management of construction systems, the production, transportation, and utilization of monolithic concrete, as well as the straightening, cutting, and shaping of reinforced concrete. And we have devoted special attention to the manufacture of tools and devices for low scale mechanization, so as to reduce to a minimum manual operations at work sites.

[Question] What are the principal orientations and tasks of the branch for this year?

[Answer] Generally speaking, the plan tasks for 1982 are even more dynamic than those of 1981. Delving solely on construction and installation activities--we will have another occasion to discuss the ministry's industrial production activity--I will mention that we have placed in operation about 1240 facilities for industrial production, as well as agricultural and animal raising installations, some 460 of these being sufficiently large to be supervised at central level. Added to these are another 100 large capabilities left over from 1981, which must be placed in operation during the first part of this year. We also have to build and make available a large number of apartments, about 4450 of them in Hunedoara, Gorj, and Calarasi counties, in accordance with the special task assigned to our ministry by the higher party leadership.

I should also point out that during this year we received important tasks for building projects in those sectors which assure the energy and raw materials basis, as well as for completing special programs in the food industry branch, tasks to which we shall assign priority in accordance with the indications of the higher party leadership.

And finally, I would like to state that during 1982, continuing projects will play a significant role in our ministry's plan, which requires that our efforts be concentrated on the completion and placement in operation of the production capabilities that have already been started.

Although the tasks that have been assigned to us for 1982 are not at all easy, we are determined to do everything in our power to fulfill them. We will concentrate consecutively on objectives with assured resource, avoiding during this year as well, the dissemination of our labor force, and of material and production means; we will persevere in generalizing the application of efficient, high yield technologies at all work sites; we will continue to act with even more decisiveness to adapt personnel structures to project structures, giving priority to qualified workers, as well as to technicians and engineers, who will be involved in fulfilling the plan at a higher level, through the efficient utilization of contractual agreements and the bonus system;; and finally, we will have to take steps to endow our units with specialized machines and equipment, and to diversify tools and devices. We will achieve this both through our own means--we have a large number of lines for adoption--and through cooperation with enterprises under the jurisdiction of the two machine building ministries.

[Question] What can you tell us about your plans for higher efficiency and general quality in the activities of the branch?

[Answer] Very briefly, I would say that in our entire activity we will consider the indications and orientations of Nicolae Ceausescu regarding the need to achieve a new and higher quality in our work, and that we will act firmly and decisively toward better organization and execution of projects at work sites, for a stronger increase in labor productivity, and for continuing to reduce costs per thousand lei of production in constructions and installations, including the costs associated with materials. In fact, the task of increasing the 1982 labor productivity by 6 percent over that of 1981, and of achieving a low cost level per thousand lei of production in the ministry's constructions and installations, is in accordance with the indications of the secretary general of the party regarding a new quality and a continued increase in the efficiency of our socioeconomic activities.

Along these lines, together with designers, we will take decisive steps to meet standards and regulations for materials and energy consumptions, and to apply a strict climate of economy for fuels, lubricants, and electric power. We are particularly concerned with the contribution of collaborations between builders and designers, and for reducing the volume of work in earth moving and soil improvements, through the adoption of appropriate technologic solutions.

We are also proposing to assure a more efficient utilization of means of mechanization, devoting greater attention to their distribution among work sites, and especially to the appropriate preparation of site locations. To this end, global contracts--which will be extended to construction sites--will also include means of mechanization in workers' teams, thereby stimulating the interest of mechanical operators. In order to increase economic efficiency in the utilization of means of mechanization, we also propose, beginning with this year, to introduce income and expense budgets for the major groups of construction machines and equipment, thereby making it possible to improve the management and utilization of the available inventory of construction machines and equipment.

There remains no doubt however, that our most important task is the completion and placement in operation of all the production capabilities stipulated in the plan, including those carried over from last year. Some of the extremely important objectives expected to be placed in operation in 1982, and which are priorities of the national economy, are the Chemical Combine and Tire Factory Drobeta-Tr. Severin, the caustic soda installations at the Rm. Vilcea and Borzesti chemical combines, the organic synthesis and dye installations at the Giurgiu Chemical Combine, the Alesd and Medgidia cement plants, as well as a large number of agricultural and food industry objectives, such as the pig slaughterhouses of Slobozia and Tomesti, the starch and glucose factories of Covasna and Calafat, cattle fattening installations, poultry complexes, wheat and corn mills, hothouses, and so on.

In closing our conversation, our guest stated:

The results obtained by workers at construction sites even during the first days of the year, and the strong human and technical potential of our units, are a sound guarantee that the important objectives which we have discussed, as well as all the others that are expected to be placed in operation during this year, will be finished on schedule and under conditions of high economic efficiency.

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MEASURES TO REDUCE CONSUMPTION OF ELECTRICITY DETAILED

Bucharest SCINTEIA in Romanian 28 Jan 82 pp 1,2

[Interview with Emil Barbu, director general of the Industrial Central for Electric Power Networks, by Ion Teodor]

[Text] It has been said, and for good reason, that economy is the best source of energy. And now, in the middle of winter, this need is more felt than ever. That is so because the power industry is greatly influenced by atmospheric conditions. Of course, when we want to start some equipment or to turn a light on in our own apartment, everything appears simple and natural: we flip a switch or push a button, and we receive the electric power that we need. But is the production of electricity that simple? Calculations have shown that to produce a single kWh we must consume 1.5 kg of lignite or 280 grams of fuel oil. And this does not take into account the increasingly large volume of investments necessary to bring new energy resources into the economy. That is why before flipping the switch or pushing the button, we must think about the efforts made to produce the electric power, and about the increasingly difficult obstacles that must be overcome during this period to produce and supply electricity.

We have seen that the supply of electricity has lately been temporarily interrupted in some economic units, neighborhoods, or localities. Why? These are some of the questions that we asked Emil Barbu, director general of the Industrial Central for Electric Power Networks.

[Answer] It is clear that we cannot consume more power than we produce. And indeed, during this period, the production of electric power is more difficult. The low temperatures of winter make it difficult not only to extract coal--especially in strip mining--but also to operate equipment in thermal generating plants. The pressure in gas lines sometimes drops, and some plants cannot operate at full capacity. And finally, we all remember last summer's drought, when the rainfall was lower than normal, with the result that the storage reservoirs of hydroelectric plants has less water in them. That is why these plants cannot operate normally to supply the electricity needed during peak consumption periods, times at which the problem is more difficult to solve.

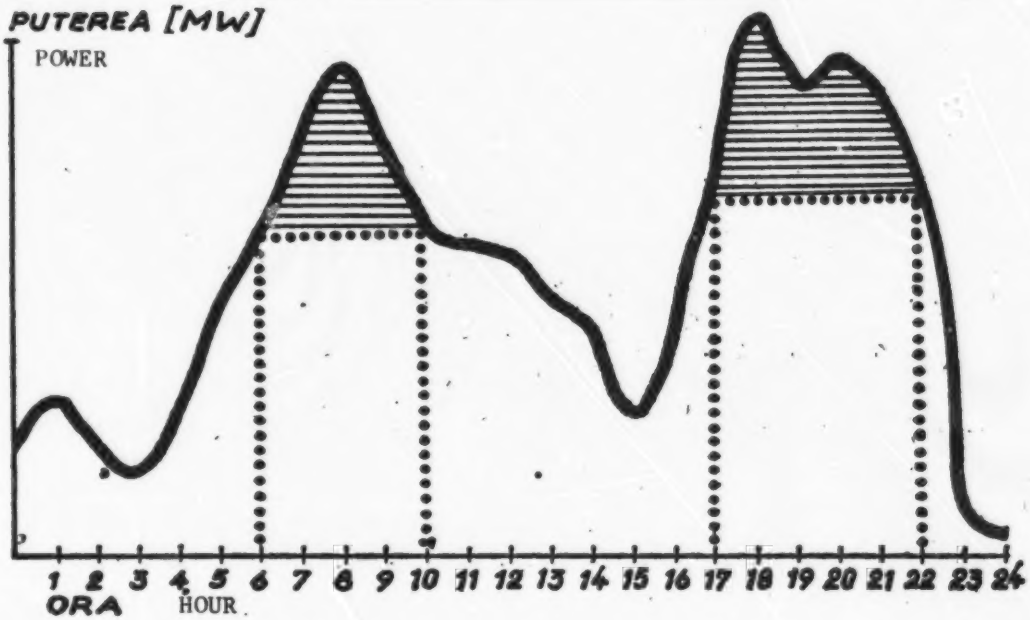


Daily consumption of electric power.

As we can see from the graph, the largest amounts of electricity are consumed between 6 and 10 o'clock in the morning, and especially between 5 and 10 o'clock in the evening. In order to meet the power demand during these time periods, we must supplement the hydroelectric plant production with additional power generation capabilities which consume hydrocarbons in the form of fuel oil and methane.

So much for the producer of electric power. From the consumer's standpoint, however, the general consumption of industrial and non-industrial power during the winter increases by about 5 percent over that of summer, which is the equivalent of millions of additional kWh. At the same time, this winter's low temperatures have significantly increased the consumption of fuel oil, gas, and electricity.

[Question] What must be done under these conditions? What measures must be taken? How can we act to reduce power consumption during peak load periods?

[Answer] As we can see from the graph, two peaks of electric power consumption can be observed, especially in the evening between 5 and 10 o'clock, as well as in the morning, between 6 and 10 o'clock. The first problem is to flatten these consumption peaks, which means to reduce electricity consumption during these periods. However, difficulties in supplying electricity are encountered throughout the day. That is why less power must also be used during the remainder of the day. As a result, a number of measures have been taken recently to limit the consumption of electricity in general.

[Question] In concrete terms, what are these measures, and how can each of us, at home and at work, act to reduce the consumption of electric power?

[Answer] I will first mention the measures that must be taken during peak consumption periods. Units which consume electricity, together with power producers, must establish programs for the operation of departments which are large consumers of power, so that their activity will not affect power consumption during peak periods. Working hours in institutions and administrative centers usually are 8 to 5 o'clock. Design and research institutes will operate until 5 o'clock. Television broadcasts are interrupted between 6 and 8 o'clock. Trolley cars and trolley buses will reduce their frequency between 6 and 9 o'clock in the evening. Households are forbidden to use electric motors of more than 1 kW, hot plates, heaters, and boilers, during peak consumption periods.

In the second place, in order to reduce electric power consumption throughout the day, the following steps are being considered: economic ministries will enforce in their units, daily programs for reducing power consumption between 7 in the morning and 7 in the evening. Overusage of electric power and gas is not allowed in any form, in any economic unit. Commercial units will adapt their operations so as to make maximum use of daylight. And programs to reduce the consumption of electricity, by hours and days, have been formulated for households, rural areas, cities, and municipalities.

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END

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# East Europe Report

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2252

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30 March 1982

# EAST EUROPE REPORT

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2252

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MINISTER SCORES 1981 FOREIGN TRADE RESULTS

Budapest FIGYELO in Hungarian No 9, 3 Mar 82 p 9

[Article: "Foreign Trade Results for 1981"]

[Text] On 2 March Peter Veress, minister of foreign trade, held a press conference on 1981 foreign trade results and on this year's tasks, which we summarize in the following:

In planning the 1981 targets, we proceeded on the assumption that the 1981 economic recession in capitalist economy would be eased by a small recovery in the second half of 1981. The expected upturn did not take place, and recession and unemployment continued in the capitatlist world. The developed capitalist countries tried to ease their economic difficulties with commercial-political measures, they strengthened protectionism, dumping proceedings against foreign suppliers became more frequent, and signs of discrimination increased. Our cooperation with socialist countries played a stabilizing role in our foreign economic relations. The continuity of this realtion was not affected by the negative phenomena of capitalist economy, but trade expansion occurred at a slower rate than usual in former years, rounding out in socialist countries as well a production reduction with the effect of narrowing the export commodity base and moderating the import demand of a restrained domestic consumption.

More in Value and Volume

It may be said of world trade as a whole that it was stagnant in 1981. West European imports, chiefly in industrial items, declined. The negative phenomena of the world economy were intensified primarily in the less progressive areas as, for example, in metallurgy, light industry and certain subbranches of the chemical and machine industries, but they also affected the food business.

Despite external circumstances that were less favorable than had been assumed, last year's foreign trade was in accord with targets as a whole. Total trade in 1981 at current prices and at border parity came to 613.7 billion forints, and exceeded 1980 trade by 5.6 percent. This included a 6.8 percent increase in exports and a 4.8 percent increase in imports. Calculated at the previous year's prices, the increase in exports came to 3 percent and in imports to 0.3 percent.

The most essential element of the economic political line we have followed since 1979 is the effort at gradual improvement of the foreign economic equilibrium. The year 1981 was also a link in this process. In ruble relations, the terms of trade deteriorated, and in nonruble relations they improved by more than 2 percent. The improvement in the terms of trade itself meant a 4.5 billion forint balance improvement as compared to the plan.

Among socialist countries we conducted one-third of our total export trade with the Soviet Union and 28.6 percent of our imports. Our second most important socialist partner was the GDR, with a share of 6.9 percent in our exports and 6.7 percent in our imports. The CSSR, Poland, Romania and Bulgaria followed in that order.

An important factor in our 1981 trade with the developing countries was the improvement in the balance, decisively because of the dynamic increase in exports. Our most important import partners in the developing world were Brazil, Iran and Pakistan; and our most important export partners were Iraq, Iran, Libya and Algeria.

Structural Changes

Ruble account trade developed in harmony with equilibrium requirements. Exports increased by 8.9 percent; this was made up of a 4.7 percent rise in prices and a 4 percent increase in the colume of delivered goods. The export of all main commodity categories increased except for machinery, which remained at the 1980 level.

A significant change in the export structure as compared to the previous 3 years is represented by the decline in the ratio of machinery and the increase in the ratio of materials and spare parts. The volume of metallurgical and chemical industry materials has expanded considerably in our exports. The export of consumer industry items and food products has also become more brisk. On the whole, the volume of our machine exports has remained unchanged. We have delivered about 28 percent of total exports in agricultural and food products to ruble account countries, but for certain products (fresh and processed vegetables, fruit and wine) the ratio is much higher. Our enterprises have tried to exploit opportunities for imporving the economy of our export structure. As a result of their price work, we have succeeded in achieving a greater price increase than planned.

The value of imports increased by 5.3 percent, but considering the significant price increase, the volume of imported products declined for the first time since 1976.

The volume of imports in machinery and investment goods declined by almost 15 percent. This decline is related to the moderating demand for domestic investments. Although the ratio of energy sources in our import structure increased, the volume declined. The price increases for these products exceeded the plan. The volume of materials and semifinished products increased somewhat. The increase in the import of food items derives partly from price rises, but there was a significant increase, among other things, in the volume of imported sugar, refined alcohol and beer.

Most of our socialist partners are in a phase of economic growth similar to our own. Characteristic of this phase is the conversion to intensive development, a capital shortage which inhibits rapid elimination of bottlenecks, and a relatively slower economic growth. In some instances it is resulting in the maintenance of the export level, in some places a decline or a structural change. This represents for us a problem primarily in material and energy type products.

An important area of our relations is socialist specialization and cooperation. For the Sixth Five-Year Plan period we extended by far the greater part of the specialization and cooperation contracts, and despite the more difficult international economic circumstances we have begun their fulfillment. We have also signed many new contracts, primarily of a specialization and cooperation nature.

Among CEMA countries the Soviet Union is our most important partner in the trade of specialized and cooperation products. In 1981 we conducted 63 percent of our specialized and cooperation export trade with the Soviet Union, and 57 percent of our import trade. In our specialized machine imports from the Soviet Union, three product groups may be emphasized: road vehicles; construction, road construction and construction-material industry machinery; tractors and agricultural equipment.

Despite significant results in production cooperation, we have lagged in the specialization of spare parts and components. In a number of areas, for example, spare parts for modern communications technology, we have not succeeded in developing a cooperation that meets the demands.

Effect of the Recession

Nonruble account exports increased by 4.7 percent, but lagged behind the planned value. Among individual main commodity groups, the increase in the export of food products was the most rapid, while the export of materials, semi-finished products and spare parts declined also in value. Thus the export structure departed from the plan. Export lower than planned was due primarily to the reduced export of metallurgical and light industry products. The export of chemical industry products developed favorably, while the sale of machine industry products increased at a rate above average. Sales of chemical industry and agricultural machinery expanded. But the export of transportation means declined, as did the demand for certain durable consumer goods. Given the favorable price formation for food products, the volume of sales rose by more than 10 percent; and thus at current prices, sales were one-fifth higher than a year ago.

The 1981 development of our export structure shows that the recession in the capitalist economy has affected primarily our export of industrial products. This has also been strengthened by our insufficient competibility.

Our nonruble account imports as a whole exceed the plan only to a small degree; volume increase was greater than planned, and price formation was favorable. Imports increased in 1981 by 4.4 percent, and there were no significant

changes in structure. It is important to note that in contrast to the trend of the past 3 years the share of materials and semifinished products declined while that of machines increased. Imports of machine industry products increases significantly. The ratio of energy sources declined.

Despite the low degree of economic growth, the scarcely expanding world trade and the political strains, our commercial relations in 1981 were an organic part of the cooperation we conducted with capitalist enterprises. The volume of commodity trade we conducted in the framework of cooperation contracts continued to rise last year, and our imports had a value of 231.6 million dollars and our exports 251.5 million dollars. As in previous years, although to a relatively modest extent, the cooperation projects contributed to a favorable development of the foreign trade equilibrium. Our most important cooperation partner was the FRG followed by Austrian and Swiss firms. In dollar account trade, the volume of cooperation projects conducted with Yugoslav enterprises was also significant.

The most important foreign trade task this year is the improvement of the equilibrium. Foreign market conditions continue to be unfavorable for the attainment of our goals. Because of the delay in an upward economic trend in the capitalist countries, we cannot expect an increased demand, an abatement of protectionism, or a restraint on other commercial political factors and phenomena hindering our exports.

The role of the socialist countries continues to be determining in our foreign trade. In addition to maintaining imports at the present level, we must expand the volume of our exports to this group of countries by about 8 percent. We must devote increased attention to an advantageous transformation of the export structure, and to a further improvement in economy savings.

In nonruble accout trade, we must expand the export volume by 8 to 9 percent in harmony with an improvement in the equilibrium. This requires, above all, a rapid rate of growth in the export of industrial products; this especially includes a considerable increase in the export of machine and light industry products. In 1982 we want to strengthen our trade with the developing world by increasing our exports by 12 percent and our imports by 5.5 percent. The oil exports of the OPEC countries, who play an important role from the viewpoint of our exports, can be expected to decline in response to the combined effect of moderating demand and declining prices. Thus we can count here on a narrowing market and stronger competition.

Since we are counting on difficult external circumstances, this year's economic plan is posing high requirements on foreign trade. This is particularly true of our nonruble relation. The condition for a successful fulfillment of the task is an appropriate use of the means system and coordination of execution both in the field of management and enterprise activity.

6691
CSO: 2500/158

PLANNING COMMISSION DEPUTY INTERVIEWED ON 1982 ECONOMIC PLAN

Warsaw KURIER POLSKI in Polish 8-10 Jan 82 p 3

[Interview with Dr Ludwik Ochocki, deputy chairman of the Planning Commission: "What Will 1982 Bring?", date and place not given]

[Text] [Question] Sir, what is the general forecast for the economy this year or, if it is difficult to talk about the whole year, at least what is it for the next few months?

[Answer] The course of action for this year was outlined in the Central Socio-Economic Plan for 1982 prepared last December. The Council of Ministers approved this plan with Resolution No 258 of 11 December 1981. The tasks and means for socio-economic development were grouped into two variants: for a situation of more modest opportunities and for that of greater opportunities.

[Q] Originally, there was talk about two variants: fear and hope and about a third, intermediate one.

[A] These are the terms in the premises used for developing the draft plan. In principle, the intermediate variant has been accepted and the economy will be redirected depending on the results that will be achieved, especially in the extractive, manufacturing and export industries.

This is also the period of switching our economy to the new system based on the principles of economic reform. This is also included in the plan which is based on the presumption that the reform will work. Imposition of the martial law in our country did not invalidate the plan.

Following the directives of the Military Council of National Salvation, the government passed a resolution on 30 December 1981 adjusting the operating rules of the economy to the conditions of martial law attempting, at the same time, to incorporate in the economic policies the economic mechanisms established by the 1982 resolution on the subject of principles for management of enterprises. The tools to be used also had to be adjusted and it was decided to prepare a greater number of the so-called operational programs. Originally, there were nine such programs and, in result of the decision of

the Economic Committee of the Council of Ministers, the number was increased to 14.

[Q] Perhaps, it should be added that these programs deal with key areas of the economy related to the supply of means of production for agriculture and the food industry (processing of grain, milk, meat and fat and supplies for the food industry), the supply of medicines and equipment for health services and the supply of personal hygiene articles for the population, the supply of clothing and shoes for children and youth and the supply of protective and work clothing, the problems of fuel, energy, transportation and the basic utilities (transportation, water, heating and urban sanitation), export matters and matters of defense and national security.

[A] I would also add that these programs set the goals as well as prescribe the means necessary to achieve them and they designate the officials in individual ministries who are responsible for the implementation of these programs. The implementation plans have been prepared both for the entire year and for shorter periods--quarters (this is new, has been introduced to adjust the planning to the state of martial law). The achievement of greater precision and efficiency in the implementation of plans is intended.

[Q] Sir, we know that the pace of our economy has recently slowed down. If we accept the data provided by the Central Office of Statistics, e.g. regarding production of coal (those 163 million tons that put us back to 1974 as far as coal is concerned) and other recently released data, the question arises whether we will spread the available means to all branches and enterprises or (what seems more rational) we will determine those branches of the economy which are not only most needed today and are included in the operational programs but also those which are most promising for the future. Should we not assure that the latter will work continuously and orderly, without interrupted deliveries of raw materials, energy, etc. On the other hand, this would cause stopping the operation of those enterprises which, for one reason or another, have not satisfied the criteria and a problem will arise with people working in those enterprises.

[A] Operational programs focus on main economic goals. Article 6 of the Council of Ministers Resolution on operations during the period of martial law clearly states that the enterprises participating in operational programs including small business units have priority to purchase and in the allocation of energy, fuels, raw materials, machinery and means of transportation.

In regard to the other enterprises, in view of the diminished ability to supply means of production, and this means also imports, it will not be possible to guarantee delivery to all. The Council of Ministers instructed the chairman of the Planning Commission that, in coordination with the ministers, to establish a list of enterprises threatened with delays or permanent work stoppages due to the lack of means of production. This determination will be valid until the end of this year.

Of course, this is not only the matter of so-called objective factors of production but also of politics--relocation of employment, level of earnings

and assurance of occupational adaptation. Hence, the Economic Committee of the Council of Minister decided this Tuesday to create the Vocational Activation Fund. It will serve the purpose of vocational adaptation and also that of equalizing the earnings of those people who worked in suspended enterprises which, perhaps, will be able to resume production as the balance of payments and deliveries of raw materials improve.

[Q] Sir, you have used the term "balance of payments." We know that at this time this is a very difficult situation and that one of the most important problems is not only to assure the essential imports, because there are areas for which we must import raw materials. But the most serious problem and goal at the same time is how to substitute non-essential imported raw materials from our own so far unused, domestic resources.

[A] The functioning of the economy depends on financial dealings with foreign countries. Unfortunately, our network of commercial and co-production connections with foreign countries has started to unravel. This was caused by the fact that Poland could not meet some of its obligations (especially because of decreased raw material production and because foodstuff exports (were stopped) in view of the well known market situation). At the same time, as a result of the economic boycott imposed on our country, it will be necessary to seek new sources of some raw materials and fodder, particularly for the food processing industry. However, this will not be simple and will require some major shifts in our areas of trade and will require changing our relations with Western countries to those with socialist countries. For instance, the position of U.S. Government regarding the boycott of credit aid and agricultural products deliveries and the prohibition on fishing by our vessels [in U.S. waters] will cause specific difficulties. The main problem will be to rationally manage the domestic raw materials and resources and to prevent waste.

The example is provided by the actions regarding residential construction. The 1982 program for this area is not one of the operational programs but because of actions by a Sejm committee and proposals submitted by voivodships and construction cooperatives, the government decided to prepare a special program for residential construction which would plan some growth in construction through better use of materials. This means avoidance of waste (its existence has been confirmed by numerous audits) and also using local raw materials for the production of building materials such as bricks and such. The Planning Commission plans to develop these two programs, i.e., to increase residential construction and to start production of building materials based on local raw materials, and to submit them to the Economic Committee of the Council of Ministers.

[Q] And what about the small scale production and services? This is a subject of great interest to us as they are so essential in everyday life?

[A] Small scale production has its place in the new planning system based on the reform. For the first time this year, deliveries for this sector are included in the planned totals. In the material balance sheet, the needs

of small scale production are shown separately which has not been the case until now and thus will guarantees deliveries. Secondly, there is the question of small scale production in the operational plans, especially in the manufacture of protective clothing, cleaning and cleansing products and children's and youth clothing. Appropriate means have been put aside for this production. The principles which I have mentioned, also apply to services and trades.

[Q] Considering various statistics regarding our economy, such as coal production at the 1974 level. Can we make a comparative estimate of 1982?

[A] This is only the beginning of the year. It is difficult to forecast the weather, what kind of winter it will be, etc. But we can observe something which can be considered positive: we are working better. The results are already visible. We are producing close to 600,000 tons of coal per day. This indicates that we will be able to satisfy our energy and export needs and thus will be able to purchase raw materials with the earned hard currency and also will be able to satisfy the agricultural producers. It is essential that we work longer every working day. This also should bring forth additional results. On this basis, and assuming that new incentive systems are introduced under the economic reform, we should expect that the mechanisms foreseen by the economic reform will work and produce positive results. This will create a completely new situation that will provide a better starting point for the future. We will review this forecast after the first quarter of implementation of the operational programs, we have to see the results.

[Q] Among the many factors and problems we have discussed which, in your opinion, Sir, is the most basic?

[A] To my mind it is basic that in order to divide there must be something to be divided. The basic thing is to produce the national product and to halt the falling trend of the last few years. Thus, working is decisive--above all, working of the industries of which the national product consists: manufacturing, agriculture, construction and transportation. This does not mean that other areas, such as health, cultural and educational needs are of secondary importance. They contribute equally to satisfying of socio-economic needs. But, today we have only limited means and resources at our disposal, we are obliged even more than before, to employ rational and well thought out policies regarding planned actions. It will be necessary to enlarge the anti-inflationary role of the state in managing the means of production and controlling the economy. We can observe this in the current efforts of the Economic Committee of the Council of Ministers and in the role and tasks of the Planning Commission which has been assigned numerous new tasks.

8801
CSO: 2600/269

POOR ECONOMIC PERFORMANCE FOR JANUARY NOTED

Warsaw TRYBUNA LUDU in Polish 18 Feb 82 p 1

[Article by Andrzej Leszczynski: "Logging the Economy's Temperature"]

[Text] Yesterday's GUS [Main Statistical Office] report on economic performance for January 1982, at first blush, offers no more optimistic news than what we have been receiving in the previous months. The message of the figures is still brutally unpleasant.

The value of sold production in January 1982 was not only 13.6 percent less than a year before. It was 17.5 percent less than in December of 1981. Although employment slightly decreased (by 3.2 percent) and the wage fund was significantly reduced (16.1 percent) in comparison with last December figures, the economic ratios still present an unfavorable outlook.

It appears that in these difficult times an economist should adopt the attitude of a physician tending a severely ill patient. What is needed is the heightened attention with which he follows the slightest hourly improvement occurring in the patient's body combatting a disease. He does so not to reassure himself and the patient's relatives but in order to determine the course of further treatment and find out what methods to apply and what medication to prescribe.

Following this view, the economist will pay foremost attention to economic temperatures recorded over recent weeks and months. Without losing sight of last year's traditional comparisons, the economist will be primarily interested in what is currently changing and how that change effects the economic mechanism. Before he goes into a comparison of the situation during January 1981 with that of last January, the economist is bound to compare two consecutive months--December 1981 and January 1982. All the more so, since in mid-December martial law was introduced whose purpose it was to bring law and order to the country and to calm down an economy that was all acquiver.

A closer look at the statistical tables reveals telling information. Thus, production increases were posted last January in 27 out of a list of 50 major products for which comparable data exist, as compared with the figures for December 1981.

Included are hard coal (16.8 percent), lignite (3.4 percent), coke obtained from hard coal (8 percent), electric power (5.8 percent), rolled products (29.1 percent), passenger cars (51.1 percent), wheeled tractors (20.9 percent), cement (36.6 percent), lumber (4.5 percent) and fiberboard (20.4 percent).

Analyzing this list, the economist will note that most products in question are those whose production is independent or only partially dependent on imports of parts, subassemblies, raw materials and processed materials. Hence the conclusion that in those cases in which there is no barrier of external purchases we are able to achieve some progress through inputs with solid work, though not devoid of difficulties, and in an atmosphere that is free from fueled tension. Additionally, in January we noted in comparison with last December a drop in the production of a substantial number of products of the chemical industry, known to be largely dependent on foreign raw materials.

These facts give direction to future actions. In brief, growth in exports must provide resources for purchases of indispensable, necessary items abroad. What we manage to purchase, in turn, should be valued and economized with redoubled attention. Every shipment of imported raw material, every preparation and every replacement part literally price in gold. This is the first general conclusion.

While scanning the list of articles in which output last January increased as compared to December 1981, the economist will, however, notice another important development. The list is dominated by raw materials of fundamental importance for the economy: coal, electric power, rolled products and cement. These are goods that in a way provide an impulse for the entire economy and constitute, along with chemicals, basic products for processing in diverse industrial sectors.

If this favorable increase in energy, construction and metal-processing material should continue, it could be expected that something may budge for the better in the economy at large. This fact should not be lost sight of in the maze of figures and indicators.

It is not enough to diagnose a disease. We feel its presence daily, even without statistical compilations. The point is to derive correct conclusions from statistical data not for a cheap bolstering of the hearts but to realize what is changing and how to speed up such changes. Also, to avoid being dumbfounded by dry figures, it is necessary to learn how to read statistics, which is a second general conclusion.

8795
CSO: 2600/363

RESOLUTION ON ECONOMY UNDER MARTIAL LAW PUBLISHED

Warsaw MONITOR POLSKI in Polish No 1, 15 Jan 82 pp 1-4 Item 1

[Resolution No 278 of the Council of Ministers, dated 30 December 1981, on the functioning of the economy under martial law]

[Text] In connection with the special conditions of the state's functioning during the period in which martial law is in effect, the Council of Ministers resolves as follows:

§1. During the period of martial law, state enterprises operate according to the principles specified in Council of Ministers Resolution No 243, dated 30 November 1981, on the principles of operation of state enterprises in 1982 (MONITOR POLSKI No 32, Item 287), hereinafter called "Council of Ministers Resolution No 243, dated 30 November 1981," with the amendments implied in this resolution.

§2. In keeping with the Council of Ministers Resolution No 267, dated 18 December 1981 on the operation of the Council of Ministers Economic Committee under martial law, the Council of Ministers Economic Committee will handle the operational management of economic affairs and the coordination of government measures in the economic-financial and production sphere.

§3. 1. The Planning Commission of the Council of Ministers is preparing a draft of the central socioeconomic plan and drafts of short-range (quarterly) central plans and is establishing the scope and place of operational programs in these plans. The central socioeconomic plan is approved by the Council of Ministers. The short-range plans are approved by the Economic Committee of the Council of Ministers.

2. The Planning Commission of the Council of Ministers, in keeping with the regulations of Resolution No 201 of the Council of Ministers, dated 14 September 1981, on the matter of the principles for preparing drafts of annual plans and the budget of the state for 1982, is drafting operational programs, which are subject to confirmation by the Council of Ministers Economic Committee. Appendix No 1 to the resolution gives a list of the programs.

3. Within the framework of the central socioeconomic plan and the short-range plans, the Council of Ministers Planning Commission, in cooperation with the Office of Materials Management, in keeping with the regulations of Council of Ministers Resolution No 243, dated 30 November 1981, will prepare:

1) central balance-sheets for power, fuels, raw materials and other materials,

2) drafts for the distribution of materials and of vehicles and construction machinery.

§4. 1. The appropriate ministers will appoint plenipotentiaries for the operational programs. The tasks of the plenipotentiaries will include the following:

1) participation in the preparation of the operational programs,

2) establishment of a list of enterprises undertaking production on behalf of the operational program,

3) insuring the cooperational ties necessary to implement the operational program,

4) supervision of the course of implementation of the operational programs and intervention in the event they are threatened.

The appropriate minister will define the exact scope of operation of the plenipotentiaries.

2. In drafting the list of enterprises discussed in paragraph 1, point 2, the plenipotentiary will take into account the initiative of the enterprises, their technical and organizational conditions and economic effectiveness. After the possibilities of the influence of economic instruments have been exhausted, the plenipotentiary will have the authority to charge the enterprise with the obligation of implementing the specified production targets on behalf of the operational program.

3. The ministers can appoint plenipotentiaries for the issues of differentiated production arrangements. Among the plenipotentiaries' duties is the exercise of supervision over the enterprises, as provided for founding bodies in the law of 25 September 1981 on state enterprises (DZIENNIK URZEDOWY No 25, Item 122), in the sphere established by the appropriate minister. Tasks anticipated for the obligatory associations envisioned may be entrusted to the plenipotentiaries.

4. The activity of the ministers' plenipotentiaries discussed in paragraphs 1 and 3 is financed out of funds in the appropriate section and division of the central budget.

§5. 1. Council of Ministers Resolution No 242, dated 30 November 1981, on the principles, manner, and dates for eliminating associations of state enterprises continues to be valid (MONITOR POLSKI No 32, Item 286).

2. Regulations of the resolution discussed in paragraph 1 do not apply to industrial associations (subordinate units) included in militarization, unless the appropriate minister sees fit.

3. Voluntary associations of state enterprises created prior to 13 December 1981 continue their activity in keeping with the regulations in effect.

§6. Enterprises participating in the implementation of the operational programs (including units of small-scale industry) and their coproducers will avail themselves of priority in the purchase and distribution of power, fuels, raw and other materials, machinery, and vehicles.

§7.1. The Minister of Materials Management will form supervision groups for the materials turnover units by 10 January 1982. The groups will be made up of representatives of the Council of Ministers Planning Commission, the Minister of Materials Management, the Minister of National Defense, and representatives of the involved ministries and central bodies.

2. It will be the task of the groups mentioned in paragraph 1 to exercise general supervision over the distribution of materials and to review revocations of allocations.

§8.1. The Chairman of the Council of Ministers Planning Commission, on the basis of the operational balances of payments, will have at his disposal foreign exchange funds for imports from countries considered in II payments area [capitalist countries], except for funds which the enterprises obtain from foreign exchange allowances from export revenue.

2. In order to distribute cash foreign exchange funds discussed in Paragraph 1, the Chairman of the Council of Ministers Planning Commission will immediately appoint an interministry group to control imports.

3. The interministry group to control imports allocates cash foreign exchange funds, in particular:

1) for the implementation of operational programs -- for appropriate ministers,

2) for the import of centrally balanced raw and other materials -- for the Minister of Foreign Trade,

3) for the imports for domestic market needs -- for the Minister of Domestic Trade and Services,

4) for the needs of the nonproduction sphere -- for the directors of the appropriate offices and institutions,

Appendix 1, continued

| 1 | 2 | 3 | 4 |
|---|---|---|---|
| 7 | Operational program for supply of basic agents of cleanliness and hygiene | Minister of Chemical Industry and Light Industry | Ministry of Health and Social Welfare |
| 8 | Operational program for clothing, knitwear, and footwear for children, youth | Minister of Chemical and Light Industry | Ministry of Domestic Trade & Services, Central Union of Labor Cooperatives, Central Crafts Union, Central Union of Invalids Coops |
| 9 | Operational program for production and supply of protective & workers' clothing | Minister of Chemical and Light Industry | Office of Materials Management, Ministry of Labor, Wages & Social Affairs, Central Union of Invalids Cooperatives |
| 10 | Operational program for fuel and power | Ministry of Mining and Power Industry | Ministry of Chemical & Light Industry |
| 11 | Operational program for motor and rail transport | Minister of Transportation | Ministry of Metallurgy and Engineering Industry |
| 12 | Operational program for municipal economy concerning urban transportation, heating, street-cleaning, water supply | Minister of Administration of Local Economy and Environmental Protection | Ministry of Mining & Power, Ministry of Metallurgy and Engineering Industry, Ministry of Chemical & Light Industry |
| 13 | Operational program for exports included in payment regions I and II | Minister of Foreign Trade | all ministries and central unions of cooperatives |
| 14 | Operational program for the production, deliveries and services on behalf of the country's defense readiness & security | Chairman of the Planning Commission of the Council of Ministers | Ministry of Metallurgy and Engineering Industry, Ministry of National Defense, Ministry of Chemical and Light Industry, other ministries handling tasks related to the defense readiness and security of the country |

Appendix No 1 to Council of Ministers Resolution No 278, dated December 1981 (Item 1) -- List of Operational Programs

| Item No | Name of Program | Plenipotentiary Appointed by | Cooperating Ministries |
|---|---|---|---|
| 1 | 2 | 3 | 4 |
| 1 | Operating program for deliveries and management of fertilizers and pesticides | Minister of Chemical and Light Industry | Ministry of Agriculture and Food Economy |
| 2 | Operational program for the supply of machinery to agriculture & food industry; equipment, vehicles and spare parts, batteries, & tires | Minister of Metallurgy and Engineering Industry | Ministry of Agriculture and Food Economy, Central Union of Labor Cooperatives, Central Crafts Union |
| 3 | Operational program for bakeries and grain processing | Minister of Agriculture and Food Industry | Ministry of Domestic Trade & Services, Central Union of Food Cooperatives "Spolem", Central Union of Agricultural Cooperatives "Samopomoc Chlopska," Central Crafts Union |
| 4 | Operational program for milk processing and management | Central Union of Milk Cooperatives Board | Ministry of Metallurgy & Engineering Industry, Ministry of Domestic Trade and Services |
| 5 | Operational program for production, supply of meat and fats | Ministry of Agriculture and Food Economy | Ministry of Domestic Trade and Services, "Samopomoc Whlopska" Central Union of Agricultural Cooperatives, "Spolem" Central Union of Food Cooperatives |
| 6 | Operational program for supply of basic medications, health products and medical equipment in public health area | Minister of Chemical and Light Industry | Ministry of Metallurgy & Engineering Industry, Ministry of Health and Social Welfare, Ministry of Agriculture and Food Economy, Ministry of Domestic Trade and Services, Central Union of Labor Cooperatives |

Appendix 2

I. List of Consumer Goods for Which the Scope of Official Price-Setting Is Being Expanded

1. Soft cheeses
2. Rice
3. Lemons
4. Common tea
5. Common light bulbs
6. Popular radios

II. List of Consumer Goods for Which the Scope of Regulated Price-Setting Is Being Expanded

1. Standard underwear
2. Common toilet soap
3. Common toothpaste
4. Ordinary shaving cream
5. Razor blades

5) for imports for central investment -- for appropriate investors,

6) for imports designated to create state reserves.

§9. 1. Foreign exchange allowances from revenues of convertible currencies from services and commodities exports put into the base fob a Polish port or franco the Polish border as discussed in §66 of Council of Ministers Resolution No 243 dated 30 November 1981 are the source of financing imports for export-oriented production.

2. The basis for setting the rate of foreign exchange allowances is the ratio achieved in 1980 of the value of deliveries for export production from supply and coproduction imports to the export accomplished in terms of convertible currencies.

3. In the event of a substantial change in the ratio of imports to exports, the enterprise's targets for imports and exports for 1982 will be the basis for setting the rate of the allowance.

4. In justified instances the rate of the foreign exchange allowance may be increased to insure that the enterprise and its possible subsuppliers, if any, can import necessary materials, components, and spare parts needed to execute the export.

5. The maximum allowance rate may not exceed 50 percent of export revenue.

6. The Minister of Foreign Trade will establish the following, in cooperation with the Minister of Finance:

1) the manner of setting foreign exchange allowance rates,

2) the level of the foreign exchange allowance rate for an enterprise within 1 month after the enterprise's application has been received,

3) the level of the foreign exchange allowance rates for transport enterprises engaged in international shipping.

7. After setting the foreign exchange allowance rates in the manner specified in Paragraphs 1-6, the Commercial Bank in Warsaw will open and handle the enterprise's foreign exchange account in convertible currency agreed upon by the account owner.

8. Still valid is the regulation of §6 of Council of Ministers Resolution No 199 dated 11 September 1981 on funds to insure the expansion of hard coal extraction and the extraction of other raw materials from deep-pit mines.

§10.1. In cooperation with the Chairman of the State Price Commission, the Minister of Finance will establish, by 10 January 1982, the principles

for covering the effects of changes in producer prices in the enterprises whose production is included in the scheme of official prices.

2. As of 1 January 1982, the prices approved by the Chairman of the State Price Commission on the basis of Council of Ministers Resolution No 133, dated 12 July 1981, on the principles for setting and reforming sale prices on raw and other materials, and other means of production, and charges for power and the transport of commodities, will be used for goods included in the scheme of official prices.

3. In relation to the provisions of Council of Ministers Resolution No 243, dated 30 November 1981, the list of the means of consumption for which official or regulated prices are established is expanded to include the products specified in Appendix No 2 to the resolution.

§11. In cooperation with the Chairman of the State Price Commission, at the request of the interested ministers, the Minister of Finance will establish by 5 January 1982 the principles for keeping accounts of compensatory prices for enterprises which produce similar products for which official prices are established.

§12.1. The appropriate ministers, and voivodship governors and mayors of cities with the rank of voivodship provide for the execution of the tasks stemming from the resolution of the Council of State and the Council of Ministers dated 28 November 1980 on the general directions for the expansion of authority of local bodies of power and state administration.

2. The Minister of Administration, Local Economy, and Environmental Protection does the following:

1) in cooperation with interested ministers and voivodship governors (mayors of cities with the rank of voivodship), appoints groups to determine the principles for the local bodies of state administrations to assume the jurisdiction of company promotion bodies with respect to enterprises providing production service support for areas of administration which the local officials oversee,

2) by 28 February 1982 will present to the Economic Committee of the Council of Ministers proposals for solutions in matters specified in Point 1 for which positions have not been reached.

§13.1. In cooperation with interested ministers, the Chairman of the Council of Ministers Planning Commission will establish by 31 January 1982 a list of enterprises which run the risk of being shut down or of having their production permanently reduced as the result of the policy being conducted with regard to the distribution of production components in short supply.

2. Decisions concerning the halting or permanent reduction of enterprise operations are made at the request of the company promotion body, with consideration given to the position of the director of the enterprise.

3. The decisions discussed in Paragraph 2 are made by the interministry group appointed by the Chairman of the Council of Ministers Planning Commission.

4. In relation to the enterprises whose operations will be halted or permanently restricted, the application of the regulations of Council of Ministers Resolution No 243, dated 30 November 1981, are suspended.

§14.1. In cooperation with the Ministers of Finance; Labor, Wages, and Social Affairs; and Material Economy, and the Chairman of the Polish National Bank, the Chairman of the Council of Ministers Planning Commission will draw up the principles for proceeding in relation to the enterprises specified in §13 and their workers, by 31 January 1982.

2. The principles discussed in Paragraph 1 should take into account matters concerning:

1) employee shifts,

2) the structuring of employee remuneration,

3) use of material reserves and production assets,

4) financing of the operation,

5) the undertaking of alternate production.

§15. In cooperation with the Chairman of the Council of Ministers Planning Commission and interested ministers, the Ministers of Finance and Labor, Wages, and Social Affairs can, in justified instances, adapt the regulations of Council of Ministers Resolution No 243, dated 30 November 1981, to the specific features of enterprise operations in the realms of the economy not included in §75 of that resolution but subject to complete militarization.

§16. The regulations of §82 of Council of Ministers Resolution No 243, dated 30 November 1981, as amended in keeping with the regulations of this resolution, apply to economic units operating according to the principles specified in Council of Ministers Resolution No 112, dated 8 June 1981, on the development of small-scale production (MONITOR POLSKI No 15, Item 120) and Council of Ministers Resolution No 114, dated 17 June 1981, on the self-financing system of state farms, state farm enterprises, and certain associations of the agriculture ministry (MONITOR POLSKI No 16, Item 126).

§17. The resolution goes into effect on the day of its promulgation, and is valid as of 1 January 1982.

Chairman of the Council of Ministers: Gen W. Jaruzelski

10790
CSO: 2600/375

ECONOMIST MOZEJKO LOOKS AT ROCK-BOTTOM EXPORT SITUATION

Warsaw ZYCIE GOSPODARCZE in Polish No 6, 28 Feb 82 p 11

[Article by Eugeniusz Mozejko: "View From the Exports Bottom"]

[Text] In its excerpt concerning foreign trade, the communique of the Central Statistical Office portrays the situation of the vicious circle "The production decline and the domestic market's needs have worked to limit exports, and the foreign-exchange revenues reduced thereby and the difficulties in obtaining credit have caused imports from the capitalist countries to decline," it says. As we know, this in turn has deepened the difficulties of Polish industry, which depends to a great extent on imports of supplies from the West. Under these conditions there was bound to be a dramatic breakdown in trade turnovers with the free-currency area. In current prices the value of our exports to the capitalist countries declined last year by more than 20 percent, while imports from these countries fell by more than 30 percent. In fixed prices the decline in exports and imports was still greater (exceeding 24 and 34 percent, respectively, and so the physical sizes of imports from capitalist countries were more than a third less than in 1980). We also noted a sharp decline in exports to the socialist countries, a decrease of more than 10 percent in current prices, 17 percent in fixed prices. The rise in imports from these countries of 2.3 percent to some extent saved the situation for us (we have in mind mainly the supply situation). This is an increase in terms of current prices, but in fixed prices our imports from the socialist countries were also below the previous year's level by 8.8 percent.

The economy's export inadequacy led to a further rise in the country's indebtedness. In relation to the capitalist countries the direct cause of this was the fact that the costs of servicing credit incurred earlier was very high, first of all. The deficit in trade exchange with the advanced capitalist countries was reduced at the cost of radical cuts in imports, cuts of nearly one-third to 1.3 billion foreign exchange zlotys, and in exchange with the developing countries we even managed to achieve a substantial balance in the black. Nonetheless, the Main Statistical Office (GUS) points out on the basis of its estimates, that in convertible

currencies indebtedness increased by the end of 1981 to about 24.4 billion dollars, which means by more than 3.5 billion dollars during the year. In connection with the worsening trade deficit with socialist countries, our indebtedness in these countries also increased very substantially, especially in the Soviet Union, which accounts for the lion's share of the great trade deficit. At the end of the year it amounted to 3.3 billion rubles and was more than double the previous year's figure.

The significance of these figures is clear. We can meet our economy's import needs only to the extent of our export capabilities. This is a fact which has often been repeated during the past few months and years, but although up until now there were constant possibilities for setting up certain additional credit deliveries, which after all concerned mainly food and fodder and did not undermine the stated fact that it was necessary to activate export, now the United States and some other countries have imposed sanctions and the question of altering the deadlines for repayment of the debts has been suspended, and those sources of financing which were far from adequate to cover free-currency imports have practically dried up.

In order to ease our industry's terrible supply situation, we are still trying to get CEMA partner countries to speed up deliveries of certain raw and other materials of particular importance to us within the framework of annually agreed-upon allotments. This may bring relief during the next few months, but it will reduce deliveries during the final months of this year, to say nothing of the fact that after all this pool of deliveries will not resolve all our supply problems. Therefore, these problems have become one of the major barriers to overcoming the declining trends in production. Our economy's export threshhold has increased, the target which must be met by mobilizing its own efforts to the maximum.

Unfortunately the data up until now on the results of last year's exports, as we learn from the GUS foreign trade department -- these data are still being checked and will be corrected in the MALY ROCZNIK STATYSTYCZNY [Concise Statistical Yearbook] being prepared for publication, but these corrections will not change the overall picture of the situation -- make difficult any clearer points. The decline has been noted in all commodity groups and in all sectors of industry. It was greatest in the case of exports of fuels and power, that is, in practical terms, coal. The value of fuel and power exports calculated in fixed prices was less than half that of 1980, and the value of such exports to the capitalist countries amounted to less than 41 percent of the previous year's exports. It is just in this area that we find concrete possibilities for improving the situation in connection with the extraction of coal, which has been increasing since the end of last year, making it possible to increase coal exports even during the first quarter of this year. Nonetheless, in order to be able to speak about making these growth trends permanent, we must work intensively on a new system of labor management in the mines. It is a question of insuring continuity

of extraction 6 days a week and the maintenance of the current extraction level of about 630,000 tons per day, while insuring that the miners have the right to a five-day workweek. Products of the food industry and of agriculture were among other commodity groups where the decline in exports last year reached dramatic proportions (35 to 40 percent). This is understandable in our food situation. It is understandable to a certain extent, but unfortunately we cannot stand in the long run the decline in exports of just about all industrial goods products, including those of engineering industry (a decline of more than 10 percent in fixed prices) and light industry (a decline of more than 21 percent). In both instances the decline in deliveries to the markets of the capitalist countries was somewhat smaller than that to the socialist countries.

Owing to the rise in export prices which averaged 6.7 percent, the export decline in the various groups in current prices was smaller. Nonetheless, in the case of fuel and power it was nearly 42 percent, and for products of the food industry it exceeded 33 percent, while for farm products it was more than 31 percent. The decline in exports of electric machine industry products amounted to 4.4 percent in current prices, while that for the chemical industry, the third most important export branch after the electric machine industry, and fuel and power, amounted to more than 6 percent. The figures for metallurgical products and products of light industry were, respectively, more than 21 percent and 12.3 percent. As can be seen from this, all basic export branches suffered on account of the upsets which occurred in labor continuity and difficulties with supply. The causes underlying this state of affairs were probably more numerous, but it would require deeper analysis going beyond just foreign trade to determine just what these causes were. A protective hand coming out of these difficulties was the construction carried out abroad, although in this case too there was a slight decline (of under 2 percent) in revenues from the installations turned over last year from such construction. Unfortunately this revenue represented only 5.2 percent of total exports, while the electric machine industry's share amounted to 48.5 percent, so that the relatively good results in exports of construction services could not have much influence on the overall export result.

As we look over the list of the major export items, it is difficult to really find cases of substantial export growth. In the metallurgical goods group we noted a decline in deliveries of hot rolled goods from nearly 1.8 million tons in 1980 to 1.47 million tons, a drop which reduced the value of such export by nearly 200 million foreign exchange zlotys. Copper exports declined by 300,000 tons, a whole 96 million foreign exchange zlotys, which reflected the substantial drop in the prices of this metal. Silver exports declined by 119 tons and about 600 million foreign exchange zlotys. In the electric machine industry group we noted a decline in the export value of farm machinery, textile machinery, food industry equipment, industrial automation, automobiles and trucks, and also a slight relative decline in deliveries of co-produced components for the automotive industry, ships (amounting to 35 million foreign exchange zlotys, and hence relatively slight), and

freight cars. This list could be made considerably longer. On the other hand, there was an increase of 50 million foreign exchange zlotys in the exports of internal combustion engines, of nearly 40 million zlotys in the export of computer equipment, and of 24 million foreign exchange zlotys in exports of trailers and semitrailers for trucks. This is just about all.

Sulfur exports declined by more than 100,000 tons, but in terms of value they increased by more than 250 million foreign exchange zlotys. Alongside this, in the chemical industry a decline was noted in the export of all major goods, that is, dyes and paints, laundry products, and perfume items, medicines, and so on. In light industry, on the other hand, there was a substantial decline in exports of clothing and footwear, totalling more than 340 million foreign exchange zlotys altogether.

Export of meat and pluck last year amounted to 41,000 tons and was half that of the previous year. Exports of meat products totalled 37,000 tons compared to 78,000 the previous year. In terms of value these two items together produced revenues totalling more than 670 million foreign exchange zlotys, compared to 1.2 billion in 1980.

To fill out this rather pessimistic picture we should add that last year there was a decline in Polish exports to the markets of all leading trade partners of our country: the Soviet Union, GDR, Czechoslovakia, and Hungary. The decline in exports to the USSR in current prices amounted to nearly 1.8 billion foreign exchange zlotys. The exception was Bulgaria, to which exports increased by more than 140 million foreign exchange zlotys over the previous year. There was a considerable decline in Polish exports to all Western European countries, especially to the FRG, France, Italy, Sweden, and Switzerland, and to a lesser extent to Great Britain, Austria, and Finland. Our position on the North American market fared somewhat better, relatively speaking. Last year exports to the United States still amounted to 1.1 billion foreign exchange zlotys, compared to 1.3 billion in 1980. On the other hand, we should fear that the present tense political situation could have an adverse impact on the development of trade exchange with that country and perhaps also with other Western countries, which will influence our exports directly or indirectly.

This sort of shock can and should be eased by the development of relations with the CEMA countries, but this will require redoubled export efforts on our part. This is the most important conclusion to be drawn from the preliminary analysis made of last year's results.

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GRAIN AND FEED SITUATION AFFECTED BY INTERNATIONAL MARKET

Warsaw ZYCIE GOSPODARCZE In Polish No 5, 21 Feb 82 p 11

[Article by Zdzislaw Badowski: "Poland on the Grain and Feed Market"]

[Text] At the beginning of the 1980's, the conditions of grain and high protein feed imports were further aggravated. What contributed to this, among other things, were the long-standing production trends in three major regions of the world which constituted our basic supply markets. These trends are illustrated in Table 1.

Table 1. The production growth rate of grain (wheat, rice, corn, barley between 1976-1981.

Tabela 1

| (1) Lata | (2) Ameryka Północna | (3) Europa Zachodnia | (4) Eur. Wsch. z ZSRR |
|---|---|---|---|
| 1976 | 100 | 100 | 100 |
| 1977 | 102 | 108 | 91 |
| 1978 | 108 | 119 | 106 |
| 1979 | 112 | 115 | 85 |
| 1980 | 103 | 125 | 90 |
| 1981 | 125 | 116 | 85 |
| 1980 | 100 | 100 | 100 |
| 1981 | 122 | 92 | 94 |

(5) Obliczenia własne na podstawie Monthly Bulletin of Statistics — FAO, nr 11 (Vol 4) z November 1981 r. str. 21 i 24.

Key:

1. Years
2. North America
3. Western Europe
4. Eastern Europe including the USSR
5. Personal calculations on the basis of the MONTHLY BULLETIN OF STATISTICS--FAO, No 11 (Vol 4)--November 1981 pp 21 and 24.

During the second half of the 1970's, a significant increase in grain production took place in North America. This trend was reinforced by strong and relatively constant harvest increases in Western Europe. During these same years, regression in grain and fodder supplies was taking place from the socialist countries' own production, taken as a whole. However, they are not a primary import market and do not play a major role on the international grain and feed market.

Nonetheless, the continuing development disproportion in the agriculture of these countries, based on the inability of crop production to keep pace with animal production, causes a strong demand for grain, especially feed grain.

Meanwhile, in 1980, the worldwide production of grain barely increased 0.48 percent while on one of the major export markets, namely that of North America, there occurred at this time a 28 million ton decline in the harvest yield which constituted more than 16 percent of the world export. Such vacillations in the production of the United States and Canada have a large influence on price structures on the international grain-feed market.

The structuring of price levels, at this time, of wheat, corn and barley in the United States and Canada is illustrated by Table 2.

Table 2. Monthly price changes on wheat, barley and corn in 1981 in the United States and Canada as compared to these same months in 1980 (in percentages).

Tabela 8

| Rodzaje zbóż (2) i kraj pochodzenia | (1) Miesiące | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | I | II | III | IV | V | VI | VII | VIII | IX | X |
| Pszenica (3) | | | | | | | | | | |
| Kanada[2] (4) | 120 | 118 | 118 | 128 | 118 | 115 | 105 | 99 | 94 | 87 |
| USA[1] | 105 | 105 | 106 | 112 | 106 | 106 | 98 | 98 | 94 | 88 |
| Jęczmień[3] (5) | | | | | | | | | | |
| Kanada | 131 | 130 | 132 | 132 | 123 | 109 | 100 | 90 | 93 | 91 |
| Kukurydza USA (6) | | | | | | | | | | |
| I[4] | 141 | 128 | 129 | 134 | 127 | 118 | 103 | 89 | 81 | 80 |
| II[5] | 136 | 126 | 124 | 124 | 116 | 111 | 101 | 90 | 82 | 80 |

(7) Obliczenia własne na podstawie Monthly Bulletin of Statistics — FAO, November (Vol 4) 11, 1981 str. 26.
[1]) Pszenica amerykańska typu Hard Winter No 2 o standardowej zawartości białek, FOB Gulf.
[2]) Pszenica kanadyjska typu West, Red Spring No 1 na składzie w Thunder Bay.
[3]) Jęczmień typu Feed No 1 na składzie w Thunder Bay.
[4]) Kukurydza typu No 2 Yellow FOB Gulf.
[5]) Kukurydza typu No 3 i 2 Yellow porty północnoamerykańskie CIF.

Key:

1. Months
2. Types of grain and country of origin
3. Wheat
4. Canada
5. Barley
6. Corn
7. Personal calculations based on the MONTHLY BULLETIN OF STATISTICS--FAO, November (Vol 4) 11, 1981 p 26.
   1) American wheat, type "Hard Winter No 2" with the standard protein content, FOB [free on board] Gulf.
   2) Canadian wheat, type "West, Red Spring No 1" in stock at Thunder Bay.

[continued]

[Table 2 continued]

3) Barley, type "Feed No 1" stored in Thunder Bay.
4) Corn, type "No 2 Yellow", FOB Gulf.
5) Corn, type "No 2" and "No 3 Yellow", North American ports CIF [Cost, insurance and freight].

The highest prices in the first half of 1981, which attained 140 and 136 percent of the 1980 level, were recorded respectively for American corn, type "No 2 Yellow" and for Canadian barley, type "Feed". A similar price trend outlined itself on the market of high protein fodder, particularly, oil-meal and oil cake from oilseeds. On the average, prices during the first half of 1981 were about 20 percent higher than during a similar period of 1980.

During the analyzed period, the rate of interest on grain-feed credits in the United States rose to over 20 percent in a year's time. The federal government of the United States guarantees a portion of the repayment of this interest (certain installments on these repayments were paid by the U.S. government in February of this year within the terms of accepted guarantees on credits given to Poland, this being erroneously commented by the American press as failure by the Polish government to meet its repayment obligations).

The growth trend of interest rates outlined itself already in 1980 and did not undergo any changes during nearly all of 1981. This is illustrated by the below given data:

| Miesiące (1) | 1980 | 1981 |
|---|---|---|
| I | 15,25 | 20,00 |
| II | 16,75 | 19,00 |
| III | 19,50 | 17,00 |
| IV | 18,50 | 18,00 |
| V | 14,00 | 20,50 |
| VI | 11,50 | 20,00 |
| VII | 11,00 | 20,50 |
| VIII | 11,50 | 20,50 |
| IX | 13,00 | . |
| X | 14,50 | . |
| XI | 17,75 | . |
| XII | 21,50 | . |

(2) Źródło: World Financial Market — Morgan Guaranty Trust Company of New York.

Key:
1. Months
2. Source: "World Financial Market"--Morgan Guaranty Trust Company of New York.

The interest rate at the 20.5 percent level, after adding the constant costs of insurance and bank fees, has a bearing on the price in the amount of over 30 percent of its level. Although transactional credit does not have a direct effect on the price amount, it does, however, have a significant effect on its level at the moment of negotiating an import transaction. Namely, the import terms of credit considerably worsen the commercial terms of a transaction. The main restrictions depend on tying purchases to the line of credit and to

the time-limit for using this credit, which deprives the purchaser of the freedom to take advantage of more favorable purchasing markets during more favorable times. In 1981, the demands of debtors regarding protection against the risk of insolvency grew as the repayment credibility of our country declined. This resulted in an indirect increase of insurance costs, relatively increased difficulties in the use of functioning lines of credit for the purchase of agricultural supplies.

Purchases for Poland were carried out under such conditions of the international, grain-feed market.

In 1981, further worsening, as compared to 1980, of unbalanced turnover of agricultural-food commodities with foreign countries occurred, which was unfavorable to Poland's general balance of trade. In 1981, the debit balance of this turnover amounted to about 2.5 billion dollars while in 1980, it was 2.0 billion dollars. During those years, the import of food including grain and feed reached respectively 3.3 and 3.2 billion dollars while export reached only 0.8 and 1.3 billion dollars.

Therefore, balance ratios within the group of agricultural-food commodities worsened similarly to the way agricultural-food export and import experienced a worsening in relation to Poland's total export and import. This is illustrated by Table 3.

Table 3. The share of agricultural-food export and import in Poland's total export and import between 1980-1981 (in percent) FOB export, CIF import.

Tabela 3

| (1) Wyszczególnienie | (2) Eksport 1980 | Eksport 1981 | (3) Import 1980 | Import 1981 |
|---|---|---|---|---|
| Ogółem (4) | 7,7 | 6,0 | 16,3 | 20,7 |
| Kraje socjalistyczne (5) | 2,9 | 2,8 | 4,4 | 4,9 |
| Kraje kapitalistyczne (6) | 13,7 | 11,8 | 30,4 | 47,5 |

(7) Obliczenia własne na podstawie wstępnych danych GUS.

Key:

1. Specification
2. Export
3. Import
4. Altogether
5. Socialist countries
6. Capitalist countries
7. Personal calculations on the basis of preliminary GUS [Central Office of Statistics] data

Therefore, in 1981, there occurred a further decline in the share of the agricultural-food export in export as a whole despite a drop of about 14 percent in Poland's total export. However, the import share in Poland's total import increased; in the import from capitalist countries, the share of agricultural-food commodities increased to about half of the entire import from that payments area.

as in previous years, grain and feed occupied the largest position in the agricultural-food import. Their purchase cost amounted to 1.8 billion dollars while in share the agricultural-food import was about 55 percent.

The structure of grain deliveries was similar to that of previous years. Wheat deliveries (3.5 million tons) and those of corn (2.5 million tons) were dominant in the overall amount of 7.2 million tons. Deliveries of barley decreased considerably to 0.9 million tons (compare Table 4). The data contained in Table 4 indicate a general drop of 6 percent in the volume of grain and feed imports in the compared years of 1980-1981. However, this did not have a parallel effect on the value of purchases. It [value] rose by about 3 percent, mainly due to the average increase of prices on grain as well as on oil-meal and oil cake from oilseeds during the entire year by about 20 percent (compare Table 2).

The comparative analysis of prices of realization in import with a price quotation trend must be corrected with several vital elements from the area of trade policies and principles of market functioning. In general, purchase securement prices drop or increase more slowly in relation to price quotations, mainly because of outpacing the purchase deadline as compared to the price quotation deadline. Further worsening of trade conditions on transactions carried out on the basis of credit also took place. Finally, the makeup of purchases changed as well (relatively, less inexpensive barley was contracted for). All of these factors had a direct influence on the conditions of import securement in 1981. However, not until 1982 did a radical and sudden worsening of grain and fodder import conditions occur from the major American supply market, following President Reagan's decisions in the matter of economic sanctions used against Poland and the Soviet Union as a reprisal for the action taken by the PRL [Polish People's Republic] government on 13 December. The principal element of these sanctions was the refusal to continue grain deliveries on the basis of transactional credits from the Commodity Credit Corporation--CCC. This is not, to be sure, a move synonymous with an embargo on grain and feed deliveries to Poland but, in reality, in view of the well-known payments difficulties of our country, cash purchases are ruled out.

The use of food deliveries as a political weapon was possible because, in spite of warnings made by many, prominent economists, we continued the policy of supplementing grain shortages with imports instead of increasing our own crop production.

However, it is impossible to execute a complete turnabout, overnight, from the policy which was being carried out until now in the area of supplying people with food, which came in part from imports. Our remaining supply markets are our hitherto existing grain and feed suppliers such as Canada, Brazil, countries of Western Europe, which are continuing deliveries on the basis of transactional credits. We are counting on the possibility of securing supplies of bread grain for the country, however, problems will occur in the area of feed supplies.

This will result in the necessity of exploiting our own feed base to full advantage, lowering the consumption of protein feed per unit of animal production as well as shifting it to less grain consuming technology.

Table 4. Grain and protein-rich feed imports to Poland between 1980-81

Tabela 4

| (4) Wyszczególnienie | (1) Ilość w tys. ton | | | (2) Wartość w mln dol. | | | (3) Cena w dol. na tonę CIF | | |
|---|---|---|---|---|---|---|---|---|---|
| | 1980 | 1981 | 1980=100 | 1980 | 1981 | 1980=100 | 1980 | 1981 | 1980=100 |
| (5) Zboża i pasze wysokobiałkowe łącznie | 8169 | 8868 | 94 | 1782 | 1830 | 102 | | | |
| (6) Zboża (łącznie z kukurydzą) | 7718 | 7218 | 94 | 1397 | 1402 | 101 | 179 | 212 | 119 |
| (7) Pasze wysokobiałkowe | 1445 | 1374 | 95 | 385 | 430 | 109 | | | |
| (8) w tym: śruty i makuchy nasion oleistych | 1280 | 1350 | 99 | 383 | 414 | 118 | 259 | 308 | 119 |
| (9) mączka rybna | 35 | 24 | 39 | 43 | 14 | 41 | 545 | 570 | 105 |

(10) Obliczenia własne na podstawie Raportu Rządowego o stanie gospodarki, informacji statystycznych GUS i PHZ „Rolimpex".

Key:

1. Amount in thousands of tons
2. Value in millions of dollars
3. Price in dollars per CIF ton
4. Specification
5. Protein-rich grain and feed together
6. Grain (including corn)
7. Protein-rich feed
8. Including: oil-meal and oil cake from oilseeds
9. Fish meal
10. Personal calculations on the basis of the "Government Report" [PRL] on the state of the economy, statistical information from GUS and PHZ [Foreign Trade Enterprise] "Rolimpex".

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FOOD INDUSTRY CHIEF VIEWS DEVELOPMENTS PLANNED FOR 1982

Bucharest SCINTEIA in Romanian 14 Feb 82 pp 1, 2

[Interview with Marin Capisizu, minister secretary of state and chief of the Department of the Food Industry, by Maria Baboian: "The Correlation of Prices Stimulates Food Industry Units to Produce More and Better"; date and place not specified]

[Text] [Question] The rebasing and correlation of agricultural product prices on economic principles and the increase in retail prices, as well as the increases in salaries and state entitlements for children and retired persons, represent, as is known, a group of measures designed to directly improve the populace's supply situation. The food industry is one of the branches of the economy directly involved in the general context of these measures. What are the new main elements that are influencing the development of the food industry?

[Answer] In the words recently spoken by the secretary general of the party, we are stressing that the measures to stimulate agricultural production correspond to an objective necessity. These measures, comrade Nicolae Ceausescu pointed out, constitute a necessity both for the implementation of the new economic mechanism, self-management, self-administration and self-supply under good conditions and for the achievement of a more equitable balance between industry and agriculture. These measures constitute an objective necessity. Any attempt to ignore them can only but lead to serious damage in all economic and social development and in the general improvement of the people's level of civilization.

[Question] Which factors, especially during the most recent period, are influencing the efficiency of the activities in the food industry, as a branch directly linked to agriculture?

[Answer] It is a well-known fact that in the food industry the percentage of the raw materials that go into the processing process represent 80 to 90 percent of the production costs. As has been pointed out, by increasing by 25 billion lei the level of planned production for 1982, the prices of agricultural products - in other words, the prices at which the raw materials will be obtained that go into the food products - also, naturally, increase production costs. At the same time, as was also analyzed in the speech by the

secretary general, the increase in prices on the worldwide level is also felt: prices have also increased for agricultural machinery, tractors, a series of installations and fuels; to a certain degree, there have also been increases in labor costs and transportation and commercial costs, which are included in the sums spent to produce products and to bring them to the consumer. Similarly, costs are influenced by the substantial increases in salaries for the workers in the units in this sector. The direct effect of all these increases is easy to understand: the production of foodstuffs with higher production costs.

In a practical sense, for this branch overall the production prices have increased considerably over the last 5 years while, every citizen knows, for a series of foodstuffs - first of all, sugar, cooking oil and rice - the retail prices have remained unchanged for no less than 30 years. It seems, therefore, to be a natural, objective necessity to achieve a more judicious correlation between costs, production prices and retail sale prices for a series of goods produced by the food industry in order to ensure an appropriate incentive for the production of all the varieties and products that the people need.

[Question] As can be noted in the measures adopted by the party and state, the food industry must take an important step on the path of satisfying the requirements for a rational food supply. What will be the contribution of the food industry sector in this direction?

[Answer] Today, we have a food industry capable of ensuring a high degree of use of agricultural raw materials in a broad variety of products and capable of satisfying the scientifically substantiated consumer needs of the entire populace. As the secretary general of the party pointed out, in Romania a daily consumption of over 3,000 calories is ensured at the present time, a level comparable to that achieved in many countries that are developed from an economic point of view. By structure, however, certain improvements are necessary in the sense of reducing the calories and protein obtained from grains and substantially increasing supplies of products that have an increased content of high protein. You know that differentiate consumption standards are being drawn up that are designed to ensure a rational food consumption. Along this line, 1982 will note the creation of certain types of products with a balanced content of proteins, lipides, glucides, vitamins and other mineral elements that will permit a better satisfaction of the people's scientifically determined nutritional requirements. At the same time, through the items that are produced we will pursue the reduction in the effort needed to prepare foods in the home, with special attention going to dietetic products and those for children. Certainly, the simple creation of names for certain products does not say too much. We feel, however, that the new products that have been created or are in the process will respond to the consumers' needs through their quality and their manner of presentation. Paralleling the diversification of production and the improvement of its quality, we will pursue the improvement and shortening of the cycle for new types of products from the research-approval stage up to the introduction into current production. In this regard, we will cooperate more closely with all the parties that are involved in the shortening of this cycle - which is sometimes still

very long - and, first of all, with the organs of the Ministry of Domestic Trade and the State Committee for Prices. Similarly, we will try to see that the goods that are produced can be found on the market, with this being a basic condition for achieving a rational and balanced food consumption.

[Question] How will the objectives established in the tasks of the food industry units be fulfilled this year?

[Answer] In order to give a succinct picture of the development that the food industry must attain in 1982, I can point out that that goods production will have to increase by 5.6 percent, net production by 8.5 percent and deliveries to the markets by 9 percent, compared to last year. Significant increases will also be recorded in the production of meat, milk, fish, sugar, pasta and so forth. In order to achieve this, special and priority programs were drawn up for each sub-branch of the food industry in which the ways and means of action are outlined.

The attainment of the established levels of production is based upon the continuing development of the technical-material base. In 1982, we must put into operation 119 new facilities for production, with the allocated investment funds being 35 percent greater than in 1981. On the basis of the basic guidelines of the program regarding self-management and territorial self-supply, we will also continue to build small foodstuff production units designed to ensure the better, efficient use of agricultural raw materials and to improve the local supply of foodstuffs. Among these, I can note the start of construction on 11 sugar factories with a capacity to process 1,000 tons of sugar beets in 24 hours and the start-up of 10 milling-bakery units, 24 milk industrialization units and 30 meat processing units.

It is, however, in itself understood that we must ensure a base of raw materials of animal and vegetal origins that corresponds both from a qualitative and and quantitative point of view. The personal directives of comrade secretary general Nicolae Ceausescu - restressed right now - establish important responsibilities for the food indsutry with regards to the achievement of agricultural production. Thus, beginning this year all sectors of the food industry must directly participate, with specific responsibilities, in the achievement of agricultural production. At the same time, in accordance with the program of territorial self-supply the food industry will improve its activities in its own sector of contracting and acquisitions in order to be able to accept and use available agricultural raw materials. In the milk industry, for example, we will organize regions for processing cow and goat milk from the people's farms, establishing collection points in all locations where their are large numbers of cows and goats. In the meat industry, the activities for contracting for animals will be organized in town centers. In the same way, we will go further with the experience from 1981 regarding attracting certain raw materials made on the people's farms in order to process them in the service industry. Thus, we will greatly improve supplies of sugar, oil and grain products to these producers.

[Question] Understanding that the computated correlation of sales prices with the acquisition prices and other material costs will have a stimulating effect for the food industry, in what direction will you work in the future?

[Answer] The food industry, like all the sectors of the economy, has the obligation to work firmly and steadfastly to recover in 1982 at least 30 percent of the amount of compensation that has been given to it. To this end, in each of the units in our sector we are establishing, right now, through the broad consultations with the workers' collectives programs for the additional reduction of production costs, especially by the more accentuated reduction in material and energy consumption, the growth of labor productivity and the most efficient use of raw materials and the entire useful content of these materials. A special concern is represented by increasing the contribution of scientific research in obtaining new foodstuffs with a higher nutritional value and in applying advanced technologies on an ever broader scale. Similarly, we will take firm measures to strengthen order and discipline in all production units, keeping in mind that very many of the food industry units are working on three shifts.

In closing, I wish to stress the firm decision of the workers' collectives in our units not to spare any effort in the carrying out of the best possible activities. The correlation of retail sale prices with material production costs corresponds to this desire and stimulates this process.

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PROBLEM OF DECLINING FOREIGN INVESTMENT IN YUGOSLAVIA

Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 8 Feb 82 p 29

[Article by Bince Bain]

[Text] The level of foreign investment in Yugoslavia has declined markedly since the approval of the Law on Foreign Investments in 1978. Serious financial restrictions are involved, such as the high obligatory minimum percentage of foreign participation in the cost of a project, and the interpretation of the lawgiver that new joint investments must be financed solely through invested capital, and not partly through credits. These obstacles are already well-known, and recently there have been proposals that these regulations be moderated in order to attract more foreign investments in such projects. The positive effect, however, will only be symbolic until a more flexible position is taken regarding regulations on convertible foreign exchange receipts that relate to joint investments in production industries.

By tradition, joint undertakings have had to cover part of their foreign exchange needs themselves. Ten years ago, that meant exporting to foreign exchange markets to cover obligations such as interest and capital payments for foreign credits, royalties, part of the net income due foreign partners, etc. In recent years it has also been necessary to provide for imported raw materials from the West through exports that earn foreign exchange. Most projects also have a definite level of import substitution, and therefore, part of this obligation is covered by pooling foreign exchange between the joint investors and the purchasers, although this principle functions better in theory than in practice.

All potential investors have encountered these foreign exchange problems for some time. What is new and particularly disturbing is the trend toward settling foreign exchange obligations outside of enterprises, the so-called general social obligations. The momentary policy at the republic and province level is to determine a percentage of foreign exchange income that must be set aside for importing such products as petroleum and other priority goods for which there is no direct source of financing under the present circumstances. The percentage of these extra designated funds is determined on an ad hoc basis.

Obviously, all foreign exchange obligations should be financed from somewhere. Considering the fact that Yugoslavia quite justifiably wants to reduce its foreign trade deficit, it is clear that the main burden must fall on production and industry, and joint ventures cannot expect to be excluded completely from this process. However, one should look more realistically at the essence of most joint ventures when formulating foreign exchange policy in this area.

A joint venture usually includes the transfer of the foreign partner's technology (and his contribution is fully or partially capitalized as compensation) for the production of goods that either are not found in domestic markets, or which do not satisfy the necessary standards in terms of economy, quality and reliability. Foreign investments provide the domestic partner with greater and longer-term ties with the foreign partner for the project than would be the case with a usual agreement on granting a license and transferring technology. Foreign investments will also contribute to establishing the products of a joint venture on world markets. Therefore, projects will be implemented in those areas where up until now it was impossible for Yugoslavia to compete on the world market. Here we must give special emphasis to two limiting factors for putting these approaches into action. First, we will continue to rely to a certain extent on raw materials and components that will be imported for hard currency because of the lack, or poor quality of, these items in non-convertible regions. Second, it is difficult to compete in foreign markets, regardless of the presence of the foreign partner in the project. The project's advantages in stimulating exports and in the relatively low level of personal income in Yugoslavia will probably be lost via the relatively low domestic labor productivity levels and high general expenses and customs duties. More precisely, from the standpoint of foreign exchange markets, the income realized will probably not bring a satisfactory return on capital investment for either the domestic or the foreign partner. Thus the amount of sales in foreign markets will have a deciding influence on the financial prospects of projects, and in that regard the smaller that amount is, the better they will be [sic].

So far, practice has shown that many joint ventures could overcome such difficulties by directing a significant part of their sales to non-convertible markets, chiefly in East Europe. These clearing markets have offered marked security, better income, and from the national standpoint they have enabled Yugoslavia to use barter arrangements to import goods for which otherwise it would have to pay foreign exchange. Despite the advantages for the balance of payments, however, no concessions are being approved relative to convertible currencies as opposed to non-convertible currencies in exports, even though that practice was used in the past.

As far as joint ventures in production industries, the prospects are truly favorable. Despite the unattractive nature of exports to convertible markets, under the new regulations joint ventures must in large part be directed at these markets in order to cover all domestic needs and assure a significant remainder for external needs, while at the same time from that viewpoint there is nothing to be gained from sales in non-convertible markets. The degree to which that direction is unrealistic is shown by the following data. In the first 8 months of 1981, imports in foreign exchange for all of

Yugoslavia were covered only 35 percent by exports for foreign exchange. In relation to this total national result, it is simply unacceptable for joint ventures to cover considerably more than 100 percent of their needs. It is hardly likely that a foreign investor would agree to such a proposal.

There is one other difficulty. The percentage to be set aside from foreign exchange earnings for general social purposes is unusually changeable, and depends on ad hoc decisions of republic agencies that are responsible for matters of foreign exchange. Enterprises cannot with certainty plan their marketing, for when the percentage set aside for general social needs is increased, the enterprise has to interrupt its contracted deliveries to domestic and clearing account markets in order to sell in the hard currency area. The joint venture suffers in two ways. It risks losing business in the non-convertible area because of its unreliability as a supplier, and it will be forced to do business at much worse prices to assure business over the short term in convertible markets, with strikingly greater competition.

In order to give support to joint ventures, it is essential to stimulate investments, and not the reverse. The following measures would be a step forward in that direction. First, the agreement on joint investment should contain a definite percentage amount to which domestic foreign exchange needs of joint undertakings should be financed by their own foreign exchange income, up to a maximum of 100 percent coverage; in many cases that is too ambitious a goal. Second, joint ventures should be expressly exempted from external hard currency obligations, such as the current need for contributing to general social needs. Third, these conditions should be confirmed on a long-term basis, so that the foreign exchange balance of joint ventures can be exempted from regulations of republic and province agencies for foreign exchange matters.

In principle, that would not be the only instance of concessions. Agreements on long-term production cooperation that regulate a completely different type of activity between Yugoslav and foreign companies that are involved in producing components for the same product are based on a direct 1 : 1 barter arrangement, and are exempted from the regulations that apply to foreign trade. It seem that there are few reasons not to apply similar conditions to joint ventures. Otherwise, the present unwillingness of foreign investors to undertake new investments in Yugoslavia will probably last for quite some time.

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## ROUNDTABLE FOCUSES ON PLIGHT OF SMALL TRADESMEN

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[Report of discussion with public figures and tradesmen conducted by ILUSTROVANA POLITIKA editor Predrag Aleksijevic and Ljubomir Smiljanic, chief editor of MALA PRIVREDA JUGOSLAVIJE (Yugoslav Small Businesses)]

[Text] In the development of trades and services we are still far from achieving our real potential, chiefly because of the rainbow of regulations and the lack of understanding of some bureaucratic forces in the opstinas. This judgement emerged from the roundtable discussion held by ILUSTROVANA POLITIKA as the paper's guests talked about prospects for new jobs.

ILUSTROVANA POLITIKA and the specialized journal MALA PRIVREDA JUGOSLAVIJE (Yugoslav Small Businesses) organized a discussion with people who in various ways are involved in so-called small trade. The discussion focused on possible employment in this sector of the economy. Discussants were Jovan Krkobabic, secretary of the League for Pension and Invalid Insurance of Independent Trades of Serbia, Dragoljub Boskovic, director of the Republic Income Office, Dragoljub Vujanic, a chief official in the Secretariat for the Economy of the Belgrade Municipal Assembly, Slavoljub Fatic, a member of the commercial section at the Yugoslav Export and Credit Bank, Elvira Mandic, special advisor for small businesses at the Yugoslav Economic Chamber, Dusan Knezevic, assistant to the president of the Federal Committee for Labor and Social Security, Milinko Milivojevic, an independent tradesman, a watchmaker and goldsmith in Zeleznik, Dragoljub Josifovic, assistant to the director of the Federal Bureau for Employment, Miroslav Cvetkovic, director of the contracting organization "Electromiki" of Belgrade, Milojko Divac, assistant to the republic secretary for the Economy of Serbia, and the host, Mirko Bojic, chief editor of ILUSTROVANA POLITIKA. The discussion was led by editor Predrag Aleksijevic and the chief editor of MALA PRIVREDA, Ljubomir Smiljanic.

### Where to Invest Money

All studies about what Yugoslavs should do after returning from temporary employment abroad show that the great majority plan to find work in small business. Many want to open trade shops, services, transportation businesses or food shops. Many want to direct their money and knowledge in those directions. However, they know less about the possibilities of organizing and

and associating into trade cooperatives as contracting organizations of associated labor. They know essentially nothing about forming associations of personal and pooled labor.

[Dusan Knezevic] At the Federal Committee for Labor, we have already been discussing all of this. There are many papers, analyses, practically doctoral dissertations on the topic. Yet something is not harmonious in this area. We have reached the conclusion that the Yugoslav public is not sufficiently informed about the life and work of our workers abroad, for somehow we are always inclined to write about their large incomes, frequently singling out isolated incidents where people have earned hundreds of millions. Yet we forget the little man, the worker who with great toil, under difficult conditions, working up to 16 hours daily, has saved a few dinars in order to come home and start working in a job he has chosen. Should he build a house, buy a car, open a shop . . . ?

I also think that the workers are not well enough acquainted with measures being undertaken in our country. To work 15 years abroad and with difficulty earn a few dinars, but not to know what to invest in after returning home, this is a great concern that we must resolve in an effective and human way. Yet there is no magic wand that will solve everything. According to some strict criteria, we have some 600,000 unemployed in the country, of which 70 percent are young. Abroad, in the western European countries alone, there are fully 670,000 Yugoslav workers. Among them are about 115,000 from the village, farm workers, while in the country there are nearly 670,000 unworked hectares of arable land, and about 1,300,000 elderly households.

Because of all this, and many other important details, it is believed that small businesses offer our great chance. Yet when we speak of employment, then we can hardly brag. The plan called for 5.1 percent to be employed, but from 1976 to 1980 we only succeeded in employing 2.2 percent. That means that we are still only theoretically dealing with conclusions and decisions. In 1976 we advanced total trade employment by 0.8 percent, the next year by 1.9 percent, in 1978 by 2.1 percent, and in 1980 by 3.6 percent. These are just little steps that cannot satisfy us. In 1975 we had 135,000 trade shops, but in 1979 there were fewer, only 127,000. Even this number of small businesses employs very few people. There is hardly .5 employee per shop other than the proprietor. That causes concern.

[Question] Yet we still have quite a few "freelance" tradesmen?

[Dusan Knezevic] That is true, but only where the work of true master craftsmen is not well organized. Well-organized small business is our great chance, but we must talk about its three sectors: the small business in associated labor, the contracting organization, and the trade cooperative. The returning worker usually asks what concretely he can do and what money he should invest. The opstinas, local communities, organizations of associated labor and many other institutions should provide accurate and positive answers to such questions. We have long known that we are not making use of all the possibilities of small business. Even today, there are opstina presidents who will say: "As long as I am president, on my terrain there will be no personal enrichment, and no private sector."

There are only 96 contracting organizations, which is unbelieveable, even though we know that our workers are ready to open shops either as contractors or in providing services. Yet everyone points to the obstacles they encounter in the opstinas as the difficulty. It is true that our regulations are complicated, even though our comrades in Serbia are striving to approve something finally that will simplify the procedure involved in creating trade shops and recognizing specialized training, so that we can accept the qualifications of a man who has worked in a specialty for 10-12 years. Some returnees have complained that they were asked to pay as much as 10,000 marks and more for a permit to open a shop.

[Dragoljub Boskovic] That is a classic criminal act. It happens, but it isn't the rule.

Some Opstinas Are Silent

[Dusan Knezevic] That is correct, but we should also fight against the bad exceptions. We should talk about the working space that is being sold through the Federal Executive Council for 7, 8, and even 9 million dinars. The administrative offices are modern, but look at the working space that is offered to craftsmen, and look at how expensive it is. On the other hand, the Belgrade suburbs are without needed services. If the opstinas presidents agree, then the urban planners block them...

[Jovan Krkobabic] I think that the opstina development plans and the intermediate plans do not contain anything that guarantees us that in the foreseeable future we will employ a certain number of workers in small businesses. As an example, let's say that the development plan for the Tutin opstina, or the Zvezdara opstina, shows a shortage of a certain number of craft shops of particular types. When we have such a program, then we will have something to offer people when they return from abroad. As far as such announcements go, it would not be bad, for example, to have posters at the Belgrade train station showing which opstinas have programs calling for certain numbers of independent tradesmen and shops. A poster with similar announcements could also be posted in the FRG or in any other country where our people work. The information should also appear in many of our newspapers. Then a person would know what kind of equipment to buy, and what to do to prepare himself. It is sad that neither the opstina or the local community knows what it needs, and we must know that. Basic and serious analyses are essential. Let us say that we want to develop agriculture, to mechanize it. So the farmer buys a tractor and various accessory machinery, but there is no one to repair or maintain it. A well-equipped service station, an independent shop would be so necessary in such a village or local community. Returnees from abroad and the domestic unemployed need to be offered real programs that show what is needed, where it is needed and in what amounts. Naturally, that is expected from the opstina first. If all of these things are done, we will succeed in small businesses.

The League of Pension and Invalid Insurance of Workers and Citizens, who perform their work using private capital, has made several significant attempts to expand the circle of insured and to make it possible for them to provide

themselves with the obligatory pension and invalid insurance when they open shops. Beginning with 1 January 1982, the League will insure truckers and taxi operators as well as independent craftsmen and providers of services. Also, foodshop operators and other merchants, as well as people in similar trades, are now covered. Thus the insurance has been expanded to all those who previously were not insured. This will make it possible for returnees from abroad to provide themselves with social insurance as workers in associated labor. At the same time, all those who left private employment in Serbia to go abroad and are doing the same work in foreign countries will now be provided with voluntary insurance through the League if they wish. Frequently, people return from abroad when they are incapable of work, and here after a few years they become invalids and retire. That means that the society must take that into consideration as well.

[Question] It would be interesting to see what brighter prospects returnees can expect to see.

[Elvira Mandic] Both our workers and all of us here in the country would like to have answers to that question, but agreements require people in the opstinas who will work on that. Another factor is that there are eight labor regulations in six republics and two provinces, and finally, every city has its own conditions as well. In my opinion, that means that if ILUSTROVANA POLITIKA wants to inform the greatest number of workers about the situation, it would have to decide on a series of articles or "roundtables."

Seen as a whole, with very few exceptions we have gotten the impression that we are taking a "campaign" approach and talking in general terms about returnees. This usually happens during winter vacation, when they come to the country. At that time, information is quite general, and does not offer any true possibilities. It is a similar situation with radio broadcasts, where workers ask many questions yet nevertheless remain insufficiently informed. Yet despite everything, I think there is a favorable climate here for the development of small businesses, but the worker has a hard time deciding to return and open a craft shop because he lacks sufficiently clear information on such possibilities. Such information is hard for our domestic workers to get. The culprit is the incomplete development program, which is our great shortcoming. Certainly, now all the domestic regions are provided with social agreements on the development of small businesses, yet all of that is not enough. The least information is that available about working space. Some opstinas have very modest plans. In comparison to the total number, there are about 600 opstinas, and that is a drop in the sea. It would be possible to provide a network of new service shops and a part of the production facilities, so that returnees themselves could determine that they could sell their products. But illegal work provides constant competition, and therefore it is quite difficult to maintain a service shop...

The main part of the development of small business production should be assigned to larger production and commercial labor organizations. We believe that every larger production organization should have its plan for the development of small businesses. Some already do that, but everything now being done is insufficient. I would assert that our opportunities in

organizing private production work are the least utilized, yet they offer the greatest possibilities for employment.

[Milinko Milivojevic] I am a watchmaker and goldsmith. I have a shop in Zeleznik, and I am also involved in social work. A few years ago, representatives of the craftsmen visited comrade Dragoslav Markovic while he was president of the Serbian Presidium. I was one of them. At the time, comrade Markovic said that the Constitution and congress documents offered the possibility of developing small businesses and independent activities, but accompanying regulations could not be coordinated with those basic acts. Today, 4 years later, the situation has not changed. The pains only begin when a man opens a shop. I think that an independent craftsman should develop himself, and when he becomes strong he should enter a contracting organization, and later it should grow into an organization of associated labor. But under the present tax policy conditions, which are antiquated and absurd, the status is poor. I was the president of the Association of Independent Tradesmen of a region, and I saw how the tax collectors hustled the craftsmen, fearing that they would become rich. That distrust is the primary stumbling block. I would recommend some solutions. For example, right now working space is expensive. It doesn't matter whether the craftsman owns his own premises or leases them. The obligations are great: he must pay for power and heating. On the other hand, there is the question of the number of workers. I have machines, and I could employ five workers, and I also have the opportunity, but under these conditions I would not do it. Why not? I would work a lot, but I wouldn't receive anything. I would have to pay a progressive tax for each employee. If you earn 40 million dinars, they take 30 million from you. You are left only enough for simple reproduction, but not for further development.

[Question] Small business is truly the golden hen that lays the egg without anyone feeding it. What do you advise craftsmen to do?

Tax Based on Calculations

[Milinko Milivojevic] As an independent craftsman, I would advise our tax officials to change their policy. I would suggest that they assess a lump sum tax based on the shop itself. Then the tax collectors would not have to hustle to catch violators, and the craftsmen would not hide his trade. On the other hand, the person who works more will earn more, and will invest more in development. My goal is to have five workers, to increase that number tomorrow, to create a contracting organization and have it later develop into an organization of associated labor. I advise successful craftsmen, especially returnees, to cooperate with social organizations, because they can equip their shops well. And then the entire income would be registered in their accounts, and it could be taxed on that basis. Nevertheless, until conditions are changed, I do not have a great deal of advice to offer!

[Miroslav Cvetkovic] I have experienced everything that has been discussed here "on my own skin," like many other craftsmen. I was one of them, and later I established a contracting organization. I would not agree with the generalizations when we talk about swindlers in associated labor. The great

majority are honest men. Concerning the employment of returnees, there are possibilities for that. The service trades offer a large reserve, but it is compromised by the freelance craftsmen, if I can express it that way. We are also hampered to a degree by tax policy. Yet some things are changing. Working space, however, continues to be a great problem. People who work well do not complain about the taxes, but rather, about the distrust of the tax officials. A man wants to know in advance, how much tax he will have to pay for a certain amount of trade.

[Question] When did you establish a contracting organization?

[Cvetkovic] "Elektromiki" is the oldest in Belgrade, and we founded it three and one half years ago.

[Question] How many people do you employ now, and what is the personal income?

[Cvetkovic] We have 27 employees, and the average income is 750,000 old dinars. There are three returnees from abroad among us. So the devil is never as black as he appears to be. As far as the returnees are concerned, I think that they can freely participate with capital and open craft shops in favorable activities. Some such enterprises are working non-metals, glass and porcelain, and production of spare parts. All of these crafts require highly trained workers.

[Question] How can a craftsman decide to produce spare parts without reliance on the factory that will buy them from him?

[Cvetkovic] Such reliance is presumed. As I see it, our economy has great needs for services. Perhaps that is where the journal MALA PRIVREDA can help by providing information. That means, people need to be informed, but there is plenty of work to be done. Our organization is involved in producing teaching devices and school equipment, and it has great possibilities for export.

[Question] You said that the average personal income by 750,000 old dinars. Do you know that in Belgrade, the average income in associated labor is 980,000 old dinars?

[Cvetkovic] But what you do not know is that we have invested about 350 million dinars in development. We have developed a production program that would cost any other factory several billion. There is another possibility for employing specialists. Small chemical and technological laboratories, employing a single engineer for production, are needed. They would work with let's say, a few tons of some substance. A factory cannot do that, but a private specialist could. In that way we would bring back many specialists to the country in whom we have great investments for schooling. Another thing would be small farms. That would mean estates on which even unqualified labor could be employed.

[Jovan Krkobabic] There are returnees who have opened craft shops, and there are others. If I were a craftsman who had worked abroad temporarily, and I

was returning here with money or equipment, I would go to the opstina or the local community office in which I intended to live, and I would present my capabilities to them and ask their conditions for opening my own shop. I think that understanding could be found in that way, even though it would not be enough and it would not be as fast as we want, because the opstinas are not prepared sufficiently. But it cannot be said that the doors are closed. Today there was talk of 30 premises in Krusevac in 1982. They will be assigned to returnees or other craftsmen. Yet there is still the misunderstanding when, let's say, 50 craftsmen want to perform the same trade on the same street.

[Dragoljub Boskovic] I would stress one important factor: the determination of our republic that people should come and open craft shops. It says: "You won't be hampered, but rather, supported. The tax system contributes to that. Several years ago we introduced proportional taxing. When personal work and independent craftsmen are involved, the tax system anticipates that. Therefore, taxation is not progressive. Changes in the base do not bring changes in the percentage of tax. This confirms the constitutional provision according to which everyone should pay tax according to his economic strength. That means, what he earns will not be taxed out of porportion, as total income is taxed, but rather, proportionally. Next, during his first year of operations in Serbia, a craftsman is totally exempt from taxes. Many opstinas have extended this to the second year as well. In some places the tax is reduced by 50 percent, in others by 80 percent, in yet others it is cut by 30 percent and extended to the third year. In most opstinas, truckers and innkeepers who are first beginning their work are exempted from taxes. Another thing is that all operating expenses are eliminated from the taxing basis, including the cost of specialized literature, travel to fairs, etc.

It is important that a craftsman know his obligations and the concessions granted by the taxing system. The tax books provide for the most honest relationship between the state, the tax official and the taxpayer, and avoid any chicanery. In the Yugoslav tax record system, every semiliterate man can find his way. For example, in Zemun there are no misunderstandings between the craftsman and the tax official. They keep their own tax records, figure their own taxes, and trust is guaranteed. I suggest that those who return to the country should first write to the proper opstina; I am sure they will get a correct response. They should ask the economic department about the procedure for opening a craft shop.

More Favorable Credit Rules

[Question] How can the tax system encourage a worker to return from abroad and become involved in one of these activities?

[Krkobabic] It will support him by exempting him from taxes for the first year. Otherwise, total taxes amount to about 20 percent, while 80 percent are contributions. We have protected all taxpayers of the social sector. The tax rate cannot change during the year. That is very good, because previously there were abuses during the year, with retroactive taxation.

[Question] And why do shops not have five workers each?

[Krkobabic] I think that we gave a partial answer to that question. In any case, the system needs to be improved in that regard.

[Dragoljub Josifovic] The difficulty is that few workers have attained the qualifications abroad in order to independently carry out specific activities at home. Small businesses in most opstinas are regulated legally, and their development is confirmed, but there are difficulties that retard that development.

The shortage in working space is the chief brake. Therefore, it is important to accommodate the finance and credit systems, for some returnees and other citizens do not have enough money to open a shop, or acquire an apartment. Something must also be done about customs duties. Customs privileges for returnees were established in 1970, and have not been changed since then. That means, they are not supportive. That is the case with imports of equipment and production materials. There are steadily few examples of correct behavior toward returnees.

It is not enough that we have legally established the directions and possibilities for developing small businesses, and it is not enough that workers abroad save and that they are inclined to invest their money in their own employment and the employment of others. Efforts and good will are required on our part, as well. What could we recommend to returnees today? I would say that they should be informed about the concrete possibilities for employment or work in good time through our diplomatic and consular offices, self-management interest communities for employment and other corresponding institutions.

[Slavoljub Fatic] The Yugoslav Credit Bank Assembly has determined that in its commercial policy the most important factor is to assure a quicker return of the workers who have been temporarily employed abroad. Workers who intend to open shops at home now receive more favorable credit than do organizations of associated labor. Where is the advantage? In the interest rate. Organizations of associated labor, including those joined together in the bank itself, agreed with this. That is very important, because it means that associated labor is interested and ready to help our people to return home.

This bank has an information center in which one can really find out everything of interest to our returnees, from the conditions for establishing contracting organizations of associated labor, to regulations for opening independent craft shops. Its main advantage is in the lower interest rate, and that depends on whether funds are being sought for capital investment or for operating capital. The rate is one percent below that at other banks, and presently ranges between 6 and 12 percent. A returnee who starts a contracting organization must have money to provide 30 percent of the amount he is borrowing. If he opens an independent shop, he must deposit 33 percent in either foreign exchange or dinars, that does not matter. The bank offers technical assistance. In this bank, our man can take care of everything in

one place. For returnees, a very important system is that of designated savings. The longer a man saves, the greater advantage he gains when he borrows. There is a scale according to which a single invested dinar can get up to 8 dinars of credit.

[Question] Can a group of returnees propose to the bank that they will open a trade center on some premises?

[Slavoljub Fatic] The bank has already built such a trade center at Vrnjacka Banja, and now one is being planned in Belgrade, at Vracar, and others will be in Novi Beograd (New Belgrade), Zemun and Vozdovac. There will be space for craftsmen there. One should inquire at the assemblies of those opstinas, or thier economic sections. Of course, all of this relates to savers at the Yugoslav Investment and Credit Bank.

[Dragoljub Vujanic] In Belgrade, there are 140 basic organizations of associated labor involved in small business and 7,280 craft shops, for a total of 31,500 workers employed in small businesses. All Belgrade opstinas have composed a development program with the exception of Stari Grad (Old Town), where there are already many craft shops. The Zemun opstina has prepared a program for 71 craft shops, and it knows exactly what premises they will occupy. They are looking for mechanics, tinsmiths, automobile painters and tire repairmen. There will be 20 shops for them. Next, premises will be made available for 8 shoemakers, 5 tailors and several other master craftsmen. Then, there will be shops for 3 glasscutters, 2 barbers, 3 florists, 2 pita dough makers, 2 fancy bakers, 1 cabinetmaker and 1 purse maker. The Cukarica opstina anticipates building 49 shops, and everything has been prepared. It is important to note that the future proprietors have not been determined in advance. There is a special commission that will make those decisions, and competitions will be held every 15 days. The Novi Beograd opstina will open 40 shops in 25 local communities.

Belgrade also anticipates 40,000 square meters of commercial space for small businesses. A small part of this has been sold, because such premises are very expensive, but there are projects for craft centers in which the premises will be cheaper and the rent more manageable. I think that in Belgrade, the greatest problem is with the urban planners, for they see Belgrade in the distant future, and not in the next few years. They have difficulty in accepting the construction of low-cost prefab shops that would be suitable for new activities and that master craftsmen would be happy to purchase.

What Conditions Are Found in Various Places?

[Milojko Divac] Since I work in the Secretariat for the Economy, I will say something about regulations in order to inform our workers about what is new, positive and favorable. There is a different situation in each of the 114 opstinas in Serbia. In some places the possibilities for small business are very good, while elsewhere they are weaker and in some places they do not exist. Recently we had a very solid conversation about trade cooperatives. For example, in Nis there is a trade cooperative that employs several thousand craftsmen. It was organized in accordance with the Law on Associated Labor,

and it has the same status as a basic organization of associated labor. Therefore, it is normal that, like a basic organization of associated labor in the social sector, it should be exempted from paying the turnover tax. Yet the cooperative in Nis was fined 800 million old dinars, because it did not pay the turnover tax. At our request, the Federal Financial Secretariat interpreted the regulation differently, and the Nis craftsmen will get their money back. In this area of the regulations, the situation is different in Nis, different in Belgrade or Krusevac.

I would stress that there are misconceptions of the meaning of developing small businesses throughout the country. There are 185,000 workers abroad from Serbia proper. They should return and find work. The possibilities for doing that in associated labor are not great, and the only chances are really offered by small businesses. Yet if that is true, and if we recognize the fact that in the GNP of Serbia and of Yugoslavia, small businesses account for less than 7 percent of the total, and that in the North Rhine-Westfalia, the most developed part of the FRG, small businesses account for more than 70 percent of the GNP, then it is clear that our opportunities for employment in this sector must also be great.

[Question] Do you agree with the fact that small businesses in Serbia could employ 240,000 people, if they were properly handled?

[Divac] I think that even a greater number of people could be employed in small businesses in our republic. However, frequently the people who support cooperation between small businesses and associated labor are placed on the black list, because they are accused of making yokes between so-called private entrepreneurs and labor organizations. As a result, so that things will be more calm, people abandon such work, and there is no cooperation.

There are also some incredible misconceptions in commercial banks. A good example is the Yugoslav Investment and Credit Bank, and there are other examples. Yet some other commercial banks are deaf when there is talk of the needs of small businesses. The question of the value of present regulations also arises. Are they obstacles to the development of small businesses, or do they support it? We have determined that some are obstacles, and consequently we have proposed different solutions. The text of the previous Law on Commercial Shops stated that the sociopolitical community, or the opstina, could determine whether private commercial shops should be opened on its territory. We have proposed that that provision be eliminated. If all other conditions are met, a man can open a shop even right across the street from a supermarket. The main provision in the Law on Commercial Shops is qualification once attained are valid not just in one opstina, but throughout Serbia.

It is significant for returnees from abroad to know that the establishment of contracting organizations no longer requires a dossier that documents the economic justification for such an undertaking.

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# East Europe Report

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2253

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CLOSER GDR-USSR ECONOMIC PLANNING COOPERATION SOUGHT

East Berlin PRESSE-INFORMATIONEN in German No 21, 19 Feb 82 p2

/Interview with Prof Dr Karl Gruenheid, state secretary, State Planning Commission (date and place not indicated): "Even Closer Cooperation Between GDR and USSR"/

/Text/ /Question/ What steps were taken during the past year in order to intensify economic relations between the GDR and the USSR still further ?

/Answer/ There is every reason to say that 1981 was characterized by a variety of new steps and extensive projects aimed at further intensifying economic relations between our two countries. Ministries, combines, factories and research institutions worked hard on the measures and projects aimed toward the realization of the specialization and cooperation program. Evidence of this for example is the fact that 24 agreements were reached on a wide variety of new questions dealing with specialization and cooperation, with scientific-technical cooperation and cooperation on the intensification and rationalization of plants in both countries.

At their meeting in the Crimea in August 1981, Erich Honecker and Leonid Ilyich Brezhnev concluded agreements on the main questions of developing economic relations between our countries. These agreements focus even more on those tasks which serve a more efficient utilization of the economic and scientific-technical potential of the two countries--such as expanded use of microelectronics; cooperation in the construction and utilization of industrial robots, and further modernization and greater efficiency of the consumer goods industry.

/Question/ In what ways are these agreements reflected in the work of the GDR-USSR intergovernmental parity commission for economic and scientific-technical cooperation ?

/Answer/ The agreements reached at the 29th meeting of the parity commission give a clear indication of the new style of cooperation. For instance: In order to make a contribution toward realizing the goals set by the 10th party congress of the SED and the 26th party congress of CPSU on introducing industrial robots, an intergovernmental agreement was concluded at the 29th meeting laying down the guidelines for cooperation on the development and production of industrial robots and manipulators. Concrete

programs were worked out on the devlopment and production of industrial robots in 14 different fields including welding, coloring, machine tools as well as for the electric industry, the glass industry and the automobile industry.

Another agreement dealt with cooperation on a number of microelectronic products. Now that we have made good on the intergovernmental agreement on these products which was concluded in 1977—particularly in the development and introduction of integrated circuits, we now have an agreement on reciprocal deliveries of special technological equipment and components. This provides good opportunities and bases for working out solutions in automation, computer and communications technology as well as robotics which will help effect substantial savings in labor, material and energy.

Another example of the new style is that we are now using the commission more to deal with such things as energy and material conservation as well as with intensification of production as reflected in the cooperation agreement between the cement factories in Bernburg and Lipetsk.

/Question/ What is the cooperation like in the consumer goods production sector ?

/Answer/ Here again intensification is the main focus. There is, for example, the agreement on intensifying hosiery production between the VEB hosiery combine Esda Thalheim and the Aurora combine in Riga as well as the "50th anniversary of the foundation of the USSR" combine in Brest. Joint groups of foremen, engineers, technicians and top workers have been charged with looking into the production and auxiliary processes. Through the use of modern technology, efficient working methods, a higher level of mechanization and the efficient use of basic and auxiliary materials the goal for 1985 in ladies' panty hose production for example is to lower production time to 83 percent, to raise labor productivity to 117 percent while increasing the quality factor to 87 percent and raw material utilization to more than 90 percent.

Intensification of furniture production is being worked on as part of direct cooperation in production as between a number of combines in the GDR and the USSR. The furniture combines of Zeulenroda, Berlin and Dresden-Hellerau as well as combines located in Leningrad, Salsk and Voronezh are jointly working out and introducing production technologies to turn out upholstered furniture, kitchen furniture and chairs. The goal of these cooperative undertakings is to achieve a substantial increase in production, to increase labor productivity and to lower prime costs at the conclusion of the measures jointly introduced to achieve intensification and reconstruction.

/Question/ There will be new and important achievements in 1982, we take it...

[Answer] The decisions of our party, particularly the economic strategy for the eighties require it. In our determined effort to carry out the specialization and cooperation program, the upcoming commission meetings are sure to open up still more areas for cooperation.

The agreement in the views and aims of our parties and peoples; the identity of the basic economic goals and tasks of both the GDR and the USSR as well as our firm embedment in the socialist community of nations offer a stable foundation and a solid guarantee for it.

Let me add one thing: The worsening of the international situation caused above all by the U.S. administration; the arms buildup which is directed against maintaining a durable peace; the threat of political and economic sanctions—all this makes it imperative that we intensify our cooperation with the USSR in science, technology and economic matters even further; that we utilize the opportunities for socialist economic integration even more fully in order thereby to increase the economic strength of the socialist countries still further.

2300/190

OFFICIAL COMMENTS ON ECONOMIC SANCTIONS REPORTED

Warsaw ZYCIE WARSZAWY in Polish 18 Feb 82 p 6

[Interview with Deputy Chairman of the Planning Commission Stanislaw Dlugosz by Henryk Borucinski of PAP; "Economic Sanctions Are a Boomerang"; date and place not given]

[Text] [Question] Foreign countries are noting Poland's return to the coal markets, a development which Western banking circles have been impatiently waiting for, since they justly considered it a sign of our economy's recovery. And it is at this moment that economic sanctions against Poland have appeared.

[Question] Mr. Minister, how are they to be explained?

[Answer] One key, but not the only one, to understanding U.S. foreign policy can be found in "The Real War," a book by former president of the United States, Richard Nixon. One can find there such statements as, for example, "World War III began before World War II ended," or "The Third world war is the first truly global and the first truly total war." After reading this book, which discusses the foundations of American foreign policy, one can more easily understand why the particular circles determining U.S. policy instigated the events of Poland.

From the point of view of what was possible with our economy and population, we were suited best of all for implementing the goals set by the above mentioned circles of American politicians, namely: to weaken the whole socialist camp, regain their role as political and economic leader in the Western world, weaken the significance of leftist parties in Western countries, and weaken the influence of socialist countries on the so-called Third World.

The imposition of martial law in Poland proved that in the United States and in some other countries in the West the earlier, rather impatient hopes for an end to the chaos in our country were only a pretense. In point of fact, after 13 December Poland ceased being a stage for the implementation of American foreign policy goals, and that explains the abruptness of the sanctions adopted against Poland and the USSR, sanctions supported by the recently televised, American-style spectacle.

[Question] Are the sanctions a "punishment" or a further attempt to influence the course of events in Poland?

[Answer] They are most certainly the latter. One can clearly see that the United States is counting on the complete collapse of our economy and the consequent manifestation of social dissatisfaction, and on a chain reaction as well, since the economic situation in Poland has a certain influence on the economies of the other socialist countries. It is symptomatic that the American sanctions concern primarily the food complex, and that says a great deal about humanitarianism....

[Question] What effects are the sanctions of some of the Western countries having on our situation?

[Answer] These restrictions are causing painful, short-term effects, as well as some which can result in more lasting changes in our own, and in the European, economy. Among the major effects one must include Poland's difficulties in purchasing food. As a result of the American decisions we have lost this year about 170,000 tons of fish previously caught in American waters; we must liquidate a significant part of chicken-farming, which as is known is supported from the technological point of view on American corn; and, moreover, we have lost the possibility for buying other food, including grain, on credit. Thus these are very painful moves for us, reflecting negatively on the standard of living of the people in our country. Closing the lines of credit will make it impossible for us to buy raw and other materials for production. Thus the market supply will worsen and our export possibilities will decrease. This sphere of the economic consequences of the restrictions can also, in effect, complicate the social situation, which is precisely what they are counting on overseas and in some NATO states. That is why I consider it extremely important to inform society who initiated the restrictions and what their true goal is.

[Question] There is a danger here that we will forget the fundamental reason for our difficulties, which was our own economic decisions in the past. Political circles in the West that are unfriendly to us are simply taking advantage of a situation which we brought on ourselves.

[Answer] The question cannot be posed in that manner, nor can such an evaluation be given. After all, aside from the obvious errors in economic policy in the 1970s, the essential element unsettling our economy in the years 1980-81 was undoubtedly actions of a different sort, actions of extremist forces instigated from outside. Conclusions drawn from the past call for the consistent introduction of a sound economic reform which strengthens the socialist system. That is one matter. But as far as the effects of the restrictions are concerned, I want to emphasize that over the long run they are never effective, although they can temporarily cause us many problems and difficulties. The financial blockade of Poland will complicate our repaying our loans and interest, but that is a risk which the Western circles have taken on themselves. Attempts to impede technology transfer--one of the major driving forces in the development of economic cooperation with the West--can also be acknowledged as an attempt to force us again in the position of exporting unprocessed raw materials and fuels. In the meantime we will be linked with the socialist

countries to a significantly greater degree than before, and we will gradually decrease our dependence on economic cooperation with the West.

[Question] Our "today" is very difficult, and probably our tomorrow also. In addition to all this, enormous debts are weighing us down. What long-range solutions do you see?

[Answer] Poland is a member of the socialist community. Those countries, especially the Soviet Union, are giving us aid. Recently both the Executive Committee of CEMA and the planning committee for that organization unequivocably declared themselves in favor of adopting resolutions which have as their goal to increase economic cooperation with Poland. We already have certain matters behind us.

[Question] Please give us a few specific examples.

[Answer] We are in the advanced stages of discussions with Hungary about cooperation in producing buses and trucks; discussions are in process with several countries of CEMA about joint production of picture tubes for color televisions sets; with Bulgaria, about production of machine tools; with the GDR, about power-drive units for sewing machines; and with the Soviet Union, about caterpillar tractors with 450-500 horse power. But these are ancillary elements. Leading the nation out of the present crisis depends above all on our work, on our skill, and on the speed with which our industry is structurally rebuilt. As to the rest, our socialist partners are markedly speeding up deliveries of market commodities and raw and other materials, and they have agreed to extend us credit this year.

[Question] What other optimistic factors can we count on?

[Answer] As far as the internal situation is concerned, then in spite of everything the good outcomes in coal mining and in the sugar campaign and the dynamic development of imports with the socialist countries in the first half of this year permit a cautious optimism. The external situation is also changing somewhat. In spite of the protests of the United States, France has signed a huge contract for deliveries of Soviet gas. We are also seeing a differentiation in approach to our problems among the western financial circles. That indicates that in the West the process of returning to realism and to seeking sensible principles of coexistence may soon begin, since Western Europe cannot, even when so commanded by the United States, turn its back on the USSR and the other socialist countries.

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EXPANSION OF INDUSTRIALIZATION SCHEDULED DURING NEW FIVE-YEAR PLAN

Tirana RRUGA E PARTISE in Albanian Oct 81 pp 15-24

[Article by Nezhdet Hoxha and Fiqiri Islami: "The Further Expansion of the Characteristics of the Socialist Industrialization of the Country in the Seventh Five-Year Plan" passages between slantlines printed in boldface]

[Text] From the point of view of the level of development of production forces, from a backward agricultural country that still had not entered the phase of the capitalization of industrial development, within a short period, Albania was changed into an agricultural-industrial country and, since the 1960's, has embarked upon the road of transformation into an industrial-agricultural country. An important step in this direction was made in the Sixth Five-Year Plan. As a result of the consistent execution of the economic policy of the party for the expansion of the socialist industrialization of the country, the role of industry, as the leading branch of the economy was further increased during the past five-year plan. The overall industrial product increased by an average annual rate of 6.1 percent. New industrial branches were set up, such as the ferrous metallurgy branch, the deep petroleum processing branch and the ferrochromium branch; the material and technical base of existing industrial, extraction and processing branches and so forth was also further expanded.

The industrial branches which produce means of production were developed on a priority basis in the Sixth Five-Year Plan, too. In 1980 the specific share of the A group in the overall industrial product was 64 percent compared to 56.8 percent in 1975. The energy resources industry was further invigorated. It satisfies all the increasing needs of the country and has become one of the important sources for increasing exports. Important successes were achieved in the discovery of new petroleum and gas-rich areas which increased industrial reserves. Coal extraction in 1980 increased 63 percent, compared to that of 1975, and production of electric energy from the hydroelectric power stations three times. The machine industry also developed at rapid rates, implementing its main task for fulfilling the 95 percent of the needs of the economy with spare parts produced in the country. Important

steps were also carried out in increasing the production of machinery and equipment. The production of this branch in 1980 increased 57.7 percent in comparison with 1975. Noticeable progress was also carried out in all other branches of the heavy extraction and processing industry, such as the chrome, copper, chemical, and construction material industries, and so forth.

The consumer goods industry was developed during the Sixth Five-Year Plan. For many of the main products of light industry and the food industry, the average annual rate of their increase was between 2.2 and 6.5 times higher than the average annual rate of growth of the population.

With the Seventh Five-Year Plan, as stipulated in the draft directives of the Eighth Party Congress, another important step forward is being made on the road to the transformation of the country into an industrial-agricultural country. To achieve the main task determined in the draft directives, we must continue the development of "industry in a rapid manner so as to assure the continuation of the building of a complex, multi-branch industry, by strengthening the existing branches, setting up new branches and giving priority to the growth of the heavy extraction and processing industry, first of all, the energy resources industry, the mining and processing industries, and the machine industry, and by developing the consumer goods industry in harmony with the needs of the people and of the economy and by improving their structure and quality" ("RRUGA E PARTISE" No 7, 1981, p 11).

The harmonious development of industry with agriculture, giving priority to industry, the priority development of the means of production, compared to consumer goods and the transition on an increasingly broader scale, from a heavy industry which is mainly extractive into an extractive and processing industry and the wide and deep development of industry, utilizing the resources and natural wealth of the country in a complex manner, in accordance with the principle of relying on one's own forces, and the expansion of industry over all the territory of the country--all have been and remain the characteristic traits of the process of our socialist industrialization which, in the Seventh Five-Year Plan, as stipulated in the draft directives, will become more definitive and will give to the country an appearance similar to that of a progressive industrial-agricultural country.

The Rapid Development of Industry Relying Only on Our Own Forces

One of the main problems of our socialist industrialization has been and is to ensure the development of the various branches of industry at rapid rates. This constitutes one of the distinctive characteristics of the Seventh Five-Year Plan which was drafted and will be implemented by fully relying on our own forces and on our human, material and financial resources, without any aid and credit from outside. Thus, according to the draft directives, it is expected that in 1985, compared to 1980, the overall industrial production will increase 34-36 percent, or by an average annual increase of 6.4 percent.

These relatively high rates of increase of overall industrial production are necessary for the position which industry occupies and for its importance in the framework of the entire economy, and for the role it plays in the development of productive forces, the invigoration of the material and technical base of socialism, the expansion of the technical and scientific revolution, the fulfillment of the needs of the people and the economy and the strengthening of the defense capacity of the country. They also are fully realizable by properly utilizing the totality of objective and subjective conditions which the socialist relationships create in production and, especially, the possibilities offered by the present phase of our industrial development.

The draft directives of the Eighth Party Congress on the Seventh Five-Year Plan correctly stipulated not only the tasks, but also the ways to increase industrial production by preserving, just as in the past, the development of the various industrial branches simultaneously in depth and width, giving priority to the expansion of the character of its intensive development in the main directions. Thus, for example, it is expected that 58 percent of the growth of industrial production will be ensured by a more complete utilization of the existing production capacities, 28 percent, by their expansion and reconstruction and 14 percent, by the new projects to be constructed and put into operation during the years 1981-1985. In the meantime, it is calculated and expected that about one half of the increase of industrial production will be supplied by an increase in the social productivity of labor, while 80 percent of the increase of net revenues of the enterprise will be provided by the reduction of costs and so forth.

Therefore, from any angle that you can see the objectives of the Seventh Five-Year Plan for the development of industry, great tasks appear for the intensification of this leading branch of the economy. And, these tasks, Comrade Enver Hoxha stressed at the Tenth Plenum of the Party Central Committee, are not general and non-assigned. They are concretized in utilization of the existing technical base with the most complete and most effective capacity, in economizing on manpower and concrete labor, reviewing work norms and norms for the use of materials, in the tasks for the further mechanization of production processes and for the execution of advanced technological processes, in the improvements which must be reached in the organization of work and production, and in the implementation of the achievements of science and technology on a broad scale. Therefore, the fulfillment of the targets determined in this new plan requires a review with a critical eye of all its basic links. It is the task of the basic party organizations and of their levers to better organize their work so that the confrontation of the working collectives with these important problems, a confrontation which took place during the public discussion of the draft directives, will be continued in a systematic manner during the work and struggle for implementing the tasks assigned. The circumstances under which we are fulfilling the new five-year plan demand that we raise the struggle for the mobilization of the internal inexhaustible reserves of production to a higher level, among other things, placing the

creative innovative thought and action, in a better manner than before, in the service of fulfilling the plan tasks. And, this creative thought and action is broader and more powerful today; it constitutes, as Comrade Enver Hoxha described it, a new characteristic of our time, a characteristic which must be supported and further encouraged by the party organs and organizations, the government and economic organs and the mass organizations.

The ensuring of the largest part of the increase of industrial production in this five-year plan, through a more complete and more effective utilization of existing production capacities, requires concrete knowledge, correct evaluation and concrete work organization in regard to the utilization of the great internal reserves that exist in this field. Here, the further perfection of the method and forms of organization and of management of work and production in the various industrial branches, from the center down to the grassroots, will be a powerful influence.

Of course, as has also been indicated in the draft directives, a considerable part of the increase of industrial production in the Seventh Five-Year Plan will be assured by the expansion and reconstruction of existing production capacities and by the new projects to be constructed, for the fulfillment of which 45.6 percent of the total investments, to be invested in this five-year plan, will be used.

To assure the greatest possible effectiveness of these investments, it is stipulated that they will be aimed, first of all, at the most necessary projects so that the rapid increase of industrial production will be assured with smaller expenditures and within the shortest period possible. Therefore, a great part of expenditures will be used for the extension and reconstruction of existing capacities.

Among the important projects to be extended, reconstructed, constructed and put into operation during the Seventh Five-Year Plan are: the extension and reconstruction of the plant for the deep processing of petroleum in Ballsh; the putting into operation of new coal mines in Priske, Podgozhan and Homezh; the putting into operation, at full capacity, of the "Light of the Party" hydroelectric power station in Fierze; the intensification of work at the Koman hydroelectric power station, so that the construction of one turbine will be terminated and put into operation during 1985. Along with the best possible exploitation of existing plants for the enrichment of minerals, it is stipulated that six new plants for the enrichment of chrome, copper and coal will be put into operation within the five-year plan. At the "Steel of the Party" metallurgical combine the following will be put into operation: the second battery of coke, the plant for refractory materials, the plant for the production of metal nickel and of cobalt, the unit for carbon products and so forth. The production capacity of the superphosphate plant in Lac and of the soda plant in Vlore, and of other plants, will be doubled.

The investments to be made for the construction of new projects, although they do not play a very large role in increasing industrial production in this five-year plan, have a particular importance, especially, in regard to the improvement of the structure of production, the extension of assortments, the improvement of relationship between A and B groups, and between the processing and extraction industries and so forth.

The Leading Role of Industry Will Be Further Increased and the Structure of Industrial Production Will Be Improved

In the Seventh Five-Year Plan the leading role of industry will be further increased in the framework of the national economy. This will be embodied in the increase and further invigoration of the state socialist property, in the expansion and qualitative improvement of the working class, in the increase of the means of production produced by industry which play a particular role in the development of all economic branches, in the increase of the specific proportion of industrial production in the framework of general social production and in the increase of the specific proportion of general revenues produced in industry and so forth.

In accordance with the Marxist-Leninist concept of the party--that industry constitutes the leading branch and agriculture the basic branch of the economy--the dimensions and rates of their development have also been determined, giving priority to industrial development. And, so far, the most rapid increase of industrial production has led to the change in the dimensions of overall social production, and of national revenues produced in industry and agriculture; these changes, because of their nature, have given and are gradually, and more and more, giving to the country the characteristics of an industrial-agricultural country. The Seventh Five-Year Plan will achieve results in this direction, too. In 1985 industry is expected to provide 67.7 percent of the overall social product and 57.3 percent of national revenues; while agriculture will provide 32.3 percent and 42.7 percent, respectively.

In the policy of the socialist industrialization of the country, the party has been guided and is guided by the Marxist-Leninist principle that the production of the means of production must be developed on a priority basis in comparison with the production of consumer goods. This priority, Comrade Enver Hoxha teaches us, has been and is a correct and unshakeable principle for the development of industry and of our entire economy, because the priority increase in the production of the means of production is a necessary law and condition for the implementation of expanded socialist reproduction, the invigoration of the material and technical base of socialism, the successful development of the technical and scientific revolution and the increase of labor productivity, leading to harmonious development in accordance with the needs of the branches which produce consumer goods. The pursuit of such a policy in the process of socialist industrialization has made it possible for

the structure of industrial production to undergo important changes so that the specific share of the production of the means of production (Group A) has been continually increasing, and now it dominates in an absolute manner. In the continuation of this policy, in the Seventh Five-Year Plan, as stipulated in the draft directives of the Eighth Congress of the Albanian Workers Party, the production of the means of production--(Group A)--is expected to increase 38-39 percent, with an average annual increase of 6.8 percent, while, the production of consumer goods--(Group B)--is expected to increase 29-31 percent, with an average annual increase of 5.6 percent.

Important changes have been made and continue to be made in the structure of Group A, in the specific shares of the products produced in the branches which constituted this group and in the position they hold and the role they play in the framework of industry and the economy in general. Thus, since the mining industry is the main base and support point for the development of the other industrial branches, and since our country is rich in mineral ores, the mineral industry will hold the main position for a long time in regard to the rates of development of the branches of heavy industry and the role of the mining industry in the development of industry in general. In the meantime, the energy industry was considered and is considered as the decisive link for the development of industry and has been developed in accordance with the needs of the entire economy, of the extractive and processing industries, the machine industry, the chemical industry, agriculture and so forth, branches which have developed and are developing in harmony, like links of a single chain. And, it is precisely in this general framework of harmony, ties and reciprocal dependence, in accordance with the development of producing forces and with the expansion of the process of socialist industrialization, that changes and improvements have taken place and continue to take place in the entire structure of industrial branches in general, especially, in those branches which produce means of production.

The creation of new branches and the expansion of the processing industry, the chemical industry and the machine industry, and the enrichment of copper, chrome, coal and so forth, have improved and are further improving the structure of industry and are continually improving the level of independence of our people's economy. The supplying in the country of the most necessary products for expanded socialist reproduction is continually strengthening the country's economic independence, is making our people's economy healthier and more capable of successfully confronting all the consequences stemming from the continual political and economic pressure exerted against our country by the encirclement and economic crises of the capitalist, bourgeois and revisionist system.

The correct policy which the party has pursued and is pursuing in the field of improvement of the structure of industrial production becomes even clearer if we take into consideration the changes that have taken place in the specific shares of the industrial product produced in some of the main branches of the

heavy industry. Thus, while, the specific percentage of the product produced in the branches of the industry for the extraction of useful mineral ores, in the general industrial product, decreased, those of the energy, machine chemical industries and so forth, increased. The machine industry, for example, from 3.1 percent of the general industrial product which it produced in 1960, managed to produce 14.1 percent in 1980, thus, taking the first place. And, we must say that this fact, which expresses the increased role of this branch in the framework of industry, and its entry on the road to the construction of machines, pieces of equipment and complete plants constitutes a very important qualitative improvement in the process of our socialist industrialization. In the Seventh Five-Year Plan this characteristic will be further intensified. In 1985 we will produce 49-51 percent more machines and pieces of equipment than in 1980; these products will serve to implement the expansion and reconstruction of existing production capacities, to set up new projects with our own forces and further improve the level of the technical equipping of labor in general.

In stipulating the place and rates of development for every branch, the party has started and starts, each time, with the role they play in the development of industry and the economy in general and the needs and possibilities that exist, the relationships that have been created between the various branches, the necessity of harmonizing their development in the future and so forth. Thus, the priority development of the energy resources industry is also expected in the Seventh Five-Year Plan. Compared to 1980, in 1985 the production of the energy industry will increase 37.9 percent; petroleum extraction, 56-58 percent; coal extraction, 48 percent; and the production of electric energy, 15 percent. The achievements of these objectives will make it possible not only to satisfy the increasing needs of the economy, but also to substantially increase their exports. In 1985 the energy industry is expected to supply about 40 percent of the overall exports of the country.

The more rapid increase in petroleum production, in comparison with coal production is explained by the possibilities created as a result of the policy pursued by the party for the discovery of petroleum-rich areas and their best utilization in this five-year plan. While, in the field of their consumption, in the Seventh Five-Year Plan the use of coal is expected to be further expanded in order to replace the use of liquid fuel to the maximum. The increased specific share of coal in the energy resources of the country, which is aimed for, is explained not only by the great possibilities we have for increasing the production and utilization of coal now and in the future, but also by the possibilities and great profit which we get from the increase of petroleum exports in the present situations created by the energy crisis in the capitalist, bourgeois and revisionist world.

On the road to socialist industrialization, the party has devoted and is devoting a great importance to the development of the extractive and processing industry, gradually passing from a heavy industry which is mainly

extractive into an extractive and processing heavy industry. Because of the close relationships existing between the extractive industry and the processing industry, these two branches have developed together both from the quantitative aspect and qualitative aspect and, in accordance with the concrete conditions, and definite ratios have been established between them. In the meantime, the struggle has been waged on a priority basis so to create possibilities for processing all the products of the extractive industry in increasingly larger proportions, so that, in the future, all mineral raw materials will be processed in the country.

The draft directives of the Eighth Party Congress for the Seventh Five-Year Plan foresee both an increase in the extraction of useful mineral ores and the improvement of the level of their processing.

In 1985, compared to 1980, the extraction of chrome ores is expected to increase about 29 percent, the extraction of copper ores,about 52 percent and the extraction of ferronickel, about 2.5 percent. Also, the extraction of phosphorous, quartz, mineral salt, marble blocks, dolomites, olivenites. manganese, bauxites, nickel silicate and of other mineral ores will be increased. The increase in the production of mineral ores will be carried out by relying on the known mineral reserves and by intensifying their extraction, first of all, from the mines under exploitation and from their expansion. Along with the exploitation of rich mineral ores, in the Seventh Five-Year Plan the extraction of poor mineral ores will also be increased and their enrichment will be further expanded.

Closely linked with the development of the mining industry, ferrous metallurgy and non-ferrous metallurgy will also be further developed in the Seventh Five-Year Plan. In 1985, compared to 1980, the production of sheet-iron is expected to increase about 67 percent, the production of carbonic ferrochromium,about 80 percent and the production of blister copper, about 28 percent. With the expansions and reconstruction to be carried out at the petroleum deep processing plant in Ballsh and in other plants, it will be possible to process all the petroleum in the country. As a result of a better utilization of the production capacities of existing enrichment plants, of their extension and of the construction and the putting into operation of new enrichment plants within the Seventh Five-Year Plan, it will be possible to enrich about 50 percent of all chrome ores, about 78 percent of copper mineral ores, about 40 percent of coal and about 43 percent of ferrous nickel mineral ores. In this way, the structure of heavy industry will be further improved in favor of those branches and of those industrial products which produce ready-made products with great value, a better utilization of the resources and wealth of the country will be carried out and profits from their export will be increased, the economic power of the country will be improved and its defense capability strengthened.

The chemical industry, the construction materials industry and other industries are expected to undergo great development in the Seventh Five-Year Plan. The main goal of the development of the chemical industry will be the better satisfaction of the needs of agriculture with chemical fertilizers and pesticides, and the increase of the production of calcified soda, sodium hydroxide, sulphurous acid, detergents and so forth.

The better and better satisfaction of the needs and requirements of the working masses has been and remains the highest aim of the party, finding its expression in the measures stipulated in the Seventh Five-Year Plan for the development of light industry and the food industry. In 1985, compared to 1980, the production of light industry is expected to increase 37-39 percent and that of the food industry, 20-22 percent. Noticeable improvements will also be carried out in the quality, structure and assortment of products of light industry and the food industry.

The rates and dimensions stipulated for the development of heavy industry and light industry and the food industry in general, and those for the development of every branch of heavy industry and light industry and the food industry, are linked and conditioned so that they allow the harmonious development of all branches and sub-branches of industry, as well as the harmonious development of industry with the other branches of the economy, for the invigoration of the material and technical base of socialism, and for the increase of production and improvement of labor productivity, the continual improvement of the well-being of the working masses, and the building of socialism completely with our own forces.

The broad public discussions on the draft directives of the Eighth Party Congress for the Seventh Five-Year Plan, carried out in every work and production center, discovered new reserves which improve the indicators and further elevate the level of assurance that the tasks set for the rapid development of industry will be fulfilled and overfulfilled.

The setting and achievement of the magnificent objectives of this five-year plan are not simply the desire of the people and the party; however, the objective and subjective conditions exist for solving tasks greater than those. And, the possibilities have gradually been created as the result of the economic policy which the party has pursued and is pursuing. The creation and development of a complex national industry, relying on domestic wealth and resources and capable of guaranteeing the independence and continual development of the country on the road to socialism, is one of our greatest achievements in the development of our production forces. The methods utilized, the rapid rates, the resources used for financing and the social results achieved show the correct and farsighted policy which has been pursued and is being pursued by our party in the field of the socialist industrialization of the country. The industrial development is carried out and being

carried out in those directions which guarantee not only a powerful material and technical base, but also a suitable structure that supports the development of a multibranch industry, giving priority to those branches which make our economy independent, dynamic and self-reliant, capable of satisfying the basic needs of socialist reproduction in any circumstance and capable of supporting the entire economic and social development of the country with our own forces.

Today we produce, with our own forces, not only 95 percent of our spare parts, but also machines, pieces of equipment and complete plants; we satisfy, one hundred percent, the need for raw materials, fuel and electric energy; and we export considerable quantities of petroleum and petroleum by-products, electric and coal energy at a time when the capitalist, bourgeois and revisionist world is plunged into a deep energy crisis. Currently, we also provide, with our products, the great majority of raw materials and satisfy 85 percent of the needs for consumer goods. And, it is a fact that, precisely, these achievements, including the creation of a multibranch industry relying on domestic resources and natural wealth of the country, have made possible today under the conditions of the fiercest capitalist-revisionist encirclement and of the deep economic crises that have caught the capitalist world, to progress and march forward at relatively high rates, without stretching our hand out to anybody, without foreign aid and credits.

The successes achieved in these 37 years of the people's government in the process of socialist industrialization prove in the best way possible the Marxist-Leninist thesis that even a small country, like Albania, can rapidly develop its production forces, enter the road to socialist industrialization and successfully build socialism when it is led on this road by a party which has Marxism-Leninism as its infallible compass, which implements it in a creative manner and which protects, to the end, the interests of the working class, of other working masses, of the fatherland, and of the socialist revolution.

On the basis of the successes achieved and of the conditions created, the draft directives of the Eighth Party Congress for the new five-year plan open new horizons for progress at rapid paces on the road to the socialist industrialization of the country. The possibilities and reserves, as it appeared during the public discussions on the draft directives, are many and comprehensive. Therefore, the party teaches us that there is no room for any kind of euphoria and self-satisfaction. This is not only because of the fact that the tasks set in this five-year plan are greater and more complicated, but also because, in the great work which has been done and which is being done, there were and still are shortcomings which have obstructed the rational utilization of all the possibilities and reserves which exist and which our economic and social system creates continually.

In the framework of the public discussions on the draft directives of the Eighth Party Congress for the Seventh Five-Year Plan a creative innovative thought burst out with a new impetus and the results are great. Hundreds of valuable proposals have been approved and are being implemented this year, while thousands of others are scheduled to be implemented in the coming years of the five-year plan.

During the first 8 months of this year 257 new plants, lines and units were set up by our own forces and about 9000 new articles were produced. The second part of the coke plant and the second blast furnace of the "Steel of the Party" combine in Elbasan were completely built. The workers of the Koman hydroelectric power station changed the direction of Drin River. During the first 8 months of this year, the miners produced more than 8700 tons of copper ores, 3100 tons of ferronickel ores, 7500 tons of coal and so forth. Such results exist in all branches of industry. The main point is that this spirit of innovation and this comprehensive mobilization must be further elevated and serve to fulfill and overfulfill the plan tasks so we will greet the Eighth Congress of our glorious party and the celebration of the 40th anniversary of the founding of the party with new successes and victories.

9150
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# EFFICIENCY OF NUCLEAR POWER FOR HEATING EXAMINED

Leipzig ENERGIEANWENDUNG in German Vol 30 No 6, Nov-Dec 81 (manuscript received 8 Jan 81) pp 224-227

[Article by Dr Karl Schwarz, engineer, VEG Energy Combine, Dresden, Bezirk office for Efficient Use of Energy: "Energy Management Aspects of Heat Supply With Nuclear Energy"]

[Text] When nuclear energy is used for heat supply, the power of the reactors depends on different viewpoints than in the use for generating electricity. The power of the plant is determined by the associated consumers; to assure the supply at least two independent heat sources are needed for each territorially limited heat supply zone. On these premises much lower reactor powers are obtained than for a nuclear power station which is connected with a grid. If nuclear heating stations are introduced, the low powers and low pressures of the pressurized and boiling water reactors comply with a desirable inherent safety.

The connection of furnace-heated residential areas and locally scattered industrial heat consumers of low power cannot be included at a compatible cost into the remote heating system. To replace large amounts of fossil fuels by nuclear fuels, large plants or heat consumption complexes to be created, with high annual hours of use are needed.

## 1. Basic Principles

When nuclear energy is used for heat supply, basically different considerations are needed than when used to generate electricity. Nuclear power stations are built in sites for which the safety conditions and cooling water supply seem favorable. The product "electricity" is fed into the general grid, the product of a power station is, so to say, supplied to an anonymous subscriber.

Heat supply plants must be built in the neighborhood of the subscribers, the justifiable transport distance is much less than for electricity. There is immediate contact between the producer and the subscribers, the orderly heat

supply depends on the reliability of the associated generator. A comprehensive supply system as in the case of electricity or gas supply is unthinkable because of the costs and the losses. Or to put it briefly: in the heat supply, the producers must be adjusted to the subscribers to be supplied.

Apart from the required nuclear energy safety conditions in the case of nuclear heat supply new aspects arise as regards the safety of supply. In the case of supply of electricity, the assurance of supply is based on the grid, the failure of a power station can be compensated by the other stations hooked up. In heat supply there must be at least two heat sources for each closed supply area to assure the supply.

In the following considerations an attempt is made to analyze some important complexes of nuclear heat supply to be able to derive thence concepts for the use of nuclear energy.

## 2. Parameters of the Heat Transfer Agent

At this point we will only consider heat users with temperatures $t \leqq 200°C$. It is highly likely that most of the low temperature heat users will have $t \leqq 150°C$, since it is mainly a question of room heating, cooking and drying processes. In some cases it would be worthwhile testing whether in the heat processes lower temperatures would not be sufficient, so that the processes which are still taking place at higher temperatures could become "cost effective" with nuclear heat. In any case it should be possible to operate at the above indicated temperatures all the known public remote heating systems and almost all the applications of process heat in the low temperature range.

Furthermore, in the following considerations it is assumed that the proven pressurized and boiling water reactors are considered for heat supply in the first generation. Thus the required minimum pressure of the first loop depends on the temperature of the heat transfer agent.

## 3. Power and Number of Reactors

The required power for a heat supply area is determined only by the connected subscribers (the possibility of heat-power coupling is not to be considered here). To assure the safe supply, the necessary power must be divided into at least two independent heat sources. These premises apply both for overall nuclear energy supply and for base load operation with nuclear reactors.

In view of nuclear energy and cost aspects, it will be attempted to have the largest possible reactor units. On the basis of the above-mentioned principles of use, the sites must be chosen in such a manner that considerable heat requirement density exists or can be developed for remotely transmitted heat or can be created by establishing plants with intensive use of heat.

The possibility of peak load coverage by a specifically cheaper conventional fuel heated plant or by heat storage units will not be discussed here.[1]

When heat-power coupling is used, the same assertions apply as for pure nuclear heating stations. But the thermal power of these reactors is higher by the amount needed for generating electricity. Because of the necessarily higher temperatures and the several times greater pressure of the reactors for nuclear heating power stations, much higher material expenditures are obtained than for the reactors of the nuclear heating plants. Paragraph 4 discusses the different safety technology aspects of nuclear heating power stations and nuclear heating plants.

## 4. Safety Technology Aspects

The safety technology requirements on one hand and, on the other, the heat transport costs determine among other things the distance of the nuclear heat supply plant from the subscriber or from the population zone. The high heat requirement density sought for an economical nuclear heat supply and the minimum possible heat transport distance impose a high safety guarantee for the nuclear energy plant. According to Karwat,[2] in populated areas, nuclear heating plants should be preferred to nuclear heating power stations, since the thermal power of the reactors is about a factor 10 lower and the pressure lower by a factor 3 to 4. When the power and temperature levels drop, the reactors increase their inherent safety.

The power division into several heat generators (reactors) needed anyway for reasons of assurance cf supply is consistent with this nuclear energy safety aspect. Vlach[3] stated that there are more cases of application for smaller reactor units in heat supply than for large units.

## 5. Territorial Prerequisites for Nuclear Heat Supply

To replace fossil fuels by nuclear energy, three territorial complexes can be defined:

a. use of nuclear reactors in the existing remote heating systems, predominantly in large cities;

b. use of nuclear reactors in large scale plants with high low temperature heat requirements;

c. the creation of new subscriber complexes by including several small and medium size plants with low temperature heating requirement.

The fact that in cases b and c besides plant heat, the residential centers in the neighborhood can be connected does not alter in any way the basic division. When in any region they are preparing for the use of heat supply through nuclear energy, the charting of the users to be considered is needed primarily for the complex c.

### 5.1. Existing Remote Heating Systems

The remote heating systems in cities are used mainly for room heating and hot water supply; plants operating near remote heating systems also use process

heat. Remote heating systems in residential zones can generally be erected only simultaneously with the development of the territory, the extensive reorganization of cities or parts of cities with predominantly old buildings cannot be contemplated. This variant would fail both with regard to applications for remote heating lines, especially for the conversion of furnace heated homes. The increase in the remote heat supply in the GDR is related mainly to the construction of new, modern parts of the large cities. Heat is supplied mostly from conventional heating power stations; the replacement of the latter by nuclear energy plants may be implemented with:

--nuclear heating power stations
--nuclear heating stations (possibly with conventional peak load coverage).

When nuclear heating power stations are used, the higher safety risks discussed in paragraph 4 and which is affected both by the high power and high temperatures, must be taken into consideration.

When using nuclear heating stations, one must give up the electricity generated in conventional heating power stations.

But in both cases relatively "young" plants would be replaced. Most of the large heating power stations of public heat supply were built or at least restored only after the war.

5.2. Heat Supply of Large Plants

Large plants with high low temperature heat requirements (for example cellulose industry, textile finishing, potassium industry, chemical industry, among others) have similar needs as regards network technology as for the public heat supply by remote heating systems. The company's own steam generator units feed with or without heat and power coupling (industrial power stations) into an existing heat supply network. A considerable advantage of these users is, since we refer mainly to technological (process) heat, the higher annual time of use as compared with home heat users (for example in the cellulose industry 6,000 to 8,000 hours per year as compared with 2,000 to 2,500 for room heating and hot water supply).

With favorable territorial conditions, the connection of residential heating supply with plants is customary. To replace conventional industrial power stations by nuclear energy plants, the same considerations apply as for the public remote heating systems.

5.3. New Subscriber Complexes for Nuclear Heat Supply

To achieve on the largest possible scale the main purpose, the replacement of ordinary fuels by nuclear fuel, it is not sufficient simply to replace the heat sources in the existing remote heat systems. From the figures given in Paragraph 6 it may be derived that in the GDR only about 6.5 percent of the low temperature service heat requirement can be replaced by this method. Besides the inclusion of large scale plants with intensive use of heat into the "replacement program," the establishment of new "nuclear energy compatible subscriber complexes." Two basic variants may be used:

a. The inclusion of a number of territorially favorable small and medium-sized plants with low temperature heating requirement; in this case the operating networks exist; the connection into a remote heating system is needed;

b. the erection of intended plants with intensive use of heat in the neighborhood of possible user centers, i.e., even when planning the plants, the site must be selected taking into consideration the coverage of heat requirements.

In both cases it is understood that residential centers located or to be built in the vicinity can be included into the supply system.

## 6. Possibilities of Heat Requirement Coverage in the GDR

With the following rough analysis of the low temperature heat requirements in the GDR an attempt is made to discuss the possibilities and scales of magnitude of a "substitution program."

### 6.1. Public Remote Heating Systems in the GDR

Table 1 shows some important energy economy parameters of 28 of the altogether about 85 remote heating systems of the GDR. The other 57 nonincluded systems have thermal powers of less than 100 MW. This lower limit was chosen with regard to the reactor power sought.

Taking into account the footnotes, the following may be estimated on the whole:

a. It was possible to use reactors of 250 MW power only for 6 systems, most of the reactors had to have powers of P = 50 to 150 MW.

b. For more than 60 percent of the units, the low load is less than 11 percent of the maximum load.

c. The annual hours of use are low; on the average they amount to only 31.5 percent of the maximum possible number of hours of use.

d. The replacement of the heating power plants feeding into this network by nuclear heating plants would mean giving up approximately 3 percent of the total electricity generated in the GDR.

### 6.2 Room Heating

(all service heat)

| | |
|---|---|
| Annual heat consumption for room heating | $700 \times 10^3$ TJ/a |
| of which: | |
| --remote heat | $70 \times 10^3$ TJ/a |
| --solid and gaseous fuels | |
| residences | $260 \times 10^3$ TJ/a |
| plants, community units, supply | $370 \times 10^3$ TJ/a |

Table 1. Indication of Some Parameters for Remote Heating Systems in the GDR With Maximum Possible Transmission Powers Starting From 100 MW

| Power of remote heating systems MW | Number of Systems Units | Annual heat (total) TJ/a | Electricity generation (total) GWh/a | Room heat Percent | Techno-logical heat Percent | Low load Maximum load | Annual hours of use of heat |
|---|---|---|---|---|---|---|---|
| > 500 | 6 | 32,000 | 1,460 | 61-88 | 12-39 | 0.02-0.11 | 2630-5600** |
| 300-500 | 2 | 6,400 | 320 | 75-88 | 12-25 | 0.04-0.10 | 3250-3380 |
| 100-300 | 20 | 38,000 | 1,500 | 49-100 | 0-51 | 0.04-0.30* | 2360-5530** |
| Σ 7660 | Σ28 | Σ76,400 | Σ3,280 | | | | Ø2760 |

* In three cases >0.20
In five cases 0.10-0.20
In 12 cases <0.09

** Only in a few cases b > 4000 h/a

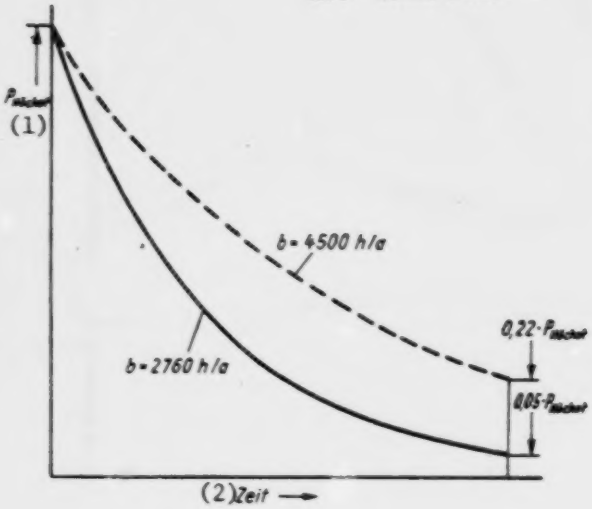


Fig. 1. Theoretically arranged annual load progress curve according to [1] for a remote heating system with 2,760 annual hours of use and high process heat component with 4,500 annual hours of heating.
Key: (1) $P_{maximum}$ (2) time

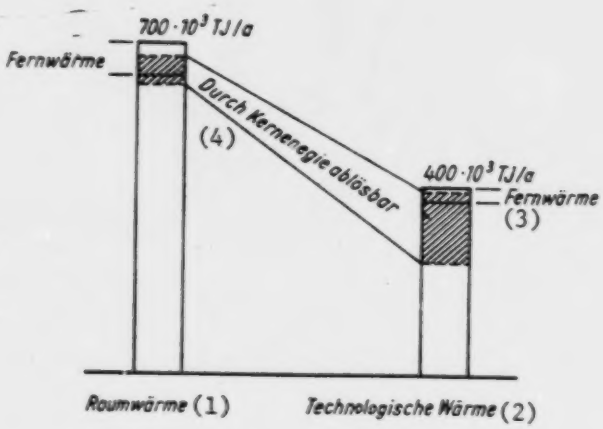


Fig. 2. Service heat requirement t < 200°C in the GDR and the possibilities of its supply with nuclear energy.
Key: (1) room heat (2) technological heat
(3) remotely transported
(4) suppliable with nuclear energy

It may be estimated that remotely transported heat may be included immediately, but plants, community centers, etc, only under certain hypotheses in the "substitution program." The hypotheses are that such users can be included in new supply complexes to be established. The "operational central heating equipment is available in most cases. The users located within "furnace heated territories" are not taken into consideration.

6.3. Technological Heat With t < 200°C

For amounts of heat with t < 400°C, studies have been conducted. Experience shows that most by far of these processes only need temperatures t < 200°C. Only very few of them are within the temperature range of 200 to 400°C. In this sense we may understand the following estimate:

| | |
|---|---|
| altogether | $400 \times 10^3$ TJ/a |
| of which: | |
| --remote heat | $30 \times 10^3$ TJ/a |
| --solid, liquid and gaseous fuels in plants | $370 \times 10^3$ TJ/a |

Here the same holds true as in Paragraph 6.2. Large companies may already be "nuclear energy compatible subscribers."

For the required reactor powers the same values apply as in the paragraph 6.1. In the GDR there are only few large companies and heat requirement concentrations in which it is possible to use reactors with P > 100 MW.

6.4. Replaceable Heat

--Remotely transported heat[1] (Table 1) $76 \times 10^3$ TJ/a $\hat{=}$ $11 \times 10^6$ tons crude brown coal

--technological heat, supplied previously by solid, liquid and gaseous fuels

| | | |
|---|---|---|
| 35 percent of $370 \times 10^3$ TJ/a = $130 \times 10^3$ TJ/a x heating of buildings of these companies | $\hat{=}$ | $18 \times 10^6$ tons crude brown coal per year |
| 15 percent of $130 \times 10^3$ TJ/a = $20 \times 10^3$ TJ/a | | |

Replaceable $226 \times 10^3$ TJ/a $\hat{=}$ $29 \times 10^6$ tons crude brown coal/a

For remotely transported heat the existing replaceable heat (reactor powers ≧ 50 MW) was taken into consideration; this value is increased by the establishment of other remote heating systems. According to the industrial territorial structure in the GDR, even 35 percent replaceable technological heat seems to be high, since most medium-sized and small plants are scattered and in locations unfavorable for possible heat supply centers. Assuming even 50 instead of 35 percent, the replaceable heat would only be increased to 290 TJ per year or $36 \times 10^6$ tons brown coal.

1. In converting the remotely transported heat to crude brown coal estimated efficiencies were considered.

## 6.5. Required Reactor Power and Replaced Fossil Fuels

According to the above analysis we find the following table of replaceable amounts of heat and required reactor capacities from the modern viewpoint:

| | Remote heat | Process heat (including room heating of these companies | |
|---|---|---|---|
| Replaceable hours of use | $76 \times 10^3$ | $150 \times 10^3$ | TJ/a |
| per year | 2,760 | 4,500(2) | h/a |
| thermal power needed | 7,660 | 8,000(3) | MW |
| crude brown coal replaced | $11 \times 10^6$ | $18 \times 10^6$ | tons/a |

Figure 1 represents in the most simple form the theoretical load progress curves according to the above table. The following approximate values are obtained according to [1]:

| | Remote heating system | Process heat | |
|---|---|---|---|
| Hours of use | 2,760 | 4,500 | h/a |
| Low load/maximum load | 0.05 | 0.22 | -- |
| Annual heat/maximum annual heat | 0.32 | 0.52 | -- |

Figure 2 shows the low temperature heat replaceable by nuclear energy according to present estimates. The unshaded portions of the columns represents generally the amount of heat which cannot be replaced in the foreseeable future while the remote heating component will undergo further expansion.

## 7. Summary

When nuclear energy is used for heat supply, different principles apply than when it is used for generating electricity. To guarantee the supply, one must start from the fact that in each closed supply region at least two independent heat sources must exist. Reactor units of more than 50 to 250 MW thermal power may have more applications in nuclear heating plants than high powers. Disregarding a heat-power coupling the reactors have lower powers and lower pressures, both increasing the inherent safety of the nuclear facility. When used in areas with high process heat component the use of the reactors is effective.

Most of the heat users now supplied with solid, liquid and gaseous fuels cannot be included because of the territorial location and the minimum safety requirements and power needs, in the nuclear heat supply. This includes most of the residential heat supply.

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2. Estimated value; taking into account large-scale plants, probably lower value.
3. A conversion degree of 0.85 was taken here, because the conventional heat requirements refer to fuel heat. In remotely transported heat, the thermal power refers to service heat in the form of hot water or steam.

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9018
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## COMPENSATION OF MANAGERS NEEDS REFORM

Budapest HETI VILAGGAZDASAG in Hungarian 6 February 82 pp 26-29

[Article by Laszlo Antal, Laszlo Lengyel and Miklos Polgar: "Managerial Incomes; Dangerous Undercompensation"]

[Text] "If I consider my income to be 100 percent, less than 10 percent of what I get is based on objective criteria," the manager of a trade enterprise pointed out with considerable resignation the other day. A factory director, in turn, complained that "if in a year I manage to 'save up,' let us say, a 5 percent wage increase for the enterprise, I myself will receive maybe 2 percent, but it is also possible that I get nothing at all or as much as 7 percent for that matter." And as it turns out from a survey conducted recently by members of the Financial Research Institute, involving 80 enterprise managers, they are not alone in their opinion. Some of our conclusions are based on the facts they have found.

It is a generally accepted view that enterprise managers at different levels are considered to be the key figures of economic life. The extent of their interest in better and more efficient management work, therefore, does make a difference. Of the several components which this interest is comprised of (including, among other things, the possibility of independent work and and the level of moral appreciation), one of the most important is the role of financial incentrives and the manner of manager selection. The problems of our economic life and the candid views of the managers themselves equally prove that there are plenty of things to improve on in both areas.

From the point of view of the interest-incentive system currently in effect, enterprise managers can be divided into two groups. The determination of the wages, premiums and bonuses of the members of one of these groups, referred to as top-level enterprise management--which includes directors general, deputy directors general and directors--falls within the jurisdiction of the enterprise's supervisory authority, which in the case of an industrial enterprise, for example, is the Ministry of Industry. According to the decrees now in effect, the supervisory authority sets the basic wage of the enterprise's top manager, and determines the amount of wage increases he may be granted in a given year. In addition, it is also empowered to approve premium payments tied to enterprise-performance indexes. The chief consideration in determining this latter is the development of the enterprise's so-called

profitability index, i.e., its profit-to-wage plus aggregate-asset quotient. To compute the amount of the payable premium, they multiply the profitability index by a multiplier, determined in accordance with the enterprise's asset-to-wage ratio. (Let us assume, that in 1 year a given enterprise has earned 10 million forints in profits, has had 80 million forints worth of assets and has expended 20 million forints in wages. In this case, the profitability index would be 10 percent. The asset-to-wage ratio in this instance is 4, coupled with a multiplier which, according to the decree, is to be determined anywhere between 0.5 and 1.2. If, for example, the ministry decides to set the multiplier at 1, then the premium will be 10 percent of the annual basic wage.) In practice, this multiplier changes from year to year. The proportion of the size of the payable premium vis-a-vis the basic wage is not restricted by any statutory provisions.

It is also within the supervisory authority's sphere of jurisdiction to determine bonuses based on an assessment of the complexity of the manager's activities. The upper allowable limit of this bonus may not exceed 20 percent of the basic wage in the "preferred" and category "A" enterprises, 15 percent of the basic wage in category "B" enterprises and 10 percent of the annual basic wage in all other enterprises.

The other group of managers is made up of midlevel and lower level enterprise managers. Their earnings are divided into two main parts: basic wages and premiums. Their basic wages and the size of their basic wage increases are determined by the enterprise's top management in accordance with the rules of wage categorization. The premiums of midlevel and lower level managers are made contingent upon the fulfillment of certain predetermined premimum tasks. These premium tasks are usually assigned by a manager who is one step higher up in the hierarchy. The proportion of the size of the payable premium is not restricted by any statutory provisions. According to customs that have evolved through practice, the maximum premium attainable by midlevel managers cannot exceed the amount of the premiums received by top-level management, and among managers of equal rank there is no discernable spread as far as the amounts of their premiums are concerned.

As the surveys conducted among the people concerned have demonstrated, for every view and every factor affecting managerial incomes, there is a contradiction interspersing their system of interests. The basic wage set by the ministries, for example, in most cases does not reflect the managers' "market" value, i.e., that difference in value which exists, let us say, between the working abilities (power, risk, overall view, prestige) of semiskilled workers and enterprise managers, directors and subordinate managers. In the opinion of managers, wage increases implemented by the supervisory authorities are subjective and, on top of it all, they distort the existing wage rates within the enterprise. It is a fact that under the present circumstances it is hard to compare the activities or managers working in different enterprise. Hence, the supervisory authorities use traditions and equalization to decide whether to differentiate or not.

Just as problematic is the method of determining premiums. This is because the profitability index which serves as its basis not only changes radically as a function of profits, but is also sensitive to changes in the enterprise's ratio of utilized assets and wages. This in turn means--especially if, as it is the base under present regulations, the managers have a vested interest in the enterprise's short-term success--that in the development and "capital accumulation" phases of the enterprise the manager's income may actually drop.

It has been widely observed in the course of examining managerial incomes that one of the supervisory authorities' main considerations in awarding monetary bonuses has been to ensure that it does not generate any tensions. Thus, the determination of the premium multiplier is a kind of "extortion": if there is an increase in the enterprise's output, they lower the multiplier in such a way, so that if possible the manager's premium does not exceed 30 percent of his basic wage. Also a potential source of subjectivity and a cause of uncertainty is the fact that the Ministry of Industry has reserved the right of making midyear modifications in the premium multiplier for itself, which makes it pretty hard for managers to make advance calculations regarding their income.

There has also been considerable criticism concerning the "complex bonuses" received by managers. This is because these are often designed to offset existing premium differences. Although--according to the regulations--there are several considerations that must be taken into account in granting them (i.e., the utilization of assets earmarked for development, measures aimed at eliminating unprofitable production and the market policy of the enterprise), the determination of their extent is essentially still subjective. What is more, the supervisory authority does not justify either the reasons behind or the extent of the deviation from the highest awardable limit.

One cannot help but question a basic indicator of interest which has to be corrected by premiums and complex bonuses--no wonder that sometimes even the manager does not know where he stands with all this. Yet, it is at least as much in the manager's interest as anybody's to know precisely how his work is evaluated. His interest does not significantly differ from the interests of others. Here again, what determines his situation is his position in the labor market as a whole, more precisely, his standing within the enterprise hierarchy. The price of management positions must be expressed in terms of something and there is no getting around it: if not in wages, then in non-wage--although by necessity less certain--bonuses. An example of such a bonus would be the possibility of easier access to housing.

An important, and perhaps even vital element of managerial interest is the question of manager selection. The experiences of the interviews indicate that today it is still the personnel-policy factors pursued by our governing institutions and social organs which play the most important role in the selection of top managers. Within the enterprises, rising in the ranks is generally slow and requires a high degree of conformity. We find that at the levels below top management it is often much more important to have good local knowledge and to be able to find one's way around among the various complex, and in most cases unclearly defined, relationships of interests, than to have good professional skills. In addition to the problem that we have an industrial structure which is based mostly on monopolistic enterprise, this is still another important reason why we have a rather limited movement of managers among our enterprises.

As evidenced by the facts, the interests of managers are determined by their unique position, namely by the fact that they are floating between the governing and social organs and the internal organization of their respective enterprises like Mohammed's coffin. They are defining the main role forced upon them by the circumstances as being one of equalization and compromise-making between the two sides of the "counter." The manager, if he wants to stay with the enterprise, must sooner or later become its interest-representative and lobbyist. Under such circumstances, in the interest of strengthening the enterprise's position (for these positions determine the extent of the moral and material recognition received by the managers), the manager may, in the short run, be willing to maneuver against his own "interests" and to hide the performance of his enterprise.

It is easy to criticise, but how about coming up with some workable suggestions; critics are often told. What else can we do to improve the effectiveness of the incentives that are currently provided to our economic leaders?

It is perhaps already evident from what has been said so far: while it is conceivable to make changes within the existing incentive system, it is just as conceivable to create one that is completely different.

Even as things stand now, we could, for example, reduce the differences in the basic wages of our enterprise managers, since a good many of these differences have to do with the particular--former--ministry under whose supervision the given enterprise used to belong. We have to take into account that in the long run the average basic wage increase of top managers cannot be lower than the wage hikes of subordinate management workers without causing negative reactions. In establishing basic wage systems we must also make certain that we allow for wage increases that can be awarded without promotions. It would seem expedient, however, to reduce the weight of premiums in incomes; more precisely, to incorporate a portion of them into the basic wage. Furthermore, only those jobs should be allowed to be set as premium tasks which indeed fall within the competence of the given person. And as far as the complex bonuses are concerned--which experiences have shown to have been based mostly on subjective judgments (perhaps this is why they refer to it jokingly as "face money")--they should be eliminated and incorporated into the basic wage.

In manager selection, it would be useful to introduce the competitive system. Only those should be allowed to become managers who submit an application for the announced vacancy and--based on a joint decision by the supervisory ministry, the enterprise's professional management and the enterprise's union--win the competition. It would also be expedient to leave only the competitive appointment of the director general and the director within the supervisory authority's sphere of jurisdiction, and to put the director general in charge of appointing deputy directors.

Under a comprehensive reform, other form of managerial interests would also become conceivable. For example, it would make it possible to have an enterprise manager, appointed by a given proprietory organization, who has won his managerial position through a competitive application process. The enterprise manager would be responsible to the proprietory organization for making certain that the economic unit placed under his direction is run and does business in

accordance with the proprietor's wishes. This form of manager selection would be objective and professional: it would be based on the person's professional competence, practical experience and on his former employer's recommendation, and the employee's corporate organ would also take part in the decision. The manager's wages would be determined by market competition. Premiums and bonuses would lose their signifiance and there would no longer by any extra managerial bonuses (such as an apartment, the use of a car, holidays), since the funds for these would be automatically included in the wages.

For this wage, the manager would pledge to attain the economic result specified in his job description, and if he failed to deliver, than instead of lowering his income he would be asked to leave and accept a lesser position.

There is another possible form of interests for top-level managers, which differs from the previous one only in that if the manager exceeds the required results, then he would receive--without any upper restrictions--a proportionate share of the returns. In such a system, there would no longer be a need for giving a subordinate manager special incentives: his eages would take care of his living expenses, while on the other hand, the activity which falls within his actual sphere of authority would be strictly defined. In a precisely put together, consistent system of management, a manager is only able to accomplish what is prescribed for him--nothing more, nothing less. The top manager undertakes the task, and the subordinate manager carries it out, but does so without assuming any of the risks. And if he is unable to carry it out, he loses his position.

Still another possible form of managerial interestedness would be a kind of business-venture-type interest. Under such a system, the manager--i.e., the enterpreneur--would have to win the economic unit by way of competitive bidding. The subject of the bidding would be the so-called capital value (this system, which is Tibor Liska's concept, was discussed in detail in the 5 December 1981 issue of HVG). If the enterpreneur's interest lies in increasing the capital value rather than his profits, then instead of trying to figure out how to "rob" his business venture in a matter of a few years, he will work hard to make it prosper in the long run.

Undoubtedly, in addition to those listed, managerial interests could conceivably also take some other, entirely different forms. And this is only natural, since it would probably be fruitless to try to come up with a single system that could be adapted to the wide variety of existing interests. What we should do, therefore, is to provide an opportunity for these various forms of interests to assert themselves in practice, if necessary, even side by side.

9379
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LABOR MARKET OVERALL BALANCED, TENSIONS PERSIST

Budapest NEPSZABADSAG in Hungarian 3 Mar 82 p 10

[Interview with Janos Timar by R. B. "New Phenomena in Manpower Movement"]

> [Text] The branch structure of the labor force has changed in recent years; the direction of manpower movement and the reasons for changing jobs have changed also. We talked about these new phenomena with Janos Timar, leader of the Labor Science Faculty of the Karl Marx Economic Sciences University.

[Question] It is well known that the number of earners has declined rather significantly in the industry, most recently in the construction industry also, while the number of agricultural workers increased slightly last year. At the same time there have been changes in manpower movement. How should these changes be evaluated?

[Answer] Obviously the changes in branch personnel have come to the forefront of attention because the direction of change is unusual. The increase in agricultural personnel, especially, deviates from our development thus far and from the general international trend. But the change in manpower employment according to activity is not so large as the branch (organizational) statistics suggest. A good part of the labor force was merely regrouped among enterprises and cooperatives belonging to different branches without changing the branch character of their activities. It is enough to point out that today about 200,000 people are doing largely industrial or construction industry work in the so-called "auxiliary operations" of the large agricultural operations. So if we look at the branch distribution of the labor force not according to "organizations" but rather according to "activities" the above mentioned change in branch structure is not so significant, although it cannot be neglected.

Important Changes

[Question] Can these changes be judged favorable from the viewpoint of the efficiency of manpower use?

[Answer] I think they are favorable under the given conditions and circumstances. In 1980 labor productivity stagnated in industry and declined in the construction industry. In 1981 industrial productivity, in part, returned to the old growth track but the slump continued in the construction industry. It can be concluded from this that the so-called internal manpower reserves increased rather than decreased in the economy, and especially in industry and the construction industry. In this situation it can be judged favorable if there are opportunities for the employment of manpower in other branches, in fact within the organizational frameworks of the agricultural operations, since to a significant degree these operations are meeting needs which the large enterprises of the responsible branches did not satisfy earlier, even with extra manpower.

[Question] How should we evaluate in this new situation the development of manpower movement, the decrease in the ratio of job changes?

[Answer] Manpower movement did decrease by a few percentage points between 1976 and 1980. This was a natural consequence of the fact that the rate of our economic growth moderated and the size of the economically active population declined slightly. But there were other, more important changes in manpower movement which merit greater attention. For many years only 9-10 percent of all job changes were initiated by the enterprises; in 90 percent of the cases the employee decided to leave the enterprise. This was still true in 1976. But in 1977 the ratio of job changes initiated by the enterprises jumped all at once to 19 percent and in 1980 it exceeded 33 percent. Deviating from what had been true earlier this ratio increased less than the average in industry but in the non-material branches nearly half the job changes were initiated by the employer.

This is a phenomenon which indicates important changes maturing in management and employment. Earlier, because of the increasing manpower shortage amidst conditions of low requirements and swift economic growth, the competition among enterprises to obtain and retain manpower sharpened. Requirements were forced into the background, not only when employing someone but even when defining or evaluating work performance.

Well, as compared to this earlier situation, it is a favorable phenomenon from the viewpoint of new possibilities for realizing economic efficiency that within a short time there was a considerable increase in the ratio of enterprise terminations and transfers among those leaving. This also indicates that there is a greater realization than before of employer requirements in

hiring and keeping manpower. At the same time more detailed data on manpower movement indicate that this new trend is realized less in industry, which may be interdependent with the fact that the still existing labor shortage is greater than the average in industry or that a number of the industrial enterprises have adopted a wait and see attitude and are holding on to existing manpower. The present system of profit interest has not yet adequately increased cost sensitivity, does not prompt a more rational use of resources.

A Balanced Labor Market?

[Question] Do you consider the new trends mentioned, or the strengthening of them, compatible with full employment, the maintenance of which has been affirmed by the most recent resolutions and statements?

[Answer] To simplify somewhat, full employment means that the volume of manpower demand at least reaches that of manpower supply, that the composition of both largely correspond to one another, or that there is no unemployment in the social sense. Here, however, a situation developed in the past where demand increasingly exceeded supply, so that full employment was consolidated on the soil of a sharpening manpower shortage. The previously mentioned unfavorable phenomena strengthened under such conditions; there was wage competition, quantitative and qualitative performance requirements were forced into the background, work discipline relaxed, the incentive mechanisms became formal, etc. In this situation it was not the size or ratio of fluctuation that was objectionable but rather that the requirements of economic efficiency played a tertiary role in job changes. The risk of changing jobs was borne almost entirely by the enterprises; the costs were borne not by the individual but rather by the enterprises, or by society as a whole. So it is rather understandable that from time to time central or regional organs tried to limit by administrative means the individual freedom in regard to taking a job or changing jobs, although they repeatedly withdrew their measures after the failures which should have been foreseen.

To the extent that we succeed in restoring the balance in the labor market there will be less likelihood that anyone will get the idea of limiting the freedom of taking a job or changing jobs by administrative means directly. Parallel with this it will be increasingly important to make the workers see clearly the choices they have and those objective limits amidst which they can exercise their individual freedom of choice.

Structural Problems

[Question] But can full employment be maintained under such conditions when even now, at the beginning of a new balanced situation, structural contradictions are appearing in manpower supply and demand? I am referring, for example, to the difficulties in placing experts last year, graduates in certain areas of higher education.

[Answer] In the first place let me begin by saying that there have been structural contradictions from the very beginning. It is well known, for example, that it has been increasingly difficult for years--and this has not changed much today--to satisfy the demand for simple work done under conditions more unfavorable than the average; to put it simply, the shortage of unskilled workers became ever greater. At the same time we know, we have experienced, that this shortage was solved--in part--under the given conditions by having a part of the specially trained workers give up the realization of their special training and take simpler but better paying work--to no small degree as a result of earnings ratios which changed as a result of the labor shortage.

The difficulties you referred to in placing graduates from higher education point to a different type of problem. The individual problems deriving from this are unfortunate and within the limits of the possibilities we must help to resolve them. But from the social viewpoint we cannot ignore a number of factors among which I would like to mention at least two. One, for example, is that last year almost 15,000 experts finished their higher education and only 400 of them were not offered jobs in their speciality. All this happened under circumstances where the economy of our homeland struggled with serious difficulties as a result of crisis phenomena in the world economy. It would be an illusion to expect and it would be irresponsible to promise that here, in Hungary, we could make ourselves independent of the new requirements of the re-ordering of the world economy. And the only way to adapt to this is to take a new path for economic development which will improve living conditions too. This adaptation has required the bearing of difficulties greater than those mentioned and it will require them for some time still.

[Question] Do I understand you to say that we can develop, more or less, a global balance on the labor market but that we must continue to reckon with structural contradictions in manpower supply and demand?

[Answer] In essence, yes, in that in the present economic situation we can achieve a relative, global balance in the short term, while the easing of the structural contradictions will require the unfolding of new, long-range developmental trends, apparently entirely independent of one another, among which the most important are: a considerable increase in international cooperation in our external economy, price and wage reform modifying the cost ratios of new technology and wages, a structural reform of the educational system and, over the longer term, the development of conditions for a bilateral linking into international manpower movement. Initial steps have been taken already in some of these areas. The acceleration of progress in these areas is justified entirely independent of the manpower situation. A long time will be required for this. Until then we must live with manpower conflicts. the unfavorable effects of which we can moderate only if we make preparations in advance of their occurrence.

8984
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SMALL, LARGE ENTERPRISES MAY SUCCESSFULLY COEXIST

Budapest MUNKA in Hungarian No 2, 1982 pp 14, 15

[Article by Zsuzsa Ban: "Small Versus Large Enterprises"]

[Text] Nowdays many opinions are voiced in discussions concerning large and small enterprises. Small enterprises and even more so industrial cooperatives are praised for their speed and flexibility, the ability to respond to requirements extremely rapidly, and it is observed that these qualities bring them profit and well-deserved benefits. Large enterprises are mentioned in the opposite context: they are sluggish, slow to respond, ideas take a long time to be implemented.

Indeed, there is a great deal of truth in these arguments. But since we have a tendency to think in extremes, we are now just as ready to condemn large enterprises as once we were to voice the economic advantages of the merger of small companies.

Double Benefits

The truth, as usual, is in the middle. The mere existence of a small company does not necessarily result in the ability to effectively, economically and profitably produce products that have an unlimited market. At the same time, a large enterprise does not necessarily always push the production of only those goods which respond to international requirements besides domestic ones and neglect truly national needs and requirements.

In my opinion, a large enterprise which, in addition to the complete fulfillment of its economic concept, provides the opportunity for the common expression of initiative and creative spirit can successfully combine the advantages of both small and large enterprises inside the "factory gates". At first glance, this appears to be a rather unusual design, but there are dozens of examples already to prove that it can be easily implemented. Especially, since the newest control modifications and regulations provide the opportunity

for large enterprises to foster and even stimulate the initiative of their employees. An example is the initiative of the Csepel Car Factory, where, since January an independent business association provides the services formerly provided by a cooperative. This has double benefits, since profits are not skimmed off by the cooperative performing paid work and, at the same time, experts can find "inside the fence" the kind of benefits which are normally offered by a cooperative.

The Hungarian Ship and Crane Factory is considering similar thoughts and ideas. We have found examples in the United Incandescent Lamp Factory that a business association is not necessarily needed by a creative group to "think like a company" and realize ideas equally beneficial for the small and large community. A management readily supporting these efforts is probably necessary and an atmosphere in which it is worthwhile to take risks and where the means and conditions are provided for the realization of ideas.

An example is Tungsram's Konverta Factory 1981 novelty, the Ecotron gasoline saver apparatus. How did Konverta (which produces mostly electronics products and devices) get involved with gasoline saving? As practice shows, very easily, since it was exactly thanks to its incandescent-light science, experience and large inventory of technical tools that it could achieve mass production in a matter of months.

Ideas, Results

Konverta recognized the merits of an invention shown on television; as it turned out, the new product did not cause any difficulties for the experts well-versed in electronics. Ecotron is useful for motorists, because it saves 1-1.5 liter of gasoline per 100 kilometers. Even if it is only installed on half of the currently used private automobiles, gasoline savings increase can be measured in 10s of millions; the product is, of course, beneficial for Tungsram as well, since it allows the firm to expand its product line.

What are the benefits for the factory? It can increase its profits by a fuller utilization of its resources and equipment, and, as a result, workers are enjoying a larger share of the profits, e.g., in form of salary increases.

At the same time, Konverta introduced another novelty, having bought an earlier company invention from Medicor, the production rights of an X-ray radiograph corrector. They were striving for immediate international recognition of the handy and useful instrument, filling an old deficiency in therapy. In Sweden and the Federal Republic of Germany, during the exhibit of the highest ranked medical instruments, the new Hungarian instrument was successful and can expect a steady interest on the European market. Especially, since it can be used not only in health care but also for the checking of welds of ship hulls and the faults of oil pipelines.

## Producing for the Market

A novelty to become the sensation of the 1981 Christmas fair was born out of the discovery of another factory community, the tool and die factory. Lacking a helpful partner, the company did not quite know what to do with the types of assets used in the mini light organ, the disco SET and the disco PLUS which is capable of more sophisticated light and sound effects. The method was familiar since the Japanese industry took advantage of the opportunity a long time ago when it flooded the market with millions of extremely inexpensive tiny pocket radios, witty toys and simple computers. This is how it managed the practice of the most economical production of semiconductors in the world.

The tool and die factory started out from similar ideas. Nearly every part of their innovation is a product of Tungsram's factories; only the 18-forint microphone had to be imported. And the mini light became a giant success. 10,000 were placed in stores by Christmas; next year's orders will be even bolder.

The die factory is preparing a new sensation: they are planning the developmet of electronic games and computer chess. However, they are not only involved with the entertainment of children and playful adults, but also with environmental protection. The factory started the production of an air sampler instrument based on a patent from the Iron Industry Research Institute.

## Brand Name Obliges

Tungsram is a major light-source manufacturer, a highly-ranked supplier of turn-key light factories to five continents. But the independent initiative of the factories is compatible with this extremely useful and important activity of the national economy. Factories can manage the highly-developed Tungsram technology well, can make use of the advantages of technological preparedness and even take advantage of the opportunities offered by the brand name if the novelty of it measures up. And since the large enterprise recognizes and supports these attempts, more and more incandescent factories surprise the domestic and foreign markets.

In the discussion on large versus small enterprises, it would perhaps be better to exchange ideas on how to increase the ability of the creative community to act. And this does not depend on the size of the "factory fence".

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## AIM OF FOOD INDUSTRY REGULATORS CLARIFIED

Budapest FIGYELO in Hungarian 17 Feb 82 p 15

[Article by Dr Ferenc Szabo: "Approaching Conditions"]

[Text] Since 1 Janaury--simultaneously with the elimination of the middle directing organizations--the independent enterprises of the canning and poultry industries have been operating according to economic regulations in effect for agriculture.

"Approaching" the regulation of vertically closely interrelated areas is on the agenda not for the first time now. For example, in the early 1970's some of the more important regulating elements of the special branches of wine, poultry and canning industries were already identical with the methods applied in agriculture, at least in the state farms.

### Mutual Characteristics

During the course of modernizing the regulatory system of the Sixth Five-Year Plan this occurred in the sense that it would make sense to apply the same type of rules in a series of food industrial specialty branches as in agriculture. As a result of all these, agricultural regulations was extended to the enterprises of the wine industry since 1980, and to those of the canning and poultry industries starting with 1982.

The distribution of 100 Fts of additional profits according to industrial and agricultural regulations*

| | Industrial regulation, FT | Agricultural regulation, FT |
|---|---|---|
| Profit | 100 | 100 |
| Taken away centrally, and put into reserve | 60-70 | 48-49 |
| For interest funds | 30-33 | 51-52 |
| Of this: | | |
| for distribution funds | 4-6 | 9-12 |
| for development funds | 24-20 | 39-43 |

* The above ratios are valid only if the profits of the poultry, wine and canning industries reach the planned level!

This sequence of the changeover is not accidental. There is a close relationship between the food industry and agriculture, but the essence, the qualitative side of these relations is determined primarily not by the ratio of raw materials derived from agriculture in the products processed by them, but much rather by other characteristics related to the production program and to the sales opportunities.

In what ways are the three special food industrial branches which have switched over to agricultural regulation similar to each other?

First of all, in that the supply and demand conditions change often and vigorously on the domestic and foreign markets of their products. All three special branches are working with raw materials the transfer of which--delivery and receiving--within the vertical require special care.

Thus it has become unavoidable in these verticals to adapt identical conditions, identical approaches, and stronger common interests in the processes of production (having things produced), processing and sales.

Thus, this is the main, though not the only, reason for changing over to agricultural regulation!

Even from just the mere fact of identical regulation, we expect a growth of vertical relationships and of integrated activity. That is, if the people with roles in the vertical--the breeders, growers, producers, processors and sellers--all see each others' economic circumstances the same way, and if they recognize their joint interests, then the chance for joint action is inherently better, too.

The conditions of profit-forming are changing, and the rules for distribution of profits are also being modified. For example, it has great significance that in the changed situation--since the SZTK [Trade Union Social Insurance Center] contribution is 7 percentage points lower than industry's payments--live labor becomes relatively less costly than before. This provides opportunities for labor and wage management in better harmony with the given conditions and with labor intensiveness.

More flexible and, first of all, more profit-sensitive economic operation is served by several regulatory elements:

--the participatory fund, which can be formed free of taxes, is more profit-sensitive;

--since the source of wage increases from now on will be not the sharing fund but profits after taxes, greater opportunities will open up to "buy" larger wage increases;

--even if only in a limited way, the end-of-year bonuses can be converted to taxable wage increases; etc.

The changeover to agricultural regulation will be coupled with unchanged relationships to the budget, at least in the first year. But in the time period after that the enterprises, due to the changed rules of dividing up the profit, are expected to concentrate more vigorously than before on profits which form the foundations of their interests.

The interests of enterprises and individuals are increased by the fact that a more favorable order of distribution than before will be valid for every forint of the increased profits.

Thus, the extent of municipal and town taxes on profits is decreasing from 15 percent to 1.5 to 2.5 percent. Gross income taxes will consume a smaller portion of profits than did the general taxes paid on profits before. The size of mandatory reserves formed from the profit is 5 percentage points less than specified by the industrial regulations. The sharing fund, formed tax free, also depends on the way the value of per capita profits develop; etc.

Profit-Sensitivity

By increasing profits, these changes create the opportunity to expand the interest funds more than in the past, and to increase personal interests. And as far as the deepening of integrated relationships is concerned, thinking along the same lines and having common interests will be joined by the financial manifestations of these in the form of available means which can be regrouped.

It can be justly expected that more money will be available than before from the development funds formed under more advantageous conditions, to strengthen the weaker links in the vertical's chain. This may take place for the technological improvement of agricultural production, or within the framework of modernizing the processing sphere for a particular purpose. The fact that amortization can be held back fully, lends even more emphasis to this type of joint activity.

Changing over to agricultural regulations creates a number of favorable opportunities for the food industrial enterprises affected. But this is only one aspect of the changeover.

On the other hand, those difficulties must also be taken into consideration which derive partly from the transitional situation, partly from the generally more severe economic conditions, and partly from the implementation of the principle of "something for something."

The Price of the Advantage

That is, it is a natural thing that the regulations applied to agriculture, which insure a more advantageous distribution of the profits, also have a price. It is obvious: if distributing profit becomes more favorable for the enterprises, it should be more difficult to earn it!

Simultaneously with the changeover to agricultural regulation, the budget's attitude became more severe toward the nonruble exports of these industrial branches.

It is an unquestionable fact that the agricultural regulatory system provides significantly greater freedom of decision to the managers of enterprises which have become independent than they had before. This is so especially in forming and using the interest funds. It depends essentially on this point, on the decisions the enterprises make and on how well they recognize the situations, whether the just hopes attached to the changeover will become reality.

8584
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PETROLEUM TRUST FACES CHALLENGING YEAR

Budapest FIGYELO in Hungarian 17 Feb 82 p 2

[Article by Dr Laszlo Pal: "At the Beginning of a More Difficult Year"]

[Text] According to the goals of the energy management campaign program, specific energy demands must be decreased and further steps must be taken to substitute domestic energy sources for imported hydrocarbons. Implementing these tasks is the condition for improving the national economy's equilibrium, but simultaneously it also causes an unfavorable effect on the economic operation of the National Oil and Gas Industry Trust (OKGT) because of the decreased volume of petroleum processing and of the amount of liquid hydrocarbons sold. Thus the trust must improve its economic operation while the utilization of its refinery capacities deteriorate and while its sales volume decreases. In addition, it must do so under the conditions of a more severe economic regulatory system.

Decreasing Sales

Sales volume is decreasing in 1982 and according to market reports we also cannot expect the earlier dynamic rise in export prices. Rather, the preliminary indications make it probable that they will stagnate or decrease.

The startup of investments serving to form a new product structure corresponding to the new economic circumstances is expected only in the second half of the Sixth Five-Year Plan's time period, therefore practically the only way to improve the results is to decrease costs. But this is not possible with some cost factors, partly because amortization will further increase in 1982. The expected decrease in employment will not result in cost savings because wage levels will increase more than the decrease in employment.

Thus, there remains as a possibility the decrease of material, energy and other costs. Without question the trust must moderate these. We must implement cost reduction in spite of the expectation of price increases for some types of materials. The difficulties mentioned are also reflected in the trust's annual plan. Due to the change of circumstances, we modified the goals of the original Sixth Five-Year Plan as they apply to 1982, and the current version expects more modest results than that.

The gross production value (at unchanged prices) will be 2.5 percent less than in 1981. The 700,000-ton decrease in petroleum processing has the largest

impact in this. The 7.7 percent decrease in raw input is counterbalanced only in part in terms of value by continued improvement of the product structure (gasoline production decreases less and heating oil production decreases more, while production of aromatic products, lubricating oil and bitumen increases.)

On the basis of the government's energy management program, 300 million more cubic meters of natural gas must be produced. It is unfortunate that even so, production value will decrease because in the composition of the natural gas fields the ratio of those yielding poorer quality gas will increase.

Production of the gas service branch and carbonic acid production will increase. Natural gas transportation in the pipelines will increase, but petroleum transportation by this means will decrease by the same amount. Sales of petroleum products will decrease.

Debate About Employment

The average annual value of the inventory will increase by about 1.4 billion forints, due in part to the effect of the 1981 price increases and in part to the expected price increases for 1982. The ratio of hydrocarbons will increase in the composition of the inventory.

The trust expects further decreases in employment. In this question, the opinion of the enterprise managers is quite the opposite of the opinion of the management of the trust headquarters. A debate has gone on for years whenever employment has been planned; the enterprises always plan it higher than the headquarters. So far the facts have shown that decreases in employment have always exceeded even what had been planned by the headquarters. Of course, there is a sober limit to which employment may decrease, beyond which production may be endangered. But we are not yet at that point. An increasingly difficult task, however, is to supply the new facilities and plants with manpower. Therefore, a more moderate and, mainly, conscious management of manpower is necessary because spontaneous manpower migrations usually do not take place in harmony with the needs of the enterprises. The decrease planned by the OKGT headquarters is 1.5 percent.

Productivity is declining doe to the projected decreases in production and employment in 1982.

However, the trust's equipment-efficiency index at current prices will improve, which has never happened before in OKGT's history. The explanation for this is that as the prices of hydrocarbons approach the levels of the world market price, this appreciates the OGKT's activity.

The trust's profit is expected to decrease more than its productivity. The increase in transient transportation, and increased profits in machinery manufacturing and other activities are unable to offset the decreases in profits caused by volume decreases, energy transportation costs, increases in taxes on wages, amortization and interest expenses.

Is the Profit Plan Pessimistic?

I trust that the results will be better than planned. At least, until now this has been characteristic of our economic operation. Profit planning is characterized by instinctive cautiousness. Perhaps our thinking is influenced more in general by the expected negatives than by the expected positives. It is also true that because of the several price changes during the year it is more and more difficult to review the way costs are developing. And during the course of economic operation some unexpected events may occur which can significantly influence the processes assumed at the time of planning. One must flexibly conform to events. This may means avoiding or decreasing some expected losses, but may also mean rapid exploitation of conditions turned favorable.

The volume of investments laying the foundations for the future, will be higher in 1982 than in 1981. There is only one major investment by the state in progress at the trust now, the Brotherhood 3 [pipeline]. Major investments of this program are the Leninvaros compressor station and the pipeline construction jobs ([for the sections of] Varosfold-Vecses, and Varosfold-Kiskundorozsma.) By year's end, all units of the investment will be ready for operational testing.

The mining program is a significant one among goal-oriented investments. Construction is continuing on the processing plants, pipelines and collection stations of the natural gas with low heating value of the central lowlands. The investment will be completed only in 1983, but gas transportation must begin by the end of this year. Among the enterprise's [own] investments, the most significant one is construction of the cracking plant now under way at the Danubian Petroleum Industry Enterprise.

Bank loans now represent 60 percent (!) of the financing resources of the enterprise's investments.

The trust's recently approved plan for 1982 was unquestionably well founded for the first half year, but we cannot expect the plan not to be modified at least once.

Because of the expected import situation we cannot expect increasing petroleum-processing volumes in the future. In spite of this, the OKGT's long-range economic operating situation is promising. The most important condition of increased profitability is increasing the degree of processing the petroleum, producing more, more valuable and higher priced products from a given quantity of raw materials. The catalytic cracking plant will begin operation in Szazhalombatta in 1984. This will make it possible to further process heating oil into white products. The present world market price of heating oil is $160-$165 and of white products $300-$320 per ton. Thus the value increase is almost twofold, and at the same time the byproduct of cracking, heavy heating oil, is not wasted either; we use it to generate energy. The Ministry of Industry and OKGT are now studying the possibilities of building a viscosity-decreasing facility to serve as another supplementary facility to the cracking plant.

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## PROBLEMS, GOALS OF METALLURGICAL INDUSTRY VIEWED

Budapest FIGYELO in Hungarian 17 Feb 82 p 7

[Article by Istvan Soltesz, former minister of metallurgy and machine industry: "The Present and Future of Metallurgy"]

[Text] In the last 2 years, the world's ferrous metallurgy has fallen into a crisis. With the relaxation of demand by users, world steel production has also decreased from 747 million tons in 1979 to 710 million tons in 1981. The developed capitalist countries can utilize only 70 percent of their capacities; several large blast furnaces, roller works and other steel-producing facilities have been shut down. Because of rapidly rising energy prices (compared to 1970, by 1980 the world market price of energy sources increased about tenfold) the industrially developed countries have placed into operation modern, energy-saving technologies. Their efforts in this direction were justified since energy costs have risen as high as 30 to 35 percent of operating costs. The new technologies and production units made several fold increases possible in capacities and productivity, and rapid decreases in live-work utilization.

### Swept Along by the Crisis

The economic downturn which occurred in the world's economy also affects Hungarian ferrous metallurgy. Domestic steel production is almost 4 million tons, hardly more than 0.5 percent of the world's steel production. There are difficulties in adjusting to the world market caused by increasing prices for raw materials and energy sources, while due to the oversupply rolled products can [only] be sold at decreasing prices; the technological level of most of our production equipment is lower than that in the developed industrial countries, but at the same time, due to the small order sizes of domestic demand, we cannot even take full advantage of the opportunities afforded by the existing equipment. (For example, the Lenin Metallurgical Works, the Ozd Metallurgical Plants and the Danubian Iron Works fill more than 50,000 order items per year with various sizes and qualities of rolled products).

Better fulfillment of domestic demands and fulfilling our coordinated merchandise exchange and trade obligations with the socialist countries continue in first place among the tasks. It is our important goal that metallurgy remain a net

exporter in nonruble trade. This latter requirements was also fulfilled in 1981, but the effect of the decline of selling prices could be offset only in part by increased exports of more valuable products, improved foreign-trade work, and decreasing the cost of producing products.

The unfavorable sales opportunities made quick reaction necessary by the enterprises and by the Ministry of Industry. Producing facilities had to be shut down temporarily in such a way that the workers could continue to be employed.

A whole series of new kinds of tasks had to be solved in the areas of production organization, product sales, material and inventory management. In our opinion, we succeeded in warding off the effects of the crisis with a minimal decrease in production and without any significant conflicts. (No workers were laid off, no enterprises closed down.)

Plans for 1982

Last year the branch management thoroughly analyzed the situation, profitability and budgetary relationships of the ferrous metallurgical enterprises.

The balance of metallurgy's budgetary relationship was positive even in 1981. In the future we must have financial stability of enterprises and thus continue to improve ferrous metallurgy's budgetary relationship.

The opinions of the Ministry of Industry's leaders and of the managers of enterprises agree that manufacturing technology has not grown sufficiently, material and energy savings are not satisfactory, the change of production structure continues to be slow, the ratio of secondary and tertiary products is low, and--even if to a decreasing extent, nevertheless--problems are appearing in improving the quality of products.

Simultaneously with the enterprise plans, action plans are being prepared to improve the sales structure, increase material and energy savings, improve the export-import balance, etc., that is, to continuously solve the problems mentioned.

The 1982 plans of the enterprises specify a moderate growth of 2 to 3 percent on the average, adjusting to the requirements. Domestic consumption and the obligations of socialist international contracts will slightly decrease, while there is a prospect of ab out a 10 percent growth in sales to the capitalist market.

The moderate growth rate of production makes it much more necessary to fill domestic needs in sizeable quantities, and in magnitude as well as in quality. Buyers today expect even more than before that orders be accepted quickly, shipments be made on time, size and quality specifications be observed, and if the manufacturing enterprise fails to satisfy these, they exercise their right to complain.

Metallurgy is often justly criticized because the selection of quality steels is not satisfactory, and not enough attention is paid to delivering small quantities. Steel must be produced in the qualities which the processing industry orders. Expanding the family of steel qualities with an increased modulus of elasticity, or broadening the domestic production of high-tension weldable steels for reinforced concrete can be mentioned as examples. Our enterprises are also planning to introduce additional rolled goods sizes and profiles, and to increase their ratios.

There are several development plans to introduce material-and energy-saving technologies in 1982. A total of about 4 billion forints is earmarked to modernize the Borsodi Ore Preparation Works, reconstruct the air preheating equipment at the Ozd Metallurgical Works, and improve the slag remover at the Danubian Iron Works during the Sixth Five-Year Plan.

The converter steel production plants at the Danubian Iron Works and at the Lenin Metallurgical Works, and the introduction of an electrical furnace and kettle metallurgy at this latter, represent quantitative changes in the standards of domestic steel production. We can produce about 40 percent of our steel by state-of-the-art technology in such a way that the selection of quality of the steels produced can significantly increase.

Increasing the production of continuous smelters serves the implementation of material-saving and quality viewpoints. More than 40 percent of our steel production is processed in such modern crystallization equipment, and significantly more economically than in the past.

More consideration must be given in the future to opportunities of cooperation with the socialist countries. We must seek out the new formats which serve increased utilization of domestic metallurgy's technological equipment. Entering into contracts with the socialist countries which, in addition to the exchange of products, would also promote increased specialization, may be mutually advantageous.

Future Prospects

This year's task is to develop the concept for ferrous metallurgy to the year 2000. This requires gathering and evaluating many types of information, and first of all good cooperation between the enterprises and the national organs.

The quality of iron ores used at this time does not satisfy the requirements of economical metallurgy: their iron content is low and their silicic acid content is high. In the developed industrial countries, about 300 kg of slag is formed in the production of 1 ton of raw iron, while we produce about 1,500 kg, which counts as a "world record." This provides the decisive explanation of why we are forced to use about 200 kg more coke than the international average to produce 1 ton of raw iron. Our most important task is to improve ore quality and decrease energy consumption in metallurgy.

The raw iron, steel and rolled-product production capacities of metallurgical equipment built in recent years and to be started up in the near future exceed current and projected needs. Thus the branch management is not planning on future production expansion developments in these phases of production.

The share of secondary and tertiary products and products of appropriate quality is relatively low in our finished products. The quality levels of our castings and wrought products, and the condition of the technological equipment call attention to several modernizations awaiting implementation. First of all, to implement those which will modernize manufacturing technology, improve conditions at the place of work and the quality and profitability of products.

In the development, an advantage must be assured for the production of higher value product types which can be sold profitably on markets. For example, by 1990 the ratio of secondary and tertiary products (this category makes up a large portion of high value products) must increase to 39 percent from the present 25 percent.

In the long-range concept, a direction of growth must be shaped which will significantly decrease our backwardness compared to the international standards by the turn of the millenium. The situation whereby at the present time 9 large blast furnaces produce about 2.3 million tons of pig iron, and more than 23 steel-producing facilities located at three large metallurgical enterprises are used to produce 4 million tons of steel, and further, that the production of 3 million tons of rolled products takes place on 18 roller lines, urgently indicate our tasks to rationalize production both in the metallurgical and the shaping phases.

The economic and technological significance of ferrous metallurgy cannot be measured by the percentage participation of our fixed assets, or of their production. Without advanced metallurgy, the branches of the national economy which process and consume metallurgical products (machinery manufacture, the construction industry, transportation, mining, agriculture, etc.) cannot advance in such a way as to stand their ground in international competition.

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ALTERNATE PROPOSALS FOR ECONOMIC REFORM PRESENTED

Warsaw ZYCIE GOSPODARCZE in Polish No 4, 14 Feb 82 p 3

[Interview with docent Kazimierz Ryc by Karol Szwarc; date and place not given]

[Text] [Question] Karol Szwarc: The level of consumption has been falling since 1976. In the last two years it has even fallen catastrophically. So I ask you, an economist, who for many years has concerned himself with the problems of consumption and economic development: what can be done about this?

[Answer] Kazimierz Ryc: Those of us who are older remember that in our postwar history there have been several periods in which there was either a drop in consumption or it was markedly halted.

[Question] But these events were never as serious as they are now.

[Answer] I would not say that. For example, in the early stages of the 6-year plan this drop was also very acute, particularly since it occurred immediately after the rapid increase in consumption in the 1940's.

[Question] Were the causes of these breakdowns always the same?

[Answer] I believe not. Statistically, the causative factor was always the incomparably low, in relation to the production potential, efficiency of utilization of production factors.

[Question] If we assume that this characteristic is constant, then how do we explain that at one moment consumption dropped and at another it again rose?

[Answer] Industrialization always began with the formulation of an active plan, which envisaged that development of the economy would lead to an improvement in the standard of living. However, the actual processes deviated from these assumptions. First investments grew, then employment, and even production of many industrial goods, steel, cement, coal, etc. But at the same time, strains appeared in the market and there was a shortage of goods in the shops. It can be said, therefore, that the whole production apparatus did not respect the need for a growth in consumption. And at that time, political factors usually entered the arena, which reversed these processes.

[Question] Why did it happen that the natural course of events in the economy led to a loss of interest in the improvement of consumption and a political factor had to opt to reverse these tendencies?

[Answer] The beginnings of the active plan were usually quite promising. Social goals and structural tasks were established, which were to be implemented by means of investments.

And then the game, played by the enterprises, branches and ministries, to obtain these investment means began. Conflicts of interest appeared. Investments were underestimated. The difficulties were minimized and the benefits highly touted. After a certain phase of investment implementation, it appeared that more funds had to be added, and so the investments were additionally financed. At the same time, it became apparent that the closing of certain production cycles required that new investments be made. And so outlays grew, and the field of investment expanded. This caused an increasingly lower efficiency of utilization of production factors. Vehicles rode "in a search for" materials all over Poland, burning excessive amounts of fuel and rubber. Overtime hours, etc., also increased.

And then was the time for intervention--investment processes should have been cut off. But ordinarily it happened otherwise, which was particularly evident in the 1970's. An attempt was made to tie the expanded investment program into one whole, counting on the fact that the desired structure and size of production will be achieved, and thus the standard of living will be improved. The so-called investment harvest was looked to. And in the meanwhile, incomes grew, strongly stimulated by investments. These incomes did not encounter a stream of goods, and social strains began.

These strains aroused political reflections: this cannot continue. And then the investment program was cut off, since otherwise this would threaten a serious decline in current consumption. At the same time, a part of the funds were shifted so as to better respect social consumption.

[Question] Characteristically, when you describe this mechanism, you do not mention agriculture.

[Answer] It is true that the signal that consumption is breaking down is, as a rule, poor crops, and frequently also a tangle of unfavorable phenomena in foreign trade. However, I would regard agriculture as a certain additional factor which is responsible for the fact that these main factors--low management efficiency and excessive inclinations to investments--reveal themselves with full force. Because if we had a highly productive non-agricultural economy, we would be prepared for crop failures. Ultimately, crop failures are predictable over the long term, within a certain number of average crops and crop failures. It appears, however, that because of low efficiency in the remaining sectors, we cannot fill the gap that arises during a period of poor crops.

[Question] Are not the causes for these breakdowns to be found in the mechanisms of the operation of the economy?

[Answer] We know this: the economic and financial system was directed mainly at increasing the producers' manufacturing resources, but it was not aimed at services for final production.

[Question] What conclusions can we draw for the present and future from what we have already said?

[Answer] We must generally give the entire mechanism of operation a pro-consumption orientation.

[Question] What does this mean?

[Answer] It is equivalent with a systems-type operation in support of obtaining a predominance of producers of final goods over producers of intermediate goods.

[Question] These are long-range processes, i.e., connected with reform. I believe that we will return to these questions later. But let us first attempt to determine how to intervene.

[Answer] Until now, as I already said, the decline in consumption was counteracted mainly by investment cuts, which was equivalent to eliminating some of the less effective applications of production factors. Anyone who has had even the slightest contact with economy knows that the reason investments are least effective is that they are the outlays which produce results only after a certain time has passed.

That is what was done in all breakdowns up to now. This method was also attempted in the mid-1970's in the form of the so-called economic maneuver. But this was not done consistently because the strains were not noticed, or an attempt was made not to notice them. A drug operated here in the form of imports on credits, which eased the situation. It effectively lowered the economic fever but did not remove the cause. And not until this drug ceased to be administered did the crisis become apparent and intensify. As a result there was a steep drop in consumption.

[Question] Most alarming is the fact that this drop is continuing. Do you see an end to it?

[Answer] The reduction of investments itself, which is being done too slowly and inconsistently, will not be enough. We will have to stop using part of the production assets and human labor, so as to make it possible to concentrate foreign-exchange, raw and other materials, and also employment, on those fields of production that produce for the domestic market or for export. And just as in the case of investment cuts, so, too, in excluding less effective assets, we must act quickly and consistently.

[Question] Do you not believe that these processes may begin by the implementation of the so-called operational programs?

[Answer] This certainly is a method. But there is a hitch here.

[Question] What do you have in mind?

[Answer] How to direct this efficiently. Priorities in the distribution of scarce raw and other materials will apply to only a portion of the components that are indispensable for the performance of tasks contained in these programs. The problem of the gasket, therefore, will not disappear.

[Question] Then what do you propose?

[Answer] In my opinion, the most ideal solution would be an allocation of financial means, including foreign-exchange. This need not necessarily be, as in November of last year I proposed in ZYCIE GOSPODARCZE, by means of introducing another kind of money. This can also be achieved less drastically, but certainly with the help of monetary instruments.

But this is still another issue, which has been emphasized more than once. There is a danger that the programs will expand. Each producer will try to "tie in" to them, which will not always bring about the socially desired results.

[Question] Indeed, this is a real threat. But from the tone of your reply I read that this does not worry you the most, but something else. Do I guess correctly that you see in these programs some very serious defect?

[Answer] I am not a practician. And I may be wrong. Theoretically, however, I would opt for another solution. Instead of operational programs, I would suggest the establishment of specific measures, within the framework of which goals and the means to achieve these goals would be specified. For example, in these goals I would include food production, production of articles that are socially indispensable, such as medicines, or housing, and finally, production of incentive-type goods, i.e., so-called luxury goods.

[Question] What is the difference?

[Answer] The difference is very great. The devil is hidden in the details. In the operational programs, which, I admit, were constructed with social needs in mind, results of implementation of the programs will not be calculable, insofar as balancing the economy is concerned. The methods that I suggest will make it possible to calculate results.

If, for example, we refer to food, then, even after the price increases of several days ago, outlays for food production will be higher than the receipts obtained from sales. Looking from the standpoint of total balance, therefore, in this field the inflationary stream will probably overbalance the deflationary stream. It is the same with production of socially indispensable products. Only in the case of so-called luxury goods can the deflationary stream predominate over the inflationary stream.

Reduction of investments is also such a measure, operating in a deflationary way because accumulation has not been distributed.

Other measures are moves in the monetary sphere. This pertains primarily to all kinds of prepayments or effects on growth of personal savings, or even enterprises, employing an incentive-type system of interest-bearing deposits, and revalorization of deposits, to compensate for the decline in the value of the zloty. Here, also, is an opportunity to obtain a deflationary stream.

I believe that after these deflationary and inflationary streams in the existing economic situation are summed up, we would not come out with a zero balance. That is why the price operation was so essential in order to effectively halt inflation.

[Question] That is, following your line of reasoning, the present price increases, so very shocking, will be effective from the standpoint of overall balance?

[Answer] I am afraid that with the operational programs it will not be possible to make the same calculation as to the degree of balance of the deflationary and inflationary streams. I believe, therefore, that the prices were increased somewhat blindly. And if we combine this with the systems-type solutions, which give the enterprises greater freedom to set prices, then I do not rule out the paradoxical situation in which production may fall and prices fall.

I realize that every one of the operational programs can be defended from the social standpoint. But from the standpoint of economic policy, which would lead to a balance, it would be necessary to not only clearly specify to what extent those enterprises commit material means and that kind of material results are produced, but also to calculate which deflationary and inflationary streams are released.

And then perhaps we would rid ourselves of the demagoguery that we must produce only that which is indispensable to survival. Obviously, such a situation could occur, but let us not be surprised then that our real incomes will be increasingly lower.

[Question] We dealt in the 1970's with the suggestions that you propose for taking these types of measures. This is certainly nothing new. And the results are known.

[Answer] I agree that at first glance these may look like moth-eaten arguments. But there are three important differences.

These programs were not in the nature of measures, i.e., with definite time limits and within a set group of tasks and means. Furthermore, they were implemented in an economic structure which was not adapted to them. Poland was a federation of ministries. And a further difference lay in the fact that the money side of these programs was not calculated. Strictly speaking, only the justified programs were formulated, i.e., those pertaining to issues that had the highest social priority. And it is with their implementation that the predominance of deflationary streams occurs.

That is why I believe that if I want to build houses, I must also produce automobiles, in order to balance the inflationary stream with the deflationary stream.

Or to put it otherwise, we must look at the economy not only from the standpoint of social goals, but also from the business standpoint. If I put money out for something, then I must earn money on something. If I do not pay attention to this, than to whom do I have to turn?

[Question] The issuance bank.

[Answer] Exactly.

[Question] Will reform favor stabilization?

[Answer] Directional solutions within the framework of reform are aimed at the domination of a pro-consumption orientation.

[Question] Does this make it necessary to make fundamental changes in the economic character of the functioning of the state?

[Answer] I believe that fundamental transformations are necessary. The economic system, if it is to be capable of balancing, must be tri-organizational: state, enterprise, household. These organizational units should be independent.

The state would concern itself with the sphere that would guarantee social balance. I refer here to an effect on steady, continuous development and assurance of full employment. Thus the state, through a capital policy, would remove developmental barriers and take care of public finances, or, in consequence, the balancing of the economy.

The enterprise would concern itself with production and sales, and the household, with consumption and work incentive.

As a matter of fact, there could even be three equations.

[Question] What kind?

[Answer] Thus far the economy textbooks have written about bi-organizational systems, which was expressed in two equations: investments equal savings, consumption equals wages.

The bi-organizational system--enterprise, household--cannot be balanced. This system has the same characteristic when the enterprise, as if identifying itself with the state, becomes a state department. It obviously cannot be a part of the state, for it is difficult to manage something so huge. Thus a pseudo-independence is created for the enterprises. It leads to the mechanism we spoke of earlier: the enterprise demands the most funds, but wants to produce the least.

[Question] But what are these three equations?

[Answer] Balance in the tri-organizational system is possible if the three equations that follow are present: investments equal savings by the state, enterprises and citizens; state expenditures for public purposes equal taxes minus savings; and consumption equals wages minus savings.

[Question] What is a state?

[Answer] In speaking of a state, we must separate the state from the government. The state, and I would not want a lawyer to read this, is a set of permanent regulations by which society is controlled. These are the constitution, the law on an enterprise, the law on the Council of Ministers, the law on a self-government, on planning, etc. But the state is also the government which, within the framework of these regulations, to which society has consented, conducts its activities.

And here I repeat my slogan: constancy of regulations, variability of parameters. Constancy of regulations is the "social agreement" that is observed. But the government also has the right to impose taxes, grant relief, make concessions, etc.

[Question] But you advocate that the connections among these three organizational units be of a financial nature?

[Answer] Of course. But I cannot say that this should only be with the help of money. I would then be a utopian. At present we do not have either good money or bad. That is why so much weight is attached to the material streams.

[Question] Can reform succeed under those conditions?

[Answer] Economists are constantly repeating, and it is true, that reform has been begun under very unfavorable economic circumstances. But I believe that it can bring results, but two necessary conditions must be met. First of all, the growth of inflation must be firmly suppressed. At the same time we should concern ourselves with balancing the state budget.

[Question] If we are not able to halt inflation, we will not be able to direct the enterprises toward a reduction in costs. However, they will try, by means of price-fixing, to cover all inefficient outlays.

[Answer] This is true. And that is why, although I continue to be alone in my views, I would greatly favor monetary factors, i.e., restoration of the value of the zloty or the introduction of another currency.

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## ROLE OF PRICES IN RESOURCE ECONOMIZING CONSIDERED

Bucharest REVISTA ECONOMICA in Romanian No 8 26 Feb 82 pp 7-8, 10

[Article by Ioan Predoi and Marin Popescu of the Institute of Finance, Monetary Circulation and Prices: "The Intensification of the Use of Price Factors in Actions to Economize Material Resources"]

[Text] The economizing if raw materials, materials, fuels and energy constitutes a problem of the first order and an action of broad scope imposed by the requirements of the current stage of creating a multilaterally developed socialist society and by the needs to achieve the objectives of the 1981-1985 five year plan and by the continuing growth of economic efficiency. As stressed by the secretary general of the party, comrade Nicolae Ceausescu, at the joint working session of the RCP Central Committee and the Supreme Council of Economic and Social Development, "in this regard we must place special stress on the better use of raw materials and materials, on the continuing reduction of material consumption and production costs and on the reduction of energy consumption, working fully decisively for the proper administration of the resources we have available and doing everything in order to introduce modern technologies into all fields that will rapidly lead to the reduction of energy and fuel consumption and material consumption in general."

The solution of the energy problem and the raw materials problem requires, in addition to the modernization of production, improved organization and technologies and the more intensive use of value factors, in the framework of which production prices play a significant role.

The measures adopted in the last 2 years and the updating and improvement of the correlation, based on economic principles, of production prices and the prices to deliver goods to the socialist units, as well as the prices for production, contracting and acquisition in agriculture, are capable of strengthening the role of the price system in the achievement of the party's economic policy and in the stimulation of the units in the direction of the efficient use of funds entrusted to them to be administered, the optimum operation of the new economic-financial mechanism and the growth of all the people's standard of living.

The updating of production prices represents an important step forward in moving to a new quality in the economy, with this calling for the complete fulfillment

of the physical production plan, the firm orientation in the direction of modernizing technologies and production, the better use of natural resources, the improvement of economic efficiency and so forth. In order to achieve these requirements under the conditions of applying the new production and delivery prices, it is necessary to have decisive measures for the more accentuated reduction of production costs and, first of all, of material costs.

In this action of using material resources with maximum efficiency, a significant role is played by the intensification of the use of price factors, with the fact being known that prices exercise a stimulating influence upon economizing social labor.

As is known, prices represent an essential facet of the management and planning mechanism, created on scientific bases, in the process of economic and social development. Through these prices, measurements of the values created in the economy take place. On this basis, they constitute a stimulating factor for the development and modernization of production and the economizing of social labor. Under the conditions of the spread of the new economic-financial mechanism, self-administration and self-financing, prices must reflect the changes in social costs for production as determined by technical progress, by improvements to production technologies, by improvements to the organization of production and labor and by changes in the world context, especially the increases in the prices for basic raw materials and energy resources. Only through thoroughly substantiated prices based on economic criteria that will reflect the changes over time in social production costs and the other factors that determine prices and through the most correct possible expression of material and labor costs in the production of a certain product will the enterprises be ever more stimulated to increase production, to increase their necessary financial resources through their own activities and to increase profitability.

In this context, production prices must contribute more activity, on one hand, to the measurement of the efforts and effects of actions undertaken in the direction of economizing and better using material resources and of introducing new things into production and, on the other hand, to the initiating of certain broad and efficient measures in this action of great national interest.

Incentives for the Producers Through Prices

The role and function of prices in the socialist economy have constituted and constitute an important area for discussion in the specialized literature, with the majority of the authors stressing aspects and outlining solutions regarding the stimulative facet of this value factor.

Under the conditions of spreading the new economic-financial mechanism and the need for adapting production to the restrictions stemming from the energy and raw materials crises, the growth in the percentage of intensive factors requires a reconsideration of the means of dealing with the role of the cost categories and the actions of these categories in accordance with the requirements for

economizing raw materials, materials, fuels and energy. In our opinion, it is necessary to have a more encompassing approach to the aspects of stimulating the economizing of material resources and, in general, technical progress, placing a greater stress on the most judicious combining of prices as stimulative factors with the other factors of the economic-financial mechanism.

In this view, showing the role of prices in increasing the economic units' contribution to obtaining a continually increasing newly-created value per a given level of material, energy and labor consumption requires dealing with aspects linked to the stimulative or restrictive nature that production prices can have. Exercising this role of prices should not be understood merely as changes in the level of production prices, with a special importance being played in this direction by improvements to the process of creating prices.

Thus, if we refer to the restrictive nature and regulatory nature of prices, this can be ensured through reflecting, in the changes in the level of new or modernized production costs, those elements linked to the real costs of assimilating and producing these products - justified from an economic point of view, through not including certain elements of net income that distort the content of the prices and through adding to the costs the average rate of net income for this group of products, substantiated according to the requirements of the process of expanded production. The creation of production prices on such a basis must constitute the main reference element in substantiating decisions regarding the start of production on new products and the establishment of an efficient structure for exports. In other words, the restrictive nature of prices is ensured by adhering, during the process of creating these prices, to the measurement function of socially necessary labor costs as a requirement of the law of costs.

The substantiation of costs and prices through adherence to real (standardized) material and energy consumption levels constitutes an essential criterion in evaluating the degree in which the new products respond to the current requirements of economizing raw material resources. Under conditions in which, after a critical analysis of the production costs of new products, as a basis for creating prices, it is found that these prices do not lead to a better use of materials, it is more rational from an economic point of view to reanalyze the technical solutions, and especially the technological procedures, for the purpose of optimizing the relationship between consumption levels and technical-operational performance.

In the action of establishing prices, the restrictive nature of prices makes it necessary to also take into consideration the socially necessary costs for acquiring the natural resources used. On this basis, the price can serve as a more efficient instrument for stimulating the reduction of material costs and for measuring the efficiency of production since the cost, as determined in this manner, more fully expresses the effort society has made to provide the material resources needed to obtain the products in the final processing branches of the economy. This desire is also brought about by the requirements of the operation

of the new economic-financial mechanism and by adherence to the principles of self-financing. In our opinion, the evaluation of the natural resources is diminished both because of the fact that the volume of expenditures needed to discover certain new reserves of natural resources are not completely reflected in costs and prices and because of the maintenance of too large a gap between the rate of net income contained in the prices of natural resources and the rate in the final processing branches. This does not permit obtaining the material resources needed in the production process, a fact which does not stimulate to a sufficient degree those units using such resources into economizing raw materials and materials, and especially those scarce materials.

The substantiation of costs and the rates of net income in the material and energy resource production branches in full agreement with the requirements for expanded production under the conditions of the contemporary technical-scientific revolution will create the premises needed to more comprehensively reflect social labor costs in the primary branches of the economy. This will cause the economic units in the finishing branches to be more interested in administering raw materials and materials and in using existing reserves. The use of such prices will also permit the optimum use of the proportions and rates of development in the primary branches and intermediary branches and of evaluating their contributions to the creation of national income.

As a form of expression of the workings of the law of costs, prices must also be carried out concomitantly with respect for the function of measuring the created values and the function of stimulating the economizing of social labor, Furthermore, there is a dialectical unity between the restrictive and stimulative nature of prices brought about by the workings of the law of costs as an economic law specific to the production of goods.

In our opinion, the stimulative nature of prices in the actions to economize material resources also requires in both situations, in addition to the creation and establishment of prices on the basis of costs, taking into consideration a level of net income differentiated according to the degree of use of natural resources. Thus, in situations where the enterprises succeed in using and starting production on products having high technical-economic performance in relationship to their material costs, it is justified from an economic point of view to consistently have higher rates of net income (above the average of the group to which these products belong). The increase in the net income given and included in the production price of new production comodities must be proportioned so as not to lead to an increase in the level of price per unit of utility value (useful result), compared to reference products.

In evaluating the degree in which the economic units succeed in better using raw material resources, an important role is played by the drawing up of a system of analytical indicators whose dynamics will reflect the contributions of the enterprises in the better use of economic resources and especially material resources. At a given level of prices for the products produced in a certain

economic unit, based on the real production costs and by including a level of net income, a reference element in the creation of such indicators could be played by the mass of net income made by the enterprise during a certain period of time. The selection of this element as a comparative basis is justified for at least two reasons: 1) net income represents a synthetic indicator of the results of overall production activities and the size of these activities, at a given level of prices and being the result of the combined actions of the factors of material production; 2) it offers the possibility of reflecting the contribution of the different factors in increasing the efficiency of social labor at the level of the economic unit.

Such a system of analytical indicators that will characterize in a complex manner and reflect the efforts of the economic units to increase the level of using material resources can be created, in our opinion, from the following components: the relationship between the size of the raw materials and materials costs and the size of the net income; the relationship between the size of fuel and energy costs and the size of the net income. There can be a descending, ascending or constant evolution in the dynamics of these relationships. In the case where the evolution of these indicators is downward, there is an increase in the efficiency of using material resources, a fact that will be reflected in an increase in the size of the income as a result of increasing the volume of physical production (as a result of attaining certain utility values that are greater while using the same amounts of raw materials. These raw materials are put to better use by raising the coefficient of use and by reducing the weight of the products). On the other hand, a constant evolution, and especially a upward turn, in these indicators reflect a lower level of efficiency in using raw materials and materials, which requires the substantiation of certain technical-economic measures in this direction.

The Costs-Parameters Relationship in a Broader View

The achievement of the requirements regarding the practical use of certain production prices that will stimulate the producers to economize materials and, in general, to extend modern technologies into all branches of the economy requires having to a greater degree an agreement between the level of prices, the social production costs and the technical-operational parameters of new products. The measurement of its utility value and the degree to which this product responds to the consumer's requirements and, especially, the quantification and expression of the evolution of this over time constitute difficulties raised by taking the utility value into consideration in establishing new production prices.

The practical activity along the lines of quantifying the utility value lies in dealing with and measuring the utility qualities through technical-operational parameters. Economic practice in the field of prices in our country and in other socialist countries demonstrates an increased concern for taking utility value into consideration in the creation and setting of prices. As is known, in establishing and correlating production and delivery prices, both for production resources and consumer goods, we keep in mind the relationships between

the products' utility values, expressed in technical and operational characteristics, durability, esthetics, comfort and so forth.

Getting the producers interested in the assimilation of certain products using smaller amounts of materials and energy requires taking the utility value into greater consideration in the establishment and correlation of prices. And, in this regard, we encounter a series of difficulties linked to the great diversity of products and to the multitude of utility values belonging to the products, as well as to the difficulties in expressing technical-operational parameters that are representative with a single synthetic indicator. Similarly, the method of correlation requires the comparative analysis of the new product's parameters with those of the product considered to be the standard. In many cases (especially in the light industry), this analysis is made difficult by the fact that there is no list for the most representative parameters and no hierarchical ordering of these parameters, a fact which causes certain shortcomings in the measurement of the influence of technical modifications upon costs and, especially, upon the volume of costs for raw materials, materials, fuels and energy.

All this implies the need for certain increased efforts to achieve a thorough technical-economic analysis of the new product compared to the old one (the one replaced) for the purpose of establishing a price in accordance with the technical-economic parameters of the products. This wish makes it necessary, right from the design phase, to establish a listing of parameters that fully characterize the technical level of the product while the costs-parameters relationship must be interpreted in a broader view, in the sense of more consistently pursuing the manner in which the producer uses material resources and the relationship that exists between the volume of the different categories of material costs and the growth of technical-operational parameters.

The costs-parameters relationship must also be understood in the sense of covering the eventual increase in costs and the rate of increase in the utility value of new products. In other words, at the moment when new products appear it is necessary to keep in mind that the additional useful result obtained by the consumer will be greater or, only in some cases, at least equal to the additional costs involved in the production of these new products. This relationship, however, also brings about the analysis of the products in the light of their newness in the economy from the point of view of their characteristics in operation, the degree of safety in operation, their use and maintenance costs and so forth. Finally, this relationship must convince the decisionmakers of the opportunities for manufacturing these products.

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COMPLETION OF UNFINISHED PROJECTS IN INVESTMENT SECTOR

Bucharest ROMANIA LIBERA in Romanian 18 Feb 82 pp 1, 5

[Article by Cornelia Preda]

[Text] In world economy, the level of investment projects is regarded as the most conclusive prosperity or recession symptom. While in the developed capitalist countries there is not only a decline in investment projects but also a negative impact from the crisis on existing production facilities, with one of the major effects being the tremendous rise in the number of unemployed that number in millions, in Romania there is a year-by-year increase in the number of newly created jobs. This is mainly due to the investment funds appropriated.

In an overall survey of the results of the Romanian economy, Nicolae Ceausescu, in his speech at the meeting with the party and state active of Brasov County, stated: "The increases in 1981 are smaller than those under the prior five-year plan. However, considering that in many countries not only there is not an increase in production but, on the contrary, there is a decline in the development of material production, we regard these increases as satisfactory and firmly believe that as a result of the measures taken we will ensure conditions for the implementation of the decisions of the 12th Congress on development, under this five-year plan, of our economy, of industry, of agriculture, of all sectors of activity." As follows from the recent report issued on the fulfillment of the uniform national plan for socioeconomic development, the total volume of investments in the national economy, completed in 1981, is 208.5 billion lei. The level of investments planned for 1982 for the overall economy is 236.3 billion lei.

The level of last year's implementation of the investment plan is only 93.3% of the planned volume. Hence, we may say that the effort to complete investment projects has remained below the level of our economy's financial potentialities. This situation equally reflects the effects of the world crisis and a number of shortcomings in preparation of investment projects and in the organization and unfolding of construction site activities. As is known, these shortcomings were closely analyzed at joint sessions of the Central Committee of the Romanian Communist Party and of the Supreme Council on Economic and Social Development. A major issue involved timely and proper provision of the required equipment. For instance, if we examine the makeup of investment projects completed in the Romanian economy, we note that the volume of equipment in the overall context went up continuously, growing from 43.9% in 1976 to 49.3% in 1980. This change results from the use of a new concept

in completing investment projects, which gives precedence to equipment on which the level and quality of production hinge. However, there was not a similar progress in the area of ensuring equipment from domestic output, which, throughout this period, decreased from 82.2% in 1976 to 77.9% in 1980. As Nicolae Ceausescu emphasized recently, Romanian industry has reached a very high development level. Its provision in terms of equipment predominantly results from the 1971-1975 and 1976-1980 five-year plans, with the latter showing an investment volume which is double that for the former. To further resort to imports of equipment when it can be turned out at home is a damaging approach, which stems from some experts' kowtowing to foreign brands, from their lack of confidence in the creativity of our people. This could cost the nation billions of lei. That is why the party and state leadership deemed it necessary to firmly cut down imports, a situation which has created some difficulties -- in the units and sectors, of course, where the management bodies have not understood that they must resolutely go down to solving the problems posed. But, as shown, deliberately, this decision was preferred, for the purpose of settling these very important problems and assure the enhancement of responsibility, of trust in the Romanian workers' and technicians' own forces.

The courageous effort to overcome the adverse situation reached encompasses, must encompass, the elementary calculus that in the context of the world crisis, to complete now an investment project costs less than it will cost tomorrow, hence the chance for profit is greater now than tomorrow. For these reasons of efficiency and for the profound, essential reason of the need for continuous development, the Romanian economy invests for 1982 5% more than the level planned for the previous year. This is done in the context of Romania's outstanding development in the area of investment projects as early as under the 1976-1980 Five-Year Plan. The dynamics of investment projects completed in the economy is suggestively tied in with the following figures: the volume of investments in 1980 is 151% greater than that for 1975 and 33 times as great as in 1950.

Specifically, what is the aim of investment projects planned for 1982? The assignment is characterized by realistic spirit which takes into consideration some lags in the economy and in the investment sector especially, and the need for effective adaptation to current requirements of development. About 95% of the funds appropriated are destined for continuation of construction work, commenced in previous years, provision of machines and installations for the areas available, increase in production at minimal costs, also for housing construction. As can be seen, new investment projects in the economy involve a low level; however, their input into the development of the economy is very great. For, the state plan not only does not simply extrapolate the development trends outlined so far, but -- in line with the decisions of the 12th RCP Congress -- enhances the structural changes necessitated by the qualitative growth of the Romanian economy, at a level which must place us among mid-size countries in terms of development itself.

Most investment projects are in the stage of technological tests or reach this stage in the second part of the year. Hence, special emphasis must be placed this year on the unfolding of technological tests, on the on-schedule attainment of planned parameters, with major impact on achievement of the planned output for the overall economy. A survey of the status of investment projects under construction indicates that in addition to the positive results obtained, there still are difficulties that resulted not so much from objective conditions as from the mode of preparation and

completion of investment projects. For instance, the expansion of the electric steel mill for stainless steels at the Galati Metallurgical Combine (a facility which involved replanning in June 1980) could not yet be completed and here is the reason: needed there are corrections on the electric valves delivered by the Bacau Mechanical Enterprise. Moreover, the user (the Ministry of the Metallurgical Industry) makes the transfer of the project contingent upon the completion of some extra works that are not incorporated in the documentation approved: the ability for automatic change in the position of the converter, adoption of a system of programmed control of the output of fluids blasted into this converter, because manual handling does not ensure adequate functionality. The problems raised are being analyzed by the designer unit, Bucharest IPROMET [Design Institute for Metallurgical Plants and Installations]. Even if justified, necessitated by the needs involved in greater economic efficiency, the demands of the direct user, the Metallurgical Combine, could have been and should have been specified as early as in the stage of formulation of the designing topic, or, at any rate, the user should not have waited until the completion time. Likewise, preliminary inspection for switching to technological tests was denied at the Tulcea Metallurgical Combine by the user. The reason is that, while the unit which put up the facilities at the Ferroalloy Plant (stage III) considers the project as completed, the user indicates that assembly was not finished for a traveling bridge or the water treatment facility involved in the new investment project. Evidently, the construction unit minimizes the importance of these works, regarding them as secondary ones and the user unit is right in not accepting such an approach to handling the projects under contract. But in this dispute an output of almost 32 million lei was lost. Even though some new facilities at the Calarasi Metallurgical Combine have entered the stage of technological tests, they produce more loss than profit because the period approved for these tests has so far been exceeded by more than 4 months. A production was achieved of 24 million lei, at high costs, and the profits that were not achieved as a result of this delay stand at 135 million lei in the context of the chart established.

What results were obtained in completing new investment projects this year? The central coordinating bodies promptly monitored 160 priority facilities in terms of their importance. Plan exceedings were obtained principally at the Rosia-Jiu, Pesteana, and Jilt-Sud lignite pits, at the coking chemical plant and the No 2 thick sheet rolling mill of the Galati Metallurgical Combine, the narrow strip rolling mill at the Iasi Metallurgical Enterprise, the electrotechnical sheet sector at the Tirgoviste Combine for Special Steels, the expansion of the Borzesti Refinery and the Teleajen Petrochemical Complex, the expansion of the Brasov Tractorul Enterprise and the Pitesti Automobile Enterprise, the Craiova Enterprise for Tractors and Farming Machinery, the construction of the new Constanta Sud-Agigea sea harbor, and so forth. But for some projects there are low construction rates. These include the opening and putting into operation of the Comanesti lignite deposit, the converter steel mill No 3 at the Galati Metallurgical Combine, the expansion of the Arad and Slobozia chemical fertilizer combines, the Calafat, Zimnicea, Fundulea and Draganesti sugar plants, the Negresti-Oas factory for mining equipment. We must point out the unsatisfactory rate of units manufacturing equipment, and this because of the above-mentioned reasons, specifically those in the mining sector that are so important for the overall economy and for us, citizens. Suffice it to recall that on the rise in the coal output depend the production and consumption of electrical and thermal energy. Consequently, extra efforts are required, focused on the proper implementation of the investment plan. All the more so because the volume to be obtained is growing and is expected to be in the fourth quarter four times the level for the first quarter.

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## HEAD OF OVERSEAS CONSTRUCTION DISCUSSES PROBLEMS, PROJECTS

Bucharest ROMANIA LIBERA in Romanian 8 Feb 82 pp 1, 5

[Interview with Ion Stanescu, chief of the Department for Construction Abroad, by M. Radian: "Romanian Builders Honor Their Visiting Card"; date and place not specified]

[Text] [Question] How does the review of the department in 1981 look? What are the main achievements for 1981 both along production-economic lines and along financial-hard currency lines and for strengthening economic and political relations with other countries?

[Answer] In accordance with socialist Romania's ever more active participation in the world trade of material and spiritual values and with the intensification of foreign trade activities during this five year plan, at the initiative and under the direct guidance of comrade Nicolae Ceausescu the Department for Construction Abroad was organized. In other words, our department constitutes a clear reflection of the party leadership's constant concern for the promotion of a policy of broad cooperation between countries and of understanding, friendship and peace in the world. It is a clear truth of our times: as a direct result of the meetings of and the discussions conducted by comrade Nicolae Ceausescu with numerous chiefs of state and the agreements and understandings brought about at the highest levels, a framework was provided for a powerful stimulus for construction and assembly work abroad.

In this context, it was necessary to have a better coordination and the establishment of unified responsibilities for the entire national economy in order to achieve construction projects abroad through our units. Precisely these tasks belong to our department, which leads, coordinates and is responsible for the achievement, under efficient conditions, of industrial construction and assembly projects, housing construction projects and social-cultural and public building projects accomplished abroad by our own units, as well as the achievement of construction projects in the fields of: highway, rail, naval and air transportation, telecommunications, electrical energy, land improvement and water management, agro-zootechny, drilling, mining and geology - carried out abroad by the units of other ministries.

Second, the activity of organizing the department, created more than 5 months ago, has been practically completed. All the directorates and operational offices were staffed with well-trained professionals having a vast experience in the area of construction and foreign trade.

As a natural result of these concerns and the better coordination of projects completed abroad, since the creation of the department the activities of the Romanian builders have recorded real and significant progress from month to month, plan tasks were fulfilled on a regular basis and for the fourth quarter of last year the plan was even overfulfilled. Certainly, we regard these results as nothing more than a point of departure and as a starting point in the efforts concerning the continuing improvement of our activities. This is so because, without a doubt, we still have much to do in order to attain greater economic efficiency.

In speaking about all these concerns, we cannot lose sight of one of the main guidelines of our country's foreign policy and commercial activities: the broad support for industrialization given especially to the developing nations with which we are promoting modern forms of production cooperation, building over 130 economic and social projects. I am referring to, among others, the refineries at Zarqa (Jordan), Banyas (Syria) and Karachi (Pakistan), the dam on the K'Sab River (Algeria), the cement factories in North Korea, Iraq and Turkey, the thermo-electric power plants in Somalia and the Philippines, the wood processing plants at Bangui (the Central African Republic), Ondo (Nigeria) and Salawa (Sri Lanka) and the schools, hospitals, sports arenas and social and cultural buildings throughout Libya.

During a difficult period for the world economy, the development at such a high rate of socialist Romania's economic trade is without a doubt the result of the efforts made for socialist industrialization, an essential factor in increasing the country's economic, technological and scientific potential.

[Question] What more significant difficulties were overcome and what type of difficulties were not overcome?

[Answer] A statement: the Department for Construction Abroad is also conceived as a working organ, that is, an economic unit with a well-defined role and function: as a general contractor, a general supplier and a specialized contractor. What do I want to stress here? That in resolving the problems and difficulties facing us, we have the task of resolving them using our own forces without waiting for someone else to do it for us. By law, we are charged with all the rights and responsibilities in this regard.

Certainly, we have had some difficulties related to the supply of materials, getting construction equipment and manpower. We have worked decisively, however, to resolve them appropriately and the difficulties that were encountered were for the most part overcome. We also had problems with the better organization of projects and the use of our workforce with greater efficiency and with order and discipline at some worksites. I feel that these problems have now been overcome throught the measures taken and the results obtained.

[Question] Therefore, we can speak of an important accumulation of experience...

[Answer] Without a doubt, last year's experience allowed us to draw a series of conclusions that became directions for action this year and for the entire five year plan. I am referring specifically to our efforts regarding the sustained growth of labor productivity at the worksites - an area where we still have much to do and where we are working with all our forces. In other words, we are doing this through the broad promotion of technical progress, of certain construction solutions and of modern and rapid construction technologies, through the better preparation and organization of work at each worksite and through the firm implementation of the overall agreement as a form of better organization and incentives for the workers.

Productivity, certainly, cannot be separated from the establishment of an exacting climate of order and discipline at work. Therefore, this is another direction of action that we permanently have in mind and that we are dealing with both through the more judicious organization of work and through the carrying out of a powerful ideological effort among the ranks of our workers. The purpose of this is to make each worker understand clearly the mission that has been given to him and the fact that wherever he goes he is actually the representative of our country and that his duty is to do everything for its prestige.

[Question] How do our worksites abroad measure up in a technical, technological and organizational sense? What can you tell us about the our workers' activities at these worksites?

[Answer] In Libya, where we have a great many workers, each acceptance of a new project is a festive moment. "Excellent" - this is the constant evaluation made by our partners there. I want to ask you: would it be possible to achieve projects of irreproachable quality if the technical, technological and organizational aspects at the worksites left something to be desired? I am convinced the answer is no. It is an undisputed fact that Romania has shown itself to be an appreciated partner in all the countries where it has cooperated. And, this is so because we have, first of all, the workers, foremen and engineers, or in one word, the builders of everywhere-recognized value. And, we also have the appropriate technical potential and the high technology construction machinery and equipment, nearly all of it of Romanian manufacture.

In this area, without a doubt we are capable of and responsible for doing more. For 1982, an encompassing and precise program was established for equipping our worksites with equipment, machinery and spare parts in order to completely meet the projects that have been contracted. We have taken decisive measures for a better organization of projects and our reputation requires us to do so. In short, our worksites are no less capable than the worksites of others.

[Question] What are the main directions and objectives of the department in 1982?

[Answer] The fundamental objective of our activities is the sustained growth of economic efficiency, concomitantly with the satisfaction of the highest

requirements of the foreign customers. This is also the reason why the department is organized and operates on the basis of the principle of economic and financial-hard currency self-administration. The fundamental criterion which permanently governs our efforts is the fulfillment and overfulfillment of the hard currency receipts plan, the rigorous adherence to the start-up plan and the complete earning of the established profit. Profits that, in 1982, will increase nearly three times over compared to last year.

We have referred to the efforts linked to the better organization of work at the worksites, to the strengthening of order and discipline at work and to the decisive promotion of modern construction solutions and construction technologies. It is time to mention another priority concern of our specialists: the broad promotion of Romanian projects, designs, technologies, equipment, machinery and materials in the worksites abroad. I would like to stress that the complex projects that have been completed or are being built by Romanian in numerous countries in Europe, Africa, Asia and America - with "the key" having been turned over in many cases - confirm the special technical-scientific potential attained by our country.

[Question] What are the main problems that will be facing your department this year and what measures are being taken to prevent and resolve them?

[Answer] As is know, the department is not working alone. On the contrary, it could be said that a decisive factor for the fulfillment of our tasks under good conditions is the establishment of an active and permanent cooperation with all the ministries and enterprises that have tasks in this field. We should not forget the fact that in each contract that is concluded at each worksite the prestige of the national economy is involved. Therefore, we have two duties - professional and political - to do everything to reinforce this prestige - an essential premise for increasing competitiveness on the world market and expanding our area of activity.

Precisely to this end, we have established, together with those ministries that have subordinate units involved in construction and assembly abroad, some measures regarding the most rational organization of these enterprises and, furthermore, the supply of a technical-material base and the necessary number of workers.

Together with the Ministry of Industrial Construction and the Committee for the Problems of the People's Councils, clear programs were drawn up to fill out the ranks of workers, in those skills where we have shortages, while together with the Minisrty of Forestry Economy and Construction Materials plans were completed regarding the priority start-up of production of those materials requested by our customers.

Similarly, we have good cooperation with the two machine building industries for the purpose of on-time production of construction equipment, transport vehicles, materials, devices and spare parts in their production.

In this, the second year of the five year plan of quality and efficiency, I am expressing my full trust that the workers of the Department ofr Construction Abroad will also work with self-sacrifice and self-denial, with passion and decisiveness in order to fulfill their tasks, to honor the contracts that have been completed in exemplary conditions and to obtain a higher economic efficiency.

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# YUGOSLAV CONSTRUCTION WORK IN FOREIGN COUNTRIES

## Problems of Regulation

Belgrade PRIVREDNI PREGLED in Serbo-Croation 16 Feb 82 p 4

[Article by Dragoslav Zivojnov: "Businessmen With a Trowel"]

> [Text] In preparing the draft law to carry out investment work abroad, the FED [Federal Executive Council] Federal Committee for Energy and Industry adhered to the provisions of the ZUR [Law on Associated Labor] that only collectives organized according to income principles can work abroad. The builders (apparently) prefer commercial contracts and a monopoly at foreign currency construction sites.

It is easier for our builders to erect a skyscraper than to build the provisions of the ZUR into their own document to carry out work abroad. This is the impression that we have received after talking with the creators of the draft law on carrying out investment work abroad in the FED's Federal Committee for Energy and Industry. They reportedly assert that the builders' main criticisms of the draft law on "foreign currency builders" are unfounded, because the builders mainly argue for the old relations, with commercial contracts and the monopolistic position obtained during the past three decades.

This, according to the proposers of the law from the Federal Committee for Energy and Industry, is the main reason why this document has not been adopted for a full four years now, although it should have been completely resolved a long time ago, in view of the ZUR and the volume of work and the funds that we are obtaining on the basis of the work abroad. Pending passage of the law, however, the Regulation on carrying out investment work abroad is being extended for the fourth time.

### A Law "By the Kilo"

The FEC recently adopted a document of exceptional significance for the conduct of Yugoslav builders at foreign currency construction sites in the form of the draft, as a basis for coordination in the interrepublican committee; the law is expected to be coming before the Federal Assembly for adoption by the middle of the year.

The builders have asserted in numerous statements in the assembly of the General Association of Builders and the Construction Materials Industy, the Chamber of Serbia and Belgrade, and in construction organizations that the "federal administration" has drawn up a document that is more harmful than the present regulation. The new law will not only not help our builders to obtain work more effectively abroad and to compete on a more equal basis with their colleagues from France, Italy, the FRG, and other West European countries, but also will even cut the realistically feasible work in half. This year total earnings of $2.3 billion are expected from foreign currency construction sites, with the participation of more than 30,000 construction workers from Yugoslavia.

Illustrating the difficulties that may arise from the new law, Ilija Trajkovic, an experienced economic expert from the Belgrade firm Energoprojekt, recently told the Seriban Chamber that since the beginning of the action to draw up this document he had gathered a total of 9.7 kilograms of various written materials, but not one of the 26 criticisms by the representatives of associated labor to the 54 articles of the draft law had been adopted. It is even more difficult to understand the illogic of this if one is aware that according to the federal Resolution, construction is the only field in which economic activity is to decline this year at a rate of eight percent.

About 750,000 people employed in construction, the construction materials industry, and design organizations are also pointing with concern to the fact that employment in this branch of industry has declined by more than two percent, which is equal to the total number of people employed in the economy of one of our moderately developed municipalities. The sharp curtailment in investments is making this situation worse, and so the danger of the unemployment of bricklayers, steel benders, fitters, and other experts is even greater.

"Reaching Agreements Reduces the Advantage"

In support of their claim that the provisions of the draft law are disadvantageous, the builders point to article 15, which reads as follows: "Organizations of associated labor interested in carrying out investment work abroad, in one country or in a group of countries, can perform this work only if they have previously concluded a self-managing agreement on an organized approach abroad in the country or group of countries in question."

"This is unacceptable, because not all of the participants can form an alliance in this manner, in view of the large number of domestic and foreign partners," the construction organization representatives claim. "No one is against an agreement, an organized approach, and consultation, but this sort of definition makes it impossible for the contractors to operate. There are also shortcomings in article 37, which discusses the handling of foreign currency earned abroad, which has to be in accounts in Yugoslav banks (while according to article 106 of the law of foreign currency business it can also be in foreign banks). We are not being treated like other industries in exports, but rather like exporters of services."

Explaining the difficulties involved in self-managing agreement and consultation, the builders claim that because of increasingly greater competition

abroad and the slowness with which decisions are made in our collectives, along with the well-known and long-lasting "red tape," we do not have much of a chance for foreign currency business, because while we are going through all of the formalities, the business is obtained by faster and more efficient contractors. According to them, it turns out that this obligation is more harmful than useful. The builders also add that of the total number of people employed, the designers, construction material producers, and other subcontractors come to less than a fifth of the workers. With contracts reached on an individual basis, their number and total effect is even less.

The Businessmen Are the Ones Hurt by the Criticisms

In the FED Federal Committee for Energy and Industry, the proposers explain some details from the draft law that they helped to create, and stress that the criticisms from the builders are bitter and the polemics are frequent because of the extremely unfavorable position that the builders are in.

The trouble is that three decades have passed since our experts began working abroad without the passage of a law, but it is illogical that this document has not even been adopted after four years. Business is in fact being contracted on the basis of the Regulation, but it is contrary to the ZUR and the principles of this document of ours, which is significantly better than similar ones elsewhere in the world in its humaneness and realism. The builders, however, are reluctant to abandon the positions they have achieved over the last three decades, which have particularly been consolidated in the last few years. This is business on the basis of commercial relations, seizing other people's income, and monopolistic behavior, which especially benefits the larger collectives.

The fact that illegal behavior by our builders working abroad has been tolerated for years can most often be explained by the general situation in which people have often overlooked this because of the foreign currency, in order to improve Yugoslavia's balance of payments situation.

The FED says that it is necessary to take an organized approach abroad, in order for everyone to enjoy the results of his work and for the foreign currency to be returned to Yugoslavia. The ZUR explicitly provides for this in the chapter that deals with foreign trade deals (articles 64-91). Article 71 provides for receiving income through a share in the jointly obtained income on the basis of self-managing agreement and consultation, and by no means on the basis of commercial contracts (as has for the most part been done in the past). If the builders seek larger incentives, these have to be systemic incentives only, and they can only be provided by a federal law or by an act in accordance with a law.

The builders emphasize that because of this regulation they cannot participate in bidding on an equal basis, and that they will lose business and suffer losses; this is partially correct. This, however, means that the builders have to organize themselves better; they have to be more efficient and more productive, not just at the construction sites but also in the acquisition of the documentation. According to this committee's draft law, confirmation by

the SDK [expansion unknown] and a concluded contract are required, and the builders will have to wait at most about fifteen days for a decision. This is the shortest period for this type of documentation according to the law on administrative procedure. Builders, however, are often behaving like foreign trade organizations in regard to the other subcontractors.

Foreign Currency Day Laborers

If our country's commitment is to sell as much knowledge, equipment, and material as possible to the foreign partner, and as little manual labor as possible in order to obtain the most favorable profit, then the ZUR and this draft law are both resolutely opposed to the past practice. This practice shows that over half of the contracts recorded in our committee have been based on the sale of manual labor. The foreigner pays our bricklayer as a day laborer, and we do half of our work with the aid of a hammer, trowel, and winch. When we finish this work we can go home. More enterprising people, who in practice receive the foreign currency for equipment, designing, and similar business, take care of the rest.

Then our builders say, "But the foreigners have the ability to obtain financing (especially the underdeveloped countries); they have better equipment and other advantages."

Can't we also provide our construction workers with similar conditions? If our regulations require a profit from work done abroad, then it is logical to make realistic conditions for this possible, especially since we have outstanding design, construction and industrial personnel. It is necessary to use appropriate credits to make it possible for our builders to build an entire project for credit, supply equipment, and import all of the equipment that they use abroad on a special basis and pay customs only for the undepreciated part of the value.

According to the Federal Committee for Energy and Industy, in addition to builders the ZUR also applies to the entire Yugoslave economy involved in work abroad; this means that along with Rad, Energoprojekt, Autoput, and other builders, collectives such as Djuro Djakovic, Energoinvest, and other equipment suppliers must also have the same rights to foreign currency income. This law also ensures the same rights for construction materials producers, shippers, designers, and everyone who has a share in the construction and equipment of a project. And our builders are working in fifty countries on four continents. About five percent of the total number employed are earning more than 20 percent of the income in the branch, but the foreign currency income is greater than the total income of these workers.

The ZUR is facing a great test with respect to the builders. When the document comes before the Federal Assembly, we will see how far the builders will be successful in settling relations in a way that ensures a right to share in the jointly earned income for both the main contractors and the subcontractors. Until then, income sharing will continue to be interpreted through commercial contracts.

Experience

Of about 3,000 construction organizations in our country, with about 650,000 employees, last year more than 1,500 organizations informed the General Association for Construction and the Construction Materials Industry that they were doing business abroad. At the same time, 50 were involved in foreign currency construction sites in 42 countries on a regular basis, along with a hundred others from time to time.

During the bidding our builders most frequently encounter the same people, a small number of foreign construction organizations. Whether we speak of the French, Germans, or Italians, at most five or six organizations from other countries are working at foreign construction sites. These are naturally multinational companies and gigantic organizations in which all of the capital, knowledge and experience is concentrated. Nevertheless, we are frequently envied. We are envied for our political standing, which often makes it possible for us to obtain work even without bidding.

The rest has to be justified later--by our work.

## Credits for Construction Work Abroad

Belgrade PRIVREDNI PREGLED in Serbo-Croation 16 Feb 82 p 4

[Article by Stojan Zdravkovic: "Flimsy Credit Foundations"]

> [Text] If the builders share their income and in this manner create a broad financial base, the value of the work performed in 1982 may soon be expected to reach the amount planned for the end of this medium term period--close to $2.5 billion. Of the total amount of short-term dinar credits for exporting goods and services, the construction industry most often receives between 0.2 and 0.5 percent; with the exception of 1979, the construction industry has received from 4.4 to 1.2 percent of the short-term foreign currency credits.

In accordance with the conditions prevailing in the world market today, an increasingly greater volume of construction work is entrusted to organizations that are prepared to finance part or even all of the work involved in carrying out a given project. Yugoslav organizations have also encountered this practice, while participating in bidding throughout the world. In attempting to obtain the work, foreign firms may utilize the funds of commercial banks in addition to their own capital; and the state also appears as their guarantor. The struggle for new work has become so acute that it is difficult to count on obtaining it without objective economic advantages. All of the political and other factors play a secondary role; they are taken into account primarily in the event that the first one, the economic condition, is satisfied.

## Better Solutions Must Be Offered

Due to the large volume and the increasingly greater significance of this activity, firms offering to carry out construction work are appearing in the world market from virtually all parts of the world. The competition is exceptionally pronounced, and one may expect that under the given market conditions it will continue to gain in intensity. Multinational companies in particular stand out as organizations with an exceptional ability to compete, because they can combine their own capabilities and very flexible organizational adaptation with highly skilled managing personnel and the utilization of a labor force from different parts of the world under more favorable conditions than their national economy is able to offer them. This also includes more extensive utilization of the domestic labor force in the developing countries; this in part also meets the economic interests of these countries, and consolidates the companies' own positions in them and with them.

In order to deal with foreign competition successfully, our organizations have to be able to offer better solutions than the existing ones, especially in the economic area. For this purpose it is first of all necessary to provide more favorable credit conditions, which the builders themselves are unable to do. So far continued credit support from the banks and even the entire community has been lacking, and the resources of associated labor have not been sufficient for us to deal with foreign competitors on an equal basis. Part of the responsibility also lies with the builders themselves, hwoever, because they have not been adequately organized to spend the available funds efficiently, Instead of building relations in accordance with income principles, they have most often developed contractual and even competitive relations, which has dispersed the funds and resulted in the loss of work in which we in fact could have become the contractors.

It is characteristic that in recent years there has been an almost constant decline in the structural share of short-term and especially long-term credits for working capital approved by banks for the construction industry for carrying out investment work abroad (see the table). Of the total amount of short-term dinar credits for exporting goods and services, the construction industry most often receives between 0.2 and 0.5 percent, and of the short-term foreign currency credits, with the exception of 1979 in which 21.3 percent was allocated, it received from 4.4 to 1.2 percent in the rest of the years. Short-term credits are intended primarily for the completion of individual projects or even for carrying out small-scale work, and the decline in them (especially in the amount of foreign currency) shows that during the period from 1977 to the present not enough attention has been given to the timely completion of concluded programs and especially to obtaining the smaller work. For the most part, the builders themselves have resolved the financing problems that have arisen, frequently by raising prices on the domestic market, and as a result creating a strong source of inflation.

## Programs Increasing--Credits Declining

From the aspect of carrying out investment work abroad, long-term credits for working capital, especially foreign currency ones, are of particular

significance for construction OURs [organizations of associated labor], since these projects are planned to be carried out over a period of two or three to five years. The part of the long-term dinar credits for exporting goods and services intended for the construction industry has been between 17.8 percent of the total in 1977 and 9.5 percent in 1981 (up through November). These credits are intended for carrying out work that is mostly handled through clearing accounts. Although such programs are increasing, credits are showing a continual tendency to decline and are not enough to meet the needs of our contractors working abroad. An even more serious situation exists in financing work with the aid of foreign currency funds, but without them the struggle for large-scale work is reduced to a very small number of projects. Credit has become significant not only in financing work in the developing countries that do not have any other means of ensuring payment, but is also increasingly playing more of a role in the oil exporting countries. If a certain company or foreign organization is willing to offer at least part of the funds for financing the work, it will have a greater advantage over one that is not able to do this. Even where the political factor outweighs the economic one, a lack of credit may result in having the investment work paid for by compensatory business, and not be payment in foreign currency. The upswing in contracting for work and carrying it out during 1981 may be short-lived if there is a continuation of the tendencies toward a decline in the amount of long-term foreign currency credits for the needs of the construction industry. The fact that their structural share dropped from 16.1 percent in 1977 to 3.7 percent in 1981 gives a serious warning of this, especially since they increased slowly in real absolute amounts (although one should not lose sight of the fact that the value of the work performed during this period almost doubled).

In spite of markedly inadequate support, exports of this activity are fairly high which is a result of the fact that part of the work in our case is based more on a political factor than an economic one. One should, however, by no means neglect the fact that for an equal struggle in the world market it is necessary to achieve and offer corresponding economic advantages. Without this a policy for a long-term approach abroad cannot be conducted, and at the same time a long-term positive effect cannot be expected.

In order to achieve a suitable export capability for the construction industry, it is necessary to ensure that this activity obtains the necessary long-term (foreign currency) credits more easily; provide additional incentives for exporting equipment and materials to our construction sites abroad; and also extend the guarantees undertaken by social communities for carrying out this work. All of this will not be enough, of course, unless the builders themselves unite with each other on an income basis and thus create a broad financial base for their approach in working abroad. Under these conditions it may be expected that the value of the work carried out in 1982 will soon reach the amount planned for the end of this medium term period, close to $2.5 billion.

Credits Approved For the Construction Industry for Investment Work Abroad

-- in millions of dollars

| | Short Term Credits for Working Capital for Exporting Goods and Services | | | Foreign Currency Credits | | |
|---|---|---|---|---|---|---|
| Year | Total | Construction | Percent | Total | Constr. | Percent |
| 1977 | 29,453 | 69 | 0.2 | 1,288 | 57 | 4.4 |
| 1978 | 39,568 | 64 | 0.2 | 722 | 65 | 9.0 |
| 1979 | 55,047 | 267 | 0.2 | 456 | 97 | 21.3 |
| 1980 | 85,583 | 173 | 0.2 | 813 | 10 | 1.2 |
| 1981 | 156,234 | 1,257 | 0.8 | 847 | 26 | 3.1 |

| | Long-term Credits for Working Capital for Exporting Goods and Services | | | Foreign Currency Credits | | |
|---|---|---|---|---|---|---|
| Year | Total | Construction | Percent | Total | Const. | Percent |
| 1977 | 12,919 | 2,294 | 17.8 | 1,434 | 231 | 16.1 |
| 1978 | 16,685 | 2,768 | 16.6 | 915 | 198 | 21.6 |
| 1979 | 18,825 | 2,477 | 13.2 | 2,478 | 138 | 5.6 |
| 1980 | 20,941 | 2,726 | 13.0 | 6,585 | 293 | 4.4 |
| 1981 | 26,619 | 2,534 | 9.5 | 8,817 | 329 | 3.7 |

Source: SDK Statistical Bulletin, several issues

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VOJVODINA INVESTMENTS IN KOSOVO, OTHER REGIONS

Belgrade BORBA in Serbo-Croatian 15 Feb 82 p 1

[Article by B. Gulan: "Factories From a Joint Cash Box"]

[Text] In the current medium term period, Vojvodina will combine 19.8 billion dinars with collectives from other republics and Kosovo.

Thus, for example, the construction of two factories by the Pancevo firm Utva in Kosovo is being financed out of part of the money from the Federation Fund. Thus, Utva will build a factory for metal structures in Pec, which will operate as part of the local basic organization "Boris Kidric." Its completion will provide 607 new jobs. The estimated value of this factory is 500 million dinars, and Utva has provided half of the funds. The other factory that will be built by the Pancevo collective will produce special commercial vehicles and will be located in Prizren. Its estimated value is 480 million dinars, and 206 workers will be employed in it.

The Novi Sad firm Agrovojvodina has signed a self-managing agreement on combining funds with the firm Metaliku from Bakovica. The Novi Sad firm will invest 68 million dinars for a new installation for this collective. In order to provide enough paper the Novi Sad people are also combining 65 million dinars with Celpak from Prijedor and 20 million with Hartija in Kocani.

Pobeda from Petrovaradin, together with the Feni firm from Kavadarac, is to build an installation for casting stainless steel. Pobeda is to provide 90 million dinars for this installation.

This alliance on an income basis with joint investment, but also sharing the risk and dividing the profit, will in the next few years make a contribution to an increase in production, more rapid development of the insufficiently developed areas, and a more regular supply of semimanufactured products to the economy.

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## EFFECTS OF NEW PATENT LAW DISCUSSED

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 12 Feb 82 p 4

[Article by V. Subotic: "Application of the Law on Protection of Inventions, Technical Advancements, and Trademarks: It Cannot Be Done the Old Way"]

[Text] The law on the protection of inventions, technical advances, and trademarks has been in effect since 28 December last year. Although the time that has passed is too short to allow a broader assessment of the results of its application, in view of its significance, as well as the consequences that may follow from inconsistent application of it, we asked Dragomir Cemalovic, a high-level counselor in the Federal Institute for Patents in Belgrade, to tell us something more detailed about this.

Cemalovic told us that the commercial public is not sufficiently aware of the effect of this law on the process of the transfer and use of foreign technology; this is demonstrated by the contracts that have been sent to the Federal Institute for Patents in Belgrade in order for it to give its opinions on the state of equipment and technology in the world. None of the contracts received to date abides by even the mandatory norms of this law; this may lead to harmful consequences for our organizations of associated labor [OUR]. This especially applies to the Yugoslav tobacco industry, which is not observing the new obligations in regard to trademarks (brand names).

### Domestic and Foreign Brand Names--Together

In fact, the law explicitly stipulates that when acquiring licenses, our organizations have to make a provision in the contract that they will use their previously registered brand name in a manner equally as visible as the foreign brand. Otherwise the contract has no legal validity. Some domestic organizations are living under the illusion that they have concluded a contract, which is, in fact, void from the beginning. For almost 2 months the institute has had occasion to analyze some contracts by which tobacco industry firms acquired licenses for a brand without observing this explicit provision of the law.

The above-mentioned obligation was conceived primarily to protect the interests of firms, who would be able to use their own brand name upon the expiration of the license contract; this would prevent the product from becoming anonymous to the consumers. It is in the long-term interest of our firms to observe these legal obligations, and all the more so because it ensures security for them.

Developing Imported Technology

Also significant is an innovation that the law introduces into the acquisition of patented technology. The law stipulates that contracts for licensing patents that are concluded with OURs or other sociolegal entities cannot provide for the right to concede the license acquired to anyone else in the territory of the SFRY. The purpose is, in fact, to make it possible to combine funds for an acquired technology without having the same technology bought side by side by several OURs [basic organizations of associated labor], as has been the case until now. In fact, the law requires that the organizations concerned combine their work and funds for a technology already acquired. Unfortunately, although this is in the interest of our organizations, no such moves have yet been made. Of course, in the metallurgical and chemical industries deals on acquiring certain technology in accordance with the law are now being brought to a close, which is encouraging.

Such an approach also makes it possible to create the following prerequisites: the technology is acquired under more favorable conditions in regard to prices, the broadest distribution and use of the imported technological knowledge is made possible, and the creation of parallel capacities is prevented, which has a positive effect on increasing output and the productivity of labor. All of this makes it possible to create realistic conditions for the improvement, refinement and further development of certain technologies. Then our industry can also become an exporter of certain designs.

In addition to the obvious advantages that the present legal solutions have for our organizations, they also benefit the foreign partners, although some of them are still receiving this new system for acquiring patented technology with distrust. For the sake of illustration, Dragomir Cemalovic points out the legal guarantee according to which the foreign provider of the license has a right to increased compensation for the license, commensurate with increased volume of the use of the patented technology. In addition to this advantage, in which the foreign proprietor is most interested, in this manner he also protects himself from his competition in the Yugoslav market.

One thing is certain: it cannot be done the old way. The law will make it possible to import technology more selectively. The solutions discussed above will probably result in a reduction in the number of contracts concluded, but this does not also mean less technology. Furthermore, the basic prerequisites are being created for carrying out the strategy of the technological development of Yugoslavia on the basis of technological integration of our economy. The work on adopting a social agreement on a strategy for the technological development of Yugoslavia has already been completed, and when it is signed, the law will become a part of it, and with its aid there will naturally be increased efficiency in the use of technology.

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## VOJVODINA EXPLORES NEW SOURCES OF ENERGY

Zagreb VJESNIK in Serbo-Croatian 1 Feb 82 p 5

[Article by Jovo Paripovic: "From Coal to the Sun and the Atom"]

[Text] The search that Vojvodina has been conducting for several years for new types and sources of energy, which would free this province from its dependence on imports and open up new possibilities in the utilization of energy, has apparently borne fruit.

This work of several years' standing was presented at a modest exhibit in hall 23 of the Executive Council of the Vojvodina Assembly, not open to the public, but it was presented to a group of people and also to journalists recently in a statement by Karolj Bagije, the chairman of the provincial committee for energy.

### A Wealth of Coal

Rich coal deposits will in fact be activated soon in Vojvodina, in southern Banat, near Kovin, and near some places in the Delibat region.

The explorations have shown that there are coal reserves of about 500 million tons near Kovin; 250 million tons if this are suitable for exploitation, which would replace 50 million tons of oil. Work on exploitation is to begin soon. Coal reserves have also been found in areas near Cerevic, Susek, and Nestin, and on the other side of the Danube near Veternik and Futog.

To tell the truth, this is lignite, a coal with a low caloric value, but in addition to searching for this coal we are also searching for ways to enrich this coal and increase its value from 1600 to 4000 kilogram-calories. This research is showing results, and so exploitation and the enrichment of 20 million tons of coal will also begin in regard to this. The underground combustion of coal where exploitation in the classical manner is impossible will provide new types of energy, and likewise new by-products.

In addition to these deposits, a search is being conducted on the Fruska mountain for coal of quality similar to the Vrdnicka coal that was mined at one time on Fruska mountain, and the indications are that there is still some of that high-quality brown coal there. All of the indications are that by the

end of this planning period Vojvodina should be producing ten million tons of various types of coal annually; most of this, six million tons a year, will be mined in the Kovin area. A thermoelectric power station will be built in that area. Vojvodina's search for raw materials for the operation of a nuclear power station is showing positive results, so in the foreseeable future work will begin in this province on the construction of a nuclear power station.

Biomass--A Great Reservoir

Vojvodina's fields are concealing a great reservoir of energy in biomass. This province has about 15 million tons of biomass a year, and if only 30 percent of this biomass were converted into energy, an energy value equal to 1.5 million tons of oil would be obtained. The research has shown considerable results, and moreover, in some Vojvodina OURs [organizations of associated labor] complete technological installations are already being produced (Bratstvo from Subotica) for converting biomass into energy. Estimates indicate that in 1985 biofuel should provide a substitute for about 150,000 tons of oil.

Careful research is also being undertaken in solar energy, and during the current period 150,000 square meters of solar collectors will be installed in this province; these will produce thermal energy, for which 100,000 tons of fuel oil would have to be consumed. For using these new energy sources, Vojvodina will begin to create so-called combined energy sources in the cities. Such sources, if used for example in Vrbas or Subotica, would replace 100,000 tons of coal. The new sources of thermal energy will also include hot mineral water springs; from 10 to 15 wells will be opened up each year, replacing the energy value of as much as 100,000 tons of fuel oil.

Waste First of All

What has been shown by research on mineral raw materials in past years has led one of the Vojvodina complexes to look in this area for mineral raw materials and this wealth, because there is considerable wealth on Vojvodina's fields, and the question is whether there are minerals. Quartz sand, mica, and even titanium, a very important strategic material, have been discovered in considerable quantitites in the ground in Vojvodina, and exploitation of this will also begin soon.

Experts are speaking with unconcealed optimism, even with predictions that the results will be more revolutionary than in the field of electronics, about making better use of raw materials from the agroindustrial complex. It is sufficient to say that they are already working on carrying out several programs in Vojvodina to produce medicines from the wastes of slaughterhouses or from the fields, or even that we have become aware that it is not necessary to sow protein feed after a harvest, but that it is sufficient to gather this protein feed in the form of wastes on Vojvodina's fields and enrich them, and then given them to the livestock in troughs.

In any case, everything shown by the research on new types of energy in Vojvodina is impressive. The new sources have been designated, and their usefulness is known; now comes the most difficult and the most extensive part of the work--investing in the programs that will open up these new sources.

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## CROATIA ACTIVATES COAL MINES

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 12 Feb 82 p 11

[Article by V. Subic: "In Four or Five Years, Six New Coal Mines"]

> [Text] The reactivation of neglected coal mines in Croatia would alleviate the increasingly more pronounced energy crisis, and therefore discussions are being conducted in the republic on how to find the necessary funds.

Even if Croatia manages to obtain the planned 1.1 million tons of coal this year, the energy balance will be short by about another 400,000 tons needed to meet the requirements of industrial and individual consumers in the republic. Next year the requirements will be even greater, and coal is hard to come by. It is high time to begin restoring the coal mines in Croatia. This issue was not sufficiently dealt with by the expert working group of the Business Community for Coal of the Croatian SR. According to the data presented at a meeting of this working group, which was charged with the preparations fro opening new mines in the republic, the activation of six new mines could ensure the production of about 1.78 million tons of coal per year.

### Rich Geologic Reserves

Of the 17 coal mines once operating in Croatia, the only one now operating is the coal mine in Rasa, which is mainly meeting the needs of the Plomin thermoelectric power station. The rest of the mines are closed, and the miners have been retrained for other occupations. In Istria and the Croatian mountains several new economic enterprises have been set up for them. Now a return to coal has become urgent again, and not without reason--the research performed to date shows that the balance reserves of anthracite coal that is in high demand amount to about 14 million tons, along with about 5.9 million tons of brown coal and about 121 million tons of lignite. All of these reserves of anthracite and brown coal that are suitable for exploitation are located in the area of the Istria basin, Dalmatia, and Medjumurje; the lignite is located in the area of the Ladanj and Konjscin basin, and also in the area of Kalnik, Bilogora, Podravina, Dalmatia, the Vukomeric hills, the neighborhood of Vrginmost and Nova Gradiska and several other places.

As Franjo Terzic, a counselor in the Republican Committee for Energy, Industry, Mining, and Handicrafts, emphasized, these geologic reserves indicate that with further research even greater amounts of coal could be expected. The main problem appearing at this time in connection with continued research and the equipping of the first mines is obtaining the necessary funds.

About 600 Million Dinars Are Needed for Every Mine

In 4 to 5 years, six coal mines could be opened in Croatia, which would provide an annual production of 1.7 million. These are the mines in Vrbovski, Batina, Ivanjec, Klostar, Brinje, and Poljanica. At present prices, opening one mine would cost about 600 million dinars, as is emphasized by Vicko Rebersak, the director of the Croatian Business Community for Coal. Five years would be necessary to reach full production. Only after this period of getting underway could each mine produce about 300,000 tons of coal per year. This, as was stated at the meeting of the expert working group, would be too long a period, but it is necessary. The activation of these six mines could meet the annual requirements of industry, transportation and households in Croatia. Furthermore, a certain "surplus" would even occur.

During the last 5-year period, about 60 million dinars were spent in the search for this "black gold," and by last year a total of about 110 million dinars. This is yet another reason to strive to exploit these deposits as rapidly as possible. It was decided that the job of drawing up the documentation and supervising the exploratory work should be entrusted to expert institutes. The necessary funds have to be provided for financing this work.

Along with activating the coal mines in croatia, it is necessary to invest more funds in opening up and expanding the production of coal in other republics as well, according to the Business Community for Coal. It has taken upon itself the task of coordinating all actions taken in regard to this. The community's decision is that it is necessary to accelerate the process of reaching agreements on investments in the development of mining production in Croatia and that in order to do this, all of the actions to date that are associated with preparations for opening new mines will be reported to the Executive Council of the assembly at one of its next meetings, so that it can adopt a concrete position on the issue of activating new coal mines in Croatia.

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## BRIEFS

AGREEMENT WITH BRAZIL--Rio de Janeiro--The well-known Brazilian firm Delp, which produces industrial equipment, has signed a contract for technical cooperation with three Yugoslav firms: Rudis from Trbovlje, Metalka from Ljubljana, and Metalna from Maribor. Delp has a factory in Minas Gerais with more than a thousand workers, in which it produces equipment for cement works, iron works, and the aluminum industry; it also has an installation for producing ferrous alloys. This deal, which was concluded through the Ljubljana Bank, provides for cooperation with Rudis in the development of several types of equipment for coal mines; with Metalka, which represents the Turbo Institute in Ljubljana, in the development of turbines for hydroelectric power stations; and with Metalna, in the development of special cranes and hydromechanical equipment for electric power stations. The new deal of the three Yugoslav firms with Brazil undeniably demonstrates that the concept of exports through technological cooperation is correct, in view of the fact that our strength in capital investment is not great. [Text] [Belgrade BORBA in Serbo-Croatian 19 Feb 82 p 11] 9909

EXPORTS TO ALBANIA--According to a report issued by the Information Service of Elektromontaza in Ohrid, representatives of that work organization signed an agreement on 17 March with the Makina-import organization in Tirana. The agreement calls for a specific quantity of electric power equipment to be delivered to Albania by the end of the year. The value of the equipment is 700,000 dollars. [Text] [Skopje NOVA MAKEDONIJA in Macedonian 18 Mar 82 p 3]

OIL FROM USSR, IRAQ--The Skopje Refinery will begin the processing of crude oil by the end of May or beginning of June this year. Of course, this will begin gradually, since 1982 will be a year of trial operation for this important production project. It is extremely significant that the supply of 490,000 tons of crude oil from the USSR and Iraq has been ensured. In its production assortment, the refinery will produce about 40 percent of the mazut required by Macedonian consumers. It is anticipated that by the middle of the year the refinery will employ about 1,000 people, most of whom have been trained in other refineries in Yugoslavia. [Excerpt] [Skopje NOVA MAKEDONIJA in Macedonian 18 Mar 82 p 3]

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# East Europe Report

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2254

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# EAST EUROPE REPORT

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No. 2254

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HUNGARY'S SMALL BUSINESS REFORM EVALUATED

Zurich NEUE ZUERCHER ZEITUNG in German 14/15 Mar 82 p 5

/Article by R.St., datelined Budapest, February: "More Room for Private Initative in Hungary"/

/Text/ The desk clerk in the brand new hotel on Pest's Danube Quay does not wish to be reminded of the hotel where we first met years ago. "Once you get to know our hotel, you will not want to stay anywhere else in this city," he says after reciting a list of the new hotel's advantages. Hungarians are generally friendly people, but for employees in a state enterprise to go out of their way to recruit a new client is a unique phenomenon in so-called real socialism. It has happened in other countries that hotels were a quarter empty, and yet the desk clerk told us--without any visible signs of regret--that we would be better off in another establishment, because he had just finished with the "evidence" /registration forms of the hotel residents/ for the police. Here, for the first time, an enterprise appeared to be enterprising. The question whether, disregarding tips, such a personal effort would involve a further financial benefit for the person concerned, was never answered. However, it seems reasonable to assume that this attitude is at least due to some extent to those measures by which the Hungarian Government aims to inspire personal initiative.

Socialism From a New Aspect

At the start of the year a decree eased the terms to be met for setting up a private craft or service enterprise. This also provided new opportunities for business cooperative groups of professionals or contractual associations. Though up to now only 3.5 percent of the gainfully working population had gone in for private enterprise, and even though this figure is unlikely to immediately increase by leaps and bounds, these new regulations are most certainly the hottest topic of conversation in Budapest. The Hungarians seem to be immune to the panic fear of uncontrolled enrichment we note in neighboring communist countries whenever administrative easing of conditions for private trade is under discussion. A young man we talked to had fastened in particular on two phrases pronounced in a television discussion on this topic. The first says roughly that the general public is bound to benefit if each individual were to earn more. The second one somewhat transcends this pragmatic consideration of reciprocal benefits. It claims that socialism does not imply any leveling but aims to creat equal opportunities for all. The young man believes himself in full accord with the official party line when praising the benefits of a competitive approach.

## Fewer Taxes, Easier Procedures

The new regulations in effect since 1 January may not be revolutionary; they are certainly interesting. On the other hand they are multifaceted and complicated and do not really permit comparisons with a Western system. We are therefore confining ourselves to some basic outlines. Only the future will show which of the types of organization are going to be successful. True, private craft and service enterprises did exist before, but the tax rate has now been so altered that it has a prohibitive effect only at earnings in excess of 200,000 forint per annum (that is about 4 times the average official wage). This average wage--representing only earnings on the job--is an abstract dimension; it is said in Budapest that a private entrepreneur needs to work 3 times harder to earn double that average. The issue of licenses was considerably eased. In most cases it is no longer the ministry's decision but that of the municipality and--in large cities--the district administration. If the legal requirements are met, permission to start an enterprise may not be refused.

Two to 30 persons may join in an "economic working company." The company pays taxes and is responsible for the social security insurance of the members; it is profit oriented. Its purpose is usually the manufacture of a product and its sale. Repair workshops and small building firms also may be set up on this basis. When such an enterprise is run by moonlighting workers, the employer must give prior approval. According to the new regulations, advertising agencies and consultancy teams, for example, may also be started in the service sector. Should an enterprise get into financial trouble, it must apply for bankruptcy, and the members try to find new opportunities for earning a living; the government does not come to their air.

By contrast the so-called "small cooperatives" must be included in the socialist sector. They have 15-100 members who have to pay in some money and are jointly liable. So-called work collectives, again, are associations within socialist enterprises but on a private-law basis. They may be set up for piecework purposes and, apparently, also for further developing and marketing a product invented on the job. All the kinds of enterprises described are designed by purposeful incentives for the individual to effect a better utilization of the labor force. They cannot replace the large-scale enterprise but are to tackle the kind of task for which the big ones are too unwieldy. It is therefore quite possible that not only private persons will set up small enterprises of their own, but that industrial corporations as well as ministries and banks may do so. Competition is to be encouraged in state enterprises by these means also.

## The Young Are Interested

While the complex regulations for trade and service enterprises are still new, lessees have been conducting business on their own account since 1 January 1981 and already gained their first experiences. Though the term capitalism is proscribed, and the state here also intends to put a lid on the so-called accumulation of capital, it is not possible to set up an enterprise without capital. A young greengrocer couple in the Ujpest city district had to pay 150,000 forint to acquire 16 suqare meters of space in a prefabricated building. Though, as per the official exchange rate, this amounts to only about 9,000 Swiss francs, it corresponds to the official

average wage earnings of 3 years. This investment did not seem too great either for a dealer in aquarium fish and the owner of two washers. The 25-year old greengrocer said he had not borrowed any money from the bank. As he had worked as a greengrocer in a collective enterprise before, this is bound to mean that someone in his family was able to help out with the necessary money for starting up. It seems to happen quite often that parents, uncles, aunts or grandparents give young people their savings to enable the latter to start up in business of their own. In the case here reported, the cost of the license seems to be on the low side, at 800 forint monthly.

Given the season and the location of the business in an outlying district, the offer of fruit and vegetables in the store is quite good. Available is not only the usual cabbage but also celery, spinach, three different kinds of apples and citrus fruit. Oranges are imported and therefore subject to official price restrictions. They cost only half as much as tomatoes, but surprisingly the latter also find customers. The greengrocer gets his supplies on the Bosniak market, in the 14th district. More than 80 percent of his stuff is purchased from spare-time farmers rather than cooperatives. Retail prices of domestic produce may not amount to more than 25 percent above the purchase price. He is satisfied with the way business is going; in half a year he has gained more than 100 regular customers in the modern residential neighborhood. He is confident that word of mouth recommendations will bring him more. Lately an official report praised store lessees; the service was said to be good and the supplies better than in the large stores. Our man cites as his main motive for leasing a business the opportunity to work on his own; the prospect of higher earnings ranks second. Both husband and wife accept the need to work longer hours and give up regular vacations. Life is harder for the owners of a fashion boutique and souvenir shop in Buda Castle. They are required by the authorities in the tourist season to keep their doors open on Sundays too.

Profit Sharing or Regular Wages

Those wishing to open a private restaurant must have more financial backing. In a working class district a team of eight people pays 56,000 forint per month for a restaurant seating 50. Such leases are primarily awarded to the highest bidder; the low price set by the hotel trust amounted to 50,000 forint in the case mentioned. In more elegant districts up to 100,000 forint monthly would be payable for a restaurant. The leases have a term of 3 years; after that both parties have an opportunity to renegotiate terms. The regulation of internal relations follows one of the models described earlier; the head of the company or his deputy represent it to the outside. Staff may either share in the profit or be paid a fixed wage by the company. In the second case they are entitled to receive the wages payable in a collective enterprise for the same kind of work. However, this minimum guarantee (something the socialist state feels obligated to provide) is of no more than theoretical significance; earnings opportunities are almost always much better.

Ideological Justifications and Limits

Josef Szabo, rector of the party college, gave a speech in mid-January. In the course of this he described as distorted reports in capitalist press organs claiming that everything positive in Hungarian socialism was due to the use of capitalist methods. According to Szabo the Hungarian model is merely the transfer of the general inevitabilities of Marxism-Leninism and the experiences of socialist construction in other

countries to local conditions. We may well retort that we have learned from experience that the sectors services and local supplies have usually been criminally neglected in the pure application of state socialism. Hungary is the first socialist state to have learned its lesson from this fact. We must agree with Szabo, though, in assigning the small firms no more than a supplementary function. In fact it is hardly imaginable that the planned economy and giant socialist enterprises could be quickly eliminated by this approach.

After all, even outside the socialist world--for example in Austria--it is quite easy to appreciate the powers wielded by large socialized enterprises in their relations with small firms. A country with central economic management disposes of many opportunities for exercising control, for instance in the matter of credit or the imposition of taxes. So far craftsmen in Hungary are able to borrow no more than 20,000 forint, certainly not a large sum. This shows the authorities cautious approach to the new situation. As for the general public, the interest expressed in conversations with regard to the new opportunities for private earnings cannot altogether be equated with the readiness in fact to take such an initiative. Some well paid skilled workers will obviously prefer to keep their jobs and, after work--here this means the afternoons--pursue their remunerative sidelines. However, the mere fact that private enterprise is possible does imply a change in the official climate.

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## BRIEFS

YUGOSLAV-CUBAN TRADE--In 1981 the value of Yugoslav exports to Cuba amounted to $5.983 million, most of which were deliveries of various kinds of automobile tires ($3.7 million), followed by chemical and pharmaceutical products, electrical apparatus and material, paper and cardboard, and cotton yarn. The value of imports from Cuba amounted to $7.391 million and consisted largely of unrefined sugar (4.61 million), followed by unprocessed coffee, honey, and lobster. [Excerpt] [Belgrade PRIVREDNI PREGLED in Serbo-Croatian 12 Mar 82 p 1]

YUGOSLAV LEATHER GOODS TO USSR--The Belgrade [foreign trade] enterprise "Centrotekstil" has contracted to export 12 million pairs of leather shoes to the USSR this year, in addition to over $14 million worth of leather and imitation leather accessories, $7.3 million worth of gloves, and about $20 million worth of leather apparel. This will be no problem if there are adequate producer goods; last year because of frequent lack of raw and finished hides, as well as various chemicals, deliveries of finished products, especially shoes, lagged. This year the general association of the leather processing branch is insisting on larger above-plan imports of raw hides, because domestic sources do not promise better supply but rather even worse than last year. [Excerpt] [Belgrade PRIVREDNI PREGLED in Serbo-Croatian 12 Mar 82 p 3]

YUGOSLAV-USSR RAIL TRANSPORT--The 1982 commodity lists call for an approximately 16-percent increase in the volume of goods to be transported by rail between Yugoslavia and the USSR, compared to 1981. The question of how to organize transport to avoid the frequent bottlenecks at border stations on the Hungarian and Romanian borders was the subject of discussions held for several days between representatives of the Soviet, Hungarian, Romanian, and Yugoslav railroads in Novi Sad. Since 1979 the volume of goods shipped by rail between the USSR and Yugoslavia has increased at an annual rate of 14 percent in the direction of Yugoslavia and by 52 percent in the direction of the USSR. [Excerpt] [Belgrade PRIVREDNI PREGLED in Serbo-Croatian 12 Mar 82 p 3]

YUGOSLAV FIREFIGHTING EQUIPMENT TO USSR--A new Yugoslav product will soon appear in the USSR. A contract was signed in Moscow between "Montenegroeksport" in Niksic and the Soviet firm "Sudoimport" for delivery of a $17,000 system for extinguishing fires at sea, to be delivered in the next 2 years. The firefighting equipment which will be produced by the Belgrade "Vatrosprem,"

Karlovac "Jugoturbina," and Trbovlje "STT" enterprises will be built into special ships intended to fight fires at sea and under unfavorable weather conditions. The Yugoslav producers [of these water cannons] acquired this contract in competition with producers from other, largely Western, countries. The [above] Soviet firm and Montenegrin enterprise are examining possibilities for installing such equipment in ships the Yugoslav shipyards are building for the USSR. Possibilities also exist for selling to the USSR large loaders produced by the Titograd machine plant "Radoje Dakic," and which are not on the commodity list. The characteristics of these machines are well-known in construction in many countries. [Excerpt] [Belgrade BORBA in Serbo-Croatian 5 Mar 82 p 12]

YUGOSLAV-SOVIET CAR PRODUCTION--After the recent introduction on the domestic market of the "Lada-Niva" [car] two additional new "Lada" models were presented yesterday in Kragujevac from industrial cooperation with the Soviet auto industry. The "Lada 1300 C" includes a number of changes in the body, motor, and brakes.... The sale price is 266,200 dinars. A second car, which has already started to be delivered, is the "Lada 1500 C"... More changes which are expected on this model during April will not change the present price of 242,000 dinars. This year "Crvena Zastava" in cooperation with the Soviet automobile industry, will deliver a total of 18,700 cars. "Crvena Zastava" and the domestic automobile industry will deliver to the USSR $63-million worth of parts. [Excerpt] [Belgrade BORBA in Serbo-Croatian 13 Mar 82 p 12]

HIGH YIELD CORN FOR CEMA--This year scientific institutes of the nations participating in the work of the committee for coordination of corn improvement are testing more hybrids than usual. The CEMA countries involved include Bulgaria, Czechoslovakia, Yugoslavia, Poland, Hungary, the GDR and the USSR. Work is under the direction of the coordination center set up at the Martonvasar Agricultural Research Institute of the Hungarian Academy of Sciences. The committee was established a year ago. The goal of the experiment is to provide all participating countries with a suitable selection of high-yield varieties which can be grown successfully. The sowing plan for the seven countries has been prepared, and hybrid seed will arrive at the designated test areas in the near future. Seed from 10 varieties of corn are being sent to the fraternal countries. [Budapest MAGYAR HIRLAP in Hugarian 14 Mar 82 p 5]

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NEED TO SAVE MONEY, TIME IN INVESTMENT PROJECTS

Tirana BASHKIMI in Albanian 26 Feb 82 p 2

[Article by Vladimir Gjurgjaj, director in the General Directorate of the State Bank: "The Cooperation of Investors, Designers and Executors Increases the Effectiveness of Funds"]

[Excerpts] During the seventh five-year plan, great importance will be given to investments in material production branches. These will be directed towards the development of industry and agriculture, which will utilize more than 74 percent of all investments, a 37 percent increase over the last five-year plan. It is important to achieve a coordination of the work of investors and designers in all phases of the preparation of the designs. Also, the assistance and control of the financial and banking organs during this process should be strengthened so that the recommendations of the party will be fully implemented in the studies and designs and so that each project will satisfy high economic and financial indicators during the construction process and when it is put into operation.

The further improvement of the activity of preparing exact designs and estimates will mean that the system of economizing will be further strengthened. The estimate is not always used as a means to achieve a more economical solution. In some cases, an inaccurate preparation of estimates has greatly diminished the role of estimates in the economy.

It is important to perfect the process of drawing up plans for the organization of operations in order to select the most suitable variants, not only in regard to time but also in regard to expenditures. Let us look at one aspect--the mechanization of operations. In the Memaliaj coal mine, 90 percent of the transportation of the waste material is mechanized. However, in some coal mines in Pogradec there are still some preliminary operations which are carried out manually. In the "21 December" construction enterprise, some 80 percent of the plastering work is mechanized while in the construction enterprise in Shkoder, last year, only a very small percentage of the plastering work was done by machine.

The problems of preparing exact estimates and designs on time should be matters of continuing concern for workers of the State Bank. As a result of special attention and perseverance, workers in the branches of the Bank in

Durres, Vlore, Tirana and other districts saved about 3 million leks by monitoring the estimates before the projects were executed.

Study and monitoring work should be strengthened to reduce the cost of investment work in process and reduce the time that it takes to put projects into operation. In this area there have been some shortcomings in the work of investors and executors. During the past year several projects in Lushnje, Elbasan, Pogradec and Sarande districts have not been completed. The length of time that it takes to build houses in Vlore, Durres, Fier and Tirana districts ranges from 9 to 26 months. In such cases, proper attention is not being given to the recommendation of the 8th party Congress that the establishment of normative schedules for the construction of various projects and of normative limits for incompleted investments serves as an effective means of strengthening control in the planning and execution of investments. The implementation of this recommendation requires a better coordination of study work among the investment and executing organs, and the planning, financial and banking organs, not only in regard to construction and installation but also in regard to other items of the investment structure.

The investment and design organs have important duties in preparing the designs and estimates for the projects of the draft plan for 1983 and for other years. But, in spite of the measures taken, there are still delays in executing the design activity. Investment projects of some enterprises of the Ministry of Industry and Mines, the Ministry of Communications, the Ministry of Energy, in particular, are behind schedule. In Fier, Berat, Vlore, Mirdite and other districts, design data have not been provided for investments in accordance with the established schedules. Thus, workers of the banks in these districts must plan a more active role. Workers in the State Bank branches in Durres, Gjirokaster and Tirana districts have done a good job, drawing conclusions on time. They are close to the enterprises and coordinate their work with the design offices.

CSO: 2100/52

ELECTRONIC INDUSTRY IN 1981; PLAN FOR 1982 DISCUSSED

Prague HOSPODARSKE NOVINY in Czech 19 Feb 82 p 2

[Article by Jindrich Masa, staff worker, CPCZ Central Committee]

[Text] The electronics industry is one of our youngest industrial sectors. The decision to create it was influenced by the need for an accelerated development of electrical engineering products which was to help in modernizing the technical production base, in increasing exports in the entire engineering sector, and in satisfying the needs of our people by offering a wide selection of industrial consumer goods. These goals were already projected in the 1981 plan, especially in the targets of the engineering ministries, in foreign trade and in domestic trade.

This was a demanding plan in all respects based on the directives for the Seventh Five-Year Plan. Compared to the 1980 plan, the 1981 plan called for a substantial rate of growth as far as imports of raw materials, fuel and power is concerned, especially imports from nonsocialist countries. Even during the realization of the 1981 plan, there appeared certain influences in some industrial sectors which in the end have led to the reevaluation of the 1982 plan targets and of the Seventh Five-Year Plan.

On the other hand, however, the plan's development was favorably affected by certain principles connected with the improved system of planned management, especially in the area of material consumption, where we have achieved better savings than in 1980. In accordance with the increasing growth rate, 1981 saw a rise in production to 111 percent compared with 1980 and the plan was fulfilled to the extent of 101.4 percent. These figures already indicated greater savings in raw materials and other products in the entire electronics sector.

The production of goods is an important factor in fulfilling the basic production targets in all marketing categories. The targets of the electronics industry were fulfilled to the extent of 100.7 percent, representing more than Kcs 200 million. This was the result of the greater import of necessary products. Compared to 1980, this represented a rate of increase of more than 7 percent. All economic production units [VHJ] were able to meet their targets, even when some of them were still completing their outfitting programs.

Under difficult conditions we succeeded in meeting the needs of the national economy in completing our construction projects and fulfilled the delivery and assembly targets at construction sites supervised by the government. The increase in the production of goods resulted from a growth in labor productivity of more than 90 percent.

Last year, the electronics industry achieved important tasks in the structure of the marketing organizations. While, on the one hand, deliveries for construction projects were reduced in accordance with desirable economic imperatives, on the other hand, supplies for the domestic market, exports earmarked to socialist and nonsocialist countries, and deliveries needed to complete projects under construction were increased.

Delivery targets for retail trade were exceeded by over Kcs 200 million. At the same time, the market received certain new and improved products, especially Color 110 color television sets with inline screens. Their production will be greatly expanded this year.

The plan was very adequately fulfilled in exports to socialist countries, particularly to the Soviet Union. The annual targets measured in C.O.D. prices to the socialist countries were fulfilled to the extent of 106.8 percent, while export effectiveness was greatly improved.

In respect to exports to nonsocialist countries, the targets of the electronics industry were not fully met. The reasons for this are the lesser activity of enterprises, VHJ, and pertinent foreign-trade enterprises and, in particular, an insufficient response to developments in foreign markets. However, even under these unfavorable conditions we improved our export effectiveness. The fact that the electronics industry fulfilled its export goals in C.O.D. prices to both socialist and nonsocialist countries constitutes unquestioned progress.

In the arena of qualitative indices, we achieved good results especially in reducing our overall costs and in increasing surpluses. This favorably affected the fulfillment of the profit indicator in relation to production funds. The profit indicator increased very much in comparison with 1980. The development in inventories was not as favorable as expected and we expect that they will be exceeded by Kcs 500 million. However, in comparison with 1980 this is an improvement.

The above results in the electronics industry in 1981 show that we succeeded in securing the targets of the state plan. However, there are also areas requiring more effort and attention, such as exports to nonsocialist countries, improvement and introduction of new products, and an improvement in supplying the domestic market with scarce goods.

The fulfillment of the 1982 plan requires that we continue with the adopted changes in our economic structure, especially in respect to the introduction of new products, the use of newly built facilities and of material and human resources in the SSR. It will be necessary to continue the high rate of growth of our production while fully utilizing raw materials and other products especially in respect to their available imports.

We must be able to better solve our tasks involved in our exports to non-socialist countries. These require that we pay attention to their fulfillment right from the start of a new year, improve cooperation between production and foreign trade and adopt a more flexible approach in adjusting differences between wholesale prices and delivery prices.

In 1982, we must continue to enlarge the range of electronic consumer products and see to it that the products scheduled to be exhibited at the Brno Spring Consumer Goods Fair be made available later in our domestic market. Deliveries for our market will be increased by more than 7 percent in 1982.

In order to improve the effectiveness of international trade, especially among the socialist countries, our electronics industry faces the task of increasing its rate of export by over 10 percent in comparison with 1981. To meet this goal, we must adjust the makeup of our export deliveries to these countries, taking into consideration the fact that they too are reducing investment in capital plant.

All this requires us to expedite all planned improvements in products. All proposals of the Ministry of Electrotechnical Industry to experiment with the acceleration of the production of consumer goods should run in the same direction.

Because of stated limits on imports of materials, in 1982 we must use the surplus reserves of 1981 and not permit the violation of limits by the end of 1982.

The Ministry of Electrotechnical Industry is charged with demanding tasks in the construction of factories and especially in the reconstruction of fuel and power facilities. From the start of this year, we must create necessary prerequisites for the fulfillment of these tasks by all the VHJ involved, especially the High-Current Electrical Engineering plants in Prague and the Automation and Computer Engineering plants in Prague.

In order to fulfill the targets of the 1982 plan and its high rate of growth, all enterprises, VHJ, and the entire electrical engineering sector must reduce the consumption of ferrous metals by 4.5 to 5 percent and of electric power by 2 percent. This requires a much greater effort in comparison with 1981 when electric power consumption was reduced only 1 percent.

Our tasks are more and more demanding and require a more active attitude by collectives from plants, enterprises, VHJ and the entire electronics sector. We cannot entertain the thought of lowering the targets. We must direct the initiative of the working people toward meeting these goals right from the start of the year.

1277
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## ECONOMIC TERMS DEFINED IN CONTEXT OF SET OF MEASURES

Prague HOSPODARSKE NOVINY in Czech 8 Jan 82 p 5

[Article by Vilem Strnad: "Do We Understand the Qualitative Changes of the Set of Measures?"]

[Text] The first steps in the development, evaluation, and implementation of the new elements in the planned management of our economy are neither convincing nor effective. Inertia, tradition, and routine survive and are not affected by criticism. According to the article "Basic Task" by Docent Jaroslav Vojvoda (HN No. 43/1981), the "introduced Set of Measures is substantially based on indicators of the material content of the product as it has always been. Society does not have available any tools which could be used to switch the economy to the track of effective development."

Such opinions and practices still survive because no one has paid attention to the explanations of the substance of the changes. The new, substantive thing in the Set of Measures is the fact that in planning, measuring, and evaluating the development of effectiveness, we are dropping the total production volume indicators, introducing new systematic measures, and maintaining the closest possible relation between the wage developments and labor productivity in the creation of the final step in our national economy--the national income. The most substantive of these measures is the introduction of a new, net production indicator--value added.

We must understand the plan as the basic tool in achieving effectiveness and evaluating actual contribution to the final effect of the national economy, i.e. net production--national income--growth as related to the profits and internal labor productivity.

The gross production value in financial terms always consists of the sum of four cost items:

| Material Cost | + | Operating Costs | + | Wages | + | Profits |
|---|---|---|---|---|---|---|
| S | | R | | V | | Z |

This classical gross product value consists of two elements:

| Secondary Input Cost | | Net Production |
|---|---|---|
| | + | |
| S + R | | V + Z |
| (Transferred Value) | | (Value Added) |

Significant for the understanding of the method and the indicator of value added is the breakdown of the classical division according to use:

--Non-recurring, start-up, non-variable. All costs and support activities such as material and services plus wages, work premiums, and profits are included.

--Recurring. This includes material consumption in production but not in final use. The consumed material forms the material basis of the product and will be put to final use only when the product is used as such.

Studies of the state research task Methodological Problems in Measuring Effectiveness of Structural Changes in the National Economy verified that, as opposed to one-time, final use cost, the recurring costs are duplicated several times; i.e. as many times as they are increased by the non-recurring cost, value added, as the material consumption as a delivery for production operations by the manufacturing enterprises moves through the process. That is because the material cost, in its financial definition, is always the sum of values of finally used costs of preceding production units--suppliers.

According to final use we divide the gross production value into:

| Material Cost | | Production Cost Less Purchased Material Cost |
|---|---|---|
| | + | |
| S (external sources) | | R + V + Z (adjusted value added) |

The following is always true in the development of a healthy national economy: material production equals material consumption (cost). That means, that in society as a whole we have, on the one side of the production process, the sum of all non-recurring, primary costs, a total of all production costs (less purchased materials) and, on the other, the division of the NNP. (See Fig. 1)

The adjusted value added has been selected from the net production indicators to be used in the Set of Measures. It is so constructed that from the cumulative output we subtract total material costs (including inputs acquired through vertical cooperation), expenditures for fuel, energy, and maintenance and unplanned nonproductive services. Therefore, it contains only the value added for national distribution.

The primary distribution of the final product, according to the Set of Measures, is newly controlled by the indocator of how wage intensive the

production is, i.e. the relation of wages to the adjusted value added for the production unit as a whole or in calculating of the average per worker and national labor productivity. The supervisory agency requires that production be made less labor intensive in that in the breakdown of the state plan tasks it allocates less for the wages payable fund based on the development of the adjusted value added compared to the initial stages.

Fig 1

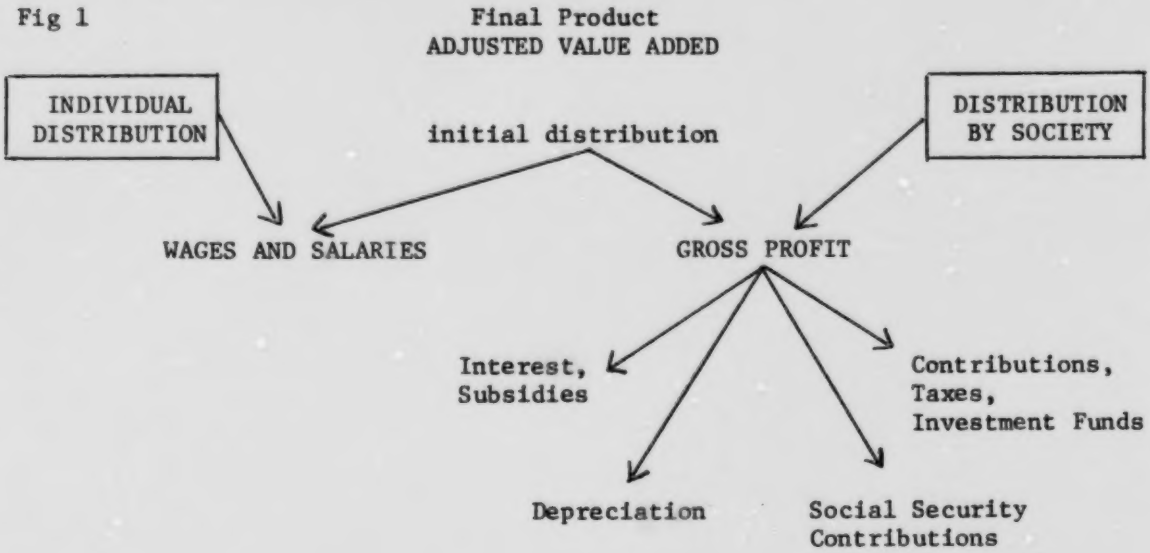


The purpose of the adjusted value added indicator (see Fig 2) is to increase pressure for fuel, energy, raw and processed material conservation and eliminate the possibility of speculative cooperation with production of a range of products with higher material content (external work) only to ensure high growth trends in the total production volume indicators (gross production, production of goods, total output, total sales and receipts). This indicator forms one of the requisite conditions for the enforcement of the merit principle in evaluation and remuneration of the organizations and work collectives. It enables the planning, measurement, and evaluation of internal activity without the influence of the contribution by external sources (material costs and inputs acquired throughvertical cooperation), with the direct labor productivity (from value added) or the indicator of social labor productivity (from the adjusted value added). The latter also corresponds directly to the creation of the gross national income and its primary distribution.

The establishment of standards delimiting the relation of the social productivity to earnings in the five-year plan is, on the one hand, the question of ways and means of increasing the living standards and, on the other, a question of wage policy. Long-range wage-intensity will be established in the context of the Seventh Five-Year Plan. Its advantage will be the creation of long-range economic incentives for all working people to increase labor productivity initially and to ensure a proportional growth in the national labor productivity and average earnings in the entire national

economy in conformity with the actual resource formation for their distribution. Understandably, with a comparable level of wholesale prices.

A binding range of the wage funds determined by the decrease (index) as a share of the wages payable in the adjusted value added for the five-year plan, compared to the initial stages, and its breakdown in the individual years of the five-year plan, is set by a standard proportion of wages to actual results of operations expressed by the indicator of the adjusted value added.

Such a planned growth in profits will, in the long term, be dependent on the growth in labor productivity and its actual levels. That will pressure the production collectives to search for specific measures to ensure that preconditions for the wage increases are met--that increase in productivity is in direct relation to the potential of using a portion of this individual value produced. And that is the essence of the change. The earning developments will thus no longer depend more or less on a volume production indicator, on the quality of the plan breakdown in the enterprise, changes in enterprise cooperation, manipulation of the product mix with a larger or smaller contribution by "external labor," etc.

A key point in the Set of Measures is also the fact that the transfer of the plan from the federal level down to the enterprise economic plans will not be done through the use of the method of quotas and reserve quotas but through a flexible process. And that is not just a formal change of name but a change in quality. The processing of the federal plan tasks in the area of employment, wage standards, investments, material limits including import limits, and in the area of final goods marketing (investment deliveries, export, and domestic markets) determine, according to their type, the minimums and maximums to ensure the fulfillment of state plan in the economic plans of the production sphere. Total production volume indicators are not to be subject to the [plan] development.

Thus substantiated, understood, and in practice implemented basis of the changes in the improved system of planned management after the year 1980 could not have been described as, to quote the earlier mentioned article: "The conditions have again returned, when the central task in the area of enterprise economic incentive has been taken over by the indicators of output volume, that is indicators of material volume of production, and not a category of values, as is objectively imperative."

Fig 2

<table>
<tr><td></td><td></td><td colspan="2">Net Production - Final Product</td></tr>
<tr><td></td><td colspan="3">Adjusted value added</td></tr>
<tr><td>material, capital asset operations and maintenance and costs</td><td>capital wear and tear</td><td>wages and salaries for work</td><td>contributions, taxes, subsidies, net capital investment</td></tr>
<tr><td colspan="4">PRODUCTION</td></tr>
<tr><td colspan="4">CONSUMPTION</td></tr>
<tr><td>consumption of materials for operations and maintenance of capital assets</td><td>capital asset replacement</td><td>consumer goods stocks</td><td>gross profit non-productive consumption, net capital formation</td></tr>
<tr><td></td><td colspan="3">Gross National Income</td></tr>
<tr><td></td><td></td><td colspan="2">National Income</td></tr>
</table>

CSO: 2400/188

## AGRICULTURE MINISTER EXPLAINS KEY ASPECTS OF DRAFT LAW ON LPG's

East Berlin NEUES DEUTSCHLAND in German 14 Jan 82 p 3

[Interview with Heinz Kuhrig, minister of agriculture, forestry and foodstuffs, by NEUES DEUTSCHLAND; date and place not given: "A New LPG Law--What Benefits Will It Bring for the Farmers? On the Discussions Preceding the 12th GDR Peasants' Congress--LPG's Are the Main Producers on the Land; Farmers in Cooperatives Have Achieved a High Level of Development; Increase in the Responsibility of the Brigades and Divisions; Fundamental Regulations on Cooperation; Social Equality With the Working Class']

[Text] Question: On 19 December NEUES DEUTSCHLAND published the draft of a new LPG law and submitted it for discussion. What reasons suggested that the previous law should be replaced with a new one?

Answer: The LPG law in effect until now dates back to 1959. At that time the LPGs worked barely 40 percent of the agriculturally usefull land surface of the GDR. In the past years of successful socialist development, socialist production relationships have been created in the countryside and further perfected. The class of cooperative farmers achieved a high level of development. Their strengths and capabilities are to be felt even more strongly.

The LPG's today are a noteworthy factor in social and economic development in the countryside. They work about 86 percent of the agriculturally useful area of the GDR and are characterized by a modern and efficient material-technical foundation. Their advances in political, economic, and social development are notable. The new law is to take all this into consideration.

### Contribution to the Fulfillment of the Main Task

Question: What is the aim of the new law?

Answer: Entirely within the meaning of the decision of the Third Central Committee Conference that the reliable assurance of the fulfillment of the main task of the 1980's depends upon the dynamic development of our agriculture, the new law is to contribute to the strengthening of what has been achieved and to create additional favorable conditions for the development of the productive forces and socialist production relationships in the countryside as well as for the creative marketing of the cooperative farmers. It is therefore logical,

in order to exploit remaining capacity, to rely on the great possibilities which are inherent in cooperative ownership and on the initiative and energy of the men and women cooperative farmers, who possess great knowledge and experience.

Above all, in the future we should more effectively utilize the Leninist bases of voluntarism, the self-responsibility of the LPG, the development of multi-faceted cooperative relationships and the material interest of the LPG and its members in the results of the work for the further emphasis of good cooperative work.

Active Participation Demanded of Everyone

Question: How in particular is the draft of the law oriented?

Answer: The draft submitted for discussion is oriented mainly toward the further strengthening of the LPG, especially through higher responsibility of the brigades and sections as well as toward a still closer cooperation of plant and animal production in the production cooperation groups up to the firm community work of the brigades and sections on the village level.

Without doubt supervisable collectives with their own plans and the material and financial funds and the land area or cattle herds necessary thereto are important conditions for the economic stimulation of higher and more stable yields and capacities. They also facilitate the active participation of each cooperative farmer in accordance with the fundamental principles of cooperative democracy.

Question: In detail what is new in the law?

Answer: The task of the LPG law in 1959 was to strengthen the young cooperative sector in agriculture and to promote the transition to the complete cooperative type of management in the countryside. Now it is worthwhile to regulate by law the growing importance of the LPG and the basic questions of the development of the class of cooperative farmers.

But I should like to stress at the same time that the basic provisions of the previous LPG law on the realization of the Leninist cooperative plan in the GDR are fully retained and have been made more precise or extended in accordance with the state of development. The continuity of the Marxist-Leninist policy of the party and government in agriculture is also reflected in it.

Associated with the retained basic provisions of the previous law, such questions as the following are particularly regulated:

--the role and responsibility of the LPG's in which the cooperative farmers are making a steadily increasing contribution to supplying the populations and industry and thereby simultaneously satisfying ever better their own material and cultural needs. This characterization is in complete accord with our constitution. In the previous LPG law the LPG's were treated essentially as large agricultural enterprises.

--The relationship between the development and strengthening of the LPG and the role and position of the class of cooperative farmers is also developed more clearly.

--The provisions on the position of the LPG in the developed socialist society and on its importance for the further perfection of socialist production relationships in the countryside and the gradual elimination of the essential differences between city and country are defined.

The section on the cooperative relations of the LPG's is new. A basic adjustment of the law was required for this. Cooperation has shown itself to be an inexhaustible source for producing more, better, and more cheaply in socialist agriculture, for shaping the uniform agricultural reproduction process, according to the plan and with high utilization for gradually carrying out the introduction of industrialized methods, and for promoting social development in the countryside as a whole.

Effectively Shaping Cooperation

A central question here is ensuring the effective cooperation of cooperative group partners through the cooperation group councils in the uniform reproduction process and jointly observing the responsibility for plant and livestock production. It is expressly indicated in the draft that the cooperation group councils are also to have an influence on efficient collaboration among the brigades or sections of the LPG plant and livestock production in the territories. And cooperation in this sense also means ensuring continuity in the economic development of all the participants in cooperation. Beyond the possibilities of clarifying such questions through the feed price and other inter-enterprise prices, the formation of joint financial funds in the cooperative group council is envisaged in the future. These funds are to serve mutual help in investment, rationalization, and reconstruction projects or as backup funds for overcoming encumbered shortfalls in plant and livestock production.

The regulations on cooperative soil utilization occupy an important place in the draft law. With them all required legal conditions are created to wrest the highest possible yields from the soil--with retention of the fundamental principle that the land is and will remain the property of the cooperative farmers.

The Level of the Best Is the Measure for All

It is a high obligation for every LPG to codetermine the highest attainable yield level under comparable natural conditions. Particularly in the context of the sharpening of the international situation, the strengthening of socialism in the struggle to maintain peace, and the worldwide changed conditions of reproduction, this gains tremendously in importance.

Question: The draft will ultimately also be judged by what rights and obligations are provided for each cooperative farmer. Are there provisions for this?

Answer: There is a special section on that. The right to work, to participation in the management and planning of the LPG, to compensation according to the quantity and quality of work depending on the economic result of cooperative production achieved; to education, leisure and vacation; to protection of health and working strength; to care in old age and incapacity; as well as security in illness and in the case of accident will henceforth be guaranteed to the cooperative farmers through a legal regulation with the force of law. This is an expression of how even in the legal shaping of working and living conditions of the cooperative farmers the essential differences between town and country have been overcome and are still being overcome further.

It must nevertheless be noted that everything which is related directly to agricultural production--such as questions of work time, work day rhythm, etc.--must correspond to the production requirements of plant and livestock production. The work must be carried out at the required times and in good quality. It has been that way in agriculture and will so remain.

With such rights, which affect the assured material and social outlook of the cooperative farmers, such as, for example, the rights concerning illness, work accidents, and vocational illness, the draft guarantees a full equality with the rights of workers and employees. This is once again a significant step in the social development of the class of cooperative farmers.

Emphasize Pride in the Farmer's Calling

Question: The public discussion has begun. What are the opinions?

Answer: The draft of the new law is having a great response among the men and women cooperative farmers. Their proposals and suggestions confirm that every LPG can have complete social justice on this basis and is instilling deeper pride in the farmer's calling. It is particularly valuable that the discussion of the new LPG law--closely linked with the consideration of the draft decision of the 12th Farmers' Congress of the GDR--is being effectively utilized to fulfill and excel the challenging tasks of the 1982 economic plan. Such vocal expressions of opinion are actually very useful and the best contribution of the cooperative farmers of agriculture to a further successful realization of the decisions of the 10th SED Congress.

6108
CSO: 2300/157

## FOREIGN TRADE RESULTS FOR 1981 SCORED

Budapest NEPSZABADSAG in Hungarian 3 Mar 82 p4

[Article by P. E.: "Foreign Trade Balance Improved; Tasks This Year More Difficult; Minister Peter Veress' Press Conference on Our External Economic Contacts"]

[Text] Tuesday morning Minister Peter Veress held a press conference in Parliament about last year's achievements of foreign trade and about the tasks this year. He emphasized that despite conditions substantially more harsh than expected our foreign trade developed favorably in 1981. When planning the 1981 tasks we started from the assumption that there would be some improvement in the capitalist economy in the second half of 1981. However, this did not occur. The developed capitalist countries also tried to ease their internal economic problems with trade policy measures, they strengthened protectionism, dumping initiated against foreign shippers became more common and phenomena indicative of discrimination multiplied.

Cooperation with socialist countries played a stabilizing role in our foreign economic contacts. The unfavorable phenomena in the capitalist economy did not affect the continuity of this cooperation directly but as the combined effect of the moderation in internal use which could be experienced in socialist countries and the narrowing of the export goods base the expansion of mutual trade was at a lower rate than usual in earlier years.

### According to the Plans

World trade as a whole stagnated in 1981. The unfavorable phenomena strengthened primarily in such areas as metallurgy, light industry, the chemical industry and certain branches of the machine industry but could also be felt in the foodstuffs economy.

Despite this unfavorable situation our foreign trade as a whole came up to what was planned. The total foreign trade of 613.7 billion forints--calculated at border parity and current prices--exceeded that of 1980 by 5.6 percent. Within this export increased by 6.8 percent and import increased by 4.8 percent. Calculated at the previous year's prices the growth in export was 3 percent and that of import was 0.3 percent.

Ruble trade developed according to the inter-state agreement; our export exceeded that of last year by 8.9 percent and our import exceeded that of last year by 5.3 percent. The share of the socialist countries in our trade was 55 percent. Almost one third of all our trade was with our most significant partner, the Soviet Union. Our second most important partner among the socialist countries was the GDR, followed by Czechoslovakia, Poland, Romania and Bulgaria. The growth in our export derived from a 4.7 percent price increase and a 4 percent quantitative growth in products exported. Our terms of trade in the ruble relationship deteriorated as the result, now being felt, of world market price changes of earlier years. In the structure of our ruble accounting export, as compared to the preceding 3 years, the ratio of machines decreased and the ratio of materials and parts increased. Deliveries of metallurgical and chemical industry materials expanded considerably in our export.

The value of our ruble accounting import increased by 5.3 percent, but taking into consideration the significant price increases the quantity of imported products decreased for the first time since 1976. (The import of machines and investment goods decreased by nearly 15 percent.) Despite the fact that the ratio of fuels increased in the structure of imports their quantity moderated. The price increase for these products exceeded what was planned. The quantity of materials and semifinished goods imported increased somewhat. In part the increase in the import of foodstuffs articles derived from price increases also but the quantity of sugar, refined alcohol and beer imported increased also.

Specialization and cooperation agreements are very important areas of our cooperation. The great majority of our contracts here have been extended to the Sixth Five-Year Plan and despite the difficult international economic conditions they are being fulfilled according to plan. The minister pointed out that the integration and cooperation of the socialist countries have stood the test of the more difficult conditions and have a great role in the fact that the Hungarian economy--despite its increasing problems--weathered the disadvantageous developments in the world economy and international politics without more serious shocks.

Quickly Growing Machine Import

The balance for the exchange of goods in non-ruble accounting was practically even. A role was played in this by the fact that our terms of trade in non-ruble accounting trade improved by more than 2 percent. The 4.7 percent growth of non-ruble accounting export was comparable to the 1980 achievement, but fell below what was planned. The increase in the export of foodstuffs products was swiftest. The export of chemical industry products developed favorably and machine industry sales increased at a rate exceeding the average.

Non-ruble accounting import exceeded what was planned only slightly. There were no very significant structural changes within the 4.4 percent growth. The share of materials and semifinished products decreased; that of machines increased. The minister called special attention to the increasing trend for the import of machines and parts. Cooperation with capitalist firms was a

significant element in our contacts in a bad world trade situation and despite political tensions.

Trade with the developing countries was a significant factor in 1981 in improving the balance, primarily as a result of the dynamic growth in export. Our most significant partners in the developing world from the viewpoint of our export were Iraq, Iran, Libya and Algeria and, in regard to import, Brazil, Iran and Pakistan.

There are more than a few problems behind the achievements of our foreign trade last year. Our export to industrially developed capitalist countries declined and our import from these countries increased further. We were able to export fewer goods than earlier to Italy, Great Britain and the FRG.

Exploiting the Possibilities

The attempt to arouse a cold war mood is weakening the interest of business and financial circles in some western countries in regard to the products of the socialist countries, including our homeland, an interest already shaken by the economic slump. At the same time a number of our economic units producing for export do not yet have sufficient flexibility or adaptability. The market and foreign trade organization and activity, which are developing a great deal, are frequently at a disadvantage.

Carrying out this year's foreign trade tasks, the minister emphasized, will require more deliberate leadership and organizational activity and cooperation from guidance organs and better quality, disciplined work from producers and those engaged in foreign trade. The possibilities must be exploited better especially in the processing industry and in some brances of it the backwardness must be overcome. It is encouraging that the machine industry, for example, has more orders today that it had at this time last year.

There are still many unknown factors on the capitalist market but according to estimates which seem realistic a certain revival can be expected by the second half of the year. The world political situation also influences our possibilities but a number of signs indicate that the majority of western countries do not want to limit their economic contacts with the socialist countries, so we can count on a normal development of our contacts. The extent to which we will be able to exploit our possibilities depends in large measure on the enterprising spirit and good work of the producing enterprises and on the deliberate activity of the entire apparatus called upon to develop the external economy.

8984
CSO: 2500/153

DOMESTIC FINANCIAL SITUATION IN 1981 SURVEYED

Budapest FIGYELO in Hungarian 24 Feb 82 pp 1, 11

[Article, no author given; information by the MNB (Hungarian National Bank): "Credit and Money Circulation in 1981")

[Text] The financial situation of the economic operating organs was better balanced in 1981 than in the previous year. Material and merchandise movement expanded among the enterprises and the flow of money also more closely followed the shipments. This better supply of money was made possible primarily by better planned economic operation and by the profits attained; but the market opportunities and the more difficult conditions led to increased differentiation. Profits were also affected by changes in prices and in regulators. The better self-financing ability decreased the growth rate of revolving credit, improved liquidity and strengthened the investment efforts.

Paying ability improved in general, the number of enterprises owing significant sums for long times, and the amounts they owed, were much smaller in the months of January through September than a year earlier. But new payment problems appeared in the fourth quarter at a few of the major enterprises (in metallurgy, machine industry, and construction industry) due to sales, transportation and other problems. The deposits of enterprises and cooperatives in the banks exceeded those of a year earlier; liquid account deposits were 33 percent higher at the end of June and 5 percent higher on the 31st of December.

The revolving asset demand of the economic operating organizations grew more slowly in 1981--in spite of the increasing production and sales--than a year earlier. The already mentioned increased liveliness of the financial processes, as well as the more favorable private resources than a year earlier, played roles in this. The role of liquid asset credit strengthened in financing tasks of the temporary nature. Most of the economic operating organizations covered their sources of regular and long range inventory increases by replenishing their revolving funds in advance.

The enterprises and cooperatives submitted loan applications for revolving credit in the amount of 409,000,000,000 forints to the bank during the year. Compared to the previous year demand increased in industry, agriculture and in the area of transportation, but decreased in the construction industry. The ratio of rejected applications was 8 percent, representing no change from 1980.

The amount of revolving asset loans granted totaled 376,000,000,000 forints, and this was two percent higher (it was seven percent higher in 1980) than the amount approved in the previous year. (Industrial production increased by 2.3 percent in 1981, the production of agricultural products remained at the same level as in the previous year, and retail sales increased by a greater extent.) Based on the contracts entered into, the obligation to extend new loans represented 89 percent, renewal of earlier contracts represented a ratio of 11 percent.

Industrial branches received 51 percent, the construction industry 10 percent, agricultural operations 14 percent, transportation 24 percent, and miscellaneous other branches 1 percent of the new loans. Compared to the previous year, industry's share decreased by a few percentage points, those of agriculture and transportation increased, while that of the construction industry remained unchanged.

The enterprises and cooperatives received 58 percent of the 320,000,000,000 forints of the total short range loans to finance temporary inventories. Another 14 percent were justified by preventing financial demands (mostly capitalist demands), and 12 percent were used to replace cash shortages due to the formation of private resources, and to decrease profits. And, finally, the bank made 16 percent of the short range loans to th enterprises in order to prevent liquidation or other money supply problems. The temporary lack of equilibrium between incomes and expenses, and the demand for loans to help in the transition, decreased in comparison with the previous year.

According to the contracts the average time span for short range loans was 6 months in 1981, and this is 13 days longer than in the previous year. The repayment of loans proved to be better planned during this year, and there were fewer requests for deadline extension.

Medium range loans to make advances for revolving assets amounted to 4 percent (12,000,000,000 forints) of the total authorization. The 28 percent increase compared to the previous year was connected basically to investments, and this justified that the time for 40 percent of the approved loans exceeded 3 years.

The bank made the approved revolving asset loans in 1981, and the amount of payments in arrears when due was less than in the previous year. In general the enterprises and cooperatives put their accounts in order within a few days when they were placed on the overdue list due to the lack of financial coverage. At year's end the size of the overdue account inventory earning late payment interests was even less than one percent of the total outstanding loans.

The total amount of loans made for revolving assets rose more moderately between 1 January and 31 December than in the previous year. The economic operating organs used 4 percent more loans on the average in production (industry, agriculture) and 9 percent more in commerce than a year earlier, to do their jobs during the year.

Investment Loans

The demand for investment loans and for authorization were characterized by a more vigorous enlivening than usual during the first year of the 5-year plan period, in connection with the opportunities. Investment goals to improve the [foreign] payment balance, and certain enterprise developments--which in terms of projected cost even reached the size of major investments--continue to represent a significant ratio.

In 1981 the state enterprises and farms together submitted a total of more than 40,000,000,000 forints of investment loan applications to the bank, and they intended to make use of about one-fifth of that sum by the end of the year. Increase in demand is characteristic primarily for the industry, and for the food industry as well as for transportation and communication. The loan applications were well prepared on the basis of previous consultation, and this is one of the reasons for the small sum and low ratio of rejections.

On the basis of applications received during the year and applications not processed at the end of the previous year the bank authorized a total of 20,000,000,000 forint investment loans for state enterprises and farms. Primarily the implementation of those investments was encouraged which will insure expansion of convertible exports and controllable and lasting replacement of imports in the future. Developments aimed at rationalizing the energy consumption, and utilizing byste and secondary raw materials have also gradually gained emphasis. About 70 percent of all the approvals were connected with industry's developments, while the food industry received 17 percent and the other branches 13 percent.

The average length of time for the loans for investments--according to the contracts--is 97 months (nearly identical with the figure a year earlier.) The average is higher in industry (103 months) and lowest in transportation and communication (67 months).

In connection with the investment loans authorized in 1981, the promised profitability per 100 forints of loan value is 23 forints, and this is 5 forints more than a year earlier. The industrial average is 26 forints, while in other branches it is 14 to 20 forints.

In the cooperative sector the investment loan relationships of the agricultural producer cooperatives are the most significant. The combined total of the applications submitted is more than double of that a year earlier, and approvals reached almost 6 billion forints. The increase in the private resources of the TSZs [producer cooperatives] and the interest in export expanding goals broadened the development efforts.

In general the economic operating organizations fulfilled their loan repayment obligations; at times payments were made even ahead of the schedule.

Due to the effect of repayments the amount of outstanding investment loans decreased between January and September; but in the fourth quarter the increase in the rate of making new loans increased its volume.

## The Population's Cash Income and Purchases of Goods

The population's income situation turned out more favorably than projected in the annual plan, due to the more vigorous spending of purchasing power than was expected. The real value of cash income increased by about 2 percent, while consumer price levels increased within the planned limits.

The spending of money also broadened. Goods offered by the retail trade satisfied the demands better than a year earlier. The increase in sales was derived in the ratio of about half and half from increases in volume and increases in consumer prices (a year earlier it was all from price increases). In addition to the increased costs of buying goods, the population's savings also increased much more than was expected.

Cash income derived from the socialist sector was more than 7 percent higher in 1981 (9.5 percent last year) than a year earlier. Income derived from performing work increased significantly more than planned. Wages paid in cash (without the wages of TSZ employees) was 4.6 percent higher than last year. The economic operating organs--based on their wage reserves and on the relatively favorable formation of profits--implemented wage level increases in excess of the plan. Average wages of those employed in the socialist sector increased by 6.8 percent--which is more than had been planned. Miscellaneous personal income was 7.3 percent higher than last year. Profit sharing by the enterprises and cooperatives increased about the same as in 1980, mid-year bonuses and premiums increased by about 10 percent.

Among incomes derived from agricultural production, the wages of TSZ members for work done increased by 6.8 percent, the wages of TSZ employees rose by 21 percent. The increase was related to doing more work and mainly to increased productivity, higher employment and wage levels in the sideline operations. Among the payments paid out of profit sharing funds the supplementary sharing related to the final accounting for the year 1980 at the beginning of the year was 20 percent higher than in the previous year, but the 1981 payouts (bonuses, rewards) were not as high as a year earlier.

The population's income derived from the sale of agricultural products--including wholesale purchases from the small producers to the large central farms--was 7.2 percent higher than a year earlier. The excess was derived mainly from higher prices. The quantity of slaughter hogs which make up the largest portion of sales by small producers, fell short of the 1980 value, but the high number of sows at the end of the year already reflects the effect of measures taken earlier. Cattle stock decreased in the household plot and auxiliary farming operations. Interest by small producers in keeping sheep has taken an upswing.

Social benefits paid in cash developed close to the plan and were about 8 percent higher than in the previous year. Most of the increase affected the retirement benefits (the number of people entitled to it increased, the amount of recently set retirement benefits is higher, and the lower limit for the annual changes has also been raised).

Retail sales of goods for cash surpassed in 1981 the previous year's value by 9.3 percent. The higher sales of goods reflects better selection of goods than a year earlier in the sales of consumer goods, and the population's increased intentions to make purchases (83 Fts of each 100 Fts of income were spent on purchasing goods). The improving business policies of retail trade enterprises, their balanced restocking of the merchandise, as well as the sales problems of the domestic production enterprises on foreign markets and the belated arrival of import left over from the previous year all played roled in the increased sales.

8584
CSO: 2500/148

CAPITAL CUTS FAIL TO IMPROVE INVESTMENT SYSTEM

Budapest Figyelo in Hungarian 17 Feb 82 p 3

[Article by Mrs. Robert Hirschler, Ph.D.: "Expensive Austerity: The Profitability of Investments"]

[Text] Since 1976, the central direction of the economy has consciously tried to "harden" the limit of investment expenses. For the present financial arrangements support requirements for high profitability, and they enforce accountability in regard to investments. (See figure 1 for data measuring the development of this effort.)

In the case of investments based on credits from the MNB [Hungarian National Bank], a wide range of requirements for profitability in relation to capital has developed. Between 1976 and 1982 this fluctuated in a band between 12 and 20 percent for industry, whereas for preferred borrowers it was limited to between 5 and 15 percent. It is worthwhile to examine thoroughly the question of whether or not the profitability requirements incorporated in the annual guidelines for credit policy turned out to be sufficient for self-financing of developments during the period of the Fifth Five-Year Plan.

For if an enterprise counts on a profit in relation to a capital as projected and compares this (after payment of interest) with the income from investment to the development fund, or with the amortization remaining to the enterprise from the capital formed as the result of investment, and they assume that they will create their own resources for investment, as also prescribed in the guidelines for credit policy, then the amount of investment money for which supplemental financing must be found is between 13 and 36.5 percent of the total. In other words, the profitability requirement for investments was not enough, in the long run, to provide for a repayment of the investment. According to our calculations, with the present regulators an investment with about 25 percent profitability is sufficient to repay itself without additional participation.

It is valuable to illustrate all this with the example of the regulators of 1981. The profitability requirement was 14 percent, and interest in the first nine months was 9 percent. According to the amortization plan, half of this--4.5 percent--decreases the gross income remaining with the enterprise. Thus out of the profit, about 9.5 percent (14 minus 4.5), 3.2 percentage points, about one-third, goes to the enterprise's development fund. From the enterprise amortization--including a yearly depreciation of 5 percent--3 percentage points

go to the development fund. These two factors together make 6.2 percent, and taking into account the 10-year pay-back time, the enterprise is thus able to pay back 62 percent from the results of the development itself. Last year the compulsory self-resources were eliminated, so that taking into account the "rules of the game," that certain "supplementary source of financing" has to be found to the amount of 38 percent.

The pressure of rising prices

According to calculations, therefore, even very high profitability requirements cannot guarantee sufficient growth in an enterprise's own resources to make pay back possible. In this way the situation has arisen that credit can be extended only in conjunction with extensive use of the enterprise's entire development fund.

The level of enterprise indebtedness has not risen significantly during the last 10 years, to be sure (it has been about 20-25 percent of the development fund), but it is worth noticing that in certain branches (for example in metallurgy and light industry) the burden on the development funds has exceeded 50 percent. It is also not without interest that indebtedness has been concentrated in 10 percent of the enterprises, where its total has even exceeded 75 percent of the development funds accumulated annually.

At the same time, an examination of the profits actually realized in relation to capital, measured against the profitability requirement in force at the time, shows that the profitability requirement itself has become a strong force for driving prices upward. This was especially true in 1976 throughout all industry, and in 1977-78 in metallurgy, machinery, and partly in the chemical industry and in light industry; in 1981 the profitability requirements in industry -- except for food and light industry -- were excessive.

Development with above-average profitability must be encouraged with credit. This expresses the selective function of credit. But an examination of 1980 credit and loans shows that these concepts were not realized; a significant portion of the investment credits were found in enterprises with low profitability. Between 45 and 54 percent of the amortization obligations connected with bank credits and support credits and more than 70 percent of the state loans are in enterprises with less than 8 percent profitability.

This also means that the enterprises have not been able to meet the profitability requirements, and so the over-indebtedness that accompanies lower profitability encourages enterprises to raise prices.

Diminishing Budget Appropriations

Investments that make use of state loans must have a profitability such that they can undertake to pay back the loan from untaxed profits and gross amortization in 10 years, with a current interest rate of 10 percent. About half of the large investments that were decided on before the period of the Fifth Five-Year Plan -- and that have concluded in recent years -- were based on state loans and about half on budget appropriations. This ratio for large

investments begun after 1976 has changed to 72 versus 28 percent, in favor of state loans. (See chart 2.)

The chart also shows that an increasing resource for payback has been profit (from 29 to 52 percent), which also in this field means an increase in profitability requirements for investments, but it also has an upward-driving effect on prices.

Construction from budget appropriations also supports a high profitability requirement -- 17 percent, but it must also be seen that since only those developments participate in this that promise at least that level of profitability and can pay back out of untaxed profits, the price-raising factor only appears to the extent that projections of future income are unrealistic.

The above-mentioned motivations encourage the selection of profitable investment alternatives, but at the same time one cannot neglect their upward-driving effect on prices. Experience has shown that high levels of profitability requirements force price levels, rather than efficiency, to increase. If this were not so, then investments at a higher level than planned should result in a greater than planned increase in national income. But this is not the case. Therefore, we must come to the conclusion that the hunger for investments and a tendency to grow independent of economicalness find financial resources for themselves.

The size of the pay-back obligation, the interest burdens, which are not samll, and the above-average wage level of the workers operating the newly installed equipment already have an influence on the activity of the entire enterprise. The enterprise, even in the course of planning, starts from the size of the pay-back obligation, the commitments of the development fund, what funds are needed to provide for the tax burden of guaranteed wage increases and bonuses, or in other words how mucn profit or price income must be achieved, If all these conditions do not come out favorably at the given price level, then price bargaining ensues.

It is worth noticing that even though giving credit supports high profitability requirements, the tension in the investment market is relieved only slowly. If, however, in the process of making investments actual expenditures repeatedly exceed planned expenditures, then the calculations relating to pay-back obligations develop in an unfavorable direction for the enterprise.

The Cost of Limiting Demand

Continual efforts have been made during the past 5-6 years to moderate market tensions through economic regulation, while at the same time the partners participating in the process of investment were determined by central designations, the price of investments goods were mostly established by government price regulation, and measures that reduced investment buying power were introduced.

One such is the 20 percent building tax to be paid after the construction work, which has the goal of moderating demand for the building industry, but at the

same time it results in an increase in development costs. A similar kind of expense, until 1981, was the investment charge (though it was paid by the budget) and the 20 percent reserve accumulation that regularly was added to investments involving significant construction.

The increasing interest burdens, which also moderate excessive demand, today already amount to 50 percent of borrowed capital, which increases investment costs until operation begins and production costs thereafter. In the process of execution -- by the system of designation -- the government has permitted additional factors that increase cost, in particular a markup 5 percent higher than normal could be charge for construction work and 7 percent for installations. (This possibility made for a higher income for contractors and installers, regardless of performance, and at the same time made investment more expensive.)

From this point of view of individual interests, there are still other incentives for increased investment (though it is true that this area has become smaller; in 1981 there were only 12 of this kind of investment underway): between 20 and 25 percent of the basic wage of workers affected was paid under this heading. At the same time as investment is made more expensive in this way -- as shown by studies -- deadlines were met by only 12 of the 43 large investments completed during the period of the Fifth Five-Year Plan.

Taken together, the measures to moderate excessive demand and the increase in profitability requirements have not succeeded fully in promoting more economical investments. But the goal was clear: to make harder the conditions under which investment decisions could be made and realized. The final result, however, has been basically that investment has become more expensive. The efforts bogged down in the preparatory phases of investments. The requirements for investors restricted them so that during the process of execution the fundamental changes could not be made that would have enforced construction and installation work that would be efficient from the point of view of the national economy.

9611
CSO: 2500/143

ASSOCIATIONS BETWEEN PRODUCING, EXPORTING FIRMS PRAISED

Budapest MAGYAR HIRLAP in Hungarian 4 Mar 82 pp 1, 4

[Article, no author given: "The Joint Taking of Risks Increases the Exports"]

[Text] Association Contracts Between Foreign Trade Firms and Producing Enterprises

> The foreign trade enterprises are competing with each other, since more and more industrial enterprises and agricultural operating units are taking advantage of the opportunity to select their own foreign trade partners. Since they have been entering into association contracts with each other, the export results have been improving--the risks are being accepted jointly.

Lately several foreign trade enterprises entered into association contracts, which are also based on joint risktaking, with their industrial partners. They share the profits and losses, and also jointly undertake the future developments. And a number of industrial enterprises are increasingly taking advantage of the new opportunity of themselves choosing their foreign trade partners. Experience has shown that all this improves their competitiveness on the world market, and through this the exploitation of export opportunities.

The Generalimpex [General Merchandise Foreign Trade Enterprise] came into existence a year and a half ago for the very purpose of competing with the other foreign trade enterprises. Since then many producing enterprises--regardless of their production profiles--switched over to the new firm. Since the beginning Generalimpex has been entering into association contracts with the producing enterprises; most recently, for example, with the Debrecen Canned Goods Factory. The export contracts are signed jointly, and representatives of the producing enterprise also participate in the negotiations preceding it. The producer sets the prices below which it is not worth selling the product. It is worth the foreign trade enterprise's while to get a better price because they share the profits proportionately. There are also cases--since there is a risk--, when the partners have to distribute not a profit but a loss among themselves. Recently, for example, the buyer found the products of an agricultural cooperative to be of poor quality and was willing to accept it only at a reduced price. This loss of income was equally shared by the wallets of the cooperative and of the foreign trade enterprise.

The Chemocomplex [Import-Export Enterprise for Chemical Industry Machinery and Equipment] was the first one in the country to enter into association contracts back in 1967 with the Chemimas Chemical Machinery Design and General Contracting Enterprise based on the joint acceptance of risk. Since then this agreement has been developed further in such a way that the foreign trade enterprise and the industrial enterprise share a 25-75 percent ratio, respectively, in any profits or losses. Primarily the cooperation covers the delivery of complete paint factories but they are also exporting chemical industrial facilities to the Middle East now on this basis. Earlier they were in a traditional, so-called consignment relationship with OKGT [National Oil and Gas Industry Trust], whereby in essence the foreign trade enterprise had no interest in the business and could not guide in a more profitable direction either the production or sales. Since the association contract was executed their oil well drilling and pipeline construction activities have increased and recently they have begun such jobs in the neighboring Austria also, after the Middle East. In addition they have also started to export products which do not fit into the enterprise's profile at all, taking advantage of the opportunities provided by the competition among foreign trade enterprises.

For the last few months the Chemocomplex has also been exporting the gas generators of the Gabor Aron Iron Foundry and Machine Factory which has split off the United Incandescent [Firm], even though the factory "inherited" its export rights but until now it has not been using it.

The Intercooperation Commerce Development Company in the past only set up production cooperation projects between domestic and foreign enterprises. More recently--using the export rights acquired in the meanwhile--they have also been successfully undertaking the sales of a whole series of products on foreign markets which until now we have been unable to sell at all, or sold only smaller quantities through other foreign trade enterprises. They have thus begun to export good quality but not famous name wines, various fruit juices and purees. Their salesmen also saw good opportunities in the export of beautifully executed glazed tiles for [room heating] stoves. The portable and roll-around glazed tile stoves are made by a factory in Esztergom and the Intercooperation Co. is already delivering them to Austria and the FRG. The company wants to enter into association contracts with its new partners, so that by creating common interests they could take even better advantage of the export opportunities.

Live sheep from Hungary are enjoying increasing demand abroad, this is illustrated by the fact that last year the Terimpex [Foreign Trade Enterprise for Livestock and Crops] sold 30,000 tons of them and this year they will further increase exports. But Terimpex needs reliable merchandise sources for this. Therefore the enterprise created advantageous conditions for the sheep raising farms. It gave them export incentives by not only paying them wholesale purchase prices but also by returning most of the profits derived from exports to its partners who then in turn can use this money to modernize their raising and feeding technologies, improve their breeding work, and develop standardized stock. The favorable signs of these efforts can already be felt: this year's first sheep shipments to Italy and the Middle East were more valuable than before.

During the last 2 years the Hungarotex [Foreign Trade Enterprise for Textile Goods] has set up several foreign trade associations with its industrial partners. The wool, yarn-and-silk, knitting, and confection industrial associations handle 83 percent of the capitalist export and 70 percent of export to the socialist countries. These forms of cooperation have proven themselves well, because since then their participants have developed joint pricing and market policies, coordinated their work, avoided duplications in production and obtained more detailed information. They have, for example, also coordinated production developments for the time period of the Sixth Five Year Plan. They are helping build up the various cooperative relationships together. At the present time they are negotiating mainly about topics concerning industrial cotton yarn with foreign firms, concerning eight [separate] cooperative projects.

8584
CSO: 2500/155

STATE ENTERPRISE ATTITUDE TOWARD SMALL BUSINESSES EXPLORED

Budapest HETI VILAGGAZDASAG in Hungarian 13 February 82 pp 28-30

[Interview with Mrs Bela Szurovecz, managing director of the Budapest Stocking Factory; Istvan G. Rakoczy, technical department chief of the computer Technology and Automation Research Institute; Janos Pomucz, economic deputy director of the Food Industry Machine Manufacturing Enterprise; and Geza Csillag, chief engineer of the Electronic Automatic Prime Contractor and Manufacturing Enterprise by Agnes Tibor; no date or place given]

[Text] [Question] Not a day passes without the news that some people have decided to form an association in the hope that they will be able to profit more successfully through their capabilities. The new forms of undertaking provide a way of making this possible; the small number of personnel involved, the low overhead, and the flexible organizational system make adaptation possible, and the members are directly interested in profit. Do they represent a challenge, a danger to the large enterprises operating in the traditional form?

[Mrs Bela Szurovecz] I think that if an enterprise is able to compete with the new forms it has nothing to fear. That the enterprises in general will be capable of this, I cannot as yet say with certainty. With us, the key problem is to keep from losing skilled workers in critical work areas. I hope this will not happen. Manpower mobility has always existed, and probably always will; one should not be surprised at this in a three-shift place of work, but this year we have tried to raise wages to a level and differentiate them as much as possible in a work ratio that will truly stabilize good workers. Today a machine operator may have a monthly take-home pay of between 3,500 and 10,000 forints. But we have experiences that with these wage increases the tolerance of society, or at least of the immediate environment, is less vis-a-vis these wage differences than would have been desirable with the given differentiation.

Besides drawing off manpower, the small enterprises can cause problems also by their competition. This does not appear to be a problem for the stocking factory; our products are much in demand, they cannot be substituted, and they could be manufactured on an artisan scale only in special styles and at much higher prices.

[Istvan G. Rakoczy] Small enterprises could in fact represent competition for us in the case of small industrial orders. But we do have a great advantage

over the small enterprises: the name of the institute, which not only means a quality guarantee but also gives a sense of security, is on the bottom of every contract. This may be decisive even against the possibly substantial advantages offered by small enterprises. I see a greater danger in the possibility that our best workers may join a small enterprise and leave us in the hope of greater income. And still, I believe that many will continue to choose research and all those advantages which the institute offers. These are background, enviroment, means for research, conferences, and research grants abroad.

[Janos Pomucz] Actual or potential difficulties that may be caused by small enterprises should be divided into two areas. If you are asking whether they will reduce our marketing possibilities, the answer can be clearly negative. In my opinion, the small enterprises will not equip themselves for the manufacture of producer means because this is very intensive in fixed and working assets; for example, one planer-type milling machine costs 7.1 million forints. Such equipment requires a relatively large facility and appropriate conditions. I could, of course, conceive that an association or small cooperative might equip itself for the manufacture of small bakery equipment, or let us say for pancake making equipment. This would be an expressly good development for it would supplement our activity, and we would not be expected to do the manufacturing work. As for the other aspect of the question, we must be prepared to see that qualified manpower will consider whether it would not be better off engaging in an association form. We are primarily concerned about our 2,000 manual workers. Of course, it will all depend on how much one can earn in the framework of the small undertakings. If these result in more income than working for us--and it is likely--we will have a hard time of it because we cannot pay enough to good workers. If some of our workers who earn 6,000 forints a month leave us for a small enterprise in hope of 12,000 forints a month, the pay of those who remain with us cannot, under present regulatory conditions, exceed 8,000 forints.

[Geza Csillag] Our management received the news of these initiatives with great happiness for we believe that there will now be opportunity to interest workers in the quick and effective solution to several tasks. About 500 developers-planners work for us, and about 300 of these have higher degrees. The small enterprises raise for us the need to establish more exactly in these development jobs what work investments are required by each task. Let me give an example: in the development of software the goal is to make the program short as possible because in this way the price will be lower. But a short, intellectual solution requires more time to prepare than a loosely worded one. We must, therefore, above all, define exactly the work requirement of a given task in order that we can control the optimum use of the working time. I see the second problem in that efficiently operating small enterprises will cause distortions and tensions in earnings, which the enterprise will have great difficulty in compensating from its own funds. Given the present conditions of wage-level regulation, the enterprise has no way of paying valuable people. It can pay one or two, but not more. If the enterprise regulations make it possible for us to give the enterprise workers orders which up to now we have given to others, and to pay as cost, then we will make out well with the small enterprises.

[Question] In the encounter between enterprise and small enterprise there are two basic forms: one is an association coming from the outside, and the other consists of workers inside the enterprise who would like to form a work team, a PJT or small cooperative. Let us look first at the former. What do you do when the representatives of an unknown economic work team knock at your door and offer their services?

[Mrs Bela Szurovecz] Such an association has not as yet come to us, but if one should come and propose producer cooperation, and not mediating activity, I would gladly enter into discussions. Of course, we would obtain references. This may not be easy, particularly at the beginning; the achievements of a large enterprise are there in the background, but frankly I do not know how one might obtain reliable information about unknown small enterprises.

[Istvan G. Rakoczy] In some cases we could flexibly expand our capacity with the use of economic work teams if it were necessary for a given industrial order. In the near future, for example, we wish to sign small enterprise contracts for tool planning systems assisted by computers, the scientific base of which is represented by the work of SZTAKI [Computer Technology and Automation Research Institute of the Hungarian Academy of Sciences] while the programming work could be done by an outside economic work team. Naturally, in such cases we would have to proceed very carefully, prepare the contracts very precisely, define the detailed tasks, request exact documentation in order that we might give the work at any phase whatever to others if the partners did not turn out to be suitable for executing the task.

[Janos Pomucz] I think that any association which approaches our enterprise knows our profiles and our needs more or less. It must be significantly less expensive than any of our present co-operators, and in an event it must overcome a certain absence of confidence. In my opinion it is in the interest of the small enterprise not to enter into anything which would exceed its capital strength; the enterprise must watch out for this carefully when it signs the contract. It is true that we take risks even when we make an agreement with a state enterprise. The small enterprises have something to look for at our enterprise and we would gladly transfer to them certain areas. Not long ago, for example, we took over an unprofitable product, and we developed in its place a more modern interchangeable family of machines which can be built like building blocks, but the price is six times greater than for the original because of the high technical level. Certainly, not all the former users will need this new family of machines, and an economic work team or a small cooperative could manufacture a medium price product.

[Geza Csillag] In this country--at least in our line--references are not a problem because those who have a name already know one another. But this does not solve the problem of risk, for everyone can make a mistake. As prime contractors, we always risk something. However, we are justified in fearing that if an association does not fulfill its undertaking--to the value perhaps of only several hundred thousand forints--and for this reason an investment worth a hundred million forints will be delayed, we will have no one to hold responsible for the loss. It has happened in the past that we ordered the performance of a given task from an enterprise, but here we could give out a job worth several million forints, and if it was not fulfilled we had the possibility of penalty payment.

[Question] If the workers of an enterprise get the idea that it would be good to establish a small enterprise, they would not have to struggle with the references at their own enterprise, and the problem of risk would not rise so much. But it is not certain that they would in any event give advantage to an order they received from their own enterprise.

[Mrs Bela Szurovecz] If a worker does his enterprise work adequately and we cannot give him separate work within the enterprise, we will know that he wants to work for someone else. Of course, we would prefer to have him work for us, and we will try to create the possibilities for this.

[Istvan G. Rakoczy] It does not make us very happy if a SZTAKI worker wants to work for another firm. It is to be feared that he will do all this during his working hours, he will use enterprise machine time, and it may even be that he will sell software prepared in the institute. Therefore, in such a case very strict supervision is necessary. We would prefer if our workers worked for us also outside of working hours.

[Geza Csillag] We have a great deal of work, and it is not likely that our workers would resort to obtaining orders from elsewhere, but of course we do not have the means to prevent this. The regulators make it possible for our enterprise workers to create associations for activity outside of working hours. With this, efficiency increases and the participants also come up with their calculations. But behind calculating the material returns, certain moral problems arise which are difficult to solve with regulators. If a manager hands out a job with special income possibilities, he can easily be charged with having been biased in favor of the group. Therefore, I regard it as very possible that in some places the managers take the easy way out: if it is not necessary, they do not take risks--especially if they can be censured for it.

Another concern is that an enterprise may order certain tasks to be done at various associations, but everyone cannot form an association; there must be those who coordinate, supervise the work of the association. It is a question of how we can pay them.

[Question] How can an enterprise approach these small enterprises that are being developed so as to benefit themselves?

[Mrs Bela Szurovecz] We regard the enterprise economic work team as a good solution for our good workers. Those who are now performing at a high level can also acquire additional income for additional work within an economic work team; they will remain at the enterprise and feel comfortable. We have taken the initiative into our hands, we are searching for the machines and the products and are working on operational conditions. We would like to start on 1 March the first economic work team. On the basis of this experience we want to proceed further. I think that there will be interest not only among our manual workers but also some economists, engineers and perhaps administrative specialists.

[Janos Pomucz] As I have said, there are some activities which for the sake of the clarity of outlook our enterprise would like to detach. For example,

our plastic processing plant is hardly related to our main profile. We have had the idea of establishing a branch enterprise, and this would be favorable for us. Similarly, we would be glad to give out to a small enterprise one of our automobile services, which the council will not let us close down. But I cannot imagine that we could give one of our shops within the factory to a small enterprise, this is technologically inconceivable.

[Istvan G. Rakoczy] Our idea is to establish institute "household forms." We would create work teams of some of our workers for well defined subjects--they would not receive pay from the institute, but their income would depend only on the results they arrive at. Following the completion of the task, the members of the work team would return to the institute personnel, and a new work team could be formed from other workers for other tasks. This would create a constant and healthy circulation so that after years of intensive research work everyone would also receive appropriate material reward for the introduction and realization of results.

[Geza Csillag] We are already organizing a permanent group of experts which will judge the time base that can be devoted to a given job. When this is ready, we shall have to decide which part we will give to external or internal economic work teams and which part we will retain as enterprise tasks. In extreme cases, it would be advisable--independently of whether the workers will perform the task in work teams or as enterprise employees--to sign a contract for every job, carefully distinguishing the tasks to be carried out in working time and after.

6691
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FUNCTIONS OF MANAGEMENT-ENGINEERING COMPANIES REPORTED

Budapest FIGYELO in Hungarian 3 Mar 82 p 2

[Article by Janos Deak: "The Industrial Management-Engineering Institutes"

[Text] Following the establishment of the Ministry of Industry--pursuant to the resolution of the Council of Ministers--the so-called support institutes were reviewed. These were the institutes and bureaus that provided support for the administrative activity of the previous industrial branch ministries.

The activities of these institutes are diverse and often not integrated, which in the past frequently caused conflicts of interest and distorted operations. Preparing our proposals for the development of management engineering, therefore, we strived to unambiguously distinguish the task performed for the ministry, from the services provided for the enterprises. On this basis it is possible to define the circle of institutes whose principal task is to provide support for the ministry's administrative activity.

From the organizations that provide services for enterprises, on the other hand, it is expedient to form service organizations (companies) that operate flexibly, as enterprises, without subsidies from the ministry. In a certain sense these institutes could even compete with one another.

Entrepreneurial Institutes

The present industrial management-engineering institutes (KSZI [Light Indistry Institute of Management Engineering], KG ISZSZI [Industrial Economics, Management Engineering and Computer Technology Institute of the Ministry of Metallurgy and Machine Industry], and NIM IGUSZI [Industrial Economics and Industrial Engineering Institute of the Ministry of Heavy Industry] are active in industrial engineering, data processing, industrial economics, documentation, etc., for the sectors of industry reflected in their names.

In the future, according to the drafted proposals, these institutes are to function as management-engineering companies, without engaging in industrial economics and not restricted to specific sectors of industry.

Besides the mentioned three institutes, this sphere of activity includes service enterprises, partnerships for the development of computer technology, and institutes of management engineering and computer technology that function as enterprises. As of 1982, within the framework of the new statutory regulations, there will appear

numerous additional types of small organizations. Accordingly, the institutes that are to be reorganized will have to adapt more flexibly in the future to the enterprises' needs and to the effective demand. The ministry will regard these institutes--just like the other entities in this sphere--as truly independent, business-oriented service enterprises.

Several proposals have been submitted regarding the three sectoral management-engineering institutes. According to one variant, the qualified staff members of the existing institutes, together with management-engineering specialists at the enterprises and possibly academic researchers, should form a base institute for management engineering that is concerned primarily with methodological questions and the development of standard systems.

The institute would function as an enterprise. Most of its revenue would come from the fulfillment of contracts with other enterprises, but the elaboration of some topics would be financed from the technical development fund of the Ministry of Industry.

Relying on the remaining personnel and equipment, it would be possible to set up separate enterprises to provide management-engineering services. The foreseeable drawback of this organizational solution is that the methodological base institute would probably give preference to centrally financed topics, at the expense of services for the enterprises. There is also the danger that the institute would want to ensure from central resources a substantial proportion of its revenue.

According to another variant, management engineering should be separated from data processing (the operation of computer centers), and separate service enterprises should be formed for management engineering and for data processing.

This proposal starts out from the fact that at the management-engineering institutes there has not evolved--partially for external and partially for internal reasons--an incentive system that motivates the institutes to develop and introduce at the industrial enterprises the organizational procedures and methods to uncover enterprise reserves and produce tangible results.

If one area of activity (for example, commercial data-processing service) proves more reliable and profitable than the other management-engineering services, then the institute would disregard the enterprises' demands for management-engineering tasks that produce tangible economic results.

The proposed organizational separation would resolve the conflict of interest between developing commercial data processings and developing management-engineering activity. In this solution the management-engineering companies must support themselves through the sale of the fruits of their intellectual effort that can be utilized efficiently at the customer enterprisese.

Otherwise the "products" of the management-engineering companies become unsalable, and they themselves unprofitable.

The computer-service companies will undertake commercial data processing and will also participate in developing and perfecting the management information systems of the enterprises.

Since computer technology is an important tool for solving management-engineering problems, it will be necessary to continue to maintain close relations between the management-engineering and computer-service companies. (There are many ways of developing their relationship, e.g. in the form of a partnership.)

For Diverse Tasks

In formulating the standpoint of the ministry, we started out from the premise that in both management-engineering and data-processing applications the demand will be differentiated considerably; hence one or the other type of task should not be regarded as absolute, and instead emphasis should be placed on diversity. It would be a mistake to absolutize the so-called standard or model systems. Instead, after the successful solution of a management-engineering or computer-application problem, it will be better to seek further possible applications that require a minimum of adaptation.

The institutes' present large computer centers likewise should not be regarded as a must. In many respects the direct use of small computers at the enterprises could prove more advantageous than commercial data processing at large computer centers. But this requires of the management-engineering companies different tasks and forms of entrepreneurship than at present (for example, selection of the most suitable small computer for the given purpose, and the supply of a system, together with software, that is ready for operation). Thus we must continuously reassess the relationship between management engineering and computer technology, which obviously is not identical with the relationship between their present management-engineering tasks and computer centers (or computers).

Thus the increasingly differentiating demand can be satisfied flexibly, rapidly and economically only within a modern and flexible organizational structure. According to our standpoint, this can best be ensured by letting the management-engineering companies--formed as successors of the present institutes, organized in accordance with their own capabilities and with the effective demand of the industrial enterprises--set up subsidiaries, except for the operation of computer centers. These subsidiaries would have a direct interest in satisfying the demand flexibly, in developing a suitable personnel structure, and in utilizing efficiently the resources placed at their disposal.

Ministry's Standpoint

The management-engineering company itself would determine the structure, initial staff, equipment and capital of the subsidiaries to be established. The parent company would handle the general functions and administrative tasks in conjunction with the operation of the subsidiaries. If a subsidiary does not operate with sufficient economic efficiency, the parent company may abolish it and may redeploy its personnel, equipment and capital. This possibility would also make for flexible manpower management.

Suitable forms of cooperation, based on mutual economic interest, must be developed between the computer center and subsidiaries of the management-engineering company.

For the development of information systems it will be expedient to form, with the industrial enterprises concerned, special-purpose partnerships that can ensure mutual economic interests, or to form joint enterprises.

The organizational solution outlined above offers a twofold advantage. First, within the framework of the management-engineering companies, direct ties would be retained between the parent company on the one hand, and the subsidiaries, special-purpose partnerships, joint enterprises, etc. on the other. Secondly, the small organizations that become independent in this manner offer a direct material self-interest that ensures far more flexible and efficient operation than at present.

It will be the task of the management-engineering companies to implement in practice the standpoint adopted by the ministry. This will require initiative and ingenuity of the managers and their subordinates, and also a certain willingness to assume risk.

1014
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INDUSTRIALIZED DECENTRALIZATION MEASURES EVALUATED

Budapest FIGYELO in Hungarian 17 February 82 p 5

[Article by Peter Kiraly and Dr Laszlo Redei: "The Conditions for Vitality"]

[Text] On 1 January 1981, 11 new operating organizations came into existence (9 in the machinery and 2 in the light industries). Of these, four originated from the breaking up of large enterprises, while the rest were units separated out of large enterprises. In the following we shall seek to discover whether the conditions of self reliant operations have stabilized in the newly independnet enterprises, whether they have formulated their own development strategies and what effect the reorganization had on the budget.

Nearly a half of the operating units have appropriate product lines. This is an important condition for self-reliant operation. It appears that the conditions for effective operation can be assured on the long run for these enterprises. The initial positions of the other enterprises is significantly less favorable. They are struggling with product line problems, that is, their existing production structures do not currently provide the appropriate basis for the development of profitable operating conditions. Some enterprises can realize only a small profit through the sale of their current products because of problems with up to dateness and quality.

In the short time that has passed, several of the enterprises have done much to improve their situations, or at least have drawn up such plans. To this effect they have initiated the manufacturing of new products (for example, paint industry equipment), or rather, are implementing new investments (for example, the production of solid fuel stoves).

Nearly all of the newly independent enterprises are planning to develop their technologies. For some (the minority) this became urgent earlier, while another group of enterprises (the majority) is expecting to increase capacities and to modernize their inventory of fixed assets in order to lay the foundation for further development. The number of workers declined at all operating units during the year. This presents a problem at only two enterprises; at one, it is preventing an increase on production, while at the other the maintenance of the current production level is jeopardized.

During 1981, the newly created enterprises will have produced nearly 7 billion forints of production value, which exceeds the factual figure of the base period by 150 million forints or 2 percent. The production increase at nearly 60 percent of the enterprises is approaching or even exceeds the 10 percent increase. Production is not reaching the previous year's level at only two enterprises--because of decreasing demand and production structure problems.

The development of production is also a good reflection on the market position of the enterprises. At the majority of the enterprises, marketing opportunities have opened up as a result of their independence. The domestic selection of bathtubs and batteries especially has been unsatisfactory for quite a while. Thus, those concerned intend to broaden the selection through large scale increases in their production.

Of the enterprises, six are exporting to socialist countries. For 3 of these enterprises the socialist relation exports comprise a significant proportion, or more than 25 percent of their production. Total socialist exports increased moderately.

All of the enterprises--with two exceptions--are participating in sales to capitalist countries. For four of the enterprises, business with this relation approaches, or rather, exceeds 10 percent of their total business. The combined exports of the 9 enterprises is nearly 22 million dollars, which is about 20 percent less than the exports for 1980. The fact that one of the enterprises, following its separation, could not find markets during the short time available in 1981 (because the parent enterprise kept the export orders for itself) played a fundamental role in the decrease. Moreover, several enterprises eliminated the sales of their least profitable products.

The price regulation of the newly independent units has also changed. Of the 11 organizations, 3 became subsidiary enterprises, while the rest remained principal enterprises. Two enterprises raised their domestic prices when they started up. During the year others modified their price formulation, that is, they changed their prices. Because of favorable profits from capitalist exports, two enterprises have significant price reserves. Two of the 8 principal enterprises could not comply with the price mechanism regulations because they suffered losses from their exports.

The expected 1981 income of the newly independent organizations (nearly 400 million forints) significantly exceeds the basis, as well as the planned amount. There is one enterprise whose profits are decreasing by 60 percent because of production delcines and the large scale increase of non distributed costs. On the factory unit level, only at the most 2 of the 3 units which operated at a loss in 1980 will sustain losses in 1981, and the losses will be considerably smaller. Because of the measures taken these enterprises are also expected to be profitable in 1982.

Despite such significant improvements in results, profitability (profits proportionate to returns from sales) was still not favorable. The profitability of nearly half of the enterprises is between 4 and 8 percent. Only three enterprises are surpassing the branch average.

Profitability and the increase in profits are reflected in the development of personal incomes only to a small degree. With the exception of two enterprises, wages were increased by nearly 9 percent. Wage increases significantly above the industry average are essentially based on favorable profit development (significant increases). However, six organizations took advantage of the opportunity to increase the wage level which arose from the decline in the number of workers. It is also probable that when the price level bases of the newly created units were formulated, certain reserves were created. The profitability situation of the enterprises and the obligations encumbering the development bases are more discernible from the development of the contributory fund. The majority of the enterprises is planning a two percent or less fund increase.

The monetary situation of the enterprises is determined by the development of profits and fundamentally by the magnitude of the obligations they inherited at their birth. From the monetary situation standpoint, the 11 organizational units can be separated into 3 groups. At more than half of the enterprises, the monetary conditions for a balanced operation are there, and there are no problems of liquidity. During the first few years there may be occasional tensions because certain enterprises do not have the necessary funds available for the planned development or because they have obligations to replace reserve funds, that is, obligations to repay loans preempting their working funds. For two enterprises the lack of development funds could be avoided by the rephasing of the repayment obligations which are encumbering their development funds. But because of the problems which exist in their enterprise operations (primarily alteration of the structure) the situation can recur again. The modifications which were made in the regulation system are also adding to the monetary difficulties of these enterprises. Three enterprises have significant obligations--nearly 800 million forints total--which are encumbering their development funds. In addition, two of these enterprises are burdened with the obligation to repay 50 million forints of reserve funds. The repayment is a very serious problem, since 2 out of 3 enterprises sustained losses in 1981, and the total planned profit for 1982 for these 3 enterprises combined in 50 million forints. Thus, as far as can be foreseen, and taking into account improvements and the burden bearing capacities of these enterprises through 1990, the monetary tensions at these three enterprises can only be resolved through central assistance.

It can be concluded from the date that the structural changes were not detrimental to the budget. In fact, because of the nearly 2.5 fold profit increase of the operating units affected, the effect can be deemed to be positive. The need for additional subsidies in this area because of the reorganization did not arise--except at one enterprise. Of the newly independent enterprises, two are unable to meet their obligations to repay the reserve fund this year. This, however, would have occurred even without the organizational change. The same is true for the rephasing of the credit agreement obligations, which again is not a result of the reorganization.

9093
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## NEW METHODS OF OPERATING RESTAURANTS DISCUSSED

Budapest HETI VILAGGAZDASAG in Hungarian 20 Feb 82 pp 38, 39

[Interview with Zoltan Vadasz, manager of the South Buda Restaurant Enterprise, by Ilona Kocsi: "If We Do Not Change In Time, The Profession Will Break Into Two Parts"]

> [Text] Only a year ago, there was still a lot of commotion. Many people attacked, but even more defended the new way of operating in the restaurant industry, the contract format. But everybody agreed on one thing: active years are coming in this trade. The emotions have since simmered down. It has become a natural thing that the guest can pick and choose as he likes between the contractual or even the traditional, closely accounted restaurants. But what was this first year like, was it characterized by success or failure? Zoltan Vadasz (age 44), manager of the South Buda Restaurant Enterprise, answers our questions related to this topic.

[Question] When the conversation turns to contractual restaurants, many people immediately associate it with storybook-rich incomes, from which the enterprising spirited manager also gets a nice cut, and the one renting it out also fares well. Others--in this latter respect--even talk about phenomenal profits with no work. No matter how things really are, what is certain is that extra profit has to be generated at the enterprise.

[Answer] The profits are really higher, but there can be no talk about getting rich. Not for the enterprise, nor for the business manager. I don't even really understand how this can be said after a year [of operation]. That is, expenses are still much more than otherwise, and capital investment will show returns only in a year or two. By the way, I can also unequivocally state: contractual business managers do make good money, but not nearly as good as when they were freelance caterers. They work now by fully financing themselves, their financial responsibility is great, they select their coworkers--this is proven by the fact that there is high staff turnover everywhere in the first few months, and practically the entire staff is replaced.

[Question] The income is less than in free-lance catering? It is strange and hard to understand why so many people compete is spite of this, and bid for these jobs?

[Answer] This surprised us, too. Mainly when we saw that the former business managers, up to about age 50 or 55, practically all of them hustled to stay in the bidding and win the competition. If the previous manager remains,--we posed the question--what assurance do we have that the business will do better in the future. But the answer received from several sources is obvious: if someone was a free-lance caterer in one place for 10 or 15 years, he does not want to relocate somewhere else. This is the less secure of the two, not the contractual format. They know the possibilities well, and know what can be risked and what cannot. And at times this is worth it, even for a lower income.

[Question] Let's look at the enterprise's profits then. Surely they must fare well, otherwise they would not lease out the restaurants. It is hard to imagine that they would do it just out of brotherly love.

[Answer] We make out all right, but that is not the only reason why we do it. We figure out the sum each business must produce by calculating a modest profit and a modest increase in traffic. If we made that, we would be satisfied. But so far the bidding has never stopped at this point. Even though the chairman conducting the competitive bidding indicates at this point that the enterprise considers this traffic optimum. When we made our plans, we also used this calculation. One could never build on it that in some cases this was overbid severalfold. But let me also tell the specific results: last year the 46 contractual units brought in a gross profit of 6 million forints. If we consider the maintenance and repair costs and what we spent on the businesses before turning them over [to the renters], we are speaking about an excess profit of about 3 million forints.

[Question] Maintenance and repair costs? But aren't these supposed to be paid for by the restaurant managers?

[Answer] After they have taken over the stores, yes. But before that we have to paint it, put it in shape, and transfer it in a condition corresponding to its classification. In our experience it happened about twice that the new manager took this upon himself because his ideas were very unique. Even at times like that we reimburse the costs. Most of them try to get us to do as much as possible since they will have less to worry about then. But when the contract expires, we also want it back clean and in good shape. Since we--fortunately--have units in the best locations in Budapest--for example, in the Castle--, maintenance and decoration costs are high.

[Question] We mentioned the bidding. What is your experience, don't the bidders in some cases "overbid" themselves?

[Answer] Of the 46 restaurants mentioned, only three quit the contract. Two due to family reasons, and only one restaurant manager felt that he had taken on more than he could handle, and therefore resigned in time. Of the 46 stores,

in 35 locations an employee of the enterprise remained on as manager, and this also represents a certain amount of guarantee: he knows the circumstances, no major surprises can befall him.

[Question] Those who appear at the competitive meeting are competing with each other to win the business. Has it ever happened that the bidding took place only for the sake of appearances and the parties had already come to an agreement in secret? For example, those who quit bidding received a certain amount as "consolation" from the winner?

[Answer] In the beginning no one had thought of this, or at least they had no way of doing this since this whole thing was so new. But there have been some discomforting signs recently: a group has appeared who wants only to compete, but not to win. They are profiteering. "I will not raise my hand if..."--and they come to an agreement. I cannot prove this, but this is my feeling. For example, at the most recent competitive meeting my suspicion was confirmed and I even filed charges. There were eight people sitting there, all eight went out together at the break, and after that the bidding suddenly ended. Even at a time like that the enterprise receives the determined sum, but the moral damage must also be considered. And also those who compete decently must be protected from these kind of shady deals. Something should be done, and done urgently. Perhaps the notary public present could take a more active role, and if something is suspicious he could immediately invalidate the results. There is not much we can do, the suspicion in itself is not enough. We make a deal with whoever wins the competition.

[Question] But if someone resorts to such methods from the very beginning, not much else can be expected from him later, either. There have been greater or lesser swindles in the catering industry even in the past, and if we really think it through, there is little guarantee that things will be different in the future.

[Answer] Well, the picture is not quite that dark. Everyone is just learning this format now, and thus the mistakes of earlier times can also slip in now. But if someone wants to gain more income by cheating the guests, he cannot expect business over the long range. As soon as a fraud is discovered, we void the contract. If the manager damages the enterprises's good name or prestige in any way, the cooperation can be cancelled. This is always one of our important conditions. There has been no example of this yet, but if it happens, this is what we will do.

[Question] Apropos, long range. Many are complaining that there is no possibility in the present contract system for long range thinking. In general the contracts are signed with the manager for 3 years, and after that there is not any kind of assurance for renewal. The clever ones can surface then also, who bid only to get others into trouble, or to get them to quit for a good price.

[Answer] The observation is a legitimate one. We have also discovered this shortcoming, and because of this we are signing the contracts for 4 or 5 years. But, of course, this is not the solution. The rules should be modified

urgently, and in such a way that those business managers who honorably fulfill the obligations they have accepted, would enjoy some kind of an advantage when the contracts are extended. This would also be a guarantee to the enterprise, since the professional who wants to stay in one place for a long time would take care of the maintenance, the customers, and would not try to make much income in 3 years. We are not thinking of developing entailments, but a justifiable advantage for the job well done.

[Question] So far we have only talked about the contractual stores, but most of the restaurant units are not that, and perhaps never will be, but function under more traditional, strict accounting system. How can these two completely different methods coexist together?

[Answer] The contractual business works in a flexible, unrestricted system, builds on the fitness, ideas and work of the manager. Strict accounting is a much more rigid format where there is less responsibility and also less income. The new method in itself even creates tension, but if we also consider the incomes, it becomes obvious that further progress must be made here, too. And the way to do it is to increase the manager's independence here, too, his freedom to purchase merchandise and selecting his coworkers. If we do not implement the change in time, the trade will break up into two parts. And work cannot be done that way. The success of one is in some way dependent on the other one, and it is expeditious to handle the two of them together.

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FULFILLMENT OF 1981 SOCIOECONOMIC PLAN REPORTED

Warsaw RZECZPOSPOLITA in Polish No 14, 29 Jan 82 pp 4-5

[Article: "Communique of the Main Statistical Office on the Country's Socioeconomic Situation in 1981"]

[Text] The country's socioeconomic situation in 1981 became considerably worse. There was a decline in the level of material production, and as a result created national income declined by about 13 percent. At the same time the population's living conditions became much worse.

At the bottom of the deepening economic crisis lay the imbalances which had appeared in the development of the national economy during past years. They were brought about by the results of the economically unjustified reduction in working hours, especially in extractive industry; the rise in wages and other income contrary to the declining level of production, and the strikes and tensions which had an increasingly paralyzing impact on economic and social life and disrupted the system of administration.

Fuel and raw material diffulties and coproduction problems caused in large part by the decline in hard coal extraction and the decline in supply imports, largely from the dollar zone, were responsible for the withdrawal of substantial manufacturing capacity from production and the slowing of investment processes on a scale never encountered before.

Alongside the decline in the level of created national income there was a general reduction in social labor productivity. The socialized enterprises' direct production costs were higher than the income gained from sales. Among the consequences of this was a large increase in state budget subsidies.

The general decrease in material production and the substantial increase in wages, social benefits, and other population income led to the fanning of inflation phenomena and a very serious increase in the costs of living. As a result the domestic market became further upset, and speculation became much greater.

As the result of favorable weather conditions, compared to the exceptionally difficult year 1980, harvests of grains and root crops were greater, and this fact caused a general rise in agricultural production, but as the result of a shortage of fodder from the previous year and restrictions on the importation of grain and fodder, overall livestock production and market-oriented livestock production showed a further substantial decline.

The negative balance of commodity turnovers, caused largely by the decline in exports, and the substantial increase in foreign credit costs caused the country to increase its indebtedness and brought about a deepening of payment problems.

The basic indicators portraying the socioeconomic situation in 1981 compared to the previous year were as shown in Table 1.

[Table 1: Basic Indicators Showing the 1981 Socioeconomic Situation in Comparison to the Previous Year]

| Description | Index 1980=100 |
|---|---|
| Created national income* | about 87 |
| Gross value of fixed assets* | 103.0 |
| Per capita consumption of material goods | 95.5 |
| Personnel payroll fund | 125.7 |
| Nominal wages | 125.2 |
| Cost of living | about 125 |
| Retail sales of commodities | 111.4 |
| Foodstuffs (including liquor) | 104.2 |
| Nonfood items | |
| Commodity exports* | 79.8 |
| Commodity imports* | 79.8 |
| Investment outlays in socialized economy | about 75 |
| Sold production in socialized industry* | 87.4 |
| Sold production per employee in socialized industry* | 87.8 |
| Basic production of socialized construction and installation enterprises | 80.4 |
| Production and services per employee in socialized construction and installation enterprises | 82.9 |
| Gross farm production* | 104.1 |
| Crop production | 120.3 |
| Livestock production | 87.5 |
| Procurement of farm products* | 86.4 |
| Freight transport performed by socialized transport enterprises | 74.0 |
| Passenger transport in socialized transportation | 98.9 |
| Employment in the socialized economy | 100.3 |
| Housing turned over for use in socialized economy | 86.5 |
| Usable area of housing turned over for use in socialized economy for nonagricultural population | 87.2 |

*Constant prices

National Income

Compared to the year 1980, in 1981 national income in constant prices was about 13 percent lower. The year 1981 was the third year in which there was a decline in national income (a decline of about 2 percent occurred in 1979, and one of about 4 percent occurred in 1980), and as a result of this fact, the real sizes of created national income in 1981 were at approximately the same level as in 1974.

The decline in net production and in social labor productivity occurred in all basic nonagricultural sectors of the national economy. Net production in industry declined by about 19 percent. The level of agriculture's net production was about 3 percent higher than the 1980 level.

As the result of a substantial increase in fixed assets during previous years, there came into being substantial potential production capacity, which is not being fully utilized, especially in processing industry (with the exception of power industry) and in construction. It is estimated that if the possibilities existed for utilizing this potential in processing industry, the sizes of net production could be greater, overall, in the various branches by from 25 to more than 50 percent.

The decline in national income for distribution was somewhat smaller than the decline in created national income, in connection with the increase in 1981 of the adverse foreign trade balance, which in turn was the result of the more rapid decline in the exports of commodities and services than in their importation.

With the substantial decline in national income for distribution, the population's consumption of material goods out of personal income remained at a level not much lower than in 1980.

The sizes of commodity deliveries to socialized trade aimed at supplying the market declined by about 11 percent, but the sizes of retail sales of consumer goods for the population declined by over 3 percent (calculating in constant prices). This was the result of a very great decline in stock in trade and restrictions on sales to units of the socialized economy (what are called nonmarket sales).

The sizes of free-market sales and natural consumption of farm products increased. It is additionally estimated that there were substantial increases in stocks of consumer commodities in households, but in keeping with the methodology of calculating national income, this increase is treated as a rise in consumption in the given year.

Investment outlays (net) for fixed assets (investment outlays minus depreciation) fell in 1981 by about 45 percent in relation to 1980, but their share of national income for distribution declined from 17.5 percent in 1980 to about 11 percent in 1981. Such a great decline in net investment

outlays for fixed assets is the result of the approximately 24-percent decline in investment outlays coupled with the approximately 3-percent increase in depreciation.

Industry

In 1981 there was a further decline of production in socialized industry. Although in 1980 sold production (in constant sale prices) decline by 1 percent in relation to 1979, in 1981 the drop in relation to 1980 amounted to 429 billion zlotys, or 12.6 percent. The combined production decline for the 2 years amounted to 13.5 percent.

The downward trend in sold production was maintained throughout 1981, and a production decline greater than the annual average (after eliminating the differences in work time and seasonal fluctuations) occurred during the months of June, July, September, November, and December.

The decline in sold production appeared in all branches of industry but was most evident in iron and nonferrous metallurgy, the coal industry, vehicles industry, building materials industry, and printing.

The production of some of the major products in socialized industry during 1981 was as shown in Table 2.

In 1981 the installed power of electric power plants increased by only 255 megawatts. Compared to 1980 the production of electric power was 5.7 percent lower, and, of this, the decline for municipal power plants amounted to 4.5 percent.

The demand for electric power in 1981 remained at the 1980 level. Industrial customers' electric power consumption was 9.5 percent lower, but consumption by communal customers was 7.3 percent higher. Restrictions were placed on customers, especially during the winter months. Power levels of "19" and "20" were announced more frequently than in 1980. Block outages were applied to the population as well as to industrial customers.

In connection with the 30.1-million-ton extraction decline, deliveries of hard coal to industry were lower than those accomplished in 1980 by 10.2 percent, and deliveries designated to supply the population were lower by 6.7 percent.

In 1981 adverse trends in industrial production worsened. There was a decline in the number of products bearing quality trademarks, and at the same time the number of defects in products increased.

Average employment in socialized industry in 1981 was 4,744,300 persons, a decline of 16,200 persons (0.3 percent) in relation to 1980.

[Table 2]

| Goods | units of measure | 1 9 8 1 in absolute figures | 1980=100 | 1979=100 |
|---|---|---|---|---|
| Hard coal | million tons | 163.0* | 84.4 | 81.4 |
| Natural gas | million sq m | 6,172 | 97.5 | 84.1 |
| Crude oil refining | million tons | 13.6 | 84.2 | 81.8 |
| Electric power | billion kWh | 115.0 | 94.3 | 97.9 |
| Raw steel | million tons | 15.7 | 80.7 | 81.8 |
| Rolled products | million tons | 11.1 | 81.6 | 81.5 |
| Electrolytic copper | thousand tons | 327.2 | 91.6 | 97.4 |
| Metallurgical aluminum | thousand tons | 66.0 | 69.4 | 68.3 |
| Lead | thousand tons | 69.0 | 84.1 | 81.9 |
| Zinc | thousand tons | 167.1 | 76.8 | 79.9 |
| Ball bearings | millions | 110.0 | 88.1 | 84.4 |
| Metal machine-cutting tools | million zlotys** | 7,238 | 87.0 | 81.6 |
| Machinery for flexible working of metal | million zlotys** | 1,017 | 76.0 | 84.7 |
| Electric gyrating machinery | million zlotys** | 10,525 | 89.9 | 102.0 |
| Automatic steering regulation devices | million zlotys** | 7,975 | 86.0 | 84.3 |
| Semiconductor components | millions | 182.6 | 69.7 | 79.2 |
| Transistors | millions | 83.5 | 95.5 | 98.7 |
| Computer systems and data-processing equipment | million zlotys** | 10,733 | 92.0 | 100.5 |
| Farm machines and implements | million zlotys** | 16,686 | 90.3 | 89.1 |
| Passenger automobiles | thousands | 240.3 | 68.5 | 68.7 |
| Trucks | thousands | 37.0 | 77.7 | 72.4 |
| Buses | thousands | 11.2 | 85.2 | 83.1 |
| Two-axle farm tractors | thousands | 50.5 | 88.0 | 93.2 |
| Ocean-going vessels (100 DWT up) | billion zlotys** | 17,501 | 77.8 | 80.8 |
| | thousand DWT | 321.8 | 82.1 | 53.4 |
| Radios (with turntables) | thousands | 2,798 | 103.8 | 105.1 |
| Stereophonic | thousands | 216.3 | 98.2 | 103.2 |
| Television sets | thousands | 759.9 | 84.4 | 83.0 |
| Color sets | thousands | 159.6 | 108.7 | 179.2 |
| Tape recorders | thousands | 565.6 | 70.2 | 66.6 |
| Household electric washers and dryers | thousands | 713.0 | 88.2 | 94.6 |
| Automatics | thousands | 310.7 | 86.3 | 105.3 |
| Household refrigerators | thousands | 559.0 | 80.6 | 73.0 |
| Household sewing machines | thousands | 382.7 | 93.5 | 105.3 |
| Fertilizers (pure component) | thousand tons | 2,211 | 98.8 | 91.5 |
| Plastics | thousand tons | 475.0 | 86.6 | 107.9 |
| Synthetic rubber | thousand tons | 111.1 | 94.3 | 85.5 |
| Chemical fibers | thousand tons | 204.7 | 79.8 | 83.7 |
| Synthetics | thousand tons | 139.0 | 83.0 | 87.9 |
| Pharmaceutical products | million zlotys** | 15,618 | 96.9 | 108.0 |
| Laundry and washing products | thousand tons | 283.1 | 96.5 | 100.5 |
| Soap | thousand tons | 68.3 | 94.6 | 94.6 |

*Including about 9 million tons extracted on free Saturdays. **Fixed prices

[Table 2, continued]

| | | | | |
|---|---|---|---|---|
| Cement | million tons | 14.2 | 77.2 | 74.2 |
| Walling materials (calculated in full fired bricks) | billions | 8.7 | 78.4 | 75.0 |
| Chipboard and particle board | thous cubic meters | 903.9 | 96.0 | 105.0 |
| Furniture | billion zlotys** | 37.3 | 90.7 | 100.9 |
| Paper | thousand tons | 909.3 | 88.0 | 90.0 |
| Cardboard | thousand tons | 214.7 | 88.1 | 90.4 |
| Yardage: | | | | |
| Cotton and cotton synthetics | million meters | 783.1 | 88.6 | 88.4 |
| Woolens and wool-like | million meters | 106.2 | 87.7 | 86.3 |
| Silk and like silk | million meters | 142.2 | 87.1 | 87.0 |
| Knitwear | billion zlotys** | 20.9 | 92.6 | 89.3 |
| Knit fabrics | million meters | 113.1 | 92.1 | 89.0 |
| Footwear (except rubber) | million pairs | 126.3 | 89.8 | 90.2 |
| Meat and fats (industrially slaughtered)*** | thousand tons | 1,851 | 75.3 | 72.3 |
| Poultry | thousand tons | 355.6 | 103.4 | 111.0 |
| Ocean fish (catches) | thousand tons | 642.5 | 81.2 | 80.0 |
| Milk for consumption | million liters | 2,926 | 109.2 | 112.7 |
| Butter | thousand tons | 221.7 | 87.7 | 87.9 |
| Sugar (from sugar campaign) | thousand tons | 1,722 | 165.1 | 118.4 |
| Cigarets | billions | 83.0 | 88.8 | 90.8 |
| Industrially-produced fodder mixes | thousand tons | 3,574 | 88.1 | 84.7 |

**Fixed prices. ***Warm after-slaughter weight.

With the substantial decline in production value in socialized industry, the personnel payroll fund in 1981 amounted to 446.7 billion zlotys, up 86.5 billion zlotys, or 24 percent, in relation to 1980. The mean monthly wage was 7,704 zlotys, 1,523 zlotys, or 24.6 percent, more than in 1980, but at the same time production per employee dropped 12.2 percent.

In 1981 nominal working time decreased, mainly as the result of the introduction of additional free Saturdays and the shortening of working hours for certain employee groups considered to be working under conditions hazardous to health. At the same time the utilization of nominal working time worsened.

On the annual scale, hours worked per worker in the industrial and development group declined from 1,850 hours in 1980 to 1,711 hours in 1981, a drop of 7.5 percent, including a 9.5-percent decrease in the coal industry.

On the annual scale, average time not worked per worker in the industrial and development group increased from 229 to 250 hours, that is, 9.8 percent. The absence rate for illness increased from 164 hours to 173, while there was an increase from 26 hours to 34 for justified absences, from 7 to 11 hours for paid idle time, and from 5 to 6 hours for strikes.

The amount of maternity leave declined from 22 hours to 20 hours.

Agriculture and Forestry

In 1981 as the result of favorable weather during the period of vegetation and the gathering of crops, favorable results were obtained in crop production.

On the other hand there were barriers to the development of livestock production, mainly because of the low level of fodder resources from the 1980 harvests.

It is estimated that the value of gross agricultural production (in constant prices) increased by 4.1 percent in relation to 1980, and of this the value of crop production increased by 20.3 percent, but livestock production declined in value by 12.5 percent.

Farm production for market, calculated in constant prices, declined by 9.5 percent in relation to 1980, and of this, market production [line missing] and livestock production declined by 17.5 percent.

Harvests and yields of major crops in 1981 were as shown [in Table 3].

In June 1981 in both socialized and nonsocialized agriculture, there was a clear decline in comparison to the June 1980 level for the number of head of livestock, as we can see below [Table 4].

During the latter half of 1981 in the nonsocialized economy, on the basis of increased private fodder resources, while there were simultaneous market difficulties, there was the tendency to suspend market herds or the building up of holdings of domestic livestock.

The initial results of the census of livestock taken this January show that the number of head of cattle throughout agriculture amounted to 11.5 million head, including 5.7 million cows, 19 million hogs. Compared to the figures from the January 1981 census, the number of head of cattle increased 1.4 percent, including an increase of 0.9 percent in the number of cows and an increase of 1.7 percent in the number of hogs.

There was a rise in the number of head of livestock in January of this year because of the substantial expansion both of herds of cattle and of holdings of hogs in the nonsocialized economy, alongside the continued serious decline in the number of head in the socialized economy.

It is estimated that in 1981 the production of livestock for slaughter in terms of meat-fat bulk (in fresh-killed weight) amounted to 2.4 million tons, which means it was 19.2 percent lower than in 1980.

Milk production approximated 14.8 billion liters and was 7.2 percent lower than during the previous year, but egg production approximated 8.9 billion, declining insignificantly, by 0.1 percent in comparison to the previous year.

[Table 3. Harvests and Yields of Major Crops in 1981]

| | 1981 Harvests | | | 1981 Yields | | |
|---|---|---|---|---|---|---|
| | million tons | 1980=100 | 1976-80 average =100 | quintals per hectare | 1980=100 | 1976-80 average =100 |
| Grain | 19.7 | 107.6 | 101.2 | 24.9 | 106.4 | 100.4 |
| four grains below total (except mixes) | 17.2 | 104.9 | 98.0 | 25.0 | 106.4 | 100.8 |
| Wheat | 4.2 | 100.7 | 82.6 | 29.6 | 113.8 | 101.0 |
| Rye | 6.7 | 102.5 | 104.0 | 22.4 | 103.7 | 103.7 |
| Barley | 3.6 | 103.5 | 99.5 | 27.4 | 105.8 | 99.3 |
| Oats | 2.7 | 121.6 | 112.2 | 23.6 | 104.9 | 103.5 |
| Potatoes | 42.6 | 161.2 | 99.6 | 188.0 | 166.4 | 106.2 |
| Sugar Beets | 15.8 | 155.8 | 111.7 | 336.0 | 152.0 | 120.0 |
| Oleaginous crops | 0.5 | 85.2 | 75.9 | 17.2 | 99.4 | 90.5 |
| Meadow hay | 14.7 | 119.1 | 102.9 | 59.4 | 118.8 | 103.5 |

[Table 4. Comparison of Livestock in June 1981 Compared with June 1980]

| | 1981 Agriculture | | | Agriculture | | |
|---|---|---|---|---|---|---|
| | Total | Socialized | Non-socialized | Total | Socialized | Non-socialized |
| | Million Head | | | 1980=100 | | |
| Cattle | 11.8 | 2.9 | 8.9 | 93.3 | 85.4 | 96.2 |
| Hogs | 18.5 | 4.9 | 13.6 | 86.7 | 80.8 | 89.0 |
| Sheep | 3.9 | 1.4 | 2.5 | 92.4 | 87.8 | 95.1 |

[Table 5. Procurement of Farm Products of Animal Origin

| | 1981 Agriculture | | | Agriculture | | |
|---|---|---|---|---|---|---|
| | Total | Socialized | Non-socialized | Total | Socialized | Non-socialized |
| | In absolute figures | | | 1980=100 | | |
| Animals for slaughter in terms of meat-fat bulk, 1,000 tons | 1,879 | 761 | 1,118 | 74.0 | 81.6 | 69.6 |
| Beef | 463 | 198 | 265 | 69.6 | 73.7 | 66.8 |
| Pork | 1,009 | 405 | 604 | 69.7 | 79.0 | 64.6 |
| Poultry | 352 | 150 | 202 | 102.8 | 109.6 | 100.2 |
| Milk in millions of liters | 9,262 | 1,633 | 7,629 | 92.5 | 83.8 | 94.6 |
| Eggs in millions | 3,581 | 222 | 3,359 | 99.5 | 138.7 | 97.7 |

The procurement of farm products of animal origin was structured as in [Table 5].

The total value of farm products bought up by the state (in current prices) amounted to 516 billion zlotys in 1981 and was 42.3 percent higher, as the result of the increase in procurement prices, which approximated 60 percent above the previous year.

The increase in the value of procurement from the nonsocialized economy amounted in 1981 to 42 percent in relation to 1980, and the figure for procurement from the socialized economy was 44 percent.

In 1981 difficulties with supplying agriculture with the means of production became worse. Throughout the year there were serious shortages of many different spare parts for tractors and farm machines.

Supplies of tractors for agriculture in 1981 were 0.1 percent higher than in 1980, however, amounting to 56,800 tractors.

The number of tractors throughout agriculture at the end of 1981 was approximately 645,000, an increase of 4.1 percent over the number at the end of 1980. Agrarian circles and groups within agrarian circles owned about 104,000 tractors at the end of 1981, and the nonsocialized farm economy owned about 423,000. Compared to 1980 the number of tractors in the circles and the groups within them declined by 9.2 percent, but in the nonsocialized farm economy it increased by 11.9 percent.

Deliveries of high-grade seed of the four grains to agriculture to renew the sewing material for 1981 harvests amounted to 572,900 tons and were 1.8 percent higher than in 1980, but deliveries of seed potatoes were about 51 percent lower.

In 1981 agriculture bought 6.7 million tons of fodder from state resources, that is, about 846,000 tons (11.2 percent) less than during the previous year, largely as the result of the decline in grain imports.

Prior to the 1981 harvest agriculture consumed about 3.5 million tons of chemical fertilizers (in pure component), that is, 3.7 percent less than for crops prior to the 1980 harvest. Calculated in terms of consumption per hectare cropland, in farm year 1980-1981 consumption was 186.2 kilograms, or 6.7 kilograms less than the previous farm year. This is the result of the decline in the consumption of chemical fertilizers in the socialized economy from 313.7 kilograms in 1979-1980 to 279.5 kilograms in 1980-1981, while the consumption of fertilizers in the nonsocialized economy, respectively, was from 152.4 kilograms to 155.8 kilograms.

During the latter half of 1981, improvement was noted in the supply of chemical fertilizers to agriculture. Deliveries of chemical fertilizers in the period from July to December 1981 amounted to 1,789,800 tons (pure

In forestry the logging of timber (rough-sawn) in 1981 totalled about 20.1 million cubic metersand was 3.4 percent lower than in 1980.

In state forest enterprises about 18.6 million cubic meters of rough-sawn timber was logged, and 15.4 million cubic meters was taken out of the forests. The removal of timber declined by about 13 percent in relation to the previous year. Transport difficulties had a major impact on the hygienic condition of the forest.

In 1981 the catastrophic development of the moth [brudnica mniszi] population which had begun in 1977 became greater, and this called for decisions to combat this pest with chemical agents over an area of about 1.8 million hectares, a drastic measure for the forest environment.

The dangerous situation in which we find the forests are made worse by the catastrophic winds and snowfalls and the harmful impact of gases and dust on the stands of the forest.

The initial estimate made at the end of 1981 shows that bulk timber from broken trees and trees uprooted in high winds and storms approximated 6 million square meters in the state forest enterprises.

In 1981 a decline of 26.5 percent was noted in relation to 1980 in renovation and planting of forests. In 1981, 68,000 hectares underwent afforestation and renovation on land temporarily deprived of tree stands and on nonforest land. The 1980 figure was 92,600 hectares.

Transportation and Communications

In 1981 the socialized transport enterprises carried 1,216.7 million tons of freight, or 427.4 million tons (26 percent) less than in 1980.

Public socialized passenger transport carried 3,451.8 million passengers, which was 39.4 million passengers (1.1 percent) less than in 1980.

The Polish State Railroads carried 401.6 million tons of freight and 1,115.9 million passengers in 1981. Freight carried was 16.7 percent below the 1980 figure, but passenger transport increased by 1.4 percent.

The number of technically deficient freight cars increased. The mean daily figure for such cars in 1981 was 48,600, 12,000 or 33 percent more than in 1980.

Deliveries of standard-gauge rolling stock in 1981 consisted of 121 electric locomotives, 7 diesel locomotives, 60 electric three-car units, 5,497 freight car, and 401 passenger cars. Except for passenger cars, the deliveries of rolling stock were far below 1980 deliveries.

The length of electrified railroad lines as of 31 December 1981 amounted to 7,091 kilometers, or 29.1 percent of the total length of standard-gauge

railroad lines. In 1981 electricity was installed on 223 kilometers of line.

Freight carried by public and industrial-sector motor transport amounted to 730.4 million tons, or 31.1 percent less than in 1980. Public motor transport of passengers amounted to 2,325 million passengers and was 3.3 percent below the 1980 figure.

As the result of stoppages for technical and operational causes, 43.6 percent of the trucks were out of service in 1981 as a daily average (the figure in 1980 was 37.5 percent).

The merchant marine carried 32 million tons of cargo, or 19.2 percent less than in 1980. The total merchant marine tonnage sailing under the Polish ensign amounted to 4,574,500 DWT as of 31 December 1981 and was 1.1 percenter greater than at the end of 1980.

In the commercial seaports, 37.5 million tons of cargo was handled, 39 percent less than in 1980.

The value of basic communications services declined by 0.7 percent in comparison to 1980. The number of telephone subscribers as of 31 December 1981 totalled 2,020,700, which was 77,800 or 4 percent more than in 1980.

Investments and Construction

Investment outlays approximating 398 billion zlotys were carried out in the socialized economy in 1981. Compared to 1980 this means a reduction of more than 25 percent in the investment level, and compared to the year 1978, which was the year with the highest level of investment, there was a decline of more than 40 percent.

The level of investment outlays in 1981 was similar to the level of outlays in 1972.

The share of total outlays for equipment and machinery represented about 47 percent of the value of all outlays, the same level as 1980.

At the end of 1981 outlays frozen in unfinished investments approximated 880 billion zlotys, compared to 798 billion zlotys in 1980. During the next few years about 1.2 trillion zlotys will be needed to finish all the uncompleted projects of investment construction. This includes 900 billion zlotys for investments actively being executed. In connection with the need to adapt the investment level to the country's economic situation, at the end of 1980 and in 1981 (largely during the first quarter) about 1,500 investment tasks (which were not in advanced stages) in the socialized economy were suspended temporarily or indefinitely. The cost-estimate values ranged from a few million zlotys to many billion. More than 100 billion zlotys is tied up in suspended investments, and it would take a commitment of more than 300 billion zlotys to complete them.

Of the investment construction tasks in the socialized economy planned for completion in 1981, about 47 percent were actually completed (calculated in terms of cost-estimate value), including the following:

--power block No 4 (200 megawatts) at the Polaniec Electric Power Plant,

--Grodzisk-Police section of gas pipeline (66.5 kilometers),

--construction of 1,030-meter extraction level (first stage, 610,000 tons per year) at Halemba Hard Coal Mine, expansion of 530-meter extraction level (1,372,000 tons per year) at Makoszowa Hard Coal Mine,

--chipboard department (128,000 cubic meters per year) in Czarnkowo,

--22 hospitals and hospital wings with a total of 4,600 beds,

--98 preschools with 11,200 places,

--40 nurseries with 2,900 places,

--15 health centers,

--47 clinics.

In housing construction in the national economy, 183,000 dwellings with a total usable space of 11.6 million square meters were completed in 1981.

The number of dwellings completed was 33,500 (15.5 percent) lower than in 1980, but the usable space was smaller by 2.2 million square meters, or 16.2 percent.

The execution of housing construction in 1981 by form of construction is presented in Table 6 [top of next page].

At the end of 1981, about 570,000 cooperative members were waiting for apartments (including 230,000 young married couples), and 1,770,000 persons were on applicant lists, including 1.4 million adults (80 percent).

Compared to 1980, the total number of people waiting for cooperative apartments increased by 6.6 percent.

The number of applications made to local offices of state administration by persons (families) which qualified for assigned housing is estimated at about 98,000.

Socialized construction-installation enterprises (excluding small-scale manufacturing units) produced a value of 242.4 billion zlotys' worth in basic production. Compared to 1980, this was a production drop of 19.6 percent. In the period from January to May 1981 there was a month-by-month increase in basic production, but from June to the end of 1981 it

[Table 6. Housing Construction Accomplished in 1981 by Type

| Description | Dwellings thousands | Dwellings 1980=100 | Usable Area of Dwellings thousand square meters | Usable Area of Dwellings 1980=100 |
|---|---|---|---|---|
| Total | 183.0 | 84.5 | 11,618.9 | 83.8 |
| Funding: | | | | |
| State | 31.2 | 78.2 | 1,704.9 | 79.5 |
| Cooperatives | 107.9 | 89.2 | 5,633.6 | 88.4 |
| Population's own funds | 43.9 | 78.9 | 4,280.4 | 80.0 |

declined, while there was a systematic decrease in employment and an increase in payments out of the personnel payroll fund.

In 1981 employment in socialized construction and installation enterprises averaged 957,600 persons and was 46,400 persons, or 4.6 percent, lower than in 1980. At the same time payments out of the personnel payroll fund amounted to 90.2 billion zlotys and increased by 17.7 percent. The net mean month wage was 7,850 zlotys, up 23.5 percent, while there was a simultaneous decline in the value of total turnovers (production and services) per employee of 17.1 percent.

Foreign Trade

Foreign trade commodity turnovers in 1981 were accomplished under very difficult conditions. The drop in production and the needs of the domestic market were an influence which tended to limit exports, and the foreign-exchange revenue thereby reduced coupled with the difficulties in obtaining credit caused a decline in imports from the capitalist countries. It was in this situation in 1981 that a substantial decline occurred in foreign trade turnovers. The value of exports (in current prices) amounted to 44.3 billion foreign exchange zlotys and was 14.6 percent lower than in 1980, but the value of imports amounted to 51.2 billion foreign exchange zlotys, which means a decline of 12.2 percent. The negative balance of commodity turnovers reached 6.9 billion foreign exchange zlotys, compared to the 6.4 billion in 1980.

Commodity turnovers with socialist countries were substantially lower for exports than for imports. The export value amounted to 26.1 billion foreign exchange zlotys, a decline of 10.2 percent in relation to 1980, but the value of imports, on the other hand, reached 33.2 billion foreign exchange zlotys, which means that it increased by 2.3 percent. The increase in imports from socialist countries was achieved largely as the result of the large deliveries made from the USSR. The value of imports from that country amounted to 21.4 billion foreign exchange zlotys, which was an increase of 10.6 percent, while at the same time exports amounted to 14.4 billion foreign exchange zlotys, which was a decline of 11.1 percent compared to 1980.

The negative balance of trade with the socialist countries reached 7.1 billion foreign exchange zlotys (including 7 billion with the USSR) and was higher by 3.7 billion than in 1980. This means that it was more than double the 1980 level.

In 1981 there was a great decline in turnovers with the capitalist countries. The value of exports amounted to 18.2 billion foreign exchange zlotys, a decline of 20.3 percent, but the value of imports was 18 billion foreign exchange zlotys and was 30.4 percent lower than the previous year. As the result of the great import restrictions, the negative balance of payments with the economically advanced capitalist countries declined from 2.6 billion zlotys in 1980 to 1.8 billion in 1981. On the other hand, in turnovers with the economically developing countries the balance changed from a negative balance in 1980 amounting to 0.4 billion foreign exchange zlotys to a balance of 2 billion foreign exchange zlotys in the black in 1981.

The adverse balance of commodity exchange and the rise in foreign credit costs caused the country to go further into debt. According to initial data on indebtedness in long-, short-, and intermediate-term credit, the country's indebtedness increased (condition as of 31 December) as follows:

in the currencies of socialist countries, from 6.4 billion foreign exchange zlotys in 1980 to 14.8 billion in 1981, an increase of 3.3 billion rubles,

in the currencies of capitalist countries, from 76.6 billion foreign exchange zlotys in 1980 to 89.1 billion in 1981, that is, to 25.5 billion U.S. dollars.

In 1981 there continued a substantial price rise compared to 1980 prices on exported and imported commodities. It is estimated that for exports prices increased by 6.7 percent, but for imports they increased by 9.8 percent, which caused the "terms of trade" index to be structured unfavorably (97.2). The greater increase in prices occurred in turnovers with the socialist countries, as the result of the adoption of the principle of creeping prices. As the result of this fact, the great rise in the prices of fuels and raw materials on the markets of capitalist countries in previous years are only now gradually becoming evident in turnovers with socialist countries. Despite this fact, the level of prices obtained in turnovers with socialist countries was still lower than the level of prices in turnovers with capitalist countries. In addition, the relatively high dynamics of prices on imports from the socialist countries (an increase of 12.2 percent) were partly the result of the structure of these imports. The fuel and energy group, which featured the greatest price increase in 1981 (an increase of 27.2 percent), represented 23.1 percent of total imports in current prices.

In 1981 both exports and imports of goods (in constant prices) declined by 20 percent compared to 1980. In turnovers with socialist countries exports were down 17.1 percent, and imports were down 8.8 percent. In turnovers

[Table 7. Dynamics of Foreign Trade Turnovers in 1981 by Major Group]

(in constant prices)

| Description | Exports Total | Exports Socialist Countries | Exports Nonsocialist Countries | Imports Total | Imports Socialist Countries | Imports Nonsocialist Countries |
|---|---|---|---|---|---|---|
| | 1980 = 100 | | | | | |
| Total | 79.8 | 82.9 | 75.9 | 79.0 | 91.2 | 65.5 |
| Fuel and energy in above | 49.1 | 66.5 | 40.8 | 77.4 | 98.5 | 26.6 |
| Goods by industry: | | | | | | |
| Metallurgical industry | 84.3 | 90.5 | 81.7 | 70.8 | 91.9 | 41.4 |
| Electric-machine industry | 90.3 | 87.3 | 99.5 | 77.8 | 85.1 | 57.6 |
| Chemical industry | 82.4 | 81.1 | 84.2 | 76.6 | 107.3 | 61.3 |
| Mineral industry | 71.2 | 98.5 | 64.4 | 65.7 | 71.0 | 58.4 |
| Light industry | 78.8 | 78.6 | 79.3 | 71.8 | 79.3 | 64.8 |
| Food industry | 61.1 | 51.1 | 63.6 | 132.1 | 120.1 | 136.1 |
| Farm products | 64.5 | 70.9 | 62.7 | 83.4 | 79.4 | 83.7 |

with the capitalist countries, the corresponding figures were 24.1 percent and 34.5 percent.

In all branch groups in 1981 there was a quantitative decline in exports and imports, with the exception of imports of food industry products. Here the value increased by 32.1 percent.

The dynamics of foreign trade turnovers (in constant prices) in 1981 by major branch group may be found in Table 7 above.

The great drop in fuel exports was caused by the decline in hard coal exports, and the deliveries of hard coal in 1981 amounted to 15.2 million tons, 15.8 million tons lower than in 1980 and 26.2 million tons lower than in 1979.

The reduced deliveries of crude oil had an influence on the decline in imports in the fuel and power group. Crude oil deliveries amounted to 13.5 million tons in 1981 and were 2.8 million tons lower, although imports from the USSR remained unchanged, but deliveries from the capitalist countries declined by 87 percent.

Imports of grain and grain products in 1981 reached 7.2 million tons and were 796,000 tons lower than in 1980.

In the group of food industry products, imports in 1981 increased by 32 percent. There was a very great increase in deliveries of such commodities as the following: meat (400 percent), lard (600 percent), butter (400 percent), potato flour (double), sugar (50 percent), rice (17 percent), and cocoa (9 percent).

## Population and Employment

In 1981 Poland's population reached 36.1 million. The real population increase, which was somewhat greater than 1980's, was 325,000. In towns at the end of 1981 there were more than 21.3 million residents, or over 350,000 more than in 1980. This figure represents 59.2 percent of the country's population.

The number of births remains at a high level, and in 1981 it approximated 678,000, which is 18.9 births per 1,000 inhabitants.

At the same time the number of deaths declined, from the previous year, by about 20,000 and was 330,000, but the deaths-per-1,000-population index declined from 9.9 to 9.2.

The number of marriages increase by about 10,000 in relation to 1980 and reached 317,000. The index of marriages per 1,000 population increased from 8.6 in 1980 to 8.8 in 1981.

Mean employment figures for the socialized economy were 37,000 higher (0.3 percent) in 1981 than in 1980, reaching a level of 12,037,000.

The increase in employment largely took place in trade (up 52,000), public health and social welfare (up 32,000), education and child care (up 26,000), and agriculture (up 15,000). On the other hand, the following are some of the areas in which a decline in employment was noted: construction (down 47,000), industry (down 16,000), transportation and communications (down 12,000), and science and the development of technology (down 5,000).

## The Money-Market Situation

In 1981 imbalances between the population's gross income and the supply of commodities in trade increased. This phenomenon led to disruption of the market for both foodstuffs and nonfood items. The practice of buying up goods found on sale became common, because part of the population held substantial reserves of free cash.

In 1981 the population's overall cash income amounted to 2,090,100,000 zlotys, 445.2 billion, or 27.1 percent, more than in 1980. As of 31 December 1981 the population's money amounted to 1,049,900,000 zlotys, of which 371.4 billion was cash and 678.5 billion was savings on deposit. Compared to the condition as of 31 December 1980 the population's money resources at the end of 1981 were higher by 284.1 billion zlotys, or 37.1 percent. Cash resources increased by 105.4 billion zlotys, or 39.6 percent, and savings deposits cinreased by 178.7 billion zlotys, or 35.8 percent.

The total value of domestically produced and imported goods supplied to the market in 1981 (in current retail prices) amounted to 1459,500,000 zlotys and was 57.8 billion zlotys, or 4.1 percent, greater than in 1980. In constant prices, commodity deliveries to supply the market were about 11 percent lower than in 1980.

[Table 8. Deliveries of Major Commodities in 1981 (excluding supplies to hospitals, vacation facilities, the military, and other so-called collective consumers)]

| Goods | units of measure | 1 9 8 1 fulfillment | 1980=100 | 1979=100 |
|---|---|---|---|---|
| Meat, poultry, pluck and products* | thousand tons | 1,671.9 | 82.2 | 83.4 |
| Meat, pluck, products | thousand tons | 1,323.9 | 77.7 | 78.1 |
| Poultry, pluck, products | thousand tons | 348.0 | 105.0 | 112.4 |
| Fish and fish products* | thousand tons | 242.0 | 88.4 | 95.2 |
| Fats* | | | | |
| Animal fats | thousand tons | 145.0 | 89.3 | 87.9 |
| Plant fats | thousand tons | 227.2 | 116.2 | 122.9 |
| Butter | thousand tons | 238.0 | 91.7 | 95.3 |
| Eggs for consumption | millions | 2,559.0 | 112.4 | 123.0 |
| Milk for consumption | million liters | 2,614.0 | 109.4 | 113.1 |
| Yellow cheese | thousand tons | 79.0 | 102.3 | 109.1 |
| Cream-type cheeses | thousand tons | 226.5 | 122.3 | 142.1 |
| Wheat flour | thousand tons | 625.0 | 108.8 | 124.1 |
| Groats | thousand tons | 321.6 | 106.1 | 117.0 |
| Rice | thousand tons | 122.0 | 133.5 | 145.4 |
| Sugar | thousand tons | 883.0 | 83.3 | 79.4 |
| Plain and specialty spirits (calculated at 200 proof) | million liters | 138.9 | 75.2 | 79.2 |
| Wine and mead | million liters | 224.0 | 64.2 | 65.1 |
| Chocolate and chocolate confections | thousand tons | 124.1 | 111.3 | 92.3 |
| Textiles: | | | | |
| Cotton and cotton-like | million meters | 143.7 | 73.7 | 67.4 |
| Woollen and similar | million meters | 44.3 | 80.2 | 77.4 |
| Silk and silk-like | million meters | 57.4 | 87.8 | 87.5 |
| Knitwear | billion zlotys** | 32.4 | 79.7 | 77.2 |
| Hosiery products | billion zlotys** | 9.6 | 87.4 | 85.5 |
| Clothing from textiles | billion zlotys** | 57.3 | 90.3 | 93.0 |
| Footwear: | million pairs | 109.1 | 89.1 | 91.5 |
| Leather, synthetic, plastic | million pairs | 61.7 | 91.9 | 93.8 |
| Rubber, cloth-rubber | million pairs | 19.6 | 75.5 | 83.2 |
| Furniture | billion zlotys** | 36.8 | 92.1 | 96.1 |
| Household refrigerators and freezers | thousands | 610.3 | 86.9 | 64.7 |

*Commercial weight. **Constant retail prices.

[Table 8, continued]

| | | | | |
|---|---|---|---|---|
| Electric washers and spin- | | | | |
| ners | thousands | 739.2 | 90.2 | 93.0 |
| automatics | thousands | 319.2 | 90.0 | 100.8 |
| Sewing machines | thousands | 216.1 | 98.5 | 86.3 |
| Laundry powders and granules | thousand tons | 178.8 | 97.8 | 101.6 |
| All-purpose, toilet, and spe- | | | | |
| cial soaps | thousand tons | 36.6 | 95.1 | 81.9 |
| Radios | thousands | 2,187.0 | 102.1 | 99.7 |
| stereophonic | thousands | 170.5 | 97.3 | 100.5 |
| Television set | thousands | 823.5 | 86.3 | 80.5 |
| color | thousands | 207.2 | 94.6 | 124.5 |
| Combination radio-tape decks | thousands | 384.0 | 110.4 | 167.5 |
| Tape recorders | thousands | 500.0 | 76.1 | 70.2 |
| Bicycles | thousands | 1,051.5 | 77.6 | 73.1 |
| Automobiles | thousands | 140.0 | 85.1 | 64.2 |
| Universal farm tractors | thousands | 44.0 | 118.3 | 101.3 |
| Automobile tires | thousands | 1,153.0 | 70.4 | 58.4 |
| Hard coal and briquets made | | | | |
| from hard coal | million tons | 29.8 | 93.4 | 102.2 |
| Nitrogen fertilizers* | thousand tons | 993.0 | 109.7 | 100.6 |
| Phosphorous fertilizers* | thousand tons | 604.5 | 102.2 | 92.4 |
| Potassium fertilizers* | thousand tons | 1,491.6 | 122.3 | 170.8 |
| Cement | thousand tons | 4,287.0 | 86.9 | 90.7 |

*In terms of pure component

Table 8 shows the deliveries of the major commodities in 1981, except for supplies to hospitals, vacation facilities, the military, and other so-called collective consumers.

In 1981 deliveries of many major commodities to supply the market were smaller or even substantially smaller than in 1980. The market was especially seriously affected in 1981 by the shortage of meat and meat products, and animal fats. In relation to 1980 there was a decline in deliveries of meat, poultry, pluck, and products amounting to 362,2000, or 17.8 percent.

The clear decline in 1981 of deliveries of a number of foodstuffs which are important from the population's viewpoint was only partially compensated for by the increase in deliveries of certain other commodities.

The value of retail sales of consumer goods and nonconsumer items by the units of the socialized economy in 1981 amounted to 1,462,900,000 zlotys, which means an 11.4-percent increase over the previous year (in current prices). Retail sales of commodities in constant prices were about 6 percent lower than in 1980.

The decline of only about 6 percent in retail sales, given the simultaneous reduction of about 11 percent in commodity deliveries (in constant prices) was achieved at the cost of reducing the stock held by commerce. The dynamics of retail sales of basic commodity groups in 1981 in constant prices was as follows:

| Description | Index 1980 = 100 |
|---|---|
| Foodstuffs (including spirits) | 81.2 |
| Nonfood items | 104.3 |
| Consumer goods | 107.8 |
| Nonconsumer items | 89.8 |

The value of stocks of goods in market trade at the end of 1981 amounted to 184.3 billion zlotys, which was 77.7 billion zlotys (29.7 percent) lower than at the end of 1980, in current retail prices.

Sales by units of the socialized economy for services to the population in 1981 amounted in current prices to about 217 billion zlotys. Compared to 1980 sales of services for the population increased by 13.3 percent (in current prices), but after eliminating the effects of price changes, this increase was substantially smaller, 2.2 percent.

Income, Wages, and the Cost of Living

The population's living conditions in 1981 were fundamentally influenced by the simultaneous very great increase in the population's nominal income, the rise in the cost of living, and the worsening process of disintegration of the domestic market.

The population's personal nominal income (including income from work in the socialized and nonsocialized economy, cash social benefits, and other personal income) increased in 1981 by about 31 percent in relation to the previous year.

Per capita nominal personal income of the population increased by about 30 percent. This was determined largely by wage increases and adjustments, the higher payments to farmers for the procurement of farm products, the increases in retirement benefits, pensions, and family allowances, and the increase in the prices paid to private producers of goods and services.

The payroll fund in the socialized economy, encompassing payments out of the personnel, nonpersonnel, commissions, honorarium, and plant bonus funds, amounted in 1981 to about 1,155 billion zlotys, which is 237 billion zlotys, or 25.9 percent, more than in 1980.

The personnel payroll fund in the socialized economy approximated 1,069 billion zlotys (which represents more than 90 percent of the total amount of the payroll fund), which is an increase of 218 billion zlotys, or 25.7 percent in relation to 1980.

[Table 9. Mean Net Monthly Nominal Wages in Certain Sectors of the National Economy]

| Sector of the National Economy Economy | 1 9 8 1 | | | | |
|---|---|---|---|---|---|
| | | increase in relation to | | | |
| | in zlotys | 1980 in zlotys | 1979 in zlotys | 1980 in percent | 1979 in percent |
| Total | 7,250 | 1,461 | 2,150 | 125.2 | 142.2 |
| Industry* | 7,704 | 1,523 | 2,311 | 124.6 | 142.9 |
| Fuel and power industry | 12,509 | 3,032 | 4,253 | 132.0 | 151.5 |
| Metallurgical industry | 9,755 | 1,679 | 2,784 | 120.8 | 139.9 |
| Electric-machine industry | 7,051 | 1,143 | 1,777 | 119.3 | 133.7 |
| Chemical industry | 6,932 | 1,192 | 1,924 | 120.8 | 138.4 |
| Mineral industry | 7,285 | 1,603 | 2,360 | 128.2 | 147.9 |
| Paper-timber industry | 6,762 | 1,602 | 2,227 | 131.0 | 149.1 |
| Light industry | 6,455 | 1,225 | 2,071 | 123.4 | 147.2 |
| Food industry | 6,895 | 1,601 | 2,245 | 130.2 | 148.3 |
| Construction | 7,881 | 1,409 | 2,203 | 121.8 | 138.8 |
| Agriculture | 8,200 | 2,207 | 2,910 | 136.8 | 155.0 |
| Forestry | 6,512 | 1,688 | 2,258 | 135.0 | 153.1 |
| Transportation & Communications | 7,516 | 1,393 | 2,219 | 122.8 | 141.9 |
| Trade | 6,208 | 1,491 | 2,060 | 131.6 | 149.7 |
| Municipal economy | 7,243 | 1,331 | 2,156 | 122.5 | 142.4 |
| Housing economy & nonmaterial econ'y | 6,274 | 1,131 | 1,782 | 122.0 | 139.7 |
| Science and technical development | 7,085 | 900 | 1,436 | 114.6 | 125.4 |
| Education and upbringing | 6,267 | 1,402 | 1,845 | 128.8 | 141.7 |
| Culture and art | 5,813 | 892 | 1,434 | 118.1 | 132.7 |
| Public health & social welfare | 5,854 | 1,136 | 1,652 | 124.1 | 139.3 |
| Physical education, tourism, and recreation | 5,846 | 934 | 1,418 | 119.0 | 132.0 |
| State administration and the administration of justice | 6,762 | 1,054 | 1,496 | 118.5 | 128.4 |
| Finance and insurance | 5,963 | 1,164 | 1,623 | 124.3 | 137.4 |

*Data for industry includes central offices of industrial associations. Data for groups of branches excludes central offices of industrial associations.

Payments made in 1981 out of the plant bonus fund for 1980 approximated 46 billion zlotys and were about 10 billion zlotys, or 26.9 percent, higher than in 1980.

The net mean nominal monthly wage per employee in the socialized economy in 1981 was 7,250 zlotys and was 1,461 zlotys, or 25.2 percent, higher than in 1980.

In the various sectors of the national economy, the net nominal monthly wage averaged the figures given [above in Table 9].

[Table 10. Basic Data on Annuities and Pensions]

| Description | Unit of measure | 1980 In absolute figures | 1981 In absolute figures | 1981 Increase in relation to 1980 in absolute figures | 1981 Increase in relation to 1980 in percent |
|---|---|---|---|---|---|
| Mean number of annuities and pensions* | 1,000s | 4,094 | 4,228 | 134 | 103.3 |
| Annuity and pension benefit payments* | billion zlotys | 142.4 | 182.3 | 39.9 | 128.0 |
| Mean current monthly annuity and pension* | zlotys | 2,775 | 3,405 | 630 | 122.7 |
| Mean number of private farmer annuities and pensions | 1,000s | 423 | 550 | 127 | 130.0 |
| Payments of annuity-pension benefits for private farmers | billion zlotys | 10.0 | 13.9 | 3.9 | 139.0 |
| Mean monthly current annuity and pension for private farmers | zlotys | 1,999 | 2,307 | 308 | 115.4 |

*Except private farmers

Although the rate was somewhat slower, a rise in annuities and pensions also occurred alongside the increase in nominal wages. In 1981 the mean monthly annuity and pension being currently paid amounted to 3,405 zlotys, or 47 percent of the mean monthly wage.

Table 10 above presents data on annuities and pensions.

The nominal cash income of private farmers from farm production designated for consumption and nonproduction investments in 1981 was about 64 percent higher than in 1980. The increases in the prices the state paid to procure farm products and the increase in free market prices, which increased altogether by about 65 percent, alongside a quantitative decline in market production of about 10 percent (commodity production of livestock in private agriculture declined by about 20 percent, but commodity crop production increased by about 39 percent, in constant prices) contributed to this very great increase first of all.

Alongside the increase in the level of nominal wages, the private farmers' income from farm production, and annuities and pensions in 1981, there was a significant increase in the prices of most basic goods and services.

The increase in the prices of goods and services bought by the population in 1981 caused the living costs of families of employees in the socialized economy to be about 25 percent higher than in 1980, partly from purchases in the socialized trade (21 percent higher) and in nonsocialized trade (about 58 percent higher). Also exerting some influence on the level of the cost of living were the prices of goods which the population was forced to buy on the black market. Sometimes these prices were from two to six times higher than the retail prices. It is estimated that the influence these prices had on the cost-of-living index amounted to about 1.3 points.

The prices of food bought by the population in 1981 were about 23 percent higher than during the previous year (including about 58 percent in country markets), while the increases amounted to about 57 percent for spirits, about 18 percent for nonfood items, and about 15 percent for services.

The shortage of basic items on the market, and the long lines to buy them made the population's living conditions very difficult. Rationing of many basic items did not reduce these difficulties very much.

The mean increase in the cost of living approximated the mean increase in nominal wages. It is estimated that in about 55 percent of employee households, the increase in the cost of living was greater, including about 25 percent of the households in which the difference was more than 10 percent.

## Social and Cultural Services

In 1981, social and cultural services were not improved, despite increased outlays. According to preliminary data, current state budget expenditures were as follows:

[Table 11. Current State Budget Expenditures for Services in 1981]

| Description | 1981 billions of zlotys | 1981 1980=100 |
|---|---|---|
| Total | 245.3 | 129.3 |
| Education and upbringing | 103.6 | 129.5 |
| Culture and art | 14.9 | 118.9 |
| Public health and social welfare | 122.2 | 131.2 |
| Physical education and sports, tourism and recreation | 4.6 | 114.9 |

In 1981, under the influence of the country's demographic situation, there was a further increase in the number of children falling within the age of compulsory education. This included a rise in the number of children starting to school at the elementary level. At the same time, there was a decline in the number of elementary school graduates and therefore in the number of children in the postelementary schools. There was also a decline in the number of students in the institutions of higher education.

In 1981, 1,213,500 children were enrolled in preschools. This was a decline of 0.8 percent in relation to 1980. About 98,000 of the children on the application list for preschool care were not accepted. Preschool density declined from 124 children per 100 places in 1980 to 115 children per 100 places in 1981. About 48 percent of the children aged 3 to 6 years and about 98 children 6 years of age were enrolled in child care facilities.

During the current school year, 6.9 million individuals are being taught in schools at all levels. This is 19.1 percent of the population of the country. There are 4,341,600 children studying in the elementary schools. This is 1.9 percent more than the previous year. There are 392,900 in general high schools (5.3 percent fewer. The vocational schools are teaching 1,730,300 students (6.5 percent fewer), and the institutions of higher education have 423,700 students (6.6 percent fewer).

About 465,000 young people directly following elementary school graduation were accepted into schools above the elementary level. This is about 98.9 percent of the previous year's graduates. As in previous years, the overwhelming majority of elementary school graduates were directed to vocational schools. The general high schools accepted 89,800, but the vocational schools took about 375,000 of the elementary school graduates.

The number of students newly accepted for freshman college studies totalled 76,600, 14.8 percent fewer than the previous year. Some 57,200 students were enrolled in daytime college studies. This is 5.8 percent below last year's figure.

In 1981 497,400 pupils completed their elementary school education. There were 105,300 students graduating from general high schools and 537,900 from vocational schools (including 212,100 from secondary schools).

Cash scholarships were received by 117,000 daytime college students, or about 41 percent of all of them. This is a decline of 11 percent compared to the number of daytime college students receiving scholarships last year.

In 1981, 1,669,300 children and youngsters had a vacation set up for them outside their place of residence. The number of such children enjoying this form of recreation declined by 39.5 percent in relation to the previous year.

The number of physicians employed at the end of December 1981 amounted to 65,000, which was an increase of 1,400 in relation to the number employed in December 1980. The number of dentists employed was 17,000. There were 18 physicians and 4,700 dentists per 10,000 population.

At the end of December 1981 the number of hospital beds totalled 203,400, which means an increase of 2,600 in relation to the condition at the end of 1980. The number of hospital beds per 10,000 population stood at 56.4, which means no significant change in relation to the previous year.

The number of places in permanent nurseries during the year increased by 2,800 to 106,300 at the end of December.

The number of places in social welfare facilities reached 61,100, an increase of 600 in comparison to 1980.

The supply of medication and hygienic products to the population became worse. There were also significant shortages in the supply of basic medical items and equipment essential to the saving of lives, such as apparatus for blood transfusions, single-use syringes and needles, EKG paper, surgical gloves, dialysis equipment for artificial kidneys for health service facilities.

The substantial decline in infant mortality is worth noting. In 1981 the infant mortality index was 20.7 per 1,000 live births, compared to 21.3 in 1980.

During 1981 there was a decline in publishing. The number of titles of books and pamphlets published declined by 1,818, or 26.2 percent in relation to 1980, to a level of 5,125 titles. This decline occurred in all publishing echelons, including a drop of 1,663 titles (28.1 percent) in the units subordinate to the Ministry of Culture and Art, to a level of 4,250 titles in 1981, compared to 5,913 titles in 1980.

The production of school textbooks continued to decline from 626 titles published in 1980 to 480 titles published in 1981.

There was also a decrease in the size of the editions of books and pamphlets. In 1981, 135,200,000 copies were published, or 13.3 percent fewer than in 1980. Per inhabitant, 3.8 copies of books and pamphlets were published, compared to 4.4 in 1980.

In 1981 51 newpaper titles and 929 periodical titles were published. This represents a decline of 71 periodical titles.

Total periodical editions in 1981 amounted to 643.3 million copies, 19.4 percent below the 1980 level.

Total newspaper editions amounted to 2,495,200,000 and were 8.5 percent below the number of copies in 1980.

The number of theater- and concert-goers totalled 17.6 million in 1981, and this was a decline of more than 200,000 compared to 1980. On the other hand, motion-picture audiences increased by 2.5 million to reach 100 million.

In 1981 the number of radio subscribers (8.6 million) remained at the 1980 level. On the other hand, during 1981 the number of television subscribers increased by 196,000 (2.5 percent), reaching 8,150,000.

In 1981, 4.2 million persons availed themselves of employee vacation opportunities. This is about 114,000 fewer than in 1980 and represents a decline of 2.6 percent. Since 1977 there has been a decline in the total number of the population travelling abroad. In 1981, 3.9 million Polish citizens went abroad. This is 43.5 percent below the 1980 level. This includes 917,900 persons going to capitalist countries. Compared to 1980, trips to capitalist countries increased by 32.1 percent.

On the other hand, 2.2 million citizens of other countries came to Poland in 1981. This is 69.3 percent fewer than in 1980. Included in this figure is the 1.6 million persons visiting from the socialist countries, which represents a decline of 74.3 percent in relation to 1980.

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SPECIAL CURRENCY EXCHANGE RATES PUBLISHED

Exchange Rates Table No 7/82

Warsaw TRYBUNA LUDU in Polish 15 Feb 82 p 5

[Announcement of Exchange Rates Table No 7/82, effective February 15, 1982, by Polish National Bank, Warsaw, February 15, 1982, Stanislaw Majewski, president]

[Text] I. Foreign-currency exchange rates in zlotys for first payments area [socialist countries] for commercial and noncommercial payments in Table No 6/82, dated February 8, 1982, remain unchanged.

In purchases of travelers checks for rubles, issued by the USSR Foreign Trade Bank and payable outside the USSR in the currency of the country where cashed, an exchange rate of 11,460.00 zlotys per 100 rubles is applied.

II. Foreign-Currency Exchange Rates in Zlotys for Second Payments Area [Capitalist Countries]

[Table on following page]

Exchange Rates Table No 7/82:

| Country | Curr Symb | | Currency | Foreign Exchange and Money Purchase 4 | Sales 5 | Purchase 1 | Sales 2 | Average 6 |
|---|---|---|---|---|---|---|---|---|
| Saudi Arabia | 771 | 1 | rial*** | 23.77 | 24.01 | -- | -- | 23.89 |
| Australia | 781 | 1 | Austral.dollar | 88.84 | 89.74 | 87.50 | 91.08 | 89.29 |
| Austria | 786 | 100 | schillings | 495.72 | 500.70 | 488.25 | 508.17 | 498.21 |
| Belgium | 791 | 100 | francs | 203.76 | 205.80 | 200.68 | 208.88 | 204.78 |
| Denmark | 792 | 1 | kroner | 10.61 | 10.71 | 10.45 | 10.87 | 10.66 |
| Finland | 780 | 1 | markka | 18.16 | 18.34 | 17.88 | 18.62 | 18.25 |
| France | 793 | 1 | franc | 13.64 | 13.78 | 13.44 | 13.98 | 13.71 |
| Greece | 724 | 100 | drachmas | 135.27 | 136.63 | 117.24 | 138.67 | 135.95 |
| Spain | 785 | 100 | pesetas | 81.83 | 82.65 | 80.60 | 83.88 | 82.24 |
| Holland | 794 | 1 | florin | 31.63 | 31.95 | 31.15 | 32.43 | 31.79 |
| India | 543 | 100 | rupees*** | 887.53 | 896.45 | -- | -- | 891.99 |
| Ireland | 782 | 1 | pound*** | 122.29 | 123.51 | -- | -- | 122.90 |
| Japan | 784 | 100 | yen | 34.79 | 35.13 | 34.26 | 35.66 | 34.96 |
| Yugoslavia | 718 | 100 | dinars | 170.08 | 171.78 | 147.41 | 174.35 | 170.93 |
| Canada | 788 | 1 | Canad.dollar | 67.34 | 68.02 | 66.33 | 69.03 | 67.68 |
| Kuwait | 770 | 1 | dinar*** | 285.60 | 288.48 | -- | -- | 287.04 |
| Lebanon | 752 | 1 | Leb. pound | 17.15 | 17.33 | 16.90 | 17.58 | 17.24 |
| Libya | 651 | 1 | dinar*** | 274.28 | 277.04 | -- | -- | 275.66 |
| Luxembourg | 790 | 100 | francs | 203.76 | 205.80 | 200.68 | 208.88 | 204.78 |
| Norway | 796 | 1 | kroner | 13.71 | 13.85 | 13.50 | 14.06 | 13.78 |
| Portugal | 779 | 100 | escudos | 118.51 | 119.71 | 102.72 | 121.49 | 119.11 |
| FRG | 795 | 1 | mark | 34.70 | 35.04 | 34.17 | 35.57 | 34.87 |
| USA | 787 | 1 | dollar* | 81.30 | 82.12 | 80.08 | 83.34 | 81.71 |
| Switzerland | 797 | 1 | franc | 43.11 | 43.55 | 42.46 | 44.20 | 43.33 |
| Sweden | 798 | 1 | kroner | 14.22 | 14.36 | 14.00 | 14.58 | 14.29 |
| Turkey | 627 | 100 | pounds | 56.90 | 57.48 | 49.32 | 58.33 | 57.19 |
| Gr. Britain | 789 | 1 | pound** | 151.34 | 152.86 | 149.06 | 155.14 | 152.10 |
| Italy | 799 | 100 | lira | 6.49 | 6.55 | 5.62 | 6.65 | 6.52 |

*Applies also to clearing accounts with the following countries: Bangladesh, Brazil, Ecuador, Greece, Iceland, Kampuchea, Colombia, Lebanon, Pakistan, Peru and Turkey.

**Applies also to clearing accounts with the following countries: Nepal and Pakistan.

***The Polish National Bank does not buy money in these currencies.

## Exchange Rates Table No 8/82

Warsaw TRYBUNA LUDU in Polish 22 Feb 82 p 7

[Announcement of Exchange Rates Table No 8/82, effective February 22, 1982, by Polish National Bank, Warsaw, February 22, 1982, Stanislaw Majewski, president]

[Text] I. Foreign-currency exchange rates in zlotys for first payments area [socialist countries] for commercial and noncommercial payments in Table 6/82, dated February 8, 1982, remain unchanged.

In purchases of travelers checksfor rubles, issued by the USSR Foreign Trade Bank and payable outside the USSR in the currency of the country where cashed, an exchange rate of 11.539.00 zlotys per 100 rubles is applied.

II. Foreign-Currency Exchange Rates in Zlotys for Second Payments Area [Capitalist Countries]

[Table on following page]

Exchange Rates Table No 8/82:

| Country | Curr Symb | | Currency | Foreign Exchange and Money Purchase 4 | Sales 5 | Purchase 1 | Sales 2 | Average 6 |
|---|---|---|---|---|---|---|---|---|
| Saudi Arabia | 771 | 1 | rial*** | 24.01 | 24.25 | 87.43 | -- | 24.13 |
| Australia | 781 | 1 | Austral.dollar | 88.76 | 89.66 | 479.66 | 90.99 | 89.21 |
| Austria | 786 | 100 | schillings | 487.00 | 491.90 | 197.71 | 499.24 | 489.45 |
| Belgium | 791 | 100 | francs | 200.73 | 202.75 | 10.29 | 205.77 | 201.74 |
| Denmark | 792 | 1 | kroner | 10.45 | 10.55 | 17.76 | 10.71 | 10.50 |
| Finland | 780 | 1 | markka | 18.03 | 18.21 | 13.29 | 18.48 | 18.12 |
| France | 793 | 1 | franc | 13.49 | 13.63 | 117.66 | 13.83 | 13.56 |
| Greece | 724 | 100 | drachmas | 135.75 | 137.11 | -- | 139.16 | 136.43 |
| Spain | 785 | 100 | pesetas | 81.12 | 81.94 | 79.90 | 83.16 | 81.53 |
| Holland | 794 | 1 | florin | 31.22 | 31.54 | 30.75 | 32.01 | 31.38 |
| India | 543 | 100 | rupees*** | 896.58 | 905.60 | -- | -- | 901.09 |
| Ireland | 782 | 1 | pound*** | 120.16 | 121.36 | -- | -- | 120.76 |
| Japan | 784 | 100 | yen | 34.03 | 34.37 | 33.52 | 34.88 | 34.20 |
| Yugoslavia | 718 | 100 | dinars | 171.10 | 172.82 | 148.30 | 175.40 | 171.96 |
| Canada | 788 | 1 | dollar | 67.48 | 68.16 | 66.46 | 69.18 | 67.82 |
| Kuwait | 770 | 1 | dinar*** | 287.36 | 290.24 | -- | -- | 288.80 |
| Lebanon | 752 | 1 | pound | 16.77 | 16.93 | 16.51 | 17.19 | 16.85 |
| Libya | 651 | 1 | dinar*** | 277.09 | 279.87 | -- | -- | 278.48 |
| Luxembourg | 790 | 100 | francs | 200.73 | 202.75 | 197.71 | 205.77 | 201.74 |
| Norway | 796 | 1 | kroner | 13.65 | 13.79 | 13.45 | 13.99 | 13.72 |
| Portugal | 779 | 100 | escudos | 118.17 | 119.35 | 102.41 | 121.14 | 118.76 |
| FRG | 795 | 1 | mark | 34.23 | 34.57 | 33.71 | 35.09 | 34.40 |
| USA | 787 | 1 | dollar | 82.13 | 82.95 | 80.89 | 84.19 | 82.54 |
| Switzerland | 797 | 1 | franc | 42.69 | 43.11 | 42.04 | 43.76 | 42.90 |
| Sweden | 798 | 1 | kroner | 14.11 | 14.25 | 13.90 | 14.46 | 14.18 |
| Turkey | 627 | 100 | pounds | 57.49 | 58.07 | 49.83 | 58.94 | 57.78 |
| Gr. Britain | 789 | 1 | pound** | 150.23 | 151.73 | 147.96 | 154.00 | 150.98 |
| Italy | 799 | 100 | lira | 6.42 | 6.48 | 5.56 | 6.58 | 6.45 |

*Applies also to clearing accounts with the following countries: Bangladesh, Brazil, Ecuador, Greece, Iceland, Kampuchea, Colombia, Lebanon, Pakistan, Peru and Turkey.

**Applies also to clearing accounts with the following countries: Nepal and Pakistan.

***The Polish National Bank does not buy money in these currencies.

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## AGRICULTURE MINISTER MEETS WITH VICE GOVERNORS, EDITORS

### Conference of Vice Governors

Warsaw GROMADA - ROLNIK POLSKI in Polish 9 Feb 82 p5

[Article by stas: "Agriculture at the Half-way Mark"]

[Text] A meeting of the vice governors responsible for agricultural affairs was held under the leadership of Jerzy Wojtecki, Minister of Agriculture and Food Economy. There was a preliminary summing up of the results for 1981, and the major directions of tasks for 1982 were specified.

The marketing year in agriculture runs from July 1981 to 30 June 1982 (from harvests to new harvests). Assessments of results were made in terms of the calendar year, that is, all of 1981 and the first half of the marketing year. In the multiyear assessments, the year 1981 was considered intermediate in crop production. Record-breaking results were achieved only in sugar-beet production, for which harvests totalled 15.8 million tons. Total grain production reached the 20-million ton level. Potato harvests amounted to 43 million tons and were below average results, although they were far better than 1980 harvests(26 million tons). Poor rape harvests amounted to only 470,000 tons. Good results were achieved in the production of bulk fodder, largely straw and silage, providing good fodder conditions for the raising of cattle and sheep and for the production of milk.

Last year there was a decline in the production of meat, as a result of the 1980 crop failure. Despite the importation of 175,000 tons of meat, there was a 25,000-ton shortage to meet ration-card needs in 1981. The procurement of grain was found to be poor. By the end of the year, only 1.35 million tons of grain had been bought up from the 1981 harvests for which contracts had been signed.

The following economic tasks were listed as urgent:

Absolute [fool-proof] provisions for grain for bread. The grain balancesheet shows that for the new harvests there is a shortage of about 2.5 million tons of grain for bread and flour products, of course, after consideration is given to the inventory of stock at year's end. In Poland about 0.5 million tons of grain is used per month for bread and grain products (flour,

meal, spaghetti and macaroni, and so on. The intention is to obtain the necessary quantities of grain from the contract system (about 1 million, and it would take this much to make up for the amount we are behind) along with 1.5 million tons through what are called "grain loans." Socialized farms or farmers who supply grain by 30 June to socialized procurement points receive grain bonds in their names for it. These bonds in 1983-1985 will be bought up by the BGZ [Food Economy Bank] at the grain prices in effect at the bonds are executed, plus 7 percent interest.

Management of production and procurement of livestock for slaughter based on the farms' own fodder resources, giving them assurance of state fodder aid in effect at the time. In order to maintain the meat production level in agriculture to meet ration-card needs for meat rationing in effect in 1981, it is necessary to import 5 million tons of grain and 1.5 million tons of fodder concentrates. Under present conditions, this is not very likely. The United States has refused to sell us corn. This means a decline in the production of broilers, a decrease of 300,000 tons in 1982.

New principles for contracts for farm products will be announced shortly. The signing of contracts is to be the voluntary, universal form of procurement of all farm products. Bonuses will be given for the delivery of products under contract if made on schedule. The principles of the civil-legal obligations of the contracting parties are to be bolstered. Contracting organizations are to guarantee part of the essential means of production: chemical fertilizers, pesticides, fodder, and coal, as well as the delivery of certain items of farm machinery and implements. To facilitate correct calculations, there are plans to introduce the grain unit as a joint measure of market-oriented production.

Centrally divided farm machinery and tractors were distributed to the voivodships. The voivodship governors will distribute them to the sectors of agriculture in their own areas.

The possibility of employing a system of prepayments for tractors and farm machinery is being considered. Now, the farmer with a special cooperative-bank account in which farm product payments since 1 November 1981 will be revalued (according to the change in procurement prices) will be able to make a prepayment. The farmer self-government in the gmina [parish] would determine the order of delivery of tractors and machinery, according to the urgency of the needs of the farmers making the prepayments. The introduction of prepayments will also make it possible for the farm-machine industry to learn the scale of needs and to determine how much to produce of what for agriculture.

In closing people were told that a meeting in later winter would be held with the vice governors of the voivodships to discuss tasks of the spring agricultural campaign.

## Editors of 'GROMADA - ROLNIK POLSKI'

Warsaw GROMADA - ROLNIK POLSKI in Polish 14 Feb 82 pp 1,3

[Interview with Jerzy Wojtecki, Minister of Agriculture and Food Economy, by Stanislaw Sobczyk and Antoni Radzewicz: "What Can the Farmer Do and What Can the Minister Do? -- Barriers and Hopes for the Villages in 1982"]

[Text] On 8 February, Minister of Agriculture and Food Economy Jerzy Wojtecki received our editors and talked with them. The editor-in-chief told the minister about the editorial work following the resumption of publishing and about action aimed at upgrading newspaper distribution and printing. During the discussion, editors Wlodzimierz Checko, Zbigniew Lubak, Antoni Radzewicz, and Stanislaw Sobczyk were present, the latter two remaining to interview Minister Wojtecki.

[Question] What are we to do with the piglets born this spring? What are we going to give them to eat? Many farmers are complaining about this. Mixtures in the warehouses are like medicine. Things are starting to become very fragile with local fodder supplies on the farms, because raisers have been counting on greater fodder assistance from the state. But there is still grain on the market at a price. From the rural areas we are receiving signals which are more and more disturbing.

[Question] Last week our paper had a visitor from Wisniewo (Ostroleka Voivodship), Wiktoria Budna, who destroyed a litter of piglets right after birth. Another litter, as successful as the first, she divided up among two sows, so that they could feed the piglets as long as possible. And she does not know what she is going to do with the piglets from four other sows which are to produce in April either.

[Answer] These signs really are disturbing, especially since our investigations show that there is no surplus production of piglets in the country. It is true that in recent weeks prices declined in many regions, but we think that in a couple of weeks, as the spring warming trend occurs, interest in piglets will increase again. Seasonal fattening is getting under way. The RSP [Agricultural Producer Cooperative] and state farm buying of piglets is beginning. There will also be greater demand on the farms of worker-farmers, annuitants, and pensioners, because there have been recent increases in the prices for food, and this will encourage them to raise hogs, at least for their own needs, but if prices are low somewhere, then we will start emergency procurement of piglets at profitable prices. After all, each piglet counts and must not be wasted.

[Question] But every pig wants to eat...

[Answer] We have thought about this. We are guaranteeing 50 kilograms of L,P concentrated mixtures for every litter and 50 kilograms of concentrated feed.

For the moment there is fodder for this purpose, and we will try to see that there is no shortage of it up to the next harvests.

[Question] Nevertheless, the allocations are not enough. Is there no possibility of increasing the fodder assistance, if only for the largest producers?

[Answer] We know that these standards are inadequate. This pains us. The truth is that in November of last year the grain and fodder balancesheets drawn up showed that based on farmers' own fodder and concentrates we could produce barely 52-53 kilograms of meat per inhabitant. It was determined that this quantity was inadequate. The decision was made to import 5 million tons of grain and 1.5 million tons of protein concentrates, in order to be able to increase meat deliveries by 5-10 percent in relation to last year.

On the other hand, we were not able to buy this much grain and concentrates abroad. It was necessary to pass the decision to hold up broilers in the farm fattening process and to reduce the production of eggs. The procurement of domestically produced grain is also going worse than we had anticipated. By the end of January we had bought up only 1.5 million tons, while we had planned to buy 3.6 million tons from last year's harvests.

[Question] What are the effects of such slow grain procurement?

[Answer] Already in February in some GS [gmina cooperatives] warehouses there was a shortage of "prowit" designated largely for allocations in exchange for deliveries of hogs and milk. If there is no grain, even "prowit" cannot be produced. It is true that there is not much grain in it, but without the grain, there is nothing that can be done. Milk production for direct consumption and for baking bread is also seriously threatened.

[Question] Does this mean that we will be short of bread?

[Answer] Whatever shortages there are, we cannot have a shortage of bread in our country. Nobody can go short. We also want the fodder provided for in the contracts to last as long as possible.

[Question] But not even a Solomon can pour from an empty jug...

[Answer] This is why we are making further efforts to buy grain abroad. Our greatest efforts are going into the importation of soy, corn, oil cakes, fish meal, and other fodder ingradients. We are also making a fervent appeal to our farmers to follow through on last year's contracts and to lend us grain.

[Question] In grain deliveries for the state, on which farms are you counting the most?

[Answer] Before I answer that, let me use your intermediary to extend my heartfelt thanks to all those farmers who provided large amounts of grain for the state warehouses. These are usually the farms which in addition to

grain also sell large amounts of pork, beef, milk, and livestock. These are usually the good farmers. You can always count on them! Other farmers also have considerable reserves of grain too. We would like to awaken in all our farmers a sense of public duty and responsibility for feeding the nation.

[Question] How does the ministry intend to further gear livestock production so that there will be no empty troughs in the future?

[Answer] Owing to the enormous burden of the state's balance of payments and the tendency to become independent of other countries, in the long run it is not possible to import so much fodder. For this reason we are trying gradually for self-sufficiency. Nonetheless, we have to be aware of the fact that this will occur at the cost of reducing the number of head of livestock and at the cost of reducing meat consumption. For example, we are planning that in 1985 we will be able to produce 60 kilograms of meat per person using our own fodder. That is, no more than today.

It is absolutely necessary for farmers to know this. Then they will not be expecting major deliveries of fodder from outside and will plan their livestock development according to their own fodder capabilities.

[Question] But many farmers have already invested tremendous sums in farm buildings and equipment for mechanized livestock raising. What about the assets?

[Answer] In order to facilitate production next year we want to introduce the barter of grain for industrially-produced fodder. This is after all what GROMADA - ROLNIK POLSKI is fighting for too. On the other hand, we do not anticipate the allocation of mixtures except for this barter system. Therefore it is necessary to set up production and plan sowing so that local fodder will be enough. There is no other way.

[Question] The farmers will soon be going out into the fields. What sort of assistance can they expect in deliveries of seed for sowing?

[Answer] The course of procurement of sowing material and importation of seed shows that for this spring there will be more of some kinds of seed and less of others. There will be more seed for leguminous crops, grasses, root crops, oilseed crops, and corn than in 1981. There will be more garden-crop seed for such vegetables as peas, stringbeans, broad beans, cucumbers, tomatoes, radishes, spinach, and white cabbage. But things will be worse for spring grain (deliveries of about 120,000 tons of spring grain, compared to the 170,000 tons deliveries in 1981). There will be less seed for papilionaceous small-grain crops. Among the garden crops, there will be less onions (a shortage of about 40 percent), cauliflower, leaks, brussels sprouts, and beans for grain too.

[Question] How about quality and watershed cover?

[Answer] Things will be worse with seed for carrots, beets, parsley, and lettuce.

Of the total amount of sowing material for spring grain, a certain pool of seed has been set aside to help with seed for areas suffering the effects of natural disasters.

Spring grain seed will be supplied to farmers for planned renewal, provided that they sell as least 120 kilograms of consumer grain for each 100 kilograms of seed plus a surcharge for the price difference.

[Question] Will the industries under your oversight have agricultural raw materials assured them for their processing capacity?

[Answer] We are trying to insure farm raw materials for processing industry. This is why we have issued guidelines on activation of procurement and universal contracting for farm products. All basic crop and animal products will be included in the general contracting system, that is, grain, potatoes, sugar beets, rape, tobacco, hops, fiber crops, fruits, vegetables, seeding material, hogs, cattle, calves, sheep, poultry, milk, eggs, wool, and freshwater fish. We are contracting in all sectors of agriculture. The sales of the basic means of production for agriculture, like chemical fertilizers, coal, fodder produced industrially, pesticides, and others will be linked to contracts. Machinery, tractors, building materials, automobiles, and trucks will be sold through prepayments in cooperative banks accumulated out of the sale of contract production.

[Question] How far along is contracting?

[Answer] The contracting of crop production from 1982 harvests is not going very well. Only contracts for industrial and consumer potatoes are higher than last year.

We have also renewed grain contracts for the 1982 harvests. We are currently in the process of signing contracts with socialized farms and farmers. We want the farm producers to sign the contracts back before they sow. We will go on signing grain contracts to to the end of April 1982.

[Question] How will the supply of fertilizers and pesticides be?

[Answer] In marketing year 1981-1982 the plan for deliveries of chemical fertilizers called for a level of 191 kilograms of NPK [nitrogen-phosphorous-potassium] per hectare of cropland. The smaller fertilizer deliveries in the latter half of 1981 have caused the implementation of the plan for the application of fertilizers to be in jeopardy. There may be a shortage of about 5 kilograms of NPK per hectare, and the application of fertilizer may be about 10 kilograms of NPK below the level of marketing year 1980-1981. The chemical fertilizer deliveries announced by the chemical industry for the first quarter show in relation to the first quarter of 1981 a shortfall of 40,000 tons for nitrogen (11 percent) and a shortfall of 35,000 tons for phosphorous (15 percent). Potassium salt deliveries are at last year's levels. The plan for lime fertilizer deliveries called for 133 kilograms of calcium oxide per hectare of cropland. During the latter half of 1981 46 percent of the annual plan was accomplished. Shortfalls in deliveries of

lime for that period approximated 120,000 tons in terms of pure component. These shortages must be made up. There is also the need to direct additional quantities of lime to the flood regions.

The situation is very difficult for deliveries of pesticides. Delays in signing import contracts and the extent to which the deliveries are being carried out show that there may be delays in the delivery of certain imported products. We are trying through the foreign trade ministry to expand the purchases and to accelerate delivery deadlines. All I can say today is that only part of the planned needs will be met: 60 percent of the needs for herbicides for grains, 60 percent of the needs for agents to combat the potato beetle, 50-60 percent of the needs for fungicides for orchard protection, 30 percent of the needs for seed dressing, 40 percent of the needs for sugar beet herbicides, and 20 percent of the needs for insecticides for hops and tobacco, and so on.

[Question] So things are not too cheery in that area. Well, what about fuels?

[Answer] If you are talking about the supply of fuel to farmers, the information is more encouraging. They can get fuel oil for tractors without restriction in generally accessible fuel stations and also in the fuel stations of SKR [Agricultural Circles' Cooperatives]. Beginning in March standards will be introduced for the supply of gasolines, as for the population in towns. We are trying to see that the farmers receive somewhat higher gasoline allocation standards and that they can collect them all at once for the entire month.

[Question] We would not be from GROMADA - ROLNIK POLSKI if we failed to ask at least one question from our readers' letters. Here it is: For how much longer must the staunch farmers lose on the procurement price increases?

[Answer] We would like these practices to be already part of the past and for them never to be repeated. We introduced new prices as of 1 February with just such a notion that they would apply to this year's harvests, without any corrections. We will make a change in procurement prices only after the 1982-1983 harvests, if there is such a need owing to increased production prices, and we will consult the farmers on this. This too will be just once a year, in keeping with the principle of creeping prices and in the interest of the most dedicated producers.

[Question] But last year many farmers lost a great deal of money because of the sudden changes in the prices on grain and livestock. How does the ministry intend to make it up to them?

[Answer] At today's meeting I called on the voivodship governors to have the social commissions and heads to allocate machinery and farm implements first of all to those farmers who sold their crops at lower prices. We will watch this to see that this principle is followed in every gmina. Nobody must feel cheated.

[Question] What sort of changes for the better can be expected in the near future in the development of production?

[Answer] Despite martial law, the climate for agriculture is favorable. Two sectors are being recognized as most important, the raw materials industry, especially the extraction of coal, on the one hand, and agriculture, on the other. Among top officials, there is full awareness that if we want to feed ourselves, then a permanent farm policy must be guaranteed, along with the inviolability of the family farm and right of ownership, and that rural social conditions must be improved along with the profitability of all products. And these factors mentioned are being secured with nearly legal protection, because work on the modernization of the civil code is coming to an end along with changes in regulations about land registries, and the recultivation, unification, integration, and protection of land. Discussion is also in progress on the new farmers' insurance law. We are constructing these regulations mainly with a thought to the next generations, the young people who should choose to throw their lot in with agriculture and see a future in farming. We will analyze and refine these regulations; last year we undertook many credit privileges for young farmers. We cannot let the most talented youth leave the rural areas.

Taking advantage of this meeting with the readership of the largest rural newspaper, I should like once again to emphasize that farmers can be certain about the permanence of farm prospects and policy. It is only they themselves who will decide what forms of farming they want to select in the future. Therefore, the martial law situation has not introduced even the most minor change in farm policy.

[Question] What will the current year in agriculture be like?

[Answer] Like every farmer, I would like this to be a year of unmiscarried hopes. I wish this to all the people living in rural areas. But what will it really be like? This depends to a great extent also on the industriousness and foresight and thriftiness of us all.

[Question] Thank you for the interview, because it is getting to be 9 in the evening. As we have heard, Mr Minister, tomorrow you are off to Olsztyn early in the morning.

[Answer] Farmers never count their time.

10790
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HOG PRODUCTION PROBLEMS NOTED

Warsaw ZYCIE GOSPODARCZE in Polish No 4, 14 Feb 82 p 6

[Article by Marcin Makowiecki]

[Text] Information on the reasons for the present situation on the meat market is, on the whole, rather one-sided. Everyone knows that there is not enough meat to fill even the reduced, as of August of last year, ration-card allotments. The leadership in the Ministry of Agriculture is attempting to explain the reasons for this crisis (a lower number of hogs, difficulties with fodder, coal, the general situation on the agricultural market) and to present some real prospects for an improvement in supplies, from which it appears that we cannot expect an increase in deliveries before the second half of 1982.

And what are the farmers saying? What is the opinion of the meat producers? Do we know enough about the actual difficulties and problems that the hog breeders are dealing with. It would be well, therefore, to become familiar with the arguments and opinions of the people who, without a doubt, may be regarded as representatives of the producers' community. This, then, is a report of a conversation with activists of the Polish Union of Hog Breeders and Producers, an organization that was reactivated in 1981.

Marian Andrzejewski, recently re-elected president of the Union, has a 23-hectare breeding farm (in Krobia, in the Leszno voivodship), devoted exclusively to the production of hogs. He sells 350 breeding and slaughter hogs each year. The second person in the conversation with me, Zdzislaw Odolinski, a long-time worker in the Union (which was formerly an association) of Hog Breeders and Producers. He returned to his former position as the Union's office manager after an interruption of several years, during which he ran a large hog farm in the Szeligi PGR [State Farms].

We begin the conversation with an assessment of the production situation--we are talking about hogs--on the private farms. Do farmers really have hogs and do not want to sell them to the state?

In the opinion of my interlocutors "such opinions simply offend the farmers", because there is no reason why an honest breeder would hold back on sales. On the contrary, he is generally interested in closing the production cycle as quickly as possible and beginning the next one. Cases of holding back animals

may occur in specific situations in some farms and, at the most, pertain to only a few percent of the producers, but not in general. This phenomena, but for a short time, appeared on a larger scale when news reached the villages about planned changes in procurement prices. And this is not surprising. "Whoever wants to learn the truth should ask the farmers themselves and not listen to people who are not familiar with village matters."

The principle cause of lower deliveries of livestock for slaughter is the decline in hog production which occurred when deliveries of fodder from state stocks were reduced. This primarily affected all those farms that had expanded their hog breeding to a disproportionately large degree in relation to their own fodder production capability. A considerable number of large, specialist farms that have large buildings and small land holdings are forced to buy fodder. How many such farms are there? There are no accurate figures. But we can estimate that in all of private agriculture we are not utilizing, at present, from one to two million production spaces for hogs. Many of them are in good accommodations, where work hands are available and farmers have the necessary skills. These farms could increase production immmediately if they had fodder. But at present there can be no talk about increased deliveries from the state (imports!). It is precisely these farms for whom grain purchases should be made possible.

By the way, Marian Andrzejewski, to improve the fodder situation on his farm, not only enlarged the farm systematically (beginning with a few hectares) but he also adapted the structure of the crops strictly to the needs of hog raising. At present, the farm is 60-70 percent self-sufficient and he does not buy basic fodder from the state, just special mixtures (for sows and piglets) and concentrates which he cannot produce on his farm.

The example of this farm points to a course of action for others in the same situation. But it is also worthwhile to look for other possibilities of using free space in buildings for hogs. Talks are now being conducted with foreign firms, including Polish ones, on the subject of deliveries of full-ration fodder. They would be paid for with meat or livestock for slaughter. If this transaction were to go through it would be very advantageous. From 8 kilograms of fodder, we could produce 1 kilogram of livestock for slaughter. In view of the fact that this would be high-quality fodder, we could, in the final calculation, produce from that fodder, on an average of one porker for payments and another one for the domestic market (this second one would cover the cost of labor, energy, space, etc.). The talks are in an advanced stage and it is expected that a contract will be signed. My interlocutors did not give any more details at this time.

We know, however, that mass production in those millions of farms on which hogs are raised would have a decisive effect on market supplies. But do we see any inclination on the part of those farms to increase production?

According to Messrs Andrzejewski and Odolinski, yes. The high prices of piglets in most regions attest this. Farmers are bringing more sows to the breeding points, therefore there will be more piglets in the first 6 months and more porkers in the second.

In the light of food supplies and prices (particularly in free-market trade), most often the feelings that are generated are those that exacerbate relations between the town and the village. But my interlocutors believe that the reasons for these feelings should be sought not in the agricultural communities and among the workers. The farmers are interested in selling their products. In return, they must be paid enough to cover their production costs and pay them for their labor. Out of the money that they receive, they must buy the means for further production. The majority of the people generally understand this and appreciate it. Therefore, we must not inflame anti-peasant feelings, which is particularly dangerous because the basic condition for the development of agricultural production is a good political climate, social calm, and a sense of permanence for private farms.

In view of the catastrophic situation on the food market, various actions are being undertaken to stimulate the procurement and production of meat. The concept of tied sales did not prove itself in practice. It produced more confusion than benefit and actually had no effect on the farmers' production decisions. But the government's decision on revalorization of products sold after November 1st, in accordance with new prices in 1982, had a positive effect on production and procurement, especially since the economic factor, profitability, is the key to development of production.

What is important here is not just the absolute level of livestock for slaughter procurement prices, but also the ratio to the price of grain. Properly, this should be 1:9. According to official prices, the present ratios are correct, but the farmers must also know what the free-market prices are, for they have to buy grain at those prices when they do not have enough fodder. Then all the theoretical calculations of profitability go out the window. The Union believes that procurement price policy ("creeping prices") should be established after objective analyses are conducted (by the ministry, unions and branch associations, farm producers, and IER [Institute of Agricultural Economy]), which will take account the level and internal ratios of crop sales prices and means of production.

We must stop the practice of catching the farmers unawares with price decisions. Farmers must know about planned changes in advance, so that they can adapt their production plans to these changes. The pricing policy and the forming of economic conditions of production should be tied to the contracts between the farmers and the government for supply of agricultural products. Contracts--and the formalities must be simplified--must be binding upon both sides.

Another fundamental factor in hog-raising is fodder deliveries. In view of the difficulties that we are now having, the sine qua non condition remains the ability to provide special fodder for suckling gilts and for piglets. This fodder is now being produced in minimal quantities and about three times that many are needed. "We understand that the state cannot import and sell to the farmers the large quantities of grain needed to produce fodder for porkers. In view of the present crisis we accept this, but there can be no shortage of fodder for gilts and piglets, for this is the foundation of breeding. A shortage here will only deepen the crisis."

In addition, good concentrates of guaranteed quality are needed, concentrates which in addition to protein, contain vitamin mineral additives prepared in accordance with formulas for all hog age groups. This permits a large number of farms to produce standard-value feed from their own fodder. Concentrates can be mixed with various farm fodders, in different proportions, with potatoes, fodder beets, green forage, etc. The Union is coming out with various initiatives on how to reduce grain-intensiveness in hog-raising. For example, in several voivodships, small drying plants were built, in which, at a very low construction cost and with the ability to use different fuels, a dried product from green forage, corn, potatoes, etc., can be obtained. This fodder is used as a substitute for grain in production. There are many examples showing that with efficient utilization of farm fodder, and indispensable additives, 100 porkers a year can be produced on a 10-hectare farm.

We must also talk about some other basic conditions. Namely, the need to furnish the producers with everything that is indispensable for the expansion of hog production, aside from fodder: that is, coal, which is an element in the technology of breeding, the means to conserve the fodder, silos, the equipment inside the pigsties (this should be done by specialist enterprises). The producers' union intends to strenuously fight for all of this and not just restrict itself to demands but to present concrete proposals.

It is written in the Union's statute that it defends the professional interests of hog breeders and producers. It has 120,000 farmers as members, but it sees its mission as extending beyond that, recognizing that it helps all those who are involved in the production of hogs. From the long list of tasks which, according to the statute, the Union is to concern itself with, we will name two: instructions for producers and direct assistance in organizing and conducting production.

In order to give the producers professional assistance, a cadre of competent, dedicated instructors must be assembled. Before the amalgamation with the agricultural circles, there were over 500 of them. Then they scattered among different institutions. Some of them are returning, but at the moment the Union's instruction cadre numbers about 300.

Material assistance, in additional to professional advice, is now, under such very serious market difficulties, very necessary. For example, the Union will take charge of deliveries of Persian clover seed, fodder beets, pre-mixes, fittings for pigsties, ventilators, etc. Recently arrangements were made to furnish "Bak" shredders and inside fencing for pigsties. The organization of modern farms is a long and laborious task, often for an entire generation of farmers. For example, it took Mr Andrzejewski 25 years to reach the present level of production and outfitting of his farm. Now he knows that when he turns it over in the future to his son it will be a modern farm that no Danish or Dutch farmer would be ashamed of.

In the opinion of my interlocutors, increased hog production and efficient utilization of the means of production can take place principally through farm specialization and production concentration. And here we come to the

old arguments about the benefits of specialization and the immediate reservation: "what is important is not the investment relief, amortizable credits, etc., that were previously applied, but primarily professional assistance and access to means of production. The basic argument for the advisability of such a policy is a stabilized, in spite of all of the adversities, level of production (actually, the hogs in Mr Andrzejewski's pigsties, if we can use this as an example, do not know that there is a crisis in Poland).

"This will not interfere at all with the small producers. We believe, my interlocutors continue, that we must also support the small farms. Their production will relieve the market and feed more than one village family, but the main flow of marketable supplies should come from the specialized farms. Our goal is to assist in such a way that there will be as many such farms as possible."

9295
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## AREAS FOR IMPROVEMENT IN FULFILLING 1982 PETROLEUM PLAN

Bucharest REVISTA ECONOMICA in Romanian No 6, 12 Feb 82 pp 14-15

[Article by Valeriu Soare, deputy director in the Ministry of Petroleum]

[Text] The continuous economic and social progress of our country requires fulfillment of the important tasks in the activity of investments with greater efficiency, tasks intended to increase production capability in the priority areas of interest for the economy by putting into operation the planned projects on schedule. Special responsibilities in this regard belong to the petroleum and gas industry which in the current five-year plan must provide the national economy with petroleum products in accordance with the plan requirements. For this the branch has been allocated a volume of investments which show substantial growth. So, whereas in the 1976-1980 period 36 billion lei were spent, for the 1981-1985 period funds valued at more than 60 billion lei are forecast. Together with the complete fulfillment of the investment plan, efforts must be made to systematically reduce the expenses forecast in the estimates. As was indicated in the recent meeting of the joint work of the RCP Central Committee and the Supreme Council for Social and Economic Development, action must be taken with all determination to fulfill this year's production plan, to recover at least a portion of the preceding year's failures in fulfillment and, more importantly, to create the necessary base for production in 1983 and coming years.

### Preparation of Investments

Solid preparation of the investment projects--compiling the documents, the contracting of equipment, providing the labor force and land--is a condition without which timely fulfillment of the new production capabilities under good conditions cannot be achieved. An advantage of the petroleum industry in this regard is that compiling of the documents and carrying out the investment work are done by their own organizations for more than 95 percent of the volume of investments planned annually, while approval of the documents is given in the same proportion by the beneficiary units or the Ministry of Petroleum. Such a particular feature permits special measures to be taken for the organization, programming and carrying out of the particular jobs. Under these conditions and as a result of the activities carried out in this direction, the plan in 1981 was overfulfilled for all investments, with all the planned production capabilities being achieved.

By increasing the volume of investigative drilling of the deposits, particularly those situated at great depths, new petroleum and gas reserves have been brought out at depths of more than 4,000 meters in Vilcea, Gori, Bacau Counties and others and conditions have been created for total fulfillment of the tasks for increasing crude oil and gas reserves for 1981, the base for reaching the extraction levels forecast for 1982 and coming years. Parallel with this, new production capabilities have been put into operation: installation for desulphurization of petroleum gases and recovery of sulphur, with a production of 500,000 $Nm^3$/day and 12,800 tons of first-quality sulphur per year; amplification of the gasoline transport systems in the Tirgu Jiu-Pitesti zone, which are taking over the increase in gasoline for the refineries in Pitesti and Ploiesti. In the same period, development of the Poiana Cimpina Enterprise for Tractor and Heavy-Motor Repairs took place in order to satisfy the branch requirements for the repair of tractors and motors connected with drilling as well as the assembly of more than 300 km of gas pipes from the new fields and so forth.

Preparation of operations documents, providing of the legal forms for issuance of land and organization of the job sites in time have created conditions for the projects programmed for 1982 to proceed well. The measures taken and applied even in the fourth quarter of last year, particularly for intensifying drilling activities in the Ghelinta zones (Covasna County) and Virteiu (Gori County) made it possible to overfulfill the investment plan for January 1982 by 5.8 percent. Yet, in the western zone of Romania and the Transylvania basin last month, lags were recorded, lags caused by lower temperatures which hindered the normal flow of activity on the job sites where the projects were being carried out outdoors. For that reason, in February and March the forces will be concentrated and the rate of progress will be speeded up in these zones so that the investment plan for the first quarter can be fulfilled in its entirety as the timetables for operations forecast.

But, for maximum utilization of all the advantages and reserves existing with a view to the steady flow of work and putting the forecast projects into operation on schedule, continued implementation of a number of measures is needed, measures among which are the following:

Rejecting supplementary analyses for timeliness and need for the supply with equipment which does not involve operations and assembly expenses and which are listed in the plan; in this way a useless consumption of time would be avoided and efficiency would increase in supplying these kinds of machinery and equipment;

Taking into consideration the possibility for the Ministry of Petroleum to take over certain capabilities and to produce specialized equipment (such as subsurface pumps, but not only these) so that the current needs in this area could be insured quantitatively and qualitatively;

Concentration and simplification of documents for investment projects which repeat, since currently work and paper being consumed in these situations are far from justifiable.

Basic Conditions for Increasing Labor Productivity

Supplying the construction organizations with an increasingly greater number of equipment year after year has been reflected in the increased degree of mechanization and industrialization of projects. Assembly of certain portions of installations in factories and the petroleum industry's own workshops leads to shorter assembly times and to increasing labor productivity. Through the measures taken the success has been that labor productivity for the construction-assembly organizations in the petroleum industry in 1982 is exceeding that achieved for 1980 by 19 percent.

Doing construction-assembly jobs in a greater and greater volume, parallel with raising the degree of mechanization and industrialization of the construction, requires appropriate supply with qualified and nonqualified workers.The investment plan for the structure of construction-assembly for 1982 shows a 33-percent increase over last year's achievements. Even if not in the same proportion, this means additional labor force and supply as well as better organization of the jobs. Efforts currently are being directed toward stabilizing the workers on the job sites, a very important element in increasing labor productivity and in reducing labor force fluctation. For this same goal, action is being taken for better organization and discipline on the jobs, providing competent and permanent technical assistance so that the workers can fulfill their tasks and achieve an appropriate salary month after month. On the other hand, housing conditions in mobile and semi-mobile barracks have been created in the temporary and isolated jobs with all the necessary comforts, while apartments and dormitories for single people are being built in the locations where there is continuing activity. In 1982 alone more than 1,500 apartments intended to provide a high degree of comfort and better economic-social conditions are being built and will be put into use.

The normal flow of activity on the job sites, however, also means a control, and the multilateral and comprehensive aid from the specialized organs, with control on the job site actually being an act of technical and economic assistance. As such, it must be carried out with the necessary competence, be characterized by a high spirit of responsibility and lead to effective aid in solving problems. Especially since the drilling and construction-assembly organizations, which do jobs in the petroleum industry, in most of Romania's counties work with very dispersed job sites and batches. If these actions in some cases take place incorrectly, the cause also is the lack of means of intervention and adequate transportation. Of course, under the current circumstances, the savings of fuel must be demonstrated in any area, at any level, but this should not hinder giving competent and immediate technical assistance which can avoid incomparably bigger losses than the savings anticipated.

Greater Responsibility in Carrying Out the Contract Obligations

During the period of achieving the investments, in some cases there are defects in the activity of the construction-assembly and design organizations and the suppliers of equipment, which have negative repercussions on placing the technical-economic indicators planned into oepration and reaching them. For example, one cannot omit the fact that the construction organizations last year and the first month this year met a number of shortcomings which led to failure to fulfill

certain goals on schedule, with effects on the activity of drilling and extraction of crude oil and gases. So the specialized units of the Ministry of the Metallurgical Industry did not provide the necessary tubes for 2-4-inch pipes to a satisfactory extent, extraction tubing and drive pipes, endangering the start of the crude oil and gas wells into operation. In turn, some enterprises of the Ministry of Machine Construction Industry did not succeed in providing a number of spare parts, subassemblies and equipment, without which the drilling ing and extraction process is not possible to carry out at the planned level. This is the case of the motors for the drilling installations, the drilling bits, gates, gas -crude oil separators, piston pumps, centrifugal pumps and others.

A totally impermissible aspect is that annually the suppliers for certain equipment change, with situations existing where for one reason or another they no longer are produced or are produced in unsatisfactory quantities (5" x 10" piston pumps, gates and so forth). On the other hand, for years the unsatisfactory situation has remained in providing bore-hole pumps or elements of them. Normally, they should be able to be utilized 3-6 months, depending on the characteristics of the fluids extracted from the deposits, but the ones received lately far from reach these performances, which leads to frequent interventions which require a supplementary labor force, an increase in expenses and reductions in crude oil production.

The steady flow of work on the job sites requires efficient and effective actions in the area of supply with materials in appropriate quantities and varieties. The ministries producing the construction materials and installations must take measures to broaden their variety and quality at the level of real requirements And must provide their delivery in conformity with the contracts concluded. It also should be said that a number of problems still have to be solved for 1982, problems in the supply with equipment and materials. For example, the appropriate levels for the pipe tubes with small diameters have not been insured for linking the wells with the gas and crude oil main lines as well as for putting them into production (drilling bits, drive pipes, building cement, metal for construction and others) which can create difficulties in the steady flow of work on the job sites or even in boring for wells and putting them into operation. As a result, a well-based analysis is needed from the responsible factors who establish the volumes of equipment and materials for total provision of the quantities of materials needed even by the first of the year.

Besides the responsibility belonging to the construction-assembly organizations, to the designers and suppliers of equipment, undoubtedly, a large share of the blame, however, lies with the investment beneficiaries, against whom neither the design organizations nor the construction organizations take enough action in the case of failure to respect the contract provisions. This explains the fact that a number of installations (gas-crude oil separating fleet, the compressor stations and so forth) were not able to be put into operation on schedule due to the lack of legal forms for occupying the land which is not provided on time.

Under these circumstances the investment beneficiaries do not bear any of the consequences. And this is because the contracting sides mutually tolerate the defects demonstrated in the period that the investments are being carried out, particularly for those for which there is joint subordination, belonging to the

same higher organ, while the contract concluded between the sides fulfills its job to a reduced extent as a lever with which action should be taken in the cases of failure to respect the contract conditions and failure to fulfill the plan tasks.

Respect for contract discipline, in our opinion, requires that the standards in effect become more mobile, while the penalties should be applied in all cases of deviation from the delivery terms for equipment or documents and those for carrying out the projects. Penalizing the guilty ones for delays in putting a project into operation is required in particular with regard to the contracting of technological equipment which holds an important share of total investments, especially since an anomaly in this area is having the beneficiaries accept, even through the contract, certain inappropriate delivery schedules, ones which do not correspond to the schedules for the start into operation. It should be understood clearly that the factors contributing to carrying out the investments, primarily the investment beneficiaries, should be responsible for the failure to correlate the delivery terms for equipment with those for putting the projects into operation.

8071
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SELF-MANAGEMENT, SELF-SUPPLY TO STIMULATE AGRICULTURE

Bucharest REVISTA ECONOMICA in Romanian No 6, 12 Feb 82 pp 8-9, 11

[Article by G. Nicolescu]

[Text] The concept of self-leadership and self-management has taken on new values through adoption of the measures on self-leadership and territorial self-supply which are an integral part of the broad process for continually improving the organization, planning and unified leadership of the national economy. Application of the principle of self-leadership, and in a very important area of our social and economic life, as is that of providing the good supply for the population of each locality from their own resources of agricultural products, represents a factor of maximum importance in fulfilling the goals of the 12th party congress for continually raising the standard of living for all the people and for satisfying the continually increasing consumer requirements of the population under increasingly better conditions.

On the basis of the measures taken by the Romanian Communist Party, agricultural production and the production of consumer goods have increased, the population's incomes have risen, which has been reflected in a greater requirement for food products and, at the same time, the shift of consumption toward higher quality products with greater values of usage. In the 1976-1980 five-year plan total agricultural production rose at an average annual rate of 4.2 percent, real per capita incomes rose 5.1 percent, while retail sales of goods through socialist trade rose 7.9 percent. Although agricultural production was affected in some years by less favorable climate conditions, average consumption shows large growth , being 36 percent greater in 1980 than in 1975 for meat and meat preparations, 33 percent greater for milk and milk products, 23 percent greater for eggs and 39 percent greater for sugar and sugar products and so forth.

Showing constant concern with steadfast fulfillment of the 12th party congress decisions for raising the standard of living for all the people, on the initiative of Comrade Nicolae Ceausescu, party secretary general, the "Program for self-leadership and territorial self-supply for providing the population with animal and vegetable agricultural products in the 1981-1985 period" was worked out; it is the first national program in this sector of activity adopted by the country's supreme legislative forum.

The definitive elements of the concept of self-leadership and territorial self-supply clearly result from the party secretary general's speech at the November 1981 plenum as well as from the program's provisions.

The Popular Masses' Active Participation in Leadership of All Social-Economic Activity

Being directly involved in achieving the supply of each locality under the best possible conditions, the workers can and must take part in assuming responsibility for providing for the growth in agricultural production needed for a good supply for the population and, at the same time, must participate directly in implementing the decisions made. The people's councils' responsibility is being strengthened by providing the unified leadership of agriculture on the bases of the principles of worker self-leadership and economic-financial self-management, toward the goal of increasing agricultural production, satisfying the population's consumer needs from the resources of each county and participation in establishing the state fund of agricultural products to a greater and greater extent.

An efficient means of asserting worker democracy is the responsible participation of all residents in working out programs for territorial self-supply and development of agriculture and the food industry for each administrative-territ rial unit and in establishing the measures which would insure they are carried out. Also, discussion of the programs in the citizens' general meetings in each locality is an occasion for intensifying the workers' conscientious participation in making decisions of maximum importance for all residents of our country's communes and cities and for strengthening the responsibility for carrying out the programs approved.

Practical application of self-leadership and territorial self-supply will contribute directly to implementation of the new economic-financial mechanism on a higher level of quality, to increasing the decision-making ability of the local organs and their organizational ability and that of all workers in providing conditions for good development of agricultural activity, of consumer goods production and supply of the population with food products.

A substantial rise in vegetable and animal agricultural production is the basic factor in self-leadership and territorial self-supply and in providing good supply for the population with agricultural food products and appropriately satisfying the other requirements of the national economy.

Annually the state allocates large material and financial capital needed to emphasize the process of the intensive development and modernization of agriculture and the food industry. In 1982 agriculture will be supplied with 18,400 tractors, 4,500 self-propelled grain-harvesting combines and will receive more than 118 million tons of chemical fertilizer and 51,600 tons of pesticides; investments in agriculture, grape growing and the water economy will total 35.6 billion lei.

The efforts made by all the people to modernize agriculture must be accompanied by obtaining as high a production per hectare as possible on the basis of the use of the productive potential of the land fund with maximum output, rise in

the number of animals and animal production, decisive elements in the application of the principles of self-leadership and territorial self-supply. This is as much in the interest of all the people to achieve higher production which contributes to better supplying the population with agricultural food products and to satisfying the other needs of the national economy as it is of each producer to obtain high incomes from increasing production and utilizing as big quantities of agricultural products as possible for the state fund. Obtaining higher production of grains, sun flower, sugar beet, vegetables, fruits, potatoes, milk, live meat and so forth and, on this basis, increasing the production of sugar, oil, meats and meat products, cheeses and so forth will provide average per capita consumption established on the basis of a rational, balanced consumption, in which the percentage of products with high nutritional values shows increases over the achievements of previous periods.

Stimulating a Permanent Increase in Our Own Resources of Agricultural Food Products

Self-leadership and territorial self-supply are an important factor in mobilizing the big reserves existing in each county and each locality for increasing agricultural production and food production. In the direction of stimulating an increase of local resources of agricultural products to the maximum, the new condition for utilization of agricultural production will also take action, that is, establishing the centralized state fund and county fund for agricultural food consumption. Achievement of both funds is a patriotic duty, an obligation of great responsibility for providing the general needs of each county's population for agricultural food products.

Centralized state fund for agricultural products is intended to provide industry with raw materials, to supply tourist locations, to complete resources for plying the population with products which do not have favorable production conditions in some counties as well as to insure other needs of the national economy.

The county consumption fund comprises quantities of vegetable , animal agricultural products needed to supply the nonagricultural population as well as the products obtained by the population's plots to satisfy their own needs. The surplus production of the population's plots is a resource of the county consumption fund which is utilized through contracts and acquisitions or is sold directly at the peasant market.

In order to provide an incentive for increasing agricultural production in case the planned production is exceeded, the surplus is added to the county consumption fund, which will be a powerful stimulus for increasing agricultural production, particularly zootechnical, where there are big reserves for increasing the livestock, the animal's weight and animal production. At the same time, the principles of self-leadership and territorial-supply, the limiting of obligation and rights in establishing and utilizing agricultural production require corresponding reduction in the county consumption fund in case the production established is not obtained, which strengthens the collective responsibility of all the people in achieving their own resources of agricultural products.

Self-leadership and territorial self-supply make necessary both providing their own resources of agricultural products as well as judicious management of them, reduction in perishability in transport, handling and storage, short and fast circuit from producer to consumer, reduction in the expenses of industrial processing, the organization of recovery and utilization of all subproducts and so forth. For this purpose the program provides for measures which would contribute to use of agricultural food products with maximum efficiency in providing appropriate conditions for transport, storage, preservation and sale to the population so that waste or destruction of these products in any form is prevented. Taking into account the resources of raw materials nd the evolution of the consumer centers, small production units of the food industry are to be developed, reducing the distances of transport, perishability during transport and storage, achievement of optimum specific consumption, recovery and utilization of secondary products (hair, horns, hooves, skins and so forth), utilization of the valuable products resulting from industrial processing in zootechnics (husks, molasses, whey, grist, bran and so forth). Application of the principles of self-leadership and territorial self-supply clearly will contribute to increasing the efficiency of agricultural production and the production of the food industry and to steady supply of the population in each locality with food goods.

The Development of Agricultural Production and Food Industry Production in Accordance With the Requirements for Scientific Nourishment

The concept of self-leadership and self-supply has at its basis a determination of the population's consumption needs through taking into consideration not only the trends and specific nature of our people but also the requirements for a scientific nourishment which would contribute to maintaining and developing the ability to work, improvement in all the people's state of health. Proceeding from the fact that Romania is among the top ten countries in the world in consumption of calories per capita and, at the same time, from the structure of the consumption, with foods with a high nutritional content representing a lower percentage of the nourishment, a scientifically substantiated ratio is to be insured between food consumption expressed in calories and nutritional factors (protides, lipids, glucides, mineral salts and vitamins).

Within the measures for a rational and scientific nourishment, grain consumption, which is among the highest in the world, is to be reduced and there is to be a corresponding increase in the consumption of products with higher nutritional values--meat, milk, eggs-with positive effects on health protection, physical development and intelectual development of our people. For example, a kilogram of beef (consumable quantity) has a higher content than one kilogram of bread, more than 2.2 times the protides, more than 2 times the phosphorous, 2.4 times the Vitamin $B_1$ and $B_2$ and so forth. In accordance with these requirements, in 1985 the average per capita consumption is to be 82.5 kg of meat and meat products, 250 liters of milk, 300 eggs, 185 kg of vegetables, 87 kg of fruit and grapes, while consumption of grain-corn will fall from 180 kg in 1982 to 140 kg in 1985.

In order to provide the change in structure of the population's consumption, the levels of agricultural production which must be reached have been established in a new concept, proceeding from the population who must be supplied and the

consumption need determined on scientific bases, including differentiation of average consumption per capita depending on professional structure, age, local traditions, working conditions and so forth.

In order to provide the agricultural raw materials needed for the food industry average and total consumptions have been established for grains, vegetables, fruit, grapes and so forth, while for zootechnics the numbers of animals by breeds for meat and milk production, number of chickens as well as average weights when killed have been established. For the first time the number of residents taken into the calculation for one cow, one hog and so forth has been established in a unified concept for insuring meat consumption, while with regard to milk and milk product consumption, the number of residents taken into calculation for one milk cow has been established in a differentiated way (city population, worker centers and workers and separately for communes). This means of determining the number of animals and chickens needed to insure continually increasing consumption of meat , milk, milk products and eggs gives a clear picture to the population of each locality of the numbers to be reached and average weight at slaughter, which will stimulate delivery of the animals at the highest possible weights by prolonging the fattening period and increasing the average daily weight gain, insuring appropriate care and fodderings. Under conditions of increasing the average weight and numbers of cattle, hogs, poultry, the counties will obtain additional quantities which remain for the local consumption fund, which will be a special stimulus in developing zootechnics both in the state and cooperative units as well as on the population's plots. Thus a qualitative leap will be achieved in supplying the population with agricultural food products through change in the structure of consumption to favor products with high nutritional values.

Intensification of the Exchange of Products Between City and Village

Firm application of the principles of self-leadership and territorial self-supply will lead to a broader exchange between city and village and to strengthening the alliance between the working class and working peasants, the granite foundation of our socialist system.

Continued development of vegetable and zootechnical production would not be possible without having the working class provide the material base for agriculture by producing and delivering higher quantities of tractors, combines, agricultural tools, chemical fertilizers, herbicides, pesticides and other industrial products needed for agriculture and with high technical-operational characteristics. At the same time, on the basis of the aid given by the state and the continual improvement in agricultural activity, the working peasantry will obtain higher harvests, greater animal production, which will make it possible to increase the state fund which would satisfy the higher needs for agricultural food products.

The exchange of goods between city and village takes place on equitable bases, at appropriate prices. In order to stimulate the growth in production, prices for some industrial products have been correlated better with production costs. Maintaining the pricing system without taxes on industrial products intended for the material-technical supply of agriculture, the state is continuing to allocate large funds for the mechanization of agriculture, land improvement projects,

and for research in vegetable and zootechnical production. At the same time, in order to give material incentives more to the agricultural producers to increase production and utilize higher quantities for the state fund, the prices of agricultural products were increased substantially in 1981. Separately from the price increase, starting in 1982 differentiated progressive prizes are being given according to the quantities delivered per hectare to the state fund. Giving prizes on economic criteria will stimulate an increase in agricultural production even more powerfully and deliveries to the state fund, a sure base for firmly implementing the principles of self-leadership and territorial self-supply. The measures established take into account that prices have risen for some industrial products needed for agriculture (fuels, power fuels, chemical fertilizers, electric energy, agricultural machinery and so forth), while the prices for agricultural products have remained unchanged for many years, which unfavorably affects the agricultural units' self-management.

Covering all production expenses and corresponding profitability and, at the same time, better correlation between the prices of agricultural products and production costs in agriculture are insured by the price increases and by giving prizes, which represent more than 25 billion lei annually. This has been one of the factors which has brought adoption of the recent measures to increase sales prices for agricultural food products so that appropriate profitability is insured for the units in this sector, which will stimulate a growth in production and quality, improvement in the populations' supply with food products.

As Comrade Nicolae Ceausescu stressed in the speech he gave at the joint meeting of the RCP CC and the Supreme Council for Social and Economic Development, all conditions exist for implementing the programs for self-supply, for obtaining agricultural production at the levels established and of acquisitions and contracts so that the tasks forecast for increasing the population's standard of living and the supply with agricultural food products are fulfilled in their entirety.

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12 April 1982

# East Europe Report

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2257

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12 April 1982

# EAST EUROPE REPORT

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2257

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GROCERS GIVE MANAGEMENT REFORM LUKEWARM WELCOME

Budapest MAGYAR HIRLAP in Hungarian 26 Feb 82 p 7

[Article by Ivan Gador: "Better Off as a Freelancer?"]

[Text] The Green Grocer Owner Is Almost Impossible to Check On--Why Are There So Few Enterpreneurs?

Let's begin with statistics. Buadpest's Zoldert [Vegetable and Fruit Sales Enterprise] offered 45 of its stores for operation by contractors in February of last year. After the competitive bidding they were finally able to lease out 15 of them. In April they again announced another 45 ; this time they had even less success: contracts were signed for only eight stores. In November they doubled the offer and advertised 90 stores; 31 of these found takers. This adds up to 54 produce stores. But in January of this year only 44 of them were still operating under the contractual format. The others broke the contract, and there were some where the enterprise initiated the contract's termination. Budapest's Zoldert operates a total of 360-370 retail units, with about 520 sales locations. According to this, the ratio of contractual stores does not even amount to 10 percent of the total.

This is in spite of the fact that Budapest's Zoldert was among the first enterprises, together with the restaurant industry, to offer leases on a contractual operation basis. And they had every reason to do it. For a decade the freelance produce stand owners have been the subject of jokes, and legends are circulating about their illegal incomes fit for the story-books. This in spite of the fact that the trade has been denying the heresay with undying vehemence, and the truthfulness of these accusations has hardly ever been proven, yet: the work of the produce stand owners can hardly be supervised...

Who Is Envious of Them?

Contractual operation solves everything. The store manager pays a predetermined operating fee to the enterprise, and beyond this he works as he deems best. He gets his merchandise wherever he wants, and sells it for whatever he can get. It is unquestionably in his interest to increase his sales as much as possible, since this is the only way he can make a profit after paying the operating fee. And he needs attractive merchandise to do this, and at relatively moderate prices. Because competition is heavy and on the increase.

But the beautiful idea seems to be running aground, as there are not enough takers. Perhaps the conditions are not sufficiently enticing?

The monthly gross sales for an average one-person store--these are the ones offered for contractual operation--are about 100,000 forints, based on many years of experience. Using the usual and accepted price markups of the trade, a net profit of about 14,000 forints can remain from this amount. But the enterpreneur does not get to pocket this sum. From this he has to pay the contractual fee, heat and light bills, user's fee for the equipment, income taxes and any possible labor costs. The largest, and determining one of the many items is the operating fee, the amount of which last year varied between 12,000 and 16,000 forints at the biddings. Thus it is surprising that as many as 44 takers were found in Budapest.

And there are some, and most of them are complaining simply out of habit. If someone wanted to take the store away from them, they would be very upset. And, obviously, they are not trying to keep the demonstrated losses. Then, what?

Naturally, the honest profit, the source of which is that they obtain their merchandise directly from the producers, rather than from Zoldert's Wholesale Center. It is true, however, that by doing this the enterpreneur also acquires a lot of problems. He has to locate the merchandise himself, and he has to transport it. This costs money, and a tremendous amount of time. That is, another person, and an expert at that, is needed for the store. Thus the profit has to be divided between the two of them. But there is a profit. Because they can buy for less from the producer than from the Wholesale Center. And, why deny it, more attractive goods, which can be sold for prices a few percent higher. And more of it can be sold. That is, the markup is increasing, and so does the volume. In better cases the 14,000 forint net profit can even be doubled. After the enterpreneur pays the operating fee and the other costs from this, they can even pocket 6,000-8,000 forints per person with his partner. They work 12 hours a day for it. And they accept all the risks of independent commerce for this. If someone is envious of them for this...

What, or Whom, Are They Waiting For?

Of course, the entire calculation above is valid only if we take a store in a good location, and one capable of high sales volume. Most of the stores advertised are not like that, but small stores in outlying areas, with which the Zoldert has not had much luck, either. They have not been closed down only because the district councils were opposed to it in the interest of the population. This, of course, is proper. But under today's circumstances how can any undertaking be forced to conduct an operation at a loss? Obviously only if that loss is reimbursed to them. Certainly the councils have no means, nor can have any means to do that. But they do have the means to authorize the expansion of the sphere of activities of the stores now operating at a loss. If in a suburban environment, where many things are grown around the house, a store operation cannot make a living by selling vegetables and fruit, why could he not sell other things besides these for which there

may be a need in his area? After creating the appropriate conditions, why couldn't he sell slaughtered poultry, salami, milk and bread, newspapers, cigarettes, or even wine?

All that would be required for the foregoing is to modify the Budapest Zoldert's founding charter, and the district council would have to agree to it. (Wine is a different question. A good 4 years ago the Ministry of Domestic Commerce defined by regulation the sphere of those stores which may sell alcoholic beverages. The produce stores were at that time left off the list. It is true, however, that in spite of this the consumption of alcohol has not decreased. Could it be that this does not depend on that regulation?) Expanding the range of merchandise would in a all certainty make these outlying small stores viable. The enterprise, the businessman, and above all the population would come out ahead. So then, whoever is waiting, what are they waiting for?

Gnashing the Teeth

By itself the contractual format of operation is no miracle cure. A number of conditions have to be fulfilled in order for the contracting enterpreneur to be successful. Because what can such a contractor expect who can perhaps prove some kind of professional training in commerce on paper, but until now he has only seen vegetables at the moston his plate? And what can the enterprise expect from an enterpreneur whom in the past it had encouraged to quit because of his persistent inventory shortages? According to the regulations now in effect, neither of these may be excluded from the competitive bids. Even though in their cases later failures can be made a probability. And whoever knows even just a little about commerce, knows: even a flourishing store can be ruined very quickly. But a bad store can be maneuvered to the top only with several months of persistant and knowledgeable work sparing no financial sacrifice.

But most of the stores advertised are doing far from well. People not far from retirement are playing at work in them, with a loss. When they find out that their store is being advertised, the last thing on their minds is to bid for it. And if someone else happens to come along who would still be willing to give it a try, and asks them about the local opportunities, they certainly do not tell them anything to cheer up their enthusiasm. Why should they? Who wants to change jobs just a few years before retirement? Their fish is a small one, but they have gotten used to cooking it for their supper. Of course, there are some store managers who own a bigger fish. The course of a competitive bidding for a store in the inner city, with high volume, may give reason for some suspicious conclusions.

The store was advertised, and there were a number of applicants interested in it. The competitive bidding was announced according to the way it is usually done, and a tooth-gnashing bidding process began. Finally the manager of the store won the contract by paying a good 50 percent more than the announced price. The managers of the enterprise just shook their heads. They knew that this amount of money was simply not in the store. But, it seems, the victorious "competitor" also found this out, because when contract signing



industry was due to the reduction by 8.5 percent in the number of hours worked as compared to last year (because of a smaller work-time base, fewer personnel). Production per hour worked was 8 percent more (in metallurgy, the chemical industry and the light industry 9 percent) than in January of last year.

The machine industry decline which considerably influenced the January achievement of industry--to a large extent also because of the rush work at year's end--is obviously only a temporary phenomenon, and information indicates that for the year as a whole we can count on an increase surpassing the industrial average. According to 48 percent of the machine industry enterprises that were studied, the possibilities for capacity use are better than a year ago, and according to about 40 percent the conditions for technical development and the transformation of the product structure are also more favorable. (All this also makes an increase in nonruble export likely.)

In August of last year, a large share of the industrial enterprises were counting on a decrease in personnel. However, this is not always the result of research and utilization of productivity reserves or organization improvements, but in some cases is only the registration of a "natural" decline in personnel.

In regard to production and achievement, more and more enterprises regard existing personnel as sufficient, and in fact in some cases even more than necessary. According to the metallurgical and construction material industry enterprises that were studied (almost two-thirds of the chemical industry enterprises), the personnel is sufficient for planned production. In certain areas of the light and machine industries, as well as Budapest industries, they regard their personnel as less than required by their tasks.

A considerable share of the enterprises still regard the manpower problem as a factor not depending primarily on the activity (also) of a given enterprise. Enterprises, for example, do not always raise wages in relationship with achievements. In recent years it has become a rather general practice for 30 to 40 percent of the wage increase to be given in the last months of the year when expected results are known. In 1980, 40 percent of the annual wage increases came in the last two months of the year, 29 percent in December, while in 1981 the figures were 32 percent and 22 percent.

In last August the enterprises that were queried forecast a 6 percent wage increase for 1982. In response to the 1981 year-end modification of the price and regulatory system, the rate of wage development was reduced at year's beginning by 4 to 5 percent. The change in the regulators affected the enterprises in various ways, and thus the wage increase possibilities are also different (for example, they have wage reserves of differing degrees, personnel reduction measures are different, as well as the degree of growth in efficiency). Fifty-seven percent of the enterprises that were studied thought a wage increase of between 3 to 5 percent was likely and that the spread in the extent of wage increases would not be significant from enterprise to enterprise and from sub-branch to sub-branch.

time rolled around, he shook his head and said no. What could be done? They made him pay some consolation fee--he did not go bankrupt because of it--, and he continues to manage the store--as a free lancer. For how long--who knows?

The store is being advertised again this year. According to the statutes, this store manager cannot be excluded from the competitive bidding. He will compete, and he will bid--gnashing his teeth...

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In response to uncertainty factors also, the enterprises at year's beginning are holding back from more significant wage increases. (This was particularly characteristic of the beginning of 1980.) This year the observed enterprises paid out 53 percent of the planned wage increase in the first two months of the year. Also according to January data, the extent of the wage outflow was greater in the beginning of 1982 than formerly. (The average monthly wage of employees in January as compared to January in the previous year rose by 5 percent in 1980, 4.4 percent in 1981 and 8.1 percent in this current year.) The rate of wage increases is influenced in every enterprise by characteristics, possibilities and various factors. Not even in the sub-branches can a particular relationship be established between the annual rate of wage increase and the fulfillment ratio of the first two months. Even enterprises calling for a wage increase of less than 3 percent and between 6 and 7 percent paid out in both cases about one-half of the planned wage increase by the end of February.

Investment Intentions

The 1972 plans of the industrial enterprises (excluding the food and construction material industries) included considerably greater investment sums than the economic goal called for, about 10 billion forints more (chiefly in the case of the machine and chemical industry enterprises). One of the decisive factors in the divergence from the plan was that they counted on considerably more investment credits than planned. Thus for the realization of their investments--particularly in respect to external sources--the financial limits are important.

In response to the year-end price and regulator system modification of last year, the investment intentions of the enterprises were subject to supervision and reduction. Thirty-nine percent of the enterprises that were studied reduced both development and maintenance investments for 1982 in their Sixth Five-Year Plans as compared to the target; 19 percent reduced only the development investment and 13 percent only maintenance investment targets, while 29 percent did not modify either. In the Sixth Five-Year Plans the enterprises in question planned to start about 200 investments in 1982. But at year's beginning there was cover only for 42 percent of these investments. The likelihood of a start generally decreases with an increase in the investment sum (also because of the increasing need for external sources). But the cover is already provided for more than one-half of the investments that are linked to some kind of special program and have a value of over 500 million forints. In most cases, the enterprises do not give up their more important development or structural transformation ideas, they merely delay their realization. At the same time, given the more difficult conditions deriving from the external and internal economic conditions that are not always favorable and from stricter regulations, they intensify their efforts on behalf of adjusting to the more difficult requirements, the making up as soon as possible of profit decreases, and in the final analysis of improving the equilibrium of the economy.

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WAGE SYSTEM ANALYZED, PAY DIFFERENTIATION URGED

Budapest PARTELET in Hungarian No 3, 1982 pp 18-22

[Article by Istvan Marko: "Wage Regulation in Enterprise Management"]

[Text] Nowadays it is a rather general view that our wage practice provides incentive to greater achievement and to increased efficiency only in a limited way that is less than necessary. This outlook not only reflects the actual tensions of the wage system but also many erroneous concepts which unquestionably have an important role in the fact that the material incentive is not what it indispensably should be. There are many possible answers to the questions about the situation but before I take up the most essential I would like to state: wage management experiences show that the present wage regulation and wage system affords more possibilities than is now recognized or used by the enterprises.

Many things could undoubtedly be said about the existing wage system but not that it is perfect. Nor does it excuse weaknesses if we know that an absolutely perfect solution, one which will create good conditions for the relations between work and wages everywhere and at all times, can hardly be imagined. But it is a realistic demand that we put an end to several well-known weaknesses as we create the possibilities. I would like to emphasize that this is not merely a question of intention. For this reason we cannot approve a management practice that by pointing to obstacles delays undertaking measures which would better exploit existing possibilities and in the final analysis reduce the seriousness of negative factors.

Incentive success requires that the managers take better advantage of present possibilities. It is not enough to recognize that wage payment by achievement and the elimination of equality is a factor which speeds up development, but the practical application of the principle must also be undertaken.

Greater Achievement Cover

It is a well-known relationship that the volume of distributable goods and the satisfaction of the population's needs depends on available resources. In other words, we can only distribute what we have available. This means that the living standard of the population cannot significantly and over the long term deviate from the economic-social development that has been already attained. The progress cannot exceed what the country's production, productivity

and balance situation and the achievement of the economy make possible. Thus the development of the population's living standard and income is limited by the size of the national income or by changes over time.

It is a fact that in the past year the economy developed essentially in the direction set forth by the plan, but this cannot obscure the fact, the circumstance, that we achieved the basic goals of the plan--improvement of the equilibrium and the guarding of the living standards--with more moderate achievement. This also played a role in the fact that domestic consumption (consumption and accumulation) continued to exceed national income even though to a declining degree. In industry, the construction industry and agriculture, production and achievement increased to a lesser extent than expected. At the same time wages and earnings rose more than planned, and the wage outflow was greater than had been estimated. In the material branches, earnings rose 6 to 6.5 percent as compared to the planned 5 percent. What we are speaking of here is that formerly the living standard rose more rapidly than the economic achievement of society, and now even a lesser wage transgression which is not economically supported can endanger the establishment of equilibrium. Our economy is not in a situation where this process can be continued, or that wage and income outflow not proportionate with actual achievement can be repeated. Therefore the task that faces us now is to coordinate the population's consumption and the economic achievement capability of society. Among other things, this means that in the interest of the economy's equilibrium we need stricter requirements: this year there had to be a greater achievement cover behind every unit of wage increase.

This year the economic plan is counting on a 4.5 percent increase in nominal wages. Our bent for overfulfillment warns us that a strict restraint on wage outflow is unavoidable. A stricter conditions system of wage management compels the enterprises on one hand to carry out more efficient management and on the other hand recognizes greater achievements and better enterprise results. In most of the producer sub-branches, the regulation for wages and earnings make it possible for earnings to rise appropriately in case of a substantial increase in achievement. That is to say, a stricter regulation does not mean, as has been suggested in some places, that it is impossible to earn more with greater achievement.

Stricter wage regulation, therefore, seeks to assure the balance of purchasing power in such a way that with more favorable economic results more income is gained, and with less favorable results less income is gained. As a consequence of the sub-branch and enterprise endowments and the economic requirements that vary by areas, a number of wage regulation forms operate simultaneously. In most of the material sub-branches, however, we use a wage regulation that is bound to achievement. In every profit incentive area, enterprise wages can be increased as a function of achievement. It is true that the situation of the enterprises varies and the possibility of wage development is partly independent of the work of the enterprise collective, but it is also true that the managers of the enterprise collective can do a great deal to increase results.

There is less and less disagreement over the fact that in regulating wage increase possibilities it is necessary to consider the profit and the results

of the work. It would result in significant harm if the possibilities for increased earnings would be blurred among enterprises with different results. There is need of wage differentiation among the enterprises, of course, not merely for sake of difference itself, but in order that the achievements, or the international competibility of production should increase. The incentive wage system, appropriate wage differentiation, is called on to smooth the road to this end.

It can be concluded from all this that obtaining and maintaining an economic advantage requires us to create a greater possibility than up to now for wage differences among the various managing organs, and for intensifying incentive to this end. Despite its acknowledged necessity a greater wage increase difference causes certain social tensions. We must reckon with this since we have not as yet been able to divorce ourselves from a practice that is inclined to equality, nor have we made adequate progress toward evaluating achievements by their worth and quality aspects. It is not certain that uniform or perhaps various activity in volume will stand competition on the market. The decisive thing is this: which product is a source of greater quality and greater usefulness.

Tension is not excluded, and still it appears that the fear of it is greater than reality would justify. Proof of this is in the experiences of the past 2 years when wage development possibilities of the enterprises were spread more widely than usual--between 3 and 8 percent--and yet no particular tensions arose.

The rules make it possible this year for rapidly developing enterprises to have more favorable wage development possibilities. The wage management conditions of enterprises that are permanently managing well are improving: the tax-free wage level increase which can be implemented this year is 3 percent. Thus the wage development of an enterprise--if it has the achievement cover--is tax-free to a 12 percent increase of the wage level.

All this provides a great possibility for the enterprises--by taking advantage of their endowments--to achieve outstanding results. The incentive is given inasmuch as the change makes it possible for a dynamically developing enterprise to have adequate wages. It is another question what enterprises are capable of exploiting the possibilities. With the fact that outstanding results are assured from the wage aspect, we pull the ground from under many obstacles, in some cases from under alleged grounds, and the result can be not only moderation on achievement restraint but a development of the whole economy through better enterprise management.

Better Use Of Possibilities

It has also been much debated whether a wage increase depends on an improvement of results as compared to the previous year, or whether it builds not on the management level but its alteration. This weakness of the wage regulation as bound to achievement--the so-called increment incentive--is moderated by the system of wage reserves and wage advance payment. But this year's regulation represents a new advance. According to the modification,

the high profitability enterprises can to a certain degree raise wages in addition to the wage development subsidy. This possibility solves short-term thinking and indirectly promotes the renovation of the product structure in that enterprises need not fear that wage development possibilities will be narrowed at the time of product changes. In addition, it should be noted that enterprises are less familiar with that possibility of wage regulation which makes a correction possible if as a result of the product change it is necessary to have more skilled and wage-intensive manpower.

One of the requirements posed on wage regulation is that it should stimulate the rational use of manpower. The regulation tries to meet this by making it possible for enterprises to use the wages saved in personnel reduction, or a part of it, for wage increases. At present the wage bill saved from personnel reduction can be used annually for up to a 3 percent wage increase. This is not a small possibility because it is valid for about two-thirds of the enterprises or those which operate within the so-called wage bill regulation limits.

The debate is over whether this possibility adequately stimulates personnel management or not. Of course, it is possible to draw a number of deductions. To make proper judgment, we must consider a number of matters. For example, whether this year's tightening of the wage regulation increases the interest in personnel reduction, whether some of the enterprises lack planned manpower management, and whether the release of superfluous manpower is being postponed. For a significant share of the enterprises there is an incentive for personnel reductions of more than 3 percent. This is helped by a measure according to which wages above the permitted extent can by carried over into the next year. Thus wages saved by personnel reduction are not lost for the enterprise account.

Despite all these things, the incentive for personnel reduction is not clear everywhere. One thing is certain: the changing requirements and the marketing possibilities do not guarantee for any enterprise the possibility of carrying out the same wage development every year. As a consequence of the varying development of management results, fluctuations in wage development may significantly moderate the means assured by regulation. This is helped by the possibilities for wage advances and wage reserves, and for wage reserve utilization.

Nevertheless, the wage regulation system affords the enterprises decision possibilities which must be exploited in harmony with the management as a whole. To the extent that they are increasing the success of their work, that is, they are working with high efficiency, there are possibilities for worthy wage increases given present endowments. The internal incentive system is adjusted more or less to the characteristics, and therefore it shows a varied picture. But by and large the enterprises can be classified in two groups: one in which the wage development is centrally determined among the units to essentially the same degree, and the other in which the wages for the internal units are made a function of the achievements.

Incentive to greater achievements is clearly realized when the internal incentive system mediates to the individual departments as well as possible the requirements deriving from overall enterprise interests. The incentive must, therefore, be linked to the fulfillment of such indexes as best serve successful management of the enterprise. For this very reason, the material means that can be devoted to personal incomes must be divided on the basis of realistic assessment according to requirements that are broken down more widely and in a more deep-going manner than before. But it is still not rare to have development possibilities that are distributed uniformly, that is, even where it is not justified the enterprises centralize to an unsound extent the material means serving to provide incentive to the units.

As a consequence of such and similar experiences, more and more people maintain that the wage and earnings regulation system restricts material incentive to the individual. The enterprise achievement is not a fact equivalent to the total sum of individual achievements. Thus it may happen that the wage sources will prove too small for the individual achievements, or that it will have the effect of restraining achievements. With the application of appropriate methods, this negative effect can be significantly reduced, since earnings regulations do not exclude incentive for the individual. The basic question is to what should we give incentive in individual achievement. If the incentive increases enterprise success, the wage development possibilities can also expand.

We are at that phase in economic development where progress can be established exclusively with the intensification of production efficiency. Therefore, incentive to this end is a requirement which we cannot give up. And thus we also need to exploit those resources which are expressed in the different talents of people, in their will and their achievements. All this, however, assumes a differentiation proportional with achievement even if this is still accompanied by problems and conflicts. No one can easily maintain that under our relations it might be easy to evaluate work and achievement in such a way that those affected will in all instances regard it as providing incentive and being just. Since society agrees with the principle of socialist distribution, we must say: it is a difficult but not unsolvable task to adapt this practice in an appropriate way. The economic and political leadership must proceed from the viewpoint that just wages better linked to the quality of achievement has its partisans and supporters, but only if it gains open authentication, that is, if those interested clearly understand the measuring and grading principles and methods.

A more consistent realization of distribution according to work and the development of earning ratios which recognize actual achievement require that the enterprises should pose realistic achievement requirements, that special reward should not be given for the carrying out of tasks deriving from job area classification, that the evaluation of task fulfillment linked to premiums should be consistent, and that the wages should not include socio-political elements.

## Realistic Requirements and Evaluations

The solution of all these things is not simple if we think of our present practice. Achievement requirements do not even exist at many places, or are unequal. There can hardly be clear achievement requirements for the basic wage system, particularly in the intellectual and administrative area. Both from the point of view of incentive and employment policy, support for important requirements serves our goals, however, only if they are correct and well-founded.

A solution is not worth much if it adjusts beforehand the task to the attainable earnings. It is important from the viewpoint of incentive efficiency that the present practice be changed which guarantees everyone--independently of achievement--the attained earnings. We must strive to see that the requirement is linked to earnings as a whole, not only to the surplus. In this respect, we must struggle consistently against the attitude that "wages are due" and it is only worth working for the surplus. We must eliminate the rewards or premiums that are attainable without hard, decent work. It should also be fixed in practice that we do not help the needy with unearned wages but by creating conditions which assure decent wages that are worked for.

The most important task in wage policy is to see that the difference between differing achievements should be more important, as well as between those performing merit and routine work. It is particularly important that we give more incentive to constructive workers, those who have potential influence on the conditions and efficiency of the productive process.

An intensification of economic and political work, no less, is necessary to see that the management does not evaluate the work performed superficially, piece by piece, line by line, but rather by the quality aspect of achievement. This is how it becomes clear that people offer different achievements and thus the wages for their work must also be different.

Selection of the wage form should not be underestimated in defining the direction and strength of incentive. Appropriate pay for achievements requires that progress be faster toward the use of wage forms that provide greater incentives: in the wider use of group wage payments, individual quality wage payments, the various kinds of premium time-wage forms linked to material and energy savings, and the maintenance of standard quality.

The wage system, of course, can be of an incentive nature only if the workers have the possibility of responding to the incentives. Good work performance has both its external and internal conditions. Given an uncertain material supply, a lack of adequate organization, and cooperation problems, it is difficult to give incentive to greater achievements. Therefore the material recognition for achievements means true incentive only if it is based on factors whose development depends primarily on the work of those interested. It is the duty of the enterprise management to create the possibility for continuous use of work time, and the conditions for attaining higher achievements.

6691
CSO: 2500/171

HUNGARY VIEWS EUROPEAN ECONOMIC COMMUNITY

Budapest NEPSZABADSAG in Hungarian 24 Feb 82 p 10

[Article by Miklos Losoncz, associated with the MTA [Hungarian Academy of Sciences] World Economics Research Institute: "The Consequences of EEC's Strategy"]

[Text] By means of its second expansion and the extension of its contract system, the EEC directly and indirectly influences an increasing sector of the world's economy. In the early 1980's the Common Market already tied itself to more than 70 countries by means of bilateral and multilateral international legal agreements of various contents. In 1973, when Great Britain, Denmark and Ireland became EEC members, the Common Market entered into a contract with the EFTA [European Free Trade Association] countries (Austria, Finland, Iceland, Portugal, Norway, Switzerland, Sweden) concerning the creation of an industrial customs-free zone. Creation of free industrial trade is also in progress with Spain and Greece. These two countries and Portugal will become full members of the Common Market in the 1980's, and indeed Greece has already been accepted as a member of the EEC. As a result of these contracts, all Western Europe will be spanned by an industrial free trade zone. With the developing countries of the Mediterranean region (Malta, Cyprus, Algeria, Tunisia, Morocco, Egypt, Lebanon, Jordan, Syria and Israel) the EEC entered into either mutual contracts concerning reduced customs, or ones containing unilateral customs decreased by the EEC, as well as cooperative contracts aimed at developing trade and industrial cooperation.

Trade Policy Contract System

The extent of the Common Market's expansion in the world's economy is well illustrated by the fact that while the export of its six founding countries totaled 23 percent of world exports in 1960, by the end of the 1970's the EEC and the countries which have reduced customs contracts with it, supplied 45 percent of world exports. In 1960, the exports of the six founding countries to each other constituted 6 percent of the world's total exports, but by the early 1980's almost 30 percent of the world's exports were sold within the customs-free zone of the Common Market's contract system.

The expansion of the EEC-centered trade policy contract system, and the increase in that spectrum of the world's economic processes which is directly

or indirectly regulated by the Common Market, also affect East-West relations and due to the intertwining of economics and politics it can also be suitable to exert political influence mechanisms. This is possible in spite of the fact that instead of complete integration, that is, instead of economic-financial union and political union, the Common Market's integration according to the indications continues to be selective. Instead of the entirety of the economic and political spheres, integration encompasses only certain areas of it, and indeed in the political area integration does not exist at the present time even in the selective form, rather, one can speak only about efforts for unity, occasionally taking a unified stand and coordination.

Five Areas

The Common Market's second membership increase just around the corner, and the expansion of the contract system indicate that at this time growth is more characteristic in the breadth of integration, forces active in the direction of expanding in the world's economy prevail, instead of, or in addition to, further deepening of the distribution of work among the member countries.

A consistent Common Market strategy has not developed in the political area because of the differing national interests. The fact that in the most vulnerable areas of the Common Market's integration, in military policy, in financial and energy policy, the development of EEC-level strategy either did not take place, or the attempts at these thus far have not resulted in significant reduction of dependence from the United States of America, places limitations on the Common Market's maneuvering opportunities. On the contrary, in late 1981 and early 1982 this dependence even increased. The United States, under the pretext of the events in Poland, exerted and exerts great pressure on its allies--unfortunately not without results--to shape their economic ties with the socialist countries according to American political considerations.

So far the EEC has achieved its most significant results in economic policy. The foreign economic policy is the best developed element of the Common Market's strategy, the effects of which radiate over to the largest extent to East-West relationships.

Customs rate preferences form the most important element of the storehouse of the EEC's foreign economic policy tools. Expansion of the EEC's preference system affects the exports of the CEMA countries in five areas.

The industrial free-trade agreements between the Common Market and the EFTA countries which did not join the EEC (according to which customs duties and import-affecting taxes on industrial products are eliminated as of 1 July 1977); general UNCTAD [United Nations Conference on Trade and Development] preferences, the amount of which increases every year, assured since 1972 for the finished and semifinished products of the developing countries; the preferences created by the Lome Pact between the Common Market and the 60 developing countries; industrial free trade implemented as of 1 July 1977 between the Common Market and the developing countries of the shores of the

Mediterranean basin; and [fifth], Greece's actual full membership in the Common Market and the impending full memberships of Spain and Portugal. These have significantly increased and are increasing the competitive advantages of products competing with the industrial products and some of the agricultural products of the CEMA countries, and the competitive disadvantages of customs-duty-sensitive industrial products in the Common Market's member countries.

In exchange for the customs duty policy advantages extended by the Common Market, the countries enjoying these advantages (with the exception of the countries of the Lome Pact) have also created preferences for the EEC's member countries on their own markets. As a result of this, the exports of the CEMA countries are placed into a disadvantaged position in the favored developing and Southern European countries as well as on the markets of the EFTA countries.

"Import Regulating" Measures

The competitive position of the CEMA countries was made worse by the sector policy of the Common Market in some branches which are lagging behind in the world economy's structural transformation process, and which belong in the area where there is an international structural oversupply. Import-regulating and -limiting measures were introduced in the textile clothing industry and in the iron and steel industry under the pretext of creating the conditions for an "organized retreat." Pressure will very probably increase in the future to place Common Market-level discriminative measures into effect in other branches which need "protection by the economic policy": in the leather leather, shoe, shipbuilding, and porcellain industries, in some chemical industrial branches which produce certain semifinished products, in the aluminum industry, and in the domestic electronics industry.

The Common Market's contract system, the application of an investment code with which the EEC countries want to insure protection of their capital investments directed to the developing countries against political and economic risks (for example, nationalization), and the system of aid programs which mobilize rather modest resources extended to developing countries which have institutional links, or a contractual relationship with the EEC, create favorable conditions for the investment of private capital by the Common Market's members countries. These factors, even if not to a great extent and only indirectly, nevertheless also have a disadvantageous effect on the CEMA countries.

The full weight of the effect of the Common Market's economic policy will develop in the early 1980's. Some noteworthy trends can already be deciphered from the statistical data. Common Market foreign economic policies make export from CEMA countries more difficult across the board. This can be seen if these exports are broken into products effected and those not effected by the technological-structural changes currently taking place in EEC. The internal increase of the division of labor and the non-CEMA external expansion in sectors effected by the current technological-structural changes exacerbate marketing opportunities for CEMA countries. Import

regulations, selected protectionism in the non-effected sectors, favors granted in these sectors to countries in formal relationships with EEC, and the penetration of low cost products from the LDC [Less Developed Countries] of Southeast Asia and Latin America into the EEC represents further sources of competition for CEMA markets.

8584
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DIFFICULT CONDITIONS FOR INDUSTRIAL FIRMS TO PERSIST THROUGH 1982

Budapest NEPSZABADSAG in Hungarian 17 March 82 p 10

[Article by Dr Marton Peto: "Industrial Enterprises at the Beginning of 1982"]

[Text] The industrial enterprises are beginning the current year amid the same external and internal conditions as last year. The orders which affected the operation of the enterprises--the modification at year's end of the price and regulator system, the preparations for the conversion to the five-day work week, and other measures--did not cause difficulties at the start of the year, and in fact helped to a certain extent. The various orders for economic management, the situation and development of the problematical sub-branches (for example, metallurgy and coal mining), the improvement of the workers' living and working standards, and so forth also improved enterprise working conditions.

The Market Situation

With its survey last August, the Economic Research Institute also judged the possibilities of domestic marketing as favorable and forecast an increase of about 3 to 5 percent for this year. According to KSH [Central Statistical Office] data, the volume of orders in sub-branches which make up most of socialist industry was 4 percent more at the beginning of the year than a year ago. At the beginning of the year about 40 percent of the machine and light industry enterprises that were studied thought the prospects for domestic marketing were better than last year's. A livening of production relations among enterprises is made likely in that demand is increasing within the industry for products meant for further processing. The value of such orders, particularly in the machine and chemical industry, increased by more than 10 percent. As the desired reaction to earlier instructions, the volume of investment-type orders decreased this year, and the volume of orders accepted by the building industry was also considerably smaller.

Market prospects in nonruble trade, according to most enterprises, are more favorable than last year. The volume of orders is 15 to 20 percent more than a year ago, in part because of the relatively low level at the beginning of last year. Forty percent of the 130 enterprises included in the study at the beginning of the year and representing 70 to 80 percent of

the sub-branches judged the export possibilities for ruble account trade to be more favorable than last year, while 18 percent regarded them as less favorable, among other things because of quota problems and contractual uncertainties.

At the time of last year's August survey, the enterprises were counting on a strong export increase in nonruble trade. (Following last year's decline, the metallurgical enterprises were confident of a 60 percent increase.) Competition, however, is increasing on foreign markets, the upswing in the iron and aluminum industry is delayed, and the marketing problems of the chemical and light industry enterprises are also increasing. At the beginning of this year as compared to last year, nonruble orders in the observed sub-branches of industry increased considerably in metallurgy, while in the machine industry the orders correspond to last year's level, and in the other sub-branches there was a decline.

The problems of a nonruble export increase also reflect the views of the enterprises to a certain extent. In August of last year 40 percent of the enterprises that were studied counted on an improvement in the market, while in February of this year only one-fourth regarded the export possibilities as more favorable. The machine enterprises forecast only a slight improvement. In the middle of last year, almost one-half of the chemical industry enterprises that were studied regarded the market situation as an inhibiting factor, at the beginning of this year more than three-fourths. In the light industry the ratio of enterprises judging the capitalist market situation to be more favorable declined. Despite all the problems, information indicates that as the result of the measures and efforts the nonruble exports of the industrial enterprises (excluding the food industry) can be expected to expand according to the plan.

According to the survey conducted in August of last year, the metallurgical and chemical industry enterprises pointed to the market situation and to profitability as the main obstacle to a vigorous increase in nonruble export and the machine and light industry primarily to a domestic material and spare parts supply and manpower shortage. In the view of two-thirds of the machine industries studied at the beginning of the year and more than one-half of the light industry enterprises, the possibilities for domestic purchases are poorer this year than a year ago. The problems of the domestic support industries and the incidental problems of ruble-account imports inevitably increase the nonruble-account import demand which is also increasing in response to other factors.

Production at Year's Beginning

The January 1982 production of socialist industry (excluding the food industry) declined to a slight extent as compared to the relatively larger production of last year. Although it is not advisable to make far-reaching deductions on the basis of the first month's production figures, it is still worthwhile, even though sketchily, to review several component factors of the production development. In addition to other factors, the low January achievement of

ACCELERATED RAILROAD ELECTRIFICATION PLANNED

Warsaw TRYBUNA LUDU in Polish 16 Mar 82 p4

[Article by Tomasz Miecik: "With Electricity Towards Modernity -- Railroad Electrification Rate Doubles"]

[Text] Somewhat in the shadow of the decisions to build a metro in Warsaw and then in other cities of the country, we find the decision for substantially accelerating the railroad electrification rate is seeing the light of day. This is strange, because both these undertakings have a common denominator, the modernization of previously neglected mass transportation based on electricity.

Of course there are various ways of modernizing mass transportation, but in times when nowhere in the world there is overabundance, especially in our country, it is a question of its being effective in technical terms, of its operating to the greatest possible extent on the basis of domestic power sources, of its being as energy-efficient as possible, and, finally, of its being as harmless as possible to man's environment.

Well, electrified transportation meets all these requirements. In the foreseeable future under the conditions of our country, modern transportation is going to be electric transportation.

At the present time in our economy there is no issue more important than thrifty management of raw materials, and this includes energy sources. Many authors have recently written about the metro's advantages in this regard. For this reason we will not go into the related benefits stemming from railroad electrification.

Now, electrification of the PKP [Polish State Railroads] converted up to the present time has produce coal savings exceeding 70 million tons, which means that it completely paid for itself, because the average cost of converting a kilometer to electricity in 1980 was 6 million zlotys. This could be considered a great deal, if we were to forget that the conversion of a line to electricity always involves its basic modernization, improving the safety of railroad traffic, the construction of stations, tracks, and so on.

Analyses of the Electrical Engineering Institute show that, for example, in 1979 because of PKP electrification about 5 million tons of high-calory lump coal was saved, and similar savings were achieved in 1980 and 1981. About 80 million dollars per ton would be paid for this coal on the export market, and this means that we receive therefrom a foreign-exchange benefit of 400 million dollars per year.

At the end of 1981 the PKP had 7,091 kilometers of electrified railway lines. There are still 10,000-12,000 kilometers to be electrified. The most recent decisions of the transportation minister talk about converting a minimum of 300 kilometers of railroad line per year to electricity in 1982-1984. This is an obvious acceleration of the rate at which railroad lines are being converted to electricity, because up until quite recently the plan had a target of 160 kilometers to be converted this year.

Of course specialists enthusiastic about electrification of the railroads were not satisfied even with this step. They say that even at an electrification rate of 800 kilometers per year, the process will last 20 years. Any delay in the electrification of rail transportation is an obvious coal loss. PKP electrification should be treated as a proven, substantial pro-export measure accomplished on the basis of deliveries of domestic electrical engineering industry and of the railroad rolling stock industry by the railroad electrification and power enterprises.

It is understandable that any significant increase in the rate at which the railroad lines are converted to electricity will require that the production capacity of electrical engineering industry be expanded, but there are aspects in that industry itself. The oldest electrified lines have been in existence for more than 30 years and require renovation and replenishment of rolling stock. For example, modernization is needed on lines which were the first electrified and are also the most heavily travelled: Warsaw-Katowice, Przemysl-Krakow-Katowice, Wroclaw-Szczecin, Warsaw-Poznan, and so on.

It is a little trite to recall the old comparison of transportation to the circulatory system of the whole state organism, but owing to the new realities it is worth mentioning that transportation is directly part of three operational programs currently in effect, and that other operational programs, production, and trade, are dependent indirectly upon transportation.

The decisions on the rapid railroad electrification rate therefore come out of these relationships. It is to be expected that in the future we shall still return to these issues, because there is still a far broader problem, that of transportation versus electric power. It includes the issue of urban transportation (mentioned here briefly using the example of the metro), mining and industrial transportation, aviation, electric power on oceangoing vessels, auotmotive electrical engineering,

and the like. What are needed here are new scientific-technical solutions, which the research facilities need to investigate.

We will still hear about these issues for another reason. Specialists in all countries are already in agreement that in connection with the world energy crisis priority should decidedly be given to the development of mass transportation over that of private transportation.

10790
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STRUCTURE, EFFECTIVENESS OF PRIVATE FARMS ANALYZED

Warsaw ZYCIE GOSPODARCZE in Polish No 6, 28 Feb 82 pp 1, 10

[Article by Marcin Makowiecki: "Farms, Large and Small"]

[Text] It would be hard to find two farms that are similar in one village. They differ by size, natural conditions, number of people, which of them are employed, equipment, and what they produce. These differences are very apparent up close, but the farther from the village, the more the picture becomes blurred. On a national scale we most frequently use the most general category--non-socialized agriculture--and the statistical averages that apply to it. Yet the awareness of the differences in agriculture, and not just private agriculture, is extremely important for very many elements of agricultural policy, and for economic decisions also.

Following are two examples from everyday life.

There was the famous case, not too long ago, about the distribution of threshing machines. They were produced in Lublin and distributed through the entire country according to a distribution list, prepared behind a desk. In the western and northern region, where the farms are larger and combine-harvesters are more popular, the demand for threshing machines decreased. Meanwhile, in the east the demand continued to be high. But the "distribution list" did not take this into account. The peasants from near Lublin, therefore, drove for the threshers (produced in Lublin) all the way up to Koszalin or Slupsk.

The story of the raw-materials backup facilities for new sugar factories in Lapy and Ropczyce is also well-known. The sugar factories were built and there were no beets. To grow beets one must have experience, skill, good equipment and a favorable farm structure. And yet according to IER [Institute of Economics for Agriculture] studies, agriculture in the eastern voivodships is typified by lower than average domestic capital goods (by 20 percent), and lower consumption of industrial means of production. A low standard of technical infrastructure also is a brake on development. The farmers there, as a group, contain the highest percentage of persons without vocational preparation, persons who are unwilling to make decisions on innovations in production.

It is no wonder then that sugar from Lapy and Ropczyce was the most expensive in the country. The cost of transporting raw materials from areas where there was a surplus and where a sugar factory had not been built had to be added to production costs. This may have been avoided if at the time the site was being selected economic premises had prevailed and consideration had been given to the regional differences in farming. And such a situation can be corrected only at the expense of extremely high costs.

These two examples clearly show how important a knowledge of the structural, productional and all the other differences between farms and regions is to economic practice.

Poor Structure

The basic differentiation, most frequently noted and described, is the division of farms according to area groups. At one time, the amount of land attested to a farmer's affluence. According to this criterion, divisions were made--in social and political categories--into small, medium and large farm owners. Today many other factors besides the size of the farm determine affluence, but land is the basic means of production in agriculture. It constitutes a potential that can be utilized for better or for worse. The main problems of farm policy revolve around land management.

The agrarian structure of private farming is greatly varied and is subject to constant gradual changes. The data contained in Table 1 reflect this structure. It should immediately be added here, that our statistics are based on two sources of data on the number of farms: general censuses and the annual farm censuses. There are large difference between them. According to the NSP [National General Census] in 1978 there were 2,557 thousand farms with an area of over 0.5 hectares, and according to the June census, there were 3,065 thousand. The difference--half a million farms! According to some agricultural economists, the NSP figures (which we are using in this article) are closer to the truth. Farms were recorded on the basis of actual use of land, omitting those buildings that had already been eliminated but still remained on the books, those farms that had been divided, abandoned, etc.

During the 1970's, in the period between the two general censuses, 1970 and 1978, the total number of farms dropped by 477,000, i.e., 16 percent. A characteristic feature was the more rapid rate of these changes in the medium farm group (5-7 hectares and 7-10 hectares), of which there was 19 and 20 percent less in 1978. But on the whole the changes in the area structure were small, and their tendency turned out to be unfavorable--the share of the largest farms increased only slightly, and the percentage of medium farms dropped.

The forecasts prepared at the Institute of Economics for Agriculture show, however, that there should be an important change in the area structure of private farming by 1985. The total number of farms of over 2 hectares will drop, it is envisaged, 20 percent, and the average farm area will grow to 8.3 hectares. Plots (up to 2 hectares) will constitute a separate group, and their number will increase as a result of transformation of some farms owned by peasant-workers and pensioners and annuitants, and also by reason of land assumptions by families settling in the villages.

Three important conclusions emerge from these forecasts (and the data contained in Table 1):

--the large differences in farms will remain, and not just from the standpoint of area,

Table 1. Anticipated Changes in the Agrarian Structure of Private Farming

| Item | Plots 0.1-2 Hectares | Total Farms | Area Groups in Hectares 2-5 | 5-7 | 7-10 | 10 and more |
|---|---|---|---|---|---|---|
| | | | 1978 | | | |
| Number of farms and plots, in thousands ..... | 1,630 | 1,907 | 809 | 358 | 356 | 384 |
| Cropland area, in thousand hectares ..... | 1,000 | 13,445 | 2,669 | 2,076 | 2,919 | 5,781 |
| Percentage of land in area groups ..... | -- | 100% | 19.9 | 15.3 | 21.7 | 43.0 |
| | | | 1985 | | | |
| Number of farms and plots, in thousands, ..... | 1,800 | 1,526 | 550 | 226 | 310 | 400 |
| Cropland area, in thousand hectares ..... | 900 | 12,700 | 1,650 | 1,560 | 2,790 | 6,700 |
| Percentage of land in area groups ..... | -- | 100% | 13.0 | 12.3 | 22.0 | 52.7 |

Source: A. Szemberg: "Directions of Structural Changes in Agriculture", ZAGADNIENIA EKONOMIKI ROLNEJ, No 1/1981.

--a considerable land area will continue to be used by small-farm and plot owners,

--the socio-occupational category of peasant-workers will remain (40 percent of the potential successors of farm owners have jobs outside of farming).

Some indicators for economic practice also emerge from this. It appears that it is most effective to enlarge the small and medium farms. A 25-50 percent increase in area gives at least a proportional increase in marketable production. Furthermore, this can be attained with 40 percent lower investment outlays than for the largest farms. The production program for small farms is another matter. This is not a new problem.

Without Warning

Reliable information on production figures for farms belonging to the remaining area groups is furnished in data on farm accounting maintained by IER. It should be added that the farms on which accounts are kept produce better than average results (possibly because their owners know the economic rules of farm management). But they, too, are internally differentiated (e.g., final gross production per 1 hectare in the largest-farm group varies from 11,000-61,000 zlotys). Nevertheless, accounting figures give an accurate picture of economic tendencies. Therefore, I encourage all those interested to become thoroughly familiar with the data contained in Table 2. I leave the conclusions to the readers, and confine myself to several comments.

Table 2. Economic Results for Farms on Which IER Accounting is Maintained, in Terms of 1 Hectare in 1978-1980 in Thousand Zlotys (Current Prices)

| Item | Total | Size of Farms in Hectares | | | | |
|---|---|---|---|---|---|---|
| | | Below 3 | 3-7 | 7-10 | 10-15 | 15 and above |
| Gross final production ... | 33.2 | 42.3 | 35.3 | 32.3 | 31.4 | 26.6 |
| Marketable production .... | 28.9 | 31.6 | 30.0 | 28.4 | 29.0 | 25.2 |
| Farm income ..... | 20.2 | 26.2 | 22.3 | 19.9 | 18.4 | 14.9 |
| Total material outlays ... | 23.1 | 28.5 | 24.4 | 22.5 | 22.3 | 19.1 |
| including: | | | | | | |
| from own farming ..... | 12.5 | 15.0 | 13.8 | 12.3 | 11.7 | 9.6 |
| Value of fixed assets .... | 110.7 | 195.3 | 122.1 | 100.4 | 87.7 | 75.3 |
| including: machines ... | 17.7 | 18.0 | 15.3 | 18.8 | 19.0 | 18.8 |
| Net grain sales from 1 hectare in kilograms.. | 46.0 | -205 | -20 | +92 | +97 | +214 |
| Share of hog sales in outflow in percentage .. | 84.4 | 78.1 | 83.5 | 84.7 | 87.2 | 87.4 |

--If we assume as a criterion of management effectiveness the economic results obtained per 1 hectare, then it appears that more favorable results are achieved by farmers of smaller areas (this does not mean, however, that they always provide the farmer's family with the basic material means for existence, precisely because of their small area, hence the wide-spread phenomena of two-job holders in farming). The picture would look different, however, if we were to take as a criterion the profitability of labor of those employed in agriculture. Then it would turn out that the larger farms would be more effective. But at present the basic problem in agriculture is how to use the land and the human labor most productively. From this standpoint, the problem of extreme economic and social importance is that of creating for all small farms the opportunities and conditions for production (realizing that they, too, are differentiated and not all of them can achieve the same level as farms that maintain accounting).

--The present price system, which gives preferential prices for grain, favors the larger farms. Table 2 clearly shows an unfavorable grain balance in the smallest farm group and their dependence on fodder purchases. Assuming that the price ratios now in effect will remain, we should also consider the possibilities of supporting or stimulating production on the small farms by steering them in the right direction. This is particularly important since we still do not have an efficiently functioning system of income redistribution (through taxes, credits, contracts, etc.).

--Small farms have a higher degree of self-supply (the example of hogs, in the table). Maintaining and developing this tendency (profitable, under the present system of retail food prices) would fulfill a positive role from the standpoint of the situation on the food market. We can expect that the role of small farms in feeding the family will increase.

A serious accusation was made against the small farms formerly: they do not produce enough marketable goods. In terms of one farm that was true. But the data given in Table 2 furnish additional information--in terms of 1 hectare (i.e., in terms of land productivity)--this yield of marketable goods is not at all low. Second, these farms always played an important role in supplying themselves with food, especially the two-job-holder people. And so we must reexamine the old popular opinions.

--Small farms have the highest degree of self-supply in means assigned for material outlays. This is a positive sign but at the same time we should not forget that modern means of production are not available to them (for financial reasons).

The structure of production of farm machines and equipment does not take into account the completely specific needs of the small farms. What is produced, by the very nature of things, goes to the larger farms. Nor have services geared to the needs of the small farms been developed. Practically, no forms of group, neighborly use of machines have been developed. This is a serious neglect on the part of our industry and institutions for servicing agriculture. This situation is reflected in the data contained in Table 3, showing the amount of equipment per different groups of farms.

Table 3. Important Machines on Private Farms in 1979

| Item | Total | Number of Farms Per One Machine | | | |
|---|---|---|---|---|---|
| | | 0.5-2 | 2-5 | 5-10 | 10 and more |
| Tractors (phys. unit) .... | 8 | 58 | 21 | 7 | 2 |
| Sowing machines and fertilizer spreaders | | | | | |
| --tractor-drawn ..... | 57 | 2,011 | 390 | 72 | 11 |
| --horse-drawn ..... | 37 | 576 | 99 | 27 | 10 |
| Grain sowing machines | | | | | |
| --tractor-drawn ..... | 54 | 1,053 | 260 | 61 | 11 |
| --horse-drawn ..... | 4 | 57 | 7 | 2 | 2 |
| Combine-harvesters ..... | 306 | 11,566 | 31,971 | 535 | 53 |
| Sheaf-binders | | | | | |
| --tractor-drawn ..... | 33 | 1,724 | 275 | 38 | 6 |
| --horse-drawn ..... | 70 | 1,601 | 360 | 51 | 18 |
| Reapers ..... | 31 | 732 | 108 | 20 | 9 |
| Mowers | | | | | |
| --tractor-drawn ..... | 29 | 391 | 91 | 30 | 7 |
| --horse-drawn ..... | 4 | 44 | 6 | 2 | 2 |
| Threshing machines ..... | 13 | 154 | 296 | 9 | 4 |
| Potato digging machines | | | | | |
| --tractor-drawn ..... | 33 | 590 | 145 | 36 | 7 |
| --horse-drawn ..... | 4 | 41 | 6 | 2 | 2 |
| Electric steamers ..... | 8 | 93 | 16 | 5 | 3 |
| Container-type milking machines ..... | 30 | 1,261 | 236 | 31 | 6 |

Source: "Non-socialized Agriculture in the Food Economy," Main Statistical Office, 1981, p 43.

--Finally, a methodical comment. The IER accounting studies are of a representative nature, thus the conclusions drawn from them may apply to agriculture as a whole. They show the general differentiation of farms, the growth rate of economic phenomena, and also the internal differences in groups of farms (e.g., they show that 10 percent of the farms achieved the lowest final production, 17,000 zlotys per hectare, and 10 percent achieved the highest, 57,700 zlotys per hectare.

This is a very important observation for it suggests that it is necessary to apply elements of some differentiation of general principles of agricultural policy in relation to farms of different areas and profitability. This would have both an economic and political importance and would also have a bearing on a more specific determination of the structure of the means of production for farming. In the 1970's, due to the one-sided preferences granted to large-commodity farms, the conditions for the political and economic functioning of small farms deteriorated, the gap between receipts grew, and as a result, the sociopolitical conflicts within agriculture also increased.

Small, But Important

Proposals concerning small farms in no way violate the basic principles of the policy of concentrating land and production, the development of highly productive modern farms, which on a mass scale determine progress in agriculture. But the problem of small farms exists and it cannot be circumvented. Actually, not much can be added to the suggestions made several years earlier (there were even some official government decisions). Only we now have a new economic situation and thus it is necessary to define a structure of production which would be appropriate to the economics of the small farms under these new conditions. Obviously this cannot be a single model for duplication.

Until recently it was believed that small farms are predisposed primarily to the development of intensive (labor-intensive) livestock production. Now, with the new prices for grain and fodder, this opinion must be reexamined. But can this production be ruled out? This requires a more detailed study and there will be no answer to this in this article.

However, I would like to formulate a certain general principle. A structure of production should be proposed which will facilitate selection of the variant most applicable to the capabilities of different farms. On the small farms (most often two-job holder-type) courses of action that may be appealing may be those that will guarantee that two conditions will be fulfilled: attainment of a high income for a unit of work (in view of the competitiveness of paid work outside of agriculture) and assurance that the family will be supplied with food.

At one time, several years ago, instructions were written on how to start a small farm. The problem remains current, but the functions of these farms under the new economic conditions have definitely undergone a change. Whether the proposals made then on vegetable-horticultural production, the growing of herbs and seeds, the production of hogs, eggs, rabbits, etc., are still current, it is hard to say. This should be again assessed. In any case, the farmers who are interested in this are doing so. But we cannot leave everything to them alone.

The courses of production that are determined should be supported by the state and the institutions that service agriculture, taking action in two basic fields: developing a system of entering into contracts for agricultural products that is of a productive nature and initiating the production of indispensable machines, tools and equipment and the remaining means of production, particularly those whose supplies have been so drastically reduced in rent years.

9295
CSO: 2600/386

# PROBLEMS IN CHEMICAL, LIGHT INDUSTRY DEVELOPMENT DISCUSSED

## Raw Material Shortage

Warsaw TRYBUNA LUDU in Polish 2 Mar 82 p 5

[Interview with Prof (doctor, engineer) Edward Grzywa, minister of the Chemical and Light Industry, by Andrzej Leszczynski: "Will There Be Anything To Put Into the Chemical Retort?"]

[Text] According to common notions, the chemical industry is a large kettle into which various ingredients are thrust in order to subsequently extract from it, hundreds and thousands of products, semi-finished products and preparations; those which serve people in everyday life: aspirin or shampoo, just to give an example, or articles which are indispensable for production processes such as the proverbial seal, bakelite cable shielding, glue or chemical fertilizers.

The only problem is that, currently, this variety of chemical components is becoming more and more difficult to obtain in Poland. Debts and restrictions undertaken towards us limit purchases on world markets. How will the chemical industry develop under such difficult conditions? We are discussing this subject with the Minister of the Chemical and Light Industry, Prof [doctor, engineer] Edward Grzywa.

## The Effects of Dependence

[Question] How do you intend to manage under such extremely complex conditions, all the more difficult that, as the saying goes in Poland--Mendeleev's [Mendelejewa] table has not been buried?

[Answer] If it were only a question of Mendeleev's table which barely contains some one hundred odd elements! However, there are some four million known chemical compounds in the world today! A considerable portion of them have a vital and, at times, fundamental meaning for the economy. Who does not have them and does not know how to produce them or does not have the technical capacity for it, must buy them on world markets...

[Question] And what about us, Poles?

[Answer] We could be in a condition to produce many things, although, not everything. Meanwhile, in years past, the chemical industry was not developed properly, in proportion to the needs. As a result, we were becoming increasingly more dependent on foreign countries for our raw materials. There would be nothing wrong with this, however...

In spending money for the purchase of particular raw materials or products, it is necessary to concern oneself with making the money to pay for them by selling others. Otherwise, one falls prey to a one-sided dependence. Unfortunately, because of the lack of an adequately trained production apparatus, we have not been able to avoid this peril whose effects we are feeling very painfully.

With drastically limited funds--out of necessity--for foreign purchases and the resulting from this, shortages of raw materials, the chemical industry's production in January of this year was 16 percent lower than in January of 1981. Production is decreasing and this is not only our, ministerial problem.

Substitutes but of Standard Value

Thus, when the chemical industry limits its production, this is carried over with avalanche force to the entire economy. Automotive plants begin to feel the shortage of seals, lacquer and materials. Shortages of glue and of paint cladding slow down the work rhythm of furniture factories. A shortage of oil lubricants and gasoline--paralyzes transport, etc.

[Question] How do you, then, intend to combat falling trends in these difficult, crisis conditions?

[Answer] There is a program in the works. Its general assumptions have been approved by the Economic Committee of the Council of Ministers. In March of this year, we are to submit its complete, documented version.

[Question] Let us, then, talk about, at least, the general directions...

[Answer] You compared the chemical industry to a pot into which various ingredients are thrown. It is enough to run short of one [ingredient], and this being in small amounts, to shatter the hope of producing a particular substance or product. For example, without a, so-called, rubber accelerant there will not be any seals, rubber footwear or tires. Usually, it is matter of merely a dozen or so and, at the most, several hundred tons of this particular preparation.

We have begun searching for possibilities of taking on the production of substitute agents without excessive costs and with minimal investment outlays, in place of those which, up to now, were imported from abroad--substitutes but of standard value. This requires the switching over of scientific-research facilities to work of greater practical service in the immediate future. Initiatives on the part of plants are also essential. By making use of our

domestic potential of knowledge and, as I have already said, with small investment outlays, we have a chance of considerably decreasing our dependence on the import of supplies.

[Question] And what would this mean for us, shoppers, in our search for soap, shampoo and detergents in the stores?

[Answer] It would give, for example, hope for a market better supplied with shampoos. Admittedly, we cannot conjure up coconut oil domestically, which is essential for their [shampoo] production, however, we probably will be capable of producing other substitute components. This is to be ensured by the cooperation of the Institute of Industrial Chemistry with the firm "Azoty" in Kedzierzyn.

Work is also being done in Kedzierzyn on hydrogenating rape seed oil so that it may be used instead of the imported tallow in the production of soap. In Paczkow, on the basis of new formulas, we have begun the experimental production of liquid detergents in place of powders. This is not only a question of selecting different ingredients but also that of saving energy. There are already, many such initiatives...

In Order to Buy, We Must Sell

[Question] Let us assume that it will be possible to, in this way, activate the production of several hundred or even more components. However, as you have said yourself-- we will not achieve raw material self-sufficiency...

[Answer] Indeed. It is difficult to think realistically, at the present time, about substitutes for crude oil or gas, for example, or phosphorite. Without, gas for example, we cannot manufacture chemical fertilizers. That is why, the second course of our activity is export. In order to have possibilities of purchasing essential but unavailable to us, raw materials, we must sell what we have, what we know how and are able to produce.

[Question] But do we know how and are we capable?

[Answer] We are capable of a lot even though export possibilities are limited by inadequately developed production strengths of the chemical industry. We are not developing them now under crisis conditions.

[Question] We do not have the funds for it and we must export. How, then, will this be done?

[Answer] Export will have to be expanded, unfortunately at the expense of deliveries made to the country. However, under no circumstances, can this affect medicine and remedies for the maintenance of cleanliness and hygiene. What I do have in mind, however, are certain kinds of dyes, substances and processed petroleum products. This will be necessary.

Without exports and deprived of the means for purchases from abroad, we will systematically lower production and the entire economy will wither along with

us. This dwindling curve has to be turned around. I am not talking about growth, for the time being. At the end of the current year, we would only like to achieve a return to the level of production at the end of 1981.

[Question] Only so much and yet so very much...

[Answer] Indeed. It is easy to fall but it is extremely difficult to make up for losses. We are, at the same time, counting on a helping hand from socialist countries, in terms of emergency relief and a mutually profitable exchange of raw material surpluses but, above all, we are counting on integration for the continued tightening of cooperation between CEMA countries in obtaining and utilizing raw materials. I will add that Poland has unlimited production potential to offer which has been left unused due to a lack of raw materials. I will not expand upon this broad subject but I would like to stress that we consider cooperation with socialist countries as an extremely important element of our program.

Raw Material Priorities

[Question] What other activity have you envisaged besides this?

[Answer] The fourth direction of research is based on the optimal application of raw materials. If, for example, we do not feel a shortage of polyethylene, then the thing is to use its meager supplies for the production of goods which the public needs the most, as for example, for foil in agriculture.

Proper selection will have to be made giving preferential treatment to the health services, agriculture and cleaning remedies.

The same will hold true for the light industry. Diminished supplies of cotton or man-made fibers will have to be intended for the production of goods which are the most sought after on the market, as for example, clothing for children and youth. Instead of buying ready man-made fibers, it would be more advisable to import raw materials for their manufacture in order to produce specific kinds which are the most suitable for us.

The conditions in which we have found ourselves force us to revaluate antiquated canons and rules. Greater flexibility, creative ingenuity and inventiveness are necessary. They are essential for getting off the slumping trajectory of the crisis and regaining our balance.

## Production Shortcomings

Warsaw ZYCIE WARSZAWY in Polish 3 Mar 82 pp 1, 2

[Interview with Prof (doctor, engineer) Edward Grzywa, minister of the Chemical and Light Industry, by Henryk Chadzynski: "To Free Ourselves From Helplessness and Hopelessness".]

[Text] [Question] As opposed to your predecessors, you cannot complain about a lack of interest in the chemical industry on the part of the government's leading authorities. Just before you took over the office of Minister,

aid for the chemical industry was the topic of deliberations of the Economic Committee of the Council of Ministers. Your predecessors complained that as opposed to the machine industry, with which everyone is familiar, the chemical industry is a closed-in field. Indeed, ministers changed but the attitude towards the chemical industry remained the same and today, the entire economy feels the effects of this. What sort of program do you, then, have for rescuing the chemical industry and, thereby, the economy?

[Answer] In my opinion, the emergence of the entire economy from out of the crisis should start with the chemical industry because as it appears from press information, the lack of chemicals makes the production of the entire range of semi-finished and industrial products--impossible. If an agricultural piece of machinery is produced, it cannot be sold without lacquer [unpainted] and the same applies to furniture. When there is a shortage of pesticides--a significant portion of the farmer's work goes to waste. Without chemicals, work in other fields is ineffective or even simply impossible. Today, the authorities are aware of this but the total lack of funds makes it nearly impossible to supply the chemical industry with raw materials, particularly, those which must be imported. In turn, the chemical industry simply stops the economy. I speak of this so that someone will not accuse me of local, ministerial patronage [patriotyzm]. Today, a spokesman for the chemical industry is a spokesman for the entire economy. Therefore, I am suggesting as a remedy, something that is very unpopular with the public, especially, with regard to the chemical industry and the light industry, namely, export. Indeed, as is proclaimed by ZYCIE WARSZAWY in the title of its series of articles, we must export in order to live; export in order to ensure funds for the chemical industry and chemical products for the entire economy.

[Question] But, after all, there exists an operational export program?

[Answer] We are trying to carry out in full, tasks for the chemical and light industry which result from this operational program. However, it seems to us that for our economy to function normally, we must export more than is envisaged by this program. We would, however, like to appropriate the income from this extra export for our own import of raw materials and semi-finished products--not for the ministry of which I am in charge but with the needs of others in mind; with the mining industry, the machine industry and basic market goods in mind. After all, we are aware of the fact that if we do not deliver our chemical stock, which sometimes constitutes a several percent share, then as a result, we will not produce many of the most urgently needed products in areas of importance.

[Question] However, at whose expense do you want to achieve this export? After all, in order to send something abroad, you will have to take away from someone, something from this already very meager supply.

[Answer] I do realize that the entire operation would be carried out at the expense of supplies for our country's consumers but only for a certain period of time. At the same time, however, it should be realized that if we do not do this in a way which has been planned, then, shortly we will not have these products anyway because the coil of import restrictions is becoming increasingly

tighter. Therefore, it is necessary to undertake a decision so that the extra export effort of the chemical and of the light industry will create import possibilities for our factories. Someone may say that this tends towards anarchy. However, quite the opposite is true. We must decide what the country cannot do without. Having certain minimal funds for import at our disposal, we could minimize many losses for the economy.

[Question] Is it possible for the ministry, of which you are in charge, to take advantage, to a greater extent, of the cooperation with socialist countries?

[Answer] I feel that we are not availing ourselves of the possibilities which are offered by closer cooperation with industries of CEMA countries. Recently, we have done much so that raw material supplies from these preparing for import. Perhaps this reversal is not progress but it does make it possible to survive and continue production in many areas. This is often an initiative of industrial plants which wish to show that it is possible to extricate oneself from helplessness and hopelessness.

[Question] Could you cite some examples?

[Answer] We all know how bad things are with the supply of detergents. We cannot increase their production because we lack imported raw materials. Initiative is, therefore, valuable for the designing of four installations which would produce not washing powders but liquids. These liquids have the same washing capacity but require less imported agents. They are less expensive investment-wise and not so much energy has to be wasted for the evaporation of water. A leader in this field is the industrial combine in Kedzierzyn which has taken on the production of one of the important components for three other plants.

Another example are pesticides whose shortage is generally felt. We have two major manufacturers: the "Azoty" production plants in Jaworzno and the Chemical Plants in Sarzyna. Modernization work has been undertaken inthese plants which together with some small investments, will enable the production of detergents which have been available until now. There is a lack of them at present because there are no others. For example, 350 tons of a fungicidal preparation, so-called, cuprite [miedzian]--have been produced in Jaworzno. It was anticipated in advance that perhaps even 1,000 tons of this preparation would go. In Jaworzno and in Sarzyn, the decision was made to produce 1,500 tons and at the present time, it is estimated that this entire amount will be bought up since there are no other preparations. We would, therefore, like for there to be, at least, adequate supplies of cuprite from Polish copper and that it be available in every store which supplies farmers and gardeners. A fungicidal preparation may appear to be a trivial matter. However, not everyone realizes that because of fungi caused plant diseases, nearly 25 to 30 percent of crop yields are lost.

[Question] When will these efforts be felt?

[Answer] I believe that already in 1982--to a significant degree and in full force by next year. For example, a different pesticide has already been put

in motion, a so-called, line sulphur. This is not some sort of scientific achievement; this product has been known for decades. However, due to the lack of other preparations, farmers will gladly accept this agent. I believe that the plants in Sarzyn, which estimate the production time in weeks, will manage to have their deliveries ready before this year's sowing activity.

[Question] Are there any plans to make more intensive use of your own scientific research?

[Answer] This is a very important item in our program. I believe that in a time of crisis, a closer association between research facility and production is a necessity. We must not say that we lack the funds for research but instead we should correct the program so that this research will be useful and will give rapid results. We must also not forget about the future because, after all, we will have to live off that which we create. It is difficult to talk about everything here; I can only state that the possibilities of using modernizing processes in factories as well as in scientific institutions are enormous. We must activate--and this is already being done--small-tonnage production. It is expensive [as published] and replaces imports.

[Question] When will the industry, which you are beginning to manage, be able to raise itself from the bottom?

[Answer] If our plans are successful and this also depends on the decision whether we will obtain the right to funds from our additional export, then, visible effects will already be possible during the course of the current year. Above all, there exists the possibility of maintaining production at last year's level. Perhaps this may seem as not a very ambitious task. However, in January and February of this year, production fell by 16 percent as compared to the same period last year. In my opinion, things may become even more difficult. That is why, escape from this tightening noose of reductions is an extremely ambitious as well as difficult task since it signifies the halting of a falling trend and, after all, on this depends the possibility of starting the climb upwards again.

9853
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DEPUTY MINISTER OF AGRICULTURE ADDRESSES OLSZTYN VOIVODSHIP GROUP

Olsztyn GAZETA OLSZTYNSKA in Polish 2 Feb 82 pp 1, 4

[Article by Prof Jan Zaleski on agricultural problems: "We need 18,000 tons of grain per day but we can procure only 6,000 tons."]

[Text] On 28 January 1982 Prof Jan Zaleski, deputy minister of agriculture, participated in the meeting with activists of the peasant movement in Olsztyn Voivodship. The participants included: leading private farmers, managers of socialized agricultural units, qmina [parish] directors, economists and scientists from the Agricultural-Technical Academy. The topic of the meeting was "Economic Reform in Agriculture." The chairman of the WK ZSL [Voivodship Committee of the United Peasant Party] Wincenty Stelmaczonek, who was conducting the meeting, claimed that the main current goal for ZSL [United Peasant Party], including the Olsztyn ZSL organization, is: restoration of social stabilization and maximum fulfillment of food requirements for the population. "As a peasant party of People's Poland, our duty"--said the chairman of WK ZSL--"is to represent and defend the interests of peasants and to coordinate them with the interest of the entire nation." This goal is to be accomplished through new legislative and economic initiatives in the peasant movement that will strengthen private agriculture, develop the agricultural means of production industry and create a normal rate of monetary and goods exchange.

At the beginning of his extensive statement, Prof Jan Zaleski described the current food situation in the country as very complicated. As a result of the Western countries' embargo, as well as suspension of monetary credits, Poland has to face an increasing deficit of grain. The daily need of grain designated for direct consumption by the people (bread and grain products) is 18,000 tons. On the other hand, the daily procurement of grain, which is delivered immediately for consumption, is only about 6,000 tons. The deficit is supplemented through emergency imports from the Soviet Union, which due to bad harvest conditions last year, is importing large quantities of grain also. Relatively small quantities of grain are imported from Czechoslovakia and the GDR. These countries, which are easier to help us, have introduced drastic savings in grain management for themselves. We are negotiating certain quantities of grain imports from Romania. It is possible to import 300,000 tons of grain from Canada; however, this will become real after the ice melts on the St Lawrence River.

All attempts of this kind, however, will not satisfy our need for grain. Therefore, the Ministry of Agriculture is undertaking actions to decrease the use of grain for fodder purposes. We are decreasing production of feeder cattle and are stopping almost completely the production of broiler chickens. As a result of these measures, the consumption of meat will have to be considerably reduced. It is envisaged that, in the current year, it will be an average of 57 kg of meat per capita.

The most important matter for fulfilling the current food requirements in Poland is to be the national grain loan. As a result of its implementation, we expect to collect a million tons of grain. In exchange for the grain loans, the farmers receive bonds which they will be able to cash in subsequent years (according to current prices). The bonds will bear 7 percent interest annually. Professor Zaleski devoted a major part of his statement to economic reform in agriculture. This reform will be based, as it is for the entire national economy, on principles of independence, self-government and self-financing. These principles were always valid in the private sector of the economy. Introducing them in the socialized economy will assure standardization of economic principles throughout agriculture. The main foundation for agricultural production growth is its profitability. Adjustment of so-called producer prices for basic raw materials to the level of world prices and application of the principle of profitability for production in industry has caused a price increase for agricultural means of production. This increase, however, together with raising of the farmer's cost of living, will be compensated by an increase in procurement prices.

Increasing the value of the basic means of production, i.e., the land, must be an integral element of economic reform in agriculture. The price of land will be variable and closely dependent on the average price of grain. It is envisaged, for example, that a hectare of first-class land in the rural zone will be equivalent to the value of 110 quintals of rye, and one hectare of fifth-class land will be equivalent to the value of 26 quintals of rye.

The mobilizing factor for utilization of the land is to be a higher land tax. A system of general contracts is to provide a closer link between agriculture and the manufacturing industry and the capability for fair distribution of the means of production in the current, difficult economic situation. Contract prices for agricultural products will be 10 percent higher. Allotments of the means of production will be based on the quantities of sold products within the contract framework. For example: artificial fertilizers are envisaged to be allotted in the following quantities: 0.6 kg NPK (nitrogen, potassium, phosphorus) for 100 kg of grain; and 30 kg NPK for 100 kg of hogs for slaughter. Other examples of allotments include: 200 kg of coal for one porker; and 200 kg of coal for 1,000 liters of milk. An increase in the allotment of coal for residential purposes to the rural population is envisaged. In the future, as the industry of agricultural means of production develops, this system will include also tractors and machines. Professor Zaleski talked about an extensive government program to intensify Polish agriculture. In the next few years, in spite of investment constraints throughout the economy, financial means will be allocated for the agricultural-machinery, fertilizer and chemical-agent industries, land reclamation etc. Talks are being held with foreign companies

to let them utilize temporarily the big stock-raising farms, which are not being utilized dur to lack of fodder. Putting these farms into operation surely would not increase our food supplies, but it would keep the farms in operation, provide jobs and create a certain source of foreign-exchange income. After Professor Zaleski ended his statement, a lively discussion developed. There were many questions and proposals in regard to matters, such as: sowing-seeds, which apparently may be obtained only within the framework of exchange in proportion of 100 kg for 120 kg of grain; construction of apartments for retired farmers that would allow occupation of their buildings by the new owners; decrease in the land-tax for those who exceed a certain level of production; integration of land that apparently will be free of charge, no matter on whose recommendation it will be implemented; determination of the bond value for a national grain loan in regard to the means of agricultural production, such as tractors or other machines; and elimination of waste in industry producing the means of production for agriculture. For example: why should we produce only small milk containers, if by producing large ones we can save raw material and energy.

Professor Zaleski, in answering questions, said that "the Ministry of Agriculture will consider all proposals. In this way, decisions will be more correct and precise."

At the end of the meeting, the chairman of the WK ZSL, Wincenty Stelmaczonek, appealed to all participants to discuss widely this matter in the rural circles of ZSL. "I wish," he said, "that our work in explaining the problems of economic reform in agriculture was reflected in an increase of grain procurement and in the growth of farm production in all specialties. Our state should become self-sufficient in food production."

9905
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## TYPICAL DAY OF RADOM GOVERNOR GEN URBANSKI DESCRIBED

Warsaw ZOLNIERZ WOLNOSCI in Polish 6-7 Mar 82 p 4

[Article by Capt Bronisław Hynowski: "A Governor In Uniform--Such Is One Day"]

Early in the morning they are hurrying to work. The streets of Radom are waking up. The crowds arriving from the train and bus depots make their way to city transportation stations. Some of them go on foot to [their industrial plants, bureaus and offices. The street scene intensifies after 7. Now school children and teenagers with backpacks hasten to their daily obligations. At this same time every day, before the Voivodship Office, it is possible to run into the governor--in the green soldier's uniform of an officer. What is his day like?

0730 Hours. The governor of Radom, Col (Eng) Alojzy Wojciechowski, arrives at the office. Greeting the workers on duty, he asks about the most important events that occurred during the night hours of the administered region. This time, the reply need not be anxious and sounds like a military report.

"There were no important incidents."

Taking his coat off in his office, the colonel looks at the desk. Several folders are already waiting there. It is his correspondence--official papers and letters from citizens. Those things that require him to familiarize himself with them or require a particular decision. There are also regional reports, selected news items as well as orders for him to sign.

### Something More Important

"I don't like to be behind in anything," says the officer, "but I didn't manage to settle down to this yesterday. There was, simply, something more important: a joint session of the executive KW [Voivodship Committee] of the ZSL, [called to discuss] the subject of the disposition of the agricultural management in the voivodship for the spring season. We examined the possibilities of fulfilling the tasks issued by the governing PZPR Central Committee Political Bureau and the Presidium of the ZSL Supreme Committee in

the matter of the comprehensive farm policy problems in agriculture and food management. Nowadays, these are unquestionably crucial matters in every voivodship and in every gmina [rural parish]...

The minutes pass swiftly. Sipping demi-tasse, the colonel turns the pages of one message after another. He notes something from some of them into his calendar. He puts each one in order by an appropriate decree.

0800 Hours. Work at the Voivodship Office begins precisely now. The shrill ring of one of the many telephones breaks the silence in the governor's office. The secretary informs him that someone has arrived from the gmina of Jedlina-Letnisko, with business to settle, and urgently wishes to meet with the governor on a personal matter.

Today is not a day for appointments. Colonel Wojciechowski glances at his watch, at his appointment calendar and at the pile of documents still waiting. He quickly estimates and responds orally:

"Even in an office one must first be a human being, and only afterwards an official. If a citizen has already taken the trouble in a certain matter [to go] expressly to a voivodship office, then what else can one do if not receive him, hear him out and, as much as is possible, take care of it."

The client begins with the words: "Mr Governor. I've already been everywhere, I have various decisions, but they haven't been taken into consideration..."

The colonel listens calmly. By means of an inter-office communication system, he calls one of the vice governors. He relegates the settlement of the citizen's grievance to him, and takes the opportunity to point out the pressing need for restoration of law and order in all dependent administrative organs as well as the complete enforcement of the rulings of primary organs.

For a few minutes he returns again to the reading matter and to the analysis of the documents lying on the desk. It is getting on toward 9 o'clock--[the hour for] which a meeting of the Voivodship Defense Committee has been set.

WKO [Voivodship Defense Committee]

At 0857 hours the governor walks over to the briefing room. He shakes hands with newcomers to the WKO meeting, among whom are, the minister of the National Defense Committee, the chief of the WSzW [Army Security Service], and the commandant of the voivodship MO [Citizens' Militia]. The meeting begins punctually at 9 o'clock. In the first part of the deliberations, the president of the voivodship tribunal and the voivodship procurator assemble before the WKO members information on the subject of the state of public order and security, as well as the activities of organs represented by them during the period of martial law.

It appears from this that, at the present moment, there are no matters concerning offenses against martial law decrees. However, crimes committed

against property by juveniles, and not infrequently by schoolboys from schools above the elementary level, are frequent.

In the course of the discussion, questions regarding the means of combatting the effects of crimes as well as forms of preventative actions undertaken are presented. The KOK Plenipotentiary Gen Bde Mieczyslaw Urbanski stresses that the information obtained directly from the people through the offices of the military commissioners assures the possibility of the fullest appreciation of an actual state of public order and security in places of employment as well as in voivodship gminas. Yet only joint actions by the public prosecutor's office, the judiciary, the militia and active members of society can bring about the anticipated results.

The Voivodship MO Commandant Col Dr Kazimierz Otlowski differs with the opinion of the procurator, that the best preventative action is the efficient prosecution of perpetrators of crimes, though he also sees the need for development of more intensive preventative measures in the area of schools, boarding-schools and industrial plants.

The WKO chairman, summing up this part of the deliberations, emphasizes that the committee, raising the foregoing problem in its session, does not intend to interfere with the independence of organs of justice. However, he remained obligated, because of the collective opinion, to call attention to overly long and ineffectual procedural actions relating to some perpetrators of crimes which are inappropriate especially during martial law and those laws relating to it.

Review

The break lasts only 5 minutes. At 10:30 the second part of the deliberations begins. The governor informs the committee members of the rules passed in the voivodship on the strength of the military experience and the review of the cadre. In the first stage he includes the heads of gminas and managerial cadre of the Voivodship Office in virtue of the results of the work obtained in 1981. The implementation of the socio-economic tasks as well as organization and discipline in labor is especially taken into consideration.

The result was that in the first stage of the review the majority of the heads [of gminas] received positive evaluations. With several heads it was decided to conduct admonishing talks, calling attention to the irregularities occurring in those regions administered by them. It was not dispensed with and on this occasion, without any compulsion, they were recalled from the positions they occupied. The reasons were: offenses against and failures in the fulfilling of basic responsibilities toward the citizens.

In the course of the discussion about cadre problems in the voivodship, the WKO members devote much attention to the question of training as well as various forms of professional training for administrative workers, at least in the interpretation of the codes and new orders.

"The introduction of a complete inspection of gminas, likewise following the military example," says Governor Wojciechowski, "should bring a broader and fuller picture of the evaluated cadre in the administered region. We will conduct such inspections without any prior announcement, simultaneously in all institutions and units operating in gmina regions. Ten special subcommittees will analyze the [following] matters: agriculture and food management, architecture, trade, planning, education, culture and upbringing. Issues relating to the moral-political state, labor discipline, prevailing moods among both civil servants and the public, and the relationship between the authorities and the citizens will not be neglected.

"This means not only ascertaining causes and effects of irregularities eventually discovered in the activities of the units inspected, but at the same time recommending methods as well as measures to help eradicate them [the irregularities]. This cannot be allowed to spread excessively over a period of time. The team has a maximum of 3 days from the end of the inspection in which to produce the report and the analysis of the po post-inspection results."

Information from the Voivodship MO Commandant on the state of discipline in the Radom region is traditionally the final point in the Voivodship Defense Committee session.

How Much Procured?

12 noon. Colonel Wojciechowski returns to his office. On his desk is the latest information on procurement results of the previous day: hogs, cattle, dairy and grain. The first three items are gratifying. The numbers indicate a considerable surpassing of scheduled quantities. On the other hand, continually too little grain is procured, although over 12 percent more was procured in the first 2 months in comparison with last year.

"In our region," says the governor, "there are many specialized farms. [We have] orchards, gardens, vegetable gardens, yet they will not sell us grain; but our produce is also essential to society..."

1300 Hours. Dinner in the canteen. Standard fare. Sour soup, fried fish, potatoes, sauerkraut salad and stewed prunes.

At 1330 hours, the colonel is once again at his desk, analyzing the contents of the remaining documents. Being impartial, one has the impression that an inexhaustible stream of correspondence flows through this office. Not knowing its contents, it is difficult to form any kind of comment.

At The Plant

1400 Hours. The governor visits the Tobacco Industry Works, producing over 30 percent of the national cigarette production for the market. He himself does not smoke cigarettes, so what could possibly interest him in the "tobacco works"? There is a brief conversation with the plant director, the

secretary of the KZ [Works' Committee] of the PZPR and the military commissioner. The questions concern communal problems and the transportation of workers, their apartments, means of subsistence, and social living conditions at the enterprise.

For over half an hour, the governor familiarizes himself with successive divisions of production. He speaks with people at various work stations. He asks about the conditions, wages, and about organizational and social matters. He takes an interest in the provisions at the buffet and the means of distributing these provisions to the divisions. There can be no buffet here and there are no queues here because then the daily production would not amount to nearly 115 million cigarettes and, after all, women constitute the majority of this personnel.

"Mr Governor," says one of the female workers who, upon seeing the colonel in his uniform, walked away from the conveyer belt for a moment, "I have a personal question. I am raising 2 children by myself, and I work on 3 shifts. Could I speak to you about this?"

"Please come to the office," is the reply given. "Only please tell me which day and hour is most convenient for you."

The time is settled. The woman, a little happier, returns to the conveyer belt. The governor familiarizes himself with the repair bench production which, within the scheme of anti-import activities, fulfills about 80 per cent of the spare parts brought in with foreign currency. However, there is a prevailing atmosphere of an intense crush in the workshop. Machines are too close to each other. There is already no room to place new ones. Locating in a new, larger workshop is needed. This would make our tobacco industry considerably more independent from foreign contracting parties. A view for oneself [of the plant] can best add to a sound familiarization with the sphere of the requirements of this plant.

1630 Hours. There are no more clients in the Voivodship Office lobbies. Silence prevails. Col Eng Alojzy Wojciechowski returns to the examination of matters put aside on the desk. They cannot be left for the next day.

The calm lasts a dozen or so minutes. The telephone breaks [the calm]. An anonymous caller has an important matter to relate only to the governor. However, he does not want to reveal his name. The colonel therefore proposes a visit to the office.

Supper Out Of A Can

By 1900 hours, he manages to look through the local press and jot down in his notebook the most important news about the voivodship. With his briefcase full of various documents, the governor hurries to the hotel to catch the main edition of the television daily news program. Supper out of a can, a chunk of bread, and personally brewed tea is the last meal of this day. Afterward, there is still the reading of those notebooks brought in his briefcase. Where did they come from? What is in them?

In the course of a short period of time fulfilling the duties of governor, the colonel ascertains that about 7 thousand clients passed through the office, of which nearly 80 percent should have been directly handled in the gminas. He resolves, therefore, to change this state of affairs as quickly as possible and to bring the office closer to the citizens. Now, the voivodship representative must be in every gmina one day out of every month. The appointed times are fixed in advance and are posted in offices in the gminas.

And the notebooks? Well, of course. In them, travelling representatives note down grievances, complaints and rebukes submitted by rural and urban residents. They are a reflection of the problems and moods of the gmina communities and a visiting-card, in a fundamental degree, of the work of state administrative offices.

The curfew hour is approaching. The dark windows in a majority of the apartments testify that their occupants are resting peacefully. In the hotel room, the governor of Radom continues with the reading brought from the gminas. Tomorrow morning he will once again appear before other workers in the office. What will this next day be like?...

9891
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CONSTRUCTION MATERIALS INDUSTRY TO REDUCE CONSUMPTION

Bucharest ROMANIA LIBERA in Romanian 23 Feb 82 pp 1, 5

[Interview with Marin Cristea, deputy minister ofthe forestry economy and construction materials, by Corneliu Antim]

[Text] [Question] The current economic context has restricted the scope of investment projects, at least for construction-assembly jobs. Could you be specific as to what effect this step has for the construction materials industry?

[Answer] The construction materials industry, as also shown by the figures on fulfillment of the unified national plan of development for 1981, in general lines has answered the requirements of the national economy. What is definitive for this industrial sector is agreement between the rates and structure of our own development programs and those of the country's economy, with the specification that, generally, the capabilities of this industry have gone ahead of and actually have anticipated certain requirements demonstrated for the economy as a whole. Proceeding from these positions, our plans for the immediate future, besides insuring this "forward step" even further, also include a number of developments of completion. These will give a better-structured balance to existing capabilities which are absolutely necessary for carrying out the qualitative tasks we have proposed for ourselves for this five-year plan. And, so that I am even more conclusive, here is an example: for prefabricated panels the construction materials industry at the present time possesses the necessary capability for supplying the job sites with the quantities requested. But, with regard to reaching the qualitative performances, finishing and other more subtle technical-operational parameters for each product or subproduct, we still have a lot to do. The developments I was mentioning before are to cover precisely these gaps. And we are at a point of reordering the entire system we have created up until now, giving it greater stability in all links, but also a more pronounced qualitative scope, elements which also permit our more consistent participation in the international economic exchanges. This explains why the construction materials industry in this five-ye plan will have a lower annual growth rate than in other years--from 5-5.7 percent, but enough for the tasks which Romania's economy and the public works programs have set for us for this period.

[Question] Please specify in continuation what the main directions are for orienting the activity of this important Romanian industry in the current economic circumstances.

[Answer] The current economic context has obligated us to place a greater emphasis on several orientations; they are superior utilization of raw materials and materials specific to this industry--and there are many of them!--simultaneous with the concern with reducing the consumption of materials, fuels and energy. A third orientation also results as an extension of these concerns: emphatic growth in the degree of utilization of raw materials and materials as well as including new sources of raw materials and materials in the sphere of industrial use. We also have proposed to build a greater range of light construction materials, without altering the performances of resistance and functionality, at the same time eliminating the energy-consuming products being manufactured today in several of Romania's units. In this regard, we propose to increase the performance of each product, either in specific resistance or in quality improvements and commercial appearance. The idea which best can be illustrated is with our ceramic products: pottery, slate, terracotta,health objects and fittings, where our ambitions are even greater and in the full process of being carried out. Then, referring to the savings of traditional raw materials and the introduction of some new materials, we shall use in manufacturing an entire series of reusable material products, such as ash from the thermoelectric power centrals (in the proportion of 5-7 percent), metallurgical cinder and other local materials. The cinders used for masonry blocks (for example, bricks) are substitutes for earth. And more than a few have forgotten that best earth for bricks is also the best for growing corn! The network of developments we have proposed includes a number of minicapabilities which will be set up exactly where other construction materials do not exist. So we also carry out the idea of reducing the distances for transporting these materials to the minimum. In this regard, enough production capabilities are being activated for the coming period and they will be able to produce 530 million brick work blocks per year, equal to normal format, of which 290 million per year are with an addition of ash from the thermoelectric power central and 240 million per year are with light aggregates; 200,000 cubic meters per year of light artificial aggregates on the base of ash; 520,000 cubic meters of autoclaved cellular concrete per year,of which 220,000 per year are on the base of ash and others.

[Question] The action to standardize recently, naturally, has also affected the products of the construction materials industry. What are the effects of the action in your opinion and according to the experience accumulated until now?

[Answer] These actions have had at their base the utilization of our own research projects carried out in the 1976-1980 period. In the end, we have compiled 50 model designs, which provide nearly 72 percent of the volume of investment projects forecast to be carried out this year. The action is unfolding in order to cover the entire volume of new investment projects forecast for this five-year plan and for the period of the next years with the model designs. I say this because the effects of this action, thought to be a permanence of continuity, are much more consistent and an accounting of them can only be made on realistic bases in time, through successive accumulations and systematic correlations. As far as we are concerned, the model designs we shall apply in the 1981-1985 five-year plan are bringing an estimated reduction in cement consumption of 25 percent, 30 percent for metal and 23 percent for asphalt, compared with the solutions used previously.

At another level, we have sought to remove from manufacturing the raw materials and materials which require high consumptions of energy and fuels as well as of those being achieved with technological losses or high material consumptions and production costs. Some 4,533 varieties of construction materials and elements were examined in the analysis we have made until now, removing 3,527 elements (nearly 78 percent) from manufacture! The effect we are anticipating to achieve by the end of this five-year plan, as a result of this action, totals a reduction of more than 27 million lei in total manufacturing costs. But the results of these improvements we are making today are much more complex and broad than the numerical symbol we have cited above.

Whereas in the 1976-1981 period, as a result of actions of research, design, rationalization and standardization of products and technologies, savings were chieved which totalled more than 493,000 tons of conventional fuel just in the sectors of construction ceramics and cement, our concerns with continuing to reduce these consumptions aim at a number of joint actions (research, design and operation) whose goals I shall cite: extending the use of solid fuels (brown coal, lignite) as a secondary source in the clinkering and in construction ceramics; improvement in technologies and installations of the cement technological lines by introducing the dry procedure with pre-calcination; single-layer combustion of fine ceramic plates for finishing for walls in the tunnel ovens with rollers and many others which we shall not enumerate here. These actions will permit a continued reduction in specific consumption of 20 percent for concrete prefabricated parts; 16 percent for pressure tubes from prestressed concrete; 14 percent for autoclaved cellular concrete; around 15 percent for construction ceramics, to limit myself just to several of our basic products.

[Question] The tasks belonging to this industry in this stage provide for important quality changes. At least that is what is being deduced from what has been stated until now. How will you accomplish these programs and what products are being taken into consideration?

[Answer] The introduction of new technologies as well as improvement made to existing ones mainly seek two goals: first, reduction in the energy consumption incorporated in the mass of products which we are manufacturing and replacing the superior primary fuels and scarce materials with other resources, most of which have been identified at this date. Second, in order to provide a functional range and broader areas of utilization, we have created the resources needed to improve certain performances even in the structure of the products noted. Let us give an example: we manufacture the so-called BCA for masonry, but it also may be used as an insulator; also, gypseous panels, initially conceived just as separating elements but which also are decorative and so forth. All these "extensions of the useful-functional range" have a single big effect: a substantial rise in the efficiency of production and a clear quality increase in the products.

Returning to the introduction and extending of new technologies or modernized manufacturing technologies intended to reduce fuel, raw materials and scarce materials consumption but which also contribute to the growth in labor productivity, I shall use as arguments several achievements which today are in the full process of generalization at the industrial scale. For example, the

technology for the use of inferior solid fuels (brown coal, lignite) for combustion of clinker. . The technology leads to replacing 20-26 percent of superior primary fuels (gases or burning oil) applied experimentally at the Cimpulung binder combine. By 1985 the application of the procedure with precalcination at the line of 3,000 tons of clinker per day will be finalized in the development of two cement factories. The new procedure reduces the technological consumption of fireproof material by 1,000 tons per year per line, while that of fuel--by 2,000 tons of conventional fuel per year. The new technology for burning bricks and ceramic blocks is now being generalized, by using for an addition the sterile carbon-bearing fuels and embedded inferior coal even within the mass of the product. Application of the technology will lead to replacing a minimum of 25 percent of the total consumption of superior fuel, at the same time eliminating the consumption of superior fuel in drying of the products. And the list of examples could even continue. With regard to certain local or reusable materials, nine capabilities are forecast for this five-year plan for masonry blocks with ash addition, a number of special arrangements for utilization of ash in 25 factories ofprefabricated parts, two capabilities for autoclaved cellular concrete with ash addition, another two capabilities for light artificial aggregates by using ash and others. Achieving these arrangements by 1985 will permit an inceease in the use of ash from the thermoelectric power centrals which is 5 times greater than in 1980.

By the quality changes obtained in the ways presented above and which are the result of our own research efforts undertaken in the last five-year plan, the degree of utilization of raw materials and materials will increase this year by around 7 percent compared with 1980 for the main construction materials and elements , the coefficient which will have a more pronounced rise in the coming period. The results we have mentioned here are not accidental. I want to stress, in support of this assertion, that the construction materials industry has not imported either construction materials or licenses or equipment in the last two decades but, merely, in some cases, models of reference with a view to assimilation. Each time we have succeeded in building everything we needed in Romania. In exchange, we propose to be even more bold in promoting our products and technologies on the foreign markets. Significant examples in this regard are the cement factories,those for autoclaved cellular concrete and for other materials which are being designed, supplied and some of them, as we say, are being delivered. "under key." In the current stage eight big projects in Iraq, Pakistan, Egypt, Dubai, China and Lebanon are in the design stage and in various phases of construction.

We hope that all our thought, what we have presented here concisely, will lead this industry, so important in the strategy of Romania's economic development, to the degree of maturity needed with a view to obtaining as large an efficiency as possible and a quality of product which is truly competitive.

8071
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## BRIEFS

MACHINE INDUSTRY EXPORTS--In the first two months of 1982 products of the Romanian machine building industry penetrated into new markets in Europe, Asia, Africa and America. Recently, protocols, conventiona and contracts were concluded with firms in Great Britain for the delivery of 3,180 "Dacia 1310" passenger vehicles and with Egypt for two complex workshops for repairing railroad cars. Also, in the framework of other transactions, 44 "Gondola"-type freight cars, intended for Mexico, were shipped from the port of Constanta and the first specially constructed buses, adapted for the climate and conditions of the Middle East and needed for transporting passengers long distances, were delivered to Iraq. At the present time, the products of the machine building industry account for about 30 percent of Romanian exports. The foreign trade enterprises are continuing to work for the expansion of sales markets. At present, they have established economic and technical-scientific relations with 150 countries. [Excerpts] [Bucharest ROMANIA LIBERA in Romanian 9 Mar 82 p 1]

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## HEAD OF NATIONAL BANK DISCUSSES FINANCIAL SITUATION

Belgrade BORBA in Serbo-Croatian 24 Feb 82 p 5

[Interview with Radovan Makic, general director of the Yugoslav National Bank by TANJUG editor Milos Petkovic]

[Text] By granting credits to Yugoslavia (the day before yesterday a second loan of another 700 million dollars was approved), the International Monetary Fund has accepted the objectives of Yugoslav economic policy. A active interest rate policy must be pursued. A firmer position for the dinar domestically and in foreign trade can only be based on a more stable economy. Another essential factor is a policy including a realistic exchange rate for the dinar and the elimination of monetary dualism.

Belgrade, 23 February. TANJUG Yesterday the Council of Executive Directors of the International Monetary Fund approved a second loan to Yugoslavia of about 700 million dollars. This is a so-called "stand-by" arrangement. An agreement was reached last with this institution last year specifying that until the end of 1983 approximately 700 million dollars could be used annually, i.e., a total amount of 2.1 billion dollars. The arrangement represents the Fund's support of the Yugoslav economic stabilization program and balance of payments adjustments during the current 5-year plan, according to Radovan Makic, general director of the Yugoslav National Bank, in an interview with TANJUG editor Milos Petkovic.

This is one of the three largest agreements by which the Fund has made resources available to member countries to overcome balance of payments difficulties and to promote more rapid structural transformation. Such a decision could be expected after the joint analyses and evaluations of the implementation of the stabilization project on the basis of which the "stand-by" loan was made. This ends some speculation and guessing about supposed disagreements between Yugoslavia and the Fund ragarding the consistency of the Yugoslav economic stabilization program, according to the National Bank's director. Incidentally, Yugoslavia has been a member of the International Monetary Fund since its founding at the Bretton Woods conference.

## Joint Decisions

The Fund accepted the objectives of Yugoslav economic policy and did not insist on special supplemental conditions, although the arrangement relates to capital to be used for so-called higher credit loans, and these are usually accompanied by sharper demands, or a higher level of conditions. That has been particularly characteristic in recent times. As far as this year is concerned, the objectives of Yugoslav economic policy are considered ambitious but attainable. It is certain that the negotiations were difficult and complex, yet joint solutions were found that are acceptable to both sides. The disputed questions related to the conduct of contrived and basically restrictive measures of monetary and credit policy, to a realistic dinar exchange rate, and to several other measures that are intended more resolutely to brake price increases and slow down and reduce inflation.

In that context a more active interest rate policy was also imposed. The Fund's viewpoints in this regard are very radical. Despite that, according to Radovan Makic, positions on interest policy were brought into harmony. That means that in the future we in Yugoslavia will have a more active interest rate policy with selective increases related to credits intended specifically for the economy and for the population. Likewise, at the same time we must strive to reduce the role of credit relationships and the economy's dependence on bank loans.

## The Degree of Indebtedness

When we talk of the obligations for the country and its economy that stem from this arrangement, it is essential to stress that they are the same ones that are clearly indicated in our economic stabilization program, which we outselves adopted for implementation.

After speaking of the need for implementing the established economic stabilization program, Radovan Makic explained the foreign indebtedness policy and the obligations that stem from it. He noted that from 1976 to 1981 our foreign debt rose from 7.8 billion to 18.4 billion dollars. That was a period of extremely intensive reliance on foreign credits. The debt in the convertible currency regions amounts to 16.9 billion, while that in the "clearing" regions is 1.5 billion dollars.

## Balance of Payments Equilibrium

If we evaluate the country's level of indebtedness according to prevailing international criteria, which shows that indebtedness really is the total obligation for repaying capital and paying interest, relative to incoming foreign exchange, it turns out that in the Yugoslav case all trends are occurring within tolerable boundaries. For purposes of servicing the indebtedness, 20.3 percent of the total foreign exchange income is set aside.

Incidentally, the balance of payments equilibrium has been upset in many countries, including those with the most highly developed economies in the world. The problems of financing the balance of payments deficit is becoming more critical for them as well. That could not help but affect Yugoslav development, although that foreign influence, when we speak of the Yugoslav economy and about balance of payments difficulties in general, should not be overestimated. If we consider external liquidity, Makic believes we can state that under very complex overall international circumstances, we have successfully responded to our obligations to foreign countries. Complete solvency has been provided in payments, and the country's reputation as a regular, dependable client has been preserved.

We live in a complex and difficult international political and economic situation (with recession, unemployment, inflation, balance of payment and budgetary deficits, large debts of developing countries, and a serious situation in capital markets). In these circumstances we must more clearly define all the decisions aimed at taking up the economic challenges of modern times, within the framework of the stabilization strategy. The world economic difficulties, stagnations, recessions and crises will not be of short duration.

According to accepted international parameters, this situation is not regarded as critical, although it is pointed out that all must strive without fail to reduce indebtedness. To do so is one of the key provisions of the current Yugoslav intermediate plan. Added to that is the fact that this year, the balance of payments deficit is to be cut to 500 million dollars. The prevailing opinion is that that is necessary and possible, while at the same time it is very difficult under the present complex international economic conditions.

It is anticipated that with enormous efforts it will be possible to restore the balance of payments equilibrium in 1983. Without that there can be no successful economic and self-management development, nor a serious reduction in the expenses that result from use of increasingly expensive foreign capital. Just the interest on previous loans cost 2.1 billion dollars last year. Despite the large foreign exchange income from services, Yugoslavis'a largest economic woe continues to be its deficit in goods commerce with foreign countries.

The Dinar's Future

Speaking of the position of the Yugoslav currency and its real exchange rate, Makic stressed that the future of the dinar need not be so bad. There are signs that promise gradual positive changes, even though recently the dinar has been losing value. During the past 2 years a satisfactory pattern for goods commerce has been recorded, with a solid foreign exchange income from other sources. Meanwhile the long uncontrolled expenditure of foreign exchange for various purposes has slowed.

An improved position for the dinar domestically and a more enviable role in foreign trade can be based only on a more stable economy. If we record success in those efforts, stressed Makic, the dinar will become more

acceptable as a means of payment, even to foreign commercial partners. Besides that, the capacity of domestic economic enterprises to buy needed foreign exchange with it will also increase. In short, the dinar will gradually become partially convertible both internally and abroad. That is the direction being sought.

The policy of establishing a realistic dinar exchange rate is a component part of the process discussed above. To pursue such a policy under present conditions means to behave in a disciplined fashion. Among other things, it is unavoidable that we adjust precisely the exchange rate level to differences in the growth of Yugoslav prices relative to increases in foreign prices in the countries with which we trade. This domain includes coordinating foreign exchange rates on the Yugoslav market with those in the rest of the world, while keeping in mind that such fluctuations will have an active impact on balance of payments. It should be stressed that the policy of a realistic exchange rate will be more effective as the need for changing it decreases. In a word, if better results are achieved in the overall stabilization policy and the difference between the Yugoslav inflation rate and that of foreign countries is reduced, our success will be the greater.

Finally, in order for the dinar to move at least in the direction of convertibility, it is unavoidable that we use all measures to eliminate monetary dualism. That is one of the ways to strengthen the position of domestic currency as the basic unit for measuring value both in payments at home and with time, abroad as well. With these words, Radovan Makic, general director of the Yugoslav National Bank, ended his interview with TANJUG.

12131
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## IMPORTS, EXPORTS IN FERROUS METALLURGY

Belgrade CELIK in Serbo-Croatian Dec 81 pp 21-25

[Article by Vojislav Jovanovic]

[Text] Ferrous metallurgy's balance of trade in 1980 bears all the characteristics of previous years. Imports of basic raw materials, iron ore and concentrates, increased by over 500,000 tons, or 40 percent, imports of steel scrap were up more than 130,000 tons, or 38 percent, coking coal 5 percent, and semifinished products 4 percent, while imports of finished steel products were held at the level of previous years (only 1,000 tons more than in 1979 and 17,000 tons more than in 1976). The tendency of a decline in exports of finished steel products also reemerged (a drop of more than 90,000 tons compared to exports in the previous year and over 200,000 tons compared to 1976 exports). Finally, the tendency toward increased imports of flat steel continued (5 percent), as did the drop in imports of section steel (5 percent) and miscellaneous products (pipe, drawn wire, and so on; 15 percent), along with the continued rise of world prices of all types of raw materials and semifinished and finished products. As a consequence of these developments, the gap widened between total expenditures to import materials and finished steel products and revenues from exporting these products by about $254 million. The deficit increased from $894 million in 1979 to $1.14 billion in 1980.

### Imports of Basic Metallurgical Raw Materials and Semifinished Products

Imports and exports of metallurgical raw materials always comes down to their imports within the Yugoslav steel industry. It is well known that our ferrous metallurgy meets a portion of its needs for raw materials with imports because for the present the capacity in place is not satisfying domestic consumption, as is the case with iron ore and steel scrap, while the importation of coking coal is permanent in nature, since domestic resources do not exist. The importation of semifinished products is a function of construction of metallurgical plants, and it can accordingly be said that this importation is temporary.

As we see in the table, imports of basic metallurgical raw materials and semifinished products last year, 1980, showed the same characteristics as imports in the previous year, along with certain changes with respect to the quantities

of ore imported. That is, if we examine the trend of imports of iron ore over the last 5 years, we note a very large growth, since steel production in that period was not accompanied by an adequate growth of domestic ore production. This is the ore for production of pig iron, since the importation of ore for refining in steel mills and of concentrate for the production of pellets remained at approximately the same level.

Table 1. Imports of Basic Metallurgical Raw Materials and Semifinished Products[1]

| Product Designation | 1976 | 1979 | 1980 | Index 1980/1979 | Index 1980/1976 |
|---|---|---|---|---|---|
| Iron ore and concentrate | | | | | |
| Quantity, thousands of tons[2] | 459.1 | 1,059.7 | 1,560.8 | 147 | 340 |
| Value, thousands of dollars[3] | 10,788.0 | 28,948.0 | 63,836.0 | -- | -- |
| Average value, dollars/ton | 23.5 | 27.3 | 40.9 | -- | -- |
| Coking coal | | | | | |
| Quantity, thousands of tons | 2,393.5 | 2,205.7 | 3,353.5 | 105 | 140 |
| Value, thousands of dollars | 126,377.0 | 182,068.0 | 211,944.0 | -- | -- |
| Average value, dollars/ton | 52.8 | 56.8 | 63.2 | -- | -- |
| Steel scrap | | | | | |
| Quantity, thousands of tons | 385.2 | 344.9 | 476.1 | 138 | 123 |
| Value, thousands of dollars | 38,756.0 | 38,532.0 | 68,799.0 | -- | -- |
| Average value, dollars/ton | 100.6 | 111.7 | 144.5 | -- | -- |
| Semifinished products | | | | | |
| Quantity, thousands of tons | 814.3 | 958.2 | 993.3 | 104 | 122 |
| Value, thousands of dollars | 169,956.0 | 235,071.0 | 284,061.0 | -- | -- |
| Average value, dollars/ton | 208.7 | 243.3 | 285.9 | -- | -- |

1 Imports of iron ore, coking coal and steel scrap based on data of the Federal Bureau of Statistics. Imports of semifinished products based on data of the General Association of Yugoslav Ferrous Metallurgy.
2 All values are given on the basis of fob the Yugoslav border or cif the Yugoslav seaport, duty not paid, at the following rates of exchange: for 1976 $1 U.S. = 17.0 dinars; for 1979 $1 U.S. = 18.25 dinars; and for 1980 $1 U.S. = 27.30 dinars.
3 The total value of imports and the value of processing per ton of imported material do not give a realistic picture of the movement of prices on the world market because of the uneven rates of inflation in the world and the devaluations of the dinar during the period under consideration.

Much the same was the case with imports of coking coal, whose growth over the last 5 years occurred as a consequence of the activation of the new coking plant in Bakar.

As for steel scrap, its importation depends in part on domestic collection and consumption outside the enterprises of ferrous metallurgy.

By comparison with 1979 imports of semifinished products for further processing remained at the same levels in 1980, while the imports of these products in 1976 were somewhat lower.

Imports of Iron Ore

As we have already said, these imports increased considerably in 1980 relative to the earlier period. Even so the growth of imports to over 1.5 million tons does not represent any very sizable item on a world scale (world imports and exports of ore amounted to 393.7 million tons according to figures for 1979). As domestic capacity expands, imports of ore for the production of white and gray pig iron in Yugoslavia will probably cease altogether.

With respect to the qualitative composition of imports, iron ore for the production of gray iron comprised 84.3 percent of total imports, and the remainder consisted of ore for refining in steel mills and electric arc furnaces (8.3 percent) and concentrate for the production of pellets (7.4 percent).

More than one-third (34.4 percent) of all the ore consumed in 1980 was imported, while in previous years this share was much smaller: 24.3 percent in 1979 and only 7.9 percent in 1976.

Most of the ore imported last year came from the developing countries: more than 1 million tons each from India and Peru, along with imports from Brazil, Mauritania, Algeria and Morocco. Imports of iron ore concentrate for the production of pellets came entirely from the USSR and amounted to approximately 115,000 tons last year. Coking coal was mostly imported from the USSR (49.0 percent of total imports), and then from the United States (32.6 percent) and finally from Czechoslovakia (18.4 percent).

In addition to coking coal, smaller amounts of coke for ferrous metallurgy, amounting to 17,976 tons, were also imported in 1980, since domestic producers were unable to deliver them because of difficulties in the supply of coking coal.

Imports of Steel Scrap

This item depends mostly on the use of domestic sources (collection), in whose consumption consumers outside the enterprises of ferrous metallurgy (foundries) also participate. Average annual imports of steel scrap range somewhere about 20 percent of total needs. In 1980 imports amounted to 22 percent, in 1979 16 percent and in 1976 25 percent of all needs.

We need to mention that aside from regular imports, a fairly sizable portion of imports of steel scrap from the eastern European countries are covered by barter transactions.

The total quantities of steel scrap imported include the scrap from cutting up old ships which are imported. In 1980 this amounted to 59,058 tons, or 12.4 percent of total imports. Most of the imports of old ships for scrap come from the developing countries or the East European countries.

The regional breakdown of steel scrap imported in 1980 was as follows:

| | |
|---|---|
| East European countries | 377,018 tons or 79.2% |
| Developing countries | 25,045 tons or 5.3% |
| Industrially advanced countries | 74,058 tons or 15.5% |

Imports of steel scrap from the East European countries remained at approximately the same level as in 1979, while imports from the industrially advanced countries increased somewhat at the expense of imports from the developing countries.

Imports of semifinished products in 1980 had a share of about 24 percent in the total quantity of finished products manufactured (calculated on the basis of the standard coefficient of 1.10 for conversion of raw steel to semifinished products or 1.30 to finished products).

The distribution by types of the 993,341 tons of semifinished products imported in 1980 was as follows:

| | |
|---|---|
| Ingots | 245,902 tons or 24.7% |
| Blooms and slabs | 207,599 tons or 20.9% |
| Wide hot-rolled strip coils | 538,118 tons or 54.0% |
| Brame and platine [(?) intermediate shapes for making foil] | 1,722 tons or 0.0% |

It is evident from the breakdown of imported semifinished products that the largest share, about 75 percent, was intended for the production of flat stock.

Most of the imported intermediate products (75 percent) come from the East European countries. Imports from these countries were made in large quantities on the basis of barter transactions (402,086 tons). The remaining 25 percent imported came from the industrially advanced countries. The largest quantities were obtained from Czechoslovakia (270,251 tons), and then from the USSR (220,924 tons) and Romania (101,905 tons). Among the industrially advanced countries the largest imports were from Austria, and then from Spain and West Germany. It is interesting to note that Spain made its appearance on the Yugoslav market in 1980, and that with sizable quantities of ingots (66,709 tons). In view of the moderate geographic distance and high shipping costs, partly offset by cheaper maritime transport, it is difficult to believe that imports of semifinished products from that country will increase in coming years.

Semifinished products from the industrially advanced countries were mostly purchased because of greater opportunities to obtain the appropriate assortments in terms of quality and size than exist in the countries with the bilateral method of payments.

All the quantities of semifinished products imported were not processed into finished products for the domestic market, but rather a goodly portion was returned to the country of origin of the semifinished product.

A total of over $628 million was paid or borrowed in 1980 to import basic metallurgical raw materials and semifinished products, and almost half of that sum went for imports of semifinished products. Total outlays of foreign exchange for those products were far smaller in previous years, but the ratio between basic raw materials and semifinished products has remained almost the same.

## Imports of Steel Products

Total quantities of finished products of ferrous metallurgy imported in 1980 remained at practically the same level as imports in the previous year. However, certain changes were recorded in the breakdown by types and sizes, which reflects the fact that the needs of the market are subject to constant change. These changes are much more obvious if we compare imports in 1980 with imports in 1976 (Table 2). For example, we note a reduction in imports of certain products because the respective domestic rolling mills were put into service (rolled wire and reinforcing steel), but at the same time there was an increase in imports of other products either because domestic capacity could not keep up with the growth of their consumption (cold-rolled sheet and strip, galvanized sheet, etc.) or because they are not yet produced (tinplate).

Table 2. Imports of Finished Steel Products,[1] in tons

| Type of Product | 1976 | 1979 | 1980 | Index 1980/1979 | Index 1980/1976 |
|---|---|---|---|---|---|
| Railroad rails and accessories | 5,268 | 59,123 | 28,499 | | |
| Heavy, light and medium shapes[2] | 129,325 | 161,170 | 144,698 | | |
| Rolled wire and reinforcing steel | 165,586 | 43,023 | 78,077 | | |
| Total section steel | 300,179 | 263,316 | 251,274 | 95 | 84 |
| Heavy- and medium-gauge hot-rolled sheet and plate (lamele)[3] | 156,561 | 139,675 | 134,549 | | |
| Thin cold-rolled and hot-rolled sheet and cold-rolled strip | 191,797 | 227,840 | 235,244 | | |
| Tinplate | 64,912 | 74,664 | 90,155 | | |
| Galvanized and other coated sheet | 34,188 | 42,392 | 50,626 | | |
| Hot-rolled strip and welded pipe[4] | 103,361 | 96,488 | 101,350 | | |
| Total flat steel | 550,819 | 581,059 | 611,924 | 105 | 111 |
| Seamless pipe | 49,384 | 79,499 | 55,513 | | |
| Drawn wire | 45,395 | 36,290 | 43,362 | | |
| Forged steel and steel tires for railroad car wheels | 763 | 2,446 | 1,585 | | |

Table 2 (continued)

| Type of Product | 1976 | 1979 | 1980 | Index 1980/1979 | Index 1980/1976 |
|---|---|---|---|---|---|
| Total miscellaneous products | 95,542 | 118,235 | 100,460 | 85 | 105 |
| Total volume, tons | 946,540 | 962,610 | 963,358 | 100 | 102 |
| Total value, thousands of dollars | 381,173 | 518,396 | 708,488 | | |
| Average value, dollars/ton | 402.7 | 538.8 | 735.5 | | |

1 The survey is based on data of the Federal Bureau of Statistics and covers not only regular imports, but also imports resulting from barter transactions with the East European countries, not including transactions for finishing and processing. All the values are given on the basis of fob the Yugoslav border or cif the Yugoslav seaport, duty not paid, on the basis of the following rates of exchange: for 1976 $1 U.S. = 17.0 dinars, for 1979 $1 U.S. = 18.25 dinars, and for 1980 $1 U.S. = 27.30 dinars.
2 Encompasses all types and qualities of hot-rolled drawn shapes.
3 Encompasses all types of hot-rolled heavy- and medium-gauge sheet, including ship and boiler plate.
4 Hot-rolled strip to 600 mm in width.

As for the relationship between the production and import of rolled and drawn materials in 1980, the quantities imported had a share of 20.2 percent in total steel consumption in Yugoslavia. That percentage was 20.3 percent in 1979 and all of 30.0 percent in 1976. Consequently, the coverage of domestic needs by imports remained within the limits of the planned proportions during 1979 and 1980 (imports of semifinished products were not taken into account in this calculation).

The jump in total expenditures to import finished steel products in the 1976-1980 period is obviously occurring as a consequence of inflationary trends in the world and is only related in small degree to changes in quantities and assortment of imports of finished steel products.

Changes in the composition of imports of finished steel products over the period 1976-1980 showed a mild but steady tendency toward a reduction in the share of shapes and an increase in the share of flat steel, while the group of miscellaneous products is subject to fluctuation, as shown in the table below:

| | 1976 | 1979 | 1980 |
|---|---|---|---|
| Shapes | 31.9% | 28.2% | 27.2% |
| Flat steel | 57.5% | 59.1% | 61.9% |
| Other products | 10.6% | 12.7% | 10.9% |
| | 100.0% | 100.0% | 100.0% |

The composition of imports differs essentially, of course, from the distribution of steel consumption in Yugoslavia, since the amounts of finished steel products imported were only a supplement to domestic production.

Imports of various types of products in the group of rolled and drawn products show diverse tendencies. For example, imports of railroad rails have remained very high, since in 1980 imports of this material continued on the basis of the international loan intended for modernization of the Yugoslav railroads. Imports of all types of steel shapes were down slightly, which is explained by the sizable deliveries of these products from domestic steel mills. Imports of rolled wire are continuing to grow, while imports of reinforcing steel are minimal (slightly over 2,000 tons). Mainly the higher grades of rolled wire are imported for the screw industry.

With respect to flat steel, imports of hot-rolled heavy and medium-gauge sheet remained at approximately the same level as in the previous year. Ship plate is the principal item in this import category. Unfortunately, we are not able to show the actual quantities, since customs authorities have not been recording this type of sheet or plate separately since 1978. However, on the basis of estimate and past experience, imports of ship plate in 1980 amounted to slightly more than 100,000 tons. Imports of lamele amounted to 2,215 tons, approximately the same as in previous years. The remainder of approximately 32,000 tons consisted of boiler plate and miscellaneous sheet for construction.

The largest item in the category of thin sheet continued to be thin cold-rolled sheet (183,370 tons, including hot-rolled sheet, whose imports are minimal). The consumption of cold-rolled sheet has been growing very rapidly year after year, and domestic production still has not been able to meet all the demand, especially for the higher grades. That is why the better-quality types of sheet are still imported, such as those for auto bodies, stainless steel sheet, "ersatz" sheet and certain other grades.

It is evident from the figures presented that imports of tinplate, and that at the same time means consumption, reached nearly 100,000 tons in 1980. The case is similar with galvanized sheet, though the slowing down of construction activity because of the stabilization measures could slow down the expansion of this consumption.

Under the category of hot-rolled strip and welded pipe, most of the imports consist of hot-rolled strip (about 50,000 tons), and the share of welded pipe is smaller. This shows that domestic production of welded pipe is meeting almost all the demands of consumers, so that only special types are being imported.

In the miscellaneous category imports of seamless pipe are also down somewhat from 1979. Here again the stabilization measures will act as a limiting factor on consumption, and a further decline of imports should be expected. Imports of drawn wire last year held to approximately the same quantities as in previous years. The principal imports are patented wire, wire for reinforced concrete, and other types of quality wire.

On the World Steel Market

Viewed on a world scale, our imports of rolled and drawn products, including imports of semifinished products, which amount to about 2 million tons, represent about 2 percent of world imports (exports). That is, according to the data of the international organization IISI [(?) International Institute of the Steel Industry] in Brussels, when mutual deliveries of the countries of the large regional organizations, the Common Market and CEMA, are subtracted from total exports, then net exports (imports) amount to about 100 million tons of finished products and semifinished products, in which our country has a share of 2 percent. If all the countries in the world are ranked with respect to the volume of their imports, Yugoslavia occupies 16th place on that list with its 2 million tons of imports and 8th place among countries which are predominantly importers of steel and steel products.

The composition of world imports (exports) of steel differs essentially from the pattern of our own imports since imports of semifinished products predominate in our case (about 50 percent). The differences between the pattern of our imports and the world pattern of imports are shown in Table 3.

Table 3. Comparative Survey of the Pattern of World and Yugoslav Imports of Finished Steel Products in 1979[1]

| | Entire World | | SFRY | |
|---|---|---|---|---|
| Type of Product | Thousands of Tons | % | Thousands of Tons | % |
| Raw steel and semifinished products | 5,600 | 5.2 | 958 | 49.9 |
| Railroad rails and accessories | 1,000 | 0.9 | 59 | 3.1 |
| Heavy, medium and light hot-rolled and cold-rolled shapes | 23,000 | 21.2 | 161 | 8.4 |
| Rolled wire, including reinforcing steel[2] | 6,300 | 5.8 | 43 | 2.2 |
| Heavy, medium and thin hot-rolled sheet[3] | 24,600 | 22.7 | 140 | 7.3 |
| Thin cold-rolled sheet and cold-rolled strip | 18,700 | 17.4 | 231 | 12.0 |
| Hot-rolled strip and welded pipe[4] | 1,900 | 1.8 | 96 | 5.0 |
| Tinplate | 3,100 | 2.9 | 74 | 3.8 |
| Galvanized and other coated sheet | 5,800 | 5.4 | 42 | 2.2 |
| Seamless pipe and fittings | 15,500 | 14.4 | 79 | 4.1 |
| Drawn wire | 1,900 | 1.8 | 36 | 1.9 |
| Steel tires for railroad car wheels, carframe members, and forgings[5] | 500 | 0.5 | 2 | 0.1 |
| Total | 107,900 | 100.0 | 1,921 | 100.0 |

1 According to the data of WORLD STEEL IN FIGURES, 1981, IISI, Brussels. Exports of the entire world encompasses 90 percent of the total amount of exports of the industrially advanced countries (14 countries).
2 All of the coils we imported served as semifinished products.
3 In our nomenclature hot-rolled thin sheet includes cold-rolled sheet and strip.

Footnotes to Table 3 (continued)

4 The world survey of exports does not include welded pipe, since in the industrially advanced countries welded pipe is not regarded as a product of ferrous metallurgy, but as a metal fabrication.
5 In our classification includes only tires for railroad car wheels and forged steel.

Table 4. Region 1 Pattern of Imports of Finished Products

| Designation | 1979 | % | 1980 | % |
|---|---|---|---|---|
| Total imports | | | | |
| In tons | 962,610 | | 963,658 | |
| In thousands of dollars | 518,397 | | 708,488 | |
| In value, dollars/ton | 539 | | 735 | |
| Imports from the East European countries | | | | |
| In tons | 436,499 | 45.4 | 452,955 | 47.0 |
| In thousands of dollars | 180,407 | 34.8 | 283,199 | 39.9 |
| In value, dollars/ton | 403 | | 625 | |
| Imports from the industrially advanced countries | | | | |
| In tons | 524,876 | 54.5 | 509,361 | 52.9 |
| In thousands of dollars | 337,073 | 65.0 | 454,064 | 59.9 |
| In value, dollars/ton | 608 | | 832 | |
| Imports from the developing countries | | | | |
| In tons | 1,185 | 0.1 | 1,342 | 0.1 |
| In thousands of dollars | 916 | 0.2 | 1,225 | 0.2 |

The year 1980 did not bring any major changes in the regional pattern of imports (Table 4). By comparison with the previous year there was a slight increase in imports from the East European countries at the expense of imports from the industrially advanced countries, which certainly will have a beneficial effect on our country's balance of payments.

On the basis of average values per ton of the material imported, we can say on the basis of the table that products of higher quality or more expensive types of rolled and drawn products are being imported from the industrially advanced countries. Imports from the developing countries consist of steel wire used for making reinforcing in automobile tires (imports from India).

Exports of Finished Steel Products

It is well known that exports of rolled and drawn products has always played a far smaller role in Yugoslavia's international trade than imports. As we see from Table 5, exports of finished products of ferrous metallurgy were smaller in 1980 than in the previous years. The principal reason for the drop of exports lies in the greater demand for all types of products on the domestic market and the reduced volume of barter transactions involving rolled products.

Table 5. Exports of Finished Steel Products[1]

| Type of Product | 1976 | 1979 | 1980 | Index 1980/1979 | Index 1980/1976 |
|---|---|---|---|---|---|
| Railroad rails and accessories | 28,226 | 32,048 | 14,171 | | |
| Heavy, medium and light shapes | 123,526 | 67,072 | 67,108 | | |
| Rolled wire and reinforcing steel | 2,015 | 66,059 | 26,602 | | |
| Total shape steel | 153,767 | 165,179 | 107,881 | 66 | 71 |
| Heavy and medium hot-rolled sheet and plate | 19,130 | 13,395 | 4,302 | | |
| Thin hot-rolled and cold-rolled sheet and strip | 33,280 | 28,284 | 13,860 | | |
| Galvanized and other coated sheet | 103 | 90 | 72 | | |
| Hot-rolled strip and welded pipe | 153,423 | 58,851 | 53,980 | | |
| Total flat steel | 205,936 | 100,620 | 72,214 | 72 | 35 |
| Seamless pipe and fittings | 48,207 | 26,984 | 15,176 | | |
| Drawn wire | 1,499 | 1,971 | 5,530 | | |
| Steel forgings and tires for railroad car wheels | 1,729 | 6,789 | 9,391 | | |
| Total miscellaneous products | 51,435 | 35,744 | 30,097 | 84 | 56 |
| Total, in tons | 411,138 | 301,543 | 210,192 | 70 | 51 |
| Value, in thousands of dollars | 137,397 | 108,758 | 106,604 | | |
| Average value, in dollars/ton | 334 | 360 | 508 | | |

1 The table is based on data of the Federal Bureau of Statistics. All the values were given on the basis of fob the Yugoslav border or fob the Yugoslav seaport at the following rates of exchange: for 1976 $1 U.S. = 17.0 dinars, for 1979 $1 U.S. = 18.25 dinars, and for 1980 $1 U.S. = 27.30 dinars.

Table 6. Regional Pattern of Exports of Finished Steel Products

| Designation | 1979 | % | 1980 | % |
|---|---|---|---|---|
| Total exports | | | | |
| In tons | 301,543 | | 210,192 | |
| Value, in thousands of dollars | 108,767 | | 102,836 | |
| Value, in dollars/ton | 361 | | 508 | |
| Exports to East European countries | | | | |
| In tons | 196,800 | 63.3 | 133,482 | 63.5 |
| Value, in thousands of dollars | 68,823 | 63.4 | 65,811 | 63.9 |
| Value, in dollars/ton | 394 | | 493 | |

Table 6 (continued)

| Designation | 1979 | % | 1980 | % |
|---|---|---|---|---|
| Exports to the industrially advanced countries | | | | |
| In tons | 78,944 | 26.2 | 57,121 | 27.1 |
| Value, in thousands of dollars | 28,018 | 25.7 | 26,789 | 26.1 |
| Value, in dollars/ton | 355 | | 468 | |
| Exports to the developing countries | | | | |
| In tons | 25,749 | 8.5 | 19,589 | 9.4 |
| Value, in thousands of dollars | 11,926 | 10.9 | 10,236 | 10.0 |
| Value, in dollars/ton | 463 | | 522 | |

The table on exports covers not only regular exports, but also exports of rolled and drawn products on the basis of barter transactions with the East European countries. The share of this type of transaction is very sizable in total exports. Yugoslavia's rolling mill capacity is better employed on the basis of this type of transaction, and the products obtained in countertrade for the rolled products exported are those of which there is a shortage on the domestic market or they are important metallurgical raw materials and semifinished products. In 1980, for example, 84,074 tons, or 40 percent of total quantities were covered by barter transactions, and the remainder consisted of regular exports. This share has been higher in previous years, but in 1979 it was 47 percent, while the volume of exports was larger, while in 1976 it was all of 59 percent. Consequently, if we examine regular exports in absolute figures over this period, its fluctuations or reduction were not so great as shown by the figures for total exports. Regular exports amounted to 167,526 tons in 1976, 159,699 tons in 1979 and 126,118 tons in 1980.

In the breakdown by types of products, exports of railroad rails in 1980 were part of regular exports and also barter transactions (slightly greater than regular exports). Exports of heavy and light section steel were also slightly greater in regular exports, as were exports of rolled wire (the export of reinforcing steel was minimal).

As for flat steel, exports of hot-rolled heavy and medium sheet and plate largely occurred through regular exports, while exports of cold-rolled thin sheet and strip took place almost entirely on the basis of barter transactions. The item "hot-rolled strip and welded pipe" was almost entirely [garbled sentence] ..., except for exports of welded pipe, which were partly on a barter basis and partly a regular export.

Almost two-thirds of exports of seamless pipe went to the East European countries (9,351 tons), mostly on a barter basis, while the remainder was a regular export to the industrially advanced countries (5,409 tons) and the developing countries (only 409 tons). Exports of drawn wire occurred almost entirely on a barter basis, while exports of steel forgings and steel tires for railroad car wheels occurred in both forms.

Aside from rolled and drawn products Yugoslav steel mills exported in 1980 other products outside ferrous metallurgy proper in the amount of $41,517,000

(cast iron pipe, machined and rough castings, screws and bolts, springs, steel fabrications, and so on). By comparison with the previous year these imports grew more than $16 million.

In view of the large share of barter transactions in exports of the products of ferrous metallurgy, we should mention that from the standpoint of the regional pattern of trade these exports occur mostly with the East European countries (about two-thirds of total exports), while the share of the developing countries in exports is as yet fairly modest and represents 10 percent of the quantities exported. The remainder consists of exports to the industrially advanced countries.

Exports to the East European countries covered almost the entire assortment of rolled and drawn products. The following products were exported in sizable quantities: railroad rails--13,182 tons, medium, light and fine shapes--35,467 tons, rolled wire--24,021 tons, cold-rolled strip--8,066 tons, welded pipe--24,415 tons, seamless pipe--9,351 tons, steel tires for railroad car wheels--92,016 tons, and so on. Sizable exports to the industrially advanced countries included medium and light shapes--21,302 tons, welded pipe--23,180 tons, and seamless pipe--5,409 tons. Exports to the developing countries involved more modest quantities, as follows: heavy section steel--6,926 tons, cold-rolled thin sheet--1,979 tons, and seamless pipe--6,363 tons, and so on.

In addition to exports of finished products, certain quantities of pig iron were also exported in 1980--57,809 tons, along with a certain quantity of semifinished products on the basis of barter transactions.

Viewed from the standpoint of the balance of payments, a total of $708,488,000 was paid to import rolled and drawn products in 1980. When we subtract from this amount the value of exports, which is $106,604,000, not including other products which the steel mills exported, then a net deficit of $601,884,000 is obtained. But if we add to this the value of imports of semifinished products, amounting to $284 million, then this deficit is still greater.

7045
CSO: 2800/302

BUSINESS PEOPLE SURVEYED ON ATTITUDES TOWARD SYSTEM

Zagreb START in Serbo-Croatian No 339, 16 Jan 82 pp 32, 34

[Summary of PRIVREDNI VJESNIK economic survey by Milan Gavrovic]

[Text] This year's questionnaire by the Zagreb newspaper PRIVREDNI VJESNIK brought responses in which some 70 general directors or presidents of the largest collectives in Yugoslavia presented their experiences and viewpoints on the country's present economic situation. The businessmen devoted most of their attention to the economic system. In contrast to the growing criticisms and rebukes directed at the system, Yugoslav businessmen consider that the chief source of economic difficulties is the inconsistency in implementation and the insufficient utilization of the opportunities offered by the Law on Associated Labor and the Constitution, not on shortcomings of these documents as such.

The topic is an alternative stabilization program, an alternative and thus something different from what has been applied in Yugoslav practice. The evaluation of positions presented by Yugoslav businessmen in the regular New Year's questionnaire of the Zagreb newspaper PRIVREDNI VJESNIK has gradually crystallized over the past few years (this is the seventh such questionnaire in which, as in previous years, the 70 general directors or presidents of Yugoslavia's largest collectives have participated). Despite the dangers posed by any attempt at generalization, it should be possible to draw some simple conclusions.

Among others, one such conclusion would be that the true interest of the workers at this moment can be more easily and directly expressed through the words of people who work in the economy (whether or not they are properly regarded as "managers" or "technocrats"), than through the still insufficiently developed delegate mechanism. Another is that there are some delimnas that have recently caused great commotion that in large part have been forced into the "social superstructure," while in practical terms they are no longer found in associated labor. These are, first of all, dilemnas about the new economic system. As Milan Miletic, general director of the mining and energy industrial complex "Kolubar" in Lazarevac, states: "Sometimes the system is criticized, but we believe that it is not the system that is in question, but rather its development and application." Or as Juraj Razmilic, general director of "Pliva" in Zagreb says: "In associated labor we are in a position where we must struggle cruelly to apply the new system. It has not lived in practice for a single day."

What is the basis of the opinion that makes businessmen suggest some other sort of policy than the one that has been pursued up until now, and how can we plan in some definite way for the year that we have already begun? In the first place, it is based on the attitude toward production. The Resolution on Economic Development in 1982 plans for an overall production growth rate of 2.5 percent, which is lower than that in any previous year. In contrast to that, the businessmen think that "in the factories we should work with 3 and 4 shifts, while in the fields we should cultivate every centimer of fertile land." (Zarko Cikara of "Hidroelektrika," Zagreb)

Here are some more opinions on the subject:

Gregor Svajger of Gorenje, Titovo Velenje: "We are wasting a lot of energy on criticism, but the fact is that even a hundred doctorates after the fact will not help. It is essential that the production flow, then everything else is easier. If the production stops, then you cannot say that the economic policy is good there, can you?"

Dragutin Kosovac of Energionvest, Sarajevo: "It is significant here to point out that most of our factories that place more than 50 percent of their production in harsh competition on world markets are working several shifts, while many of them, not simply processing plants but machinebuilding plants, are working in a four-shift brigade system. In practical terms that means that those plants are working 24 hours a day, 7 days a week and 365 days a year. Under such conditions and with that kind of work, and only that way, can one stay in competition on workd markets, get new jobs and increase exports dynamically."

Nazmi Mikulovci of Trepca, Titova Mitrovica: "It is possible and essential to increase exports in 1982. The basic condition for that is increased production. By today's production we are not yet providing enough goods for both normal domestic demand and exports. We must make maximum use of our capacity."

Miran Goslar of Mercator, Ljubljana: "The fact is that in recent years, unfortunately, we have been increasingly interested in seeking goods, although as a function we should have been more concerned with sales. Other than alcoholic beverages and textiles, we can hardly choose anything; rather, we are lucky if we can get anything at all. As long as we continue to have that discrepancy between supply and demand, there will be no true prospects for solving economic problems."

Ante Markovic of Rade Koncar, Zagreb: "In our collective we have always sought the solution in expansion. I think that that is the only way. There is no solution to be found in restrictions, particularly of production."

It is normal for a man to ask how it is possible for such reasonable positions to be regarded as disputable at all. The stabilization process, however, has its own logic, which in a markedly greater measure depends on the relations between interests in society than it does on economic reasons, even when they are as simple as the idea that more rapid growth of total wealth eases the payment of both old and new accounts. It is a matter of

interests that are not established at all, or sufficiently, by self-management, but which have unusually great impact on the use of social resources. The sum of all these interests resulted in overall excessive consumption, which is the most important economic cause of economic disturbances. The first step to stabilization is the reduction of that excessive consumption, but in some proportional manner, in all its parts including investments and the budget and mutual and personal consumption. It is not, however, enough to settle the old accounts from the times when we spent more than we created. That was always possible only in one way,— through debt.

And so previously debts were accumulated, and now is the time to pay them back. This year Yugoslav payments to foreign countries, which are no secret, will amount to about 5.1 billion dollars, of which 2 billion will be interest alone. What remains is not enough to continue maintaining the front, even with reduced consumption, while at the same time purchasing sufficient imported raw ans semi-finished materials for increased production. What is more, goods will be exported that actually are needed within the country. Here is a typical example from the PRIVREDNI VJESNIK survey which speaks of common window glass.

Stojadin Kanjevac of the Pancevo glass plant: "The market situation for our product will be improved eomestically simply by the fact that we are forced to export more because of the balance of payments situation. To be specific, we must have foreign exchange in order to buy such raw materials as calcium soda, which in fact is produced by Lukavac but which that plant must export in order to buy propylene which it needs for its production. In that situation, Lukavac provides us with less soda, and therefore we have less glass for the domestic market."

In contrast to some notions that have been worn out by frequent repitition, the businessmen do not think that we should reduce mutual consumption. Abaz Deronja of Unis in Sarajevo, for example, said: "Sometimes when I follow the media I think that we will err if we wear ourselves out in disputes about contributions and our costs for schooling, health care and other similar activities. There too, much needs to be done, but even then the economy will not be contributing less; rather, it will expect better services."

The businessmen also do not give serious importance to a number of actions that are constant topics of conversation. As Denio Radic of Plava Laguna in Porec said:

Concerning savings, we have largely chosen to concentrate on peripheral measures, such as restricting funds for representation offices, advertisements and travel. In short we have limited those budgetary items that are only marginally involved in the overal cost structure. At the same time, in other areas, where the effects of more economical and rational use of resources would give much more significant results, such as costs of reproduction materials and investments, we continue to behave irrationally."

Naturally, the farthest thing from the minds of the businessmen is a further reduction in personal consumption. In their words, one of the essential conditions for faster and more rational production growth is "nurturing the work ethic" and more rapid growth of personal income, especially for productive and creative work. At the same time, they are conscious of the decline in the living standard both in their own collectives and in the society as a whole. The comments below range from "shoes to automobiles."

Franc Grasic of Peko, Trzic: "The average Yugoslav buys less than 2 pairs of shoes per year. We have already quite definitely felt the growth in living costs in our sales, which have declined, and we expect that to continue in early 1982. Therefore, we will concentrate somewhat more on cheaper footwear."

Ivan Sebalj of Varteks, Varazdin: "We feel the stagnation of sales because of the decline in the population's purchasing power, especially in our ready-to-wear goods. I think that domestic demand for ready-to-wear clothing will continue to fall."

Milan Bojanic of Crvena Zastava, Kragujevac: "The decline in demand is evident as a reflection of the falling purchasing power of the population. The decision to cancel consumer credit for purchasing private automobiles has had a negative impact on demand. There has been a particular decline in demand for cars with small engine displacement. The renewed approval of credit for purchasing private cars where credit covers a small part of the purchase price has not significantly changed the quite difficult situation in marketing so-called small cars."

The chief directions of the businessmen's criticism were investments and administrative expenses. Ante Markovic of Rade Koncar, Zagreb, put it this way: "It is a question as to whether everything that is being constructed should be finished, and whether all the new facilities can survive in tomorrow's market. But no one stops building, the only thing that occurs is an occasional extension of the completion date."

Miroslav Vucemilovic of Jugoplastika, Split: "The banks are tied up in long-term investments, but they are seeking short-term capital, so as to enable some to return unproductive credits that have been invested in facilities that are losing money. But let me be clear that it is not only the banks that are to blame for that."

Juraj Razmilic of Pliva, Zagreb: "We have constantly resolved current, concrete problems, but we have never faced the issue of implementing the system. Why? Because then we would not have been able to extract a profit from the economy, we would not have been able to implement our investment programs that did not come out of associated labor. But we should have started to put the system into operation, and then we would have seen what it should eventually include. Instead of that, we constantly hear how the system should be changed."

At the same time, those businessmen who produce goods intended for capital projects warn against the lack of measure in restrictive actions. Oskav Fodor of Pobeda, Novi Sad:

"Whenever we put on the brakes, we put them on suddenly and along all lines, without letting up until everything falls off the shelves. When you gather just the basic restrictions in investments, general and mutual consumption, in imports and in credit and monetary policies, what else can you get besides an environment in which, under the shelter and with the encouragement of administrative measures tinted by self-management, in a gladiator manner, you take the income from one federal unit and give it to another, from one sector to another. With a clock wound from one day to the next, under the pressures of the urge to survive, development concepts are smashed for the sake of short-term effects. Agreement negotiations lost their self-management content and objectives and became an instrument of administrative consciousness. From that point it is logical that a territorial concept of economic thinking took control."

Besides investments, the other excessive social expenditure, which eats up capital needed for more rapid growth in production, is administration. As Filip Negrievski of Jugotutun, Skopje puts it: "There is no economy that can support an administration such as has multipled here in Yugoslavia."

Savo Lakic of the Titograd Aluminum Works: "Unfortunately, the tendency to expand that superstructure is found at all levels, everyone wants to have his administration, even the smallest production plants."

Anton Sipanic of Iskra, Ljubljana: "The effects of administration are papers. Nevertheless, we continue to increase the number employed, for example, in the federal administration, and then they ask the same thing from us, for every administration has to have someone with which it can correspond."

Damjan Rotim of Soko, Mostar: "Our productivity is frequently eaten into by the fact that the work of production workers must also support many social functions, so that it is essentially a common thing that new equipment and new production processes, which are otherwise at the levels of world production practices, become unprofitable and expensive. In production organizations, a part of the administrative personnel should be returned to production jobs."

The topic is not simply expenditures. The struggle with administration, instead of with the market, has become a means for gaining income, as Miran Goslar of Mercator, Ojbljana, states: "A man still sort of understands it when imports are involved, but for export transactions as well one has to go through a entire paper war."

Branko Jovetic of Naftagas, Novi Sad: "Getting a permit for a certain transaction takes so long that in the meantime the conditions change, so that the planned use venture afterwards does not pay."

Tone Krasovec of Uniles, Ljubljana: "Let us give that market at least a limited opportunity to function, without using an urgent medicine for the least little difficulty, an administrative decision. The latter certainly works fast, but it has one shortcoming,—it does not cure anything."

Milan Miletic of Kolubara, Lazarevac: "Today the state interferes in economic matters more than it did 15 years ago. It does that because of the impact of circumstances, so we should not reproach it for that. But it is not good that our sociopolitical communities have been transformed into the commercial structure of the economy. That leads to protectionism, and harms both the economy and the society."

Luka Brocilo of the Sisak Iron Plant: "The amount of administration keeps growing, so that the question emerges as to whether we are building a system of administration or of self-management."

Ante Markovic of Rade Koncar, Zagreb: "Administration is no longer simply a problem of accumulating papers and bureaucrats. It has become a matter of social relationships. The only escape is to enable the system to function as it has been agreed to and legally established by the Constitution and the Law on Associated Labor. That system is criticized as being complex, but it is only as complex as we want it to be."

An essential perception that emerges from this survey is that there are no varying opinions about the economic system as long as the discussion is conducted among businessmen. Their opinion is that the "system has been crudely violated," in the words of Abaz Deronja of Unis, Sarajevo. As Milenko Stanic of the Pancevo Chemical Industry put it: "The only thing we can say about the system is to express the request that the provisions of the Constitution and the Law on Associated Labor be implemented as quickly as possible. We are bothered by the lack of completion of the system and the interruption of production processes, by either administrative measures (even when necessary) or by limiting the unified Yugoslav market. Certainly we ask ourselves what our contribution to that is."

Nazmi Mikulovci of Trepca, Titova Mitrovica: "Entire segments of the economic system do not function in accordance with the established principles of the Law on Associated Labor and the Constitution, and with growing frequency measures are approved that hinder self-management contracting."

Kazimir Jelcic of Hercegovina, Mostar: "A system in which the principle of contracting and agreement negotiation dominates is the only one possible and suitable for associated labor."

For the businessmen, the only true stabilization can come from better work and greater production, but not just any sort. Rather, goods must be produced that by price, type and quality will be accepted on domestic and world markets. Objective economic laws and market criteria based on them are the most important conditions for an economy that works well,

develops the economy rationally and builds the system of socialist self-management. What criteria do we have in mind? In the first place, they include a realistic exchange rate for the dinar and free price formation, in accord with market conditions.

Franc Grasic of Peko, Trzic: "We believe that greater weight should be attributed to world prices. For equal quality, we should receive a price that is approximately the same as the world price."

Incidentally, the businessmen do not believe in the possibility of rapid reduction of inflation, and in general look askance at all "sudden" measures that are based on administrative force, and not on economic interests.

That point is stressed by yet another difference from "official" policy. Specifically, the businessmen do not support reducing imports. Their reason is not only the need for sufficient supplies of imported reproduction materials.

Janko Smole of the Ljubljana Bank, Ljubljana: "World competition should be made possible on the domestic markets, and that means that our market would be included in the international division of labor. Offering foreign goods on domestic markets would create conditions in which the domestic producers would have to compete abroad."

Vlado Trojak of Podravaka, Koprivnica: "What sort of inclusion in the international division of labor would it be if it were one-sided?"

Duro Stojanovic of Chromos, Zagreb: "Every time during our development when we became protectionist, we have lost as a society and as individual organizations of associated labor."

Naturally that cannot be done without markedly better economic organization. As Petar Dodik of the Zenica Mining and Metallurgical Works said: "I would warn of the fact that we must be careful so as not to provoke undesirable consequences."

Filip Negrievski of Jugotutun, Skopje: "We must liberalize imports much more, while buying abroad only as much as we can cover with foreign exchange. Exports alone, without the elements of world competition, are destimulative and finally hamper more successful entry into world markets. The organizations of associated labor do not have enough influence on foreign exchange expenditures. "The passive ones" get a place that does not belong to them, just to avoid any sort of political turmoil, but those who create the foreing exchange income are on the line getting the blows. Isn't that more harmful politically?"

Judging from the businessmen's answers, foreign exchange income and the possibilities for associated labor to increase its foreign exchange profits are the elements of the system that need to be put into effect first.

Velimir Ginovski of Jugohrom, Skopje: "Among measures that can affect operation results, I expect the most from the new foreign exchange policy. Eliminating the right to foreign exchange after the first time is a proper, flexible resolution for accumulated problems."

Dragutin Kosovac of Energoinvest, Sarajevo: "Administrative solutions and administration in general have grown so much that at times they hamper the development of relations with foreign countries."

Jozo Petovic of Saponia, Osijek: "The Federal Interest Community for Economic Relations with Foreign Countries should be an intermediary in forming associations, seeking and joining partners. It should become increasingly a place for negotiations and less a place for approving foreign exchange."

Damjan Rotim of Soko, Mostar: "Foreign exchange is distributed administratively, and something is always being sought from somebody."

Miodrag Mirovic of Montenegroturist, Budva: "That would speed the development of branches that can support the stabilization policy. It would also bring greater order into distribution and providing foreign exchange and, most important, we would move from proclamations about priorities to priorities themselves."

Mirko Simic of Sodaso, Tuzla: "A significant contribution to exports could be given by conscientious application of the Law on Foreign Exchange Transaction: in the sense of self-management agreement negotiations of all links in the production chain, of all aspects of acquiring and distributing foreign exchange income."

Juraj Razmiliv of Pliva, Zagreb : "Associating and joint investing for transactions that produce foreign exchange income should support and create a suitable political and social climate. Relationships based on the new system are very difficult to establish, because every action and every association process is declared to be buying and selling."

The PRIVREDNI VJESNIK questionnaire has been based on the same two questions for the past 7 years,--on market conditions or the state of the market, and on the economic system. This time the economic system dominated the replies. The businessmen asserted that the system's potential has not been utilized, and its implementation is the only route to stabilization.

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## LAW SAID TO DISCOURAGE FOREIGN INVESTMENT IN YUGOSLAVIA

Zagreb VJESNIK in Serbo-Croatian 13 Mar 82 SEDAM DANA p 6

[Article by Salih Zvizdic]

[Text] Never it seems has a law been such a failure from the standpoint of the subject matter it is supposed to regulate as is the case with the Law on Investment of Capital of Foreign Nationals in Domestic Organizations of Associated Labor. Matters are so strained that informed people say today that this law has in practice driven foreign investors away from the country. That it is a kind of antilaw!

I spoke about this with several of our respected business executives, but the most striking conversation seems to have been with Djuka Martinovic, executive vice president of the International Corporation for Investments in Yugoslavia, which has behind it fruitful work in organizing foreign investments in the country.

"Several comrades in the highest leadership of our government and in politics have on several occasions spoken abroad with foreign business executives about that law of ours. On such occasions they heard from potential investors of dollars quite a few objections, by and large the points being well taken, and promises were made that something would be done to amend the provisions of the law for the better. And they really have tried, but so far nothing has changed! The resistance of the administration has been very strong. Almost more powerful even than the endeavors of our federal officials, who, realizing the bad points of the law, have attempted to make certain corrections in it," Martinovic said.

The law referred to will soon have been in effect for 4 years, since it was passed in April 1978. It replaced the former Law on Investment of Foreign Capital, which, in the judgment of a majority, was much more acceptable for our own and foreign business people. From the very first the present law encountered sharp criticism from numerous business executives in Yugoslavia, who argued that "it drives foreign investors away." The authors of the law, however, said that the new law would prove itself in practice.

As indeed it has, but in what direction? While the number of investments of foreign capital under the 1973 law was 260, the figure has now dropped to 164.

For all practical purposes a stagnation has occurred in transactions of this kind; foreigners have almost entirely lost interest in investing their capital in our economy. Whereas the situation at one time was that foreigners would visit our OUR's [organization of associated labor], offering their dollars for joint investment projects, now our people go in search of foreign partners, usually in vain.

At this moment the feeling is very strong in a number of competent federal agencies that the law as it stands is outdated and should be amended. But if it is amended by the same authors who amended the 1973 law "in order to adapt it better to the conditions of our economy," which they did mainly without reaching an agreement with the economy, the baby might again be thrown out with the bath water. Certainly the possible changes and improvements, and it is improvements which are being discussed, should be left to the economy. Unfortunately, the administration has failed the test on this occasion.

Cash Investment Unattractive

It would not be feasible for us to attempt to give here everything that experience has shown to be poor or imperfect in this law, but we will attempt to call attention to at least the most pronounced examples.

Under the old law domestic and foreign partners could agree on how they would put up the capital intended for the joint venture. They could choose whether the investments (the ratio has always been at least 51:49 to the advantage of the domestic partner) would be made in cash or in credits which each would obtain on its own, or whether a part would be invested in cash or capital represented by the partner's own credit (equity), the remainder being supplied by obtaining joint credit within the work organization in which the capital has been invested. That is how it is done throughout the world.

But these present regulations, however, require that the investments be made in cash or credit which each partner obtains on his own. This essentially alters the former procedure of the joint venture, when the credit was repaid from the results of the joint venture before the actual division of income. Now everyone invests his own cash or his own credit. This is especially hard on foreigners. Because of the high interest rates on credit (up to 18 percent) and the taxes which the foreigner pays in our country on his profit from the joint undertaking, such investments have become unattractive.

Nor is it attractive for the domestic partner either, since as a rule he has more trouble than the foreigner obtaining credit, and he also has greater difficulty repaying it because not uncommonly the profit from the joint venture is less than the payment due on that credit. In this case the only OUR which fares well is one in which the partners have invested their joint capital. This OUR does not repay credits, since it never obtained them. In addition, it is left all its depreciation and all the funds for expansion of plant and equipment. The question of what interest a foreign partner would have in that situation is another matter, since he has come to make money, not to assist the development of our economy.

The institution of the so-called "compensation for business employment of capital" (this complicated phrase means profit) created the greatest difficulties for the foreign partner. That is, the law contains an unusual provision whereby the foreign investor does not obtain from joint income all the profit he is entitled to in proportion to his contribution on the basis of the capital invested, but only a part of that profit!

The profit is limited in advance in the very contract. But it is not limited by the partners in the joint undertaking, but by the administration, and that on the basis of very unreliable indicators. From the foreigner's standpoint the term "profit" is something which cannot be limited if business is conducted successfully and if capital is being formed. If profit created in this way begins to be limited, it becomes unattractive.

When it comes to the risk and losses, both partners bear equal consequences. On the other hand, the foreign partner's profit decreases as business improves. Restrictions on profit makes sense in the case of petroleum, gold, copper or other commodities affording large unearned income, but they are not justified in entrepreneurial transactions. Especially since in practice that provision has hardly any meaning whatsoever, since the rate of profit in income from these joint undertakings is usually such that restrictions do not come into play. Yet such provisions do have adverse psychological effects.

Everywhere a Different Tax

Our country has specific criteria concerning taxation of the profit of foreigners from joint ventures, since every one of our republics has set a different rate of the tax. For instance, Croatia and Slovenia tax the profit of foreigners at a rate of 35 percent, Serbia at 10 percent for its own underdeveloped regions and 15 percent for its advanced areas, Bosnia and Hercegovina at 10 and 20 percent, respectively, Macedonia at 10 percent, and so on.

The institute of the tax on profit is well known everywhere, and we are no exception in that. Yet there are in the world other customs concerning this taxation. That is, if the partner pays a tax on profit in the country where he has invested the capital, then that tax is not paid on the same profit in his own country. Our clients hold it against us that after they have paid the tax once here, they must pay it again in their own country. And they blame our legislation for that.

Because of the unevenness of tax rates, today the foreigners, if they want to invest, usually go to the republics with the lower tax rates. It seems like a crude paradox when a foreigner's profit from capital invested in an underdeveloped area of Serbia, say in Surdulica, is taxed at a rate of 10 percent, while in an equally underdeveloped area such as Donji Lapac in Croatia, the profit is taxed at a rate of 35 percent. It is logical for capital to flow toward the place where the tax rate is lower, and it is therefore no accident that Serbia, say, is recording a larger number of these joint ventures than Croatia.

The article of the law which speaks about returning the capital to the foreign partner was written in an extremely incomprehensible style, and in practice it has been interpreted to say that the foreigner's capital is returned to him in its nominal amount at the end of the life of the contract, which is usually 10 or more years later. Under present conditions of the strong inflationary trends, it is difficult and almost impossible to find an investor willing to invest capital which will be returned to him after 10 or more years in the same nominal amount. Such an investment is like a loan without interest.

In other countries the foreigner is usually granted interest on credits furnished for investment, as well as for the value of the new position on the market which the domestic organization has achieved through the effort and participation of the foreign national.

Whereas under the former law the import of equipment which the foreigner brings in as an investor and equipment purchased with the capital he has invested were not included in the import quotas of the republics and provinces, such importation is now included in those quotas. Paradoxical situations therefore come about where signed contracts cannot be performed, since the import quotas, which are anyway very restrictive, had already been allocated. In the rest of the world duty is as a rule lower on equipment imported as a part of a joint venture, since as a rule the products involved are intended for export [original reads "import"]. But we do not have benefits of that kind.

The extremely complicated procedure for registering these contracts is also a very serious difficulty toward carrying out a contract of this kind. The fatiguing effort to obtain documents takes as much as 600 days instead of the 60 foreseen by the law! There is no end to the certificates and pieces of evidence which must be obtained and the multitude of administrative traps and barriers that have to be hurdled in the form of various documents. To compound the trouble, any clerk working with this paper can challenge the validity of any document filed.

The way we have set up the procedure for recording contracts (in this case as in others) is that all the agencies involved come into play one after the other instead of working at the same time, as is the case in the rest of the world. This causes such delays and fatigue that some foreigners simply withdraw from the contract. We should also mention that this law could not be translated into English because of the complicated manner of expressing the legal and other subject matter.

The Foreigner Wants Profit

These are only the most essential objections to the present law, since it would not be feasible for us to undertake a more extensive analysis of each of its articles. It seems that its authors believed that foreigners could hardly wait to be allowed to invest their dollars in our country. They forgot that the foreign businessman is not interested in our ideological and economic motivations concerning the valuation of labor, but is motivated above all by profit or, still more accurately, by the amount of that profit. Incidentally,

the domestic partner also enters into this kind of transaction for the sake of earnings, that is, for the remainder of net income, even though the approaches differ.

At this point, when exports have become our standard of the success of every work organization, it is obvious that we need foreign investments more than ever before to create an expansion of exports. The joint ventures are by no means confined to construction of new factories. For example, much better solutions might be investment to expand bottlenecks in production, especially in production for export. Miracles could be worked in increasing production for export with relatively small capital, between $500,000 or $1 million, if the undertakings were properly guided. This has been confirmed by numerous examples in the country, such as Vuteks in Vukovar, Optyl in Ormos, PPK of Zagreb, Sintelon in Backa Palanka, and so on.

All of these investments mainly involve, or could involve, production for export. Incidentally, the foreign partner receives both his investment and his profit from the export sales, and the exports are used to pay for all the components imported for production (raw materials, equipment, and so on). The essential thing to emphasize is that in every contract on a joint venture the foreign partner commits himself to guaranteeing export of the goods resulting from the joint business operation. After all, if that export does not occur, there will be no profit nor repayment of the investment.

When we are mindful of all this, the urgency of changes in this debatable law is really obvious. The system of joint ventures, aside from passing on up-to-date technology to our economy and strengthening the entry of domestic organizations on foreign markets (especially those with hard currencies), also offers an occasion for credit relations with the foreign partner to be replaced by long-term business relations of an altogether different character, to the benefit of the domestic partners.

In conclusion we should emphasize: it is by no means a question of letting in economic liberalism by the back door, nor even a particle of departure from the policy of our self-managing socialism, but of realistically examining the world around us. That same world toward which our economy and our society are in general wide open.

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## BRIEFS

MILK CONTAINER DILEMMA--Due to a lack of containers in which to package milk and yogurt, the dairies in the Macedonian Republic are in danger of stopping production. All the dairies are supplied with milk and yogurt containers by Koplas of Skopje. Koplas is almost out of the raw materials for production of the plastic containers. The raw materials are supplied through imports for which Koplas has no hard currency funds. According to the commercial director of Koplas, the organization has not been able to arrange for the hard currency funds or the right to import. To make the paradox even greater, the raw materials that Koplas previously ordered have arrived and are sitting in customs, but Koplas cannot pick them up because they have no hard currency rights. In Koplas they say that they are considering entering into a self-management agreement in order to acquire hard currency rights, but to accomplish this goal they would have to purchase the hard currency "under protection", which is 100 percent more expensive by this method than the exchange rate. This the organization cannot do because it brings into question the profitability of production. [Text] [Skopje NOVA MAKEDONIJA in Macedonian 21 Mar 82 p 3]

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16 April 1982

# East Europe Report

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2259

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# EAST EUROPE REPORT

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TU LEADER CRITICAL OF SLOVAK WORK PRODUCTIVITY

Bratislava PRACA in Slovak 8 Mar 82 pp 1, 2

[Speech by K. Hoffmann, chairman of the Central Council of Trade Unions [URO], at the Slovak Trade Union Congress]

[Text] It is my pleasure to participate with the delegation of the URO in your congress for the third time, I want to pass on to you, and through you to all the officials and members of the ROH [Revolutionary Trade Union Movement] in the SSR, comradely greetings from our delegation and the entire URO. We convey to you our thanks for the great efforts developed by the Slovak Republic's ROH over the past years, for your active contribution to implementation of the resolutions of the Ninth All-Trade Union congress.

Five years of ROH activities in the SSR and in the whole CSSR met with good results. They are specifically mentioned in the report of the SOR [Slovak Trade Union Council] presented by Comrade Abraham and in the statistical account of activities.

I am glad that the good work of Slovak trade unionists was acknowledged by last year's CPSL congress and that it received positive assessment also in the presentation by the head of the delegations from the central committees of the CPCZ, CPSL, NF [National Front] SSR, and from the SSR Government, Comrade Jozef Lenart.

The success of ROH activities is borne out also by the results of annual membership meetings and conferences of basic organizations, as well as by all-trade union and union conferences, and the current progress of your congress.

The mentioned ROH achievements make it evident that today's large trade union membership is more experienced, more capable and more highly qualified, that it has been hard at work throughout the entire period, and that members actively participated in carrying out the tasks of our great organization. Also the trade unionists in the SSR were cognizant of their extraordinary responsibility that cannot be delegated to anybody else in implementation of CPCZ policy, in developing an advanced socialist society, in defending the interests of the workers class and of the working public. That is why you are achieving positive results in many respects, in many indicators of trade union activities and in everyday intraunion life.

Toward Exacting Standards

In keeping with the SOR report, your discussion and the address by Comrade Lenart, we must also state at the same time that we are far from being able to feel complacent about everything, that we did not attain all the goals that we staked out for ourselves, that we are struggling with a great many shortcomings and unsolved problems, that there are many things to ponder, things to pay attention to and things to improve. This applies to the basic directions of our multifaceted activities, to the development of all functions of socialist trade unions in the CSSR.

Thus, it is quite right that the SOR report emphasized the inevitability of focusing our attention on everything that slows down the rate of development and saps the effectiveness of trade union activities. In the name of the URO, welcome this critical and self-critical stance expressed in the report and corroborated in the discussion, because it is of significance to the ROH as a whole, because the results achieved by the more than 3-million-member ROH organization in Slovakia affect to a considerable degree the overall level and results attained by Czechoslovak trade unions.

Just as the SOR report did, it is my duty to point out that--in spite of an overall satisfactory scope of activities--in a number of indicators of trade union activity, the results achieved in the SSR lag behind those attained in the CSR and reduce the nationwide level. This applies primarily to those indicators that become directly reflected in implementing the tasks of the plan for the national economy, in scientific and technical development, in continued improvement of the productivity of labor and efficiency of production. This applies, e.g., to substantially lower results attained in promotion of expeditor teams, of the innovators movement, etc.

Added gravity is lent to this problem by the fact that with overall more modern and better fixed production assets and a higher share of personnel with college and full secondary school education, the social productivity of labor and the generated national income per worker in the SSR still remains considerably lower than in the CSR. Also, the effectiveness of long-term assets in the production sphere is decreasing at a faster rate in Slovakia than in the CSR.

The ways to cope with these and other problems of the economy and what can be done by the trade unions were aptly described by Comrade Lenart.

We are convinced that trade union organs and organizations, and all trade union officials in the SSR will take a thorough and rather specific look at the results of their efforts, analyze the reasons for success and failure in individual directions and draw differentiated conclusions corresponding to the situation in individual territorial or union organizations. We expect that the same approach will also be adopted by plant and enterprise committees.

But critical analysis will also have to be applied to results that are exemplary and, according to statistics, better than the national average and determine whether they are commensurate to our possibilities as well as the current needs in the development of the national economy and of the whole society.

Great attention should also be paid to analyzing the level and results of production consultations, the share of improvement suggestions that failed to be implemented or utilized, the decreasing number and percentage of ZV [factory committees], of those who take a position in making proposals for the plan, slow rate of implementation of implementation counterplans, the level of collective bargaining contracts, planned activities of many ZO [plant organization], development in overtime work, activity of members at trade union meetings and other problems pointed out in the SOR report.

I would also like to point out at your congress that when we talk of discussing the plan for the national economy, of collective bargaining agreements, of production consultations, etc., it has nothing to do with our being interested in percentages, in figures, but primarily and mainly in having problems relating to the plan, tasks, working conditions, solution of key problems dealt with by work teams, so that the widest possible circles of personnel become well acquainted with the tasks ahead of them and the conditions under which they will have to meet them, in order for everyone to contribute with his experience, his opinion, add his share and get actively involved in overcoming obstacles. That is the heart of the matter, that is our mission and objective, that is the integral part of the economic function of trade unions and promotion of participation of workers in management. Attainment of such a state will decisively and positively affect the ultimate results, assure fulfillment of the plan and become manifested in improving the labor conditions and the entire life of all workers and the rest of the working public.

Emphasis on Economy

Let us cite just one example of the considerable unused resources in the Czechoslovak economy and in our own activities. Most ROH members realize of what great importance to futher development of the economy and of the standard of living in Czechoslovakia is economy in the use of fuels and energy, optimization of their consumption and the efficiency level of their utilization. Those who follow world events could not fail to notice that even the economically strongest countries endowed with rich mineral resources put an extraordinary emphasis on economizing and a drive toward efficiency. This applies with a much higher urgency to the CSSR, a country which must rely on importing most of its raw materials and fuels. And in spite of it all, there still exist numerous examples of unbelievably voluminous, superfluous wasting of fuels and energy.

This goes to show that in a considerable number of plants and enterprises there still persists a failure to comprehend the inevitability of better management. That is borne out, among other things, by the results of inspections conducted by the State Energy Inspectorate. Inspections carried out in the fourth quarter of 1981 in 330 organizations revealed shortages in more than 20 percent of these organizations. At the same time, it involves easily preventable losses of energy that represent quite a percent of the overall annual energy consumption in these plants and enterprises. The detected and preventable losses in some of the inspected organizations represent 10-15 and more percent of the total annual consumption of fuels and

energy. Inspections also revealed that there are bulk consumers committing breaches of discipline by systematically exceeding the plan of electric energy consumption even at peak loads and must be penalized (some of them even 6 times a year), that control of fuel and energy consumption in many plants and enterprises is at a very low and unsatisfactory level and others fail to meet even the plan of economic measures for savings of fuel and energy which only partially makes use of existing unused resources. It seems unbelievable, but it is a fact that some organizations even had to be fined for wasteful economy several times and others have failed to this day to eliminate shortcomings detected during inspection as far back as 1979.

What can be added to all this? First of all, that it is also our concern and our fault that the State Energy Inspectorate must point out such glaring examples of poor economy and waste which are daily passed unnoticed by ROH officials and members as well as leading managerial personnel. At all places of work there are trade union organizations, membership meetings are held, as are trade union meetings and production consultations. We must ask, therefore, how come these so obvious shortcomings and transgressions against economy are not detected and dealt with directly in the organizations concerned, when their detection calls for neither specialists, nor special inspections, but can be handled by work teams themselves? How come their elimination is not incorporated into collective bargaining agreements and plans of ZO activities, when it is specifically these tasks that belong in the production economy part of this program documentation. This provides a somber clue for all officials, for plant committees and higher trade union organs for more responsible and more specific dealing with this extraordinarily important task as well as with the lack and problem of effectiveness of trade union activities.

Making Use of Creative Potential

It is imperative that we take a look around each workplace, take stock of all the causes of needless energy and other losses and come to an agreement for their immediate elimination. And make use of the ideas and experience of the collective intelligence of work teams and of the tremendous creative potential of innovators, expeditor teams, pioneers of socialist labor, technicians. This example also shows how necessary it is to provide in the SSR for an accelerated development of expeditor teams, of the innovators movement and their orientation on basic problems.

Improved economy in the use of fuels and energy is a task that each sector, each organization and component of the ROH must consider to be its own. That will enable us not only to meet the plan for savings of fuels and energy, but to substantially exceed it and thus contribute to lessening the tension in the fuel and energy balance.

Such and similar possibilities for achieving savings of energy and materials, as well as other approaches to cutting down costs and improving the efficiency of production and of all our activities are numerous. For that reason, we consider it eminently appropriate that the SOR report reminds us of the requirement to more effectively develop ROH activities in the economic sphere.

It has already been mentioned that the conditions under which we operate are incomparably more complex and the tasks significantly more demanding than they have ever been. This leads us to the conclusion that the greater the tasks, the more complicated the situation, the more difficult the problems, the higher demands we must place on our own trade union work, the higher must be the quality level of all our efforts. That was the reason why at the end of 1980 we adopted measures for further improvements in ROH activities, the key objectives of the latter being to keep pace with the development of society, with the demands of CPCZ policy and the needs of the working public. Experience shows that the ROH is capable of handling even the most taxing tasks. We found out many times that the potential for our organization's activities is unlimited. And that is why we should make better use of them right now than has been the case before.

As we vehemently emphasize the necessity for increasing the trade union's share in carrying out economic tasks, we are not forgetting even for a second that it forms a part of economic and social development, that it is the decisive prerequisite for improving and further increasing the standard of living, deepening of all-round care for the working public.

As your deliberations show, trade unionists in the SSR clearly realize how many shortcomings, how many weak points we have in this respect, too. But in many cases they are shortcomings that never should have been allowed to develop. Experience leads us to the conclusion that wherever these problems are seriously dealt with, wherever there is a will for their systematic solution, redress will be successful. Therefore, hand in hand with developing the economic function of trade unions we must improve care for the workers, take care of our members, their rights, needs and interests.

Solidarity of Trade Unionists

I consider it my duty to comment on the recent 10th World Congress of Trade Unions. I would like to inform you first of all that during the congress, during meetings with delegations and guests, our partners on many occasions showed high appreciation of the activities and the role of the ROH, conveying their thanks for our solidarity, assistance and help. We were requested many a time to convey their greetings to Czechoslovak trade unionists after our return home. I am availing myself of this occasion to convey to you, participants in the Slovak ROH congress, to the many officials and all members--more than 2 million of SSR workers--the militant, comradely greetings from representatives of trade unions in the USSR and other socialist countries, as well as from delegations from revolutionary and progressive trade union organizations in capitalist and developing countries.

The 10th World Congress was a truly significant gathering of trade unionists from our entire planet. It was the most representative meeting of delegates of trade union organizations of all persuasions in the history of the world trade union movement, at which all could present their opinions, suggestions and proposals. The deliberations were participated in by representatives of the major part of the world's workers organized in trade unions. I can inform you at the same time that the ROH delegation accomplished its mission and played a very active part in the congress.

The 10th World Congress confirmed that in spite of all obstacles, the concept of dialogue, cooperation and joint effort is making headway and is receiving increasingly wider support. As was pointed out in an interview for PRACE by the secretary general of the WFTU, Comrade Zakaria, the congress was characterized by a constructive atmosphere, spirit of understanding, cooperation, a desire for unity and concerted actions as well as a spirit of determined sturggle for basic class and human needs, for peace and security.

We are convinced that this spirit of Havana will spread and enhance all future activities of the international trade union movement.

We have already informed our workers that this congress dealt with all key problems of the present. Its entire course emphasized the inevitability of a common struggle for peace, for disarmament and relieving tension. It confirmed the fact that trade unionists in the whole world clearly realize that maintenance of peace is the prime vital interest of workers, that only the struggle for peace points the way into the future, that the greatest perils to world peace are armament monopolies, capitalist countries and primarily the Reagan administration, that the key champion of peace is the Soviet Union and other countries of the socialist community. This was also reflected in the stormy applause in the congress hall during reading of the message sent to the congress by L. I. Brezhnev.

The congress put great emphasis on increasing and supporting the struggle against capitalistic exploitation, against inflation and unemployment, against colonialism and neocolonialism, against fascism and racism in all their forms.

The 10th Congress was the world's trade union parliament of solidarity with the workers, with working people who still must wage a struggle for national and social liberation, for work, for social and life security, or defend their revolutionary accomplishments and results of free constructive work.

The congress also loudly proclaimed the voice of solidarity with the workers of the Polish People's Republic. The URO delegation also proclaimed at the congress--and, as I can see from the progress of these deliberations, with your consent--that trade unionists of the Polish People's Republic who are devoted to socialism do and always will have the full support of Czechoslovak trade unionists.

The fact that the congress took place in Cuba, a country of heroic people who in the immediate neighborhood of the USA are building socialism and bravely resist all attacks of American imperialism, afforded all participants a chance to familiarize themselves with the results attained by Cuban workers under the leadership of the Communist Party of Cuba with active participation by Cuban trade unions and express their solidarity for their struggle. The impressions from the Havana congress were buttressed through an address by Comrade Castro, who with a multitude of data and facts literally unmasked the hypocritic, antipeople, reactionary policy of the USA, oriented against class, social and national interests of workers all over the world.

An important result of the congress was adoption of a worldwide program for the WFTU and trade unions, the important document Trade Unions and the

Problems of the Eighties, an updated Charter of Social Security and a great many other significant resolutions.

The 10th World Congress will become noted in the history of the international trade union movement by the fact that it clearly formulated the key goals of the world's trade union movement in this decade, that it again convincingly pointed out the inseparable nature of the struggle of all workers of all countries for basic class interests, for social progress, for democracy, for socialism and peace, that it contributed to creating the prerequisites for continued development of cooperation and unity of action, that it will lead to reinforcing the authority and prestige of the WFTU in the international trade union workers movement of all countries for basic class interests, social progress, democracy, socialism and peace, that it contributed toward creating the prerequisites for further development of cooperation and unity of action, that it will lead to reinforcing the authority and prestige of the WFTU in the international trade union workers movement.

The progress of your congress bears out the justification of the words spoken by our delegation at the world congress, i.e., that the same amount of responsibility with which the Czechoslovak trade union movement fulfills its tasks at home will be devoted to its obligations deriving from the principles of socialist internationalism and international solidarity of workers, as well as to the tasks relevant to implementation of the resolutions of the 10th World Trade Union Congress, and that the international revolutionary and progressive movement can rely on CSSR trade unionists in the future as well.

Focus on Quality of Work

In the years since our liberation, in the process of participation in building of socialism, the ROH has become a large and democratic organization which is characterized by the unity of its ranks, a polarized class and political character, multifaceted, rich activities and an effort to keep upgrading its service to the workers class and to the working public. It is the result of persistent, goal-oriented effort participated in to a considerable extent also by the SSR trade union organization. You, too, deserve credit for our being able to submit to the 10th All-Union Congress a favorable balance of ROH activities, a report on our successful implementation of the resolutions of the Ninth Trade Union Congress.

Resolutions of the 16th CPCZ congress enable us to face the delegates of the 10th All-Union Congress with a clear program of continued trade union activities and ideas for their further improvement and development.

The thematic preparation for the congress, the program for the next five-year period, must not distract our attention even for a second from what is on the agenda every single day, every single hour--the struggle for meeting the plan, for economy, for quality of work and production, for elimination of negative phenomena which make peoples lives more miserable. Simply put, from tasks that we have been dealing so earnestly ever since the Seventh Plenum of the URO and other occasions and which are of permanent validity. We have achieved a lot, and our experience of many years shows us that we could accomplish substantially more. Thus, we should exert all our efforts to prove that we

are capable of contributing even more effectively to meeting objectives as well as to eliminating unnecessary shortcomings. We discussed these matters quite specifically at the 12th and at the last, 16th, plenum of the URO.

We are convinced that you will develop trade union activity to its fullest, that you will make use of all experience, elan and talents of the numerous trade union membership in the SSR and the extensive experience of trade union organs and organizations in the CSR to achieve even more impressive results in the interest of the people. We should expand, deepen and be more creative in studying the experiences of fraternal trade union organizations--in the USSR and in other socialist countries. A great opportunity for this is offered by the upcoming congress of trade unions in the USSR and other congresses. We must keep returning to Lenin's theoretical works regarding the nature, mission, position and role of trade unions under socialism. I recommend that we also reread and contemplate what L. I. Brezhnev had to say about soicalist trade unions in his message to the 10th World Trade Union Congress.

Comrades, in conclusion I would like to thank you once more for all you and the whole ROH organization in the SST have done on behalf of the working people, for implementation of party policies and the resolutions of the Ninth All-Trade Union Congress, for building of socialism.

Your congress affirmed that the ROH delegation from the SSR can inform the 10th All-Trade Union Congress that the ROH organization in the SSR has developed active and fruitful efforts. The tasks ahead of us after the 10th All-Trade Union Congress will not be easy, but--as can be seen from the past period and as is shown by the progress of this congress--you have all the prerequisites and sufficient strength and determination to meet them with full success.

Comrades, our best wishes go to the newly elected organs, to all of you, the entire trade union organization in the SSR for meeting with many successes in your continued efforts.

Let us jointly do everything we can for good preparation for the 10th All-Trade Union Congress and implementation of its resolutions for fulfilling the program of the 16th CPCZ congress.

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ENTERPRISE MANAGER FIRED FOR ACTING LIKE CAPITALIST

Bratislava PRAVDA in Slovak 20 Feb 82 p 3

[Article by Jaroslav Kopal, CPSL Central Control and Audit Commission official, and Vojtech Vesely, editor of PRAVDA: "The Fall of a 'Pashalik'; About One Director Who Thought: The Enterprise, That's Me!"]

[Text] It is a foggy day in February 1979. The famous Limbach wine bar near Pezinek is busy. There are rows of cars in the parking lot, buses and gleaming 613's are not missing, either. All rooms are full. The personnel are on their feet. Festive tables are set for 130 guests. There are ceremonial speeches and toasts with the appropriate ceremonial applause in between.

Pavol Cech, director of the Chovprodukt enterprise, the commercial organization of the Slovak Association of Small-Animal Breeders (SZD) in Bratislava, is sitting at the main table. He looks around at the faces of the people filling the hall. How many have come, how they flatter him, what superlatives they use to extol his "priceless contribution" to the development of the enterprise, whose 10th anniversary is being celebrated today. No, he is not interested very much in the workers from his own enterprise now; they represent only "plebs" here, he invited them just for the sake of form; at any rate, he knows very well that many of them have quite different wishes for him on their minds than those they express in words. It is the significant guests both local and from abroad who really matter, since their mere presence elevates the importance of the day.

Everything is going well. Better be, he was preparing the scenario for the celebration with such care! The celebration of the minianniversary of his minienterprise is grandiose. There are nearly twice as many people present as there are employees in the entire Chovprodukt.

The whole country is economizing, energy-saving measures put limits on many necessary things in all areas; we must tighten our belts, give up comfort, not use fuel for even a 1-kilometer trip when it is not necessary. However, the director of Chovprodukt lives in a different world. After all, the enterprise yields more than 2 million net profit a year, which can be used in whatever way the director desires, since no rules have been determined for the appropriation of funds: well then, let's enjoy ourselves, after all, we live only once.

Free Hand With Millions

And now let us look into the everyday life and activity of Chovprodukt during those years. This time, however, not through the toast criteria from the reception described above, but through facts discovered during the investigations made on request, when serious defects in the Chovprodukt's management, namely the views and methods of Director Pavol Cech had been brought to the attention of the authorities.

"To satisfy primarily the needs and interests of the SZD members and other citizens, to contribute to the maximum extent to the development of small-animal breeding and thus to help the development of the entire national economy to the largest possible extent."

This is what the statutes of Chovprodukt, registered on 6 June 1976, say about the task of this enterprise.

How did P. Cech direct the commercial activity of the enterprise? According to his own ideas and theories. Large quantities of products were sold to socialist organizations on credit: 72.9 tons of wheat bran to the United Agricultural Cooperative (JRD) in Saby, 5.6 tons of millet to the Kapusany JRD, 2.4 tons of sunflower seeds to Vegetables, the seed-distribution center in Kvetoslavov, 29.4 tons of sunflower seeds, rape-seed and wheat to Zverimex, Prague, etc.

What does it mean to sell on credit? Essentially it means that the limited amounts of seed and grain do not go to small-animal breeders, for whom they are intended, but to socialist enterprises, which are otherwise supplied by the Agricultural Supply and Purchase Enterprise (PNZP) from state funds. No wonder that small-animal breeders are worried about the shortage of food for their animals. And why is it so that Chovprodukt likes to sell on credit so much, issuing invoices for five, or, not infrequently, even six digits? It is not for the sake of love for their neighbor, i.e., the socialist sector, it is a matter of simple storekeeper's calculations: we will sell by boxcars and will not bother with small kilogram quantities. Everything is sold for the same--retail--price. How the cooperatives' economists will explain their violation of financial discipline by purchasing grain and seeds for retail prices is their own business. All that matters is to fulfill the Chovprodukt's retail turnover plan and to obtain the bonuses which depend on it.

Let us tell you that in 1979, so-called "route transactions" (business transactions during which Chovprodukt's employees did not even have to touch the merchandise and only mediated administratively deliveries from the PNZP to the SZD organizations) represented 22.4 percent of the retail turnover. Through merely exceeding the plan for these supplies, Chovprodukt earned more than Kcs 1 million almost without any efforts. Of the total net profit of Kcs 4.6 million, Kcs 2.6 remained in the account of the enterprise. What to do with the money? There was no regulation or resolution concerning the appropriation of funds. Therefore, P. Cech himself decided what he would appropriate for operating expenses and what for investments. Directors of

large enterprises can envy him, they do not have such unrestricted freedom to spend millions.

Resources for a Single Grandee

According to the provisions, the Chovprodukt's undivided profit should have been transferred to the SZD account and the subsidy of this social organization from the state budget should have been decreased by a corresponding sum. However, the investigation report shows that this condition was not met either by Chovprodukt or the SZD Central Committee.

Unfortunately, the members of the Management Board of the SZD Central Committee did not pay due attention to these questions at that time and did not apply standards high enough while evaluating the Chovprodukt activity. This accounts for the fact that in 1978 they made an unusual decision and raised the annual representation money for P. Cech from Kcs 12,000 to Kcs 15,000. With such a nice sum in the pocket, one can certainly act like a grandee and sit down with business partners in places better than a boring office and entertain those who matter to him.

According to the regulations in effect at that time, the representation money should be used purposefully, for instance, for flower gifts to employees on the occasions of their important life anniversaries or similar occasions, for small presents advertising the enterprise, for soft drinks served during long meetings, etc. However, it is mandatory that all items be specified on pertinent documents and verified by another person. However, P. Cech goes by principles of his own and, therefore, the investigations found unspecified receipts from grocery stores and cafeterias of the total value of Kcs 8,443 for 1979 and receipts of the total value of Kcs 6,111 for the 8 months of 1980. As the final report shows, these are receipts for alcoholic beverages.

Someone may think that this must have been discovered by the next audit and that appropriate conclusions must have been drawn. However, no conclusions were drawn... The audit by authorized agencies examined only whether the general limits had been kept, although at that time written reports of the defects mentioned above had been received, and P. Cech was careful enough not to exceed these limits. For instance, the audit commission never wondered how two representatives of the Prague Zverimex could possibly consume a "snack" for Kcs 260, including a whole kilogram of ham which was obviously and shamelessly charged as a business expense on Receipt No 479 of 30 June 1978. Nor did the highest authority, the union's audit commission, take any steps, since--according to the records--its members and P. Cech were frequently "in session" together in the Brewery Inn during the inspection, refreshing themselves at P. Cech's expense.

A series of other papers shows clearly that P. Cech frequently visited places such as The Golden Rooster, The Inn of the Great Friars and Luxor, where he found a favorable environment for his "business talks." Name days, according to him, were also momentous events, but not the name days of just any worker in his enterprise; he was mostly concerned by people in interesting positions. One can get an idea of the extent of P. Cech's acquaintances also from the

fact that despite the well-known prohibitions he sent out 387 New Year's greetings, at the expense of the enterprise, of course. As it is evident from the telephone bills, he never forgot to send Happy Name Day telegrams to numerous Josephs, Johns, Michaels, Peters, Pauls, Anns and Marys.

The Principle of Merits Mocked

However, even higher sums flowed out of his hand. It was in the area of wages, where P. Cech felt by no means restricted by any appropriate regulations, namely by the conditions stipulated for him in October 1978 on the occasion of the transition to the rationalized enterprise wage system. In the first place, he should have seen to it that the annual increase of average wages did not exceed 2 percent. What was the actual practice? Compared with the year 1978, the 1979 index represents 111.8 percent, the average wage increasing from Kcs 2,583 to Kcs 2,888. Nevertheless, the enterprise reported a much smaller increase, using shrewd trickery: P. Cech did not report a full-time equivalent of part-time workers and in this way he obtained a lower, fictitious, average and instead of the actual number of 73 employees, he reported as many as 80. P. Cech multiplied this number by the mandatory maximum average wage, and, eventually, in December 1979, he had in his hands the so-called "saved wages payable" amounting to Kcs 256,837. He distributed the sum immediately, without consulting the trade unions or without considering seriously his employees' merits according to the evaluations by individual shop managers. Individual differentiation of workers goes from Kcs 500 up to 11,000. In that year, some of his favorites received on the whole 46 to 61.5 percent bonuses in addition to their basic wages. Of course, he took the largest portion for himself. The SZD Central Committee Management Board appreciated his activity in positive terms, legalized the illegal manipulations with wages and approved for him an extra payment equalling 40 percent of his yearly salary, instead of the usual 30 percent, as a reward for his successful work. What a mockery of the principle of merit!

Willfulness and Subjectivism

Muddy waters, a dense, smelling atmosphere--such is the environment P. Cech gradually created around himself.

Willfulness and gross subjectivism characterized his personnel policy. When hiring a man, he was satisfied merely with a filled out personal form. He was not interested in an evaluation by the former employer or in the clear criminal record statement or even a document certifying the level of education completed. Why should he bother, anyway, since he hired people only for a "certain period of time," usually for 3 months, which period was either extended later or arbitrarily terminated. In this way, he acquired unlimited power over the people, while they lost the elementary social securities embodied in our laws as an achievement of socialism. In 1980, out of 86 registered workers, 24 left the enterprise before the end of September and 25 new people were hired. A remarkably high rate of turnover. However, not many people actually pointed this out and there were even fewer efforts to discover the cause.

"The work in the area of personal management is casual, chaotic, unsystematic; the director does not pay any attention to it...," found the inspection.

More negative attributes could be justifiably added. "The personnel management has been deformed and reduced from the principles determined by the party to P. Cech's subjective methods." It will suffice here to give an example of how he "knew" people. In his eyes, sales manager "Comrade" T. Bakay, a notorious rhetorician, who, however, held back when it came to serious work, represented the embodiment of a perfect example at that time. Trusting him absolutely, the director used to send him to negotiate business with a company in Munich. Finally, T. Bakay liked it there so much that he applied for a job directly with the "business partner." In other words, he emigrated and did not forget to take some valuable business documents with him.

On what level was P. Cech's management? As far as this question is concerned, we shall present the experience and views of the manager of branch store No 08 in Kosice, Eng I. Orolin. "Chovprodukt," says Eng Orolin, "lacked planning and evaluation of any kind, to be specific, e.g., there were no product-distribution plans, no product-specification and -distribution schedules for individual stores, the product assortment annual plan did not exist. The retail return was not secured by contracts and, therefore, none of the branch managers ever knew what amount of what product he would receive. P. Cech oriented the product exchange with foreign-trade organizations exclusively toward capitalist countries. Nor was this activity planned, and it did not satisfy the needs of small-animal breeders," says I. Orolin. Mostly a wide assortment of food for aquarium fish was imported, even though domestic products of an equal quality were available on our market in sufficient, even surplus, quantities; the situation was the same for food for exotic birds. On the other hand, the products which small-animal breeders needed really urgently and which were not manufactured in our country were not imported; this applies mostly to technical equipment such as small high-performance electric motors for air pumps, ozone water-purifiers, heavy-duty filters, luminescent light sources, thermostats, etc. And why? Since a smaller trade rebate had been determined for the import of this equipment than for animal food and fodders...

Did I. Orolin bring these problems to the director's attention? "I tried," he says. "We discussed these problems on several occasions, I tried to persuade him to direct the foreign trade toward socialist countries, since various types of high-quality equipment for small-animal breeders are manufactured in the Soviet Union and Hungary. However, I was not very successful and the problems accumulated in the meantime as a result of his utterly incompetent decisions. Unfortunately, the decisions affected negatively both the working conditions of the employees in the stores and the quality of our services to small-animal breeders."

Let us add that P. Cech began to dislike I. Orolin as well as other colleagues who showed any initiative to improve the activity of the enterprise with respect to the needs and interests of small-animal breeders. He viewed their initiative as hostile actions aimed at him personally and he was shameless

enough to pay back in illegal ways. To be specific, he tried to silence I. Orolin, to shout him down, to intimidate him, aided substantially by his so to speak "interpreter of moral principles" T. Bakay, mentioned above. Since this did not help, one audit followed another in the Kosice store, combined with disciplinary actions for entirely trumped up "violations" of work discipline, all being Cech's usual way of paying off old debts. However, the City Court in Kosice pronounced the accusations invalid.

Invoices and "Reinvoices"

What was he doing then, when he got rid of all the troubles a director usually has with the management and work with people?

For instance, he completed the construction of his villa in 32 Olivova St in Bratislava. The villa was built in an interesting way. He ordered the material, such as, e.g., concrete mixture, for Chovprodukt, but he gave Olivova St as the shipping address (invoice No R 316 of 8 September 1978 for Kcs 1,454 wholesale price, issued by Doprastav, branch office No 01). The same applies for 1,050 bricks for Kcs 2,766 including shipment (invoice No 50/10 of 31 August 1978), also smaller items for cement and lime. Now, now! To "purchase" materials from one's own enterprise, which, in addition, deals with parrots and turtles! What does it mean? This is not done! "I have paid the invoices," P. Cech is now defending himself. It must be admitted that it is true, but they were as we say "reinvoices," issued only after the deputy director for economy had intervened. Why did he not buy the construction material in a proper way, i.e., directly from appropriate trade organizations in cash for retail prices?

It is a nice roomy villa. P. Cech built a second villa in those short 15 years. He built the first one in Rusovce where he worked as the JRD chairman before 1976 and then sold it. He had enough strength and resources left to be able to reconstruct a summer house in the Pezinska valley. In the meantime he also managed to find and acquire several apartments in Bratislava, exchanging them again later.

Also, not a little time was taken up by the extensive paperwork related to the activity of private suppliers of various types of equipment and technical devices which Chovprodukt sells to small-animal breeders. He signed service agreements with these suppliers. Agreements? Should they be called agreements, they would have to show clearly all appropriate terms, namely the performance ordered, rate per hour, the actual number of hours and the approval by the employer. In fact they were uncontrollable and uncontrolled odd jobs performed under the protection of P. Cech. During one and one-half years, from January 1979 to July 1980, he signed 172 such agreements, mostly for work and services which could have been provided by socialist organizations without any problems.

He also found time to show "original" attention to certain people. Chovprodukt's store in Pezinek was supplied with several tens of leather coats, nice looking, made of good material, cheap. However, not even one found its way to the counter in the Pezinek store: Director P. Cech sold most of them

"under the counter" to all his acquaintances who were interested and only sent the "receipts" to Pezinek.

We could go on and on. We could tell you how he bullied those who took the liberty to point out the untolerable relations with trade unions, for which he used to determine terms of meetings and decided whether people would or would not be released from work in order to attend them. Or we could tell you about his irreconcilable conflict with his deputies and how he got rid of them.

Everything would just bring us to a single fact expressed by the SZD Central Committee secretary, Eng Jozef Kuban, who is now wiser through the experience of this case: "He acted in all respects as if the enterprise were his." An accurate description. The enterprise, that's me!, as the famous French king said about the state. And indeed, P. Cech changed Chovprodukt to a kind of small Turkish "pashalik" with all the vices of "Turkish husbandry."

The fall of this "pashalik" dates to 1 October 1981. On that day, the Management Board of the SZD Central Committee removed P. Cech from the position of director of Chovprodukt with regard to the results of the investigations and their own extensive experience with abuses in this enterprise. Special measures were adopted to prevent such abuses from being repeated in the future.

Let us add that prosecutors investigated the allegations of illegal activities during the time when P. Cech was the director of Chovprodukt and they concluded that there were not any such activities.

Dangerous Links

P. Cech is in his fifties, has middle-level technical education, well mannered, socially adept. His father was a cattle trader in Pezinek and P. Cech also started in this trade when he was young. Then he began to work in purchase enterprises. He was hard-working, showed remarkable organizational gifts, completed his education and, therefore, he went on to positions of increasingly greater responsibility in agriculture. He managed successful development of cooperative farms, for which he received a state award.

How did he bring about his fall? He did not want to surpass his old achievements by new ones, but he wanted to capitalize, to take interest in the form of material values as long-lasting as possible. He never got rid of a certain spirit of greed in his attitudes and deformed the spirit of social enterprising to lack of discipline in planning and finances. He did not find room for his initiative in the opportunities and needs of the development of small-animal breeding as outlined in the party and trade union documents, but he made use of the loopholes in our planning and management, in the legal regulations and particularly in the system and practice of audits. He built this "system" of his on a very broad circle of influential acquaintances, which reflects links between vices and their protectors in a form particularly worthy of condemnation.

The moral of this story can be found in the thought expressed by Gustav Husak at the CPCZ Central Committee's Fourth Plenum last year: "Whenever there is negligence, lack of discipline, favoritism, self-interest, laziness, greed, cunning, etc., not only those who are actually guilty of these vices should be blamed, although they should be blamed primarily, but also those who create conditions for such vices, who tolerate them, put up with them, avoid facing them or even defend them."

Will they think about it?

9814
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JANUARY 1982 NATIONAL ECONOMIC RESULTS SUMMARIZED

Prague HOSPODARSKE NOVINY in Czech 5 Mar 82 p 2

[Report by Dr Eng Vaclav, CSc, Federal Office of Statistics: "January 1982"]

[Text] The preliminary summary results of economic development which are available for January 1982 cannot yet definitely answer the question whether we worked effectively, diligently and economically. Nevertheless, they can indicate whether we made progress in this respect, whether the necessary turnabout in the development took place.

When judging the economic development in January, the fact must be taken into account that January 1982 had 1 working day less than January 1981 and that--although we did not experience extremely low temperatures--relatively heavy frosts lasted longer. As a result, the average January temperature was substantially below a many-year average. Weather impaired production regularity and its optimum efficiency, particularly in some branches and sectors, while in others it contributed to a bigger than usual seasonal shortfall.

According to preliminary information, cold weather in January necessitated relatively higher fuel and energy consumption than in January 1981. While industrial production declined 2.5 percent, production of electric energy declined only 0.4 percent in comparison with January 1981. Only due to the self-sacrificing work of miners primarily in surface mines and workers in transportation and power plants, energy and fuel supply was not interrupted. This was made possible partly by the reduction of coal stockpiles in the power plants. In comparison with January 1981, the brown coal and lignite output, despite extraordinary effort, declined more than 9 percent and pit coal output fell 4.3 percent. The output plan for pit coal was fulfilled, but was short 7.3 percent for brown coal. An even higher shortfall was registered in the removal of overburden in brown coal mines. It became evident again that technical equipment supplied by the engineering enterprises does not work reliably under winter conditions.

Likewise, incomplete information on motor-fuel consumption in January is not satisfactory. Most of the organizations have still not rationally reorganized transportation to make it not only reliable and adjustable to needs, but also inexpensive and economical in terms of liquid-fuel consumption. This

sometimes depends on interlinking and continuity in supplier-customer relations, but primarily on good work organization. This year's plan for industry which anticipates only a 0.6 percent production increase offers an extraordinary opportunity for improving precisely the quality and organization of work of every kind. It has not been long since management workers faced with dynamic targets maintained that, had it not been for high production increases, they would have been able to radically press good production organization, quality and efficiency and would also have had more time for developing long-term concepts of production, technical progress in production and innovation of products. As this year's plans anticipate only a slight production increase in most enterprises, there is an opportunity now of reviewing and improving the production structure and of choosing the best possible solution for the future.

According to the preliminary estimates, the adjusted net outputs in industry were 1.7 percent below the January 1981 level and industrial enterprises essentially (99.8 percent) attained their planned volume. Better results achieved in the adjusted net outputs than in the commodity production volume point to the positive tendency continuing from last year in relatively reducing material costs. It must be emphatically stated even at the beginning of the year that materials and energy conservation must be much more substantial in order to offset the adverse impact of the rising prices of imports, [a trend] which is expected to continue.

Industrial enterprises generally did not fulfill the plans for deliveries in January. Their exports of manufactured goods to the socialist countries were 7.7 percent above, but their exports to the nonsocialist countries 2.9 percent below, the January 1981 level. Likewise, deliveries of manufactured goods to domestic trade and for industrial production and operations were 0.8 and 5.3 percent, respectively, below that level.

As to the industrial-production structure, the 1982 plan anticipates that, even with the smaller planned increase in industrial production (0.6 percent in comparison with 1981), production in the engineering industry will increase 2.7 percent, in the woodworking industry 4.4 percent, in light industry 2.0 percent, but decline in metallurgy by 2.3 percent, while fuel, energy, chemical industries and production of building materials will register a slight decline. The enterprises supervised by the Ministry of Fuels and Energy, the enterprises of the electrical engineering industry, rubber industry, and leather and shoe industries essentially fulfilled the plan in January.

On the basis of this year's January results it is difficult, in view of the relatively frosty weather, to determine whether the construction enterprises got off to a successful start in the new year. It is evident from the results, however, that even if the volume of construction work planned for 1982 is lower by 4.7 percent, the January results already indicate that they will have to try very hard in the next few months to make up for the shortfall. Construction volume was approximately 20 percent lower than a year ago and only 206 apartments were completed. It was confirmed again that the construction organizations' schedules and preparation do not anticipate very unfavorable weather during the winter period.

Basic Indicators of National Economy's Development in January 1982
Increases Over Comparable 1980 Period (in percent)

| | YEAR 1981 | JAN. 1982 | STATE PLAN 1982[1] |
|---|---|---|---|
| DELIVERIES OF THE CENTRALLY ADMINISTERED INDUSTRY FOR: | | | |
| --investments at wholesale prices | 5.4 | 6.1 | -11.9 |
| --domestic market | | | |
| at wholesale prices | 0.3 | -0.8 | -0.3 |
| at retail prices | -0.1 | -6.6 | 1.6 |
| --export to socialist countries | | | |
| at wholesale prices | 1.3 | 7.7 | 2.6 |
| at f.o.b. prices | 9.3 | 3.9 | 4.7 |
| --export to nonsocialist countries | | | |
| at wholesale prices | 3.1 | -2.9 | 4.6 |
| at f.o.b. prices | 7.9 | -8.3 | 6.7 |
| --other sales for industrial production and operations at wholesale prices | 1.9 | -5.3 | - |
| volume of industrial production | 2.2 | -2.5 | 0.6 |
| average number of employees | 0.4 | 0.8 | 0.3 |
| labor productivity based on industrial production | 1.8 | -3.2 | 0.3 |
| CONSTRUCTION | | | |
| construction work performed with internal labor resources | -1.6 | -19.7 | -4.7 |
| average number of employees | -0.7 | 0.0 | -0.9 |
| labor productivity based on construction work | -1.3 | -19.7 | -3.8 |
| housing units delivered by contracting enterprises | -31.1 | -1.0 | 5.5 |
| PROCUREMENT | | | |
| slaughter animals (including poultry) | 0.5 | -5.8 | -9.5[2] |
| milk | 0.1 | -2.7 | 0.2[2] |
| eggs | 0.8 | -7.0 | -0.2[2] |
| RETAIL TURNOVER | | | |
| of the main trade systems | 2.3[3] | 5.2 | 2.8[3] |
| FOREIGN TRADE[4] | | | |
| export to socialist countries | 11.8 | 29.6 | 8.8 |
| export to nonsocialist countries | 4.6 | 16.1 | 7.6 |
| import from socialist countries | 10.3 | -13.2 | 11.6 |
| import from nonsocialist countries | -4.4 | -37.1 | 4.1 |
| PERSONAL EARNINGS[6] | 2.6 | | 2.6[5] |
| of which: income from wages[6] | 2.5 | | 1.9 |
| ACTUAL CASH EXPENDITURES[6] | 2.5 | | 3.1[5] |

FOOTNOTES:

1. Increases compared to actual 1981 results.
2. Increases compared to expected 1980 results.
3. All trade systems.
4. Data on actual results refer to actual transactions and the state plan (in contrast to overall actual results) does not include unplanned actions within the framework of cooperation, unplanned reexports trade, exchanges and conditional trade transactions, etc.
5. Including estimated interest on loans.
6. Data based on treasury plan of the SBCS (CSSR State Bank)

The progress in the procurement of slaughter animals will have to be followed up with special attention, controlled and regulated in 1982. The regulation, due to the limited fodder supply, of the number of pigs in the last months of 1981 does not mean that the number of sows will also be limited. With equal sensitivity, we must judge the tendencies in the procurement of slaughter cattle because, on the one hand, the required procurement of meat must be secured, while, on the other hand, there must be enough beef cattle for the future. The key to the solution of this problem is in the agricultural production plants which must rationally use available fodder. After large purchases of slaughter animals toward the end of last year, the purchase targets detailed on the basis of the annual plan for January were surpassed 3.2 percent for slaughter animals and 5.2 percent for poultry. In comparison with January 1981, however, the overall shortfall was 8,400 tons of slaughter animals including poultry. The plan for purchase of milk fell 10.3 million liters short of the goal in comparison with January 1981. On the other hand, the egg-purchase schedule was surpassed 3.4 percent.

As was the case last year, the attainment of a balance in external economic relations will be one of the important criteria of economic development in 1982, too. The state plan anticipates an excess of exports over imports in relation to the nonsocialist countries, while the reverse is expected in trade with the socialist countries. There was a significant excess of exports over imports in relation to both areas in January. In comparison with January 1981, exports to the socialist countries increased almost 30 percent, while imports declined more than 13 percent. In relation to the nonsocialist countries, exports declined more than 14 percent and imports more than 37 percent. In view of the fact that this was the first month of the year, these results must be judged with reservation, but they already indicate that trade and deliveries for export to the nonsocialist countries will require much more effort.

In domestic trade, purchases of food increased in January. In anticipation of price increases for some types of food, the population responded with increased purchases. While there was a general 3.4 percent increase in the retail turnover of the main trade systems in comparison with January 1981, the turnover in food stores increased 10.5 percent, in consumer cooperatives 6 percent, while the turnover in stores selling industrial goods declined.

10501
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SMALL BUSINESS REFORM IMPACT ON LARGE INDUSTRY DISCLOSED

Budapest MAGYARORSZAG in Hungarian 7 Mar 82 p 25

[Article by Csaba Vertes: "Three Picture Hooks"]

[Text] One cannot drive a nail into the concrete wall of a prefab house. The prefab house dweller calls the mammoth business regarding three picture hooks, and recives silent amazement at the other end of the line. Such is unheard of. "Three picture hooks? Where do you think you are, sir? Collect about thirty of them, then maybe...But only in the next few months..."

Hopes and Fears

A little bit later, the prefab house dweller finds a tasteful little card in his mailbox: a team of house repairmen are offering their services, emphasizing that "you cannot give us a job that we cannot finish by a short deadline." On the telephone: "Well, I'm only talking about three picture hooks..." "Sir, if it's three, it's three, if it's one, it's one. We're coming. That's how we make our living." They arrived, they worked, and meanwhile they explained they only do this kind of work as a secondary occupation. Their real employer is the previously mentioned mammoth business, which naturally does not take on such small jobs. If the business is big, so is the administrative cost, which can only be covered through the income from large jobs.

The prefab house dweller is a clever individual, and he now understands what he read in a trade journal: "The size of an enterprise is advantageous if the area of activity if tailored to fit and harmonizes well with the task and the sytem, the content and the form. The size--be it big or small-becomes a drawback when the organization undertakes work outside its area."

He reads other opinions also. For instance, in the January issue of "Reality," in the interview montage by the excellent reporter Istvan Kispista, he reads: "We are familiar with the original saying that private production daily leads to capitalism." Or: I nonetheless am not afraid that socialist economy is in danger in our country...However, we can be afraid that...(economic) stratification of the people will begin again." Then: "I do not agree with those who think that what we have in Hungary today is small capitalism, primarily because they sound this opinion on seeing the laden shelves of the grocery stores."

From a document that can be regarded as official: "The new rules regarding small enterprises represent the further development of economic reform...But the reform requires a new mode of approach to certain questions...A mode of thinking which is appropriate for the rapidly developing demands of socialism."

Laslo Popper, director of the State Wage and Labor Bureau, states: "It is not difficult to predict that even after they become widespread, small enterprises and complementary industrial activities, the modernized forms of consumer services will not be able to count on completely positive acceptance. There will be examples of excessively high incomes, luring of labor, abuses of the market situation and supply-demand conditions, etc. We should know, though, that such grand changes in our economy will naturally be accompanied by occurrences that no one wanted. If their number is insignificant, then there is no cause for worry. However, common occurrences call attention to the need for modification."

Primarily the directors of large industry worry about small enterprises, saying that the business conditions are not equal; that large industry, due to the laws regulating it, can easily be beaten in the wage race and consequently in the labor market.

(As an aside, what belongs to the conceptual category of small enterprise? A small enterprise can be a subsidiary created by a large industry; a small business founded by the responsible minister of a nationally active institution; an industry's economic workers' pool, founded exclusively by employees and retirees of the industry; the small cooperative or specialized group of the industrial or service cooperative, with the participation of private individuals; a workers' pool brought about as a primary or secondary occupation, also with the participation of private individuals; and finally, the now well-known contractual operation of state industries' and cooperatives' stores and production plants.)

And Efficiency?

These small enterprises can perform many kinds of work, but they can hardly train specialists. They must "obtain" the specialists, especially experienced, practiced and versatile construction workers, repairmen and iron industry specialists. They must, and do, accept the accusation of "luring" labor. But why shouldn't they, considering that they know it is exactly this trade versatility that large industries utilize least, and consequently, they cannot pay versatile trade knowledge adequately.

The opposing opinion: what will we gain if the best--and not easily replaceable--specialists leave large industrial production, and enter service with less efficient and technologically less equipped small enterprises and agricultural side industries? Perhaps we will finally begin to examine seriously the efficiency of the large-industrial system. We can easily find that the efficiency level of the small industry is not necessarily lower than that of the large....

(Laszlo Popper: "Presently, nearly 2 million are employed in the socialist industrial and construction sectors, 1.6 million of them in manual labor.

If--stepping well outside of realistic possibilities--we consider the formation of 200-300 small enterprises, then their labor requirements will be at most 10-15,000 individuals, or much less than the spontaneous decrease in industrial and construction employment in the past few years.

Stated otherwise, this means that if the regulations making small and private enterprises' options easier--for instance, the abandonment of rules artificially restricting labor traffic--had appeared earlier, then once-again active workers would have filled the labor demand of the new business forms. In addition, it is apparent today that even under "directed" or centrally influenced movement, the redistribution of labor can be traced back to personal reasons, or is realized as the outcome of accidental changes of workplace.

All of this, of course, hardly consoles large-industrial directors, even though they should also understand that employment decreases in the production and manufacturing branches for the benefit of the so-called tertiary branches are necessarily a large part of economic development. This redistribution is necessary, but in Hungary it still comes as a surprise, thus with unpleasant consequences. Large industry--including the state construction industry--is momentarily not prepared for such changes; it does not balance the process as it could and should with better organization of labor, increases in efficiency, and a more economic production system.

It is time to take these long-repeated tasks seriously. In the present 5-year plan, some industries must prepare for modest progress and, in some cases, restriction of their activity, in the circumstances of more measured economic growth. However, among industries which are neither expanding nor shrinking, production can only be increased by the dismissal of some employees; without the assurance of replacements, they take into account the natural attrition, and the redistribution of labor, even occasionally the reduction in employment, occurs spontaneously. Their worries also indicate that they do not have to accept responsibility for full employment, which is otherwise not their concern. The employees who become superfluous can find other positions, thus it is not necessary to fear for them.

They fear more for their own developmental possibilities, still apparently extensive, and find most difficult to accept that in most cases, the best specialists leave them. The large businesses come in second in the wage race with the small enterprises, and they cannot balance their disadvantage with, for example, better working conditions or better social benefits.

No Threat

Concerning wage regulation for both small and large enterprises, and ignoring the details: the specialists say that we cannot speak of advantages for small enterprise within regulations, and we must believe them. In the phrase "new enterprise forms" the word "enterprise" must be emphasized. It is the enterprise which is risky. Wage regulation is such that those participating in the enterprise insure against possible failure with their own wages, and accept the responsibility for effective termination of the undertaking. This

does not threaten the large-industrial employee. It is also true, though, that regulation of far above average production has less effect on personal wages. Furthermore, in another area of small enterprise--market production--more liberal tax laws are in effect, but less tax-free wage increases accompany personal productivity increases than are natural in large state industry.

Then what are they afraid of? (Meaning those that are afraid...)

Apparently, they fear that the creation of a small enterprise or small cooperative--based on the risk involved--is only a sensible undertaking when business conditions and regulatory provisions make higher-than-average income situations possible. Finally, this was the goal: that there should be workers for whom even the mounting of three picture hooks is business.

9890
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DEBATE ON METHODS OF ECONOMIC REFORM PUBLISHED

Warsaw TRYBUNA LUDU in Polish 18 Mar 82 p4

'Crisis Trap' Issue

[Article by Stefan Hatt: "On the Issue of the 'Crisis Trap'"]

[Text] Editor Stanislaw Albinowski recently published in TRYBUNA LUDU a series of articles under the joint title "The Economy in the Crisis Trap," in which he brought up a number of important problems concerning both the diagnosis of the economic crisis and its treatment.

At the beginning of his deliberations the author stated that he would be grateful for critical remarks concerning the issues he was bringing up. Because the problems raised by the author are of specific importance, it seems necessary to present a position on some of the matters discussed, in order to give readers a fuller range of material from which they can make their own assessments and draw their own conclusions. It is particularly a matter of the role of hard coal in the national economy, of materials management, and of related efforts in the realm of what we call operational programs.

It is true that "it is not just coal" which keeps the Polish economy going, but it is also true that the role of coal in our country is enormous, and fluctuations in its output, and hence also in its consumption, have a decisive impact on the rate at which industrial production grows or declines.

We are dependent on coal to an incomparably greater extent than other countries, owing both to the structure of our balance of fuels and to the structure of industrial production.

The 1979 data from the Main Statistical Office (GUS) concerning production of certain goods per million U.S. dollars of national income shows that a million dollars of such income in Poland corresponds to 1,484 tons of hard coal, compared to 120 tons in the FRG and only 35 tons in France.

This shocking comparison shows not only that we have a specific production structure and that per-unit coal consumption is greatly overgrown with regard to production, but also, above all, that our very production itself is based on coal.

Hard coal's share of the total consumption of fuels in Poland in 1980 exceeded 74 percent. Some 76 percent of electric power production was based on hard coal, as was 87 percent of thermal power. Power from coal represented 90 percent of all power consumed in the production of sugar, 83 percent of that for paper and cardboard, 90 percent for pig iron, 71 percent for sulfuric acid, 87 percent for cement, and 68 percent for copper. These figures are far more reliable and precise than the very approximate calculations and estimates which the author included, and he himself admits to their being "very dirty." In essence, for example, editor Albinowski estimates that for an increase of 9 million tons in coal consumption in industry it is possible to obtain a 220-billion zloty increase in gross production, about 80 billion zlotys of which is net production.

Meanwhile, the GUS statistics show that in 1979 coal distribution for nonmarket supply-type purposes increased by 20.9 million tons in relation to 1975. At the same time, total production increased by 920 billion zlotys and net production increased by 220 billion zlotys.

The data above show that there is an increase of gross production amounting to 44 billion zlotys per million tons increase in coal deliveries, not 30 billion zlotys, as the author states.

Coal also makes an indirect contribution to the growth of industrial production as a significant source of funds essential in financing co-production and supply-type imports.

In trade turnovers with countries of I payments area [socialist countries] the value of hard coal deliveries accounted for 8.7 percent in 1979 and 6.5 percent in 1980 of total exports and 40.8 percent and 33 percent, respectively of exports of goods of the raw-materials type. From this area we received in exchange for coal both fuels and those raw and other materials for production like coking coal, petroleum products, magnesite, alumina, synthetic rubber, potassium fertilizers, chemical raw materials and partly-finished products, and so on. In exports to the USSR coal balanced deliveries of crude oil from the Soviet Union.

Hard coal exports to countries of II payments area [capitalist countries] in 1980 reached 914 million dollars, or about 12 percent of all our exports to Western countries. In this way coal exports allowed us to finance about 16 percent of all our raw materials imports from these countries in 1980.

The drastic decline in coal exports in 1981 brought with it not only a significant decline in cash income from the capitalist countries and therefore in raw materials imports from that area but also a worsening of our bargaining position in negotiations to refinance our indebtedness with western countries. It is not easy to recapture this position, even given the current high level of output and the relatively great export possibilities.

Alongside the especially highly coal-intensive nature of our economy, it also has an excessively high level of energy- and material-intensiveness.

According to GUS data for 1979 the production of electric power per million dollars of national income in Poland amounted to 864 kilowatthours and was 170 percent of the FRG level, while natural steel took 142 tons and was 220 percent as great, and cement took 142 tons as well and was 290 percent as great.

On the other hand, in our country plastics took only 3.2 tons, compared to 10.1 tons in FRG, which means about one-third. This shows how little the more economic materials are popularized in our industry. An analysis of the products of engineering industry shows that the net consumption of materials per given utilitarian parameter in our country is far higher than in the highly industrialized countries. This is true not only of complicated machinery and equipment but even of simple products like two- and four-axle boxcars, tank cars, and so on. Because our industry has material-intensive production owing to the existing structure of raw and other materials and manufactured goods, as well as a technology gap, the high level of fuel, energy, and materials consumption in the economy continues partly as a result of these factors. It should be added that in the years 1978, 1979, and 1980 no progress was made in unit consumption of raw and other materials in socialized industry.

Taking into account the above data and analysis results, we cannot be surprised that Editor Albinowski devoted so much attention in his deliberations to materials management, especially the management of reserve supplies and material consumption. It is the very management of materials which in the author's opinion had a decisive impact "on the crisis of recent years and the economic catastrophe last year."

Justifying correct general statements concerning the management of reserve stocks, the author failed to notice certain simplifications or to take into account a host of facts which change the picture of things significantly. For example, official price changes influenced the increase in the value of reserve stocks in the socialized enterprises to a great extent (more than 20 billion zlotys). In addition the handling of data in terms of value does not show the economic usefulness of reserve stocks owing to their assortment of items. The national economy cannot always make use of accumulated surpluses.

The increase in reserve stocks during 11 months of 1981 concerned mainly finished products whose reserve stocks increased by 22.3 billion zlotys, or 33 percent, and reserve stocks of unfinished production, which increased by 47.1 billion zlotys, or 27 percent, while reserve stocks of materials did not show any substantial change.

In industry the increase in reserve stocks and materials is greatly influenced by the situation in the enterprises of the food industry under the Ministry of Agriculture and Food Economy, in which reserve stocks of materials in 1981 increased by 22 billion zlotys, or more than 50 percent, mainly as the result of the increase in crop production and the exceptionally low level of this sort of reserve stocks at the beginning of 1981 (from 1980 harvests). After we subtract the reserve stocks of the enterprises under the Ministry of Agriculture and Food Economy, the increase in reserve stocks of materials in industry for the 11 months amounts to only 12 billion zlotys, or 3.3 percent, which means that it is far below the 1980 figure.

In 1980 and 1981 there was a great decline in production and a worsening of the ratio of production to reserve stocks, but the decline in production was brought about not by the increase in reserve stocks but by the shortage of imported materials, transportation and power difficulties, and other problems. The management of reserve stocks did not become worse. The growth rate of reserve stocks declined. The statement that when there is a decline in production there should be a decline in reserve stocks of at least 26 billion zlotys is not correct. The decline in production is often accompanied by the phenomenon of an increase in reserve stocks, because production difficulties make it impossible to use the planned reserve stocks which have been accumulated, owing to the fact that the reserve stocks of goods which are periodically not being used in production are set aside to await deliveries of items needed to finish production. This ease in accepting simplified conditions brings to mind the assumption of one of the alternative programs for getting out of the crisis once criticized by Editor Albinowski, in which one zloty removed from investments was supposed magically and automatically to turn immediately into four zlotys in the consumer-goods sector. The matter is so simple; only the central office is so "uneconomical" and cannot see that all one needs to do is stretch out one's hand to get at the "reserves lying there." The statement that in 1981 more than 160 billion zlotys was tied up in excessive reserve stocks is not justified. According to GUS and the Polish National Bank, the figures on excessive reserve stocks during recent years are as follows: 38.7 billion zlotys in 1978, including 20.5 billion for materials; 48.3 billion zlotys in 1979, including 27.2 billion for materials; and 60.4 billion zlotys in 1980, including 33 billion for materials. There are still no figures on this for 1981. In the same way the author's hypothesis that in 1981 there was a decline in national income on the order of 50 billion zlotys because of excessive stocks of materials put to one side cannot be documented in terms of figures either.

We must admit that Editor Albinowski is right that it is not possible to reach economic balance in many of the important areas of the national economy, unless progress is made in the effectiveness of the consumption and use of raw and other materials, fuels, and energy.

In the total policy of ways out of the current economic crisis, it will be very important to reduce the level of energy- and material-intensiveness of production, but this will not be the only one, as the author suggests.

The existing structure of goods production calls for changes in the direction of growth in the share of goods which take little power and materials but have a high value. For example, this means that the expansion of the production of electric power tools, the start-up of electronics production and the production of precision instruments and machinery, modern metallurgical products, medical apparatus, and so on, should create beneficial changes in the scheme of industry's materials- and energy-intensiveness. Nonetheless, the structures cannot be changed in a short time, because they are the result of a process which has grown up over a number of years.

The GDR carried on a campaign to modify production structures in 10 years. Work on long-range structural efforts aimed at significantly reducing the consumption of fuels, and raw and other materials are in full swing. After all, the author of the articles admits this, especially since he is taking an active role in this work. On the other hand, in terms of the current activity and short-term actions concerning improved materials consumption, it is Editor Albinowski's opinion that the central office is doing practically nothing in this area.

It is odd that the process of increasing awareness that the economic reform is already a fait accompli is so slow. This is true not only of people who are not very familiar with the problematics of administration and planning but also of some of our managers and even well-known economic journalists, among them Editor Albinowski.

If the economic reform is approached with due respect, then we cannot simultaneously now expect the central office to come up with immediate ad hoc effective measures which are so characteristic of the directive-distribution system.

Such action would be contrary to the spirit of the economic reform. Its main assumption is the very improvement of the effectiveness of management, including the very improvement of utilization of fixed assets and the more effective consumption of fuels, and raw and other materials.

On the other hand it is the central office's business to create appropriate conditions in terms of systems and incentives, for example, in tax and credit policy, to improve the utilization of raw and other materials as the result of technological changes, reduction of losses, decrease in the weight of goods produced, and so on, and to provide encouragement to

start up production of new goods which will be beneficial to the national economy.

The expansion of the role in production played by the small enterprises of state small-scale industry, cooperatives, and crafts and trades in terms of their share of production overall can be of great importance here. There are great untapped reserves here.

As a footnote we should mention that in his analyses the author is using only the index of gross production, which does not provide adequate bases for comparing outlays with effects or to show that the management of raw and other materials is uneconomical.

Against the backdrop of a basically positive assessment of the role of the operational programs, the author seems to be giving a correct view that they can basically discharge their tasks properly in the instance in which the number of programs is limited and supplies for them do not exceed 30 percent of the total supply pool. At the same time it is Editor Albinowski's opinion that allocations of materials for these programs are excessive and that the enterprises carrying out the programs are privileged but that the whole economy loses out on this. On the other hand it must be noted that there is no justification for the hypothesis that when the decision is made by the government to distribute materials for certain social purposes there is a slackening of administrative and consumption procedures regarding those materials.

The author's statement that enterprises producing and consuming materials covered by special-purpose programs use their privileges ahead of time to jack up the projected demand in placing order for the materials on these distribution lists by 10-30 percent cannot be documented, nor can it probably be true either, given the great shortages of materials in the national economy. Without in-depth research we cannot judge whether or not the demand is inflated. At the moment this is just what is being analyzed, and it will be effectively revised. It would be difficult to imagine that operational programs spring up immediately in perfect form.

It should also be mentioned that current regulations charge all sales centers with the obligation of supervision and monitoring, the application of appropriate sanctions, and so on. In this area the various ministries and the Office of Materials Management also bear this responsibility. Independent of this, on the basis of Council of Ministers Resolution No 243, dated 30 November 1981, concerning the principles of operation of state enterprises in 1982 and Council of Ministers Resolution No 278, dated 30 December 1981 concerning the operation of the economy under martial law, the Minister of Materials Management created special supervisory teams encompassing 22 materials groups and drafted instructions concerning the principles for the distribution in 1982 of fuels, raw materials, and other materials covered by compulsory mediation. These instructions and authori-

zations of the suporvisory teams, along with their make-up, should insure the correct distribution of resources and their rational management.

The most important factor in self-supervision is the economic reform being introduced, the new regulations concerning credit for the enterprises, and the altered principles for the financing of reserve stocks. Despite this fact, it is necessary to have a deep analysis of the allocations of materials and, as implied by this, a monitoring of these allocations for specified special-purpose programs and for the various enterprises carrying out these programs, because there can be come irregularities, given the partially changed organizational system and the new tasks given to the various sales centers.

The author's statement that in the event it is not possible to meet the needs of the other consumers for certain materials, that is, the enterprises outside the programs, the sales centers use the unjustified, illogical mechanism of automatically cutting needs across by board by an equal percentage for all the other consumers may be true, but it is subjectively improper, proof of the poor work of the individual units, and not the rule, let alone the recommended norm.

The operational programs are a new phenomenon in planning practice. This is a sort of operational planning using goals, under particularly difficult economic conditions. It is an important matter to acquire experience in the process of creating and inculcating operational programs.

The number of operational programs varies according to the needs, and from this point of view they will continue to be monitored. The operational programs are carried out and inculcated into economic practice by quarterly periods. The introduction of this system is aimed, among other things, at making corrections and eliminating improprieties and errors.

The first quarter is an experimental period to check on both the correctness of the elaboration of the plan and the capability of the various economic organizations, including the trade turnover units, sales centers, and foreign trade center, and, especially, the industrial enterprises, for work under the operational programs system. This past February we monitored the implementation of operational programs and found:

The need to implement an operational system to resolve controversial (divergent) problems which cannot be resolved at the level of the enterprises or trade turnover unit,

The need to put in order the system of cooperation between the operational program plenipotentiaries and the economic-type ministers participating in their implementation,

The urgent need to take care of the system of current and periodic information and reporting (for example, on the status of agreements signed for the delivery of goods stemming from the operational programs), and

The need to issue shortly an interpretation of the regulations and undertakings to eliminate the phenomenon known as tacking projects on to the operational programs.

As the result of the experience acquired, a detailed program will be created involving actions to eliminate the sorts of improprieties which are inherent in the inculcation of operational programs. This program will be implemented into practice. Of course it will be used in the work done on plans for the second quarter of this year.

It would seem that these comments are necessary to avoid taking Editor Albinowski's articles in a distorted way to a great extent as the result of the hastiness of the formulations at the cost of the merit of the issue. It was the intention of the author of this present article to protect the reader from those sorts of impressions.

## Not By This Road

Warsaw TRYBUNA LUDU in Polish 18 Mar 82 p4

[Article by Stanislaw Albinowski: "The Road Does Not Go in This Direction"]

[Text] Stefan Hatt, economic adviser in the central economic administration admits on the one hand that I am right in my basic hypotheses presented in my cycle of articles "The Economy in the Crisis Trap," but at the same time tries to prove that I am not right, because he accuses me of "oversimplification," of "hastiness" in my formations, and computational errors. He wrote his polemics to "protect the reader" from "distortions" in viewing the economy, after reading my articles. In striving for this goal, my attacker, nonetheless, engages in a methods of doubtful quality, while the errors he makes astound me. So now here are the most important issues one by one.

First of all, S. Hatt admits the following:

I brought up "a number of important problems," which "are of considerable importance";

"It is true that the Polish economy does not stand on coal alone";

There are great overages "in the consumption of coal per unit production" and that "progress has not been achieved in the unit consumption of raw and other materials in the socialized industry" (let us excuse here this euphemism about the lack of progress);

My "general statements regarding the management of reserve supplies are correct";

I was correct to devote "so much attention to the management of materials";

One has to admit I am right when I say that the way out of the crisis "cannot be achieved, unless there is progress in the effectiveness of the consumption and utilization of raw materials..." (and this was the keynote of my whole cycle of articles "The Economy in the Crisis Trap");

My view that the effectiveness of the operational programs makes it necessary to limit the number of them is correct;

My accusation about "improprieties" "may be" correct with regard to the distribution of scarce materials ("improprieties" is another nice euphemism);

The postulate to monitor the allocations of materials for enterprises carrying out the operational programs was correct;

As I pointed out, it is necessary to eliminate the phenomenon of "tacking project" onto enterprise operational programs in order to gain preferential material supplies.

One might expect that after these ten statements which support my basic hypotheses and the conclusions of my deliberations (in no place yet has it happened that somebody acknowledged I was right so many times in a single statement!), Mr Hatt would acclaim me and get on with a direct discussion of concrete issues. I continue to maintain that "I will be grateful for criticism," but this means genuine criticism. Meanwhile...

What he says is not true when he says that "the increase in reserve supplies determined the drop in production," but it is true that I wrote, putting the idea briefly, that the commitment of many scare raw and other materials was one of the factors contributing to the production decline in 1981, and I estimated the significance of this factor at 18 percent.

What he says is not true when he states that the decline in material-intensiveness is "the only" way out of the crisis, but it is true that I not only suggested this but stated clearly in the final article of the series: "I do not say that the way out of the crisis depends solely on improving the management of materials, and I hope that nobody will accuse me of this."

It is not true that "in the analyses I use only the index of gross production which does not provide a basis..." but it is true that back in the first article of the series, after criticizing the standard of gross production measurement as a criterion of economic activity, I wrote simply: "Thinking in terms of gross production separates effects from the outlays and thereby removes the problem of poor management from our field of vision." Therefore my accusation, which after all I have been directing to the central economic administration for years, was turned around against me, and here just about the same formulations were used. The fact is that I do not count in gross production sizes either. If only such data exist I use net production or income, and where there is

not such data, I compute estimates for net production from the value of gross production. Within the categories of income I have also included the sizes of the decline in production in 1981 along with an estimate of the various causes of this decline.

Finally, this statement is imprecise: "...S. Albinowski thinks that the materials allocations for the (...) (operational) programs are too lavish..." On the other hand the truth is that in writting about this I referred to the view of "one of the experts familiar with this matter firsthand." I wrote more clearly: "I myself cannot check the above statement, but I decided to check it "at random" using a suitable example. And I presented the example of the operational program for the production of farm machinery, in which the increase in supplies of metallurgical products is just about twice the increase in the value of planned production, but S. Hatt did not want to comment on this. He simply passed over it in silence, although it is not possible that he is unfamiliar with the Planning Commission materials upon which I based my calculations.

In addition, Mr Hatt allows some slight manipulations. One of these in particular deserves mentioning. I have been accused of using in my deliberations the same demogogic methods as those which I myself criticized last spring the "Solidarity" expert Docent Kurowski, when he attacked the government program for getting out of the crisis. This insinuation is too absurd for me to refute it meritorically.

Now I shall pass on to my third point of reply, that is, the stratum of S. Hatt's article which could be called "argumentative."

Above all, the matter of coal. I will come back to this subject again. Here I will limit my comments to responding to S. Hatt's deductions, which first props the door open by a long list of numbers to show the role coal plays in our economy. Nobody has ever denied [that coal is important]. In my calculations, on the other hand, I was after something different, the extent to which the 30-million tons decline in coal supply contributed to the decline in the net production of industry and the national income. To this end I included calculations which I myself called "a rough estimate," because it could not be otherwise, taking into account the state of our statistics and the price distortions in the economy.

S. Hatt compares this "very rough estimate" with his own figures, which, as he says, are "far more precise and reliable."

I must emphasize strongly that with a single exception no figure in the list corresponds to reality, and the dimensions of the error are enormous. In his calculation, Mr Hatt refers to the GUS [Main Statistical Office]. On the other hand I decided to make a check, and the results of that check are given in the table below. It turns out that during the period under discussion, the gross production of industry increased by not 920 billion zlotys but from 438 to 561 billion (it depends on what fixed prices we use). The result which I get now is close to the previous one.

National Income, Industrial Production, and Hard-Coal Consumption

| | 1975 | 1979 | absolute increase |
|---|---|---|---|
| Generated income, constant 1977 prices in billions of zlotys[1] | 1,506.7 | 1,701.4 | 194.7 |
| Total (gross) industrial production in billions of zlotys: | | | |
| a) Constant 1979 prices[2] | 2,165 | 2,726.3 | 561.3 |
| b) Constant 1971 prices[3] | 1,735.2 | 2,173.2 | 438 |
| c) Constant prices[4] | 2,176.6 | 3,041.5 | 864.9 |
| Net Industrial production in billions of zlotys: | | | |
| a) Constant 1977 prices[5] | 732.2 | 861.8 | 129.6 |
| b) Current prices[6] | 781.3 | 981.9 | 200.6 |
| Coal consumption, million tons | | | |
| a) Total throughout country[7] | 135.9 | 160.5 | 24.6 |
| b) In country for nonmarket purposes[7] | 109.9 | 130.8 | 20.9 |
| c) In industry[8] | 99.7 | 122.7 | 23.0 |

In increase in 1975-1979 per 1-million ton increase in the consumption of coal amounted to the following:

--national income: 9.3 billion zlotys (nonmarket purposes), or 7.9 billion zlotys (total domestic consumption)
--net industrial production in constant 1977 prices: 5.63 billion zlotys
--gross (total) industrial production in constant 1979 prices: 24 billion zlotys, in constant 1979 prices: 19 billion zlotys.

Sources: 1=ROCZNIK STATYSTYCZNY 1980, GUS, p 68; 2=ROCZNIK STATYSTYCZNY PRZEMYSLU 1981 [Statistical Annals of Industry 1981], GUS, p 68; 3=ROCZNIK STATYSTYCZNY PRZEMYSLU 1980, GUS, p 70; 4=ROCZNIK STATYSTYCZNY PRZEMYSLU 1981, GUS, p 91; 5=Ibidem, p 100; 6=Op cit, p 105; 7=ROCZNIK STATYSTYCZNY 1980, GUS, p 189; 8=ROCZNIK STATYSTYCZNY PRZEMYSLU 1981, GUS, p 335.

Here I shall go back as I promised to the article of Minister Antosik, who proved (TRYBUNA LUDU, 3 Mar 82) that the coal-intensiveness of coal is declining. For this purpose he presented the indices for the growth rate of the gross production of industry (in constant prices) and the consumption of coal, electric power, and rolled products in 1975 and 1980 compared to 1970. In this way he obtained equally optimistic results, without justification, because there are two methodological errors underlying this computation. The first is to take, as the point of reference, the figures for total production, which increases all the more in proportion to the increase in materials consumption. Many years ago Soviet economist Prof V.V. Novozylov proved that the category of gross production cannot be used in cost-effectiveness, because it is the result of mixing input with output, the result with the outlay. The second

methodological error consists of using the year 1970 as the base year. Although the energy-intensiveness of industrial production (net) and income declined, beginning in 1976 it increased consistently.

A broader discussion of this problem should be the subject of separate deliberations. All I will say here is that I was inspired to take these computations made by Doc Dr Engineer Aleksander Szpilewicz of the Chief Inspectorate of Power Economy and came to the following conclusions: In 1981, in comparison to 1975, in relation to the size of net production, the excessive hard-coal consumption in industry amounted to about 20 million tons and 9 billion kilowatthours of electric power. The proof of this hypothesis and an attempt to explain the causes for such tremendous waste will be presented in the promised article.

The next issue which offended both Stefan Hatt and Minister Jan Antosik in the way I handled it was stocks of materials. Arguments are put forth that a large share of the increase in the value of stocks is the result of the increase in prices, that it is wrong to say that when there is a decline in production there should be a decline in stocks too. It is said that at the end of 1980 excessive stocks of materials amounted to "only" 33 billion zlotys (the word "only" is implied by the context). Minister Antosik wrote about the "paradox" of the growing stocks and said that it is "explainable" owing to the lack of production complementarity, imports, and a lot of other factors. There was also the accusation that I could not prove anything in this area and that the estimate I gave of a total of 160 billion zlotys of excessive stocks "had no justification."

Prof Dr Czeslaw Skowronek, director of the Central Office for Materials Management in Warsaw told me that after reading my article he estimated the improper reserve stock to be at least 200 billion zlotys, but nobody can be certain.

As for the sum of 33 billion which S. Hatt gives for excessive stock, I should like to point out that the setting of standards for stocks depends first of all on the enterprise itself. The great inflation of the standards is partly the result of a poor supply system, but I am not analyzing the causes now. I am only stating the facts. I have in front of me a list of several hundred enterprises with thousands of items of materials. The standards are usually 90-180 days, but there are plenty of them which are much greater. And so, for example, Dywilan rug factory "must" have a stock of dyes for 300 days' production, and the paper factory in Klucze has to have 360 days' worth of paper blankets. The same is true of the standards for stocks of most ordinary pipe and acid-resistant pipe. The stock of acid-resistant sheet in the Paper Industry Mechanical Plants in Krapkowice is to last 277 days (why exactly 277?), and the Ready-to-Wear Plants in Lodz "must" have a spare-parts stock to last 612 days. The Karkonos Paper Plants have set themselves up with stocks of perforated sheet metal to last no more and no less than 1080 days!

If the capitalists ran their enterprises on such standards, they would have gone bankrupt long ago. But in our country you cannot say that the stocks are excessive until they exceed the standard. In addition there are also erroneous stocks (that is, those which are not needed in a given plant at all). The improper stocks consist of the total of the too.

The Economic Department of the Polish National Bank is systematically conducting periodic analyses of the level of improper reserves, including imported ones. Control of the condition only of the latter at the end of last March in just four industrial ministries (excluding the food ministry) revealed stocks valued at 3.8 billion zlotys, including imports made after 1 January 1981 of 1.8 billion zlotys. The results were sent to the heads of the appropriate ministries, but in only two ministries, mining and power, and chemical and light industry were these findings taken seriously. On the other hand, in metallurgy and engineering industry, and in the timber industry the stocks continued to increase. In all four ministries, according to the control run at the end of last October, excessive stocks from import sources increased by a further 610 million zlotys, while this increase was 815 million zlotys in the metallurgy and engineering industry ministry and 19 million in the timber industry ministry.

During the first 10 months of 1981 about 160 million foreign exchange zlotys was spent on importing excessive stocks, including 26 million dollars' worth from the capitalist countries. To this should be added a couple million more for unnecessary stock. The "surge period" for excessive stocks is even defined in months. In most cases it ranges from 20 to 40 months, but there were also items for which the period was 100 months, and this phenomenon was not rare.

In this situation, what does it mean to say that the management of stocks is not worse?

I am omitting the whole dispute over the sort of prices by which the increase in stocks should be computed. What both of my opponents need to remember is that the absolute size (if the stocks are technologically justified) is not so important as the ratio of stocks to production value. I can prove that if I were to count in constant prices both stocks and the decline in production value, the imbalance would be still greater than the 80 billion zlotys I estimated, the amount being called into question.

I still have a lot to write, for example, something on the subject of what S. Hatt calls my retarded awareness of issues of the economic reform. If that is what he thinks, good for him, but I have to bring this to a close, because the chief of TRYBUNA LUDU will not print a single page more of my typescript. Nor can I publish in the paper whole lists from the statistical annals, Polish and foreign. But I recommend a look at them to compare the ratios of the rise in stocks and the rise in national income in Poland and in other countries. It makes very interesting reading.

In closing I should like to make one more comment. I did not think that the articles in the "Economy in the Crisis Trap" would take on so universally. On the other hand, I hoped that they would be taken in a way corresponding to the requirements of our dramatic economic situation, but it turned out that in certain central economic spheres these articles created defensive reactions more than anything else. Those of them which were publicly expressed appeared in attempts to show that my analysis of the situation was an ordinary fabrication, because there are no good reasons for remarks critical of the management of materials or the implementation of the anticrisis program. I do not think that that is the way out of the crisis.

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CSO: 2600/429

METALLURGY MINISTRY PRODUCTION, INVESTMENT PLANS FOR 1982

Bucharest ROMANIA LIBERA in Romanian 1 Feb 82 pp 1, 5

[Interview with Gheorghe Gheorghiu deputy minister of the metallurgical industry by Tudor Gheorghiu]

[Text] Improved types of steel to increase the metal supply of the national economy Large increases in advanced-processing products The largest metallurgical coke installation in the country has begun production in Galati. Focsani, a metallurgical center.

The 1982 fiscal year began under good conditions in all the metallurgical centers of the country. This is the natural consequence of timely and responsible preparations made to enter the second year of the five-year plan at a higher level, in this branch which is of vital importance to the national economy.

In order to acquaint our readers with the continuing actions in this domain, we spoke with Eng Gheorghe Gheorghiu, deputy minister of the metallurgical industry.

[Question] The more than 14 million tons of steel that must be produced during this year are a highly significant objective of our national economy. To what extent has this important quantitative task been matched by greater concern for improving the quality of metals and diversifying the product line?

[Answer] Today, we have a metallurgical industry which can successfully undertake increasingly complex tasks. The second year of the five-year plan faces our collectives with objectives of high responsibility. Foremost for a significantly higher steel production, is the task of improving the metal quality, and of introducing new and superior types of steel which will improve the metal supply of the national economy.

Expressing their full approval of the orientations and tasks provided by the secretary general of the party, Nicolae Ceausescu, and accepting the severe criticism addresed to the leadership of the Ministry of the Metallurgical Industry, to centrals, and to units, metallurgical workers are devoting their major attention during this year, to fulfilling the physical production for all the metals stipulated in the plan, and to assuring the metal supply needed by the national economy in every sector, and especially in the machine construction sector.

By assigning priority to the primary sectors, the 1982 plan assures the further modernization of the processing industry structure. In metallurgy significant increases are forecast for products with advanced processing. This means siliceous strips for the electromechanical industry, alloyed and high-speed steel, piping for oil and gas extraction, metal cords for tires, and so on.

[Question] How are these actions supported from a technical and technologic standpoint?

[Answer] Following a few outstanding achievements in this area during the first year of the five-year plan, when the value ratio of high quality products was 89 percent of the total production, the continued improvement in product quality for 1982 will be pursued particularly through strict respect for prescribed technologies, the promotion of higher efficiency technologies, product diversification, and the fabrication of products of very high purity and superior physical and mechanical specifications. Some of the new technologies in this category are: vacuum steel outgasing, steel remelting under slag and arc-melting in vacuum, expanded continuous steel casting for electromechanical strips, as well as modern manufacturing processes aimed at reducing importation and assuring the domestic fabrication of metallurgical products designed for nuclear power plants, chemical industry equipment, electronics, and so on.

[Question] In closing, could you tell us how this year's investment plan is correlated with the tasks aimed at improving metal quality and diversifying products with advanced processing?

[Answer] Before answering, I must indicate that some new facilities were brought into the metallurgical industry during the first year of the five-year plan; they fit within this concept. Foremost among these are the Galati capabilities (the 3700 cubic meters Furnace No 6, largest in the country, and Steel Plant No 3, which operates two converters and three installations for continuous steel casting); Calan (No 1 Coke Ovens, No 1 Agglomeration Plant, and the 1000 cubic meters Furnace No 3); Calarasi (electric steel plant with continuous casting and intermediate size mill); Republica Plants in Bucharest (department for steel alloy pipes, and new production facilities for drilling-poles and extruded pipes); as well as a number of modern mills at the new metallurgical sites of Zalau, Beclean, Tirgoviste, and so on.

Of this year's investments, 30 priority objectives have been selected; the start of their production will contribute directly and significantly to a higher proportion of high quality products, and thereby to a reduction of importations. Foremost among these new production capabilities, at the Galati Steel Combine, is the largest metallurgical coke ovens in the country--85,000 tons per year--whose first charge was built a few days ago. In connection with this recent industrial first, it should be added that it is the first facility of its type which uses furnace gas as energy resource for heating.

Equally important from the standpoints mentioned above, are other new production capabilities which are scheduled to be placed in operation during this year. first milling lines (intermediate cross sections and wire) at the Focsani Metallurgical Enterprise, the department for electromechanical sheets and small cross section mill

at the Tirgoviste Special Steel Combine, the continuous mill for seamless tubing at Zalau, new installations for steel evacuation at Cimpia Turzii and Hunedoara, treatment departments at Galati, new equipment for improving the quality of ball bearing steels and steels for electromechanical products, Furnace No 4 at Calan, and so on.

That is why a stronger order and discipline, as a daily act of the workers' conscience, must become the major trait of our activity in fulfilling the provisions for product variety and quality, in rigorously respecting maintenance and repair plans at steel installations, and in placing in operation the new metallurgical objectives on schedule.

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JPRS 80604

19 April 1982

# East Europe Report

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2260

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19 April 1982

# EAST EUROPE REPORT

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2260

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CLOSER TU COOPERATION IN ECONOMY NECESSARY

Prague SVET PRACE in Czech No 3, 1982 pp 4, 5

[Interview with Ladislav Abraham, deputy chairman of the Central Council of Trade Unions [URO] and chairman of the Slovak Trade Union Council [SOR], by Marica Filipicoval; date and place not specified]

> [Text] The overall course of rendering account by our trade unionists at the annual membership meetings and conferences, demonstrates that most of them view the period of preparation for the 10th All-Union Congress as primarily a time for action. They consider the results of their work soberly, do not overestimate their successes, are critical of their own shortcomings, and healthily ambitious in formulating their tasks for the future. Their effort to get personally involved in our social life is not a phenomenon limited by time or place, it rather represents a characteristic trend. To find out the meaning of this, we talked prior to the Slovak ROH [Revolutionary Trade Union Movement] Congress with Ladislav Abraham, Communist Party of Slovakia Presidium member, deputy chairman of the URO, and chairman of the SOR.

[Abraham] This activism is objectively motivated. The goals set forth by the communist party and trade union congresses, stem from the real needs of our society and represent the interests of all our working people. The importance of becoming directly involved also confronts the unions with certain obligations, since it is precisely through the trade unionists that the working people participate in the formulation, implementation and control of national policy. The trade union programs in the period just elapsed were best expressed by the ROH annual work plans which provided a unified contribution of trade unionists in the fulfillment of the programs of the 15th CPCZ Congress and the Ninth All-Union Congress, in the development and strengthening of socialist democracy, union care for the working, social, health and living conditions of the working people, intensifying their socialist fervor, development of international activity and the internationalist obligations of the unions, as well as higher effectiveness in their work. The fact that the working people have adopted these goals as their own, is attested to by their implementation in basic organizations in terms of unquestioned support for the 16th CPCZ Congress program, approved at the 12th URO Plenum as the unions'

own. In the period which followed, union organs focused their labors on raising the quality and effectiveness of union activity, and proceeded systematically in its evaluation and control. More purposefully than ever before, higher union organs helped the lower and basic organizations, and applied the method of a differentiated approach. In creating political and organizational prerequisites for the holding of the annual membership meetings, we emphasized concreteness and focusing on the tasks confronting us and on a correct selection of cadres. We can note with satisfaction that the annual membership meetings and conferences in their resolutions applied the thrust of the 16th CPCZ and CPS congresses correctly, readily and responsibly.

[Question] This was also confirmed in discussions which often ranged from annual assessment of union work all the way to specifics in a given workshop, and culminated in constructive proposals on how to improve this or another shortcoming. Since the Law on the State Plan of CSSR Economic Development for 1981-85 shows that developmental factors are undergoing a fundamental change, the area of economics became a rich source of discussion themes. We should remember that the national revenue in the SSR is to grow 12 to 18 percent, especially as a result of the faster growth of industrial production, which is to grow 18 to 25 percent. In what manner can the trade unionists best contribute to the practical implementation of this legislation?

[Answer] Even in the past, we have striven in union work to use tried approaches in promoting the interests of society as a whole. Their effectiveness is documented by the fact that, since the last Slovak ROH congress, we have achieved further growth in development of the individual forms of worker participation in production management. Since we have as yet not managed to apply in broad measure the method of forward-oriented anticipatory planning, we must promote more energetically the production consultations at work sites as a means of strengthening the authority of the state plan, and to make sure that we eliminate from these meetings all undesirable manifestations of formalism. Given the large number and mass nature of these meetings, we now need to improve their substantive level and increase the specificity of their focus. For is is precisely these meetings which put the working people in a position to help rectify shortcomings in the organization of work and contribute to savings in production and quality of goods, and achieve a smooth tempo in production, balanced utilization of working hours and purposeful orientation in accepting correctly formulated socialist pledges. We must also fully respect the social significance of collective contracts. By and large, the tasks contained in them are being fulfilled and the results are regularly and publicly verified. As a consequence of surviving erroneous relations between certain economic and union officials, however, all too infrequently do we see correct measures applied in cases of nonfulfillment of tasks. We must not forget, not in a single workshop, that the collective contract--this important political, economic, social and legal instrument--is a mutually binding document which significantly aids in deepening socialist democracy, firm lawful order, dedicated labor discipline and comradely mutual relations in an organization. An important place is held in our economic policy by labor initiative and socialist competition. We should emphasize that adopting pledges stems primarily from key tasks in production,

construction, and services. The common denominator for the Seventh Five-Year Plan is higher effectiveness and quality, high technical level of production, growth of export potential in our economy, added value and savings in raw and other materials, fuels, energy and higher productivity of labor. In this connection, we should also bear in mind the strategic position of science and technology. Creative technical workers initiatives must not be marred by individual carelessness, insufficient concern in economic organs for progress and utilization of the inventors and innovators movement. The unions must more consistently resort to their right of social control over adherence to lawful norms in processing, implementing and rewarding innovative proposals or inventions, and make certain that the plans of scientific and technological development are focused on the resolution of specific tasks within the strategic goals of our economy. We must achieve a fundamental turn in organizing socialist initiatives in the preproduction stages, notably through creative individual and collective plans of engineering, technical and management personnel. Making full use of the economic, scientific and technological cooperation with the CEMA countries, especially the Soviet Union, also offers immense opportunities for the development of international socialist competition. We must state emphatically, however, that socialist initiative should not serve to compensate shortcomings in management. Its organization, therefore, requires a purposeful and targeted approach.

[Question] Participation in the formulation, implementation and control of ways to fulfill the plan as a condition for a further advance in all spheres of our life, however, presupposes great exactingness in a coordinated approach of party, state, economic and social organs and organizations.

[Answer] Since 1980, the SOR and the Slovak Government have been adopting joint measures to ensure the principal common tasks of the annual implementation plans, and regularly verify and evaluate the results. Following the 16th CPCZ Congress, cooperation among state, economic, and union organs was intensified. We want to reach a point where such cooperation is systematically carried out at all levels of management, all the way to plants and enterprises. In connection with this question, we must always remember that the purpose of all our public endeavor is to satisfy the material and spiritual needs of the population and to further strengthen its living and social certainties. A common goal binds all of us equally. The ROH work plan for the period between the 16th CPCZ Congress and the 10th All-Union Congress, specifically anticipates that regular mutual consultations among union, state, and economic organs in all plants and organizations, will become a permanent feature of our work and joint approach to meeting the national economic tasks. With correct understanding of the economic function of trade unions, we should not encounter conflicting views on the role and obligations of economic organs and those of trade unions in the process of organizing socialist competition, the innovators movement, production consultative meetings, etc. Besides, the rights and responsibilities of all the respective organs are precisely spelled out in valid documents. We should add that the cooperation among organs of union, state, and economic management is also gradually taking shape and is improving. Consistent fulfillment of the union's dual role demands that trade unionists in its implementation find ways and means commensurate with the demanding goals. At the present time, it appears essential to adjust relations of trade

union organs of all echelons with the respective organs of state and economic management in a manner which would allow the unions to fulfill their mission on a qualitatively higher level, one corresponding to the present stage of development.

[Question] So far, we have spoken primarily of worker participation in the formulation, implementation, and oversight of plan fulfillment. On what should the coming Slovak ROH Congress focus its attention with respect to the honorable role of the trade unions to satisfy the labor and social needs of the working people, in other words, to be their school of socialism?

[Answer] One is closely related to the other. The "Set of Measures," on the one hand, places strict criteria on individual performance, on the other, creates conditions for a progressive formulation of wage policy which calls for a closer linkage of wages with the social productivity of labor, quality, technological level, thrift and overall effectiveness. Economic incentive based on the merit principle presupposes a consistent application of intraunion and intraenterprise khozraschet, along with thorough simultaneous revaluation of the formulation of basic standards. It is precisely in connection with these questions that we are witnessing the emergence of a concrete need for comradely cooperation of trade unionists with state and economic organs since, in order for collective and individual economic incentive to function, we must purposefully create proper conditions. We must sufficiently emphasize that advocacy of a differentiated wage system must be backed by a thorough awareness of the needs of individual work sites, and that changes in rewarding will achieve their desired effectiveness only if they are clearly understood by those whose interests are directly involved. Fulfillment of economic tasks must in every respect be related to improved working and living conditions and to the protection of the interests and rights of the working people. We must more forcefully implement measures to reduce the number of high-risk work sites and demand more consistently that tasks in the development and production of protective labor devices be met. Questions of catering services, improvement of working and living conditions for women employees, care for the working peoples health, these are all areas where ROH members and officials have not only an opportunity but also an obligation to influence conditions creatively and with initiative, to secure improvements in accordance with the rights which are given them by our socialist system in the sphere of social oversight.

[Question] Given the qualitatively higher demands of the national economy, it is inevitable that there will also be more need for mass political education, particularly political organizational work by the unions. What lessons must we bear in mind as we enter the coming period?

[Answer] The past 4 years have been characterized by a considerable effort by trade union organs and organizations to intensify and make more effective their mass political and ideological educational operations. The unions' contribution in the formulation of a scientific world outlook and in economic education has increased. We now use more effective methods in the sphere of propaganda and agitation, and we have enhanced the educational role of worker collectives, notably the Brigades of Socialist Labor. This is the result of

a targeted approach to meeting the educational responsibilities of the trade unions, and a better system of specialized education in the SSR. In the precongress period, more than 80 percent of ROH members and officials are participating in professional training programs. However, there is still room for improvement. The focus and substance of ideological and political mass education must be responsive not only to present but also long-range needs of production and social practices; the substantive orientation must be closer to the conditions in plants, enterprises and individual work sites; it must avoid generalization and lack of specific targeting, thus increasing its attractiveness and effect. Intraunion activity in this field is also characterized by viewing various phenomena in their proper perspective. Despite certain positive results achieved in this area during the period just elapsed, we have not yet succeeded in eliminating all the shortcomings in our style of work. Trade union organs do not always provide basic organizations with sufficiently differentiated assistance in the resolution of concrete problems which the working people have been subjecting to criticism, not once but repeatedly. We must not allow the fulfillment of tasks in individual components to be hampered by unnecessary administrative burdens and organizational heavyhandedness. In the coming period, we must focus even more attention on improving the work of basic organizations, better political operations in trade union sectors, in membership meeting discussions, and also on improving the political and professional qualification of employees and officials of the trade union apparat. Effectiveness of trade union operations must also be raised through more intensive division of labor among all-union and branch organs, in management and coordination activity, and in the level of cooperation with state and economic organs. Yes, the tasks are indeed many. However, the knowledge that we are not alone in the effort to carry on the revolutionary character of the unions reflecting the needs of the times, gives us new strength, as well as new responsibility. We will continue to draw on the experiences of trade unions in the other socialist countries, especially the practical experiences in the Soviet Union, which inspire us not only through positive concrete examples, but also by the exacting standards and critical posture toward their own performance. Qualitatively, the new requirements which characterize the development of our society, also lawfully place upon the trade union movement new demands with respect to their work and social responsibility. The precongress activity expressed in many highly valuable, in the true sense of the word, heroic acts performed in honor of the 10th All-Union Congress, provide eloquent testimony that our working people are aware of these responsibilities to the fullest extent.

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## MEASURES FOR MORE EFFECTIVE HEAT GENERATION STUDIED

Prague HOSPODARSKE NOVINY in Czech 12 Feb 82 pp 8-9

[Article by Eng Miroslav Kubin, Candidate for Doctor of Science, general director of Czech Energy Plants: "Generating Heat More Efficiently"]

[Text] The conservation program for the development of the fuel and energy complex and the new situation in enriched fuel supplies for the national economy place in the foreground once again issues of heat supplies. It is particularly a matter of making more effective use of the low-efficiency heat used currently for heating purposes, and of creating the conditions for the implementation of rationalization measures.

The fuel-supply situation demands that heat generation systems in newly constructed facilities be designed, for practical purposes, solely on a base of brown coal and natural gas. At the same time, it is essential to implement those measures which will make possible the utilization of nuclear power plant construction to rebuild condensational electric power stations as heat-generating plants and, likewise, to reduce electricity production based on fuel oils, thereby freeing an essential minimum of these fuels for the development of heat production.

### A Comprehensive View of Economic Efficiency

The development of the fuel and energy complex, as represented by branch national economic plans, must respect, primarily, the following criteria: the primary-resource balance; the accessibility of primary resources at home and abroad; international cooperation on energy questions; the efficiency of individual primary resources in relation to national income formation; the comprehensiveness of energy utilization; the efficiency of replacement assurance, of the development of resources and of energy transmission, and of subsystem optimalization (the electrification system, gas); the feasibility of the program, given the production and technological capabilities of the national economic plan, etc. The transformation of the activity of the entire society into a solution of this task, in the form of branch national economic plans, is depicted in Graph 1 as subsystem A.

Graph No 1 Development System of Fuel and Energy Complex

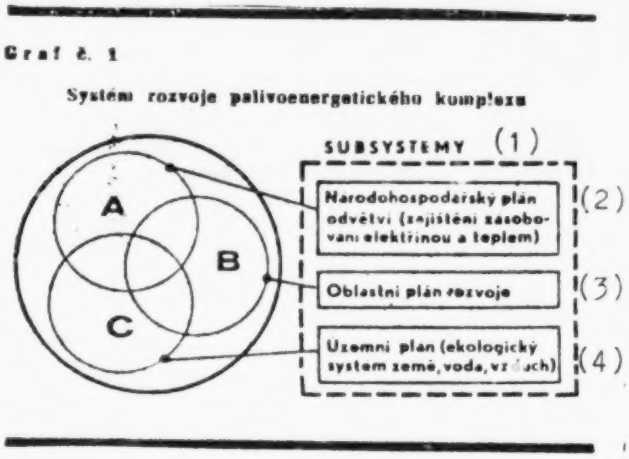


Key:

1. Subsystems
2. Branch national economic plan (assurance of electricity and heat supplies)
3. Oblast development plan
4. Territorial plan (ecological system of land, air, water)

Upon transformation of fuel and energy development to area (subsystem) B, a number of additional criteria come to the fore; the assurance of spatial conditions for construction; interdependence with the infrastructure; the work force balance; the assurance of housing construction, of citizen amenities, of nonproduction services, of the demands which will be placed during oblast development, i.e., by industry and the population, on the consumption of energy and on the structure of primary energy resources; the optimization of energy bearers; the utilization of waste energy; the optimization of low-efficiency heat supplies.

Subsystem C represents social activity which, above all, protects, through the mechanisms of territorial planning, the ecological system, the land, water and air, thereby constituting an important element in the management of the environment and for the satisfaction of social needs. Activity in this area concerns primarily proper placement from the view of territorial planning criteria; the pollution of the water, air and soil with waste solids and gaseous emissions; heat pollution of the atmosphere; noise pollution; the annexation of agricultural and forest land; structural stress caused by landscape changes (coal mining, bodies of water, transportation routes); the choice of wasteless technologies; the efficiency of resultant measures (desulphurization).

The optimal coordination of subsystems A, B, and C represents the most efficient source of rationalization. The mutual ties among the subsystems must be precisely defined and quantified, and it must be made clear that rationalization at the branch level is still not necessarily optimal from the viewpoint of the

entire society. Under no circumstances is it adequate to judge a variant solely on the basis of the same energy effects. Likewise, it is not permissible to exchange a valuation of individual subsystems (or elements) for, or to equate this with, a valuation of the efficiency of the entire system. An optimal resolution for subsystems A and B, without relationship to C, still does not mean an optimum for the system.

For example, the choice of a construction site for an electric power plant is tied to all of the subsystems, A, B, and C. The fact that in the Central Bohemian Kraj only the relationship between subsystems A and B was optimized (the transport of fuels, etc.) meant that serious problems arose in subsystem C (atmospheric quality, ash storage, etc), which are having to be dealt with subsequently by means of costly investment. A sulphur dioxide concentration in excess of the recommended value of 0.06 milligrams per square meter occurs in the CSSR over only a small area and has an impact on only a relatively small proportion of the population. Nevertheless, it is proving necessary to resolve this problem subsequently by desulphurizing the exhaust gases of electric power plants, which represents additional investment outlays per unit in the amount of Kcs 1.2 billion, and an increase in actual electrical energy consumption of 8 percent. This problem could have been solved more economically through improved distribution of sulphur dioxide sources which generate high levels of emissions and those sources which produce low (background) emission levels. As a result of a limited amount of coal, and a consequent reduction in the production of electrical energy at traditional power plants, it appears possible in the future to allocate production to individual power plants in such a way as to achieve the most balanced possible distribution of sulphur dioxide concentration (with a higher pollution level for the Chvaletice power plant), which is more desirable than solving the problem through investment.

Likewise, in resolving heat supplies with the assistance of oblast systems, it is possible to achieve optimal effects in subsystems A, B, and C and thereby in the entire system. It is a paradox that while the use of centralized heat supplies significantly improves ecology (air quality) due to the liquidation of a significant number of sources with low emission levels, which have the greatest negative effect on the environment, and the assumption of their function by central sources of supply (i.e., sources with high emission levels and great diffusion of sulphur dioxide and nitrogen oxides), it is precisely these sources which are hampered with emission penalties, and not the opposite. Measurements made abroad of the percentage of emissions of sulphur dioxide and of nitrogen oxides by industry, transportation and the communal sphere indicate that the development of sources generating high emissions levels does not represent any additional pollution above emissions standards, provided that their territorial distribution is proper. The rebuilding of power plants as heating plants has, therefore, a clearly positive effect.

The necessity for cooperation and optimization in sectorial, oblast, and territorial planning is also emphasized in the directive entitled The Main Directions of the Economic and Social Development of the CSSR for 1981-1985, which was approved by the Sixteenth CPCZ Congress. It is also a reality that the last world energy conference, held in Munich in 1980, also held discussions couched in terms of a resolution of cooperation among the three above subsystems.

To achieve optimalization in individual subsystems, it is likewise necessary to evaluate a number of factors. For instance, for subsystem A the following must be considered:

--The comprehensiveness factor of energy conversion, which characterizes losses over the entire chain of energy transformation (the extraction and transportation of fuel, its transformation into energy, the utilization of this energy), and which it is essential to minimize. This requires the proper design of individual links in such a way that unnecessary losses do not arise within them. For instance, the transportation of fuel must be properly planned, boilers must be designed to accommodate the expected heat values of fuel, at least over the middle range of their useful life, and the like.

--The comprehensiveness factor of energy utilization which, in comparison with the preceding factor, evaluates the utilization of the working properties of primary resources so that the energy in the fuel may be maximally utilized for the performance of work and so that waste, in the form of unused heat, be kept to a minimum or, alternatively, so that the level of utilization of waste heat for the heating of spaces may be examined. It is a matter of assuring the maximal energy efficiency of the entire process.

--The utilization factor of renewable resources, which determines the ratio of renewable resources to total resources (i.e., the sum of renewable and nonrenewable resources), which has great significance especially for heating, that is, the obtaining of low-potential heat.

It is necessary to determine the economic and social impact and demands on subsystems A,B, and C for individual variants of heat supplies with the same use effects. An acceptable resolution is simply the one which results in a minimum of overall transferred costs.

The Cogeneration of Electricity and Heat

Despite the advantages possessed by this method of obtaining low-efficiency heat (and which were described in detail in HOSPODARSKE NOVINY, No 49/1979), we are limited with regard to the utilization of primary resources mainly:

--by the density of the heat load in megawatts per square kilometer, i.e., by the concentration and magnitude of heat consumption;

--by the possibilities for rebuilding existing condensation power plants as heating plants (the technical problems in this have been resolved for 50-, 100-, and 200-megawatt units);

--by the assurance of backup capacity for the electrification system;

--by the locating of sources of cogenerated production in such a way that they are at consumption centers (localization is for the most part favorable, because of favorable historical circumstances);

--by the relationship of delivered volumes of heat and the distance of consumption from the source, and possibilities for forming an oblast system;

--by the optimization of metals consumption, and by demands on machinebuilding and construction facilities;

--by the consumption of one-time investment resources (investment intensity).

This implies that overall economic efficiency (i.e., the magnitude of the transferred costs and feasibility under the national economic plan) is the decisive factor in deciding which variant will be chosen (localized or centralized heating, heating plant or power plant heating, etc.). In large agglomerations (Prague, Brno, Ostrava, Bratislava, the basin region of North Bohemia, Pardubice-Hradec Kralove, and others), the solution is clear, due to the fact that in these localities it is possible to rebuild an electric power plant as a heating plant, because heating plants already exist here.

So far, however, adequate consideration has not been given in this decision-making model to the fact that existing heat sources are becoming obsolete, and that it will be necessary to renovate and rebuild them to operate on lower quality fuel. This will be true even in the event that future consumption demand for heat will, basically, not increase as a result of rationalization measures. In addition, there is the necessity for burning nonbudgeted, high-ash fuel with a heat value of 1,800-2,200 kilocalories per kilogram. It is impossible to economically rebuild existing boilers to handle this fuel, meaning that newly designed boilers will have to be used, specifically boilers utilizing a different ignition principle (a fluid firebox), and which are still in the development stage.

The expansion of heating plants to additional localities and the long-distance supplying of heat depends on the optimization of at least the main factors. The distance, L (in kilometers), over which it is possible efficiently to transmit heat, increases with thermal output and the temperature gradient. However, in most cases which are coming under consideration, overall steel consumption for centralized supplying is not greater than for localized resolutions.

From the perspective of the construction of oblast systems, the heat-bearing medium will without doubt be hot water. Here it is necessary to resolve as well a whole series of issues, above all from the economic efficiency point of view, such as:

--the choice of a temperature for the water in the grid which is optimal considering the transmission distances;

--the expansion of the range of utilizable water temperature for the consumer by cooling return water to the ambient temperature through the utilization of high-surface-area elements, and potentially of heat pumps, which will lead to a reduction in the diameter of the transmission pipes, of investment outlays, of thermal losses from the volume of circulating water, of pumping work, and also to an economization of the heating cycle at the source;

--the conversion of existing steam grids to water grids,

--the optimal choice of transmission systems, single-pipe, double-pipe, and triple-pipe.

New Possibilities

The transformation of primary resources into electricity or into heat for heating, takes place as follows:

--To obtain electrical energy, we transform the chemical energy of a fuel in such a way that we first produce high-efficiency heat in a boiler, which is then converted in a turbine set to electrical energy. During this process, losses arise in the form of waste heat which may be utilized for spatial heating. It is possible, in the cogeneration of electrical energy and heat, to utilize the heat contained in cooling water, introducing it into a heating system, instead of into the environment, with the aid of a heat exchanger.

--For the assurance of various technical processes (in metallurgy and chemistry), we transform primary resources into high-efficiency heat. Likewise for these processes, waste heat is a byproduct which may be appropriately utilized for spatial heating.

--Finally, we transform primary resources into low-potential heat for heating purposes directly. If the objective is heat for heating, the temperature of which is only 30-40 degrees Celsius above the ambient temperature, the thought clearly occurs to us that it might be feasible to obtain this heat in some other way than by combustion at 1,200 degrees Celsius. The burning of coal in furnaces and boilers to obtain heat for heating is, actually, the thermodynamically least efficient procedure (with the lowest energy efficiency).

--In addition to the direct production of low-efficiency heat, and the utilization of waste heat from the generation of electricity or from other technical processes, there is still another possibility for obtaining low-potential heat in a totally unconvential manner--with the aid of heat pumps from thermal energy and the environment.

The overall flow of energy for specific types of transformation of primary resources into energy is depicted in Graph 2. So as to better understand this principle, let us remind ourselves that the value of energy lies in its ability to perform work. Energy is composed of two parts--potential and residual. Exergy is that part of energy which is capable of performing useful work, i.e., that part which may be transformed, changed to another form of energy. The remainder is residual, in other words that part which is not capable of performing useful work. When energy is converted into heat, exergy is gradually lost, until finally all the energy is degraded to heat with a temperature equal to that of the surroundings (residual). Our environment (land, water, air) therefore represents a reservoir containing an infinite amount of low-efficiency heat which it is impossible to convert to do mechanical or electrical work. It is, however, possible with the aid of heat pumps to convert it back into heat at a higher temperature (about 60-70 degrees Celsius) for spatial heating.

Heat pumps are produced on the principle of compression (whether powered electricity or by an internal-combustion engine) or sorption, the same as refrigerators. Heat is pumped either from the environment (land, water, air) at a temperature range of plus 20 to minus 20 Degrees Celsius, or from the waste heat

Graph 2. Overall Energy Flow for Specific Types of Energy Transformation From Primary Resources.

Graf č. 2

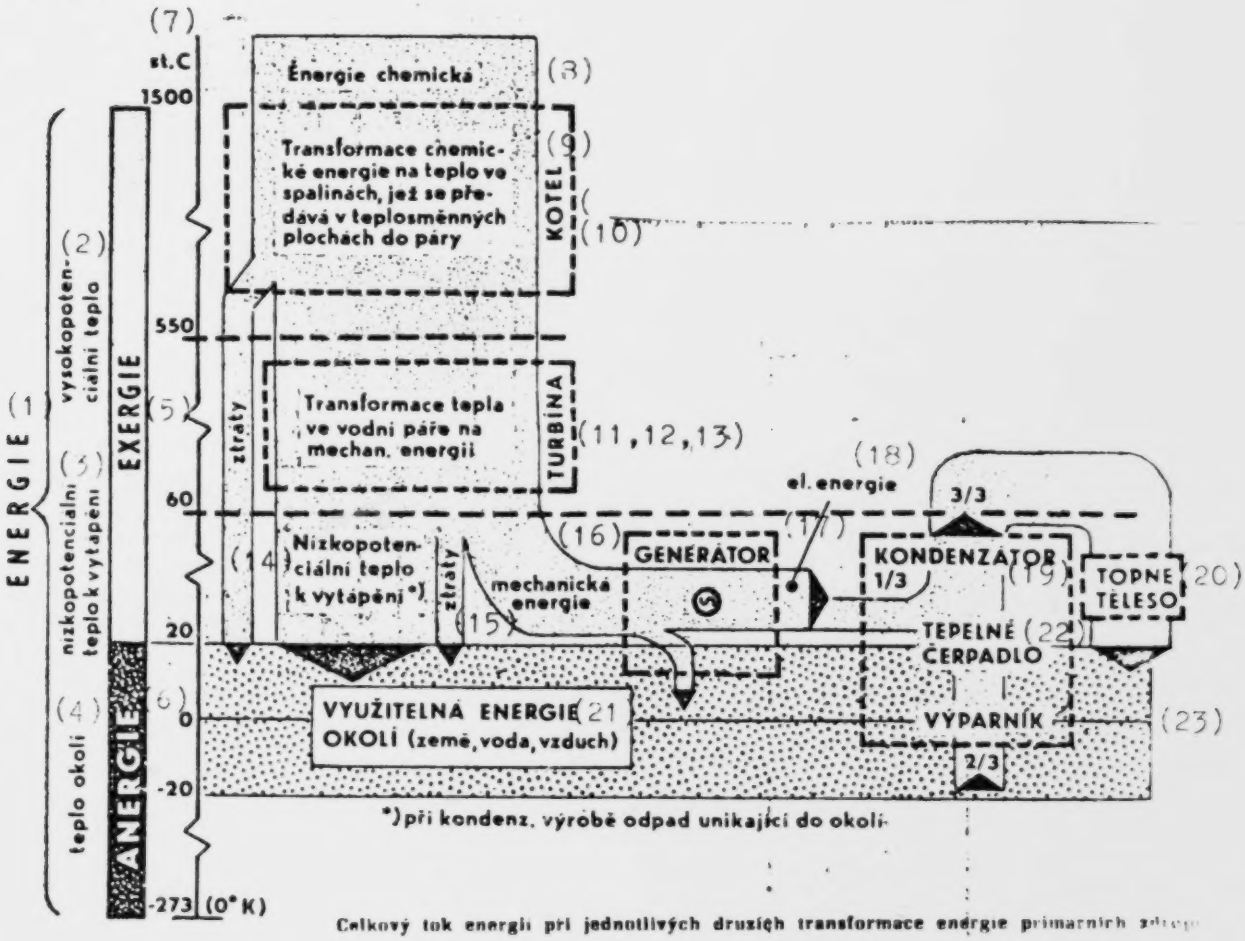


Key: 1. Energy: 2. High-potential heat: 3. Low-efficiency heat: 4. Ambient temperature: 5. Potential: 6. Residual: 7. Degrees Celsius: 8. Chemical energy: 9. Transformation of chemical energy into heat in combustion byproducts, which is converted to steam at heat exchanging surfaces: 10. Boiler: 11. Losses: 12. Transformation of heat in steam to mechanical energy: 13. Turbine: 14. Low-efficiency heat for heating (waste escaping to environment during condenser generation): 15. Losses: 16. Mechanical energy: 17. Generator: 18. Electrical energy: 19. Condenser: 20. Heating element: 21. Utilizable environmental energy (land, water, air): 22. Heat pump: 23. Evaporator.

of cooling waters of electric power plants and other technical processes. A combination of heat production for spatial heating with the production of cold (in agriculture and the foodstuff industry) is especially appropriate. If one combines heating with the aid of heat pumps with traditional means of localized heating, one is speaking of bivalent heating. If one introduces combination heating by separate heating systems (low temperature and high temperature), for instance with a heat pump to cover the basic load requirements and electrical heating to cover peak periods during greater declines in outside temperatures, then one is speaking of hybrid systems.

In connection with the introduction of heat pumps, the question has been raised as to their effectiveness in comparison with the cogeneration of electricity and heat, i.e., the following variants have been juxtaposed:

A. The cogeneration of electricity and heat and the transmission of heat by hot water (110 to 150 degrees Celsius) to the consumer (or to exchanger stations) by a two-pipe system.

B. The condensational production of electricity with the cooling of the condensate handled in such a way that the heated cooling water (with a temperature of 25 to 50 degrees Celsius) does not return to the river from the power plant (where it would unnecessarily warm the water--thermal pollution), but is distributed either along a race, or through a single uninsulated pipe (thermal losses are slight at these low temperatures) to the consumer, where its energy is transformed with a heat pump to the higher temperature of 60 to 70 degrees Celsius, so that it may be used for heating. The working name "cold heat" has been adopted abroad for conversion principles at low temperatures. Its technical aspects have been worked on, and it is being used in a number of instances, for example to heat a swimming pool about 5 kilometers from the power plant (the Arzberg power plant in the FRG).

The result of sophisticated expert calculations may not be laid out in detail in this article. Generally, however, it is possible to state that the cogenerated production of electrical energy and heat is more economical than the use of heat pumps. The thermal factor (i.e., the ratio of the thermal energy provided for the heating system to the electrical energy inputs) is approximately 8 to 10 for cogeneration, while for heat pumps we are achieving a value of 2 to 5, depending on the temperature of the heating system (with an increase in temperature, the thermal factor declines and, therefore, we attempt to heat with elements having a large surface area, radiators, which provide a large amount of cooling and a low initial water temperature) and, in addition, depending on the temperature of the medium from which we are extracting the heat (waste water, cooling water, ground water, the land, the air). The lower the temperature of the medium, the lower the thermal factor.

Likewise, from the viewpoint of primary-resource-consumption, heat pumps are also less economical than the cogeneration of electricity and heat. Heat pumps have their own indispensible place, for instance, in insulated systems (family homes), where they may produce both heat and cold, in the utilization of waste heat, and the like.

C. An optimal solution, however, requires the use of both technologies simultaneously in such a way that the heat in the return water of a hot-water distributor is still utilized by connecting it to heat pumps. The output water from the heat pumps is either returned to the primary system, or to an independent circuit of consumers.

Cogeneration Facilities, Heating Plants, or Heat Pumps?

If, from the viewpoint of primary resources the installation of heat pumps, particularly in conjunction with the cogeneration of electricity and heat, is so desirable, and if it is possible to draw upon infinite heat resources in the environment (land, water, air), especially since this seems very economical, then why are these possibilities not being utilized to a greater extent? From the analysis presented in Graph 3 it follows that the greatest efficiency is achieved through a combination of various methods of supplying heat.

Investment intensiveness and, therefore, also total social costs do not, however, correspond to the desirability of specific combinations of heating supplies from the primary-resource viewpoint. Optimization must be determined specifically for every case. In addition to the above-mentioned factors, a decisive consideration is, in particular, the accessibility and price of primary resources, the accessibility and potential for utilization of waste heat, the accessibility and potential for utilization of energy from the environment--the land, water, air and geothermal energy.

--For instance, investment outlays for heat pumps change with capacity, meaning that low-capacity heat pumps (10-50 kilowatts) require outlays of Kcs 3,000-6,000 per kilowatt, whereas these outlays decline by one-third for capacities of 300 kilowatts and above, a fact that is unfavorable especially for their use in family homes.

--In comparison with other localized heat sources (heat-storage stoves and the like), the investment outlays for heat pumps are currently several times higher.

--The apparently favorable combination of a heat pump driven by a gas turbine or diesel engine and the cogeneration of heat and electricity is likewise uneconomical from the viewpoint of total costs, to say nothing of fuel imports.

--The long-term storage of low-efficiency heat extracted from solar energy, or by heat pumps from waste heat, is too costly from an investment point of view. Dependence on average annual air temperature or sources of waste heat play a large role.

--Annual utilization and the average annual thermal factor are also critical for optimization. If the thermal factor reaches a value of 3, it is possible to demonstrate efficiency at the present time.

Graph 3. Examples of Possible Uses of Nonrenewable Energy Sources With an Expression of Projected Average Social Costs (MNS) per Unit of Heat Obtained at Point of Consumption

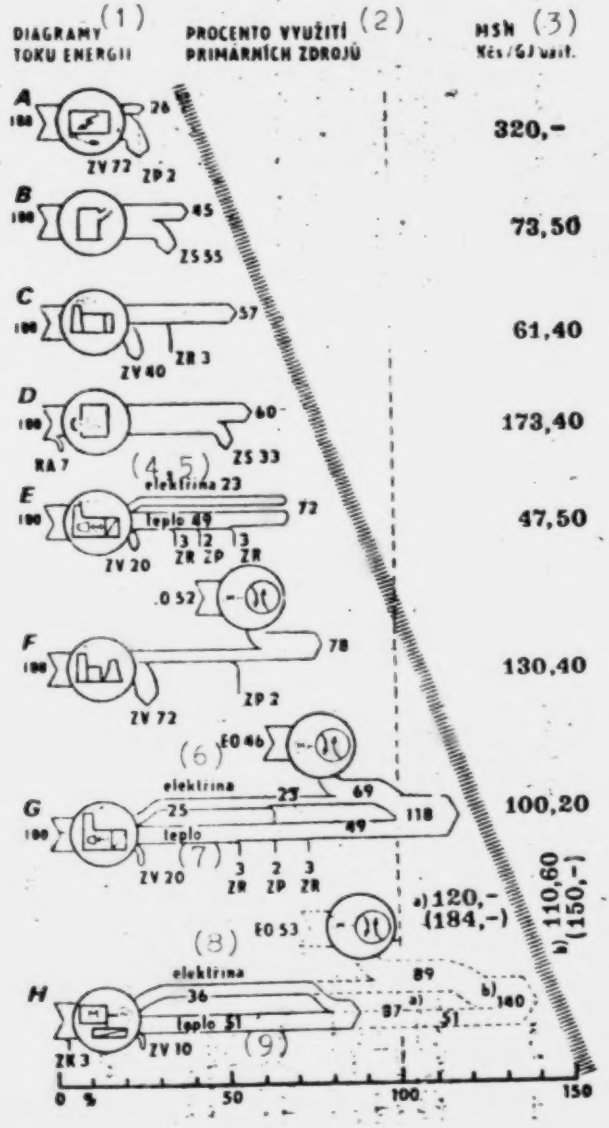


Key: 1. Energy flow diagrams: 2. Percentage Utilization of Primary Resources: 3. Average Social Costs (korunas per gigajoule of usable energy): 4,6,8. Electricity: 5,7,9. Heat. Utilization Methods: A-Local source run by electricity: B-Local coal-fired source: C-Remote heating from coal-fired heating plant: D-Local source fired by diesel fuel or heating oil: E-Heat and electricity from a cogeneration cycle from coal-fired power plant: F-Heat provide by heat pump installed at point of consumption: G-Heat and electricity from a cogeneration cycle from a coal-fired power plant, the produced electricity used to power a heat pump installed at point of consumption: H-Unit cogeneration source with motor

(Key continued on next page)

with internal or external combustion fired by gas (diesel fuel) with potential tiein to heat pump driven by electricity generated during cogeneration cycle.

Legend: ZV-Losses during electricity, heat production: ZS-Combustion losses: ZR-Losses during heat distribution: RA-Losses during refining of oils: ZK-Power for compressors: EO-Energy from the environment (air, water).

Despite the varying, often opposing, dependencies on numerous factors, the combination of heating with the aid of varying bearers of heat is very desirable both from the viewpoint of primary-resource consumption and overall social outlays. The technological equipment to cover basic load and transmission requirements may be designed more economically (heat distributors), in the sense that peak loads may be covered with other media (for instance, with electricity). Typically, at least one or two media are available, linked to the distribution system (electricity, gas, and in some cases remote heat from a central heat supply). The heat-consumption diagram may be efficiently broken down and modified. Calculations overall show the feasibility of these solutions, and their desirability in comparison with monovalent variants (strictly electric heat; strictly a central heat supply for a small megawatt per kilometer thermal density, and the like).

Barriers to Heat Management

Heat prices are currently not derived from the average social costs of the obtaining of primary resources, nor do they take sufficient account of the quality, the potential, of heat. The result is that the consumer does not attempt to obtain heat from less expensive domestic fuels, does not utilize secondary resources, waste heat. Instead of hot water, steam is used for heating.

In the past, when allocating the costs incurred in the cogeneration of heat and electricity between the heat and the electricity, this has been approached for various reasons in terms of a so-called caloric valuation, which takes no account of energy quality, and grants all the advantages to electricity. Even though the keying of costs is complicated, the valuation cannot be the same as if the heat were produced in a heating plant. The paradox arises, for instance, that we allocate 60-70 percent of overall costs to the energy in heating steam at condensation pressure, or to the condensate, even though this is practically without value; steam at a pressure of 0.05 megapascals is allotted a value of 80 percent, even though it has a use value, expressed as its exergy, of only about 30 percent. The potential method, which is to replace the caloric method, provides a proper valuation of heat according to its ability to perform work and, especially, a realistic valuation of low-potential heat.

The financing of rationalization projects aimed at primary resource conservation and, especially, at the utilization of nontraditional (renewable) resources is made easier in many countries with special subsidies. In our conditions, for instance, it is possible to receive a rationalization credit, which is, however, conditioned by a calculation of economic efficiency. As a result of the existing low level of wholesale fuel prices, it is impossible to demonstrate efficiency by calculations according to FMTIR [Federal Ministry of Technological and

Investment Development] guideline No 3/1975 (or even its updated version, which deals with coefficients of fuel limitations, by which fuel costs are, basically, made more "expensive"). This means that a significant portion of rationalities zation projects may not be implemented. Only by introducing substantially higher prices based on the average social costs of obtaining primary resources is it possible to demonstrate the positive impact of rationalization projects. The conflict between this khozraschet concept and its resulting responsibilities and a national economic conception must be resolved. Additional problems arise in the assurance of priorities in supplier-consumer relations. Rapid implementation also requires a simplified approach in the area of design preparations.

Likewise, there has not to date been a satisfactory resolution of the issue of the merging of assets, or of limits on newly initiated construction projects, and the like. Although there are sufficient possibilities for replacing heat from enriched fuels (heating oils, gas) with heat from a central supply, this has not been taken advantage of. It would be effective, in those instances where a consumer has the possibility of linking up to a central supply of heat and does not take advantage of it, to remove after a specific time his fuel base for the enriched fuel by which he assures the production of low-potential heat. By the same token, incentives and economic motivators are not yet developed in such a way as to effectively lead consumers to conservation.

It is, therefore, essential to improve the legislative and legal instruments in this area. Government Resolution No 130/1979 approved the principles of a long-range energy policy in the sector concerned with the construction and operation of equipment for supplying the national economy and the population with heat. Additional measures followed which are focused on the conversion of condensation power plants to heating plants and on the rationalization of the consumption of enriched fuels, especially light heating oils and diesel fuel. At present, a proposal is being prepared for a law concerning the production, distribution and consumption of heat, which should replace the existing fragmented legislative and legal regulations, and orient the search for a solution in the direction of the following technicoeconomic principles.

--The rational obtaining, conversion, transportation and consumption of all types of fuel and energy is one of the fundamental preconditions for the further development of the national economy, an increase in the standard of living of the population and the preservation of the environment. This is fully true as well for the supplying of heat to the national economy and the population. The assurance of heat rests, above all, on the utilization of domestic solid-fuel resources, particularly of lower quality coal.

--In all technicoeconomically justified cases it is essential to utilize the cogeneration of electricity and heat, which provides for the highest possible valuation of primary-energy resources (including atomic energy). Imported liquid and gaseous fuels are to be replaced with domestic resources, above all with heat from centralized sources. Maximum use is to be made of secondary and nontraditional resources and of combinations of nonrenewable (coal, mazut, gas) and renewable resources (waste heat, the use of heat pumps, solar energy, and the like).

--Heat balances are a component of the overall fuel and energy balance at both a territorial and sectorial level, and are implemented and coordinated from one location and are completed centrally. During the formulation of the conception of heat supplies it is essential to assure the cooperation of oblast, sectorial and territorial planning agencies. This principle makes possible a maximum rationalization of primary-resource consumption while providing for the simultaneous protection of the land-water-air ecological system.

--Heat supplies must be oriented in such a way that there is an optimal number of bearers of energy and so that in all places where it is technically feasible and economically justified, heat at the lowest possible temperature will be used. All people responsible for the assurance of the obtaining, conversion and transportation of heat and, moreover, all consumers of heat are required to take steps to assure rational heat use and to create simultaneously the conditions and incentives (prices, penalties, technical resources) to see to it that this objective is reached.

--All legislative, economic, planning, organizational, construction and implementational instruments must be modified so as to make possible the implementation of the supplying of the national economy and the population with heat within the framework of national economic plans, with a view to the basic target programs in the area of long-range planning. This means the assurance of the feasibility of these objectives in terms of the taut sectors of the national economy (steel consumption, the work force, demands for construction work) by establishing appropriate stages for the progression of these projects, and by minimizing contingencies.

9276
CSO: 2400/167

## BASIC ECONOMIC PLAN FOR SECOND QUARTER PUBLISHED

Warsaw ZYCIE WARSZAWY in Polish 25 Mar 82 pp 1, 2

[Text] Under the chairmanship of deputy prime minister Janusz Obodowski, a meeting of the Council of Ministers Economic Committee was held on the 24th of this month [March 1982], devoted to a discussion of the targets of the draft central plan for the second quarter of 1982. The goal of the plan, which was presented by the chairman of the Council of Ministers Planning Commission, deputy prime minister Zbigniew Madej, is to overcome the downward trend in the economy and to strengthen the impulses which would cause it to begin to move forward.

The industrial enterprises will continue to be faced with supply difficulties caused to a large degree by the restrictions placed on our country by certain western countries. The positive factors, which in the second quarter will begin to have a strong bearing on the national economy, will be: an increased output of indigenous raw materials, an improvement in work discipline, a reform of retail prices, and implementation of new economic mechanisms. It is envisaged, for example, that coal output in the second quarter of this year will amount to 43.5 million tons (an increase of 8.6 percent in relation to the second quarter of last year); electric energy production will amount to 27.5 billion kilowatt hours ( a 3 percent increase); and copper, 87,000 tons (a 10.4 percent increase). Such industries as nonferrous metallurgy and the cement, sulfur, timber and paper industries, will also show a growth tendency.

However, it will not be possible to halt the decline in production in industries which are in large measure dependent on co-production deliveries from capitalist countries. This pertains particularly to the rubber, electronic and chemical industries, and in part to the machine-building industry. Due to a scarcity of import means and the depletion of material resources, industrial production in the second quarter of 1982, it is anticipated, will be about 92 percent of the production achieved in the second quarter of last year [1981]. Thus this will not be a poor result. The most important task, under these circumstances, as emphasized during the discussion, if to increase the growth of final production, chiefly for the market and for export, through correct planning decisions and efficient operation of enterprises and banks. The operative plan for the second quarter is directed mainly at rorienting industry toward greater cooperation with the socialist states, fuller utilization of domestic raw-materials resources, and reduction of imports from the second payments area [capitalist countries].

The enterprises themselves must play an active role in efforts to increase final production and production efficiency. In the second quarter, for example, the rule of automatic credits will no longer be valid. The bank will grant credit on the basis of an anticipated level of profitability, ensuing from an enterprise's plan, in accordance with the principle of self-financing and credit repayment. The priorities caused by overall-economic and social needs, as shown in governmental operational programs, will be considered here.

In order to exert just this kind of financial influence on enterprises, the Polish National Bank and the Food Economy Bank will enter into credit contracts with enterprises on new conditions. Therefore, the Economic Committee has suggested that informational activities regarding the new credit conditions be intensified.

The shortage of consumer and fodder grains constitutes a danger to the food economy. But the fodder shortage cannot, as was stressed during the Committee's deliberations, be eliminated through additional foreign imports. Because foreign-exchange means are scarce, this would cause a drastic reduction in imports of supplies for industry and a further drop in production. Therefore, to maintain favorable trends in breeding, the agricultural farms must use their own fodder stocks to the maximum degree. Sufficient imports of grain and grain products will be provided for consumer purposes.

In view of the poor housing construction figures in the first quarter, the Committee has ascertained that the task of delivering 200,000 housing units, as contained in the program for this year, must be fulfilled. Therefore, the Minister of Construction and Constructions Materials Industry, and the voivodship governors, are being required to ensure by their supervision, that the capabilities of the construction enterprises, house factories and plants producing construction materials, are being properly utilized. The Minister of Construction and Construction Materials Industry is required to submit, as quickly as possible, a program for increasing the supplies of construction materials, particularly the so-called finishing materials.

One of the important tasks in the economy in the second quarter must be activity to enhance the amount of goods available on the marketplace. It is important, above all, to increase the production of clothing and footwear for adults. The volume of production for children, as provided in the operational program, should be adequate. To ensure that needs of adults will be satisfied, imports of cotton and hides will have to be increased. The indispensable foreign-exchange means should be obtained through further stimulation of imports beginning with the second quarter of this year.

The central plan for the second quarter was prepared by the Council of Ministers Planning Commission under conditions of continuing great instability due to the country's difficult supply, payments, and money market situation.

Therefore, the Council of Ministers Economic Committee, in accepting the draft plan, emphasized that the need to define tasks for short, 3-months' time periods is now justified. The tasks contained in the plan for the second quarter must constitute the general guidelines for the ministries. Within the framework of this plan, means were also provided for implementing operational programs, supervised by ministry plenipotentiaries. The next short-term plans should be for 6-months' periods.

9295
CSO: 2600/459

SPECIAL CURRENCY EXCHANGE RATES PUBLISHED

Warsaw TRYBUNA LUDU IN Polish 1, 8, 15, 22, 29 Mar 82

[1 Mar 82 p 7]

[Text] Announcement of Exchange Rates Table No 9/82, effective 1 March 1982, by Stanislaw Nieckarz, for the president, Polish National Bank, Warsaw, on 1 March 1982.

I. Foreign-currency exchange rates in zlotys for countries of the first payments area [socialist countries] for commercial and noncommercial payments in Table No 6/1982, dated 8 February 1982, remain unchanged.

In purchases of travelers' checks for rubles, issued by the USSR Foreign Trade Bank and payable outside the USSR in the currency of the country where cashed, an exchange rate of 11,408.70 zlotys per 100 rubles is applied.

II. Foreign-Currency Exchange Rates in Zlotys for Countries of the Second Payments Area [Capitalist Countries]

[Table on following page]

Exchange Rates Table No 9/82

| Country | Curr Symb | | Currency | Foreign Exchange Purchase 4 | Foreign Exchange Sales 5 | Money Purchase 1 | Money Sales 2 | Average 6 |
|---|---|---|---|---|---|---|---|---|
| Saudi Arabia | 771 | 1 | rial*** | 23.86 | 24.10 | -- | -- | 23.98 |
| Australia | 781 | 1 | Austral.dollar | 88.07 | 88.95 | 86.74 | 90.28 | 88.51 |
| Austria | 786 | 100 | schillings | 492.54 | 497.50 | 485.12 | 504.92 | 495.02 |
| Belgium | 791 | 100 | francs | 188.92 | 190.82 | 186.07 | 193.67 | 189.87 |
| Denmark | 792 | 1 | kroner | 10.34 | 10.44 | 10.18 | 10.60 | 10.39 |
| Finland | 780 | 1 | markka | 18.11 | 18.29 | 17.84 | 18.56 | 18.20 |
| France | 793 | 1 | franc | 13.57 | 13.71 | 13.37 | 13.91 | 13.64 |
| Greece | 724 | 100 | drachmas | 133.58 | 134.92 | 115.77 | 136.94 | 134.25 |
| Spain | 785 | 100 | pesetas | 79.94 | 80.74 | 78.73 | 81.95 | 80.34 |
| Holland | 794 | 1 | florin | 31.51 | 31.83 | 31.04 | 32.30 | 31.67 |
| India | 543 | 100 | rupees*** | 882.33 | 891.19 | -- | -- | 886.76 |
| Ireland | 782 | 1 | pound*** | 122.02 | 123.24 | -- | -- | 122.63 |
| Japan | 784 | 100 | yen | 34.76 | 35.10 | 34.23 | 35.63 | 34.93 |
| Yugoslavia | 718 | 100 | dinars | 173.65 | 175.39 | 150.51 | 178.01 | 174.52 |
| Canada | 788 | 1 | Canad.dollar | 67.00 | 67.68 | 65.99 | 68.69 | 67.34 |
| Kuwait | 770 | 1 | dinar*** | 286.82 | 289.70 | -- | -- | 288.26 |
| Lebanon | 752 | 1 | pound | 16.66 | 16.82 | 16.41 | 17.07 | 16.74 |
| Libya | 651 | 1 | dinar*** | 275.36 | 278.12 | -- | -- | 276.74 |
| Luxembourg | 790 | 100 | francs | 188.92 | 190.82 | 186.07 | 193.67 | 189.87 |
| Norway | 796 | 1 | kroner | 13.67 | 13.81 | 13.47 | 14.01 | 13.74 |
| Portugal | 779 | 100 | escudos | 118.20 | 119.38 | 102.44 | 121.17 | 118.79 |
| FRG | 795 | 1 | mark | 34.59 | 34.93 | 34.06 | 35.46 | 34.76 |
| United States | 787 | 1 | dollar* | 81.62 | 82.44 | 80.39 | 83.67 | 82.03 |
| Switzerland | 797 | 1 | franc | 43.50 | 43.94 | 42.85 | 44.59 | 43.72 |
| Sweden | 798 | 1 | kroner | 14.18 | 14.32 | 13.96 | 14.54 | 14.25 |
| Turkey | 627 | 100 | pounds | 58.30 | 58.88 | 50.53 | 59.76 | 58.59 |
| Great Britain | 789 | 1 | pound** | 150.03 | 151.53 | 147.76 | 153.80 | 150.78 |
| Italy | 799 | 100 | lira | 6.45 | 6.51 | 5.59 | 6.61 | 6.48 |

*Valid also in clearing accounts with the following countries: Bangladesh, Brazil, Ecuador, Greece, Iceland, Kampuchea, Colombia, Lebanon, Pakistan, Peru and Turkey.

**Valid also in clearing accounts with the following countries: Nepal and Pakistan.

***The Polish National Bank does not purchase money in these currencies.

[8 Mar 82 p 7]

[Text] Announcement of Exchange Rates Table No 10/82, effective 8 March 1982, by Stanislaw Nieckarz, for the president, Polish National Bank, Warsaw, on 8 March 1982.

I. Foreign-currency exchange rate in zlotys for countries of the first payments area [socialist countries] for commercial and noncommercial payments in Table No 6/1982, dated 8 February 1982, remain unchanged.

In purchases of travelers' checks for rubles, issued by the USSR Foreign Trade Bank and payable outside the USSR in the currency of the country where cashed, an exchange rate of 11,458.80 zlotys per 100 rubles is applied.

II. Foreign-Currency Exchange Rates in Zlotys for Countries of the Second Payments Area [Capitalist Countries]

[Table on following page]

Exchange Rates Table No 10/82

| Country | Curr Symb | | Currency | Foreign Exchange Purchase 3 | Foreign Exchange Sales 5 | Money Purchase 1 | Money Sales 2 | Average 6 |
|---|---|---|---|---|---|---|---|---|
| Saudi Arabia | 771 | 1 | rial*** | 23.98 | 24.22 | -- | -- | 24.10 |
| Australia | 781 | 1 | Austral.dollar | 87.80 | 88.68 | 86.48 | 90.00 | 88.24 |
| Austria | 786 | 100 | schillings | 490.30 | 495.22 | 482.90 | 502.62 | 492.76 |
| Belgium | 791 | 100 | francs | 187.34 | 189.22 | 184.51 | 192.05 | 188.28 |
| Denmark | 792 | 1 | kroner | 10.24 | 10.34 | 10.08 | 10.50 | 10.29 |
| Finland | 780 | 1 | markka | 18.00 | 18.18 | 17.73 | 18.45 | 18.09 |
| France | 793 | 1 | franc | 13.48 | 13.62 | 13.28 | 13.82 | 13.55 |
| Greece | 724 | 100 | drachmas | 133.30 | 134.64 | 115.54 | 136.65 | 133.97 |
| Spain | 785 | 100 | pesetas | 79.28 | 80.08 | 78.09 | 81.27 | 79.68 |
| Holland | 794 | 1 | florin | 31.35 | 31.67 | 30.88 | 32.14 | 31.51 |
| India | 543 | 100 | rupees*** | 884.33 | 893.21 | -- | -- | 888.77 |
| Ireland | 782 | 1 | pound*** | 121.18 | 122.40 | -- | -- | 121.79 |
| Japan | 784 | 100 | yen | 34.59 | 34.93 | 34.06 | 35.46 | 34.76 |
| Yugoslavia | 718 | 100 | dinars | 173.68 | 175.42 | 150.53 | 178.04 | 174.55 |
| Canada | 788 | 1 | Canad.dollar | 66.79 | 67.47 | 65.79 | 68.47 | 67.13 |
| Kuwait | 770 | 1 | dinar*** | 287.24 | 290.12 | -- | -- | 288.68 |
| Lebanon | 752 | 1 | pound | 16.73 | 16.89 | 16.47 | 17.15 | 16.81 |
| Libya | 651 | 1 | dinar*** | 276.58 | 279.36 | -- | -- | 277.97 |
| Luxembourg | 790 | 100 | francs | 187.34 | 189.22 | 184.51 | 192.05 | 188.28 |
| Norway | 796 | 1 | kroner | 13.64 | 13.78 | 13.44 | 13.98 | 13.71 |
| Portugal | 779 | 100 | escudos | 115.22 | 116.38 | 99.86 | 118.12 | 115.80 |
| FRG | 795 | 1 | mark | 34.39 | 34.73 | 33.87 | 35.25 | 34.56 |
| United States | 787 | 1 | dollar* | 81.98 | 82.80 | 80.74 | 84.04 | 82.39 |
| Switzerland | 797 | 1 | franc | 43.43 | 43.87 | 42.78 | 44.52 | 43.65 |
| Sweden | 798 | 1 | kroner | 14.12 | 14.26 | 13.91 | 14.47 | 14.19 |
| Turkey | 627 | 100 | pounds | 58.56 | 59.14 | 50.75 | 60.03 | 58.85 |
| Great Britain | 789 | 1 | pound** | 149.35 | 150.85 | 147.10 | 153.10 | 150.10 |
| Italy | 799 | 100 | lira | 6.41 | 6.47 | 5.55 | 6.57 | 6.44 |

*Valid also in clearing accounts with the following countries: Bangladesh, Brazil, Ecuador, Greece, Iceland, Kampuchea, Colombia, Lebanon, Pakistan, Peru and Turkey.

**Valid also in clearing accounts with the following countries: Nepal and Pakistan.

***The Polish National Bank does not purchase money in these currencies.

[15 Mar 82 p 7]

[Text] Announcement of Exchange Rates Table No 11/82, effective 15 March 1982, by Stanislaw Majewski, president, Polish National Bank, Warsaw, on 15 March 1982.

I. Foreign-currency exchange rate in zlotys for countries of the first payments area [socialist countries] for commercial and noncommercial payments in Table No 6/1982, dated 8 February 1982, remain unchanged.

In purchases of travelers' checks for rubles, issued by the USSR Foreign Trade Bank and payable outside the USSR in the currency of the country where cashed, an exchange rate of 11,509.00 zlotys per 100 rubles is applied.

II. Foreign-Currency Exchange Rates in Zlotys for Countries of the Second Payments Area [Capitalist Countries]

[Table on following page]

Exchange Rates Table No 11/82

| Country | Curr Symb | | Currency | Foreign Exchange Purchase 3 | Foreign Exchange Sales 5 | Money Purchase 1 | Money Sales 2 | Average 6 |
|---|---|---|---|---|---|---|---|---|
| Saudi Arabia | 771 | 1 | rial*** | 24.08 | 24.32 | -- | -- | 24.20 |
| Australia | 781 | 1 | Austral.dollar | 88.23 | 89.11 | 86.90 | 90.44 | 88.67 |
| Austria | 786 | 100 | schillings | 502.04 | 507.08 | 494.47 | 514.65 | 504.56 |
| Belgium | 791 | 100 | francs | 188.26 | 190.16 | 185.43 | 192.99 | 189.21 |
| Denmark | 792 | 1 | kroner | 10.47 | 10.57 | 10.31 | 10.73 | 10.52 |
| Finland | 780 | 1 | markka | 18.30 | 18.48 | 18.02 | 18.76 | 18.39 |
| France | 793 | 1 | franc | 13.78 | 13.92 | 13.57 | 14.13 | 13.85 |
| Greece | 724 | 100 | drachmas | 135.73 | 137.09 | 117.64 | 139.14 | 136.41 |
| Spain | 785 | 100 | pesetas | 80.14 | 80.94 | 78.93 | 82.15 | 80.54 |
| Holland | 794 | 1 | florin | 32.16 | 32.48 | 31.67 | 32.97 | 32.32 |
| India | 543 | 100 | rupees*** | 891.61 | 900.57 | -- | -- | 896.09 |
| Ireland | 782 | 1 | pound*** | 121.78 | 123.00 | -- | -- | 122.39 |
| Japan | 784 | 100 | yen | 35.35 | 35.71 | 34.82 | 36.24 | 35.53 |
| Yugoslavia | 718 | 100 | dinars | 177.17 | 178.95 | 153.56 | 181.62 | 178.06 |
| Canada | 788 | 1 | Canad.dollar | 68.02 | 68.70 | 66.99 | 69.73 | 68.36 |
| Kuwait | 770 | 1 | dinar*** | 290.49 | 293.41 | -- | -- | 291.95 |
| Lebanon | 752 | 1 | pound | 16.82 | 16.98 | 16.56 | 17.24 | 16.90 |
| Libya | 651 | 1 | dinar*** | 277.95 | 280.75 | -- | -- | 279.35 |
| Luxembourg | 790 | 100 | francs | 188.26 | 190.16 | 185.43 | 192.99 | 189.21 |
| Norway | 796 | 1 | kroner | 13.87 | 14.01 | 13.66 | 14.22 | 13.94 |
| Portugal | 779 | 100 | escudos | 119.48 | 120.68 | 103.56 | 122.48 | 120.08 |
| FRG | 795 | 1 | mark | 35.28 | 35.64 | 34.75 | 36.17 | 35.46 |
| United States | 787 | 1 | dollar* | 82.39 | 83.21 | 81.14 | 84.46 | 82.80 |
| Switzerland | 797 | 1 | franc | 44.78 | 45.24 | 44.11 | 45.91 | 45.01 |
| Sweden | 798 | 1 | kroner | 14.28 | 14.57 | 14.14 | 14.72 | 14.43 |
| Turkey | 627 | 100 | pounds | 57.02 | 57.60 | 49.42 | 58.46 | 57.31 |
| Great Britain | 789 | 1 | pound** | 151.22 | 152.74 | 148.94 | 155.02 | 151.98 |
| Italy | 799 | 100 | lira | 6.54 | 6.60 | 5.67 | 6.70 | 6.57 |

*Valid also in clearing accounts with the following countries: Bangladesh, Brazil, Ecuador, Greece, Iceland, Kampuchea, Colombia, Lebanon, Pakistan, Peru and Turkey.

**Valid also in clearing accounts with the following countries: Nepal and Pakistan.

***The Polish National Bank does not purchase money in these currencies.

[22 Mar 82 p 7]

[Text] Announcement of Exchange Rates Table No 12/82, effective 22 March 1982, by Stanislaw Majewski, president, Polish National Bank, Warsaw, on 22 March 1982.

I. Foreign-currency exchange rates in zlotys for countries of the first payments area [socialist countries] for commercial and noncommercial payments in Table No 6/1982, dated 8 February 1982, remain unchanged.

In purchases of travelers' checks for rubles, issued by the USSR Foreign Trade Bank and payable outside the USSR in the currency of the country where cashed, an exchange rate of 11,509.00 zlotys per 100 rubles is applied.

II. Foreign-Currency Exchange Rates in Zlotys for Countries of the Second Payments Area [Capitalist Countries]

[Table on following page]

Exchange Rates Table No 12/82

| Country | Curr Symb | | Currency | Foreign Exchange Purchase 3 | Foreign Exchange Sales 5 | Money Purchase 1 | Money Sales 2 | Average 6 |
|---|---|---|---|---|---|---|---|---|
| Saudi Arabia | 771 | 1 | rial*** | 24.26 | 24.50 | -- | -- | 24.38 |
| Australia | 781 | 1 | Austral.dollar | 87.97 | 88.85 | 86.64 | 90.18 | 88.41 |
| Austria | 786 | 100 | schillings | 499.51 | 504.53 | 491.98 | 512.06 | 502.02 |
| Belgium | 791 | 100 | francs | 189.45 | 191.35 | 186.59 | 194.21 | 190.40 |
| Denmark | 792 | 1 | kroner | 10.44 | 10.54 | 10.28 | 10.70 | 10.49 |
| Finland | 780 | 1 | markka | 18.24 | 18.42 | 17.96 | 18.70 | 18.33 |
| France | 793 | 1 | franc | 13.66 | 13.80 | 13.46 | 14.00 | 13.73 |
| Greece | 724 | 100 | drachmas | 135.24 | 136.60 | 117.22 | 138.64 | 135.92 |
| Spain | 785 | 100 | pesetas | 79.70 | 80.50 | 78.50 | 81.70 | 80.10 |
| Holland | 794 | 1 | florin | 31.99 | 32.31 | 31.51 | 32.79 | 32.15 |
| India | 543 | 100 | rupees*** | 895.99 | 904.99 | -- | -- | 900.49 |
| Ireland | 782 | 1 | pound*** | 123.59 | 124.83 | -- | -- | 124.21 |
| Japan | 784 | 100 | yen | 34.71 | 35.05 | 34.18 | 35.58 | 34.88 |
| Yugoslavia | 718 | 100 | dinars | 177.28 | 179.06 | 153.66 | 181.73 | 178.17 |
| Canada | 788 | 1 | Canad.dollar | 68.22 | 68.90 | 67.19 | 69.93 | 68.56 |
| Kuwait | 770 | 1 | dinar*** | 291.62 | 294.56 | -- | -- | 293.09 |
| Lebanon | 752 | 1 | pound | 17.26 | 17.44 | 17.00 | 17.70 | 17.35 |
| Libya | 651 | 1 | dinar*** | 280.20 | 283.02 | -- | -- | 281.61 |
| Luxembourg | 790 | 100 | francs | 189.45 | 191.35 | 186.59 | 194.21 | 190.40 |
| Norway | 796 | 1 | kroner | 13.86 | 14.00 | 13.65 | 14.21 | 13.93 |
| Portugal | 779 | 100 | escudos | 118.86 | 120.06 | 103.02 | 121.85 | 119.46 |
| FRG | 795 | 1 | mark | 35.04 | 35.40 | 34.52 | 35.92 | 35.22 |
| United States | 787 | 1 | dollar* | 82.97 | 83.81 | 81.72 | 85.06 | 83.39 |
| Switzerland | 797 | 1 | franc | 44.38 | 44.82 | 43.71 | 45.49 | 44.60 |
| Sweden | 798 | 1 | kroner | 14.31 | 14.45 | 14.09 | 14.67 | 14.38 |
| Turkey | 627 | 100 | pounds | 57.22 | 57.80 | 49.60 | 58.66 | 57.51 |
| Great Britain | 789 | 1 | pound** | 149.90 | 151.40 | 147.64 | 153.66 | 150.65 |
| Italy | 799 | 100 | lira | 6.49 | 6.55 | 5.62 | 6.65 | 6.52 |

*Valid also in clearing accounts with the following countries: Bangladesh, Brazil, Ecuador, Greece, Iceland, Kampuchea, Colombia, Lebanon, Pakistan, Peru and Turkey.

**Valid also in clearing accounts with the following countries: Nepal and Pakistan.

***The Polish National Bank does not purchase money in these currencies.

[29 Mar 82 p 7]

[Text] Announcement of Exchange Rates Table No 13/82, effective 29 March 1982, by Stanislaw Majewski, president, Polish National Bank, Warsaw, on 29 March 1982.

I. Foreign-currency exchange rates in zlotys for countries of the first payments area [socialist countries] for commercial and noncommercial payments in Table No 6/1982, dated 8 February 1982, remain unchanged.

In purchases of travelers' checks for rubles, issued by the USSR Foreign Trade Bank and payable outside the USSR in the currency of the country where cashed, an exchange rate of 11,509.00 zlotys per 100 rubles is applied.

II. Foreign-Currency Exchange Rates in Zlotys for Countries of the Second Payments Area [Capitalist Countries]

[Table on following page]

Exchange Rates Table No 13/82

| Country | Curr Symb | | Currency | Foreign Exchange Purchase 3 | Foreign Exchange Sales 5 | Money Purchase 1 | Money Sales 2 | Average 6 |
|---|---|---|---|---|---|---|---|---|
| Saudi Arabia | 771 | 1 | rial*** | 24.42 | 24.66 | -- | -- | 24.54 |
| Australia | 781 | 1 | Austral.dollar | 88.18 | 89.06 | 86.85 | 90.39 | 88.62 |
| Austria | 786 | 100 | schillings | 497.55 | 502.55 | 490.05 | 510.05 | 500.05 |
| Belgium | 791 | 100 | francs | 186.28 | 188.16 | 183.48 | 190.96 | 187.22 |
| Denmark | 792 | 1 | kroner | 10.32 | 10.42 | 10.16 | 10.58 | 10.37 |
| Finland | 780 | 1 | markka | 18.20 | 18.38 | 17.92 | 18.66 | 18.29 |
| France | 793 | 1 | franc | 13.37 | 13.51 | 13.17 | 13.71 | 13.44 |
| Greece | 724 | 100 | drachmas | 135.01 | 136.37 | 117.02 | 138.40 | 135.69 |
| Spain | 785 | 100 | pesetas | 79.31 | 80.11 | 78.12 | 81.30 | 79.71 |
| Holland | 794 | 1 | florin | 31.70 | 32.02 | 31.22 | 32.50 | 31.86 |
| India | 543 | 100 | rupees*** | 897.87 | 906.89 | -- | -- | 902.38 |
| Ireland | 782 | 1 | pound*** | 121.51 | 122.73 | -- | -- | 122.12 |
| Japan | 784 | 100 | yen | 34.17 | 34.51 | 33.65 | 35.03 | 34.34 |
| Yugoslavia | 718 | 100 | dinars | 175.80 | 177.56 | 152.37 | 180.21 | 176.68 |
| Canada | 788 | 1 | Canad.dollar | 68.40 | 69.08 | 67.37 | 70.11 | 68.74 |
| Kuwait | 770 | 1 | dinar*** | 292.89 | 295.83 | -- | -- | 294.36 |
| Lebanon | 752 | 1 | pound | 17.09 | 17.27 | 16.34 | 17.52 | 17.18 |
| Libya | 651 | 1 | dinar*** | 282.00 | 284.84 | -- | -- | 283.42 |
| Luxembourg | 790 | 100 | francs | 186.28 | 188.16 | 183.48 | 190.96 | 187.22 |
| Norway | 796 | 1 | kroner | 13.81 | 13.95 | 13.60 | 14.16 | 13.88 |
| Portugal | 779 | 100 | escudos | 118.52 | 119.72 | 102.73 | 121.50 | 119.12 |
| FRG | 795 | 1 | mark | 34.96 | 35.32 | 34.44 | 35.84 | 35.14 |
| United States | 787 | 1 | dollar* | 83.50 | 84.34 | 82.24 | 85.60 | 83.92 |
| Switzerland | 797 | 1 | franc | 43.91 | 44.35 | 43.25 | 45.01 | 44.13 |
| Sweden | 798 | 1 | kroner | 14.25 | 14.39 | 14.03 | 14.61 | 14.32 |
| Turkey | 627 | 100 | pounds | 57.59 | 58.17 | 49.91 | 59.04 | 57.88 |
| Great Britain | 789 | 1 | pound** | 150.48 | 152.00 | 148.22 | 154.26 | 151.24 |
| Italy | 799 | 100 | lira | 6.35 | 6.41 | 5.50 | 6.51 | 6.38 |

*Valid also in clearing accounts with the following countries: Bangladesh, Brazil, Ecuador, Greece, Iceland, Kampuchea, Colombia, Lebanon, Pakistan, Peru and Turkey.

**Valid also in clearing accounts with the following countries: Nepal and Pakistan.

***The Polish National Bank does not purchase money in these currencies.

9295
CSO: 2600/464

FREIGHT CAR SHORTAGES HAMPER TRANSPORT INDUSTRY

Warsaw RZECZPOSPOLITA in Polish No 52, 15 Mar 82 p 4

[Article by staff writer Zbigniew Wyczrsany: "What Will Carry the Freignt?"--passages inclosed in slantlines printed in boldface]

[Text] /Only the Main Directorate of the Polish State Railroads (PKP) may approve each deletion of a railroad car from inventory. Such approval was given 11 thousand times during the past year. Such a high rate eliminating old and damaged cars was the largest in the entire history of PKP. However, 25 percent of current rolling stock are older than the (so called) norm age. According to forecasts it will be necessary to retire about 12 thousand railroad cars in 1982./

New rolling stock deliveries do not compensate for the transportation capability which has been lost. Last year PKP received 5.5 thousand new railroad cars, this year there are only 3,300 confirmed [deliveries] to date. In this situation every railroad car that is capable of rolling on a rail must be utilized. This is not such a simple matter. Due to safety considerations freight cars which are technically defective cannot be allowed on the track. That sort of thing could be too costly. Additionally, regulations provide for mandatory maintenance and inspections to be periodically conducted.

Meanwhile, more and more railroad cars need repairs, not necessarily due to periodic or mandatory maintenance requirements. The number of cars which were pulled out of service, due to technical defects or for periodic maintenance has grown tremendously and to a degree which up until now has never been encountered.

Alarming Numbers

/In 1976, the average daily number of technically deficient railroad cars amounted to 17.7 thousand, in 1978--24.7 thousand, in 1980--36.6 thousand and on 31 December 1981 there were 43 thousand of such cars!/

/During the first weeks of the year thousands of damaged freight cars were returned to railroad sheds and freight car bases after the harvest transport campaign. There were a total of 53 thousand of "sick" railroad cars on 31 January of this year, midway through February this number had grown to over 56 thousand. These figures are very alarming./

It can be said without exaggeration that very soon the railroad will have nothing with which to carry freight. Our miners are not sparing their efforts. The need for coal transport is continuously growing. In order for coal to be delivered to consumers at regular intervals it is necessary to have 12,000 freight cars daily arriving in Silesia.

Freight cars used in coal transport should be free of technical defects. Unfortunately, railroad personnel report that many damaged cars can be found in the train stock. Technical control removes those freight cars from service. In January of this year it became necessary to remove 23 thousand of such defective cars from service. They can [now] be found crowding some little-used sections of tracks in the Katowice voivodship.

Who Destroys Railroad Cars?

This happens to be a phenomenon of such magnitude that it cannot pass unnoticed. Those ever-growing numbers of defective railroad cars have been analysed repeatedly by the railroad authorities. They tried to find some alternatives to avoid a disaster. Some time ago, a requirement was established that the users had to repair railroad cars damaged during unloading operations at their own expense and using their own materials. This has never been fully carried out by any of the freight car customers. Today only a handful of enterprises are treating it seriously.

/In 1979, a Railroad Car Inspectorate was created, a form of railroad police authorized to intercede and assess punishment for improper handling of railroad cars by customers or PKP employees. Unfortunately, this is still not enough to effectively stop these damages./

Railroad personnel themselves are not without blame. A considerable portion of the damage is inflicted during marshalling operations and on hump yards. The majority of switching stations are not equipped with integral track braking systems. Freight cars rolling off the hump yard crash one into another. The sustained damage is not limited to the rolling stock only. A considerable portion of the freight consigned to the railroad for transportation is also damaged.

What Can be Done?

The past few weeks have seen an intensification of several types of action designed to improve freight car management. Several organizational measures have been adopted. Supervision over the customers' use of freight cars has been strengthened. Also, it has been decided to send back to the point of damages origin damaged freight cars which arrive in Silesia.

/The problem, above all, is to achieve progress in the base facility activities for maintenance and repair. For many years, even during the investment boom period, means directed for maintenance and repair base facilities were extraordinarily meager./

Even today, during a period of general investment limitations, there are very scant possibilities for expanding such base facilities. Nevertheless, the

ministry of communications has acknowledged that it is no longer possible to delay or postpone for some future year the modernization repair and maintenance base facilities. Thus the ministry has suddenly found itself in the middle of a transportation operations program. Monies have been made available through economical management, at the same time, within the framework of existing capabilities, the necessary material-technical supply has been found for freight car shops and rolling stock repair yards.

/The PKP net contains 70 railroad car repair shops which conduct current repairs [as opposed to periodic maintenance]. The problem is that there are very few covered facilities. About 6,000 repair stations are out in the open. Because of the urgency of the situation, due to the increased frequency of current repairs, a search has been made for unused facilities of any kind which after a slight modification could be utilized for current freight car repairs. There is also a need to increase the personnel at freight car repair facilities by some 4,000 workers./

Those freight car repair facilities which perform periodic maintenance are in better shape. Here all the facilities are located under a roof. However, even those places are undergoing serious difficulties: Last year about 5,000 workers were retired on pension or annuity, most of them excellent professionals, craftsmen with truly golden hands.

All the same, there is still a chance that it will be possible to repair and maintain, the number of cars stipulated in the Central Socioeconomic Plan in those facilities throughout the year.

Freight car repairs have been concentrated in Bydgoszcz, Gdansk and Lapy. It is rather doubtful that following the maintenance in those facilities the cars will emerge looking "like new." Although technically speaking they will be perfect, due to a shortage of paints and lacqueurs they will not present a pleasing appearance. However, what is important is that they will be able to haul freight. The aesthetic aspects will have to wait for better times.

9511
CSO: 2600/439

DECREE SETS TASKS FOR IMPROVEMENT OF MECHANIZATION OF AGRICULTURE

Bucharest BULETINUL OFICIAL in Romanian Part I No 3, 8 Jan 82 pp 1-6

[Decree of the Council of State regarding the improvement of mechanization activities and the regulation of relationships between the agricultural mechanization stations and the agricultural units within the framework of the state and cooperatist unified agro-industrial councils]

[Text] The Council of State of the Socialist Republic of Romania decrees:

Chapter I

The Organization of Activities for the Mechanization of Agriculture

Article 1. - The agricultural mechanization stations, as specialized units of the unified state and cooperatist agro-industrial councils, together with the state and cooperatist agricultural units, organize and ensure the execution of agricultural projects during the optimum periods, while adhering to technological norms, the use of the agricultural tractor and machinery motor pool with a high level of efficiency and the strengthening of order and discipline at work for the purpose of increasing agricultural production and economic efficiency.

Article 2. - Mechanization sections and formations are organized, according to law, within the framework of the agricultural mechanization stations.

Article 3. - The mechanization sections and formations organized at the state agricultural units are integrated into the activities of these units and operate with a dual subordination, both to the leadership of the state agricultural unit and to the agricultural mechanization station.

The workers in the mechanization sections and formations are employed with a permanent status at the state agricultural unit and are required to participate in the achievement of all projects within this unit.

The mechanized equipment operators and other workers in the mechanization sections and formations organized at the state agricultural units, as well as the personnel assigned to the technological transportation equipment necessary to activities in the field of animal production that have been moved under the administration of the state agricultural units, are transferred in the interest of work to these units.

Article 4. - The mechanized sections and formations organized at the cooperatist agricultural units are integrated into the activities of these units and operate with a dual subordination, both to the leadership of the cooperatist agricultural units and to the agricultural mechanization stations.

The mechanized equipment operators and other workers existing at the mechanization sections and formations organized for the cooperatist agricultural units are integrated into the activities of these units as members of these agricultural production cooperatives. The mechanized equipment operators and other workers who are not members of the agricultural production cooperatives will become cooperative members with the approval of the general assembly.

The persons listed in the preceding paragraph maintain their status as workers of the agricultural mechanization stations.

Article 5. - The tractors, self-propelled combines, machinery and other agricultural equipment at the agricultural mechanization stations are put to use at the state and cooperatist agricultural units on the basis of long-term contracts that are concluded.

Article 6. - The leaderships of the state and cooperatist agricultural units establish, according to technological norms, the schedules for mechanized and manual projects and the order and priority for executing agricultural projects. In finalizing these programs, they will also keep in mind the necessary amounts of manpower needed for carrying out maintenance, technical overhauls and current repairs that are performed by the personnel of the mechanization sections and formations.

Adherence to the programs is mandatory for all the workers who contribute to the achievement of these programs, as well as for the agricultural organs tasked with reviewing their fulfillment.

Article 7. - The leaderships of the state and cooperatist agricultural units are required to analyze and establish, together with the farm chiefs, section chiefs and mechanized equipment operators, the most economic means of carrying mechanized projects, using the smallest number of people and mechanical means, for the purpose of concluding contracts with the agricultural mechanization stations.

Article 8. - The agricultural mechanization stations are responsible for the supply of agricultural tractors and machinery, review the rational use of and adherence to technical maintenance norms for mechanical equipment and carry out repairs on equipment and the reconditioning of parts and spare subassemblies, as well as supplying the fuels, lubricants, parts and materials necessary to the normal conduct of mechanized projects for all the agricultural units.

The agricultural mechanization stations have the right to withdraw inappropriately used equipment from the agricultural production units for the purpose of redistributing this equipment.

Article 9. - The mechanization sections of the agricultural mechanization stations will provide technical assistance and the effective correction of defects for the mechanization formations, as well as the carrying out of repair projects, assembly work and services for the agricultural units and the people's farms.

Article 10. - In order to carry out assembly projects for zootechnical equipment and installations, technical assistance, to make metal parts, to provide services, to make capital repairs on specific types of equipment and to train personnel involved in zootechnical production activities, in each county there will be specialized centers, subordinate and directly managed by agricultural mechanization trusts for irrigation, transportation and the production of equipment for agriculture and the food industry.

Article 11. - The Ministry of Agriculture and the Food Industry will ensure, on the basis of approved development and standardization programs, the supply of the necessary mechanical equipment, in a unified concept, for all the sectors in agriculture.

## Chapter II

## The Carrying Out of Mechanized Agricultural Projects

Article 12. - The carrying out of mechanized projects will be organized, in all agricultural units, in large formations led by agricultural specialists.

These formations are of a permanent nature, are usually organized by agricultural production farm within the framework of the component units of the unified council and will operate for at least the duration of one production cycle or one calendar year.

In horticultural-type units and in other agricultural units having areas planted with vegetables, potatoes, fruit trees and grape vines, as well as in those units having areas planted with fodder crops and hays, that are organized into farms, mechanization activities will be carried out, as the case may be, by specialized sections or formations headed by agricultural specialists.

During peak periods, in order to carry out plowing and planting during optimum times and with quality, as well as to bring in the harvest on a timely basis and without losses, all mechanical equipment and personnel in the agricultural units will be concentrated in order to carry out the projects during this stage.

In cases where agricultural projects in a number of sectors must be carried out in the same period, the leaderships of the units will establish priorities and will assign manpower and existing mechanical equipment so as to ensure the carrying out of all necessary projects concomitantly and under good conditions.

During those periods when the tractors, transportation equipment and other types of equipment are not needed for agricultural projects, they will be

used to carry out services for projects in transportation, construction, road work, hydrotechnical work, improvement programs and other similar projects, with payment being made on the basis of legal charges.

Article 13. - Agricultural specialists organize the activities of the large mechanization formations that they lead and are responsible for, together with the mechanized equipment operators, the carrying out of the projects listed in the technological norms for each crop, the implementation of chemical and irrigation programs and the attainment of planned production levels on their assigned lands and crops, as well as the economical use of agricultural tractors and machinery, the adherence to the standard consumption rates for fuels and lubricants and the achievement of incomes and expenditures both for each farm's plan and for the mechanization formation.

Article 14. - The achievement of agricultural production is pledged by the mechanized equipment operator formations, specialists and other permanent personnel in the farms and sections on the basis of an overall agreement with the agricultural unit in which each person carries out his activities.

The payment of wages for work within the overall agreement is done according to the agricultural production obtained, the quality of the work carried out, the adherence to the legal provisions regarding the carrying out of agricultural projects and the established agro-zootechnical norms and the achievement of maintenance and repair work on the agricultural equipment and machinery in the units and staying within the planned limits for material and labor costs.

The overall agreement contract will list, on the basis of the technological norms drawn up, according to the law, by the Ministry of Agriculture and the Food Industry, the volume of and the timeframes for carrying out all mechanized projects, the level of planned production, the sums owed as salaries, the charges per unit of product, the quality indices and the production costs, as well as other mutual conditions and obligations.

Article 15. - Farm chiefs, section chiefs and chiefs of mechanization formations are responsible for the carrying out of all agricultural projects on a timely basis and under good conditions, from plowing to harvesting, and the transportation and storage of the production obtained, including those projects carried out with the help of other formations.

The payment of wages to the mechanized equipment operators and the other workers on the farm and in the section, including the farm or section chief or the specialists who lead them, is done on the basis of an overall agreement, according to the law, with charges per ton of product or per 1,000 lei of physical production, in unlimited amounts, in relation to the production obtained for each crop by the formation to which the workers belong, independently of the production obtained by other formations or by the overall unit served.

In the event of exceeding the pledged production, the sums owed for the full payment of all overall agreement rights and the salary fund are recalculated appropriately and paid out according to the law.

The payment of salaries to formation members is done according to the volume and quality of the work performed by each member and the strict adherence to the consumption norms for fuels, lubricants and spare parts.

In cases where agricultural mechanics and other personnel in the formations also carry out work other than those contracted in the overall agreement, in the same unit or in other units, they will be paid for this work by direct agreement, according to the law.

For carrying out certain manual labors, the mechanized equipment operators will be paid according to the schedules for these types of labors.

Article 16. - In order to have savings in the consumption of materials, fuels and energy, compared to the established norms, the personnel in formations, mechanization sections or shops can receive bonuses during the year, according to the law.

In cases where the standard consumption levels for materials, fuels and energy are exceeded, the agricultural unit will recover the value of these excesses from the persons at fault.

Article 17. - The principal indicators used in paying the salaries to the personnel in the leaderships of the agricultural mechanization stations are the achievement of the physical production plan for the main agricultural crops, as established at the beginning of the year by the general directorate for agriculture and the food industry and according to the specific conditions of the state and cooperatist agricultural units within the framework of each unified council and the total planned volume of work, on the condition that there is respect for the legal provisions regarding the performance of agricultural work and the established agro-zootechnical norms, and the carrying out of maintenance and repairs in the agricultural tractor and machinery motor pool, as well as staying within the planned levels of expenditures.

Article 18. - All specialists who work in the production units within the framework of the unified state and cooperatist agro-industrial council are subordinate to this council.

The specialists work in the state or cooperatist units as representatives of the state, being directly responsible for the achievement of their economic and production tasks.

In all agricultural units, not counting the cadres assigned or elected to the leaderships of these units as directors, presidents of agricultural production cooperatives or chief engineers, all other agricultural specialists are directly responsible for the activities of a farm or sector of production and for the achievement of production and obtaining the planned economic results.

## Chapter III

## The Responsibilities of the Unified State and Cooperatist Agro-Industrial Councils and the Collective Leadership Organs in the State and Cooperatist Agricultural Units

Article 19. - The unified state and cooperatist agro-industrial councils are responsible for the unified coordination and guidance of the production activities of their component units, for the adoption and achievement of measures regarding the profiling and specialization of these units, for the establishment and rigorous implementation, under the conditions of the law, of the norms for carrying out agricultural work and for the fulfillment of development programs and production plans in all units.

Article 20. - All the crop production activities of the agricultural units in the council are achieved in a unified manner on the basis of the program established in the draft plan for agricultural organization and exploitation for each particular crop rotation cycle.

Each unified state and cooperatist agro-industrial council is required to take measures to increase the production and development of the fodder base so as to fully provide, from their own production, the necessary amount of fodder for the numbers of animals maintained by its units, as well as to ensure the fulfillment of their obligations to the state fund.

Article 21. - The workers' councils in the state agricultural enterprises, the leadership councils of the agricultural production cooperatives and the other collective leadership organs in each agricultural production unit within the unified state and cooperatist agro-industrial councils are responsible for the proper administration and use, according to the law, of the entire area of land held by the unit and for the development and continuing growth of production, the rigorous application of the norms outlined in technologies and the judicious use of all material and financial resources so as to achieve all the production tasks outlined in the plan and to obtain a maximum efficiency in all activities.

Article 22. - Each state and cooperatist agricultural unit carries out its activities on the principles of self-management and economic-financial self-administration and is required to administer its material and financial resources with a maximum of efficiency and to cover its costs from its own incomes and make profits, under the conditions outlined by law.

Article 23. - The county people's council, together with the general directorate for agricultural and the food industry, assign the production plan, as well as the economic-financial indicators, to each state and cooperatist agricultural unit, as well as the overall totals to the unified state and cooperatist agro-industrial councils.

The unified state and cooperatist agro-industrial councils, together with the agricultural units, carry out the assignment of plan tasks to each field in a differentiated manner according to the degree favorability, the production potential of the land and the available technical-material base, ensuring the achievement of the production levels listed in the plan.

The plan will be submitted for discussion and approval to the general assembly in each agricultural unit and, after that, to the general assembly of the unified state and cooperatist agro-industrial council.

Article 24. - The state agricultural enterprises, the agricultural production cooperatives, the agricultural mechanization stations and the other agricultural units belonging to the unified state and cooperatist agro-industrial councils are each responsible for the plan and have their own contractual responsibilities, being required to ensure the achievement of production and delivery tasks for all crops and agricultural activities, under the conditions outlined by law.

Article 25. - The town people's councils, together with the agricultural production cooperatives, are responsible for seeing that the entire land area turned over for use by the members of the cooperatives or other persons or held by producers on individual farms will be worked according to the crop plan in order to achieve the established levels of production.

Article 26. - For the purpose of increasing agricultural production and rationally using the production potential of the land, as well as of having the unified application of technologies and using the same consumption norms for fertilizers, pesticides and other materials throughout the territory of the component units of the unified state and cooperatist agro-industrial councils, crop rotations will be organized, regardless of the type of unit working the land, using areas grouped together by homogeneous fields from an agro-pedological point of view and sized optimally for mechanized exploitation.

Article 27. - For fields made up of lands that belong to a single agricultural unit, this unit is responsible for carrying out all work in a timely manner and of an appropriate quality so as to ensure obtaining maximum production with at the lowest possible costs. The production obtained from these fields fully belong to these units.

Fields that are made up of lands belonging to a number of agricultural units are the responsibility, for the purpose of carrying out all work and obtaining the planned production, of the unit that has the largest amount of land in these fields or of another unit that has the best possibilities for organizing production and using the land, as established by the unified state and cooperatist agro-industrial councils. The production obtained from these fields is divided proportionately in accordance with the amount of land held by each unit and in relationship to the average production achieved on the entire area of the fields.

The expenditures needed for carrying out the work on the fields that belong to the lands of a number of agricultural units are supported by each of these units, according to the amount of area they have. To this end, the sums of money needed to make these expenditures will be transferred by each unit to the account of the agricultural unit that is responsible for these fields.

The Bank for Agriculture and the Food Industry provides, according to the law, the necessary loans for each unit to cover production costs.

After the completion of the harvest and the delivery of production, the repayment of loans issued to cover production costs will be made in relationship to the production obtained and the land area held by each unit.

Chapter IV

Payment for Work Carried Out and Services Rendered by the Agricultural Mechanization Stations to the Agricultural Units

Article 28. - The state agricultural units will list in their production plans the costs for carrying out mechanized projects, while adhering to the consumption standards and the approved norms, paying the agricultural mechanization stations, according to the law, for the actual expenditures made by these stations, plus a profit of five percent.

In cases where the actual expenditures are smaller than the norms, as outlined in the plan, the difference represents savings for the state agricultural unit and remains available to this unit. In situations where the actual expenditures are greater than the norms, the difference is paid by the state agricultural unit.

The actual expenditures will include: fuels and lubricants, spare parts and materials, repairs, payments, related supply costs and the amounts of joint and general expenditures of the agricultural mechanization stations.

Article 29. - The payments made to the agricultural mechanization stations for the mechanized work carried out in the agricultural cooperatist units, including those involving the application of chemicals and the irrigation of crops, as recorded in contracts, are done on the basis of payment schedules per unit of agricultural product that are proportionate to the production achieved by each agricultural unit.

In order to obtain vegetables early in the optimum periods and of the appropriate quality, in accordance with the provisions of the established program, the agricultural mechanization stations can receive production bonuses above the level of the listed schedules, according to the law.

For the projects and services listed in the annex, payments are made on the basis of fixed schedules, according to the current legal norms.

Article 30. - The work carried out by the agricultural mechanization stations in mutual assistance actions at the state and cooperatist agricultural units is paid for at the fixed rates corresponding to this work.

The amounts owed to the agricultural mechanics for this work are fully paid for on the basis of acceptance documentations at the end of the month.

Article 31. - The agricultural projects carried out by the agricultural mechanization stations at the cooperatist agricultural units are paid for in cash or in kind, according to the current legal provisions.

For those projects paid for in cash, the cooperatist agricultural units pay during the year, at the times established according to the law, 80 percent of the amount owed on the basis of the schedules related to the projects carried out.

For those projects paid for in kind, the cooperatist agricultural units will turn over during harvest time, to those enterprises tasked with receiving products, into the accounts of the agricultural mechanization stations 80 percent of the amounts established on the basis of the schedules corresponding to the work that was done, with the exception of some essential crops which are turned over completely according to the amount of production harvested.

The amounts owed to the agricultural mechanization stations for work paid for in kind will be turned over by the cooperatist agricultural units in useful quantities, before any other obligations to the state, with the exception of debts for seeds and products borrowed from the state fund.

In the case of accepting the products owed to the agricultural mechanization stations in ways other than that outlined in paragraph four, the enterprises tasked with receiving these products will pay penalties of .05 percent to these stations for each day late, calculated on the value of the products not turned over and established on the basis of the payment charges for them.

Article 32. - Within 20 days from the conclusion of the harvesting work on each crop, the amounts owed to the agricultural mechanization stations for the work done at the cooperatist agricultural units are recalculated, with regards to the rates per unit of product, according to the area seeded, the work actually done and the production achieved, in useful quantities.

In establishing the amounts owed to the agricultural mechanization stations, they will also taken into consideration the amount of production not achieved as a result of certain disasters recognized by the State Insurance Administration and for which the cooperatist agriculture units received compensation.

Article 33. - The cooperatist agricultural units will pay to the agricultural mechanization stations, within 25 days from the end of the harvest, the difference in cash or in kind that is still owed. In cases where the agricultural production cooperative no longer has quantities of products of this crop with which to pay the difference, it will turn over equivalent products to the units tasked with receiving products so that the agricultural mechanization stations will be fully able to obtain the amounts owed them.

In cases where the state and cooperatist agricultural units do not pay on-time for the value of the mechanized work performed in cash, the agriculturual mechanization stations will submit payment vouchers to the bank that will result in payment from the account of these units.

For crops where the amounts owed to the agricultural mechanization stations are smaller than the actual receipts, the difference will be made up from the amounts owed for other crops or it will be refunded from the first receipts of these cooperatist agricultural units by the agricultural mechanization stations within 25 days from the conclusion of the harvest of these crops.

At the end of the year, the final repayment of the differences will be made in relationship to the production obtained by the cooperatist agricultural units.

Article 34. - The products owed as payment in kind and the essential products are paid to the agricultural mechanization stations at the production prices, contracting prices and acquistion prices in effect.

Chapter V

Joint, Temporary and Final Provisions

Article 35. - The agricultural production cooperatives can give a personal use lot, under the conditions listed by statute, to mechanics and other workers who have status as members of the cooperative and work in mechanization formations or sections organized within the framework of the farms of a state agricultural enterprise.

The mechanized equipment operators who have been transferred to the subordination of the state agricultural units and who are not cooperatist members receive a lot for personal use of up to .10 hectares from the state agricultural unit to which they belong.

Article 36. - The unified state and cooperatist agro-industrial councils, together with the agricultural units, will take measures to concentrate the field areas assigned as personal use lots in specially organized fields near the villages, providing, at a charge, the mechanized carrying out of the main agricultural projects.

Article 37. - The state agricultural units will take measures to provide, at a charge, hot meals for the workers in the mechanization sections and formations.

The provisions in paragraph one are recommended for also being applied at the cooperatist agricultural units.

Article 38. - Within 30 days from the effective date of this decree, the Ministry of Agriculture and the Food Industry, together with the State Planning Committee, the Ministry of Finance and the State Committee for Prices, will propose payment schedules for three regions that will cover the production costs for the mechanized carrying out of projects and the payment standards for them. The schedules will also include an average level of profit of five percent, differentiated according to these three regions.

Article 39. - The agricultural mechanization stations will ensure the carrying out of those projects that can be worked in a mechanized fashion for the people's farms in the non-cooperativized regions.

The work performed by the agricultural mechanization stations on the people's farms in the non-cooperativized regions will be paid for in cash on the basis of rates correlated with the production costs.

Article 40. - Self-propelled clam-shell buckets for transporting green fodder, crib-trucks for transporting fodder grains, specialized vehicles for transporting day-old chicks and for transporting fowl to the slaughter house, dump trucks, disinfectant vechiles and other special transport vehicles needed in the field of animal raising are transferred from the specialized transport enterprises for agriculture and the food industry to the state agricultural units specializing in zootechny that they serve.

Article 41. - The transfer of the assets and liabilities corresponding to the activities that are being accepted by the state agricultural units, together with the related personnel and economic and financial plan indicators, are being done on the basis of agreements concluded between the parties, within 30 days from the date of this decree. The State Planning Committee and the Ministry of Finance, on the basis of the proposals made by the Ministry of Agriculture and the Food Industry, will submit for approval the changes in the unified national plan and the state budget for 1982 stemming from the implementation of the provisions of this decree.

Article 42. - The personnel transferred in the interest of work or moved about within the same unit into a job with lower salary benefit from the rights outlined in Article 21 of Decree No 162/1973 regarding the setting of unified structural norms for economic units.

Article 43. - For the purpose of immediately implementing the provisions of this decree in all agricultural units, the Ministry of Agriculture and the Food Industry, the National Union of Agricultural Production Cooperatives, the county and Bucharest municipal people's councils, the unified state and cooperatist agro-industrial councils and the leaderships of the agricultural units are required to ensure:

a) the organization of a thorough understanding of the provisions of this decree by all mechanized equipment operators, agricultural specialists, cooperative members and other workers who work in agriculture;

b) the discussion of the provisions of this decree in the general assemblies in the state and cooperatist agricultural units and in all workers' collectives;

c) the organization of certain actions to popularize the regulations regarding mechanization activities by posting them at the places of work and using other means of information, as well as those regarding carrying our agricultural work and the responsibilities of the state and cooperatist agricultural organs and all the workers who work in agriculture;

d) the signing of a statement of understanding of the provisions of this decree by the mechanized equipment operators and other workers in the agricultural mechanization stations, the farm chiefs and the agricultural specialists, as well as by the personnel in the general directorates for agriculture and the food industry and the Bank for Agriculture and the Food Industry and any other workers who carry out attributes established under this decree.

The leaderships of the organs and units listed in paragraph one will review the manner in which the popularization and understanding of the provisions of this decree were ensured and are directly responsible for the precise implementation of this decree.

Article 44. - The provisions of this decree go into effect on 10 January 1982.

On that date, Decree No 390/1980 regarding the regulation of relationships between agricultural mechanization stations and agricultural units within the framework of the unified state and cooperatist agro-industrial councils, as well as any other contrary provisions, are abrogated.

[Signed] Nicolae Ceausescu, President of the Socialist Republic of Romania

Bucharest, 7 January 1982, No 4.

Annex

The List of Agricultural Projects and Services Carried Out by the Agricultural Mechanization Stations for the Cooperatist Agricultural Units That Pay on the Basis of a Fixed Rate

1. Harvesting - where payment is made as a percent of production
2. Threshing - where payment is made as a percent of production
3. Raking hay
4. Baling, collecting and stacking
5. Setting silos
6. Grinding fodder
7. Treshing corn
8. Milling
9. Scarifying - (with the exception
10. Breaking-up the soil - of those manage-
11. Clearing land - ment projects listed
12. Reclaiming land - in other projects)
13. Projects in orchards not in use (fruit trees, grapevines, strawberry fields, blackberries, etc.)
14. Work carried out on fodder crops that are not harvested in a mechanized manner
15. Work in hay and straw fields
16. Loading and unloading work
17. Transportation
18. Stationing projects
19. Projects for graders and bulldozers
20. Digging holes
21. Making small dikes
22. Sorting potatoes
23. Spreading chemical fertilizers
24. Technical assistance projects (maintenance, repairs, assembling equipment and installations and so forth).

8724
CSO: 2700

FINANCE SECRETARY KOSTIC INTERVIEWED BY STUDENT PAPER

Zagreb STUDENTSKI LIST in Serbo-Croatian 26 Feb 82 pp 6-7

[Interview with Petar Kostic, federal secretary for finance, by Sanja Vrhovec, in Belgrade on approximately 10 February 1982]

[Text] We managed to meet with Comrade Petar Kostic, federal secretary for finance, to our mutual satisfaction 2 weeks ago in Belgrade in his office, Room No 3, in the building of the Federal Executive Council. The conversation lasted 3 hours--unusually long in view of the excessive work load, worry (especially about money) and great responsibility borne by our federal officials. The subject of our interview was accommodating enough to furnish us a number of interesting data and opinions which we are presenting in the pages that follow, in an abridged version, of course.

SL [STUDENTSKI LIST]: Comrade Kostic, how do you assess our financial situation in the light of the most recent datum, if it is accurate, that the payments deficit is only $750 million instead of the predicted $1.8 billion?

P. Kostic: The present economic instability has been manifested most strongly in two areas: in the area of the payments deficit and in the area of inflation, it being understood that they are a synthetic expression of numerous imbalances in the economy of Yugoslavia and that they are merely indicated cumulatively.

In 1979 Yugoslavia had a record deficit in its history, $3.7 billion. We attempted then, regardless of various criticisms, to carry out a single devaluation to augment the competitiveness of the Yugoslav economy and in some fashion to rescue the sector of foreign economic relations. I would not at this point enter into how much we achieved with the devaluation and how much we could have achieved if it had not quickly "melted away." Nevertheless, it is a fact that the payments deficit for 1980 was radically reduced to $2.3 billion. Referring to a program for its complete elimination, we proposed for 1981 a deficit of $1.8 billion.

After the first accounts were summarized at the end of January, the figures showed that the deficit in the balance of payments was $750 million, not $1.8 billion. However, now follow the qualitative analyses. After all, though we cut the planned payments deficit in half because of the surplus of $650 million

in the bilateral payments area, in the convertible area we still have a deficit of $1.4 billion instead of the predicted $1.5 billion, and this at the same time is the principal problem in remedying our country's foreign finances. Which means that we have not done enough in this area.

But we can regard the goal of a deficit of $500 million this year as altogether realistic. If there are no unforeseen impacts outside the range of our domestic Yugoslav policy, the deficit ought to be eliminated next year.

Rate of Development: Neither High Nor Low

SL: By how much, then, would we have to augment exports to the convertible area in 1982?

P. Kostic: By 12 percent.

SL: Is that realistic if we take into account that this year we had many difficulties in supplying the domestic market precisely because exports were being pushed?

P. Kostic: It really is difficult to answer that question. On the one hand is the demand for dynamic exports and on the other the low growth rate of industrial and other production and the reduction of imports. The consequences are inevitably felt on the domestic market. Incidentally, I do not share the opinion of those who feel that one of the conditions for stabilizing the economy and the payments deficit is a low growth rate. I think that the growth rate in countries like Yugoslavia cannot as a rule be very high, but neither can it be low, nor can western models--in which recessions are at the same time one of the conditions for stabilization--be applied in our case. Were we to create conditions for a somewhat higher growth rate as a whole, and for industrial production in particular, we would also have better conditions for carrying out policy and for supplying the domestic market.

SL: In 1981 the growth rate of industrial output was 4.2 percent. That is, after all, quite good.

P. Kostic: But now the planned real growth rate of the social product is 2.5 percent and that of industrial output about 3.5 percent.

SL: It is, then, too low?

P. Kostic: Yes. I think that problems could arise because of that in connection with achieving exports, or if we achieve it at the expense of supplying the domestic market. Perhaps it is also a good thing that the growth rate has been planned as it has. However, it should be viewed as the minimum, and we should fight for a higher one.

SL: You have spoken about the deficit in balance of payments which we have reduced quite a bit in the past year, even beyond expectations. You have also mentioned inflation as one of the causes of our economic crisis. Some people say that it is a question of a crisis, some say not. Inflation was 10 percent

higher than was planned. Why are we not successfully halting inflation? What is the point of a plan if we cannot carry it out?

P. Kostic: In 1980 we had a rate of inflation of 39.2 percent measured in retail prices. In 1981 the planned rate was 32 percent, and the actual rate 39.3 percent, almost the same as in the previous year. Inflation is an indicator of numerous structural problems of our economy, of the level of labor productivity, of the manner of investment, of the efficiency of investments and of the cost of investment projects, and then of the low level of organization. All of this is incorporated into the price, everything that I have enumerated, and, of course, without hiking up the prices we arrive at the tower marked 39.3 percent.

SL: This year a radical goal has been set: reducing inflation to 15 percent.

P. Kostic: Many are posing the question of whether it is possible to achieve that goal. I say that it can be achieved under certain circumstances and I dare say also that under other circumstances it will not be possible to achieve it.

SL: Would you like to tell us what those circumstances are in which it would be possible to achieve it?

P. Kostic: First, I think that an illusion is being created in the public because of an unfamiliarity with the phenomenon of inflation to the effect that this problem can be solved simply, that this is a question of the political determination of the government and I do not know who else. This kind of simplification goes all the way to reducing inflation to the behavior of entities who supposedly want to earn income through prices rather than through work. That does exist and will in the future. But the problem cannot be solved by preventing that kind of behavior. That is, this is a simplification which is postponing confrontation of the basic causes of inflation.

Reducing Fixed Costs

SL: I have a figure showing that all of 93 percent of the growth of the social product achieved in 1981 occurred because of higher prices.

P. Kostic: And 7 percent because of the qualitative factors in the conduct of economic activity, labor productivity for instance. The question is how an economy can live without producing inflation compared to world inflation when its capacity has not been optimized? Optimization in production is one of the basic conditions for reduction of so-called fixed expenses, for reduction of live labor per unit output. We cannot be competitive with the advanced countries on the basis of economic laws if we have fragmented capacity and twice as much manpower in plants with the same technologies.

For example, in Japan I was in a steel mill which could be compared with one of ours. The Japanese steel mill produces an output several times greater with slightly fewer employees than ours. It is clear that a kilogram of sheet metal from that Japanese mill has to be much cheaper than from ours. After

all, it is optimized, it is highly organized, but it is not, I emphasize, on a higher technological level.

SL: We usually use the excuse of a shortage of up-to-date equipment.

P. Kostic: Our equipment is inferior in certain sectors. But in recent years we have imported a very large amount of up-to-date equipment, especially in certain sectors. This is Question a. Question b is what use are we making of that equipment? Recently people have been asking me whether I am an optimist or a pessimist with respect to the economic situation. First, optimism and pessimism are not economic categories at all, but I could say that I am an optimist on the basis of the capacity we possess by contrast with the way in which we are using it and the way we are overcoming idleness. Often the attack on idleness becomes in certain heads an attack on the right to self-management. As though idleness were a part of the ideology of self-management; as if it were right to come to work when ... [garbled sentence] ... out of a desire for the rights of self-management.

So, the organization of work should be given more respect even as a science if we want one day to be a country with a convertible currency, if we want to be competitive. We have to realize that the organization of work is one of the essential conditions for the good functioning of enterprises as a system, rather than for the organization of work to be discussed as some category which is incompatible with self-management, which is stupid. A self-managing society must in its development be a highly organized society on the foundations of self-management. Any absence of good organization is a compromise of self-management. I would like to point out those basic factors which have been objectively involved in the occurrence of inflation because of the hiking up of prices. However, there are also other reasons. For example, relative to our material capabilities, we have an extremely expensive social infrastructure, against which we are waging either frontal warfare in which no one will lose a hair on his head, or again we are waging guerrilla warfare in which the victim is whoever happens to be on the road.

The Burden in the Form of the Complex of Parasitism

Government and social service expenditure are something which must be in definite proportion to the capabilities which a society has. Government and social service expenditure includes national defense and elementary schools and secondary schools and the universities and the sciences. A global attack on government and social service expenditure is an attack on all those categories, indeed proscription of things which society cannot do without, things which are a precondition for progress. What, then, is the right policy--affirmation of government and social service expenditure and of categories which use earmarked funds on that basis, but at the same time to bring this into line with the country's capabilities. I ask you, how would you feel as a physician or professor or teacher with a low salary if it is constantly said and published in the newspapers that someone is supporting you?

On what basis are you not a participant in creating income if you are a sociologist or a physician, and so on, but are only a consumer? That is how,

objectively speaking, you become burdened with the complex of parasitism. And the one rendering services is completely equal in the earning of income to the one who is actually operating a machine. One of the conditions for reducing inflation is to relieve the burden on the economy. And that means bringing government and social service expenditure into line with the capabilities of society, reducing expenditures, creating more material room in the economy for absorbing domestic and foreign inputs to the cost price without passing them on, at this point I must really use economic terms, first to cost inflation and then to price inflation. Now the following question imposes itself: If I say that the causes of inflation are complex, related to the quality of investment projects, to the efficiency of investments, to the division of labor, to the utilization of capacity, to the fight against idleness, to affirmation of those who work, how, then, will we reduce it to only 15 percent in a year? I think that we will have to make use of the entire arsenal of economic measures.

SL: Probably, since many OUR's [organization of associated labor] called for price increases of 30 percent even during January.

P. Kostic: And that is why restriction must be an auxiliary weapon. No society, not even a society much stronger in material terms than ours, can eliminate inflation in a short period of time. Nor can we achieve our goals concerning the balance of payments if inflation is higher than 15 percent. We have no choice, then, unless we want the entire "edifice" of the results of stabilization to begin to shake once again.

SL: Though such rigorous restrictive measures may prove to be very bad ones in the long run?

P. Kostic: Yes, whenever, and that in our case has been rather frequently, restrictive measures are used to get rid of problems and when we harbor the illusion that we have solved matters, then they are truly dangerous. They act like a soccer ball when you press it down with your foot, and then when you release it, it jumps high in the air. However, if restrictive measures are used as an interval in which intensive and creative work is done on the real measures which will replace the restrictive ones, then that does not occur. Inflation is something around which the entire policy of stabilization pivots. The basic problems of higher productivity, competitiveness, etc., cannot be resolved by any emergency measures, nor by political activism. We have to have a market economy and competition. That is a condition of stabilization. After all, without competition it is not possible to initiate an entire wave of economic behavior in the economy. We have to insist on opening up our economy as soon as possible to the blows of foreign competition, and that means to the blows of an economy which has higher labor productivity, which will "threaten" our economy and thereby drive it to investments that are more efficient, to division of labor, and so on.

SL: How much would the joint Yugoslav foreign exchange market help in this situation, that market which for all practical purposes does not exist? Why do we not have it?

P. Kostic: We do not have identical views on the reasons why the foreign exchange market ceased to operate nor about the model for normalizing its operation once again. There are various reasons. One is that there is a lack of foreign exchange, but that is not true. Every deficit in the balance of payments is covered by the country's indebtedness abroad and balance is restored only not by our exports and inflow.

Where Does the Working Group Go

I feel that normalization of the operation of the foreign exchange market is closely bound up with the necessary amendments in the Law on Foreign Exchange Transactions and Relations With Foreign Countries. Without clarification of how it occurred and whether it occurred at the right time that the payments-balance positions and exchange-balance positions of the republics and provinces have been transformed into the balance of payments and exchange balances of the republics and provinces, I do not see the conditions for normalization of the operation of the foreign exchange market. In the fall of 1980 I was a member of the working group which was supposed to prepare an analysis of enforcement of the Law on Foreign Exchange Transactions, which regulates the subject matter of foreign economic relations. The material was taken under consideration in May 1981 in a meeting of all three federal councils on Brioni. However, disagreements arose over the proposal of the working group, and it was resolved that proposals would be prepared on supplements and amendments of the foreign exchange system in several versions and that during the fall this material would be taken up in a meeting of the federal councils. After a very democratic discussion this material was thoroughly prepared. Work was done on it by comrades from the republics and provinces, and then the vice chairman of the Federal Executive Council responsible for foreign economic relations, the federal secretary for finance, the federal secretary for foreign trade, the governor of the Yugoslav National Bank, the president of the Economic Chamber of Yugoslavia, and so on. It was never explained to me as a member of the group why that meeting of the federal councils scheduled for the fall never took place. In the meantime other groups were formed, and work continued in some other place.

SL: Is it not possible for this question to be put and for you to learn what was the fate of your work?

P. Kostic: It was agreed in May that this topic would not be discussed in public. Even today I do not want to get into the heart of the subject matter, since I respect that agreement, but as the federal secretary for finance I today am no longer a member of even one group which is working on these problems.

SL: And the commission for stabilization?

P. Kostic: Yes, they summon me to almost every meeting. That commission is mindful not only of having a large number of members present, but also of having ideas present, every opinion can be presented.

SL: Now that we are discussing the work of that commission, we have read that it is supposed to present a detailed stabilization program before the middle of this year. What progress are you making in that?

P. Kostic: I am not up to date on all the work of the commission and its subgroups. I think that a public discussion is indispensable, that until then things will be bottled up unless there is a public debate, since only the public can judge devotion to principle or the lack of it, knowledge, ignorance, the group-ownership view or the view of the thing that represents the entire society. And second, when a man must participate publicly in a democratic debate, deprived of the halo of his office, when he must communicate solely on the basis of the validity of arguments, then he must also be more responsible and creative.

Extreme Limit of Stability

SL: It is well known that today there is not a single developing country that can get along without what is referred to as deficit development based on credit. However, up to what limit dare a country contract indebtedness without this causing large problems and disproportions in its development?

P. Kostic: The basic question of indebtedness is where and how the money is invested. For example, a country may have a higher debt, but if it has used that money to build production capacity capable of export and has thereby enhanced the solvency of the economy, the size of the debt is not a problem.

The worst version is when credits are used to improve the standard of living, for final consumption, and the best is when it is invested in equipment. That means at one and the same level of the debt Yugoslavia could be overindebted or it need not be. There are certain other criteria which are related to the International Monetary Fund. The essential thing is the degree of indebtedness, not the absolute size of the debt. The degree of indebtedness is the percentage of the inflow of foreign exchange in 1 year which we must use to repay principal and interest on medium-term and long-term credits. The most important thing, then, is not how much a man owes, but how much he must take out of his monthly salary to repay consumer credit. In other words, you can borrow 1 million new dinars if someone has lent it to you for 50 years at 2-percent interest, but you cannot borrow even 100,000 for 6 months at a rate of 10 percent. It is felt that a level of indebtedness of 25 percent reflects a situation of stability (the Monetary Fund). On the basis of that criterion, if we take the figures of the Federal Fund for the Plan as of 31 December 1981, our country had medium-term and long-term credits in the amount of about $18.3 billion, of which about $16.8 billion were with the convertible area, and the level of indebtedness to the convertible area was between 23 and 24 percent. It should be taken into account that this amount is reduced by the amount of credit which Yugoslavia has granted to other countries. Incidentally, our indebtedness is as unwise as we are unwise on the average. The quality of our attitude toward economic policy as a whole has been manifested in the area of indebtedness.

SL: What does that mean, and how is one to prevent this unwiseness?

P. Kostic: It is thought by some that this should be done by conclusion of an agreement among the republics in the sense of a redistribution of the volume of the country's debt agreed on in advance. It is certain that this is a good direction in that it defines the strategic limits which cannot be passed. However, this becomes a bad thing at the point when a statist distribution is made among the republics, when functions are appropriated which under the constitution and the Law on Associated Labor belong to associated labor. If, then, we accept certain strategic limits as a necessity, why should I, who am not able to borrow like a factory, hinder someone else who is able to borrow in repaying the credits himself, in providing the inflow of foreign exchange for further development and in also discharging the obligations which he has to society? The statist distribution of the right to borrow, which is passed on to SIZ's [self-managing community of interest] for foreign economic relations, and which in turn carry out a further distribution of the right to borrow to OUR's, not only constitutes an expropriation of the rights to self-management of the OUR in its basic development functions, but it is also an economic mistake which makes borrowing a right, but displaces the repayment obligation as a category. It thereby detracts from responsibility toward the investment of foreign capital, since borrowing is nothing other than borrowing foreign capital to speed up development. For example, I know that Rade Koncar was capable of developing faster if it had not been surrounded by the SIZ methods of redistributing borrowing. However, in that system there must also be regulation of reciprocity, not solidarity, with the underdeveloped. On the basis of mutual interests we should also assume the obligations of others who are unable to discharge them because of their underdevelopment.

The Agreements on Petroleum Have Not Been Adequate

SL: Why do many people feel that data should not be published on our country's economic operation? Who might this hurt?

P. Kostic: I am also under attack because I make data public. However, I am surprised that this is done by people who know quite well that orderly figures are kept on this in international financial institutions. When the world knows, that means that we are concealing the data from ourselves. If we are concealing them, we are creating suspicion and distrust, but actually we have nothing to hide.

SL: You spoke about conclusion of agreements among the republics. One of the major problems is petroleum. What do you think about the agreement for every OUR to set aside the same percentage of foreign exchange in an account in the National Bank for the purchase of petroleum?

P. Kostic: It was high time that the Federal Executive Council relieved itself of being preoccupied every day with petroleum.

SL: Yes, but just before the end of last year officials of the Federal Executive Council announced that next year we must ensure the importation of petroleum on a continuous basis. No sooner did 1982 begin, than the Rijeka refinery shut down. It seems that we will still have to be concerned with this set of problems.

P. Kostic: In December 1980 we adopted definite agreements on the petroleum question, and I thought at the time, obviously mistakenly, that this subject matter had been altogether settled. This was an agreement on reproduction which incorporated priorities related to the allocation of funds by the republics and provinces for petroleum. An agreement was adopted on foreign economic relations, and then on the projection of the unified balance of payments of Yugoslavia and the projection of the unified exchange balance of Yugoslavia, the projection of the payments-balance positions of the republics and provinces. And then a whole series of self-management accords between the petroleum industry and areas of consumption, and also the petroleum industry's own self-management accord on joint efforts abroad with respect to purchasing petroleum, and so on. There are, then, some 10 or so documents, many of which were signed by the Federal Executive Council and by the republics and provinces and verified by the SFRY Assembly. However, the funds have not been allocated. We have had to be concerned with every tanker from meeting to meeting. Since we do not have a foreign exchange market, and mindful that we nevertheless cannot spend our whole time in a tug-of-war over petroleum, and that we must provide a more lasting solution to the problem for a year at least, we proposed the Law on Petroleum which you mentioned. An agreement was not reached through the regular procedure, but that law was passed as a temporary measure with the support of the SFRY State Presidency. And that law is also being poorly enforced at present.

Our Duties Are (Almost) Like Those in America

SL: Let us pass on to a popular topic--the new customs regulations which allow goods worth up to 200 dinars to be brought in without duty. What were the reasons for their enactment, and have the expected results been achieved?

P. Kostic: Actually we have had great liberalism with respect to bringing goods in from abroad. We have not, for example, even respected the previous limit of collecting duty on everything worth over 1,500 dinars. And now we have lowered the limit to 200 dinars and have begun to enforce the regulations rigorously, which is still more important. After all, even before it acted as a disincentive against foreign shopping trips to collect duty on everything worth more than 1,500 dinars.

SL: Why, then, did we not merely tighten control with the old limit?

P. Kostic: For a year we sought a solution which would be less painful to individuals and would act as a disincentive against the massive outflow of dinars from the country. We felt that a deposit would meet our needs. For example, on leaving the country you post a deposit of 1,500 or 2,000 dinars, without interest, for a year or 18 months, which is returned to you after that period. However, the lawyers persuaded us that there is no constitutional basis for the deposit. As for the effect of the measure which is now in effect, the number of exits has been dropping rapidly, but it will be possible to evaluate the true effects only in a few months, since the measure was adopted at a time when the number of exits was dropping anyway. This was not kindly received by our people, since we have been lax and have been living somewhat beyond our means. America, for example, is a country with which we cannot be

compared in economic terms, but they collect duty on everything worth more than $100.

SL: But in their case, for example, there are no shortages of certain vital products.

P. Kostic: True, that is a delicate matter for individuals. There is a shortage in the country, and customs regulations are strict at the border. But would the consequences be for our society if there were an avalanche of dinars returning to the country instead of foreign exchange?

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PUBLIC LAND, BUILDINGS APPROPRIATED FOR PRIVATE USE

Zagreb VJESNIK in Serbo-Croatian 14 Mar 82 p 4

[Article by Franjo Kiseljak: "It Is Not After All the Milky Way"]

[Text] So, even that is possible, though it does not fall within the domain of common sense: immovables owned by society are more mobile than movables.

Everyone would say that it is the other way about, that movable property is more mobile. Yet that is not the case. Let us listen to the advocates of better preservation of public property. "Real estate slips around the first corner more easily, and from there becomes irrecoverable private property." Improbable, but the truth. A single question is enough to clear up for all practical purposes this topsy-turvy "movable-immovable" riddle. What do you think, what would happen to an individual who under cover of dark removed the wheels from the car of some opstina official, and what would happen to a "lover" of real estate, someone who appropriates an incomparably greater value in the form, say, of public land for a private house or to build a "vacation cottage"?

In the debates in the Croatian Assembly last week it was stated that there are opstinas in Croatia where it is dangerous to "steal" a chair from the building of the opstina assembly, considerably more dangerous than the unauthorized possession of several acres of public land. How is it that immovables which are public property are so low on the list of social concerns that individuals are rushing into public property as though it were the Milky Way, something infinite like the universe, which can be stretched as far as you like?

Acquisitive Instincts

The Commission of the Croatian Assembly for Public Oversight came before the chambers of the assembly more than 2 years ago, after a strenuous gathering of abundant "material," with a kind of White Book concerning all the possible forms of privatistic seizure of public property, above all public real estate. The spokesmen were seriously disturbed at that time by the extent and speed with which public land, buildings and apartments were melting in the hot coals of private appropriation. It was established at that time that usurpers actually had an essentially easier time because careless and extremely incomplete records are kept on public real estate. Any publicly owned buildings, whose

completion was marked by a cutting of a ceremonial ribbon and the delivery of suitable speeches, simply do not exist in the land records. It is still more difficult with old buildings whose actual status has not been recorded. Much the same is the case with public land which has not been entered into the books properly. This is no one's land, and it is no wonder that individuals emerge with strong "acquisitive" instincts. It does not occur to some people to use various "adaptations" when they move into a larger apartment. What difference does it make to them if "adaptation" is cheaper? It has been unambiguously established that there are a certain number of apartments built at one time by sociopolitical communities and then turned over for management to the housing enterprises of that time. When the housing enterprises were dissolved, the apartments were turned over to SIZ's [self-managing community of interest], and then all trace is lost of them. When such apartments become empty, they are not filled by the sociopolitical communities which built them with budget funds for people in various agencies, but this is done by the SIZ's.

The spokesmen were particularly disturbed by the appropriation of the coast, especially that part which is described as a "maritime resource." At that time the two chambers of the assembly honored the findings and warnings of the Commission for Public Oversight. At the urging of the commission the chambers in fact adopted some 15 resolutions. They were signed by Jure Bilic, Ivo Vrhovec and Nikola Segota. The resolutions were written in such a way that it was quite evident whom they were sent to for execution and what purpose they were supposed to achieve. The resolutions were not supposed to make the waves caused by a hurricane, but to activate the entire area of social concern for public property by first of all establishing precise records on all the things that are public. In other words, without records there cannot be any proper or lasting protection.

The Conclusions Were Concluded

Nearly 2 years have passed since the resolutions of the assembly were sent out all over Croatia, to organizations, to opstina and republic agencies, to bodies of self-management. When the Commission for Public Oversight attempted last week to add up the results of the 2 years of application, it unfortunately had to conclude that all the fruits could easily fit into one apron.

Something was done, but the collectors of public property were also "at work." Recently there has been a particular growth of the strain of "newly converted" farmers who are renting public land, figuring in an unusual dual role as both cooperators and as key officials in the same work organization. One stops dead in the face of the geometric perfection of the network of "cooperation with oneself," before a web in which tiny members of Hymenoptera are caught, all by the law of the spider's skill.

No one is against key officials tilling the land in the afternoon after they have done their officiating. We need every sack of grain, every bud on the grape vine, every basket of vegetables, regardless of origin. Food is a point of support for stabilization when there is enough for domestic needs, and it is a real trump in development if something is left over to export.

What happens, however, if the grape vine of cooperation becomes a source of profiteering "parasites," if the "cooperation" takes place on the best public farmland, with priority in the use of the combine's machinery, fertilizer and fuel? What if it is a case of upset priorities; if "cooperation" with oneself is done first, and then comes the combine and finally, at the end, if it comes at all, that ordinary cooperator?

The Bait for "Backing"

The Commission for Public Oversight of the assembly has not gone very far in the recent cases of cooperation in large combines. It had quite enough to do trying to find out who had kept the resolutions on his desk and who had put them in the drawer. Meanwhile, the commission unanimously agreed with the frank statement made by Pero Car, a member of the Presidium of SR Croatia, who proved with documentation in the debate that the "cooperative" fad is not harmless in the least, that in certain cases it is in fact a muriatic acid which is eating away social relations along the main seams. The trouble is not simply that the big operators have rented public land to "take advantage" of privileges the small cooperators could not even dream of. The trouble is compounded by the fact that the large cooperators, in order to cover up their dirty dealing, are bringing individuals into the game who might have objected to the stretching out of public property. Give the rebel a few hectares, and he will keep quiet, too.

Certainly many people do not take the line on which a privilege has been placed instead of a worm. They are not all silent, but that earns them their portion of chicanery. For instance, the people in the bookkeeping department who might utter some embarrassing figure or datum, are moved as a precautionary measure to certain other jobs, somewhere where there are no numbers. The stretching out of public property should not take place without a stretching out of human destinies.

The Commission for Public Oversight understands the reasons, but does not justify the excuses given by the bodies and organizations called upon, right up through the Executive Council of the Croatian Assembly, for not having been much concerned with the resolutions of the assembly. It is true that the circumstances did impose other concerns and other jobs (raw materials, energy, production and export), but that still is not a reason for protection of public property to be left in the background. The consequences of the rush for public property are not harmless. In a meeting last week they were compared with those which the strategists of "special warfare" toward our country could only dream about.

Make the Effort and--Persist

The Commission for Public Oversight has also taken its position on the "advice" which is coming from various places. It recalls that elections are coming, and that it would not be convenient right now for the alarm bell to be rung on the usurpers. Actually, the elections have nothing at all to do with the usurpations, except one thing: the names of those individuals who have "set their sights" on public property cannot appear on the ballot--as has been

established in the agreement on personnel policy. Valent Huzjak, chairman of the Commission for Public Oversight, has publicly described the reasons why certain voices in the atmosphere before the elections have said that the proceedings begun against usurpers should be suspended for a short time--as ordinary lies.

If the entire society and its agencies and organizations are resolute, there will be a growing disposition to unanimously oppose those things which damage and squander the basic values of society. All of this will soon be debated by the two chambers of the assembly--the Sociopolitical Chamber and the Chamber of Opstinas--signatories of those resolutions 2 years ago, which have lost nothing of their value and importance because of the upcoming change of delegates. The new delegates will have an easier job if the effort is continued in the furrow that has already been well cut. It already means a great deal to future action to realize that any relaxation, even the slightest, when it comes to protecting public property, especially real estate, throws the plow out of the furrow. What is needed, then, is to make the effort and persist--that is the message from the people in the assembly's Commission for Public Oversight.

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# East Europe Report

## ECONOMIC AND INDUSTRIAL AFFAIRS

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# EAST EUROPE REPORT

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2262

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## JOINT CEMA RESEARCH ON HYPOKINESIS NOTED

Warsaw RZECZPOSPOLITA in Polish No 56, 19 Mar 82 p 5

[Text] A small effort of the worker on the job is regarded as a criterium for the modernity of the machine. Therefore, the massively increasing work positions are characterized by motion activity which is close to zero. Designers of machines striving for perfection in this field perhaps have gone too far. Limited motion activity--hypokinesis--in recent years aroused the interest of scientists in various fields. Physicians, for example, have come to the conclusion that it contributes to the beginning of infarct, sclerosis, and hypertension.

Research in the area of hypokinesis was included in the scientific-technical cooperation of the CEMA countries. The Central Institute of Industrial Design in Sofia, the Supreme Institute of Work Protection in Prague, and the Institute for Work Protection in Leningrad are participating in the research. The Polish side is represented by the Institute of Industrial Design (IWP).

At present, joint research is being conducted at defining the limits of indispensable motion activity for various types of jobs. The results obtained from this research will permit the creation in the future of biomechanical models of the measure of motion activity at each work position. These matters are not of unconcern for quality and labor productivity and, primarily, the maintainance of the health of the human being.

CSO: 2600/480

## REASONS FOR CEMA'S GROWING FOOD PRODUCTION PROBLEMS PRESENTED

Zurich NEUE ZUERCHER ZEITUNG in German 18 Mar 82 p 15

['Economy' feature article by K.-E. W.: "Increasing Gravity of Food Situation in East Europe--Excess Demand Despite Growing Expenditures"]

[Text] Data available to date on gross production figures for agriculture in communist dominated East Europe in 1981 confirm its growth deceleration for all these states during the second half of the 1970's. This development was particularly pronounced in the USSR and even resulted in a severe retrogression in Poland. Growth in production as such was greatest in Romania (insofar as Bucharest's figures can be accepted at face value), but remained significantly behind planned projections. If Hungary's figures are approximately realistic, it came in second best and showed a less pronounced decrease in growth, even though it too failed to reach its 1981 planning goals. Expressed in indices, (1970 or, for gross production figures, 1969-71 = 100) this development is illustrated by the attached table.

The soil production factor declined markedly in Poland and Yugoslavia, mostly because small farms acreage lay fallow. In Czechoslovakia, particularly in the Slovak area, a considerable amount of arable land belonging to the few remaining independent farmers in the mountainous and bordering areas was abandoned in line with the final collectivization of the early 1970's. However, growth deceleration did not occur until the end of the decade and can only be partially explained as resulting from changes in soil utilization. Increased utilization in the GDR was caused essentially by converting many grazing and arable surfaces.

The indices for basic resources (production investment capital) shown in CEMA statistics contain their calculation according to an inflation factor, which however is probably lower for production goods than for consumer goods. The pronounced growth in expenditures (growth of basic resource reserves) in agriculture is reflected in production to an insufficient degree, if one considers the slowly (or, in the GDR, Hungary, Bulgaria and for the last few years in Poland, moderately) decreasing work force figures and the insignificant impact of changes in usable acreage. In net figures, the increase in production was still smaller, considering higher labor costs (meaning that the cost of labor per worker increased at a faster rate than the number of workers increased). Considering the inflation factor, cost increase per product unit

was probably least pronounced in Poland and Hungary, but most pronounced in Romania and the USSR. To that extent we can speak here, with varying emphasis, of agriculture as being a "bottomless barrel;" but in Poland, in the Balkans, like in the USSR, the burning problem is the increased demand backup in the food production sector.

Disregarding cyclical and local exceptions and recent events in Poland, present food shortages in Eastern Europe are primarily a consequence of increased demand, especially for higher-priced products, such as animal products, in conjunction with the growth decrease in agriculture. This can be illustrated by comparing production increase and income increase from 1970 to 1980, even disregarding the particularly critical year 1981.

Inasmuch as the general living standard is not yet high and the demand for industrial consumer goods and for services is only partially satisfied, there is quite a high income elasticity in the demand for food products; some East European authors estimate it to be between 0.6 and 0.8 and it appears to be significantly smaller only in Hungary, at 0.4.

The indices of increases in labor income in the attached table were converted to realistic values on the basis of official statistics. However, until 1980 the prices for basic food stuffs increased officially (i.e., in state or cooperative stores) as follows: only in Poland and Yugoslavia significantly to very greatly; in Bulgaria, Romania and Hungary moderately; in the GDR, the USSR and in Czechoslovakia not at all (though there was a small hidden increase). That is why the inflationary (nominal) increases in income, compared with the actual ones, must have had an above average impact especially on the demand for agricultural products. This caused the governments of Romania, Czechoslovakia and especially of Poland to decree large increases in retail food prices, which however by themselves will hardly be sufficient to stabilize the situation.

Disregarding the uncertainty in evaluating the effects of inflation, the discrepancy between rises in income and in agricultural production in Poland, Romania, Bulgaria and the USSR prove the existence of a pronounced demand backup in the food sector. It has developed particularly strongly during the last 3 to 4 years (in Yugoslavia the rate of inflation is so high, with such a divergence between its actual rate and that which is stated for official purposes, that this type of quantifying observation is hardly possible). Assuming a relatively small income elasticity for the GDR and Czechoslovakia for food demand, no signs are recognizable there for a surplus. Hungary is practicing a policy of gradually increasing consumer prices; considering its much lower coefficient of income elasticity, this results in a marked supply surplus which is evident within the country and is confirmed by large food exports.

On the whole, there is no evidence in Eastern Europe of the existence of factors which could within a few years bring about a noticeable growth in production. The almost continuous periods of bad weather over the last 3-4 years may be ameliorated by improved weather conditions; but that in itself would not be sufficient for a decisive change. An improvement in the food supply situation would have to be brought about principally through a reduction in demand, i.e., by means of actual incomes which would no longer increase or in fact would be lowered.

Table 1 [CSO: 2300/212]

| | Productive Soil Units 1980[1] | Production Resources 1980[2] | Gross Agricultural Production Three-Year Averages 1974-76 | '79-81 | 1981 Actual | 1981 Planned | Total Salaries 1980[3] (Actual) |
|---|---|---|---|---|---|---|---|
| Poland | 97.4 | 172 | 117 | 102 | 100 | | 192 |
| GDR | 103.1 | 163 | 118 | 125 | (125?) | 126 | 152 |
| Czechoslovakia | 96.8 | 187 | 116 | 123 | 122 | 129 | 137 |
| Hungary | 99.6 | 201 | 121 | 133 | 135 | 139 | 138 |
| Romania | 99.9 | 208 | 132 | 158 | 157 | 174 | 225 |
| Bulgaria | 101.4 | 176 | 113 | 123 | 124 | 125 | 176 |
| Yugoslavia | 96.7 | - | 123 | app131 | (129-131?) | 135 | - |
| USSR | 101.4 | 224 | 115 | 116 | 114 | 129 | 170 |

[1]The synthetic productive soil unit used here equates arable soil and long-term planting at 1.0 and other surfaces used in agriculture at 0.2 in relation to their surface in hectares.

[2]In Eastern terminology, production resources represents capital for firm, productive uses, at original cost, without depreciation, but recalculated every few years to compensate for replacement cost.

[3]Not per worker or employee, but collectively. Agricultural producer cooperative member incomes were disregarded. Actual figures are calculated (probably somewhat high, especially for the USSR) by comparing official data about nominal and actual salary increases in the CEMA annual statistics compilation; for the GDR, they represent the author's estimate.

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CSO: 2300/212

## BRIEFS

YUGOSLAV AUTO IMPORTS--This year Yugoslavia will import 7,500 cars from Czechoslovakia, 5,000 from the GDR, and 1,750 from the USSR (with 1,000 of these [Soviet cars] tied to Yugoslavia exports). This was specified in a self-management agreement of representatives of producers and consumers on establishing and distributing the commodity quotas for importing passenger cars in 1982 from East European socialist countries. The agreement also established the number of motorcycles to be imported from these countries, namely: 1,500 from the GDR and 1,500 from Czechoslovakia; in line with this, efforts will be made to export parts for motorcycles and outboard motors produced at the "Tomos" plant in Kopar, and to export "Tomas"-produced motorized pumps, small agricultural machinery, and ski lifts to Czechoslovakia. [Excerpt] [Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 8 Mar 82 p 14]

YUGOSLAV BAUXITE TO CSSR--The Niksic bauxite mine will export $9 million worth of bauxite ore to the CSSR this year; this is the first export from this mine in several years, since it has been oriented [solely] toward meeting the needs of the Titograd aluminum combine. This year, thanks to facilities for exploiting bauxite at several different deposits, it will be possible to produce a surplus above the 550,000-ton needs of the Titograd Combine. The deposits of red bauxite in the Niksic area constitute over 40 percent of the Yugoslav reserves of this ore. [Excerpt] [Belgrade PRIVREDNI PREGLED in Serbo-Croatian 19 Mar 82 p 3]

YUGOSLAV MINING MACHINES FROM USSR--In the next 2 years the Bosnia-Hercegovina coal mines will be newly equipped with $17.3 million dollars worth of equipment from the USSR to be delivered through the "Rudarstvo-Kemija," export-import organization in Tuzla, and the "Cvetmetpromeksport" enterprise in Moscow. The latest contract calls for total imports of mining equipment for mines in Bosnia-Hercegovina amounting to $35 million purchased under favorable terms, [i.e.,] payable over 10 years with minimum interest. Contacts between the Tuzla economy and its Moscow business partner will probably result in exports to the USSR of food, shoes and clothing produced in the Tuzla region. [Excerpt] [Zagreb VJESNIK in Serbo-Croatian 31 Mar 82 p 7]

YUGOSLAV-CSSR TRADE--In the first 2 months of this year trade contracts valued at $627.2 million were concluded with the CSSR, or 1.7 percent more than in the same 1981 period; this includes $258.4 million of Yugoslav exports (18.9 percent less than last year) and $368.8 million of Yugoslav imports (or 23.8 percent more than last year). In the first 2 months of this year Yugoslavia

exported $34.3 million worth of goods, or 5.5 percent less than in the same 1981 period, while it imported $57.2 million worth of goods, or 15.1 percent more than last year at that time. January and February trade contracts also call for non-clearing trade, namely, $7.1 million in export agreements and $8.7 million in import agreements. In 1981 the $1.4 billion of total trade planned was exceeded by 3.6 percent; and trade was largely balanced and its structure in general accord with the plan, except in regard to ferrous and non-ferrous metallurgical products with which there are still problems. There are also still problems with high prices and late deliveries. [Excerpt] [Belgrade PRIVREDNI PREGLED in Serbo-Croatian 7 Apr 82 p 1]

YUGOSLAV TIRES TO ALBANIA--In accord with this year's export expansion, the "Tigar" Rubber Products Industry in Pirot recently concluded an agreement to export automobile tires to Albania, through the Skopje [export-import organization] "Interimpekspromet." During a visit to Pirot representatives of "Mashinimport" in Tirana expressed interest also in other "Tigar" products. By the end of July 14,000 tires, valued at 1.4 million clearing dollars, will be exported to this Albanian partner. [Excerpt] [Belgrade PRIVREDNI PREGLED in Serbo-Croatian 8 Apr 82 p 12]

CSO: 2800/345

## IMPROVED CUSTOMER SERVICE SEEN KEY TO EXPORT SUCCESS

### West German Commentary

Bonn IWE-TAGESDIENST in German No 9, 20 Jan 82, p 2

[Report from Berlin: "Criticism of Customer Services of GDR Industry." A translation of the East Berlin WIRTSCHAFTSWISSENSCHAFT article cited below follows this commentary]

[Text] The East Berlin periodical WIRTSCHAFTSWISSENSCHAFT [No 1, 1982] demanded that the GDR industry should follow the example of Western concerns with respect to service agreements to be able to compete better on international markets. Customer service is more and more becoming a decisive sales argument and an important factor in competition, and it has a strong influence on the stability of export lines, because last but not least crucial customer contacts are established via customer service organizations. Vice versa, the lack of service guarantees led to losses in markets and prices. Consequently many GDR companies are now facing the task of intensifying market research, making more effective use of workers available for the external sales organization as well as substantially expanding the core of experienced customer service experts. Moreover the supply of spare parts must be speeded up considerably.

### Spare Parts Supply Essential

East Berlin WIRTSCHAFTSWISSENSCHAFT in German Vol 30, No 1, Jan 82 (signed to press 15 Nov 81) pp 35-49

[Article by Dr Gunnar Umbreit, economist; born 1942; instructor, Institute for Socialist Economic Management, Dresden Technical University: "Better Customer Service in Export--Management Tasks and Experiences of Combines"]

> [Text] In connection with a brief characteristic of customer performance levels that can compete on the world market, objective trends are being uncovered which will force the management of combines to focus more attention in their activities on the problems of customer service.

Of special importance is the presentation and generalization of management experiences of export-intensive combines and enterprises to provide technical-economic information as well as a stable and adequate spare parts supply to meet the demand. In the process the quality of products and the quality of customer service are considered as one unit. It is based on the premise that the increase in the performance level of customer service begins as early as the development of the product and continues until the product has been marketed effectively.

According to a directive of the 10th SED Congress dealing with the Five-Year-Plan for 1981-1985, combines are not only asked to increase exports but to include better customer service to be able to compete on the world market; the following statement is contained in the report to the 10th Party Congress:

"A total exhaustion of all our possibilities demands that all branches of the export industry manufacture profitable products of high quality. Equally important for a successful export trade is being informed and being up-to-date, anticipating market conditions, prices and terms of payment, generating an active sales activity, improving customer service and the spare parts supply."[1]

The growing importance of customer service in export trade is the result of various trends and economic conditions:

--The replacement of human labor with automated labor is leading to a greater need of material equipment in almost all areas of production and social life; There are machines, equipment and long-lasting consumer goods, in other words, products which, as a rule, require an appropriate customer service.

--The application of new scientific discoveries makes many products technically more complicated, which requires greater expertise for their preparation, installment, operation and maintenance. Without the expert advice from the producer, the buyer is less and less able to perform these tasks.

--As machines and aggregates increase their capacities and get more involved in systems of machinery and equipment, every additional hour lost to production carries more economic weight. Consequently buyers are not only interested in potential performance parameters of machinery and equipment but also in what kind of guarantees the exporter will give with respect to their reliability and availability.

--An efficient customer service has many economic advantages for the buyer or the user. Qualified advice helps him with the use of a system of machinery which is intended for a specific purpose. By training and qualifying cadres of experts, the capabilities of the equipment can be used more efficiently, losses that are caused by improper handling can be avoided. Assisting the buyer with the assembly provides an opportunity for a prompt and effective start-up of operations. Preventive maintenance and quick repairs through the availability of adequate supplies of spare parts guarantee a high degree of

utilization of the acquired basic equipment as well as the steady use of high-quality consumer goods.

The result is that customer service is more and more becoming a decisive sales argument and an important factor in the competition on international markets. Service concepts for machinery and equipment are frequently judged as carefully as technical parameters. A lack of service guarantees frequently leads to losses of markets and reductions in prices. Extended guarantee terms for various products, for instance, have become a significant factor in the international war of competition. For utility vehicles, guarantees extending to between two and three years or troublefree driving for between 50,000 and 100,000 kilometers are now being offered, for light trucks the terms are five years or 160,000 kilometers troublefree driving. At the beginning of the 1970's, guarantees covered only 12 months or 20,000 kilometers of troublefree driving.

Nevertheless, a well-organized customer service is not only a prerequisite for the export of goods, it also creates opportunities for additional earnings in foreign currencies. The trend of increased earnings from services is noticeable when one looks at the statistics of capitalist concerns that cover products from a number of industries. In addition to spare parts, which for years have brought good prices in international trade (earnings for spare parts are up to 100 percent higher than for comparable components of the final product), foreign-currency receipts can be increased in intelligence-intensive services, such as consultations, preparation for use, handing over documents containing instructions for use and major assemblies. In this respect, the special advantage from the material-economic viewpoint consists of the fact that in connection with a high level of customer service, foreign-exchange receipts can be increased significantly for each kilogram of materials used for the production of goods for exports. With this in mind, the contribution made by good customer service to the processing of materials in the export trade is by no means insignificant.

In addition to economic functions there are also important political ones. The level of customer service is not only an indicator of the efficiency of the combine, but it also has a significant influence on the reputation of our country on international markets.

Customer service agreements are a great image builder and consequently they have a strong influence on the stability of export lines because, last but not least, crucial customer contacts are established by way of the customer service organization.

Another reason why customer service problems deserve more attention from the management of combines and export enterprises is because the effort and expense for cadres, funds and resources in these areas is growing and the efficient use of appropriated funds is becoming more and more urgent.

## The Strategic Concept for Better Customer Service in Export

The establishment of customer service is a component of the entire concept of long-term planning of the work of the combine. The first question that must be answered by the strategic concept for customer service is, what kind of provisions are included in a customer service that can compete on the world market. At the present time, literature and practice are still presenting different views.[2] On one hand, there are some customer service provisions that are still limited to maintaining equipment at their present cash value; on the other hand, there are more and more authors who are advocating a considerable expansion of the spectrum of customer service agreements and to include in customer service technical and economic consultations as well as provisions for upgrading the cash value.

According to the experiences of progressive combines and enterprises, the following tasks should be considered a part of the strategy for customer service in export:

1. Services that will inform the customer of the actual value of the product. Among the items are, first of all, technical, organizational and economic consultations. Proceeding from the needs of the customer, products or services are to be selected that are best suited for a specific purpose. Informing the customer of the actual value also includes the training and qualifying of experts, in other words, enabling the user to realize the full potential of the product for his own purpose. The preparation of the necessary user documents is also one of the elements of informing the customer of the actual value.[3]

2. Services to provide the final touch and bring the product up to its actual value. The full potential of many products can only be realized after it has been completed on location ready for use by the customer. Services of this kind include the assembly and set-up of machinery and equipment as well as testing their readiness for full use at its location. Adapting the product to specific conditions of use on location is also a requirement for eaching the full potential of the product.

3. Services to maintain the actual value. They consist of preventative and routine maintenance, adequate supplies of spare and special parts as well as specific measuring and test devices. These services could be provided through guarantees or additional contractual agreements.

4. Services to upgrade the actual value. New findings in science and technology could be used to exchange morally worn-out components and parts of certain products without having to discard the entire product. The modification of machinery and equipment to meet new market requirements can in part also be realized through an exchange of components. Services of this kind upgrade the actual value of the product in the interest of the customer, and they are more and more becoming a part of the spectrum of provisions of modern customer service.

Whereas customer provisions that dominated in the past were those that dealt with completing and maintaining the actual value, of late provisions for conveying and upgrading the actual value are gaining increasing importance.

Looking at the quality of the product and its suitability for a definite purpose as designed by the customer, all four types of service mentioned above--information, completion, maintenance and expansion of the actual value—are directly responsible for improving the quality. They guarantee or increase the suitability of the product for its intended purpose and with this in mind they are a component of product quality. Vice versa, the product quality attained in production has a considerable influence on customer service provisions. The lower the reliability of the components of a product, for instance, the higher will be the cost of maintaining the actual value through customer service. The more complicated the construction and the use of the products, the more training provisions are required.

The above-mentioned spectrum of tasks is an indication that customer service cannot be a departmentalized task of a single division within the combine or enterprise. Expert advice requires the cooperation of specialists from research and development areas. In the constructive and in the technological development of products essential decisions are made about future service expenditures. Assembly and start-up operations of the products continue the production process. There are many interrelationships between the material management departments and the spare parts supply. At the same time it may prove to be beneficial to establish specialized enterprises for carrying out customer service tasks in combines, for instance, assembly enterprises, consulting firms.

Clear regulations are needed for the division of labor in customer service between the combine, the export enterprise and the foreign-trade company as well as the cooperation with production cooperation partners. With this in mind, the preparation of a suitable set of rules for combines seemed to be appropriate. In the process experiences are to be gathered to determine which customer service functions can be carried out centrally for the entire combine and which ones are performed more effectively by decentralizing them and assigning them to export enterprises. With respect to the spare parts supply, for instance, it can be expedient to delegate the total responsibility to the export enterprise. The advantage is not only a faster processing of customer inquiries, but it also makes possible short-term conclusions with respect to product development. When establishing division of labor for customer service tasks, the most important factor should be to process customer demands and requests the quickest way possible without many intermediate steps in the combine.

As far as the strategic concept for customer service is concerned, the question must be clarified, how a suitable external customer service organization is to be established in addition to the customer service organization within the combine (internal customer service organization). Neither a recipe nor a universally valid model is available. The type of merchandise, the specifics of the market, the size of shipments, customer service facilities available in the buying country as well as customer service agreements

of the competition have a decisive influence on the external customer service organization. Most of the time, the sale of complete industrial plants includes comprehensive service agreements, while in the case of a consumer goods sale the exporter's task is limited to providing an adequate spare parts supply. Whereas CEMA countries have internationally uniform norms and legal regulations for the orderly preparation, implementation and contractual establishment of customer service functions,[4] each country in the non-socialist economic territory has different legal standards.

Considerations concerning the establishment of an external customer service organization presuppose a clear export strategy for the market in question. On one hand, the high economic expenditure for the establishment of an efficient domestic customer service organization within the country can only be amortized if a certain minimum of sales can be guaranteed; on the other hand, customer service-intensive products cannot be exported at a profit if an appropriate customer service organization is not available. To guarantee a high level of customer service, it is therefore necessary to aim for a certain limit per country in the sale of customer service-intensive products, which requires a concentration on crucial markets. Although many firms have begun to assume total responsibility for their own customer service agreements on international markets by establishing efficient customer service organizations, a thorough analysis is to be made to find out in which country and at how big a sales volume such an economic expense is worthwhile. Furthermore, an investigation is to be made to find out whether personnel and material requirements are adequate to assume independent responsibilities of all customer service agreements on a given market.

Many countries have had good experiences by using the combination of an independent customer service organization and domestic capacities. Consequently, many times the establishment of customer service centers, technical centers or central maintenance facilities proved to be beneficial; they are cooperating with domestic service support bases. In this respect it is particularly important that the developing countries equip domestic service facilities with the necessary technical equipment. A few firms are supplying the equipment free of charge, frequently even before the goods are exported, and they include the expense in the price of exported goods. Customer service centers can perform services for several enterprises of the combine or even for several combines. A prerequisite in a case like that, however, is the availability of customer service specialists in customer service centers or repair support bases who work for the individual product lines of the most important export enterprises.

When establishing modern training centers in customer countries, it may also be appropriate for several combines to combine their capacities. Particularly in African countries which have a strong need for training opportunities the establishment of large efficient training centers is to be recommended for several combines.

By placing foreign trade enterprises directly under ministries for industry or combines, favorable conditions are created for transferring customer service tasks to technical-commercial offices to an even greater extent than has been the case to date.

In addition to being responsible for customer service centers, technical-commercial offices are also performing an important administrative function in customer service, because even on markets that do not seem worth the effort of establishing independent capacities for customer service, the exporter must feel responsible for the smooth operation of the customer service, since inadequate customer service can always mean a serious danger for the stability of the export line.

Of course, even in the area of customer service, higher demands must not and cannot lead to a substantial expansion of personnel and material capacities. On the contrary. Better service is placing strict standards on the effectiveness of customer service. Analyses have shown that there are still many reserves in this area. Considerations for tapping these reserves begin with the question, where can which customer service functions be solved most effectively, in the manufacturing plant, the customer service repair shop or at the location of the customer. Among the questions that arise are: Is the customer's place the best location to repair a physically worn-out part, or is it more efficient to regenerate components in the industrial plant; is it simpler to have the repairs done by specialists supplied by the producer or enable the customer to do the assembly or repair work himself?

There are two roads that are generally taken to establish a rational customer service. The first one is a substantial improvement in product quality, particularly with respect to the reliability of components that wear out fast. Included is the creation of technological solutions that could be used to avoid losses resulting from the breakdown of equipment due to damages. Computerized relay systems, for instance, offer possibilities to register the breakdown of damaged equipment and transfer the functions to other computers. The second road is the rationalization of customer service functions on the market, for instance, by establishing procedures to locate defects, by exchanging components or increasing the qualifications for operators. By simplifying the service and maintenance of machinery and equipment, the cost for necessary training can also be reduced. Furthermore, reserves can also be tapped by improving estimates and norms for automated work and work performed by humans in customer service, although variabilities of conditions on individual markets complicate the establishment of norms for expenses relating to assembly, repair and maintenance and a comparison of services based on it. In the future more thorough consideration will have to be given to equipping customer service facilities with tools, test and measuring devices to justify the economic outlay required for increasing capital investments. A decisive factor for all economy measures in customer service is to guarantee complete suitability of the product for the purpose intended by the customer at the lowest cost possible and covering the period of its use.

Technical-Economic Consultations as Component of Customer Service

The growing significance of technical-economic consultations will also have to be considered a part of the spectrum of customer service provisions capable of meeting competition on the world market. As a matter of fact, today's tasks already go way beyond the actual meaning of the original concept of

consultation. They extend from the introduction of the product via application procedures and projection provisions to, finally, the support in the management and organization of production, often including assistance with the sale of manufactured products on third markets. In a comprehensive manner, consultations or information on the actual value also includes the preparation of appropriate user documentation and systems documents. Qualified technical-economic consultations help the customer to apply more rapidly new scientific solutions to production to find a suitable product solution to fit a specific purpose and to avoid production losses caused by improper assembly and maintenance. Experiences gathered by current users of the technology can be transmitted to the customer.

At the present time, profits from consultations and user documentation in various product lines are already higher than those from the export of goods. With respect to data processing equipment, for instance, the sale of systems documents (software) in part accounts for 60 percent or more of the total earnings from the equipment. As a consequence, high foreign-currency earnings for the sale of consultation services led to the establishment of independent consulting firms, engineering firms or consulting bureaus as well as the formation of independent software houses. Most of these firms have specialized almost entirely on the export of consulting services and systems documents. When transactions involve large investments, it is now customary on capitalist markets to seek advice from consulting or engineering firms. At the request of the customer, these consulting firms frequently monitor also the realization of the investment business.

Consulting services as a component of customer service begins as general advice to customers before the sale, they continue as a specific consultation in connection with sales negotiations and, finally, after the sale they result in constant customer care.

General advice to customers is designed to familiarize a large number of potential customers with the products offered by the export enterprise. This way the tasks of advertising blend more and more with those of general advice to customers. The purpose of general advice to customers is to point out to them the advantages of the actual value of the product for the customer's purpose. In addition to factual, convincing arguments, psychological studies are required to get the information across to the customer. An advantage exists if the proposed market already has a customer service organization which can be used to establish personal contact with the customers. Even with this aspect in mind, it is expedient to consider consulting services as a part of customer service functions.

Many different forms and methods are used to carry out general consulting work. In cases of technically complicated products, a proven method is to familiarize the customer with these products during fairs and special exhibits; today not only products are introduced on these occasions but more and more problem solving ideas are offered to be used by customers. When it comes to data processing equipment, not only the equipment (hardware) as such but also problem solving for information processing is demonstrated in concrete, specific cases. This approach is in full agreement with customer re-

requests, because the customer is not only interested in the technical parameter of the equipment but also in the use of the equipment under specific user conditions and its attainable effects. Another factor that proved to be of benefit is a demonstration to the customer of the capabilities of products when it comes to functioning under the conditions of the respective country. It is the most convincing form of advising customers about products, the capabilities of which are strongly influenced by specific operating conditions, for instance, agricultural machinery.

More and more frequently special lectures, so-called technical days and symposia are used for general consultations with customers. These meetings provide good opportunities to listen to the experiences of users of imported machinery and equipment from the GDR. The circle of listeners should not be too big to permit personal contacts with customers. A decisive factor for the commercial success of symposia and special exhibits is the degree to which a manufacturer is able to invite potential buyers and not merely interested experts.

A special form of customer consultation for initiating business consists of mailing announcements, mostly in response to inquiries or written requests from customers. This form is used extensively for the export of capital equipment. In this respect the following experiences are to be given special consideration:

--The offer must be a genuine reflection of the capabilities of the export enterprise. It includes a real assessment of the capabilities of the most important cooperation partners.

--By preparing a basic package of offers in a standardized form, the exporter must be in a position to send to the customer within the shortest time possible an offer which responds to the specific wishes of the customer.

--When listing prices, current world-market prices are to be taken into consideration to avoid extreme price variations when compared to offers by competitors.

--A good practice turned out to be the enclosure of references listing past successes of completed exports of capital equipment.

One of the tasks of general advice to customers is giving adequate information to potential buyers about the available services from the export enterprise, without prematurely selling internal information on product development or specific user documents. As a result, much depends on the ability of the sales and customer-service engineer to give to the customer the necessary but not all possible information about the enterprise and its export products.

In connection with the contract negotiation specific consultation with the customer begins. The topic is no longer conditions for use and operation affecting a large potential circle of customers but specific operating conditions for a single customer.

Consequently consultation work requires prior study of the conditions for use. Of course, individual products require varying degrees of detailed knowledge of specific operating conditions. Particularly in the case of capital-equipment exports, studies for use and operation can already be sold as separate services (preinvestment services). Because essentially the customer request is already shaped by the kind and the result of the analysis of operating conditions, capitalist consulting firms use their preinvestment services for authorities and government agencies to exert a direct influence on future requests and terms for shipments. Even the application of equipment in conformance with customer requirements presupposes a thorough knowledge of the conditions for use. Furthermore, knowledge about specific user conditions in certain countries can lead to conclusions for the new and continuing development of products.

The producer of machinery and equipment does not always have available in his own enterprise the specialists that are required to prepare use studies and offers for the customer. Therefore close cooperation is necessary between producers of machinery and equipment and experienced users of these techniques in the GDR to conduct qualified consultations with customers on external markets. In the area of data processing, the practice is becoming more and more prevalent to prepare systems solutions jointly with users in the GDR and to export them to third parties. Naturally, it presupposes that participating users in the GDR are to develop material interests in the export of such systems documents.

The growing significance of the sale of consulting services and systems documents requires that combines and enterprises orient their research, development and projection capacities more strongly toward such tasks and expand the affected areas. It is also necessary to stimulate the production of these nonmaterial services more vigorously and to include them in the efficiency assessment of combines and enterprises. It means, for instance, that suitable regulations are to be found to determine the extent to which consultation services or software can be recognized as a part of the industrial production of goods and be computed as such.

The buildup of stable export lines requires that the customer receives advice and services even after the sale of goods. Customer advice after the sale--customer care--includes assistance and support during necessary repairs, breakdowns and constructive changes as well as informing the customer of new findings that affect the operation of the machinery and equipment.

An effective way of realizing such customer contacts turned out to be the establishment of user groups for products or product groups. Under the direction of GDR customer service specialists, users belonging to the user groups have the opportunity of exchanging experiences on the respective market while operating GDR products and to make suggestions to the producer for the further development of his equipment. He, in turn, can introduce his new developments in the user group. At the same time the user group can stimulate new customers to make purchases.

The consultation after the sale is very important for maintaining stable customer contacts, even if there are no special problems. A good service distinguishes itself by caring about the customer, but not only when the supplier wants to sell something.

Spare Parts Supply—Key Item of Customer Service

A central question of consumer service in export is the adequate, reliable, fast supply of spare parts to customers. Losses due to a breakdown of highly productive machinery and equipment, increasing economic as well as social burdens during production interruptions have been placing a constant pressure on delivery terms of spare parts. Even in international trade, the availability of spare parts within a period of 24 to 48 hours after reporting a failure is today no longer a rarety. To an even greater degree, exports firms that can compete on world markets are meeting the demands and requests of their customers even after warranty periods have expired. They are still guaranteeing a short-term and uncomplicated supply of spare parts.

In recent years many combines increased the production of spare parts faster than the production of goods. Consequently the share of spare parts production as a proportion of all goods produced increased substantially. It explains a trend which has been noticeable in various product lines, according to which the growth in the need for spare parts has been above the average.[5]

The increase in the production of spare parts, however, is only one way of improving the spare parts supply. The principal solution of the problem begins as early as product development.

The replacement of components or an entire group of parts is caused by defects in the development or during the manufacturing process of products or through the physical wear and tear during use (corrosion, exhaustion, age, overloading). Even Marx made a distinction between the two kinds of repair work: "Weaknesses of childhood" because of errors in research and production and "weaknesses of the age beyond the middle years" because of natural occurrences of wear and tear.[6]

In other words, possible damaging processes during use can already be met effectively during product development. The lower the number of troublesome components is in a product, the lower the expenditures will be for keeping spare parts available. Consequently, from the very beginning products are to be developed and produced in such a manner that as few parts as possible are needed as replacement parts for physical wear and tear during operation. Such an approach corresponds to the fourth point of the economic strategy of the 10th Party Congress containing the following statement: "Quality work demands that the development of new products be based directly on the most advanced scientific-technical results. Ambitious performance parameters must be accompanied by reliability and durability."

To increase reliability, many export enterprises found it beneficial to test function samples and zero-series products for their wear and tear, in close cooperation with the coworkers in customer service and important users.

Customer service areas have gathered sufficient experiences about weaknesses of products and causes for damaging processes. Every one of these experiences must be thoroughly analyzed during product development.

The fact that there are a number of products that are more expensive to maintain than to produce, persuaded many producers—even on the international market—to pay more attention to the durability of their products as early as during the stage of product development. Furthermore, by increasing the durability of their products, a significant amount of materials can be saved, which is needed to replace physically work-out products and components. Because of the growing expense of raw materials and other materials guarantees of life expectancy have become an essential sales criterion on export markets. Of course, there are also economic standards for the increase in reliability. Expense and usefulness must be properly related to each other. Thus it is theoretically possible that a product is completely maintenance-free and absolutely dependable for many years of use, but the necessary expense compared to the benefit of its use is not supportable, not to mention the moral wear and tear of such a product. Moving customer service functions from the market to product development and production also has its economic limits. The most effective choice of location certainly is the one where increased outlays for reliability and resulting lower costs for maintenance and up to lower expenditures.

Of considerable influence on the need for spare parts is the quality of products manufactured on the assembly line as well as the quality of packaging and transportation. Constructive solutions based on limited maintenance provisions must therefore include appropriate packaging for export.

In addition to improving the resistance to wear and tear, more emphasis in the research and development process should be placed on construction that is suitable for assembly and maintenance. In the interest of the customer and to shorten periods required for repairs, it should be possible to exchange defective components easily and quickly, which also means that if one part is worn out it should not be necessary to replace a whole group of parts. Furthermore, limiting the variety of parts through consistent standardization facilitates the supply of spare parts.

As the technical complexity of machinery and equipment increases, it is also becoming more difficult to locate the trouble when equipment breaks down. For this reason it is imperative that the necessary diagnostic procedure be prepared for finding troubles while the product is being developed and to share with the customer solutions for dealing efficiently with problems. In automobile maintenance, for instance, international standards are established through computerized diagnostic equipment, which by now has been developed sufficiently to be able to convert the results into oral statements which can be communicated to the automobile mechanic.

It is well-known that in addition to the physical wear and tear the life expectancy of a product also depends on moral wear and tear. In this respect, scientific-technical progress does not always lead to better solutions for the entire product, frequently only individual components or groups of parts

are affected. Thus the customer develops the desire to exchange morally worn-out parts for groups of parts that lead to an improved or expanded usability of the product, improving its suitability for its intended purpose. The possibility of such an exchange, which is to be considered even while the machinery is being built, offers to the customer the advantage of a selective renewal process, and to the export enterprise it means that following the initial sale of the equipment there are also stable export opportunities for important groups of parts for the product.

An adequate spare parts supply to meet the needs of customers requires a thorough assessment of the need for spare parts. Spare parts are needed in a specific combination, which means that if one single part of the combination is missing, the availability of all the other spare parts becomes ineffectual. To be able to make an accurate assessment of the need for spare parts as soon as new products are introduced on the market and to avoid a delay in gaining the necessary knowledge about possible breakdowns of components and groups of parts until the equipment is operating under specific customer conditions, it is necessary to find out about this breakdown possibility as early as during the process of development. At least for important components and groups of parts norms of wear and tear are to be documented scientific-technically or based on experiences and statistics to determine the need for spare parts.[8]

In addition to the wear and tear characteristics for test machinery, broad tests are conducted on various markets to determine the behavior of damage of mass-produced machinery. It is particularly important when a product is intended for export to countries where machinery is frequently exposed to a great variety of operating conditions (special climatic characteristics, soil conditions). Among other things, modifications of the average breakdown conditions, for instance, appear because of a varying intensity of use of the machinery, the quality of operation, maintenance and care as well as the purpose for which the machinery is used. Even the repair technology of the customer has an influence on the specific need of spare parts. To be able to find out wear-coefficients typical for various countries therefore requires close cooperation with the users. The conclusion of contractual regulations with important customers to establish the norms of wear typical for certain countries has been beneficial.[9] Particularly in developing countries it is recommended that consultants be used for the establishment of spare parts management and for gathering as much solid information as possible about the need of spare parts. Such consulting services can also be operated independently, based on contractual agreements.

The need for spare parts is not a constant matter and its full need is not apparent at the time the product is introduced on the market. Already Marx called attention to it when he wrote, "The more it (the machine--G. U.) goes beyond its medium life expectancy, in other words, the more the normal wear and tear is compounding and the material of which it is made is becoming brittle and weak, the more frequent and significant repairs will be needed to keep the machine operating until the end of its average life expectancy."[10] Accordingly the need of spare parts develops differently from the need for the products. The need for spare parts does not reach its climax until the

marketing period for the product is nearing its end. Consequently, most of the time spare parts are produced longer than the product itself. It can lead to special production expenditures that will affect the price of spare parts. If standardized components are used, a part of the need for spare parts for products that are no longer in production can be satisfied with groups of parts of the new product. In case of requests for spare parts for products that were discontinued a long time ago or when the demand for parts is extremely low, it may be appropriate to give to the customer the construction documents to enable him to manufacture the part himself.

The long-term assessment of the need for spare parts and the consideration for putting together a combination of parts to be included in production plans, trade agreements and export contracts does not exclude short-term changes in need and customer requests. For this reason measures have to be taken during production to increase the ability to respond to short-term customer requests in addition to qualifying the assessment of the need for spare parts.

To be able to make spare parts available on a short notice, an adequate inventory is required to be placed--depending on the situation--at the location of the customer, the producer, the representative, at customer service bases or repair shops. The establishment of centralized spare-part warehouses in combination with the use of data processing as well as modern transportation technology--an international trend--has already led to a noticeable improvement in the spare parts supply for several combines; in the process, participarly the time of response for the shipment of spare parts to export countries could be increased. This road is much more effective than tying up funds and workers in many small warehouses involved in the spare parts business. It is important to find a favorable economic relationship between saving money for warehousing and the accompanying higher cost of transportation. The size of spare parts inventories is to a considerable degree determined by the extent of mass production of certain products and parts. Since the manufacturing of large amounts of spare parts reduces the cost of production, it can compensate for the high storage costs for spare parts.

It is essential for export that the exporter supports the customers when they are establishing a spare parts business for his products. A fundamental condition for establishing a spare parts business is making available to the customer as soon as possible spare part catalogues with up-to-date information. For many products it seemed beneficial to establish guarantee spare-parts warehouses or to deliver to the customer a basic supply of a combination of spare parts along with the product. When assisting with the proper storage of spare parts, special attention must be given to the climatic conditions of the importing country.

With respect to those spare parts that are needed in large quantities, it may be useful to establish in the importing country special production capacities. Such solutions should be discussed and decided jointly with the customer. It could be useful particularly where the exporter has capacity problems when it comes to the production of the appropriate parts or if the customer wants to take out a license to assemble or produce the final product at a later date.

With respect to maintenance, a trend which is becoming more and more prevalent is to avoid making mechanical repairs to machinery and equipment "on location" and to exchange defective parts or regenerate them industrially. It leads to faster repairs and thus permits the customer to make better use of the capacities of machinery and equipment. Another reason is that industrial regeneration saves valuable material resources. Because of constant increases in material prices during the last few years--also in international trade--more attention is being paid to questions concerning regeneration. In this connection a number of questions are to be solved. For instance, thorough economic calculations are necessary to determine the cost of regeneration,

--compared to new products;

--to decide whether regeneration is to take place in the country of origin or in the importing country.

Customers are to take a material interest in the implementation of regeneration programs. If during the process of regeneration the customer is facing higher costs for the preparation, storage and transportation of the parts that need to be regenerated, an alternative must be available in the form of lower prices for regenerated parts or an offer to make up for it when worn-out parts are repurchased.

With the increase in national and international cooperation with respect to product components, the proportion of spare parts that is produced by cooperation partners is also growing. Therefore the producer of the final product and the exporter can only meet his responsibility of adequately supplying spare parts to customers by cooperating closely with the cooperation partners. At the present time, parts parts for many products. Cooperation relations with hundreds of suppliers for each product are not a rarety. In spite of the trend of an increasing share for cooperation groups, the responsibility of the producer of the final product for spare part shipments must be fully maintained. As far as the foreign customer is concerned, the producer of the final product and not several hundred suppliers must be the competent partner.

The spare parts supply requires special attention within the framework of international cooperation. In this area strict regulations and economic measures are also required to guarantee a stable spare parts supply.

Finally it must be pointed out that the growing tasks in customer service for combines and export enterprises will place high demands on the cadres that are involved in this area and on their political, technical and linguistic qualifications. Many enterprises are therefore facing the task of intensifying their market research and using effectively existing cadres involved in external sales and purchasing organizations as well as expanding extensively the core of experienced customer service cadres. At the present time, there are already several combines that have instituted vocational training (special classes for customer service technicians) to provide a long-term supply of cadres for customer service. In addition to qualifying independent customer service cadres for long-term or short-term use abroad, cadres are to be

qualified at the user's location or generally on the market to take over customer service functions. Furthermore, customer service organizations as well as workers from third countries can be contracted to provide services.

FOOTNOTES

1. "SED Central Committee Report to the 10th SED Congress." Reporter: E. Honecker, Dietz Verlag, Berlin, 1981, p 85.

2. In the "Woerterbuch der Aussenhandelspraxis" [Dictionary of Foreign Trade Practices], customer service is defined as "Product related services to guarantee and maintain the market value of sold products.... Among the most important components of customer service are: a. assembly, b. training and qualifying of assembly, maintenance, and operating personnel of the customer/buyer, c. maintenance..., d. supply of spare and specialized parts." ("Woerterbuch der Aussenhandelspraxis," Verlag Die Wirtschaft, Berlin, 1977, p 105); the "Woerterbuch der Oekonomie des Socialismus" [Dictionary of the Economy of Socialism] includes in customer service "services for the customer of goods before, during and after the purchase. The basic functions of customer service are economic, scientific-technical and organizational consultations with customers, the start-up operation (assembly), repairs, spare parts management and maintenance." ("Woerterbuch der Oekonomie des Socialismus," Dietz Verlag, Berlin, 1979, p 533); Model also considers advisory activities as belonging to the basic functions of customer service (cf. H. Model, "Der Absatz in der sozialistischen Industrie. Aufgaben, Methoden, Organisation" [Marketing in the Socialist Industry. Tasks, Methods, Organization], "Schriften zur socialistischen Wirtschaftsfuehrung" [Writings on Socialist Economic Management], Dietz Verlag, Berlin, 1973, p 206 ff.).

3. Among user documentations in its broadest sense are, among other things, application projects, user programs, programming documents, instructions for use, assembly instructions, repair manuals, spare part cagalogue, lists of spare parts that wear out in the native language of the user.

4. Cf. "General customer service conditions for machinery, equipment and other products that are provided for the execution of foreign trade operations between authorized organizations of the member countries of CEMA" (AKB/CEMA, 1973); "General conditions for the assembly and implementation of other technical services in connection with reciprocal supplies of machinery and equipment between the foreign trade enterprises and CEMA countries" (AMB/CEMA 1973); "General conditions for shipments of goods between the organizations of CEMA members" (ALB/CEMA, 1968/1975, in the 1979 version); "General principles of spare parts supply for machinery and equipment shipped in reciprocal trade between CEMA members and the Socialist Federative Republic of Yugoslavia."

5. Cf. V. Buehring and J. Hoeren, "Erhoehung der Ersatzteilproduction durch Spezialisierung" [Increase of Spare Parts Production Through

Specialization], DIE TECHNIK, No 2, 1978; H. Holzmann, "Untersuchungen zum Einfluss der Erzeugnisentwicklung auf die Senkung des Ersatzteilbedarfs" [Analysis of the Influence of Product Development on Lowering the Need for Spare Parts], Dissertation A, Technical University, Dresden, 1979.

6. K. Marx and F. Engels, "Works," Dietz Verlag, Berlin, 1956-1968, Vol 24, p 175.

7. SED Central Committee Report to 10th SED Congress, op cit., p 54.

8. Cf. B. Thieme, "Leitung, Planung und Organization zur Verbesserung der Ersatzteilversorgung im VEB Kombinat Fortschritt Landmaschinen Meustadt" [Management, Planning and Organization for the Improvement of Spare Parts Supplies in the Combine Fortschritt Landmaschinen Neustadt VEB], DIE TECHNIK, No 6, 1978.

9. Models of computerized damage assessment in connection with principal users are also used in the Robotron Combine.

10. K. Marx and E. Engels, "Works," op. cit.

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## CHIEF INTERVIEWED ON WAGE AND LABOR COMMISSION ACTIVITIES

Budapest MAGYAR HIRLAP in Hungarian 13 Mar 82 p 5

[Interview with Dr Albert Racz, director of State Office for Wage and Labor, by Ilona Peter: "Contemporaneously, Exactingly"]

[Text] Dr Albert Racz was born in 1928. He received his degree in economics in 1952. He worked as a departmental trainee, then as a professor's assistant for the department of statistics. In 1958 he became a colleague of KSH [Central Statistical Officer] where he later became deputy director of the industry department, then director of the economic department. He is an honorary assistant professor. Currently he is an undersecretary and director of the State Office for Wages and Labor, the legal successor to the Ministry of Labor.

Almost a half year has elapsed since the Council of Ministers created the State office for Wages and Labor. The measure has been effective for the modernization process of state direction, the effect of which is producing sensible changes and movements in the upper levels of direction, and in the life of organizations with national scope. It brought along with it the clarification and rethinking of tasks and scopes appropriate to the social and economic changes which gave rise to new problems and tasks for direction. How is the new institution for the state direction of labor questions adjusting into this process, and how is it finding its niche? Dr Albert Racz, undersecretary and director of the State Office for Wages and Labor replied to the questions of our colleague, Ilona Peter.

[Question] What range of tasks does the institution take care of? What belongs to its jurisdiction and what does not? Questions such as these are still often asked because many do not perceive the tasks of the institution clearly. Often we may also meet with uncertainty and misunderstandings. There were some, for example, who professed to discover the abandonment or the withdrawal of state direction of this area in the abolishment of the Ministry of Labor. What is the true picture?

[Answer] The decision of the Council of Ministers directing the establishment of the institution of the State Office for Wages and Labor, and at the same time designating its tasks has provided a clear and unequivocal answer to this question. The government has not released the direction of this important area from its control, although with the modernization of overall state direction (for example, institution of the Ministry of Industry) it has increased the self reliance and responsibility of enterprises even in this respect. The task of our bureau from its inception has been the state direction and coordination of wage and labor matters. This, naturally is not a brand new task, because with the discontinuation of the Ministry of Labor the continuity of our work is most perceivable in these two chief areas--which even appear in the name of our bureau. The modernization of direction, however, in addition to the organizational changes, demands the qualitative renewal of the work from us.

[Question] What progress has been made in "Internal" reorganization?

[Answer] After our establishment we formulated our tasks and our spheres of responsibility in wage and income policy, in employment research and in international cooperation. Two large areas of scope comprise the backbone of our activities--employment and wage policy. In determining our tasks we took as our starting point the political and government programs which are intended to implement total and effective employment concurrently in Hungary. Our work and all our efforts are towards this goal. We are participating in laying the groundwork for short and long range national economy plans for the development of employment, wages and incomes, and in the formulation of the necessary measures. We do this with our own specific methods. For example, we study manpower resources and needs, we closely follow the development of wage and income proportions and we prepare recommendations for their develoment. There is also a long line of exploratory, process analyzing and forecasting efforts with which we desire to assist the laying of a sound foundation for central decisions. These are also serving to provide a basis for the formulation of suitable statutory provisions.

[Question] According to this, does strong concentration characterize the work of your bureau?

[Answer] We are endeavoring towards it. We are directing our attention to the chief processes and tasks. Naturally we are keeping a vital relationship with practice. The goal in our decrees is not to provide up to date "recipes" which can be adopted everywhere, since the variety of social and economic life does not tolerate rigid regulation. In addition, in the performance of our tasks, we are systematically implementing the harmonization of social and economic interests. This assists in the understanding and acceptance of labor measures and regulations.

[Question] Who is now responsible for social policy and for plant and labor organization, tasks which previously belonged to the Ministry of Labor?

[Answer] According to the decision of the Council of Ministers, several authorities and offices are now dealing with social policy tasks. Thus, for

example, the National Planning Office is conducting the coordination within the framework of the national economy plan. Numerous tasks dealing with family policy and the health of workers were transferred to the Ministry of Health. The Social Security and Health Insurance Department of SZOT [National Trade Union Council] took over child care assistance matters requiring special handling, and the Finance Ministry is taking care of social policy matters which directly affect the budget.

[Question] The population has difficulty in following this reorganization and the redistribution of work which has taken place within the structure of state management. Questions of "what to address to whom" also occur often, especially for social policy problems.

[Answer] We ourselves are aware of this through our clientele, and through the volume of mail we receive. However, we are also aware that as far as the citizen is concerned, social policy appears related to working conditions. Thus we consider it natural for the people to seek answers from us. More time is required for the population to learn and to become accustomed to what matters are the province of whom. At the same time, social policy and employment matters also have numerous conjunctions, such as, the employment of pensioners and of those rehabilitated from health problems. Such cases, and generally matters directly related to working conditions and employment continue to belong to our bureau.

[Question] For plant and work organization also?

[Answer] No. The Council of Ministers has abolished the central authority coordination of enterprise work organization. Today we consider it logical and expedient for branch direction and the scientific institutions and organizations concerned to be occupied with organizational tasks.

[Question] In recent months, important employment measures which are affecting all of us have been enacted. We are specifically referring to the introduction of the new order of the five day work week and paid vacations. How did you manage to succeed with these since it is not a secret that you had to resolve the reorganization of your institution which entailed no slight problems, at practically the same time.

[Answer] Life does not come to a halt because of reorganization. We cannot stop working or cease functioning for even one minute. Our situation constrained us to work out the possibilities latent in cooperation with our sister organization as much as possible. The new modus operandi of our organization was developed and shaped "along the way." In my opinion our collective has stood the test. The changeover to the shorter work week, which affected nearly 3 million workers on 1 January 1982, took place with relatively few problems. This, however, does not mean that the task has been completed. During this half year another 120,000 workers will change over to the 42 hour work week. Moreover, in September, the nearly 180,000 education workers will change over, followed by the agricultural workers. From our observations to date, I would like to stress the importance of the cooperation between the state directive and social organizations, especially

the roles of the councils and specialty organizations which implement social control through their participation.

[Question] What other tasks are currently occupying the bureau?

[Answer] One of our most important tasks is the wage system, and within it, the modernization of wage regulation. Beginning next year, the implementation of modifications which will assist and promote efficient operation will be absolutely necessary. We shall continue to participate in the exploration of the causes of tensions appearing in employment, and we are developi recommendations serving to balance manpower supply and demand. We shall return special attention to assisting in the placement of young people just beginning their careers. In addition to performing timely wage and employment tasks, we shall prepare the new statutes for working conditions and the necessary modifications to the Labor Code Book.

[Question] In recent months uncertainty about the labor affairs apparatus was discernible at several enterprises. They complained of a decline in the prestige of labor questions. What are your views on this?

[Answer] At some places they are having difficulties in freeing their minds from the old conditioning--they are still expecting solutions to local labor affairs problems "from above." As I mentioned, we do not intend to lend assistance here since it is not out task to provide recommendations in all areas and for every detail. To those who perhaps are expecting this and thereby hope to have the prestige of labor affairs increased, we must clarify that the practical direction of employment belongs to the sphere of the local enterprise management. Moreover, it is among the most important of their tasks which requires increasingly greater self reliance, local independent action, flexibility and area cooperation. There is also a need for well trained specialists. Naturally, we consider it to be our fundamental task to assist and to make efficient manpower and wage management possible through our directives, regulations and instructions. Central interference with the employment measures of individual enterprises, or even cities or megye's would not be a sensible thing to do, as long as they do not break the law, and as long as these serve to promote good and workable management. Thus the role and importance of manpower and wage management will not decrease in the future, but will require more self reliant methods, local initiatives and an increase in efficiency in all areas of labor. We are also endeavoring to lend assistance in the implementation of these tasks.

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COUNCIL OF MINISTERS DISCUSSES SHORTAGES IN INDUSTRY

Budapest MAGYAR HIRLAP in Hungarian 5 Mar 82 p 7

[Article by Maria Lakatos: "On the Agenda of the Council of Ministers: The Paris Situation"]

[Text] Several dozen newspaper pages would not be enough to list those industrial parts in short supply. For years the materials acquisition people of enterprises have been looking for cardan shafts, compressors, motors, pins, nails and screws. Often equipment of great value is nonoperational for months or half the industrial park of a producer cooperative is crippled at the height of the season for the lack of spare parts costing literally pennies. The parts supply for agricultural machines and highway vehicles causes the biggest problem. According to statistics, the situation is not so serious. For example, in 1981 industry accepted 100 percent of the parts orders for domestic agricultural machines and ultimately satisfied 98 percent of the demand. The same percentages are valid in other sensitive areas. But this picture, which appears favorable, does not reflect the real situation; during the year great backlogs piled up for some parts, and deliveries were uneven.

At the request of the Economic Committee, the Ministry of Industry, the National Materials and Price Office and the Ministry of Foreign Trade prepared a joint document concerning the parts supply situation. The GB [Economic Committee] discussed the report in February and accepted its recommendations. We asked Dr Mrs Dezso Csurgay, a deputy main department chief in the Ministry of Industry, about the present situation and about what changes could be expected in industrial parts supply after the decisions of the GB and the government.

[Answer] Our analysis represented the first step in disclosing the nature of the problem; this is why we evaluated the parts supply for agricultural machines and highway vehicles, which causes the most trouble. We found that inadequate enterprise cooperation is chiefly responsible for the errors; there is also a significant shortage of capacity. Indeed, we found cases where an apparent conflict of enterprise and national economic interest caused a shortage of parts.

[Question] The producers are not interested in appropriate parts manufacturer?

[Answer] That is not what is involved. We were surprised to find that some producing enterprises put great emphasis on having the best possible foreign exchange balance reflecting their direct export and import. So they do not order parts that can be acquired from imports and are needed by other firms, thus decreasing their total import. Perhaps they are afraid that they will be judged on the basis of the development of the balance. But there are no material consequences from a deterioration in the enterprise foreign-exchange balance. The GB took cognizance of the proposal that from now on the Ministry of Foreign Trade will separate in its documents import by the enterprises that is not for their own use. Of course, such cases are not characteristic of the parts supply. For example, there is still no regulation on how long one must manufacture spare parts for machines and equipment. There is only a decree in regard to consumer goods obliging the manufacturer to make spare parts for a few years. It is the task of the lawyers of the Ministry of Justice to modify the regulations.

[Question] A provision did go into effect last year that makes it possible for parts manufacturers to charge their domestic customers as much as 1.5 times the profit obtained on the foreign market.

[Answer] There is such a provision. But--going beyond the matter of interest--parts production is also harmed by bad cooperation among enterprises. Contract violations are common and the customers do not ask damages for missed deliveries; to a large extent the parts market is still a sellers' market. A final-product view has prevailed for decades; it may be in vain to sell spare parts at a higher profit. There is little common, coordinated development. In many cases, import is much more favorable than cooperation--especially if the article desired comes from Western countries.

Sometimes--for example, in the case of products replacing socialist imports--manufacture is hampered by the fact that there are not enough orders, and it is not possible to produce economically and cheaply in small series. The spare parts supply problem cannot be studied without looking at the faults of the support industry. We attach great hopes to the newly developing small enterprises and associations--but the ministry does not want to intervene in the development of the production structure. In any case, we do want to encourage them to manufacture spare parts.

[Question] The domestic enterprises buy some parts from CEMA countries.

[Answer] Unfortunately there are failures to make delivery. Where possible, a domestic firm temporarily makes up the missing delivery, but over the long term we are trying to sign new contracts and enterprises cooperation deals with our socialist partners.

[Question] The rather complicated system of domestic trade compounds the faults of production....

[Answer] The Tool and Machine Marketing Enterprise and the Technical Goods Marketing Enterprise have created a so-called Technical Advisory Service to improve trade. By seeking free capacity, the new organization--surveying the

the needs--may find producers for the items in short supply. If this form should spread, it would do much to improve the supply of spare parts.

[Question] What changes can we expect after the GB decision?

[Answer] As I mentioned, legal regulation is being modified. We can expect supply problems to moderate with better cooperation among industrial enterprises, by organizing an exchange of information between manufacturers and users and with the help of intermediate, advisory, coordinating organizations working on the basis of interest.

We hope that the problems connected with socialist import will also decrease as a result of the planned measures. In cooperation with the Ministry of Foreign Trade and the National Materials and Price Office, we are continuing to look for opportunities to replace imports and are helping the realization of such enterprise goals.

8984
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MINISTER REVIEWS STATE OF INDUSTRY

Budapest NEPSZABADSAG in Hungarian 13 March 82 p 3

[Article based on presentation delivered to the Third Conference on Industrial Economics by Lajos Mehes, minister of industry: "How Far Along Is Hungarian Industry?]

[Text] We need undistorted self-knowledge in order to evaluate our industry's situation and tasks. Sufficient coolness and historical perspective are necessary to be able to see well: In what condition did the world's economic crisis, which has lasted for almost 10 years now, find Hungarian industry? When and how did this industry respond to it, where did it perhaps err, what strengths does it represent now, and what assurances exist even today and what is needed in order to conform to the more severe requirements?

After 1957, our economic policy--having learned from the lessons of the earlier era--also redefined step by step the goals and means for industrial policy, but the effects of the old economic policy haunted us for a long time, and are haunting us even today.

In spite of all these things, or together with these, within the fourfold increase in the national income between 1950 and 1980, industry's production in the national income increased eightfold. Thus, industry's share of the national income increased from 30 to 50 percent. In 1938, exports of industrial products were 40 percent of total exports (without food) with a much smaller volume; in 1980 it is almost 80 percent, and within this the share of machinery and industrial consumer goods is 40 percent.

The structure of our exports to the capitalist countries has changed significantly during the last 20 years. The ratio of raw materials and of agricultural and food industrial items has decreased, and that of semifinished products and of machinery increased.

Without the very rapid and extensive expansion of production, industry could not have contributed to such an extent to accomplishing the goal of providing full employment to that part of the population which is able to work. We can see now that this also had disadvantageous effects on industry's growth. For a long time, industry increased a significant portion of its production by creating new jobs and putting new manpower to work, while at the same time

agriculture--often under duress--embarked sooner on the path of intensive growth by the increasing use of machinery and chemical products and through the utilization of the results of biological research, changing its production methods, accomplishing its tasks with fewer and fewer workers. Between 1950 and 1975--by which time we reached the highest peak of industrial employment--more than a million people transferred into industry, most of them from agriculture and, to a lesser extent, women from households. Due to the effect of this, the ratio of the urban population increased from 41 percent in 1949 to 54 percent in 1980.

Industry had to provide work for the 900,000 people who became available from agriculture. Because of this, the quantitative demands on health care and child-care institutions and in general on the urban infrastructure significantly increased, also increasing costs to enterprises. Two-thirds of the people employed in industry are first-generation workers. In part, this meant breaking away from the previous circumstances, and in part it represented the difficult learning years of becoming a worker for a multitude of people, but the efficiency of industrial production also suffered from it.

Was it necessary for industry to accept such a burden of full employment? People can argue about it. But it is a fact that politics demanded this of industry, even after socialist agriculture became a reality! That is, the decision was born in 1963-1965 to accelerate locating industry in the provinces. As a result, while in 1938, 53 percent of industrial production was concentrated in Budapest, now only 27 percent of it is located in the capital city and 73 percent in the provinces. This distribution of industry in the country was also indispensable in the interest of keeping the population of the villages. The industrial-side branch operations of the producer cooperatives also helped in this.

As far as methods of management are concerned, the producer cooperatives have been operating for a much longer time than industry, and much more on the basis of value relationships and on the basis of the principle of group and individual interests. The state has also been implementing the central will here for a much longer time, by means of price, credit and tax, that is, financial tools. But in industry, we worked until 1968 in the system of directions provided by the plan. In the 20 years since nationalization, the models of socialist industry and management which have developed so far have become quite deeply engraved in us--even though the awkwardnesses have caused increasing problems. The 1968 reform caught industry quite unprepared and, due to the lack of experience, even the reform's specific regulators contained some elements which generated mistrust. Thus actually a half-and-half situation developed in industry during the years after the reform was introduced, while at the same time the beneficial effect of a favorable economic environment continued and stabilized in agriculture.

The old directive system no longer functioned in industry, but the new one was not yet able to take its place with appropriate effectiveness. Due to this lag, value relationships, profitability, and interst in exports permeated but did not control industry. This is caused the development of that well known situation in which the good and profitable enterprises supported, and in some

cases even today support those with poor performances. Thus not enough means are available for the advantageous developments. Today most enterprises not only accept the idea of the reform but also endeavor to conform to the new, higher requirements. But there are still things to be done to completely eradicate the obsolete attitudes.

We have programs for many things to get done, but we have questions on a good many topics which have to be answered at the governmental level. One of the outstanding questions among them is: Which methods are better than the old ones to provide the incentives for more efficient work? There should be a breaking away from the basic approach, and the effect of financial incentive which stimulates work and which differentiates in the standards of living should be used more deliberately. The price system is another area which can be considered "open." Linking international market prices with domestic prices is theoretically a big step forward. But in practice we have not found that method for this by which competitiveness can really be measured.

The coexistence of various ownership conditions and sectors in agriculture provides useful experience; these become organizations which complement each other. They flexibly searched for the most suitable organizational formats and frameworks. For example, economic partnerships developed much earlier in agriculture and there are also more of them than in industry. Production increased rapidly in state enterprises and producer cooperatives, but also in small household plot operations. When we study these, we can get a picture of how modern and traditional production can coexist, how new manpower, such as family members and the retired, can be involved in production, and how the sense of ownership helps achieve greater economic results.

We have done much, but not enough, in recent years to strengthen the sense of ownership of people who work in industry. We must now accelerate this process. Therefore, on the basis of the party Politburo resolution, the government is working on expanding the tasks of the councils which direct the enterprises, on improving the work of the enterprise control committees and on modernizing the system of appointing and rotating cadres.

In the several approaches aimed at improving the work of the enterprises, I see the most significant tasks in cadre work and in providing better work incentives. Differences can be seen in the history of cadre work and even in its present methods between industry and agriculture. The main difference is in the way the leaders are selected. From the beginning, the direct will of the membership in chosing and replacing leaders prevailed more vigorously in producer cooperatives. In industry, the opinion of the representative organs and the central ideas are in control.

The question can justifiably be asked here: Could this have been different, especially in the beginning or after the counterrevolution? It must be recognized that the economic managerial posts, particularly the jobs of director general and director in the large factories are the political guard posts of the authority of the workers! There is nothing strange in this, these are the decisive bases of bourgeois power in the capitalist societies, too. Managing the producer cooperatives represents much less a question of power than that of the industrial enterprises.

During the years, conditions have thoroughly changed in industry, too. An intelligentsia faithful to the working class has grown up. The political requirements represent different things today than they did in the years either after 1948 or after 1956. The number of forces adequate for these and suitable for leadership is incomparably greater than perhaps 10, or even more so that 20-30 years ago.

And yet, the mechanism of selecting the cadres got stuck at the original condition. Changes must be made in this as well as in the prestige of personnel work, so that leaders really be selected from among those most suitable. It must be taken into consideration that how well someone is suitable for leadership and to accept responsibility is a criterion of political realiability. If someone takes an enterprise into bankruptcy, no previously immaculate political life can serve him as a letter of protection.

The technological level, or in other words the study of the growth and condition of the productive forces from the viewpoint of production tools, technologies and the productive man, is an important method of approaching how well industry knows itself.

Hungarian industry's technological level used to be classified as a good average in the international field. Over all, this is not a bad evaluation, if we consider that before the war Hungary used to be considered an agricultural country. Since then, industry's fixed-asset inventory increased tenfold between 1950 and 1980 while productivity increased fourfold.

The conditions for industry's technological growth were not favorable in all respects during the 1950's. In the given world political situation, our industry's links with the world market were, in essence, broken off. Partly because of this, the mechnical quality of products deteriorated noticeably and the technological quality significantly during the course of extensive growth, particularly in the fastest growing areas. Since the late 1950's the major central programs, for example diesel promotion and public highway vehicle programs, significant also from the viewpoint of developing the economy's macrostructure, received emphasized roles in raising the technical standards of the national economy. The instrument industry grew rapidly in the framework of CEMA cooperation, and the production of computers was established. Acquisition of the results of international research begun. Relying on these, there was sharp growth in the industrial branches leading the technical growth, particularly in some branches of the chemical industry and of machinery manufacture. But the social effectiveness of the development programs was not satisfactory because of the shortcomings of their economic and technical foundations. Besides this, we continued to lag behind in developing the infrastructure, and we also did not succeed in significantly decreasing the shortcomings existing in our technical development.

In the late 1960's, the economic conditions were created for accelerating industry's technical growth by the introduction of the new economic management system. Increasing the independence of the enterprises, which allowed room for taking initiatives, and the increased involvement of interests in the

economic processes created favorable opportunities for modernizing the economy. The exports of our enterprises to capitalist countries also became significant in this era.

Our more active involvement in the world economy's distribution of work represented a great attractive force in modernizing industry's technical technical standards. The amount of equipment and technologies representing high or relatively high standards, purchased from the capitalist countries, increased sharply. But the ratio of these and the extent of their utilization, unfortunately, still fall short of the necessary.

The rapid economic growth in the 1970's made it possible to implement investments which greatly increased the technical standards of industry and of other branches of the national economy. Thus our technological backwardness significantly decreased during the last decade. This, of course, does not exclude the large differences which still exist between the industry's branches and between enterprises. Today the biggest drawback in production efficiency is that some elements with lower standards are being built into the technological chain which provides high productivity and exceptional quality. This lack of evenness can often be found even within the same plant. But in other cases a given plant is being held back by the lack of development in its industrial background.

Let's take just one area: the electronics industry as an example. While we are capable of producing modern equipment in several electronic, instrument and vacuum technology products, we lag at least a decade behind in microelectronics and in robot technology. The appearance of microprocessors has fundamentally changed design and production methods, products and services in electronics. Microelectronics is gradually becoming an indispensable element of practically every product, fundamentally influencing the growth of all branches of the economy. We consider the approval of the central development program of the production of electronic components to be a great achievement. Implementation of this program can help us make faster progress than before in improving the conditions and basis of electronification.

What goal can industry, the most dynamic branch of material production, make for itself as a realistic goal with respect to technical standards? Naturally, not that it be the leader in everything in international comparison. But it can make it a goal to produce a certain number of world-class products in significant quantities, and not to fall significantly behind in the gulf of international progress in its other products, either. And, of course, to achieve all this through economical production, because everything can be made expensively, but it just is not worth it. Thus, technical modernization must be interpreted in the mirror of the market's value judgments. For this, good products are needed, in modern and pleasing execution, and an appropriate customer service as support, with well-founded marketing work; that is, all these things are neeeded together.

8584
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MEANS OF SOLVING FOREIGN DEBT PROBLEM ADVOCATED

Warsaw RZECZPOSPOLITA in Polish No 52, 15 Mar 82 p 2

[Article by Michal Dobroczynski: "Indebtedness and the Chances of Extricating Ourselves From the Crisis"]

[Text] With the advent of the 1970s, Polish national economy faced entirely new problems in its relations with the world outside Since 1972, our country's balance of payments has been unfavorable, and in the middle of the past decade (i.e., in 1975) the volume of imports was almost twice as large as that of exports.

In the years 1972-1980 the total of imports was approximately 16 billion dollars larger than that of exports. The distributed national income actually exceeded the generated income, which meant subsidizing capital accumulation from outside of Poland. Our society, however, in general did not realize this--mostly because the then leadership of our country had vested interests in claiming credit for the growth rate increase of our economy.

The present indebtedness of our country already amounts to approximately 25.5 billion dollars and 3.3 billion rubles--the credits negotiated during the past decade have been augmented by some new ones and, above all, by the enormous (and continually increasing at a rapid rate) total of accumulating interest. The servicing of these debts considerably exceeds the capabilities of our national economy--in 1980, the installments on the principal and interest had already reached a level which was higher than the total income from Polish exports, and at least 6 years ago we broke the barrier of a relatively safe ratio between the volume of domestic exports and the size of debt repayments falling due in a given period.

Lack of payments equilibrium is not exclusively a Polish problem. Toward the end of 1981, the indebtedness of the developing countries was 524 billion dollars, while that of the socialist countries totaled approximately 80 billion dollars. In some countries, the level of foreign debts per capita is higher than in Poland. However, for many years now the world has not witnessed such a drastic unbalancing of the ratio between the size of indebtedness and the capabilities of national economy as, precisely, in the case of our country.

Much is already known about the causes of the Polish crisis. A peculiar combination of political, social, and economic circumstances led in Poland to

breakdowns involving almost all the areas of Polish life. The policy in the area of foreign credits proved to be one of the conditioning factors which determined the extent of the economic disaster. However, one should not assign an autonomous role to this policy; it was simply an instrument which was utilized in an extreme manner for aims which often contradicted the regularities of economic life.

Both on account of the international political situation, and because of the dominant social and political doctrine, the utilization of credit instruments [in Poland] in the 1960s was very moderate. The principle of payments equilibrium and a concentrated effort to promptly repay contracted debts prevailed over a policy of credit risk which could indeed bring additional profits but which could also result in unexpected losses.

A desire to gain social affirmation and to strengthen and, in the subsequent years, to retain, authority, resulted in a number of separate measures which were inconsistent with each other. Both the political aims of some Western circles, and the recessional economic situation--in which the investment of free capital in countries enjoying good credit reputation was not yet clouded by later experiences--facilitated negotiation of credit on relatively favorable terms.

Here one should emphasize that broad utilization of foreign financial resources and of the related modern technology transfer and other elements of economic development is not an exceptional occurrence in the most modern history of economics. Quite the opposite--the majority of highly developed national economies owe much to the skillful inclusion of outside funds in their [economic] processes. And so, failures in this area are due not to the very credit instruments or other channels of international transfer of financial resources but to a chaotic, casual, and arbitrary utilization of new instruments of economic policy by inexperienced decision-making centers.

The 1970s witnessed precisely this course of events in Poland. Under the influence of parochial pressures, foreign credits were utilized, so to speak, in a parallel manner, without proper coordination, in many mutually separated sectors of economic life. This created enclaves of modernity which did not have co-production support among domestic partners. Contrary to the expectations and simplified calculations of the decision-makers, this brought about a rapid increase in import needs.

Expenditures for the purchase of licenses, just to give an example, were followed by a succession of import consequences, even in the area of such relatively simple items as metallurgical products, uncomplicated chemical products, etc. The increase in investments, stimulated by credits, also had a considerable impact on our country's import demand in the area of food. In this situation there had to be an increase in the discrepancy between the import intensiveness and the capacity for equalizing imports with exports.

The credit policy, detached from the basic model changes, meant simply that a rather inefficient economic organism received ever-increasing injections which, however, stimulated only some of its organs and only for a short time, instead

of stimulating the entire mechanism of national economy for a longer time. This resulted in further disproportions from which we tried to extricate ourselves, first, through partial import-substitute measures, and second, through negotiating additional foreign loans. In the latter area, however, the situation continued to worsen. Credit in the world [financial] market was becoming more expensive; moreover, foreign creditors were increasingly concerned about Poland's solvency. The international business outlook was becoming less favorable. The world economic development of the second half of the 1970s occurred at a much slower rate than that of the preceding ten to twenty years; therefore, additional difficulties were bound to occur in the process of the export expansion of the Polish industry.

As for the domestic situation, next to prevailing political and economic conservative, the increasing inability to meet credit obligations was affected to an ever greater extent by the impossibility of rapid and efficient management of external financial resources (by investment cycles which were unduly prolonged and considerably more costly than those which had been planned) and also by the decidedly insufficient export adaptation of expanding industry. Moreover, poor coordination of credit measures caused an accumulation of credit obligations in relatively short time periods.

The social and economic situation which we have inherited from the 1970s, without the benefit of inventory, requires prolonged remedial actions--all the more so that the attitude of some Western political centers toward the problem of solving Poland's crisis is characterized at best by ambivalence if not by a desire to bring about a worsening of the situation. However, even without mentioning this issue, the chances of a definite improvement and of Poland's extricating itself from the credit trap must be related to:
--consistent implementation of the initiated economic reform which constitutes the indispensable condition for considerably more efficient management than has been the case up to now;
--limitation of the volume of all these export items (food, raw materials, technical components) which can be replaced by profitable domestic production;
--decidedly more effective adaptation of Polish production to the needs of foreign markets;
--skillful utilization of possible additional foreign credits for the activation of frozen production potentials;
--utilization of the hitherto unexplored possibilities of importing foreign technology, financial resources, and managerial skills which are related to the operation of assorted-capital enterprises.

The chances of extricating ourselves from the crisis are considerable; they require, however, incomparably greater than hitherto consistency, persistence, and economic judgment.

9577
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NEGATIVE PRODUCTION FIGURES FOR FEBRUARY PUBLISHED

Warsaw ZYCIE GOSPODARCZE in Polish No 8, 14 Mar 82 p 2

[Article by Ch. M.]

[Text] Extraordinary circumstances had an effect on the economy in February. These circumstances certainly include the rate of food price increases introduced 1 February 1982. However, it is not only the change in food prices, but likewise the change in the price of nonfood articles that has significantly affected the money-market situation.

Surely we shall have to return to this topic more than once. The deflationary effect of price increases, however, was limited in February, due to decreased production and deliveries for market supply. The less such production and deliveries, the weaker the effect of price increases on market equilibrium.

A primary cause of low February production was, above all, the supply and coproduction situation, intensified by restrictions on Polish foreign trade by the majority of capitalist countries. Coproduction links between plants, branches and some subsectors of industry and the national economy were disrupted. In conjunction with this, many enterprises have endeavored to change the production structure, adapting it to supply conditions. This has likewise caused some temporary disruption.

According to preliminary data, industrial production in February was approximately 12 to 14 percent lower than in February 1981. In January, it was 13.6 percent lower than in January 1981. Thus, the worsening of the production decline did not occur. Of course, this is no reason for satisfaction. In February 1981, production was likewise several percentage points lower than in February 1980. Consequently, the decline in production in comparison with 1980 figures amounts to approximately 20 percent.

The February decline in production for construction-assembly enterprises was still sharper than that of industrial production. It is estimated at 22 percent. In January, construction-assembly production declined by approximately 20 percent in comparison with January 1981 figures.

If we observe production of the more important products in socialized industry, we note that the difference in the level of production of particular products

for January is maintained, and even increased. Thus, the favorable situation in coal production is maintained, which is certainly a unique phenomenon within the bleak picture of economic reality. Coal production in February exceeded 15 million tons. In February 1981, it amounted to 13.3 million tons. In no month of 1981 did coal production exceed even the level of 14.7 million tons (March 1981). This means that the favorable situation in coal mining begun in January 1982 continues. The combined output for the first 2 months is 30.4 million tons, an increase of 14.4 percent over the output for the same period last year. Nor was brown coal output poor (3.3 million tons versus 3.2 million tons in February 1981).

Electrical power production in February 1982 approached that of February 1981. It amounted to 10.2 billion kilowatt-hours and reached 99.8 percent of the production level of last February. Unfortunately, this also means that electrical power consumption is too high, since the decline in industrial production was relatively great and should have been accompanied by greater savings in power consumption.

Here are the figures for the level of production decline for some products: Passenger cars declined by 55.3 percent; trucks and highway tractors declined by 31.9 percent; radio receivers dropped by 27 percent; televisions, by 33.4 percent; plastics declined by 20.7 percent and, in this category, rubber fell by 31 percent; chemical fibers declined by 35 percent. The production of railroad cars declined by 29.5 percent, but railroad passenger car production increased by 31.6 percent. The production of electric washing machines and dryers declined by 17.1 percent, and the production of household refrigerators and freezers dropped by 59.1 percent.

Cement production fell relatively slightly,--by 3.1 percent. Cigarette production dropped by 2.2 percent; the combined drop for the first 2 months of this year is 2.5 percent. Sulfuric acid production declined by only 0.4 percent. Crude oil refining dropped by 26 percent (19.5 percent for the first 2 months of 1982). On the other hand, meat and fat production from commercial slaughter showed a slight gain (of 4.2 percent over last February; unfortunately, this still represents a decline of 5.2 percent during the first 2 months of 1982).

Butter production also increased by 13.6 percent. The decline in farm tractor production (5.6 percent) was relatively insignificant, while production of other farm machinery, equipment and implements increased significantly. However, this is still not the total picture of changes in the production structure; we will be able to report the complete, verified data at a later date.

This preliminary survey shows us that deliveries of agricultural-food raw materials for industry were relatively good in February. Slaughter livestock procurement converted to meat was greater this February than last February by 3.7 percent, and amounted to 164,800 (?) tons versus 138,400 tons versus 120,400 tons a year ago, for an increase of 11.7 percent. Milk procurement amounted to 369 million liters, for an increase of more than 10 million liters (2.9 percent) over February 1981 figures.

On the other hand, cattle procurement declined by 2.3 percent. Poultry procurement declined considerably; by comparison with February 1981, it fell by 20.9 percent. Egg procurement was 13.5 percent lower than in February 1981, but the figures for January 1982 were 22.2 percent lower than in January 1981.

In characterizing changes in procurement, we must stress that relatively large deliveries of slaughter livestock have been maintained thanks to private farming. In socialized farming in February, as in January, procurement deliveries were approximately 30 to 40 percent lower compared to last year's deliveries.

Insufficient grain procurement in the face of diminishing reserves in the grain-mill industry is a serious problem with broad social ramifications. In February, private and socialized farms supplied nearly 157,000 tons of consumer grain to procurement points, or 36,000 tons more than in January 1982, 103,000 tons more than in December 1981 and 132,000 tons more than in November 1981. Given the major lag in grain procurement in the fourth quarter of 1981 and the drastic limitation of imports, the problem of the continued increase of grain procurement becomes a matter of special importance. The grain-mill industry processes approximately 18,000 tons of grain daily for consumer needs.

Now a few words about prices in trade between farmers and in trends in animal husbandry observed in February. Free-market grain prices reached a level of 2,900 to 3,400 zlotys per quintal. The prices of rye increased by 12.8 percent; barley, 14.7 percent; potatoes, 17.3 percent. This signifies a reduction in the profitability of animal husbandry, particularly the raising of slaughter hogs. In February 1982, the price of 1 kilogram of slaughter pork was equivalent to a 10.7-kilogram unit of fodder, or 0.3 kilograms less than in January 1982. The decline of piglet prices, given their low price (they bring 3,218 zlotys apiece), is likewise an important indicator. In February 1982, the number of bred gilts at breeding points also increased slightly in comparison with January 1982 (a decline from 108.6 percent to 106.3 percent). On the other hand, the price of cows continued to rise (by 6.2 percent), as did the price of heifers (by 8.7 percent), over last January. The price of cows reached a record level of 55,300 zlotys, and the average price of heifers reached 28,100 zlotys, for a 2.4-fold increase over last year.

The changes in foreign trade lead to different conclusions. Last month we wrote that imports in the currency of capitalist countries declined in January approximately 42 percent compared to January 1981. However, the combined data for January and February are representative here. The data for January may contain certain inaccuracies associated with establishing particular transactions at the end of December/beginning of January, the end of January/beginning of February and the like. Hence, in the first 2 months of 1982, imports in the currency of capitalist countries attained a value of scarcely 34.5 billion zlotys in current prices. We are not using foreign-exchange zlotys here. The zlotys in which these imports are calculated may be converted into dollars according to the table of exchange rates No 10/82 announced in TRYBUNA LUDU on 8 March 1982. According to the table, $1

corresponds in value to 82.39 zlotys. Thus, the value of imports for the first 2 months of 1982 in the currency of capitalist countries was less than last year's imports by 46.4 percent. This is calculated in current prices; in fixed prices the reduction in imports exceeded 50 percent.

Imports in the currency of socialist countries (combined for January and February) amounted to 54 billion zlotys and were 9.4 percent lower (calculated in current prices) than last year (68 zlotys = 1 transferable ruble).

Investment imports suffered the greatest decline in the structure of total imports. On the other hand, in imports in the currency of capitalist countries, the decline in supply imports was most severe.

Exports (likewise combined for January and February) in the currency of capitalist countries amounted to 44 billion zlotys. Thus, they exceeded imports from these countries by 9.5 billion zlotys. Exports in the currency of socialist countries reached a level of 42.1 billion zlotys and were lower than imports in these currencies by 11.9 billion zlotys.

8536
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FUTURE DEMOGRAPHIC SITUATION ANALYZED

Warsaw RZECZPOSPOLITA in Polish No 46, 8 Mar 82 p 2

[Article by Tadeusz Podwysocki: "A Look into the Future"]

[Text] In observing Poland's population processes, one cannot ignore the rather characteristic phenomenon called the demographic wave. Our nation has had demographic explosions and recessions coming one after another: first our number increases by a great deal, and then a decline in fertility occurs again. The latest, invesitgative demographic prognosis for Poland for the years 1980-2010 made by the chief Consensus Bureau (GUS) indicates that the population explosions and recessions so very typical for our country will occur in the future also. The first half of the 1980s will show about a 4 percent increase in population, or somewhere over 1.9 million people will have to be added to the birthrate balance. What will this mean for the state, society, the economy, construction, education, and other spheres?

It will mean first of all the necessity of taking into consideration in social, economic, and world-wide politics as well the phenomena of the above mentioned demographic wave, those considerable population increases, the changes in the structure of age and the very dynamics of population development. It is necessary to realize that after a demographic explosion a decline in the rate of population increase will follow and will amount to about 1.7 to 0.9 percent in the years 2005-2010. As early as 1987 16.6 births per 1000 people are foreseen, whereas in 1982 this coefficient is designated at 18.6. In other words, this year the nation's birth-rate per 1000 inhabitants amounts to 9.1 people, while in 1987 it will fall, according to the latest predictions, to 6.9.

Poland's demographic prognosis permits making certain statements of a more general nature. We are and will continue to be a young society. That is a tremendous asset--economically as well as socially. Although in the next 30 years the portion of the working age population will begin to increase (from 4.227 million in 1980 to about 5.9 million in the year 2010), on the demographic map of the continent we will continue to be one of the youngest societies.

## Increase of Manpower Resources

Without doubt the constant growth of manpower resources has been one of the extremely positive features of the whole post-war period. The investigative prognosis of GUS assumes that this tendency will continue to remain in effect for the whole 30-year period. This is essential for economic planning and forecasting. It is assumed that the working age population will increase from 21.211 million persons in 1980 to 24.835--25.587 million persons in the year 2010. That would mean an increase in human potential of 17.1--20.6 percent. Such an injection in manpower must inevitably bring with it the necessity of capital expenditures to create new jobs. Obviously, one can reflect on the structure of the investment processes, but one cannot forget that once more the necessity will arise to increase the size of investments. It would be good if services, housing construction and the whole base of the nation's technical infrastructure were to coincide with this trend.

The basic question is "When will the growth in working age population come?" About 600,000 people will join the labor force in the first half of the 1980s, while in the years 1986-1990 the number will be still smaller, for that increase in manpower will not exceed 300,000 people. Or, the situation will undergo a rapid and radical change only in the first half of the 1990s. The generation from a demographic explosion will enter the labor force, and the increase of working age population is estimated at about 700,000 persons; in the last five years of the twentieth century it will be necessary to provide work furthermore for close to a million people. The decline in increase in working age population will be checked only after the year 2005, when it will reach a limit of 400,000 persons.

## City--Countryside

Undoubtedly, the one great, unknown quantity is the migrational processes from the countryside to the cities. The demographic forecasts take into consideration only part of the phenomena. The work of the Department of Demographic and Social Research of GUS demonstrated that the urban population growth is dependent to an important degree on migrational movements. If one assumes a complete check to the migrational influx from the countryside, there is an indication that in the extreme case of a decline in the level of fertility, a decrease in urban population can occur.

However, will the population movement from the countryside to the cities be checked for certain? It is difficult to precisely foresee such a phenomenon within a period of even 10 years. After all, many social, economic or even political factors can effect population movement--stimulate or restrain it.

At any rate, the demographic prognosis of GUS assumes a systematic decline in the growth of the urban population. The authors of this document foresee that as the migration from rural areas is checked, the age of the urban population will begin to rise much more rapidly than today. Then the phenomenon of the rejuvenation of rural society would occur. It is a known fact that the young people's flight to the cities which has existed up to now continually raises the age of the rural population.

These are phenomena of great significance for the spatial management of the nation and for social and economic politics. It is necessary to be aware of the fact that as a result of a stem in migration from the countryside to the cities, the birth-rate in our cities will decrease from 9.2 persons per 1000 people in 1980 to 5.3 in 1990 and to 5.1 in the year 2000. The experts say that in the final years of the projected period such a situation in the urban-rural population movement can even lead to a decline in the condition of the urban population.

Social Effects

One must add here, however, that this in no way means a restraint in the process of the urbanization of the nation. From the research of the PAN (Polish Academy of Sciences) Committee "Poland 2000," it is evident that still in this century urbanization processes should significantly decrease the distance between city and countryside in civilization, culture, and technology, and even the severe economic crisis cannot restrain that process. Consequently, the GUS demographic prognosis foresees that the portion of urban population in the general number of the nation's inhabitants will grow from 58.7 percent in 1980 to 71.2-77.8 percent in the year 2010. That would mean that only every fourth Pole will be living in the countryside--obviously, at the end of the prognosticated period.

Population phenomena in the city and countryside, these demographic waves, create a rather intense social and economic situation. It is foreseen that the pre-working age population in the cities will grow from 26.9 percent in 1980 to 27.9 and even 29.1 percent in 1990, and in the countryside in the same period there will be a decline from 31.5 to 31.4 percent. The point of this is that there will be a considerable increase in the number of pre-school and school aged children in the cities. The demographers are in agreement on this matter. Here is a fact of fundamental significance: the number of children of nursery age in the cities may increase from 1.4 million in 1980 to 1.7-1.9 million in the year 2010. But in the rural areas during that time a decline from 1 million to 786,000 is to occur. That will bring with it the necessity of additional expenditures of money in various spheres of urban life and an increase in economic liabilities for the entire nation.

9541
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GOVERNMENT MINISTER FOR ECONOMIC REFORM INTERVIEWED

Warsaw ZYCIE GOSPODARCZE in Polish No 2, 31 Jan 82 pp 1, 4

[Interview with Prof. Wladyslaw Baka, government minister for economic reform, by Karol Szwarc: "The Start of Reform"; date and place not given]

[Text] [Question] What changes in the principles of the functioning of enterprises in the current year were introduced by martial law?

[Answer] In order to answer this question, one must recall first that on 30 November last year the Council of Ministers voted a resolution on the principles of the functioning of state enterprises in 1982. This resolution must be treated as a basic act, which begins a huge process of restructuring our economic system.

Immediately after 13 December, we began to ask ourselves if this resolution could be implemented at all under the new conditions, or if changes were necessary, resulting from the revaluation of methods and aims in compliance with economics under martial law.

After a thorough examination of these matters, we concluded that there is no need to change those principles significantly.

First of all, the aims have not changed. The overall aims remain: overcoming the crisis, beginning the stabilization processes, ensuring that society has the basic means of existence, beginning to improve effectiveness.

More detailed aims were expressed in the operative programs, which were already written in November. Deeper reflection has led us to the conviction that those detailed aims should only be supplemented--which probably would have happened even without the introduction of the martial law--with programs such as production and supply of work and protective clothing, or production and supply of meat and fats. In a word, we are concerned with satisfying the most basic living conditions of society.

[Question] But did not the very methods have to be revalued?

[Answer] Martial law, first of all, militarizes some branches of the economy, introduces strict discipline in execution and significantly strengthens the one-man leadership. Those conditions had to be considered, therefore, when the operational mechanism was designed. The rules of martial law, however paradoxically it may sound, did not fundamentally alter the idea of the autonomy of enterprises, as far as their ties with the outside world is concerned. They did influence, though--and this is a major deviation from the earlier intentions--the suspension of self-governing activities, which prevents them from the participation in the first phase of the implementation of the reform. This autonomy will materialize through the administrative factor, represented by the director.

[Question] One can often encounter an opinion that the suspension of self-government gives the reform a typical managerial flavor.

[Answer] The first proclamation of the Military Council of National Salvation forcefully stressed that workers' self-government is the foundation of the economic reform.

We have considered a proposition that self-government should work only in the consultative capacity....

[Question] ...and controlling capacity.

[Answer] Yes, it is a consultative and controlling capacity, but without a decisive voice, since martial law elevates the principle of one-man management to the role of a superior rule.

We have acknowledged that limiting the role of self-government would be incorrect; it would too vividly recall the return to the model of the KSR.

[Question] So it is a fear of figurehead solutions.

[Answer] Yes, it is true. We also did not want to make decisions in this respect without the participation of the self-government activists and of the work forces. The December resolution on the economy under martial law, therefore, permits the reactivation of various functions of self-government in particular areas, after consultations with the work forces.

However, we want the very introduction of the reform to have the broadest possible popular backing. For this reason we think that outstanding workers, technicians, economists, production managers, etc., should be invited to the activities of the enterprises' commissions on reform.

Thanks to this, a climate for the integration of the work force with the reform could be created, and, by the same token, the rebuilding or creating--because it fared differently in various enterprises--of the workers' self-government in a later period would be easier.

[Question] Were any essential changes made in the economic and financial system?

[Answer] The way the enterprises' profit is made and divided, the principles of taxation, the system of incentives, the right to set the volume and structure of employment freely, etc.,--all these were retained in the form established in November last year.

As far as the allotment of the foreign exchange funds to the enterprise is concerned, however, a change took place. The same principle is in force, but the cirteria were made more strict. Previously we assumed that the allowance norm would be established on the basis of the proportion between the coproduction-supply import and the volume of export. Now the foreign exchange fund allowance will be figured on the basis of the proportion between the value of deliveries from the coproduction-supply import to the export production and the value of export. Put differently, this allowance is smaller when the import is used for domestic needs. These stricter rules result simply from our difficult foreign exchange situation.

The way the plans are designed in the enterprises, however, remains unchanged, in spite of the fact that the scope of the operational programs has been broadened. The operational programs plenipotentiaries were empowered to assign a specific task to a given enterprise in cases when this would be considered necessary. But, taking into account the fact that operational programs open the gates to the supply, those powers do not have to be utilized, because the enterprises--and this is understandable in the deficit situation--want to participate in implementing the operational programs, because the chief regulator of this economic activity became the material-technical supply system. Participation in the operational programs means securing the first place in the supplies queue.

[Question] Let's make it clear: Does or does not the participation in the operational programs, fulfilling the tasks involved, have an obligatory nature?

[Answer] One cannot view this in such a way, since production capacities in the decisive majority of vases exceed the possibility of supplying them with raw materials. Thus, if an enterprise wants to avail itself of the supply deliveries provided by the operational programs, it can do so by submitting its offer and by signing an agreement to supply certain kinds of products. The problem of selecting from the number of those willing to participate in the operational programs remains, not the problem of ordering participation in implementing these programs.

[Question] And what would happen if some producer of the final product or some coproducer refuses to participate in a given program?

[Answer] In such a case the plenipotentiary is empowered to enforce the fulfillment of a particular task, at the same time ensuring the enterprise certain economic conditions.

[Question] It means, to put it differently, the elements of compulsion may exist.

[Answer] Yes, indeed it does. This is a novel element, which has been introduced by martial law.

[Question] What will be the procedure regarding those enterprises threatened with suspension or lasting restriction of their production because of the supply deficit?

[Answer] The resolution on the economy under law provides for a duty to review such enterprises by the end of this month. This deadline will probably be extended, since an operation of suspension or lasting restriction or production is a painful one and socially disquieting. Because it touches upon human problems, it is tied up with requalification and relocation of employees. It is, though, a necessary operation because in such a way one can implement among the other things, the indispensable for the economy conversion of the resources.

As far as the operational system is concerned, the principles of financing must be adjusted to those particular conditions. Introducing the principles of complete self-financing in those enterprises wouldn't be a viable approach.

[Question] Are the obligatory or voluntary associations already being formed?

[Answer] Setting up associations has been suspended. We took a consistent stand that an agreement creating such an association--as stipulated previously--should have the signatures of both the director and the self-government body. Because the activity of the self-government bodies has been suspended, we have decided that it would not be proper to create lasting structures without their participation.

[Question] But the process of liquidating the associations has not been reversed.

[Answer] Those decisions--not counting the militarized areas--are being enforced. But in order to fill the gap created after the liquidation of the associations, a transition formula has been proposed exclusively during martial law. An institution of plenipotentiaries responsible for the matters of the selected branch or production units has been set up.

[Question] We already hear accusations from the enterprises--which are somewhat justified by the habits of part of the cadre taking over those functions, and who have been until now empoyed by the associations--that an attempt it thus made to let the old structures in through the rear door.

[Answer] I would like to assure you most firmly that there are no such intentions. The institutions of plenipotentiaries for the branch or production units should not be treated either as intermediary management links--as surrogate associations--or as permanent structures. Their aim is to anticipate functions and ties that will be fulfilled by the obligatory or voluntary unions.

In order to forestall any deviations from these principles by these plenipotentiaries, we will subject their activity to strict control.

[Question] Won't the functions of these plenipotentiaries collide with the functions of the operational programs plenipotentiaries?

[Answer] The branch plenipotentiaries offices may in certain situations assume the role of the operational programs plenipotentiaries.

[Question] Are there any changes on the central level envisioned?

[Answer] The reorganization of the central level has not stopped. We anticipate that in 2 or 3 weeks the Council of Ministers will reach--in accordance with the wishes of the writers' and artists' circles and the Commission on the Economic Reform--a decision to create the Ministry of Administration and Territorial Management, which will be in charge of the integrated complex of matters of urban development, architecture and building industry supervision, as well as of regional planning, geodesy and cartography. A decision will be made also on creating the Ministry of Geology, Water Management and Environment.

[Question] What changes are planned in the territorial systems?

[Answer] A substantial extension of the economic powers of the regional authorities is foreseen. Which represents an integral part of the reform. By the end of February all the decisions should be made as to which prerogatives of the ministries of building, agriculture, commerce, local economy will be transferred to the voivodeship level, or to lower levels. The aim is to attain a real unity between the place where the decisions are made and the conditions of the optimal implementation of these decisions.

This involves many conflicting problems. Transferring these prerogatives will substantially alter the geography of decisions. The weight of the responsibility for direct decisions of the central level would diminish in many areas; e.g., in the matters of general and agricultural building, agricultural production, trade, etc. The responsibility of the local authorities for the solution of the problems of their own region, however, would increase decisively. The most important point of all these changes is that widening the prerogatives should be followed by an increased access to the resources.

[Question] In many factories--but not only there--one hears an opinion that many constructive elements of this year's principles guiding the activity of enterprises are overdue.

[Answer] Diverse factors are responsible for this situation. Following the Council of Ministers resolution on the principles of the activity of enterprises, over 20 ministerial orders regulating various detailed problems should reach the enterprises.

Those delays result primarily because the work on adjusting the principles of the economy to martial law was conducted till the end of December. After

this phase has been completed, the work on executive orders has started immediately. At this time all these orders are almost ready.

There was, however, a problem of the communication of information. We will overcome these difficulties, and these normative acts should reach the enterprises through the ministerial channels by the end of this month. We are forwarding these materials to the enterprises-consultants and voivodeship reform units. We are involving in this work such organizations as PTE, TNOiK and the Accountants' Association. Finally, we have an agreement with the editorial board of RZECZPOSPOLITA, which will systematically present these acts. We have considerable hope for the reactivation--if one can say so--of the ZYCIE GOSPODARCZE, which most probably will not only present the new principles but, first of all, will explain and comment on them. Starting in March, we intend to resume the TV instruction program.

[Question] Right now, though, there is a considerable confusion in the enterprises as far as the beginning of reform is considered.

[Answer] The biggest problem was the price lists of supply goods. They simply have not reached everybody on time. At the same time, starting last July, when the supply prices were decided, many conversion factors were changed. Some of them do not apply any more, and the enterprises must have a really good knowledge of all this.

[Question] Here is Warsaw I hear that, regardless of the delays, knowledge and the behavior in some enterprises indicate that the reform was not intended to be implemented at all. Isn't this an unjust opinion?

[Answer] Obviously, as could have been foreseen, the behavior of particular enterprises differs. There are active enterprises and passive ones. The active ones take advantage of all the channels and contracts in order to be up-to-date in the reform. In the passive one neither diagnosis nor training was conducted. And the largest number of misunderstandings takes place there. They also face the most difficult task of overcoming this information gap.

[Question] It is puzzling and shocking how the enterprises use their powers to set independent prices for a great number of articles, including market items.

[Answer] Unfortunately, a considerable number of enterprises can be accused of this. An easy way of stuffing their purses has blinded them. This reaction could have been foreseen. For this reason we have conducted preventive action in order to restrain enterprises from taking such socially shocking action.

We have anticipated 70 to 90 percent price increases of industrial articles, which was justified primarily by the changes of the producer prices. But the proposed 300 to 400 percent price increases do not have any relation to this change. The calculations do not reflect the decrease of the cost of materials or of labor-intensiveness. At the same time they assume increased losses from

deficient production. The prices include all kinds of "insurance" against idle production capacity; i.e., the general costs are hiked beyond any reasonable justification. The domestic trade is also at fault; it did not make any decisions on high-profit margins on time.

As producers they all want to make money on this, but at the same time, as consumers, they are all taking part in a violent--and understandable--protest choir.

[Question] How can one counter such negative tendencies?

[Answer] Some individuals are saying that a general return to the official prices is necessary. One can give the following answer to this: It is possible, but there will be simply no goods in the stores.

The second, extreme opinion favors not touching anything, letting the crisis loose its steam, letting the enterprises run on the principle of a free market and things will somehow be reined in.

There is a third way. It is necessary to introduce such a mechanism, agreeing with the principles of the reform, that would spur the enterprises to rational management. I can see two basic elements of this mechanism. A category of standard goods should be introduced. It would be a small series of several articles, the prices of which would be strictly controlled but calculated according to the principles of profitability.

At the same time, principles of cost accounting should be found to prevent paying for the cost of wastefulness. We are familiar with the method of justified costs, separated from those unjustified. The finance minister is responsible for preparing a proper directive on this matter. Inclusion of the unjustified costs in the prices would result--according to this proposal--in a decrease of an enterprise's profits.

[Question] Aren't you afraid, Mr. Minister, that the issue of prices may trigger a reaction of retreating from the principles from the reform?

[Answer] I am troubled by such fears. It is really a turning point of the beginning of the reform. The most important problem is to stay on course, conforming with the principles of the reform, which requires pacification of those dangers originating in the price-setting attitude of the enterprises. How is this done. In the domain of human conscience it is still necessary to warn against the illusion of easy solutions. If we reinstitute general and central price-setting, if we reinstitute general assigning of targets, if we reinstitute general allotment of resources, the result will be a return to the directive-distribution system, which after all resulted in a crisis.

At the moment, the point is that the corrections that will be introduced--and this must be done because the system is not perfect--must strengthen the general trend instead of turning back the history's clock. Otherwise demagogic voices would be heard about the unreformability of our economic system.

In fact, this system can and should be reformed; it is possible to eliminate gradually faults and errors. To do this, tough, a system of early warning is

indispensable. And the corrections must be promptly and efficiently implemented. Finally, the society's and producers' understanding must grow as to which moves serve the reform and which ones solve the problems only superficially.

[Question] A final question is: How is the work in Sejm on the ultimate solutions progressing?

[Answer] As known, at the beginning of December last year draft laws were sent to the Sejm that--next to the self-government and enterprise laws--define the ultimate shape of the reform.

After 13 December there was some question whether the government would support or retreat from some drafts. This matter cleared up 22 December. At the meeting of three Sejm commissions I had the honor on the government's behalf to support these draft laws fully.

Such a government stand unequivocally indicates that the will to reform is not only a question of words or declarations but finds its expression in concrete initiatives. It makes it clear that the version of reform discussed over and over by the general public, voted for by the Ninth Congress, and approved by the Sejm in September last year will be implemented, naturally together with all the additions and expansions provided by actual application.

In submitting these draft laws to the Sejm--which probably is not noticeable by everybody--the government assumes a kind of self-restricted position as fas as the possibility of creating the working mechanism is concerned. By the same token, it creates institutional dams against a return to the old ways. I hope these dams prove effective.

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CRITICAL COMMENTARY ON ECONOMIC SHORTCOMINGS PUBLISHED

Warsaw ZYCIE WARSZAWY in Polish 17 Feb 82 p 3

[Article by Czeslaw Bobrowski: "Act of Courage"]

> [Text] I would not have written this article, if it had not been for an unfortunate accident (slippery outdoor conditions), which interrupted my present functions for two weeks. This allowed me to take a look, from a distance, at the most important issue of the present moment. These are the same issues which I have already touched upon numerous times and whose subject matter is constantly and widely discussed: systems-type reform, prices, inflation and employment. It is only natural that in the course of the current discussions, attention is called to shortcomings of the adopted solutions and that critical elements are emphasized. This is all the more understandable, that everyone and especially this writer, has been fed up for a long time with praising that which is taking place. However, along with this understandable and necessary attitude, the image of /comprehensive operations in progress and their downright extraordinary significance/ becomes blurred.

Let us begin with the matter of prices. This represents the oldest error made in the economic policy of PRL [Polish People's Republic]. It dates back to 1945 and had been made in Lublin. Incidentally, I did not become fully aware of its meaning until 1947--something that I consider to be my biggest error of judgment during the entire postwar period. The labor group, which was entrusted with creating a new price system (I do not know its [labor group] entire make-up since at that time, I had not yet returned to the country), adopted price lists from 1937 as a base and applied widespread factors to them--ranging from 1 to 6. It is not clearly evident what guidelines were used in determining these factors. I only know roughly, that low factors were adopted for goods whose production was monopolized before the war as well as for compulsory deliveries of agricultural products. This gave rise to rather strange proportions but what was of even more importance was that the average of these factors did not remain in any relation to the proportions of

the purchasing power and its relationship to the level of production. Most likely, the appearance of inflation--which is, after all, unavoidable--was not counted on while perhaps what was counted on were the far-reaching effects of the unfavorable exchange rate of German marks and not counting on the fact that financing of the budget will have to be based on the printing of bank notes for a long period to come.

The result of this state of affairs was a phenomenon, which may be described as a system or rather the lack of a system in which everyone made additional payments on behalf of everyone else. Procurement prices were low, therefore, peasants "made up for" these prices by selling on the free market--urban consumers and laborers additionally financed agriculture. However, their meager wages were not sufficient to make ends meet, in which case, they--but not all--were helped by allowances of packages from UNRWA sold on the free market. Despite low wages, a huge part of the industry operated on a deficit compensated either by consuming supplies inherited from the Germans or by securing bank credits. The State additionally financed industry and in time--in the face of the inability to back up ration-cards with procurement and supplies from UNRWA--a provisions fund was formed which covered the differences between procurement costs on the free market and income from ration-card sales at prices several times lower.

Naturally, this chaos was placed in order gradually and very slowly because, among other things, very few state-owned enterprises demanded price revisions, considering the futher incurrment of debts as an easier road to follow (the exception being, for example, PKP [Polish State Railroads], which doubled their fares in a short period of time and shortly after that carried out a subsequent fare hike which was already six times higher as compared to the original level). In 1947, the situation became unbearable since its consequences expressed themselves in an annoying income increase of private business, which was supplied at state prices and which sold at free market prices. Only some industries decided, at that time, in favor of the--after all, justified--increase of sale prices while the "battle for business" put a halt to increasing free market prices, at the same time, throwing out the baby with the bathwater; i.e., eliminating private business before we were able to replace it with a socialized system.

In later years, a certain order in sale prices occurred, which included, however, the adoption of the two-level principle of prices with a considerably lower level of manufactured goods than consumer goods. This was supposed to be conducive to the development of industry. Following October 1956, the two-level phenomenon was toned down slightly. However, in the area of compulsory deliveries--it was decided not to eliminate them but only to limit them. One of the consequences was the permanence, for over 20 years, of an absolutely unfounded disproportion between low food prices and high prices for manufactured goods. The pressure of economists aiming for the elimination of these disproportions was met with opposing views and did not find understanding with the authorities. In the late 1970's, under conditions of rising inflation, we reached a paradoxical state in which, following the increase of procurement prices carried out the year before, surcharges on food reached an amount nearly three times higher than the takings at official prices. I am

not writing here, the detailed history of aberrations which have characterized our price policy for over 30 years--I only wanted to make us realize that we have been unable to correct the original sin of 1945 up to the moment of current price operations. What is worse, the 1970's destroyed this limited financial accumulation, which we achieved within the framework of the price system at that time, leading the state of affairs to total absurdity.

Inflation came into being very early and it had to come into being. In the beginning, its sources were not so much investments--modest, for the time being--as the lack of budgetary income and the financing of industrial deficits. With the beginning of the 6-year plan, investments with an expanded range and a diminishing, by force of fact, effectiveness and, above all, with an increasingly longer investment cycle, emerged at the head of causative factors. The inflationary spiral was temporarily halted by the currency exchange and sharp price increases--so sharp that in 1953, it was even necessary to conduct a slight lowering of prices; however, inflationary phenomena reappeared rapidly while drain-type operations from the turn of 1957-1958 were too imperfect to bring lasting balance.

During the 1960's, a rather paradoxical situation developed. Fear of inflation played an important role in the policy of the then first secretary, which in turn gave rise to the halting of wage increases and more strictly speaking--to their stagnation. In spite of this, however, huge increases in employment and again rising investment rate became the new source of the inflationary process, particularly since they were accompanied by resistance towards increasing the production of commodities necessary to meet the increasing demand of goods of a higher order (the well known reluctance in respect to automobiles) and the willful halting of meat production increases. It is not worth talking about the 1970's in more detail--their memory is still quite fresh. In sum, the euphoria of "building a second Poland" in combination with delusion, since the increase in nominal wages will in itself be a sufficient incentive for production growth, have transformed a creeping inflation into inflation which someone aptly called barbarian. Applying the brakes in 1974 to the rate of investment growth along with parallel wage increases would without a doubt, be enough for a painless restoration of balance. Two years later, a strong remedy was already required which failed in 1976. The year 1981, under conditions of well known opposition, difficulty and wage pressures, naturally, could not eliminate inflationary tensions. In sum, if we disregard short intervals of several months duration and, at the most, lasting 1 year, we have lived through more than 30 years under conditions of weakening and intensifying inflation, creeping inflation and finally on which totally ruined market balance.

The history of employment superfluity is equally as long with only one difference--that in the beginning this superfluity was an economically harmless and socially useful phenomenon. I once used the description that during the 3-year plan, we had adopted an open door policy in factories; i.e., employing anyone who applied. This protected us against apparent unemployment and enabled people returning from camps [concentration, labor], from deportation and repatriots to adapt themselves to the new conditions of life and work. At the same time, the rapid growth of production made it so that after 2 or 3

months, those who made up the employment glut became needed in the given plant. At the threshold of the 6-year plan, the situation began to change. Employment increases, fed by an influx of persons from rural areas were too large for a slower rate of production growth to stabilize, without giving rise to lasting employment overgrowth. During the 6-year plan and within the framework of the developed directive-type system, managing directors were the letter of the plan but by esoteric knowledge of the real meaning of particular indexes. There were, in fact, no sanctions for failure to work out the financial plan or for exceeding the limit of employment. Only the failure to work out a total production plan could have resulted in unpleasant consequences for the managing director of an enterprise.

Under these conditions, the phenomenon of creating a "private, reserve working army" in enterprises must have taken on a commonplace character. In 1957, an attempt was made at eliminating overgrowth by changing financial regulations in the example of Yugoslavia, in such a way so that savings from the wage fund achieved by decreasing employment, would increase employee earnings. The result was mediocre and just as mediocre were the effects of the administrative methods of fighting overgrowth; a short-lived battle because during Gomulka's time as well as during Gierek's, one of the major tendencies of employment policy was the stimulation of the passage from the country [rural areas] into the city (justifiable to a certain degree during the 1960's and totally unfounded in the 1970's when this process weighed heavily on the conditions of agricultural production).

The year 1981 revealed that personnel overgrowths [surpluses] became a kind of fossilization; that with a 15 percent drop in production, employment did not even budge; that with some 130,000 unfilled positions in certain plants, only some 13,000 people are looking for work and that the rest are stubbornly remaining where they were employed. It should be stated for a third time that the disease of overgrowth in employment is also a long-term disease. What is worse, it seems to me, is that this is the most difficult disease to overcome; that from among current projects, the so-called, relocation of the labor force is a task which raises the least hope.

And finally, the last issue. An issue with a fundamental meaning but so much has been written about it, that it can be described with extreme brevity. The directive-distribution system, which became consolidated together with the 6-year plan and which perhaps even had certain justification in the beginning, turned out to be extremely resistant to all attempts of change. The attempt of 1957 was reduced to a minute particle of the initial plans and in time, even this particle succumbed to deformation (for example, eliminated directive-type indexes were replaced with allegedly informational indexes). The, so-called WOG [large economic organizations] reform was no more successful. As the end result, bureaucratized and often autocratic unions became its child. In comparison with the remaining problems, the only difference is that this system fell apart by itself; that before it became reformed, it had already ceased to function. However, a new system is being created, as we know, in ideally unfavorable conditions so that the tasks is, by no means, simple.

It was not my intention, in that which I have written above, to outline an overall picture of the 30 or so years of the economy of PRL. Such a picture would require very extensive completion as well as the addition of colors other than black. This is simple the "history of a disease" or more strictly speaking, the history of four, long chronic diseases whose cure is a condition for the prevention of further downfall. The battle with these diseases, which was extremely imperfect during the greater part of last year, has today taken on the form of a general offensive on an immensely vast front. Operations on this scale cannot run their course without disturbances, without partial setbacks and without delays in this or another segment. However, chronic diseases, about which I have spoken, have attained such proportions that something less than the undertaken operations would only be a half-remedy--a Band-Aid on a broken leg.

I am not attempting to either resign from making critical evaluations of the conducted offensive's particular elements--should there be reasons for them--or to persuade anyone to abstain from polemics or criticism. However, we must not forget the extraordinary dimensions of the entire undertaken operation. This is a true act of courage. I want to believe the Roman proverb, which proclaims that good fortune favors those who are courageous.

9835
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## FLAGRANT NEGLIGENCE IN TRANSPORTATION CITED

Warsaw RZECZPOSPOLITA in Polish No 21, 6-7 Feb 82 p 3

[Article by Romuald Augustyniak: "The Inspection of Transportation"]

[Text] Stealing from warehouses and railroad cars and damaging of goods during transport are causing serious losses in the national economy. This problem was investigated at the end of November 1981 by the BKURM [Inspection Bureau of the Office of the Council of Ministers] which is now compiling the results of the conducted survey. The finished document will be presented to the Economic Committee of the Council of Ministers.

The inspection, ordered by the president of the Council of Ministers, involved 30 enterprises, seven local dispatching centers and 36 train stations. The inspections were performed by inspectors from the BKURM aided by Polish army officers and personnel of the Ministry of Transportation. The inspections were very comprehensive; compliance with regulations concerning the loading, transport and unloading of goods was evaluated. The results of the survey were evidence of the generally poor state of protection of cargos against destruction and thievery, the deplorable state of many warehouses and technical equipment, and the enormous confusion and indifference of people responsible for this state of affairs.

### Under A Leaky Roof

Even before they reach their destination, goods are exposed to destruction and thievery in poorly maintained and inefficiently protected warehouses. For example, the inspectors have stated that the Spolem cooperative in Bydgoszcz installed its warehouses in cellars into which water leaks when it rains. At the PZZ [State Grain Enterprise] grain warehouse in Rzeszow the roof leaks, glass is missing from many windows and the caretaker was sleeping when the inspectors entered the building at 2100 hours through an open back door. Among the Polmozbyt warehouses in Poznan, automobile engines were strewn about totally unprotected, and auto body parts were rusting in the rain.

It was somewhat better at the local dispatching centers. But even there, much chaos was uncovered, especially the detaining of consignments for several months. At the Katowice Local Dispatching Center, 36 consignments were uncovered that did not have necessary documentation, such that it was not known

in general where to send the consignments. Twelve of these packages had been there since the previous year.

TV Receivers in Refrigerator Cars

Goods are loaded carelessly and into unsuitable railroad cars that in addition are technically inefficient. During the third quarter of last year, the PKP [Polish State Railroads] dispatched 4,504 railroad cars to the URSUS Mechanical Plants of which more than one-half (2,345) had various technical defects, including damaged floors.

About 40 percent of the railroad cars sent to the Warsaw Television Plants to transport TV sets were refrigerator cars. The PKP sent coal cars to the Wroclaw Predom-Pola enterprise to transport refrigerators.

The packing material used by senders often does not adequately protect goods against damage during transport.

After railroad cars are loaded, they are often held up at plant railroad sidings, sidings or stations, neither guarded nor illuminated. This creates an ideal opportunity for thievery. Since neither cargos nor the laden seals are usually checked when trains are expedited, it is difficult to determine who layed their hands on a signment and where.

On the Railroad Tracks

At the surveyed railroad stations, work organization was faulty, a fact which encouraged thievery and damage to consignments. As an example, there is the railroad car that was loaded with buckwheat groats and sent 11 November 1981 from the PKP Malaszewicze station to the Zabrzeg-Czarnolesie station. It took over two weeks for the consignment to reach its destination. During the long journey 13 bags of buckwheat were ripped open and a certain portion was ruined.

Coal for the Plock Bridge Work Enterprise and other places arrive at the PKP Poznan-Antoninek station, then it is transported via trucks to the actual coal yard which is 20 km distant. At the same time, the inspectors have stated that at a distance of about 1/2 km from the coal yard there is another railroad station, the Poznan-Strzeszyn station. A king's ransom to him who knows why the closer station is not used to unload the coal.

Much damage is done to rolling stock and cargos by arranging and rearranging trains and by rolling railroad cars down so-called switching mounds. During a 10-month period last year 1,665 railroad cars were damaged in this manner at the Krakow-Nowa Huta station.

The inspectors discovered significantly fewer irregularities when it came to transporting goods via trucks. At most inspected units, the technical condition of the vehicles and the method of loading and protecting consignments did not cause concern. As related by the inspectors, this is the result of

strictly defined individual responsibilities for specific actions and for the security of cargos during transit.

All the shortcomings of loading and transporting can be seen most clearly at the destination stations when the customer calls for his sent goods. Much damage to cargos and rolling stock occurs during unloading, especially mechanical damage. At the Warsaw-Okecie railroad sidings, workers from the Siekierki electric power and heat generating plant damaged 1,065 coal cars during a 10-month period last year, causing over six million zlotys of damage.

The November inspections showed that the implementation of Order No 35 of the president of the Council of Ministers, dated 28 September 1981, regarding the tightening of security for the receipt and transport of market goods was not, in general, effective. Although attempts were made to place the blame for many of these shortcomings on bad mechanical conditions, insufficient number of employees and other similar reasons which would appear to be objective factors, the greatest responsibility falls on people who are indifferent about basic work obligations and display a total lack of imagination and foresight as to who can be hurt by this.

We will inform you separately about the decisions made by the Economic Committee of the Council of Ministers regarding the results of the inspections.

11899
CSO: 2600

MINISTER DISCUSSES FOOD SUPPLY, AGRICULTURAL SITUATION

Warsaw RZECZPOSPOLITA in Polish 10 Mar 82, p 4

[Text] Society at large, not merely farmers and food producers, is concerned with the agricultural situation and measures taken to increase farm output, to improve crop procurement, and to boost food availability on the market. What are the most important problems facing food producers? What do they expect from industry and the cities? What can we expect in 1982 in terms of food supply? These are problems which are raised by our reporter in an interview with Minister of Agriculture and Food Administration, Jerzy Wojtecki,

[Question] What major stumbling blocks, in your opinion, have been removed to help agriculture overcome the present difficulties with food supply? What are guarantees for a successful implementation of this crucial task?

[Answer] The main hope is in the practical implementation of supply priorities which have been granted to this sector of national economy. An increase and stabilization of food production is possible only if farmers can purchase more fertilizers, pesticides, machines, and building materials, if land-reclamation is increased and efficiency of farm services is improved.

Moreover, absolutely necessary is a further improvement in farmers' living conditions as well as a continuation of the effective system of economic incentives and a guaranteed purchasing power of farm income. Only these can give farmers a sense of stability and assure them of profitability of agricultural production.

One cannot look at agriculture only through food shortages and everyday shopping problems, neither can one pit urban consumers against farmers. Instead, one should consider continuous and effective ways of helping farmers. To be sure, these are not easy considerations, and they usually require comprehensive solutions, but in due time they should produce desired effects and contribute to a radical improvement in the supply of means of production to farmers. The effects of such actions should be felt by the farm sector already this year.

Our agricultural policy is geared toward a situation in which price structure would encourage grain and animal production, especially a production of milk and slaughter hogs. Loan policy will favor marketable-crop farms which have

contracts with the state. The same criteria will apply to the rationing of fertilizers, fodder, construction materials, and machines.

I wish to emphasize that the underlying principle of new system of agricultural prices, introduced on 1 February 1982, is to maintain the parity of farm income at least at the same level as income in other sectors of the national economy. This will be achieved through economic means, for example, procurement prices, which guarantee steady profitability in all sectors of farm production, and a balanced structure of procurement prices, prices of means of production, and food prices in retail.

A guarantee for a successful recovery from our food supply problems lies in the consistent implementation of the agricultural policy which is shared by the Polish United Workers' Party [PZPR] and the United Farmers' Party [ZSL]. It also lies in the farmers' natural and health striving for self-government and participation in a decision-making process regarding farm production. The farmers' self-government may and actually should represent the interests of all food producers and the agricultural community as a whole in their dealings with the national and economic administration.

We will continue our efforts to improve farmers' working and living conditions and to diminish social and cultural discrepancies between urban and rural areas. This will be accomplished, for example, through a new system of retirement benefits for private farmers, which should ultimately put a halt to the outflow of the young farm generation. Without this young generation, the future of our agriculture would be undermined.

In the very near future, the earlier agreements with farmers and their unions will become law. For example, regulations concerning civil law and land registry will be revised to include a more precise treatment of farm inheritance and realty in the socialist system. Regulations about protection, repossession, and integration of croplands will incorporate farmers' demands and undoubtedly put a stop to many conflicting interpretations.

[Question] What are the main threats to this year's food production?

[Answer] Farming was chiefly handicapped by a lack of stability, a continuous shortage of means of production, especially machines, and the economic policy which was not dynamic enough. These factors have resulted in low procurement. They have also led private farmers to hoard some crops in the hopes for an increased purchasing power of farm income or a better backing of money supply by market goods.

We have provided the consumer market with the absolutely necessary supply of grains and potatoes from the 1981 harvest and with slaughter animals. Such measures should eventually improve crop yield in the farm sector, which in turn will increase the stability of the whole national economy. Our society is looking forward to full procurement of slaughter animals and grain under recent contracts and to the nonrecurring grain loan. The grain needs of the country and the conditions of the grain loan were discussed in detail by PRECZPOSPOLITA, so it is not necessary to repeat them.

We believe that, with the help of continuing grain imports, basic consumer needs will be met, and it will not be necessary to impose compulsory delivery quotas which used to be so burdensome to farmers. Personally, I believe that economic logic and our farmers' mature attitudes will prevail and it will not be necessary to use such drastic measures which would have to be undertaken had the steady supply of flour and bread been endangered.

The public opinion should know, however, that there are serious problems with animal production. Therefore ration coupons for meat and butter are still not fully covered by supplies. In 1982, financial problems as well as economic sanctions imposed by the United States and several other capitalist countries will make it impossible for us to buy essential amounts of grain, especially corn. This will result in a decrease of poultry supply to the market by over 300 tons, or about eight kilograms per person.

In order to secure a supply of basic farm products in amounts necessary to meet all food needs of the nation, and in order to involve a marketable-crop production every farmer with one hectare or more of cropland, we plan to introduce contracts for all crops in close connection with standardized and reliable deliveries of basic, factory-made means of production. The contracts will be linked to sales of coal, fertilizers, and concentrated fodder. Deliveries of these items to individual voivodships and eminas [parishes] will depend on actual marketable crop production in thos voivodships and gminas. On the other hand, fixed assets such as tractors, automobiles, or construction materials will be available to farmers through a system of down-payments out of their earnings, deposited in Cooperative Banks for the crops they have sold since 1 November 1981.

[Question] Food economy during the past two years has been an object of great public concern. Since August, 1980, the debate on this subject has heated up considerably. How do you evaluate this debate? Which points of the debate have been of value, and which ones have been wrong?

[Answer] The interest of the urban public opinion in farming has increased as food availability on the market decreased, but from the very beginning there has been an insufficient understanding of the fact that our farms suffer from inadequate capital expenditures, from stratification and decreasing efficiency which limit marketable crop production. On the other hand, the public opinion of the farm community has become more outspoken in its demands for a higher supply of means of production, an increase in farm profitability, and an improvement of living conditions.

The debate has been important for it has pointed out reserves, that is, possibilities for increased production on both sides of the union between workers and farmers. The debate has been a sensible and widespread poll of the public opinion, and its general conclusions have been utilized to formulate programs of action and to revise various regulations dealing with rights and responsibilities of the farm community and responsibilities toward the farm community.

But the debate has been wrong especially in its escalation of complaints and postulates addressed to farmers who, as availability of means of production went down and various formal obstacles increased (for example, regulations making intensive cropland usage difficult), could not fully guarantee a steadily increasing level of food production. Equally wrong was the criticism of state farms as a whole. Much damage was done to those state farm employees who have had good production results and who could serve as a model for others.

[Question] Are there any reserves left within agriculture and food industry? Where are the reserves and how can they be utilized?

[Answer] To be sure, there are various kinds of reserves which could be utilized through better work organization, strict adherence to technology, better job training, and more efficient control and advisory bodies. All this does not usually require new regulations or additional positions and investments. In grain production, the reserves include better cropland usage, general improvement of agricultural engineering, more efficient application of fertilizers (on the basis of careful examination of soil samples), and better maintenance of land-reclamation equipment. In animal production, the biggest reserves include more economical usage of fodder, for both animal feeding and storage.

In food industry, the main reserves include a steady supply and efficient use of raw materials, without waste and production suspensions, as well as the multi-shift implementation of increased processing capacities. All this is not just wishful thinking. During the past, very difficult year, many voivodships met their crop procurement quotas, while others were 50 or more percent short.

A great deal of production potential can be inexpensively released through a higher efficiency of mechanical and transportation services for farmers and broadly understood maintenance and repair services. This should be made easier when a new economic system is introduced. Farm services, which implement good overall work organization, will be especially profitable under this system.

[Question] What are 1982 predictions for agriculture? Is there a chance that 1982 will be a better year than 1981?

[Answer] In agriculture, the year 1982 should bring not only a stop to the production decrease of the past, but also a permanent trend toward production increase. By 1985, we hope to increase grain yields to 28-30 quintals per hectare, which will increase annual meat consumption to 60 kilograms per person. This is not much more than the present level of meat consumption, but this increase will be possible with less imported fodder. The import will be paid for by the export of other crops.

Everything depends on the other subsectors of the national economy, which should increase their input in meeting the basic, measurable needs of agriculture and food industry. A great deal depends also on the general

improvement in farm production efficiency. The difficult economic situation of the country will, unfortunately, continue to limit the possibilities for a more radical improvement in the supply of means of production to the farm sector. Experience and political logic tell us, however, that we must cut corners in farming as little as possible, and this conclusion will be implemented by the government.

We are aware of the objective limitations. Consequently, we have adopted a farm policy which must be followed by both managers of the production process and producers themselves. Our policy focuses on a comprehensive program designed to improve production efficiency through a wide range of factors which occur in farm production process. This includes a maximum reduction of waste of raw materials and crops. As I have already said, these are the largest reserves within agricultural production, food industry, and food economy. The utilization of these reserves is the responsibility not only of the Minister and the central and local administration, but also of farm services, work forces and management staffs of food processing plants, PGR [State Farms] employees, members of the RSP [Agricultural Producers Cooperatives], and millions of private farmers.

If we are successful in utilizing these reserves--and personally, I believe that this process is already underway--overall the year 1982 may be better than 1981 in terms of farm production and its materials effects and in terms of the nation's feelings and perceptions. This will occur especially if we look at the entire farm sector through the needs of the market and thus consider agriculture a top priority in the national economy, whose material needs should be fully met even in a situation of centrally limited production capabilities of the country. If the consumers are to experience an actual increase in availability of f-od and if social tensions brought about by chronic food shortages are to diminish, then one should simply fight for all possible means on every level and in every social group. There is no other way.

9852
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## U.S. ECONOMIC RESTRICTIONS CAUSE POULTRY PRODUCTION PROBLEMS

Warsaw ZOLNIERZ WOLNOSCI in Polish 8 Mar 82 pp 4, 5

[Articel by Col Prof Dr Mieczyslaw Wasylko: "Poultry Production in Jeopardy"]

[Text] Solutions must be found for many difficult problems in our country. Lately a new problem has surfaced: industrial poultry production. A lively discussion has been initiated, if not altogether a fight to salvage industrial poultry production that has been run down almost to the critical point.

The current situation results from the economic and propaganda war that the U.S. administration is waging against our country. A concrete manifestation of this struggle is found in economic restrictions that have deprived the poultry industry of the feed needed to fatten poultry. The restrictions will make a negative impact on the nutrition level of our people. They can painfully affect our society while we are vigorously putting our economy in order and searching for optimal arrangements enabling us as soon as possible to overcome the crisis in which we have been mired. Certain concepts of solving this problem have been offered in the daily press, in ZYCIE WARSZAWY and especially in RZECZPOSPOLITA. I would like to address some aspects of this issue, relying on materials of the Main Statistical Directorate [GUS] and Poldrob and considering my own analysis.

As known, poultry production in Poland has developed according to the general world trend marked by a continuous growth of poultry consumption that has become prominent in the overall meat diet.

The following levels of production were attained in 1981 due to the steady implementation of the development program in the poultry industry.

| | |
|---|---|
| Procurement of slaughter poultry, total | 505,000 tons |
| contract deliveries | 501,000 tons |
| small-producer farms | 4,000 tons |
| Procurement of consumer eggs, total | 3,520 million |
| contract deliveries | 2,637 million |
| small-producer farms | 883 million |

Sales of poultry procured by Poldrob in the domestic market amounted in 1981 to 353,000 tons, resulting in per capita consumption of 10 kilograms of poultry meat, with overall consumption of 12.5 kilograms. Sales of eggs in domestic markets amounted to 2,906 million during the same period, or about 150 eggs per capita in urban areas. Overall concumption was 237 eggs per capita. We have been forced to alert our society to a precipitious decay in industrial poultry production after a period of markedly favorable development. The work "alert" may not be adequate to describe the situation. "Alert" connotes only a warning of impending danger, whereas we are dealing with facts.

Collapse of the Balance of Payments

A question must be asked about why the system of poultry breeding, established with considerable effort and outlays, is dismantled partially and threatened with total liquidation. The answer is simple. The feed balance based on grain imports from the United States has collapsed. In 1981, we imported 8 million tons of grain, of which 2.4 million tons went to industrial poultry production. In 1982, the allocation of only 1 million tons for that sector is envisaged. However, this target is contingent on the import of about 4 million tons of grain, which so far is uncertain.

This problem has been addressed in the following way at the Seventh Plenum of the Central Committee of the PZPR: "We have been importing about 2 million tons of feed corn annually from the United States. In this case, the restrictions mean a decrease of poultry production from 505,000 tons last year to 170,000 tons this year. Consequently, meat consumption per capita will be reduced by 7 kilograms and egg consumption, by 25 eggs annually. Thirteen thousand persons will loose jobs in the poultry industry. Producer goods worth about 75 billion zlotys will not be used."

Overall, we are threatened not only by poultry meat and egg shortages in the se quantities but also by squandering manifested in the failure to utilize 11,700 standard specialized buildings with floor space of about 1,000 square meters each and 33 industrial slaughterhouses with a total capacity of 505,000 tons of slaughter poultry (200 million broilers) a year, where poultry is slaughtered and processed. Also, 13,000 workers will be laid off in the poultry industry.

It should be mentioned that FAO provided considerable assistance in setting up the program of poultry breeding. The amount of this aid exceeded $1.5 million. These funds were used to pay for FAO experts, the training of Polish specialists abroad and purchases of machinery and equipment for a poultry research center. While FAO has provided concrete assistance, the decisions made by the United States administration aim at undermining past achievements.

Points in the Discussion

Many points must convince decisionmakers that liquidation of the poultry industry should not be allowed to occur. Here are some.

Poultry is the most inexpensive meat all over the world. For example, in 1980, broiler chicken cost 4.6 DM per kilogram in the FRG, whereas pork, about 9 DM. In the United States, 1 pound of beef costs $2.45 and 1 pound of pork, $1.45, whereas 1 pound of chicken is $0.75. Differences of this kind occur in other Western countries. These differences are primarily due to feed grain input per kilogram of slaughter weight. According to Poldrob data, between 4.5 and 6 kilograms of fodder mix are required to produce 1 kilogram of pork and only 2.2 to 2.6 kilograms per kilogram of poultry meat.

Production cycles in industrial poultry production are characteristically short. For example, a broiler chicken weighing about 1.6 kilograms is fattened in 8 weeks, consuming up to 2.6 kilograms of feed mix per kilogram of meat.

There should be a certain quantity of poultry in the diet. Research into patterns of consumption of animal products in the diets of many countries has shown that an increasing role of poultry products such as meat and eggs. This also explains the high rate of growth of poultry meat production. In 1979, production amounted to 21,039 million tons, registering a 31 percent growth over 1974. By 1979, the share of poultry meat in the total meat production grew to 20.3 percent, whereas the share of pork decreased from 42 to 32 percent and of beef, from 36 to 32.8 percent. At the same time, the share of poultry in total meat production in Poland was as low as 12.3 percent. This is why treatises in the press on whether it is better to produce poultry and eggs or to breed hogs can be considered controversial. Both sectors should be developed in appropriate proportions. However, we certainly do not emphasize cattle breeding enough.

Poultry production ensures an improvement in the supply of very valuable protein to the population.

It is on the basis of such considerations that the government of the PRP decided some time ago to speed the development of the poultry industry.

How to Help the Chicken

Putting it mildly, certain shortcomings have undoubtedly occurred in the development of industrial poultry production. Primarily, they occurred because of the almost total reliance of poultry breeding on imported feed. At the inception of the program, no research and development was undertaken in order to lay foundations for a domestic feed base. "However, when forests are afire, it is not time to mourn roses." Therefore, decisions must be made to facilitate the optimum solution to this problem.

From the point of view of social interest and rational utilization of capital investment tied up in equipment of large-production poultry farms, the following should be done in a crisis period:

a) To finalize in the most expedient manner trade negotiations with foreign companies that have expressed preliminary interest in cottage-industry production of poultry in Poland.

b) To reconsider the situation with the feed balance in 1982 and to make decisions immediately within the framework of the government meat program so as to enable us to survive the crisis in this sector. At least a minimal amount of feed necessary to ensure the stability of production processes should be allocated on the basis of an equivalent in meat exports.

c) To facilitate egg procurement from small-farms by Samopomoc Cholpska through the arrangement that was in effect until 1975 and at that time provided about 2.5 billion eggs. Financial incentives in this field exist in the form of favorable prices. At the same time, the decrease in per capita poultry consumption by 7 kilograms a year can be acceptable in the transition period if the level of 3.5 kilograms per capita, from slaughtering in private farms for their own consumption and sales in the free market, can be maintained.

From the point of view of the optimal provision for the needs of society and future utilization of the production facilities of large poultry farms, the following should be done:

a) To facilitate scientific-research activities and studies on the ultimate solution of the feed problem with a view to becoming independent of the West and using domestic raw materials rationally. Poultry must not be fed primarily with corn, as thus far, but with other mixes, including such ingredients as barley, wheat, oats. Therefore, it is absolutely necessary to increase domestic output of these grains. There are ready formulas of industrial feed mixes based on local raw materials.

b) To undertake vigorous actions in order to change the technology of the feeding and production of poultry. The goal must be shortening the fattening cycle to 6 weeks and reducing feed consumption to 2 kilograms, the feed being based on adequately processed domestic raw materials. Feeding must utilize the initial herd, which grows and matures to the slaughter specifications faster.

9761
CSO: 2600/416

RESPONSIBLE OFFICIAL DISCUSSES MINERAL FERTILIZER SUPPLY

Warsaw DZIENNIK LUDOWY in Polish 18 Feb 82 p 3

[Interview with Director Jan Biel, plenipotentiary of the Ministry of Operational Program Affairs, in charge of mineral fertilizers: "How Much Mineral Fertilizer Will There Be?"; date and place not given]

[Text] There is a lack of fertilizer in commune cooperatives. Spring is rapidly approaching. Farmers are worrying: Will fertilizers be available? The problems in industry are known: the lack of raw materials, restricted supplies of heating fuel and energy. In order to overcome these difficulties, plenipotentiaries have been appointed to accomplish particular operational programs. Jan Biel, until recently director of the Association "Petrochemia," which forms a nucleus of nitrogen fertilizer factories, is responsible for the production of mineral fertilizers. Thus, Director Biel is probably the most competent source of information.

[Question] Mr. Director, are you responsible for the production of all fertilizers?

[Answer] As the minister's plenipotentiary, I am responsible for an effective program in the nitrogen, phosphate, potash and lime fertilizer supplies area and also for pesticides.

The nitrogen industry was one of a few that maintained production and fertilizer supplies in 1981 at the 1980 level. Perhaps this is an achievement because our problems were no less than those of other branches of industry. They were described in an interview given "DZIENNIK LUDOWY in October 1980.

The priority for the production of artificial fertilizers, as before, was almost exclusively on paper and not factual. The talk here is of 1981.

However, we have already found a greater understanding of the position of the fertilizer industry regarding supplies of electrical energy and coal. This does not mean that there never was a lack of those raw materials. Gas supplies were less stable, particularly in the fall-winter period, but that was the result more of the paucity of supplies rather than a lack of understanding of the importance of this branch of production. On the other hand, we were not given priority for supplies of equipment for industry, armatures, tools,

smelting works materials, spare parts and transportation resources. Likewise, no enterprises outside the chemical industry were eager to undertake overhaul and modernization work.

Nothing was done toward modernization and reconstruction in the fertilizer industry, and the delays in building Polic II were ever greater.

The support that counted was the supply of 100,000 tons of ammonia from the USSR and substantial supplies of nitrogen fertilizers--also mainly from the Soviet Union.

[Question] This retrospection puts one in a gloomy frame or mind. What do the prospects look like this year?

[Answer] Supplies of fertilizers and pesticides are covered by 14 operational programs. As before, we have a realistic priority assured for electrical energy and coal, and to a lesser degree with gas. Essential foreign exchange resources for the import of raw materials and for materials for the fertilizer industry have been alloted, as well as components and finished preparations insofar as plant protection is concerned. They are reserved for us in the Central Socioeconomic Plan, and in a disciplined way, considering the country's overall economic conditions.

The situation is somewhat worse with the supply of other materials, which is impossible to cite in the CPSG [Central Socioeconomic Plan]. We judge that all other materials, equipment and repair capabilities essential for the fertilizer and pesticide industry will be assured.

We want to believe that a single economic policy is obligatory in the country, that the operational programs only constitute its definition and that all units are obligated to the achievement of that policy. Neglect of the needs of operational programs, or the setting of goals for them other than those prescribed, can be treated only as an indication of particularism, as a continuation of an outmoded policy of "arrangements," "breakthrough forces," "fixes," etc., or as a lack of discipline in the accomplishment of government decisions. This new truth must reach all who try to understand independence as lawlessness!

We consider that everyone who still does not honor prescribed operational program priority will become aware of this.

[Question] Mr. Director, you have presented quite a few cautions that raise doubts. Moving on to specifics....

[Answer] As a minimum task in the area of nitrogen and phosphate fertilizer, we set ourselves a goal of overcoming the drop in production, and in 1982 we want to obtain 5 to 10 percent more of these fertilizers.

Central authorities, at least for today, have created such conditions for us. The rest depends in equal measure on staffs, managers of production establishments and our cooperators and suppliers in the broad sense of that word.

We are particularly counting on the assistance of the machinery, smelting and construction industries for a supply of materials, spare parts and repair work by their repair-assembly establishments. We are likewise depending on full and successful transport of fertilizers by the Polish State Railways.

[Question] How do you intend to overcome these difficulties?

[Answer] We want to inform all direct and indirect participants in the production of fertilizers and pesticides that the operational program can be accomplished only by joint effort. As the minister's plenipotentiary, I consider that one of my basic tasks.

I do not exclude the possibility that this persuasiveness on the need for discipline in the accomplishment of programs can be painful for many.

Activities aimed at creating economic conditions for producers will also be continued so that the production of fertilizers and pesticides will in great measure, at least temporarily, be subsidized by the state. The state will be paying industry for fertilizers sold to agriculture at a rate of 70 percent (for nitrogen fertilizers) to 220 percent (for phosphate fertilizers) of the market value, because the cost of production substantially exceeds the retail price.

The Ministry of Finances will control supplementary payments. The State Price Commission, Ministry of the Chemical and Light Industry will, however, also strive to increase production and decrease its costs.

As the minister's plenipotentiary, I will also have an influence on the maximum utilization of the allotted foreign exchange resources.

I do not wish to augment the examples of actions undertaken, because there are many barriers to be overcome, or at least lowered, for example, the prices of gas and their negative impact on the production of fertilizers. Thus, from the standpoint of a fuel balance, the 30 to 50 percent higher gas prices set for the fall-winter season undoubtedly were appropriate, but exactly at that time the fertilizer industry is working at full steam, fertilizers are being accumulated for spring sowings. In practice, those gas prices make it impossible to exploit periodic, specially favorable technical conditions for fertilizer production over and above the planned quota.

We turned to the chief inspector of the fuel and energy economy with proposals to resolve this contradiction.

As can be seen, we intend to place greater emphasis on systems-type influences, not on interventionist and summary ones, because we believe in the greater effectiveness of such actions and their stronger influence.

[Question] What can farmers count on this year?

[Answer] I will begin with pesticides. I have optimistic information here. We envisage an increase of 30 to 40 percent in supplies; this means about 15,000 tons of preparations reckoned in concentrates, of which 9,000 tons will be delivered during the first half of 1982. This is conditional on proficient import of semifinished products and concentrates. There are foreign exchange resources for this. Much depends on the proficiency of foreign trade.

Insofar as nitrogen fertilizers are concerned, the supplies this year will be in the neighborhood of 1.3 million to 1,350,000 million tons; that is, they will be somewhat higher than last year.

[Question] I will frankly admit that this "detail" arouses my pessimism. I hope that I am wrong.

[Answer] The CPSG envisages supplies of 609,000 tons of nitrogen for the first half of the year. We want to increase that by 30,000 to 50,000 tons. However, this will require optimal production conditions. Meanwhile, I have just learned that after a couple of normal days, very sharp restrictions were introduced for gas. Gas is the basis of nitrogen fertilizer production. Also, there is a lack of railroad cars in Pulawy for loading saltpeter, which cannot be stored.

As far as phosphate fertilizers are concerned, we envisage that the supplies in 1982 will amount to 970,000 to 1 million tons in pure component. In other words, there will be an increase of more than 100,000 tons. Agriculture will obtain half of that amount in the first half of the year so that supplies will be mantained at last year's level. The poor quality of phosphate raw materials may cause complications. In both assortments there is no export, while a substantial supplemental import of fertilizers is planned.

The supplies of phosphate fertilizers, all from import together with reserves, should cover agricultural needs.

[Question] In other words, "if things go well," the situation can continue to be described as marking time, something that in the light of the production drop evidenced in other subsectors of the chemical industry would pass as success. What sort of prospects do you see, Mr Director?

[Answer] The technical state of the nitrogen and phosphate industry must be improved at any cost, and an answer also be found to a basic question: how to accomplish investments for renovation in the fertilizer industry?

They do not fit into the adopted economic reform criteria. That means that plants without financial support cannot bear those investments, while a portion of the installation must be rebuilt because it will soon be impossible to use. This, for example, refers to the equipment producting nitro-chalk or urea in Kedzierzyn from the standpoint of its worn-out condition.

Other problems are finding some way to finish the construction of Polic II and resolving the raw materials difficulties of the pesticide industry.

Perhaps the most important problem, without whose solution many others lose their significance, is that of gas supplies. It must be clarified for the nitrogen industry because it is impossible to "make a whip out of sand."

We depend on the involvement of all direct and indirect participants, not only those working on and supporting the "fertilizer and pesticide" program but also the ever-greater effectiveness of systems-type solutions contained in the reform.

10433
CSO: 2600/374

## BRIEFS

PASSENGER SERVICE TO COPENHAGEN--Luebeck/Copenhagen 1 Apr (DPA)--The state-run Polish Baltic Shipping Line is to begin a regular passenger liner service from the Skandinavienkai [Scandinavian Quay] in Luebeck-Travemuenda to Copenhagen and to Swinoujscie in Poland with the Ferry Rogalin (7,800 gross registered tonnage) starting in May. Thus was announced in Luebeck today by the Poseidon-Schiffahrt Company, which has become the general agents for the new Polish ferry. According to Poseidon, there are to be three round trips a week and also a weekend trip from Luebeck-Travemuende to Copenhagen and back. Effective the beginning of April the Polish Military Government is to issue visas again for group visits to Poland. [Excerpt] [LD011238 Hamburg DPA in German 1010 GMT 1 Apr 82]

CSO: 2300/226

# DEVELOPMENT OF RESOURCE RECYCLING PROGRAM STUDIED

## Role in Economy

Bucharest REVISTA ECONOMICA in Romanian No 10 12 Mar 82 pp 4-5, 21

[Article by Dr Vasile Bogdan and Vasile Boescu: "The Recovery and Complex Use of Available Resources - From Concept to Practice"]

[Text] The consistent achievement of the national programs for economic growth, especially those that involved socialist industrialization, led to the development of a consumption of material and energy resources, especially non-renewable ones, in ever greater quantities. In order to provide a growth of approximately 14 times over in the social product and the national income during the period 1950 to 1979, it was necessary for the production of electrical energy to increase by nearly 31 times, for steel by over 23 times, for metallurgical coke by over 42.6 times, for chemical fibers and threads by approximately 86 times, for plastic materials and synthetic resins (100 percent) by over 1,437 times, for tires by over 23.5 times and so forth. In this process, there has been a continuing change in the relationship between the amount of resources obtained from domestic production and those imported. At the 1979 level, 85.6 percent of the total amount of iron ore consumed was obtained through imports, 53.7 percent of crude oil and 48.6 percent of metallurgical coke, under conditions where domestic production was achieved at a rate of 56.3 percent of the imported amount of pitcoal (including anthracite). Also being imported are significant quantities of non-ferrous ores and nearly the entire required amount of cotton fiber, as well as other resources of raw and energy materials.

In order to achieve the economic growth programs, it will be necessary to continue to import, through special hard currency efforts, significant amounts of resources. But, in order to estimate more clearly the difficulties our country is encountering in the area of procuring energy and raw material resources, the fact must also be shown that the main portion of its investment efforts were especially constantly directed towards obtaining these resources from domestic production,[1] under conditions where deposits with a lower and lower useful substance content are being exploited.

### Components of National Wealth

The close dependency between economic growth and the increase in the efforts to procure energy and raw material resources requires an adequate strategy that will

lead to optimizing this relationship. Depending upon the trends that are occuring on the international level in the evolution of raw material and energy prices, as well as the continuing increases in production costs generated by the mining of certain of our own deposits having an ever lower useful substance content, it is expected that in the coming period there will be an increase in the efforts that the Romanian economy will have to make in this area. That is why we feel that the true size of the role and place of resource recycling activities in the national economic system can be shaped only through the prism of these efforts. In other words, in the overall group of strategies that involve the rational administration of the resources available to our national economy, in addition to the reduction of the specific rates of consumption and the better use of resources by increasing the degree of processing, an ever more important role is being played by the recovery and reintroduction of all reuseable resources in different economic cycles.

It must be stated that the requirements of the rational administration of available resources are not specific to just the Romanian economy. In a series of works published in recent years referring to the problems of the world economy, among the group of options open to the specialists the recycling of resources is more and more being presented as a solution for resolving the difficulties that appear at the intersection between economic growth, the consumption of resources and the protection of the environment. According to the opinions of certain specialists,[2] the maximum potential for the recovery and reuse of raw materials is estimated at approximately 55 percent of the necessary amount, with this figure being exceeded right now, in reality, for a series of resources. In explaining the certain limits for increasing the percentage of recycled materials in the total consumption of resources, we keep in mind the fact that any economic process takes from nature a lower level of entropy and transforms it into a higher entropy.[3]

In other words, a series of resources is found in nature concentrated in deposits, from which they are extracted and, through successive processing, they are dispersed in a multitude of goods and components of these goods, which sometimes makes it impossible to recover them. Without denying the existence of certain inherent "losses" at the level of the entire economic system for a certain useful substance, we must note that such limits cannot be explained merely by the intermediary of the law of entropy. Under conditions where we have reached a point of mining certain deposits having a very low useful substance content (less than .3 percent for copper, for example), the level of entropy going in tends to equal the level coming out. Clearly, these useful substances are incorporated in the goods that represent a high degree of dispersal throughout the country and their recovery, after being used, is nothing more than a problem of improving the collection system, concomitantly with providing the technologies necessary for their separation. In other words, it is expected that in the future the degree of participation of the recycling of resources in the provision of a raw material base will increase. Such a conclusion is also reached by the analysis of the trends that are occurring on an international level with regards to the reduction of the dimensions of products compared to similar products

being taken out of use, as well as those trends referring to miniaturization. This means that the degree of participation of resource recycling in providing a raw material base can also increase due to the fact that, for these new products, smaller amounts of substances of the type that can be recovered from used goods are necessary.

In a study referring to the rational administration of resources,[4] the problems of recycling are dealth with from a much more encompassing perspective in the context of the life cycle of raw materials and the life expectancy of the goods that incorporate these materials. Concomitantly with the option for such a design for products that will ensure an increase in their lifetimes, it clearly formulates the need to keep in mind the possibilities for the complex recycling of resources right from the concept phase for these products, understanding this to mean: modular designing that will permit the easy replacement of components having a shorter lifetime; the improvement of production procedures so they will permit the repair and reconditioning of goods or components; and the recovery of reuseable materials and the separation of useful substances, when a product or a component of this product is completely taken out of use. Naturally, such an overall approach to the problem of recycling resources, also seen in other specialized works,[5] is directly applicable to mineral resources and especially ferrous and non-ferrous metals which, by their nature, have a practically unlimited lifetime. In processing and use processes, they normally maintain their initial properties and they can be the object of an unlimited number of returns both into economic circuits identical to the ones previously traveled and for the achievement of other use values.

For a series of resources, such as vegetal textile fibers, rubber, plastic materials, pulp and so forth, the recycling problem must be dealt with, however, in the context of the influence exercised by processing and the later use of the goods upon the properties of these resources. As stressed in a recent study,[6] the fact that the initial properties of these resources are modified beginning with the processing process and ending with the collection and storage processes, leads implicitly to the reduction in the number of returns into the economic circuit. For these types of resources, their reuse for the purpose of achieving the same use value is much more limited and sometimes even impossible. It should not be understood, however, that we are talking about the impossibility of recycling itself of certain types of resources, but only about the different content and specific nature of these resources. Basically, even if they are no loner fit to achieve the same use values, such resources can be reused to satisfy other social requirements (for production or personal consumption).

Regardless of whether they are recyclable resources, incorporated in goods taken out of use or in industrial or household wastes, they belong to one or the other of the two categories that have been outlined, with these being interpreted as components of national wealth whose reintroduction into the economic circuit is an objective necessity for at least the following reasons:

a) the costs involved in procuring primary resources (from domestic production or through imports) tend to generall exceed the costs of recycling activities, to which are also added, as is known, the costs for protecting the environment;

b) in the process of economic growth, an ever greater amount of resources incorporated in goods that gradually are taken out of use or in different wastes are accumulated, which gives each national economic system the ability to operate through "self-supply", gradually reducing the percentage of useful substances taken out of the environment or brought in through imports in the total consumption of material and energy resources;

c) due to the increases in the complexity of material goods, at the level of the entire national economy the removal of these goods from use does not always correspond to the complete loss of the use value of all the components or the materials that are incorporated in them. By reusing them to this end or for other reasons, it becomes possible to satisfy certain social requirements using reduced human and material efforts.

Means of Increasing Efficiency

The accentuation of the intensive nature of economic growth in the new stage of the evolution of the Romanian economy is normally approached through the prism of reducing the consumption of useful substances and energy involved in the achievement of a certain use value as a result of the broad-scale application of the newest advances of science and technology in the production process. As principal directions for action, there has been, therefore, an outlining of the "desubstantialization" of the production of goods and services and the reduction of the energy-intensive nature of this production by restructuring the economy and, especially, industry in favor of those branches and sub-branches that use raw material and energy resources better. Under conditions where, through recycling, a certain resource takes part in two or more production-consumption (use) cycles, the activities to recover and reintroduce all the resources incorporated in goods (production goods or consumer goods) that have been taken out of use and in industrial, household or street wastes in different economic circuits are an essential means of increasing the efficiency of their use and a component of the complex process of economic growth of an intensive nature.

This characteristic of recycling activities must be seen from a number of perspectives, taking into consideration the components of the recovery and reintroduction process in the economic circuit of resources, that is: the reconditioning and reuse of certain goods in the area of production or consumption; the recovery and reuse (with or without reconditioning) of certain components having a lifetime longer than that of the goods in which they are incorporated; the reuse, as such, of certain materials obtained from the disassembly of those goods taken out of use (steel plate, heavy metal parts, wire, wood materials and so forth) for the direct production of certain products without again putting them through basic processing phases (melting, latheing, rolling and so forth); and the development of a raw material base for industry

and other branches through the recovery of useful substances under conditions where other means were exhausted in recycling the resources incorporated in goods taken out of use,as well as in industrial, street and household wastes. Similarly, recycling activities' participation in the increase in the efficiency of using available resources in the national economic complex must also be dealth with through the prism of protecting the environment.

In reference to the first three means of recycling it must be noted that they contribute to extending the lifetime of the goods, components and materials incorporated in them in order to satisfy certain production or consumer requirements. In this case, we are talking about the reintroduction of resources into the higher processing phases in the economic circuit, which signifies the simultaneous use of all types of incorporated resources (materials, energy and previous labor). The growth of economic efficiency is achieved, therefore, through the reduction of the social efforts involved in satisfying certain categories of requirements and, implicitly, through the contribution of these means to the conservation of our own base of raw materials and energy. Through the fourth means of recycling we achieve the development of our own base of raw materials, reducing the pressures exerted by economic growth on the available natural reserves.

On the other hand, any process of economic growth (especially those of an extensive nature) is accompanied by a corresponding increase in the amount of substances spilling over into the environment, with undesired effects upon the ecological balance and, implicitly, upon the quality of life. In other words, the positive effects obtained through the development of the production and consumption processes tend to be diminished by the losses caused by disturbances to the biological balance under the conditions of an uncontrolled flow of pollutants into the environment. And, such a control, no matter how rigorous, involves human and material efforts to eliminate and neutralize the polluting substances, without being able to completely remove certain large areas of agricultural land and even certain potable or industrial water resources from the economic circuit.[7] And, through recycling resources even those efforts involved in the protection of the environment are reduced and the undesired effects caused by ecological imbalances are diminished.

These aspects were outlined in order to show the fact that the participation of recycling activities in the growth of the efficiency of using available resources in the national economic complex must be dealt with in a much more encompassing context, taking into consideration the overall group of production-consumption-environment relationships. Precisely from such an encompassing perspective we will attempt to outline the effects and efforts propagated by the recycling of resources in the national economic complex. Appropriately, we could, therefore, include the following in the category of the potential effects of recycling activities:

a) the value of the goods created by processing recycled resources;

b) the difference in the costs involved in procuring recycled resources compared to primary resources;

c) the cost of protecting the environment, which include: the collection, transportation and neutralization of polluting substances and the inherent losses provoked by removing certain agricultural land areas and certain water resources from the production circuit, as well as those derived from perturbations in the ecological balance. Appropriately, the human and material resources involved in the collection, storing, sorting and processing of reuseable substances must also be included in the caregory of efforts.

Thus, the operating mechanism of the national system for recycling resources cannot be limited to certain measures that exclusively involve the requirement for collecting and reintroducing all reuseable resources into the economic circuit or to maintaining the material balances of the enterprises by including reuseable materials in the portion of available resources. In order for the reuseable resources to effectively become components of national wealth it is necessary, therefore, to shape our own mechanism for recycling activities based on the broad implementation of economic factors derived from the action of the law of value under the specific conditions of a socialist economy, including:

- the substantiation of prices for collecting recycled resources according to the human and material efforts that this involves, which should lead to stimulating the generators of resources to conserve, preserve and turn over these resources to units specializing in their collection, primary processing and redistribution into those economic circuits capable of ensuring their re-use under conditions of economic efficiency. Certainly, these prices (plus the costs for collection and transportation) should not be prohibitive for the economic units that use these resources;

- the stimulative assignment of a level of profitability between the collecting units and the units using the recycled resources;

- the correlation of the prices of recycled resources with those of the primary resources and so forth.

It is clear that the operating mechanism of recycling activities must be integrated and subordinated to the new economic-financial mechanism. Such a consideration requires not only the appropriate use of economic factors, but, to an equal degree, the adapting of the information-decisionmaking system to the new requirements of recycling activities during the current stage and to those foreseeable in the future. Only in this way will the recovery and complex use of all resources available in the national economic complex be able to effectively contribute to reducing the costs involved in obtaining the raw materials and energy needed to sustain the economic growth programs and, implicitly, those involving the protection of the environment.

FOOTNOTES

1. A. Iancu, V. Bogdan, A. Mihailescu and M. Giuvelea, "The Resources and Structure of Industry," Bucharest, Publishing House of the Academy of the Socialist Republic of Romania, 1980.

2. Anne P. Carter, W. Leontief and P. Petri, "The Future of the World Economy," Scientific and Encyclopedic Publishing House, Bucharest, 1979.

3. N. Georgescu-Roegen, "The Law of Entropy and the Economic Process," Bucharest, Politica Publishing House, 1979.

4. D. Gabor and U. Columbo, "Beyond the Age of Waste," New York, Pergamon Press, 1978, which served as the basis for the diagram on p 3.

5. V. Bogdan and E. Deaconescu, "The Full Recycling of Resources Incorporated in Materials Taken Out of Use," REVISTA ECONOMICA, No 5/1979.

6. STUDII DE ECONOMIE INDUSTRIALA, No 22, Bucharest, 1981.

7. Constantin Hotulete, "The Relationship Quality of Water and Quality of Production," REVISTA ECONOMICA, No 23/1981.

## Collection System

Bucharest REVISTA ECONOMIC in Romanian No 10 12 Mar 82 pp 8-9

[Article by Ion Hendel, commercial director in the Central for the Recovery and Use of Reuseable Materials, and Marius Costea: "Collection: A Central Point"]

[Text] In the complex process of recovering and reintroducing reusebale resources into the economic circuit, an essential role is played by collection activities, considered to be a true "turntable" through which the normal carrying out of a material flow must be ensured between the economic-social sectors generating reuseable resources and those that use them under conditions of economic efficiency.

On one hand, such a role stems from the many, diverse and uneven territorial distribution of the generators of potential reuseable resources (the overall group of economic and social units and all the people's households), as well as from the heterogeneous nature of the recoverable materials that are the object of collection. On the other hand, we are talking about the variety of means of using recoverable materials within the national economic complex or even through foreign trade, about the large number of economic units that can provide the processing of these materials and about the diversity of their requirements from the point of view of the amounts requested, their purity and so forth. Additionally, the existence of an objective discrepancy between the territorial distribution of the generators of recyclable resources and the distribution of the users influences the overall carrying out of the recycling process and the organization of activities to collect, sort, provide basic processing and redistribute the reuseable materials.

That is why within the framework of the national system for recycling resources, the collection subsystem has the difficult task of achieving and effectively regulating the flow of materials and the financial and informational relationship between the two large categories of participants in the recycling process - the generators of resources and their users.

The Market for Reuseable Materials

From the point of view of the role given to it within the framework of the national resource recycling system, it can be explained why the measures that were adopted (Council of State Decree No 465/1979 and No 10/1980) at the beginning of the 1980's gave priority to the reorganization of all activities to recover and use reuseable materials on completely new bases and in a unified concept. We are talking about giving the role of coordinator of resource recycling activities - at the national level - to the Ministry of Technical-Material Supply and the Review of the Management of Fixed Assets. For the actual collection activities themselves, the provision of a unified organizational framework (through the creation of the Central for the Recovery and Use of Reuseable Materials and the territorial network of enterprises and units subordinate to this central) is a result of the fact that, at least from a numerical point of view, there are few cases where an economic-social unit that generates recyclable resources is also at the same time a user of these resources, making it necessary to have a large-scale distribution of these resources between different sectors or units.

And, to such an end, there must be a true market for recyclable resources within the framework of the trade branch, resources whose importance sometimes exceeds that of primary resources, especially under conditions where the primary resources have a limited nature or are scarce for the national economy. Naturally, such a market has specific laws of operation, especially derived from the nature of the supply and demand for recyclable resources. Reflecting precisely these realities, one of the trends that is also occuring on the international level refers to the creation of certain unique organisms at the governmental level with attributes exclusively in the field of recycling resources. From the point of view of the recycled resource market, the existence of such unique organisms (governmental or departmental) has implications on a number of planes, including:

a) it ensures the integration of recycling activities in the operating mechanism of the economy;

b) through these organisms, they can simultaneously ensure both the cataloguing of potential recyclable resources (supply) and the establishment of the possible destinations for them in the units or sectors that generate them or outside of them (demand). It, thus, becomes possible to transfer recycled resources from one sector to another depending upon the requirements and possibilities for their higher processing;

c) being strictly specialized, such organisms can contribute to the promotion of certain diversified methods for collecting these resources that are adapted

both to the specific nature of each type of generator and to each type of recycled resource, concomitantly with the promotion of certain efficient technologies for transporting, separating, sorting, storing and delivering;

d) as organisms created at the national level, they can intervene in the regulation of typical market relationships that are established between the organizers and the users of recycled resources.

Within the framework of the national resource recycling system, the collection subsystem has special tasks referring to the market for recycled resources, which also explains its integration into the trade branch, with this having to ensure:

- the pursuit of the collection and efficient use of reuseable materials, first of all, in those units that are also the generators and users of certain recycled resources;

- the normal carrying out of the direct flow between the units generating reuseable materials (railcar-sized amounts) and those using them;

- the direct and full acceptance, using their own forces, of all other amounts of reuseable materials coming from the economic and social units or from the people's private households, their basic sorting and processing and the stocking and delivery of these materials to the different users for the purpose of processing them and transforming them into different goods.

Structured along these lines, the Central for the Recivery and Reuse of Reuseable Materials was involved in 1981 in the recovery and reintroduction of approximately 7.6 million tons of diverse materials into the economic circuit, with the main percentage of materials being held by old metals. In looking at this tonnage, the main portion was held by the recycling within the economic units (54.7 percent) and the direct exchange of reuseable materials between units (27.1 percent), while the collections using our own forces accounted for only 18.2 percent of the total weight of the collected materials. Certainly, the tonnage does not sufficiently accurately reflect the distribution of the real effort since through our own forces a significant amount of material was collected characterized by a large volume and a reduced weight (paper, rubber items, textile articles and so forth) and by a broad territorial spread, including the people's private households. Compared to the achievements in 1975, the total weight of the materials collected increased by 33.1 percent, especially because of the units' internal recycling and the collections from the people, which experienced increases of 43.5 percent and 86 percent, respectively.

From the data presented, one can observe the clear trend of directing efforts towards making collections from the people. This is a natural trend under conditions where the internal recycling in the economic units and the firect forwarding between units have, to date, constituted the principal means of using resources, especially metallic ones. And, under the conditions of moving from the phase of extensive economic growth to one of intensive economic growth it is expected that these

means will show a relative trend of stabilizing while the collection from the people of used goods will take on an ever greater importance. Furthermore, it is a revealing fact that during the preceding decade the collection of paper and old cartons increased by 67 percent - from the socialist units by only 28.1 percent while from the people by 208 percent, with the percentage from the people increasing from 21.6 percent in 1970 to approximately 40 percent in 1981. In other words, it is expected that in the future the market for recycled resources will be diversified and will take on new dimensions by bringing certain reuseable materials from the production sphere, from used goods discarded by the people and from reuseable materials stemming from household and street wastes into the economic circuit.

The Diversification and Improvement of the Means of Collection and Use

Corresponding to the changes of a quantitative and structural nature that have occurred in the area of collecting reuseable materials and that are foreseeable for the coming periods, the promotion of activities to recover and reintroduce reuseable resources into the economic circuit is influenced to an ever more siginificant degree by bringing the collection system closer to the place where the recoverable resources are produced. From this point of view, it is, in our opinion, a defining fact that the main percentage in the total amount of materials collected continues to be held by the socialist units. In the first 9 months of 1981, these units provided 95.7 percent of the total weight of recovered materials, while the people's households provided only 4.3 percent. These proportions are differentiated by the types of materials that are recycled. Thus, the socialist units accounted for 96.6 percent of the metals, approximately 60 percent of the paper and old cardboard, 45.5 percent of the textile materials and 97.7 percent of the number of tires that were recovered. During this period, 966,000 tires were recovered, with only 22,000 coming from the populace, under conditions where, according to estimates, the owners of automobiles discarded 300,000 tires during the same period. Concomitantly, the private households in the population discarded significant amounts of textile articles which did not find their way into the collection process except in very small amounts.

The explanation for such a situation should not be sought exclusively in the area of collections. In the case of the tires from privately-owned automobiles, we can talk about a clear discrepancy between the size of the supply and the extremely reduced level of demand for this type of recycled resource. Due to the fact that these tires have a high degree of wear which makes recapping inappropriate, only a lower level of reuse has been identified to date which does not justify their use from an economic point of view. This state of affairs is not specific to just our country. A study conducted in France* shows that three out of four private automobile tires are incorrectly used, which renders they inapproriate for recapping. In other countries, the

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*LA RECUPERATION - RECYCLAGE, No 4, 26 January 1979, Paris.

collection of tires is achieved for the purpose of cutting them up and storing them until the elaboration of certain efficient use technologies, with such actions being supported from the budgets of the state or local authorities. Similar situations are also found in the cases of other reuseable resources (textiles, plastics and so forth).

In reference to the collection capacity, the fact must be pointed out that the enterprises subordinate to the Central for the Recovery and Use of Reuseable Materials had, as of 31 June 1981, 154 centers with 2,498 collection points spread throughout the country. In a single year (compared to the status as of 30 June 1980), the territorial network has developed by the creation of 15 centers and 387 new collection points. It thus has reached a point where, nationwide, on the average there is a collection point for every 2,814 households (3,779 in urban areas and 2,153 in rural areas). Nonetheless, the current network is proving to be insufficient, feeling the need to be developed as well as to continue to improve the means of collecting from the people's households.

The collection activities involve the Union of Communist Youth organization, the pioneer organization and the people's councils, as well as the consumer cooperatives through the proxy system. It must be pointed out, however, that through these organizations during the first 9 months of 1981 there has been collected less than 40 percent of the total weight of reuseable materials recovered from the populace, with their activities being directly especially towards old metals (over 90.5 percent) and, to a lesser degree, towards other materials (paper and old cardboard, textile materials, tires and so forth). A very reduced percentage (only 2.7 percent of the total weight of the recovered materials) is accounted for by the activities of the people's councils, through the sanitation services, despite the fact that they have a permanent contact with the populace.

These aspects were stressed since, according to certain recent studies conducted under the aegis of O.C.D.E.* [Expansion unknown], in the majority of the developed countries there is a trend towards increasing the responsibilities of the local authorities in the collection and even the basic processing or storage of reuseable materials stemming from household and street wastes. These countries support a portion of the investments made by the local authorities to provide the equipment needed to collect, select and carry out basic processing on the reuseable materials. Corresponding to this trend, the technical equipment in the municipalities are designed and produced not only in relation to the requirements for the actual elimination of industrial and household wastes, but also in accordance with the requirements for selecting from these wastes the reuseable materials for the purpose of reintroducing them into the economic circuit.

From such a point of view, we must mention the fact that the current technical equipment in the collection centers in our country especially correspond to

*LA RECUPERATION - RECYCLAGE, No 2, 14 January 1977, Paris.

the transportation and handling requirements for recovered materials, while those at the sanitation enterprises deal nearly exclusively with the elimination and neutralization of urban wastes. The need is, therefore, felt to have a structural reconsideration of the technical equipment in the two networks that are involved so that they will respond on a priority basis to the requirements for collecting, selecting, handling and delivering reuseable materials.

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CSO: 2700

BRANKO HORVAT COMMENTS ON PROBLEM OF DECENTRALIZED ECONOMY

Zagreb NASE TEME in Serbo-Croatian No 12, Dec 81 pp 1925-1929

[Article by Branko Horvat: "Republic Economies and Republic Sovereignty"; passages enclosed in slantlines printed in italics]

[Text] It is probably indisputable that the problem stated in the title is the most urgent problem in the field of Yugoslav economic organization. It is at the same time the most delicate one. Which is precisely why I am taking it as the subject of this article.

The problem has its economic, political, psychological, class and historical dimensions. A study would have to be written to resolve it as a whole. In this limited space the problem can be only indicated, and that primarily in its economic dimension.

My point of departure is the indisputable fact that every economy, including the Yugoslav economy, is a system. And every system is a whole consisting of functionally interdependent parts. That means that the macroeconomic organization must be so conceived as to guarantee functional synchronization and operational efficiency. As a consequence the particular institutional and regulatory mechanisms must be the same for the entire economy. This uniformity does not predetermine the /way in which the system is administered/. In fact the endless disagreements are occurring precisely because the uniformity of regulation is being confused with the way in which it is carried out. A method of management or administration may be democratic or autocratic, self-managed or not self-managed. /Uniform/ regulation can as a method of administration be profoundly /democratic/. The absence of such regulation is not only not a guarantee of democracy and sovereignty of the parts, but most frequently results in local economic monopolies and local political oligarchies. Both represent a total negation of self-management.

Although for an educated economist and political scientist these observations are obvious, they still need to be emphasized by way of introduction, since they are most frequently replaced by misunderstanding and demagogy in the extremely politicized everyday atmosphere. The point, that is, is that in the Yugoslav economy the principal regulatory function can be performed only by the Federation. For that function to be performed in a politically acceptable way, the political organization of the Federation also has to be appropriate.

It follows from the discussions so far that the jurisdiction of the Federation is objectively determined by the nature of the economy as a system. It follows from the operation of economic laws, which do not allow any voluntarism whatsoever. Whatever the political protagonist might think, desire or do, the law of value operates as it operates, and there is nothing here that can be changed. Economic laws, by contrast with government laws, cannot be amended or rescinded. That being the case, it is intelligent behavior on our part to adapt to them.

The institution of self-management is of a different character altogether. In this case there is no economic or other necessity whatsoever for society to be organized on the basis of self-management. Statist organization is also possible, the welfare state is possible, as is the conventional capitalist system or some combination. By contrast with the economic system, self-management is a sociopolitical commitment. Once self-management (or statism or capitalism) is adopted, then the objective economic laws determine the system of institutions and regulatory mechanisms which correspond. In Yugoslavia self-management is the basic social institution, adopted by its citizens in a plebiscite. In that sense this is a social fact.

/A fundamental conclusion follows from this: Since self-management is a fact, and since the characteristics of the economy as to its system are objectively given, there cannot be any bargaining over either./ A permanent sociopolitical commitment is one thing, and knowledge and scientific research something else.

Once we have determined the jurisdiction of the Federation as a jurisdiction pertaining to the system, and have established self-management as the basic social institution, then it is not difficult to define quite precisely the place and functions of the republics (and opstinas) and of their economies. Everything that lies outside the sphere of the Federation as to the system and which does not restrict the self-managing autonomy of economic entities, lies in the jurisdiction of the republics and provinces. These are basically the following activities:

1. Direct assistance to work organizations (reserve funds, emergency financial rescue, education and retraining of personnel).

2. Land use planning (pretty much neglected up to now) and regional equalization of economic development.

3. All types of stimulation of economic development within its jurisdiction (attracting investors, domestic and foreign, with tax benefits, construction of infrastructure, subsidies, etc.). It is self-evident that all measures that tend to close off markets or to discriminate between "one's own" and "foreign" producers and consumers are precluded.

4. Budget and fiscal policy.

5. Public services.

6. Public administration.

Republic economies which have the characteristics listed from 1 to 6 are compatible with self-management and with the character of the economy as to its system. What is more, republic economies of this kind represent functionally synchronized subsystems, and in that sense they contribute to the optimal functioning of the economy both as a whole and in all its parts. As is evident, the principle of maximum decentralization has been applied: Everything that is not objectively assigned in advance to the federal level is left to the lower levels. In that sense the sovereignty of the republics (which is a political category and as such cannot be set in opposition to economic laws) is also guaranteed.

Republic sovereignty requires additional consideration, since it is the subject of many disagreements, some of them disastrous. The economic functions of the republics which have just been enumerated, do not signify that the sovereignty of the republics has been reduced to them. On the contrary. Sovereignty also includes functions which were not included, all the way to complete self-sufficiency and secession from the Federation. Consensus in the adoption of important decisions--such as the plan and the constitution--expresses uninfringed republic sovereignty in the most direct way. Similarly, the West European states did renounce a portion of their sovereignty when they joined the Common Market. They retained their full national sovereignty, including the option to withdraw from the Common Market. Hopeless confusion results when sovereignty is confused with association.

The nationalities of Yugoslavia have brought their national states--the republics--into an association referred to as the Federation by their sovereign will. They have done this because in the given historical conditions this best suits their national interests. If that association is to have the most beneficial effects for the national interests of each republic, it must have certain organizational forms, both political and economic. Those organizational forms are predetermined by the objective characteristics of politics and the economy and cannot be voluntaristically redesigned without harm to the interests of every partner.

As for the economy, the republics create their joint business board--the Federal Executive Council--which pursuant to the directive and subject to the oversight of the central workers' council--the Federal Assembly--it performs the tasks of operational management of the economy. So long as that business board operates effectively and within the agreed limits, there is no reason to interfere in its work. If it does not fill the bill, then it should be discharged and a more effective one formed.

As has been emphasized already, the social plan is the basic social compact, the agreement that defines the guidelines and framework for economic policy. In view of those characteristics, adoption of the plan requires unanimity, consensus among the republics. However, the operational implementation of the plan may--and should, that is the only possible solution that is sensible--be entrusted to the Federal Executive Council under the oversight of the Federal Assembly. This does not preclude constant consultations of republic forums

and occasional selection of particularly sensitive measures to be decided on by consensus. This selection is made by the Assembly.

It is well known that in recent years the republics have more and more frequently been unable to agree or have been unable to agree in good time, and the Federal Executive Council has been unable to take the necessary steps. As a rule this is explained by the differing and conflicting interests of the republics. And now we hear more and more frequently the demand that partial interest must be sacrificed in the name of the common interest, and the Federal Executive Council [SIV] must take advantage of its constitutional prerogatives and make the decisions in spite of the opposition of certain republics. Both the explanation and the demand are profoundly mistaken.

There are, of course, interests which actually are opposed to one another. But those are really exceptional cases, and they also necessitate an exceptional solution. The alleged opposed interests which the interrepublic committees are bargaining about every day are of a quite different nature and arise from two sources:

a) economic disorganization and

b) bargaining about individual measures.

The first source can be well illustrated by the republic payments balances. It is clear to everyone, including those advocating it most, that this is an extremely unwise and harmful solution. How, then, did it come about? When an economy is brought to a situation of an altogether unrealistic rate of exchange, arbitrary administration of the allocation of foreign exchange, and irresponsible contracting of indebtedness abroad covered by federal guaranties, then it is natural that those earning foreign exchange revenues, and that above all means two advanced republics, to demand that they have direct control over their own revenues. It is obviously not the solution for SIV to take over allocation of foreign exchange (though in the present crisis it may in the end have to do so). The solution is to make the dinar convertible, and to subject the contracting of foreign indebtedness (and also domestic indebtedness!) to tried and true banking methods. When the dinar is convertible, the possession of foreign exchange does not represent any sort of special advantage, and interference of the government is pointless. The situation is also similar with loans which are paid off promptly.

As for the other source of conflicting interests, the bargaining about /individual measures necessarily generates a conflict of interests/, and this is what the interrepublic committees are constantly doing. At any given moment construction can begin on only one steel mill or one automobile factory or one nuclear power plant. If the project is located in one republic, the other five are left without it. And that is why everyone knocks together his own production shop. Much the same is the case with the individual measures of economic policy. The rise in the price of heating oil hurts Vojvodina more than any other region. Low prices of raw materials suit Slovenia, but are harmful to Bosnia and Kosovo. Pushing tourism and shipbuilding brings the greatest benefit to Croatia. The high support prices for farm products mean

larger production and smaller imports and also faster development of the farming regions, but they also increase the cost of living. And so on. The solution to the problem does not lie in endless haggling among the republics. Still less does it lie in leaving each republic to act as best it knows how, as best it knows how and is able, since this leads directly to disintegration of the economy. The solution lies in replacing the haggling concerning individual measures with /agreement on complete development programs/. And that is precisely the purpose of the social plan. That is why one of the key tasks is to devise an appropriate planning methodology. That methodology should replace the unwise and disintegrative "If he gets it, I lose it" approach we have had up to now by the "All get the maximum" approach. This substitution is not, of course, a matter of a slogan or political campaign--though that is also necessary--but of introducing science into planning.

In conclusion it will not be out of the way to take note as well of a sociological phenomenon. The behavior of the republic political structures that has been noted is not an accidental nor a passing phenomenon, and it will not, then, be easy to change it. It is not just a question of the nationality question which is always with us. We note that same behavior in segments of one and the same republic (in the relations, say, between the provinces and the republic*), or within one and the same nationality (the relation between the opstina and the republic or the relation between individuals and the work collective), as well as in work organizations, regardless of the level of education (at the universities, especially the new ones, just as in the factories, especially in nonindustrial workplaces). This is a behavior which is deep-rooted in the mentality of the society of the transitional period in which changes are rapid. In an ordered self-managing society there will be a definite set of generally accepted ethical and legal norms which regulate behavior and which afford full autonomy and freedom of initiative of individuals and work collectives. In a transitional society the phenomenon of anomie which is well known in history and theory occur: the old norms are abandoned as dysfunctional, but the new ones have not yet been devised. Thus normative orientation is lost, everything can be questioned, and everything appears possible or permissible. That is precisely our present situation. /Instead of firm norms and free initiative, we have haggling about everything and the blocking of almost every initiative/. Since it is a question of historical development, it would be an illusion to expect that things will change rapidly. There are no leaps in history. Only accumulated social experience brings about essential changes. But it is possible to do incomparably more to speed up the process. In that sense considerably greater attention should be paid to the building and functioning of the legal system and to the development of the ethical norms of social behavior (codes of professional ethics,

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* Nikola Stanic writes in POLITIKA (17 June 1981, p 14) as follows: "Today in the economy of the Socialist Republic of Serbia there is not a single measure (credit and monetary, fiscal, in the price field, etc.) of joint economic policy (or economic policy in the common interest) which is by agreement being uniformly applied to the economy of the republic as a whole. On the contrary, under the cloak of defending constitutional autonomy ..., and against statist attitudes or a new type of restoration of statism and centralism, there have been stronger tendencies toward economic and other exclusiveness of the provinces and toward bureaucratic-autonomistic separatism."

ethical norms in the educational process). Every law which is prepared with professional competence, which cannot be enforced or is simply not enforced, is a blow to building a self-managing society.* All arbitrariness in interpretation or enforcement of laws accentuates social anomie. Every arbitrary repressive measure is a diversion in the process of shaping a self-managing society. And the same effect results from every piece of untruthful information (that is, from the selection and blocking of information) that is justified by higher interest or by toleration of "socially beneficial crimes."

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* A recent meeting of the Federal Economic Council examined the draft of the law on expanded reproduction and past labor. This is one of the basic laws, that is, one of the laws embodying the system, and the draft (the fourth so far) was so bad and harmful that I was compelled to describe it as an act of sabotage. The general opinion of the Council was that the draft was no good, but it was also said that "if it does no good, the law will not be harmful either, since the economy will in any case behave according to its own norms." This attitude, which is more general than isolated, leads directly to disintegration of the legal system and contributes to the high degree of anomie in our society.

7045
CSO: 2800/316

CROATIAN FOREIGN TRADE, NEW FEDERAL RULING ON INDEBTEDNESS

Zagreb VJESNIK in Serbo-Croatian 24 Mar 82 DELEGATSKI VJESNIK supplement pp 10-11

[Excerpt] Foreign Economic Relations

Relatively favorable results were achieved in foreign trade in 1981. A positive balance of $407 million in current transactions (of which $270 million was with the convertible area and $137 million was with the clearing area) was achieved within the framework of Croatia's balance of payments position, in comparison with the negative 1980 balance of payments position of -$143 million (-$153 million with respect to the convertible area). The improvement in the balance of payments position, however, is to a significant extent the result of a slowdown of imports (with negative consequences for the supply of manufacturers), and only to a lesser extent the result of a real increase in the exports of goods and services and a cessation of long-standing negative trends in the area of trade.

Within the total nominal growth of 15.4 percent and the real growth of 4.9 percent in commodity exports, a nominal increase of only 6 percent was achieved in trade with the convertible area, so that the real decrease in exports to the convertible area (with an 11 percent increase in prices) was -4.5 percent.

Income from services was increased nominally by 11.6 percent, and by about 3 percent in real terms. Within the service income, the most significant increase was in income from tourism (28 percent), while transporation income was nominally increased by only 9 percent. The net balance of citizens' accounts was increased [? to] $246 million, which has to a great extent contributed to the improvement in the balance of payments.

In assessing the results achieved in improving the balance, it is necessary to take into account the fact that expenditures for oil in 1981 were 521 million dinars less than in 1980 because of a change in the system for the distribution of oil imports among the balance of payments positions of the republics and provinces.*

*Oil was listed by consumption in the 1981 balance of payments position of Croatia.

It may be concluded from the data cited above that the goals outlined by the Social Plan for the 1981-1982 period in the area of foreign economic relations are not being achieved (as a strategic orientation, the plan provided for an intensification of foreign economic relations and an increase in commodity exports of at least 8 percent per year on the average).

Very ambitious goals have been set for 1982 in the area of foreign economic relations. A provisional projection of the balance of payments position made Croatia responsible for achieving a 12 percent real increase in goods and services in trade with the convertible area. The nominal increase in commodity exports is to be about 20 percent, and the increase in services is to be about 24 percent, with price increases of 8-10 percent.

Discussions of the balance of payments position have disputed the possibility of a real increase of over 12 percent in income from services, since capacities were not significantly increased during 1981; it is thus estimated that it is possible to achieve a real increase in income from services of about 5-6 percent.

It will likewise be difficult to achieve an increase in commodity exports in 1982, for several reasons. The main reasons are an insufficient supply of intermediate goods for the economy, a shortage of funds for financing exports, and a high degree of foreign currency illiquidity.

The conditions for economic activity were not defined in more detail in 1981 in accordance with the conclusion from the third part of the Plan for Yugoslavia, nor were conditions for application of the system created.

The halt in the operation of the foreign currency market and nonfulfillment of Croatia's obligations for oil payments have brought Croatia's economy into a high degree of foreign currency illiquidity. The shortage of foreign currency for payments is a result of an increase in short-term indebtedness, and indirectly, of the limitation on the possibilities for utilizing medium-term credits.

The foreign currency gap between the balance of payments and foreign currency balance positions of Croatia will be intensified in 1982, and will be a limiting factor on the growth of imports, and thus also on production and exports. It is estimated that the difference between the balance of payments and foreign currency balance positions of the republic in 1982 could be about $970 million; in comparison with the positive balance of the balance of payments projection established in the provisional projection of $834 million, the balance of the republic's foreign currency balance position could be about -$140 million.

It should be emphasized that in 1981 there has been a great divergence between Yugoslavia's payments and foreign currency balances; this will intensify the problems of financing the deficit and act as a limiting factor on an expansion of trade in 1982.

A re-examination of the possibilities for increasing exports during the next few years of the medium-term plan has led to the conclusion that it will not be possible to achieve the expected 8 percent real growth of commodity exports.

During the 1983-1985 period the commodity exports could be about 7 percent in real terms, and about 6.7 percent over the entire medium-term period. The real growth in imports of intermediate goods in 1983-1985, not including oil, will be about 6.0 percent. The 1983-1985 oil imports have been listed in accordance with Croatia's requirements, based on the average increase in oil imports at the national level.

A projection of the exports and imports of goods and services is given in the following table:

Projection of Imports and Exports of Goods and Services in 1981 - 1985

- in millions of dollars, current prices

| Total | 1980 | 1981 | 1982* | 1982/81 Growth Rate | Ø rate 1982/1981 | 1985 | cumulative 81-85 | cumulative 83-85 | Ø rate 83/85 | Ø rate 81/85 | cum. rate 81/85 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Current Foreign Transactions | | | | | | | | | | | |
| Commodity exports | 2,077 | 2,416 | 2,835 | 17.3 | 16.8 | 4,380 | 11,445 | 16,896 | 15.6 | 16.1 | 16.3 |
| Income from services | 1,849 | 2,064 | 2,540 | 23.1 | 17.2 | 3,924 | 10,354 | 14,858 | 15.6 | 16.2 | 16.3 |
| Exports of goods and services | 3,926 | 4,480 | 5,375 | 20.0 | 17.0 | 8,304 | 21,699 | 31,544 | 15.6 | 16.2 | 16.3 |
| Commodity imports | 3,983 | 3,975 | 4,480 | 12.7 | 6.1 | 6,419 | 16,821 | 25,276 | 12.7 | 10.0 | 8.0 |
| Funds for production | 3,237 | 3,054 | 3,710 | 21.4 | 7.1 | 5,202 | 13,870 | 20,434 | 11.9 | 10.0 | 7.9 |
| Crude oil | 1,399 | 878 | 880 | 2.3 | -21.7 | 898 | 2,369 | 4,127 | 0.7 | -8.5 | - |
| Intermediate goods without oil | 1,838 | 2,176 | 2,830 | 30.1 | 24.1 | 4,304 | 11,301 | 16,307 | 15.0 | 18.6 | 19.8 |
| Investment funds | 533 | 709 | 477 | -32.7 | -5.4 | 858 | 2,143 | 3,329 | 21.6 | 10.0 | 7.5 |
| Consumption funds | 193 | 212 | 293 | 38.2 | 23.2 | 359 | 1,008 | 1,513 | 7.0 | 13.2 | 15.4 |
| Expenses for services | 517 | 585 | 576 | - 1.5 | 5.6 | 831 | 2,217 | 3,378 | 13.0 | 10.0 | 9.1 |
| Imports of Goods and Services | 4,500 | 4,560 | 5,065 | 10.9 | 6.0 | 7,250 | 19,038 | 28,654 | 12.8 | 10.0 | 8.2 |
| Balance of Goods and Services | -574 | -80 | +319 | | | +1,054 | +2,661 | +2,900 | | | |

*Provisional projection of the balance of payments position

It is not possible at this time to show the overall balance of payments position of Croatia, because the republican balances are being substantially changed by the new approach in the policy on indebtedness.

The reduction in the volume of utilization of financial credits and the inclusion of remittances in credit-financial relations is changing the concept of the current balance of payments position and of foreign credit-financial relations.

According to the new parameters, which are to be developed in more detail later on, about $3 billion net for the entire medium-term period would be separated out of the current balance on the basis of remittances.

The negative balance in credit-financial relations, as shown by a portion of the indebtedness, without including the indebtedness of the National Bank of Yugoslavia, would be about $2 billion. It is also necessary to change the calculation of the expenditures for interest, which no longer includes the interest on credits being paid by the National Bank of Yugoslavia.

The projection of the goods and services should therefore be considered tentative.

The continuation of unfavorable trends in the export of goods and services requires immediate performance of the tasks set by the medium-term plan for increasing exports from Croatia:

--through further construction of the system and a mechanism for applying it, settling the unresolved issue of the operation of the system of foreign economic relations, and especially the unresolved issues stated in the third part of the Social Plan of Yugoslavia;

--on the basis of the new expectations, beginning to specify a joint foreign currency policy for the 1981-1985 period, in order to increase the economic interest of organizations of associated labor in exporting goods and services;

--beginning to develop and carry out specific export programs;

--re-examining the possibilities for a more rapid development of service activities for an increase in foreign currency income from tourism, investment work, and transportation, and establishing specific measures for carrying them out.

The more difficult conditions for obtaining credits, high interest rates, and the shortfall in foreign currency income have led to a re-examination of the framework and policy for indebtedness at the national level during the next medium-term period.

The new parameters for foreign indebtedness are substantially changing the relationships in the balance of payments positions of the republics and provinces, both in the sector of current transactions and in the sector of foreign credit-financial relations. In addition to the material flows, the policy of foreign indebtedness is also being changed.

After re-examining the possibilities for foreign indebtedness, on 11 February 1981 the Federal Executive Council proposed a new draft agreement that provides for a considerably smaller volume of foreign indebtedness in comparison with previous expectations. For the entire medium-term period, the volume of indebtedness will be only $15.0 billion, of which $13.5 billion will be for the convertible area.

The basis for viewing the possibilities for indebtedness was the commitment that in 1982 the deficit in the current balance of payments could be at most $500 million, and that from 1983 to 1985 equilibrium in the balance of payments with the convertible area would be ensured.

Financial credits for the liquidity of the National Bank of Yugoslavia are being reduced because of a reduction in interest expenditures and more difficult conditions for obtaining credit.

The new proposal has substantially changed the way in which obligations are to be met and deficits are to be financed. Net remittances are being transferred into foreign credit-financial relations and are to provide 63 percent of the funds necessary to pay for foreign credits ($14,871 vs. $23,363 million). Foreign currency income from the export of goods and services could, in fact, cover only 51 percent of the annuities due for the 1981-1985 period, even assuming a real increase in the export of goods and services of 12 percent in 1982 and of about 8 percent from 1983 to 1985.

The credits for liquidity undertaken by the National Bank of Yugoslavia in the amount of $4,389 million, or 32.5 percent of the total indebtedness, are not being distributed among the republics and provinces. They are serving to form foreign currency reserves and to maintain external liquidity (payment for imports, repayments, etc.).

The net balance of remittances, according to the proposal, is to be separated from the republican positions and is to serve to settle anonymous obligations. It will probably be used for the most part to repay the credits of the federation and the National Bank of Yugoslavia.

In view of the fact that the proposed concept substantially changes the balance of payments and foreign currency balance position of Croatia, and that at the same time the overall concept of the operation of the foreign currency market has not been worked out, it cannot be accepted. There is a real danger that through the proposed concept, the anonymity of indebtedness may be strengthened by partial inroads and the pressure on foreign indebtedness may be increased.

9909
CSO: 2800/327

MONETARY-CREDIT POLICY OUTLINED FOR 1982

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 26 Mar 82 p 5

[Article by B. Djurovic: "Slowdown In Investment Credits"]

[Text] Among other things, this year's resolution on the country's development and a special decision on the goals and tasks of the joint issue and monetary and credit policy, especially in connection with the changes in the money supply and bank investments this year. The main goals and tasks of the monetary-credit policy are, in fact, directed toward supporting implementation of the economic stabilization policy.

In connection with this, the most important thing is to slow down price increases, eliminate structural contradictions, balance commodity-monetary relationships, increase the production and sale of equipment, and ensure the necessary material reserves. This is stressed in a report on guiding the credit potential of banks this year through self-managing agreements and accords concluded at the federation level. This report, which was forwarded to the SFRY Assembly, was compiled by the National Bank of Yugoslavia, the Association of Yugoslav Banks, and the Federal Secretariat for Finances.

The banks have special obligations in carrying out the monetary-credit policy this year, i.e., the investment credits have to grow more slowly than the total credits, in order to make it possible for short-term credits to satisfy as much as possible the requirements for financing current production. As for the growth of bank investments, an effort will be made to have them used as much as possible for priority purposes, primarily for financing exports. These measures will not reduce investments for the development of insufficiently developed republics and provinces, nor for areas suffering from earthquakes.

Three Times As Much Investment

In accordance with these goals, the National Bank of Yugoslavia has drawn up a projection for the 1982 monetary-credit policy. This regulation established that the money supply, calculated on the basis of December of last year and this year, will be somewhat more than 20 percent greater compared to the preceding year. It is estimated that during this period the nominal social product will grow at a rate of 18 percent. In order to carry out the

priority tasks in this area in 1982, it has been planned that the banks will conclude several self-managing agreements: to carry out a selective credit policy using part of their credit potential for financing the sale of domestic equipment and ships, combining funds in order to stimulate exports of capital goods, and providing funds for the development of the agroindustrial complex.

According to the first agreement, the banks are to ensure an increase in their total investments for selective purposes in the amount of 171 billion dinars. In doing this they will have to keep in mind the fact that exports to the convertible market will grow faster than was planned for this year, which means that bank credits will also increase by the same extent. In addition to this, because of the depreciation of dinar exchange rate, bank investments for exports and imports will have to grow more rapidly than was planned. It is likewise undeniable that the nominal increase in the production and supply of the basic agricultural and food products, which are supported by selective credits, will be greater than the growth of production and supply in agriculture.

According to the second self-managing agreement, the banks are to provide five billion dinars from their credit potential. According to the third document, the above-mentioned institutions are to combine 5.5 billion dinars this year, and 25 billion dinars according to the fourth agreement. With these four agreements, the banks are assuming an obligation to use part of their credit potential in 1982 for priority investments at a national level amounting to over 202 billion dinars.

Many Priority Obligations

We also recall the available credit potential of the banks and its being utilized by means of self-managing agreements and accords. It should first of all be emphasized that the National Bank of Yugoslavia has established that the growth of total bank investments in 1982 will be 333 billion dinars. In other words, the obligations of these institutions are being increased considerably this year. In fact, within the framework of the planned growth in bank investments under the restriction of a rate of about 16 percent, investments on the basis of agreements will be three times greater than last year, as the report emphasizes.

Out of the amount of the permissible growth in bank investments under the restriction (269 billion), over 202 billion dinars are to come under the increase in investments used for financial priorities through self-managing agreements and accords. These ratios indicate the fact 67 billion dinars are left for an increase in investments on the basis of the autonomous commercial policy of the banks. As a matter of fact, within this last framework (after settling the obligations arising from the self-managing agreements), the banks are to carry out the obligations they have assumed for the completion of investment projects in an area of narrow priorities (energy, production intended for export, and import substitutes), and then for financing housing construction and current production in the overall economy outside of the priority areas.

As for the term structure of the bank investments under the restriction, it is planned that in the short term they will increase at a rate of 23 percent, and in the long term at a rate of 10.2 percent, in accordance with the determination of the current economic policy that investment credits are to increase more slowly than the total credits, in order to make possible larger short term investments for the needs of current production. In regard to the term structure of bank investments according to self-managing agreements, however, the data indicate that an increase is taking place in the proportion of long-term investments in the priorities agreed upon, compared to last year, as a result of an expansion in the priorities agreed upon (investments in the development of the agricultural complex).

In assessing the degree to which bank investments are guided by self-managing agreements and accords, it is necessary to take into account investments through regional agreements and accords established at the level of republics and autonomous provinces in accordance with their current development policy. On the basis of data from the Association of Yugoslav Banks, it is estimated that this year the banks have assumed an obligation to use 40 billion dinars for the priorities [established] according to regional criteria. Taking into account as well the banks' obligations resulting from regional self-managing agreements, it turns out that of the total permissible increase in bank investments of 269.5 billion, 242.5 billion dinars have been directed into investments for priority purposes at the level of the federation and the republics and provinces, so that just 27 billion dinars, or only 10 percent, are left to be used in accordance with the commercial policy of the banks.

Several conclusions may be drawn from this. First of all, it is evident that most of the banks' credit potential has been utilized for the needs of the federation, republics, and provinces through self-managing agreements and accords. As a matter of fact, 90 percent of the planned permissible growth in bank investments under the restriction this year has been committed. Not even the remaining 10 percent (27 billion) of the planned increase in investments under the restriction, however, is left to be used according to the banks' commercial policy.

Such a utilization of the banks' potential this year does not leave enough room for the obligations for certain investments, for directing funds into narrow priorities, for current production outside of the key branches of industry, and for housing construction. It is therefore essential to heighten financial discipline, especially in the area of investments, accelerate the completion of investments in progress, and ensure timely repayment of the investment credits that have come due.

9909
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## FRANTIC 'HUNT' FOR FOREIGN EXCHANGE SKETCHED

Belgrade NEDELJNE INFORMATIVNE NOVINE in Serbo-Croatian No 1628, 14 Mar 82 pp 18-19

[Article by Velicar Zecevic]

[Text] Unusual letters are circulating these days from one end of Yugoslavia to the other. Sometimes it is an ordinary piece of mail, sometimes a telegram or Telex, and often even a verbal warning by telephone: If you do not meet our demand, we will be forced to assess once again whether our cooperation to this date can be continued....

It is not difficult to guess that concealed in these messages [original reads "last will and testament"] are demands which are usually politely expressed, but always determined--give us foreign exchange.

If our notes are correct, the first to be so bold as to justify in public the decision to sell goods for foreign exchange was Petar Dodik, director of the Zenica RMK [Mining and Metallurgical Combine]. This was less than 2 months ago. In addition to the dinar price for every ton of Zenica iron purchased, went the message from that city in Bosnia, customers would have to add $150. "There are hardly any exceptions," Petar Dodik later declared in the newspaper of his enterprise METALURG, "since on only about 200,000 tons of the 1.7 million tons of our products we are not seeking a portion in foreign exchange."

Why go on hiding their intentions and decisions, why hide behind fictitious contracts on the pooling of foreign exchange pursuant to Articles 67 and 68 of the Law on Foreign Exchange Transactions. the other directors of other Yugoslav steel mills probably concluded. First the Slovenian steel mills called upon all their customers to pay $260 for every ton of their products, and a similar announcement soon arrived from Niksic. The Sisak Steel Mill announced that it would not sell pipe or other products without an additional $100 to $150 per ton. The new Smederevo Steel Mill, the youngest among them, did not succeed in stating its dollar demands in specific terms. It simply sent out a message that $17 million were needed for it to operate successfully this year and that that amount could be obtained only from the purchasers of its goods.

Undermined for years by constant inflation and given a good shake by successive "quiet devaluation," for a long time now the dinar has not had its true

price on the domestic market. So long as the foreign exchange market functioned in some fashion, so long as the so-called "right to foreign exchange" could be exercised at least in part on that market, the frantic search for foreign exchange was directed toward exports of goods, that is, toward foreign countries and the foreign exchange market. Exports, however, also have their price and their real range which cannot be exceeded, one of the reasons being that the structure of our economy is such that any growth of exports also brings about larger imports. The question of how to obtain foreign exchange was posed still more sharply when the interbank foreign exchange market fell into a coma.

Useful Sincerity

The new situation created new relations and new terms. No one knows who was the first to utter the words "domestic foreign exchange" for that portion of the total influx of foreign exchange which remains at the disposition of work organizations after deductions for various public purposes. The major portion of foreign exchange, to be sure, is at the disposition of self-managing communities of interest in the republics and provinces. What remains, the "domestic foreign exchange," is not always so insignificant and, what is most important, it can become the object of speculation or pooling among clever managers with a sense for business.

Never mind that the law permits only pooling.

"When the people in the self-managing community of interest informed us that we could not count on 'republic' foreign exchange," Petar Dodik said sincerely, "we had to look for it somewhere else. We did not have any choice, since we ourselves purchase production supplies abroad."

Sincerity of this kind is spreading, as one can well understand, by geometric progression. Everyone who has received a letter from the steel mills demanding partial payment in foreign exchange for goods purchased went in the same direction: They sent out similar messages to their own customers. And the latter in turn to their own. All equally appeal to the Law on Foreign Exchange Transactions ("pooling"), but all are actually counting on the purchasers of their goods not having any choice but in the end to give in.

Strict Elimination

The increasingly frequent news that foreign exchange transactions between work organizations can be interpreted rather in terms of the fact that blackmail and unloyal behavior have become deep-rooted rather than in terms of evidence of more prevalent pooling of foreign exchange on the basis of self-management accords has also been the occasion for several sharp debates in committees of the assembly, for energetic admonitions and for questions put to the government by delegates. Zarko Cosic, a Vojvodina delegate in the Chamber of Republics and Provinces of the SFRY Assembly, put this question in February to the Federal Executive Council: "Can behavior which essentially requires payment for a portion of goods delivered to be made in foreign exchange be accommodated under Article 68 of the Law on Foreign Exchange Transactions and Credit

Relations With Foreign Countries?" Delegate Cosic was satisfied with the response of the Federal Executive Council, which was: by and large, no.

He was dissatisfied, however, with the answer to another question: "What has the Federal Executive Council undertaken or what is it intending to undertake to prevent such occurrences in our country?" Replying once again to this and three additional questions of delegate Zarko Cosic, engineer Petar Kostic, federal secretary for finance, said:

"I think that respect and understanding is being paid to the fact that there are exceptional difficulties which we have been unable to justify in our previous responses. There are in Yugoslavia about 25,000 basic organizations of associated labor, and a large number, some 10,000 or so, are involved in the game of the buying and selling of foreign exchange outside legitimate channels. There are no technical conditions for inspectors to catch even a minimum number of the offenders, since the Federal Foreign Exchange Inspectorate consists of only a few dozen inspectors. That is why we will soon propose intervention in the form of a law which will make it possible for us to begin under the constitution the rigorous elimination, not to say incrimination, of transactions of this type."

In the meantime--this response of engineer Kostic was made on 3 March--many more letters were sent out and many new contracts were concluded whereby domestic goods were unlawfully paid for by domestic customers in foreign exchange. Some producers have even put out their "foreign exchange price lists"; they state precisely how much their goods are worth in foreign exchange, alongside the price in dinars. Some collect in percentages, others in fixed dollar amounts. The news has come in from Sevojno, for example, that $845 per ton must be paid in addition to the dinar price for rolled copper and aluminum products. Dinars are no longer sufficient for copper producers; they are demanding $587 for every ton delivered to any of their customers.

By all appearances the demand for dollar payment on the domestic market is no longer an exception. "It is already clear that this year the economy of Subotica will not even come close to having enough foreign exchange from its exports," it was declared in the February meetings of the Opstina Committee of the League of Communists in Subotica. For that reason the Presidium of the Opstina Committee of the League of Communists agreed that work collectives in Subotica would seek foreign exchange even on the domestic market.

The scale of the unlawful trade in foreign exchange, though it is now being openly talked about, cannot be precisely determined. It is not known who is seeking what or how much from whom. Perhaps a recent analysis made in the Economic Chamber of Serbia is indicative; it showed that in all about 450 million dinars [sic] was being demanded from work organizations in Serbia proper. It was not stated, however, how much work organizations in Serbia were demanding of others.

The circle of those who are gathering "domestic foreign exchange" in seeking the key to solving their difficulties is, of course, growing. But the new foreign exchange market is to some extent filling the vacuum left by the

previous "interbank" market. Moreover, the pooling of foreign exchange has in fact been envisaged by the Law on Foreign Exchange Transactions, and disposition of foreign currency as a self-management right of workers who realize foreign exchange is seen as a goal of public policy.

"Disobedience" Foreign Exchange Earned in Tourism

Whose foreign exchange is it? Even farmers in Vojvodina are among those seeking an answer to that question. Their reflections, it would seem, are moving in the right direction when they say that the foreign exchange earned in tourism cannot belong solely to hotels and tourist organizations nor, of course, even to the republics in which foreign tourists usually stay.

Here is the basis of that opinion. According to the data in a Vojvodina analysis, in 1980 Yugoslavia was visited by 36.9 million foreign tourists, and according to approximate estimates they spent $64.4 million for food. Food produced in Vojvodina was worth more than $28 million. Do the Vojvodina farmers have a right to that foreign exchange? Is respect being paid in this to the fact that some things also need to be imported for the production of both food and meat and everything that is consumed in tourism? The production of 1 ton of wheat requires imports of chemicals and other supplies worth $21, and the import component of 1 ton of pork cannot cost less than $136.

"Agriculture and the tourist industry are truly linked by a large common interest: exports, exports moreover within the country, which are the best kind," reflects Darko Vlahovic, representative of the Economic Chamber for Dalmatia.

As Darko Vlahovic declared to Radovan Kovacevic, our correspondent in Split, in just the area from Zadar to Dubrovnik domestic and foreign tourists are annually served 10,000 tons of meat, 18,500 tons of vegetables, about 6,000 tons of fruit, and then milk, cheese, butter.... Last year foreigners spent $586 million in this area.

"It is not the first time that demands have been addressed to workers in the Dalmatian tourist industry for what is called foreign exchange participation. We remember criticism to the effect that the tourist industry is only an 'assembler,' that is, that all the others who participate in supplying and developing the tourist industry should also have their share of the influx of foreign exchange. That is how we interpret the most recent demands from Vojvodina," Darko Vlahovic says.

Why, then, resort to blackmail, to threats that deliveries will be halted, to public reproaches? Why not conclude authentic self-management accords based on common interests?

Yet the answer to those questions is not a simple one. When one takes into account that the common interests as in tourism also bring together other producers of raw materials and those who process them, as well as producers of parts and finished products, it might be said that the obstacles to reaching an agreement come from elsewhere. Many people say that the absence of a

foreign exchange market is the principal cause of disagreement. Others are inclined to see the foreign exchange positions of the republics and provinces as the greatest trouble, since they, as has indeed been stated by Petar Kostic, federal secretary for finance, have long ago become exchange balances in their own right. It is indeed difficult for foreign exchange to cross republic borders, and the numerous demands for foreign exchange participation in joint efforts cannot be realized because of resistance at the top level in the republic.

That is why the reaching of agreement is replaced by unlawful pressures for domestic goods to be paid for in foreign exchange, by a rough displacement of the dinar, and by an introduction of foreign currency on the domestic market. "Nevertheless, this cannot be allowed," engineer Petar Kostic said to delegates of the Yugoslav Assembly, and he promised that vigorous measures would soon be taken.

[Box, p 18]

Similarities and Differences

Last October the "Solid" Footwear and Plastics Combine, its "Shoemaker" Basic Organization of Associated Labor, and the director of the combine Stipan Prcic were penalized in the Superior Economic Court in Subotica for an economic offense. Their offense consisted of relinquishing to their suppliers a portion of the foreign exchange that they realized through exports.

Five months after the penalty was pronounced, the Superior Economic Court still had not prepared the written judgment and justification of the penalty. It is an interesting detail that the penalties were pronounced because foreign exchange had been relinquished to "Konus" in Slovenacke Konjice, to "Proleter" in Nova Varos, to "Jugoplastika" in Split and TKI [Chemical Products Plant] in Kranj.

Not a single charge has so far been filed against "Solid" and its managers for the same or similar transactions with foreign exchange involving work organizations in Vojvodina.

[Box, p 19]

What Is Being Prepared

The Federal Secretariat for Finance, commissions for preparing legislation on foreign exchange transactions, and certain other competent institutions, we have learned unofficially, have received a report from the Federal Foreign Exchange Inspectorate presenting findings on events on the Yugoslav foreign exchange market. The report, though we were unable to obtain the specific data, also speaks about what the Foreign Exchange Inspectorate can do under current legislation to put an end to the blackmail concerning foreign exchange.

The work of the inspectorates is also impeded by various pieces of republic legislation concerning foreign exchange transactions. That is why there is

great anticipation about what will be proposed by the competent commission engaged in preparing new legislation on the foreign exchange market.

Every day the Secretariat for Finance and the Federal Foreign Exchange Inspectorate receive questions as to when the new legislation on the foreign exchange market will be ready? The SFRY Assembly is again awaiting a detailed answer from the Federal Secretariat for Finance to a delegate's question concerning foreign exchange transactions.

A version of a law on the foreign exchange market is being prepared, though consensus on certain principles is difficult to achieve because of differing points of departure and different interests.

The so-called interim law on foreign exchange transactions is also being prepared.

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26 April 1982

# East Europe Report

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2263

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# EAST EUROPE REPORT

## ECONOMIC AND INDUSTRIAL AFFAIRS

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# SOCIAL, SUPPLY PROBLEMS CAUSED BY INDUSTRIAL CONCENTRATION

Sofia NOVO VREME in Bulgarian No 3, 1982 pp 22-33

[Article by Angel Bruchkov: "Problems in Improving the Conurbation System"]

[Text] Under the conditions of the integrated intensification of the national economy, the rationalization and planned regulation of the conurbation system represent one of the most difficult interdisciplinary problems in the economic growth and increased standard of living of the people. For precisely this reason, the BCP in its economic policy has always given exceptionally great importance to the questions related to the spatial projection of the productive forces and the conurbation system. At the December (1972) Plenum, for the first time a scientific basis was established for the question of utilizing the advantages of the conurbation systems and particularly the conglomerations. The March (1977) Plenum of the BCP Central Committee was totally devoted to the problems of the conurbation system; this plenum outlined the strategic tasks in this area. It provided fundamentally new ideas concerning the directions to improve the conurbation system, in reflecting the objective needs of our social development.

The importance of the problem involving the rational development of the conurbation system is determined by the place which it holds in shaping the integrated national economic complex and by its influence on the efficiency of social production and ensuring the necessary conditions for raising the standard of living of the population and the all-round development of the human personality. Changes in the conurbation system and its structural elements are organically related and subordinate to changes in the forms of the territorial organization of social production and depend directly upon the creation of the various ranks of territorial-production systems.

However, at the same time the conurbation system has a certain relative independence, it has its own characteristic features and development patterns and once created has an inverse effect on the further territorial placement of the productive forces. The created economic potential in the population points, the sectorial structure of the operating enterprises, the existing production apparatus and subsystems in the production and social infrastructure, the availability of facilities for introducing new production and a highly skilled labor force have an inverse effect on the territorial placement of production. Thus, the conurbation system becomes a powerful factor for improving the territorial organization of the productive forces. The active inverse ties between the spatial organization of the productive forces and the conurbation network will grow continuously under the conditions of the accelerated

intensification of the national economy. While during the first decades of predominantly extensive development in the Bulgarian economy and the creation of a major material and technical basis the territorial placement of the productive forces determined the development directions of the conurbation system, under the conditions of the intensification of economic growth the conurbation system and its structural elements will have a growing impact upon the localization of production capacity. The tasks posed by the 12th BCP Congress require that the existing reserves be more fully disclosed for the efficient development of the conurbation system as an important subsystem in the national economic complex.

As a result of the correct economic and social policy carried out in the area of the territorial organization of the productive forces, over the last 20-25 years substantial progressive changes have occurred in our nation in the development of the conurbation system both as a whole and for its basic structural elements.

In the first place, there has been the extensive prospecting for and exploitation of the ferrous and nonferrous metal ores, inert materials, coal, oil and gas fields and so forth and all of this has significantly expanded the raw material and energy base of our industry. Exceptionally favorable conditions have been created for developing the extracting sectors and for the more rational placement of the related types of production. On this basis there has been accelerated economic and social development in a number of population points in the Rhodope, Southwestern and Southeastern Bulgaria, the Sredna Gora Area and elsewhere.

Secondly, as a result of the on-going improvement in the forms of the territorial organization of the productive forces, there has gradually been the building up of industrial and conurbation conglomerations of varying degrees of maturity, representing a higher form of settlement systems. The Sofia, Plovdiv, Varna, Burgas, Veliko Turnovo and other conglomerations have assumed important significance in the territorial national economic structure. Real opportunities have been opened up for strengthening the intraconglomeration division of labor, for rationally utilizing the advantages of the territorial concentration of basic and auxiliary production, for regulating the growth of the conglomeration centers and on this basis increasing economic and social efficiency. By the development of the transport and utility subsystems in the conglomerations, conditions have been created for further applying the acquired skills of the younger population in the smaller population points and for the penetration of the urban way of life in them.

Thirdly, with the administrative and territorial reorganization of the nation in 1959, substantial progressive changes were made in state and economic management. The large scale and important economic base created in the okrug centers has led to positive structural changes in the territorial placement of the productive forces. These have been turned into an important element in the national structure of the conurbation system.

Fourthly, in accord with the patterns and basic principles in the territorial placement of the productive forces under socialism, in a number of the medium-sized and smaller towns, industrial enterprises and shops have been set up. Substantial changes have also occurred in the national economic functions of most of our towns and cities. The relative place of agriculture has declined with the constantly strengthening development of industry and the sectors of the service sphere. The problem of electrifying and supplying water to the population points is being solved.

Significant improvement have occurred in their public amenities. The appearance of our towns and villages has changed fundamentally. Positive changes have been made in the monetary income of the population in the individual territorial units. Living conditions in the smaller population points have been constantly approaching those in the larger towns. The real prerequisites have been created for gradually overcoming the essential differences in the living and working conditions in the individual territorial units between city and countryside.

Fifthly, by a gradual transition from the extensive to the intensive development path, we have significantly overcome the process of the rapid and not sufficiently controlled flow of migration to the larger okrug centers and to the city of Sofia. This has eliminated some of the negative consequences related to the unjustifiably rapid growth of the large cities.

Sixthly, the tendency to reduce and in certain instances eliminate the mechanical loss of the population from the smaller towns of the nation has assumed a more permanent and steady nature. This has been achieved as a result of creating new jobs predominantly in the industrial subsectors and by the more rational use of factors relating to the territorial placement of the productive forces.

Regardless of the positive changes in the previous development and the improvement in the conurbation system and its basic structural elements, there still are a number of economic and social problems. At the present stage of our socioeconomic development, some of the most important irrational aspects in the creation of the conurbation system can be generalized in the following way.

In the first place, the problems related to the development and functioning of the conglomerations and the towns which are large for our conditions. One of the negative aspects of the created or developing conglomerations is the high concentration of the economic and demographic potential in the basic conglomeration cores. This does not make it possible to fully utilize the advantages of this progressive form of territorial-production and conurbation formations.

As a result of the appearance of certain unfavorable trends in the territorial concentration of production, in certain instances this has led to a high concentration within the okrug. For example, exceptionally high is the industrial concentration level in the city of Ruse where virtually the entire industrial potential of the okrug has been concentrated in its center. There is an analogous situation in Varna--Devnya where a predominant share of the okrug's industry is concentrated. Although to a lesser degree, this tendency is also to be found in a number of other okrugs such as Silistra, Tolbukhin, Razgrad, Kurdzhali and Vidin where around 80 percent of the industrial production has been concentrated in the okrug towns. This has not made it possible in the designated territorial units to achieve greater equilibrium in the placement of social production and has led to a relative lag in the socioeconomic development of certain population points.

Secondly, in some of the strongly developed industrial centers, they still have not overcome the concentration of production units which lack close production and technological ties.

An analysis of the trends in the previous occurrence of the process of industrial territorial concentration provides grounds to point out that in a number of instances there still has not been the necessary coordination of the production units in the large towns. The building of industrial centers predominantly in the large towns with poorly expressed production and economic ties has not made it possible to fully bring out the advantages of production territorial concentration. This has involved greater production expenditures in the individual phases of the reproduction process.

Thirdly, the accelerated construction of production capacity at large installations of national significance and the broadening of the functions carried out by the cities has led to their increased demographic potential. As a result of this there has been a significant rise in the demand for certain resources with multipurpose use such as construction sites, water and labor resources. In certain instances this has led to their depletion.

The high economic growth rates of Sofia and the other cities chiefly by extensive ways has caused tention in the labor resource balance. The manpower shortage in them has been made up chiefly by bringing in the younger population from the smaller towns and villages. This has led to a signficant rise in the population of the capital and the other cities, and this has been exclusively a mechanical rise. Over the period of 1965-1979, the absolute growth of Sofia's population reached 220,000, while in Plovdiv it was 129,000, in Varna 127,000, in Ruse 65,000, in Burgas 62,000 and so forth. As a total for the period, the absolute mechanical increase in the capital's population reached 115,000, in Varna it was 91,000, in Plovdiv 88,000, in Ruse 45,000 and in Burgas 37,000. Obviously, in the largest cities of the nation during this 15-year period, along with a comprehensive solution to problems relating to the population living in them, it has been necessary to make an enormous effort to provide conditions for the functioning of the entire "new towns" with on the order of 50,000-100,000 inhabitants.

A certain disproportion has developed between the needs of the increased population in the cities and the capacity in the existing subsystems of the social infrastructure. Hundreds of millions of leva in capital investments had to be spent to overcome just a portion of these disproportions. The insufficient supply of social infrastructure facilities for the population of Sofia and the other cities has created an additional strain in the nation's investment program.

The growth and functioning of Sofia and the other cities with a population over 10[illegible]000 inhabitants have involved the investing of large capital investments. In 1976, 24.1 percent of the nation's population was concentrated in these cities but almost one-half of the social infrastructure investments were spent in them. In recent years the ratio between the one-shot outlays made in industrial subsectors and those for the social infrastructure has been 1:2.37 in Sofia, 1:1.1 in Plovdiv, 1:0.8 in Burgas and so forth. The calculated elasticity coefficient for the city of Sofia is 11.6 and this indicates that with a 1 percent increase in the capital's population there will be a rise of 11.6 percent in the capital investments for the social infrastructure. For cities with a population over 100,000 inhabitants, the elasticity coefficient is 8.1 percent, while for those with a population from 10,000 to 25,000 inhabitants. just 5.4 percent. These substantial differences in the "social price" of creating and operating the individual size groups of the cities

and their conurbation systems are indicative and cannot help but be taken into account in determining the future development of the conurbation system.

Fourthly, we have still not completely overcome certain unfavorable trends in the economic and social processes in the population points of the extreme southern and western regions of the nation. In many settlements of Burgas, Yambol, Kurdzhali, Vidin, Sofia and Pernik okrugs, as a result of the occurring permanent mechanical loss of the population, important economic, social and demographic problems have arisen. In many of the settlements there has been depopulation and a deterioration of the sex-age structure with all the ensuing unfavorable consequences of an economic, social, demographic and other nature.

Fifthly, the clearly expressed dispersed nature of the conurbation system gives rise to serious problems in its further improvement. From the economic and social viewpoint it cannot be considered rational to have the existence of around 2,800 population points with a population under 500 persons in which a total of 546,000 persons live. Here the number of population points with a population of under 200 persons is 1,536 with a total population of 121,000. Located chiefly in the mountainous and semimountainous regions of the nation, these settlements are unable to offer good conditions for labor, life and leisure meeting the requirements of a mature socialist society. Their existence in the future will involve either significant additional expenditures of capital investments or the maintaining of the standard of living for the population living in them.

Under the conditions of the constantly growing role of scientific and technical progress, of the deepening social division of labor and the increased economic efficiency of the national economy, it is more and more essential to apply a new approach in solving the problems related to the development and management of the conurbation system. There is a social need for its restructuring in order to increase the efficiency of its functioning and to create conditions for solving important social problems. All of this determines the real need to treat the population points with varying economic development, different functions performed, a varying concentration of population and so forth in an integrated manner, in unified conurbation systems.

The basic theoretical and methodological premises on the essence and advantages of the conurbation systems were elaborated by Comrade Todor Zhivkov who pointed out that "the creation of conurbation systems is a fundamentally new aspect in the development of the conurbation network. The conurbation system is a qualitatively new object in comparison with with the individual city as well as with a group of population points which are administratively united. It represents a unified social organism in which the population points are united by common production activities, common services and unified transport. A conurbation system encompasses population points the economic and social ties of which are continuously strengthened and are viewed as a single whole in resolving the socioeconomic, territorial-development, urban development and cultural problems."[1]

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[1]T. Zhivkov, "Izbrani suchineniya" [Selected Works], Vol 25, p 176.

In proceeding from the fundamental ideas on the content of the conurbation systems given by Comrade T. Zhivkov and carried out in the decisions of the March (1977) Plenum of the BCP Central Committee, it is essential to have further profound work on fully disclosing the economic, social, territorial development and other advantages of the conurbation systems. This requires the strengthening of the economic might in the conurbation systems, the disclosure and maximum utilization of all existing reserves for their on-going improvement, for increasing the efficiency of social production and raising the standard of living of the population. The viewing of the conurbation systems in a dialectical link with the formation and development of the territorial-production complexes must lead to increased economic, social and ecological effectiveness of their functioning. The reason is that the use of the advantages of the conurbation systems, as a new, objectively established progressive form for the territorial organization of the population points, is one of the basic directions for improving the national conurbation network.

In confirming the previous positive trends in the development of the conurbation network, first its structural elements must be developed and improved on a broader basis. It is essential to bear in mind the changes which will occur in the sectorial and territorial national economic structure, in the raw material and energy sources, in the ratio between the urban and rural population, in the functioning systems of the population points, the directions of migration processes, the specific conditions of national development and so forth.

The basic directions for rationalizing the conurbation network must be outlined on a basis of assessing and analyzing the basic factors which determine the directions of its development and change. The analysis encompasses both the basic trends in its previous development as well as the disclosure of future changes in the territorial and sectorial national economic structure as these changes will determine the scale and nature of economic development and particularly of the territorial-production complexes.

In carrying out the decisions of the March (1977) Plenum of the BCP Central Committee, by further development of the conurbation network, it is essential to aid, on the one hand, in improving the social structure of social production and raise the standard of living of the public and, on the other, in overcoming the negative aspects of the previous structure of the conurbation network.

The general trends in the future development and improvement of the conurbation network on a national scale will be determined by the following: the development and improvement in the forms of the territorial organization of the productive forces under the direct impact of scientific and technical progress and primarily by the formation of the basic production infrastructure facilities, by the rate of urbanization, and by the necessity of solving economic and social problems engendered by certain irrational aspects in the former development of the network of population points.

The further development and improvement of the settlement network must be aimed at achieving the following goals:

a) Overcoming the discovered negative trends in the former development of the conurbation network;

b) Making maximum use of the advantages of the conurbation systems as a highly effective form in the territorial organization of the population points and their structural elements;

c) The ever-fuller and more effective use of territorial resources in the population points and conurbation system;

d) Gradually overcoming the existing differences between city and countryside and providing good living conditions for the population and the all-round development of the human personality;

e) Ensuring an ecological equilibrium of the population points and conurbation systems.

For the structuring of the network of population points in the conurbation systems, for making maximum use of their advantages and for their further development as well as for forecasting and management it is essential to create favorable conditions for increasing economic and social efficiency. In this regard an important place is held by the joint construction and operation of interrelated enterprises in the conurbation systems and by this method expenditures of social labor can be significantly reduced in the individual phases of the reproduction process. The economic effect from the intercoordinating of functioning enterprises in the conurbation systems is chiefly apparent in the result of the successive processing of the initial raw material and fuel and in the employment of the obtained industrial and other wastes, that is, by the integrated use of the subjects of labor.

An increased level of specialization and concentration in the auxiliary and servicing systems provides significant reserves for increased efficiency in the operation of the conurbation systems (particularly for those which are industrially well developed). In the conurbation systems and particularly those which have achieved a high level of industrial development and concentration, there are favorable conditions for increasing national economic efficiency by separating some of the auxiliary activities into large, specialized and highly productive enterprises. There are opportunities in this regard in producing tools and tool sets, spare parts, repair and mechanical activities and so forth. The end economic results from releasing the industrial enterprises from a number of auxiliary activities and the separating of these in large specialized production units (within a group of conurbation systems) are expressed in a multiple increase in the volume of produced tools, spare parts and performed repairs, in the increased load factor for machinery and equipment, in a reduction in the employed personnel, in a reduction in the size of production areas, in reduced product costs and ultimately in increased labor productivity.

Under the conditions of the creation and improvement of the conurbation systems, there are opportunities to increase economic efficiency as a result of the joint group operation of unrelated industrial enterprises which utilize the same infrastructure facilities. Regardless of the existence of an unique production and technical "isolation" of such enterprises, they are united by a common territory understood as a condition for economic development. With the group construction of industrial enterprises and with their joint placement on a limited territory, conditions are created to realize an additional economic effect as a result of utilizing common central heating, water supply and sewage facilities, unified utilities, for

saving on the built-up area, by the better organization of the treatment of waste water, by the increased reutilization of the water and so forth.

In this area significant work has been done in studies on territorial specialization and concentration of production with the application of the multiplier approach. It is essential that the obtained results and the proposals stemming from this be more boldly introduced into practice in the aim of realizing the proven economic and social effect.

An important condition for the rational employment of the advantages of the conurbation systems is the development of the social services subsystems. The development level and the degree of providing the population of the conurbation systems with various types of services must satisfy the standards approved in these areas. An essential requirement in setting up the social services subsystems is the providing of an organization which would lead to a maximum savings of time for the consumers of the individual types of services. In this area an exceptionally important role will be played by transport services in the conurbation systems and the level of its organization. Thus, the creation and rational territorial organization of the material and technical base for social services in the conurbation systems must be turned into a real factor for increasing the standard of living for the population.

The further improving of the conurbation systems directly involves the rational use of one of the basic multipurpose resources in the territorial units, the labor resources. It is essential to have a sectorial and spatial redistribution and employment of the labor force which would meet the effective structure of social production in the conurbation systems, the present requirements for intensifying the economy and the particular features of shaping the labor potential in the territorial units. Along with satisfying the criterion of raising economic efficiency from the employment of the labor resources, an improvement in the employment structure must lead also to the solving of important social problems in the conurbation systems.

In rationalizing the network of population points, a particularly important place is held by the economically and socially most developed conurbation formations, that is, the conurbation systems of the "A" group.[2] This is determined by the achieved development level of the strongly developed conurbation systems and the opportunities which they provide for intensifying the territorial organization of the population points with the aim of further increasing their activities.

One of the important areas for improving the conurbation network is the ever-fuller employment of the advantages of the conglomerations. The leading principle in this regard must be the instructions of Comrade T. Zhivkov that "territorial concentration and specialization must be combined with product-production concentration and specialization. This creates conditions for the organized development of territorial-production complexes [TPK] and conglomerations...."[3]

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[2] Under the decisions of the March (1977) Plenum of the BCP Central Committee, three groups of conurbation systems were established: group "A" or formed systems, group "B" or those in the process of formation, and group "C" or those which will be formed.

[3] T. Zhivkov, op. cit., Vol 25, p 137.

By the conglomerations, an on-going territorial unification of industry and agriculture is ensured as well as the more rational use of the territories between the settlements. In this manner the advantages of the urban way of life are combined with the natural advantages of the countryside. With the spread of the influence of the large cities on the adjacent continuously urbanizing territories, an opportunity is created for the greater and more complete penetration of the urban way of life into the countryside. In turn, the countryside and its surroundings will provide their natural gifts, recreational zones and so forth to the urban population, and with the appropriate organization they will be used more rationally and by a larger number of users. The improvement of the conglomerations makes it possible to overcome the former relatively self-contained nature of the cities and particularly of the villages and a system of population points is created that is more efficient from the economic and social viewpoint.

The problem of controlling the development of the largest and most developed conurbation systems and their centers such as Sofia, Plovdiv, Varna, Ruse and others, holds an important place in the strategy of improving the nation's conurbation network. This question was raised with particular urgency in the decisions of the March (1977) Plenum and in the theses of the 12th BCP Congress.

The capital, with its enormous economic potential and diversity of performed functions, has a great impact on the development of the conurbation systems both in the southwestern TPK as well as on the conurbation systems in the adjacent TPK. For this reason the further control of the Sofia conurbation system will lead both to its improvement as well as to the more rational creation of the national conurbation system as a whole.

The achieved high level in concentrating production capacity and the demographic potential in the core of the Sofia conglomeration necessitate a certain territorial restructuring and reallocation of economic functions between the elements of our largest conglomeration.

Due to the great economic strength of the Sofia conglomeration, the force of its influence is not restricted to just the territorial units located in direct proximity to the capital but rather encompasses a much broader area. The integration strength of the conglomeration is significantly apparent in the okrugs located around it which have a significantly lower level of economic and social development, that is, Sofia, Vratsa, Mikhaylovgrad, Kyustendil and other okrugs.

Due to the great attractiveness of Sofia and the resulting mechanical movement of the population from adjacent okrugs, it is advisable to create an external ring-like system of population points by which it would be possible to control the intensity of the mechanical growth of the capital. The development of the Sofia conurbation system must be carried out against a background of the ever-closer coordination with conurbation systems formed around Kyustendil, Stanke Dimitrov, Somokov, Ikhtiman, Botevgrad, Vratsa and Mikhaylovgrad.

With the creation of an external ring-like system which unites population points that differ in terms of economic development level and diversity of performed functions, greater equilibrium will be introduced into the macroconurbation system of the area. In addition, the formation of an external ring will be an unique barrier

against the further accelerated mechanical growth of Sofia's population. In order to successfully carry out the functions of zones which balance the development of Sofia, these towns and their conurbation systems must significantly broaden their economic base and create sufficiently attractive conditions for work, life and leisure. It is also advisable to increase the development level of the social infrastructure.

By creating an interrelated system of towns and their conurbation systems around the city of Sofia, real conditions will be created to obtain positive results in the following areas: the further deepening of the territorial division of labor, the economic and social development of the structural elements in the internal and external conglomeration ring, the retaining of a portion of the indigenous population of Mikhaylovgrad, Vratsa, Sofia, Pernik, Kyustendil and other okrugs, the limiting of the mechanical growth of Sofia's population and as a result of this, the realizing of a savings of significant capital investments for the social infrastructure.

Although to a smaller degree, there is an analogous question of controlling the growth of the conglomerations of Plovdiv--Asenovgrad--Stemboliyski, Varna--Devnya and certain other strongly developed conurbation formations.

Opportunities for the development and improvement of the group "A" conurbation systems also exist in the following several areas: rationalizing the created territorial organization of production and the population in the most developed conurbation formations, the ever-fuller employment of their advantages in the economic attraction of the adjacent, economically less developed conurbation units, assisting in the ever-deeper and more complete penetration of the urban way of life into the countryside and the gradual overcoming of differences between city and countryside.

It is advisable that the development of the group "A" conurbation systems be developed first by overcoming the existing high degree of production concentration in the larger portion of the centers of the conurbation systems. The improvement in the group "A" conurbation systems must be carried out by limiting production concentration in the corresponding centers and continuously broadening economic development of these obshtinas in spatial terms. By raising the qualitatively new level of industrial concentration in the developed conurbation systems, it is essential to provide the gradual penetration of appropriate types of production and activities in more population points outside the central core. In this manner an "external zone" of conurbation systems for the large cities will be created and through this a more rational employment of their resource potential and greater territorial proportionality in their development will be achieved. The process of creating the subcenters of the conurbation systems and the formation on their basis of the so-called external zone must also be accompanied by the on-going development of the social infrastructure subsystems in this zone and the creation of intersettlement transport. The formation of a unified economic base for the group "A" conurbation systems based upon the integration of the central core's economic potential and the elements of the external zone presupposes a continuous deepening of the intrasystem division of labor. This must be turned into one of the basic areas for improving this group of conurbation systems. Thus, the zonal type of development for the conurbation system ensures the following: proportionality in the development of the center of the conurbation system and its external zone, checking the growth of the large cities and broadening the sphere for the employment of the rural population. In this regard,

an important role is played by the improved transport infrastructure from the standpoint of increasing accessibility to the center of the conurbation system and the subcenters of the external zone. This will eliminate certain wrong, irrational professional and domestic journeys to the center of the conurbation system.

The future development of the formed conurbation systems must be carried out on a basis of the fullest employment of the advantages of territorial production concentration, the improvement of its sectorial structure and increased integration of the scientific research institutes and bases for development and introduction with the production units. By further improvement of the means of labor, efforts must be focused on decisively reducing the relative amount of employees engaged in manual labor.

A study should also be made of the question of the gradual forming of "zones" of developed conurbation systems with the corresponding centers in the extreme southern and northern regions of the nation. By such zones of conurbation systems it will be possible to create the necessary economic and social conditions for developing the population points in Burgas, Yambol, Kurdzhali, Smolyan, Blagoevgrad, Vidin, Mikhaylovgrad, Pleven, Razgrad, Shumen and other okrugs.

The requirements of the new economic approach require that in determining the directions and scale of development for the most mature conurbation systems and particularly their centers, consideration be given to the amount of the aggregate expenditures of social labor (including the expenditures on the social infrastructure) related to their economic and demographic growth.

An important area for the reconstruction of the conurbation network is the improving of the group "B" and "C" conurbation systems. The development of those which are up to the most mature conurbation formations must be carried out by their ever-closer economic intercoordination. Due to the great economic potential of some of the group "A" conurbation systems, the area of their influence is large and the weaker conurbation systems located near them can carry out the functions of the external zone. This means the fuller application of the principles for overcoming the autonomous nature of the larger towns and particularly the villages and broadening the reciprocal contacts between them. Thus, production concentration could be moved out of the large industrial centers and move into the group "B" and "C" conurbation systems. The weaker conurbation formations will be turned into the active rear of the "A" group in maintaining stronger production, economic, labor, cultural, service and other ties with them, and constantly increasing the level of their socioeconomic development.

For those conurbation systems of the "C" group which in many places over the territory of the nation are a compact mass and are more distant from the strongly developed group "A" conurbation systems, their development must be carried out by building healthy and economically strong centers which will serve as the basis for socioeconomic growth and bring together several of the group "C" conurbation systems.

It is also advisable to disclose new, additional opportunities for the joint and integrated use of the existing natural, economic and social conditions from the adjacent and nearby conurbation systems. This will create an opportunity to effectively put the resource potential into economic circulation and will provide an

even stronger rise in the economic and social development of the conurbation systems.

The policy carried out for improving the conurbation network in the mountainous regions must be of a more diverse nature. In following one of the basic directions of consolidating the very small and small conurbation units, in the mountainous and semimountainous parts of the okrugs there is an objective need to carry out studies and specific practical measures related to the economic and demographic stabilizing of the centers for the appropriate conurbation systems. Due to the sharply expressed dispersed nature of the conurbation network in the mountainous areas, there is a need to build secondary centers for the obshtinas in which modern conditions would be provided for work, life and recreation for the population from the surrounding very small settlement units.

In this regard, it is essential: on the basis of the existing natural conditions, labor resources and so forth, to study the specific opportunities for the industrial development of one portion of the conurbation systems in which enterprise divisions are not operating. The development of industrial activities is to be carried out on the basis of closer coordination with agriculture, in organizing divisions to process highly perishable and untransportable agricultural raw materials. By setting up appropriate industrial activities, the seasonal factor in agriculture can be overcome and rational employment of the labor resources ensured. The possibilities of local industry can be more fully utilized, in organizing the production of consumer goods and restoring certain traditional local crafts and activities. The social service subsystems should be expanded and strengthened in the aim of increasing the standard of living of the indigenous population. In areas with good natural and climatic conditions, possibilities should be utilized for the development of recreation and tourism.

Due to the presence of very small and small population points in the group "C" conurbation systems, we must steadily carry out a policy of gradually consolidating these settlements.

An analysis of the conurbation systems, their territorial scope, the degree of industrial development and so forth indicate that there are definite opportunities for improvement by making maximum use of their inherent internal reserves. Such opportunities are present both in the economically well developed conurbation systems as well as in the conurbation formations with a very small territorial scope, size of population and specialization exclusively in the agricultural area. The examined basic areas in the future development of the conurbation systems as complex economic and social organisms create real prerequisites for rationalizing the national conurbation system as a whole and for raising the economic, social and ecological effectiveness of its functioning.

10272
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REPORT ON ECONOMIC DEVELOPMENT IN 1981

Sofia STATISTICHESKI IZVESTIYA in Bulgarian No 4, 1982

[Unattributed economic information]

[Text] General Comments

The present edition comes out once a quarter and contains annual, quarterly and monthly statistical data on the basic indicators describing the socioeconomic development of Bulgaria.

The program of statistical information covers 12 sections:

I. Basic Data on National Economic Development
II. Population
III. Standard of Living of the Population
IV. Labor
V. Capital Investments
VI. Industry
VII. Agriculture
VIII. Transportation
IX. Communications
X. Domestic Trade and Prices
XI. Tourism
XII. Foreign Trade

The data for all the sectors are given according to the organizational structure and composition of the enterprises for the appropriate period. The national economic sectors and the industrial sectors have been adjusted in accord with the classification of national economic sectors approved by the Ordinance No 309 of 19 April 1979.

Indicators given in cost terms have been published in the prices of the corresponding year. The annual indexes of industrial and agricultural product, of capital investments, of commodity turnover and trade, of foreign trade turnover and the monthly indexes for industrial product have been calculated for value in comparable prices. The annual indexes have been calculated with a base of 1970 and those for a period shorter than a year with the base of the appropriate period of the previous year.

Data on the monetary income, expenditures and consumption of households come from a representative study of the household budget.

For the current year the data are tentative and may be adjusted in following issues.

Explanations of abbreviations and signs:

0 — an amount smaller than one-half of the correspondingly used unit
- — no case
. — data absent
PAK — industrial-agrarian complex
API — agroindustrial complex

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Economic Development of Bulgaria in 1981

During the first year of the Eighth Five-Year Plan the labor collectives from all the sectors of the national economy initiated a broad socialist competition to carry out the new, responsible tasks posed by the 12th BCP Congress.

The ubiquitous introduction of the new economic approach and its mechanism contributed to increasing the efficiency and quality of social production and the standard of living of the people.

In the basic national economic sectors, the following results were achieved:

Industry

Last year the total product of the state and cooperative industrial enterprises increased by 5.6 percent in comparison with 1980. The highest increase was realized by the state enterprises in the chemical industry with 11.1 percent followed by the machine building and metalworking industries and the pulp-paper industry with 7.9 percent, the leather, fur and footwear industry with 7.4 percent and others. Only the enterprises of the coal mining industry did not achieve the production level of the previous year by 1.4 percent. The highest increase in total industrial product was achieved by the following okrugs: Vratsa with 13.8 percent, Silistra with 12.2 percent, Blagoevgrad with 11.4 percent and others.

In 1981, production increased for such important national economic products as: electric power by 4.1 percent, rolled ferrous metals by 4.3 percent, power transformers by 10.2 percent, television sets by 22.5 percent, nitrogen fertilizers by 3.8 percent, phosphorous fertilizers by 18.9 percent, sulfuric acid by 7.9 percent and others.

Capital Investments

During the report year, 6,658,000,000 leva were invested and this was 8.5 percent more in comparison with 1980. The basic portion was invested in the material production sectors with the largest share of capital investments going into industry. During the year 2,604,000,000 leva were invested for the modernizing and reconstructing existing productiok capacity in comparison with 2,278,000,000 leva in 1980. This was 39.1 percent of the total capital investment volume.

In 1981, fixed capital valued at 5,863,000,000 leva was put into operation. Broken down for the sector, the highest shares were in industry, the housing-utility systems and consumer services, agriculture and transportation.

Transportation

In 1981, public transport carried 1,762,000,000 passengers which was 3.9 percent more in comparison with 1980. In comparison with the previous year, fewer passengers were carried by rail and sea transport.

Labor productivity measured by average output per person employed in operations increased in all the types of transportation as follows: by 4.2 percent in rail transport, by 7.8 percent in motor transport, by 16.5 percent in maritime transport, by 12.7 percent in river transport and by 10.7 percent in civil air transport.

Communications

In 1981, communications services realized an income amounting to 324,000,000 leva and this was 23,000,000 leva (or 7.8 percent) more than 1980.

Agriculture

On 1 January 1982, the number of head of cattle, pigs and sheep in the agricultural organizations and divisions had increased in comparison with 1 January 1981, respectively, by 505 head, 23,368 head and 162,664 head. Milk production increased by 45,567,000 liters [sic.]. In 1981, the average milk yield from a fodder cow increased to 3,054 liters in comparison with 2,974 liters in 1980. The average number of eggs laid remained on the level of the previous year.

In 1981, 64,210,000 liters more of milk were purchased from agriculture than in 1980.

Domestic Trade

Last year, retail trade realized a commodity turnover valued at 12,674,000,000 leva. This was 593,000,000 leva (or 4.9 percent) more in comparison with 1980. The greatest retail commodity turnover was realized in the following okrugs: Sofia City with 2,315,000,000 leva, Plovdiv with 1,029,000,000 leva, Burgas with 779,000,000 leva, Varna with 772,000,000 leva and others.

In comparison with the previous year, in 1981, there were increased sales of meat and meat products, vegetable edible oils, sugar, cheeses, butter, eggs, fresh fruits, olives, beer, silk textiles, garments, footwear, furniture, television sets, washing machines, home refrigerators, tobacco goods and so forth.

Foreign Trade

Bulgaria's foreign trade in 1981 reached 19,753,000,000 exchange leva which was 2,569,000,000 exchange leva (or 15 percent) more in comparison with 1980. Exports increased by 10.5 percent while imports rose by 19.7 percent.

Some 72.4 percent of the total foreign trade turnover of Bulgaria was the result of the deepening integration processes with the economy of the socialist countries.

In the structure of commodity exchange the share of exports of production-end machinery and equipment has continued to grow, reaching 45.8 percent in comparison with 44.4 percent in the previous year.

In exports, the largest share is comprised of the fuel group, mineral resources and metals with 44.4 percent in comparison with 42.9 percent in 1980.

In comparison with the previous year, Bulgaria exported more electric motors, electronic calculators, electric hoists, radio telephones, electric meters, tractors and other products. We imported more metal-cutting machines, steam and hydraulic power plants, iron, phosphorous fertilizers, footwear, washing machines, radio receivers, TV sets and other products.

The results achieved in 1981 are a good basis for carrying out the socioeconomic development plan in the current year.

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## ECONOMIC DICTIONARY: COMPUTATION OF TURNOVER TAX EXPLAINED

Sofia IKONOMICHESKI ZHIVOT in Bulgarian 17 Feb 82 p 3

[Economic Dictionary: "The Turnover Tax"]

> [Text] The editors of IKONOMICHESKI ZHIVOT are inaugurating a new section entitled "Economic Dictionary" in order to meet the increased interest shown by our readers in a number of economic categories and concepts. This section will interpret theoretical-methodological aspects of basic and topical terminology of specific applied practical value. It will also indicate the normative stipulations updated in accordance with current legal acts.
>
> The materials will include explanations of balance sheet profit, the formation of the funds of economic organizations, material incentive, average wage control, national income, living standard, real income, etc.
>
> The scientific editors of this section will be Profs Dimitur Shopov and Ivan Dushanov, both doctors of economic sciences.
>
> The editors await your recommendations and suggestions regarding the topic and quality of materials published.

The turnover tax is one of the most important forms of the centralized net income of the socialist state.

The grounds for this taxation are a special legal act--the Law on the Turnover Tax. According to this law, the turnover of state and cooperative enterprises and the enterprises of public organizations derived from the sale of goods and materials are subject to taxation and so are earnings for services rendered by such enterprises and organizations, revenue from the sale of tickets for theatrical productions and other types of entertainment (Article 1 of the ZDO [Law on Turnover Tax]). The tax is paid by the socialist organizations which have earned income from taxable turnover, deposited in their payment account or received at the boxoffice, should such organizations maintain separate accountability. Without such accountability, it is the superior organization under whose jurisdiction the subunit which has received the funds from this turnover, become the payor.

According to the law, the turnover tax can be computed in three different ways: as the differential between the retail price, minus the corresponding commercial discount, and the wholesale price; as a percentage of the turnover based on wholesale or retail prices, minus the commercial discount; and as a specific percentage per unit of measurement. The Council of Ministers has approved the rates on the basis of which the amount of the tax is computed. In accordance with the new price lists, the tax is the difference between the retail price, minus the commercial discount, and the wholesale price. The amount of the turnover tax to be paid on work and services is found in tariff "B." Tariff "C" of the Law on the Turnover Tax applies to the turnover from the income from sales of tickets to shows, entertainments, etc.

The important principal which has been defined in taxing the turnover from the sale of goods and materials is that the tax will be paid on a one-time basis only for the same commodities and materials. Each subsequent turnover of the same commodities and materials, if left unchanged, will not be taxed again.

The taxable turnover is the one expressed through the amounts received on the day of payment or at the cash register of the seller. The deadline for paying the tax to the state budget has been established by law. It depends on the amount of the tax paid during the past year and the corresponding stipulations issued by the minister of finance. Payments are due on a daily, 3-day, 10-day, or monthly basis.

A system has been organized for accountability and control over the computation and payment of the turnover tax. The law stipulates penalties for improper computation and delinquent payment of the tax. Such violations are noted with a legal document. The control organs have the right to block the payment accounts of delinquent payors and to enforce payment of the turnover tax.

According to the current economic mechanism, the turnover tax is a structural part of the overall profit which, as a synthetic value, falls within the range of centrally established indicators of the final economic results of the economic organization or its branch. According to Article 179 of the Regulation on the Economic Mechanism, approved by Decree No 53 of the Council of Ministers of the Bulgarian People's Republic of 31 December 1981, the economic organization or, respectively, its subunit, will withhold the turnover tax from its overall profits, along with other withholdings. The deposits will be made according to the rates approved by legal acts which settle questions related to the turnover tax. Consequently, under the new economic mechanism, there is no separate planned assignment approved on a centralized basis in terms of the turnover tax. Currently such a planned assignment applies to the sum total of the net income, described as overall profit. A strong economic connection exists between the accumulation of funds for current wages of the administrative personnel and the implementation of the planned assignment regarding the overall profit. This implementation is determined also by the amount of the turnover tax.

The Council of Ministers has been given the right to raise, reduce or relieve from tax enterprises, organizations, and others, for some goods, services or shows. The minister of finance has the right to waive turnover tax of a respective enterprise which must not exceed 5,000 leva per calendar year.

Legal Acts

Law on the Turnover Tax, published in IZVESTIYA NA PNS, No 91, 13 November 1951, amended and supplemented No 62, 1956; No 76, 1957; No 91, 1957; No 12, 1958; No 11, 1960; and DV, No 99, 1963; Regulation on the Application of the Law on the Turnover Tax, issued by the Ministry of Finance and published in DV, No 62, of 7 August 1979; Tariff "B" of the Law on the Turnover Tax, on the amount of the Turnover Tax on work and services and release from such tax, DV, No 83 of 25 October 1974, amended No 38,1978; Directive on the Application of Tariff "B" of the Law on the Turnover Tax, DV, No 77 of 29 September 1978; Order No 560 of the Committee for Economic Coordination of 3 December 1970 approving a new tariff "C" of the Law on the Turnover Tax, DV, No 101 of 22 December 1970 and others.

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## HUNGARIAN AUTHOR VIEWS GDR'S EFFORTS TO IMPROVE ECONOMIC MANAGEMENT

Budapest KULGAZDASAG in Hungarian No 3 1982 pp 45-56

[Article by Jeno Barsony: "The Developed Model of Plan Management in the GDR"]

[Text] At the end of the 1970's in response to world economic changes, the GDR also recognized that conversion to intensive growth is indispensable to the further development and improvement of the economic management system (as they put it in the GDR: management, planning and economic incentive). In the wake of mechanism reform experiments in the Soviet Union and other CEMA countries, but differing in certain respects, they have introduced a unique and comprehensive system of measures. We can say that following these measures they have established in the GDR a modernized and decentralized form of autarkic plan-directed economic management, which—as a consequence of the country's favorable characteristics—has realized, with relatively the greatest consistency, efforts which have also been made in other countries, and therefore many people regard it as a model of existing socialism.[1]

Historically the mechanism problem arose also in the GDR in the middle of the 1960's that is, an effort at implementing the "new economic system"; but after 1968 an accelerated development, "transcendental" and "structural political" concept was emphasized. After this became doubtful, they announced for the 1970's a living standard policy (as the main trend of economic and socio-political unity).

In the report of the 9th Congress (1976) the improvement of economic management was again on the agenda, but a role was played in it only by the better use of the balance method, the drafting of enterprise five-year plans, the

[1]Even though it was not declared, the character of the model was presumably conceived in the consciousness of the GDR leaders. This is indicated by the statement of E. Honecker which appeared 11 June 1981 in the NEUES DEUTSCHLAND on the expected agenda of the CEMA summit meeting. "Questions are in the forefront for which we have already begun successful solutions: the problems of the management of the economy in accordance with the most recent perceptions relating to this area; the problems of the structure of the economy, and in this connection a growth in the responsibility of the combines, or industrial associations—in addition to guarding democratic centralism."

opening of initiatives in socialist work competition, the discovery of reserves by counter-plans, producer price stability, the consolidation of plan discipline and responsibility, and the realization of the savings principle. It only came up as a problem that the "commodity production" index contradicts material savings, and that they ought to implement investments on time. Recognition of the importance of the "new type" combines also merely appeared.

In the report of the 10th Congress held in the spring of 1981, a separate chapter discussed comprehensively the main features of the modifications carried out in the planning system. The central element of the measures passed in the 1976-1980 plan period was the development of the combine system. (This was decided on at the 7th Central Committee meeting at the end of 1977 and completed in 1981.) This was contributed to by the modification in the weighing of the price system and achievements; the order for creating "the unity of plan and contracts," and in the field of research and development the value analysis guided by the "duty book" ("analysis of the relation between use value and cost") and adjustment of the comparison with the world level. In harmony with the combine system, the transformation of the planning system was carried out, the modification of the role of the ministries in "two-step" management, and the adjustment of the combines to foreign trade enterprises.

Characteristics of the Model

What are the main characteristics of this model as it has been developed? The starting principle remains the traditional concept of socialism according to which, on the basis of social (state) property, work is directly of a social character, and by this fact social work distribution can be centrally (officially) planned. Commodity and money relations can only be subordinate to planning, and must be in its service.[2] There derives from this the autarkic concept of the economy as a closed unit of social work distribution, or the separation of the national economy from other economies, not only the traditional concept of a rigid foreign trade monopoly but also in respect to the value order, that is, the price system. According to this, the organizational units of the economy are not enterprises (in the sense of undertakings) but relatively independent operations (Betrieb), which in the realization of plan tasks is characterized by "independent accounting." Their relation is also a plan relation, democratic centralism or central management--according to the hierarchical structure of local initiative.

In essence, planning rests on natural considerations: the organs "responsible for the balance" establish, on one hand--according to their judgment--the justified (acceptable) social needs, and on the other hand production and other (import) sources, and confronting these in the balance system they decide on the plan tasks. Development (investment) is handled separately from continuous production which strives for stability, they decide centrally on its tasks for correcting errors and asymmetries, for adapting new techniques, and for solving economic political goals (for example, export development and

[2]This concept is realized in textbooks on political economy and in more recent works, as for example in the book by Hans Luft: "Plan and Commodity Production," DIE WIRTSCHAFT, 1980.

CEMA cooperation). They seek to give incentive to the workers through premiums for the carrying out and overfulfillment of plan tasks. However, given the contradictory points of view and interests, the requirements and their fulfillment can be made "measurable" only with detailed indexes. The autonomous price system with its role as the means of planning--without market control or world market influence--is based on expenditures and includes net income. Thus it results in national income of fictive size and predetermines the calculation of savings. Given the unappeasable demand for development sources, this circumstance (under conditions of "soft budgetary limits) leads to the development of a scarcity economy[3] with its own anomalies (for example, investments, resulting obsolescence, and production bottlenecks due to spare parts shortages) which they have to struggle with also in the GDR from year to year (for example, by restricting investments, concentration of investments, and eigen production of means necessary for rationalization).

Combines

The development carried out in the GDR was directed at solving well-known difficulties with existing economic management and the modernization of the system. The essence of the innovations is to strengthen by way of organizational decentralization the independent management and responsibilities of both poles of democratic centralism, central decision making and expectations, and various areas.[4] According to the requirements stemming from the higher state of development of producer forces, the basic organizational units of the economy provide a greater degree of economic (planning, balance responsibilities) independence. They regard those large economic organizations as such which--embracing the reproduction process in their operational area--can be made responsible for a certain economic task or for the manufacture of some product group, or for attending in this way to the economy (production, population, export). In the GDR they call these economic organizations combines, and they regard these as the main links, the basic units of the independent accounting system. (In the course of the reorganization, it was rather the vertical-structure combines which took the place of the former horizontally structured associations--the VVB's--extending to all industry.)

The combines consist, in general, of economic organizations oriented to final products (or to an economic function), with 10,000 to 30,000 workers in 10 to 20 enterprises which unify in their area the whole reproduction process: the research and development of current production necessary for carrying out the function, including the main verticals, the specific "suppliers" (basic industry operations), the manufacture of single-purpose machines, means and spare parts necessary for product and manufacturing development (the so-called "manufacture of rationalization means" including the use of

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[3]This phenomenon has been analyzed in Hungary by Janos Kornai in his work "A hiany" [Scarcity], Kozgazdasagi es Jogi Kiado, 1980.

[4]Noteworthy in this respect is the article by G. Gleissner: "Democratic centralism--the inalienable basic principle of socialist management and organization" EINHEIT, No 10, 1981.

microelectronics, the carrying out of automation by the use of robot techniques, and so forth), and moreover the marketing of the products (the domestic foreign trade tasks, including the development of specialization and cooperation development).

Organizationally, the GDR economy at present is divided as follows. By 1981 they had established 157 combines in industry, the construction industry and transportation. In these they unified, by the end of 1980, the foreign trade enterprises in addition to the research institutes and producer enterprises belonging to their profile. The foreign trade enterprises--under dual supervision with the Ministry of Trade and Transportation--were placed in a given large combine or in several combines linked to the sub-branch ministry. With this, the organizational conditions were created for promoting the market work relations between production and foreign trade.

In 1981, the smaller enterprises of wholesale trade and services (for example, delivery) were unified for the most part into 54 county (megye)-managed combines. The combines are planning, independent-accounting and self-financing units, and are also balance responsible for their special products. They prepare their plans (and submit them for approval to the ministry) on the basis of central expectations. They work out a "long-term combine concept" for development as well as a more intensive consumer item and production concept for the population.

In agriculture, specialized crop production and livestock breeding (also gardening and fishing) state farms and producer cooperatives are operating industrially along with their various institutions for industrial cooperation: machine repair stations, agrochemical centers, fodder drying and preparing plants, melioration plants, and so forth. The cooperation associations and amalgamations point in the direction of the development of agrarian industrial alliances. In agriculture, by virtue of the high degree of socialization, the importance of the household farms is already smaller. On the other hand, the small garden cultivators and the small livestock breeders have an important auxiliary role in supplying the population with vegetables and fruit and in producing certain animal products (for example, honey, rabbit meat, furs). Most recently (during the preparations for the 12th National Peasant Congress) emphasis was placed on the strengthening of tsz (producer cooperative) property, on intensifying the cooperation of crop production and livestock breeding tsz's, solidifying the sphere of decision-making authority by the cooperation councils, and strengthening department roles, independent accounting and responsibilities, and local cooperation within the tsz's of the permanent production brigades that are tied to settlements, moreover with increased support for private (household) auxiliary production (after Bulgarian and Hungarian experiences). In addition to supporting artisan and commercial cooperatives, they have been increasingly supporting since 1976 private and commission type small industries, commerce, and restaurants in order to meet the needs of the population better. They are also seeking to bring these private initiative economic areas into the framework of plan management (for example, they are subsidizing the low, stable service prices of small industry; the achievements of merchants on commission are also playing a role in the

state or cooperative trade plan as a function of which they are being operated).

Planning and Management System

In the framework of the combine system, the planning and management system of industry is hierarchical. The basic units are the combines. Within the combines, the member enterprises keep their legal independence but their plans--in discussion with the enterprise collective--are determined by the combine managing director. For the sake of the "combine effect" they regard organizational rationalization as desirable, and under the aegis of specialization (profiling) the reorganization and welding together of member enterprises. There are two main types of combine leadership: management through the main plant (in this case the enterprises are clustered around the main plant and adjust themselves to its tasks; this is characteristic, for example, of the combines in the chemical industry), and combine leadership separate from that of the member enterprises with this leadership standing above the member enterprises that are at the same level and fulfill various tasks of equal rank. Within combines of a proliferating profile, verticals for the production of one kind of product or of plants with a similar technology are brought together separately, mostly under the leadership of a given "leader plant."

The structuring of central guidance in the GDR is described as "two-step." The appropriate ministers are responsible for the fulfillment of the main plan tasks that are centrally worked out—by the Council of Ministers or its planning organ, the Plan Committee; the managing directors of the combines are directly subordinate to the appropriate minister. The managing directors receive their plan directives from the appropriate ministers, and the plan they work out is approved and controlled by the minister. Thus these ministers have less of a direct managing role than a mediation, coordinating and controlling role. The ministers mediate to the combines the desires of the functional ministers. At the same time, they represent the interests of the combines--among other things through the Council of Ministers--to the "supply" combines (for example, basic material manufacturers) which belong to other ministries (with regard to the fact that the economy cannot be parcelled completely according to appropriate portfolios).

Thus unlike formerly, the combines have actually gained significant independence, because only the main requirements are prescribed for them. The managing directors of the combines have received a large area of authority in decision making, not only in planning and organization within the combine but also by virtue of its eigen financing and balance responsibility (command of inventories and imports). But as shown by experiences, this independence is not without contradictions because the activity of the combines depends on many centrally determined factors and other independent factors. For example, the most important energy sources, basic materials, equipment, and fittings come under central balance management (distribution, outflow), and in addition they are also interested in items belonging to the balance responsibility of other combines (in the case of supplementary requirements, therefore, it is frequently possible to obtain the necessary products only by way of the "socialist exchange" of balance positions). Because of the scarcity economy

(including import restrictions) balance management is becoming more rigid according to the logic of plan management. They desire to keep hold of supply responsibilities by balances and to create harmony among acquisition, production and consumption. In 1981, they tightened control over balances "in the interest of discovering reserves" as G. Mittag put it in his report at the 13th Central Committee session; it is necessary in the case of many products to make a quarterly and even monthly report on their status; to this end, they organized the Central National Balance Inspectorate Center in addition to the Planning Committee. Moreover, the combines still receive their import quotas "from above" and also their foreign trade tasks in determined relations extending to details (the kind of foreign currency is also prescribed). In this manner, the official plan relations continue to dominate; the plan bargain, the balance positions, and the securing of the central investment sums.

Expectations Related to the Development of the Combine System

The combines are large units which can be made responsible for carrying out their functions, for obtaining products, as needed, that belong to their sphere of tasks, and for successful fulfillment of export tasks. They also adjust to this with the necessary main conditions. They expect the combines to close the gap with accelerated world development in producer forces, and thereby the intensification of GDR export capability and the manufacture of modern consumer items to satisfy the growing domestic demands, and export. Therefore, even combines which manufacture production means are obligated, by using their capacity reserves, to produce modern consumer items suitable to their profile. With the inclusion of foreign trade enterprises in the combines, the combines are made responsible for development aimed at export growth, the fulfillment of export obligations, and the improvement of efficiency.

The combine fits well in the plan-directed economic management system. The managing director can, in a direct way and in accordance with the combine's sphere of tasks shape (reprofile) and rationalize the organization, development and cooperation of the member enterprises (the "supplied materials"). In this way he saves the central organs from detailed management, which cannot be realized in any event. Thus the "independent account" can be handled in the case of combines. The levels of planning are established: the center--the industrial branch (the ministry)--the combines. Planning within the combine can be entrusted to the managing director. (But as G. Mittag pointed out at the 13th Central Committee session, the managing director must defend plan proposals before the minister or the State Plan Committee.)

Within the combine, research-development is linked with current production and marketing. By this means there will be a more favorable possibility, on one hand, for development to become acquainted with demands, the world market level and requirements, and thus adjust to them. (It is the managing director who sets and approves the development goals and fixes these for the developers in a "duty book." They prescribe in the duty book, for example, the material and energy savings for product development, the world market comparisons, the value analysis, and on this basis the qualitative parameters, and the starting

day for price setting.) The introduction of research and development results, on the other hand, and their realization in production are better assured in this way.[5]

The combine has its own capacity for carrying out product and manufacturing development and rationalization. In plan-directed economic management it is, to be sure, difficult to persuade the "external" organizations to undertake special deliveries necessary for development and to adjust to one-time requirements and short deadlines. Developments indispensable for modernization have suffered delay for this reason. On the other hand, with its own research-development capacity and its rationalization of means manufacture, the combine can provide the necessary means; moreover, it can adjust the "inside" supply operations as well as their development and output to the new requirements.[6]

The eigen manufacture of rationalization means has developed rapidly since the development of the combine system; it increased by 16 percent in 1980 and 23 percent in 1981. In the present five-year plan period, they wish to double this, raising the ratio to one-fourth of the total industrial means investment.

The extent to which the solution of these main problems is in the forefront is also well shown by the organization in 1981 of local industry into combines. This process is exactly the opposite of the trends in Hungary which expect from the development of small enterprises a more flexible adjustment to the market, a specialization development adjusting to demands, and an improvement in savings. Up to now they have sought to achieve social help in the GDR in the framework of so-called "area rationalization" in order that the larger enterprises would be included to send supplies necessary for the renovation and modernization of the small operations, and help with items in shortage. Moreover, they wanted to rationalize shipping by organizing the shipping and

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[5]At the 6th conference of the joint committee of the Soviet and GDR economists, Reinhold indicated that one of the most important goals of combine formation was a solution to the problem of "the change of research and development into the decisive creative part of the unified process of reproduction," for "up to now these frequently were not organically linked to one another." WIRTSCHAFTSWISSENSCHAFT No 4, 1981, p 395. For problems related to the duty-book, see for example, "We must assure the world level with the Duty-Book" DIE WIRTSCHAFT No 9, 1981.

[6]Tamas Bauer and Laszlo Szamuely also stressed this in their joint article and pointed out: "It is not accidental, for example, that the establishment of combines in the GDR enjoyed an upswing in the 1960's when these stepped-up industrial development programs began to falter because of inadequate deliveries by the smaller enterprises for the final output." "Az ipar agazati iranyitasank szervezete" [Organization of Sub-branch Management of Industry], KOZGAZDASAGI SZEMLE, January 1971].

storage associations.[7] With the organization of county-managed combines they are now trying to solve these problems according to the logic of the plan-directed system. With the organization of the small (local industry and services) enterprises into combines, they will make the combines (rather than accessible small plants) responsible for supplying the local population and fulfilling certain export tasks. Accordingly, the many small existing enterprises can be coordinated, reorganized, concentrated, and developed further. Their operations can be better planned through the combine, that is, they can be better drawn into the balance system (for example, they expect that their various material needs can be better taken into account and planned). Not least of all is the consideration that within the combines a rationalization in the manufacture of means can be developed, and thereby the conditions for product and production development can be created. Finally, the combine situation can give a more favorable position to acquiring further technological assistance from the ministerial combines.[8]

Problems

There are, however, certain problems latent in this great development attempt as expressed in the combine system. Combines are monopolistic organizational units, which for the most part can realize their particular interests. They conduct their own comparison with the world level (by simulation and not by actual market conditions) and they can handle their supply responsibilities in an autonomous manner. They can gain state development sources in accordance with their influence. In any event, combine independence is only relative. It depends, on one hand, on central balances, on others responsible for the balance, and on central approval for development efforts. They still have to overcome ministerial management and the habits of bureaucratism.[9] It happens sometimes that the plan targets, balances, instructions "go over the heads" of the combines to certain member enterprises. We must mention a central management that goes into details in foreign trade and permits administrative limits on imports. In the partnership supervision it is the appropriate ministries that give out to the combines the plan tasks, broken down by trade relations and worked out jointly with the ministry of foreign trade. But many questions still need to be clarified about dual management and the cooperation

[7]For the ways of area rationalization see "Area rationalization as a growth factor," DIE WIRTSCHAFT No 1 and 2, 1981.

[8]See, for example, "The County-Managed Combines," DIE WIRTSCHAFT No 7, 1981.

[9]Honecker has repeatedly spoken out against bureaucratism (for example, in the report at the 10th Central Committee session and in his concluding remarks at the Berlin conference of delegates in the spring of 1981).

of the combine and foreign trade enterprise.[10] In 1981 they established a separate government committee (under the leadership of the state secretary for foreign affairs) to study how the combines may meet their obligations to adjust to the world economy and increase export efficiency.

Within the combine they can, to be sure, directly assure the cooperation of the member enterprises, their coherent development, and adjustment to demands; however, there are still no effective incentives to assure the appropriate level, selection and rate of deliveries by external "suppliers." In fact, despite their supply responsibility the suppliers belonging to other combines give priority to the demands of their own combine, and their development is adjusted to these needs (considering the limited nature of means and capacities). The intensified effort of the combines at autarky derives from this circumstance.

Given the conditions of directive economic management and the accompanying scarcity economy, the rationalization manufacture of means (from single-purpose machines to the production of supplementary spare parts that are in short supply) is a step forward in the modus vivendi assuring the smoothness of production and its development, but this means the small-scale development and manufacture of many products in a parallel manner among the combines, a method which is frequently less economical than the alternative of production by specialized enterprises. (Even though it gives scope to local inventiveness, in certain respects it is also wasteful.) The eigen rationalization of means manufacture frequently tries to assist and coordinate parallel experimentations by establishing area or special technical-technological advisory centers. The task of these "stations" is the application of microelectronics, the construction of industrial robots, and the promotion of their use.

Since the relationship and cooperation of producers with differing interests and belonging to different combines, the fulfillment of tasks on time for delivery, selection and quality (indispensable to uninterrupted production) are not solved even by the combine system, they tried to solve this problem--which also has been raised a number of times by FRG economists and leaders--by increasing the role of contracts and issuing an order on the requirement for "plan and contract unity." They prescribed that the plan, on one hand, may only include that for which marketing is assured by valid contract or preliminary contract. On the other hand, contracts belonging to the profile must not be rejected, but this can be realized only if it is sanctioned by inclusion into or approval of the plan. Producer and consumer interests are coordinated after inclusion in the plan, but for the most part the priority of the production interests are realized. At the same time, the contract is called on in balances to concretize the determined volumes (in planned quotas) according to the demands of the consumer.[11] Amid the complicated changes of

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[10]An example of the latter is Kupferschmidt-Hoffman: "Expert market work—increasing marketing changes" DIE WIRTSCHAFT No 12, 1981.

[11]Z. Kensy: "Plan-Bilanz-Vertrag" [Plan Balance Contract], DIE WIRTSCHAFT, No 9, 1977.

economic life, the c-ordination in time of the contract signing and the acceptance of the plan is difficult to realize, because of the complicated development and "supply" dependences, the fulfillment according to deadline and selection--particularly without the interest of undertakers. But as pointed out by Honecker at the 11th Central Committee session, if industry supplies slowly, or even fails to supply, small volumes of materials, spare parts or other matters, this will obstruct scientific and technical progress.[12]

Plan, Achievement and Indexes

As a guideline in economic planning, they desire to intensify the role of the five-year plans. But given the present, complicated, changing conditions, this will be hard to realize (approval of the 1981-1985 plan can only come about at the end of 1981). According to sub-branches and in respect to combines, the annual plan includes the main economic requirements. It is accordingly that the leadership of the combine (the managing director) prepares the long-term development concept of the combine, the five-year and the concrete annual plan; they debated these in detail with the worker collectives. The views and initiatives of the workers is expressed with the cooperation of the trade union, in the debate over the plans and in the work competitions movement.[13] (They rejected in 1979 the "counter-plan concept" which is still being implemented in other countries and is directed at "stretching" the plans, although they continue to honor without change the surplus undertakings, which must be approved, however, by the appropriate ministers.) The main form of work competition offered in the past two years has been the annual three-day surplus production undertaking, almost entirely from saved materials.

The guide published for working out the 1981-1985 plan reflects not only the new organizational system but also a certain center-of-gravity requirement of economic policy. Thus it was necessary separately to plan the tasks for saving work places and for redirecting workers (following the Schwedt initiative that "fewer people produce more"), the concept of using microelectronics, and the issuing of new consumer goods with a higher use value. By way of "the uncompromising comparison with the progressive international level" they studied the norms and the normatives used in the plan. They had to include in the plan the achievement index complex specifically selected by the combines, for which they work out an index catalogue. They are devoting increased care to coordinating the economic management of the sub-branch and area organs. This refers in particular to manpower management, to the exploitation of free capacities, the utilization of shelved inventories, assistance with items in

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[12]NEUES DEUTSCHLAND, 14 December 1979. For current problems see Koch "What supports or obstructs innovations?" DIE WIRTSCHAFT, No 7, 1981.

[13]The guidelines for working out the 1981 economic plan prescribed the breakdown of the plan tasks for debate, if possible, down to the work bench. In his report at the 13th Central Committee session, G. Mittag also pointed out that socialist democracy is particularly manifest in that the workers are drawn into the debate on the plan goals and tasks.

shortage, and "area rationalization" for maintenance and investment cooperation. They expect the plants to devote greater attention to plant economic requirements in order to reduce prime costs. With this, they ascribe increased importance to intensive factors of growth.

One of the main problems of plan-directed economic management is the weighing of achievements, which is difficult to do objectively because of the fixed prices and the lack of market control. Therefore, it is a problem for us what (how much) we can demand from production units in an actual monopoly situation, to establish efficiency credit properly, and by virtue of this to give incentive in such a way that "what is favorable for the economy should also be advantageous to the enterprise (its workers)."[14] The "full production value" which formerly had a role as a growth index given incentive, as is well known, to extensive growth and excessive material consumption.[15]

In the framework of improving economic management in the GDR, they introduced in 1980 a triple index for weighing the achievements of the combines: the index for "commodity production," "net production," and the "basic material cost for 100 marks of production." They expect the "commodity production" index to define and stimulate growth. They seek to avoid the development of basic material costs with a control index in order that production value can be increased by the use of greater or more expensive material. The "net production" index serves to show the achievements of the enterprise (its workers) and its contribution to the national income. In plan reports they are ranking the combines on the basis of this index triad. With an evaluation like this, inevitably those combines come to the forefront which have arrived at an outstanding modern level by reconstruction projects (hence in these indexes it is the consequences of measures that were taken earlier that become manifest and not unconditionally better work). The "commodity production" index continues to dominate as the expression of growth. Neither does "net production" form a realizable comparison fund as control, for its size depends on net income arbitrarily added on in process. The GDR also knows that these three main indexes, complexly used, are not sufficient for a manifold evaluation or for giving incentive to efficiency, and that is why they also study, for example, the quality, the utilization of fixed assets, the development of export efficiency, and so forth.[16]

The problematical nature of the evaluation is indicated by the fact that a comprehensive personal investigation of the work of the combines has been

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[14]See E. Honecker's report at the 10th Party Congress.

[15]Honecker pointed out at the 11th Central Committee session that according to studies half of the products are unjustifiably heavy.

[16]The measure of achievement and the problem of indexes was analyzed by H. Parson "Zur Leistungsbewertung der Betriebe and Kombinate bei der weiterend Vervollkommnung der Leitung, Plannung, and okonomische Stimulierung" Berlin, 1979.

emphasized under the guise of exchange of experiences with the justification that those lagging behind should learn from the experiences of those in the vanguard.[17] Annually they organize seminars for the exchange of experiences related to local visits and evaluations by combine leaders, which at the same time serve to create an awareness of guidelines for planning. Within the combines also, they are urging the comparative analysis of plant achievements in order that they may discover and be able to use the reserves that are latent in the existing and unjustifiable level differences. The spread of comparative-control studies in itself indicates that the achievement criteria are problematical. At the same time, such control may lead to subjective judgments.

Another main problem is the measuring of achievements and the question of prices in respect to incentive (between the relations of independent accounting.) The price formation which rests on expenditures--the prevailing form of price formation in the GDR--may be suitable, to be sure, for expressing the social costs of production, but since the prices do not always go through a market value judgment, they do not always express the efficiency. The addition of net income is, as a matter of fact, arbitrary, and in this way there is a fictive national income, the fictive nature of which appears in the increase of convertible foreign currency earning costs, in the deterioration of the terms of trade, or in the difficulties of the internal financial and supply balance.[18]

For the further development of the price system in the 1976-1980 plan period--deviating from the basic principle of price stability--a dual direction unfolded in the field of producer prices. On one hand, stage by stage in the five years, beginning with basic materials and going all the way to finished products, they studied the prices, "factoring in" the expenditure increase stemming from the world market price increase in imported energy sources and raw materials. They sought to mobilize reserves for the moderation of the price rise by "holding down" price growth according to the degree of processing. For the 1981-1985 period also they are planning to adjust industrial producer prices to the increased import costs, or to the modified expenditures. They are seeking to increase the incentive effect of prices, and besides paying premiums for quality to make the enterprises interested, through an additional price, in increasing the degree to which a product is processed.

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[17]Commissioned by the Central Committee in the autumn of 1980, the "experienced managing directors of the vanguard combines" carried out analyses in 18 other combines. NEUES DEUTSCHLAND, 20 March 1981.

[18]At the 11th Central Committee session (at the end of 1979) Honecker said: They do not pay us on the world market what we expend by domestic standards but only as much as corresponds with the internationally attained level of expenditures. It is not a matter of indifference if one mark expended domestically is worth 30 pfenning or one and one-half marks on the world market. The differences between economic and uneconomic export products is this great or even greater." The consequences, however, of this important perception is not easy to realize.

They are raising agricultural purchasing prices in order that in this area also an increase in the industrial producer prices for the means of production used should be realizable, and moreover to give incentive to additional production. Increasing pressure is evident, therefore, from the production organizations, above all from the combines, to pass on their difficulties by means of prices; at the same time the effort at incentive by way of prices is spreading in central management.

Parallel with this, since 1976 the relative price formation of new and developed products has begun to develop, the price increase based on the ack acknowledged increase in use value, quality (achievement). They sought to orient development, and moreover by the higher attainable price to make the producers interested in introducing as soon as possible new scientific-technical results by analyzing and expecting the optimization of the use value and the costs necessary for its attainment. Price formation that adjusts to use value is the first break with price formation based on expenditures.[19]

But neither the committee judgment of the growth of use value nor the related and prescribed "comparison with the world level" can adequately replace the actual market value judgment.[20]

Despite the unfavorable world market price formation and the increasing burdens, in establishing prices for consumer items they maintained the stability of prices for goods satisfying the basic needs which form the bulk of the commodities, and also the stability of rent and service fees. The low-held prices and the subsidies for service fees are made possible actually by the net income withdrawal that is built into prices, particularly by the higher prices for the more demanding consumer items. The high prices for specialty items and the price increase for renewed commodity selection adjusting to demands afford adequate cover for this purpose. Thus with the politically aimed price stability of basic consumption, an income grouping occurs in favor of the low earners, that is to say, manpower becomes cheaper in comparison to other production factors.[21]

There is no new, substantial change in the manpower and wage management method. Positions (status) are determined by norm, and wages are adjusted to achievements attained. The main form of incentive is the premium, which is bound to and given by virtue of various plan indexes.

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[19]Still, the evaluation of achievements by combines is based strongly on domestic standards instead of the "scientific-technical and economic world level, and in the evaluation of achievements scientific-technical progress is still not sufficiently in the center of importance." WIRTSSCHAFTWISSENSCHAFT, No 2, 1981, p 222.

[20]Compare Bosche-Matho "The Support of Scientific-Technical Progress by Means of Prices" WIRTSCHAFTWISSENSCHAFT, No 9, 1977.

[21]For the principle of price stability see Laszlo Csaba "Iranyzatok az NDK gazdasagi mechanizmusanak fejlodeseben" [Directions in the Development of the GDR Economic Mechanism] KULGAZDASAG, January 1980.

Thus the modernized, directive plan management of the GDR arrived at its complex developed state by building up the combine system and by further developing other management regulator areas accompanying it. It has become one of the consistent alternative models of existing socialism. The combine system in industry, the Tsz's and cooperation projects in agriculture supplemented by individual (household) initiatives form the organizational framework of the all-embrasive plan management in this noteworthy experiment. At the same time, in the defense of state property and the party's leading role, they have resolutely rejected the application of market relations and self-administrative efforts (which in this system is represented by democratic centralism).

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# HUNGARY'S WESTERN TRADE INCENTIVE SYSTEM: POINT, COUNTERPOINT

## System Attacked

Budapest HETI VILAGGAZDASAG in Hungarian 20 Feb 82 pp 26-27

[Article by T. Katalin Forgacs]

[Text] Can one making a foreign trade deal dismiss with a shrug of the shoulders how many dollars it costs to import this or that item? Shockingly, the answer is still often in the affirmative. And the sum involved is nearly 200 billion forints--the value of one year's capitalist import by Hungary.

It is a dangerous, because comforting, argument--rather widespread even among economists--that the deterioration in terms of trade suffered by Hungary in recent years can be attributed largely to the world market price increase for fuels. But it can be proven by calculations that a very large part of the loss affecting the national income is not interdependent with the increasing cost of fuels but rather can be attributed to a shift in the price ratios for exported and imported products.

This statement is supported by the data published by the Central Statistics Office in a publication titled "Several More Important Foreign Trade Indexes for Hungary and Developed Capitalist Countries." The little pamphlet gives the development of prices for a few more important items, comparing the world market prices with the prices paid by Hungarian importers. Sometimes the difference between the world market prices and the Hungarian import prices is shocking, even if--as the pamphlet emphasizes--in some cases the quality of the products listed on the market and the quality of the products noted by the Hungarian statistics are not exactly identical. This does not always explain, however, why we regularly import some products, for years, a good bit more expensively that their world market price. At least this is suggested by the data of the KSH [Central Statistics Office] publication.

The table gives only a taste from the publication. Fearing that the selection might appear tendentious we tried to find products in the KSH categories for which the Hungarian import prices were regularly substantially below the world market prices. This attempt was not a success. The quantities involved do not appear with the dollars in the table because these prices are themselves averages. The statisticians performing the calculations took into consideration

The World Market Price of a Few Products and the Hungarian Import Price as Calculated by the KSH (in dollars per ton)

| | Crude Rubber | | Raw Hides | |
|---|---|---|---|---|
| | World Market | Hungarian Import | World Market | Hungarian Import |
| 1979 | | | | |
| First quarter | 1,199 | 1,550 | 2,008 | 2,220 |
| Second quarter | 1,308 | 1,430 | 2,303 | 2,980 |
| Third quarter | 1,326 | 1,473 | 1,734 | 3,153 |
| Fourth quarter | 1,395 | 1,587 | 1,634 | 2,460 |
| 1980 | | | | |
| First quarter | 1,691 | 1,620 | 1,526 | 2,117 |
| Second quarter | 1,407 | 1,753 | 935 | 1,940 |
| Third quarter | 1,451 | 1,727 | 1,053 | 1,700 |
| Fourth quarter | 1,464 | 1,673 | 1,223 | 1,393 |

the varying quality of the products (rubber and hides) and the proper weighting of the price. Even in the best case the calculated average prices only approached the world market prices, but the more characteristic trend was that the Hungarian import prices--unfortunately--were well above the prices quoted on the market.

We all know that many factors determine the level of Hungarian export prices. These include protectionist measures which affect us also, the weak delivery discipline of Hungarian industry, the lack of good brand names, and much as well falling outside the foreign trade organization in the narrower sense. So, in connection with the publication, what prompts criticism is not the export but rather the import figures.

The foreign trade enterprises can influence import prices considerably with their work. Much depends on the preparedness of Hungarian foreign trade, not least of all on whether the foreign trade enterprises and those who make the deals have an interest in the cheapest possible foreign acquisition.

According to the formal regulation the foreign trade enterprises really do not have any interest in cheaper acquisition, for according to the regulations in effect the commission fees must be calculated as a percentage of the so-called access price, so the higher the price the more the foreign trade enterprise makes. This fact merits special attention because half of the non-ruble accounting import still comes into the country within the framework of customary commission deals. In addition, those engaged in foreign trade must always consider the years ahead in regard to price levels prescribed for individual years; because of the base interest it would make their own lives difficult if they succeeded in importing more cheaply in a given year.

Naturally, I do not say that it would be easy to find a solution with which one could bridge over the problems deriving from the base view. There are considerable misgivings in connection with measurement. But neither is it true that

it would be completely impossible to develop a foreign trade income regulation and interest system which would turn import activity in a healthier direction.

In many cases the domestic producing enterprises signed an agreement with the appropriate foreign trade enterprise according to which the foreign trade enterprise receives, for its export deals, the customary cost rebate and commission fee. The industrial enterprise shares with the foreign trade enterprise any profit above the so-called limit price--the sum by which the party making the deal can sell the item above the price prescribed as a minimum--as a function of the improvement in foreign exchange generation or the foreign exchange yield. Naturally one could work out for import deals also a method whereby the partners could share the profit deriving from acquisition cheaper than the price set in the contract. Despite this, half of the non-ruble accounting import is still purchased by foreign trade in the simpler but not most expedient commission form--as we have said.

In addition to enterprise interest it would be at least as important to review the personal incentive system for those making the deals. It is well known in foreign trade circles that much is not right with import price work--despite the attempts to improve it in recent years.

At present those working in the majority of the foreign trade enterprises receive a marketing or acquisition plan task and it is determined "from above" in advance what premium will be paid in the event of fulfillment. The premiums finally paid have a very narrow spread around the sums set in advance--however well those making the deals may work. There are also enterprises where it makes no difference, whether export or import be involved--the person making the deal automatically gets a fixed "premium"--not a large one--after every deal. There are very few foreign trade enterprises where any personal interest attaches to finding cheaper import sources.

Let us not be hypocritical. It is well known that it is much more convenient for those making the deals to bargain with the Hungarian industrial enterprises, and not with the foreign seller, to bargain for the purpose of making import more expensive. The foreign sellers are not made to compete to reduce prices; the Hungarian purchasers are made to compete, in the interest of raising import prices.

Nor should this be surprising. According to the figures of the Ministry of Foreign Trade the average pay of a foreign trade expert with 10 years experience is 4,000 forints, plus a foreign language supplement. The average pay for one with 15 years experience is around 4,500 forints. In addition there is per diem for travel, which, however, usually does not even cover the costs of eating in an average restaurant. (It is another question how many of our foreign trade people are experts at the top of their profession and how many are experts on paper only, who chose this career as a result of entirely different intentions and hopes.)

This--and no more--is how much income they get for acquiring, in many cases, the quarterly or semi-annual needs of the country in some product. But around the world the purchasers of such large orders live in the lap of luxury.

I believe that a recognition of all this justly requires that those responsible finally somehow work out a personal incentive to seek out favorable import sources. This might involve a negative incentive, since there is some possibility for domestic competition among foreign trade enterprises. If some enterprise succeeds in acquiring something much more cheaply than another then it should be possible for the latter firm to impose sanctions on those doing shoddy work.

Let us recall the infamous wall-paper case, which raised a bit of dust in foreign trade circles too. For a year the importer "did not notice" that a little crisis had developed on the foreign wall-paper markets and that prices had plunged. Finally, Generalimpex and Peirt furnished the Skala with hangings purchased at half price, and they finally woke up to the effects of competition.

In regard to positive incentive for those making the deals, in the light of the incomes mentioned I do not believe that the anxiety in connection with too high personal incomes is well founded. I feel that it is a more weighty argument that strengthening their interest would make it possible for us to buy abroad under somewhat more advantageous conditions.

## System Defended

Budapest HETI VILAGGAZDASAG in Hungarian 6 Mar 82 pp 26-28

[Article by Janos Peter and Andras Patko]

> [Text] In an earlier issue (20 February 1982) we published an article, "Beyond the Border," in which the author, T. Kataline Forgacs, analyzed Hungarian import prices and the interest system connected with imports. She tried to prove part of what she said with statistical data, but she forgot to mention an important fact, namely that the KSH publication quoted listed the Hungarian import prices together with freight costs. Her article--which contained a number of polarized formulations--aroused a great response and elicited a number of counteropinions. We here publish the first two of the answers reaching us, and we imagine that many--those working in both foreign trade and industry--will have something to say on this theme.

Janos Peter:

I do not agree with a number of the statements made in the article "Beyond the Border." Raising the question is justified. It really is not easy to say whether we import too expensively. I also presume--in the light of the interest system described by the author and on the basis of my own practical experience--that we do not always import at the most favorable price attainable. The author quotes data from the KSH publication titled "Several More Important Foreign Trade Indexes for Hungary and Developed Capitalist Countries" and established it as a charcteristic trend that the Hungarian import prices were a good bit higher than the prices quoted on the market. She found no products for which the Hungarian import prices were regularly substantially below the world market prices.

I looked it up. The attachment to the publication compares the market and quoted prices for 10 commodities to the Hungarian import prices. Of these the article published the data for crude rubber and raw hides. Of the other eight groups the Hungarian import prices for cotton, wool, copper and coffee were characteristically more favorable than the world market prices, or at least approximated them.

For the other four groups the Hungarian import prices exceed the world market prices. In connection with this the KSH publication says the following: "We calculated the average Hungarian prices on the basis of data for trade valued at border parity, thus in the case of import the contract price is increased by additional costs appearing in foreign exchange--largely freight costs." (In international terms this is CIF parity). This is why the average Hungarian prices are sometimes higher than the world market prices. The publication continues: "It can be seen from the graphs that in the case of our import purchases the prices in general follow the world market price changes, sometimes with a shift in time. In some cases (for example, for wool and superphosphate) the difference between world market prices and Hungarian import prices derives from the fact that the quality parameters used to set the Hungarian price deviate from those of the world market." According to the author the selection by the KSH may appear tendentious, but it was the selection in the article from the KSH data and the conclusions drawn therefrom that was tendentious.

We experience every day that the interest system does not adequately stimulate optimal purchasing. But these deficiencies are not reflected, or are not reflected primarily, in the lack of personal interest of those in foreign trade ("the ones who make the deals"). The import commission system which went into effect on 1 January 1968 was aimed at putting an end to the "breakwater" role of foreign trade between the Hungarian economy and the world market. The domestic user, the party offering the commission, had to be made interested in import; he pays the purchase price, he is master of the deal who decides what, for how much and from whom foreign trade buys. It was hoped that there would be an improvement in the efficiency of Hungarian enterprises using import products as a result of the "ripple effect" of the world market.

But in the past 10 years domestic trade and a significant part of the producers have not become "import price sensitive," the regulator system could not create this interest. So that precondition for which the import commission system was introduced could not be realized. Despite this, the domestic user continues to decide about imports--it is he who accepts the price. In practice it is not the "one who makes the deal" who makes the foreign trade contract; every significant deal comes into being with the cooperation of the user, according to his instructions. In general whether or not we import more expensively by 10-20 percent plays no significant role in the development of profit and personal incomes at the user enterprises. Of course, the convenience of the foreign trade enterprise, the overwork of those making the deals, the possible absence of technical conditions, the failure to build up an efficient market organization and the failure to provide essential information can contribute, from the foreign trade side, to expensive import purchasing.

The fact that it is not the foreign trade enterprise but the user enterprise which makes the decision regarding a deal is well known by capitalist firms interested in eastern export also. We have obtained a circular of a Vienna merchant in which he tried to persuade exporters that in socialist countries it is not the foreign trade people but rather the users who must be won over for a deal.

The author writes that "the foreign sellers are not made to compete to reduce prices; the Hungarian purchasers are made to compete, in the interest of raising import prices." We could list several dozen cases where we had bitter debates with the Hungarian purchaser in the interest of getting them to accept an item of equal value being offered more cheaply by another firm--but to my knowledge there was not a single case where we fought to get a higher price.

In regard to a few enterprises we have tried for years in vain to get them not to address import commissions to a specific foreign firm--which excludes in advance the possibility of making them compete.

More than once the consequence of domestic debates for a cheaper prices has been that the user gave the import to a parallel foreign trade enterprise which did not debate.

In the mid-1970's we decided at Konsumex to leave foreign intermediaries out of our deals--in the interest of better conditions we import directly from producers. This was not easily done, because of the resistance of both the foreign exporters and the domestic users.

The "infamous wall-paper case, which raised a bit of dust in foreign trade circles too," mentioned in the article, arose from this also. For years the importing wholesale enterprise stuck to buying wall-paper from a Belgian factory through a foreign beverage merchant--expensively! The reason: "The Belgian wall-paper suits Hungarian taste." In 1979 the Belgian factory went bankrupt. The wholesaler then decided to buy wall-paper from a Dutch factory. This collection also was offered by the beverage merchant--even more expensively! Finally we bought elsewhere, more cheaply, as a result of ministry intervention.

We prepared for the 1981 purchase in October 1980 with the participation of 24 wall-paper factories from 12 countries, displaying the goods, with direct competition of bids. The wholesale enterprise studied the several dozen bids for 3 months and then informed us that it would sign for a whole year's supply with a "parallel" foreign trade enterprise at a price 43 percent more favorable--with the Belgian beverage merchant! This "favorable" price was 17 percent higher than the price attainable at the same quality with others. Again as a result of authoritative intervention we were able to sign for half of the large order, and the beverage merchant reduced his prices by 17 percent. We prevented the loss of 180,000 dollars. We do not know how the author could have described the documentable events described here in a story according to which the importer, Konsumex, would have wanted to buy at a higher price or how the parallel foreign trade enterprise and the wholesale enterprise could have become the positive heroes in her portrayal.

According to the provisions of the ministry the domestic competition of foreign trade enterprises "is justified if one can expect from the competition thus developing a greater advantage than those foreign market advantages represented by larger scale trade or by concentrating marketing and acquisition activity in one hand."

Konsumex considers that making foreign firms compete is the most important tool in the interest of attaining favorable conditions. This is why we give shows to inform domestic users about the offerings of the world market. We conduct talks in parallel with several firms at once in regard to signing deals and we make a deliberate attempt to have the goods of at least 2-3 firms in the same commodity group on the domestic market, so they can feel each others' competition. The great majority of our domestic customers support our business policy ideas and participate as partners in applying the most effective economic methods.

Concentrating acquisition activity in one hand has the extraordinary advantage that the foreign firms are forced to compete, as a result of negotiating tactics developed jointly with the users. In the course of this it is a great advantage to have them know that they can enter the Hungarian market through only one gate.

Andras Patko:

According to the author of the article the KSH publication suggests that "we have imported some products, for years, a good bit more expensively than their world market price." This statement is "supported" by tabular price data for two products, crude rubber and raw hides, showing the difference between world market prices and Hungarian import prices. In the case of crude rubber the world market prices are the daily quotations of the London market, in the case of raw hides of the Chicago market, thus quotations pertaining to immediate delivery. The Hungarian import price is the actual purchase price recorded by the KSH at the Hungarian border. (The article does not explain the content of the data.) What sort of differences are hidden by this unexplained, mechanical comparison of these two prices?

The market quotation price indicates the possibility of purchase at one and only one quality at a fixed sale location (the exchange warehouse). The Hungarian acquisition price, a so-called realized price, represents a concrete price, or average price, for a product actually purchased and delivered to our homeland. In the case of the articles examined an average of 3 months elapse between signing the contract and delivery for crude rubber, 6 months for raw hides. Thus the given market quotation prices are really comparable only to the prices at the time of signing. Thus the import price at a given time is the result of a contract 3 to 6 months earlier, and should be compared to the market price level at that time. The market quotation prices are prices "bound to a place." The Hungarian import price already contains all the other costs of acquisition, appearing in foreign exchange, including the frequently significant and unfortunately always increasing cost of transportation to the Hungarian border. This also results in a very considerable difference between the world market price and the Hungarian import prices.

T. Katalin Forgacs writes, "Frequently the quality is not exactly identical in the case of the world market price (that is, the quotation price) and the Hungarian import price." The market quotation in the case of crude rubber, for example, pertains to the so-called RSS1 quality. If we examine the prices for just this concrete quality, and not the average for all Hungarian acquisition, we get the following picutre for 1980:

| Market quotation average | Hungarian import price | Import price reduced by freight costs |
|---|---|---|
| 1,505 | 1,557 | 1,457 |

The Hungarian acquisition price, corrected for freight costs, is more favorable than the annual average quoted price pertaining concretely to this quality. In the case of raw hides the Chicago quotation pertains to the so-called "heavy hides", which we do not buy. Only good bit lighter, better quality, and thus more expensive hides figure in Hungarian imports.

The time difference and the cost differential create a very significant difference between the world market prices and the Hungarian acquisition prices. (Frequently there are also significant differences between quoted prices for the same products on markets in different parts of the world at a given time.) Thus the "world market price" and the Hungarian import price are not comparable in the way the author of the article does it. One cannot understand how she compares "apples and pears!" Finally, one should note here that in its introduction the publication cited indicates precisely the above differences in prices, and even adds that "sometimes the difference from world market prices derives from this!"

To quote from the article: "We tried to find products in the KSH categories for which the Hungarian import prices were regularly substantially below the world market prices. This attempt was not a success." The graph and table showing the development of prices for both articles (crude rubber and raw hides) can be found on the first page of this chapter of the publication. The reader has only to turn a single page and the prices for wool, in first place on the next page, show a favorable picture, lasting for years, concerning our acquisition prices in comparison with world market prices--even according to the professionally unacceptable comparison method of the article mentioned.

The article then examines the problems of the commission system, noting that "the foreign trade enterprises can influence import prices considerably with their work." Naturally this is true. But in the case of both commodities mentioned in the article one must disregard an evaluation of the commission system. Raw hides are purchased by Bivimpex, on its own account; the joint directorate of the four user leather industry enterprises decides the conditions of import--including prices. In the case of crude rubber, purchases in 1979-1980 were carried out by a joint office of the foreign trade enterprise and the industrial user based on common interest. Beginning in 1981 the producing enterprise, Taurus, got direct import rights and so takes care of acquisition itself.

To quote again from the article titled "Beyond the Border": "According to the regulations in effect the commission fees must be calculated as a percentage of the so-called access price, so the higher the price the more the foreign trade enterprise makes." The practice introduced years ago and widely employed, in the case of articles representing a large volume and in the interest of avoiding the above conflict of interest, is that the fees for the foreign trade enterprise are established by the batch, not quantity, most often by the ton. Thus the higher price and acquisition value do not give the professional foreign trade enterprises any sort of unjustly acquired extra profit. In 1981 the average key for fees for capitalist import was 0.6 percent. At the same time, in the case of products imported in large volume, this index was 0.3-0.4 percent.

A few words must be said about the effect on import prices of the daily work of those people with a base pay of 4,000-4,500 forints, who "frequently chose this career for an uncertain purpose." In the case of large volume, thus more significant, deals the person making the deal does not decide to make the purchase alone; rather, it is decided on the basis of at least three competing bids by an enterprise price committee led by the director general or his deputy. In a commission relationship, the customer, the domestic user, sets a limit price on the basis of past experience, but very frequently--this is a spreading practice--he also actively participates in purchasing activity himself.

Of course, the above in itself does not completely describe price work; the "competition" of the competing bids can be formal, the enterprise price committee can make a wrong decision, and the price conception of the domestic enterprise can be faulty too. In the case of large volume imports of a materials character, where it is easier to observe the world market price too, and in addition to the price checking activity of the Ministry of Foreign Trade, other organs, such as the National Materials and Price Office and the Ministry of Finance, regularly examine, analyze and evaluate import price work. The various experiences show that price work can be improved in many places. To use the fashionable phrase, there are still reserves in this area also.

Observation, control and the price work itself are more complicated in the case of machines and complete equipment, which make up a smaller proportion of capitalist import. Here it is a good bit more difficult to determine the world market price level. Thus improving price work in this area is an even more important task than the former.

It is already an established practice in the internal incentive system of many foreign trade enterprises to give premiums for successful price deals. In some places the size of the premium is a percent--plus or minus--of the price deal. At the same time, increasing or further developing direct, individual material interest is a timely task. (It might be hypothesized as a generalization that those making the deals are doing their daily work as honestly as the engineers, teachers, etc. in the same pay bracket.)

But the chief goal within the valid regulator system (thinking first of all of the system for developing prices, the so-called competitive price system, where

the primary viewpoint is that passing on the costs sets a limit) is that the cost viewpoints of the domestic enterprises should be the primary influence on the development of import prices in a favorable direction. We must develop a mechanism which forces both producers and foreign trade to cheaper acquisition. This is that incentive which may result in constantly improving price work at the national level and on a national scale.

In 1981 our capitalist terms of trade (the data are already available in the KSH) improved by more than 2 percent, significantly exceeding what was planned. In addition to the regulator system introduced in 1981 and the achievements of improving foreign trade price work (the price level of our export increased by almost 3 percent while that of our import increased by 0.6 percent) an important role was played in this positive result by the effects of the capitalist market situation appearing via the Hungarian export and import structure. Thus the very favorable achievement can be attributed only in part to good price work. Similarly, however, a possible later deterioration in the terms of trade as a result of changed circumstances will not in itself be proof if worsening price work by foreign trade.

8984
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EXTENSION OF METRO SYSTEM DESCRIBED

Budapest NEPSZABADSAG in Hungarian 20 Mar 82 p 5

[Article: "Plan to the Year 2000: the Metro Is Being Extended"]

[Text] The north-south metro line is being extended to Szilas-patak. Thus it will go all the way from the Kispest railroad station to the new housing project at Kaposztasmegyere via Kalvin Square (ter), Deak Square, Elmunkas Square, Arpad bridge, and the Ujpest city center. As is well known, it was at the end of last year that the Deak Square-Elmunkas Square section of the north-south line was completed, and on the basis of the decision by the Council of Ministers last Thursday the new section extending to the Arpad bridge will be put into operation, according to plans, in October 1984 at the same time that renovation of the bridge is completed.

These are the most important features of the decisions made at last Thursday's government session following a review of the long-term metro construction program and of further tasks in respect to the north-south line. In Harmony with Housing Construction.

Daily over 1 million passengers use the 23.5 kilometers of lines that have been put into operation thus far. Indispensable by now in mass transportation are the metro and the suburban railway systems which, in the framework of transportation development concepts worked out in earlier years, follow the most important routes of travel. The metro network is being extended in harmony with urban development, and in respect to surface transportation it carries passengers from the most crowded inner areas creating links with the classical Budapest centers and shortening the travel time between the outlying districts and the Budapest concentration. The metro is also an urban development factor, for in wake of large-scale construction, surface roads will also be more modern, new and large permeable junctures are being developed, public utilities are being renovated, and new marketing and commercial centers are being established at the large metro junctures.

The long-term metro construction program set forth in detail the tasks which face transportation and the development proposals for their solution. During the planning work, more favorable solutions were found for the north-south Section III that is being built between Elmunkas Square and Szilas-patak. They determined what kind of lines would serve the developing city, and how

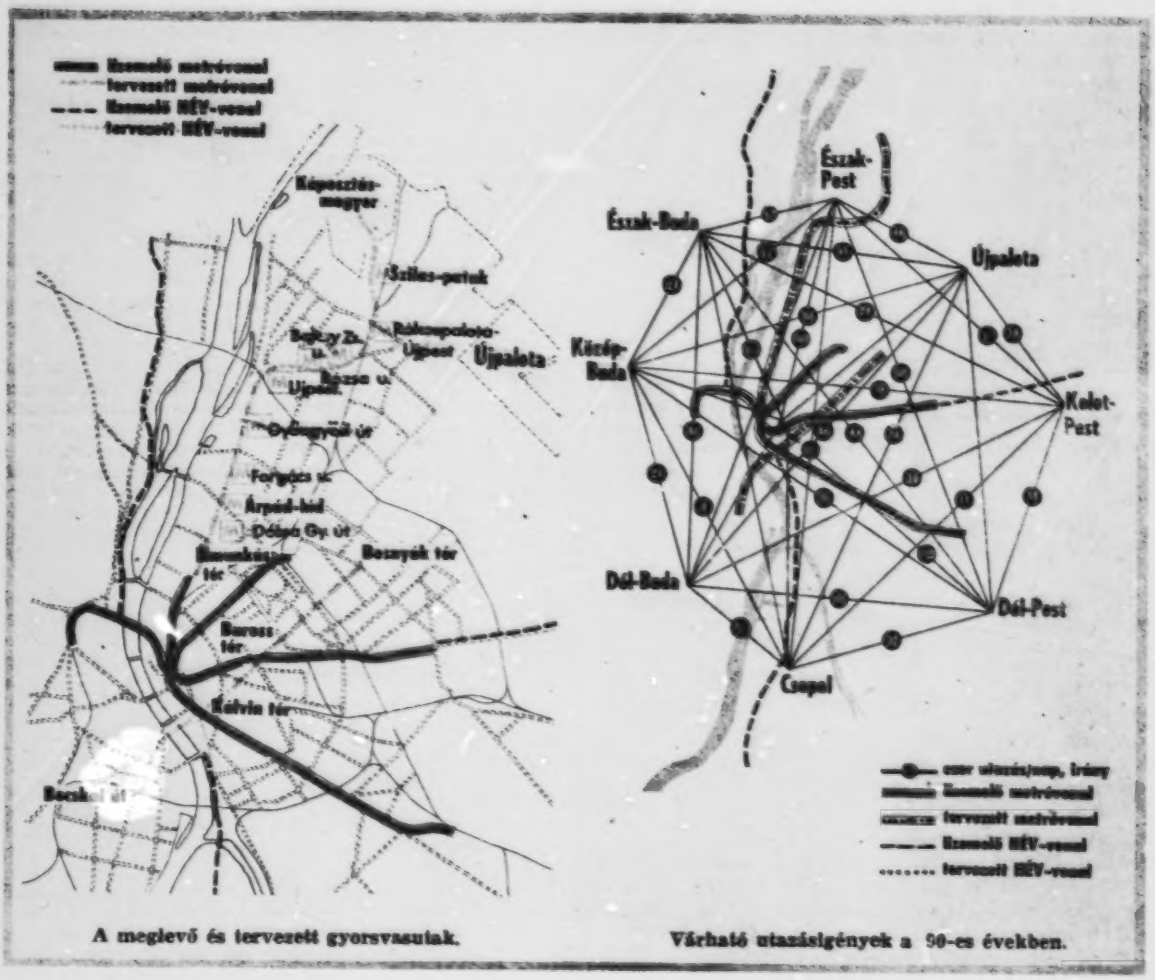


Map I

Existing and Planned Rapid Transit Rail Lines

Key:

1. operational metro lines
2. planned metro lines
3. operational HEV lines
4. planned HEV lines

Map II

Anticipated Passenger Transportation Requirements in the 1990's

Key:

1. thousand passengers/day, line
2. operational metro lines
3. planned metro lines
4. operational HEV lines
5. planned HEV lines

the time coordination could be assured between the development of housing projects and the transportation network. The long-term development plan prepared jointly by the Ministry of Transportation and Postal Affairs and the Budapest City Council was prepared with a perspective to the year 2000 and with consideration of the fact that the housing construction sites will in the following years remain Kaposztasmegyere, Ujpest, Rakospalota, the environs of Arpad bridge, and Csepel. Thus the program already embraces a number of five-year plans and has in mind the interests of the hundreds of thousands of Budapest passengers who are expected to pass through.

All the Way to Szilas-patak

The completion of the entire north-south metro line will extend, according to the decision, to Ujpest Szilas-patak on a line extending beyond the already operational section between the Kobanya-Kispest railroad station and Elmunkas Square. We have succeeded in arriving at solutions that will permit the construction of a metro line that is 1,300 meters longer than originally planned and essentially at the same cost. Thus the metro will go north from Elmunkas Square and there will be stations at Dozsa Gyorgy road (ut) and at Arpad bridge. The temporary terminal station of the north-south line will also be built there. From here the northern section of the metro will be extended northward for 7 kilometers following the Vaci road and directly under the road pavement. After the stations being built at Forgach street (utca) and Gyongyosi roads it will reach the Ujpest railroad stop. From here it will turn on Arpad road and reach the Ujpest center. Stations are being built in Ujpest on Bajcsy-Zsilinszky road and Rozsa street. Turning by the Szob railroad, the metro will emerge on the surface. Thereafter it will proceed along the railroad track, and at the Rakospalota-Ujpest MAV (Hungarian State Railways) a station is being built like the one at Kobanya-Kispest. The Szilas-patak station will be the terminal for section III, which will also touch on the southern part of the Kaposztasmegyere housing project.

The north-south metro line is of great importance. Using estimates from the Fifth Five-Year Plan, we must count on about 50,000 houses in the Angyalfold and Ujpest area that were built recently or will be built. Of these, about 24,000 will be built at Kaposztasmegyeri housing project. In the following plan period 5,500 houses will be built in 1987 and another 4,000 to 5,000 in 1988. In respect to inhabitants, Kaposztasmegyer will be a city district of the size of Szolnok.

From Bocskai Road to Baross Square

The 18.3 kilometer long line between the two terminals will well serve the housing projects built and planned in its proximity, and at the same time by touching on the Belvaros (Inner City) it will provide rapid contacts between the northern and southern parts of Budapest. It will also satisfy the transportation requirements of the factories in the large industrial districts, for it reduces the travel distance between Kobanya-Kispest, Angyalfold and Ujpest.

At current prices, the complete section II investment costs exceed 17 billion forints.

The long-term program of metro construction up to the year 2000 was preceded by careful investigations, studies and analytical work. The work team established by the National Technical Development Committee reviewed the experiences of the preparatory work and investigated nine network development variants.

According to the most favorable ideas, there may be occasion ultimately to build the so-called Section IV of the north-south line, which proceeds underground across the axis of the Kaposztasmegyeri housing project.

As a further development of the network consisting of the complete west and north-south line already under operation, we may start in the first half of the Seventh Five-Year Plan construction of the metro line between South Buda (Del-Buda) and Rakospalota. The first section will be between Bocskai road in the 11th District and Baross Square. They are studying the possibility of establishing a line between Bocaskai road and Kalvin Square. This means that in accordance with practice thus far they will not wait for the completion of a complete line but here, too, the work will be carried out by sections.

In the northeast Pest area, with particular regard to the housing project at Ujpalota which consists of 15,000 houses and to the planned, large-scale expansion--the metro line would be extended northward up to Bosnyak Square, according to concepts, following completion of the internal section and in accordance with requirements. This is, of course, an idea which could be carried out around the year 2000 in the long-term plans.

Csepel-Kalvin Square with HEV [Budapest Railway Suburban System]

The large-scale, long-term development program of the metro also brings with it changes in large-scale road constructions, juncture readjustments, and surface mass transportation. The necessary measures will also make it possible finally to adjust traffic lines in the southern areas of the city center. Parallel with the completion of the metro, streetcars will all be taken off of Bartok Bela road and the Kiskorut Boulevard, the thoroughfares will become broader, and the traffic performance capability of Szgbadsag bridge will also be increased. Between Kalvin Square and Gellert Square more passengers can be carried under the Danube than at present over the bridges by bus, passenger cars and street-cars. Among other things, this is why we need the metro in this area for it is well known that the Danube bridges are not wide enough, and their transit capability will be unable to keep up with the traffic that will expand over the long run. Moreover, this new metro will make it possible to reconstruct the Thokoly Road and to have fast and comfortable mass transportation in the Ujpalota area.

With the completion of the first section of the South Buda metro line, it will also become possible to introduce the Csepel HEV into Kalvin Square. With the building of Section II of this line, the network will be developed which will reliably serve, for many decades, the population on the most important transportation lines of Budapest.

Following the present decision of the Council of Ministers, which defined the metro construction tasks up to the year 2000--the opportunity will exist to prepare in time well-considered developments extending to all details, and thus for the development of a detailed plan which will be in harmony with the city development and housing construction plans of Budapest, take into account environmental protection points of view, and serve well the interests of the generations that follow us. The time proportional fulfillment and the repeated review of the future section for carrying out the program will be conducted in the Seventh Five-Year Plan.

6691
CSO: 2500/179

## POLICY ON MEAT IMPORTS, EXPORTS DISCUSSED

Warsaw POLITYKA in Polish No 5, 20 Mar 82 Suppl p 20

[Article by Emilia Warner, employed in the Agricultural Articles Department of the Institute of Trends and Prices in Foreign Trade (IKC HZ): "Export Meat?"

[Text] The deteriorating supply of meat and meat products to the population has created a situation in our meat economy which has become the subject not only of general interest but also of a nationwide discussion, in which the main question is: "What is happening to meat?"

Within the society there is a growing common conviction that the main reason for the shortage on the domestic market is export, and, what is worse, a systematically increasing importation of grain and fodder attributed mainly to the development of that export. It is generally thought that it is as the result of just such trade policy that our country's foreign indebtedness is continuing to increase. Hence more and more we hear the question of whether it is wise and profitable for our country to maintain exports of animal products alongside imports of meat (as well as imports of grain and fodder).

This subject has been brought up many times, both on television programs and in the pages of GOSPODARKA MIESNA [Meat Management] and ZYCIE GOSPODARCZE. The authors have pointed out the need to maintain exports of meat on at least such a level as to make it possible to meet contracts made earlier, thereby preventing Poland's loss of markets of sale of particular importance to it.

Nonetheless, a substantial proportion of the society represents the view that during the current crisis we should give up both the export and importation of meat. The quality of meat offered for sale in the shops was another factor adding to the society's generally negative assessment of the effects of foreign trade in this area, but it must be stated that after the introduction of the price increase the quality of these products showed clear improvement. At least this is what the market situation in February 1982 leads us to believe.

I want to formulate a few additional arguments justifying the advisability of continuing the past foreign trade policy in the realm of foreign turnovers of meat and meat products. To this end I am using materials and papers from work done in the scientific research institutes and also publications in the pages of the economic press.

It is mainly a question of two issues:

1) the impact of meat exports on domestic market supply,

2) the profitability of meat exports in the light of the need to import meat to supplement shortages in domestic market supply.

The data in the table present the problem in the most objective way.

As the data show, total meat exports last year did not represent a very great share of the total bulk of meat produced. During the first half of the year they did not exceed 7 percent. If we take into account the supplementary deliveries of imported meat and fats and subtract the meat bought from foreign meat product sales, then the share is barely 0.6 percent. This means that only 0.6 percent of the total supply of the bulk of meat and fat designated for domestic market supply was sold abroad, and that sales on behalf of domestic consumers were reduced by only that amount. Similarly, the net export indices, that is, the balance of exports and imports, amounted to 12.2 percent in 1971-75 and 6.8 percent in 1976-1980 (annual averages).

Now let us calculate whether the possible complete rejection of meat exportation would provide noticeable improvement on the domestic meat market. Taking the first half of 1981 as the basis for our data and eliminating imports, the removal of exportation would provide a consumption growth of about 0.03 kilograms per capita per month.

It must be objectively stated that although the overall market reductions resulting from export last year was negligible, nonetheless the exportation of sought-after ham reduces the possibility of supplying this item so desired by consumers (calculated per capita per month the elimination of export would provide an increase in ham consumption of 0.01 kilograms).

The problem of meat consumption in Poland then is not the result of the size of the meat mass exported but of the exportation of certain items. Exports can make the domestic meat market poorer not so much in terms of the quantity of meat as in terms of the quality of it.

During the latter half of 1981 meat exports approximated 45,000 tons. According to the latest estimates, overall throughout 1981 total meat exports amounted to about 110,000 tons. This means a reduction in export volume of about 100,000 tons in comparison to 1980. This is nearly half. At the same time meat and fat imports showed figures of about 241,000 tons, taking into account deliveries from the USSR.

Meat Balance-Sheet 1980-1981

| Description | Thousands of tons 1980 | Thousands of tons 1981 | Percentages 1981/1980 |
|---|---|---|---|
| 1. Procurement of lifestock calculated in terms of meat* | 2,538 | 1,884 | 74.2 |
| Poultry | 344 | 355 | 103.2 |
| 2. Domestic market supply of meat, meat products, and fats** | 2,257 | 1,874 | 83.0 |
| Poultry | 344 | 358 | 104.1 |
| 3. Total meat imports | 58 | 241 | 415.5 |
| Lard and pork fat | 8 | 54 | 675.0 |
| 4. Total meat exports | 215 | 108 | 50.2 |
| Bacon | 12 | 5 | 41.7 |
| Canned shoulder and hams | 43 | 23 | 53.5 |
| Canned meats | 19 | 7 | 36.8 |
| Cold cuts | 1 | 1 | 100.0 |
| Poultry (geese and ducks) | 23 | 14 | 60.9 |
| Livestock*** and meat in sides and parts | 72 | 31 | 43.0 |
| Live horses,*** horsemeat | 38 | 23 | 60.5 |
| Other | 7 | 4 | 57.1 |
| 5. Net meat exports (4-3) (3-4) | 157 | -133 | |
| 6. Ratio of gross meat exports to domestic market supply (4:2) in percent | 9.5 | 6.2 | |
| 7. Ratio of net meat exports to domestic market supply (5:2) in percent | 7.0 | --- | |

*Procurement also includes the amount of livestock exported by the Livestock Raising and Turnover Association and by the State Farms (PGRs)
**Excluding self-supply
***Calculated in terms of the weight of the meat

Source: Synthesized meat balance-sheets of the Central Agency of Meat Industry (CPM), Animex Import-Export Agency (CIE Animex), and author's computations

As a comparison of the figures presented shows, the elimination of exports and the foregoing of meat imports not only would fail to improve the domestic market supply but would significantly worsen the situation.

In addition, in our terrible payment situation, we cannot give up exporting goods in which Poland plays an important role in international turnovers. Canned goods first of all fall into this category. Exports of canned goods has represented and continues still to represent an important source of free-foreign exchange in Poland's total exports. Foreign exchange revenue gained in exchange for the exports of canned goods, for example to the United States from 1976 to 1980 represented 31 percent on average of Poland's total revenues from exports to that market, and income from deliveries of ham and shoulders alone accounted for 29.2 percent. Even though as a result of the crisis in our agriculture we limited exports by nearly half, nonetheless it must be especially emphasized that our presence on the market as a traditional exporter represents some sort of assurance of our payment capabilities in coming years, because there is the general conviction that the food economy can get out of the crisis more quickly and become a factor to activate the country's economic development, and foreign trade in farm products can bring great influxes of foreign currency without simultaneously reducing the extent to which domestic demand is met. This is particularly important now. We are in urgent need of foreign currency, because the restrictions imposed by the United States and other capitalist countries are depriving us of the opportunity to buy grain, fodder, and many other commodities on credit.

Let us pass on to the method of calculating the profitability of exports and imports of meat. The method of comparing the prices gained in export and paid for imports presents a relatively correct picture, because it shows how the purchasing power of our exports are faring on the world market.

Price comparisons were made in two variants: 1) with regard to the real quantities and values of exported and imported commodities, 2) for the purposes of comparability, imported meat with bone was calculated into meat without bone to compare it with the exported commodity. The amount of imported meat was reduced by the amount of bone, lard, and other fat and minor items, by 33.4 percent altogether for pork, 26.3 percent for beef. On the export side we took item groups including bacon, ham, and shoulders in cans, cold cuts and canned goods, and meat in parts as the basis. On the import side we took pork and beef.

As we can see from the comparison of prices obtained in total foreign meat turnovers, we could buy a total of 2.2 kilograms of meat and fats for each kilogram of meat exported. This 2.2 kilograms breaks down into 1.8 kilograms of pork and 2 kilograms of beef.

On the other hand, in calculating the amount into meat without bone, these sizes are 1:1.5, 1:1.4, and 1:1.7, respectively. In relation to the other items, in the same area the most favorable results occur in the export of canned shoulders and hams.

At the same time we must say that in terms of quality, imported meat, as meat with bone, is of lower quality than most of the products our country exports, and after calculating into meat without bone it does not meet the standard of exported commodities. This is why this activity is critically assessed by a certain portion of our society. In the opinion of most of the experts of the meat sector, such a solution to the Polish meat problem during the current crisis in the meat economy is simply essential.

Here is the justification. Under the conditions of such a drastic shortage of meat as we face on our market, given the current system of meat rationing (coupons), it is better to give out more meat of lower quality than less meat of higher grade. This stems from the coupon system and is related to the number of consumers who can supply themselves with meat, because it is no secret that the amount of meat which domestic production is supplying to the market is not meeting the demand from the meat rationing coupons.

This is illustrated by the following very much simplified figures drawn up for the 3 quarters of last year. As the basis we take the 3 kilograms of meat per person per month in effect at the time, which comes to 27 kilograms per person for the 9 months. If we assume that 83,587 tons of meat along with mutton and horsemeat(which was exported during 3 quarters in 1981) went to the domestic market, then the number of consumers who would be able to buy meat would approximate 3.1 million persons. On the other hand, if we could buy 156,258 tons of imported meat with bone in exchange for the foreign exchange obtained from export sales, then the number of consumers who could buy meat would increase from 3.1 million persons to 5.8 million persons, which is more than 2.5 million more. In the second variant, imported meat was translated into meat without bone. In the first instance the additional number of persons would amount to 1.3 million, and in the second, 2.0 million.

Therefore, if we assess meat imports and exports from the viewpoint of profitability, we must say that meat imports greatly ease the shortage on the domestic meat market.

In my opinion, the current basic problem is to see that meat rationing coupons are covered in terms of quantity, and the import transactions made up until now have mainly served this purpose.

We should remember that during the past decade Poland bought such large amounts of meat twice. This sort of high meat and fat importation took place in 1971 and 1977.

In closing I would still like to respond to certain remarks made in the letter "Meat Export Blockade" (POLITYKA-EKSPORT-IMPORT No 10, October 1981). In terms of the ratios of export and import prices, we think that the figures presented clarify this problem sufficiently. All we can add here is the fact that prices on capitalist markets are subject to frequent

fluctuation. For this reason, any analysis of the profitability of exports and imports of meat must be conducted consistently, not from time to time, and in keeping with the structuring of price ratios the proper decisions must be made. From the research conducted at the Institute of Trends and Prices in Foreign Trade concerning the profitability of exporting canned goods to the United States, using a system of calculations in terms of the dollar, we can see that the level of foreign-exchange prices obtained by us in exports to the United States provides full coverage of raw materials costs, in addition to providing some surplus to cover the remaining non-raw materials costs.

It is difficult to agree with the formulation that: "Price is only one of the components of trade calculations." In our opinion, the price should contain all the cost components which the author of the letter mentions. They determine the level, among other things. At the same time we should like to explain that in meat exports, advertising, promotion, and similar activity are used to a minimal extent. Our basic goods have an established trade-mark which has been in use for many years and are sold on traditional sales markets for the most part, and we should not give up these exports, for the very reason of the costs discussed in the article, so that we will not have to bear them in the future.

As for the rest of the doubts related to the distribution and management of the raw material, only the meat industry can give an authoritative statement.

10790
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## CHANGES IN FOREIGN TRADE DISCUSSED

Warsaw ZYCIE GOSPODARCZE in Polish No 7, 7 Mar 82 p 11

[Article by Wojciech Opalko]

[Text] The extent of the difficulties with which our economy is now struggling has meant that at the present stage the interest of most industrial enterprises in reform is concentrated mainly on solutions which have a bearing on the continuity of production, material supplies, and "securing" existing productive capacity. The degree of absorption by managements of enterprises with the "struggle for survival" over the short term, is best shown by the fact that the "hot", until recently, problem of authorizations to engage in foreign trade became less urgent and the number of applications for licenses submitted thus far has been lower than expected.

By mid-February, all of the basic executive regulations embodying the decisions made in 1982 in the area of reform in foreign trade had been published.

On the basis of these regulations we can now make a journalistic attempt to characterize the solutions from the viewpoint of the interests of the industrial enterprises participating in trade exchange with countries abroad and to formulate some general thoughts.

### Licenses and Commodity Competence

Activities in the area of foreign trade may be conducted by enterprises for whom the founding organ is the Minister of Foreign Trade and by other physical persons and corporate bodies on condition that a license has been obtained. Licenses are issued, changed, suspended and revoked by this same head of ministry.

An enterprise may contend for a license if it meets the following conditions:

--the value of the direct export of commodities and services amounts to at least 25 percent of its own production or is in excess of a value of 1 billion zlotys annually,

--it ensures proper cadre and technical services for the export or import that is implemented.

In the case of fully developed coproduction with foreign contractors, large exports implemented from materials consigned by foreign partners (processing--active transformation from raw materials or semi-finished product into final product), or export of technical ideas, an enterprise may apply for a license without having to meet the first of the above-mentioned conditions.

The Minister of Foreign Trade can refuse to issue a license if such an act would have an unfavorable impact on the trade or payments policy of our state.

Licenses will not be granted for turnovers of raw materials, fuels, energy, and farm products of basic importance to the national economy. Only those enterprises for whom the founding organ is the Minister of Foreign Trade may implement such turnovers.

A request for a license should be considered within 3 months of its submission.

The questions regarding authority to engage in foreign trade were regulated last week.

The scope of commodity competence is determined by the Minister of Foreign Trade in the foundation and statutory acts of the enterprises for whom the ministry fulfills the function of founding organ and in the licenses that are granted.

Enterprises which do not have the authority to engage in foreign trade implement export and import through the foreign-trade enterprises of similar specialization product range which they themselves select.

Foreign-trade enterprises which export final products of a specific producer may import commodities to cover the current requirements of this producer in the area of deliveries that are of a supply, co-production and completive nature, and deliveries of spare parts and machinery replacement parts. However, these imports as a rule does not include commodities that are centrally distributed.

Such a solution makes it possible to concentrate almost all turnovers in a single foreign-trade enterprise and to control imports that are financed from foreign-exchange allowances more efficiently.

Foreign-Exchange Financing of Imports

Means for imports implemented outside the sphere of free foreign-exchange turnovers are allocated by the Minister of Foreign Trade.

Imports settled from free foreign exchange will be financed:

--from means allocated by the Planning Commission in the Council of Ministers for the foreign trade minister for imports of centrally computed raw materials and other materials;

--out of foreign-exchange allowances from convertible-currency receipts;

--from means allocated by the Interministerial Team for Controlling Imports (functioning in the Planning Commission of the Council of Ministers).

This team will allocate foreign-exchange means:

--for the appropriate ministries to implement operational programs;

--for the minister of foreign trade and services for the needs of the domestic market;

--for the ministers supervising buyers from the nonproductive sphere;

--for the appropriate investors implementing central investments.

Deliveries implemented in government, bank and commercial credits will be charged (with the exception of commodities that are centrally distributed) to the enterprises' foreign-exchange allowance account or will be taken into account during the allocation of foreign exchange by the above-mentioned Team.

In addition to the above-mentioned basic sources of financing imports, two categories of enterprises will have additional ways to do this. The mining enterprises, covered by Council of Ministers Resolution No 112, dated 8 August 1981, are entitled to a special foreign exchange allowance, stimulating mine output. Enterprises which in 1982 export unessential reserves will be entitled to a 50 percent allowance as a result.

The basis of a foreign exchange allowance is an actual receipt of convertible foreign exchange from export brought to the base fob Polish port or franco Polish People's Republic border implemented after 1 January 1982 and the rate of the allowance approved by the foreign trade minister.

Foreign exchange receipts are reduced by the sums earmarked for repayment of foreign-exchange credits borrowed in accordance with Council of Ministers Resolution No 39, dated 4 March 1977, on foreign exchange credits for financing investments and other purchases for convertible currency, amended by the Council of Ministers Resolution dated 22 March 1978, except that in justified cases, with the consent of the foreign trade minister, exceptions to the rule may be made.

Foreign exchange allowances are not made from receipts from advances from foreign contractors accrued in the account fund of export advances earmarked for completive import for export production.

The basis for the determination of the allowance rate is the ratio, achieved in 1980, of the value of deliveries for export production from supply and co-production imports in convertible currencies to the value of the exports implemented in these currencies. The value of the supply imports does not include the value of the basic raw materials and other commodities from imports obtained through domestic organizations of commodity turnover. If, in a given year, substantial changes for the base (1980) year occur, the allowance may be approved on the basis of new ratios. The maximum allowance rate is 50 percent. The rate of the allowance is approved on the basis of special requests in a form determined by the foreign trade ministers for productive enterprises, groups of enterprises of a given branch represented by the foreign

trade enterprise, and associations of enterprises. The request is made by the interested industrial enterprise and recommended by the foreign trade enterprise which is the main exporter of the goods and services of the requester.

Individual rates are established for enterprises which have licenses to engage in foreign trade and other enterprises if they implement free foreign exchange export valued at a minimum of 50 million zlotys annually. In case of allowance rates approved collectively for several enterprises, these enterprises establish the principles of cooperation and use of means by way of a contract. After the rate of the allowance is established, Bank Handlowy [Commercial Bank] in Warsaw opens and maintains the enterprise's foreign exchange account.

The disposer of the account may allocate foreign exchange means, accumulated in the account, for import of coproduction and supply commodities and services in exchange for convertible currencies, for purposes of its own export production, its domestic coproducers, and other units cooperating in the area of exports implementation.

In justified cases, the reconstitution or enlargement of productive capacity for the purposes of export, the disposer of the account may allocate the accumulated means also for imports of spare parts, machinery and equipment, and additional amounts of raw and other materials. The disposer of the account may instruct, on the basis of an agreement, the selected foreign trade enterprise to fulfill the function of a general agent in the area of coproduction and supply imports charged to the account.

Until foreign exchange for export is received, the interested enterprise may contend in the Bank Handlowy for a credit advance for indispensable imports against the enterprise's foreign exchange allowance account.

The above reasoning on the subject of foreign exchange allowances is illustrated by a concrete example of a request for an allowance:

1. Total export value (in thousand zlotys).
2. Value of export fob to second payments area [capitalist countries].
3. Value of deliveries for export from cif import from second payments area, including for export to first payments area [socialist countries] and to second payments area.
4. Ratio of imports to exports in second payments area without basic raw materials and other materials.
5. Proposed rate of allowance.
6. Profitability level (zlotys per dollar).

| 1980 | 1981 | 1982 |
|---|---|---|
| 1 380 614 | 1 318 846 | 2 252 970 |
| 1 230 756 | 1 200 431 | 2 070 600 |
| 112 666 | 100 540 | 285 000 |
| 15 097 | 12 467 | 34 770 |
| 97 569 | 88 073 | 250 230 |
| 9.1 | 8.4 | 13.8 |
| — | — | 14.0 |
| 28 | 32 | 53.2 |

Despite the ratio of exports to imports in the second payments area, 9.1 percent, during the base period (1980), the plant, under concrete 1982 conditions, in view of higher import needs, requested a 14 percent allowance, justifying it in detail. The foreign trade enterprise recommended as follows: "the size of exports to the second payments area in 1982 derives from the balance of the Planning Commission and the plant's agreements with the enterprise. The export profitability indicator is verified by the foreign trade enterprise, which supports the request by the plant to allow a 14 percent allowance from foreign exchange receipts." The matter of preparing a request is therefore quite simple in the case of cash exports not burdened with credit repayments.

In the case of exports implemented on credit, determination of the size of foreign exchange receipts requires close contact between the producer and the foreign trade enterprise to determine the size of the instalments which will flow in in the form of cash during that specific year.

Under stabilized export, implemented on credit conditions, experience during the first months shows that producers and enterprises try to obtain allowances from all instalments of credit repayments received in a given year, i.e., also from exports implemented before 1982. Practice in this area will probably become crystallized in the very near future. An enterprise may contend in the domestic banks for foreign exchange credit for imports for investments which show a quick profit or for current operations.

In justified cases the finance minister may approve foreign exchange credits drawn on foreign banks, and the foreign trade minister may approve, in consultation with the finance minister, transaction credits (commercial credits) obtained from foreign contractors.

Currency Rates, Domestic Prices, Profit Margins and Commissions

Effect 1 January of this year [1982] the average rate for the dollar was fixed at 80 zlotys, and the transferable ruble at 68 zlotys. The foreign exchange zlotys category in planning and reporting has disappeared. The currency exchange rates are fixed by the president of the Polish National Bank in consultation with the ministers of finance and foreign trade. The basis for the determination of the rates is the degree to which the given rate ensures the profitability of Polish exports. In settlements of accounts from foreign turnovers, official, regulated, and contract prices are applied. The differences between official prices and transaction prices (derived by multiplying foreign exchange prices by the appropriate currency exchange rate) are paid or collected by the state budget.

In the case of controlled and contract prices, additional payments and charges may be made to promote the goals of social and economic policy. The producing enterprises engaged in export are entitled to a refund of import tariffs collected for raw materials, semi-finished products or coproduction elements consumed in the individual phases of production of goods sold for exports, as well as to a refund of the turnover tax taken by the state budget during the individual phases of exports production. Refunds of tariffs do not apply, however, to exports calculated at official prices. Such refunds are implemented through the foreign trade minister's compensatory account, into which flow, in addition to the above-mentioned compensatory charges, import tariffs collected by the Main Customs Office.

In contract-price imports, transaction prices should, as a rule, be increased by the foreign trade enterprise's profit margin or commission and possibly by the turnover tariff and tax. In the case where materials that are centrally distributed are imported (normally financed from means that are available to the foreign trade minister), the purchasers will be credited with transaction prices if the purchase will be financed from a foreign-exchange allowance, and the official prices will be lower than the transaction prices.

In exports, contract prices may be, as a rule, close to the transaction prices. In the case where the domestic price offered is higher than a transaction price that could be obtained, the foreign trade enterprise has the right to demand the producer's calculation of the total costs of production. If the transaction price, corrected by the profit margin or commission, will be higher than the contract price, the difference may be divided between the foreign trade enterprise and the producer on the principles regulated by the pertinent contract. One of the regulations (Order No 106 from the Minister of Finances and the Minister of Foreign Trade, dated 31 December 1981) states that in the case of contract prices in exports, the producer may calculate into the price a rate of profit no higher than that obtained in domestic sales. This determination has aroused much controversy in productive enterprises. It is said that this is not a stimulant for the development of export production. An examination of the complex of regulations, however, shows that the following interpretation should be applied to this statement:

--The contract price for export can be higher than the domestic price if it does not exceed the transaction price reduced by the enterprise's profit margin and commission (the producer, at the very least, has the right to share in the difference between these prices);

--The regulation discussed is to act as a restraint on excessive increases of contract prices in relation to the level of the obtainable transaction prices.

The profit margins applied by the foreign trade enterprises in settling of accounts by official prices are approved by the foreign trade minister. Profit margins and commissions in turnovers calculated by profitable, from the standpoint of foreign trade, controlled and contract prices, are negotiated between the foreign trade enterprises and the enterprises--suppliers for exports and buyers from imports.

Contracts: Foreign Trade and Industry

The change in the planning formula (independent planning of operations) and the ability of the domestic suppliers and purchasers to select foreign trade enterprises of a similar product specialty, have brought new quality into the area of foreign trade-industry contract relations. Contracts, or rather the system of contracts--general-type contracts (understandings on cooperation, annual, quarterly, monthly understandings, purchase-sales contracts) fulfill a series of functions, the most important of which are the following:

--stabilization of mutual relations and a guarantee of their continuity,

--a definition of joint tasks in the area of foreign trade,

--planning consistency,

--disciplining of execution of assumed obligations,

--determination of principles of cooperation (for one's own account, commission sales, agency, mixed forms), types of prices applied, etc.

It should be emphasized that in cooperation on the basis of commission sales, the commission profits of the foreign trade enterprise do not include the expenditures borne by these enterprises for other domestic enterprises in connection with promotional or display activities, or in connection with arranging for advertising, selection of tenderer, receipt and training, as well as foreign exchange expenditures related to contract performance. These expenditures are settled directly with the appropriate domestic enterprises.

Technical service of export deliveries is financed by the enterprises that are authorized to engage in foreign trade out of the so-called foreign trade technical service fund. This fund is intended to cover the foreign exchange costs arising from: operating spare-parts consignment warehouses abroad, material and personnel costs for permanent technical service stations and emergency technical services. The technical services fund is created in the division into payments areas from allowances charged to general costs according to percentage rates applied to the implemented export. The rates are established by the foreign trade minister in consultation with the finances minister. The enterprises authorized to conduct foreign trade create an orders-canvassing fund.

This fund is earmarked to cover foreign exchange costs of advertising, exhibits, fairs, material and personnel costs of foreign representatives, official trips abroad, membership dues in international organizations and to replenish the technical service fund within the framework of this same payments area. The fund is established in the division into payments areas from allowances charged to general costs according to percentage rates in relation to the value of the export implemented. The allowance rates, separating the percentage share of means for foreign travel, are approved by the foreign trade minister in consultation with the finance minister.

Gains from Exports

An analysis of the regulations issued thus far in the area of reform in foreign trade shows that in the light of the decisions that have been made, the direct gains from exports for enterprises include the following:

--preferences in material and energy supplies in view of including exports in operational programs,

--obtainment of foreign exchange allowances to finance the import of coproduction materials, supply materials, spare parts, and also machinery and equipment to increase productive capacity for export purposes,

--improvement in the economics of production by increasing the degree of utilization of existing productive capacity and reducing unit costs,

--increased flow of receipts by enterprises through recovery of turnover tax and tariffs collected on raw materials, semi-finished products and coproduction elements consumed in the individual phases of production of export goods and calculated according to contract or regulated prices.

--obtainment, with profitable export calculated according to regulated or contract prices, additional income from favorable differences betweeen transaction prices and domestic prices (these differences may be ultimately divided between the producer and the foreign trade enterprise according to the rules specified contractually),

--obtainment of prizes from the foreign trade minister's fund intended to stimulate export production,

--possibility of obtaining licenses for independent activities in foreign trade.

In the solutions accepted, the special separation, at the producers, of profits in exports, out of which a fund for prizes and development would be financed, reducing the amount of "total" profit subject to taxation, as postulated by some economists and management practitioners, was not considered.

Among the most important indirect gains which the enterprise can count on in connection with the implementation of export production are the following:

--an increased ability on the part of the enterprise to adapt to the changing internal situation,

--speedier application of technical and organizational progress, and a greater general inclination toward innovation and developmental growth.

--renown for the enterprise and its product (for export is and will be an element which elevates the rank of the producer).

Reform and the Economy's Export Efficiency

The scale of internal imbalance in our economy and the indebtedness curve mean that in the 1980's the growth rate of exports must be higher than that of the generated national income. Therefore, efficient, and thus effective and rational management of foreign trade is a matter of strategic importance. This issue cannot be treated instrumentally because the way in which foreign trade functions will and should affect the nature of the functioning of the entire economy. At the present moment supply and foreign exchange difficulties obscure our economic horizon, but it should be remembered that at the beginning of the 1980's we are just starting to touch upon such systems matters as for example:

--The active role of the currency exchange rate, including, as a result, its price-fixing function in relation to goods that are exported, imported, or can be an object of export, but are consumed in domestic production;

--The level of domestic prices on the producer's market with a minimally developed internal competition and almost no external competition;

--A consistent policy in the area of production and export subsidies and profitability;

--A pro-export investment policy.

The traditionally too-low export efficiency of our economy is basically linked with the inefficient management of our entire economy and foreign trade. The systems problems appear again on the threshold of reform as the greatest danger and challenge.

Whether to correct the recently implemented supply prices, based on an exchange rate of 50 zlotys to $1, when the present exchange rate in effect is 80 zlotys to $1, or to wait and observe the development of the price-cost situation in 1982; whether to raise the exchange rate to over 100 zlotys to $1 as early as the first quarter of 1982, or not--these are only the most elementary questions connected with the management of the entire economy and foreign trade.

We will have to find more effective methods to compel higher management efficiency, and we will not avoid the problem of rationalization of costs. A very significant increase in the prices of industrial articles on the domestic market would not be a problem if it were linked only with an increase in profits and not with coverage by a self-financing formula and excessive costs. The problem of costs and economic competitiveness will come into complete focus only when it collides with the realities of the international market. Foreign trade will have to find itself in the thankless role of economic and technical verifier of the whole economic system and the progress achieved in managing the economy.

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DIRECTIVE ON FINANCING ENTERPRISES PUBLISHED

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[Directive of the Minister of Finance, dated 31 December 1981, on the Detailed Principles of the Financial Economy and Their Application to Specific Aspects of Certain State Enterprises in 1982]

[Text] Chapter 1. Clearing of Amortization Allowances

§1. 1. The enterprises turn over amortization allowances on fixed assets and legal and nonmaterial value to the development fund and the income of the appropriate budget by the 15th day of each month for the current month. Possible corrections in the size of amortization allowances (including those from unused production capacity) are made in the month following the month in which they occurred.

2. The annual clearing of amortization allowances is performed by the date specified for making the annual financial report.

Chapter III. Allowances from Profit for Bonuses and the Reserve and Development Funds

§23. 1. The amounts allocated from profit for distribution to the funds for reserves, profit bonus, and development are deducted for the appropriate funds for quarterly and annual periods. The calculations and allowances for quarters should be made on an increasing basis from the beginning of the year.

2. For quarterly periods the enterprise makes a deduction out of profit for distribution, minus the allowance for the vocational activation fund, for the reserve, development, and workers bonus funds and for the fund for other purposes and needs, after the amounts deducted for the previous quarters have been subtracted, taking that percentage of the profit made up to the end of the quarter for distribution, in keeping with the percentage of allowances out of profits provided for these purposes in the annual plan. These allowances should be deducted by the 20th day of the month following the end of the quarter.

3. Charges from the increase in mean wages and the compulsory reserve fund allowance are deducted within 10 days of the date on which the balance is ratified.

The allocation of the rest of the annual profit for distribution as an additional allowance for the reserve fund, the development fund, and for bonuses for workers and other purposes and needs is made on the basis of the ratified balance-sheet, in keeping with the decision of the enterprise.

4. The differences between annual profit allowances and quarterly profit allowances deducted during the year for the reserve, profit bonus, and development funds and the fund for bonuses for workers are to be cleared within 10 days of the date that the annual balance-sheet is approved.

5. Individual payments amounting to 25 percent of these allowances may be made out of the profit allowances for bonuses to the workers.

Chapter IV. Financing of Working Capital

§24. 1. The enterprise finances working capital using its statutory fund, fixed obligations, and bank credit.

2. The enterprises which manufacture by order products which have a long production cycle, especially enterprises of the ship-building industry and the heavy machinery construction industry, as well as construction and installation enterprises can finance production in the course of advances obtained from customers, in keeping with the agreement made with them.

Chapter V. Financing of Investments

§25. 1. The application to award a budget subsidy to finance central investments which have begun should include a proposal concerning the investment's source of financing and justification for the proposal, including that from the viewpoint of the economic effectiveness of the investment and an assessment of the enterprise's financial situation during the execution of the investment and after the fixed assets obtained as the result of the investment have been put into operation.

2. The application for award of a budget subsidy should be submitted for opinion to the Minister of Finance and the chairman of the bank which is to finance the investment under consideration in the application, before the application is submitted to the body which is to make the decision.

3. If the decision to begin a central investment in 1982 has not specified the investment's financing source, a budget subsidy for the purpose may be granted by the founding body, within the framework of the amount of budget credit for investments established in the 1982 budget law. The appropriate regulations of paragraphs 1 and 2 are applied to the request for the granting of the budget subsidy.

§26. 1. The construction of houses for functioning residences and other nonproduction investments included in the investment undertaking's technical-economic assumptions which have been approved are financed in the manner appropriate for basic investment tasks.

2. The bank may make the granting of credit to finance the enterprise's investment dependent on its allocation of development fund money to finance all or part of the nonproduction investments discussed in Paragraph 1.

§27. The costs of preparing the enterprise's investment for execution, except for the investments discussed in §28 and 29, are financed out of development fund money. Included in the costs of preparing the investment for execution are in particular the costs of drawing up the technical-economic assumptions and the simplified investment documentation, the acquisition of the land for construction, and the geological research and geodetic measurements related to the planned investment.

§28. The costs of preparations for execution of social and housing plant investments are financed out of the funds designated for these investments.

§29. 1. The costs of preparing central investments for execution are financed out of the budget subsidy.

2. The budget subsidy for financing the costs discussed in Paragraph 1 can be allocated during 1982 by the Minister of Finance out of the general Council of Ministers' reserves after a decision has been made by the chairman of the Council of Ministers Planning Commission specifying the size and scope of the costs of preparing the central investment for execution.

3. The budget subsidy needed to finance in 1983 costs discussed in Paragraph 1 may be planned in the budget draft for that year after the passing of the decision discussed in Paragraph 2.

§30. The costs of preparations for executing an investment which is later given up are treated as outlays without economic effect.

§31. Investment outlays connected to the buying of fixed assets including the value of their purchase and the costs of dismantling, transport, new installation, and necessary remodelling and overhaul are financed out of the development fund.

2. For the financing of the outlays discussed in Paragraph 1, the bank may grant credit consisting of repayment out of the development fund for the period set in the credit agreement.

3. The regulations of Paragraphs 1 and 2 also apply in the following instances:

1) purchase of buildings, structures, machinery, equipment, vehicles, and other fixed-asset type objects which have not been turned over for use [completed] from other investors,

2) purchase of fixed-asset type objects bought or created in the course of work on the development of science and technology, from performers of the research,

3) outlay of funds related to the installation of machinery and equipment leased from other enterprises.

4. The regulations of Paragraphs 1-3 do not apply to appropriate outlays made in connection with plant social and housing activity.

In such instance these outlays are financed out of the funds allocated for plant social or housing investments.

§32. If defined in the technical-economic assumptions or simplified documentation of the investment, the costs of buying a license, the costs of maintaining the enterprise in the structure, the costs of starting up a new enterprise, plant, or department, and the expenditures related to the training of work forces as necessary to start up production are financed out of the funds allocated to finance the investment.

§33. The purchase of the right to ownership of utilitarian facilities in edifices built by other investors is financed out of the development fund.

Chapter VI. Financing of Technical and Economic Porgress

§34. 1. The financing of technical-economic progress in the enterprise encompasses the financing of research and development. In addition, this financing includes the purchase of patents, utilitarian models, experience, documentation, and licensing to apply them.

2. The financing of research encompasses scientific research and development consisting of the improvement of the organization, technological processes, and modernization of the goods produced and of the preparation to produce new products during the period prior to decisions to put the results into practice or finish them in another form (for example, in the form of drawing up documentation).

In particular the financing of developmental work encompasses the following work:

1) construction, technological design, and experimental work, including the construction and trial operation of equipment and experimental prototypes,

2) work concerning the organization and economics of the enterprise,

3) concerning standardization, including unification and typification of products, equipment, and technological processes,

4) related to the development and assessment of discoveries.

3. The financing of inculcation includes work undertaken on the basis of the enterprise's decision to apply research results, including the application of inventions, both its own inventions and those bought in the form of licensing, projects connected to the start-up of production of new items or the modernization of goods being produced and new manufacturing methods, prior to beginning industrial-scale production; in particular this includes work related to the following:

1) drawing up full technical documentation, including the drafting of standards and documentation in the realm of typification,

2) execution of industrial prototype, the first set of implements and instruments, and trial installations,

3) the execution of a test series of a new product, and in justified instances also the informational series of a new product, the conducting of tests, and the introduction of corrections following the tests.

§35. 1. The enterprise finances research out of the technical-economic fund, but if it does not form such a fund, out of operating costs it covers its research costs, using the development fund to supplement the amount.

2. The costs of performing research also includes the costs of buying or designing the construction and installation of special apparatus or equipment related to the execution of specific research work, and in the case where this apparatus and equipment corresponds to the criteria set for fixed assets.

3. The enterprise which in 1981 has made deductions for the technical-economic progress fund will create a technical-economic progress fund in 1982 out of their direct costs of deductions and allowances as expressed as a percentage of the value of revenues from sales as specified in §32, Paragraph 3 of the resolution, minus the turnover tax and plus the special-purpose subsidies and the compensatory allowances and payments for exports. The percentage rate of the allowance is based on the rate of the annual allowance designated by the founding body in relation to the value of revenues. The founding body establishes this amount within the limits specified in the plan for 1981. The sizes of these amounts for the various ministries in the current organizational scheme are set in the appendix to the directive.

4. Independent of the allowances encumbering the costs, the following are allocated for the technical-economic progress fund:

1) part of the development fund as determined by the enterprise,

2) income from sales of components of assets bought or manufactured during the course of carrying out research financed out of the fund minus the costs related to sales,

3) the grants-in-aid discussed in §47, Paragraph 4 of the resolution,

4) interest on the fund's assets accumulated in a separate bank account.

5. The following cannot be financed out of the technical-economic progress fund:

1) costs of preparing future operation of newly constructed plants and departments of the enterprise,

2) costs of preparing unit and small-series production.

§36. 1. The enterprise allocates the technical-economic progress fund to:

1) cover the costs of operation designated in the enterprises statute for research and development centers, laboratories, design offices, and other units of research and development, minus the income from the sales of the work performed by these units on outside orders,

2) finance any research essential to the organizational and technical progress as performed in the enterprise's production departments and plants and other units not specified in the statute as separate research and development units,

3) repay research work performed at the enterprise's request by foreign units,

4) cover all or part of the inculcation work costs and the costs of carrying out projects for inventions completed with a negative result or with results not equivalent to the costs incurred,

5) payments for the centralized fund.

2. The financing of the work discussed in Paragraph 1, Points 2 and 3, takes the form of payments for the work done, and the invoices from internal sales or agreements with an outside unit for performing the work and the principles of setting the prices used by the unit (plant) performing the work are the basis for the clearings and payments.

§37. The costs of inculcation work do not include investment ventures.

§38. The costs of research and inculcation encumbering the direct costs of the enterprise's operation can be cleared over periods longer than a year according to the principles generally in effect.

Chapter VII. Final Regulations

§39. 1. Suspended as of 1 January 1982 are the actions of the enterprise funds perviously created as part of the costs which on the basis of the resolution or this directive or other regulations in effect will not operate in 1982 in connection with the financing of operations in 1982.

2. After 1 January 1982 the enterprises up until 31 March 1982 will clear the allowances for funds discussed in Paragraph 1 and amounts due and will repay these funds' obligations for 1981 and previous years.

3. As of 31 March 1982 the funds discussed in Paragraph 1 will be eliminated. Their equivalent as of that day, established after the performance of the clearing discussed in Paragraph 2, will be subject on that day to clearing with the centralized account discussed in Appendix No 12 to the resolution.

4. Regulations of Paragraphs 1-3 will apply respectively to the funds of associations not included in Appendix No 12 of the resolution.

§40. The directive goes into effect as of 1 January 1982.

Minister of Finance: Marian Krzak

10790
CSO: 2600/437

FIGURES FURNISHED ON 1981 CROPS, YIELDS

Warsaw RADA NARODOWA GOSPODARKA ADMINISTRACJA in Polish No 1, 8 Feb 82 pp 35-36

[Article by Leslaw Zalewski: "Results of Crop Production in 1981"]

[Text] The production results of many crops in the past year were affected seriously by the unfavorable conditions at the beginning of the production cycle. In particular these include the leaching of a considerable amount of nutrients from the soil as the result of the floods, the destruction of the soil's granular structure in part of the sowing area, the delay in autumn work in 1980, the trend toward decreased livestock production (which is still important in organic fertilizing), the slackening of the fight against sicknesses and pests, and so forth. The generally favorable atmospheric conditions during last year's spring-summer growing period and crop harvesting did not fully compensate for the losses caused by the aforementioned factors, as well as by the shortage of mineral fertilizers and pesticides.

The yields of grain, 19.7 million tons; and of potatoes, 42.6 million tons, although higher than the 1980 yields, (respectively by 7.6 percent and 61.2 percent) were somewhat lower than yearly averages for the period 1971-1980 (grains, 20.2 million tons; and potatoes, 44.9 million tons).

Oleagineous crop seed yields amounted to 494,000 tons, hence, they were below the 1980 yields by 14.8 percent, and by 19 percent below the last decade's average.

Grains Below the Multiannual Average

The increase of the general grain sowing area as compared to the years 1977-1980, which took place in spite of considerably less winter grain sowing, should be considered a favorable development.

Total average grain yields amounted to 24.9 quintals per hectare, i.e., 1.5 q/ha more than 1980, but by 0.2 q/ha less than the average for the 1971-1980 period.

Last year grain, particularly rye and oats, was harvested from a number of fields with light soils, which for the most part were lighter than usual because of a deficiency of nutrients.

In the specific sectors according to the ownership of land the general yields of grains were:

| | |
|---|---|
| --State Farms of the Ministry of Agriculture | 26.0 q/ha |
| --Producer cooperatives | 22.6 q/ha |
| --Agricultural circles | 17.6 q/ha |
| --Nonsocialized economy | 25.0 q/ha |

In the past year more even yields were achieved. The difference between the nonsocialized economy and, e.g., State Farms of the Ministry of Agriculture amounted to 1.0 q/ha (in favor of the State Farms), while the 5-year average has been set at about 5.5 q/ha.

The highest total grain yields were achieved in the following voivodships: Poznan (30.7 q/ha), Legnica (30.1) and Leszno (30.0), and the lowest in the voivodships of : Ostroleka (20.1 q/ha), Bialystok (21.2), Sieradz (21.7), Piotrkow (21.8) and Slupsk (21.9). The difference between the highest and the lowest voivodship results amounted to 10.6 q/ha.

The Area Planted to Potatoes the Lowest in 30 Years

Although potato yields were higher than the catastrophic 1980 yields, they are one of the lowest attained in the last 20 years. Lower ones than last year's were attained only in 1962, 1971, 1977 and 1980.

The level of last year's potato yields was influenced by the unfavorable decrease of the cultivated area to the lowest figure in 30 years. The decrease of the cultivated area for potatoes is the outcome of a long trend of land restrictions, as well as seed-potato shortages last spring.

Potato yields have been estimated to be 188 q/ha, which is 75 q/ha higher than those of 1980, and 11 q/ha higher than the last 10 years' averages.

Because of the considerable contamination of the seed potatoes with potato blight, and the ineffective campaign against it (because of the shortage of chemicals) during the growing period, quantitative losses in yields occurred, and also the quality of the harvested potatoes is relatively poor in many cases. This results in considerable losses during storage.

The average yields of potatoes in particular sectors according to land ownership were:

| | |
|---|---|
| --State Farms of the Ministry of Agriculture | 173 q/ha |
| --Producer cooperatives | 165 q/ha |
| --Agricultural circles | 142 q/ha |
| --Nonsocialized economy | 190 q/ha |

The highest yields of potatoes were attained last year in the following voivodships: Bialystok (212 q/ha), Kalisz, Lublin and Zamosc (209 q/ha each), and the lowest yields were in the voivodships of Zielona Gora (143 q/ha), Elblag (157 q/ha), Ostroleka (161 q/ha), Tarnow (164 q/ha), Kielce and Legnica (167 q/ha each).

Treating the grain and potatoes as agricultural products which can be mutually substituted in many ways, especially as livestock feed, it is estimated that the combined production of grain and potatoes expressed in terms of grain amounted in 1981 to 30.4 [million] tons, i.e., 21.8 percent more than in 1980, but at the same time 3.4 percent less than the average results attained in the last decade.

Average Grain Yields in 1981 (q/ha)

| | |
|---|---|
| Seed corn | 42.0 |
| Winter barley | 30.5 |
| Winter wheat | 30.3 |
| Spring wheat | 27.3 |
| Spring barley | 26.9 |
| Grain mixtures | 26.4 |
| Oats | 23.6 |
| Rye | 22.4 |
| Buckwheat, millet and other grains | 9.3 |

Last year's crops of grain and potatoes, expressed in terms of grain, compare as follows with 1980:

| | |
|---|---|
| --State Farms of the Ministry of Agriculture | higher by 5.0% |
| --Producer cooperatives | higher by 7.4% |
| --Agricultural circles | lower by 32.8% |
| --Nonsocialized economy | higher by 25.2% |

Last year, in all the voivodships except Zielona Gora, Legnica and Opole, there was an increase over 1980 in combined harvests of grain and potatoes, expressed in terms of grain.

In the Zielona Gora voivodship last year's combined crops of grain and potatoes, converted to grain, are lower than those attained in 1980; it is a result of decreased grain crops and low yields of potatoes (143 q/ha), because of unfavorable atmospheric conditions (floods). The yields of grains were lower in the Legnica and Opole voivodships.

Large Losses of Oleaginous Crops

With the exception of the year 1979, the yields of oleaginous crops attained last year were the lowest in the past 8-year period. The poor crops are a consequence of the small area of rape crops and relatively low yields.

Out of the area of 323,750 ha on which the winter rape was sown in the fall, seeds were harvested from 277,311 ha, and the remaining part of that area was plowed over--as a consequence of winter and spring losses.

The average yield of the oleaginous crops was 17.2 q/ha, of this--17.3 q/ha in the state farms, whose share of 71.2 percent is the major part of the crops, and 16.9 q/ha in the nonsocialized sector.

The highest yields of rape were attained in the following voivodships: Bielsko-Biala (25.4 q/ha), Poznan (21.9 q/ha), Katowice (21.8 q/ha) and Gdansk (21.2 q/ha), and the lowest yields were in the voivodships of Bialystok (8.2 q/ha), Siedlce (8.4 q/ha) and Biala Podlaska (9.4 q/ha).

Good Yields of Sugar Beets and Fodder Crops

Harvesting of 15.8 million tons of sugar beets in 1981, i.e., 5.7 million tons more than in 1980, and 7.8 million tons more than the 1971-1980 averages, is mainly the result of good yields of these crops. Although the planted area increased compared to 1980, it was considerably smaller (by 5.4 percent) than the last 5-year period average.

With a 336 q/ha average, the yields of sugar beets were:

| | |
|---|---|
| --State Farms of the Ministry of Agriculture | 278 q/ha |
| --Producer cooperatives | 284 q/ha |
| --Agricultural circles | 247 q/ha |
| --Nonsocialized economy | 343 q/ha |

The highest yields of sugar beets were attained in the following voivodships: Zamosc (382 q/ha), Piotrkow (370 q/ha), and the lowest ones in the voivodships of Jelenia Gora (219 q/ha), Slupsk (231 q/ha) and Suwalki (260 q/ha).

Last year's weather was favorable for fodder crop production.

It is estimated that the harvests of the various kinds of fodder were:

| | |
|---|---|
| --Meadow hay | 14.7 million tons |
| --Hay from field crops | 9.8 million tons |
| --Green bulk corn | 21.0 million tons |
| --Fodder-root | 10.8 million tons |

This production is 20.2 percent higher than the one attained in 1980, as well as 7.0 percent higher than the last 5-year average.

The fodder situation, especially for the ruminants, is therefore relatively good, and this can become a basis for the development of animal production.

Diversified Conditions in Gardening

The production of vegetables has been estimated to be at the level of 4.7 million tons, i.e., 3 percent more than the highest ever achieved, that of 1979. After years of poor crops, high yields of tomatoes and cucumbers were attained in the past year. The crops and yields of onion and beets can be considered to be relatively good.

The production of fruit has been estimated at 1.3 million tons, i.e., 20 percent less than the 1980 results, and 24 percent less than the 1976-1980 average.

Apple trees had few apples last year, especially those outside the orchards, which, because of pesticide shortages are poorly protected against the pests and diseases, the same with the plum trees, in view of their variable fructification.

Compared with the overall evaluation of the plant production situation pertaining to the whole country and to particular forms of farm ownership and voivodships, the results vary in individual farms. They are influenced by highly diversified production conditions.

9644
CSO: 2600/415

HOUSING CONSTRUCTION PROBLEMS ASSESSED

Warsaw ZYCIE GOSPODARCZE in Polish No 6, 28 Feb 82, pp 1, 4

[Interview with Tadeusz Opolski, ministry of industry and housing construction, by Teresa Gornicka; date and place not specified]

[Text] [Question] Even under the crisis conditions of Poland's economy, one cannot resign oneself from meeting the minimum housing needs. Our housing construction today is unable to achieve that task, despite the fact that during the 1970's its capital goods tripled. My question is as follows: with its current equipment, is housing construction able to accommodate itself to such methods by which to implement the housing program during the crisis?

[Answer] The question implies that inefficiency or even incompetence in housing construction is what threatens meeting of housing needs. Now more than ever before, an opinion like this is mendacious. Universally known are the problems of complete utilization of construction potential. There are people to build, but the problem is with what. Unfortunately, construction of apartment houses requires goods and materials produced by almost every industrial branch. The decline of industrial production also has caused a considerable deterioration of construction supplies. Production renewal of these goods guarantees the development of housing construction. Thus, we cannot speak about which program of housing construction is to be implemented, but rather we must speak first about the program to rebuild our economy.

[Question] However, that was not a question without basis. The problem of inefficient means by which to implement housing construction is not now. This concerns both technological solutions as well as organizational. These are known issues, so it is unnecessary to develop this thought further.

[Answer] Let us not discuss opinions but rather concrete issues. During the past two years, the lack of material supplies have become the reason for a regression in housing construction. Recently, the ministry conducted a field investigation to determine the causes for the low implementation in January of the construction plan. Results showed conclusively that the apartments were not finished because of a lack of basic materials for their completion; e.g., bathtubs, gas stoves, lavatory bowls and finally flooring materials. There was also a shortage of power cables to connect the structures. This

does not constitute the entire list, but without these elements it is impossible to turn the apartments over for use.

[Question] Could the floors not have been laid with wood?

[Answer] To a certain degree, we could replace chemically-derived flooring with wood, and it is being done. For example, in an inactive house-building factory in Kielce production of flooring board was begun, and so the enterprises have floor material. But this is not such a simple problem. What would happen if we were to adopt this solution for several million square meters of floor space; i.e., to lay wood floors in every apartment available this year? This "floor revolution" would change the wood balance in the country, call for the necessity to set into motion the suitable machinery for its production and require increased glue production to lay the wood floors. Even if we were to acknowledge this as possible, it most likely would not succeed from month to month.

[Question] But let us look at this from a broader point of view. If you were to limit the very highly cement-intensiveness of our housing construction, which is the result of currently used technology, you could export the cement, and from the earned foreign exchange income, purchase components and raw materials that would facilitate the production of bathtubs, cables and so forth. This is of course a simplified understanding, but such dependence has to be shaken. And construction itself decides on how the apartments will be built and with which technology.

[Answer] In my opinion, the question as to which materials will be used in construction is rhetorical. The one thing we do have is a prefabrication factory. It is true that it was very capital-intensive, but it is an investment effort already started. It can be said that large-panel technology is more material-intensive than traditional, but all raw materials and materials needed to produce prefabricated products originate domestically. If there are problems with rolled goods, let us not forget that even during the best years construction did not use much more than 10 percent of the national production. Thus, it is an issue of taking into consideration our construction needs within the policy of distributing the materials.

This does not mean that we acknowledge the material-intensiveness of large-panel technology as Holy Sevit. It is a technology that requires improvement. We have undertaken a very specific effort to reduce material-intensiveness. Constructive solutions are ready, for example, to eliminate the large-panel load-bearing walls from the buildings and to replace them with average partition walls. Without going into the technical details, it is a course that will save an insignificant amount of cement and steel in our housing construction. There are new means available for heat conduction which will correct the insulation rating in apartment buildings. This will allow for fuel savings in the apartments. Specific efforts have been undertaken to eliminate leaks and freezing of outside walls, which have caused many problems in the past. Construction costs have risen considerably through elimination of these efforts but I would agree with the view that present

large-panel technology contains numerous shortcomings that compromise and lower its efficiency. This must be changed.

[Question] I do not have to remind you that there have already been programs that were supposed to improve large-panel technology.

[Answer] However, there are new circumstances facilitating the initiation of this kind of program. Generally, these programs can contribute to reducing construction costs. Their ally is reform. The enterprise will stop chasing after processing results and start looking for ways to increase profits. One of these ways is to use solutions that are less material-intensive. Partition walls take advantage of this because they make money. In the same way, an enterprise can no longer permit itself to use outside wall solutions, because eliminating leaks and freezing is very costly.

[Question] And in your opinion, will these independent and self-financing enterprises not begin to look for alternatives to every large, industrial method? What can be said today on this subject?

[Answer] I can speak only about my own views. Enterprises will have to resolve this dilemma on their own and with their own means. The minister of construction cannot order an enterprise to use a certain technology nor tell it to build a large or a small installation. As the functional ministry, we can specify only the obligatory technical norms.

Of course, we maintain regulations for formulating certain, general principles of technical policy. For example, we have established the following principles with respect to large-panel technology. A decision has been made to close seven factories building the oldest homes, because they were built at the end of the 1960's. We shall also close gradually prefabrication plants producing in accordance with various regional systems which are for the most part very material-intensive. During the next several years, more plants will be eliminated for natural, technical reasons. In essence, I do not foresee a comprehensive course of modernization to keep them alive. There are a few exceptions in large agglomerates like Warsaw or Katowice where it is difficult to imagine the future of housing construction without them.

The ministry is currently working on a technical prognosis for multi-family housing construction. Scientific studies were included in this effort. It is still too early to state how we see the future. I bring up the issue, however, only to show you that large panels have not prevented us from seeing new things.

[Question] Are there any cases whereby enterprises are cutting out their housing factories simply because they threaten their economic independence?

[Answer] There are some cases. Let us recall, however, where the problem arose. Otherwise the large panel would become a symbol of housing construction misfortune. The entire capital investment program based on prefabrication was implemented in the 1970's, when, in accordance with the plan to resolve the housing problem, it was decided to considerably accelerate construction after

1980. And because regression took place rather than acceleration, many existing housing factories are working at 50 percent capacity. Of course, this has a disadvantageous influence on the formation of economic ratios in the enterprise.

Thus, there are cases like Suwalki, where the voivodships took control of housing construction but turned the housing factories over to us. Some enterprises take the view that they should be freed from their credit obligations acquired during construction of prefabricated bases. Still others put forward proposals to exclude from amortization costs not only prefabrication plants but also a portion of the equipment that is conserved and recognized as nonusable. But I would also add several examples where the enterprises earmarked the housing factories for other production; e.g., components for the needs of urban engineering.

[Question] How are the proposals put forward by the enterprises treated?

[Answer] We acknowledge each one and attempt to treat all of them in accordance with the enterprise's interests. For example, there are other problems like how to utilize working capital in the enterprises and acknowledgement of production means as nonusable, which are already generally regulated. Self-government cannot be forced upon an enterprise if suitable conditions of self-government are not created for it.

In general, instituting the principles of economic reform in construction is especially complicated. I am not saying this to demonise these difficulties nor to impair the sense of reform. On the contrary, I feel that construction cannot function even a month longer with the current system. This means the entire muddled pricing system, clearing of accounts, increasing losses and imperfection in the incentive system. Even if we were to overlook the economic consequences, it is psychologically unbearable. Conversion to a new management system is difficult, but we must change sooner or later.

We are doing what we can to facilitate the enterprises' adoption of the new operating principles. I must say that the lack of qualified economic personnel in construction is strongly felt at this time. The previous management system, along with the entire aggregate pricing system, clearing of accounts did not create this type of specialist.

At first glance, it appears that there are enterprises that have easily adopted the reform principles. They have a plan of action and are already operating on the new system. One can even read ads in the press concerning the sale of marketable cement for private consumers. Undoubtedly, the future belongs to those enterprises that can maximize their production and save their economic existence even under these conditions. But there are also those that are awaiting the course of events. They ask for instructions on every matter; e.g., even for such daily concerns as figuring the 13-month pensions. They are accustomed to the recommendations of investors, and thus they are not attempting anything on their own. They are facing the problem today of a drastic reduction in production potential.

On 1 March a new credit system containing rigorous principles will take effect. There is no longer any way to maintain excessive employment or excess inventories. And one can also count on the fact--and I state this not without sadness--that the units with too little vitality face the threat of elimination.

[Question] At the beginning of our discussion, you stated that we cannot build apartments correctly, because we are lacking bathtubs, cables, stoves and so forth. If construction cannot handle the situation now with the centralized distribution of materials, then the self-governing enterprises will have even more problems.

[Answer] Material supply must be corrected. And it will be corrected. It is true, moreover, that production potential exists to start production of goods in shortest supply. The lack of some imported raw materials is holding back their production. However, the enterprises must endure this difficult period. If they cannot take full advantage of the potential to build new apartments, then they can modernize or renovate, at least at the request of a private client, who will have to pay for the services. We shall work as quickly as possible to remove the roadblocks to new housing construction. Presenting needs and formulating construction orders is a function of the Ministry of Industry and Housing Construction.

[Question] However, our discussion continues to revolve around the question about the indispensable changes in ways to implement the entire program.

[Answer] I think that one simply cannot answer that question now. I have presented here my views on large-panel technology. I also can add that I am not a strong believer in the rapid technological revolution, nor in its purpose and efficiency. However, what will come out of the new conditions after reform is difficult to say. Not only housing construction is involved here.

For my part, I can say that the ministry will support each concept, even disseminate it, if it will lead to the construction of better and cheaper apartments.

We have even prepared the groundwork for implementing such extraindustrial methods. At the initiative of our ministry, experts from the Association of Engineers and Construction Materials Technicians were hired to work out a plan for producing construction materials from local raw materials. Thus, it is an exact distribution of raw materials found in the country. There are exhausting indicators of the type of production to organize and the kind of machinery needed for the job. A list of potential producers who may be able to organize the production is also included. Decision No 8 made on 29 January 1982 by the Council of Ministers' Economic Committee has a very essential meaning for the development of this type of initiative. It really creates the necessary credit, economic and organizational conditions to commence production. I am not saying that the self-government and self-financing of scientific centers, as we already have observed, necessarily will break down the barriers between themselves and practice. Professional reports and technical guidance will become universally accessible.

[Question] One last question: will not the lack of qualified craftsmen limit the development of implementing the extraindustrial methods? Housing construction never had any problems with either operators or assemblymen, but there were permanent problems with masons, carpenters and so forth.

[Answer] This problem has been overcome to a large degree if not resolved. The disproportion in construction occupations resulted from differences in wages which were disadvantageous to the traditional occupations. These differences have been eliminated in the newly introduced wage system. During the past two years, intensive training in housing construction has taken place to train portions of the workers to work in areas having deficits. This had nothing to do with the changes made in implementation methods, but it was done simply because we have always had problems completing buildings as a result of a shortage of craftsmen.

In order to summarize our discussion, I would like to add that what we have discussed today is only a portion of the issues that will be included in the housing construction program. Such a program defining the state's comprehensive policy with respect to housing construction is currently being developed by the Ministry of Administration, Land Economics and Environmental Protection.

[Question] Thank you for the discussion.

9807
CSO: 2600/407

## COAL PRODUCTION PROBLEMS ASSESSED

Warsaw TRYBUNA LUDU in Polish 9 Mar 82 p 4

[Article by staff writer Stanislaw Repfrowicz: "Results of Miners' Work--An Optimistic Symptom"; subtitled: "Who Hampered Output?--630,000 Tons per Day--More Coal--Quicker End of Crisis--Concern About Work Force"]

[Text] Since the introduction of martial law, the output of hard coal has been maintained at a steady, high level. The results of miners' efforts prove that Poland has real possibilities to emerge from the crisis. However, the realization of these chances depends on work--sensible, self-sacrificing and productive work.

Coal mining is a priority component of Polish national economy. In 1938 the output amounted to 38.1 million tons. In 1946 it reached 47.3 million tons; in 1947, 58.1 million tons; in 1955--in other words, 10 years after the end of World War II--it reached 95 million tons. It became obvious that People's Poland depends on coal. Old mines were modernized and new ones constructed. Mining operations have become mechanized. As a result, the Polish mining industry gave the country 201 million tons in 1979; that is, five times more than the prewar production. Poland became a leading coal power in the world.

Those 201 million tons should be looked at from different angles. They were mined when the nation's economy was entering a critical stage. The mining industry, although equally burdened with serious difficulties, was compensating, with its production, for the misfortunes of other branches [of industry] and was effectively slowing a violent plunge in the national living standard.

### What Does Coal Represent to Poland?

It is for Poland the principal source of energy, an important raw material for the processing industry, a distinct source of foreign exchange and also a heating fuel for a sizable portion of the population.

It is therefore no wonder that the antisocialist opposition, while attempting various scenarios for the takeover of power in Poland, particularly stressed lowering the effectiveness of the mining industry because this could result in a breakdown of the entire economy. With this in mind, one could observe

in Silesia an influx of emissaries of the Social Defense Committee (KOR), Committee of Independent Poland (KPN) and other organizations opposing socialism. Their irritating and inflammatory activity found fertile ground in social dissatisfaction resulting from well-known instances of a breakdown of law [and order], bureaucracy, etc.

Nevertheless, attempts at disruption of mining were encountering resistance for a long time. Silesia resisted the disturbances longest and this was not accidental. Work in such a dense concentration of industry, in particular deep below ground, demands orderliness, peace and neatness, respect for the professional hierarchy, experience, knowledge and good organization. Not only the work results but also human lives depend on observing these conditions. A realization of the importance of these factors was also expressed in the mildness of workers' protests during 1980, as well as in the production level of coal. In 1980, it amounted to 193 million tons, or only about 8 million tons less than in the "peak" year 1979.

Serious disturbances came later and were introduced to the mining industry from outside, from other regions of Poland. When, during the past year, there was peace in Silesia, Kuron from Gdansk, Bujak from Warsaw or Rulewski from Bydgoszcz arrived in order to raise the temperature of social feelings by "raids through the mines." Those spectacular attacks on the party or on the authorities that took place in the Szczyglowice or Sosnowiec coal mines became the proverbial two-edged sword. They created anarchy in the industry while simultaneously arousing a feeling of fear in a sizable portion of the mining populace; they evoked a feeling that something was wrong, that these adventurers were threatening their (the miners') existence. Many second thoughts were also aroused by acts of terrorism against those miners who voluntarily wanted to work on their free Saturdays.

Why Was the 1981 Plan Not Fulfilled?

The national socioeconomic plan adopted in December 1980 forecast production of 188 million tons of hard coal for 1981. This mandated, planned lowering of production was tied to the adoption, by the mining industry, of a 5-day workweek--because the authorities respected signed social agreements. At the same time economists have warned that any further lowering of coal production would have a negative impact on the entire economy.

In February last year Gen Wojciech Jaruzelski took over as premier. The new regime undertook energetic steps to guarantee planned production.

Among others, a so-called mobilization fund was established, designed to provide bonuses for miners who would voluntarily work on their free Saturdays. Those material incentives proved very productive. However, the local authorities and the mining committee of Solidarity took a violent stand against them. Therefore, in order to preserve peace and while believing in assurances that the union itself would encourage miners to do additional work, the ministry cancelled the mobilization fund as of 25 April.

This concession, unfortunately, did not bring the expected peace; on the contrary, it resulted in a further reduction of production. During the second quarter [of the year] it became necessary to reevaluate the current plan downward to 172 million tons; however, even this proved too much for an industry torn by unrest. In July 1981, it became again necessary to review and revise the assumptions of the national socioeconomic plan, this time down to 168 million tons.

However, the authorities stopped giving in. Maj Gen Czeslaw Piotrowski became the minister of mining and power industry. In September 1981, the Council of Ministers passed Resolution No 199, establishing bonus payments to coal miners who would work on their free days. As expected, Solidarity demanded that the resolution be withdrawn. Nevertheless, their demands were not met. The union responded with a boycott of the resolution but this proved unsuccessful. Week after week, more and more miners worked on their days off. During the fourth quarter, the Anticrisis Operational Staff had to carry out the last revision of the plan, unfortunately again downward to 162 million tons. In the end, by 31 December [1981] hard coal production reached 163 million tons.

According to data provided by the Mining and Power Industry Ministry, the principal cause of such a catastrophic lowering of production was, above all, shortening the work time in the mines. This was 22 percent lower in 1981, as compared to the conditions prevailing to September 1980, when the mines were worked 6 days per week, some on four shifts.

Table 1. Average Daily Hard Coal Production in 1981

| | From Monday through Friday (tons) | Saturdays (tons) |
|---|---|---|
| First quarter | 607,601 | 228,453 |
| Second quarter | 613,036 | 156,581 |
| Third quarter | 592,573 | 145,471 |
| Fourth quarter | 597,200 | 253,179 |
| Average during the year | 602,461 | 194,798 |

The national sociopolitical situation and the [social] atmosphere in the mines were also exerting their influence on the coal production levels. Even with the shortened work time, production for 1981 could be some 9 million tons more than what it was, were it not for continuous strikes, protest actions, mass meetings, delays or refusals to go below, lowering of labor productivity, loosening of discipline and decline in supervisory authority.

Under Conditions of Martial Law

The proclamation of martial law allowed a decided majority of miners to return to normal life and work conditions, it ensured a feeling of security and a right to decide about one's conduct relative to work and it eliminated

individual terrorism, which was being applied by a particularly brutal minority against a majority of the workers.

Some of the activists, in particular the permanent apparatus of Solidarity, tried to organize a general strike. Despite 1 1/2 years of anarchistic activity, the plan did not succeed. The organizers found a following in only isolated mines, in a portion of young workers most susceptible to enemy agitation. A marked role was played by an inflammatory propaganda campaign of Radio Free Europe and the Voice of America. This resulted in a tragedy at the Wujek coal mine and in terrorist activity in the underground levels of the Ziemowit and Piast coal mines. Luckily it was possible to avoid any spread of these disturbances.

After the introduction of martial law, the miners quickly achieved the proper level of production and are maintaining it to this day. This oscillates around 630,000 tons of coal daily. This high level was maintained even on Saturdays.

What does this number represent? Above all it means that we did not freeze this winter. Production of energy was maintained--where it counted. Let us recall November and December with their frequent blackouts resulting from the necessary steps to limit the power supply. Today we no longer need the 20th degree of [power] supply. [TN: The expression "20th degree supply" possibly refers to a 20 percent power cut.] Thanks to the efforts of the miners, the noose in which our power supply has been held, has been loosened. The increase in coal production also permitted reconstruction of coal supply bins of large users. Considerably more coal has been sent to individual customers, in particular to farmers. Many coal mines had earmarked their extra production for the benefit of flood victims. It is also worth noting that in January 1.5 million tons have been exported.

With the coal production increase, the entire economy woke up. What happened in the coal mines after 13 December must be viewed not only as an economic but also as a moral phenomenon. The production of over 30 million tons during January and February--i.e., over 4 million tons more than in the corresponding period of 1981--is a tremendous success, which proves that it is necessary and possible to overcome the difficulties.

Causes of Changes

Let us ask a question: What was the deciding factor in the coal industry being the first, from all the economy, to emerge from the breakdown? Militarization of the mines permitted a reinstatement of work discipline. Only against this background did it become possible for the beautiful traits of the miners to come to life, miners who traditionally always were examples of sacrifice. This profession, in its heavy underground work, forms a feeling of duty and responsibility toward the country and the nation.

Other causes can be found in the infrastructure of the mining industry. In comparison with the other branches, the mining industry became less dependent on imports. Almost all the machinery used underground is of Polish

manufacture; this facilitates the supply of spare parts. After a brief disturbance, the work discipline also was restored, which had been attempted over several decades. Everything that hampered the miners' efforts and suppressed the best traits of their profession has disappeared.

The present tempo of production must be maintained for the good of the country and the nation. We simply cannot afford to lower it because to do so would have a destabilizing effect on the entire economy.

There is, however, a problem of consolidating the achieved success because the situation in the mining industry still does not allow over-optimistic evaluations. The miners are not sparing their efforts; the effect, however, results from overcoming difficulties. Formation of a productive work atmosphere in the mines must be accompanied by an effort of work crews of other enterprises, those supporting the coal industry, directly or indirectly, or by those performing a service for the coal industry.

The ministry is making efforts to improve the material-technical situation in the coal mines. These programs have been formed into a special operational program of the government. The mining industry has at its disposal a strong [base of] technical facilities composed of, among others, plants that produce mining machinery and spare parts. These enterprises, in cooperation with scientists, are taking part in anti-import activity by manufacturing all kinds of substitute products for machinery and equipment that otherwise would have to be imported. Also the research-scientific centers in industrial mining enterprises have been urged to direct their efforts toward easing the heavy physical burden of coal miners. The research and development units, instead of busying themselves with highly theoretical scientific problems, should concentrate on problems of small-scale mechanization of the coal mines.

Certainly, the mining industry is not and cannot be self-sufficient. If the chemical industry failed to produce some special type of oil or conveyor belts for coal transport or even ordinary boots, there would be immediate problems with coal production. On the other hand, it is well known that chemistry must have certain components for its production that must be imported from capitalist countries; for their purchase one needs foreign exchange.

Social agreements stipulate that miners work a 5-day workweek. The introduction of martial law for the public good, resulted in a suspension of this privilege. Coal mines, as militarized enterprises, became subject to the 6-day workweek rule, which automatically, taking in account the present structure of the mining industry, obliged work crews to work on Saturdays. As a material compensation for this supplementary effort, the miners will receive privileges resulting from the Council of Ministers' Resolution No 199.

Deserved Privileges

Nevertheless this is only a temporary solution. The authorities maintain that work in the coal-mining industry should be so reorganized that the miner would work 5 days per week; however, the coal mines would be worked 6 days per week.

It is only a question of finding a work model that satisfies the miners while being beneficial to the country.

On 1 February 1982, an amended "Miner's Charter" went into effect. It widens the privileges of this segment of the population, which has worked so hard for it. It contains, for example, some special honorary rights. The charter establishes that 4 December will be celebrated as miners' holiday, a work-free day. It also defines [miners'] degrees, titles and uniforms and a right to wear a ceremonial sword.

The charter also provides for a 5-day workweek, that is to say it guarantees all Saturdays free (this currently being temporarily suspended), assistance to newlyweds and also a possibility of earlier retirement regardless of age after working underground for 25 years.

The ministry is also making efforts to make it possible for a miner to purchase with his earnings (for example, extra pay for Saturday work) those items needed for everyday living.

Return to Foreign Markets

Not too long ago Poland was immediately behind the United States among the largest coal exporters in the world. The catastrophic drop of production had drastically lowered the amount of coal needed for export. In 1979, we exported 11.5 million tons; in 1980, 31.1 million; and in 1981, barely 15.1 million tons--thus losing billions of dollars and other foreign exchange.

Table 2 illustrates the lowering of coal exports (in millions of tons) to some traditional customers in Western Europe:

Table 2

| | 1979 | 1980 | 1981 |
|---|---|---|---|
| France | 4.6 | 3.2 | 0.7 |
| Denmark | 3.1 | 3.2 | 0.7 |
| Finland | 4.3 | 3.1 | 1.4 |
| Italy | 3.3 | 2.8 | 1.0 |
| German Federal Republic | 2.6 | 1.8 | 1.0 |

Massive shortages caused by the reduction of Polish coal exports forced our previous commercial partners to compensate by increasing their imports from other countries, countries with which we have been in direct and successful competition for many years. During the past year, the following countries have entered our "permanent" foreign coal markets: the United States, the Republic of South Africa, Great Britain and even Australia. For example, the United States has increased its exports of coal from 59.5 million tons in 1979, to 86 million tons in 1981.

Our competition had simply profited from our crisis and the anarchy in our economy. Sales markets are lost easily but regaining them is very difficult.

We exported 2 million tons during the fourth quarter; we are planning to sell 5 million tons to foreign markets in the first quarter of 1982. Will we succeed? The results of the mining industry's efforts look promising--there will be coal; however, that is not all that it takes. We must overcome new difficulties in regaining lost foreign customers, those forced to contract with other suppliers. We also must face those difficulties connected with coal transportation, loading ships in port, etc.

Help From the Military

Military assistance to the mining industry must be considered from several points of view. First, it is provided through commissars--plenipotentiaries representing the National Defense Committee (KOK). They are present in all coal mines as well as in several of the mining industry's enterprises. There is a coordinating staff operating at the ministerial level that is directing their efforts. The commissars represent an important structural element in the process of directing the mining industry under martial law; however, they do not replace the directors. Equally, they are not each other's superiors or subordinates. They work in parallel, on an equal level; they ensure the interests of the national defense in a given enterprise, for example, from the point of view of production output. The mining industry has preserved its old organizational structure because it was good; it also preserved its own system of communications and decisionmaking. The commissars--in difficult situations--assisted in solving problems. In this, their commitment, self-sacrifice and ideological awareness played a major role.

Production assistance of the military is expressed in extra distribution [capability]. Soldiers, while undergoing specialist training, are participating in the development of railroad communications systems for the [coal] industry. The mining industry is also working closely with military scientists, in particular with Military Technical Academy (WAT), who have developed and introduced many improvements in the mines, some from the realm of laser technology.

With a Thought to the Future

The mining industry is working with an eye toward the near and far future. New mines are being constructed, including coal mines in the Lublin Coal Basin; several active mines are undergoing modernization; new coal seams are being opened for exploitation. Scientific research institutions are working on better utilization of coal and its products.

At the last year's Miners' Day ceremonies, when the situation was at its worst, Gen Wojciech Jaruzelski spoke about the significance of coal in our economy: "The mining industry has always played a tremendous role in Poland's economic life. However, there was probably no time in the past, when your labor had more significance than today. The success of the planned reforms depends fundamentally on the results of miners' work, above all, on the amount of excavated coal. On this depends, in the most literal sense of the word, Poland's future."

The first 2 months of the year are proof that the coal miners are fulfilling the hopes that we are placing in them. To have sufficient coal--that means a lot. Coal is the cornerstone of our economic revival. Without coal we could not even dream about overcoming our economic difficulties. On the other hand--not everything depends entirely on coal!

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## FACTORS INVOLVED IN DEVELOPMENT OF NEW ENERGY SOURCES

Bucharest SCINTEIA in Romanian 3 Mar 82 p 3

[Article by Elena Mantu]

[Text] In accordance with the Program-Directive for research and development in the field of energy, new sources of energy (solar, eolian, geothermal, recovered heat and biogas) now introduced for the first time in Romania's energy balance, account for 2.7%. What are the goals of experts in research, education and production with regard to this area, what do they do to extend the use of good results?

Undoubtedly, the utilization of unconventional energy sources, the application of the new approaches formulated by research, involve significant changes in the concept, production and operation of existing conventional installations, stated Engr. Petru Vernescu, director of the Design Institute for Standardized Construction. And, not last, he added, changes in the mental attitude of some users.

True, this explains why research and tests in the field of new energy sources have so far materialized in a number of concepts which still are applied on a small scale. For instance, even though the above institute (which controls and finances these studies and tests) provided the funds needed for the installations for treatment with solar energy of household warm water, at the Ploiesti, Pitesti, Tirgoviste and Rosiori de Vede pilot stations, the schedules for completion were not met. Moreover, there are users who, although they received the necessary funds as early as in 1980, do not take firm action for completion of investment projects. For example, for a set of 500 apartments in Constanta Town, 6.5 million lei were appropriated, the design was approved and also some of the solar collectors were dispatched, but the project has not yet been commenced. The situation is all the more damaging and incomprehensible because Constanta County is characterized by the best possible conditions in terms of solar energy potential and especially because the county has a good experience in this field. It is known that solar installations operate adequately in the Saturn and Neptun resorts and in Mangalia, a "solar hotel" with autonomy in terms of energy, will be built, a first on a world scale. In another part of the country, at Timisoara, a new "sun" district has emerged, with its first apartments that use solar energy.

It is known that the expanded use of solar energy is contingent upon lowering of the installation invesment cost.

Dr. Engr. Liviu Dumitrescu, of the Central Institute for Research, Design and Monitoring in Construction, stated: "The manufacturing units, also, play an important role in this area. One of the causes that contribute to delays in extending the use of proper approaches involves the fact that while designers and researchers are seeking approaches to cut consumption rates for materials, hence costs (approaches that resulted in lowering the cost of solar installations for treatment of household water from 15,500 lei per apartment, in 1979, to 10,000 lei, in 1982), the manufacturing units want to obtain (precisely at these products!) greater profits. Originally, the Sadu Mechanical Enterprise planned, for instance, for the solar collectors which it makes a profit of 38.40%, and later reduced it to 6%; Automatica Enterprise turns out the automation boards for solar installations with a profit of 98%, which results in our high costs, instead of granting a preferential status precisely to help promote new technology. In light of these situations, we believe that in the case of new energy sources profits should be limited to 6%, a fact that would help to cut down investment costs."

The same applies to extended use of eolian energy. Reducing the cost of turbines and converters is a major concern of experts of the Institute for Power Research and Modernization, the Research and Design Institute for Building Installations and Equipment Apparatus and the Polytechnical Institute in Brasov. Moreover, based on the studies conducted, this year will see the production, by the Fagaras Mechanical Enterprise, of about 5,200 turbines, including some 5,000 with power over 0.5 kW. The cost of the energy produced ranges between 0.43-1.44 lei kWh. However, it is certain that experts in production can do more to lower costs.

While some approaches still require the efforts of specialists in various fields, others can be immediately applied and their use extended on a wider scale. This also applies to a unique procedure for using residual heat from steam power plants in order to heat nurseries, devised by a collective at Bucharest "Electrocentrale" -- Centrala Vest, headed by Engr. C. Fulga. During the 1980-1981 period -- Engr. Dragu Iavorschi told us -- these nurseries produced outstanding crops of tomatoes, lettuce, bell peppers, and carnations, at lower costs, and it is easy to see why, since it is known that fuel accounts for 65% of nursery expenses. To meet users halfway, the same collective proceeded to build a nursery module that can be adapted anywhere, in light of specific conditions.

It is not the only approach for prospective users. Engr. Dumitru Mihalcea, head of the design department of Cluj-Napoca "Tehnofrig" Enterprises, told us: An example is provided by compression pumps for heat recovery, installations that can play an important role in the energy balance. He pointed out: "In my view, at this point in time, we do not have a shortage of studies or modern approaches in this sector. However, needed are concrete moves, in each industrial facility where experts, based on on-site technical surveys and determinations, must provide the most appropriate and best possible solutions. I emphasize this because I realize what great fuel and energy savings could be made if our enterprise, in the last 2 years, would have had the full amount of orders for our production of compression heat pumps. But not even now do we have the orders."

It is clear that in the area of new sources, of unconventional energy sources, the specialists offer efficient approaches, but their "weight," their economic impact in the energy balance can be significantly enhanced only by the better estimation, utilization and expansion of these sources.

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OPERATIONS AT NEW NAVAL SHIPYARD AT TULCEA DESCRIBED

Bucharest ROMANIA LIBERA in Romanian 5 Mar 82 pp 1, 5

[Article by Ion Popovici]

[Text] In 1975, on a frosty winter day, I attended the opening of the construction site of the new naval shipyard at Tulcea. Six years later, I am again here and almost cannot believe how fast it was able to change its appearance. The impression which it made on me then stays vivid in my memory. Imagine an area of almost 60 hectares practically completely covered with marshes and constantly threatened by flood. I was told that in order for the platforms and bays that can be seen now to be built it was first necessary to compact the ground, an arduous operation which necessitated no less than 3 million cubic meters of rock, sand and dirt.

Today, the construction of the naval shipyard at Tulcea -- with modern bays and facilities -- is mainly completed. But as early as in the fall of 1979, as construction operations at this new project were advancing, the first ships began to be turned out. Impatient, the Tulcea shipbuilders did not wait until the construction workers left to test their skills in a trade that they had just acquired (most of the shipyard workers are young people who came here directly from vocational schools and the median age is only 22!).

Shortly, the first 2000-t barge was launched. Other types of vessels followed: 3000-t barges, 1500 and 3500 cu m/h dredgers for the Danube-Black Sea Canal, 4.2 cu m floating buckets for river improvement and other equipment that were highly appreciated by users. Engr. Paul Danaila, manager of the shipbuilding plant, pointed out: "However, the actual test for Tulcea shipbuilders starts now, because under this five-year plan we have been allotted the task of turning out the first 7500 and 15,000 dwt sea freighters." True, it is a tough test to build sea vessels for such cargo for the first time, even when the Tulcea Naval Shipyard has most up-to-date facilities. As is known, this unit includes an installation, unique in Romania, known as "synchrolift," which is designed to lift and launch vessels with a capacity of between 18,000 and 20,000 dwt. All sections are equipped with high-standard machine-tools, including: automatic cutting machines (tracing and cutting of the components of the ship's body are done by means of computers and machines with numerical controls), high-power devices to shape sheet, lathes for large-size parts, modern presses, and so forth. Further, the shipbuilding plant has a covered bay for ship assembly and outfitting -- also a unique unit in this country -- which provides optimal working conditions in wintertime as well. Let us enter this covered bay whose size

is enormous: an area of more than 10,000 square meters and a height of over 30 meters. Our attention is caught by the line of the first 7500 dwt freighter, now being assembled, which is beginning to take shape under the skilled hands of Tulcea shipbuilders. It is the "Moinesti" freighter, destined for general cargo. As early as this year she will become part of our merchant fleet. The ship is 131 m long, almost 18 m wide, its height up to the control deck is 10.7 m. She will be provided with a 6100 HP engine made by the Resita plant. Hence, the freighter will be able to develop a speed of 15 knots. Another freighter, the same size and with the same operational and functional abilities, called "Moldovita," is now in the assembly stage, in terms of volume sections. Needed here is an additional statement by Engr. Paul Danaila on the advantages of performing assembly and outfitting operations in a covered bay: "In the first place it is very important that in this kind of bay, provided with heating and lighting installations, it is possible to work in three shifts throughout the year, on two ships simultaneously. In the second place, as you can see, platforms with workshops operate on the length and width of the bay, at various height levels, depending on needs. In this way, a better organization of assembly and outfitting operations is ensured and the workers have the necessary tools and devices in their immediate proximity. As a result, the saturation degree for a ship can reach up to 90% so that after water launching the machine and installation tests can begin without delay."

Our interviewee's statements indicate that in the production process on this naval shipyard water launching is an episode that has a significance which is different from that on the other Romanian shipyards, where outfitting begins only after the water launching of the ship. In the case of the Tulcea facility, each new ship leaves the bay almost ready for sailing.

As I stated above, building high-capacity vessels for the first time is really a test. It is a test which the Tulcea shipbuilders will successfully pass, for without availing themselves of tradition in shipbuilding, they are thoroughly trained and inspired by the fervent wish to demonstrate by deeds their creativity. The operations completed so far on the first two 7500 dwt are characterized by top quality, and we believe that this is a good omen in the activity of the youngest shipbuilding unit in Romania. Of course, the new enterprise in Tulcea has enjoyed and continues to enjoy the support of older naval shipyards in this country, such as those at Constanta, Galati and Braila, which provide very useful technical assistance through various documentations and through dispatch of experts for brief periods of time.

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POOR SUPPLY OF VETERINARY DRUGS AFFECTING ANIMAL PRODUCTION

Bucharest SCINTEIA in Romanian 4 Mar 82 p 3

[Article by Elena Mantu]

[Text] At the recent work meeting at the CC of the RCP, which focused on key problems of animal husbandry, party secretary general Nicolae Ceausescu urged all experts in this field to most responsibly work for boosting animal production. Rehabilitation of animal husbandry in the next 3-4 years, obtaining of the animal outputs required by all the country necessitate a collective effort, the effort of all specialists in the sectors that contribute to the smooth development of this activity, of all working people in agriculture, the machine building and chemical industries, transportation sector, power industry, and so forth.

The veterinary health law stipulates that "the protection of animal health is a state issue and is a constant duty for all state bodies and organizations, the other organizations, and also a duty of all the inhabitants of this country."

Prevention of wide-spreading diseases, rapid and effective combating of other diseases, reduction of morbidity and mortality rates, and obtaining of animal productions also largely depend on timely ensuring -- in adequate amounts and range and qualities -- of the veterinary biological products and drugs.

What are the criteria for determining the necessary amount of veterinary drugs? Dr. Valer Teusdea, director of the Directorate for Sanitary-Veterinary Services in the Ministry of Agriculture and the Food Industry [MAIA] told us that the necessary amount of veterinary drugs is determined on the basis of field requests and the Program of mandatory sanitary veterinary projects, which specifies, inter alia, for each species, what vaccine or treatment must be administered and the period involved.

[Question] What is the impact of shortage, partial delivery or failure to smoothly deliver the products requested?

[Answer] There are several situations. Sometimes, the product is supplied to the production unit after the parasite's evolutive cycle was completed; for example, in sheep the treatment to combat scab involves administration of Lindavet twice a year, in April-May and in the autumn. In vain does the Rimnicu Vilcea Chemical Combine provide us with this product after the sheep started grazing, when the parasitosis can no longer be combated and, moreover, is spread by the diseased animals.

Here is another example: fascioliasis is a disease in which the parasite is localized in the liver, in the hepatic ducts and causes loss as a result of weakening of the animal and mortality. Treatment occurs between 15 and 30 January and involves Rafoxanid (an effective Romanian product). This year (moreover, like in previous years), the Bucharest Enterprise for Pharmaceuticals provided us with 3,845 containers (of 4.5 liters) instead of 6,300, and last year, 53,616 containers compared to 120,000, the required amount, (and compared to 90,000, the amount contracted for). If we do not have the required amount of Rafoxanid and if it is not delivered on time, it is in vain that we administer it later, when the parasite has infested the pastureland and through grazing reaches other animals and hence the disease spreads even more. Consequently, partial, uneven supply does not resolve animal health problems. Moreover, the Bucharest Enterprise for Pharmaceuticals, from the required amount of 170,000 containers for this year, concluded contracts so far for only 70,000, which accounts for less than a half compared to last year, although the demand was greater: 120,000 in 1981 and 170,000 in 1982, naturally, tied to the rise in animal herds.

As for the biological products turned out by the "Pasteur" Institute for Veterinary Research and Biological Products -- the only specialized institute of MAIA, in the context of field demand -- for a number of products the deliveries not only do not meet the level of demand but not even that of the contracts concluded. Hence, to use only one example, the failure to supply, in 1981, 1,180 liters (out of 10,000) of the anti-anthrax vaccine represents more than 1.8 million unvaccinated cattle or a double number of sheep, with major economic effects.

Are these situations and the loss caused in animal production by failure to supply the drugs on time and in the required amounts known? Let us survey how the responsible parties in the area of veterinary drugs have understood the priorities in this important agricultural sector.

Out of the 52 veterinary products which MAIA requested to be turned out during the 1982-1985 period, the Central of the Industry of Pharmaceuticals, Cosmetics, Dyes, Lacquers and Varnishes accepted to produce only 38. How about the remainder? The 14 products which will not be turned out include Niiverm, Vitamitrin, Carbadox, Dizenter, biosynthetic Prostaglandins, Etoxichin, that is major products, which are requested by experts in animal husbandry and veterinary medicine.

The Ministry of the Chemical Industry, through the Central of Pharmaceuticals, the Institute for Chemical-Pharmaceutical Research, the enterprises for medical drugs hence have accepted, in the context of the amount of veterinary drugs needed, to conclude contracts only for special products, planning, for the remainder, to import them, at best.

In terms of research activity to turn out domestic products, also, the situation is no better. For instance, out of the 33 products requested by MAIA for study during the 1982-1985 period for the purpose of arrangement for the production of these drugs at home, the Institute for Chemical-Pharmaceutical Research stated that it was able to tackle only 12 products, and for another 6 it would examine new possibilities. The 15 products which will not be studied for arrangement for production include Virginiomycin, Fecunden, Foligon, Stenorol, and others, whose import adversely impacts Romania's foreign currency area.

The rate of utilization of domestic studies by the chemical industry also proves that the parties allotted this task did not pay too much attention to veterinary drugs. Often, between the completion of the survey and the industrialization of the product involved, many years go by, years that are calculated in terms of foreign currency spending for drugs which could be turned out at home. A veritable record -- 12 years -- involves ethyl amprolium, whose study was completed in 1973 and the product will be turned out no sooner than in 1985. Terahelmint will be produced at Cluj-Napoca "Terapia" no sooner than in 1985, although the study was completed in 1978. The domestic production of the active constituent would be feasible but the Ministry of the Chemical Industry prefers to import the substance (with money from MAIA), namely, also with state money, with everybody paying for it.

But we shall see that even the products that were approved for industrialization are not always supplied in compliance with field requirements and the quantitative levels stipulated in contracts. We shall use only a few examples, which again reflect the attitude of those who are responsible for veterinary drugs. A modern animal raising sector involves new technology and substances apropriate for obtaining exceptional productions. This category includes hormonal products. Our industry has turned out the Gonacor products and the "Pasteur" Institute for Veterinary Research and Biological Products, Serigon, both absolutely indispensable to reproduction in cattle, sheep and hogs, in the context of industrial animal raising, for the purpose of ensuring a proper birth rate throughout the year, according to economic needs. But how do the manufacturing units handle the issue of these deliveries? Dr. Elena Nereuta, who in this directorate, is responsible for the area of veterinary drugs, told us that repeated requests were made for 1.5 mil. Gonacor bottles but the "Biofarm" Enterprise agreed, under contract, to provide only 60,000 and only supplied 8,240 bottles in 1981, and no bottle at all in the first months of this year, when they would have been more needed. As for Serigon, a product researched and turned out by the "Pasteur" Institute for Veterinary Research and Biological Products, the experts here, in compliance with the contract, supplied 50,000 doses, an insignificant amount versus the required level of 1 million doses! Moreover, it sometimes has a lower titer and this, of course, impacts its effectiveness. The shortage of even only these two hormonal products is reflected in the reduction of birthing and the decline in animal production.

Furthermore, we must point out that because of the shortage of these hormonal products, half of the amounts appropriated for drugs to be imported is spent on these. Hence, a lot of money is spent on what could and ought to be produced at home.

For the purpose of attaining a fecundity rate of more than 85%, as specified in the assignments for this sector, there must be the grasping and action at all levels, from research up to the central and ministry involved, so that these backlogs may be promptly eliminated as a result of the efforts of all units that are responsible for the production of the items needed by zootechnicians.

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VIEWS GIVEN ON PROBLEMS OF FOREIGN EXCHANGE MARKET

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[Interviews with Slavko Stante and Ante Cicin-Sain by Zivko Gruden, date and place not specified]

[Text] [Stante Interview] Centralization Achieves Nothing

[Question] Since the interbank meeting of the foreign exchange market died, its imminent revival has been announced several times. Recently, however, polemical views have also been heard concerning the foreign exchange market. Different views are obviously being taken concerning the foreign exchange market's role and mode of operation, so different that this goes to the heart of the foreign exchange system. We would be interested in your views on these questions.

[Answer] The foreign exchange market is now something which can be brought to light by a legal enactment; for it to operate, there must be both purchases and sellers of foreign exchange.

The foreign exchange market in Yugoslavia was never abolished. It was brought to a halt only by an intervention of the National Bank of Yugoslavia at the interbank meeting.

When the foreign exchange market was introduced (that was before this Law on Foreign Exchange Transactions took effect) the conception was that it would consist of all the foreign exchange transactions of the socialized sector, i.e., purchases and sales of foreign exchange through commercial banks, and then at the top of that pyramid would be the interbank meeting at which the commercial banks would exchange foreign currencies and ensure their liquidity. That entire system was based on the fundamental proposition that the commercial banks and their customers would conduct a policy, investment policy above all, that would equalize, at least over the long run, the inflow and outflow of foreign exchange in every bank. The role of the interbank meeting, then, was first of all to cover the short-term foreign exchange illiquidity of individual commercial banks.

It should be emphasized that up until now--in the foreign exchange laws, in social plans, and also in our political orientation--we have always had at

least the moral standard that anyone undertaking an investment project which will have a lasting need for foreign exchange (imported industrial supplies) must somehow make provision for that foreign exchange. The present law has only regulated that in more detail in Articles 67 and 68. This means that when a commercial bank enters into a transaction whereby it becomes a permanent purchaser of foreign exchange, it must take an internal action among its customers to encourage flows in production and exchange to ensure an inflow of foreign exchange so that the foreign exchange balance would be equalized, at least in the long term.

[Question] Yet matters have taken a different course. Why?

[Answer] Along with a whole string of objective circumstances--the higher price of petroleum, restricted opportunities for obtaining foreign exchange credits, and so on--a significant impact on this was also exerted by the institution of rights to foreign exchange, which had never occurred before in our foreign exchange legislation. Bearers of the right to foreign exchange made their appearance aside from the commercial banks and outside its influence and its business sphere. However, it was felt that the Yugoslav foreign exchange market as a whole--that is, the commercial banks and the interbank meeting--should cover those rights, though no one guaranteed to create a coverage for them. So, those rights to foreign exchange which had never been envisaged, became the principal source of disproportions. When that process commenced, this in turn had an impact on the behavior of the commercial banks, tending to weaken their concern for their own foreign exchange coverage. The consequence was that the commercial banks figured more and more at the interbank meeting exclusively as purchasers of foreign exchange, and the National Bank of Yugoslavia was intervening more and more, and was very rarely a purchaser of foreign exchange. Since under our present legislation the National Bank of Yugoslavia has no source of foreign exchange of its own whatsoever, its interventions at the interbank meeting had to be altered, since otherwise foreign exchange reserves would have been altogether exhausted. But, as I have said, this still does not mean that the foreign exchange market is closed; it is closed only for those commercial banks who have been brought to a condition of foreign exchange imbalance.

Rights to Foreign Exchange Without Backing

[Question] What rights to foreign exchange are we mostly discussing?

[Answer] Were we to quantify things, then the rights to foreign exchange acquired through the sale of services for dinars are probably in first place. That is, although the problem is broader, it is unquestionable that one of the principal causes of disproportions on the foreign exchange market is that something is being honored as foreign exchange which cannot figure as foreign exchange on the foreign exchange market. No one, of course, can say that tourism is not earning foreign exchange even when it makes collections in dinars. In collecting for services rendered through a foreign guest in dinars, the tourist industry is returning to the country dinars which our citizens have spent abroad; that is, it is repaying the foreign exchange debt, and it thereby has legitimate rights to the premiums to which anyone who earns

foreign exchange is entitled. However, purchasing power abroad is not acquired by repaying the debt, and therefore the right to make purchases on the foreign exchange market cannot be acquired.

The basic mechanism of the foreign exchange market, then, is completely logical, but it assumes that in the system there is no way of generating the rights to foreign exchange without foreign exchange which has been actually earned. As soon as we abandon that principle, regardless at what level, we turn ourselves into a central bank issuing a foreign currency, which unfortunately no one honors on the international market. This has been the principal defect of the foreign exchange market, and at the same time it means that one of the principles for reactivation of the interbank meeting would have to be that all purchase-sales transactions would have to be on a real basis, gradually ensuring that foreign exchange would also be sold, and not merely purchased.

[Question] Doesn't this depend above all on the rate of exchange of the dinar?

[Answer] Sales of foreign exchange on the foreign exchange market cannot be stimulated by the rate of exchange alone. Changing the rate of exchange involves a revaluation of all internal holdings of foreign exchange--including the foreign exchange accounts of individuals and the foreign exchange deposits representing the social standard of living. Since their amount is very large--larger than the value of annual exports--the inflationary effect of that revaluation when the rate of exchange is changed is so strong that it cancels the benefits of the devaluation. That is precisely why along with the policy of a realistic rate of exchange for the dinar we need an instrument that would stimulate sales of foreign exchange on the foreign market, and that at its every point, that is, not only at the interbank meeting, but also within the commercial bank. Under the law foreign exchange belongs to the OOUR [basic organization of associated labor] which realized it. If it uses the foreign exchange in establishing links based on shared income in the chain of reproduction--under Articles 67 and 68 of the law--it is very likely that it will realize larger income than by selling foreign exchange on the foreign exchange market. Consequently, if we want sales of foreign exchange in certain cases, we have to do something to offset that difference, that is, to set forth economic criteria by which an assessment will be made as to whether it is more beneficial to sell the foreign exchange or to pool it. That criterion would then apply as well to foreign exchange which is pooled for specified purposes by agreement, in fact by requirement.

In Slovenia, for example, 35 percent of the foreign exchange realized is pooled in that way. We have observed that last year those who were required to pool, that is, sell, foreign exchange were almost always in a less favorable position with respect to income, while those who were purchasing that foreign exchange were in a more favorable position. Economic criteria have to be devised, then, to act as an incentive, so that the instrument of mandatory pooling would no longer operate as an instrument for redistribution of income. This ought to be regulated by republic and provincial SIZ's [self-managing community of interest] for foreign economic relations.

[Question] Isn't this a departure from the single rate of exchange of the dinar? And doesn't this lead inevitably to a further fragmentation of the market?

[Answer] The single rate of exchange must exist in any case. But if we require that a minor portion of foreign exchange be pooled for specified purposes, and if, then, that foreign exchange circulates independently of the decisions of the person who earned it, to whom it also belongs, then some kind of incentive has to be found. If for the reasons which I have mentioned we cannot raise the rate of exchange to cover all foreign exchange transactions, we can do so for specified purposes and transactions. Incidentally, changing the rate of exchange as a whole has an equal impact on all relations in the foreign exchange area, but our goal is selective, we want to encourage the sale of foreign exchange on the foreign exchange market.

It is an altogether mistaken opinion that this problem can be solved by centralizing foreign exchange at the interbank meeting. In that way we would merely discredit the policy which requires commercial banks and all decision-makers in self-management to invest capital so as to ensure balanced flows of foreign exchange, and we could expect nothing more than a stronger pressure for an income-motivated purchasing of foreign exchange and a slackening of motivation to earn foreign exchange by exporting and by establishing income-sharing relations. Incidentally, we have had such a precedent, and we erased all economic criteria in the foreign exchange field. Introducing a set of economic instruments to encourage the sale of foreign exchange would invigorate the foreign exchange market in the commercial bank, and mandatory sale would be less and less necessary as time went on. Likewise, more widespread application of Articles 67 and 68 of the law, i.e., more widespread of pooling of foreign exchange through income-sharing relations, would resolve an ever larger share of the problems, since entities would thereby be created which would have their own supply of foreign exchange, and there would be a relative drop in the volume of transactions on the foreign exchange market.

[Question] Nevertheless, the pooling of foreign exchange through income-sharing relations, and especially what is quite often hidden behind this, implies the existence of differing rates of exchange of the dinar. That is, different economic entities would be purchasing and selling the same goods at differing prices, whereby the conditions for conduct of economic activity become unequal.

[Answer] Differing conditions for the conduct of economic activity are a typical effect of the unified market. If conditions were equalized, that would mean that any production operation might develop at any point--without a search for optimum solutions.

[Question] It is not a question here of conditions which are objectively given....

[Answer] That applies to all factors of production, including foreign exchange. The person who has pooled foreign exchange through income-sharing relations may as a result, when the benefits are converted, obtain a rate of

exchange which is threefold or fivefold as high, or again he might have to pay more for having entered into some production operation. Consequently, everyone exerts an influence on his income through his decisions--by site selection, choice of technology, and so on--by weighing all the conditions, among them the rate of exchange of the dinar. Foreign exchange is only one of the criteria in distribution of that income which the workers pooling their foreign exchange have realized. In income-sharing relations the rate of exchange of the dinar is, say, only an initial estimate, and it is not possible for that criterion to be decisive. But equal conditions for the conduct of economic activity do not mean that everyone purchases everything at the same price, but that under the given circumstances he goes onto the market, and it is there that his product is evaluated. By adopting the course that foreign exchange must first be realized before it can be spent, we have in advance incorporated into the foreign exchange the costs of creating it.

But the government as a whole must have a single rate of exchange. This is nothing unusual. Incidentally, everywhere in the world there is some production operation oriented toward export although this is a losing proposition, which means that the costs for foreign exchange are higher than if it was purchased at the actual rate of exchange. But the exporting is nevertheless done, because obviously there are certain reasons for this. Here again, then, two producers may find themselves in "unequal conditions."

The Criteria Are Lacking To Serve as an Incentive

[Question] If it is true that we are experiencing an ever greater dispersion of exports, that there are fewer and fewer typical export industries and typical exporters, how do you explain this? Some people see this as a defect of the system or, more precisely, the consequence of tying imports to exports, "foreign exchange income."

[Answer] That is not true. The problem does exist, but it is caused by the fact that the pooling of exchange through income-sharing relations--under Articles 67 and 68--has not developed adequately as yet, and in our substitute--mandatory pooling--we have not yet, as I have already said, incorporated any sort of economic criteria that would serve as an incentive. That is, nowhere has it been stated that everyone must individually export something, but, on the contrary--in conformity with Articles 67 and 68--the optimum variants are to be sought out. If a country must export in order to be able to import, then obviously entities must be exporting, but they should be optimally organized. Dispersion occurs when it is possible for someone who is not exporting to obtain foreign exchange cheaper than by exporting. Then the pressure for expropriation of foreign exchange increases, then there is an ever greater desire to meet needs with expropriated foreign exchange instead of through income-sharing relations. All economic criteria are erased, and there is less and less foreign exchange on the legal market.

It is understandable that establishment of income-sharing relations could not have developed sufficiently from one day to the next; however, the problem is that the substitutes are markedly uneconomic. In Slovenia 35 percent of foreign exchange must be pooled by law at the official rate of exchange. And

that is expropriation. It would be a step forward for that pooling to be economically stimulated at the level of the republic or at whatever level.

[Question] Could this bring us to an optimum structure of exports, to exports with maximum competitiveness? This is important both because of the immediate benefits and because of its influence on development policy.

[Answer] It is those economic criteria, and they ought to be limiting criteria, that would confront the producer with the decision: should he export on his own or obtain foreign exchange by establishing income-sharing links? For instance, if the incentive for those not pooling the foreign exchange and also for the foreign exchange pooled by law was 20 percent, that would be a criterion that would have an effect on the person whose foreign exchange from export costs, say, 30 percent more.

But the fact that the pooling of foreign exchange under Articles 67 and 68 has not developed adequately as yet cannot by any means serve as a justification for tying imports to exports at the federal level, since that is what centralization of foreign exchange actually means. That linkage of imports to exports is indeed a real fact; however, optimum solutions can be furnished only by those who are authentically and directly carrying on foreign trade, that is, by OOUR's.

The System Has Not Caused the Disturbances

[Question] A number of problems which are now arising--the severance of flows in reproduction, fragmentation of the market, displacement of the dinar by foreign exchange, and the like--were not, then, according to you, caused nor furthered by the shortcomings, weaknesses or defects of the present foreign exchange system? That is, it is thought by some that the features of the system are not blameless in this and should therefore undergo radical change.

[Answer] In no case can we go backward to the centralization with which, incidentally, we have always had only bad experiences up to now. Our payments-balance situation has to a great extent been historically conditioned both by domestic processes and also by worldwide processes--the jump in the prices of petroleum is one of those elements--and we as a developing country practically had to get into a crisis concerning the balance of payments. No one can argue that we would have been in a better situation if we had not adopted self-management solutions in this area. The SIZ's for foreign economic relations have resolved huge problems in a relatively short time, but it is not possible overnight to compensate the kind of shocks caused, for example, by the jump in petroleum prices. Consequently, we have to develop this system, patiently building up the system of the country's liquidity. In no case may the country be illiquid But that problem is always resolved first by the principal entity in the system. Accordingly, the obligation of guaranteeing the country's liquidity must pass into the sphere of self-management; you cannot have a situation where one party has the rights, but someone else takes the responsibility for the country's liquidity. We have to resolve those issues as fast as possible. For the greater the threat of illiquidity, the more vocal become the advocates of a statist solution to this problem.

The difficulties which you have mentioned are not a consequence of the system, but of its not being realized. For a long time we harbored the illusion that someone else would see to the basic material flows. Through the pooling of foreign exchange--governed by economic criteria that would avoid a siphoning of income--we have to guarantee the basic material flows. It is clear that these needs should be defined and that this should be a matter in the interest of the republics and provinces. It is at that level that unhindered flows of reproduction should be guaranteed, except when the dimensions are such--as is the case in the fuel and power industry, food and the like--when this must be the matter for an agreement among the republics. If a commodity with a foreign exchange content goes from one republic to another, that does not signify by any means that there has to be compensation in foreign exchange, that is, that the foreign exchange for that production operation should be pooled at the federal level. In principle production of the end product ought not to entail the right to compensation in foreign exchange, but certain flows--such as manufactured fertilizers, petroleum and the like--should be settled by agreement.

The Essential Thing--Affirmation of the Dinar

[Question] What in your opinion are the motives, then, of the demand for radical changes in the present foreign exchange system?

[Answer] I think that they vary in their origin: they arise out of illusions, out of ignorance, out of interests which are not the interests of the workers. Some people think that the government could do a great deal here. However, everywhere, and especially in our system, the essential decisions are the ones made in production. If the influence of the administration becomes stronger, if the OOUR can make fewer and fewer independent decisions, its decisions will be poorer and poorer. In that way we would get into a still more unfavorable situation in our foreign economic relations. No government can replace the technological knowledge and motivation of the workers.

[Question] Nevertheless, under the conditions of the at least partial convertibility of the dinar, which certainly is in the offing in the near or distant future, a goodly portion of this foreign exchange system would become superfluous.

[Answer] For some time now we have had a kind of situation of convertibility within the country based on exaggerated foreign indebtedness. This situation was obviously nor normal. The essential thing for us is affirmation of the dinar in all transactions within Yugoslavia, and that in actual practice, in conformity with the system. The assumption is to balance flows of goods and money. To succeed in this we must affirm the position of the workers throughout the entire monetary field. We must strengthen the motivation of the workers to transform their foreign exchange income into dinar income on the foreign exchange market, and that means that the worker must know in advance and have an assured route to obtaining purchasing power abroad. The area of foreign exchange transactions should be further developed, but this cannot be done in isolation; an effort is needed over the entire monetary area, an effort toward affirmation, respect and preservation of the value of the national currency.

[Cicin-Sain Interview] The Decisive Role of the Single Rate of Exchange

[Question] In several recent public statements one could note two different kinds of emphasis in the approach to the problems of the foreign exchange market: According to one view, the foreign exchange market is an illusion under present circumstances; according to the other, the conditions should be created as soon as possible for its revival, since otherwise the foreign exchange system as a whole cannot function. What is your opinion on this?

[Answer] Along with all the acute payments-balance difficulties, and along with all the heterogeneity of economic and political views and interests, I think that now, and also in the future, all parts of the Yugoslav economy will have an urgent need for an orderly and well organized foreign exchange market. What is more, it seems to me that this is one of the necessary and unavoidable preconditions for gradually overcoming the economic problems that have accumulated.

[Question] Since differing meanings are applied to the term "foreign exchange market," and there unquestionably do exist differing views concerning its role and the way in which it functions, it would be good for you to explain in more detail what the foreign exchange market means to you.

[Answer] What I mean by the foreign exchange market is what has been clearly and precisely defined in the Law on Foreign Exchange Transactions. Under that law the foreign exchange market is a unified, but stratified institution. It is set up in an up-to-date way that conforms to our system. Though it is unified, it functions at three different levels: At the first and basic level purchases and sales of foreign exchange take place between work organizations and other economic entities on the one hand and commercial banks on the other. At the second level of the market only the commercial banks encounter one another, and it is only the third level that is made up of the so-called interbank meeting of the foreign exchange market, at which the National Bank of Yugoslavia also participates.

I must mention in this connection that recently a number of rumors have been circulating to the effect that the operation of the foreign exchange market has been suspended. That is not so. In spite of all the payments-balance difficulties, there has been practically no interruption of the operation of the foreign exchange market. Of those three levels of the foreign exchange market, two have been functioning without interruption, and it is only at the third--the interbank meeting--that there have been certain disturbances and halts, and that mainly because the National Bank of Yugoslavia, which has the role of intervention in that meeting, was no longer capable of intervening with its sales in order to meet all the demand for foreign exchange.

[Question] What should be undertaken to reestablish the normal operation of the foreign exchange market?

[Answer] In order to reestablish the normal operation of the foreign exchange market at all its levels I think that there are two things that are needed above all: First, to take steps so that the National Bank of Yugoslavia is

made capable of regularly performing its role of intervention on that market (in the manner set forth in the present law), and second, that an end be put to the practice which allows and even encourages foreign exchange transactions between individual economic entities even outside the channels of that unified foreign exchange market.

Is There the Foreign Exchange for the Market?

[Question] Yet how is the National Bank of Yugoslavia to be made capable of its role of intervention on the foreign exchange market when under the law it has no sources of foreign exchange income of its own?

[Answer] The organized foreign exchange market can function either with a certain role of intervention of the central bank, which is the practice in most countries in the world, but it can also function without it. In our system of foreign economic relations provision is made for the central bank to have a certain role of intervention, and in my opinion this is indispensable. If we are agreed on that, and there are many reasons for it, then solutions must follow which will make it possible for the National Bank of Yugoslavia to obtain the necessary foreign exchange through regular channels to cover that scope of intervention on the foreign exchange market which is imposed by the very logic of the thing.

In that respect the solutions of the present Law on Foreign Exchange Transactions have proven themselves to be inconsistent. That is, on the one hand there was the formal legal obligation of the National Bank of Yugoslavia to intervene on the foreign exchange market, while on the other practically all the foreign exchange was left at the "free" disposition of organizations of associated labor. This legal dichotomy ultimately led to the situation where the National Bank of Yugoslavia was left without the funds necessary for intervention on the foreign exchange market.

[Question] But how is the full-fledged operation of the foreign exchange market to be guaranteed when an extreme shortage of foreign exchange prevails?

[Answer] The assertion that the foreign exchange market cannot function because supposedly "there is no foreign exchange" obviously is not valid. What is more, that assertion is potentially very dangerous, since it maintains a kind of distrust with respect to the capability of the economic system of self-management. That is, if the assertion were actually true, the conclusion would follow that we cannot for all practical purposes establish normal operation on any other market either. That is obviously not true and altogether unacceptable.

Every year approximately $25 billion flow in each direction in total Yugoslav foreign trade: which means that the foreign exchange does exist. Consequently, there cannot be any problems because there is "no foreign exchange," but rather because of the price at which it is bought and sold, or again it is a question of who is to be given and who is not to be given the right to purchase it at some price (rate of exchange) which is lower than the equilibrium rate? Since under the conditions of such large disturbances as our present

ones there would be neither point nor justification in leaving formation of the rate of foreign exchange exclusively to the free play of supply and demand, the problem of the normal operation of the foreign exchange market can essentially be reduced to establishing certain measures whereby the rights to purchase foreign exchange on the organized foreign exchange market would be reduced to that level which corresponds to the expected supply of foreign exchange on that market. It is obvious that the higher the rate of exchange and the larger the portion of the current inflow of foreign exchange is routed directly into the regular channels of the organized foreign exchange market, the easier this is to achieve.

That, then, is one of the reasons--but not the only one--why it is indispensable to introduce some form of compulsory sale of the largest possible portion of the current inflow of foreign exchange of work organizations. The other reasons which argue for adoption of such solutions are related not only to creation of the necessary preconditions for the optimum participation of a large number of independent economic entities in the international division of labor, but also generally to the effective functioning of the entire system of the self-managed economy.

Disturbed Guideposts

[Question] For the foreign exchange market to function normally, then, as you have said, an end has to be put to the practice which allows and encourages foreign exchange transactions between economic entities outside the channels of the unified foreign exchange market. Are you also referring here to the pooling of foreign exchange through income-sharing relations under Articles 67 and 68 of the Law on Foreign Exchange Transactions?

[Answer] I am also referring to that. And the reason is that under the conditions of disturbances in operation of the foreign exchange market such as we have had for the last year or two those transactions are conducted to an ever greater degree at effective and real rates of exchange, which depart substantially from the rates of exchange which are formed on the official foreign exchange market, which is still in existence. That kind of practice, which some people think is suitable to the relations of self-management in the economy, is causing large and far-reaching damage to our entire economic mechanism. One of the reasons for the harmfulness of such transactions is that the real and effective rates of exchange are formed in such transactions at a level which deviates greatly from the level of the official rate of exchange: According to certain reports, the level of those differences, i.e., of various forms of "pegging" ranges even up to 50, 60 or indeed 100 percent above the official rate of exchange.

This kind of transaction being undertaken by organizations of associated labor even, let us suppose, if it is voluntary, causes great damage to those organizations themselves, and much greater damage to the national economy as a whole. First, in the work organizations which accept these real rates of exchange, radical disturbances occur in all the parameters of economic activity which those organizations reckon with in their business operation, and second, such transactions boost costs and prices, and that results in an uncontrolled swelling of inflation.

The inflation which comes about thereby is especially pernicious, since it also causes inadvisable disturbances in relative prices, so that almost all the guideposts necessary for normal business operation are fundamentally disturbed.

[Question] It is a fact, however, that our exporters are still faring worse than our importers, that work organizations oriented toward exports stand poorer with respect to income, that as a rule the personal incomes in them are lower. The establishment of income-sharing ties was supposed to compensate for this and thus to stimulate the orientation toward exports.

[Answer] To be sure, one of the aims of the present foreign exchange system was to create a more favorable position of exporters so as to encourage the desired expansion of exports. But the expansion of exports has nevertheless not occurred. Any thorough analysis of the functioning of that entire mechanism shows that a system based on foreign exchange incentives cannot be a lasting and solid stimulus for the exporting industry. This conclusion may perhaps sound paradoxical, but there is no paradox. The first time around that system does indeed afford the exporter "large" rights in disposition of foreign exchange, but the very next time around all the exporter's trading partners, suppliers, subcontractors, and so on, come to him with the credentials furnished by the law and ask him to relinquish the foreign exchange at the going rate, and the exporter is not in a position to respond with pressure on his subcontractors so that they would furnish him their products at prices which would make it possible for him to be competitive.

The next reason why the system of foreign exchange incentives has failed as a mechanism for promotion of exports is that this system pushes into the export business only those organizations of associated labor which have relatively high imports, and what is achieved at best is that a certain number of organizations of associated labor achieve equilibrium within their own operations. However, those organizations of associated labor which are the only ones which could carry on a solid and lasting expansion of exports, i.e., the net exporters, do not find any particular incentive in the system of foreign exchange incentives. If we look at the trends of Yugoslav exports over the last few years we will see that those organizations of associated labor which until yesterday were predominantly exporters have had the poorest growth rates of exports.

If we really want to undertake a lasting and solid expansion of exports, and presumably there is some consensus on this point (!), then exporters have to be ensured not only an attractive rate of exchange, which will afford them on a lasting basis achievement of an equal or higher dinar income than through production for the domestic market, and indeed even a priority (privileged) treatment in acquiring the right to purchase the foreign exchange necessary to carry on production of goods for export. As far as I know, this is the only way of achieving a healthy and lasting expansion of exports in an autonomy like ours.

Is There a Threat of Expropriation?

[Question] What comment would you make on the criticism that has been made to the effect that certain demands for "revival of the foreign exchange market" are actually calling for a return to centralization, that is, statist solutions in the field of foreign economic relations?

[Answer] One can easily understand such fears, since we actually have had such problems, but at the same time I think that they are still perhaps without basis, and that because they seem to be thinking that all the foreign exchange would go into some kind of central foreign exchange fund. Nothing like that could come into consideration, since our banking system consists of a rather ramified network of commercial banks authorized to conduct foreign exchange transactions. If the principle of mandatory sale of current inflow of foreign exchange were introduced, organizations of associated labor would have to sell their foreign exchange to their commercial banks, which in very short order, perhaps even on the same day, would sell them to other organizations of associated labor, to their customers. Consequently, the bulk of the foreign exchange would circulate at the level of the individual commercial banks, a smaller portion would circulate among the commercial banks, and only the so-called peaks would be involved in meetings of the interbank foreign exchange market. From that standpoint there is no possibility of a reestablishment of the former central foreign exchange fund.

The other reason for the fear of expropriation or injury to exporters arises from an assumption concerning the future trend in the level of the rate of foreign exchange. The dissatisfaction of exporters with their treatment in the past has mostly been based on the fact that thanks to various circumstances Yugoslav economic policy has been able to conduct a policy of an unrealistic rate of exchange. As far as I am able to judge--relying on years of monitoring our foreign economic relations--I do not see at present the material possibilities of continuing the policy of an unrealistic rate of exchange. Nevertheless, I must emphasize that we are talking here about assumptions concerning the future behavior of individual economic policymakers, and by the nature of the thing I cannot be firm and decided as to that part of my answer.

[Question] In your opinion doesn't the requirement of selling on the foreign exchange market the foreign exchange that has been earned violate the OOUR's fundamental self-management right to dispose of its entire income?

[Answer] I think that adoption of mandatory sale of foreign exchange does not violate the principles of a self-managed economy at all. The initial premise of such an economy is that the organizations of associated labor, pursuing their own interests and striving to maximize their income, are at the same time contributing to maximization of the social product and social well-being as a whole. Organizations of associated labor will achieve that for themselves and for society only if they conduct their business in the context of an economic system which simultaneously facilitates the achievement of both individual and social interests. In that context the single rate of exchange has a decisive role as one of the central parameters in the conduct of

economic activity. That is, if we take as our point of departure the fact that foreign exchange is the largest and most important commodity in the entire process of reproduction, and the rate of exchange is accordingly the most important single price in the entire process of economic activity, then it follows that a self-managing planned-market economy can achieve optimum benefits both individually and socially when, and only when, the price of that most important commodity is the same for all economic entities in the country. And this can be achieved only if foreign exchange flows onto the organized foreign exchange market.

Inadvisable Exchange

[Question] Certainly it is essential to an evaluation of the appropriateness of the legal solutions concerning foreign exchange transactions how they affect the benefits achieved in international economic exchange, whether they stimulate the optimum structure of exports or not. How do you appraise the current solutions from that standpoint?

[Answer] The optimum solution of a country in the international division of labor is not a simple task by any means. After all, however many opportunities there exist for a country to benefit from inclusion in the international division of labor, there are also possibilities of incurring losses instead of profit through an inappropriate inclusion in it. It seems to me that because of certain defects in our foreign exchange system, above all because of the uncontrolled formation of a multitude of essentially different effective rates of exchange, in recent years we have been deriving ever smaller benefits from the international division of labor. That is, if economic entities enter into the international division of labor on the basis of essentially different parameters, then there is a danger that they will export even those products which the country ought not to export--since it is not producing them relatively more cheaply than others--while at the same time it is importing products which are produced in the country or could be produced more cheaply in relative terms.

[Question] Nevertheless, our foreign trade deficit has decreased significantly over the last 2 years?

[Answer] It is a fact that we have achieved a large reduction of the deficit, but it seems to me that the price we have paid for this is rather high. This reduction of the deficit was paid for with a drop in real personal incomes and a drastic slowing down of the rate of economic development.

[Question] Isn't that a price that had to be paid?

[Answer] A certain price definitely had to be paid, but it seems to me that the price we are paying is still too high, and what is especially disturbing is that in spite of all the sacrifices we have achieved the results mainly by reducing imports, while the expansion of exports has been almost nonexistent.

## The Causes of Exclusiveness Lie in the System

[Question] Because of serious difficulties which have been arising recently--the severance of flows of reproduction is one of the most significant--criticism has very often been targeted on the role of the republics and provinces in the area of foreign economic relations, especially on the phenomenon of the so-called payments-balance position growing into true balances, which is supposedly one of the principal factors for the exclusiveness of markets. Do you feel this criticism to be justified?

[Answer] The problems concerning the role of the republics and provinces in foreign economic relations constitute a very complicated issue on which unfortunately sweeping and unsubstantiated judgments are often made. I will restrict myself to only the most essential aspects.

The arguments presented at the time when the present law was being drafted are in my opinion still valid today. Their essence lies in creation of the basis for broadening the concern, motivation and responsibility for foreign economic relations to the republics and provinces. That is the context in which the payments-balance and exchange-balance positions of the republics and provinces were incorporated in the Law on Foreign Exchange Transactions, and it is obvious that the most fortunate solutions were not found. One of the fundamental errors committed is unquestionably that the republics and provinces had not only payments-balance positions, but also exchange-balance positions. That is why virtually the entire system was vulgarized, i.e., reduced to an attempt to see everything exclusively in terms of foreign exchange. I would mention in this connection that in a number of theoretical and methodological writings in 1978 and thereafter I have been persistently calling attention to the inconsistency and harmfulness of those solutions.

Yet since the law has been in effect there has been a fundamental change in the original purport of the payments-balance positions of the republics and provinces. Instead of the republics and provinces coming to an agreement by means of those positions, and instead of their exerting an influence toward creation of a unified policy of foreign economic relations, they have degenerated into an instrument used by the federal administration to prescribe for the republics and provinces certain fixed obligations and rights within which their movement is confined. Because the instrument was used in that way, there has necessarily been a certain tendency of the republic and provincial economies to shut themselves within their own borders. That is, that centrally given payments-balance proportions are such that every republic and province is compelled to try to achieve them by all available means, including exclusiveness.

[Question] Manifestations of exclusiveness are also occurring at lower regional levels, including the opstina level....

[Answer] Actually that supports the argument that exclusiveness is not so much a consequence of the existence of the republic economies as of the defects of the foreign exchange system we have mentioned.

[Question] What sort of solutions do you, then, advocate?

[Answer] It is difficult, and it would indeed be pretentious, to try to express it in a few sentences. In spite of all the oversimplification and lack of precision inevitable in a brief answer, I would say that I advocate building a unified and optimum system of foreign economic relations based on autonomy of organizations of associated labor and their business operation, and that is possible only if it relies on an organized foreign exchange market (in the sense in which it was defined by the law) on which a single realistic rate of foreign exchange known to everyone would be formed. Of course, such a system could function well only along with a vigorous economic policy, which must, among other things, strive for full reaffirmation of the role of the dinar in all the functions of present-day money. Which is something that is urgently necessary in any case.

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BANK OFFICIAL DISCUSSES WORSENING RATE OF EXCHANGE

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 31 Mar 82 p 2

[Interview with Zivojin Paunic, economist and member of the Business Board of the Belgrade Basic Bank of Jugobanka, by Viseslava Subotic: "Preventing Further Blows to Income"; date and place not specified]

[Text] Last year the Jugobanka Basic Bank in Belgrade had 839 million dinars less of joint income because of covering differences in rates of exchange. As of 13 December 1981 this bank also had another 3,770 million dinars of uncovered exchange-rate differences in the apportionment account (racun razgranicenja). Exchange-rate differences have exceeded 800 million dinars over the first 2 months of this year. We called upon Zivojin Paunic, economist and member of the Business Board of the Jugobanka Basic Bank in Belgrade to give us a few more details on this.

At the beginning of the interview he said that the composition of the uncovered differences carried over was as follows: first, 399 million dinars based on the foreign exchange savings of individuals and dating from the period 1975-1978 are subject to apportionment over a period of 40 years under the Law on Apportionment of Exchange-Rate Differences; second, another 1,057 million dinars arising out of the change of the dinar's parity (devaluation) in 1980; and third, exchange-rate differences occurring in 1981 amount to 2,315 million dinars, making a total of 3,770 million dinars.

[Question] Exchange-rate differences amounting to 844 million dinars occurred in January and February of this year. What effect will this have in the economy and in the bank's business?

[Answer] When one is aware that the remainder of the bank's joint income last year was 839 million dinars, it is clear that this institution's joint income will not be sufficient to cover the exchange-rate differences which will occur by the end of this year. The question is how much would be achieved if those 839 million dinars of joint income were returned to the economy instead of being used to cover exchange-rate differences? These funds would represent income of the economy, and this applies not only to our bank, but also to Investbanka and Beobanka, which have also put up sizable funds to cover exchange-rate differences.

[Question] Organizations of associated labor do not all have the same position with respect to the burden of exchange-rate differences. Why is that?

[Answer] It is true that organizations of associated labor do not all have the same position with respect to the size of the burden of exchange-rate differences, and this depends on the bank of which they are a member. It also depends on the composition of that bank's assets, that is, on whether sources of foreign exchange comprise a predominant portion.

Among the banks which conduct foreign transactions Jugobanka Basic Bank of Belgrade handles about 50 percent of foreign transactions in Serbia proper. That is why assets of foreign exchange origin comprise 70 percent of its holdings. These figures indicate that the OOUR's [basic organizations of associated labor] which are members of this bank have disproportionate exchange-rate differences as compared to OOUR's which are members of those banks which do not conduct foreign transactions.

[Question] What does that mean, and what are the consequences of that inequality?

[Answer] It means that the approximately 438 members of this bank have been charged with a total of 3,770 million dinars which will be withheld in future from their income, that is, from the bank's joint income. Thus over the next 10 years their income will be reduced in conformity with the criteria governing distribution of the bank's joint income.

However, we should not forget that this is not the whole story. That is, in the first 2 months of this year negative exchange-rate differences were incurred, or, as the bankers say, the net result of exchange-rate differences was negative. Under such conditions, when exchange-rate differences are increasing very rapidly, the banks are compelled, in accordance with the Law on Foreign Exchange Transactions, to pass them on to OOUR's or other juridical persons by the appropriate legal action. It follows from this that this will accentuate even more the nonuniformity in distribution of exchange-rate differences among OOUR's.

[Question] How does this procedure for bearing the exchange-rate risk affect the rise of prices and stabilization? Who feels the consequences of that the most?

[Answer] We have established that this procedure for bearing the exchange-rate risk puts a direct burden on the income of associated labor as a whole, but it burdens the income of OOUR's unevenly. Beyond that, it adversely affects the policy of stabilization in the economy, detracts from the economy's material position, and tends to push up the prices of certain products onto which these exchange-rate differences have been passed.

As we have said, the growth of negative exchange-rate differences is continuing this year. At the same time, there is also an increase in their adverse impact on the income earned by OOUR's. That is why the unevenness in distribution of exchange-rate differences among OOUR's will be manifested still more.

In this situation the greatest burden will be borne by OOUR's which are importing priority products (petroleum, raw materials, wheat, coffee and miscellaneous industrial supplies) and which do not have their own foreign exchange.

Positive exchange-rate differences will be realized by those who hold foreign exchange and who are "hoarding" it in this situation; that is, they are preserving it either to realize the positive exchange-rate differences or, more accurately, to realize income not based on labor.

[Question] Exchange-rate differences should be borne by the economy, but are there better solutions than those so far in effect?

[Answer] It is clear that exchange-rate differences should be borne by the economy, but the question is how and whether this burden is uniformly distributed. That is, instead of burdening the income of OOUR's, we feel that under the conditions dictated by the present Law on Foreign Exchange Transactions, the exchange-rate differences should be charged to the operating expenses of OOUR's.

A solution has to be found. Aside from the steps which the banks are taking, and which have proven to be inadequate to resolve the problem, measures that would change the system are also indispensable. We cannot allow associated labor to lose joint income which it would put to good use for expanded reproduction of plant and equipment (for example, four nuclear power plants like the one in Krsko might be built with the funds used so far to cover exchange-rate differences).

The most logical solution would be to eliminate this kind of occurrence of exchange-rate differences. In our opinion this would be achieved if when there is an inflow of foreign exchange, the foreign currencies are immediately sold on the market, and the OOUR's would immediately obtain the equivalent value. This would not affect the disposition of foreign exchange by OOUR's in accordance with the Law on Foreign Exchange Transactions. That is, in issuing payment orders OOUR's would post the equivalent value in dinars, that is, they would buy the foreign exchange which is at their disposition at the current daily rate of exchange. This would help to combat juggling with foreign currencies, and the question of stimulating exports would be resolved by the appropriate export incentive policy, that is, the realistic rate of the dinar's exchange would be obtained at the moment of export, rather than subsequently through trade or the holding on to of foreign exchange.

[Question] In all of this is someone earning income without labor?

[Answer] We want to especially emphasize that as the legislation stands now it is the OOUR's with bonded warehouses that figure as the holders of foreign exchange, and they realize the positive exchange-rate differences solely because the foreign exchange transactions are conducted through their accounts. This makes it possible for them to earn extra profit or, more accurately stated, income without labor.

Likewise, in our opinion the foreign exchange of foreign nationals, both natural and legal persons, should not be converted to dinars, but should be held in external accounts and assigned exclusively to foreign exchange lendings. In this way exchange-rate differences would still be distributed among OOUR's, but the unevenness in distribution of the burden would be avoided, as would the direct charge to their income, various types of juggling would be eliminated, as would the rise of the prices of certain products and the blow that means to income.

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NEW REGULATION INCREASES CUSTOMS FEES

Belgrade BORBA in Serbo-Croatian 18 Mar 82 special supplement pp 1-3

[Article accompanying the new schedule of item values assigned for customs purposes: "All You Need To Know About the New Customs Duties"]

[Excerpt] Imports More Expensive

The new schedule of item values assigned for customs purposes took effect on 27 February of this year. The item values assigned for customs purposes increased an average of 30 percent over the same price list issued last year. This customary annual adjustment of customs values, that is, of the base used for calculating the ad valorem duty, to prices on foreign markets will certainly have an effect put on the pocketbook of the domestic traveler or tourist.

The new schedule of item values assigned for customs purposes applies to goods when individuals import or carry in articles from abroad, or they are sent in by mail, rail, or some other means of transportation. The amount of the duty on articles which have not been given in this list is to be ascertained by an appraisal on the basis of prices on the market of the product's country of origin, to which are added average shipping and delivery costs to our border.

Imports have become more expensive under this new schedule. After the reduction of the amount of dinars which can be carried in or out of the country and also the 200-dinar exemption from payment of duty on articles which an individual carries on each entry from abroad, we can anticipate fewer tourist and "shopping" trips by our citizens abroad.

This will certainly tend to reduce the uncontrolled "outflow" of the dinar and its exchange abroad below its realistic rate of exchange, a reduction of the foreign exchange carried out and further constructive developments toward stabilization of our economy.

Carrying Dinars in and out of the Country

The amended decision of the Council of Governors of the National Bank of Yugoslavia on carrying dinars in and out of the country has been in effect since

1 January of this year. In 1982 a Yugoslav or foreign national may carry a maximum of 1,500 dinars over the border on the occasion of his first exit or entry into Yugoslavia, and on each subsequent exit or entry during the same year he has the right to carry no more than 200 dinars, and that always in denominations of 100 dinars or less.

If on their first departure abroad from our country individuals are carrying more than 1,500 dinars or more than 200 dinars on each subsequent exit, they must deposit the surplus dinars at the border crossing with an authorized exchange office. The surplus dinars will be returned to them upon their return to Yugoslavia. If a Yugoslav national is carrying more than 200 dinars on his first [sic] crossing of the border, the money will be temporarily confiscated and an appropriate receipt issued. The fate of the money temporarily confiscated is decided by the Foreign Exchange Inspectorate of the Federal Secretariat for Finance. The traveler may even be fined if he attempts to carry dinars in or out of the country in a way which is not permitted.

Restrictions on Importing, Carrying in and Receiving Goods From Abroad

Importation of goods by private individuals is monitored by the government, and individuals are allowed to import goods intended with respect to their purpose and character for their own needs, but not for sale. In addition, there are restrictions on imports from abroad of household appliances.

Yugoslav and foreign nationals who have a temporary residence in our country or are visitors to our country for more than 3 months may import or carry in with them the following, subject to payment of duty and other charges:

a) Articles which serve the personal needs of individuals

Individuals may carry in, import or receive articles from abroad which obviously serve their personal needs and those of members of their family (spouse, children and parents) if they live in the same household. One might enumerate here the following articles as an example of those serving personal needs: clothing, footwear, still cameras, movie cameras, etc.

b) Articles necessary for the household

Articles intended for use in their own household may be treated in two ways. There are some articles which an individual may import from abroad without any sort of restriction, subject to payment of duty (small tools, certain parts for motor vehicles, carpets, furniture, typewriter, etc.) when the amount being imported conforms to the individual's need for his own household, while the importation of other household articles is restricted.

i. Household articles whose importation is restricted

Individuals may not import directly from abroad the following household articles: radios and other audio equipment (tape recorders, dictating machines, phonographs, cassette recorders, stereo equipment, etc.), whose individual value exceeds 6,000 dinars; washing machines, driers, machines for ironing

laundry, dishwashers, refrigerators, television sets, kitchen ranges, air conditioners, vacuum cleaners and outboard motors.

Accordingly, individuals may not import these articles from abroad even if they wish to pay the duty and other import charges. It needs to be stressed that the ban on radios and other audio equipment applies only if their value exceeds 6,000 dinars, while those whose value is less may be imported subject to the payment of duty and other charges. However, this value limit of 6,000 dinars does not apply to other household articles which may not be imported or carried in from abroad, which means that an individual could not import a vacuum cleaner, kitchen range or any other appliance even though the individual value of some of them is less than 6,000 dinars.

Since it is prohibited to import these articles directly from abroad, individuals have an opportunity to import them when they buy them from an organization of associated labor representing a foreign firm or maintaining a bonded warehouse of foreign goods in Yugoslavia or when they purchase them abroad through an organization of associated labor registered to engage in import and export transactions.

ii. Workers temporarily employed abroad and the importation of household articles

Workers who have been employed abroad for 1 year without interruption and who are moving to Yugoslavia for good may import household articles without these restrictions, but subject to duty. (A customs benefit of exemption from duty is granted to those workers who have spent 2 years or more employed abroad.)

As for those who are not moving to our country permanently, they may carry into Yugoslavia articles worth 10,000 dinars; when, for example, they come to Yugoslavia to visit their family, on their vacation, and so on, they may once a year bring in goods worth 5,000 dinars which are exempted from payment of duty.

Imports of Goods by Individuals Necessary for Practicing an Occupation on the Basis of Self-Employment

a) For farmers

Farmers may import agricultural machines and implements needed for their personal work subject to duty and in amounts necessary for one farm and provided the individual value of the piece of equipment, machine or other device does not exceed the amount of 300,000 dinars. A tractor, planter, plow, hiller, mowing machine, etc., as well as spare parts for them, are examples of what are considered to be farming machines and equipment.

If an individual attempts to import an agricultural machine whose value exceeds 300,000 dinars, he would have to return it abroad within a period ranging from 48 hours to 8 days or relinquish it to the government since he has no right to import it. The total value of all machines, equipment and devices a farmer imports has not been limited by the regulations, but customs authorities

will take care that all the equipment imported is needed by a specific farm household.

b) Other types of self-employment

Individuals who are self-employed may import, carry in or receive from abroad equipment they use in the activity in which they are self-employed. Here two restrictions are provided for:

1. that this equipment may be imported in the amount that serves for performance of a particular occupation or particular activity, and

2. that the individual value or value assigned to the equipment for customs purposes (machines, appliances, devices, tools, etc., and spare parts for them) not exceed the amount of 120,000 dinars. The total value of equipment which an individual who is self-employed (in a craft or trade, hostelry or tourism, or other activity) [may import] is not limited, but customs authorities must take care that it be needed in that amount for performance of the particular activity.

Conditions on Importation and Transfer

Farmers and self-employed persons may import farm machines, tools, machines, devices or equipment after submitting to the customs authorities a certificate from the competent agency of the opstina assembly where they have their domicile or residence to the effect that they are engaged in the particular activity.

Should the persons indicated above wish to transfer the imported equipment and machines, they must report this to the competent opstina agency within a period of 30 days from the date when the transfer is made.

Customs Clearance of Goods in Passenger Traffic

Cursory and Regular Customs Procedure

Import charges are collected on all goods which travelers bring in from abroad, import or receive except in the case of goods exempted from the payment of duty and goods carried in temporarily.

Under customs regulations two procedures are envisaged for customs clearance in international passenger traffic: cursory and regular customs procedure.

Manner of Ascertaining Value--The Schedule of Item Values Assigned for Customs Purposes for Articles Which Individuals Are Carrying

In the case of articles which a Yugoslav national is carrying, importing or receiving from abroad, the customs officer must in customs clearance of imports establish the value assigned for customs purposes in order to be able to compute the corresponding amount of charges to which the goods are subject in customs examination. The customs officer determines the item value assigned

for customs purposes from the schedule of values assigned to goods for customs purposes pertaining to goods which Yugoslav and foreign nationals import or receive directly from abroad. In the case of items whose value is not given in the schedule, the customs officer will determine the value by appraisal on the basis of current prices on the market of the country of origin, to which the average costs of shipment and delivery to the Yugoslav border are added. This determination of the value for customs purposes on the basis of appraisal is based on current prices in the country of origin on the individual purchases of the individual, plus the average costs of shipping and delivering such goods to the Yugoslav border. In estimating the value of a commodity being imported, customs officers will use for this purpose prices from foreign catalogues, prospectuses, price lists, invoices, etc., and when the value is assigned for customs purposes, acknowledgement shall be made for the usual rebates, discounts, exemptions from domestic taxes and the like, when the traveler submits evidence to that effect or this is known to the customhouse.

Determination of the Value of a Used Item for Customs Purposes

Customs regulations provide that if used or worn goods are submitted for customs examination the value assigned for customs purposes shall be determined by deducting from the normal price of goods of the same kind the appropriate percentage to account for wear. The regulations do not set a limit on that percentage.

In the case of imported machines, appliances and devices which have been used and for which the time of use can be established in customs procedure, the value for customs purposes shall be established by applying a reduction of 20 percent to the value of the commodity when new for customs purposes for each year it has been used: if the individual value of the commodity does not exceed 30 dinars, then the value of the used commodity for customs purposes is established by the customs officer himself, and if the individual value of the commodity does not exceed the amount of 30,000 dinars, or if the customs officer cannot himself ascertain the percentage of wear, the customhouse will in that case set up a special commission which will ascertain the percentage of the item's wear. If the value of the item exceeds 50,000 dinars, the finding of the commission on the item's wear shall in that case be entered in a separate record. That record shall be appended to the customs declaration.

Import Charges Which We Pay at Customs on New Goods

We present numerous examples of the accounting charges on a number of commodities contained in the schedule of item values assigned for customs purposes. Customs officers determine the amount of charges on the basis of the value of the item expressed in dinars, which they obtain from the special schedule of item values assigned for customs purposes as shown in the table below (Column 3). The sum of all the charges paid on individual items at customs are given in Column 4.

[Approximately 7 pages of commodities are listed; and exemptions noted for certain workers returning from abroad and for diplomatic personnel.]

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FAILURES OF ADMINISTRATIVE PRICE-SETTING EVIDENCED

Belgrade NEDELJNE INFORMATIVNE NOVINE in Serbo-Croatian No 1627, 7 Mar 82 pp 8-10

[Article by Scepan Rabrenovic: "Accounts and Politics"]

[Text] At the press conference held on Monday we put this question to Anton Polajnar, president of the Federal Community for Price Affairs:

"You have been speaking the whole while as a politician rather than as an economist. Does that mean that you also feel that prices are more a political matter and less than economic one?"

Here is Anton Polajnar's answer:

"That is not my feeling. But economic policy measures are one thing and conscious discipline in carrying out social compacts and self-management accords, which presumably have not been signed just out of politeness, is something else."

He is certainly right about that, but it is a fact that in carrying out price policy preference is being given rather to conscious discipline than to economic measures. There is an abundance of evidence to this effect. In communities for price affairs decisions are made by majority vote, and at the same time economic criteria are not honored, and indeed what was previously agreed on is often not respected. After the meetings the delegates often boast that they have voted for one price and voted against another.

Which probably accounts for the communique from the meeting of the Federal Executive Council last Friday, which went like this: "The Federal Executive Council seriously warns that failure to abide by the agreed procedure concerning compulsory cooperation in the changing of prices could have considerable adverse consequences for carrying out the policy of economic stabilization and of maintaining the projected rate of inflation for this year. The announced price rises of electric power, coal and certain other products and services did not result from that kind of procedure."

And it goes on: "In the judgment of the Federal Executive Council, this kind of situation in the price field objectively encourages excessive and

uncontrolled growth of prices, which later could not be returned within the limits agreed on. The Federal Executive Council has therefore decided to regularly inform the Chamber of Republics and Provinces of the SFRY Assembly on every case of violation of the agreed price policy."

Of the economic measures which have been undertaken Anton Polajnar cited in the press conference mentioned the decision adopted to import 400,000 tons of corn, and he made it known that a regulation is being prepared on maximizing the prices of livestock feed, that the foreign exchange will be furnished to import the most important production supplies and that thought is being given to rebates on manufactured fertilizers.

The soundness of these measures cannot be denied, but it also cannot be denied that their impact will not be far-reaching, since they have the earmarks of ad hoc and temporary measures, and this ad hoc approach has not been the exception, but the rule, in the conduct of economic policy. Had the decision to import corn been taken at harvest time, the barns would not be full of corn as they are now. Or another line is possible: If restrictions had been removed from the import and export of corn, we would now have more of it, it would be cheaper, and then we would not have to adopt the decision to maximize the prices of livestock feed. After all, in this case both the farmers and stockmen would have to be mindful of business considerations. This way, they can try to outwit the government, that is, to call upon the government to define their economic position. But that is done in such a way as to protect now certain parties and now others.

Threats and Discouragement

Yet one thing is certain: It is not easy for the Federal Executive Council. It committed itself to the policy of stabilization and received support for that commitment. In both the resolution for this year and in the social compact on price policy it is stated that retail prices this year must not rise more than 15 percent.

That 15 percent was not a "rough guess," nor was it some average obtained with a slide rule. The people in the Federal Executive Council simply calculated all the things that could happen to us if retail prices this year increased by more than 15 percent. In that case exports would be smaller than projected, since there would be less interest in them; for every percentage point that prices rise in excess of 15 percent, says Spasoje Medenica, director of the Federal Bureau for Planning, 3 billion will be needed to stimulate exports.

Or: If prices this year increase, say, by 25 percent, another 30 billion will be needed. Funds on that order can be found only by an additional tax, and that means a new burden on the economy, which in turn would increase costs and exert pressure on prices. And thus round and round.

High prices, then, threaten even more the already threatened standard of living. (Over the last 2 years the standard of living has dropped about 13 percent.)

In addition, "there is nothing so bad that inflation cannot make it work." After all, inflation not only devalues the results of work, it discourages people.

And in the first 2 months of this year, as far as inflation is concerned, there has been quite a bit that is discouraging. Not a day passes without some price rise. All right, we counted on price rises within the limit of the 15-percent rate. However, the price rises are not adhering to the agreement. Anton Polajnar told newsmen last Monday that it had been envisaged that about 60 percent of the projected opportunities for higher prices in this year would be "spent" in the first half of the year, but it could happen--if the trend continues, that about 50 percent of the envisaged inflation would be "spent" in 3 months. (The rise of prices is usually greater in the early months of the year.) This means that over the next 9 months very little room will be left for expansion. The fear in the Federal Executive Council is precisely that that room will not be sufficient to accommodate all the remaining "planned" price rises.

Which accounts for so many admonitions about disciplined behavior.

Unstopped Holes

Yet commitments are one thing and what we usually refer to as the "objective situation" is something else. And objectively what is now happening on the market might in fact have been expected, since there are a number of gaps through prices can pass almost without hindrance. The largest of these gaps is the balance between supply and demand: There is still more money than goods, though this is the third year now that real personal incomes have declined. In practice this means that there are still some unstopped holes through which money can go for consumption.

Those unstopped holes might first of all be government and social service expenditure, but also investments, the kind that we have had. Certainly those holes still exist, and until they are stopped up, the situation will continue the same.

The large exports will certainly have an impact on the imbalance between supply and demand. To go back a bit, we committed ourselves to increasing exports this year by 8.5 percent. And that while the social product would increase 2.5 percent and industrial output 3.5 percent. We must export, export as much as possible, because of the troubles heaped on us by the larger deficit in the balance of payments. This commitment, however justified it may be, cannot be met without paying the price on the other side.

This appeal for responsibility and discipline is an attempt to avoid that payment. It is constantly being stressed that people want to cover a great many inefficiencies with higher prices, that utilization of capacity is low and that productivity is about one-third of productivity in the advanced countries. There are quite a few people, not only economists, who say that the situation is the way it is precisely because we look for political solutions to economic problems, that is, because the influence of the government is

still dominant--not only in the price field. Meanwhile, government prices do not distinguish between producers, do not allow them to be better or worse, but averages them out. Thus the government becomes a partner of the economy, and all the businessman's business acumen then comes down to convincing the government what a hard time he is having. And it is certain that without competition in the country exports will be no more than a patriotic duty.

Government Shortages

Spiro Galovic said a few days ago in a meeting of the Central Committee of the League of Communists of Serbia that we face a wall of contradictory economic policy measures and that "shortages are an inevitable phenomenon in administratively guided economies." Therefore, Spiro Galovic went on to say, we dare not lose sight of the long-range aspect of the solutions which are being proposed and adopted: "that is, over the long run the problems can be solved only if we reinstate the value of certain ideas which have to some extent been forgotten, but which were our premises in developing self-management, only if we return to the producer's motivation as the principal instrument for material and social progress. It is time to cut more deeply into everything that is pressing down upon the motivation of the producer, that is passing every loss on to the entire society, that is leveling out work and idleness, responsibility and irresponsibility. The causes of these things are in large part those same causes which are taking us toward barter transactions, which are evidently becoming part of our economic life."

If all that is so, and it is, why, then, are prices more a political than an economic category?

This question was answered by Spasoje Medenica: "In the present situation prices can be only a political category, and that will be the case until market criteria operate in the conduct of economic activity, that is, until we have economic laws, we will not have economic prices."

But why in practice do we not honor economic laws?

Why the Thermal Electric Power Plants Are "Silent"

That is another story, Spasoje Medenica replied, and it might briefly be put this way: We have mechanisms in the system which objectively do not allow economic laws to take hold.

And it is precisely the lack of respect for market criteria in the conduct of economic activity, no one disputes that any longer, that has brought us to this kind of dependence on imports, since we have had a price policy which did not stimulate development of production of food, domestic raw materials and energy. However, in all the documents on development adopted in recent years it is precisely food, domestic raw materials and the fuel and power industries that have been proclaimed as priorities. And what happened? What happened is that those are precisely the industries that have been lagging most behind.

The Serbian Republic Community for Prices certainly made a mistake when it granted price rises of 20 percent for electric power and 25 percent for coal. This decision goes against the agreement adopted on price policy this year. Which is presumably why the press conference on Monday became a kind of trial of that community. And the Federal Executive Council explicitly criticized the decision of the Serbian Community for Price Affairs in its communique.

Everything would, of course, have been different if previous agreements had been respected, that is, if we had been developing coal production in our price policy and other measures. But we have not. The situation in underground mines is worse than desperate: The losses and manpower shortage are traditional. It is said of the miners in these mines that they are blacker than the coal; some of the mines in Serbia are still operating with equipment bought at the end of the last century.

Yet on the other side the people in Belgrade have been shivering because of the lack of coal, and these days we are often left in the dark because of the lack of power, though we have enough generating capacity, but lack the money to import the fuel oil, so that some thermal electric power plants are "silent."

Which accounts for the question: Can there be a redistribution within the 15-percent rise of prices to the advantage of those activities we have proclaimed to be priority industries? It is said that this is not possible, but if that is really so, it means that we have declared them to be priorities for no real purpose? So it seems. After all, how otherwise to explain that even last year, when prices rose about 40 percent, we did not correct all the injustices in primary distribution and did not go further than agreements in actually improving the economic position of priority industries?

It is true that there are also cases like this: We have more headaches because certain prices are low than we would have if they were high. For instance, the debatable proposal in recent days about raising rent 20 percent. It is well known that rents are not at the economic level, that the rent for a 3-room apartment averages about 700 dinars a month, and that at those rents new buildings cannot be paid off even in 400 years. And it is known that every year the economy sets aside almost more money for housing construction than it invests in new capital assets.

The people in Belgrade have been excited in recent days because of the proposal to introduce an optional local contribution which is supposed among other things to solve the problem of the water supply, though it is well known that only 5.25 dinars are paid for 1,000 liters of water. An ordinary peasant well, with an ordinary pump, could not be amortized even in 50 years at that price.

And again: A few days ago the decision was published on raising the price of meat and, wonder of wonders, pork and baby beef increased more than veal. So, with veal we are protecting the standard of living, and here is the bill which has for years now been presented to us because of that: 37 percent of all the beef cattle slaughtered every year are calves. In the United States of America calves comprise only 3 percent of all the beef cattle slaughtered.

The Story of the Hot Potato

Dr Zoran Pjanic, a professor and well-known Belgrade economist, said in a recent interview in our office that anyone making a decision on price policy during an inflationary period is always holding a hot potato in his hand. He went on to say that it would be normal for this hot potato to be in the hands of those who are producers and that they ought to share the burns with the market: That is the way it is in every normal economy, since the one who sets the prices should also have to bear the consequences.

It is obvious that that hot potato is now in the hands of the Federal Executive Council. It is certain that they would be glad to pass it to someone else's hands, but it seems to me that the burns would then be still more painful. It seems that they have been left no alternative. And all of that is because of the accounts which have been run up for years, and only now has the bill been presented.

It could be worse: if paying the bill is put off by the same methods which have been used in postponing it up to now.

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STATUS OF COMPUTER USE, PRODUCTION IN SLOVENIA

Zagreb VJESNIK in Serbo-Croatian 27 Mar 82 SEDAM DANA pp 5-6

[Article by Ratko Boskovic: "Computers by Force of Law"]

[Text] Toward the end of last year the Executive Council of the Slovenian Assembly adopted a Law on Compulsory Conclusion of an Accord by Slovenian Computer Manufacturers. This very month a referendum will be held in Iskra and Delta on their entry in association, and Gorenje is also joining in the accord. In 4 months 10 years of disunity have been compressed into an agreement.

In Slovenia at the moment there are 315 electronic computers in use. They include 225 small ones, 68 medium sized and 22 large ones. Over the last 3 years the greatest increase has been in the number of small computers, most of them domestic computers manufactured by Iskra or Elektrotehna-Delta. Domestic computers also comprise about 20 percent of the medium-sized group, but not a single large one has been manufactured in Yugoslavia. According to the assessments of users, the value of these machines and their software is about 3 billion dinars. Part of the equipment is leased, which costs about 300 million dinars a year, and within that about $8 million American.

For an area the size of SR [Socialist Republic] Slovenia this is a large computer potential. Its value would be even greater had the equipment not come from as many as 16 different foreign and 3 domestic, also incompatible, manufacturers. Probably in line with this tradition, those three commercial manufacturers and several potential Slovenian manufacturers have offered a still larger number of mutually productive programs than foreign manufacturers have managed to thrust into little Slovenia: about 20 in all. For instance, parts of the computer manufactured at Delta can be plugged into Iskra's computers, but not vice versa.

This situation in Slovenia is only a fragment from the overall situation in the production and use of electronic computers in Yugoslavia. That is why the number of different foreign computer systems installed in our country runs to several dozen. There are a multitude of representatives and importers of different foreign manufacturers, and all of some 30 enterprises are trying to sport the nice-sounding title "computer manufacturer," though in their line of business they are nothing other than merchants, agricultural organizations, wood processors or heavy machine manufacturers.

## A Program for the Community

Efforts to reduce ambitions to one or at least a few realistic programs have been going on unsuccessfully in Yugoslavia for more than 10 years now, but since 1978 they have been formally articulated in the Economic Chamber of Yugoslavia. The first version of the social compact among "computer equipment manufacturers" in Croatia was achieved, again way back in 1978, within "Impuls," the association of electronic manufacturers. But even today all those efforts have amounted to no more than endless editing of the different versions of the agreement, and those 30 or so manufacturers and "manufacturers" have continued to rush headlong to ruin, led by their short-term profiteering calculations.

An end has definitively come to this kind of behavior just recently in Slovenia. Toward the end of last year the Executive Council of the republic Assembly passed the Law on Procedure for Mandatory Conclusion of an Accord Among Manufacturers in the Field of Computers on the basis of Article 51 of the constitution, under which an activity of particular public interest can be regulated by law. The computer industry was granted the status of an activity of particular public interest in Slovenia under the Agreement on the Bases of the Social Plan of SR Slovenia for the Period 1981-1985. Responsibility for implementing the law was placed upon Iskra, Elektrotehna-Delta, and Gorenje, and then toward the end of this month the referendum will be held in Iskra and Delta in which the working people will take a position on Delta's withdrawal from the SOUR [Complex Organization of Associated Labor] Elektrotehna and its inclusion in the SOUR Iskra. Gorenje will join that compact on the basis of a self-management accord. A favorable outcome of the referendum would signify commencement of work under a joint program for production of a line of computers in Slovenia. The manufacturers are required to submit a report on everything that has been done to the Executive Council of the Slovenian Assembly in a session scheduled for 8 April, so that 10 years of indolence and disunity have thus been brought to an agreement by force of law in just 4 months.

In Slovenia, it seems, the necessary critical mass has been reached of scientific potential, personnel, manufacturing and financial capabilities, production know-how, organization, realistic programs, concrete results and an awareness of the importance of manufacturing one's own computer. Slovenia completed this original coming together of favorable circumstances for unifying the production of computers, a process through which Yugoslavia as a whole is just now passing, by and large by trying out three conceptions: Delta's, Iskra's, and the conception of organizations which are no more than agents of foreign firms, like Intertrade and Birostroj of Maribor.

## The Three Slovenian Formulas

Delta evolved from an agent (which it is in part even now) to a manufacturer thanks to the knowledge it acquired and which today is incorporated in the form of the operating system [literally "system program support"] made up of domestic and foreign components. Delta specialists have also expanded their knowledge in the field of operating systems into the field of programs and training so that Delta has become one of our leading producers of software.

Iskra is a traditional manufacturer of power equipment with huge financial and personnel capabilities and the modern corporation's adaptability to new developments in the world. With its strategic commitment to electronics, Iskra has invested most in the foundation of modern electronics: microelectronics. So far it has invested between $2 and $3 million just to equip the Microelectronics Laboratory at the School of Electrical Engineering in Ljubljana and in the equipment for the first phase of the integrated semiconductor circuit plant at Stegne. At the same time Iskra has been organizing the production of the medium-sized Iskradata business computer system, and also the Cyber 18 and ITT 1600 and ITT 3200 under license.

Gorenje has organized the production of the medium-sized B-90 and B-1900 systems under a license from the American manufacturer Burroughs and has been developing an asynchronous terminal, with which it has not achieved significant business results. The other, fourth, real manufacturer of computers in Slovenia is the Jozef Stefan Institute with the Mikro/M system, intended mainly for computer control of Gorenje's machines and robots.

All of this production has suffered from pronounced shortcomings, unsparingly enumerated in the case which was made for adopting the Law on Mandatory Conclusion of an Agreement Among Slovenian Computer Manufacturers. It took place without any sort of mutual business ties among the manufacturers, production programs were duplicated, there was a marked dependence on imports, inadequate orientation toward foreign markets, personnel and research potential were divided (and there was even unloyal competition), R&D facilities were scanty, it was based on unpromising licenses, and there was no basis for series production....

Nevertheless, Slovenian computer manufacturing did develop, equally in all fields, over a rather broad range, so that should it be united, it could cover the entire chain of computer production from design, production and development of integrated semiconductor circuits to the marketing and maintenance of computer systems, software production and the training of personnel. This combination will have still more favorable relations in the future, when the share of the value of the machines themselves in the total cost price of computer systems drops still more compared to the value of the knowledge and ability to keep pace with the world.

"Science" and "Government"

The impetus for adoption of the law came from the Executive Council of the Slovenian Assembly, but it took long years for awareness of the need for this step to mature. "We often complain that we have poor connections between 'science' and 'government,'" says Erik Vrenko, Slovenian deputy republic secretary for science, that is, a representative of "government," "but this time attention was paid to the numerous demands of people in science and manufacturing to the effect that computer production programs had to be unified, especially in view of our present foreign trade situation, import restrictions and the need to go onto foreign markets with products in which more knowledge and labor have been invested. We were also driven to the orientation toward electronics by the fact that Slovenia does not have raw materials or energy, only people and knowledge....

"The economic dimensions," Vrenko says, "in the actual production of computers are small; our ideas of industrialization must undergo a change in this case. Gorenje, for example, which along with Iskra is also orienting toward professional electronic equipment, could not keep all its employees busy with that production.... However, what we are interested in is information engineering, whose market is broadening to unheard-of limits, and large economic benefits can be expected from that. The foundation, the material basis of information engineering is our own knowledge, that is, our own production of computers."

It is no longer necessary to use the terms "revolution" and "overthrow" concerning information science and its importance to the development of society. Computers are also ceasing to be portrayed in the media, to some extent even in our country, as curiosities from the world of science or as material for feature articles on oddities. Yet information science is still looked upon as only a single branch of the infrastructure. People do not realize that it is the fundamental property of electronics (by contrast, for example, with transportation or the fuel and power industry) that it does not support development only from outside, but stimulates it from within, accelerating many times over the turning of every little cog in the machinery of the economy. The orientation toward computerization, even though this is the basis of technological progress, is not penetrating sufficiently to the places where decisions are made on the strategic lines of development of our society, except in Slovenia.

Thus the grounds for adopting the law on mandatory conclusion of an agreement and on the particular public interest in the field of computers were not based solely on the need to put an end to the overlengthy debate concerning formation of an association of computer manufacturers.... "Taking self-management control of social reproduction in the unceasing development of production capabilities, in the progress of technology, and in the assurance of available sources of raw materials and energy depend in large measure on the effectiveness of the information system the conduct of self-management is based on ...," reads the brief presented in support of the law. Many problems of an economic and political nature are precisely a consequence of the ineffectiveness of present information systems, it goes on.

And conversely: An effective information system will speed up the integration of labor to form larger and more productive manufacturing systems (which does not necessarily signify physical integration); computerized management of industrial production increases the volume of output, raises the utilization of means of production, improves product quality, enhances workplace safety.... "Social planning, production programming and synchronization of investments, in the effort to restructure economic activities, will be possible only if we possess all the data and methods to rapidly and completely conceive the expected and possible consequences of every step taken...," the law states.

From Chips to Systems

"Moreover, the law says nothing about how the manufacturers are to be organized so that Slovenia gets computers which will be the basis of domestic information systems," Erik Vrenko says. "The law only states that they must reach agreement and not merely to leave expanded reproduction of computer

production to our small market and invest the funds, in any case small, in several different parallel programs. That certainly leads us nowhere. Consequently, it cannot be said that this law is a conventional case of government intervention."

What have the manufacturers agreed on so far? "Delta would move over to Iskra as a work organization with OOUR's [basic organization of associated labor]," says Rado Faleskini, director of manufacturing at Delta, "while all the workers, as well as the program of Iskra's OOUR 'Computers,' which is now part of the RO [Work Organization] Telematika, would pass over to Delta. All obligations would also be transferred, such as obligations under licenses to CDC for a license which is expiring at the end of this month and will not be renewed. Production would continue in Kranj and in Ljubljana, and that in the field of microcomputer technology. Compatible elements would be produced either on the basis of Iskra's present program, or Delta's program. Delta has given Gorenje complete manufacturing instructions for a synchronous terminal without compensation, but under an agreement that the cost of further development would be covered from sales. We also gave them documentation for the Delta 340 computer. We also worked out a space use plan--Gorenje has much more space available than we do. They have already set aside an entire building, while our entire production is taking place in one basement. It has been agreed that Gorenje will orient itself more toward the production of office equipment."

The imported components in the terminal which will be manufactured at Gorenje and which will be sold in Yugoslavia for about $4,000, will cost only about $700. The imported components in the cheaper version will be worth about $500. The screen (Philips), keyboard and all chips will be imported, but when production begins in the second phase at Iskra's Microelectronics Plant, Iskra's chips will begin to be used. There will be room in the terminal for installation of additional assemblies, and it will thereby be possible to transform it into an intelligent terminal or microcomputer.

All of our parties to the agreement have said that the Slovenian computer industry is open to cooperation with every other electronics manufacturer in Yugoslavia. "We expect Energoinvest of Sarajevo to enter into the Slovenian agreement as well and thus broaden the agreements that already exist with Delta," Faleskini hopes. "Energoinvest is also willing to invest money in the production of components.... We have also been negotiating with TRS [Computer Factory] of Zagreb, which is organizing the production of a line printer, and together with our terminal a small business computer system could easily be put together...."

The only problems that now face the associated Slovenian manufacturers of computer systems are, it seems, difficulties in importing production supplies, which last year, for example, forced Delta to suspend production altogether. We learned from Milos Kobe, a member of SOUR Iskra's business board, that possibilities exist for the Self-Managing Community of Interest for Foreign Economic Relations of SR Slovenia to set aside foreign exchange for the importation of computer components even next month. But foreign exchange represents only one of the problems which Erik Vrenko was thinking of when he replied in

this way to our question on what Slovenia expects from the association of computer manufacturers: "We expect that it will show how capable self-management is of responding to the demands of managerial integration.... Information science is a condition here, and if we manage to achieve that, we will renew the reproductive capability of the Slovenian economy. If we do not succeed, we will end up in stagnation."

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# East Europe Report

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2267

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# EAST EUROPE REPORT

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2267

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# KORNAI CRITICIZES LISKA PROPOSAL FOR ULTIMATE ECONOMIC REFORM

Budapest FIGYELO in Hungarian 3 Mar 82 p 3

[Article by Janos Kornai: "Game Rules and Social Realities; Observations on the Entrepreneurial Conception of Tibor Liska"; based on comments made at a debate held 28 January 1982 at the Karl Marx Economic Sciences University]

[Text] A debate worthy of attention is taking place in professional circles concerning the socialist entrepreneurial concept of Tibor Liska. The basis for this concept is a unique view of social property. This property is social in that no one can appropriate it, but it can always be used by whoever can produce the greatest profit for society with it. Liska calls this property, essentially establishing a subject for entrepreneurship, "personal social property." The basis for the function of the system is a "planned market for entrepreneurs."

The organ representing society auctions the unit of property off to a individual entrepreneurship. At the end of the auction the bidder promising the most is the winner, until someone promises more. In the event of a later bid, the operating entrepreneur must accept this estimate, if he is to continue his enterprise, or he must hand over the enterprise to the higher bidder. If the profitability of the enterprise improves the entrepreneur himself can make a new bid. This fictitious capital market would ensure that every unit of social property would always be in the hands of the person who undertook to make the most out of it.

This value market also ensures self-selection of entrepreneurs.

According to Liska's concept, the primary entrepreneurial fund (resource) for a socialist entrepreneur is his own "human property," made up of two sources: the personal assets acquired at birth--his "social inheritance"--and

> the "goodwill capital" acquired in the course of his life. The former is that part of the national wealth falling to a citizen, a part of which would serve as an initial risk fund at the beginning of an undertaking. The latter--the "goodwill capital"--is the difference between the initial value and the value added by the bid. A fictitious goodwill account is "opened" for the entrepreneur with this value difference. If the interest on the pledged increment--the goodwill capital--reaches the market value of the capital, then the pledged increment has been realized and at this point the entrepreneur can cash in the sum of his accumulated interest, thus far registered in his personal [closed] account.
>
> From his net receipts the entrepreneur pays interest at the prevailing equilibrium rates on the "planned market (fictitious capital) value", which is the projected yield of the undertaking. The remaining part goes to the entrepreneur, as interest on the "goodwill capital."
>
> Liska would entrust management of social property to a system of institutions functioning like a bank.

I would like to concentrate my observations on a relatively few questions, but ones that are important. I have not adopted Tibor Liska's terminology. Instead, I will be using the accepted expressions of economics. I am not striving for novelty. In many points my observations are similar to those of others; in many questions I agree with the findings of others.

That in Which There Is Agreement

The concept of Tibor Liska in connection with socialist enterprises constitutes a rich and varied system of thought. There are many aspects to it--economic ones in the narrower sense (market, auction, rates of interest, credit), political science, sociological and social-psychological ones (the function and behavior of the entrepreneur, forms of acquiring social property, and the relationship of the citizen to social property) and a social-philosophical-ethical aspect (the "patrimony," rights, etc, of the citizen)--because we are presented with a system of ideas that we cannot divide according to our taste--I like this, I don't like this.... Despite this, I must say what I find sympathetic--before I turn to criticism.

I agree with Liska in his criticism of the old mechanism, even in his criticism of the mechanism has developed since the 1968 reform. There are differences of opinion between us even on these questions, but agreement or a close similarity dominates.

Like Liska I approve of those efforts to give the market a large role--much larger than before--in allocation. I also agree with him that the market should play a large role in the allocation of services and infrastructural activities, and not only in the allocation of material goods in the narrow sense.

I agree with his emphasis on the category of "entrepreneur," with his insistence that this is not a synonym for "manager," one appointed by the capitalist owner or the socialist state. Liska is also right when he poses the question: Is an entrepreneur in the true sense of the word needed in the socialist system? If so, how can his social role be "institutionalized"? Even posing the question is fruitful.

If It Should Work

I would like to criticize the concept in two stages. In the first place, let us suppose that Liska type "game rules" are put into effect on an all-society scale in the way that he imagines them. The question is: Would they bring those results that Tibor Liska expects of them? The next step in the analysis will be to pose the question: Can a real society function according to Liska type game rules?

a) In every society, definite people (individuals or smaller or larger groups) dispose of the tools of production (not formal property rights but rather the actual power to dispose of them). Socioeconomic systems differ from one another by, among other things, how these people are selected. How does selection take place--not according to declarations but in reality? What role does property play in this--inherited or acquired in the course of one's life--by one's political position in the system, by individual talents, and so forth?

Liska wants to tie this selection to a single criterion--a single-parameter bid made at the auctioning of control over capital. He who "bids higher" can take the right of control from him who previously exercised it. The bid always is only a promise. It will develop subsequently whether the promise is kept or not.

This is a one-sided, narrow and heedless selection principle. It attributes an unproportionately large role to individual self-evaluation, to how the bidder weighs what he is capable of undertaking. This is an important virtue--but it is not of exclusive significance.

b) One important condition for a successful undertaking is security. This requires a long time horizon. We must allow each entrepreneur to suffer temporary or partial failures, if he is to be able to overcome difficulties later.

"It can be taken away at any time by a higher bid"--this principle undermines this security completely. An entrepreneur following Liska-type game rules can never know if the capital at his disposal might not be taken from his hands tomorrow because someone comes up with a higher bid. This control is lost not because he finally failed or because he wants to give it up voluntarily; rather, he can be deprived of it at any time, even in the case of profitable operation--if someone makes a higher bid.

The knowledge that he will not suffer personal material loss does not compensate for this constant uncertainty. The true "entrepreneurial

personality" not only wants to make money; he also wants the power of control over the tools of production, the excitement and prestige of leadership, of doing things and controlling things. A genuine entrepreneur is not consoled if you put him out of the director's office but press into his hand a bond guaranteeing that he will earn no less.

c) A walrasian "equilibrium rate of interest" (or a Liska-type indicator analagous to it) cannot be the sole regulator of a well-functioning capital market. It coud disorient allocation decisions if they reacted to one exclusive indicator, the prevailing rate of interest. Every real capital market is forced to function with a much more complex regulatory mechanism.

And Can It Work?

I am not asking the question: What resistance to the realization of the conception can one expect in present Hungarian society; is there a chance that it will be accepted? Let us suppose that the responsible organs do accept Tibor Liska's proposals, that they are ready to pass the laws, regulations, etc, necessary for its introduction. What would happen then?

The rules for a parlor game can be made up freely. The rules for chess have been codified. But someone could make up a "French chess" in which the winner is the one who loses all his men first. Game rules for real societies, however, cannot be made up as you please. Here Liska shares the error of those who have been so sharply criticized, those who invent new "regulators" every other year in the belief that the economy will yet work according to the game rules concocted by them.

Those active in real economic systems are real men whose pleasant and less pleasing attributes must be calculated into ideas about society.

The information base for the "auction" will unavoidably be distorted. It would be easy to decide if someone wants to undertake to manage a gasoline station. He would watch the traffic for a few days, learn the prevailing prices and those charged by the station, etc--and decide whether or not to undertake it on this basis.

But what should one do if he were thinking of taking over an export firm? He would be at the mercy of the information that he could get from the one who had been operating it. That person would provide the information or deny it and thus distort the information as his interests dictated, depending on whether he wanted to keep the firm or get rid of it.

The concept is based on a system of independent entrepreneurs competing with one another. In real alliances, the forming of coalitions and cartels, concentration will be unavoidable.

The concept counts on the perfect self-control and self-restraint of state institutions. They must play the "neutral" and "impartial" roles of the "auctioneer," cashier and bookkeeper of the nation and overseer of the

game rules (or "referee" of the match). It is not the custom of the modern state to play these impartial roles. Bureaucratic power will not end if we scold its practitioners and ask them: Hereafter limit yourselves to carrying out these neutral functions.

Liska's concept would prescribe a single homogeneous game rule for every area of the economy. He would permit experimentation; but if the experiment should bring a slightly different game rule to the fore, then he would prescribe it--again for the entire economy. In reality every modern society creates again and again coexisting sectors of various types that differ from one another from the viewpoint of property and guidance--and thus behavior. It is one reassuring aspect of the present Hungarian situation that it has become more varied in this respect. A universal and uniform form of property valid for every part of the economy is not desirable--and could not be realized.

Methodological Observations

Liska's concept is a normative theory that is not adequately founded with descriptive-explanatory theoretical studies. It is not enough to say what sort of social formation we might desire. We must know in a fundamental way what sort of properties those formations have, which--in certain respects--resemble those we desire.

In many respects the economic game rules of the Liska type resemble the rules of a capitalist commodity and capital market. Liska wants a structure that would differ from capitalism in fundamental respects. Still, it is impossible to formulate scientifically founded statements about his system without making fundamental, objective, unprejudiced comparisons with the functioning of the capitalist economy. How do the capital market, credit system, interest rates, stock market, the forming of enterprises, the transfer of enterprise property, auction and bankruptcy work there; what is the relationship of enterprise and state? What is the situation of small, medium and large enterprises? What types of property are there, what are the roles of owner, manager and entrepreneur? Liska does not convince us that his system will have those economic advantages that the capitalist economy may show--despite the fact that he wants to eliminate "regular" capitalist private property. Nor does he convince us that his system will be free of those economic and social disadvantages that appear in the capitalist economy--simply as a result of his desire to eliminate "regular" capitalist private property.

Much more practical experience would be needed also in connection with how various "entrepreneurial forms" work in socialist countries. It is true that not one of them is precisely what Liska proposes, but they are not entirely foreign to his thinking and they are somewhat related structures--various combinations of public property and personal disposition or control. What are the experiences in operating these forms?

This empirical research--a basic examination of the pertinent phenomena of capitalism and socialism--is indispensable. It cannot be replaced by "making up" game rules. It is relatively easy to design an ideal system on paper. It

is relatively easy to design an ideal system on paper. It is especially easy to "prescribe" for a paper system that it should be free of those errors, troubles and sins that characterize various real systems. I do not like bureaucracy--so let our society be free of bureaucracy. But I do not like monopoly, private property or the inheritance of property either. Shall we have a society in which these do not appear? Unfortunately, all these things appear, even in a concentrated form, in real systems. A normative theory can be regarded as scientifically founded if it soberly takes into account those tendencies that give birth to such phenomena--and does not simply "strike them" from the game rules.

The Social Utility of Research on Entrepreneurs

As a scientific researcher I have a number of essential objections to Tibor Liska's concept. But this does not mean that I do not find useful, in several respects, his activity and the research that he and his colleagues have done on entrepreneurs and their experiments with entrepreneurial undertakings. Let me mention two things.

A form resembling Liska's idea may develop as one sector of the economy. Real capital is and will remain public property, but a private person or a group of private persons may adopt it. If a number of people apply for the use of it, then the entrepreneur who receives the right to use it may be decided on the basis of competitive bidding.

Despite substantial similarities, this form will differ in practice in many details from the concrete rules of the Liska type.

This form will not become an exclusive one, nor even a dominant sector embracing a large part of the economy. But it can be imagined that it will spread as compared to the present. Only in competition with other forms can it be proven (or refuted) that it has advantages compared to other forms.

I consider the intellectual stimulation effect of the concept to be of greater significance than the concrete forms of public property and personal undertakings proposed by Liska. There is a fairly widespread idea, in our economics and even more in practical economic life, that the problems can be solved by a regular revision of the "regulators." The wage preference should depend on this or that, the profitability rate should be adjusted to this or that, etc. Liska has directed attention to problems that lie deeper than this--to the interdependencies between property, selection and guidance. I consider this arousal of attention salutary even if the concrete answer that he gave to the questions he himself raised do not appear convincing to me.

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# LISKA'S PROPOSAL TO REVISE SOCIALIST ECONOMIC ORDER DISCUSSED

Budapest HETI VILAGGAZDASAG in Hungarian 13 Mar 82 pp 26-28

[Article by Andras Korosenyi: "Liska and the Others"]

[Text] Liska Glossary

EQUILIBRIUM RATE OF INTEREST

That ratio of income capital which brings into equilibrium the demand for undertakings with supply. Moreover, this interest mechanism poses a unified conversion requirement on capital benefits.

FICTIVE CAPITAL GROWTH ACCOUNT

If an entrepreneur undertakes to do more as compared to the earlier capital value of income, the difference is entered on his fictive capital growth account. This is also a fictive capital value.

COMPETITIVE BIDDING

In order to gain an undertaking the entrepreneurs try to offer a greater profit than anyone else. In competitive bidding, they raise the capital value of income--that is, the entrepreneurial value of the unit which brings future profit--higher and higher. In "self competitive bidding" the entrepreneur makes a higher bid at his own undertaking; in "additional competitive bidding" an outsider bids higher than the entrepreneur; in "retro competitive bidding" the entrepreneur reduces his former, excessively high bid. In this latter case--probably as in other cases--he exposes himself to the danger that he will lose the undertaking. Retro competitive bidding is possible only to the extent of the sum credited to the fictive goodwill account.

REALIZED GOODWILL ACCOUNT

The bid which appears on the fictive goodwill account must be realized during the operation of the economic unit. An appropriate ratio of the equilibrium rate of interest of the fictive goodwill is put on the blocked account of the realized goodwill account. The sum that appears on the realized goodwill account may be drawn by the entrepreneur only if its size equals the extent of the fictive goodwill he bid for.

PER CAPITA NATIONAL WEALTH

The per capita share of national wealth, and the average sum of allotments per capita which every citizen receives as fictive goodwill when he is born. During his lifetime, everyone can use only the interest deriving from this, which at the same time guarantees minimum necessities. The size of the capital is increased by the size of the realized goodwill acquired and realized in successful enterprises. With the death of the citizen, the entire society and not a blood relative inherits the goodwill.

CAPITAL VALUE OF INCOME

The fictive capital value yielding long-term profit expected from the economic unit (undertaken by the unit). In principle, independent of the price of the fixed assets.

ENTREPRENEURIAL ABILITY

That part of the per capita social inheritance which can be risked plus the realized goodwill plus deposits made (interest paid on the capital value of income of earlier undertakings).

Free competitive socialism? Total enterprises? One could go on searching for titles, but presumably not one would cover the essence of the matter--the new economic ideas which are linked to the name of Tibor Liska, the germs of which we can find in the contractual operation of the restaurant industry and above all in the Szentes experiment (HETI VILAGGAZDASAG, 5 December 1981). Meanwhile, scientists are exchanging views over whether plants raised in a glasshouse can survive the severe weather of the outside world.

Tibor Liska, an economist who has been engaged in his career for more than a decade, is now making waves of a height that have not been seen for a long time in our economic life. The stone he threw in the water is an entirely new idea for the further development of the socialist economic system, which its inventor calls the "socialist entrepreneurial system." Those who want to become familiar with the concept of Tibor Liska--and their number, as known by fact, is constantly increasing--will find it worthwhile to familiarize themselves with the idea that they must orient themselves not only to an unusual mode of thought but also to the terminology used by Liska, which is not traditional.

As the leader of the Entrepreneurial Research Group which was formed in 1979 under the aegis of the Hungarian Academy of Sciences and the Economics University, Tibor Liska recently challenged several well-known Hungarian economists to an intellectual duel in order that he might present counter-arguments to criticism of his theory. These heated, professional exchanges of views--which are held at the Economics University--have attracted an imposingly large public audience: students, economists in practical work, and others.

The largest lecture hall at the university proved too small when Tibor Liska appeared at the microphone with Jeno Barsony, Janos Kornai and Marton Tardos. The debating partners, of course, already had a detailed understanding of Tibor Liska's theory, but let us here briefly summarize the ideas of Tibor Liska, accepting perforce the simplifications that come from compression and the possible distortions that come from simplification.

The theory of "entrepreneurial socialism" is built on so-called "personal social property," a property form which radically departs from property forms which thus far have been judged to be rigid--private, state and group property. According to this concept, social property--more exactly a given unit of it--is always operated by those who undertake to increase it the most profitably over the long run and who bid (a new concept!) its "capital value of income" the highest. It is necessary to bid on capital value because in the Liska-type model everything--including natural resources as well as human capabilities--becomes capital.

Therefore, the entrepreneur estimates the kind of income he can obtain in the future from a given enterprise, and with the equilibrium rate of interest of this income (see the above Liska glossary) he bids on capitalized value, on the so-called capital value of income (which in everyday terminology is no more than the income that can be gained from an undertaking). But to whom? This will become clear in the following.

The maximum interest of the entrepreneur is guaranteed by the principle of "the bidding is the bidder's": according to this, the surplus which the entrepreneur is able to make as compared to the former income may be largely his.

The payment obligation undertaken for an infinite period of time--or at least until the amortization of all the capital value of income that has been bid, or until the appearance of a new additional bid--must be carried out by an experimental institute of the social capital market, the VKP (Entrepreneurial Experiments Treasury) invented by Liska. The VKP would give out as an undertaking, issue for competitive bidding the units of social value at the "proclamation price" appropriate to the capital value of the income yield that is minimally expected by it.

The difference between the capital value of income created by the highest bid and the proclamation price has been named as the "fictive goodwill" by Tibor Liska. The interest of this surplus for the capital value of income would give the entrepreneur his "realized goodwill capital," only the interest of which can be drawn on by the entrepreneur for the time being. The interest portion due the proclamation price would be placed in the account of the VKP, together with the amortization payments that are due.

When the entrepreneur has paid the full capital value of income, he can draw out his realized goodwill capital at any time. He has increased his own capital together with the size of the fictive goodwill capital: in Liska's terminology, his personal social inheritance, for the entrepreneur has contributed much by this to increase the national wealth.

The essence of the idea, therefore, is competition: for surpluses, for surplus income, and at the same time for the surplus of the national wealth value. Tibor Liska says that the goal is to make human capabilities the most important capital. And the environment conceived by him for this purpose is a total market economy, where the capital market--the equilibrium of supply and demand--is regulated by the bidding mechanism and the equilibrium rate of interest.

The creator of the concept of "entrepreneurial socialism" says: "self-selection" by bidding does not make the entrepreneur interested in "holding the ball," in monopolizing functions, and thus it is a better incentive for developing human performance capability and the creative bent than selection from above, by designation, or from below (perhaps by way of inheritance). To be sure, the entrepreneur can be "bid out" at any time, but he, too, is interested in the education of his descendants, for his fictive goodwill capital would continue to yield interest on the blocked account.

But who can undertake enterprise? Who bears the risks of the enterprise? What guarantees are there against failure? According to the concept, everyone can undertake enterprise, and the risk is borne primarily by the entrepreneur, secondarily by those who have associated themselves with him materially, and thirdly the VKP, and only finally society as a whole. It offers a greater guarantee against failure than anything up to now in that only someone who had successfully proved his "entrepreneurial ability" earlier could enter on a more important undertaking.

Such is the scope of the ideas, the theory, in a nutshell. And now let us look at the more important objections.

One of the most important questions of the three economists who were invited to the debate was: "Will the Liska-type of self-selection assure that the most talented will move into entrepreneurial roles?"

Janos Kornai believed it would not because he regarded it as narrow and one-sided to make the selection dependent on one factor, the size of the bid. In his view, this gives a disproportionately large role to the individual self-evaluation. The model as a whole could be operable--and all three of the well-known economists agreed on this--in small, simpler and transparent property units, but not as a universal model for the whole economy.

They also voiced doubts whether the large enterprises, the bigger economic complexes could fit at all into the Liska-type entrepreneurial system. According to Jeno Barsony, it is frequently impossible to separate social property units to be given into enterprise undertakings because frequently they are linked to one another, and the development of capital value of income would become intertwined.

Marton Tardos was concerned with the absolute extension of bidding. How could there be assembled behind an entrepreneur (entrepreneurs) bidding for the leadership of a large modern enterprise enough fictive goodwill--he asked--as would be sufficient for the necessary entrepreneurial capability?

In today's modern world--Tardos emphasized--large organizations have developed, of course, not out of human stupidity but of necessity; these cannot be simply split up, nor is it always worthwhile to do so because the large enterprises when appropriately constructed and organized can have great advantages.

Then there were counter-arguments to the counter-arguments: Tibor Liska acknowledged the right to existence of the large production units if they come about in a freely organized market competition. But, according to him, this is not characteristic of a large share of the present monopoly organizations. Large capital can also be operated on an entrepreneurial basis--maintains Liska--without integration into a mighty hierarchical organization. Entrepreneurial collectives can compete for the operation of smaller undertakings by technically and indivisibly welded large units by virtue of internal market mechanisms more developed than those of today, by mutual interdependence and more equal relations. By bringing together their entrepreneurial ability and the capital of the voluntary associates and creating with this the necessary cover, they can also successfully bid for large sums of capital value of income.

The socialist entrepreneurial concept will never offer a ready, elaborated organizational system to replace the large "unicells," says Liska. According to him, this can only come about in practice. This type of competitive system does not exist anywhere in the world, but this does not mean there cannot be in the future. In fact--he reminded us--1 or 2 years ago bidding and self-selection also seemed inconceivable but contractual businesses that were introduced in the restaurant industry did not fail because of the application of bidding.

According to his opponents, Liska neglects those economic and social conditions without which the operation of the socialist entrepreneurial system is inconceivable. Without completely freely organized commodity and money relations, realistic price formation, the elimination of monopoly situations, democratic competition, and free capital markets, the atmosphere for free enterprise is lacking, which on the other hand--according to Liska--can be created only because of the spread of socialist undertakings.

As entrepreneurs, everyone would have to become a "homo oeconomicus," or an economist, objected Jeno Barsony but in many people the desire for risk-taking does not even exist. People become accustomed to relatively comfortable, secure socio-economic relations. According to Kornai, it is exactly this capability of bidding out that buries this security requirement. No use that the entrepreneur is materially interested in being replaced by someone else at the vanguard of enterprise; the true entrepreneur type of individual would not only like to earn money but he also enjoys the sense of power over the means of production, the excitement and prestige of management and undertaking.

From the viewpoint of selection and security, the socialist entrepreneurial system would be entirely different from what we have now, says Liska, but this would not be a fault but its main virtue. Effective selection instead of

contra-selection, freer mobility and flexible variability instead of the apparent security of bureaucratic enterprise managers would offer greater security (for example, the play of self and retro bidding and the possibility of new undertakings)--this is what Liska's theory offers.

Could a system really operate according to the Liska-type concept? Janos Kornai replies with a clear no, for the game rules of actual societies cannot be shaped as one pleases; people and the economy will behave differently. In a Liska model society over the long run the information system will be distorted (the player who "sits inside" the undertaking can manipulate it), pure competition will dissolve (alliances and coalitions will be inevitable among the "faceless," independent and competing entrepreneurs), and the state will not be satisfied with a neutral, powerless role. It is impossible to set one, uniform game rule, for every modern society creates again and again coexisting, operational economic sectors.

"I do not want to invent arbitrary game rules," sayd Tibor Liska, "and therefore the undertaking experiments are indispensable. The rules must be tried out in practice."

Time and the attention span of the audience, of course, put limits on the debaters at the Economics University, and in this article the possibilities are even less for mentioning the whole arsenal of arguments and counter-arguments. But the dialogue is continuing in the professional journals as in life itself. Most recently, Tibor Liska "wrestled" with Tamas Bacskai and Gyula Hernadi.

What will come of all these words? Will our grandchildren see?

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ROLE, PROBLEMS OF TAXATION DISCUSSED

Budapest NEPSZAVA in Hungarian 13 Mar 82 p 3

[Interview with Vilmos Cserveny, department chief of the Ministry of Finance, by Andras Deak; date and place not given]

[Text] As was announced in the MTI [Hungarian Telegraph Agency] report on Friday, the Council of Ministers has modified the rules for base real estate [hereafter referred to as the constant tax] taxes. We visited Vilmos Cserverny, department chief of the Ministry of Finance, and asked him a number of questions about taxes on the population.

[Question] There are few subjects which affect citizens more sensitively than taxes. The statutory provisions in this regard have been modified in recent years in various areas. How would you briefly summarize these changes?

[Answer] The constant tax on the population directly affect almost 3 million citizens in our country. The sensitiveness related to this subject cannot be explained, however, by the amount of the tax itself. This statement is justified by the fact that the tax paid annually by the population does not even amount to 2 percent of the state budgetary receipts. The rates of our tax system are generally low. For example, the average community development tax is 279 forints a year, on a three-room inner-city Budapest apartment the annual constant tax is 590 forints, and the tax on taxable income of 100,000 forints amounts to about 15,000 forints. The sensitivity can be ascribed to certain psychological factors. On one hand, the citizens are not adequately aware of how they directly "recover" the sums of money they pay in taxes, and therefore they do not pay willingly. Perhaps better enlightenment-propaganda work would help in this respect. On the other hand, some citizens subjectively regard their tax as excessive or unfair in comparison to the tax paid by others. People object to unjustifiable differences in taxation, something which rightfully violates their sense of justice.

Recognition of all these things played a role in the fact that with the modification of statutory provisions on taxation in recent years we have continuously sought to make the size and distribution of the tax burdens more just and acceptable. We have, for example, eased the tax burdens of those with low incomes. We have transformed the progressive tax rates in such a way that they are less of an obstacle than before to the extension of activity above a certain

limit. We wish to keep pace with the changes in price and value relations. By the means of taxation we also want to promote the uniformity and security of the various small-farm forms. By reducing the extent of taxes we have made it easier to obtain a house, or to exchange houses. Justification exists to further simplify administrative prescriptions regarding tax payments.

[Question] One of the basic principles of our tax policy is that a progressive tax should be paid on outstandingly high incomes and on luxury items. How is this compatible with the elimination of the market value proportional real estate [hereafter referred to as the variable tax], and how are the new regulations on the constant tax developing?

[Answer] An important effort of our tax policy is to see that those with higher incomes should pay not only a higher total tax but also higher in ratio of the taxed income (on the basis of a progressive rate) than those with low income. This principle has also for long been used in the tax systems of other countries. It is an entirely different matter that at the given level of our socioeconomic development we are influencing consumer trade in certain products (luxury items) with a relatively high sales tax. This is not a progressive tax, that is, it is not a tax rate tied to higher income. The variable tax introduced several years ago was not a means of limiting house and recreation construction below a certain level. In Hungary, the existing building regulations serve this purpose; these regulations determine the maximum limits of the number of rooms, which the house or vacation home may have on that lot. It was the goal of the variable tax to have the owners of more valuable houses or vacation homes contribute to a greater extent to state revenues.

Experiences thus far with the use of the constant tax and the variable real estate tax show that although the intent was a good one, the regulation or the practice which evolved on that basis caused abuses in a significant number of cases. On the basis of our analysis, it appeared advisable to terminate the variable tax as a separate tax type and build it in a differentiated way into the constant tax payment obligation.

In making the modifications, we took into consideration that the variable tax rates for structures serving multiroom and nonresidential purposes should better express a contribution proportional to the social tasks. In the case of larger housing structures, we must also grant the possibility for tax allowances on the basis of the number of dependents.

Together with the elimination of the variable tax, we are raising the tax rates on houses with five or more rooms. The extent of this tax depends on the number of rooms, bathrooms, and where the real estate is located, and it generally ranges from 60 percent to 150 percent. The tax on a six-room house, for example, in inner Budapest will be raised from 1,070 forints to 2,250 forints. This measure will affect only a small ratio of real estate owners, or about 8,500 proprietors. According to the new orders, the constant tax must be reduced by 50 percent for affected house owners with consideration for the number of dependents living together.

By ranking needs, we established a higher tax rate for vacation homes with consideration for the inclusion of the variable tax. For these houses the increase is greater and affects about 5,500 owners. The detailed rules will be carried in the 12 March issue of MAGYAR KOZLONY.

[Question] Are you planning new modifications in taxation rules for the coming years?

[Answer] We are constantly following those social and economic processes which influence the operation and efficiency of taxation on the population. We are studying many questions in the interest of further tax-policy measures. Thus, for example, we are looking for a way to express the social usefulness of activities not with differences in the tax rates but by more appropriate and suitable means. We would like to develop much better the generally uniform nature of the population tax. The goal is that the tax-payment obligation on 100 forints income should be the same in as wide a scope as possible independently of the sources of income, the organizational form of the activity, and the sector. We are also studying how we might better incorporate the population's money and in more effective forms into local development possibilities. For the further simplification of administration it is our constant task to introduce solutions which will mean less work for the apparatus and will not cause unnecessary inconvenience and problems for the taxpayers. We are gradually advancing also in the field of computerized data processing, recording, and information services.

[Question] How would you judge tax payment morals.

[Answer] It is difficult to speak of this in general terms. The reporting discipline serving as the basis of taxation has undoubtedly improved over the long run in the wake of systematic controls, but it is still not anywhere near what it ought to be. This is indicated by the fact that a very significant share of the tax reports, or almost 50 percent, regularly cannot be taken as realistic by the tax authorities. Income from unreported activity and taxes on items of property cause considerable concern. One of the most important tasks in improving tax morals is to discover these in an organized way and draw them into the operational sphere of taxation.

The collection of established taxes is not an easy task. There are many forgetful and tardy taxpayers. Fortunately, most of them fulfill their obligation to the state at first notice. Thus it occurs with relative infrequency that we need to use compulsion to effect payments. For example, it happens hardly several dozen times a year that we have to attach items of property. It is not to be discounted, however, that late payment fines--mostly for carelessness--come to about a half million forints annually.

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MEHES ATTENDS CONFERENCE ON PRODUCTION OF CHEMICAL FERTILIZER

Budapest MAGYAR NEMZET in Hungarian 21 Apr 82 p 3

[Text] Heads of enterprises involved in production of chemical fertilizer met at the Pet Nitrogen Works on Tuesday. The meeting was also attended by Lajos Mehes, minister of industry. It was established that there has been an exceptionally dynamic development in production nitrogen fertilizer over the past years. Enterprises making this type of fertilizer can hold their own both at home and abroad. The Pet Nitrogen Works which turns out more than half the nitrogen fertilizer produced in Hungary plays a leading role in this achievement. Last year its output was in excess of 1.3 million tons and its return from exports amounted to nearly 100 million dollars. This year the Works expects to produce nearly 1.4 million tons, and its exports are planned to be 15 percent higher than in 1981. The other two nitrogen fertilizer producers, the Borsod Chemical Combine and the Tisza Chemical Combine, also report continued expansion. Production of ammonia is expected to be taken care of through establishment of a joint ammonia factory.

There has, however, been stagnation in production of phosphorous chemical fertilizers; quality is not entirely acceptable either. Over the long term, this problem can be solved only through construction of a phosphoric acid factory.

After the reports, Lajos Mehes emphasized that continued improvement in quality is a basic task in production of chemical fertilizer: in 1981, only 45 percent of Hungarian chemical fertilizers were ranked first class. The best results were achieved by the Pet Nitrogen Works. Production costs can be reduced only through more stringent energy conservation measures. The minister also stated that the needs of Hungarian agriculture must receive the greatest possible attention. Products must meet the requirements of the Hungarian agricultural consumer. At the same time, it also very important for Hungarian fertilizers to hold their ground abroad; their position should be strengthened and exports should continue to increase. In the course of the meeting, Mehes toured the facilities of the Pet factory accompanied by factory director, Lajos Kisgergely, who briefed him about ongoing investments.

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## BRIEFS

NUCLEAR POWER PLANT--On Monday night testing at operating temperatures and pressure of all equipment of the first 440Mw block of the Paks Nuclear Power Plant began. All operating conditions with the exception of use of nuclear fuel are being met. [Budapest MAGYAR NEMZET in Hungarian 21 Apr 82 p 3]

NATIONWIDE CORN SOWING--Despite less than optimal temperatures, sowing of corn was begun throughout the country on 19 April. Sowing has suffered an 8-10 day delay, and changeable weather has made work more difficult than usual. It is hoped that all corn will be in the ground by the end of April or early May to ensure maximum yields. [Budapest MAGYAR NEMZET in Hungarian 21 Apr 82 p 3]

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ROLE OF GOVERNMENT IN ECONOMY ANALYZED

Warsaw RZECZPOSPOLITA in Polish Nos 35, 42, 47; 23 Feb, 3, 9 Mar 82

[Article by Zygmunt Szeliga: "The State and the Economy -- The Economy and the Milieu"]

[No 35, 23 Feb 82, p4]

[Text] The subject of "The State and the Economy" has occupied a place of honor among the great discussions which have been going on in Poland during the past few years. The issue is after all not a new one. In our country this problem has been recurring in a more or less severe form for more than 30 years. Sometimes it was also the topic of discussion during the period between the wars.

On the broader world scale the subject is just about as old as the state, but at any rate it has been a current topic since the beginning of the structuring of modern forms of statehood. Whole generations of economists spent their lives constructing and mutually combatting theories for the relationship between the state and the economy. Many theories among them played no small role in economic development and economic policy and still do play such a role.

I do not intend to write a history of economic thought in reference to the question of "the state and the economy," however. People who are interested in this subject can easily find a wealth of material in scientific works and handbooks. I want to take up certain gaps in our contemporary discussions and our practice in this area. Much confusion and misunderstanding have come into the discussion. There is a very great deal to be done and corrected in the realm of practical application.

Let us begin with the misunderstandings stemming from both doctrine and experience. If we were to line up all the views as well as certain practical solutions, then without difficulty we would identify that there are two poles of approach:

Way over on the one side, we have a position which we can call the "maximum pro-state view," which encompasses views (and certain practical aspects) which absolutize the state's role and authority in the economic sphere. According to these views, if we simplify things a bit we can say that the state discharges (or at least ought to discharge) in an absolute manner, guidance functions in relation to all forms of economic activity. Only certain guiding functions are differentiated: direct control by directives in relation to the largest share of the economy; various forms of forceful state intervention in relation to other parts, which these theories usually consider to be on the way out (private farms) or to be temporary (cooperative farms).

The other side, which we shall call the "maximum antistate view," denies any sort of guiding functions of the state in relation to the economy (and usually not only the economy but also to all social life). Here there are the slogans of the economy's being completely independent of the state, and there are proposals to substitute various models of self-government or free play for a large number of individual economic elements.

Between these two extremes we find the dozens or hundreds of various "schools" and views inclined more in one direction or the other.

Given the extremes, let us notice first of all that in the practical functioning of the state and the economy neither a model of the "maximum pro-state view" nor a "maximum antistate view" has ever been achieved anywhere in the world. Indeed there are and have been exceptional situations and circumstances in which for a certain period of the time the state takes over and performs all or nearly all guiding functions in relation to the economy, or, conversely, where the state, finding itself in a state of disintegration and chaos loses any sort of guiding functions in practice. We can also prove theoretically that neither one extreme model or the other should be launched and inculcated, mainly because they are not in a position to insure the thing which is the most important in economic activity, what we call the social effectiveness of the economy.

Therefore, the correct solutions will be found somewhere in between. We can see this from both theory and practice. But finding this center is not easy. It needs deliberation and no little effort. Today we are undertaking many different efforts and attempts to bring about modernization, change, and adaptation to the social needs and conditions of all fo forms and structures of social life, and we must put the question of the state's relationship to the economy out on clear water too.

We have a great deal to do here, in a dual sense. First, both the predominating doctrine and the practice throughout nearly all the years of the country's socialist development have inclined us to an excessively "pro-state" model for us to cope with the concepts proposed above. Second, many solutions adopted in practice in the spirit of this model failed to meet the expectations inherent in it, and they often had

results which were just the opposite those anticipated. Therefore, in accepting the general idea of strong state activity with respect to the economy, we must be very careful to select the proper forms and methods of that activity or leadership, so as to insure maximum effectiveness and productivity of the entire economic organism.

Before I take up this matter, let me say a little more about the very idea of the functions of leadership which the state has vis-a-vis the economy. There has been a great deal of misunderstanding on this point too.

The socialist state's guiding functions with regard to the economy derive from two sources. The first is universal in nature and is related not to the regime but to the very essence of the state and statehood, as an organization of the society and social life. Each state, if it is to be a state, has and must have various leadership functions in relation to units, social groups, and forms of social life.

After all, there is no state without the administration of justice, an apparatus for keeping the peace, an army (or other organized form of defense), more or less developed social welfare, and so on, in order put give the simplest list of examples. Nevertheless, because economic activity is one of the major forms of social activity and organization in modern times, the state's leadership must extend to this area too. This is especially true in that it is the only source of raw materials (except for conquest) for other state functions to be realized.

The principle of the socialization of the basic means of production and the appropriate utilization of forces and economic resources on behalf of the social interest is another source of the state's leadership functions and is closely associated with the socialist system.

The problem of socialization has evoked various controversies and continues to do so. In the future too it will sometimes be a subject of discussion. There are two levels of argument. One is the ideological one: it is a dispute between advocates and adversaries of socialization, or between the socialist and capitalist visions of social development. I will bypass this aspect entirely. The other level in the realm of thinking in socialist categories is the dispute about the conceptualization of the notion of socialization.

I am no enthusiast for the mechanical identification of "socialization" with "nationalization," as often occurs even in popular thinking and also in various practical operations. On the other hand, however, I do not share the views which completely deny the state form of ownership and which propose that it be replaced by other forms of socialization. The main reason I do not share these views is that nobody has proposed a sensible alternative. All the ideas which have been presented boil down to replacing state ownership with some sort of forms of group ownership.

Now, I am quite firm in my view that socialization in practice should be achieved in various forms, but this also includes the form of state ownership, because only the state is and can be the spokesman of the general national interest.

One can ask whether even for a great industrial center it would not be more appropriate to use some form of ownership other than state ownership, such as a cooperative, self-government, and something like that. There are good reasons for all these proposed solutions, but there are those areas of the economy and of economic activity for which such disputes make no sense. For example, I do not think that any reasonable person is going to question the principle of general national ownership of the mines or other mineral resources, or, for example, the railroads, which cover the whole country. Hence, practically speaking, what sort of socialization are we to have in those areas, if we reject the state ownership form?

The need for state ownership to exist determines the state's guidance functions with regard to this part of the economy, but here to the problem of the form of that guidance needs to be considered. It is similar to the question of the scale of that ownership, its proportions compared to other forms of social ownership, as well as to private and individual ownership. The state's guidance functions in relation to nonstate forms of the economy are implied by other general circumstances discussed above as well as by others which I shall discuss later.

In closing today I should like to mention one other thing. The whole time, I have been treating the subject of "state and the economy" in terms of state leadership with regard to the economy. I would like to point out that I wrote "the state and the economy" in the title. It points also to the other side of the coin, the state's "service" functions with regard to the economy and economic activity. The correct structure after all consists of the fact that the state not only performs leadership functions but also carries out service functions, either in relation to the unit, or to the society, or to the economy. And this is the sort of model that we have to build.

[No 42, 3 Mar 82 p 4]

Today I am continuing the many-faceted subject of "the state and the economy." First of all I shall recall the most important conclusions of last week's talk.

First, the dispute over the very essence of state influence and intervention in economic activity is nonsense and a waste of time. Such authority of the state after all stems both from the state's general function of organizing social life and, in a socialist country, from the social nature of the ownership of the basic means of production. These circumstances determine the state's leadership functions with regard to the economy.

Second, in accepting such a general principle of state-economic relations, we will find it worthwhile and necessary to use the basis of concrete forms and methods of having the state carry out its leadership functions.

Third, the "service" functions of the state vis-a-vis the various forms of economic activity are the other side of state leadership and authority over the economy.

The most classic examples of these service functions are the state's instigation of new types of production which do not fit the traditional economy profile and the creation of conditions especially favorable to economic activity considered to be the most necessary and important. Let us consider that the need for the state to discharge these service functions is additional justification of the leadership functions authorizing the state to accumulate the necessary material resources, to dispose of them, and so on.

Forms of Ownership

So much for the general theoretical principles. Today I am devoting the major attention to the practical problems of "state-economy" relations. First of all here there is the matter of forms of ownership.

A week ago I wrote about the ever growing tendency toward excessive institutionalization of the economy. This pertains both to forms of ownership and to the tendency towards directive-type execution of the state's guiding functions. More than a quarter of a century ago, the question of whether the state must buy and sell parsley played a great role in the economic discussions of the day.

Then, after October 1956, as everyone knows, great changes took place in the country's economic structure. The scope of the state's direct leadership functions with regard to the economy were greatly reduced, but this did not last long.

What is this problem like today, factually and in the light of the spirations and solutions of the economic reform, which calls for many important, interesting changes in this area too?

Let us take a look first of all at the state of affairs in the realm of national assets, which statistics takes to be everything that is a work of human hands, or the effect of economic activity, and is durable in nature, but does not directly serve consumer needs, with the exception of housing.

National assets understood in these terms had a value of nearly 8 trillion zlotys at the end of 1981. About 5.5 trillion of this consisted of production assets (factories and their equipment, vehicles, machinery and implements for farms, and so on), and about 2.5 billion consisted of nonproduction assets (mainly residential buildings and also installations and equipment for education, public health, culture, and so on.

Up until the middle of the 1970's, the statistics divided the national assets altogether into three parts: "the state economy," "the cooperative economy," and "the nonsocialized economy." Several years ago the line between the state economy and the cooperative economy was obliterated in the statistics, and now there is only a distinction between the socialized economy and the nonsocialized economy.

"Manager Mania"

These trends were also expressed in many other actions. For example, there was the process of the great centralization of the cooperative movement, to the point where the concept of the cooperative movement and cooperative ownership just about lost all their significance. The capping climax of this process was putting the directors of certain cooperative centers (some "defended themselves"!) onto the Council of Ministers with titles of minister-member of government. One of the first changes in political life and the operation of the state after August 1980 was the resignation of these cooperative-movement heads from their ministerial positions and the restoration of their titles of chairman and president, a move related to selectivity, which during the 1970's had been greatly replaced by the titles of director (manager) so characteristic for state positions.

Here is something interesting: in the 1970's this actual process of maximum institutionalization of the economy accompanied the apparent organization of some parts of it into cooperatives. At a stroke of the pen, most of the employees of domestic commerce were "shifted" from the state sector to the cooperative sector. In this same way, press distribution agents also woke up one morning to find themselves in the cooperative sector.

All these facts and others like them show the utterly arbitrary (now we started to call it "voluntaristic") treatment of the historically structured forms of ownership on the part of the authorities at that time and their manipulation of them, to suit the changing aspirations and images. Another manifestation of this voluntarism was the frequent violation of the constitutionally guaranteed right to private and individual property.

It is obvious that the state must have the right to interfere in the sphere of any sort of ownership. Such a right is implied by the state's general functions and the supremacy of general social interests over other interests, as protected by the state. But it is just as obvious that state interference must be first of all limited to those cases in which the supremacy of the social interest actually comes into play and secondly follow a high-order legal act (for example, a law, and not the decision of the head of a gmina [parish]) and be carried out without violating the norms and principles by which various elements of the economy function.

The legal system presently created provides such guarantees. At the same time it should be expected that in our new economic system structured by

the economic reform, the range of forms of ownership and the forms of organization of economic activity will be substantially enriched. Such differentiation is essential for many reasons. First of all the real needs of socioeconomic development require various forms of ownership and a variety of organizational structures, because only this can insure the necessary flexibility of economic activity. Further, if we leave things to people's initiative and enterprise, then we must agree that each person is an individual, and we have to adapt the forms and structures of organization to him, rather than the reverse.

The variety of forms of ownership and organizational structures in the economy is also essential because of the need to eliminate economic monopoly, which is the effect of the previous mania for bigness and uniformity, and now it is glaringly contrary to the principles of the new economic mechanism.

No Monopoly

How does the ultimate model of the forms of ownership and organizational structures correspond to the economic reform.

The classic state economy show and will predominate, but it is to be anticipated that within its orbit there will be an important, interesting diversification into three sort of "subsectors:"

The large state enterprises of great social importance (railroads, airlines, perhaps some industrial enterprises), in which the state will have the main voice, taken here to mean central control,

State enterprises which are independent and self-governing, in which there will be the principle of a sort of balance between the leadership privileges of the central authorities and that of the employees' self-government,

State enterprises in which leadership will be divided between the employees' self-government and the local administration.

Within the realm of the classical cooperative economy, the evolution will probably go in two directions:

Limitation of the functions and privileges of the great cooperative organizations in favor of restoration of authentic cooperative mechanisms,

Creation of new cooperatives which are independent and not part of the large cooperative centers.

I think that we should also anticipate the substantial development of other structures of the socialized economy cpresently existing in bud form or unknown, such as:

Economic units of social organizations,

Enterprises created by the people's councils (a form different from that mentioned above when we were talking about state enterprises run jointly by the local administration),

Groups of physical parties or legal parties (this structure from the fringe of the socialized and nonsocialized economy).

Finally, within the realm of the nonsocialized economy (excluding agriculture, where the situation is clear), I think that we must return to the former structure and make this organizational division:

Crafts and trades workshops, taken to be traditional handicrafts and the rendering of services,

Private enterprises carrying on economic activity on a larger scale.

The next unusually important novelty of our economic system is the possibility of creating the most varied combinations of these structures, such as mixed capital state-cooperative enterprises, private-state circles, or cooperative-private circles. We also have international enterprises, created by state authorities along with those of other states. We have circles and enterprises of Polonia [Polish emigres], and so on.

This essential diversity of forms and organizational structures of the economy of course requires important, substantive changes in the forms and methods by which the state exercises its guiding functions in relation to the economy. Such a need after all is implied by the whole spirit of the new economic system, which is based on the independent, self-governing nature of the economic units.

[No 47, 9 Mar 82 p4]

It is absurd to deny the state all control over the economy or the possibility of intervening in the economy and influencing it. Such a "non-state" economic system does not exist anywhere in the civilized world. It cannot be justified theoretically, either. Here is the most important conclusion of the past two talks "The State and the Economy."

It is useful and necessary, on the other hand, to discuss what that leadership should be like in practical terms. What should the forms and methods of the state's influence on the economy be like? A week ago I began considering this subject, focusing the main attention on the issue of ownership. Today we will talk about the various mechanisms by which the state exerts its leadership over economic activity and especially about the changes in these mechanisms in our new economic system.

But before this I would like to talk about one other basic issue which I have bypassed up until now, one which a reader took me greatly to task for in the discussion. He said: "All right. I am completely convinced that the state can, even that the state should, exercise some sort of leadership over the economy. But what does "state" mean? The government? The head of a bunch of villages? A director appointed by the government? After all, all those people and many others too are part of the great group of state bureaucrats and state officials who think that state power rests in their hands, power over the economy, the citizenry, and everything..."

This is not an isolated view. It is rooted in bad practices of the past, both the distant past and the all too recent past. Unfortunately, we have gathered a great deal of sad experience in this area. Often, too often, various state officials not only identify themselves with the state (this should be the attitude of every citizen, but unfortunately this applies to too few citizens), those who have usurped the power to represent the state on their own, to act in its behalf, and these people do not have either the qualifications essential to do this nor, what is more important, the right.

I do not intend here to bring out solutions to define just what the state is. There are whole libraries devoted to the subject. On the other hand, you can find who exercises power in the Polish State by looking into the first article of our country's Constitution, where it is clearly written down.

Constitutional Principles

I think that the most important and durable gain of the post-August period is the restoration of basic constitutional principles in relation to the whole system of functioning of the state and the execution of state authority, including that over the economy.

Our whole new economic mechanism is going consistently in this direction, although, especially at present, during the transitional period, there are still many imperfections here.

In keeping with these principles, the Sejm exercises the supreme authority in the state, and therefore in relation to the economy. And this also determines in what sort of forms first of all the state guidance over the economy should be realized. After all, what we are talking about is not direct management and administration of the economy by the parliamentary body as a whole or in part. On the other hand, the Sejm has a splendid instrument for actually leading the economy, and now it is just making use of it. This is the correct legal system of the economy.

In essence the construction of this system is a great, difficult experiment which makes it necessary to overcome much resistance and to introduce drastic changes in the mentality on practically all the echelons of the economy and the state. One of the main difficulties is related

to the mistaken understanding of the concepts of authority, leadership, and administration.

In the past we got used to having these concepts mean of necessity the direct making of decisions, prohibitions, and orders. Of course, there is also this realm of the concept of authority, and it is by no means an unimportant one. One example is the criminal code and other regulations and norms of this sort. But first of all, if the concept of authority were to be limited to that, life would become impossible. Second, the economy "does not like" this understanding of authority, especially.

The essence of productive, effective, and efficient management is first of all ingenuity, enterprise, initiative, and active participation on the part of every element of the economic processes, or, in our country, a dozen and some million gainfully employed people.

There are thousands of examples not limited to our experience alone to show that enterprise and initiative do not go hand and hand with strict direction and the handing down of directives or the primitive attributes of authority.

On the other hand, there are a number of examples to show how the correct legal system must not only not interfere with enterprise and activity but must encourage them and at the same time protect the real interests of the element exercising the authority, that is, the state. Such a legal system it must create for itself, and today, after a little more than a year of work, we can already see clearly the main elements of it.

Consistent With Social Needs

Last year's bills on the state enterprise and self-government and the packet of further bills passed a couple of weeks later on socioeconomic planning, prices, the system for financing the socialized economy, taxes, and the banking system, and so on signify a drastic departure from the previous method of guiding the economy with the aid of directives and prohibitions for the legal system and economic instruments to exercise leadership.

The point of departure for these deliberations (I repeat once more for the moment that they are not entirely consistent owing first of all to the economic crisis of catastrophic proportions that we are undergoing) is the idea that in essence the economy should not be prohibited from doing anything or have anything imposed on it. Completely sufficient are the normal attributes of state leadership which no sound-thinking person questions, like the system of taxes and duties, the money and credit system, the state budget, and so on, so that the functioning of the economy corresponds to the social needs which the state represents.

With the aid of these very mechanisms even the most difficult problems can be resolved, problems, for example, like the question of the state's external economic obligations. This is one of the points of our economic reform

which is frequently brought up. Everyone knows that in carrying out its various functions, including the function of assistance for the economy, the state undertakes numerous obligations with foreign countries related to the exportation of certain quantities of commodities, for example. In connection with this fact the following question comes up: How can the state carry out these functions, unless it can issue directives and commands to the economy to tell it that it must produce and supply for export what the state has committed itself to in international agreements which it has signed?

Let us consider something here: Is it really essential here to issue a command in the sense that we have traditionally understood the word? Maybe instead it would be sufficient for the state to act in the role of a partner or even merely a client of the economy with the monetary funds (because it has a budget) and merely to order what is needed from the enterprises.

Our legal system of the economy now contains just such a solution (although in parentheses we should note that with regard to exports actually this will not be entirely consistent yet, because the situation is also forcing us to maintain a certain degree of control by directives for the time being).

Correct Legal System

But here we have already gotten away from the highest echelong of authority over the economy, the Sejm, using the legal system. This form of leadership applies to the entire economy, from the one-man farm to a great industrial complex, which clearly does not mean that there should be identical laws and principles for all organizational units of the economy.

The legal system must play one other important role, to see that no body of state administration or authority below the Sejm goes contrary to the spirit and letter of it.

As an example here we might cite the solutions adopted in the new law on planning, an imprecise term, because this is our first planning law, inasmuch as we have had only the 1947 decree up until now. It clearly defines the duties and authority of the various bodies of power in the realm of planning, giving the government, for example, the authority to ratify the central annual plan, but at the same time it prohibits the government from changing in the plan any important provisions of the five-year plan passed by the Sejm. If such changes become necessary, the government must first of all bring the Sejm a draft of the changes in the five-year plan. It will not be able to draw up the annual plan until the changes have been accepted.

We can consider this to be an example of an assurance of the correctness of the legal system. I take "correct legal system" to mean such a group of standards and principles which will serve the development of the economy and the satisfaction of social needs. It is after all obvious that the legal system can also be a stumbling block to the economy. The significance of the parliamentary law-based solution of these matters consists of the fact, that, for example, this method provides the greatest guarantees of proper procedure.

It clearly follows from everything that I have written up to here that in the past there has been a whole previous system of running the economy and controlling it. Let me repeat once again: This will not be an easy process, because it is difficult to get rid of old habits and ways of doing things. It is not easy to learn new methods either.

Economic Mechanisms

This is especially true in that they must be incomparably more differentiated than they have been up until now. As I wrote a week ago, the new system signifies equal rights for the various forms of ownership and a substantial expansion of them. In the practical functioning of the state and its various bodies, this means it is necessary to differentiate the forms and methods of influencing the economy.

Even in the realm of the "classical" state economy, there will no longer be uniformity, and we can expect that only a small share of it, the enterprises of fundamental significance for the operation of the state, the economy, and social life, can be directly guided by the central state administration, and at a lower level, by the local administration (urban transportation, municipal services). The overwhelming majority of the state sector will be guided solely by using economic mechanisms.

This may seem to be paradoxical, but I am convinced that all these changes -- assuming of course that we can consistently translate them into reality -- will signify not the weakening of the state, as some people fear, but just the opposite, the great strengthening of it.

This is because I think that there is no abstract "strong state" (even a strong army is only the quality of its soldiers). A strong state above all is the level of its economy and the activity of its citizenry.

For this reason, under the new system the "service" functions of the state in relation to the economy increase tremendously. If, by its international relations, alliances, and also its direct assistance to the economy and the initiation of its new undertakings the state insures a high level of development for the economy, then it will incline the units of the economy and the ditizenry to enterprise and activity, and we will become a rich country. Then the state will be strong.

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CSO: 2600/442

ANTI-IMPORT ACTIVITY, DOMESTIC KAOLIN RESERVES EXPLOITATION NOTED

Warsaw ZYCIE GOSPODARCZE in Polish No 7, 7 Mar 82 p 8

[Article by Andrzej Michalowicz: "Kaolin--The Forgotten Wealth"]

[Text] For many years, investing in the development of the indispensible raw material base neither was in fashion in our national economy and in the so-called investment policy nor was it willingly undertaken by the ministry and industrial branch leaderships. This has been caused by premises of a more general nature as well as by the avoidance of such enterprises on the grounds that they are capital-intensive and ineffective and that investment in raw materials entails a complex implementation process.

The conditions mentioned above and also, particularly during the past stage of economic development, the often encountered policy of aiming towards fast and spectacular "successes," have by and large disrupted the proportion between the rate of development in manufacturing plants which manifest a visible and a relatively rapid increase in output, thus having the one effect that is both desirable and considered on "the levels," and investment in as well as development of the raw material base viewed as a sine qua non prerequisite for real economic success and assurance of continuous growth of an industrial branch. Mistakes that have been made by such "a policy" are commonly known and, at the present stage of improving the national economy, widely commented upon and analyzed by foremost experts on this subject matter and by economists and technologists. However, only a profound familiarity with the specific nature of an industrial branch makes it possible to draw correct conclusions.

This article's narrow framework impedes my detailed analysis of causes and effects related to an investment policy regarding the development of a raw material base in the glass and ceramics industry which clearly is significant to the national economy. I can only point out some abnormalities in this field and, by using the example of few selected and basic mineral raw materials in this industrial branch, indicate, in my humble opinion, the consequences that are harmful to it.

In "my" industrial branch, as well as in many other Polish industrial fields, kaolin is one of the most significant raw materials extracted from minerals. Kaolin is used in the paper and rubber industries and in ceramics, plastics, paints and varnishes, refractory materials, etc. The above-mentioned subsectors of industry base their production principally on kaolin and cannot exist without it.

Kaolin raw materials appear in a number of varieties. Some are suitable for industry in a raw state (e.g., in industry for refractory materials), while others must be purified and enriched before they can be used, e.g., in ceramics, in the paper and rubber industries and in the production of plastics, paints and varnishes, cosmetics, etc.

Kaolin raw material is found in the country mainly in three regions, that is: the southern rim of Niecka Boleslawiecka; the Strzegom and Sobotka Massif; and the Strzelin Massif. The deposits of kaolin raw material in the Boleslawski region (in the vicinity of Nowogrodziec) are fully documented. The deposit "Maria," which is the only one in the country that has been exploited on an industrial scale since 1964, is situated there. In addition to the pit which has a yearly output of 200,000 tons, only one kaolin purification plant has been constructed in the country. The output of kaolin, enriched from the deposit, amounts to 20 percent.

The deposit "Maria" comprises homogeneous raw material which separates easily through purification at the processing plant. The deposit's location in relatively good hydrogeologic conditions facilitates its exploitation. At the processing plant "Surmin" in Nowogrodziec, we obtain, through purification and processing, the following types:

--ceramic-type kaolin which is used in the production of medium quality china, semi-vitreous chinaware and bathroom fixtures;

--paper-type kaolin bleached chemically to an 80-percent-degree whiteness and paper-type kaolin for coating;

--ground kaolin used in the rubber industry and in the production of glass fibers;

--kaolin used in the production of refractory materials.

From the process of kaolin purification, we obtain in addition to the major products (kaolin), the so-called waste products and by-products, namely: glass-making sand of a very high quality (about 35 percent); considerable amounts of construction-type sand and ceramic type mud. The combined utilization of the kaolin deposits is therefore, very high and amounts to about 90 percent.

The processing plant situated at the deposit "Maria," the only such plant in the country, has a yearly output capacity of about 45,000 tons. This fact, when considered concurrently with the demand from industry for about 350,000 tons in 1980, unequivocally characterizes the situation in this area.

For many years, immense industrial shortages were covered exclusively by very costly imports. The value of imported kaolin in 1980 was approximately 50 million foreign-exchange zlotys. According to forecasts of the industrial branches which base their production on raw kaolin, the cost of imported kaolin would have to increase up to 100 million foreign-exchange zlotys. Moreover, it should be added that we bring in currently from the second payments area [capitalist countries] about 30 percent of all imported kaolin

that the price of this raw material is steadily increasing and that it is not easy to buy it. It is equally difficult to obtain kaolin in the CEMA countries.

We have in our country an explored and documented base of kaolin raw materials that has a total reserve amounting to more than 180 million tons; this ought to put us in the ranks of the so-called kaolin potentates or at least free us from the dependency on costly imports.

For many years, our industry has had a prepared and documented technical-economic draft for the proposed and programmatic expansion of the existing pit at the site of the deposit "Maria" and for the construction of a new, large processing plant which would have a yearly output capacity of 200,000 tons of kaolin. In addition to the output of 200,000 tons of kaolin yearly, this draft also outlines the comprehensive utilization of the deposits and the output, in the technological process, of a significant amount of glass-making sand (the volume being equal to the yearly output of a large glass-making sand pit, that is, about 400,000 tons yearly) and construction-type sand. This draft also takes into account the construction of a silicate-brick plant which will have an output capacity of about 100 million ceramic units made from sand which will be obtained in the kaolin purification process.

Financial outlays for the above-mentioned investment project (pit plus processing plant on the site of the deposit "Maria") have been estimated in 1974 (the year in which the draft was prepared) at 2.8 billion zlotys. Obviously, the amount of outlays will have to be updated. According to preliminary estimates made by the Industrial Branch Design Office, the cost will amount to approximately 4 billion zlotys. First of all, however, there is the need for a manly decision. All the efforts that the glass and ceramics industry has made over the years--an industry for which kaolin is a to be or not to be issue--have been scuttled. I am aware of the fact that the economy is not capable of facilitating investment decisions. However, firstly if we bet on fields which allow us to become independent of foreign countries--then the glass-ceramics industry is such a field--and it would be impossible to develop it without kaolin. Secondly, even in a difficult economic situation, and perhaps because of it, cost effectiveness ought to be given special consideration.

Otherwise, it will continue to be, as ZYCIE GOSPODARCZE has once written, "black on white kaolin." And this was in 1975!

CSO: 2600/455

ROLE OF PRICE POLICY IN ECONOMIC DEVELOPMENT

Bucharest ERA SOCIALISTA in Romanian No 4, 20 Feb 82 pp 5-7

[Article by Ion Tulpan, chairman of the State Committee for Prices: "Price Policy in Support of the Development of the National Economy and General Well-Being"]

[Text] One of the fundamental orientations of our country's development during the current five year plan, as established by the 12th Congress of the RCP, lies in the more accentuated growth of the efficiency of economic activities by raising the degree of use of raw materials, materials and energy, by intensively using machinery and equipment, by reducing costs, especially material costs, and by increasing profits. In the actual achievement of these objectives which essential influence Romania's transition to the ranks of the medium-developed countries and the opportunities for continuing to improve the people's standard of living, a significant role is played by the system of prices, both production prices and delivery prices, that is used in the relationships between economic units, as well as retail prices, those prices at which goods are sold to the people.

In keeping in mind the important functions of prices in our planned economy, the party and state leadership, and comrade Nicolae Ceausescu personally, have given special attention to drawing up a price policy firmly substantiated by the careful study of reality and by the scientific understanding and interpretation of objective economic laws. In his report presented at the 12th RCP Congress, the secretary general of the party pointed out that we have to ensure a better substantiation of the correlations between the prices of basic products and the finished goods, beginning with the socially necessary costs and the prices on the world markets and with the need to make better use of raw materials, materials and energy. With regards to retail prices, it was stated that special attention will be given to maintaining the dynamics of these prices within strictly controlled limits, with increases in these prices being correlated with the provisions for increasing the people's incomes.

In fulfilling the congress's decisions, in the last 2 years, as well as in January of this year, at the initiative and under the direct guidance of comrade Nicolae Ceausescu measures were elaborated to update prices and to improve the correlations of prices in industry and agriculture. Since 1 January 1981, updated production and delivery prices have been applied in industry, transportation,

construction and agriculture which kept in mind the requirement to accentuate efforts to reduce production and trade costs.

The need to update production and delivery prices in industry was principally brought about by the general trend of increases in the costs of raw materials, materials and fuels, both on the international level and in domestic production. This was a situation that was in contradiction with the existence of certain low domestic prices for products in the primary branches, prices that represented a distorted picture of the efficiency of these branches of the economy and did not stimulate the economic units in the rational use of raw materials and fuels and the reduction of material consumption.

As is known, beginning in 1973, the phenomenon appeared in the world economy that has come to be known as the energy crisis and that has been marked by the explosive growth of foreign prices for energy products, and especially crude oil. Paralleling this, foreign prices have also increased for a series of basic raw materials, as shown by the table below:

Foreign Price Indices (1973 = 100)

| | 1977 | 1980 |
|---|---|---|
| - Crude oil | 342 | 862 |
| - Iron ore | 108 | 203 |
| - Coking coal | 183 | 293 |
| - Metallurgical coke | 220 | 419 |

Similarly, there has also been a growth in the costs for raw materials stemming from domestic production, primarily and objectively brought about by the mining of certain deposits having a lower level of useful mineral substance content and more difficult mining conditions. Thus, between 1973 and 1980, costs increased by 62 percent for below-ground lignite, 127 percent for crude oil, 72 percent for coking coal and 28 percent for iron ore.

Under conditions of continuing increases in import prices and domestic costs, the production and delivery prices established at the general rebasing of these prices in the 1974-1976 period became inappropriate, being exceeded by actual costs. At the levels of the old production and delivery prices, the extractive industry recorded losses while the import of raw materials and materials was financed to a significant degree by the state budget. In a practical sense, the total costs of approximately 70 billion lei were financed from the budget instead of being reflected in the prices.

As a result, the production and delivery prices no longer fufilled their role of evaluating the efficiency of production, investments and foreign trade and they did not work as a stimulating factor for the proper operaion of the new economic-financial mechanism. The delivery of oil, coal and other raw materials at prices lower that their real cost, without ensuring a minimum profit, does not, first of all, stimulate the enterprises' activities in the development of domestic raw materials and, secondly, it accustoms the enterprises to the idea that this is a problem for the state, which has to finance them regardless of

the production costs. At the same time, the use of certain underevaluated prices for raw materials and fuels has a distorting effect upon costs in the processing branches, which, under these conditions, earn very large profits, a portion of which does not stem from their own efforts but from the state budget's financing of certain production costs for raw materials and fuels. In 1980, for example, while the extractive industry was being planned overall with large built-in losses, the machine building industry had a level of profitability of approximately 40 percent and the light industry had one of approximately 33 percent, which was totally abnormal.

Without going into the technical computational details, we can point out that within the framework of the updating that took effect on 1 January 1981, the new production and delivery prices in industry were calculated on the basis of planned costs, as determined according to technical standards and subjected to a critical analysis. Imported raw materials and materials were taken into consideration according to the foreign prices outlined in the plan, at different levels of return by groups of products.

As a result of all these measures, there was a noticeable increase in the prices of the raw materials from the extractive industry, as well as those being imported. For its part, this brought about an increase of 2.6 times over in the prices of petroleum products, 1.36 times over in electrical energy and 1.6 times in thermal energy. In the final processing branches, the new production and delivery prices were maintained, in general, at the levels of the previous prices. Nevertheless, certain adaptations took place that were required in ensuring certain rational correlations or correlations imposed by the rise in the costs of raw materials, fuels and energy, increases that could not be covered within the limits of the old production and delivery prices.

For the overall national industry, after the updating of the prices the production and delivery prices increased by 13 percent while the average profitability level was established at over 20 percent. Within the framework of this profitability, the extractive industry, the crude oil processing industry and the electrical energy industry had a profitability level of between 6 and 10 percent while the in the final processing branches the level was higher, up to 30 percent, such as in the machine building industry. Nearly all products were made profitable, certainly on the condition of achieving the planned costs and production levels, thus eliminating financing from the state budget to the tune of tens of billions of lei. Finally, corresponding to the increases in the prices for fuels, energy and other materials, the charges on the transportation of goods were increased by five to nine percent, as well as the estimated prices in the construction-assembly branch by approximately 12 percent.

The updated prices and charges provide favorable conditions for the firm application of the new economic-financial mechanism and for the strengthening of self-management and self-administration. There has been an increase in the role of prices in mobilizing the economic units to increase efficiency. At the same time, the new prices permit a more judicious reflection of the contributions of the different branches to the creation of the social product and national income.

The updating of production and delivery prices last year was accomplished under conditions of increasing tasks to reduce material costs in all the branches of the economy. To do this, special measures were adopted in all industrial units to redesign those products having an exaggerated level of consumption of materials and energy, to improve production technologies, to increase product quality and to better use all material resources, including reuseable resources.

As is known, in 1981 new price increases occurred for some raw materials that we import and which make it absolutely necessary to modify domestic delivery prices. Similarly, in the extractive industry, as a result of the factors noted earlier, prices have continued to increase. In the table below, we show the increases in the foreign prices and the domestic costs for the major raw materials in 1981 compared to 1980 (which equals 100):

| | Index for Increases in Foreign Prices | Index for Increases in Domestic Costs |
|---|---|---|
| - Iron ore | 124.6 | 113.4 |
| - Coking coal | 121.2 | 107.5 |
| - Coke | 103.9 | 153.5 |
| - Energy-producing coal | - | 102.3 |

In addition to the raw materials mentioned in this table, in order to have a better use of our country's natural gas reserves, keeping in mind the growing demands of domestic consumption and the limited nature of resources, the need appeared for a better correlation of the price of natural gas with the prices of the other fuels, beginning with the use value of natural gas. Compared to the price of lignite and taking into consideration caloric ratings, the price of natural gases used as fuel is three times smaller. If we also keep in mind the fact that the price of natural gases used as raw materials is three times smaller than that of natural gases used as fuel, the lack of price correlation is clearly seen. As a result of this, there is a distortion of the economic efficiency of those products whose production process uses natural gases as a raw material or fuel, including electrical and thermal energy.

We have presented several main causes that made it necessary to have new modifications to the production and delivery prices for domestic and imported raw materials and fuels, for electrical and thermal energy and for certain chemical products and construction materials, as well as to certain charges in the transportation of goods and estimated prices in construction-assembly activities.

Specific aspects refer to the prices of agricultural products. As is known, important increases have occurred in the costs of agricultural production in the last 10 years as a result of the readjustment of prices for industrial products slated for this branch. Thus, as a result of the revision of prices for production equipment delivered to agriculture by the machine building industry, in 1976 the average price of a wheeled-tractor increased by approximately 22 percent while the average price per horsepower increased by approximately 12 percent. Similarly, the price for fuels increased approximately 200 percent.

Following the updating of prices in industry, in 1981 the costs in agriculture increased by approximately 5.6 billion lei as a result of the increases in prices - as has been pointed out - for electrical energy by 36 percent, for thermal energy by 60 percent and for fuels and carburants by nearly 300 percent. At the same time, during this period significant raises in salary were given to the workers in agriculture. In 1982, as a result of increases in the foreign prices for certain imported raw materials to increases in domestic production costs, new price increases will be necessary for energy, chemical fertilizers and other products that are delivered to agriculture.

On the other hand, the prices for agricultural products have not been changed for grains for over 20 years and for animal products the last more significant change was made in 1973. In this situation, losses were recorded in many agricultural units, both for crop products and for animal products, which do not provide incentives for the producers to increase their production and deliveries to the state.

In order to provide certain more stimulative prices, in 1981 within the framework of the actions to update production, contracting and acquisition prices, prices in agriculture were increased on the average by 12 percent, which represented an increase of approximately 10 billion lei.

Beginning in 1982, new measures are being applied to stimulate agricultural producers by granting bonuses that overall represent an increase in the prices in agriculture by over 15 billion lei. Therefore, overall, in 1981-1982, the prices in agriculture for crop and animal problems will increase by over 25 billion lei.

The increase in prices creates the conditions for carrying out profitable activities in all agricultural units and sectors, which will stimulate the agricultural producers to increase production and deliveries to the state. In this situation, conditions are created for the consistent application of the new economic-financial mechanism, self-management, self-administration and self-financing.

The sum of over 25 billion lei by which the purchase prices in agriculture will increase will influence the costs in the industrial branches that use agricultural raw materials, as well as the costs of the vegetables and fruits that are sold unprocessed to the populace. As a result, under conditions of maintaining the current production prices, significant losses would be recorded in these industrial branches.

This situation is especially obvious in the food industry, which receives the greatest impact of the increases in agricultural prices. Just within the framework of the Department of the Food Industry the costs are going up by over 30 percent, which would cause many products and even economic units in this sector to go over to the "loss" column. Thus, the Industrial Central for Oil would record losses of over 11 percent, the Industrial Central for Meat -

over 15 percent and the Industrial Central for Milk - by over 25 percent. Some products in the food industry would record even greater losses. Thus, for sugar, milk, cottage cheese, lamb and others the calculated losses would reach 25 to 30 percent.

This situation contradicts the principles of the new economic-financial mechanism.

As is known, the basic requirement of the new economic-financial mechanism lies in the consistent application of self-management, self-administration and self-financing. This requires that judiciously-sized prices will ensure the recovery of actual costs for each product or activity and the making of an appropriate profit that will allow the creation of the funds needed for the normal operation of economic activities. Ignoring the laws of carrying out a profitable activity can bring about undesired repercussions both for the producer enterprise and for society overall. Comrade Nicolae Ceausescu pointed out: "In the socialist system, profitability is no longer a private question for different enterprises, but a fundamental problem for all of society. Every economic activity must correspond to certain concrete requirements of society and respond to certain real needs of the people's material and spiritual life, ensuring, at the same time, the continuing growth of national wealth and national income."

The clear result is that the objective increases in costs in the food industry by approximately 30 percent require a corresponding correlation between these costs and the production prices, in other words, an increase in production prices. It is necessary for us to stress that the increase in production prices does not reduce, on the contrary, involves new tasks for the economic units in decreasing the amount of production costs, material consumption levels and manpower and increasing labor productivity, whose results must be the reduction of costs, the fundamental element upon which the efficiency of the entire economy depends. Thus, what is being asked for is an intensification of the efforts to continue to reduce production costs, especially material costs in industry. At the same time, in agriculture it is necessary to have an increase in crop and animal production and an increase in per-hectare and per-animal production so as to achieve a reduction in costs per unit of product. Special attention must be given to improving product quality. The people must receive good quality products for the price they pay, prices that will cover costs and will provide an appropriate profit to the respective units, according to the conditions that served as a basis for establishing the prices.

The new changes that are necessary in the area of production prices must be applied concomitantly with the measures to further reduce production costs. At the basis of the new production prices, we cannot have just any type of costs - as is seen in the current laws. Prices must be substantiated on critically analyzed costs, from which any negative influences must be eliminated that are brought about by exceeding standard levels of material consumption

and labor, by not completely using production facilities and by having a non-judicious assignment of the production of certain products, waste, unjustified administrative costs and so forth. The changes to production prices, by correlating them with actual costs, creates conditions for the full application of the new economic-financial mechanism in all production units and stimulates the growth of production and an increase in product quality. This is fully valid for those products slated for production consumption, investments and export, where, according to law, the delivery prices are equal to the production prices.

In the case of consumer goods that are sold to the populace, the changes in production prices do not resolve the problem of eliminating losses. The unchanged maintenance of retail prices, under conditions where the modified production prices or even the costs are greater, brings about losses for the producer enterprises and slows the growth of production, since the amount of losses increases proportionally with the amount of products produced. Because of this, the achievement of the final goal of economic activities in our society is slowed, that is, the satisfaction at an ever higher level of the people's demands. It must be pointed out that for numerous agricultural products the current retail prices were established many years ago and have remained unchanged although production costs have experienced significant changes. For sugar and sunflower oil, for example, the current retail prices date back to 1952, while during this timeframe costs have recorded a 100 percent increase for sugar and 50 percent for oil.

Keeping in mind the average 30 percent increase in costs, the trade costs and the other elements that are added to the costs, the retail price for food products would have to increase by 35 percent on the average. As we have pointed out above, the costs by product have increased in a different manner. As a result, the new retail prices will be increased in a differentiated manner, some above the average listed above and others below this average. On this occasion, a better relationship will also be achieved between the prices of different products, eliminating a series of anomalies that still exist in the retail prices of certain products.

At the same time, the increase retail prices for food products will result in the achievement of a balance between the people's incomes and social costs, which forms the basis for the prices of products. This measures is based on the increases in production prices and the prices for contracting and acquisition in agriculture, which will ensure stimulating producers to increase agricultural and industrial production.

As comrade Nicolae Ceausescu pointed out in his speech at the recent joint working session of the RCP Central Committee and the Supreme Council of Economic and Social Development, the increases in retail prices for food products are accompanied by appropriate compensations that are differentiated according to the category of workers in such a way that, overall, the

growth of real income in 1982 will be by 1.5 percent. Correspondingly, there will also be increases in the other real incomes of the populace. In this manner, the increases in retail prices for agro-food products, as a result of increases in acquisition and contracting prices and other production costs in agriculture and the food industry, will not affect the workers' incomes, while at the same time constituting an important factor for stimulating production and improving food product quality, for the purpose of more fully satisfying the people's consumer needs.

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NEW DIRECTIONS PLANNED FOR ZOOTECHNICAL SECTOR

Bucharest REVISTA ECONOMICA in Romanian 26 Mar, 2 Apr 82

[Article by Prof Oprea Parpala]

[No 12, 26 Mar 82 pp 15-16]

[Test] Raising animals always has been linked with the land. From time immemorial, our forefathers moved their flocks of sheep, depending on the season moving between "mountains" (summer, on the meadows) and "marshland (winter, on fodder). The large quantities of secondary products from the grains (hay and later, following introduction of the corn crop, husks) were changed into wool, cheese and meat--not through transporting them great distances but by bringing the sheep (not with expensive means of transport but on their own feet) to the place where this fodder was produced. Later cattle raising for meat also was organized through utilization of natural hayfields at the place of production. Raising of horses,which were the main traction force in agriculture, increased the degree to which the animal was "linked" to the earth, since it facilitated moving the raiser to the seasonal fodder zones.

Considered through the prism of current restrictions, our peasantry's tradition once again has proven worthy of being deepened, reinterpreted and utilized.

The speech delivered by Comrade Nicolae Ceausescu at the 22 January 1982 RCP CC working meeting was a turning point in working out concepts on the coordinates for development of animal raising in Romania, in agreement with the traditions of the Romanian peasant , with world practice and with the needs and possibilities of Romanian agriculture.

The Limits of Industrial-Type Technologies

The revolutionary nature of the coordinates for reorganizing thinking in the organization of zootechnics in Romania is brought out by the fact that they are being planned at a point where the modernization of world agriculture has promoted one of the greatest paradoxes: raising animals without providing one's own fodder base by creating industrial combines where the foddering is done only on the basis of products received from outside them.

Undoubtedly, the model for industrial production in animal raising (particularly hogs and chickens) promoted in the last 20 years in Romania meant a remarkable

technical advance in raising methods, carried out in particular in:

Rational nourishment for the animals on the basis of balanced fodder ratios as a result of the development of the combined fodder producing industry;

Genetic improvement in animals by crossbreeding which led to the creation of highly productive types and lines with a high coefficient of conversion of fodder, with more rapid and prolific growth, producers of high-quality meat;

Improvement in veterinary assistance, particularly preventive (which replaced the curative, which was impossible to apply to a large number of animals concentrated in the same unit) , through construction improvements (fresh air, evacuation of waste, profilaxis and so forth);

Organization of animal raising in big "batches" ("on the conveyor belt"), which facilitated the technological process and contributed to raising the efficiency of the work done by the caretaker;

More efficient management of production resources, which generally has led to a lower production cost compared with the farm system;

Improvement in the entire "food chain," including that of the enterprises upstream and downstream of the industrial combine.

These positive consequences , however, not only cannot be considered satisfactory in their totality, but their positive effect itself has been limited by the lacks of the system. Generally, one may say that the difficulties which appeared in generalization of this system, due to the hindrances placed by the faster growth of animal production, once again show how harmful it can be to import technologies which are not in agreement with national possibilities and with the tradition of our pea santry.

First, the industrial system of animal raising is based exclusively on cereal products, subject in advance to processing and protein enrichment in the combined fodder factories, a fact which, at the same time, has led to an increase in the consumption of concentrated fodder and investments headed for the entire industry which produces combined fodder and to an underestimating of the old fodder-producing systems. The party's secretary general, Comrade Nicolae Ceausescu, pointed out at the meeting mentioned: "Even in the places where we had good experiences in the past, the particular fodder technologies were abandoned and new systems were adopted, ones which led to a 50-percent increase in consumption, even doubling it. In a totally inadmissible way, in contradiction with Romania's realities and with world practice, the Ministry of Agriculture neglected the pastures and hayfields and the consumption of raw fodder, claiming that zootechnics cannot be done except with concentrated fodders."

The transporting of raw materials (corn, barley, soy and so forth)--sometimes great distances--from the place they were produced to the processing place (the combined fodder factory) and the transporting of preparations to the place of consumption bring great expenses which increase the delivery price of the combined fodder in a proportion higher than the one in which the primary fodder

is enriched in order to increase its nutritional power. For that reason, reducing the consumption of fodder by product unit was not also accompanied by a proportional reduction in production costs. And what is more, the transporting of supplies, the processing of raw materials and transportation of sales of combined fodder required large energy consumption, with the factory to a great extent replacing the biological energy which any animalgave out in order to be fed.

Second, the system of raising animals "without land" not only led to an artificial break between vegetable and animal production within agricultural operations, it naturally proved to be an average system, identical from one production zone to another, while the rule in agriculture is diversity, that is, adaptation of production systems to local conditions and resources. In time, uniformity became a hindrance in the path of utilization of the various resources of agricultural production not only in different zones but even within the same zone, limiting the ability at management by the organizer of the production process, which became dependent on outside supply. Inventive and innovative thinking often was replaced by the worker's platitude, with the animal being viewed like any other inanimate means of production. The lack of care with providing a varied fodder base, one that was rich and appropriate, not only limited the spirit of initiative but also encouraged the lack of responsibility in work, since someone outside the enterprise became guilty of all the shortcomings.

At the same time, despite the prophylactic measures adopted, the concentration of large number of animals in a restricted space considerably increased health risks. It was no accident that an increase in the percentage of mortality is found in our zootechnics according to the rise in the level of concentration of animals in the industrial-type combines; curative measures which can have positive effects in the case of having the optimum number of animals, become useless on concentrations of tens of thousands or even hundreds of thousands of animals. For that reason, rightfully, the move in recent years was to build "branches" or "satellite farms" of the big combines, spread out over dozens of kilometers, which, at the same time, permits a rational system of fodder supply to be organized.

With time, the big combines (especially for hogs as well as poultry) became a source of environmental pollution, which goes against the very nature of agriculture. Evacuation of waste (of which some, such as that of hogs, cannot be used immediately as natural fertilizer) became not only a complicated technical problem but also a problem with serious social-economic implications for the environment and for the surrounding population.

From an economic viewpoint, the system of raising animals "without land" is proving to be fragile in many more aspects.

First, it is a raising system based on substituting the labor force through big investments. A place of work (evaluated by the investment needed for the area built and set up, on which the caretaker does his activity) rises to thousands of lei. Not accidentally, it was implemented and extended in the zootechnics of one country (the United States, from where it was "imported" by the European countries), where the limitating factor of the production process is not capital, but the labor force. But big labor force resources, unused, still exist in our

agriculture (including on the personal plots), ones which can be utilized on a high level through the more powerful development of animal raising on traditional bases. Industrial systems limited the possibilities for domestic migration of the labor force in agriculture (from vegetable to animal production) as well as more complete use of the labor force already working in zootechnics.

Big investments were also necessitated by the creation of artificial living conditions for the animals (particularly for poultry or milk cows): light all through the day, continuous ventilation, heating and so forth and all these require large energy consumption and weaken the resistance of the animal's organism to various diseases or to a simple draft, which many times caused large losses through mortality.

Finally, in a period in which the request for grains for food is increasing on the world market (with Romania able and having to become a big grain exporter again), while their price and that of soy is continually rising, the dependence on raising animals exclusively with "grains-soy" would make the influence of price fluctuations on the world market felt considerably on the production expenses and, thus, production costs in zootechnics.

A Critical Reconsideration of Industrial Systems

For that reason, in the majority of western countries where the industrial raising process ("without land") of the animals has reached too advanced a stage, a critical reconsideration is taking place of the fodder systems and the degree of concentration of animals in the same enterprise. Both measures are caused by the concern wih not favoring the "land-animal" break, which endangers the utilization of fodder resources at the level of each agricultural enterprise and brings an exaggerated grain consumption in raising animals by misappropriating them from human nourishment as well as that of reducing the risk caused by diseases and other genetic factors and by the environment or that of environmental pollution.

In this context we have the recent "cassava war" caused by the importing of cheap cassava (mainly from Thailand) by some members of the EEC, big animal raisers, which is competing with the expensive grains obtained in the Common Market. Considerations of economic efficiency as well as those resulting from the urgent need for a more rational use of grain resources of mankind (primarily in human nourishment) act in favor of cassava (a product rich in starch), whose importing for the foddering of hogs has risen spectacularly in recent years.

Much more significant are the "policies of structures" promoted by the western states in the animal raising area through adoption of economic and even drastic administrative measures which limit the concentration of animals at the enterprise level.

In Austria, a special authorization is needed to organize an intensive stockfarm for more than 400 hogs for fattening or 60 sows for reproduction; also, special authorization is required for the big farms for fattening cows, layers and roasters.

In Switzerland, in order to increase the percentage of zootechnical farms using their own fodder resources in animal production, new regulations went into effect in January 1980, ones which limit the number of animals and poultry. Following a 12-year transition period, the farmers who exceed the number of animals established will have to obtain special authorization or pay a supplementary tax. At the same time, prizes were introduced for the agricultural utilization of these lands for more intensive use of sloping lands for fodder purposes: 200 francs per hectare if the land is used to produce hay and 70 francs if it is used as pasture (including for lands utilized for moving the locks!).

In Finland, the big zootechnical farms pay special taxes; no authorization has been given since 1978 for organizing farms for more than 500 hogs or 4,000 layers, while a special authorization is needed for organizing a farm for more than 30 milk cows. Restrictions were placed on the poultry farms with a capacity of more than 20,000 day-old chicks so that the number of chicks does not exceed a certain percentage of previous years.

In the Netherlands, a law adopted in 1982 regulates the number of big intensive animal raising farms directed by farmers whose main ac ivity is outside agriculture.

In Sweden, agricultural policy currently is seeking to limit the proliferation of big animal farms;since 1979, egg producer farms which possess more than 1,000 layers per year pay production taxes according to a progressive rate (the tax reaches the maximum level of 50,000 layers), while at the end of 1980 a corresponding restriction was introduced for pork producing farms (by increasing the prices paid to the operators who raise less than2,500 hogs per year).

Of course, the problem is not being posed for mechanically taking over the measures, particularly since socialist ownershipopens new prospects for the optimum size of the enterprise and concentration of animals. However, it can be interesting and useful to take into consideration the trend and critical reconsideration of the animal raising systems which are demonstrated not only in theory but also in international practice.

[No 13, 2 Apr 82 pp 15-16]

[Text) What are the new coordinates intended to revolutionize thesystem of animal raising in Romania so that the increase in production is also accompanied by an increase in the profitability for the animal raising units?

First in importance is the problem of the fodder base, since animal raising is nothing more than a transforming biological industry, one which enriches vegetable products in the form of the most valuable component of human food ratio--animal protein.

Providing and Balancing the Fodder Base

Under current conditions of the energy crisis and world food crisis, what is needed in the forefront is imp ovement in the structure of the fodder base by

an orientation toward the cheaper fodder resources to a greater extent (even on a priority basis) , whose inclusion in the production circuit requires more intensive utilization of the entire land fund. Of course, nobody denies the importance of grains for the development of modern and intensive zootechnics; for that reason it is forecast that at the 1985 level we should have available 4-5 million tons of concentrated fodder. But, at the same time, resources with an unused potential and which can produce cheap fodder must be utilized.

Among them primarily are the more than 4 million hectares of pastures and natural hayfields, and if they are not utilized one cannot conceive of zootechnical development. Unfortunately, exaggerating the role of grains in the structure of the fodder base in Romania led unjustifiably to neglect of the utilization of their production potential. The current output is more a gift to nature, since improvements which were necessary were ignored. One should not forget that in the very country with one of the greatest per capita grain productions--the United States--the pastures and natural hayfields hold a central place in the hierarchy of fodder consumption (nearly equal to the grains), providing fattening for a large number of cows at a reduced production cost, with minimum expenses for foddering, care, shelter and so forth.

Eliminating the attitude of disinterest in the improvement of pastures and natural hayfields is required as a primary measure. Of course, accomplishing the program to utilize the pastures and natural hayfields by increasing the areas, fattening and super-fattening as well as the annual introduction of an area of nearly two million hectares of hayfields and pastures in the crop rotation require supplementary investments.

The results obtained in the production units confirm that fodder production per hectare of pasture and natural hayfield--even under plains conditions--can be tripled by applying improvement measures. Under conditions of rational pasturing, increases in weight of 700-1,000 grams per day for cows (comparable with what is obtained in the industrial system and production of 700-900 kg of meat per hectare for a vegetatation period can be obtained on well-maintained and well-fertilized pastures in the valley zones. Also, there is nearly no fodder crop (even grain) which utilizes chemical fertilizers as well as natural pastures. By the increase in fodder obtained and consumed by cows, 1 kg of nitrogen gives 1 kg of meat, an equality which is not even encountered in the corn crop. Important effects also are obtained by using certain simple and cheap methods for improving the natural pastures.

Obtaining a balanced fodder base to correspond to the production directions in our agriculture will be insured by completing the fodder resources mentioned with more than a million hectares of fodder plants. In reviewing the plans for crops for each county and agricultural unit so that, starting even in May the necessary products by breeds of animals are insured for their appropriate foddering, it is necessary to bear in mind such a structure which combines the big energy-producing crops with the big digestible protein-producing ones, thus, a rational combining of the quantity and quality of the harvest of fodder plants per hectare would be obtained. In Romania's conditions, fodder plants which have the greatest output of energy production per hectare are fodder beet and silo corn, while those which give the greatest output of digestible protein are lucerne and clover. With regard to production costs, these same crops are

at opposite poles: the smallest production cost for energy producing crops is from silo corn and fodder beet, while the smallest cost per kg of digestible protein-producing crop are lucerne and clover. Between them, silo corn separated from the stalk and the husks offer the advantage that double or successive crops can be planted. But, at the same time, one cannot bypass the fact that the transporting and storing of silo corn require large energy consumption in a short period of working time, which has meant that at a given time reserves of this crop appear (both at the world level as well as in Romania), arried out in a reduction of the areas cultivated. But, since corn is among the plants with the highest coefficient of conversion of solar energy, it currently has made a comback as an ensiloed fodder plant without its reducing the need to reduce expenses for transporting and storing or a balance with fodder plants which produce protein--a balance without which we would reach an overcomsumption of fodder and an increase in zootechnical costs.

Under these conditions, extending the areas of leguminous perennials in pure crops or mixed with gramineous perennials, up to a minimum of 60 percent of arable areas planned for the fodder base, is able to provide the protein balance for the fodder base as a whole. Particularly valuable is the lucerne crop, which even surpasses soy in its production of digestible protein per hectare and which, as flour, can even be administered in the hogs' fodder.

Practicing successive crops on all appropriate areas, parallel with extending and intensifying the semi-sweetened fodder beet crop (by fertilization and irrigation from local resources), turnip cabbagefodder cabbage and fall rape in the zones which havefavorable pedoclimatic conditions for obtaining high output, will contribute to the development and diversification of an efficient fodder base.

Precisely for that reason, the areas of fodder crops and fodder production, expressed in quantities and nutritional values, are indicators of the single national plan for Romania's social-economic development.

As far as potatoes are concerned, given their still high production cost as well as the competition between animal foddering and human food (and the processing industry), their utilization of a broader scale is indicated only in the main zones for the crop and only from the categories of quality which cannot enter into food consumption.

Under conditions in which grain production in Romania is the main vegetable branch, we have available large quantities of secondary products (straw, stalks, husks); in their utilization as fodder, the Romanian peasantry has an old tradition which, unfortunately, is still underestimated. (Also, the countries which have practiced modern zootechnics for a long time--such as the GDR--have brought up to date the installations and methods for preparing and enriching the straw, with this resource becoming a required component in the fodder for cows and sheep). Corn stalks, for example--broadly used in the winter foddering of animals in our peasants' farming--have an energy value equal to that of average-quality hay. However, initiative and a managerial spirit are required from each head of an agricultural unit because, using simple and inexpensive installations, the rise in nutritional value and superior utilization of these important fodder resources are insured.

An Adequate Maintenance System

A new structure for the fodder base also requires a new system of foddering and, thus, one of maintaining the animals. It is clear that the installations and mechanisms in the current industrial-type combines do not correspond to the new foddering tehhniques. Of course, the problem cannot be posed of rejec ing these goals but they must be adapted to the new foddering techniques through simple arrangements which permit the move to be made to the new foddering system and system for keeping the animals even by the second half of this year. In this way not only a rational foddering can be achieved but also large savings of energy for lighting, heating and so forth, bringing the animal closer to his natural environment for growth and reproduction.

Special mention must be made of the problem of preparing and using the paste from the corn stalks which, particularly in the big combines for industrially raising the animals, becomes the basic fodder (with combined fodder being changed into complementary fodder) and which is prepared from the stalks harvested several days before reaching full maturity (35-40 percent humidity), with the storages being in special silos built even next to the hog stalls. The move to this system of mixed foddering, in which the paste of corn-stalks has the greatest share, has important advantages both for the producer (the harvesting campaign for corn goes ahead, the output of the combines increases and harvesting losses are reduced; expenses and energy consumption are eliminated for the transport of combined fodder to the factory and then to the complex) as well as for the beneficiary (providing good-quality fodder on time, at a lower cost.

At the same time, a more careful review of current plans is needed for zootechnical construction, which still are abusing cement and other energy-consuming materials, keeping the high investment per animal. Construction is not the decisive factor in obtaining high productivity per animal and a high quality of product, but the quality of the animals, the foddering and care. Without neglecting the shelter element, which still is a production factor, we sho ld go along the line of the simplest possible arrangements which, by providing appropriate health conditions, at the same time permit obtaining a high level of labor productivity.

Of course, the density of animals per square meter as well as the circulation of many groups of animals (as a result of intensive fattening) also affect the efficiency of investments for construction. Thus, physical production (milk, meat and so forth) obtained per square meter of construction or for a thousand lei investment for zootechnical construction may become an important indicator for the economic efficiency of investments in this area.

Adjoining animal raising with the cultivation of crops in the same agricultural unit also poses the problem of storing in a new way, including special constructions for storing fodder, particularly voluminous: silo corn (including the paste), beets, potatoes, turnip cabbage and so forth. Along with obtaining them with minimum investments per cubic meter storage capacity, special attention is required for providing high functionality both with regard to the conditions for quality storage of the fodder as well as reducing the expenses required for storing the fodder to the minimum and, then, foddering. Having the

fodder storage right near the place of consumption, particularly for the succulent voluminous fodder, and close to the stables is an urgent requirement not only for new zootechnical constructions but also for the old ones, which require technical and technological rearrangements.

Implementing the program for self-leadership and territorial self-supply brings to a new light the problem of priorities in the development of the various animal branches in relationship with the needs of the national economy and the possibilities for foddering and the existing numbers of animals. Under the conditions where the animals are changed more and more to be in competition with man in the production of grains, the entire world is demonstrating the trend of faster development of cattle raising in particular; also, in many countries--even the developed ones--a reconsideration of sheep raising is taking place. The phenomenon is explainable if we take into account that both branches are based mainly on the utilization of the natural fodder base (pastures and natural hayfields) as well as on superior utilization of secondary products from agriculture. For that reason, in the modern, multilaterally developed zootechnics, shee raising in particular holds the central spot. At the same time, large quantities of meat for having a good balance of meat for the country from both branches, besides the main product--milk or wool.

For Romania's current conditions the need for priority development of these branches is emphasized also by the following circumstances. In cattle raising, the last animal census brought out the reduction in numbers (compared with 1981) by 180,000 head, under conditions in which the minimum slaughtering weight is 400 kg. Under such conditions, in order to provide the base needed for broader reproduction of the number of cattle so that the per capita need for meat is satisfied at the level of scientifically substantiated consumption standards, it is necessary to reduce the slaughter of cattle in the next two years so that an increase in the number of cattle headed for slaughter at a weight not less than 400 kg is insured. The number of hogs we have available insures even obtain ng an increase in meat production in order not to kill the cattle below the minimum weight and in order to obtain the number of cattle for slaughter as provided in the self-supply program for 1985.

With regard to sheep raising (where the numbers rose by 2 million head in a single year), fine wool production is not covering domestic needs (being forced to import it). For that reason, further increase in the number of sheep with pure wool also gives this branch a priority nature.

Involving the population's plots to a greater extent (and not just those of the cooperative members) in the development of animal raising with a view to insuring self-supply (through self-production) is creating new relations in the agricultural production cooperative and these plots in the sense that the agricultural production cooperative is coming to the aid of them by placing at their disposal quantities of concentrated and raw fodder (along with the fodder which the cooper tive member obtains by lots for his personal use). In this way it is becoming possible for all village residents to raise cattle and sheep. At the same time, a change in the structure of number of animals raised on the personal plots is also planned by introducing new specialized breeds of sheep in milk production. At the output which they have, five sheep can insure the

milk production generally obtained from one cow, however, with the advantage that they are easier to fodder and maintain than cows.

The New Professional Profile of Animal Raisers

The organization of highly productive zootechnics always and everywhere has meant the existence of wise raisers who are attached to their profession and who have a love of animals. More than the crop grower, the animal raiser is called on to carefully shape the living organisms he has in his care. For that reason, the zootechnical specialist profession is valued all over the world and paid as such. One of the narrow spots in Romania zootechnics is precisely the lack of animal raisers who are highly qualified, persons who demonstrate attachment to their profession and the objects of their work. Unfortunately, in some places a completely alien mentality has appeared, alien to the traditional spirit of the Romanian people toward animal raisers. Measures to give this profession incentives through the new system of payment for work in the agricultural production cooperative as well as for returning to agriculture (in order to work in zootechnics) for some industrial unqualified workers can be a serious base for providing qualified workers for this important agricultural branch.

Yet, as for agriculture as a whole, in zootechnics we are approaching the point where the old generation of cooperative members will have to be replaced by a new one with high professional qualifications. In this context, it would be necessary for the network of agroindustrial secondary schools to be more clearly oriented toward training the new workers for agriculture. The current instruction system in these secondary schools, more theoretical, where the pupils' practical training boils down to sporadic participation in work in the agricultural campaigns(as students in any profile) is not capable of contributing to the solid training of zootechnical specialists with a love of their trade and of animals. Perhaps it would be good to reconsider the experience of the old agricultural schools or secondary schools of Romania, which had available an agricultural base (including a zootechnical base) which was their own, where all the jobs all through the year were done with the pupils so that they could familiarize themselves with the entire technological process. Even if it would not be possible to organize a zootechnical farm next to each agroindustrial secondary school, it would not be without interest to have the complete and permanent service of at least one animal stable for each breed on the neighboring agri ultural production cooperatives by the pupils from the agroindustrial secondary school.

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NEED FOR CONTINUED, EFFICIENT OPERATION OF MACHINERY

Bucharest ERA SOCIALISTA in Romanian No 4, 20 Feb 82 pp 8-10

[Article by Richard Winter, minister secretary of state in the Ministry of Technical-Material Supply and the Review of the Management of Fixed Assets: "The Continuing Operation of Technical Equipment in Industry With a High Level of Efficiency"]

[Text] The development of the national economy at sustained rates under conditions of the broad promotion of technical-scientific progress has brought about a continuing growth in the volume of fixed production assets, concomitantly with an increase in the complexity of technological processes and the ever greater use of certain installations, equipment and machinery that operate continuously and are highly technical in nature and dangerous when in operation. As a result of a significant volume of investments allocated from the national income, just during the last decade the level of fixed assets in the state socialist units have increased by over 2.8 times, reaching a value of approximately 2,000 billion lei, with the installed power in the energy system being increased by over 1.9 times. Special attention has been given to the harmonious development of all the counties in the country so that over this 10 year period in 17 counties that, in the past, were less industrialized the value of the fixed assets in the socialist units has increased by over three times and in three other counties by over four times.

A significant factor for the stage of development attained by the Romanian economy is the constantly higher technical complexity of the installations, machinery and equipment, as expressed by the increase in the degree of automation and by the ever greater use of certain electronic commands, hydraulic and pneumatic actuators and certain advanced technologies, using especially high pressure and temperature systems. All these factors considerably increase the importance of achieving a high degree of safety in the use of all fixed assets and require appropriate measures to have highly qualified personnel, both in the management processes and in the production processes and to strengthen the spirit of discipline and responsibility at each place of work.

Under these conditions, one can clearly see the vital importance for the national economy represented by the full use of our technical-production potential and the assurance of the proper operation of this potential by adhering to all the technical norms for the use, overhaul, maintenance and repair of equipment. The

fact that the production planned for 1982 is scheduled to be achieved at the rate of 96.5 percent using the facilities already in operation at the beginning of this year shows, once again, the special significance of taking all measures for the judicious administration of fixed production assets and for the maintenance of on-hand installations, machinery and equipment in running order and the avoidance of any accidental interruptions, damage or accidents, decisive conditions for the achievement of plan tasks.

As the secretary general of the party, comrade Nicolae Ceausescu, accurately stressed at the plenary session of the National Workers' Council in January 1981: "Let us concentrate our attention to a greater degree than up to now on the proper operation of existing facilities, on the attainment of projected parameters and on the achievement of maintenance and capital repairs on-time - essential problems for the growth of production, profitability and economic efficiency."

Through the measures that were applied by the enterprises, centrals, branch ministries and the other central organs with responsibilities in this area for the better use of facilities, the degree of use of certain technological equipment specific to certain basic branches of the economy recorded certain increases, ending up for the overall industry in 1981 at 91.3 percent, an increase in comparison to 1980 when this indicator was 91 percent. A better load level, one higher than the average for the economy, was obtained for Martin-type furnaces, gas separation installations, glass production installations, furnaces for ceramic and refractory products, and others, where the use of planned work time was over 95 percent.

Despite all this, for 130 large groups of complex installations, machinery and equipment in industry the planned extensive use indicators for 1981 were not achieved. Such as the case, for example, for the large wheeled cup-excavators in the open lignite pits, the seamless pipe rolling mills, the installations for producing lacquers and paints or for producing wood panels, the cotton fiber loom machinery and so forth, where the degree of use not only did not meet the plan provisions, but is below last year's level. The main causes that brought about such situations are both the shutdowns caused by accidental repairs and the failure to provide the necessary number of qualified workers for certain installations and machinery, and the disruptions in the supply process caused, primarily, by the failure to achieve the planned production levels in the supplier units.

Such situations have unfavorable influences directly upon the achievement of certain material resources listed in the plan's material balance and cause chain reactions in the most varied sectors of the economy. The implications that they bring about are known; for example, the failure to produce the required amount of lignite by several million tons upon the energy balance and the production of electrical energy, as well as the repercussions linked to the additional use of imported hydrocarbons. The use of other production facilities at low-load levels brought about minuses for laminated pipe, electricity, lacquers and paints, fabrics and others.

That is why, under the conditions of accentuating the process of going from extensive development to intensive development, it is required as an objective necessity to apply a group of measures designed to ensure the rigorous adherence to the rules for the operating, maintaining and repairing installations, equipment and machinery and the strengthening of order and discipline at work, especially in those units having continuously burining fires or that have installations that are very dangerous when in use, rules outlined in Decree No 400/1981, as approved by the Council of State and which provide the legal framework in this important area of our economic affairs.

An essential condition for maintaining fixed assets in operation is the rigorous adherence to the technical regulations regarding the maintenance, operation, overhaul and repair of installations and machinery. The reviews and analyses conducted recently by the specialized organs of the Ministry of Supply showed that in many enterprises and combines the workers' councils and the units' management are concerned for the preparation and carrying out of repairs, for the strengthening of discipline and responsibility in the operation of machinery and installations and for the adherence to the technical norms for maintaining this equipment.

Despite all this, it must be pointed out that in many cases the appropriate attention is not given to certain basic activities in daily or periodic maintenance, such as the lubrication of equipment, the cleaning of equipment between shifts or after loading charges and the changing of lubricants at the established timeframes. Also, lubrication schemes and schedules are not drawn up for all equipment and the technical procedures are not known regarding the use and maintenance of the machinery being operated. Such deficiencies, which could be considered by some people as minor, actually have especially serious consequences since they lead to the premature wear and tear on machinery and to the decrease in the precision of the work carried out or the quality of the products produced.

The fact that in the lignite open pits in Oltenia there was no appropriate maintenance and periodic overhauling of the complex excavation and transportation power equipment and that they did not adhere to the use procedures or turn over and accept the equipment at shift changes while making clear the technical status of each subassembly, these things caused, in 1981, numerous interruptions and accidental stoppages. For some complex installations in the metallurgical, chemical and other industries, they did not adhere to the technological discipline, the measuring and control devices were missing or did not operate, gases or steam were escaping from pipes and installations were kept in operation with parts or pieces of assemblies that had a high degree of corrosion.

For these reasons, there is full justification in the measures established by the recently approved legislation regarding the responsibilities of the leaderships of the economic units for carrying out on-time all maintenance, overhaul and repair operations, as well as the obligations of the workers and the

operations personnel to precisely understand and adhere to the operation and maintenance standards for the installations and equipment entrusted to them. At the same level of importance is the achievement of the general overhaul and periodic and capital repairs programs, among which those for the more important installations and equipment are listed in the unified national plan.

In connection with this activity, several more important aspects must be kept in mind.

First of all, as noted by the law, it is necessary to strictly adhere to the schedules established for all categories of repairs. It is the practice of the enterprises, centrals and ministries to sometimes delay the planned repairs repeatedly and for long periods of time, explaining such measures by referring to "production losses" that would occur. Experience has demonstrated, however, that much greater losses and damages are produced when the installations and power equipment that have not been repaired on-time accidentally "go down". In such situations, the interruptions are longer and shortages of parts, subassemblies and materials appear which lead, in the end, to greater production shortfalls than if the planned repairs had been conducted on-time.

The analysis of the manner in which, for example, repair plans were fulfilled for the basic power equipment for the production of electricity shows that in 1979 79 percent of the amount of planned repairs were achieved, while in 1980 the figure was approximately 57 percent, which, in recent months, caused an increase in the number of accidental shutdowns, with negative results in the entire economy. Similarly, the downtime for repairs has increased and for 58 energy production power equipment the downtime for repairs has gone way over the allotted time. This type of situation was also found in other units in all the sectors of industry.

Secondly, it must be strongly emphasized that there is importance in the appropriate and timely preparation of each repair job or general repair so that the planned stoppage will have all the material conditions and the required manpower. This problem takes on a qualitatively new content under the conditions of the increasing level of technology and complexity of the installations and equipment, as well as unified capacities of these equipment, since in most situations the preparations for such repairs or general overhauls can only be accomplished during the plan year in which it is scheduled to be carried out, but a series of measures must be taken long in advance.

These are large and complex subassemblies and components that have a long production cycle and that must be produced on facilities that have great demands upon them or are made from imported parts whose domestic assimilation requires the drawing up of documentation, the integration of certain special materials and the provisions of SDV's and working technologies, operations which, normally, require periods of time longer than just a year. It is

necessary, therefore, for the preparations for certain repairs of great complexity to be the object of long-term concerns on the part of each enterprise, central and ministry, while the Ministry of Supply, together with the State Planning Committee, will provide, on the basis of a detailed, item by item analysis, the means and facilities needed for preparatory operations, even in cases where this occurs prior to the year in which the repair is to take place. Similarly, we will also have to examine and make proposals regarding the improvement of the system for calculating net production in order to avoid the situation where the failure to carry out capital repairs favorably influences the fulfillment of this indicator.

It is known that it is not everything just to carry out repairs, but the important thing is that the repairs will be of the best quality. Only in this way do we have the guarantee of the proper operation of technical equipment. The conclusions of the same reviews show the fact that in a sufficient number of places there is no thorough pursuit of the qualitative level of the repairs that are made, something that is reflected at many enterprises directly in the failure to achieve production because of accidental stoppages. Thus, for example, at the large chemical fertilizer combines accidental stoppages annually cause damages on the order of hundreds of millions of lei. For example, just in 1980, at the Slobozia Chemical Fertilizer Combine the value of the production that was not produced because of this totalled over 150 million lei, and at the Turnu-Magurele Chemical Fertilizer Combine over 190 million lei. It should be remembered that in calculating these losses, consideration was not given to their negative, chain reaction effects upon the activities of the user units.

It is not necessary to have too many arguments in order to stress the importance of providing spare parts for the purpose of appropriately carrying out repairs. At the recent joint working session of the RCP Central Committee and the Supreme Council of Economic and Social Development, comrade Nicolae Ceausescu emphasized: "During last year's activities, it came to light that not all ministries, centrals and economic enterprises understood the justness and importance of the measures taken at the beginning of the year and they did not move fully decisively for the in-country production of the materials, parts and subassemblies needed in order to carry out production activities under good conditions."

Actually, in numerous cases the failure to achieve the repair programs has as its cause precisely the failure of the machine building enterprises or its own units that carry out the repair work to provide the spare parts and subassemblies on-time and in the sufficient numbers. In 1981, for example, just for the metallurgical industry the enterprises of the two machine building ministries recorded shortfalls in spare parts worth 208 million lei, representing 36 percent of the provisions in concluded contracts.

It must be emphasized that currently in the machine building units of all the branch ministries there are equipment and facilities that can ensure the production of a very broad range of spare parts. The use indices achieved for

machine-tools in 1981 show the reserves that we have in some sectors. For example, in the units of the Ministry of the Machine Building Industry, in the basic sections and tool sections these indices were only 82.8 percent and for the entire industry its was 83.9 percent. Thus, it is necessary, first of all, to have a better organization of the production of parts, the coordination of a judicious loading of existing facilities, the better scheduling of cooperation work and the provision of production documentation, areas where both the branch ministries and the Ministry of Supply will work more effectively and with greater efficiency.

Certainly, there are some spare parts and subassemblies, especially for series production items - trucks, tractors, locomotives, excavators, agricultural machinery and others - where measures will have to be taken urgently to eliminate certain "bottlenecks" and to ensure, in this way, the improvement of the supply of necessary spare parts in the shortest possible time, concomitantly with an intensification of activities to recondition used parts.

Situations were also found where the carrying out of certain capital repairs or general overhauls is delayed because of the failure to supply on-time certain metallic parts and other types of parts. This means that in this field both the branch ministries and the Ministry of Supply will urgently established the necessary amounts of materials that are missing for each planned repair and overhaul and will ensure the delivery from the county or specialized supply bases or the distribution from current production of these types of parts and the necessary amounts.

In accordance with the tasks that have been received, we are concerned with the improvement of the organization of coordination and execution activities in repair work and the application of approved measures regarding the centralized organization of certain repairs. Along this line of thought, it is necessary to have the appropriate employment of highly qualified personnel, both in the mechano-energy departments and in the sections where the repairs are actually done. Thus, there could be a guarantee for the full achievement of maintenance and repair work according to the technical norms in effect.

The analyses recently conducted in a series of enterprises show that in many cases the number of workers and specialists in the field of repairs is on the decline and their activities are not, as they should be, in the sphere of basic concerns of the enterprises' management. According to the provisions of the previously mentioned decree, this situation must be quickly corrected. The collective leadership organs in the ministries, central and enterprises and the specialized apparatus in our ministry must systematically examine the problems specific to the maintenance, overhaul and repair activities on the equipment and installations, must give the appropriate attention to this field of activities and must establish the responsibilities and the measures to prevent accidental damage and stoppages.

A negative influence upon maintenance and repair activities that are carried out by the enterprises is also exercised by the fact that within the framework

of the plan indicators handed out by the centrals there are no distinct plan indicators specific to these activities, a problem that we will have to examine carefully and find its solution together with the ministries and the State Planning Committee so that right in the plan there will be the conditions to fully achieve the overhaul and repair plan.

Certainly, maintaining a rigorous discipline in those enterprises that have activities characterized by a higher degree of danger requires, first of all, each worker's clearly felt understanding of the importance of precisely adhering to the letter and the spirit of the law in an area decisive for ensuring the integrity of the national wealth. There is need to achieve a true turning point at the level of the ministries, the other central organs and the specialized apparatus of the Ministry of Supply in the manner of understanding and resolving the problems of top priority in this sector - some known and others neglected. The importance of maintenance and repair activities and the proper operation of all machinery, equipment and installations are too clear to continue to accept that they can be in any way neglected.

As is known, Decree No 400/1981 legally regulates all the aspects regarding this important field of activity. It is clear that under the conditions of applying this normative act violations from the prescribed rules can no longer be tolerated or sanctioned as simple acts of indiscipline. These situations have effectively become criminal events, being punished in a penal manner, which represents a signal that should lead to the strict establishment of all the measures to respect work obligations at all organizational levels, beginning with the leaderships of the ministries right to the last worker.

In ensuring the completely safe operation of those units having continuously burning fires or having installations that pose a high degree of danger when operating, and in general the proper operation of technical equipment in all units, the Ministry of Technical-Material Supply and the Review of the Management of Fixed Assets has special tasks which provide for the review of the management of fixed assets in the entire economy.

In the spirit of the increased requirements expressed in the provisions of Decree No 400/1981 in this field, we have the task of eliminating the shortcomings found in our own activities, of ensuring the direct participation of the ministry's apparatus in the prevention of deficiences and irregularities found during checks and reviews, of applying the provisions of the country's laws with greater exigency and of militating for the definitive solution and elimination of the causes that generate interruptions, accidents or damages in the operation of installations and equipment.

We will concentrate our attention more upon those units where installations and equipment having continuously burning fires are operating or where there is a higher degree of danger so that, together with the workers' councils in

the enterprises, with the centrals and ministries and with the support of the party organizations, we will provide the spare parts and materials and the technical and human resources needed to prepare and carry out the maintenance, technical overhaul and repair work in accordance with the parameters in the technical standards.

Similarly, we will be involved to a greater degree, within the framework of review actions, in checking the manner in which those personnel designated to service the installations and machinery carry out their duties and the manner in which the leaderships of the units have imposed in an organized manner a technological and professional discipline, as required by the law, at the level of the necessary exigencies in all the fields of activity, beginning with the production jobs right up to the planning, mechano-energy and supply departments which have the task of ensuring all the conditions for the preparation and carrying out of overhauls and repairs.

More attention will have to be paid by us to the training, instruction and periodic retraining of those personnel who are involved in the use, maintenance and repair of installations and equipment, especially since each year thousands of young persons are attracted to new or developing units who are graduates from different forms of education.

A more active presence by the specialized apparatus of our ministry in the production units also involves a reexamination of the current mode of organization of territorial inspections in the sense of ensuring a better coverage of the units in those counties where, in recent years, industry has experienced a powerful development.

In the strict application of the new regulations regarding the use and maintenance of installations, equipment and machinery and the strengthening of work discipline, all the workers of the Ministry of Supply charged with direct responsibilities in this field and the ministry's collective leadership organ will work fully responsibly for the effective solution of problems resulting from the systematic reviews in the units and will ensure the improvement of all activities so that we can respond to the tasks and requirements placed before us by the party leadership and by its secretary general, comrade Nicolae Ceausescu.

8724
CSO: 2700

## DISCREPANCY NOTED IN NUMBERS OF WORKERS ABROAD

Zagreb VJESNIK in Serbo-Croatian 10 Apr 82 SEDAM DANA Supplement pp 12-13

[Article by Salih Zvizdic: "The Census Erased an Army of Workers"]

> [Text] Our specialists have calculated that 1,108,000 of our citizens and members of their families are employed abroad. The most recent population census, however, showed that there were "only" 815,307 of them. Where did the rest "disappear to"?

The last population census, as of 31 March 1981, showed among other things that there were 577,863 workers from our country employed abroad temporarily. That is 94,045, or 14 percent, less than there were according to the results of the 1971 Census. This figure has surprised many services which monitor the movements of our workers abroad. Their forecasts indicated otherwise.

According to the 1981 Census, a total of 815,307 Yugoslavs were "employed abroad temporarily," which is 51,582 persons (6.8 percent) more than according to the 1971 Census. This figure of 815,307 persons includes 145,629 members of workers' families, and the number of these family members increased all of 1.5-fold over 1971. Nor did the forecasts of the other services agree with the figures on family members residing abroad.

The procedures used by the services which issued the forecasts or so-called preliminary data on population movement are so tried and true that deviations from the results of the official census are as a rule very small and almost negligible. This time, however, there is a fair-sized difference, so it is understandable that the discrepancy has initiated a search for the cause. Were the preliminary figures of those services wrong? Or perhaps the census data are inaccurate?

The number of our workers employed abroad temporarily and the number of members of their families living with them was by no means on a sidetrack of the official census. After all, many other computations are made on the basis of those figures and various conclusions are drawn that extend outside the strictly socioeconomic limits and touch upon other sometimes sensitive areas.

When the total number of our workers abroad is broken down by republics and provinces, which is in fact done, then the "derivatives" from those numbers take on still more subtle meanings, since figures on the level of development of various regions, employment of the population, the amount of foreign exchange remitted from abroad, and so on, are related to this.

All of this moved us to speak on this topic with Dr Ivo Baucic, professor and scientific supervisor of the Zagreb Center for Migration Research, and Vladimir Novak, councilor for population statistics in the Republic Bureau of Statistics.

"All the services monitoring the problems and flows of external migration from whatever viewpoint expected the 1981 Census to show a larger number of gainfully employed migrants, i.e., workers. Without mentioning the other services, it is sufficient to mention that the Federal Bureau for Employment Security, the most competent federal institution for monitoring migration, anticipated different numbers. On the basis of their own figures they forecast that at the end of 1981 there would be 1,065,500 Yugoslavs employed temporarily in the countries of Europe, 676,800 workers and 388,700 members of their families. Yet now the census has shown different figures," Baucic said.

The Zagreb Center for Migration Research, which is a prestigious institution in this respect both within the country and in the world at large, also "overestimated." On the basis of domestic figures and figures obtained from the workers' host countries, they computed that at the end of 1980 (on the eve of the census) there were 1,108,000 Yugoslav citizens in the European countries, 693,000 of them workers and 415,000 members of their families.

We should mention that the estimates of the Federal Bureau for Employment Security and the Migration Center in Zagreb were published at the time when the population census began. The debate on the accuracy of the two sets of figures has developed only after publication of the official results of the census.

The Error in the Definition of "Temporary"

Dr Ivo Baucic noted that the population of Yugoslavia was short 136,000 inhabitants in the results of the census! That is, if the normal natural population growth between 1971 and 1981, i.e., between the two censuses, which amounts to 1,966,943 inhabitants, is added to the size of the population in 1971 (20,522,972), our country ought to have 22,490,000 inhabitants (rounded off to the nearest thousand). However, the size of the population is 22,354,000!

Even if that entire difference consisted of Yugoslavs employed abroad temporarily, which is not very likely, that would only explain half of the difference between the number projected according to the preliminary data and the actual number of workers abroad recorded by the census. So, that is not it.

Baucic is convinced that this difference occurred because of the methodology of the census in 1981.

"The 1981 Census did not aim at recording all Yugoslavs who were abroad at that time, but only those who were abroad temporarily. In this interpretation of the term 'temporary' there were, as it is easy to explain, quite a few arbitrary interpretations, especially when the judgment of whether someone is residing temporarily or permanently is made by members of the family, by neighbors, or when that judgment is left to the censustaker. The mistake was that the instructions for organizing and conducting the census did not furnish a detailed explanation of what is meant by temporary residence abroad," Baucic said.

"An Error Is Possible...."

It is obvious that the inadequacy of the criteria as to what is temporary caused quite a bit of confusion, but also the difference between the rather precise preliminary data and the figures obtained in the census, which are accurate, but are accompanied by a justification of the methodological oversight. Let us demonstrate this with the example of the figures of the Federal Statistical Bureau of West Germany in Wiesbaden published in the middle of last year. Of the total number of Yugoslav citizens over 10 years of age residing in West Germany as of 30 September 1980, 55.3 percent of them had been residing in that country more than 10 years--those figures state, which also agrees with our figures.

Many of the people given in that report are waiting to qualify for a German pension after 15 years of employment, and then, as other research has confirmed, they would return to the country. A large number of those workers of ours, and not only of them, but also of those who have been working longer than 15 years, disappeared from the official list during the census simply because of imprecise interpretations of the term "temporary." That is, persons who have resided abroad longer than 10 years were simply dropped from the "list of temporary residents"!

If the methodology had envisaged a census of all Yugoslav nationals abroad whose passports give a place in Yugoslavia as their place of residence, and the confusing term of "temporary residence" had not been introduced, the census results would have been different.

Nor do the people in the Federal Bureau of Statistics evade the supposition of the census results for 1981 being imprecise concerning the workers abroad.

"It is a realistic assumption that the census did not cover all Yugoslavs employed abroad temporarily and the members of their families. This especially applies to Yugoslavs married to citizens of the host countries and to the children of those marriages, where an individual has difficulty deciding whether he is still residing abroad 'temporarily' or has settled there permanently," the representatives of the bureau say.

Vladimir Novak says that the official statistics cannot use the figures on the number of our workers abroad published by various law enforcement and statistical services of the host countries. Moreover, the level of accuracy of such data is not even essential.

Workers Abroad and Returning From Abroad: the upper table gives figures according to the population census, while the lower table gives the results of the Migration Center in Zagreb

| Republics and Autonomous Provinces | Workers Abroad | | | | |
|---|---|---|---|---|---|
| | 1971 | | 1981 | | |
| | Number | % | Number | % | 1971 = 100 |
| 1 | 2 | 3 | 4 | 5 | 6 |
| Bosnia-Hercegovina | 137,351 | 20.4 | 126,438 | 21.9 | 92.0 |
| Montenegro | 7,829 | 1.2 | 9,203 | 1.6 | 117.5 |
| Croatia | 224,722 | 33.4 | 135,244 | 23.4 | 60.1 |
| Macedonia | 54,433 | 8.1 | 57,368 | 9.9 | 105.4 |
| Slovenia | 48,086 | 7.2 | 39,276 | 6.8 | 81.6 |
| Serbia | | | | | |
| Serbia proper | 114,581 | 17.1 | 139,157 | 24.1 | 121.4 |
| Vojvodina | 60,545 | 9.0 | 44,565 | 7.7 | 73.6 |
| Kosovo | 24,361 | 3.6 | 26,612 | 4.6 | 109.2 |
| Yugoslavia as a whole | 671,908 | 100.0 | 577,863 | 100.0 | 86.0 |

| | Members of Their Families | | | Total | |
|---|---|---|---|---|---|
| | | 1981 | | | |
| | 1971 | Number | 1971 = 100 | Number | % |
| | 7 | 8 | 9 | 10 | 11 |
| Bosnia-Hercegovina | 9,468 | 47,502 | 503 | 173,940 | 21.3 |
| Montenegro | 3,228 | 8,533 | 264 | 17,736 | 2.2 |
| Croatia | 30,134 | 53,673 | 177 | 188,917 | 23.7 |
| Macedonia | 13,655 | 44,025 | 322 | 101,393 | 12.4 |
| Slovenia | 5,438 | 11,814 | 217 | 51,090 | 6.3 |
| Serbia | | | | | |
| Serbia proper | 18,808 | 45,961 | 244 | 185,118 | 22.7 |
| Vojvodina | 9,948 | 16,426 | 165 | 60,991 | 7.5 |
| Kosovo | 1,139 | 9,510 | 835 | 36,122 | 4.4 |
| Yugoslavia as a whole | 91,818 | 237,444 | 258 | 815,307 | 100.0 |

| Host Country | As of End of 1978 | Returned in 1980 | Newly Employed in 1980 | As of End of 1980 Number of Workers | % |
|---|---|---|---|---|---|
| West Germany | 401,000 | 15,000 | 17,000 | 403,000 | 58.2 |
| Austria | 130,000 | 4,000 | 3,500 | 129,500 | 18.7 |
| France | 58,500 | 1,500 | 500 | 57,600 | 8.3 |
| Switzerland | 30,000 | 3,000 | 4,500 | 31,500 | 4.6 |
| Sweden | 24,500 | 1,000 | 1,000 | 24,500 | 3.5 |
| Netherlands | 10,500 | 500 | 100 | 10,100 | 1.5 |
| Other European countries | 35,500 | 2,000 | 3,400 | 36,300 | 5.2 |
| Total | 690,000 | 27,000 | 30,000 | 693,000 | 100.0 |

"The official census is conducted on the spot, in contact with live people, and that is in conformity with the Law on the Census. It is quite possible that the methodology of the census has an effect on its results, and that allows the possibility that a certain number of our workers employed abroad temporarily were not put on the census rolls because someone said of them that they were not 'temporary,'" Novak said.

Distribution by Republics

If the figures on the number of workers employed abroad are analyzed by republics and provinces, the conclusion can be drawn that this difference is not equally distributed over all parts of Yugoslavia.

"Certain differences might even have been expected, but it is simply not possible to explain how in Croatia the number of workers abroad dropped 39.9 percent, while, say, in Serbia proper, it increased by 21.4 percent," says Dr Ivo Baucic.

After extensive analyses of the net result of internal migration over the interval between censuses, Baucic came to the conclusion that "a relatively large difference in coverage of the net result of internal migrations in Croatia probably pertains mostly to citizens abroad who were not covered by the 1981 Census in view of the methodology that was used for defining temporary residence."

There are also certain anomalies in this respect in comparison of other republics and provinces.

Croatian citizens were the earliest to become involved in work abroad (after the Liberation), and their share in the total number of Yugoslav migrants according to the 1971 Census was extremely high and amounted to 33.4 percent. The drop in that share in the 1981 Census to 23.4 percent is not, according to Baucic, the result of a larger share in return flows, but of a drop in the coverage in the last census.

In short, it seems that the number of persons temporarily employed abroad and members of their families has been indicated more realistically in the figures of the Belgrade Federal Bureau for Employment Security and the Zagreb Migration Center than by the official census. This does not by any means detract from the quality of the huge job of conducting the official census, but it points up the possibility of a defect in the methodology for registering workers abroad. This shortcoming should be taken into account when figures are being derived from the official figures concerning those people.

Remittances: Five Billion Dollars

The Federal Bureau for Employment Security and the Migration Center work separately, and each of these institutions takes into account the data from official sources of host countries, which keep detailed analyses on foreign workers. The preliminary figures of these two institutions differ very little in practice.

According to the data of the Migration Center, 27,000 Yugoslavs returned to Yugoslavia permanently in 1980. However, this is the smallest number of Yugoslav workers to return in 1 year since 1973. To illustrate we will mention that 63,000 workers returned in 1977, 42,000 in 1978, and 40,000 in 1979.

These figures are also presented by SOPEMA (Systeme d'Observation Permanente des Migrations), a statistical organization within the framework of OECD, which includes 14 countries, including ours. According to the figures of that same source, in 1980 there were a total of 23,155 workers in the world belonging to Yugoslav organizations of associated labor in the construction field. Of this figure 15,179 (65.6 percent) were in the countries of Europe, 5,162 (22.3 percent) in Asia, 2,067 (11.9 percent) in Africa, and 47 (0.2 percent) in Latin America. They were not registered as workers abroad in the censuses, since they are registered in the country as employed away from their place of residence.

According to the figures of the National Bank of Yugoslavia, in 1980 Yugoslavs employed abroad and emigres sent into the country a total of $4,971 million, in which the share of remittances from emigres is small and practically negligible. Since 1971, when $761 million came to Yugoslavia from those sources, and up until the present time the total amount of remittances has been increasing steadily, and this increase in recent years has been more strongly pronounced. In 1980 58.5 percent of total savings deposits in Yugoslav banks and financial institutions was in hard currencies.

These are all very interesting figures, figures which have a bearing on the payments-balance positions of the country and of the republics and provinces. This merely shows the importance of having more precise figures on the number of our workers employed abroad temporarily, 16,500 of which are already receiving West German old-age pensions for an annual total of DM 4.5 million.

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CSO: 2800/356

## FOREIGN EXCHANGE PROBLEMS STRIKE SHIPPING OPERATIONS

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 2 Apr 82 p 11

[Article by Jovo Ivovic, M.A.: "How To Cross the Oceans of Contradictions"]

[Text] Maritime shipping companies, which are the largest contributors of foreign exchange inflow, have become illiquid with respect to foreign exchange and have found themselves in a position where they cannot meet their obligations created in carrying our cargo on international routes. The solution lies in setting aside for carriers the necessary portion of the foreign currency realized from the marketing of goods and transportation services.

Yugoslavia's maritime shipping industry is predominantly oriented toward the export of services, since 98 percent of the capacity of maritime carriers is used for international transport, whether it is a case of carrying Yugoslav exports or imports or of carrying foreign transit cargo transshipped through our seaports or carrying foreign cargo between ports of third countries. That is why the maritime shipping industry has traditionally had a surplus of foreign exchange, which represents a sizable contribution to the country's balance of payments, since its net inflow of foreign exchange occasionally covers even half of the country's payments deficit.

The maritime shipping industry collects for its services of carrying goods between the ports of third countries in convertible currency, and it collects for carrying transit cargo--transshipped through Yugoslav seaports--in convertible currencies or bilateral payment currencies (Czechoslovakia, the USSR, the GDR and the People's Republic of Albania) depending on the payments agreement with the particular country.

Volume of Cargo Carried by Maritime Carriers During the Last Medium-Term Period

| | 1976 | | 1977 | | 1978 | |
|---|---|---|---|---|---|---|
| Sector | Thousands of Tons | % | Thousands of Tons | % | Thousands of Tons | % |
| Total | 19,666 | 100.0 | 20,132 | 100.0 | 22,044 | 100.0 |
| Coasting | 2,384 | 12.1 | 2,164 | 10.7 | 2,617 | 11.9 |
| International transport | 17,282 | 87.9 | 17,968 | 89.2 | 19,427 | 88.1 |

Table (continued)

| Sector | 1976 Thousands of Tons | 1976 % | 1977 Thousands of Tons | 1977 % | 1978 Thousands of Tons | 1978 % |
|---|---|---|---|---|---|---|
| Breakdown: | | | | | | |
| 1. Exports | 1,193 | 6.1 | 1,436 | 7.1 | 1,286 | 5.8 |
| 2. Imports | 3,598 | 18.3 | 3,960 | 19.7 | 3,837 | 17.4 |
| 3. Transit cargo | 768 | 3.9 | 658 | 3.3 | 580 | 2.6 |
| 4. Between foreign ports | 11,723 | 59.6 | 11,914 | 59.1 | 13,724 | 62.3 |

| | 1979 Thousands of Tons | 1979 % | 1980 Thousands of Tons | 1980 % |
|---|---|---|---|---|
| Total | 23,098 | 100.0 | 24,623 | 100.0 |
| Coasting | 2,770 | 12.0 | 2,812 | 11.4 |
| International transport | 20,328 | 88.0 | 21,811 | 88.6 |
| Breakdown | | | | |
| 1. Exports | 1,064 | 4.6 | 1,130 | 4.6 |
| 2. Imports | 4,362 | 18.9 | 5,241 | 21.3 |
| 3. Transit cargo | 715 | 3.1 | 891 | 3.6 |
| 4. Between foreign ports | 14,187 | 61.4 | 14,549 | 59.1 |

Our Goods--An Unpleasant Burden

However, the maritime shipping industry collects shipping rates for carrying goods involved in our national trade (exports and imports) when domestic persons are the shippers, in dinars, and they are given the foreign exchange treatment provided for in Article 127 of the Law on Foreign Exchange Transactions and Credit Relations With Foreign Countries, on the basis of which an order was adopted on conditions under which dinars realized from rendering services to domestic persons in international freight and passenger transportation are computed as foreign exchange inflow every year. In the exceptional cases when that cargo is carried, but the foreign customer or seller is the shipper, the shipping charges are collected in a convertible or bilateral payment currency, depending on the payments agreement with the relevant country.

Composition of the Foreign Exchange Inflow of the Maritime Shipping Industry in the Period 1976-1980, in millions of dollars

| Sector | 1976 | | 1977 | | 1978 | |
|---|---|---|---|---|---|---|
| Total | 449.0 | 100.0 | 484.1 | 100.0 | 554.8 | 100.0 |
| Breakdown: | | | | | | |
| 1. Convertible currencies | 301.1 | 67.1 | 324.3 | 67.0 | 392.2 | 70.7 |
| 2. Dinars (Article 12 of the Law on Foreign Exchange) | 133.5 | 29.7 | 149.0 | 30.8 | 151.3 | 27.3 |

Table (continued)

| Sector | 1976 | | 1977 | | 1978 | |
|---|---|---|---|---|---|---|
| 3. Bilateral payments | 14.4 | 3.2 | 10.8 | 2.2 | 11.3 | 2.0 |
| Share (of Line 2 + Line 3) in the amount of convertible currency) | 49.1% | | 49.3% | | 41.5% | |
| | | | 1979 | | 1980 | |
| Total | | | 658.3 | 100.0 | 938.7 | 100.0 |
| Breakdown: | | | | | | |
| 1. Convertible currencies | | | 435.2 | 66.1 | 600.4 | 64.0 |
| 2. Dinars (Article 12 of the Law on Foreign Exchange) | | | 209.0 | 31.8 | 303.4 | 32.3 |
| 3. Bilateral payments | | | 14.1 | 2.1 | 34.9 | 3.7 |
| Share (of Line 2 + Line 3) in the amount of convertible currency) | | | 51.3% | | 56.3% | |

Recently, the maritime shipping industry has increased its share in carrying Yugoslav exports and imports: 11 percent over the last 3 years and 22.1 percent when the first 11 months of 1981 are compared to the same period of the previous year.

Types of Costs

The share of dinar shipping charges of foreign exchange origin, including bilateral currencies, in the total inflow of foreign exchange is considerably greater than the physical volume of that traffic, since that cargo (exports, imports and transit) is predominantly carried in line shipping, and it is carried between the most remote overseas regions. These are products in a quite high degree of manufacture, especially the exports, while as a rule foreign cargo is carried over short distances and there is a more substantial share of less valuable cargoes, on which lower shipping charges are paid.

Under the Order on Operating Costs Which OUR's [organization of associated labor] for Rendering Services in International Cargo and Passenger Transportation May Pay Abroad (SLUZBENI LIST SFRJ, No 32, 1977), maritime carriers pay their operating costs on foreign trips in convertible currencies. These costs are fuel, port and canal fees, piloting, port tugs, cargo-handling expenses, the foreign exchange supplement of the crew, the necessary supplies and food for the crew and the like, including payments against principal and interest on vessels purchased abroad on credit, except for certain costs in the seaports of countries with which we have a bilateral payments agreement (the USSR, the GDR and the People's Republic of Albania, when the vessel is carrying cargo involved in the national trade with those countries (exports and imports).

The breakdown of operating costs of the maritime shipping industry incurred in foreign exchange, expressed in the aggregate in convertible means of payments, was as follows in the period 1976-1980, in millions of dollars:

| | 1976 | 1977 | 1978 | 1979 | 1980 |
|---|---|---|---|---|---|
| Total outflow of convertible foreign exchange | 293.4 | 349.4 | 405.2 | 445.9 | 624.8 |
| Breakdown: | | | | | |
| 1. Operating costs | 250.0 | 285.6 | 327.3 | 373.7 | 535.7 |
| 2. Repayment of credit | 43.4 | 63.9 | 77.9 | 72.2 | 80.3 |
| Share in inflow of convertible foreign exchange | 97.4% | 107.7% | 103.3% | 102.5% | 104.0% |
| Difference between inflow and outflow of convertible foreign exchange (millions of dollars) | +7.7 | -25.1 | -13.0 | -10.7 | -24.4 |

In the last several years the inflow of convertible foreign exchange (mainly realized in carrying foreign goods between foreign countries) has not been sufficient to pay for operating costs, repayment of principal and interest on ships purchased abroad on credit. The maritime shipping industry has made up the difference by buying foreign exchange on the foreign exchange market with dinars of foreign exchange origin collected from domestic shippers. Because our foreign exchange market has not been in operation since February 1980, transportation as a whole, maritime shipping included, has been unable to convert the dinars it earned on shipping charges in international transportation into effective foreign exchange in order to pay its obligations incurred in foreign exchange.

The Relationship With Domestic Users

The foreign exchange illiquidity has been getting worse and worse, since a certain restriction on disposition of the inflow of foreign exchange has been introduced in the republics. Moreover, the maritime shipping industry, which has traditionally had a sizable surplus of foreign exchange, is being called upon to pool foreign exchange in the country for certain purposes (for example, to pay for the imported portion of vessels built in Yugoslavia, for the supply of certain goods, etc.).

Under these circumstances, precisely because it is involved in carrying domestic cargo, the maritime shipping industry has been put in a considerably more difficult economic position than if it operated predominantly or exclusively on the world market, without ever calling at Yugoslav ports. But many carriers, especially line carriers, are not able to move to other maritime markets to carry foreign cargo between the ports of third countries. Their capabilities are tied both traditionally and technologically to the country's commodity trade. In addition, a majority of the maritime countries reserve line shipping primarily for their own flag, so that very little room is left for foreign line shipping.

Any possible exclusion of our maritime shipping industry from Yugoslav exports would cause definite adverse effects for the country's balance of payments, since it would result in an increased outflow of foreign exchange to employ foreign vessels. The exclusion of our maritime shipping industry would be contrary to the basic commitment set forth in the Resolution for 1982, which

is that domestic carriers should have a larger share in Yugoslav commodity trade.

Approximately 10-15 months after the foreign exchange market ceased to operate, carriers managed to offset their foreign exchange obligations incurred in carrying out exports and imports with their own effective foreign currencies and by contracting short-term indebtedness, and they have also managed to extend many obligations which have come due abroad, taking advantage of the business reputation they have gained, since never before have they been illiquid with respect to foreign exchange. For a long time they have lived in the assurance that the foreign exchange market would be opened again.

Yet it has finally been realized that until the conditions obtain for its functioning, that is, until certain surpluses of foreign exchange are built up from the export of goods and services, transportation will not be able to obtain foreign exchange as it once did to pay operating costs incurred because of carrying Yugoslav cargo in international transport. The only thing which remains is to find a solution for obtaining it by concluding self-management accords. It is here that the difficulties arise. That is, shippers are not prepared to enter into this kind of agreement for several reasons. This would reduce the inflow of foreign exchange which they have from exports by the amount of the value of the transport service on the foreign route unless the provision of the order on dinars of foreign exchange origin is enforced. In the case of imports, foreign exchange has to be furnished through the competent community of interest for foreign economic relations, in which they are rarely successful, since the funds have not been planned in good time to pay for the shipping services when the goods are carried by Yugoslav vessels.

Another difficulty is that the number of shippers is large and very difficult to encompass since most of them have small quantities of cargo and only occasionally are involved in foreign commodity trade. Aside from that, there is a lengthy procedure of adopting the accord, of recording it with the competent SIZ [self-management community of interest] at the place where the shipper is located, its adoption by the competent self-management bodies and other administrative procedure, which the modern organization of shipping does not tolerate. This makes the very procedure of negotiation or carrying cargo considerably more expensive, since it generates certain costs (quite frequent official travel, higher expenditures for postage and telegraph and telephone service, and so on), and often these self-management accords, since a sizable portion of the shippers is involved on an occasional basis, do not cover any lengthy period of time.

By What Automatic Mechanism Is Foreign Exchange To Be Furnished?

In the case of volume shippers using maritime carriers for export goods there are realistic conditions for achieving lasting forms of cooperation in the context of Article 67 of the Law on Foreign Exchange Transactions. In such cases the foreign exchange realized in the joint marketing of goods and services on the foreign market belongs to every entity which participated in realizing that foreign exchange in proportion to his contribution. It is very easy to ascertain the carrier's share, since the amount of the maritime

shipping charge for carriage from the Yugoslav seaport is the carrier's contribution to that joint realization of an inflow of foreign exchange. The billed value of the goods always comes down to its value free on board the Yugoslav border, that is, FOB the seaport, i.e., which is the same as the parity of a sale within the country.

The total inflow of foreign exchange realized from marketing goods and services which is credited to the foreign exchange account of the exporter in a commercial bank, under Paragraph 3 of the Order on Dinars of Foreign Exchange Origin, should be reduced by the amount of the paid service for carrying the commodity exported. This presupposes that no self-management accord exists among the participants in the jointly realized inflow of foreign exchange.

Accordingly, when this regulation is consistently enforced, the portion of the inflow of foreign exchange, representing the amount of maritime shipping charges to carry the goods to the delivery point abroad, which is paid by the foreign purchaser through the sales contract with the Yugoslav seller of the goods, should in no case be left to the exporter of the goods. The question is what kind of automatic mechanism would guarantee that the amount of shipping charges for carrying the commodity from our seaport would in a simple way be credited to the carrier even without concluding a formal self-management accord.

A contract could not be concluded on the transfer of foreign exchange, since this would be contrary to Article 77 of the Law on Foreign Exchange Transactions. It seems that the only remaining possibility is to conclude an agreement whereby the carrier is furnished the foreign exchange which belongs to him anyway, and which he needs to pay expenses incurred abroad. Then the bank authorized to conduct foreign transactions, on the basis of the exporter's declaration, would include in the order for transfer of the foreign exchange (Form 745) for purposes of distribution the carrier as one of the final beneficiaries, for the amount of the maritime shipping charges.

## The Planning of All Costs Is Indispensable

Because the foreign exchange market is not in operation and because inadequate planning in self-managed communities of interest for foreign economic relations of the republics and provinces, there are a number of specific features in the furnishing of foreign exchange to pay shipping charges on imported goods.

The self-management accord which is adopted on the basis of Article 69 of the Law on Foreign Exchange within the framework of the communities of interest would have to provide for an adequate amount of foreign exchange to meet the necessary costs which the Yugoslav carrier inevitably must pay on a foreign route. This amount could not be less than the effective foreign exchange costs which the carrier must pay on the foreign route, special consideration being given to the use of tramp vessels for imported goods, when they leave the Yugoslav seaport in ballast, when there is no possibility of their taking on our exports (the reference is to imports of crude petroleum, coal, grain, etc.) on the same or a nearby maritime shipping route.

Because of this lack of planning of the necessary foreign exchange, it has become impossible for effective agreements to be concluded between the shippers and the carriers, since in many republics and provinces no provision has been made for these funds. There is no dispute that importers must make provision for the foreign exchange necessary to pay for the effective foreign exchange costs which our carrier incurs on the foreign route, which are considerably less than the value of the shipping charges of a foreign carrier (less than half). It is obvious that importation is not possible merely by purchasing goods. To change the parity of the purchase of goods or to employ a foreign carrier is not only unjustified from the socioeconomic standpoint, it is also commercially unprofitable, since the Yugoslav carrier needs to be furnished only a share and not the entire shipping charges in foreign exchange. Moreover, employment of a foreign carrier is regulated in a specific way in these agreements of the communities of interest, so that the shipper does not have the possibility of engaging a foreign vessel if there is a domestic one.

The use of dinar funds to purchase foreign exchange on the foreign exchange market within the planned volume in the community of interest is related to employment of a domestic carrier, which is in line with the established policy of greater involvement of the Yugoslav fleet in carrying domestic imports and exports, in conformity with the Resolution on Policy for Implementing in 1982 the Social Plan of Yugoslavia for the Period 1981-1985.

Imports of energy raw materials--crude petroleum, coking coal and petroleum derivatives--is specifically regulated in 1982. On the basis of Point 3 of the Order on Yugoslavia's Joint Foreign Exchange Policy for 1982 (SLUZBENI LIST SFRJ, No 72, 1981) the necessary amount of foreign exchange has been uniformly determined for their import so as to eliminate the disturbances that occurred in this field in the previous period. Through the restrictions which have been established on disposition of the inflow of convertible foreign exchange, the maritime shipping industry is appropriating through the communities of interest certain convertible foreign exchange, even though it mostly purchases fuel abroad.

Unprofitable Employment

The importation of goods through federal directorates for reserves requires special solutions in view of the position of these organizations in our system and the circumstance that there is no corresponding community of interest through which the policy could be conducted in good time of planning foreign exchange to cover the necessary foreign exchange participation.

Similar to the case of commodity exports, according to the instruction we have quoted, when notice is filed concerning a foreign exchange transaction to import goods (costs of delivery to the Yugoslav border in foreign currency), the costs of carrying the goods from the place of delivery abroad to the Yugoslav border are also set forth in relation to the agreed parity of the delivery of the goods abroad. This datum can be put to very good use in planning foreign exchange to pay for shipping expenses on the foreign route.

International passenger traffic has a specific position with respect to obtaining foreign exchange. Dinars of foreign exchange origin earned in rendering transport services to foreign persons (passenger tickets collected in dinars from those persons) once again cannot be converted so as to obtain the necessary funds to pay for costs on the foreign route on international lines or to purchase the necessary spare parts for ships operating on domestic lines. When foreign individuals are carried as passengers, there is no one with whom to conclude a self-management accord. The possibility remains, under the Order on Conditions Under Which an International Payment or Collection Is Made in Effective Foreign Currency (SLUZBENI LIST SFRJ, No 61, 1977), Point 3, for the carrier engaged in rendering passenger transportation services, if he is authorized to conduct currency exchange transactions, to collect for services sold to foreign nationals in Yugoslavia directly in the effective foreign currency, without a special permit, and to credit it in his foreign exchange account.

For the reasons mentioned the fact that the foreign exchange market has not been operating has caused many serious problems for the entire transportation sector with respect to international traffic, maritime shipping in particular. There are increasingly frequent cases when the carrier is unable to provide the foreign exchange even for fuel, so that vessels are held up in foreign ports, that is, they are unable to sail. This is destroying the reputation of our maritime shipping industry which was earned over decades. That is why the only solution that remains is for the carrier to be left his share as an equal participant in the inflow of foreign exchange jointly earned from the marketing of goods and transportation services, or for all importers, regardless of whose needs are met by the imported goods, to furnish the carrier the necessary foreign exchange to pay for the costs he incurs in foreign currency on the foreign route.

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## REASONS FOR 'DISINTEGRATED' MARKET DISCUSSED

Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 15 Mar 82 pp 27-28

[Article* by Marjan Senjur, Ljubljana: "Conditions and Causes of Disintegration"]

[Text] The topic I would like to talk about will be the conclusion of self-management accords and social compacts concerning development policy between republics and OUR's [organization of associated labor] from different republics and provinces. The situation in this area is not satisfactory. Instead of ever greater cooperation and pooling, we have a process of disintegration of the unified economic space of Yugoslavia into republic economies which are rounded off and are increasingly autarkic.

The question is what is happening to the Yugoslav economy and why is it happening? Some people explain that it is a question of the consequences of economic and political nationalism. The example of Kosovo is given. Perhaps that is so in part, but my thesis is that economic nationalism and regional exclusiveness are in large measure a consequence of certain features of the economic system and economic policy.

### Freedom To Conclude Agreements

If an economic organization is to be able to undertake an agreement on development and to pool capital, it has to be independent in making decisions as a commodity producer and it has to have resources available to carry out the accord or compact. At present economic organizations have neither enough economic independence nor the resources for concluding agreements successfully on development policy. Responsibility for economic decisions, especially for poor ones, is an integral part of the concept of independence. If an economic organization is not independent or is not responsible for poor results

* This text is an authorized version of Dr Senjur's speech made at Kumrovec on 26 February 1982 in a meeting of the Social Research Center of the Presidium of the LCY Central Committee on the topic "Development and Problems of Concluding Self-Management Accords and Social Compacts, With Special Reference to the Problems of Concluding Self-Management Accords and Social Compacts on Development Policy, and the Tasks of the LCY." The editors have furnished the title and headings.

(losses), then responsibility has to be assumed by sociopolitical communities, which in the end see that the losses are covered by what amounts to a redistribution of income from good economic performers to poor ones. In such a case the sociopolitical community becomes a protector of economic organizations. Yet sociopolitical communities are confined to administrative regions. The consequence is that a capital investment within its own region or republic is safer than an investment in another republic. Should the economic organization fail, in its own republic it can expect its republic to come to its aid, but it probably will not help to the same degree when it is a case of an investment project that has failed in another republic. Unified economic space and the conclusion of economic agreements and pooling within that space requires that economic transactions be equally safe throughout the entire space. That is not altogether the case in Yugoslavia at the present time. Investment projects in one's own republic are safer. This does not encourage the pooling of capital beyond the boundaries of the republic.

And even if economic organizations had independence in their economic decisions and even if they had the resources, they would not enter into the agreement on matters important to the economic development of the country unless augmenting production and minimizing costs is the dominant condition for earning more income.

If an economic system is such that it does not require this, then the conclusion of agreements cannot be transformed into conclusion of agreements on the realization and redistribution of income without an economic basis. The case with the conclusion of agreements on prices is typical in this respect.

The lack of a solution or the poor solution for the price system, in the absence of a uniform theoretical concept which would in principle put all sectors in the same relation, that is, in equal conditions in primary distribution, is having very undesirable consequences for conclusion of agreements on development among OUR's from different republics. If the price system places certain branches in a more favorable position with respect to prices, then all the republics, in maximizing the income of their region, will strive to create that structure of republic production which reflects disproportions in the price structure. The consequence of this is creation of competitive economic structures in the republics, which could even be a good thing, but it is a bad thing that the complementary prospects of the structure within Yugoslavia have been neglected on the basis of the comparative development advantages of the particular regions. Thus economic structures are being created which are optimal from the standpoint of the existing price structure, but they are not optimal from the standpoint of the economy's development. This, of course, makes it more difficult to conclude agreements on development.

In Yugoslavia the price structure has an impact on the production structure. If we want to have an economically sound production structure, we must have an economically sound price structure. The demand for restructuring production must also signify a restructuring of prices. We will not achieve that with the political prices which we now have.

The conclusion of agreements on prices and administrative regulation of prices signify that we have accepted the concept of the political price--which makes a certain sense--but political prices cannot altogether replace economic prices. The criteria that prevail in politics are quite different from those that prevail in economics. The political price would signify that even now we deny the need for the existence of economy and economizing. The consequence of political prices is that prices are formed on the basis of the poorest producer or regional republic prices are formed, which is why we have six or eight prices for one product. Both things are bad in economic terms and have a disintegrating effect on the Yugoslav economy. That is why there will be less and less conclusion of agreements on development, not more and more.

In this context the market signifies a process of objectification of prices more on economic foundations than on the basis of political interests. The market price would have a quite favorable influence toward conclusion of agreements on questions of development.

Sometimes the idea arises in this connection of using the world price as an objectified criterion for the formation of prices. What does this mean? The only thing it can mean is a demand for a realistic rate of exchange of the dinar and less protection of domestic production, and nothing more. I don't believe that there are any other interpretations which I could mention.

The Dollar, the Dinar and Interest

The policy of the unrealistic, overvalued rate of exchange of the dinar is having a very harmful effect on economic cooperation across republic lines. On the one hand the overestimated rate of exchange of the dinar has created a surplus of demand for foreign exchange, which later led to a distribution of the right to import among the republics, and then to republic foreign exchange positions, and ultimately this could end with republic balances of payments. The result is that foreign exchange is no longer able to cross republic borders. This process is certainly greatly hindering economic cooperation across republic lines.

On the other hand, the exaggerated rate of exchange of the dinar makes it cheaper to import raw materials, which is hindering the development of the production of raw materials in Yugoslavia and is making it possible to import technology inexpensively, again at the expense of domestic know-how. All of this is creating conditions for foreign economic relations to be more attractive from the standpoint of income than relations in Yugoslavia. A portion of the advantage of foreign countries we have created ourselves through the unrealistic rate of exchange of the dinar. We can understand, then, the figures to the effect that the Yugoslav economy is supposedly establishing more ties with foreign countries than within Yugoslavia.

The low or even negative price of money, that is, the interest rate, is necessarily territorializing the use of accumulated capital. The investment of capital in another republic under the conditions which are given at present signifies a siphoning of income. The simple way of preventing this at the present rate of interest is not to invest in other regions. A direct

consequence of the low rates of interest is the regional immobility of capital, that is, the closing off of accumulated capital within the republics and provinces.

The present "successes" in the pooling of capital among organizations of associated labor from the more advanced and less developed areas do not yet have an economic foundation. That is, it is a question of the capital which the economic organizations from the more advanced areas (republics and provinces) are required to set aside for the less developed areas either in the form of pooled capital or by making payments into the Federal Fund for Credit Financing the Faster Economic Development of the Underdeveloped Republics and SAP [Socialist Autonomous Province] Kosovo. Which means that economic organizations from the more advanced areas are pooling capital, if they do, which they could not put to alternative use, so that there are no alternative costs either. That is why any benefit from the pooling of capital is already a constructive economic benefit. The disturbing thing in this is that the volume of capital being pooled is not greater under these conditions and that sociopolitical communities have to be so strongly involved in this area.

Plans and Systems

The unified Yugoslav economic system and economic policy are not adapted to accomplishing the goals planned in the Yugoslav social plan. That is why the republics, each individually and for itself, must seek solutions for implementing the positions agreed on in the social plan of Yugoslavia. This leads them to adopt economic measures which in fact signify an addition to or supplement of the economic system of Yugoslavia. Actually this means that alongside the Yugoslav economic system, republic economic systems are also being built up, and this could result in disintegration of the Yugoslav economic system. Ultimately this certainly makes it more difficult to conclude agreements and accords on development policy among the republics. It even makes it more difficult to enforce the positions already agreed on in the social plan of Yugoslavia. Thus in part the social plan of Yugoslavia is losing its importance as the joint platform for cooperation of the Yugoslav economy in accomplishing the goals of development of importance to the entire economy which have been jointly agreed to.

Regional development policy in Yugoslavia is based on the idea that investment projects are the principal and almost the only factor in economic development and that the main problem is how to provide sufficiently large investment capital. This concept of regional development policy has not been stimulating economic cooperation across republic lines. This has been changing quite recently, and other factors of development are also being emphasized. This is also becoming one of the arguments for greater pooling of capital and labor across republic lines. Nevertheless, we still do not have in Yugoslavia accepted theories and policies of regional or interrepublic development that would be based on the need for cooperation across republic lines.

Once Again on What Is Well Known

Everything I have said is more or less well known. So why is it, then, that in reality we actually are not changing certain elements of the economic system and economic policy? I think that the question of a solution is no longer a matter of knowledge and subjective will. It is a political problem. That is why the point of this and other similar discussions is to create the atmosphere and the political will for the necessary economic changes.

I think that we should state that the economic system and economic policy which we still actually have at present justifies and even requires a vigorous role on the part of the government, the sociopolitical community, in the economy. This is the system which in its extreme form we recognize in the other socialist countries. That kind of system functioned in Yugoslavia to some extent so long as there was only one government--the Federation. We had state capital which was unified, we had state foreign exchange, and we had state prices. That kind of economic system must disintegrate as a consistent economic system when that one state is replaced by six or eight republic states in the field of the economy with state capital in the eight republics and provinces, with republic foreign exchange and with republic prices.

We should immediately adopt constitutional amendments and a new constitution as a whole to change the economic system and economic policy so that they are adapted to the new role of the republics and provinces in the economic and political fields. Not on paper, but in reality. Ten years from now, perhaps 10 years too late, we will have to make that kind of adaptation of the economic system and politics. And that at all the points I have spoken about.

There is no transformation without costs. How are we to distribute the costs or the losses because of adaptation of the economic system and economic policy to the new socioeconomic conditions? That is the essential question. If we cannot resolve it, we will not gather the strength for the necessary transformation either. This is a political question in every country, not just ours. The assertion that we will all have to bear the costs of stabilization or the transformation is a clouding over of the problem, and we need a relative redistribution of income and economic power in order to change the economic system and economic policy. The political status quo signifies a blockade in resolving economic policy and a maintenance of the economic status quo. Which is the lesser of the evils in Yugoslavia: the status quo or changes of the economic system and economic policy toward a self-managed socialist market economy?

Some people say that resolving these economic issues would cause economic and political difficulties. I think the reverse. Failure to solve these problems will cause us much greater economic harm. And, what is more important, it is causing us immeasurable political harm. Incidentally, what could be of greater political harm than creating a totalitarian and administrative socialism (a system which is already in economic crisis in the world) or than disintegration of the unified economic space of Yugoslavia into autarkic republic states?

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11 May 1982

# East Europe Report

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2268

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No. 2268

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PLUTO MINE DISASTER INVESTIGATION UNDERWAY

AU182000 Prague RUDE PRAVO in Czech 17 Mar 82 p 2

[CTK report: "CSSR Goverment Commission on Investigation of the Disaster in the Pluto Mine"]

[Text] Prague, 16 Mar (CTK)--The agencies responsible for explaining the causes and resolving the consequences of the disaster that occurred at the beginning of last September in the Pluto mine, in the North Bohemian brown coal basin, are proceeding with their work.

In view of the extraordinary consequences of this disaster under our condition, outstanding mining experts and specialized research institutes, as well as appropriate institutes of the Czechoslovak Academy of Sciences and certain working places at our university-level educational institutions, have joined the investigations on instructions from the CSSR Government commission. In evaluating the acquired information, they are making use of all accessible theoretical, experimental and practical methods and means. On the basis of all this, the state mining administration and the management are adopting and realizing further organizational, technical and control measures for predicting more accurately the emergence of unexpected phenomena in mining environments, and for eliminating them by active preventive measures, so that even under complicated geological mining conditions the work of our miners would be as safe as possible.

After summing up all the results of the detailed evaluation which is still underway, a final report will be issued on the causes of this extraordinary mining event.

CSO: 2400/213

PRESS VIEWS ECONOMIC CRIME IN COUNTRY

[Editorial Report] AU301805--Prague TRIBUNA in Czech No 11 on 7 March on page 12 carried a 2,600-word article by Jaroslav Kojzar entitled "Losses That Can Be Prevented; To Be Consistent and Uncompromising." In his article, Kojzar gives account of three undated discussions conducted by him and devoted to the "irresponsible approach of some ranking executives to the fulfillment of their tasks" and the "abuse of their official status for illegal and antisocial conduct."

The first discussion--with Antonin Hejtik and Josef Stastny, employees of the CPCZ Central Committee's general department--deals with letters addressed to the CPCZ Central Committee containing complaints and "notifications" about some people's illicit use of their authority. Hejtik views it as positive that such letters are addressed to party bodies, and interprets this as an "expression of trust."

Giving an example, Kojzar cites the letter by a citizen from Sokolov drawing attention to malpractice in the city's district investigation by the regional CPCZ control and auditing commission and resulted, according to Kojzar, in "a number of high party punishments, recalls from posts, and custody by order of the prosecutor's office." The culprits included the "director, his two deputies, the head of the transport department and an employee of the Czech Planning Commission." Speaking about the charges, Kojzar mentions, among other things, that the director delivered 36.5 tons of enterprise-owned coal as payment for the repair of his official car that had been demolished by his son during unauthorized use of the car; or that an official car had been repaired by the enterprise at a cost of Kcs6,000 only to be sold immediately thereafter to the deputy director for Kcs633.

Other examples cited in the article concern the director of the Jindrichuv Hradec forestry enterprise who used "incorrect methods" to obtain a lot for the construction of family homes for himself and his son; the case of the director of the Zelenina [vegetable] production enterprise in Terezin who had an enterprise-owned kiosk erected in his private garden without paying for it; and the illicit use of official cars for private trips by directors of various enterprises in Sokolov, Prague, Ceska Lipa and Olomouc.

According to Hejtik, the Central Committee receives "a number of such letters," many of them drawing attention to "so-called trifles." But it is precisely such "trifles" that touch off a "negative political response," warns Hejtik.

The second part of the article--the account of Kojzar's discussion with Maj Frantisek Tinka, deputy chief of the Economic Crime Department at the Czech Socialist Republic's Criminal Service Administration--deals with bribery. Tinka reports in it on the case of a deputy director of the automated management enterprise who, by juggling accounts, used enterprise material as bribes during negotiations with business partners from the Ostrava-Karvina mining concern, the Ostrava mining construction enterprise and other enterprises. Tinka attributes such cases to "some present economic difficulties," especially in supplier-consignee relations.

The third discussion--with Col Josef Janurek, chief of the Federal Criminal Office, and his first deputy Col Vaclav Cerny--mentions two more recent cases of economic crime that became the subject of court proceedings. The first involved the managers of Kosice and Zvolen construction enterprises who, by juggling accounts, used Kcs240,000 worth of their enterprises' construction material to build their weekend houses; the second involved the former director of a united cooperative farm in east Slovakia who embezzled Kcs108,000 and--by paying himself and other ranking employees bonuses to which they were not entitled--impoverished his farm by an additional Kcs155,000. In the discussion, both Janurek and Cerny emphasize the political implications of crimes committed by high-ranking employees and the resulting need to fight them "consistently and uncompromisingly." "Offenses committed by ranking executives contain something which other offenses lack, they are capable of influencing tens of hundreds of surrounding citizens who wait on how, and how quickly, they will be resolved. This shapes their attitude not only toward the public security corps but toward the system in general," says Janurek.

Prague MLADA FRONTA in Czech on 27 March, on page 1 of the weekend supplement, carried a 3,500-word undated Eva Hirschova interview with Karel Pesta, senior prosecutor at the CSSR General Prosecutor's Office, entitled "Economy in Between the Paragraphs."

Responding in his initial statement to a question in four defendants or 60,000-70,000 people annually are charged with acts "against the socialist economy," most of them employees of the affected organizations. More than 80 percent of the defendants have no previous criminal record, according to Pesta.

In her next question, Hirschova confronts Pesta with the problem of economic crime that is committed "in higher interest"--for instance bribes that are given to obtain scarce materials to safeguard normal production. In his answer, Pesta first asserts that it is rarely the case that the offender does not himself profit from such acts. To illustrate his point, he cites the case of the former director of the Jitona enterprise in Ostrov Nad Ohri who was recently sentenced to 8 years for having given furniture produced in his enterprise as presents, or having sold it at "inordinate discounts." Even though he claimed in court that "he did not profit from it in the least but only wanted to obtain advantages for his enterprise," it has been ascertained, according to Pesta, that he was linking his sales with the delivery of cheap construction material for his weekend house, and so forth.

Pesta goes on to say: "In court, these offenders argue: What should I have done, I cannot close down the factory, can I? We have a stereotypical

answer to this: Dear defendant, you should have asked this before and elsewhere. We are lawyers and criminologists, we cannot give you this answer."

To show that it is possible to safeguard production tasks without violating the law, Pesta then cites the case of an unspecified large factory that is now subject of prosecution which had for 3 years been producing "nothing but rejects," causing damage estimated at Kcs60 to 70 million. The director now reportedly argues that otherwise he would have had to close down the factory. As Pesta says when a new management took charge, the enterprise stopped producing rejects without having to deprive the employees of their jobs.

Pondering the causes of economic crime, Pesta then says: "In a number of plants and enterprises, it is an open secret that the plan is being fulfilled only on paper, that the employees are taking so-called 'tokens of gratitude' [vsimne], that there is a black fund, that the production is unprofitable or of poor quality. But everyone is silent.... The indifference of the surrounding, the poor functioning of control, the lack of interest in these issues on the part of social organizations, the social climate--that is one of the causes of economic crime."

Hirschova then turns the discussion to bribery, and confronts Pesta with the view of a MLADA FRONTA reader that "bribery and other abuses in economic life cannot be fought by any prohibitions and orders but only by sufficiency." Pesta admits that "disproportions in satisfying needs" play a role in this respect, but adds that "it is not our job to solve problems instead of economists; our job is to guard the law." He also notes that economic crime such as speculation does not concern any essential articles but "pornographic literature, jeans or records."

In the concluding passages of the interview, Pesta discusses "petit bourgeois vestiges" and "snobbishness" as one of the frequent motives of economic crime (referring in this context to the recent case of the director of an unspecified enterprise who had to answer to the court for having used enterprise money to finance a soccer team); the difficulties faced by the prosecution in tracking down intricate cases of sophisticated "white collar" cime; and the need to punish all offenses. He says in this context: "Every unpunished offense generates, in fact, a new one. It is alarming from this viewpoint that in 1976 there was a sharp decline in the statistics of petty crime. Is it possible that all of a sudden people became disciplined and stopped pilfering property in socialist ownership? In the development of criminality such leaps are not possible. This may be true of potatoes, that one year there is a good harvest and the next a poor one. It cannot be ruled out that in those years a generation of people has grown up who have grown accustomed to it that when they steal a little, nothing is done about it. And that is very dangerous."

Bratislava VECERNIK in Slovak on 26 March on pages 1, 8 and 9 carries a 6,000-word speech by Gejza Slapka, member of the CPSL Central Committee Presidium and leading secretary of the Bratislava CPSL city committee, at a 22 March Bratislava aktiv devoted to "socialist legality and strengthening legal awareness." A large section of his speech is devoted to economic crime. According to Slapka, "economic crime is an extraordinarily grave all-social

phenomenon that has a negative impact on the development of the socialist society. At the same time, it is an outward sign of the discrepancy between the social awareness and the social being of a part of the population. In assessing the social danger arising from this type of criminal activity, we must not resort to merely expressing the damage in financial terms because the moral damage caused by economic crime, too, has social consequences."

Slapka notes that economic crime accounts for 23 percent of all criminal acts, and "direct pilferage," in turn, for 60 percent of all economic crime.

In his analysis of the causes of economic crime, Slapka pays special attention to "insufficient record-keeping and control" and to "serious shortcomings in cadre word." Givingan example of inconsistent control, Slapka refers to the ongoing investigation of "extensive criminal activity in connection with the procurement of waste paper from individual socialist organizations. The damage computed so far caused by pilferage represents Kcs600,000. The rub is that the individual organizations that were harmed never controlled, not even at random, how much paper they were actually delivering, even though this often represented considerable financial sums." According to Slapka, employees of the supplying organizations cooperated with employees of the procurement organization in this criminal activity, by manipulating figures.

Speaking about shortcomings in cadre work as a source of economic offenses, Slapka says: "How are we to assess the fact that a citizen who had received an unsuspended sentence was accepted, following his release, as the manager of a food store. When he caused a deficit there also, he was recalled from the post only to be presently appointed manager of a different trade facility of the same enterprise." In this context Slapka also criticizes that people are often employed as factory guards who lack the requisite "moral profile." This, together with the "advanced age" and "insufficient psychological and physical prerequisites" of many other factory guards, facilitates breaking into premises of socialist organizations.

Having noted that in 1981 the damage caused by economic offenses, presumably in Bratislava, amounted to more than Kcs8 million, Slapka urges managers to "critically examine their attitude toward protecting property in socialist ownership and to draw rigid conclusions against those employees who fail to establish the necessary safeguards against the possibility of economic criminal activity."

In the subsequent part of his speech, discussing the problem of corruption and bribery, Slapka notes that the measures adopted since the 1980 resolution of the CPCZ Central Committee Presidium on this matter "have not been sufficiently reflected in changes in the attitude and conduct of many individuals, and even economic organizations." He hotes that in 1981 only 31 cases of bribery and corruption were registered by the courts, but adds: "The findings of many primary party organizations, but also discussions with citizens, suggest that there are far more cases of corruption and bribery in our society. We also often hear this about the economic sphere. In giving reasons for difficulties in production, many managers indicate that materials that are in short supply can only be obtained when offering illegal reciprocal services, be it to the supplying enterprise or its individual employees."

Citing an example of corruption that has become the subject of investigation, Slapka refers to the case of a Bratislava real estate assessor who is charged with having damaged the state in assessing the value of properties bought by the state.

Concluding his elucidations on bribery, Slapka says: "The struggle against corruption and bribery cannot be merely a concern of the agencies involved in legal proceedings. We must wage an uncompromising struggle against this abuse that depreciates the political, ideological and often even material values created by socialism. Everyone must start this struggle in his own environment, at every workplace. The higher and more responsible post someone holds, the more urgent is this task. Otherwise it will be virtually impossible, even with the best declarations and measures, to achieve a substantial improvement with respect to this antisocial activity."

Further on, Slapka discusses crime in general. He notes, among other things, that despite "a number of positive results" in the struggle against juvenile delinquency, young people up to the age of 29 account for more than 75 percent of all criminal acts committed in Bratislava. He also notes a disproportionate share of the gypsy population, saying that out of the 92 offenses committed in Bratislava last year by children up to the age of 15, 29 offenders were of gypsy origin. In his speech, Slapka also emphasizes the negative role of alcohol (saying that it accounts for 38 percent of all criminal acts), and deplores the "liberal" attitude toward this problem.

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FOREIGN TRADE IN 'SET OF MEASURES' DISCUSSED IN SEMINAR

Prague RUDE PRAVO in Czech 11 Mar 82 p 3

[Roundtable discussion organized by RUDE PRAVO on the "Effect of the 'Set of Measures' in the Area of Foreign Trade"]

[Text] To develop export competitiveness of the national economy is one of the most important contemporary tasks of our national economy. To increase the export efficiency of the national economy is, therefore, one of the principal goals of the "Set of Measures for Improving the Planned Management System of the National Economy."

RUDE PRAVO organized a roundtable discussion on how the "Set of Measures," which has been in effect for more than a year, has affected export efficiency and what should be done in the future with Eng Ladislav Matejka, secretary of the Government Committee for Problems of Planned Management of the National Economy, and Josef Pasek, worker of the CPCZ Central Committee. The other participants were: Dr Engr Frantisek Fremund, general manager of PZO [Foreign Trade Enterprise] Pragoexport; Oldrich Havlicek, manager of the First Brno Engineering Plant; Eng Jaroslav Hnizdil, manager of Factories Manufacturing Machinery for Flour Mills; Docent Eng Ladislav Kubik, CSc, VSE [Advanced School of Economics]; Eng Miloslav Mikes, CSc, general manager of PZO Skodaexport; Prof Eng Jaroslav Nykryn, DrSc, VSE; Eng Vojtech Rousal, chairman of the economic commission of CV [all-factory committee] CPCZ PZO Kovo.

[Question] What is your opinion on the effect so far of the "Set of Measures" on increasing the export efficiency of our economy?

[Answers]

O. Havlicek: Our enterprise works on the premise that it is necessary to increase production efficiency to the maximum possible extent particularly with reference to technically progressive products which we should export. Some principles of the "Set of Measures" must be worked out in more detail,

because in the area of assembly modules, for example, they are not effective. Let me give you an example : while in some instances we need only 5 percent of importec complementary components to export a power plant, sometimes we need as much as 40 percent. We deem it appropriate to strengthen the function of the general contractor as early as in the plan and to set up a strong OZO [foreign trade organization] for export of complete industrial plants.

J. Nykryn: The "Set of Measures" does not sufficiently deal with four groups of problems in our external economic relations. In the first place, the importance of external economic relations is substantially greater than various indicators show—for example, the share of foreign trade in the national income. It permeats the entire economy. There is hardly a factory whose production does not depend on exports or imports. Secondly, the CSSR participation in the international division of labor is still rather small. The world's engineering industries make approximately 6,000 basic types, approximately 50 percent of which are manufactured in the United States, 20 percent in the FRG, 17 percent in Japan. We produce more types than is feasible. There is only one solution: bigger production and product specialization, and related cooperation. The third problem is our excessive consumption in manufacturing, which increases our deficit in the balance of payments. Fourthly, the "Set of Measures," in my opinion, does not sufficiently promote the adaptability of Czechoslovak production to world conditions. This is due to stereotyped thinking and is reflected in obsolete technical standards, complex regulations and so on.

L. Kubik: The "Set of Measures" paved the way to the solution of problems in management of the economy. An effective and combined application of its principles in foreign trade and production should lead to the adoption by both partners of uniform goals and principles in the first place. By that, I mean the intensification of the national economy with the active participation of science and technology, and of external economic relations as one of the basic factors in economic growth. Secondly, it should lead to uniform proportions, rational production and export structures corresponding to the potential of our economy and to sales conditions on world markets. In the third place, it should lead to the application of uniform criteria (for example, the criteria of relations between foreign and objectified domestic prices, currency criteria so that the Koruna would serve as the standard of values, criterion of prices and preserver of values). The system of management must be interpreted in comprehensive terms, in the light of the mutual interdependence of individual components, differentially oriented to the discharging of their management functions.

V. Rousal: While we were essentially an export enterprise during the last few five-year plans, it is imports which slightly predominate now--approximately in the ratio 7:6. In other words, we did not succeed in implementing the resolution of the 16th CPCZ Congress. This is all the more serious since we act in the foreign trade area as the representatives of eight large concerns and other enterprises. I see in this a failure of certain provisions of the "Set of Measures."

M. Mikes: The present system of foreign exchange incentives does not sufficiently stimulate either the general contractor or the subcontractor. These incentives should be expanded and restricting provisions abolished. In my opinion, it would be a good idea, if VHJ [economic production units] could also use foreign-exchange incentives for financing their social programs, for example. The incentives would then be much more effective.

F. Fremund: The essential effect of the "Set of Measures" on export competitiveness should be reflected, in my opinion, in noticeable innovation and more extensive assortment offered to us by our suppliers. A year is too short a period for a radical change in the thinking of management personnel, economists, technicians and in the long-standing system of production. Our assortment can be described as a set of products with good use properties (complaints concerning workmanship and quality do not exceed 10 percent over a long period), but with a few substantial innovations. This situation must be remedied despite the fact that innovation of our assortment requires ingenuity, is laborious and often involves risks. However, the incentives for production changes are not effective enough. The incentives should be so strong as to compel workers to make full use of their skill and initiative.

J. Nykryn: The "Set of Measures," however, makes it essentially possible to reconcile by additional measures one important fundamental discrepancy. While--with the exception of raw materials--there exists a buyers market in the world, we face the opposite situation in our country--we still have a seller's market. In other words, we must strengthen the customer's position, particularly in the area of exports.

L. Matejka: One of the principal goals of measures enacted for improving the management system last year was to increase the export efficiency of our economy. The effect of the measures in this respect is now being analyzed in detail both in the production sector and foreign trade. Although it is clear that we cannot identify with the "Set of Measures" all positive or negative phenomena in our economy last year, some conclusions can already be drawn and on their basis future steps planned for making individual tools of management more effective.

I am of the opinion that the results achieved in exports were positively affected by the increased pressure of the entire management system on the technical standards and quality of products and on the reduction of material consumption. The rules governing the use of economic tools in exports made it possible to create considerable funds for financial incentives in all VHJ which achieved higher efficiency and higher increases in export volume. It is, of course, necessary to see that financial incentives alone for increasing exports cannot solve material problems in the structure of supply and demand for export goods, disproportions and inflexibility in supplier-customer relations, our lagging behind in technical standards, inadequate marketing techniques and so on. To put it briefly: the material advantages promised by the more aggressive and purposeful export policy of VHJ obviously cannot yet fully compensate for the difficulties and risks involved in its implementation.

In other words, either the economic pressure of rules and existing forms of economic ties between production and foreign markets are not yet tight enough, or the material and systems conditions in which VHJ operate are not sufficiently favorable for an active and initiative approach to the formulation of their export strategy. In both these respects, therefore, it will be necessary to explore by experiments or application of stricter rules ways of underscoring the key role of exports in our economy and linking more tightly VHJ economic interest and khozraschet as a whole to the results achieved in foreign markets. Financial incentives in foreign-trade enterprises must, of course, be set up in accordance with this approach.

J. Pasek: The 16th CPCZ Congress and the Fifth Plenum of the CPCZ Central Committee emphasized the key importance of external economic relations for the successful fulfillment of the Seventh Five-Year Plan. If the plan targets set for external economic relations are to be met, production must closely and effectively cooperate with foreign trade and have a common goal in mind—the implementation of party economic policy. This close and effective cooperation of production with foreign trade must be supported by the entire economic mechanism. The "Set of Measures for Improving the Planned Management System of the National Economy" created the basis for this increased cooperation of production with foreign trade. It is necessary to make use of all possibilities offered by the "Set of Measures" to develop it further by proposing new and more effective measures which will further tighten economic links between production and foreign trade.

[Question] Who in your opinion should be responsible for export results?

[Answers]

M. Mikes: Although the answer is likely to be expected that it should be one person in the entire republic, this would not be correct. Responsibility must be shared by all organizations and institutions involved. As a foreign-trade organization, we must first find business, create commercial and political conditions for it in the territory in question, establish appropriate connections, secure financing—in other words, cover the entire area of marketing and merchandising. We expect the production sector to supply what the market demands and not ask us to sell what it manufactures. The production sphere must bear responsibility for technical and economic parameters and for both prompt delivery on time and service. Moreover, the bank should be an organ which not only controls, but also helps, if the market situation is difficult. The central sphere should create an appropriate export climate by the planning method. In other words, the role and responsibility of each participant should be precisely defined.

J. Nykryn : I want to add a few words to what has just been said and to define responsibilities more precisely. It is correct to speak of the common interests and tasks of production and foreign trade. Yet, responsibility must be divided. The foreign-trade organization is responsible for export results, while the production unit is responsible

for manufacture of goods to be exported. By the little word "common" we sometimes conceal the symmetry of responsibility as well as of jurisdiction between the two units. The workers at foreign-trade organizations should pay more attention than in the past to merchandising, in which reserves still exist. As of now, however, they spend as much as 60 percent of their time on acquiring export goods for which, of course, production should be responsible. In other words, there must be greater specialization if effective results are to be achieved.

V. Rousal: It seems to us that the responsibility for exports, particularly by production enterprises, was not reflected either in the incentive rates or evaluation of activity in question. In particular, the enterprise's role is underrated. The export targets are settled at the ministry and VHJ, and the enterprise receives only a detailed list of assignments which often shows many defects. This should never happen. The enterprise bears main responsibility for the nonfulfillment of the plan. And I have not yet referred to plants which manufacture primarily for export, but whose managers are never consulted. What I want to emphasize is this: the responsibility for exports must be shared by many more people, including those who control quality, see to it that deliveries are made on schedule and so on. Perhaps it would be worthwhile to specify financial incentives all the way down to the enterprise or even plant level.

J. Hnizdil: I regard the division of responsibility as given. Foreign trade is responsible for merchandising, production for manufacture and technical standards. But everything is interdependent. A complete industrial plant grows through mutual cooperation which depends upon people, their initiative and professional skill. As a result, cooperation may be good or inadequate and, therefore, the subject of constant criticism. But we must solve some fundamental questions, for example, the plan must be identical from the top—SPK [State Planning Commission]—all the way down to production enterprises and foreign-trade enterprises. But this is not so in practice. There is something in the detailed plans for foreign-trade organizations, and something else for VHJ. This problem must be solved because there is no use in inventing new principles. There are also other questions such as the problem of risk in exporting complete industrial plants, of designing projects on time, of incentive rates for higher prices. We are going to export 86 percent of our products this year, but as much as 90 percent in 1985. So far as I am concerned, all enterprise incentives depend upon exports. But the incentives should also be increased, in my opinion, for enterprises which export only 30 percent of their production. But the incentives should be differentiated.

O. Havlicek: During our long association with Skodaexport, there has not been a single instance of not reaching agreement or of reproaching one another. As to the financial incentives within the enterprise, they are specified in the enterprise premium systems and distributed among the workers concerned--in the production departments all the way down to the sales department. In the production enterprise, we bear full responsibility for technical standards and quality of products. This is what we mean by responsibility.

L. Kubik: The February session of the scientific council of the VSE dealt with the problems which we are discussing here today. Comrade B. Urban, minister of foreign trade, at that session emphasized the "necessity of finding forms of financial incentives which people will really understand and which will make them realize the links to export results. Both positive and negative impacts must be just and hit the right spot." Prices, for example, must be in effect uniformly along the entire vertical line so that their effect is felt in all production phases as well as in foreign trade which is responsible for the sale of Czechoslovak products on foreign markets. By the correct application of positive and negative incentives, a climate must be created for innovations and effective exports, that is, a symmetric system of incentives and penalties which will take into account the demanding nature of world markets. Enterprises which earn millions of Korunas for the national economy or squander funds in the area of production factors must feel the im pact in their bonus funds.

L. Matejka: Defining as accurately as possible the responsibilities of VHJ and foreign=trade enterprises is extraordinarily important, particularly if production and foreign trade are organizationally separated. This is a complex question and often also controversial in practice. I would like to emphasize two aspects of the problem. In the first place, the dividing line of responsibility among individual organizations cannot be drawn in such a way as to imply separate production activity from foreign trade activity. Production must be responsible not only for manufacture of products of a high technical standard and quality, but also for their effective sale on foreign markets. On the other hand, PZO should be held responsible not only for the most advantageous sale, but also for the most effective use of our production capacities and the highest possible remuneration for our national labor. This is the division of labor in accomplishing the common task--the attainment of the highest possible efficiency of the reproduction process in the given area.

This division of labor should be on a strictly economic nature. The specific form of mutual responsibility of both partners (including the stipulation of who is, and how he is, responsible for the risks related to foreign trade activity) should be stated in the contract signed by them. It is obvious, of course, that their economic interests must essentially coincide and must conform to societywide interests. We know that this is not always so in practice as of now.

J. Pasek: Although the question of responsibility for export results must be judged in a broader national economic context, for the sake of simplification we can say this: the production sector must be responsible for production of such use values as will correspond to the parameters of foreign markets. The foreign trade sector must achieve the highest possible prices for competitive products sold to foreign customers. At the same time, the quality work of production and foreign trade sectors in this respect creates the basis for the effective cooperation of two equal, but demanding partners within the same economy.

[Question] Is it possible to increase the foreign trade volume by international cooperation and production specialization?

[Answers]

M. Mikes: On the basis of our past experiences, I can say that cooperation is possible in the export of complete industrial plants. We have carried out some of our exports in cooperation with Soviet partners, others in cooperation with Western firms. Within CEMA, however, we encounter one stumbling block: all of us manufacture identical basic equipment, but nobody manufactures complementary components. What we lack is specialization in production, division of tasks among individual foreign-trade organizations.

J. Nykryn: It appears that the coordination of plans within CEMA is no longer enough today, but that we must also coordinate our economic policies, especially those dealing with external relations. It would be desirable, for example, to achieve coordination in pricing and price policies so that cooperation agreements be advantageous for both partners.

L. Matejka: On the initiative of the 26th CPSU Congress and the 35th CEMA Plenum, increased attention is being paid to the potential expansion of cooperation between the socialist countris on the basis of direct realtions between production organizations, and to the establishment of joint enterprises and international organizations. It is imperative now to create both organizational and economic conditions for highly effective direct cooperation in research, development, production and sales which will advantageous to all participants. We see in this a great opportunity for expanding our participation in the international division of labor and for making it more effective.

F. Fremund: Pragoexport is the typical representative of an organization engaged in the export of small consumer goods. It may seem that cooperation is impossible in this area. Nevertheless, we have signed many cooperation and specialization contracts with the organizations in the USSR, the GDR and in the nonsocialist states, and we have proposed additional cooperation agreements to our Soviet and Hungarian partners. Their purpose is both to satisfy the needs of our domestic market and to increase exports. Nevertheless, I must admit that greater activity in this respect would be desirable.

V. Rousal: KOVO has signed 29 specialization and cooperation contracts, 3 of which are with foreign firms. The best results have been achieved in those instances where both partners manufacture the same final product and the problem of production capacities is solved through subdeliveries. Cooperation with Western firms is also positive, but does not make full use of the potential of enterprises supervised by the ministries of electrotechnical industry and general engineering. Cooperation, however, must not be interpreted only in terms of imports of necessary components or products without producing by exports the funds for financing these imports. Economic problems must always be dealt with comprehensively.

J. Pasek: I do not think that it is necessary to especially emphasize the importance of production specialization and cooperation. Sales of products manufactured through production specialization and cooperation are among

the most dynamically developing areas of world trade. As to the present scope of production specialization and cooperation with the socialist countries, we may say that there has been an increase not only in the number of signed contracts but also in terms of contribution of specialized production to the economy of the socialist countries. In 1980, for example, the share of specialized export of machinery in Czechoslovak exports to the CEMA countries was approximately 28 percent. There still are, however, some important equipment and technologies which the socialist countries import from the capitalist states. A major milestone in this respect was the 102d Plenum of the CEMA Executive Committee which discussed the problems of cooperation in the engineering sectors that are of key importance to the economic development of fraternal countries, such as the development and manufacture of industrial robots, precision machine tools, machines for comprehensive mechanization of agriculture and so on.

As to production specialization and cooperation with the nonsocialist states, we cannot be satisfied with the present situation. The share of cooperative exports in total exports to the nonsocialist countries is less than 1 percent. Thus, it is imperative that, in consideration of all political aspects, the production and foreign-trade sectors explore the ways of increasing this percentage.

O. Havlicek: I think that we make little use of production specialization and cooperation. Usually we remember this cooperation only if we are not able to manufacture complementary components. For this reason, cooperation--particularly in the area of complete industrial plants--should start as soon as a project is planned. We should also revalue the results of negotiations on cooperation and specilization in various commission because the results do not seem commensurate to the effort exerted.

L. Kubik: The increase in economic effects of international socialist production specialization and cooperation will depend on: the comprehensive coverage of the production process, research, design and engineering, standardization and uniformity; degree of cooperation in the area of subassemblies, components and elements; flexibility in scientific-technical preparation, planning and technical-economic justification and evaluation of projects; a more thorough elaboration of financial and foreign-exchange mechanisms as well as of principles governing the long-term pricing of products; activity of consumers themselves. In view of the importance of the Czechoslovak engineering industry, the present situation merely indicates the future trend in these relations. In expanding cooperative relations, the production sector should look for one of the potential solutions of production and technical problems.

[Question] How can cooperation between VHJ and foreign-trade organizations be improved?

[Answers]

M. Mikes: Although our cooperation with the production sector has some positive features, it does not correspond to the needs and situation on the market. We have a specific idea on how to cope with it and have

submitted pertinent proposals to our ministry. We deem it necessary to cooperate more closely in the decisionmaking process even before the final contracts are signed—not only with the production sector, but also with other partners and the bank, ministries of finance and foreign trade and sometimes also with the SPK. We, therefore, propose in connection with the export of complete industrial plants to set up a special operations council, where the representatives responsible for individual sectors will make decisions on which projects effort should be concentrated, and which individual projects should be carried out and how. The period after the signing of contracts already follows its own rules, but the decisionmaking process prior to signing of contracts requires closer cooperation.

J. Nykryn: I agree with what has been said so far, but I would like to make three comments in this connection. In the first place, the operations council must be granted supreme authority; its jurisdiction must be backed up by legal and economic pressures and it must have the right to impose sanctions. Secondly, there must be a joint and uniform detailing of the plan to the SPK through the ministries to the production and commercial enterprises. Thirdly, different methods are employed in the evaluation of the plan fulfillment. Production is judged according to the time, when the product is turned over to the shipper or placed in a warehouse; but foreign trade organizations are judged mostly according to the time the goods cross the state border. At the beginning, the conditions should be made uniform on the f.o.b. state border basis. Sometimes in the future, however, the obligation should be regarded as having been met at the moment, when the foreign-exchange claim arises. This, of course, will require a revision of provisions in effect at the present time.

L. Kubik: Apart from what has already been said, there are additional ways of improving cooperation between the production sector and foreign trade. For example, the strengthening of both sectors by young properly qualified workers. However, can the production of foreign-trade organizations hire 10-20 graduates of foreign-trade or industrial economics for 1-2 years' practical training? Yet, everybody recognizes that this would be very good for gaining experience.

O. Havlicek: I think that nobody without previous practice in the production plant should join a foreign-trade organization. One year seems to me too short a period, I would be in favor of at least 3 years' practice. We probably could not hire 20 workers at once, but two workers a year would be possible.

F. Fremund: The signing of agreements on mutual cooperation has proved successful. We have signed a number of such agreements with major economic production units for the duration of the Seventh Five-Year Plan. We check on their implementation twice a year. Another form of cooperation is the advisory board which was set up as early as 1976. It convenes twice a year, we jointly explore urgent problems with the production representatives. Combined task forces study specific questions of innovation, shortening of delivery periods, better packaging techniques, scheduling of more evenly spread export shipments and so on. We stimulate the production sector's

interest in the best possible export shipments by organizing competitions for the best new products, the best product in the sector, exemplary fulfillment of export tasks. Nevertheless, we think that cooperation with the production sector can be further improved.

J. Hnizdil: Although it is theoretically clear, it does not develop practically as we would wish. Various advisory organs can be useful depending upon the matters they discuss. If they will amuse themselves by discussing the general aspects of mutual relations, they will not be very effective because the khzoraschet sphere needs concrete conclusions. Some problems must be viewed from our positions. For example, we cannot disrupt a cycle processed by the computer, but we can upon mutual agreement revise the system of advance orders. It is also necessary to treat cooperation from the international standpoint. We have, for example, a specialization contract with a foreign partner which stipulates what we and he should do, but we have not yet delivered a jointly manufactured unit to the third market. Why? Because the price aspects of cooperation have not been agreed upon.

F. Fremund: We organize a closed Pragoexpo exhibition for our foreign customers every year. The exposition is not open to the public, but is also attended by our delegates and representatives of production. This year we made available to our delegates a large amount of foreign-exchange korunas and asked them to purchase samples of comparable foreign-made goods which are manufactured in our country and offered for sale. We shall exhibit them at Pragoexpo and list the prices at which our competition sells them, how soon it can deliver them and what service it provides. This will be instructive not only for the representatives of our production sector, but also for numerous delegation which visit our exhibition.

[Question] How are we to further improve foreign trade activity?

[Answers]

L. Matejka: Experiences with the implementation of the "Set of Measures" so far make it clear that one of the important conditions for effective and properly oriented cooperation is the consistent coordination of plan indicators with the interlinked financial incentives in VHJ and OZO. The shortcomings in this respect sometimes give rise to conflicting interests detrimental to cooperation.

Secondly, I think that foreign-trade organizations should take a very active part in working out the concept of production increases in individual sectors from the standpoint of a long-term export strategy. At the same time, they should sign long-term agreements with production based on the five-year plan, agreements which would specify basic directions in the development of the deliveries' structure, orientation and deadlines for innovations, service tasks, certain questions related to price development and so on.

An indispensable part of good cooperation is comprehensive information of the production sector on the situation in foreign markets and, on the other hand, foreign-trade organizations' perfect knowledge of possibilities and problems of the production sector. This, of course, requires that contacts between production and foreign-trade organizations be based on really comradely relations characterized by frankness, sincerity and mutual criticism.

M. Mikes: I would like to express three wishes. First, that the plan of exports, including exports of complete industrial plants, should be governed by a long-term and not an annual plan. Secondly, the VHJ and OZO plans should be identical and exports of complete industrial plants should be put in the same category as the construction projects directly supervised by the government. Thirdly, our planning methodology should introduce the terms of direct and indirect exporters, and VHJ should be evaluated according to the total of direct and indirect exports because one without the other does not make sense.

J. Nykryn : It would be worthwhile to consider an experiment in continuous planning—not only in the area of exports, but also in supplier-customer relations, contracts on cooperation and so on. The plan would then become a real tool of management, constant changes and correction would not take place. It is often said that the foreign-trade organizations are commercially strong units. Their strength, however, cannot always be fully utilized because of the rigid regulations and other legal provisions whose observance makes it impossible to make full use of what is called the power of monopoly. This involves, for example, parallel business transactions, when the Western world has long since adopted the system of so-called counterpurchases. The same is true of the use of import commercial credits on the purchase of new equipment for more efficient processing of domestic raw materials. Thirdly, leasing of equipment for direct use in productive manufacture. If such an arrangement is advantageous for capitalist enterpreneurs, it could also be advantageous for us.

L. Kubik: We cannot change the advancing polarity between the technically prominent and lagging manufacturers or price differentiations on the world markets. However, we can change internal production conditions and improve marketing in the foreign-trade area. Many are of the opinion that without a revision of the management system of the economy the functioning of its subsystem, that is foreign trade, cannot be significantly changed. The general thesis of the indispensability of the export-oriented management system of the economy does not mean that foreign-trade management must passively wait for a period when something happens in the entire national economy. Active impulses from foreign trade as the key area directly connected with the world can speed up the improvement of management of the entire expanded reproduction process.

O. Havlicek: We have conducted many analyses of products in order to determine which of them would be most suitable for export. But the people in supervisory organizations have never told us: yes, this is so. In the long run, however, the situation should be actually reversed—the ministries should tell us what would be most advantageous to manufacture. We could make better preparations for it.

J. Pasek: The discussion made it clear that for further improving of cooperation between the production sector and foreign trade, the economic interlinking of these two partners is of the utmost importance. This means that the plan, pricing, financial and economic tools must effectively promote such as linkage of production with foreign trade as will be reflected in the higher export competitiveness of our national economy and the efficiency of the entire reproduction process. The "Set of Measures" created the basis and must be systematically translated into reality. In particular, it is necessary that the enabling legislation related to the "Set of Measures" comprehensively cover all national economic links and create a demanding economic climate for the work of both the production sector and foreign trade. It must be seen that the "Set of Measures" is not a closed document, that its effect is constantly analyzed and improved. We must, however, make a distinction between what is objective, what is the effect of the economic mechanism, what is caused by people, by their attitude toward the fulfillment of tasks and duties. No "Set of Measures" will be of any value if poor management, lack of thoroughness and responsibility, inadequate control persists in the production sector or foreign trade.

Increased cooperation of production and foreign trade must also be promoted by measures such as the establishment of operations councils in the foreign-trade organizations, a move which should help in the joint solution of key problems related to export tasks and in the formulation of long-term production and sales programs. It will also be necessary to adapt, as much as possible, the organizational structure of foreign trade enterprises to the production technical basis, and to do more in the purposeful centralization of production units supplying foreign trade with export goods.

What conclusions can be drawn from this discussion on the effect of the "Set of Measures" in the area of foreign trade? Much has already been said in the course of the discussion itself. Everything indicates that the changes which took place in the world economy during recent years are of a long-term and permanent nature. Life proves that the world will not adapt to us, but that we must rapidly and effectively cope with its requirements. This situation makes efficient work in the production sphere and foreign trade absolutely imperative. Only exports of high-quality goods achieved by high-quality merchandising offers us the possibility of mitigating the impact of changes in the world economy on our national economy.

If approximately one-third of newly produced values passes through Czechoslovak foreign trade--and this ratio will further increase in the future--the good results of international commodity exchange will become increasingly important for the effective development of the national economy. Rich political and professional experiences of prominent work collective in production and foreign trade must be used in order to make sure that production and trade through their joint effort will contribute to the fulfill- of tasks of the Seventh Five-Year Plan.

10501
CSO: 2400/190

## HUNGARIAN BANK OFFICIAL INTERVIEWED ON CREDIT, FORINT CONVERTIBILITY

Warsaw POLITYKA in Polish No 2, 27 Feb 82 p 14

[Interview with Rezso Palkovitsem, vice-president of the Hungarian People's Bank by Gregorz Lubczyk; place and time not specified]

[Text] [Question] Is your bank reliable? On a list of reliable debtors recently prepared by Western banks, Hungary was in 47th place.

[Answer] Such lists are made up from the proverbial needle in the haystack and possess the merits of having very little in common. Even in the period of the 1956 counterrevolution, although life in the entire country was paralyzed, the bank met all of its obligations on time. If my memory serves me right, we have always made good grades with world banks; and for many years now we have been ranked in Category I. Due to our payments discipline we receive credits at considerably better conditions than countries that find themselves in a similar economic situation. If there were a question of acquiring new credits for a large investment in a short period of time, there certainly wouldn't be any problem.

[Question] What is the place of the People's Bank in the economic life of your country?

[Answer] To a significant degree, we are arriving at its final form. This is a little bit like making a cast: we are indeed realizing the best theoretical conceptions and ideas. It is something like a sculptor coming up with a beautiful idea, only to find that it cannot be realized because of the kind of casting equipment on hand at that moment.

The bank operates directly under the supervision of the Premier. To some extent, we participate with his office in taking up all government economic decisions. Without our participation, the Parliament would not approve economic budgetary and credit plans. Let's say, for example, that we exert a real influence on about 60 percent of the country's total investments and on 80 percent of industrial investments. We account for the implementation of current production activity with regard to finances. The basis of our work are the annual government approved guidelines for state credit policy that permit defining the volume of credits, conditions for granting credit, and the amount of interest, etc.

[Question] Your economy has earned a name as a proexport economy. How does this benefit the Bank?

[Answer] Actually, we are an open economy; export makes up over 50 percent of our national income. Foreign trade is one of our prize possessions, and we cannot allow ourselves to have it develop irregularly. The recession of the second half of the 1970's has made us very much aware of the influence this sector of the economy has on the entire economy structure.

We have created a special credit fund for enterprises to develop investments, that serve mainly the growth of export to countries in a free foreign exchange sphere. We don't give a forint without a guarantee that the goods produced will interest hard currency customers in the near future. The conditions for debtors are also rigid.

[Question] Please list the most important conditions.

[Answer] Seventy to eighty percent of future production must reach capitalist country markets. Moreover, an investment must cover the net costs of foreign exchange within 3 years at the very latest. And beyond this, the current exchange rates (and those of 2 to 3 years ago) bind the currency secured by a new investment. This direction developing exports is proving to be correct. In 1980, already 80 percent of the goods to the dollar sphere came from investments which were implemented according to the principles mentioned.

[Question] And what do you do when an enterprise does not meet its obligations?

[Answer] One needs to know that we are able to make long-term credit payments. An enterprise that maintains the conditions of the agreement receives a bonus from us--credits remain free from interest rates. In the opposite case, we even have the right to dissolve a credit agreement and the full amount of credit must be returned immediately. If this is impracticable--we have the right to seize the debtor's property.

[Question] Have any such cases occurred?

[Answer] Fortunately, no. This is not at all to say that everything is ideal. Eighty percent of the debtors do not cause us any trouble. In the most recent period more and more resources for export have been assigned to agriculture. In 1981, we assigned nearly 40 percent of the credits to state farms and agricultural cooperatives. So far, they are being repaid quite rapidly.

[Question] Is the Hungarian People's Bank independent and self-governing?

[Answer] As independent as a State organization can be. Likewise it is independent in the sense that special interests do not control the bank; rather it is controlled by the goals and tasks of the national economy. On the other hand, self-government as it is in Yugoslavia is something we don't even want to become better acquainted with. If inflation reaches an annual rate of 30 to 40 percent in Yugoslavia, what do we need with that kind of self-government?

[Question] The forint. What have you heard from your side?

[Answer] It is good currency. Taking into consideration the global inflationary processes, the success of our country consists in weathering the present storms and maintaining the value of the forint. Of course--wages have increased and prices jumped, but, in sum, the standard of living has managed to maintain itself at an undiminished level. Taking into consideration the external conditions, this is, I suppose, a greater achievement than the increased standards in past years. From the perspective of this past year, we estimate that people's real wages and incomes have not increased significantly. Plans for 1982 envisage a 1 percent increase of these incomes and wages remaining at this year's level. Hungary's market is well supplied and there are possibilities for a sensible issuance of money. And yet society's savings have increased--this is an argument that speaks for the forint, too.

[Question] In October, commercial and tourist rates of the forint are to be put on equal footing in relation to convertible currencies. This has caused a lot of speculation on the subject of creeping convertibility...

[Answer] We have set ourselves the task of standardizing both exchange rates the moment economic reform started. What became a fact on 1 October is the result of over 10 years of effort. Until 1975 we maintained the so-called forint foreign exchange. This exchange did not give the true value of exported goods and functioned mainly in statistical accounts; consequently, we abolished it in the early part of 1976. In the next 2 years, there continued to exist a 100 percent difference between the commercial and noncommercial rate, just as it was in 1968 when the noncommercial dollar was valued at 30 forints and the commercial 60. Since 1979, the gap between the two has begun to shrink rapidly. At that time, an increase in the value of the forint in the commercial sphere allowed the offsetting of internal inflation against price levels. Conversely, we have proceeded to gradually raise the commercial rate. This has meant a decrease in the value of the forint, which, in turn, has had a positive effect on Western tourists' interest in Hungary. In September of last year, the difference amounted to only 8 percent. In the course of 2½ years we have balanced the rates. Presently, the dollar is valued at 35, and not 60 forints as it was not so long ago. In other words, in the course of 13 years of reform we have increased the value of forint in relation to the dollar by about 40 percent.

[Question] What does the bank look forward to after this last operation?

[Answer] The introduction of a uniform exchange rate of the forint symbolizes a gradual development of the national economy without any shocks or disturbances, a development which must not be treated in abstraction from the profound price reforms in the years from 1979 to 1980. This step also has real significance because foreign countries see the peaceful development of our economy. Until recently, maintaining two exchange rates has tarnished our economic image and has made it difficult for enterprises to assess the actual situation. In tourism, for example, noncommercial rates were operative--how then are tourist investments to be treated? Many institutions, for example, railroads, carry out two operations: commercial and noncommercial. Financial operations connected with the transportation of goods were based on commercial rates,

while the transportation of people was based on noncommercial rates. Administrative principles in these units have now become much simpler and clearer. At least it has been worthwhile to bring about the elimination of various rates.

[Question] Couldn't this have been done earlier?

[Answer] Thirteen years ago we didn't think that it would take so much time. No one, for example, foresaw the fuel and energy crises of the second half of the 1970's.

[Question] When will you declare the forint a convertible money?

[Answer] The introduction of a uniform rate is a kind of preliminary condition so that one may think of a partial external convertibility. This goal is actually in our plans. It is in the not too distant future...

9866
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## 'ZYCIE GOSPODARCZE' HIGHLIGHTS PRODUCTION, IMPORT-EXPORT PROBLEMS

### Trade with Capitalist Countries, Substitute Exports

Warsaw ZYCIE GOSPODARCZE in Polish No 13, 18 Apr 82 p 12

[Text] Revocation of the possibilities of obtaining credits from the second payments area states forces us to shape the turnovers with those countries on the principles of full equilibrium. An important element of this equilibrium must be, of course, the export of hard coal. However, at present, in the spring, it is obvious that this export can face considerable difficulties. In connection with these difficulties, the prompt undertaking by industry of efforts to substitute the export of coal with the export of products in whose processing coal plays a decisive role. This refers to the production of cement, caustic soda and carbide.

### Foreign Exchange-Zloty Automobile Sales

Warsaw ZYCIE GOSPODARCZE in Polish No 13, 18 Apr 82 p 12

[Text] The production of passenger automobiles and many other articles is impeded by the lack of foreign exchange for the purchase abroad of often times relatively small parts, assemblies, or materials. In connection with this, it seems that the introduction of the sale of automobiles and certain other articles for payments partly in foreign exchange and partly in zlotys is worthy of consideration. The idea is that the payments in foreign currency would cover the expenditures for the import of components. This type of sale is widely conducted, for example, in Yugoslavia and it functions successfully. It is worthwhile, therefore, for us here to think about availing ourselves of those experiences.

### Grain and Meat Imports, Exports

Warsaw ZYCIE GOSPODARCZE in Polish No 13, 18 Apr 82 p 12

[Text] The minimal requirement for consumable grains for the second quarter of this year [1982] is estimated at 560,000 tons. The procurement picture indicates that to reach this level of supplies, approximately 300,000 tons will be lacking. At the same time, we must reckon with the need to import approximately 360,000 tons of feed grain to uphold animal husbandry. The

foreign exchange value of these needs is estimated at over 160 million dollars. Obtaining such credits, at the present time, is outright impossible. The limitation, on the other hand, on such a large scale of the import of other articles for supplying the industry would mean a tremendous slump in production--on a scale of many billion zlotys. We are forced to seek the solution of this problem via undertaking exports of expensive types of meats, so that from the revenues obtained in this manner, equivalent quantities of cheaper meat can be imported; and for the saved foreign exchange means, indispensable quantities of consumable grains can be imported. This operation can resolve the problem of supplies in bakery goods, flour and cereals but it will not, however, afford the possibility of importing the needed quantities of feed grains.

## Reorientation of Industry

[Text] The accumulation of supply difficulties of our industry caused by the breakdown in the import possibilities from capitalist countries places the enterprises in the position of facing the necessity of far-reaching reorientation of their production policy. This concerns especially the following undertakings: shifting industry toward deepening cooperation with the socialist states; fuller utilization of domestic raw material resources, limiting dependence on imports from the countries of II payments area, and activating economic cooperation with those countries II payments area which have not applied any discriminatory measures against us. This last task should be treated as an important factor in overcoming the blockade imposed by the EEC states.

## Cement Exports

[Text] The preliminary production estimates in the second quarter of this year [1982] indicate that it is necessary to reckon with periodic difficulties in increasing the production of many products based on our own raw material base. The assessment of the Planning Commission indicated that, for example, in the second quarter of this year [1982] it is necessary to reckon with the fact that the production of sulphur will be lower by 13 percent than a year ago, the production of lumber will fall at that [same] time by approximately 19 percent, and the production of paper by 2 to 3 percent. The production of cement will also undoubtedly be somewhat lower than a year ago. It is known, meanwhile, that the production of these articles already in the second half of last year [1981] showed falling tendencies. It appears, therefore, that some fields of production, despite the fact that they have on hand a domestic raw material and other material base, cannot surmount the falling tendencies. Overcoming this impasse is one of the urgent tasks of the economy. It is known, for example, that if the production of cement could move ahead at full speed, then with the present limiting of construction, we could earmark considerable quantities of it [cement] for export. We have on hand a surplus of fine coal whose export is faced with difficulties.

## Construction Breakdown Causes

[Text] The very low degree of progress in fulfilling the first quarter 1982 residential construction annual tasks points to the great difficulties in the implementation of these tasks. The basic issue is the lack of finishing materials for whose production the import of components is necessary. Therefore, we have, at present, a large number of buildings under construction which are awaiting completion. Would it not be feasible, therefore, to delay the start of construction of new [housing] blocks and the cement saved earmarked for export in order to, in exchange, import components for the production of finishing materials? The laternative solution could be the continuation of the construction of the [housing] blocks in a raw state with the assumption that when industry overcomes the production of finishing materials without it being charged to imports, they will be completed on a mass basis. The large scale of residential construction points to the necessity of intensive work on making the production of finishing materials nondependent on imports.

CSO: 2600-P

ENERGY INDUSTRY DEVELOPMENTS DESCRIBED

Belchatow Mining-Power Complex

Warsaw ZYCIE GOSPODARCZE in Polish 6 Sep 81 p 8

[Article by Jerzy Paszkiewicz: "The Coking Industry in Belchatow"]

[Text] The largest Polish fuel-energy investment at present is the Belchatow mining-power complex. The natural deposition of strata divides the deposits into three parts: Belchatow, Szczercow and Kamiensk. The Belchatow deposit is already being mined. At the moment the Belchatow I mine and power plant are under construction. The first production from the mine in 1980 was to be 500,000 tons of coal, and in 1985 coal output was to be 40 million tons. Twelve power units, each rated at 360 megawatts (MW), are to be installed in the power plant, for a total capacity of 4,320 MW, which should make it possible to ultimately produce approximately 26.7 billion kilowatt-hours (kWh) of electric energy a year. By way of example, in 1979 domestic production of electric energy amounted to 117.5 billion kWh, and the generating capacity of all power plants totaled 24,785 MW. The first power unit was to have been put into operation in 1980, but there was a considerable delay. This was to have been followed by the Szczercow strip mine and the construction of the Belchatow II power plant with six power units of 360 MW each (2,160 MW total).

Thus far in Poland brown coal is used for one purpose only, as fuel for large power plants (Konin, Adamow, Turoszow, Patnow). This single-directional use of brown coal, which is presumable justified by the country's fuel-energy needs, is not convincing. A large part of the known reserves of brown coal in Poland have properties which are useful in chemical processing. The result of thermochemical and chemical processing of brown coal are valuable substances and raw materials for industries such as: organic, plastics, production of fertilizers, pesticides, and also liquid fuels, town and chemical gas, smokeless fuel, and others. At the present state of research and engineering, brown coal chemical processing technologies are already being used which make these processes profitable.

The directions in the development of extraction and mining of brown coal in the world show a steady growth tendency in the production of processed products: gas, heat, electric energy, briquettes, for the direct needs of users, and: high-temperature tar; semi-coke; light, engine and fuel oils; bitumens, phenols, asphalt, etc., that is, raw materials and intermediate products for the requirements of the chemical industry

and other branches of the economy. This was dictated by more efficient processed energy sources, the convenience of their use, the raw-materials needs of industry, and environmental protection, particularly in highly populated regions.

The Experience of Our Neighbors

The GDR has a great deal of industrial experience in the field of chemical processing of brown coal (with properties similar to that of Polish coal). In 1979, 256 million tons of this raw material was mined by our western neighbor, i.e., 5.2 tons of standard fuel per one inhabitant, while in Poland the combined output of hard coal and brown coal in 1979 amounted to 239 million tons, i.e., 5.4 tons of standard fuel per inhabitant.

In the GDR a number of installations for gasification, coking and extraction of brown coal are operated. Modern methods of processing this raw material are being used in the "Schwarze Pumpe" Works. This Works, which processes approximately 30 million tons of brown coal yearly, is comprised of:

--a gasification plant producing 3.2 billion cubic meters of gas, equipped with 24 gas generators of the Lurgi type,

--two coking plants, producing 1 million tons of coke annually,

--three briquetting plants, producing 9 million tons of briquettes annually,

--a complex of two electric power and heat generating plants with 2x100 MW countercurrent turbines and an electric power plant with 4x200 MW units, which provides for coordinated thermal management.

The works has a fuels institute, design offices, an experimental plant, etc. And what do we have? In no complex producing brown coal in Poland do we have this type of coordinated management, and what is worse, neither is it being planned for the Belchatow mining-power complex.

Planning the entire output of brown coal from the Belchatow deposit exclusively for power plant needs is a mistake. If this "mistake" is actually implemented, Belchatow will be lost forever for the chemical processing of brown coal. The power plant, with its 4,320 MW, must operate continuously and several units will not be taken out of operation to make up the deficiency in chemical processing. It is interesting that in the "Scharze Pumpe" Works, out of 30 million tons of yearly production of brown coal, only one-third of the yearly output is allocated for the direct production of electric energy, and two-thirds for the production of processed products.

At the present time, in connection with the intensifying petroleum crisis, the industrialized capitalist countries (United States, FRG, England, Republic of South Africa, Australia) and the socialist countries (GDR, Czechoslovakia), are increasing the chemical processing of coal and are expanding research on its processing. This is not simply a matter of the over fivefold (since 1973) increase in crude oil prices on the world market. The future of the coking industry derives from the fact that according to the latest estimates there will be enough crude oil in the world for

scarcely 27 years, unless there is a drastic drop in consumption or new sources are discovered. However, world coal reserves, suitable for industrial use at the present level of technology, are sufficient for approximately 200 years. These forecasts, as well as the present state of knowledge and technology, allows us to say that the importance of coal as a chemical raw material will grow tremendously.

Our Meager Coking Industry

In the area of hard coal chemical processing thus far we have the so-called "preliminary phase" in the coking industry, during which we at first obtain the derivative products: coke, high-temperature tar, benzol, ammonium sulfate, and coke-oven gas. Important economic benefits, however, are not obtained until later in the processing of these products. The organic chemical industry requires, as raw materials, many components of tar and benzol (e.g., benzene, xylene, toluene, phenol, naphthalene, anthracene, etc.).

So far, we do not know how to make efficient use of the products of the coking industry. We use scarcely 15 percent coal-derivatives in our chemistry. The management of high-temperature coking tar and benzol is especially poor. Large amounts of unprocessed tar are exported at low foreign-exchange prices, or we burn it in metallurgical furnaces, and we import its chemically processed ingredients at high prices. We import, also for foreign-exchange, benzene obtained from the processing of benzol, naphthalene, anthracene, anthraquinone, etc. This import costs us 30 to 40 millions of dollars annually. One of the directions of hard coal chemical processing should be the processing of coking products. This processing should be developed in Silesia, where we have our coking plants. Czechoslovakia has a lot of experience in this area. Our southern neighbors, in Velke Mezirici (Moravia), have had for over 20 years now a large industrial plant specializing exclusively in the processing of high-temperature tar and... it is difficult not to be envious of this.

However, the important chemistry of coal is, above all, its gasification and hydrogenation. Processing coal into gas makes it possible to improve efficiency in utilizing the energy of coal, and it also eliminates the transport of coal, and thus relieves the railroad lines, improves the habits of energy consumption, protects the natural environment, and for the long term, makes it possible to process it chemically into many valuable products.

Many Prospects, But...

There is a large shortage of natural gas in Poland. In 1983 it will amount to 2.9 billion cubic meters, and in 1985 it will be as much as 5.5 billion cubic meters. The potentials of a growth in the import of natural gas are, at the present time, limited. An increase in natural gas imports from the Soviet Union is linked with investments in the regions where it is produced and with sharing in the large costs of constructing transmission gas pipelines from Siberia. The import of liquefied gas from the North Sea region or from Algeria would entail considerable foreign-exchange costs, and in the case of Algeria, investments also in convertible currencies, which would make the price of this gas higher than the price of gas from coal. We must, therefore, extract or produce gas for our own needs by ourselves. Solving this problem in Silesia by building a large hard coal gasification plant, e.g., with a productivity of 4 billion cubic meters a year, is not possible, or at least very problematical, for the following reasons:

First: production of gas from coal is dependent on additional output of coal for gasification purposes. Approximately 7.3 million tons of hard coal is needed to produce 4 billion cubic meters of gas. Where, in Silesia, will we get this additional amount of coal? We know that there is not enough coal for current power requirements, foreign-exchange export, agriculture, and population needs. The mining ministry determined in 1980 that there is a fuel shortage nationally of 10-12 million tons. Nor will the situation be better in the future.

Second: gasification of coal in Silesia is dependent on its extraction from deposits located on the eastern side of the Upper Silesia Basin. The coal there has such a high sulfur content that to use it without chemical processing would cause serious ecological damage. But this would require large, additional investment outlays, which under the present and future economic conditions we cannot permit.

Third: the air in Silesia is polluted to the maximum degree. We have there a large concentration of plants that burn hard coal and coke, which causes emissions into the atmosphere of dust, and sulfuric and nitrogen oxides. The dust and sulfur emissions endanger the health of the people and the natural environment.

Fourth: there is a water shortage in Silesia. The coal gasification industry is water-intensive and requires large amounts of this resource. For example, approximately 13 million tons of water is needed to produce 4 billion cubic meters of gas.

And finally, fifth: hard coal is our very valuable export item. In developing the production of gas on a hard coal base we are depriving ourselves of the ability to export it, and thus depriving ourselves of the foreign-exchange revenues needed for the indispensable import of raw materials and repayment of foreign indebtedness.

The hydrogenation of hard coal for purposes of producing liquid fuels (synthetic gasoline) in Silesia is also out of the question. Approximately 2.5 kilograms of coal would have to be consumed to produce 1 kilogram of liquid fuel. Thus, to produce 8 million tons of "coal petroleum" (about half of our petroleum imports in 1979), we would have to mine an additional 20 million tons of coal. We cannot achieve such an increase in output in Silesia, and the Lublin Coal Basin is under construction and the development of a coking industry there will be possible only in the very distant future. But Poland needs gas; briquettes; light, engine and fuel oils; and phenols, right now.

Moreover, coking of hard coal in Silesia can be developed only unidirectionally (gasification or hydrogenation) and on a relatively small scale. The construction there of a large power-coking works cannot be considered in view of the reasons already cited, and also because of other restrictions (the transportation barrier, mining damage, and employment).

Brown Coal Possibilities

Since the coking of hard coal in Silesia is not likely, brown coal remains available. We have the Turoszow, Konin-Turek and Belchatow basins. Recoverable and nonrecoverable brown coal reserves in Turow are not large. They amount to approximately 0.9 billion tons, while in Belchatow there are 2.1 billion tons. The Turoszow deposit

has been mined since 1956, i.e., 25 years. Approximately 400 million tons, i.e., 44 percent of the reserves have been mined by now. The Turoszow Basin lies in the southeast section of Poland, near the GDR border. In developing the coking industry in Turow, the noncentral location would make it necessary to haul the briquettes, coke, oil, etc., produced there by railroad to the center of the country and to the northern and eastern regions, and the transmission gas pipelines would have to be farther extended. The Konin-Turek Basin is even less abundant. There are known difficulties there in view of the insufficient productivity of the mines in relation to the consumption of brown coal in the Konin, Adamow and Patnow power plants.

Finally, there is Belchatow. The reserves of the Belchatow deposit are large, at this time are substantially prepared for industrial exploitation and if wisely used should last for many decades. In the meanwhile, it is anticipated that in view of the economic life of a power plant, coal output from the Belchatow field should reach 40 million tons a year, which corresponds to an operation period of 30 years. At the same time, the entire output from the Belchatow and Szczercow deposits was allocated exlusively for the needs of two power plants with a combined generating capacity of 6,480 MW. Filling up of the reservoir, which will arise in the after-mining excavation, with water, will take 20 to 30 years. It should therefore be assumed, that with the moment that the reservoir is completely filled with water, the electric power plants will simply come to a halt. It thus appears that the generating capacity of the power plant in Belchatow was planned too high in relation to the planned time-period of the mining of the deposits, and the life of the power plant was set for too short a period. Specifying for Belchatow a 20-30 year period of power plant operation and brown coal mining and not considering chemical processing there is a waste of investment outlays as well as a waste of coal resources, which should serve several generations. Under no circumstances can we allow this to happen.

What Should We Do?

First of all, we must restrict the investment mania for bigness and apply common sense to the Belchatow matter. We must conduct studies and comparative analyses on reducing the generating capacity and limiting the consumption of brown coal for the needs of the Belchatow I power plant and on providing a part of the deposit reserves for the needs of chemical processing. For example, the Belchatow I power plant could have six units, 360 MW each, i.e., a total capacity of 2,160 MW. This will result in a lower production of electric energy, which is also very much needed in Poland. But until these power units in Belchatow are built (for which we have about 4 years time), the additional indispensable electric energy can be obtained from other sources. For example, by improving the quality of the coal fines delivered to the power plants by enriching them, homogenizing coal for the power industry, increasing the power availability of the power plant, eliminating needless ash accumulation, improving the periodic overhauls, etc.

Second, we should not build the Belchatow II power plant and the resources of the nearby brown coal deposit should be treated as future reserves for the requirements of the power industry and the coking industry. Third, following the example of the GDR, we should begin investing in gasification, chemical processing, coking and briquetting plants.

If we were to allocate the investment means thus saved for the construction of a briquetting plant in Belchatow, producing, for example, 6 million tons of briquettes a year, then, with Belchatow's central location, these briquettes could be sold to supply agriculture and the population, and the hard coal that would be saved could be exported. Nothing would be lost here, because the briquettes are an intermediate product for further chemical processing. A brown coal gasification plant, producing, for example, 3 to 4 billion cubic meters of gas annually, could also be built in Belchatow, which would greatly alleviate the deficit in our natural gas balance. Next, a low-temperature carbonization plant should be built, producing tar, light oils, semi-coke and gas, as well as a coking plant and plants for processing high-temperature tar. Thus a comprehensive power-coking works would be built in Belchatow, in which an additional complex of two electric power and heat generating plants with countercurrent turbines could ensure coordinated thermal management.

Such action is also advisable from the standpoint of environmental protection considerations. A great deal is being written about this, therefore I will only add that no one is able to foresee how the natural environment will be affected by the construction of such a giant as Belchatow I and II, with a total capacity of 6,430 MW.

*

The causes of Poland's socioeconomic crisis include: a mania for large investments, lack of a long-range view on economic development, poor planning, ineffective management, and failure to consider indigenous raw materials possibilities. While we, from the time we stopped producing synthetic gasoline in the Oswiecim Chemical Plants, did very little in developing our own coking technologies, other countries outdistanced us in this field by whole decades.

Let us face the truth squarely. We are backward in the chemical processing of brown coal and there is a shortage in our country of dyes, medicines, polyesters, synthetic surface-active agents, rubber, etc.

We must, therefore, include chemical processing in the Belchatow brown coal mining program as quickly as possible. The chemical processing of brown coal, and especially low-temperature carbonization and gasification, makes for more efficient and effective entrapment of sulfur than does equipment in power plants and ensures that many valuable raw materials of an anti-import and pro-export nature are obtained. It should be added that if we do not develop brown coal coking in the immediate future, the technological gap that will arise between Poland and the developing countries in this area will become so large that we will not be able to close it later.

## Energy Balance, Forecast

Warsaw TRYBUNA LUDU in Polish 5 Apr 82 p 2

[Interview with director Lech Tarnawa from the Main Inspectorate of Power Management, by Adam Hollanek; date and place not given]

> [Text] Fortunately, the winter broke no 100-year records, nevertheless the situation in our power industry continues to be far from ideal. How drastic power interruptions this past

winter were avoided, what is the present status of coal management, why is it frequently in short supply for private purchasers, and what will be the situation in the fall--these are the questions answered by director Lech Tarnawa of the Main Inspectorate of Power Management.

[Question] Adam Hollanek: Was this past winter a threat to our power industry? It apparently caused no great difficulties.

[Answer] Lech Tarnawa: Winter came early and was not at all as mild as it may have appeared. It was a long winter. Also, when last year's premature freezes began our coal output was disastrously low. But despite this, we benefited from the experience of the 1979-1980 winter, which broke a 100-year record. We accumulated stocks with maximum care. In addition, very strict allotments were instituted for the consumption of heating fuel in industry, under penalty of heavy fines. Thus no one could be wasteful. No significant power disruptions were recorded in the important plants, which operated at full steam. Nor were there any serious failures in the heating of residential settlements, which the power engineers always fear greatly for it threatens human life and housing property. When heating is interrrupted, little can be done. Heating by means of electrical heaters overloads the network. We were able to come out of the difficulties of this winter intact.

[Question] And the situation in the summer and fall? What are the power forecasts for the remaining quarters of this year?

[Answer] In the area which is of greatest importance to the whole economy--coal supplies, especially at the present level of output--the forecasts are favorable. Particularly for industry. Coal stocks in the power industry at the end of March amounted to 1,700 thousand tons. By 1 April they will amount to 1,400 thousand tons, whereas previously they fell even below 900,000 tons.

[Question] If there is enough coal then why do many private purchasers have trouble getting it? Our economy, our agriculture, constantly suffers because of this.

[Answer] This is true. Unfortunately, this is the result of the mechanization of the mines, the mechanization of the mining output. That is, increasingly fewer grades of coarse coal are being mined. This could be remedied by developing briquetting plants, which make the coarser grades by compacting the small coal into lumps. We do, anyway, briquette rather a large amount, 1,600 thousand tons of coal, but we should briquette at least twice that much. Than the needs would be fully satisfied. And this is profitable. In short, we will make every possible effort to bring supplies up to full norms.

[Question] Will the shortage of liquid fuels continue? How much petroleum will we actually import?

[Answer] In 1979 we imported almost 17 million tons. This included 3.5 million from the second payments area [capitalist countries]. This year we cannot count on more, at least for the time being, than slightly under 13 million tons. Naturally, the differences in the size of imports are reflected also in the production of gasoline. Last year, from both our own production and from imports, there were 3,250

thousand tons of gasoline. This year there should be less, unless some additional transactions for the purchase of a certain amount of liquid fuels go through. At the same time, we know that transportation, as well as some fields of industry, are feeling the effects of the deficiencies in petroleum production.

[Question] Is it true that last year the amount of gasoline sold to private vehicle useres was larger than that delivered to socialized transportation?

[Answer] True. Last year was, in general, surprising in the consumption of gasoline. The socialized economy, applying severe conservation procedures, consumed 1,400 thousand tons. But private consumers used 1,750 thousand tons. Each year the requirements in this area grow by approximately 150,000 to 200,000 tons. Therefore, rationing is essential. In April, the system of liquid fuel sales will remain unchanged.

I think that despite everything there is still room for improvement in socialized transportation, if only by better organization of traffic, elimination of "deadheading", improvements in highway engineering, etc., but this is another subject and another competence.

9295
CSO: 2600/486

ECONOMIST SEES LABOR PRODUCTIVITY AS SOCIOECONOMIC KEY

Warsaw RZECZPOSPOLITA in Polish No 21, 6-7 Feb 82 p 4

[Article by Prof Stanislaw Nowacki, Economist: "To Return Dignity to Human Labor]

1.

[Text] Despite superficial judgments, it is precisely martial law which insistently poses a question about tomorrow, what will be our individual and collective fate, under what social, political and economic conditions we will work and live, how we will build a cooperative and affluent common home, so we can manage our fraternal relations with near and distant neighbors with a feeling of Polish pride and dignity. These and similar questions are asked by everyone who is concerned about the rate and welfare of our [socialist] Community whose historical location in the center of Europe between the Baltic and Tatras, between the Bug and Odra Rivers is satisfactory. A society does not change the locale of its national existence, like some of its patriotic members.

In connection with the above, the question "What kind of Poland?" must reach to the deepest levels of patriotism and its answer requires deep reflection taking into account the realities of the 1980's.

2.

The premises upon which the imposition or the martial law were based are accepted with fuller and more universal understanding, despite the fact that this condition is accompanied by numerous burdens for everyday life and a suspension of some civil rights. Martial law interrupted a developing process of anarchy in social, political and economic life and prevented the revision of the constitutional system in Poland; it protected us from the exploitation of our internal problems as an instrument for solving more general issues, aiming to change the political status quo in Europe.

Martial law, breaking the anarchic process of social, political, and industrial life, singularly introduces elementary law and order to establish basic ties in society and the economy on the basis of constructive cooperation, broken as a result of antagonizing of society, prepared for a sharp confrontation.

This constructive cooperation is necessary in order not to petrify the existing social, political and economic structure, but to change them by its own forces, adapting them to new social possibilities and aspirations. This constructive cooperation results from realistic and permanent national understanding.

There are authentic problems in contemporary Poland but I believe and for a good reason that they will be solved satisfactorily on the basis of the constructive social cooperation. It is impossible simply to continue the present methods of functioning of society, the state and the national economy. The qualitative socio-economic changes that occurred in our country in the last few years require similar changes in the methods of functioning of the political authorities, society and its economy. These changes are mutually determined and for that reason, qualitative changes in the economic sphere have important meaning.

3.

Economics is governed by its own objective laws. Therefore, economic activities must be shaped in agreement with these objective laws. That is relevant equally to consumer management, the industrial enterprise, and public management.

Positive effects of this activity arise from direct functional dependence on: natural resources; possession of machinery, equipment, and energy by the economy; intellectual resources of labor; and professional competence in their effective use. All of these material and personal factors are on a high enough level in our country to achieve effects comparable with other countries.

But we are in a deep crisis. One of the main, aside from political and social, causes of the breakdown was an incompetence in economics, magnified by good intentions and awakened aspirations. Because of this, this economic "building" had to fall down. It was accompanied or perhaps preceded by a political and social breakdown, in the form of a crisis in the discharge of authority and of social protest.

Martial law provides simple, elementary laws of social order but it does not solve any basic social, political or economic problems.

But an unambiguous determination by General Jaruzelski is the result of an awareness of the need for qualitative changes in methods of functioning of the state and its economy on the basis of the democratic order of the socialist type.

4.

The concept of economic reform projects changes in mechanisms of growth and functioning of the national economy. Its implementation, began widely on 1 January 1982, is supposed to ensure:

a) a new articulation of economic goals, resulting from the authentic social needs;

b) a mechanism of economic growth, allowing an effective and elastic material structure of national economy;

c) an economic functioning which will raise human labor to a level of the most important factor in the economy.

The practical implementation of the new economic mechanism encounters numerous limitations. A deep imbalance, the breakdown of internal economic ties, an unbalanced economic structure and the external Western economic noose together seriously limit the realization of a new economic mechanism. There is an awareness of the role of these limits. Despite that, as a result of political courage and determination, the particularly important blocks of this mechanism are successively put into practice. This is accompanied by sharp reactions. One of these sharp, lately revealed reactions is the policy of very high prices for durable goods imposed by enterprises. This undesirable economic phenomenon requires a correction of the mechanism. Probably there will be other undesirable symptoms. The removal of their causes should be an action regarded as normal, without deviating from the accepted path, determined by the concept of the new economic mechanism. Here consistency becomes a value that cannot be overestimated.

5.

The ultimate economic mechanism will be the original mechanism of the growth and functioning of the Polish socialist economy. It will integrate three basic factors of the development and functioning of the social economy, which are:

a) central management of the national economy;

b) business management combined with a market mechanism;

c) worker and consumer self government.

There are known examples of a functioning socialist economy integrating both central management and business-market management. There are also examples of a functioning national economy, combining business-market management and self-government. The Polish economy, I claim, may develop and function effectively only when the factors of central planning, business management, and self-government can be integrated sensibly. The authenticity of this integration creates a chance for active and positive acceptance of this mechanism by society, and at the same time shaping of an effective economy based on a democratic order of the socialist type.

6.

The basis and the only source of social well-being is rational and individually and socially useful and effective work. The threat to the

accepted sense of work, for its usefulness and effectiveness creates a severe danger for the economic basis of our national existence. The symptoms of such danger appeared in our country in a sharp form. They are a result of certain historical contexts, but mainly of the popular but mistaken idea that from its founding the socialist system is able to solve all problems, and also from the point of view of solutions in the area of mechanisms of the functioning of an economy, violating an elementary law of economics that it is possible to receive more than is given. The awareness of this obviously mistaken interpretation of economics that "you must work out at least as much as you receive" operated on individual, social and professional groups and national scales. That is the reason, in my opinion, not only for ineffective exploitation of our national productive capacities but also a source of numerous frustrations, because work does not create a possibility of satisfaction of need for creativity and self-realization, and the future is hopeless. Therefore, it is absolutely necessary to return to a high regard for work; the new economic mechanism creates a chance for this. This chance will transform itself into reality if it will be effectively supported by democratic political mechanisms and objective social mechanisms. A thrifty Poland is Poland of the future.

9031
CSO: 2600/433

DATA ON WAGE-PRICE RELATIONSHIP PUBLISHED

Warsaw ZYCIE GOSPODARCZE in Polish 5 Apr 82 p 2

[Article by Ch. M.: "Wage-Price Ratios"]

[Text] If the entire wage were spent for bread, in 1960 the average wage-earner could have purchased 690 loaves weighing 0.8 kilograms each; in 1970, 559 loaves; in 1980, 864 loaves; and in 1982, 662 loaves. The purchasing power of wages was also calculated using many other articles and consumer services by way of illustration.* The author of these calculations and the interesting conclusions drawn from them is the Department of Living Conditions in the Main Statistical Office. Larger excerpts from this rather extensive report, we believe, deserve to be published in WIADOMOSCI STATYSTYCZNE [Statistical News]. We present only a part of this information in Table 1.

The method used in estimating prices and wages in 1982 requires some explanation. Namely, in the case of food items, the average prices for all of 1982 were used, including the 1 February price increases. However, in the case of other consumer articles and services, where only the proposed price changes are known, it was assumed that the price increases would take place in mid-year.

Average wages in the socialized economy in 1982 were estimated at 9,951 zlotys, based on their fourth-quarter 1981 level (7,956 zlotys) increased by 9 percent (716 zlotys), and by compensation (1,279 zlotys).

The year 1981 is omitted in Table 1. Nominally, it was possible during that year to purchase the largest number of different articles and services (had it been possible to find them on the market!). However, the possibility of purchasing, in trade, for an entire month's wage, 134 kilograms of precooked Krakowska sausage, as the calculations shown would indicate, was illusory, because during some months of that year even the ration-card allotments could not be filled.

The estimates show that the purchasing power of wages in 1982 will be equal to the purchasing power of wages in 1972-1973. A closer examination of the relative

*A study was made of almost 90 percent of the food items (from the so-called basic basket), almost 95 percent of the alcoholic beverages and tobacco products, over 73 percent of the nonfood items, and over 48 percent of the services--which constitutes, it would seem, a rather representative sample.

indicators of the purchasing power of wages in the individual years, shows that in the case of food articles, particularly meat and meat products, alcoholic beverages, and clothing, about the same amount can be bought for the entire wage in 1982 as was possible in the 1960's. A smaller drop in purchasing power (i.e., a regression of 5 years or less) occurred in the case of cigarettes and services. It appears also from the calculations discussed that in 1982 it will be possible to purchase for the wage also about the same amount of some articles, for example, vegetables and fruits.

Table 1. Purchasing Power of Average Wage in the Socialized Economy Expressed in Amounts (Kilogram, Each, Liter, Thousands) for Selected Consumer Articles and Services

| Item | Unit of Measure | Years | | | |
|---|---|---|---|---|---|
| | | 1960 | 1970 | 1980 | 1982 |
| Pork roast | 1 kg | 35 | 34 | 64 | 27 |
| Plain sausage | 1 kg | 43 | 43 | 132 | 52 |
| Fresh carp | 1 kg | 60 | 62 | 96 | 62 |
| Creamery butter | 1 kg | 24 | 35 | 84 | 41 |
| Fresh eggs | each | 678 | 798 | 1,376 | 663 |
| Cottage cheese, chunk, low-fat | 1 kg | 186 | 149 | 482 | 184 |
| Granulated sugar | 1 kg | 130 | 213 | 551 | 216 |
| Plum jam | 1 jar 500 g | 211 | 217 | 827 | 206 |
| Potatoes | 1 kg | 1,122 | 1,146 | 1,058 | 1,032 |
| Men's 2-pc suit, 100 percent worsted wool | each | 0.8 | 1.3 | 1.5 | 1.2 |
| Men's low-quarter shoes, foam-rubber soles | pair | 8.7 | 12.4 | 16.5 | 12.4 |
| Upholstered armchair, varnished wood frame | each | 2.3 | 3.3 | 4.3 | 3.3 |
| Electric washing machine SHL | each | 0.8 | 1.4 | 3.6 | 1.4 |
| Black-and-white television set | each | 0.2 | 0.3 | 0.9 | 0.6 |
| Men's tourist bicycle | each | 1.6 | 1.8 | 3.3 | 1.6 |
| Fiat 125p automobile | each | | 0.01 | 0.08 | 0.02 |
| Motor gasoline | 1 liter | 325 | 447 | 362 | 382 |
| Unflavored vodka, 40 percent | 0.5 l | 43 | 41 | 48 | 30 |
| Laundering of bed linens (no rush) | 1 kg | 164 | 279 | 386 | 324 |
| Weekly newspaper, POLITYKA type, (thus also ZYCIE GOSPODARCZE) | each | 780 | 1,118 | 964 | 498 |

The report also contains an estimate of the real value of the average wage in the socialized economy calculated on the basis of 1960 fixed prices. The corresponding amounts for selected years are shown in Table 2.

In the last few years the real wage was, and we have already called attention to this in other publications (see "Fewer Illusions", ZYCIE GOSPODARCZE, No 4, 1982), obviously an increasingly less reliable indicator, because prices truly were relatively low in comparison with wages, but there were no goods.

Table 2.

| Item | | | | | | | |
|---|---|---|---|---|---|---|---|
| Nominal wages in zlotys | 1,560 | 1,867 | 2,235 | 3,783 | 5,786 | 7.250 | 9,951 |
| Cost of living index: 1960 = 100 | 100 | 101.2 | 120.2 | 135.5 | 183.4 | 235.1 | 428.9 |
| Real value of average wage in zlotys: 1960 prices | 1,560 | 1,677 | 1,852 | 2,791 | 3,071 | 3,084 | 2,347 |

It is worth noting also that 1982 prices were used as the basis for the estimates shown in Table 1, but 1960 prices were used in estimating the real wages shown in Table 2. However, the results do not differ greatly.

9295
CSO: 2600/498

SPECIAL CURRENCY EXCHANGE RATES PUBLISHED

Warsaw TRYBUNA LUDU in Polish 5, 13 Apr 82

[5 Apr 82 p 9]

[Text] Announcement of Exchange Rates Table No 14/82, effective 5 April 1982, by Stanislaw Majewski, president, Polish National Bank, Warsaw, on 5 April 1982.

I. Foreign-currency exchange rates in zlotys for countries of the first payments area [socialist countries] for commercial and noncommercial payments in Table No 6/1982, dated 8 February 1982, remain unchanged.

In purchases of travelers' checks for rubles, issued by the USSR Foreign Trade Bank and payable outside the USSR in the currency of the country where cashed, an exchange rate of 11,628.70 zlotys per 100 rubles is applied.

II. Foreign-Currency Exchange Rates in Zlotys for Countries of the Second Payments Area [Capitalist Countries]

[Table on following page]

Exchange Rates Table No 14/82

| Country | Curr Symb | | Currency | Foreign Exchange Purchase 3 | Foreign Exchange Sales 5 | Money Purchase 1 | Money Sales 2 | Average 6 |
|---|---|---|---|---|---|---|---|---|
| Saudi Arabia | 771 | 1 | rial*** | 24.55 | 24.79 | -- | -- | 24.67 |
| Australia | 781 | 1 | Austral.dollar | 88.29 | 89.17 | 86.96 | 90.50 | 88.73 |
| Austria | 786 | 100 | schillings | 495.28 | 500.26 | 487.81 | 507.73 | 497.77 |
| Belgium | 791 | 100 | francs | 184.34 | 186.20 | 181.56 | 188.98 | 185.27 |
| Denmark | 792 | 1 | kroner | 10.19 | 10.29 | 10.04 | 10.44 | 10.24 |
| Finland | 780 | 1 | markka | 18.13 | 18.31 | 17.86 | 18.58 | 18.22 |
| France | 793 | 1 | franc | 13.44 | 13.58 | 13.24 | 13.78 | 13.51 |
| Greece | 724 | 100 | drachmas | 133.79 | 135.13 | 115.96 | 137.15 | 134.46 |
| Spain | 785 | 100 | pesetas | 79.16 | 79.96 | 77.97 | 81.15 | 79.56 |
| Holland | 794 | 1 | florin | 31.40 | 31.72 | 30.93 | 32.19 | 31.56 |
| India | 543 | 100 | rupees*** | 898.81 | 907.85 | -- | -- | 903.33 |
| Ireland | 782 | 1 | pound*** | 120.89 | 122.11 | -- | -- | 121.50 |
| Japan | 784 | 100 | yen | 34.17 | 34.51 | 33.65 | 35.03 | 34.34 |
| Yugoslavia | 718 | 100 | dinars | 173.81 | 175.55 | 150.65 | 178.17 | 174.68 |
| Canada | 788 | 1 | Canad.dollar | 68.36 | 69.04 | 67.33 | 70.07 | 68.70 |
| Kuwait | 770 | 1 | dinar*** | 293.17 | 296.11 | -- | -- | 294.64 |
| Lebanon | 752 | 1 | pound | 17.18 | 17.36 | 16.92 | 17.62 | 17.27 |
| Libya | 651 | 1 | dinar*** | 283.52 | 286.36 | -- | -- | 284.94 |
| Luxembourg | 790 | 100 | francs | 184.34 | 186.20 | 181.56 | 188.98 | 185.27 |
| Norway | 796 | 1 | kroner | 13.71 | 13.85 | 13.50 | 14.06 | 13.78 |
| Portugal | 779 | 100 | escudos | 117.58 | 118.76 | 101.91 | 120.53 | 118.17 |
| FRG | 795 | 1 | mark | 34.80 | 35.14 | 34.27 | 35.67 | 34.97 |
| United States | 787 | 1 | dollar* | 83.95 | 84.79 | 82.68 | 86.06 | 84.37 |
| Switzerland | 797 | 1 | franc | 43.46 | 43.90 | 42.81 | 44.55 | 43.68 |
| Sweden | 798 | 1 | kroner | 14.13 | 14.27 | 13.92 | 14.48 | 14.20 |
| Turkey | 627 | 100 | pounds | 57.54 | 58.12 | 49.87 | 58.99 | 57.83 |
| Great Britain | 789 | 1 | pound** | 149.65 | 151.15 | 147.39 | 153.41 | 150.40 |
| Italy | 799 | 100 | lira | 6.36 | 6.42 | 5.51 | 6.52 | 6.39 |

*Valid also in clearing accounts with the following countries: Bangladesh, Brazil, Ecuador, Greece, Iceland, Kampuchea, Colombia, Lebanon, Pakistan, Peru and Turkey.

**Valid also in clearing accounts with the following countries: Nepal and Pakistan.

***The Polish National Bank does not purchase money in these currencies.

[13 Apr 82 p 7]

[Text] Announcement of Exchange Rates Table No 15/82, effective 13 April 1982, by Stanislaw Majewski, president, Polish National Bank, on 13 April 1982.

I. Foreign-currency exchange rates in zlotys for countries of the first payments area [socialist countries] for commercial and noncommercial payments in Table No 6,1982, dated 8 February 1982, remain unchanged.

In purchases of travelers' checks for rubles, issued by the USSR Foreign Trade Bank and payable outside the USSR in the currency of the country where cashed, an exchange rate of 11,652.10 zlotys per 100 rubles is applied.

II. Foreign-Currency Exchange Rates in Zlotys for Countries of the Second Payments Area [Capitalist Countries]

[Table on following page]

Exchange Rates Table No 15/82

| Country | Curr Symb | | Currency | Foreign Exchange Purchase 3 | Foreign Exchange Sales 5 | Money Purchase 1 | Money Sales 2 | Average 6 |
|---|---|---|---|---|---|---|---|---|
| Saudi Arabia | 771 | 1 | rial*** | 24.52 | 24.76 | -- | -- | 24.64 |
| Australia | 781 | 1 | Austral.dollar | 88.22 | 89.10 | 86.89 | 90.43 | 88.66 |
| Austria | 786 | 100 | schillings | 496.25 | 501.23 | 488.77 | 508.71 | 498.74 |
| Belgium | 791 | 100 | francs | 184.66 | 186.52 | 181.88 | 189.30 | 185.59 |
| Denmark | 792 | 1 | kroner | 10.20 | 10.30 | 10.04 | 10.46 | 10.25 |
| Finland | 780 | 1 | markka | 18.16 | 18.34 | 17.88 | 18.62 | 18.25 |
| France | 793 | 1 | franc | 13.40 | 13.54 | 13.20 | 13.74 | 13.47 |
| Greece | 724 | 100 | drachmas | 132.88 | 134.22 | 115.17 | 136.22 | 133.55 |
| Spain | 785 | 100 | pesetas | 78.79 | 79.59 | 77.61 | 80.77 | 79.19 |
| Holland | 794 | 1 | florin | 31.45 | 31.77 | 30.98 | 32.34 | 31.61 |
| India | 543 | 100 | rupees*** | 896.74 | 905.76 | -- | -- | 901.25 |
| Ireland | 782 | 1 | pound*** | 120.80 | 122.02 | -- | -- | 121.41 |
| Japan | 784 | 100 | yen | 33.87 | 34.21 | 33.36 | 34.72 | 34.04 |
| Yugoslavia | 718 | 100 | dinars | 172.36 | 174.10 | 149.40 | 176.69 | 173.23 |
| Canada | 788 | 1 | Canad.dollar | 68.47 | 69.15 | 67.43 | 70.19 | 68.81 |
| Kuwait | 770 | 1 | dinar*** | 293.03 | 295.97 | -- | -- | 294.50 |
| Lebanon | 752 | 1 | pound | 17.22 | 17.40 | 16.96 | 17.66 | 17.31 |
| Libya | 651 | 1 | dinar*** | 284.07 | 286.93 | -- | -- | 285.50 |
| Luxembourg | 790 | 100 | francs | 184.66 | 186.52 | 181.88 | 189.30 | 185.59 |
| Norway | 796 | 1 | kroner | 13.72 | 13.86 | 13.51 | 14.07 | 13.79 |
| Portugal | 779 | 100 | escudos | 116.82 | 118.00 | 101.25 | 119.76 | 117.41 |
| FRG | 795 | 1 | mark | 34.85 | 35.21 | 34.33 | 35.73 | 35.03 |
| United States | 787 | 1 | dollar* | 84.12 | 84.96 | 82.85 | 86.23 | 84.54 |
| Switzerland | 797 | 1 | franc | 42.94 | 43.38 | 42.30 | 44.02 | 43.16 |
| Sweden | 798 | 1 | kroner | 14.14 | 14.28 | 13.93 | 14.49 | 14.21 |
| Turkey | 627 | 100 | pounds | 57.57 | 58.15 | 49.90 | 59.02 | 57.86 |
| Great Britain | 789 | 1 | pound** | 148.12 | 149.60 | 145.88 | 151.84 | 148.86 |
| Italy | 799 | 100 | lira | 6.35 | 6.41 | 5.50 | 6.51 | 6.38 |

*Valid also in clearing accounts with the following countries: Bangladesh, Brazil, Ecuador, Greece, Iceland, Kampuchea, Colombia, Lebanon, Pakistan, Peru and Turkey.

**Valid also in clearing accounts with the following countries: Nepal and Pakistan.

***The Polish National Bank does not purchase money in these currencies.

9295
CSO: 2600/518

PURCHASING POWER OF CURRENCY COMPARED, ANALYZED

Warsaw RZECZPOSPOLITA in Polish No 47, Mar 82 p 6

[Article by C: "Real Value of Wages Now and 10 Years Ago--Results of an Analysis Conducted by State Price Commission"]

[Text] (PAP)--To assess the real value of wages, it is important to consider the quantity of products that can be purchased for a wage received, rather than the prices of particular products. If, for example, there is a very substantial price increase and it is accompanied by a proportionately higher increase in wages, then the value of [real] wages ultimately increases as well.

A highly simplified test of the purchasing power of wages is generally done by older persons: they calculate how much meat, or how many pairs of shoes or suits an average salary could buy decades ago and what quantities it can buy now. Comparisons of this kind at the same time indicate changes in price ratios involving different commodity groups, showing, for example, whether food has become relatively more expensive than clothing or other durable goods, or conversely. Following the recently implemented price reform, calculations of this type were made by the PKC [State Price Commission]--currently, the office of the minister of price affairs.

The comparison involved average net nominal wage and minimum wage in the state sector of the economy in 1972 and 1982. Thus, the point of reference is the beginning of the period when a vigorous policy of income and wage growth was being implemented and was expected to become a major mechanism for accelerating economic development. The year 1982, on the other hand, began in Poland in a profound economic regression.

The 1972 net average monthly wage of 2,511 zlotys used in the PKC analysis was calculated on the basis of the 1973 statistical yearbook. Net average 1982 wage was accepted to be 9,235 zlotys. It was computed by augmenting the average fourth-quarter wage in 1981, 7,956 zlotys according to GUS [Main Statistical Office] data, with the average compensation for price increases in basic foodstuffs, heating fuel and energy amounting to 1,279 zlotys in the state sector.

The minimum wage for state sector employees was 1,000 zlotys in 1972. Currently, it is 3,300 zlotys. This wage was increased by the addition of the compensation for raised prices of basic foodstuffs, heating fuel

and energy amounting to 1,450 zlotys for bottom earners plus the compensation granted because of increased prices of baked, dairy and cereal products. Thus, a minimum wage together with compensations currently totals 4,910 zlotys.

Household budgets were markedly affected by increased food prices. It is, therefore, worthwhile to start a presentation of the PKC calculation results from basic food articles. Regarding bread, a computation of the purchasing power of the average nominal net pay would be as follows: in 1972, average pay would buy 628 loaves of bread (0.8 kilograms) at 4 zlotys each. Now that the price of a loaf went up to 16 zlotys, we can buy only 577 loaves for the average monthly pay, that is, its purchasing power decreased by 51 loaves in the case of bread. A decrease in the purchasing power of the average wage also occurred in terms of other food articles: pork roast (29 kg), boneless veal shoulder (20 kg), regular sausage (8.5 kg), boiled pork ham (11 kg) and Baltic herring (3 kg).

However, when the purchasing power of the minimum wage is compared for the same articles, it proves to be lower only with respect to port roast and veal (4 kg) and boiled pork ham (2.2 kg). On the other hand, the minimum wage buys more bread (57 loaves), more regular sausage (3 kg) and more Baltic herring (19 kg).

The purchasing power of the average wage and the minimum wage in 1982 is at the same time higher than that of comparable wages from a decade ago with regard to various other food products. For example, in comparison with the figures for 1972, more Wroclaw-style wheat flour can be bought now--26 kg in the case of the average wage and 64 kg in the case of the minimum wage, more rice, 16 kg and 50 kg, respectively; degutted chicken, 24.5 kg and 10 kg; plant-origin butter, 12.5 kg and 40 kg; cream butter, 3 kg and 6 kg; and 2 percent-fat milk, 58 liters and 146 liters. Of course, it should be noted here that some of the products listed in this article could be bought in such quantities were it not for rationing. This, however, is a separate subject...

In general, these calculations indicate that in comparison with the situation a decade ago food has become relatively more costly: primarily affected is meat and meat products, with the drop in purchasing power occurring to a very limited extent so far as the minimum wage is concerned. For a majority of other food products, the purchasing power of the average and the minimum wage is currently higher than it was in 1972.

Increases in the prices of manufactured articles, occasionally shocking the purchaser with their magnitude, were nearly concurrent with the reform of food prices. Let us examine the value of purchasing power with regard to this commodity group, taking the most popular articles as an example. For a man's two-piece 100 percent polyester worsted suit (costing 1,620 zlotys in 1972 and 3,850 zlotys now), the purchasing power of the average and the minimum wage increased respectively, by 0.85 and 0.67 of a suit, for a men's wool polyester shirt (comparable prices 220 and 550 zlotys), the increase is 5 and 4.4 shirts, for women's leather shoes with manmade

soles (250 zlotys and 825 zlotys) the increase is 1 pair and 1.95 pairs, IXI-65 laundry detergent (0.40 kg) the increase is 142 and 98 boxes, for Seven Blossoms bath soap (100 grams) the increase is 370 and 301 bars and for Nivea toothpaste (65 grams) the increase is 86 and 141 tubes.

The purchasing power of wages has risen over the 1972 levels also for such durable goods as the Alfa vacuum cleaner (priced at 1,150 zlotys 10 years ago and 2,500 zlotys now). The increase is 1.5 vacuum cleaners for the average wage and 1.1 for the minimum wage. The figures are, respectively, 0.31 and 0.22 for a 180-liter-capacity compressor-type refrigerator (priced at 7,000 and 13,000 zlotys), 1 and 0.16 for a C-28 thermostat pressing iron (priced at 185 zlotys and 650 zlotys), 0.21 and 0.16 for a 20-inch television set (priced at 7,400 zlotys and 16,700 zlotys) and 0.21 for an FA-5 rotary washing machine (priced at 10,500 and 20,000 zlotys) in the case of the minimum wage (the purchasing power of the average wage remained unchanged).

Certain construction materials have become relatively more expansive in the decade under comparison. An average wage can now buy 640 fewer bricks and 1.64 tons less Portland "250" cement (though this comparison is perhaps of little practical value since hardly anyone can afford to build a house using his average wage alone, without credit assistance or relatives' help).

In spite of the substantial increases in fuel and energy prices, the period in question has brought about increased purchasing power in the case of grade 1 hard coal by 50 kg in the average wage and by 65 kg in the minimum wage, electricity by 2,340 kWh and 1,616 kWh, respectively, high-methane natural gas by 630 cubic meters and 707 cubic meters. On the other hand, the purchasing power decreased in reference to motor gasoline.

The purchasing power of wages varies with regard to alcohol and tobacco. Following substantial price increases, the average wage currently buys 17.65 fewer bottles of vodka (0.5 liter each, priced at 330 zlotys) and the minimum wage 3.3 fewer than 10 years ago. On the other hand, 122 more packs of Sport cigarettes can be bought for the average wage and 161 more packs can be bought for the minimum wage.

A general conclusion to be drawn from the PKC-prepared data is that, despite major price shifts in the recent period, the purchasing power of the average and minimum wage is greater now than in 1972 with regard to most basic consumer goods.

Stating the fact that the purchasing power of wages has increased based on the above calculations may clash with the sentiment of a large segment of society. This is justified because everyone will primarily compare his purchasing power only over the last few years. In those years, however, as a society, we consumed much more than we were producing, and the economy was still in its forward "gear," though the signs of crisis were becoming increasingly evident. Consequently, the real value of our wages was

correspondingly higher. Today, with the country's per capita production and national income reduced nearly to the 1972 levels, we must also go back 10 years to compare our ability to meet our needs. This comparison provides a more objective assessment of the results of the crisis we all feel, along with an evaluation of our standard of living.

8795
CSO: 2600/441

## NEED FOR EFFICIENT USE OF ENERGY RESOURCES STRESSED

Bucharest ERA SOCIALISTA in Romanian No 7, 5 Apr 82 pp 7-9

[Article by engineer Dr Nicolae Armencoiu, director of the Institute for Energy Studies and Designs: "Energy Resources Broadly and Efficiently Used"]

[Text] It is a generally known and recognized fact that the activities of any society is, today, more than ever dependent upon its energy base and electrical energy industry.

Beginning with the important role played by energy, in its diverse forms, in the overall group of factors of social-economic progress, the Romanian Communist Party and its secretary general, comrade Nicolae Ceausescu, are giving great attention to the development of the country's energy base and the rational, efficient use of energy resources. Under current conditions, in which Romania is importing fuels and the prices for these fuels on the international market have had an unprecedented increase (see Table No 1), with there being an upward trend in some cases, the use of all ways and means to have the careful management of each gram of fuel represents a task of great responsibility and a patriotic duty for all the country's workers and especially for the specialists in all the fields of activity.

As is also natural, the better use of energy resources at a high level of efficiency constitutes and must constitute more and more a priority concern for all the workers in the energy field in the country. This task stems clearly from the documents of the 12th RCP Congress, which considered it as one of the basic conditions for achieving our country's energy independence. In this regard, at the joint plenary session of the RCP Central Committee and the Supreme Council of Economic and Social Development in November 1981, comrade Nicolae Ceausescu pointed out: "It is necessary for us to place in the center of the 1982 plan the achievement of the established petroleum and coal production and the development of new energy sources, as well as the reduction of the consumption levels for fuels and energy and the proper administration of our energy sources."

The evaluation of how energy resources are used can be accomplished in a number of ways. There is, for example, a close dependency between the evolution of macroeconomic indicators and the evolution of energy consumption. As shown by statistical data, this evolution was generally favorable in our country (see Table No 2).

Table No 1

The Evolution of the Price for Fuels on the World Market During the Period 1970 to 1980

(in dollars per ton of conventional fuel)

| Type of Fuel | 1970 | 1975 | 1980 |
|---|---|---|---|
| Coal | 19 | 63 | 68 |
| Petroleum | 10 | 61 | 168 |
| Gas | 12 | 30 | 124 |

Source: United Nations, Economic and Social Council, October 1981

Table No 2

The Evolution of Certain Macroeconomic and Energy Indicators in Romania

(average annual rates - in percent)

| | 1961-1970 | 1971-1980 |
|---|---|---|
| National Income | 8.3 | 9.3 |
| Total Industrial Production | 12.8 | 11.4 |
| Primary Energy Consumption | 7.8 | 4.8 |
| Electrical Energy Consumption | 15.7 | 7.5 |

The analysis of the data shows that for the approximately constant values of the indicators of the country's economic development over the last 2 decades there has been a noticeable reduction in energy consumption. Thus, the average annual rate of growth in primary energy consumption fell from 7.8 percent in the 1961-1970 decade to 4.8 percent in the following decade, while the figure for the growth in electrical energy consumption fell from 15.7 to 7.5 percent. These reductions in energy consumption are the result of certain broad and sustained actions for the rational use of energy in all its diverse forms. As a result of these actions, which were strongly intensified in recent years, during the period 1978-1980 there was an even lower average annual rate, of 1.7 percent in the consumption of primary energy and 2.6 percent for electrical energy.

At the same time, the data show that in these 2 decades the average annual rates of growth in the consumption of electrical energy were greater than those for primary energy. This phenomenon, which exists in practically all countries, is due to the preference for extending electrically-operated systems, a preference justified by the advantages that electrical energy has over other forms of energy. It must also be added that the reduction in the consumption of hydrocarbons, as a general trend, is compensated only partly

by the use of coals, with another portion being taken over by electrical energy. This aspect is determined by the fact that a series of qualities that stem from the properties of hydrocarbons can be further provided in a satisfactory manner only by electrical energy.

In our country, energy consumption from an absolute point of view has continued to increase, reaching a point in 1980 of being more than three times greater than 2 decades ago. At the same time, electrical energy consumption, taken separately, has increased by approximately nine times. Concomitantly, we are seeing a decline in the consumption of energy and electrical energy per unit of national income, an especially expressive indicator regarding the efficiency of using energy resources. Thus, energy consumption fell from 276 kgcc/1,000 lei of national income in 1970 to 180 kgcc/1,000 lei in 1980, while the consumption of electrical energy fell from 154 kwh/1,000 lei to approximately 130 kwh/1,000 lei. What we must quickly state is that in Romania the energy consumption levels for a unit of national income are two to three times greater than in other countries, a fact that mirrors synthetically, bu very convincingly the great efforts that must be made in order to reduce these consumption levels to the possible and acceptable limits.

As can be seen from these data, the Romanian energy situation has taken great steps forward, contributing to the successful achievement of the country's economic and social development plans. Nonetheless, from the point of view of managing energy resources with maximum efficiency and rationally using energy in whatever form, there is much, even very much to do. This statement can be illustrated by a single fact. Energy efficiency in industry is located between 45 and 47 percent, which is a sufficiently low level.

Since industry holds over 80 percent of the total energy consumption, it is understood that it is the main field in which work must be done to conserve energy of all types, without neglecting, certainly, other fields. Increasing energy efficiency in our industry by only one to two percent, an extremely modest increase and one capable of being achieved sufficiently quickly, would result in an appreciable energy savings, on the order of .8 to 1.6 million tons of conventional fuel. In establishing the means of increasing energy efficiency, we must keep in mind, first of all, the fact that millions of tons of conventional fuel are lost by not using secondary energy resources and that very many products are produced with a high level of specific fuel consumption.

Actually, reality points out that large amounts of fluids leave installations containing a high level of heat and the energy efficiency of diverse technological installations is at a totally unsatisfactory level. Thus, at forging furnaces the temperature of the vented gases reach 1,10001,200 degrees centigrade and the energy efficiency is merely 19-20 percent. For furnaces for melting down metals, the respective figures are 850 to 1,200 degrees and 35 to 38 percent; for rotating furnaces in the production of cement (wet process), the figures are 900 to 1,100 degrees and 48-50 percent; for vat

furnaces for the production of glass, they are 900 to 1,300 degrees and 8 to 12 percent; and for tunnel furnaces used in the production of ceramic materials, the figures are 250 to 400 degrees and 45 to 48 percent.

Certainly, the efficiency of an installation depends both upon its level of development, the parameters at which it is operating and the level of physical and moral wear and tear, and upon the types of energy used. For example, a thermal-electric power station like Doicesti, a station built 25 years ago and equipped with 20 mw groups of equipment, as a level of fuel consumption of 485 gcc/kwh, while the new 200 mw groups that are being installed in this power station attain a level of fuel consumption of 390 gcc/kwh. Along these lines, we can point out that in a modern and integrated industrial unit overall energy efficiency can reach 50 to 55 percent and even more, while in a unit where the installations are older and show wear and tear the efficiency level falls greatly. It can be concluded, therefore, that in order to increase efficiency it is necessary to modernize all installations, to ensure their proper operation and to use the most advantageous type of energy. We will return to this question later.

Currently, there is no country that is not facing the problem of more carefully using energy in whatever form. As a result of the events that unleashed the 1973 oil crisis, the majority of governments has adopted policies to rationalize energy use, calling for the reduction of energy consumption, as well as the replacement of oil with other forms of energy. As a result of these measures, in the countries encompassed by the United Nations Economic Commission for Europe, which also includes the countries in Europe and the United States and Canada, during the period 1973-1978 the average annual rates of energy development slowed (1.7 percent for primary energy and 3 percent for electrical energy) in comparison to the previous 1965-1973 period (4.8 percent for primary energy and 7 percent for electrical energy). We can note a higher rate of growth for electrical energy consumption than for primary energy, an evolution also recorded in our country, as was pointed out earlier.

An analysis of the average annual rates of growth in the consumption of primary energy in different countries during the 1965-1978 period shows that in the majority of countries there was a noticeable reduction in these rates during the period 1973-1978, with some countries even attaining negative growth rates, that is, reductions in the total consumption of primary energy (Belgium, Switzerland and England). More than that, as a result of reducing energy development rates, lower rates of economic growth were also recorded, which once again illustrates the correlation between energy consumption and economic activities within the framework of a given society. Despite this, by introducing certain measures to increase the efficiency of energy resource use in a series of high consumption branches, a number of countries succeeded in holding the reduction in economic growth rates to a much smaller extent than the decreases in the rate of energy development.

Paralleling the reduction in the specific energy consumption levels, there also was a reduction in the consumption of petroleum. Generally, the countries in which there was a reduction in specific consumption obtained these reductions primarily by decreasing petroleum consumption. At the same time, very many countries recorded significant reductions in the specific consumption of energy per unit of national product, between 14 and 28 percent, levels much higher than those achieved by Romania during the same period (9 percent). In these data, we have strong arguments regarding the opportunities and necessity for working on a broad front for the purpose of managing our energy resources with maximum care and efficiency. In other words, there is still much to do until we fulfill the basic objective formulated in the party documents regarding ensuring our country's energy independence by the end of this decade.

Recently, we have begun to implement solutions for the recovery of secondary energy resources, such as, for example: the installation of certain heat exchangers to recover heat from the vent gases from the forging process, from thermal treatment furnaces and so forth. Similarly, actions have been begun to use secondary thermal resources having a lower thermal potential by using heat pumps. These actions, these attempts and trys nonetheless only partially resolve the problems.

Given the situation of the low efficiency in the majority of the installations in all fields, its is necessary, first of all, to know the sources of losses and the points in the technological processes where losses appear, where, therefore, we must intervene. These findings can be accomplished by drawing up energy reviews, actions that have been started, but, unfortunately, in many places not finished. Energy reviews have been drawn up in numerous sectors of activity, factories and small or large installations, but everything has been reduced to an accounting review that has recorded and noted where the losses are occurring. Sometimes there has also been a statement of how to remedy the situation, but there has been no organized and firm implementation of the remedies. The conclusion is self-evident. It is a duty of top priority for the enterprises and centrals to finalize the energy reviews and thus obtain a higher efficiency in the use of technical equipment. Similarly, we feel that the energy reviews should be complemented with complex energy and economic analyses, at the level of the entire country, in order to determine the overall efficiency of the solutions proposed following the analysis of the energy reviews.

It is well-known that in general the conservation of a gram of fuel or a kilowatt-hour is accomplished with investments much smaller in comparison to obtaining it from domestic resources or, even worse, from importing an equivalent amount. This fact must, however, be proven from case to case on the basis of certain technical-economic analyses. In a series of cases, conservation solutions require additional investments and the total energy consumption does not infrequently cancel out the anticipated final energy savings. For that reason, we feel it is necessary for the solutions that

are established for the conservation of energy to be analyzed also taking into account the total amount of energy contained in the installations or in other resources that are to serve in achieving the expected savings.

One sector having great reserves for the conservation of energy is the electrical power stations and networks. In this sector, recently, greater attention has been given to reducing specific consumption and recovering secondary energy resources by carrying out thorough analyses and outlining, on the basis of reviews, those points of reduced energy efficiency. At the same time, in this sector they have also kept in mind the total amount of energy involved in the solutions proposed to increase efficiency. They remain only to be applied with consistency.

The management of all available energy resources with maximum efficiency and the balancing of energy in-puts and out-flows require broad actions that are the major concerns of the workers in the energy field - from the intensification of the priority use of inferior fuels in the production of electrical energy and heat in the thermal power systems to the better use of the hydro-energy potential, going as far as managing those interior rivers having small vertical drops and using micro-hyro-power stations; from the development of nuclear energy to the better use of new sources (solar, wind, geo-thermal, wastes, biomass and so forth) for the production of heat and electrical energy up to the use of new technologies to obtain hydrocarbons from coal or bituminous shale by means of gasification and liquification, and so forth.

According to the guidelines established by the 12th RCP Congress, the designers in the Ministry of Electrical Energy are working perseveringly to promote power stations using coal and bituminous shale, to achieve the nuclear-electric power station program, to develop thermal power and so forth. Thus, in recent years large power stations have appeared that use lignite at Rovinari and Turceni, equipped with 330 mw groups of equipment and boilers of 1,035 tons of steam per hour that are of Romanian manufacture, power stations that have contributed to increasing the level of thermal-electric power produced on coal. If in 1965, for example, the percentage of electrical energy produced on coal in the total amount of thermal-electric energy was 19.6 percent, in 1980 it had increased to 32.6 percent.

For the purpose of increasing the operating efficiency of the large thermal-electric power stations using coal, actions are taking place that should be intensified and broadened for the purpose of improving coal supplies, upgrading energy equipment and their operating schemes, reducing the addition of hydro-carbons to those furnaces that use lignite and so forth. In this regard, we also have the shutdown of certain thermal-electica power stations operating on hydrocarbons as well as the transformation of others so they can operate on coal.

There is also special interest in the expansion of the heat-producing processes as an important means of saving fuel. The amount of heat produced in the

heat production process has increased over the last 2 decades from 8.5 million Gcal in 1960 to approximately 83 million Gcal in 1980, or an increase by approximately 10 times over. The production of heat in the heat production process has led to a fuel savings, in 1980 alone, of approximately three million tons of conventional fuel. The combined production of electrical and thermal energy in the heat production stations has been, at the same time, one of the factors that contributed to the decrease in the specific fuel consumption in the production of electrical energy. Thus, between 1960 and 1980 this consumption fell from 502 gcc/kwh to 325 gcc/kwh.

Decreasing the technological consumption of electrical energy in the electrical transport and distribution networks to levels comparable to those in advanced countries is a chapter of specific concerns. The studies that have been conducted have pointed out that it is possible to reduce energy losses in the transmission network by optimizing the operating conditions, by increasing the efficiency of installations and equipment and by building new investment projects to optimize the structures in the network. As a result of applying such measures promising results have been obtained. The levels achieved in technological consumption proper in the electrical networks, approximately 5.7 percent of the total amount of electrical energy produced in 1980, are better than the levels attained in the systems of a number of developed countries such as England and Sweden, as well as in neighboring socialist countries. In order to continue to reduce this technological consumption, we foresee, on one hand, the construction of certain new energy installations and, on the other hand, the supply of equipment and utilities having improved efficiency levels (transformers, polyethylene-insulated cables, hexafluoride-protected installations), the installation of processing computers in stations, power stations and centralized operations command posts, and so forth.

The case studies conducted on the electrical networks at 19 large enterprises of different types from the point of view of the structure and levels of electrical energy consumption, as well as the networks themselves, have demonstrated that there are opportunities for the successful application of certain common measures to conserve energy. Thus, just the measures related to optimizing the operating conditions of the networks, as they are today, would lead to savings of approximately 9.6 million kwh per year. By making certain additional investments of approximately 18.7 million lei, an amount recoverable in 6 years at the current price of fuels, savings of an additional 3.5 million kwh per year could be obtained.

The problem of the rational, efficient use of the country's energy resources cannot constitute a campaign-type activity, much less a limited action in a certain sector of economic-social affairs. By pursuing perseveringly and in each and every area the establishment and implementation of certain high energy effficiency solutions, we will be able to honestly carry out our tasks of ensuring our country's energy independence.

8724
CSO: 2700

RECOMMENDATIONS FOR IMPROVING TRAINING OF AGRICULTURAL ECONOMISTS

Bucharest ERA SOCIALISTA in Romanian No 7, 5 Apr 82 pp 20-21

[Article by Gheorghe Fierbinteanu, deputy minister of agriculture and the food industry: "Training the Economist for Agriculture"]

[Text] The leadership of the Ministry of Agriculture and the Food Industry is following with great interest, since it is directly involved, the discussion that is being presented in the pages of ERA SOCIALISTA regarding the means of training economists for agriculture. It is clear that one of the fundamental requirements of the new agricultural revolution in Romania (in addition to the significant increase of agricultural production) is the growth of economic efficiency in order to be able to consistently apply the principles of self-management and self-administration at the level of every agricultural unit.

In this context, as an agricultural economist and coordinator for plan and economic problems in the leadership of the Ministry of Agriculture and the Food Industry, which benefits from an overwhelming proportion of graduates having higher economic training for agriculture, I will try to present several subjects that I feel are necessary in the process of training these specialists, whose importance increases very much under conditions where agriculture has become a priority branch in economic development and the fulfillment of the territorial Self-Supply Program raises management problems that are totally different from the ones to date.

First of all, I would like to refer to the quantitative facet of the problem, that is, to the number of specialists that are necessary. I will not present figures since the ones that have been published are clear and reflect the lack of concern generally, to date, for the economic problems of agriculture. For that reason, the first solution that is needed is to considerably increase the numbers of people being schooled in higher economic education for agriculture. In this regard, we propose that, in a short period of time, we will make a study available to the Ministry of Education and Training and the State Planning Committee regarding the necessary number of economists having higher studies for agriculture, staggering the figures for training over the years so that, at the latest, by 1990 all positions (which require specialists with this type of training) will be filled. A second solution refers to keeping the assigned specialists in agriculture, since it has been found that there is a powerful migratory current towards other branches of the national economy which,

at his point in time, offer them better living conditions. This phenomenon is noted not only for the graduates of regular daytime courses, but also for those who take correspondence courses. Although they are required to work in agriculture for the entire period of their studies, at the end of these studies many of them "withdraw" to "more comfortable" positions. Certainly, we cannot lose track of the fact that this migration of young graduates is also "favored" by totally subjective factors, such as the mistrust and even hostility with which they are greeted by the old personnel at the places of work who do not have corresponding educations, who see in these new people direct competition, who then "facilitate" their departure and so forth. But, we feel that it is time to take appropriate measures in this regard. I thing that the most accessible measure (and, at the same time, necessary) is the training of these specialists within the framework of the agronomic institutes, a situation where they would be similar to the graduates of these institutes and, by subjecting them to current regulations, any transfer would be made only within the framework of agriculture with the approval of higher authorities. A simple comparison of situations is absolutely graphic: after 10 years since their graduation from the departments in the Academy of Economic Studies. only 26 percent of the 1967 graduating class were still working in agriculture, while of the graduating class of 1971 from the Bucharest Agronomic Institute, 86 percent are working directly in agriculture, with the rest working in institutes that serve agriculture.

For that reason, we propose that, together with the Ministry of Education and Training, beginning in 1982/1983 we organize the transfer of the current departments and sections for agricultural accounting and economics to the agronomic institutes, keeping in mind not only their dual subordination, but also the fact that our ministry is the principal user of these graduates and for whom training has new requirements.

With this point, I now come to the second facet of the problem - the qualitative facet, the professional training of the graduates. This is even more important since from the production sector we are hearing news about the weaker professional training of the graduates in recent years, especially in conceptual areas, but also in connection with production.

In this direction, tough words are spoken by the profile of the specialists themselves. And, our socialist agriculture has entered a stage of economic development, under the imperative requirements of self-management and self-administration, in which it is absolutely necessary to have a specialist in economic management whose theoretical and practical training will allow him to make the most appropriate decisions, bringing together and using the knowledge of other specialists who are responsible for each field or specialty: agronomy, zootechny, veterinary medicine, agricultural mechanization, accounting, technical-material supply, use of agricultural products and so forth.

I feel it is our duty to implement the directives issued by the secretary general of the party, comrade Nicolae Ceausescu, which, in the sharp criticism

he addressed to us in his speech at the plenary session of the National Council on Agriculture, the Food Industry, Sylviculture and the Management of Waters, stated: "We must stop trying to transform engineers into specialists in the production of paper instead of being specialists in grain crops... The agronomist must be concerned about wheat crops, corn, grains, technical crops and others... This is what he studied for and this is what he must do. We must take paper out of the hands of the zootechnical specialists and the veterinary doctors; they must take care of livestock and their health... all specialized personnel must be involved in production..."

Along this line, it is clear that the current profile (!) of "agricultural accounting and economics" does not correspond to the new requirements for the management of agriculture as formulated by comrade Nicolae Ceausescu. For that reason, we fully share the new concept presented in ERA SOCIALISTA regarding the training of a "production economist" whose profile, by harmoniously combining (basic) economic knowledge with (complementary) specialized technological knowledge, will provide competent agricultural management in all its component steps (from the farm to the ministry). Let us take a single example. Currently, the head of a crop farm (for example) is automatically an agronomic engineer who is required to be concerned about all the aspects of management, even those which he did not study at school. The economic specialist having higher studies is reduced to the simple position of accountant (an activity for which higher studies are not even necessary). We feel that things should be changed: the agronomist should be concerned about production and the correct application of technologies, with the tasks of management, and all its implications, going to the production economist. Certainly, this requires a new way of thinking about the tasks and attributes in agriculture and even requires the changing of certain outdated titles, but we must do everything to stay on top of the new requirements.

It is clear that for the type of profile that we are talking about the training of the economist for production can take place only within the agronomic institutes according to an adequate instructional plan that will ensure an integrated training, on the basis of which the specialist will be immediately able to adapt production activities.

But, the sphere of training for agricultural economists is much broader. We also need a modern accountant-economist who will ensure the implementation of modern informational systems at the level of each agricultural unit. He could be very well trained within the framework of the current specialty of accounting and finance, as well as for the other branches of the national economy.

We have great need for specialists in the sale of agricultural products who will promote the new marketing models. They could be trained within the framework of the current specialty of "domestic trade" which, unfortunately, limits the sphere of trade and ignores the interests of agriculture. We also need a planner-economist who knows to an equal degree the methods of modern planning and the economic processes in agriculture.

Unfortunately, the training plans for the majority of specialties listed above do not reflect to an efficient degree the interests of training for agriculture. One can see that under current conditions agriculture plays a decisive role in the country's economic development and that the trade of agricultural products cannot be done if the sale itself of agricultural products is not organized appropriately. For that reason, we feel it is necessary for us, together with the Ministry of Education and Training, to participate in the improvement of training plans for these specialties so that they can also respond to the needs of agriculture. Similarly, we are for a closer cooperation with the leadership organs of the institutes of higher economic education in order to give us the opportunity to effectively participate in the implementation of the above-mentioned measures. In any case, is it possible for us to grant the necessary assistance if, for example, the Ministry of Agriculture and the Food Industry does not have a representative in the senate of the Academy of Economic Studies?

By providing all the interested institutes with our effective assistance for a better training of economists having higher studies for agriculture, we are ready to do everything in order to respond to the directives in this field issued by the secretary general of the party, comrade Nicolae Ceausescu.

8724
CSO: 2700

## SLOVENIA ACCUSED OF HOLDING BACK HARD CURRENCY EARNINGS

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 9 Apr 82 p 5

[Text] In a desire to obtain higher rates of interest and differences in rates of exchange certain organizations of associated labor which are exporters are exceeding the periods allowed for repatriating foreign exchange proceeds for goods which have been sold, though loans on rather favorable terms financed with primary note issue are being used to cover exports. The reproach addressed by the Slovenian delegate (in the last session of the Chamber of Republics and Provinces of the Yugoslav Assembly) to the Federal Executive Council and the response of a vice chairman of the Federal Executive Council.

The basic aim of the measures which are to be adopted is to stimulate organizations of associated labor on an economic basis to include foreign exchange realized through exports in the flows of a unified foreign exchange market, said Milena Rakcevic, Slovenian delegate in the SFRY Assembly, in the last session of the Chamber of Republics and Provinces, during the debate on economic trends at the beginning of the year. However, she continued, it seems to me that the draft of these measures does not conform to the joint commitments. [Use of quotes follows original--translator's note] The measures being offered are administrative and are not stimulative.

A balance must be drawn up of the inflow and outflow of foreign exchange not only for the country as a whole, but also for the republics and provinces, and only then solutions sought to improve the economy's liquidity. So far this kind of balance has not been drawn up, so that one cannot authentically examine the real situation in the republics and provinces. Slovenia, for example, accounts for 26 percent of all the country's exports, the total obligations of organizations of associated labor for this year amounted to $733 million.

### The Law Is Weaker Than an Agreement

If exports and imports were to conform to the payments-balance position and should all obligations be met to the social community, this republic would not have a surplus, but a deficit. If the targets for exports and the inflow of foreign exchange were not met, there would be a shortage of about $470 million. People are saying, that is, that OUR's [organization of associated labor] in Slovenia have enough foreign exchange. But the truth is that the problem of foreign exchange liquidity is the main limit on our development.

Also, the situation with the supply of petroleum confirms in all the republics and provinces that not much can be done with excessive administration to improve the situation. As a temporary measure to furnish the foreign exchange to import petroleum, the law has been functioning less well than last year's self-management accord. Now a majority of the republics and provinces are not discharging their legal obligations. There is good reason, then, to put a question to the Federal Executive Council [SIV] as to why the penalties envisaged by that law are being avoided. And something else: Toward the end of 1981 the Federal Executive Council issued an order temporarily restricting imports of goods paid for in convertible currencies, and it was in effect until 31 March this year.

If the occurrence of disturbances in foreign trade were expected in the first quarter, SIV had a duty and responsibility to propose measures that would anticipate those disturbances in the planning documents for this year. The agreed economic policy and measures cannot simply be "called out of bounds" and the SFRY Assembly informed accordingly. To put it mildly, this violates the spirit and letter of our system. Such actions instill uncertainty in the conditions for the conduct of economic activity and make it impossible for real plans to be made in OUR's and self-managing communities of interest for foreign economic relations. All the measures to correct the economic situation during this year, then, should be conceived on a self-management basis, and that means that associated labor should be involved in their enactment, rather than having this done by the government in its place. It is indispensable that SIV, along with the May analysis, propose versions of a way out of the present economic difficulties, Milena Rakcevic said.

Driven From Pillar to Post

These observations by the delegate did not, of course, go unnoticed. In responding to these questions Gojko Ubiparip, vice chairman of SIV, emphasized that toward the end of last year the Federal Executive Council did not restrict imports in any way whatsoever, but only brought imports into line with exports. That is, anyone who exports sufficiently can also import without restriction. However, the unfavorable liquidity of the economy is especially disturbing. One often sees displayed in our context the attitude that one should buy everything he can and send the bill for repayment of credit and petroleum to someone else. Unfortunately, the legislation in this respect has not been honored. We will compile an analysis of this, we will have accurate records on the size of the inflow of foreign exchange in the republics and provinces, the manner in which and extent to which obligations have been discharged, the principal and interest repaid on credit, the amount given for imports, and how much for other purposes.

The measures of SIV, then, are not restrictive in nature, but are aimed at effectively putting flows in international payments in order. Is the repatriation of foreign exchange based on economic measures, are organizations of associated labor stimulated to do this? This question has been raised by the lady comrade who is a Slovenian delegate. I must say that according to the data of the Social Accounting Service the accounts receivable of the Slovenian economy for goods sold exceeding 90 days amount to $440 million. There are,

then, long extensions of the periods for repatriation of foreign exchange, and we are going from pillar to post seeking loans to furnish credit to finance the most necessary needs.

Croatia also has $270 million not repatriated for about 90 days. Finally, if goods are sold on payment terms exceeding 3 months, then this is a credit relation and should be treated as such, instead of extending the periods for repatriation of the foreign exchange and in addition using the rather favorable terms on credit financing of exports financed from primary note issue. Consequently, no one can be given an incentive to fail to repatriate foreign exchange through rediscounted credits and rediscount policy, waiting for good rates of interest and high differences in rates of exchange resulting from the accelerated "slide" of the rate of exchange of the dinar.

SIV is being reproached, the vice chairman of SIV said in his response, because we have not been penalizing the failure to honor the law on petroleum. On the contrary, we will be undertaking even criminal measures against those who do not pay up the funds for petroleum, but hold back foreign exchange for other purposes. It is true that these measures have not been taken on time, but SIV will soon be taking them.

7045
CSO: 2800/366

# TESTING FOR GEOTHERMAL ENERGY SOURCES IN CROATIA

Zagreb NAFTA in Serbo-Croatian No 5, May 81 pp 233-235

[Article* by Davorin Babic, petroleum engineer; Radovan Filjak, engineering geologist; and Stjepan Galovic, mining engineer; specialist-organizer, team leader and adviser, respectively, in the Development Department of INA-Naftaplin: "Development of Exploration for Geothermal Energy"]

[Text] Intensive work has continued since the time when Naftaplin specialists delivered the first report before this body in JAZU on the problems related to commencement of organized investigation, evaluation and use of geothermal sources of energy in SR [Socialist Republic] Croatia. A particular impetus was received after the work organization INA-Naftaplin was assigned the task of investigating the republic's potential geothermal resources and developing them in the republic medium-term plan for development of the fuel and power industry.

To that end personnel of INA-Naftaplin have done a geothermal regionalization of the territory of the republic on the basis of the values of temperature gradients measured in oil and gas wells. Three characteristic regions were distinguished in this way:

i. the Pannonian sedimentary basin with geothermal gradients 40°-55° C per kilometer,

ii. the Dinarids with a gradient of 10°-15° C per kilometer, and

iii. the Adriatic seabed with a gradient of 20°-25° C per kilometer.

Other areas in the Croatian Zagorje with numerous well-known occurrences of thermal waters and the areas of ophiolitic rock in Kordun and Banija were not defined. Both these areas represent outlying border zones of the Pannonian Basin, and, since deep exploratory drilling has not been done there to any considerable extent, the geothermal relations are for the present unknown.

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* Delivered as a paper on 24 April 1980 at the 11th Regular Plenum of the Scientific Council for Petroleum of JAZU [Yugoslav Academy of Sciences and Arts].

The areas of the Dinarids and Adriatic seabed, then, have little promise from the geothermal standpoint and in this phase will not be the subject of further investigations, but rather the work will be concentrated in the area of the Pannonian sedimentary basin.

With respect to the level of the temperature gradients and pressure in the aquifers the basin has the characteristics of a semithermal region, i.e., of a geothermal region in which water can be expected with temperatures exceeding even 200° C, but without geothermal fields in which steam might be produced.

Thanks to the relatively high level of exploration of the Pannonian Basin and the uniformly favorable density of oil wells, it has been possible to compile a regionalization and to assess the promise of various areas even without specific exploratory work. This greatly reduced the costs in the cycle of discovering, developing and using geothermal energy.

The possibility of applying geothermal energy is also one of the factors influencing the direction given to exploratory work. In general the more highly developed urban areas, industry and advanced agriculture are potential users of geothermal energy, and those are precisely the categories offered by the Pannonian Basin.

In the present phase of development of the geothermal potential, exploratory work has been concentrated on testing for flow and other hydrodynamic parameters of wells and aquifers. At present these are still abandoned oil wells, and the choice was affected by the vicinity of potential users either for agricultural and industrial purposes or for recreation or heating.

Guided by these considerations, it is natural that the broad area around Zagreb should have been the focus of the plan of investigations, which consisted of testing Miocene-Mesozoic aquifers with water temperatures of 57°-80° C and low mineralization. The principal outlines of the aquifers can be approximately determined, as we have already said, from exploratory oil and gas wells, and the work which is under way is supposed to verify the southeastern boundaries of the aquifers and thereby confirm the reserves of fluids and, most important, offer data on the flow of production wells.

In the Drava Valley between Ludberg, Koprivnica and Djurdjevac an extensive carbonate thermal aquifer runs at a mean depth of about 2,000 meters, with water temperatures of 100°-120° C and a flow exceeding 100 cubic meters per hour. In its caloric potential, then, this area is more important than the Zagreb area, and another favorable circumstance is that there is a very highly developed agricultural production and accompanying food processing industry here, which would be important possible consumers of this type of energy.

In the region of Slavonia investigations have concentrated on aquifers of Miocene age with good temperature characteristics; however, they have high mineralization and variable reservoir characteristics. Of particular interest are the very extensive sandstones of the Pliocene stratum of the so-called Osijek sandstones, which run even to a thickness of 300 meters and have favorable reservoir characteristics and temperatures exceeding 70° C.

Testing of "Pannonian" aquifers is also under way at the localities Zelina, Sisak and Virovitica, and testing of Miocene aquifers is under way in the Medjimurje area.

It is evident from this short survey that under the present plan investigations are being conducted at practically all potential aquifers over the entire area of the Pannonian Basin.

In the brief survey that follows we will present the results of investigation and measurements at several localities from which one can obtain a more concrete picture of the aquifers that exist.

Bizovac

Use of geothermal energy from this occurrence in eastern Slavonia was undertaken for certain objective reasons without prior detailed testing. The testing was undertaken only after $3.6 \times 10^5$ cubic meters of water were produced to meet the needs of the spas there, and the stratum pressure dropped 28.3 bars. The Reservoir Limit Test established reserves of only $1.24 \times 10^8$ cubic meters of water, and also showed that this was a closed type of occurrence. It was also evident from these measurements that if extraction continues, spontaneous eruption will soon cease because of further drop of the stratum pressure. Immediately after the tests were made, then, work was undertaken to find a solution. Another negative exploratory well 850 meters from the first one was activated on the assumption that it had punctured the hydrodynamic structure from which the water was produced. Water began to be injected into this well in order to maintain stratum pressure. The Pulse Test was conducted between the production well and the injection well in order to determine whether it really was a case of the same hydrodynamic structure. Although the Pulse Test is not an unknown method, especially in defining structural relations in oil and gas deposits, it is worth mentioning that it was conducted in an unusual way in this specific case. The specific feature of this measurement lay in the fact that the well on which the observations were made was in production during the entire measurement, and yet an almost classic example of the Pulse Test was obtained. On the basis of that and also certain other tests, it was ascertained that the production well and the injection well penetrate the same hydrodynamic structure, that low stratum pressure is the only reason for the small yield of the production well, and that the equipment installed in the injection well should be repaired in order to make the process more economical.

Lunjkovec

The well Lun-1, not far from Koprivnica, punctured a number of water-bearing strata. The very first tests indicated our most promising source of thermal water to date. For that reason a number of measurements were taken so as to obtain as many parameters as possible of the stratum, stratum fluids, and their mutual relations. The RLT [Reservoir Limit Test] established a volume of $3.20 \times 10^9$ cubic meters. Though our intention was to establish the type and form of the source, this was not possible on the basis of the measurements taken. The measurement lasted 1,180 hours, but it was estimated that

determination of these parameters would have required extending it for at least twice as long, which we did not consider necessary, especially since the time necessary could have increased many times over because of the irregular form of the source. The next parameter we wanted to ascertain was the maximum yield of the well. In spite of a number of problems related to the formation of scale, it was established that the well with a pressure of 15 bars at the mouth produces 2,016 cubic meters of water a day, that is, that IP [productivity index] = 134.4 cubic meters per day per bar.

For that amount the temperature of the water at the mouth was 116° C. It was also established that the well would yield this amount for a maximum of 6-7 years, and that assuming that the scale problem did not exist. Yet if the formation of scale were prevented by conducting the process under certain pressure and temperature conditions under which scale does not form, this production of thermal water would last a considerably shorter period of time.

The next thing we wished to determine with the tests was the P-T [pressure-temperature] conditions under which formation of scale begins.

To that end measurements were taken in the well, and laboratory tests were run.

On the basis of the results obtained the minimum pressures and temperatures were determined at which scale is no longer deposited. The results are given in the table below:

| | | | | |
|---|---|---|---|---|
| Temperature (°C) | 20 | 40 | 60 | 80 |
| Pressure (bars) | 2 | 4 | 6 | 11 |

Stupnik

A number of measurements were made at the well Stupnik-1 near Zagreb, but only a small portion of them will be presented. On the basis of the interpretation of the RLT it was established that the first boundary of the source is located at about 8,300 meters from the borehole. Since a substantial lithological barrier is located on the northwest of the well in the Zagreb area at the same distance, that is probably the border on that side. Since the other borders have not been established, it can be concluded that the source extends more than 8,300 meters in the other directions. Although all of 98 meters of stratum were discovered, measurement of the production profile showed that the full production was obtained from only 2 meters. The probable reasons for this are blockages of some of the pores when the borehole was drilled as well as possible primary or secondary fracture. It is quite likely that the effective depth of the stratum is considerably greater in the more distant parts of the aquifer. This is indicated by the form of the pressure gradient curve as well as by the deterioration of the productivity index as the quantity increases.

We have given here only a small portion of the tests conducted at these localities. We are persuaded, however, that this is sufficient to illustrate how valuable are the data on the water-bearing stratum, stratum fluids and their

mutual relations that can be obtained only with a few instruments, a minimum number of necessary operators and without financial backing.

## Conclusion

It is evident from the discussion above that we did not always obtain answers to all the questions put in these tests. However, this does not diminish the importance of and need for such tests, since the fact that with the RLT, for example, we do not ascertain the boundaries, form or type of source, does not mean that the measurements were unsuccessful, but rather that we are not dealing with a lens, but with an aquifer of sizable extent.

The fact that the occurrence of very corrosive sulfur gas was established only at Stupnik means far more than if the problem had not been detected at all.

Results of this kind justify conducting explorations and instill optimism as to the ultimate benefits. It is expected that exploratory work in this and indeed in future phases of studying the geothermal potential will not involve any major technical problems, since even now most of the basic parameters are well known, such as temperature, degree of mineralization of thermal water, pressures in the aquifer, porosity and permeability. However, the risk with respect to the flow of the individual geothermal wells, even though they are drilled in aquifers of known qualities, is always there, and for that reason every geothermal well belongs in the category of an exploratory well. At the same time, according to our knowledge of thermal aquifers to date, they are predominantly aquifers of the closed or finite form. That is why the spent thermal water has to be returned to the stratum in order to preserve the aquifer's energy and to guarantee long-term use. Moreover, regulations on environmental protection do not allow relatively large amounts of mineral water to be discharged into open streams.

The motivation of the economy which might use this type of energy is considerably limited because of the factors of risk, the sizable initial investments, and also because of the peculiarity of the conduct of processes in surface installations. They must always be specifically designed for each individual case and constructed on a custom basis if the system is to be optimally utilized from the thermal and economic standpoints and especially so as to prevent corrosion of equipment and the formation of scale. It is inevitable that many specific problems will arise in this area which will have to be solved by teams of inventive and highly competent mechanical and power engineers. This factor can considerably affect the rate of introduction of the use of geothermal energy in the economy.

That is why the pooling of labor and capital with professional organizations outside INA-Naftaplin and potential users should first be undertaken. One might suspect that in the further course of investigation and use of geothermal resources in the Pannonian Basin a number of legislative problems will arise in connection with ensuring optimum and professionally competent use of these sources, with preventing their pollution and possible devastation so as not to destroy the natural equilibrium of the aquifer, and related to protection of known and potential oil and gas fields, as well as those not yet discovered.

7045
CSO: 2800/352

# GEOTHERMAL ENERGY POTENTIAL IN SERBIA

Zagreb NAFTA in Serbo-Croatian No 5, May 81 (manuscript received 15 Dec 80) pp 237-241

[Article* by Ljubisa Paradjanin, professor, and Nenad Djajic, docent, both doctors of engineering sciences at the School of Mining and Geology at Belgrade University: "Possible Potential of Geothermal Energy in SR [Socialist Republic] Serbia"]

[Text] Introduction

Although geothermal springs are well known in SR Serbia and famous for the place where they occur, above all as part of the use of geothermal energy for therapeutic and balneological purposes, until recently there were hardly any significant writings in the professional literature about them as important manifestations. The first scientific approach to these phenomena, one which emphasized their importance as a source of energy, dates from 1965 [1]; it treated the technical and economic possibilities of using geothermal energy in just one small portion of the Pannonian Basin--in the Banat Depression. The abundant documentation made available as part of oil and gas explorations over a quite broad territory in SAP [Socialist Autonomous Province] Vojvodina has also made it possible to investigate deposits of geothermal anomalies. Continuation of further research is based on the same foundations, especially in SAP Vojvodina. Greater attention has been paid to explorations since 1973.

The 1975 conference on geothermal energy made a relatively quite large contribution toward arousing broader interest and more intensive investigations of the geothermal energy potential and its possible use in SR Serbia. Among other things, it was stated at the conference that all the natural preconditions exist in our country for discovery of geothermal energy at both the fairly high and fairly low temperature levels, that the level of exploration is very low from the standpoint of compiling a geothermal energy balance and that total effort up to the year 2000 should therefore be directed toward geothermal energy taking up its proper share in meeting the needs for energy [2].

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* Delivered as a paper on 24 April 1980 at the 11th Regular Plenum of the Scientific Council for Petroleum of JAZU [Yugoslav Academy of Sciences and Arts].

At the same time the communities for science of SR Serbia and SAP Vojvodina have approved work on two scientific research projects. A study in the form of a program for investigation and use of geothermal energy in SAP Vojvodina has been completed and is being used as the foundation for other activities, while the second is now under way and has to do with the region of Serbia proper [3, 4].

## Investigations of the Phenomena Causing Geothermal Anomalies

Investigations into the phenomena causing geothermal anomalies were at one time inseparable from geological and geophysical explorations for oil and gas. It is a favorable circumstance that all those geological explorations pertaining to stratigraphy, petrography and tectonics, all the geophysical prospecting with gravimetry, magnetrometry, seismic and other logging methods, all the investigations of the petrophysical parameters of reservoir rocks, distribution provinces and fluid physics have a direct bearing on exploration for both petroleum and geothermal energy. With respect to the Pannonian Basin, the data of hydrodynamic tests and deep measurements in deep exploratory and production wells have had particular importance in investigating the causal phenomena [1, 4].

Though there are differing assumptions concerning the occurrence of geothermal anomalies, the conclusions drawn on the basis of our own research, which also has general importance, can be summarized as follows:

a) that it can be assumed that large-sized thermodynamic movements and related convection currents exist in the transitional zone;

b) that the intensity of convection, in conformity with the assumed temperature of the transitional zone, is unable to cause pronounced geothermal anomalies;

c) that there is direct influence of radioactivity, but its influence on the geothermal anomalies noted is unknown;

d) that in the process of formation and subsequent evolution of the earth disintegration of radioactive elements has had an influence in creation of heat; and

e) that geothermal anomalies can be interpreted only in terms of a set of influence--convection of the heat of the interior, disintegration of radioactive elements, intrusion of magma, and conduction of heat either directly or through deep displacements [1].

Investigations subsequently conducted into the causal phenomena of geothermal anomalies in SR Serbia proper, though basically different from the investigations conducted in the sediments of the Pannonian Basin, have furnished confirmation of the conclusions above [4]. An analysis of all the relevant data of the abundant scientific fund of geological documentation was taken as the point of departure in establishing possible geothermal anomalies and their causes in this area. That is, it is well known that the Moho discontinuity in

SR Serbia lies at a depth between 30 and 40 km, which is 10 to 20 km deeper than the Pannonian Basin. This points up at the same time the fact that the geothermal anomalies in this area cannot be related to convection of heat from the upper mantle. That is why the investigations were oriented toward other factors as the causes, above all toward intrusions of magma (acidic particularly), radioactivity and macrotectonics.

By contrast with basic intrusions, the acidic magmatic masses (granitic) with a diameter of about 10 km, intruded with a temperature between 600° and 800° C, have maintained temperatures of over 500° C for more than 2 million years at the contact with the surrounding rock masses. After consolidation of that mass, the surrounding rock masses 2 km away from the contact will maintain a temperature higher than 400° C, again for more than 2 million years. This time is even longer than 4 million years for intrusions of greater size, since the cooling time increases directly with the square of the diameter of the intrusion [4]. When intrusions are quite large, one can expect relatively high temperatures (over 100° C) even several kilometers from the contact for several million years.

Along with the influence of intrusions of magma, they are at the same time producing heat by virtue of radioactive disintegration of elements. Acidic magmas also produce a larger amount of heat than basic magmas (granites 2,970, granodiorites 1,505, basic magmatic rocks 544 and peridotites only between 6.7 and 28.4 W per cubic kilometer. Limestones and sandstones are similar to basic rocks in their production, and marls are much like granodiorites [4]. A map of radioactivity has been supplied only for a portion of the Banat Depression, but sufficient data of measurements are not available for the territory of SR Serbia proper.

Aside from investigating the causes of geothermal anomalies, in certain localities isotopic investigations were also made by the methods of chemical and isotope geothermometry, analyses for concentration of tritium, and relative deviation of deuterium and $O^{18}$ from the established standards. In addition to determining the relative age of a free spring, the relative relations of the hydrological cycle and sources of heat also had to be determined. Aside from the answers given to certain questions, the results obtained also indicated the possible contribution of these methods in investigations of geothermal energy [4].

## Assessments of the Possible Potential

As we have already emphasized, as oil and gas explorations were made in the Pannonian Basin, the necessary knowledge was also gained on the possible geothermal potential. It has been proven that enormous amounts of water are accumulated in the porous space of rock masses, some of it slightly mineralized (1-2 grams per liter) and some highly mineralized (over 40 grams per liter). On the basis of numerous measurements in wells, maps have been furnished of the geothermal isograds along the floor of the Neogene and the roof of the basement (temeljno gorje) [1], as well as a map of the pre-Miocene complex [3]. Charts have also been furnished of geothermic isolevels as well as a map of isotherms [1] along the floor of the Neogene and the ceiling of the basement.

It can be said on the basis of all these data that investigations of geothermal energy in the southeastern portion of the Pannonian Basin have been brought to the phase where further investigations can be directed precisely at determining the thermotechnical and economic parameters for purposes of compiling a balance of this potential and of defining the necessary parameters for use in the particular sectors of consumption. Particular emphasis is put here on the problems of highly mineralized hot water (systems III and IV), while at the same time preference is given to the first and second systems of fresh water, though they have lower thermal characteristics.

The region of Serbia proper is far from the level of exploration of the Pannonian Basin in SAP Vojvodina. Within the scientific research project mentioned, aside from investigating the causes of geothermal anomalies which has been mentioned, particular attention was paid to regionalizing the terrain of interest to further explorations with a view to defining the potential and the possibility of its use. The entire territory was ranked in four groups according to potential on the basis of the explorations conducted to date [4] (Figure 1):

a) Relatively small areas in southeast and to some extent central Serbia (the region around Vranjska Banja, Sijerinska Banja and Josanicka Banja) belong to the first group, which has a high probability of occurrence of hot water to moist steam at relatively shallow depths.

b) Broader areas of Vranjska Kotlina, southwest rim portions of the Lece massif and the northwestern extension of Sijerinska Banja, and then the region of Rogozna and the Ibar Valley, the southern rim of the Krusevac-Kraljevo Depression, the northeast rim of the depression along with the area of Kotlenik and Rudnik, Miocene basins to the north of Bukuljski Horst and the zone along the eastern rim of Avala and Kosmaj, and from there south to Mladenovac belong to the second group of terrains where the occurrence of thermal water with high temperature can be expected.

c) Broad areas partly between zones which belong to the previous groups and partly along large faults fall in the third group of terrains in which there is considerable probability of the occurrence of heated water. By virtue of that fact this group encompasses the major portion of the territory of Serbia proper.

d) The fourth group of terrains where occurrence of only hot thermal waters with temperatures under 50° C and to a depth of 4 km can be expected includes the Sava Valley, the Danube Valley, localities in the valley of the Velika Morava and Juzna Morava, as well as in the valley along the streams of the Zapadna Morava.

In Serbia proper only five wells have been drilled so far to a depth of 1,000 meters; they were sunk only in order to obtain mineral water and there is one well drilled to 2,022 meters with the combined task of being the first well for purposes of structural exploration both to meet the needs of general and petroleum geology and also to meet the needs of geothermal energy. By virtue of that fact the necessary data are not available for making it possible to prepare a map of isotherms or geothermal gradients.

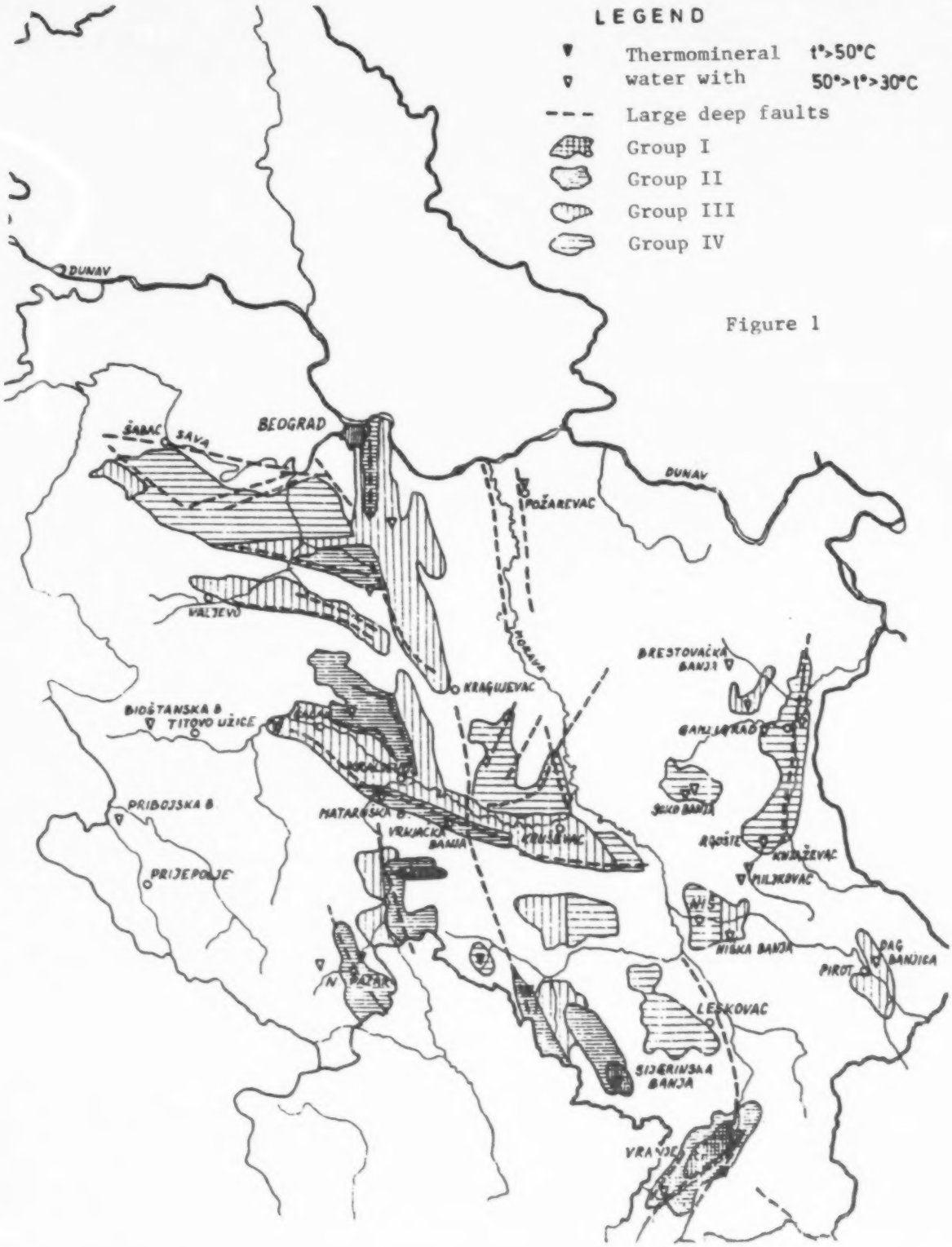
LEGEND
Thermomineral water with
t°>50°C
50°>t°>30°C
Large deep faults
Group I
Group II
Group III
Group IV
DUNAV
BEOGRAD
ŠABAC
SAVA
POŽAREVAC
DUNAV
VALJEVO
MORAVA
BREST OVAČKA BANJA
KRAGUJEVAC
BIOČANSKA B
TITOVO UŽICE
GAMZIGRAD
SOKO BANJA
PRIBOJSKA B
MATARUŠKA B.
VRNJAČKA BANJA
KRUŠEVAC
RAŠOŠTE
KNJAŽEVAC
MILJKOVAC
PRIJEPOLJE
NIŠKA BANJA
DAG BANJICA
PIROT
N. PAZAR
LESKOVAC
SIJERINSKA BANJA
VRANJE

Figure 1

Extensive geophysical explorations have been conducted in Serbia proper, but only in 1978 did the data of those tests begin to be used for the purposes of geothermal energy and to plan the necessary geophysical measurements.

With respect to the geotectonic complex of the area, Serbia proper is more complicated than the area of SAP Vojvodina, so that before deep drilling is undertaken, all methods of exploration which can contribute within the limits of time and money should be used, regardless of whether regional or detailed explorations are involved, so that favorable results are obtained from the minimum number of wells.

On the basis of the data of 2,878 km of seismic profiles it became possible to compile maps of isopachs of sedimentary basins and the depths of the basement, as well as a regional geotectonic map [5].

The figures on 102 slightly thermal and thermal mineral springs examined in conjunction with the results of geophysical tests indicate that almost all are located in dislocations, i.e., in zones of a pronounced gradient of anomalies with dislocation zones of varying extent. Pribojska and Obrenovacka Banja, which lie in zones of the gravimetric minimum, constitute an exception.

The results of seismic tests and also the results of geothermal tests along the profile Krusevac--Sabac, along which tests were run of the structure of the crust by deep seismic sounding are of particular interest to an overall examination of the conclusions which have been framed and of the results. The data indicate that the Neogene complex must be viewed separately and also point to the fact that use of this geophysical method can also furnish a definite contribution to defining above all the position and extent of the basic mass as well as of the dislocation faults.

From the exploratory oil wells drilled to date results have been obtained on temperature gradients which make it evident that they increase from south to north toward the central portion of the Pannonian Basin (from 4.683° C per 100 meters in the Cacak Basin to 5.884° C per 100 meters at Palanacki Kiseljak). In the Neogene in eastern Serbia the temperature gradients are about 40 percent lower than those given above (about 3.5° C per 100 meters), except for the geothermal anomalies of the dislocated zone.

## Investigations Toward Utilization of Geothermal Energy

Within the scientific research concerned with the use of geothermal energy particular attention has been paid to defining optimum heat diagrams, the most important element in the entire work of designing future installations for use of geothermal energy. It is well known that geothermal fluids have a number of specific features which have to be respected in defining the heat diagrams. The experience to date in the use of geothermal energy indicates that it is unwise to use geothermal energy solely for one energy purpose, but that it has to be used on a multiple basis and even tied to the possibility of industrial processing.

On the basis of current knowledge geothermal energy in SR Serbia proper will have its primary use in agriculture, in centralized supply of thermal energy for heating and for recreation and balneological purposes. That is why intensive work is being done on use of geothermal energy in our country within the Energy Center of the School of Mining and Geology, furthered by financial aid from public and work organizations and also by the Serbian Republic Community for Science; particular attention is being paid in this work to the use of low-temperature thermal waters [6].

However, unfortunately it must be noted once again on this occasion that use of geothermal energy in Serbia has for all practical purposes not even begun, with the exceptions of certain spas where this water is used for local purposes. The principal reason for this should be sought in the fact that there are still no major installations that have been built in our country that might be used as the basis for ascertaining the technical-and-economic parameters of the use of geothermal energy.

Yet we must note that today the situation is changing in this regard, since we detect an ever greater interest in the use of geothermal energy. Especially important in this regard is the initiative of the Consolidated Serbian Power Industry to have a study prepared so that an examination can be made of the possibility of using geothermal energy as a substitute for a portion of the electric power which is today being consumed to meet the needs of low-temperature processes in both residential and public consumption. The design assignment has been defined as exploring the possibilities for larger use of geothermal energy for heating and preparation of water for consumption, especially tied in with heat pumps.

There is also a clearly pronounced interest on the part of certain sociopolitical communities (Kikinda, Zrenjanin, Subotica, Gornji Milanovac, etc.) in the use of geothermal energy in centralized systems for supply of thermal energy. It is well known that thermal fluids, as carriers of thermal energy, can very conveniently be added to existing systems for supply of thermal energy, thereby reducing consumption of conventional fuels.

There is an interesting project in the spa Melenci for multiple use of geothermal energy for heating, preparation of hot water for consumption, and for balneological purposes. The Fuel and Power Center of the School of Mining and Geology has assumed the obligation to work out a general conception for use of geothermal energy in combination with a gas-fired final-stage heater.

## Concluding Considerations

It can nevertheless be said by way of conclusion that in spite of the low level of exploration a broader and more lively public interest is being shown in gaining knowledge more quickly about the real potential of geothermal energy. One such effort is the resolution of the Interacademy Committee for Fuel and Power to the effect that the overall problems of geothermal energy of interest to the entire country should be worked on and examined by 1985, an effort in which the activity of the Scientific Council for Petroleum of JAZU can offer a large contribution.

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# GEOTHERMAL ENERGY PLANS IN VOJVODINA

Zagreb NAFTA in Serbo-Croatian No 5, May 81 (manuscript received 15 Dec 80) pp 243-246

[Article* by Zoran Milovanovic, mining engineer and member of the business board for R&D relations; Slavko Alimpic, engineering geologist and head of the Department for Hydrogeology; and Dragan Nikolic, engineering geologist and assistant director of the Research Sector; all of Naftagas, Novi Sad]

[Text] Introduction

The quite rapid growth of consumption of petroleum derivatives as compared to the possible growth of domestic production of petroleum and natural gas, as well as the greater difficulty of importing the amounts that represent the difference and the limiting factors in the production and consumption of coal have recently been turning attention to exploration, application and use of alternative forms of energy. Geothermal energy is one member of this group of possible energy sources.

The goals of investigating geothermal energy are above all the future and long-term substitution of a portion of conventional energy in a technical-and-economically acceptable way through the application and use of thermal energy accumulated in rock masses and fluids filling the pores of the earth's crust as a consequence of emission of heat from the interior of the earth or of local processes within the crust itself. Subsurface water or natural steam are the best medium for carrying the heat rapidly to the surface of the earth.

In SAP [Socialist Autonomous Province] Vojvodina the investigation, application and use of geothermal energy is being shown more interest than any of the other alternative sources. Nor are other forms of energy being neglected. For example, attention is being paid to investigation of the application and use of solar energy, bioenergy, wind energy, etc. This approach is quite understandable when one is aware that Vojvodina does not have a sizable hydropower potential, nor large coal reserves, nor petroleum-geological conditions which afford a very rapid growth of production over a lengthy period of time

* Delivered as a paper on 24 April 1980 at the 11th Regular Plenum of the Scientific Council for Petroleum of JAZU [Yugoslav Academy of Sciences and Arts].

so as to meet the demand for energy in this region in the future. Nevertheless, the potential for petroleum and gas production is such that for a long time it will have a significant impact on the province's overall social and economic development and especially on development of the petroleum, chemical and petrochemical industries.

History and Results of Investigations of Geothermal Energy in Vojvodina

In view of the markedly favorable geothermal gradient over a major portion of the Pannonian Basin, thermal and thermomineral waters, sometimes exceeding 100° C, occur even at depths between 1,500 and 2,200 meters. It is thought that the water reserves are mostly renewable, and they also are quite widespread geographically. That is why it is judged that subsurface water in Vojvodina has a relatively large energy potential.

Beginning in 1970 systematic and extensive hydrothermal explorations and studies of the manner of use and application were undertaken by the work organization Naftagas. This organization has carried on all the efforts to date, and it is in fact registered to perform this activity.

Studies of subsurface water in Vojvodina began long ago, but the work organization Naftagas resumed them 30 years ago with the first exploratory oil and gas wells. Those water strata directly related to oil and gas pools were particularly studied. By 1979 1,162 exploratory and production wells had been drilled for petroleum, gas and subsurface water, representing 1,719,500 meters of total drilling. A huge fund of geological, hydrogeological, geochemical and geothermal data have been gathered and have been of exceptional help in preparing studies and programs for exploration of subsurface water.

The scientific research study entitled "Thermal and Thermomineral Waters of Vojvodina and Their Use Potential" was written in 1975 on the basis of data in the literature and the data of this rich documentation and previous technical papers. The study showed among other things the state of knowledge of this water in Vojvodina, it dealt with the natural conditions for occurrence of water and the basic features and patterns of geographic extent, and it pointed to the technical and economic problems that would have to be solved in order to undertake more extensive use of this water.

The "Program for Investigation of Geothermal Energy and Thermomineral Water in SAP Vojvodina Over the Period 1976-1985" was prepared on the basis of that study. Under that program 28 exploratory wells were to be drilled, representing a total drilling of 32,400 meters, and about 50 wells negative for oil and gas were to be tested for water. Up through 1980 progress in fulfillment of the program stood at 22 hydrothermal exploratory wells representing a total of 19,000 meters drilled, and 16 wells negative for oil and gas had been tested for water. Investment in these operations will be considerably larger than the investment envisaged by the program up to 1980.

Hydrothermal studies in the period 1976-1979 confirmed the premises contained in the study and indicated the following:

i. that Vojvodina does not have natural superheated steam (175° C or higher) for production of electric power;

ii. that the data obtained in explorations to date are not sufficient for compiling a balance of potential reserves of geothermal energy in Vojvodina;

iii. that there exist four principal hydrogeological complexes, as follows:

a) Hydrogeological System I has the greatest importance, since it contains aquifers with large reserves of water with low mineralization.

It consists of alternating strata of clays, sands, and sand-clay sediments of the Upper Pontian and of paludal strata with the Quaternary period. It covers almost the entire territory of Vojvodina and attains its greatest depth in northern and central Banat. Over most of the area the outlet temperatures of the water range between 25° and 60° C, and it [?] is limited to the depression itself. The discharge per well ranges even over 1,000 cubic decimeters per minute.

b) Hydrogeological System II has an important role as a hydrogeological insulator between System I and the older Systems III and IV. System II consists primarily of marl, clay, marlstone, aleurolite, and sandstones of the Lower Pontian and Pannonian. In northern and central Banat it includes series of sands and sandstones in the form of lithological lenses. Because of the low flow capacity, the absence of good reservoir rock over a broad area, hydrostatic pressures, inadequate reserves and high mineralization running to 15 grams per cubic decimeter, the system has no major hydrothermal importance. Estimates of the discharge generally range from 50 to 200 cubic decimeters per minute or 300 cubic decimeters per minute per well. In exceptional cases the yield is somewhat higher in the northeastern portion, and the outlet temperatures may even be as high as 80° C.

c) Hydrogeological System III has in its makeup, aside from marl, marlstone and clays, clayey-marly sediments, sediments with good reservoir characteristics in the form of Miocene sandstones, conglomerates, breccias and limestones. The water is highly mineralized (even exceeding 40 grams per cubic decimeter). Unless there is a solution for dumping the water used or returning it underground, its direct use is not contemplated at present, though it reaches the surface through wells from depths of over 2,000 meters and has a temperature exceeding 90° C.

d) Hydrogeological System IV is represented mainly by rocks from the pre-Neogene substratum: metamorphic, magmatic and sedimentary rocks of secondary porosity, such as the eruptive mass, crystalline schists, limestones and dolomites. The system has not been sufficiently studied. Because of hydraulic connection with System III, it contains highly mineralized water. Especially interesting are the Triassic limestones and dolomites to which particular attention should be given.

The study goes on to point out that a number of technical-and-economic problems have to be solved if the water from these hydrological systems as a whole

is to be used, problems such as optimum well design and the method of equipping the wells for operation, the method of degasification of the water, a method of solving the problem of formation of scale and prevention of corrosion. Solving the problem of dumping large amounts of waste mineralized water after use, which would otherwise have an impact on the ecological situation and would pollute the environment. Application of heat exchangers and heat pumps. Solving the problem of collecting and transporting the water. Specific examination of the economic aspects so that the use of thermal water would be justified from the commercial standpoint so that potential users would adopt this alternative form of energy in spite of all the burden its use involves as compared to conventional fuels.

Investigations of thermal water in the period 1970-1979 have represented the initial phase in systematic studies. Valuable experience has been gained, and possible directions of development have been examined.

The Program for Investigation, Application and Use of Geothermal Energy Over the Period 1981-1990

From the standpoint of the extensiveness of the necessary investigations, the technical-and-economic problems and the multiple relevance of the solutions to broad application of geothermal energy, the work organization Naftagas has offered an altogether new initial concept and a new program for investigation, use and application of geothermal energy in SAP Vojvodina over the development period 1981-1990.

The new program has also called for changes to be made in the approach to investigations of water, beginning with the plan for 1980.

The most extensive explorations will be oriented under this program in the domain of Hydrogeological System I and will also be governed by the regionalization of Vojvodina with respect to likelihood of occurrence.

Hydrogeological System I is being paid the greatest importance because it includes the principal aquifers with large reserves of fresh or slightly mineralized water with extensive horizontal and to a slightly lesser extent vertical interconnections. The outlet temperatures are at times close to 100° C, and the well yield exceeds even 1,000 cubic decimeters per minute. This system is also the largest reservoir of drinking water and industrial water, and even today thought is being given to bottling it for general consumption. The water of this complex has the least impact on occurrence of corrosion and does not require expensive disposal of wastewater. It is expected to be possible to use it in part without heat exchangers. The use of heat pumps will make it possible to increase the utilization of geothermal energy which this water carries and to apply it in diverse ways. Because of all we have said it is expected that the study of the economic aspects of exploitation of Hydrogeological System I will result in commercial application and use at the earliest date. The water of this system can be used most widely and quickly for a range of purposes from heating dwellings and public buildings to hothouses, the drying of farm products, for recreation purposes and the spent water can even be used for water supply and irrigation. It will also have the least impact on the ecological situation and environmental pollution.

This water contains dissolved gas and often has a gas factor running as high as 1 cubic meter per cubic meter of water, the methane content running to 95 percent, aside from the content of carbon dioxide and nitrogen. This represents an additional energy potential which should be seriously taken into account in the future.

Serious reliance is also being put on the possibility of combined use of the thermal water of Hydrogeological System I and methane from small gas deposits that exist in the higher portions of the Pliocene in Banat and Backa. The geological reserves go as high as 30 million cubic meters for the various occurrences, the purity of the methane runs as high as 95 percent, but is not connected to the gas supply system, that is, to main gas lines, because of the small reserves and low pressures.

Investigations of Hydrogeological Systems II, III and IV will continue primarily with the testing of deep wells negative for petroleum and gas, and persistent work will be done to solve the technical-and-economic problems which have been enumerated and possibly also the separation of trace elements from the water, so that the geothermal energy of these systems would also be used in the future, as would the minerals they contain. The water of these systems also contains dissolved gas with a gas factor between 1 and 3 cubic meters per cubic meter of water. The gas is mainly methane.

The new program for development in the period 1981-1990 envisages further intensive explorations and accelerated development of several geothermal fields with several production wells and mass production of thermal water and energy. So that the technical-and-economic problems can be solved at the same time, experimental stations will be set up for hydrodynamic tests over a lengthy period of time when the first well is found to be positive.

The stations will conduct tests of the influence of corrosion and possible formation of scale, the use of heat exchangers and heat pumps and all other elements that have a bearing on the drafting of the feasibility study and designs for field development and production.

The long-range development program over the period 1981-1990 calls for drilling 90 exploratory and production water wells representing a total of 131,000 meters of drilling. Over that same period, and in addition to those wells, 52 wells negative for oil and gas will also be tested. Within the 1981-1985 period, 36 wells will be drilled, representing a total drilling of 52,000 meters, and 24 wells negative for oil and gas will be tested, while in the period 1986-1990 54 wells will be drilled, representing 79,000 meters of drilling, and 28 wells negative for oil and gas will be tested for water.

The projects include chemical, balneological and bacteriological analyses, hydrodynamic measurements, analyses for corrosion and formation of scale, the necessary studies, other analyses, project plans and project feasibility studies, all the way to offers to consumers.

In 1983 it is expected that the first balance of thermal water of local geothermal fields will be compiled, and later one will be compiled of the total

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# East Europe Report

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2269

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# EAST EUROPE REPORT

## ECONOMIC AND INDUSTRIAL AFFAIRS

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# CEMA GOALS OF FUTURE ECONOMIC COOPERATION WITH WEST OUTLINED

East Berlin DIE WIRTSCHAFT in German Vol 37 No 2, 11 Feb 82 pp 30-31

[Article by Gottfried Kloss: "Economic Relations with Capitalist Industrial Countries"]

[Text] The socialist states will continue to advocate consistently the development of peaceful coexistence relations with the capitalist countries and an intensification of long-term economic contacts and accords, aiming at deepening relations in the interest of peace and mutual advantage. That has been unanimously expressed at the most recent party congresses in all fraternal CEMA countries and reflects the objective tendency of an increasing international division of labor.

Despite the course pursued by the U.S. administration, of deliberately interfering with economic relations, all CEMA countries carry on the further extension of normal relations, based on equality and reciprocity, with all who are interested in peaceful commerce.

Today more than ever, an international division of labor becomes a necessary condition in every country for increasing production efficiency. By what means, how quickly and how intensively the division-of-labor processes between states belonging to differing social systems can develop, however, depends on the international political climate and on the implementation of the peaceful coexistence policy.

The socialist countries make deliberate use of the advantages in an international division of labor for a continued, planned and proportionate, economic development, thus to fulfill the main task for the good of their peoples. That integrates, under socialist production relations, economic relations with capitalist industrial countries based on reciprocity with the CEMA countries' overall economic strategy. The CEMA countries' five-year plans in effect show that it is so.

## Not Just a Safety Valve for Crises

In the capitalist world economy, capitalist internationalization processes that are going on, are, for the sake of making maximum profits, aimed at taking

into account the social character of the productive forces, under the pressure generated by the scientific-technical revolution, and at meeting the accelerated drop in the profit rate through monopolizing scientific-technical progress.

Concurrently and as a result of a slowdown of the economic growth rate, the chronic inflation and increasing destabilization of the capitalist currency system, the contradictions within the capitalist world economic system are deepening and competition and anarchy are sharpening and are worsening the conditions for capital investment. Hence, the capitalist states regard economic relations with the CEMA countries as a safety valve for crises. On the other hand, the most aggressive circles, depending on the political and economic situation in their countries, keep trying to use these economic relations, within the scope of the conflict between the systems, to deepen the confrontation course, use political pressure, and seek to interfere with the CEMA countries' domestic affairs, which is bound to constrain these relations--without the socialist states being much hurt by it. That is also shown, among other things, by the fluctuating growth rates in the trade between the CEMA countries and the capitalist industrial countries. Whereas in 1975 there was a turnover increase of 13.2 percent, it came to only 11.7 percent in 1976 and to a mere 4.8 percent in 1977. In 1978 and 1979, growth rates rose again to 14.4 and 22.5 percent respectively and then dropped once more to 14.4 percent in 1980. On the other hand, corporations in the capitalist industrial countries, fighting for sales markets and favorable positions in their competition, as well as certain capitalist governments, to secure their raw materials over the long run and preserve or expand jobs, are interested in deepening relations with the CEMA countries. That applies particularly to countries such as Finland, Austria, Japan, France and the FRG, as also shown by steadily increasing sales.

More than one-fourth of the foreign trade between the developed capitalist industrial countries and the CEMA countries goes to the FRG and West Berlin, for instance, whereas the U.S. foreign trade lies below 8 percent, and that of Great Britain, around 6 percent. Notably, the imperialist states, by using certain monopoly positions on the capitalist world market and extensively applying state monopoly techniques, seek to preserve old structures in their economic relations with the CEMA countries or to generate such as would give the monopolies a scientific-technical lead and, hence, strategic economic advantages in the class conflict.

To improve their competitive situation, they pursue mainly the following interests:

--ensuring long-term supplies in energy and raw materials;

--exports to the large and dynamic CEMA markets;

--utilizing scientific-technical data of the CEMA countries;

--shifting inefficient, costly and environmentally harmful production over to the CEMA countries; and

--using trade and production cooperation with CEMA countries as a crisis valve.

CEMA countries must expect that the capitalist circles or countries with which they deal fully recognize the peaceful coexistence relations and act accordingly and offer certain guarantees for undisturbed economic relations, so as to not only carry on but further extend what has been achieved.

Detente With an Impetus

As one cannot rule out political reversals and sudden changes in the spontaneous and unstable capitalist world economy and sudden changes in the situation on account of it, however, there are no automatic effects between long-term economic relations and detente. It follows that political class vigilance and militarily securing the accomplishments of socialism are of great importance despite all of the objectively developing economic relations. With it, long-term economic relations themselves modify the struggle between the two systems. That makes it imperative for the CEMA countries to take up the fight time and again for equality and mutual advantage in each agreement, each contract and each individual transaction and demand the elimination of trade obstacles.

For assessing the results of the economic relations between the CEMA countries and the capitalist industrial countries, it is of special importance that the close economic entwining of CEMA and the formation of rational economic structures linked with it have evolved a kind of economic potential that can form a secure and stable point of departure and framework for developing economic relations with the capitalist industrial countries.

That also deprives the imperialist circles of their material foundation for seeking to use their economic relations with us as political pressure. This, together with resolute detente, ensured the rapid development of economic relations with the capitalist industrial countries in the 1970's, its most concentrated expression being the import-export boost. Foreign trade between the European CEMA countries and the capitalist industrial countries rose more than fivefold (see table). The increasing foreign trade business also boosted the proportion in foreign trade under long-term agreements and linked with the development of new forms of cooperation. New forms that have been found expedient and are subject to further development are production cooperative, research or scientific-technical cooperation, compensation transactions, cooperation on third markets, and the formation of mixed corporations in the territories of capitalist countries. Enough evidence for that comes from the rapid increase in cooperation agreements between enterprises in CEMA countries and capitalist corporations (350 to 400 signed in the early 1970's, circa 2,000 in 1980).

Table: Foreign Trade Between European CEMA Countries and Capitalist Industrial Countries (in Rubles and in Percent of Total Foreign Trade per Country

| | 1970 | | 1975 | | 1980 | | |
|---|---|---|---|---|---|---|---|
| | Million Rubles | % | Million Rubles | % | Million Rubles | % | Change in Percent 1980:1970 |
| Bulgaria | 572 | 16.6 | 1,276 | 17.4 | 2,163 | 16.4 | 378 |
| Hungary | 1,222 | 28.4 | 2,112 | 24.4 | 7,625 | 36.7 | 624 |
| GDR | 2,067 | 24.4 | 4,132 | 25.9 | 7,047 | 27.4 | 341 |
| Poland | 1,743 | 27.1 | 7,044 | 41.3 | 8,553 | 34.7 | 491 |
| Romania | 1,227 | 35.8 | 2,920 | 36.7 | 5,641 | 33.1 | 460 |
| USSR | 4,694 | 21.3 | 15,843 | 31.3 | 31,625 | 33.6 | 674 |
| CSSR | 1,509 | 22.4 | 2,719 | 22.4 | 4,653 | 23.0 | 308 |
| Total | 13,034 | | 36,046 | | 67,307 | | 516 |

Proportion of Machines, Equipment and Transportation Vehicles in the CEMA Countries' Imports from Capitalist Industrial Countries in 1979 (current prices, in percent)

| Bulgaria | Hungary | GDR | Poland | Romania | USSR | CSSR | Total |
|---|---|---|---|---|---|---|---|
| 25.3 | 35.0 | 28.0 | 29.0 | ... | 34.2 | 32.2 | 32.2 |

There have been an estimated 100,000 cooperation agreements among the capitalist industrial countries. The proportion of cooperation deliveries lies between 25 and 30 percent of total world trade. This also gives rise to the demand for the capitalist industrial countries to increase their imports of products in machine building from the CEMA countries, gaged against their exports in this area.

Were the capitalist industrial countries to accept a foreign trade structure commensurate with today's high technological state of development and the economic capacity of the European CEMA countries, further consideration reserves could be tapped in their reciprocal trade. The growth-oriented socialist market has an abiding interest in the exchange of investment commodities. Though the CEMA countries' installation, equipment and machine imports from the capitalist industrial countries rose by leaps and bounds in the 1970's (see table), they were fairly small, if measured against the overall investments in equipment and the need for the CEMA countries.

For the USSR, e.g., these imports made up circa 6 percent of its total equipment investments in 1977. The call for expanding the trade in this field has nothing to do with the popular theory in Western countries, for which there is no rough-and-ready evidence, that the CEMA countries purportedly "depend on Western technology." On the contrary, if one looks at the computations of

Verein Deutsche Maschinenbauanstalten e. V. (Association of German Machine Building Institutions) in the FRG, saying that circa 82 percent of all the world's machine exports goes to capitalist industrial countries, that theory falls by the wayside in view of the small proportion of such imports to overall investments for equipment by the CEMA countries.

Ways to Expand Economic Relations

The CEMA countries have shown possibilities for deepening economic relations so as to make them more effective on behalf of strengthening the material-technical base of socialism through their long-term target programs and the economic projections for the 1981-1985 five-year plans. These documents also set the range for offers in economic relations with the capitalist industrial countries. As the quantitative and qualitative extension of the CEMA countries' economic relations with corporations in capitalist industrial countries was purposefully brought about in the 1970's--despite many attacks from circles on the right or measures by imperialist governments to complicate or undermine mutual advantageous relations--such relations will continue to develop in the 1980's, as well.

The basis for extending economic relations are the long-term accords and agreements on the government level the CEMA countries concluded with capitalist industrial countries and also the Final Act of CSCE. Derived from them, many different economic accords, trade agreements, contracts and understandings with firms have already been concluded for 10 and partly 20 or 25 years, as basis for reciprocal economic relations. Such a development should be further extended.

Furthermore, the rapidly advancing scientific-technical progress, based on contractual arrangements, led to new forms of cooperation.

We are working on circa 100 large-scale projects right now. That in turn made the realization of projects more complex, often involving, on the part of the capitalist countries, several corporations (even above and beyond national boundaries), several industrial branches and banks, and many different enterprises in the various branches and magnitudes.

Stronger reciprocal economic incentives were generated by the scope and type of business and their modes of transaction (performance and counter-performance), exercising positive effects on enforcing the peaceful coexistence policy.

The search for new forms of economic relations was greatly aided by the development of finance and credit relations. Such large-scale and compensation projects and other forms of cooperation, crucial for expanding the relations between the CEMA countries and the capitalist industrial countries, became possible only because of the active role of the banks both in the CEMA countries and in the capitalist industrial countries.

Aspects in the Practice of Relations

An analysis of economic relations thus far and of international development in the early 1980's shows that in the interest of enforcing a well-balanced and realistic economic relations policy between the CEMA countries and the capitalist industrial countries, the following matters should be given attention:

First: The CEMA countries' basic economic tasks can be solved only on the basis of stable and efficient economies of their own and through their cooperation within the framework of socialist economic integration. This also forms the framework and the prerequisites for changes in the export-import structure and for further developing economic relations with the capitalist industrial countries in terms of equality and reciprocity and for the stability in foreign trade relations.

Second: Because economic relations between the CEMA countries and capitalist industrial countries are insecure and limited, in consequence of the inevitabilities of the capitalist system, the risks for the CEMA countries are to be minimized by means of transactions that are relatively demarcated in content and time-frames.

Third: In the economic relations between CEMA countries and capitalist industrial countries, traditional foreign trade will always be predominant. This, however, does not obviate, while using the objective tendencies resulting from the development of material production, more such forms of cooperation as transcend the traditional foreign trade, ensure more continuity and reliability on the part of the capitalist corporations or capitalist countries and, along with it, make for high efficiency.

Fourth: Avoiding unilateral economic dependence and risks resulting from it becomes increasingly a matter of first-rate importance for the CEMA countries. For that reason, long-term economic relations with the capitalist industrial countries must, among other things, be rigorously implemented on the basis of the socialist foreign trade monopoly. This is the only way to restrain any negative effects the capitalist system could have on the socialist economy.

The author's ideas as presented here are meant to stimulate the debate and help increase the importance of foreign trade as an economic growth factor for further increasing our efficiency, productivity and, hence, our national income.

5885
CSO: 2300/229

## CEMA PRICING MECHANISM'S IMPACT ON GDR FOREIGN TRADE ANALYZED

Cologne DEUTSCHLAND ARCHIV in German Vol 15 No 3, Mar 82 (signed to press 19 Feb 82) pp 262-269

['Analyses and Reports' feature article by Maria Haendcke-Hoppe, economist, Research Office for All-German Economic and Social Problems, West Berlin: "GDR Foreign Trade Under Pressure to Succeed." The article is an updated version of a talk given by the author at the Seventh Symposium of the above Research Office in the Reichstag Building, West Berlin, 19 November 1981. Translations of three articles cited in footnotes below are published under quoted headings in the following JPRS issues of this series: Footnote 1--"Current Problems in Economic Planning Analyzed," 73014, 16 Mar 79, No 1868, pp 56-70; Footnote 3--"Analysis of 1981-85 Plan Directive Sees Focus on Exports," 79108, 1 Oct 81, No 2181, pp 42-56; and Footnote 11--"Energy Problems Seen Restricting Economic Growth," 77656, 24 Mar 81, No 2109, pp 4-15]

[Text] Indebtedness Doubled

More than ever before in the history of the GDR, the expired 1976-1980 plan period was shaped by foreign trade events. It was caused by price explosions on the world market--primarily for petroleum--and its effects on the CEMA market. Until 1980 the terms of trade, i.e. the exchange relations in foreign trade, deteriorated steadily for the GDR, toward the West as well as toward its main trading partner, the USSR. An additional factor, which made things even more difficult, was the fact that for the first time a Five-Year-Plan came to an end which lacked essential prior postulates for planning. Since 1975 the lion share of foreign trade transactions, i.e. the one with CEMA countries could no longer be planned and carried out--as was the case until that date--on a fixed-price basis for the entire duration of the Five-Year-Plan. As is well-known, in 1975--the last year of the 1971-1975 period--the 5-year fixed-price basis was abolished because of the explosion in raw material prices and a new system of annual price adjustments was introduced, based on the average prices for the preceding 5 years (for 1975 it was 3 years).

Since the GDR as well as other CEMA countries greatly underestimated the effects of this new CEMA pricing mechanism on the development of the terms of trade when the Five-Year-Plan was drawn up, during the first few years of

the period ending with 1980 considerable reductions in the goals of the Five-Year-Plan had to be made. Many regroupings, particularly with respect to investments, led to cuts in bilateral delivery agreements.[1]

Harmful interruptions in domestic export production due to failures of keeping delivery obligations, considerable curbs on imports from the West during 1976 and 1977 and an ensuing reduction in technology supplies, an increase in the burden for arms production as well as general efficiency problems in the GDR economy (labor productivity) was responsible for the failure of achieving the first-rate goal of the old Five-Year-Plan, which was a substantial increase in exports, in spite of enormous efforts. Growing obligations toward the USSR in connection with the other above-mentioned factors did not only prevent a reduction in the indebtedness toward the West, which had accumulated to approximately $5 billion net (including obligations resulting from inner-German trade) by the end of 1975, but it also led to debts amounting to at least $10 billion net by the end of 1980.[2] Since 1975, however, the trend of development has accelerated and the indebtedness--the amount of which is not known--toward the USSR has been increasing steadily. Until the end of 1980 the GDR had to accept an accumulated loss of more than 2 billion rubles (10 billion valuta marks) in its trade with the USSR--its chief petroleum supplier.

The obligations which resulted from the indebtedness and the price increases that had already been preprogramed until 1985 subsequently dictated the structure of the new 1981-1985 Five-Year-Plan to a heretofore unknown extent.

The difference between the ambitious growth rate for production, averaging 5 percent annually, and the moderate to very modest growth rates in private consumption and investments, at 4 percent and less than 1 percent respectively --aside from increased arms production--indicate extreme export efforts.[3] But especially the growth rates for 1981 and 1982, which were set unusually high--16 percent (it was actually 10 percent) and 15 percent respectively--are an indication of the importance placed on the export sector.

The deterioration of the terms of trade, caused by sharp price increases, particularly for petroleum, accordingly had unfavorable effects on the structure of goods. Consequently the GDR had to spend a great deal more money (75 percent more than in 1975) for raw material and fuel imports, although the increase in quality was considerably less, and it had to finance them with high, real, in other words, large quantities of capital-goods exports.[4] Whereas the proportion of raw material and fuel imports as a share of total imports increased from 29 to 37 percent between 1975 and 1980, the share of capital goods imports[5] in 1980 remained at 31 percent, the same as 1975.

Table 1. Development of GDR Foreign Trade between 1976-1980 in Absolute Terms and Annual Increases by Percentage

| Year | Volume* total billion valuta marks | Growth: Current prices | Growth: Based on 1970 prices | Export billion valuta marks | Growth: Current prices | Growth: Based on 1970 prices | Import billion valuta marks | Current prices | Based on 1970 prices |
|---|---|---|---|---|---|---|---|---|---|
| 1976 | 85.46 | 14.9 | 8.5 | 39.54 | 12.6 | 5.8 | 45.92 | 16.9 | 11.1 |
| 1977 | 91.73 | 7.3 | 4.4 | 41.84 | 5.8 | | 49.88 | 8.6 | |
| 1978 | 96.88 | 5.6 | 3.6 | 46.17 | 10.3 | | 50.71 | 1.7 | |
| 1979 | 108.84 | 12.3 | 7.7 | 52.42 | 13.5 | | 56.42 | 11.3 | |
| 1980 | 120.10 | 10.3 | 4.3 | 57.13 | 9.0 | | 62.97 | 11.6 | |

*Total imports and exports excluding services, including inner-German trade.

Sources: Statistical Yearbooks of the GDR 1977 and 1981. Export and import data beginning with 1977; Statistical Yearbooks of CMEA members (Russian); Conversion coefficient: 1 tr [transferable] R = 4.67 valuta marks (growth rates computed).

For the time being, it is expected that this trend--a heavier burden for raw materials as part of the structure of goods--will intensify during the Five-Year-Plan period ending 1985 because of anticipated price increases.

Decreasing Relations With CEMA Partner CSSR

With respect to the regional structure for the first year of the plan, the traditional proportions were retained, which means that 70 percent and more (based on 1970 prices) of the GDR foreign trade was concluded with socialist countries. At current prices, however, the share sank to 66.5 percent in 1980. Trade with Western industrial countries amounted to 27 percent, the second-highest proportion in the history of the GDR. Only in 1973 it was slightly higher. A record share of more than 6 percent for 1980 was achieved by the developing countries. Whereas the Directive of the 10th Party Congress planned for a relationship of 70 to 30 until 1985, the law on the new Five-Year-Plan does not contain any information about it.[6]

The predominant position of the USSR remained constant with a nominal share averaging 35 percent for the concluded period. As a contrast, the GDR's share of Soviet foreign trade sank in the meantime to below 10 percent. It is expected that until 1985 the involvement with the USSR will be greater than it has been to date. During the 10th Party Congress Honecker was quite emphatic when he pointed out that between 1981 and 1985 the USSR will claim 40 percent of the entire foreign trade. The last time it reached such heights was during the 1960's.

Table 2. Regional Structure of GDR Foreign Trade in 1979-1980
Changes over last year
Current prices

| Region | Volume in billion VM 1979 | Volume in billion VM 1980 | Change over 1979 by percent | Import in billion VM 1979 | Import in billion VM 1980 | Change over 1979 by percent | Export in billion VM 1979 | Export in billion VM 1980 | Change by percent |
|---|---|---|---|---|---|---|---|---|---|
| Total | 108.84 | 120.10 | 10.3 | 56.42 | 62.97 | 11.6 | 52.42 | 57.13 | 9.0 |
| Socialist countries | 74.89 | 79.13 | 5.6 | 38.35 | 39.87 | 9.7 | 38.54 | 39.26 | 1.9 |
| CEMA countries only | 71.60 | 75.29 | 5.5 | 34.73 | 37.90 | 9.1 | 36.87 | 37.39 | 1.4 |
| Western industrial countries* | 28.28 | 32.96 | 15.6 | 17.37 | 19.19 | 10.5 | 10.91 | 13.77 | 26.2 |
| Developing countries | 5.67 | 8.01 | 41.8 | 2.71 | 3.90 | 43.9 | 2.97 | 4.11 | 38.4 |

*Including inner-German trade.

Sources: Statistical Yearbook of the GDR 1981; for export and import Statistical Yearbook of CEMA members 1980 and 1981. For 1980 there are discrepancies when compared with Statistical Yearbook of the GDR 1981 with respect to sales to the developing countries and sales to all socialist countries. Differences in allocations to the countries of Afghanistan and Kampuchea could be the cause. In the 1981 Statistical Yearbook of the GDR, definitions for the individual groups of countries are missing for the first time.

In accordance with long-term trade agreements, trade with the USSR will increase until 1985 by almost 40 percent (based on 1980 prices). Noticeable, however, are the extremely low rates of growth with Czechoslovakia and Poland, in both cases they are below 8 percent (based on 1980 prices) for the entire volume for 1981 and 1985. Disregarding Poland, because it is a special case,[7] the decrease in trade with the CSSR--the only structurally adequate trading partner in the socialist camp--is significant. For the last Five-Year-Plan period an increase of 55 percent (based on 1975 prices) had been projected, the actual figure was 68 percent.

Table 3. Long-Term Trade Agreements With CEMA Countries
Trade Volume 1976-1985

| Countries | Billion tr.B actual figures 1976-1980[1] | Plan 1981-1985[2] | Rate of growth compared to sales 1976-1980 in percentages |
|---|---|---|---|
| USSR | 37.91 | 53.0 | 39.8 |
| CSSR | 9.27 | 10.0 | 7.9 |
| Poland | 8.36 | 9.0 | 7.6 |
| Hungary | 6.32 | 7.5 | 18.7 |
| Romania | 3.90 | 5.6 | 43.6 |
| Bulgaria | 3.53 | 4.9 | 38.8 |
| Cuba | 1.04 | 1.5 | 44.2 |

1. Current prices
2. Based on 1980 prices

Sources: Statistical Yearbook of GDR 1981 as well as agreed-upon trade transactions in long-term trade agreements with CEMA countries.

The original goal, which was to make Poland the most important trading partner after the USSR in the old Five-Year-Plan, failed already in 1979. Since then the annual volume has declined because failures of making deliveries are increasing. In 1980 if affected especially the shipment of electronic products;[8] compared to 1979 they declined by one-third.

Long-term trade agreement showing very high growth rates were concluded with the CEMA countries of Hungary, especially Romania, Bulgaria and Cuba. Trade with Romania expanded very rapidly during the last Five-Year-Plan period and replaced Bulgaria in fifth place among the CEMA trading partners

With respect to trade with the remaining socialist countries--among them are, in addition to Yugoslavia, China, North Korea, since 1979 Laos and since 1980 apparently also Kampuchea and Afghanistan[9]--trade with Yugoslavia increased in 1980 by 80 percent when compared to 1975. Since this trade, as is the case with the trade with the remaining socialist non-CEMA countries, is not subject to CEMA's pricing mechanism, price increases play a considerable role.

Less Soviet Petroleum Beginning With 1982

The basis of departure for trade with the most important partner, the Soviet Union, has shifted fundamentally during the period of the new plan, putting the GDR very much at a disadvantage. In addition to the debts that have accumulated in the meantime, preprogramed price increases for petroleum are forcing even greater efforts for exports. These efforts were documented until September 1981, showing a growth rate of 21 percent. According to the report on plan fulfillment, trade with the USSR rose in 1981 by 17 percent.

According to a long-term trade agreement, annual petroleum shipments were to be frozen until 1985 at the 1980 level, which is 19 million tons. The price for this amount, however, could rise 150 percent by 1985, i.e., 3.5 billion transferable rubles (tr. R) instead of 1.4 billion tr. R in 1980. In 1980 the GDR spent already 33 percent of its export earnings on financing imports; in 1985 the proportion could go as high as 50 percent. Actually, however, even bigger price increases are projected. Because of participating in the investment in the Soviet Union--as did the CSSR--it received until 1980 a contingent of 5 million tons of petroleum annually at the old price of 15 tr. R per ton. The result was a considerable reduction in the average

Table 4. Trade With the USSR 1976-1981 and Changes Over Preceding Year (Current Prices)

| Year | Volume in billion tr. R | Changes by percentage | Export in billion tr. R | Changes by percentage | Import in billion tr. R | Changes by percentage |
|---|---|---|---|---|---|---|
| 1976 | 6.00 | 6.8 | 2.78 | 5.3 | 3.22 | 8.1 |
| 1977 | 6.73 | 12.2 | 3.07 | 10.4 | 3.66 | 13.7 |
| 1978 | 7.69 | 14.4 | 3.71 | 21.0 | 3.98 | 8.8 |
| 1979 | 8.13 | 5.7 | 3.92 | 5.7 | 4.22 | 6.0 |
| 1980 | 9.20 | 13.2 | 4.33 | 10.4 | 4.87 | 15.4 |
| 1981* | 7.90 | 16.9 | 3.86 | 20.8 | 4.04 | 13.4 |

*January-September
Sources: Statistical Foreign Trade Yearbooks of the USSR 1977/1980, Moscow (Russian), for 1981, supplement of periodical AUSSENHANDEL, Moscow (German). Computed growth rates.

price of the total shipment; the difference when compared to the 1980 "world market price" was approximately 50 percent. Consequently the GDR paid the lowest price for petroleum among the CEMA countries. If the 5 million tons of cheap oil are left out of consideration, however, the GDR is paying the highest price in the bloc. The difference, when compared to the 1980 world market price, would only have been 25 percent.[10] Since the cheap oil shipments--as far as is known--will terminate in 1984, anticipated price increases will surpass current estimates.[11] To be sure, the stagnation of annual petroleum shipments at 1980 levels, in accordance with the long-term agreement, implied renewed efforts to conserve energy or develop domestic energy sources during the new Five-Year-Plan period, but it could also be

considered a relatively safe basis of departure until 1985. Honecker characterized this problem accordingly during the 10th Party Congress, using the following imploring words:

"The shipment of energy carriers and raw materials that were agreed upon with the USSR are of vital importance to the GDR....During the next 5 years we will buy 95 million tons of petroleum....Long-term guarantees for substantial purchases of petroleum, natural gas and other raw materials from the Soviet Union are very advantageous for the GDR."

A later statement by Honecker during the Third Plenary Session of the SED Central Committee in November 1981 contained a number of restrictions which apparently resulted in a correction of the confidence demonstrated during the 10th Party Congress in the "long-term guaranteed" purchases of energy supplies[12]:

Table 5. Petroleum Imports From USSR 1971-1985

| Year | Quantity in million t. | Value in billion tr. M[1] | Share of imports from USSR by percentage | Share of exports to USSR by percentage | Share of total petroleum imports by GDR by percentage |
|---|---|---|---|---|---|
| 1971/1975 | 63.2 | 1.18 | 11.3 | 11.0 | 94.0 |
| 1976 | 16.0 | 0.54 | 15.8 | 18.3 | 88.7 |
| 1977 | 17.0 | 0.70 | 18.3 | 21.8 | 89.3 |
| 1978 | 17.8 | 0.89 | 22.4 | 24.0 | 89.1 |
| 1979 | 18.5 | 1.04 | 24.6 | 26.5 | 89.6 |
| 1980 | 19.0 | 1.42 | 29.2 | 32.8 | 86.9 |
| 1976/1980 | 88.3 | 4.59 | 23.0 | 25.7 | 88.6 |
| 1981/1985 | 95.0[2] | approx. 12.00[3] | - | - | - |

1. The quoted values apply to petroleum and petroleum products combined; the latter, however, constitute only an insignificant proportion of petroleum imports from the USSR.

2. According to long-term trade agreement 1981-1985 between GDR and USSR, NEUES DEUTSCHLAND, 14 Dec 79. The reduced amount should come to 87 million tons.

3. Estimate based on annual price increases of 20 percent. Cf. "Energiewirtschaft der DDR vor schwierigen Aufgaben" [GDR Energy Management Facing difficult Tasks], DIW-WOCHENBERICHT, No 5, 1981, p 58. Since the GDR bought until 1980 approximately 5 million tons of petroleum at 1966 prices--because it contributed to the investments--and since this reduction in price should be eliminated, beginning with 1984, the estimate is probably too low.

Sources: Statistical Foreign Trade Yearbooks of USSR 1976-1980 (Russian), Statistical Yearbooks of GDR 1978 and 1981.

"The socialist intensification, the fact that we want to realize the economic and sociopolitical directives of the 10th Party Congress with amounts of raw materials and other products that are below projections, places high demands on the leadership of economic processes."

Behind this extremely cautious and only official comment to date seems to be primarily the serious fact that beginning with 1985 the USSR--which so far has become known only unofficially--intends to ship 10 percent (approximately 2 million tons) less petroleum than was agreed upon by contract. So far there has been no indication that the cut in petroleum shipments by the USSR will at least be partially compensated. No doubt, the situation will become even more serious because in 1982, as was the case in 1981, the supply of Polish hard coal will be less than originally planned. Since it is improbable that increased efforts to produce additional short-term savings (in 1981 it amounted to 1.3 million tons of heating oil) can be realized, the GDR would have to buy in 1982 the needed amount on the world market, paying in hard currencies at world market prices.

Grain Problem in Addition to Petroleum Problem

Trade with the Soviet Union during the current period of the plan is already posing some difficulties which the GDR has not had to face to date, but there are other areas in which efforts will have to be increasingly directed toward the world market. The negative trade balance with Western industrial countries (excluding inner-German trade), which since 1969 has been permanent, has led to a growing burden of interest payments because of the increasing indebtedness, which means that also in this area the basis of departure for 1981 is much more unfavorable that it was in 1976.

During the last 5 years the biggest imbalance in West trade developed in the trade with the United States. Total imports during the 1976-1980 period amounted to $1.8 billion; total exports, on the other hand, came to only 8 percent of the import volume. Since 1976 the accumulated negative balance reached $1.7 billion and it was the main cause for the growing indebtedness to the West. In 1980 alone, a negative balance of $0.5 billion accrued in trade with the United States. The import of 3.1 million tons of grain from the United States--1.2 million tons more than in 1979--amounted to more than 20 percent of all imports from the West, excluding inner-German trade.

Table 6. Grain Imports From the United States 1976-1980

| Year | Quantities in million tons | Share of total imports by percentage | Import surplus in million dollars |
|---|---|---|---|
| 1976 | 2.88 | 98.4 | 406 |
| 1977 | 1.33 | 98.1 | 228 |
| 1978 | 1.14 | 91.7 | 176 |
| 1979 | 1.90 | 95.1 | 354 |
| 1980 | 3.12 | 95.1 | 515 |
| 1976-1980 | 10.37 | 95.7 | 1,679 |

[continued]

[Table 4 continued]

Sources: Agricultural Situation, Eastern Europe Review of 1980 and Outlook for 1981. Published by U.S. Department of Agricultural as well as OECD Statistic of Foreign Trade, monthly bulletin, 1977-1981. Computed import surplus.

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Next to the United States, the biggest Western trading partner of the GDR is France. Here the trade was much more balanced; nevertheless, in spite of considerable rates of growth the 1980 goal--a trade volume between 3 and 4 billion French francs[13]--could not be achieved.

The fastest expansion came in the trade with Japan. In 1979 alone it was five times as high as it was in 1978. But in 1980 it already declined considerably. In the long run, ambitious plans for trade with Japan could fail because of delivery problems in the GDR. In 1979 and 1980, for instance, GDR exports represented only 16 percent of all imports. Within 2 years the negative balance suddenly climbed to $340 million. Trade with Austria also rose rapidly, but it proceeded much more balanced than did the trade with Japan. During the last Five-Year-Plan period the GDR could cover 75 percent of imports with exports. Still, the negative balance was almost $200 million. It will be extremely difficult to improve GDR trade with the West sufficiently until 1985 and reduce the indebtedness even if the GDR should reach its planned goal in export production.

What is important, for instance, is to overcome the fact that finished products are only to a limited extent able to meet the world market and to become more competitive and implement appropriate price projections. During the 10th Party Congress Erich Honecker characterized this old-new dilemma with the following words:

"At the present time the GDR achieves its best results with quality products in the semifinished stage of production. On the other hand, highly processed products are less reliable, since their scientific-technical level is not up-to-date. Such losses are unacceptable."

Even if improvements can be achieved in this area, success will be thwarted because of the current softness in the Western economy. Furthermore, for the time being it will be very problematic to eliminate the main burden in the trade with the West, the reduction of animal-feed imports.[14]

With this in mind, demands were made during the Third SED Central Committee meeting. Erich Honecker mentioned that "grain imports should be reduced step by step," and he "ranked the grain problem in importance...with the petroleum problem."[15]

OPEC Countries on the March

The developing countries are the last group which quantitatively is still relatively unimportant within the framework of the regional structure.

There have been substantial changes. Until 1980 trade with the developing countries was doubled. In 1980 its share of the total foreign trade of the GDR rose to more than 6 percent. As far as the countries are concerned, already by 1979 a considerable shift has set in, favoring the Arabic-African territory.

In 1980 this trade concentrated heavily on the OPEC states of Iraq, Iran, Algeria and Libya as well as Syria. In 1980 almost 50 percent of the entire trade with the developing countries involved these five countries.

Although in 1980 GDR petroleum imports from the USSR were 500,000 tons higher than they were in 1979, the GDR had to buy an additional 2.8 million tons--twice as much as in 1979--from the above-mentioned OPEC states and Syria. Half of it came from Iraq.

Trade with Ethiopia, Angola and Mozambique saw a particularly stormy development, although until 1977 it was practically nonexistent. In 1980 the share of these countries was already 10 percent of the trade with developing countries. In South America, Brazil is still the most important trading partner. But since 1977 trade relations with Argentina have also been expanded significantly.

Although trade with the developing countries had been negative since 1974, in the meantime it has become more or less balanced. Because petroleum shipments from the USSR have been down, it is expected that there will be a short-term increase in future trade with OPEC countries.

Positive Regional Balance in 1981

According to figures in the plan-fulfillment report, the first year of the current Five-Year-Plan period--which will be concluded in 1985--ended with a sensation in foreign trade.[16]

"Exports to the developing countries and capitalist industrial countries were increased substantially. Although conditions had become more complicated when dealing with these countries, a positive trade balance had been achieved through increased productivity by workers in combines, enterprises and foreign trade companies."[17]

Surprisingly Honecker had already alluded to a positive trade balance for 1981 during the Third Plenary Session of the Central Committee. At any rate, it was a phenomenon which according to GDR statistics occurred for the last time in 1972. Even further in the past, however, is a positive trade balance with the region of "nonsocialist countries." According to GDR statistics, 1968 was the last time it occurred. So far it has not been possible to verify these positive regional balances with available Western data.[18] Nevertheless, in inner-German trade GDR shipments--which reached 10 percent--could be increased much more rapidly than purchases, which were slightly below 4 percent. It was the second time between 1963 and November 1981 that a surplus in shipments of sensational proportions was achieved. It reached 500 million accounting units/DM (300 million in 1980). This surplus in

shipments and renewed active trade with the developing countries, which was already noticeable last year, apparently led to the elimination of the negative trade balance with the remaining Western countries. In general, the positive balance in inner-German trade in accounting units would not at all affect the indebtedness in the remaining trade with the West, but it does affect GDR debts in inner-German trade. The upcoming swing negotiation could certainly be the driving factor for this positive development which has been in effect for 2 years.[19] Inner-German trade still amounts to more than 50 percent of the entire "West trade" of the GDR. It represents 15 percent of all GDR foreign trade activities, a fact which has been concealed in GDR statistics, apparently out of consideration for its CEMA partners. For similar reasons this fact is not being exploited and propagandized by the FRG. To be sure, in view of the fact that during the record year of 1980 inner-German trade as a proportion of all FRG foreign-trade activities amounted to only 1.5 percent, this restraint seems superfluous, but considering the sensitive issue and recent recurrent reactions by EC partners, it is understandable. Nevertheless, this sensitivity would only be justified if inner-German trade would grow considerably beyond its current volume.[20] Because of special conditions that apply to inner-German trade arrangements--which, last but not least, result from the political interest of the FRG--inner-German trade represents a rather stable element for the GDR in spite of the indebtedness that has arisen to date.

FOOTNOTES

1. Cf. also Maria Haendcke-Hoppe, "DDR-Aussenhandel vor altneuen Problemen" [GDR Foreign Trade Facing Old-New Problems], DEUTSCHLAND-ARCHIV, No 12, 1978, p 1289 f.

2. According to information from the Bank for International Balance of Payments in Basel, at the end of December 1980 net debts of reporting banks amounted to $7.4 billion. In inner-German trade, debts at that point in time amounted to DM 3.9 billion.

3. Cf. also Doris Cornelson, "Hauptaufgabe Export" [Main Task Export], DIWWOCHENBERICHT, No 31, 1981, p 355 ff.

4. Since more than 80 percent of the capital goods exports are destined for the CEMA territory, prices for these goods rise more slowly--pricing is based on the average for the last 5 years--than world market prices for capital goods.

5. It must be taken into consideration that prices for technology-related capital-goods imports from the West increase more rapidly for the GDR than imports in the same category that originate in CEMA countries.

6. In his speech during the Third Session of the People's Chamber, Stoph confirmed this relationship. NEUES DEUTSCHLAND, 4 Dec 81, p 4.

7. Although the trade agreement with Poland in August 1981 was the last one to be concluded, it should be completely outdated because of the developments since the summer of 1980.

8. In 1979 its share of all Polish shipments was still approximately 5 percent.

9. Cf. remark to table 2.

10. Cf. also Edward Boehm, "Die Einnahmeverluste der Sovietunion bei ihren RWG-Oelexporten" [Loss of Income for Soviet Union for Oil Exports to CEMA Countries], OSTEUROPA WIRTSCHAFT, No 3, 1981, p 190. At the present time, the gradual adaptation through the CEMA pricing mechanism prevents the abrupt price jumps of the world market. Nevertheless, the difference to the world-market price, which is currently 40 to 50 percent, is at least partially offset through the average-price formula for finished goods, which also rise only gradually and accordingly.

11. Cf. also Jochen Bethkenhagen, "Energiewirtschaft der DDR vor schwierigen Aufgaben" [Energy Management in GDR Facing Difficult Tasks], DIW-WOCHENBERICHT, No 5, 1981.

12. NEUES DEUTSCHLAND, 20 Nov 81, p 4.

13. NEUES DEUTSCHLAND, 27 Feb 79.

14. Cf. Karl Hohmann, "Anpassungsprobleme der DDR-Landwirtschaft an die gesamtwirtschaftlichen Anforderungen der 80er Jahre" [Adaptation Problems of GDR Agriculture to the Economic Demands of the 1980's], WIRTSCHAFTS-STRATEGIE DER DDR FUER DIE ACHTZIGER JAHRE, FS-ANALYSE, No 8, 1981, p 94 ff.

15. NEUES DEUTSCHLAND, 20 Nov 81, p 5.

16. NEUES DEUTSCHLAND, 16/17 Jan 82, p 5.

17. NEUES DEUTSCHLAND, 20 Nov 81, p 4.

18. Data are only available until September, until then the deficit reached $500 million, which is higher than the deficit for 1980.

19. During Chancellor Schmidt's visit to the GDR from 11 to 13 December 1981, it was agreed that the current limit of interestfree overdrawn credits of 850 million accounting units/DM be retained beyond 31 December 1981 until June 1982.

20. In this connection, the broadcast "Plus/Minus" over ARD television on 29 Jan 82 was regrettable. One of the segments dealt exclusively with overreactions and was not "substantiated" with any useful figures based on the Roman Treaties, implying advantages for the GDR that cannot be easily quantified. The broadcast did not offer any accurate information.

8991
CSO: 2300/235

PROGRESS IN LIVESTOCK BREEDING DEEMED UNSATISFACTORY

Sofia KOOPERATIVNO SELO in Bulgarian 21 Mar 82 p 2

[Article by Ivan Makhlebashiev, director at the Finance Ministry: "The State Gives and Then What?"]

[Text] Since the beginning of this year the sums spent both for construction of livestock farms and equipping them with technical material as well as for purchase and breeding of cattle are planned and accounted for as capital investments. Smaller horned livestock and pigs have been shifted into the class of working capital. As capital investments are considered also the sums spent for construction of pasturing complexes and all the sub-assemblies associated with them, sheds, shelters, barns, watering equipment, dwelling quarters, etc.

The main purpose of capital investments is to help introduce technical progress into livestock breeding. Worldwide experience has long since shown that the increase of livestock production and reduction of its cost can be achieved mainly through improving the technologies of production similar to those in industry.

For this reason the capital investments must be directed mainly at the creation of modern livestock complexes. Together with this, the introduction of new industrial technologies in the newly constructed modern complexes is the surest road to eliminate the essential differences between agricultural and industrial labor.

The work of creating livestock complexes and introducing industrial ways of breeding livestock began during the Seventh Five-Year Plan. In the complexes for fattening calves a large variety of technologies were applied, but the economic results varied widely.

Production and economic results in most of these complexes show serious shortcomings in their construction and utilization. The average daily growth of a calf is only 5.5 percent greater than a calf raised with the older methods.

Beside this unsatisfactory achievement, many complexes into which industrial technologies were introduced report even poorer results. The average growth

of a calf ranges widely--from 250 to 973 grams. The fattening complexes achieved an insignificant decrease in the cost of a kilo of veal in comparison with the farms using the old technologies. The average cost of a kilo of veal for example, in the complex in the village of Popovitsa is 2.1 times greater than that in an agroindustrial complex where fattening is following traditional technologies; in the town of Trustenik, 2 times; in the complex in Kiustendil, 1.6 times; etc.

Data show that in the calf-fattening complexes, a cost overrun is nearly 60 percent for concentrated fodder, mainly because of irregular and inadequate feeding, use of low quality, inadequate coarse, juicy and granular fodder. A detailed analysis of the operation of these enterprises shows quite clearly that the new industrial technologies produce results only when the animals are fed adequately, when the essential hygienic and veterinary demands are met properly and care is taken with the reproduction of the herds.

In dairy cattle raising many variants of industrial technologies have been applied. It has been calculated that the breeding of about 13.1 percent of the cows in state stock breeding has been put on an industrial basis. Last year these cows gave 12.9 percent of the total offsprings. This shows that in comparison with the cows on the farms where the old technologies are used, these lag behind in fertility. On the farms with industrial technologies, on the average, 147 liters of milk more were obtained than on the agroindustrial complexes. But at the same time many of these complexes are reporting low results. Thus in the complex in the village Nova Makhala, Sliven district, an average of 1,424 liters of milk was obtained per cow; in the village Yakimovo, Mikhaylovgrad district, 1,534 liters; in the village Dolno Sakhrane, Stara Zagora district, 1,638 liters. This productivity is 40-60 percent lower than in state livestock farms.

Some industrial dairy complexes report a very great cost overrun on fodder per 100 liters of milk. While in the dairy agroindustrial complex in Razgrad the expenditure is 99 food units; in the village of Brusartsi, Mikhaylovgrad district, it is 268; and in the village of Dolno Sakhrane, 293; etc.

The expenditure of labor in the dairy complexes with new industrial technologies varies widely. Thus, for 100 liters of milk in the village of Slavovi, Pleven district, 0.59 man-days of labor are expended, but in the dairy farm in the town of Radnevo, 2.31; in the village of Yakimovo, 2.25 man-days; etc. The reasons for this lie clearly not in the technologies of production but in the unsolved problems of proper functioning of the industrial complexes--nonselective breeding stock, insufficient supplies of fodder, unqualified livestock handlers, etc.

This shows that capital investments alone cannot solve the complicated problems of stock raising. While these remain unsolved for a short time, the funds remain ineffective.

The expenditure of the "wage" fund for the production of 100 liters of milk is very indicative. In the industrial dairy complexes where the work is not well organized, it is 4 times higher than in the best ones. The impression is given that in those with a low expenditure of direct labor in man-days for 100 liters of milk, the pay for 1 man-day is also rather low. And vice versa, in those with a high expenditure of labor, the wages are high.

In the industrial dairy complexes in most cases an insignificant economy in human labor is achieved. But the material expenses, mainly in depreciation, are increasing significantly. One of the main reasons for this is that the cost of complexes are rising through unjustified massive construction as well as through the purchase of costly yet ineffective mechanization. For this reason also, the cost of 100 liters of milk is high and varies greatly. In the dairy complex in Yakimovo village it is 3.2 times higher than the town of Radnevo; while in the village of Brusartsi, 2.7 times higher; in the town Tenevo, 2.4 times higher; etc.

Hitherto production and economic results in the complexes with new industrial technologies are very unsatisfactory. They not only fail to improve but they show a tendency toward decline. The rate of increase in labor productivity is also unsatisfactory and the cost of production is increasing.

Regardless of the large sums which have been recently used for construction of modern complexes with new industrial technologies, thus far possible and desired results in cattle breeding have not been achieved. One of the reasons for this is the failure to use comprehensive mechanization, using instead much manual labor--work which is physically hard and unattractive. This in turn drives away qualified workers.

On the other hand the continuous hiring of mechanics to keep the machinery in good order reduces the productivity of labor.

The volume of capital in modern complexes is very high. The buildings are unjustifiably large, the amount of metal in the equipment is very high, the price of the livestock kept in them is very high, etc.

It must be kept in mind that the industrial technologies and stock breeding represent the complete union of modern farms, thoroughbred animals, proper feeding, effective veterinary measures, unfailingly functioning equipment and highly qualified stock handlers. The lack of even one of these requirements is sufficient to prevent the achievement of the possible production and economic results.

When production and economic results in stock raising complexes are low, the capital investments in this subsector cannot be effective. The animals are the basic means but they are living organisms, and unlike other basic assets cannot be frozen, even for a short time. They need continuous care and must be constantly utilized while fully observing veterinary and zootechnical standards. If this is not done then despite well executed projects and the application of modern technology, the animals will become ineffective basic capital and the subsector will show a loss.

9900
CSO: 2200/79

## PRICING POLICIES IN SERVICES DISCUSSED

Prague HOSPODARSKE NOVINY in Czech 5 Mar 82 p 4

[Article by Eng Petr Krejci, Czech Pricing Bureau: "What May and What May Not Be Blamed on Prices"]

[Text] Pricing policies served as the topic of numerous critical articles in the pages of HOSPODARSKE NOVINY dealing with issues related to the development of services for our population. In general, one can agree with most of the published views and suggestions. Nonetheless, broader relations should be considered because they turn precisely pricing policies in services into an area with characteristic traits which distinctly differ from branches of material production.

The main, fundamental idiosyncrasy of prices of services stems from the fact that those prices combine primarily the character of the producer's price with the price to the final consumer in one qualitatively determined price. In services, the price paid by the citizen-customer is usually identical with the income of the organization rendering that particular service. Unlike the general structure of retail price of a product (wholesale price, plus sales tax, plus trade markup), prices of services contain sales tax only exceptionally and trade markup is not construed independently as a factor in the price covering the costs of the turnover. Thus, the direct supplier of the service receives in general 100 percent of the receipts from the customer. This seemingly clear and simple fact leads precisely to factors complicating pricing of services and affecting also the current form of prices and their relations in this area.

### Pricing Policies in Services

In services combining producers' prices with the prices to the final consumer this means that pricing policies in services also encounter effect of the demands for wholesale and retail price control. For example, the instruction on the economic and social development of our society adopted at the 14th CPCZ Congress in 1971 stipulated, on the one hand, a categorical and thus, realistic demand for stable retail prices and, on the other hand, also the principle of continuous correlation of wholesale prices with the necessary social costs.

Prices for services were regarded then, and are regarded now, preferentially as retail prices; therefore, in this case the latter demand of the

above mentioned instruction--to bring prices close to the necessary social costs--could not be consistently fulfilled. Despite their statewide normalization in 1973, prices of services remained on the level determined by the 1969 price freeze, while the costs in that area were developing in a differenentiated manner, rising or declining. The comprehensive restructuring of wholesale prices in 1977 failed to affect most services and thus, in the long-term development their prices deviated considerably from their cost base.

The HOSPODARSKE NOVINY as well as other publications presented many views about the way service enterprises had been affected by such a conspicuous deviation of prices (acting here in the function of wholesale prices) from costs. In most cases, however, no conclusion was drawn from the character of wholesale and retail prices in services; if not only economic but primarily sociopolitical criteria of retail price control apply in pricing of services (in their determination and above all, in price adjustments) the superiority of those criteria must respect other tools of control as well. They must be applied so that the plan and financial tools take into consideration the current character of prices in services as an objective fact and so that they are not expected to fulfill the usual functions of wholesale prices in the dual level price system.

Historically Determined Disproportions

To put it in simple terms: so long as low, in general deficit, prices (for example, in drycleaning and laundry services to the population) were stabilized on purpose over a prolonged period, the development of this type of services needed to be stimulated by optimum specification of the plan, subsidies, redistribution of funds, and so on. Low prices are not incidental; rather, they stem from tactical policies applied in the retail price area over whole decades. Thus, it is inappropriate to criticize their low level or inflexibility of the implemented adjustments just because that does not suit service enterprises in their fulfillment of indicators.

There are some other differences and factors in addition to the above-mentioned basic specifics of pricing in services, i.e., wholesale and retail prices, mainly the low charges for services in the CSSR. Statistics of our population's costs of living indicate that the current rate of retail prices of food and industrial products is about 60 to 80 percent higher than in 1937. On the other hand, services on the average have not reached the prewar price standard mainly because of the low rates of passenger transportation, rent and also some cultural and personal communal services. The low charges in services (as compared with other categories of goods) were historically determined mainly by the fiscal reform in 1953 when the charges for services were consistently calculated at a 1:5 ratio. This low rate has been maintained since that time despite certain fluctuations; for instance, in 1967-1969 charges for services were rising at a faster rate than the prices of food and industrial products.

The above-mentioned prolonged development contrasts sharply with the development of prices in the capitalist states where precisely the prices of services have been the most dynamic but have not resulted only in positive consequences.

Thus, for example, in view of the low charges for repairs--as compared with the prices of durable goods--the population prefers to repair and maintain such goods rather than to replace them. This leads to more demands for work forces (repairs are far more laborious than manufacture) and to higher consumption of spare parts. The population is equipped with durable goods that are becoming obsolete; in general, they are more energy-intensive than the latest models, etc. Although this effect of price relations on consumption seems self-evident, it has not been systematically analyzed in our country thus far.

Another factor objectively affecting the level and relation of the charges for services thus far is their highly personal character stemming from a high share of wages in total production costs. For instance, this share equals 50 percent in barbershops and hairdressers' services, in shoe repair or in custom tailoring. It is, then, natural that the constantly growing average earnings of service employees affect profitability far more appreciably than in branches of material production where, for instance, the share of wages amounts to 15 or 20 percent of the costs. Moreover, it cannot be envisaged that labor productivity in personal services will increase and thus, cut at least to some extent the growth of average earnings.

Rising Wages and Costs

The growth of wages and also of some material costs--recently in conjunction with one-time adjustment of wholesale prices--results above all in continuous gradual reduction of their profitability next to the stability of retail prices in services. For example:

| Data for Local Economy in the CSR | Profit in Percent of Total Costs | | |
|---|---|---|---|
| | 1970 | 1976 | 1980 |
| Automobile | 7.5 | 4.2 | 0.6 |
| Custom tailoring | 3.0 | -2.1 | -7.9 |
| Dry-cleaning | 14.8 | 5.2 | -4.8 |
| Shoe repair | -2.0 | -12.7 | -15.7 |
| Barbers' and hairdressers' services | 13.4 | 8.5 | 3.9 |
| Funeral services | 13.0 | 6.3 | 0.8 |

The overall trend toward lower profitability of personal services was somewhat mitigated by partial price measures in that area, for instance, higher charges for laundering in the socialist sector, introduction of contractual prices for the highest price categories in custom tailoring, introduction, or as the case may be, increase of surcharges for rush work, etc. The increase in the costs of repairs of appliances (refrigerators, washing machines, television sets) was offset by higher labor productivity stemming from the use of modern repair technology, upgraded skills and experiences of the repairmen; for that reason profitability in those instances remains on a relatively stabilized level.

How To Protect the Customer

Finally, the third notable specific trait in problems of pricing in services is their relation to customer protection. Price-control organs, national

committees, editorial offices of newspapers, and individual enterprises are still receiving complaints and suggestions concerning prices of services; as a matter of fact, such complaints and suggestions are relatively more frequent than comments concerning the prices of general industrial or food products. This fact may seem to contradict the preceding statements that in our country services are inexpensive; however, some of its causes do not stem from the price area alone:

a) Services lack a special independent control organ such as trade inspection which could control at least at random the quality and precision of services rendered or repairs completed. Therefore, in this case the consumers' protection is substantially weaker than, for example, for purchases in stores and restaurants; by the same token, the customer is frequently unable to judge expertly whether the price he paid is really commensurate to the work performed. If a customer pays for 100 g salami and gets only 80 g, he would not think of complaining to the price control administration about being overcharged. On the other hand, if the repairman charges for various repairs of a television receiver or a washing machine which he had not done, the customer usually complains about the overcharge. Thus, in terms of services, satisfaction with the services depends far more on proper operations of enterprise subdivision control and indeed, on the honesty of the enterprise and of its employees in general.

b) The necessary honest approach of the enterprise and its employees to the customer is occasionally subjected to very demanding tests. For many years, volume indicators were the type of receipts from the population whose fulfillment could be best ascertained by excessive consumption of material and spare parts. Fortunately, implementation of the principles stipulated in the Set of Measures also affected this area and the most glaring shortcomings are now being eliminated. Of course, repair enterprises are still interested in the volume of repairs (even in reduced outputs) based on the logical paradox that the more repairs done--the better; this hampers the introduction of more efficient pricing policies (for example, contractual repair system). If in some places, outside repairmen are still being rewarded with profit-sharing wages, no wonder that then they repair whatever they can put their hands on and charge the customer accordingly.

c) Finally, an objective and unremovable reason for complaints concerning prices of services is to a certain extent the fact that many services are rendered under the customer's direct supervision. The customer then judges the work performed in relation to the price charged, but frequently he forgets that he does not pay only the wages of the tradesman or repairman in question but also the cost of various technology with which the repairman is equipped, for his training, travel to the customer, etc. In addition, the speed with which skilled and experienced workers render services or repair work gives the customer an impression that the charges are out of proportion.

By decisions of our federal and national government, all appropriate organs are now processing proposals for measures which will help expand services for which the population pays. The same applies also to the pricing sector.

Why Such Differences

First of all, it is imperative to upgrade the utilization of the available potential in order to reduce production costs; losses and low profits are unacceptable. Many enterprises managed by national committees, production cooperatives and in some communities also centrally managed organizations provide similar services to the population. Thus, there are ample opportunities to compare the economic results achieved by those enterprises and precisely such comparison discloses that hidden assets exist in services for cost reduction. For instance, enterprises of local economy in West Bohemia Kraj reported profits in drycleaning services amounting to 11 percent, while those in North Bohemia Kraj suffered losses in the amount of 18 percent; shoe repairs in South Moravia Kraj noted losses of 7 percent and in North Bohemia Kraj losses as 31 percent; radio and television repairs in South Bohemia Kraj earned profits of 24 percent, but in South Moravia Kraj only 6 percent. We could continue this way with other types of services. Uniform prices apply all over the state and economic conditions do not differ so much in individual enterprises as to justify such conspicuous diversity in profits.

Another signal of untapped assets is the level and development of indirect costs. The growth of production and administrative costs in their relation to direct wages is evident as an objective tendency in services, too, however, the situation in individual enterprises differs considerably. Thus, over the past 10 years production expenses for custom tailoring increased most rapidly in enterprises of local economy in Central Bohemia Kraj in comparison with other krajs, and again, administrative costs were the highest as compared with other krajs. Therefore, it is hardly coincidental that the worst economic results (20 percent losses) are reported in that same kraj.

Shoe repairs show the worst economic results in enterprises of local economy in North Bohemia Kraj, precisely where the administrative costs are the highest (in 10 years from 15 percent up to 73 percent) and where production costs have increased drastically (from 146 percent to 200 percent). On the other hand, shoe repairs noted the best economic results in South Moravia Kraj where administrative costs remained practically on the level of 10 years ago.

I do not intend to quote here further specific examples; rather, I should like to call attention to the fact that without any doubt the enterprises themselves and their managing organs may partially improve profitability of services.

As for price-control measures, they must proceed from the basic sociopolitical criteria mentioned above. Their application divides the category of services into two parts. In the first part, principles and regulations valid for wholesale prices are consistently implemented in price control. Prices of construction work, continuously adjusted and correlated with the development of economic conditions in that branch, serve as a typical example. In the other part, principles and regulations valid for retail prices are applied in price control and thus far, most personal services and repairs for the population belongs in this category.

## Updating Without Leaps

The contents of the two categories are not, and obviously, never will be specified firmly and over a long period. Wholesale pricing is systematic, permits gradual adjustment of prices without any dramatic leaps and comprehensive balance and implementation of consequences of such changes according to the plan and within firmly defined schedules. On the other hand, possible demands of social or health policies or other objectives by the state cannot be applied in this system. Retail pricing shows the above-mentioned advantages and disadvantages precisely in reverse order. Under the existing conditions the most efficient step would introduce two relatively independent price cycles--analogically as in material goods. The solution in the form of grants or redistribution of profits does not provide equal economic conditions for service enterprises; it differs in scope and sources, negatively affects the structure of outputs in enterprises of local economy and production cooperatives and while promoting the development of services, it cannot replace the effect of uniform rates of sales taxes.

The current pricing system in services is undoubtedly partially responsible for certain aspects of their unsatisfactory development. It is, therefore, desirable to implement gradually proposals for its improvement. However, from this it follows that the solution of pricing alone cannot be viewed as the fulcrum of efforts to create optimum economic conditions in enterprises rendering services to our population.

9004
CSO: 2400/199

## LAND USE FOR PRIVATE FARM PRODUCTION EXPLAINED

Prague ZEMEDELSKE NOVINY in Czech 10 Apr 82 p 6

[Question and answer column by JUDr Zdenek Susta: "Legal Advice Bureau"]

[Text] Entrusting Plots of Land to Members and Workers of Agricultural Organizations

[Question] I am entering a cooperative which farms without private plots. Can such a cooperative entrust to my use a small plot on which my family and I might farm? And how would it be if I became a worker on a state farm? Signed: "Leasing a Plot."

[Answer] We have reported several times on the right of cooperative and state agricultural organizations to entrust plots which cannot be economically utilized for large-scale agricultural production for temporary use to another state or cooperative organization for agricultural or nonagricultural utilization or to entrust such plots to a social organization or to its own workers, in this case only for agricultural utilization (see articles of 21 June, 13 September and 25 October 1980). The basic regulations about this are contained in Law No 122 of the 1975 Digest concerning the agricultural cooperative system (Section 40, letters a, b, and c) and in Law No 123 of the 1975 Digest on the utilization of land and other agricultural property to assure production (Section 9).

These legal regulations are broken down in detail and with specific examples in the Directive of the Ministry of Agriculture and Food on assuring the protection and utilization of agricultural soil resources in socialist agricultural organizations, published in issue 45, 1981 of the Bulletin of the Ministry of Agriculture and Food.

These [regulations] stress, above all, the duty of agricultural organizations to make full use of all land which they have in their use (in their possession) and analyze the legal arrangements for the exceptional entrustment of plots for temporary utilization both to other organizations and to one's own members and workers.

These legal conditions apply only to plots which are unsuitable for large-scale socialist agricultural production. According to Article 7 of the Directive these are plots which are:

(a) up to 0.5 hectares in size and cannot be connected to form larger fields;

(b) not cultivable by the usual mechanized means;

(c) especially unfavorable (extreme) features (soaked and threatened by frequent flooding, stony, etc.).

An agricultural organization may entrust to its members and workers unsuitable plots and unused plots in the build-up area of a village for temporary utilization if such land could not be entrusted for agricultural use to the organizations referred to. According to Article 11 of the directive it is acceptable that:

(a) the cooperative entrust such a plot, up to 0.10 hectare in size, in exceptional cases as large as gardens in a usual plot, to its member or worker if he does not have his own private garden. Such a plot not exceeding the size specified may be entrusted to a member or worker who has his own garden if the latter is not over 0.10 ha in size:

(b) a state agricultural organization may entrust such a plot under the same conditions to its worker. If the state agricultural organization cannot entrust unsuitable plots outside of the built-up area of the village, whose size in individual cases does not exceed 0.5 ha, for the utilization of a social organization, then it may entrust them for temporary utilization to its workers.

To obtain plots for temporary use requires a written contract with the designated contents and the consent of the district national committee given out after prior declaration of the district agricultural board. Also sufficient is the declaration of consent of the district national committee to a list of unsuitable plots submitted by the agricultural organization.

The Entrusting of Agricultural Plots to Citizens

[Question] My wife and I are retiring and would like to devote ourselves to raising farm animals on a small-scale. Can the national committee or some other agricultural organization give us a small plot for this purpose? Where should we go and who should we talk to? Signed: "From Southern Bohemia."

[Answer] You can contact the national committee as the operative administrator of real property in the national possession (or the agricultural organization which manages such national property). About the entrustment of a plot for temporary utilization according to Article 9, Section 3, Declaration No 156 of the 1975 Digest on the management of national property. According to this provision/law a plot in the state possession can be leased for monitary considerations for the temporary use of citizens for their own personal needs (for example, for the temporary location of movable structures,

for temporary use of [an existing] small garden, etc.) in a size not greater than necessary, but under the conditions that the organization which is managing the plot does not at the time require it for the fulfillment of its tasks. The entrustment of plots for the temporary utilization of citizens may take place only by written contract.

Another legal means for the acquisition of the plot which you have in mind is its assignment for personal utilization according to Article 198 and in accordance with civil law. Under the conditions referred to in the civil law (the decree/decision of the district National Committee about the assignment of a plot and a contract with the local national committee concluded on the basis of this decree) the citizen has the right to utilize the plot for the purpose for which the right to personal utilization was established. The plot must not exceed the designated size. For the establishment of a garden it cannot exceed 400 $m^2$ in size. In contrast to the previous case, the right to personal utilization is not temporally limited and passes to the heirs. Reimbursement is as a lump sum (as the purchase price) and its value is determined according to No 43 of the 1969 Digest.

Finally, you may be entrusted a plot for temporary use which does not exceed 0.5 hectares and is unacceptable for large-scale socialist agricultureal production and which is in the possession of the state or a cooperative, on the basis of a written contract which you would conclude with the organization. The exact details are stated in Article 12 of the above mentioned Directive, which was received by all agricultural organizations and district agricultural boards.

9832
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## COUNCIL OF MINISTERS ISSUES DECREE ON CREDIT, BANK CONTROLS

### West German Commentary

Bonn IWE-TAGESDIENST in German No 36, 8 Mar 82 p 2

/Report from Berlin: "Stricter Credit Conditions for GDR Economy." A translation of the law on credits cited below from the East Berlin GESETZBLATT, follows this commentary/

/Text/ The East Berlin Council of Ministers has issued a new decree (already in effect) on bank credits for the GDR economy. The new regulations replace the respective provisions dating from 1971. They restrict borrowing opportunities for unprofitable enterprises and expand them for successful ones. The banks are obligated minutely to investigate the ultimate purpose before granting any loans and, where necessary, to impose special conditions. The criteria to be applied are more severe than before. Precedence is to be given loans intended to reduce production costs and speed up scientific-technological advances. As a rule a 5 percent interest rate is to be charged on business loans. In certain conditions this may be reduced to 1.8 percent or raised to 8 percent. Furthermore the banks are authorized by the new decree to grant "additional loans on more severe terms," for example "to enterprises which are temporarily unable to meet their obligations by reason of plan arrears." Such loans have a maximum term of 90 days and a 12 percent interest rate is charged. Expressly forbidden in future are loans "to finance excessive spending and losses." That applies especially to any excess investment costs and circulating media arising from "sales endangered production." At the same time the GDR State Bank raised from 12 percent to 8 percent per annum the interest due on arrears to be paid by enterprises failing to observe payment terms. (GESETZBLATT DER DDR Part I No 6, 1982)

### GDR State Bank President's Explanation

East Berlin DIE WIRTSCHAFT in German Vol 37 No 4, 8 Apr 82 pp 16-17

/Article by Horst Kaminsky, president, GDR State Bank: "Credit and Bank Controls in the Service of Economic Strategy." A translation of the Council of Ministers credit decree discussed below follows this article/

/Text/ Credit and bank controls must purposefully aid the execution of economic strategies.

Banks will exert their influence for the development of the best possible performance and efficiency already at the planning stage and submit proposals and requirements regarding the mobilization of reserves.

The encouragement of technical progress is a cornerstone of banking. Banking must concentrate on the economic control of the spending and the results achieved by the resources made available and the rapid transfer of research results to production.

An important task is that of affecting the use of investments for the rationalization and modernization of basic assets.

Credit by way of circulating media is to be linked to the reduction of costs, the speed-up of turnover and the use of progressive norms.

Financing and controls must help improve cost planning and cost discipline.

To be particularly stimulated are exports and export profitability as well as the careful handling of imports.

Relations between banks and combines must be more comprehensive.

Our social responsibility requires us to use the instruments of credit and bank supervision to consistently and purposefully aid the implementation of the economic strategy adopted by the Tenth SED Congress. This responsibility for the organization and realization of a credit policy oriented to performance and efficiency is rooted in the Tenth SED Congress directive on the 1981-1985 Five-Year Plan for the development of the GDR's national economy. This spells out our task as follows:

"The growing cash and credit funds are to be used on the basis of the plan and with the greatest possible economic efficacy. The banks must consistently couple the availability of funds with the better utilization of the qualitative factors of economic growth and progressive norms and normatives related to cost and result."

Fpr the purpose of carrying out these tasks, the GDR Council of Ministers issued a new decree on credit and bank controls in the socialist economy. It conforms to the basic decisions related to the perfection of economic accounting in order fully to direct the tools management, planning and economic stimulation to the requirements of the economic strategy for the greatest possible growth of performance and efficiency.

It is now our political task fully to link the availability of state credit funds with the performance and efficiency criteria of the Tenth SED Congress, on the basis of the five-year plan and annual plans adopted. In our socialist conditions we have every prerequisite from economic aspects to use the cash and credit funds concentrated in the hands of our state banks for a smooth flowing and planned growth of performance on the basis of stable state finances and thereby at one and the same time to combine with them the social control aimed at mobilizing reserves. Only socially warranted criteria regarding decisions on making available state

resources are valid for the banks as organs of the state. In the first place this happens by making loans dependent on the observation of state plan targets for the development of output and efficiency.

The decree further states explicitly that the bank must orient credits to the observance of state normatives as well as norms, standard values, limits and economic targets. It may require the drafting and revision of such norms and, by its controls, should actively aid the development of reserves.

Party and government justifiably expect the banks to make an effective contribution to the further improvement of management and the definite betterment of the cost-profit ratio in the national economy at a time when our social policy centers on our people's outstanding labors for the greatest possible rise in performance. The work of the banks must definitely emphasize constructive influence on the lowering of production consumption and costs.

The basic starting point for the further development of credit and bank controls is their active utilization for the drafting and implementation of challenging plans. The dialectic of material and financial planning and the conscious achievement of their agreement in the planning process is an important tool for the examination and improvement of the cost-profit ratio. The credit decree assigns the banks far reaching rights and duties for contributing to the moblization of reserves as early as the planning process, and for that purpose to submit proposals and requirements. The starting point must be the bank's findings arising from its supervisory activities, the analysis of standards and growth comparisons within and among combines as well as the explicitly emphasized duty of the banks to help in the generalization of progressive experiences. That is a vital feature and virtua of socialist banking arising from our social conditions, and it will be necessary to far more stress it.

In combination with our financial means, credit must be oriented to the greatest possible efficiency. It is therefore one of the bank's supervisory tasks to ensure that efficiency indices are unreservedly included in plan drafting. This applies especially to the full incorporation in the plan of economic profits set out in the duty books and decisions in principle, beginning with the planned production efficiency.

To be actively used for such work is the legally prescribed coordination of credit planning by combines and enterprises on the one hand and the banks on the other. The banks constructive collaboration in planning is an important part of our banks state duties and, at the same time, offers a wide field for our real democracy. It requires close cooperation with the managers of enterprises and combines, social organizations and superior organs.

Relations between enterprises/combines and banks are based on the use of credit planned in conformity with material tasks. The conditions and terms of loans must be even more emphatically directed to the stimulation of qualitative factors. This basic standpoint also includes the flexible use of credit for the encouragement of those investments that result in additional output in the form of usable end products, the additional conservation of energy and raw materials and a real gain in time by the early and production-effective utilization of scientific-technological achievements or investments.

At the same time credit and bank controls will be more resolutely directed to the struggle against plan deviations and for the prevention of excessive spending. Consequently the terms for temporary additional loans are made harsher and combined with interest surcharges that rise progressively the longer the time elapsed. The aim here is to achieve the rapid removal of plan deviations. Credit, therefore, may never be a substitute for the lack of efficiency because--as we all know--loans must be repaid. Additional loans may be granted only for temporary plan deviations and proof of their elimination and, when required, in combination with appropriate guarantees by the superior organs.

We are maintaining the planned basic interest rate of 5 percent for bank loans. This is an important planning normative. At the same time we are using the system of interest discounts and interest surcharges. Interest discounts are granted up to a rate of 1.8 percent in order to stimulate nationally effective measures. On the other hand differentiated interest surcharges up to a total rate of 8 percent have been established for the enforcement of the greatest possible plan discipline in the case of temporary deviations from the plan. When punitive interest charges are indicated, the rate may amount to up to 12 percent.

The credit decree consistently directs the use of credit and bank controls to the encouragement of scientific-technological advances. A cornerstone of our work is the increase in the banks contribution to help make science and technology the main source of efficiency. In conjunction with the credit decree, the Council of Ministers decisions on the improvement of the management and planning of science and technology as dealt with at the Third SED Central Committee Plenum are initiating a new phase for the banks operations also. When deciding on loans and in the implementation of bank controls, the bank must start in all areas of its work from the national needs for the greatest possible efficiency of science and technology. The focal point is the economic control of the expenditure and result of the resources made available by the state and the rapid transfer of research results to production. The guideline is the social norm of 2 years. Supervision must be directed in particular to the refinement of raw materials, materials substitution, the improvement of exportability and export profitability, the betterment of the output of consumer goods and the lowering of costs. Following upon the outcome of its controls the bank must require measures aimed at implementing the national demand on the efficiency of the preparation and fulfillment of the duty books by challenging and task-related targets and dates.

When it comes to plan implementation, the bank must ensure that moneys are made available or used only for such research and development tasks as are set out in the appropriate and confirmed duty books consonant with state requirements on efficiency.

Combines and enterprises may obtain loans on preferential terms for the early and concentrated completion and speeded-up transfer of planned research and development tasks to production as well as for tasks resulting in quicker reaction to market demands on export and domestic markets or in the lowering of production consumption. In certain circumstances loans may also be granted for test facilities, experimental constructions and test production.

Credit levers and bank controls must also be more comprehensively used for the achievement of the greatest possible efficacy of investments and basic assets.

In accordance with the basic orientation of the credit decree the bank asserts its influence on the preeminent use of investments for speeding-up socialist intensification and rationalization, especially the renewal, modernization and reconstruction of existing basic assets. To do so it will utilize mainly cooperation in the drafting of opinions on the plan draft, targets and decisions in principle.

The bank must make credit for basic assets and the release of funds for all investment projects and measures dependent (as the national minimum requirement) on the observance of the industry and project related performance and efficiency indices and the parameters set out in the decision in principle as well as the norms and normatives of investment and construction site expenditure and construction time.

To be exercised in the process of plan implementation are strict controls on the observance of the indices and dates confirmed by the decision in principle.

The bank will grant planned basic asset loans at discount interest rates to encourage important intensification tasks, especially for measures aimed at

-- Freeing manpower by job reductions,
-- The conservation of energy and materials,
-- Increasing exports of products profitable in terms of foreign exchange, and
-- The development and utilization of secondary raw materials.

By making available basic asset loans at discounted interest rates, down to a 1.8 percent interest rate, the bank adds national initiatives serving the early operation of capacities as well as the rapid increase in output or performance, efficiency and quality.

To ensure the more efficient use of circulating media, the grant of circulating media loans will be more consistently tied to reductions in costs, the speed-up of the turnover of circulating media and the revision and use of progressive consumption and stockkeeping standards.

Agreements on temporary overdrafts of plan credit may be concluded with firms which consistently meet the basic indices of performance appraisal, thereby enabling them to equalize temporary financial fluctuations.

Credit and interest rates will be used to a greater extent to improve plan observance in stockkeeping and warehousing. If loans are extended for excess stocks at all, higher interest rates must be charged and strict credit terms exacted so as to ensure the rapid utilization of these stocks.

In the implementation of the decisions on the further perfection of economic accounting, loans, interest rates and bank controls must more emphatically affect the assurance of plan and contract fulfillment appropriate as to delivery date and assortment, because this is an important factor in the efficient management of the operation of enterprises and combines. To be strengthened for the improvement of the payment discipline maintained by enterprises and combines is the bank's influence on the ability to pay, combined with the rapid removal of temporary plan deviations.

Improved in this connection were credit regulations and the respective prerequisites created for the payment of contract-appropriate goods deliveries and services even in the case of temporary payment difficulties. In future purchasing enterprises must be granted payment delays up to 90 days at a higher interest rate (12 percent). Such delays may be made dependent on the assumption of guarantees by the general director of the combine or manager of the economy managing organs.

This increases the bank's influence on enterprises guilty of the material causes of payment difficulties. Still, the basic requirement is always the rapid removal of these material causes.

The decisions on the perfection of economic accounting aptly state that cost reductions provide the criterion for the contribution of combines and enterprises to the improvement of the cost-profit ratio. In fact the lowering of production consumption must here be reflected in hard cash. This target extends to all banking operations.

By its financing and controls the bank must help the improvement of cost planning and cost discipline in accordance with the new decisions. This includes, for example, supervision of the full incorporation in the cost plan of the results of science and technology as well as investments consonant with the duty books and decisions in principle and, vice versa, controls on the guarantee of prime cost reductions by scientific-technological measures.

New tasks also arise for the bank with regard to cost controls in the process of plan implementation by the rapid appraisal of the results of checks and the submission of proposals for the complete fulfillment of the plan tasks relating to cost reductions and net earnings. Here we need a constructive as well as resolute attitude of all our staffs.

The credit decree is based on the active utilization of credit and bank controls so as to raise exports and export profitability as well as the thrifty and efficient handling of imports. This continues to be the preeminent issue also for the work of the banks with regard to economic work procedures. It will be most important to marshal all the experience and knowledge of the banks for the support of enterprises and combines.

The work of the bank is governed largely by the management and planning of the national economy. Based on the role of the combines we will more comprehensively organize relations between the bank and the combines, taking into account the experiences gained. That applies in particular to the utilization of credit and bank controls as per the actual conditions in the combines on the basis of credit political conceptions. These are bank instruments designed to make the kay points of the combines for the implementation of intensification the objective of banking. The stipulations to be made therein must clearly show how the standardized state credit policy is realized in accordance with the situation of the combines, how it helps the combines observance of economic accounting and takes into consideration the economic conditions of the reproduction process in its entirety--from research and development to sales, including export sales.

By the further organization of relations between the bank and the combines we also understand the possibility of direct loans to the combine in the interest of the

concentrated use of material and financial funds for the dynamic development of the entire combine at the responsibility of the general director.

The decree on credit and bank controls in the socialist economy removes the earlier fragmented legislation in the field of credit for the state economy, cooperative agriculture and artisan cooperatives by three different decrees and orders that tended largely to repeat themselves. The specific issues in the field of agriculture, forestry and food manufacture as well as artisan production cooperatives were settled in implementing regulations.

Credit and bank controls are an indivisible element of socialist economic management. They must be used as levers for the achievement and overachievement of the targets set in the plan. This presumes in the banks also a complete understanding of the profound significance of our economic strategy and the related new quality of economic accounting. Starting from this point, the managers and staffs of banks must see to it that attitudes everywhere are conducive to exact accounting and analyses as well as to creative ideas and clear combat positions for the further development of the socialist economy.

Issues of credit and controls by the GDR mark are part and parcel of socialist management. By setting out credit conditions and credit terms, the state raises social demands on the use of state credit funds. The managers of enterprises and general directors of combines must provide all the prerequisites for using loans to the greatest possible profit. This will require them to include in their management operations the planning and utilization of credit as well as the results of bank controls. That involves close and constructive collaboration between the directors of banks, combines and combine enterprises, and this collaboration will have to acquire a new excellence in the conditions of the 1980's.

## Text of Credit Decree

East Berlin GESETZBLATT DER DEUTSCHEN DEMOKRATISCHEN REPUBLIK in German Part I No 6, 25 Feb 82 pp 126-133

/Official text of "Decree of 28 January 1982 on Granting of Credits and Control by the Banks for the Socialist Economy--Credit Decree," signed 28 January 1982 by Werner Krolikowski, first deputy chairman, GDR Council of Ministers, and Horst Kaminsky, president, GDR State Bank/

/Text/ Our credit policy must be directed to the further implementation of the main task in its unity of economic and social policy, in accordance with the targets of economic strategy decided at the Tenth SED Congress. To that end the growing cash and credit funds must be used on the basis of the plan to finance stable and dynamic economic growth at the greatest possible efficiency. The active utilization of credit, interest and bank controls must encourage scientific-technological advances and the comprehensive intensification of the reproduction process.

Section I--Scope

Article 1

This decree applies to

-- State enterprises, socialist cooperatives and their cooperative facilities as well as other socialist enterprises and facilities working on the principle of economic accounting (hereinafter described as enterprises);

-- State combines and economy managing organs (hereinafter described as combines);

-- State organs;

-- The GDR State Bank, the GDR Bank for Agriculture and Foodstuffs, the German Foreign Trade Bank AG, GDR savings and loan associations, GDR cooperative banks for artisans and traders (hereinafter described as bank).

Section II--Principles of Credit and Bank Controls

Article 2--Basic Rights and Duties of the Bank as well as of Combines and Enterprises

(1) On the basis of the economic plan and the confirmed credit balance the bank extends loans to combines and enterprises for the purpose of financing the planned reproduction process so as to raise output and improve efficiency. It exercises strict controls by way of the GDR mark. By its operations the bank must actively contribute to the definite improvement of the cost-profit ratio in the economy and assist the steadily better utilization of the qualitative factors of economic growth on the basis of comprehensive scientific-technological advances.

(2) In accordance with the economic plan, the bank must orient credit to the observance of state issued norms, normatives, balance parts, quotas and limits as well as other norms and economic targets, especially relating to scientific-technological tasks, investments, circulating assets and costs of materials and energy consumption. It may require the drafting or revision of such norms and targets in accordance with the legal regulations.

(3) Combines and enterprises must earmark loans as per the performance and efficiency targets set in the plan. Loans must be covered by collateral, repaid and amortized and interest paid.

(4) To obtain loans, combines and enterprises must meet the following general conditions:

-- Observance of state plan targets on the development of performance and efficiency;

-- The assurance of appropriate production and circulation for supplying the public, the national economy and exports, and for fulfilling plans and contracts punctually and in the appropriate assortment;

-- The planned agreement of material and financial funds, the observance of the stipulated provision of self-generated resources and the guarantee of the ability to pay.

(5) Combines and enterprises must use the loans to the best possible effect. In their management operations the managers of combines, enterprises and state organs must incorporate credit planning as well as the control of borrowing within their sphere of responsibility.

(6) Combines and enterprises must plan borrowing, coordinate loan planning with the bank and, at the same time, bring evidence of the observance of state plan targets. The bank must confirm to combines and enterprises the result of the loan coordination in the process of the preparation of plan drafts. If needed, the bank will link loan coordination with certain conditions, especially regarding

-- The assurance of performance and efficiency targets,

-- The inclusion of the full useful effect in the plan of projects and measures taken into service,

-- The provision of other lacking loan prerequisites.

Whenever justified, the bank will reduce the amount of the loans to be planned or reject the loan application altogether. Combines and enterprises may include loans in plan drafts and plans only to the extent that they have received the approval of the bank. They must base their material and financial planning on the results of the credit coordination and prove to their superior organs their agreement with the bank.

(7) Simplified requirements on the planning and reporting of loans apply to enterprises planning to a reduced extent only.

Article 3--The Use of Credit and Interest for the Stimulation of the Fulfillment and Purposeful Overfulfillment of the Plan

(1) Loans are granted on the basis of credit contracts. The bank may combine the grant of loans with specific credit terms; the combines and enterprises must prove observance to the bank. The basic interest rate for loans amounts to 5 percent per annum. The president of the GDR State Bank may establish different interest rates in cases justified from the aspect of the national economy.

(2) To stimulate the best possible performance, planned loans may be granted with discounts leading to a 1.8 percent interest rate in case of the overfulfillment of performance or efficiency criteria to be agreed. When these criteria fail to be fulfilled, planned loans may be granted with interest surcharges up to an 8 percent interest rate. The bank presidents will issue specific regulations regarding this point.

(3) For measures serving the improvement of economic efficiency above and beyond the plan, resulting in better or early plan fulfillment or being in the special economic interest for other reasons, the bank may grant additional loans and, as a matter of state encouragement, set a discount interest of only 1.8 percent. The bank will grant this interest discount in dependence on the achievement of concrete preformance targets or norms or the satisfaction of other conditions.

(4) The bank will grant additional loans in the case of temporary plan infringements only if it is provided with evidence regarding the measures to restore the appropriate plan situation and, consequently, the rapid repayment of such loans. It must establish the proper credit terms and exercise strict control of their observance. The bank uses an interest surcharge for such loans. The amount of the interest surcharge is to be set at up to a maximum of 8 percent, depending on the economic effects and the time needed to remove the plan infringements. To encourage the initiative of the working people for the rapid removal of the causes leading to the imposition of an interest surcharge, such surcharges may be partially or completely returned once the arrears have been made up. Such payments are subject to the satisfaction of the terms imposed.

(5) When punitive interest is charged as per article 17 paragraph 2, the interest rate may rise to up to 12 percent.

(6) The bank may not grant loans to finance excessive expenditures and losses. It must require measures aimed at the prevention of inefficient operations. To be especially excluded from credit are

-- Excesses of the investment expenditure confirmed by the decision in principle,

-- Circulating assets involved in the production of goods that are in danger of remaining unsold,

-- Circulating assets involved in production carried out without contracts unless other central decisions have been issued,

-- Stocks not needed by the enterprise for plan fulfillment unless they are quickly made available for use as secondary raw materials,

-- Disputed claims.

Article 4--Bank Controls

(1) Bank controls must be directed to the consistent implementation of the key points of our economic strategy and the assurance of the observance of state discipline in the handling of social funds. The bank must concentrate its controls especially on

-- The improvement of the efficacy of science and technology,

-- The reduction of production consumption, especially by the greatest possible refinement of raw materials, materials and energy sources,

-- The improvement in the cost-profit ratio of investments and their early production efficacy,

-- The rise in the standard of materials and stocks management,

-- The fulfillment of the finance plan, in particular the planned cost reduction and payment obligations.

(2) The bank exercises special controls on the increase of exports and their profitability as well as the thrifty and efficient handling of imports. It will submit appropriate suggestions for the development of reserves. The bank is authorized to initiate a stop on imports considered unwarranted from the national standpoint.

(3) The bank controls the use of the wages fund of state combines and enterprises.[1] In the case of inadmissible use of the wages fund, state enterprises, combines and their superior organs must prove to the bank the adoption of measures to restore conformity with the plan.

(4) In the process of drafting the five-year and annual plans the bank will hand the combines and selected enterprises proposals about the development of reserves, especially for appropriate production or services and for the improvement of efficiency. The managers of combines and enterprises must decide whether to adopt these proposals. The manager of the competent bank is authorized to call for decisions by the managers of superior organs if combines or enterprises fail to make proven reserves plan effective. The bank is authorized to attend plan defenses at the superior organs.

(5) By its controls the bank must affect the generalization of advanced experiences in the assurance of the greatest possible efficiency and, with foresight, influence the fulfillment and overfulfillment of combine and enterprise plan targets as well as the removal of sources of loss. The bank must report its control results to the combines, enterprises and state organs and then submit proposals. The competent managers must evaluate the control results related to their management operations and inform the bank about any measures adopted.

(6) The bank closely collaborates with other state control organs, the chief bookkeepers and social organizations of working people in combines and enterprises. It is entitled to attend the reporting of managers of collectives and membership meetings in socialist cooperatives and there to appraise control results. The bank will utilize the experiences, objections and proposals of the working people for credit purposes, especially for the assessment of the economic useful or economic justification of the loan applied for.

(7) The bank is authorized to attend the reporting of enterprise and combine managers to their superior managers. It may require reporting to take place when plan infringements are committed, especially excessive spending.

(8) The bank carries out its controls by key points and on the basis of state planning and reporting, the results of accounting and statistics and its own investigations in accordance with legal regulations but independent of the source of finances. Combines and enterprises must facilitate bank controls on their premises and produce the documents necessary for carrying out these checks.

Article 5--Bank Relations with State Combines

(1) The development of the greatest possible capacity and efficiency of the combine reproduction process in general must be assisted in accordance with national tasks

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[1] In effect at this time is the 19 January 1972 decision on the directive relating to the use of the planned wages fund for 1972 (GBl II No 10 p 127) in the version of the announcement of 27 December 1972 (GBl II No 74 p 862).

by loans to state combines and combine enterprises as well as by bank controls. The bank's credit conceptions must regulate the application of state credit policies to the concrete conditions and needs of the state combines.

(2) The bank issues comments about the plan drafts and annual reports of the state combines and submits proposals for the development of efficiency reserves and for dealing with unjustified standard and growth differences within and among state combines. It submits these comments to the State Planning Commission and the competent minister at the time of plan defense and reporting.

(3) Loans are granted to combine enterprises. For the better utilization of material and financial funds the general director may borrow money for the state combine. Loans may be approved for the state combine with regard to tasks crucially affecting the reproduction process of the combine as a whole, especially for

-- The accomplishment of scientific-technological tasks,

-- Investments significant for the development of performance and efficiency in the combine,

-- The centralization of material circulating assets (for example replacement part stocks, emergency reserve, commercial reserve),

-- Anticipatory financing of monetary funds as per article 11 paragraph 2.

(4) The bank is authorized to make further loans to combine enterprises failing to fulfill their plans dependent on the confirmation of the combine enterprises measures by the general director of the combine or a guarantee statement as per article 16 paragraph 2. It may also decide that in such cases loans will only be granted on a temporary basis to the state combine at the responsibility of the general director. That applies in particular to loans as per article 11 paragraph 2.

(5) The manager of the competent bank ensures close cooperation with the general directors of state combines. In accordance with the principles of the management, planning and economic accounting of combines they conclude agreements with the general directors mainly on

-- Cooperation and the exchange of information,
-- The competence of branch banks for financing and controlling the combine enterprises,
-- The rational handling of payment transactions as well as other bank services.

Section III--Purpose of Credit

Article 6--Science and Technology

(1) In its credit decisions and the operation of bank controls the bank must start from the national need for the greatest possible efficiency of science and technology.

(2) On the basis of the current asset plan, the bank extends credit to combines and enterprises to finance scientific-technological services to be provided within the framework of business contracts and designed to be sold.

(3) To assist the greatest possible efficiency of science and technology, combines and enterprises may be granted loans for

a) The early and concentrated completion and speeded-up transfer of planned research and development tasks,

b) Research and development tasks resulting in faster reaction to market needs both abroad and at home as well as to the speedier reduction of production consumption,

c) Test facilities, experimental constructions and test productions that will be repaid from investment resources or earnings once the research results are transferred to production.

For loans as per letters a and b discounts will be granted, possibly down to a 1.8 percent interest rate.

(4) For selected research and development tasks the bank must exercise management controls on the cost and usefulness of the resources employed and the rapid transfer of the research results to production. Such controls are to be directed especially to

-- The refinement of raw materials, materials and energy sources as well as to materials substitution,
-- The conservation of imports,
-- The improvement of export suitability and profitability,
-- The increase and improvement of the output of consumer goods, and
-- The lowering of costs.

The bank may require measures to be adopted to satisfy national needs regarding efficiency and the respective improvement in the standard of duty books by challenging and task-related targets and dates. In the course of plan implementation bank controls will ensure that moneys are made available or used only for such research and development tasks as are recorded in confirmed duty books consonant with state requirements on efficiency. Upon noting inefficient use of research moneys or infringements of state discipline, the bank may stop any further use of financial resources either completely or partially until the competent superior organ issues a decision.

Article 7--Financing of Investments

(1) The bank extends credit to finance the planned investments of combines and enterprises and releases financial resources for all investment projects and measures. Investment projects and measures to be financed by borrowing are agreed between the bank and the combines or enterprises. All moneys of combines and enterprises are included in bank controls as long as they are used to finance investments.

(2) The bank actively affects the preparation of investments consonant with legal regulations. It controls the efficiency and the terms for realizing the investments. In accordance with national needs as well as state tasks and state plan targets the bank requires the following as specific conditions for borrowing and for the release of moneys:

-- The observance of national criteria in accordance with industry and project-related indices, especially for the improvement of the cost-profit ratio, the increase in export profitability, the observance of state norms and normatives of investment and construction site costs as well as construction times as the minimum requirements and the observance of the ranking and sequence of investments set out in the plan,

-- The intimate link between science and technology and investments for the assurance of the most rapid possible production efficacy of the results achieved by science and technology,

-- The priority use of investments to speed up socialist intensification and rationalization, especially for the renewal, modernization and reconstruction of existing basic assets and to reduce uncompleted investments,

-- The freeing of manpower by job savings,

-- Increased regional rationalization,

-- The satisfaction of challenging demands on the utilization of basic assets.

The grant of basic asset loans must be made dependent on the observance of cost and profit indices, construction times and start-up dates established by the decision in principle as well as the criteria and dates of instalment payments agreed between clients and suppliers. Combines and enterprises are obligated to include in the plans the cost and profit indices established in the decision in principle, to clear their project or measure related observance and document it to the bank on the basis of the loan agreement concluded.

(3) The bank is authorized to impose requirements arising from its controls vis-a-vis the combines and enterprises and to request a report on the tasks and documentation related to the decision in principle. If the credit conditions listed in paragraph 2 and article 2 paragraph 4 are met, and before the decision in principle, the bank will issue a promise of loan for projects to be financed by borrowing. The bank may link this promise of loan with specific conditions. Once it has given a promise of loan, it is obligated to conclude the loan contract provided the requirements spelled out in this paragraph and the conditions of the promise of loan have been met.

(4) The prior approval of the bank must be obtained if decisions in principle regarding investments to be financed by loans are to be revised due to changed circumstances and as per the legal regulations.

(5) The conclusion of the basic asset loan contract proceeds on the basis

-- Of the decision in principle issued as per the legal regulations and in observance of the conditions coupled with the promise of loan,

-- Of the incorporation of the investments in the plan within the scope of the state plan indices for investments and fheir financing as well as a confirmed list of headings,

-- The documentation of contractual guarantees.

The conclusion of credit contracts for the importation of machines and equipment must be made dependent on the evidence of the need for and efficacy of the importation, based on advanced efficiency criteria and the future re-earning of the foreign exchange spent.

(6) Loans must be repaid within 5 years at the latest. Time is counted from the date of borrowing and ends with the complete repayment of the loan. In the case of the new construction of factories the repayment term of the loan may begin at the time of the planned start-up. In exceptional instances, warranted from the national standpoint, repayment terms in excess of 5 years may be agreed. The presidents of banks will issue the necessary decisions. Special repayment terms apply to loans to state and cooperative enterprises of agriculture, forestry and the foodstuffs industry and their cooperative facilities as well as to artisan production cooperatives.

(7) To assist particularly important investments, the presidents of the banks may allow interest reductions lowering the interest rate to a minimum of 1.8 percent. To be encouraged thereby are important national tasks, in particular

-- Freeing manpower by cutting jobs,
-- Energy and material conservation,
-- Raising exports of products profitable in terms of foreign exchange and conserving imports,
-- The development and utilization of secondary raw materials.

The grant of loans at reduced interest rates is to be made dependent on the accomplishment of concrete targets.

(8) If investments are completed so as to become operational ahead of time, and if the planned financial resources needed are not yet available, the bank will extend credit at interest rates reduced to as low as 1.8 percent.

(9) Rationalization loans for investments may be granted above and beyond the state plan target "investments (material volume)" on the basis of legal regulations and for the purpose of carrying out rationalization investments that serve the rapid increase in output or performance, efficiency and quality as well as energy and materials conservation, provided such investments are to be carried out by the mobilization of reserves and without calling on state balanced funds. The first condition is the emergence in the year of start-up of an additional profit that must be used toward the repayment of the loan. If a particularly high rise in output and efficiency is achieved, the bank may reduce the interest rate to as little as 1.8 percent.

(10) When granting basic asset loans the bank will impose interest surcharges up to a total rate of 8 percent if the loan conditions are not met in time, the conditions of the promise of loan are not fulfilled, or the completion date set by the decision in principle is not observed. It will require measures to be taken to quickly ensure the observance of the cost-profit ratio fixed in the decision in principle.

Article 8--Loans for Housing Construction

(1) On the basis of the plan the bank will grant loans for the construction of new state and cooperative housing and state facilities as per the legal regulations,

including the interest provisions therein. Credit is to be used to affect the observance of cost and construction time normatives as the minimum national requirement and the use of the moneys with the greatest possible efficacy for the punctual and appropriate completion of the projects.

(2) In accordance with legal regulations the bank grants loans for the maintenance and modernization of the existing housing stock on condition of the efficient use of the material and financial resources, the observance of normatives and standard values for special expenditures.

Article 9--Credit for Current Assets

(1) On the basis of the current asset plan or the enterprise plan the bank will grant combines and enterprises loans for the current assets needed to finance the preparation and implementation of planned production and services as well as planned circulation.

(2) When extending credit and exercising controls, the bank, in agreement with national needs and state tasks and plan quotas, requires as specific preconditions

-- The plan and contract appropriate production, services and sales for the supply of the public and the national economy as well as the export trade by volume, assortment, quality and delivery date, coupled with the greatest possible export profitability,

-- The lowering of costs, especially by the rational utilization of energy sources, materials and raw materials consequent upon the utilization of the latest findings of science and technology, coupled with the observance of state normatives, progressive norms and indices of materials and energy consumption.

-- The assurance and observance of plan targets for current asset intensity by progressive stock norms, scientific-technological and materials management measures and orderly warehousing protected against losses,

-- The use of economically justified payment procedures and dates, as well as

-- The observance of definite dates given for the submission of export documents to obtain payment.

The bank is authorized to control the inclusion of material stocks in balancing as per the state normatives.

(3) The conclusion of the current asset loan contract proceeds on the basis of the confirmed current asset or enterprise plan.

(4) In dependence on the observance of plan and finance discipline the bank fixes various types of credit to meet the planned financial needs. Agreements on temporary overdrafts on plan credit may be concluded with enterprises which, in particular, steadfastly meet the basic indices of performance appraisal, thus helping them cover temporary fluctuations in monetary needs.

(5) For the establishment of business reserves and state mandatory minimum stocks of important products and specially fixed spare part stocks, planned loans may be granted on preferential terms, including interest reductions to a low of 1.8 percent interest rates.

(6) The bank will grant additional loans to finance current assets temporarily held in excess of the plan but which are in the national interest, especially arising from

-- The purposeful overfulfillment of output and service tasks,
-- The additional production of industrial robots and other rationalization aids,
-- The additional production of spare parts, and
-- Rational transport space utilization.

The bank may allow reduced interest rates to a low of 1.8 percent.

(7) The bank may grant additional loans on more severe terms

a) For temporary excess stocks due to improper occurrences, provided that such stocks are used for appropriate production and circulation, and that measures for their reduction and the avoidance of any possible reoccurrence are documented and carried out. The bank is authorized to make the grant of such loans dependent upon the confirmation of a utilization conception for the excess stocks by the director general of the combine or manager of the superior organ. For products important from the national aspect, the bank will call for the comments of the balancing organs. To stimulate the rapid utilization of excess stocks interest surcharges may be imposed for the additional loans amounting to a total rate of up to 8 percent; these surcharges are to be differentiated especially from the aspect of the time taken to reduce the excess stocks;

b) For overdue claims provided they do not originate from delivery defects and the enterprise takes legal steps for the collection of the overdue claims. In these cases the bank must impose interest surcharges; their amount is to be fixed by the president of the GDR State Bank in consideration of the legal regulations on the computation of interest due on arrears;

c) To enterprises temporarily unable to meet their obligations, due to plan arrears; in that case the loans must be earmarked for the payment of contract appropriate deliveries and services. Such loans have a maximum term of 90 days and carry a 12 percent interest rate (divergent of the provisions of article 3 paragraph 4). The bank ties the credit to concrete requirements on dealing with the causes of the plan offenses and may make it dependent on a guarantee statement by the general director as per article 16 paragraph 2.

(8) The bank may set out specific conditions, especially regarding self-generated resources and the amount of interest as well as the financing of export claims for foreign trade enterprises and those combines and enterprises to which the minister for foreign trade has assigned the tasks, rights and duties of a foreign trade enterprise. The bank will exert its influence to see that these combines and enterprises sell their export products at advantageous prices and terms.

Article 10--Special Features of the Extension of Current Asset Loans to General and Main Contractors (GAN/HAN)

(1) The bank will grant planned current asset loans to GAN/HAN for the orderly preparation and planned implementation of investments, provided that these investments are part and parcel of the investment client's state plan targets and the necessary confirmations are produced in accordance with legal regulations.

(2) By way of specific credit preconditions for extending credit and exercising controls the bank, in accordance with national economic requirements as well as state tasks and state plan targets, requires the observance of

-- The investment expenditure, the dates of completion and construction times as per the decision in principle, and

-- The prices and dates for investment services as well as the criteria for instalment payments agreed in business contracts on the basis of the decision in principle.

(3) The interest rate for planned current asset loans to GAN/HAN for the preparation and implementation of centrally planned investment projects amounts to 1.8 percent, provided the completion dates and construction times fixed by the decision in principle are observed. The 1.8 percent interest rate to be applied must be the basis of the planning and computation of the price of investment services. In case the dates stipulated are exceeded, the bank will use interest surcharges or punitive interest charges, coupled with appropriate conditions.

(4) The provisions of paragraphs 1 and 2 apply mutatis mutandi to credits for general suppliers for the purpose of planned exports.

Article 11--Loans for the Planned and Unplanned Anticipatory Financing of Monetary Funds

(1) The bank may grant additional loans for the anticipatory financing of monetary funds if a planned temporary divergence occurs between self-generated resources and cash needs. The extension of credit presumes that the money is needed to finance planned processes, and that repayment is ensured by the planned yield of monetary resources.

(2) If, temporarily, the planned self-generated financial resources fail to be earned, the bank may grant an additional loan for the planned and necessary payments to enterprise funds supposed as per plan to be paid from profits. The bank will then impose interest surcharges as per article 3 paragraph 4. It is a condition for loans on the basis of the failure to earn self-generated resources that the plan arrears be made up by the end of the plan year, and that loan repayment is ensured by the time the closing annual balance is confirmed.

(3) For the payment of contract appropriate goods deliveries and services in the investment field, combines and enterprises may receive loans as per article 9 paragraph 7 letter c if moneys on the bank account "investment fund" must be used temporarily to meet obligations to the state. Such loans presume these moneys to be earned back within 90 days.

Article 12--Foreign Exchange Credit

(1) Foreign trade enterprises may be granted foreign exchange loans to finance planned imports; these must be repaid within the scope of the plan.

(2) As per legal regulations foreign exchange loans may be granted combines and enterprises for additional imports of machines and equipment which facilitate a rapid rise in output for export above and beyond the plan, provide for the greatest possible export profitability or facilitate the additional replacement of imports.

Section IV--Contractual Organization of Credit Relations

Article 13--Credit Application

(1) Combines and enterprises must submit a written credit application to obtain planned and additional loans and do so

-- For basic asset loans before the decision in principle is made,

-- For planned current asset loans on the basis of the confirmed current asset plan, normally by the end of February and in any case no later than 15 March of the plan year,

-- For additionan loans upon the emergence of an extra plan need for finance.

(2) The credit application must include data regarding the purpose of the loan, the amount, repayment and the justification of the need for the loan required for the bank's decision as well as documentation on the presence of the loan prerequisites. To that end combines and enterprises must submit to the bank the necessary plan documents, other documents and evidence.

(3) The bank must decide the credit application within 14 days--28 days in the case of applications for the promise of loans for basic asset credit--and set out the specific credit terms. If the documentation needed to review the credit prerequisites is incomplete or the justification for the credit requirement insufficiently specific, the bank is authorized to request more details while issuing an intermediate decision. In that case the term for processing begins at the time the defects in the loan application are removed.

(4) Upon approving the credit application the bank will

-- Issue a promise of loan as per article 7 paragraph 3 in the case of basic asset loans,

-- Conclude a loan contract with the combine or enterprise.

The bank must show cause when rejecting a credit application.

Article 14--Loan Contract

(1) A loan contract must be concluded between the bank and the combines or enterprises for the grant of a loan on the basis of the credit application, the documentation

regarding satisfaction of the conditions of the promise of loan for basic asset loans and other documents requested.

(2) To be agreed in the loan contract are

-- The purpose of the loan,
-- The amount of the loan and the dates the money will be drawn,
-- The term of the loan and the instalment payments.

The loan prerequisites of the credit decree are part and parcel of any loan contract without having to be explicitly listed in the contract.

(3) The conclusion, amendment or cancellation of loan contracts must be in writing. The combines and enterprises are obligated promptly to inform the bank of any changes in the plan and other major points affecting the fulfillment of the loan contract.

(4) Loan contracts are to be amended or canceled if

a) Possibilities arise for the more rational use of self-generated resources and loans as well as for the improvement of appropriate production at the combine or enterprises, or the need for the loan disappears;

b) State plan quotas are changed as per legal regulations;

c) The necessity to do so arises from other state decisions.

Article 15--Computation of Lending Rate

(1) Interest payments are due quarterly on the dates stipulated by the bank and debited to the borrower.

(2) The bank may charge the enterprises and combines punitive interest divergent from the period mentioned in paragraph 1.

Section V--Legal Consequences in Case of Infringement of Preliminary and Contractual Duties Arising from Credit Relations

Article 16--Measures to Deal with Inadequate Credit Prerequisites

(1) In the case of credit prerequisites being inadequate the bank may--while citing the reasons--

a) Link the promise of loan with conditions involving the establishment of the necessary prerequisites,

b) Issue a promise of loan for a smaller amount than requested,

c) Link the promise of loan with the imposition of an interest surcharge up to a total interest rate of 8 percent per annum,

d) Reject the loan application.

(2) Upon issue of a guarantee statement, the general director of the combine obligates himself to ensure the satisfaction of the loan prerequisites or loan terms. If the loan prerequisites or loan terms fail to be met in the stipulated time or loans are not punctually repaid, the general director must employ financial resources as per the legal regulations.

Article 17--Material Responsibility

(1) The partners to the contract are materially responsible for the nonfulfillment or not appropriate fulfillment of contractual duties. Material responsibility ceases if the breach of duty is caused by the other partner or by an inevitable occurrence.

(2) Should the combines or enterprises break the loan contract, especially the performance and efficiency targets and dates included therein, the bank may--after careful investigation of the circumstances involved in the breach of the loan contract and in accordance with the economic situation of the combines and enterprises and the guarantee of the removal of the breach of contract situation

a) Impose a punitive interest up to a total interest rate of 12 percent per annum

b) Reduce the loan amount for the future or exclude certain objectives from the allowance of credit,

c) Call in the entire loan or parts therof.

The bank requires measures to be taken to remove the plan offensenses and it submits proposals to that purpose.

(3) A breach of contract exists especially when the loan prerequisites as per articles 2 and 6-12 or the other specific loan conditions set out in the loan contract are not satisfied. The initiation of countermeasures must be justified.

(4) In justified instances the bank may temporarily defer the payment of loans due. The bank is entitled to balance due loans including interest

-- From inpayments,

-- From the combines or enterprises own monetary funds insofar as such use is legally permissible,

provided no other payment obligations take precedence over the bank claims as per the legal regulations. The interest rate for due loans amounts to 12 percent.

(5) If the bank breaks the loan contract, and the combines or enterprises suffer damage as a result, the bank is obligated to compensate this damage as per the provisions of the contract law.

Article 18--Appeals Procedure

(1) The bank decides disputes between combines or enterprises and the bank in connection with the grant of loans including the contractual partners wish to amend or

cancel loan contracts. The State Contract Court will decide disputes as per article 17 paragraph 5.

(2) Combines and enterprises may appeal to their competent bank organ against its requests and measures. That appeal must be submitted within 14 days. It has no postponing effect. If the appeal is rejected or admitted to a limited extent only, and after consultation with the superior organ of the combine or enterprise, the bank organ competent for that organ will issue a decision.

(3) The decision of the superior bank organ as per paragraph 2 must be issued within 14 days from receipt of the appeal by the bank.

Section VI--Concluding Regulations

Article 19

The president of the GDR State Bank will issue the legal regulations required to carry out this decree, including special provisions for agriculture, forestry and the foodstuffs industry as well as for artisan production cooperatives.

Article 20

(1) This decree takes effect upon publication. It applies to all contracts concluded after it has taken effect.

(2) Losing effect at the same time are:

-- The decree of 22 December 1971 on the Implementation of Credit and Interest Policy with Respect to State Enterprises, Consumer Cooperative Enterprises and Socialist Housing Construction Cooperatives--Socialist Enterprises Credit Decree--(GBl II 1972 No 4 p 41),

-- The decree of 8 August 1977 on the Amendment of the Decree on the Implementation of Credit and Interest Policy with Respect to State Enterprises, Consumer Cooperative Enterprises and Socialist Housing Construction--Socialist Enterprises Credit Decree--(GBl I No 25 p 309),

-- The decree of 15 December 1970 on the Implementation of Credit and Interest Policy with Respect to Artisan and Production Cooperatives of Operating Ocean and Coastal Fishermen--(GBl II No 99 p 715),

-- The order of 15 February 1977 on the Implementation of Credit and Interest Policy in Agriculture--Agriculture Credit Order--(GBl I No 6 p 45),

-- Order No 2 of 8 August 1977 on the Implementation of Credit and Interest Policy in Agriculture--Agriculture Credit Order--(GBL I No 25 p 315).

## Implementing Regulation for Agriculture

East Berlin GESETZBLATT DER DEUTSCHEN DEMOKRATISCHEN REPUBLIK in German Part I No 6, 25 Feb 82 pp 133-134

/Official text of "First Implementing Regulation on the Credit Decree--28 January 1982--Granting of Credit to Socialist Cooperatives, Cooperative Establishments and State-Owned Enterprises of the Agriculture, Forestry and Foodstuffs Industry," signed 28 January 1982 by Horst Kaminsky, president, GDR State Bank/

/Text/ On the basis of article 19 of the decree of 28 January on Credit and Bank Controls in the Socialist Economy--Credit Decree--(GBl I No 6 p 126), the following is provided for the use of specific regulations for agriculture, forestry and the foodstuffs industry:

Article 1--Scope

(1) This implementing regulation applies to

-- Socialist cooperatives in agriculture, forestry and the foodstuffs industry (excluded is the banking of the VdgB /Peasant Mutual Aid Association/--Farmers Trading Cooperatives and the VdgB Dairy Cooperatives),

-- Cooperative facilities in agriculture, forestry and the foodstuffs industry.

(2) This implementing regulation further applies to

-- State enterprises, combines, economy managing organs and facilities operating on the principle of economic accounting in agriculture and forestry from the aspect of the grant of basic asset loans and reduced interest rates for loans in the area of current assets,

-- State enterprises of the foodstuffs industry including VdgB dairy cooperatives as well as state enterprises of the Business Federation Fruit, Vegetables and Potatoes with regard to the grant of basic asset loans to finance joint investments with cooperatives, cooperative facilities and state enterprises in agriculture and forestry,

-- State enterprises of agriculture, forestry and the foodstuffs industry with respect to the grant of basic asset loans for enterprise housing construction in the countryside.

On Article 2 Paragraphs 4 and 6 of the Credit Decree:

Article 2

(1) It will be another condition for the grant of loans that the borrower ensures orderly accounting.

(2) The inclusion of self-generated resources in the financing of basic and current assets for socialist cooperatives and cooperative facilities of agriculture, forestry and the foodstuffs industry is to be agreed with the bank at the time the loan

contracts are concluded and in accordance with the stage of economic development and the amount of accumulation.

(3) The bank may issue promises of loans for current asset loans and stipulate loan prerequisites required for granting these loans. In the case of socialist cooperatives and cooperative facilities of agriculture, forestry and the foodstuffs industry, credit needs are coordinated in the process of enterprise plan drafting. The bank is obligated to inform the socialist cooperatives and cooperative facilities of agriculture, forestry and the foodstuffs industry about is decision before enterprise plans are confirmed.

To Article 7 Paragraphs 6, 7 and 9 of the Credit Decree

Article 4

(1) In the case of basic asset loans the maximum term for

| | |
|---|---|
| -- Investments as per paragraph 2 amounts to | 90 percent of the standard useful life with a maximum of 25 years |
| -- Equipment investments | 6 years |
| -- Other investments | 20 years. |

The bank may grant a period free from redemption for the start-up time needed as per the investment preparation.

(2) Interest reductions apply to the following investments and the amounts involved are:

-- 2 percent for investments designed to raise soil fertility and for preservation and warehousing
-- 2 percent for the rationalization of barn facilities and greenhouses, including remodeling and expansion
-- 2 percent for selected facilities of crop and animal production in accordance with the applicable regulations.[1]

(3) To assist initiatives involved in the development of reserves in the course of the plan year, basic asset loans may be granted to finance additional investments in accordance with the applicable regulations.[2] The prerequisite for such loans to be granted is the resultant rise in output and efficiency. The terms and interest rates charged with regard to these additional loans are to be fixed as per the principles listed in paragraphs 1 and 2.

---

[1] In effect at the present time is the directive of 7 July 1980 on Measures to Encourage LPG's, GPG's /horticultural production cooperatives/, VEG's /state farms/ and their Cooperative Facilities in the Period from 1981 (Directives and Reports by the Ministry for Agriculture, Forestry and Foodstuffs Industry No 3/1980).

[2] In effect at the present time is the instruction No 3/1980 by the minister for agriculture, forestry and foodstuffs industry of 12 March 1980 on the use of article 5 paragraph 4 of the Land Cultivation Order (Directives and Reports of the Ministry for Agriculture, Forestry and Foodstuffs Industry No 4/1980).

(4) If early repayment of the loan to at least 50 percent of the maximum permissible term is contractually agreed with the bank, the bank will allow a 0.5 percent interest discount from the time of such agreement. This applies to all loan contracts concluded after 1 January 1971. If the agreement is not observed, the bank may cancel the interest concession retroactively.

(5) If the borrower does not have the planned self-generated resources to finance investments, basic asset loans may be made available. It is a prerequisite of such loans that the loan application should document the reasons for it, and that the borrower ensures the contract appropriate repayment of the loan as well as of interest payments.

On Article 8 of the Credit Decree:

Article 4

(1) Socialist cooperatives, cooperative facilities and state enterprises of agriculture, forestry and the foodstuffs industry may obtain basic asset loans for enterprise housing construction in the countryside.

(2) The bank grants these loans up to the amount of standard construction costs less self-generated resources and at a 1 percent interest rate.

(3) Repayment of the loans begins on 1 January of the year following completion and amounts to at least 1.5 percent annually.

On Article 9 Paragraphs 1, 5 and 6 of the Credit Decree:

Article 5

(1) The promise of loan may include the costs of future accounting periods of up to 5 years. In justified instances interest charges for current asset loans as well as repayment instalments for current asset loans may be deferred for future accounting periods, with due observance of the legal regulations governing cost demarcation.

(2) If the conditions fixed by the minister for agriculture, forestry and foodstuffs industry are met, the bank may allow differentiated interest reductions down to a 2 percent interest rate for selected measures and stocks of importance for the national economy, especially current asset stocks for selected facilities of crop and animal production during the start-up period, the first equipment of industrialized facilities with high-quality livestock, increases in herds, the nationally needed expansion of feed reserves, efficient feed management, fruit and vegetable production, fertilizers in central fertilizer storage as well as for selected stocks held by inter-cooperative construction organizations and land improvement cooperatives.

On Article 11 of the Credit Decree:

Article 6

To help ease liquidity difficulties, especially when due to weather related extra expenses and losses in yield, and insofar as is justified from the national standpoint, the bank may grant additional loans with the proviso that concrete and accountable measures be initiated for the removal of the causes of the need for

additional finance, and that these measures provide for the repayment of the loans. Depending on the cause and duration of the need, interest surcharges of up to 3 percent may be imposed. Repayment of these loans is to be agreed on the basis of the rising efficiency of the reproduction process. If such loans are granted beyond the plan year, the repayment instalment due in the respective year must be decided annually at the time of enterprise plan confirmation.

On Article 15 Paragraph 1 of the Credit Decree

Article 8

For socialist cooperatives and cooperative facilities of agriculture, forestry and the foodstuffs industry interest payments for basic asset loans are due annually on 15 December, and the borrower will be so debited.

Article 8

This implementing regulation takes effect upon publication.

## Implementing Regulation[1] for Artisans

East Berlin GESETZBLATT DER DEUTSCHEN DEMOKRATISCHEN REPUBLIK in German Part I No 6, 25 Feb 82 pp 134-135

/Official text of "Second Implementing Regulation on Credit Decree--28 January 1982 --Granting of Credit to Artisan Producer Cooperatives," signed 28 January 1982 by Horst Kaminsky, president, GDR State Bank/

/Text/ On the basis of article 19 of the decree of 28 January 1982 on Granting of Credits and Control by the Banks for the Socialist Economy--Credit Decree--(GBl I No 6 p 126) the following is ordered with regard to the use of specific regulations for granting credit to artisan production cooperatives with the aim of their further encouragement:

Article 1--Scope

This implementing regulation applies to

-- Artisan production cooperatives and production cooperatives of working ocean and coastal fishermen,

-- Cooperative facilities in the sector of services, repairs and direct supply services and cooperative facilities in ocal and coastal fisheries

(hereinafter described as production cooperatives).

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1 First implementing decree of 28 January 1982 (GBL I No 6 p 133)

On Article 2 Paragraph 6 of the Credit Decree:

Article 2

Coordination of credit planning with the bank proceeds in the process of enterprise plan drafting. The bank is obligated to inform the production cooperatives of its decision before confirmation of their enterprise plans.

On Article 3 Paragraph 3 of the Credit Decree:

Article 3

(1) To assist new production cooperatives, loams may be granted at a preferential 2 percent interest rate for up to 2 years from the establishment of the cooperative.

(2) Loans with a basic interest rate discount down to a 2 percent rate may be granted for up to 2 years if existing established production cooperatives

-- Are directed to supply services for the satisfaction of public needs, or

-- Are significantly expanded by the accession of formerly private artisans,

should this involve a temporary but significant decline in profitability.

On Article 7 Paragraph 6 of the Credit Decree:

Article 4

Loans must be repaid within 5 years at the latest. In the case of projects directly serving the better supply of the public with services, repairs and direct supply services the maximum term is 6 years.

On Article 9 of the Credit Decree:

Article 5

(1) The confirmed standard plan is the basis for the grant of current asset loans and the conclusion of current asset loan contracts.

(2) Production cooperatives must participate with their self-generated resources in the average planned current asset stocks. The minimum participation by self-generated resources in the financing of current asset stocks amounts to 33.33 percent, for production cooperatives largely engaged in trade to 25 percent.

(3) The bank may permit temporary exemptions from minimum participation by self-generated resources. It may grant loans for the lacking self-generated resources

a) At the basic interest rate for the

-- Encouragement of new production cooperatives,

-- The financing of stocks of greater value due to planned industrial price changes,

-- The financing of large stocks of cooperation performances maintained by the production cooperatives as investment contractors provided the economically justified construction and assembly terms are observed;

b) At interest surcharges up to a total 7 percent interest rate in other justified instances.

It is a precondition for such loans to be granted that the production cooperatives obligate themselves to ensure the gradual repayment of the loans by speeding up the turnover of current assets or the use of self-generated resources.

On Article 14 Paragraph 2 of the Credit Decree:

Article 6

The bank may ask for collateral depending on the purpose of the loan and the economic situation of the production cooperative.

Article 7

(1) The president of the GDR State Bank may include other socialist cooperatives in the scope of the implementing regulation.

(2) This implementing regulation takes effect upon publication

Order on Interest Payments

East Berlin GESETZBLATT DER DEUTSCHEN DEMOKRATISCHEN REPUBLIK in German Part I No 6, 25 Feb 82 pp 135-136

/Official text of "Order of 28 January 1982 on the Payment of Interest for Funds of the Socialist Economy Deposited in Bank Accounts," signed 28 January 1982 by Horst Kaminsky, president, GDR State Bank/

/Text/ In agreement with the competent ministers the following is ordered for the payment of interest for funds of the socialist economy deposited in bank accounts:

Article 1--Scope

This order applies to

-- State combines, enterprises and facilities as well as economy managing organs (hereinafter described as state combines and enterprises),

-- Socialist cooperatives and their enterprises and facilities capable of acting as a legal entity, and socialist associations capable of acting as a legal entity (hereinafter described as socialist cooperatives),

-- The GDR State Bank, the German Bank for Agriculture and Foodstuffs, the German Foreign Trade Bank AG, GDR savings and loan associations, GDR cooperative banks for artisans and traders (hereinafter described as banks).

Article 2--Monetary Resources of State Combines and Enterprises

(1) Moneys of the premium funds and the culture and social funds of state combines and enterprises deposited in special bank accounts earn 1 percent annual interest.

(2) Other moneys of state combines and enterprises, including earmarked moneys to be maintained in special bank accounts as per legal regulations, do not earn interest.

Article 3--Monetary Resources of Socialist Cooperatives

(1) Monetary resources of socialist cooperatives deposited in bank accounts earn 1 percent annual interest.

(2) Moneys of socialist cooperatives to be used in future years may be deposited in special bank accounts and are then entitled to earn interest. The deposits and the withdrawal of such resources must be planned and contractually agreed with the bank.

(3) Depending on the length of time, time deposits earn interest as follows:

| | |
|---|---|
| 12-24 months deposit | 2 percent annually |
| 24-36 months deposit | 3 percent annually |
| 36 months and more | 4 percent annually. |

(4) Excepted from interest-earning deposits are monetary resources of socialist cooperatives in agriculture, forestry and the foodstuffs industry and their cooperative facilities

-- As long as they borrow money, including any needed for housing construction, at a lower interest rate than the basic 5 percent;

-- As long as they are deposited in special bank accounts as "funds for soil improvement measures" as per the legal regulations on land use fees.[1]

(5) At the end of the agreed period of deposit the long-term deposited moneys earn 1 percent interest unless a new contract is concluded.

(6) In the case of early withdrawal of long-term deposits in exceptional instances and after agreement with the bank

a) Socialist cooperatives in agriculture, forestry and the foodstuffs industry and their cooperative facilities will be paid interest at the contractually agreed rate for the actual time of deposit, provided objective reasons for the withdrawal

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1 In effect at the present time is the decree of 26 February 1981 on Land Use Fees (GBl I No 10 p 116).

are present. If these conditions are not met, the bank will proceed to a restatement of the interest rate in accordance with the actual period of the deposit as per paragraph 3;

b) Other socialist cooperatives will earn interest as follows:

| | |
|---|---|
| For periods less than 12 months | 0.5 percent annually |
| For periods of 12-24 months | 1.5 percent annually |
| For periods of 24-36 months | 2.5 percent annually. |

The bank will reclaim any higher interest already paid.

(7) Moneys of socialist cooperatives in agriculture, forestry and the foodstuffs industry as well as their cooperative facilities deposited in bank accounts for joint financial funds for investments[2] earn 4 percent interest.

(8) Moneys that are of the nature of budget resources do not earn interest.

Article 4-- Concluding Regulations

(1) This order takes effect upon publication.

(2) All deposit contracts concluded before this order takes effect remain in force without change.

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[2] In effect at the present time is the directive by the minister for agriculture, forestry and foodstuffs industry of 13 May 1974, "Principles for the Establishment and Use of Joint Financial Funds"--mailed direct--

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JPRS 80828

17 May 1982

# East Europe Report

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2270

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17 May 1982

# EAST EUROPE REPORT

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No. 2270

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HUNGARIAN-USSR TRADE, ECONOMIC RELATIONS REVIEWED

Budapest FIGYELO in Hungarian No 13, 31 Mar 82 pp 1, 7

[Article by I. G. (Istvan Garamvolgyi): "Entering a New Decade"]

[Text] Hungarian-Soviet commodity trade is of vital importance to Hungary. As the combined effect of the events and phenomena unfolding in the world economy, the external economic conditions of our domestic economic development have been modified considerably. But Hungarian-Soviet economic cooperation has been less affected by the negative phenomena in the world economy, meaning the escalating prices, the worsening terms of trade, and the consequences of the imbalance of trade.

Value and Volume

Calculated in rubles at current prices, the value of Soviet-Hungarian commodity trade in 1976-1980 nearly doubled over the preceding five-year period, and also the new long-term trade agreement calls for a significant--approximately 50-percent--increase in value during the present plan period. But since the mid-1970s, in Hungarian-Soviet trade just as in our foreign trade in general, there have been significant differences between the growth rates of trade in value terms and in [physical] volume. The growth rate of the volume of Hungarian-Soviet trade has been lower than the growth rate in value terms, and the former even shows a declining trend in comparison with previous five-year periods.

The special and, for the Hungarian economy, decisive role of our cooperation with the Soviet Union stems partially from the fact that the growth rate of deliveries --as a trend for the period 1950-1975--was faster than the growth rate of total Hungarian and total Soviet foreign trade, respectively. Furthermore, the higher-than-average growth rate was accompanied by a division-of-labor formula and commodity structure that took favorably into account the Hungarian economy's import needs and export capabilities.

However, the results and experience of Hungarian-Soviet economic cooperation and trade over several decades illustrate that the growth rate of the development of trade is influenced not only by a price structure that asserts the two countries' mutual interests, but also by the methods of cooperation. In other words, Hungary and the Soviet Union being CEMA countries, the intensity of their economic cooperation was influenced also by the methods and forms of cooperation within the socialist community.

Commodity Structure of Hungarian-Soviet Trade in 1981, in Percent

| | Import | Export |
|---|---|---|
| Sources of energy, electricity | 43.0 | 0.8 |
| Materials, semifinished products, parts | 36.0 | 20.2 |
| Machinery, transport equipment, other capital goods | 16.5 | 43.2 |
| Industrial consumer goods | 3.9 | 20.4 |
| Food-industry raw materials, live animals, foods | 0.6 | 15.4 |

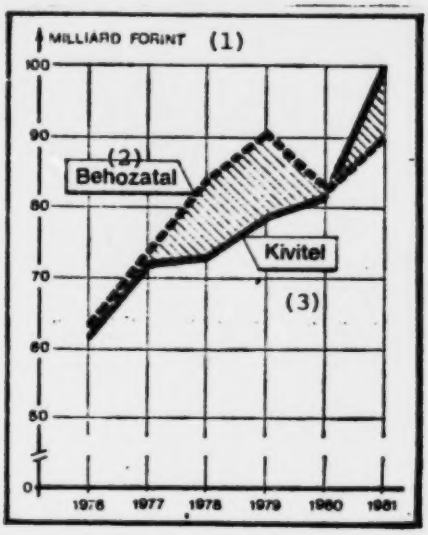


The Value of trade in 1976-1981, in billion forints.

Key:

1. Billion forints
2. Import
3. Export

Already in the first half of the 1970s, and increasingly in their second half, it became perceptible that also between Hungary and the Soviet Union the methods of cooperation developed earlier--bilateral coordination of national economic plans, long-term trade agreements, narrowly employed production specialization--were less and less adequate for the dynamic growth of cooperation and trade. (In 1966-1970, the growth rate of Hungarian-Soviet commodity trade dropped to nearly one-half in comparison with the preceding plan period, slowing down more than the growth rate of total Hungarian foreign trade. Yet, in both countries, the rates of economic growth in this period were higher than in the preceding one.)

It was no accident that from the mid-1960s on--i.e., already before the formulation of the Complex Program, but essentially in its spirit--we were able to witness an upsurge of Hungarian-Soviet economic cooperation. It was characterized, among other things, by efforts to base both cooperation and the expansion of trade on the productive pshere.

Chronologically the first significant result of this was the fruit and vegetable agreement that called for the supply of fresh and canned fruit and vegetables, in volumes increasing with each plan period: from an annual average of 263,000 tons in 1966-1970, to 456,000 tons in 1971-1975, about 600,000 tons in 1976-1980, and more than 700,000 tons in 1981-1985. Cooperation between the aluminan and aluminum industries actually began in 1968, reaching 330,000 tons of alumina and 165,000 tons of aluminum ingots by 1980. No less significant in value terms was cooperation in the automotive industry that began in early 1970s and included also cooperation with VAZ [Volga Automobile Plants]. In addition to the bilateral specialization and cooperation agreements--other noteworthy ones were the olefin agreement, and the industrial rubber goods agreement--also multilateral production specialization--for example, the ESZR [Uniform Computer Technology System] program--had a favorable effect on the development of commodity trade.

During the past decade, transformation of commercial relations into production relations has proceeded in a spectacular manner and at a spectacular rate. Up to 1970, only three Hungarian-Soviet agreements for bilateral production specialization and cooperation were concluded, and their impact on trade was insignificant; by the end of the decade, the number of bilateral agreements rose to 33, and that of multilateral agreements rose to 80. The bilateral and multilateral agreements for production specialization and cooperation affect numerous sectors of engineering--the automotive industry, the machine-tool industry, electronics and radioelectronics, the production of medical instruments, the tractor and farm machinery industry--and also the petrochemical industry, pharmaceutical industry, and the production of plant protectants. The proportion of such deliveries, stemming from production relations, rose steadily through the end of the 1970s, reachine one-third: 40 percent in Hungarian export, and 20 percent in Hungarian import.

One-Third of Trade Turnover

The 1970s had a lasting effect--one that will assert itself also in the future--on economic cooperation between the two countries. First of all, the incorporation of economic cooperation into the domestic economic processes and development programs--through production cooperation, and bilateral and multilateral production specialization--proved an effective means of increasing trade, and to a large extent the rise in the volume of trade can be attributed to this. (In the period 1970-1980, the volume of mutual deliveries of specialized products increased severalfold.) However, a significant proportion of such volume-supporting cooperations have already reached the planned level and rate, and their maintenance and extension no longer have a turnover-boosting effect. It is indisputable that the implementation and realization of a few agreements--for example, of the already mentioned fruit and vegetable agreement, agrochemical agreement, and cooperation in the production of microelectronic components--have also such an effect. It appears that in the 1970s we were able to establish economic cooperation and trade more favorably than in the 1980s, primarily because domestic economic problems of an identical nature are limiting also the objective possibilities for the development of production and for economic growth.

In value terms, reflected in rubles and forints, the commodity structure of Hungarian-Soviet trade has hardly changed. But in terms of volume, expressed in physical units, the structure of the division of labor between the two countries has changed in some respects. The commodity structure of our export is still

characterized primarily by the predominance of manufactured products, but now this statement has to be refined. As a result of the output- and export-boosting effect of production specializations and cooperations, nearly 50 percent of Hungarian export is now concentrated in seven commodities or commodity groups, namely: automotive industry parts, subassemblies and finished products; communications- and computer-industry products; aluminum-industry products; pharmaceuticals; petrochemicals; and farm products. Our statistics on total export--i.e., ruble-denominated and nonruble-denominated jointly--show that in 1980 we sold to the Soviet Union 41 percent of our export of machinery and equipment, 31.2 percent of our export of industrial consumer goods, and 38 percent of our export of food-industry raw materials, live animals and food products. If we consider the statistics over a longer period, the change in the commodity structure of Hungarian export is characterized by a declining proportion of machinery and equipment, and a rising proportion of farm products.

So far as the commodity structure of import is concerned, even today obtain from the Soviet Union about 75 percent of our import of sources of energy and electric power, and slightly more than one-third of our import of raw materials and supplies. (The combined share of these two principal commodity groups in our 1981 import was nearly 80 percent.) But it is likewise common knowledge that the Soviet Union supply potential in these two principal commodity groups, which for decades had played a fundamental role in the development of economic cooperation and the expansion of trade, became limited already in the early 1970s, and an increase in volume became possible only in certain products, mostly through participation in the financing of investments for the development of production.

Effect of Changes

The various changes that occurred in the 1970s--to mention only the most important ones: skyrocketing prices that, although delayed, nevertheless cascaded into the CEMA price system; the radical change of the price ratios of raw materials; the Soviet economy's bottlenecks in the current production, domestic supply and export of energy sources and raw materials, accompanied by manpower and financing problems in a period of intensive development--affect also normal Hungarian-Soviet economic cooperation.

We could simplify the problems of cooperation in the 1980s by concentrating only on the problems of energy and raw materials. But we cannot disregard the fact that the objective possibilities for cooperation are not particularly favorable in other areas as well. For example, we deem it logical and necessary to curb our investment and accumulation activity. But the Soviet economy has been forced to do the same, although to a different extent. (State investment in 1985 may exceed the 1980 level by merely 5.4 percent.) All this is hardly conducive to, say, mutual trade in machinery. Nor is it a healthy phenomenon that in Hungarian-Soviet economic cooperation, amidst the present value and price relations, for example, the share of manufacturing industry is unprecedentedly low--barely 20 percent jointly for engineering and the sectors that produce consumer goods--despite the fact that manufacturing accounts for the bulk of the partner country's industrial potential and development.

We have already referred to the fact that the slowdown experienced in the 1960s in the expansion of trade and development of cooperation compelled the intergovernmental organs organizing and directing the two country's cooperation to revise the forms and methods of cooperation. At the start of the new decade, amidst foreign

and domestic economic conditions that are significantly more complex and more difficult, we must pave the way for a further expansion of cooperation that will enhance intensive economic development in both countries.

Direct Relations, Joint Enterprises

Already in recent years, the work of the intergovernmental commission for cooperation has been characterized by a search for new ways, methods and forms of cooperation, by the uncovering of the reserves in economic cooperation. In the final years of the preceding plan period, the existing cooperations and production relations were reviewed and evaluated, and among them only those cooperations and production relations were expanded in which both partners were interested. Under the preceding plan period, within the framework of scientific and technical cooperation, about 200 Hungarian enterprises and institutes participated in the elaboration of 450 topics and developed, jointly with the Soviet partner institutes, the prototypes and production technologies of 500 new products. To increase the economic yield of scientific and technical cooperation and to speed up the practical application of its results, the topics of cooperation for 1981-1985 were rated on the basis of their anticipated economic results, and manpower and material resources have been allocated to them accordingly.

Especially significant from the viewpoint of formulating and developing cooperation between the two economies in the 1980s is the long-range program for the development of production specialization and cooperation, one that embraces two plan periods. According to the program finalized in 1980, 20 subprograms for the most important branches of the economy attempt to specify the possibilities for the long-range development of bilateral production specialization and cooperation.

At the most recent session of the intergovernmental commission, held in Tbilisi, an agreement was reached that regards as desirable and makes possible direct cooperation between Hungarian and Soviet enterprises and economic organizations. Another topic on the agenda of the intergovernmental commission was the founding of joint enterprises. This decision marks the start of an important experiment whose primary objective is to let the operation of joint enterprises, founded within a narrow circle initially, reveal all the theoretical and practical problems that hamper the successful founding and operation of economic organizations of this type.

It can hardly be claimed that the efforts in recent years have already developed the concept, forms and methods, and have already uncovered all the objective and specific possibilities that can ensure in this decade the smooth, dynamic and mutually advantageous development of Hungarian-Soviet economic cooperation, in a way that will improve also the efficiency of the partner country's economy. The work so far has concentrated on uncovering those reserves whose utilization can enable both partners to significantly increase their deliveries as compared with the targets contained in the protocols on the mutual coordination of national economic plans and in the long-term trade agreement.

Let us cite an example: The Soviet Union's 5-year plan calls for intensive economic growth, but at a more modest rate. It nevertheless regards as a preferential objective and task a substantial improvement in the supply of goods and services for the population. (The projected increases are 18 percent for national

income, 23 percent for the retail turnover at unchanged prices, and 44.3 percent in the volume of services for the population.) At the time of the national economic plans' coordination, not much was yet known about this objective of the Soviet five-year plan. Only in recent years did the possibility arise of our participating in the program for the large-scale reconstruction of the consumer goods industry, through increased deliveries of modern food-industry machinery, machine lines, clothing-industry machinery, and of machinery and equipment for stores and the service industries. It may be assumed that the intergovernmental organs' intensive efforts to organize economic cooperation will uncover numerous other reserves for the expansion of commodity trade.

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## PROSPECTS OF TRADE WITH CEMA COUNTRIES DISCUSSED

Moscow EKONOMICHESKOYE SOTRUDNICHESTO STRAN CHLENOV SEV in Russian No 2, 1982 pp 5-8

[Article by Peter Veresh, minister of foreign trade of the Hungarian People's Republic: "The Prospects for the Development of Foreign Trade Between the Hungarian People's Republic and the CEMA Member Countries in 1981-1985"]

[Text] Participation in the international division of labor is an objective necessity and, at the same time, an important factor in the economic development of every country.

A decisive role for us is played by the expansion of the international socialist division of labor and by cooperation with the socialist countries, and, first of all, with the Soviet Union. Regarding this, the First Secretary of the CC of the Hungarian Socialist Workers' Party Comrade Janos Kadar said at the 11th Congress of the Party: "The economic cooperation which is carried out within the CEMA increases the dynamics of the construction of socialism in all of the CEMA member countries, and for us, the Hungarian People's Republic, it represents an irreplacable help. Cooperation carried out within the CEMA has served and will continue to serve as a solid international foundation for our constructive labor within our country."

During the last 10 years, the economic relations of the Hungarian People's Republic (HPR) with the CEMA member countries have been developing rapidly, determining in this way the economic development of our country. This entire process can be divided into two fundamentally differing stages which are determined by the domestic development of the CEMA countries and by the external influences of world market fluctuations. Tendencies which took shape in the years 1976-1980 are exercising a decisive influence on the foreign trade development process of the current period.

During the years 1970-1975, the commodity turnover of the HPR with the socialist countries in value terms almost doubled. More than 60 percent of Hungary's commodity turnover is accounted for by this group of countries.

Hungary's largest capital investments which are influencing the development of entire branches of industry were made with regard to the needs of the other socialist countries. As an example, one may cite the expansion of the production

of transportation equipment, communications equipment, and instrument making products and computers whose development cannot be imagined without the use of the scientific and technical achievements of our partner countries. Of great importance was the realization of the olefin program in the field of the chemical industry. The production of this output is profitable only in the amount of 300,000-360,000 tons a year. Hungary's needs come to approximately one-half of this amount, and the remainder is exported, primarily to the socialist countries.

Beginning with 1976, the growth in the mutual foreign trade turnover of the CEMA countries slowed down compared to the preceding period. This feature is also characteristic for Hungary's commodity turnover with the socialist countries, especially during the last two years. The following two factors have played a role in the formation of this tendency.

First, in Hungary, as in most of the CEMA countries, it has become objectively necessary to shift to an intensive stage of development. Extensive sources for development have been practically exhausted (for example, additional resources of labor power), or, as a result of their increased cost, can be taken into consideration only if the economy is managed more economically (for example, raw materials and energy carriers). In the future, the basis of development will be comprised of an increase in productivity, the development of more efficient production methods, and an improvement of the quality of economic activity. The shift by the CEMA countries to the intensive path of development and the difficulties which exist here already by themselves cause a certain decrease in growth rates.

Secondly, in 1973-1974 crisis phenomena were exacerbated in the economies of the capitalist countries. The energy crisis, the rapid increase in petroleum prices, a decline in production, a decrease in the foreign trade growth rates, and other elements which arose as a result of the changed balance of power between the developed capitalists and the developing countries also created new conditions in the world economy for the development of the socialist countries. These circumstances, it is true, influence the individual CEMA countries to varying degrees, depending upon the production structure of their countries and their raw materials and energy resources.

Hungary belongs among those countries upon which, as a result of the special characteristics of their production structure and their limited raw materials resources, the tendencies of the world market had a very negative influence. For Hungary the proportions of exchange in foreign trade changed unfavorably, first with the capitalist countries, and then with the socialist countries. In order to solve its balance problems, the HPR was compelled to slow down its economic development rates.

Despite the difficulties connected with the above-enumerated foreign and domestic factors, during the years 1976-1980, as during earlier years, important results were achieved in the cooperation between Hungary and the CEMA countries.

From 1976 through 1980, the commodity turnover with the socialist countries in value terms increased by approximately 60 percent. During this period, as was the case earlier, most of this commodity turnover (55-60 percent) was accounted for by the socialist countries, including around one-half by the Soviet Union.

The following example gives a good indication of the importance of cooperation with the socialist countries for the foreign trade and for the economic development of Hungary. In 1980, the CEMA countries accounted for 75 percent of the machinery exports, more than 55 percent of the agricultural and food output, 50 percent of the consumer goods, and more than 40 percent of the raw materials and materials exports. At the same time, the HPR imported around 90 percent of our energy carriers which are so important for us, 65 percent of our machines, 60 percent of our consumer goods, and approximately 40 percent of our raw materials and materials from the socialist countries. Hungary's needs for energy, fuel, and raw materials were met primarily through deliveries from the USSR, and also from the CSSR, the GDR, and the Polish People's Republic.

In order to provide the country's economy with raw materials, energy, and fuel, the HPR has taken part in joint capital investments: for example, in the construction of the "Soyuz" Gas Pipeline, the construction of the Vinnitsa (USSR)-Al'bertirsha (HPR) 750-kilovolt electric transmission line, and in the creation of new capacities for the production of ammophos at the Kingisepp Combine, the Ust'Ili Cellulose Plant, and the Kiyembayev Asbestos Mining Enriching Combine.

Hungary's participation in the construction of the Vinnitsa (USSR)-Al'bertirsha (HPR) electric transmission line has made it possible to increase electric energy imports from the Soviet Union. Whereas in 1975 Hungary bought 4.2 billion kilowatt-hours of electric energy in the USSR, in 1980 this figure came to 7.5 billion kilowatt-hours, that is, one-fourth of its total need for electric energy.

An atomic electric power station is now being built in the city of Pakshe on the basis of an agreement between the HPR, USSR, and CSSR.

In 1974, Poland, the Soviet Union, and Czechoslovakia signed a cooperation agreement in the field of the production of mining machinery and equipment which was joined in 1976 by Hungary. Participation in this agreement is helping to strengthen the technical base for the development of our domestic coal mining.

The "Soyuz" Gas Pipeline is the largest facility which in the future will supply the CEMA countries with natural gas from the Soviet Union. In proportion to its participation in its construction, every year Hungary will receive 2.8 billion cubic meters of gas on the pipeline from the Soviet Union.

Despite lagging in deliveries of certain types of raw materials, Hungary regards its participation in the fulfillment of the fuel and energy tasks mapped out in the Overall Program as fruitful.

By basing ourselves on cooperation with the CEMA countries, we have also succeeded in achieving results in the development of the domestic extraction of energy carriers. We are trying to halt the growth rates of the consumption of fuel and energy carriers by means of the adoption of measures aimed at their more economical use, the replacement of petroleum and gas by other energy sources, and an increase of our own resources in the energy balance.

In the field of the processing industry, a large role is being played by deliveries which are performed on the basis of bi- and multilateral agreements on production specialization and cooperation. At the present time, Hungary is participating in the realization of 90 multilateral and 160 bilateral agreements.

In 1980, around 35 percent of the exports sent to the CEMA countries was made up of deliveries of specialized output, while in imports from the socialist countries its share reached 25 percent. Production specialization and cooperation agreements are the basis for the development in the HPR of the production of buses and cranes, and also of computers. Specialization is the basis for the development of the production of communications equipment, agricultural machine building, the "bauxite-alumina-aluminum" industrial chain, and the chemical and pharmaceutical branches of industry.

It is necessary to make special mention of the fact that the vast majority of the output which is produced within the framework of production specialization and cooperation is made up of machinery and equipment. Last year, their share in Hungarian exports of specialized goods came to 75 percent, and 60 percent in imports.

Production specialization and cooperation agreements on motor vehicle road transportation equipment, communications equipment, and instrument making are very important for the development of Hungarian machinery and equipment exports. In imports the same role is played by agreement in the field of production of construction and road construction machinery, agricultural equipment, and petroleum extracting equipment. In Hungarian machinery and equipment exports based on specialization motor vehicle road transport accounts for 52 percent, and communications equipment, computers, and instrument making output for more than 20 percent.

Hungarian agricultural output and foods (vegetables, fruits, grains, meat and meat products, and so forth) play an important role in satisfying the import needs of the GDR, USSR, and CSSR.

Cooperation within CEMA has also promoted the good results achieved by Hungary in the field of agriculture. Production conditions both in cropping and in animal husbandry have been favorably influenced by the multilateral scientific and technical relations, the production specialization, and the exchange of experience which are carried out in many fields of agriculture.

The planning of the development of the mutual foreign trade of the CEMA countries for 1981-1985 has practically ended with the coordination of plans, and then the

conclusion of long-term trade agreements. At the present time, there are questions which require an urgent solution. And this is natural. It is important that we always approach these questions in the manner which was described in the report at the 26th Party Congress by the General Secretary of the CC CPSU Comrade Leonid Il'ich Brezhnev: "The problems which arise during the course of our cooperation are solved by us jointly, and we seek ways for the most correct combination of the interests of each of the fraternal countries and our common interests."

Foreign trade occupies a central place in the Sixth Five-Year Plan for the economic development of Hungary for the years 1981-1985. The chief task of our economic policy is an improvement of the national economic and, especially, the foreign economic balance of our country. The latter means not only balancing commodity turnover with the capitalist countries. As a consequence of a change in the proportions of the exchange, the balancing of Hungarian goods imports from the socialist countries demands growing exports of our goods. This is an extremely important task for Hungary.

On the basis of the coordination of plans with the CEMA countries for 1981-1985, the commodity turnover growth rates during this period will not exceed the indicators of the previous five-year period. During the course of the negotiations for an agreement on mutual goods deliveries, the Hungarian side made every effort to preserve the dynamics of commodity turnover growth rates in the future also. Taking our possibilities and the possibilities of the other CEMA countries into consideration, it can be said that the planned dynamics is realistic. At the present time, we regard the discovery of additional new possibilities for mutual deliveries as an important and permanent task.

Despite the slower growth rates, the cooperation which is carried out by Hungary with the CEMA countries and, first of all, with the Soviet Union in the field of foreign trade will continue to be of decisive importance for us. The CEMA countries' share in Hungary's commodity turnover comes to more than 50 percent, and in certain fields much more than that.

After the conclusion of the long-term agreements, the Hungarian side set itself the task during the preparation of the annual protocols on commodity turnover of finding additional possibilities for exports and imports with the help of which the amount of mutual deliveries can be increased. We are proceeding here from the following considerations:

an increase in imports from the socialist countries properly balanced by exports can have a positive influence on our country's economic development;

although the difficulties which have arisen as a result of a change in domestic and foreign economic conditions require the mobilization of substantial material resources from certain CEMA countries, we are convinced that these problems can be solved precisely by means of a further deepening of socialist economic cooperation, including an expansion of our foreign trade relations.

In the field of the commodity turnover which is planned between Hungary and the CEMA countries for 1981-1985, we assume that we will:

continue the production and commodity exchange which has already justified itself withing the framework of various specialization and cooperation agreements. We intend to raise both the number and the quality of these relations which are calculated for the long term;

devote especial attention to the tasks which have been placed upon us by the long-term special-purpose cooperation programs.

We think that there will not be any substantial changes in the macrostructure of Hungary's commodity turnover. We expect the most dynamic development both in exports and in imports in the chemical and machine building industries.

At the present time, what is important is for the CEMA member countries, during the course of their cooperation, to react in time to changes in foreign and domestic conditions. It is necessary to have a regular exchange of opinion on the problems which arise in the practice of cooperation in the field of foreign trade, and also the development of proposals aimed at solving them.

One of the important factors, in our view, is the work of the CEMA Permanent Commission on Foreign Trade which during the 25 years of its existence has solved a large number of complex and difficult problems.

The commission has provided assistance in the creation of such projects as the "Soyuz" Gas Pipeline, the Vinnitsa-Al'bertirsha electric transmission line, the Ust'-Ilimsk Cellulose Plant, the Kiyembayev Asbestos Mining Enriching Combine, and so forth.

In the future also Hungary intends to take active part in examining cooperation questions both within the framework of the CEMA Permanent Commission on Foreign Trade whose work we highly value and within the framework of other agencies of bilateral and multilateral cooperation.

In our opinion, it would be useful to undertake further joint efforts for the development of cooperation on the questions of:

a further development of the legal contract system;

a fuller guarantee of the fulfillment of contractual commitments, for example, with respect to operational planning and management and the development of norms aimed at increasing the responsibility of enterprises;

the development of forms of more flexible contacts between economic organizations;

an acceleration of international specialization, especially in the field of the production of spare parts and parts and units in order to ensure their uninterrupted supply;

assisting the development of multilateralness in mutual commodity turnover by means of increasing the role of the transferrable ruble.

During the preparations for the work on cooperation for the years 1981-1985, Hungary, like the other CEMA countries, strove to see to it that, in addition to the consideration of its own interests, its activities promoted a deepening of integration within the CEMA framework. We have confidence that the agreements which have been concluded will provide good service in further strengthening the economic and political might of the socialist countries.

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## ANSWERS TO QUESTIONS PERTAINING TO APPLICATION OF NEW ECONOMIC MECHANISM

Sofia IKONOMICHESKI ZHIVOT in Bulgarian 10, 17, 24 Feb, 3, 10 Mar 82

[10 Feb 82 p 3]

[Text] With this issue the editors of IKONOMICHESKI ZHIVOT begin to publish answers to questions raised on the application of the Regulation on the Economic Mechanism. The answers were prepared by the group in charge of interpreting and explaining the decree on improving the economic mechanism during the Eighth 5-Year Plan and the related documents.

1. Question: How to proceed if an enterprise must hire additional workers as a result of the installation of new capacities? Should a permission be sought, and if so from whom?

Answer: Starting with 1 January 1982, the economic organizations and enterprises will not have assigned personnel ceilings. This will enable them freely to hire the necessary additional workers, including in cases when this is required as a result of the installation of new production capacities.

In order for the economic organizations and enterprises to have the necessary wage fund, should the personnel be increased as a result of the installation of new capacities, the increased number of shifts, the increased production of goods in demand, etc., the Regulation on the Economic Mechanism stipulates the following: if the general income is increased as a result of the increased number of personnel, the basic wage fund can be increased by one percent for every percentage of increase of the general income rather than in accordance with the norm approved by the Council of Ministers. This privilege may be used only to the extent to which the general income has increased, agreed upon in advance with the authorities which have approved the state planned task of the economic organization. In the case of enterprises, this must be coordinated with the economic organization.

2. Question: Is the enterprise collective allowed to choose its own economic organization?

Answer: The inclusion of a given unit (enterprise or production-economic unit) within one economic organization or another is based on the law governing its establishment or the approval of its organizational-production structure.

Decisions on the reorganization of the unit, including its transfer from one economic organization to another, must be made by the organs listed in detail in Article 103, paragraph 1, of the Regulation on the Economic Mechanism. Suggestions regarding the reorganization may be submitted by ministers or leading organs of economic organizations. The regulation does not stipulate that such suggestions may be made by the units themselves. However, nor are such initiatives on their part specifically forbidden. This means that the collectives of the units can also submit suggestions on being transferred to other economic organizations if dictated by national economic interests.

3. Question: How will the wage fund be regulated if structural changes are made in the economic organization or the enterprise?

Answer: Article 4, paragraph 2 of Decree No 53 of the Council of Ministers, dated 31 December 1981, which ratified the Regulation on the Economic Mechanism, stipulates the possibility of the State Committee for planning and the Ministry of Finance, together with the respective sectorial ministry, to change the basic general income of economic organizations whose end economic results have been adversely affected by natural or other objective factors, including substantial changes in the structure of the economic organization or in its activities.

Such changes must be reported to the economic organizations together with the approval of their state planned assignments.

In such cases the economic organizations have the right to make changes in the basic general income of their enterprises and inform them of such changes when they receive their mandatory planned assignments.

4. Question: Can economic organizations differentiate among the individual enterprises in terms of the norm of the tax on balance sheet profits in accordance with profitability differences?

Answer: The economic organizations have no right to differentiate in terms of the tax norms issued by the Council of Ministers. Such norms are uniform and applied mandatorily to all enterprises.

5. Question: Can markups on the prices of "K" rated commodities be included in the balance sheet profit?

Answer: Price supplements for "K" rated goods are included in the revenue from goods marketed and are thus expressed in the balance sheet profit as well.

6. Question: Has the economic organization the right to issue its branches higher mandatory planned assignments compared with the planned assignments issued by the state?

Answer: The sum total of the mandatory planned assignments issued the branches cannot exceed the state planned assignments issued to the economic organization. This means that the economic organization has no right to develop a

reserve through the plan in terms of state profit assignments, foreign exchange revenue or goods marketed in terms of physical units. In terms of marketing assignments, the stipulation must be interpreted as follows: assuming that the economic organization has been issued mandatory marketing assignments on the basis of 1,000 units of a certain item, it cannot assign the production of a greater or lesser amount of goods. If the production of another 1,000 units becomes necessary, such output may be accepted by the respective enterprises on the basis of their counterplans. This means that their planned assignments have not been increased but that they have accepted to produce more items. In such cases, the economic organization must provide all the additionally required material and other resources and conditions within its competence.

As to the mandatory planned assignments on marketing goods for which the economic organization has not been issued state planned assignments, it can issue such instructions to its enterprises in accordance with their capacity and resources. The economic organization has the right to issue mandatory indicators and determine the types of goods to be produced not included in the national material balances but important in terms of intraeconomic production cooperation or other major reasons, etc.

7. Question: Can the funds included in the maximum amount of the wage fund, related to savings on materials, apply to production cost and do they have to be indicated in line 12 of the form on the formation and distribution of income?

Answer: The production cost must include the total amount of actually computed wages based on payment vouchers, including payments for the conservation of materials. Line 12 of the form indicates the share of the thus computed wages, consistent with the amount of goods marketed.

8. Question: How will the wage funds for activities financed out of the Expansion and Technical Improvements and Social and Cultural Measures funds be computed on the basis of the plan and reported plan fulfillments?

Answer: The size of the personnel and the amount of the wage fund for activities financed out of the Expansion and Technical Improvements and Social and Cultural Measures funds will be determined by the corresponding managements, depending on the specific requirements of the economic organization. Any increase in such funds, all other conditions being equal, however, will result in a reduction in the maximally possible wage fund which can be set aside in accordance with the income of the economic organization.

9. Question: How to determine the wage fund for subunits operating on the basis of their internal cost accounting and which do not draw up forms on the formation and distribution of income?

Answer: The wage fund of subunits which do not have forms on the formation and distribution of income may be computed in accordance with the stipulations of Article 227 of the Regulation on the Economic Mechanism, as pertaining to

brigades, or on the basis of any other suitable method accepted with the internal regulations governing the organization of the wage system.

10. Question: Can the withholding norm for the Expansion and Technical Improvements Fund be differentiated?

Answer: Withholdings for the Expansion and Technical Improvements Fund will be based on the balance sheet profit norm. This norm will be determined independently by the economic organization, depending on specific requirements. The minimum amount of withholdings cannot be lesser than four percent of the general income.

The norm governing the minimum amount of withholdings shall apply uniformly to all economic organizations and may not be differentiated.

11. Question: What is the basis for computing withholdings for the Managerial Expenditures Fund?

Answer: Withholdings for the Managerial Expenditures Fund shall be based on a ceiling approved by the respective minister and, in the case of enterprises, by the manager of the economic organization, on the suggestion of the collective management organ.

12. Question: Have the economic organizations the right to build housing facilities paid for out of their own funds?

Answer: Economic organizations and enterprises have the right to build their own housing facilities without restriction using the Social and Cultural Measures Fund, providing that they secured for themselves in accordance with the proper procedure the necessary construction materials, construction organization, building lots, etc.

13. Question: Why does the Regulation on the Economic Mechanism limit the use of the normative cost in the organization of internal cost effectiveness?

Answer: There are no restrictions on the application of the normative production cost. It will be used above all in terms of brigades and other production and economic units which do not have enterprise status, or which do not draw up documents on the formation and distribution of income.

[No 7, 17 Feb 82]

[Text] 14. Question: How will the amount of the tax on profits from purchasing, procurement and sales of secondary raw materials be computed?

Answer: The tax will amount to 40 percent of the balance sheet profit, same as trade and marketing-procurement activities.

15. Question: Council of Ministers Decree 53-0 of 31 December 1981 stipulates that profits from commercial and marketing-procurement activities shall be taxed 40 percent, while profit from other activities--55 percent. No tax will be

levied on profits from services to the population. What tax rate will apply in the case of economic organizations engaged in mixed activities?

Answer: If the economic organization is engaged in activities whose profits are taxed on the basis of different norms, the norm approved for each separate activity shall apply, providing that it is kept as a separate account. In cases in which this mandatory condition is not met, the tax shall be paid according to the tax rate for the main activity.

16. Question: In what cases will the effect of Article 20 of the now cancelled Regulation on the Organization of Wages be retained and in what cases will Article 199, paragraph 2, of the Regulation on the Economic Mechanism apply?

Answer: Article 199, paragraph 2, applies to all ministries and other departments which are using Section I of the Regulation on the Economic Mechanism and to all economic organizations and their branches using Section II of the same regulation. All other organizations and establishments shall apply Article 20 of the cancelled Regulation on the Organization of Wages. In terms of such organizations and establishments Directive No 16 of 1977 and Circular No O-3 of 1980 of the former Committee on Labor and Wages shall remain valid.

17. Question: What is the difference between the additional wage and the additional determination of a table of organization wage?

Answer: The additional wage (supplement) is an addition to the wage as defined in accordance with the Uniform Table of Organization rate.

In cases of additional determination of Table of Organization wages, the specific amount of the T/O wage of the corresponding individual shall be established by agreement, in accordance with the assessment of the collective management organ, regardless of the amount stipulated in the T/O for the respective position.

18. Question: Can a collective management organ determine the additional wage of a manager or specialist appointed by a superior organ?

Answer: The collective management organ may pass a resolution on the amount of the additional wage paid such an official and submit suggestions to the respective superior hiring organ. The superior organ cannot approve this wage without the agreement of the collective management organ.

19. Question: Article 36, paragraph 2 of the Regulation on the Economic Mechanism lists the state price organs without determining their rights in terms of approving prices of individual commodities and services.

Answer: The rights of the individual price organs will be determined by the Council of Ministers before 31 March 1982. The rights stipulated in Articles 38 through 54 of the revoked price regulation remain effective.

20. Question: How will production cost reductions based on the saving of material outlays in the case of non-comparable goods be computed? Will such

savings be computed on the basis of 100 leva's worth of commodity output or on the basis of another value measure?

Answer: Reduction in production costs in terms of determining the maximally possible wage fund will be computed only on the basis of the actual savings of direct material outlays per unit of output compared with the preceding year. This means that we are dealing with comparable goods only. Reductions based on 100 leva commodity output or any other value indicator will not be allowed.

[No 8, 24 Feb 82]

[Text] 21. Question: Until the end of 1981 the practice was to take over the reserves which had been developed by the working people in the formulation of counterplans and in the course of their implementation, by including them in the state plan assignments or by correcting the plans, amending base indicators, confiscating available funds, etc.

Does the Regulation on the Economic Mechanism provide for some guarantees against such actions, and how are they manifested?

Answer: The economic mechanism has created conditions for the consistent application of the new planning technology and makes the state and the counterplans entirely clear. The state plan of the economic organizations will include a minimum number of assignments based on a limited number of indicators, with a view to insuring the national balances and obligations of our country toward other countries. It is on the basis of these assignments that the economic organizations and labor collectives will formulate their own counterplans. The counterplan is an overall expanded program for production-economic activities, which not only guarantee the implementation of state planned assignments but offers additional possibilities of increasing production and upgrading its effectiveness. The mechanism provides for a number of new incentives aimed at increasing the interest of the labor collectives in the fullest possible utilization of the existing tremendous reserves and possibilities in our economy and drastically improving its effectiveness. Under such circumstances, the old practice of confiscating reserves discovered with the help of the counterplans and in the course of their implementation becomes incompatible with the tasks and objectives of the economic mechanism and will no longer be allowed. To this effect, the Regulation on the Economic Mechanism provides the following legal guarantees:

First, the state plan assignments of the economic organizations will be approved directly by the Council of Ministers which is the only one entitled to amend them.

Second, changes in the state plan assignments may be made only when production and marketing conditions have changed substantially and only twice annually: before 5 April and before 15 September. Any change must be discussed in advance with the economic council (management) of the economic organization.

Third, should state plan assignments be amended, under no pretext could the reserves established with the counterplans or in the course of their

implementation be confiscated. Any change which violates this stipulation will be considered invalid.

These stipulations also apply to relations between economic organizations and their enterprises. Furthermore, the economic organizations have no right to issue their enterprises higher assignments compared with those approved by the Council of Ministers. Should it become necessary for the enterprises to assume additional assignments for the production of individual items, they can do so by additions to their counterplan, after reaching a proper agreement with the management of the economic organization on procurements of additionally required resources and procurement conditions.

On the basis of such clear stipulations, any effort to confiscate the reserves of labor collectives by raising their mandatory assignments or by any other means shall be considered illegal and punishable in accordance with the country's laws.

22. Question: Does the economic organization have the right to confiscate and redistribute the cash funds of its enterprises?

Answer: The regulation on the economic mechanism limits the rights of economic organizations to confiscate and to redistribute enterprise cash funds. Henceforth, this right will apply only to investment funds. The assets of other funds and from earnings of individual enterprises cannot be confiscated and redistributed.

In the case of investment funds, centralizing possibilities may be reduced to the following: the economic organization may centralize enterprise funds as follows:

First, no more than 60 percent of withholdings for the Expansion and Technical Improvements Fund, based on the income formation and distribution system.

Second, no more than 80 percent of amortization withholdings.

Such assets shall be deposited in the Expansion and Technical Improvements Fund of the economic organization, from which it will finance its measures related to the implementation of the policy of developing its overall activities.

The specific amount of such centralized assets will be determined by the economic council with its counterplan. In passing such resolutions, the economic council must take into consideration the need for funds for the individual enterprises, with a view to insuring the fulfillment of their approved mandatory plans.

Enterprise investment funds cannot be centralized in excessive amounts, thus hindering enterprise work. On the contrary, the economic organization must add to the funds of its enterprises should it become necessary, so that they could carry out their assignments successfully.

The need to limit the possibilities of the economic organizations to centralize the enterprise funds is dictated by the requirement of applying the stipulations of self-financing to enterprises as well. Nevertheless, the economic organizations have been given adequate opportunities to acquire funds for financing their programs for the overall improvement and development of production and economic activities.

We must point out that in this case again the available assets of the Expansion and Technical Improvements Fund of the enterprises may be used by the economic organs but only temporarily and as a loan. This is allowed only with the permission of the enterprises, on the basis of agreements reached by the economic organization and by decision of the economic council.

23. Question: In the case that an economic organization has adequate assets in its Expansion and Technical Improvements Fund, meeting the norm for working capital, must it mandatorily use bank loans?

Answer: It must not. Bank loans may be a source of necessary working capital only when the economic organization is short of funds.

24. Question: How will the additionally acquired wage fund be distributed after the implementation of the counterplan--monthly, quarterly, or at the end of the year?

Answer: The resulting-residual wage fund will be distributed monthly on a cumulative basis, starting with the beginning of the year, for current wages, additional bonuses, additional wages, bonuses based on annual production and economic results and wage reserves. The funds set aside for current wages will be based on the work done by the personnel in terms of quantity, quality and other requirements and established wage rates and, in the case of the administrative personnel, on the basis of a percentage of the overall profit. If there is a wage fund balance, after deducting funds for current wages, will be distributed for other purposes based on norms or ceilings stipulated in advance with the counterplan. No less than one percent of the total amount of the result-residual wage fund may be set aside as wage reserve. The wage fund amounts owed the individual brigades will be distributed among their members in accordance with methods adopted at the general brigade meeting on assessing individual contributions.

These circumstances make it clear that the wage fund earned by the individual brigades will be distributed in its entirety on a monthly or quarterly basis (depending on whether or not final payments are made monthly or quarterly); at the end of the year bonuses based on annual production and economic results may be given, provided that funds have been set aside for this purpose.

25. Question: Is it possible in a shop in which the regular wage of the shop chief is 200 leva monthly to pay additional wages to individual specialists in excess of this amount, providing that in accordance with the Uniform Table of Organization rate they may not earn more than 195 leva per month? Is there a stipulation according to which the wage of an individual may be determined on a one-to-one basis only if that individual earned that kind of a wage before?

Answer: The Regulation on the Economic Mechanism calls for individual wages of some managers and specialists with proven high capabilities and skills to be determined on an individual basis, regardless of the stipulations of the Uniform Table of Organization. This means that the individually determined wage may be higher than the one stipulated in the Uniform Table of Organization. No restrictions are contemplated in the individual determination of wages. The size of the wage will depend exclusively on the evaluation of the corresponding collective management organ and the trade union committee and the amount of available funds.

Individual wages may be paid providing that the official meets the necessary quality requirements, regardless of whether or not similar wages have been paid to the individual previously.

We must point out that the possibility of paying individually stipulated wages must be used cautiously and apply mainly to highly skilled specialists who clearly stand out in terms of their qualities and capabilities as well as contributions to results.

Individual wages are a method for the development of cadres with the help of higher salaries for proper reasons, without promotions.

26. Question: When do economic committees and economic councils act as collective management organs?

Answer: According to the laws effective until the end of 1981, the economic committee was the collective management organ of a subunit of an economic organization. The economic council played the role of such an organ in the economic organization. Starting with 1 January 1982, the economic council will be the collective management organ of economic organizations and their enterprises. On an exceptional basis, other production-economic units, such as individual production facilities, large shops, branch farms, etc., may elect economic councils by decision of the general assembly of workers and employees.

27. Question: Does the economic council or the general meeting of workers and employees of the enterprise have the right to invalidate decisions passed at the general brigade meeting on the distribution of wage funds?

Answer: The general brigade meeting is the only organ which can adopt internal regulations governing the distribution of the earned wage fund among its individual members and approve the actual distribution of the funds. The decisions of the brigade are not subject to ratification and can neither be invalidated nor changed by the collective management organs of the enterprise.

28. Question: Can personalized wages be paid also in the case of wage fund over expenditures?

Answer: The personally stipulated wages are not guaranteed. They can be paid within the limits of the wage funds earned by the administrative apparatus. This means that should such funds be insufficient, the personal salaries shall

be reduced in accordance with existing possibilities, without a guaranteed minimum, as is the case of wages based on the Uniform Table of Organization.

29. Question: Are deputy chief directors and directors of blocks automatically members of the economic council or are they to be elected in accordance with stipulated procedures?

Answer: The economic councils include by right only the heads of economic organizations and enterprises (general directors or chief directors of economic organizations, enterprise directors, etc.). All other members of the economic council must be mandatorily elected. Deputy directors and other executives who are not elected members of the economic council may participate in its work in an advisory capacity. (To be followed.)

[3 Mar 82 p 3]

[Text] Aspects of the Economic Mechanism

The airing of one more cycle is about to begin in a series of broadcasts on Bulgarian television about the new economic approach and the improved economic mechanism introduced since the beginning of this year. Under the title of "Aspects of the Economic Mechanism," 12 specialized educational broadcasts will be shown on the first program at 1250 hours in the following sequence: for economic executives on 2 and 3 March; for accounting personnel on 4, 9 and 10 March; for planners on 11 and 16 March; for brigade leaders on 17, 18, 23 and 24 March; for collective administrative bodies on 25 March.

Television viewers and especially those for whom the broadcasts are intended can watch the series on "Aspects of the Economic Mechanism," in which, in addition to the theoretical introduction, useful advice is given regarding the practical application of the fundamental principles of the mechanism.

Question 30: In what cases may economic organizations transfer monies from the Wage Fund to the Social Welfare and Cultural Measures Fund?

Answer: Economic organizations may transfer moneys from the Wage Fund due them to the Social Welfare and Cultural Measures Fund, including monies from transient balances, both before and after regulation of the increase of the average gross wage, but on condition that they observe the limitation of article 180, paragraph 3, subparagraph 2 of the Regulations on the Economic Mechanism, according to which the percentage increase in the monies actually deducted for the Social Welfare and Cultural Measures Fund per person, as compared with the preceding year, may not exceed the increase of the average gross wage after regulation thereof.

Question 31: May economic organizations in their counterplan anticipate the deduction of monies for their funds in an amount less than the minimum approved normatives?

Answer: No, they may not. Economic organizations in their counterplan must, in addition to meeting their approved state planned target, guarantee their own complete self-support, including the income necessary for the expansion and improvement of production and for the social development of the labor collectives. According to article 183 of the Regulations on the Economic Mechanism, economic organizations may do this by accounting procedure only when the economic organization's income according to the flow chart does not suffice for the maximum possible Wage Fund deduction. In this case the available monies are allotted proportionally to the several funds subject to observance of the ratio between them specified in the planned flow chart, while, by decision of the economic council, monies do not have to be deducted for the Economic Risk Fund.

Question 32: In what cases must economic combines draw up an income formation and distribution chart for the basic enterprise?

Answer: Economic combines with enterprises must draw up, in addition to an overall chart, an individual chart for the basic enterprise. Economic combines without enterprises compile a single chart, showing the basic unit's results inclusively on each line of the chart.

Question 33: In determining the bases for the participation of executive personnel and key specialists, may other indicators than those in article 196, paragraph 2, of the Regulations on the Economic Mechanism be used?

Answer: According to article 196, paragraph 2, of the Regulations on the Economic Mechanism, the bases for the participation of executive personnel and key specialists must be determined according to the fulfillment of the state planned target for aggregate profit and foreign-exchange receipts. In keeping with the specific character of the work concretely performed by executive personnel and key specialists, other indicators may also be used in determining their bases for participation.

Question 34: Within what period of time (month or quarter) must the individual wages of office workers included in brigade membership be determined and paid?

Answer: The individual wages of office workers included in brigade membership must be determined and paid by the month, just as for manual workers.

Question 35: Do the edicts of article 7 of Council of Ministers' decree No. 32/1980 regarding the personal material liability of executive personnel at all levels of administration for exceeding the limits (normatives) for administrative and managerial personnel remain in force?

Answer: Article 7 of Council of Ministers' decree No. 32/1980 lays down, with effect from 1 September 1980, that executives, chief accountants and other officials responsible for the observance of table-of-organization discipline shall be

penalized by a 10-percent reduction of individual gross wage (excluding allowances under the Labor Code) for every percentage point of overrun beyond the limit (normative) for administrative and managerial personnel strength. This edict is expressly not rescinded by Council of Ministers' decree No. 53/1981 and must be enforced in the future as well for all levels of administration. An overrun of administrative and managerial personnel strength is to be established as follows: for ministries, by comparison with the limit approved by the Council of Ministers; for the central administrations of economic organizations, by comparison with the limit approved by the relevant sectorial ministry, with the sum total of limits for all economic organizations not to exceed the sum total of limits approved for them as of 31 December 1978; for units of economic organizations, by comparison with the normative for administrative and managerial personnel's share of total personnel strength as of 31 December 1978.

Question 36: Within what time limits must one contract to hand over (deliver) goods for export?

Answer: According to article 17 of the General Conditions for Export Commodity Contracting, the due dates for the handing over (delivery) of goods are fixed by the contracts. Unless the contracts stipulate other due dates, goods are handed over (delivered) evenly by the month or quarter, but not later than the 25th of the last month of the quarter. Contracts may, therefore, fix other due dates, earlier or later than the 25th of the last month of the quarter.

Question 37: May economic organizations and enterprises pay out awards from the Social Welfare and Cultural Measures Fund to manual and office workers for long years of service and the rounding out of anniversaries in the sense of article 172, paragraph 3, of the Regulations on the Economic Mechanism? If they may, are there any limitations because of the sector to which the enterprise belongs?

Answer: In the sense of article 172, paragraph 3, of the Regulations on the Economic Mechanism, awards may be given not only for long years of service, but also for the rounding out of anniversaries regardless of the sector to which the enterprise belongs.

Question 38: Is there any difference in the meaning (scope) between the terms "'zaraboten' fond" and "fond 'rabotna zaplata'" for the concept of Wage Fund in article 190, paragraph 2, and article 196 of the Regulations on the Economic Mechanism?

Answer: No, there is none. In both article 190, paragraph 2, and in article 196 of the Regulations on the Economic Mechanism, what is meant is part of the resultant residual Wage Fund on the Current Labor Remuneration account, within the limits of which the individual wages of manual and office workers are determined.

Question 39: What Wage Fund from the preceding year is to be shown on line 9 of questionnaire 1 for the income formation and distribution chart of economic organizations and enterprises in determining the maximum possible Wage Fund?

Answer: In keeping with the new economic mechanism, the amount of the maximum possible Wage Fund is determined on the basis of defrayal of the growth in the volume of

the Wage Fund by the growth achieved in total income over the previous year. Since the specific amount of monies for wages (the 1981 resultant residual Wage Fund) corresponds to the volume of the total income realized during the previous year, this is the Wage Fund that must be shown on line 9 of questionnaire D for the income formation and distribution chart. In cases where more monies were paid out last year than were in the resultant residual Wage Fund, i.e., there was a deficiency that was covered from various sources, only that portion of the deficiency that was covered from the organization's own Reserve Fund is to be included in the questionnaire.

Question 40: May sectorial ministries with sectorial decisions for the organization of wages fix limits on the growth of the annual wage of economic organizations?

Answer: No, they may not. The growth of wages is determined by the economic organizations themselves in accordance with the results achieved with the counterplan or by actual accounting. The amount of the increase is fixed by normatives approved by the Council of Ministers. In keeping with article 11, subparagraph 3, of the Regulations on the Economic Mechanism, sectorial ministries, in coordination with the central committee of the trade union in question, approve regulations for model (type) decisions for the organization of wages, the brigade organization of labor, internal profit and loss accounting etc., which have the character of recommendations to the economic organizations. On the basis of these, the economic organizations establish their respective internal regulations.

Question 41: On the basis of what Wage Fund must economic organizations and enterprises formulate their labor plans?

Answer: Economic organizations and enterprises must formulate their labor plans on the basis of the resultant residual Wage Fund, determined by them according to the income formation and distribution chart during the compilation of the counterplan.

Question 42: Has the Ordinance on Engineering and Applications Organizations, passed in Council of Ministers' decree No. 12/1980, been rescinded?

Answer: No, it has not. The Ordinance on Engineering and Applications Organizations is enforced at present as approved. Since some economic-mechanism questions, involving evaluation of the activity of engineering and applications organizations on the basis of the economic effect realized and of the time limits for recoupment and achievement by their projects of the foremost Bulgarian and world technical and economic indicators and criteria, have been expressly redecided by the Regulations on the Economic Mechanism, some amendments and additions to the Ordinance on Engineering and Applications Organizations that are going to be adopted by the Council of Ministers are being prepared at the moment.

Question 43: Can the income formation and distribution chart be compiled quarterly?

Answer: Article 178 of the Regulations on the Economic Mechanism clearly specifies that the income formation and distribution chart is drawn up every month, with

accumulation from the beginning of the year. This requirement applies to economic organizations of all sectors and activities, including those which drew up quarterly charts last year.

Question 44: According to article 227, paragraph 2, the monies for wages owing for the quantity and quality of work performed by the brigade are increased or decreased by part of the reduction or overexpenditure of raw and other materials as compared with the established normative production cost. Normative production cost is figures as an annual average. This means that expenditure norms will always be larger than the normative production cost at the beginning of the year. Does the brigade have to be docked for this overexpenditure?

Answer: Article 223 of the Regulations on the Economic Mechanism stipulates that the brigade's annual planned target is to be concretized month by month by means of normed planned targets. It is assumed that normed planned targets will be established for shorter periods in keeping with specifics and with concrete conditions and, where necessary, that production schedules, specific output requirements and other binding conditions will be established.

As a result, the provision of resources for the brigade to meet its target must be determined specifically for every month or shorter period on the basis of the effective (derived from updated technical and construction documentation) norms and standards for machinery and equipment utilization, for inputs of labor, raw and other materials, for waste, manufacturing rejects etc. Consequently, the monies for wages, due for the quantity and quality of work performed by the brigade at established comprehensive piece rates, can be increased or decreased by a part of the reduction or overexpenditure of raw and other materials, fuels and energy as compared with specifically determined normative expenditures for meeting the brigade's targets for the month or shorter period in question.

To be continued.

[10 Mar 82 p 3]

[Text] Question 45: According to article 167, paragraph 1, economic organizations themselves determine their working-capital standards. Will a methodology be given or will working capital be determined according to the economic organization's own view?

Answer: The right of economic organizations to determine working-capital standards themselves is a sign of the further extension of the democratic spirit in the administration of the economy. It enables the economic organizations themselves, on the basis of the method and concrete conditions of production and deliveries, to estimate the optimum amount of assets in the form of physical commodities and working capital that they need in order to assure an even flow of the production process, suply and sales. The correct establishment of standards for working capital as a whole and by individual elements is of exceptionally great importance for the efficient utilization of their own and of credit financial resources. That is why the right to determine them does not mean that this is done arbitrarily. The methodology for this purpose is given in Ordinance No. 12 on the Setting of Working Capital Standards of the Ministry of Finance, the former Ministry of Supply and

State Reserves and the Bulgarian National Bank. The ordinance was published in DV [State Gazette] No. 33/1976 and is still in use now. Independent determination of the working-capital standard does not mean, however, that economic organizations thereby predetermine the extent of the bank's participation with credits or formation of their working capital. The practical participation of credit in the creation of working capital is arranged jointly with the banks on a contractual basis.

Question 46: Can economic organizations' approved state planned targets, including export targets, be increased? By whom and when?

Answer: In principle, the state planned targets of economic organizations, including export targets, can be changed only by the body that approved them. According to the Regulations on the Economic Mechanism, the state planned targets of all centrally subordinated economic organizations are approved directly by the Council of Ministers, and those of locally subordinated economic organizations by the executive committees of people's councils. An exception to this rule is provided only for economic organizations in certain specific sectors such as power supply, communications, international tourism and agriculture. The departments that run these sectors (Ministry of Power Supply, Ministry of Communications, State Tourism Committee and the National Agroindustrial Union), in addition to their functions as governmental bodies, exercise certain rights and duties specified by part II of the Regulations on the Economic Mechanism, including the right to assign, by economic organizations, the state planned targets approved by the Council of Ministers for their system as a whole.

The annual state planned targets of economic organizations can be changed by the bodies that approved them not more than twice a year, not later than 10 April and 20 September. In making changes, the conditions and requirements stipulated by Council of Ministers' decree No. 4/1981 must be observed, according to which the proposal must be discussed beforehand with the collective body of the economic organization, the changes must be made as a package etc. In the event of changes in annual state planned targets, the confiscation of reserves discovered by the economic organization is not permitted on any pretext whatever.

Mandatory planned targets of enterprises and other units are approved and changed by the collective administrative body of the economic organization--the economic council, subject to orservance of the time limits and requirements set for the economic organizations. Moreover, the sum total of approved mandatory planned targets of units must not exceed the number of approved state planned targets of the economic organization, including export targets. In the event of a change in the mandatory planned targets of enterprises and other production units, the regulations also expressly forbid the confiscation of reserves discovered by the labor collectives.

Question 47: When there is a failure to fulfill the foreign-exchange and physical-export plan, for which case of nonfulfillment are penalties applied--the foreign-exchange plan or the physical plan?

Answer: According to the Regulations on the Economic Mechanism, a state planned export target of economic organizations is established with reference to the indicator "Foreign-exchange receipts by directions."

Whenever the economic organization fails to fulfill the state planned target for foreign-exchange receipts in a second direction, it pays the budget a penalty of 0.50 lev for every foreign-exchange lev of nonfulfillment. Nonfulfillment of the state planned export target affects the size of the individual wages of executive personnel and key specialists. According to paragraph 2 of article 197 of the regulations, the bases for participation of these persons are determined according to the fulfillment of the state planned target not only for aggregate profit, but also for foreign-exchange receipts. As for exports of output in kind, mandatory targets in respect of this indicator are established only in cases where this results from commitments assumed by the state towards other countries by virtue of treaties, agreements, trade protocols etc concluded with them. For these targets economic organizations are obliged to enter into contracts with their counterpart foreign-trade organizations and bear the liabilities specified therein and in the Ordinance on Contracts between Socialist Organizations.

Question 48: How will the provision be applied that receipts from sales must be generated on the basis of contracts concluded with consumers except in cases where output is sold through an economic organization's own retail trade network or through employment of a commercial form of supply without a preliminary order? Profits from sales made in violation of this edict are regarded as illegally gained and are to be paid into the budget (article 166, paragraph 5, of the Regulations on the Economic Mechanism).

Answer: Under the conditions of the new economic mechanism, the role of contracts is intensified because only through contracts is it possible to synchronize and concretize the relations between economic organizations. Contracts will more and more become a basic tool for balanced hedging of the counterplan and will reduce cases where enterprises have grounds to complain to planning bodies that their plan is unhedged. Heretofore there have been complaints many times that on various pretexts the suppliers concerned refuse to conclude contracts for a delivery. They agree in principle to accept an order, but they do not want to enter into a contract that will bind them legally and economically. In practice, however, there is no guarantee for the consumer that the supplier will not violate his oral promise, and the principal of economic responsibility cannot be implemented. In order to counteract this negative phenomenon, the new rule has been introduced in article 166, paragraph 5, of the Regulations on the Economic Mechanism. The requirement of mandatory contracting applies to the entire targeted output that is included in the counterplan. This creates economic compulsion on suppliers to conclude supply contracts. An exception is made only for output which is sold through the economic organization's own retail trade network by the producer to the population, or for output for which the commercial form of supply without a preliminary order is used. Under the commercial form of supply the conclusion of a contract is not required. The materials which will be supplied on a commercial basis are determined in advance and all consumers are advised. Deliveries are made on demand or at times specified before han, and in the event of nonfulfillment the supplier pays a specified penalty. (These questions are regulated by the General Conditions for the Delivery of Materials and Subcontracted Products.)

Nor do contracts have to be made in the case of one-time orders for small deliveries or services which are not of a planned character. In these cases the consumer's written request or order alone suffices and, if accepted by the supplier,

has the force of a formal contract, for the nonperformance of which action can be brought on general grounds.

Detailed instructions are forthcoming from the Ministry of Finance regarding cases in which the profit from sales of output not contracted for in advance do not have to be paid into the budget.

Question 49: What do brigades of the new type offer to industry? In what respect do they differ from the brigades heretofore employed in practice?

Answer: The brigade organization of labor is an objective necessity in the administration of production under socialism. This results from intensification of the collective character of labor under the influence of scientific and technical progress, from an increase in the purview of labor, from a stepping up of the social activity of working people etc.

On the other hand, the changes that have taken place in the character of production make new demands on the forms and methods of managing socialist property and direct participation by the working people in the administration of production.

The main goal of the brigade organization of labor is to raise the efficiency of production activity on the basis of collective incentives and liabilities for the rational utilization of the individual elements of the production process.

The brigade is the primary production, economic and social unit in the enterprise and the economic organization. In fact, the unfolding of labor initiative and creativity begins and discipline and self-discipline are shaped within the framework of the brigade. The brigade is the basic unit in which an attitude of stewardship towards socialist property and socialist conseientiousness in labor, a sense of comradeship and mutual assistance are formed.

To meet these basic demands, the new type of brigade must be set up with observance of the following mandatory conditions:

First, the brigade must comprise a complete production and technical process in the manufacture of a final product or a completed portion thereof (set of parts, assemblies etc. or an individual phase of a unified manufacturing process, zone of services etc).

Second, the brigade must be allowed to manage directly the machinery, equipment and other elements of the production facilities necessary for the accomplishment of the production tasks assigned to it.

Third, the brigade must perform jointly (collectively) a single production task on the basis of a common material interest in and responsibility for the achieved results.

Fourth, the brigade's activity must be organized on an economic basis by virtue of its establishment on the principles of internal profit and loss accounting with consistent application of the principles of self-support, material incentive and material liability. Brigades of the new type must be set up on the basis of a plan

worked out in advance that is a component part of a plan for the improvement of the socialist organization of labor in the enterprise or economic organization, in conformity with the specific character of the individual production activities. The difference between brigades of the new type and the form of brigade organization hitherto employed is great. The former brigades in most cases were set up on the basis of a breakdown of the unified production process by workpiece or operation, without taking into account the necessity of collective performance of the tasks. The working people in these brigades usually worked on individual tasks, with everybody performing only his own part of the job and actually bearing no responsibility for the final result of the brigade's activity. There were very few brigades that operated on internal profit and loss accounting, and whenever there was one such, in rare cases was production cost used as a generalizing qualitative indicator.

Question 50: How will economic organizations and enterprises that operate at a planned loss determine the amount of deductions for their monetary funds?

Answer: Economic organizations and enterprises for which a planned loss instead of a state planned profit target has been approved will deduct monies for their Expansion and Technical Improvement and their Social Welfare and Cultural Measures monetary funds as a normative of total income instead of balance-sheet profit. Notwithstanding, the minimum mandatory deductions specified by the Regulations on the Economic Mechanism for these funds must be adhered to in determining the planned normatives of the counterplan.

No deductions are made for the Economic Risk Fund in case of a planned loss with state planned targets.

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## ADDITIONAL ANSWERS TO QUESTIONS ON APPLICATION OF ECONOMIC SYSTEM

Sofia IKONOMICHESKI ZHIVOT in Bulgarian 17 Mar 82 p 3

[Unattributed serialized article: "Answers to Questions on the Application of the Regulation Governing the Economic Mechanism"]

[Text] 51. Question: Requests have been received from the leadership of certain enterprises and economic organizations on how the final payment will be made for labor remuneration in 1981 on the basis of the year's results?

Answer: On the issue of these requests, we would explain that the competent bodies have issued the following instructions to the economic organizations and their divisions as well as to the banking offices:

In the first place. The final payment for unpaid labor remuneration in 1981 will be carried out with the strictest observance of the requirements of the economic mechanism.

Secondly. In the aim of ensuring the necessary control over the observance of the economic mechanism the banks are to receive the necessary authentic data signed by the leadership of the economic organization or, respectively, the division and the chief bookkeeper. The submitted documents are to be based on the data of the annual inventory of material stocks and also the completed annual reports and bookkeeping balances.

Thirdly. The servicing banks are to make the strictest verification of the submitted data and are to permit the withdrawal of money for the 1981 labor remuneration only in accord with the requirements of the economic mechanism.

Fourthly. In verifying the report and other documents submitted to the bank, particular attention is to be paid to the following:

a) The reliability of the material expenditures and the amount of the material working capital;

b) The reliability of the number of personnel and the labor expenditures;

c) The correct compiling of the schemes for the formation and distribution of income and the information for them;

d) The strictest observance of the relationship established by the mechanism between the growth of social labor productivity and the growth of average wages.

Fifthly. When, after a complete verification of the report and other data and documents it is stated that the corresponding economic organizations and divisions have made violations of the requirements found in the economic mechanism, the banks are to allow the withdrawal of money for labor remuneration in 1981 only in the amount corresponding to the mechanism.

Sixthly. For the brigades, divisions and other groups operating on internal cost accounting, labor remuneration is to be paid in accord with the documented results of their work according to the general requirements of the economic mechanism and the internal rules, regardless of whether the enterprise or organization as a whole has a shortage of money in the residual-result wage fund.

52. Question: How will a brigade be paid and from what wage fund when wages are held up not due to its fault?

Answer: The organization of brigade cost accounting is carried out on a basis of the rules adopted by the collective management body of the economic organization or division according to the specific features and concrete conditions of the work. In addition to the questions related to norming expenditures for the activities of the brigade, the formation of the wage fund, cost accounting liability of the brigades, the procedure and methods for calculating and assessing the results of brigade activities, the rules without fail also settle the question of submitting and resolving questions relating to internal claims. The basis for the resolving of disputes arising over internal claims both between the individual brigades as well as between the brigades and the leadership of the economic organizations or divisions is the approved compulsory plan quotas, the production schedules and other obligatory conditions and requirements on the basis of which internal contracts can be signed between the individual brigades to concretize their reciprocal obligations and responsibilities. For regulating the relationships between the brigades and the leadership of the economic organization or division, coordinating-plan agreements or organizational management contracts are concluded and these clarify their reciprocal obligations and responsibilities.

In instances when the given brigade is forced to stop work due to the fault of another brigade or due to the fault of the leadership of the economic organization or division, the members of this brigade during the time of the stoppage are to be paid at least 90 percent of the rated (regular) wage according to Point 1 of the Ordinance Governing Labor Remuneration with Work Stoppages, Substitution, Combining of Employment and So Forth. In this instance the necessary funds are provided from the wage fund owed to the brigade to blame or from the resulting wage fund of the economic organization or division, with the guilty parties being held responsible without fail since this was not taken into consideration in determining their individual wages. For the members of the brigade the reduction in wages in these instances is carried out within the amounts stipulated in Article 95 of the Labor Code but not more than two-thirds of the monthly rated (regular) wage while for the leadership and specialists from the management of the economic organization or division this is done without a guaranteed minimum within the amount of the residual result wage fund.

53. Question: What bonuses are to be included in the maximum amount set by Article 200, Paragraph 2 of the Regulation Governing the Economic Mechanism?

Answer: According to Article 200, Paragraph 2 of the Regulation Governing the Economic Mechanism, the maximum amount of bonuses which can be paid to a worker or white collar personnel annually for carrying out important production and economic tasks cannot exceed the quarterly rated (regular) wages of a person, regardless of bonuses from other sources. In this instance it is a question only of the bonuses which are paid from the residual resulting wage fund and the account "Personal Bonuses for Carrying Out Important Tasks."

According to Article 200, Paragraph 2 of the Regulation Governing the Economic Mechanism, the maximum amount of bonuses is not to include bonuses paid from money put in the wage fund for a reduction in costs in terms of the direct material expenditures per unit of product in comparison with the previous year, bonuses paid from the available money in the fund for "Encouraging Technical Progress for Introducing New and Improved Production Methods and Products" and other similar ones.

54. Question: If the balance of the wage fund according to the scheme for the formation and distribution of income is greater than the maximum possible amount and the individual production units are directly responsible for this, what would be the additional incentive for them and how would this be determined? Conversely, if the balance is smaller but the corresponding production units have achieved the planned efficiency, how would this shortage reflect on them?

Answer: The deductions for the wage fund when there is sufficient income are made according to the maximum possible amount. A residual amount, when there is such, is allocated among the funds for "Economic Risk" and "Expansion and Technical Improvement" according to the rates adopted in the counterplan.

The money for the wages of the shops, sections, brigades and others are determined on the basis of the quantity and quality of the work completed and the efficient use of the provided resources, regardless of whether there is sufficient money or not in the wage fund of the economic organization or enterprise.

55. Question: Would not a more correct base for calculating the maximum possible wage fund be the wage fund of the previous year obtained as the product of average actual wages and the planned number of workers?

Answer: According to the Regulation for the Economic Mechanism, the maximum possible amount of the wage fund is set depending upon the actual increase or reduction in total income in comparison with the previous year. The amount of the wage fund for 1981 is set on the basis of the actual deductions made after adjusting the increase in income for consumption (line 40 of Scheme No 1 and line 32 of Scheme No 2). If in 1981 money from the reserve fund had been used to cover a shortage of wage money, this increases the money actually deducted according to the scheme. The total of the thus established wage fund cannot exceed the actual deductions for the reserve fund and for the wage fund according to the scheme for 1981. With this mechanism for determining the maximum possible amount of the wage fund, as we can see, the number of personnel and the reported average wage are not involved and because of this the proposal is inacceptable.

56. Question: Who will determine and by what mechanism what the divisions are to be in the existing economic organizations according to Article 101, Paragraph 1 of the Regulation Governing the Economic Mechanism?

Answer: According to the old Regulation Governing the Organization of Economic Activities, the internal structural elements of an economic organization differed in terms of their status and were of two types--divisions and units. At present, the concept of a division is used as a generic concept. This is the name given to all the structural units of an economic organization. A division can be both a large plant which is part of an economic organization as well as a shop. The divisions, as has been explained in the Regulation Governing the Economic Mechanism, can be of two types: enterprise divisions and divisions which are production-economic units.

The new feature is that the enterprise division, without being a separate economic organization, has a status which to a maximum degree is equal that of an economic organization. It is a separate legal entity, it has an independent balance sheet and bank accounts, it can conclude contracts without restriction and can enter into various types of economic and other relationships in carrying out its activities.

The enterprise division makes up a scheme following the same rules as an economic organization. The divisions which are production and economic units can draw up an independent balance sheet and participate in arbitration and other processes only on behalf of the economic organization if they are authorized to do this.

As of 1 January 1982, the divisions of the economic organizations following the criteria set down in the Regulation Governing the Economic Mechanism fall into the group of enterprises or into the group of production and economic units and it is not necessary to have a special document which defines this.

If it is necessary to alter the status of the individual divisions of economic organizations, this can be done according to the procedure outlined in Article 103 of the Regulation Governing the Economic Mechanism.

57. Question: According to Point 166 of Paragraph 5, the income from sales must be formed on the basis of the concluded contracts. In this instance are letters of authorization valid or must contracts be concluded for small orders?

Will the provisions of Article 166, Paragraph 5 be applied when work and services are carried out in the production and economic units of an economic organization but contracts are not concluded between them?

Answer: According to the requirements of Article 166, Paragraph 5, the profits from sales which have not arisen on the basis of the concluded contracts is considered as invalidly gained and is to be turned over to the budget. This provision is aimed against instances which have recently appeared when economic organizations and enterprises that have a monopoly of the domestic market refuse to conclude contracts. In so doing these economic organizations endeavor to avoid contractual penalties in the event that the contracts are not fulfilled.

Contracts are the basic instrument for the balancing and guaranteeing the feasibility of the counterplan and for synchronizing production and economic ties. For products envisaged in the state plan quotas, the concluding of contracts is compulsory for the two parties, the producer and the consumer. The same applies to products which are part of a counterplan and for which there must be a specific consumer, except for instances when the product is offered through an internal retail trade network or by employing the commercial form of supply without a preliminary order.

When during the year there are letters of authorization for individual unplanned orders and an affirmative reply has been given for accepting them, then an individual economic contract may not be concluded as in essence the acceptance of the order means the concluding of a contract. For this reason in such cases it is not essential to apply the penalties on profits as envisaged in Paragraph 5 of Article 166.

The contracts or planning coordination agreements must be concluded by and between the production and economic units of an economic organization, including the brigades. The economic organizations with the rights of an organization with internal cost accounting can also establish a different procedure in comparison with that provided in the Ordinance Governing Contracts Between Socialist Organizations. This procedure establishes the reciprocal obligations and responsibilities between the internal production and economic units. Such a procedure must be kept in mind in applying Paragraph 5 of Article 166. [To be continued.]

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ANSWERS TO QUESTIONS CONCERNING APPLICATION OF NEW ECONOMIC MECHANISM

Sofia IKONOMICHESKI ZHIVOT in Bulgarian 21 Mar 82 p 3

[Serialized article, continued in 24 March 1982 issue]

[Text] Question 58: Can article 183 of the Regulations on the Economic Mechanism be applied by the enterprises?

Answer: Article 183 of the Regulations on the Economic Mechanism applies to cases where, according to the report, the economic organization's income as per the flow chart does not suffice for a Wage Fund deduction in the maximum possible amount. In this case it is stipulated that available monies shall be distributed proportionally over the individual funds, subject to observance of the ratio between them stipulated in the planning chart.

This edict is valid for enterprises as well since in conformity with article 214, paragraph 1 of the regulations they draw up their income formation and distribution charts according to the procedure and conditions established for economic organizations.

Question 59: We are setting up a fruit and vegetable processing enterprise in the city of Tutrakan under Drustur, Silistra, with bank credit through a highly efficient loan. Production personnel have been appointed to participate in installing the equipment so as to familiarize themselves with the specific machinery. What forms of additional incentives should be incorporated in the planning procedure in order to raise their personal material interest in getting the project started up ahead of schedule?

Answer: The Regulations on the Economic Mechanism envisage two cases of material incentive for prescheduled delivery of a project.

First case: When at the request of the investor the chief performer agrees to execute the project in periods of time shorter than the standards established for the duration of construction, the parties may, in conformity with article 244, paragraph 1, negotiate an addition to the estimated cost of the project. Monies received for the prescheduled completion of a project are entered directly in an earmarked account in the Wage Fund without being reflected on the income formation and distribution chart. Additional monies for incentives are paid within the limits of the general estimate of the project.

Second case: Whenever, within the limits of the standards established for the duration of construction, a project is put into operation before the contracted due date, the investor, in accordance with article 251, pays the performer an additional 3 percent of the estimated cost of the SMR [construction and installation work] for projects with a production purpose, and for especially important projects in accordance with a list approved by the Council of Ministers. For all other projects the amount of the additional payment is determined by the project building contract in an amount up to 3 percent of the estimated cost of SMR, but not less than 1.5 percent. In addition, the investor pays the performer up to 50 percent of the normative profit for the period by which the project building time is shortened, but not more than 0.5 percent of the estimated cost of SMR for every month by which standard completion time is shortened. Additional monies for incentives, according to article 251 of the regulations, are paid out from the RTU [Development and Technical Improvements] Fund of the investor. And these monies are disbursed outside the income formation and distribution chart, being referred directly to an earmarked account of the Wage Fund.

In a word, the regulations envisage significant material incentives for builders for the prescheduled commissioning of projects. As for the operating personnel appointed in advance to participate directly in installing the equipment, they must be given material incentives within the limit of the monies made available to the construction organization for this purpose, as a function of the specific contribution they made to the prescheduled commissioning. Properly, even in these cases the amounts of the additional incentive should be negotiated in advance between the investor and builder.

Question 60: What is the most characteristic thing about the foreign trade association as a new [word illegible; possibly, form] of foreign trade activity? Do articles 136 to article 145 inclusive regarding foreign trade associations [world illegible; possibly, apply]? Must members of the association pay commissions on import and export contracts concluded with the association?

Answer: The Regulations on the Economic Mechanism for the first time regulate the by-laws of an economic association on the performance of various kinds of activity, including foreign trade activity. In this sense, the edicts of the Economic Association Regulations from article 136 to article 145 inclusive apply in their entirety to foreign trade associations.

Most characteristic features of the foreign trade association are the following:

1. A foreign trade association is formed by economic organizations that are producers of export commodities. No normative government document is necessary for the purpose, but only an agreement with the Ministry of Foreign Trade and the sectorial ministry concern. The association acquires a juridical personality with effect from the day that registration of the constituent contract with the rayon court is published in DURZHAVEN VESTNIK [State Gazette].

2. Neither a foreign trade association nor any other economic association is charged with a state planned task. The economic organizations that are members of the association bear complete responsibility for the state export planned task with which they are charged and which they perform through their foreign trade association.

3. The association receives mandatory export tasks from association-member economic organizations. The association may do exporting as well for other organizations which are not members of the association. This exporting is performed only by contractual arrangement.

4. The association is a juridical person and owns property independently.

5. The administrative bodies of the association are the board of managers, the director and the control council.

6. Every organization that is an association member is represented on the board of managers by its own executive and by one representative of the labor collective elected by the collective administrative body of the economic organization.

7. Members of the association are responsible for its obligations up to the amount of their proportional participation.

The constituent contract, which is the association's charter, defines the basic rights and obligations of association members, as well as the interrelationships between the association as juridical person and its members.

In its foreign trade activity the association is guided both by the Regulations on the Economic Mechanism and by other enforceable enactments regulating foreign trade activity.

Association members decide the method of supporting it in the constituent contract. For the mandatory export tasks with which it is charged, the association makes contracts, analogous to those made between the foreign trade organizations and their subdivisions, with the subdivisions of economic organizations that are association members. Consequently, it can be expected that support of the association will be generated on the basis of commissions. In this regard the regulations grant free choice of decision.

Question 61: What amount of the Wage Fund for an economic organization's administrative personnel according to the 1981 report should be taken into account in establishing the aggregate profit standard in conformity with article 190, paragraph 2, subparagraph 2 of the Regulations on the Economic Mechanism?

Answer: In establishing the aggregate profit standard in conformity with article 190, paragraph 2, subparagraph 2 of the Regulations on the Economic Mechanism, one should, in order to determine the amount of monies for the current labor remuneration of an economic organization's administrative personnel, take into consideration the monies actually entered and paid out for wages of these personnel according to the 1981 report from the Current Labor Remuneration Account of the resultant residual Wage Fund. Whenever there was a deficiency in 1981 in the Wage Fund for these personnel which was covered from other sources, the report is to include only that part of the deficiency that was covered from the economic organization's Reserve Fund.

Question 62: How will the 1981 average gross wage that is shown on line 10 of questionnaire No. 2 be determined so as to determine the payments for regulating the increase of the average gross wage?

Answer: In accordance with the note to questionnaire No. 2, the average gross wage of the preceding year is determined in the same way as for the year under review. Average gross wage is determined on the basis of report strength of entire personnel (average table-of-organization personnel, not counting women on maternity leave) and on the basis of Wage Fund as per line 9 of questionnaire No. 1, reduced by a sum in the amount of 30 percent of the ascertained saving of direct material expenditures according to the report form on the production cost of output (work performed) and by the Wage Fund actually paid out to non-table-of-organization personnel.

The amount of the 1981 Wage Fund, which is shown on line 9 of questionnaire No. 1, is established on the basis of actual deductions as per line 40 of chart No. 1 or line 32 of chart No. 2, made after regulation of the increase in consumption income. If in 1981 sums from the Reserve Fund were used to cover a deficiency of monies for wages, the monies actually deducted according to the chart are increased thereby. The amount of the Wage Fund thus established may not exceed the actual deductions for the Reserve Fund and for the Wage Fund according to the 1981 chart.

Question 63: In conformity with article 31 of the Regulations on the Economic Mechanism, individual tasks not fulfilled during a given year are included in the counterplans for the next year. What did the lawgiver have in mind in including this edict in the regulations?

Answer: The planned management of the national economy is effected by long-term, five-year and annual plans for the socioeconomic development of the country. The basic planning document is the five-year plan. The five-year plan at the national level is approved by the National Assembly with apportionment by years, and takes on the force of law.

According to the Regulations on the Economic Mechanism, during the Eighth Five-Year Period plan fulfillment will be reported annually with accumulation from the beginning of the five-year period. The fulfillment of state planned tasks by economic organizations will be reported according to the same procedure. Therefore, production collectives must strive not only to fulfill their annual plans on their own account, but thereby to assure fulfillment of the five-year plan. That is why article 31 of the regulations provides that individual tasks unfulfilled during a particular year must be included in the counterplan for the next year. Counterplans must, for the most part, include tasks in arrears from past years which are expressed by qualitative indicators incorporated in the five-year plan. These are profits, reduction of production cost, quality of output, adoption of new technologies and new kinds of products etc. This does not mean, however, that physical quantities in arrears must not be included whenever this is purposeful. The question here must be decided after relevant study of needs and opportunities for sales, provision of materials etc. Therefore, the decision whether to include tasks that have fallen in arrears quantitatively must be made concretely for each product.

Question 64: Do enterprises which are subdivisions of an economic organization have the right to enter into export and import contracts with foreign trade organizations?

Answer: Yes, they do. In conformity with article 206, paragraph 4, of the Regulations on the Economic Mechanism, whenever, by decision of the economic organization, the enterprises themselves are better able to determine the most efficient export structure, mandatory export plenned tasks are approved for them in monetary terms. In these cases kinds, quantities and due dates for the delivery of export output are concretized by contracts which the enterprises make directly with the foreign trade organizations concerned. This applies mainly to enterprises with a large product mix, whose output is not included in the national and sectorial physical balances. In these enterprises, a full work load for production capacities requires great operational efficiency, flexibility and maneuverability, which can best be accomplished only by those who are close to production, i.e., by the management of the enterprise itself.

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## MINISTER DWELLS ON AGREEMENT WITH USSR FOR JOINT TIMBER PRODUCTION IN KOMI

Sofia IKONOMICHESKI ZHIVOT in Bulgarian 17 Mar 82 pp 1, 14

[Interview with Yanko Markov, Minister of Forests and Lumber Industry by Dimitur Minchev: "A Powerful Artery of Friendship"]

[Text] A new agreement was signed recently in Moscow between Bulgaria and the USSR for joint lumber operations in the Komi ASSR; the agreement is to run until 31 December 1990. A representative of IKONOMICHESKI ZHIVOT brought up this question with the minister of forests and lumber industry, Comrade Yanio Markov, in an interview. He kindly answered the questions posed to him.

Question: Comrade Minister, what have been the results of the cooperation up to now between our nation and the USSR in lumbering in the Komi ASSR?

Answer: Some 14 years have passed since 3 December 1967 when the first international agreement was signed between the governments of Bulgaria and the USSR on organizing a joint lumber industry enterprise on the territory of the Komi ASSR to produce wood for the needs of the two countries. Time has confirmed the foresight of those who planned these joint activities. Both for our nation and for the Soviet Union the results have been encouraging. Under the harsh Tayga conditions in Udorskiy Rayon of the Komi ASSR, three settlements have already been built: Usogorsk, Blagoyevo and Mezhdurechensk. A fourth is in the process of construction. These are cozy towns with all conveniences for life and labor. Thousands of residences have been built and these are provided with electricity, sewage, central steam heating and a base for household needs. Over 325 km of roads have been built in the tayga. The construction of the so-called Northeastern Highway is being completed. This is 108 km long with a reinforced concrete roadbed 11 m wide. Over this road 1 million $m^3$ of wood will be transported annually from just the Gornomezenskiy enterprise to the lower storage areas at the enterprise in Usogorsk for further processing and shipping. Four lumber industry enterprises have been built equipped with powerful equipment for lumbering and primary processing of the wood. The so-called "lower storage areas" are impressive industrial enterprises equipped with powerful cranes. At the lower storage area in Mezhdurechensk, a semiautomated wood processing system has been introduced.

During these 14 years, our nation has received a quantity of wood equal to 2 years' output of our forests and in terms of the use of our coniferous forests, this

equals the output of more than 7 or 8 years. Anyone can figure that if it were not for this fraternal aid, these millions of $m^3$ of wood would be lying on the shoulders of our forests. This unique mutual aid has been organized for the first time and is a new example in the CEMA system.

Question: What required the concluding of the new agreement and the transition to the new stage of cooperation?

Answer: To go nearly 5,000 km for wood into the tayga is not out of any love for adventure. Both the first agreement as well as the second which we concluded on 15 January 1982 to run up to 31 December 1990 and which in execution will provide new millions of $m^3$ of wood for the needs of both nations have been dictated by the increasing demand of our nations for this valuable raw product. Forecasts indicate that by the year 2000 the demand for wood will more than double and in certain spheres such as the pulp and paper industry it will increase by 4-6-fold. Where could we find such an amount of wood? The low productivity and small reserves of our forests do not allow us to meet this need. This has required the signing of the new agreement and the continuing of joint lumber operations in the Komi ASSR.

Question: What is the scale envisaged in the new cooperation?

Answer: In terms of scale the new agreement does not anticipate greater amounts. Construction will be continued on the fourth lumber industry enterprise with a tendency over the next few years to provide a full load for all capacity and to reach the capacity envisaged in the first agreement. Along with this, shops will go into operation for producing commercial chip in amounts of 260,000-300,000 m for the pulp and paper industry as well as shops turning out cultural and household items produced from small sized and poor quality wood. The value of products produced by this shop will be 1 million rubles annually. Construction will be continued on new housing, roads, cultural and service buildings in the settlements to improve working and living conditions. Trade and utility services will be improved. Cooperation in joint lumber operations in the Komi ASSR is of important significance for intensifying our national economy, mainly in the sphere of the lumber industry, in carrying out the decisions of the 12th Party Congress.

Question: What new aspects have been planned in the forthcoming period of cooperation (new equipment, new production methods and so forth)?

Answer: The new feature that distinguishes the new agreement from the previous one is its more modern and advanced nature. In all areas the new agreement is more precise and more concrete. The experience acquired during these 14 years have helped to better concretize the reciprocal obligations of the two countries. This has eliminated the previous opportunities for a distorted interpretation of certain particular aspects and provisions arising in the process of operations. The new agreement has increased the responsibility of the two nations for carrying it out. The necessary elements and mechanisms have been set up on various levels for effective control of its application.

The agreement has generalized the previous positive experience in cooperation and has been also enriched by the practice of the last 14 years. It and the appended protocol between the Ministry of Forests and Lumber Industry and the Soviet Ministry

of Timber, Pulp and Paper and Wood Processing Industry set out in detail all activities during the following 10 years both in the sphere of lumber operations and construction as well as in the sphere of improving domestic conditions, trade, culture and the recruitment of personnel. New equipment will be delivered and new production lines put into operation; the railway cars for loading lumber for the two countries will be more correctly allocated. More advanced mechanisms will be put into use at the lower storage areas in the felling areas and for transporting. On the basis of the economic mechanism, the consolidation of the multispecialty brigades and the organizing of new types of them will be continued. Methods will be improved for reporting and carrying out lumbering operations for construction and installation work. Generally speaking the conversion of the enterprises to more advanced equipment will be continued. The felling areas will be made available by the Soviet forestry enterprises 2 years before the felling time. More attention will be devoted to better organizing the deliveries of industrial and food goods.

Question: What is the international significance of cooperation between Bulgaria and the USSR in lumbering?

Answer: The new agreement to continue cooperation in joint lumbering in the Komi ASSR is yet another vivid manifestation of the fraternal friendship between our two nations and peoples. It is a new step in deepening the economic integration between the two countries and an example of socialist cooperation in action for the other CEMA countries.

Joint lumber operations in the Komi ASSR is a visible example of the new stage of increased friendship, a friendship which reduces the distance between our peoples and shortens the time and paths of our advance to the future. One other thing. Our cooperation in the Komi ASSR is not merely measured by the amount of wood. At present, 12,000 workers, specialists and white collar personnel are working there and 15,000 Bulgarians live in the settlements. Many are workers who will extend their labor contracts in the Komi ASSR. We are linked to the Komi ASSR by thousands of new ties that pass through the hearts and minds of the people who work in the tayga and who carry out their heroic labor in this distant and near nation. Over 70,000 Bulgarian workers and white collar personnel have worked in the Komi area. Each of them has kept and carried off in his heart a new affection for the Soviet man and for the great nation of Lenin.

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REPORT, COMMENT ON INDUSTRIAL PRODUCTION IN FEBRUARY 1982

Sofia IKONOMICHESKI ZHIVOT in Bulgarian 24 Mar 82 p 4

[Report by Committee on Integrated Social Information System: "Bulgarian Industry during January-February Period of 1982"]

[Text] During the first 2 months of the year 65.2 percent of the output targeted by the first-quarter plan was produced, and 62.6 percent sold. The rate of production increase for the 2 months as a whole was 4.7 percent.

Fulfillment of the quarterly production and sales plan for commodity output by sectors (systems) was as follows:

| Sectors (Systems) | Commodity output produced | Commodity output sold |
|---|---|---|
| Power supply | 65.7 | 62.5 |
| Metallurgy and mineral resources | 65.4 | 59.5 |
| Machine building and electronics | 64.1 | 62.8 |
| Chemical industry | 63.5 | 62.3 |
| Woodworking, paper and pulp industry | 66.6 | 70.9 |
| Light industry | 66.9 | 63.3 |
| Printing industry | 105.0 | 66.6 |
| Construction materials | 61.3 | 61.3 |
| Transportation | 63.3 | 61.8 |
| Materials and machinery supply | 72.1 | 72.2 |
| Communications | 66.3 | 66.3 |
| Internal trade and public services | 67.7 | 64.1 |
| National Agroindustrial Union | 65.7 | 62.0 |

The production of certain industrial products during the January-February period and the rate of increase as against the same period in 1980 were as follows:

| Product/unit of measurement | Output produced | Rate of increase, % |
|---|---|---|
| Electric power, 000,000 kwhr | 6,693 | 108.3 |
| Coal, 000 tons | 5,491 | 118.1 |
| Briquettes, 000 tons | 243 | 113.2 |

[Table continued on next sheet]

| Product/unit of measurement | Output produced | Rate of increase, % |
|---|---|---|
| Cast iron, 000 tons | 263 | 105.0 |
| Rolled ferrous metals, 000 tons | 556 | 107.7 |
| Internal combustion engines, each | 3,000 | 133.2 |
| Lathes, each | 1,542 | 103.8 |
| Motor-driven water pumps, each | 22,546 | 105.3 |
| Electrotelphers, each | 19,283 | 105.6 |
| Motor trucks, each | 3,281 | 110.6 |
| Power tools, 000 units | 58 | 108.0 |
| Nitrogen fertilizers, 000 tons | 130 | 105.7 |
| Phosphorus fertilizers, 000 tons | 43 | 133.4 |
| Soap powders (synthetic detergents), ton | 8,723 | 105.2 |
| Large reinforced concrete panels, 000 cu m | 176 | 107.3 |
| Paper, 000 tons | 58 | 104.5 |
| Sheet glass, 000 sq m | 4,453 | 108.6 |
| Household glassware, 000 leva | 5,444 | 114.6 |
| Cotton textiles, 000,000 m | 57 | 101.4 |
| Knit outerwear, 000 units | 6,667 | 100.7 |
| Sewn goods, 000,000 leva | 80 | 109.0 |
| Meat, 000 tons | 67 | 112.9 |
| Brynza [sheep's milk cheese], 000 tons | 11 | 123.4 |
| Kashkaval [yellow cheese], 000 tons | 3 | 130.3 |
| Tobacco products, 000 tons | 14 | 101.0 |

Comment

The results of industrial development during February show that the bulk of enterprises and economic organizations have achieved conditions for steady production and fulfillment of their planned targets for aggregate profit and for the products that constitute the country's basic physical balances and predetermine its economic growth. The following production schedules for the two months were overfulfilled: electric power, solid rolled shapes, hot rolled and galvanized sheet iron, lathes, battery-powered trucks, power transformers, dial telephone exchanges, soda ash and many others.

At the same time, the following fell behind in fulfillment of their quarterly production targets in February: Neftokhim [Petrochemical] SK [Economic Combine], Devnya SKhK [Economic Chemical Combine], Metal-Cutting Machinery Plants DSO [State Economic Trust], Hydraulics DSO, IZOT [expansion unknown] DSO, Cement and Lime Production DSO etc. The following items were not produced in the targeted amounts: cast iron, steel, steel tubes, phosphorus fertilizers and cement, thus adversely affecting rhythmic production at enterprises using these basic raw and other materials.

Timely sale of the industrial output produced continues to lag.

Normal production rhythm was still disrupted not only in January but also in February by failure to receive certain raw and other materials and subcontracted products promptly at the times specified in the contracts. Such cases occurred in

enterprises within the system of the Transportation Machine Building DSO, Pirin Economic Trust, Pamukoteks [Cotton Textiles] Economic Combine, Hydraulics DSO etc.

Due to nonobservance of technological discipline, targeted yields were not achieved and expenditure norms were exceeded. Consequently, some economic organizations fell behind in fulfillment of the aggregate profit plan. At Rila Economic Combine, Knitwear Economic Combine, Glass and Fine Ceramics Economic Trust and Stara Planina DSO there were still considerable losses from rejects of poor-quality output and finished work. And there are not a few enterprises and economic organizations where the adoption of technical-progress goals and engineering-project measures, as well as the startup of new products and technologies is being delayed. All this adversely affects the reduction of materials expenditures and the material-to-output ratio of production.

Analysis of the results of plan fulfillment in industry during the first 2 months of the year shows that weaknesses of an intraorganizational character continue to have a significant effect on rhythmic production and the achievement of targeted final results. It is precisely because of these that a number of enterprises in the system of Knitwear Economic Combine, Cement and Lime Production DSO, Reinforced Concrete Structural Members and Products Economic Combine, Stara Planina DSO, and Srednegorie SMMK [Economic Mining and Metallurgical Combine] failed to meet their targeted goals. Their laggardness can be overcome to the maximum extent not only by the elimination of these weaknesses, but by the more rational utilization of available material resources and improvement in the fulfillment of contractual obligations. There are still unutilized potential reserves along these lines.

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# STATUS OF COMBINES IN STATE MANAGEMENT SYSTEM DISCUSSED

## Rights, Duties Clarified

Potsdam-Babelsberg STAAT UND RECHT in German Vol 30 No 12, Dec 81 (signed to press 22 Oct 81) pp 1089-1097

[Article by Dr Roswitha Dittmann and Prof Dr Ludwig Penig, GDR Academy of Political Science and Jurisprudence: "The Status of the Combines in the State Management System." A translation of the article by Rolf Steding cited in footnote 4 follows this article. A translation of the article by T. Riemann cited in footnote 5 is available in JPRS 79045, 23 Sep 81, No 2178 of this series, pp 44-58, published along with another article under the heading "Clarification of Combine Director, Ministry Authority Needed." The Combine Decree cited in footnote 6 is also available in translation in JPRS 75361, 24 Mar 80, EAST EUROPE REPORT: POLITICAL, SOCIOLOGICAL AND MILITARY AFFAIRS, No 1774, pp 44-75]

[Text] The process of forming and strengthening highly productive combines is exerting a determining influence on the further improvement of economic management in the 1980's. This is in keeping with the objective development trends accompanying the socialization of production and labor, especially the increased requirements involved in mastering scientific-technical progress.

The combines embody our higher standards for the production and marketing of products. They make possible the comprehensive organization of socialist economic activity wherever the reproduction process is taking place. "The formation and further development of combines established important conditions necessary to the uniform management of scientific-technical progress, to the comprehensive implementation and mastery of important innovation processes. Industry's production and its scientific-technical potential are concentrated almost totally in combines."[1] The 157 centrally administered combines in industry and construction — which employ 2.9 million workers — as well as the bezirk-administered combines — which have existed for some time, having been formed after the 10th SED Party Congress — are the basic units of management in industry, construction, transport and communications.[2] The further development and the strengthening of these units — as crucial prerequisites for carrying out the economic strategy resolved by the 10 Party Congress — are making new demands on management and planning work by all elements of the state economic management system.[3]

Central planning, balancing and analysis are increasingly being geared to these large economic units. The combines have the task of making full use of the main intensification factors to achieve growth in performance and effectiveness and of bringing reserves to bear on the plan by overcoming the differences in the development of level and effectiveness among the combine enterprises. The councils of the bezirks and kreises are charged with providing all-around support for the accomplishment of combine tasks by making efficient use of territorial reproduction conditions. In general, the level of state management work can be measured chiefly by the degree of success in promoting mass initiatives and inventiveness on the part of the working people, in picking up on their proposals and suggestions and turning them into feasible options, and in orienting dedication and capabilities toward good economic end results.

These requirements will have a definitive influence on the content of the rightfully demanded improvement of legal relationships in the state management system.[4] Now that political and administrative jurisprudence[5] has addressed this problem, it seems advisable to inject into the discussion some of the aspects of state economic management from the standpoint of economic law. Our point of reference here is that socialist economic management is an integral part of state management work, that the combines have been incorporated into the state management and planning of the economy and that they perform legally required tasks and functions of state economic management but are not themselves organs of the state.

As large production associations, the combines are at the same time management organizations. The functions of state economic management and direct administration of production are being fused in a new way in the combine, and, in accordance with overall social responsibility, effective forms of a division of labor have to be developed by way of specialization and cooperation between the combine enterprises that are responsible for their own planning and accounting. The 10th Party Congress places great stress on the overall social responsibility of the combines, a responsibility that has made them an integral part of the state management system. It comprises in particular the guarantee of supplying the national economy, the state, the public and the export sector with the combine's stipulated end products that meet demand in terms of quality and time; also involved are the acceleration of scientific-technical progress, the effective use of the public property entrusted to the combines and the improvement of working and living conditions for the working people.

An additional expression of the national economic responsibility of the combines is the fact that they have been assigned state economic management functions that they have to carry out in the interest of society as a whole in conjunction with managing their own reproduction processes.[6] It is this interrelation — and not departmental or enterprise interests of one kind or another — that constitutes the standard for correct decisionmaking in the combines. If this political/state aspect is neglected, the result is an overvaluation of economic criteria and an undervaluation of political factors in the decisionmaking process. With their state economic management functions, the combines have been assigned precisely defined powers that go beyond a combine's immediate scope of management. This concerns their responsibility for balancing materials, equipment and consumer goods accounts, the performance of tasks in the field of standardization and their work as price coordinating organs and in foreign trade. In a number of combines the foreign trade

enterprises have been incorporated as economically and legally autonomous combine enterprises. Also in the category of state functions is the responsibility of the combines for product group work, which is a specific form of coordination within the branch. In all the areas mentioned, the combine has to make decisions and/or perform coordination functions in the interest of national economic proportionality and effectiveness. The general director and other individual managers have been accorded decisionmaking and control authority to enable them to carry out these tasks.

The combines are important, but not solitary, elements of the system of state economic management. Therefore, a precise distinction has to be made between their rights and duties and the economic management authority reserved to the central and local state organs, and a determination has to be made with regard to the most effective forms and methods of cooperation by these organizations. The new planning order, the various account balancing decrees and other process-related legal regulations have made considerable progress toward organizing legal management and planning relationships.[7]

The Council of Ministers is responsible for managing the entire national economy. It is assisted by the State Planning Commission, the pertinent ministries and the functional organs of the Council of Ministers. It is the task of these central state organs to continue to improve long-range planning work in preparation for decisionmaking, chiefly with reference to the national economic production structure, the proportionality between pre-production and post-production phases, the main trends in science and technology and the long-range intensification of production.[8]

The ministers are responsible within their own sectors for solving basic national economic problems as well as for the development and attainment of challenging goals contained in the national economic plan as broken down by combines. The economic objectives and effectiveness of each combine are thereby precisely identified, and control is opened up not only to the supervisory ministry but to all the state organs that are involved, up to and including the Council of Ministers. It is up to the ministers to ensure that the general directors carry out combine tasks on their own responsibility to a great extent. The main thing that is necessary here is a high degree of coordination of tasks involving territories, branches and the economy as a whole.

Increased teamwork on the part of local state organs and the combines and enterprises must establish the territorial prerequisites for carrying out scientific-technical tasks, further intensifying production and making effective use of social labor resources. Precise determinations have to be made concerning who is supposed to work with whom and in which areas, taking into consideration that a combine can be spread over several bezirks, kreises, cities and towns and that the local state organs have to establish cooperation relationships with numerous combine managements, combine enterprises and parts of enterprises. Combine general directors coordinate with the bezirk councils basic development problems — such as questions of the distribution of productive forces by location, efficient organization of the production structure, development of the infrastructure and the use of territorial resources. The bezirk councils determine the combine enterprises for which they themselves will handle territorial coordination on the basis of state tasks; they also determine the kreis councils' coordination responsibilities.

It is also necessary to support the effective combined efforts of the overall economy of a territory. Unnecessarily long transport routes and the transport of the same kinds of interchangeable products in opposite directions must be avoided. Efficient territorial cooperation relationships have to be developed among the economic units of the combines, among principal, auxiliary and secondary processes, among economic units of centrally administered combines and locally administered combines and enterprises.

Also resulting from the close interdependence between branch and territorial development is the need for close cooperation by the bezirk councils with the central state organs on combine-related matters. Joint planning conferences have proven successful, as has work with general plans for development of a territory's industrial sector and with "territorial viewpoints" and safeguard programs.

Even this rough overview of the division of responsibility within the state management system demonstrates the division of labor approach and the firm incorporation of the combines into this system. At the same time it becomes clear that in the area of economic management it cannot be assumed that the supervisory organ, compared to the subordinate one, assumes responsibility a priori for the totality of state concerns and the totality of social interests.[9] This kind of simplification of the dialectic of interests is inconsistent with economic law. The unity of plan, balance and contract characterizes the interlocking nature of state and enterprise management activity. The decisionmaking process in the state economic organizations is viewed as a single process that unites state decisions and those made on the organization's own responsibility; the state's decision is not simply the basis of or prerequisite for the organization's own decision.[10] Management relationships between economic management organs and combines and between combines and combine enterprises are marked by an increasing autonomous responsibility on the part of the combines and of the general directors as individual managers. The relationship of authority is therefore not abolished but cannot be defined exclusively as one of superior authority or subordination.

The ministry prepares its decisions together with the combines. In this way many different kinds of working relationships are developed between the ministries and combines, relationships which are instructive in character and which at the same time promote above all a spirit of democratic involvement, the exchange of experiences and collective consultations as means of support and assistance.[11] The Ministry for Construction of Machine Tools and Processing Machinery, for example, holds combine-related consultations prior to the drafting of annual state plan tasks and problem-solving sessions after the tasks have been submitted; these discussions continue until the state plan target has been issued and defended. The regular consultations between ministers and general directors are valued as one of the pillars of management.[12] This working method has led to the establishment of the following fundamental rights and duties in management relations in Article 4, paragraph 3, and Article 24, paragraphs 1 and 4, of the Combine Decree:

The duty of the ministry to prepare decisions together with the combines;

The duty of the minister to hold consultations;

The sole right of the minister to issue directives to general directors;

The right of general directors to demand that decisions be made.

These rights and duties reflect the progressive experiences of modern management work that have already been made a part of the ministries' management processes; in no way do they represent arbitrarily devised autonomous rights of combines in relation to the supervisory ministry.

That binding decisions are made in the management process is an undisputed principle of management under democratic centralism. This obligatory character should not be equated with the right of the individual managers to issue directives, however, nor should it be methodically reduced to the exclusive exercise of this right. For example, the plan decision has developed into a specific legal form that cannot be equated with the directive with regard to the way it came about and its legal effects. In the field of economic management many different methods and legal forms are used that are shaped by economic and labor law and that serve to regulate the actions of combines, enterprises and labor collectives.

The scientific literature classifies the methods of state economic management according to various standpoints: by their content, the way they make use of objective laws, the form of their effect and their legal form. When it comes to the content and form of their effect, a differentiation is generally made between methods of persuasion (methods designed to increase social activity on the part of the working people) and administrative and economic management methods, but these approaches exhibit only minor differences from one another. The division according to administrative and economic methods is worth examining since it does not quite get to the heart of the matter and leads to erroneous conclusions. The type and the content of their effect are juxtaposed as separate methods, thus creating the impression that economic considerations play no role in administrative decisions, or that economic management is state management only when it is carried out with administrative methods, not by applying economic methods. This cannot be the desired effect, however. It is well known that both methods are mutually dependent; they are both aimed at making full use of economic laws in state management of the economy. Lotze makes this pertinent comment: "As a state method of realizing economic requirements systematically, the economic method also always has administrative features in a certain sense, and when it comes to the administrative method, by no means is the existence of relatively independent socialist producers of goods ignored."[13]

K.J. Saradov also underscores the increasingly stronger role of economic methods of regulating production, as well as the increasingly more thorough economic foundation underlying decisions that state organs have to make within the frameowrk of administrative management. These factors reduce the chances for bureaucratic distortions and establish favorable prerequisites for developing initiative in the production collectives and enterprises and at lower levels of management, as well as for obtaining broader participation in management by the working people.[14]

These comments give grounds for asking whether the existing division of methods permits adequate expression of their specific natures, or whether it is more advisable to choose a different classification, taking into account the increasing role

of the socialist state in managing the economy. It is especially the current discussions on distinguishing between the subject matter of administrative law and economic law[15] that point up the necessity of specifying management relationships in the economic sphere, and particularly of making a precise distinction between the nature and content of the administrative method and executive-dispositional work. A more detailed determination of management methods pertaining to economic law can certainly make a contribution in this regard. The literature on economic law contains numerous observations and ideas on this problem area. They point to the unity of systematic economic management, economic accounting and economic stimulation. Building on these ideas, one could speak of the methods of systematic economic direction and material stimulation in the economic sphere instead of administrative and economic management methods. Of course, decisions that are administrative/organizational in character, that are made by state economic management organs, should be subject to administrative/legal regulation since they are in the nature of executive-dispositional activity.

Two different objections could be raised to the classification: first, that political and economic management were being separated; and second, that methodicalness is not peculiar to the economy but is characteristic of socialist societal development in general.[16] The intention is not, however, to call in question the political determination of every economic decision and the methodicalness that is increasingly encompassing all areas of social life. Any scientific abstraction is more or less flawed and thus needs to be interpreted; of course, the matter of concern has to be recognizable. So the thing to do would be to find out which option is the most valid and should be applied uniformly in the future. It must also be taken into account here that all elements in the system of state economic management have to fulfill overall social requirements as well as state interests; consequently, an organ-related classification of methods is out of place. Although they take different legal forms, the methods of systematic economic direction as well as economic stimulation are used at all levels of management and in the organization of relationships between these levels, and they are themselves linked to one another.

The central state organs carry out state economic management especially by way of the plan laws, the planning and balancing decisions that make these laws more explicit, economic standards and norms, the provision of economic stimuli and authorization and confirmation decisions. Economic stimuli are used mainly as projects that are planned for subordinate combines and enterprises. The combines carry out systematic economic direction by means of planning and balancing decisions, standards and norms as well as individual production management decisions.[17] Based on economic accounting, the economic stimulation of the work of the collectives serves here as a direct means of regulating conduct.

Different legal forms of coordination have developed among the ministers, among the bezirk councils and ministries and among the combines and the local state organs. The following forms must be differentiated: Joint dispositions, coordinated directives, coordination agreements and legal documents of approval and authorization. Economic contracts of all kinds are used as management tools for preparing, implementing and monitoring cooperation relations.

To summarize:

State economic management is an integral part of overall state management of the socialist society; closely linked to the management of all other sectors, it is political management in the interests of the working class, and its nature is that of a superstructure;

State economic management is practiced by both the central and local state organs and the managements of combines and enterprises. In enterprise management, state management blends in with the direct management of production;

All elements of the system of state economic management are the representatives of overall social interests; they work together in the management process under a division of labor and employ methods of systematic economic direction and methods of economic stimulation at all levels of management, although in different ways;

Socialist law, particularly economic law, stipulates the general conditions of these management methods and specifies in binding form the ways in which they are to be used. This binding force is characteristic of the organization of management law relationships, but these relationships cannot be identified with the unilaterally binding directive relationships having to do with supervisory and subordinate status. The management of combines by the ministries has to be understood as collaboration under a division of labor, a cooperative effort whose instructive character is marked above all by the exchange of experiences and by collective consultations as means of support and assistance.

FOOTNOTES

1. "Directive of the 10th SED Party Congress on the Five-Year Plan for Developing the GDR Economy from 1981 to 1985," Comrade Willi Stoph, reporter, Berlin, 1981, p 11.

2. See "Report by the Central Committee of the Socialist Unity Party of Germany to the 10th SED Party Congress," Comrade Erich Honecker, reporter, Berlin, 1981, p 78.

3. See "Directive of the 10th SED Party Congress on the Five-Year Plan for Developing the GDR Economy from 1981 to 1985," Berlin, 1981, p 81 ff.

4. See R. Steding, "State Management and Socialist Law," STAAT UND RECHT, 1981, p 685.

5. See T. Riemann, "Legal Relationships Within the State Management System," STAAT UND RECHT, 1981, p 585.

6. See Article 4, paragraph 1, of the "Decree on the State Combines, Combine Enterprises and State Enterprises," dated 8 November 1979, GESETZBLATT DER DEUTSCHEN DEMOKRATISCHEN REPUBLIK, Part I, p 355 (hereinafter referred to as Combine Decree).

7. See the "Order on the Rules Governing the Planning of the GDR Economy from 1981 to 1985," dated 28 November 1979, GESETZBLATT DER DDR, special issue No 1020; "Order on the Supplement to the Rules Governing the Planning of the GDR Economy from 1981 to 1985," dated 30 April 1981, GESETZBLATT DER DDR, Part I, p 149; "Decree on the Balancing of Materials, Equipment and Consumer Goods -- Balancing Decree" -- dated 15 November 1979, GESETZBLATT DER DDR, Part I, 1980, p 1; "Decree on Construction Balancing and the Balancing of Construction Planning," dated 15 May 1980, GESETZBLATT DER DDR, Part I, p 127; "Decree on Implementing Investments," dated 27 March 1980, GESETZBLATT DER DDR, Part I, p 107; "Decree on the State Control Powers and Tasks of the Manager of the Pricing Department in State Combines," dated 14 February 1980, GESETZBLATT DER DDR, Part I, p 63.

8. See "Report by SED Central Committee to the 10th Party Congress...," loc. cit., p 87.

9. See T. Riemann, loc. cit., p 593.

10. See H. Such, "On the Nature of Socialist Administrative Law," STAAT UND RECHT, 1976, p 148.

11. See "State Management's Role in Shaping the Developed Socialist Society," Berlin, 1981, p 103 ff; "On the Improvement of Combine Management, Planning and Organization," Berlin, 1981, p 230 ff.

12. See K. Georgi, "Experiences with Cooperation Between Ministries and Combines To Develop Qualitative Growth Factors," published by the SED Central Committee Central Institute for Socialist Economic Management, Berlin, 1981, p 23.

13. L. Lotze, "The Mechanism That Activates the Economic Laws of Socialism and the Socialist State," WISSENSCHAFTLICHE ZEITSCHRIFT DER KARL-MARX-UNIVERSITAET LEIPZIG, Social Sciences and Linguistics Series, 1975, p 232 f.

14. See K.J. Saradov, "On the Relationship Between Economics and Politics," in "Interaction of the Economic and Political Systems in the Socialist Countries," Series B, published by the SED Central Committee Academy of Social Sciences, 1977, No 5, p 26.

15. See W. Panzer, "The Textbook of Administrative Law and the Subject Matter of Economic Law," WIRTSCHAFTSRECHT, 1980, p 22; H.-U. Hochbaum, "State Economic Management and Socialist Law," WIRTSCHAFTSRECHT, 1980, p 102; G. Schulze, "On the Discussion Concerning the Relationships Between Administrative Law and Economic Law," WIRTSCHAFTSRECHT, 1980, p 207; K. Heuer, "Back to the Subject of Administrative Law and Economic Law," WIRTSCHAFTSRECHT, 1981, p 22.

16. See I. Wagner, "Methodical Nature of Development of the Socialist Society -- Economic Function of the Socialist State," AKTUELLE BEITRAEGE DER STAATS- UND RECHTSWISSENSCHAFT, Vol 220, Potsdam-Babelsberg, 1980, p 108.

17. Individual production management decisions are all decisions made by the individual manager to guarantee a well-ordered production process and organization of the work; they make up the nucleus of the law covering directives in accordance with Article 82, paragraph 2, of the AGB [Labor Code].

## Improved Management Science Needed

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[Article by Dr Rolf Steding, GDR Academy of Political Science and Jurisprudence: "State Management and Socialist Law"]

[Text] Law plays a decisive role in the life of the socialist society. It lends an overall binding force to the basic policies of the Marxist-Leninist working class party by way of an appropriate system of norms; thus it is a determining factor in paving the way for social progress and in implementing and protecting it in the face of all hostility. However, it is capable of fulfilling this function only if its specific possibilities for influence are consistently taken as a point of reference and its specific place is clearly determined within the ensemble of institutions that make up the socialist superstructure. This applies in particular measure to the use of socialist law within the framework of state management.

A stronger role for law within the sphere of state management relationships is an indispensable prerequisite for putting into effect the economic strategy for developing the national economy as resolved by the 10th SED Party Congress. "Major importance is ascribed to the strict observance of those laws that concern the activity of enterprises, combines and state economic management organs aimed at effective economic management geared to increased performance and the protection of state property."[1] This challenge to socialist law can be met not through an increasing "legalization" of state management by way of expanding its field of regulation, but only by increasing its influence on the structuring of reproduction conditions, which will be growing more complex in the 1980's.

Although there is a definite realization that the legal regulation of state management relationships is increasing with the growing importance of the state in structuring the developed socialist society, the conclusions connected with this realization are varied. In the effort to give greater force to law in state management activity, the attempt is also made from time to time to come up with a legal structure for management relationships for the socialist state, especially in the economy; strictly speaking, these relationships do not lend themselves to legal regulation. The limits of the law are thus exceeded and its potential capacities overtaxed. Such an approach damages the authority of the law in the state management process and in no way serves its objectively necessary development in the process of structuring the developed socialist society.

The relationships between state management and socialist law are of fundamental importance to socialist political science and jurisprudence. There is no question that Karl Polak rendered a great service when, even in a relatively early phase in the development of socialism in the GDR, he adopted a remarkably clear scientific

position on the structure of these relationships. Namely, one of his most important theoretical statements demonstrated that "the question of the relationship between socialist management activity and socialist law is by no means a special issue within socialist political science and jurisprudence, but rather a basic question of socialist statehood, socialist legitimacy and socialist law."[2] This perception continues to be valid.

The key question in the relationship between state management and socialist law consists in differentiating between the two factors — proceeding from a common basis and with a unified goal in mind — in such a way that the law is able to fully develop its social effectiveness. Running counter to this requirement would be any attempt to bring the law into line with state management from the standpoint of the scope of the social relationships involved. Consequently, one has to agree with Arlt when he comes to the following conclusion — with reference to the relationship between economic management and law: "Thus, in general it is a question of uncovering the specifics of economic law, or law, and in particular of looking into its most effective use in structuring economic relations. Only this can protect against a widespread overestimation of the possibilities of the law while simultaneously making more effective use of its actual possibilities."[3]

The law is by no means the only management tool employed by the socialist state. Rather, other management methods are also used for this purpose, although management science everywhere goes about systematizing them in many different ways. Methods involved here, for example, are ideological, economic, organizational, administrative or cybernetic. In my opinion, they have to be precisely defined and distinguished from one another from the standpoint of political science and jurisprudence, because only a specific knowledge of the relationships of law to individual nonlegal management methods can fully reveal the specific possibilities for applying the law in the sphere of state management relationships.

The relevance of such an approach is clearly exemplified by the circumstance that the nonlegal efficaciousness of the socialist state is in many respects "conveyed" by the law. Consequently, we can fully concur with Uwe-Jens Heuer when he says — referring to the ideological content of economic law —: "No matter how effective the law appears to be as a management tool, it achieves lasting effects only if it accomplishes its ideological objectives, if it adequately reflects material social relationships as valuations."[4] A statement like this cannot be applied in the same way to the relationships of law with other management tools. Consequently, differentiating in the law's relationship to other of the socialist state's management methods constitutes a way to increase specific knowledge of the law's specific possible applications in the area of state management relationships with an eye to expanding its active role. Of course, the decisive point of reference in the examination by political science and jurisprudence has to be directed toward the requirement "for concentrating all the managing, planning, organizing and educative work of the state organs even more than before on improving the performance of the national economy and increasing its effectiveness."[5] This challenge also demands that the effectiveness of the law within the state management process always be judged by its contribution toward realizing the SED's economic strategy in the economic management activity of the socialist state.

A characteristic of the process of improving state management of the economy in structuring the developed socialist society consists in the increasing expansion of its scientific foundations. This process is expressed -- although on a considerably broader scale and extending beyond the management relationships of the state as a management subject and the economy as a management object -- in the development of a Marxist-Leninist management science whose field of study is "the objective natural laws of forming and developing the management system and structuring management relationships."[6] This management science, which is also developing in other states of the socialist community -- in the USSR[7] and the People's Republic of Bulgaria, for example[8] -- also has to lean heavily on political science and jurisprudence.

However, political science and jurisprudence has thus far done little to stimulate the incipient science of management. This is reflected not only in the circumstance that its potential contribution within this framework has not been clearly determined; it is also expressed in the fact that political science and jurisprudence -- compared to other sciences -- has been relegated to a position in the management process that is very limited and, unfortunately, above all heavy on formalisms, a position that is not in keeping with its possibilities. This means, however, that increased social effectiveness for political science and jurisprudence is being sacrificed right from the start.

The problem here consists in broadening its methodological base right at the stage of conception by bringing political science and jurisprudence into management science. It is therefore not a matter of integrating political science and jurisprudence in its entirety into this developing science of management. It is a question of approaching the former -- which to a certain degree has to be considered a "specific" management science in itself[9] -- more from the standpoint of the management science of Marxism-Leninism and of developing it within this framework.

One consequence of the insufficient inclusion of political science and jurisprudence in the science of management is, for example, that socialist democracy is still too far removed from the adoption of a conceptual approach, at least with regard to the theoretical basis of economic management -- or, to be more exact, of the management of industry and construction by the socialist state (it does not apply to the state management of agriculture). A more effective integration of political science and jurisprudence into the science of management could help eliminate this conceptual deficiency and make a contribution to management science in the form of important statements on socialist democracy, as that "principal direction in which our government will continue to develop in the future."[10]

Although political science and jurisprudence in the 1970's was increasingly oriented toward the examination of state management as a category,[11] and it produced some interesting studies along those lines,[12] the development of a theory of scientific organization of state management -- more or less alongside Marxist-Leninist management science -- is incapable of coping with the reciprocal relationship between state management and socialist law because, as "merely" a political science discipline, it does not make the law more efficient in management relationships. It still has to be taken into account here that the theory of scientific organization of state management examines only the organization of the state management subject without including its reciprocal relationships with the management object. And it is my opinion that the structure of these relationships is what permits any high degree at all of social effectiveness of management relations.

A grasp of the relationship between state management and socialist law — interpreted as a management science problem — is a fundamental requirement placed on political science and jurisprudence, one that includes the question of what law is capable of doing in state management relationships and where its limits lie. This question can of course not be answered properly if, from the beginning, law is accorded only more or less an organizing function in the state management of the economy,[13] a function that gives state management relationships a certain cohesion and guarantees stability up to a point. This falls far short of taking full advantage of the possibilities of socialist law.

Law's most important contribution within the framework of state management should be seen as the binding determination of interests and resulting tasks that are in keeping with existing social requirements in conformity with the objective natural laws of development. This simultaneously implies the exclusion via the law of those interests that cannot be taken into account either either temporarily or permanently. The greater the success in expressing in the law the interests and the will of socialist society's leading working class, and in carrying them through in state management work with the help of this working class, the greater the prerequisites for putting socialist law to use with the maximum amount of social effectiveness, also in the effort to implement the SED's economic strategy in the 1980's. Law is thus not only an indispensable element but at the same time a criterion of state management as well.

The importance of the law's influence on management relationships is shown by the fact that law determines the foundations on which they are built, including the structure of the organs in the management system; [14] it delineates democracy as the decisive form of the realization of state management relationships under socialism; and it delimits the responsibilities of the state management organs on the basis of democratic centralism. In this regard the sorting out of responsibility is an especially important prerequisite for successful work by the state, and one that has to be established with the help of the law. After all, it is an important requirement of state activity to determine with binding force the specific responsibilities of this or that organ and the boundaries within which it is supposed to carry out its work.

Not least of all, socialist law can and should make a special contribution to the structuring of the decisionmaking process. This applies not only with reference to regulating the criteria on which management decisions are to be based in theory and practice; it also applies in greater measure to the many different types of legal decisions themselves, decisions for whose observance firm rules exist and for which there are specific consequences for nonobservance. Just how important the law's role is in the state decisionmaking process can be seen in the fact that the management decision "has the strongest effect on the system that is doing the managing and the one that is being managed, on the social environment, the will, the consciousness and the activity of the people."[15]

There is no question that the reciprocal relationships between state management and socialist law are even more varied and that they cover other aspects that cannot be discussed here. However, the aforementioned possible influences of the law on the state management process illustrate in an exemplary manner that the role of political science and jurisprudence has to be made broader than before within the

framework of management science. The impulse here must originate with the political science and jurisprudence discipline itself. In this respect as well, it has a duty to offer its services to the science of economics,[16] particularly since it can provide clear statements on a large number of management issues.

Political science and jurisprudence as a whole is being charged with developing a comprehensive theory of the relationship between state management and socialist law within the framework of Marxist-Leninist management science, and with overcoming any attitude of neglect in this regard. This charge makes it necessary for both political and legal theory — which constitutes the uniform basis of socialist law as an element of the social system of management — as well as the branches of jurisprudence to make their own unique, but shared, contribution to the preparation of a theory covering questions of law as they pertain to state management of the national economy under developed socialism.

Experience proves that the deeper the insight into natural laws that underlie the socialist transformation of society, and the more concretely predictable its course of development is and the easier it is for the state organs to structure, the greater the success will be in developing and applying socialist law in every instance in such a way that a maximum of social effectiveness is achieved in the state management process. However, necessary to this process is an even stronger link between political and legal theory and the branches of jurisprudence. Only this link — interpreted as a principle to be practiced permanently — will make possible a fruitful theoretical generalization of the relationships between state management and socialist law.

The branches of jurisprudence themselves bear a major responsibility in this connection — though their responsibilities vary. It would of course be a fallacy to assume that this responsibility could be conferred essentially only upon the science of administrative law.[17] Nevertheless, together with political and economic jurisprudence it is of critical importance. Its problem, however, consists here in a more effective mastery of the subject-object dialectic as it relates to the specific subject matter, and — excluding economic jurisprudence in this instance — in its stronger reference to the relationships of management in the material production sector. In this respect, a different path is being followed in the scientific examination of the legal issues involved in the state management of agriculture within the framework of agricultural jurisprudence.[18]

The role of law will not have a profound influence on management of the socialist society until socialist social relationships are adequately comprehended and actively structured with the help of the law. "State management work and the law are the lever and the motive force which make socialist social relationships unfold. To view them outside of these relationships — or separate from them — is to distort their essence, to lower them to the level of bourgeois statehood, to fall into bureaucratism and formalism."[19] One of the consequences of this is that theoretically the relationship between state management and socialist law can in no way be managed via a polished legislative technique, but only by having the law organize social relationships in the management process in an appropriate manner.

The orientation of the 10th SED Party Congress toward "our economy, our people's major effort to achieve a great increase in economic performance"[20] as the center

of social policy, makes it necessary also to focus socialist law more sharply on its contribution toward guaranteeing high production growth and on its effectiveness within the framework of state management work. This presupposes some rethinking in the area of political science and jurisprudence — on the one hand, with reference to turning toward the economy as the principal sphere of societal development; on the other, with regard to a more effective planning of cooperation, both internally and with other sciences within the framework of Marxist-Leninist management science.

FOOTNOTES

1. "Report of the SED Central Committee to the 10th SED Party Congress," by Comrade Erich Honecker, Berlin, 1981, p 119.

2. K. Polak, "On Dialectics in the Science of Politics," Berlin, 1963, p 393.

3. R. Arlt, "Problems of the Effectiveness of Economic Law," STAAT UND RECHT, 1980, p 1031.

4. U.-J. Heuer, "Law and Economic Management," STAAT UND RECHT, 1977, p 1131.

5. "Directive of the 10th SED Party Congress on the Five-Year Plan for Developing the GDR Economy from 1981 to 1985," report by Comrade Willi Stoph, Berlin, 1981, p 39.

6. See "Management of the Socialist Economy -- An Introduction," Berlin, 1976, p 67.

7. See, for example, "The Management of Socialist Production — Questions of Theory and Practice, " Berlin, 1977.

8. See, for example, B.M. Markov, "Theory of Social Management," Berlin, 1978.

9. See W. Grahn/I. Wagner, "On the Development of the System of Political Science and Jurisprudence," STAAT UND RECHT, 1978, p 58.

10. "Report of the SED Central Committee to the 10th Party Congress"..., loc. cit., p 116.

11. See, for example, M. Benjamin, "On Theoretical Problems of State Management," STAAT UND RECHT, 1971, p 1742.

12. As representative of other works, see "State Management in the Structuring of the Developed Socialist Society," Berlin, 1981.

13. See "Management of the Socialist Economy," loc. cit., p 258.

14. See L.B. Galperin, "The Increasing Role of Socialist Law in State Management Work," STAAT UND RECHT, 1979, p 62.

15. See Yu.A. Tikhomirov, "The Management Decision," Berlin, 1975, p 7.

16. See U.-J. Heuer, "On Further Increasing the Social Effectiveness of State Management and Socialist Law in Carrying Out Economic and Social Policy as United in the Main Task," in "The State and the Law in the Developed Socialist Society," Berlin, 1981, p 87.

17. See M.I. Piskotin, "The Main Lines of Research in the Field of State Management in the USSR," STAAT UND RECHT, 1981, p 140 ff.

18. See, for example, "State Management of Agriculture in the GDR and the USSR," Berlin, 1980.

19. K. Polak, loc. cit., p 437.

20. "Report of the SED Central Committee to the 10th Party Congress"..., loc. cit., p 48.

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## AGRICULTURAL MEASURES SEEN BRINGING ONLY PARTIAL REFORM

West German Analysis

Hamburg DIE ZEIT in German Vol 37 No 15, 9 Apr 82 p 22

/Article by Joachim Nawrocki: "Back to the Village Community--Shortage of Foreign Currency Necessitates an Increase in Output." A translation of the East Berlin EINHEIT article by Werner Felfe, cited below, is published in JPRS 80519, 8 Apr 82, No 2256 of this series, pp 19-29, under the heading "SED Calls for Agricultural Production Consolidation in 1980's"/

/Text/ Farmers in Neubrandenburg Kreis fight for every piglet. Lately they wrote to Comrade Erich Honecker: "We are multiplying our efforts to improve breeding results and are striving to have every sow produce 18.1 piglets per annum from its first throw, and every cow a healthy calf." The inspiration for this effort was the party chief himself.

"Comrade Honecker's directives" are more and more frequently cited in the GDR with regard to farming. The SED is not satisfied with the achievements of its farmers and therefore tries cautiously to introduce some reforms in farm policy. Officially this is to happen at the Twelfth GDR Farmers Congress on 13 and 14 May next .

At the moment the GDR is in the stage of the "broad democratic preparations" for the farmers congress. This usually involves a stream of letters to the SED Central Committee, to the effect of assuring the general secretary that the documents relating to the farmers congress are meeting with the full approval of farmers, or that at a time of "U.S. and NATO rearmament every additional kilogram of grain and deciton of feed from domestic yield is particularly important for the output of milk, meat, eggs and wool."

This link between grain output and the East-West conflict is by no means a spontaneous happening. Toward the end of last year Honecker himself proclaimed to the SED Central Committee that "the significant rise in farm output is a political task of the first order." Present challenges could no longer be measured by the criteria of the past. The problems of farm output were "of growing significance in the international class conflict" and touched upon the vital interests of the republic. "At the present time we may well compare the ranking of the grain problem with that of oil prices."

That is a dramatic appeal indeed. Not only the Soviet Union and Poland need to import grain, the GDR must do so as well. It buys 3-4 million tons annually--at

rising prices and for hard currencies, because nowhere in the Eastern Bloc are any grain surpluses available.

Almost 20 percent of GDR exports to the West must pay for grain imports. To improve this situation, hectare yields at home are to be substantially raised and grain acreage increased.

Werner Felfe, SED secretary for agriculture, writes in the party newspaper EINHEIT that the basic condition for doing so is "the best possible farming, the lasting improvement of soil fertility by high-quality cultivation and the adequate supply of organic substances for the soil. Karl Marx already pointed out that the land improves progressively if properly treated."

From that standpoint the land has certainly not been properly treated in 30 years of socialist farm policy. Hectare yields in the GDR lag far behind those in the FRG. It is the aim in the current five-year plan period to achieve 39.5 decitons of grain; farms in the FRG regularly harvest 10-15 percent more.

With regard to potatoes the GDR plan provides for 220 decitons per hectare; farmers in the FRG harvested more than 260 decitons in 1980 and as much as 296 decitons in 1978. In the case of sugar beet the GDR has failed to even achieve prewar yields, obtaining no more than an average 270 decitons per hectare. The plan through 1985 aims at about 330 decitons; in 1980 the FRG harvested 484 decitons! Milk yields per cow in the GDR lag behind the equivalent FRG results by 10 percent, egg yields per chicken by 20 percent.

Industrialized Labor

And yet the GDR uses no less fertilizer than the FRG; in fact GDR farmers use more nitrogen and potash per hectare, about the same volume of phosphoric acid. In the GDR 125 people are employed full time per 1,000 hectares of agricultural area compared with only 79 in the FRG. At the same time GDR farming allegedly lacks 100,000 workers!

The use of fertilizers and manpower or even soil quality therefore cannot offer an explanation of that which Agriculture Minister Heinz Kuhrig lauds as the "continuity of Marxist-Leninist farm policy by party and government." The differences are mainly, though not altogether, due to the so-called industrialization of farming. This has resulted in steadily larger management units and the rigorous separation of crop and livestock production.

At the end of World War II the GDR had more than 600,000 private farms. Following forced collectivization no private farms at all survived in 1960; they were replaced by 19,261 production cooperatives (LPG's) with an average size of 280 hectares. Every village had one or two LPG's; village communities were not destroyed. By now only 1,065 LPG's for crop production and 2,819 LPG's for livestock production survive in the whole of the GDR; also operating are 69 state farms (VEG's) for crop production and 332 VEG's for livestock production. The average size of the crop production LPG's exceeds 5,000 hectares, a few LPG's hold as many as 30,000 hectares. Each LPG includes 5-10 villages. The work brigades are highly specialized; there are plowing and harvesting brigades, root crop and grain brigades.

A letter to the editor of the NEUE DEUTSCHE BAUERNZEITUNG asked "who is actually responsible for the soil at this time? A specialized brigade can always excuse itself by blaming another one." This means that farm work is now just as alienating as work in industry. One contributing factor is the multitude of abbreviations for farm enterprises and cooperative units: LPG (Crops) and LPG (Livestock), VEG, ZGE /intercooperative facility/ and ZBE /interplant facility/, KOG /cooperative society/ and KOE /cooperative facility/, KAP /cooperative crop production department/ and KAT /cooperative livestock production department/, VdgB /peasants mutual aid association/ and BHG /peasants trade cooperative/, and so on and so forth.

The consequences of gigantomania and specialization could have been foreseen; enough warnings were uttered even in the GDR. Before arriving on the job, the average farmer now travels 12 km. Fertilizer, feed and manure are carried an average of 8 km. That takes time and uses fuel, especially because road construction certainly did not keep pace. Not only are workers moved from one huge field to another, they are also delegated to other enterprises, and at harvest time students, soldiers and forestry workers are called upon to help.

New and so far unsolved veterinary and other problems arise for livestock keeping in enormous production plants. No longer is manure mixed with straw available; present now is only liquid manure, hard to store and apply as fertilizer--on top of that it is becoming something of an environmental problem. The strict separation of crop and livestock production also means that supplies of feed, raw materials and barn manure now need to cross enterprise borders and therefore tend to be irregular .

All this is the consequence of the doctrine that work on the land must be industrialized, that conditions in villages must be approximated to those in cities, and that the work of the farmers must be adjusted to that of industrial workers.

That has gone so far as to compel Honecker to state: "We are certainly not among those who think that the class of cooperative farmers will disappear in the course of the transition to industrialized methods of farm production."

And Agriculture Minister Kuhrig had to point out that the working day will still have to be adapted to the special conditions of crop and livestock production. "That has always been the case in farming and will continue the same way."

Still, the consequences of large-scale farm management are not the only reasons for the unsatisfactory output. GDR agriculture has long struggled to till, cultivate and harvest the fields. Root crops, in particular, react badly to delays in planting, mistakes in the crop sequence and in cultivation. Moreover varieties of potatoes tend very quickly to be exhausted, but new varieties and high-quality seed potatoes are unavailable.

The transition to liquid manure management has resulted in a shortage of organic fertilizer; the land is unable to produce humus. Finally the heavy and unduly large farm machinery leads to compacting and structural damage.

Furthermore, supplies of farm machines and machine maintenance leave much to be desired. Judged by annual investments, for example, tractors need to last 16 years before replacement. As a result they need a lot of repairs and incur much downtime,

and spare parts and machines tend to be in short supply precisely when the need is greatest. That again is the reason for delays in tilling and harvesting and, in turn, brings about harvest losses.

Of course the SED will never admit that the all-knowing party could have made a mistake. Its officials express themselves far more circumspectly--for example: "In view of the tasks confronting us, we must use our best judgment and foresight to examine what has proved to be nor not to be useful" (Honecker).

"Some procedures that appeared correct 5 or 10 years ago appear in a very different light now in the much changed economic conditions" (NEUES DEUTSCHLAND). Or: "It therefore appears necessary to encourage everything serving more closely to link crop and livestock production" (Felfe).

Half-Hearted Reforms

The slogan now is "back to the village." The SED organ NEUES DEUTSCHLAND already describes the desired result of the draft resolution to be adopted at the farmers congress: "Farmers mostly to work near their village, transport costs for feed to drop, the condition of the land and the crops to be visible to all and evidently the visiting card for the quality of farm labor."

Heinz Ziegner, first SED secretary in Schwerin, already acknowledges "that once again we will see arriving a welcome situation, in which the barn is as familiar to the crop producer as the field is to the livestock keeper."

To be restored, therefore, is the attachment to village and community, the unity of crop and livestock production, the variety of farm work--all of which had been perversely destroyed. However, this does not mean that SED farm policy intends to go into reverse.

Only a few outsize LPG's have been broken up; in general the prescription runs otherwise. Cooperation relations between the various enterprises are to be improved. The brigades now specialized to perform certain work are to be replaced--at least in part --by "regional brigades," in other words locally attached collectives; and the brigades of crop production are to collaborate more closely with those of livestock production.

Agriculture Minister Kuhrig calls for the "greater responsibility of brigades and sections" as well as for "manageable collectives with their own plan."

The symptoms of gigantomania, therefore, are to be dealt with, not the causes. Many diverse measures are to help improve supplies and reduce the need for imports. Pasture management and hay production are to be improved, feed reserves such as kitchen refuse developed.

And once again the party smiles benevolently upon gardeners, settlers and small livestock breeders, so that they may supply more fruit, vegetables, honey, rabbits, eggs and skins.

At the same time nothing has changed as to fundamentals--that emerges from the draft motions for the farmers congress. The importance of the LPG's is to be emphasized

and cooperation further developed. Some motions fondly recall past traditions: "The friends of the art of cooking or of hobbies must come into their own. Is there really anything finer than for a LPG plenum to begin by having the village choir sing the old familiar songs--the village choir to which our wives and children belong--, while we ourselves sing along with them?"

On the other hand the farmers congress next May will affirm that "we have literally become new people." All GDR agriculture will the need are the appropriate yields.

## Self-Sufficiency a Distant Goal

Frankfurt/Main FRANKFURTER RUNDSCHAU in German 7 Apr 82 p 9

/Article by Claus Hoecker DPA: "The GDR Is Far From Self-Sufficiency in Food--Changed Eating Habits Cause Difficulties for Agriculture; Despite Rising Costs Investments Are Not Being Increased"/

/Text/ The establishment of giant combines characterized the first stage of the reorganization of the GDR economy with the aim of achieving greater productivity. A second step is the review of farming within the framework of a cautious SED reform policy. In view of the cost explosion in the West and the crises of the system in the East this has the goal of largely excluding foreign trade influences on the stability of the domestic socialist experiment.

The Twelfth Farmers Congress in May next will not decide to turn away from "industrialized" cultivation and livestock breeding methods. Ranking just below the all-pervasive need to conserve energy, especially diesel fuel, is the wish for a rapid rise in hectare yields of grain and feed in order to reduce imports. The notoriously unfavorable cost-yield ratio is among the most objectionable aspects of an otherwise fairly successful farm policy.

Still, the government will have a harder time now than in past years to achieve the desired "self-sufficiency in food," because popular eating habits have shifted from grain products and potatoes to meat and animal products in the East as well as in the West. Consequently the satisfaction of the feed requirements for livestock is more and more a matter of urgency. Unfortunately it is just in this sector that the GDR was compelled in the last five-year plan period to import (mainly from the United States) an average of 3.5 million tons of high-protein grain varieties to raise the yields of pigs and beef cattle.

The last harvet amounted to 9.2 million tons (36 decitons per hectare). This was still well below the 10.4 million tons (43.7 decitons/hectare) proclaimed as the goal for 1985. By comparison with the FRG the GDR is doing particularly badly in the cultivation of potatoes. Here the arrears amount to 37 percent at a yield of 100 decitons per hectare. In the case of sugar beet the gap actually widened from 39 percent to 43 percent. Seeking the reasons for these differences, the Research Agency for All-German and Economic Issues found that some disadvantages arising from industrialized production are involved as well as soil and climatic conditions and the general problem of motivation in a collectivized agriculture.

As 25 percent of beef cattle and 30 percent of pigs, for example, are housed in giant barns and without straw, the quality of waste (important as fertilizer) has deteriorated considerably. Flushed out by water, the 54 million tons of liquid manure have little dry substance. As a rule the storage containers are sufficient only for 2-3 weeks, though--for reasons of chemistry--storage should ideally last no less than 50 days. The customary period in the FRG is 160 days. Moreover, small liquid manure ditches require unduly frequent and labor intensive transportation to the fields.

A return to smaller barns would at least help bridge the difficulties involved in the annual manufacture of 943,000 tons of nitrogen fertilizer. As Soviet oil deliveries have been cut by 2 million tons, the raw material base is no longer available for the envisaged expansion of fertilizer production by almost 300,000 tons through 1985. From 1983, therefore, it will probably be necessary to import 350,000 tons of ammonia from the USSR. Plant protection supplies have considerably improved in recent years. However, frequently these supplies are not available at the right time or in the right place. Due to the reduced efficacy of the preparation and the greater consumption involved in the use of crop spraying aircraft, the volume of plant protection substances used now amounts to 5.6 kg per hectare, well above that of the FRG (1979: 4.5 kg).

Despite the inexorable pressure of costs farming will not be allocated more investment resources in the 1981/1985 plan period than in the previous five-year period (1976/1980: DM25.6 billion). Also untouched will be the division into enterprises of livestock and crop production, introduced since 1968. A new LPG law--the current legislation dates back to 1959--is intended by the SED better to regulate the contractual relations that now evidently involve frictions and result in obstacles to greater productivity. In place of central target assignments Agriculture Minister Heinz Kuhrig has also discovered the benefits of "manageable collectives with their own funds" within the giant LPG and suggested a debate on the "division of tasks."

The enormous demand for motor fuel must be considered the possibly most serious effect of the concentration of farming in approximately 4,000 LPG's and 400 state farms (1970 still counted 9,866 enterprise units). It needs 4,500 buses to move farm workers between villages and fields. In 1973 trucks (50,000) accounted for 18 percent of the technical equipment of enterprises; now they exceed 30 percent. Coping with long distances and huge transports has long since become the pivotal point of punctual planting and proper harvesting operations.

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## TASKS FOR AGRICULTURAL MACHINERY CONSTRUCTION DISCUSSED

### Shortcomings Noted

Dresden SAECHSISCHE ZEITUNG in German 2 Apr 82 p 6

[Response by Joerg Marschner to question from reader Hans Naumann: "Mechanization Gaps in Agriculture?"]

[Text] [Question] With great interest I have been following the public discussion in preparation for the Farmers' Congress. I regret, however, that there have been no comments by the producers of agricultural machinery. How are they going to approach the new tasks? (Hans Naumann, 8600 Bautzen).

[Answer] At a conference of the Party Aktiv of the Neustadt Fortschritt Landmaschinen [Progress Agricultural Machinery] Combine VEB at the end of last month, this was one of the key questions. An answer will have to focus on three aspects:

Firstly: The combine with its 68 enterprises and nearly 66,000 employees is working on a program designed further to develop the integrated mechanization of the technological processes in the agricultural sector--in crop cultivation and in livestock breeding. In high-level collaboration with agricultural experts, the combine identified the areas that still show mechanization gaps. In the field of livestock breeding, these gaps are to be closed by means of the so-called stable work installation. Thus the workers of the Progress Combine are making allowance for the fact that most of the presently available old stables must be kept in service and that this will be possible, if the key operations are effectively mechanized. According to the combine's campaign plan, this machine is to be put in operation in 1984. In this connection, one must take into consideration that the combine and its suppliers must beforehand make available the appropriate new capacities. As early as next year, the workers of the Progress Combine want to make available a greater number of machines for coarse fodder--i.e. hay--production so as to reduce the share of feed grain.

There are other important research and transmission targets: Among other things, the combine plans to reduce the energy consumption and the weight of the agricultural machinery; generally speaking, the products of the Progress Combine will have to make greater allowance for the biological requirements of crop cultivation and livestock breeding.

Secondly: To meet their cooperation-related obligations, the collectives of the Progress Combine are prepared to work toward increased continuity in regard to spare part production and supply. The experts know that there is much room for improvement in this regard. The Progress Combine is in charge of a stock of over 100,000 spare parts, and the way this responsibility is discharged is a key factor in regard to the efficient use of the billions of marks invested in agrarian producer goods. In honor of the combine, one should mention the fact that nearly 98 percent of the spare parts distribution is carried out without any problems; however, the remaining 2 percent are the tricky part. Consequently, the Party Aktiv Conference recommended to orient the combine's entire reproduction process toward stabilization of the spare parts supply, to take all the requisite reorganization measures, and to reduce the demand for spare parts by focusing the developmental research work on improving reliability and extending service life.

The third aspect concerns the cooperation between agriculture and industry. I would like to draw attention to the following figures: The agricultural sector has at its disposal approximately 145,000 tractors, approximately 50,000 trucks, over 250,000 trailers, more than 13,000 combines, tens of thousands of other special machines, including 7,000 forklifts, approximately 6,000 feed distribution vehicles and over 2,500 feed conveyors. A more efficient utilization of these capacities presupposes rationalization measures in the agricultural sector itself. Thus the draft resolution contains the goal by 1985 to turn out M 1.6 billion worth of domestically produced rationalization equipment and thus to double the production volume. Certain selected projects will require direct cooperation between the industrial and the agricultural capacities.

## Goals for 1985 Outlined

East Berlin AGRARTECHNIK in German Vol 32 No 2, Feb 82 pp 48-50

[Article by Dr W. Eckhof, engineer, Chamber of Technology, Ministry for Agriculture, Forestry and Foodstuffs: "The Tasks of Agricultural Machinery Construction During the Five-Year Plan Period Up to 1985"]

[Text] At the present developmental level of the material-technical basis of livestock breeding and under the changed reproduction conditions of the 1980's, measures concerning a more intensive utilization of the existing production facilities are assuming increasing importance also in regard to production expansion and efficiency improvement in livestock breeding.

In this connection, preventive maintenance, the rationalization and reconstruction of the existing individual stables and facilities and of the industrial installations are assuming increasing importance. The directive of the 10th SED Party Congress concerning the five-year plan for the development of the GDR economy during the period from 1981 to 1985 formulates the following demand:

"All measures toward intensification of agricultural production, rationalization and reconstruction must be closely linked with a more efficient utilization and further consolidation of the material-technical basis of agriculture and its gradual transition to industrial production methods."

In 1980, the capital goods equipment level in socialist agriculture was raised to over 180 percent as compared with 1970.

Thus, aside from the necessary continuous expanded reproduction of the basic assets, it is necessary better to utilize the available capacities. All capacities, including the material and the financial funds, must be utilized for the intensification efforts.

As partners in the LPG [agricultural producer cooperative] and VEG [state farm] livestock breeding, the enterprises of the agrotechnical machine building industry carry great responsibility in this respect; in the future, they will have to press more actively for mechanization. Through significant advances in regard to further mechanization, above all in regard to feeding and manure disposal, and through improvement of labor productivity in regard to milking, manpower cutbacks must be effected so as to reduce the manpower deficit in livestock breeding and further to cut back the share of heavy physical labor.

The manpower deficit and the further manpower reduction must be compensated above all through improvement of labor productivity, primarily by means of further mechanization. At the same time, these mechanization measures are to contribute to a highly efficient feedstuffs utilization, thus helping significantly to reduce or eliminate the imports of feedstuffs.

Concretely, this means that in many cooperatives the feeding procedures and thus the requisite feeding equipment must be reorganized so that all of the cooperatives' available feedstuffs can be appropriately utilized. In addition, it is necessary to give priority to measures designed to reduce the absolute and the specific energy input.

Since 1960, the capital goods equipment level in the livestock breeding sector has increased to over 2.5-fold. In the last few years, the capital goods equipment level has been raised through rationalization and reconstruction measures and through the construction of industrial production facilities. Thus it has been possible to reduce the share of the manual labor involved in feeding and manure disposal by an average of approximately 2 to 4 percent for the individual livestock categories. The primary task of the Agrotechnical Installation Building (LTA) VEB concerning mechanization of the work processes results from the concrete circumstances and the condition of the existing stables and installations, which can be characterized as follows:

--In the stables of the 1950's and 1960's, in which approximately [illegible] percent of the livestock are accommodated, the mechanization equipment is for the most part nonstationary and characterized by a number of different levels:
Coarse-fodder storage in horizontal silos;
feed distribution by means of tractor-drawn trailers, hand-drawn carts and tractor-drawn feed distribution cars, and trailer rigs;
surface manure disposal by means of tractors, sweepers, scraper chains and wheelbarrows;
nonstationary manure and liquid manure removal.

These stables will have to be subjected to intensified efficiency measures, which must be combined with further mechanization aimed at raising the technological levels. In these endeavors, well-tested technical equipment should be employed.

--Approximately 25 percent of the livestock are still kept in stables that were built before 1950 and that are insufficiently mechanized. In these stables, the possibilities of using the available mechanization equipment are limited. It is especially in regard to the rationalization of these stables and installations that the LTA VEB bear great responsibility in regard to advising the livestock breeding enterprises on the selection of the mechanization solution most appropriate for the given project. It is imperative that the units involved not wait for orders; rather, the rationalization and reconstruction processes must be actively influenced. The accomplishment of this task is a criterion for the way the LTA VEB discharge their responsibility in the region. The LTA VEB are best informed on the supply of equipment and on the possibilities of making this equipment available. At the same time, better preconditions are created for a more extended demand planning. In accordance with the condition and utilization possibilities of the mechanization equipment, the LTA VEB--in consultation with the cooperative farmers and workers--must make a site-related decision concerning the further utilization of the stable installation and the rationalization and elimination measures to be taken. At any rate, it is necessary to exploit all possibilities of mechanizing the work processes in the smaller and older stables, which will have to be used for some time for livestock breeding, so as to insure a high level of labor productivity and good working and living conditions for the employees.

--In the stables and installations that were built after 1970, the feeding and the manure disposal are largely mechanized. These operations are characterized by the following:
Coarse-fodder storage in high-rise and horizontal silos;
centralized feed preparation;
feed distribution by means of primarily stationary systems (conveyor belts, feed conveyors, pipe feeding installations);
underground manure disposal systems (flow ducts, retaining drains, dragging bucket);
centralized liquid manure storage and processing.

Regarding these stables and installations, it will be necessary in the next few years to concentrate on prompt maintenance and replacement of equipment so as to insure continuous production and to maintain and further raise the high technological level attained. Above all, it will be necessary to increase the liquid manure's content of dry substance.

In the event of reconstruction, it should be kept in mind that the latest results of scientific-technical progress must be introduced--with due regard for the efficiency of overall operations.

Regarding investments during the five-year plan period, it is assumed that most of the investments are aimed at rationalization and reconstruction. At the same time, it is necessary to insure prompt replacement of equipment.

Due to the investment concentration, above all the concentration on rationalization of smaller stables, the structure of the requisite equipment continues to change, resulting in a higher share of nonstationary technology. It is one of the advantages of nonstationary mechanization that for the most part it does not require large-scale construction or assembly efforts, thus producing immediate results in

livestock breeding and making it possible simultaneously to mechanize several stables. Among the disadvantages are the necessity to use DK [not further identified], the greater space requirements per livestock unit, the lowering of the wintertime stable temperatures due to the opening of the gates, and the problems in connection with the black-white separation. For these reasons and for reasons of economy in regard to liquid energy sources, it is desirable to use stationary electric installations wherever this is feasible.

Regarding the selection and final decision concerning application of the respective procedure, one must proceed with great conscientiousness, with due regard for the economic possibilities, the planned development, the manpower situation, the available facilities, the economic operation of the enterprise as a whole, and site-related factors. The responsibility for this decision rests on the LPG and the VEG and on the cooperation councils and the councils for agriculture and the food industry (RLN). The state-owned enterprises of the agrotechnical installation building industry and the engineering offices at the scientific-technical centers in the bezirks [GDR administrative unit] are obligated actively to support these efforts. The decisions must be made not separately for each individual stable, but for the entire LPG and the kreis [GDR administrative unit] and they must be reflected in the rationalization conceptions.

As regards manure removal, the following trends have crystallized as a result of the evaluation of scientific findings and practical experience:

--In livestock breeding, both the litter-based system and the litterless system will be retained;

--in all rationalization and reconstruction measures and in the expansion of conventional stable installations in regions in which the use of liquid manure is prohibited for reasons of water and environmental protection and agricultural and crop-related problems, the litter-based system should be employed;

--as regards the litterless system, it is necessary to create conditions--in accordance with the regional conditions in regard to rationalization, reconstruction and expansion of stable installations--that allow an efficient and harmless application of liquid manure in crop cultivation.

Concrete measures concerning appropriate manure and liquid manure management are a key factor in regard to solution of existing problems. In the litterless system, the production of liquid manure rich in dry substance should be enforced (dry-substance content 5 to 6 percent).

The cooperatives should be supported in the implementation of the following measures:

--Separation of the production waste water produced in milking installations, feeding halls, social facilities, etc., from the liquid manure and separate processing of this waste water;

--separate drainage of the rainwater;

--relocation of the watering places to the trough;

--insuring continuous operation of the watering places;

--reduction of the cleansing water volume;

--application of the liquid manure flushing system;

--application of mechanized surface manure removal systems;

--employment of sliding sluices.

Augmentation of the liquid manure's content of dry substance significantly affects the expenditures on liquid manure removal. In establishing the norms and quotas for the use of DK [not further identified] in liquid manure disposal, one should always proceed from a dry-substance content of 5 to 6 percent. Besides, it has been shown that the pertinent economic regulations concerning crop cultivation and livestock breeding have a stimulating effect in regard to a high dry-substance content of the liquid manure.

Normally, the equipment installed is apt to produce liquid manure distinguished by such higher dry-substance content. In addition, high-density liquid manure pumps and trailers are made available, by means of which liquid manure with a dry-substance content of approximately 14 percent can be moved and transported.

In stables and installations based on the litter system, it is necessary that along with the rationalization and reconstruction measures, measures be taken that are conducive toward efficient stable manure management. Above all, it will be necessary to set up appropriate manure platforms and liquid manure pits.

The best means of mechanization for stacking the stable manure are lifter trucks or loaders or--as a stationary system--scraping chains.

A new system is the manure removal by flushing. If the draining ducts are shallow, the liquid manure shows a high dry-substance content. However, employment of this system presupposes separation of the manure into dry and liquid matter so as to obtain the flushing liquid.

As regards the developmental trend in regard to the mechanization of the feeding process, it is safe to assume that there will be an increase in coarse fodder in both cattle and pig feeding.

The feeding technologies must be designed so as to allow efficient use of the available feeds in accordance with the respective livestock category. In deciding whether the feed processing should be centralized or decentralized, one must take into account the conditions at the respective site. Any construction work required for the feed processing should be based on building elements requiring little construction input.

Regarding the nonstationary feed distribution, the five-year plan provides for feed distribution vehicles of the types L 432, H 223, KTU-10, M 25, and M 22S.

As regards the distribution of coarse fodder in the cattle-breeding sector, no special equipment is available. This problem opens up concrete opportunities for the innovators.

The water distribution for calves is accomplished by means of the bucket chain, the circular milk pipe, and hand- or tractor-drawn distribution vehicles.

Regarding the stationary cattle feeding, it is necessary to employ overhead T 228 feed distribution belts or T 908 crib extension belts; the crib extension belt is better suited for distributing the coarse fodder and the ensilage. The loading of these belts can be carried out by means of feed distribution cars or T 430 belt conveyors combined with dosing devices for feed concentrates and minerals.

The dry-feed distribution in the pig and fowl breeding sector should be based primarily on the pipe feeding installation; in combination with the flexible feeding schedule, this installation offers the advantage of requiring very little space and working time. A disadvantage is the fact that this system can be used only for new dry-feed preparations.

Even though it is likewise space-saving and allows a relatively variegated use of feedstuffs, the F 989/1 installation for the distribution of liquid feeds is presently used only on a small scale.

It is planned further to develop the equipment for the processing of hoed crops and kitchen wastes. The industrial sector is expected to produce--in accordance with demand--steam-processing equipment distinguished by reduced specific calorific energy consumption.

The efforts concerning the mechanization of feeding processes are oriented toward elimination of manual labor and of tractor-drawn trailers, which still account for approximately one-third of the total feeding work volume. In this respect, significant working time savings can be effected.

In regard to stabling technology, it is planned to use the proven standard equipment produced by the Nauen Installation Combine VEB.

Regarding stabling technologies, the primary objective is to attain or exceed the service life targets. In this connection, it is necessary to improve maintenance, repair and both primary and repeat corrosion protection.

In connection with rationalization and reconstruction measures, it is imperative to overhaul on a much larger scale run-down stabling equipment and other equipment used in livestock breeding. To accomplish this, it will be necessary to develop the appropriate technologies.

In regard to manpower economy and raising the level of mechanization, milking technology is of crucial importance, since milkers are in short supply. At present, 50 percent of the workers employed in livestock breeding are engaged in the dairy cattle sector. Of the total working time of these workers, 50 percent is spent on the milking process. The objective is to replace all of the still existing pail-based milking installations by pipe milking systems and to set up herringbone milking stands wherever the animal concentration warrants this. This applies to at least 35 percent of the cows presently milked by means of pail-based installations and to at least 30 percent of the cows milked by means of pipe milking installations. In addition, it will be necessary to set up pasture-based milking centers. Another task is to add efficiency-increasing equipment to the existing milking installations.

Another primary objective is the assembly of equipment for the recovery of heat from the milk.

In regard to milking technology, technical diagnosis is assuming increasing importance. It helps to improve the quality of the milking process and to prevent breakdowns. Thus mechanization creates the conditions necessary for improving the livestock's output and health.

In regard to ventilation and air conditioning, the primary objective is to reduce the energy input. Thus it is necessary within the framework of rationalization and reconstruction measures to employ energy-saving systems and to take full advantage of all possibilities concerning the utilization of energy. Increasingly, the industrial sector and the cooperatives' own rationalization equipment construction departments provide the requisite equipment. Gravity ventilation should be employed wherever this is feasible.

Another important task is to properly maintain the ventilation systems, with attention directed above all to the regulating devices and to corrosion protection.

The 10th SED Congress raised the requirements concerning the production of rationalization equipment. The supply of rationalization equipment by agricultural installation building enterprises and the rapid employment of this equipment are key factors in regard to improvement of the efficiency of the production processes. By 1985, the output of rationalization equipment must be doubled, as compared to 1980. To accomplish this, it will be necessary to intensify the development, design and production of rationalization equipment in all agrotechnical enterprises.

We must proceed from the assumption

--that simple rationalization equipment which is characterized by a low level of complexity and which is of importance only for certain individual enterprises will be produced independently by the respective enterprises;

--that rationalization equipment, the production of which requires specific machine tools and which is of importance for a number of enterprises, should be produced by kreis-based or bezirk-based capacities under the jurisdiction of the kreis or bezirk councils;

--that rationalization equipment which is characterized by a high level of complexity and which necessitates high developmental, design and production input and which is of importance for the livestock breeding enterprises and agricultural installation building enterprises of the entire republic should be produced in the centrally controlled enterprises and combines and within the Agrotechnical Maintenance VVB [Association of State Enterprises].

On principle, the agrotechnical enterprises must produce the rationalization equipment for their own production processes and for livestock breeding; they must create or expand--in accordance with the production volume--the capacities for construction and development and for the construction of models and conditioning devices. In this regard, one should take into consideration that an annual commodity output valued at M 1 million requires approximately 1.2 to 1.6 designers and approximately 1.4 to 2 technologists, foremen, and designers of models and conditioning devices.

These capacities must be created above all through the tapping of the enterprises' own cadre reserves and through the employment of university and technical college graduates.

To insure the systematic preparation and effective implementation of the production of rationalization equipment for the livestock breeding sector and to insure rapid generalization of the experience gained, it is necessary further to intensify the product group work. Likewise, there is much room for improvement in regard to the KDT [Chamber of Technology] work and the innovator work.

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BANK PRESIDENT ON HUNGARY'S FOREIGN, DOMESTIC FINANCES

Budapest PENZUGYI SZEMLE in Hungarian No 3, 1982 pp 170-175

[Selected Remarks from a Press Conference Given by Dr Matyas Timar, president of the Hungarian National Bank]

[Text] We completed our 1981 annual plan amid very difficult international conditions, and it appears that we will have to reckon with the political and economic difficulties of international life also in this year. In the past quarter of a century perhaps there was not even a single year when international conditions had such a strong effect on the Hungarian economy. Therefore, for this very reason we must especially appreciate that we can point to good results in our foreign economy.

Foreign Exchange Management

The 1981 economic plan counted on an improvement in the foreign economic equilibrium within general equilibrium relations; accordingly, it called for the use of a smaller amount of foreign resources than the year before. Essentially, we arrived at these plan goals, and our foreign exchange situation in both main accounting forms--ruble and dollar--developed more favorably than in 1980 or as planned.

The international business situation was not favorable to our 1981 marketing activity, which was made more difficult by the protectionist measures of capitalist countries. It was a favorable factor, however, that the terms of trade for nonruble trade inproved somewhat despite plan estimates.

We had to conduct our money market activities frequently under changing conditions. The foreign exchange markets were characterized by very high interest rates which surpassed all previous records, and by significant exchange rate movements. With the appropriate foreign exchange policy measures (and conscious exploitation of interest and rate of exchange developments) we still succeeded in preventing an increase in the burdens of foreign exchange financing.

We also conducted our credit activity amid difficult money and credit market conditions. The goal of our credit borrowing was to assure the continuity of our economic development: to finance developments which expand the

production of modern goods salable on all markets and which create the possibility of credit repayment by dint of increasing exports. Significant 1981 credit borrowings to serve such a goal were the following: we borrowed $150 million from Bahrein and Kuwait financial institutes, and a consortium of Western banks negotiated with us a credit loan of $400 million. In midyear we used the credit possibilities of the CEMA banks, and we received a long-term loan form the Soviet Union.

As a result of our financial policy, with its adjustment to the changing economic-financial situation and our keeping our payments balance within the planned limits of trade, we have been able to meet all our payments obligations fully and on time.

Last year, as is well known, we requested the acceptance of our country in the specialized financial institutions of the UN, the International Monetary Fund and the World Bank. This step is suited to our external financing policy and our economic relations with foreign countries; our application for acceptance is linked to the whole of the economic political policy we have followed thus far and to the process of the further development of our economic management system.

It is well known that on 1 October 1981 we introduced a unified exchange rate--identifical for commercial and noncommercial accountings. With this, the function of the forint as a standard of value became more complete, the orienting role of the exchange rates increased, and the administrative work of many enterprises and institutions was simplified. The introduction of the unified exchange rate is an important station on the road to the consistent development of our economic management system. This measure did not affect our accountings with CEMA countries.

The unified exchange rates followed the level of the commercial exchange rate, and therefore a gradual raising of noncommercial rates preceded the measure. Considering this, we also changed the regulations regarding the conditions for the purchase of travel currency by the Hungarian population. Fees on the purchase of foreign currencies were moderated, or fully eliminated, or the maximum that could be purchased was increased.

Our nonruble tourist trade receipts were favorably influenced by the increase in the noncommercial exchange rates: we closed out the year with receipts of about $215 million as compared to $180 million in 1980. This represented an increase of almost 20 percent.

Improvement of the foreign economic equilibrium is also the central task in 1982. The plan counts on a further improvement in the commodity trade balance. To fulfill this goal, we also need to increase exports this year more rapidly than imports. The bank network must also assume additional important duties to solve the multiplying tasks. Among these the most important are:

--we must further increase our efforts to consolidate the good international reputation of our country and its international credit worthiness by increasing our economic results;

--we shall continue to borrow medium and long term credits within the planned limits, and for our goals. (We shall continue our activities on the traditional money markets, but we shall try incessantly to diversify our credit ties. The credits we borrow will serve in the future as well our export development goals.);

--we must carry out the tasks that have devolved on us as a result of joining the International Monetary Fund and the World Bank;

--within the limits approved in our credit policy guidelines, we shall support investments serving the expansion of convertible export goods by credit means;

--we shall continue to control the fulfillment of obligations undertaken in regard to export expanding investments, and when necessary we shall apply sanctions.

Our Credit Policy

The Council of Ministers decided on the guidelines for the 1982 credit policy in harmony with the requirements of the economic plan and the prescriptions of the plan and budget. Consistent with the economic policy goal, the credit policy continues to support economic efforts at the improvement of the economic equilibrium situation, the intensification of export capability and profitability, and the development of the marketing structure. Investments continue to receive an emphasis appropriate to their importance for the rationalization and reduction of energy consumption, the expansion of capacities assuring capitalist export, or replacing and supplementing imports from this relation, and the utilization of waste and secondary materials.

Equilibrium requirments have made necessary minor changes in extent and further tightening of management conditions in the scope of certain regulator elements. In this connection, several corrections and modifications in the credit-policy condition system have become necessary, among which the most important are the following:

--the strongly limited possibilities of investment credit require the strengthening of prior selection. To this end, we raised the minimum profitability requirements by 1 percent.

On 1 January 1982--to the extent and in the scope carried out on 1 September 1981--we further raised the interest rates. In the case of investment credits, the 1 percent increase also affected the existing investment stocks.

Tightening of credits became necessary also for the granting of investment credits designed to increase the exportable base of goods in order that we could meet the credit requirements of the best developments by using increased selection. Considering the narrow investment credit possibilities in 1982, we tightened the conversion requirement from the net foreign exchange yield. (Implementation and conversion time together may be at the mzximum 4 years

as compared to the 3-year implementation time and the 3-year conversion time that has existed up to now.) We also extended this measure to import replacement credits.

The interest-conversion preference up to this point extended only to a raise in the convertible export commodity base and, to a lesser extent, to energy rationalization and import replacement. We expanded the preferred circle in 1982.

According to the principles and the programs of the energy rationalization program, our credit policy up to now has granted preferences to development credits serving this goal and--despite the relatively modest possibilities--assured the satisfaction of the credit requests that were submitted. The urgent economic interests linked to the speeding up of the program justified that in interest conditions for credit of this kind we should make a higher interest conversion of 33 percent possible if the investor fulfills the obligations it undertook.

Interest conversion will be 25 percent for credit designed to meet goals of waste and secondary raw material utilization.

Credit worthy small cooperatives and enterprises, as adjusted to their characteristics, may receive bank credit in the framework of simplified procedures for the realization of goals in harmony with credit policy guidelines.

The government is also stimulating the undertakings of small enterprises, small cooperatives and basic industries with special measures. The incentive is directed not only at initiatives but also at the finding of additional means; that is, the bank, in order to limit credit possibilities, can grant credit only for undertakings which are well founded and adequately covered by the founders.

To reduce accumulation and keep purchasing power within planned limits, we must mention that the bank seeks to speed up credit repayments.

It became necessary in the interest of working capital and the improvement of inventory management to modify, to a certain extent, the granting of credit for advances to the working capital fund. The enterprises and cooperatives remain obligated to replenish their working capital fund in accordance with the long-term increment of their working capital (inventories). If this is not fully possible because of the insufficiency of the development fund, at least 50 percent of the increment must be financed from eigen resources (the development fund) and the bank extends credit only for the remaining 50 percent. In the case of enterprises which increase their exports at a rapid rate or carry out a large volume of exports, the credit ratio can be a preferential 70 percent.

The bank also uses short-term working capital credit grants for achieving equilibrium goals by supporting profitable enterprise programs. At the same time, it excludes enterprises which produce over the long run for stockpiling

because of the lack of a market, or which accumulate inventories that are higher than justified.

Investments by enterprises and cooperatives in the past year have come to about 104 billion forints. Among these resources, we granted investment credits of 24 billion forints.

Below, we shall give an account of credit experiences regarding several developments emphasized for national economic reasons.

Credit Programs for Expanding the Export Goods Base

In 1981, the industrial enterprises and the large agricultural operations showed a lively interest in credits for expanding the convertible export commodity base. The total sum of export expansion and import replacement credit requests and proposals were 3.5 times more than similar investment applications submitted in 1980. Of the 65 billion forint investment credits for the expansion of the convertible export goods base under the Sixth Five-Year Plan, the bank undertook by the end of 1981 to negotiate 27.5 billion forints' worth of obligations. (Of this, 7 billion forints were already approved in the preceding plan period.) Industry received 20.8 billion forints, agriculture 5.9 billion forints, and other economic branches 0.8 billion forints.

Almost one-half of this type of investment credits negotiated in 1981 were for solving our energy problems and for using waste materials. These investments were, and are, implemented generally in industry, and thus industrial enterprise credits represent about two-thirds of the total obligated this year.

The year 1981 was characterized by the fact that the interest of the economic organs was directed primarily at implementing import replacement investments rather than at further expansion of export capacities. A role was played in this by the uncertainty of the export markets as well as many other factors. This has led to where following the transfer of investment established or being built with the help of credits approved in 1981, the enterprises and cooperatives marketed a greater ratio of the production domestically--with the promise of reducing imports, moderating energy consumption, and assuring a production base. Only a small ratio of the credits approved in 1981 meets the original goal of the credit program, that is, direct expansion of convertible goods capacities.

The credit commitment prescribed for 1981 was exhausted by midyear. Considering the large credit demand, the State Plan Committee contributed--for the sake of credit continuity--to a billion forint increase in the investment stock, and to the export development use of surplus credit amortizations and redeployments from other sources. Thus in 1981 there were opportunities for negotiationg 10 billion forints' worth of credit. But the increase in the credit total did not make it possible for us to satisfy all credit applications that met the advertised credit conditions.

There is a very close relationship between the capitalist export trend of the plan and the size of the credit possibilities for convertible export expansion (import replacement). Therefore, to the extent possible we must use this investment credit for expanding the export commodity base for facilities which will yield net foreign exchange receipts in this plan period.

In addition to the Hungarian National Bank, credits were extended by the MKB (Hungarian Foreign Trade Bank) and the CIB (Central European International Bank) for implementing investments to expand the convertible goods base. These credits are granted by the MKB and the CIB essentially on basis of the same principles as by the Hungarian National Bank.

Energy Rationalization

In 1981 we extended credit for energy rationalization in a total of 68 cases in industry and in the food economy, which came to 2 billion 788 million forints. As a result of these rationalization and modernization projects, it is expected that the planned energy savings will amount annually to 90,000 tons. Under the title of basic industry development, we approved credits of 887 million forints for four investments amounting to 1 billion forints. The FEG [Firearm and Gas Equipment Factory] received a significant 300 million forints in credit for the development of basic industry products, and the Building Joiner and Wood Industry Enterprise received 532 million forints for the modernization of door and window manufacture.

The government's energy management program also designated as a task the speeding up of work at the catalytic cracking plant for the Danube Petroleum Industry Enterprise. In July of last year we approved for this development a credit of 147 million forints for expanding the convertible exports goods base, the goal of which was to process 1 million tons of heating oil to improve the yield of white goods. The implementation of the development is proceeding according to plan.

In the spirit of government resolutions regarding the increased use of domestic energy sources, we approved bank credits in 1981 for implementing four important coal mining investments for a total of about 5 billion forints. These included:

--3.7 billion forints for establishing the Lencsehegy II Mines for the purpose of more profitable coal production;

--with the other two credit extensions--the construction of the Dorog briquet factory and the expansion of Varpalota briquet manufacture--we promoted a significant increase in briquet production capacity. All three investments will be completed in 1984.

In connection with the government program starting this year, we shall offer special credit possibilities for supporting energy rationalization developments. The decision is related to the fact that since energy and raw material prices have risen on the world market we must reduce energy and raw material consumption to improve the equilibrium of the economic payments balance.

Credit policy guidelines for 1982 call for an allocation of 1.5 billion forints for energy-saving investments.

Use of Waste and Secondary Raw Materials

The action program under the Sixth Five-Year plan for waste and raw material use calls for an investment of 10.2 billion forints with the following distribution: 3.3 billion forints from enterprise eigen sources, 2.9 billion forints from bank investment credit, and 1 billion forints from state loans and other outside money sources.

For the financing of these developments, the banks up to now have approved about 2 billion forints' worth of investment credit as follows:

--1.4 billion forints from the convertible credit budget,
--0.6 billion forints from the sub-branch credit budget.

In the framework of convertible credits, we loaned 790 million forints for the establishment of the Danube Iron Works slag tip processing plant (they process 1 and one-half million tons of slag at the plant annually); 120 million forints to the Cotton Spinning Industrial Enterprise (they manufacture 1,050 tons of cotton thread from waste annually); 171 million forints to the BIOGAL Pharmaceutical Enterprise to establish an etylacetate waste processing plant. In addition, we loaned two textile plants almost 100 million forints, and eight state farms or agricultural producer cooperatives almost 200 million forints for processing slaughterhouse waste and for the development of tire retreading, etc. plants.

Within the sub-branch credit budget, we extended the greatest number and relatively the largest sums for the processing of textile industry waste (340 million forints for five investments). Among these, the most important was the 286 million forint loan for two investments by Temagorg.

Investment and implementation possibilities for the separate programs are limited. Within the limits set by the government, we can support, even for waste and secondary raw material processing and for energy rationalization, only the best ideas and with appropriate selection. A credit budget of 0.5 billion forints is available for this purpose.

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ECONOMIC DECENTRALIZATION CREATES PROBLEMS OF COMPETITION, MONOPOLY

Budapest FIGYELO in Hungarian 31 Mar 82 p 5

[Article by Otto Lukacs: "Competition and Monopoly"]

[Text] Many decisions have been adopted recently to promote entrepreneurship and to strengthen competition. The legalization of small businesses, relaxation of the organizational framework of enterprises, and decentralization of certain large organizations all point in this direction. But it seems that up to now we have devoted hardly any attention to the struggle against monopoly, and within it against restraint-of-trade agreements. The latter are timely also because they sometimes appear in the guise of the new forms of association that are now fashionable, and thus some people could easily be misled by them.

Under perfect competition a market has such a large number of well-informed and mutually independent active participants that none of them is able to meaningfully influence the market through his market share. In principle this also requires that any company be able to easily enter or leave the market. Such competition, of course, does not exist in practice.

When mutually independent enterprises combine for some purpose--for example, to allocate among themselves their sources of procurement, divide market shares, etc.--such a combination is called a trust. The purpose of the trust is to limit competition.

Antitrust Laws

Most capitalist countries have laws against monopolies and trusts. These laws state that any agreement between two parties that restricts the activity of one party in any area is null and void. In the United States, for example, the Sherman Antitrust Act outlaws any agreement to allocate the domestic or foreign market, and any attempt to monopolize is prohibited. In principle, the person guilty of such conduct --in other words, not his company--is liable to a fine or even imprisonment.

The proportion of an entire market over which there must be effective control to qualify as monopoly varies by countries. In the case of food products in the United Kingdom, for example, a one-third share of the market is considered monopoly. In the United States a one-third share is usually insufficient for antitrust charges, but a two-thirds share is more than adequate. Actually the essential consideration is not the market share, but whether or not monopoly restricts competition.

If we in Hungary wish to encourage competition, then we too must strive to curb monopolistic enterprises that emerge often as a result of horizontal integration, and trust-like organizations such as associations, industrial committees, etc. The latter strive to allocate the market and fix prices, often with the approval of their supervising organs.

It is obvious that competition can be created only gradually, after the long years under a system that has been overtly or covertly distributive. However, competition is essential if we are to evaluate more meaningfully the operation of enterprises, and thereby also the work of their managers. Primarily competition can compel better and more-efficient work, and only it can be an effective weapon against indifference and the various forms of corruption.

Best Also the Worst

Economic competition can exist only between enterprises. The looser will not necessarily fall by the wayside, competition is essential if the work of the enterprise is to be comparable at all, and if the resources available for development are to be allocated to the better enterprise. In my opinion, it is illogical to support or single out a monopolistic enterprise (for example, to give it an award), because in the given area it is the best and simultaneously also the worst enterprise. The only exceptions to this rule, of course, are the monopolistic organizations whose survival and development depend primarily on the results they achieve in export markets.

In Hungary there are at present two decrees, issued by the Council of Minister, which prohibit market allocation or price fixing.

The first one is Decree No 33/75/11-29 MT on Product Distribution. Its Section 10 states the following: "Any agreement is prohibited that aims to allocate the market, or to exclude a specific circle of consumers from a sources of supply, or to limit the consumers' ability to choose among the sources of supply." The decree contains provisions for exemptions. An exemption may be granted jointly by the competent branch minister, Minister of Finance, and chairman of the National Material and Price Office.

But the decree fails to specify what share of the market qualifies as market allocation, whether 33, 50, 66 or perhaps 95 percent. It is likewise unclear who may institute proceedings if there is market allocation.

It can be attributed to this situation, among other things, that there is no official report of any case prosecuted on the basis of the above statutory provisions.

The other decree of the Council of Ministers, No 41/1979/11-01 MT, concerns price regulation. Its Section 17 states: "Any agreement on or regarding the price of a product is prohibited if its aim or result is the restriction of competition, the creation of a monopoly, or the securing of marketing and other material advantages."

The penalty also in this case is an economic fine. In my opinion, however, problems have arisen and could arise also from the fact that a decisive role in levying the economic fine has been played, and in some instances is still being played, by the pricing authority that might be identical with the supervising agency. Incidentally, on the basis of this decree there likewise were no proceedings.

No Proceedings Instituted

Resolution of the Council of Ministers No 1028 of 1 November 1979 on Principles for Establishing Unfair Profit likewise refers to the aforementioned decree on product distribution. Paragraph 5 of the chapter entitled "Conditions for Establishing Unfair Profit" states the following: "The price is not disproportionately high if it is warranted by the conditions of supply and demand, except if . . . (c) the enterprise creates such an imbalance of supply and demand that permits the charging of a disproportionately high price, particularly if it causes this by violating the regulations governing product distribution, by closing off some of the channels of product distribution; (d) the enterprise attains a disproportionately high price by abusing its economic superiority."

From an article published in the No 11, 1982 issue of FIGYELO (entitled "Price Regulation, Wage Regulation) it would seem that the price system introduced in 1980 does not require the reinforcement of the price-forming effect of domestic competition. In many instances, I believe, this is not so, neither in the competitive sphere nor in the noncompetitive area. Within the competitive sphere, in the case of products manufactured for sale at home, and which in many instances differ significantly from products manufactured for export so far as quality and modernness are concerned, the enterprises in most cases are able to charge all their costs--the rejects, waste, lack of organization--and still realize the level of profit attained on the nonruble-denominated market. The situation is even worse in the noncompetitive sphere: the enterprises are able to recover all their outlays in most cases. (And there are many ways in which costs can be converted into proceeds.) It is obvious that even if we set a percentual limit on the amount of profit that may be included in the prices of products supplied to the domestic market, wasteful use of resources will generate additional profit. Under the conditions of the new price mechanism, then, competition is just as necessary as it would have been under the conditions prior to the price mechanism's introduction. All this does not wish to imply that introduction of the 1980 price system does not represent significant progress.

The objection is frequently raised that the limited opporunities to import make competition illusory. In my opinion, the absence of competition from imports makes competition among domestic enterprises even more important.

It seems that the outlined decrees are inadequate to curb monopolies and trade-restraining organizations. Therefore the revision of these decrees is a timely task. In addition to updating the statuory regulations, of course, we also need an economic policy that will avail itself of the instruments at its disposal.

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# HUNGARY'S INPUT-OUTPUT ANALYSIS VIEWED IN PERSPECTIVE

Budapest FIGYELO in Hungarian 31 Mar 82 p 3

[Article by Mrs Koos nee Eva Balsay: "Model and Economic Behavior"]

[Text] The use of input-output analysis has become more and more widesrpead in national economic and branch planning, and also in macroeconomic analyses. The input-output tables and the coefficients derived from them also help to substantiate economic-policy decisions. Hungarian work on input-output analysis has gained international recognition. It permits comparison of not only the economic level that the individual countries have attained , but also of their processes of economic development.

On the basis of the experience gained with the first experimental input-output table--it was constructed for 1957--the system of statistical reporting was revised to provide data for construction of an input-output table containing 90 to 100 sectors. To this end the previous traditional statistical observations on industry, foreign trade, consumption and investment were expanded.

The input-output tables published subsequently, including the one for 1968, were activity-oriented and covered only material production. (Small input-output tables were prepared according to this concept for each year beginning with 1959, and also five tables containing about 80 sectors.)

More recently the Central Bureau of Statics compiles once every three or four years an input-output table containing 80 to 100 sectors, and it regularly publishes annual aggregated tables containing 26 to 30 sectors. These tables monitor the transactions of both the material and nonmaterial sectors.

The input-output tables are constructed at the prices used in the national-income accounts, and the aggregated input-output tables retain the sector numbers and compilation frequency of the system of national-income accounts. The tables fit into the system of national economic accounts, and the individual categories--for example, the primary components of value: fixed capital depreciation, wages and other incomes, net income, import) are identical.

## Macroeconomic Indices

In accordance with the changes that took place in the economic processes, in 1976 we introduced several changes in methods and valuation. Since then, for example, we are using producer prices to determine the value of production.

To realistically evaluate the economic processes and prepare decisions, the planning and analytical economists require a system of macroeconomic indices. At present the input-output model that is based on the input-output table is the only available tool with which such indices can be generated. The indices express the relationship between products and economic resources. With their help it is possible to determine how much of what types of input were required in the various sectors of the economy to produce the goods and services resulting from national economic activity. These are so-called cumulative indices. (The so-called direct indicators supplied by conventional statistical accounting measure the input-output ratios only at the enterprise level, for example: the ratio of enterprise inputs for a given product, to the value added at the enterprise.) With the conventional system of indices it is possible to analyze the activity of only a given phase of production, whereas the cumulative indices express also the inputs of capital, labor, material, etc. in the preceding phases as well.

With the help of the cumulative indices it may be possible to determine that a seemingly very labor-intensive export is not realy labor-intensive at the macroeconomic level. The explanation of this lies in the fact that the individual sectors vary considerably in the extent to which they utilize the inputs of the preceding phases. The cumulative inputs of fixed capital in the food industry and construction industry are five times their direct inputs, while in the machine industry the cumulative input of fixed capital is three times higher than its direct input. Therefore it is important to know the indirect input demands of the individual sectors, because in this way we are able to obtain a realistic picture of the labor intensity and capital intensity in the various sectors of the economy.

Since 1973, the Central Bureau of Statistics regularly compiles and publishes the system of indices linked to the national economy's final demand (consumption, gross accumulation, export) and its net indicators (net accumulation, the net balance of export and import). A single, generally applicable series of input-output indices does not reflect the economic processes. The so-called "national economic level" as a category of economic analysis is not of an absolute nature. To suitably substantiate economic decisions related to export-import activity, for example, it is expedient to use indices such that, as a result, only export will be taken into consideration.

The Central Bureau of Statistics is compiling its next input-output table, for 1981, and it will contain 100 sectors. The computations are organically linked to the previous ones, and thus they provide a starting point for more-detailed economic analyses, and for work on the construction of the input-output table.

We will continue to regularly compile the small input-output tables that will describe the production interrelations in a breakdown by 20 to 30 sectors, depending on the foreseeable demand for information. The content and form of this input-output table variant and of its derived system of input-output indices will not change. These input-output tables are comparable with the series of input-output tables that the Central Bureau of Statistics recently completed for the years from 1970 through 1979, on the basis of a uniform methodological concept. This will enhance suitable empirical substantiation of macroeconomic analyses.

Factor of Time

To link over time the economic data gained from input-output tables constructed for a series of years, our plans include the construction of a series of highly aggregated input-output tables containing about 8 to 10 sectors, together with the pertinent investment data by sectors.

Besides constructing input-output tables of the static type, we will regularly prepare also dynamic models based on input-output tables. Dynamic models that describe the change over time or the time path are indispensable to exploring the phenomena of the process of development. With their help we will attempt to explain what caused the economy to move from one state to another.

Also in conjunction with the dynamic models that explain development over time, it is important to pinpoint which are the factors that presumably have a decisive influence on economic development. Researchers are attempting to build into their models in a variety of ways the most important motive forces of economic development. A common feature of these attempts is that all researchers regard the establishment of new production capacities as the most important factor. We ourselves share this view, therefore we deem it necessary to construct an investment matrix.

Another one of our objectives is to fit the input-output model into the system of national economic models. Essentially we are striving to combine an economic model with an input-output model. Here the input-output model provides the production coefficients (the technology), while the econometric model attempts to formulate the behavior of economic subjects. We would like to develop a comprehensive macroeconomic model that describes the processes both statically and dynamically, and attempts to formulate rules not only for objective technological interrelations but for patterns of economic behaviour as well.

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SIGNS OF REFORM WITHIN LARGE ENTERPRISES NOTED

Budapest NEPSZABADSAG in Hungarian 2 Apr 82 p 3

[Article by Istvan Oroszi: "The Reform Inside the Large Enterprise"]

[Text] Interesting, novel changes, awakening new ideas, took place this year in the internal guidance and interest system of the Cotton Print Industry Enterprise. Previously everything from materials acquisition to waste management, from guiding production to marketing belonged in the sphere of authority of the enterprise center, and the jurisdiction of the factory leadership was limited to carrying out central decisions and directives. Beginning 1 January 1982 two factories of the large enterprise received the right and authority for the independent production and marketing of the great majority of the products processed by them, naturally in harmony with the enterprise plans.

They Received the Right and Authority

At the Cotton Print Industry Enterprise they call this new organizational and management form an independent business sphere. This indicates in a telling way that the factories have been promoted from simple executors of central directives to active participants in enterprise business policy with a large sphere of authority. They have become directly interested in increasing profits, they can generate their own funds, as a result of their management, for development and to increase wages and personal incomes.

The Cotton Print Industry Enterprise is not the only management organ where the spirit of the economic guidance reform had not yet penetrated the internal life of the factory, where the old so-called direct guidance methods and the associated incentive forms had survived inside the enterprise. Nor is it the only large enterprise where they now want to organize factory rights and interest relationships on new foundations with a profound study of the practice thus far.

The reasons for the relative backwardness of the enterprise internal mechanism are various and complicated and how to move forward is not yet entirely clear even among experts. It is a fact that as long as an increase in production and the favorable development of quantitative indexes played a crucial role in improving profitability and the losses resulting from bad management could

be made to disappear by means of state supports, "winning" various concessions, very few enterprises were inclined to transform their internal guidance and interest systems. Indeed, as the tensions of managing with limited financial resources increased over the years many enterprises felt that the only possibility for carrying out the stressed tasks so important in the higher level judgment of their activity was to take their execution directly into the sphere of authority of the center, reducing rather than expanding the decision rights of the factories.

Waiting For Instructions From the Center

Even those who are not professionally acquainted with the internal guidance system know, see and hear much, on the basis of their own place of work experience, concerning the rigidity of relations between center and factories, the shifting of responsibility and the sharp conflicts concerning material interest. Let us see what is written about these tangeled contradictions, increasingly difficult to bridge over, by an expert, a main department chief of the Hungarian Silk Industry Enterprise, in an article published in the weekly FIGYELO: "In the direct guidance system used thus far the factories did not organize production in the interest of profitability but rather tried to carry out tasks decided on by the center...and in the process--their interest dictated it--they concealed their own possibilities. They were not interested in better work because they only felt the problems accompanying new tasks; the center got the profit, it decided the wage level and the premiums which could be paid, it decided on investments.... Discovering and exploiting the possibilities of the individual factories fell outisde the view of the leadership as long as the difficulties of the given factory did not threaten the economic situation of the entire enterprise."

Beginning in January of this year the internal guidance and interest system was radically changed at the Hungarian Silk Industry Enterprise also. At Ganz-Mavag, carrying out a large-scale reconstruction and modernization of the product structure, a comprehensive study and solution, as soon as possible, of the problem was put on the agenda also. Here we are talking about the machine industry, but the problems are similar to those of the textile industry enterprises mentioned. In the present internal guidance and interest system the factories of the large enterprise are not interested in introducing new products and modern technologies, are not sufficiently receptive to the market requirements regarding quality and adherence to time limits. And while the large enterprise, exporting one quarter to one third of its production, is assuming considerable risks, business obligations amounting to many hundreds of millions, there are virtually no material consequences for the factories in connection with their fulfillment.

In general the enterprises have known that the functioning of their internal mechanism was faulty, but it appears that the motives for change are now stronger and more determined. The economic director of the PNYV [Cotton Print Industry Enterprise] has this to say about the reasons for the decision: "We did not introduce the independent business sphere because it was prescribed for us somewhere or because we wanted to provide a good example; we did it because the changed circumstances forced us to do so. The price and regulator changes of 1980 made it clear to us also that the new tasks of increasing

efficiency and competitiveness could not be carried out without transforming an internal guidance and interest system which kept local initiative within narrow frameworks." Even domestic demand for the products of the enterprise had decreased and in the midst of sharpening competition foreign sales, expecially on the capitalist market, were becoming increasingly difficult. Only recently did the PNYV get into a situation which demanded new leadership methods within the factory also and commanded: Change, take a chance, use your own strength!

Facing the Market

Thus the leaders of the PNYV rethought again and again the tasks and the possibilities. Thus they decided, in the new internal guidance system, to divide up in a new way the economic problems and tasks burdening the enterprise. It is necessary to gradually create material, financial, organizational and personnel conditions to increase factory independence and interest. As a first step, even last year, the factories being included in the independent business sphere could undertake ready-made clothing piecework for the domestic market in order to use their free capacity. It also became possible for them to use waste and remnant materials arising during production for reprocessing in accordance with domestic trade needs, to make money for their own profit out of what previously may have been lost or wasted.

This year the factories in the independent business sphere had a say in the marketing of export products also. The center can make a deal only with their agreement, and they have direct responsibility for precise fulfillment of the conditions of the contract made with the foreign partner also. Heretofore the large enterprise usually guaranteed the income of factory leaders and collectives in accordance with internal rules even if the goods produced by them were sold only at a lower profit, or even at a loss. From now on the factories will not have a share of enterprise profits in accordance with the so-called internal accounting prices, independent of profits from sales; their material interest will attach to the actually realized market, world market prices. Thus the center will no longer hold a financial umbrella over the factories, will no longer be inclined to cover losses deriving from possible local mistakes simply in order to ensure tranquil conditions for productive work at any price.

The development of the independent business sphere system (which was realized even earlier in a similar form by Taurus, Medicor and other large enterprises) means in practice that the factories of the large enterprise will no longer be insulated from the market. More precisely, it means that the economic guidance reform is actually entering the factory gate, making the entire enterprise face the market, so that all activities will adjust more flexibly to changes in the market. The center, freed of the daily burdens of operational guidance, can decide more carefully in the comprehensive, strategic, developmental, price policy and other questions affecting the whole large enterprise. In the factories, on the other hand, without the circuitous central detours and in the possession of first-hand market information, they can accelerate product development, which heretofore has usually been far behind demand, and, knowing their own possibilities, they can deliver more quickly what the customer wants.

All this, naturally, will require not only well thought out organizational measures and a precise definition of the conditions for factory independence and responsibility but also a new leadership view and practice. It will require time, patience and great self-restraint if the people at the center are not to intervene in matters which, according to the new setup, do not belong to their sphere but rather exclusively to that of the factory leaders. With a higher level organization of production the factory leaders must master the most important facts and rules for independent business activity. They must discover with what new products they can anticipate the competition, how to reduce production costs, how to get the factory collective and the enterprise significant extra income by virtue of better work.

The Test of Leadership

One test for the expansion of factory rights will be to discover who can make best use of the increased independence, who is suitable to carry out the new tasks and who is not. It may be that not everyone will succeed at first, because they must win the support of the workers for the fulfillment of the more difficult and more complex tasks also. Under conditions of independent management a democratic harmonization of individual and communal interests, the enlightenment and persuading work of party and trade union organs, can and must be organized in a new way. This is needed also because now the factory leader has not only the right but also the obligation to realize consistently the personal responsibiliy which previously was often lost sight of by subordinate leaders, to develop wage payment in accordance with the qunatity and quality of work done, in the place of the egalitarianism which has become the custom, and to develop a just practice for material and moral recognition.

As a result of the increase in independence a host of new ideas and initiatives were realized even in the first months in the factories of the enterprises mentioned. The people, the local leaders, have begun to think and in a short time they solved many tasks with which no progress had been made for years.

Something similar happened at the Building Carpentry Industry and Wood Industry Enterprise also where the creation of an independent undertaking right extending to 30 percent of capacity created significant incentive last year for the factories to develop more quickly products which are better and more modern than those of their domestic competitors, products which can be exported to western European countries also, to counterbalance the reduced construction industry demand. At the Ganz Electric Works also the first year results of the new enterprise guidance and self-accounting system are good and reassuring. Although in the beginning, as the economic director of the Works has noted, a few of the factory unit leaders were rather nervous to find that from now on "they would have to get themselves accepted not by the supreme leaders of the enterprise but rather by their market partners, people who had little interest in manufacturing, material acquisition and quality problems and little understanding of local problems."

So the total picture is a varied one. Just as the given conditions of the enterprises and factories differ so the possibilities, methods and timing of a modernization of the internal guidance system are unique. At Ganx-Mavag

they are now working out new rules for factory independence and efficient material incentive within the enterprise and they plan to realize these gradually over the next 3-4 years. The leaders of the Cotton Print Industry Enterprise have posted the goal of having about 40 percent of all marketing by the enterprise done by factories working in the new interest form, the independent business spheres, by 1985.

## There Are No Models

Naturally there are no models or formulas for modernization of the internal mechanism. This explains why at the enterprises mentioned, and elsewhere also, differing opinions clash and clash again about how to link, under the given conditions, the external regulators valid for the enterprise with the internal guidance and interest system. How and in what measure should extra profit be divided between the factories and the enterprise? How far can factory risk-taking extend? When and under what conditions should the enterprise help a factory which gets temporarily into a difficult financial position through no fault of its own?

Surely only on the basis of practical experience and with a knowledge of the future developmental conditions for enterprise independence will it be possible to give a satisfactory answer to these and similarly complex questions. But obviously this risk of uncertainty is much smaller than the profit promised by a determined undertaking of great decisions serving a modernization of the internal enterprise mechanism, raising the level of leadership, organization and management.

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## NEWLY INDEPENDENT ENTERPRISES DEEMED SUCCESSFUL

Budapest MAGYAR NEMZET in Hungarian 10 Apr 82 p 3

[Article, no author given: "Experiences of the Newly Independent Industrial Enterprises"]

[Text] Since the beginning of the year several industrial machine factories which in the past belonged to major enterprises, have begun independent economic operation. The secretariat of the trade union of iron workers also followed with attention the start of the year and the experiences of the first few months, and is helping the plants in their work. It becomes evident from the trade union's evaluation that this time the reorganizations were better planned than the ones in previous years. The supervisory organs prepared the enterprises for the separation with more foresight. Even so some management problems have occurred which hindered the rapid solution of banking matters and other similar issues.

The enterprises in question--such as the Elzett Works, the Electrical Equipment and Appliance Works, the Csepel Specialty Machine Factory as well as the Tool and Small Machinery Sales Enterprise--prepared programs last year for the separation, or for the merger, and for organizing property issues and credit limitations. But the hiring of suitable management professionals is still a problem at some of the newly independent enterprises, since until now these functions were handled by the enterprise's headquarters.

The Laminated Goods Factory, which has split from the Elzett Works, has a production profile of zippers and toys. These products are primarily sold domestically, but simultaneously they have also planned a significant increase export of 10 to 12 percent. Based on the experiences of the first quarter, this can be achieved. Organizing the administrative work and developing a professional staff are some of the main problems of the newly independent factory. The Writing Instruments Factory was also severed from the bonds of the major enterprise. Broader cooperation of the factory collective and greater understanding were needed at the start of the new year because in the last couple of years this factory was operating at a loss. Thus, for the most part they had to find the solutions to this by their own resourcefulness. They succeeded in introducing plant and labor organization methods by which they could achieve cost savings of 20 percent. Their backlog of orders is already so large that their entire production capacity is committed.

The planned 11-12 percent production expansion and the initial successes economic efficiency are encouraging as far as the factory's future is concerned. Four other factories remain in the Elzett's network, and in the interest of work continuity they all entered into cooperative delivery contracts with the factories breaking away.

Five independent enterprises were formed from what used to be the VBKM [Electrical Equipment and Appliance Works]. The year started out smoothly at the home plant. The Electrical Equipment and Electronics Enterprise, and their supply of orders developed favorably during the first quarter. Beyond fulfilling the domestic needs, they have even increased their export by a few percent. The Ganz Switch and Appliance Factory have also made successful deals in recent months, so that they are able to utilize their entire capacity. The Electrical Appliance and Materials Factory prepared itself in good time for independent economic operation. At the same time, even in the independent framework they cannot for the time being fulfill completely the domestic need for lighting elements and equipment. Of the one-time VBKM enterprises the Elekthermax expects the fastest increases in production and sales. In spite of this, they are putting on the market fewer water heaters than commerce needs, because their capacity is limited. But at the same time they have already begun the design work on more modern models. They are planning product changes in the capitalist export, and will gradually eliminate production of the uneconomical room heaters standing on legs; they will increase the mass production of large kitchen elements which can be permanently installed. The ElCo Electrical Appliance and Construction Materials Factory was able to set up its new organizations on time and without increased manpower, and its year got off to a flying start. Based on the results of the first few months, their plan of a 12 percent sales increase from sales does not seem excessive.

Distribution of the social facilities represented a problem in the beginning in the reorganization of the VBKM factories. Several alternatives were prepared, and at the end they agreed that each factory which in the past operated a day care facility, kindergarten, sports facility or club, will continue to have the right to operate it. They divided up the vacation facilities and the costs of operating them.

The new organization of the Lifting Machinery Factory in Biharkeresztes, which has split off the Csepel Specialty Machine Factory, is now being built up. This represents a bigger problem for them because until now the factory has not been an independently accounting profit center. Also, their machinery park consisted almost completely of fully depreciated equipment. They are preparing a program to eliminate the problems and generate growth, and are also taking out short term loans.

Also as of the first of the year the Tool and Small Machinery Sales Enterprise was assimilated into GEPTEK [Machinery Sales Enterprise]; the name of the new enterprise is Machinery and Tool Sales Enterprise. Cost management, the collective contracts and the incentive systems will be merged among other things, involving the social organs in the process.

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PROBLEMS OF FOREIGN DEBT DISCUSSED

Warsaw SLOWO POWSZECHNE in Polish 12, 13, 14 Mar 82 p9

[Interview with Prof Dr Habilitowany Stanislaw Raczkowski, Main School of Planning and Statistics, by Marek Matusiak: "When Will There Be Light at the End of the Debt Tunnel?"]

[Text] [Question] As of this date, Prof Raczkowski, what is the level of our country's foreign indebtedness?

[Answer] It amounts to about 25.5 billion dollars.

[Question] Why did you use the word "about"?

[Answer] You have to remember that we made loans from banks of many countries. Therefore these suns are expressed in various currencies. As the exchange rates continually fall, to reduce the figures to some sort of common-denominator exchange rate -- usually we designate the amount in U.S. dollars, although in our concrete case, for example, we have larger debts in relation to West German banks than American ones -- is at any rate unstable, if not imprecise.

[Question] But 25.5 billion dollars is an enormous sum.

[Answer] I have some reservations to that statement. For my part I consider the indebtedness objectively not to be great at all. After all, the amount of debt per capita in Poland's case is smaller than, for example, it is in Hungary, the GDR, or Yugoslavia.

[Question] Nonetheless, nobody says that those countries are on the threshold of bankruptcy. Why is that?

[Answer] The reason is quite simple. In each of the above-mentioned countries here, exports are more than double Poland's in terms of per capita statistics.

[Question] We will return to that subject in a moment, but first I would like you to say a few words about the origin of our indebtedness.

[Answer] Undoubtedly we should include in the group of basic causes the fact that the credit of the 1970's did not help in the essential expansion of export facilities. Of course, certain undertakings were made in this sphere, and some of them are working pretty well, but this is a minimum of what could actually have been accomplished.

Second, we overlooked the simple fact that far expanded coproduced imports would be essential for the production based on the large number of licenses we bought. Unfortunately, this fact was not reflected in the plans of those days. Meanwhile, the large extent of this phenomenon, which proved so important to our balance of payments, is proved by the fact that last year we spend nearly 2 billion dollars to buy essential supplies! Of course this does not count the cash purchases.

Finally, the third thing is that we must include among the group of basic errors in the economic policy of that time the assumption that we must expand per capita meat consumption from 50 kilograms in 1970 to more than 70 kilograms. The error of course consisted not of the desire to raise meat consumption but of the fact that the whole program came out of thin air without attention being given to whether or not we had a suitable fodder base to make it possible to expand our herds of livestock. As it soon turned out, it became necessary to import fodder at an increasingly greater rate. This means that we increased consumption using foreign money. Last year we had to spend about 3 billion dollars to import grain, fodder, and foodstuffs.

[Question] All this explains the growing trend of debt, but it does not explain why our economy broke down so suddenly, at least not in the sphere of our inability to make our payments, the capital installments, and the interest on credit.

[Answer] This was unavoidable, and the moment had to come sooner or later.

[Question] But why did it come now?

[Answer] For two reasons. First of all, the years 1980-1981 produced an absolutely drastic breakdown in Polish exports, and here we have to say that back in 1979 there was still the real possibility that beginning in 1983 we would be able gradually to pay off the debts along with the interest. Of course now that is impossible.

The other factor which we must absolutely point out is the fact that in the meantime the mean period for repaying credit has been greatly reduced. To put it in very brief terms, it is a question of the fact that more and more was borrowed to buy grain and supplies for industry, for which it is not possible to obtain credit for more than 2-3 years! Because the credit conditions were worse than before, the phenomenon I mentioned a moment ago occurred.

In this way our repayments to world financiers cumulated. A whole 70 percent of long- and intermediate-term credit repayments were to fall due in 1981-1983, excluding interest! After all, there is still the systematic repayment of short-term credit too.

[Question] And that is where we get the negotiations to extend our repayments, the negotiations in which after all you are participating. Nonetheless, I have the impression that now we simply have no choice and must keep on with the further process of indebtedness.

[Answer] The further deferrment of repayment is a far better, more advantageous solution. After all, we resolved only half the problem of last year's repayments. It is true that the negotiations concerning our 1981 debts ended, those guaranteed by the governments of the various countries, but we still have not managed to finalize the agreements with private banks. The question of this year's repayments is also still an open one.

Despite the impasse which has occurred several times, talks of this type, especially with regard to last year's debts, are still going on, and we hope that during the next few weeks we will have more favorable conclusions, because we and our creditors are both interested in this.

[Question] I am not sure that is enough, especially since there is nothing to point to the possibility of quickly rebuilding exports. Meanwhile, the possibility of obtaining further credit is a mere illusion.

[Answer] True enough, but are we going to be dealing long with such a situation? It is to be hoped that the suspension of credit for Poland is temporary, if only because the interest in expending such credit goes both ways. It is obvious that this would help us get through the crisis.

[Question] There is always still the possibility of trying for credit from the International Monetary Fund, at least in theory.

[Answer] This really is theory actually for the moment, because Poland still is not a member of it, but we expect that during this year we will become a member. Nonetheless, it must be remembered that we will not be able to use IMF credit de facto until next year.

But this really would be a great help, because this credit is granted for intermediate and even long periods, and the interest rates are far lower than market rates, which after all is not unimportant either. In the course of things this would improve the structure of our debt, and this would mean great relief in the burden of annual repayments.

After all, there are a whole lot of other benefits too. Our mere joining IMF would improve our situation on the credit market. In addition, as a member we would be able to apply to the World Bank, from which we could obtain long-term investment credit (even for 10-15 years). This would

permit us to make the necessary corrections or even to completely reconfigure the structure of our economy.

[Question] In order to activate export and slowly reduce the level of debt.

[Answer] Exactly. We must present the matter clearly: there is no other way out. Except that this applies not only to the expansion of exports but also to the reduction of the volume of imports to the absolute essentials.

For my part I see two sensitive points. First we must eliminate the deficit in trade in agricultural foodstuffs. Second, on the other hand, we should draw up and quickly inculcate a program to expand the economy in terms of saving energy and power. And it is obvious that to the greatest extent possible we must avail ourselves of our raw-materials resources, the richest in Europe. Coal is at the forefront.

[Question] I see that you are an optimist, because from what you have said we can see that we really have gotten into a debt spiral, but that by no means implies that there is no way out. Only, when will this occur?

[Answer] This depends on too many factors to be able to be precise in specifying a time. This certainly will not be possible during the next year or two, but after that the process of gradual normalization of our financial relations with foreign countries should begin.

10790
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## RAW MATERIALS SITUATION ANALYZED VIS-A-VIS HARD CURRENCY PROBLEMS

### Secondary Raw Materials

Warsaw ZYCIE GOSPODARCZE in Polish No 10, 28 Mar 82 p 8

[Article by Franciszek Jurasz: "How to Get at Secondary Raw Materials"]

[Text] Ratios of secondary raw materials recovery and utilization in highly developed countries considerably exceed those attained in our country. Shortage of means for their utilization is not a valid excuse, since the economy has to shoulder the considerable burden of sanitation in urban areas and conservation anyway. The cost of transporting 1 cubic meter of public wastes to dump sites amounted to 100 zlotys as early as 1976. Now it has increased several fold. At the same time, funds must be provided for the operation of more than 800 dumps, taking up 2500 hectars of land for no useful purpose. Expenses keep going up. In 1975, 26.1 million cubic meters were removed in urban areas, whereas in 1977 - as much as 31.5 million. In 1990, 70.5 million cubic meters are supposed to be removed, and in 2000 - 113.7 million cubic meters. These unused reserves are irretrievably lost.

Improper management of secondary raw materials cannot be accepted by the society and is at the same time highly reprehensible, especially given the current raw materials shortage. However, it goes on, despite the intentions and measures by the decisionmaking centers to the contrary. The results of new measures are also in doubt.

I will try to respond to these doubts and simultaneously offer a radical solution to this problem in this article. The proposed solutions are certainly controversial. Sure enough, many opponents will step forth, especially from among those whose customary "order" and style of work are "turned upside down." Due to this, it would be feasible to offer these proposals for public discussion in order to find a solution to this pressing problem in the national economy. The stakes go into tens of billions of zlotys.

#### Official Lack of Appreciation

There is a deep-seated conviction that a considerable part of wastes consists of worthless materials. They are not entered in the books, not only at the enterprise level, but also in the legislative acts of the central organs of state administration.

For example, paragraph 6 of the Council of Ministers Decree No 258 of 8 November, 1974 regarding the utilization of non-metallic secondary raw materials states that "secondary raw materials, which cannot be utilized in accordance with paragraphs 3, 4 and 5 should be destroyed, when the considerations of security, hygiene and order in the enterprise so require." Decree No 9 of February, 1980 obligates enterprises to register only the currently utilized production wastes on the basis of both quantity and quality. Wastes that are not utilized should only be registered in terms of quantity. The official definition quoted in the Concise Economic Encyclopedia also distinguishes usable and unusable wastes (totally unusable or unusable due to the situation). Therefore, the change of attitude towards secondary raw materials should be initiated by the change of views on their usability and the definition of wastes in general.

The assumption that all kinds of production and post-consumption waste matter are usable and should be used must be the basis of these changes. This is justifiable, because various wastes retain their tangible form with certain sueful features, such as heat-insulating, filling, impact-resistant, nutritional and energy-generating properties and so on. They are different from priamry raw materials and finished goods with regard to only some features. All other properties either remain unchanged or worsen slightly. Some properties can be restored through proper regeneration processes. Besides, all wastes contain components which can be separated and used as basic raw materials to produce either new materials or goods such as animal fodder, fertilizers, fuel and so on.

Some manufacturing processes, especially of chemical and biological nature, impart new properties to the wastes (for example, industrial liquid wastes). They contain new compounds with certain properties that can be used to produce new goods. Finding the appropriate direction of waste handling and designing a feasible technological process are the only problem.

The elaboration of the increasingly popular managerial-technological system of multiple, cyclical consumption (circulation) of raw materials in closed circuit, called material recycling, has created opportunities for comprehensive handling of wastes as raw materials. In this system, consumed goods are returned as secondary raw materials for processing into finished goods.

Waste-free technologies are spreading further and further all over the world. They prevent the stockpiling and the necessity to decontaminate production waste-matter. All raw materials entering the manufacturing enterprise are completely processed. Unavoidable wastes are directly used for the eventual production of other goods. This increases the quantity of goods obtained from a unit of raw materials and at the same time eliminates environmental pollution.

Waste-free technology was used in the cellulose-paper mill complex built in the USSR jointly by CMEA countries. Instead of wastes, colophony, turpentine, distilled oil and other acids are produced there. In the USA, the wastes are used in similar plants to produce gasoline through pyrolysis and to recover methane and proteins.

The outlined premises and international experience would suggest a new wording of the definition of wastes and secondary raw materials:

The term "wastes" should denote raw and other materials, products or parts of the above, which have lost or changed their primary technological or usable properties in the process of manufacturing or consumption and, as a result of these changes, cannot be directly used in their initial function. However, they can and should be efficiently used as secondary raw materials according to their properties after eventual additional regenerative treatment and upgrading.

The term "secondary raw materials" should denote all production and post-consumption waste matter reused as raw materials in production of various goods, as animal feed, in heat generation, etc.

System of Recovery

Comprehensive and rational utilization of wastes as secondary raw materials can only be ensured through their selective recovery, stockpiling and immediate preservation measures. Selective handling of wastes should begin as early as the process of their collection in the household and continue through all further phases: accumulation in dumps, transportation, stockpiling, etc.

It is not possible to set up a new entity for this purpose due to its huge size and high cost. An organization already in existence should be used with appropriate modifications. Tens of thousands of people are employed in cleaning residential blocks, collecting and removing trash from residential blocks. This is why the fusion of sanitation with the recovery of secondary raw materials and the transfer of these functions to one institution should become the foundation of the future system.

In a time of severe raw materials shortage, secondary raw materials can be the only base for developing the local and cottage industries. This enterprise also provides an important additional source of revenue for the city. Due to these considerations, the entire apparatus of secondary raw materials recovery in a given area, that is building caretakers and the City Sanitation Departments, must be subordinated to the regional organs of state administration. This would create real prerequisites for a considerable increase in secondary raw materials recovery with a simultaneous reduction in the costs of recovery.

New Enterprises of Secondary Raw Materials Recovery and City Sanitation set up on the basis of existing voivodship and city urban sanitation departments and, in part, of district enterprises of secondary raw materials procurement, subordinated to the former Association of Secondary Raw Materials Enterprises and the Central Union of Labor Cooperatives (CZSP) will become the basic organizational units in urban areas in charge of raw materials recovery from wastes. These enterprises would be directly subordinated to the city administration. The following would fall within the scope of their responsibilities.

- the organization of all indispensable actions aimed at comprehensive recovery and handling of raw materials extracted from wastes removed in the area of a given city;

- the creation of and supervision over block collection sites of secondary raw materials and the provision of special containers and equipment for them;

- consistent removal and transportation of secondary raw materials stockpiled on collection sites;

- preliminary upgrading (cleaning, washing, sorting and so on) of secondary raw materials;

- temporary stockpiling and sales of secondary raw materials to manufacturing enterprises, cottage industry and organizations involved in raw materials turnover;

- the start-up and promotion of manufacturing of various goods from secondary raw materials;

- urban sanitation.

Block collection sites for secondary raw materials which would take the place of defunct trash dumps would be the primary material base for this enterprise. On the area served by two or three trash dumps of the block one collection site would be set up equipped with appropriately locked containers for waste paper, textiles, glass, wood, plastics, rubber, metals, dry food wastes and various other wastes, which would be segregated in city warehouses.

In order to make it easier for population to store particular kinds of wastes selectively, household wastebaskets should also be designed in a different way. The wastebaskets should consist of three or four separate small containers suspended on a common supporting fixture.

Until the population gets used to the new principles, selective trash collection can be conducted under the supervision of building caretakers at hours which are convenient for the population. For the rest of the day, the containers would be locked. Besides free collection of wastes, the building caretaker would maintain a procurement point in accordance with the principles defined and published beforehand. Only certain kinds of secondary raw materials would be purchased, such as, for example, textiles, waste paper, plastics, rubber, when delivered to block collection sites in larger quantities, properly cleaned and segregated.

In order to make it possible for the home owner to carry out all these activities it is necessary to provide an appropriate room. In the period of transition, unused kiosks and mobile frame houses, retired buses, containers and some rooms so far used by building caretakers in apartment complexes could be used. In newly constructed housing areas, collection sites should be designed, constructed and equipped along with the rooms for the building caretaker, simultaneously with the entire trade and social base of the housing area.

Making the building caretaker responsible for servicing the block collection site calls for widening and changing the scope of their tasks and organization of their work. They would work in teams servicing a larger number of houses than they do now. This labor schedule enables them to service the sites in the morning and at night.

A possibility of subordinating building caretakers to the Enterprise for Secondary Raw Materials Recovery and City Sanitation can be considered. In part, this can be justified by the predominance of activities associated with maintaining cleanliness. Administration of housing complexes and cooperatives would pay a fee to the enterprise for providing this service. In case the current subordination is kept, the remuneration of building caretakers (higher than the present rate) will consist of the basic salary and a separate bonus for the collection of a given number of secondary raw materials.

Particular kinds of secondary raw materials stockpiled in block collecting sites would be systematically removed, either in containers or in bulk, by specially adapted cars and transported directly to processing enterprises or to specialized trade units, or, alternatively, to the enterprise's own preliminary upgrading department.

A certain part of secondary raw materials recovered in cities could not be utilized locally. Therefore, provisions should be made for the turnover of these materials all over Poland and abroad. In justified cases, separate enterprises specialized in trading certain assortments can be set up or maintained. This is especially so with regard to the Scrap Management Agency (CGZ) and the turnover of non-metallic raw materials.

Recovery of wastes from rural homes cannot be based on the principles applicable in urban areas due to dispersed settlement, lack of rural sanitation services and the use of some secondary raw materials inside rural households by farmers (for example, in feeding hogs). It is suggested that the current forms of waste recovery based on procurement and collections arranged by schools and social organizations be kept. A network of mobile procurement points should be well developed.

Comparative studies by the Main Research and Development Center for Materials Management (COBRGM) of the shares of secondary raw materials in material input of goods manufactured in Poland and abroad suggest that our industry does not take full advantage of opportunities to increase waste handling.

At the scientific conference in Glucholazy in October 1981, representatives of the scientific community and of the industry producing textile machinery stated that elaborated technologies and equipment would make it possible to utilize 100 percent of all textile production and post-consumption waste matter. The low rate of usage of these wastes is due to the lack of machinery for preliminary processing which we prefer to export rather than use in our own industry, to barriers of an economic, financial and price nature, which make processing of secondary raw materials unprofitable and to the lack of interest in processing secondary raw materials on the part of industry.

These barriers can be surmounted, and especially so in the environment of the reformed system of management in economic units. Besides, industry and cottage industry, which should be given a chance to start up production from wastes, provide a great opportunity for waste handling. Local authorities should display initiative in this sphere.

## Imports Necessary

Warsaw ZYCIE GOSPODARCZE No 10, 28 Mar 82 p 8

[Article by Krzysztof Fronczak: "We Should Look Beneath Our Feet"; passages in slantlines printed in boldface]

[Text] / Ours is a country well endowed with raw materials. Though we would dream of big crude and all the ensuing benefits translated into foreign exchange funds, it would not be correct to say that mother nature skimped on bestowing her blessings upon us. We have more than just coal, copper and sulphur. We have at our disposal a total of 3,400 geologically documented deposits of almost 60 different minerals with a total of 170 billion tons of resources. Total output from about 3,000 exploited deposits and points of recovery amounts to 540 million tons of solid minerals and oil and about 6 billion $Nm^3$ [cubic meters] of natural gas annually. The draw-down on reserves associated with mining is made up for by the increment in newly documented deposits amounting to 7 billion tons annually. /

It could seem that we are able to look forward to the future with confidence. However, the last few months of cuts in foreign-exchange resources have graphically proved how far down the dead end road of dependency of foreign supplies we have gone. It turns out that we indeed are a reputable producer of our national treasures, such as coal, sulphur or copper. However, we have grossly neglected other, minor but no less important raw materials such as chalk, lime, dolomite, gypsum and so on. There is no lack of those in the earth. However, there is a long distance between having a deposit and developing it. Now, when we have to think twice before spending a dollar and sometimes do not have funds to spend, industry is faced with a shortage of raw materials which we, paradoxically, have!

/ In 1980, we imported 46 mineral raw materials at a price of 15.7 billion foreign exchange zlotys. / Naturally, crude oil, natural gas and iron ores were the basic raw materials, which cost us 11.8 billion foreign exchange zlotys, as well as potassium salts, phosphorites and apatites needed for agriculture (1.1 billion foreign exchange zlotys). Among the remaining 40 imported raw materials, we find the following absent inside Poland: metals of the platinum group, mercury, tungsten, bismuth, antimony, mica, asbestos. However, we also find raw materials which are available domestically in dispersed form, for example, in copper ores: cobalt, vanadium, molybdenum, nickel, selenium which could be recovered in processing the ores. Nonetheless, appropriate technologies have not either been developed or implemented. On this occasion, it should be remembered that it is exactly such upgrading elements as nickel, molybdenum, and cobalt that can be successfully recovered

from alloy steel scrap. Annually, sorted scrap containing about 4,500 tons of these elements must return to iron and steel plants. In practice, not more than 1,200 tons are recovered. This translates into a loss of about $45 million annually (we wrote about this in ZYCIE GOSPODARCZE No 23, 1981). Let us figure that sum in as well. . .

Among the 40 imported special items [specjaly], anhydrite, construction lime and stone construction elements could be found. To say that there was not justification for importing them is to say nothing. Purchases of this kind cause a feeling of shame, though industry would still appreciate them. Raw materials available in the country but not mined in sufficient quantities to meet the demand or requiring further processing and upgrading close the list of purchases.

Kaolin, heat-resistant clays, flourite, silica and diatomites, bentonite, quartz powder, feldspar, technological gypsum, technological chalk, dolomite flour, barite and quartzite belong to the last group. Expenditures for their importation amounted to more than 121 million foreign exchange zlotys in 1980. If it were not for the down-and-out payments situation, we would certainly still be complacently importing them.

From the point of view of the needs of our industry, this is a necessity, since domestic mining of these raw materials has not received much investment, has been exceptionally neglected and is trailing in its development, as well as processing and upgrading plants. However, from the point of view of broader interests of the national economy, burdened by debts beyond every limit, as elementary common sense suggests, keeping up imports of raw materials available domestically borders on nonsense.

/It is appropriate to ask how we got there. The answer is relatively simple, though the problem is not quite as simple to solve./

Without a doubt, the minor mineral industry was hurt by the general run on the foreign exchange coffers which were generously open in the 1970's. Development of domestic deposits and processing plants (it is semi-finished products and not the raw minerals that are mostly needed by industry) required a more or less sizable investment. There would have been a lead time before any effect came through. Import seemed more attractive, it provided raw materials immediately. Anything at all could be bought. I think that if industry had needed cobblestone in more fanciful shapes, it is not unimaginable that even this venture would have been funded. Why should we torment ourselves and cut stones while we can arrange for it in a more pleasurable fashion?

In yet another paradoxical aspect, domestic raw materials were ridiculously inexpensive. An ugly custom tells us to neglect things that are inexpensive, "since it is certainly worthless."

For a very long time the minor, but as has been belatedly recognized, important raw materials remained under the auspices of the ministry of construction and construction materials, which, strictly speaking, was the

ministry of industrial investment and housing projects. This tutelage sidled out. In practice, investment in a sludging plant for kaoline processing was no match for yet another prefabricated concrete elements plant. All needed components could be imported. When design and technology were available, in certain cases it was possible to push ahead, and construction of an upgrading plant was started. After some time, the contracting enterprise will be transferred to the construction site of another standard-bearing investment project. As a result, we have a dozen bungled investment projects in the mining and processing industry where ten years of construction amounted to actually no progress at all.

It is not true to say that nobody took notice, nobody brought up the problem. Geologists for years have drawn attention to the short-sightedness of the implemented policy. The Central Directorate of Geology regularly prepared substantive reports for economic authorities. The latest were prepared in 1976 and 1979. They were left without response. The analysis being elaborated this year, which will be submitted to the Economic Committee of the Council of Ministers as early as March, now bears sad testimony to jauntiness, not to put it more bluntly - stupidity.

Over the last few months, a great deal has been said and written about us having our own raw materials for which we only have to bend over. It is surprising that we have not already done so. Indeed, many of these problems can be solved, but, let us not deceive ourselves, never for free, never without investment.

There are no deposits which can be tapped with nothing but bare hands. Mostly, an additional investment project must be undertaken, construction of installations already being built must be speeded up. It is necessary to retool existing upgrading plants and quarries and to build new ones, to develop appropriate processing and enrichment technologies, sometimes to carry out additional geological work. This requires time and money, and not necessarily in large amounts, since even small producers for example, cooperatives can develop small deposits. However, some expenditures are indispensable.

It is also necessary to verify some views asserting that such ventures are sometimes unprofitable, since importing upgraded semi-finished products may still seem more inexpensive. A higher price in zlotys than in dollars should not at all objectively describe the cost of a raw material, and even more so, when foreign exchange funds are simply not available. Genuine calculations should be made once again in order to find out definitely what is more profitable. Otherwise, we will come to the same dead end once again.

9761
CSO: 2600/501

MEASURES TO IMPROVE ACTIVITY OF 'ROMENERGO' FOREIGN TRADE ENTERPRISE

Bucharest BULETINUL OFICIAL in Romanian Part I No 109, 23 Dec 81 pp 1-3

/Decree of the State Council on Some Measures for Improving the Activity of the Bucharest "Romenergo" Foreign Trade Enterprise/

/Text/ The State Council of the Socialist Republic of Romania decrees:

Article 1. The Bucharest "Romenergo" Foreign Trade Enterprise fulfills the function of coordinator of the exportation of goods as a counterpart for the importation for nuclear-electric power stations.

Article 2. In the structure of the Bucharest "Romenergo" Foreign Trade Enterprise there are organized departments for pursuing the conclusion of contracts as a counterpart and the fulfillment of them, corresponding to the volume of activity. The organizational structure of this enterprise is supplemented with the position of deputy director.

Article 3. The activities of exportation, importation and international economic cooperation for conventional power equipment pass from the Bucharest "Uzinexportimport" Foreign Trade Enterprise to the Bucharest "Romenergo" Foreign Trade Enterprise, subordinate to the Bucharest Industrial Central for Power and Metallurgical Equipment and Hoisting Machines, under the guidance and control of the Ministry of the Machine Building Industry.

Article 4. The assets and liabilities established on the basis of the balance sheet drawn up, together with the economic and financial plan indicators and the economic contracts, relating to the activity of exportation, importation and international economic cooperation for conventional power equipment for 1981 and for the 1981-1985 5-year period, pass from the Bucharest "Uzinexportimport" Foreign Trade Enterprise to the Bucharest "Romenergo" Foreign Trade Enterprise, on the basis of a protocol.

The worker personnel who pass from the Bucharest "Uzinexportimport" Foreign Trade Enterprise to the Bucharest "Romenergo" Foreign Trade Enterprise are considered transferred in the interest of service.

Article 5. The Bucharest "Romenergo" Foreign Trade Enterprise is excepted from the application of the provisions of State Council Decree No 367/1980 regarding the blocking of vacant posts. The posts becoming vacant in other units through the transfer of personnel to the Bucharest "Romenergo" Foreign Trade Enterprise are not blocked.

Article 6. Appendix No 1 to State Council Decree No 276/1979 on Some Measures for Improving the Foreign Trade Activity, positions Nos 7 and 11, are amended in accordance with the appendix to the present decree.

Article 7. The provisions of the present decree are applied within the framework of the plan indicators approved for the Ministry of the Machine Building Industry for 1981.

Nicolae Ceausescu,
Chairman
of the Socialist Republic of Romania

Bucharest, 22 December 1981.
No 389.

Appendix

The Ministry of the Machine Building Industry

| Number | The Name and the Headquarters of the Enterprise | The Subordination of the Enterprise | The Object of Activity According to Main Groups of Products |
|---|---|---|---|
| 1.... | | | |
| 7. | "Uzinexport-import" Bucharest | The Industrial Central for Power and Metallurgical Equipment and Hoisting Machines | Exportation<br>Complex installations, manufacturing lines and technological equipment for the machine-building industry, CKD [completely knocked down] for them;<br>Complex installations and technological equipment for the food and refrigerating industries;<br>Installations for silos;<br>Complex installations, implements, basic equipment for the iron and steel, ferrous and nonferrous metallurgical and chemical-coke industries, the industry for fireproof, abrasive and carbonous materials, and spare parts for them;<br>Technological equipment for secondary heat treatments, furnaces of all kinds and spare parts for them;<br>Castings and forgings;<br>Cement factories, manufacturing lines and technological equipment for the cement industry;<br>Spare parts for the installations and equipment that it exports;<br>Implements and equipment specific to the building of machines made according to the documentation of the customer;<br>Licenses, patents of Romanian inventions, studies, designs, know-how, engineering, technology, |

| | | | |
|---|---|---|---|
| | | | assembly, technical assistance, schooling, and other work and services corresponding to its object of activity;<br>Foreign general supplier for the complex exports in its object of activity;<br>Services. |
| | | | Importation |
| | | | Factories, complex installations, manufacturing lines and technological equipment for the machine-building industry, CKD for them, and spare parts;<br>Complex installations and equipment for the food and refrigerating industries, spare parts for them;<br>Installations for silos;<br>Equipment for the food industry, including for bottling and packaging;<br>Complex installations for the National Council for Science and Technology;<br>Complex installations for the iron and steel, metallurgical and chemical-coke industries, the industry for fireproof, abrasive and carbonous materials, supplementary technological equipment and spare parts for the first equipping;<br>Machines, implements and equipment specific to the iron and steel, metallurgical and chemical-coke industries, the industry for fireproof, abrasive and carbonous materials, spare parts, furnaces of all kinds and the technological equipment for foundries;<br>Apparatus for spectral analysis and for determination of hydrogen, oxygen, nitrogen and other elements in steel;<br>Technological turboblowers, electroblowers, turbocompressors and electrocompressors for blast-furnace and coke-oven gases and oxygen;<br>Parts of installations and equipment for cement factories;<br>Equipment for the protection of metal surfaces;<br>Galvanizing installations;<br>Licenses, studies, designs, documentation, know-how, engineering, technical assistance, schooling, and other work and services corresponding to its object of activity;<br>Services. |
| .... | | | |
| 11. | "Romenergo" Bucharest | The Industrial Central for Power and | Exportation<br>Electric power stations, complex power installations and basic equipment for the power industry; |

| | |
|---|---|
| Metallurgical Equipment and Hoisting Machines | Hydroelectric power sets and hydromechanical equipment;<br>Complex power-generating and nuclear installations and equipment for nuclear-electric power stations;<br>Technological and supplementary implements and equipment specific to electric power stations and nuclear-electric power stations;<br>Equipment for boilers and turbines, including boiler bottoms;<br>Materials specific to the production of nuclear-electric implements and equipment;<br>Power stations for urban and industrial district heating, thermal power sets for industrial heating;<br>Diesel power stations with powers above 850 kilowatts and component parts;<br>Spare parts for the installations and equipment that it exports;<br>Engineering, studies, designs, documentation, know-how, technology, assembly licenses, technical assistance, schooling, and other work and services corresponding to its object of activity;<br>Services. |

Importation

Electric power stations, complex power-generating and nuclear installations and equipment for nuclear-electric power stations;
Specific equipment, parts of installations and spare parts for the power industry;
Technological and supplementary implements and equipment, spare parts specific to electric and nuclear-electric power stations;
Equipment for boilers and turbines, including boiler bottoms;
Materials specific to the production of nuclear-electric equipment, if they are not listed in the object of activity of other foreign trade enterprises;
Thermal power sets for industrial and urban heating;
Licenses, studies, designs, documentation, know-how, engineering, technologies, technical assistance, schooling, and other work and services corresponding to its object of activity.

12105
CSO: 2700/255

MINISTER DISCUSSES PRIORITIES IN COAL MINING INDUSTRY

Bucharest ROMANIA LIBERA in Romanian 27 Mar 82 and 30 Mar 82

[Interview with Ion Lazarescu minister of mines, by Stefan Zidarita]

[27 Mar 82, pp 1, 5]

[Text] [Question] Press reports almost daily speak of reorientation of world power industry toward coal utilization. We were not surpised. For almost a decade now firm measures have been taken in this country for the expansion of the coal-based power industry. Mr. Minister, please begin by dwelling on this provision of the party policy.

[Answer] It is true that as a result of our party's clearsighted policy of economic development it has been possible to largely avoid the negative impact of the current world energy crisis. The oil crisis, which began 10 years ago, caught most countries during a period of regression in terms of oil mining. While in many countries coal mines were closed as unprofitable, in Romania the groundwork was laid for the marked development of coal mining and sensible utilization of hydrocarbons. Whereas in 1965 the coal-based electric power output accounted for 18% of all the electric energy produced, this year, coal underlies almost one-third of this output and 1985 will see a 47% proportion. Approximately half of the required amount of electric energy of the economy will thus be provided by coal-based thermoelectric power stations.

[Question] Consequently, in the context of the current world economic situation Romania has turned to workers in the coal mining industry, expecting the highest possible coal production for thermoelectric power stations and coking units of metallurgical combines. What are the guarantees that this will be the situation this year?

[Answer[ The miners' efforts were reflected in significant rises in the coal output, for both thermoelectric power stations and coking units. Compared to 1975, the coal production in 1980 was 50% higher; in 1981, 36% higher, and in 1982, it is expected that it will be 20% higher than that for 1981. In the following years of the five-year plan, the coal production increases are greater and greater; in 1985, the level will be 2.5 times higher than that for 1980. For the purpose of completing the great tasks allotted us for this year and the entire five-year plan, specifically for the production of lignite for thermoelectric power stations, the ministry focuses on a set of measures that involve obtaining the production rises envisioned, the upgrading of coal quality, better use of material and financial assets. Prime measures include: stepping up pit and stripping operations and completing a greater

amount of operations for openings and underground preparation, in order to eliminate the backlogs from previous years and ensure the mandatory requirement of having coal reserves ready; concentrating efforts on completing the new production facilities that are decisive for the 1982 plan levels, both in terms of manpower and technical and material supplies; upgrading in terms of equipment utilization, as a result of better organization of work; shortening the periods of repairs and improving the quality of repairs. Lastly, improving the activity involving the work force, specifically for training and upgrading skills, more sensible utilization of this force by using the most appropriate forms of organization, standardization and remuneration of work, with the emphasis on the widest possible utilization of the overall contract system. Based on the measures taken and overall mobilization, which the miners have always known how to display, there is the guarantee that superior results will be obtained in implementing the plan.

[Question] How do you assess today the machine building industry's ability to provide the mining industry with the basic equipment?

[Answer] The machine building industry is capable of properly meeting the needs of the mining industry. Last year, the mining industry received more than 60,000 tons of domestic-made equipment. Efforts are being made to turn out machines and installations designed to increase mechanization in the mining industry -- 1981 saw the production of nine new types of machines, among them the wheel and scoop shovel type 470 for coal pits, the coalface cutter CA-2 and the drift cutter CI-2, the double arm boring unit, and so forth. However, the machine building industry still owes us, in terms of equipment. This involves arrangement for the production of some major facilities (such as heavy-duty axial mining fans, vertical mine pumps) but also delivery of equipment, in accordance with the contracts concluded, where there are arrears; or deliveries that do not comply with assembly schedules. There still are deficiencies in terms of quality. I have in mind the hydraulic units for mechanized support facilities in coal faces, which are produced at a level that is below the qualitative standard required by mining procedures; or the Diesel engines for underground mining, which are unsatisfactory in terms of environmental pollution standards. Nevertheless, we are optimistic. For the 1981-1985 Five-Year Plan, in conjunction with the Ministry of the Machine Building Industry, agreement was reached on a program for providing equipment to the mining units. The program involves arrangement for the production of new types of machines and installations and, in the context of better cooperation between the two ministries, it will ensure to the mining industry a qualitative leap in provision with technical equipment. Under this program, it is desirable that the equipment suppliers ensure a reduction in the time needed for arrangement for the production of new types of machines. This will permit the miners to benefit, as early as this year, from the input into production of basic facilities such as the pit boring installation, the coalface mechanization units types CMA and SMA, with the related hydraulic units.

[Question] In the well-known Valea Jiului, what are the qualitative changes in 1982?

[Answer] In the first place, the emphasis is on more rapid integration of technical advances, by use of new procedures and greater mechanization, as some of the decisive factors in completion of production assignments in coal mining. The efforts made in this area have made it possible to upgrade techniques and expand their use every year. Coal output from pits provided with mechanized units in 1982 will

be 3.3 million tons, versus 2.37 million tons in 1981. Hence, in operation will be more than 30 complex units (we should here also point out the introduction of great height mechanized support complex units); mechanized cutting and loading in longwall coalfaces will involve 3.9 million tons, versus 3.3 million tons in 1981; mechanized mine boring with drift shearers will increase from 145,000 cu m in 1981 to 233,000 cu m in 1982, concurrently with extending the use of the procedure of drift supporting with machine mounted prefabricated sections out of reinforced concrete. Based on a program for recovery of coal reserves from protective pillars in Valea Jiului, 1982 will see the mining of about 200,000 coking coal. We plan to complete new coking coal facilities in the western part of the basin. As a result, mainly, of greater mechanization, labor productivity will go up more than 8% versus the level for 1981. These are only a few of the qualitative changes in Valea Jiului in 1982.

We shall continue the interview in the next issue, placing the emphasis on energy resources, specifically low-grade coal and shale.

[30 Mar 82, pp 1, 3]

[Text] [Question] A relatively new idea: shale, which until recently was considered inefficient. It appears that Romanian experience provides us with different value criteria in assessing this raw material.

[Answer] The shale deposits are scattered almost throughout the globe. They are of a sedimentary origin and contain variable amounts of organic substances and other components, such as aluminum and iron. In line with Romania's economic policy of putting to good use all domestic energy resources, shale, an important source of energy raw materials, is a major concern of our miners and energy experts. The main shale deposits occur in the south-western part of this country, at Anina and Doman, both in Caras-Severin County. The two deposits contain significant reserves with a calorific power ranging between 980-1200 kcal/kg. They will be mined by the open-pit procedure and will supply the thermoelectric power stations that will be built in the area. It is expected that the end of this year will see the opening of the Anina pit and the start-up of the first 330 MW power set. In 1985 the shale output will stand at 10 million tons/year.

[Question] In the overall mining production, open-pit mining has a great input. It accounts for more than 50% of the lignite for thermoelectric power stations. In 1985 open-pit mining will account for 54% of the lignite mined. What measures were taken to ensure the cadres required for this type of mining, which is totally different from underground mining?

[Answer] Ensuring the cadres for open-pit mining has been a main concern of ours. Here is a proof: the 1980-1981 period saw the training of more than 6500 workers in the Oltenia mining area alone. This was a considerable project. However, the needs for manpower in lignite pits has not been met completely. The difficulties result from the great personnel turnover. Because of this and of the significantly greater plan assignments, the party and state leadership, on the personal initiative of party secretary general Nicolae Ceausescu, assisted the units in the Oltenia basin and other major mining areas, in terms of skilled manpower and mining and conveyance facilities, as part of a drive commonly called "project 7000," a project which this year will assume a much broader scale than in previous years. Major human and

material resources from the other Romanian counties will be involved in the more rapid development of the base of coal for the power industry. On the line of upgrading the status of the work force, for the 1982-1985 period measures have already been taken to train more than 17,000 workers. More attention will be paid to ensure personnel with secondary and college training. Being trained this year alone are about 100 foremen. From the higher education ranks we expect to receive 187 assistant engineers and engineers. They will cover all sepcialties. In the following years we shall annually receive 100-110 engineers and assistant engineers each year while we shall train 100 foremen each year. For the purpose of abating personnel turnover in the area, more attention will be paid to creating social amenities -- housing, cafeterias, cultural and sports facilities, bath units, locker rooms, and so on.

[Question] I am very familiar with the Oltenia basin. It is the prime supplier of coal for the power industry. During recent years I made at least ten trips to that area. I have witnessed the great effort of the miner to boost coal output. However, I have three remarks which involve the overall management of the basin's units. Here is the first: what was specifically done to make the daily output rapidly reach the thermoelectric power stations' ovens, while avoiding considerable loss of thermal power as a result of storage at the pit mouth, under rain and snow?

[Answer] Following the instructions given by the party and state higher leadership, measures were taken to continuously reduce existing stockpiles in supplier units and to smoothly deliver the output. This was done to avoid long storage which, true, results in loss and qualitative depreciation. Coal stocks in supplier units now account for about 500,000 tons. This amount is about equal to the standardized level. The size of the standardized stocks derives from technological needs, for the purpose of assuring the continuity of the production process. Smooth delivery to thermoelectric power stations (with the exception of the Rogojelu power station which receives the coal directly on belts from pits and where this is ensured by proper meintenance of the mainconveyor belts), to the other thermoelectric power stations, where coal is conveyed by railroad, involves better and better cooperation between the supplier units of our ministry and the units of the Ministry of Transportation and Telecommunications and the Ministry of Electric Power, throughout the production-loading-transportation cycle.

[Question] Your answer is very satisfactory. Follows the next remark. At the end of last year our newspaper reported that on the territory of the Oltenia coal basin there were machines, new or not so new, but unused, valued at 700 million lei. What is their status, in March 1982?

[Answer] In comparison to the situation at the end of last year, there has been an improvement. The measures taken have resulted in making operational facilities valued at more than 500 million lei -- see the bridge at Tismana II, the BRS takeover facility at Rosia de Jiu, and so forth. Moreover, measures were also taken to return to service 16 complex units for mechanized support in underground mining. In addition to these facilities which lay idle, there are new facilities in stock, at the investment projects. We must point out that this year will see the assembly and start-up of 12 excavators and six dumpers. Measures were taken to step up assembly operations.

[Question] The next and final remark involves the receptivity of your partners in increasing the output of coal for the power industry. Many times we heard at the scene: we lack cables, tires for vehicles, spare parts, conveyer belts, and so on. Still heard now are such justified requests for an industry which supplies the country's power industry.

[Answer] True, there were difficulties from the supplier group in terms of meeting the delivery schedules -- sections for mine sets, wire cables and electric cables, rubber mat, spare parts for mining facilities, and so forth. However, it must be pointed out that now most suppliers are displaying greater expeditiousness in complying with the contracts concluded. But difficulties still are reported in regard to smooth delivery pace. Involved are wire cables (supplier Ploiesti Cablul Romanesc Enterprise), electric cables for imported 1 KV combines and excavators, spare parts for mining facilities (suppliers Satu-Mare "Unio" Enterprise and Ploiesti "1 Mai" Enterprise), vulcanization materials for rubber mats. A special issue involves the poor quality of the rubber mat turned out by Tg. Jiu IATOR, which as a result of frequent breaking results in high-capacity conveyers being made inoperable, with significant production loss. What is the prospect? In conjunction with MAGF [Ministry of Supply and Management of Fixed Assets] methods were devised to ensure the necessary amounts for a number of materials and spare parts, in light of consumption standards. The surveys concerned will continue on a regular basis and the major suppliers will be involved.

[Question] Lately, I have been meeting you often in the Oltenia Basin. It is natural for the minister of the coal industry to be in direct touch with the greatest purveyor of coal for the power industry. But, for at least one year we have been expecting 100,000 tons of coal, daily, from this area -- the miners, themselves, pledged to provide this output. The question is: Do we have it? Will we have it? When and how?

[Answer] True, as early as last year the mining units in the Oltenia basin pledged to attain a daily output of 100,000 tons. But a number of objective and subjective causes prevented this from happening. The causes were examined at the time involved and the measures are known. Conditions are now being created so that the Oltenia basin, that is the Motru and Rovinari Combines, jointly, may provide a daily output of 100,000 tons. Today, outputs of 80,000 tons daily are frequently provided. Attaining the level of 100,000 tons a day will surely be made possible during the third quarter, which will see the finalization of the measures outlined, actually a set of measures that focus on completing new facilities, upgrading the utilization of machines and installations, better organization of work, enhancing discipline, inclusive of the measures relative to mutual assistance among coal units as part of "project 7000."

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CSO: 2700

## ADVERSE EFFECTS OF INCREASED TRADE WITH USSR NOTED

Zagreb VJESNIK in Serbo-Croatian 17 Apr 82 SEDAM DANA p 4

[Article by Drago Buvac: "Out of the Wind in the East"]

[Text] The exaggerated orientation of our exports toward the socialist countries is neither an accident nor a "conspiracy" on the part of bureaucratic-statist forces, but a departure from the operation of the economic mechanism on the self-managing market.

It would be really ideal if both East and West had equal shares of between 35 and 40 percent of our foreign trade, and the other 20 percent or so with the developing countries, a share that would grow at a steady and realistically moderate pace. What is more, these are by no means trumped up coordinates of desires for Yugoslavia's politically stable, independent and nonaligned position in the contemporary world, but also economic paramaters for its fastest and most effective economic development which have been historically confirmed.

This "ideal" relationship has begun to be disrupted with the ever greater difficulties of our economy. The indicator of the distribution of Yugoslav exports has in recent years been turning very strikingly toward the East European socialist countries, especially the Soviet Union. In 1981 about 50 percent of our exports went to the socialist countries, as compared to, say, 1970, when that share was 32.4 percent. (Over the same 10-year period the share of our exports to the advanced countries of the West fell from 57.1 percent to 32.7 percent, though their share in our imports has remained high: 59.3 percent in 1981.)

Nor has the deflection of the magnetic needle of Yugoslav exports to the East gone unnoted either among Western business executives or in their journals. Recalling that now Yugoslavia already has the largest share of its foreign trade with CEMA member countries than some of the full-fledged members of that organization, than Hungary, for example, the doomsaying Western commentators are already passing off their own theories about "Finlandization." One can spot in this context warnings to the effect that by virtue of this large economic dependence on the Soviet Union and the other CEMA member countries Yugoslavia is exposing its politically independent and nonaligned position to the possibilities of political pressure, should someone happen to be in need of it.

We should be sincere and make the distinction that some of these warnings are even well intentioned, supporting an independence and nonaligned Yugoslavia, above all out of self-interest, since it is such an important factor of stability in Europe and the world. These incidentally are not new discoveries of which we ourselves are unaware, given our international position and also the domestic political dimensions and economic dimensions of this problem.

First of all, there is nothing wrong with the growth of Yugoslav exports to the Soviet Union and the other socialist countries. Our export activity has in and of itself been lagging behind, so that there is room for its expansion in all directions, even to the East. The disproportion in the structure of our exports is in a way a statistical illusion because of the general decline of foreign trade, especially with the Western markets, where the competition is greater.

If one traces the involvement of the economic space of Yugoslavia in the international division of labor over the last 100 years, it has long been evident, certain patterns of its regional distribution have long been evident, regardless of economic systems and political disruptions. Eastern Europe has always been in a way our "natural" partner on an economic basis for a third of our foreign trade. If we look separately at trade with the Soviet Union, we easily spot the economic pattern of linkage between complementary economies: the interest of the Yugoslav economy in importing raw materials and energy, and the interest of the Soviet economy in our manufactured goods.

Now new elements can also be added to that complementarity. The hungry Soviet consumer market very quickly absorbs Yugoslav products of the textile, leather or wood industries, which for it are even fashionable articles, but unfortunately they are not attractive on West European markets either in their price or quality. Whereas on the one hand, then, we can be happy that our exports to the Soviet Union and other CEMA members is giving employment to plants and workers in these labor-intensive industries, red signal lights are beginning to light up over the question of whether they are thereby moving into an even deeper lag in the long run. Sheltered out of the wind by this safe market, where the price is higher and the quality lower than required by the discriminating Western consumer, there does not exist the mentality in economic behavior which could resist the temptation of relaxing in the effort to lower costs and promote constant technological progress.

The Yugoslav economy is attractive to the Soviet Union and the other East European socialist countries in that it is a "bridge between East and West" in its technological development. With imports of modern Western technology and under some sort of pressure of the market, in certain manufacturing industries it has regularly been in advance of the other socialist countries. Incidentally, in a way the East has also been "importing" Western technology through the Yugoslav economy at the price of our turning convertible currencies into bilateral-payment currencies, or sometimes a debt in convertible currencies into a surplus in bilateral-payment currencies.

The greater linkage of Yugoslavia's visible trade to the East European socialist countries is exposing our economy to the danger of losing the force of

that attractive magnet and of gradually giving in to lower labor productivity and a lapse of technological progress. It is no secret that these are precisely the weakest points of the economies of "real socialism." Even that kind of scientific-technical progress in which the Soviet Union has made the greatest strides--such as space exploration and the large energy, raw materials and military complex--have no relevance to the structuring of the Yugoslav economy or to the mechanism of its progress.

No country wants to be too dependent on someone else's economy. The Japanese, for example, are trying to reduce the one-fourth share of the United States in their foreign trade, taking the view that even that is enough for Washington to subject them to economic and political blackmail at certain moments. Regardless of the possibility of political pressures, the share of Yugoslav exports going to the socialist countries is excessive even from the standpoint of the adverse consequences for inclusion in the international division of labor on the foundation of higher productivity and up-to-date scientific-technical progress.

The fact that our economy has found a shelter out of the wind--comfortable in the short run, but pernicious in the long run--in excessive exports to the markets of the East European socialist countries is not, however, either an accident or any "conspiracy" on the part of bureaucratic-statist forces which, perhaps even unconsciously, feel that it is easier to resolve economic problems through the governmental mechanism of collaboration with the countries of "real socialism," and who then also find in this a raison d'etre for their own perpetuation.

Undoubtedly this shelter out of the wind also suits a portion of the political structure, even if it is aware of the consequences of exaggerated economic dependence on anyone, including an East European socialist country, even if it has made public declarations against that kind of turn of events--since it does not know any other way of resolving the problem.

Yet if our export flows have in recent years gone against the currents of our political commitments, then we should sincerely admit that this mechanism does have a certain internal logic. Though self-management has been in place for 30 years, our economic system is still burdened with elements of "real socialism"--take only the large share of accumulation in the national income on which decisions are made on a political and statist basis outside associated labor, or take the ideological obstacles to operation of the laws of the market--which are drawing our economy eastward by their own logic. So, establishing a "natural" relationship toward the East means reaffirming our own economic system of the self-managing market.

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CSO: 2800/368

## SHORTAGES IN FOOD, OTHER CONSUMER ITEMS DISCUSSED

Zagreb DANAS in Serbo-Croatian 30 Mar 82 pp 12-13

[Article by Drago Loncar: "Ten Scarcities"]

[Text] How in coming months we will be procuring 10 of the most important products: meat, wheat, vegetable oil, sugar, butter, coffee, lemons, detergents, drugs and medical supplies--if there are any.

The roads which goods travel on the Yugoslav market are wondrous strange, to put it mildly. In the first 2 months of this year Voce (Fruit) of Zagreb imported and shipped to customers about 1.5 million kg of lemons, about 1.4 million kg of oranges, and 1.7 million kg of bananas. The import price of this tropical fruit ranged from 26 to 37 dinars per kilogram. However, the price of this fruit in stores was twice or even four times greater than one would expect in view of the import price.

Market inspectors undertook an investigation of the prices of lemons in stores of the Zagreb enterprise Prehrana (Food), and here is what they discovered: Greek lemons with the import declaration of Voce, which had imported them at a price of 37.39 dinars, were being sold in Zagreb at 76 dinars. Prehrana, which was selling these lemons to the public, purchased this commodity from the business unit Dalma of Split, which had previously purchased it from Poljopromet in Rijeka, which had in turn purchased it from Voce Coop in Belgrade, that is, from its OOUR [basic organization of associated labor] in Subotica, from which Prehrana of Zagreb had finally purchased it [sic] and sold it to the citizens of Zagreb. They all had included the markup and shipping costs in this transaction, and had thus realized earnings even though the lemons had not budged from Zagreb. The price was paid by the customer in Zagreb, who was altogether innocent, but he was happy to be able to get lemons at all. There are no oranges, for example, even though a sufficient quantity has been imported to meet the needs of Croatia; however, they are available in Varazdinska Toplice at a price of 110 dinars per kilogram, which is about four times more expensive than the import price! Exactly how many commercial work organizations calculated the markup and shipping costs on the oranges before they reached that store?

A Compact and Swindling

The swindling with tropical fruit has become for many merchants one of the most important sources of income, and that at a time when there is a shortage of this fruit and--still more interesting--at a time when a social compact has been signed on supply at the level of Yugoslavia which commits the republics and provinces to guarantee that on the market this year there is a sufficiency of meat, wheat, vegetable oil, sugar, butter, coffee, lemons, detergents, drugs and medical supplies.

These are those products which are not manufactured in the country at all or have so far not been produced in sufficient quantity.

This compact is one of the first attempts to solve the problem of supplying the most necessary and scarce products to the country's population at the Yugoslav level, regardless of republic boundaries. This concerns first of all the foreign exchange which must be furnished for lemons, coffee, drugs and medical supplies at the level of the republics and provinces, for sugar, vegetable oil, meat, wheat, butter, ready-made drugs and medical supplies at the federal level, and for raw materials for detergents, drugs, medical supplies and protein livestock feed in the production plants themselves.

The signatures of the republic and provincial executive councils and of secretariats for the market, of the economic chambers and of the SIZ's [self-managing community of interest] for foreign economic relations, which committed themselves to a sufficiency of those 10 most sought after products this year, were supposed to be the guarantee of implementation of the social compact. But we spoke with Hrvoje Skok, chairman of the Croatian Republic Committee for Commerce, who was the initiator of that Yugoslav method of settling the supply of the most necessary products to the population, about the extent to which the compact incorporates wishes and what the real possibilities are.

The social compact has three basic aims. The first is to strengthen domestic production (wheat, vegetable oil, protein livestock feed), and then we are endeavoring to import raw materials more than manufactures, and finally to guarantee supply of the most necessary foodstuffs, that is, to avoid shortages. The obligations of all the signatories of the compact were arrived at on the basis of mutually reconciled physical balances of the republics and provinces, which is actually one of the greatest obstacles to guaranteeing the citizens of our country full supply of these scarce products. That is, the totaled republic needs (stretched?) for the particular products differ considerably from the actual needs of the entire country. In actuality the differences occur between the republic balances and the assessment of the Federal Secretariat for the Market and General Economic Affairs.

The most marked discrepancy is for wheat and flour. According to the republic balances, Bosnia-Hercegovina is supposed to import 250,000 tons of wheat this year, Montenegro 35,000 tons, Croatia 170,000 tons, Macedonia 80,000 tons, Slovenia only 10,000 tons, Serbia proper 200,000 tons and Kosovo 60,000 tons. Totaling this up, we are supposed to import only 805,000 tons of wheat before the harvest, while the calculation at the level of Yugoslavia yields the

figure of 1.3 million tons, that is about 500,000 tons of wheat more than the republics declared in their balances.

The situation with vegetable oil is similar; supposedly the republics and provinces are to import only about 103,000 tons, while figures based on consumption in the past indicate that we must import at least about 154,000 tons!

Imports of the Nine Most Important Products by Republics and Provinces in 1982, in millions of dollars

| Product | Bosnia-Hercegovina | Montenegro | Croatia | Macedonia | Slovenia | Serbia Proper | Kosovo | Vojvodina | Yugoslavia |
|---|---|---|---|---|---|---|---|---|---|
| Wheat | 46.2 | 6.5 | 31.4 | 14.8 | 1.8 | 37.0 | 11.1 | -- | 148.9 |
| Vegetable oil | 7.1 | 0.9 | 27.3 | 3.6 | 10.2 | 10.7 | 1.8 | -- | 61.7 |
| Sugar | -- | -- | 11.9 | 1.7 | 1.7 | 7.0 | 1.4 | -- | 22.0 |
| Butter | 1.25 | 0.5 | 1.25 | 0.2 | 1.0 | 2.1 | -- | -- | 6.3 |
| Coffee | 34.0 | 4.8 | 53.1 | 4.4 | 27.2 | 47.7 | 3.7 | 17.0 | 191.9 |
| Lemons | 3.9 | 0.6 | 7.2 | 1.5 | 5.4 | 4.8 | 1.2 | 1.8 | 26.4 |
| Protein livestock feed | 22.3 | 0.4 | 51.9 | 14.4 | 19.7 | 48.5 | 3.4 | 56.0 | 226.6 |
| Drugs | 14.0 | 2.3 | 81.9 | 16.8 | 103.8 | 98.7 | 6.0 | 36.8 | 360.3 |
| Detergents | 4.6 | 0.7 | 38.6 | 8.1 | 31.8 | 33.6 | -- | 2.4 | 119.8 |
| Total | 133.3 | 16.7 | 304.5 | 65.5 | 212.6 | 290.1 | 28.6 | 114.0 | 1,165.3 |

Imports of the 10 scarcest products will cost our country (according to the reduced republic balances) about $1.2 billion of foreign exchange. The wheat would cost about $150 million, imports of vegetable oil $62 million, sugar $23 million, butter $6.4 million, coffee $192 million, lemons $30 million, protein livestock feed (fish meal, soybean meal, soybeans, powdered milk) $252 million, drugs $360 million and detergents $120 million.

Last Year's Experience

The question is indeed a serious one: Why are we lying to ourselves? Why is it that in their balances of these necessary products the republics and provinces have decreased the quantities which are to be imported? The social compact is a specific obligation pertaining to specific products, and whenever there is a shortage of vegetable oil, sugar, drugs or other products covered by the compact, every citizen will be able to point his finger at a specific guilty party. Since all the republics and provinces, and indeed the entire country for that matter, are suffering a shortage of foreign exchange, the reduced balances actually mean that the signatories of the compact will discharge their obligations, but there will still be shortages.

The next problem of this compact on supply are the self-management accords whereby the money (foreign exchange) is to be amassed to import these products. How has this been arranged in SR [Socialist Republic] Croatia? For those products which are produced in the country, and only the raw materials need to be imported (detergents, drugs), a third of the necessary foreign exchange will be furnished through SIZ's for foreign economic realtions, while the work organization must find the other two-thirds by concluding accords. For finished products (lemons, coffee) 60 percent of the necessary foreign exchange will be furnished in the same way. For meat an endeavor will be made to conduct a campaign for conclusion of self-management accords on a vertical basis in the cycle of reproduction from the producer (and importer) of livestock feed to the producer of the meat. At the federal level self-management accords will also be signed on imports of those products which will be arranged for the entire country.

The next difficulty are the effective foreign currencies which are to be found in the banks, and in Croatia an endeavor will be made to resolve this with a self-management accord among all 30 banks in the republic which would pool their foreign exchange for these purchases.

Given all the vacillations and shortages (of foreign exchange) accompanying this compact on supply, what benefit will we get from it in the end? According to Hrvoje Skok, experience from last year, when the Yugoslav compact on supply concerning these products was signed for the first time, indicates that the self-management method is the only one that will rid our country of shortages. Precisely because of this compact there were no major disruptions last year in the supply of meat (except for pork and poultry), vegetable oil, sugar and detergents. Judging, then, by those last year's results and the first experience in the unified supply of the Yugoslav market this year, the country should have considerably fewer shortages, at least with respect to these 10 products. Assuming the compact is honored.

[Box, p 12]

Imported Wheat, in thousands of tons

| Republics and Provinces | Estimate Based on Provincial and Republic Balance | Estimate of Federal Agencies |
|---|---|---|
| Bosnia-Hercegovina | 250 | 387 |
| Montenegro | 35 | 57 |
| Croatia | 170 | 170 |
| Macedonia | 80 | 120 |
| Slovenia | 10 | 80 |
| Serbia | 200 | 330 |
| Kosovo | 60 | 146 |
| Total | 805 | 1,129 |

Differences between the federal estimates and those of the republics and provinces on how much wheat we need to import this year run to all of approximately 500,000 tons! The republic and provincial estimates were adopted with the proviso that the republics and provinces would assume responsibility for any possible shortage of flour and wheat.

[Box, pp 12-13]

What There Will (Won't) Be

According to an estimate of the Economic Chamber of Yugoslavia, difficulties are expected this year in the supply of consumer goods:

i. with flour and edible oil, because of differences between physical balances and actual needs. Even now this is being felt in Croatia and Bosnia-Hercegovina;

ii. the supply of meat will continue to be smaller than the demand, and there will be a shortage not only of pork and poultry, but also of baby beef;

iii. the higher milk prices have not had the result of a better supply of the market, and among the other dairy products whose largest problems will be with butter;

iv. There should be enough sugar this year, as indeed there has been in the first months of this year;

v. of the years since 1979, when the shortage of coffee first occurred, this year, 1982, will probably be the most critical one; that is, there will be even less on the market than up to now;

vi. there will still not be enough detergents, tropical fruit, paper products other than stationary, coal, and light bulbs, since at present domestic suppliers are meeting only about 20 percent of the demand;

vii. an occasional shortage will also be felt for household appliances, sound equipment, radio and TV receivers, and building supplies.

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# East Europe Report

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2271

FBIS FOREIGN BROADCAST INFORMATION SERVICE

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20 May 1982

# EAST EUROPE REPORT

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2271

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ANSWERS TO QUESTIONS CONCERNING APPLICATION OF NEW ECONOMIC MECHANISM

Sofia IKONOMICHESKI ZHIVOT in Bulgarian 31 Mar 82 p 3

[Serialized article, continued from 24 March 1982 issue]

[Text] In Answer to Readers' Letters

The editors of the newspaper have received letters from our readers in which they ask to be given competent advice on and explanations of the practical compilation of the income formation and distribution chart--according to plan and according to report in various versions. With Krustyu Shopov's pamphlet "Compiling the Income Formation and Distribution Chart," printed in today's issue, we are answering Ivan Shogov and Mikhail Pachilov of Kurdzhali, Bogan Mulevsky of Plovdiv, Dimo Fotev of Yambol, Georgi Chelebiev of Burgas, Angel Rafailov and Stancho Buchvarov of Varna et al.

Question 65: Who will approve the participation bases of the economic organization's head and the subdivisions' heads during the determination of individual wages according to article 196 of the Regulations on the Economic Mechanism?

Answer: In conformity with article 196 of the Regulations on the Economic Mechanism, the individual wages of the administrative personnel of the economic organization and enterprises are determined within the limits of the earned Wage Fund by means of personal participation bases. Personal participation bases are determined on the basis of their individual wages as provided for in the table of organization, adjusted by coefficients of labor participation or by other suitable methods reflecting their specific contribution to the results achieved by the activity of the economic organization or enterprise. For executive personnel and key specialists, the participation basis must be determined as a function of the fulfillment of the state planned target for aggregate profit and foreign-exchange receipts.

In conformity with article 195 of the Regulations on the Economic Mechanism, wages in the economic organizations and subdivisions are specifically established according to an ordinance or, as the case may be, internal regulations, approved by the collective administrative bodies, whereby questions regarding the determination of the individual wage of office workers are decided. These documents also define the procedure for approval of the participation bases of the economic organization's

head and the subdivisions' heads. In the event, the rule must be observed that the immediate supervisor, jointly with the respective trade-union body, makes an evaluation and proposal during the determination of the individual wage of both manual and office workers, while the collective administrative body approves. For the head of the economic organization the immediate supervisor is the head of the respective sectorial ministry (department) or chairman of the executive committee of the respective people's council, who must make an assessment and present a proposal to the economic organization's economic council regarding the determination of the participation basis of the organization's head. The procedure for determining the participation bases of subdivision heads is analogous.

Question 66: May the monies in the Wage Fund resulting from a reduction of material expenditures be used for the current labor remuneration of the workers who brought them about?

Answer: In corformity with article 182, paragraph 3, subparagraph 1 of the Regulations on the Economic Mechanism, whenever total income is increased over the preceding year by virtue of a reduction in production cost due to a saving of direct material expenditures per unit of output, 30 percent of the saving goes to the maximum possible Wage Fund of the economic organization or enterprise.

Article 228, paragraph 3, expressly provides that the monies in the Wage Fund resulting from a reduction in direct material expenditures can be used wholly or in part to provide direct incentives in the form of bonuses, specific awards etc. to the workers who brought them about. Therefore, these monies may be used for the current labor remuneration of the workers who brought them about. In what manner, and what portion of, the monies in the Wage Fund resulting from a reduction in direct material expenditures are to be used to provide direct incentives to the workers who brought them about are to be determined by the ordinances (internal regulations) on the organization of wages, approved by the respective collective administrative body of the economic organization or enterprise.

Question 67: May the economic organizations that possess departmental motor transport perform transportation for other economic organizations or services for the population?

Answer: This question is governed by article 6 of the Ordinance on Specific Regulations for the Administration of Economic Organizations and Subdivisions of the Transportation Sector, which was not rescinded by Decree No. 53/1981 of the Council of Ministers. In conformity with this article, economic organizations may, if it is practical and economically advantageous, manage its own (departmental) transportation for its own needs and use the departmental transportation of other economic organizations whenever the specialized transportation organizations refuse to perform transportation services or fail to meet their requirements for speed, know-how etc., as well as in cases where necessary specific requirements cannot be met. Nontransportation economic organizations are not permitted to establish transportation subdivisions, units, brigades or groups specializing in or intended solely for the performance of services for other organizations.

In conformity with article 254, paragraph 5 of the Regulations on the Economic Mechanism, the approved transportation rates schedules and other price-setting

regulations also apply to the performance of transportation by nontransportation economic organizations.

Question 68: May the economic council, regardless of article 121 of the Regulations on the Economic Mechanism, set up an operational body to act between sessions somewhat like an executive bureau, which will sit every month on questions within the economic council's competency? Is it proper for the decisions made by this body to be authorized by the economic council?

Answer: The Regulations on the Economic Mechanism do not provide for an executive bureau as an administrative body. The head of an economic organization or enterprise may, by order, set up an executive bureau, but only as his advisory body. It has no power to make binding administrative decisions which are in the competency of the economic council. Its decisions will have force only if approved by the head.

Question 69: What bodies will appoint the deputy directors of subdivisions and chief accountants?

Answer: An ordinance is about to be issued which will define the procedure for holding competitions, on the basis of which executive personnel and specialists in economic organizations and subdivisions will be appointed in conformity with article 118, paragraph 5. Pending approval of the Ordinance on the Holding of Competitions by the Council of Ministers and the Central Council of Bulgarian Trade Unions, deputy heads of subdivisions, chief accountants and legal advisers of economic organizations and subdivisions will be appointed and relieved of their duties in accordance with the procedure hitherto established by normative enactments.

(To be continued.)

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CSO: 2200/94

CSSR, CSR, SSR BUDGET LAWS 1982 PUBLISHED

Prague SBIRKA ZAKONU CSSR in Czech/Slovak No 34, 1982 pp 700-702, 709-711, 727-729

[Text] Law 123 of 16 December 1981 on the State Budget of the Czechoslovak Federation for 1982

The Federal Assembly of the Czechoslovak Socialist Republic resolved on the following law:

Article 1

(1) Total incomes of the state budget of the Federation is set at Kcs 175,827,987,000

Total expenditures of the state budget of the Federation are set at Kcs 175,827,987,000

Overall survey of the state budget of the Czechoslovak Federation is presented in the appendix.

(2) Total expenditures of the state budget of the Federation consist of the following:

A. Specific-purpose grants to the state budgets of the republics
- Czech Socialist Republic Kcs 36,544,109,000
- Slovak Socialist Republic Kcs 21,399,163,000

of which:

I. Grants to selected investment programs involving the entire Federation and further development of the republics
- Czech Socialist Republic Kcs 9,103,900,000
- Slovak Socialist Republic Kcs 5,650,900,000

II. Grants to selected non-investment programs
- Czech Socialist Republic Kcs 27,440,209,000
- Slovak Socialist Republic Kcs 15,748,263,000

of which:

| | | |
|---|---|---|
| a) | Grants to selected programs | |
| | - Czech Socialist Republic | Kcs 595,600,000 |
| b) | Grants to cooperative housing construction | |
| | - Czech Socialist Republic | Kcs 1,630,000,000 |
| | - Slovak Socialist Republic | Kcs 1,260,000,000 |
| c) | Grants for private housing construction | |
| | - Czech Socialist Republic | Kcs 670,000,000 |
| | - Slovak Socialist Republic | Kcs 430,000,000 |
| d) | Grants to membership shares in stabilizing cooperative housing construction | |
| | - Czech Socialist Republic | Kcs 120,000,000 |
| | - Slovak Socialist Republic | Kcs 130,000,000 |
| e) | Grants to state programs for technological development | |
| | - Czech Socialist Republic | Kcs 652,084,000 |
| | - Slovak Socialist Republic | Kcs 291,833,000 |
| f) | Selected types of price grants and interventions | |
| | - Czech Socialist Republic | Kcs 19,079,400,000 |
| | - Slovak Socialist Republic | Kcs 10,370,400,000 |
| g) | Grants for economic incentives to foreign trade | |
| | - Czech Socialist Republic | Kcs 3,799,000,000 |
| | - Slovak Socialist Republic | Kcs 2,741,400,000 |
| h) | Grants for the needs of military nature, including research and developmental programs | |
| | - Czech Socialist Republic | Kcs 670,425,000 |
| | - Slovak Socialist Republic | Kcs 443,630,000 |
| i) | Grants for professional training of aliens temporarily employed in Czechoslovak organizations | |
| | - Czech Socialist Republic | Kcs 223,700,000 |
| | - Slovak Socialist Republic | Kcs 81,000,000 |
| B. | General grants | |
| | - Czech Socialist Republic | Kcs 30,909,491,000 |
| | - Slovak Socialist Republic | Kcs 25,712,637,000 |

Article 2

The government of the Czechoslovak Socialist Republic, or upon its authorization, the Minister of Finances, will express the financial data of the state budget of the Federation stipulated by the present law in prices applicable as of

1 January 1982; at the same time, they will maintain the balance of the state budget of the Federation and of the state budgets of the republics.

Article 3

The government of the Czechoslovak Socialist Republic, or by its authorization, the Minister of Finances, may adjust the mandatory programs and limits of the state budget of the Federation, especially according to the changes in the state plan, to price and organizational changes, to adaptations of economic programs in foreign trade and agriculture, and to the funds released from the budget reserves of the government. Such measures must not affect the balance of the state budget of the Federation.

Article 4

This law becomes valid as of 1 January 1982.

Signed: Husak
Signed: Indra
Signed: Strougal

Appendix to Law No 123/1981 of the Collection of Laws

Overall Survey of the State Budget of the Czechoslovak Federation

| Incomes | (in thousand Kcs) |
|---|---|
| Incomes from socialist economy of which: | 175,343,532 |
| from economy | 162,066,465 |
| from science and technology | 145,742 |
| from financial and technical services | 9,452,310 |
| from social services and actions | 1,709,015 |
| from defense and security | 1,970,000 |
| Taxes from the population and levies | 104,000 |
| Other revenues | 380,455 |
| Total | 175,827,987 |

| Expenditures | (in thousand Kcs) |
|---|---|
| Expenditures of federal organizations for | |
| economy | 33,087,023 |
| science and technology | 4,095,160 |
| financial and technical services | 2,235,097 |
| social services and actions for the population | 1,065,083 |
| defense and security | 18,942,400 |
| administration | 1,837,824 |
| Total | 61,262,587 |

| | |
|---|---|
| Grants from the state budget of the Federation to state budgets of the republics - total | 114,565,400 |
| Sum total | 175,827,987 |

Part 34

Collection of Laws No 126/1981

Laws 126 of the Czech National Council of 17 December 1981 on the State Budget of the Czech Socialist Republic for 1982

The Czech National Council resolved on the following law:

Article 1

(1) The amount of total revenues of the state budget of the Czech Socialist Republic (henceforth "the state budget of the republic") is set at Kcs 134,414,400,000

The amount of total expenditures of the state budget of the republic is set at Kcs 134,414,400,000 (Appendix No 1).

(2) The state budget of the republic contains

a) grants from the state budget of the federation to the state budget of the republic in the amount of Kcs 67,453,600,000

b) cash flows to the budgets of the national committees, to wit:
nonspecific grants in the amount Kcs 20,738,800,000
specific-purpose subsidies in the amount Kcs 18,575,000,000
(Appendix No 2).

Article 2

The government of the Czech Socialist Republic, or on the basis of its authorization, the minister of finances, shall express the financial data of the state budget of the republic stipulated by this law in prices valid as of 1 January 1982.

Article 3

The government of the Czech Socialist Republic, or by its authorization the minister of finances, may project, so long as it does not affect the balance of the state budget of the republic, into the state budget of the republic above all changes of the state plan for the development of national economy of the Czech Socialist Republic, organizational and price changes, changes stemming from adjustments of economic incentives in foreign trade and agriculture, and adjustments of nonspecific grants and specific-purpose subsidies to

national committees, provided that the conditions determining the nonspecific grants and specific-purpose subsidies did change.

Article 4

This law will become valid on 1 January 1982.

Signed: Kempny
Signed: Korcak

Appendix No 1 to the Law of the Czech National Council No 126/1981 of the Collection

Overall Survey of the State Budget of the Czech Socialist Republic Revenues

| Revenues | (in thousand Kcs) |
|---|---|
| Incomes from socialist economy | 35,931,132 |
| of which: from economy | 30,831,424 |
| from science and technology | 161,110 |
| from financial and technical services | 3,525,548 |
| from social services and programs | 1,178,050 |
| from defense and security | 237,000 |
| Taxes from the population and levies | 30,051,000 |
| Other incomes | 978,668 |
| Grants from the state budget of the Federation | 67,453,600 |
| Total | 134,414,400 |

| Expenditures | (in thousand Kcs) |
|---|---|
| Expenditures of centrally managed organizations | 95,100,600 |
| for: economy | 30,212,038 |
| science and technology | 2,022,710 |
| financial and technical services | 2,103,035 |
| social services and programs for the population | 55,659,100 |
| defense and security | 3,630,200 |
| administration | 1,473,517 |
| Nonspecific grants to budgets of national committees | 20,738,800 |
| Specific-purpose subsidies to budgets of national committees | 18,575,000 |
| Total | 134,414,400 |

Appendix No 2 to Law of the Czech National Council No 126/1981 of the Collection

Nonspecific Grants and Specific-Purpose Subsidies to Budgets of National Committees Included in the State Budget of the Czech Socialist Republic

| Kraj | Nonspecific grants (in thousand Kcs) | Specific-purpose subsidies (in thousand Kcs) |
|---|---|---|
| National committee of the capitol | | |
| City of Prague | 4,242,800 | 5,776,800 |
| Central Bohemia | 1,779,400 | 1,218,400 |
| South Bohemia | 1,622,000 | 1,080,500 |
| West Bohemia | 2,058,500 | 1,000,200 |
| North Bohemia | 3,471,800 | 3,460,700 |
| East Bohemia | 1,665,600 | 1,278,400 |
| South Moravia | 2,091,000 | 2,331,600 |
| North Moravia | 3,807,700 | 2,428,400 |
| Total | 20,738,800 | 18,575,000 |

Law 129 of the Slovak National Council of 18 December 1981 on the State Budget of the Slovak Socialist Republic for 1982

The Slovak National Council resolved on the following law:

Article 1

(1) Total revenues of the state budget of the Slovak Socialist Republic (henceforth "state budget of the republic") are set at the amount Kcs 72,723,767,000

Total expenditures of the state budget of the republic are set at the amount Kcs 72,723,767,000 (Appendix No 1).

(2) The state budget of the republic contains summary cash flow from the budgets of national committees to the state budget of the republic (grants to the state budget of the republic) amounting to Kcs 10,151,100,000

and specific-purpose subsidies granted from the state budget of the republic to the budgets of national committees amounting to Kcs 8,414,400,000 (Appendix No 2)

Article 2

The government of the Slovak Socialist Republic, or by its authorization, the Minister of Finances, shall express the financial data of the state budget of the republic stipulated by this law in prices valid as of 1 January 1982; at the same time they shall maintain the balance of the state budget of the republic and of the budgets of national committees.

Article 3

The government of the Slovak Socialist Republic, or by its authorization the minister of finances, may project, so long as it does not affect the balance of the state budget of the republic, into the state budget of the republic above all changes of the state plan for the development of national economy of the Slovak Socialist Republic, organizational and price changes, changes stemming from adjustments of economic incentives in foreign trade and agriculture, and adjustments of nonspecific grants and specific-purpose subsidies to national committees, provided that the conditions determining the nonspecific grants and specific-purpose subsidies did change.

Article 4

This law will become valid on 1 January 1982.

Signed: Salgovic
Signed: Colotka

Appendix No 1 to Law of the SNR [Slovak National Council] No 129/1981 of the Collection of Laws

Overall Survey of the State Budget of the Slovak Socialist Republic for 1982

| Revenues | (in thousand Kcs) |
|---|---|
| Revenues from socialist economy | 13,185,440 |
| of which: from economy | 10,696,234 |
| from science and technology | 95,337 |
| from financial and technical services | 1,178,750 |
| from social services and programs | 1,148,419 |
| from defense and security | 66,700 |
| Taxes from the population and levies | 12,209,000 |
| Other incomes | 217,527 |
| Grants and subsidies from the state budget of the federation | 47,111,800 |
| Total | 72,723,767 |

| Expenditures | (in thousand Kcs) |
|---|---|
| Economy | 22,559,650 |
| Science and technology | 1,557,731 |
| Financial and technical services | 1,377,935 |
| Social services and programs for the population | 26,124,012 |

| | |
|---|---|
| Defense and security | 1,584,400 |
| Administration | 954,539 |
| Total cash flow and specific-purpose subsidies to national committees | 18,565,500 |
| Total | 72,723,767 |

Appendix No 2 to Law of the SNR No 129/1981 of the Collection of Laws

Summary Cash Flow (Grants) and Specific-Purpose Subsidies to National Committees from the State Budget of the Slovak Socialist Republic for 1982

| Kraj | Grants | Specific-Purpose Subsidies |
|---|---|---|
| | (in thousand Kcs) | |
| National Council of Bratislava, the capital city of the Slovak Socialist Republic | 972,600 | 1,850,400 |
| West Slovakia kraj national committee | 2,328,100 | 2,116,100 |
| Central Slovakia kraj national committee | 3,332,600 | 2,189,700 |
| East Slovakia kraj national committee | 3,517,800 | 2,258,200 |
| Total | 10,151,100 | 8,414,400 |

9004
CSO: 2400/204

## LARGE NUMBER OF WORKING RETIREES IN CSSR DISCUSSED

Prague HOSPODARSKE NOVINY in Czech 26 Mar 82 p 4

[Article by Eng Dyna Tesarova, Federal Statistical Office: "Enterprise Interest Growing; Economic Activity of Retirees in the CSSR"]

[Text] The CSSR belongs among those countries which have achieved full employment of males and a high level of employment of females, and where for a number of years sources of surplus labor have been, for practical purposes, exhausted. Moreover, the seventies saw a continual reduction in the annual growth of labor force resources resulting from a slow down in increases in numbers of inhabitants of productive age (men from 15 to 59, women from 15 to 54 years of age). During the years of the Sixth Five-Year Plan, the growth of labor force resources was one-third lower than during the previous five-year plan period. The employment of individuals drawing some type of pension belongs among the supplementary sources of labor.

The provision of incentives for further work activity by persons of retirement age had already been expanded in the updated law concerning retirement security, No 121/1975, Laws of the CSSR (limits on total annual payments for unadjusted old age pensions in addition to wages were raised from Kcs 1,000 to Kcs 1,100, and significant advantages were granted to those employees who choose to continue to work without drawing a pension beyond the time at which they are qualified to receive an old-age pension. Additional measures (Government Resolution No 135/1975, Laws of the CSSR and, above all, its updated 1978 version, Government Resolution No 79/1978, Laws of the CSSR) have served to expand the scope of jobs and activities in which retirees may work throughout the year without changing the amount of their pension, regardless of the level of their wages, to encompass almost the entire range of material production and services (they do not extend, however, to the performance of administrative work).

Figure 1. Working Retirees as a Percentage of Total Retirees (A Total of 3,263,000 as of 31 May 1981)

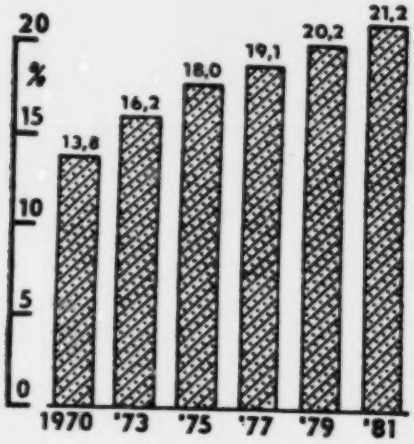


The above measures are stimulating the incorporation of individuals who are drawing pensions into the work process. As of 31 May 1981, 692,000 retirees were working in the socialist sector of the national economy of the CSSR (excluding JZDs [unified agricultural cooperatives]), which means that roughly every ninth employee within this sector was simultaneously the recipient of some kind of pension; an additional 185,000 retirees were working on JZDs, representing almost 29 percent of all workers in this sector.

Figure 2. Working Retirees as a Percentage of Total Employees

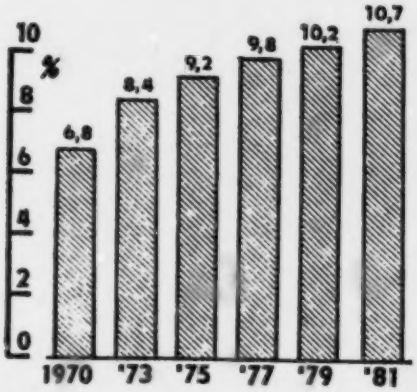


Following 1979, year-round incorporation into the work process with an unchanged pension amount regardless of wage level became the main form of employment of retirees. As of 31 May 1981, 319,000 retirees were employed

on these terms; only one-fourth of all retirees integrated into a working situation were employed part-time (up to 180 working days per year).

The above changes in the structure of the integration of retirees into the work process, which occurred during the Sixth Five-Year Plan, also exerted a positive influence on the growth of overall employment in the socialist sector of the national economy (excluding JZDs): retirees have represented roughly one-quarter of the overall increase in numbers of employees in the past 4 years (and almost one-half of the increase in numbers of blue-collar workers and operational and service employees).

Most enterprises and organizations make clear their ongoing interest in the work of retirees, above all in the blue-collar trades. The number of retirees working as blue-collar workers and as operational and service employees has been constantly increasing; it was 307,000 in 1977, or 74.9 percent of all working retirees, while in 1981 it had already increased to 396,000, or 81.5 percent of all working retirees. Of the total number of blue-collar workers and operational and service employees, retirees at the present time represent almost 9 percent; in certain blue-collar trades, however, the representation of employees from older age groups is significantly higher. A study of the qualifications of blue-collar workers and operational employees has indicated that it is precisely the older workers who perform many auxiliary tasks and jobs not requiring extensive qualifications (as of 30 September 1979, fully 25.6 percent of such tasks were performed by men over 55 years of age and women over 50). The relatively high percentage of older persons, including working retirees, in these jobs (in the category of operational and service workers alone, retirees held more than 15 percent of the positions) points to continuing problems in the assurance of normal replacement of blue-collar workers and operational and service employees with the requisite mix of qualifications.

Figure 3. Working Retirees as of 31 May 1981 (Total of 485,700 people); Structure in percent

* Včetně provozních a obsluhujících pracovníků. (4)

Pramen: sešit ČSÚ. (5)

KEY:
1. white-collar employees
2. of these, those in administrative positions
3. blue-collar workers
4. including operational and service employees
5. source: Federal Statistical Office investigations

In contrast to this, the number of white-collar employees (i.e., technical, managerial, administrative and professional employees of the nonproduction sphere and creative scientific-research employees) with old-age pensions has moderately, but continually declined: from 103,000 in 1977 to 90,000 in 1981. However, the number of retirees performing administrative tasks has continued to increase (38,000 in 1977, 37,000 in 1981).

The active engagement of retirees was influenced, during the seventies, by the demographic developments of the years of the World War I and directly after it. Until 1979, the percentage of men up to the age of 62 who were drawing old-age pensions continually declined. On the contrary, the percentage of working men in the older age group increased. In the past 2 years, however, as a result of the fact that men born in the years of high birth rates after the World War I had reached retirement age, there has been a significant increase in the number and percentage of working men up to the age of 62 who have been drawing a pension. At the same time, as of 31 May 1981, still more than one-third (81,000) of working male retirees were older than 68 years of age.

The active engagement of female retirees has been similarly influenced. From 1979-1981, when there was a further increase in the number of women up to the age of 59 who were drawing a pension, the percentage of women of this age group decreased; in contrast, there was increased representation of women retirees in the older age groups. More than one-quarter of the women drawing an old-age pension (72,000) are incorporated into the work process after their 64th birthday.

In addition to individuals drawing a pension, there are individuals who continue to participate in the work process who already have the right to draw a pension, but who have not yet applied for it. By continuing to work, they are increasing their pension base annually by 7 percent of their average earnings (until 1976 this figure was only 4 percent). The number of these individuals has declined significantly since 1970. White-collar workers form a substantial portion of them, 71.2 percent, and this percentage continues to increase moderately; in 1979 it was 66 percent. Almost half of these are concerned with administrative tasks; others work in the fields of education, health care, culture, and in other nonproduction activities.

Figure 4. Percentages of Blue Collar and White Collar Employees of Retirement Age Who Continue to Work, Without Applying for a Pension.

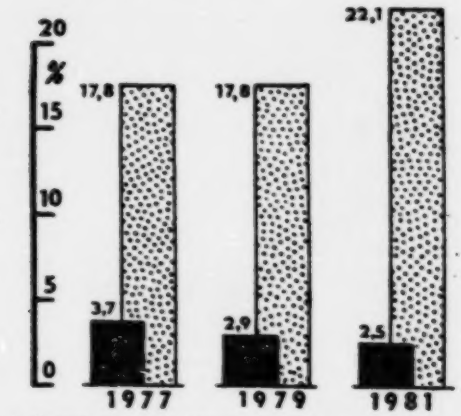


(1) Černý sloupek dělníci, tečkovaný duševní pracovníci.

(2) * Včetně provozních a obsluhujících pracovníků.

KEY: 1. black column, blue collar workers: dotted column, white collar workers;
2. including operational and service workers.

The methods of incorporating individuals into the work process who have already met the conditions for the right to receive a pension are, then, varied, and depend on the work which is performed. For blue-collar workers and operational and service employees, the method which quite uniformly predominates is the reintegration into the work process following the awarding of a pension. For white-collar workers, the percentage of those who remain in a position after fulfilling the requirements for the granting of a pension is significantly higher than for employees performing blue-collar work, and continues to increase. Despite a decline in the number of retirees working in white-collar positions, 90,000 retirees currently carry out these kinds of functions; an additional 25,000 white-collar workers are individuals who already have a right to a pension even though they are not yet drawing one. On the whole, then, 115,000 white-collar positions are currently held by individuals of a postproductive age, which represents almost 5 percent of the total number of white-collar workers.

For the period of the Seventh Five-Year Plan, a worsening is expected in labor force formation in the CSSR, because the increase in population of productive age will amount only to one-third of what it amounted to in the Sixth Five-Year Plan. Because, however, retirement age limits will be

reached during this period by the men and women born during the population explosion following World War I, the Czechoslovak national economy will continue to have adequate supplementary labor force resources from the ranks of the able-bodied population of postproductive age. It will be necessary, however, to differentiate their work assignments in accordance with currently valid measures and in line with the requirements of the national economy.

9276
CSO: 2400/202

## ECONOMIC TOOLS FOR AGRICULTURAL GROWTH QUOTED

Prague TVORBA in Czech 24 Mar 82 pp 4-5

[Article by Zdenek Hoffmann, deputy division chief of the CPCZ Central Committee: "Better Conditions for Intensification"]

[Text] Agricultural production is of a considerably different type as compared to the other branches of the economy. It is characterized by the fact that it is greatly dependent on natural conditions, that it is of a biological nature, and that under the conditions which exist in our country it is necessary as a result of natural laws to maintain the production even when its effectiveness is rather low, which means that it is necessary to utilize all the available agricultural land. This different character ensues also from some socioeconomic differences between agriculture and the other branches of the economy. This is of course related to certain specific requirements concerning agricultural management, its tools and forms. That is why agriculture was not included among those branches which have switched fully to the new method of planned management as early as in 1981. The improved system of management has been applied in agriculture since 1 January 1982, after the generally valid principles had been applied to its specific conditions.

### The Key Role of Planning

The draft of the improved system of planned agricultural management was discussed at the Fourth Plenum of the CPCZ Central Committee as an important means of providing for the complex tasks in food production under the present conditions. As indicated by the characterization contained in a report which was presented at the Fourth Plenum of the Central Committee by Comrade Frantisek Pitra, secretary of the CPCZ Central Committee, the measures of the system are designed not only to improve the management activity at all levels of management, starting with the use of the state influence in this branch of the economy which is of vital importance to our society, but also to create material prerequisites for the implementation of agricultural tasks. At the same time, this involves both handling of the material and technical base as well as application of the results of scientific and technical progress, which at the present stage is the basic prerequisite for further intensification of agricultural production. In comparison with the previous modifications of the system of agricultural management, the principles which have been adopted

are formulated in a more complex form. They pertain to all the three basic areas of management: plan and planning, system of economic instruments, and material incentives.

In the area of the plan and planning, the main concern is to make sure that the plan would really play the role of the basic instrument of management at the level of the Central Committee, of the middle links of management and in agricultural enterprises themselves. The objective is to make sure that the planned management, acting in harmony with the interests and needs of the entire society, would provide for the optimal utilization of all production facilities and for mobilization of the reserves in production and in the entire economy. At the same time, agricultural producers must have a guarantee that their needs will be taken care of at the appropriate level. What is equally important to agriculture, which is characterized by a long production cycle, is a long-term assurance that all its products of good quality will be consumed.

That is why the system puts an emphasis on the interrelationship of the plans of all the branches of the economy which participate in the production of foods. At the same time, it is not "only" a question of interrelationship within the framework of the agricultural and food processing complex, but also between enterprises, a question of providing for close cooperation of primary agricultural production, agricultural service organizations, processing enterprises and industrial branches which supply material technical means to the agriculture. The urgency of the need for this measure is indicated by the fact that even with the present level of the social division of labor, the share of these branches in the material costs of agricultural production is roughly 60 percent, and consequently they influence its results. As scientific technical development keeps advancing, this share will naturally continue to increase.

The measures designed to improve the plan and increase its effectiveness within agriculture itself are oriented primarily so as to weaken markedly the directiveness of the plan, which turned the plan into a sort of administrative tool. Unified agricultural cooperatives [JZD] and state farms were being assigned until now in a number of cases as many as several dozens of obligatory indices, which were limiting strongly the initiative of the enterprises. Even when the plan was approached responsibly and was well thought out, the obligatory indices did not make it possible in practice to work out a plan which would fully utilize the local conditions to develop production and increase its effectiveness.

That is why the number of directive assignments ordered in production planning has been reduced substantially. Out of the five indices which can be assigned to agricultural enterprises as obligatory indices, only two are determined by the central authorities: bulk buying of grains and bulk buying of slaughter cattle by state fund organizations. The remaining three directives can be determined by kraj and okres agricultural administrations in a differentiated manner, depending on the local conditions. This should concern the production of sugar beet in beet-growing areas, and in submontane okreses it should be the production of potatoes, flux or milk, and so on.

Further requirements are to be transmitted to the enterprises for orientational purposes. Apart from that, from now on the enterprises will be given only indices pertaining to material and technical supplies and to the economy. As a result, the managements of the JZD and state farms have an even greater responsibility for the preparation of the plans. They have this responsibility not only with regard to the society, but also with regard to their own workers. The economic result, the income situation of the enterprise, and therefore also the reproduction opportunities of the production base and remuneration of the working people will depend to a considerable extent on whether production is oriented correctly and production facilities utilized in the optimal way when the new economic instruments are in effect.

The processing and other purchasing organizations are also getting into a new position as a result of this measure. These must now develop much greater efforts than under the previous planning system in order to provide for their needs from the point of view of securing deliveries of raw materials and other products. In their own interests, they must intensify their contacts with agricultural enterprises, help them not only by advising them, but also materially in dealing with production problems. It is expected that they will frequently integrate with them. In this connection, it appears to be necessary for them to provide certain economic instruments, particularly for processing organizations. And it is a serious shortcoming that this requirement has not been taken care of adequately as yet.

Changes in the production structure will be in many cases a natural consequence of the new approach to the plan. Of course, it will be possible to bring about these changes only gradually. In many cases, these changes will require not only organizational measures and new machinery, but also investment construction, particularly in animal production. Even that is a reason why a change is also taking place in the planning of investments. The new modification of their categorization will make it possible to provide on a larger scale for modernizations, reconstructions and finishing of existing buildings to be appropriate for their new usage. It will provide for more detailed completion of the interior of buildings, and will be very significant for the implementation of rationalization measures, which include, for example, improved utilization of manure from sheds, reduction of losses during storage of fodder, and so on.

Improvement of the quality of planning work must also be part of measures designed to improve the plan. The task of the first order in this sector at present is to create an objective normative base, which is still lacking in agriculture. For the time being, only partial and not quite perfect norms are still being used even in the current year. Computer technology must be used on a larger scale, not only at higher administrative levels, but also in enterprises.

## The Significance of Economic Instruments

The modification of economic instruments has an important role in the Set of Measures for Improvement of Agricultural Management. The modification was very urgently needed, because the present system of these instruments, except

for minor changes, had been in effect since 1967. Important changes have taken place during this period in the development of agriculture. The demands of the society with regard to agriculture have increased significantly, but the conditions under which agriculture handles its tasks are also more demanding at present. The urgent need for improvement of the system of economic instruments of agricultural management was emphasized as early as at the 13th Plenum of the CPCZ Central Committee in 1979, the given task is also contained in the conclusions of the 16th CPCZ Congress, and the issue was discussed at the Fourth Plenum of the Central Committee on the basis of the conclusions reached at the congress. The modifications which have been introduced seek the following essential goals:

To increase the interest of agricultural enterprises and their workers in production growth through intensification of the production process.

To support socially desirable changes in the structure of the production process, changes which are designed to make better use of the conditions of production in individual areas and locations, and to provide for all types of foods and agricultural raw materials which we can get from our own resources.

To create conditions for a gradual decrease of material costs and increase of the social effectiveness of production, conditions which would be designed especially to save raw materials and other materials that we have to import.

At the same time, the modification consisting in an increase of the overall compensation for production also solves the problem of unfavorable development of the economics of agricultural production, namely, the decrease of profitability resulting in a deterioration of the income situation of the JZD and state farms, which have been brought about to a considerable extent by objective causes, for example, by price increases of certain input materials. The urgent need to solve this problem is indicated by the fact that during the Sixty Five-Year Plan the cost profitability of agricultural enterprises has decreased in comparison with the Fifth Five-Year Plan from 12.4 percent to less than 7 percent. The system in the first place strengthens the role of purchasing prices and thereby intensifies the close link between overall compensation and the level of marketing production for the state funds.

In determining the new purchasing prices, the factor which was considered in the first place was the growth of production costs, particularly the price increases of fuel and oil and fodder concentrate. At the same time, the system helps to eliminate the present disproportions between the profitability of individual products which had a negative effect on the income situation of agricultural enterprises operating under less favorable conditions or entrusted with a certain type of specialization.

Stimulation of Production Intensification

The modification has been reflected most in the purchasing prices of products derived from the raising of horned cattle. We give priority to it, because it leads to a more intensive utilization of sources of fodder of our own.

Findings in a number of agricultural enterprises show that the approach to this basic branch of animal production is beginning to undergo a positive change. In vegetable production, modification of purchasing prices is beneficial to agricultural production which is demanding in terms of labor and energy, mainly sugar beet, hops and potatoes.

A new instrument is being introduced in order to increase the intensity and volume of production in all production zones, namely, premiums for increase of agricultural marketing production. The rules applicable to these premiums will be set in such a way that they would not be detrimental to those enterprises where the volume of sales may be reduced as a result of changes in the production structure which are objectively necessary, such as, for example, the decrease of the production of slaughter pigs in the current year.

The establishment of the so-called intensification fund is an important economic measure designed to increase agricultural production. The means of the given source will be used in principle to stimulate the development of the production of JZD and state farms which lag behind over a long period of time, and where we have relatively the largest and most easily accessible reserves in our entire agriculture, as it was emphasized on many occasions.

The financial means needed for modification of purchasing prices and used for other economic instruments will be derived in the first place from redistribution within agriculture. Their main source is price increases of certain production inputs, particularly fodder mixtures, fuels and oils which are manufactured on an industrial scale. Only a small portion (roughly 30 percent of the total volume of the needed means) which is necessary to bring about an overall increase of the strength of agricultural resources, will be provided from the state budget. At the same time, price increases of production inputs force the enterprises to operate more economically. This method of solving the problem has become unavoidable in the present effort to make us substantially more independent with regard to fodder and to save fuels and energy.

In the area of remuneration, the changes tend above all to relate more closely the level of remunerations of technical-economic and other workers to the economic results achieved, which is in harmony with the principles applicable in the entire national economy. The measures which have been approved also tend to eliminate unjustified leveling of wages, to strengthen the merit principle. The system puts emphasis on increasing the sliding component of remunerations in JZD and on state farms. Agricultural enterprises are also getting more freedom in decisionmaking and in the use of various forms of remuneration.

The Successful Outcome will be Determined by the People

The set of measures designed to improve the management of agriculture undoubtedly corresponds to the conditions in this branch of the economy. It tends unequivocally to take care of the tasks of the 16th CPCZ Congress. The new principles react also to the present situation, to the current

problems discussed at the Fourth Plenum of the CPCZ Central Committee. Of course, their effectiveness will depend on how they are actually applied in practice. That requires, of course, particularly in view of the nature of the land and the greatly differentiated local conditions of agricultural production, a well-thought-out, creative approach to the application and practical implementation of the adopted principles, and full understanding of not only the economic but also political and ideological goals of the improved system. These requirements apply first of all to all leading workers at all management levels.

Even though one cannot as yet make a more penetrating evaluation of how the improved system has been received and how effective it is, the fact is that in spite of some positive phenomena the new measures have not manifested themselves clearly enough in the preparation of the plan for 1982. Many responsible workers in agricultural enterprises, and also in agricultural administrations, continue to approach the preparation and processing of the plans from old, habitual positions. Some purchasing organizations have not understood fully their obligations, either. Problems are also caused by the fact that the ministries of agriculture and nutrition failed to work out on time and discuss with other interested departments all the directives and instructions which are necessary for setting up the system. The ministries have the duty to assist agricultural administrations in the next stage of introducing the new principles in practice.

Agricultural organizations also must help agricultural enterprises not only in terms of methodology, but also in dealing with substantive problems of production and economics. Special attention must be given to the application of the system not only in global terms, but also directly at individual workplaces. That is the basic prerequisite for making the new measures effective.

5668
CSO: 2400/217

BOOMING ANIMAL HUSBANDRY REPORTED

Budapest MAGYAR HIRLAP in Hungarian 27 Apr 82 p 9

[Text] Over the past few years, Hungarian animal husbandry has moved into the ranks of the most developed countries. It is second only to Denmark in production of pork, to the United States in poultry, and to Holland in production of eggs. Drs Zoltan Csomos, deputy department head of the main department of agriculture, and Janos Demeter, ministry official in charge of livestock feeding, were questioned as to whether conditions favored expansion in animal husbandry.

The livestock census of 1981 revealed that there were 1,945,000 head of cattle of which 759,000 were cows. Milk yields per cow have been increasing annually and amounted to 4,900 liters at state farms and 3,755 liters at cooperatives. Original plans called for production of 2.54 billion liters by 1985, but the farms already excceded this in 1981 by 33 million liters. Only three countries in the world have achieved an annual growth in milk yields of this magnitude; of the CEMA countries, only the GDR has achieved more.

In order to improve meat supplies at home and to promote exports, the farms are increasing their herds of beef cattle, and the ministry has already created the conditions for making this possible.

Recently there has been an upswing in sheep raising. The herds increased by 154 percent between 1975-1981. At present, there are 3.14 million sheep. One million lambs are sold through foreign trade annually. Australian and New Zealand breeds of sheep are being imported so that wool production can increase in concert with meat production. Sheep from the GDR and France are being imported on experimental basis. They give 100 liters more milk annually.

Last year the number of sows exceeded that of 1980 by 52,000. The increase was due to the efforts of small producers. Also mainly from small producers came a total of slaughter hogs in excess of 1.1 million tons. The increase over 1980 amounted to 10,000 tons.

Growth in poultry raising was most dynamic: by the Fifth Five-Year Plan, Hungary was already accounting for 11 percent of all poultry raised in the

world. Twenty-five percent of Hungarian meat consumption consists of poultry.

Great progress has been made in the supply of fodder. The farms use fodder worth 60 billion forints annually to feed livestock. The ministry is aiming at reduction of the land used for growing fodder, hoping to raise the required quantity on less land. At the same time, processing of fodder is being improved. Equipment is being imported which harvests and preserves bulk fodder more quickly and efficiently.

CSO: 2500/231

## BRIEFS

MOBILE OIL FILTER--The Mixed Industry Cooperative of Fuzesabony is producing a mobile oil-filtering device, the B-3, which is transportable on the wheelbarrow principle. Used oil flows through the device where a set of gauges register when the filter element has to be cleanad. The device has been extensively tested at large agricultural cooperatives after first undergoing testing at several research institutes. Cooperatives have realized oil savings as high as 50 percent during a month of use. It has been found to be 98 - 99 percent reliable. The device successfully cleans all oil having a viscosity no greater than 160 est. It can be used while the equipment to which it is connected is in actual operation. [Summary] [Budapest MAGYAR MEZOGAZDASAG in Hungarian No 9, 1982, p 24]

CSO: 2500/235

## 'ZYCIE GOSPODARCZE' HIGHLIGHTS IMPORT-EXPORT PROBLEMS

### Economic Blockade

Warsaw ZYCIE GOSPODARCZE in Polish No 14, 25 Apr 82 p 12

[Text] The need to maximize exports to the second payments area countries, which has been pointed out in ZYCIE GOSPODARCE many times, has become a yet more urgent matter since the economic blockade imposed against us by the EEC states had begun to function. This blockade consists mainly in withdrawing credit facilitation as well as the suspension by the EEC of the sale of commodities at lowered prices. This causes a further intensification of the raw materials and other material supply difficulties as well the accumulation of manifestations of non-utilization of production capacities. Partial shifting of our industry to cooperation with socialist countries is, of course, highly desired and possible, however, it requires a great deal of time.

### Cooperation with Socialist Countries

Warsaw ZYCIE GOSPODARCZE in Polish No 14, 25 Apr 82 p 12

[Text] The broad development of cooperation with socialist countries in the area of service processing in our plants which have free production capacities as well as the expansion of imports from those countries of the raw materials and other materials which we need. In connection with this, it seems expedient to consider whether to prepare a special exhibit at the forthcoming Poznan Fair to display the nature and scale of our free processing capacities which we can place at the disposition of our contracting parties.

### Imports from Capitalist Countries

Warsaw ZYCIE GOSPODARCZE in Polish No 14, 25 Apr 82 p 12

[Text] The more than 40 percent decline in imports from capitalist countries in the first quarter of this year [1982] encompassed also a number of raw materials and other materials which are of importance to us. For example, the import of grains decreased in this period by 58 percent and ground grains and mill cakes by 25 percent. This reflected correspondingly on the decline in breeding, mainly poultry, whose procurement decreased in March 1982 by 81 percent. Also ferrous metallurgy must adjust itself to lowered deliveries

of raw materials from countries of the second payments area. The imports of iron ore decreased in the first quarter by over 51 percent and metallurgical products by 42 percent. The next sub-sector (galaz) of industry which strongly feels the lack of raw materials imported from the West is light industry. The imports of cotton from capitalist countries declined by 44 percent, wool by 58 percent, and synthetic fibers by 51.5 percent.

## Coal Exports

Warsaw ZYCIE GOSPODARCZE in Polish No 14, 25 Apr 82 p 12

[Text] The difficulties which have occurred currently in the export of stoking coal, or fine coal, are connected mainly with the entrance of coal supplies from the U.S. on European markets. In connection with this it is worthwhile to note that, at the same time, in many countries of Europe there occurred a requirement for good quality briquettes from fine coal and from coke breeze. Many farms and households are shifting heating from oil to coal. The question here, however, is not coal or stoking coal supplied loose but the several kilograms of briquettes packed in various sizes of plastic bags as well as briquettes on pallets stretch-wrapped with thermo-shrinkable plastic. Such coal becomes an object of trade not in heating depots but in rural and housing area department stores or gasoline stations. It seems that we should exert all efforts to enter the European markets with such briquettes.

## Book Production

Warsaw ZYCIE GOSPODARCZE in Polish No 14, 25 Apr 82 p 12

[Text] Implementation of the decision to increase this year [1982] the production of books by 25 percent, compared to last year, requires additional deliveries of paper amounting to approximately 6,000 tons. Meanwhile, it is known that we must reckon with a decrease in the paper pool this year [1982] by 75 percent [sic; probably should have been: thousand] tons, including paper for printing and writing by 20,000 tons. In such a situation, increasing the production of books could reflect disadvantageously, i.e., on supplying exercise books and other school aids. Also, it would require the off-setting additional of several millions of dollars for the import of components. The problem of increasing the production of books has shown itself to be more difficult to solve than initially assumed.

CSO: 2600/567

SPECIAL CURRENCY EXCHANGE RATE TABLE PUBLISHED

Warsaw TRYBUNA LUDU in Polish 3 May 82 p 7

[29 Mar 82 p 7]

[Text] Announcement of Exchange Rates Table No 18/82, effective 3 May 1982, by Stanislaw Majewski, president , Polish National Bank, Warsaw, on 3 May 1982.

I. Foreign-currency exchange rates in zlotys for countries of the first payments area [socialist countries] for commercial and noncommercial payments in Table No 6/1982, dated 8 February 1982, remain unchanged.

In purchases of travelers' checks for rubles, issued by the USSR Foreign Trade Bank and payable outside the USSR in the currency of the country were cashed, an exchange rate of 11,569.40 zlotys per 100 rubles is applied.

II. Foreign-Currency Exchange Rates in Zlotys for Countries of the Second Payments Area [Capitalist Countries]

[Table on following page]

Exchange Rates Table No 18/82

| Country | Curr Symb | Currency | Foreign Exchange Purchase | Foreign Exchange Sales | Money Purchase | Money Sales | Average |
|---|---|---|---|---|---|---|---|
| Saudi Arabia | 771 | 1 rial*** | 24.35 | 24.59 | -- | -- | 24.47 |
| Australia | 781 | 1 Austral.dollar | 88.19 | 89.07 | 86.86 | 90.40 | 88.63 |
| Austria | 786 | 100 schillings | 502.20 | 507.24 | 494.63 | 514.81 | 504.72 |
| Belgium | 791 | 100 francs | 186.90 | 188.78 | 184.08 | 191.60 | 187.84 |
| Denmark | 792 | 1 kroner | 10.39 | 10.49 | 10.23 | 10.65 | 10.44 |
| Finland | 780 | 1 markka | 18.26 | 18.44 | 17.98 | 18.72 | 18.35 |
| France | 793 | 1 franc | 13.50 | 13.64 | 13.30 | 13.84 | 13.57 |
| Greece | 724 | 100 drachmas | 132.15 | 133.47 | 114.53 | 135.47 | 132.81 |
| Spain | 785 | 100 pesetas | 79.81 | 80.61 | 78.61 | 81.81 | 80.21 |
| Holland | 794 | 1 florin | 31.77 | 32.09 | 31.29 | 32.57 | 31.93 |
| India | 543 | 100 rupees*** | 891.31 | 900.27 | -- | -- | 895.79 |
| Ireland | 782 | 1 pound*** | 121.78 | 123.00 | -- | -- | 122.39 |
| Japan | 784 | 100 yen | 35.17 | 35.53 | 34.64 | 36.06 | 35.35 |
| Yugoslavia | 718 | 100 dinars | 173.27 | 175.01 | 150.18 | 177.62 | 174.14 |
| Canada | 788 | 1 Canad.dollar | 68.43 | 69.11 | 67.39 | 70.15 | 68.77 |
| Kuwait | 770 | 1 dinar*** | 291.42 | 294.34 | -- | -- | 292.88 |
| Lebanon | 752 | 1 pound | 17.37 | 17.55 | 17.11 | 17.81 | 17.46 |
| Libya | 651 | 1 dinar*** | 281.86 | 284.70 | -- | -- | 283.28 |
| Luxembourg | 790 | 100 francs | 186.90 | 188.78 | 184.08 | 191.60 | 187.84 |
| Norway | 796 | 1 kroner | 13.81 | 13.95 | 13.60 | 14.16 | 13.88 |
| Portugal | 779 | 100 escudos | 115.59 | 116.75 | 100.19 | 118.49 | 116.17 |
| FRG | 795 | 1 mark | 35.25 | 35.61 | 34.72 | 36.14 | 35.43 |
| United States | 787 | 1 dollar* | 83.52 | 84.36 | 82.26 | 85.62 | 83.94 |
| Switzerland | 797 | 1 franc | 42.70 | 43.12 | 42.05 | 43.77 | 42.91 |
| Sweden | 798 | 1 kroner | 14.25 | 14.39 | 14.03 | 14.61 | 14.32 |
| Turkey | 627 | 100 pounds | 55.99 | 56.55 | 48.52 | 57.40 | 56.27 |
| Great Britain | 789 | 1 pound** | 147.92 | 149.40 | 145.69 | 151.63 | 148.66 |
| Italy | 799 | 100 lira | 6.38 | 6.44 | 5.53 | 6.54 | 6.41 |

*Valid also in clearing accounts with the following countries: Bangladesh, Brazil, Ecuador, Greece, Iceland, Kampuchea, Colombia, Lebanon, Pakistan, Peru and Turkey.

**Valid also in clearing accounts with the following countries: Nepal and Pakistan.

***The Polish National Bank does not purchase money in these currencies.

CSO: 2600/571

OPTIMISTIC ASSESSMENT OF COAL EXPORTS NOTED

Warsaw ZYCIE GOSPODARCZE in Polish No 10, 28 Mar 82 pp 1, 11

[Article by Andrzej Lubowski]

[Text] Just a few months ago, practically all considerations of our future economy began and ended with coal. It was to decide which scenario would prove true: a scenario of fear, if we mined too little, or a scenario of hope, if our output increased. Dramatic conversions of coal into butter and a vision of our fate resting in the hands of miners attacked the collective imagination.

For 3 months our coal extraction has increased. Thus, we have more to sell. However our satisfaction on this score is clouded because apparently it is difficult to sell coal today; our ships laden with coal wind their way from port to port in search of a buyer. In important offices it is being determined whether we should turn our coal surplus into cement, carbide or soda, and export these goods. Must it always be that an unlucky man would drown in a puddle?

In light of the following facts, getting outfitted for the funeral of coal as a source of the foreign exchange that we so desperately need is premature. On the other hand, a favorable situation does not exist for coal; we ourselves helped to bring that about. Let us attempt to answer the questions. What happened on the coal market, and do we have a chance to regain the position we once held on this market, and under what conditions?

People who trade in coal say that four times during the postwar period have events occurred that devastated the established order of, a relatively quiet market. The first was the Suez crisis in 1956; the second, the steel boom at the end of 1969/beginning of 1970; the third, the oil crisis at the end of 1973; and, the fourth, the events in Poland.

In 1979 we held the second place after the United States on the world list of hard coal exporters. We were selling 41 million tons abroad, while the total international trade in this commodity amounted to 229 million tons. During the following year we exported 10 million tons less, while worldwide trade increased to 244 million tons. We failed to fulfill many contracts, but we paid our Western partners no fines on this score. We pleaded that strikes in the mines and ports were a higher force, ultimately a social contract, an

event for which we were not prepared.

The contracting parties accepted this excuse, but they wanted to know one thing: how much we would sell in 1981. This was not the easiest question. We estimated filling 30 to 40 percent of our advance orders. The market went frantic; consumers who had been counting on fuel from Poland began a feverish search for other suppliers. The price of coal rose sharply, and we ourselves raised it the most. The price of Polish coal delivered to Danish ports jumped from an average $50 per ton in 1980 to $73 in the first half of 1981. At the same time, American coal rose from $58 to $69, Australian coal went from $45 to $66 and South African coal increased from $39 to $52 per ton. Coking coal, whose demand depends upon the situation in metallurgy, likewise increased in price but not markedly since, the situation in the steel industry in the West was, and continues to be, poor. Europe was even more nervous, since the breakdown in our exports coincided with the American miners'strike, which lasted several weeks and had been announced beforehand. Market fever was intensified more by the announcement of the strike than by its effects. American coal exports did not suffer even during the strike.

The gap caused by the decline in Polish exports was filled relatively quickly. Other suppliers took our place. Last year we exported 15.1 million tons, i.e., 26 million tons less than 2 years earlier. At the same time, the United States increased its exports from 60 million to 89 million tons, Australia's coal exports rose from 40 million to 51 million tons and the RPA [Republic of South Africa] increased its exports from 23 million to 32 million tons. Thus, the competition covered the decrease in the Polish commodity with a vengence. What's more, while at the beginning of last year the coal market was a seller's market, in a short time the relative overproduction of this raw material occurred. Today it is a true buyer's market.

Major Western consumers, wishing to avoid another war of nerves like the one experienced with the unexpected decline in deliveries from Poland, made large purchases in the second half of last year [1981], replenishing their reserves for several months, even more than a year. Brokerage firms, hoping to realize additional profits if something shook up the market once again, assembled 6 million tons of coal at the end of 1981 in Amsterdam, Rotterdam and Antwerp. The coal situation at dumps adjacent to mines in the EEC reached a level of 49 million tons, or 9 million tons more than in 1980. This is only a rough estimate of supply. With regard to demand, the generally unfavorable economic situation in the West lowers the need for power, all the more so for coal for metallurgy. Moreover, most countries are taking seriously programs for conserving energy, including residences. Last winter was relatively mild, and the water situation in many countries, particularly in Scandanavia, is very favorable for the hydropower industry. For the first time in years, a significant increase in power production in nuclear power plants has been noted, primarily in France but also in the FRG and Finland. Clearly, all these factors did not strengthen the position of suppliers.

As last year was ending, our traditional customers asked more and more often about the situation with Polish export. We estimated that at best in 1982 it would be slightly higher than in 1981 and, according to the "variant of fears," our exports would continue to decline. Small wonder then, that those who had bought from us for years, treating us as their basic supplier, practically

a monopolist, such as the Finns and the Danes, began more and more to deal with others. One does not trade in coal in a haphazard way; normally it is purchased on the basis of annual, and even multiyear, agreements. Therefore, a shortage of the commodity can mean losing the market for an extended time, especially when the commodity is in search of a customer and not vice versa.

At first the introduction of martial law caused the disorientation of the coal market. The telexes and telephones were not operating, it was difficult for us to communicate with potential customers and for them to communicate with us. However, after a few weeks, information began to reach the market that extraction in Poland was increasing and that the Poles would be able to sell more than initially offered. This pleased some and disappointed others, but such news could not raise the price of coal for obvious reasons. The beginning of the current year also brought the announcement of the visit to Europe of a large American delegation composed of coal exporters and representatives of the administration, railroads and ports. The purpose of the visit was to discuss fuel deliveries from the United States, primarily from the viewpoint of West European independence from Soviet gas imports.

In this situation, the market assumed a wait-and-see attitude. Warehouses are full, dumps adjacent to mines are overloaded, contracts guarantee deliveries until the end of the year and brokers want to sell immediately what they have accumulated. Prices are beginning to decline slightly. The French, the major consumers of coal from the RPA, are reducing their purchases, and South Africa has such low extraction costs and such a high profit margin that it can afford considerable price reductions. Coal can be obtained at U.S. ports at less than $50 per ton, and freight charges have declined. Freight costs for 1 ton transported via bulk carrier from the United States to Denmark are lower than the PZM [Polish Steamship Company] takes for freightage from our ports to Denmark. It is not from anything dramatic happending but as a consequence of the change in supply and demand ratios, that coal is cheaper today than a year ago.

Let us answer the most important question. Is there ultimately a market for our coal? We have no problem selling what we have. During the first 2 months [of 1982] we sold 2.8 million tons, with 1.6 million tons to capitalist countries. While March is not over, the combined export for the first quarter amounted to nearly 4.8 million tons, with more than 2.5 million tons to capitalist countries. Up to the end of the quarter, mining is not offering foreign trade much more; thus there is no question of major surpluses, which are difficult to clear, at least now. What does the future promise? Those who export coal do not know how much they will have for sale during the coming months. They should determine this as quickly as possible; otherwise it is difficult to negotiate with customers. They do have a rough estimate of how much they can sell. At WEGLOKOKS, 14 million tons is the maximum amount that can be exported to capitalist countries at reasonable prices. Is this much or little? It is a large amount in comparison with last year's 8 million tons but not very much compared with 26 million tons from 1979. Last year, we sold the 8 million tons at an average price of $66 per ton; this year, according to estimates in Katowice, we will be able to export the 14 million tons at an average price of $58 per ton. Thus, this means more than $800 million.

As a last resort, we could sell more in the West, if we had more, but then we would have to lower the price considerably. Today we are really counting every penny, but this does not mean that we must close our eyes and take as much as is being offered. Over the long term, that cuts off the branch on which we are sitting.

If we were to maintain the high level of extraction and designate approximately 25 million tons for export on an annual basis, there should be no problem in finding a market. Our socialist partners are also very interested in this commodity. While the prices that they pay are less inviting, we could obtain other free foreign-exchange commodities in exchange for additional coal deliveries.

Our chances of regaining our former position on the coal market are minimal, if only because it is highly unrealistic that we will find 40 million tons for export. However, it is possible that we will obtain greater revenues during this year and in the next few years. We must fulfill several conditions for this. First, we must regain credibility that we are a solid supplier. Without this, we can forget about regaining lost markets; what's more, we may even lose what we still have. Potentially we continue to be attractive, especially for Baltic countries, due to our geographical proximity and the ability to deliver the commodity to small ports in small ships, sometimes directly to users. At one time we made an agreement with the Finns lasting until 1990. We were practically their sole supplier, and they treated other deliveries as supplementary. We had an agreement with the Austrians until 2000. Today many or our traditional customers treat us as supplemental suppliers. We must begin all over to fight for these customers, at the same time searching for new ones. The geographic shift of customers to those more distant, the Italians or the Spanish, usually means somewhat worse prices, due to transportation costs.

An initial condition for regaining credibility is a timely announcement of our export potential (we must tell our clients what we will have available in 1983 during the third quarter at the very latest), together with the scrupulous implementation of contracts. There is no counting on impunity should we bungle things. In order to renegotiate our former agreements and conclude new multiyear agreements, we must know how much we will have to sell over the course of the next 2 to 5 years. Meanwhile, WEGLOKOKS did not know in January how much it would have available in March, as mentioned, nor does it know today how much it will receive for export during the second half of 1982. Undoubtedly, this will not take place without certain sacrifices in price. It is easy to lose the market and difficult to regain it, particularly in today's situation. Therefore, we must be competitive in prices and quality. With coal, this means above all eliminating fluctuations in the impurities in particular deliveries. We settle accounts on the basis of calories, not only tonnage. If we transport rock, we lose in two ways; our reputation and the price paid suffer, and the cost of transporting this rock (we use our own fleet) is our second loss.

Unfortunately, there is long line of foreign customers waiting for our coal. However, we are able to sell what we have without difficulty at decent prices.

However, it is extremely important if only because when the rain pours down our backs from all directions, we need foreign exchange more than oxygen, and it is difficult to find another commodity that could replace coal exports, if only to cover the bottom of the empty coffers for a moment.

8536
CSO: 2600/484

TKP-CONSULTANTS' SCIENTIFIC-TECHNICAL KNOW-HOW EXPORTS DESCRIBED

Warsaw EXPRESS WIECZORNY in Polish 18 Mar 82 pp 1, 2

[Article by KK]

[Text] A very interesting proposal materialized when the Society of Polish Consultants [TKP] was formed in mid-1981. In the near future, under the auspices of TKP, the company exporting Polish scientific-technical know-how, consulting and services--known as TKP-Consultants--will develop its operation. Organizational work is continuing.

The TKP has invited many enterprises that already have significant verbal input into exporting scientific-technical know-how or anticipate significant results soon to cooperate within the framework of the company. Among the associate founders that have already announced their participation are NOT [Chief Technical Organization], BIPRODEX, ELEKTRIM and ZORPOT.

TKP-Consultants is a completely new type of enterprise in our market. Likewise, it will have new methods of operation. The organizers anticipate major results without a bureaucratic apparatus.

The purpose of the company is to promote Polish scientific-technical know-how and its use at home and abroad. The new operational methods above all involve all eliminating administration. Meanwhile, everything is to be based on specialists.

In order to learn purposes with the needs of various foreign markets, people who have traveled there, are discerning and have contacts will be used. On the basis of a precise definition of the needs of a given country, a proposal by Polish specialists will be presented for equipment, entire technological sequences or complete industrial installations.

TKP-Consultants does not plan to hire its own draftsmen but to use the services of already existing drafting agencies (on a per-order basis), which, during our country's investment standstill, will hardly complain of a work overload.

What attests to the operating abilities of the company's organizers is not only the lightning-quick manner in which formalities of creating the company were settled, but likewise the fact that the company, which in fact does not yet exist, is already completing its first orders from foreign partners.

A display marking its creation appeared at the trade fair being held in Lipsk.

The actual opening is projected by the organizers for this year's International Poznan Trade Fair. In addition to an information booth, there will be exhibits from the plants and drafting agencies that are cofounders of the company. Everyone anticipates the first major orders after the Poznan fair.

This year TKP-Consultants already plans to open its own agencies in many countries. It plans this not on the basis of its own representatives, but through contacts with foreign firms that already have their own local representatives. Cooperation with Polish-Polonia enterprises is also planned.

The export of scientific-technical know-how was never our strong point. Results have been miserable with regarding both the needs and possibilities.

However, as stated by the TKP chairman, J. Uriasz, "Our land hides tremendous wealth, but we forget about one treasure that we possess--the enormous potential of our intelligence."

Thus, the bold venture of TKP and its associate founders may turn at least some of this potential into foreign exchange. No one needs to be convinced of how necessary this is in our economic situation.

8536
CSO: 2600/477

NEED FOR BETTER PREPARATION, EXECUTION OF INVESTMENT ACTIVITY

Bucharest ERA SOCIALISTA in Romanian No 1, 5 Jan 82 pp 7-9

[Article by Alexandru Tache, main inspector at the Investment Bank: "A Thorough Preparation and Execution of Investment Activities"]

[Text] Attaining the objective established by the 12th RCP Congress, that is, placing Romania among the ranks of the countries having an average level of development, requires the continued achievement of a vast investment program that will ensure the continuing growth and modernization of the forces of production and the ever greater satisfaction of all the people's material and spiritual needs.

As is known, the principal characteristic of the current five year plan is the transition from extensive development to the intensive development of the economy. In the field of investments, this fundamental direction is expressed through the allocation, for the most part, of funds to improve the technical and qualitative level of the existing economic potential, by completing the supply of equipment in some sectors, to better use the production facilities built in previous years and, to a lesser degree, to build new economic units. Similarly, keeping in mind the status of the country's resources and the implications of the world raw materials and energy crisis, during the current five year plan especially important tasks and objectives are outlined for the expansion of the raw materials-producing branches, especially petroleum, coal and other energy resources, as well as for the development of the technical base of agriculture, with the raw materials-producing industry and agriculture being considered priority, decisive branches for the progress of our national economy.

In this context, for the purpose of reducing raw materials consumption and keeping in mind the power of our technical-material base, there is to be a priority development of those branches, sub-branches and groups of products that will ensure a high degree of processing of the country's material resources, with this being, under the current world economic circumstances, the only way to obtain maximum national income at a reduced level of raw materials consumption.

In order to achieve these especially important strategic objectives and to increase the efficiency of all economic activities, the unified national economic and social development plan for 1982 has called for investment funds

totalling 226.3 billion lei, an increase of five percent over the funds in 1981. These funds are assigned to branches and sectors in such a way so as to serve the continuing improvement of the structure of the national economy, the accentuation of the intensive factors of economic development and the raising of efficiency and quality in all economic activities to a new level. The synthetic expression of the growth of economic efficiency is shown by the forecast for the growth of the national income at a higher percentage than that of the social product - 5.5 percent compared to 4.5 percent.

It is worthwhile to point out the fact that over 52 percent of the total amount of funds allocated are slated for the continuation of the industrialization process, a decisive factor for the achievement of a modern economy and for the improvement of the technical level of all production branches and the more accentuated development of the raw materials and fuels base. Keeping in mind the large volume of projects that must be carried out in the area of drainage, land management, irrigation and the mechanization and chemicalization of agriculture, it was decided to allocate in 1982 certain supplementary investment funds for agriculture, with these funds representing over 15.7 percent of the total amount of investment funds. On this basis, agriculture will be equipped with 18,400 tractors and 4,500 self-propelled combines for harvesting grains and other agricultural machinery and equipment, thus speeding up the conclusion of the process of completely mechanizing agricultural work.

For the purpose of continuing to decrease the number of projects being built simultaneously, this year's investment plan calls for the allocation of certain reduced levels of funds for the start of certain new investment projects, with the largest portion of the funds being slated for the completion and start-up of those facilities currently being built that were begun in previous years, as well as for completing the supply of existing units with machinery and equipment and eliminating certain so-called bottlenecks in enterprises.

Reducing the investment front and concentrating our material, human and financial efforts on those projects that are under construction are capable of directly contributing to shortening construction time and to obtaining sooner the anticipated economic effects from each production facility. The main requirement is that the center of the concerns of all the factors that contribute to the achievement of investment projects will be completing the projects that were started during previous years and better organizing construction and assembly activities so as to ensure adherence to the planned timeframes for starting-up the 800 important industrial and agro-zootechnical facilities slated to be achieved this year. In this manner, we will shorten the period of time during which financial, material and human resources are tied up in projects being built, for the purpose of obtaining the anticipated production and funds from these facilities in the shortest possible time.

The fact that in 1981 a series of investment users, which are still few in number, succeeded in ensuring an early start-up of certain important production facilities demonstrates that when there is permanent and firm action for providing construction sites with the conditions for the regular execution of work the on-time achievement of production facilities is not, as is sometimes said, an impossibility. Thus, the facility at the Cimpulung-Muscel Mechanical Enterprise for 500 tons of forged parts per year was put into operation 10 months early, the facility at the Bucharest Heavy Equipment Enterprise for 1,100 tons of milled parts per year - 8 months early, the facility in the Dragasani Plastics Processing Enterprise for making 8,700 tons of processed products from plastic per year - 7 months early, the facility at the Resita Machine Building Enterprise for 50,000 hp diesel naval motors - 6 months early, and so forth. These wonderful achievements permitted obtaining a supplementary volume of production and funds which, however, could not compensate for the losses caused by the failure to start up a large number of delayed production facilities.

The experience acquired over the years shows that the thorough preparation for carrying out investment projects constitutes a decisive factor for accelerating the rate of execution, for putting the projects into operation within the planned timeframes and for achieving the technical-economic indicators approved in the documentation on the planned dates. For these reasons, the preparatory stage must be considered decisive in the investment process and carried out long before the start of the projects.

Certainly, in the achievement of investment projects the main attention is directed towards the builders, considered to be the first ones upon which the timely start-up of operations depends. The users insist, and rightly so, that the builders work at a sustained rate and at a high qualitative and economic level, but many users forget that they themselves, as well as the ones responsible for the projects, do not always provide even the miminal conditions necessary to prepare and carry out the project. Among these, in first place, is the timely presentation of technical-economic documentation. No matter the experience that a builder might have and no matter the efforts that might be made to complete the project in a short period of time, the builder will not succeed unless it is provided, on a timely basis, the documentation that will permit the organization and carrying out of a regular, efficient activity.

The fact that the builders organizations do not always have on-time the technical-economic documentation on the basis of which they will build the investment projects causes great harm to the proper flow of activities at the construction site, in many cases brings about an uncoordinated execution of work and causes work at the site to be carried out in a rush or to be idled. The elimination of these shortcomings requires more decisive actions on the part of the design and technological engineering institutes to provide all the technical-economic documentation necessary for the achievement of

the projects contained in the plan within the timeframes established with the users and project builders and to eliminate the practice of turning over incomplete documentation or documentation that is in an order other than that of carrying out the construction at the site.

Recognizing the difficulties encountered in the achievement of certain investment projects, brought about, for the most part, by their being started without having all the conditions provided, we see that the thorough preparation of these conditions is of priority significance. In this regard, the law is very clear: "The start on new projects will be made only after the approval of the construction documentation and the preparation of all the conditions for achieving them." We are talking about providing the designs and construction details, the financial resources, and the contracts for acquiring the technological equipment and special materials within the timeframes in the assembly schedule, while the builders will be engaged through firm contracts and will have the material base and human resources that are necessary. Experience shows that there must be an increase in the spirit of responsibility of those organs that decide the start of new investment projects, keeping in mind that, for the national economy, the failure to start an investment project on-time constitutes a much smaller loss than starting the project without having created the conditions for achieving it on-time, since this approach unjustifiably lengthens the construction period and ties up financial resources over long periods of time.

In connection with this, there is also another requirement. We must eliminate the practice of certain investment project users and responsible factors which especially pursue the monetary achievement of these projects in carrying out the investment plan. In other words, they pursue the spending of the allocated funds at any price without achieving the work according to the construction schedule and at the rates established in the plan and for the purpose of accelerating the start-up of the production facilities within the planned timeframes. In this regard, it is revealing to look at the case of certain investment funds users in the Ministry of the Machine Building Industry and the Ministry of Machine-Tool, Electrotechny and Electronics Industry, which, from a value point of view, exceeded overall the plan tasks, but did not succeed in putting 113 and 27 production facilities, respectively, that were tracked at the central level into operation within the planned timeframes until the beginning of December. Given the important economic consequences of turning over production facilities for use, it is necessary for all the factors participating in the achievement of investments to increase their efforts to eliminate the shortcomings and shortfalls that still appear in investment activities so as to provide the premises necessary for fully executing this year's plan tasks.

As was stressed at the plenary session of the RCP Central Committee and the Supreme Council of Economic and Social Development on 25-26 November 1981,

all the technical-material conditions have been provided to fully achieve this year's plan. In this situation, the fulfillment of plan provisions depends, first of all, upon the better distribution and use of the financial and material resources we have available and upon the better organization of all investment activities.

Certainly, priority in the allocation of resources must be given to those projects currently under construction and, within the framework of these projects, those that are behind schedule and those close to start-up.

The status of preparations for investment projects this year cannot be considered satisfactory, and precisely for that reason great and persistent efforts are needed so that the situation can be corrected in the first weeks of the month of January. The data from the beginning of December 1981 show that at that time construction designs had been approved for only 9.6 percent of the projects listed in the plan and slated to be started in 1982. There also were large shortfalls in contracting in construction organizations for construction and assembly work that is to be done this year. Thus, the volume of work for which contracts were set represented merely 64.5 percent of the planned amount, with large shortfalls being centered among certain builders within the framework of the Ministry of Industrial Construction (27.6 percent uncontracted), the Ministry of Petroleum (20.9 percent), the Ministry of the Machine Building Industry (37.3 percent), the Ministry of Transportation and Telecommunication (39.9 percent), the Ministry of Electrical Energy (29.2 percent), the Ministry of the Metallurgical Industry (28 percent) and the county people's councils (45.3 percent). In a practical sense, the actions to complete contracts was not fully achieve by either a single ministry or a county people's council. This state of affairs has been somewhat resolved during the last month of last year, but it has remained, nonetheless, unsatisfactory. It is necessary for the users and builders to take urgent measures to complete the contracting for construction and assembly work in the shortest possible time and, on this basis, the construction organizations will be able to move to preparing the conditions for the regular execution of the projects for 1982.

Along this line of thinking, we point out that at the beginning of the month of December 1981 long delays were also recorded in contracting with domestic suppliers for the technological equipment allocated in the balance sheets for 1982 investments. The amount that has been contracted represents only 66.1 percent of the allocated amount, a fact capable of creating difficulties both in the builders' activities and in the equipment suppliers' activities. Great responsibility for this situation belongs, first of all, to the designers, who only provided 81 percent of the technical construction documentation, so that for a good portion of the equipment the user does not know exactly what he needs and the suppliers encounter difficulties in scheduling production. Under these conditions, can they ensure the on-time production and delivery of the technological equipment to the construction sites? Certainly not!

The lack of a synchronization between the work on construction projects and the suppliers' delivery of technological equipment has become the main cause that has been provoking great perturbations in the regular execution of the investment process. The large shortfalls recorded in 1981 in the delivery of equipment and which constantly represented approximately 10 percent of the amount that had been contracted, as well as the delivery, in some cases, of incomplete or defective equipment, brought about stoppages in many construction sites, with direct consequences for adhering to the start-up timeframes. Sufficiently frequently there are also cases when the equipment is delivered within the contracted timeframes, but builders have not provided the assembly resources, a fact which causes the stockpiling of the equipment at the construction site. In this direction, it is necessary to combat the practice of certain investment users of accepting delivery schedules that do not coincide with the planned date for start-up or, even worse, later than the scheduled start-up. The Iasi Metallurgical Enterprise, for example, accepted a 1982 delivery date for an automation installation for its 450,000 ton/year hot strip steel facility, which had a start-up date of August 1981. These types of examples can also be seen at the Slatina Aluminum Enterprise, the "Electrocentrale" Enterprise in Deva, the Bals Wheel and Bogey Enterprise, the "Unio" Enterprise in Satu Mare and so forth.

The economic consequence of this type of "organizing" the investment process is but one, that is: the failure to adhere to the start-up schedule for production facilities, with all the negative consequences for the economic-financial situation of these enterprises and for the overall national economy. Similarly, we must combat the custom, unfortunately one also frequently encountered at certain investments users, of accepting the suppliers' equipment deliveries many months prior to the start of assembly work. In this situation, the producer enterprises are not getting the opportunity to produce other equipment for projects that have closer start-up dates. At the same time, this results in the stagnation of investment funds for long periods of time and in the increase in the cost of investment projects as a result of additional expenditures stemming from the storage and care of equipment at the construction site. During 1981, the amount of equipment being stored at construction sites, which exceeded the storage periods, represented many hundreds of millions of lei.

From long experience in investment activities, we can state that most of the shortcomings of the type shown above are brought about by subjective causes. They are the result of inappropriately preparing for the execution of investment projects. There is no doubt that through a closer cooperation among the designers, users, builders and equipment suppliers it is possible to have an optimum correlation of activities throughout the execution of the projects for the purpose of reducing the time completing them and adhering to the start-up schedules for new investment projects.

8724
CSO: 2700

## BRIEFS

CULTIVATION OF UNUSED LAND--Based on the programs for self-supply, measures have been taken in all localities, in all counties, for the purpose of identifying all vacant land located in the villages, within the confines of the towns, in the yards of economic units and of the farms belonging to the people, so that it can be planted with vegetables and other crops. This land, which taken as a whole amounts to thousands of hectares, is an important source for increasing the production of vegetables and supplying the population with this type of produce. It is essential that everywhere the people's councils encourage the citizens to cultivate the land on the farm annexes of the enterprises. The new regulations approved at the recent session of the Political Executive Committee provide that the taxes for land around enterprises that remains uncultivated will be increased fivefold. Payment is to be made by the persons responsible for the respective area remaining uncultivated. [Excerpt] [Bucharest SCINTEIA in Romanian 30 Apr 82 p 4]

CSO: 2700/275

SLOVENIAN ECONOMIC PLANS FOR 1981-85

Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 29 Mar 82 p 29

[Article: "Socialist Republic of Slovenia Adopting to New Conditions"]

[Text] According to an analysis by the Republic Institute for Social Planning of Slovenia, the opportunities for development are less favorable and economic conditions are worse than anticipated and planned for, thus necessitating a more radical adjustment of all actions planned for the current intermediate planning period than usual, including the Social Plan of the Republic. The planners do not think it will be necessary to change the approach which has been adopted for the restructuring and the technological modernization of the economy, the increase in exports, and in general, the greater and more equitable participation in the international division of labor, but it will be necessary to reevaluate and reexamine the planned growth rate and to determine more realistically the major goals and priorities.

According to the Social Plan of the Republic in effect for the current intermediate planning period (1981-1985), the average annual growth rate of industrial production was expected to be 3.6 percent and the rate of growth of social product 3.5 percent. Now, however, it is estimated that the annual growth rate of industrial production may reach 2.7 percent and the growth rate for social product approximately 2 percent. In accordance with these new expectations, the material limits of development are also being substantially changed, especially with regard to the possibilities of capital formation to finance current production and business activity, as well as to expand reproduction. On the basis of last year's results and the first few months of this year, it is estimated that the gross income of organizations of associated labor (real income, for the entire intermediate planning period) will grow at the annual rate of approximately 2 percent instead of the 3.5 percent rate anticipated by the Social Plan. Indeed, the prescribed minimal amortization (using the new regulations) will increase by 80 percent (for the 5 year period, in real terms), but the real value of income will fall by 4 percent instead of the 19 percent increase which was expected.

It is estimated that the total resources for simple and expanded reproduction and the reserves from the current distribution of income of the basic organizations of associated labor in the entire 5-year period will amount to approximately 32.14 billion dinars, or 10.4 billion more than estimated by the

Social Plan. This increase will first of all be the result of a more substantial lag in the growth of personal incomes, and communal and overall consumption than was planned and a substantially greater increase in minimal amortization. However, the long-term credit potential of banks will be significantly less than expected because of restrained credit and monetary policy and a reduction in savings by the general population. Credit available from abroad will also be significantly less than expected. Taken together, domestic bank credit and foreign loans will amount to approximately 57.4 billion dinars instead of the 76.7 billion anticipated. On the other hand, an increase in the dinar value of annuity for credit given abroad is expected, from the 29.2 billion anticipated to 37.9 billion. And when everything has been collected and added up, the result is that the Slovenian economy for the entire intermediate planning period will have resources of approximately 459.6 billion dinars for reproduction, or 11.8 billion less than anticipated.

However, in the last 3 years of the intermediate planning period, Slovenian organizations of associated labor will set aside approximately 40.5 billion dinars for investments abroad and for crediting exports, approximately 123.9 billion for investment in the growth of inventory and strategic reserves, approximately 30.5 billion for the payment of principal on foreign loans (in dinars), and about 22.4 billion for long-term investments and communal investments in other republics and provinces. It is calculated that this outflow, together with the increase in long-term credit accounts, obligations to underdeveloped republics and the Socialist Autonomous Province of Kosovo, obligations for the rapid development of Kosovo, covering payments for Kosovo and contributing to rebuilding efforts after the earthquake in Crna Gora, will amount to 239.7 billion dinars for the whole 5-year period. Thus the organizations of associated labor will have only about 214.6 billion dinars left over for investment in machinery and equipment for the Slovenian budget. Because of this the share of investment in machinery and equipment of the budget of the republic in social product will amount to approximately 17.5 percent (compared with 17.6 percent as planned).

Judging by the most recent projections of the planners, the basic organizations of associated labor will find themselves in an unenviable position, because in order to satisfy legal obligations to the under-developed republics and to Kosovo, to pay back domestic and foreign loans on the basis of contracts from past years, and to provide current financing for working capital, all of their capital accumulation must be utilized (which is expected to come to only about 154 billion dinars), as well as about 52 billion dinars more from amortization. For the association of resources for the development of the economic infrastructure in the republic, long-term communal investment in other republics and provinces, and for the long-term investments abroad, basic organizations of associated labor in total will have only the share of the amortization which is left over, which is about 115 billion dinars.

The planners are afraid that these changes in the capital formation structure of the organizations of associated labor for reproduction and for a more significant growth in amortization will lead to an even greater curtailment of capital, and for this reason they propose that efforts to improve investment efficiency be increased, and that access to the preparation of export plans

and plans for economic restructuring be more organized. They also warn that these unfavorable relationships in the formation and distribution of capital for reproduction, which are primarily the result of increased outlay of the accumulated capital of associated labor of Slovenia for the payment of foreign loans, can even be aggravated to the extent that the strict implementation of the planned policy of distribution, which anticipates a relatively intensive creation of capital for reproduction of associated labor in the distribution of the gross income of the basic organizations of associated labor, is not insured.

In spite of all this, it is believed that the possibility exists for maintaining the relative share of planned long-term investments in other republics and in Kosovo in social product (1.7 percent), although extreme efforts will be needed, and that associated labor of Slovenia will be able to set aside the necessary funds to finance those investments in other republics and provinces needed to provide food and raw materials.

Personal, public and overall consumption must be able to adapt to the slower growth of social product and production than what was originally planned. Instead of the planned growth rate of 3.1 percent (real annual growth), a reduction is now expected (for the entire 5 years) of personal consumption by 0.2 percent, public by 0.7 percent, and overall consumption in the republic by 0.2 percent. The share of personal consumption in the social product will amount to only 38.1 percent (compared to the expected 42 percent), and of the social standard to 14 percent (compared to the expected 15.2 percent).

A significantly slower growth of employment than what was planned for will also ensue. Instead of the average annual rate of 1.8 percent for the whole 5-year period, now only a 1.1 percent rate is expected (in the private sector it will grow by 1 percent and in social services by 1.4 percent).

Efforts for increasing labor productivity will be intensified, but, according to the most recent estimates, the prospects for achieving the planned growth rate of 1.8 percent a year for the entire 5-year period are not great. Last year, labor productivity grew by only 0.3 percent. This year, a growth of 1 percent is expected, between 1983 and 1985 a rate of 1.2 percent is expected, or 1.1 percent for the entire 5-year period. For this reason, the planned share of productivity in the growth of social product will probably decrease from 51 percent to 50 percent.

Of all the planned parameters, the only one which is expected to increase more than anticipated is the one concerning economic relations with foreign countries. The modified plan predicts an increase in the export of goods by 10 percent (real, annual growth rate for the 5-year period) compared with 8 percent which was predicted by the first plan, and an increase in imports (excluding energy) by 3.1 percent instead of 1 percent. Because of this the amount spent on imports of goods which is covered by exports should be increased from 95 percent to 110 percent, and with the inclusion of energy imports from 78 percent to 93 percent.

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CSO: 2800/364

LARGE PROJECTS NEARING COMPLETION IN MACEDONIA

Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 29 Mar 82 p 30

[Article: "Socialist Republic of Macedonia, The Giants Start Up"]

[Text] The construction of three large projects is finally near completion. They are: a plant for producing nickel, FENI, in Kavadarci; a refinery in Skopje; and the Mining and Energy Production Plant, Bitola. As was said in the responsible committee of the Macedonian Council, it is expected that this year the first results from all three Macedonian giants will be evident, the construction of which has spanned two intermediate planning periods.

Actually, FENI is already in experimental production. The nickel mine Rzanovo is already working, and the Topionica mine started up recently. Soon, one production line in the plant will yield the first quantities of nickel. The first results indicate that the claim that FENI will improve Macedonia's foreign currency position to a great extent is not unfounded. On the foreign market this year there will be 8,000 tons of nickel from Kavadarci, and the next year, much more.

The oil refinery in Skopje has been under construction now for 4 years, and it is finally near completion. Production will begin in May or at the beginning of June, and by the end of this year, which is an experimental year for the plant, 490,000 tons of oil will be refined. Precisely this much raw material is provided from imports, from Iraqi and Soviet exports.

The third project (and from the point of view of the energy crisis, it might be said to have the most important capacity), is the coal mine and thermoelectric power plant within the Mining and Energy Plant of Bitola. During April, 15 projects within the plant will be put into service. Reserves of 1.6 million tons of coal in the Suvodol mine and deposits in Zivojni and other places completely solve the problem of raw materials. The thermoelectric plant Bitola I will begin producing power by the middle of the year, later than expected at first because of errors committed when constructing the cooling tower in the 210 megawatt block; reconstruction of the tower itself must be carried out first.

However, funds have been exhausted for the final preparation and experimental production of the projects in Macedonia. The shortage of funds will not,

however, endanger the start of production, because the Executive Council passed a resolution stating that available funds of the republic and the opstinas, which are on deposit at the National Bank of Macedonia, are to be used for the completion of the construction of the largest and most important projects in the republic.

The amount is about 840 million dinars, and it will also be used for other purposes in 1982 (the sale of equipment and metal structures, as well as prefabricated products on the domestic market, the creation of meat reserves, or livestock, for the greater liquidity of banks, etc.)

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## BRIEFS

AMOUNT OF PENSIONS--At the beginning of 1981 old-age pensions, together with supplemental allowances, were as follows (in dinars) in the regions indicated: Bosnia-Hercegovina 5,953; Croatia 7,195; Macedonia 5,064; Slovenia 7,362; Serbia 6,088; and Vojvodina 5,845. Disability pensions were, of course, quite a bit less: in Bosnia-Hercegovina, 3,860; Croatia, 5,325; Macedonia, 3,589; Sovenia [figure not given]; Vojvodina, 4,554 dinars. [Amounts not given for Kosovo] In Croatia at the beginning of 1982 old-age pensions averaged 9,940 dinars, while disability pensions averaged 7,450 dinars, and personal incomes were 10,700 dinars, on the average. [Excerpt] [Belgrade RAD in Serbo-Croatian 2 Apr 82 p 3]

NUMBER OF PENSIONERS--Between 1981 and 1985 the number of pensioners is expected to increase from 1,615,000 to 2,050,000, or by 435,000 additional persons, or an annual rate of 4.88 percent, compared to the 3.6 percent annual rate of increase between 1976 and 1981. Thus, this rate of increase would be more than double that for employment, worsening even more the ratio between pensioners and the employed population. And because of increased expenditures for new pensions, the rate of expenditures for pension and disability insurance will be more than the planned increase in the social product and the national income of the socialized sector. In the next few years further increases in old-age pensioners will require serious reexamination of expenditures for pension and disability insurance, and more radical measures will have to be taken, including the possibility of setting limits to pensions. All this has led the Constitutional Court of Yugoslavia to order the SFRY Assembly to reexamine the rulings on pensions. [Excerpt] [Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 8 Mar 82 pp 16, 17]

RESULTS OF INCREASED INTEREST RATES--The coordinating council for monetary-credit questions and insurance within the Yugoslav Economic Chamber at a 12 April meeting accepted a report on the effects of increased [bank] interest rates on the financing operation of the economy; the report was accompanied by measures proposed to alleviate the effects of the new interest rates. According to estimates, in 1982 increased interest rates of the Yugoslav National Bank will result in 7 billion dinars. This amount will probably be quite a bit more, considering that increased supplemental investments are planned and, along with this, the average use of issued [printed] money will be increased which is expected as a result of the anticipated 10-percent depression [depresijacija] of the dinar. [Excerpt] [Belgrade PRIVREDNI PREGLED in Serbo-Croatian 13 Apr 82 p 2]

TOP-HEAVY ADMINISTRATION IN KOSOVO--We have tried to find the facts on the number of persons employed in the Kosovo administrative apparatus, but could not succeed in gathering them even in the Provincial Bureau of Statistics or in the employment bureau. It is as if administrative officials were hiding these figures in order not to come under social attack. But we have found, nevertheless, that of the 185,300 employed persons in Kosovo, almost one-half work in administration. We do not know the exact number but we did learn that 47,400 work outside the production sector and that there is approximately one functionary to every four workers. While last year many production organizations had trouble increasing workers' income to 5,000 dinars, hardly any administrative employee had an income of less than 8,000 dinars, and in some places the average was over 11,000 dinars. [Excerpt] [Pristina JEDINSTVO in Serbo-Croatian 1 Apr 82 p 8]

LACK OF FOREIGN EXCHANGE THREATENS MINES--Production has been stopped by force of circumstances at the "Balkan" [rubber and chemical] enterprise in Suva Reka in Kosovo, and workers have been furloughed. The reason is the same one that is troubling to a greater or lesser degree all coal producers in the country and their suppliers of parts--in this case, conveyor belts. Mines have not had the foreign exchange funds to pool together with [those of] "Balkan" in order to import producer goods for conveyor belt production. The "blackmail" relationship that domestic producers of spare parts and equipment have and the lack of foreign exchange to buy that which is not produced domestically threaten many mines. Also, producers of explosives have cancelled delivery contracts because mines have not been able to pool a designated amount of foreign exchange. This year several hundreds of thousands of tons more of brown coal could be produced if the "Zenica," "Breza" and "Kakanj" mines had foreign exchange to import hydraulic equipment. In the existing foreign exchange vacuum, mines in Bosnia-Hercegovina are nevertheless seeking to export about 900,000 tons of quality coal this year. They believe that such coal exports will be much less damaging than postponing investments indefinitely. [Excerpt] [Belgrade PRIVREDNI PREGLED in Serbo-Croatian 20 Apr 82 p 1]

CSO: 2800/380 END

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# East Europe Report

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2272

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21 May 1982

# EAST EUROPE REPORT

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No. 2272

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CEMA COLLABORATION IN PRODUCTION OF AGRICULTURAL CHEMICALS NOTED

Budapest FIGYELO in Hungarian 21 Apr 82 p 15

[Article by g.: "Cooperation of the CEMA Countries in Chemical Production"]

[Text] Chemical Fertilizers, Plant Protection Chemicals, Feed Supplements

The CEMA countries produce over 37 percent of the world's chemical fertilizers. The Soviet Union, the world's largest chemical fertilizer producer made an agreement in the early 1960's with Bulgaria, Hungary, the GDR, Poland and Czechoslovakia for building a phosphorite mine and enriching facilities near Leningrad, which at that time satisfied to a certain extent the phosphorous-containing raw material needs of the countries affected. Later another enterprise was also built at the same location, also within the framework of the comprehensive program of socialist economic cooperation. This has been providing a ammonium phosphate since 1976 to those participating in its construction, as a part of the "Phosphorite" combine.

In spite of all these things a number of problems in using chemical fertilizers are still awaiting solution. The shortage of chlorine-free potassium containing chemical fertilizers can be felt. These are necessary to increase the production yields of citrus fruits, baccates and tobacco. The difficulties in producing phosphate raw materials are slowing down the increase in the production of phosphorus-containing chemical fertilizers.

The deposits found in the CEMA countries are either difficult to reach or have low efficiencies (due to the ore's low phosphorus content) for which improved technical and technological solutions have to be worked out.

Pooling the research potentials may produce big profits here, too. For example, the Soviet and Romanian experts together worked out the new technology of producing phosphoric acid, and this shortened the time for performing the experiments by two years.

In the CEMA countries the practice is becoming increasingly popular that two or three related enterprises in direct production or technical relationship with each other, together solve their current problems. For example, the W. Ulbricht Leuna Works of the GDR, the "Azot" production association of Shchekino (Soviet Union), and the Litvinov Chemical Combine of Czechoslovakia

have a framework of working relationship, within which the German experts are working together with the partners of the "Azot" association on the problems of rejuvenating and modernizing the operating ammonia producing equipment. They are testing the Soviet catalysts in ammonia production. In Czechoslovakia they are working on improving the processes for ammonia and carbamide production.

The CEMA countries are paying constant attention to increasing the production of plant protection chemicals. This has almost doubled in 10 years. The growth rate of production was higher than the worldwide average. The bilateral relationships of the countries significantly contributed to these results. For example, an intergovernmental agreement was signed in 1976 between the Soviet Union and Hungary on agrochemical cooperation. This made it possible to create new production capacities for plant protection chemicals and chemical fertilizers, and to expand the existing ones. As a result of these, more Soviet chemical fertilizers are being shipped to Hungary in exchange for Hungarian plant protection chemicals. The Soviet-Romanian agreement on specialization and cooperation in the production of toxic chemicals, chemical fertilizers and other products will be implemented in 1982-1985.

There still remain many things to be done in the production of plant protection chemicals. The Interchim international branch organization has taken on the job of managing the expansion of the production of plant protection chemicals and to improve the selection. Within the framework of this, multilateral agreements were made to expand the existing capacities and to create additional capacities, as well as to specialize the production of plant protection chemicals. The fruits of this cooperation are already beginning to show. By 1980 the majority of the export of these products to the CEMA countries was made up of specialized shipments: 92 percent for Hungary, 70.7 percent for the GDR, and 59.1 percent for Czechoslovakia.

For the time being the supply of feed supplements to livestock raising is not satisfactory. A significant portion of the missing components has to be imported from third countries. The long range program of cooperation between the agriculture and the food industry is also working on solving the problem. Specialization of the production of chemical and biochemical food supplements is growing on the basis of the multilateral agreement signed in 1976.

This matter of key importance to livestock raising is being solved by means of combining the resources of the interested countries. Construction of a combine to produce vitamins A and E is planned in the Soviet Union. Equipment installation is already under way in a feed yeast plant in Mozir (Soviet Union). It will use highly purified liquid petroleum paraffins as raw material. Some of the equipment and materials for this construction came from the Europeam CEMA countries. Experts from Hungary, the GDR and Czechoslovakia participated in the technical design. The plant was designed to produce 300,000 tons of feed yeast per year, and a specified portion of this will be spent to the countries participating in its construction.

With the rational use of such an amount of feed yeast, each year an additional 300,000 to 500,000 tons of pork and 400,000 to 500,000 tons of poultry meat can be produced.

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CSO: 2500/216

## BRIEFS

POLISH-USSR TRADE--A subject of great concern in many production plants was the decline in deliveries from the Soviet Union which occurred in February 1982 (28 percent below the deliveries in February 1981). This was a random swing and not a decisive one with regard to the over-all trend in the imports from that country. In March 1982 the deliveries from the USSR were higher by approximately 7 percent than in March 1981 and by 50 percent higher than in February 1982. It can be expected that as of April 1982 the supply situation of many industries has improved [sic; probably should have been: will improve]. At the same time, however, the disproportion between the amount of the goods exchange with the USSR intensified. In the first quarter 1982 the exports to the USSR amounted to somewhat less than 54 billion zlotys, and imports exceeded 69 billion zlotys. Sustaining such proportions for a longer period of time, of course, is not possible. Along with the activation of exports to capitalist countries, it is feasible, therefore, to recognize the activeness of exports to the USSR as an important tasks of the national economy. [Text] [Warsaw ZYCIE GOSPODARCZE in Polish No 16, 9 May 82 p 12]

CSO: 2600/590

## FEBRUARY 1982 ECONOMIC RESULTS SUMMARIZED

Prague HOSPODARSKE NOVINY in Czech 26 Mar 82 p 2

[Report by Dr Eng Vaclav Cap, CSc, Federal Office of Statistics: "February 1982"]

[Text] The preliminary data on the economic development and fulfillment of planned tasks during the first 2 months of this year indicate that, despite the substantially lower growth rate anticipated by the plan, the meeting of economic targets will be very demanding. It is all the more necessary even today to find everywhere, uncompromisingly and with emphasis, reserves which unquestionably exist in our economy.

This year's effort must concentrate on the conservation of energy, raw and industrial materials, particularly on those which we import, and on the restoration of balance in foreign trade relations. The economic growth in individual sectors must be subordinated to this basic requirement of the 1982 plan. The planned structural changes were not completely carried out in January and February, although the results point to the improvement of national economic proportions. Industrial production volume was 0.9 percent greater than in February 1981, but it declined 1.3 percent in the first 2 months (January 1982 had 1 working day less than January 1981). Daily industrial production, however, was 1.2 percent greater both in January and February. The engineering and electrical engineering industries, which occupy an important place in the economy and together with the woodworking industry and also light industry to some degree, are the main source of foreign exchange have as yet not gotten off to a good start to attain the specified goals. Production level in these industrial sectors in the first 2 months was below the annual growth rate anticipated by the plan: production increased 1.4 percent in the engineering industry (the annual plan specifies a 2.7 percent increase) and 3.3 percent in the electrical engineering industry alone. On the other hand, production declined 1.7 percent in the woodworking industry (the annual plan anticipates a 4.4 percent increase) and 0.8 percent in the light industry (the annual plan anticipates a 2 percent increase). The increase in average daily production in the engineering and electrical engineering industries during the first 2 months of this year exceeded the annual growth rate anticipated by the plan. Production must be increased in light industry, particularly in the

woodworking industry, where the 2-month increase fell behind the anticipated annual increase. Nor can we be satisfied with the situation in those sectors where production requiring large amounts of fuel, energy and imported raw materials is being deliberately restricted. In the chemical industry, adequate supply of raw materials made it possible to increase production more than the annual plan anticipated. In the building materials industry, the increased demand of the construction industry for building materials in the future months will make it possible to make up for the past shortfall in production which is to remain essentially on the 1981 level. Metallurgical production developed essentially in accordance with the plan.

Although relative electric energy consumption declined slightly in February, it was not enough to make up for the shortfall in January. The 0.9 percent increase in industrial production in February was achieved with 0.8 percent less electricity than in the same month a year ago, while the 1.3 percent decline in industrial production in January and February necessitated only an 0.8 percent decrease in electricity production. It is necessary to continue along this road. This will make the situation easier in brown coal and lignite output. Although their output increased 4.1 percent in February as compared with February 1981, the January production shortfall was not yet completely made up. The work of miners must be especially appreciated in pit coal output, where the plan targets have been met from the beginning of the year.

Neither the industrial nor foreign trade enterprises succeeded in gradually restoring balance with the capitalist states during the first 2 months of this year. Although the annual plan of exports to these countries was backed up by more signed contracts than a year ago, the necessary level was not reached. The deliveries at wholesale prices for exports to the nonsocialist countries were 0.4 percent greater during the first 2 months of this year than in the comparable period a year ago, but they still represent the weakest spot in the fulfillment of sales obligations by industrial enterprises.

Much better results were achieved by industry in deliveries for exports to the socialist countries, which registered a 9.3 percent increase. The foreign-trade plan is implemented in accordance with these deliveries. Together with the relatively high 13.5 increase in exports to the socialist countries during January and February as compared with the identical period of last year, imports from this area also increased 7.2 percent. On the other hand, exports to the capitalist countries declined 19.5 percent, while imports, in accordance with the planned trade balance surplus, declined 30.5 percent.

Industrial sales for manufacturing consumption and operation declined 0.8 percent during the first 2 months. Maintaining continuous and even deliveries remain a complex but urgent problem. Industrial enterprises lagged in deliveries to domestic trade. Although the annual plan anticipates a 0.3 percent increase, they actually declined 2.1 percent

during the first 2 months. Assortments and quality of goods on the domestic market still do not completely correspond to the demands of consumers or the possibilities of our production. The gradual reduction of a number of unfinished construction projects and pressure for their completion is reflected in the 8.8 percent increase in deliveries of machinery and equipment to capital construction. The situation was also affected somewhat by reassigning machinery, originally earmarked for last year's exports, to deliveries to construction projects in order to meet the less demanding requirements of investors.

In view of the intention to reduce the scope of capital investment projects, the annual plan anticipates a 4.7 percent decline in work performed by construction enterprises in comparison with 1981. Construction volume in February was 3.7 percent lower than in February 1981, but it remained 10.8 percent below last year's level during the first 2 months. The adaptation of the construction work structure to the requirements of the national economy remains one of the foremost tasks of the building industry.

As to the animal products, purchases of slaughter cattle were greater and those of slaughter pigs less in February than anticipated by the purchase schedule. Purchases of slaughter poultry continued according to the plan. Generally speaking, the purchase plan for slaughter animals was slightly surpassed during the first 2 months of the year. However, the targets set for purchase of milk and eggs were not met.

A gradual increase in efficiency represents the principal method for attaining this year's demanding goals and creating conditions for a more dynamic development of the national economy in the future. The preliminary data for January and February indicate that the last year's tendencies continue. Industrial enterprises fulfilled their production plans 99.1 percent, but the adjusted net outputs 99.5 percent. It is, therefore, possible to assume that they reduced production costs at a higher rate than anticipated by the plan.

After a substantial increase in purchases by the population in January which was motivated by the expected increase in the prices of some types of goods, retail trade turnover was smaller in February than a year ago. The retail trade turnover in the main trade systems increased 2.2 percent at current prices during January and February, including a 5.1 percent increase in food stores. It will be possible to analyze during the next few months to what extent the price revisions affected the structure of purchases on the domestic market generally and in individual commodity groups specifically. Together with the 1.6 percent increase in personal monetary incomes as compared with the January-February period of 1981, deposits on personal savings accounts continued to increase. They reached Kcs 169.5 billion by the end of February and were Kcs 3.1 billion greater than at the beginning of the year. Cash money of the population likewise increased and amounted to Kcs 46.2 billion by the end of February.

BASIC INDICATORS OF NATIONAL ECONOMY'S DEVELOPMENT IN JAN TO FEB 82
INCREASES OVER COMPARABLE 1980 PERIOD (IN PERCENT)

| | Feb | Jan-Feb | State Plan[1] |
|---|---|---|---|
| Deliveries of the Centrally Administered Industry for: | | | |
| --investments at wholesale prices | -- | 8.8 | 11.9 |
| --domestic market | | | |
| at wholesale prices | -- | -2.1 | - 0.3 |
| at retail prices | -- | -2.9 | 1.6 |
| --export to socialist countries | | | |
| at wholesale prices | -- | 9.3 | 2.6 |
| at f.o.b prices | -- | 8.8 | 4.7 |
| --export to nonsocialist countries | | | |
| at wholesale prices | -- | 0.4 | 4.6 |
| at f.o.b. prices | -- | 7.4 | 6.7 |
| --other sales for industrial production and operations at wholesale prices | -- | -0.8 | -- |
| volume of industrial production | 0.9 | 1.3 | 0.6 |
| average number of employees | 0.8 | 0.8 | 0.3 |
| labor productivity based on industrial production | 0.1 | -2.0 | 0.3 |
| Construction | | | |
| construction work performed with internal labor resources | -3.7 | -10.8 | -4.7 |
| average number of employees | -1.2 | - 0.9 | -0.9 |
| labor productivity based on construction work | -2.6 | -10.0 | -3.8 |
| housing units delivered by contracting enterprises | 83.8 | 73.0 | 5.5 |
| Procurement | | | |
| slaughter animals (including poultry) | -8.9 | - 7.3 | -9.5[2] |
| milk | -1.8 | - 2.3 | 0.2[2] |
| eggs | -0.6 | - 4.0 | -0.2[2] |
| Retail Turnover | | | |
| of the main trade systems | -0.5 | 2.3 | 2.8[3] |
| Foreing Trade[4] | | | |
| export to socialist countries | 4.2 | 13.5 | 5.0[2] |
| export to nonsocialist countries | -18.4 | -19.5 | 7.5[2] |
| import from socialist countries | 23.7 | 7.2 | 11.9[2] |
| import from nonsocialist countries | -27.7 | -30.5 | 4.2[2] |
| Personal Earnings[6] | 1.7 | 1.6 | 4.0[5] |
| of which: income from wages[6] | 0.0 | 0.7 | 3.2 |
| Actual cash expenditures[6] | 0.0 | 1.5 | 4.3 |

FOOTNOTES:

1. Increases compared to expected 1981 results.
2. Increases compared to actual 1981 results.
3. All trade systems.
4. Data on actual results at current prices refer to actual transactions and the state plan (in contrast to overall actual results) does not include unplanned actions within the framework of cooperation, unplanned reexport trade, exchanges and conditional trade transactions, etc.
5. Including estimated interest on loans.
6. Data based on treasury plan of the SBCS (CSSR State Bank).

10501
CSO: 2400/201

INADEQUATE SPREAD OF KHOZRASCHET USE CRITICIZED

Bratislava PRAVDA in Slovak 14 Apr 82 p 4

[Interview with Eng Lubos Sobotka, CSSR deputy minister of finance by Frantisek Zdobina: "Let Us Introduce Khozraschet in All Intraenterprise Departments"]

[Text] If somebody would take a survey on which terms in the economic vocabulary occur most frequently, "khozraschet" would unquestionably occupy one of the most prominent places. This is by no means an accident nor fad. Khozraschet is one of the economic categories of socialism, a necessary and the most effective method of management of the socialist economy. Its importance came to the forefront in our country in connection with the application of the "Set of Measures" which characterizes khozraschet as an integral part of planned management of economic organizations and which established the plan as the basis of its application. The improvement and wider application of economic tools such as prices, wages, financial and credit tools is firmly linked to khozraschet. There is an increasingly more consistent emphasis on the fundamental principle of khozraschet according to which the organization must finance its investments and other planned needs and focus on the qualitative aspects of the reproduction process.

The khozraschet relations in the CSSR have been developing on the VHJ [economic production units] and enterprise level since the end of 1980 according to the principles which the central organs were supposed to adapt to the nature and specific features of sectors, semisectors and branches controlled by them. We had an interview with comrade Eng Lubos Sobotka, CSSR deputy minister of finance, who is one of our prominent experts in these questions, on how khozraschet is gradually introduced in enterprises, where its use is most complicated.

[Question] Before discussing the progress in introduction of khozraschet in enterprises, I must ask you a question which is often raised: sometimes we seem to pretend as if the significance of khozraschet were discovered only

now. Yet, it is well-known that Lenin defined khozraschet as an economic category of socialism as early as the beginning of the 1920's, that the problems of khozraschet were coped with in the USSR a long time ago and that many progressive enterprises in our country have already mastered the fundamentals of khozraschet management. Have we not "missed the bus"--as is sometimes said--in this particular case?

[Answer] Khozraschet is--I will use a metaphor--a child of the socialist mode of production. It had also its period of infancy. Its development was retarded by the undifferentiated attitude toward the money-commodity relations and value categories; it was restricted by the administrative methods of management; it was very difficult to precisely define the relation between jurisdiction and responsibility of the enterprise and the central plan. We can already benefit from the Soviet discussions on the basic questions of relations between the plan and the market, and from the CPSU resolutions on this topic. We can make use of rich Soviet experiences and shorten the road of search, verification and application of general principles of khozraschet to our conditions.

It is true that some of our enterprises made progress in the khozraschet method of management. But the general atmosphere in the period of predominantly extensive development, when there was relatively enough of cheap raw and industrial materials and energy, was not favorable for khozraschet. The inputs of resources into the economy were so big and the growth rates were so high that the production costs were possible to reduce in rather simple ways. The plans also were dominated by this approach. In other words, the economic pressure was weak on the sphere which we describe as the khozraschet sphere. The intraenterprise management seemed not to be in need of khozraschet.

We dearly pay for that attitude today because young foremen have difficulty in understanding the khozraschet problems and some of them do not even know how to use it. The so-called thinking in indicator and volume terms still dominates many people's minds.

Checks have in fact revealed that khozraschet was an unknown quantity in one third of all enterprises. The situation, however, is changing...

[Question] In this context, I would like to ask you the next question. What progress has been made in introducing the intraenterprise khozraschet during the year since the principles went into effect and what is the attitude of enterprises toward it?

[Answer] The data, which were processed by the federal Ministry of Finance and Government Committee for Questions of Planned Management of the National Economy, indicate that the economic pressure brought about by the domestic and external conditions and extensive party propaganda have stimulated interest in khozraschet and its application as never before. In addition, the Department for Scientific Management of the Czechoslovak Scientific and Technological Society vigorously participated in explaining the fundamental problems of khozraschet and in exchange of experiences. A steadily increasing number of workers are becoming interested in its application.

Positive results have been achieved by the Brno Paper Mills, OGAK Partizanske, Iron Metallurgy VHJ and others--naturally I cannot name all VHJ and enterprises.

[Question] The principles of khozraschet in VHJ and enterprises state that the superior control organs and VHJ should apply the principles in relation to the subordinated enterprises and help them to cope with the problems of khozraschet management. Have the central organs and VHJ fulfilled this role assigned to them?

[Answer] Virtually all ministries modified the principles approved by the government committee and adapted them to their conditions. The CSR Ministry of Agriculture and Food published as illustrative aid a model for the principal branches of primary agricultural production. The Ministry of General Engineering adhered to the tradition of intraenterprise khozraschet in its sector.

[Question] Tradition has, of course, its advantages, but if it does not develop and enriches itself with new experiences, it may hinder progress.

[Answer] We, who are dealing with khozraschet, also prefer a model example because, with the necessary measure of generalization, it mirrors the contemporary conditions and needs.

[Question] As you have mentioned, an interim advisory task force for intraenterprise khozraschet has been working at the CSSR Ministry of Finance. Can the enterprises or individuals ask for its assistance, if they are at a loss?

[Answer] I would not like my next words to be interpreted as unwillingness, but the questions asked by the enterprises could be answered more promptly and especially more specifically, if the enterprises would contact the commissions in charge of the introduction of khozraschet which have been established in their VHJ or sectors. Moreover, these organs can charge the research institutes controlled by them with the solution of some open questions.

[Question] Let us now turn to the problems encountered during the introduction of khozraschet in enterprises. What does the task force of the ministry of finance and you personally regard as most difficult in application of khozraschet to the enterprise conditions?

[Answer] The most difficult problem of contemporary khozraschet practice is the transformation of enterprise tasks expressed in the indicators of the state (economic) plan into the tasks specified for intraenterprise departments.

[Question] In other words, the language of enterprise indicators must be rephrased in the language of shops and operations departments.

[Answer] Exactly. Before, the predominantly volume indicators were detailed --for the most part mechanically--by the higher economic unit for the lower. The volume indicators made this possible. The present situation, however,

is completely different. If we want to speed up the reorientation of our economy to the intensive development--this will be the characteristic feature of the 1980's--we must rapidly and purposefully use the indicators of economic nature which the "Set of Measures" also employs as principal tools. These indicators have a complex economic content of national economic nature, very often are specified as relative indicators based on the enterprise-oriented aspects.

The tasks, means and methods of management so defined must be transformed for the intraenterprise departments, and not as it still rather often happens mechanically detailed or simply transferred.

[Question] This means that the state plan indicators determining the enterprise tasks and duties must be broken down.

[Answer] Yes, but the breakdown must not result in using all components. It must be carried out in such a way that individual intraenterprise departments will receive only those components which people in the departments and centers will understand, which they will be able to affect and through them participate in management and its improvement.

To bypass the process of transformation is impossible and he who attempts to do so inevitably deforms the process of management. Many enterprises have already mastered the technique of the breakdown which is known as pyramidal breakdown. One of these enterprises in Vlnena about which PRAVDA has already published an article.

Although the pyramidal breakdown is not simple, it is not inherently difficult. The difficulty lies elsewhere--in the so-called "indicator thinking" on the part of some managers. What we need in the first place, however, is thinking in economic terms based on the comparison of inputs into and outputs from the intraenterprise departments, a comparison which is the basis of khozraschet.

[Question] It will be certainly good to mention in this context one of the ideas of professor Leonid Abalkin whose articles always represent an "event" in the economic world of socialism. He wrote that "probably the most important factor which hinders a successful advancement, the utilization of possibilities of the developed socialist society is the immense force of inertia. Persistence of traditions and habits...formed at the time, when the principal emphasis was on the quantitative and not on the qualitative indicators..." Professor Abalkin added that the conditions in which people work and obtain the plan indicators must be changed.

[Answer] It is precisely khozraschet particularly in its intraenterprise form which helps change these conditions.

Among the weaknesses in the application of khozraschet in our country is that the emphasis still is on economy only...

[Question] Somebody might point out in this connection that economy is demanded ever more loudly and vigorously.

[Answer] That is correct, economy is the order of the day. But economy alone is not enough. Enterprises must think also of the use value of finished products and outputs. This is a higher quality and value than economy alone. Or to put it differently, the function of khozraschet is broader and more extensive than economy incentives.

In this context I must emphasize that good intraenterprise khozraschet cannot be established without good norms. Among other khozraschet principles is that both the individuals and collectives must be financially interested in the overall economic results achieved by the intraenterprise departments. This linkage still has weak spots in many enterprises. To prevent misinterpretation: I do not underestimate the power of moral factors, but so long as they are not backed up by the financial incentives, even the best chosen word and argument lose their effectiveness.

[Question] Financial incentives contribute to the higher remuneration of quality work, but there should be also sanctions for inferior work. We got used to higher remuneration already a long time ago, but the penalties are very rarely imposed, although the existing regulations permit and order them.

[Answer] Proper conclusions are not always drawn from the economic results nor are the responsible persons called to account. But this must ultimately happen! Otherwise khozraschet would be only partly effective. Many enterprises have already realized that and are beginning to apply sanctions also at the economic centers if the delivery schedule is not adhered to and so on. This was the case for example of Heavy Engineering Plants (ZTS) Martin. We should discuss also other phenomena such as frantic effort to comply with the plan indicators and overlooking economic solutions, but this would plunge us into excessive details.

[Question] I suggest that we turn our attention to the preproduction stages. It is a well-known fact that the methodology in this area is being worked out rather slowly.

[Answer] Unfortunately, it is so. Khozraschet is being used only exceptionally in the departments of research, development and engineering, although it is necessary precisely there more than anywhere else to enforce the quality requirements, comprehensive effectiveness, increase in the use value...The reasons for it need not be emphasized. The quality of products, efficiency, use value are primarily and largely decided upon precisely in the preproduction stages. For illustration: if the design of equipment is obsolete, then the workers manufacturing its components cannot improve upon it even if their work is precise.

The government committee for questions of planned management of the national economy and the CSSR Ministry of Finance have already decided on some methodological prerequisites which are to speed up the introduction of khozraschet in the preproduction stages. A turning point, however, will take place only when the enterprises reach the conclusion that the road to significant intensification and efficiency, in which they will be also increasingly financially interested, must be exclusively based on the results

of technological progress. Some of our prominent enterprises have already realized that--among which I would like to mention in particular are Sigma Olomouc, the Klement Gottwald Iron and Engineering Works at Vitkovice, Industry of Small Leather Goods, Otavan Trebon and others.

[Question] The reasons why khozraschet is introduced in the preproduction stages with such difficulties is to be found--if we consider the problem in broader contexts--in the former orientation of our economy to the predominantly extensive development and the system of management corresponding to it. This general thesis could certainly be stated in more specific terms.

[Answer] I concur. The underestimation of the value aspect and of value tools of management was reflected for example in limiting the jurisdiction of the enterprise economic deputy manager in this area. This section does not perform a particularly active part in relation to the departments of preproduction stages at the present time. This is clear from the fact that the departments of preproduction stages do not receive such precise and incentive economic parameters which would affect their activity in the desirable direction. The economic departments seem to get accustomed to the restriction of their importance. This is clear from the fact that they are much more active in the formulation of short-term tasks in reduction of laboriousness and material costs, but are not able to handle the long-term value parameters of technological development.

I would like to sum up this section of our interview in the following quotation from the khozraschet principles: "The activity of all intraenterprise departments should be stimulated primarily in the direction of their contribution to efficiency and quality of enterprise work in accordance with the social needs...At the same time, it is necessary to differentiate the attitude toward individual departments and workers. In particular, it is necessary to make a distinction between the departments of development and engineering, technology and organization of production on the one hand and efficient production departments on the other..."

[Question] Already in the phase of their formulation, the principles of intraenterprise khozraschet anticipated--and this must be regarded as their merit--the simultaneous application of khozraschet all the way down to the lowest levels of management and brigade forms of work organization and remuneration. The brigade khozraschet is being used rather slowly. In the USSR, however, this form of work organization and remuneration is applied on a large scale.

[Answer] The draft of the principles for experimental verification of brigade forms of work and remuneration is ready. Its final version will be published soon. It is the common work of a large body of activists which was organized by the federal Ministry of Labor and Social Affairs together with the Central Council of Trade Unions. The principles stem from Soviet experiences and create conditions for developing brigade khozraschet also in our country. I would like to emphasize one thing, however: brigade khozraschet is part of intraenterprise khozraschet, and properly working intraenterprise khozraschet is the basic prerequisite for effective use of brigade khozraschet.

The introduction of brigade khozraschet will be facilitated by the fact that the enterprise plans are (or should be) detailed along the entire line to economic centers. Intraenterprise khozraschet has thus come close to the brigades.

[Question] Referring to what you have just said, I want to ask you about the plans for introducing khozraschet in the "upward" direction--in the central sphere. It is known that in the Soviet Union even the ministries operate according to khozraschet.

[Answer] The khozraschet system in Czechoslovakia begins at the VHJ level and after the adoption of principles which we have discussed will be introduced all the way down to the brigades. This system constitutes a unity and is intertwined and interlinked. The foremost task is to make this system operate in full scope. Naturally, we carefully study Soviet experiences and experiments. I have no right to say, how the situation will develop in the future because both general and specific conditions in our country are different (for example the position of some industrial ministries in the USSR is different from our country), but the "Principal Directions of Economic and Social Development during the 1981-1985 Period" do not limit use of khozraschet to certain levels of management only. The call for the "systematic increase in effectiveness of khozraschet methods in the drawing up and implementation of the plan." I deem it necessary to add that the khozraschet principles will have to be inevitably applied also to the socialist international integration groupings. It cannot be otherwise because--as we have already discussed--khozraschet is the economic necessity of the socialist economy.

[Question] In conclusion I suggest that you tell us what should be done to further improve intraenterprise khozraschet which is the main topic of our interview.

[Answer] The programs for further improvement of intraenterprise khozraschet must be formulated in differentiated ways which will take into account the type and size of enterprises and intraenterprise departments, and the extent to which they mastered and made use of khozraschet advantages. Some basic aspects of further course of action can be stated on the basis of experiences and findings of the Government Committee for Questions of Planned Management of the National Economy and of the interim advisory body for intraenterprise khozraschet:

--in the first place, the spread of intraenterprise khozraschet into all enterprise operations should begin and continue with the more precise definition of material and output norms, working out an effective methodology of operations planning, setting realistic targets and stronger financial and moral incentives;

--desirable is a broader exchange of experiences among enterprises and prompt utilization of everything that proved itself. Here the central organ and VHJ face extraordinary big tasks. They should organize more meetings of activists and seminars at which the problems of intraenterprise khozraschet will be examined and evaluated;

--in any case, the improvement of intraenterprise khozraschet should be included in the comprehensive programs of development of enterprise management as their inseparable and extraordinarily important part;

--extraordinary attention must be paid to the development of khozraschet in the departments of research, development, engineering and technological preparation of production, but also in auxiliary, service, supply and sales departments;

--although the principles of experimental verification of the brigade form work organization and remuneration have not yet been published, it is necessary to create conditions for their introduction;

--foremen, technicians and management personnel in general must be instructed as to the significance and purpose of khozraschet. It is necessary to explain to workers what khozraschet is about and to see to it that those sections of methodology of intraenterprise khozraschet which apply to them be simply phrased and understandable to a maximum degree.

But above all I would like to emphasize in conclusion again that a wider use of khozraschet is not a passing fad, but one of the ways and a concrete form of application of "Set of Measures for Improving the Planned Management System of the National Economy" (which mirrors objective needs and brings into harmony productive forces and production relations).

10501
CSO: 2400/212

'CPCZ WEEKLY' COMPLAINS OF INDUSTRY'S PERFORMANCE

AU281915 Prague TRIBUNA No 16 in Czech 21 Apr 82 p 1

[Karel Hrouzek article: "Balancing the Account"]

[Excerpt] Even though we have succeeded in achieving certain progress in the transition of the economy to the intensive path of development, we have no reason to be too complacent thus far. Changes in the right direction have unfortunately occurred mainly where--to put it truthfully--nothing else could be done. We have achieved fairly marked savings in fuels and energy and the consumption of materials has been reduced, but we cannot ignore the fact that in a number of cases this has not been the result of the rationalization efforts, but of simply reducing inputs. We cannot really speak about more marked changes in production, in its structure and in the organization of work. At the same time what is involved in these cases are the decisive prerequisites for the further successful development of the national economy. For this reason--after assessing the current situation--a slower pace of development was stipulated in this year's plan and the main emphasis was put on the qualitative aspects of the development of production, on further restricting the volume of [capital] investment (even though the more than a quarter of the national income going into building projects and installations constitutes a great extent of investment), on putting projects into operation as scheduled, on strict practically and thriftiness as regards imports and on raising the export capability, particularly of the engineering sector.

The statistical data on the fulfillment of tasks in the past 3 months show that in addition to enterprises which are capable of coping with their tasks, there are still many which lag far behind their potential; and that even despite the fact that an intensive development of the economy is our most important current task. It simply shows that a number of ranking personnel interpret this necessity in their own way, that they complain more about this or that shortcoming outside their organization, but pay less attention to shortcomings within the enterprise or plant. In interviews with ranking personnel, journalists are often informed about dozens of reasons why the enterprise needs this or that, but hardly ever about what should be done for work intensificaiton. Instead of searching for ways to make production more economic, easier ways are being sought. For example, the Agrostav enterprise of Pardubice is "willing" to erect hothouses near the Opatovice powerplant only if the investor--Sempra--will supply diesel oil from its own allocation for the entire job. Can there be a more typical example of how enterprises are circumventing the necessity to search for reserves?

We could present more cases like this one--also from other spheres of the national economy. Therefore it is no wonder that in the first 3 months of this year the volume of construction work, compared with the same period last year, decreased 9 percent. Of course, a part of that figure--4 percent--is the result of the lower dynamism of investment. But the plan counted on that. The remaining 5 percent, hiding projects not finished to the planned extent, are to be blamed on the consturction sector's old ills, its inadequate adaptation to new conditions. An objective excuse cannot be found for the drop in work productivity either.

The more difficult conditions under which certain raw materials are being acquired can certainly project themselves also into industrial production. But only into one that has no internal reserves as regards their utilization--and a similar enterprise hardly exists. On the contrary, and this has been stressed many times, our industrial production still consumes a disproportionately raw materials, work and energy intensive. Therefore it is difficult to find arguments which would justify the fact that in the first quarter the volume of industrial production did not achieve the envisioned pace of growth, particularly thanks to the drop of the production volume of enterprises in the Slovak Socialist Republic. Glass, ceramics and China manufacturers, the rubber and textile industires and branches of the chemical industry and crude oil processing fulfilled their tasks. The timber-processing industry and the heavy and general engineering did not. And these are sectors whose share in the further development of the national economy and covering foreign trade needs should be decisive. In more than a quarter of industrial enterprises, they should profoundly ponder the poor fulfillment of production tasks, since their lag logically jeopardizes the entire production chain, which has to be smooth to fulfill the economic and social program of our society' development.

CSO: 2400/224

'CPCZ DAILY' URGES SMALLER ADMINISTRATIVE STAFF

AU281208 Prague RUDE PRAVO in Czech 27 Apr 82 p 1

[Editorial: "Only an Expedient Administration"]

[Excerpts] Our attention is yet again focused on resolving the problems that are being caused by the growth of bureaucracy, as it has so many times in the history of our building of socialism. A number of measures adopted in the preceding period to reduce the number of employees and simplify administration have not yielded the expected results. A large number of directives, regulations, diverse reports, statements and accounts, frequently of very low standards and often not even functional, and on top of that reducing the effectiveness of management, still remain valid. As proved by the dozens of RUDE PRAVO readers' letters, their number is increasing. Since the cause of the undesirable phenomenon has not been eliminated, the number of people permanently working in administration is also not being strikingly reduced.

The increasingly complicated management and decisionmaking processes in some places make it necessary to increase the number of employees in administrative activities. But is this really necessary? The fact is that particularly the supra-enterprise management is overstaffed. And why? Workers at higher levels are processing thousands of various documents needed for operational management without being able to make decisions for their subordinates. They are thus doing useless superfluous work. Every year, thousands of new regulations are created in the central agencies. In the subordinated links of this management the people cannot only no longer manage to implement them in their work, they often cannot even manage to thoroughly peruse them. At the same time one single worker in a federal body can make, with one single instruction, more work for 1,200 workers on lower management levels. But this fact by itself merely causes a certain kind of economic loss. Operational interference from above, together with the abundance of factors which are not intrinsically interlinked, is constantly narrowing the scope needed for raising the people's own responsibility. Consequently, this finally leads to a loss of initiative in enterprise management.

The first partial result of the gradual rationalization of management that is being prepared was last year's 5 percent reduction in the number of state administration employees. This modest act has so far only limited the expenditures, without yielding new manpower resources for the sphere of material

production. That is why the government bodies have approved an economy program valid up to the end of the Seventh 5-Year Plan. Together with a number of other economic contributions, the fulfillment of this program should establish conditions for limiting the number of employees in the sphere of management and administration by releasing a total of 60,000-70,000 workers.

These are neither exaggerated nor unrealistic figures. Since the middle of the sixties, the number of workers in the industrial enterprises of the Czech Socialist Republic alone dropped by almost 50,000 and during the same period the number of technical-economic workers increased by more than the percentage mentioned.

The introduction of automated management systems also in the field of manpower, wages and social affairs is aimed at rationalizing the demands placed by management on administration. We are also preparing to simplify the system of remunerations from the viewpoint of demands placed on administration, also to simplify pension regulations. We are also working on other measures aimed at simplifying regulations and the administrative agenda connected with them, and thus at saving on administrative staff.

The basic measures must come from the center and be transferred to the other links of the management sphere. Without simplifying the administration it is impossible to establish effective prerequisites for the necessary reduction of the number of people in lower bodies. But those "below" need not wait for things to come to them; it is both possible and desirable for them to show more initiative. We must bear in mind that the excessive size of administration was in some places caused by nonadherence to the demands of cadre prerequisites, and by entrusting work to less qualified workers; the difference in efficiency was made up for by the large number of such workers.

A number of tasks also awaits the cost-accounting [khozraschet] sphere in improving the structure of Czechoslovak industry. For instance, an economic production unit with more than 25,000 employees has 16 independent enterprises with more than 100 directors and deputy directors who have working for them more than 100 female and male secretaries. This is too large a luxury, which our economy cannot afford in the future.

The set of measures, which makes workers and executives interested in results, must necessarily also affect the administrative sphere, by the very same rules of material interest in results. This is just, this is socialist and, above all, this is most imperative.

CSO: 2400/224

DAILY ALLAYS FEARS OF NEW CHEMICAL PRODUCTION

AU301330 Prague LIDOVA DEMOKRACIE in Czech 29 Apr 82 p 3

[Petr Rampir article: "A Top World-Standard Enterprise on the Outskirts of Sokolov"]

[Summary] A new unit for the production of acrylic acid, based on the principle of direct oxidation of propylene with the help of a catalyst, is being built on the outskirts of Sokolov. It is the first production unit of its kind not only in the CSSR and the CEMA countries but also in Europe. The technology, which represents the current top world standard, has been developed by the Japanese Mitsubishi concern, which is also the supplier of the equipment.

Yet the secrets of organic chemistry do not evoke only people's respect but also some misgivings. "Shortly after constructed started, the local tom-toms began to busily perform their act and to surreptitiously spread 'utterly reliable' reports in the area; acrylic acid was gradually assuming the appearance of a nine-headed dragon destroying all living things--far and wide no vegetables would grow; all fruit trees would disappear from the gardens; when the Japanese arrived and saw that the production unit was to be built on the banks of a river, they allegedly began to wring their hands because in Japan any such production is located at least 30 km away from any human habitation, and so forth.

"To tell the truth, if someone was wringing his hands it was chiefly Eng Harastej, head of the section preparing the production of the acrylic acid, and, together with him, most specialists of the Sokolov chemical works, chemists who simply know what acrylic acid is all about, because they must now--next to their normal work--organize regular lectures and explain to the people what the mysterious acrylic acid actually is, how it behaves, what its properties are and so on. However, it seems that the greater a nonsense is, the more tenaciously it survives and all the rumors thus keep coming back like a bommerang."

The actual situation in Japan is documented, by the way, by an air photograph of the petrochemical complex in Yikkaichi, which contains the production of acrylic acid. Only a road, which certainly is not 30 km wide, separates the complex from a residential area. Acrylic acid is simply a common chemical substance, similar to those which are nowadays routinely used in industry. "Naturally, it is an acid and thus a highly aggressive substance and it is

therefore necessary to treat it as such. Yet this is true of virtually all acids."

The final product of the Sokolov chemical works will be acrylic dispersions, a product widely used in the building, textile but also food industry. So far we have had to import them. The planned annual production of 20,000 tons of acrylic acid should satisfy not only our domestic need for the product but should also permit exports. Production should start by mid-1983, but even this project has not avoided certain delays.

"The exacting and difficult nature of the project lies, above all, in the protection of the environment. This was stipulated as the fundamental condition when the decision on this investment project was made." A subterranean sewer system picks up all by-products--no matter how slight--which are then converted at a temperature of 900 degrees into carbon dioxide and water. The Japanese company guarantees that the emissions will not exceed 1 mm of substance per cubic meter of air; should this prove not to be the case, it can be penalized.

"The new production of acrylic acid will thus in no case aggravate the present living environment in the Sokolov area, which is already rather affected owing to electricity powerplants. On the contrary, it will contribute in a way to rengerating it. Once this production starts, the production of calcium carbide in the old production plant will be discontinued. This will put an end to dozens of tons of pollutants being emitted by the smokestacks into the surrounding atmosphere."

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'CPCZ DAILY' ON PROBLEMS WITH CROPS, FARMERS

AU291438 Prague RUDE PRAVO in Czech 28 Apr 82 p 1

[Editorial: "Concern About Crops"]

[Excerpts] The spring field work, sowing and care for the winter crops are in full swing.

At present--understandably--the main attention is focused on cereals, including corn.

With the exception of isolated cases in the higher lying areas, the spring crops are in the ground. Despite the not exactly most favorable weather, overwhelmingly marked by cold and definitely not by plenty of rainfall, our farmers have done much for the best possible preparation of this year's harvest.

The same applies to the care for the winter crops which, particularly in the submountaineous areas, have been fairly unfavorably affected by the winter. Some winter crops had to be plowed under and replaced by spring sowing. We must remind those who are lagging behind in their spring sowing that last year it was mainly the failure to observe the stipulated area for cereals that caused the loss of almost a quarter of a million tons of grain.

Ensuring enough bulk fodder is also a part of the spring work. It is regarded--and rightly so--as a part of the solving of the grain problem. The replacement of areas of fodder crops on arable land which suffered through the winter, is causing considerable worry to farmers. The cooperatives and farms affected are seeking to carry out the substitution by ensuring a corresponding structure of 1-year fodder crops and by a more effective mobilization of all untapped potential, especially as regards a better utilization of meadows and pastures.

Another crop which requires extraordinary attention is sugar beet. Already at the time when the plans were prepared, some agricultural enterprises showed little enthusiasm for growing it. They were making excuses, pointing out the poorer results in recent years, but also the confusion which existed in the course of the sugar beet procurement last autumn. In some places they have even begun to contemplate ridding themselves of the worries connected with

sugar beet growing, because--allegedly--in the conditions of the perfected system of the planned management, this is not a crop that is a "mandatory indicator, planned from the center." Fortunately, the overwhelming part of these speculations have been successfully stamped out in time. The major part of the planned sugar beet area has already been sown.

Farmers also must not ignore the care for other crops, especially potatoes and vegetables. Much remains to be done. Particularly the potato growers in higher lying areas still have many worries in view of the cold weather.

CSO: 2400/227

## NEW LAW ON CONTRACTS SETS RESPONSIBILITIES, SANCTIONS

### Contract Court Chairman's Explanation

East Berlin WIRTSCHAFTSRECHT in German Vol 13 No 2, Apr-Jun 82 pp 66-71

/Article by Manfred Flegel, deputy chairman, Council of Ministers, and chairman, State Contract Court: "On the Enactment of the New Contract Law." A translation of the official text of the Contract Law of 25 March 1982 follows this article/

/Text/ In the unity of peace policy, economic and social policy decided upon at the Tenth SED Congress the German Democratic Republic has available a strategy of social development consonant with the internal and external development conditions of the 1980's. It enables our socialist German state fully to meet its responsibility for the assurance of peace and the strengthening of the positions of socialism in the center of Europe, arising from our unswerving alliance with the USSR and as a firm element of the socialist community and thereby permits us consistently to pursue our policy aimed at the welfare of the people.

Our struggle for the successful realization of this social strategy focuses on the further improvement of our national economic capacity. As Erich Honecker reaffirmed at the conference of the SED Central Committee secretariat with the first secretaries of kreis leadership organizations on 12 February 1982, this required to throughout improve economic efficiency and the cost-profit ratio.[1] Our approach has been staked out by the 10 key points of the economic strategy for the 1980's, adopted with the report of the SED Central Committee to the Tenth SED Congress. They represent a complete program of intensification. The 1981 economic plan achieved notable advances toward its realization. These are all the more important because in 1980 already qualitatively new basic proportions had been established between economic growth and production consumption. Nevertheless our socialist state is only at the beginning of the implementation of the great task to organize the national economy fully consonant with the challenges of the 1980's.

Among the indispensable prerequisites for the successful pursuit of the economic strategy of the 1980's is the consistent realization of the unity of plan, balance and contract. The more economic growth depends on the progress of intensification, the more important will it be for the basic structure of cooperation relations set by the state plan and its core, the balances, to be so organized and realized by the economic units with the aid of business contracts, that they contribute to the greatest possible extent to the improvement of plan appropriateness and the efficiency of

economic operations. The growing material and cultural needs of our citizens and the--in the long term also--more complex sales conditions on foreign markets as well as the speedier adoption of scientific-technological advances, the improvement of the continuity of the production process, the reduction in stock intensity and other efficiency factors require us steadily better to guarantee the conformity with economic requirements of the precise assortment, the quality features, the life and other realization conditions of the products and services to be made available on the basis of state plan decisions. At the same time the planned cooperation relations between combines and enterprises acquire steadily greater importance for the economy as a whole by reason of the concentration and specialization of production consequent upon scientific-technological progress. Following upon the conclusion of business contracts, the contractual obligation as well as the material responsibility of the economic units for the realization of the cooperation services stipulated in state plans and balances represent important factors for assuring compliance with the plan. At the same time the obligation to arrive at a punctual and complete conclusion and the orderly fulfillment of business contracts stimulates the utilization of available reserves. These two aspects of the business contract's organizing role are all the more significant the more complex the cooperation relations and the more necessary the exact coordination of the performances of economic units involved in the preparation and accomplishment of a task. The transition from single innovations to complex innovation processes, the increase in the proportion of rationalization investments or the necessity to cut construction times are examples showing that, alongside the advance of intensification, it is necessary from this aspect also to "develop the contract as an active tool for the accomplishment of the assignments allocated by the plan and the balances."[2]

The law taking effect on 1 July 1982 on the contract system in the socialist economy (contract law) aims to organize the necessary coordination of the law in effect now with the tasks to be accomplished in the further organization of the socialist society in the GDR and to create, in particular, the legal prerequisites for the more and more effective guarantee of the unity of plan, balance and contract consonant with the requirements of intensification. The focus here is the new version of the legislative principles from which the economic units must derive their orientation at the conclusion and fulfillment of business contracts, and which also represent the basis of the verdicts of the State Contract Court. In accordance with the requirements of the qualitatively new stage of national management and planning initiated by the development of high-capacity combines, the new contract law provides the first legal regulation of their tasks relating to the conclusion and fulfillment of business contracts. In the same context the relation of plan, balance and contract was also further organized with the aim of improving the plan compliance of cooperation relations with the simultaneous assurance of the necessary flexibility in the national economy. The new law also includes many of the legal standards introduced by the decree of 26 January 1978 for the guarantee of the unity of plan and contract at the conclusion and fulfillment of business contracts.[3] Some of these regulations were more precisely defined in accordance with the experiences gained in the course of their application. This confirms the correctness of the decision to have this decree take effect as a kind of "intermediate step" before the new version of the contract law. Lastly the law includes several new individual provisions arising from the experiences of satisfactorily operating combines and enterprises as well as from findings of the operation of the State Contract Court.

Taken over at the same time by the new law were all those provisions of the old law and its legal predecessors that have shown their worth and meet the needs of the future. This applies in particular to the primacy of the plan vis-a-vis the contract, a principle already promulgated by the contract decree of 6 December 1951 and the subsequent first implementing regulation of 21 March 1952. The new contract law also continues to recognize some principles--in effect for more than 30 years--such as the contractual obligation indispensable for guaranteeing the unity of plan, balance and contract, the principle of the real fulfillment of contracts and the principle of material responsibility. Also retained was the majority of individual provisions relating to the conclusion and fulfillment of business contracts.

The law is based on the following three main considerations relating to the perfection of the contract law:

I. Strengthening Democratic Centralism

The strengthening of democratic centralism is served in particular by the regulation of the duties of state organs and combines in the conclusion and fulfillment of business contracts, directed to the even closer combination of central state management and planning with the responsible operation of economic units as well as the creative initiative of the working people. In accordance with the principle more emphatically to concentrate central state management and planning on basic issues, this definition of duties presumes that central state organs do not normally deal with individual cooperation problems but are bound to guarantee that the work of their subordinated combines and state organs conforms to economic requirements when business contracts are concluded and fulfilled. The law therefore directs the central state organs mainly to ensure the observance of legal regulations and their active utilization for the nationally effective cooperation of economic units in the organization of cooperation relations. At the same time they are obligated to provide the conditions enabling their subordinated combines and state organs in good order to meet their obligations and accomplish their tasks for the assurance of the unity of plan, balance and contract. To be specially mentioned among these conditions is the duty--provided for in the law--in good time to issue state plan decisions in accordance with the legal regulations on planning(balanced and coordinated) so that the economic units will be able efficiently to conclude and carry out the contracts. Central state organs are to issue direct decisions on the conclusion and fulfillment of business contracts only if very important problems are involved, and the subordinated combines and state organs are unable to resolve these on their own.

The settlement of the rights and duties of combines assumes that essential cooperation tasks can be accomplished efficiently only when accompanied by the careful observance of the needs and opportunities arising from the development of the combine as a whole. Corresponding thereto is the combines obligation to coordinate the tasks arising in the preparation and fulfillment of the plans with other economic units and superior organs of economic units and, to that end, conclude the necessary coordination contracts. In conformity with their status as the "basic units of management in industry, construction, transport and communications"[4] the combines are authorized to agree in the business contracts concluded by them that the rights arising from these contracts are properly exercised by the designated combine enterprises, and that these latter have to meet their obligations. Particularly important is the principle that combines and combine enterprises must exploit all opportunities offered by the standardized reproduction process in the combine to meet their

obligations. This includes the requirement for the combine to use its full potential to assist combine enterprises in the fulfillment of endangered contracts or have these contracts carried out by other combine enterprises. At the same time the law takes into account the fact that the combines must meet their responsibilities while observing the tasks, rights and duties of the combine enterprises, such as arise from their status as independently planning and reporting economic units. This is reflected mainly in the fact that the duty to conclude performance contracts is basically addressed to the combine enterprise. Accordingly all rights and duties of the contracting partners set out in the law refer directly to combine enterprises, unless specific provisions decree otherwise. This explains why the law does not include a special section to deal with the tasks of combine enterprises.

In conformity with the decree of 8 November 1979 on state combines, combine enterprises and state enterprises[5] the law states with respect to the organization of cooperation relations within the combines that the general directors must arrange these relations by way of a cooperation order, all the while observing the principles of the contract law. That includes the right of general directors to settle cooperation relations among combine enterprises by issuing a decision. This provision makes it possible fully to take into account the development process of the combine as well as the differences between them. An exception to this basic provision are the relations between the combine enterprises and foreign trade enterprises of the various combines. To assist the consistent implementation of foreign trade tasks, the third implementing regulation on the contract law establishes--in recognition of the special status of these foreign trade enterprises as doubly subordinated economic units --that cooperation relations between a foreign trade enterprises included in a combine and other combine enterprises must be organized by business contracts. No provisions deviating from the legal regulations on exports and imports may be made in the cooperation order unless the competent state organs have agreed otherwise. The foreign trade enterprise subordinated to a combine and export or import enterprises are entitled to apply for a hearing by the State Contract Court if disputes relating to the fulfillment of business contract need to be settled.

Affected by the goal of strengthening democratic centralism also is the law's organization of the relation between plan, balance and contract. A condensed reflection of this fact is the principle governing the total arrangement of the law and all the various standards, that business contracts must be concluded on the basis of state plan indices and other state plan decisions. This target is also served by the regulation of the function of business contracts in the socialist planned economy and the tasks arising therefrom for the economic units in the organization of their cooperation relations, the precise definition of the bases of contract conclusion, the provision that the preparation and implementation of business contracts must contribute to the economic security of national defense and the fulfillment of economic tasks to ensure internal security and order, that the planned need of the armed organs must always be met by volume, assortment, quality and delivery date as well as the regulations on the conclusion of business contracts relating to priority services.

The special management measures regulated in the law represent an important improvement of earlier legal regulations. To some extent the assurence of the socialist planned economy's necessary ability to react confronts state organs and combines

with the need to conclude business contracts for the accomplishment of tasks that were not yet foreseeable at the time the state plan targets were issued. Whenever the respective performances cannot be achieved by way of plan excesses, this will require the amendment or cancellation of already concluded contracts. If the decision on amending or canceling contracts is left to the enterprise obligated to provide the performance, the danger of wrong decisions arises, because that enterprise may not have the necessary national overview. For that reason the duty is imposed at the time of the issue of the instruction to conclude other contracts also to decide how to arrive at the agreement of plan, balance and contract. The law further takes into account the fact that even in the future measures of operational control will be required. In this context it is clearly stated that binding decisions resulting from temporary operational controls may be issued only on the basis of legal regulations or the applicable directives of the Council of Ministers. This inhibits infringements of the state order by subordinated organs. Further established is the binding effect of justified measures of operational control on the economic units and the latters obligation to conclude contracts on the performance assigned as well as to amend or cancel existing contracts that cannot be properly carried out by reason of the decisions issued. It also means that decisions of operational control do not automatically establish contract relations or amend or cancel existing relations.

Other new regulations aim to increase the authority of the state plan by using business contracts more emphatically as a tool for its skilled preparation and execution. It is a crucial condition here for business contracts to be concluded as early as possible. The contract law therefore states for the first time that the provisions made as the result of plan coordinations in coordination protocols represent a mandatory base for the conclusion of business contracts. Economic units are obligated to conclude contracts, provided the other conditions regulated by the law with regard to the conclusion of contracts are present. The achievement of the earliest possible contract conclusion is also served by the provision that the issue of special legal regulations may make subject to contract penalties the infringement of pre-contractual duties (such as the obligation to conclude business contracts by a specific date). Also aiming at the greater use of business contracts as a tool for the skilled preparation and execution of the state plans are the differentiated regulations on the inclusion of business contracts in subsequent plan decisions. In conformity with the Tenth SED Congress statement that the five-year plan is increasingly proving a main instrument of economic management,[6] legal regulations now provide that the long-term business contracts concluded on the basis of the state plan targets of the five-year plan must be incorporated in the annual plans and annual balances unless special decisions by the Council of Ministers or central state organs provide otherwise. All other business contracts are governed by the provision that the economic units must incorporate the contracts concluded in their plan drafts and plans and must fulfill the plans appropriate to the contract. These regulations orient to the greatest possible stability of business contracts concluded but, at the same time, take into consideration the necessity of divergent decisions in the national interest.

Finally the right of the economic units to request their combine or superior organ to issue the decisions and coordinations needed to ensure the unity of plan, balance and contract insofar as the law provides for such decisions and coordination obligations, represents an important aspect of the organization of the relation of plan, balance and contract, directed to the strengthening of democratic centralism. This

provision is designed to affect the guarantee of the conditions required to enable the economic units with a great sense of responsibility to accomplish the tasks, rights and duties assigned them by the conclusion and fulfillment of business contracts. The decision demand vis-a-vis the regulation contained in the VO /decree/ plan-contract is therefore modified methodologically in order better to adapt it to the existing lines of management.

The strengthening of democratic centralism is indivisibly linked to the increasingly broad involvement of the working people. The law states the personal duty of managers together with the labor unions and other social organizations to guarantee the working people's initiative and readiness to perform to be directed to contract appropriate plan fulfillment and, by moral and material stimulation, oriented to the achievement of the greatest possible social profit. Managers must therefore explain to the working people the national importance of contract duties and ensure that the breakdown of the enterprise plan to work collectives is combined with the notification of these obligations. Also regulated is the duty of managers of economic units in their reporting to the working people to inform them about the conclusion and fulfillment of business contracts.

## II. Perfection of Legal Standards in Accordance with the Requirements of Intensification

Usually it take more than a year to carry out the measures for the accomplishment of the 10 key points of our economic strategy for the 1980's explained by Erich Honecker at the Tenth SED Congress, especially the realization of the fundamental development lines of science and technology, the greater refinement of the available raw materials and fuels as well as the assurance of an export assortment profitable in terms of foreign exchange. Despite the concentration of production achieved by the large-capacity combines this often required the collaboration of several economic units. The cooperation relations arising therefrom can be efficiently organized only by long-term contractual agreements. At the same time we have learned from experience that, due mainly to the dynamism and variability of economic processes and the ensuing aggregation extent of long-term plan decisions, economic units are often able to determine the performance to be achieved and its realization conditions only at a later point with the accuracy needed for the conclusion of long-term performance contracts. Referring back to the respective experiments, the new contract law therefore developed the basic model of a coordination contract that includes both the coordination of management and planning measures and the preparation of future performance relations. Such a coordination contract conforms especially to the responsibility of combines for the long-term organization of their cooperation relations with anterior and subsequent economic sectors. The duty to conclude coordination contracts has been expanded by comparison with the plan-contract VO insofar as the decisive factor for the contract is not the wish of one partner involved in plan coordination but the economic necessity of long-term intensive cooperation. The textual organization of the coordination contracts essentially depends on the purpose of coordination. The implementing decrees on the contract law include suggestions for the textual organization of coordination contracts in the most important cases.

The law also refines a series of regulations concerning the conclusion and fulfillment of performance contracts in accordance with the requirements of intensification. To be particularly emphasized are the following:

-- In realization of the principle that the economic units must use the business contract to organize the close cooperation needed for the planned exploitation of the opportunities offered by the scientific-technological revolution, the duty to give priority to the conclusion of contracts on performances for the fulfillment of the state plan science and technology was fixed in law and the obligation of suppliers more precisely defined to conclude contracts in accordance with the demands on the end product arising from scientific-technological advances. Together with the principle that business contracts once concluded must be included in the plan drafts of the economic units, this establishes legal claims which may effectively help speed up scientific-technological progress. The faster realization of scientific-technological progress is also served by the basic provisions included in the law with respect to general and main contractors. Other important regulations regarding the encouragement of scientific-technological progress are included in the implementing decree on the contract law. That applies, in particular, to the extensive and comprehensive regulation of licensing, oriented to the broadest possible utilization of available scientific-technological results in the national economy and also deals with the licensing of processes relating to the construction of plant and other investments.

-- To help lower production consumption, especially for the enforcement of the best possible materials and energy conservation, the law includes the principle that, within the scope of state plan and balance decisions, the economic units have a claim to the conclusion of contracts only insofar as they are able to prove that their stated need is warranted from the aspect of the national economy. The efficacy of this regulation largely depends on the use made by the performing combines and enterprises of their right to require their partners to prove that they have ascertained their needs on the basis of state plan decisions, the legal regulations on the use of materials and the state normatives and enterprise norms of materials and energy consumption as well as of stockkeeping. The enforcement of the greatest possible materials and energy conservation is also served by the obligation of economic units promptly to notify their partners if the particular demand ceases. More precisely defined and developed by the law at the same time are the tried and tested provisions concerning the legal consequences of the cancellation and amendment of business contracts. Contract penalties and damages in the case of contract cancellations, for example, must be paid only if the cancellation was necessitated as the result of neglect. In this connection we must emphasize that neither a contract penalty nor damages are payable in the case of obligations to return funds that are part and parcel of the competition movement and contract cancellations in connection with this. An exception are those cases where the return of funds was initiated by control organs or due to deliberately excess purchases. In evaluation of the experiences gained by the "bank of reserves" set up in some districts and other types of the efficient use of available basic assets, the law obligates the economic units to offer for utilization by other economic units their temporarily idle basic assets and conclude utilization contracts with them. In future central state organs, combines and local state organs may invoke this legal duty in the organization of measures for the efficient utilization of available basic assets.

-- In accordance with the principle that the economic units must so buttress the tasks assigned by state plan decisions by way of business contracts, especially relating to volume, assortment, quality and delivery dates, as to guarantee appropriate and smooth flowing production, the law states that the economic units may

normally carry on the production of goods only if a delivery contract is in effect. Output without contract (with the exception of special cases sanctioned by law) requires the prior approval of the combine general director or manager of the superior organ. The latter must combine his approval with measures aimed at safeguarding sales. The same goal is served by the more precise definition of the provisions relating to the assurance of the best possible quality of products and services.

-- To assist the increasingly smooth flow of production the law includes the provision that the performance contracts must be concluded for the entire period required for the preparation and execution of the performance. Basically economic units must conclude contracts on performances to be supplied at variable dates and periods for the period of the annual plan. Enterprises and combines are also obligated to agree monthly or shorter performance terms. In the interest of improving the smooth flow of export deliveries and the receipt of export earnings, the third implementing decree on the contract law includes the provision that agreements on performance must be organized within the period agreed in the export contract.

Cooperation by economic units for the common accomplishment of tasks has turned out to be a useful approach to the improvement of economic efficiency; frequently local state organs are also involved in such cooperation. That applies especially to regional rationalization. The law therefore includes basic provisions on cooperation in associations which do not require competence to act in order to accomplish their tasks.

## III. Consolidation of Socialist Legality

Erich Honecker's Central Committee report to the Tenth SED Congress states: "We ascribe the greatest importance to the strict observance of those laws that concern the operation of enterprises, combines and economy managing state organs for the efficient management of the economy, oriented to the growth of efficiency and the defense of public property."[7] The new contract law is one of these laws. The chief responsibility for its strict observance lies with the ministers and the managers of other state organs, the general directors of combines and managers of enterprises. The law presumes that the managers, in their capacity as legal representatives of the organs and economic units, are fully responsible for the resolute accomplishment of the tasks, rights and duties settled in the contract law. At the same time it limits the assignment of personal management duties to specific tasks relating to the conclusion and fulfillment of business contracts, in other words avoids the enumeration of general principles applying to overall management activities, such as the assurance of the necessary data.

Moreover the law summarizes in a basic norm the tasks already handled by the State Contract Court as the special organ of the Council of Ministers for the assurance and supervision of the observance of socialist legality and state discipline in the conclusion and fulfillment of businews contracts. This basic norm was included in the law in order to achieve the complete regulation of the tasks involved in the assurance of the strict observation of the contract law. At the same time the incorporation of this basic norm in connection with the regulation of the tasks of state organs and combines is to exemplify the fact that the work of the State Contract Court is not meant to replace the responsibility of the state managers and the

existing lines of management but serves the goal to affect the observance of this responsibility in accordance with legal standards.

The law also pursues and more precisely defines the regulations created by the plan-contract VO in the interest of the more effective assurance of the unity of plan, balance and contract. They include in particular the provision that the State Contract Court may express its appreciation to economic units that demonstrate the exemplary accomplishment of the tasks involved in the conclusion and fulfillment of business contracts. This type of moral incentive, coupled usually with requests to the superior organs to utilize the management methods resulting in the successes of the respective economic units, has turned out to be an effective approach to the generalization of good experiences. This holds true all the more as such appreciations may be pronounced with regard to economic units which, due to their production assortment and multiple buyers or suppliers, must cope with a complicated cooperation structure.

Utilizing the experiences gained by the plan-contract VO, the law combines the earlier allocation of requirement procedure and the economic penalty procedure in a uniform control procedure. This control procedure, details of which remain to be settled, is to conclude with the statement of reprehensible behavior by the economic unit or the imposition of a business penalty in conjunction with assignments for the restoration of state discipline.

At the same time the law provides a basic regulation respecting economic penalties. Economic penalties are to be imposed whenever legal obligations have been flagrantly violated and other measures to safeguard state discipline shown to be inadequate. A violation of legal obligations is deemed flagrant if the kind of offense reflects an infringement of fundamental principles of socialist management or planning, or when committed although substantial economic damage was foreseeable. The law also lists the basic facts in response to which economic penalties may be imposed on economic units. The regulation further takes into account the circumstance that the assurance of the unity of plan, balance and contract largely depends on the management operations of the combines. They may therefore be obligated to pay an economic penalty if they neglect to take the necessary decisions for the planned conclusion and fulfillment of business contracts, or not take them in time, or take decisions resulting in damage to the unity of plan, balance and contract. Legal regulations may provide for economic penalties with regard to other offenses against state discipline in the conclusion and fulfillment of business contracts.

The law also simplifies and makes more intelligible the system of penalties for contract offenses.

The new contract law includes the political and legal basic provisions on the conclusion and fulfillment of business contracts. The regulations concerning the various types of contract are settled in implementing decrees on the contract law issued by the Council of Ministers. Though the scope of the contract law and its implementing decrees was expanded by, among others, the incorporation of the plan-contract VO and the regulation of contracts on the joint accomplishment of assignments, the total volume of regulations was reduced by about a third compared with those in effect now. All responsible personnel of state organs and economic units

are now confronted with the duty to familiarize themselves with the new contract law and make the tasks, rights and duties arising therefrom a firm element of their management work.

## FOOTNOTES

1. NEUES DEUTSCHLAND, 13/14 February 1982, p 1 (B).

2. "Direktive des X. Parteitages der SED zum Fuenfjahrplan fuer die Entwicklung der Volkswirtschaft der DDR in den Jahren 1981 bis 1985" /Tenth SED Congress Directive on the Five-Year Plan for the Development of the GDR's National Economy 1981-1985/, Berlin 1981, p 89.

3. GBl I No 6 p 85, successively plan-contract VO.

4. "Bericht des ZK der SED an der X. Parteitag der SED; Berichterstatter: Erich Honecker," /SED Central Committee Report to the Tenth SED Congress; Reporter: Erich Honecker/, Berlin 1981, p 78.

5. GBl I No 38 p 335.

6. See Central Committee report, as before, p 77.

7. Ibid, p 119.

## Text of Law

East Berlin GESETZBLATT DER DEUTSCHEN DEMOKRATISCHEN REPUBLIK in German Part I No 14, 13 Apr 82 pp 293-308

/Official text of "Law on the Contract System in the Socialist Economy--Contract Law of 25 March 1982," signed by Erich Honecker, chairman, GDR State Council/

/Text/ Classification

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The further strengthening of democratic centralism as the basic principle of the management and planning of the national economy and the progressive intensification of production require us consistently to realize the unity of plan, balance and business contract by developing the contract as an active tool of the implementation of the tasks set by the plan and the balances. For that reason the punctual and appropriate plan and contract fulfillment must be guaranteed as an important factor of effective management in all economic units and supervision strengthened.

Upon this presumption the People's Chamber of the German Democratic Republic enacts the following law:

Part I--Scope

Article 1--Objective

(1) This law regulates the tasks, rights and duties of economic units and state organs in the organization and realization of cooperation relations by business contracts relating to the coordination of economic operations, performances and the common accomplishment of tasks.

(2) Whenever special legal regulations are enacted on the basis of the special aspects of certain cooperation relation, these regulations apply.

Article 2--Economic Units

(1) The following are economic units:

1. State combines,
2. State enterprises of combines (combine enterprises),
3. State enterprises not part of any combine, state facilities,
4. Socialist cooperatives and their enterprises and facilities which are competent to contract,
5. Enterprises of parties and social organizations,
6. Other enterprises and facilities which receive state tasks and state plan targets, and
7. Socialist communities and community facilities which are competent to contract.

(2) The provisions of this law also apply to state organs and state facilities competent to contract and to parties and social organizations and their facilities competent to contract, insofar as they conclude business contracts.

Article 3--Other Enterprises and Facilities

This law also applies to business contracts between economic units as per article 2 and the purchasing and delivery cooperatives of artisans. It also applies to business contracts on the implementation of construction services and export contracts between economic units as per article 2 and enterprises of other types of ownership.

Article 4--Socialist Agricultural Enterprises

Business contracts concluded by socialist agricultural enterprises within the scope of permanent cooperative collaboration with one another as well as with their common facilities or within the scope of associations are to be organized by the partners with due regard for the principles of this law. Unless the partners have agreed otherwise, the provisions of this law apply.

Article 5--Economic Assurance of National Defense

This law also applies to business contracts designed for the economic assurance of national defense and the accomplishment of economic tasks to ensure internal security and order, unless the decree on deliveries and services to the armed organs--delivery order (LVO)--and other special legal regulations provide otherwise.

Part II--Principles and Tasks

Chapter 1--Principles of Contractual Relations

Function of Business Contracts

Article 6

(1) In the preparation and implementation of the economic plan economic units must use the business contract in order to organize their cooperation on their own responsibility and consonant with social interests.

(2) Business contracts must be concluded and carried out on the basis of state plan indices and other state plan decisions (state plan decisions). Economic units are obligated to incorporated the business contracts concluded in their plan drafts and plans. They must fulfill the plans in a contract appropriate manner and ensure the highest possible contract discipline.

(3) In the course of the conclusion and fulfillment of business contracts the economic units must exploit all opportunities arising from socialist production conditions.

(4) Economic units are obligated at the conclusion and fulfillment of business contracts to utilize the benefits of socialist economic integration and ensure the consistent observance of the obligations arising from international treaties and international trade treaties.

Article 7

(1) Economic units must so shape the tasks set by state plan decisions by way of business contracts, especially with respect to volume, assortment, quality and completion date, that an appropriate and smooth flowing production is guaranteed. At the same time they must react flexibly to the needs of the national economy, of exports and supplies for the public.

(2) Economic units must conclude and carry out business contracts so that the targets assigned in the state plan decisions are achieved by the most efficient use of the material and financial funds available as per plan.

Article 8

(1) Economic units must utilize the business contract to organize the close cooperation required for the planned exploitation of all opportunities offered by the scientific-technological revolution. The conclusion and fulfillment of business contracts must in particular ensure the acquisition, rapid transfer and widespread utilization of scientific-technological results consonant with advanced international standards, the best possible product quality and the comprehensive rationalization of production.

(2) Suppliers of components for end products are obligated to conclude business contracts in accordance with the demands on the end product arising from scientific-technological advances and ensure the fulfillment of their contractual obligations by the appropriate organization of their reproduction process from research and development through sales.

Article 9--Comradely Cooperation

(1) Upon conclusion and the fulfillment of business contracts economic units must cooperate on comradely terms. They are obligated to extend socialist aid to each other and take the justified interests of their partners into consideration. They must exchange experiences and data serving the better accomplishment of their tasks and inform their partners of obstacles to the orderly satisfaction of their obligations.

(2) The duty of comradely cooperation does not restrict the other partner's responsibility for the fulfillment of his obligations as per the business contract.

Article 10--Collaboration of the Working People

(1) Together with the labor unions and other social organizations, the managers of economic units must ensure that the initiative and readiness to perform of the working people are directed to contract appropriate plan fulfillment and the working people oriented by moral and material incentives to achieve the greatest possible social profit. They must therefore explain to the working people the economic significance of important contractual duties and ensure that the breakdown of the enterprise plan to the work collectives is accompanied by the notification of these obligations.

(2) The collaboration of the working people and their creative activism are to be so developed and encouraged, especially within the framework of the plan discussion and the socialist competition, that the best possible satisfaction of the national demand and the orderly fulfillment of business contracts are achieved.

(3) The managers of economic units are obligated to report to the working people about the conclusion and fulfillment of business contracts.

Article 11--Obligation to Contract

(1) Economic units are obligated to conclude business contracts with respect to the cooperation relations required to prepare and carry out the state plan decisions. In accordance with the purpose and type of cooperation they may conclude coordination contracts, performance contracts or contracts for the common accomplishment of tasks. The obligation to contract also extends to performances in excess of state plan decisions.

(2) The general director of the combine is entitled by decision to establish cooperation relations between the enterprises of the combine.

(3) To safeguard state interests, cooperation relations between economic units may also be established by legal regulations or decisions issued by the organs authorized to do so by legal regulations. The provisions on business contracts apply mutatis mutandi.

Article 12--Basis of Business Contracts

(1) The basis of the conclusion and fulfillment of business contract is represented especially by plan decisions on key points of the long-range development of the national economy, state plan targets of the five-year plan, state assignments on the preparation of plan drafts for the annual plans and budget plans, state plan targets of the annual plans and state budget plans and, lastly, balance decisions.

(2) State plan decisions are balanced and synchronized as per the legal regulations on planning; they must be issued early enough for the economic units to be able to conclude and carry out business contracts efficiently in terms of the national economy.

(3) The long-range business contracts concluded on the basis of state plan targets for the five-year plan are to be incorporated in the annual plans and annual balances unless decisions by the Council of Ministers or central state organs provide otherwise.

Article 13--Actions by Employees

(1) Actions taken by employees of economic units in the conclusion and fulfillment of business contracts directly affect the economic units in a positive or negative manner.

(2) The legal representation of economic units is governed by the respective legal regulations in effect.

Article 14--Duty of Real Fulfillment

The economic units are obligated to the real fulfillment of their contractual duties as per the respective legal regulations and contractual agreements.

Article 15--Responsibility

(1) Economic units and state organs are responsible for any neglect of duties. This responsibility may be excluded or limited only by legal regulations or on the basis of agreements.

(2) Material responsibility aims to educate the economic units in the greatest possible contract discipline and the compensation of damage caused by the breach of duty. It becomes effective in terms of economics by way of the enterprise result.

Article 16--Responsible Exercise and Protection of Legal Rights

(1) Economic units must exercise their rights at the conclusion and fulfillment of business contracts in conformity with social interests. They are obligated to state their claims to the conclusion of contracts and those arising from business contracts concluded and, if necessary, enforce them.

(2) Economic units are entitled to request the aid of the competent state organs if their rights as per this law are violated or endangered, or if there is some uncertainty about the legal situation. This right may not be limited by instructions of state organs and combines. On principle the request for legal protection must be preceded by the partners efforts to settle the dispute among themselves.

(3) In the course of proceedings the State Contract Court may impose contract penalties for the account of the state budget if the enforcement of a contract penalty claim by the economic unit concerned is no longer possible or has been negligently omitted or delayed.

Chapter 2--Tasks of State Organs and Economic Units

Article 17--Tasks of State Organs

(1) The central state organs must ensure that the legal regulations on the conclusion and fulfillment of business contracts in their sphere of responsibility are consistently observed and used to concretely arrange the planned efficient cooperation of economic units in the preparation, actual organization and implementation of plans, and to develop the creative initiative of the working people for contract appropriate plan fulfillment. They must provide and supervise the conditions that will enable their subordinated combines and state organs to accomplish their tasks for the assurance of the unity of plan, balance and contract with the greatest possible responsibility.

(2) The managers of central state organs are obligated to decide any important problems arising in the conclusion and fulfillment of business contracts if their subordinated combines and state organs are not able to settle these problems on their own.

(3) With reference to their subordinated economic units, the preceding provisions apply mutatis mutandi to local state organs.

Article 18--General Performance Conditions

(1) Central state organs may regulate rights and duties of the contracting partners on the basis of this law or other legal regulations by way of general delivery and performance terms (ALB) if the special features of the performance require the establishment of uniform principles.

(2) The ALB's are issued as legal regulations by the manager of that central state organ, which is responsible for balancing or to which the balancing organs are subordinated. Managers of central state organs with wholesale enterprises in their sphere of management are entitled to issue ALB's for their performances. ALB's require the approval of the chairman of the State Planning Commission, the minister for materials management, the managers of central state organs and central cooperative organs, whose spheres of management are mainly affected by the provisions of the ALB's, as well as of the chairman of the State Contract Court.

Tasks of Combines and Combine Enterprises

Article 19

(1) Consonant with their economic responsibility for the organic combination of science, technology, investments, production and sales as well as for the efficient organization of their reproduction process and in consideration of the status of the combine enterprises as responsibly planning and reporting economic units, combines must ensure the rational and stable organization of cooperation relations with other economic units and within the combine.

(2) Combines are obligated to coordinated with other economic units and organs superordinated to economic units the tasks arising in the preparation and fulfillment of the plans, especially planning and balancing, the implementation of complex innovation processes, the development of product assortments and the organization of cooperation by the combine enterprises.

(3) To meet their obligations combines and combine enterprises must fully exploit the opportunities offered by the standardized reproduction process in the combine. The general director of the combine must ensure that the satisfaction of cooperation obligations is taken into account when the plan fulfillment of combine enterprises is assessed.

Article 20

(1) The coordination contracts required to prepare and carry out the state plan decisions must normally be concluded by the combine. Performance contracts and contracts relating to the common accomplishment of tasks are normally concluded by combine enterprises.

(2) The general director of the combine may decide that certain business contracts are to be concluded by the combine or designated combine enterprises.

(3) The combine is entitled to conclude business contracts with the proviso that the rights arising from these contracts lie with the designated combine enterprises, and that these latter will also meet the respective obligations.

Article 21--Regulation of Cooperation Relations Between Combine Enterprises

(1) Cooperation relations between combine enterprises are to be regulated by the general director of the combine in a cooperation order. Keeping in mind the principles of this law and the observance of the status of the combine enterprises as independently planning and reporting economic units, the cooperation order must set out regulations in particular on

1. The basis of the organization of cooperation relations,

2. The legal form of the arrangement, amendment or cancellation of cooperation relations,

3. The text of performance contracts as well as the forms and methods of rational contract organization,

4. The management measures to ensure the timely and complete organization of cooperation relations and the orderly satisfaction of obligations,

5. The legal consequences of breaches of duty, and

6. The independent responsible settlement and the procedure for the arbitration of disputes.

(2) Insofar as the cooperation order of the combine omits relevant provisions, the provisions of this law apply mutatis mutandi to cooperation relations between combine enterprises.

(3) Disputes between combine enterprises concerning the organization of cooperation relations or the satisfaction of obligations are decided by the general director of the combine unless legal regulations provide otherwise. He may authorize senior personnel of the combine to issue the decision on his behalf.

Article 22--Tasks of the State Contract Court

(1) The State Contract Court as the organ of the Council of Ministers safeguards and supervises the observance of socialist legality and state discipline in the conclusion and fulfillment of business contracts, helps the economic units and state organs to ensure the unity of plan, balance and contract, and must therefore contribute to the steady improvement of the plan-likeness and efficiency of the national economy. It carries out its duties in the implementation of the resolutions adopted by the Socialist Unity Party of Germany, on the basis of the GDR Constitution, the laws and other legal regulations.

(2) The State Contract Court accomplishes its task in cooperation with other state organs and with the collaboration of the working people. It coordinates its work with state and social supervisory organs.

(3) The State Contract Court may issue an appreciation of the merits of economic units which discharge in an exemplary manner their duties for the assurance of the unity of plan, balance and contract upon the conclusion and fulfillment of business contracts. It imposes the penalties legally provided by the law on economic units violating this duty.

(4) The State Contract Court carries on proceedings to decide disputes arising in the conclusion and fulfillment of business contracts as well as cooperation assurance procedures, in order to affect contract fulfillment and supervisory processes for the enforcement of state discipline.

(5) To safeguard legality and enforce state discipline in the conclusion and fulfillment of business contracts as well as to encourage contract appropriate plan fulfillment, the State Contract Court may assign set tasks to the managers of economic units and state organs (with the exception of central state organs).

(6) The chairman of the State Contract Court may require the managers of central state organs to issue decisions regarding the conclusion and fulfillment of business contracts for tasks of importance from the national aspect, provided their subordinated combines and state organs have exhausted every opportunity to settle the matter, and the decision lies within the scope of the central state organs.

Part II--Conclusion, Text and Fulfillment of Business Contracts

Chapter 1--Conclusion of business contracts

Section 1--General provisions

Article 23--Conditions for the Conclusion of Contracts

(1) Economic Units must conclude business contracts at the time the essential contract terms may be adequately defined on the basis of state plan decisions, other state decisions, the results of plan coordinations and the economic unit's knowledge of technical, technological and economic possibilities and needs. The time of contract conclusion may be more precisely determined by legal regulations, coordination contracts or orders issued by authorized organs.

(2) The stipulations issued as coordination protocols as the result of plan coordinations are mandatory on the economic units at the conclusion of business contracts in the process of plan drafting. The economic units are obligated promptly to inform one another if a change in the coordination results is necessary at the time the plans are drafted more precisely.

(3) The economic units are obligated upon request to prove to the other partner that they have ascertained their needs on the basis of state plan decisions, legal regulations on materials use and state normatives and enterprise norms of materials and energy consumption as well as stockkeeping. A claim to the conclusion of a contract only exists to the extent of the justified demand. Economic units are obligated promptly to notify their partners if the need happens to cease.

(4) The economic units are obligated to offer temporarily idle basic assets to other economic units for their utilization and to conclude utilization contracts with them.

Article 24--Special Management Measures

(1) If economic units have concluded business contracts to the full extent of their state plan target but are instructed to conclude additional business contracts, the combine or superior organ must at the same time decide how to obtain the agreement of plan, balance and contract.

(2) Instructions interfering in business contracts must be coordinated between the combines or superordinated organs of the contractual partners. If no agreement is reached, the instruction is deemed to have been issued unilaterally.

(3) If temporary operational control is stipulated for item headings on the basis of legal regulations or decisions by the Council of Ministers, the decisions so issued are mandatory on the economic units. The decisions must be made the basis of the conclusion and fulfillment of the business contracts.

Article 25--Conclusion of Business Contracts for the Economic Assurance of National Defense

The conclusion and fulfillment of business contracts for the economic assurance of national defense and the fulfillment of economic tasks to ensure internal security and order must proceed so as in every instance to meet the planned needs of the armed organs by volume, assortment, quality and delivery date.

Article 26--Business Contracts on Priority Performances

(1) Within the framework of state plan decisions economic units give priority to the conclusion and fulfillment of contracts relating to performances serving the implementation of the state plan science and technology and plant export projects as well as other projects and targets enjoying priority as per legal regulations or Council of Ministers decisions.

(2) In the case of priority performances, contract conclusion may be refused only if the general director of the combine or manager of the superior organ confirms

that the performance requested does not conform to the production or service profile of the economic unit, or that its capacity is exclusively utilized for tasks relating to the economic assurance of national defense or for priority assignments.

(3) Article 24 paragraph 1 applies mutatis mutandi when economic units that had already concluded business contracts to the full extent of their state plan target, conclude additional business contracts on the basis of the duty to conclude priority contracts.

(4) If contract conclusion is refused as per paragraph 2, the customer must promptly notify the general director of his combine or manager of his superior organ and request settlement with the combine or superior organ of the other partner.

Article 27--Request for Decision

(1) If the unity of plan, balance and contract fails to be safeguarded due to the neglect of the decisionmaking and coordination duties assigned in this law, the economic units are entitled to request the appropriate decisions or coordinations from their combine or superior organ. The same applies mutatis mutandi for the review of decisions.

(2) The request for a decision must be justified in writing and accompanied by suggestions for efficient solutions from the aspect of the national economy. The general director of the combine or manager of the superior organ must promptly decide the request, certainly not later than 1 month.

Section 2--Generation of Business Contracts

Article 28--Agreement on the Text of the Contract

(1) Coordination contracts and performance contracts are generated by concurrent statements of offers and acceptance. Legal regulations, coordination contracts or master contracts may stipulate that a performance contract is generated by the arrival of the offer, or that an offer is deemed accepted unless rejected within a certain period.

(2) Contracts on the common accomplishment of tasks are generated by corresponding statements by the partners on their participation and the tasks to be accomplished together.

(3) If, as per legal regulations, the effectiveness of a business contract depends on the approval or another decision of a state organ, the business contract takes effect upon the issue of the approval or other decision from the date of contract conclusion.

(4) If partners fail to agree on certain contract terms, the performance contract is generated with respect to the disputed section. It is not generated if the partners fail to agree on the object of performance, its quality or price--unless both partners act as if the contract had been generated.

(5) If offer and acceptance with respect to the date of performance do not agree, and no agreement is produced by the date of the performance, the later date listed in the offer or counter offer is deemed to have been agreed. If a performance date is provided by a decision binding on both partners, that date becomes part of the contract.

Article 29--Offer and Acceptance

(1) Immediately upon the presence of the prerequisites required for contract conclusion, the customer must submit a contract offer or, if that should not be possible, request the supplier to submit an offer. An offer or request to submit an offer may also be made by the supplier.

(2) The supplier is obligated within 1 month from receipt to accept the offer or show cause for rejecting it or submit a counter offer or declare himself in some other way. The same applies mutatis mutandi to the request to submit an offer.

(3) Time limits for the offer or the acceptance may be agreed or stipulated by legal regulations.

Article 30--Commitment to the Offer

(1) Within the period as per article 29 paragraph 2 the supplier is committed to his offer (commitment period). If another period is stipulated as per article 29 paragraph 3, the supplier remains committed to his offer within this period. The extension of the commitment period in the offer is admissible.

(2) If the statement of acceptance is received after expiration of the commitment period, the supplier is entitled to refuse acceptance. If he fails to do so promptly, the business contract is deemed concluded.

Article 31--Form of Contracts

(1) Coordination contracts and contracts on the common accomplishment of tasks are to be concluded in writing.

(2) Performance contracts must be concluded in writing or in some other objectified form. Legal regulations or coordination contracts may stipulate conclusion in a certain form.

(3) A performance contract not conforming to the prescribed form is in effect insofar as the customer accepts the performance.

Special Features in the Generation of Business Contracts Suitable for Data Processing

Article 32

(1) The business contract must be concluded using standardized primary documents (printed forms) suitable for data processing if this is stipulated in legal regulations, coordination contracts or master contracts.

Article 33

(1) If a business contract was generated by the wrong or wrongful use of printed forms, other data carriers, keys or symbols, each partner is entitled to request cancellation of the contract.

(2) If keyed data are used, which do not conform to the terms of article 32 paragraph 3, or if additional texts are inserted on the printed form, contractual agreements are not generated.

Chapter 2--Coordination contracts

Article 34--Conclusion of Coordination Contracts

(1) Economic organs and superior organs of economic units are obligated on the basis of central plan decisions on key points of the long-term development of the national economy and state plan targets of the five-year plan to conclude coordination contracts if a long-term intensive cooperation between them is required for the efficient preparation of future performance relations. Coordination contracts must also be concluded if the necessity for contractual coordination of management operations exists although future performance relations are not envisioned.

(2) Coordination contracts on the preparation of future performance relations are not to be concluded if the prerequisites for the conclusion of performance contracts are present.

Article 35--Principle

(1) By the conclusion of the coordination contract the partners obligate themselves to adopt coordinated decisions and measures within the scope of management and planning as well as of business operations. The following in particular may be the object of coordination contracts:

1. Cooperation in the process of planning and balancing,

2. The development targets of scientific-technological tasks and the schedule and content of the accomplishment of scientific-technological tasks,

3. The coordination of investments,

4. The development of the production assortment and the preparation of sales and the use of the products, as well as

5. The preparation of exports and imports.

(2) Coordination contracts are to arrive at further agreements on the exchange of information and documentation, the partners, the date of the conclusion and the essential content of performance contracts, the compensation for expenses incurred, penalties and the distribution of profit and risk.

(3) The partners or the economic units designated by them must conclude performance contracts in conformity with the agreements arrived at in the coordination contract, provided that the plan decisions required by legal regulations are present. If agreements are set down in coordination contracts so as to affect the text of performance contracts, these stipulations are part and parcel of the performance contract to be concluded between the economic units.

Article 36--Compensation for Costs and Damages

(1) If the coordination contract should be amended or canceled, compensation for costs incurred must be paid as per article 79.

(2) Should one partner breach the duties accepted in the coordination contract, he is obligated to compensate the other partner for any damage suffered. If a contract penalty had been agreed for breach of duty, compensation for damage suffered in excess of that penalty may be claimed only if such a provision had initially been included.

Chapter 3--Performance contracts

Section 1--General provisions

Article 37--Principle

(1) By the performance contract the performing party obligates itself to produce the agreed performance and ancillary performances and, insofar as the type of performance requires, transfer to the customer or a third party designated by him the ownership of the funds or the ownership rights in the object of performance. The customer is obligated to cooperate in the manner stipulated, to acknowledge the orderly performance as the fulfillment (acceptance) and effect the counter consideration.

(2) With respect to similar performances to be supplied at recurrent dates (successive performances), the rights and duties of the partners refer to the current performance. The partners may agree a different procedure.

(3) Performance contracts are to be concluded for the entire period required for the preparation and execution of the performance. Performance contracts respecting successive performances must in principle be concluded for 1 plan year.

Article 38--Extent of the Performance

(1) Economic units are obligated--based on the purpose of the contract and in conformity with state quality orders--to agree complete performances usable for the customer. This duty is not curtailed if the supplier has the performance entirely or in part provided by third parties.

(2) The duty to agree complete performances may be limited only by legal regulations.

(3) The same partners may in principle conclude only one performance contract if several performances are required to accomplish a task.

Article 39--Long-Term Performance Contracts

(1) If the preparation and execution of a performance requires a period exceeding 1 plan year, the economic units must conclude long-term performance contracts. This applies mainly to tasks involving the economic assurance of national defense, science and technology, measures of socialist economic integration, investment projects, plant export projects, tasks and projects of socialist rationalization and tasks of the housing construction program.

(2) Economic units are obligated to conclude long-term performance contracts with respect to steadily recurring sales and supply relations (permanent relations), if the performances occur regularly between the partners and in the course of several plan years and are vital for safeguarding the finished production or implementation of other planned tasks for the development of production.

(3) Economic units are obligated to put into concrete form long-term contracts relating to the performances earmarked for the respective plan year unless specific provisions were agreed at the time of contract conclusion.

Article 40--Master Contracts

(1) To simplify the organization of performance contracts, the partners may conclude master constracts with respect to recurring contract terms for their cooperation relations.

(2) To be arranged in the master contracts is the relevance to specific performance contracts or periods. The arrangements set down in master contracts are the content of the performance contracts to be concluded.

(3) If master contracts are amended or canceled, arrangements must be made at the same time regarding the effect on existing performance contracts. If no arrangements are made, existing performance contracts are not affected by the amendment or cancellation. The same applies to master contractual arrangements in coordination contracts.

Section 2--Text of performance contracts

Article 41--Organization of the Contract Text

The partners must arrange the text of the performance contract in a manner suitable for orderly implementation. The details of the contract text follow the concrete terms of the performance.

Article 42--Quality

(1) The quality of the performance is determined by state quality regulations, especially state standards, regulations concerning measurement and commodity testing by the Standardization, Measurement and Commodity Testing Office, the regulations on health care and accident prevention as well as fire prevention and the regulations on environmental control. They are part of the contract even if not explitly mentioned.

(2) Insofar as the quality of the performance is not determined by state quality regulations or supplementary stipulations are required, the partners must make arrangements on quality in accordance with the purpose of the performance.

(3) The partners must also make arrangements regarding control, testing and measuring procedures as well as the transmission of information on the functional behavior of the object supplied.

(4) The partners may diverge from state quality regulations only insofar as this is permissible as per legal regulations.

Article 43

(1) If state quality regulations include stipulations on operational reliability, or if these are agreed in the contract on the basis of such regulations, the object supplied is quality appropriate as to operational reliability if breakdowns do not exceed the stipulated or agreed indices of reliability.

(2) The partners must agree within what delays breakdown are to be dealt with. Breakdowns within the warranty period and the realiability indices must be removed by the supplier at his expense.

(3) Agreements must be concluded on the proof of operational reliability for products featuring operational reliability as a quality feature. Also to be proved are the compilation, reporting and evaluation of data on functional behavior.

Article 4--Customer Service and Spare Part Supplies

(1) To ensure maintenance within and without the scope of the warranty, the economic units must provide within the delays stipulated the necessary customer service for products manufactured by them and also ensure the planned availability of spare parts, parts subject to wear and components.

(2) Spare parts, parts subject to wear and components must be made available after production of the product has ceased, until the end of the usefil life stipulated for the product. If the useful life is not stipulated, the authorized organs may determine an appropriate period for the duty to make spare parts available. If neither useful life nor period are stipulated, spare parts, parts subject to wear and components must be made available until 10 years after the end of the manufacture of the respective product. The same applies to spare parts, parts subject to wear and components not manufactured by the supplier.

(3) If an economic unit obligated to provide customer service does not have a customer service facility, it must itself restore the fitness for use.

(4) If the duties as per paragraphs 1 and 3 are infringed, the operator of the economic unit obligated to maintain customer service and spare part supplies may require compensation for additional costs incurred by in-house repairs or manufacture of spare parts, parts subject to wear and components.

Article 45--Warranty

(1) The supplier guarantees that the object supplied is operational during the warranty period and meets the quality requirements arising from state regulations or agreed in the contract. The warranty also extends to the operability to be presumed as per the contract.

(2) The partners may arrange for the warranty to be discharged by a cash payment or the supply of products free of charge.

(3) The warranty does not cover damage due to improper handling of the object supplied or effects outside the use assumed in the contract.

Legal Warranty Period

Article 46

(1) The legal warranty period arises from legal regulations or stipulations by the authorized state organs. Unless legal regulations or stipulations by authorized state organs provide otherwise, the warranty period is 6 months. The authorized state organ may stipulate the operational life instead of or in addition to the warranty period.

(2) For products or parts of products destined for immediate use, or which have a limited life when used appropriately, fitness for use is guaranteed for the period or operational life that must be presumed if the quality is satisfactory. The partners may agree on a certain warranty period; this does not apply if the warranty period is stiupated by legal regulations or authorized state organs.

Article 47

(1) The warranty period begins upon acceptance. If an incomplete performance is accepted, the warranty period begins on the day of completion; in that case claims arising from inadequate quality may be put in from the day of acceptance.

(2) For objects incorporated in other products or mechanisms the warranty period ends upon the expiry of the legal warranty period for that product or mechanism.

For objects combined or mixed with other products, the warranty period ends upon the expiry of the legal warranty period for the product resulting from the combination or mixture.

For objects destined for resale the warranty period ends upon the expiry of the legal warranty period in effect for the final consumer.

(3) Paragraph 2 does not apply if the warranty period for a product is governed by article 46 paragraph 2.

(4) The warranty period for campaign-related farm machines and for repairs to such machines does not end before the completion of the first campaign.

(5) In cases as per paragraph 2 and in consideration of industry-customary storage, processing and further processing periods, the partners may agree a maximum term if the nature of the object supplied so requires. Whenever authorized state organs stipulate a maximum term, this becomes part of the contract.

Article 48--Extended Warranty Period

(1) In accordance with the planned improvement of quality the partners are to agree an extended warranty period for suitable performances. The extended warranty period may be limited to parts of products or specific warranty services.

(2) If an extended warranty period is agreed or promised for a product or mechanism, the extended warranty must in principle be granted also by those economic units that supply components or other services.

(3) If the agreed warranty services do not suffice to remove the defects, the customer's warranty claims must be met by another warranty service.

Article 49--Freedom from Legal Defects

(1) The supplier must effect the performance free from third party rights asserted in the sovereign territory of the German Democratic Republic and the countries of destination agreed for exports, and that might adversely affect the contract appropriate use of the performance.

(2) If necessary, the partners must arrange tasks relating to proprietary rights in accordance with legal regulations.

Article 50--Price

(1) The price of the performance is determined in accordance with legal regulations. If the partners agree a price in contravention of legal regulations, the lawful price prevails. Price surcharges and discounts may be agreed only within the framework of legal regulations.

(2) If the price is not definitely ascertainable at the time the contract is concluded, the partners must agree a preliminary price. Contracts on consumer goods may be concluded only when the retail price stipulated by the authorized price organ is to hand.

(3) If the final price is less than the agreed preliminary price, the final price is payable. If the final price exceeds the preliminary price, the preliminary price is payable unless legal regulations, decisions by the authorized price organs or the business contract provide otherwise.

(4) If at the time of invoicing the final price is not yet available, the agreed preliminary price is payable. If the preliminary and final prices differ, the duty to repay the difference or make additional payments is determined as per paragraph 3.

(5) If a price is amended before the performance has been effected, and unless the regulation on price amendment does not have a specific provision for its effect on existing contracts, the original price stands.

Article 51--Performance Period

(1) The performance period (performance schedule, performance date) including the necessary intermediate dates must be arranged as needed to achieve the greatest possible usefulness. The partners may arrange a performance schedule in excess of 1 month only if this is admissible as per legal regulations.

(2) In the case of successive performances the partners may arrange for the customer within an agreed period to determine the delivery date by call.

(3) If the appropriate use of the object supplied depends on delivery being effected by the date agreed or within a certain time after it, the partners may agree that the contract can no longer be fulfilled after the date of delivery or stipulated period (fixed date).

Article 52--Place of Performance

(1) The performance must be effected at the location of the customer or the recipient designated by the customer. The place of performance may also depend on the type of performance.

(2) The partners may agree for the location of the performer to be the location of performance. This does not affect the supplier's duty to dispatch.

Article 53--Risk of Loss

(1) If the place of performance goes by article 52 paragraph 1, the risk of accidental destruction or accidental deterioration is transferred to the customer upon acceptance of the object supplied. The risk is also transferred if the customer delays acceptance or the participatory actions required.

(2) Is the place of performance the location of the supplier, the risk of accidental destruction or accidental deterioration is transferred to the customer

1. Upon dispatch and at the time of transfer to the transportation enterprise,

2. Upon agreed collection by the customer and upon transportation to the customer or the location designated by the latter by way of the suppliers means of transportation, at the time the means of transportation leaves the enterprise location of the supplier.

(3) If transportation of the object supplied is required to meet a warranty claim, the supplier carries the risk of accidental destruction or accidental deterioration from the time transportation begins until the satisfaction of the warranty claim.

(4) Destruction or deterioration are deemed accidental if neither one of the partners nor a third party involved have caused the destruction or deterioration of the object supplied.

Article 54--Transportation

(1) The supplier must carry out forwarding by the most appropriate means of transportation. The partners must make the proper arrangements in the contract.

(2) The customer is obligated to issue a forwarding instruction to the supplier if the place of destination was not stipulated at the time the contract was concluded. If the partners did not make any arrangements about the time for issuing the forwarding instruction, the forwarding instruction must be issued 2 weeks before the delivery date or the beginning of the delivery schedule.

(3) If the obligation to pay the costs of transportation was regulated neither by law nor contract, the supplier must pay transportation costs. If the place of performance is also the location of the supplier, transportation costs must be paid by the customer unless legal regulations or contractual agreements provide otherwise.

Article 55--Packing and Loading

(1) The supplier must pack and load the object supplied in accordance with regulations on packing and loading included in state quality regulations and the regulations of health care and accident as well as fire prevention and the instructions of the carriers. If there are no such regulations or instructions, packing and loading must be carried out in consideration of the best possible transportation and handling technology as required by the means of transportation employed and the distance involved.

(2) To be agreed in the contract are special customer requirements to be met by packing and loading, arising in particular from the unloading equipment or necessary storage by the customer or a third party.

Article 56--Agreements on Contract Penalties

(1) The provisions of this law and other regulations apply to offenses and to the amount of contract penalties. The partners may agree contract penalties for other instances and also higher contract penalties. If necessary, the partners should fix a minimum amount.

(2) The partners may contractually agree to exclude the possibility of documenting that the circumstances resulting in the breach of duty were unavoidable. In that case they may agree a contract penalty lower by up to 50 percent than the legal contract penalty and exclude compensation for any damage caused in excess of the amount of the penalty.

Section 3--Fulfillment of performance contracts

Article 57--Fulfillment by Performance

(1) The contract is fulfilled when the performance and counter performance have been effected. Unless acceptance is refused, the time of receipt of the object supplied is deemed to be the time of acceptance as well as the time of the transfer of fund ownership or ownership rights.

(2) Acceptance is deemed to have occurred even without an explicit statement to that effect once the customer uses the object supplied or the test period and period allowed for payment has passed. This does not apply to investment performances used by the customer before acceptance.

Article 58--Early Performance, Partial Performance, Additional Performance

(1) The partners may agree the admissibility of early performance. In the case of article 28 paragraph 5, early performance is admissible even without agreement from the offered earlier time of performance.

(2) If, in the case of divisible performances, the admissibility of a partial performance has not been agreed, the performance should be accepted if its is independently usable in terms of the purpose of use, and no additional costs arise therefrom.

(3) Unless legal regulations provide otherwise, additional performances are admissible only with the consent of the customer. Farm products delivered within the framework of the planned production area and the planned production assortment in excess of the volume agreed in the contract, must be accepted by the purchasing enterprises. Before delivery the partners must make arrangements about the delivery date.

Article 59--Invoicing

(1) The invoice may not be issued before the day of the performance.

(2) Unless otherwise provided in legal regulations, the supplier must issue the invoice no later than 3 working days after the day of delivery. If the performance is effected by a third party on behalf of the supplier, especially in a direct-to-purchaser sale, the invoice must be issued no later than 3 days after receipt of the invoice from the third party. The time allowed for invoices arising from long-term manufacture is 10 working days. Longer delays may be agreed only after coordination with the competent credit institution of the supplier.

(3) In cases of short-term recurring performances the supplier is entitled to invoice all performances within a period of time to be agreed (collective invoice).

(4) The supplier may issue an invoice if the customer delays acceptance or the object supplied cannot be dispatched at the proper time due to the lack of dispatch instructions.

Article 60--Maturity and Payment.

(1) The money is due on the last day of the period allowed for payment.

(2) Unless otherwise provided in legal regulations, the periods allowed for payment are determined by order of the president of the GDR State Bank. If a period allowed for payment is determined neither in legal regulations nor agreed within the framework of such regulations, payment must be made within 2 weeks from the issue of the invoice.

(3) Payment must be made in accordance with the procedure prescribed or agreed within the framework of legal regulations.

(4) Demeed the time of payment, insofar the amount is credited to the payee or received by him, is

1. The day of debiting in the case of transfer from a bank or postal check account or any other settlement procedure,

2. The day of inpayment in the case of cash payment to a credit institution or the German Post Office,

3. The day of handing over a check in payment to the supplier and the day of receipt by the supplier if the check was mailed,

4. The day of handing over the cash to the supplier in the case of cash payment.

Section 4--Special organization of performance contracts

Contracts on Scientific-Technological Performances

Article 61

(1) The contract on research and development performances obligates the supplier to work out the result necessary for the achievement of the agreed scientific-technological and economic targets, taking into account and creatively further developing the most advanced international findings, and to hand the result to the customer in the form agreed.

(2) The customer must cooperate in the preparation and execution of the performance in the prescribed manner, accept the performance and pay the price.

Article 62

(1) The contract on the supply of scientific-technological results for use against consideration obligates the supplier to hand over the result to the customer in the agreed form and to assist him as much as is required for using the result.

(2) The customer is obligated to accept the performance and pay the agreed charge.

Contracts on Performances for the Preparation and Execution of Investments

Article 63

(1) The contract on performances for the preparation of investments obligates the supplier to prepare a binding offer as well as other documents on the basis of the technical, technological and economic set points fixed with the confirmed assignment, and to hand them over to the customer.

(2) The customer is obligated to cooperate in the manner stipulated, especially to hand over documentation, accept the binding offer and the agreed other documents, and to pay the price.

Article 64

(1) The contract on the implementation of investments obligates the supplier to effect construction performances, the delivery and assembly of plant and equipment and the delivery of products, or to effect other performances for the renewal or expansion of basic assets as well as for new construction investments. The supplier is obligated to hand the object of performance to the customer and transfer to him the ownership of the funds or ownership rights.

(2) The customer is obligated to cooperate in the manner prescribed, to accept the performance and pay the price.

Article 65--General Contractors

(1) If an economic unit acts as general contractor, its contract conclusion duty vis-a-vis the customer requires the construction or reconstruction as well as the transfer of complete and usable production plants, facilities and buildings or housing complexes. The general contractor is responsible for the uniform management, coordination and control of performances and, unless other provisions were made, for the test runs and the proof of capacity. General suppliers are also deemed general contractors.

(2) The general contractor is obligated to issue binding offers for the performances to be supplied by him.

Article 66--Main Contractors

If an economic unit acts as a main contractor, its contract conclusion duty vis-a-vis the customer includes

1. The construction or reconstruction and handing over of complete plants or sections of plants,

2. The completion of the entire construction performance for a project or part project capable of being used, or

3. The assumption of complex transportation, supply or service performances.

(2) Main contractors effecting performances as per paragraph 1 Nos 1 and 2, must binding offers.

(3) If an economic unit is appointed main contractor for a scientific-technological performance, its contract conclusion duty includes the preparation, execution, coordination and control of a scientific-technological task including the cooperation necessary upon the transfer to the customer of the scientific-technological results.

Delivery Contracts

Article 67

(1) By the delivery contract the supplier obligates himself to deliver the product to the purchaser at the location of the performance and transfer to him ownership of the funds or ownership rights. The purchaser is obligated to accept the performance and pay the price.

(2) If the delivery consists of subassemblies or components, the supplier is obligated to assemble them unless otherwise provided in legal regulations or the contract.

(3) The supplier is obligated to dispatch the product. The partners may agree on other arrangements.

(4) If the product is accepted by the purchaser, the day of delivery is deemed to be

1. In the case of shipment the day of delivering the product to the transportation enterprise,

2. In the case of collection by the purchaser, the day of collection,

3. In the case of using the suppliers means of transport to deliver the product to the purchaser or to the location designated by him, the day when the means of transport leave the supplier's enterprise site,

4. In the case of joint quality testing at the location of the performance, the time of such testing.

Article 68

(1) Economic units may carry out the manufacture of products only if a delivery contract is in effect. This does not apply to the manufacture of products intended for registered exports, for products of agriculture, forestry and the foodstuffs industry, energy sources and planned stock increases.

(2) Carrying on manufacture without contract requires the prior approval of the general director of the combine or the manager of the superior organ. This approval must be linked with the initiation of measures to ensure sales.

Service Contracts

Article 69

(1) By the service contract the recipient of the order obligates himself to carry out some activity on objects of the customer or other activities on behalf of the customer. This activity may consist, in particular, of work on objects, of servicing and maintenance, technical inspection, repairs, the handling of customer services, warehousing, data processing or the handling of various assignments. The

customer is obligated to cooperate in the prescribed manner, especially to hand over to the recipient of the order the objects necessary for the service or to provide access, to accept the service and pay the price.

(2) The service must be effected at the location of the customer. Another location may arise from the contract or type of service. If required, the partners must come to an agreement about dispatch.

(3) If an economic unit acts on behalf of another one without being contractually obligated to do so, it must act in accordance with the interests and presumed wishes of that economic unit.

Article 70

(1) The recipient of the order must carry out the services in full observance of his duty to take every care and to act within the framework of the contract in accordance with the customer's decisions. He must examine the objects handed him to carry out the service with a view to their fitness for the purpose of the contract, store them and protect them against loss or damage.

(2) At the conclusion of the contract the recipient of the order must advise the customer about the most appropriate execution of the service. The recipient of the order is obligated in the case of new scientific-technological findings to submit to the customer suggestions for the use to be made of these findings.

(3) The recipient of the order must promptly inform the customer when noticing circumstances liable to impair the purpose of the contract, the quality of the service required or safety in the further use of the object. He is obligated upon request to inform the customer about the status of the service.

(4) The recipient of the order must return to the customer any objects handed him but not used, as well as the result achieved in the execution of the service. The customer is obligated to acceptance. If the service consists of warehousing, the customer may request the return of the objects before the period of storage has expired but subject to the duty of paying the storage fee.

Use Contracts

Article 71

(1) The use contract obligates the party relinquishing for use or co-use to the owner real property, movable or fixed basic assets or parts thereof as well as other objects (objects of use) for an agreed term or an unlimited period, in the condition contractually agreed or to be presumed for the respective use.

(2) The user is obligated to use the object in the agreed or customary manner, to return it upon expiry of the use period, and to pay the use fee agreed in accordance with legal regulations. In exceptional instances a use free of charge may be agreed.

(3) The use relation ends upon expiry of the term, cancellation of the contract or, if so provided by legal regulations or contract, by notice to terminate. The notice to terminate must be given in writing.

Article 72

(1) Unless otherwise provided, the party relinquishing the object of use must maintain it in the condition required as per article 71 paragraph 2. Upon information received by the use, he must within an appropriate period of time remove the defects caused by contract appropriate use or natural wear and tear. The partners may agree that the user should remove the defect at the expense of the party relinquishing the object.

(2) The user is obligated carefully to handle the object of use, maintain and service it properly, and to paint the walls of rooms unless otherwise agreed. He is not entitled without the consent of the relinquisher of the object to use it for any except the agreed or appropriate purpose, to change it or relinquish it to a third party.

Chapter 4--Contracts on the common accomplishment of tasks

Article 73--Principle

(1) Economic units are to cooperate in associations if this serves the improvement of the economic profitability of the funds available as per plan. Local state organs may participate in the common accomplishment of tasks as partners to the contract.

(2) The contract on the common accomplishment of tasks obligates the partners to cooperate for the achievement of the common purpose in the manner agreed in the contract.

(3) Performance relations within the association must be organized by performance contracts.

(4) If associations need to be legal entities in order to accomplish certain economic tasks, the establishment, tasks and status of these associations must be regulated in special leval provisions.

Article 74--Tasks of Combines and Superior Organs

(1) Combines and superior organs of economic units must ensure that the establishment and operation of associations proceeds in accordance with state plan decisions.

(2) The involvement of economic units in the common accomplishment of tasks requires the prior consent of the combines or superior organs. The decision must be made within 1 month after receipt of the application for approval.

(3) The economic unit assigned the day to day management of the association is obligated to report to its superior organ on the activities of the association.

Article 75--Management of the Association

(1) Cooperation in the association must proceed on the basis of the collective decisionmaking of the economic units involved.

(2) The economic units may establish a council to manage cooperation. They will be equally represented on this council. The council decides all issues essential for the realization of the tasks agreed in the contract. Council decisions obligate all partners who have approved the stipulations there included.

(3) The partners will assign day-to-day management to one of the economic units involved. To be agreed in the contract are the tasks, rights and duties of this designated economic unit, including plenary powers when representing the association in legal matters. The designated economic unit is obligated to report its actions to the other partners.

Article 76--Financing

(1) Unless otherwise arranged, the economic units finance the association in equal parts.

(2) The establishment of common funds is not permitted. In the case of collective investments, fund ownership must be assigned to one of the economic units involved. That economic unit is then obligated to allow the other economic units involved in the association the economic utilization of the joint investments in accordance with the aims of the contract.

(3) Legal prices are to be used for performances rendered by one partner in the association to another. The same applies to performances within the framework of the utilization of collectively financed investments. The partners may make arrangements about profit sharing.

Article 77--Ending Cooperation

(1) Cooperation for the common accomplishment of tasks ends when the purpose agreed in the contract has been achieved or the conditions for the ending of cooperation have arisen as agreed in the contract.

(2) Cooperation is to be ended by cancellation of the contract if the tasks and goals of the association no longer conform to economic requirements. This applies mutatis mutandi to a withdrawing partner.

(3) A partner may end his cooperation in the common accomplishment of tasks if the further existence of the association is not impaired thereby. He requires the consent of the other partners unless a right to termination was agreed in the contract.

Chapter 5--Amendment and cancellation of business contracts

Article 78--Prerequisites

(1) The partners must amend or cancel the business contract if that is necessary in the social interest. This applies especially if

1. More efficient possibilities for plan fulfillment arise in the process of planning and plan implementation,

2. A state plan decision binding on both parties diverges from the business contract,

3. Decisions as per article 24 paragraph 3 have been taken,

4. A shift in demand has occurred, or

5. The amendment or cancellation of the contract is stipulated in legal regulations.

(2) The amendment or cancellation must follow promptly on the presence of the conditions required therefor. Incidentally, article 28 paragraphs 1, 3 and 4 and articles 29-31 apply mutatis mutandi to the amendment or cancellation of business contracts.

Legal Consequences

Article 79

(1) If a business contract is amended or canceled, the partner causing the amendment or cancellation or whose circumstances necessitated the amendment or cancellation, must compensate the other partner for any expense incurred. Legal regulations, decisions binding on both partners or agreements between the partners may stipulate otherwise.

(2) Materials and semifinished parts are to be used. The earnings either achieved or possible upon orderly behavior must be applied to the expenses.

(3) To be applied to the compensation for expenses incurred is a contract penalty paid in connection with the cancellation of the contract.

Article 80

(1) If a performance contract is canceled due to the breach of duty by one of the partners, he must pay the other partner a contract penalty as if the contract had not been fulfilled; he must also compensate for any additional damage caused. Legal regulations, decisions binding on both partners or agreements between the partners may stipulate that only compensation may be claimed.

(2) If a contract amendment is agreed, the partners may reserve the right to contract penalty and compensation claims such as would arise in case the respective contract conditions were maintained.

(3) Compensation for costs incurred must be applied to the contract penalty.

(4) Upon the amendment or cancellation of business contracts, claims for contract penalties and compensation as per the contract remain in effect provided they have arisen beforehand.

Article 81--Accession to Contract

(1) The partners may agree with another economic unit to replace one of the partners in the contract.

(2) Combines or superior organs may direct another economic unit to replace one partner to the contract. Accession to the contract requires the consent of the remaining partner or his combine or superior organ.

(3) Upon accession to the contract the incoming partner assumes all rights and duties vis-a-vis the remaining partner, that exist at the time of accession. This does not apply to claims that have arisen before. Unless otherwise agreed the acceding partner must compensate the remaining partner for any additional costs incurred as a consequence of his accession to the contract. If the causes for a breach of duty occurring later were due to the departing partner, the latter must compensate the acceding partner.

Part IV--Responsibility for Breaches of Duty

Chapter 1--Responsibility for the breach of pre-contractual and contractual duties

Section 1--General provisions

Article 82--Principle

(1) The partners are responsible for any breach of precontractual and contractual duties and must assume all legal consequences of such a breach. They are also responsible for the actions of third parties involved in the conclusion and fulfillment of the business contract.

(2) Responsibility for the breach of contractual duties does not release the partners from the fulfillment of the business contract unless otherwise provided in legal regulations.

Article 83--Exclusion of Responsibility

(1) Responsibility is excluded to the extent that the breach of duty was caused by the other partner or due to an unavoidable occurrence.

(2) An occurrence is deemed to be unavoidable if it is of an extraordinary nature and could not have been foreseen nor prevented even by using all measures consonant with current possibilities and experiences.

(3) If legal regulations exclude the responsibility of a third party or such responsibility is limited, the obligation of the partner to pay contract penalties and compensation exists only insofar as he may have the right of recourse from the third party.

Article 84--Release from Legal Consequences

(1) A partner is not obligated to pay contract penalties and compensation if the circumstances leading to the breach of duty were unavoidable despite the utilization of all possibilities offered by socialist production conditions, including those provided by the uniform reproduction process in the combine.

(2) If the breach of duty is caused by a third party involved in the conclusion and fulfillment of the business contract, the partner is not obligated to pay contract penalties and compensation if neither he nor the third party were able to avoid the circumstances resulting in the breach of duty as per paragraph 1.

(3) Release from the obligation to pay contract penalties and compensation is excluded if

1. The breach of duty was caused by the fact that the partner obligated to pay did not have the necessary moneys available,

2. The breach of duty was caused by a decision issued unilaterally and not binding on the other partner, or

3. Legal regulations or the contract so provide.

Article 85--Averting Breaches of Duty

(1) If a partner violates a binding duty or recognizes that such a violation threatens, he must adopt measures to overcome the difficulties with the aim of fulfilling his duty and averting further breaches of duty.

(2) If a partner recognizes that he is unable to meet his obligations or meet them in an orderly fashion, he must promptly inform the partner, citing the reasins and the measures adopted to remove the obstacles. If failure to meet a certain date is involved, he must cite the probable date of the performance.

(3) The other partner is obligated to adopt suitable measures to avert or minimuze the possible damage.

Article 86--Information about Causes and Material Interestedness

(1) The managers of economic units must ensure that the causes and conditions favoring breaches of duty are elucidated with the collaboration of the working people as well as in the utilization of the knowledge of state and social control organs, the resulting findings are evaluated and measures for the improvement of state discipline carried out.

(2) When applying the principle of material interestedness, the managers of economic units must take into account the fulfillment of contractual duties. In the case of breaches of duties by individual working people, the use of responsibility as per the labor code must be investigated.

Section 2--Breach of pre-contractual duties

Article 87

If one economic unit violates pre-contractual duties to another economic unit, it must compensate the damage caused thereby. Special legal regulations may specify contract penalties for breaches of pre-contractual duties.

Section 3--Unsatisfactory Quality of Performances

Article 88--Claims

(1) If one partner neglects the duty to effect a fair quality performance, the other partner is entitled to refuse acceptance or submit warranty claims and claim contract penalties and compensation for damage caused over and above the amount of such penalties, provided the defects occur within the legal warranty period.

(2) If the usability of the object of performance is impaired only slightly, the other partner is entitled only to claim warranty services.

Article 89--Refusal of Acceptance

(1) The customer may refuse acceptance if a performance is found to be defective by the time of payment but certainly not later than the end of the period allowed for payment or the time needed for special test procedures (such as joint quality testing, statistical quality control). The refusal to accept must be justified. It may be explained together with the refusal to make payment.

(2) If, due to the refusal of acceptance, the supplier is unable to observe the agreed schedule of performance or fulfillment becomes impossible, the legal consequences of delay or nonfulfillment arise.

(3) The refusal to accept does not affect the duty to receive the object of performance unless legal regulations provide otherwise. The supplier must promptly take suitable measures.

(4) If the supplier does not promptly take suitable measures, the customer may store the object of performance at the expense of the supplier, return it with the consent of the supplier, or accept it on commission. If the object of performance is perishable, the customer must initiate or carry out the best possible utilization in terms of national economic goals, while making sure he retains the proper evidence.

Notification of Defects

Article 90

(1) If, upon receipt of the performance or within the warranty period, the customer notes the absence of the prescribed or agreed or contractually presumed quality features (defects), he is obligated to notify the supplier of the defects and at the same time provide him with all the data required to assess and illuminate the facts, unless the supplier himself pointed out the defects,

(2) If joint quality testing is carried out, the result must be minuted. This minute replaces the notification of defect.

(3) Notification of defect must occur within 1 month from the ascertainment of the defect and in writing.

Article 91

(1) If the performance is effected by a third party designated in writing to the customer, the customer must notify the party to effect the performance as well as the third party.

(2) The notification by the customer issued to the third party is deemed also to be notification of his partner.

(3) If the notification of defect concerns a third party designated by the supplier or manufacturer to carry out warranty claims (contract workshop), the supplier and those economic units involved in the manufacture and sale of the object of performance are deemed to have been notified of the defect. That also applies if an end user notifies the contract workshop of the defect although the end user is not subordinated to the scope of this law.

Article 92--Consequences of Failure to Notify in Time

(1) The customer is entitled to raise warranty claims and claims for contract penalties and compensation for poor quality performance only if he ascertains the defect within the warranty period and has given the proper notice no later than 1 month after its expiry. Within the chain of cooperation this period extends by 1 month for every supplier.

(2) If quality testing is done by a special test procedure, the customer is entitled to claim for defects ascertained in this test procedure only if he gives the proper notice within 1 month after the test period provided. Different provisions may be made in legal regulations.

Article 93--Claims after Expiry of the Warranty Period

(1) The supplier is obligated to warranty service also for a defect noted after the expiry of the warranty period if it is proved that the defect is due to a crass breach of the duty to effect a high-quality performance, and the object of performance consequently has a shorter life or durability even when used properly.

(2) Given the conditions of paragraph 1, the State Contract Court may exceptionally award damages if the customer has suffered substantial disadvantages by the breach of duty.

Warranty Claims

Article 94

(1) The supplier is obligated promptly to remove the defects notified (mending). The partners may agree that the warranty claim may be met by effecting a sound performance (replacement) or a reduction in the amount of the invoice, consonant with the extent of the reduction in use value (reduction). In case of replacement, the customer is obligated to return the defective object at the expense and risk of the supplier unless the partners have agreed otherwise.

(2) The duty to mend is independent of the supplier's acknowledgment of a warranty liability.

(3) If mending is not possible in the prescribed period, or if the warranted interests of the customer require another warranty service, the customer may claim replacement or reduction. He is entitled to exercise this right also if full usability fails to be restored by mending.

(4) A set period is to be agreed for mending or replacement. If nothing is agreed, the set period is 3 weeks, beginning with the notification of the defect. Legal regulations may provide otherwise.

(5) Mending stops the clock of the warranty period, from notification of the defect to the completion of mending. A new warranty period begins in case of replacement, starting with acceptance or implementation.

(6) Unless otherwise agreed, the customer is entitled to carry out mending if able to do so properly, and if this is in the interest of the economy. When the customer does his own mending, he may claim compensation for any costs incurred.

Article 95

(1) If it is impossible to carry out mending or replacement, or if it is impossible to do so at the proper time, and if the object cannot reasonably be used, the customer may withdraw from the contract. This withdrawal is limited to part of the performance if it is possible to achieve with the remaining part the purpose intended by the contract fulfillment.

(2) Withdrawal from the contract ends the obligation to effect the performance and counter performance. Whatever has already been performed must be returned at the expense and risk of the supplier

Article 96--Accessory Claims

(1) If, in connection with the exercise of the right to refuse acceptance or to request warranty services, the customer incurs any expenses, the supplier must compensate him.

(2) If the refusal of acceptance or warranty claims are unjustified, the customer must compensate the supplier for any costs incurred.

Article 97--Nonpayment and Interest Charges

(1) The customer is not obligated to pay for the performance if he refuses acceptance or requires warranty services. If acceptance is refused in part, or if warranty claims arise for only part of the performance and that part may be independently used, nonpayment must be limited to the value of the part affected by the breach of contract.

(2) If the customer has paid for unsatisfactory performance, interest is to be charged for the price paid either in full or in part from the time notification of the defect was made to the time the warranty claim was satisfied.

(3) In the case of replacement the partners may agree that the original price be repaid and the replacement invoiced.

Article 98--The Application of Regulations on Unsatisfactory Performances to Other Breaches of Contract

The provisions on unsatisfactory performances are to be applied mutatis mutandi if

1. A product other than the agreed product is delivered,

2. The volume supplied differs from the volume recorded in the waybills or invoice, unless an obvious part delivery is involved or a clerical or computing error obvious to the customer was committed,

3. The obligation to indicate distinguishably as stipulated in legal regulations or agreed in the business contract is not met.

Section 4--Lack of clear title

Article 99

(1) If the supplier fails to effect the performance to the extent stipulated and lacking clear title, the customer may refuse acceptance or require the supplier to remove the defect in title within a reasonable period. A period for the removal of the defect in title is to be agreed.

(2) If the supplier fails to remove the defect in title within the agreed or reasonable period, or if he states that he will not remove the defect in title, the customer may require reduction or, if he cannot be expected to use the performance even upon reduction, withdraw from the contract.

(3) Article 89 paragraph 2 applies mutatis mutandi to the refusal of acceptance; article 95 paragraph 1 and article 104 paragraph 1 apply mutatis mutandi to withdrawal from the contract.

Section 5--Unpunctual performance

Article 100--Delay

(1) A partner is in default if he fails to effect a performance, ancillary performance or cooperative action by the date or within the period stipulated, or fails to accept a contract appropriate performance offered.

(2) In the case of delay with regard to the performance or the acceptance of the performance, a contract penalty is payable, and the damage suffered over and above the amount of the penalty is to be compensated. That also applies to the nonobservance of an intermediate date unless otherwise provided in legal regulations.

(3) If the object of performance cannot be punctually dispatched due to the lack of dispatch instructions by the customer, a contract penalty is to be paid by the latter as in the case of failure to accept. It is payable from the agreed delivery date and any damage suffered over and above the amount of the penalty to be compensated.

Article 101--Withdrawal

(1) The customer may withdraw from the contract if contract fulfillment loses its purpose due to the default of the supplier, especially if the object of performance can no longer be appropriately used by the customer.

(2) Withdrawal is effective only if the performer is notified before the fulfillment of the performance obligation. If the supplier has informed the customer of a potential delay in performance, the latter may notify withdrawal only within 2 weeks of that notification. If the supplier is obligated to dispatch the object of performance, the notification of withdrawal must be in the hands of the supplier by the time of dispatch. In any case article 95 paragraph 2 and article 96 apply.

Article 102--Early Performance not Agreed Upon

If there is no agreement on early performance, the customer may refuse acceptance of an early performance and refuse payment until the date or period stipulated for the performance. In any case article 89 paragraphs 3 and 3 and paragraph 96 apply.

Section 6--Incomplete performance

Article 103

(1) If a performance is not effected so complete as required for contract appropriate use, the customer may refuse acceptance and payment until completion. Articles 89, 96 and 97 apply mutatis mutandi.

(2) If an incomplete performance is accepted, the supplier is obligated promptly to complete the performance, in case of delay to pay contract penalties and compensate any damage incurred over and above the amount of the penalty. The customer may refuse payment. Articles 97 and 101 apply mutatis mutandi.

Section 7--Nonfulfillment

Article 104

(1) If a partner fails to meet his performance obligation or meets it in part only, he must pay the other partner a contract penalty and compensate him for any damage suffered over and above the amount of the penalty.

(2) Nonfulfillment is present in particular

1. If the performance becomes impossible,

2. If, on the basis of legal regulations or contractual agreements, fulfillment is permissible within a certain period or by the end of a certain time, and no performance was duly effected,

3. If the competent state organ fodbids the supplier to meet the obligation,

4. In the case of nonacceptance,

5. In case the customer withdraws due to late or incomplete performance.

Section 8--Other breaches of duty

Article 105

(1) If, in the case of a potential delay or potential nonfulfillment, one of the partners fails to meet his obligation to inform the other partner as per article 85 paragraph 2, he is obligated to pay a contract penalty and compensate any damage arising from the failure to notify over and above the amount of the penalty insofar he is released from the legal consequences of delay or nonfulfillment.

(2) If, at the end of the utilization relation, a user fails promptly to return the object used, he must pay a contract penalty and compensate any damage suffered over and above the amount of the penalty. The lender's claim to the agreed compensation for use is not affected thereby.

(3) If a partner violates contractual duties but no contract penalty is stipulated or agreed for such violations, he is obligated to compensate the damage caused.

Section 9--Contract penalty

Article 106

(1) The contract penalty is a previously determined amount of money and, in the case of breaches of duty, compensates for the damage normally expected to arise.

(2) The duty to pay the contract penalty stands even if the damage suffered by the partner is less than the contract penalty or the amount of damage is not ascertainable.

(3) Exceptionally the contract penalty may be reduced if the individual circumstances, especially the extent of the efforts of the obligated party to deal with the circumstances obstructing contract fulfillment, justify his behavior following the breach of duty and the ratio of the contract penalty to the damage suffered.

Section 10--Compensation for damage

Article 107

(1) Compensation equalizes the material disadvantages suffered by the partner as a result of the breach of duty. This includes loss of or damage to assets, costs arising in the reduction or removal of the damage and the loss of profits as well as the amounts of contract penalties and compensation paid due to the breach of duty (right of recourse).

(2) Compensation for damage is effected by the payment of a money amount. Restoration of the original condition may be required instead of a money payment, provided that this is a reasonable request.

(3) If it is possible to ascertain the amount of damage only by incurring unjustifiable costs, it is to be estimated while taking all circumstances into account.

(4) Compensation may be reduced by the appropriate application of article 6 paragraph 3.

Section 11--Compensation for expenses incurred

Article 108

(1) Compensation for expenses incurred equalize the material disadvantages suffered by one partner. The actual costs may be claimed as compensation, provided they were justified in the circumstances.

(2) Compensation for expenses incurred must be rendered by a money payment. The partners may agree that costs be repaid in the form of a fixed amount or as a percentage of the value of the performance (compounded compensation for expenses incurred).

(3) Article 106 paragraph 3 and article 107 paragraph 3 apply mutatis mutandi.

Chapter 2--Responsibility for the breach of state discipline

Article 109--Principle

(1) Economic units in breach of state discipline by crass neglect of their duties by

1. Delaying or refusing the conclusion of contracts or permitting contract arrears,

2. Concluding contracts or effecting or having effected performances not based on state plan decisions and other required state decisions, or, without a delivery contract, manufacturing products for which sales have not been ensured,

3. At the conclusion or fulfillment of contracts violating legal regulations on energy and materials management, including secondary raw materials and stockpiling management,

4. Failing to ensure the usability of their products or performances, or

5. Demanding unlawful economic benefits, accepting promises, accepting, promising or granting favors or threatening prejudice or without justification demanding the priority conclusion of contracts,

may be held liable (taking into account other measures to ensure state discipline) to pay an amount of money to the state budget (economic penalty). The economic penalty is determined by decision of the State Contract Court.

(2) A breach of duty is deemed crass if the way it is committed reflects an infringement of the basic principles of socialist management and planning, or if it is committed although substantial adverse economic effects were foreseeable.

(3) Combines may also be obligated to pay an economic penalty if they fail altogether or at the proper time to adopt the decisions needed for the planned conclusion

and fulfillment of the business contracts or take decisions in contravention of the unity of plan, balance and contract. This regulation also applies to state organs operating according to the principle of economic accounting.

(4) The managers of economic units must explain the imposition of an economic penalty within the framework of reporting to the working people or on other suitable occasions; they must also carry out measures to improve state discipline. Article 86 applies mutatis mutandi

Article 110--Other Provisions on Economic Penalties

(1) An economic penalty may amount to up to M500,000.

(2) Proceedings to determine an economy penalty may not be initiated after the end of the year following the breach of duty.

(3) Appeals against the imposition of economic penalties are permitted.

(4) Legal regulations may provide for economic penalties with regard to other offenses against state discipline in the conclusion and fulfillment of business contracts. Regulations on economic penalties require the consent of the chairman of the State Contract Court.

Part V--Other Provisions on Business Contracts

Article 111--Principle of the Statute of Limitation

(1) At the end of the periods stipulated, claims can no longer be enforced with the aid of the State Contract Court (statute of limitation). Accessory claims lose effect no later than the primary claim.

(2) A performance effected after the period of limitation cannot be reclaimed for superannuation of the claim.

(3) If weighty reasons are present, the State Contract Court may adjudge a claim beyond the statute of limitation or enforce satisfaction of the judgment after the end of the period set for satisfaction of the judgment.

Article 112--Period of Limitation

(1) For warranty claims, accessory claims, interest claims and contract penalties the period of limitation is 6 months. For all other claims the period of limitation is 1 year. Legal regulations may stipulate different periods of limitation.

(2) Any change in the period of limitation by contractual agreement is inadmissible.

Article 113--Beginning of the Period of Limitation

(1) For all claims arising from failure to supply an appropriate quality performance the period of limitation begins on the first day of the month following the day notification of defect was made. If the contract penalty for inappropriate quality performance increases with the passage of time, the period of limitation

begins as it does in cases of delay. The period of limitation for contract penalty claims due to other breaches of duty begins on the first day of the month following the beginning, in the case of delay the end of the breach of duty.

(2) The period of limitation for all other claims begins on the first day of the month following the day the claim may be asserted or could have been asserted in orderly proceedings. The period of limitation for recourse claims begins on the first day of the month following the payment by the party entitled to recourse or the beginning of the effectiveness of the judgment pronounced by the State Contract Court, another court or abitration court.

Article 114--Interruption and Estoppel of the Period of Limitation

(1) The period of limitation is interrupted by the written acknowledgement of the claim. A new period of limitation begins on the first day of the month following the acknowledgement.

(2) The period of limitation is estopped for that time that proceedings with regard to the claim are pending at the State Contract Court.

(3) The period of limitation for claims arising from unsatisfactory performance is estopped for the time from the notification of defect to the satisfaction of the warranty claim or until the declaration by the obligated party that he refuses satisfaction of the warranty claim.

Article 115--Statute of Limitation with Regard to Execution

(1) The execution of a State Contract Court judgment cannot be claimed after the lapse of 1 year.

(2) The period of limitation begins on the first day of the month following the beginning of the effectiveness of the judgment but not before the claim is due.

(3) The period of limitation with regard to execution is estopped by the initiation of the execution. It begins again on the first day of the month following the conclusion of the execution of the judgment.

(4) The period of the limitation of execution is estopped for the period in which a review proceeding with regard to the claim to be executed is before the State Contract Court.

Article 116--Observance of a Period

If a period is prescribed for the submission of a statement, the period is deemed observed if the statement is handed over to the German Postal Service within that period for forwarding. In case of doubt the date stamp of the German Postal Service is deemed the date of handing over.

Part VI--Transitional and Concluding Regulations

Article 117--Implementing Legislation

(1) The Council of Ministers will issue implementing decrees. It is authorized to expand the scope of this law.

(2) In coordination with the managers of the competent central state organs the chairman of the State Contract Court will issue implementing regulations on this law as well as the legal regulations enacted on its basis.

Article 118--Effect on Contracts Concluded

This law applies to all business contracts to be fulfilled once it has taken effect.

Article 119--Effective Date

(1) This law takes effect on 1 July 1982.

(2) Losing effect on the same day are

1. The law of 25 February 1965 on the Contract System in the Socialist Economy (Contract Law)--(GBl I No 7 p 107),

2. The First Implementing Decree of 25 February 1965 on the Contract Law--Contract Penalties and Price Penalties--(GBl II No 34 p 249),

3. The Second Implementing Decree of 25 February 1965 on the Contract Law--Inclusion of Private Enterprises in the Contract System--(GBl II No 34 p 250),

4. The Third Implementing Decree of 13 December 1973 on the Contract Law--Business Contracts on Scientific-Technological Performances--(GBl I 1974 No 4 p 37),

5. The Fourth Implementing Decree of 16 May 1973 on the Contract Law--Business Contracts on the Assurance of Exports and Imports--(GBl I No 39 p 277),

6. The Decree of 28 August 1975 on the Amendment of the Fourth Implementing Decree on the Contract Law--Business Contracts on the Assurance of Exports and Imports (GBl I No 38 p 653),

7. The Second Decree of 27 July 1978 on the Amendment of the Fourth Implementing Decree on the Contract Law--Business Contracts on the Assurance of Exports and Imports--(GBl I No 25 p 283

8. The Sixth Implementing Decree of 13 July 1972 on the Contract Law--Business Contracts for the Supply of the Public--(GBl II No 45 p 515),

9. The Decree of 21 July 1978 on the Amendment of the Sixth Implementing Decree on the Contract Law--Business Contracts for the Supply of the Public--(GBl I No 25 p 283, Adjustment No 32 p 364),

10. The Seventh Implementing Decree of 22 April 1965 on the Contract Law--Business Contracts of Socialist Farm Enterprises--(GBl II No 63 p 431),

11. The Eighth Implementing Decree of 12 October 1978 on the Contract Law--Business Contracts within the Framework of the Reproduction of Basic Assets--(GBl I No 37 p 397),

12. The Tenth Implementing Decree of 15 September 1972 on the Contract Law--Inclusion of Private Artisan Building Enterprises in the Contract System--(GBl II No 54 p 600),

13. The Decree of 12 March 1970 on Cooperation Associations (GBl II No 39 p 287),

14. The Decree of 26 January 1978 on the Assurance of the Unity of Plan and Contract at the Conclusion and Fulfillment of Business Contracts--(GBl I No 6 p 85).

The preceding law, enacted by the People's Chamber of the German Democratic Republic on 25 March 1982, is hereby proclaimed.

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CSO: 2300/254

## BRIEFS

SCHWARZE PUMPE ACCIDENT CAUSE--"According to Eckhard Klingeberg, deputy chief of the national office for technical supervision and head of the expert commission for investigating the accident in the Schwarze Pumpe Gas Combine, the cause of the explosion on 22 February 1982 has been completely clarified." In thorough scientific analyses scientists established that the accident was caused in the process of gasification, which cannot be influenced by the operators. As an inflammable gas-oxygen mixture was generated. In the meantime all the necessary technical prerequisites were created to avoid the recurrence of such an accident, and various measures were taken to upgrade the workers' and production safety in similar installations in other fields of the national economy. Considerable progress has been made in the reconstruction of the destroyed facilities in the Schwarze Pumpe Gas Combine. [Summary] [AU290929 East Berlin NEUES DEUTSCHLAND in German 28 Apr 82 p 1]

CSO: 2300/266

## OFFICIAL DESCRIBES FOREIGN TRADE BANK'S BUSINESS POLICY

Budapest MAGYAR HIRLAP in Hungarian 8 Apr 82 p 7

[Interview with Sandor Demcsak, managing director of the Foreign Trade Bank, by Maria Lakatos; no place or date given]

[Text] The MKB (Hungarian Foreign Trade Bank, Inc.) is one of the less well known organizations in Hungarian financial life. The past year brought a significant change in the life of this money institute when it received a place in the granting of investment credits for expanding the production of exportable products. Beginning this year, it can also grant loans in other fields. We spoke with Sandor Demcsak, managing director of the bank, about the work of the institution and the possibilities afforded by the new rights.

[Question] The MKB is not only a commercial but also a foreign exchange bank. How do these two factors determine the policy of the business?

[Answer] Our business policy reflects the bank's two spheres of tasks. One is to provide economic nurturing in foreign trade business transactions and production cooperations. This expression embraces multifaced work: the organization of operations, the coordination of activities by partner enterprises, advisory work, and so forth. I would concisely characterize our business policy that is related to this by saying that we would espouse any transaction that has the goal of improving our international payments balance. primarily in convertible exchange. As a foreign exchange bank we conduct the financial part of foreign trade transactions, take up credits abroad, or make loans abroad as well as at home. Since 1968 we have adapted a special credit type in Hungary: the domestic foreign exchange credit. One type is the so-called processing foreign currency credit.

[Question] What does this technical expression include?

[Answer] Let us take a simple example: knitting machines are idle somewhere because of a shortage of thread. We grant foreign exchange credit for buying the thread, and then from the export of the items they manufacture--pullover sweaters, clothes--the credit and interests are recovered, and the enterprise makes profits.

[Question] This example from the light industry cannot be accidental...

[Answer] That is right. We have extended a great deal of processing foreign currency credit in this sub-branch.

Machine Leases

[Question] One of the special types of foreign trade transactions is leasing, which for a long time was a red rag to the authorities. Has the situation changed any?

[Answer] In recent years we have succeeded in gaining the acceptance of leasing, or of the lease of foreign machinery. In essence, this transaction replaces investments in those cases where an enterprise has need for the machine or equipment only temporarily. Most frequently because of the rapid physical and value obsolescence, however, it is provided for in the contract that with the expiration of the lease time, the machinery--after payment of the minimal remaining value--will pass to the ownership of the user.

Both forms of leasing--in the West the first is called operative leasing and the second financial leasing--make it possible rapidly to start the profitable manufacture of promising products, articles of fashion, for example, without affecting adversely the long-term investment program of the enterprises. Of course, the business will pay only if during the period of the lease there is the prospect of significant profits and a secure market. It would help a great deal, and we are holding discussions on this, if a joint financial leasing enterprise were established with foreign partners for conducting the transaction. At the same time, such an enterprise could also organize the leasing of Hungarian machinery abroad.

[Question] It is already the second year that the MKB is extending credit for the production of export-expanding commodities. Have you been given a free hand by the National Bank to judge the requests?

[Answer] Under 13 million forints we make our decisions independently. In loans exceeding that amount we consult with the National Bank. The conditions--interest rate, expiration time, and economic indicators--are in accord with National Bank credit loans.

Linked Transactions

[Question] Besides the Hungarian National Bank, your bank and the Central European International Bank also grant loans to enterprises. Do the firms avail themselves of making a choice?

[Answer] I have already indicated that for the time heing our authority moves within certain limits, and our credit budget is also rather limited. For this reason, we cannot do too much advertising. But still, many firms turn to us. Now we can support only the outstanding economic applications.

[Question] The complaint is frequently made that it takes an excessively long time before an application results in money. How long does it take the MKB to make a decision?

[Answer] It takes a maximum of 30 days if the application follows the instructions. We help in particular the small and medium size enterprises which are only now starting to export to fill out the forms in a competent manner.

[Question] Beginning this year, the bank has been extending forint credits in certain areas. Does this possibility change your business policy somewhat?

[Answer] We can continue to support with forint credits those foreign transactions we helped establish and nurture. An example of this is the recently modified export main enterprise system in which we participate with working capital credits both at home and abroad. In my opinion, the development of this extremely important branch of business is hindered by the fact that in Hungary we have not as yet developed the flexible primary contracting organizational forms which correspond to the so-called engineering offices abroad. Thus credit does not solve everything, but undoubtedly we can help enterprise undertakings.

Credit in Forints

[Question] The present foreign economic situation is not favorable to commercial and related financial programs. How can a Hungarian commercial bank bridge the difficulties arising from this situation?

[Answer] The economic crisis is regularly retarding economic relations, and marketing possibilities are being narrowed. Regression is taking place as compared to formerly freer commerce, and most countries buy only from those to whom they can sell. Once again, emphasis is being placed on the so-called linked transactions, or various forms of offset transaction. This is still playing an insignificant role in Hungerian foreign trade. But according to our experineces its importance will increase in the 1980's. Not only developing countries but also the large capitalist firms are linking export and import transaction more and more often.

[Question] One of the disadvantages of linked transactions is that it is difficult to find the appropriate offset purchases.

[Answer] In such cases the MKB is of assistance to both the producer and the foreign trade organization. For example, it undertakes the buying up obligation and coordinates the transaction through the importers. Offset purchases of foreign soft-drink concentrates (Coca-Cola, Pepsi-Cola, and so forth) already count as traditional offset purchases. Less well known are the transactions related to the purchase of computers where among our partners are such well-known firms as Siemens, the ICL and CII-Honeywell Bull. We would like primarily to encourage the export of Hungarian machinery with offset purchases. Our efforts in this direction have been recently most successful in such distant markets as New Zealand and Uruguay.

[Question] Events in recent years have thoroughly turned the financial world upside down. How does the managing director of a Hungarian foreign trade bank see the present situation of the world economy?

[Answer] If I had to answer that question with one word, I would say gloomily. I do not agree with the optimistic forecasts of the foreign business-cycle research institutes, according to which a recovery will occur in the capitalist countries in the second half of the year. In my view, the crisis will continue to worsen and could easily develop into a deep financial crisis. The financial situation of the developing countries is particularly critical. We need a comprehensive debt arrangement for the developing countries and a positive international financial unity in place of what exists at present.

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CSO: 2500/198

## COMPETITION PROMPTS TRADE PRACTICE PROBLEMS

Budapest FIGYELO in Hungarian 7 Apr 82 pp 1, 7

[Article by Dr Emil Varga: "Rules of the Game"]

[Text] The economic competition is perking up in Hungary these days. We can at least expect broader development of the competition with the initiation of the new economic organizational formats (small enterprise, subsidiary enterprise, small cooperative, industrial and service cooperative speciality group, economic working partnership, etc.) and with the breaking up of the earlier major enterprises and trusts.

In economic competition, enterprises react more sensitively to the not entirely correct behavior of their competitors. But how far along are we with the legal regulation of improper competition? And, after all, how many people know in Hungary today what improper competition really is? Law No 5 of 1923 dealing with unfair competition, retained on the books on its merit, contains the regulations which can be included under this heading. This was needed because of our contacts with foreign countries, but our country's joining the Paris Union Pact also justified it, since the union's countries were obligated to provide effective protection against unfair competition. The fate of the 1923 law in this country was the same as that of the economic competition, that is, in the direct planned economic system it lost its practical meaning. In the post-1968 years when there was some economic competition in certain areas, the courts had to make decisions in a number of suits brought because of unfair competition. As the fervor of competition died down, the number of suits also decreased.

Under the present circumstances a newly created statute would undoubtedly be more suitable, even though there are no obstacles to using Law No 5 of 1923, either. This is so because the law contains concepts such as decency in doing business, or good morals, which are also applicable under the present circumstances. This can be said especially about the section according to which business competition must not be conducted in a manner contrary to business fairness or in general, to good morals.

## Business Secrets

Among other things, the law forbids the disclosure of business or shop secrets, or their unauthorized use. This order must be mentioned because a phenomenon can be noticed nowadays which is close to what the law prohibits. In a number of cases, the employee of a trade enterprise looks to the manufacturer not only for the products being made for him but also gathers information about products being made for the competing enterprises. During the course of doing so he gathers information about the material, color and price of the products, that is, obtains information on topics of outstanding significance in economic competition. That is, there can be no doubt that the use of these data is unauthorized, nor that the data are being used for purposes of economic competition. There can be debate only on the issue of whether the data concerning the individual products constitute business secrets. If so--because the right of evaluation and decision in this question belongs to the affected enterprises--then their unauthorized use for the purpose of competition qualified as unfair competition.

Much is being said nowadays about soft competition, and in connection with it, about the shortcomings and lack of legal regulation. (See: FIGYELO No 50, 1981). We also had occasion to read recently that the head of a research institution working on computer technology forbade its employees to be members in civil law partnerships. Issuing this prohibition took place not expressly to protect the software but in order to prohibit the use elsewhere of the information obtained. In this respect, the regulations of the statute prohibiting unfair competition are too generalized, and thus are not sufficiently suitable to protect the software. This is so because steps can be taken against an outsider only if it can be proven that he knew that the software which constitutes a business secret was given to him in an unauthorized manner. It would be improper to enter into an argument with the expressed viewpoint, but there can be no doubt that as long as there is no specific legal regulation to cover software, the opportunities provided by Law No 5 of 1923 must be utilized.

Advertisements promising figts for the customers, or the opportunity to take part in drawings, in some cases with very valuable prizes, can also be mentioned as examples. Gifts given at the time of purchase are beginning to become popular in private retailing also, since advertisements have been seen indicating that the private retailer is promising gifts for his customers. Gift-giving can have disadvantageous consequences to the competitors as well as to the consumers, and because of this there are limiting regulations in effect in the various countries concerning the giving of gifts to shoppers.

## Look at the Teeth of a Gift Horse, Too

For example, France has a law which almost completely prohibits gifts to shoppers. Therefore, here only gifts of minor value and of similar character to the object of the purchase, and not significantly affecting the purchase price, can be given out. In the FRG according to a judge's decision gift-giving may be employed as advertising only if it is aimed merely as an attention-getter and does not want to replace the competition attaching to performance. The character of

the domestic regulation is also similar. One essential viewpoint in it is that the gift should not divert the buyer's attention from the essential characteristics of the merchandise purchased, and should not serve to cover up the faults of the merchandise.

Giving lottery tickets to customers and holding drawings began to spread in the 1970's and is becoming more and more general practice nowadays. Considering the many types of lottery possibilities and the large value of the prizes, it appears tha the enterprises in their advertising activities attribute great significance to lotteries. This cannot be considered the best solution, as appears from the position taken by the Ministry of Domestic Trade, published in 1973. According to this, the best method for increasing sales is high quality of merchandising work, especially offering appropriate merchandise in conformance to the demands of the consumers, for example.

One also cannot agree with the issuing of lottery tickets for high-value prizes because it surpasses the framework of practical advertising, and is of a lottery character. But not everyone takes this position seriously, because lotteries where the prize is a car or a trip to the Far East obviously exceed the framework of usual advertising. Apropos, the same viewpoints are in effect in connection with the prizes as with the gifts.

Before the liberation, judicial practice also considered it contrary to fair business practices to engage in competition based on the exploitation of the desire to gamble.

Fellow Competitors

Rather limited experience can be filtered out of the relatively small number of law suits filed in connection with unfair competition. This circumstance is also reflected in the legal literature and both the comprehensive works and the shorter articles published in connection with unfair competition, are describing only a few domestic examples. These are quite old, and are generally from the late 1960's or the early 1970's. This situation can also be explained by the fact that in the years mentioned, unfair competition was a frequent topic in the legal literature, but this cannot be said about the recent years.

Of course, it would be incorrect to state that nothing was said about unfair competition in recent years--as books were also published dealing with the topic--but due to the small number of cases which occurred, there was no significant interest.

The right of competitors to sue is worth emphasizing with respect to acts contrary to the rules of fair competition. All enterprises with the same or similar profile can be considered competitors, inasmuch as they can be considered interested in the business competition for the markets or with respect to other circumstances. Thus, in the sense of the statutory regulations only competitors are given the opportunity to take advantage of the opportunities provided byt the law. That is, to sue if they consider the activities of other enterprises

injurious to themselves. It seems that the regulations concerning unfair competition protect competitors, but indirectly they serve the interests of the customers, the consumers. It is necessary to emphasize this because there have also been examples in practice where the court rejected the suit because the quality as a competitor was not present.

Differentiation must also be made between those cases to which the 1923 law applies, and those for which there are other statutory regulations. The 1969 trademark law is one example of this. (This regulates the listed trademarks and defines, among other things, the conditions of trademark protection.) In contrast with this, Law No 5 of 1923, beyond the format of the trademarks, also provides protection to recognition marks and merchandize markings which are not covered by the effect of the trademark law.

With Borrowed Name

Thus the attention of the newly forming economic organizations must be called to the above-mentioned regulations, warning them to pay attention to the statutory prohibitions when chosing a name. But in the use of a name other statutory regulations must also be taken into consideration in addition to the ones mentioned above. Thus, for example, in the suit heard by the Capital City Courts, the plaintiff enterprise in the Hungarofruct vs. Interfruct case referred to the trade law written in 1875. Section 17 of this contains the provision that "each new firm must clearly differ from other firms already existing in the same locality or in the same town entered into the record of business firms."

The plaintiff firm further referred to the fact that its business name is a trademark registered in several countries. This is how it happened that a legal writ was received by Hungarofruct from the FRG in which they requested information on whether or not Interfruct was a subsidiary of it. The case described is an educational one, among other things also because it can be seen from it that in chosing the name of an enterprise the regulations of several statutes must be considered.

Another case was also in the courts in recent years because of the unauthorized use of a name, and with reference made to Law No 5 of 1923. Plaintiff found out that the respondent, a cooperative formed by the merger of several industrial cooperatives, selected the trade name Csaba Clothing Cooperative. Plaintiff found this identification identical with its own name--as already registered earlier--and thus contrary to its rights to the use of the name. Therefore it sued. In its defense, the respondent asked that the suit be dismissed. It did not argue that it took on the trade name in question later, but denied breaking the law by doing so because the two names are not identical, according to them.

Apart from the first name Csaba in the business names, the names of the litigants recognizably differ from each other, thus there is no basis for finding that the use of the name breaks the law. And since the parties are producing different products (rugs, and clothing items, respectively), the possibility of unfair competition is also nonexistent. The first court in its judgment prohibited the defendant from using the disputed name. According to the justification

of the decision the parties are performing their activities in the same geographic area (in Bekescsaba), and their spheres of activity are in the same general group of industries. The names of the two parties can be considered identical because the words following the designation Csaba merely explain the spheres of activities of the parties. On these basis it was found that by taking on the name Csaba and using it, defendant did break the law. (The Supreme Court also agreed with the decision and rejected the appeal.)

The Department Which Left

One more suit must be mentioned from the ones in the courts in recent years because presumably similar onces can also be expected in the future. In the case in question, the repair department of an enterprise based in Budapest had split off, and continued its activity as a department of a producer cooperative headquartered in the provinces. The head of the department knew the customers of his previous enterprise and sent invitations to them to establish business relations with him. In this invitation he informed them from which enterprise the unit which is now operating as a department of the producer cooperative had split off, and what repairs it accepts. Unquestionably, the procedure and method qualify as unfair competition and this circumstance cannot be argued by anyone. It is hoped that with the spread of the new economic organizational formats the newly created economic operating organizations will not use similar methods. Let business competition be fair, and let reaching this goal be both a social and individual desire.

8584
CSO: 2500/206

SHORTAGE OF PARTS CONTINUES TO PLAGUE AGRICULTURE

Budapest MAGYAR HIRLAP in Hungarian 31 Mar 82 p 7

[Article by Ivan Gador: "From Distributor to Seller"]

[Text] At harvest time last year the country was full of cursing (no one was in a good mood anyway because of the more modest wheat crop). Machinery stranded at the edges of fields and in the shops really angered those working in agriculture. Yes, the machines were idle (more than they should have) because there were no spare parts. Answers which could not exactly be called reassuring were given to the annoyed questions--because only this kind could be given. That is, the manufacturers of agricultural machinery did not even placate the Hungarian agriculture with promises. Only the general manager of a foreign firm promised 100 percent solution of the spare parts problem; perhaps because he knew that as of 1 January 1982 he would no longer be the head of the enterprise.

Seller's Market?

It is spring again, a time to review the machinery. And the heads of agricultural operations cannot rest easy this time, either. They have sent in their orders. But the amount and mainly the kind of machinery and spare parts will be far from what they would have liked. The versatile and useful 50 to 80 hp MTZ tractor is a shortage item, the smaller combines from the GDR are only a dream of desires for many, and there is not enough of the larger ones, either. On the other hand, the Soviet SZK [SK] combines are available; they have worked out well for Hungarian agriculture, but only those farms producing 4-5 tons of corn per hectare can use them successfully. Of course, there is a good number of such farms.

The desirability of lower capacity machinery has increased again. Eight or nine smaller MTZ tractors can be purchased for the price of one big Raba tractor, while the Raba's traction power is only three times that of the MTZ. And nowadays in most of the agricultural operations decreasing production costs is a question of survival. But such concepts must be handled carefully. A study was made in one of our major grain producing megyes about the spare parts inventories of the agricultural operations. The result is: the operations on the average have accumulated 4 million forints' worth of spare parts. This is really a significant item of financial burden. One does not need too

much imagination to find the reasons for this apparently irrational hoarding of inventories. A chronic shortage situation will give rise to such behavior.

That is, it appears that the problems have not changed. The question is whether the reorganization of agricultural machinery sales, and elimination of the AGROTROSZT [Agricultural Supply Trust; now defunct] will bring about any meaningful changes? Elimination of the trust with nationwide authority performing the function of distribution was truly timely; commerce will presumably do a better job of distribution, even if the seller's market--about which a "competent person" has recently made a statement--is not mentioned at all.

In the new system about 50 enterprises and organizations handle the sales of machinery and machine spare parts. The newly formed AGROTEK Enterprise is the importer as well as the domestic broker. Or, in the alternative, all sales enterprises may also directly contact the domestic manufacturers.... In connection with this, the general manager of one of the domestic industrial "giants" said this: "I trust that the newly established dealers will learn to coordinate their interests and ideas as soon as possible. Because if they do not learn to do it, we will have to teach them, like it or not." This is how a seller in a monopolistic situation talks. Obviously they do not need to moralize over the remark, but the more than 50 dealers will have to adjust themselves to the fact that this is how things are.

[Inscriptions on Figure: the bull: "Agriculture's Needs".
bullfighter: "Commerce"]

This is so because in this country as well as in the other socialist countries machinery and chemical fertilizer manufacturers continue to be in virtual monopoly positions. And this--even if we are glad to see some changes--determines the supply of machinery, chemicals, spare parts and service. Even though the manufacturers know here as well as in the neighboring countries: when they set up their production programs their eyes must be on the users--this is the modern thing to do. But the rest of it is dead silence. Due to the lack of competition there is no compelling economic force. Only promises at best. The new general manager of a firm in the GDR promises that the situation will improve in 1983-84; by then they will be producing less end products and more spare parts. The Raba and the many dealers are arguing. The factory says: they are producing, or would be producing enough if the dealers would place orders. The dealers would order more if they produced it. The truth must be sought somewhere else.

There Are Ideas

"Do it yourself, sir, if you have no servant" [Hungarian proverb], says Jozsef Karpati, general manager of the newly formed AGROTEK. And he makes deals with agricultural machinery enterprises and with the side business branches of TSZs [producer cooperatives]. They are producing spare parts in this country in the total value of 900 million forints; they get old tractors disassembled and rejuvenate the parts that can be reused from them. And the new general manager also buys new MTZ tractors. He offered all kinds of

agricultural machines made in Hungary to the Soviet foreign trade, and requested an additional 1,000 MTZs in return for them. The contract will be signed in a few days. This is the way it should be. Griping that the supply of machinery could be better is not enough; that there is not enough foundry, forging and other semifinished product manufacturing capacity in this country. We need ideas. Just because there will be 50 dealers this year selling machinery and spare parts, there will be no more machines nor more spare parts, nor more capacity in the support industry.

The situation is somewhat more reassuring on the chemical fertilizer and plant protection chemicals front. Over-all there are enough of both, even though the popular plant protection chemicals continue to be available only with proof of rational use. Supply exceeds demand in chemical fertilizers; 20 to 30 percent price discounts are being given. Now! And why now? The farms have already placed their orders for their spring needs last year, and these are being sold to them at full prices. Of course, one should not worry about agriculture because resourceful people are managing the farms. One after the other, the farms are cancelling their orders at AGROKER and placing the same orders at discount prices with the TSZKER [Producer Cooperative Supply Enterprise] or in the neighboring megye.

And it is actually a good thing that the farms can do this. It demonstrates that multichannel commerce is already working. Hopefully in the future it will have many good tools serving agriculture to make its work more successful. Price discounts, guaranteed services, customer service and many other things which were rare or poor quality guests in the agricultural machinery sales of the recent era.

Forgetting the 'Basic Numbers'

The situation is a bit different in the case of AGROTEK--and this is the definitive enterprise. It has no competition. If it wants to duplicate the profit levels of AGROTROSZT, its legal predecessor, it does not have much of a choice. Last year the trust's inventories were low and sales were high. This year also they could sell a good 9 billion forints worth of merchandise, the demand would be there for that much. But--this is what this "seller's market" is like--, they will do well if they can obtain 8 billion forints worth of merchandise from the manufacturers. That is, the sales cannot be increased. Of course, there are other ways to increase profits: like AGROTEK not giving price discounts, being tightfisted in dispensing guarantees, and right off they are in the money. Can it do that? No doubt it can. It is in its interest.

Of course we hope that this is not how it will be. If the heads of the new enterprise do not have to rivet their eyes on last year's "basic numbers," then in their properly interpreted long range interests also they can develop a healthy market policy which is also in harmony with the interests of the agricultural operations. Whether it will be this way or not, will be clear by the end of the year.

8584
CSO: 2500/209

## OBODOWSKI URGES REDUCTION OF DEPENDENCE ON WEST

Warsaw TRYBUNA ROBOTNICZA in Polish 22 Mar 82 p 3

[Interview with Dr Janusz Obodowski, Deputy Chairman of the Ministry Council and Chairman of the Ministry Council Economic Committee by Jadwiga Korzeniowska]

[Text] [Question] We have entered the first stage of the economic reform. It is an especially difficult and complicated period because of the state of our economy. At times we seem to be surrounded by chaos.

[Answer] The period is difficult mainly because of our economic crisis, not because we have entered the first stage of the reform. The crisis goes back to the 1970s, to the worldwide recession of 1973-74 and bad economic decisions at the time, but it has gotten worse as a result of the events between July 1980 and December 1981. The overnight reduction in work hours, an imbalance of wages and productivity, widespread violations of work discipline, anarchy, attempts to return to the nineteenth-century free market capitalism--yes, indeed, we lived in a chaos. We are now emerging from the chaos. But it is not easy. Many problems are new. Faced with the reform, especially a change into independent and self-financing enterprises, everyone must learn what to do. The enterprises feel a burden of independence. But it is a two-way street. The enterprises are independent, and yet they are dependent on others which are individually also independent. Now they all have a considerably better chance for turning a profit, but at the same time poor productivity will have even more drastic consequences than before. The enterprises can no longer count on the authorities to bail them out. They have to learn how to survive.

[Question] At present, with the shortages especially of imported raw materials, the independence of the enterprises is limited.

[Answer] But not as much as it could have been justified by the crisis or trade and monetary restrictions imposed by Western countries. The limitations on the enterprises are also a result of the centralized allocation of basic materials and raw materials, and of the assignments stipulated by the so-called 14 operational programs. As the flow of raw materials and technology improves, those limitations and compulsory assignments will be gradually removed. But for many enterprises this new situation will be a true test: Can they survive under new economic conditions?

A positive answer to this question will depend on economic effectiveness: Work productivity, full utilization of raw materials and other materials, energy conservation, improvement in the quality of manufactured goods, and individual initiatives and inventiveness. An enterprise where the management pushes paperwork and employees write petitions to the company headquarters will soon be out of business.

[Question] What is the major obstacle to the success of the economic reform? Our stormy reality has undoubtedly imposed various revisions on the earlier economic decisions. After all, flexibility is said to be one of those valuable characteristics that make for an efficient government.

[Answer] The economic reform is a means, not a goal in itself. The reform is meant to accomplish only one thing, that is, to bring about a radical improvement of our economic efficiency, to restore effective economic development. This is to be achieved in two ways: Through a system of incentives for enterprises and their work forces, and through structural changes in the economy, that is, mainly through establishing new social and economic priorities. After all, we are interested in providing enough food and apartments and in production profitability. Our success depends mostly on proper motivation. Objectively speaking, we have almost everytying necessary to recover economic balance. We have a well-educated society with necessary job skills. We have considerable natural resources. To be sure, we do not have every natural resource, but we have considerably more than, for example, Hungary or Switzerland. We have a large and still relatively up-to-date production potential. On the other hand, we have tremendous debts and increasing difficulties in purchasing basic supplies in the West. In the 1970s, we were maneuvered into a situation wherby our industry became considerably dependent on Western supplies and technology. We need time and a great effort in terms of organization, research, and development in order to restructure our economy, and to establish closer cooperation with our allies and partners in the CEMA. All of this can be accomplished if there is motivation to work, as well as more rapid and effective research and development which would allow us to transfer to our own technologies and to the technologies used in the CEMA countries.

We should be able to see an improvement as early as this year although it will be off to a slow start.

[Question] What economic aid can we expect from the Soviet Union and our socialist allies? During the economic blockade imposed by the capitalist countries which used to be our most important partners, and without additional aid from our socialist allies, it will be difficult to overcome our political and economic crisis.

[Answer] I will mention two things. First, we are receiving direct aid, including means of production and manufactured goods, either on credit or, in some cases, as nonrepayable loans. This aid is very helpful, but it will not last forever. We cannot and should not expect our partners to play good daddy at the expense of their own people. As our government said in the summer of 1981, no one is going to support a nation of 36 million. Nevertheless, as part of the aid, we receive many necessary items, for example, some raw materials, grain, various foodstuffs, and toiletries.

But in the long run, it is more important for us to expand our cooperation with our socialist allies. This cooperation should include:

--Direct cooperation between enterprises, which will allow for increased specialization and extended production. Consequently, it will increase the production range and improve the utilization of production potential.

--Processing of raw materials and other materials, supplied by our allies. Some of the manufactured goods will be returned to the supplier, and some will be retained here as payment for the processing. During the next several days, our chemical and textile industries will begin this kind of processing service.

--Joint investments in Poland (especially those involving a joint completion of construction projects which had to be suspended because of limitations on investment spending) and in the Soviet Union where we will participate in the construction of mining installations in exchange for raw materials for our industry.

--Shipments of parts and components to Poland, which are necessary to complete important export commitments in our trade with the Soviet Union, including export of ships.

These actions, undertaken jointly with the socialist countries, especially the Soviet Union, should facilitate the rebuilding of our economy. We will also limit our dependence on the Western countries. As it turns out, some of those countries strive to turn economic and monetary policies into a political weapon.

[Question] One could say that a great deal is being done to improve the economic situation of the country, but public opinion still does not have a complete picture of these endeavors. How do you evaluate the news media coverage of economic affairs? It is a fact that wrong interpretations of phenomena and processes produce rumor and hearsay which may lead to serious social perturbations.

[Answer] I would prefer not to act as a judge of the mass media. I can merely suggest what I consider the basic role of the mass media.

First, I see them as a means of providing economic know-how which is still at a low level in our society. I am talking about knowledge of general economic laws, concrete facts including the socioeconomic situation of our country, international relations, etc. Unfortunately, there are still many shortcomings in the coverage of these issues. Some problems arenot presented clearly enough. One of those problems has to do with minimum wages and benefits which can be used only as a general guideline for socioeconomic policy, not as the guaranteed minimum for everyone with no relation to one's individual qualifications and productivity. Sometimes our reporters do not have the necessary capabilities or perhaps are not even willing to refute widespread myths or false beliefs. According to those myths, the gap between salaries is too great in Poland, and salaries of government officials are excessively high, while

in fact we are becoming a country of the most leveled salary structure in Europe. And the wages of a bus driver or a PGR [State Farm] foreman are equal to or higher than the salaries of high administrative officials. Making extreme generalizations, based sometimes on false information, is another frequent trespass, as in the case of the news story about men's suits from a Cracow factory, allegedly priced at 12,000 zlotys each.

Moreover, news should be interpreted in a trustworthy manner. The news media should earn the trust of their audience, telling them the whole truth, avoiding cheap sensationalism and easy popularity.

Second, our economic policymakers should present basic problems in their areas, and they should answer people's questions and clarify their doubts. In my opinion, radio and television broadcasts on price increases and salary supplements, aired in recent months, were a good example of the programs I have in mind.

Third, the news media should be a place where public opinion could voice its views, where people would feel free to discuss problems of economic policy from various points of view. This is very useful for both our economic policymakers and for the society. Consequently, I regret that during the past weeks there have been no more television debates of economic issues.

[Question] There is, you would agree, a dangerous belief. It is a widespread and groundless conviction that whether or not human needs and aspirations are satisfied depends only on the whim of the authorities and has nothing to do with work productivity. Incidentally, this belief was systematically and deliberately fanned by Solidarity leaders and many of the union advisers. These are the facts.

[Answer] It is enough to recall the problem of shorter work hours, accompanied by increasing wages; protests against all price hikes and demands for increased supply of goods to the market; the problem of working Saturday shifts in coal mines and demands for a full supply of coal and electric energy. Partially responsible for this state of national awareness is also the naive propaganda of the 1970s, which on every occasion spelled out that "the state provides," "the state subsidizes," or "the state will take care."

This dangerous development can be overcome in two ways. Either all of us--the administration, reporters, economists, economic policymakers--can convince the society that an economic recovery is possible only when productivity improves. Or the society as a whole will find out the hard way that there is no playing with economic laws. There will not be more goods on the market and they will not be cheaper if there is no increase in productivity and production. Printing more money is not going to feed the people. Philosophers say that nature is cruel, but not malicious. The same may be said about economic laws. If we will learn to use them, the situation will improve faster than we might expect.

[Interviewer] Thank you for the interview.

9852
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BASICS OF 1982 SOCIOECONOMIC PLAN PUBLISHED

Warsaw RADA NARODOWA GOSPODARKA ADMINISTRACJA in Polish No 1, 8 Feb 82 pp 38-41

[Article by Alfred Musial: "Basic Assumptions of the 1982 Central Socioeconomic Plan"; portions within slantlines published in boldface]

[Text] The 1982 plan emerged under special conditions. Economic results in 1981 remained under the influence of a deepening crisis. National income dropped sharply by about 14 percent, industrial production by about 13 percent, and production of a number of basic raw and other materials and finished products has dwindled. Of crucial importance here is the drop in coal production to 163 million tons, i.e., 30 tons lower than in 1980. And so the start toward implementing the 1982 plan was exceptionally difficult. It was accompanied by a good deal of uncertainty concerning the final form of the many basic premises of the plan and socioeconomic factors. The plan also had to take into consideration the changes introduced in the economic model and the function of enterprises as a result of applying economic reform. In this situation, there was no want of people in favor of postponing the preparation of the 1982 annual central plan to a later date, for example, after the completion of the first quarter of 1982 when there would be fewer unknowns and the central planning aparat would have much better and more certain information resources. Other views and opinions, however, prevailed in the end. A decision was made to complete the preparation of the 1982 plan on the assumption that even postponing the scheduled time for the end of the first quarter would not decide beforehand the forming of many of the basic variables; for example, the amounts of foreign credits, and hence import capabilities of the economy remain an open question practically until the end of the year. Postponing the preparation of the plan also has some negative consequences and leads to a fortuitous dispersion of decreasing resources. In this situation, it was /decided that the 1982 plan would be prepared in two variants:

/I--envisaging a check of present falling trends, stabilization of the economy and initiation of a start in some areas of the economy. This variant foresees a 1 percent increase in industrial production and total agricultural production at the 1981 level,

/II--this is a more ambitious variant which foresees the country beginning to get out of its economic crises. It is characterized by a 4 percent increase in industrial production and a 1.5 increase in total agricultural production./

This plan was prepared at the Planning Commission at the Council of Ministers with interested ministries participating between November and December of last year and then ratified by the Council of Ministers on 11 December 1981.

The declaration of martial law in Poland, although it brought along with it a number of new facts and phenomena, did not change the fundamental conceptions of the central plan for 1982. Hence, these conceptions continue to remain topical.

/The 1982 Socioeconomic Central Plan contains three parts:

/a forecast-information/ part containing estimates of the basic amounts comprising all aspects of the economy, forecasts of production as well as industrial results, agriculture and other activities of the national economy, forecasts of labor and employment, changes in the foreign-trade situation and in the domestic market, as well as the balance of the most important fuels and raw and other materials.

/a decision/ part that contains central decisions comprising all aspects of the economy dealing with central investments, the development of education, culture, health care and social expenditures. The decisionmaking part of the plan also defines the goals, tasks and means of implementation of operational programs.

/a part defining the economic instruments and mechanisms in the functioning of enterprises;/ moreover, the basic principles in the functioning of enterprises in 1982 comprising the essential part of the plan have been defined in the resolution of the Council of Ministers on 30 November 1981, and subsequently modified by Resolution No 278 of the Council of Ministers of 30 December 1981 in the matter of the functioning of the economy in the time of martial law.

Estimates of the basic amounts comprising all aspects of the economy accepted in the 1982 plan in the area of industry, agricultural and food economy, foreign trade, investment and the domestic market are as follows:

Industry--Checking the Drop in Production

The fundamental task in the sphere of industrial production in 1982 will be to check the trend of falling production and, then, to bring about a certain increase in industrial production. At the same time, structural formations in production, having as their goal a better adjustment of goods produced for the needs in implementing socioeconomic priority goals, would be achieved.

The quantity of industrial production would be formed under the influence of three main factors: labor time, supply of raw and other materials, and the quantity of imported resources. In 1982, the factor of production will be a less important check, set forth, as it is, in precisely defined operations. The more frequent phenomena will be the incomplete utilization of production capabilities because of the lack of supplies. This will be especially true in the electromachine, light and chemical industries. In this situation, the

dimensions of production will depend on the effectiveness in utilizing the remaining resources at hand.

The key problem in industry will be structural transformations enabling an increase in the production of goods for satisfying the needs of operational programs that have been undertaken. Of essential importance here will be an increase in the production of production resources for agriculture and food economy, as well as for clothing and footwear. A 14 percent increase in the production of machines, agricultural equipment and tools in contemplated, and about a 10 percent increase in the production of wheeled tractors; drugs, about a 15 percent increase; laundry detergents, a 7 percent increase; soap, about a 12 percent increase; clothing and footwear for children, in the range of a 10 to 20 percent increase.

The proposed structural changes, indispensable from the point of view of implementing the plan's social goals, also have some definite negative effects. These changes particularly concern the need to limit significantly, and in extreme cases to stop, production of an investment nature (machine tools, railroad cars), durable goods of a high import-intensiveness (electronic household goods, refrigerators, washing machines, passenger cars) and consumer goods, light and chemical industries (clothing, especially for adults), and the like.

Amount of Industrial Production

| | Variant I | | Variant II | |
|---|---|---|---|---|
| | 1982 | 1982/1981 | 1982 | 1982/1981 |
| Fuel and energy | | | | |
| Hard coal /millions of tons/ | 170 | 104.6 | 175 | 107.7 |
| Brown coal /millions of tons/ | 38 | 104.1 | 38 | 104.1 |
| Coke from hard coal /millions of tons/ | 17.6 | 98.5 | 17.7 | 99.3 |
| Refining of crude oil /millions of tons/ | 12.5 | 90.9 | 13.4 | 98.8 |
| Electrical energy /billions of kilowatt-hours/ | 116 | 101.8 | 118 | 103.5 |
| Basic raw and other materials | | | | |
| Rolled products /millions of tons/ | 10.2 | 94 | 10.5 | 96.8 |
| Copper /thousands of tons/ | 320 | 96.4 | 330 | 99.4 |
| Cement /millions of tons/ | 16.2 | 114.1 | 16.2 | 114.1 |
| Coniferous timber /millions of meters$^3$/ | 5.3 | 101.7 | 5.5 | 105.6 |
| Paper /thousands of tons/ | 977.6 | 107.1 | 977.6 | 107.1 |
| Sulphur /millions of tons/ | 4.8 | 101.3 | 4.8 | 101.3 |

Two Basic Phenomena in the Food Economy

Two basic phenomena will shape the situation in the food economy in 1982:

--a significant reduction in the number and production of livestock in 1981 caused by the 1980 crop failure of basic crops, especially potatoes and grain;

--a limit on imports of raw materials and agricultural goods resulting from our country's payments situation overall.

In 1981, relatively favorable results were obtained in crop production. From the point of view of domestically produced fodder stocks, there was a chance of checking the falling trend in animal production in the 1981-1982 economic year.

In 1982, however, it will be necessary to reduce the supply of concentrated fodder from state stocks because of a lack of resources for grain imports and the low procurement of grain from 1981 harvests. A factor in alleviating the drop in the supply of fodder from state stocks will be an increase in fodder stocks of private farmers. It is not possible, however, to compensate for the loss of fodder for poultry farms, based predominately on imported fodder. On the basis of our present discernment, it is estimated that poultry production in 1982 may be reduced by about 250,000 tons.

There will also be a significant reduction in farm production of eggs. This causes a large reduction in the production and deliveries of poultry for supplying the market. Consequently, it will be necessary to have an appropriate /adjustment made in the sales system for the reduced stocks of meat./ And so the problem of reducing meat allotments for the people is emerging. There exist two possible solutions to this problem: first, by way of a negotiated reduction of ration-card allotments (experience up to now has shown such decisions difficult to implement); and second, through a free movement (increase) in prices leading to a balance in supply and demand. The second solution would be preferred.

Manysided activities have been undertaken in favor of /increasing the supplies of production resources for agriculture and the food industry./ Of real importance will be the supplies of fertilizers and pesticides, as well as machines and equipment, i.e., resources that are vital for the productivity of the land and minimization of losses.

To ensure the implementation of this goal an operational program has been worked out that deals with supplies and management of mineral fertilizers and pesticides, as well as supplying agriculture and the food industry with machines and means of transportation, spare parts, storage batteries and tires. The consumption of mineral fertilizers and pesticides has been increasing in 1982. Due to this, it will be possible to obtain under average conditions an increase in yields up to 29.6 q/ha (in units of grain) against the average yield of 28.5 q/ha obtained in the years from 1977 to 1981. In machine and equipment supplies, special attention will be concentrated on the improvement in supplying private farms with cultivators, spare parts and tires, in particular.

Analyses of needs and capabilities point to the necessity for undertaking operations that will maximally increase the production and processing of milk as the cheapest source of animal protein. /A special operational program with the purpose of creating conditions for speeding up a solution to this problem has been worked out that is going to ensure proper conditions for the collection of milk from agriculture, rational management and utilization of protein and milk fat, as well as improvement in the quality of milk and milk products procured./ It is estimated that in 1982 milk production may increase up to about 15.5 billion liters, i.e., by 3.2 percent.

In the area of directing the food economy, the basic problem in 1982 is reestablishing economic ties between village and town. Its solution demands undertaking complex price resolutions encompassing the entire national economy.

Foreign Trade--a Big Unknown

The situation in foreign trade in 1982 has been characterized by exceptionally great uncertainty as far as the formation of external factors, an uncertainty that has appreciably deepened after 13 December 1981. In general, then, one has to assess the situation in foreign trade as an extremely difficult one.

The plan envisages exports to I payments area countries [socialist countries] in 1982 at 26 billion foreign-exchange zlotys,* which means an increase of about 6 percent compared with last year. In regard to imports, 30.7 billion foreign-exchange zlotys are being accepted against approximately 32 billion foreign-exchange zlotys according to anticipated goals. This means a negative goods balance with these countries in the amount of 4.7 billion foreign-exchange zlotys.

The total debt in relation to socialist countries will amount to 10.8 billion foreign-exchange zlotys at the end of 1982. This includes a debt increase to the USSR from about 5.4 billion foreign-exchange zlotys on 31 December 1981 to 9.8 billion on 31 December 1982. Together with the credits granted by the USSR in transferable rubles, our debt will increase to 14.8 billion foreign-exchange zlotys.

The starting point in defining the amount of exports in 1982 for II payments areas [capitalist countries] are, on the one hand, the payments obligations falling due this year and, on the other, the assurance of indispensable imports, especially supplies for the normal functioning of the economy.

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*On the Polish National Bank's [NBP] directive, a uniform and elastic indicator (rate) of the zloty in relation to other currencies of both socialist and nonsocialist countries has been introduced (since 1 January 1982). The notion "foreign-exchange zloty," therefore, will disappear from our economic language. Nevertheless, in the 1982 plan, the foreign-exchange zloty has still been preserved, on the understanding that in preparing and implementing foreign trade quarterly plans, the current zloty will be introduced in accordance with the NBP's directive.

It has been accepted in the assumptions of the plan that obligations falling due in 1982 will be set just as they were in 1981, i.e., 90 percent of repayments of capital and interest from guaranteed credits and 95 percent of repayments of capital from nonguaranteed credits.

Taking into account that in 1982 it will be possible to obtain limited transactional credits, and envisaging as well Poland's return to the International Monetary Fund, and in connection with this the possibility of receiving from this source financial credits, goods turnovers with II payments area countries amount to:

1982 Exports 20 billion foreign-exchange zlotys
1981 Exports 108.1 billion foreign-exchange zlotys
1982 Imports 19.2 billion foreign exchange zlotys
1981 Imports 98.5 billion foreign-exchange zlotys

/The amount of imports in 1982 will, therefore, be dependent on our economy's export capabilities./ It is envisaged that the export of electromachine industry products will increase from 5.8 billion foreign-exchange zlotys in 1981 to 7.1 billion in 1982, i.e., by about 22 percent at current prices.

As regards imports, with the purpose of supplying industry with raw and other materials for production from imports, a decrease in capital-goods imports from 2.2 billion foreign-exchange zlotys in 1981 to 1.7 billion in 1982, and grain and fodder from 5.2 billion foreign-exchange zlotys to 4 billion has been set, respectively.

In connection with economic sanctions imposed recently against Poland by some Western countries, especially the United States, one should consider that even these reduced import tasks will be very difficult to implement.

Decentralization of Investment Decisions

In constructing the draft of the 1982 plan, variants of the national economy's investment capability were examined. This capability, in the aggregate, was determined in a basic variant at 423 billion zlotys, and, with a favorable turn in the processes of material production, at 430 billion zlotys.

The 1982 plan intends to carry out a diversified policy with regard to particular investment groups; moreover, in accordance with the principle of reform, investment decisions will be basically decentralized, and government guidelines will appropriately determine the amount and directions of investment.

The plan is intended to give /investments from the population's own resources/ the highest perferences. Both banks and voivodship and gmina [parish] offices, as well as units in the turnover of construction materials, are receiving a recommendation for the creation of conditions for developing, in particular, industrial construction on private farms and housing construction in the town and village. This should concern the assignment of construction sites, credits on convenient terms, as well as construction materials, where

an anticipated increase in production in relation to last year should be directed to the market, mainly the rural market. It is estimated that these operations should cause an 80-billion-zloty increase in the level of investment in 1982 (a 17.6 percent increase).

/Investments of voivodship offices/ are a very significant part of the whole plan (25.7 percent). All of housing construction was found in managing voivodship offices, together with land development and a decided majority of the investments in health service and education and agricultural investments (land reclamation, electrification, supplying water to villages). This area is defined for each voivodship by a comprehensive quota. The remaining unit decisions are left to agencies of local authorities with recommendations as to the directions of investments and the determinations in the area of the amount of budgetary subsidies designated for investment activity.

/Investments of economic organizations/ are the fundamental group of investments in which the most urgent needs for supporting and developing the material production base and saving raw and other materials, as well as liquidating coproduction gaps and preserving the environment, should be implemented. About 155.2 billion zlotys (36.7 percent of total outlays) could be designated for these investments. This group has the nature of being externally differentiated. It is envisaged the enterprises will have complete freedom in decisionmaking in the area of potential investment from private resources. It has been decided that in 1982 there will be, in principle, renovation-modernization and complementary investments in relation to existing fixed assets. It is anticipated that enterprises will be able, moreover, to obtain credit for quick-return modernization investments.

/Central investments of budgetary units/ remain the only sphere in the area of investment where the center will directly affect the scope of decisionmaking as well as the actual investment decisions. The plan foresees that it would be possible to assign 52 billion zlotys (12.3 percent of the total) to central investments. Only the largest enterprise, mainly in the sphere of a technical or social infrastructure, is accepted for the central investments group.

/The investment plan anticipates that in 1982 it will be possible to assign:

/127.7 billion zlotys of outlays/ (30.2 percent of the total) for the building complex against 26.3 percent in 1981. The construction organizations' task is to build from these resources the greatest number of dwellings;

/120.1 billion zlotys for the food complex/ (28.4 percent of the total) against 26 percent in 1981 and 21.8 percent in 1980, with a concentration of outlays for processing and storage of agricultural products, the development of industries producing fertilizers and pesticides and machines and tools for agriculture, including the MFP tractor at Ursus. Implemented resources in agriculture should be concentrated on land reclamation and supplying the village and fodder farm with water;

/49.5 billion zlotys for the fuel-energy complex/ (11.7 percent of the total) against 10.7 percent in 1981. Outlays should be concentrated on the development and modernization of coal mining and the building of power plants, in particular, a power plant in Belchatowo;

/25.8 billion zlotys for the social infrastructure/ (apart from housing construction) (6.1 percent of the total) against 5.9 percent in 1981 and 5.7 percent in 1980, with a concentration on buildings for the health service and on education;

/for the remaining operations/ (processing industry, building, transportation, communications, trade, and the like) 23.6 percent of the outlays against 31.1 percent in 1981.

The Structure of Investment Outlays

Key:

1. Housing complex
2. Food complex
3. Fuel-energy complex
4. Social infrastructure
5. Remaining spheres of operations (processing industry, construction, transportation, communications, trade, and the like)

Counteracting the Increase in the Inflationary Gap

In the domestic market, two opposing trends are sharply delineated. The first is increasing pressures from various circles and socioprofessional groups toward an increase in their monetary incomes, the second is the limiting of the possibility for increasing the volume of supply in market goods and services.

Present estimates of the size of the goods gap (amounting to about 300 billion zlotys) are based on the calculation of the results of financial decisions undertaken before the plan was ratified concerning wages and social benefits. Estimates are also based on the capabilities in the sphere of market supplies.

It is anticipated that the total amount of the populace's monetary incomes will amount to about 2,366,000,000,000 zlotys, i.e., it will increase by 279 billion zlotys (or over 13 percent) in relation to 1981.

In basic areas which decide on the amount of the populace's monetary income, the following increase is envisaged: payments fund by 9.3 percent; social benefits by 19.8 percent; farmers' incomes from the sale of products by 16.8 percent.

After deducting compulsory payments in favor of a state financial system and after allowing the setting aside of part of the incomes for monetary stocks, it turns out that /the amount of purchasing power the fund which the populace will earmark for the purchase of goods will amount to 1,817,000,000,000 zlotys (a 27.1 percent increase), while the amount of supplies of goods for the populace will amount to only 1.52 trillion zlotys (a 9.4 percent increase)./

Assuming a more optimistic course in economic processes, there can be an additional 10-billion-zloty increase in monetary incomes from the sale of agricultural products, and at the same time there is a 35-billion-increase in deliveries of goods for supplying the populace. In such a situation, the goods gap would decrease to the level of 272 billion zlotys.

One should, however, take into account the emergence of new income tasks, mainly in the sphere of wages and social benefits, whose implementation may significantly worsen the market situation and increase the existing goods gap. It is estimated that the financial results of introducing new solutions, which have been worked out way in advance, amount to about 200 billion zlotys.

In conditions of a growing disorganization of the market resulting from a surplus of money and a shortage of goods, as well as an incorrect ratio of retail prices, the 1982 plan envisages, in part, the following /actions for impeding the increase in wages and a liquidation of the goods gap:/

--price increases for food, heating fuel and energy, personal hygiene resources, and a tariff with a simultaneous establishment of compensations for the populace;

--increases in controlled prices by producers themselves to a level that ensures covering costs and indispensable profits for some basic market products;

--introduction of free prices on remaining nonfood consumer goods that balance demand and supply.

What has been presented above are the main points or basics of the 1982 socioeconomic plan accepted on 11 December 1981. The changes that took place after this date are multidirectional both in a positive and negative sense. In particular, one should include in the former group (positive) the increase in the production of fuels and raw materials and, especially, hard coal, which under our present conditions is of unusual significance for getting our national economy "moving." From socialist countries have come a significant increase in emergency economic aid and the assurance of favorable conditions in goods exchange in 1982, especially in the first half of the year.

However, unfavorable factors and phenomena have come into play. They are concentrated mainly in the area of politcoeconomic relations with Western

countries, the United States being the prime country. From an economic point of view, these relations lead to a limitation in the possibility of Poland obtaining foreign credits and, as a consequence, a decrease in imports from these countries--mainly purchases of grain and fodder but also raw materials and coproduction parts indispensable for industry.

In the long run, the implementation of the tasks and quotas are decided by external factors, such as the effectiveness of the principles introduced in the functioning of the economy, the consolidation and cooperation of work crews at places of work in overcoming the economic crisis in our country.

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# NEW MEASURES FOR ECONOMIC REFORM REPORTED

## Consultative Economic Council Formed

Warsaw ZYCIE WARSZAWY in Polish 2 Apr 82 pp 1, 3

[Interview with Prof Czeslaw Bobrowski by Henryk Chadzynski: "Consultative Economic Council -- ZYCIE WARSZAWY Talks With Prof Czeslaw Bobrowski"]

[Text] [Question] Once again you are chairman, Professor, and once again you are organizing a group of experts afresh, this time in the form of a Consultative Economic Council. Is this a socially constituted group or does it also have on it experts who are nominated to it? Perhaps you would like to explain to us in passing just what the nature of this group is.

[Answer] This is a nominated body. It is composed of persons appointed by the premier who have made a scientific contribution and have practical experience in the realm of economics and sociology. Therefore it is a select advisory body made up of experts. It consists of nearly 30 persons, more than half of whom are economists, for the most part academic teachers. Furthermore the council has two lawyers, two sociologists, an agricultural technician, and a few directors of enterprises. The number of members would be greater by three or four were it not for the fact that a few valuable experts whose names I wanted to propose to the premier for appointment took to the opposition or domestic emigration.

[Question] What tasks faced the council?

[Answer] The main formal task is to formulate assessments and conclusions concerning social and economic problems and to make unceasing evaluations of the economic situation. Hence, the council's task is to enrich the factors on which the government can base its decisions and to expand social knowledge about the motivation behind the government's selection of some particular thing or about the arguments in favor of other solutions. I would like to go back once more to the question of assessments

of the state of the economy and also the development of the economic situation along with the implications for the future, assessments of the functioning of the system of planning and administration. These assessments can have the nature of independent elaborations or commentaries to appropriate government reports, if they are drawn up. I am convinced that it is important not only to make a positive or negative statement on the subject of the solutions being proposed by the ministries, for example, but also to suggest completely different possibilities.

[Question] Does this mean that the council will want to maintain some sort of independence, inasmuch as it is a body in an advisory capacity vis-a-vis the government?

[Answer] This is a very delicate matter and a very important one: we have obtained certain unprecedented solutions, because the council will inform the society about its work and, insofar as necessary, about the state of implementation of its opinions and conclusions. These opinions will express merely the views of council members and not those of organizations or groups to which its members belong. For example, if somebody represents some view, it will be his, not that of a university group or the Polish Society of Economists (PTE) to which he belongs. In this respect we are quite different from the Social Consultative Council appointed for the Sejm. The Sejm group is made up not of experts but of persons representing various groups, whose interests and views are to be voiced there.

Because I have already talked about so many kitchen affairs, I would like to say that the council regulations, which are to be set by the council itself, and then approved by the premier, should provide every member the right of votum separatum. The council's joint view may be reached through the coordination of positions and, when necessary, by voting. It is a question of not creating any illusions of perfect agreement but of showing the differences of opinion that exist if any, and in many cases there are certain to be some. I am talking about this, because I know all the problems, ills, and dangers of the committees of experts which have operated in the past.

[Question] But what sort of possibilities will the council have for operating? I am thinking about the possibilities of obtaining information about economic processes. Will it have its own research apparatus, or will it have to rely on the existing research facilities?

[Answer] The government resolution which created the council provides for a flow of information from government bodies. This is a real condition for any sort of expert opinion to be developed. Here there is the obligation to supply information within a timeframe which will permit rapid reaction, so that there will not be any surprises. The small council secretariat will initiate research and avail itself of the expert opinion of existing scientific-research facilities, conducting its own investigations only within a restricted area.

[Question] What should we expect from the council?

[Answer] Under the present conditions, everything depends on what the council manages to do and how it synchronizes its possibilities, by no means a simple task. It is a question not only of the fact that the persons on the council represent various specialties but also of the fact that they are all involved somewhere in their professional work. Their participation on the council is volunteer work, but if I were to respond to the question you posed, I would have to narrow things: what should the government expect of our group and what should the society expect?

[Question] Let us start then with what the government expects.

[Answer] First, to give them a richer assortment of decisionmaking factors for the issues under review. In many points the council's opinion will certainly coincide with the drafts and projects which reach government discussions, but this will not be the rule. Therefore, the government is gaining the opportunity to review various opinions or variants. Second, it will be important for us to express our opinion about current problems and to make assessments about the future and the state of the economy. In an exceptionally difficult situation, the decisionmaking system can be called feverish. The number of projects and drafts of resolutions, directives, and other documents is so great that there is no way to avoid certain inconsistencies. After all, things go so fast that many decisions are carried out under conditions different from those under which they were made. In my opinion, the very fact that the council by virtue of its membership and unavoidable inertia will look at decisions from a certain distance may facilitate coordination between the legal documents undertaken and those adopted.

The issue of assessments finally is important. The fact that the apparatus will always be less suitable for finding errors in its activity than people on the outside may be a factor favorable to the monitoring of assessments. After all, we had an example of a report on the condition of the economy when the premier assigned independent scientists to take part in working over the initial draft. It is not a question of repeating the same formula but of developing differences of opinion, if any, to make it possible to come closer to the truth, which is so difficult to determine.

[Question] And what has the society to gain as a result of the council's activity?

[Answer] The issue concerns not only the activity of the council itself but also the principle of what we conventionally call consultation in general. It is based on the circulation of information. Certain streams of information from the council's work will penetrate to the society, and this is an extremely useful thing, particularly when it is so often necessary to revise views formed several months previously, sometimes.

It may be that we will manage to make the society aware of how difficult a thing it is to make the right choice. It is so rare in economic policy for there to be a single ideal solution, but it is often necessary to give up something in order to redeem something else. Finally, the most important thing -- from the viewpoint of this problem it is only one link in a long chain -- is the matter of the dialogue between the authorities and the society. It seems to me that General Jaruzelski's policy can be assessed as one striving to strengthen the state while avoiding the absolute power and domination of the administrative apparatus, one which is striving to draw in broad social groups of scientists for making decisions and, in the future, self-government bodies as well.

I cannot say today how far we will be able to go in making a contribution to the structuring of economic policy and the developing of social awareness. I can only make a prediction that this can be an important contribution, although by no means a decisive one.

[Answer] Thank you for the interview.

## New Version of Economic Report

Warsaw ZYCIE WARSZAWY in Polish 2 Apr 82 p 2

[Article: "Planning Commission Prepares New Versions of Documents: 'The Report on the State of the Economy' and 'The Program for Overcoming the Crisis'"]

[Text] A new version of "The Report on the State of the Economy" has been drafted in the Planning Commission of the Council of Ministers. The work on "The Program for Overcoming the Crisis" is coming to a close.

Both these documents, as everyone knows, were part of the group of documents of the Ninth Party Congress. The previous version of the state-of-the-economy report was based fundamentally on an analysis of the phenomena which occurred as the result of faulty economic policy of the 1970's, showing only the worsening of the situation as the result of the events which took place in our country after August 1980.

The picture of destruction which additionally occurred in the economy during the period "from August to December" was brought to an end by the introduction of martial law. The new version of the report presents the consequences of the process of the anarchic development of the economy and brings up all the "Solidarity" actions which contributed to the worsening of the crisis, despite the fact that in the process they used slogans about the intention of improving the society's living conditions. The sudden reduction in work time, the increase in wages and social benefits without moderation or an adequate supply of commodities, the strikes and tensions which reduced productivity and interfered with the organization of production decidedly shifted the prospects for getting out of the crisis.

The adverse phenomena in the economy and the society were reflected in the state budget for 1981. The state enterprises, one of the previous major sources of budget revenue providing financing for collective consumption, wound up 100 billion zlotys in the red last year. State budget outlays were not reduced by that amount. On the contrary, there was an avalanche of increases, mainly because of the increase in the financing of social benefits, the social and cultural sphere, and the covering of losses incurred as the result of unprofitable production.

The report closes by showing that the whole gestalt of aspirations contained in the current socioeconomic plans and undertaken ad hoc by the government is aimed at the most rapid possible deceleration of the past recession trends in the economy and the achievement, through our own efforts and those of brother socialist countries, of economic renewal by the latter half of this year at the latest. This should be made permanent and expanded.

Actions in this direction will be presented in the "Government Program to Overcome the Crisis and Stabilize the Economy," which is still being updated.

Despite the first signs of improvement in our economy, seen in the signals coming in after the first quarter of this year from the branches of industry and the enterprises, there has been no slowing of the recession, manifested in a further decline in production. We are noticing the effects of the economic restrictions initiated by the United States. The import and credit limitations arising in this connection complicate the work of many processing industries.

The crisis phenomena in our economy have led to a decline in its level to that of 1973-1974. In terms of the number of apartments annually turned over for habitation, we are currently at the 1967 level. It is only in consumption sizes that the setbacks are not so great. They correspond to the year 1978, largely as the result of foreign loans and a limitation on the scope of investments. Against the background of the recession which has occurred, therefore, we can say that we are still living beyond our means, although there are many individual examples of shortages and even errors. The attainment of the industrial productions sizes noted prior to the crisis will be possible -- at least this it what the new version of the program projects -- within 3-4 years, if the planned economic recovery actually does occur this year. There is great hope here of gaining the first results of the economic reform and also of the change in the directions of economic cooperation and the deepening of cooperation with the Soviet Union and other socialist countries.

Both documents will soon be presented to the public, according to the recently published schedule of government work.

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## ADMINISTRATION OF PRICE CONTROLS IN ECONOMIC REFORM REVEALED

Warsaw IDEOLOGIA I POLITYKA in Polish No 3, Mar 82 pp 145-155

[Article by Andrej Wojtyra]

[Text] The economic reform that was introduced this year gave business establishments a wider range of powers and autonomy, including increased autonomy in setting prices. Government agencies will only set official prices for consumer goods that are of critical importance with regard to living costs or health care (accounting for 35 percent of all consumer goods delivered to the marketplace) and the prices of key capital goods (accounting for 20 percent of all materials consumed in the national economy). Prices of the remaining 65 percent of all goods delivered for sale in the marketplace and prices of the remaining 80 percent of all capital goods will be set by business establishments either as regulated prices or as free or negotiated prices.

In conformity with resolution no 243 of the Council of Ministers dated 30 November 1981 (MONITOR POLSKI, No 32 item 287) goods produced by state enterprises may be sold at official, regulated, negotiated or free prices. Official prices are set by the Council of Ministers or by the appropriate government agency responsible for critical consumer goods, services and capital goods. Regulated prices are set for everyday basic necessities purchased by private consumers. These prices are set by the producers of these goods on the basis of production costs plus profit surcharges, turnover taxes where applicable, and profit margins. Costs and appropriate profits are figured according to rules laid down by the State Prices Commission (per Guidelines issued on 22 December 1981). Turnover tax rates are set by the minister of finance, while profit margin rates are set by the chairman of the State Prices Commission. The third category of prices, i.e., negotiated and free prices, consists of those prices which are set for those goods not covered by official and regulated prices. The abovementioned resolution does not stipulate any rules that are to govern the figuring or cost accounting of these prices. In keeping with the main premises of the reform, these prices are supposed to be formed as a function of the interaction of supply and demand and be the end result of negotiations between producers and consumers. The only other fact to be taken into account in setting these prices is the turnover tax.

Similar pricing rules also apply in the case of private small-scale manufacturing concerns. In cases where these kinds of entities are producing

goods covered by official or regulated prices, they are required to comply with the same set of rules that apply to state enterprises. The prices of all other goods are set as free prices.

The major changes that were introduced in terms of who has the authority to set prices coincided with the adoption of the 1 January 1982 reform of prices charged for producer-capital goods, a reform which is responsible for the substantial rise in production costs and which is making it necessary to readjust almost all currently effective prices of both producer goods and consumer goods. At the same time, the marketplace, which has been stripped bare of goods, is not able to play its key role within the context of the reform as a medium for testing the reasonableness of free prices formed by the supply-demand equation method. A similar situation exists with reference to the buying and selling of producer goods, where, owing to the scarcity of raw materials, co-producers and producers of finished goods are forcing their customers to pay unilaterally determined prices without bearing any responsibility for justifying the cost accounting used to figure these prices.

Recent pricing decisions made by producers are evidence of the current undesirable trend toward excessive price increases. As a result of these decisions, the newly established prices for most consumer goods went up by 100, 200 percent or more in relation to the old prices. Prices of producer goods are also going up sharply, often to the point where they are double or triple what they used to be, and this in turn is the reason for the continued, rampant upward spiral of costs and, hence, the price of finished goods as well. It is therefore becoming necessary to make major modifications in the system of price controls and to give the state a greater say in the setting of prices. The primary objective of such changes would be to curb the excessive, unwarranted rise in prices and thereby better protect the interests of the public and the state. Another primary reason behind giving the state a greater say in the setting of prices is the need to make the process of calculating costs and prices more equitable so as to reduce the chances that enterprises will make the public pay for the consequences of their own mismanagement and wastefulness. For these reasons, various basic policy decisions have been made with a veiw to upgrading the authority of price control agencies and enabling them to intervene in the price-setting activities of business establishments and also reinforcing their authority to review prices set by producers.

Most importantly, in keeping with the resolution passed by the Sejm, the State Prices Commission is supposed to be supplanted by a BUREAU OF PRICES which will be chiefly responsible, acting on behalf of the state, for monitoring the level of prices charged for goods and services by actually setting these prices. This Bureau will also have an indirect say in the formation of regulated prices by virtue of the fact that it will lay down the rules and procedures for the setting of these prices and set profit rates. The Bureau of Prices will also prepare studies that analyze the processes by which prices, costs, and profit rates are formed and the state of market equilibrium. A completely new way of exercising control over the level of prices will take the form of the initiation and running of pricing negotiations and also the conclusion of agreements with representatives of buyers and sellers on the issue of pricing policies that affect major categories of goods and services.

A PRICING INSPECTORATE will also be established. It will be responsible in particular for: monitoring the propriety of procedures used to draw up cost accounting statements used for the purpose of setting official and regulated prices; monitoring compliance with prevailing rules that govern the setting of regulated prices; monitoring the price level and costs and profitiability of goods and services which are covered by free or negotiated prices; checking to make sure that currently effective prices are being charged in commodity transactions and that they are reflected in financial statements of the trade and services sector; drawing up periodic assessments of the level of pricing discipline displayed by producers and service establishments. In the course of discharging these responsibilities the Pricing Inspectorate will cooperate with local government and other regulatory agencies. It is called upon in particular to cooperate with consumer protection organizations, e.g., the Consumers Federation, and also with the recently established Social Prices Commission.

Financial and administrative penalties will be assessed for charging prices that were not set in accordance with proper rules and procedures. Financial penalties will be assessed in the event that a determination is made to the effect that an enterprise set a regulated price that is too high, submitted a faulty cost accounting statement for the setting of an official price with the result that this price was set at too high a level, or charged prices that exceed currently effective prices. In any of these cases the Pricing Inspectorate (in addition to other regulatory agencies) will issue rulings that enjoin the impoundment (on behalf of the national treasury) of 100 percent of the improperly earned profits. The amount of money subject to impoundment will be reduced accordingly in the event that injured parties are reimbursed for the amounts they were overcharged. This is a very important provision that will result in increased protection for the interests of consumer who will be able to recover the amount they were overcharged provided that they possess a documented record of purchase (e.g., an invoice, a bill for services rendered, and so on). The Pricing Inspectorate will also make recommendations to the government minister responsible for prices concerning the revocation of producers' rights to set free prices and their replacement with regulated prices or the enforcement of other more severe penalties affecting the rules or procedures used by producers to set and charge prices.

Apart from the establishment of the Pricing Inspectorate, the scope of SOCIAL CONTROL that is exercised in the area of prices will also be enlarged. In this regard one might at least make mention of the Consumers Federation or the recently founded Public Commission for Prices, one of whose principal responsibilities will be to defend public interests both during the phase when the price reform is being implemented and also later on when it comes time to uphold the broad mandates enjoyed by producers in setting prices. These organizations will also be involved with gathering information on pricing irregularities, engaging in research on prices, costs, and profitability, and preparing supply-demand studies.

The wide-ranging collaboration of the Pricing Inspectorate with these kinds of social organizations will make a very important contribution toward enhancing the effectiveness of price controls and countering manipulative pricing

practices that are harmful to the public interest. The point is that in an environment characterized by increased autonomy and self-management on the part of business establishments (state-owned and cooperative) the formal-legal opportunities for bringing influence to bear, as a part of the regulatory process, on producers who are overpricing their goods are limited. So, an effort will have to be made to look for ways to strengthen this influence by using the pressure of public opinion. The success of this program depends on the working out in everyday practice of specific and effective forms of collaboration between the Pricing Inspectorate and social control bodies.

As a part of the system for the regulation of newly established prices a tremendously important role should be assigned to the plant task forces set up by party committees and basic organizations pursuant to a directive issued by the Secretariat of the PZPR Central Committee on 1 February 1982. The constructive role to be played by these task forces should above all take the form of actions which contribute to a lowering of production costs. It is not likely that they will be as heavily involved in discharging regulatory responsibilities that relate to the level of prices charged for goods produced by their own plant or in trying to bring these prices down, since in some cases this might be interpreted as running counter to the interests of the plant work force. However, all of those task force projects that involve the preparation of ongoing studies of production costs and the launching of programs related work scheduling, industrial processes, and engineering matters that might help to lower production costs will play a tremendously important and useful role in the formation of future prices. The disclosure of untapped resources in the area of cost management and the improvement of management efficiency generally will produce specific dividends for workers, lay the groundwork for the pursuit of a flexible policy for pricing the output of a given plant, and also put a stop to the tendency to make prices and, ultimately, the public shoulder the burden of the costs of mismanagement and wastefulness.

The problem of how to generate pressure in favor of bringing down costs is not a new one, but it was not dealt with properly in earlier years. Resorting to the use of circulating memoranda and directives issued by higher-ranking institutions in order to accomplish this did not produce the desired results. It would seem that in the setting of a post-reform economy all suggestions submitted by workers, foremen, and managers should be taken advantage of with a view to the development of specific programs and projects dedicated to the conservative expenditure of enterprise resources and the identification of areas where further improvements could be made with regard to the use of on-hand plant and equipment, work and production scheduling, the performance of administrative duties, and so on.

Untapped resources and in-house capabilities for lowering production costs should be reflected in the setting of new prices. For example, ways that are found to lower administrative costs should help to reduce the burden of plant-wide costs that are factored into new prices, or an increase in the output of a given product (the lengthening of production series) should result in the distribution of production costs over a larger number output units (e.g., production setup costs, wear and tear on special tools, depreciation).

The Pricing Inspectorate and its local branches have been mandated to provide assistance and training to the plant task forces. In cases where the management of enterprises choose to disregard valid recommendations made by plant task forces concerning ways to bring down prices, the Pricing Inspectorate is obliged to step in as an official mediator.

The Economic Committee of the Council of Ministers has also stipulated that the FISCAL AND INDUSTRY-WIDE REGULATORY POWERS exercised by the District Revenue and Fiscal Control Boards and by the industry-wide auditing authorities of economic ministries should be broadened to include the monitoring and analysis of the cost-accounting formulas of prices set by producers. Considering the changes that have been made in the system of public finance and taxation, it would seem that fiscal regulatory bodies will be focusing their attention in particular on the following problems: the correctness of procedures used to factor turnover taxes into prices; how new turnover tax rates are working, their impact on the level of new prices and their interrelationships; assessments of the post-reform workings of the enterprise financial management system and resulting changes in the structure of costs factored into prices.

Fiscal and industry-wide regulatory bodies have at their disposal a relatively large fund of knowledge about the mismanagement practices of individual producers and the losses they have incurred as a result, just as they also know a lot about the unreasonably high costs that are being paid in the areas of capital investment, production, and marketing. Bringing this knowledge into play in conjunction with the regulation and analysis of the high prices that are being set by these kinds of producers will make it possible to effectively curb the tendency toward shifting the burden of the costs of inefficient performance on to prices.

In order to counter unjustified price hikes domestic trade institutions which negotiate prices with suppliers are also being given more responsibilities than they used to have in this area. In the guidelines that have been issued in this matter by the minister of Domestic Trade and Services trade enterprises have been instructed, among other things, not to accept free prices that are imposed unilaterally by producers. It was pointed out that the fight against rising retail prices should be focused in particular on those prices which are based on unfair costing formulas and which produce excess profits and are too expensive to be absorbed by the market. The guidelines also recommend that profit margins should not be allowed to expand automatically in pace with rising prices, rather they should be more closely correlated with justified increases in marketing costs.

In addition to the expanded regulatory powers being exercised by the state and social institutions, an important tool for insuring a tightening up of pricing discipline is the list of basic-necessity goods for which regulated prices are set. The expansion of this list was dictated by the fact that enterprises were setting many prices at flagrantly high levels which were not justified by 1982 production costs. The addition of several new goods to the list of items covered by regulated prices does not only mean that producers are going to have to follow a prescribed set of rules in figuring the costs to be factored

into their prices. If necessary, turnover tax rates assessed for goods in this category will be lowered or abolished, and in some cases price supports may even be awarded. This is aimed at slowing down the rate of increase in prices of goods that are essential for meeting the basic needs of private households.

This list initially included general-use manufactured goods and goods that are important from a social standpoint, e.g., footwear and clothing for children under 15, washing and scouring agents, hosiery, infant care items, cotton textiles (with the exception of textiles that are 100 percent cotton). The list of goods covered by regulated prices was expanded to include such categories of goods as woolen textiles (textiles which are up to 50 percent wool), undergarments and lingerie, general tableware and kitchen utensils, glassware, major household appliances (e.g., 140-liter refrigerators, rotary washing machines, standard irons, popular radio and television sets), standard furniture items, certain types of sporting goods (children's skis, sleds, children's bicycles).

The addition of several new general-use consumer goods items to this list makes it less likely that producers of these goods will crank up their prices to an unreasonable extent. This is because in order to set regulated prices the producer is required to factor costs into these prices in accordance with strict rules laid down by the State Prices Commission. This means in particular that when costs are being factored into prices producers have to observe prevailing standard rates of labor intensiveness and materials consumption and set up production engineering systems with optimal efficiency ratings while making allowances for the existing level of technical and organizational sophistication. The profit rate that can be factored into regulated prices is limited (there are no restrictions on profits in free and negotiated prices). However, in the event that costs are factored unfairly and if prices are raised too high, producers are faced with financial penalties whereby they are required to remit 150 percent of their ill-gotten profits to the national treasury.

This brief outline of the more important features of the system of oversight, regulatory, and arbitrational powers exercised by the government when it comes to setting of prices by business establishments give rise to the following question. Namely does this deviate from the basic principles of the economic reform, and, if so, to what extent? In other words, what is the nature of the relationship between the expanded system of price controls and the economic reform program, which after all is predicated on the farreaching autonomy and self-management of enterprises? The first draft of the law on prices provided that government agencies would in effect regulate only official prices (set by the Council of Ministers, the State Prices Commission, and other central government agencies) and regulated prices (set by producers in compliance with prescribed rules). Free and negotiated prices were essentially exempt from this kind of regulation. Price control agencies could intervene in disputes involving this category of prices only if sellers, taking advantage of their monopoly position, were to earn a profit that would be glaringly above average. This intervention was supposed to consist of compelling producers to charge regulated prices instead of free or negotiated prices.

In comparison with these basic principles the changes that have now been made shape up as follows:
-- the list of goods covered by regulated prices has been considerably expanded, but it may be that this will not actually go into effect until after producers reveal that they have in fact netted large profits;
-- the guidelines issued by the Presidium of the Economic Committee of the Council of Ministers recommended that free and negotiated prices should be set at a level that does not exceed reasonable costs plus a minimum essential profit margin; these prices were supposed to be set by producers at their own discretion depending on market conditions, regardless of how much profit they realized;
-- the prices and costs of goods and services subject to free and negotiated prices are now subject to extensive controls;
-- a Pricing Inspectorate has been created with the result that the small apparatus of the Bureau of Prices has been reinforced both in terms of the number of authorized job slots and in terms of the number of staff personnel.
So, these changes have done nothing in a major way to limit the authority and autonomy of business establishments, but they have augmented the government's regulatory powers and they are strengthening discipline when it comes to setting prices that are in accordance with the public interest.

One can of course argue about whether the broadened jurisdiction of price control agencies over the setting of prices by producers is at variance with the intent of the reform program or not. One can just as well speculate as to whether giving sellers so much freedom to set their own prices while at the same time making part of their payroll contingent on how much profit they make is really the best solution. Where did this idea come from in the midst of the well-known situation that prevailed in the marketplace in 1980-81, what with the big upsurge in the prices of producer goods and the general rise in costs?

These are factors which make it seem as though there is a growing tendency on the part of many producers to try to earn relatively high profits during their first year of independent operation. They are motivated by, among other things, a desire to use prices as an "offhand" way of paying both for their rising costs and also for the consequences of their inefficient management practices (which, however, are not always attributable to any fault on the part of the enterprises concerned), but at the same time they want to secure for themselves a large enough savings account of profits to draw on for self-financing and for payrolls.

Without trying to provide any answers to the questions raised above, which would exceed the bounds of this article anyway, it should still be stressed that the state cannot look on with indifference in the face of the rising prices of goods produced by state enterprises, a phenomenon which is universal and occuring on such an enormous and unexpected scale. At the same time, one also has to take into account the scale of the increases in open market prices, the prices of goods and services delivered by cooperatives and craft industries and other sectors of the economy which charge free prices.

The advisability and necessity of initiating and following through with various kinds of measures designed to insure a more disciplined approach to the cost accounting of prices are borne out by the FINDINGS of AUDITS conducted in enterprises by the regulatory apparatus of the State Prices Commission.

According to what was learned from the preliminary assessment, the rising prices of manufactured goods is a widespread phenomenon which applies to almost all products, even those which had already registered high prices and profits last year due to the fact that they were classified as new products. In most cases the rate of this inflation exceeds 100 percent. This must come as a shock to shoppers who are now watching their pocketbooks because of the new prices being charged for foodstuffs. This poses a threat to the household budgets of many lower-income families, which, to be sure, can live without color TV sets, cars, autmatic washing machines, or apres ski boots, but which have to buy basic manufactured items such as shoes, clothing, furniture, household fixtures, common household appliances, cleaning agents, and other indispensable items.

This sharp rise in prices is mainly attributable--as I already mentioned--to the new prices being charged for producer goods that went into effect on 1 January 1982, the costs chargeable to inefficient management during 1980-1981, the unprofitability of many products that had been subsidized in earlier years, the rising prices of imported fabricating materials (the change in the coversion factor), in addition to raw materials restrictions, shorter production series, and smaller production lots which raise costs per unit of output. When considered as a cumulative whole there are more than enough of these inflation-boosting factors to touch off a sharp and rampant rise in the prices of finished goods.

However, during the course of preliminary investigations it was found that these factors are often compounded by other factors for which enterprises are directly to blame, e.g., the exploitation of market conditions in order to raise free and negotiated prices to a level that exceeds production costs plus a fair profit; the desire to achieve high earnings as early as the first year of independent operation regardless of production costs and management rules prevailing during the current year; the inclusion of excessive, unwarranted cost-overrun safety margins in cost accounting statements for regulated prices or the outright dishonest preparation of cost accounting.

The two first factors that give an extra boost to the inflationary spiral do not in effect conflict with the basic principles of the reform, which calls for the free formation of free and negotiated prices by producers. Any "price dislocations" that might occur are supposed to be corrected by the marketplace (consumers will not buy goods that are too expensive) or through bargaining among sellers and buyers. However, documented practices whereby existing market conditions are being exploited in order to raise prices to an excessive degree run counter to the current sociopolitical situation and are a flagrant violation of the public interest. The price controls that have been instituted are in fact aimed at curbing these undesirable tendencies. But, at the same time, they do not violate the principle of enterprise autonomy, since enterprises will continue to decide how high prices should be.

Audits conducted in various plants that focused on procedures used to factor costs into free prices fully bear out the validity of the reasons given above in support of the need to enforce more rigorous cost accounting rules. For example, in one leather goods plant it was found that the prices of shoes went up anywhere from 36 to 200 percent. A more careful study of the cost accounting procedures used revealed that estimated shoemaking costs were used to figure prices that exceeded documented costs by approximately 30 percent. Retail sales prices were then set at a higher level than necessary based on production costs, profits, and profit margins. For example, according to the cost accounting statement drawn up by the plant, men's shoes, which used to cost 400 zlotys, were given a new price of 900 zlotys; the price of men's cloth shoes went up from 230 to 600 zlotys; the price of boots went up from 930 to 2,200 zlotys. After examining the audit findings, the plant reduced prices of many of its products, including the aforementioned men's shoes (from 900 to 650 zlotys), the men's fabric shoes (from 600 to 500 zlotys), the boots (from 2,200 to 1,800 zlotys), and several other types of footwear.

In one garment industry plant it was found that 45 new prices had been assigned to women's skirts and coats. The price of skirts went up on the average by 50 percent, while the price of coats went up from 68 to 107 percent. However, manufacturing costs were overstated in the costing formulas by making groundless claims for such items as trade association dues of 1.2 million zlotys and commission fees paid to a foreign brokerage house in the amount of 8 million zlotys, a cost which should not have been cited as an encumbrance on domestically manufactured goods. The plant has begun to recheck its miscalculated prices.

At a "Spolem" plant in Kielce the costs factored into the prices of some products were miscalculated with the result that the price of mayonnaise (200 grams) was set at 44 zlotys (instead of 38.50) and the price of mustard was set at 18 zlotys (instead of 14.50). The plant consented to the measures recommended by the audit and lowered the prices of the aforementioned products.

An orthopedic equipment producer raised the prices of its products from 116 to 270 percent. An audit revealed that the costs of materials had been miscalculated (a higher coefficient was used than the one stipulated in rulings issued by the State Prices Commission) and a 10 percent profit was tacked onto prime costs instead of onto processing costs. Thus, the price of orthopedic shoes was set at 7,300 zlotys instead of 5,100 zlotys. The manufacturer finally agreed to lower the price of these shoes to 5,820 zlotys and promised to eventually recheck the prices of other products after the end of the first quarter.

A metalworking plant raised the price of, among other things, gas stoves from 5,000 zlotys to 12,850 zlotys. An investigation revealed that labor costs had been miscalculated and that 3.6 million zlotys worth of trade association dues had been groundlessly figured into aggregate production costs. Taking these adjustments into account, the price of this stove should come to around 11,000 zlotys.

The biggest price increase introduced by a cosmetic manufacturer applied to childrens toiletries (by more than 100 percent). A study revealed that the

reason for this was the introduction of a turnover tax on these products, whereas in previous years there had been no such tax on this category of products. On the recommendation of auditors, with the consent of the Ministry of Finance, the turnover tax on these products was abolished, and this, in conjunction with the rechecking of production costs, made it possible to lower the price of "Jacek i Agatka" shampoo from 30 to 20 zlotys, "Jacek i Agatka" cream--from 31 to 21 zlotys, and "Ono" children's lotion--from 111 to 83 zlotys.

The examples cited above do not exhaust the list of problems that are coming to light in connection with the cost accounting of new prices. For example, in other institutions it has been noted that producers of finished goods are displaying a passive attitude toward the high prices proposed by subcontractors, excessive and unjustified increases are being cited for indirect costs (especially plant-wide costs), high losses attributable to product defects are being written off without bothering to make a more careful study of the reasons for these defects. If the cost accounting of new prices were to be performed more carefully, then these prices would certainly be lower in many instances, and to a certain extent this would soften the impact of price increases caused by substantial rises in production costs and by current market conditions.

11813
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## HEALTH, INDUSTRIAL SAFETY OF MINERS CRITICIZED

Warsaw ZYCIE GOSPODARCZE in Polish No 10, 28 Mar 82 p 9

[Article by KB: "Safety and Work Hygiene in Mines"]

[Text] Members of the Sejm Committee on Mining, Energy and Chemistry became acquainted on 16 March 1982 with the condition of industrial safety in hard coal mines. The number of work accidents in the coal mining industry increased from 11,?00 in 1980 to 22,267 last year [1981]. Working conditions underground worsened.

This is what the report of the Supreme Chamber of Control [NIK] presented to committee members states. The studies covered 12 mines (of 66 active mines) in which particular threats appear. Working conditions were inspected in the following mines: "Dymitrow," "Miechowice," "Gliwice," "Zabrze," "Szczyglowice," "Brzeszcze," "Janina," "Silesia," "Niwka-Modrzejow," "Nowa Ruda," "Pokoj" and "Powstancow Slaskich."

The inspections indicate that in an average year more than 21,000 miners--that is, 28 percent of the total employed in the 12 mines studied--work in excessively dusty, unhealthy conditions. Among the causes of the excessive pollution, NIK's report lists the exploitation of seams that are excessively fouled by the interlayers of barren rock; exploitation of thin seams with a so-called tamping of roof or sill; extension of output transport passageways; and mechanization of preparatory jobs.

Of course, the mechanization of work underground is a necessity. However, the danger increases together with it. This is manifested precisely in an increase in the amount of dust. Countermeasures are not effective enough. There is a lack of equipment. Prototypes or experimental copies are generally used. These frequently are furnished to mines without essential technical documentation, service instructions or electrical accessories, which precludes their use.

Dust concentrations range from 2 $mg^3/m$ to 120 $mg^3/m$ and exceed permissible limits scores of times. The worst situations appear in hard coal mines (KWK)--"Niwka-Modrzejow," "Dymitrow," "Zabrze," "Gliwice" and "Szczyglowice,"--and in Walbrzych mines.

Some 638 cases of occupational disease were noted from 1978 to 1980. Among them were 457 cases of silicosis caused by dust. Pensions were granted to 269 miners.

NIK's report emphasizes that the Ministry of Mines efforts to combat the pollution of the work environment, in effect, boils down to the use of equipment for water-pressure sprinkling and the use of individual protective equipment or dustproof masks. However, supplies of implements and equipment satisfy barely 40 to 50 percent of the needs and their quality is low.

There is a lack particularly of sprinkling systems on coal combines, dust collectors, filters, "Ca Bo"-type feeders for dampening, and "Roksol," "Rocafenon," and "Pianol" foam-making installations. There is a lack of microcyclones for "Barbara 3A" dust counters. Dustproof masks are not used in work that entails great physical effort because they make breathing difficult.

Another important threat is the noise from hewing, loading, transporting and dressing coal. In the 12 mines studied, 6,000 miners work under excessive noise conditions. The contraventions range from 1 to 17 decibels. Miners spend 3 to 6 hours a day under those conditions. These results do not pertain to mines in which there is the threat of firedamp, where because of safety considerations, sound measurements are not made.

Vibrations that arise in the course of drilling shotholes or hewing and dressing coal are a little known threat. There is even a lack of orienting data on work stations in this respect. Measurements are not made because there is a lack of appropriate apparatus or Polish standards that define the permissible vibration level.

A frequent phenomenon is exceeding the permissible standards of temperature and humidity. This is sometimes caused by technical irregularities in cutting a ledge but more frequently by a delay in air-conditioning work. The example of the mine "Zabrze" is a particularly drastic one; the capacity of the main ventilator is too low in relation to the need for 10,000 cubic meters (of air) per minute.

The organization of technical work safety inspection is not linked with the systematic control of healthy working conditions. Studies are made only by mining service doctors. They are seldom conducted by Industrial Safety and Hygiene Services. So-called teams to combat pollution, noise and vibration operate in the mines but they only draft programs and are little interested in their implementation.

There is no uniform, systematic and effective checkup on the state of the health of workers employed in mines. The effectiveness of such activity is small. Health Care Facilities (ZOZ) do not conduct obligatory studies of the effect of dust on everyone exposed to it. Mine administrations in turn do not implement the findings of the industry's health service on removing miners suspected of having silicosis from jobs involving dusty conditions.

All of this leads to the conclusion that work underground is unsafe not only because of its nature but also because of people responsible for the miners' health and life.

10433
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PROBLEMS, PROSPECTS, SIGNIFICANCE OF DEEP SEA FISHING DISCUSSED

Warsaw ZYCIE GOSPODARCZE in Polish No 7, 7 Mar 82 p 5

[Article by Zbigniew Wyczesany: "Fish on Our Menu"]

[Text] Saltwater fish play an important role in our food economy. They are a valuable meat substitute. Despite price increases, saltwater fish are cheaper than meat. Moreover, they are not rationed and every batch of them supplied to the stores are quickly sold out. The absorptive power of the market is indisputable, but the chances for greater supplies of fish are limited. The situation in saltwater fishing has been the object of lively interest in society. Economic policy also shares this lively interest. In these difficult times, it is important to obtain answers as to what chances of development fishing has, especially deep sea fishing; and what may be its contribution to our menu.

At the end of last year a team of experts prepared a report on the state of deep sea fishing, a program of its development for the years from 1982 to 1985, and a prognosis up till the year 1990. The Governing Administrative Body of Sea Economy has examined this document. And it was also the subject of debate in the Sejm Commission of Sea Economy and Navigation. The matter of deep sea fishing development is also going to be examined before too long by the Economic Committee of the Council of Ministers.

In recent years, long-range perspectives for our fishing industry had to undergo far-reaching verification. Our deep sea fishing had free access to all the good fishing grounds in the world until the first half of the 1970's. Economic-exploitative criteria were used as the basis for its development. In principle, only those varieties of fish that were well-known and attractive to the market were caught; at the same time, the costs of fishing at particular fishing grounds were taken into account.

One Has To Go Further and Further for Fish

Today the situation has changed radically. In the past 10 years, maritime countries have begun to broaden their powers over territorial waters, defined as "economic zones" extending 200 miles from shore. The rights of these countries mean in practice the right to exclusive exploitation of live resources. In this situation, our access to the raw materials base of deep sea fishing has taken a decided turn for the worse. With few exceptions, there

no longer exist accessible fishing areas. We can avail ourselves of fishing grounds under the jurisdiction of maritime countries by purchasing fishing licenses, selling part of our catch to that country, entering into co-production agreements, or else fulfill other conditions. Depending on what form this takes, our fisheries are strapped with additional costs which are not that small because of the distances of the fishing grounds from home ports.

Formal and legal changes in fishing grounds have caused a different geographical distribution in Poland's deep sea fishing. While in 1970 fishing fleets operated in three basic sea areas (Northwest Atlantic, Northeast Atlantic and Middleeastern Atlantic), in 1980, they were forced to search for fish in the Pacific Ocean on the shores of both North and South America. They also have engaged in sporadic fishing around New Zealand.

If in 1970 the average distance from home ports to fishing grounds was 2700 nautical miles, in 1980 it was 6660. This means lengthening the time to and from the fishing grounds, shortening the effective time for fishing, and increasing the costs connected with the consumption of fuel, which--as is well known--are many times higher.

New Types of Fish

A geographical shift in fishing grounds has caused a change in the types of fish being caught. In 1970, deep sea fishing encompassed four basic types of fish: cod, herring, mackerel and flatfish. These four types made up 82 percent of all catches at that time. The present share of these same types of fish are barely 1.5 percent of the total of deep sea catches. In 1980, over four-fifths of all catches included new types of fish: hake, caranoid, blue fish, "mintai" and sardelle. Fish that are now reaching the stores were practically unknown on the Polish market 10 years ago. With the exception of the hake and mintai, they are considered to be less valuable, more difficult to treat in technical processes, and also their qualities of taste are not as good. And, therefore, as a result of changes in the formal and legal status of fishing grounds we receive raw materials that more difficult to process into market products.

With Poland's deep sea fishing situation becoming worse every year, intensified research and search for new fishing grounds have been undertaken. There has been no confirmation yet regarding conjectures of greater concentrations of fish in the open seas. Rich stocks of blue fish, however, have been recorded in the Falklands' area, as well as stocks of krill and other fish in the Antartic region. In these waters we catch over 100,000 tons of fish annually, but chances for increasing catches are rather modest.

Then there is the krill that no one knows what to do with as yet. The solution to the technical and technological problem of processing the krill into consumer products (extracting the meat from its shell). Toxicological research also has not been completed that would decide on allowing products from the krill for consumption. At the same time, its products are allowed for consumption in the U.S., Japan and the USSR.

The report on the status of fishing and its prospects for development has been formulated in a largely forced manner, its conclusions extracted on the basis of a special analysis of fishing activity during the last 10 years. Taking into account our country's present economic situation, conditions for access to fishing grounds, costs for exploiting the fishing fleet and the need for modernizing it, authors affirm that there exists a real possibility for Poland's deep sea catches gaining on the order of a half million tons annually, which, together with 170,000 to 180,000 ton catches in the Baltic--in our fishing zone--would allow maintaining consumption more or less at the present level. Costs up to the year 1990, mainly connected with modernizing the fishing fleet and its auxiliary fleet and dry docking, have been computed at about 17 billion zloyts; whereas foreign-exchange expenditures at current running costs, port duties, repairs in foreign ports, and the like are estimated at from 100 to 120 million U.S. dollars. A significant part of these resources would come from the export of fish.

Our fishing fleet is presently made up of 101 fishing vessels (of a 200,000 BRT gross registered tons capacity) and 10 auxiliary vessels (of a 71,000 BRT capacity). Without developing this theme further, one needs to state that the fishing fleet is outmoded; moreover, it must fish in sea areas that had not been envisioned. Therefore, there exists a need for a gradual changeover to new vessels, which, as it is well-known, can be built in Polish shipyards.

The greater distance from home port to fishing grounds also requires a strengthening of the auxiliary fleet. The present transport capacity is too small and covers from 40 to 50 percent of our needs. We are forced to charter foreign ships and pay in foreign-exchange.

A problem all by itself is supplying our fleet with fuel. The fleet consumes 200,000 tons of fuel annually; we receive half of our fuel, more or less--including a significant part for delivery to fishing grounds--from the USSR. We must purchase the rest of the fuel in capitalist countries--and, of late, exclusively in cash.

Oppression and repression

Our country's difficult economic situation has been reflected in the results of our fisheries. The tie-up of our fleet due to a lack of foreign-exchange for the purchase of fuel and other expenditures has caused trawler-factory ships to lose 1,000 to 1,200 fishing days. In terms of catches, this means a loss in the neighborhood of 50,000 tons of fish. The principle of self-financing by deep sea fishing just introduced in the first half of last year, that is to say, the covering of cost of current exploitation through the export of fish, and deliveries of fuel by Soviet tankers to our fishing fleet have enabled us to avoid oppression. But it was then that the President of the United States, Ronald Reagan, announced economic restrictions against us.

The decision forbidding Polish fishermen to operate in a 200-mile zone from U.S. shores has seriously threatened the Polish fishing industry by deepening the difficulties in supplying Poland's domestic market not only with fish

but also as a result of a parallel decision to hold back deliveries of fodder, including corn for poultry meat.

The Americans were quick to see that our catches in their economic zone, i.e., in the waters of the Atlantic and Pacific and around Alaska made up about 50 percent of all of our deep sea cathes (about 250,000 tons of fish). Already in November of last year they investigated our deep sea fishing plans, solemnly affirming the stability of our presence in these waters. All the necessary documents were prepared for an extension beginning April 1982 of an international agreement authorizing Polish fishing vessels to fish in these sea areas. From these areas with a great abundance of fish, our fisheries were going to catch a significant number of mintai, hake, as well as cod, halibut and red fish. It was decided, therefore, that one-third of the entire fishing fleet would operate in these zones. From day to day the fleet had to abandon fishing grounds in the American zone. The blow was well-trimmed, but, fortunately, the waters in which we can fish do not end at the 200-mile American zone.

United States' unilateral breaking of the agreements is causing a certain reduction in our deep sea catches this year, but not so much, however, as to threaten a radical reduction in fish consumption in Poland. The fishing fleet has been directed from American fishing grounds to other regions of the world. After a 2-month interruption, our trawler-factory ships have informed us that they have resumed operations. This creates a chance this year of catching from 450,000 to 500,000 tons of fish from ocean regions, that is to say, more or less what we caught last year. Only we have taken on additional costs.

Chances for Development Have Not Been Lost

We are learning from the American incident. We cannot base our plans for developing our deep sea fishing on uncertain elements and be dependent on particular countries.

Poland has at her disposal an experienced cadre of deep sea fishermen and has also acquired high ranking in oceanographic research and in the identification of ocean fish population in various parts of the world. We have concluded agreements with several countries, including Canada, Norway and France for fishing rights in their economic zones; we can keep on reaping significant numbers of fish from generally accessible waters and waters covered by international conventions. We are carrying out negotiations with a number of African and South American states to purchase fishing licenses or fishing rights on the basis of co-production.

Fishing on the high seas remains an open question. It requires further research. For example, in the Pacific beyond the 200-mile South American zone, concentrations of fish have been discovered that are suitable for industrial exploitation. Under favorable conditions we would even be able to reap about 1 million tons of fish from fishing grounds all over the world.

Our actual open sea capabilities have been lowered by one-half. Apart from our predictions, it is not presently possible to substitute these optimal capabilities of Poland's fisheries.

Saltwater fishing, and especially deep sea fishing, is in every case a capital-intensive sector of economic activity. It is subsidized in most countries by the government through various forms of aid. These are, for example, exemptions and tax reliefs, surcharges for building costs of fishing vessels, amortization of development debts, fuel price subsidies, the covering of costs of scientific research by enterprises, and the like.

In connection with economic reform, our fishing industry must also undergo the test of economic profitability and, in this same light, social usefulness. Judging by the initial comparative cost production estimates for meat and fish, including a comparison of their respective amounts of protein and edible parts, the fishing industry shows a certain competitive edge in relation to the breeding of animals. Cost comparisons made from 1977 to 1980 must, however, be verified, for at present we know neither the full costs of the fishing industry (for example, prices for new fishing vessels), nor the formation of agro-breeding production costs.

These problems have been analyzed in depth, and they certainly will become the fundamental basis in strategy decisions. Everything points to the fact that the deep sea fishing industry--despite cost increases--remains an important part of our food economy.

9866
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## ARGUMENT FOR PRICE-WAGE-MARKET BALANCE PUBLISHED

Warsaw RZECZPOSPOLITA in Polish 22 Mar 82 p 4

[Article by Jozef Popkiewicz]

[Text] The economic reform has been in the making for over a year, and the process of working out a legal framework for the reform has just been finally completed. The process was initiated by two important bills in 25 September 1981 concerning state enterprises and employee self-government, it was supplemented by eight bills passed by the Sejm in late February 1982 which provided formal guidelines for the functioning of the reformed economy.

This does not mean, however, an end to the debate over the final shape of the economic reform, especially over precise methods and day-by-day problems of its implementation. To the contrary, such a debate is both advisable and desirable in order to verify in everyday life the general guidelines and legal directives, and to adjust the agreed upon principles to the very difficult and unstable socioeconomic situation in which the reform will be implemented.

For a thorough and effective implementation of the directives and principles of the economic reform, it is crucial, on the one hand, to restore a market balance as soon as possible and, on the other hand, to introduce a strong system of incentives which would encourage workforces and enterprises to increase production and productivity in all branches of industry.

In practice, this would require a change in the structure of retail and producer prices, and an inevitable reform of wages, which should occur as soon as possible.

### Material Incentives

The price-wage structure must reflect objective interrelations which should be preserved or, as in our case, restored in order for the economy to function smoothly and effectively.

To be sure, if we look at this problem in the context of the entire economy, prices and wages in themselves cannot bring about a change, that is, they can neither increase nor decrease the existing amount of manufactured goods and services available for individual or national consumption.

But on the other hand, the structure and level of prices and wages are decisive factors in fair distribution of the national product. They are also

essential in determining whether a distribution of goods among members of a society is smooth or tension-ridden, uneven, and full of everyday inconveniences.

Yet the most important function of prices and wages is to create situations and essential material incentives which would result in production growth, higher quality of manufactured goods, increased productivity, and continuous training of the workforce. Therefore, from the socioeconomic point of view, it is very important that wages reflect work efficiency. At the same time, it is important to have a balanced market so that purchases could occur freely, according to needs, desires, and likes of consumers.

Recent price changes are undoubtedly an important step toward the improvement of the overall relationship between the employees' cash flow and the availability of goods and services on the market. Unfortunately, those changes have not produced desired results within the inner price structure, thus deepening anomalies within the wage structure.

Beginnings of a Difficult Process

Hence the price increases can be seen merely as the beginning of a difficult process of restoring an economic balance and paving the way for the expected increase of economic efficiency.

The increase of official prices on basic foodstuffs has been very drastic, but it has not changed the market situation, and the rationing system must be still maintained. Neither has the increase assured profitable production, as it was assumed in the original proposal.

The increase in wages and benefits, which was neither included nor taken into account in the price reform, may also undermine the expected production profitability in the area of means of production. Moreover, the present level of prices in export and import transactions, which was used as the basis for the price reform, may have been underestimated and will require further revisions.

Balanced Market

Consequently, the greatest hope for a balanced market lies in fixed prices, established independently by enterprises in keeping with the present guidelines as well as retail and producer prices which by nature are balanced market prices.

Unfortunately, the structure of fixed prices has become quite chaotic, resulting in their sudden and unexpectedly sharp increase. This undoubtedly reflects a gap between the reform of producer prices and the change in retail prices which are arbitrarily set up by enterprises as early as the first stage of price calculations.

Enterprises have jumped on these arbitrary prices as an easy way to secure profitability through price hikes. Thus the enterprises avoid all risk. Moreover, they continue the fairly widespread wasteful management of labor and poor utilization of fixed assets and working capital.

The enterprises have been getting away with this situation because the largely imbalanced market allows for unjustifiably high profits. In a situation of insufficient supply, these profits come from the discrepancy between arbitrary market prices and fair prices based on reasonable cost analysis and average profitability.

But this situation may change drastically with the return to the balanced market which is the most efficient mechanism of price control. And then profit-oriented prices, based on a simple calculation of excessive cost and profit surcharge, may not generate sales, while balanced prices, dictated by the market, may not guarantee production profitability.

The independent enterprises must rapidly adjust to this entirely new situation of cost-efficiency requirements. They must focus their effort not so much on getting high prices but rather on lowering production costs and improving the quality of goods and services. Otherwise they will not survive a confrontation with the objective laws of the market.

In sum, however, the increase of fixed prices accompanied by the increase of arbitrary and free market prices may indirectly result in an improvement of the food market situation. But a return to a balanced food market will require more time, until agricultural production increases considerably.

For the time being, we must expect new difficulties which may result from the recent reform of wages and benefits. The recent salary supplements have produced an excessive leveling of wages and an unrealistic imbalance between employees' incomes, dependent on qualifications and work efficiency on the one hand, and benefits reflecting a number of dependents and social status on the other hand.

Productivity and Quality Are Number One

In practice, this imbalance means a lesser importance of wages as a material incentive to increase productivity and improve qualifications. Therefore it is urgent to reform wages, so that their function as an incentive can be restored. The reform is even more urgent because we do not know employees' response to profit as an incentive, and the progressive tax on profits may have a dampening effect on the projected results.

The expected wage reform can be implemented only if overall wages go up, for it is difficult to accept any possible reform including a wage decrease.

At the same time, we should remember that with the imbalanced market of manufactured goods, every wage increase may only worsen the situation, forcing a new price increase. All costs can be reduced to the amount of wages as a remuneration for indirect labor, reflected in used means of production, and

for direct labor, utilized in the last stage of production of a final product. Hence every wage increase which is not covered by increased productivity must result in increased production costs and consequently--in higher prices of manufactured goods.

Therefore the next wage reform should be based on the close correlation between every wage increase and the increase of productivity and quality, that is, the increase of economic effects. Only then can we avoid a new inflationary gap or the deepening of the existing one. Moreover, only then can we avert the looming danger of the inflationary spiral.

For these reasons, the reestablishing of the proper price-wage balance should be a top priority for both the administration responsible for wage and price policies and the Economic Reform Committee.

9852
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PLANS, PROGRAMS OF AGRICULTURE, FOOD INDUSTRY OUTLINED

Warsaw RADA NARODOWA GOSPODARKA ADMINISTRACJA in Polish No 1, 8 Feb 82 pp 31-34

[Article: "Agriculture and Food Economy"]

[Text] Proper preparation of this spring's agricultural activities and substantial improvement in procurement are the most important current tasks under martial law for gmina chiefs, agricultural services, all subdivisions of rural cooperative system and association of farmers' circles. These tasks and lines of action were detailed in the following resolutions of the Council of Ministers passed last January:

--Resolution No 12 of 18 January 1982 on the terms for supplying farmers with grain seed and seed potatoes during 1982;
--Resolution No 19 of 20 January 1982 on one-time grain loans; and
--Resolution No 11 of 18 January 1982 amending the resolution on the general principles of contracting for farm produce.

Furthermore, late last January the Council of Ministers reviewed a draft development program for agriculture and food economy for 1981 to 1985. The program outlines basic objectives in the development of agriculture, methods of operation and resources for implementation and development directions for farm produce and food processing.

Before Spring Sowing

In the spring of 1982 farmers are expected to sow spring grain on nearly 3.7 million hectares, leguminous crops on approximately 240,000 hectares and industrial crops on 1 million hectares. Potato plantings acreage will approximate last year's, amounting to nearly 2.2 million hectares. A very difficult situation developed this year in the supply of seed grain to farmers. This calls for each gmina to develop detailed plans for providing their farmers with seed, including, as much as possible, the seed from their own stockpiles. Nationwide, a shortfall of 120,000 tons of seed below last year's amount is estimated. An acute shortage will occur chiefly in the supply of imported seed for leguminous crops, which should be realized by gmina chiefs and farm production organizers operating on the gmina level in order to activate local reserves, available locally in many villages, to the largest extent possible.

A significant shortfall should be anticipated in garden seed. According to estimates, no more than 60 percent of farmers' and gardeners' demand for onion seed will be met. Reserve supplies available to farmers in certain areas of our country must be sought.

Agricultural services on the gmina level and WOPR [Voivodship Center for Agricultural Progress] instructors should pay close attention to the condition of potato pits. These are expected to contain nearly 1 million tons of potatoes but, with poor storage, the quantity may be 300,000 tons fewer in the spring.

The supply of fertilizer to farmers will also be inadequate in the spring. In this situation, economical and sensible management of mineral fertilizer and proper handling of manure become the order of the day in every gmina. Fertilizer distribution should be arranged for minimum losses of fertilizer in the course of fertilizer spring sales.

An even more difficult situation will evolve in the supply of agricultural pesticides, which are for the most part imported. The domestic industry has only 60 percent of the components needed in manufacturing preparations for eliminating the potato beetle and 10 percent of the components for herbicides used to protect papilionaceaous plants. There will be shortages in the preparations used to dress sowing seed and protect strawberries, orchards and hops and tobacco on contract-crop fields.

Because of enormous shortages of tires and batteries, in some SKR's [Agricultural Circles' Cooperatives], state farms and RSP's [Agricultural Producer Cooperatives] many tractors will not be rehauled on schedule. During the spring approximately 50,000 tractors will remain "grounded." This figure equals the total annual deliveries of tractors to farmers. The agricultural sector is expected to receive no more than 50 percent of its orders for ethyl gasoline and 30 percent of diesel oil ordered for the first quarter of 1982. These are the fuel delivery capacities that farmers and agricultural services enterprises must consider.

There is nearly a 1.4-million-ton backlog in coal deliveries to farmers in exchange for delivered live animals. Even if last January's good rates in coal output are maintained, we cannot count on eliminating that backlog, despite a reduction of 300,000 tons of coal.

Deliveries of processed fodder in the first quarter of 1982 amount to 60 percent of comparable figures for 1981. Deliveries of construction materials and farm machinery will be significantly lower than those in a comparable period last year.

The scarcity of capital goods and construction materials supplied to the farm sector and recurring shortages have been compounded by the high winds of last year and this year's flooding, which affected many areas, primarily Plock, Konin and Wroclaw Voivodships. All these adverse developments impose a particular burden of responsibility on gmina chiefs, who, in conjunction with military commissioners, constitute unified decisionmaking centers in the gminas.

## Supply of Capital Goods in 1982

According to information received from the Ministry of Agriculture and Food Economy, the outlook for the 1982 capital goods supply is as follows:

--Sowing material. Seed-plant yields and crops last year were better than in 1980. Still, procurement of seed from both nonprivate and private farms is unsatisfactory. According to estimates, the supply of qualified seed in the spring of 1982 will be substantially smaller than in previous years. Substantial shortages may also occur in those seeds that must be imported from abroad (e.g., alfalfa).

--Mineral fertilizer. The supply in the third and fourth quarter of 1981 was inadequate. Compared with the operational plan assumptions, estimated deliveries of fertilizer, in terms of pure components, were 581,000 tons of nitrogen (44 percent) and 409,000 tons of phosphorus (43 percent of the annual plan amount). The supply situation was aggravated by a low reserve stock of nitrogen and phosphorus fertilizers in gmina cooperatives. Considering the current economic situation, the chemical sector was asked to cut its 1981-1982 delivery plans to realistic proportions to 181 kg of NPK [nitrogen, phosphorus, potassium] per hectare of agricultural land. This is equivalent to a reduction in fertilization by 10 kg of NPK per hectare compared with the plan figures and, at the same time, a 5-kg reduction against fertilizer use in the previous economic year.

--Plant protection agents. Last year, there was a considerable decrease in the stockpile of these agents combined with difficulties in obtaining deliveries of imported ready-to-use preparations and concentrates. This will result in a very poor supply of these agents for the 1982 season.

--Electric power. Food industry plants are excluded from the plan for restricting electric power delivery and are to be supplied on a priority basis.

--Technical equipment. In many types of such equipment, the plan guarantees to meet 60 to 80 percent of the needs.

--Concentrated fodder. This is to be allotted as before, in exchange for delivered live animals. This principle remains unchanged.

--Coal. New principles governing coal sales are in preparation. Coal allotment for residential use will be increased. For the purposes of livestock and plant production, coal will be sold in keeping with technological standards.

## Profitability in Agricultural Production

On 20 January 1982 at the Ministry of Agriculture and Food Economy, Minister J. Wojtecki met with public consultants on proposed changes in prices of capital goods and farm produce procurement. The meeting was attended by Sejm deputies and presidents and representatives of all the associations of agricultural producers.

In order to compensate farmers fully for increased capital goods prices and to insure profitability for the farms, procurement prices should be raised by 36 percent. This solution would necessarily involve further increases in food prices, which is impossible when retail food prices have already been substantially raised (according to effective procurement prices of December 1981). Procurement prices will rise, therefore, by 21 percent on the average. To obtain a comparable financial result, a state subsidy of 78 billion zlotys must underwrite prices of capital goods. Farmers' expenditures on capital goods will be reduced by that amount. Above all, this will affect mineral fertilizers, industrial fodder, seed, stock animals and some machinery and plant protection agents. This is not to say that the prices of these goods will not increase.

The average price increase in capital goods and agricultural services will be 150 percent. For example, an Ursus tractor's price will increase by an average 100 percent; an electric steaming plant, by 68 percent; combine-harvesters, by 114 percent; plows by 50 percent; ceramic tile by 196 percent; the cost of grass mowing will increase by as much as 786 percent.

The price of grain, expected to be 1,200 zlotys for 100 kg, was accepted as the basis for proposed procurement prices of farm produce. With contracted grain, however, the price will grow by 10 percent, amounting to 1,320 zlotys. A bonus of another 10 percent will be given for prompt delivery of contracted grain, so that the top price for grain will gross 1,440 zlotys.

Other examples of proposed prices are: 125 zlotys, slaughter hogs; 90 or 95 zlotys, slaughter cattle; approximately 320 zlotys, sugar beets; 3,960 zlotys, low-erucic acid rape; and 16 zlotys, milk.

In sum, the real value of incomes will drop by nearly 25 percent.

It was pointed out during the discussion that while with current prices a tractor can be bought for 20 porkers, with the proposed prices it would take more than 30 porkers. In France, for instance, a tractor is equivalent to 70 porkers.

The minister's consultants pointed out that the new conditions will not stem the flow of young people from the countryside, for things would be particularly difficult for them, especially if they are starting from scratch. It was emphasized that work time is longer in agriculture than in industry, and that a 104-to-100 ratio (earnings of farmers versus nonagricultural workers) is too low. Fluctuations and lack of direction in price modifications were criticized. It was repeatedly stated that farmers expect the prices to stabilize. Many detailed proposals were offered as well. For example, M. Aleksiewicz from Pila Voivodship proposed a summary raise (up to 1,500 zlotys) for grain prices, to be effective until the end of March 1982; afterward the proposed prices would be restored. Another increase in milk procurement prices by an additional 2 zlotys was suggested. Yet, as Minister Wojtecki affirmed, a 2-zloty increase in the price of a liter of milk would cause a decrease of 15 zlotys per kilogram in the price of state-procured meat.

The vice-minister, Professor Z. Grochowski, declared that the proposed price ratios may appear unacceptable. In the 1970's we were receiving a flow of American grain (more than 9 million tons in 1980). Farmers became accustomed to cheap grain and even cheaper fodder. Now that the flow has stopped, there are alarmist voices from all quarters that we are destroying animal production; other similar claims are being made. The proposed prices put a preference on plant crop production, especially grain. This stems from the fact that under no circumstances can there be a shortage of bread in our country.

During Poland's critical period, stable prices are temporarily out of the question. The socioeconomic situation frequently changes very rapidly. Price relations will be further analyzed; comments from the discussion will be taken into account. Corrections will be minimal, however, because there is little room for maneuvering.

In conclusion, Minister Wojtecki stated that the proposed solutions are currently the most favorable ones for agricultural producers. Understandably, people will not be satisfied. Their attitude may change when goods start to be supplied to the market. Prices cannot be stable, but the concern is with establishing reasonably good price ratios in agriculture. Because of rising prices of machinery, machine cooperatives should be formed by small farmers. At the same time, the ministry must reflect on what kind of assistance it can offer to young people in the countryside.

Minister Wojtecki emphasized that once martial law is lifted, all prior arrangements and social contracts concerning agriculture will be implemented.

General Draft Contract

Owing to the current difficult situation in agriculture, the ministry is anticipating the introduction of general contracting for all animal and plant products. It is to be based on the close intermeshing of production with contracting and of procurement with the acquisition of capital goods. Procuring units will be responsible for procurement quantities, contracting and insuring proper conditions for contracting. Proper computation can determine what amounts of fertilizer are needed per hectare of a particular crop, so that the total quantity of farm produce that a farmer contracts to deliver will be the basis for his purchase of corresponding amounts of fertilizer. Fodder sales will be interrelated with animal product quantities, and coal with animal and plant product quantities, sold by farmers to the state. Prepayments on purchases of fixed assets will be accepted if a contract agreement is first concluded. Prepayment programs will be run on a first-come, first-served basis. To prevent the sellout of attractive machines to the same farmers, a decision on the purchase of such machinery should be given by a farmers' self-government body in consultation with local chiefs.

The purpose of these proposals, regardless of all their shortcomings, including an enlarged administrative apparatus and a more complicated system for the clearing of accounts, is to protect agriculture from instituting compulsory deliveries.

New Terms for Grain Contracting

Meeting halfway the farmers' and agricultural organizations' stipulations for contracting to insure profits higher than sales of uncontracted grain, the Council of Ministers passed on 18 January 1982 Resolution No 11, which introduces essential changes in the previous Resolution No 124 on general principles of contracting for farm produce. To improve contract terms in grain, procurement prices of contracted grain will be 10 percent higher than those of uncontracted grain; a bonus equal to 10 percent of the base price will be paid for prompt grain deliveries.

Following the appeal of the Military Council of National Salvation and conversations that agricultural service, gmina office and gmina cooperative personnel and sociopolitical activists conducted with farmers, the procurement of farm produce improved slightly last January. It continues to be unsatisfactory, however, in view of the needs and mandatory deadlines of contract agreements.

Tasks for Voivodship Offices

In connection with the need to intensify procurement of farm produce, the Ministry of Agriculture and Food Economy considers it necessary to:

--examine the cooperative banks' servicing of agricultural producers and the process of opening special accounts for them,

--institute ongoing inspection of the results as a follow-up on the conversations with agricultural producers and their pledges to deliver farm produce,

--accelerate preparation of agricultural produce procurement tasks in gmina units, whose plans should allow for full utilization of each gmina's productive potential,

--clear, no later than 30 March 1982, all backlogs in supplying agricultural producers, in connection with the anticipated change in coal sale principles after 1 April 1982.

Grain Loan

To insure continuity in supplying the population with bakery goods and processed grain products under martial law, on 20 January 1982 the Council of Ministers passed Resolution No 19, introducing a nonrecurring grain loan for individual farmers and socialized units in the agricultural sector. In exchange for uncontracted grain delivered to procurement stations by 30 June 1982, individual farmers and socialized units in the agricultural sector can receive remittances in grain bonds, to be realized by cooperative banks from 1983 to 1985 at prices effective in grain procurement on the date a bond is presented for realization. Grain bonds are also subject to interest at levels applicable to savings, payable on request. The value of grain delivered under the loan program will be included in computations of base annuities and pensions.

The grain loan was suggested in December 1981 by peasant activists and gained support of the Ministry of Agriculture, economists and many farmers. It is a problem of major significance, considering that grain and flour stockpiles in state storage facilities will last only until March to provide bread to the market. Meantime farmers owe more than 1 million tons of grain from the 1981 harvest, which they obligated themselves to sell to the state. Taking into account the amounts of grain harvested in 1981, farmers will start the new harvest with an estimated 1.5 million tons in reserve. There is an increasing backlog due to nonfulfillment of contract agreements, while poor deliveries of grain have been chiefly motivated by the fear of the devaluation of money received in exchange for the delivered grain. The institution of the grain loan and disbursement of remittances in the form of bonds provide a genuinely stable currency--one, in fact, well known to older rural residents as the so-called grain zloty of the interwar period.

Agricultural Development Program for the Crisis Resolution Period

On 18 January 1981, the Council of Ministers reviewed a program for agricultural and food sector development from 1981 to 1985, prepared by the Ministry of Agriculture and Food Economy. Until 1985, the strategic objective in the development of agriculture and the food sector is the provision of food to the country's increasing population on levels of per capita nutrient consumption at least as high as those already attained, along with a major improvement in the country's self-sufficiency in food.

To accomplish this goal, the following will be needed:

--a major restructuring of the entire national economy in order to meet the needs of agriculture and food industry,

--improvement in management efficiency in agriculture,

--regulation of the market and money situation (elimination of the so-called inflationary curve and adjustment of retail prices to match social costs of production), which is the principal condition for effcient use of capital goods, formation of economic conditions that favor production and identical parity of incomes of agricultural and nonagricultural population (as recalculated per fulltime employee).

Among other tasks for agriculture in the current 5-year period is the restoration of proper ratios, lost during the 1970's, between the volumes of plant production and animal production. Growth rates in animal production have been 2.5 times higher than in plant production. In relation to the annual average of the past 5-year period, plant production growth rate over the present 5-year period will be approximately 2.8 percent annually, while in animal production it will amount to approximately 1.8 percent. This will produce definite changes in the structure of consumption as compared with the 1980 structure, including:

--a slight decrease in overall protein consumption primarily due to reduced consumption of meat and fish, accompanied, however, by increased consumption of milk and leguminous plants,

--stabilization in the consumption total of fats, with a concurrent increase in the consumption of plant-origin fats,

--increased consumption of carbohydrates.

Poland's difficult economic situation restricts opportunities for dramatic improvement in capital goods in the next few years. For this reason, the main thrust of action in agriculture will be improved efficiency in managing the entire potential of factors in the production process--i.e., land, fixed assets and working capital--and limiting losses in agricultural raw material, produce and final products.

Reduction of Losses in Agricultural Raw Materials and Food

Current losses in principal agricultural raw materials are estimated at 15 percent in potatoes, 10 percent in sugar beets and vegetables and nearly 5 percent in grains. The greatest losses are suffered during harvesting and storage of fodder crops, as they amount to approximately 30 percent of produced bulk.

By 1985, a significant increase should be noted in the deliveries of equipment for harvesting and storage of bulk fodder, including green-fodder harvesters, mower-chaff cutters, straw presses and steaming plant pillars.

To reduce losses in milk and milk products, proper conditions will be established for improving dairy equipment and milk transport. Deliveries of milking machines to private farmers will be increased, and the manufacture of milk-cooling appliances will be expanded.

Soil Productivity Increased

To raise farmers' interest in efficient land management and improved land use, peasants' enduring land ownership will be legislatively reaffirmed and conditions will be created for unobstructed turnover of land from sector to sector and within the private farmirg sector. There will be substantial increases of outlays on reclamation of tilled land and grasslands so that it encompasses approximately 700,000 hectares, including 540,000 hectares to be drained.

The deliveries of tractors and quantities and selection of auxiliary equipment will be increased. It is assumed that 1985 tractor deliveries will be 80,000 tractors as against 57,000 tractors in 1980.

Tasks in Farm Produce and Food Processing

It is assumed that the 1982-1985 farm produce and food growth rate will be determined by the volume of raw material resources obtained from agricultural production and by the magnitude of expansion of processing capacity. Consequently, food industry activities will be geared toward:

--adjustments in the agricultural production structure to meet the needs of industry and to satisfy basic needs in supplying the population with

foodstuffs through improvement in the contracting system, reinforcing the role of raw material services and establishment of local raw materials bases,

--further organizational-technical improvement of farm produce, development of new forms for procuring farm produce and improvement in assessing and pricing farm produce,

--improved utilization of farm produce to meet domestic and export needs and to reduce losses in procurement, handling and storage and

--improvement in the quality of agricultural raw materials as well as in the quality and durability of finished products, especially dairy, fruit and vegetable products, meat products and baked goods, along with progress in insuring a better product mix.

Taking into account the anticipated 1982-1985 production of agricultural raw materials and increases in the processing capacities of agricultural industry, it is assumed that during the emergence from the economic crisis the food industry will increase its output by 15 percent by 1985.

Investments in the Food Sector

When determining the quantities planned for 1982-1985 levels of investment outlays for agriculture and food industry, the following were accepted as strategic objectives:

--marked reduction of 1982-1985 investment outlays through savings throughout the national economy,

--difficulties notwithstanding, a priority to the food complex, manifested in the reduction of investment outlays for agriculture and food industry less than average in comparison with the 1976-1980 investment levels,

--accomplishment of a necessary radical change in the structure of investment in order to meet urgent needs delimited by the tasks to be performed in the development of agricultural production and processing.

Principles for Resources Management

Because of persistent shortages, capital goods will be channeled for the most part to fundamental segments of agricultural production, vital to its development. In the first place, this will involve action to contain losses in the fields (plant protection agents), in storage and maintenance of agricultural products, most importantly fodder, and in the entire cycle of milk production, procurement and processing.

With regard to supplies of mechanical devices to agriculture, the draft program assigns primary importance to completing the expansion of the tractor industry, increasing the quantities and selection of auxiliary equipment, increasing the production of machinery and equipment transport vehicles, power and cooling appliances and insuring complete utilization of existing resources of the agriculture and food industry. Full coverage of the required replacement

parts, tires and batteries, propulsion fuels, basic machinery and hand tools, horse-drawn implements, along with streamlining technical services to farmers should occur in 3 years. It will occur earlier for certain items, at the cost of temporary restrictions on the production of new machines.

Improvement in the entire technical support base of agriculture and in organized services to farm establishments should result, above all, from the ongoing economic reform, from the independence of production [PGR, state farms] enterprises and service, from restoration of agricultural self-government's influence over the production system and from performance of services for the benefit of the food sector.

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NEED FOR TECHNICAL INNOVATION IN STANDARDIZATION ACTIVITY

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[Article by Victor Calcan]

[Text] The year 1981 marked the completion of a particularly important stage in the activity of standardization of production procedures, lines and facilities and also of products, civil and industrial engineering, of materials and sections for construction and installations. In accordance with the tasks set at the Work Conference with designer technologists and construction planners in the key economic branches, which was held at Neptun in July 1979, the period that followed saw an intensive standardization activity in enterprises, scientific research and engineering units, industrial centrals, economic ministries and central bodies of synthesis. This activity was guided and coordinated by the Party and State Commission for Standardization Affairs in the Overall Economy.

The essential aims pursued in the standardization activity are: a. Reducing to the strictly necessary amount -- corresponding to an economic and social optimum -- the number of type-sizes of materials and products, of subassemblies, machines and installations, and of types of lines of production and of civil and industrial engineering which are turned out at home; b. Upgrading the technical and qualitative level of production, by broad promotion of technical-scientific progress; c. Better using raw materials, supplies, fuel and energy.

All this primarily involves qualitative objectives, designed to end the unjustified and harmful proliferation of some products and structural approaches -- a price paid for the exclusively quantitative outlook, predominant in the old days, in regard to economic processes -- to establish a genuine management of diversity and ensure the continuous upgrading of the activities of research, design and production, optimal utilization of production facilities, proper organization of production and work, saving of society's material and financial resources. Of course, the encompassing of all the sectors of material production in this outlook has involved the strict organization of standardization procedures, their development in a uniform concept for the overall economy, the participation of large teams of experts in research, design and production, from ministries and other central bodies.

As procedures were being completed, by decrees of the Council of State approved were the standardization of steel brands and products (March 1980), the standardization of constructions, technologies, and of materials and sections for constructions and

installations (December 1980), the standardization of production lines and installations, of products (June 1981). Hence, because we find ourselves at the end of the first stage in standardization activity, we believe that it is appropriate to examine what has been achieved, but especially to evaluate the activity conducted, with special emphasis on what should be further done.

For instance, standardization in the area of construction proceeded in close correlation with standardization of production techniques and facilities, so that the sizes of buildings and of the other structures may strictly comply with the requirements of production processes. Based on the analysis of the fund of designs in existence and selection of the most modern and efficient approaches, there were developed and approved about 500 standard-designs, which replace a far greater number of designs used so far. These standard-designs are characterized by optimal sizing of the area and volume of constructions, in accordance with their purpose, and the modulation of the buildings' sizes for uniformization of prefabricated sections; expanded use of light materials and parts, of local materials; reduction of fuel and energy consumption rates, as a result of improved thermal insulation, use of unconventional energy sources and limited use of energy intensive materials.

Concurrently with standardizing constructions, also achieved was the standardization of materials and parts for constructions and installations, with emphasis on broadening the fields of using those with incorporation of minimal energy consumption levels, the materials with addition of ash from steam power plants and blast-furnace cinder, volcanic tuff, soft limes, tufaceous limestone, and so forth.

As a result of standardization of constructions, of production technologies, lines and installations, under the 1981-1985 Five-Year Plan provisions involve a significant decline in the cost of investment projects and the reduction of consumption rates for cement, metal, bitumen, cables and the like.

For the purpose of product standardization, experts examined about 1.3 million type-sizes and more than 20,000 state standards and branch technical norms. In order to ensure top efficiency for standardization projects in this area, comprehensive and repeated analyses for groups of products were organized, with the participation of manufacturing units, users and research and engineering units, aimed at eliminating products without outlets and replacing those that had gradually become noncompetitive, some precisely because their production involved high consumption rates for materials and energy. In other words, a major step involved "repeated shaking of the tree" so that all spoiled, unhealthy fruits may fall.

It must be pointed out that product standardization proceeded in close correlation with the standardization of production technologies, lines and installations, with the aim of making better use of the base of raw materials and energy and reducing imports. The economic effects of the standardization of products have made themselves felt in the rise in production series and labor productivity, reduction of consumption rates for raw materials, supplies, fuel and energy, concurrently with the increase in the degree of their utilization in production, decrease in imports and so on.

We may state that the machine building sector is the one that is most involved in the standardization effort. More than 830,000 type-sizes of products were critically

analyzed. The products with noncompetitive technical-economic features were eliminated from production and also the basic structures of the systems of machines and installations were finalized. This will permit the further upgrading of research and design activity and wide-scale use of multipurpose parts and subassemblies in the production of machines, apparatus and installations. For instance, finalized were the system of farm machines, the system of steam, hot water and warm water boilers, and so forth. Moreover, conditions have been created for upgrading the streamlining and specialization of enterprises.

The approach was different in regard to products in the light industry, with standardization only involving the groups of products that are not affected by fashion or the change in the structure of raw materials, with the focus on full utilization of reusable materials. Similarly, in light of the influence of climatic factors and the needs for continuously adapting food production to the population's needs, in agriculture and the food industry standardization only involved some products which constitute basic raw materials for other industries. Also, in light of the requirements for diversification, consumer goods turned out by the chemical industry (cosmetics, chemical items for household use, detergents, and the like) were not included in standardization.

Hence, one may state that, as a whole, standardization activity involves an effort to properly manage the national assets, a program based on wisdom and ensuring of the highest possible efficiency in the overall economy. But standardization does not end with the stage covered; it has a marked character of continuity and is a constantly perfectible endeavor. Of outstanding importance is the fact that there is now a fairly ample experience gained in this field, one that enables knowing how one can work better qualitatively and faster, based on a logistic apparatus (organizational and methodological framework, experts and the like) that is experienced and efficient.

Switch to New Quality in Standardization Activity

In this area, in the first place it is necessary to most rigidly and strictly implement standardization and the related measures specified. However, it must be pointed out that almost 2 years after the enforcement of standardization of steel brands and products, for instance, even though the regulatory act clearly stipulates a number of obligations (thorough absorption and strict application of provisions on standardization, tailoring technical-economic documentations to fit state standards and the lists of standardized items, extended use of steels for general purposes and of thermally treated steels, continuous upgrading of production techniques, and so on), in a number of machine building enterprises serious deficiencies exist.

For example, there have not yet been established special programs for distinctly monitoring, from the stage of product designing, the better use of alloy steels. Often, in designing products experts simply ignore the correct selection of steels, in light of the working conditions for the part, machine or installation involved, preferring the "easy approach" of indicating superior brands from alloy steels. Generally speaking, the modern techniques for treating carbon and mildly alloyed steels are little known and are used in a small number of units. Moreover, it has been noted that experts in a number of enterprises limited themselves to replacing the type-sizes eliminated with standardized type-sizes, without redesigning the

products. Consequently, instead of obtaining lower consumption rates for materials there has been an unjustified rise in these rates.

Likewise, in the area of constructions, delays were noted in adapting construction documentations to the standardizations specified. Many units encountered difficulties in completing investment projects because they were not adequately provided with standardized materials and parts for constructions and installations.

These deficiencies could have been avoided if the ministries and the other central bodies had provided constant guidance and supervision for the purpose of strict following, by all economic units, of provisions on standardization.

In the second place, it is necessary to continuously update standardization, by adding new elements of scientific and technical advances. For instance, experts upgraded and will submit for approval standard designs for dwellings, the lists of materials and parts for standardized constructions and installations (supplemented with outfits, machines and installations approved in 1981 and which use new and recoverable energy sources) and the standardization of steel products by including new brands and replacing some type-sizes with more efficient ones.

Furthermore, this year will see the completion of standardizations projects for new groups of products, that were not included in the first stage -- abrasives, metalworking machines based on unconventional procedures, pneumatic portable machine-tools, electric auto equipment, technical rubber items, and the like. By the problems that need to be resolved, some of these groups of products involve genuine "hot zones."

Such a "hot zone," for instance, involves technical rubber items (conveyer belts, trapezoid and wide belts, pipes, gaskets, bends, joints, rotation sleeves, mats, plates, and the like), whose standardization could not yet be completed because of the complex nature of this group of products and the large amount of information needed to be processed for proper standardization. Also, the standardization of such rubber products must be achieved in close correlation with standardization in the machine building industry, by determining a rational gamut, that meets the needs for new machines, outfits and installations, for those being currently produced and for those that are part of enterprises' equipment.

Rationality, Efficiency of Standardization

The essence of standardization involves introducing sensible restrictions in the tendencies of unjustified diversification, by selection and reduction of possible options within the limits of a diversity of products, technologies, installations and the like, which were rationally established and which must conform to an optimal economic and social level. For instance, in the case of products, the focus is on specifying the optimal number of sizes, specific features or types of a product, required to meet the prevailing needs. Standardization by no means involves purely mechanical or excessive reduction in the number of type-sizes or blockage of product diversification. For example, irrational reduction in the range of metallurgical semifabricated products can lead to higher operating costs in the machine building industry as a result of the need for extra processing, costs that might exceed the savings achieved from standardization in the metallurgical industry.

Hence, prominent in standardization is the imperative of optimalization, which can be met only by the close cooperation of responsible parties in research, design, production and operation. In this way this activity acquires an ample scientific content and a profound and realistic economic content.

The reduction in the number of type-sizes of materials and products by standardization, although it is significant, does not exhaust its objectives and values. This is true because standardization must concomitantly ensure the optimalization in the management of all the diversity of production, so that, in the context of severe standardization and uniformization of subassemblies and components, greatest possible flexibility may be achieved in designing the final products. That is why it is necessary, specifically in the machine building industry, to emphasize the facets of standardization of components and their design in the form of families or uniform series of products (based on common structural principles and forms and using many identical assemblies and parts), to extend the use of the modular concept in the building of machines, outfits and installations.[1]

Such approaches create the premises required for completing the stage of specialization of enterprises as to groups of related groups of outfits and promotion of organologic specialization, based upon concentration on the production of modules in specific enterprises. Moreover, also made possible is the switch to organization of production from unique outfits to small-series production of standardized families of machines and installations for uniform operations. In this context, also, we cannot ignore the problem of development of systems of modules with complex functions, such as controllable high-power electric drives, industrial robots, automated processing modules and the like, which are basic ingredients for flexible automation of the various production processes.

The effects of the application of the modular concept, consequently, are mirrored in various areas -- in design, by the possibility of planning, with very speedy feedback, new sophisticated machines and installations, chiefly composed of known and tested modules but ones that were assembled upon new set-ups; in production, by the significant rise in production series, a fact that permits utilization of advanced techniques that involve great automation, and the switch to superior forms of organization of production and work; in operation, in the area of maintenance, by wide-scale use of the repair method that involves replacing defective modules, and so on. In regard to the most direct effect which is felt in production -- the rise in production series -- we must point out that, as a rule, the cost of a product that was turned out serially decreases in proportion to the fourth root of the number of units produced.

It is evident that standardization cannot and must not satisfy all the needs for type-sizes of the various products, for every maker or user; its aim is achieved if it meets the prevailing needs. However, in order for standardization to be viable, it must be efficient for all -- makers, recipients, users. The standardization of materials, for instance, must not lead to the increase in relative consumption or greater weight of products. In the cases when, by replacement of some old sizes of materials with some from the standardized range greater consumption has, nevertheless, resulted, it becomes mandatory to redesign the subassembly involved or even the entire product and make the required structural improvements for integration into the consumption standards.

Rationality and efficiency cannot be achieved by standardization projects conducted in campaigns or sequences, in the various sectors, but only by a permanent activity, organized and planned at the level of enterprises, research and engineering units, industrial centrals and central institutes, central and local organs. This requires fostering and promoting on an overall scale, in the entire economy, a new way of thinking and acting technically and economically in the activity of design, production and operation -- for the purpose of systemic tackling of the issues pertaining to the production of material assets.

In the area of design it is necessary to extend, in the future, the standardization of computer data, methods and procedures and specify, by state standards or branch provisions, uniform computer and design procedures. Also, it becomes necessary to create a data processing system in the area of standardization -- at the level of unit, central, ministry and overall economy -- a system that permits prompt estimation of standardization activities in other units, the results obtained and the standardization programs for the various groups of products, techniques and categories of materials. But for this standardization itself must prove that it has organized its own area, on the basis of classification, codification and rational symbolization of products and components, for the purpose of rapidly retrieving information and easily identify the products.

To ensure efficient standardization, a number of problems arise in regard to imports of products, facilities and production licenses. Of course, by no means do we plan to standardize what is being manufactured in other countries, but for the sake of our own efficiency it is necessary to introduce the obligation that in effecting imports of machines or installations the focus should be on integrating these into the standardizations adopted internationally, for their fitting or being adaptable to the standardization established in this country. Furthermore, in procurement of technical facilities and production licenses we must see to it that production can be achieved with standardized raw materials, supplies, semifabricated products and components of domestic make or resulting from international cooperation. This will also help to resolve matters relative to maintenance, repairs, provision of spare parts, reuse of parts and materials in the make-up of the machines and installations imported.

Criteria of Quality and Competitiveness

By the objectives pursued and the polarization of effects, standardization is part of the efforts to emphasize the intensive facets of development and focus on meeting the needs that involve high quality. For instance, the efforts to optimalize the range of type-sizes dovetail with those aimed at improving the quality and reliability of products and ensuring superior technical and functional performances. Moreover, the development of a production of standardized modules, characterized by a high qualitative level as to design and production, is a very efficient way to extend qualitative performances in the overall production and continuously enhance competitiveness.

Consequently, a product will be standardized only if it corresponds qualitatively, has superior performance and requires lower consumption rates in terms of raw materials, supplies, fuel and energy for production and utilization, in other words, if it is competitive under all aspects -- structurally, technologically,

functionally and economically. This approach to the problems of product quality also involves a change in the outlook on saving material and energy resources: enhancement of the quality of products and extension of their life are more and more clearly becoming key factors in ensuring proper management of assets.

It is known, for instance, that a part, a subassembly or a facility with defects involves extra consumption of materials, energy and labor, generated by the need for repairs. Generally speaking, the cost of "nonquality" of products -- that is losses caused by rejects, repairs, rejection at inspections, servicing in the guarantee period, return from users, and the like, and which, in most cases, stem from failure to abide by technological discipline -- is fully quantifiable and according to some estimations, may reach 10-15% of an enterprise's turnover. [2]

For turning out products at the qualitative level specified in standards or technical provisions it is not sufficient to ensure the required number of quality inspection points. This can help to reduce or avoid delivery of unsatisfactory products but cannot improve the overall performance of the enterprise. Actual upgrading of product quality can only be achieved by analysis and exact estimation of the causes that generate defects, by specific and efficient steps to eliminate these defects and step up the efforts to prevent violation of quality provisions. This will have a positive impact on operating costs as well.

Illustrative in this context is the case of the American color television company "Motorola" -- bought by the Japanese firm "Matsushita" and renamed "Quasar." The Japanese introduced new models, new production methods, quality components, organized "quality circles" and the like -- expensive innovations but ones that were fully redeemed by reduction of costs generated by the unsatisfactory quality of the television sets that were turned out previously by this firm. In only 3 years (1974-1977), the firm had a spectacular recovery: the cost of servicing during the guarantee period went down from $22 million to $4 million a year and the number of repairmen from 120 to 15; the number of breakdowns of television sets in buyers' homes decreased from 150 to 4%. [3]

Consequently, "nonquality" is very costly, far more costly than all the efforts required to ensure the quality needed in terms of compliance with standard provisions. Attaining high quality of products primarily involves strict following of technological discipline in all the stages of the production process and rigid technical inspection throughout production. This latter factor is not limited to the production flow and finished products; it must commence with inspection of the quality of raw materials, supplies, parts and subassemblies from the point of purchasing and their introduction in the production process.

In this context, we must point out that relatively recently, in an electronic enterprise, for instance, a so-called "acceptable quality level" (AQL) of 98% was considered acceptable. At the present time, for the components introduced in production, demands have reached "parts per million" (PPM), that is the level of today's exacting specifications versus the previous ones has increased by a factor of about 10,000.

Capitalization on Domestic Research

An essential factor in ensuring efficient standardization, in continuous enhancement of technical-functional performances of components, modules and final products on a par with competitiveness on the foreign market involves putting to good use domestic scientific and technical creativity. Because of the high technical level and qualitative discrimination in the domestic production of a number of items (tractors, electric engines, oilfield equipment, automobiles, and so on), their export now exceeds 50% of the volume of all output.

As for the promotion of new developments, it is significant that in the machine building industry -- hence, in the branch that is responsible for the technical progress of the overall economy -- more than 90% of new and modernized products which will involve an arrangement for production under this five-year plan will be based on domestic research. Moreover, research, design and production confront pressing tasks in the area of reducing imports to the strictly necessary level and meeting, based on domestic resources and to the greatest possible extent, the needs for raw materials, supplies, fuel and energy, machines, installations, and so forth. For a wide range of products which we are still importing (glass fiber tubes and tapes, rigid clothings, various types of electric drives, and the like), the production techniques have been developed.

What is the impact of the above-mentioned matters on standardization?

In the first place, it is evident that one cannot conceive a rigid, hermetical standardization, that is divorced from realities and perspective. Completion and use of this kind of standardization would shortly become an impediment to promotion of the new, including the effort to maintain and extend our export on foreign markets. Hence, standardization must operate as a dynamic system, with great adaptability when new requirements occur -- generated by inverse connection, by newly emerged factors of technical-scientific progress in this country or in the world, and so on -- a system capable of maintaining its control value regardless of the power of possible situational disrupting factors. In order to ensure such openings to standardization and also the required receptivity and flexibility, it must be constantly upgraded, improved.

In this context, an important factor involves the standardization programs for groups of products, technologies and categories of materials, programs that are in the process of being developed by ministries and the other central organs. They will provide a clear picture of perspective and will ensure a very high level of specific finality to standardization. Once finalized, the standardization programs will be a valuable source of provision of objectives for the plans of research, development and introduction of technical progress. In our view, the research and engineering units should act as "general designers" in standardization of groups of products in their specialty -- ensuring the overall design on standardization, the systemic vision and the application of the modular concept -- and the central institute should exercise this function at branch level.

In the second place, it must not be ignored that we produce not only with raw materials and supplies occurring in this country, that we produce not only with machines and installations made in this country and that we do not turn out an output for domestic needs only. In conformance with the development level which we

have attained and the investments we have made, we naturally wish to promote trade and technical-economic cooperation with other countries, to ensure a surplus trade balance and an equilibrated payment balance. This requires that in determining -- by state standards and branch technical provisions -- the ranges of type-sizes of products, the ranges of parameters, close integration with the international standardized ranges be pursued. This will help to avoid creating obstacles in our trade exchanges and will effectively promote exports.

In the third place, we focus on the obligation to redesign items under current production, for their compliance with the provisions that result from the standardization activity. But redesigning must also primarily focus on the qualitative objectives on reducing consumption rates for materials, energy and labor, cutting down the weight of machines and installations, and enhancing technical-functional features.

In conclusion of these considerations, we wish to point out that all conditions have been created for attaining a profound qualitative change in standardization activity, for transition to intensive standardization. Moreover, we can state that the level and efficiency of standardization today represents one of the indicators that reflect the degree of "technical civilization" of an economy.

FOOTNOTES

1. Ion Crisan, "Relevance of Flexible Technologies," in ERA SOCIALISTA, No 12/1981.

2. "Guide des Couts Relatifs a la Qualite" [Guide to Costs Relative to Quality], in AFNOR Collection, Paris, 1981.

3. Z. M. Zuran, "Quality of Products: An Imperative for the West," in ENJEUX, No 16/1981.

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## SHORTCOMINGS OF ECONOMIC 'REFORM' CITED BY VIENNA PAPER

Vienna DIE PRESSE in German 20 Apr 82 p 3

[Installment No 6 of Series on 'CEMA Between Crisis and Reform' by Erich Hoorn: "Where Managers of the Economy Have No Authority: Romania Continues Its Wait for Prosperity"]

[Text] Vienna--Among all the CEMA states,Romania's economy is being managed under the tightest reins. In this respect it even surpasses the USSR. By exercising this severe centralism, state and party chief Ceaucescu hopes to catapult Romania, which still sees itself as a developing nation, as soon as possible into the club of prosperous states. However, the country's industrialization is taking place at the expense of its agriculture.

Now it is paying for this: because of its hasty development, industry is very badly structured and agriculture produces too little, resulting in a new low for the population's subsistence. Every Romanian is forced to work hard; the 46-hour week is only gradually being introduced. In view of this situation, there is not much motivation. Small wonder that the country, the second CEMA nation after Poland, is forced to refinance its credits in the West because for practical purposes it is bankrupt.

Similarly to the other CEMA countries, a discussion about economic reforms was started during the 1960's in Romania also; but it was never put into practice. Only in 1978 was a document published which provides for reforms in the planning and direction system. The reform which is presently in place provides for an increase in autonomic management of enterprises and worker profit sharing. At the same time, emphasis is being placed on independent financing of the firms: their expenditures are supposed to be covered by their earnings; in addition, they are expected to make a profit and not to depend on subsidies.

The change in price structures certainly was a positive measure. This is because Romanian enterprises did not feel the oil price shock for a long time since energy and raw materials prices were kept stable. They were increased by about 100 percent only in early 1981, which is still less than in the West. Thus the enterprises are increasingly feeling the chill affecting the world markets.

However, whether or not this change in prices will change the Romanian economic structure for the better remains to be seen. While administrative management has been simplified, there has been no decentralization of decisionmaking authority down to the plant level. True, the enterprises may make various planning suggestions to the central authorities; but actual decisions are still made at the top. In this, the ministries carry the greatest weight.

This is in marked contrast to what is happening in the GDR. While in the GDR big units--conglomerates--were created, which also absorbed small enterprises, which constitutes centralization, their authority has grown at the expense of the ministries and the central planning authority. This still amounted to some decentralization in the GDR. Large-scale enterprises predominate in Romania also, but their authority remains at a minimum; they are entirely dependent upon decisions coming from higher levels.

The party bureaucracy has the final say in Romania; the technocrats and managers are subservient to it. Action is frequently taken which results in reductions in so-called "non-productive personnel," including management. At the same time the technocrats--as is the case also in Albania--are required to work part of their time in production, which certainly does not improve their image and which demoralizes them. The highly touted "autonomic management" thus does not make itself felt to any degree, except that it is being talked about.

Experts think that the Romanian leadership is today copying the economic mechanism which was publicized in other East European countries during the 1960's. No one can say whether this will bring greater effectiveness to the workings of the economy or whether productivity will increase. Nor is it easy to tell to what extent independent financing will be successful and thereby relieve the budget of subsidies.

In the foreign trade the reform has to date had only a negative impact on Western firms. That is because now every foreign trade firm must achieve a balance between income and expenditures in foreign currency. What that means for Western businessmen is that pressure to consummate undesirable compensatory deals has increased enormously. Nobody in Romania would dare to make an import deal without forcing the Western exporter to purchase certain products in return. This has further contributed to increasing the unwieldiness of the Romanian foreign trade system.

Inasmuch as Romania is a member of the International Monetary Fund (IMF) and the World Bank, it is required to work closely with the agencies of these two international financial organizations. They are extending help to the regime which is unable to pay its obligations. At the same time, efforts are made in cooperation with IMF experts to work out some standardization of internal exchange rates. At the present time there is a different internal exchange rate for almost every group of products, which further shows variations for export and import. Some changes are to be made in the future also in exchange rates with the exterior. The lei is to become convertible for the long term. The Romanian conducator (leader) has emphasized this on several occasions. In fact, the country is required to do so by virtue of its IMF membership.

Despite the economic reforms, last year's 2.1 percent growth has been the smallest to date for Romania. That is not exactly proof of the effectiveness of these measures.

(To be continued. Prior installments were published on 29 March [Introduction], 1 April [GDR], 6 April [CSSR], 9 April [Poland] and 14 April [Bulgaria].)

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## IMPORTANCE OF DEVELOPMENT OF LIVESTOCK INDUSTRY

Bucharest ERA SOCIALISTA in Romanian No 4, 20 Feb 82 pp 11-13

[Article by Emil Petrache, deputy minister of agriculture and food industry]

[Text] The dynamism of economic growth in Romania stems from the party policy of industrial and agricultural development on modern bases, with the superior involvement of the decisive action of these branches on economic growth and improvement of the standard of living of all the people. In this comprehensive and complex process the party places a very special emphasis on accelerated intensification and modernization of agriculture, proceeding from the concept that a highly productive and profitable agriculture is a vital requisite for the country's population, representing, along with the domestic resources of raw materials, the groundwork for the vigorous and overall growth of the whole economy.

Against the overall backdrop of the qualitative renewal of agricultural production, which is one of the effects of agricultural cooperativization, a process completed 20 years ago, better and better conditions are being created for the development of the livestock industry -- a major branch of agriculture, with a vital, unique role in people's life, ensuring, by its multiple functions, the transformation of the resources of vegetable products for foddering purposes into livestock products. Hence it is instrumental in the diversification and intensification of agricultural production, in the satisfaction of human consumption needs in terms of animal proteins, and also in supplying industry with raw materials. This also accounts for the sustained efforts to develop new breeds of animals that are more productive and more precocious, for the use of most appropriate feeding techniques and intensive raising and fattening methods. Today, livestock production, on a world scale, is characterized by a high level of modernization and expansion and is the agricultural branch where industrial systems and techniques have the broadest and most diversified applicability. Justly one may state that the level of the livestock industry largely mirrors the level of development of overall agriculture.

A long-standing pursuit in the life of the Romanian people, animal husbandry has been experiencing radical changes after the completion of agricultural cooperativization. Socialist large-scale agricultural production has created favorable conditions for development of a livestock industry based on latest scientific and technological advances. Our state has focused on expanding and modernizing the technical and material base, increasing the areas designed for the production of fodder and setting advantageous prices for the principal animal products. Under

the prior five-year plan the livestock industry received more than 42 million lei for construction of new production facilities, modernization of existing farms, upgrading of pastureland, outfitting and expansion of factories and laboratories for the production of biostimulants and medical drugs, and for promoting research. Moreover, under the new regulations on contracting and procurement of animals, fowls and livestock products, the breeders are vigorously encouraged to increase the herds, outputs and deliveries to the state fund, because an average increase is ensured in the delivery price, more than 30% for meat and 35% for milk, versus the previous prices. The animal raisers -- including state and cooperativized units and the overall peasantry -- will thus receive more than 25 billion lei versus the prices in 1981 -- of course in the context of achieving the production planned for this year. This rise was required to cover the materials expenditures and operating costs in agriculture but also to enhance material incentives for the farmers. Furthermore, a vigorous incentive for cooperative members involves the new system of remuneration for work in agricultural cooperative units. On this basis, the incomes of cooperative members and the overall peasantry will go up, in the context of achieving the production planned for 1982, about 25%.

The decision of the joint work session of the Central Committee of the Romanian Communist Party and the Supreme Council for Economic and Social Development on the resetting and correlation on economic principles of prices for farm products and rise in retail prices for farm foodstuffs, increase in the remuneration of the work force, in the state allowance for children and pensions necessitates firm measures to upgrade all economic activity, to enhance economic efficiency in all the economic branches. In agriculture, and specifically in the livestock industry, firm action must be taken to boost the production of meat, milk, eggs and other products, to cut down costs and increase efficiency in every agricultural unit.

The organization of fodder production in each animal raising agricultural unit is the decisive factor of the development of the livestock industry. It is clear that livestock production cannot be conceived without ensuring the feed output that corresponds to physiological needs and the requirements for protection of the health of the production and breeding stock. Accounting for 60-85% of operating costs, feed becomes the chief ingredient of the economic efficiency of every livestock product.

A current trend which is increasingly manifesting itself on a world scale, also mirrored in a number of agricultural units in this country, involves the reappraisal of animal raising and fattening methods, which, actually, is tantamount to a veritable revolutionizing of feeding technology. The essential factor involves a significant drop in the amount of grain, that is of concentrated fodder, in feed rations, with the main emphasis on conventional succulent fodder, such as ensilaged corn cob in the milk-wax stage, potato, lucerne, alfalfa, beet, carrot, and so on. This modification is by no means accidental. The stepping up of livestock production necessitates greater and greater amounts of concentrated feed, that is grain, but grain production has been experiencing greater and greater difficulties in coping with the needs of intensive animal raising. Therefore there is the need for switching to a new animal feeding technology, that ensures grain saving concurrently with greater efficiency.

Proceeding from these considerations, from traditional approaches and experience in some areas in Romania, Nicolae Ceausescu, at the work conference at the CC of the RCP held in January 1982, pointed out the need for revolutionizing the livestock industry, assuring the integration of new feeding, raising and fattening techniques.

The change in the overall concept on production, storage and utilization of feed in the context of high efficiency is all the more necessary because the feeding system used so far did not take account of full capitalization on the specific conditions and traditions in agriculture in all Romanian regions. The approach involved excessive use of concentrated fodder, with technical methods that involve high energy and manpower consumption rates, and this seriously affected efficiency in the livestock industry. As a result of this situation, also worsened by the low corn outputs obtained in recent years, large gaps developed in meeting the fodder needs, with adverse effects on productions and the animals' health condition, which required great efforts in terms of foreign currency from the national economy. Moreover, deficiencies occurred as a result of little concern of specialists, machine operators, other workers and cooperative members for harvesting, storage, averting loss, waste and deterioration of fodder. Unsatisfactory firmness in the action of agricultural bodies, including the ministry, facilitated the approach of letting things move at their own pace. That is why even where there was a good experience, the feeding methods involved were abandoned and new systems were adopted which resulted not in reducing but in increasing consumption rates.

The new concept of ensuring and cost-effective utilization of fodder focuses on fully meeting the feed needs from internal resources, highly efficiently utilizing the areas destined for fodder production and growing crops with maximum per hectare nutritional value, in the context of reducing energy consumption rates. It must be emphasized that this approach also is reflected in current concerns of countries with an advanced agriculture, because it is considered as a basic concept in the future for meeting the feed needs on a high efficiency level.

The basic factor for the new animal feeding standards involves using ensilaged corn cob, that can assure high productions in all the country's zones with highly productive late hybrids. Furthermore, used for fodder will also be the other highly productive crops such as potato, squash, beet, turnips, melons, lucerne, alfalfa and others, which will be chief resources in feeding stock and will be supplemented with reduced amounts of combined fodder.

The use of ensilaged corn cob in the feed for hogs ensures drops in losses in harvesting, storage and utilization. Ensilaged corn cobs ensure superior storage and result in avoidance of spoilage from mold. In the last 2-3 years, because of the corn's not reaching maturity, there were very many cases of mortality in junior hogs and disruptions in the breeding process for this species. The new approach presents the advantage of ensuring storage of corn under proper conditions, without requiring drying with fuel consumption. Moreover, use of this approach enables the utilization of cobs for ensilaging in a stage when they have the adequate moisture level for ensilaging and a nutritional value which is close to that of mediocre hay.

A special advantage offered by the new approach on feeding stock involves the fact that it permits the obtaining of a higher feed output per unit of surface by broader cultivation of more productive late hybrids, without the need for their reaching

full maturity at harvesting. Consequently, the harvesting of cobs for ensilaging permits commencement of corn picking at least 15-20 days earlier and this has a very positive impact on conducting fall plowing under proper pedoclimatic conditions.

The unilateral handling of the fodder base is also mirrored in the fact that use was not made in practice of the best possible methods for providing the required amounts of feed. Every year, under the production plans provisions were made for corn growing in the counties of Suceava, Covasna, Harghita, Maramures, Brasov, and Sibiu where low yields are obtained, of only 1200-1600 kg kernel per hectare. Insufficient attention was given to the fact that in these areas however, farmers almost constantly obtain average per hectare productions of 20 tons of potatoes, which is tantamount to the production of 7 tons of corn kernels per hectare. Economic wisdom dictates that these regions grow potatoes. Growing of corn permits raising 3-4 hogs per hectare while growing of potatoes permits raising more than 21 hogs. That is why, in light of the new stock feeding standards, the utilization of potatoes and other succulents in hog raising and feeding will be extended.

Use of these two hog feeding procedures -- with ensilaged corn cob and potatoes -- while providing for the utilization of about 120 kg special combined fodder, results in the signifcant reduction of concentrated fodder consumption. For instance, in the hog sector, according to the new feeding standards, with about 1.6 million tons of concentrated feed annually it is possible to ensure the feeding of all the stock. To this is added coarse fodder which is included in standards everywhere. Another factor in reducing consumption rates in terms of concentrated fodder involves also using other kinds of feed in hogs' food.

The introduction of the new feeding standards can result in an efficient course in the livestock industry to the extent that adequate conditions are created. These conditions include optimalization of areas under feed crops, preparation of spaces and facilities for processing and ensilaging fodder, good use of pastureland, increase in per hectare feed output, and so forth.

Conditions are being created to ensure the significant rise in production, with this being the essential requisite for successful implementation of the new feeding provisions. It is important to introduce a new approach and spirit in agriculture, because only in this way it is possible to take action to meet needs and do away with the negative situations which are still found. For instance, in a number of agricultural units, the area assigned to animal raising farms for fodder production is of lowest quality and, as a rule, involves scattered sections. In some agricultural units there is no constant concern for livestock farms to be provided with the manpower, facilities and machines that are required for proper organization of the production process. The existing work force is predominantly assigned to plant and vegetable farms and operations in the fodder crop sector very often are performed only if there is time left. In many agricultural units, the managing body, instead of concerning themselves with organization of fodder production in local farms are turning toward obtaining allotments from a central agency.

The fact that so far the livestock industry has not had a fodder production which is adequate qualitatively and quantitatively is also largely due to the shortage of valuable seeds of fodder plants. Consequently, the greatest proportion in the pattern of fodder crops involved annual plants that were fit for late sowing and did not require special efforts as to procurement of the seed needed. Conversely,

in most agricultural units, perennial legume crops accounted for an inadmissibly low proportion. Of course, responsible for this situation is also the network of experimental stations, which did not ensure production of a wide range of valuable seeds. But no lesser is the responsibility of agricultural units which, instead of concerning themselves with organizing on their own farms the production of the entire range of fodder crops needed, were asking for allotments from the county or from a central agency.

Basic is better correlation between existing animal herds, their biological potential and fodder production. The fact that this correlation was neglected has in many units created a somehow paradoxical situation. While the number of animals has increased each year, the area destined for fodder crops has decreased or at most remained the same, and the average per hectare productions remained almost identical. To do away with this state of affairs it is necessary, in light of specific conditions and by ably using positive tradition and experience, to focus attention on increasing production on the areas destined for fodder production. In this context, of outstanding importance is organization of production and sensible use of fodder resources. The new approach involves maximal use of bulk fodder and reducing the consumption of concentrated fodder, which will be included in animal feed only to optimalize the rations. This is of great significance in raising the efficiency of livestock production.

As is known, failure to ensure bulk fodder quantitatively and qualitatively resulted, in many socialist agricultural units, especially in state agricultural enterprises, in excessive consumption rates for concentrated feed in the food of ruminants, a procedure which is inadequate under economic conditions in this country. The results of research on treating straw with sodium hydroxide attests a 29% rise in nutritional value versus nontreated straw. We point out that in the case of treating straw with sodium hydroxide by adding 20 kg fodder urea to the ton of straw we can obtain an increase of up to 25 g/kg in the protein level.

The implementation of the measures for improvement in the production and utilization of fodder involves significant changes in the production plans of agricultural units, for the purpose of obtaining optimal patterns for all crops, so that the reduction in concentrate consumption be permanently coupled with full provision of the needed amount of top quality bulk fodder. In the same context, of special importance is ensuring top quality fodder that permits minimizing relative consumption rates per unit of product and integration into the new consumption standards. Moreover, it is appropriate to also use other inexpensive fodder resources, such as rejects from various industries, cooking waste and the like, which can provide major sources of feed for some species and categories of animals.

The quantitative rise in the fodder production and the increase in nutritional values per unit of surface necessitate the upgrading of the pattern of fodder crops. In the first place it is necessary to expand the areas under lucerne and alfalfa, intended for green fodder and also for the production of vitamined hay and granules.

The 4.4 million ha of natural meadows provide an important source for ensuring the necessary amount of feed for animals. Lack of some measures designed to put to good use the entire productive potential of these meadows, failure to ensure the chemical fertilizer and machines needed for development operations resulted in large areas of

pastureland and hayfields having too little input into the country's fodder fund. Each agricultural unit that benefitted from the pasturelands ought to be a factor in the performance of operations for upgrading and wise utilization: fertilization of lands, clearing of brush, combating of erosion, development for systematic grazing, irrigation, and so forth.

Bringing fodder production to the level of requirements involved in the development of the livestock industry is inextricably linked and largely generated by greater mechanization and chemicalization. In a modern livestock industry, fodder production involves ample mechanization and chemicalization which permit the use of latest procedures allowing for the substantial, in many cases even total, replacement of manual labor and obtaining of greater quantities of high quality feed.

What we have so far achieved in this area still is too little. Industry has failed to attain one of the chief objectives set by the party in the area of agricultural mechanization, namely production of the required number of farm machines for performance of operations on fodder crops. Therefore, used on fodder crops are machines for grain crops. As is known, mowing of green fodder coincides with the hoeing of corn or harvesting of wheat, and ensilaging overlaps picking and transportation of corn. Consequently, agricultural units are compelled to perform operations on fodder crops as machines for grain crops are released, and this causes to miss the optimal period. But in the area of fodder production, also, where enormous amounts of feed that need to be picked, conveyed, stored, preserved and processed are handled, delays in operations lead to decline in the quality of fodder and, in some cases, to its complete deterioration.

Acceleration of the rate of mechanization and chemicalization in fodder production will have most favorable results for the development and modernization of the livestock industry and will create broad and genuine prospects for quantitative and qualitative rises in fodder, its diversification and reduction of costs per unit of product.

More rapid intensification of production in the livestock industry is largely generated by the wide-scale use of modern procedures for animal raising and utilization. Therefore it is necessary to step up the rate of adapting the hog fattening and breeding units, the cattle farms, the winter stables, and the poultry farms and fattening units to the requirements of sensible feeding. In this context, there will be a reconsideration of the entire system of animal watering so that everywhere the problem of water may be fully resolved.

In spite of the good results obtained in improving breeds deficiencies continue to be found which cause the level attained to fail to meet the conditions created and the existing requirements. The lack of a uniform concept on the approaches to and methods for improving breeds resulted in the importation of breeds that did not yield the results anticipated in terms of pure breeding or of utilization to improve domestic breeds. For instance, 10-15 years ago, for absorption-based improvement of cattle from the red breed occurring in this country, four types from the red breed were imported, and for the improvement of sheep breeds, several types from the merino breed. These steps were taken to the detriment of the breeds or populations of animals existing in this country, which have proved to be sufficiently adapted and capable of ensuring high productions if they are raised under sensible conditions and if permanent and well-directed selection is applied.

Another negative factor involved the utilization in breeding, especially by artificial insemination, of a large number of male breeders that were not verified as to transmission of superior production features to offsprings. Today, in all countries with a developed livestock industry, one cannot conceive a rise in livestock production without sure knowledge of the value of a breeder, because, by the very biology of domestic animal species, the male is the decisive factor in terms of the quality of future generations by the great number of offsprings he can breed during his lifetime.

Rational and intensive utilization of space in livestock farms and complexes is a primary requirement for higher outputs and greater profits. Experience demonstrates that in fattening hogs from 30 to 110 kg on the same space it is possible to fatten two and a half hogs a year. For young pigs, on the same space it is possible to breed at least three and a half and even four sets a year. For poultry it is possible to breed on the same area at least five sets a year. This really means a higher level of efficiency, a level that can be attained everywhere provided special emphasis is placed on organization of production, technological order and discipline.

The obtaining of a maximum livestock production in the areas built also involves slaughtering the animals at a maximum weight. Firm implementation of this principle will result in elimination of procedures involving slaughtering of animals at a weight that is below the optimal cost-effective level, which impacts on the rise in the volume of meat and on efficiency.

The increase in the level of technology and organization in the livestock industry is a very topical requirement, for whose materialization actual conditions exist. But results will not develop by themselves. There is the need for an intensive activity conducted concurrently in all the departments that are decisive factors in the fate of production of the livestock industry, for order and discipline, for spirit of responsibility and proficiency in decision making.

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BIROVLJEV DISCUSSES 1981 ECONOMIC DATA

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 25 Mar 82 p 1

[Article, author not given: "Increased Growth Helped by Prices; Last Year's Economic Performance According to Annual Financial Reports"]

[Text] At a press conference, Milorad Birovljev, head of the Public Auditing Service, reported on last year's economic performance. Some of the more important results were the increase in net income lagging behind increases in business expenses and gross earnings; economic forces again allowed to function administratively to distribute net income; loan payment defaults rising by 55 percent.

[Belgrade, 24 Mar] Despite inflation, the economy grew noticeably last year in gross earnings and net income. According to annual financial reports, gross earnings grew by 43 percent and net income, 38 percent. These data and other information were disclosed at a press conference held by Milorad Birovljev, head of the Public Auditing Service. These results were achieved with a 3 percent increase in the volume of material production (excluding agricultural production, which, according to incomplete data, grew by only 1 percent), a 4 percent rise in industrial production and a 2.7 percent increase in employment.

Although still modest, income from the sale of goods and services abroad increased rapidly last year; this helped reduce the balance of payments deficit. Of course, the domestic sale of goods and services is still the dominant source of earnings. The more intensive growth in earnings from communal income and revenues based on associated labor and resources in the structure of gross earnings is encouraging, according to Birovljev's evaluations, although their share in the total economy is still only 9.9 percent.

A Drag on Net Income

Both inflation, or the large increase in prices on both the domestic and foreign market, and the international currency exchange rates, influenced the rise in business expenses. Expenses increased by 44 percent last year, with the greatest increase in energy consumption and the purchase of raw materials and other necessities. Those expenses in areas where consumption has been restricted grew at a somewhat slower rate; for example, expenses for business trips, presentations, advertising, royalties. Among these expenses, expenditures for travel abroad increased most rapidly.

Net income increased by 38 percent last year although gross earnings were up 43 percent. This large difference in the two growth rates is primarily the result of a 46 percent increase in business expenses. The economy's participation in distributed income remained at approximately the same level as in 1980. The economy had a 63.3 percent share last year (compared with 64.2 percent the year before), and other participants in this distribution had a 36.7 percent share (compared with 35.8 percent the year before).

According to annual financial reports, in the economic distribution for participants outside the Basic Organizations of Associated Labor the highest percentage of funds--46 percent--was set aside for communal needs, while 42 percent was given for the so-called miscellaneous expenditures. In addition, there was a 16 percent increase in funds set aside for general public needs. The large amount set aside for communal needs is to some extent the result of changes in the accounting system but primarily the result of the excessive growth in this form of consumption. With miscellaneous expenditures, interest expenses were the most significant costs, as they were last year, with an increase of 46 percent.

The amount set aside for general public needs, although increasing at the relatively low rate of 16 percent, still exceeded the limit anticipated by the resolution by 19 percent. Actually, this relatively low level of expenditure from earnings is primarily the result of this consumption being funded through excise taxes and other sources besides earnings. All things considered, these data concerning expenditures of earnings attest to the fact that the provisions in the resolution concerning the strengthening of the material base of associated labor have not been carried out.

As in the preceding 2 years, economic forces were allowed to dictate the distribution of net income. Expenditures for capital accumulation and reserves (index 154) grew the fastest, while outlays for net personal income and for worker's communal consumption (index 130) grew at a slower rate. The stagnation of communal consumption is illusory, warned Birovljev, because according to new regulations expenditures for providing meals for workers are considered a part of business expenses, and the contribution to common housing construction is taken from net income instead of communal consumption.

According to the annual financial reports, the average wage last year was 9,847 dinars, a nominal 35 percent increase over the previous year. Since the cost of living went up 41 percent, the real value of the wages diminished. One can really say that real personal income fell approximately 4 percent, which is less of a decline than in 1980, when real personal income fell by 6 percent.

Increase in Loan Defaults

The economy had its share of losses last year. According to the annual financial reports, losses of approximately 30 billion dinars were recorded, 44 percent more than the previous year. These losses would have been 15 billion dinars greater if the oil industry had not been able to extend its losses into this and the following year. Besides this, losses were incurred by only about 5.5 percent of the basic organizations employing 6.6 percent of all workers

employed in the economy; this is less than in the previous year. The greatest losses were in the transportation, construction and agricultural industries. In the process of drawing up the annual reports, 20 percent of the losses had already been covered, more than half by means not requiring repayment.

Much data in the annual reports indicate that liquidity in the economy worsened last year. One consequence was an increase in loan defaults by 55 percent. There are many reasons for this; we will mention only one in particular. The economy puts a significant portion of its working capital into the import and stockpiling of raw materials and other materials needed by industry, as well as for investment purposes. This results in a lack of monetary resources for meeting loan obligations and an increase in debtor-creditor relations in the economy.

Thus, some decisions from last year's resolution have been implemented in some very important areas, such as in the growth of the physical volume of production, a quite perceptible increase in the number of exports along with a noticeable reduction in imports and a real reduction in the volume of investment. The results are clouded by inflation, the large increase in prices, and the public and communal level of consumption, which is too high to permit a strengthening of the material base of associated labor.

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PROPOSALS FOR NEW PENSION LAW DISCUSSED

Zagreb VJESNIK in Serbo-Croatian 17 Apr 82 SEDAM DANA supplement p 8

[Article by Ranka Adum-Cicak: "On Dry Bread"]

[Text] It is true that 4,000 billion dinars, the amount it will take to adjust pensions, are a heavy burden on associated labor, but how are people to live who with the money of their pension can buy only 3 kg of bread per day?

Recently a resigned pensioner said in a meeting of the Council of the Federation of Yugoslav Trade Unions: "For Lord's sake, people, for whom are you preparing the law on old-age and disability insurance? You are preparing it for yourselves. You will also retire." Representatives of the younger generation, however, say that they cannot accept a law which burdens associated labor with new obligations.

We have tried to learn how much it would cost to adjust pensions to personal incomes (as foreseen by the proposed version of the law on basic old-age and disability insurance rights). This is no small amount of money. According to calculations of Habo Cehajic (Federation of Yugoslav Pensioners), 4,000 billion dinars would be needed.

The pensioners have precisely calculated and put on paper all the troubles they have to swallow under the present pension system. In collaboration with the Council of Yugoslav Trade Unions the Federal Council of Yugoslav Pensioners has just completed an expensive analysis of the social and economic status of 1.7 million Yugoslav pensioners. The analysis shows that the average pension (including the welfare supplement) last year was 56.5 percent of the average personal income of employed persons. For 60 percent of all the pensioners (and that means 1 million people) the pension benefit is smaller than 4,500 dinars. Not to mention those who are still poorer, whose pension is below 2,500 dinars (in SR [Socialist Republic] Macedonia there are 18,070 of them, in Croatia 18,888, in Slovenia 2,463, in Belgrade [SR Serbia is presumably meant] 32,567, in Montenegro 1,282 and in Bosnia-Hercegovina 15,402). With that kind of money in their pockets these pensioners can buy 3 kg of bread per day, but what they have left is not enough to buy even 1 liter of milk, much less meet their other daily needs (not to mention rent, electricity, water and other overhead expenses).

Lazar Zaric, a member of the Presidium of the Council of the Federation of Yugoslav Trade Unions, has calculated that the standard of living of these people has been dropping steeply for other reasons as well: "The elderly are also feeble, so they cannot earn additional money as they were able to do in their younger days. It is still worse for those who live in the large cities, so they do not even have a garden, and their pension is their only source of income. When they left associated labor, they also lost their discount on vacations, hot meals, travel pass.

The differences in the standard of living of pensioners are incomprehensibly large from republic to republic. And the pensioners say that there are no specific republic features to justify them. We asked people in the Federation of Pensioners how this came about.

Here are the reasons: Toward the end of 1980 the cost of living was eliminated as a criterion for pension adjustment. The law established the obligation of adjustment to the movement of nominal personal incomes of workers in the area of the particular old-age insurance community. However, in five communities (Slovenia, Bosnia-Hercegovina, Macedonia, Serbia and Vojvodina) the previous arrangement was retained of not adjusting at the beginning of the calendar year those pensions for which the previous year was the last year of insurance in which the personal income was taken as part of the basis of the pension. In three communities (Croatia, Montenegro and Kosovo) they do adjust at the beginning of the calendar year even those pensions determined from a pension base including personal incomes for less than 12 months of the past year, so that they are adjusted in what are called twelfths. How does this look in practice? Like this: A worker who has retired in Croatia, Montenegro and Kosovo on 1 July 1981 will receive as of 1 January 1982 a regular pension increase in the amount of six-twelfths, while the worker who has retired in Slovenia, Bosnia-Hercegovina, Macedonia, Serbia or Vojvodina must wait until 1 January 1983 for that regular pension adjustment. And those first pensioners enter 1983 with their pension already increased, while the others enter it with the pension they received as of 1 July 1981. The pensioners have calculated that the differences amount even to as much as 2,000 dinars for pensioners in the same category!

Under the new law current adjustment of pensions in all republics (which is only fair) would increase expenditures of old-age and disability insurance by 13.04 percent (according to an estimate made 2 years ago). This would put a burden of another 1.4 percent or so on the personal incomes of employed persons.

But what awaits us who are still working on the road to our pensions and after we retire! There have been many debates about enacting a new law or supplementing the present one. After 6 years of preparation, now that we have received the proposed version of the law (it is expected to go before the Federal Assembly in April), it is clear that we are dealing neither with a new pension system nor with a new law. This is a law which improved the old arrangements and the status of pensioners. However much it costs those who are not retired now, in other words, the new law will be favorable for them when they do retire.

How will we qualify for retirement?

Somewhat easier under the new law, and also under more favorable conditions than now. We can qualify for an old-age pension at age 65 (55 for women) with 20 years of pensionable service. Those who do not have 20 years of pensionable service but have reached age 65 (60 for women) can also retire if they have worked at least 15 years.

The third possibility of qualifying for an old-age pension altogether ignores age (it is also of interest to some people) provided people have worked 40 years (35 for women).

It will also be possible to retire early, but there are corresponding deductions until such time as the early retiree reaches pensionable age.

The pension benefit will also be better for future retirees. It will depend on the monthly average personal income which the insured earned in any 10 years when he was insured (those most favorable for him). In this estimate personal incomes from previous years will be evaluated according to the trend of the average personal incomes of all persons employed within the republic. Still another pleasant piece of news for those who are already retired, but are not satisfied with their benefits. They will have the right to have their pension recomputed under the new law.

Spouses, legitimate, illegitimate and adopted children, and also parents (father, mother, stepfather, stepmother), as well as spouses divorced before death (if a court has established their right to support) may qualify for a survivor's pension. If the insured died of an occupational disease or work injury, his heirs are entitled to a pension regardless of the length of his pensionable service.

The new law has disturbed those receiving disability benefits because of work injuries. After all, it provides that the workers' respective OUR [organization of associated labor] is to care for them. The disabled fear that this concern will vary and will depend on the condition of the OUR, and those from poorer OUR's will have to tighten their belt.

However, Miodrag Zecevic of the commission for drafting the bill is convinced that the rights of disabled persons are not threatened: "In cases when the OOUR [basic organization of associated labor] cannot care for the disabled person, he is transferred to the care of the SOUR [complex organization of associated labor]. If the SOUR is also impoverished, then he is transferred to the SIZ [self-managing community of interest]. In any case the concern is not diminished. We have merely tightened the criteria for evaluating disability. It will no longer be possible for people who are not disabled to qualify as such. Impaired ability to work does not mean that a man cannot work in some other job and must immediately have a disability pension.

In the public debate there were a great many criticisms of the draft, as well as of the proposed version of the law. Nevertheless, the workers say that they did not participate sufficiently in the debate. That is why the trade

union cleared the proposed version only with several amendments and will propose that the public discussion of the bill continue until autumn, even if the law is enacted. How worthwhile that will be remains to be seen.

The pensioners are not [sic] in a hurry. One can understand this. Habo Cehajic concludes: We are anxious to have the law adopted, there are many facts which account for that. First, workers will not retire today because they are afraid of a poorer life. Second, let us not postpone adjustment of pensions, since if we do not do this immediately at these prices, tomorrow it will be more expensive!

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## NETHERLANDS FINANCES FACTORIES FOR RETURNEES

Zagreb VJESNIK in Serbo-Croatian 4 Apr 82 pp 4, 5

[Article by Salih Zvizdic: "More Money Than Good Projects"]

[Text] The director of the Center for Research on Migration in Zagreb, Dr Ivo Baucic, stressed the example of The Netherlands, which, of all the European countries in which our 690,000 workers are employed, shows the greatest willingness to provide organized financial assistance to workers who are returning to the countries from which they came to The Netherlands for temporary work.

This is primarily credits for opening industrial operations and factories in which these workers would be employed, but also includes separate assistance to individuals to enable them to create the conditions for material existence in their homelands.

### The Dutch FMO

Of the total number of Yugoslav workers employed in the developed countries of Europe, 10,500 workers, or 1.5 percent, are employed in The Netherlands (which has 14 million inhabitants, with an area of 33,397 square kilometers). This country of worthy people has demonstrated its willingness to contribute, at least symbolically, to the general economic development of the countries from which it has accepted foreign workers; it has demonstrated this in regard to our country by providing special nonreturnable funds for the construction of economic installations in the undeveloped areas of our country. In addition to this, it is also providing very favorable credits for constructing industrial installations and increasing employment in such regions, which are as a rule areas noted for migration.

The Dutch Financial Society for the developing Countries (FMO), which has its headquarters in The Hague, is cooperating closely with a new Yugoslav institution with a long name, which was founded in 1978 and began to operate in 1980--the Fund for Financing Increased Employment in the Economically Underdeveloped Areas of the SFRY Noted for Migration, which is called the Employment Fund for short. Klime Corbe is the director of this fund, which is headquartered in Belgrade and is part of the Fund for the Development of the Underdeveloped Republics and Kosovo.

We should also note that the Employment Fund also cooperates closely with the Zagreb Center for Research on Migration.

In cooperation with the above-mentioned Yugoslav fund, which operates as a "nonprofit organization," the Dutch FMO is providing more and more credits under very favorable conditions, or entering into joint investments with our firms in the construction of complete factories or installations in the underdeveloped areas of our country, commercial and technical cooperation, assistance in accordance with the system of providing "know-how," and so forth.

Assistance to Individuals

Since 1974, however, there has been a special institution in The Netherlands for assisting individual foreign workers in being economically reintegrated in the countries from which they came. A separate organization, International Migration and Development Cooperation (IMOS), was formed for this purpose, and its assistance program has included workers from Spain, Portugal, Tunisia, Morocco, Turkey and Yugoslavia. IMOS gives the returning worker an amount consisting of about 30 percent in nonreturnable funds and 70 percent in the form of very favorable credits, for the purpose of establishing production or service businesses in their countries of origin.

Of the 45 applications submitted to IMOS by our workers by the end of 1980, 21 were rejected, 6 were accepted, and 18 are under consideration. This assistance would probably be much more effective if the projects offered to IMOS were more complete, i.e., if their proposers had all of the necessary information about the development possibilities within a region or commune.

Considerable assistance to these returnees can be offered in regard to this by communal services, or the development services of firms in the undeveloped regions. It is logical that the competent service of the Dutch embassy in our country should want to know the justification for every worker's request for investments with the assistance of IMOS.

Struga and Rozaj

From the standpoint of greater effectiveness, the assistance from FMO is naturally more useful than that of IMOS, because more installations and a larger number of employees are involved. Furthermore, such cooperation does not just assist the Yugoslav policy for the return and reintegration of migrants; such a reciprocity of relations is also clearly economic cooperation that is useful to both countries.

In 1978, the Netherlands allocated nonreturnable funds in the amount of 6 million guilders (about $2.3 million) for the construction of two industrial installations in Yugoslavia: A factory for enameled dishes in Struga (Macedonia) and a factory for decorative paper in Rozaj (Montenegro). The factories have already been completed. The one in Struga, where work has just been carried out on an annex to the existing installation, has employed 103 workers, and the one in Rozaj has employed 80 new workers.

Of course, these foreign funds were only part of the value of the total investments (the total value of the investment in Strugaj is about 120 million dinars, and in Rozaj, about 115 million dinars), because the rest of the funds have been provided by the Federal Fund for the Development of the Underdeveloped Republics and Kosovo. Unfortunately, the period required for the construction of these factories was considerably longer than planned, and this has created several material and other difficulties for them in their operation.

Later on, the method of offering nonreturnable assistance was replaced by the very favorable credits given by FMO (interest rates of 5-8 percent, a postponement of repayment until 3 years after the installation begins operations, and a period for repayment of the credit of up to 15 years) for the construction of six more installations in Yugoslavia.

The cooperation between the Employment Fund of Belgrade and the FMO takes place as follows: The fund gathers projects from the republics and provinces and offers them to the FMO, which then accepts or rejects them. In addition to The Netherlands, some other countries are showing interest in these projects. Bogoljub Pejcic, a counselor at the fund, says that it is sometimes harder for them to find projects than to find the money from abroad to carry out those projects. Of course, he was referring to good projects, because it is better not to build anything than to create economic invalids.

Six New Factories

The final stage has been reached in the signing of a contract between the fund and the FMO on building a factory for special sanitary devices (from quartz sand) in Liplijan (in Kosovo). The value of the investment is 116 million dinars, and the FMO approved a very favorable credit in the amount of $1,6 million. The rest of the funds are from the Federal Fund for the Development of the Underdeveloped Areas. A total of 75 new jobs will be created.

Representatives of the FMO recently visited Zablje (in Vojvodina) for negotiations on providing a credit of $1,4 million for the construction of a tool factory machining shop for the Majevic Tool Factory in Backa Palanka. The total value of this investment is $140 million (because the rest of the funds are being provided by the Province's Fund for the Underdeveloped Areas). It will employ 165 new workers.

With a very favorable credit from the FMO, Sever from Subotica will build a factory for stable ventilation devices in Srpska Crnja (in Vojvodina). Negotiations on a credit of about $2 million are in the final stages, and the estimated value of the total investment is about 100 million dinars. The factory will employ 750 workers.

The construction of an additional section at the existing factory for children's clothing in Prnjavor (in Bosnia-Hercegovina) is in the final stage; it will employ 132 new workers. It is expected that negotiations with the FMO on a foreign credit for this factory will soon be concluded successfully. The total value of the investment is 167 million dinars.

Because of a delay in drawing up the project from Djuro Djakovic in Slavonski Brod, negotiations with the FMO have just begun now on a foreign credit of $2 million for the construction of a factory for valves and accessories in Imotski (in Croatia).

The estimated total value of the installation is 300 million dinars. There will be 150 new jobs.

One of two projects offered will be constructed in Slovenia with the aid of an FMO credit of about $2.5 million: Either a factory for plumbing equipment in Stari Trg, or a factory for processing fruit and vegetables within the framework of Pomurka in Murska Subota. There will be 132 new workers employed. The value of the investment is about 250 million dinars.

In other words, The Netherlands has so far given $2.3 million in nonreturnable funds for the factories in Struga and Rozaj, in which 183 new workers have been employed, primarily people returning from temporary work abroad. In addition to this, credits have been set aside, or negotiations on them are being concluded, for the amount of about $20 million. About 1,500 workers will be employed in these installations and in installations associated with them.

The communes and working people from the underdeveloped areas in which factories have been built or will be built with the assistance of The Netherlands have expressed their gratitude to the government of The Netherlands for its sympathy for their employment difficulties.

And the Other Countries?

The successful cooperation between The Netherlands and Yugoslavia should have encouraged similar cooperation with Yugoslavia by the other countries in which Yugoslav workers are temporarily employed, according to Klime Corbe.

How are things going in this regard with the other countries in which our workers are working?

France has promised credits for three industrial installations in the area of Serbia. All of them, however, are for the time being in the negotiating stage.

Denmark has agreed to provide $7 million for financing the construction of a factory for rubber mine tracks in Kalesija (in Bosnia-Hercegovina), where 312 workers would be employed. The negotiations are in progress. There have also been other similar initiatives from this country, in which about 5,000 of our workers are employed.

Negotiations are going well with Sweden (24,000 employed), where our workers have provided the initiative for building a factory for special rubber products in Bitolj, for the most part with their own funds.

Unfortunately, Austria and Switzerland so far have shown very little sympathy for joint actions regarding the reintegration of migrants, although 130,000 of our workers are working in Austria, and 30,000 in Switzerland. The situation with Belgium is the same.

In this regard, Yugoslavia has been most surprised by the relatively neutral position of West Germany, where 58 percent of the total number of Yugoslav workers employed in Western Europe are working (401,000). There are still no real initiatives in this country, with which we maintain very good interstate relations, to support with credits, or in any other way, the construction of new installations in which migrant workers and other unemployed people could find work. To tell the truth, the DEG [German Development Company] and BMA [Federal Ministry of Labor and Social Welfare] organizations have recently shown particular interest in providing financial support for the reintegration of workers in our country, although no concrete agreements have been reached yet. According to certain German standards, our country is not among the underdeveloped ones, and this is a formal barrier to the success of a cooperation from which both countries would benefit.

Initiative

We should note, in conclusion, that an initiative has been taken to have the Employment Fund become a member of the European Fund for Reintegration. Negotiations on this are being conducted at the level of the two funds. If they are concluded successfully, then the credit line for Yugoslavia from the funds of the European Fund for Reintegration would amount to about $40 million per year. This, in addition to the domestic funds of the Fund for the Development of the Underdeveloped Republics and Kosovo, would make it possible to build about 15 small industrial installations and others each year for workers who are returning from temporary work abroad.

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# East Europe Report

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2273

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26 May 1982

# EAST EUROPE REPORT

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2273

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# CEMA'S INTERNAL, EXTERNAL ECONOMIC PROBLEMS VIEWED

Budapest NEPSZABADSAG in Hungarian 7 Apr 82 p 10

[Article by Gyula Kovacs, deputy chairman, National Planning Office: "CEMA in the World Economy"]

[Text] In the 1970's the European CEMA countries arrived at a new phase in their development in which the slogan of "efficiency--modernization--quality" was emphasized. These countries arrived almost at the same time at the threshold of an economic change of eras. With the exhaustion of extensive development sources, the demand for intensifying national economies appeared everywhere. Sources within the community are no longer able to satisfy the materials demand of extensive development. The possibilities for the once basic "interbranch exchange" or offsetting of material-type products with finished products have narrowed while the areas of "intrabranch exchange" have expanded only slowly. (Agreements on production cooperation and cooperative projects for spare parts and component parts are developing slowly, and trade in consumer items is of relatively small scope.) For the intensive development and transformation of the production structure, however, the CEMA countries are struggling with a relative shortage of means; for the attainment of our goals, the interrelationships among the member countries and certain elements of the cooperation mechanism (for example, the foreign currency-financial area) cannot be regarded as adequately developed.

## Structural Problems

The economic growth rate of the CEMA countries has moderated. Until 1975, rapid economic development was generally evident in all CEMA countries. Since 1975 we encountered a moderating rate in the production of national income and in the value of industrial achievements and agricultural production. In most of the countries there has been an increase in the internal and external disequilibrium of the economies. The equilibrium problems were also aggravated by the fact that deterioration in the terms of trade--different in all countries--occurred essentially concurrently and in a relatively short time in commodity trade with both the socialist and capitalist countries. CEMA prime formation practice mitigated the unfavorable effects, but the deterioration in the terms of trade was of such significance that the Hungarian economy was unable fully to counter it even with exports that increased substantially more rapidly than imports.

The structural asymmetries became more strained because of the obsolete nature of the processing industry here and there, the undeveloped state of the infrastructure, and the relatively low performance capability of agriculture. In a number of countries, a significant volume and structure of consumer demand are not being satisfied.

The dynamics of intra-CEMA trade has also slowed. For example, Hungary's trade with CEMA countries increased 70 percent between 1971 and 1975, but only 25 percent at unchanged prices between 1976 and 1980. In 1981 there was no increase in the volume of our trade. The position formerly held by CEMA countries in world trade--that is, about 10 percent--has also declined in the past 2 years.

New elements have appeared in our cooperation within the community. This could already be felt in the coordination of economic plans extending to the period 1981-1985. Demands of the various countries became strongly differentiated, the scope of demands expanded, quality and selection requirements increased. Supply did not expand, in certain commodity groups--primarily materials, semiprocessed goods and energy sources--it narrowed and in some cases fell below former levels. There was a reevaluation in various commodity groups. The so-called "hard goods" (primarily materials and energy sources) were evaluated upward. Commodities that were formerly valued highly dropped in evaluation rankings (for example, processed foods and several products of crop-raising) while others moved ahead (for example, machine consumer items). Concepts linking commodity deliveries to one another were expanded. The balancing of commodity deliveries annually and over a 5-year period became questions of prime importance.

Our internal problems were intensified by external influences. Entering the intensive phase of development coincided with a world economic situation that had become more unfavorable. Foreign political tensions became more strained; this too increases our foreign trade and financing difficulties. Serving the Cold War goals of imperialist circles, economic pressure on CEMA countries increased.

The seriousness of the tasks to be solved, the problems emphatically appearing with the change of phase, and the estimate that we must transform existing cooperation into actual and effective integration--these stress all the more the importance of the complex program designed to develop the economic integration of the CEMA states.

The fact that solutions for urgently needed cooperation are particularly emphasized as a consequence of the altered economic situation led to a certain shift in ratios during implementation of the tasks from the program. The product sphere had to deal, above all, with the questions of material and energy supply, while further developing the economic means system for cooperation and strengthening direct relations at the enterprise level were forced into the background. The present system of price formation focuses on an approach to world market price ratios but it does not afford protection against the infiltration of price increases determined by monopolist-type or political factors on the capitalist market.

## Flexible Forms

The more flexible commercial forms based on state obligations in mutual commodity trade did not receive adequate scope.

We are able to prevail over the difficulties caused by external and internal factors--going beyond the improvement of our own work and methods--primarily by the increased use of the reserves and advantages in work distribution among the socialist countries. For this, however, we must develop socialist economic integration more quickly.

Only a more efficient socialist economic community can contribute better to solving the great problems that affect all of us and to bridging economic difficulties. In the process of integrational development, the economic strength of all CEMA countries must be increased and the possibilities for balanced and proportional development improved. We must in this way create supplementary sources for maintaining or accelerating the economic growth of integration, for bringing about modern technical solutions and for modernizing the production structure of individual countries. With this, we can also strengthen the export potential of the community.

For all these goals, we must devote great attention to further integrational measures that are waiting to be worked out. We must in a far-reaching way consider the endowments, interests and load-bearing capacity of the individual countries in order to create conditions for more dynamic and balanced progress. For Hungary this means that cooperation in the framework of integration should contribute to an increasing extent to our relative internal economic stability, to maintaining our firm political situation and to increasing and realizing our efforts to improve the external economic equilibrium.

## Areas of Cooperation

According to present judgment, the area of cooperation with the best prospects is the processing industry. We must concentrate our strength on those areas where, by relying on results, specialization and cooperation in the individual countries will result in modern and economic production and expand intermember trade. We must make progress in coordinating the developments called for in key branches of technical development, in the use of technical results, and we must avoid the creation of unjustified parallel capacities and the fragmentation of research efforts. The most urgent in this area perhaps is the specialized, large series production of standardized spare parts and componenet, or semiprocessed products. In this way, we can create a modern production base for the machine industry, electronics, chemical industry and other industrial processing branches.

It is a task of continuing great importance to resolve the security of the heating fuel, energy and raw material supply. This is a question of the maintainenance of existing sources, the economic use of internal reserves and the discovery of new kinds of energy and raw materials. The manifold utilization of results achieved in reducing specific energy consumption is of outstanding importance.

The better satisfaction of consumer needs and the improvement of the food supply are a strategic problem in CEMA countries. Here on the basis of Hungarian development experiences, we must cooperate actively in strengthening the scientific research bases in these branches, in developing the modern industrial base, and in broad-scale extension of production systems that exhibit great results. Tasks also remain to be solved internationally in the development of an economic conditions system that gives incentives to production and export.

We could realize the deepening of cooperation more effectively and rapidly and expand to the microsphere if direct ties were broadened among enterprises and economic organizations of the CEMA countries. It is only in this way that we can put into the service of goals for socialist economic integration the reserves latent in the initiatives of producer enterprises. Direct relations resting on a contractual basis not only could establish a better basis for the preparation of agreements directed at mutual commodity deliveries but would also improve technical planning.

An outstanding role is played in the speeding and influencing of the integration process by the improvement of the institutional system and mechanism for cooperation and its inventory of means. The necessity of this was expressed at the 1981 Sofia session of CEMA, when the international harmonization and coordination of the economic policies of the CEMA countries and the approach to the guidance system were on the agenda.

Coordination of Economic Policy

In the past, too, we conducted economic political consultations but their depth and success need to be increased. In the harmonization of economic policies, we are speaking of coordinating general (community) and particular (national) interests, which in all countries are decided by the leading party and state organs. A unified position must be reached in order to determine to what matters the coordination of economic policy should extend, of what depth it should be and in respect to its consequences what obligations should be undertaken. Economic political decisions influencing mutual economic and scientific-technical cooperation should be coordinated with this integration. In mutually coordinated problems, the interested countries might also pass joint resolutions resolving international agreements.

A very important area of this might be, for example, the coordination of these investments in the framework of coordinated economic plans, resulting in production designed to meet general joint needs and to help in solving bottlenecks. The areas of international cooperation that do not affect, or do so only indirectly, economic political intentions could be discussed or made known in the framework of broad-scale consultations. Thus economic political consultations appear purposeful on economic growth; the main directions of development; living standard and sociopolitical goals; internal price, financial and credit policies; and preferences for economic development. Since from the viewpoint of the development of individual economies these latter areas include a wider economic political scope, the characteristic form of economic political cooperation would remain consultation.

Our foreign economic and political orientation is firm over the long term as well. We regard it as a primary interest to strengthen bilateral relations linking us with CEMA-member countries and the development of socialist international integration. One of the goals of our internal economic development policy is that by increasing the competitiveness of our production our CEMA positions will also be strengthened. Weighing the possibilities and interests, we will always strive with initiative to expand cooperation.

This intention was received among CEMA countries, in the past several years, a mutual and new upswing with the search for possibilities and methods suitable for warding off world economic influences. But a further increase in economic cooperation will not mean that the community is turning inward. The international processes and phenomena experienced in recent years, even with their often negative consequences for us, show that CEMA fits closely into the international work distribution system of the world. A strengthening of the positions of the individual member countries accompanying the development of the community is necessary in order that we might also conduct, on the basis of equality and reciprocity, broader and more balanced economic relations with other parts of the world.

6691
CSO: 2500/202

## ACHIEVEMENTS, FUTURE TASKS OF CEMA VIEWED

Budapest FIGYELO in Hungarian No 16, 21 Apr 82 pp 12-13

[Article by Zsuzsa Foti: "CEMA: Achievements and Future Tasks"]

[Text] In the coming years, two comprehensive areas within the CEMA cooperation framework will need significant improvement. One of these is the heating material, energy and raw materials sector, including reliable organization of long rante supply of the basic food products. The other one is production and supplying each other with modern machinery, equipment and technologies with high technical parameters; these are generally considered to be shortage items. There is hardly an area of CEMA's multifaceted activity which is directly or indirectly not related to these areas.

The main directions of cooperation in the energetics and raw materials sector is defined by the goal program adopted in 1978. Among other things, it emphasizes increased utilization of their own domestic natural resources. Development of nuclear energy and expansion of the international electrical network are assigned outstanding roles in the energy supply. Working out macro and micro level measures to rationalize energy and raw material consumption and to implement savings, as well as research for new energy sources are important tasks.

Thus far the designated directions of cooperation have proven correct, but the work of the CEMA organs in the mentioned areas has not yet reached the desired efficiency. This is related to the fact that there is a relative shortage of funds and the recovery of investments requires more time than the average; development as well as modernization require new types of technical and technological solutions and equipment, etc.

Machinery manufacture taken in the broad sense, and the electronics industry are emphasized areas of cooperation in the processing industry. It has been proven that any rapid and successful progress is possible only by concentrating on a few selected areas. Therefore the main directions of specialization to enjoy priority have been determined. These are: high productivity metal processing equipment; fuel and energy saving technological equipment; open pit mining and pipeline laying machines; general purpose hydraulic and pneumatic equipment for the machinery industry; industrial transportation and warehousing equipment, industrial robots, complex machinery systems for the

agriculture and food industries; process control equipment, a standardized base of electronics elements and spare parts. It is evident also from the list that branches, subbranches and product groups are involved which, on the one hand, insure the supply of modern machinery to the energy and raw materials sector as well as to the agriculture and food industries, and on the other hand, include the so-called support branches which determine the technological standards for the entire industrial sector--including also machine manufacturing itself.

Concentrating the financial and intellectual resources on the selected areas of cooperation in multilateral international specialization is a regularly recurring topic in the practice of cooperation. Implementing it is not easy. Innumerable objective factors exert their effects in a direction contrary to this. That is, the contradiction between the relatively limited means available in the countries, and the otherwise justified demands of the individual branches have to be resolved first on the national, and then on the international level. Besides this, the operating mechanism and system of institutions of international specialization and cooperation is, if possible, even more complicated than those of the producing and raw material industries, and present many problems awaiting solution. Such are, for example: standardization; creating links between scientific-technological cooperation and production specialization, and acceleration of the application of the scientific-technological achievements; development of prices to insure the economic interests necessary for the broad based development of direct relationships between the producing and consuming enterprises of the member countries, as well as among the research and development institutions; recognition of higher quality and modernness in the prices, etc.

The question is rightly asked whether there are any assurances and if so, what are they, for implementing the cooperation of which only the main characteristics are outlined here; won't the cooperative goals worked out and coordinated with a lot of work just remain on paper? The formats and alternatives of the assurances have, for the most part, been already developed by the cooperation's system of means. Part of these have worked out well, but other parts--according to the judgment of the participating countries--lags significantly behind today's requirements and need comprehensive improvements as soon as possible.

The area of the system of means which can be considered best developed is planning cooperation. Coordinating the plans is one of the oldest forms of cooperation, and with the passing of time it has become enriched by several new elements. Not only did the circle of topics to be coordinated expand, but in some sense their approach has also been modified. Nowadays even bi- and multilateral economic policy consultations take place during the course of plan coordination, multilateral and bilateral agreements are being worked out and signed in parallel with each other. Plan coordination forms the foundations of medium range trade agreements, the details of which are specified in yearly records. One of the big problems at the present time is: how can the plans be coordinated in such a way that they promote more effectively than before the structure modifications in the economies of the CEMA countries? At the same time a practical problem is that in recent years the signed contracts

have not been precisely fulfilled. For this very reason, firming up the contract discipline is on the agenda, together with the further development and implementation of the appropriate legal sanctions.

In the over-all sense the practice of plan coordination can be considered as positive. In the present situation this form of cooperation also contributes to the reliability of cooperation. Through this the cooperation with the CEMA countries is an important stabilizing factor of the economies of the countries.

The system of the economic means of cooperation and its growth can point to lesser results. The directions specified in the complex program adopted in 1971 have been pushed into the background. The monetary functions of the common currency, the transferable rubel have not been fulfilled, and the lack of this affects the real sphere of cooperation just as unfavorably as [it affects] the areas of sales themselves. Thus, among other things, not much has happened in the implementation of actual multifacetedness, or in the credit maneuvers conducted in transferable rubels, etc. The method of establishing the exchange rates of transferable rubel to the convertible currencies or to the currencies of the member countries is rigid, it does not flexibly follow the actual changes in the purchasing powers of the currencies. The appropriate measures have already been worked out for these areas also to catch up, but their implementation is progressing slowly. Thus the cooperation continues to have to do without the favorable effect of the price and currency conditions on increasing mutual merchandise trade, the efficiency of cooperation, on increasing clear economic sight, on the implementation of economic incentives, etc.

8584
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## BRIEFS

YUGOSLAV ALUMINUM TO CSSR--The Aluminum Combine in Titograd will export 10,000 tons of calcined alumina, 4,000 tons of primary metal, and 5,650 tons of aluminum products to Czechoslovakia according to an agreement concluded at the end of April. During 1982 the value of the aluminum combine's exports to Czechoslovakia, from agreements concluded already, will amount to $44 million. This year $24 million worth of goods will be imported from Czechoslovakia. The new export business of the combine will help to improve the foreign exchange balance of Montenegro. [Text] [Belgrade PRIVREDNI PREGLED in Serbo-Croatian 12 May 82 p 2]

CSO: 2800/393

## BRIEFS

VIETNAM-CSSR SHOE PRODUCTION VENTURE--Six Czechoslovak technicians from the 29 August Plant in Partizanske [Slovakia] have been assisting one of the largest Vietnamese plants in production of sport shoes. The Nha May Giay plant which has 800 employees began cooperation with the CSSR in 1980. Czechoslovakia then supplied the plant with 260 pieces of machinery. In 1981, one million pair of textile uppers for sport shoes were manufactured and shipped to the CSSR via Interlichter container ships from the port of Nha-Be. The shoes are completed in Czechoslovak plants. In 1982, two million of shoe uppers will be exported to the CSSR, as well as a number of sport shoes to the USSR and health shoes to Hungary. According to the leader of the Czechoslovak experts Mikulas Tomes, production has been hindered by lack of qualified personnel, irregular supply of electrical power, shortage of spare parts and erratic flow of materials. Tomes and Filomena Dodokova were joined by new replacements Maria Piterkova, Ernest Supa, Peter Vlcko and Stanislav Beliansky two months ago. [Bratislava PRACA in Slovak 12 May 82 p 5]

CSO: 2400/234

ECONOMIC SCENARIO FOR SECOND HALF OF 1982 PUBLISHED

Warsaw ZYCIE GOSPODARCZE in Polish No 10, 28 Mar 82 p5

[Article: "Scenario to the End of the Year"]

[Text] The Planning Commission has completed work on a draft operating plan for the second quarter of this year and on the forecast for the latter half of the year. The operating plan for the second quarter will be the second plan in turn prepared centrally for the whole economy. At the same time it will be the final quarterly plan. The next operating plan is to be prepared for the whole latter half of this year. We are publishing below a scenario for the period to the end of the year. It will include information on the basic sizes of the operating plan for the second quarter and an initial assessment of the projected fulfillment of tasks throughout 1982.

During the second quarter of this year there are phenomena similar to those which defined the economic situation at the beginning of this year: Entirely different phenomena will also be in operation.

In extractive industry we should anticipate the favorable trends to continue. Things will go in a similar way in certain sectors of processing industry based on the domestic raw materials base. These branches of industry during the second quarter will feature production growth of 7-9 percent. The complicated situation in the electric-machine, electronics, textile, leather, and chemical industries, which are characterized by a high dependence on imports from capitalist countries will continue. In these branches of industry the 10-12 percent production decline will continue, but there will be some improvement as there are expanded deliveries of raw and other materials from the Soviet Union and other CEMA countries. Throughout industry the decline in production will amount to a few percentage points overall.

We must also count on grave difficulties in foreign trade and some minor improvement in domestic trade. In this latter area economic activity will be conducted under the conditions of the completed retail-price reform.

The forecasting of the situation during the latter half of the year must take into account, on the one hand, the continuing favorable trend in extractive industry and in the industries based on domestic materials and, on the other hand, the host of unknowns related mainly to the unpredictable network of financial relations with II payments area [capitalist countries] and the still unclear level of farm production.

These unknowns prevent our stating with an adequate degree of certainty the extent to which industrial production will improve. The initial assessment is that industrial production this year will be only about 2 percent below the 1981 level. The results of the harvests can alter this forecast greatly. On the other hand we are seeing the possibility of restoring overall market balance, if discipline is maintained in the realm of the population's cash income.

The plan for the second quarter and the forecast for the half-year must also take into account the fact that the process of influencing producers' behavior through mechanisms related to the economic reform being implemented. To this end all sorts of bureaucratic measures by the economic administration must be counteracted. The central economic administration will create conditions for discipline in the enterprises' financial economy.

Industry

The industrial enterprises will be divided into three groups, as the result of the supply situation related to the capitalist countries' economic blockade, the improved extraction of domestic raw materials, and the increased assistance of the socialist countries.

The first group consists of those enterprises which even during the first quarter of this year have exhibited growth and have real chances of continuing it during the second quarter and the latter half of 1982. These industries include: the coal industry, the nonferrous metals (copper, silver) industry, and the cement industry.

The second group consists of those raw-materials enterprises which during the first quarter exhibited unfavorable economic conditions but have the basis for production growth, owing to domestic raw materials. The sulfur industry and the timber and paper industry fall in this group.

The third group consists of those enterprises whose production activity has depended to a great extent on deliveries from the capitalist countries. This applies mainly to industries, for example, like the rubber, chemical, wool, and engineering industries. In this case, given the credit blockade and the exceptionally modest cash resources, it is not possible to count on a rapid recovery from the production decline, which may reach about 30 percent during the coming quarter. We must not become helpless over these phenomena. We must take advantage of the second quarter wherever it is technologically possible to accelerate the processes of substituting other sources of supply from domestic deliveries and of shifting imports from

capitalist countries and replacing them with imports from socialist countries, largely the USSR.

A number of planning decisions, moves by the enterprises, and actions by banks should help favor a rise in final production, mainly on behalf of the domestic market and export, along with reduced production of capital goods except for the means of production for agriculture. To the end that this reorientation may be accomplished, we should take advantage of the possibilities to be found in the methods of steering material supply.

The realization of these goals must be selectively supported using the operating programs.

The operating plan for the second quarter provides for a change in the product-type assortment and structure of production related to:

Reorientation of industry to favor greater cooperation with the socialist countries,

Greater use of domestic raw materials,

Restriction of imports from II payments area [capitalist countries].

The plan for the second quarter calls for increasing the supply of the means of production to agriculture and the food industry and a rise in the export of many goods.

As an example we can say that electric-machine industry deliveries to meet the needs of the nutrition program are being increased by 13.5 percent in relation to the first quarter of this year and that production of chemical fertilizers will be greater than the second quarter of 1981 by about 1 percent. As a result of the level achieved in the extraction of coal, there are possibilities of regular supply of fuel to the rural areas. The supply of cement to rural areas may run in similar fashion. It is anticipated that coal exports will increase by about 22 percent, while copper exports will increase by about 20 percent, silver exports will increase by about 8 percent, and so on.

The production of basic industrial products is estimated as follows:

| Table 1 | 2d quarter 1982 | 2d quarter 1982 / 2d quarter 1981 |
|---|---|---|
| Hard coal (million tons) | 43.5 | 108.6 |
| Brown coal (million tons) | 8.3 | 100.8 |
| Coke from hard coal (million tons) | 4.4 | 97.4 |
| Electric power (billion kilowatthours) | 27.5 | 103.0 |
| Copper (thousand tons) | 87.0 | 110.4 |
| Silver (tons) | 165 | 98.8 |
| Cement (million tons) | 4.5 | 98.0 |
| Sawn timber, softwood (thousand cubic meters) | 1,450 | 81.3 |
| Sulfur (thousand tons) | 1,150 | 87.1 |

| | | |
|---|---|---|
| Paper (thousand tons) | 230.5 | 97.7 |
| Cardboard (thousand tons) | 51.5 | 92.5 |
| Storage batteries (thousands) | 438.5 | |
| Automobile tires (thousands) | 800 | 115.8 |
| Truck tires, nonagricultural (thousands) | 500 | 112.1 |
| Tractor tires (thousands) | 213 | |
| Tires for farm machinery and equipment (thousands) | 155 | |

Food Economy

The major problems in agriculture during the second quarter will concern the following:

Assuring on-schedule supply of necessary quantities of fertilizers for sowing and of pesticides, as well as spare parts, tires, and fuel for agriculture, because this quarter will be important in determining the crop levels and harvests in 1982;

Supply of certified seed and seed-potatoes;

Prompt execution of spring sowing, with attention to the need to expand the area of spring grain, in order to make up for the losses caused by the floods in some parts of the country;

Signing of contracts for an adequate amount of commercial crops, including sugar beets, and other crops in amounts adequate to meet the needs of the national economy.

It is estimated that during the second quarter the procurement of the basic crops will run as follows:

Procurement of livestock for slaughter will approximate 432,000 tons, which is 73,000 tons less than during a similar period last year, mainly because of the decline in the supply of poultry,

Milk procurement will be more favorable than during the similar period last year and amount to 2.6 billion liters, which is over 90 million liters more,

Grain procurement is presently the most critical problems for the whole economy.

Foreign Trade

Turnovers with I Payments Area [socialist countries]. It is anticipated that in 1982 the socialist countries will carry out deliveries to Poland consistent with the provisions of the trade protocols and the aid extended despite the fact that we will not meet our export levels. It is projected that during the second quarter of this year exports to countries included in I payments area will amount to 92 billion circulation-type

zlotys, but imports from these countries will reach a level of 107.6 billion circulation-type zlotys. Given the turnovers during the first quarter of this year, Poland's indebtedness to countries included in I payments area will increase from 13.9 billion foreign-exchange zlotys as of 31 December 1981 to about 17.5 billion foreign-exchange zlotys, that is, 270 billion circulation-type zlotys, at the end of the first half of 1982.

Turnovers with II Payments Area [capitalist countries]. Among the many economic restrictions which hit our country, the withdrawal of the possibility of obtaining credit in countries of II payments area has been the most serious for our economy.

Taking these conditions into account, we can see that commodity turnovers with II payments area during the second quarter are as follows:

Table 2

| | Plan Billion Circulation-Type Zlotys | CPSG* Fulfillment in Percent |
|---|---|---|
| Exports | 114.2 | 24.0 |
| Imports | 114.2 | 25.0 |
| Balance | 0 | |

*CPSG = Central Socioeconomic Plan

In exports to the capitalist countries, coal exports play an especially important role. It is projected that during the second quarter they will amount to 4.7-5 million tons.

This assumption contains great uncertainty owing both to seasonal coal-extraction difficulties and the broad drive undertaken by American coal concerns in Europe. In this connection we must reach for solutions to permit us to take advantage of our coal reserves in the production of other goods (such as cement, soda), which as a result could become exports and therefore a source of foreign currency. The effectiveness aspect of this operation may give rise to doubts. For this reason this must be a conscious choice based in every concrete case on an accounting of the losses and benefits, with attention given to the fact that for the whole economy the lack of the free foreign currency necessary to supply ongoing production is a grave limiting factor above all.

The most serious problems are to be found in the food area and the area of industrial items, goods of light industry and the household chemical industry.

The main problem with food is meat and meat products from grain. The forecasts for production and procurement of meat show that there are no possibilities for maintaining the current ration-card standards in coming months.

The adverse situation in the procurement and importation of grain is creating a threat to market deliveries of grain products and to the supply of fodder to agriculture. In addition, the current free-market price level on grain and the price level of breadstuffs area once more creating a price imbalance. The first signals are already coming in that this situation is causing people to buy up bread to use for fodder. It is also significant that given the new prices of flour and the current grain procurement prices, the production of breadstuffs has become unprofitable. In this situation it is becoming necessary to adjust prices. It is proposed that two or three basic bread types be set at the current price and that free prices be allowed on the rest.

In the industrial articles group, the greatest difficulties are occurring in goods of light industry and the household chemicals industry.

For light industry goods the main consideration concerns adult goods (shoes, textiles), because children's needs are given consideration in the operational programs. In household chemical industry it is true that there is an operational program and that there is rationing for the basic products, but the deliveries and standards are clearly inadequate. And here it is a question of the regulatory [rationing] influence of prices. These efforts should see that deliveries of standard goods be kept at regulated prices and that free prices are in effect on the rest.

Because of the introduction of the universal system of compensating for the rise in the cost of living, the balance between non-wage benefits which increase the employees' incomes and remuneration for work has been destroyed. The share of compensation for employees as a proportion of total remuneration during the second quarter of this year is 19 percent, but after we account for the payment of compensation for members of employees' families, it is 35 percent. This share during the latter half of the year will increase still further as the result of compensation payments for cost-of-living adjustments during the first half of the year. This will greatly upset the balance between payments directly connected to work and the remaining employee income and will thereby undermine the incentive function of work.

There is great probability of a process of a hunger for money beginning in the middle of the second quarter. This can represent an important factor in intensifying individual effort. At the moment it is difficult to make a precise accounting of the difference between the supply of goods in the various sectors of the market and the need for the population to spend a specific amount of money on the market of both food and industrial products and services. This phenomenon needs to be continually analyzed as a basis for the rational building of the wage system and the undertaking of measures aimed at protecting the population groups with the lowest incomes.

Alongside this it is necessary to prepare a conceptualization of the structure of family benefits and of pensions and retirement pay, with attention given to price adjustments.

## Housing Construction

The opportunities which the outlays allocated in the plan created for housing construction are not being fully utilized. The housing construction plan specified in the CPSG at a level of 200,000 dwellings for 1982 may suffer a fulfillment shortfall of about 15 percent (a shortfall of about 30,000 dwellings in relation to the plan). The reason for this situation can be traced to the substantial shortages of finishing materials.

At the same time the levels of raw materials are being increased and are exceeding the housing construction tasks specified for the current year. Therefore, there is the possibility of greatly reducing the supplies of building materials this year, especially cement, and of beginning to build up the raw-mterials levels for 1983's fulfillment, and at the same time of undertaking efforts to expand the pool of finishing materials.

## Public Health and Culture

Despite the provisions for investment outlays for this purpose in the plan, in the area of social and cultural needs we are faced first of all with the threat that health service facilities may not all be built and that the decisions made to increase the production of books by 25 percent over the 1981 level may not be carried out.

The main reason behind the danger concerning the construction of public health facilities is the shortage of building and finishing materials along with the inadequate preparation of the local construction enterprises.

In order to increase book production by 25 percent, it is necessary to increase the deliveries of paper for that purpose by about 6,000 tons, despite the general national reduction by more than 75,000 tons in the production and import of paper, including 20,000 tons of printing and writing paper.

In this situation the execution of the decision which was made may bring about a reduction in the production of notebooks and other paper school aids.

## Conditions for the Operation of the Enterprises

The first quarter of this year is a period in which we have in effect the principles of credit for economic operation similar to the principles in effect prior to the introduction of the reform (automatic providing of credit). This means that the basic instruments for financial influence which force rational management and determine the structure of production in the enterprises have not been fully set in motion yet.

Beginning with the second quarter of this year, the principle of providing credit automatically will cease to be in effect. Credit will be extended on the basis of an analysis of whether the enterprises are able to repay it. In establishing the amount of credit to be awarded, the banks will also be directed by a system of preferential treatment in connection with the general economic and social needs expressed in the government operating programs.

In order to have a financial influence on enterprises, it is anticipated that the Polish National Bank and the Food Economy Bank will cause all the departments to enter into credit agreements under new conditions with the enterprises. At the same time the central offices of the banks and the ministers involved are assessing the enterprises' production capacities in keeping with the decision of the Economic Committee of the Council of Ministers on changing the profile and limiting or stopping production in connection with difficulties in the supply of raw and other materials.

To Year's End

In relation to the period in which the targets of the annual plan for 1982 were formulated, changes in various directions impacting economic life have occurred, changes which could cause the anticipated results to be different from the sizes set down in the annual plan.

The forecast for material production during the second quarter and the latter half of 1982 anticipates that created national income in 1982 will approximate 3.86 trillion zlotys and will be about 500 billion zlotys lower than specified in the CPSG for 1982. The decline in created national income will occur mostly in industry (nearly 40 billion zlotys). In the other sectors of the national economy the deviations from projected fulfillment of 1982 tasks will be negligible. It is estimated that the national income index will approximate 94 percent compared to the 95 percent given in the CPSG.

It is anticipated that national income for distribution in 1982 will be about 7.7 percent lower than in 1981, while the CPSG anticipated a 6.9 percent decline in national income for distribution.

On the basis of the current information on internal and external factors we can say that certain symptoms are noticeable which may initiate the activation of the economy in certain areas during the latter half of 1982 and provide circumstances for slowing the recession trend and for beginnign growth trends even in 1983. In order for these processes to begin, it is necessary not only to overcome supply barriers but also for the economic administration at all levels to try to make thrifty use of raw and other materials and to reorient production in the direction of an increased share of final products for the market and for export.

10790
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SPECIAL CURRENCY EXCHANGE RATES TABLE PUBLISHED

Warsaw TRYBUNA LUDU in Polish 26 Apr 82 p 7

[Text] Announcement of Exchange Rates Table No 17/82, effective 26 April 1982, by Stanislaw Majewski, president, Polish National Bank, Warsaw, on 26 April 1982.

I. Foreign-currency exchange rates in zlotys for countries of the first payments area [socialist countries] for commercial and noncommercial payments in Table No 6/1982, dated 8 February 1982, remain unchanged.

In purchases of travelers' checks for rubles, issued by the USSR Foreign Trade Bank, and payable outside the USSR in the currency of the country where cashed, an exchange rate of 11,661.80 zlotys per 100 rubles is applied.

II. Foreign-Currency Exchange Rates in Zlotys for Countries of the Second Payments Area [Capitalist Countries]

[Table on following page]

Exchange Rates Table No 17/82

| Country | Curr Symb | | Currency | Foreign Exchange Purchase 3 | Foreign Exchange Sales 5 | Money Purchase 1 | Money Sales 2 | Average 6 |
|---|---|---|---|---|---|---|---|---|
| Saudi Arabia | 771 | 1 | rial*** | 24.54 | 24.78 | -- | -- | 24.66 |
| Australia | 781 | 1 | Austral.dollar | 88.29 | 89.17 | 86.96 | 90.50 | 88.73 |
| Austria | 786 | 100 | schillings | 496.12 | 501.10 | 488.64 | 508.58 | 498.61 |
| Belgium | 791 | 100 | francs | 184.62 | 186.48 | 181.84 | 189.26 | 185.55 |
| Denmark | 792 | 1 | kroner | 10.27 | 10.37 | 10.11 | 10.53 | 10.32 |
| Finland | 780 | 1 | markka | 18.18 | 18.36 | 17.90 | 18.64 | 18.27 |
| France | 793 | 1 | franc | 13.40 | 13.54 | 13.20 | 13.74 | 13.47 |
| Greece | 724 | 100 | drachmas | 132.68 | 134.02 | 115.00 | 136.02 | 133.35 |
| Spain | 785 | 100 | pesetas | 79.16 | 79.96 | 77.97 | 81.15 | 79.56 |
| Holland | 794 | 1 | florin | 31.41 | 31.73 | 30.94 | 32.20 | 31.57 |
| India | 543 | 100 | rupees*** | 894.69 | 903.69 | -- | -- | 899.19 |
| Ireland | 782 | 1 | pound*** | 120.67 | 121.89 | -- | -- | 121.28 |
| Japan | 784 | 100 | yen | 34.22 | 34.56 | 33.70 | 35.08 | 34.39 |
| Yugoslavia | 718 | 100 | dinars | 172.16 | 173.90 | 149.22 | 176.49 | 173.03 |
| Canada | 788 | 1 | Canad.dollar | 69.05 | 69.75 | 68.01 | 70.79 | 69.40 |
| Kuwait | 770 | 1 | dinar*** | 292.84 | 295.78 | -- | -- | 294.31 |
| Lebanon | 752 | 1 | pound | 17.51 | 17.69 | 17.25 | 17.95 | 17.60 |
| Libya | 651 | 1 | dinar*** | 284.14 | 287.00 | -- | -- | 285.57 |
| Luxembourg | 790 | 100 | francs | 184.62 | 186.48 | 181.84 | 189.26 | 185.55 |
| Norway | 796 | 1 | kroner | 13.78 | 13.92 | 13.57 | 14.13 | 13.85 |
| Portugal | 779 | 100 | escudos | 116.85 | 118.03 | 101.28 | 119.79 | 117.44 |
| FRG | 795 | 1 | mark | 34.83 | 35.19 | 34.31 | 35.71 | 35.01 |
| United States | 787 | 1 | dollar* | 84.19 | 85.03 | 82.92 | 86.30 | 84.61 |
| Switzerland | 797 | 1 | franc | 42.75 | 43.17 | 42.10 | 43.82 | 42.96 |
| Sweden | 798 | 1 | kroner | 14.14 | 14.28 | 13.93 | 14.49 | 14.21 |
| Turkey | 627 | 100 | pounds | 55.68 | 56.24 | 48.26 | 57.08 | 55.96 |
| Great Britain | 789 | 1 | pound** | 148.12 | 149.60 | 145.88 | 151.84 | 148.86 |
| Italy | 799 | 100 | lira | 6.34 | 6.40 | 5.49 | 6.50 | 6.37 |

*Valid also in clearing accounts with the following countries: Bangladesh, Brazil, Ecuador, Greece, Iceland, Kampuchea, Colombia, Lebanon, Pakistan, Peru and Turkey.

**Valid also in clearing accounts with the following countries: Nepal and Pakistan.

***The Polish National Bank does not purchase money in these currencies.

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## PROBLEMS IN MARITIME, FISHING INDUSTRIES REVIEWED

### Maritime Economy Facing Difficult Test

Warsaw ZYCIE WARSZAWY in Polish 22 Apr 82 pp 1, 2

[Text] After 10 months of its existence the greatest concern of the Office of Maritime Economy (UGM) is to render to enterprises such assistance as will enable them somehow to ride out the crisis.

With the present state of Polish Foreign Trade and the level of industrial production, as well as the difficult situation on the international market, this will not be easy at all.

The Polish Ocean Lines, which until last year were still yielding profits, will at present require enormous subsidies. The fishing enterprises, which, due to various circumstances, are catching less and less fish, must also be subsidized. The transshipments in ports have declined to the level of the beginning of the 1970s, and the white fleet, because of the high cost of fuel, will be partly sold. Polish Baltic Shipping (PZB) found itself on the brink of complete financial ruin.

Thus, as follows from the information obtained on 21 April at a press conference in the UGM, after a year, 1981, which, compared to other branches, was not bad, at present many maritime enterprises are facing a real test. The more so because in the first quarter of 1982 the majority of them obtained worse results than in the same period of the past year.

The value of the services of the Polish fleet and ports in the first quarter of 1982 amounted to only 83.9 percent of the value of the first 3 months of 1981. For the fishing industry this index equals 95.2 percent, but in this period the prices of fish had actually jumped on the average by 320 percent.

The transshipment of goods in ports has declined in the past year, namely that of coal, general cargo, grain (only 45.5 percent of that in 1981), and that of other bulk goods, as well as that of crude oil. There was a tangible drop in deep-sea fishing and only the Baltic Sea partly supplemented our fare, but even that was hardly perceptible on the countrywide scale.

Looking for a way out of a deadlock, the ports sought help in extending a transit from Czechoslovakia and Hungary. The corresponding agreements were concluded in this matter. On the other hand, the fleet was compelled to look

every now and again for new foreign contracting parties. At present the foreign freight constitutes 60 percent of the overall freight carried by the Polish Ocean Lines. This means that from month to month Poland has less and less general cargo for sale, which is a basic freight for a cargo liner.

At present, from among various problems with which the maritime economy is at grips, the most controversial is, however, the way of management of what really and always is available to us, that is, fish from the Baltic. After abundant catches of sprat and quite good cathces of cod, now in turn we are being faced with an unbelievable bumper catch of herring. From 22 April the ports are literally filled up with this popular fish. The cutters supply 1,300-1,400 tons a day, whereas the capacity of processing facilities on land fluctuates within 600-800 tons.

Unfortunately, for the time being no great benefit will be derived from this herring harvest, a considerable part of fish caught must for reasons of hygiene, be frozen or salted. Some of it, as far as possible, is also sent in ice up country but these amounts are not large.

At present, in order to process and properly utilize the fish caught, some Baltic enterprises are chartering factory ships which receive the freshly caught fish while still in the Baltic. However, such practice is rather costly and will be unacceptable to Baltic fishermen in the future. For the time being, however, eight floating processing plants do help the inadequate land factilities.

Beside the current problems confronting the enterprises, the conference also discussed the progress in the implementation of economic reform. It appears that in the maritime economy, just like in other sectors, there are still many matters that have not been settled and the whole process is proceeding at a pace that cannot be considered as satisfactory.

It is also notable that representatives of the UGM while speaking of matters connected with the reform devoted much less time to procedures aimed at increasing the productivity and effectiveness and economical management, while speaking about matters which should be settled or were already settled "on the outside" so that maritime economy could function.

Not denying that it is important to solve these formal administrative problems, it should be noted however that this is not enough to further the aims of the present economic reform. Let us hope that even if the Office of Maritime Economy had overlooked the whole matter at least the enterprises keep it well in mind.

## New Office--Old Problems

Warsaw TRYBUNA LUDU in Polish 22 Apr 82 p 1

[Text] Three full hours of discussion and many questions have generated the press conference which took place on 21 April at the Office of Maritime Economy [UGM]: what is the outlook of the Baltic and deep-sea fishing, that is, how much fish will figure in our fare and what will be the future and present outlook of maritime navigation, how will we finance the Sea Festival, and how....

Unfortunately, it is still too early to answer the question that is most important for the maritime economy, whether it will be able in its new organizational form to take its proper place in the hierarchy of the problems facing the country, and whether at last we will become a "maritime state."

The young office only recently organized its work. In February, the inaugural meeting took place of the board of the UGM, at which in the program of its work in the current year there was included among others the apprisal of materials being prepared in accordance with a decision of the Ninth Extraordinary Congress of the PZPR for the Central Committee Plenum concerning the maritime policy of the state for 1982-1985 and, in perspective, until 1990.

A few other immediate problems: implementation of social agreements and demands of work forces in the sector of maritime economy, the ultimate outlook of the reform in this sector, protection of the marine environment from pollution, the activity of repair shipyards, and others.

Current problems are superimposed on all this. The first quarter of the present year, against the background of the past year, showed a decline in fish catches, in value terms, by about 5 percent, taking into account the increase in prices by 39 percent. The ocean-going fleet transported 94.5 percent of the past year's freight in the first quarter. The transshipment in the ports declined: by over 20 percent of coal, by 17 percent of general cargo, by 5 percent of other bulk goods, and by over 54 percent of grain. The crisis did not spare this sector either.

Will it be better, are there any prospects for improvement? This question is most difficult to answer. Much depends on the men that work in the sector, and much on the office itself, but also not a little depends on funds that will be allocated for the expansion and modernization of the fleet, ports, background facilities, fishery, that is, freezing plants, processing plants, and transport. And what already exists still includes reserves.

Finally, a touch of optimism. The recently concluded agreements on transit through the Polish ports of Czechoslovak and Hungarian goods points to a revival in this field. Their increase will amount during the 5-year period to, respectively, 40 percent from Czechoslovakia and 150 percent from Hungary. Likewise there will be a tangible increase (130 and 100 percent) in the carriage of goods from these countries on Polish ships.

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# FAILURE TO ADOPT INNOVATIONS HINDERS ECONOMIC PROGRESS

Bucharest ERA SOCIALISTA in Romanian No 5, 5 Mar 82 pp 12-15

[Article by university professor Dr N. N. Constantinescu: "Incompletely Used Opportunities for the Intense Promotion of Technical Progress"]

[Text] The labor-value theory demonstrates that in our times, of a profound scientific-technical revolution, the most powerful work, the most highly creative of economic values is the work in the field of basic research and the work done by inventors. For that reason, in all the advanced countries there is a true pursuit of scientific researchers who are capable and inventors and innovators, people who are given the broadest opportunities to develop their creativeness, while scientific research and technical innovation represent one of the most important functions of the large modern enterprises. Since the work of the productive researchers and inventors is not just of a high creative capacity for economic values, but also capable of intensifying the work of those who apply and use their results, in the developed countries there is a continuing decline in the time between the moment of scientific discovery or invention and the moment of their practical application in production. Finally, for the same reason, within each group of enterprises there is a pursuit of the quickest possible internal dissemination of the results of technical progress.

The opportunites in a national economy or an enterprise to get through the difficulties on the world markets are best assured in those fields that have basic and adequately applied scientific research and inventions and innovations, in other words, when creativity is used. He who forgets this fact is constantly defeated in the struggle with competition, driven out of the market, and remains forever further behind.

## Achievements and Problems

In light of the practical needs, it is necessary for each economic unit and each department to have a strategy for the development of production based upon a strategy of well-thought out and realistically applied scientific and technical progress that is in accord with the needs of the domestic and international markets as seen from a dynamic point of view. The promotion of production on the domestic markets and, especially, the promotion of exports are indissolubly linked to the energetic stimulation of scientific research and technical and economic creativity and to their application to production with a maximum of

rapidity and efficiency. This is even more important since, along with the improvement of planning in our country, the principle was adopted that the drawing up of the economic plan will be preceded by the elaboration of a forecast of scientific and technical progress, as well as the principle of thoroughly studying, in advance, the domestic and foreign markets in order to successfully avoid the production of products that do not correspond to the actual economic needs of the market.

In this context, the 12th RCP Congress adopted the Program-Directive for scientific research, technological development and the introduction of technical progress during the period 1981-1990 and the main directions through the year 2000. The program is directed towards the expression of the technical-scientific revolution in all fields of activity, the growth of the role of science in modernizing the national economy and all social affairs and in managing society, the ever closer bonding of research and production and the accentuation of the contribution of Romanian scientific creativity to our country's multilateral and dynamic progress and to the enrichment of the treasury of world knowledge so that the current decade will truly become the decade of science, technology, quality and efficiency.

As is known, our party's and state's policy of promoting scientific and technical progress has given numerous and valuable results. A vast network of research was developed, investments were completed to an ever greater extent on the basis of the newest technologies, numerous products were created that were of the highest technical levels and there was a sustained concern for updating products. Where technical and technological progress is promoted remarkable efficiencies are obtained. At the Brasov Truck Enterprise, for example, in 1981 for each leu spent (including payments to the inventor) for an invention or applied innovation there was an average income (in savings) of 30 lei annually. One of the inventions, in being applied, even brought in an annual income of approximately 1,500 lei for each leu spent. Thus, practice demonstrates once again that investments in judiciously applied inventions and innovations constitute the most profitable activity.

As can be seen day-to-day, Romania has a population with a spirit of high creativity. Statistics also confirm this fact. From the point of view of the number of submissions to patent inventions made by the citizens, in 1980 Romania was in 16th place in the world. If we take into consideration just the 1976-1980 period, we see that 18,034 patent requests were recorded, with applicants from Bucharest representing nearly one-third, or 5,538, which shows the role of the capital in this process.

A deeper analysis of the facts shows, nonetheless, that from the point of view of using inventions through the patent process the spirit of creativity is still insufficiently used. First of all, we are talking about the fact that the 16th place that we have in the number of patent requests lies behind some countries that have a smaller population than Romania. As a result, from the point of view of the number of patent requests per 100,000 inhabitants, Romania falls to 24th place. And, this right away calls attention to the need to find the causes of this shortfall and to seek solutions.

Second, an analysis of the 18,034 Romanian patent requests during the period 1976-1980 shows that throughout the last five year plan the number of patent requests throughout the country fell as follows: 1976 - 4,560; 1977 - 3,909; 1978 - 3,348; 1979 - 3,620 and 1980 - 3,297. If we consider the first 10 months of 1981, where we have data, we find merely 2,620 requests, which does not show a change for the better.

Third, if we compare the number of requests received and the number of patents granted during the period 1976-1980, we note that for the whole country merely approximately two-thirds (or 12,100) led to the granting of a patent. In Bucharest during the same period, of the 5,538 requests only 3,537 patents were granted, in other words the ratios were similar. This fact stresses, on one hand, the welcomed exigency of the State Office for Inventions and Trademarks and, on the other hand, also shows the need to more actively support inventors through enterprises, as well as through the organizations that are responsible for the prior documentation by the inventors. At the same time, it should be mentioned that the extremely rich documentary records of the State Office are consulted only to a limited extent.

For their part, numerous engineers and specialists in the factories complain about articles that are too general that are published by certain specialized magazines (for example, CONSTRUCTIA DE MASINI). With regards to the technical offices, that used to be concerned with the problems of inventors and innovators, they have disappeared from numerous large enterprises. Just how useful they can be in supporting the creative spirit is shown by the technical offices at some of the enterprises in Brasov which, among other things, also systematically put out their own technical information bulletins written by the workers in these factories.

Fourth, and this is a problem of special seriousness, we find that a very large number of current patents are used only approximately 45 percent. Left unused, approximately 3,000 patents have come to be outdated and another approximately 4,000 patents, the vast majority of them being experimented with and approved by the technical organs in the ministries in order to be used in production, are still today unused. Probably these authorities are also waiting for these patents to become outdated. And, it should not be forgotten that all this is happening under conditions where many inventors do not want any material compensation, but ask merely for the application and extension of their inventions.

Fifth, patents of great value, that permit the achievement of certain new top-quality production capable of getting through the difficulties on the world markets and producing for us an exceptionally profitable sales, are not applied year after year. Thus, while the production of black-and-white televisions was continuing out of proportion with market demand, an invention like a Roentgen device that reduces radiation 50,000 times compared to the current devices and one we could have marketed among the first on the world market waited in vain, since 1976, to be put into production.

Sixth, we note not only a poor introduction of patented inventions into production, but also a slow spread of the technical progress generated by them in the branches where they were introduced. Thus, there are approximately 2,000 patents whose application began long ago, but whose solutions have not yet to date been extended to all those areas where they should be and where it is possible.

An approximate idea of the proportions of the losses in the national economy due to the failure to apply the patented inventions we have available suggests to us the fact that, according to modest calculations, during the period 1976-1980 applied inventions brought about an economic efficiency of 8.8 billion lei. And, let us keep in mind that this efficiency took place under conditions where, as has been seen, the results of the applied inventions were not always extended everywhere it was necessary.

These losses grow even more if we keep in mind that also in the area of innovations the situation is similar to that in the field of inventions and their application. Thus, if we take as an example one of the largest factories in Brasov, one cannot but find that in 1971 there were 720 innovations, in 1973 only approximately 100 and in 1981 only 144.

The result of what has been shown here is that the problems of promoting technical and scientific progress in production has taken on an exceptional acuity. This acuity will continue to increase due to the energy crisis and the crisis of certain raw materials, as well as the ever more furious sharpening of competition on the world market. The task presented by the 12th RCP Congress that the current decade will be a decade of technical-scientific revolution and efficiency requires a maximum mobilization of creative forces and their immediate use in practice.

Causes and Opportunities

What are the causes of the still unsatisfactory number of patented inventions (as well as innovations), of the failure to apply in production a considerable number of inventions that we have, of the slow and unsatisfactory extension of those inventions whose application has already begun and of the failure to use the creative capacities for updating products in the available and necessary proportions?

First, we feel it is necessary to give attention to several more prevalent causes: in some enterprises, the insufficient support for the innovators and inventors by the respective managements and public organizations; some violations of ethics, with all kinds of authoritative figures in enterprises and centrals being listed as "coauthors" of inventions and innovations (it is true that this fact is not admitted by a single management in the economic units, but is very often invoked by workers and engineers); the insufficient material stimulation of the inventors and innovators; the fact that some specialized research institutes which receive patent files draw up reports that purely and simply serve no purpose and do not respond, either because they are not prepared or

because the deal with the problem without any interest; in addition to these factors, we can also add the insufficiencies of the information and documentation.

The causes are not beyond elimination. The problems of developing creativity in school and the problem of encouraging and more powerfully and systematically supporting the inventors and innovators, as well as those problems of an ethical nature, can be solved by increasing the efforts of all the organisms involved, under the leadership of the party organs. In any case, it is necessary for the work in this field to be improved and to be substantially intensified.

At the same time, in my opinion, it is necessary to make certain revisions to the current regulations in the direction of strengthening their stimulative nature, including in the direction of rationally simplifying the means of determining and granting material compensation to the inventors. Until then, however, the following phenomenon must also be analyzed. The current laws have certain provisions which, if they are taken into consideration in a practical manner, permit a material stimulation (in addition to an ethical one) for the inventors that are capable of giving much greater results than has been obtained to date. How can we explain then the opinions of numerous inventors and innovators about a lack of material incentives? Why, according to some findings, are only approximately 25 percent of the inventors whose inventions are used given material compensation?

An investigation into realities shows that the basic defect lies in the violation of the law's provisions. Article 37 of Law No 62 of 1974 regarding inventions and innovations expressly states that the inventions that are used in the national economy are morally and material compensated for, with the granting of bonuses and other monetary compensations being done "according to the post-calculated economic and social advantages" and that "the size of the compensation that is to be paid for each invention is approved by the National Council for Science and Technology and the Ministry of Finance, based on the proposal of the socialist organization holding the patent and with the notification of the central research institutes, the academies of science or the central higher organ. The payment is made by the socialist organization in which the invention is used from the effective savings obtained by using the invention, as calculated annually on the basis of outlined norms." And, it was found that numerous enterprises do not make a post-calculation of the results, for the reason that it is difficult or that it has been delayed, and, in this manner, the payments are practically not made. In other cases, the approvals come only after long delays, a fact which also has a negative influence.

The conclusion can be none other than that all the leaderships of the economic units and ministries must take the necessary measures to urgently apply the legal provisions regarding compensation for inventors, especially since the law states, in Article 38, that "the period of compensation can be 5 years at the most."

The effective adherence to the law with regards to compensation and the firm elimination of bureaucratic practices that dominate in this area would have the effect of stimulating the innovative spirit among the ranks of the workers, technicians, engineers, scientific researchers and so forth. Also contributing along the same lines, with great efficiency for the economic units and the overall national economy, would be the regular drawing up by each enterprise of certain lists containing priority subjects for themselves that would be kept in mind by the inventors and innovators, at the same time specifying the specific assistance that they would pledge to offer these people who are involved in the solution of these problems.

In powerfully stimulating the inventive spirit and increasing the number of valuable useable patents, an important role is designed to be played by the granting of certain substantial funds for basic scientific research and applied and development research, keeping in mind that these funds are productive to a high degree and the results of the research activities that are put to use are to be balanced by the incomes that highly and massively repay the funds that were spent, being among the most profitable activities. Basic research itself, a factor that opens new paths and without which progress is limited, if not impossible, could thus come to be, without forgetting that it must be treated as an long-term investment, financed from the economic results of development and applied research. On the other hand, in order to better correspond to the needs for the real progress of the economy as well as the development strategy of each branch or sub-branch, it would be good for the research institutes - and each time this is practiced it proves efficient - to be transferred wherever possible to the centrals and enterprises that are similar in nature or grouped according to centrals, pursuing applied and development research, but also basic research. This arrangement should not, however, be understood as a dogma. Wherever and whenever it proves more efficient to use another means of organization, we must adopt the form that gives the best results. Higher education is, for example, capable of producing very good results in basic research.

No matter how the technical-scientific research institutes are organized, it is necessary to establish criteria for a more realistic evaluation, accompanied by better stimulation, of their creative activities. This is the current situation in capitalist countries like Japan, England, West Germany and the United States and in socialist countries like the Soviet Union, East Germany and Bulgaria. At the same time, we are also speaking of the number of inventions stemming from each 100 research subjects that are completed. The effective use of this indicator, the number of patents on inventions from each 100 completed research subjects, would also be very useful in Romania. We must also, however, keep in mind here the international level attained for this indicator. In the developed countries, for example, 70-80 inventions per 100 completed research themes is very good, 50-60 is good, 30-40 is satisfactory and under 30 is insufficient. In Romania, unfortunately, although there are commendable exceptions, the number of these inventions usually varies between 9 and 20 percent of the completed research themes, which speaks for itself about the unsatisfactory state of affairs.

Another question that we must reflect upon is that of the slowness with which inventions and innovations are introduced into production. The causes here are also of two types: some deal with the failure to adhere to current laws and the others require certain legislative improvements.

Numerous leaderships of economic units do not know, know incompletely or know, but do not adhere to the provisions of the 1974 law regarding inventions and innovations, as well as the provisions of the planning law which permits the inclusion in the plan of the use of inventions for the entire year. At the same time, to date not a single economic unit leadership has been called to task under the provisions of the law for the failure to use invention patents. Here is what Article 77 of Law No 62/1974 says: "Persons with leadership jobs in the socialist organizations are required to take measures to identify and protect inventions by using patents, and to design, experiment with, apply and use inventions and innovations. The failure to carry out the requirements listed in the preceding sentence is dealt with through administrative, disciplinary, material, civil or criminal channels, as the case may be. The socialist organizations will recover damages from the guilty parties in accordance with current regulations." Should not the law be respected in the interest of increasing the efficiency of production? Similarly, it is necessary for the trade unions to also become more active in this direction. Article 75 of the law on inventions and innovations says: "The General Union of Trade Unions in Romania leads the mass movement of inventors and innovators and organizes, in accordance with its attributes, a public review with regards to inventing and innovating activities."

Without a doubt, the more powerful stimulation of technical progress in economic units would be very greatly helped if, in addition to the inventor, in one way or another those persons who cooperate in the use and extension of the invention in production were also provided incentives. It should be stressed, however, that unfortunately in numerous enterprises, for bureaucratic reasons, they do not even apply the legal provisions calling for the material compensation to be given to those who are responsible for real savings in raw materials, fuels and energy, which has a negative influence upon efficiency as well as specific consumption levels - levels which are many times high compared to international standards. It is true that in this direction a role is also played by the fact that the 1974 law did not consider the problem of rationalization. This is also the source of the problem that currently rationalization is not compensated for, which has led to a noticeable weakening of concerns in this direction.

Technical, Ecological and Economic Progress

The promotion of creative work and, on this basis, of technical progess requires ever more to take the fact into consideration that technical progress must lead both to ecological progress and economic progress. The machines, motors, installations and technologies that pollute and that degrade the natural environment bring losses to the national economy which, many times, can be exponential in nature and irreparable. In this manner, they seriously

burden the costs of the national economy and "hurt" the national income, without mentioning the suffering of the people. For that reason, the efforts to design, produce and use non-polluting equipment and technologies should be placed in the center of attention. A technical or technological achievement represents real progress if it brings about savings in social labor (by reducing the effort needed for a unit of useful effect and by increasing quality). For over a century, science has pointed out that "for a new production method to prove itself as a method for really increasing productivity it must, as a result of using fixed assets, impart to each item a smaller value than the value that is saved as a result of reducing the actual labor. In other words, this method must reduce the value of the item. It must do this, naturally, even if, as happens in some cases, in creating the value of the item, not counting the additional portion stemming from the use of the fixed assets, an additional portion of the value also comes in which represents an increase in quantity or an increase in the costs of raw materials and auxiliary materials."* Additionally, in our times, we must add the savings in materialized labor to the savings in actual labor.

The concern that technical progress will also be an economic progress cannot but have favorable consequences for the updating of products. Many times, however, new products are more expensive than the old ones because they are more costly. In this case, certainly, the stimulation to udgrade products can be done through a product price policy that makes prices higher in the beginning, when the product is completely new, with a slight reduction after its introduction in order to stimulate its use, and, finally, a strong reduction of the price when the products enters a period of decline, which will push the economic units to make a new product. Nonetheless, if the creation and introduction of new products are also accompanied by the introduction into production of technical and technological progress that is capable of reducing the social labor per unit of useful effect, then, or in any case frequently, it is no longer absolutely necessary for the new product to be more expensive than the one it replaced, and, sometimes, it can even be less expensive.

In light of the requirements of the new economic-financial mechanism it seems clear that it is necessary to think in the new spirit of the means of promoting scientific and technical progress in economic units on the basis of the principles of worker self-management and self-administration, a way of thinking design to powerfully stimulate the growth of economic efficiency in all activities. In this context, it is necessary for the economic unit to have an internal economic impetus that will cause it to "run" after new technical developments and to show initiative and an untiring offensive in order to stimulate scientific research and the introduction of new technology, inventions and innovations into production. This will be an impetus that will constantly pursue the updating and improvement of production according to social needs and market demand and that will use as much as possible domestic reserves and, along with this, systematically

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*K. Marx, F. Engels, "Works," Vol 25, Part I, Politica Publishing House, 1969, p 273.

improve economic and financial performance. Only in this way will we eliminate the current situation where most economic units are pushed from without, especially through political-administrative paths, in order to promote technical progress, to use inventions, to update their products and to use their internal reserves.

The result is that a central problem in this field is that of changing concepts in the economic units from the ground up regarding the carrying out of production and services in the direction of pointing them to a greater degree towards the spirit of innovation and efficiency, effectiveness and timeliness, and competency and economic courage. A small country like Romania, with limited resources and whose strong integration in the world economic circuit is an objective necessity, is, because of its situation, required to use its full potential for scientific, technical and economic creativity, combining the selective strategy of scientific research, innovation and technical progress with the selective economic strategy in such a way that the first will sustain the second and permit them to break through the difficulties encountered on the world market under the best possible conditions. It is not worth penetrating a market with a single product: you must maintain it and expand your positions. And, to do this, scientific research and the concern for the rapid promotion of our own scientific and technical progress in production are essential. In other words, we need more initiative, more courage, more timeliness and responsibility and more creative imagination. The time factor is merciless!

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POLITICAL CONTENT OF ECONOMIC-FINANCIAL SELF-ADMINISTRATION

Bucharest ERA SOCIALISTA in Romanian No 5, 5 Mar 82 pp 16-18

[Article by Alecu Al. Floares: "The Political Content of Economic-Financial Self-Administration"]

[Text] In essence, self-administration involves the ability of units to cover their expenditures from the incomes that they make and to make a profit from which to provide funds to society, for the development of their own units and as material incentives for the workers. In this regard, it is the requirement of the units to achieve physical production on schedule and in the variety and within the established parameters, to stay within consumption norms and the established expenditure levels and to honor in an exemplary manner all contracts. In the final analysis, they must administer the material, financial and human resources entrusted to them by society with a high spirit of communist and party responsibility.

As is known, each year's plan - including the 1982 plan - is based upon material and financial balance sheets that are rigorously drawn up. As a result, and this is also well-known, any failure to achieve an indicator may produce, and most frequently does produce, perturbations that spill over in chain reaction by nature of the processes generated by the division of labor. Finally, the new quality of life - to which our society dedicates all its efforts - requires a new quality of work in all sectors and at all levels.

The superiority of the new economic mechanism lies precisely in its ability to use principles to stimulate the indicators and categories that it is promoting and in the mobilization of resources for the purpose of carrying out the established objectives. It also creates an economic framework that corresponds to the political and democratic framework in our country for focusing all thoughts and actions towards the production of material and spiritual goods, services and activities specific to the socialist life style of a country having an average level of development - a goal that Romania has proposed to achieve by the middle of this decade.

Expressing the political content of the new economic mechanism, the experience accumulated over the years of its application, basically within the framework of worker self-management, shows that what is essential is the responsibility of each worker to understand and carry out his tasks and to participate

effectively and directly both in the substantiation and approval of the plan and in its achievement, as the sole way of improving the standard of living and raising Romania to the peaks of progress and socialist civilization.

The Value of Net Production - A Fundamental Indicator

By representing in the most direct manner the volume of the activities that are useful and that create goods in each unit, net production is the essence of the process of self-administration and self-financing. It expresses the contribution of the economic units to the creation of national income and the degree of covering certain categories of expenditures, especially those related to salaries, constituting the source of the enterprises' own funds, society's funds and the workers' incentives.

What should be stressed first of all is the fact that by influencing the size of the salary fund, the achievement of the planned net production and the salary fund, and the fulfillment of the "goods-production sold and paid for" indicator, we can see especially clearly the direct, immediate link between the personal interests of each worker and those of the enterprise and society overall. This is a fact that contributes to raising the level of the workers' responsibility in fulfilling the plan in all its details and, on a priority basis, for physical production by type and variety. This also explains to a good degree the increased concern of the work groups for increasing physical production and decreasing the costs involved and for spreading actions designed to ensure the incorporation of an ever greater amount of intelligence and creativity in the same product, to reduce dimensions and specific consumption levels, to improve functional parameters and to bring about the systematic growth of product competitiveness. All these find their results in increasing the value of net production.

The abandonment of the "total production" indicator and the promotion of the "net production" indicator have brought about changes in the concepts of the local decisionmakers in the restructuring of production. If up until not too long ago each management group was concerned for furthering the division of labor and cooperation, as well as for achieving certain large-scale activities that were big material consumers in order to obtain the largest possible total production, today the chief of a unit pursues the growth of the degree of technical fineness and the growth of the unit's own contribution to the production of each product. Such conceptual changes are also seen within Iasi County where the industrial enterprises are moving away from assembly activities, such as those at "Nicolina", "Tehnoton", I.M.M.R. Pascani and so forth, to the mass production of a large number of items and the assimilation of a profusion of technologies.

The economic mechanism, the principle of self-administration and the "net production" indicator have also brought about changes in the workers' views, who, through their own initiatives, support the administration and use of the goods entrusted to them by society. Within this framework, there has been a broad spread of the workers' initiatives of the type: "Let us work one day each month with the materials that have been saved," "Each specialist must

solve at least one problem of a technological nature each year," "Not a single piece of equipment used below planned efficiency levels, not a single minute sitting idle," "Each reuseable secondary resource must become a raw material" and so forth. Such initiatives, which involved over 56,000 workers, were expressed in savings that exceeded, at the 1981 level, 22 million lei. The movement for inventions and innovations and the concern for attracting the masses into the act of technical creativity are experiencing constant growth. Just over the course of the recently concluded edition of the "Song of Romania" National Festival, as a result of this movement, we obtained an increase in production of approximately 600 million lei. Last year, over 720 projects of mass technical-scientific creation were resolved, which involved the participation of 16,000 workers, achieving an economic efficiency of over 60 million lei. The group of measures undertaken brought about a growth in the proportion of new and redesigned products in the total amount of goods-production for the last five year plan from 18.2 percent in 1977 to 46.3 percent in 1980, while in 1981 it rose to 19.4 percent, exceeding each time the planned levels.

In the industrial, transport and agricultural enterprises in Iasi County, there is a broad echo of the "4R Movement" - recovery, reconditioning, redesigning and reusing wastes, secondary products, used parts and so forth. This movement is permanently supported in the local newspaper FLACARA IASULUI, as well as through the means of mass political work.

The assimilation of certain items and technologies that were imported in the past have positive effects upon the volume of net production and, implicitly, upon the reduction of imports. In order to stimulate these actions, expositions showing imported items were organized in the majority of enterprises, showing the number and costs of these items. Such an exposition at the level of the overall group of enterprises in Iasi was put together in December 1981 by the county office of economic-social organization, Management personnel, specialists and researchers were invited to this exposition, and they discussed, in the presence of the county party committee secretariat, the problems related to using the best solutions. The effects are illustrated by the fact that items and technologies were assimilated that were worth 10.2 million hard currency lei and another 112.4 million hard currency lei worth are in the process of being assimilated.

A meritorious contribution to increasing the amount of creativity and intelligence incorporated in each process was made by the discussion on the problem of scientific research held within the framework of a plenary session of the county party committee last year. The measures adopted by the plenary session, the organization of the county research council and the specialized commissions and the permanent assistance given by the National Council for Science and Technology led to a more intense mobilization of Iasi County's research potential in the resolution of the problems that appear in the enterprises, as well as in the intensification of basic research.

Specific measures were taken regarding increasing the value of net production and profitability in the other sectors and branches of the county as well. Within this framework, there are also the actions dedicated to improving the poorly developed agricultural cooperatives, actions reflected in the improvements in the structure of the crops, the better use of the land and their own resources and the development of certain small-scale industries and cooperation activities with the large economic units. As a result, the number of poorly developed cooperatives decreased from year to year, with the economic strength of the units increasing noticeably.

Such examples show the climate for seeking, analyzing, studying and taking actions that were generated by the new economic mechanism, and the influence of the party secretary general's call for each activity and each product to become profitable. Comrade Nicolae Ceausescu stressed: "No enterprise can carry out normal activities if they are not based on the results of its own work, if it does not provide for not only its own current production, but also its development on the basis of increasing production, increasing net income and continuing to increase economic profitability."

For Iasi County overall, the value of net production has increased from 8,272 million lei in 1979 to 9,271 million lei in 1981. There was also an increase in the people's awareness, who now better understand that, in their triple capacity as owners, producers and consumers of all national wealth, they have the obligation and interest to firmly work for the systematic growth of production and the quality of this production, as the sole solution for raising the quality of life and the dignity of the new man in the socialist society.

The maturity of the devotion of the working class in this part of the country is also reflected by the manner in which they received the Council of State decree regarding the strengthening of order and discipline at work - a decree discussed with great responsibility not only in those units with continuously burning fires and that have installations which pose a higher degree of danger when in use, but in all enterprises. At "Nicolina", at the Metallurgical Factory, at the Antibiotics Factory, at the I.M.M.R. Pascani and at many other enterprises, the participants in these discussions sharply criticized those persons who came to work drunk, who brought alcoholic beverages to work, who were late or practiced unauthorized leave systems, who did not maintain their installations and machinery according to technical standards, who wasted materials and so forth. Such discussions were especially useful if we keep in mind the fact that in our county last year there were better than 1.5 million hours of "idle machinery" because of accidental repairs to basic machine-tools and specific installations. They were especially localized at the Bucium Mechanical Enterprise, the Construction Materials Enterprise, the "Victoria" Silk Weaving Mill and the Pascani Flax and Hemp Plant. Also in 1981, there were over 12 million unused man-hours, of which approximately 1.4 million hours were because of unjustified leaves and absences. Most of the absences, approximately one-fourth, occurred at construction sites, where the machine-tool use index is also less than modest.

## The Importance of Continuing to Increase Profits

As is known, profit expresses, at the societal and enterprise levels, the level of achieving the tasks that stem from the application of the new economic mechanism, determining the content of the category of financial self-administration.

Through its functions - a principal resource for expanded production and the self-administration and self-financing of the enterprises, a means of incentives in the rational use of those goods entrusted to the enterprises by society, a basic indicator for measuring efficiency and an instrument to review the degree of using those resources from the national wealth that have been entrusted to the enterprises - profit involves an ever more profound and broader political content under the conditions of our society and the application of the new economic mechanism. We are especially referring to the fusion that is achieved, under the conditions of the new economic mechanism, between profits and the quality of work and quality of life. Thus, on the basis of profits, five types of funds were created to be at the disposal of the enterprises and the workers groups, with the quotas being increased as the plan tasks are exceeded. This naturally brings about an increase in the workers groups' interest in the economic units for increasing the size of this indicator. The recent draft law regarding the payment of salaries for work in the agricultural cooperatives extends this principle from the state units to the agricultural production cooperatives, today covering the overall national economy in a unified manner.

Promoting the profit-sharing system as a component of the new economic mechanism implicitly means stimulating a more profound commitment on the part of each worker for the achievement of the "goods-production sold and paid for" indicator and the improvement of the financial state of "health" of the enterprises. In this regard, we have seen the usefulness of the knowledge acquired in political education and the discussions in the general assemblies that allowed the workers to better understand the relationship between the delivery price and costs, and the fact that, under the conditions of certain solidly substantiated delivery prices, the essential source for achieving and exceeding the profit plan is the reduction of production costs. Such and understanding stems even more from the manner in which the economic problems of the enterprises are discussed. Within the general assemblies, the workers are interested not only in what they produce, but also the materials consumed in production, and they are profoundly concerned for finding the paths that will lead to decreasing expenses, to better using production, to eliminating all channels of waste and to more fully using fixed and financial and material resources. Within this framework, there was an increase in the degree of understanding the actions of economic laws, price policies and the necessary correlations between production costs, prices and retail sales prices for the people in a stable and efficient economy.

As is know, along with the application of the new economic mechanism the budget of incomes and expenditures was introduced into each enterprise, a

budget that serves as a triple instrument - for planning, for analysis and for reviewing the efficiency of activities. Even more. Within the framework of economic-financial self-administration, these budgets represent true direct instruments of the management process, synthesizing in monetary terms the economic and social activities of each unit and the manner in which financial and monetary resources as administered, and they represent the efficiency of the labor expended in general.

The experience accumulated to date in the economic units in Iasi County point out that it is necessary to continue to make efforts for the budget of incomes and expenditures to have a proper substantiation and to be corrected whenever the plan is modified, ensuring, over the course of the year, a perfect correlation with all the sections of the plan. With regards to internal activities of the enterprise, the existence of such an instrument at the level of each section and each shop allows the work groups to understand in detail the tasks that they have to fulfill, the resources entrusted to them and the means of administering them for the purpose of increasing their contribution to the development of each enterprise and, through this, all of society, and to the growth of their own incomes and general well-being.

The measuring of expenditures and incomes that are obtained brings about a climate favorable to understanding the profitability of each activity not only in the material production units, but also in the institutes. A graphic example in Iasi County are the concerns dedicated to promoting self-administration in the state administrative units and in the higher education and cultural institutes. Thus, approximately 50 people's councils - municipal, city and town - in Iasi County have proposed that this year they will carry out their activities on the basis of self-financing. At the same time, an ever greater number of schools, especially school groups that include vocational schools, craft schools and industrial high schools, are involved in covering a greater portion of the state budget allocations on the basis of their own incomes that are obtained from the production made during training, as well as from the more rational administration of the resources entrusted to them by society.

Special achievements were obtained by the institutes of higher education of a technical nature, especially by the agronomic and polytechnical institutes where the contribution to balancing the budget of incomes and expenditures grows each year on the basis of scientific research contracts. We also encounter sustained efforts at the cultural institutes - cultural halls, cultural centers, cultural-scientific universities - which are succeeding in an ever greater degree to become profitable units through the payment of services that are undertaken and by combining educational events with instructional and formative actions. This is the case at the Iasi Cultural-Scientific University, the trade union cultural center and the Railroad Club. At the same time, the professional theater institutes, the People's Art School and other units in the cultural system are working to increase their own incomes and reduce state support.

Thus, the result is that, beyond influencing production activities and the criteria of efficiency and utility, the application of the new economic mechanism and, within this framework, economic-financial self-administration has contributed not only to a better administration of national wealth, but has also made its impact upon the maturation of political thinking and the mass's ability to think and create for the purpose of making all activities profitable. The growth in the spirit of responsibility and the quality of work in every field thus becomes to an ever greater degree a new resource capable of bringing about the acceleration of our society's general progress and the systematic improvement of living and working conditions.

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IMPLEMENTATION OF BUDGET OF INCOME AND EXPENSES

Bucharest REVISTA ECONOMICA in Romanian 19, 26 Mar, 2 and 9 Apr 82

[Article by Emil Cioflan, Costinel Lazar, Alexandru Pascal]

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[Text] Fulfillment of the tasks established by the 12th party congress on achieving a new, higher quality in all economic activity, especially stressing the intensive factors in all branches as a basic feature of the 1981-1985 five-year plan requires the firm action of each economic unit, the organs of worker self-leadership and of each working person in the direction of an emphatic reduction in material expenses and overall production costs and in substantially raising profits. Achieving a new quality in the national economy, as a basic component, includes obtaining high economic efficiency and high profitability. As Comrade Nicolae Ceausescu stressed at the joint plenum of the RCP CC and the Supreme Council for Social and Economic Development in November 1981, "We must take energetic action to continue reducing production expenses and material expenses and to raise economic efficiency even more powerfully and to raise profits--the unit of measuring the good financial-economic activity in each sector and in each unit."

Under conditions of self-leadership and self-management, the enterprises must adopt all measures to achieve the planned physical and good production at a high level of quality, with the lowest material expenses and labor expenses and the maximum profitability and profits and to strengthen the responsibility of each economic unit in manufacturing the products which our society needs, but with minimum consumption of resources per unit of useful effect.

Firmly promoting the new economic-financial mechanism in accordance with the special demands required in the current stage and accomplishing all the aspects of economic-financial self-management are directly conditioned by the effective achievement of the multiple functions of the budget of incomes and expenses in each unit and in eliminating the serious shortcomings being demonstrated now in using this basic tool for applying a strict savings program in utilization of material resources, labor and financial resources and in achieving high quality in conformity with the great potential the enterprises have available.

The obligation of each socialist organization to work out its own budget of incomes and expenses has raised to a high level the entire activity of planning, directing it toward the quality and efficiency aspects, with its being conceived of as a basic tool in a solid substantiation and correlation by collective leadership organs in the enterprises of all the plan indicators. Anv forecast assumed in the draft plan must have guaranteed, through the tasks assumed in the budget of incomes and expenses, the level of efficiency, the profit and expenses, which must be achieved. The organs of worker self-leadership are determined to direct their efforts toward the quality aspects of the work of leadership and planning and toward the final results of the highest possible efficiency. By its very place in the overall elements of the new economic-financial mechanism, working out the budget of incomes and expenses requires a thorough analysis of the various versionsof the enterprise's plan and through the prism of the results in the area of efficiency, also, requires seeking solidly substantiated solutions in order to adopt the best decisions and the version of the plan which is the closest to the optimum as possible, strictly taking into account the level of efficiency indicators, also. In this way, the economic tasks assumed in the plan must be based on specific, judiciously substantiated programs of mobilizing reserves to reduce costs and any kind of expense.

This job of the budget of incomes and expenses, thus, does not mean and in no way should be demonstrated in practice as a passive, monetary reflection through financial indicators of production tasks. It is conceived as a particularly active tool for preventing the establishing of poorly substantiated tasks from the viewpoint of efficiency and products and activities with low profitability and resources not being utilized at the proper degree of efficiency. The solidity with which the budget of incomes and expenses is substantiated and the tasks for physical production and goods production with regard to expenses, too, truly are the guarantee for reaching a high level of efficiency and obtaining bigger and bigger incomes.

The leaders of the enterprises are required and, thus, obligated to discover the factors and reserves for reducing the expenses with which production is obtained and for obtaining the highest possible profits. In this way, the budget, as the financial synthesis through incomes and expenses of the enterprise's activity in the plan period, is able to prevent any kind of demonstration of the harmful mentality of obtaining production at any price, underestimating the consumption of resources, level of expenses and incomes. The enterprises and centrals have created conditions for not neglecting long-range problems in the area of efficiency and of increasing incomes under the pressure of current tasks.

Representing one of the interdependent aspects of the new economic-financial mechanism, acting as a reflection of the total processes and phenomena which take place in the socialist organizations through incomes and expenses, the budget of incomes and expenses, among its basic jobs, also has the one of determining the demonstration of economic-financial self-management to the full extent. This job is carried out both in the process of working out the budget of incomes and expenses as well as in the complex activity of fulfilling the financial indicators, the continual efforts to achieve financial balance, ability to pay so that the results of efficiency obtained are at least at the level of those in the plan. By the very way in which it is structured and by its components and correlations between the indicators it includes, the budget brings out the extent to which

expenses are exceeded by incomes in each economic unit, the level of profitability of the entire activity reflects the potential for self-sinancing, for paying back the funds advanced by society on schedule and the credits contracted, the extent to which the enterprise fulfills one of its special tasks before society and that is the task of contributing with higher resources to forming the incomes of the state budget, the degree to which it can insure, on the basis of the results of efficiency, the fund for the workers' participation in profits and other funds for providing incentives for the particular collective. Adequate solutions to all these components of economic-financial self-management must be found both in the process of working out the budget of incomes and expenses as well as in the leadership of activity for precise fulfillment of its provisions. Thus, the economic units' responsibility is considerably strengthened in management of the funds entrusted by society with maximum efficiency, all conditions are created so that each unit, of any type, knows what it is producing, what incomes it will have, how much it will consume and what it must give to society.

Under conditions of full use of the budget of incomes and expenses, economic-financial self-management proves itself by efficiently seeking the valences both at the enterprise level as well as level of each link separately in its organizational structure. The interdependence and interconditioning between the depth of demonstration of economic-financial self-management on one hand and efficient use of the budget of incomes and expenses on the other represent an important aspect of the firm application of the new economic-financial mechanism.

The budget of incomes and expenses, at the same time, is intended to be a permanent wo rking tool for achieving worker self-leadership; the entire and complex activity of working out and carrying out its provisions means wise use of economic levers, final abandoning of the administrative, functionary nature in carrying out the leadership of enterprises and centrals. To a decisive extent, through the budget of incomes and expenses, the democratic leadership organs also have available the resources needed to substantiate and carry out decisions, resources which result from the quality belonging to the activity of each enterprise separately. As a result, full exercising not only of the competencies is stimulated but also of the responsibilities which the councils and general workers' meetings have in the most efficient possible use of the resources they have available in fulfilling plan tasks for physical production, net production, goods production sold and received in the structure and within the schedules established, but with minimum expenses.

The primary importance of the budget of incomes and expenses for effectively carrying out worker self-leadership also is demonstrated by the fact that the broad activity for substantiating its provisions requires the broad and direct involvement of all cadres with responsible work and of the entire working collective in each enterprise in solving the multiple technical and technological problems and problems of organizing production and work, of supply and sales, and so forth, for the entire plan period. In other words, the budget of incomes and expenses, worked out with the contribution of the entire collective, permits it to determine and to know, before moving to fulfill the plan, what are the limits of the expenses within which it must fit strictly, what the minimum level

of expenses hould be , what the minimum level of profit should be, the results of fulfilling and overfulfilling the forecasts assumed, stimulating creative searches, a spirit of initiative, a calculation on strictly economic principles in order to obtain production under much greater conditions of profitability.

As a lever of leadership and organization with an operative nature, the obligatory nature of the budget of incomes and expenses brings the organs of worker self-leadership, the worker collectives in their totality to take action to prevent any demonstrations of waste, of poor management, of utilization of the resources in their realm beneath possibilities, to discover in time the positive and negative trends with regard to the efficiency of utilizing these resources and the concrete causes for them, having the opportunity to localize them precisely and take action accordingly.

The budget of incomes and expenses as a basic element of the new economic-financial mechanism for effectively achieving the oeprational independence of the economic units has among its important jobs the one of effective control means for strengthening order in the handling of the funds the economic units have available, in preventing any kind of waste, in increasing responsibility at all organizational levels from all factors in the economy in order to take firm action with the purpose of eliminating and preventing any unjustifiable expenses and any economic acts with low profitability; handled correctly, it brings special responsibility from those authorized to arrange expenses from the enterprise's assets, to enter into the problems in depth, to plan and seek assiduously the highest possible efficiency for everything they produce. At the smme time, the budget of incomes and expenses creates the opportunity for the leadership organs of the enterprise to master, control and influence the formation of net production on the basis of its component elements, to prevent negative demonstrations through solid substantiation of them so that its growth takes place at the same time as the rise in profit.

In accordance with the content of economic-financial self-management and self-financing, the budget of incomes and expenses is an efficient lever for mastering and directing flows of money as an all-encompassing reflection of the complex relations which appear in the operation of the enterprise and central. At the same time, in the multitude of the enterprise's relations with the other units and links in the system of organization and leadership of the national economy with the socialist state, the budget of incomes and expenses is a means through which permanent achievement of the enterprise's solvency and liquidity can be established and obtained in accordance with fulfilling the goals of its own plan and which insures the ability to pay and financial balance under conditions of the highest possible economic efficiency of its activity in all areas, for each product and part, and in all departments; working out the budget of incomes and expenses on solid bases, the economic unit must have available the appropriate volume of monetary resources in order to cover its payment obligations to its partners in the contractual relations, to the central and the state on schedule and upon its own initiative and to promptly honor its payments due the worker personnel in conformity with the law. So the budget of incomes and expenses, utilized efficiently, can insure the permanence of financial balance for the enterprise and achievement of the best level of

liquidity. Any delay, any dallying with the schedules of payments due are a proof of inappropriate handling of this very efficient component of the new economic-financial mechanism by the organs of collective leadership and the enterprise's cadres.

In the time which has passed since introduction of the new economic-financial mechanism, the budget of incomes and expenses has proven to be a component of primary importance for accomplishing the demands imposed by this mechanism in all its complexity in the activity of the socialist organizations and for utilization of their technical, material, human and financial potential with higher output.

An analysis of the demonstration of the functions of the budget of incomes and expenses in 1979-1981 in a number of industrial enterprises in Bucharest, units in different branches which belong to different centrals and ministries bring out a number of notable achievements, carried out at high levels for the indicators of the production plan, together with a rise in profits and the main indicators of efficiency. The figures in Table 1 show the quality improvements in the enterprises' economic-financial activity as a result of the fact that the organs of worker self-leadership take action with greater responsibility for managing the portion of the national wealth which forms each one's assets.

Thus, the planned net production was exceeded by 16 million lei in 1980 and by 6 million lei in the first half of 1981 at the Semanatoarea Enterprise; by 27 million lei in 1979, 8 million in 1980 and 5 million in the first half of 1981 at the Aversa Pump Enterprise; by 18 million lei in 1979, 72 million lei in 1980 and 98 million lei in the first half of 1981 at the Bucharest Drugs Enterprise; while at the Pionierul Enterprise the overfulfillments were 29 million lei in 1979, 21 million in 1980 and 3 million in the first half of 1981. What is also positive is the fact that those units which sensibl used the levers offered by the new economic-financial mechanism mobilized their reserves to a greater extent so that the overfulfillments of the plan tasks for net production would materializein an increase in the volume of profits. At the drugs enterprise the planned profits were exceeded by 9 million lei in 1979, 23 million in 1980 and 2 million in the first half of 1981 at the Aversa it was by 3 million lei in 1979 and 10 million in the first half of 1981; while at the Pionierul the overfulfillments in those same years were 4 million and 1 million, respectively.

The practice of carrying out economic-social activity shows that the use of the multiple opportunities offered by the budget of incomes and expenses by the organs of worker self-leadership permits the enterprises to achieve high efficiency indicators, to utilize the potential they have available under better and better conditions, regardless of the nature and volume of their activity.

Table 1: Level of Achievement for Some Economic-Financial Indicators (in %)

| 1. Indicators | | 12. Enterprises | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | 14. Autobuzul | 15. Semănătoarea | 16. Pompe Aversa | 17. Laromet | 18. Intr. Farmaceutice | 19. I.M.C 7 Noiembrie | 20. Stofe mobilă | 21. Pionierul | 22. Intr. bere |
| 2. Producția netă | 13. 1979 | 93.1 | 100.0 | 103.4 | 96.2 | 103.0 | 96.2 | 103.0 | 114.7 | 92.6 |
| | 1980 | 104.5 | 102.4 | 101.6 | 98.3 | 111.6 | 100.0 | 117.0 | 110.2 | 103.4 |
| | Sem. I '81 | 106.8 | 101.3 | 101.9 | 108.1 | 130.3 | 102.8 | 112.0 | 102.6 | 106.6 |
| 3. Valoarea producției marfă | 1979 | 92.1 | 100.3 | 100.9 | 100.6 | 102.0 | 104.8 | 101.9 | 110.2 | 94.9 |
| | 1980 | 100.7 | 104.9 | 101.6 | 105.1 | 113.2 | 102.2 | 107.4 | 116.6 | 99.0 |
| | Sem. I '81 | 100.1 | 105.2 | 100.8 | 111.4 | 105.6 | 96.6 | 108.0 | 100.3 | 104.0 |
| 4. Costurile de producție totale | 1979 | 97.8 | 101.0 | 109.0 | 101.0 | 99.2 | 103.0 | 103.0 | 171.0 | 98.4 |
| | 1980 | 101.0 | 105.9 | 102.2 | 106.6 | 112.9 | 99.6 | 107.0 | 107.6 | 97.7 |
| | Sem. I '81 | 104.0 | 104.7 | 122.0 | 107.7 | 104.4 | 94.6 | 101.0 | 100.1 | 101.8 |
| 5. Nivelul costurilor totale la 1 000 lei producție marfă | 1979 | 106.2 | 100.1 | 99.9 | 101.0 | 98.9 | 99.9 | 99.7 | 99.8 | 103.8 |
| | 1980 | 99.8 | 100.9 | 100.6 | 101.3 | 99.6 | 93.4 | 99.6 | 99.7 | 95.3 |
| | Sem. I '81 | 118.3 | 99.6 | 99.9 | 101.2 | 95.7 | 93.6 | 98.6 | 90.9 | 94.4 |
| 6. Total venituri | 1979 | 97.0 | 100.0 | 102.0 | 100.2 | 99.0 | 108.0 | 100.3 | 105.5 | 98.5 |
| | 1980 | 108.0 | 107.0 | 104.0 | 106.0 | 109.0 | 103.0 | 103.0 | 101.7 | 95.0 |
| | Sem. I '81 | 93.0 | 106.0 | 102.0 | 117.0 | 106.0 | 84.0 | 108.0 | 101.0 | 105.0 |
| 7. Rezultate financiare | 1979 | 76.0 | 67.0 | 103.0 | 101.0 | 104.0 | 90.0 | 103.0 | 108.0 | 92.0 |
| | 1980 | 103.0 | 102.0 | 98.0 | 107.0 | 109.0 | 170.0 | 108.0 | 100.6 | 91.0 |
| | Sem. I '81 | 91.0 | 110.0 | 94.0 | 107.0 | 105.0 | 120.0 | 119.0 | 100.8 | 114.0 |
| 8. Beneficii de repartizat | 1979 | 72.0 | 55.0 | 102.0 | 102.0 | 105.0 | 73.2 | 101.0 | 109.0 | 92.0 |
| | 1980 | 107.0 | 100.0 | 86.0 | 107.0 | 112.0 | 125.3 | 104.0 | 101.4 | 90.0 |
| | Sem. I '81 | 79.0 | 148.0 | 109.0 | 109.0 | 103.0 | 135.6 | 155.0 | 103.0 | 121.0 |
| 9. Rentabilitatea la activitatea totală | 1979 | 84.0 | 81.5 | 107.0 | 105.0 | 105.0 | 70.7 | 103.1 | 100.5 | 90.5 |
| | 1980 | 100.0 | 94.1 | 87.0 | 100.0 | 100.0 | 124.0 | 100.0 | 101.2 | 93.0 |
| | Sem. I '81 | 89.0 | 107.0 | 114.0 | 100.0 | 92.0 | 168.3 | 120.4 | 100.0 | 112.9 |
| 10. Producția netă la 1 000 lei fonduri fixe totale | 1979 | 80.9 | 100.0 | 107.6 | 103.0 | 102.0 | 99.0 | 104.0 | 117.0 | 98.0 |
| | 1980 | 101.1 | 108.0 | 103.7 | 107.5 | 113.0 | 100.0 | 117.0 | 111.5 | 107.0 |
| | Sem. I '81 | 106.4 | 100.0 | 103.1 | 114.5 | 130.0 | 103.0 | 112.0 | 102.0 | — |
| 11. Beneficii la 1 000 lei fonduri fixe totale | 1979 | 79.0 | 100.0 | 105.0 | 103.0 | 103.0 | 72.0 | 103.9 | 108.0 | 97.0 |
| | 1980 | 98.2 | 100.0 | 98.0 | 118.8 | 112.0 | 123.0 | 108.0 | 102.0 | 110.0 |
| | Sem. I '81 | 90.0 | 108.0 | 95.0 | 102.4 | 103.0 | 121.7 | 121.0 | 101.0 | — |

Key:

1. Indicators
2. Net production
3. Value of goods production
4. Total production costs
5. Level of total costs per 1,000 lei goods production
6. Total incomes
7. Financial results
8. Profits to be distributed
9. Profitability for total activity
10. Net production per 1,000 lei total fixed assets
1. Profits per 1,000 lei total fixed capital

12. Enterprises
13. First half of 1981
14. Bus
15. Semanatoarea
16. Aversa pump
17. Laromet
18. Pharmaceuticals enterprise
19. 7 November
20. Upholstery
21. Pionierul
22. Beer enterprise

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[Text] The budget of incomes and expenses, as shown in the first part of this article, contributes to a greater and greater extent to practical demonstration of the operational nature of the new economic-financial mechanism in what is essential--that is, in lasting placement of all activity on the principles of high economic efficiency; through the way in which it is utilized, the mistaken understanding--criticized repeatedly by the party leadership--is more and more becoming overcome, by which the new economic-financial mechanism means the opportunity to spend more easily, without taking these expenses into account too much. Considerable improvements have occurred in the conditions of carrying out economic activity and the levers of economic-financial self-management, worker self-leadership and self-financing more and more broadly are demonstrating their valences and implications at the level of quality and high productivity in the utilization of resources. The interdependency of self-leadership-self-management-self-financing is proving to be undeniable through the broader and broader way the enterprises are exercising their decision-making competencies, involving the direct producers more and more actively and directly in the leadership act, stimulating the development of production and carrying out of services provided and of export under superior conditions of efficiency. The budget of incomes and expenses has been used more successfully as a means of planning, analysis, execution and control and of achieving financial balance.

Evaluating these achievements at their correct value, a careful analysis of the evolution of economic-financial indicators of the enterprises' efficiency shows that, in utilizing the budget of incomes and expenses as well as other components of the new economic-financial mechanism, action is being taken timidly, demonstrations of superficiality and bureaucratism exist, diminishing the effects obtained. Practice shows the persistence of certain anachronistic methods, routine working methods in a number of enterprises. As the RCP secretary general, Comrade Nicolae Ceausescu, pointed out, the new economic-financial mechanism "is having a hard time finding its place and is meeting resistance from the old, from the custom of working without accounting for the economic results obtained."

The shortcomings being demonstrated in the activity of some enterprises in exceeding the expenses forecast in the budget, even under conditions where the plan tasks were not fulfilled precisely, the large volume of uneconomical expenses and credits due and the lack of ability to pay are situations which show that the budget of incomes and expenses is not being handled with the necessary firmness everywhere.

Many shortcomings originate in the still inappropriate method of compiling and substantiating the budget of incomes and expenses. The practice of setting the size of its indicators by a nearly automatic monetary transformation into the expenses and incomes of the tasks of the economic plan cut off from the very start the particularly important functions of this lever in the leadership of activity on modern bases, aspects of economic-financial self-management. The calculations and correlations in Table 2 show that in the enterprises we are referring to in a number of cases the rise in indicators of expenses is faster

than that of goods production and net production; at the same time, the growth rate of incomes, financial results, profit and the main efficiency indicators is less for a portion of the units. The basic problem in the activity of the economic units, the basic parameter for the efficiency of leadership, is the increase in production according to society's needs, but under conditions of reducing expenses per unit of product. The use of the functions of the budget of incomes and expenses should lead to elimination of any demonstrations of producing without taking into strict account the evolution of costs and any type of expense brought by the particular production, from research-design and including the sale.

Table 2: Rise in Certain Main Indicators of Enterprise Activity in 1980 Compared With 1979

| 1. Indicatorii | 15. Întreprinderile | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 16. „Autobuzul" | 17. Semănătoarea | 18. Pompe „Aversa" | 19. Laromet | 20. Întreprinderea medicamente | 21. I.M.C. noiembrie | 22. Stofe mobilă | 23. „Pionierul" | 24. Întreprinderea bere |
| 2. Producția netă | 74,3 | 107,3 | 97,8 | 111,4 | 111,9 | 102,9 | 121,8 | 98,3 | 118,9 |
| 3. Valoarea producției marfă | 89,6 | 115,0 | 97,3 | 102,7 | 112,8 | 96,8 | 111,1 | 120,8 | 112,1 |
| 4. Costurile de producție | 101,7 | 124,2 | 101,3 | 102,5 | 114,7 | 92,4 | 104,8 | 88,3 | 104,9 |
| 5. Nivelul costurilor totale la 1 000 lei prod marfă | 111,6 | 100,0 | 104,2 | 99,0 | 100,2 | 95,4 | 94,2 | 103,0 | 92,6 |
| 6. Valoarea fondurilor fixe la finele perioadei | 103,9 | 105,7 | 101,9 | 109,2 | 104,3 | 97,6 | 104,4 | 103,9 | 107,1 |
| 7. Total venituri | 79,9 | 110,8 | 97,6 | 94,1 | 113,0 | 94,5 | 109,5 | 100,4 | 104,5 |
| 8. Rezultate financiare | 56,8 | 103,1 | 88,7 | 115,8 | 111,1 | 170,0 | 128,4 | 95,7 | 105,8 |
| 9. Beneficii de repartizat | 50,3 | 94,3 | 68,3 | 107,4 | 112,3 | 147,8 | 101,7 | 128,8 | 280,2 |
| 10. Mijloace circulante la finele perioadei | 103,6 | 116,7 | 78,5 | 108,0 | 116,8 | 88,2 | 88,1 | 103,7 | 90,9 |
| 11. Total mijloace circulante | 103,8 | 116,8 | 94,6 | 106,9 | 116,8 | 89,3 | 95,4 | 103,7 | 90,9 |
| 12. Rentabilitatea la activitatea totală | 52,6 | 100,0 | 85,1 | 100,9 | 106,6 | 225,0 | 124,2 | 89,3 | 250,0 |
| 13. Producția netă de 1 000 lei fonduri fixe | 70,9 | 101,5 | 96,1 | 92,1 | 107,4 | 102,6 | 123,7 | 94,5 | 110,2 |
| 14. Beneficii la 1 000 lei fonduri fixe totale | 51,4 | 97,6 | 87,1 | 92,3 | 107,7 | 162,9 | 117,0 | 98,9 | 113,3 |

Key:

1. Indicators
2. Net production
3. Value of goods production
4. Production costs
5. Level of total costs per 1,000 lei goods production
6. Value of fixed assets at end of period
7. Total incomes
8. Financial results
9. Profits to be distributed
10. Circulating resources at end of period
11. Total circulating resources
12. Profitability for total activity
13. Net production per 1,000 lei fixed assets
14. Profits per 1,000 lei total fixed assets
15. Enterprises
16. Bus
17. Semanatoarea
18. Aversa pump
19. Laromet
20. Pharmaceuticals enterprise
21. 7 November
22. Upholstery
23. Pionierul
24. Beer enterprise

Covering expenses from their own incomes and achieving the highest possible profitability still to a large extent is being viewed totally, for the economic units as a whole and to an insufficient extent for each product or activity separately, for each section, shop, department or work formation, with the actual contribution of the technical-engineering cadres in each section, shop, foremen, workers in order to guarantee a high level of efficiency, the maximum possible under the given conditions of the plan period on the basis of well-founded analyses and sensible programs of measures which are realistic and analytical. For this reason, the budget of incomes and expenses is still not playing its proper role everywhere in selecting the version of the plan which also permits the maximum efficiency. For that reason, we feel that a more complex substantiation of the indicators included in the budget would permit a broader discovery and attraction of the reserves for raising efficiency.

At the same time, parallels and not enough links are appearing between the plan for production costs and the budget of incomes and expenses, which unfurtunately favors the total system we refer to for going deeply into and seeking incomes and profitability, a practice which does not provide severe punishment for waste and poor efficiency. As a result we are proposing that the plan for production costs be an inseparable component of the budget of incomes and expenses, at the same time finding adequate solutions for current seeking of them, including by unit of product and useful effect.

Another problem which has not been solved appropriately through the budget of incomes and expenses, according to current requirements, is respect for and fitting into the consumption standards. Study we have undertaken shows that currently situations are being encountered in which the determination of incomes and expenses is not always based on the approved standards. Once again this shows that , on one hand, we must copy with a certain automatism in working out the budget of incomes and expenses and, on the other, with an insufficiently deep study of the ways and opportunities for reducing expenses as much as possible and, as a result, increasing incomes and profits. It is not understood everywhere yet that even the provisions in the standards of expenses do not represent "a right" to spend resources in a certain amount, but a maximum level beyond which one cannot go in any way, with no justification; in other words it expresses the responsibility before society to seek technical, technological, organizational solutions in order to obtain the production forecast with minimum expenses.

Extending the system of standards within the new economic-financial mechanism, increasing their role as tools of the collective leadership organs in each enterprise to limit to the strictly necessary any expense and continually reduce it have special importance for full accomplishment of the functions of the budget of incomes and expenses, for solid substantiation of the indicators included in full agreement with the objective requirements of carrying out intensive broadened reproduction throughout the national economy. We express the opinion that, together with continual activity to extend, bring up to date and improve them and to increase the mobilizing nature in improving all activity toward raising the efficiency parameters to high levels, it is necessary for the enterprises and centrals to be provided incentives to a greater extent, so that

through the budget of incomes and expenses, they take on tasks of incurring expenses per unit of product and useful effect, smaller than as forecast in the standards in effect, thus assuming greater tasks for the volume of profit planned.

In this context, we feel that, together with raising the role and mobilizing nature of the standards, a greater share of the planned profit, resulting from establishing expenses and material consumption below the standards in effect during the plan period, should remain at the disposal of the enterprises for increasing their potential for self-financing and for paying back the funds received from society faster, while a certain amount of the planned profit obtained in this way should, of course, also supply the rise in funds for material incentives for worker personnel. The budgetof incomes and expenses bring out separately the incomes and profits obtained in the way shown. At the same time, in order to directly involve the central to a greater extent in aiding the enterprises in taking on greater profits through the plan in this way, it would follow that a portion of the particular profit should move to their disposal. In this way, both in the process of working out as well as the process of fulfilling the forecasts of the budget of incomes and expenses, the enterprises and centrals, each section, shop and work formation separately, the collective leadership organs would take action with more determination to improve technologies, redesign and renovate products on the basis of minimum material consumption, to improve the organization of production and work, to reduce auxiliary and nonproduction personnel and to have a more emphatic growth in labor productivity.

Aspects of formalism and weak efficiency in using the budget of incomes and expenses are also reflected in the fact that, although the expenses are maximum admissible limits, the appearance of the indicators achieved shows that there is great frequency in the cases when these expenses are achieved at levels higher than those established (Table 3). Among the main causes of this situation also is the one where, in the process of compiling the budget of incomes and expenses, the methods and factors guaranteeing strict inclusion of the actual expenses in the levels established are not sensibly substantiated everywhere.

The entire activity of compiling and substantiating the budget of incomes and expenses and of seeking the indicators included should utilize the thought and creative action of the entire collective. We feel that the very organization and flow of activity of the commissions by areas within the enterprise should be based on increasing their contribution to a solid substantiation of the provisions of the budget, to determining the size of any expenses as is strictly necessary and seeking to have complete application of the measures established.

The appearance of the indicators for the enterprises' expenses shows that the collective leadership organs must take action with greater firmness to use the budget of incomes and expenses as an efficient tool for strengthening discipline and for absolute order in incurring any expense, in seeking to have strict achievement, within the schedules fixed, of all the measures in the programs which have been at the basis of substantiating the budget indicators.

Table 3:
Absolute Difference (+ or -) Between Achieved and Planned Level for Certain Indicators of Expenses

| 1. Indicatorii | | 13. Întreprinderile | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | „Autobuzul" 14. | „Semănătoarea" 15 | Pompe „Aversa" 16 | Larmet 17 | Intr. medicamente 18 | I.M.C. noiembrie 19 | Stofe mobilă 20 | „Pionierul" 21 | Intreprinderea bere 22 |
| 2. Fond de retribuire total (mil. lei) | 1979 | — 2,0 | — 0,8 | — 5,0 | — 1,7 | — 0,6 | — 0,4 | + 0,9 | + 7,1 | — 8,0 |
| | 1980 | + 6,0 | — | + 3,0 | — 1,9 | + 4,0 | — 0,3 | + 4,1 | + 5,3 | — 14,0 |
| | Sem. I. 81 | — 1,6 | + 2,0 | + 1,0 | + 1,2 | + 5,3 | — | + 1,3 | + 0,9 | — 1,0 |
| 3. Număr total mediu scriptic personal (persoane) | 1979 | — | + 17,0 | +35,0 | —19,0 | — 55,0 | +15,0 | — | +147,0 | —190,0 |
| | 1980 | +68,0 | + 10,0 | +50,0 | — 3,0 | +124,0 | + 1,0 | +37,0 | +158,0 | —209,0 |
| | Sem. I. 81 | — | — | — 1,0 | —46,0 | + 35,0 | — 5,0 | +33,0 | — 22,0 | + 12,0 |
| 4. Nivelul costurilor totale la 1 000 lei producție marfă (lei) | 1979 | +56,8 | + 72,0 | — 0,4 | + 9,0 | — 7,4 | — 0,1 | — 1,6 | — 1,3 | + 17,9 |
| | 1980 | — 1,0 | + 7,9 | + 4,3 | +12,2 | — 2,4 | —23,7 | — 2,5 | — 2,2 | — 22,3 |
| | Sem. I. 81 | —15,0 | — 2,6 | — 0,2 | +10,2 | — 31,0 | —57,8 | —12,7 | — 0,3 | — 50,0 |
| 5. a) Cheltuieli materiale (lei/1 000) | 1979 | +40,6 | + 23,6 | — 0,5 | + 4,3 | — 3,1 | —15,1 | — 4,9 | — 13,2 | + 8,4 |
| | 1980 | —18,0 | + 15,1 | + 4,5 | — 1,9 | — 0,1 | — 7,6 | —39,3 | — 5,4 | — 15,9 |
| | Sem. I. 81 | —29,0 | — 10,8 | — 0,1 | —25,3 | — 31,8 | —24,1 | — 8,9 | — 0,8 | — 16,1 |
| 6. b) Cheltuieli cu munca vie (lei/1 000) | 1979 | +16,2 | + 48,9 | — 0,2 | + 5,0 | — 4,3 | +15,1 | + 3,2 | + 11,9 | + 0,5 |
| | 1980 | +17,0 | — 7,2 | — 0,2 | +14,3 | — 2,3 | —15,0 | +36,2 | + 3,2 | — 6,4 |
| | Sem. I. 81 | +14,0 | + 8,2 | — 0,1 | + 7,1 | + 4,8 | —33,7 | —13,8 | + 0,5 | — 6,9 |
| 7. Costurile de producție totale pe elemente primare (mil. lei) | 1979 | —47,4 | + 21,0 | + 6,6 | +10,0 | — 9,3 | — 0,3 | + 5,2 | +231,0 | — 8,0 |
| | 1980 | +12,0 | + 99,0 | —15,0 | +63,0 | +149,0 | + 2,1 | +11,4 | + 26,0 | — 12,0 |
| | Sem. I. 81 | +35,0 | + 46,0 | +86,0 | +18,0 | + 29,0 | — 2,0 | + 1,6 | + 1,0 | + 4,0 |
| 8. Materii prime, mat. de bază și aux. din afară (mil. lei) | 1979 | —32,9 | + 11,0 | + 7,5 | + 5,0 | + 58,0 | — 0,9 | — 2,0 | + 13,5 | — 0,7 |
| | 1980 | —31,0 | +106,0 | +13,0 | +52,7 | —847,0 | + 0,3 | — 0,7 | + 21,0 | — 4,1 |
| | Sem. I. 81 | +15,0 | — 14,0 | +77,0 | —32,1 | + 61,0 | — 1,6 | — 0,9 | — | + 1,4 |
| 9. Materiale recuperabile și refolosibile (mil. lei) | 1979 | — 0,3 | + 7,0 | + 0,1 | — 4,0 | — | — | — | + 5,0 | + 0,8 |
| | 1980 | — 1,6 | + 1,8 | + 0,1 | + 3,9 | — | — | — | — | — 0,8 |
| | Sem. I. 81 | — 1,3 | — 0,1 | — 0,7 | — | — | — | — | — | + 0,2 |
| 10. Combustibil, energie, apă din afară (mil. lei) | 1979 | — 0,3 | — 1,0 | — 1,2 | — 1,0 | — | — | — | + 1,6 | + 1,2 |
| | 1980 | + 1,2 | — 3,2 | + 0,1 | — 2,4 | — 8,0 | — 0,2 | — | — 0,7 | — 1,3 |
| | Sem. I. 81 | + 1,8 | + 1,2 | + 3,1 | — 0,1 | — 2,0 | + 0,7 | + 0,3 | — 0,2 | + 2,8 |
| 11. Amortizarea fondurilor fixe (mil. lei) | 1979 | — 1,2 | — | — 1,1 | — 3,0 | — 3,0 | — | — | — | — 3,4 |
| | 1980 | + 0,4 | — 1,8 | — 1,9 | — 2,4 | — | + 0,8 | — | + 0,1 | + 1,0 |
| | Sem. I. 81 | + 0,6 | — 1,2 | + 5,0 | — | + 2,0 | + 1,2 | — | — | — 0,7 |
| 12. Retribuții, impozite și C.S.A. (mil. lei) | 1979 | — 5,0 | + 18,0 | + 1,8 | + 6,0 | — 5,0 | + 1,2 | + 2,0 | + 13,5 | + 4,9 |
| | 1980 | +15,0 | + 15,0 | —14,0 | + 9,2 | + 6,9 | — 0,4 | +11,4 | + 8,6 | — 8,7 |
| | Sem. I. 81 | + 0,8 | + 8,0 | — 4,0 | + 4,9 | — 1,0 | — 1,2 | + 1,6 | + 0,3 | — 0,2 |

Key:

1. Indicators
2. Total Salary fund (millions of lei)
3. Average total number of personnel on staff
4. Level of total costs per 1,000 lei production goods(1 i)
5. a) Material expenses (lei/1,000)
6. b) Expenses for live labor (lei/1,000)
7. Total production costs for primary elements (millions of lei)
8. Raw, basic and auxiliary materials from outside (millions of lei)
9. Recoverable and reusable materials (millions of lei)
10. Fuel, energy, water from outside (millions of lei)
11. Amortization of fixed capital (millions of lei)
12. Salaries, taxes and CSA [expansion unknown]
13. Enterprises
14. Bus
15. Semanatoarea
16. Aversa pump
17. Laromet
18. Pharmaceuticals enterprise
19. 7 November
20. Upholstery
21. Pionierul
22. Beer enterprise

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[Text] The aspects stressed in the preceding issue on the evolution of expenses in the enterprises to which our study refers inevitably find their correspondent in the evolution of incomes, financial results and profit and in the degree to which certain main efficiency indicators are fulfilled (Tables 4 and 5). The figures show that not all the enterprises really understand that the budget of incomes and expenses does not represent something formal, but that it should become an active tool of self-management which contributes to mobilization of reserves for solving the plan tasks rigorously, together with obtaining the highest possible incomes and obtaining high economic efficiency.

At the same time, we have the need for a closer cooperation of the enterprises, centrals and ministries in working out and substantiating the budget of incomes and expenses, in a way similar to how this cooperation is achieved in working out the draft economic plan. Especially since, in accordance with the legal provisions, the budget of incomes and expenses of the economic units is integrated into the system of budgets of incomes and expenses which are compiled at the level of the central, ministry or other central and local organs in accordance with the single national plan for the purpose of insuring the overall balance of the national economy.

As the figures and calculations in the tables presented show, the shortcomings also are demonstrated in the phase of executing the budget of incomes and expenses. In many enterprise it has not really become a basic, operative tool with an active role in the efficient leadership of activity, and rigorous implementation of all measures and provisions of programs has not been sought to reduce expenses and to achieve the efficiency indicators established. For example, this is reflected by the fact that energetic action is not being taken overvwhere to replace certain technologies according to the measures adopted and by the poor exactingness in reviewing and applying the consumption standards for raw materials, fuel and energy and standards for the indicators of utilization of production capacities; the units and even the centrals do not always attentively seek the evolution of costs per product nor do they regularly bring up to date the calculations for the particular costs with new elements which intervene in techniques, technology, organization and so forth.

Carrying out the functions of the budget of incomes and expenses as an operative level for leadership and organization requires seeking , to the letter of the programs established, the goals in the area of scientific-technical research, design, modernization of technologies, renovation and modernization of production reflected in technical, economic, basic ergonomic parameters and the tasks established in the area of organization of production and work, strengthening of technological discipline and labor discipline in all departments and strict fulfillment of each worker's duties. An analysis of the progress of fulfillment of the indicators from the budget of incomes and expenses and following it with great regularity must be improved seriously so that the incurring of any expense, regardless of the size and the place it is produced, is determined by an urgent need and it is justified completely from the viewpoint both of the moment and timeliness as well as the amount of it and certain results. Expenses for primary elements generally are not sought through the budget of incomes and expenses and

are seeing a trend toward a level higher than that forecast in the plan for production costs, including expenses for the total salary fund; at the same time, the forecasts for increasing incomes and profit and indicators of efficiency are not recording an adequate rise. With regard to what has been shown above, what is graphic is the fact that the unjustified expenses, specifically the fines, penalties, losses from waste, penalty interest, penalties paid the beneficiaries for failure to respect the contract provisions year after year have been found in the balances of the great majority of the enterprises included in our investigation. These shortcomings are reflected negatively in the financial balance of the enterprise and its ability to pay.

It is necessary for the legal provisions to be applied more firmly regarding material responsibility for avoiding and recovering uneconomical expenses, fines and penalties and losses as a result of failure to achieve the rotating speed for circulating resources and failure to seek receipt of the countervalue of goods and services within the timetable established. Expenses of the above type must be borne by those collective members whose fault it was that they were produced when they are a result of failure to have strict fulfillment of the job's duties; when establishing of personal responsibility for certain sums is not possible, their amount must be reduced not from financial results but from the profit remaining at the enterprise's disposal and only after that are the allocations provided in forming their own assets made. This provision also should apply in the case of interest on credits due, while the profit which can be obtained by utilizing credit not paid back on time for the particular period should move to the budget as improper profit. The party documents, dwelling on the requirements for application of a strict savings program so that each leu spent brings superior results, have stressed decisively the task of putting an end to uneconomical expenses in our economic units, ones which affect profitability and which reflect useless consumptions of resources. Under conditions of the demonstration of the functions of the budget of incomes and expenses in all their scope and achievement of its nature as an operative tool for leadership, the appearance of such expenses can and must be prevented and eliminated.

At the same time,in order to bring the economic units to maximize the volume of profit through the budget of incomes and expenses and provide incentives for them even more with a view to mobilizing all reserves in the direction of providing the highest possible profit through the plan, we feel it necessary for the allocations for establishing funds for an economic purpose of the enterprise and central to be made only from the planned profit and, of course, to the extent to which this is achieved. Certain amounts, depending on the economic means and their own efforts to obtain this profit, should be allocated from the profit obtained above and beyond the plan for the funds for material incentives for the worker collectives and the remainder, which would be the greater share, would be deposited into the state budget. By this, the budget of incomes and expenses would change into a tool with much greater efficiency both in the process of working out the plan as well as implementation of it. The entire structure of the budget of incomes and expenses, in close correlation with the functionality of the economic units' self-financing, should have the enterprises and central assume maximum tasks to reduce expenses and increase profits. On the other hand, failure to fulfill the tasks assumed thouugh the budget of incomes and expenses should have more serious consequences for the particular enterprises and the incomes of the workers collectives, in full agreement with the socialist principles of work and distribution.

Table 4: Evolution of Incomes, Financial Results and Profit

| A. INDICATORII | 11. INTREPRINDERILE | 12. „Autobuzul" | 13. „Semănătoarea" | 14. „Pompa Aversa" | 15. „Laromet" | 16. Întreprinderea medicamente | 17. „7 Noiembrie" | 18. Stofe mobila | 19. „Pionierul" | 20. Întreprinderea de bere |
|---|---|---|---|---|---|---|---|---|---|---|
| | 21. I. Indicele de îndeplinire a planului (în %) | | | | | | | | | |
| 1. Total venituri | 1979 | 97.0 | 100.0 | 102.0 | 100.2 | 99.0 | 106.0 | 100.3 | 103.5 | 96.5 |
| | 1980 | 108.0 | 107.0 | 104.0 | 100.0 | 109.0 | 103.0 | 101.0 | 101.7 | 95.0 |
| | Sem. I. 81 | 93.0 | 106.0 | 102.0 | 107.0 | 106.0 | 84.0 | 106.0 | 101.0 | 105.0 |
| 2. a) Încasări din vînzarea producției mărfă la intern | 1979 | 132.0 | 101.0 | 102.0 | 101.2 | 99.0 | 101.0 | 101.0 | 107.0 | 98.0 |
| | 1980 | 119.0 | 102.0 | 104.0 | 106.0 | 106.0 | 97.6 | 104.0 | 102.0 | 95.0 |
| | Sem. I. 81 | 116.0 | 97.0 | 102.0 | 117.0 | 103.0 | 76.4 | 106.0 | 107.0 | 105.0 |
| 3. b) Încasări din vînzarea producției mărfă la export | 1979 | 15.0 | 94.0 | 108.0 | — | 102.0 | 104.0 | 104.0 | 104.0 | — |
| | 1980 | 79.0 | 89.0 | 116.0 | — | 96.0 | 131.0 | 100.0 | 101.7 | — |
| | Sem. I. 81 | 30.0 | — | 100.0 | — | 99.0 | — | — | 101.2 | — |
| 4. Rezultate financiare | 1979 | 76.0 | 87.0 | 103.0 | 101.0 | 104.0 | 89.0 | 101.0 | 106.0 | 93.0 |
| | 1980 | 103.0 | 102.0 | 98.0 | 107.0 | 109.0 | 170.0 | 106.0 | 108.6 | 97.0 |
| | Sem. I. 81 | 91.0 | 110.0 | 94.0 | 107.0 | 105.0 | 120.0 | 119.0 | 100.8 | 114.7 |
| 5. Beneficii de repartizat | 1979 | 72.0 | 53.0 | 102.0 | 102.0 | 105.0 | 73.2 | 101.0 | 109.9 | 92.0 |
| | 1980 | 107.0 | 100.0 | 88.0 | 107.0 | 112.0 | 127.5 | 104.0 | 101.4 | 90.0 |
| | Sem. I. 81 | 79.0 | 140.0 | 109.0 | 109.0 | 103.0 | 133.6 | 133.0 | 103.0 | 123.0 |
| | 22. II. Diferența absolută (+ sau —) dintre nivelul realizat și cel planificat (mii lei) | | | | | | | | | |
| 6. Total venituri | 1979 | — 82 | — | —20 | + 3 | + 11 | —4.7 | —1 | —26.4 | —38 |
| | 1980 | +199 | + 37 | +43 | +50 | —171 | +2.2 | +9 | + 8.6 | —90 |
| | Sem. I. 81 | — 61 | + 63 | — 9 | +87 | + 62 | —6.0 | +7.5 | + 2 | — 37.3 |
| 7. a) Încasări din vînzarea producției mărfă la intern | 1979 | +721 | + 69 | —16 | — 3 | — 14 | —2.2 | —1 | +17.2 | —59 |
| | 1980 | +320 | +146 | +35 | +59 | +132 | —1.6 | —9 | + 4.5 | —90 |
| | Sem. I. 81 | —103 | — 10 | — 9 | +87 | + 64 | —9.9 | +7.0 | + 1.5 | — 37.3 |
| 8. b) Încasări din vînzarea producției mărfă la export | 1979 | —803 | — 30 | + 1 | — | + 3 | +0.1 | —0.2 | + 9.2 | — |
| | 1980 | —128 | — 9 | + 8 | — | — 11 | +1.2 | — | + 4.1 | — |
| | Sem. I. 81 | —164 | — | — | — | — 2 | — | — | + 0.4 | — |
| 9. Rezultate financiare | 1979 | —231 | —128 | —11 | + 1 | + 20 | —1.3 | —1.9 | + 7.4 | —17.3 |
| | 1980 | — 16 | + 4 | —12 | + 8 | + 42 | +7.7 | —4.7 | — 0.7 | —20.8 |
| | Sem. I. 81 | — 15 | + 13 | —10 | — 4 | — 23 | —1.7 | —7.9 | + 0.4 | +44.9 |
| 10. Beneficii de repartizat | 1979 | —136.8 | —147 | + 2.7 | — 3 | — 9 | —1.5 | —0.3 | + 4 | — 7.1 |
| | 1980 | — 13 | — | —18 | + 3 | — 23 | +0.8 | —1 | + 0.8 | —24.8 |
| | Sem. I. 81 | — 10 | + 12.4 | —10 | + 5 | — 2 | +1.2 | —3.9 | + 0.8 | +30.0 |

Key:

A. Indicators
1. Total incomes
2. a) Receipts from sale of goods production-domestic
3. b) Receipts from sale of goods production for export
4. Financial results
5. Profits for distribution
6. Total incomes
7. a) Receipts from sale of goods production-domestic
8. b) Receipts from sale of goods production for export
9. Financial results
10. Profits for distribution
11. Enterprises
12. Bus
13. Semanatoarea
14. Aversa pump
15. Laromet
16. Pharmaceuticals enterprise
17. 7 November
18. Upholstery
19. Pionierul
20. Beer enterprise
21. II. Indicators for plan fulfillment %)
22. II. Absolute difference (+ or -) between level achieved and level planned ( thousands of lei)

Table 5: Absolute Difference Between Level Achieved and Planned for Certain Indicators of Efficiency

| 1. INDICATORI | | 8. INTREPRINDERILE | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 9. Autobuzul | 10. Semănătoarea | 11. Pompa „Aversa" | 12. Laromet | 13. Intreprinderea farmaceutică | 14. I.C.M. „7 Noiembrie" | 15. Stofe mobila | 16. Pionierul | 17. Intreprinderea de bere |
| 2. Rentabilitatea la activitatea de bază (calculată la costurile de producție) în % | 1979 | — 7 | —10 | + 1 | — | + 1 | — 1,9 | + 1 | + 0,2 | — 1,5 |
| | 1980 | — | — 1 | — 6 | — 0,5 | — | + 1,9 | — | + 0,4 | — 3,5 |
| | Sem. I 1981 | — 2 | + 1 | + 5 | + 1 | — 2 | + 4,1 | + 9 | + 0,1 | +12 |
| 3. Rentabilitatea la activitatea totală (%) | 1979 | — 7 | —10 | + 1 | + 0,5 | + 1 | + 1,9 | + 1 | + 0,2 | — 1,5 |
| | 1980 | — | — 1 | — 6 | — | — | + 1,9 | — | + 0,4 | — 3 |
| | Sem. I 1981 | — 2 | + 1 | + 3 | — | — 2 | + 4,1 | + 9 | + 0,1 | +10 |
| 4. Producția netă la 1 000 lei fonduri fixe totale (lei/1 000) | 1979 | —350 | — | + 37 | + 11 | + 12 | — 2,5 | + 46 | +304 | —[illegible] |
| | 1980 | + 12 | — | + 33 | + 22 | + 87 | — | +172 | +202 | —43 |
| | Sem. I 1981 | + 31 | — | + 15 | + 19 | +105 | + 3 | + 71 | + 24 | — |
| 5. Beneficii la 1 000 lei fonduri fixe totale (lei/1 000) | 1979 | —300 | — | + 34 | + 4 | — | — 9 | + 19 | + 91 | —42 |
| | 1980 | — 11 | — | + 12 | + 28 | + 26 | + 9 | — 56 | + 19 | —75 |
| | Sem. I 1981 | — 22 | — | — 14 | + 2 | + 3 | + 5 | + 77 | + 4 | — |
| 6. Viteza de rotație a mijloacelor circulante totale (zile) | 1979 | + 29 | +78 | + 64 | + 8 | — 1 | +18 | — | + 9 | +18 |
| | 1980 | — | +10 | + 35 | + 1 | + 7 | + 8 | + 1 | + 10 | +30 |
| | Sem. I 1981 | + 20 | + 6 | + 43 | — 3 | + 26 | —30 | + 7 | + 33 | —10 |
| 7. Mijloace circulante totale la 1 000 lei producție globală (lei/1 000) | 1979 | + 28 | +84 | —255 | + 3 | — 4 | +47 | + 23 | — 15,2 | +87 |
| | 1980 | + 5 | — 1 | + 7 | —163 | + 1 | +17 | + 3 | + 16,5 | +52 |
| | Sem. I 1981 | +132 | +77 | —158 | —111 | —135 | +88 | — 4 | + 60,7 | — |

Key:

1. Indicators
2. Profitability for basic activity (calculated at production costs) in %
3. Profitability for total activity(%)
4. Net production per 1,000 lei fixed capital total (lei/1,000)
5. Profits per 1,000 lei total fixed capital (lei/1,000)
6. Rotating speed for total circulating resources (days)
7. Total circulating resources per 1,000 lei total production (lei/1,000)
8. Enterprises
9. Bus
10. Semanatoare
11. Aversa pump
12. Laromet
13. Pharmaceuticals enterprise
14. 7 November
15. Upholstery
16. Pionierul
17. Beer enterprise

[No 14, 9 Apr 82 pp 7-8]

[Text] Given the fact that the greatest portion of direct and indirect expenses brought on by directly carrying out economic activity is consumed in the production sections and sectors, the budget of incomes and expenses must be substantiated and followed in such a way as to make all the organizational links in the enterprise (section, shop, working formation, department of activity) directly makes its contribution to the good utilization of this lever throughout the leadership process. The Law on Finances itself expressly establishes the fact that achievement of financial leadership at all organizational levels takes place on the basis of the budget of incomes and expenses. In the current stage it is vital to place responsibility for the level of costs and incomes toward the sectors of conception, technical and production sectors, that is, where the great majority of expenses are incurred, and those factors on whose activity the level of efficiency actually depends.

The special importance of the requirements for the budget of incomes and expenses at the enterprise level to actually represent the combination of the budgets of the component links in a unified and well knownsystem results from the need to have effective achievement of economic-financial self-management and worker self-management and to increase the responsibilities belonging to each link in the general effort for the most efficient possible activity and to measure its contribution precisely to the enterprise's overall results. The analyses undertaken show that up until now, actually the budget of incomes and expenses is only worked out and sought at the overall enterprise level. This fact means that the large reserves in the direction of increasing incomes and reducing expenses should not be mobilized or that "campaign" actions should take place along this line; it means that responsibility for fulfilling the efficiency indicators are not being demonstrated directly where both the expenses as well as incomes are directly achieved. As a result, the valences of the new economic-financial mechanism and of economic-financial self-management do not penetrate into absolutely all the "pores" of the enteerprise at all levels; inevitably, one arrives at non-fulfillments in the area of affirmation of the socialist principles of work and distribution in all their profundity, particularly through the system of participation in profits and the other funds for providing incentives for the collective and it creates difficulties in preventing deeply harmful demonstratations of leveling the distribution and use of the particular funds by sections, shops and so forth.

The total manner by which the working out and following of the budget of incomes and expenses is actually demonstrated also is proven by the fact that the lay out of the budget's indicators is not done by the month or even by 10-day periods, which hinders the budget from becoming a current, very efficient working tool for the collective leadership organs and for preventing any unjustified expenses and any phenomena of waste and deviations from the plan provisions.

Thus, it is necessary and we propose that the normative acts for the budget of incomes and expenses also include in the general model a certain number of indicators and elements which are obligatory for working out the budgets at the level of each link within the enterprise, up to and including the work formation as well as at least laying out the budget provisions by 10-day periods. At the

same time, the need for salaries for the leaderships of these links to also be conditions of the degree of steady achievement of certain efficiency indicators provided in the budget also should be studied under conditions of changing the budget of incomes and expenses into a real working tool at the level of these links.

At the same time, we need faster improvement in the organization of the sections and other departments in the enterprises through the prism of the requirements for applying certain aspects of economic-financial self-management at their level and having a real and full demonstration of the functions of the budget of incomes and expenses, an area in which things actually have not changed very much, seriously hindering the use of the budget in the subunits. This, among other things, should have in mind the opportunity for keeping records of and having efficient and precise localization of the expenses and the incomes, the reasons causing them, the trends demonstrated, which offer efficient and exact information on the evolution of incomes and expenses together with the production plan fulfillment. Contrary to so-called difficulties and justifications encountered in some locations, such problems can be solved without increases in the personnel working in economic-financial activities by modernizing the flows of information, by using modern computer methods and record-keeping methods for costs, by having appropriate supply and full use of the modern computer resources as well as by correctly sizing and redistributing the personnel departments. The need has become particularly stringent to speed up the introduction of modern computer methods and record keeping of costs and financial results which would permit an effective and precise understanding of the possibilities for certain expenses to be exceeded , the factors causing them and so that the decision-making organs take action without delay.

The efficient use of the budget of incomes and expenses has an important role in speeding up the rotation of material and monetary resources from the enterprise's assets and in carrying out the money-goods-money cycle at a greater speed and including all resources in economic circulation as fast as possible. This should find its complete correspondent in the substantial improvements in the indicators of quality. As the figures in the balance prove, certain centrals and enterprises have obtained notable achievements in this regard. At the same time, important shortcomings are appearing in the efficient use of the budget of incomes and expenses, a fact also reflected in the fact that the principle of self-financing of the economic units is not being demonstrated everywhere in its full scope. The length of time for rotation of circulating resources, for example, compared with what was planned was greater by 10 days in 1980 and by 6 days in the first half of 1981 at Semanatoarea; by 55 and 48 days, respectively at Aversa; by 7 and 26 days, respectively, at the pharmaceuticals enterprise. Of course, there are many reasons, among which also are the changes in the structure of production. But just as true is the fact that, through the levers of the new economic-financial mechanism, including the budget of incomes and expenses, not enough action is being taken to eliminate and, in particular, prevent tie-ups of material and financial resources, the creation of stocks above the standards for raw materials, unfinished production, semi-manufactured and finished products.

Problems aimed at the rotating speed of circulating resources are in close correlation with the volume of tie-ups of circulating resources and are rather

large at the enterprises analyzed. These kinds of phenomena inevitably bring utilization of a larger volume of credits compared with the forecasts in the budget of incomes and expenses. As a result, credits not paid when due, as reflected in the figures in the balance, at the end of the first half of 1981 represented 62 million lei at the bus enterprise, 18 million at Aversa, 2.5 million at Pionierul and 2 million at Laromet.

The phenomena brought out basically are shortcomings in utilization of the aspects and complex levers of the new economic-financial mechanism. The practice of some enterprises confirms that, when the budget of incomes and expenses is used effectively, with all the functions it has, the phenomena such as those shown above, which are damaging to the enterprises and to society, in contradiction with the demands for accomplishing economic-financial self-management and worker self-leadership and self-financing may be eliminated and, in particular, prevented. They distort the picture of the efficiency indicators obtained through the ecollective of each enterprise. Eliminating such situations depends precisely on the nature of the firm application of the new economic-financial mechanism, as was conceived by our party; it must be demonstrated through full utilization of the budget of incomes and expenses and other levers by the workers' council at all the points of the circuit of assets, starting with the research, design and marketing phase up to the execution process, sales and receipt of the products' countervalue and in everyday work and absolutely in all departments; this opportunity is offered fully by the budget of incomes and expenses.

We feel that one cause of the phenomena such as the ones mentioned is also the lack of firmness from certain banking units in applying all the legal provisions in their spirit and letter in order to stop and prevent in the incipient phases the tie-ups in funds, credits due and other similar situations in contradiction with the rigors of applying the new economic-financial mechanism. The financial-banking apparatus has available all the levers for halting the prolonging of certain anti-economic situations demonstrated years ago in economic practice in more or less concealed forms, ones which should be ended absolutely. Among many others, the direct, day-to-day effects of utilizing the budget of incomes and expenses in all their profundity should be found in speeding up the rotating speed of circulating resources, overall funds, avoiding any tie-ups of finished products, raw materials and other resources, receipt and payment of the countervalue of goods and services within the timetable stipulated in the contracts.

As Comrade Nicolae Ceausescu emphasized, consequences at the level of the qualtiy improvement in economic activity cannot be an automatic seeking to adapt to the complex of measures on introduction of the new economic-financial mechanism. What is decisive is sustained activity, perseverance, high responsibility from all cadres and organs of worker self-leadership to demonstrate in the practice of each enterprise and in its current and long-range activity the functions of each component of this mechanism, taking into account that shortcomings in the use of one lever affects the efficiency of utilizing others. The concept must be implanted of not permitting, for any reason, the adopting of certain decisions and launching of certain technical and economic processes until they are known thoroughly as well as the immediate and future implications on efficiency

and until the resources which guarantee achievement of what has been established are obtained.

The failures in fulfillment existing in the use of the budget of incomes and expenses bring out the urgent requirement of achieving a quality leap both in substantiation as well as in use of it so that this tool plays the role it has in the firm application of the demands of the new economic-financial mechanism. In this regard, Comrade Nicolae Ceausescu again stressed at the RCP CC Plenum of 31 March 1982 the need for giving special attention to application of the new economic-financial mechanism and to increasing profitability and economic efficiency so that worker self-leadership and self-management actually become basic forms of leadership at all levels. "We must understand that we must do everything so that each sector, each finished product bring a profit; each leu spent should bring a profit. On this basis, let us achieve a general increase in the national wealth and the national income--the only way of providing the resources needed for broadened reproduction, general development of production forces and of our society and rise in the people's material and spiritual standard of living."

Consistent application of the principles of the new economic-financial mechanism in accordance with the special demands established at the March 1982 RCP CC Plenum requires utilization of the budget of incomes and expenses with greater efficiency, broad demonstration of its functions as a basic tool for strengthening the responsibility of the organs of worker self-leadership and each worker for achieving a high-quality production with minimum expenses, with the highest possible profitability and efficiency in the interest of our entire society and of continuing to raise the people's well being.

The plan for production costs should become an inseparable component of the budget of incomes and expenses.

The enterprises and centrals should be given material incentives to a greater extent so that, through the budget of incomes and expenses, they take on tasks of incurring expenses per unit of product and useful effect in general, smaller than those forecast in the standards and norms in effect; a greater share of the planned profit obtained in this way should remain at the economic units' disposal to raise the potential for self-financing and for paying back the funds received from society faster, while a certain share should also supply the funds for material incentives for the worker personnel. It would be necessary for this for the budget of incomes and expenses to separately keep a record of the profits obtained in this way.

Closer cooperation of the enterprises, centrals, ministries and people's councils in working out and substantiating the budget of incomes and expenses in a way that is similar to how it is achieved in working out the economic plan.

Firmer application, according to the principles of socialism, of the legal provisions for material responsibility for preventing and recovering uneconomical expenses. These expenses must be supported by those collective members due to whose fault the failure to fulfill the work duties was produced. When establishing of personal responsibility for certain amounts is not possible, their amount should affect the profit remaining at the enterprise's disposal and only after that should allocations be made for their own funds.

The credit system should bring the enterprises' concern for the highest possible efficiency in management of funds. Paying back the credits given the enterprise to complete its own funds should be made from these funds according to their planned establishment.

The profit which can be obtained by utilizing credit not paid back on schedule in the particular period should be deposited into the budget as improper profit, while the interest for this credit should be borne by the worker personnel guilty of this fact.

Allocations for establishing funds for an economic purpose should be made only from the planned profit and to the extent to which it is achieved. Depending on the economic means for obtaining it, certain amounts should be allocated from the profit beyond and above the plan only for funds for material incentives for the workers' collective, while the remainder, which would have the greater share, should be deposited into the budget.

The budget of incomes and expenses should be conceived down to each work formations. Normative acts in their models should include a certain number of indicators and obligatory elements for working out the budget of incomes and expenses at the level of each link in the enterprise.

The degree of steady achievement of certain indicators of efficiency provided in the budget should be a condition for giving pay to the leaders of each link in the enterprise, including the work formation.

8071
CSO: 2700/242

PROPER ROLE FOR 'MICROPRODUCTION' CONSIDERED

Bucharest SCINTEIA in Romanian 6 Mar 82 p 4

[Article by Vlaicu Radu]

[Text] Microproduction activities are an important aspect of the work carried out in our scientific research, technical engineering, and higher education. They are not often mentioned explicitly, perhaps because they are understood, or more exactly should be understood to be--a fine point which we shall discuss further--as an implicit part of research itself. We might say that it represents the first step, the starting rung in the natural process, which is not at all simple and not always clearly defined, in the generous concept which the secretary general of the party, Nicolae Ceausescu, has repeatedly and justifiably stressed, and which he continues to stress: the increasingly deeper involvement, the ever expanding integration of scientific research and higher education in design and production. That the significance of this requirement has been understood by those who serve our science, can be demonstrated by the fact that a large portion of the new and redesigned products, before being assimilated by industry, was first built in the microproduction shops of our research institutes.

This activity has grown appreciably year after year; in 1981, the volume of microproduction amounted to more than 2.2 billion lei, that is, 18 percent more than in 1980 and over 100 percent more than in 1978. The growth of microproduction's importance in the activities of our scientific research, technical engineering, and higher education units, is measured by its share in the total income of these units. There are in fact some research and higher education units in which microproduction is one of the basic activities, bringing in 50 to 100 percent of their income.

A disscussion of these aspects, and of the situations encountered in many research units, demand a clarification of the fundamental problems of microproduction activities. To begin with, we believe it is necessary to establish a unified concept about the body and scope of microproduction. That such a concept does not yet exist, is illustrated both by figures which show the different proportions of microproduction in the activities of research units, and especially by an analysis of the microproduction structure.

If we start by understanding that microproduction is an integral part of the research-design-production process, intended to derive immediate value from, and verify under production conditions, the results and efficiency of local research before they are introduced in the production of specialized units; to prepare the way for the assimilation of the developed products and technologies; and to create conditions for introducing and eventually expanding research results in a production environment; we then note that microproduction activities do not always meet these demands. We encounter situations in which improperly oriented microproduction has an undesirable influence, and even hampers the scientific research and technical engineering work. An analysis of microproduction in recent years discloses that ministries which coordinate plan tasks--increasingly larger ones every year--have charged research units with the construction of products that are not strictly associated with their own research activities, or which in the best cases were the subject of research four, five, or even more years earlier. This covers not only normal small-scale or low-tonnage production, but also intermediate and mass production products, as well as products or services for third parties. Indeed, in many cases, the proportion of these activities is very large, as a whole representing more that 40 percent of the total volume of microproduction. This ties up facilities, progressively blocking access to them for basic projects, such as prototypes and experimental models, or the testing of new technologies, all of which constitute basic activities for institutes. Situations like these were encountered at the Institute for Scientific Research and Technical Engineering for Electromechanics (ICSITE), at the Ploesti Refineries ICSIT, as well as at the Institute for Chemistry and the Institute for Isotopic Technology in Cluj-Napoca.

Under some circumstances, research institutes concerned with meeting their value goals, must agree to manufacture products which barely require the level of qualification of journeymen. Did those who decided last year that chalkboards should be manufactured at the Institute for Power Research and Modernization (ICEMENERG), really believe this to be the place with the greatest competence for making this product? Or similarly, that hundreds of thousands of PVC soles could be manufactured only at the Institute for Leather and Footwear Research, and that the same product could not have been made by any work cooperative? It is clear that the only outcome of such situations is to minimalize the concept of microproduction, lending to this activity the character of a end in itself.

Some products are too old, having aged while still in the microproduction stage; industry assimilates them with difficulty, and quite often, due to the existence of specific technical-economic indicators for microproduction, the large industrial enterprises and combines refuse to assimilate these products. This result is that research units often manufacture products in industrial quantities under non-industrial conditions, thus increasing the cost of these products, reducing labor productivity, and tying up the qualfied personnel assigned to research activities.

There is no question that microproduction is absolutely necessary as a complement to research activities, to help reduce the research-design-production cycle. The almost unanimous opinion of those interviewed, is that certain activities in the present structure of microproduction, and especially those intended to fabricate products which will reduce importations, and whose small quantities or weights make them uneconomical for existing industrial units, must be carried out primarily in special units with good equipment, installations, and instruments, with specially

trained personnel, and with their own plan indicators. Such small industrial units, small shops, are much more flexible, more adaptable to change, and have a greater affinity for renewal and technical innovation; this has been found to be true in practice throughout the world, and demonstrated by the new production facilities that operate independently, or even as part of certain research units in our country.

Considering the increasingly high growth rate of microproduction volumes, it would be extremely useful to formulate a unified methodology which would define clearly and precisely--eventually even by groups or categories of research units--the content and scope of microproduction, and which would provide uniform solutions to problems in planning, monitoring, and reporting microproduction results, so that this activity will contribute to the proper performance of scientific research, for the benefit of research and of the national economy as a whole.

11,023
CSO: 2700/239

NEED FOR EQUITABLE PRICE RATIO BETWEEN AGRICULTURE, INDUSTRY

Bucharest ERA SOCIALISTA in Romanian No 5, 5 Mar 82 pp 9-12

[Article by Dr Traian Lazar, section chief at the Institute of Finance, Monetary Flow and Prices: "Equitable Price Ratios Between Industry and Agriculture"]

[Text] The process of developing and modernizing the national economy is, at the same time, the process of furthering the social division of labor and intensifying the exchange of activities between production branches, sub-branches and sectors.

In the history of the Romanian economy, and especially during the years of socialist construction, the most complex and powerful production ties have been created and developed between industry and agriculture - basic branches of our national economy.

The Romanian Communist Party and our state give special importance to the continuing and harmonious development of both industry and agriculture and all the branches of the economy. In his report given at the 12th RCP Congress, comrade Nicolae Ceausescu stressed: "In accordance with the fundamental objective of the coming five year plan, we will ensure the proportional and harmonious growth of industry and agriculture and all the branches of the national economy and the achievement of an optimum balance between the different sectors for the purpose of satisfying the needs of the general progess of society to an ever greater degree and of continuing to improve the material and spiritual well-being of all our people."

The accomplishment of this type of fundamental objective of economic development is guaranteed, first of all, by the sustained policy of investments and developing and modernizing the material base of production in industry, agriculture and the other branches, as well as by the group of measures of great importance taken during 1981-1982 regarding the updating and improvement of production and delivery prices in industry and production, contracting and acquisition prices in agriculture. In pursuit of the same objective are the exceptionally significant and necessary measures regarding the rebasing and correlation of agricultural product prices on economic principles, the increase in the retail prices of foodstuffs and the increases in the salaries to the workers, state allowances for children and pensions.

The correct evaluation of the economic results in industry, agriculture and all the branches of the national economy, the provision of the necessary economic-financial balance between branches, the spurring of an exchange of activities between these branches, the expression of the actual contribution of each branch to the creation of national income, the stimulation of the growth of production and economic efficiency in each sector of activity and the strengthening and development of the worker-peasant alliance on lasting bases are achieved under conditions of ensuring an appropriate relationship between the prices of industrial products and the prices of agricultural products.

For that reason, one of the economic problems of special importance is the placement of economic relationships between industry and agriculture and the exchange of goods between the city and the village on economic bases, and the creation of an appropriate relationship between the prices of industrial products and the prices of agricultural products, as well as between these and the retail prices of consumer foodstuffs.

The placement of the prices for industrial products and the prices for agricultural products, and all prices and charges in the economy, on economic bases has been a permanent concern of our party and state, especially since the 1967 National RCP Conference when comrade Nicolae Ceausescu pointed out that one of the main shortcomings of our country's pricing system was that a series of prices were being established without taking into consideration the social costs incorporated in these products.

Over the years, to the extent of the requirements and possibilities existing in the economy, the production and delivery prices for industrial products, including those industrial products slated for agriculture, were reset and improved for the purpose of correlating them with production costs. In this regard, we can note as important actions the general resetting of production and delivery prices in 1974-1976, as well as the updating and improvement of these correlations, on the basis of economic principles, for these prices on 1 January 1981.

And in agriculture, over the years, there have been some improvements, although it is true they are less noticeable, in the purchase price for some agricultural products. During the 1970-1982 period, these totalled, together with the production bonuses, over 25 billion lei, that is, an increase in agricultural prices of approximately 30 percent, an increase that will be achieved, naturally, under conditions of obtaining the planned levels of production and the deliveries that are scheduled to be made to the state fund. The increase in agricultural product prices was necessary in order to cover material costs and all the necessary production costs in agriculture, as well as to increase the incentives for agricultural producers.

It must be pointed out that for many years, as a result of certain specific requirements and possibilities that existed in the economy, the prices in agriculture did not permit covering the necessary production costs for all

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And in agriculture, over the years, there have been some improvements, although it is true they are less noticeable, in the purchase price for some agricultural products. During the 1970-1982 period, these totalled, together with the production bonuses, over 25 billion lei, that is, an increase in agricultural prices of approximately 30 percent, an increase that will be achieved, naturally, under conditions of obtaining the planned levels of production and the deliveries that are scheduled to be made to the state fund. The increase in agricultural product prices was necessary in order to cover material costs and all the necessary production costs in agriculture, as well as to increase the incentives for agricultural producers.

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For chemical fertilizers, we could mention a certain tendency of decreasing amounts of wheat needed to pay for a ton of fertilizer. This is true, this quantity is on the decline, but its level still remains high. The cost for the amount of wheat needed for a ton of fertilizer is nearly double the cost for a ton of fertilizer. At the same time, we can point out that in other countries, for example in the United States, the amount of wheat needed, on the basis of price relationships, for a ton of complex fertilizer is below 1,000 kg. For tractors, the relationships are fairly close to those in our country.

Beginning in 1981, the amount of wheat for one horsepower is declining, reaching an appropriate level. The calculations show that the production costs to obtain 833 kg of wheat are close to the costs of one horsepower in a wheeled-tractor; and the average costs of 1,800 kg of wheat are close to those for a ton of complex fertilizer. The balance with regards to costs, social labor costs and the actual efforts made to produce the products that change between industry and agriculture represents an essential condition in achieving an appropriate relationship that is equitable between the price of an industrial product and the price of an agricultural product.

The basic, decisive problem for improving prices is and will always be the reduction of costs on the basis of increasing labor productivity and the quantity and quality of production.

Once we have an equitable economic and social framework between industry and agriculture and between the workers and the peasants, through the pricing system, the salary system, the pension system and so forth, we cannot forget that the fundamental facet of the worker-peasant alliance is the alliance in production and cooperation in material production. Industry produces the means of production for agricultural production, and these means of production must be of high quality and be efficient not only from the point of view of the producer, but also for the agricultural user, perhaps most importantly for this user. Agriculture must use the means of production and the manpower at maximum levels and must ensure the growth of agricultural production and deliveries to the state fund. Thus, we are not talking merely of an alliance with regards to consumption and there is no need of an argument in order to understand that without production there is no consumption or that one cannot consume more than is produced. Similarly, one cannot consume "figures", but only real material goods, items of real use. This is also the source of the need to achieve a complete agreement between the value figures given by prices and the physical production that is obtained, the amount and quality of the use value for the products in the economy.

It is absolutely necessary to adhere to the correlation between price and technical-economic and functional parameters for all the products delivered to agriculture and the other branches in such a way that the delivery price per parameter, under conditions of certain normally established prices, will show a decrease or, in the worst case, be maintained. Such a strictly necessary correlation is, in general, respected in the practice of setting prices, being able to show very many examples, as well as summarized situations.

But, there are also cases where increases in production prices are not correlated with increases in the technical-economic parameters of the products and with the use values. Thus, a selective investigation conducted on a group of wheeled-tractors made for agriculture showed, for example, that over the 1975-1980 period the average price per horsepower for these tractors increased by approximately 12 percent, or from approximately 1,260 lei/hp to approximately 1,400 lei/hp. The increase in the average price per horsepower for wheeled-tractors is due to the much greater per-horsepower price for the high capacity tractors that were introduced in recent years. Thus, for a 180 hp tractor, the per-horsepower price is over 2,350 lei compared to 1,240 lei for 65 hp tractors and 1,215 lei for 45 hp tractors.

Normally, along with technical progress, the improvement of production technologies, the application of measures to reduce raw material and material consumption, and so forth, the per-horsepower price should decrease for the new tractors and the new capacities, primarily on the the basis of reducing costs.

As a result of the uneven evolution of the relationship between the production and delivery prices and the work capacity of wheeled-tractors, the costs and efficiency of agricultural work are negatively influenced. Thus, for example, the cost of plowing with an A 1,800A tractor is 40 lei/hectare higher than in the case of using a U 650M tractor. And, such price increases for industrial products cannot and must not, in our opinion, be reflected in the costs of agricultural products or in their sale and retail prices, since they are not determined by objective production or trade conditions. Similarly, an analysis conducted in connection with the financial results of agricultural mechanization stations in 1980 showed that approximately 1.5 billion lei of the total cost overruns were recorded in spare parts and other materials needed for the repair of agricultural tractors and machinery, where large, higher than estimated price increases were applied.

Along this line of thought, a case study of the self-propelled four-row corn harvesting combine, produced at the Bucharest "Semanatoarea" Agricultural Machinery Enterprise, showed that just by eliminating from the total sum of production costs the net income (totaling over 22,000 lei) contained in the delivery prices for the subassemblies obtained by cooperating with 12 in-country industrial units, the costs for this product could be reduced by approximately nine percent and the production and delivery prices by 8.6 percent. And, this could be done merely by changing the "methodological concept".

Special conditions are called for and must also be respected in connection with the quality of the agricultural products that are delivered to the processing industry, the food industry, light industry and so forth, and to the retail sales units for the people. As is well known, there are many shortcomings in this field which have been repeatedly criticized by the party leadership.

Another facet of equitable cooperation between the city and the village is one where, if the industrial products have sure official prices and are sold only through state trade units, the agricultural products will also follow

the same sales and pricing system, strictly adhering to the legal provisions regarding the sale of agricultural products solely through state units and only in the cases of the exceptions that have been outlined by the producers themselves. It is necessary to work with all firmness against any type of speculation on any type of products.

The problem of economic and social equity and of cooperating and alliance between the working class and the peasantry in the area of economics cannot be dealt with and, especially, resolved overall, generally, just by understanding and reflecting actual, specific production conditions in economic categories such as prices.

The new regulations on purchasing agricultural products have achieved a unification of the prices levels for the types of ownership (state agricultural units, cooperatist units and individual, private farms). These regulations do this keeping in mind the creation of similar technical-material production conditions in both the state sector and in the cooperatist sector of agriculture, as well as the need to stimulate to a greater degree all agricultural producers to increase agricultural production. The continuing maintenance of certain purchase prices for agricultural products that are different in the state agricultural enterprises and the agricultural cooperatives, that is, lower prices in the state agricultural farms and prices that have remained unchanged for a long time, no longer correspond to the current conditions of development in agriculture. This was negatively reflected in the material incentives system for increasing agricultural production, as well as in the framework of the cooperation and production cooperation relationships of the state agricultural units and the cooperatist sector.

Under these conditions, the need arose, as would be natural, to uniformly set the prices for agricultural products by eliminating the existing differences between the prices of the agricultural products by category of unit. The establishment of unified prices, regardless of the type of ownership, is a requirement of the development and homogenization of socialist agriculture which is actually carried out along with the closing of gaps in production conditions in all the agricultural units in a certain pedoclimatic region. Thus, it is normal for the prices of agricultural products, and all prices, not to depend upon the type of ownership.

But, in a totally different manner there is the problem from the point of view of the specific regional production conditions under which the agricultural units carry out their activities. These conditions are not the same in all the regions of the country: they differ depending upon the soil, climate and so forth. It is true that the continuing penetration of technical progress and advanced technologies bring together and make easier the production conditions of the agricultural units located in the different regions of the country. But, right now, and probably for a long time to come, there will be differences in and influences from the natural production conditions in agriculture. Precisely for this reason, the Council of State Decree regarding the contracting for and acquisition of crop agricultural products, approved

in December 1981, reflecting this objective reality, calls for the prices for the main agricultural crop products (wheat, corn, sunflowers and so forth) to be differentiated according to regions by the Ministry of Agriculture and the Food Industry, with the approval of the State Committee for Prices and within the framework of the approved average price. In this manner, we are keeping in mind the requirements of applying the new economic-financial mechanism and the principle of worker self-management, self-administration and self-financing in all the sectors and units in agriculture.

What is essential is that this provision from the decree must be adhere to precisely, since only in this way can the agricultural producers in all the production regions be stimulated. The stress is even more necessary since long ago a system was instituted for having differentiated contracting prices by counties. And, certain complex analyses also conducted by certain investigative groups from the Institute of Finance, Monetary Flow and Prices showed that the system of differentiating contracting prices by counties - if the county is considered unified from a pedoclimatic point of view - insufficiently stimulates production in the agricultural units since the agricultural units within the same county can have different production conditions. For that reason, in the spirit of the aforementioned decree, it is necessary for the differences in the production prices and the contracting and acquisition prices to be applied according to pedoclimatic regions of agricultural production, such as regions characterized as plains, plateaus, hills, sub-mountainous and so forth, that is, according to actual production conditions. Just how important this is can be seen in the following example. If we compare two large pedoclimatic agricultural regions of the country - the Baragan Plains and the Transylvanian Plateau, we find that in 1980 (the data can be confirmed in other years as well) the cost per ton of wheat in the agricultural cooperatives was 40 percent greater in the Transylvanian Plateau than on the Baragan Plain (approximately the same difference exists between the average per-hectare production), while the contracting prices in the system differentiating by county were only approximately 5 percent greater in the plateau region. For corn, the costs per ton were approximately 50 percent greater in the plateau region compared to the Baragan Plains, while the price differentiation was maintained below 10 percent.

On the grounds of economic equity, the differentiation of purchase prices in agriculture by regions cannot make an abstraction of the principle whereby increases in necessary production and actual equal profitability must be approximately equal. This is, actually, the essence of the group of measures regarding the resetting and improvement of correlations for production, contracting and acquisition prices on economic criteria. To date, things had been completely different. Thus, for wheat, beginning with the purchase prices and the average costs recorded for the period 1976-1980 the calculations show that the average profitability in Maramures County was .4 percent, in Harghita County - 5.8 percent, in Bacau and Vaslui counties - approximately 9 percent, while in Bihor, Braila, Neamt, Suceava and the Ilfov Agricultural Sector - over 40 percent. Similarly, for corn, while Harghita and Salaj counties show losses, the average profit levels in Caras-Severin County was 1.6 percent, in

Bacau and Constanta counties - between 8 and 9 percent, in Arges, Galati and Suceava counties - over 50 percent, and in Braila, Calarasi, Giurgiu and Ialomita counties - over 60 percent. For sunflowers, the profit levels show differences between 10 percent in Caras-Severin County and over 67 percent in Buzau County, 65 percent in Teleorman County and 63 percent in Braila and Prahova counties.

Normally, these differences in profitability should not have existed, keeping in mind that these products are strictly necessary for creating the state fund of agricultural products and the agricultural units that produce them must apply the new economic-financial mechanism and maintain their own balanced budget of incomes and expenditures. For that reason, the level of profitability and the costs, with these being figured as those socially necessary, must be equal or at least very close for all regions. This does not mean that the amount of actual profits will be equal. They may be different, just as one unit or another succeeds in obtaining production at cost levels greater or lower than those standards that were used in setting the purchase prices.

Having different purchase prices for agricultural products by regions has a thorough support of substantiation in scientific studies and research regarding the classification of soils and the zoning of agricultural production. On the basis of scientific studies in the fields of pedology, biology, mechanization, chemicalization, land organization, agricultural production zoning and current norms regarding material consumptions (seeds, fertilizers, fuels, amortization, fodder and so forth) and labor, and keeping in mind the levels of production that can be obtained. It would seem necessary to draw up maps regarding the costs and prices for production, contracting and acquisition by pedoclimatic regions. In any case, the most correct possible setting of prices for agricultural products is closely tied to a well-substantiated zoning of agrocultural production both in the crop sector and in the livestock raising sector, as well as to the rational, maximally efficient use of all existing resources and intensive factors in the production processes.

Certainly, in regional profiling there are, to the extent of profiling and furthering the specialization of agricultural production, tendencies of bringing together the actual production costs and, on this basis, the possibilities for bringing together prices and the levels of profitability, but this can happen only under conditions where the structure of production responds to specific pedoclimatic conditions.

By their nature, prices represent the synthetic expression of certain relationships, correlations and interdependencies in the processes of material production and economic and social development.

It has been a stringent necessity that in the system of ties and fluxes of the national economy to create equitable relationships between all the categories of prices based on economic criteria and real costs and profit levels. This objective, lawful requirement is answered by the group of

especially important measures regarding the resetting and correlation of agricultural product prices on economic principles, the increase of retail sales prices for food products and the increase in workers' salaries, state allocations for children and pensions, measures corresponding to the general interests of our country's economic and social development.

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CSO: 2700

## ANDOV INTERVIEWED ON RELATIONS WITH EUROPEAN ECONOMIC COMMUNITY

Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 12 Apr 82 pp 18-20

[Interview with Stojan Andov, member of the Federal Executive Council and head of the Yugoslav delegation in the Joint Yugoslav-EEC Commission, by EKONOMSKA POLITIKA staff: "Preparations for a New Phase"; date and place not specified]

[Text] The first 2 days in April there was a meeting in Brussels of the Joint EEC Commission in which possibilities were examined for further development of economic cooperation between Yugoslavia and the Community. Our delegation was headed by Stojan Andov, member of the Federal Executive Council. We talked with him about certain aspects of our country's relations with the EEC, on the prospects being opened up and how they are being used. We have freely edited the extracts of the interview given below.

EKONOMSKA POLITIKA: You have just returned from Brussels. You must have gained some new impressions, new views. What are the prospects of our relations with the EEC, how are problems to be resolved in specific terms, since in principle we know what is required?

Stojan Andov: I think it is very important to realize that the agreement, as it has been set up, offers the legal basis and institutional framework for broader cooperation between Yugoslavia and the European Community.

EP: Who has not yet ratified it?

Andov: West Germany and Yugoslavia. Why is that important? We are now mentioning the problems which we have. The problems are on both sides: problems which arise out of the measures of the Community, out of the disposition and situation in the Community, and the problems which arise out of our own domestic conditions here. I will leave the latter to one side, since that is another topic--the process of stabilization.

I would say that there are two parallel processes taking place in the Community. One is the process of change, of structural adaptation of the economies of the members of the Community. This process has affected practically all the member countries to a greater or lesser extent, and it also has its own differing components. One of the most important is adaptation in the energy sector. From energy conservation to new sources of energy, to optimum energy use, and so on.

And then structural adaptation affects the so-called sensitive sectors and brings them to the surface for the attention of the member countries of the Community. Sectors in industry in which the Community, because of the specific way in which production is organized, is obviously losing the advantages which it had and is being subjected to strong competition--above all from certain moderately developed developing countries. This is the clear problem with textiles; and it is more and more a problem in leather processing and the production of footwear, though they have not yet been included in the sensitive sectors, but the question is whether they will not become so when Spain enters the EEC.

EP: What is the situation with ships?

Andov: It can be expected that there will be new sensitive sectors and that certain difficulties will arise therefrom. And then there are sectors which are also sensitive and cannot withstand competition, such as ferrous metallurgy, shipbuilding and those types of production in which the products of ferrous metallurgy are incorporated in a low phase of manufacture. However, the competition from the developing countries is not strong in this sector, and that is why they cannot be included in the sensitive sector. The principal competitor is Japan.

At the same time intensive work is being done in the Community to develop the so-called propulsive priority sectors. Here they begin in a sound way with scientific research--say, in the fields of telecommunications, biological engineering, and so on--and they program the period when that research and those results will begin to flow into production. After all, the overall restructuring in the Community is not aimed at reducing the production organism of the Community, but at expanding its capabilities and at putting it on a broader scientific foundation with less direct productive labor.

In the course of the reorganization the Community has a joint trade policy. There is no joint industrial policy. It is obvious that whether they like it or not they have in certain efforts shaped the concept of a joint industrial policy, at least at certain points, though they do not proclaim it--of a joint energy policy, especially in organizing and exploring new energy sources, in the sector of biomechanics, telecommunications, and so on. The Community is also gradually taking on a different shape from within than the one we know of from documents. To some extent it is being shaped into an oganism which potentially has very great economic power, though even now it is powerful. In that overall restructuring of the economy, there are also sensitive sectors, there are weak points, the structural discrepancies, points which are causing protectionism or imparting that orientation and thus a departure from the principles of world trade. This especially applies to the farm sector--where they have an organized farm market.

The second process is the Community's expansion. At present the process of expansion has obviously oriented the Community toward the Mediterranean. Greece is already in, most probably Spain and Portugal will soon be. It is obvious that a process of Turkey's rapprochement with the Community is also taking place. Consequently, when the process of expansion is combined with

the situation within the economy inside the Community and with the internal process of restructuring, it is obvious that this process of expansion will bring additional difficulties, but also advantages in the process which we have described.

It will bring difficulties because in certain sectors there will be competition from those countries to the industry and economy that already exist. Spain, say, is extremely strong in the processing of leather, footwear, and so on. It is good in textiles. It is also strong in steel, strong even in shipbuilding. In other sectors the market is expanding. Through the expansion of markets the productive forces of all the member countries of the Community actually receive a new thrust, a new chance, new opportunities, and that is the main purpose of the expansion.

We should also bear in mind that a certain curtailment of possibilities for the marketing of goods from third countries on the market of the countries of the Community has been the first immediate result for third countries of the shaping of the Community and its expansion. This is a process of closing the doors to third countries. Certain measures have also served this purpose and been related to it. In one sector these measures have a markedly protectionist character. This is, say, agriculture. We must be aware that everything that is happening in the Community--both the difficulties in resolving the question of the agriculture of that continental part which is not Mediterranean and also expansion with the Mediterranean part--has a direct bearing on Yugoslav agriculture and Yugoslav exports. This process and these difficulties in the Community actually have a double relevance for Yugoslavia because the agriculture of the northern part of France, West Germany, Denmark and Italy is with respect to the production structure competitive to our strong agricultural producers, those, say, in the Pannonian plain and so on. All the rest which has elements of Mediterranean production in our country--in the production of fruit, vegetables, grapes, and so on--all of that is competitive with the southern members, especially after the expansion. Accordingly, it will be extremely difficult for our agricultural exports in the period to come, as in fact it has been in the period up to now. We have to make exceptional efforts here, especially since in this sector of our overall cooperation we have the least solid legal basis, since in this area they simply did not allow us to build anything firmer in the agreement. If you recall, the first expansion of the Community from six to nine members resulted in a considerable drop in our agricultural exports to the market of the Community, and the expansion with Greece a new drop.

In industry it is now becoming obvious that our cooperation with the countries of the Community must be put on a somewhat different basis. Our rights on the basis of the agreement are now of a different nature. These are not rights solely in the commercial sector. Broader consultations and broader activities are envisaged. At the right time we can raise the question of consultation in the domain of industrial cooperation so that we might obtain accurate information concerning plans and the real processes of restructuring, about what is being prepared in the sensitive sectors, in the sectors which are being given priority in development and which are being aided. That would also make it possible for our economy to become part of those processes, to keep up with

them with our own adjustments, our own production orientation, our own commitments in terms of engineering, technology, the training of personnel, and so on.

EP: You mention this as a task of the future. They say in the Community that they have already gone further than that, that they have already identified the sectors which come under consideration: machinebuilding, the metal manufacturing industry, the electrical products industry, household appliances, mining equipment, nonferrous metals, certain products of the chemical industry, metallurgical products and certain food products.

Andov: That is what we are proposing to them and asking of them. We have declared those sector as of interest to us for industrial cooperation and for consultations to begin on this matter. It is important that we be up to date on everything that is happening in all those sectors of theirs, to see where the joints are, to see what we can establish and do and how we can do it. At present, solely on the basis of the trade agreement, we can only read what they are doing.

We do not have an organized procedure with the Community for consultations on industrial cooperation.

EP: You speak about an institutionalized form of consultations. Regardless of that we do have institutes, we have federal secretariats for federal trade, for foreign affairs. We thought that a study was to be made there as to how their structural adaptations were going and where there was room for us.

Andov: We now have the right on the basis of the agreement to initiate talks on division of programs, on joint development. That is the advantage of the new agreement. As to whether we have kept pace or not kept pace with what is being done in the EEC, up to now the method of keeping up has been such that it might serve for publication in a paper, so that the persons monitoring the situation could show in some meeting that they know something. That phase is behind us. We now have a new phase, and it is for that we should prepare. If the essence of the agreement is not grasped, we cannot prepare and organize ourselves to utilize all the advantages which it affords us.

If we are to be always in a situation of being able to take real initiatives and to give them a true form, a form that affords the possibility of their being realized, the question is whether we can survive in Brussels and realize those advantages with a mission that is so scantily staffed. This is a very important question. Another question is how to organize ourselves thoroughly from an institutional standpoint here in the country so that our delegation in the Council for Cooperation can be fully in a position to utilize all the advantages which the agreement affords, so that cooperation would be furthered on a more uniform and coordinated basis.

To keep up with certain processes of a more lasting nature in the development of technology and the organization of work and in sectoral adaptation and restructuring it is not enough to make a decision and set up an organizational chart and give moral and political motivations to all the organisms involved

in that action. What is needed is to begin to create the economic stability of all those organisms on a sound basis. This is a process which has to be carried out within the country. It is clear that we must have a stable currency, above all for the sake of our organizations of associated labor. Otherwise they will completely lose their bearings. Subjective decisions and random events in the sector of pegging foreign currencies will determine the acceptance at some particular point of a transaction which is obviously failing in world development processes, but would make sense in that context.

Or, say, to demonstrate with the stable dinar, with a realistic rate of exchange, that it is worthwhile to adopt an orientation toward new technology, toward keeping up with these processes.

It is not possible for someone to enter into a division of labor, a division of programs with some trading partner in the Community, and then to base his profitability on undefined conditions for setting the rate of exchange of the dinar here in the country. People have to know what is the domestic price and what is the foreign price if they are not to be exposed to convulsions.

Assessments to the effect that it is possible to go out into the world, especially into the industrially advanced countries, and create a stable position for the domestic economy in relations with those countries when there are a random number of transactional rates of exchange of the dinar within the country, when the role of the domestic currency in economic life has not been defined--that is a hopeless matter. It is very difficult to expect anything realistic, since this by no means gives the foreign trading partner an assurance that a firm and lasting decision has been taken in the particular OUR to be present on that market, to establish lasting relations and ties, while on the other hand, it does not give trading partners assurance that it is at all possible for some economic entity to make firm and lasting decisions. This after all depends on a host of random factors, uncertain deliveries, and various transactions. But it is not my wish on this occasion to raise those issues as a whole.

I took up the question of the stability of the dinar because it involves all the rest. We are exhausting ourselves with assertions that the economy is not organized and so on. However, it has been shown that it can quickly organize itself when it is motivated by income. Whether or not it is organized depends on the situation it is put in.

EP: In the EEC and not just there criticisms are being made of our legislation; they say that it is a hindrance to expanded cooperation. In this connection they are thinking of regulations and joint ventures, industrial cooperation, though, they say, they are not competent to undertake that, concerning patents, concerning sales of medical drugs. The Community has even sent certain memorandums to that effect. On several occasions we have officially announced that we were undertaking changes, improvements, and so on, but time is passing, and nothing has been done. Is there anything new in this area?

Andov: The process has begun of amending and supplementing certain pieces of legislation. I expect that quite a few amendments will be made to the drafts

which have been prepared. Federal agencies have carefully studied the soundness and argumentation of all the suggestions which have come in....

EP: Last July we published an inventory of almost all the criticisms and suggestions which had come from outside. It seems to us important that our partners know that work is being done on this.

Andov: The legal possibilities will be created for our work organizations to enter into relations through which they can keep up with technology, achieve more up-to-date production, and so on, under more favorable conditions and more successfully. When we examine past experience with cooperation programs, most, it turned out, came down to exploitation of the Yugoslav market by the foreign partners. The results with respect to modernization and expansion of exports to the convertible market were considerably less in evidence, though that also did occur.

EP: People in the EEC are surprised that we are not using the credit extended to us by the European Investment Bank (EIB) in excess of $200 million. What is happening with this, why are we not using credits which along with those of the World Bank are the most favorable which we have gotten, far more favorable than those we have taken on the open banking market, since the rate of interest is relatively low, 10 percent, when others are twice as high, and the repayment periods are longer?

Andov: The World Bank is less favorable, since it requires a higher use of domestic accumultation, while the EIB seeks less. All other credits we are using are less favorable than the credit of the EIB. It is, of course, extending credits for projects which are of common interest to us and to the EEC, for construction of highways, railroads, power transmission lines.

If our foreign exchange system were functioning, if the dinar were the only means of payment in the country, that would be very attractive, since the foreign exchange obtained from the EIB would be channeled into the foreign exchange market. Accumulation would be assembled in dinars and would go to construction of the projects agreed on, which as a rule do not require a great deal of imports.

EP: It seems to us that still more credit might be obtained to build transportation routes, since after Greece entered the EEC Yugoslavia became more interesting as a transit country.

Andov: It should be stated straightforwardly that our possibilities as a transit country are becoming stronger now in connection with Greece's entry, but also in general, since the EEC is maintaining relations with the Near East across our country. At first it is the limited access highway that is probably of the greatest interest, but equipping the railroads is extremely important. Actually the possibilities opened up by modernization of the railroads are greater. It goes without saying that we must make better preparations for that.

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CSO: 2800/376

## UNEMPLOYMENT/EMPLOYMENT SITUATION DISCUSSED

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[Text] Employment is becoming a hot topic of public debate and comment, above all because of the social and political implications that a growing army of the unemployed could have. The datum that 800,000 people have already registered with employment security communities (last year's average was 808,623) is being accompanied by comments to the effect that employment has become a social problem of the first order and by the implication that the rate of unemployment is a "pressure cooker" of young people's dissatisfaction. The social welfare aspect is being kept stubbornly at the center of attention. There is talk of "solidarity" and of the need to "provide jobs" for those who still do not have them. Quick-fix solutions are being sought to thrust as many unassociated workers as possible among the associated workers.

While one is far from the thought of denying the importance of increasing employment, it must still be noted that the retention of the tried and true repertoire of ideas and solutions for reducing the pressure of the unemployed has clouded over to a fair extent the question of what is the cause and what the consequence.

The topic that was current until recently about ascertaining the "actual unemployment" of those seeking jobs fits into the predominantly social and political viewpoint. It has been displaced by expression of the view that hiring young people is a "primary political task." A ban on the work of retired people, immediate excommunication of workers who have qualified for a pension after 35 or 40 years, restriction on overtime work and work on contract, reduction of the workweek, and introduction of fourth and fifth shifts (though it is no accident that even the first is not operating at full strength, while the second and third occur only from place to place), and emphasis on the obligation of OUR's [organization of associated labor] to hire trainees are being advocated with undiminished vehemence. The effort of youth and student cooperatives is also being subjected to belligerent views, presumably in order to have those same young people knocking as soon as possible on the "doors of associated labor." New ideas are naturally emerging along the same line of thought. The most recent one is that of cramming two trainees into the same job, but not in order to improve the opportunities of the work organization to choose the better one at the end of the trainee program, but with the equally valid motivation of leaving as few people as possible unemployed. So,

alongside the employed and the unemployed, there is now the transitional category of the semiemployed.

The elevated temperature, occasionally with a mild overtone of panic, is being maintained by calculations of the "rate of employment"--by simply taking the number of unemployed and dividing it by the number of persons employed in the socialized sector. That gives an unemployment rate of 12 or 14 percent, or even some 20 percent if we add to the unemployed the number of workers temporarily employed abroad. It would be more accurate, so long as we are comparing ourselves to the advanced countries with a market economy, to take into account the labor force, including private farmers and people who support their families through self-employment in other fields. Then we would get a rate of unemployment of 8 or 9 percent, which still is not low.

Table 1. Comparative Growth Rate (annual average; in thousands)

| Year | Persons Employed in Socialized Sector | Annual Rates, % | Seeking Employment | Annual Rates, % |
|---|---|---|---|---|
| 1970 | 3,765 | 3.9 | 319.6 | -3.3 |
| 1971 | 3,944 | 4.8 | 291.3 | -8.8 |
| 1972 | 4,115 | 4.3 | 315.3 | 8.2 |
| 1973 | 4,213 | 2.4 | 381.6 | 21.0 |
| 1974 | 4,423 | 5.0 | 448.6 | 17.6 |
| 1975 | 4,667 | 5.5 | 540.1 | 20.4 |
| 1976 | 4,883 | 4.6 | 635.3 | 17.6 |
| 1977 | 5,052 | 3.5 | 700.4 | 10.2 |
| 1978 | 5,280 | 4.5 | 734.8 | 4.9 |
| 1979 | 5,506 | 4.3 | 762.0 | 3.7 |
| 1980 | 5,681 | 3.2 | 785.5 | 3.0 |
| 1981 | 5,817 | 2.4 | 808.6 | 2.9 |

Table 2. Employed and Unemployed by Republics

| Republic/Province | 1981 Average | | Unemployed/ Employed, % |
|---|---|---|---|
| | Employed Persons | Seeking Employment | |
| Bosnia-Hercegovina | 848,800 | 142,912 | 16.8 |
| Montenegro | 132,200 | 24,202 | 18.3 |
| Croatia | 1,408,700 | 86,279 | 6.1 |
| Macedonia | 432,800 | 126,645 | 29.3 |
| Slovenia | 778,500 | 12,315 | 1.6 |
| Serbia | 2,216,100 | 416,270 | 18.8 |
| Serbia proper | 1,474,400 | 262,847 | 17.8 |
| Kosovo | 181,800 | 71,571 | 39.4 |
| Vojvodina | 559,900 | 81,852 | 14.6 |
| Yugoslavia | 5,817,100 | 808,623 | 13.9 |

Over the last decade the rate of unemployment has risen from about 3 to more than 8 percent (relative to the entire work force). Over that period the

creation of new jobs maintained a very fast pace, even faster than the growth of the able-bodied population (between the ages of 15 and 64). Whereas the able-bodied population increased by 1.67 million between 1971 and last year, employment in the socialized sector grew by 1.87 million. Yet the pressure for jobs increased at the same time (as can be seen from Table 1). The annual growth rates of persons seeking employment showed considerably greater fluctuations than the growth rates of employment. Nor dare we forget in this connection the impact of demographic factors. The pressure for jobs under the influence of demographic factors is also evident from the fact that the highest growth rates of the unemployed and also of the rise of employment were in the mid-seventies, when the most numerous postwar generations reached "working age." Aside from the demographic factor, the fierceness of the pressure was also influenced by many other factors--the return of our workers from temporary employment abroad because of the slump in Western Europe, the transfer of population from agriculture to nonfarm activities and migrations to urban centers (smaller and smaller of late), the rise of the standard of living (the desire to employ a second member of the family), the very attractiveness of the status of being employed as compared to self-employment, and the growth of the educated age groups coming of age to work.

Significant changes have occurred in the composition of the unemployed with respect to training. Two decades ago 18 percent of the people seeking jobs had some kind of diploma, from a school for skilled workers all the way to the university, in 1970 this group comprised 26 percent, the year before last it was about 43 percent, and last year it was more than 45 percent. Over just the last year there has been an increase of 30,000 in the number of young people qualified for specialized work and ending up in line at the employment security community. This increase from 340,000 to 370,000 was more pronounced than the increase in the total number of persons registered for employment, since those who do not have qualifications are first to be removed from the unemployment rolls.

The composition of the unemployed with respect to training is thus approaching the pattern of employed persons, among whom trained workers at various levels comprise about 65 percent. It is a fact that the continued increase in the proportion of young people with specialized training among those seeking employment shows the extent to which the educational system is not adapted. The figures on the demand for manpower show that organizations are seeking new workers, especially specialists in certain technical fields: mechanical, civil and electronics engineers, skilled construction and farm workers, metalworkers, hotel and restaurant personnel, fitters, plumbers and electricians, and foresters. The largest group among young people seeking employment consists of those who have graduated from the academic high school or specialized schools for trade, textiles, business or teaching. The question is whether the discrepancy between the demand for specialized labor and the supply can be reduced solely to shortcomings or the impossibility of planning personnel and education. It is a fact that the independent financing of educational institutions regardless of curriculum, the latter incidentally not established by the schools themselves, but predominantly by the educational institutions to which the schools are subordinate, is reinforcing the inertia in the pattern of education with respect to curriculum. At the same time, the attractiveness

of the security offered by employment in nonproduction organizations usually outweighs the challenge of a creative contribution to productive work, and young people and their parents are choosing accordingly when they select their future occupation.

The composition of the unemployed also reveals considerable unevenness in the regional distribution (Table 2). A considerably stronger pressure is arising precisely in the less developed republics and the Province of Kosovo. Certainly some influence is being exerted here by the economic structure that has come about through investments predominantly in capital-intensive industries and heavy industry precisely in those parts of the country where the hiring rate has been highest, which means that development of labor-intensive activities is an important condition for faster development.

It is certain, however, that even regardless of regional differences and disproportions in development, investment policy has had a considerable influence on the flows of extensive employment in the past. The growth rate of investments over a lengthy series of years was higher than the growth rate of production. Because investment programs were not carried out effectively, because cost estimates used as the basis for the computation of the profitability of future plants were exceeded, and also because of the discrepancy between development of raw materials capacities and manufacturing capacities, investment projects have not yielded adequate and anticipated benefits in terms of increasing the material basis for opening up real opportunities for new hiring. On the other hand, the creation of new jobs was usually the basic motivation for making the investment. Under the pressure of social needs in the immediate community new capacities with modern equipment have as a rule been burdened at the very outset with an excessively large work force out of proportion to the requirements of technology and profitability.

One can spot in the statistics a decline of efficiency in almost all sectors of the economy, which is in large part the consequence of extensive employment. The efficiency coefficient has dropped appreciably (by one-sixth) over the last two decades, which means that the new social product made possible by commitment of fixed capital is that much smaller. There is no doubt that the negative contribution of the human factor has been fairly influential here. The figures in an analysis of the Federal Bureau for Social Planning show that between 1964 and 1978 effective presence on the job dropped considerably more than the total number of work hours. Thus the share of effective hours of work in the total hours of work dropped from 86 to 80 percent. On the other hand the rate of full-day absences from work has increased in that 3 years ago one out of five employees was absent, while in 1964 only one out of every seven was absent. This increased absenteeism can be seen as only one symptom of the laxity, which comes from the very high protection of a job once it has been obtained. Which makes it that much more difficult for those who have not yet captured their place in associated labor to obtain a job.

The elaborate and prescriptive labor legislation favors job protection to a considerable degree, at the same time restricting the work organization's right to rid itself of a worker who is not zealous or competent enough. Viewed from the angle of young people seeking an opportunity to work, this

exaggerated protection makes it impossible for young and skilled specialists--insofar as they exist--from threatening the status of those already employed and from displacing those who are not sufficiently competent or motivated. The preoccupation with social welfare in politicizing hiring policy, primarily in order to protect the job already obtained, is now threatening on the other hand to create still greater social problems, not to mention the economic problems which are manifested in the fact that a sizable labor potential cannot be put to use. One can hardly expect at this point that the accumulated problems can be resolved with the same means which were their principal cause.

The long duration of the possibility of extensive employment on the basis of inflationary pouring in of credit to replace the income and accumulation not realized, when saving is the only way to create a real basis for development and for new jobs, has resulted in undesirable flows of hiring in certain activities which are unfavorable to development. Table 3 shows that over a lengthy period hiring has been oriented more toward noneconomic activities than toward production which could pull development forward, but which also involves considerably more risk, uncertainty and effort. The tendency toward greater hiring of specialists in noneconomic activities has become especially evident in this connection. Between 1967 and 1978 (the most recent figures available) the number of persons employed in the sector of industry and mining rose about 51 percent, and the number of specialists with senior postsecondary training was 54 percent of that figure. Over the same period the number of persons employed in the activities of sociopolitical communities and organizations increased 55 percent, and the number of highly trained workers doubled. The figures indicate the relative attractiveness of these two altogether different types of activity.

Table 3. Employment in the Economy and Outside the Economy

| Activities | 1970/1960 | 1980/1970 |
|---|---|---|
| Economic activities | 129 | 150 |
| Industry and mining | 136 | 150 |
| Noneconomic activities | 130 | 153 |
| Sociopolitical communities and sociopolitical organizations | 83 | 163 |

Perhaps one can find in the direction of those flows at least some of the causes for the evident slacking off of the growth rate of productivity in industry. The productivity of the administration cannot be measured, but it is certain that administrative "output" can create quite a bit of work for production organizations as well. A reversal with respect to attractiveness would signify a reversal of flows of hiring in the direction of production activities, which are the only ones that can create a real material basis for creating new jobs. But that is another topic.

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WORKERS FROM BOSNIA-HERCEGOVINA IN CROATIA, SLOVENIA

Sarajevo OPREDJELJENJA in Serbo-Croatian No 3, Mar 82 pp 161-174

[Article by Ciro Rakic: "Workers From Bosanska Krajina in SR Slovenia and SR Croatia: Certain Aspects of Relations in Worker Placement"]

[Excerpts] Introductory Considerations

The economic terms in which relations among the republics and nationalities are usually mentioned are those of amounts of money, credit and foreign exchange, the volume of investments, commerce, banking, and so on, and assessments are made as to how the various republics, provinces, nationalities or regions are getting along or "profiting." The aspect of live labor, of living people, of manpower is tacked along somewhere on the periphery of this question.

However, the relations and flows of goods and money, which are things, cannot leave such deep traces in relations among the nationalities as can be impressed by the massive confrontation of living people as individuals, personalities, groups, as representatives of religions, traditions, axiological ethical beliefs and cultures. Nor is it necessary to go on assembling arguments for a conclusion to be drawn on the extent to which the large-scale migrations of workers and their families from the underdeveloped to the more developed regions assume in time both favorable and unfavorable aspects for both the host people and the immigrant people. Under these circumstances the aspect of economic existence may even be overshadowed by social-psychological ballast, by the prejudices of members of religious, ethnic and cultural groups which are confronting one another and have a mixed population. It should be emphasized once again how vital the migration of manpower is as an aspect of Yugoslav socialist community consensus and that this is above all a complicated set of economic factors, but also of numerous other accompanying factors and of exceedingly essential and subtle relations in ethnic currents of the host communities and in the formation of a new ethnic-religious-cultural mosaic in the bosom of those communities.

The topic of the meeting of scholars entitled "Socioeconomic Aspects of Interethnic Relations in Yugoslavia" is a challenge to discuss the movements of manpower from the underdeveloped to the more developed areas and also the real problems of life at the grass roots in economic cooperation among the

republics and provinces and in the ties among our nationalities and ethnic minorities.

Within the framework of global commitments before, and especially after, the 21st meeting and the two congresses of LCY since that time, there has been an evident need for far more committed research into and elucidation of the dimentions and implications of the notably large-scale migration of workers from Bosnia-Hercegovina into SR [Socialist Republic] Slovenia, SR Croatia and SAP [Socialist Autonomous Province] Vojvodina.

It is the purpose of this paper to indicate within the long years of cooperation in worker placement among the republics, the regions and local communities in the triangle Bosnia-Hercegovina--Slovenia--Croatia its progressive experience which should be emphasized, further developed, and given institutional and normative sanction in the coming period.

Job Placement Over Republic and Provincial Boundaries

Aside from the legal framework regulating worker placement and the role of RO's [work organization], SIZ's [self-managing community of interest] and DPZ's [sociopolitical community] in seeing to the employment security of workers set forth in the constitution and federal laws embodying the system, there was also the signing of the Self-Management Accord on Basic Principles, Conditions and Procedure for Worker Placement Across Republic and Provincial Borders (Split, 3 April 1975). Several notable Yugoslav conferences (in Pristina in May 1979), meetings of republic assemblies and the SFRY Assembly, and discussions in the highest bodies of the SAWPY and Federation of Yugoslav Trade Unions have occurred concerning the enforcement and 4 years of experience in implementing the letter and spirit of that accord. Toward the end of 1981 the Assembly of the Federation of Yugoslav Employment Security Communities devoted a specific discussion to a critical analysis of experience in placement over republic and provincial boundaries in employment security policy. The procedure was also completed for proposing a new Self-Management Accord on Worker Placement Over Republic and Provincial Boundaries, whose adoption is being accompanied at the same time by enactment of a uniform instruction for implementing it so as to improve the formal legal procedure and placement standards and technology for all the communities and entities pertaining to placement within Yugoslavia.

From the basic SIZ for employment security in opstinas to the Federation of Yugoslav Employment Security Communities an integral institutional, personnel-organizational and normative-legal network and structure has been built up within the Yugoslav system of self-management for monitoring placement and hiring.

Experience in recent years has shown that hiring across republic borders has truly yielded constructive results. First of all, the organization of that hiring was augmented, especially in the construction industry of Slovenia and Croatia, and to some extent even in the largest construction organizations in SR Serbia--that is, those in Belgrade and Novi Sad. The same constructive trends have also been noted in tourist hostelry on the Slovenian coast, Istria and northern Dalmatia.

There have also been constructive developments in the area of financial incentives, better accommodations and food, as well as larger coverage of workers by certain forms of preparation and specialized training and also ever more notable and better organized inclusion of young people from SR Bosnia-Hercegovina in fulltime school attendance to meet the needs of associated labor in the other republics and provinces.

All this does not mean that there do not exist important problems and unresolved issues that will require still more deliberate, vigorous and responsible commitment along all lines of responsibility and on the part of all those responsible: introduction of planning, alignment of job vacancies and skills, meeting the provisions of the Self-Management Accord on the Principles, Conditions and Procedure for Worker Placement Across Republic and Provincial Boundaries on the part of all its participants, elimination of hiring that is not organized and does not go through the SIZ, and so on.

Volume and Flows of Worker Placement Over Republic and Provincial Boundaries

A labor-intensive manufacturing industry has been developed in the highly developed regions with a manpower shortage, while the capital-intensive fuel and power industry and raw materials industry have been developed in the underdeveloped areas with an abundance of idle manpower. This has aggravated the disproportion to the point we have reached today: on the one hand a state of acute shortage of manpower, and on the other a growth of unemployment, with no prospects for a solution to be found in the foreseeable future. Migration of the unemployed such as we have today only mitigates the problem, but does not solve it. What is more, in certain of its aspects it also brings new and more complicated consequences which are not solely confined to the economic domain. The unemployment pool has been building since 1965, and the hiring abroad offered only temporary relief of the pressure on the unemployment rolls. Along with the production of contradictions we have mentioned over 30 years of industrialization as reforms were carried out toward intensification of economic activity, and along with all the measures required by stabilization strategy, and finally the inflow of returnees from temporary employment abroad--this burning problem of Yugoslavia and of the underdeveloped regions in particular has been getting increasingly acute. In just the last 5 years the rate of unemployment in Yugoslavia has risen from 10 percent to 11.9 percent.[1]

Bosnia-Hercegovina has an above-average rate of unemployment--14.1 percent. In absolute terms (1980) that represents 140,443 persons. In the markedly underdeveloped opstinas there are 10,574 unemployed, in the underdeveloped opstinas 46,087, and in the other opstinas 94,356.

The unemployed in SR Croatia represent 5.2 percent, which is regarded as approximately the rate that can be tolerated, especially if there are prospects for its not rising further.

SR Slovenia has the lowest rate of unemployment in Yugoslavia, and it is among the countries with full employment. Its unemployment rate of 1.3 percent can be regarded as an achievement which can only be wished for in today's world.

Using the data of the Slovenian Republic Council of the Federation of Trade Unions published in connection with a survey of Slovenian public opinion entitled "Workers From Other Republics in the Slovenian Economy," I will record several relevant pieces of information.

At this point the economy of SR Slovenia employs about 150,000 workers from the other republics and provinces. To this number we should also add about 70,000 members of their families who are living with them in Slovenia. This means that almost one-fifth of the work force of that republic is made up of workers from outside. In just the period 1975-1978 about 50,000 new workers found employment in SR Slovenia, most of them coming from SR Bosnia-Hercegovina, and then from SR Croatia and SR Serbia.[2]

Whereas the birth rate in this republic is on the margin of reproduction, there are 48,000 people, most of them skilled and highly skilled, who have left its associated labor to take temporary employment abroad. Slovenia is one of the most marked regions in Europe for its migration. The unemployment rolls in Slovenia have 12,000 young men and women who have attended various schools of administration and similar schools. At the same time the economy needs 10,000 production workers, certainly skilled ones, for which the demand is growing all the time.

In Ljubljana alone there are about 30,000 workers living and working from other regions of Yugoslavia. There are 7,000 of them at the Jesenice Steel Mill and about 5,000 in Slovenija-cesta and Tehnika. More than half of the work force in Slovenia's construction industry is not from this republic. Half or more than half of all the workers are "southerners" from SR Bosnia-Hercegovina. It is estimated that about 60 percent of them have not reported a change of permanent address, which has been assessed in various ways as to their staying, their wavering, their integration into the Slovenian social and cultural environment, and so on. Along with all this, on the basis of official statistics, Slovenia has an unfavorable composition of the work force with respect to skills.

No less than 63 percent of those from other republics employed in SR Slovenia (11,200 in 1976, 12,800 in 1977 and 14,900 workers in 1978) obtained their jobs through acquaintances and friends, relatives and close members of the family, while only 37 percent of these workers obtained their jobs through SIZ for employment security. Today, it is true, the situation is considerably more favorable.[3]

A still higher number of employees [from other republics] are working in the associated labor of SR Croatia in various branches of industry, tourist hostelry, but in the largest numbers in the construction industry, mining and municipal services and utilities. From Bosnia-Hercegovina alone there were more than 70,000 workers in the Croatian economy in 1980.[4] Incidentally, in the period 1976-1980 about 60,000 workers left Bosnia-Hercegovina to work in other republics, only half of them on an organized basis (29,208), which means that in the average year organized placement through SIZ represented about 6,000 new workers.[5]

Viewed from the standpoint of SR Bosnia-Hercegovina, relative to the previous period (1970-1975) there was an appreciable drop in the number of workers employed from this republic and other republics and provinces.[6]

Unemployment is rising, especially in the underdeveloped republics and provinces. That is what is giving growing importance to hiring in the advanced republics and provinces which have a shortage of certain occupations and skill groups. The Federal Bureau for Employment Affairs estimates that about 80 percent of the workers in other republics and provinces are from Bosnia-Hercegovina. The share of the unskilled and semiskilled among them is 90 percent.[7]

It can be stated on the basis of records over several years that workers from certain regions (Bosanska Krajina, Doboj, Tuzla and Hercegovina) have been oriented for 1.5 decades now toward finding employment in certain activities and regions of the other republics and provinces. For example, from Bosanska Krajina they are predominantly in the construction industry of Slovenia and Croatia and to some extent in tourist hostelry along the Croatian and Slovenian coasts.

Incidentally, just as research has not gone into the problems of developing, preparing and channeling personnel in worker placement across republic and provincial boundaries, so the need for and assignment of these workers are not planned appropriately and punctually.

It is not difficult to see in the employment policy within regions which are sources of "surpluses" of personnel and in the mode of communication between the basic SIZ and the regional SIZ in Bosnia-Hercegovina on the one hand and in SR Croatia and Slovenia on the other that planning is at best on a seasonal or 1-year basis. There are rare exceptions when contracts are concluded covering periods of at least 2 or 3 years. We encounter samples of such foresightedness in only some 10 work organizations in both republics when it is a question of enrolling entire classes of young people for specialized training to meet the needs of tomorrow through the system of targeted education within the opstinas where they live and through interopstina DPZ and SIZ.

The Enrollment of Young People for Education and Employment

Only educated and specialized workers can be of common interest to the advanced and underdeveloped parts of the republic and Yugoslavia. Whether the migrating workers decide to establish permanent and lifelong ties with associated labor of Slovenia and Croatia or commit themselves to temporary employment outside their native region, they have to be in demand: they have to be educated even as "returnees." Their specialized training is also a condition of their mobility.

As part of the cooperation of SIZ for employment security in SR Bosnia-Hercegovina with organizations of associated labor from SR Slovenia and Croatia in preparing workers for hiring, back 10 years ago arrangements were made for young people from Bosnia-Hercegovina to go to specialized educational centers, secondary schools for targeted education, on the basis of contracts concluded in advance for them to be hired in interested organizations of associated labor.[12]

Self-managing communities of interest organized the departure of the young people mainly because of the underdeveloped network of secondary schools and the limited opportunities for them to find employment in the less developed opstinas, but at the same time also because of the favorable conditions offered by the organizations of associated labor from those two republics for the trained workers they lacked.

The students or their parents and guardians concluded a contract with those organizations of associated labor concerning free schooling in the educational centers (housing, food, work clothes and pocket money) and also concerning hiring at the end of their education. Until 3 years ago there were no organized records kept on how many young people had so far been sent in this way from Bosnia-Hercegovina to SR Slovenia and SR Croatia.

This method of establishing organized cooperation in relations among the republics, which experience has effectively affirmed and which has done most to satisfy both sides, deserves further encouragement and development. According to one report of the Federation of Self-Managing Communities of Interest for Employment Security of Bosnia-Hercegovina, in the period 1979-1980 1,302 students were sent according to the figures of employment security communities, which are not complete: 564 to the construction industry, 491 to the mining industry, 158 to hostelry, 51 to metallurgy, and 38 to other occupations.[13]

According to a statement made by a representative of the Slovenian Federation of SIZ for Employment Security, there are considerably more students from Bosnia-Hercegovina in SR Slovenia, since aside from the employment security communities, students are continuing to go to other republics for education, usually where they have fathers, brothers and relatives already employed. In Litostroj alone there are nearly 500 apprentices who are not covered by records in the employment security communities of Bosnia-Hercegovina.

Although this is a practice that is very well established and is one of the guideposts for further orientation of relations among the republics within the framework of economic ties and dependence among our three republics, according to an assessment of the Bosnia-Hercegovina Federation of Employment Security Communities, the regional and basic employment security communities are less and less involved in the organized enrollment of young people to go to other republics and provinces for schooling and employment, justifying this kind of behavior with the assessment that this is not the task of those SIZ's, but is more and more the domain of the system for personnel training and education, that is, of SIZ's for targeted education and the agencies of opstina DPZ's and basic economic chambers.

Practice varies, as does motivation, of work organizations and employment security communities. Numerous organizations of associated labor in SR Slovenia, aside from the cost of specialized training of young workers for employment, also invest labor and funds in the specialized advanced training and promotion of workers in their occupations. The example of the Ljubljana Railroad work organization is very affirmative in this regard. Aside from the advanced specialized training for the occupations of switchmen, brakemen, switchyard workers and other workers, after 1 year of experience, the RO sends them

to a special school in Maribor for several levels of education, which they leave as locomotive engineers, dispatchers, stationmasters, traffic inspectors, etc. Several dozen workers from SR Bosnia-Hercegovina have already graduated from that school.

The time has come for organizations in the fields of hostelry, construction, agriculture, municipal services and also industry and mining to commit themselves more to improving the professional competence of their workers by using the regular system of targeted education, their own specialized centers and their own highly trained personnel.

In the associated labor of SR Slovenia[14] a certain number of RO in SR Croatia, in Belgrade and in Novi Sad, in order to furnish themselves trained workers with various skills who would remain with the organization permanently, have recently been organizing fulltime education of children from SR Bosnia-Hercegovina after graduation from the 8-year elementary school, especially for those occupations of which there is a shortage in mining, construction and certain other fields. The students, who are put in classes from the respective opstinas of Bosnia-Hercegovina, are encouraged in various ways to study certain occupations (favorable scholarships, credits, favorable conditions for housing on a boarding school basis, monthly pocket money). Outside SR Bosnia-Hercegovina there were several hundred such students in just the 1980/81 academic year alone. Yet Croatian tourism and hostelry have not shown any widespread involvement in this commendable practice, though this would be of great interest from the standpoint of hiring women on a permanent basis.

The hiring arrangement that is the most desirable for the underdeveloped regions is that arrangement which offers a pooling of labor and capital and thus develops industry and other economic facilities in the opstina or native basin. Certain statements have been made in the press about how SR Slovenia has in its 30 opstinas at least as many projects prepared concerning joint ventures with associated labor from the underdeveloped republics. The development programs of Bosnia-Hercegovina for the 1981-85 5-year period announced the participation of SR Slovenia with 53 programs, Croatia with 45, Serbia with 49 and Macedonia with 5 programs for pooling labor and capital. However, those projects are said to say little about planning the flow of manpower, though this is extremely relevant to negotiations concerning those undertakings. Facilities which can mitigate the unrestrainable pressure of unemployed female manpower, for example, are of extremely great interest to Bosnia-Hercegovina, for example.

## Several Questions to Which the Right Answers Have To Be Made

In conversations, criticism, and polls, during work stoppages in certain construction and industrial work organizations in Slovenia and Croatia, and in the statements made by individual workers who unilaterally broke off agreements they had signed for placement through SIZ's, ideas and initiatives have been advanced or advocated concerning a practice similar to that which our country develops concerning workers temporarily employed outside the homeland. There are questions like these:

1. Should workers from Bosnia-Hercegovina employed in SR Slovenia do the following:

i. establish their own clubs in the cities and industrial centers of Slovenia where there is a sizable concentration of workers from Bosnia-Hercegovina?

ii. support, consciously or unconsciously, the practice that exists whereby workers and their families are concentrated in separate settlements and developments?

iii. establish their own institutionally separate athletic and cultural and artistic groups, societies, etc.?

2. There is a specific need to evaluate in the spirit of our policy of ethnic equality, affirmation of the nationalities and Yugoslav socialist community consensus how these leading principles are to be applied in the context of Bosnia-Hercegovina or Slovenia in view of the evaluation of future trends in migration, the industrialization and homogenization of the Yugoslav economy and working class, and the strengthening of Yugoslav socialist patriotism and community consensus.

In this context superficial answers should not be given to the question of whether there should be insistence on separate schools giving instruction in the native tongue for workers from Bosnia-Hercegovina and their children, especially if the parents have not made serious demands in that regard or if a sizable number of workers intend to integrate and acquire the new culture rapidly, deciding to take permanent employment and to bind their future and the future of their children to associated labor and public life on the soil of SR Slovenia? In other words: Does there exist or should there be created a problem of "Slovenianization of Bosnians" or of "Bosnianization of Slovenes"?

When all the many studies of the problems of immigration (or emigration) on a "north-south" basis all over the world indicate that the host population stands aloof from the immigrants for a very long time, that the mutual existence of prejudices in their mutual cultural contacts is of a lasting nature, and that the social ties, communications, friendships and associations are slow to show themselves and have difficulty developing, why not take this truth as the point of departure and rid ourselves of illusions of solving the problems of interethnic convergence and interpenetration overnight?

Convergence solely on the factory grounds, in public places, through occasional personal visits, is far from the true integration of a Bosnian and Slovene in Celje, Skofja Loka, Ljubljana, Kranj or Novo Mesto. Only continued, more lengthy, deeper and broader involvement of the workers who have come from Bosnia-Hercegovina in the self-management decisionmaking in the RO, in the local community, in the SIZ and in the opstina delegate system, only equal treatment in education and status promotion, in the distribution of income and pay increases, in the assumption of roles and responsibility in institutions, in actions, in the formulation of goals, and so on--that is the atmosphere and the social climate that promise more rapid economic, sociopolitical, cultural and recreational naturalization and integration as an integral part of the

Slovenian social and cultural community. There is much truth in the saying "The Slovene will accept the Bosnian just as much as the Bosnian will accept the Slovene." Science has answered numerous questions of the so-called ethnic, religious and national distance in various circumstances of common life and situations in the migrational movements of our time. It remains for science to be employed to a greater extent in this domain as well and to contribute so that associated labor and science find more optimum and promising answers to the questions that have been raised and that have come out of the extensive domestic Yugoslav migration over many years. Especially since the recent results of the public opinion survey of Slovenia, when compared to opinion of a few years ago, indicate that views are changing toward ever greater concern on the part of Slovenes about employment opportunities, about certain manifestations of anomy within immigrant groupings, and there is also a fair amount of emphasis on the sentiment of a threat to traditionally sensitive areas of national identity--language, customs and culture. Some of the questions, then, remain open. There is a need for both thought and preventive action so that the problems which have piled up aren't one day used to beat the immigrants, or, still more concretely, their most exposed contingent--the workers from other republics.[19]

FOOTNOTES

1. From a discussion in the Serbian Academy of Sciences in Belgrade, POLITIKA, 31 January 1982.

2. SVIJET, published in Sarajevo: "Newcomers: Slovenian Style: Comment on a Study Entitled 'Workers From Other Republics in the Slovenian Economy,'" January 1982, pp 6-8.

3. From a report of the Bosnia-Hercegovina Republic Federation of SIZ for Employment Security, 1979.

4. From a report of the Bosnia-Hercegovina Republic Committee for Labor and Employment Security and the Bosnia-Hercegovina Republic Federation of SIZ for Employment Security entitled "On Certain Issues and Problems in Placement of Workers From SR Bosnia-Hercegovina," Sarajevo, February 1981, p 3.

5. Ibid., pp 3-4.

6. Ibid., p 4.

7. Ibid., p 5.

12. Ibid. Most of the students were sent to Ljubljana. Of the 495 contracts concluded, the largest groups went to Gradis (181), Obnova (111), Mevkator (54), and so on. Students were sent to Velenje (297), Mezice (68), Trbovlje (67) and Zagorje ob Savi (44) for the mining occupations. Students were enrolled in school centers for vocational education for the building trades under very favorable conditions in Celje, Kranj, Novo

Mesto and Kocevlje (105 students). Another 104 students were sent for training and employment to the hostelry RO "Zlatni rat" on Brac and to the RO "Jadran" at Bol, which is on Brac. Similar measures have also been practiced by the construction work organization Tehnika of Zagreb.

13. From the records of the Bihac SIZ: the complex organizations of associated labor "Slovenija-cesta" and "Tehnika" of Ljubljana are educating students from Bosanska Krupa Opstina in 3-year and 4-year programs of targeted education for production occupations, providing them scholarships, credit, dormitory housing, and guaranteeing them that on graduation from the school they will have jobs for twice the length of their schooling. In Velenje a young man qualifies for an apartment as soon as he marries.

14. Ibid.

19. S. Meznaric, "Workers From Other Republics in the Slovenian Economy," pp 20-21.

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PERCENTAGE OF POPULATION, WORKERS, SOCIAL PRODUCT, INVESTMENTS

Belgrade BORBA in Serbo-Croatian 30 Apr, 1, 2 May 82 p 6

[Excerpt]

Work and Results

| | Population | Workers | Social Product | Investments |
|---|---|---|---|---|
| SFRY | 100 | 100 | 100 | 100 |
| Bosnia-Hercegovina | 18.9 | 14.4 | 12.5 | 15.6 |
| Macedonia | 8.4 | 7.4 | 5.5 | 6.3 |
| Slovenia | 8.2 | 13.7 | 16.1 | 14.1 |
| Serbia | 41.1 | 37.9 | 37.3 | 36.0 |
| Serbia, without the provinces | 24.9 | 25.2 | 24.0 | 21.5 |
| Vojvodina | 9.0 | 9.6 | 11.1 | 10.0 |
| Kosovo | 7.2 | 3.1 | 2.2 | 4.6 |
| Croatia | 20.7 | 24.4 | 26.5 | 24.0 |
| Montenegro | 27.0 | 2.2 | 2.1 | 4.0 |

CSO: 2800/392

## CROATIAN FOREIGN EXCHANGE PROBLEM SURVEYED

Zagreb DANAS in Serbo-Croatian 6 Apr 82 pp 5-7

[Article by Ivo Jakovljevic: "Where To Find the Surplus of Foreign Exchange?"]

[Text] Can SR [Socialist Republic] Croatia over the next 100 days swim over the high wave of debts which have come due and--as it is conceived--earn a net "surplus" of $834 million in international trade in 1982?

We have made the calculation: The gap between the difficult economic situation (which, they say, should not be called a crisis) and that rosy situation with general prosperity in Yugoslavia, today amounts to exactly $5 billion. That gap is a "heavy" $1 billion only in SR Croatia, which at the moment is even in a somewhat more serious financial situation. Of course, those billions in this imaginary computation do not exist in our banks and--so we have been told by a business executive--that is how it is.

This year the Yugoslav economy will have to pay to foreign banks one-fifth of the expected inflow of foreign exchange: $2.5 billion on payments of principal on long-term and medium-term loans and $2.1 billion in interest. The banks in SR Croatia alone will have to pay $500 million of those loans and approximately the same amount of short-term credits. By the way, imports of petroleum alone will cost about $3 billion. Meeting those obligations, of course, means an abundant inflow of foreign exchange into the country either from exports of goods or services. And it is that gush of foreign exchange, so anxiously awaited, that has turned into a stingy faucet in the first 90 days of this year, furnishing only an occasional drip.

### A Bad Beginning

According to the most recent figures, from the beginning of January to the end of March Yugoslav exports to the so-called convertible area rose only 4 percent instead of the planned 11 percent. Because of the shortage of this "hot" foreign exchange, imports were reduced an additional 12 percent (after previous drastic reductions). The available foreign exchange thus went primarily for punctual repayment of foreign loans. In that context even the $400 million reduction of the country's trade deficit is a hollow success.

Thus, while the Yugoslav economy as a whole exported $500 million of goods less than was planned in these first 90 days, the economy of SR Croatia alone is "to fault" for one-fifth of that shortfall. Instead of earning the expected $290 million with exported goods, economic organizations in Croatia earned only $150 million. And that difference was actually the last drop that made the cup of our illiquidity flow over, especially in Croatia. This turn of events, it seems, has confused only the delegates in the assembly and the Croatian Parliament, who in just 60 days have been served up by the Federal Executive Council and the republic executive council two altogether assessments of the economic and financial situation in the country and republic, respectively.

Perhaps in that bush of protean information on the economic situation or, more accurately, in the postponement of that report on the real financial and foreign exchange results and obligations (so as not to disturb the public, they say) lies one of the reasons why the delegates in the Croatian Parliament some 10 days ago supported almost in silence the preparations of a sizable package of short-term measures to "consolidate relations with foreign countries" which the republic executive council has these past days still been polishing and dressing under the leadership of the dynamic Petar Flekovic.

The opening question at this hour is how in view of the shortage of foreign exchange to import industrial supplies is a drop in production to be avoided, especially in Croatia, where there has been a slide for several months, but only appeared in the statistical survey of the economic situation for the first time in February? Thus in February and March industrial output in the republic was down two points from the same time last year. The shortage of foreign exchange to import industrial supplies is thus now coming back like a boomerang and through the drop in production affecting exports, for whose growth there are fewer and fewer goods! And what now?

The Appearance of the Balance of Payments

In the untying of the foreign exchange knot in the country as a whole the greatest confusion at the moment is with the methodology, which was disputed even earlier, for establishing the country's payments balance and exchange balance and the individual republic and provincial positions within that document. That payments balance and exchange balance has become a hot potato simply because they serve as the guide for exchange controls and the general regulation of imports. And they are in dispute precisely because they come out even in the final figures: Both according to the payments balance and the exchange balance, for example, Yugoslavia dare not this year have a deficit greater than $500 million, and SR Croatia is supposed to have a surplus of $834 million. Now, to go back a bit, the payments balance is a survey of all sales and purchases of our goods and services on the world market, and the exchange balance is a survey of payments come due for our accounts receivable and payable involved in that trade. Of course, the difference between the payments balance and the exchange balance is created by sales and purchases on credit, which is a particular feature of the economy in Croatia, which is selling ships, production equipment, transportation equipment, and so on.

Certainly the payments balance and the exchange balance do equal out over a lengthy period of time, say, 7-8 years. But within just 1 year, and that a year in which a larger inflow of foreign exchange from exports is being sought, specifically from the sale of our ships, production equipment and other capital goods abroad, the exchange balance--and not the payments balance--and the exchange-balance positions of the republics and provinces become the alpha and omega of exchange regulation in the country, especially since the foreign exchange market hardly exists.

Thus Yugoslavia ended last year with a great success, having reduced its payments deficit in foreign trade to only $750 million, $1.4 billion with the convertible area. That net result is indicated in the country's balance of payments. At the same time the Croatian economy, for example, showed a surplus of $270 million in trade with the convertible area in the republic payments-balance position. However, in the country's exchange balance that negative difference between foreign exchange income and foreign exchange expenditures was $2.3 billion last year, or, more accurately, $900 million more than was shown by the payments balance for trade with the convertible area. At the same time, a shortage of almost $500 million was shown in the exchange position of SR Croatia.

In this case, then, the balance of payments was like a makeup job on the entire country, and especially on Croatia, since the exchange balance is actually the only reality. Incidentally, foreign loans are also repaid solely from foreign exchange which is in pocket, and not from that which is "printed" by the statistical service.

And in this tangle of hidden causes and debatable consequences lies one of the main reasons why the agreement among the republics and provinces was not achieved again this year on the country's payments balance and exchange balance and on the import-export rights and obligations that follow from that agreement. The temporary measures of the Federal Executive Council still remain in effect; they honor a kind of compromise solution, which is not suitable to a single republic or province.

Why the Debate About Petroleum

That is why people in the Croatian Executive Council say that at this moment "a joint program needs to be established for resolving the most urgent problems of Yugoslavia's balance of payments and exchange balance." Certainly any delay of this solution "would make it possible to achieve the main goal in economic activity--larger exports" this year. Incidentally, aside from exporting goods on credit, SR Croatia's exchange position is additionally diminished by the unresolved issue of the inflow of foreign exchange earned in transport services which are billed in dinars, as well as the debatable dinars in tourism which originate from foreign exchange. For all these reasons people in Croatia are calculating that in this year, when a surplus of about $834 million is expected in the republic's payments position, it will have a deficit of $800 million in its exchange position (the best version) or even $1.2 billion (the most unfavorable version).

SR Croatia's Payments Position and Exchange Position in Trade With the Convertible Area in 1981

Millions of dinars ($1 = 27.30 dinars)

| Designation | Payments-Balance Position Achieved | Exchange-Balance Position Achieved |
|---|---|---|
| 1. Visible exports | 39,962 | 41,061 |
| 2. Exports of services | 51,428 | 36,394 |
| 3. Income of individuals | 55,337 | 55,337 |
| 4. Interest | 493 | 493 |
| Total | 147,220 | 133,285 |
| 1. Visible imports | 81,789 | 95,052 |
| 2. Imports of services | 15,493 | 9,100 |
| 3. Expenditures of individuals | 29,741 | 29,741 |
| 4. Interest | 12,801 | 12,801 |
| Total | 139,824 | 146,694 |
| Net result, in dinars | 7,396 | -13,409 |
| Net result, in dollars | 271 | -491 |

In this context petroleum, which recently has been available in fits and starts, is another story. Up to the end of 1980 imports of petroleum were charged to the payments positions of the republics and provinces where the refineries are located, and they found the foreign exchange they needed to purchase the black gold on the foreign exchange market in Belgrade. When that ceased to function, the financial obligations to import petroleum were transferred to the republics and provinces in proportion to their share in the total consumption of petroleum in Yugoslavia. This method of distributing the financial obligations for importation of petroleum was in effect during 1981 and was carried over to this year, though even last year it came to be known as a bad move.

Because the other republics were in arrears in furnishing foreign exchange last year, Croatia was one of the republics that used even expensive short-term lines of credit to import petroleum in order to discharge its obligation to supply the Yugoslav market with derivatives, and to a large extent those credits have come due for repayment in the first months of this year. At a time when economic organizations exported $150 million of goods from Croatia, then, almost fourfold as much foreign exchange--about $575 million, had to go from banks in the republic just to pay off foreign loans in the first 90 days of this year. Given those circumstances, little was left, of course, for any ambitious importation of industrial supplies, for which banks in the republic already hold foreign exchange payment orders in the amount of about $150 million. Those orders are waiting for a new gush of foreign exchange.

For all these reasons proposals have been traveling from one desk to another in the Croatian Parliament that would give domestic petroleum the same treatment as coal, gas and electricity. That would mean that the republics which have their own petroleum would use it first to meet their own needs and would then commit possible surpluses to meet the demand in other republics and provinces or for exports. According to certain computations, if domestic petroleum were given this treatment, the economy in Croatia would meet its own needs for petroleum and derivatives with imports amounting to $260 million instead of the $528 million called for in the temporary order of the Federal Executive Council. In that case the refineries in the republic would operate at 50-percent capacity, and in order to reduce production costs they would have to be concerned about doing more refining of imported petroleum for foreign customers.

Along with that idea, demands are also circulating for realistic projections of the country's balance of payments and exchange balance and of the positions of every republic and province, and also demands for reassessment of the policy governing assumption of indebtedness abroad in which in future every type of credit could be taken only by those who will repay it either from their own inflow of foreign exchange or from pooled foreign exchange, no matter which. Consideration is also being given to possibilities for joint resolution of the illiquidity of individual banks at the level of the entire country, above all through interbank loans, since at no point can the financial reputation of the Yugoslav economy be allowed to get in jeopardy. Among other reasons, for the sake of--future credits.

Investments and Firefighters

But certainly the greatest troubles in coming months will be with investments, especially those largest ones. That is, it is a fact that most of these largest investment projects in Yugoslavia as a whole have been undertaken in Croatia and that those investment projects also represent the main debtors under foreign loans. The time has come for repayment, but those investment projects are still "under way." This applies equally to DINA [expansion unknown], TUG (manufactured fertilizer plant) in Kutina, the still not altogether finished nuclear plant at Krsko (built jointly by Croatia and Slovenia), but also to other unfinished investment projects which, like Jadral, for example, are not yielding the expected results. This is obviously the principal reason for the present critical economic situation. In evaluating each of these investment projects it would be difficult to dispute the need for any one of them, with inglorious exceptions. But the effort is being made to build them all at once, and that to a considerable extent by virtue of foreign loans; this truly was an illusion on the part of many people, whose political responsibility can now barely be recognized in the dense fog.

But many of those some 20,000 investment projects in Yugoslavia will come to a halt in coming months, simply because there will not be the funds in the banks for all of them this year. In SR Croatia, however, it is expected that the Obrovac and Cakovec hydroplants will be completed this year, that the Molve II oil field will be opened, that regular production will begin in the second phase of the manufactured fertilizer plant in Kutina, in the first phase at

DINA on Krk, and certain others. It is especially important that the Kutina fertilizer plant start production as soon as possible, since the first payments on foreign loans for that project come due in a year.

The package of emergency measures (referred to as "firefighters") we have mentioned and which the Croatian Parliament supported as a part of stabilization policy this year, naturally contains some new incentives for augmenting exports. It is thus expected that legislation will soon exempt exporters from payment of contributions and tax on income earned through exports. There also will be incentives for foreign exchange savings and then for the purchase of foreign exchange for the credit financing of housing construction and the sale of imported goods in bonded warehouses. Specific measures pertain to increasing the inflow of foreign exchange from tourism this year.

Many of these measures which have been circulating these past few days have been proposed in the economy for at least 2 or 3 years now. Now that the going has gotten rough, it seems that the last moment has come for their application if the exporter is to live at least as well as the importer or the one who sells exclusively on the domestic market.

Yet how nice it would be if the economic situation in the entire country, therefore in Croatia, could be improved with a single package of economic policy measures or by transferring foreign exchange from one bank to another. How nice it would be if all the disputes about the balance of payments and the exchange balance and also petroleum could be resolved with "real projections." It is a fact, however, that the entire foreign exchange system is being implemented with the cart before the horse and therefore can hardly function.

After it took effect in 1978, the foreign exchange law was respected only in the establishment of the payments and exchange positions of the republics and provinces, while in everyday economic life a sizable step backward was taken. Precisely because there are no associations in the economy organized around so-called joint revenues and income and in the case of exports--for example, in the production of ships for export--the foreign exchange pie is divided up in the most primitive way--in advance, before anything has been exported. Since there are rarely agreements between suppliers and the ultimate exporters of some commodity concerning distribution of the foreign exchange earned, everything is collected, together with all the unjustified production costs, through what is referred to as foreign exchange participation in domestic trade. Where an agreement does not exist, the judgment is made by the government, whether it is the Federal Executive Council or the administration in the republics and provinces. The thing goes round and round with almost overwhelming consequences.

But along with the firefighting activities of the executive councils, preparations are also under way throughout the country to change the country's social plan for development up to 1985. In particular many good initiatives in this effort are expected from the Federal Commission for Stabilization, which is completing a long-term program for emerging from the economic difficulties in which Yugoslavia has become entangled in recent years.

On several occasions these past several days we have heard one and the same sentence: "Everything will be clear before the 12th LCY Congress."

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## PRINTING OF MONEY RESTRICTED TO PRIORITY NEEDS

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 25 Mar 82 p 8

[Text] A decision on implementing goals and tasks that the Federal Executive Council adopted in late February stipulates that the National Bank of Yugoslavia provide 84.4 billion [dinars] from its primary issue in 1982 to finance the priority tasks of economic policy; 81 billion of this will be used for the monetization of valuable papers and for support in achieving the selective goals of monetary-credit policy. Support for achieving the selective goals will be carried out by monetization with a selective designation of the valuable papers and other documents derived from the commodity and monetary activities of organizations of associated labor, and with the issue of selective credits. The criteria for the use of monetization with selective designation, in accordance with the tasks from the Social Plan of Yugoslavia for the current medium-term period, will be established by the Assembly of Yugoslavia on the basis of the proposals prepared for 1982 by the National Bank of Yugoslavia.

### Most for Encouraging Exports

In accordance with a decision by the Yugoslav Assembly on the goals and tasks of the joint issue and monetary policy and the joint foundations of the credit policy, the primary issue in 1982 will be used primarily to encourage exports--i.e., exports of goods and services for cash; commercially financed exports of goods; financed exports of goods and services to the developing countries; payment of claims based on the financed export of equipment and ships and the performance of financed investment work; the production and preparation of goods for export and the supply of associated labor to tourist and hotel organizations in order for them to prepare for providing services to foreign tourists, financing the production and preparation of goods for export in accordance with contracted deals financed by an international financial organization, and paying claims from the International Bank for Reconstruction and Development based on work that has been carried out and paid for and equipment that has been installed for investment programs in Yugoslavia that are partially financed with funds from the World Bank.

Within the framework of the socially organized production and reserves of basic agricultural and food products, credits from the primary issue will be used for the production of wheat, rice, corn, sugar beets and sugar, oil crops and

tobacco; for the raising of livestock (cattle, pigs, sheep, poultry and fish) and the production of milk; for seasonal reserves of domestic wheat, rice, corn, oil crops, domestic unprocessed oil, sugar beets, sugar, tobacco, table grapes and apples in freezers, wine in the wine cellars of the social sector, meat in freezers, and milk products from social production.

In addition, this year the primary issue will also be used for the market commodity reserves of agricultural and food products; the sale and purchase of domestic ships and equipment for credit in Yugoslavia; reserves of coal in coal mines, at thermoelectric power stations and other large coal consumers in the economy, and in trade in the larger consumption centers; and imports of raw materials and semi-finished products from the developing countries and from certain hard currency areas, in accordance with the list of products from certain countries designated by the Federal Executive Council.

In accordance with the decision on the goals and tasks of the joint issue and monetary policy and the joint foundations of the credit policy, in 1982 the financing of the preparation of production for export and the exports themselves of goods and services will be carried out under more favorable conditions in regard to the terms for repaying credits and the participation of the primary issue than the conditions prevailing in 1981, as long as these conditions are in accordance with the framework established for the primary issue.

Furthermore, the basic agricultural and food products will be at least in the same situation as in 1981 in regard to financing from the primary issue, especially in regard to the terms for repaying the credits and the participation of the primary issue. In this case, as well as in the support for exports, the conditions must be coordinated with the framework planned for the primary issue.

Preventing an Unjustified Accumulation of Reserves

In order to support an increase in the exports of capital goods, it has been planned that the banks will increase their investments for this purpose. Through a self-managing agreement, in accordance with the Social Plan for Yugoslavia for the current medium-term period, the banks are to pool in the Yugoslav Bank for International Economic Cooperation at least 5.5 billion dinars for financing exports of equipment and ships and for carrying out investments abroad for credit. Furthermore, since the use of the primary issue for financing exports of capital goods in 1982 will be carried out under more favorable conditions than in 1981, the primary issue will also be used to ensure significant support for exports of equipment and ships and for carrying out investments abroad.

A special measure of the monetary-credit policy, which is being introduced for the first time for 1982, is preventing the use of the primary issue for the unjustified formation and maintenance of reserves for the purpose of creating an artificial shortage of goods on the market, in order to exert pressure for increasing the prices of the products in the reserves formed with the support of the primary issue.

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PAYMENT PROBLEMS IN YUGOSLAV-IRANIAN TRADE

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 26 Mar 82 p 3

[Article by Zdravka Cicmirko-Pokrajcic: "The Bankers Have Obstructed the Work"]

> [Text] This year, as stipulated in the plan, trade with Iran should amount to about $500 million. Thus Iran's share of Yugoslavia's trade with Asian developing countries would be greater--9.9 percent for exports and 8.4 percent for imports. As things stand, however, the plan apparently will not be carried out. The dynamic progress of trade has been obstructed in the banking stage. The Yugoslav-Iranian interbank arrangement should have promoted trade. Instead, there has been a holdup in carrying out the concluded deals and new ones cannot be resolved. The losses are great, and it will not be possible to compensate for the foreign exchange lost, at least not this year.

It is difficult to compile a detailed analysis of everything that has happened in the last few months in regard to trade with Iran but it is well known that the PKJ [Yugoslav Economic Chamber] Section for Economic Relations with Iran has decided the vital questions for business with this country without the participation of the businessmen who were gathered there anyway. Let us pass by this, however.

During the talks between Yugoslav and Iranian businessmen in September 1981, the directions for the development and promotion of economic relations between the two countries were established. On that occasion we accepted the proposal by the Iranians that trade be balanced, with Iran adjusting its purchases of goods from Yugoslavia to the amount of the agreed purchases of oil and other Iranian products. Instead of beginning to work on an agreement and the development of mechanisms immediately after these talks--on how to organize trade with Iran as well as possible, naturally with the inclusion of the organizations of associated labor interest in this market and all other competent bodies--all the essential issued associated with collecting payments for exports and paying for imports were agreed upon by the bankers themselves. Without the participation of industry, a consortium of Yugoslav banks was formed; on 10 January this year it signed an interbank arrangement with Iran. On the Yugoslav

side, the signers, on behalf of the consortium of eight commercial banks, were the Ljubljana Bank and the Associated Belgrade Bank; the signers on the Iranian side were representatives of the Markazi Bank (the central bank of Iran). It was agreed that the arrangement would become effective on 1 February so that the dynamic trade that had begun and the export activity would be continued.

Instead of dynamism and activity, however, trade has been frozen. The representatives of the banks that signed the arrangement notified the industry that by 1 February at the latest they would prepare guidelines for work and create conditions for normal payment for existing exports and for contracted exports. As of 20 March, however, the guidelines had not been provided, work and payments with Iran are not being carried out, and the letters of credit that are being opened in favor of our exporters are only payable when and if funds are deposited to pay for imported oil. It is well known how foreign exchange funds are collected in Yugoslavia for that purpose; 2-1/2 months after the signing of the interbank agreement, the Association of Yugoslav Banks is insisting on the formation of an operational body under the Yugoslav Economic Chamber to coordinate effectively the positions of various federal agencies for successful achievement of the planned exports to Iran.

At the creation of the consortium, the bankers were aware, and even confirmed, that the concept of balanced trade with Iran should be achieved on the whole in accordance with the foreign trade and foreign exchange regulations and without the involvement of the National Bank of Yugoslavia. Now the banks that signed the arrangement are insisting on changes and the involvement of the National Bank of Yugoslavia. In a letter at the beginning of March this year, the Ljubljana Bank, on behalf of the consortium, requested the views of the National Bank of Yugoslavia on the draft guidelines for payment transactions according to the interbank arrangement with Iran. The Ljubljana Bank has noted from the answer of the National Bank of Yugoslavia that the consortium's guidelines are to be changed and that a working group should be formed among experts of the banks belonging to the consortium; the working group will have to draw up new guidelines.

The entire affair and the interbank arrangement are back to the starting point.

The Iranians have met their obligations for oil as agreed for January and February and they are insisting on obtaining the agreed consignments of Yugoslav goods. Our exporters are unable to do anything. The producers of railroad vehicles and producers of construction machinery concluded deals worth $45 million for this year with Iran. They cannot carry out the exports because no letters of credit have been opened. The same thing has happened with the contracts of HEMPRO and RUDNAP from Belgrade and many other exporters. While businessmen are racking their brains over how to export goods to Iran and are speaking with nostalgia of when they conducted business beautifully without a consortium, the experts of the eight Yugoslav commercial banks are still consulting each other.

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YUGOSLAV FOOD EXPORTS, IMPORTS IN 1981

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 7 Apr 82 p 3

[Article by Milenko Nikitovic: "For the Second Time More Than a Billion Dollars"]

[Text] According to the data of the Federal Institute for Statistics, Yugoslav exports of food, beverages and tobacco in 1981 amounted to $1,157,000,000, which is about $100 million, or as much as 10 percent, more than in 1980. Food exports constitute 10 percent of total Yugoslav exports, which amounted to $10.5 billion. Thus, for the second time in a row, food exports have exceeded $1 billion, a sum that was unattainable for decades. At the same time, the food sector is taking the leading place on the table of exports, followed by all others, including machine-building, metal-processing, textiles, leather, wood, etc. The record surplus in the foreign trade balance for food, amounting to $369 million, should also be emphasized.

Undoubtedly the production forces, capacities, resources and unutilized possibilities in the sector of food, and thus of agriculture and the food-processing industry, conceal within themselves great internal reserves for increasing agricultural exports. Last year's volume of exports was achieved in a year in which the harvest and the yields were not the best; the exports of young beef, the largest export item after fruit and vegetables, were even considerably reduced.

Record agricultural exports in 1981, however, were made possible by an increase in shipments of other livestock products, record exports of fruit and vegetables, $100 million worth of grain, alcoholic beverages and wine (close to $100 million) and tobacco and tobacco products.

More detailed analysis shows that exports of live cattle, live horses and canned meat were increased by $73 million, followed by poultry, eggs and lamb. Even the $70-million increase in exports of fruit and vegetables if of particular significance. For the first time we passed the figure of $100 million in exports of canned meat and $20 million in lamb. The figures for exports of several of the most important products are as follows:

| Exports | Millions of Dollars |
|---|---|
| Livestock | 149 |
| Meat | 110 |
| Canned meat | 118 |
| Poultry | 103 |
| Fruit and vegetables | 266 |
| Wine and alcoholic beverages | 91 |
| Tobacco and tobacco products | 130 |

Where are further possibilities for increasing agricultural exports?

Insufficient Exports of Livestock and Meat

Exports of $259 million are insufficient for the livestock industry of a country in which 35 percent of the population is engaged in agriculture and which has 10 million hectares of arable land and pastures. In 1981 there was a decline in exports of young beef (only $80 million exported in comparison with $143 million in 1980). As a result of the standstill in shipments to Greece, it is realistic to set a goal of at least $300 million in livestock and meat exports by 1983. Naturally this implies organized action in livestock production, from changing further the mix of cattle breeds in individual areas, to even increasing the number of head of cattle, especially in the socialist sector. According to the livestock inventory, we had 5.1 million head of cattle in 1921 and only 5.6 million in 1982. It is unnecessary to prove how absurd the state of our stock fund is, since for 60 years we have kept approximately the same number of cattle.

In addition to insufficient exports, in 1981 we imported 31,000 tons of beef for processing, and in 1980, as much as 55,000 tons. Thus, last year we exported 21,000 tons of "baby beef" but imported 31,000 tons of beef, which means that the balance is negative. This argues even more that we must advance and promote cattle raising more rapidly and effectively, for the sake of a better supply to the domestic market and of increasing exports.

The socialist sector has especially failed here. since part of such land of several tens of hectares does not keep a corresponding number of head of cattle, and some do not seriously engage in cattle-raising at all. Why is that? Simply, cattle-raising requires a great deal of work, and losses are possible; on the other hand, in farming, savings are, so to speak, guaranteed. Why expose oneself to risks? As for the fact that there is no meat, milk, or butter on the market--that is society's business.

Decline in Canned Pork Exports to the U.S. Has Been Halted

In spite of our ability to sell at least 20,000 tons of pork abroad each year, our last significant exports were in 1978; since then we have for the most part been importers, buying 4,000 to 10,000 tons per year. (We noted record exports in 1965, in the amount of 55,000 tons.)

Exports of canned port to the United States and USSR represent a significant item of our exports ($82 million in 1981) and our capabilities here are nearly exhausted. Exports to the United States are declining, as seen from the following table:

| | 1978 | 1979 | 1980 | 1981 |
|---|---|---|---|---|
| Millions of dollars | 56 | 44 | 28 | 32 |

In making plans in 1978 for exports in the following years, it was felt that we would reach $100 million fairly rapidly. We have both the capacities for and the possibilities for marketing such a volume.

The decline in the prices of live pigs in the United States in recent years, however, resulted in a decline in the prices of meat and canned meat; our exports were cut in half. It was felt that those exports should not be encouraged; they were left to the natural course of events. The consequence has been a 50 percent reduction in exports in 2 years. A positive element is that in 1981 the decline was halted and exports were even somewhat increased.

In the last 3 years, however, exports to the USSR have rapidly increased. This is an opportunity for us to obtain a position in the Soviet market and to keep it, through regular shipments (which we have not always been able to boast of), quality and a larger assortment. Last year canned meat exports amounted to $118 million, including $104 million for canned pork and $14 million for beef. It is realistic to plan for a rapid growth of exports to the United States; by 1983 they may reach the figure of $50 million. Although our exports of canned beef have been increased, they cannot be compared with the exports of canned pork. This is not because world exports of canned beef are slightly less but rather due primarily to the South American production.

What are the problems in exporting canned beef? These are primarily the expensiveness of the raw materials (beef) and the impossibility of seriously competing with the East European countries in the West European market and with the South American producers in the Middle Eastern and African market.

Exports through Greater Production

After a long period, we succeeded in selling 6,000 tons of poultry in the foreign market (in 1980 it was only 1,650 tons). We simply do not have more goods for export. While Hungary, for example, is exporting 50,000 tons ($65 million) per year, and France is exporting 300,000 tons, we are just beginning. The shortage of protein feed is not promising for either production or exports in the near future.

At the Novi Sad food congress in December 1980, goals in agricultural exports until 1985 were set, and the figure of $2 billion was presented as a possibility. It is possible to achieve this volume of exports but only if we also export the products that we have so far mostly imported regularly, or exported in symbolic quantities. These are primarily grain, corn and wheat. The amounts of 10 million tons of corn and 6 million tons of wheat, records that

are unfortunately not repeated every year, are our minimum requirement. At the same time, these figures are a barrier that we are not able to surmount. In practical terms only amounts greater than these figures can be considered as our possibilities for exports.

It is felt that this could be an amount of 2 million tons of corn and 1 million tons of wheat. This would contribute a foreign exchange income of about $400 million per year. How do we produce 12 million tons of corn and 7 million tons of wheat?

The problems of agricultural production are complex and manifold, but they can be reduced primarily to low yields and large areas of uncultivated land. Here one may also speak of the backwardness of the socialist sector, which is a failure both in yields and in persuading the private sector to accept modern technology, which would allow considerably greater yields and thus an increase in total grain production.

Experts say that the genetic capacity of corn is over 100 mc per hectare but we are still at 45 mc per hectare. The high yields of the socialist sector are unfortunately a thing of the past; they were first-rate 20 years ago. Austria, the Netherlands, Italy and West Germany, not to mention the United States, are far ahead of us in this. The socialist sector of agriculture is also suffering from other weaknesses, such as low productivity, a large expenditure of human labor, low income per hectare and also low yields, a small share by livestock raising in total production, etc.

These problems have not been discussed at large meetings, such as the federal conference on food at the Sava Center in Belgrade and the Novi Sad Food Congress. They were, however, brought out very well at the plenum of the Croatian LC Central Committee in November 1980 in Zagreb, which was devoted to agriculture.

In any case we should not go on this way any longer. Extensively organized action by the community to overcome the difficulties in regard to grain is essential and inevitable: setting concrete tasks for the socialist and private sectors in regard to the areas that should be sown, the use of agricultural technology and modern technology, the use of first-class seed, etc.--all in order to produce amounts of grain sufficient for feeding the population and also for exports, because continuing to import wheat and corn is, to say the least, unjustifiable.

We Are Importing Sugar Instead of Exporting It

Our capacities for processing sugar beet and producing sugar are about 1.2 million tons of sugar. Probably for the first time in our history, we began to export sugar in 1979; then in 1980 and 1981 we imported 155,000 tons of sugar at a value of $88 million. We simply must sow areas with sugar beets to ensure enough sugar production to satisfy the needs of the country and at least 200,000 tons for export. This was also the purpose of building tons of new

sugar mills in Yugoslavia. Our goal should be exporting 2 million tons of corn, up to 1 million tons of wheat and a minimum of 200,000 tons of sugar.

It is understandable that fruit, vegetables, wine, alcoholic drinks, tobacco and tobacco products are among our most significant export items. In 1981 these exports reached about $0.5 billion. Each of these products, taken separately, deserves the full attention of both the producers and society as a whole, because they are very important for the balance of payments and the Yugoslav economy. An increase in the production and export of all of these products can be achieved.

An active Balance

The following table shows the Yugoslav foreign trade balance in food for the last 5 years:

| | (In millions of dollars) | | | | |
|---|---|---|---|---|---|
| | 1977 | 1978 | 1979 | 1980 | 1981 |
| Exports | 606 | 687 | 783 | 1,050 | 1,157 |
| Imports | 783 | 604 | 977 | 955 | 788 |
| Balance | -177 | +83 | -194 | +95 | +369 |

In discussing imports, one should naturally not lose much time on coffee and tropical fruit, because these are permanent import items. Let us dwell, however, on the goods that we can produce in sufficient amounts but in which we are always lacking and always importing with precious funds. These are:

| Product | Tons | 1981 Imports Millions of Dollars |
|---|---|---|
| Beef | 30,776 | 46.4 |
| Pork | 2,392 | 4.6 |
| Giblets | 6,494 | 4.0 |
| Milk products--butter, eggs | - | 25.8 |
| Wheat | 407,000 | 76.0 |
| Sugar | 155,000 | 88.0 |
| | Total: | 244.8 |

We should also add livestock feed, $150 million of which was imported. This is mostly crushed soybeans and fish flour, and thus protein feed. We produce fish flour and soybeans in smaller quantities but there is a possibility of replacing the expensive imported components with domestic livestock feed, to a great extent.

The Plans Should Become Obligatory

It is well known that our possibilities for increasing agricultural exports are enormous, for almost all products. It is undeniable that we lack more precise and concrete plans, as well as accompanying measures that would make it possible to carry out the plans that have been established. It is necessary to transform the plan tasks into plan obligations and not have the plans not binding on anyone.

Through more organized work and actions by the factors of production, trade, the associations, bank and the entire society, our agricultural exports can without a doubt reach the planned, necessary and essential $2 billion, and probably even more, within a few years.

9909
CSO: 2800/349

PRODUCTION, CONSUMPTION, PLANS IN CHEMICAL INDUSTRY

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 23 Apr 82 p 11

[Article by R. Krcunovic: "Discrepancy in the Usual Flows"]

[Text] In spite of the large number of its diverse products the Yugoslav chemical industry relies on a relatively small number of raw materials, 10 of which, the leader is in terms of quantity, have a share of about 90 percent in total consumption. Four groups of initial raw materials in the chemical industry--carbon (petroleum, natural gas, coal and their derivatives), nonmetallic (phosphates, pyrite, potassium and sodium chloride, sulfur, borates and others), metallic (titanium and chromium concentrates, alumina, copper, lead and zinc) and biological (cellulose, molasses and fats)--are consumed in an amount exceeding 610 million tons a year in world production, in which the share of the Yugoslav industry is 0.59 percent.

Imports Dominant

About 930 kilotons of carbon raw materials, 3,200 of nonmetallic, 85 kilotons of metallic and 205 kilotons of biological raw materials are produced today in Yugoslavia. If we compare the pattern of their consumption with the world pattern, we note large differences, first of all considerably less carbon raw materials because of the lag of petrochemical production, while the situation is the reverse with respect to nonmetallic raw materials. Raw materials are consumed in our industry in the following proportions: carbon 22.2 percent, nonmetallic 71.1 percent, metallic 2 percent and biological 4.7 percent, while the world pattern is carbon 32.8 percent, nonmetallic 60.7, metallic 10 and biological 30 percent.

The imported portion of total consumption of raw materials in the domestic chemical industry has been growing steadily in absolute terms and in proportion, which is a reflection of our orientation, which incidentally is the orientation of almost all European countries, to develop the chemical industry on the basis of imported raw materials. Thus our chemical industry consumes a total of more than 3,600 tons of raw materials every year, 2,600 of which are imported, representing about 60.4 percent. As a matter of fact, several of the most important raw materials are entirely imported, such as phosphates, potassium salts, sulfur, titanium concentrate, mineral borate; a number of others are partially imported, among them natural gas, petroleum and

derivatives, salt, pyrite, quartz sand, chromium concentrate, cellulose, fats, rosin and charcoal. The steady growth of imports can be illustrated with figures which show that the amount of these raw materials in 1970, for example, was 1,396 kilotons, while 10 years later it was 3,667 kilotons, or an increase of 2.7-fold.

In order to make up the shortage of quality energy raw materials, more than 73 percent of the total consumption of crude petroleum is obtained every year through imports, and the figure exceeds 76 percent if we include the imports of derivatives, and then 49 percent of the natural gas consumed is imported and 100 percent of the coking coal.

As for the supply of energy raw materials, we find there has been a steady slow growth of petroleum production, stagnation in natural gas production and a drop in the production of bituminous coal, which is in any case very small. At the same time new petroleum and natural gas deposits in the country are being explored, and explorations are including even the Adriatic Sea.

Chemical production is also characterized by a relatively low utilization of capacity, running about 50 percent for chlorine and electrolytic caustic soda, 65 percent for sulfuric and phosphoric acids, and 75 percent for ammonia. Utilization of capacity is especially low in Kosovo: 18 percent for phosphoric acid, 34 percent for sulfuric acid and 31 percent for superphosphates. On the other hand the amounts imported are 63.6 kilotons for the heavy inorganic chemical industry, 15.8 for phosphoric acid, 16.4 for chlorine, 131.8 for caustic soda, 93.6 for ammonia, and 108.3 kilotons for fertilizers. Yet all these amounts, except for about 60 percent of the caustic soda, could be manufactured by the domestic industry. The value of these imports is nearly $100 million annually.

The Growth Continues

About 50 factories to produce chemical raw materials, either new construction starts or those already under construction, are to be completed by 1985 at existing centers or at new sites, and this will, of course, be accompanied by expansion of the present chemical manufacturing industry. Activating these facilities will increase the volume of new production, not counting that the chemical manufacturing industry will increase its capacity by about 10 million tons of new products. Heavy inorganic chemicals will have a share of 6-6.5 million tons of this and heavy inorganic raw materials 3.5-3.8 million tons. It is assumed that it will also be possible to consume 2,430 kilotons of carbon raw materials annually, 4,200 kilotons of nonmetallic raw materials, 105 kilotons of metallic raw materials and 245 kilotons of biological materials, for a total of 6,980 kilotons. There will also be a proportional growth of demand for imported raw materials, whose share is estimated at 62.3 percent.

When the consumption of raw materials in 1985 is evaluated, it is assumed that all production capacities will be in operation, including those now in construction, and that their level of utilization will be higher: 70 percent for petrochemicals and ammonia, an increase to 30 percent for manufactured fertilizers and their raw materials, all of 100 percent for chlorine, and 40 percent

for soda ash. As a matter of fact a far better utilization of capacity is assumed for the manufacturing industry, which will also mean higher consumption of raw materials.

The new facilities in the chemical industry should guarantee a further growth of production, which, according to estimates, will grow at an annual rate of about 6 percent up to the year 1990 and will in turn require a similar growth in consumption of raw materials: carbon 3,380 kilotons, nonmetallic 5,300, metallic 180 and biological raw materials 280 kilotons. Imports will have a share of about 64.5 percent of those figures.

7045
CSO: 2800/377

STATUS OF TRANSPORTATION INFRASTRUCTURE

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 24-26 Apr 82 p 3

[Article by R. Krcunovic: "Basis of Greater Activities"]

[Text] Transportation is one of the most essential factors in the larger volume of commodity trade, in the development of various regions and in the opening up of new areas. At the same time it depends greatly on construction of the necessary infrastructure: railroad lines, highways, airports, seaports and riverports, transshipment points and other accompanying facilities. These facilities have a large impact on attraction of transit flows and on better utilization of our country's geographic and other advantages and in general on greater inclusion in the international division of labor.

Yet in the past period the transportation infrastructure has not been undergoing construction to meet needs and plans, and it has become one of the principal reasons for the ineffectiveness of the total transportation system, of the inappropriate division of labor on the market of transport services, and thereby also of inefficient business operation, which is having a manifold adverse effect on the business operation of the entire economy, which is manifested inter alia in the enormously high share of shipping costs in total production.

Unsafe "Slow Speed"

The modernization of railroad transportation in the last medium-term period was accomplished only at about 50 percent, so that the condition of the infrastructure has been little improved. Of the total length of the standard-gauge network, which is 9,465 km, only 981 km are double-track, only 3,167 km have been electrified, which is 33 percent. The picture is made worse by figures on the degree of wear and age, since only about half of the track is in good condition, about 53 percent has not yet been equipped to take an axle load of 20 tons, and accordingly only 12 percent has been equipped for speeds over 100 km per hour and only 60 percent for speeds exceeding 80 km per hour. A consequence of this situation is the unevenness of speeds. For example, on the main line between Jesenice and Djevdjelija alone there are 168 required speed changes, with an average interval of 7.34 km between them. This is the reason why traffic capacity is reduced, why trains are late and slow, and why there are so many incidents, that is, why the level of traffic safety has

dropped. In all, slow speeds are in effect on about 670 km and at 700 different places in the network of the Yugoslav Railway.

Of the planned electrification of 945 km of line, 495 km, or 53 percent, were done; 27 percent of the safety signal and remote control construction was done, and major repairs were done on only 1,311 km, or about 61 percent of the 2,138 km planned. Completion of this program in the current medium-term period is one of the most important goals; it is motivated by the desire to do better in completing what has been planned and started, and later plans will be made for other projects beyond that.

The Problem Called "Equipment"

As for the infrastructure of seaports, the breakwaters and docks were mainly built in the previous period, but plans were not fulfilled for building rail sidings, cargo sheds and storage areas or for furnishing cargo-handling machinery. The main problem in their further modernization is the importation of certain equipment which is not manufactured in the country and the shortage of foreign exchange to purchase parts and components, even though the inflow of foreign exchange realized by operation in seaports is the most lucrative, since there are hardly other expenses except for these purposes.

The situation is similar when we look at riverports, where construction work and docks have mainly been completed, they received about 65 percent of all the investment capital, while 30 percent went for equipment and 5 percent for other purposes. It remains, then, to furnish capital for equipment and machinery in the coming period. It is assumed that with better equipment of riverports and cargo terminals the volume of cargo handled could increase to over 65 million tons by 1985.

Yugoslavia today has 15 airports, among them 12 equipped for international traffic. By and large their structures and terminals meet the needs of the present and immediate future, except for a few where additional construction is envisaged, but at most of them the runways are not as satisfactory in quality, length or signal devices. The work organizations operating the airport are incapable of further investments on their own because they are overburdened with repayments of credit and repayment of loans from the previous period, so that sociopolitical communities are showing a greater interest in these projects, and their aid is almost indispensable to further improvement of their capability, especially since the functioning of the airports yields manifold benefits to the regions where they are located.

The network of highways, which are important factors to attracting more tourist traffic, transit and in general for the country's inclusion in the flows of the international economy, is not satisfactory. In order to provide greater safety, to speed up the development of certain regions, and especially to achieve a higher degree of connection of our transportation to certain international routes, projects to be completed by 1985 include sections of the Brotherhood and Unity Highway from the Karavanka Tunnel to the Yugoslav-Greek border via Kranj, Ljubljana, Zagreb, Belgrade, Nis and Skopje. And then certain of the most heavily trafficked sections will be completed on the

North-South Highway: that is, the sections Subotica--Osijek--Bosanski Samac--Doboj--Sarajevo--Mostar--Kardeljevo and Subotica--Feketic--Novi Sad--Indjija--Batajnica. So that Montenegro can become better connected to the network of main and international highways, construction will continue on the highway from Titograd and Niksic to Sarajevo via Foca. So that the southern part of the country is better connected to the central portion and the Adriatic coast, the Pec-Andrijevica highway will be built via Cakor.

The necessary facilities of the basic infrastructure will be built and rounded out so as to guarantee accomplishment of the basic goals: the possibility of greater influence of transportation on development of particular areas, development of the economy, and faster and better inclusion in the international division of labor.

7045
CSO: 2800/377

## BRIEFS

FIRST COBALT DEPOSIT--Geologists have discovered the first cobalt deposit in our country near Zivinice not far from Tuzla. According to initial estimates, these cobalt reserves in the localities of Tadici-Brezik and Gabi-Kovacevic would be sufficient to free us for a number of years from imports of this rare metal and enable us, we hope, in the future to be among the few countries to export cobalt. It has been shown that there are three main levels of cobalt deposits which, with their offshoots, from one enclosed ore field with an estimated potential of 3,000 to 5,000 tons of cobalt. The cobalt content of the iron and nickel ore, it is believed, can be successfully enriched by flotation. [Excerpt] [Sarajevo OSLOBODJENJE in Serbo-Croatian 28 Apr 82 p 4]

AUTO PRODUCTION, EXPORTS--In the first 4 months of this year the "Crvena Zastava" plants in Kragujevac exported 10,878 passenger cars; this was 17 percent below the plan for this period. This was largely the result of reduced production; namely, 47,000 cars were produced in this period, or 30 percent less than the planned number. This factory, nevertheless, expects production to be normalized and to achieve a record export of about 52,000 cars by the end of the year. [Text] [Zagreb VJESNIK in Serbo-Croatian 8 May 82 p 12]

NONFERROUS METAL PRODUCTION, EXPORTS--As has been the case in previous years, this year's balance sheet for nonferrous metals shows that processors' needs are considerably more than production. In most cases domestic production could meet [processors'] needs, but because of large export obligations, processors do not have enough metal and therefore must import. This year the plan calls for the production of 290,000 tons of aluminum. Processors' needs amount to about 200,000 tons, but export obligations of producers amount to 123,000 tons, so significant amounts of aluminum must be imported. Bauxite export obligations amount to about 300,000 tons, and alumina export obligations amount to 700,000 tons. Most of these exports will be to the USSR and the GDR which have provided credits and equipment. Copper processors need about 170,000 tons. As is usual, they provide the foreign exchange to import this raw material to produce copper. They are expected this year to produce 36,000 tons from imported raw materials, and about 100,000 tons from domestic raw materials, producing a total of 136,000 tons of copper. Planned production of lead this year is nearly 120,000 tons. The needs of consumers amount to 134,000 tons, while export obligations amount to 24,000 tons. In regard to zinc, needs are less than planned production--90,000 tons compared to 98,000 tons. But zinc producers are obligated to export about 32,000 tons, so processors will have to import certain quantities. [Text] [Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 19 Apr 82 p 31]

LACK OF CORN--A critical situation in regard to the supply of corn exists in almost all republics and provinces, because corn deliveries are not proceeding as planned in the Social Agreement or the Self-Management Agreement. For normal supply, Slovenia lacks 100,000 tons, Serbia 314,000 tons, and Macedonia about 140,000 tons of corn. Corn reserves vary from 4 to 60 days in individual regions (Slovenia has the most reserves while the most critical situation exists in the Pmoravlje area and in Macedonia). It was said that a price increase would not increase the buying up of corn [for market consumption], but would rather cause disruptions in other branches of the agrocomplex. [Excerpt] [Belgrade PRIVREDNI PREGLED in Serbo-Croatian 6 May 82 p 1]

BANK CREDITS PLANNED--According to a survey of the bank association, banks in Yugoslavia plan to grant 221.6 billion dinars in long-term credits by the end of the year (123.6 billion dinars more than planned in the adopted credit-monetary policy), and 127.1 billion dinars in the short-term credits, or 44 billion dinars less than the plan. [Text] [Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 19 Apr 82 p 9]

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END

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28 May 1982

# East Europe Report

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2274

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28 May 1982

# EAST EUROPE REPORT

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2274

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# REPORT, COMMENT ON FULFILLMENT OF QUARTERLY PLAN FOR 1982

## First-Quarter Results Reported

Sofia RABOTNICHESKO DELO in Bulgarian 21 Apr 82 p 2

[Report by Committee on Integrated Social Information System: "Good Organization--High Economic Results; Results of Fulfillment of Integrated Plan for Socioeconomic Development of Bulgarian People's Republic during First Quarter of 1982"]

[Text] Labor collectives in the first quarter of 1982 mounted socialist competition of still greater scope and entered upon the second year of the Eighth Five-Year Plan with new successes.

State planned targets and plans were overfulfilled. Additional reserves were discovered for a general intensification and rise of production efficiency. Higher final economic results were achieved, thereby guaranteeing fuller satisfaction of the needs of the national economy and a rise in the people's living standard.

In the first quarter of 1982, basic economic results increased over the same period in 1981 as follows: aggregate profit 107.9; net output 104.9; social productivity of labor 103.0.

The growth of production achieved in industry, construction and agriculture affected the final economic results.

I. Industry

The economic organizations and enterprises of industry overfulfilled their production targets. The volume of commodity industrial output increased 6.0 percent over the first quarter of 1981 and amounted to 8,757,000,000 leva.

In the basic sectors and systems the increase of commodity output in the first quarter of 1982 over the first quarter of 1981 was as follows:

| | |
|---|---|
| power supply | 107.3 |
| metallurgy and mineral resources | 108.0 |
| machine building and electronics | 105.1 |
| chemical industry | 103.7 |
| woodworking and pulp and paper industry | 106.9 |

| | |
|---|---|
| light industry | 104.3 |
| printing and publishing industry | 101.9 |
| construction materials | 103.4 |
| transportation industry | 103.5 |
| National Agroindustrial Union | 106.0 |
| Ministry of Internal Trade and Public Services | 105.3 |
| Central Cooperative Union | 106.4 |
| Capital City People's Council | 100.6 |

A certain slowdown in respect of the process of sales of the output of some economic organizations and enterprises of industry occurred as compared with the first quarter of 1981.

The national economy's needs of important raw and other materials and of commodities for the domestic market and for export were more fully met.

PRODUCTION OF CERTAIN BASIC INDUSTRIAL PRODUCTS

| Sector or system/unit of measure | Output produced in 1st quarter of 1982 | 1st quarter of 1982 as % of 1st quarter of 1981 |
|---|---|---|
| Electric power, 000,000 kwhr | 11,145 | 108.2 |
| Coal, 000 tons | 8,654 | 114.0 |
| Rolled ferrous metal products, 000 tons | 870 | 107.8 |
| Electrotelphers, 000 units | 32 | 106.1 |
| Motor trucks, 000 units | 5 | 105.8 |
| Power transformers, 000 units | 2.3 | 106.3 |
| Soda ash, 000 tons | 373 | 103.4 |
| Synthetic fibers and silks, 000 tons | 26 | 100.4 |
| Cement, 000 tons | 1,308 | 107.3 |
| Paper, 000 tons | 89 | 103.4 |
| Pulp, 000 tons | 55 | 96.0 |
| Furniture, 000,000 leva | 103 | 112.0 |
| Finished cotton fabrics and cotton-type fabrics, 000,000 m | 90 | 103.0 |
| Finished woolen and woolen-type fabrics, 000,000 m | 9.6 | 104.5 |
| Shoes (excluding rubbers and house-slippers), 000,000 pairs | 4.9 | 100.6 |
| Meat, 000 tons | 107 | 110.3 |
| Meat products, 000 tons | 22 | 101.7 |
| Butter, 000 tons | 4.8 | 105.4 |

The following items were not produced in targeted quantities during the quarter: casting pig, steel ingots, cold rolled steel, steel tubes, cement, steel supporting structural members, drill seeders, trucks, cowhides, cotton threads and certain consumer goods such as sugar products, canned vegetables, table wines, silk fabrics, faience tiles, meat and vegetable baby foods, and nonalcoholic beverages.

## II. Agriculture

During the first quarter of 1982 2.0 percent more agricultural output was produced than during the same period last year. Animal husbandry output rose 3.8 percent. There was a 2.3 percent increase in meat by slaughtered weight, a 6.6 percent increase in milk, a 6.1 percent increase in average milk yield per cow on fodder.

The number of head of agricultural animals and poultry for all categories of farms was as follows:

| Animals and poultry | 000 head as of 1 April 1982 | 1 April 1982 as % of 1 April 1981 |
|---|---|---|
| Cattle | 1,417 | 100.2 |
| including cows | 484 | 101.1 |
| Sheep | 8,813 | 101.9 |
| Swine | 2,760 | 96.8 |
| Poultry | 23,670 | 105.1 |

A number of agroindustrial complexes and okrug people's councils have permitted a decrease in agricultural animals.

In comparison with the first quarter of 1981 there was an increase in the purchase of animals and animal husbandry output, with the exception of eggs. During the first quarter 9.7 percent more livestock and poultry and 9.9 percent more milk were purchased from all categories of farm, and 5.6 percent fewer eggs.

## III. Construction

Construction and installation organizations in their capacity of chief builder's foreman completed construction worth 703 million leva. The best fulfillment (105.1 percent) was achieved by the construction and installation organizations of the Ministry of Construction and Architecture. Organizations from the system of the ministries of power supply, transportation, forests and forest industry and the Capital City People's Council failed in their capacity of chief builder's foremen to meet their construction production targets for the quarter, as did also the construction and installation combines of the okrug people's councils.

Overall, the volume of construction of facilities for consumer goods production was fulfilled. Notwithstanding, the construction of such facilities fell behind in the system of the following ministries--light industry, construction and architecture, metallurgy and mineral resources, as well as in the National Agroindustrial Union and the Central Cooperative Union.

Capital assets worth 281 million leva were put into operation in the first quarter. Over 3,900 housing units were completed and delivered to the population.

## IV. Transportation and Communications

Total revenues realized in transportion increased 6.2 percent over the first quarter of 1981.

Some technical and industrial indicators for the utilization of transportation resources were improved. Freight car turn-around time was cut down by about 4 hours. The average 24-hour run was increased 4.5 percent, while average gross freight car weight was increased 1.8 percent.

The revenues realized from communication services performed rose 6.8 percent over the first quarter of 1981.

V. Trade and Public Services

Goods worth 257 million leva--or 10.7 percent--more than targeted were produced and offered to the internal market. Enterprises and economic organizations within the following systems--machine building and electronics, metallurgy and mineral resources, chemical industry, woodworking and pulp and paper industry, light industry, internal trade and public services etc.--overfulfilled their targets.

The quarterly plan of personal services for the population was overfulfilled by 10 million leva. Significant growth (16.0 percent) over the same period in 1981 was achieved.

Fewer personal services than targeted for the quarter were performed only in radio and television maintenance and repair (1.1 percent), dry cleaning (1.0 percent), and construction and installation services (14.1 percent).

First-quarter targets for retail goods turnover were fulfilled. Retail goods turnover increased 6.2 percent over the same period in 1981, including goods turnover in the trade network (6.3 percent) and public food service (5.5 percent).

Export targets for the quarter were met, with exports to the socialist countries increasing 13.9 percent over the first quarter of 1981.

The results achieved in the country's socioeconomic development during the first quarter are a good foundation for fulfillment of the second-year plan of the Eighth Five-Year Period.

## Comment: Successful Start

Sofia RABOTNICHESKO DELO in Bulgarian 21 Apr 82 p 2

[Article by Yordan Ganev]

[Text] The results of plan fulfillment during the first quarter of the year are an occasion for reflection and for appraisal of what the collectives have done in all spheres of the national economy. They are also a basis for certain forecasts of how targets will be fulfilled during the second year of the five-year plan. Let us say at the very outset that what has been achieved is heartening; the figures and facts show that work is proceeding almost everywhere at high speed, that there is an increasing and ever deeper awareness and testing in practice of the principles of the new economic approach and its mechanism.

As compared with the first 3 months of 1981, aggregate profit has now grown 7.9 percent, net output 4.9 percent; the productivity of social labor has risen 3 percent. The contribution of labor collectives is most significant in power supply, metallurgy and mineral resources, woodworking and pulp and paper industry, internal trade and public services. There is no sector that failed to register a growth of commodity output over the same period of 1981. Industry as a whole produced output worth 8,757,000,000 leva.

However, some negative factors were observable during the quarter. Some economic organizations fell behind in the sales of output and did not achieve the targeted quantities of casting pig, steel ingots, drill seeders and trucks, silk fabrics, faience tiles etc. The arrearage obviously has to be made up. This will take speedy and effective measures, better organization and more efficient administration locally.

Agricultural workers report good achievements; the output they produced is 2 percent more thanin the same 1981 period.

The labor of both workers and specialists in construction and transportation was successful.

Goods worth 257,000,000 leva more than targeted were offered to the population; the personal services plan was overfulfilled by 10 million leva.

The statistical data are both laconic and instructive. They reflect the efforts, the creating searchings and successes of millions of workers and specialists in the national economy. What has been achieved is also proof of the strength and potentialities of socialist competition--these strengths and potentialities must be utilized to the maximum extent in the future as well. As Comrade Todor Zhivkov declared in his speech to the Ninth Congress of Bulgarian Trade Unions, "It must be based on economic interests, degree of intensification, technical level of production, quality of output and labor discipline."

The first quarter shows that labor collectives throughout the country are working enthusiastically, with a high sense of responsibility, and creatively to fulfill the plan for the year and for the five-year period.

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## MINISTER DWELLS ON FINANCIAL ASPECTS OF NEW ECONOMIC MECHANISM

Sofia FINANSI I KREDIT in Bulgarian No 3, 1982, pp 3-12

[Article by Belcho Belchev, minister of finance: "Improving the Financial Mechanism"]

[Text] The systematic and full application of the economic approach in the entire national economy is of basic importance in the economic strategy of the BCP, as earmarked at the 12th congress. This approach, as Comrade T. Zhivkov emphasized, represents an overall system which covers comprehensive planning, production, distribution and management and ensures the total coordination among them through the objective socialist unity of economic interests of the individual, the collective and society at large. Particularly important in terms of the application of the economic approach are Comrade Todor Zhivkov's theoretical concepts expressed at the October 1981 national conference on basic problems related to building a developed socialist society in our country, the comprehensive intensification and accelerated application of scientific and technical achievements, the enhanced role of counterplanning and the development of the initiative and creativity of the working people in order to ensure the fuller and more efficient utilization of material, manpower, financial and foreign currency resources.

The practical implementation of the economic approach requires a specific economic mechanism, which includes norms, standards, regulations and stipulations governing national economic management. The regulation of these rules and requirements by the state is based on the familiar effect of objective economic laws. Socialist production relations, which are a manifestation of nationwide ownership of productive capital, objectively lead to the highest level of organization and planning in economic management. The objective existence of commodity-monetary relations under socialist conditions calls for the extensive use of a system of economic levers in the economic mechanism governing the management of the economy. These levers are also a form of manifestation and practical utilization of the effect of value categories such as money, prices, cost effectiveness, profits, loans, interest rates, foreign exchange rates, etc.

The specific definition of the individual elements of the economic mechanism is subordinated to the common objective of properly influencing the implementation of the tasks included in the unified plan for the socioeconomic development of the country by combining the economic interests of the organizations operating on the basis of cost effectiveness with the social interests.

The theses on the development of the national economy in 1981-1985, which were adopted at the 12th BCP Congress, call for the comprehensive satisfaction of the steadily increasing material, spiritual and social requirements of the people through production intensification and systematic and comprehensive application of the economic approach and its mechanism in the management of all areas of social life.

The elaboration and application of the new economic mechanism was undertaken in 1979. Its stipulations have been applied in economic management during the past 3 years. The party and state leadership systematically promoted the steady improvement of social management and its coordination with the development of production forces and the level of maturity reached in production relations. The experience acquired during that time, as well as the profound study of the experience of the socialist countries, that of the Soviet Union in particular, provided a good foundation for improving the economic mechanism. The main directions of this improvement were indicated by Comrade T. Zhivkov in the accountability report to the 12th congress. One of the basic stipulations was that all economic and social activities be organized on a cost effective basis and that the role of profit as a criterion of the effectiveness of production and economic activities and a base for the organization of distribution processes be enhanced decisively. The need to improve the process of the formulation of the plan by improving planning technology on the national level and establishing a proper ratio between centralism and decentralization was indicated as well. Particular attention was paid to the role and significance of the 5-year plan and the technology governing the formulation and ratification of the counterplans of the individual economic units.

These stipulations were implemented in the improved economic mechanism, which was ratified with Council of Ministers Decree No 53 of 31 December 1981.

According to the new economic management rules, cost effectiveness is a basic form of economic organization of all economic and social activities. It is the expression of the relative economic autonomy of the economic units. For the first time, territorial units are made autonomous on a cost effectiveness basis--obshtinas, rayons and okrugs. The principles governing their cost effectiveness are based on the characteristics of their activities. The improved economic mechanism includes specific requirements which regulate the rights, functions and obligations of economic and noneconomic ministries and their interrelationship with economic organizations and territorial units. According to the specific conditions, the principles of cost effectiveness have been introduced in the nonproduction area as well--health care, education, culture, etc.

The activities in this area ensure the cultural enhancement of the people, the improvement of health care, the teaching of the growing generation and the training of cadres for all areas of social life. Sociocultural activities will be financed on the basis of norms governed by the principles of cost effectiveness. The application of the economic approach in the nonproduction area provides conditions for improving the socioeconomic effectiveness of expenditures.

An organizational structure is being applied in production activities, which is more consistent with the requirements of cost effectiveness. The economic organization is the basic economic unit in the national economy. It may consist of an economic enterprise, economic combine, economic directorate, economic trust, agroindustrial complex or association of economic organizations. The economic organizations include a certain number of enterprises which also operate on a cost effectiveness basis.

In accordance with this organizational structure, the economic organization is directly in charge of the state planning assignments and is directly responsible for their implementation. These assignments are issued by the Council of Ministers to the economic organizations. The departmental principle of organization and management has been replaced by the sectorial principle. As state organs, the economic ministries manage the economic organizations in the respective sector. This puts an end to the practice of maintaining economic ministries with funds supplied by the economic organizations. Currently, it is the state budget that provides the necessary funds for their maintenance. Since in the course of elaborating the strategy for managing a given sector such ministries establish relations with self-financing units, economic methods are added to the administrative management methods. To this effect the economic ministries are supplied with budget funds for the establishment of the Technical Progress and Investment Funds, whose main purpose is to finance programs which ensure the technical development of the entire sector. A certain possibility exists to link the wages of the personnel of sectorial ministries with the results of the activities of the economic organizations they supervise and, in the case of functional ministries, the overall results of the national economy.

The increased democracy in the management of the individual economic units and the fuller application of democratic centralism are essential features of the economic mechanism. One-man command and collectivism are successfully combined in discussing and resolving problems related to the activities of enterprises and economic organizations. The economic council and the manager of the organization are the management organs of the economic organizations. Management in the individual enterprises is provided by the general assembly of workers and employees, the economic council and the respective manager. These collective management organs perform important management functions: they adopt the counterplan, approve the administrative structure, make decisions on the future development of a given economic unit, adopt measures related to the social development of the collectives, etc.

Economic organizations may act together for the sake of the more effective utilization of production resources and particularly for engaging in joint engineering-application activities. Several unification forms have been established, such as economic societies, joint economic activities, associations for coordination and cooperation and economic associations.

The expansion of the rights and democratic principles governing the management of economic organizations is also manifested in the limited number of indicators on the basis of which the mandatory state planning assignments will be issued. Guided by their own interests and in accordance with the stipulated economic

norms and state planning assignments, the labor collectives will draw up their own technical-industrial and financial plan. As a result of this, in the course of the planning process virtually all reserves will be identified and the creative possibilities of the working people will be developed.

The planned management of the national economy is accomplished through the long-term 5-year and the annual plans for the socioeconomic development of the country. The 5-year plan is the basic planning document. On this basis, the overall activities of the economic organization will be carried out in accordance with the 5-year and annual counterplans which will cover the scientific-technical, production, financial and social aspects. The contractual system is of great importance in the formulation of the plans. The contracts are the basic instrument for the balanced coordination and guaranteeing the realistic nature of the counterplans which are passed and amended by the corresponding collective management organs (general assembly, economic council, etc).

The Council of Ministers shall issue the following mandatory planning assignments and indicators: marketing of basic commodities in physical terms; the total revenue (profit and turnover tax); foreign exchange earnings by type of country; tasks based on national comprehensive programs for scientific and technical progress and environmental protection; ceilings for basic raw materials, materials, fuel, energy and scarce machines and equipment and ceilings on foreign exchange for imports from nonsocialist countries. In addition to such indicators used in the formulation of the counterplan, the economic organizations will be guided by the established taxes, prices, customs fees and norms governing the formation of monetary funds and the regulation of wages.

The use of uniform economic norms governing distribution processes is the other essential feature of the economic mechanism. In order for all economic units to operate under identical economic conditions and for the creation of conditions for the more accurate comparison between the individual outlays of the enterprises with the socially necessary outlays, a system of economic norms has been drawn up and approved by the supreme state power and management organs. The profit tax was introduced with state council ukaze and its amount was determined by the Council of Ministers. For 1982 it will be 55 percent of the balance sheet profit of the economic organizations. A lower tax rate will apply in domestic trade, tourist and marketing-procurement activities--40 percent; the cooperative trade organizations will pay a 30 percent tax. The Council of Ministers has approved uniform standards governing the formation of monetary funds and controlling the growth of average wages.

These most general principles of the economic mechanism are manifested in the financial organization at all management levels--national, sectorial, territorial, economic organization, enterprise, and branch.

For the first time, the overall economic mechanism regulates basic problems related to the drafting and execution of the budget. This creates the necessary coordination between state finances and the remaining elements of the economic mechanism, as well as conditions for the full manifestation of the regulating and controlling influence of the centralized monetary fund on the entire national economy.

In addition to the annual state budget, a 5-year budget plan will be drafted based on consolidated revenue and expenditure indicators on the national level. In this manner the 5-year plans for the development of the national economy will have the necessary financial coordination. The exceptional importance of the consolidated financial plan, which will ensure the overall financial ties with and balancing of the unified plan for socioeconomic development will be asserted.

In this light, the requirement that the expenditures part of the state budget be broken down into target funds is a new feature.

The reorganization of the expenditures part of the state budget into a system of target funds creates conditions for the application of the target principle in financing. This is the basic and decisive principle for the planned channeling of assets provided by the centralized monetary fund. This way, financing "in general," as was so far the case, is replaced by the regulated financing of specific targets and assignments in accordance with their implementation and execution. The following funds will be established: 1) "Investments;" 2) "Economic Incentive of Economic Activities, Public Works and Communal Economy;" 3) "Education;" 4) "Cultural Activities;" 5) "Scientific Research and Technical Progress;" 6) "Health Care, Physical Culture, Sports and Tourism;" 7) "Social Insurance;" 8) "Central, Okrug and Local State Power and State Management Organs;" 9) "Social Financing;" and 10) "Reserve."

Long-term norms will be used in drafting the state revenue and expenditures budget. This will guarantee budget stability and the use of the economic approach in relations between the state and all activities operating on a cost effectiveness basis. We must also bear in mind that the formation of target funds for budget expenditures does not violate the unity of the budget, which is one of the major achievements of the socialist social system.

The normative principle of relations between economic organizations and the state budget, as well as the application of this principle in the overall distribution of income create real economic incentive for upgrading production effectiveness. The individual economic organization knows in advance that in 1982 it will be allowed to keep about 40 percent of its additional profits, and about 45 percent during the subsequent years of the 5-year plan. This creates real prerequisites for long-term financial balancing and planning the resources of economic organizations, which is important in terms of the accurate planning of funds to be allocated for development and application of technical progress. Under the current circumstances, no single economic activity can successfully develop without the timely application of innovations and achievements of scientific and technical progress. To this purpose, and given the existence of self-financing, the individual economic organization will have to rely on its own financial resources, the amount of which will be known with relative accuracy for a period of at least 5 years in the future.

The tax norms are a guarantee that the financial base of properly working and highly profitable enterprises will be broadened. The more they earn the higher percentage of such earnings will be left at the disposal of the respective organization.

Under the new economic mechanism as well bilateral relations between the budget and the economic organizations remain. Along with payments to the budget, some economic organizations will receive financial aid in the form of budget subsidies. The subsidies will create conditions and opportunities for pursuing normal economic activities by losing organizations and for ensuring the production of goods needed by the national economy. Furthermore, subsidies will be granted for the target financing of projects in sectors of decisive importance to the development of the economy (metallurgy, power industry, etc.), and financing the implementation of major scientific and technical achievements.

The mechanism has a system of norms for providing financial aid to some economic organizations. There will be four kinds of subsidies: for economic activities; exports; some items marketed domestically; and financing of capital investments and application of scientific and technical achievements.

The funds of the economic organizations are the manifestation of their economic autonomy and self-financing. They are an important prerequisite in organizing the reproduction process and meeting the individual and common needs of labor collectives. As an element of the economic mechanism, they can be classified as follows: first, funds related to the development of production, investments and overall organizations; second, funds whose basic purpose is to ensure resources for individual incentive and social requirements of the collectives. The first group includes the "Expansion and Technical Improvements," "Economic Risk," "Mastering New Production," "Foreign Exchange;" and "Inventions and Rationalizations." The second group will include "Wages," "Social and Cultural Measures," and "Incentive for Technical Progress."

The formation and utilization of monetary funds gives the economic organizations an incentive to lower expenditures and to increase profits and production effectiveness. At the same time, the system of funds provides a financial base for self-financing, material incentive and material liability.

The "Wage" fund is of basic importance in the system of monetary funds. The assets channeled into this fund are the result of the distribution of the income and profits of the individual enterprise and the economic organization as a whole. This procedure creates a real interest in lowering material expenditures and increasing profits and labor productivity. Enterprises with high end results will be able to pay considerably higher average wages. Should economic results worsen, the corresponding "Wage" fund may turn out to be lesser than the already computed and paid wages. In this case the management cadres will be penalized. Their wages will be reduced without a guaranteed minimum. This will force the managers of enterprises and economic organizations to take economic measures to improve production organization and to apply new technologies and technological achievements in order to reach the necessary profit which will ensure adequate wage funds.

The regulation of the wage fund is based on the increased general income compared with the preceding year and the lowering of material expenditures. The average wage is raised by as much as 0.5 percent per every percentage of increased general income compared with the preceding year. Thirty percent of the

reduction in material outlays is deposited in the wage fund. In some activities other criteria will be applied in controlling the wage fund, with a view to focusing the economic influence on indicators considered important in terms of the respective activities. Thus, for example, the foreign trade organizations will apply two indicators: fulfillment of the plan for foreign exchange income and changes in actual foreign exchange prices compared with the planned figures. Wages in these organizations will be increased in accordance with the approved coefficients for the growth of basic wages per one percent of implementation of said indicators.

Brigade cost effectiveness will be of great importance in the new economic mechanism. It will focus incentives and responsibilities for the effective utilization of resources on the direct participants in the production process.

For the first time, the financial organization of the territorial units will be subject to the economic approach in accordance with the characteristics of these activities. The rights and financial autonomy of the executive committees of obshtina and okrug people's councils will be expanded. Their material responsibility for final economic results will be increased. With the help of the economic levers each territorial unit must ensure a budget surplus.

The people's councils have been given the opportunity to establish on their own initiative various methods for voluntary unification with economic organizations for joint activities in consumer, communal, trade and health population services. Such methods may be applied also in the implementation of joint measures by several obshtinas or okrugs.

The people's councils will draft their budgets on a normative basis. Their budget revenue will come from the following sources: 1) normative withholdings from profits of all economic organizations and enterprises located on obshtina territory. This will include payments made to the obshtina people's councils totalling three percent of the profit shown by the economic units; 2) the sum total of the profit tax paid by economic organizations and enterprises under the direct jurisdiction of the executive committee of the obshtina people's council 3) the tax on the turnover of enterprises under the direct jurisdiction of the executive committee of the obshtina peoples council and from wine and brandy produced by the population; 4) the general income tax from economic activities of cooperatives, societies and public organizations; 5) local taxes and fees and many other revenue channels.

This will enable the individual councils to draw up a realistic budget and coordinate its expenditures with the possible income. The expenditure part of the budget will consist of a system of target funds, as follows: 1) social and cultural activities (with a share for financing health care and social welfare activities, schools and training institutions, culture, mass physical culture, sports, tourism, and youth facilities); 2) economic incentive of economic activities, public works and communal economy; 3) investments; 4) maintenance of local state power and people's self-management organs; and 5) reserve. The establishment of these funds will create conditions for the normal financing of the various activities of the people's councils.

The wage funds for the personnel of obshtina and okrug councils will be set up on a normative basis as well. At the same time, the principal of results, based on income paid to the budget will be applied as well. When an obshtina or okrug

council plan an increase in its own revenue, it will be allowed a 0.5 percent increase in the wages of its personnel per one percent of increase, as the result of reducing the number of the personnel compared with the ceiling. The resulting wage funds will be distributed for current wages and rewards, and will go into the reserve fund. This will encourage the implementation of the principle of material incentive in such activities as well.

Relations between the local budgets and the republic's budget have been organized on a normative basis as well. This will make it possible to determine the specific contribution of each council to increasing revenue and reducing expenditures. All of this creates conditions for enabling finances actively to influence activities of basic importance in the implementation of state and party policy in the individual conurbation systems.

All the changes based on the new economic mechanism will require the adoption of a new working method by workers in finance in drafting and controlling financial ratios.

In more specific terms, this calls for reorganizing the formulation of the state budget, the consolidated financial plan and the financial plans of the economic organizations. Particular attention must be paid to activities which coordinate financially the unified plan for socioeconomic development. The structure of the consolidated financial plan must be improved and analytical activities must be intensified in connection with its formulation. A system of indicators for determining the realistic nature of rates and proportions in the national economy must be used.

The Ministry of Finance faces important tasks related to the execution of the country's investment policy. The realistic nature of investment projects must be proved through the precise planning of financial resources and the forecasting of changes in them. This presumes extensive expert activities and improved planning technology. We must bear in mind that some difficulties appear in the application of economic methods for controlling capital investments and ensuring the considerable decentralization of funds in the area of combining the objectives of the state plan with the decisions of the economic organizations. The work in this direction must be improved by finding and using methods and means for surmounting arising difficulties, consistent with the economic approach.

The stipulations contained in the economic mechanism regarding the role and significance of the counterplan create new requirements in the organization of reciprocal relations between the Ministry of Finance and the economic organizations in the formulation of the financial plan and the approval of the state assignment regarding overall profits. The Ministry of Finance must be able to prove the realistic nature of the total profit indicator as a state assignment in a precise and substantiated manner and make a specific study of the effect of approved financial norms and requirements on profit distribution. The purpose is to determine the extent to which the suggested distribution of profits, in accordance with the counterplans of the economic organizations, is consistent with the overall financial ratios. We must bear in mind that under the new circumstances this cannot be achieved through the directival change of solutions

suggested by the economic organizations. In such cases, new ways and means must be sought to influence the changing of the decisions taken by the economic units, i.e., to encourage them to amend the suggested distribution of financial resources based on their economic interests in accordance with the existing economic levers. Consequently, the task is to analyze steadily the effect of every single financial norm along the stipulated direction.

In order for the principle of self-financing to be applied by the territorial units, their activities must be studied most thoroughly. As we know, the shifting of funds will take place only on a legal basis. This will lower to a minimum the possibility of displaying subjectivism in establishing the financial base of the corresponding council. However, it will also require extensive economic work for the formulation of scientifically substantiated norms.

The new approach in the management of conurbation systems creates conditions for combining the interests of local management organs with those of local economic units. Under these circumstances the local financial organs face new tasks. They must directly observe the activities of economic enterprises on their territory and to analyze them with a view to the identification of reserves and upgrading effectiveness.

The activities of all units in the financial system must be subordinated to the extensive use of financial control. This control must be focused above all on preventing ineffective activities during the formulation of the plan. We must always observe the way the economic organizations make use of state budget funds allocated to them for various purposes. Control must also be maintained over the observance of the stipulated requirements of the financial organization by the economic units. It is thus that the financial workers will make their contribution to the full application of the economic approach and its mechanism.

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## WAYS TO PROMOTE RISK-TAKING IN DESIGN, TECHNOLOGY DISCUSSED

### West German Commentary

Bonn IWE-TAGESDIENST in German No 37, 10 Mar 82 pp 1-2

[Report from Berlin: "GDR Inventors Are To Summon Up More Courage for Risk-Taking." Translations of the two East Berlin articles of EINHEIT and DIE WELTBUEHNE, cited below, follow this commentary]

[Text] In its latest issue (No 10, 1982), the East Berlin paper WELTBUEHNE stated that in the GDR "the number of new investments--while greater than before--is not nearly great enough" and the paper urged the inventors to summon up more courage for risk-taking. The paper stated that it was necessary "to find more essentially new solutions for products and procedures," without which the GDR would not be able to face the cut-throat competition in the world market, and that "a creative work atmosphere that promotes rather than inhibits the readiness to take risks" was of crucial importance in regard to increasing the effectiveness of inventors in the GDR. The theoretical SED organ EINHEIT (No 3, 1982) likewise warned against evading risks in research, because such an attitude would result in mediocre performance.

### Difficulties Applying Performance Principle

East Berlin EINHEIT in German Vol 37 No 3, Mar 82 (signed to press 10 Feb 82) pp 261-267

['Creativeness and Initiative' feature article by Prof Dr Harry Nick, economist, research director, Institute for Political Economy of Socialism, Academy of Social Sciences, SED Central Committee: "On the High Demands Made on Creative Work"]

> [Text] The development of the advanced socialist society challenges and furthers the creativity of the people and it increases the effectiveness of intellectual-creative work. Of necessity, this imposes heavy demands on the people's performance in production and science, in their education and training. Proceeding from the specific characteristics of intellectual-creative work, the author comments on the management, planning and evaluation of scientific work and on the development of performance motivation and risk-taking in research.

Regarding the necessary intensive reflection on how we can systematically implement in the given enterprise and combine the economic strategy of our Party under the internal and external conditions of the 1980's and how we can insure continuous economic growth and thus the consistent continuation of the policy of the principal task, it is imperative to make clear--according to the resolutions of our Party--the necessity to improve performance and to bring home above all those factors that we can fall back on in this endeavor. Thus the positive, readily perceivable results of our economic and social policy, which we achieved last year in the struggle for implementation of the resolutions adopted at the 10th Party Congress, reflect the advantages of the socialist planned economy which are consistently utilized by our economic policy so as to bring to bear and fully develop the economic potential of our country and the industriousness and great skills of our workers. An integral part of this was and is the close cooperation with the Soviet Union and the other countries of the socialist community. And most importantly--we have a party that exercises its leadership also in the field of economics and that is able--on the basis of its creative Marxist-Leninist policy--to mobilize the initiative of the people for the utilization of our capacities. By its timely decisions on emerging problems, by the continuous improvement of management and planning, our Party has mapped out the path toward developing our national economy--by means of a radical economizing process in accordance with the requirements ensuing from the organization of advanced socialism under changed internal and external reproduction conditions and in accordance with our specific preconditions--into a highly efficient industrial country of the 1980's. On this path--i.e. in accomplishing the task set by the 10th Party Congress, namely to organize our economy in accordance with the requirements of the 1980's--we are, to quote Comrade Erich Honecker, "only at the beginning."[1] However, this very beginning confirms that we are on the right track. This is evidenced by the results achieved last year, during which we stood crucial tests in connection with the implementation of the Party's economic strategy and flexibly responded to new conditions. In these efforts, our Party has always paid close attention to the scientific-technical advances, which are exerting an increasingly strong influence on the further organization of the developed socialist society. The further acceleration of these advances is a necessity ensuing from the changed reproduction conditions. It seems safe to say that at the same time there are greater opportunities for effecting economic progress through scientific-technical progress.

The fact that now "the possibilities concerning the scientific-technical revolution have become the principal reserve for our economy's increased performance and efficiency"[2] is attributable primarily to the circumstance that the revolutionary technical changes, the development of which has so obviously accelerated in the 1970's, exert a large-scale influence, that is to say that they increasingly /affect all aspects/ [passage in slantlines printed in italics] of economic progress--savings of living labor, jobs and energy and materials, increased efficiency of basic assets, and significant improvement of the products' utility value. At the same time, practical experience indicates that we must do our utmost to open up and consistently utilize the fields of application of microelectronics, industrial robotics, and electronic data processing.

Among the positive changes in our economic conditions is the marked increase in embodied and living labor that took place in the 1970's. In 1980 the volume of our national economy's basic assets showed a 54-percent increase as compared to 1970. Of great importance in this regard--and crucially important for economic

growth in the 1980's--is the accelerated qualitative renewal of the material-technical basis due to the fact that microelectronics, robot technology and other technical developments increasingly affect the technical-economic level of our material-technical basis and more and more effectively promote the modernization of the available material-technical capacities.

The changes in regard to the quality of our social work capacities are considerable. Regarding the total number of gainfully employed persons, the share of vocational school and university graduates increased from 61 percent in 1971 to 80 percent in 1980, with the share of skilled workers increasing from 49.9 to 57.7 percent. In 1980, the number of gainfully employed university and vocational school graduates in the socialist economy was twice as great as in 1970. Of great significance is the improved general education of the rising generation, which is attributable to the transition to the 10-grade, general-education-oriented polytechnical high school. Thus, regarding the number of young people entering vocational training, the share of students graduating from 10th grade increased from 54 percent in 1965 to approximately 71 percent in 1970, approximately 79 percent in 1975 and approximately 86 percent in 1980. The advances made in the field of continuing education were likewise considerable.

In this development of the education and training of the people, which was truly remarkable for a single decade, extraordinary advances concerning the fulfillment of the meaning of socialism, which ultimately consists in the enrichment of human life and in the overall development of socialist personalities, are combined with the requisite augmentation of the productive, creative abilities of man, with the development of new productivity capacities into a uniform process. It is especially under the conditions of accelerated scientific-technical progress that there applies Marx' statement that true wealth is "the developed productive capacity of all individuals."[3]

Technology and the Development of Intellectual-Creative Energies

Our practical experience confirms that economic progress increasingly depends on how fruitful is the interaction between man as the main productive force and technology as the most revolutionary element of the productive forces, between intellectual progress and technical progress. For there is no doubt that the level and the development of the productive capacity of human labor are increasingly directly determined by the qualitative nature of the technology produced and used by man and that on the other hand the intellectual advances, the advances in insight are the source of the technical progress. Thus the inexhaustibility of the efficiency sources resulting from technical progress, the limitlessness of technical progress are ultimately rooted in the boundlessness of man's perceptive faculty.

In this connection, it is becoming increasingly apparent that a central problem of our economic, social and intellectual-cultural development is the question as to what interaction takes place between the advances of technology and the development of the intellectual-creative capacities of the people. Under the conditions of socialist production relations, one increasingly finds that the basic trend in the changes in the nature of work, of the qualitative nature of the work functions to be performed--a trend produced and promoted by the processes of the scientific-technical revolution that are systematically directed in the interest of the people--is the enrichment of work with intellectual-creative elements, the

increasingly harmonious combination of intellectual work and physical work. The fact that this is a trend indicates that this process is not without contradictions, that there is no automatically functioning interrelationship between ascending work mechanization levels--from manual production via mechanized production to automated production--and the improvement of working conditions and work contents. However, considered from a long-term point of view, it is clear that the trend toward enrichment of the work contents with intellectual-creative elements is the predominant one. For example: The increasing employment of electronic data processing--undoubtedly a key process in the present scientific-technological revolution--may produce a situation where intellectual-creative work functions are transferred to technology, but where at the same time new mentally monotonous work functions are created. The information processing technology increasingly tends to mechanize especially those mental operations that can be formalized, that contain only very few creative components; the greater the simplicity of intellectual work functions and the greater their repetitiveness, the easier and more effective is their mechanization.

It goes without saying that in our present social conditions we will actually search for such--objectively increasing--ways of creating personality-promoting working conditions and functions, that we will systematically develop the processes of labor division (which are by no means unequivocally or totally determined by the technical systems); for example, we will expand as much as possible operating zones and work areas and combine work functions (operate, set up (to some extent), program and maintain machinery). Thus we will try to create the conditions necessary for intellectual work even in areas where this is difficult on account of the nature of the technical system. At least we will be able to implement certain compensating measures such as systematic change of the work place, unit assembly, etc. Under capitalist conditions, however, insufficient use is made even of those opportunities and necessities that the technical development brings forth for more complex, generally more interesting and demanding types of work; for the utilization requirements of capitalism are met best by greatly specialized work operations that are easily measured, that can be directly controlled by automatic technical processes and that require few skills. One finds that the following statement by Friedrich Engels retains its validity in regard to capitalist practice even under the conditions of increasing automation: "While the capitalist mode of operating machinery is compelled to continue the old division of labor, even though it has become technically superfluous, the machinery itself rebels against this anachronism."[4] Indeed, automated machinery usually necessitates work distinguished by great initiative and responsibility and requiring great skills. But such work is becoming less and less compatible with work motivation that is based on external pressure, existential anxiety and goading.

Required: Scientific-Technical Creativity

There can be no doubt that marked increases in the productivity of human labor in the broadest sense presuppose a deeper understanding of the conditions, factors and special characteristics of intellectual-creative work. This goes above all for the area where by its very nature it plays an important part, namely scientific-technical work and, in particular, research.

First of all, one can safely say that intellectual-creative work--more so than anything else--can exact of man the greatest effort while providing him with the

deepest satisfaction. Karl Marx emphatically opposed the view of the utopian socialist Charles Fourier who held that work could someday turn into pure pleasure: "Truly free work, e.g. composing, is at the same time the damnedest seriousness, the most intensive effort."[5] To a large extent, the ability to do creative work is a result of education and training. For one thing: To satisfy the intellectual needs bound up with one's own efforts is a question of developing and cultivating the capacity to experience things--one could also say: the capacity to experience pleasure. It is necessary to awaken the joy over one's own thinking and creating, but also the joy over one's immersion in the stimulating reflections of others, over the satisfaction of demanding curiosity so that the "bursting of the knot" becomes a lasting experience. But this cannot be attained if the student is only tested on the end results of the reflections of others, without anyone explaining to him or her how such an insight was arrived at; or if the staff member of a research institute participates in the improvement of certain developments without ever having experienced how something truly new is created and developed and how it then changes reality. And there is another aspect: Truly significant intellectual achievements are very rarely produced just by the intellect; they are also the result of character. They require a great deal of intellectual curiosity, industriousness, commitment, an unconditional desire to succeed, steadfastness, much endurance, over long stretches doggedness, and the willingness fully to spend oneself. It is especially in the field of intellectual-creative work that truly intense work guided by high standards greatly contributes to personality development.

Secondly: Intellectual work is characterized by the fact that in this field there are great differences in regard to the individual persons' capacities. This entails significant conclusions concerning the development of talents, the selection of cadres, and the consistent implementation of the performance principle in areas in which intellectual-creative work is a key factor, e.g. in research institutions. To be sure, in these areas consistent implementation of the performance principle is a complicated matter; nonetheless, it is most important. Among other things, this is attributable to certain objective characteristics of intellectual-creative work, e.g. to the fact that strictly speaking the result of scientific work must be unique (unprecedented); it always presupposes thoughts that no one had thought before and to some extent it is necessary to break new ground. However, the input is unique as well. The Greek philosopher Plato stated that when two boys, each of whom has one apple, exchange these apples, they end up having just one apple each. But when two persons, each of whom has one new idea, exchange these ideas, each has two new ideas. Or to put it differently: If we produce a machine 10 times, we need 10 times the material and the living labor necessary for producing this machine. But if we realize through this machine a new technical principle, the expenditures for funding this principle are needed only once, no matter whether the principle is applied once, 10 times or 1000 times. This means that the effect of intellectual-creative work largely depends on the multiple use of its results. It is for this reason that thorough literature and patent research, repeat use of research and innovator results, and exchange of experience are of such great, increasing importance in regard to improvement of work efficiency.

Thirdly: There is no unequivocal interrelationship between an idea's degree of novelty, its economic yield and the expenditures necessary for finding it. There are extremely bold and economically very profitable ideas that require very little input--the container tranport system is an illustrative example in this respect.

But there are also research efforts that do not immediately, not in every instance or not immediately perceivably produce economically useful ideas.

The important thing is to make allowance for the special characteristics of intellectual-creative work and of scientific work in particular and to take advantage of them so as to markedly increase their effectiveness. This is all the more important as practical experience has shown that from the special characteristics of intellectual-creative work people sometimes draw incorrect, but easy conclusions that justify meager results: They say that the given project is difficult and not amenable to planning, that the scientific results can be evaluated only with difficulty, that the input and the results are not amenable to comparison and that the risk is very high--in short: "I simply cannot plan my inspirations!"

The experience gained by successful scientific-technical institutions shows something entirely different. Significant, lasting results in intellectual-creative work can be attained only if it is possible by means of systematic and prudent direction to accomplish a dualistic and essentially contradictory task: On the one hand, it is necessary to create and systematically to further an atmosphere of active searching for more effective solutions, of critically examining what is at hand--an atmosphere of productive unrest. It is only on such soil that a sufficient number of good ideas will thrive. On the other hand, due to the high rate of scientific-technical progress, new ideas in certain fields must arise when needed and the new processes and products must meet high requirements that are not for us to choose. This will be attainable only if the scientific-technical creativity is systematically directed and promoted, if the development and utilization of creative faculties is accompanied by an awareness of the socially binding nature and long-range effects of scientific-technical work. If we gave in to the view that due to their special nature the results of scientific work cannot be planned, this would essentially mean to forgo the planning of economic development.

High-Level Requirements

But our experience shows the contrary: High economic and social targets stimulate great scientific-technical achievements and accelerate the practical application of these ideas. Naturally, one must also provide space for the finding and implementation of "accidental" ideas. But generally speaking, one can say that the greatest practical effect is produced by those ideas that best meet the actual requirements and conditions of production, that are derived from the science and technology plans and that are developed and practically utilized through well-organized socialist cooperative work based on innovator agreements distinguished by concrete objectives. To be sure, it will be necessary in regard to management, planning and performance evaluation to make allowance for the differences between basic research, applied research, development and immediate production preparation. Generally speaking, however, one can say that the probability of inventions and discoveries in the economically essential fields and at the appropriate moment must be as high as possible, that it must border on certainty. And precisely because the certainty of the economic results of scientific work is relatively lower as compared to production proper, a high level of requirements is of crucial importance in regard to the planned level of results. Truly successful work in institutions whose specific task is to produce economically useful inventions and discoveries can have only one guideline, namely: "Success is obligatory!"

At this point, there will be objections: It will be argued that it could happen that what is necessary will not be produced at the appropriate time. This is certainly possible, and objectives by any means to be obtained must therefore sometimes be realized by a flexible approach. Regarding the inescapable "obligation to succeed" resulting from the objective developmental conditions of our national economy, people sometimes raise morality-oriented objections derived from the humanistic nature of socialism: Does not this requirement bring us close to the rules of a "rat-race society" in which only those who are successful will be respected? It is pointed out that people differ in regard to their natural talents and faculties. Should we not honor primarily the individual's personal effort to do his or her best for society?

In this connection, we first want to draw attention to the humanistic value of economic progress under socialist conditions. In socialism, economic progress is the most important material foundation for the enrichment of human life in the broadest sense. For example, there is no doubt that the improvement of the material living standard is of great cultural importance. Moreover, it is not for us to choose the conditions, preconditions and standards of economic growth: They are determined by the material developmental requirements of all areas of social life, by the requirements of peace preservation and of the class struggle with imperialism, in short: by the sum total of the internal and external developmental conditions. Besides, the general and unqualified respect for all useful social work, which flows from the nature and the basic values of socialism, must not be set against the special requirements of specific activities. The socialist society needs a great variety of activities--both in terms of their nature and in terms of their content--including physically very demanding work. /An individual's honest performance of his or her duties merits the greatest social respect. This goes for every necessary type of work./ [passage in slantlines printed in italics]

In the field of research, this kind of job performance implies accomplishment of top-level scientific-technical work. In this field, morality-based rejection of mediocrity in regard to self-imposed requirements is actually indispensable, because such "self-moderation" can mean only one thing, namely that the task at hand will not be accomplished. Here one should point out that what goes for any other type of work goes for research as well: Not everyone is suited for it.

It goes without saying that scientific-technical work carries an especially high risk. And it is one of the foremost tasks of socialist management work correctly to establish the conditions of the risk and to train the workers to evaluate and consciously to take risks. One thing is absolutely clear: The attempt to evade risks in this field will soon lead to mediocre results. Thus management must incorporate risk-taking. Naturally, risk-taking implies that a given target may not be attained. But it would be wrong to praise a risky decision if its outcome is positive, and if it is negative, to claim the decision was wrong.

To be sure, the evaluation of scientific achievements, of the results produced by design and planning institutions is very difficult; but I think that the many attempts to establish strict norms for the various partial jobs, to employ complex evaluation tables so as to "objectify" in this way the performance evaluation have been unproductive, except for excessive documentation and fruitless arguments.

Regarding just evaluation and effective stimulation of performance in these fields, the key factor is a high degree of quality in regard to the management work. Experience has shown that for all the complexity of performance evaluation within a collective, there is a high level of agreement in regard to the evaluation of the individual person's performance capacity and his or her actual performance; these evaluations are quite differentiated and consistent. Obviously, the difficulties in regard to performance evaluation are by no means primarily of an objective nature; rather, they are for the most part due to the frequently insufficient consistency in regard to the implementation of the performance principle.

Due to the complexity of the input-output ratios in intellectual-creative work, it is necessary--just as for a number of years has been the case in the industrial price formation according to the so-called price-performance ratio--that in measuring the socially justifiable input for work accomplished the scientific-technical institutions--insofar as they proceed in accordance with the principles of economic accounting--take into account the result, i.e. the economic benefit attainable in the application of these work results. If one proceeds differently, i.e. if the price formation is guided primarily by input-oriented considerations, the stimulating effect will always be the wrong one. Precisely because the outcome and the input of scientific-technical work are to a large extent non-recurring, such a type of performance evaluation means that the society accepts the individual input, as it were, i.e. that the price will be the higher, the greater the input. However, what we want to achieve is that the price functions as a social input norm, i.e. that it motivates the given producer to reduce the individual input. There is no doubt that the predetermination of prices, their orientation toward the economic benefit of the results is one of the elementary preconditions for a high degree of effectiveness of the economic accounting in these fields.

Socialism offers the best social conditions for the development of man's creativity, for a high and increasing effectiveness of intellectual work. It is precisely under the conditions of the scientific-technical revolution that one witnesses the manifestation of the moral and economic superiority of a social system that has made the self-confident, creative and highly educated individual its ideal and that systematically and successfully tries to improve the conditions necessary for the development of this creativity. To demonstrate a sense of purpose in this respect is one of the most important tasks of our economic activities--especially under the conditions prevailing in the 1980's.

FOOTNOTES

1. See "Aus dem Bericht des Politbueros an die 3. Tagung des ZK der SED, Berichterstatter: Genosse Erich Honecker" [From the Report of the Politburo to the Third Session of the SED Central Committee; Speaker: Comrade Erich Honecker], Berlin, 1981, p 24.

2. "Bericht des Zentralkomitees der Sozialistischen Einheitspartei Deutschlands an den X. Parteittag der SED, Berichterstatter: Genosse Erich Honecker" [Report of the Central Committee of the Socialist Unity Party of Germany to the 10th SED Congress; Speaker: Comrade Erich Honecker], Berlin, 1981, p 49.

3. Karl Marx, "Grundrisse der Kritik der politischen Oekonomie" [Outlines of the Critique of Political Economy], Berlin, 1953, p 596.

4. Friedrich Engels, "Mr Eugen Duehring's Revolution of Science," in: Marx/Engels, "Werke" [Complete Works], Vol 20, Berlin, 1962, p 274.

5. Karl Marx, "Grundrisse...," op. cit., p 505.

## Incentives for Inventors

East Berlin DIE WELTBUEHNE in German Vol 77 No 10, 9 Mar 82 pp 289-292

[Lead article by Walter Florath: "Do We Invent Enough"?]

[Text] While the number of inventions in our country is greater than before, it is not nearly great enough. This is how one could succinctly answer the question as to the state of invention in our republic.

The task markedly to raise the level and to increase the number of inventions follows from our economic strategy. Erich Honecker pointed out to the first secretaries of the SED kreis [GDR administrative unit] administrations that if there is any truth to the rule of thumb that a 1-percent increase in production calls for a 1-percent reduction in specific material and energy consumption, then we need more inventions.

We need many more solutions to technical problems--solutions that by world standards represent something new, that serve further to develop essential aspects of established technologies, to quote the definition of "invention" given in our Economic Dictionary.

What is our present situation in regard to inventions? During the past five-year plan period, the number of patent applications increased from 4,172 in 1976 to 6,599 in 1980. Last year, patent applications again increased by 12.4 percent, the total for 1981 amounting to 7,420.

Internationally, these figures put the GDR in 8th place. The greatest number of inventions were registered in the USSR and in Japan, with the United States following close behind. The patent applications filed by these three states accounted for approximately 70 percent of the 500,000 inventions made in the world last year. The aforementioned states had many more inhabitants, engineers and scientists than the GDR. Thus, to make an international comparison, the mere number of patent applications is not sufficient. A more important factor is the patent yield value, i.e. the number of inventions patented per 100 university and technical college cadres. In this respect, too, matters are improving in our country: In 1979, only five inventions were patented per 100 university and technical college cadres; in 1980, there were 5.9 patent applications and in 1981, as many as 6.4.

This gives rise to the question whether it is actually possible to invent more. The answer can be found in the practice of those state-owned combines in which the number of inventions exceeds the average number of inventions made in the national economy as a whole: As early as 1980, the Polygraph Combine attained a total of 13.1 patents were 100 university and technical college cadres, thus exceeding the

average of the OECD states, which in 1981 amounted to 12.7. Toward the end of last year, Deputy Minister Dr Koehler stated that the chemical industry registered 7.8 inventions per 100 university and technical college cadres, with the best combines attaining as many as 11 inventions; it is hoped that by 1985, there will be as many as 13 inventions per year.

Like the chemical industry, most of our combines recorded increases in the number of inventions. All in all, the number of workers participating in invention-related work increased from 11,700 to 14,000. Thus there is no substance to the claim that some combines show little inventiveness. In this connection, it is well to recall Marx' statement concerning intensively expanded reproduction, not the least of whose requirements is a high level of inventiveness. Marx wrote: Expanded reproduction may be "extensive, if the field of production is expanded; intensive, if the means of production is made more effective." Are not inventions the best means of improving the means of production (and the products)?

Exactly what kinds of invention are needed?

New technologies are especially important; they represent the precondition for effecting large-scale economies of working time and labor. During the period from 1976 to 1980, we realized savings of 1,664 million hours of working time; from 1981 to 1985, we hope to be able to increase this total to at least 2,845 million.

Toward the middle of last year, the FINANCIAL TIMES observed in this connection: "The world's first mass production system employing the explosive forming process in the production of axle boxes helps East German enterprises to effect considerable annual savings. This process dispenses entirely with expensive process and machine tools." The FINANCIAL TIMES emphasized that this was not an improved conventional process, but a totally new technology, which in 1980 had resulted in savings of 60,000 working hours and of over 750 tons of material. According to the FINANCIAL TIMES, the service life of the truck axles produced by means of the explosive forming process exceeds by 40 percent that of the axles produced by conventional methods.

However, new technologies mean not only reduction of the work and material input. Frequently it is only these technologies that make possible the production of novel articles; they lead to decisive improvements of quality. The Law on the 1981/1985 Five-Year Plan stipulates that in the production of microelectronic building elements it is imperative "in international fields to attain the highest international standard in regard to the costs and the quality of the technologies employed."

The work of inventing is based on talented people having ideas and energetically implementing them. Even though it is impossible to plan when a person will have an idea, it is possible and necessary clearly to define--in accordance with our economic strategy--the research and development goals in the science and technology plans and in the duty books, the operational blueprint for scientists and engineers, and to plan the application of capacities and means accordingly, For we are not concerned with inventing some unusual products; we are concerned with inventing products that are needed by the entire national economy, that yield great returns in the export trade. So to invent an inexpensive anticorrosion agent would be preferable to finding an agent for removing freckles; however, the cosmetic industry is not prohibited from inventing such an agent.

Of great importance are inventions that improve the processing of materials, processes that prevail in the chemical industry, in the metallurgical industry and in the enterprises of the glass and ceramics industry. We need more and more effective procedures that allow greater refinement of raw materials, without any increase in energy input.

Our socialist planned economy avoids friction-caused losses such as are inevitable in the competitive system prevailing among capitalist enterprises. This enables us to attain a high rate of invention utilization. In our country, no state-owned combine obtains a patent for an invention just to put it on ice and thus to gain an advantage vis-a-vis another state-owned combine.

This does not mean that we must immediately utilize all inventions. It is preferable to have some inventions on reserve, as it were. It is not sufficient to invent and patent just one product, a single process, for enterprises competing in foreign markets could then relatively easily develop similar processes and products and get around our patents. But if these similar products and processes are invented and patented by us, we can somewhat longer maintain a strong market position.

The aforementioned upswing in the inventive work done in our republic is related to the fact that as early as the beginning of the 1970's the SED pursued a policy oriented toward growth through utilization of qualitative factors. As Erich Honecker emphasized, our rate of development planned for the 1980's is based on the possibilities offered by modern science and technology. This is what will decide the outcome. Honecker stated further that we must utilize both the big and the small reserves, but that presently the truly crucial advances begin at the drawing board and in the laboratory.

By analogy with this economic strategy, we have created the legal foundations for the expansion of invention. According to a resolution adopted by the Council of Ministers in March 1978, the work of inventors must be supported and oriented primarily toward the key areas of scientific-technical progress. The resolution stipulates that proposals and complaints of inventors be dealt with carefully and answered immediately.

Since the granting of a patent applied for is always preceded by a thorough examination that of necessity is time-consuming, the resolution stipulates that already at the time of application a bonus be paid in the amount of M 300 to 500; if the invention was made by an inventor collective, the premium may be as high as M 1,500. In the event of economically very significant inventions, additional premiums up to M 10,000 will be paid, regardless of the beginning and the scope of the subsequent benefit. These remunerations are not deducted from the inventor's remuneration proper; they represent additional payments.

As a rule, it is larger collectives that develop a research result to the level of patent maturity. The inventor is dependent on the support of such collectives, and for this reason they are provided with a material reward of up to 20 percent of the respective inventor's remuneration. In addition, the resolution stipulates that the inventor's achievement be publicly appreciated and honored. The maximum remuneration permissible is M 200,000, a considerable material incentive, which is linked to an attractive moral incentive. For aside from the honorary title "Deserving Inventor," outstanding inventions may be honored by being given the name of their creator.

It goes without saying that the key factor in regard to successful technical inventions is a creative work atmosphere that encourages rather than inhibits risk-taking. Such courage to take risks--which is not to be confused with a careless, irresponsible handling of state-owned assets--is necessary to produce a greater number of essentially new solutions for products and processes. We also need inventions that push internationally known technical solutions to the production stage or that improve products and processes presently produced or operative. It would be unsatisfactory, however, if such inventions constitute the major part of the total volume of inventions made.

Consequently, it is necessary everywhere to create a work atmosphere in which the engineer or scientist is encouraged to break new ground and in which this breaking of new ground occurs swiftly and successfully so that our republic is enabled to stand its ground in the world market, a market characterized by cut-throat competition.

## Effectiveness of Incentives

East Berlin EINHEIT in German Vol 37 No 3, Mar 82 (signed to press 10 Feb 82) pp 254-260

['Creativeness and Initiative' feature article by Dr Rudi Winter, economist, member, SED Central Committee; general director, VEB Fritz Heckert Machine Tool Combine, Karl-Marx-Stadt: "Intellectual Creativity in the Spheres of Industry Dealing with Preparatory Stages of Production"]

[Text] To accelerate the scientific-technical progress in the combines, to reduce the innovation times and through new products to meet the requirements of the next few years imposes heavy demands on the management of these processes. How does the Karl-Marx-Stadt "Fritz Heckert" Machine Tool Combine VEB direct the creative activity of all workers toward goals that guarantee further advances in the expansion of output--advances that lead to products good enough to face the stiff international competition? What are the conditions that must be established in research, development and technology in order to achieve top-level results?

Karl-Marx-Stadt "Fritz Heckert" Machine Tool Combine VEB

--In the last 5 years, the combine's production program has been restructured; the rate of development is being further increased. The increase in utility value effected by the new products amounts to 40 to 50 percent.

--Ninety-two percent of the combine's products subject to testing bear the "Q" quality seal.

--Last year, 126 patent applications were submitted in the course product development.

--Of the 27,700 workers employed by the combine, 19.8 percent are university and technical college cadres. Approximately 3,000

employees work in the fields of technical production preparation.

--The results produced in the field of science and technology have been honored through conferral of the National Prize on 54 researchers, designers, technologists and workers; 23 employees were awarded the honorary title "Deserving Technician of the People"; the combine employs seven "Deserving Inventors."

Our Party's economic strategy for the 1980's has proved successful; the further development of our national economy is successfully proceeding along the course charted. This appraisal by the third session of the SED Central Committee is based on the excellent economic results and on the increased creative force of the socialist competition. Again it has been shown that in spite of limited reserves of raw materials, energy, materials and working time, the consistent utilization of the possibilities offered by intensively expanded reproduction effects steady increases in disposable output and thereby a high rate of steady economic growth. To insure continued success in our work, the industrial combines must try on the basis of the available assets to attain an even higher rate of economic growth and fully to meet or exceed the export and supply targets.

The 10th Party Congress emphasized in its resolutions that to accomplish this it is absolutely necessary "to take a new step in combining the advantages of socialism with the achievements of the scientific-technical revolution."[1] This means above all to accelerate the scientific-technical advances, to introduce without delay both the available and the rapidly incoming scientific-technical findings into the production process, and fully to utilize the production capacities and the social work capacities toward increasing labor productivity and efficiency. It is especially through comprehensive application of microelectronics and through large-scale employment of various robots that we will be able to open up great performance reserves and to make progress in developing and producing new products distinguished by a greater utility value, while markedly reducing the input of embodied and living labor. Owing to microelectronics and robotics, the requisite raising of the manufacturing level will be attained above all through the automation of entire production processes.

In the metalworking industry, it will be necessary rapidly to enforce this crucial development also in small- and large-scale series production. Thus, on the basis of scientific-technical progress, it will be possible in all industrial branches of this sector to attain the high growth rates in labor productivity that are necessary for implementing our Party's economic policy. In order fully to take advantage of these growth-promoting conditions, it is all the more necessary to insure in every combine a high level of management and planning of the reproduction process and politically and ideologically to prepare the collectives for the continuously growing requirements of the national economy. To accomplish this, concrete measures must be taken--measures ranging from the development of products and technologies to the rationalization of the production process so as to guarantee a significant expansion of output. On this basis, the base organizations of the Party and the trade union groups will be able by means of their political-ideological work to produce the effect, to develop the capacities that make the socialist competition a guarantor for further performance increases.

## Flexibility and Technical Progress

The machine tool is of crucial importance for many branches of industry. Thus the machine tool building industry carries special responsibility for continuously developing new means of production that insure an above-average growth rate in regard to production, exports, labor productivity and efficiency. In order fully to meet these requirements, the efforts of the collectives in the "Fritz Heckert" Machine Tool Combine VEB are being successfully focused on the production of machine tools that on account of their utility value are in great demand in the world markets, that meet the requirements of the GDR's metalworking industry and that are produced with great efficiency.

Due to the diverse, objective conditions of both the external and the internal markets, we are forced to adopt a very broad production program, which comprises over 1,000 machine variants. Automated machines that in many cases must be adapted to the specific utilization conditions make up a large part of this program. This leads to small- and medium-scale series production and to additional services necessary for customer satisfaction. Thus the design-related and the technological input for production preparation is rapidly increasing and the implementation of the production process proper is imposing much heavier demands on the workers' level of expertise. It is very much worthwhile to solve these extremely complex problems, since the potential price per 1 kilogram of material for a technically exacting product such as a machining center exceeds by far the input on a conventional standard machine. Thus it is not only in the interest of demand-oriented production that we are concentrating--in regard to the further development of the combine--on the production of this modern technology; rather, it is a task based on the interests of the national economy as a whole, a task necessary for a higher degree of material refinement, a task requiring initiative, ideas, creativity--in short, the creative efforts of all workers. "A higher degree of refinement of the raw materials and materials used is the key factor in insuring further expansion of output. In econopolitical terms, improved refinement means through more sophisticated work to add value to each kilogram of initial raw material used."[2]

By producing our machines through the unitized construction process and by employing computerized machine tools in the mechanical production process, we are able--even under the complex production conditions ensuing from small series--to attain a high degree of labor productivity and efficiency in the production of machine tools. Evidence of this are our combine's 2-digit annual growth rates--which by now have become an established routine--and--even more importantly--the positive results achieved in the world market. This positive development entails the challenge self-critically to evaluate the scientific-technical and the economic results achieved and to measure them against the advanced international standard. In regard to the evaluation of our economic activity, we therefore not only consider the degree of plan fulfillment and the growth rates attained; we always take into account the highest international standards in science and technology. Karl Marx pointed out that the average social input required is the criterion for the labor productivity attained. "Work of exceptional productive force functions as magnified work or it creates during an equal time span higher values than does the average social work of the same type."[3]

Our objective in the socialist competition is not only to struggle for higher growth rates, but to try--through a maximum of industriousness and creativity--to

achieve the performance increases by which we can attain and exceed the international standard. Thus the true indicator and touchstone of the position attained is the volume and profitability of our exports in the markets essential for our national economy. It is only when the products of a combine withstand the stiffest competition in the world market that our work is truly successful. Thus we are focusing our management and planning work in the combine on the acceleration of the scientific-technical advances, on the swift development of new productions and technologies and on their rapid introduction into the production process.

## The Decision Is Made at the Drawing Board

In the machine tool building industry, an innovation cycle of approximately 5 years has been established; this means that the utility value of a new product must considerably exceed the average international level if it is to be competitive and marketable as late as the 5th production year. Thus, if the product development takes 2 years, the planning and design experts must take into account the scientific-technological and the commercial requirements over a total of 7 years, and further reduction of the innovation cycle will entail even higher demands.

To insure that the necessary management decisions can be made with sufficient assurance, we have worked out long-term conceptions for the development of both the scientific-technical and the economic processes. They include the combine's marketing strategy and the basic tasks concerning the development of the products, the development of the technology, the implementation of socialist rationalization--primarily by means of intensified application of robotics--and the further improvement of organization. Proceeding from the growing requirements of the national economy, these conceptions have steadily been defined in greater detail and they have been oriented--especially after the 10th Party Congress--toward above-average performance development of the combine, toward marked reduction of the production input and toward improvement of the input-output ratio. These conceptions form the basis of the elaboration of the duty books, which establish the crucial performance parameters for the research and development tasks. In order to produce top-level results, we are making heavy demands on the creativity of the scientific-technical cadres and we are increasingly successful in reducing or entirely eliminating the coordination input and the routine work so as to effect intensification, time savings and a high degree of quality in the research and development process.

It is an indisputable fact: Whatever is squandered in the design process is lost to our society and cannot be recovered, no matter how great the efforts at the subsequent technological and production stages. Conversely, outstanding designs that lead to a high product utility value with a relatively low input of materials, energy and working time establish already at the drawing board the crucial preconditions for high labor productivity and efficiency at the subsequent production stages.

Due to the necessity to expand the output of "custom-made" products, high growth rates of industrial commodity production and, in particular, of exports presuppose not only outstanding quality in regard to the technical production preparation, but also large and steadily increasing capacities in both the design-related and the technical fields. For this reason, the performance increases of our combine are largely determined by the available scientific-technical capacities, above all by the capacities of the technical and design-related branches. Consequently, in the

management and planning of scientific-technical progress, we are concentrating on two crucial tasks: Firstly, we are directing our efforts toward the development and subsequent maintenance of a large assortment of top-grade products distinguished by patentability and good marketability. Secondly, to meet the resultant, continuously growing technical and design-related requirements, we are intensifying the research and development processes by means of new equipment and more effective work methods and we are expanding the capacities for the technical production preparation.

Among the key factors concerning the implementation of our research and development conceptions, the most important are the expertise on creativity of our scientific-technical cadres and their desire to produce above-average production and export results primarily through their personal efforts. For this reason, we support and strengthen the motivation of our designers and technologists through exacting tasks determined by the highest international standards in science and technology and by paying tribute to outstanding results. We have achieved positive results through encouraging--by means of bonuses--top-level performance in this field; likewise, conferral of the titles "First Designer" or "First Technologist," which are accompanied by a raise, has a stimulating effect on the socialist competition and its results.

We demand and defend sound risk-taking, without ignoring the fact that not every breaking of new ground is successful. In our management practice, we therefore do not entertain any exaggerated ideas concerning liability, if the objectives cannot be fully attained, but we also do not ease up on the requirements concerning strict accountancy in the duty books. For it is precisely the creative urge for top-level achievements, the constructive efforts to attain this objective, that is furthered in this way.

Since the defense of exacting objectives of this type includes the participating designers and technologies and since the critical review of the duty books is undertaken together with the collectives in accordance with the resolutions adopted last year by the Politburo and the Council of Ministers, many cadres are developing the requisite high motivation for meeting the high performance requirements through collective and individual creativity. All this imposes heavy demands on the management of the technical processes and on each individual cadre. Considering that a designer in his or her work not only lays the foundations for high product utility values, but that he or she also must largely determine the future technology for the production of the individual parts and construction units, these demands cannot be underrated. For example, the designer determines already at the drawing board whether a flange or a shaft is to be turned out of the solid body, whether it is to be rough-forged or whether it is to be welded from several units. As automation progresses, the ability of the designers fully to grasp technological processes and to help develop them toward high productivity increases is assuming increasing importance. As the material-technical basis of the metalworking industry is more and more determined by the new tooling centers that have been introduced into the production process, the individual parts and construction assemblies to be produced must be designed for the construction capacities of this new technology, i.e. they must be designed in accordance with the production requirements.

Tooling centers allow fully automated machining of a certain blank in a single setting. Thanks to the swivel-feature of the work-piece palette, planes and boreholes

can be aligned at any angle. Thus it is possible to combine the functions of several work pieces, which in conventional processes would have to be produced and assembled separately, in a single complex work piece.

If these production-related possibilities are taken into account in the design of the new products, it is possible markedly to reduce the number of the parts making up a machine. Practical experience has shown that an average of three conventionally produced parts can be combined in a single complex unit. This results in a radical reduction of working time, materials and costs. There is also a significant reduction in management and administration input, because orders must be placed and computed for only one-third of the originally scheduled items. It is obvious that for this reason the number of the individual parts of each new product has become an important evaluation criterion in regard to both the scientific-technical and the economic levels.

In the design process, it is necessary to insure that instead of the 1,500 individual parts for a highly automated machine, which were required under the conventional production system, only 500 to 800 individual parts are scheduled in accordance with the given production conditions. Use characteristics that call for higher expenditures, but that are not honored by the market, must be excluded from the duty books from the outset. It has long been established that the highest scientific-technical level is attained not when all possible use characteristics are present in one machine, but when the requisite production task is accomplished with the smallest input of living and embodied labor.

In the socialist competition, the research and development collectives compete for the best results and they try constantly to improve themselves in the work process so as better and better to meet the requirements. In view of the great influence exerted by microelectronics and automation technology on the scientific-technical progress in the machine building industry, the machine designer needs to be knowledgeable in these rate-determining fields. It is necessary better to control the interfaces between mechanics and electronics, the conversion of electronic signals into mechanical movements and the registration of physical quantities by electronic signals. Thus the machine designers must increase their knowledge of electrical engineering and electronics, and the electrical engineering and electronics experts must have some basic knowledge of the mechanical processes.

Thus the training of engineers gives rise to new questions that we must take into account in the development of the curricula of universities and technical colleges, in order better to prepare the future graduates of these educational institutions for their creative work. The deepening of technical expertise, including the acquisition of special knowledge, must take place within the work process; in this respect, specialized continuing education centers such as the center for microelectronics at the Karl-Marx-Stadt Technical College and at our own research center are of great benefit.

In order to be able to expand the scientific-technical capacities not only intensively, but also extensively in accordance with the requirements, we feel it is necessary to make a large number of young, competent skilled workers from our combine's enterprises enroll at universities and technical colleges. All of the students of the class of '82--graduating from the plant vocational school of the parent enterprise--applied for admission to a university. Through sponsorships

established with expanded high schools by collectives of our combine, we are awakening there, too, the young people's understanding and enthusiasm for the technical sciences and we are encouraging them more than ever before to study the engineering sciences at the technical colleges.

Moreover, we are engaged in close socialist cooperation with universities, colleges and other scientific-technical institutions. This cooperation includes systematic and complex collaboration in crucial research fields in the natural and social sciences, joint utilization of sophisticated scientific apparatus, and improved training and advanced training of cadres.

High-Level Technology

The report of the SED Central Committee to the 10th Party Congress emphasized that the raising of the technological level "must be accomplished primarily through large-scale application of microelectronics in the production process, through automated process control and through introduction of industrial robots."[4] To meet this requirement, the combine establishes--along with every product development task--the targets for insuring a high technological level, for product development, technology and production rationalization are inseparably linked. Thus the production of new products that help determine the highest scientific-technical standard is inseparably linked to the introduction of new technologies and to the raising of the overall technological level. Conversely, new technological principles and procedures trigger essential impulses for the development of new products. For example, it is now possible by means of milling machines that are distinguished by higher drives and that allow higher spindle revolutions and higher tooling tolerances largely to eliminate the expensive grinding operations. On the other hand, this production technology gives rise to ever new and farther-reaching requirements concerning development of the milling machines.

In order to meet and exceed the targets--both the targets resulting from the aforementioned technology and other, increasingly exacting technological targets--we have continuously created and expanded essential capacities for technological research and development. Thus, in close collaboration with the Research Center of the machine tool building industry and with the technical colleges of our republic, the combine's production enterprises are carrying out significant research work, which accounts for the major share of the planned savings of basic working time in the field of technology. The technological researchers are solving key problems such as the further intensification of the milling, turning and grinding processes. Other research projects are oriented toward gradual development of integrated, object-specific production sections and toward rationalization of the surface treatment and assembly processes. Test departments designed to facilitate technological experiments have proved quite successful in this respect.

The employment of modern technologies also requires a great many initiatives and considerable material investments for the independent construction of rationalization equipment. In this respect, we are concentrating on unconventional means of production, and in this field, too, we are utilizing the advantages offered by specialization and concentration in the combine, thus avoiding inefficient parallel production. A focal point of our technological work and of the construction of rationalization equipment is the development and employment of feeding robots for machine tools. This year, having gained some initial experience in the development

and utilization of technological units, we will start at the Plauen "VOGTLAND" Wema Combine Enterprise the series production of the WMR 01 Robot, which is most suitable for the feeding of machines designed for the production of small parts and which meets the economic criteria concerning reduction of manpower and input recovery time.

Regarding our future work plans, we are proceeding from the assumption that the performance development on the scale required due to the growing foreign economic requirements calls for much greater efforts in regard to further rationalization and intensification of the reproduction process. Consequently, in our management and planning work, we are trying--by means of the possibilities offered by socialist rationalization, which range from the introduction of the latest scientific-technical findings to the application of new technological solutions and the utilization of the workers' ample production experience at the machines and assembly places--to make better and better use of both the available and the newly emerging reserves for the improvement of labor productivity and efficiency.

As regards the political-ideological work, the base organizations of our Party in the combine enterprises aim to establish in all collectives a creative atmosphere conducive to further initiatives toward reduction of the production-related time and capital input and simultaneous improvement of both quality and efficiency. That this approach is successful is demonstrated by the excellent work results produced by the Communists and all the other workers of the combine in regard to acceleration of scientific-technical progress, rapid introduction of new products and technologies into the production process and reduction of production input.

FOOTNOTES

1. "Report of the Central Committee of the Socialist Unity Party of Germany to the 10th SED Congress. Speaker: Comrade Erich Honecker," Berlin, 1981, p 49.

2. Guenter Mittag, in: "Kombinate im Kampf um die Durchfuehrung der oekonomischen Strategie des X. Parteitages" [Combines in the Struggle for the Implementation of the Economic Strategy of the 10th Party Congress], Berlin, 1981, p 41.

3. Karl Marx, "Das Kapital" [Capital], Vol 1, Berlin, 1962, p 337.

4. "Report of the Central Committee...," op. cit., p 56.

## Planning, Creativeness Compatible

East Berlin EINHEIT in German Vol 37 No 3, Mar 82 (signed to press 10 Feb 82) pp 268-270

['Creativeness and Initiative' feature article by Prof Dr Werner Gilde, engineer, director, GDR Central Institute for Welding Technology (ZIS): "Ideas Which Pay Off"]

[Text] What are the requirements concerning the planning, organization, control and final evaluation of research projects? What are the criteria that provide the manager and the researcher with

an objective picture of the course and completion of the research work? How important in this regard are the answers to simple questions such as: What did the researcher promise? Has he or she kept or exceeded the performance promise? Why does creativity call for a political attitude? Questions that are answered on the basis of the experience gained in the ZIS.

Most of the studies concerned with research organization cover the planning process. This is only natural, since the difficulties arising in the course of a research project are for the most part the result of shortcomings in regard to planning. The publications dealing with the control of the research work proper are much less numerous, and the studies dealing with research project completion are even fewer in number.

As a rule, it is assumed that the closing defense is the best basis of evaluation in regard to project soundness. The experience gained in the GDR Central Institute for Welding Technology (ZIS) confirms the importance of such a defense; in particular, it shows that the most important evidence in this defense is the comparison:

--What did the researcher promise at the research planning stage?
--Has he or she kept or exceeded the performance promise?

By asking these simple questions, one establishes an easily controllable interrelationship with the planning process, provided that the plan of the research project was sufficiently specific--a requirement derived from social responsibility and state regulations.

Occasionally, one reads the following statement in regard to completed research projects: "As far as the essential areas are concerned, the objective was attained." Such a final evaluation lacks the requisiteness strictness in regard to standards and it gives a misleading orientation. If an objective was attained only in certain key areas, the research project has not been accomplished--all the positive results notwithstanding. According to the view prevailing in our institute, a task can only be accomplished or not accomplished. If it was accomplished only in some areas--no matter how significant--one must say--without belittling the significance of the results produced--that it was not accomplished!

Some people hold that strict control is incompatible with risk-taking. According to their view, the stricter the final control, the less will the researcher be inclined to assume a great risk. Our experience shows that this is not the case. In our view, the risk involved in a given task must be reflected in the planning and in the formulation of the task. For example, if one wants to ascertain whether there are adhesives capable of bonding metals with oily surfaces without any preceding cleansing of these surfaces, one assumes only a very low risk, for the only thing to be demonstrated is that all available adhesives have been tested. However, if the researcher wants to develop an adhesive on a certain chemical basis--an adhesive capable of bonding metals with oily surfaces and distinguished by an adhesive power at least as great as that of the hitherto best adhesive for cleansed surfaces, he or she assumes an extraordinarily high risk. Incidentally, the latter consideration led to the ZIS 939 adhesive. Its inventor, Dipl. Ing. [Engineering Diplomate] Ruhsland of ZIS, received a high state award of honor.

In an article published in EINHEIT in 1978,[1] I demanded--and substantiated this demand through reference to a project essential for our housing construction sector--that in our research work standards and objectives be established. As a rule, standards can be numerically defined. The EINHEIT article contained the following passage: "So we can predict that from 1985 on it will be necessary to undertake large-scale repairs of the heating pipes in the apartments. Thus, by 1982 at the latest we must have developed welding processes permitting repair of heating pipes in apartments (target)! In these operations, wallpaper located at a distance of 10 centimeters from the pipe must not catch fire. As for the time required for the welding, 1.5 minutes represent a desirable target (two standards)."[2]

The first standard--a welding time of under 1.5 minutes--was attained by means of the MBL welding process. At present, we are capable of welding pipes such as are required in private housing in approximately 6 seconds. Even if the preparatory times are included, the time required was well within the limits of the target standard of 1.5 minutes.

In regard to fire protection, our standards were much higher than originally planned. At present, we are able to carry out welding operations--by any welding process--immediately beside a papered wall or any other flammable object. This target was attained by means of the heat-conductive ZIS 11-59 substance, the importance of which goes beyond the housing construction sector. So far, this substance has been tested in approximately 90 enterprises and it has helped to lower the fire risk in the enterprises.

It goes without saying that in the other socialist countries the tasks are similar. So it was all the more necessary to institute cooperative research in the CEMA countries. The Soviet Union and the GDR are concentrating on the welding of heating pipes. Our colleagues in Leningrad have been sharing their experience in regard to welding work at the work place, while we have been sharing our experience in regard to preassembly welding. These efforts have resulted in excellent complementation. In regard to heat-absorbing substances, the Kiev Paton Institute has carried out large-scale preparatory work. Our task in the ZIS has been to continue this work and to insure that the targets are met and exceeded on the basis of GDR raw materials.

The work in our institute is designed so as to make all staff members aware of the great responsibility they bear in our society and of the credit that society gives the researcher. This credit is of a moral nature, because the people have faith in the researcher, and at the same time it is of a material nature, because the researcher is entrusted with research funds. This trust obligates the researcher to establish clear objectives, to set high standards, to account for both the objectives and the standards, and--most importantly--to bring the results obtained in relation to the material and the financial input. It is the responsibility of the Party organization and of the state leadership jointly to insure that every researcher adheres to these demands.

Creativity and initiative are a reflection of a certain attitude: I want to improve the world to the best of my ability. /Creativity calls for a political attitude!/ [passage in slantlines printed in italics] Our skills and talents--for the utilization of which our social conditions provide a lot of room and ever new

impulses--give rise to the opportunities for action that are accessible to each of us.

It is an indisputable fact that certain environments favor creative ideas. It is all the more necessary fully to utilize the opportunities provided by our social conditions and everywhere to establish such conditions. To be creative is essentially a personal world view and all of us have the means of fully developing such a world view. To be creative is a matter related to one's political outlook.

Occasionally, people say that the plan with its targets is incompatible with creativity. They use this as an excuse, if they do not come up with any ideas. All of the experience gained in the ZIS confirms that the plan and creativity are quite compatible; in fact, they are interdependent. For what good is a plan without creativity? One only needs to realize that the plan establishes the objectives of our work. The inventions we make are primarily oriented toward meeting the plan targets more rapidly, more efficiently and at lower cost. Is this invalidated by the fact that sometimes things are invented that do not fit into the plan? In my view, it is actually desirable to invent things that go beyond the plan. In my experience, all good ideas finally won recognition, even though this did not always happen as soon as would have been desirable.

In regard to the management of creative processes, one should bear in mind the following:

--The scope for improvements within one's own limits is quite large, if the available forms of organization are systematically utilized.

--Creativity and the readiness to take risks are personal attributes which should not be demanded of others, but which must be developed and exhibited by everyone.

--Our labor law, which guarantees work to everyone, does not justify a situation where an unimaginative engineer occupies a position that should be held by someone with good ideas.

--Success promotes success. Whoever wants developed something new will surely try to do it again and again.

"Invent what never existed." For years, this motto has been adorning the ZIS stairway. It is not only a request for action; it also establishes the standards of action. It is not merely a question of reaching the much-quoted international standard; rather, it is necessary to invent things that previously did not exist in the field of technology. Such inventions may be concerned with small matters. Whoever improves a minor aspect of an industrial product that is produced in large series creates great benefit. Naturally, the idea to invent something that never existed implies transgression of the limits of the hitherto conceivable; it means to effect the breakthrough of something new. Our ancestors did not have the desire to drive an automobile, nor did the welders of 1960 have the desire to set up a robot; but both the automobile and the robot emerged victorious, when as a result of the pertinent scientific findings and technical innovations these totally new products were born and when they made possible easier satisfaction of social needs.

To us, the touchstone in regard to all inventions is the question whether they are utilized in any way and what effect they produce. To be sure: At the moment of invention, one frequently does not know how this invention will be utilized. But even if an invention is not the "big breakthrough," nothing could be worse than to become discouraged. As banal as it may sound: Great hits are usually the result of great industriousness and hard thinking; as the intensity of the creative search increases, so does the probability of a breakthrough. Without creative drive and personal commitment, one cannot expect any great hits.

It is very much in keeping with the nature of our Marxist-Leninist world view that we approach every problem dialectically. Only in this way is it possible to invent something, but it goes without saying that great expertise and knowledge are required as well.

The GDR economy with its systematic development offers the best opportunities for innovators and inventors. It is the responsibility of the party organizations to demonstrate to the workers that in the field of technology, too, dialectical thinking produces results.

FOOTNOTES

1. Werner Gilde, "Creativity in the Research Process," EINHEIT, No 7/8, 1978, pp 756ff.

2. Ibid., p 757.

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## SHORTCOMINGS IN INDUSTRIAL INVESTMENTS CRITICIZED

East Berlin EINHEIT in German Vol 37 No 4, Apr 82 (signed to press 15 Mar 82) pp 424-428

['Consultation' feature article by Prof Dr Georg Ebert, head, faculty for Political Economy of Socialism, and Dr Guenter Opel, senior assistant, faculty for Industrial Economics, Karl Marx Party College, SED Central Committee: "New Standards for Investment Policy." An East Berlin DIE WIRTSCHAFT article on this subject by Prof H.-J. Beyer and the official text of the third (amended) investment decree are both translated under the heading, "Changes in Use of Basic Assets, Investments Discussed," in JPRS 80171, 24 Feb 82, No 2235 of this series, pp 32-38]

[Text] Investment policy has also become subject to much higher demands from the need to reach the ambitious performance and efficiency objectives of the 1981-1985 Five-Year Plan, based on a stable and dynamic growth rate, which is to hold beyond those years as well. What matters now, after all, is to accomplish the planned growth rates in national income, commodity production and labor productivity by investments that must needs be greatly constrained. To get a maximum economic yield most expediently from every mark invested is a cardinal issue in our investment policy.

Wherever investments are placed, they must, in any event, be made highly effective, be it with the aim of enhanced refinement of raw materials, material and products, of using secondary raw materials more and more extensively, of speeding up branch development, so vitally important for the further acceleration of scientific-technical progress and strengthening our export capacity, or of improving working and living conditions, especially the housing conditions, of the working people.

Our party's economic strategy for the 1980's points the way to solving this task; we have to advance that way with determination. This requires, and sets the criteria for, an investment policy that is fully oriented to enforcing our intensively expanded reproduction that saves manpower and funds. While up to now investment activity resulted in making more basic production assets available to live labor and a somewhat slower rate in productivity boost of social labor, now it becomes imperative to increase labor productivity much faster than providing the working people with basic assets. "Ideas intent on bartering for each percentage of labor productivity increase by an equally fast or even faster growth in our investment effort run counter to economic efficiency."[1]

Investing in the materialization of the latest scientific-technical data based on the most advanced insights while concentrating on socialist rationalization is the main way to obtain a new quality for developments thus far and faster and better results from the requisite economic and social effects of the investments. It is imperative to make economically effective, in new dimensions, the available material and intellectual potential, created by society and increasing year after year, critically to boost the efficiency of investment activity itself and of the reproduction process as a whole, and gradually to improve further the working people's working conditions in the extant enterprises and enterprise departments.

On a priority basis, those modern products and technologies have to be put into production through investments which will, when they reach their production efficacy, determine or at least codetermine international standards, and through which it then becomes possible to improve the efficiency of entire economic areas and solve a number of important economic and social problems in their interdependence. "We need no investments that will conserve the level of the productive forces attained. Rather, investments have to pave the way to high productivity and efficiency in the future. That puts the emphasis on investment-induced technological advances which ensure the highest economy. This severe criterion applies to all our labor."[2] This means that the available means are to be invested particularly in the development and application of microelectronics and robot technology, and in enhanced refinement of raw materials, material and products, and in machine tool construction.

Experience has shown, e.g. in the use of industrial robots, that this process by no means proceeds without problems. There are some combines where the planned development, production and use of industrial robots are not sufficiently taken account of in the management, planning, preparation and implementation of the investments. Instead of seeking to obtain the performance and efficiency goals in accordance with state plan leads by means of allocated investments, they seek to make the introduction of robots dependent on "extra" investments.

For the use of industrial robots as for the most efficient linkage between science and technology and investment activity as such, we must therefore firmly connect the management and planning in the preparation and implementation of investments with R&D management and planning, so as to gain from the latest scientific-technical data a maximum growth in economic capacity. Gaged against the latest criteria, we are, with all our advances in this field, still only at the beginning. Even while we work out our requirements for the development and introduction of products and technologies, decisions have to be made on creating the material-technical preconditions for applying the results in production. No R&D task within the scope of applied research must be started unless the investments for implementing the results are ensured. All deliberations in working out targets and tasks, and prior to making investment decisions, must start with the intrinsic value parameters, price and cost limits, computed on the basis of world standard comparisons for any product or technology, the absolutely compelling time frame up to the products' reaching the market, and the concrete conditions of the reproduction process in the combine, enterprise and the economy. Furthermore, we must ensure, throughout the whole period the innovative process is going on, and especially when the requirement is confirmed or the basic decision is made on the investment project, that preparation and implementaion are consistently based on the latest R&D data.

## Concentrating Investments on Rationalization

A basic condition for a penetrating improvement of investment efficiency lies in concentrating our means and capacities on socialist rationalization. Comrade Erich Honecker has said about it: "Efficient economic management at such a pate of development more and more depends on how well we use what we have got. This also sets the direction for our investment policy. It would be a mistake to place new and old technologies side by side. Much more favorable, it turns out, is to rationalize existing installations on the basis of advanced technology. This, to be sure, is not compatible with handling to so-called replacement quota routinely. Not that we wish to promote obsolete technology, yet often it does not take much to modernize such aggregates."[3]

Some of the reasons why our party attaches priority significance to enforcing this investment strategy are the following:

First: Scientific-technical progress increasingly leads to results which can any longer be used economically only if they are drawn into the reproduction of the extant material-technical base and thereby lead to efficiency and performance improvements of the machines and installations already in place in an enterprise. Such revolutionizing R&D results as microelectronics, microprocessors, industrial robots, electronic guidance systems and so forth are, as it were, the key by which it becomes possible, through the renovation, modernization and reconstruction of the available basic assets, to counter their moral wear and tear, confine, or even prevent entirely, the decline in productivity of older machines in comparison with newer ones, and to extend their working life by raising the productivity and efficiency level. This confirms Karl Marx' insight that the mass of embodied labor available, to the extent it is ever more fully being used, constitutes a potency of its own. The factors at work here, according to Marx, include the "economy resulting from the concentration of the means of production and their massive application,"[4] special improvements allowing the available machinery to work more economically, and the "economy through inventions."[5]

Scheduled maintenance, including general repair, becomes increasingly important for our modernization. This must not confine itself to restoring the original condition but must also aim at utilizing the latest R&D data for steadily improving the scientific-technical level and efficiency of the basic assets. The core problem, economically, lies in using simple reproduction more as a source for expanded reproduction.

Second: It takes less and less time to replace a product by a new or further developed one. It would eocnomically not be acceptable or possible to carry out investments at the same tempo that would replace machines and installations we already have. This investment concentration on rationalization, modernization and reconstruction also aims at accelerating the reproduction cycle by reducing all its phases and ensuring smooth transitions among the various sectors, so as to present a new product on the market at the given time.

Third: Through rationalization investments, jobs can noticeably be cut back and labor can be released for other assignments in the combine and enterprise or in other economic fields. That is the main way to expand the 1981 advances in the metal working industry. This, in principle, alters the current trend of rather creating than saving jobs by means of investments.

Fourth: This priority investment in rationalization, modernization and reconstruction makes possible reducing specific investment efforts significantly. This is a fact already pointed out by Karl Marx, in "Das Kapital," with reference to Charles Babbage: "The guess is that building a single machine by a new design costs five times as much as reconstructing such a machine following the same design."[6]

GDR industrial enterprise experience demonstrates that investment efforts in modernizing or reconstructing are on the average less than half of what they are in a new design. Furthermore, the performance projected for such a project normally is accomplished more rapidly, after it is completed, than in the case of a new design, where it may take years to overcome initial complications.

Fifth: Along with the development of best effort-reducing construction-technological and construction solutions and their binding utilization, the construction proportion of investments at large, as anticipated in the 10th party congress resolutions, will decline decisively, above all on account of the maximum use made of extant construction. An analysis of industrial reconstruction projects carried out shows that through the reconstruction of old structures buildings and installation structures were made available which by and large are compatible in their intrinsic values with new structures yet cost only between 50 and 60 percent of what new structures would have cost.

The means and capacity concentration on socialist rationalization doubtless is more difficult than building a "new structure on the lawn." It is something that normally has to be done not only while production is going on but often even with output increasing and conditions becoming harder for all involved. It makes the highest demands on R&D personnel, project planners and designers, on the entire enterprise collective and on the construction and assembly collectives handling these tasks.

The great proportionate increase of rationalization investments with regard to overall investments also makes particularly high demands on an highly effective political-ideological work by the party organizations. Great attention must here be given to the working people's correct basic ideological position on carrying out rationalization investments and to forming their readiness to tackle the requirements and burdens resulting therefrom. How much we advance in this field, largely depends on their clarity, commitment and skill.

Advanced combines have provided the evidence for that it is possible to put scientific-technical top achievements more rapidly into production by way of socialist rationalization, whereby to gain a greater economic benefit than through new investments. This also refutes the view encountered sometimes that a successful and effective implementation of scientific-technical progress of necessity calls for new investments.

Modernization Through New Technologies

With the increasing concentration of scientific-technical work and investment activity on socialist rationalization and the concomitant renovation and higher development of our extant material-technical production base, special importance attaches to the introduction of new technologies that have much to do with the further development and renewal of working tools. Our party program comments as follows on the importance of technology: "Scientific-technical progress reaches production

viability and efficacy through technology and its effective level. Therefore, greater attention is required for technology as a science. It largely depends on the performance level of technology to save and facilitate human labor and make it still more productive and interesting."[7] That remark doubtless applies generally to combining scientific-technical work with investment activity; in particular, however, it also applies to socialist rationalization and the modernization and reconstruction of machines, equipment and structures that are connected with it. For improving their effectiveness and efficiency, advances in the technological field are of crucial importance. They are decisive for the design and functioning of the working tools as for the ways and means of linking the working tools with the substance of labor and the labor force under the conditions of a concrete, extant reproduction process which is intended to be improved. In this, there objectively grows the responsibility the users have for constantly improving efficiency. It is especially important for them to work out a sound standpoint of their own about the requisite economy and the schedules on changing the working people's working conditions.

In close liaison with those who undertake the investments, it is up to the users to insist that the new products or technologies are produced and become production-effective with the economically and socially most beneficial parameters and at the right time (from the vantage point of their economically most favorable appearance on the market). This makes it possible to make higher demands on those who handle the investment tasks, challenging them to perform on a higher level, both with regard to the technical and technological parameters and to meeting strenuous deadlines.

Another aspect that argues for strengthening technological R&D among the users lies in boosting industrial robot construction on one's own and other enterprise and branch-specific means of rationalization, as well as carrying out more strongly necessary construction measures with one's own capacities. Experience has demonstrated this is a basic way to effectively boost productivity and efficiency; for this involves, after all, usually "tailor-made" up-to-date and most productive equipment that reaches production effectiveness fast. Already, in not a few combines, self-produced means of rationalization are used for applying R&D data at a scope that amounts up to 50 percent of the combine's total investments. This trend is going to increase considerably, if the tasks assigned on the broad application of microelectronics and industrial robots is to be solved with success by 1985.

Higher demands, however, also are to be made in this connection on the machines and equipment of the industry that produces the means of production. They must be designed and produced in a much more reconstruction-related manner, which means, it must be possible to integrate them without any larger modifications with extant installations, technological processes, structures and enterprises, whereby they will contribute to genuine rationalization among the users.

Naturally, even in the years ahead it will be necessary systematically to carry out new construction and expansion investments for applying what are in principle new R&D data. That includes, above all, extraction, treatment and processing projects for new raw materia, fuel and energy sources. In any event, precise evidence has to be provided showing
--that the project in question is economically absolutely necessary,

--that all possibilities were exhausted to reach the objective through rationalization (even exceeding combine boundaries),
--that the yardsticks for highest efficiency are complied with, and
--that the project can be carried out within the scope of available funds, without infringing rationalization and extension projects.

It is of the greatest importance to rapidly boosting efficiency and productivity that investment projects are accomplished at briefer time frames. That simply still takes much too long in our economy--gaged against international standards and the tempo of scientific-technical progress. Time frames for construction must be reduced to the social standard of two years; and to less than that for projects below M 20 million.

For one thing, the time factor more and more controls the cost/benefit ratio. The faster R&D data are applied in production by means of investments, the larger by comparison, using equal funds elsewhere, is the economic, and hence the social, benefit for society. Secondly, brief turn-over periods guarantee that part of the national income that is invested in the renovation, modernization and expansion of the material-technical base of production and temporarily withdrawn from the economic cycle to be kept on a relatively low level without losing any of its rapid economic efficacy. Third, shortened construction time frames enable the building and assembly enterprises to use their capacities in a concentrated fashion, which leads to great efficiency and productivity in building and assembly processes. It counteracts that uneconomical splintering of capacities into a great number of simultaneous production projects.

Important prerequisites for a concentrated and rapid implementation of investment projects were established already in its previous preparation phases. The main attention must be given to much more thorough preparation on behalf of reducing the overall implementation time frame for investments.

Great reserves for reducing those time frames but also for basic improvements in investment efficiency can be tapped by comradely cooperation, as early in the game as possible, between those who give the orders and the construction project planners, between the technologists and the planning and accounting organs. That applies in particular to preparing rationalization investments. The whole point is, after all, to work out in every given case the most efficient alternative for ensuring the planned performance and efficiency improvement through a thorough analysis of the growing construction substance from the vantage point of its maximum reuse, through basic assets considerations and a precise coordination of construction measures, with but the slightest inroads made on production in process. Wishing to raise altogether the investments' management and planning level, in accordance with our party resolutions, we must then also resolutely set down an economically sound rank and sequence and a crucial reduction in the number of new projects, a more skillful construction and equipment balancing, and a better attitude by the building industry toward the requirements for a priority renovation, modernization and reconstruction of the material-technical production base.

"Rigorous plan implementation, an objective analysis reaching clear conclusions, a precise accounting for what has been achieved, generalizing the best experiences, and fully exercising personal responsibility are important management principles.

That applies to the ministers, the general directors, the plant chiefs, the bezirk and kreis council chairmen and all others charged with responsibilities in investment activities."[8]

This is an important prerequisite for still more effectively directing the working people directly involved in investment activites at completing their projects, proper as to deadlines, qualities, contracts or ahead of deadline, staying below their authorized allocations and complying with confirmed technical-economic parameters, and boosting labor productivity through higher efforts of their own and through reducing production consumptions and costs.

FOOTNOTES

1. Guenter Mittag, "Full Speed Ahead Toward the 10th Party Congress," NEUES DEUTSCHLAND, 4 December 1981, p 6.

2. Comrade Erich Honecker, "Bericht des Zentralkomitees der Sozialistischen Einheitspartei Deutschlands an den X. Parteitag der SED" (SED Central Committee Report to the 10th SED Congress), Dietz publishing house, Berlin, 1981, p 57.

3. Comrade Erich Honecker, "Aus dem Bericht des Politbueros an die 3. Tagung des ZK der SED" (From the Politburo Report to the Third SED Central Committee Plenum), Dietz publishing house, Berlin, 1981, p 36.

4. Karl Marx, "Das Kapital," Vol III, Marx/Engels, "Werke" (Works), Vol 25, Dietz publishing house, Berlin, 1964, p 89.

5. Ibid., p 113.

6. Karl Marx, "Das Kapital," Vol I, Marx/Engels, "Werke," Vol 23, Dietz publishing house, Berlin, 1962, p 427, footnote 147.

7. "Programm der Sozialistischen Einheitspartei Deutschlands," Dietz publishing house, Berlin, 1976, p 46.

8. "Joint Resolution by the SED Central Committee Politburo and the Council of Ministers of the GDR, 'On Improving the Efficiency of Investments for Further Strengthening the GDR's Economic efficiency,'" NEUES DEUTSCHLAND, 10/11 November 1979, p p.

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# RELAXING OF STATE ECONOMIC CONTROLS SEEN AS THREAT TO SOCIALISM

## Danger of Anarchistic Elements

Potsdam-Babelsberg STAAT UND RECHT in German Vol 31 No 3, Mar 82 (signed to press 21 Jan 82) pp 195-206

[Article by Prof Dr Gerhard Schuessler, rector, GDR Academy of Political Science and Jurisprudence; chairman, Council for Political Science and Jurisprudence Research, GDR Academy of Sciences: "Economic Strategy and Socialist State." A translation of the article by Siegfried Petzold cited in footnote 1 is published following this article]

[Text] The 10th SED Party Congress provides many impulses to the work in political science and jurisprudence and stimulates the rethinking of fundamental theoretical problems in this field, as well as the deepening of scientific assertions made to date. This is made clear by the scientific publications on important problems of political science and jurisprudence that have been published in preparation and evaluation of the party congress.[1] However, their study also makes evident that the creative treatment of the theoretical problems regarding the development of the state and law in realization of the decisions of the party congress is only in the beginning. It is all the more urgent, proceeding from the fundamental strategic lines for the 1980's, to pursue the elaboration of the theory regarding the developed socialist society, especially from the point of view of the process of its further formation, with still greater intensity also from the standpoint of political science and jurisprudence.

The political science aspects resulting from the economic strategy of the SED, as decided by the 10th Party Congress, with respect to the further development of the socialist state and the perfection of the state management and planning, occupy an important place in this. In all stages of the socialist revolution, the economic policy of the SED has shaped the tasks and functions of the socialist state to an exceptional degree, and the main lines of economic strategy have fundamentally determined the content and the forms of the control activity of the state both during the construction of the foundations of socialism and during the transition to the formation of the developed socialist society. Viewed from a historical perspective, an incessant process of the unfolding of the creative role of the socialist state has taken place as a result of the scientifically-based economic policy of the SED and its economic role has been continually enlarged, the socialist state as the chief instrument becoming active in an increasingly comprehensive

fashion in regard to the planned development of the social forces of production. This process is continuing with the 10th Party Congress. Moreover, it is an exceedingly significant further development of the economic policy of the SED which is finding expression in the economic strategy. It embodies the high scientific nature of the policy of the SED and its ability to show a reliable way to the working class and its allies for the further formation of the developed socialist society.

The economic strategy originated in outcome of a precise analysis of the development in the interior of the GDR, as well as the conditions and developmental tendencies in the field of foreign policy and foreign trade.It is the result of the scientific cognition of the requirements of the objective laws of socialism in the further formation of the developed socialist society and the precise assessment of the concrete conditions and circumstances under which the objective laws of socialism are realized in the present and the future. The economic strategy is based on the creative work of the people and its results since the 8th and 9th SED Party Congresses. It is based on the developed work capacity of the workers of the GDR, who under the leadership of the Marxist-Leninist party are promoting the socialist intensification step by step. The points of reference of the economic strategy to the socialist state and vice versa are manifold.

The economic strategy of the SED can only prosper in the soil of the socialist state. It is the expression of the fact that the politically, economically and ideologically ruling class of workers, in alliance with the class of cooperative farmers, the socialist intelligentsia and other workers, under the leadership of the Marxist-Leninist party, is in the position to guarantee--even under the increasingly complicated foreign policy and foreign trade conditions--the economic development on a scientific basis in accordance with the plan and for the benefit of the people, and to realize the objectively matured requirements of socialist intensification by means of state control and planning. The political power of the working class forms the decisive prerequisite for the elaboration and execution of the economic policy of the SED. With its assistance, both the objective conditions and the subjective prerequisites were created for the fact that the 10th Party Congress could decide on the economic strategy of the 1980's as the decisive task of economic policy. The political power of the working class brought forth and organized precisely those social conditions which made it possible to combine the tasks of the scientific-technical revolution with the merits of socialism and to develop and promote incessantly the creative forces of the people through the intelligent utilization of the advantages of socialism and the unfolding of its motivating forces for a constant increase in the output of the national economy.

Through its class character and its historic role, the political power of the working class implies the decisive conditions for the elaboration and execution of the economic strategy. Thus the economic strategy possesses its scientific foundation and the certainty of its realization in the leading role of the SED as the ruling party in the socialist state. The economic strategy is the guidance of the entire society through the SED in creative application of the knowledge of the social and natural sciences, as well as the manifold rich experiences which have been gathered in the course of the fulfillment of the goals of economic policy since the 8th and the 9th Party Congresses. The economic strategy is oriented towards the general political goal structure, as it is anchored in the Program of the SED and in the GDR Constitution.

The realization of the economic strategy is the fundamental task of the 1980's in order to make possible the consistent realization of the main task in its unity of economic and social policy in the future as well. The economic strategy forms the core of the overall social strategy of the SED regarding the further formation of the developed socialist society and thus the creation of the fundamental prerequisites for the later gradual transition to communism. To a decisive extent, therefore, it shapes the content of state policy and, as Erich Honecker, general secretary of the SED, emphasized at the 3rd Session of the Central Committee, has priority in the work of the state.[2]

The content of the five-year-plan for the development of the national economy of the GDR during 1981-1985, as well as of the national economic plan for 1982, clearly reflect the consequences which result from the economic strategy. The chairman of the Council of Ministers, Willi Stoph, in his speech before the People's Chamber in justification of these laws, called the ten crucial points of the economic strategy the criterion of action. He set forth in his explanations how the requirements, which result from the ten crucial points of the economic strategy, were defined as legally-binding tasks.[3] In so doing the concrete realization of the economic strategy was raised to the will of the highest elected organ of power and received legal status. This significant constitutional process is an expression of the fact that the socialist state, both from the aspect of legislation and from the aspect of its entire practical activity, is the chief instrument for the realization of the economic strategy. This is the point of connection for the further definition of the organizational function of the socialist state along the line of the economic strategy, as well as its other functions.

With its uniform system of control of the state and the economy and its comprehensive functional capacity, the socialist state guarantees the realization of the economic strategy in accordance with the plan. This may entail the repetition of known facts for the reader, but in view of the contemporary situation in the imperialist countries, as well as the most diverse revisionist conceptions of the state, which attempt to distort the role of the socialist state, it is an opportune concern to demonstrate anew and to emphasize strongly that only the socialist state power under the leadership of the Marxist-Leninist party can guarantee an economic strategy that is oriented towards the prosperity of the people, which guarantees the right to work and jobs for everyone, as well as a secure social future for all citizens.

Experience in the imperialist countries shows that the political regimes of these countries are not in the position to prevent crises, unemployment, social insecurity, etc. All prognoses even talk about a further sharpening of the social contradictions, the aggravation of crises and socio-economic ailments. The much-praised modern imperialist industrial state cannot solve these problems because it is an organ of monopolies which themselves are the cause of the present situation in the imperialist countries. It itself has become the instrument of merciless imperialist rationalization. It serves the carrying-through of a one-sided economic policy directed against the interests of the broadest working masses and in a number of imperialist states has become the direct executive organ of the military-industrial complexes. The demands, forecasts, promises, etc., which can still be frequently found in the Western publication organs, that the state shall, or will, introduce measures against the constantly growing burdens of the working masses, too, did not lead to any visible results. In today's ideological struggle, it is, therefore, of

the utmost importance to recognize the fundamentally different functions of the modern socialist industrial state and the imperialist industrial state with respect to the realization of economic policy, in particular regarding the completely different class content and the social goals of this economic policy.

The significant role of the socialist state power for ecocomic and scientific-technical development, however, must also be contrasted above all to those conceptions which seek to banish the state from the sphere of the economy, as well as science and technology. Those ideologists who advocate the elimination of the socialist planned economy and the principles of democratic centralism and assign to the state merely the role of a referee or night-watchman basically want to eliminate the decisive conditions under which a continuous economic policy with constant increases in output in the interest of the people is possible. An economic policy under socialism without political content and without political purposes, without political and state guidance, without a uniform central state plan, without regard for and preservation of the principles of democratic centralism, must sooner or later produce spontaneous-anarchistic elements and fall into contradiction to the objective requirements of socialism deriving from theoretical principles.

The requirements of state control and planning established by Marxist-Leninist science--this is demonstrated by the development of socialism in all socialist countries--are of an objective nature. From the first days of the socialist revolution to the present, history has confirmed that the socialist economic order develops in accordance with the plan only when the proved principles of state control and planning are realized under the leadership of the Marxist-Leninist party in a consistent manner.

Precisely the transition to intensively expanded reproduction in the process of the formation of the developed socialist society stipulates, to a by far greater degree than in all preceding periods of socialist construction, state control and planning of the national economy, a high degree of democratic centralism, a precisely organized economic mechanism, and a scientifically-based planning system. Every dismantling of the central state power, as well as the softening of the state control instruments, in particular of central planning, are basically aimed at depriving the advantages of socialism of the firm ground of their effectiveness, liquidating the scientifically-proved control and thus giving up the class-oriented economic policy.

As was already emphasized elsewhere, the central significance of the economic strategy inevitably results in the necessity of the concrete expression of the economic and organizational function with a view to the ten crucial points of the economic strategy. The cultural-educational function of the socialist state, too, during the 1980's is directed towards the ever stronger orientation of the education and spiritual profile of the members of the socialist society, in particular also of the coming generations, on the basis of the requirements of the economic development of the present and the future. The protective functions of the socialist state have likewise contributed maximally to the safeguarding of the carrying-through of the economic strategy in a manner as free from interference as possible and to letting its results become fully effective for the interests of the people and the further consolidation of the power of workers and farmers. Of course, this

does not involve in any way reductions in other significant social tasks. Just as the economic strategy of the SED is the core and an inseparable component of the general social strategy, so, too, its realization can only be guaranteed if the development of the socialist society in all fields and in all spheres progresses in accordance with the decisions of the 10th Party Congress. The higher the degree of security and order and the preservation of socialist legality in general is and the more members of the socialist society consciously realize the laws and legal regulations of the workers' and farmers' state and stand up consistently for their observance, the more smoothly and more efficiently the national economic processes are effected.

As far as the economic and organizational function of the socialist state is concerned, it encompasses, as is well known, both a fundamental direction of the activity of the socialist state in its entirety and the fundamental direction of the activity of its organs on the various levels. The further expression of this function, therefore, refers to the socialist state as a whole just as to the different control levels. The evidently most important aspect of this expression consists in the fact that the ten crucial points of the economic strategy move into the center of state control and planning and thus the socialist state pre-eminently becomes the instrument for linking the achievements of the scientific-technical revolution with the advantages of socialism. Erich Honecker stated at the 10th SED Party Congress: "Now the possibilities of the scientific-technical revolution have directly become the chief reserve of the growth of output and efficiency of our national economy. The main point is to exhaust it fully and to gain a maximal increase in economic power from the latest scientific findings."[4] In this context he emphasized that "the development of the GDR as a modern socialist industrial state is stamped by this qualitative process of scientific-technical progress."[5]

From all of this it follows that the tasks and problems connected with the scientific-technical development are moving increasingly vigorously into the main arena of the exercise of state power and thus of state control and planning. Here the object is neither to make the state organs into scientific research institutions nor merely to expand the special departments which up to now, too, have been engaged in science and technology. Rather the position of science and technology in general increases in the total exercise of political power and the problems of scientific-technical development acquire greater significance for the activity of the People's Chamber of the GDR, the GDR Council of Ministers and other central organs, as well as the local representations of the people, their councils and specialized organs. The total political strength of the socialist state, in collaboration with the social organizations under the leadership of the SED, serves ever more vigorously to unfold constantly more effectively the material and spiritual powers of the socialist society for the highest results in the development and realization of science and technology for the benefit of the people. The socialist state is objectively faced with the task of solving increasingly more complicated tasks jointly with the workers for the realization of the intensively expanded national economic reproduction process. Characteristic for this are the processes of the uninterrupted expansion of the modern socialist economic organization taking place under the leadership of the SED and the formation of a system of state guidance, planning and balancing, as well as of clearing and control appropriate to this modern socialist economic organization. This involves significant processes in the work of the state organs which concern the contentand also the forms of this activity.

The study of the five-year-plan for the development of the national economy during 1981-1985 provides an insight into the problems of scientific-technical development and the qualitative national economic processes connected with it with which the Planning Commision, the Council of Ministers and the GDR People's Chamber must deal. The work of the committees of the People's Chamber in preparation of this five-year-plan makes clear that the deputies of the highest representation of the people take part with a high degree of intensity and a great deal of knowledge in the deliberation of such significant problems as presented by the development of science and technology, for example, in the field of microelectronics, robot technology, etc. Core questions of the scientific-technical revolution and its connection with the advantages of the socialist social order have simultaneously become the most important subject of the responsible deliberation in collective-leading organs like the Council of Ministers and the People's Chamber, among others. In so doing, the fact stands out with increasing prominence that the central organs of the party and the state proceed from the findings of social science as well as those of the natural sciences and the developqental tendencies of technology in order to formulate the general social goals in a scientifically precise manner and to elaborate the necessary strategic measures. An increasingly closer cooperation of the state organs with scientific institutes comes into being, as well as a constantly more thorough comprehension of everything that results from the experiences of the workers in the realization of the scientific-technical tasks for the direction.

Bourgeois scholars studying the state and jurisprudence, sociologists and political scientists have for a number of years intensively studied the problems of the scientific-technical revolution and come to the most diverse conclusions which are diametrically opposite to the consequences of scientific-technical development under socialism with respect to the state. Especially the representatives of technocratic conceptions of the state assert that the scientific-technical revolution must lead to the rule of technocracy and attempt to prove that bourgeois parliamentarism and bourgeois democracy in general are obsolete under the scientific-technical conditions of today. They also draw analogies to the socialist state system. They take the view that socialism, too, will necessarily end in a technocratic line of development of the state. They substantiate their assertions with the argument that the parliamentarians have no professional expertise. Technical specialists, they say, will increasingly obtain "the say" and thus the main influence in the state. No one else, it is argued, can have an overview of the problems of scientific-technical development and its consequences.

As far as the prognoses of the representatives of the technocratic conceptions of the state are concerned, it seems, that is wistful thinking. In spite of all their theories, the dreamed-of technocratic, politically-free state has nowhere come into existence in the Western imperialist countries as yet. Whether in the United States, England or the Federal Republic of Germany, there is politicking everywhere. As the present shows, this political activity aims at the misuse of science and technology, serves to increase the level of armaments, the uninterrupted scientific-technical perfection of means of mass destruction and is an instrument of the struggle against socialism. Under socialist conditions, science and technology endow the state with more power for its internal and external sphere of action. They make it possible to realize the unity of economic and social policy in a still more effective way in the interest of the people and create significant material prerequisites for the peaceful foreign policy of the socialist state.

The economic strategy is a deeply scientifically-based strategic complex program. Its realization, therefore, must take place throughout on a high scientific level. The requirements are increasing with regard to the further deepening of the scientific character of the direction of the state and the expansion of those methods of direction which correspond to the dynamic of the scientific-technical process and secure the complexity in the direction. In this we see that the socialist state as form of the dictatorship of the proletariat embodies the modern socialist industrial state to an ever greater extent. If one bears in mind that--as Erich Honecker emphasized at the 3rd Session--only the beginning has been made to shape the economy of the GDR in accordance with the requirements of the 1980's,[6] it becomes clear that the socialist state of the GDR will continue to develop during the next few years especially in this direction to a significant degree. Its material-technical base marked increasingly by modern, highly-developed productive forces. The working class, as the determining force in the socialist state, is very closely connected with the highly-developed production instruments, is in possession of high qualifications and masters the tasks of the scientific-technical revolution together with the scientific-technical intelligentsia. The class of cooperative farmers, which is allied with the working class, is at present already applying industrial-type methods on a large scale in agricultural production and is mastering modern agricultural technology. A growing interweaving of industry and agriculture is taking place.

The advantages of the modern socialist industrial state are becoming increasingly prominent. They express themselves in the ability of the socialist state to shape the transition to the intensively expanded reproduction according to plan, to guarantee a high degree of continuity and stability in the development of the national economy even under increasingly complex conditions of foreign trade, to develop the national economy in accordance with the socio-political goals, to orient them ever more fully towards the satisfaction of the material and cultural needs of people, as well as to solve with increasing success the tasks of the scientific-technical revolution, making use of the advantages of socialism. The socialist state, in alliance with the socialist fraternal states, is bringing about the realization of socialist economic integration according to plan and through the growth of its economic power is exerting an ever greater influence on the development of such world economic relations which are of mutual advantage, serve peaceful coexistence, and contribute to the support of the young national states with a socialist orientation in the building up of their own national economy.

The economic strategy also leads on the most diverse levels to the further expression of the economic-organizational function. In so doing various closely-connected components are operative which in their totality represent requirements of the economic strategy. In my view, they consist in the following:

a) The modern socialist economic organization must be consistently carried out in order to develop combines with a large output capacity, which observe their total social responsibility for the realization of the economic strategy of the SED in the execution of the Five-Year-Plan 1981-1985. The central state direction and planning, the entire system of state control instruments, as well as the support of the combines by the local organs of state power, must be aimed at this goal. The administrative relations between the centrally-guided combines and the councils of the bezirks are to be adapted to the new requirements of the economic organization.

Democratic centralism was never a principle in itself. It always served the realization of state direction and planning, which has the maximum efficiency of social labor as its goal. Its principles are objective requisites to the guarantee of a scientific direction which serves the preservation of the uniform will, the increasingly strong unfolding of the creative power and initiative of the workers and uniform discipline, proceeding from the leadership by the Marxist-Leninist party and the unity of party, state, and people.

The greater the economic potential is and the more qualified the organizational forms of the direction of the reproduction processes, the more strongly the demands on the central state direction also develop. This applies to the basic decisions in regard to the guarantee of full agreement of the economic activity of the combines and enterprises with the fundamental direction of the national economy, which are necessary in order to attain--in accordance with the economic strategy--a constantly better proportion between the expenditure of basic assets, raw materials and materials, living labor and the result--the national income.[7] This also concerns the development of the total system of planning and economic stimulation, as well as accounting and control. The measures that have been adopted in this field since the 10th SED Party Congress, which inter alia resulted in using the combines as the basis for the plans, have as their goal--taking the responsibility of the combines as the point of departure--the consistent realization of their role in the national economy on the basis of the goal structure elaborated by the party. The experience of the control activity of the central state organs makes clear that the realization of the economic strategy makes the highest demands, above all, of the direction of science itself, the direction of the transfer of scientific discoveries into production, the attainment of top results in production, and the mastery of all qualitative processes connected with this.

b) The further development of the activity of the central organs also has objective causes in the growing significance of foreign trade relations. Thus the demands on the state direction rise in connection with the socialist economic integration. Although numerous measures were set down in order to expand the relations between the economic units, the expansion of the activity of the central organs regarding the solution of the tasks of socialist economic integration has by no means become unnecessary. On the contrary, with the growing role of scientific-technical development throughout the entire CEMA-domain, with the complicated problems of securing the raw materials supply on a long-term basis and the solution of the tasks in the realm of energy economics, there is an intensification of the demands on the central state direction. This is true especially of the cooperation with the allied communist parties of the socialist fraternal countries and their governments in the elaboration of the joint strategies, as well as the necessary adjustments and coordinations.

At the same time there is also an increase in the demands on the central state organs in connection with the strategic and tactical tasks concerning the safeguarding of the interests of the GDR in the economic relations with capitalist countries.

c) The local organs of state power play an important part in the realization of the economic strategy. Their responsibility is differentiated, depending on the level of administration. This was once again emphasized at the session of the GDR State

Council of 23 November 1981, at which the chairman of the council of the Halle Bezirk explained experiences from the work of the district assembly [Bezirkstag]. Here special emphasis was given to the fact that in the work of the deputies of the district assembly and its organs, too, the economic strategy has priority.

In general, the local organs of state power have to make a significant contribution to the consistent realization of the economic strategy with their specific means and in accordance with the concrete tasks in the territory. This is true, above all, of the support which they give to the centrally-directed combines in order to further expand their output capacity. At the same time, the local state organs bear full responsibility for the development and increase of the output capacity of the bezirk -directed economy and the most diverse economic institutions subordinated to the local organs. Proceeding from the fact that the socialist rationalization is an inseparable component of the economic strategy, the local organs, in cooperation with the different economic institutions and among each other, have the task of forcing the territorial rationalization to a significant extent. Indicative of the direction in this regard are the examples of transportation coordination and optimization, the measures taken by local organs to convert from heating oil to the use of brown coal and to bring about the concentrated execution of the investments. The local organs of state power must at the same time ensure that the measures of territorial rationalization and the increase in output of their own economic domains, as well as the support of the centrally-directed combines, are directely connected with the further development of the living, housing and supply conditions. They bear an increasing responsibility for the fact that the unity of economic and social policy becomes concretely and fully effective in every territory and thus constantly new motive powers unfold for the carrying-through of the general policy of the SED.

FOOTNOTES

1. Compare, inter alia, the following contributions published in STAAT UND RECHT in 1981: K. Sorgenicht, "Penetrate More Deeply Into the Decisions of the 10th SED Party Congress for the Further Strengthening of the Socialist State Power," pp 674 ff.; G. Schuessler, "The State Conception of the SED Program--Reality of Our Statehood," pp 194 ff.; W. Weichelt, "On the Realization of the General Social Interests Through the Political Organization of Socialism," pp 290 ff.; W. Gramann/R. Stueber, "State and Trade Unions Under Socialism," pp 307 ff.; S. Petzold, "Some Tasks of the Science of State Law for the Improvement of State Management and Planning After the 10th SED Congress," pp 170 ff. [sic--pp 770 ff.; R. Hieblinger/E. Poppe, "Tasks of Research Into the Rights of Citizens After the 26th CPSU Congress and After the 10th SED Congress," pp 878 ff.; O. Schroeder, "To Consolidate the Unity of Party, State and People. On State Publicity Work After the 10th SED Congress," pp 962 ff.; F. Kunz, "Tenth SED Congress, Economic Strategy and the Science of Labor Law," pp 770 ff.

2. Cf. "From the Report of the Politbureau to the 3rd Session of the SED Central Committee. Reporter: Comrade Erich Honecker," Berlin, 1981, p 51.

3. Cf. "With the New Plan Goals Our State of Workers and Farmers Will Be Further Strengthened. Speech of the Chairman of the GDR Council of Ministers, Willi Stoph, for the Justification of the Law on the Five-Year-Plan for the Develop-

ment of the National Economy 1981-1985 and on the National Economic Plan 1982," N[EUES] D[EUTSCHLAND], 4 Dec 1981, pp 3 ff.

4. "Report of the Central Committee of the Socialist Unity Party of Germany to the 10th SED Congress. Reporter: Comrade Erich Honecker," Berlin, 1981, pp 49 ff.;

5. Ibid., p 50.

6. Cf. "From the Report of the Politbureau to the 3rd Session of the SED Central Committee," Ibid., p. 24.

7. Cf. "Report of the SED Central Committee to the 10th Party Congress. . ." p 55.

## Strengthening of Democratic Centralism

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[Article by Prof Dr Siegfried Petzold, GDR Academy of Political Science and Jurisprudence: "Some Tasks of the Science of State Law for the Improvement of State Management and Planning After the 10th SED Congress"]

[Text] In the strategy elaborated and decided by the 10th SED Congress with regard to the further formation of the developed socialist society in the GDR and the safeguarding of the peace, questions of the socialist state and law, socialist democracy and the further increase of the effectiveness of state direction occupy a dominant place. The necessity is emphasized to strengthen in every respect the socialist state power as a form of dictatorship of the proletariat which represents the interests of the entire people and guarantees freedom and human rights, to unfold socialist democracy as the main direction of the further development of socialist state power, to perfect the state direction and planning, above all, of the national economy, to consolidate the relationship of trust between state organs and citizens constantly, and to carry through a scientifically-based, grass-roots-oriented and practical, rational style of work on all administrative levels. This logically also gives rise to new tasks for the science of state law which must be solved in close cooperation with the other disciplines of poltical science and jurisprudence, the economic sciences , as well as in direct connection with the practice of the state.

The question for the socialist science of state law is to a particular degree to continue to make its principal point of departure and general guideline the Marxist-Leninist understanding, lifted up in all clarity by the 10th SED Congress, that the question of power is and remains the vital question for the further formation of the developed socialist society and for the successful continuation of the socialist revolution. As Erich Honecker declared at the 2nd Session of the SED Central Committee, the 10th Party Congress has drawn the conclusion from a thorough analysis of the national and international situation of the GDR "that it is necessary to strengthen the socialist state during the 1980's in every conceivable way as the expression of the political power of the working class, which is allied with all other working strata."[1] Thus it becomes clear that in the new period of the con-

struction of the socialist society, too, it is necessary to continue to consolidate the socialist state in every conceivable way and in no way to tolerate a weakening of the political rule of the working class and its allies, a reduction of the state power which is organized in accordance with the principle of democratic centralism. The fact is finding confirmation that the constant and all-round strengthening of the socialist state power is among those fundamental regularities which lie at the basis of the developed socialist society.

The securing and consolidation of the political power of the working class is no partial or only occasional task, but a universal and complex process, which is rooted in the development of socialist society itself and encompasses politics, economics, and ideology in like manner. In this the SED consistently follows the Leninist realization that the strength of the socialist state depends, first of all, on the state of consciousness of the masses and the relationship of trust between the state organs and the citizens. "It is strong when the masses know everything, can make judgments about everything and do everything consciously."[2] In the further definition of the class-like content of the socialist state power, the inseparable connection with the working class and the other classes and strata of the people under the leadership of the Marxist-Leninist party also lies the strength of our state.

In today's stage of development the all-round strengthening of the socialist state is linked in the closest possible way with the increase in the economic output capacity of the national economy, the consistent carrying-through of scientific-technical progress, and the utilization of the advantages of the socialist planned economy. Stable political power relationships are the secure foundation for the successful realization of the economic strategy of the 1980's, for the continuation of the policy of the main task in its unity of economic and social policy. The consistent carrying-through of this policy, which is aimed at the welfare of the people, is ever more emphatically proving to be a decisive factor in the further consolidation of the power of the people, in the great confidence of the people in the policy of the party and the socialist state. In view of the continuing military threats to the GDR and the other countries of the socialist community through the aggressive imperialist powers, especially those allied in NATO, the all-round strengthening of the socialist state power includes at the same time the necessary measures which guarantee the security and the reliable protection of socialist construction.

The science of state law is faced with the task of turning to the concrete requisites which result from the all-round strengthening of the socialist state power in order to contribute to the shaping--from the standpoint of state law--of the the ideological-educational and consciousness-forming activity of the state organs, as well as the growing economic role of the socialist state under the new dimensions of the scientific-technical revolution. In the work of the science of state law the question is to show the consequences resulting from the economic strategy of the 1980's, which is summarized in the ten crucial points, for the perfection of the organization and activity of the state organs, for the increase of the civic responsibilities of the workers and the observance of their far-reaching rights and duties, as well as for the the carrying-through of a scientifically-based, grass-roots-oriented and practical, rational style of work of the state organs.

This concerns, first of all, those demands which result from the consistent transition to intensively expanded reproduction for a higher quality and effectiveness of state work, for the further qualification of the complex and coordinating activity of the state organs, for a close interweaving of branch and territorial administration, for the strengthening of state control and the application of methods of direction which are in principle new.

The process of the further expansion of socialist statehood is taking place on the basis of the Program of the SED and in accordance with the socialist Constitution of the GDR of 7 October 1974. It is, therefore, an important concern of the science of state law to elaborate more comprehensively the function of the socialist constitution as instrument for the guidance and organization of the socialist society, for its inner, firmly-joined political and state stability, and to demonstrate how the principles and norms of the constitution are realized through the conscious and creative acting of the workers and how the citizens themselves ever more strongly identify with the socialist constitution.

The 10th Party Congress confirmed the statement in the Program of the SED that the further unfolding and perfection of socialist democracy is the main direction in which the socialist state power is developing.[3] Guided and inspired by the Marxist-Leninist party, the SED, a far-reaching and manifold net of state and non-state forms of socialist democracy was created and constantly expanded, which makes possible the broad participation of all social forces, work collectives, and citizens in the direction of the state and the economy, as well as in the regulation of all other social affairs. The workers perceive their civic responsibility with increasing consciousness and make use of their democratic rights. Socialist democracy has, above all, led to the setting free of the great creative forces of the workers in socialist competition for the fulfillment and the pinpointed surpassing of the state plans, as expressed convincingly in the obligations of the collectives of all combines of industry, as well as the workers in construction, to overfulfill the national economic plan in 1981 by an average of more than three daily outputs. In so doing, such qualitative characteristics are gaining increasing influence as the growing responsibility of the work collectives and the workers for the fulfillment of the general state tasks, high output potential and the creativeness of the workers, especially in carrying-through the scientific-technical progress, for high efficiency and quality of work in all areas, and for the rational use of energy and raw materials.

The further development of socialist democracy is connected in the closest possible way with the consistent carrying-through of democratic centralism under the new conditions. Democratic centralism is and remains an inalienable principle of the organization of socialist statehood.

In the process of the further formation of the developed socialist society, in particular the securing of a high increase in the output of the national economy through the persistent transition to intensively expanded reproduction and the decisive approach to the carrying-through of scientific-technical progress, as well as the full utilization of the advantages of the socialist planned economy, new demands also necessarily result in connection with the carrying-through of democratic centralism in state administration. This concerns the perfection of the activity of the central state organs, their stronger orientation towards the solution of the

fundamental questions of social development and the effective connection of long-term-conceptual activity with the requisite direct operative work for the precise all-round fulfillment of the state plans. The cooperation between the central and local state organs is becoming ever closer, based on the most progressive experiences of the combines, plants, and work collectives in the preparation of fundamental state decisions and in the execution of the uniform state policy. It is the duty of the local state organs to fulfill general state tasks to an increasing extent. Their coordinating and controlling functions with respect to the securing of a complex development in the territory is growing. The entire state direction process is increasingly being oriented towards the more effective development of the initiative and output capacity of the workers in all fields, in particular in connection with the mastery of scientific-technical progress.

Of fundamental significance for the further carrying-through of democratic centralism, especially in the direction and planning of the national economy, was and is the general formation of combines. In that way the modern form of the direction of socialist industry was created which corresponds to the higher demands for the further formation of the developed socialist society, in particular the realization of the economic strategy for the attainment of a high increase in the output of the national economy and the continuation of the policy of the main task.

An important task for further scientific work consists in the more thorough investigation and elaboration of the state and administrative law consequences, resulting from the formation of combines, for the further perfection of state direction and planning. This should take place above all under the following aspects:

1. With the formation of the combines, important prerequisites were created for the further perfection of the activity of the central state organs, above all the Council of Ministers and the ministries. They make it possible and necessary that the central state organs can concentrate more intensively on the strategic questions of the development of the national economy and the individual spheres. At the same time, new demands result for the guiding, organizing, coordinating and controlling activity of the central state organs.

2. With the formation of the combines new conditions have also come into being for the cooperation between the large economic units and the territorial state organs, for a more effective link between branch and territorial administration. On the one hand, in that way undoubtedly better possibilities exist to exhaust still more effectively the territorial resources for a high increase in the output of the national economy and for the further improvement of the working and living conditions in the respective territory. On the other hand, new problems also arise from the formation of the large combines, which in many cases extend over several bezirks, with respect to the coordinated and division-of-labor cooperation between the territorial state organs and the plants--problems that must be mastered administratively and also regulated legally in the requisite scope.

3. Especially important is the fact that in the most progressive and most productive combines increasingly modern and effective socialist methods of direction are developed and applied, which are of fundamental significance for the perfection of general state direction and the socialist style of work. This, for example, concerns the carrying-out of output comparisons in connection with exchanges of ex-

perience in order to open up in this way national economic reserves and to overcome unjustified differences in the levels of output. The output comparisons prove to be the most effective type of administrative activity to open up larger reserves and to supply the experiences of the best to all. For this reason the output comparison and the exchange of experience are being applied in the local state organs to an ever greater extent as well. In the direction of the combines important elements of the socialist style of direction, such as the realization of the principle of single direction and personal responsibility, complex and coordinated direction, a precisely functioning regime of accounting and control, as well as the application of modern computer technology and electronic data processing in the process of direction, find their further development.

One can proceed from the fact that especially in the process of the direction of socialist industry and in the most advanced and productive combines those methods of direction and style of work develop which best do justice to the new demands of the 1980's, the in principle new demands with respect to the combination of the advantages of socialism with the achievements of the scientific-technical revolution and thus the realization of our economic strategy. These methods are of fundamental significance for the further perfection of state direction and planning. For this reason the science of state and law must study these questions and strengthen related interdisciplinary work.

The 10th Party Congress appreciated the significant role of the local organs of state power as links of the uniform socialist state power, whose responsibility in the process of the formation of the developed society is constantly growing and whose field of activity is expanding. At the same time, the task was set "to check the responsibility of the local state organs on the individual levels of administration and to make the law on the local people's representations and their organs more precise in accordance with the new state of development."[4] Without a doubt, the specialists in political science and jurisprudence, especially the scientists active in the area of state and administrative law, must make an appropriate contribution to the exact definition of this law, in which connection two aspects should find consideratio:

1. The law on the local people's representations and their organs, which was elaborated in accordance with the order of the 8th SED Congress and adopted by the People's Chamber on 12 July 1973, has proved itself in social practice and has turned out to be a stable constitutional foundation for the successful activity of the local state organs in regard to the realization of the policy of the main task in its unity of economic and social policy--a policy which is aimed at the welfare of the people. This concerns both the structure and organization of the law and the way of legal regulation. Since the law concentrates on the fundamental questions and largely foregoes dealing with detailed definitions, it remains even in the present situation in its present version a constitutional foundation for the activity of the local state organs with respect to the execution of the decisions of the 10th SED Congress. The question, however, is to exhaust still more completely the possibilities which this law offers.

2. The 10th Party Congress has as its aim, first to elaborate clearly the new demands on the activity of the local state organs and then to define the law more precisely. The question, in short, is not to change or "to improve" the wording

of this or that article. Rather the question is to determine more precisely the responsibility, as well as the tasks and powers of the local organs of state power in the further formation of the developed socialist society in the GDR. This requires the consideration of the experiences of the local state organs in the different areas until to now and at the same time the analysis of the new experiences in the execution of the decisions of the 10th Party Congress. Necessary measures to increase the responsibility of the local organs of state power will, therefore, take place even before the more precise definition of the law. This concerns, for example, the increase in the role and responsibility of the kreis plan commissions in the preservation and carrying-through of the general interests of the national economy, as well as for the promotion of output and efficiency development. Likewise it must be taken into account that certain powers of the local state organs already now, if it is necessary, are regulated legally in a more precise manner, as possibly in the area of location permits, etc.

From the up to now successful activity of the local people's representations and their organs and the higher demands of the new developmental period of the formation of the developed socialist society introduced by the 10th Party Congress, the following problems, above all, are discernible, which in the revision of the law on the local people's representations and their organs should find special consideration:

1. The most important concern is evidently the more precise determination and legal regulation of the tasks and the responsibility of the local organs of state power for therealization of the economic strategy in the 1980's for the achievement of the requisite high economic output increase through consistent thorough intensification and for the fulfillment of the main task in its unity of economic and social policy on the individual levels of direction. The directive of the 10th SED Congress regarding the Five-Year-Plan for the development of the national economy in the years 1981-1985 emphasizes the fundamental tasks of the councils of the bezirks and kreise "to provide all-round support, through the rational utilization of the territorial conditions of reproduction, for the crucial tasks of science and technology and socialist rationalization, in particular microelectronics, robot technology and machine tool construction, as well as the plans of raw material production, materials economy, and the production of profitable disposable export products and new, high-grade consumer products."[5]

The local state organs, especially the councils of the bezirks, have already in the past performed constructive work towards the rational utilization of the territorial conditions of reproduction for the fulfillment of general state tasks, especially through territorial rationalization. In so doing, a great deal of valuable experience could be gathered. Now the question is regulate legally the tasks and powers of the local state organs with respect to the planning and long-term conceptual work, the direction, coordination and control regarding the realization of the economic policy, as well as the fulfillment of general state tasks insofar as necessary and to elaborate them further. In so doing, special consideration is to be given to the perfection of the direction, planning, coordination and settlement of territorial rationalization, in the course of which the tasks and powers are to be set down in a differentiated manner in accordance with the structure and organization of the law on the local people's representations for the individual levels of administration--bezirk, city, and community.

2. In connection with the growing responsibility of the local organs of state power in general state matters, the further formation of the relations between branch and territorial direction and the cooperation of the territorial state organs with the combines and combine plants acquires special significance. As is well known, great progress was made on the basis of the law on the local people's representations and their organs especially in the cooperation between the territorial state organs and the plants to accelerate economic growth and systematically improve the working and living conditions of the citizens in the cities and communities. With the general formation of combines, new conditions and requisites for the cooperation of the local state organs and these large economic units, combine plants, parts of plants, etc. have come into being which can no longer be encompassed adequately by the present definitions--especially in paragraph 4 of the law on the local people's representations. Since the Regulation on State Combines, Combine Plants and State Enterprises of 8 November 1979[6] does not contain adequate definitions regarding the relations to the local state organs, it will be left, above all, to the more precisely-defined law on the local people's representations and their organs to adopt the requisite legal regulations.

3. The tasks of the local state organs for the direction and planning of subordinate enterprises, including those enterprises which are of great value for the working and living conditions of the population, have constantly grown. For this reason the responsibility of the local state organs on the different levels of administration for such spheres as agriculture, forestry and foodstuffs, construction, trade and provisioning, services, etc. is to be further and more precisely defined. In addition, new tasks have been added, for example their responsibility for the collection and utilization of secondary raw materials.

4. In the course of the more precise definition of the law it will also be necessary to analyze the development of the community associations in order to determine more exactly on this basis their position, tasks, rights and duties. In line with the orientation of the 10th Party Congress, such legal regulations must be created which still more strongly orient the cooperative work of the cities and communities towards the opening up of new reserves for the increase in output of the enterprises and cooperatives, as well as for the improvement of the working and living conditions of the citizens. The responsibility, as well as the rights and duties, of the elected state organs of power in the cities and communities are to be strictly observed in the future as well.

5. The political-territorial structure and the structure of the local organs of state power, which will with certainty be preserved in the future as well, time and again prove to be an important factor of the stability of our socialist state. Within the framework of this firmly-established territorial structure, certain developments are taking place which should be considered in the course of defining the law more precisely. This concerns, above all, the responsible work of the state organs in the city bezirks, the deepening relations between the state organs on the level of the bezirk and the bezirk city, as well as between the adjacent city and rural kreises.

6. Since the enactment of the law on local pepole's representations valuable experience has been gathered in the activity of the elected state organs of power and

in the creative work of the deputies. The 10th Party Congress demanded that the power of the local people's representations be still more strongly developed and that more effective use be made of the great knowledge, the rich political and professional experience of the deputies. Therefore it will be an important concern in the revision of the law to further develop, as far as is necessary, the state law dimensions of the forms of activity of the local people's representations, their commissions, as well as the work of the deputies, like the work of the deputies in the constituency and the consolidation of the relations between the voters and elected.

7. It would also be appropriate to pay greater attention to the manifold new problems of the realization of a scientific, grass-roots-oriented, practical and rational style of work. In this connection efforts should be made to include in the law also more precise definitions concerning the carrying-out of output comparisons, the strengthening of political work among the masses, the work with the petitions of the citizens, and concerning the further rational development of the work in the local state organs.

Beyond this the science of state and law is faced with the general task elaborate theoretical foundations for the growing role of the local state organs as links of the uniform socialist state power in the construction of the socialist and communist society and the demands resulting from this for the constitutional regulation of the position, the tasks and powers of the local people's representations and their organs. It is equally necessary to analyze more thoroughly and to determine more precisely the characteristic features of the different levels of administration of the bezirk, the kreis, etc.

Future scientific work must pay special attention to the relations between the party as the leading force in the construction of the socialist society, the socialist state, and the people. In impressive fashion, the 10th Party Congress demonstrated the unity and unanimity of the Marxist-Leninist party, the SED, and their inseparable bond with the working class and all classes and strata of the people. The increased political-moral unity of the people of the GDR and the firm confidence of the citizens in their socialist state were again confirmed by the elections to the People's Chamber, to the Assembly of City Deputies of Berlin, and to the bezirk assemblies on 14 June 1981. They are the most important guarantee and the most decisive factor for the fulfillment of the ambitious goals and high demands in the further formation of the developed socialist society, in particular in the realization of the economic strategy in the 1980's, and for the successful continuation of the program of dynamic economic growth and the prosperity of the people.

The unity of party and people, which is rooted in our social practice, is developing and ii becoming consolidated on the basis and in the realization of the policy elaborated jointly by the party and the working class, the class of cooperative farmers, and the other strata of the people, a policy which takes as its point of departure the fundamental interests of the people, is distinguished by its high scientific character and is based on the political rule of the working class.

The incessant consolidation--and in this sense the constant renewal--of the relationship of trust between party, state and people belongs to the essential characteristics of the formation of the developed socialist society in the GDR. This

law-conforming process is taking place, as experience teaches, not spontaneously, not by itself. There is no automatism between the creation of the material-technical base, the improvement of the material and cultural level of living, and the consolidation of the political-moral unity of the people, as well as the elevation of the political consciousness of the masses. This penetrating process of the ever-closer bond between the party, state and people must be headed by the party and above all be organized with the aid of the socialist state organs and the social organizations. The Marxist-Leninist party is the formative and mobilizing force in this process, which it directs and leads consciously.

Fitted into this process of the further deepening of the relations between party, state and people is also the further development of the relationship of trust between the state organs and the citizens, as well as the position of the citizen in the socialist state system.

The position of the citizen vis-a-vis the socialist state, as well as the relations between the state organs and the citizens have all along occupied a large space in the work of the science of state and law. In a comprehensive manner the nature and content of socialist citizenship were established and the doctrine of socialist citizens' rights and duties were elaborated. However, in addition to the further scientific treatment of these problems, the necessity arises at the same time to view the relations between the socialist state and the citizen in a more complex manner since qualitative changes in the relations between state and citizen, too, ensue with the further formation of the developed socialist society and the perfection of the political organization of the socialist society through the development of socialist democracy. The citizens are taking part in an ever more extensive way in the elaboration of state policy and the formation of uniform will of the state. They themselves carry through the state decisions and control their execution. At the same time, the significance of honorary work is growing since the workers observe their responsibilities as citizens ever more broadly and consciously. The citizen is the actively acting force in our socialist state system.

Decisive for the law-conforming deepening of the relationship of trust between state and citizen, for the development of creative power and initiative will be the perfection of the socialist style of work, which is being elaborated by the SED, is practiced in its own work, and will be transferred to the activity of the socialist state organs. At the 10th Party Congress the fundamental questions of the formation of the socialist style of work were also treated in connection with the increase in the leading role of the party--questions whose significance for the successful execution of the tasks decided by the 10th Party Congress was again underscored at the 2nd Session of the SED Central Committee: "The key is a highly practical style of work, are comradely relations of party, state and economic functionaries to the citizens, is the precise knowledge of what it is that agitates them. To this we must always attach the greatest significance in the political work among the masses. For this is what promotes initiative and strengthens the trust between party and people, and the bond between the citizens and their socialist state."[7]

The further perfection of state direction and planning, the increase of quality and efficiency are to be connected in the closest possible way with the formation of the socialist style of work. This gives rise to the necessity of making the questions of the socialist style of work, the political work of the state organs

among the masses, public relations, the influence of public opinion, the work with petitions, the rational formation of the process of direction also the subject of research and teaching work in state and administrative law and to strive for a complex treatment of these questions.

FOOTNOTES

1. Cf. E. Honecker, "Decisions of the 10th Party Congress Determine the Further Work," N[EUES] D[EUTSCHLAND], 20/21 June 1981, p 1.

2. W. I. Lenin, "Werke" [Works], Vol 26, Berlin, 1961, p 246.

3. Cf. "Protocol of the 9th SED Congress", Vol 2, Berlin, 1976, p 238.

4. Cf. "Report of the Central Committee of the Socialist Unity Party of Germany to the 10th SED Congress. Reporter: Comrade Erich Honecker", Berlin, 1981, p 118.

5. Cf. "Directive of the 10th SED Congress Regarding the Five-Year-Plan for the Development of the Economy of the GDR in the Years 1981-1985. Reporter: Comrade Willi Stoph", Berlin, 1981, p 81.

6. "Gesetzblatt" I, 1979, pp 38 ff.

7. E. Honecker, "Decisions of the 10th Party Congress. . .", op. cit., p 1.

## Indivisibility of Socialist Ownership

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[Article by Axel Ottinger, Institute for Theory of State and Law, GDR Academy of Sciences: "The Work Collective of Socialist Industrial Engerprises As a Subject for Theoretical Political Science"]

[Text] The objectively growing role of the work collectives of socialist industrial enterprises in the life of our society is clearly visible in their countless activities in socialist competition to increase the output of the national economy both in the preparation of the 10th SED Congress and in the conversion of its decisions. This is also what explains the increasing interest of different social science disciplines in research on work collectives. In what follows below, attention is focused on some aspects which, in my judgment, prove to be relevant in the investigation of the work collectives of socialist industrial enterprises from a political science perspective.

On the Close Interrelationship Between Political and State Power, the Deepening of Socialist Democracy and the Work Collectives

Without themselves being a component of the mechanism of socialist state power and exercising political power directly--that, according to Article 5 of the Constitution, is reserved for the democratically elected people's representations--the work collectives of socialist industrial enterprises nevertheless exhibit decisive points of contact and close interrelations with the socialist state in the realization of political and state power. The continuous policy of the SED in the question of the state finds expression in the clear orientation of the 10th Party Congress. The question is to strengthen the socialist state in every possible way, to develop further the revolutionary qualities of the working class as the class which exercises power, constantly to increase the competence of the working class and all workers to exercise power and thus to develop socialist democracy further. At the same time, the party congress emphasizes the necessity of ever closer cooperation of the state organs with the social organizations, the work collectives and the manifold activities of the workers in all areas of life.[1]

For this reason it is of extraordinary theoretical and practical significance to comprehend precisely the dialectic interrelationship between the political and state power of the working class and the work collectives of socialist industrial enterprises and to fit the work collectives into the process of the realization of the political power of the working class. The topicality of this question is demonstrated especially by the efforts of imperialist circles of the NATO states, which are becoming increasingly visible lately, to gain influence in the countries of real socialism with their pluralistic counterrevolutionary concepts praising "self-administration".

It is of fundamental significance to emphasize time and again the question of property and its inseparable connection with the construction and consolidation of the power of the working class. The socialist ownership of the means of production, which under the active influence of the new revolutionary state power in the main came into being already during the transition period from capitalism to socialism,[2] embodies the economic foundation of the power of the workers and farmers. On this question Lenin wrote in 1920: "The victorious proletariat has done away with private property and eliminated it once and for all. It is in this that the rule of the class is expressed. Above all in the question of property. When we had decided the question of property in practical terms, the rule of the class was secured."[3]

Socialist ownership of the means of production--above all in the form of general social ownership of the people as its highest form and the decisive foundation of the national economy--requires objectively that the people, the workers in city and country, as the owner entrusts the socialist state and its organs with the uniform central direction and planning, the multiplication and the protection of the property of the people against all encroachment. It is precisely in this that one of the decisive advantages of socialism is revealed. The successes in connection with the development of the socialist national economy and the raising of the standard of living of the people on this basis confirm the correctness of the Leninist principle of the indivisibility of the political power of the working class and the ownership of the people.

In view of the pluralistic conceptions of group property instead of social ownership and the emphasis on the alleged advantages of self-administration[4]--time and again recommended by imperialist and reformist ideologists--it is necessary to pay special attention to the unconditional securing of the indivisibility of public ownership and socialist state direction and planning, making use of democratic centralism; for the propagation of the so-called autonomy of the enterprises and the glorification of competition contradict the principle of democratic centralism. They aim at the undermining of the uniformity of socialist state power, the political and economic dismantling of the power of the working class and its allies. Opposed to this is the experience of the CPSU and the teaching of Lenin that it is the task of socialism "to transfer all means of production to the ownership of the entire people, but by no means the ships to the dockhands, the banks to the bank employees. . . The direction must lie in the hands of the Soviet power."[5]

From the perspective of political science, therefore, the question is to comprehend the position of the work collectives of socialist industrial enterprises as part of the state economic organism based on socialist ownership and to emphasize that these are firmly integrated into system of state control, which is organized both vertically and horizontally. The integration of the work collectives united in the enterprise into the state control system produces a specific kind of fusion of direction and political and state exercise of power which is characteristic of the activity of state managers and the exercise of political and state power, since questions of economic management are questions of the exercise of state power.[6] In the work collectives merged into a state enterprise, therefore, state and social elements form a dialectic unity.[7] Corresponding to the deeply democratic character of socialist political and state power, the workers of the collective take part in many different forms in the direction of state and social affairs.

A fundamental feature of the development of socialist democracy is to be seen in the fact that the participation of the workers in the solution of state and social tasks is closely connected with the realization of their comprehensible production and work tasks. In many respects this is extraordinarily significant and effective, for in the work collectives the active, creative striving for the attainment of high work results through the application of scientific-technical progress combines with the all-round development of the socialist personality and with the consolidation of of comradely cooperation and mutual help within the collective. The initiative-rich conversion of the economic strategy for the 1980's decided by the 10th Party Congress also makes new and higher demands on the state management activity and on the development of socialist democracy in the work collectives of socialist industrial enterprises. Through the formation of combines favorable conditions for this have been created in the work collectives of the enterprises, which must find still stronger expression in practical results.

The close cooperation of party, state and trade unions--as typical characteristic of socialist development of state and democracy--characterizes in a significant way the political conditions in the work collectives of the industrial enterprises. An outstanding place belongs to the trade unions as the comprehensive class organization of the working class in the realization of the participation of the workers in individual management, which is the shape taken by political and state power in the economy. In the organization of socialist competition, the innovator movement, the plan discussion, the development of initiatives for the improvement of working and

living conditions, the trade union organizations make a very great contribution to making the members of the work collectives familiar with the practical exercise of power.

The integration of the work collectives, fused into enterprises, in the system of state direction has, in addition to the structural, also a functional side. The work collectives are integrated in the system of the functions of the socialist state and their realization. Increasingly they exert an active influence on the realization of its internal and external functions. In the investigation of the interrelationships between the carrying-through of the functions of the socialist state and the realization of the functions of the work collectives of socialist industrial enterprises, one can proceed from the fact that all elements of political organization exhibit functional similarities. The existence of analogous functions in all components of political organization is also called functional monism in the organization of social life.[8] The specific elements of the functions of the socialist state, which are significantly determined by its social destination and its class nature, however, consist in the fact that the state as the organization of political and state power lends its functions a generally-binding character. The socialist state and its organs enable the work collectives of socialist industrial enterprises to develop their specific functions fully[9] and to approximate them with regard to their content to the state functions, since the question is to make the social factors corresponding to the interests of the working class effective in their complexity in the activity of the work collectives. At the same time, important impulses for the qualification of state management activity emanate from the work collectives of the enterprises, which in their turn enrich and stimulate the work of the organs of the socialist state and the management of the economy. In participating with their specific means and possibilities actively in the solution of general state tasks, the work collectives contribute decisively to the consolidation of the socialist state.

Direct and original interrelationships exist between the work collectives of the enterprises and the elected organs of state power. In accordance with the stipulation in the election law of 1978, the work collectives exert a decisive influence on the formation of the organs of state power in that the candidates to be nominated by the democratic parties and mass organizations are examined and proposed beforehand in the collectives in which they work.[10] In so doing the cornerstone for the development of a genuine trust relationship is laid already in the preparation for the election. The cooperation of the elected people's representations, as well as their organs and deputies, with the work collectives could improve, above all, in a qualitative way. It enriches both sides and contributes in many different ways to the solution of important tasks of the national economic plan, in particular in the area of the improvement of the working, living and housing conditions of the citizens. This cooperation makes it possible to open up reserves for the intensification, the rationalization and the increase in the effectiveness of investments, as well as in the saving of living and objectified labor. We must also emphasize the fact, borne out by investigations,[11] that the influence of the work collectives of socialist enterprises on the activity of people's representations, the preparation, execution and control of laws, decrees and state decisions is becoming more extensive and competent. The political weight of the work collective in its relationship to the elected organs of state power has its upshot finally in the legally vested right to demand the recall of a deputy if he grossly violates the

trust the workers have placed in him.[12]

With a view to the cooperation between state organs and work collectives of the socialist industrial enterprises in the carrying-through of socialist legality, mention must be made of the decisive exertion of influence of the work collectives in the formation of organs of the administration of justice (election of lay assessors and the conflict commissions) and their active role in the daily struggle for the carrying-through of socialist law. Through the lively political-ideological work performed under the leadership of the party organizations in the work collectives, the educational forces of the collectives unfold in the struggle for high discipline and order, for the consolidation of the sense of civic responsibility of their members. The initiatives of many work collectives--meanwhile about 75,000 state-recognized collectives of exemplary order and safety are working in the national economy[13]--which in the movement for exemplary order, discipline and safety contribute to the preservation and protection of what has been achieved, were given special recognition at the 10th Party Congress of the SED.

On the Role of the Work Collectives as a Component of the Political Organization of the Socialist Society

In my view, further efforts are needed to demonstrate convincingly why and to what extent the work collective is a component of political organization. It must also be clearly determined what structural unity is meant when reference is made to the work collective as a component of political organization. To begin with, it can be stated that in the literature of the social sciences of the past few years the conception prevails which calls for the consideration of the work collective as a component of the political organization of socialist society, in connection with which, to be sure, the argumentation to prove the point at times is missing or is developed differentially. In isolated cases the position is taken that the work collectives certainly bear a growing political responsibility for the perfection of the political organization of socialism, but themselves do not become one of its components.[14] In order to prove why the work collective is a component of the political organization of socialism the argument is advanced that all workers and their collectives take part in the process of the formation and carrying-through of the political will.[15] In addition, the conception exists that social elements, like the work collectives, also go into the political organization of the socialist society--elements which are no political phenomena in the true sense, but which exhibit a highly important political component.[16] In the characterization of the work collectives and their development as elements of the political organization of socialism, it is pointed out that they differ from all other elements since they do not have a specifically political structure of organization. They are turned into a political subject primarily through the formations of the party, the trade union, the youth association and other social organizations, which operate within their framework.[17]

As can be seen from the viewpoints that have been cited, a valid demonstration of the integration of the work collectives into political organization of socialist society, regarded as possible and justified, must make use of the views expressed in the discussion around this set of problems and proceed from clear methodical viewpoints. Of course, in so doing one should avoid endorsing the view of those who stand for an autonomization of the work collectives vis-a-vis the state and strive for an autonomous self-administration of the enterprises disconnected from

the socialist state.

In regard to method, important considerations regarding the criteria for the belonging of certain social organisms and phenomena to the political organization, as well as for the assessment of their place in the political organization, have been expressed in particular by Soviet social scientists. As is well known, Lenin defined politics as "participation in state -affairs, direction of the state, determination of the forms, the tasks and the content of state activity."[18] Proceeding from this, the socialist state is characterized as the main link of the political system of socialism,[19] as the element which merges all other links into a system.[20] It is emphasized that the social associations entering into the political organization of socialist society must exhibit a political as well as an organizational aspect.[21] With regard to the determination of the political aspect it is in many cases granted that the political organization of socialism includes both those elements which one can call political associations in the true sense (direct political organizations) and those which are not political organizations in the true sense, but have a political coloration (indirect political organizations).[22]

In the evaluation of these opinions, W. M. Korelski elaborates three criteria for the socio-political institutions which form the political organization of socialist society:
a) the internal connection with the other elements and with the functioning of the political organization as a whole;
b) the practical participation in the realization of political power and the state direction of the social process; and
c) the presence of an organizational form which is based on the unity of goals and interests.[23]

The significant and constructive aspects of this approach consist, in my view, above all in the fact that the existence of elements of political organization is linked to their participation in the exercise of state power and the formation of organizational forms closely connected with it, which are based on definite uniform interests and represent them. Already Marx pointed out the close interrelationship of the exercise of political power and the carrying-through of the interests of the working class, which presupposes its organization: "The political movement of the working class, of course, has as its final goal the conquest of political power for itself, and this, of course, necessitates a previous organization of the working class which is developed up to a point and grows out of its economic battles. . . And in this way a /political/ movement grows up everywhere from the isolated economic movements of the workers, i. e., a movement of the /class/, in order to push through its interests in general form, in a form which has general, socially-binding force."[24] Whether a social organizational form becomes active as an element of the political organization of socialist society depends in a significant way on its ability to articulate--on the basis of the general social interests of the ruling working class--those objective partial interests of the workers represented by the given organization and to carry them through in the process of the exercise of state power.

In relation to the work collectives of socialist industrial enterprises it is important, therefore, first of all, to determine their objective place in the structure of interests of the socialist society. Through the social division of labor, direct social production under socialism takes place in a multitude of enterprises

which appear as relatively independent producers of commodities. This entails objectively the formation of collective interests, whose harmonious integration in the general social interests again and again presupposes the overcoming of possible partial contradictions. In so doing, not only the collective economic interests of state-directed and state-planned economic units, which work according to the principle of economic accounting, form in the enterprises, but the economic interests are supplemented by social, political and spiritual ones, as whose bearers the social organizations of the workers in the enterprises function above all. It is emphasized in the literature that, as basic economic units, the enterprises contribute significantly not only to the collective, but also to the individual and the social interests altogether, and play an important role in the undertaking to guarantee their harmony.[25] It is stated correctly: "The formation of large combines is--seen in this context--a way to achieve a better harmony of social and collective interests."[26]

Proceeding from the objectively-determined position of the socialist enterprises in the interest structure of socialist society, the Constitution of the GDR undertakes its integration in the political structure of the socialist society in Article 41. According to that, the enterprises, within the framework of central state direction and planning under the leadership of the Marxist-Leninist party, embody individually responsible associations in which the workers work and shape their social relations, in which they realize their citizens' rights, especially the fundamental right of the extensive co-determination of the political, economic, social and cultural life in state and society, and in which they link their personal interests effectively with social interests, as well as develop a diverse socio-political and cultural-spiritual life.

The integration of the socialist industrial enterprises into the combine as the modern form of the direction and concentration of production narrows in no way the position of the enterprises determined in the Constitution of the GDR. On the contrary, it creates more favorable prerequisites and conditions for the full development of the specific functions of the work collectives in the enterprises. The full exhaustion of these new possibilities, as the 3rd Session of the SED Central Committee emphasized, depends to a considerable extent on the abilities of the managers. "What is decisive is to lead the great collective of people in the light of the decisions of the 10th Party Congress to interested and initiative-rich action."[27]

By stressing the fundamental position of the enterprises in the socialist society, the constitution, in my judgment, at the same time drives at how their possible integration as a component of the political organization of socialism is to be understood. On the one hand, it becomes clear that, when we talk about the work collective as a component of political organization, we mean the socialist enterprise, but not the brigade or the smallest structural unit which cannot be divided further.[28] On the other, it becomes clear how the integration into the political organization practically takes place: The integration of the socialist work collectives that are based on public ownership into the political organization of socialist society takes place through different mediating channels, through their integration in the economic organism of the state and thus in the system of state direction, which is organized both vertically and horizontally and functions in accordance with the principle of democratic centralism. It also takes place through the formations of

the party of the working class functioning within the framework of the socialist enterprises, through the organizations of the trade unions which become active in the socialist enterprises, as well as through a number of other social mass organizations.

In answering the question of what structural unit is meant when the work collective as a component of political organization is being discussed, one can see the disadvantage of the fact that there is as yet no uniform concept of the work collective that is recognized by all social science disciplines. In my judgment--and in that of a large number of Soviet authors--the concept of the work collective must include its hierarchical vertical structural uniformity, which reaches from the brigade to the combine or the production association.[29] From the standpoint of political science, the following beginning thought offers itself as a step towards the clarification of this problem: The smaller collectives are included in the political organization of socialist society through their integration in the socialist enterprise, which in its turn becomes a part of the combine. This results, inter alia, also from the application of the principle of democratic centralism and from the above-mentioned stipulations of the constitution.

FOOTNOTES

1. Cf. "Report of the SED Central Committee to the 10th SED Congress. Reporter: Comrade Erich Honecker", Berlin, 1981, pp 116, 130.

2. Cf. R. Mand/K.-H. Schoeneburg, "Political System of the Anti-Fascist-Democratic Power and Revolutionary Process (1945-1949)," STAAT UND RECHT, 1980, p 591.

3. W. I. Lenin, "Werke" [Works], Vol 30, Berlin, 1961, pp 448 ff.

4. Thus in a publication edited by M. Bermbach and F. Nuscheler, a demand is made for "the transfer of state ownership which is centralized in the hands of a monopolistic bureaucracy, to decentralized social ownership" ("Socialist Pluralism. Texts for the Theory and Practice of Socialist Societies", Hamburg, 1973, p 21). Even today people openly place their hope on the fact "that the ideas of the 'Prague Spring' or self-administering socialism did (not) disappear from people's heads as alternatives to 'real socialism'" ("Pluralism. Foundation and Discussion", Opladen, 1980, p 153).

5. W. I. Lenin, "Werke", Supplementary Volume 1917-1923, Berlin, 1973, pp 33 ff.

6. Cf. "Report of the SED Central Committee to the 9th SED Congress. Reporter: Erich Honecker", Berlin, 1976, p 83.

7. Cf. "The Work Collectives in the System of Socialist Democracy", Moscow, 1979, p 26 (in Russian); "Leninism and the Direction of Social Processes Under Socialism", Moscow, 1973, p 70 (in Russian); L. M. Karapetyan, "Scientific Management and Democracy", Moscow, 1979, p 134 (in Russian); P. T. Bugayenko, "The Production Collective As a Socialist Cell of the Socialist Society", NAUCHNYY KOMMUNIZM, 1977, No 1, p 42. In the GDR this conception has not been supported up to

now. On the contrary, to some extent the collectives of the workers, in my estimation, are characterized very one-sidedly as non-state forms of socialist democracy (cf. "Marxist-Leninist Theory on the State and Law. Textbook", Berlin, 1980, p 304).

8. Cf. B. P. Kurashvili, "On the System of the Functions of the State", in "Problems of the State and Law", Moscow, 1974, p 26 (in Russian).

9. The functions of the work collectives are determined differently in the literature (especially Soviet literature). Above all, their economic-productive, their social integration functions, as well as their management and education function must be emphasized. The content of these functions is characterized by the striving of the work collectives for the attainment of high work results with the aid of scientific-technical progress; the effective link, based on the the national economic plan, of the fundamental personal, collective and social interests, which includes the overcoming of possible interest contradictions; the active contribution to the all-round development of the socialist personality, the purposeful participation in the state direction and planning of social affairs and the growing influence on the development of democracy, which is taking place in many different forms.

10. Cf. Paragraph 17 of the Election Law of 24 June 1976, "Gesetzblatt" I, p 303.

11. Cf. "Information of the GDR State Council for Local People's Representations", Feb and Nov 1980.

12. Paragraph 47 (4) of the Election Law of 24 June 1976, op. cit., p 305.

13. Cf. S. Heger, "The 10th SED Congress Continues the General Line for the Benefit of the People", NEUE JUSTIZ, 1981, p 196.

14. Cf., for example, H. Baumgarten/R. Rupf, "On the Determination of the Uniform Character of Individual Components of the Political Organization of Socialism in the Formation of the Developed Socialist Society in the GDR, Theses on the Dissertation", Berlin, 1980, p 17; M. N. Marchenko also argues strongly against the inclusion of enterprises and other structural units of the economic organization of socialism (cf. "The Political Organization of Soviet Society. Theoretical Questions", Moscow, 1979, ch 1,in Russian).

15. Cf. U.-J. Heuer, "Social Laws and Political Organization", Berlin, 1974, p 146.

16. Cf. L. Lotze/I. Wagner, "Remarks on the Article 'The Socialist State in the Political System of Society'", STAAT UND RECHT, 1972, pp 1515 ff.

17. Discussion contribution by R. Stueber at the Colloquium on the Growing Role of the Work Collectives in the Perfection of Socialist Democracy, held in Freiberg in May 1980, in: "The Systematic Development of Work Collectives of the Workers and the Perfection of Socialist Democracy", Freiberg, 1981, p 37; similarly: H. Jetzschmann, "Work Collective, Labor Productivity and Personality Development", Einheit, 1978, p 31.

18. W. I. Lenin, "Marxism and the State", Berlin 1960, p 112.

19. Cf. D. A. Kerimov, "Constitution of the USSR and Political-Legal Theory", Berlin, 1981, p 28.

20. Cf. M. Kh. Farukshin, "The Political System of Developed Socialism and Contemporary Anti-Communism", Kazan, 1980, p 13 (in Russian).

21. Cf. M. N. Marchenko, "The Political Organization of the Developed Socialist Society, Its Structural-Functional Characteristic", in: "The Political Organization of the Developed Socialist Society. Structure and Functions", Moscow, 1976, pp 13 ff (in Russian).

22. Cf. A. K. Belych, "Organization, Politics and Management", Berlin, p 89; M. N. Marchenko, loc. cit., p 20; V. I. Razin, "The Political Organization of Society", Moscow, 1967, p 18 (in Russian); G. A. Belov, "Political Relationships of the Socialist Type", Moscow, 1976, p 171 (in Russian); M. Kh. Farukshin, loc. cit., pp 16 ff.

23. Cf. "Problems of the Theory of the State and Law", Moscow, 1979, p 150 (in Russian).

24. K. Marx/F. Engels, "Werke" [Works], Vol 33, Berlin, 1976, pp 332 ff.

25. Cf. "The Developed Socialist Society, Nature and Criteria. Critique of Revisionist Conceptions", Berlin, 1980, pp 135 ff.

26. "Dialectic of Socialism", Berlin, 1981, p 239.

27. From the "Report of the Politbureau to the 3rd Session of the SED Central Committee. Reporter: Comrade Erich Honecker", Berlin, 1981, p 41.

28. For this reason I cannot agree from the perspective of political science with the conception that for the substantiation and characterization of the work collectives as a component of political organization one must turn, above all, to the lowest, not further divisible units, that is the brigades (cf. D. Chitralla/R. Dau/R. Mittag, "The Work Collectives As Component of the Political Organization of Socialist Society", STAAT UND RECHT, 1980, pp 894 ff.).

29. Cf. V. G. Afanasyev, "System and Society", Moscow, 1980, pp 268 ff. (in Russian); S. S. Vishnevskiy, "The Work Collective", Moscow, 1975, p 7 (in Russian); V. V. Zhuraviyev/Y. M. Shanibov, "Structure and Functions of the Socialist Production Collective Under the Conditions of Developed Socialism", NAUCHNYI KOMMUNIZM, 1979, No 1, pp 64 ff.

8970
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## GOALS OF MACHINE INDUSTRY DEVELOPMENT OUTLINED

Budapest FIGYELO in Hungarian 21 Apr 82 p 5

[Article by Andras Gabor: "The Machine Industry's Growth Prospects"]

[Text] Industry has to accept an increasing share of creating equilibrium in the national economy's foreign trade balance.

Opportunities to modify the product structure and to improve the products and manufacturing procedures are greatest in the machine industry. It has also become evident in recent years--in addition to the results achieved which at times are perhaps not valued sufficiently highly--, that the Hungarian machine industry is not able to--within a short time--reach and maintain at a continuous level the most advanced technical standards on broad areas. It does not have sufficient quality and quantity of intellectual and financial resources to do so.

The proper goal is to reach the "second line" of developments within the framework of broad based international cooperation and to make efforts to approach the "first line", for which the opportunities will present themselves within a short time. The "second line" does not mean that we produce the same thing in everything as the most developed countries, only not quite as well. It means that we must make efforts towards cooperative production projects, and to develop license and cooperative relationships. The format of this can be cooperation on spare parts or subassemblied, joint manufacturing or sales, etc. Of course, this does not exclude the industry from conducting an independent market policy in certain product groups. The area must be found where the major enterprises of the most developed countries are seeking cooperative partners, in which the Hungarian machine industry has comparative advantages.

Using these assumptions, the machine industry's average annual growth measured in terms of gross domestic products will be around 3.6 to 4.8 percent in the next 20 years. Within the industry's production the weight of the machine industry may rise from 23 percent in 1981 to about 40 percent in the year 2000. During this same time period the energy demand of the machine industry's production may decrease by 30 to 40 percent compared to the present conditions.

In the national economy's Sixth Five Year Plan the production increase must come from increased labor efficiency, while there will be an average decrease

of 2 to 2.5 percent per year in the number of people employed in the machine industry.

Implementation of the plan's goals makes it necessary to coordinate the work performed over the broad scale of the technical-economic-commercial life. We must see clearly the situation which exists now in the relationship of the machine industry with the other branches (for example, metallurgy, the chemical industry, etc.), the way it is expected to develop, and also the changes planned in the structural ratios within the machine industry or which may occur as a consequence of the market's influences.

The Sixth Five-Year Plan's Goals

In 1981 the machine industry provided 23 percent of industry's gross production value, and according to the plans it will provide 23.5 percent of it in 1982 (based on the 1982 plans of the enterprises). The machine industry's gross production value was 227.1 billion forints in 1981 (these data are not final), the increase is about six percent. Based on the 1982 plans of the enterprises production will increase to 240 billion forints, that is, by about six percent (calculated at current prices).

Based on the 1982 production and sales data about 54 percent of the machine industry's gross production is sold in this country, and 46 percent on foreign markets.

In its main characteristics the 1982 plan corresponds to the requirements the national economy made on the machine industry. Domestic sales show a 3.2 percent increase at current prices. This is in proportion with the moderate growth rate of investments, as well as with the way the population's ability to pay for what it wants is expected to develop.

The rubel-accounted export is growing in accordance with the projections of the long range trade and sales agreements, in harmony with the expansion opportunities of the import deliveries.

Dynamically increasing the nonrubel accounted export is an outstandingly important task of the machine industry. According to the Sixth Five-Year Plan the nonrubel accounted export must increase by 14 to 16 percent per year. The 1981 increase was about 7 percent at current prices. The enterprises in their 1982 plans made 17 percent increase the goal in their nonrubel accounted export--due in part to the existing contracts and in part to expectations of realizing the appropriate portion of the proposals they submitted. The projected very high increase in exports will present a great test of strength to the machine industrial enterprises.

Research Programs

In research and development the implementation of the tasks defined in the OKKFT [National Medium Range Research and Development Plan], in the OTTKT [National Long Range Scientific Research Plan], and in the portfolio-level

goal programs form the backbone of the work. Within the framework of the program entitled "Tasks of the Machinery Manufacturing Technology" primarily the development of those modern technological processes is implemented which serve the production of machinery and equipment in the strategic product groups of the machine industry, by simultaneously improving productivity and quality. In accordance with this, development of the following procedures of the machinery manufacturing technology will be implemented: Preshaping technologies (casting production, malleable shaping, heat treatment); welding; tool production; automation (development of machining technology and NC programming, industrial application of robots and manipulators, low cost automation); improvement of the technological information systems (creation of a data bank, improvement of the measurement technology information systems, etc.).

The goals of the program entitled "Improvement of the Production of General Purpose Spare Parts and Subassemblies in the Machine Industry" are improvement of the products and production of hydraulic oil units, pneumatic units, fastener elements, general industrial metal assemblies, gear boxes, liquid pumps, transmissions, springs and industrial chains. The need for this program is justified by the fact that the specialized production of machine construction elements, parts and subassemblies grew only slowly recently in this country. The program contains the development of the machine construction elements and subassemblies which are more important to us. We will have to create the full range of supplies in the support industries by expanding international cooperation. Adjustment to the foreign market demands requires that the structural solutions, control, and the functional as well as operational parameters all have the most modern solutions. In accordance with this, the sales of additional quantities of finished products which can be achieved in a given relationship, must not be allowed to be hindered by the need to buy more imports from the same relationship.

A significant portion of the research and technical development activity conducted in the machine industry--primarily the developments of national significance--are implemented through the cooperation and financial support of the IpM [Ministry of Industry] and the OMFB [National Technical Development Committee]. A proven practice is that financing of development jobs requiring larger expenditures is done through the joint use of enterprise development resources and central technical development funds. In a number of cases, support from the central MUFA [Technical Development Fund] was extended without a repayment obligation. More effective use than so far, of the central technical development funds requires assistance to be made under more strict conditions. Since 1981 the repayment obligation of central technical development monies has become widely applied practice. Of course, the percentage to be repaid varies, and is a function of the specific development goal and the results expected at the implementing enterprise. Introduction of the repayment obligation is already showing a favorable effect and has created healthy competition also for winning the support of the central MUFA.

Investment and the Production Structure

During the time period of the Fifth Five-Year Plan the machine industry invested 67 billion forints. Three major investments by the state and 100

significant investments by the enterprises were completed. The enterprises spent 35 percent of the total investment on creating capacities for producing merchandise for capitalist export.

The Sixth Five-Year Plan is planning to invest 56 to 61 billion forints in the machine industrial branches. The 1981 plan was between 8.6 and 9 billion forints, and 11 billion forints were actually spent. In 1981, 27 significant investments by the enterprises were completed, some of them dragged over from 1980. The 1982 projection is 9.4 billion forints. The enterprises planned 15.6 billion forints in this Sixth Five-Year Plans for this time period. Thus, there is a large difference between the ideas of the enterprises and of the national economy. Of course, the implementation of the investments is possible only in proportion with the national economy's ability to bear the load. In 1981,the IpM gave its opinion on the basic documents for 54 significant enterprise investments in the machine industry, of which implementation of the investments has begun on only 12 projects in 1981 due to the shortage of the available monetary means, the rest of them are on the waiting list. Among those which have begun are the VAZ reconstruction [expansion unknown] (Elzett, Bakony Iorks, MMG-AM [Measuring Instruments Factory] gas boiler manufacture, improvement of pipe production at the Matra Regional Metal Works, etc.

Modernization of the production structure, and within this of the product structure is helped primarily by technical development and by the investments. We must consider this a continuing activity which must be made to serve the interests of precisely and clearly definable main goals. We must keep in mind the valuable traditions of our machine industry, the product groups introduced on the international market, and our country's obligations in the bilateral and multilateral production specialization agreements among the CEMA member countries. Special consideration must be given to all domestic developments (investments) for which we can manufacture investment goods profitably produced in the machine industry. The population's demand for durable consumer goods also cannot be ignored as one of the machine industry's markets.

Development of the machine industry's production structure requires much money, and in most cases the recovery time of the development costs is 3 to 6 years. This is the determining factor in there being no opportunity of making spectacular changes either in the composition of the over-all product structure, or in its technological level. Constant and resilient development work is needed in this process. The major portion of the available monetary funds must be concentrated on those manufacturing branches which are most advantageous both on the basis of developing our own national economy and of the market's value judgement and prognosis. Attention must be paid to the rapid implementation of the energy and material saving technologies.

Development Directions

The planning af material and energy savings has been built into the planning work of the enterprises. The annual enterprise plans contain those measures the goals of which are profit-increasing energy saving solutions (for example, material savings implemented as a result of applying value analysis,

substitution of other energy sources for oil, etc.). The machine industry produces a great variety of energy consuming equipment. Some of these are public consumption items. A whole series of energy saving structural solutions have been developed in recent years. Such are, for example, certain models of the Diosgyor Machine Factory's IFA-brand pump family, the compressor in the Specialty Equipment Factory's model FK household refrigerator, etc. [Or] the boiler developed in the Lang Machine Factory, suitable for burning agricultural byproducts (corn stalk, straw, etc). The development of complex agricultural harvesting systems is in progress with the cooperation of agriculture and the machine industry, which will produce "cakes" suitable for transportation and for burning from the byproducts after the harvest (trimmings, straw, etc), for heating purposes.

International technical, scientific and economic cooperation continues to play an important role in the growth of our machine industry. We are conducting widely developed technical-scientific and economic cooperation with the socialist countries, within these first of all with the Soviet Union. Bilateral and multilateral manufacturing cooperation which can be found in large numbers in all sub-branches of the machine industry, demonstrate the success of cooperation.

Cooperation is the most frequent format of the lasting sconomic collaboration developed with the capitalist enterprises. These forms of collaboration are in harmony with the domestic market's absorbing capacity. The capitalist partner's interest in the cooperative collaboration is represented by obtaining the market, while our interest is to insure modern products to fulfill the domestic needs, and to fully or partially counterbalance the capitalist import with export.

Functioning as a complex enterpreneur is increasingly a precondition of us standing our ground on the international marketplace. Complete facilities and systems are comprising an increasing proportion of our export to the developing countries.

We must open the way for the development of the enterprising spirit. Achievement of this goal can be promoted by enriching the existing organizational formats of economic operation, creating new kinds of formats, as well as by improving the operating conditions of private small industry and private commerce.

8584
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## MINISTER DISCUSSES REDISTRIBUTION OF FARM INCOME

Budapest FIGYELO in Hungarian 7 Apr 82 p 13

[Interview with MEM (Ministry of Agriculture and Food Industry) deputy minister Dr Ferenc Vendegh, by Peter Bonyhadi: "The Fate of 4.5 Billion"]

> [Text] The agriculture closed last year with good results in spite of all of its unfavorable expectations. What is the opinion of Dr Ferenc Vendegh, MEM's deputy minister, about this?--Our reporter Peter Bonyhadi asked him about this.

[Question] It is well known that in 1981 the large agricultural operations made 4.5 billion forints more profit than had been planned. What opportunities does this extra profit present? Or, knowing about the acceleration of loan repayments, for example, and about the tightening of the credit budgets, can one talk about freely usable extra profit at all?

[Answer] It must be emphasized about this 4.5 billion that due to the system of taxation--the income of the budget also increased significantly more than had been planned. According to the preliminary data, due to the additional taxes, bringing forward the loan payments of the following years, the obligation to replenish the revolving fund, less amortization than had been planned, and the additional profit sharing the purchasing power for investments just barely exceeds the planned amount, especially if we must also consider that the opportunities will be significantly more modest than last year for receiving loans.

[Question] In one-third of the large agricultural operations the profits remained at the same level as before, or decreased below that. Thirty percent of the profit of the AGs [State Farms] was produced in the four agricultural combines. Is there an opportunity for some kind of redistribution within the framework of the branch?

[Answer] There is no need to redistribute the income by means outside the regulatory system!

That is, the amount of tax also increased more dynamically at the farms which closed with larger profits. Bringing forward the loan payments also resulted in a similar effect since the bank "accelerated" the expiration date at those farms where more "available" development resources were formed by the higher incomes.

It also must not be forgotten that the branch had to come up with the financial resources needed to improve the situation of the large operations with low incomes and unfavorable natural conditions, from its own funds. The money needed for this was produced by eliminating the earlier energy subsidies and decreasing the amount of milk subsidies by 20 percent. By doing so we were able to regroup a significant amount of resources which until now increased the profits, from the better than average operations to the benefit of those with lower incomes. If we were to touch the income of the farms beyond this for any reason, it would hinder the growth of efficiency and the development of production.

[Question] The agricultural operations are complaining about the limited investment opportunities, while at the same time the agricultural investments are regularly higher than the planned level. Is the reason for this contradiction perhaps that the structure of the agricultural investments is not developing according to the plan? That the operations are concentrating primarily and understandably on the rapidly recovered investments (for example, on supplementary activity) and not on the fundamental activities which produce smaller profits?

[Answer] As far as the complaining is concerned it must not be forgotten that one-third of the agricultural operations have hardly any development resources at all, and because of the minimal or completely nonexistent so-called own resources they can not take out loans. As far as the others are concerned, because of reasons in the national economy the loan fund itself which can be loaned out is limited.

As far as the structure of agricultural investments is concerned, only the construction investments are deviating from the plan. True, these make up one-third of all the investments. But even this deviation is not contrary to what is defined in the national economic plan. For example, the farms have embarked on the construction of more spaces for cattle and hogs than had been planned. They have significantly overfulfilled the time-proportional plan to create poultry raising spaces and the investment demand for storage spaces is also above the plans.

[Question] Tight loan budget, and overfulfilled investments! Where is the money from?

[Answer] Of course, no farm had any construction done from some kind of "buried treasure". The extra investments, while there is a general shortage of money, were made possible by the fact that a large portion of the investments the agricultural operations initiated in 1981 met the loan conditions for expanding the convertible merchandise bases, and thus they were able to get this additional loan.

In accordance with this the MNB [Hungarian National Bank] paid out the convertible loans requested in 1981 over the plan, primarily for investments promoting the development of the basic activity. Loans for energy rationalization investments were also made in excess of the planned amount, from the funds set aside for this purpose.

Investments for machinery, improvements, and for new plantations also developed at the planned level. Of course, it is also true that the large agricultural operations also significantly increased their activities outside the basic activities. But the investment requirements of this are low, and this very feature is one of the significant advantages in it to the operations and to the national economy.

[Question] Besides the investments, does the system of financial interests of the agricultural operations guarantee the economical improvement of production?

[Answer] The investment cannot be the exclusive tool of production improvements, if for no other reason than because many farms do not even have any money for it. Mentioning the unexploited reserves in general terms here would be a worn-out thing [sic] to do, but in reality there is such a "mother lode" of opportunities hidden in economic cooperation, to serve the improvement of production, between the large agricultural operations with their various levels of development and differing natural conditions and incomes, that it would be a sin to leave it unexploited. For example, while in general the low income farms have few and worn out machines and while they can not work the producing land properly and on time, and they have problems with the utilization of grasslands and pastures and of the existing spaces for livestock, at the same time at the strong farms in many cases the continued dynamic growth of plant production and livestock raising are hindered by the lack of the necessary production acreage. For this very reason, in the interest of developing cooperation, the strong large farms may also transfer their reserve funds to the low income farms for specified purposes, and in return for this they may share in their economic profits.

Beyond this, for example, in the interest of mobilizing the financial and intellectual capacities of the strong farms, in the case of cooperation between the weak and the strong farm (farms), the price subsidy--under specified conditions--, and the production tax discounts can be accounted the same way as if the farm with the poorer given natural conditions had done the work by itself. Taxation of the jointly produced profit is also done according to the conditions of the farm with the lower income.

The other form of "investment-free" production improvement is the expansion of the system of integrated relationships with the small producers. As a result of this, the circle of those large agricultural operations with unfavorable natural conditions which are receiving price supplements for some agricultural products produced by the household plot farms and sold through the large operations, has significantly expanded. The agricultural operations can receive the milk price subsidy, the milk bonus and the slaughter cattle price subsidy even if their animals are being kept by the small producers under a contractual format.

The regulations specifying the use of production equipment purchased earlier with state subsidy have become more flexible. The large agricultural operations may even lease out certain production capacities which can not be used economically by large operational methods--for example, buildings for housing livestock, and plantations. And last but not least, we have made it possible for the workers of agricultural operations within the framework of the basic activity, to also accept jobs--on the basis of separate agreements--, which do not belong within their circle of job activities.

We will continue to work on developing such and similar incentive measures to increase production.

8584
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COMPETITIVENESS OF HUNGARIAN PRODUCTS IS LESS THAN BELIEVED

Budapest NEPSZABADSAG in Hungarian 17 Apr 82 p 1

[Article: "More Initiatives and Enterprises"]

[Text] This was the third discussion for which the Ministry of Industry [IpM] invited the heads of various trusts, enterprises and cooperatives: to let them tell each other how well their products stand the competition in international comparison, and what methods they use to further increase their efficiencies. Minister of Industry Lajos Mehes delivered the introduction at the conference for exchanging experiences where the heads of the regional social and state organs were also present.

The minister emphasized that in addition to substituting for imports and saving energy, the industrial enterprises and cooperatives must increase their exports to the capitalist countries by 22 percent over last year's figures. This idea is a realistic one in spite of the lasting recession, but much more conscious market policies and more efficient work will be needed to implement it.

The head of the portfolio also said that upon the ministry's request detailed long range plans were prepared at 40 enterprises, in which the competitiveness of the products was thoroughly analyzed according to new methods. It was found that--within this circle--80 percent of the machine industry's products, 70 percent of the ones of the chemical industry, and 60 percent of those of the light industry stand the competition with those of the capitalist partners. "If it were only so!"--remarked the minister. Because this self-photo is really deceptive. For this very reason, in order to be able to make progress, a more realistic self-evaluation is also needed in the future. At the same time Lajos Mehes also said that many enterprises and cooperatives have already heard the word of the times and are also taking action in accordance with this. He also mentioned a few examples, pointing out the direct experiences of strategic planning and international comparison.

For example, it was found from the self-examination of the Csepel Works that one of the machines in their specialty machine factory is several times as heavy and its specific energy consumption is several times as high as that of the competing FRG firm. Therefore the people in Csepel--even though the product could still be sold as it was--are introducing a new technology which

can significantly reduce the lag between them and their competitor. From the analyses of the Lang Machine Factory, the Ganz-MAVAG [Hungarian State Iron, Steel and Machine Factories] and of the Firearms and Gas Equipment Factory the minister drew the conclusion that in spite of the unfavorable market situation, exports can be increased by rapid product development. At the same time it is also obvious that the production of modern products costs more to these enterprises than to their foreign competitors. And the example of Taurus [rubber products, tires. Translator] warns that even at such a large enterprise, relatively well organized by domestic standards, the efficiency of live labor is 30 to 50 percent lower than it is it the capitalist partners.

The most characteristic experience of the comparative examinations is--in the minister's opinion--, that our productivity lags behind that of our competitors by 30 to 60 percent. This also indicates that all this can be changed primarily by opening up the internal resources, better organization of production, and through a system of internal interests which provides better incentives.

After this the enterprise managers told their opinions. According to Otto Zalatnay, general manager of the Hungarian Broadcloth Factory, they increased their export in spite of the textile industry's slowdown by entering into lasting cooperation with an FRG firm which provided them not only with modern production processes and technology but also with plant organization experience. According to Jeno Bardossi, manager of the Danubian Petroleum Industry Enterprise, exports can be increased very quickly by well chosen and organized investments, therefore it is justified that money should continue to be available for efficient ideas of the enterprises in spite of the difficult situation. According to Lajos Dozsa, general manager of the Hungarian Aluminum Industry Trust, the standards can be a good measuring stick of the competitive ability. For this very reason--no matter how peculiar it may seem--they have now taken the initiative against themselves for increasing the severity of the requirements. Mrs Pal Krauth, general manager of the Cotton Thread Spinning Industrial Enterprise, described their market strategy: even the smallest order must be appreciated, a wide selection must be offered, and one must be present in very many countries at the same time. This worked well for them. Vilmos Garai, general manager of the Csepel Works related his experiences about the significance of modernizing the trust's management and the internal organization, the reserves that can be found in foreign trade works, and about the opportunities for better cooperation among the enterprises. The opinion of Ilona Tatai, general manager of the Taurus also agreed with all these things: she reported on the advantages of work distribution within the rubber industry and of organizing production. Janos Boros, manager of ELGEP [Food Industry Machine Factory and Assembly Enterprise] spoke about the advantages of general contracting, and Gyula Sos, general manager of the Bakony Works, about the usefulness of productivity associations and the exchanging of experiences.

At break time during the conference we asked Miklos Pulai, deputy chairman of the National Planning Office, for his opinion:

"I consider this meeting to be very timely, and mainly mutually useful. We witnessed true dialog between the directing sphere and the enterprises. It

can be seen that the most recent central measures--for example, the organizational changes, and the broader enterprising opportunities--found warm reception at the enterprises. They increased the initiative and enterprising desires, which is truly one of the preconditions of competitiveness. For me the suggestions heard here were also educational. Thought must be given to how we can make use of them during the course of further modernization of the directing and regulation functions--while maintaining normativity."

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LOCAL COUNCILS SHOULD AID SMALL BUSINESS REFORM MORE EFFECTIVELY

Budapest MAGYAR HIRLAP in Hungarian 9 Apr 82 p 4

[Article by Laszlo More, employee of the Councils Office: "The Alphabet of Small Enterprises" (The Councils Must Also Learn)]

[Text] Directions Were Shown Late--Instead of a General Prohibition--New Situation, New Way to Work

The organizational-legal and financial-accounting regulations aimed at increasing the production of small operations, expanding consumer services, as well as at developing individual initiatives, have been in effect since 1 January. The councils also have very significant tasks in implementing these, in the popularization of the new enterpreneurial formats, and last but not least in controling the legal operation of these organizations. Even though barely three months have passed since the new regulations went into effect, it is still worth reviewing: how did the councils undertake to carry out these tasks, what problems do they have, and what initial results can be reported?

The council workers dealing with this topic had the opportunity to familiarize themselves with the new statutes and measures at the end of last year in organized training seminars, thus they could be familiar with their social and economic background. The necessary form document samples and case handling supplies were also ready on time. In spite of this a number of factors hindered the preparations: the position papers of the affected central organs--which assist in implementation--were late, as were some of the legal guidelines, and the guide for applying the statutes, dealing with the conditions of founding and operating small business organizations was published only this year. The situation of the council workers was made more difficult also by the fact that immediately after the statutes were published, inquiring citizens besieged the offices, which--due to the lack of complete and thorough familiarization with the new regulations--were not always able to provide staisfactory information. Thus it is no wonder then that the relatively unprepared agencies were hesitating in some cases and took longer to handle the cases.

Also the new type of regulation places much greater demands than before on the council workers engaged in regulatory work, demanding from them, first of all, independent thinking and self confidence in making decisions. Thus,

for example, the statutes determining the sphere of activity of small businesses have undergone thorough changes. In the past they specified item by item what may be authorized; but the new regulations state only a general prohibition, namely, that the small enterpreneurs may not conduct activities which are exclusively the tasks of state organs. This otherwise extremely reasonable change creates a new situation in the process of issueing permits to the extent that it demands accurate examination and record keeping from the processing organs: which are those activities that are the province exclusively of the state organs.

Until now the councils did not perform any regulatory activity related to business work partnerships, this is a completely new job for them. Because of this, at times an apparently minor detail question (such as, for example, the decision of authority or judging professional qualifications, etc.) may hinder or slow down case handling. For this very reason it is extremely important for the business control organs of the councils to cooperate with the associate organs, so that neither arguments over responsibility nor over authority should hinder rapid disposition of the cases, and so that the citizens would not be sent unnecessarily from office to office.

A new element of the statutes dealing with production, support activity or consumer services by small business is that the authorities may not refuse to issue the permits requested if the specified conditions are met. This restruction of the control authority has also presented the business organizing and supply coordinating activities of the council organs with a new situation and forces them to review the tools and methods they employed in the past. It is also justified that the councils modify their earlier methods of evaluating the population's needs. In the future the supply theories based on the settlement network development and regional organization plans, regularly adjusted to conform with the changes, will have to be given a much greater role than before. How thoroughly and how reliably the councils know the population's opinion about the supplies of a given settlement or region, is also not negligible.

The initial experience indicates that in many locations the councils do not yet sufficiently support the initiatives of the enterprises and cooperatives. But, if they are familiar with the actual demands, the councils by their own activities can also evaluate those areas of small enterpreneurial production which can also be supported by economic means, and the local resources which promote the operation of small enterprises.

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## PROBLEMS, PROGRESS IN ECONOMY REPORTED

### Cause for Optimism Seen

Warsaw TRYBUNA LUDU in Polish 13 Apr 82 p2

[Article by Krzysztof Krauss: "With Somewhat Greater Optimism -- the Economy Since the First Quarter"]

[Text] A month ago, in my discussion of the development of the economic situation in January and February of this year, I wrote: "Despite everything, a little hope..." Time is confirming this opinion. It is true that production is still lower than it was a year ago, because the size of production is determined not only by the level of work discipline, the workers' readiness to apply themselves in a straightforward manner to carry out the responsibilities they have taken on themselves, and dedication in carrying out tasks, but above all at the present time by the level of supplies of basic raw and other materials.

After last year losing the opportunity to reduce tensions in foreign trade (we missed it, for example, as the result of the sudden reduction in in coal exports and the entry of the United States, Australia, and the Republic of South Africa onto our traditional markets of sale in Western Europe), we have a shortage of funds for even the most essential supply imports. In addition, as everyone knows, the United States and some of its NATO allies have tried an economic blockade and credit restrictions.

Production is still lower than a year ago, but there is already the expression of a tendency towards a flattening of this decline, a tendency initiated by the introduction of martial law and the slowing of anarchy and the disintegration of the economy. Let us recall: 1981 -- a decline in industrial production (compared to a similar period the previous year) of 12.6 percent. This January it was even worse than throughout 1981, because it was 13.6 percent, but even then, out of the 50 major products for which comparable data exist, 27 of them achieved progress in production compared to December 1981. First of all, these are hard coal and brown coal, electric power, cement, sawn lumber, and many others. This February the decline in the sold production of industry was 2 points lower (11.6 percent). Again at the head of the sectors which pulled out of the recession stage we find coal (a rise in extraction of nearly 13 percent) and also nonferrous metals (copper, silver), cement...

March 1982: for the first time in a very long period the overall decline in industrial production is no longer calculated in double-digit indices, but amounts to less than 8 percent. For the first time too the list of sectors which have interrupted the "race for the rear" includes some enterprises and groups of products from what are called processing industries, that is, those which come at the end of technological chains rather than at the beginning of them. Hence, the opportunity to continue to reduce the production decline during the second quarter of this year and also throughout the entire year becomes more and more realistic.

Things are still difficult. Changes in the economy cannot occur from one day to the next, but the promise of passage to a new stage aimed not only at stopping the decline in production but also at restoring the economy's capacity for development is already obvious.

This must be a gradual process. As a result of the shortage of raw materials, the processing industries are presently utilizing 50-70 percent of their production capacity. For the most part these industries depend on imported supplies. Two very complicated operations must be accomplished if they too are finally to break out of their recession. The first operation consists of replacing previously imported raw materials with raw materials supplied by domestic producers. Where we do not have our own raw materials or where it is a matter not of raw materials but of semi-finished products which we have been buying from capitalist countries up until now, we must base our operations to a far greater extent on the expansion of cooperation with the socialist countries. This task is presently being accomplished.

On the other hand, reorientation to our own raw and other materials and those from socialist countries requires time. Despite current opinion, domestic raw materials are not usually "worse" but are often "different" or "somewhat different," and where it is a question of engaging in coproduction with the socialist countries, we must make up for several years' delay in becoming familiar with our partners' capabilities and often correct designs and technologies, and finally enter into appropriate contracts and negotiate the conditions for cooperation.

A condition to using domestic raw materials is that there be some. They are there now. After all, thanks to the restoration of peace and order, the raw materials sectors first began to work intensively in January, February, and March. A condition to entering into cooperation with new suppliers in socialist countries, those who can assume the role of previous partners in cooperation in the West, was our RWPG partners' interest in this matter. They understood our situation and came to meet our needs. This fact is shown, for example, by the agreements during the meetings of the state-party delegations in Moscow, Berlin, and Prague and the talks with other socialist countries expected soon at this level.

What is more, a possibility is opening up, now that the stability of the situation in our country shows our reliability as a partner: the expansion of what are called "processing services" on a broad scale. This will provide a profit from fees for production services. It will give work to all workers, and it will give production on the domestic market.

I think it also worth noting that our situation on the Western markets is also changing. Of course our indebtedness is tremendous and leaves little room for maneuvering. The political campaign being waged against our country is also continuing, a campaign in which the coauthors of the worst crisis in our history are involved, the "Solidarity" activists who are presently out of the country. But for the first time, this March our balance of payments with this area improved. We began to export more.

There is another reflection which comes up as a footnote. Have the leadership of the independent enterprises, which after all now finance themselves, and the ministry administration done everything to take advantage of this point of support created by the restoration of the normal operation of the raw materials industries and the new possibilities for cooperation within the framework of CEMA? Well, it does not seem to me that they have. Some of the economic activists are still showing some passiveness, anwaiting attitude, a lack of initiative.

"The safety umbrella" put over the enterprises by the banks during the first quarter of this year has favored this waiting, expecting attitude. Now this "umbrella" has been taken away. The banks have stopped subsidizing the enterprises, and anyone who wants credit must prove that he can make money with credit and will be able to repay it. This is a "shock treatment," but if the enterprises' independence and self-financing is to become a fact and the economic reform is really to begin to operation, it is simply necessary.

Despite the difficulties of the situation which continue, all these factors allow us somewhat greater optimism in looking to the future.

## Current Economic Situation

Warsaw RADA NARODOWA GOSPODARKA ADMINISTRACJA in Polish No 4, 22 Mar 82 p2

[Article: "The Work of the Government -- Draft Law on the Council of Ministers"]

[Excerpt] Among the economic issues discussed at the government meetings at the end of February and the beginning of March of this year, a great deal of time was devoted to matters under the direct control of local bodies of the state administration. As usual, an analysis of the country's general economic situation was the point of departure for the analysis of these areas of activity.

Although the data are still not complete, it is already possible on the basis of the data from January-February of this year to state initially that the first months of the year revealed a sort of dual picture of the Polish economy, with one concerning extractive industry, where the situation is moderately good, and the other showing processing industry, where the difficulties abound and the problems with raw and other materials appear in very great dimensions.

In the case of extractive industry, an especially positive phenomenon is the relatively high level of coal extraction, which approximates 630,000 tons of coal per day. In January and February the mining industry extracted a total of about 30 million tons of coal. It is estimated that this year extraction may even reach a level of 180 million tons. All coal receivers have been charged with improving the distribution of this raw material and with thrifty, rational consumption in particular. The government has addressed these charges to a great extent to the local officials coordinating activity in many public services, including the municipal economy, especially the urban economy. It has been recognized as essential to improve the distribution of coal allocated for agriculture.

In processing industry, according to statistics, the production decline in January and February amounted to as much as about 18-20 percent, compared to a similar period last year. Production capacity was not fully utilized. The figures are only about 60 percent, and in the sectors most dependent on imported raw and other materials, the figure is even below 50 percent utilization. In this situation various operational decisions and provisions were undertaken to set industrial production mainly on a basis of available raw and other materials, on local raw materials, and on what are called secondary raw materials. Especially in the case of local materials and secondary raw materials the services and organizations subordinate to local officials have a particularly great deal to say. Too little initiative here is still being shown not only by the factories but also by the economic links at the voivodship and gmina [parish] levels.

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EFFECT OF ECONOMIC REFORM ON COST OF VACATIONS EXPLORED

Warsaw ZYCIE GOSPODARCZE in Polish No 10, 28 Mar 82 pp 1, 4

[Article by Irena Dryll: "Who Can Afford a Vacation?"]

[Text] The reform has affected vacations and summer camps, but more precisely speaking--the cost of vacation services. The cost of vacation services in 1982 is going up by at least twice, and 2½ times as compared with past years. Who can afford this luxury now?

"Many of my friends and I simply cannot afford such a high cost for vacation services. And if so, it means that something is wrong," stated Jan Cisowski, vice chairman of the Main Committee for Tourism (GKT) at one of its sessions. The committee, along with the Ministry of Education and Upbringing, has to fulfill a very important role--coordination of "summer action."

"There are a lot of people in our factory upset with the cost of vacations," says Ewa Sapiezynska from the Social Affairs Section of the shoe factory "Syrena" in Warsaw. "For example, my three-person family will stay home because we cannot afford a vacation at these prices."

Not waiting for the subsequent course of events, the construction ministry showed more "special initiative;" i.e., it wrote a special letter to the Ministry of Labor, Salaries and Social Affairs requesting payment of the fourteenth salary earmarked for vacations. The minister cited this act as proof of extreme concern: it is not enough that they have the highest salaries, have not produced any apartments during the first two months and that the cost of not working has been paid by 100 percent, then still they make such demands.

The costs of vacations are rising, and the possibilities of the Plant Vacation Fund (ZFS) are diminishing. According to estimates made by units serving the tourist traffic (plants, Workers' Vacation Fund (FWP) and tourism enterprises), the average cost of a 14-day, standard vacation is at least approximately 6,000 zlotys. FWP estimates, for example, that costs in attractive areas during the season will be in the range of 5,000-8,500 zlotys, and in others 4,500-7,800 zlotys. After the season is over, the cost will drop several hundred zlotys.

What Is the Cost of One "Man-Day?"

And what is the cost of one "man-day" through an FWP vacation of 14 days at 6,000 zlotys? One "man-day" costs 428 zlotys and 57 groszy. The cost of food for the vacationer is merely 125 zlotys. Personnel costs--reaching 101 zlotys 44 groszy--are 63.80 zlotys for salaries and 23.28 for feeding personnel, among others. Maintenance costs for vacation houses are 95.09 zlotys, of which amortization is 6.16 zlotys; renovations--56.81 zlotys; supply purchases--30 zlotys; and taxes to the National Council--2.12 zlotys. Remaining costs--use of materials, energy, transportation, material and non-material services, and administrative costs (that's the way it was described)--are calculated as 104.04 zlotys.

It is difficult for the lay person to judge the authenticity of the calculated bill for one day's stay. Even I have two doubts.

1) It is hard to believe that personnel will be eating for 23 zlotys per day, while the vacationer will pay 125 zlotys per day. It would be better if we were to calculate 50-50 for personnel and vacationer. Fairness and realism are required. And we have to be prepared to accept the fact that with 6,000 zlotys for the entire vacation, we shall be eating meagerly as we shall pay only 1,750 zlotys for food. The balance will be used for the FWP base, so in a few years the base will blossom and each vacation home should have nice furniture and look like a palace, because by paying for a 14-day vacation, the vacationer will have paid 1,200 zlotys for renovation and equipment. The second doubt is concerned especially with these costs--is somebody here not making out pretty well?

Up to now, the vacationer covered one-third of the vacation costs, and the remainder was paid by the plant vacation fund or the state budget. In 1975, the "statistical" cost of a vacation was approximately 1,800 zlotys, of which the vacationer paid from 522 zlotys in FWP centers to 625 zlotys in plant centers. Last year, the average cost of a vacation was approximately 2,600 zlotys, and the average payment was about 860 zlotys. This year, the vacationer will pay the traditional one-third, but this year it will be from 2,000 to 3,000 zlotys and up. It will be more because the social fund does not raise all of the imposed string of obligatory surcharges for vacations. It is thus said that reimbursements will have to cover half the cost, and moreover, the number of "reduced-fare vacationers" will be even less, which will contribute to a further decline. This declining tendency has been evident for several years. Last year, approximately 4.2 million persons took vacations--of these, 2.5 million went to plant or trade union centers; 700,000 to FWP facilities; and approximately 1 million to quarters. In 1980, there were approximately 100,000 more vacationers, and in 1977 about 500,000.

At the 18 March session of the Socio-Political Committee of the Council of Ministers, it was resolved to give state grants-in-aid for vacations to the following groups: retirees, pensioners, those recovering from illnesses and those in sanatoria (this constitutes 225,000 persons). The issue of prices for vacations will be evaluated at the next session.

Secondly, with respect to the social fund, rest for children and school youth is becoming even more dramatic.

One Million, The Remainder at Home

Information concerning the state of this year's preparations of summer vacation for children and school youth, worked out by the Ministry of Culture's Department of Upbringing and Physical Education, shows that in this area we are returning to the 1960's with respect to the number of children sent on vacation.

The following data indicate the trend: during the summer of 1981, 2.6 million children and school youth took advantage of organized rest, of which only 1.433 million went to summer camps and the remainder spent their vacation in their place of residence. This constitutes a reduction of 1.5 million participants, or 37.8 percent, as compared to 1980. In the ministry's opinion, there are many reasons for this reduction in participants at organized "summer action." First, the authors of the study state that the cost of summer camps continues to rise, while there is no corresponding increase in quotas earmarked for vacations by the plants' social funds or within the state budget. Second, there has been a decrease in organized activity and interest in the problem by social services and trade unions. Third, the country's complex situation encourages parents to have their children remain at home. This last reason is the only reasonable justification; the first and second are nothing more than adult selfishness and retreat in the face of difficulties.

It is supposed to be even worse this year. The ministry is saying that approximately 2.45 million children and school youth will participate in organized summer action, which is 143,000 fewer than last year. It is estimated that of the 1.433 million on vacation in 1981, only 1.050 million will be on vacation in 1982; this means 400,000 less than the "lean" year of 1981. One million is the same as the number of children and school youth who went on vacation in the 1960's. After that, the number of vacationers systematically increased; e.g., to 4 million in 1977. One million is a drop in the bucket.

With respect to this situation, experts in the Department of Upbringing foresee the growth of organized rest in places of residence, and estimate that approximately 1.4 million students will benefit from this, or 250,000 more than in 1981. Unfortunately, this is a small consolation, and the proof of this is that with respect to "consolations" we think primarily of 1 June--Children's Day.

There are decidedly too few vacations at home, even with the possibility of an excursion or interesting play at camps in the city.

Many arguments are coming forward; e.g., concerning children in large families, of which there are several million; children of textile workers in Lodz, who, because of the specific climate in the city--as their mothers claim--, are constantly coming down with ear aches, sore throats and bad lungs, and should get out for a while and spend time along the Baltic shore or in the mountains; children of single mothers, who are unable to send them anywhere; and all children because each one of them comes under stress, which is not their fault, and they should have the right to see a normal forest and to enjoy the water and the sun.

According to the ministry's report, "the estimated assumptions of summer action can be realized through the implementation of financial means, especially from the plants' social funds and increases in quotas in the state budget earmarked for this purpose."

And Even 1 Million Is Uncertain?

It is estimated that the cost per child to stay at an enterprise's summer camp for 26 days will increase from 5,000 zlotys in 1981 to 8,000 and even 12,000 zlotys, this year. On the other hand, places financed in the state budget will be from 3,200-3,500 zlotys to 7,000 zlotys. (The higher enterprise cost is attributed to the costs of renovating and amortizing installations, as well as the costs of transport.) The costs of a recuperative vacation for children will go up three times: from 2,500-3,000 zlotys to 8,000-9,000 zlotys (this includes 55,000 sick children).

The Parents Pay or Not

The ministry foresees that the greatest burden of cost increases for children's vacations will be born by the parents. In order for a child to stay at a state summer camp, the parents will have to pay on the average 4,400 zlotys and for an enterprise summer camp 3,500 to 5,000 zlotys. They pay? The authors of the study themselves do not believe this. "For many large families which are worse off fincncially, the cost of sending their children to summer camp frequently precludes it."

It appears that this commentary is careful and general. The ministry must have some statistics showing the financial situation of parents with children and school youth. If it does not have any, then it would be worthwhile attempting to get them. On the basis of paid-out compensation, maybe it would be possible to estimate how many children and school youth will never go anywhere because their parents simply cannot afford it.

The current situation is full of unknowns, and thus the ministry does not wish to be a bad prophet. But, being honest, because the ministry was aware of the threatening situation in March, it certainly could do a lot more before July. On the other hand, it is unacceptable that the parents will have to pay. Some--yes, but others simply will be unable to afford it even if they really want to send their children to summer camp.

Not long ago, there was a requirement that parents cover one-fourth of the cost of sending their children to summer camp. Last year, the parents had to pay one-third: for a cost of 4,500 zlotys, the parents paid 1,500 zlotys. This year, according to the ministry's calculations, the parents have to pay 50 percent.

This is a very doubtful concept not only because it is so unrealistic. A more acceptable method might be the following: one-third from the parents; one-third from the social fund; and one-third from other sources. As regards which sources, it is only a matter of acquiring the necessary resolutions.

The issue of vacations, costs and summer camps was discussed at the 16 March session of the PZPR Central Committee's Social Policy Commission. Participants at the session remarked on the bottom line of this issue; i.e., if workers and their families have the right to a vacation only under constitutional writ, then a certain model for vacations should be worked out during the reform period. This should include a temporary model "for today" and one "for tomorrow," in accordance with the constitution's spirit. With respect to social issues, one cannot jump into the water without knowing how to swim. This does not concern the rich, but rather the maintenance of one of the most basic human needs--that of rest. It is required for everyone, especially children and school youth. The needs of these groups are recognized as most urgent and on the first order.

"I do not have to take a vacation, but children and school youth, regardless of martial law, the crisis and reform, must be sent to summer camp." Thus was the tenor of most statements. There are enterprises that have resigned from vacations and the vacation fund for adults in order to send their children to summer camps. The commission has stated categorically that at least the same number of children as last year should be sent to summer camps. Enterprises, schools and social organizations must do whatever is necessary not only to send children capable of going on vacation, but more importantly those whose parents find themselves in a difficult financial situation, those from big families and those of single parents. Vacations and summer camps are a specific social service. Thus, accessibility is important, along with the type of people and the form.

Estimates by the Main Tourist Committee indicate that the social fund for this year (including the balance of last year's funds) will be 31 billion zlotys. Roughly speaking, it is a fairly large amount, but when the account was started, it was known that the deficit in the enterprise's social fund was 8 billion zlotys. There are 13 contracting parties in the fund: financing of leased garden plots; loans for newlyweds; assistance for retirees and sportsmen; and payments of statutory allowances for the suspended trade unions and of costs for renovating installations. The most important aspects will be the eventual payment to the vacation fund (4,000 zlotys each for 4 million persons) for a total of 16 billion zlotys, and payments to summer camps (6,750 zlotys each for 1.5 million children and school youth) for a total of 10 billion zlotys. In total, 26 billion zlotys; last year approximately 12 billion zlotys were earmarked for an identical number of vacationers.

It is difficult to say whether or not this estimated structure of payments from the fund will be recognized as legitimate. The vice minister of finance, J. Gabian, observes, for example, that a 8-billion-zloty grant-in-aid is unwarranted, when there are many means in the fund's account. Globally speaking, maybe he is right. Globally, everything looks somewhat different than the specific state of affairs.

For example, at "Azoty" in Tarnow, it was estimated that in order to maintain social action at last year's level, not less nor more than a doubling of the enterprise's social fund would be required. The fund is over 3 million zlotys

smaller than in past years. It has 17 million zlotys but needs 35 million. This year's fund is burdened with a 5-million-zloty deficit from last year, which means 12 million rather than 17 million zlotys. This is less than required for the workers' social fund at "Azoty."

Among others, the enterprise has four vacation houses with capacity for 530 persons, three camps, two daycare centers, three kindergartens, the enterprise's Culture House and a group of sports installations (including a covered swimming pool, two outdoor pools, a stadium, the House of Sport and the Weightlifting House). "We feel," state the director and the first secretary of the plant [party] committee, "that withdrawing the salary fund from the social fund and cutting off the costs of production are some of the sensible ways to facilitate (until a decision can be made regarding the subsequent fate and means of financing the enterprise's social installations) maintenance of the installations and a decent level of experiences for the workforce..." First Secretary of the enterprise [party] committee Jerzy Maniawski, with whom I spoke, feels that an enterprise that has achieved its vacation base should have reduced turnover taxes (or a portion of the costs tied to their maintenance). For example, such is the case among some firms in the West. In contrast, a large enterprise has less of a social fund than one that has neither built anything nor created its own social services base for its workforce. Previously, the costs tied to it were (partly) included in the enterprise's general costs. The reform intends, on the other hand, "to clean" production costs from all such "accretions."

The Luxury of a Vacation

In this very short study, we see one of the essential model conflicts with reform-social action. In order to eliminate its problems, "Azoty" should give the National Council its property (because financial experts say the Council has a lot of money to maintain such installations); likewise to tourist organizations. But will they issue a will and testament to give away such a magnificent inheritance? Without the property, will the crew be better off and the state have lewer costs?

Secretary Maniawski feels that there is enough money to maintain the resort, so this year money should be given to the enterprises. Beyond this, putting the resort into new hands will increase administrative costs, costs associated with creating a technical and renovative support base and so on. Everything is proceeding with momentum in the plant: renovation of the production area and installation, the same people and materials.

The social cost of maintaining a wasteful or unprofitable resort cannot be calculated only in zlotys. This is why the resort cannot stand idle; it has to move even by subsidy. The discrepant view says that in no way should social action be subsidized. The intermediate view says that if it is subsidized, it should be by the participant and not by the vacation or camp organizer.

The "Azoty" affair appears to be an illustration of a wider problem. Does a vacation for workers and their families have to be a problem for each enterprise, or does the enterprise have to provide qualified services and a travel bureau?

In order to answer the question, it is necessary to take the impressive vacation and cultural/sports resorts from the large enterprises, which they have built up over many years, or within the framework of reform to effect a correct functioning mechanism and to lower costs. Enterprise installations are the basic resort for vacations and summer camps. They have 275,000 vacation spaces, but the FWP has only 43,000. Together with private quarters for vacationers, there are 500,000 spaces. How many spaces will be empty this season.

Mrs Ewa [Sapiezysska] from "Syrena" feels there will be many. Her enterprise does not contain its own resort, and FWP has proposed vacations costing between 5,000 and 8,500 zlotys. Private quarters go for 6,000 to 8,000 zlotys. The social fund has to subsidize the summer camps. Last year, parents paid 500 zlotys per child and this year 1,000 zlotys, while the actual cost of summer camps is 7,000-9,000. There are not many children (approximately 70), but 400 pensioners. Even if vacationers pay 3,500 zlotys, there will not be many wanting to go, but we cannot lower the cost for such a small number of people.

In the Roza Luksemburg plant, percentage-income principle for payment was established. The cost of a vacation at this plant at Darlowek will double this year from 3,500 to 7,000 zlotys. For incomes up to 1,500 zlotys per family member, the cost is 5 percent, and for 7,500 zlotys, 100 percent. On the other hand, for an average income of 5,000-5,500 zlotys, it will be approximately 2,800 zlotys. A similar proposal is being made for summer camps. The cost of vacation has increased from 9,500 to 10,000 zlotys. Who will go? Who will send his or her child? Mr Boksznajder of the social section will answer these questions in one month.

The PZPR Central Committee's Social Policy Commission has proposed various positions to solve these difficult problems. They will be examined shortly by state organs.

9807
CSO: 2600/500

PLANNING COMMISSION CHAIRMAN ECONOMIC OVERVIEW PUBLISHED

Warsaw IDEOLOGIA I POLITYKA in Polish No 3, Mar 82 pp 18-25

[Article by Jerzy Borowiecki: "Opportunities and Dangers," prepared on the basis of shorthand notes from the overview presented by Zbigniew Madej, chairman of the Planning Commission of the Council of Ministers to lecturers of the Central Committee of PZPR on 9 February 1982]

[Text] Economic activity this year is being influenced by the results of 1981. Those results were as follows: a further decline of 13 percent in national income and industrial production. About 60 percent of production capacity was utilized. The year 1981 also saw a further increase of the indebtedness of our country.

The results were shaped under the influence of three main factors; firstly, the consequences of the economic crisis mounting in the 1970s, secondly, the consequences of actions taken as early as 1980, and especially the high growth rate of remuneration and monetary income of the population--about 31 percent in 1981. Certainly, the incomes of the population grew due to this, however, this came about under unfavorable economic circumstances. Therefore, it had to lead to further erosion of the market, since proportions between the wage increment and production increases were not observed in the least. Associated with it was a considerable shortening of worktime, estimated at about 7.5-8 percent in industry and much higher than that in certain sectors of the economy. For example, in mining this caused a considerable reduction of effective worktime. As the third factor, a high wave of social tension, strikes and the loosening of labor discipline should be mentioned, which diminished our chances of overcoming the crisis.

It should also be borne in mind that last year certain negative trends of previous years surfaced. For example, national income has been decreasing for 3 years at an accelerating rate: it declined by about 2.3 percent in 1979, by about 5.4 percent in 1980 and by about 13 percent in 1981. Industrial production still registered some growth in 1979, but in 1980 there was already a small decline, by 1 percent, and in 1981 it dropped by 13 percent. Export still grew in 1979 by about 7 percent, whereas it declined by 4.7 percent in 1980 and by 20 percent in 1981. As is clear, an unfavorable trend appeared in consumption, which still grew in 1979 by about 3.2 percent, but in 1981 it fell.

The situation at year end 1981, a resultant of previous years, suggests that our chances of overcoming the crisis are appreciably smaller than estimated a year ago. Due to the results of 1981, the gross national income was rolled back to the 1974 level, consumption--to the 1978 level. In industrial production, the 1976 level was achieved, for coal output it was at the 1974 level. With regard to exports, we were at the 1975 level and imports at the 1973 level. In slaughter livestock procurement, we are at the level registered in 1972, in investment outlays at the 1973 level, in housing construction at the 1967 level, or counting per capita, at the 1964 level. In meat consumption, we are at the 1974 level.

It is estimated that the economic regression which these statistics indicate amounts to 5 to 6 years depending on the economic sector. This also means that we will need as many years to get back to the level approximating that from before the crisis, as has been outlined in the program for surmounting the crisis. Therefore, we need 5 to 6 years of intensive work, and this will be our point of departure for 1982.

Last fall, three possible versions of development in 1982 were under consideration and, subsequently, three versions of forecasts for the future: pessimistic, average and optimistic. The pessimistic version envisaged a further decline of production in 1982 on the order of 10 percent, the optimistic version envisaged a growth in production on the order of 3 percent. The average version essentially envisaged the continuation of the 1981 level or a small improvement over it by less than 1 percent.

The forecasts for 1982 outlined in this way were offered for public judgment and after various discussions it turned out that public opinion was turning away from the pessimistic version. This was not due as much to dependable calculations and plausible forecasts as it was due to emotional reluctance. Who would want a bad, pessimistic future for himself and for the country? In circles which were mainly emotional, the view prevailed decidedly that the pessimistic version is unacceptable. In circles which relied more on economic calculations, in a word, in professional circles, the leaning was rather towards the average versions with only some favoring the optimistic one.

Ultimately, the government adopted outlines for 1982 in two versions. While rejecting the pessimistic version, it was accepted that there was a high probability of attaining what was called the average version with a view to strive for the optimistic one. What were the features of those two versions? Last fall, there was every reason and factual evidence to believe that coal would be the decisive factor in 1982. According to some, this was a manifestation of reducing the Polish economy to a "single crop" coal development, since one factor was seen as responsible for economic development. At the time, pointing out the decisive role of coal for economic development was needed.

It seemed at the time that achieving the output of 170 million tons of coal would be incredibly difficult and, therefore, this was taken into account in the average version. At the same time, an output of 175 million was assigned to the optimistic version, though many were doubtful as to whether

this could be achieved at all. Beginning in mid-December and through January very good coal mining output has been registered. On all weekdays, output exceeds 620,000 tons, and on Saturdays even 590,000 tons. There have also been Saturdays when the output exceeded 600,000 tons. Therefore, the probability of achieving the 175-million mark is very high indeed.

However, another very important factor emerged which was noticed earlier, but which is playing a paramount role now, in the new situation. I am talking about the inflow of funds from abroad, primarily foreign exchange funds from capitalist countries and, consequently, raw and other materials import. Every year, some 18 to 20 percent of raw and other materials our economy processes are imported from capitalist countries. This means that we are more or less 1/5 dependent on the capitalist world. This is not much; there are countries which are much more dependent and the problem does not lie here. The issue is that funds will be simply insufficient for imports of that magnitude. The situation is so complicated that last year more or less one half of the already trickle of capital inflow from capitalist countries was earmarked for import of consumer goods, grain and fodder. Only one half of purchases could be assigned to other uses, including industrial [raw materials] supply. This was necessitated by the need to support at least minimal food rations.

Under martial law, when certain Western countries instituted economic sanctions against our country, this narrow rivulet of credit inflow was in principle cut. Now we are almost entirely cut off from the inflow of raw and other materials from the West. Funds for grain and fodder purchases are coming in a narrow flow, and then again from only some countries. Canada is currently standing by 1/2 of its original credit commitments. France is also honoring its commitments, but not in the initially envisaged amount. As late as last fall we expected to purchase a large amount of grain in France. Now we have a chance to import about 200,000 tons in the first quarter, about 200,000 tons in the second quarter and about 200,000 tons in July. The rest we will obtain--maybe we will--from the new harvest, maybe in a form other than grain.

At the same time, the inflow of funds from the United States, where we used to borrow between $700 and $800 million for grain imports, has ceased entirely. Even before the imposition of martial law, obtaining this amount of deliveries in 1982 was very much in doubt. The government of Poland applied in the last weeks of last year (in early December) for an extemporary credit of $200 million. This request was denied. There was an opportunity to obtain $100 million for corn imports which support the development of broiler chicken farms in Poland. This is a technological requirement of large poultry farms. As a result of martial law and the sanctions imposed by the Reagan administration the $100 million which could be approved have been suspended. Other previously negotiated economic contracts with the United States have also been suspended, namely: fishing by Polish ships in U.S. coastal waters, functioning of airlines for which the agreement expired in March. Also, many restrictions have been introduced with regard to economic and diplomatic representatives. The United States is threatening further sanctions. At issue here might be the most-favored-nation status. This is a principle

which makes it possible to export to the United States on a relatively favorable basis, which means taking advantage of a relatively low import tariff. If this threat is carried out, all exports from Poland to the United States will become unprofitable in principle.

Countries of Western Europe, other than those already mentioned, do not provide credit to Poland. In the nearest future we cannot expect finance credit and, consequently, necessary purchases from them.

Due to this, it is estimated that import from capitalist countries will decline in the first quarter of this year by an average of 30 percent compared to the first quarter of last year. Imports of raw and other materials can register a still larger decline, especially in terms of quantity, after increase in prices is taken into account,--by about 35 percent. Imports of machinery and equipment have declined very significantly. We have been decreasing it consciously due to the limitation of investment projects in the country.

Due to difficulties in supply, production in many subsectors of the Polish processing industry is utilized less than 50 percent of its capacity, mainly in the subsectors which depend to a large degree on exclusively in imported raw materials. The fur and a part of the leather industry are such subsectors. Production capacity utilization in the range between 50 and 60 percent will occur in subsectors such as the rubber industry and some subsectors of the textile industry. Capacity utilization of 70 percent will occur in many subsectors of the processing industry. The situation, therefore, is differentiated indeed. Production of the mining industry, especially coal output, has a possibility of a 7 to 8-percent growth; this refers to the first quarter and, probably, to the following ones. The complete reverse of this situation exists in the processing industry, where a further decline in production by 12 or even 24 percent on the average will occur for the industry as a whole. In the first quarter of this year, there is a threat that production will fall by more than 10 percent compared to the first quarter of 1981.

Much is being done to prevent such a drastic decline of production and to preserve basic market supplies. As early as December of last year, steps were undertaken to intensify imports from socialist countries.

Immediately after 14 December we received emergency aid from socialist countries consisting mainly of food and other consumer good deliveries. The aid came as a response to the appeals of Polish authorities and, in part, spontaneously. All these countries delivered goods to us worth 30 million rubles each, with only some small countries well below this quota. Overall, we received goods worth about 150 million rubles in this way, which translates into about 10 billion zlotys and accounts for between 8 to 10 percent of the monthly deliveries to the domestic market. A part of this aid was regarded as irredeemable by socialist countries (including the GDR, Czechoslovakia, Mongolia and Yugoslavia) and another part as long-term low-interest credits. At the end of December 1981, we again applied to socialist countries for industrial-type assistance. In connection with a special letter from the first secretary of our party addressed to the secretaries of communist parties of socialist countries, the following results were achieved:

Firstly, deliveries of raw and other materials and consumer goods from all socialist countries were speeded up, due to which the deliveries will be considerably concentrated in the first and second quarters of this year. Concentration will lead to about 25 to 30 percent of 1982 deliveries being carried out in the first quarter. As a result of this and other measures, imports from socialist countries will increase by about 18 percent in the first quarter of this year compared to the same period in 1981.

Secondly, as a result of this letter and actions associated with it, an increase in non-traditional deliveries is occurring, that is in items we have not been importing from socialist countries so far. This means raw material assistance of foreign-exchange type and foreign exchange aid proper. Among other things, we are to receive a grain loan from the Soviet Union as early as the first quarter in the amount of 250,000 tons of consumer grain. We had to apply for the loan, because the situation on the domestic market is extremely difficult.

Thirdly, we received additional deliveries of ammonia for artificial fertilizer production and a certain amount of fodder grain, which were not included in the regular trade protocol. Part of our exports to socialist countries includes the so-called foreign-exchange input, i.e. imports from capitalist countries. We are trying to negotiate with socialist countries about the implementation of aid in this sphere, since there is a danger of us having to cease this production. There are opportunities for settling this issue. Raw materials supply for domestic production presents a larger problem. Our economy is still very autarkic. We export a total of 7 to 8 percent of our industrial products to both socialist and capitalist countries. As a result, the lion's share of raw material import is needed for domestic supply, for internal needs. Therefore, we are undertaking steps in order to obtain from socialist countries the raw and other materials we used to import from capitalist countries. However, the situation is such that other socialist countries also import many similar raw and other materials and are as well having difficulties with foreign-exchange funds.

Our attempts to secure increased aid from socialist countries are only one avenue. Another very important one is based on attempts to reorientate the economy towards larger consumption of raw and other materials produced domestically. It is understandable that this cannot be done over a short period of time, over a week. We were aware of the need for such a reorientation more or less last year, but the results achieved so far have been minimal. This shows how difficult the reorientation towards production for agriculture and towards the utilization of domestic raw materials is. However, there is also an element of wait-and-see attitude in accordance with the "it-will-work-out-somehow" principle. It should be borne in mind that the period of surmounting the crisis will last several years. It is a fact that all the salvation in leading the country out of the crisis is to be drawn from our domestic power. All the help from outside can only facilitate our efforts, but nothing else beyond that. A nation 36 million strong cannot be maintained on somebody else's charity. We need a constructive and positive approach to reality, this is to say clear thinking, honest work and an honest and constructive look into the future. This is the only rescue for us.

Entering the year 1982, we are presented with several issues that we must consider, issues which can become levers of our development if solved. The change in psychological climate can be of essential importance. Also, there are many opportunities for the progress of economic recovery, if technical services in enterprises, in all technical facilities, urgently apply all the ingenuity they can muster to introducing new technologies and new substitute raw and other materials.

We have opportunities to reduce losses to a minimum and use land better in the entire agricultural economy. Unfortunately, we still have very much fallow land in Poland, whereas desire to use it efficiently is much smaller than in other countries. The increases of procurement prices for agricultural products that were carried out recently should primarily stimulate crop production and the subsectors of animal production which make use mainly of domestic non-imported raw materials.

In the management sphere, the emphasis is mainly laid on the utilization of new economic ties that are developing under the influence of producer prices effective beginning of 1982, new policies of industrial financing and new policies in the incentive system. In the first quarter, financing of the wage fund was still carried out in accordance with old policies. This was a solution of social nature. However, from the first days of the second quarter the time of reckoning will come for many enterprises. Unless they turn in adequate profits, they will not have funds for wages, payments for raw and other materials delivery, taxes or other dues. Other necessary measures will also be undertaken. It is envisaged that in the environment of raw and other materials shortages, some enterprises will have to be closed down or reduce their output considerably after opportunities for developing substitute production, innovation of all kinds etc. have been exhausted.

It follows from estimates that several hundred thousand persons should be transferred from the processing industry to other economic sectors. There are plenty of job opportunities for these people in the mining industry. It is obvious that transferring people associated with their residence, acquired skills etc. presents a problem, but it is not true that there are no job opportunities. The only thing the economy can provide on its part is opportunities. There are real opportunities in this sphere. However, the wait-and-see element also occurs here, as well as in the change of production profiles. This will be an unpleasant step, but it is unavoidable, since preserving the current situation in the future simply leads us to nothing good. It would cause among other things, disbursing money with no coverage, with no goods in the market.

There are some essential problems in our market, among other things due to the current price policy. There are no opportunities for keeping up the level of consumption that was attained in Poland in the last several years. The increase in meat consumption registered between the beginning of the decade and 1979 was coupled with an increase of grain and fodder imports. This import grew from several million [as published] tons at the beginning of the 1970s to 7-8 million tons in 1979. This nicely supports the statement that we used to live on credit, at the price of grain grown elsewhere, outside

our country. The problem is thus reduced to only the following: should the decrease [in consumption] be achieved through tight rationing, with no price changes or with price changes as well? It was necessary to change prices of all foodstuffs, including meat, in order to rectify the incorrect price arrangement of foods vis-a-vis manufactured goods. This arrangement has developed in Poland over a very long time. Only the first phase of this measure has been completed, because the response of population to the growth of food prices is not over yet. A certain change in manufactured goods prices will be superimposed on this, which will certainly also make a dent in the family budget and will definitely cause very many unpleasant responses. Nobody likes price increases, so let us not treat them as an act of kindness for individuals. However, price increases are necessary, they are a necessary evil to regain an equilibrium in the entire economy for the sake of future economic results. Everybody would prefer no growth in prices and wage increases, but this is not possible, unless it is accompanied by an increase in production and labor productivity.

The role of the state must be rigorously reinforced through its anti-inflation activity, in protecting the low-income strata and other special groups. Due to this, control by the government of price-setting at the enterprise level is both desirable and needed; therefore, it will be strengthened. Compensation payments have been distributed in such a way as to provide more for the low-income population. This was a conscious choice, and this policy will be continued. Full compensation and increased payments could not be provided for everybody, that is for both low-income and high-income population. Simply put, there was no opportunity for that. This policy must be consciously continued in the immediate future and next year.

We should be aware of a possibility for certain pressures to implement wage increases in response to growth in food and manufactured goods prices. We should also be aware of the pressure to increase prices, especially on the part of enterprises which are allowed to set their own prices. If our economy went that way, i.e. did not set in motion efficient mechanisms preventing excessive growth of wages and prices, a very high rate of inflation would be unavoidable. This is no way to overcome a crisis. This would be an illusory remedy, which can spell relief initially and for a short while, but ultimately leads to nothing good.

Therefore, further price and wage increases regardless of the implementation arrangement are not feasible, since there is no financial basis for them. The downward trend in production and national income apparent in the first quarter of this year will probably occur in the second quarter as well. There are opportunities for economic recovery and an upward trend which can surface no sooner than the second half of 1982. Everything will depend on whether or not production increases, and if so, by how much.

9761
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SPECIAL CURRENCY EXCHANGE RATE TABLE PUBLISHED

Warsaw TRYBUNA LUDU in Polish 10 May 82 p 7

[Text] Announcement of Exchange Rates Table No 19/82, effective 10 May 1982, by Stanislaw Majewski, president, Polish National Bank, Warsaw, on 10 May 1982.

I. Foreign-currency exchange rates in zlotys for countries of the first payments area [socialist countries] for commercial and noncommercial payments in Table No 6/1982, dated 8 February 1982, remain unchanged.

In purchases of travelers' checks for rubles, issued by the USSR Foreign Trade Bank and payable outside the USSR in the currency of the country where cashed, an exchange rate of 11,658.80 zlotys per 100 rubles is applied.

II. Foreign-Currency Exchange Rates in Zlotys for Countries of the Second Payments Area [Capitalist Countries]

[Table on following page]

Exchange Rates Table No 19/82

| Country | Curr Symbol | | Currency | Foreign Exchange Purchase 3 | Foreign Exchange Sales 5 | Money Purchase 1 | Money Sales 2 | Average 6 |
|---|---|---|---|---|---|---|---|---|
| Saudi Arabia | 771 | 1 | rial*** | 24.21 | 24.45 | -- | -- | 24.33 |
| Australia | 781 | 1 | Austral. dollar | 88.09 | 88.97 | 86.76 | 90.30 | 88.53 |
| Austria | 786 | 100 | schillings | 504.02 | 509.08 | 496.42 | 516.68 | 506.55 |
| Belgium | 791 | 100 | francs | 188.24 | 190.14 | 185.41 | 192.37 | 189.19 |
| Denmark | 792 | 1 | kroner | 10.49 | 10.59 | 10.33 | 10.75 | 10.54 |
| Finland | 780 | 1 | markka | 18.32 | 18.50 | 18.04 | 18.78 | 18.41 |
| France | 793 | 1 | franc | 13.62 | 13.76 | 13.42 | 13.96 | 13.69 |
| Greece | 724 | 100 | drachmas | 131.32 | 132.64 | 113.82 | 134.62 | 131.98 |
| Spain | 785 | 100 | pesetas | 79.87 | 80.67 | 78.66 | 81.88 | 80.27 |
| Holland | 794 | 1 | florin | 31.95 | 32.27 | 31.47 | 32.75 | 32.11 |
| India | 543 | 100 | rupees*** | 894.10 | 903.08 | -- | -- | 898.59 |
| Ireland | 782 | 1 | pound*** | 122.52 | 123.76 | -- | -- | 123.14 |
| Japan | 784 | 100 | yen | 34.97 | 35.33 | 34.45 | 35.85 | 35.15 |
| Yugoslavia | 718 | 100 | dinars | 170.91 | 172.63 | 148.13 | 175.21 | 171.77 |
| Canada | 788 | 1 | Canad. dollar | 67.71 | 68.39 | 66.69 | 69.41 | 68.05 |
| Kuwait | 770 | 1 | dinar*** | 290.42 | 293.34 | -- | -- | 291.88 |
| Lebanon | 752 | 1 | pound | 17.27 | 17.45 | 17.01 | 17.71 | 17.36 |
| Libya | 651 | 1 | dinar*** | 280.33 | 283.15 | -- | -- | 281.74 |
| Luxembourg | 790 | 100 | francs | 188.24 | 190.14 | 185.41 | 192.97 | 189.19 |
| Norway | 796 | 1 | kroner | 13.84 | 13.98 | 13.63 | 14.19 | 13.91 |
| Portugal | 779 | 100 | escudos | 116.99 | 118.17 | 101.40 | 119.93 | 117.53 |
| FRG | 795 | 1 | mark | 35.46 | 35.82 | 34.93 | 36.35 | 35.64 |
| United States | 787 | 1 | dollar* | 83.06 | 83.90 | 81.81 | 85.15 | 83.48 |
| Switzerland | 797 | 1 | franc | 42.52 | 42.94 | 41.88 | 43.58 | 42.73 |
| Sweden | 798 | 1 | kroner | 14.29 | 14.43 | 14.07 | 14.65 | 14.36 |
| Turkey | 627 | 100 | pounds | 55.00 | 55.56 | 47.67 | 56.38 | 55.28 |
| Great Britain | 789 | 1 | pound** | 150.07 | 151.57 | 147.80 | 153.84 | 150.88 |
| Italy | 799 | 100 | lira | 6.40 | 6.46 | 5.54 | 6.56 | 6.43 |

*Valid also in clearing accounts with the following countries: Bangladesh, Brazil, Ecuador, Greece, Iceland, Kampuchea, Colombia, Lebanon, Pakistan, Peru and Turkey.

**Valid also in clearing accounts with the following countries: Nepal and Pakistan.

***The Polish National Bank does not purchase money in these currencies.

9295
CSO: 2600/464

NEW LAW ON ECONOMIC PLANNING REPORTED

Warsaw TRYBUNA LUDU in Polish 6 Apr 82 p 3

[Article by Marek Jefremienko: "Planning and Economic Reform"]

> [Text] The law on planning, which was recently passed by the Sejm which takes effect on 1 July 1982 is the first, cohesive, comprehensive and complete document which regulates the system of planning.

What are the most important changes in relation to the past? There are many of them and they are all vital. However, it is sufficient that we examine a few of them in order to have before us, a complete picture of the turnabout which is being executed.

Growth or Development?

This question embodies the fundamental difference in the approach to the goals of planning. Until now, the entire economic, social and cultural reality subject to planning was expressed in numbers and attempts were made to increase these numbers for the sake of development and in order to balance them [the numbers] to some extent. Then, the values obtained in this way were led downward. Following shorter or longer proffering, the plan was published. The expression of social needs and aspirations was weak while their implementation was even weaker.

The, so-called, open plan used in the 1970's as well as the practice of bringing into it large investments already after balancing and ratification of the document caused the total undoing of the system of planning. Meanwhile, the essence of planning ought to be not so much the increase of indexes contained within it but guidance of social and State development. For this purpose, it was necessary to eliminate the multilevel, hierarchic, vertical structure of the planning system. If [the structure] was the cause of the dissociation of the economy because the planned quantities travelled in no other direction, other than up and down.

This is where, for example, the currently limping furniture industry came from, for which the growth of great production strength was projected in the 1970's; however, implementation was not correlated with the capacities of other industries.

Stratified Not Vertical

The new law divides planning into three strata. From the moment that it goes into effect, three kinds of plans will come into being: the central plan, territorial plans and plans of enterprises and managing units.

The central plan is supposed to express the most vital directions of the development of society and the State. Therefore, the following will belong to the central plan : the complex of large central investments; the balance of State expenditures and income; funds for defense, education, culture, etc. The central plan will not be transcribed into tasks for units of lower levels but will serve these units as a fragment of knowledge about reality and the directions of its development.

Of course, the implementation of the said investment will be taken up by other enterprises. However, they will not do this because of orders given but for their own benefit.

The linking up of an enterprise based on the three "S's" [self-governing, self-dependence, self-financing] to the investment of the central plan—implemented by means of an agreement—will constitute a solid prospect and good business for its personnel and, of course, for the country. Only in the instance when there will not be anyone willing to carry out State instructions, will the central administration, in implementing the central plan, be allowed to resort to the giving of orders.

The territorial plan will have the same tasks, on a smaller scale, as the central plan will have on a national scale. The directions of the development of a region or voivodship; the method in which funds are used for, as an example, education, cluture, municipal infrastructure, etc. will be determined within this plan.

The enterprise plan based on recognizing one's own abilities and prospects for production supplies; on winning over employees, markets, etc. will be created not for the purpose of coordinating it with whomever but in order to manage rationally and effectively. The autonomy of enterprise plans will require the development of analytical units, market research and the intensification of research and design work. Associations, as a way of assembling resources (of course, associations will not constitute a planning echelon), will be able to help a great deal in this respect.

And the most important matter, as far as the autonomy of plans is concerned; all the various types of plans are to be interrelated not as a result of an order and agreements but by way of logic and economic dependencies. The central planner will influence the plans of enterprises by means of such tools as taxes, subsidies, surcharges, tariffs and foreign-exchange rates; in exceptional cases, by means of agreements and ultimately by issuing orders (also reinforced by an agreement).

Just as enterprises will have to learn to analyze reality, so the central planner must, under new circumstances, acquire the ability to predict the reaction of enterprises towards an adopted method of economic control. The formation of these forecasting skills will take time. I fell that their attainment is the most vital factor of the formation of new types of associations between the plans of the "top", the "bottom" and the territorial level.

Not Numbers but Knowledge

Until now, plans were described mainly in factual-technical categories. These categories did not indicate bad economic ratios since they were embodied, so to say, "indiscriminately" within them. This is the reason for the futility of efforts for the purpose of decreasing energy-intensiveness or material-intensiveness in management. The planning, which took place up to now, presented itself, to be sure, with the goal of improvement in this regard but this was not supported by economic motivation because the plan did not indicate how to do something with the utmost efficiency and with the least expense.

At the present time, an enterprise, which is planning the most efficient use of the resources at its disposal, will, naturally, have to seek out ways of how to do this in the best possible manner, how to produce the least expensively while maintaining good quality. It [the enterprise] will search out threats to its existence and ways of preventing them. The same will also apply, but on a different scale, to the territorial level and to the planning of social and State development including economic planning.

The essence of planning, therefore, will be not to juggle numbers as has been the case until now. Planning will, in fact, be an analysis of reality and the prejudging of the directions of its transformation. That is why such an important role in the new system of this sphere's activity will be played by...

Information

This will be the basic element which will unite individual plans. Information is not to serve as an index but as a study of reality and a source of planning proposals. In the plan indexes, up to now, there were, in practice, no hidden artificial measurements of the economic situation because the indexes were the object of a game of pressure groups--within branch, ministerial and other groups.

Enterprises pretended that they would not have enough funds for the tasks imposed within the plan, while the central planner tried to give as little as possible knowing that he was already giving too much. Deceptions in the area of investments brought particular damage. The massive underpricing of their costs led to an economically destructive distension of the investment front with all of its negative consequcnes. Now, enterprises, which are developing a plan of their own investments will have no one to deceive--but only themselves.

Social, Joint, Purposeful

In conclusion, we come to the most fundamental change of the system of planning—a change recorded in the decree on planning but which as yet has not been put into practice. This is a question of socializing planning.

This will be served by broad, multilevel examinations of plan variants in order to select those plans which are socially and economically most suitable. This will take place within the plan of the law—in the forum of the Sejm, of national councils and self-governments of enterprises.

However, the role of the social factor will not be to lead to plan development but to the imposition, in the course of this process, of a direction of thinking and strategy and then to the control of implementation. These are all well-knwon matters but it is only now that the new law is developing the idea of social planning consistently and fully.

9853
CSO: 2600/487

WASTEFUL USE OF FUEL, ENERGY ANALYZED

Warsaw TRYBUNA LUDU in Polish 23 Mar 82 pp 3, 5

[Article by Stanislaw Albinowski: "Who Has No Respect for Coal?"]

[Text] /The answer to the question in the title may be either very simple or unusually complicated. Suffice it to say that he who wastes coal or does not oppose the waste of coal has no regard for our greatest resource. On the other hand, showing the dimensions, causes and "perpetrators" of this waste--is a topic large enough to make a lexicon. My six pages of typescript define the scale of compromise that I had to accept in tackling this problem./

At the outset, I want to make it clear that I am defining "waste" in a broad sense here: It is excessive consumption which can be avoided by profitable application of modern techniques and technologies; it is also economic consumption which can be avoided by profitable application of modern techniques and technologies; it is also economic consumption that is ill-founded. Hence it follows that some kinds of wasted coal can be the result of objective factors--for example: a lack of resources to modernize power equipment.

In every case, however, one has to realize that the size of social cost we bear is the result of not utilizing the coal we have (or of not being able to utilize it) optimally.

In my article "That's the Wrong Road" I argued for the hypothesis that in 1981 compared to 1975 excessive industrial consumption of coal amounted to about 20 million tons. This argumentation, but with regard to the entire economy, had a table along with it. Before discussing the results of the calculations in that table, I would like to clarify my reservation expressed in the phrase "at least." Well, for a starting point I take the year 1975 after which a reversal of the falling trend in energy-intensiveness in the national income occurred and became a rising trend. This point of reference results in that excessive consumption in 1981 is computed on the assumption that in the last 6 years there has been no progress made in fuel-conservation. I do not know whether this assumption is correct, but from the point of view of computation --it has a minimizing effect on the computation's result.

Secondly, it follows that this "at least" according to the data of the Statistics Annual of GUS [Central Office of Statistics] fits in with my computing

national income at 1977 fixed prices. At these prices, the increase in income between 1975 and 1980 amounted to 6.2 percent, while this same increase computed in 1977 prices was much lower (3.9 percent). Docent Dr. habilitatus Leszek Zienkowski, director of the Department of Balances of the National Economy GUS, who is being referred to here, contends[1] that fixed prices are a "crooked mirror," distorting both ratios and growth rate. If I had counted income at 1977 agreed prices, the increase in income would be lower. And the absolute level of the energy-intensives of income and increases in energy-intensiveness would be significantly higher. However, I am resigned to carrying out such a comparative analysis this month, since it would seriously complicate the entire argumentation if it is not employed. All we have to remember is that the results given in the table represent the lower limit of excessive consumption.

After these introductiory explanations, one can state that the amount of excessive coal consumption is understated rather than overstated. Compared to 1975, excessive consumption amounted to about 18 million tons in 1980, and by 1981 it had increased by 4.5 million tons. What were the causes of this?

The first, and irrefutable, cause is the calorific value of mined coal. According to my calculations, in 1980 this caused compared to 1975 an increase in coal in kind for the production of electrical energy by about 2 million tons in public-utility electric power plants and in industrial power plants powered by hard coal.

The second most important cause of coal waste is the excessive consumption of primary and electrical energy in the municipal and market (public) sector. Increases in consumption are many times higher than the increase in the number of dwellings, operation of urban transportation locomotives, and the like. Coal deliveries for market purposes and partial wages in kind increased by 6 million tons from 1975 to 1980. At the same time, however, shortages coal supply shortages to the populace increased, especially to the villages. All these disproportions have many causes. Without a doubt, among some of the most important causes are: a low thermal insulation rating in building erected by large panel technology, the poor condition of insulation in thermal meshes and the low heat efficiency of central heating boilers.[2] It is difficult for me to estimate the amount of fuel and energy waste in the residential-municipal sector. I would judge that at the lowest limit the amount of waste would be in the order of 5 million tons of coal in kind.

Thus, out of 18 million tons of excessive coal consumption in 1980, we have specified an estimated 7 million. A third cause in the increase in energy-intensiveness income is the frequent changes in the structure of the subsector of the industry.

GUS data do not confirm this thesis, but price deformations could have caused a reduction in the growth rate of the most energy-intensive industries and their share in the value of gross and net production of the entire industry (computed at fixed prices). In this situation, I cannot estimate the degree and direction of influence in structural changes on energy-intensiveness income. This is the task of branch research institutes. However, on the basis

of a great deal of comparative analyses, I personally think that in the past 6 years this factor has not played a decisive role.

Energy Intensiveness of the National Income a)

| | 1975 | 1980 | 1981 |
|---|---|---|---|
| 1. National income in billions of zlotys b) | 1507 c) | 1610 d) | 1400 e) |
| 2. The country's total consumption | | | |
| --hard coal in millions of tons | 135.8 | 163.7 | 149.3 |
| --electrical energy g) in billions of kilowatt-hours | 96.6 | 121.6 | 114 |
| 3. Consumption per 1 million zlotys of income | | | |
| --hard coal in tons | 90.1 | 101.7 | 106.7 |
| --electrical energy in thousands of kilowatt-hours | 64.1 | 75.5 | 81.4 |
| 4. Excessive energy as opposed to 1975 | | | |
| --hard coal in millions of tons | x | 18.7 | 23.2 |
| --electrical energy in billions of kilowatt-hours | x | 18.3 | 24.2 |

a) Some data obtained from Docent Dr. Engineer A Szpilewicz from GIGE [Main Inspectorate of Energy Economics] have been used in this computation

b) In 1977 fixed prices, rounded off to 0.5 billion zlotys
c) GUS Statistics Annual 1980, table 102
d) An extrapolated growth rate index, "Statistical Bulletin" 1982 No 1, p 4
e) A drop in income of 13 percent--GUS statement of 29 Jan 1982
f) For the years 1975 and 1980--GIGF data; for 1981--Planning Commission data; GIGE's data differ from GUS data which do not take into account coal losses between the coal mine and consignee as well as unspecified differences
g) For the years 1975 and 1980--GUS Industrial Statistics Annual 1981, table 324; for the year 1981 Planning Commission data

There remains still a fourth reason: the amount of unit consumption. Price deformations result in that synthetic computations (value computations) on the scale of particular subsectors can be unreliable. Computations in natural units are of only illustrative value but point to the significant increase in unit energy-intensiveness. This especially concerns industries involved in energy, iron and non-ferrous metals, building materials and paper, as well as a portion of the chemical industry. For example, the Katowice Steel Works,

according to Prof. Dr. Engineer Kazimierz Kopecki of PAN [Polish Academy of Sciences], consumes 30 percent more fuel and energy than other steel works, because it has not been equipped to utilize recycled time heat. A comparison with other countries also shows excessive energy-intensiveness per unit of industrial production. On the basis of data available to me, I cannot, however, say how much this energy-intensiveness has increased in the previous years, and therefore what share it has in the increase of excessive coal consumption in 1980 in comparison with 1975.

Another computation, however, is possible, and a relatively accurate one at that. One needs to stress that industry consumes coal mainly in a processed form--that of electrical energy. Out of the 123 million tons of coal supplied to industry in 1980, almost 60 million tons were designated for the public-utility power industry, and at least another 7 million tons for industrial power plants. The remaining 56 million tons, which is consumption proper to mining, amounted to 4.4 million tons; processing into coke absorbed 26.7 million tons. Hence it follows that industry consumes (non-coking and mining) in natural form only 20 percent of the total amount of coal supplied to it.

Let us take a closer look at public utility energy (three-quarters of its energy supplied by hard coal). Its production between 1975 and 1980 increased from 88.1 to 11.5 billion kilowatt-hours. But this is gross energy. To obtain net energy, i.e., energy that reaches the user, one has to decrease one's figures by the consumption of power plants and energy loss caused by improper insulation.

I do not want to burden my article with a lot of numbers, so I will cite only the result: Between 1975 and 1980, the net energy ratio to gross fell from 81.4 to 79.9 percent, while, for example in FRG [State Repair Funds] increased between 1975 and 1979 from 87.8 to 89.7 percent. I am avoiding numbers with any shock value, but it is a fact that losses from poor insulation (in 1980 it equalled 12.2 billion kilowatt-hours) are 3 times greater that the entire production of electrical energy in 1938. Presently our losses are only a little lower than insulation losses in the FRG power industry, despite the fact that energy production in Poland is almost 3 times lower.[3]

Once again I am avoiding the entire evidence and providing only the final result: Thus the worsening of the ratio discussed here means a loss in net energy in the order of 1.6 billion kilowatt-hours in 1980. Taking into account the actual calorific effect of coal supplied to power plants, this means about 1.4 billion tons of excessive coal consumption in 1980. If, in our computation (in our handling of statistical data and the growth rate) we had taken parameters for our public-utility power industry like those used by West Germany, our losses would have been many times higher. In summing up, I have indicated only some of the most important--in my opinion--problems. Nor had I discussed the causes for the increase in energy-intensiveness in 1981. I see these causes, first of all, in the idle mode of many industrial enterprises. Such an idle mode consumes up to one-fourth of the electrical energy indispensable for production at the full level of existing potential. However, I think that such a fragmentary analysis drives home the point of the economic possibilities for straightening out the country's coal balance and thereby increasing the

export of coal. These possibilities are inherent in reducing the consumption of hard coal. And they are much greater than the possibilities of increasing the output of coal, which, I once again emphasize, does not mean that I have underestimated this latter factor.

Finally, there is still one point that I would like to make. The fragmentariness of my analysis likewise issues from the fact that fuel and energy waste are not limited to the sphere of direct consumption. It also appears in the waste of materials--steel, cement, wood, and so on, and so forth. For he who wastes raw and other materials also does not respect energy. But this is a subject for many other ponderings.

FOOTNOTES

1. Leszek Zienkowski, "Prices--the Achilles Heel of Statistics," WIADOMOSCI STATYSTYCZNE, 1982 No 1, p 4.

2. Numerous unpublished works by Docent Dr. Engineer Aleksandr Szpilewicz of the Main Inspectorate of Energy Economics contain a complex and analytical discussion of this problem.

3. Computations made on the basis of data from the following sources: MATERIALY GIGE; ROCZNIK STATYSTYCZNY PRZEMYSLU 1981, tables 133, 194; KOMUNIKAT GUS of 29 Jan 1982; MALY ROCZNIK STATYSTYCZNY 1939, p 127. Statistiches Jahrrbuch fuer die BRD--1980 p 197 and 1981 p 204

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1 June 1982

# East Europe Report

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2275

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# EAST EUROPE REPORT

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2275

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## BRIEFS

SMALL BREEDERS INCREASE PRODUCTION--Members of the Slovak Small Breeders Union delivered to the market during the first quarter of 1982 3,212 head of cattle; 1,874 hogs and 2,820 sheep. Compared with the same period of last year this marks an increase of 1,129 head of cattle; 1,161 hogs and 1,192 sheep. [Bratislava SMENA in Slovak 14 May 82 p 9]

CSO: Z400/241

NATIONAL BANK PUBLISHES 1981 BALANCE SHEET, INCOME STATEMENT

Budapest FIGYELO in Hungarian 5 May 82 p 9

[Summary] The annual general meeting of the National Bank of Hungary took place on 27 April. Bank president Matyas Timar presented the bank's 31 December 1981 balance sheet and 1981 income statement. [See Tables 1 and 2]

Among the assets, the stock of gold and foreign currency [see asset item no 1 in Table 1] declined compared to the previous year, and extended loans of all categories grew more slowly in 1981 than in 1980. The bank's profits grew by 0.7 billion forints due to increased difference between interests received and paid.

In 1981, the Bank's activities in the international arena became more difficult as a result of unfavorable conditions on capitalist money markets. Interest rates reached extraordinarly high levels. Despite this, the bank continued to mobilize foreign resources in the service of export expansion. A loan of $150 million was obtained from banks in the Arab world and, in the first half of 1981, an agreement for the syndication of a $400 million loan with American, Japanese and West-German banks was reached. Loans from CEMA's credit facilities, the Bank of International Cooperation and the International Investment Bank, were available at favorable terms.

The general meeting unanimously approved the increase of reserves by 1 billion forints, raising their level to Ft 4.4 billion in 1982.

Table 1. Consolidated Balance Sheet of the Hungarian National Bank on 31 December 1981

| Assets | | Million forints |
|---|---|---|
| 1. Gold, foreign currency, foreign currency denominated liquid commercial papers and cash items | | 65 106 |
| 2. Loans | | |
| a. Medium- and long-term | | |
| Financial institutions | 162 190 | |
| Enterprises | 189 474 | |
| State budget | 26 698 | |
| | | 378 362 |
| b. Short-term (12 months) | | |
| Financial institutions | 24 767 | |
| Enterprises | 103 867 | |
| State budget | 313 | |
| | | 128 947 |
| 3. Miscellaneous assets | | 27 301 |
| 4. TOTAL | | 599 716 |

| Liabilities and Capital Accounts | | |
|---|---|---|
| 1. Capital account | | 6 000 |
| 2. Reserves | | 3 364 |
| 3. Deposits and other liabilities | | |
| a. Time deposits | | |
| Financial institutions | 225 233 | |
| Enterprises | 90 944 | |
| State budget | 1 834 | |
| | | 318 011 |
| b. Demand deposits | | |
| Financial institutions | 84 710 | |
| Enterprises | 70 023 | |
| State budget | 5 960 | |
| Other | 10 509 | |
| | | 171 202 |
| 4. Coins and currency | | 81 343 |
| 5. Miscellaneous liabilities | | 9 252 |
| 6. Profit | | 10 544 |
| 7. TOTAL | | 599 716 |

Table 2. Consolidated Income Statement of the Hungarian National Bank for 1981

| Expenses | Million forints |
|---|---|
| 1. Costs of money management | 662 |
| 2. Interests paid | 37 871 |
| 3. Commissions paid | 547 |
| 4. Business and other expenses | 1 228 |
| 5. Total expenses | 40 308 |
| 6. PROFIT | 10 544 |
| 7. Total | 50 852 |

| Revenues | |
|---|---|
| 1. Interests received | 45 303 |
| 2. Annuities and premiums received | 5 226 |
| 3. Cost indemnification and fees received | 244 |
| 4. Gold revenues | 79 |
| 5. Total | 50 852 |

CSO: 2500/245

# IMPACT OF ECONOMIC REFORM ON POPULACE CONSIDERED

## Wage Reform Reviewed

AU071135 Warsaw TRYBUNA LUDU in Polish 5 May 82 pp 1-2

[AL report: "What Kind of Reform of Wages?--Statement by Jozef Bury, Vice Minister of Labor, Wages and Social Affairs"]

[Summary] "The faulty nature of the present systems of remuneration is obvious, Vice Minister Jozef Bury stated to PAP reporter Romana Kalecka. Wages have increased very rapidly in the past few months, but mainly in their variable part. The optimum share of the basic wage in the entire remuneration should amount in theory to 75-80 percent, but we have never attained to this ideal because basic wages have been augmented by various allowances, some of which have their roots in the prewar period. The present basic wage in industry accounts on the average for 48-49 percent of the entire remuneration and for just 30 percent in the case of some groups of workers doing piecework. Needless to assert that such proportions are economically and morally incorrect because the size of the basic wage is also an issue of prestige." In the recent period additional allowances such as length of service allowance, anniversary bonuses and other allowances have spread with increasing frequency.

The reform of the wage system is a very complicated task, but the draft resolution of the Council of Ministers in this regard should soon be discussed by the Economic Committee or the Government Presidium, J. Bury said, stressing that the draft resolution in no way undermines the principle that enterprises independently determine the size of the wage fund.

"We regard that resolution as the first stage of the reconstruction of the wage system--a stage that will create conditions for another, more profound reform, which should come into force at the beginning of 1983. The first change now proposed is to allow enterprises to draw up their own wage scales on the basis of the skeleton scales that provide for much higher wage grades--higher by about 45 percent on the average--than the present grades. This is no increase in wages: What we want to achieve is greater flexibility of the development of the internal structure of wages in enterprises. The other change is to increase the flexibility of performance grades. Enterprises would be able to increase the number of the present

grades from 9 to 11 and to reserve the highest two grades for the most efficient and best qualified workers who are barred from wage promotion under the present system."

During the second stage of the wage reform the principles of remuneration will be more generally reconstructed. The main issue will be to ensure that the basic wage accounts for 60-70 percent of the entire remuneration. The basic wage fund would include all present payments that compensate for price increases, and a number of other allowances.

"We propose that the basic elements of remuneration such as payments for various functions, piecework extras and bonuses paid for current tasks from the profits fund should continue to be calculated in relation to the basic wage. On the other hand, an entire multitude of other elements rooted in traditions and kept up for reasons of prestige should continue, but should be paid as lump sums equal for all workers." Such solutions would not put some workers at a disadvantage.

"The proposed system does not threaten drastic increases in the wage fund because increases in basic wages will not automatically involve, as is the case at present, increases in various allowances that are not directly connected with work. When examining the principle of the wage reform, we should always bear in mind that the point is a change in the internal construction of the systems of remuneration and not wage increases transmitted "from above" as at present. The rules of the economic game as laid down by the law on financing enterprises does not allow that."

As for the remuneration of nonproduction workers, the increases in such remuneration may be solved by the principle of automatic periodical increases in line with the rate of wage increases in production.

"All the aforementioned proposals are being examined by the government and will be worked out in greater detail. It is expected that they will be presented to the public consultations in mid-June, before being submitted to the SEJM."

## Social Acceptance of Reform

AU101703 Warsaw TRYBUNA LUDU in Polish 8-9 May 82 p 6

[Report by Ryszard Bilski: "The Basic Condition: The Social Acceptance of the Reform"]

[Text] Current economic problems in the light of the new economic mechanisms which have been introduced and the tasks facing party cells and organizations resulting from the resolutions of the PZPR Central Committee eighth plenum were the subject of the 2-day (6 and 7 May) conference by economic secretaries and heads of the economic sections of party voivodship committees.

Stanislaw Gebala, head of the PZPR Central Committee's economic section, who led the talks, stressed the urgent need for all party cells and organizations to take up activities which would bring the main points, aims and

mechanisms of the economic reform nearer to the people and in this way would make the economic reform be socially accepted. This is a basic condition for the success of the reform.

At the end of the talks, Marian Wozniak, Politburo candidate member and PZPR Central Committee secretary, made a speech. Here are the main points of it:

The social and negative effects of the reforms which have been introduced are being pinpointed. Further activity will be undertaken to minimalize their burden especially on people with the lowest earnings;

All forces, resources, qualifications and knowledge must be directed today toward enterprises. For that is where economic reform is being made into reality.

Economic cooperation with the socialist countries and mainly with the Soviet Union is helping our industry overcome its troubles with raw materials. This represents particularly important and effective aid for light industry, which produces such important goods as clothing and footwear.

CSO: 2600/605

INTERVIEW WITH MINISTER FOR ECONOMIC REFORM PUBLISHED

Warsaw TRYBUNA LUDU in Polish 20 Apr 82 pp 1, 3

[Interview with Prof Wladyslaw Baka, member of the Council of State and minister for economic reform, by Krzysztof Krauss: "Under Different Conditions but Consistently and Patiently"; date and place not given; passages enclosed in slantlines printed in boldface]

> [Text] /The foundations of economic reform were laid under conditions different from those which accompany its initiation. During the time which has elapsed since the adoption of the concepts of changes within the management system there has been a further regress in our economy, a further decline in production, and a further deepening of disproportions. Concerning the problems which have resulted from this we talked with Prof Wladyslaw Baka, member of the Council of State and minister for economic reform./

The economic and sociopolitical conditions under which the conceptual foundations of the economic reform were laid were substantially different from those with which we have to deal at present. But, above all, those who took part in the work of the Commission on Matters of Economic Reform had to come to terms with the fact that the crisis is continuing and that it will become even more severe; that, in other words, this must be a reform whose start-up occurs in a situation of structural equilibrium and tensions, of a lowering of the economy's productivity and a decline in the living standard; /that, despite this, it must responsibly provide for temporary solutions, and the most important thing is that these must be constructed in such a way as to speed up to the maximum amount possible the emergence from the crisis, and that this may become an active factor in breaking up the crisis./

[Question] /But at that time nobody foresaw such a large accumulation of economic, social, and political tensions..../

[Answer] That is true. The establishment of understandings with the coastal area, as well as the initial declarations of the new, trade-union movement, did not in the least indicate the fact that the country would be rocked by a wave of destructive strikes, that institutions of work would become the sites of a sharp political struggle, that, as a result of these and other factors

(the imposed reduction in work hours, which was unprepared for, etc.), that a decline of several percentage points would occur in production and national income. It was not foreseen that the United States and some of the regimes allied with it would decide to restrict credits and attempt an economic boycott of our country. /In that sense, it can be said that the conditions under which we must implement the economic reform are worse and more difficult than could have been anticipated. In my judgment, however, it cannot be asserted that this is a qualitative difference. Only the scale of the difficulties increased, not their nature, at least in an economic sense..../

Factor of Stabilization

[Question] /The introduction of martial law interrupted the process of the country's grinding down toward catastrophe; it blocked the road to anarchy and, at the same time, created qualitatively different conditions for reform..../

[Answer] /The martial law is a consequence of the development of the political situation. In creating the concept of the reform we established as a fundamental the fact that it would become a factor in speeding up the process of renewal, consolidating society. Our political adversaries, however, have forced the imposition of another level./ The evolution of the attitude of the leading core elements of the Solidarity Independent Self-Governing Trade Union [NSZZ] toward the ideas of the reform may be characterized as follows: from a well-disposed interest and even support of the reform, through a "wait-and-see" phase, lack of interest, and even acting from the viewpoint of a "competitive," anarcho-syndicalist concept, which already has a well-expressed political nature. In the final phase, closely linked with the anti-socialist struggle for power undertaken by means of force, it called for a boycott of the reform, for sabotaging it, and even active opposition to it.

/Martial law returned conditions to the point where one could begin the reform./ Our economy reminds one of a seriously ill organism which requires a long-term cure. This organism, as a result of the well-known actions of the antisocialist opposition and its political aspirations, has been attacked by an acute fever. No surgical operation could be undertaken or further treatment, as the reform was coming to represent, while the fever was so high. The martial law has eliminated, or at least significantly reduced the artificial excitement, thus lowering the temperature, and the cure of the economy could be begun. /In other words, on 13 December of last year the elementary premises were created for a genuine introduction of the economic reform./

[Question] /But let's turn our attention to the fact that, as a consequence of introducing the martial law, there was a suspension of the activity of the workers' self-governments, a socio-structural pillar of the reform. Does this not restrain the process of guiding it?/

[Answer] /The desire to carry through a profound, comprehensive reform is not only economic but also sociopolitical in its scope; it has been approved as never before in our country, continuously and as documented in life./ Suffice it to say that the basic documents creating the reform's legal guarantees were sent to the Sejm in unchanged form. It is precisely under the conditions of martial law that there has arisen the institutional insurance of the nature

and direction of changes throughout our entire economic and social life. Let me remind you of the following point: the charters on planning, banks, prices, the charters for the State Tribunal and the Constitutional Tribunal, the charters which have been prepared for the people's councils and territorial self-government, and the agricultural charters, all these acts are legally closely linked with the reform, for the reform is not an undertaking which affects the economic mechanisms in isolation....

/Only someone who is blind or who has an ill well could fail to see this link among activities concentrated and in time aiming at democratizing the structures of state, economic, and social life./ I think that the party organizations--and I am saying this as a party member--are confronted with great and unusually responsible tasks: to shatter still harmful myths and point out the truth. I regard this as an unusually important and responsible task, for on it depends the winning of social support for the reform. And without a social commitment and understanding the reform would be deprived of its foundation, its structural substance.

The creation and functioning of the self-governments have been suspended by the martial law--that is a fact. The martial law has also limited many other rights and civil liberties. Unfortunately, this is the price of the solutions which were imposed upon us by the development of the situation, by the attempt to involve the country in an open confrontation. /But one of the first and most important declarations of the Military Council of National Salvation (it was repeated by the premier in the Sejm) was the emphatic statement that there is no turning back from the principle of self-government as a basis for the new, systems-type solutions, both in the economy as well as in the entire social life./

And these are not just words. The government recently presented to the Sejm commission which is responsible for protecting the workers' self-government its opinion that self-government will gradually be implemented. It has fully adopted the position that during the martial law there can be no transgressions against the jurisdiction of the workers' self-government except that which is absolutely unavoidable.

/It is also obvious that in order for the self-government to be able to carry out its own functions, the foundations and agents of the self-government must fully and equally balance the cause which it serves along with the responsibilities which they have taken upon themselves./ The reform has still not yet crossed the threshold of the foundations everywhere. Starting up self-governments must, therefore, have recourse at least equally with the process of acquainting people with the problems of their own institutions under the reform conditions, as well as with the mechanisms of self-functioning and self-financing. Gradual stabilization is creating the conditions for adding this third "S" still during the period of martial law. On the other hand, the functioning of the self-governments in accordance with the charter is an essential factor in speeding up the process of stabilizing and normalizing the socio-political and economic situation.

First Results

[Question] /Enterprises are already, at least pro forma, self-functioning and self-financing. New, nondirected planning mechanisms have come into being. We also have a reform of producer and retail prices. Is it possible to speak already now about the effects of the reform: higher productivity, lower costs, and a better market?/

[Answer] /It would be naive to expect that in the course of 3 months--and, practically speaking, in less time than 3 months because the new mechanisms have been implemented gradually--the reform would produce such results as an increase in labor productivity, rationalization of an occupation, less materials-intensiveness, energy-intensiveness, and imports-intensiveness, improvement of quality, growth of exports, etc./

For such fundamental phenomena, comprising some of the actual goals of the reform, to manifest themselves requires not just a few months but scores of months, perhaps even several years. Everyone who has anything to do with the economy knows, on the other hand, how much effort and time it takes to complete structural changes in production, to alter technology, to finish working on the production organization itself, etc.

Despite the fact that in March of this year results were achieved which were significantly better than those of February, it would be far from the truth if I were to state that this is already a result of the reform. This was influenced by a cluster of extremely diverse factors, among which may be the first "glimmers" caused by the reform, but I truthfully do not know whether this was the most important factor. This is scarcely a preview of what we want to achieve and certainly still does not satisfy anyone--neither the society nor the organizers of the economy.

/I emphasize the need to keep things in a proper perspective in evaluating the results of the reform; we must get rid of any naive conviction that the reform, like some kind of sorcerer's magic wand, will change everything at once because several times in the past we have paid dearly for such impatience./ Attempts at reform in the past smashed up against, among other things, precisely this impatience. After a few months people asked: where are the effects? And because there were, as yet, no effects because there could not be any, particular mechanisms were changed, the reform was "reformed," so finally it was abandoned.

That reform which we are introducing must also be verified with the aid of specific effects. So it will be. Let's have a little patience, however.

What may be evaluated after such a brief period of time are the basic changes in the enterprise managements and work forces. Here, in my opinion, we have to deal with a very diversified and complicated matter. There are those who, in the face of the demands such as are presented by the reform to the organizers of the economy, fall into a panic: they throw up their hands and feet and speak about their isolation. But there are also organizers of the economy, enterprise managers (according to my estimate, they have become the

majority) who are beginning to find themselves within the reform. Cost effectiveness in the decisions and functions of enterprises is gradually becoming a real category. Enterprises have begun to conduct their accounting in an authentic manner. It has found expression, for example, in the administration of the coproduction associations. These cooperatives are getting rid of expensive units which fail to produce improved economic results and are replacing them with coproduction associations which possess good technical and economic sense. There is also cause for greater optimism in the fact that with increasing frequency and by nontraditional means institutions are achieving conservation of materials, e.g., by using great amounts of secondary materials, waste materials, etc.

It is a very important matter that we have a better adjustment of production to the actual demands of the economy. I am convinced that this year there will be a considerable increase in production for the needs of agriculture but a decrease in production serving investment, machinery, and tools without a specific consignee. Over a period of several years orders concerning this matter flowed from the government to the enterprises--from the Planning Commission, from resorts, and there were resolutions on this matter by the KS [Central Committee?], but the enterprises, as of old, continued to do what suited them. Are the changes in the basics such a little thing, as within 3 months the functioning of new mechanisms, created by means of the economic reform?

[Question] /But are there not grounds for apprehension that, if sufficiently liberal criteria are applied in evaluating the effects of the reform, then we will not perceive those errors which would weaken and distort its functioning? Because, after all, one cannot establish from on high that everything which takes place within the scope of the reform is a final and finished creation. In technology, where the designing of new structural components is subjected to considerably more exact theoretical verification than is the case in economics, a production series is always preceded by a prototype./

[Answer] Unfortunately, an economist does not have at his disposal the possibilities of laboratory tests, neither the creation of prototypes nor information series. /All the more carefully, therefore, must we keep track of what is being done with the theoretical fundamentals in life. Such is the government's approach to the matter./ For the first time we are treating the question of evaluating the specific results of the changes in the administrative mechanisms as an integral part of the process of implementing the reform. In short, the government is undertaking a decision in the matter of the system of a comprehensive evaluation of the implementation and results of the reform. We would like not only government organizations to take part in these evaluations but also scholars, independent experts, etc.

We would like from the very beginning to observe the basic principle that errors must be acknowledged--whether conceptual or already implemented--, to withdraw if necessary, and, if necessary, to change particular mechanisms, prescriptions, etc. Without retreating from the general principles as formulated in the fundamentals of the reform and in the Sejm laws, let us be open

to all initiatives which serve to improve the reform. We do not want to fall into doctrinairism, to transform the reform into a chapel to which one must go to pray....

Against Routine

[Question] /The reform, let us speak frankly, has many opponents. Most frequently mentioned is that group of people who are accustomed to the old, convenient methods of orders coming down from the central, ministerial administrations. And the employees of the dissolved associations are certainly not enthusiasts for the reform..../

[Answer] /The reform requires basic changes for hundreds of thousands, even millions of people. It is not true that a line of demarcation can be drawn--that the central administration is against the reform and, on the other side, is the entire rest of society, delighted with the reform. Within the central administration, in the management offices of the enterprises, and among the work forces there are those who are devoted to the reform body and soul; they are convinced of the need for it. And in those same social groups there are those who are hesitant as well as those who have finally decided to be opponents./

The reform is bringing about changes in people's positions--in the central administration, at the middle rungs of the administrative ladder, and directly at the production facilities. It is not just a question of "power" but of a place in the creative process. When there is a change in the production structure at the work place, many employees feel threatened by this. In the second place, the reform seems to be treated as important by those workers who have accepted its obligations, but this is not yet basic everywhere. The reform has been ordered to be enforced by law, but we still have not managed to get used to it. There has been a change in the hierarchy of values and the hierarchy of evaluations as to who is a good worker, who is a bad worker, manager, or specialist. It is, in the final analysis, a routine, schemes of thought which must be changed. It is not easy to give them up--whether in a ministerial bureau or at a machine. Under the reform conditions it has become impossible to work this way, to produce defective goods and to waste raw materials.

These old attitudes and habits must be changed. This is also taking shape, based on a genuine implementation of the reform. Unfortunately, attitudes regarding the reform do not always depend on subjective factors--either good or bad will. For some persons it is simply too difficult to be different. We must also bear in mind that we have not yet created in all areas the solutions which are capable of effectively replacing the old methods of operation. For example, the abolition of associations has led to a situation whereby many vital functions which they used to carry out have now been suspended in a kind of limbo (coordination of branch development, scientific and technical facilities, etc.). The reform summons to life a new world and demands that people find their own places in it. The unknown always arouses fear.

These are difficult matters, but they must be solved.

Social Consequences?

[Question] /First of all, we must convince society that the reform is in their interest. But this reform also entails social costs. For example, the increase in retail prices..../

[Answer] The reform demands a different structure of prices, a different approach to matters of rational trade, etc. This arouses disturbances in society. /But such a recently modish expression as the "social costs of the reform," in my opinion, is often based on a misunderstanding. Because why have prices been increased and the living standard lowered? Just because it is a reform? Or is it because we have proceeded to it at least a couple of years late? The increase in the general level of prices and the reduction in the standard of living is not a result of the reform but of the economic crisis, whose social consequences the reform has simply revealed./ The raising of prices results from the need to bear true witness, for the economy simply must be truthful if it is to be rationally grounded. That rise in prices which is taking place at present, bringing real demand closer to real supply, is the first step on the road to see to it that money becomes money and the market becomes a market. Probably everybody yearns for this, and this is what the reform is supposed to bring about.

The myths which I fear most deeply are those of profits in the mentality of society. People imagine, for example, that if the state sets prices on all goods, then in this manner it ensures social interests and a correspondingly high standard of living. So the state must be strong and must shield social groups which are in very difficult material positions. In such a way, however, that prices will remain stable on all goods. Prices must mirror the value of an item and its socially unavoidable costs. The level of satisfaction of demands depends not on the decisions of the state but on the magnitude and effectiveness of production. Without rational prices there will be no incentives to create that which are needed by society. There will be no incentives for reducing costs. The state can have some effect on certain well-defined areas of "consumption" (for example, culture, health, education, etc.), but let this be done with awareness, having a picture of the true costs. To all those who are now demanding that the state undertake the responsibility for the price level of each item of goods I answer as follows: one may have "official," "government" prices and not have any goods. It has already happened. This does not mean that the present system and principles for setting prices are set in stone. On the contrary, I am stating that they should be subjected to verification and improvement.

/Let me summarize as follows: we are now undergoing the costs of a crisis, a prolonged, irrational way of managing the economy, but not of the reform. We will not create any false ideas, for they make it hard for us to reach a situation whereby the economy can, at last, begin to serve the society truly well and effectively. That is a most important matter, and it is the goal of the reform./

2384
CSO: 2600/529

HIGH LEVEL OF MINING, ENERGY PRODUCTION REPORTED

AU061013 Warsaw TRYBUNA LUDU in Polish 3 May 82 p 2

[PAP report: "High Level of Production and Steady Work"]

[Text] The Ministry of Mining and Power Industry has said that in plants under the ministry's care production continues to run smoothly and is maintained at a high level.

During the first 4 months of this year, the extraction of pit coal amounted to 63.3 million tons. This is 8.1 million tons more than during the same period last year. The high level of extraction has made possible a better supply of coal to industry and private consumers, especially farmers, and an increase in exports. Some 8.7 million tons of coal have been assigned for export, which constitutes an increase of 4.8 million tons compared to the same period last year, in other words over twice as much as last year.

Over 12.8 million tons of coking coal have been extracted up to the end of April this year. This coal has been almost entirely assigned to power stations powered by this fuel.

The steady extraction of pit and coking coal makes power stations function well. This year, starting from the end of January, there will be no restrictions in the supply of electrical energy for industry and private consumers. Coal reserves in power stations at the end of April amount to 1.9 million tons, 850,000 tons more than at the end of April last year. The overhaul campaign which was started earlier is proceeding well. Up to now, blocks with a power of over 2,600 mw have been overhauled, while blocks with a combined power of 3,800 mw are being overhauled.

Crude oil and gas extraction is proceeding according to plan; however it is lower than last year because of the worsening conditions in extraction. Up to the end of April, over 2 billion cubic meters of gas were extracted from Polish deposits. Some 1.6 billion cubic meters of gas have been brought in from the Soviet Union in order to satisfy the needs of private consumers and industry.

Work on over 40 investment projects is continuing. This consists of building new pit-coal and coking coal mines and also energy blocks and transmission lines. On 30 April in the Lublin Basin, dog headings at a

level of 922 meters were connected and ventilation ducts between shafts in Bogdanka and Nadryb were created. In this way, the condition for commencing coal extraction at the Bogdanka mine in the final quarter of 1982 has been fulfilled.

Electrical machinery factories under the care of the Ministry of Mining and Power Industry are continuing to successfully fulfill their production plans. The electrical machine industry has exceeded its own tasks during the first 4 months of this year. The results achieved by the machine industry are largely due to successful ventures to combat imports. By means of cooperation between factories and the ministry's scientific and research establishments, the use of many products which had to be imported up to now has been eliminated; products such as pipes for the production of mechanized casings, scrapers for wall conveyors, and so on.

The present results are due to a huge effort by the work crews and successful work organization. The improvement in the supply of materials and equipment is also an important factor here, although other ministries' shortcomings in this area compared to the Ministry of Mining and Power Industry may cause anxiety.

CSO: 2600/604

STATUS OF SULFUR EXPORTS CLARIFIED

Warsaw ZYCIE GOSPODARCZE in Polish No 13, 18 Apr 82 p 13

[Letters to the editor with editorial commentary]

[Text] An article entitled "Gospodarka w lutym" [The Economy in February] appeared in issue No 9 of our paper for 21 March 1982 under the headline "Z materialow GUS" [From GUS Materials]. It was in connection with this article that we received two letters from parties directly concerned. The first letter, dated 25 March, was from the SIARKOPOL Sulfur Mines and Processing Plants in Tarnobrzeg, and the second letter was from the CIECH Chemical Products Import-Export Agency. Here are the texts of both letters:

In issue No 9 of ZYCIE GOSPODARCZE dated 21 March 1982 an article appeared entitled "The Economy in February" which, inter alia, critized the performance of the sulfur industry so far this year. This is to advise you that this article has misinformed your readers and offended the employees of SIARKOPOL for the following reasons: [This article was published earlier in RZELZPOSPOLITA dated 15 Mar 1982 pp 1, 3 and published in JPRS 80732 No. 2266 5 May 1982 of this series pp 39-44.]

--according to the plan, sulfur output for this year is slated to increase by 104.1 percent in comparison with last year's output figures, and for this reason available production capacities and the funds appropriated for the operation of these capacities are being utilized to the fullest possible extent;

--sulfur export sales are the business of the CIECH foreign trade agency (under the jurisdiction of the Ministry of Foreign Trade) and it is responsible for setting all aspects of export sales policy. This jurisdictional setup does not protect the vital interests of the industry, and even though it is a result of the passage of the "Law on Mandates to Engage in Foreign Trade" we still maintain that the industry should be the beneficiary of the right to engage in this kind of business activity;

--sulfur stocks kept in enterprise storage areas have now reached a low point, amounting to only 130,000 tons, and when compared with the inventory level for 1 January 1982 they have dwindled by 100,000 tons. So, in spite of the

fact that the enterprise is still producing sulfur, almost half of its sulfur stocks have been hauled off. Not all of the sulfur hauled away from our enterprise has been sold; it is left sitting in warehouses in Gdansk and in foreign terminals, because CIECH failed to issue shipping orders when they were supposed to.

We have on numerous occasions asked CIECH to take a more energetic approach to its business by lodging protests with the minister of the chemical and light industries, the minister of foreign trade, and also the Economic Committee of the Council of Ministers.

Moreover, it should be pointed out that as a result of actions taken on our own initiative we have met all targets for export sales of sulfur to the CEMA countries, and the plan target set for the first 2 months of this year (150,000 tons) was overfulfilled by 32,000 tons. We have sent more sulfur to the socialist countries this year than during the same period last year, a fact that has been completely overlooked in press reports.

The 1982 operations program adopted by the enterprise is making it possible for us to show a profit, and this profit is being used to finance the enterprise's primary areas of business activity. This program also insures that suitable quantities of sulfur are being made available to the foreign trade sector in conformity with previously submitted orders.

In light of the clarifications given above it follows that SIARKOPOL is doing a good job this year of meeting its plan targets, and the credit for this goes to the many thousands of workers employed by this enterprise who have displayed great dedication in helping to resolve management problems.

I am counting on the editors of the ZYCIE GOSPODARCZE to print a correction to the article run in issue No 9 or to publish a separate report on this matter in the next issue.

Eng Jan Klimek,
Director of SIARKOPOL [signed]

In reference to the article entitled "The Economy in February," which appeared in issue No 9 of ZYCIE GOSPODARCZE for 21 March, and also with reference to the explanations offered by the SIARKOPOL enterprise of Tarnobrzeg on 25 March the CIECH foreign trade agency would like to offer some information on how sulfur export sales have been going over the past 2 years and during the first quarter of this year.

We are shedding some more light on the problems involved in sulfur export sales by way of reply to the statement made by SIARKOPOL to the effect that the way exports sales of this raw material have been organized in the past "does not protect the vital interests of the industry."

The other information provided by SIARKOPOL concerning the level of sulfur stocks in Gdansk and in foreign terminals attributable to the failure on the part of CIECH to issue shipping orders in due time is simply untruthful and unfair to the exporter.

Over the past 8 years there has never been a single instance in which any load of sulfur placed into foreign trade channels has not been exported. The prices obtained by CIECH for sulfur have always matched the going price on the world market and in many cases they have even exceeded this price by a considerable margin. Since 1970 we have seen how the price of sulfur has increased several times over, and the average price paid for sulfur in payments to zone II [capitalist countries] now exceeds 120 dollars per ton FOB Gdansk. As far as export sales to payments Zone II are concerned, CIECH has pursued a policy according to which sulfur is sold under the terms of long-term contracts that are entered into directly with consumers, and this guarantees in advance that all of the goods placed at the disposal of the exporting agency will be picked up and hauled away at regular intervals and to a large degree makes the exporter dependent on business cycle fluctuations.

Likewise, it is absolutely guaranteed during 1982 that, by virtue of contract provisions, 2 million tons of sulfur will be sold to payments zone II, just as it is also certain that all commitments spelled out in 1982 trade protocols for export sales of sulfur to CEMA will be met.

So, it cannot be said that no provisions have been made to protect the interests of the producer. It is true that export sales during the first quarter have not been going smoothly. But this is not due to commercial problems beyond her control. The breakdown of communications and transportation services between buyers and sellers and the sporadic operation of port facilities during January 1982 meant that only 64,000 tons of sulfur were shipped out during January to payments zone II, but in February sulfur exports amounted to 166,000 tons, whereas in March they will go up to 221,000 tons. So, all in all, during the first 3 months of this year more than 450,000 tons of sulfur have been exported to the capitalist countries. This accounts for 22.5 percent of the annual plan target for projected sulfur sales to payments zone II.

Deliveries to the socialist countries during the same period totaled 519,000 tons, i.e., 28 percent of the annual plan target.

By way of comparison with the same period last year let us note that the volume of sulfur export sales to payments zone II for the first 3 months of 1981 amounted to 22.7 percent of the annual plan target, and the kinds of difficulties that we ran into during the first part of the first quarter of this year did not exist at that time.

And as far as the level of sulfur stocks in Gdansk and foreign terminals is concerned, here is how things stand.

The current level of sulfur stocks in the port amount to approximately 135,000 tons, and of this amount approximately 45,000 tons are ready for immediate onloading. The rest is in the process of being solidified (the bulk of the sulfur delivered to the port is in a gaseous state). Given the fact that the average monthly volume of sulfur that can be onloaded comes to around 170,000 tons, this stock level, which is in effect sufficient to load two or three sulfur-carrying ships, has dropped to an alarmingly low point. At the Runcorn terminal in England the current sulfur stock level comes to

approximately 30,000 tons, whereas in Rotterdam the stock level is around 13,000 tons. Taking into account the technical unreliability of our tankers that deliver sulfur to these terminals and the frequent unexpected breakdowns that put them out of commission for indefinite periods of time, something which was a common occurrence over the past 2 years, it is essential that stocks should be maintained at these levels in order to insure that deliveries are made to consumers on a regular basis. Erratic deliveries last year meant that sulfur stocks in terminal warehouses were often completely depleted, and this in turn led to concern and protests on the part of our consumers who are demanding guaranteed regular deliveries.

In conclusion, it should be said that sulfur production is proceeding normally this year, and sulfur exports are keeping pace with production, with the exception of January and the first half of February, but, taking into account the things that happened during this period, the producer has no grounds for criticizing the performance of the foreign trade sector, even if it is trying to win the right to take over the sulfur export business.

Zygmunt Stefanski,
Director general of CIECH

The article which touched off this lengthy correspondence did not contain a single word that could be interpreted as rating the performance record of the sulfur industry. The article was nothing more than an analysis of statistical data compiled by GUS [Main Office of Statistics.]

We do not feel that we are qualified to make any judgements as to who should be responsible for running the sulfur business, either the producer or a specialized central agency. We hope that more authoritative officials will be able not only to settle this controvery, but also to convince all parties concerned that the final settlement is a fair one.

11813
CSO: 2600/561

WEST GERMAN COMMENT ON GLIGOROV ARTICLE ON ECONOMY

Munich SUEDDEUTSCHE ZEITUNG in German 11 May 82 p 3

/Article by Heiko Flottau: "Waiting for Tourists—and a Miracle"/

/Text/ Belgrade, 10 May—2 years almost to the day after Tito's death, the Belgrade daily POLITIKA recently presented the Yugoslav public with a political delicacy. In a lengthy but brilliant article, Kiro Gligorov informed his readers how, in his view, the Yugoslav economy could be put back on its feet: by increasing productivity through more work; by closing down unprofitable enterprises; by orienting quality to the world market and by free pricing of products. These were some of Gligorov's ideas. The key to the solution of all problems, he said, would be to do away with the deeply rooted "self-satisfaction" prevalent in Yugoslavia.

These theses constituted Kiro Gligorov's commentary on a document prepared by a commission headed by the present Yugoslav head of state, the Slovene Sergej Krajger, which is to initiate the "third Yugoslav economic reform" (following upon the introduction of self-administration in the fifties and the turn toward a market-oriented economy in 1965). The fact that Kiro Gligorov of all people has made waves several times since Tito's death is not without a certain piquancy. Among insiders, he is considered one of the foremost brains in Yugoslav politics. Until the last party congress in 1978, he belonged to the top leadership of the LCY. But then he was demoted to the second rank, very likely with the help of Tito. Apparently, his theories had even then incensed the Yugoslav dictator. Now that Tito has been dead for 2 years and the new government is taking over on 15 May and that the 12th party congress is soon to take place and the Yugoslav economy is in ever greater disarray, Gligorov is taking advantage of the political interregnum and the power vacuum to attract new attention for his ideas.

1982 appears to be the decisive year for Yugoslavia's economic development in any event. Until December, the country must make debt and interest payments to various Western creditors amounting to $ 5 billion. The recurring rumors according to which Yugoslavia will ask its creditors to reschedule the debts are indicative of the difficulties she faces. This year, Belgrade had planned to increase its imports to the West by 12 percent while substantially lowering its inflation rate which most recently stood at 55 percent. First quarter economic statistics, however, show that only "a miracle," as one diplomat has put it, will permit Yugoslavia even to approximate these targets. Just how deep the crisis is can also be seen by the following data:

"official" unemployment stands at 15 percent but unemployment "inside the factory gates"—the proportion of those who are employed but not really needed and whose services are accepted only for social reasons—is about 25 percent. This is but one of the reasons why at least half of all Yugoslav enterprises are losing money. Republics and provinces seal themselves off one against the other and have most recently taken to trading with one another only against hard currencies. In the grain-rich Vojvodina, for instance, thought is being given to selling food for the tourists to Croatia only against payment in foreign exchange. If they were to export these foodstuffs, so the argument runs in the provincial capital of Novi Sad, they would take in the foreign exchange badly needed to pay for the modernization of agriculture. A "unified," national market has not existed in Yugoslavia for some time. A goal envisaged, for that matter, is a "common market" of the six republics and two provinces—with a sidewise glance at the example of EEC.

The vaunted dynamism of self-administration socialism is a thing of the past and the market has gotten weak. In 1965, at the start of the second Yugoslav economic reform, the country could still claim a 0.5 percent share of world trade. Now, in 1982, with another economic reform about to take effect that share has dropped to 0.4 percent. Because of the tight import restrictions, many factories are working at only 50 percent capacity; productivity is down and prices are rising and that goes for goods that cannot even be purchased. When Belgrade television was forced to inform its viewers that the price of margarine would climb by 23 percent, it hardly bothered anyone. Most supermarkets don't have any margarine anyway. Coffee, which has been in short supply for years, cannot even be had under the counter for an extra charge as it used to be.

Futile Emancipation ?

As in every year, tourism, it is hoped, will afford a way out of the miserable situation—above all as regards the shortage of foreign exchange. But Yugoslavia will not be in a position to offer the accustomed service to its visitors. For months now, no foreign newspapers have been available for example and it seems very likely that the tourists this summer will have to do without the papers from home. The fact that the Yugoslavs still owe German publishers some DM 7 million for last year's deliveries of weekday and Sunday newspapers constitutes only one of the obstacles. The foreign exchange earned through newspaper sales was not set aside by the Yugoslavs for the renewed importation of printed matter but spent for other purposes. One diplomat called the amount Yugoslavia would have to spend on importing daily newspapers "ridiculously low"—net sales of German newspapers in Yugoslavia for all of 1981 totaling only slightly more than DM 1.24 million.

Meantime, the economic question has turned into a political one. Many a functionary is quite pleased by the fact that critical comments from abroad are no longer readily available and there are a few who would want to draw

a distinction between the importation of "commercial" and "political" press materials. That is why diplomats are already thinking of bringing the issue up at the next CSCE followup conference.

The newspaper dilemma is only a symptom for the deep economic and political crisis of the system in Yugoslavia. Foreign businessmen are complaining that the willingness to pay of some of their Yugoslav partners has declined drastically. The German steel industry has already changed over to the practice of including Yugoslav orders in their production schedules only if a bank guarantee was submitted beforehand. Such indices lead some observers to conclude that the Yugoslav attempt at economic emancipation from the East Bloc has failed for the time being. The fact is that Yugoslavia with its foreign debt amounting to some $ 18 billion, its low productivity and its lack of competitiveness does display many of the characteristics of the socialist state economies.

In their search for the causes of the miserable situation, domestic Yugoslav critics led by Kiro Gligorov are pointing out that there never was a true socialist market economy in Yugoslavia because self-administration and the market forces were never permitted to unfold freely. To be sure, substantial remnants of orthodox communist ideology have often hindered rather than enhanced self-administration and the market economy. The Communist Party claims the leading role in society for itself and in practice this means that it is not so much professional ability which decides who gets the top jobs but above all communist convictions or at least a semblance thereof.

In addition, the republics and communities gave support to enterprises that were running deficits for years, thereby removing them from the competitive market for all intents and purposes. The critics also point to dirigistic elements, to state pricing policies, subsidies and the egotism of the constituent republics—if Montenegro has an aluminum plant, Croatia must have one, too. All these factors, they say, have distorted the socialist market economy by stages past recognition.

Since ideological patronage and economic protectionism have falsified the Yugoslav economic model for decades, some are now thinking that a radical cure is called for. Kiro Gligorov, for example, believes it is better to get rid of workers in factories operating at a loss and to have the state feed them than "to subsidize factories in the name of the socialism which keep on piling up deficits."

9478
CSO: 2300/274

ELECTRIC POWER SITUATION IN CROATIA, OTHER REPUBLICS

Zagreb VJESNIK in Serbo-Croatian Apr 82 SEDAM DANA supplement pp 1, 6

[Article by Salih Zvizdic: "Electrical Energy: Plans Under Stress" ["High-Tension Plans?"]]

[Text] March of 1982 will be entered into the annals of the electrical energy crisis in Croatia as "dark" [month], a month not only of enforced blackouts in the streets and squares but also for a period when entire regions of our republic, [whole] towns and cities were without electricity. And, what is more, [this] dark March hindered industry, and this at a time of efforts towards stabilization.

That March has passed and with it, it would seem, at least for the time being, the worst is over. The sun has emerged, people are heating less, and the days are longer so that less electricity is being consumed for lighting. Nevertheless, reductions are still in force, and dispatchers of electrical energy are apprehensively watching the sky and reading reports on reserves of crude oil for thermoelectric power plants.

What about tomorrow? How is Croatia preparing to deal more permanently with the electrical energy crisis? What is the electrical energy status of Croatia within Yugoslavia: how much potential hydroelectric power do we have, how much coal and crude oil?

These and similar questions formed the subject of our discussion with the director-in-chief of the Association of Electric Power Supply Organizations of Croatia, dipl. eng. Rade Pavlovic.

"Last year in Croatia the average per-capita consumption of electrical energy was 2,838 kilowatt hours, and the per-capita consumption is planned at 7,500 kilowatt hours. Now contrast the following: the amount which we will be consuming in 1997 was already being consumed by the Norwegians in 1957, the Americans and Swedes in 1969, and the Finns in 1977, and will be consumed by the West Germans in 1983 and the Austrians in 1986. This illustrates how low our consumption of electrical energy really is. Not only in Croatia but in Yugoslavia as a whole. Of all European countries, Western and Eastern, only Portugal, Greece and Turkey have a lower per-capita consumption," Rade Pavlovic tells us.

But wait, let us see what kind of electrical energy generating plants Croatia has at present.

The total power generated by all electrical power plants in Croatia amounts to 2,938 megawatts, 14 hydroelectric power plants producing 43.6 percent of this amount; 8 thermoelectric power plants (4 using crude oil, 2 natural gas, 2 coal--1 of these not being in operation because it has no coal) providing 32.5 percent and the Krsko nuclear power plant which belongs to Croatia, supplying 9.2 percent. The remainder of this amount (14.7 percent) is generated by power plants constructed with Croatian funding in Bosnia and Hercegovina, (Tuzla and Kakanj) and in Serbia (Obrenovac).

"If there were sufficient crude oil, Croatia would for the time being have practically no need to introduce measures for the reduction of power consumption in cases where the water level is falling perceptibly in reservoirs. From a general viewpoint, within a Yugoslav framework, Croatia is not doing badly as concerns number of power plants already constructed, but the trouble is that nearly a third of them are fueled by oil. In any case, this year we will have a generating capacity of about 3,600 megawatts, out of a total of somewhat more than 14,000 for all of Yugoslavia," Pavlovic asserts.

Seeking a Way Out of the Dark

Our consumption of electricity is rising very rapidly. Our country's consumption has doubled every 7 years until the mid-1960's, since which time it has been doubling every 10 years. In no other branch of the economy is so much importance attached to properly timed planning and construction of electrical energy projects [?avoid the redundancy] as [there is] in the electric power industry, since energy forms is the basis of all other industry.

Unfortunately, there were earlier mistakes in the planning of power plant construction in Yugoslavia, so that construction has always lagged behind consumption. This is particularly true of Croatia. While oil was cheap there was a push for construction of thermoelectric power plants at the expense of other types of energy production.

This Year and Next--Four Electric Power Plants

This year two power plants will begin operation, producing electricity for Croatia's needs.

On the [river] Drava near Cakovec the [hydroelectric power plant] Cakovec with a generating capacity of 87 megawatts, will begin operation, one generator in mid-May and the other 2 months later.

The thermoelectric power plant (TE) Gacko (Bosnia and Hercegovina), with 300 megawatts, will be set into operation at the end of this year, and since Croatia has provided a third of the funding for the construction of this project, it will receive from it 100 megawatts of electric power.

In 1983 generation of electricity should begin in two TE's [thermoelectric power plants] in Croatia.

The Obrovac reversible hydroelectric power plant, with 276 MW (fed by waters from Lika) is scheduled to begin operation in late 1983, and the Osijek (TE-HP) (thermoelectric and heating plant), which will generate 45 MW from burning crude oil, [is] also [scheduled to begin operating] in late 1983.

Last year Croatia consumed [11.9 billion?] kilowatt hours of electrical energy (approximately one-fifth of total consumption for Yugoslavia). For 1985 consumption is planned at 15 billion [kilowatt hours] and for 1990, 19 billion kilowatt hours of electrical energy. In other words, consumption will increase 21 percent by 1985 and 38 percent by 1990.

Assuming that an oil-burning plant takes as a rule 3 years, a hydroelectric plant up to 5 years, and a nuclear power plant up to 8 years to build, then it is really high time already to begin intensive preparations for the construction of new plants, especially "continuing" power plants (these being plants whose construction is begun during one 5-year social plan and completed in the next). By 1990, if we wish to satisfy planned consumption, we should construct about 1,350 megawatts of generating power in the form of new electrical power plants. This is an imposing figure which requires great financial efforts of our society.

Ten New Projects

A "continuing" power plant whose construction is scheduled to begin next year in our republic is the Plomin 2 coal-burning thermoelectric power plant, with a power of 200 megawatts. Preparations are underway and it is planned that the plant will be set into operation in early 1986. Electrical energy producing organizations of Croatia have already invested considerable sums in opening a new dig at the Rasa mine, which is to produce 500,000 tons a year of the high-quality coal that would be consumed in Plomin 2.

Work has begun, or is planned, on projects for the construction of 10 more hydroelectric plants in Croatia.

HE Dale, with 33 megawatts, will be built on the [river] Cetina downstream from Sinj, and is scheduled to begin operation in 1987.

Downstream from Cakovec, on the [river] Drava, will be built HE Dubrava, 81 MW, which is to begin operation in 1988.

The other hydroelectric plants, whose deadline for completion has not yet been established precisely, include:

HE Brodarci, 97 MW, on the [river] Kupa near Ozelj.
HE Manojlovac 2, with 108 MW, on the [river] Krka near Drnis.
HE Kicic, 28 MW, on the Krka near Knin.

The possibility of constructing the following power plants is being considered:

HE Senj 2, up to 150 MW, on the waters of the river basins of Lika and Gacko;
PHE [? gas-hydroelectric plant], 125 MW, on waters of reservoirs from the area of Gorski Kotar;

A supplementary storage reservoir will be built on the Caprazlija near Livno, which would increase yearly production from the existing storage reservoir of [kWh?] HE Orlovac by 135 million kilowatt hours;

There are discussions of the construction of a thermoelectric and heating plant in Borovo (50 MW) in collaboration with the Borovo integrated plant. This thermoelectric plant (operating on coal from Bosnia and Hercegovina) would supply the Borovo plant with steam and Croatia with electricity.

"The construction of all these electrical power plants would satisfy Croatia's needs through the end of 1988," Rade Pavlovic tells us.

Croatia Without Coal

In comparison with the other republics and provinces, Croatia's potential energy resources are very poor. Of the total Yugoslav resources, Croatia, has one-fifth of the country's population and makes up 27 percent of its social production, but it has only 7.6 percent of total Yugoslav energy sources, not counting uranium. If one includes uranium (of which there is none in Croatia) then this figure is still lower, bring only 3.4 percent.

Apart from [the] Rasa [mine], Croatia has almost no quantity of coal worth mining. Some 15 years ago in Croatia there was a rush to close down the smaller mines, of which there were several in the Croatian Zagorje and in Podravina. That this was a rash action is shown by the fact that some of these mines are being reexamined as producers of coal, at least for the needs of the local population if not for other purposes. The most recent results of testing for coal in the Calmatian Zagora (near Siverica) show that local coal could serve as the basis for building a thermoelectric power plant to meet the needs of Jugovinil of Split and several other work organizations.

Preliminary estimates have been made which suggest that by 1986 Croatia will probably begin to help build thermoelectric power plants in the autonomous province of Kosovo, which would burn coal and generate 200-300 MW. (It is an interesting fact that Serbia including Kosovo has a total of 80 percent of Yugoslavia's coal.)

Among thermoelectric power plants which Croatia is to build is a nuclear power plant in Prevlaca near Dugo Selo (not far from Zagreb). Construction [costs] will be shared 50-50 with Slovenia according to the already existing formula for construction of HE Krsko. Construction in Prevlaca will, judging from already firm plans, begin in 1985 and be completed by 1991.

Too Little Water Power

Croatia's reserve potential for hydroelectric power is not in any better shape. In other words, our republic is in this respect the worst off in all of Yugoslavia. It has available a total of 4.5 billion kilowatt hours [worth] of unused potential hydroelectric energy, but the quality of this potential energy is not very high.

"Not counting the Varazdin and Cakovec hydroelectric power plants the Drava [river plants] are responsible for about 1.4 billion of these 4.5 billion kilowatt hours. Cetina and Krk and to a lesser extent Gacko and Lika have about 600 million [kWh]. This is a total of 2 billion. The remainder is low-quality potential hydroelectric energy," Pavlovic tells us.

Of the larger rivers in Croatia the Sava and Kupa are considered to be unutilized, but according to Pavlovic, it would be very expensive to build hydroelectric power plants on these rivers, as much because of the slow current of the rivers (especially the Sava) as because of specific problems and the expense of building a dam and other structures on such rivers. For example, building one megawatt worth of generating power in the form of hydroelectric power plants on the Drava costs about 150 billion dinars, while this same megawatt in thermoelectric power plants operating on coal costs between 20 billion and 30 billion dinars. If low-quality hydroelectric energy must be used for the construction of hydroelectric power plants then the costs will be several times as high.

Illustrative of the potential for hydroelectric power in other republics is the fact that on the Drina alone there is still unutilized high-quality potential for hydroelectric power production of about 12 billion kilowatt hours, which is more than present yearly consumption in all of Croatia.

In addition to the already existing HE Varazdin and HE Cakovec, which are nearing completion, five more hydroelectric power plants [are to] be constructed by 1999. The first of these is HE Dubrave, and after this our country will join with Hungary to build four [others], Durdevac, Barc, Moslavina and Valpovo. Except for Durdevac, with a [generating] capacity of over 100 megawatts, all the others are below this threshold.

"Pocket" and Private Hydroelectric Power Plants

We have adopted a program of constructing so-called "pocket" hydroelectric plants, which were earlier looked upon with skepticism while we still depend on crude oil. Thus around 100 smaller hydroelectric power plants having a [generating] power of up to 1 megawatt, will be built on small rivers with strong currents. Examples of this are Cikola 1 and Cikola 2 (near Drnisa), Ricice near Imotski, and a number of plants on the Korana, Mrznica, Kupa, Dobra, Sutli and other rivers.

Asked what he had to say about the construction of "household" hydroelectric power plants, which would be built by private individuals who would be allowed to sell any excess current to society, as is done to a great extent in Slovenia, Rade Pavlovic answered that the Association of Electric Power Supply Organizations of Croatia welcomed every such initiative.

"We would be happy by giving free expert advice and issuing necessary permits to support every such initiative for the building of private hydroelectric power plants in our republic. As concerns buying power we are prepared to buy from anyone who offers it. By the way, there are work organizations in our republic which could manufacture the necessary machinery for these small power plants. You have already mentioned Slovenia and the "wide-spread construction" of such

hydroelectric plants in this republic. I think that it is hardly worth discussing any widespread construction in Slovenia, this is simply rumor, for when our people went to see they found only one such hydroelectric power plant. It is another matter that in Slovenia, as elsewhere, there is much interest in supporting the consruction of such hydroelectric power plants," Pavlovic states.

It is interesting, as Pavlovic emphasizes, that neighboring countries are also in short supply of electricity and that it is practically impossible to import large quantities of electricity from any country other than Albania, which because of its low consumption can still export electricity. Of course this only aggravates the energy crisis, not only Croatia but throughout the whole country.

The 1981-1985 plan anticipated that 47 billion dinars would be spent in Croatia for the construction of electric power generating plants and requisite transforming stations and low-and-high- voltage lines, a sum provided for this purpose by associated labor and electrical power supply organizations. However, in view of stabilization measures this sum has been decreased to 44.5 billion, which was a great surprise, since we have to do with projects whose construction cannot tolerate postponement, delays in which are paid for 10 times over.

The Electrical Energy Situation in Yugoslavia

| Area | Generating Power of Electric Power Plants in mWh | | | Production of Electrical Energy in Billion kWh | | | Per-capita Consumption in kWh | | |
|---|---|---|---|---|---|---|---|---|---|
| Year | 1960 | 1970 | 1980 | 1960 | 1970 | 1980 | 1960 | 1970 | 1980 |
| Bosnia and Hercegovina | 449 | 1038 | 2356 | 1837 | 5619 | 11177 | 350 | 711 | 1670 |
| Montenegro | 89 | 218 | 680 | 142 | 998 | 2241 | 245 | 981 | 3890 |
| Croatia | 470 | 1609 | 2922 | 1671 | 4621 | 9208 | 467 | 1134 | 2450 |
| Macedonia | 143 | 341 | 753 | 423 | 1221 | 1957 | 264 | 1138 | 2210 |
| Slovenia | 614 | 996 | 1866 | 2655 | 4869 | 7986 | 1229 | 2617 | 4290 |
| Serbia (without provinces) | 621 | 2138 | 4449 | 2010 | 6696 | 23118 | 297 | 882 | 2120 |
| Kosovo | 39 | 478 | 860 | 114 | 1769 | 3568 | 111 | 611 | 830 |
| Vojvodina | 42 | 63 | 183 | 86 | 230 | 461 | 168 | 1035 | 2640 |
| Yugoslavia | 2468 | 6881 | 14069 | 8928 | 26023 | 59716 | 398 | 1073 | 2290 |

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# East Europe Report

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2276

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# EAST EUROPE REPORT

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Bonn DIE WELT in German 17 Apr 82 p 6

[Article by Wolfgang Grosse: "Trade With the East, Technology Transfer and Western Security Policy." This is the first article in a series on this subject. Subsequent articles, if found relevant, will be translated as they become available and published in forthcoming JPRS issues of this series]

> [Text] Trade with the Eastern block in 1982 operates between the poles of East-West confrontation and cooperation, foreign trade and national security interests. The Soviet's unchecked armaments buildup and expansionism is matched by the economic decline of the Soviet block. Without the infusion of Western technology, the Soviets could not continue to sustain their massive production of armaments. This field of tension is explored in the series of articles beginning today.

After nearly 2 decades of a Western policy of coexistence with the countries of the Eastern block, we now find ourselves entering a period of confusion and uncertainty. In Western Europe, and particularly in the Federal Republic, many people are asking: is the policy of detente finished and are we headed for a new Cold War? The policy of detente offered scant occasion for cheer, not to mention euphoria. On the contrary: we are now experiencing, and not just since the Helsinki conference on Security and Cooperation in Europe, an inexorable expansion of Soviet armaments and an expansionist thrust accompanied by a breakdown of Eastern European economies that seem headed for bankruptcy.

The present and future state of the East-West relationship is linked to the multiple dimensions of these problems. To anticipate for a moment: in light of the nuclear deterrance capabilities of both sides, there is no alternative to peaceful coexistence. Yet any realistic detente concept cannot nor should not limit itself to seeking to resolve these problems of the East-West relationship psychologically or in terms of an improved atmosphere. Such a concept of detente prefers "climate" to substance. A vague "detente policy," not subject to constant examination of its substance, boils down here to the superficial smoothness of contacts with East European representatives from the party and the government. This version of "detente"--exemplified by

the Federal Government--turns into both the promise and the justification of political complacency and the jet-tourism of Ostpolitik.

A constructive Western policy of detente must orient itself instead to the Soviet concept of peaceful coexistence. In so doing, it has to consider that according to Soviet doctrine, the competition of the two differing ideological and political systems is inevitable. The West can only draw one conclusion: we cannot choose between cooperation and competition, but only between two forms of competition.

Mutual Dependencies and Linkages

The problems of trade with the East are to be found in the context between East-West confrontation and cooperation, foreign trade and security interests. It is there that they receive their impulses or constraints.

There is no doubt that for the West and for the Federal Republic in particular, trade with the East functions as a kind of "transmission belt" for current detente policy concepts. These strategies all have one common denominator: they are intended to create mutual dependencies and linkages with the West. The Soviet Union and its satellites are to be entwined in these linkages with as many fine threads as the dwarves used to tie up Gulliver.

First: It is not just since the Soviet invasion of Afghanistan and the military dictatorship in Poland that it has become questionable whether the Soviet Union can actually be tied up in these fine threads. History teaches us that totalitarian governments can, when the moment appears ripe, free themselves from such dependencies, even at the cost of great sacrifice.

Second: Among various Western governments the conviction was and still is widespread, that an increase in the level of trade with Eastern Europe is identical with an improvement in East-West relationships. Thus trade with the East is given an undeservedly high symbolic value by the governments and public opinion of Western Europe. It is no secret that the West has sought to gain the East's good will on other issues by trade concessions, or at least to reduce political pressures. How little return there is from such accomodations can be seen in the Soviet arms buildup and its expansive behavior in the Third World or in the intransigence of the "GDR" in its dealings with the Federal Republic despite the more than generous terms for inner-German trade.

Third: In the nearly 20 years in which Western Ostpolitik has been marked by its detente policy, the internal structure of the countries of the Eastern block has not substantially moderated--in the sense of ideological liberalization. On the contrary, the volume and compensation strategies of trade with the East have led to a substantial reduction of the standard of living for the peoples of Eastern Europe and thereby increased the internal pressures of these systems. The question must be asked, whether the West should help stabilize the economically incompetent communist systems in the light of their inevitable internal political conflicts? Not only in Poland, but in the whole of Eastern Europe, the political and economic trends pose

a threat to peace. A Polish episcopal letter calls the cause of this trend by name: It is not the demand for more freedom that endangers internal and external peace, but the refusal to grant freedom. The denial of freedom is injustice.

Characterized by Guarantees and Credits

Fourth: The natural gas pipeline deal with the Soviet Unions should be reexamined if only for foreign policy reasons. Are we not building another "Holy Gas Alliance" over the heads of the other Eastern Europeans with this politically and economically absurd deal? Metternich, Hitler and Stalin send their greetings. It is not ideology but Soviet raw materials and energy deliveries that today are the real instruments of that empire's pressures and linkages.

Fifth: In East-West trade it is not normal transactions--with the exception of strategic materials--that are decisive. Taken individually they primarily reflect the interest of Western enterprises and interests--those of the U.S. farmer, of the German steel or machine tool industry, et al. If individual concerns and state bureaucracies try to do business where an opportunity for it exists, that is only natural and in principle unproblematic. Much more significant, however, are the conditions under which trade with the East takes place. Apart from luxury items for communist functionaries, trade with the East is characterized by attractive credits and export guarantees. One of the reasons for this phenomenon is certainly internal Western competition on the markets of the East. The socialist countries, as a result of their foreign trade monopolies, are in an especially favorable position and can effectively play off Western companies and governments against each other. That this system has worked successfully for the Eastern block is seen from the billions extended in credits to these heavily indebted countries (total at the end of 1981: 184 billion marks). In light of the population's refusal to be productive, faulty planning and the exaggerated claims of communist economic functionaries, all of which is inherant to their system, the remediation of Eastern economies does not belong to the functions of the West.

In terms of longer range policy, the idea is gaining ground of whether Western relationships, economic and technological, ought in the future really to be determined by commercial interests. Have not Western banks grown even more "interdependent" than the East because of the East's heavy indebtedness?

Because of the East's ever more precarious economic situation it appears that what is more urgent than individual steps or sanctions is that the governments and the general public of the allied countries take a new look at the whole issue of Western policy toward the East. Since the Federal Government upholds a vague East-West trade concept and, for well known reasons, wants to avoid taking a position, it is up to the Bundestag to debate a differentiated economic and political cost-effectiveness analysis of German trade with the East. As an example, the question raises itslef whether our earlier assumption still is valid that a growing economic interdependence between East and West would have a stabilizing effect. Looked at from a global political perspective it must be asked whether favorable credits to

the Eastern block still are profitable or whether they might not be better invested in equally promising but pro-Western raw material producing countries such as Canada and Australia or in the Third World.

Trade with the East will become increasingly less profitable for banks and firms through the 1980's--if not even a losing proposition. In connection with technology transfer the question should be raised, whether it was not a mistake on the 1970's that we sold to the East too cheaply? Why could not a number of large Western concerns agree on a common posture and a common price strategy? Should not, in the event of projects above a certain scale and for key sectors, the exaggerated competition of governments, banks and companies be diminished and a controlled and coordinated transfer take place?

Export Controls Only Effective Through Government Action

There is no doubt that the West has made a direct contribution to the Soviet arms buildup through the almost uncontrolled transfer of technology from the West to the Soviet Union. For reasons of national security and arms control policy, multilateral control of sensitive technological equipment must be tightened and, within the Federal Republic, be reorganized. For a democracy, the German practice of secretiveness surrounding export controls over strategic materials destined for the Eastern block is inappropriate. If such an export control is to be genuinely effective, then it must be under government control and administered fairly. This applied to those Western industries engaged in such trade as well as to potential buyers in the East. This paper intends to make its own contribution toward that end and to begin with a public discussion.

The Western industrialized countires are organized in terms of free market economies. It is the individual national oonerns which, for the most part under competitive conditions, deal directly with the foreign trade organizations of the Eastern countries. National governments limit themselves to setting the basic conditions of trade expressed in such terms as trade agreements, interest subsidies, export guarantees, etc.

As additional macroeconomic motives of Western European countries can be cited diversification of trade as a stabilizing element to counter cyclical deviations and an employment policy factor. In light of the desolate economic situation in the East at the moment, both motives have largely lost their significance. Within the Federal Republic the employment impact of trade with the East is frequently overestimated. The DIW estimated the number of jobs created by trade with the East in 1980 at around 100,000. This figure is likely to decline over the next few years. The aspect of assuring raw materials and energy in East-West trade, with its significant though problematic priority, remains. Since the Soviet Union is the largest trading partner in this sector, there is a justified concern at an all too great dependency and the substantial flow of hard currency that could have consequences for antional security policy. Parallel to the continuing problem of assuring raw material and energy sources, purely economic interests and goals have been formulated and perceived in a largely fragmented manner by Western concerns. In doing so, Western firms have pursued the goal of

stabilizing or maximizing profits. Yet this concerns only a few sectors such as steel and rolling mill products and machine tools. In addition must be counted plant construction, i.e. the export of complete industrial installations. In any case, opportunities and expectations are dependent upon trade deficits and the debt levels of the Socialist countries. Yet these purely economic arguments do not justify either an intensification of East-West trade nor overly great preference, such as favorable credit terms. The motives and interests of the Socialist countries are much more clearly defined. With the concept of "peaceful coexistence" at the end of the 1950's a new trend established itself, which took account of the fact that cosmetic "economic reforms" were not going to bring about the anticipated "take off," but instead that the economic potential of the Western countries would have to be exploited for their own development. The most pressing problem of all countries within CEMA was and remains the reduction of the difference in the level of development between themselves and the West and the closing of the "technological gap;" all their other motives are secondary. The huge transfer of Western technology--undertaken on credit--by the CEMA countries and especially the USSR during the 1970's has not, for reasons that are immanent to their system, resulted either in eliminating the differences in productivity or level of development nor even in reducing its scale.

Exactly the opposide has occured: economic growth has undergone a spectacular regression, the competitiveness of their products on hard-fought world markets has diminished and the structure of their exports has not improved. While the countries of the Eastern block were exporting massive amounts of foodstuffs in the 1960's, their breadbasket today is to be found in the United States, Argentina, Canada and Australia. Agricultural exports from the United States to the Soviet Union have grown from some 1.5 million dollars in 1956 to over 1.7 billion dollars in 1978. Because of the permanently worsening consumer good supply picture, a large part of the population of the Eastern block has gone on a kind of permanent slow-down strike. Nonetheless, the massive technology transfers from the West have had some effect. Together with their irresponsibly high levels of indebtedness to the West, the economic collapse of the communist system has been averted. Except in Hungary, there are no signs of substantial economic reforms with any prospects of success. In the Soviet Union itself, it has been found impossible to halt the declines in labor and investment productivity. The dependency upon Western technology in several sectors such as oil drilling and movement, machine tools and petrochemistry has increased immeasurably. On the other hand, the Soviet Union has obtained additional options and opportunities to make use of imported technology for the quantitative development and the qualitative improvement of its military technology.

Trade Deficits and Indebtedness of the Eastern Block

Since 1970 not only the Soviet Union but also the other countries of CEMA have expanded their economic relationships and particularly their trade contracts with the countries of the West. This trend has been marked by the imbalance of imports on the part of the Eastern block leading to the creation of a permanent negative balance of trade. Far more goods and services were imported than were shipped abroad. The Eastern block had to plug this hole

in its foreign trade in some way if it were going to be able to pay its suppliers. The only way out--because merchandise exports from the East to the West were going to find few buyers--was through borrowing. The Eastern block's debts grew and grew. The six CEMA countries (with the exception of the Soviet Union) had, by 1973, piled up foreign indebtedness that was higher than the total of their exports for 1974. By 1979 their debts exceeded the value of exports for a full two years. Since by 1972 there were scarcely any substantial hard currency or gold deposits on account with Western banks, it appeared advisable to reveal their gross indebtedness. Yet to be able to calculate their gross indebtedness there would have to be added government borrowings, state guaranteed securities, World Bank credits, International Monetary Fund credits, the "GDR's" swing credits, credits with government guarantees and last but not least, the hard currency obligations of the CEMA banks.

In view of the explosion in the prices of raw materials and energy--and also of Western finished products and technology--the indebtedness of the CEMA countries continued to climb through 1980, accompanied by their diminishing economic growth. There are no possibilities for the CEMA countries to expand, over a medium or a long term, their exports to the West. This holds true for the Soviet Union as well.

Payment With Massive Exports of Consumer Goods

On the other hand their obligations have increased. Support of Cuba costs some 1.5 billion dollars a year; the estimated 12 billion dollars required for grain imports in 1982 will, according to recent estimates, not be sufficient. Poland last year required some 4 billion dollars. Soviet hard currency reserves had, before the end of last year, shrunk to some 5 billion dollars; latest indications point to their near exhaustion. Massive gold sales--at a time when its price is falling--new entreaties for credit on the European market, urgent requests for deferral of payments and--in the middle of winter--sales of diesel and heating oil on the free markets of Europe. All this give the impression of distress sales.

What can the Eastern block do to counter its overindebtedness? One answer would be the massive sales of consumer goods. With the exception of the Soviet Union all members of the CEMA have followed this strategy in an effort to equalize their balance of trade. The prices they have sought as a rule are one-third below the actual costs of production. Where are the political lines--active refusal of production--drawn for still further cuts in private consumption within the Eastern block? Has the West ever concerned itself with this question? On the other hand, the Eastern block must increasingly import raw materials, energy, technology and agricultural products--export profits are shrinking more and more as a result of obligations for payments on earlier negotiated credits, and even with rollovers of indebtedness there is scant help to be had, these serving only to conceal the causes. In the meantime, the abyss seems too bottomless and additional Western billions would not be able to change anything within the archaic structures of the Eastern economic and social systems.

According to a recent study of the Bank for International Payments (dealing only with bank credits) the Eastern block had, in 1982 alone, to pay back some 21 billion dollars in bank loans. Amortization is only possible through new and more expensive credits. As a result of the "Polish shock" and the economic situation, Western banks are only willing to extend credit to the Eastern block on increasingly shorter terms and with the requirement of negotiated extensions. Within this vicious circle it looks as if the 1980's would be the decisive decade for the entire Eastern block. The individual countries are faced with unmanageable economic problems. Military regimes cannot satisfy demands for liberalization or consumption with bayonets.

What can the West do in this situation? Except for humanitarian assistance, not much for the moment. It can, however, put its own house in order. This means agreeing on a common strategy and a common Eastern trade policy. Furthermore, a precise, up-to-date and centralized statistical summarization of all economic ties to the East is long overdue. The Bundestag is called upon to concern itself with East-West trade more than it has in the past and to demand of the Federal Government that it present an annual report to the full Parliament.

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## IMPORTANCE OF REPRESENTATION AT FOREIGN TRADE FAIRS

### Good Quality Exhibits, on Time

Tirana BASHKIMI in Albanian 6 May 82 p 2

[Excerpts] This year our country will take part in several international fairs in various countries. In order for us to make the best appearance at these activities it is necessary that this matter be taken in hand by all and not regarded as something which concerns only the Chamber of Commerce. All the ministries, executive committees of the peoples councils in the districts and managements of the enterprises have important duties in this area. The execution, on time and with good quality, of the tasks related to setting up our displays not only concerns our appearance at the fairs but also is related to increasing our exports and finding new markets. The best possible displays will give a complete picture of the great development which our socialist economy has undergone and its new achievements.

Experience from last year shows that when enterprise managers take these problems seriously the best results are achieved. Let us take for an example the "Steel of the Party" metallurgical combine in Berat, the copper smelting plant in Rubik and others. In these enterprises, the preparation of samples of articles for exhibition at the fairs was handled very well and was a matter of concern for the masses of workers and the specialists.

However, last year, some enterprises did not send all the samples of articles which had been approved by the ministries or, in some cases, the samples were not of the proper quality. For example, the carpet enterprise in Korce did not send some types of carpets and the cigarette factory in Durres did not send some types of cigarettes. Also, comments were made about the variety of packaging of bottles of beverages, jars of preserves, and other items.

Not much time remains until the opening of the international fairs this year. Therefore, all ministries and economic enterprises which are charged with preparing our displays should take measures to ensure that all the samples stipulated in the plan are produced so that, this year, our country will make a much better appearance than in previous years. All possibilities exist to do this. Therefore, everywhere, there should be an analysis of the work done up to now and action should be taken to send all the articles which are to be exhibited on time and in good quality. This will be an important factor in increasing our exports and in publicizing the success which socialist Albania has achieved in building socialism with her own forces.

## Comment on Pavillion at Paris Fair

Tirana ZERI I POPULLIT in Albanian 18 May 82 pp 3, 4

[Article by Sadri Rrahmani: "Not Only Two Medals--Impressions of the Albanian Pavillion at the International Exhibition in Paris"]

[Excerpts] For 11 days, from 29 April to 9 May, the international exhibition in Paris held the attention of the residents of this city. Let us go back into history at the international exhibition of art and technology which opened in Paris in 1937, Albania went before the world and its industry with....eggs and beans. The press called the so-called Albanian exhibit "the Albanian bowl." The former bourgeois-feudal regime which had left Albania in great backwardness, in wretchedness and poverty, was what was represented in that exhibit. It did not represent the Albanian people who never lacked culture, talent or love of work and learning. It did not represent the soil and subsoil of Albania which never lacked great and valuable resources. This is what Albania is saying to the world in the years of the party. This is what our pavillion says at the present Paris exhibition and the many other fairs at which Albania is represented. The samples of minerals which we are showing at the fair do not "say" only that we "have minerals," but that we have based and will base the industrialization of the country on the extraction and processing of many valuable minerals such as chrome, copper, and iron-nickel and phosphites, bauxides, etc. and that we hold third place in the world in chrome production. The samples of the products of petroleum and coal say that socialist industrialization in Albania has a strong energy base which is reinforced by colossi of energy such as the Koman power plant and by new sources of coal and petroleum. The entire pavillion says that Albania is presented in the fair as a country with a developed industry and agriculture, which progresses each day, relying entirely on its own forces.

We should say that the participation of our country in the Paris exhibition was not simply an activity related to trade alone. On the contrary, it served as an occasion for strengthening the friendly relations between our country and the French Republic.

In a general evaluation of representation at the Paris Exhibition, the place of Albania is meritorious and honorable. Not only because of the two silver medals which were given to the Albanian pavillion, which, of course, have merit and importance, but also because of the "medals" which are more valuable to the socialist fatherland, to the people led by the party--the warm words, the love, the sympathy and the high appreciation of the people, the friends and admirers of Albania, who visited the pavillion, admiration for the country and for our great victories in the building of socialism and the defense of the country in accordance with the Marxist-Leninist principle of reliance on our own forces.

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MINISTER DWELLS ON FUTURE DEVELOPMENT OF METALLURGY

Sofia RABOTNICHESKO DELO in Bulgarian 27 Apr 82 pp 1, 4

[Article by Todor Bozhinov, BCP Central Committee Politburo member, first deputy chairman of the Council of Ministers and minister of metallurgy and mineral resources: "Intensive Development"]

[Text] The 12th BCP Congress formulated the strategic task of decisively undertaking the all-round intensification of the economy and the other areas of social life. The implementation of this exceptionally important party assignment in terms of the development of the country is being resolved in the area of the mineral raw-materials base and in metallurgy under the complex conditions typical of the sector.

The country's limited energy and mineral resources call for the development of technologies for the use of raw materials with a low concentration of useful components. This is developing as a Bulgarian experience in the solution of the raw materials problem. On the other hand, the worsening of ore-mining conditions in some areas entails higher production expenditures. Environmental protection requirements are also becoming stricter, which demands the use of complex and expensive equipment. Let us also add that the prices of mineral resources on international markets are also rising.

The increased production of domestic raw materials, regardless of the lean content of their useful components and the more difficult operational conditions, demands a new scientific solution of a number of problems characteristic of the all-round intensification of the national economy, with a view to their economic effectiveness, and the creation of prerequisites and opportunities for doubling overall profits during the 8th Five-Year Plan. The problem of improving the production structure with a view to lowering labor and material expenditures per unit of output and upgrading competitiveness on international markets is a vital one.

The aim of the programs which have been formulated for the development of the sector is to enable our country to reach the level of highly developed countries in the production of high-grade steel, which must reach 10-12 percent of the total steel production in 1990. Conditions are being created for the production of stainless steel high-temperature proof steels. They will be used in nuclear, metallurgical and energy machine building and the manufacturing of machines and equipment for the cement and ceramics

industries. This will have a substantial multiplication effect in the national economy.

The improvements in the production structure in nonferrous metallurgy are aimed at increasing the share of refined high-quality and highly effective rolled metal goods and the production of brass and copper pipes for the refrigeration and other industries and special alloys for special purposes.

The fast development of our powder metallurgy creates conditions for the number of parts produced with this method to exceed the number of cast and forged pieces. The production of the necessary iron and hard-alloy powders made of local raw materials for use in powder metallurgy is an important element in the all-round intensification of metallurgy, which will result in significant savings. The production of costly hard-alloy plates for cutting tools made of local raw materials will complete the cycle of our mineral industry -- from the extraction of the raw material to the production of highly effective and competitive finished goods.

Our country is rich in some industrial minerals such as quartz, zeolites, (disten), and alunite, which are valuable raw materials for the electronic, agrarian, ceramic and glassware industries. The development of technologies and mastering the production of nonmineral ores with high consumer qualities is an important direction in upgrading the effectiveness of the mineral industry.

The extensive application of nonmetallic binders based on carbon polymers creates opportunities for replacing economically important scarce imported raw materials. A program for the extensive use of kaolin as a plastic filler, with a view to reducing the use of petroleum products, is being implemented.

The comprehensive and intensive use of mineral raw materials with a maximally possible reduction in the volume of large-sized pieces of waste ore is the second important direction being followed in the sector's intensive development.

Technologies for the extraction of lead, zink, manganese, copper, silver and barite from Kremikovtsi iron ore are being developed jointly with Soviet institutes.

Pilot installations will be set into operation for the extraction of rare and rare-earth metals in processing imported raw materials, such as the extraction of vanadium and nickel from the ashes discarded by thermoelectric power plants, and rhenium and tellurium from ore concentrates. In the near future the tungstene extracted as a byproduct will be used in the production of ferroalloys, which are extremely necessary in making high-grade steels.

The hydrometallurgical and bacterial methods for the extraction of copper and precious metals from non-accountable and oxidized ores and, in the near future, pirite from melting loss are being used with increasing frequency. These methods will yield about 50,000 tons of copper concentrate by 1985.

The number of extracted useful components will increase from 12 to 18 and the level of utilization of sulfur in lead production will be increased from 12 to 50 percent. The increased extraction and utilization of useful components will provide the national economy an additional 2,000 tons of copper, 600 tons of lead, 10,000 tons of sulfuric acid and rare and precious metals.

The developing contradiction between rising demand for mineral and energy resources and their limited availability calls for upgrading the effectiveness of the work of geologists and geophysicists. On the basis of firm geological concepts and through the application of modern searching methods, our prospectors must expand the scope of their surveys.

The application of the new economic approach to the study of mineral raw materials will enable us to discover, survey quickly and propose the extraction of more mineral resources at lower costs.

The reconstruction and updating of existing production capacities by applying modern scientific and technical progress achievements makes possible improving sectorial economic effectiveness quickly and with minor investments.

Metallurgical combines are being extensively reconstructed and modernized. Facilities are being developed for raising the share of electrosteel production to about 45 percent of the total (which is on the level of the best worldwide achievements) and for raising the quality of the steel by treating it outside the furnace.

The commissioning of a highly productive installation for continual steel casting at the Lenin Economic Metallurgical Combine marks the beginning of a qualitatively new stage in the development of our ferrous metallurgy. Another direction in the application of technical progress is vacuum steel production, which is scheduled to reach 14.5 percent of the total output in 1990.

In nonferrous metallurgy, a technology for autogenic smelting of copper concentrates will be applied during the Eigth Five-Year Plan. This will double labor productivity, achieve a 97 percent level of copper extraction and considerably reduce the use of energy. As a result of the modernization and reconstruction of installed capacities, the consumption of energy and metal will be reduced in metallurgical output so that steel losses per ton of metal will be reduced by 135 kg in 1990, thus reaching the level of the developed countries in terms of this indicator.

Technologies for increasing the density of parts to 98 percent and reducing additional processing (such as high-temperature isostatic and dynamic compression of metal powders, metal-ceramic sheet million, etc.) are being applied in powder metallurgy. This will enable us to produce parts with better physical and mechanical qualities, to enlarge their dimensions and increase their weight and to improve their anticorrosion properties.

The more extensive application of geotechnologies for separating useful components from the rock through dissolution, gasification or smelting, in the course of which the enriched raw material floats on the surface is a major prerequisite for the effective treatment of lean mineral deposits.

Such technologies are almost harmless to the environment and free man from difficult and health-threatening work.

A main trends in sectorial intensification is the application of wasteless technologies, which ensure the repeated utilization of valuable raw materials with less energy. The implementation of the wasteless technology programs will result in the utilization of 1,350,000 tons of metallurgical slag, 275,000 tons of middling slime, 680,000 tons of sulfur dioxide and others.

The implementation of the programs for comprehensive production automation and mechanization will lead to a fast increase in labor productivity and the elimination of heavy and unattractive types of work. To this effect programs are being implemented for controlling the distribution of energy resources and blast furnace output. Systems for mass-spectrometric control of output in the production of convertor steel are being applied, as a result of which the duration of the process will be shortened by 5 percent and the amount of useful products per unit of raw materials will be increased by 0.5 percent. A machine for the cross-cutting of hot rolled sheets will be controlled automatically, and so will hot and cold rolling and pipe-rolling production and the transportation system in open pits. The application of the "Geolog" system for the automated processing and interpretation of the results of geophysical and geochemical studies is being expanded. Production automation requires the training of performing cadres for control and supervision of production processes, the creation of control algorithms and the automated formulation of applied programs.

The creation of conditions for the use of existing productive capital, properly supplied with raw materials and markets, with the help of minor reconstructions and improvements is one of the intensification elements the results of which are manifested the soonest. Steps are being taken to ensure additional production from local and waste raw materials by metallurgical plants producing finished metal goods in demand.

The construction of production capacities is focused on the development of new mineral deposits through the use of progressive technologies. The share of ore extracted from strip mines will be increased to 85 percent of the total. If necessary and economical, automotive transportation and highly productive loading machines and drilling systems will be used in underground mines. A modern plant for ferroalloys and high-grade steel will be built to ensure the effective use of local raw materials and the production cycle of the mineral-metallurgical complex will be completed.

Guided by the party and the other public organizations, the labor collectives are developing their creativity and initiative in the nationwide socialist competition for the implementation of the decisions of the 12th BCP Congress and the comprehensive intensification of the sector.

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ROBOTRON COMBINE SETS PRODUCTION, SAVINGS GOALS FOR 1985

East Berlin NEUES DEUTSCHLAND in German 8 Dec 81 p 3

[Report to SED Central Committee by collective of Robotron Combine, signed by Prof Dr Wolfgang Sieber, Robotron General Director; Klaus-Peter Bernsdorf, chairman, council of FDJ secretaries; Wolfgang Hartig, secretary, plant party organization and party organizer, SED Central Committee; and Manfred Ehring, chairman, plant trade union executive board and representative, IG Metall [metalworkers industrial trade union] central executive board: "Results from Science and Technology Will Be Put to Even Better Use--Above-Average Rates of Increase up to 1985; Majority of New Products with Modern Microelectronics; Significant Reduction of Energy and Materials Consumption"]

[Text] Dear Comrade Erich Honecker!

At the VEB Robotron Combine, we are now holding the conference, "Production and Application of Industrial Robot Technology--the Main Way to Automation." Discussions are focused on the combine's tasks for implementation of the ten main points of the economic strategy for the eighties, especially in the field of robot technology.

We are taking this conference as an opportunity to convey the kindest regards on behalf of the enterprise collective and all workers at the VEB Robotron Combine to you personally and the Central Committee of the Socialist Unity Party of Germany.

The policy of the 10th party congress and its consequent endorsement at the third session of the SED Central Committee is receiving our complete approval and support. Implementing the decisions makes high demands on all managers, the collective and each individual worker. Also applicable to our combine is that our economic tasks are to be accomplished with even less material than originally planned. Therefore, we are attaching the gratitude of all our almost 70,000 workers to the Central Committee and to you to creative work achievements and high performance in the socialist competition to further strengthen our republic economically and to safeguard peace.

Productivity 16 Percent Higher Than in 1980

With pride and joy, we can inform you that we have attained a further increase in efficiency in the period to 30 November 1981. Based on the increase achieved in labor productivity of over 16 percent compared to the same period last year, in these 11 months our combine has ensured a high share in efficiency in the overall goal for 1981.

With that we were able to increase production of industrial goods to over 116 percent, output with the "Q" mark of quality to 113 percent, output of consumer goods to 118 percent and exports to the USSR to 110 percent compared to the same period last year.

According to the quotas of our competition pledges, we have increased labor productivity three percent above the 1981 plan as of 30 November 1981. With that, we produced 5.8 additional daily output, including
-- 0.9 million marks worth of additional consumer goods, and
-- 32.5 million marks worth of additional exports to the USSR.

In the combine enterprises, 148 industrial robots have been installed so far. By the year's end, 215 industrial robots are to have been produced and 180 installed for use in production.

We realize that greater efforts by all combine workers are required to secure and further extend purposefully the gain in time achieved. Therefore, we are aiming especially at a high start for 1982 to achieve already in the first quarter 25.5 percent of the year's industrial goods production.

We have consequently continued our chosen method of elaborating and defining our long-term goals for complex and selected tasks based on party and government decisions.

Thus, the following are among the plans for the period to 1985:
-- application of microelectronics,
-- production and use of robots,
-- the complex program to efficiently use social labor capacity and
-- the orientation to continuing socialist competition including the adjustment for the 1982 plan year for all combine enterprises.

This achievement enables us to organize and implement the concrete tasks purposefully and consequently above the plan in fulfilling the plan. With the competition orientation to 1985 and the 1982 plan year, we are setting high standards for managing the national economic processes and for raising the quality and efficiency of social labor.

In doing so, we are focusing on the complex pledge of growth rates and especially on those of qualitative indicators. Thus, in 1982, we will be striving for goals that will ensure that we realize the following increases by 1985:

| Indicator | Increase in 1982 state target as a percentage of 1981 state target | Increase in 1985 state target as a percentage of actual 1980 amounts |
|---|---|---|
| Labor productivity | 113.8 | 171.4 |
| Industrial goods production | 114.3 | 175.0 |
| Net production | 119.3 | 196.9 |
| Exports to USSR | 138.7 | 225.8 |
| Marketable production of finished consumer goods | 111.0 | 174.1 |
| Production cost reduction, overall | 6.24 | 24.43 |

Oriented to Full Satisfaction of Demand

On the occasion of the exchange of experience between the central committee and the general manager and party organizers of the combine central committee, we stand by the pledge made which is in full a component of the state targets for 1982 and for the period 1981 to 1985.

Based on an ever better utilization of economic results from science and technology, we will be purposefully making a higher contribution to achieving an effective export structure and to providing the means of efficiency for the economy and finished goods for the population. In doing so, we are concentrating on orienting the turnover time for main products to under five years and raising the share of newly developed products in the production of goods subject to test to at least 20 percent per year.

The share of 50.0 million foreign-currency marks worth of new products in NSW [non-socialist monetary area] exports is to be purposefully achieved and surpassed. In terms of new products, we are concentrating on full satisfaction of demand in the first or second production year.

Introduction of 1370 Robots Is Goal

Already in 1982, the majority of products will be supplied with the application of modern microelectronics. With that, among other things, energy consumption is being reduced an average of 30 percent and production and testing cost is being reduced an average of 30 percent. For the following major products, we are reducing the unit energy consumption in the following amounts compared to predecessor products:

--the YeS 2655 M central processing unit, by 55 percent;
--the K 1630 microcomputer, by 70 percent;
--the radio equipment PSK-TDM 120/PCM 2000, by 80 percent per telephone cable; and
--the MFS 1.2 floppy disk storage unit, by 70 percent.

In consequent translation of economic policy goals, we pledge that with the aid of complex socialist efficiency improvement in the plan for science and technology, the following above-plan results will be achieved:
-- 1.7 percent savings in work time, corresponding to 200,000 hours,
-- 4.0 percent savings in material costs, corresponding to 1.0 million marks,
-- 3.6 percent reduction in production costs, corresponding to 2.5 million marks,
-- and 2.0 percent of equipment for improving efficiency, corresponding to 1.5 million marks.

Through economic use and handling of energy and fuel, we have set ourselves the goal of saving a total of 200 terajoules, including
-- 1842 tons of brown-coal briquets,
-- 4600 megawatt hours of electricity, and
-- 253,000 cubic meters of city gas.

The concept of saving fuel oil is being persistently implemented. Obsolete and inefficiently used basic resources valued at 91.0 million marks are being eliminated and the unit material consumption for selected materials is being reduced an average of 6 percent.

Our current conference is being used to implement the basic policy of the combine for development, production and introduction of 1370 industrial robots by 1985, including 246 units already in 1982. The conference will provide a valuable impetus to further work and help secure the goal of releasing 3298 workers by the installation of robots, which corresponds to a sahre of about 40 percent of the total number of workers planned for release.

In securing the complex program, "Improving Efficiency--Economy--Production Organization--Working and Living Conditions," we will be accomplishing the following tasks in the enterprises:
--raising the level of mechanization and automation in prefabrication, auxiliary and secondary processes, assembly and testing;
--organizing increased machine operation and increased utilization of machines and plants;
--maximum reduction of workplaces with activities harmful to health;
--creation of greater meaning to labor and greater responsibility in the workplace, and securing a higher technological level in the areas of assembly;
--securing higher quality in the end product; and
--achieving higher flexibility for incorporating changes in the production run.

Through science and technology and especially by making use of the reins of responsibility as well as the supervisory system, we will be persistently exerting managerial influence to ensure that organization of new developments is suited to automation and robots. All efforts by the enterprise collectives will be aimed at achieving:
--an above-average increase in productivity,
--the accomplishment of an investment quota from at least 1.5 to 2.3,
--a payback period of a maximum of 3 years, and
--a continual increase in the fixed capital quota.

We will be purposefully selecting service projects and transferring them to our youth collectives as youth projects.

A Reliable Partner at All Times

Dear Comrade Erich Honecker!

The third session of the central committee made us aware under what changed international conditions the policy of the main task is to be carried out. With that, it is being proved more and more for our combine too that the ten main points of the economic strategy for the eighties have to be the continuing measure of our business.

We pledge that the Robotron Combine VEB continues to be a reliable partner of the national economy and will continue supporting the policy of the party of the working class successfully with new ideas and deeds.

Our achieved results will be the evidence that we have persistently made greater demands. This is our contribution to the proven policy of the Socialist Unity Party of Germany aimed at maintaining peace and the welfare of the people.

Dresden, 2 December 1981, With socialist greetings.

8545
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## COMBINE DEVELOPS CENTER FOR HYBRID CIRCUIT PRODUCTION

East Berlin DIE WIRTSCHAFT in German Vol 36 No 12, Dec 81 p 7

[Article by Heiner Pachmann: "Developer, Producer, User in Closed Chain"]

[Text] A decisive change has occurred since mid-November in the profile of the Berlin VEB [State Enterprise] for Telephone and Signal Equipment Production (TSB). At that time, the traditional manufacturer of apparatus for dispatch and two-way telephone systems began producing microelectronic hybrid circuits, a new line for the plant.

This measure was initiated with the opening of the first section of a newly established center for small series production. Already being made there in this year are hybrid circuits, the production quantity of which is to be considerably increased in the period of 1982 to 1985. With that, the entire demand by Berlin's industry, research and development can be met.

What is really so special about this production center? After all, the Hermsdorf Ceramic Plant has been making hybrid circuits for years and in considerably higher quantities too.

The answer can be quickly reduced to a common denominator. With its establishment, an FDJ [Free German Youth] district youth project, it was once again shown that taking a responsible, risky, unbureaucratic and unconventional approach to a complicated task in our national economy proves its worth. With the new production center, not only was the foundation laid for a gain in Berlin's industrial efficiency, but also for the traditional manufacturer in Hermsdorf which can now concentrate on large series production. Since numerous enterprises from various combines are interested in this project, the district youth project, "Microelectronics/Hybrid Technology," from the very start placed especially high demands on the planning and management process.

### Many Sought Similar Solutions

What did the case history look like? In 1979, at the Communications Electronics Combine headquartered in Leipzig, diliberations began on how to meet future demand by combine enterprises for hybrid circuits. Their use determined a future production increase. At the same time, at the Berlin Electrical Apparatus Plant (EAW) Combine, possibilities were sought to provide for its own small and medium series demand by specific customers for hybrid circuits.

The Communications Electronics Combine decided to build a small series production center in Berlin where the majority of user enterprises is concentrated.

But who was to make these circuits? No user enterprise had experience. "We decided to take on this production for two reasons," explained Karl-Heinz Dasche, TSB director. "First, we wanted the hybrid circuits that we use in our products too to be available in sufficient quantities as quickly as possible. A quick decision was therefore sought. And second, we were certain that we would receive effective support from all combine enterprises, but especially through the SED [Socialist Unity Party of Germany] district administration. That was important to know because it was a risk for us to take on a completely different line with current and growing production."

Microelectronics was to be the proving ground for the youth. True to this idea, the Berlin SED district administration suggested the FDJ district administration declare setting up the small series production center, and even more, developing the new circuits too, a district youth project. The partners: the basic FDJ organizations of the combine enterprises of the TSB and the Koepenick Radio Plant, as well as of the combine research center, the Institute for Communications Technology.

"With the support of combine management, we succeeded in managing the available resources efficiently too," said Karl-Heinz Dasche, who as the VEB TSB director is also the state manager of the youth project. "Thus, besides the radio plant, other Berlin combine enterprises, like the VEB for Measuring Electronics and the VEB for Studio Engineering, helped us with the structuring of important efficiency measures. Planning and management of the project were firmly in the hand of a combine management. That proved its worth."

In the EAW Combine, it had also been decided to set up a small series production center. However, when Dr. Hans-Juergen Just, manager of the hybrid laboratory in the EAW research center, the Institute for Automatic Control Technology, in the course of a study, heard about the district youth project, he appealed directly to the TSB enterprise director. Would it not be possible and appropriate to also make the circuits needed by the EAW Combine in this production center, already in the first implementation phase?

The problem was very complicated, for these circuits are made using the so-called thick-film technology. Originally, only thin-film circuits were to be made in the production center, however. While only about 19 process stpes are needed for their production, up to 100 steps have to be mastered to make the LSI thick-film circuits. Nevertheless, the management of the Communications Electronics Combine agreed with the decision that saved the additional investment of about 10 million marks. With the Institute for Automatic Control Technology, where all the circuits are being developed, the fourth partner in the district youth project was finally acquired, and it was officially committed at the start of 1981.

Effectively Supported by Teritorial Authorities

Four partners of different character, a great number of supporting enterprises, two combines--how could agreement be obtained from everyone?

"We could not have overcome all the difficult hurdles in setting up the production center without backup," Karl-Heinz Dasche said thereto. All the partners had and have to be included in the planning and management of this project, whether they are now directly or only indirectly involved in the youth project. However, that means that their special needs and capabilities have to be considered too. That especially requires regular consultation on and control over the status of the youth project.

How helpful the support of the territorial authorities was too was shown at the latest when space for the new production center had to be provided. The expansion and reconstruction of a part of the TSB enterprise was charged to the four other enterprises, for whom the new production and storage spaces had to be earmarked in return. Likewise, on the question of manpower. With the aid of the competent state agencies, this problem will be solved by expanded training and increased assignment of graduates.

Youth Collective Mastered All Tasks

"As the state manager, we always strove to see that our young professional cadres were included as early as during the elaboration of the concept for the youth project," Karl-Heinz Dasche noted. "In addition to this theoretical preliminary work, I would like to say, the basic FDJ organization also took care of the practical implementation. The young people displayed tremendous readiness for service during the reconstruction, whether it was a question of the creative activity of architectual freedom or the equipment for the production center. The initial skepticism toward young people being able to cope with a project such as establishing a production center for mciroelectronics yielded more and more. When youth are properly guided, they are capable of remarkable achievements. That is one of my most important experiences."

Along with the support of combine management, the enterprise director views especially the aid and supervision by the SED district administration with all scientific, technological and technical problems as the essential reason for the first partial success of the district youth project.

"The risk that existed when we got involved with this new line of production was thereby reduced," he summed up. "At the same time, cooperation between combine management, us as enterprise management and the management of our partner enterprises has proved uncomplicated and problems have been resolved directly, without having to go through the long official channels. The decisive factor for that was that in addition to their own advantages, everyone recognized the common national economic importance of this project too and pressed for an effective implementation."

Thus, in a relatively short time--only seven months passed from start of the extensive reconstruction work to the start of production--not only was the profile of an enterprise changed. By concentrating production in Berlin, a closed chain was created territorially between the developer, the producer and the user. It is making it possible, without having to cross bureaucratic boundaries, to both rapidly put research results into production and provide feedback from the production process. With that, an important foundation has been laid for the production increase in many of Berlin's electrical equipment and electronic enterprises in the eighties. The good planning and management by all the partners and their uncomplicated cooperation with each other have borne their fruits.

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## NEW PROPOSALS TO ALTER HUNGARY'S ECONOMIC ORDER

Budapest FIGYELO in Hungarian 14 April 82 p 3

[Article by Laszlo Antal: "Learning From Experience. Ideas on Perfecting the Economic Mechanism"]

[Text] Under the system for managing the economy that developed after 1968, the enterprises' dependence on their managing (including some social) organs has been retained, but the enterprises themselves enjoy greater freedom of movement. This is the primary reason why the economic mechanism introduced in 1968--despite its numerous compromise solutions--has been functioning far more effectively than its predecessor and, within certain limits, provides opportunity for adjusting to the changing economic conditions. At the same time the economic mechanism manages with instruments that are more vague for the enterprises--for example, by "dismantling" the financial regulators and subsidies--and with so-called "expectations." The functions of the owner of capital assets and, consequently, the responsibility associated with decisions are divided among various supervising organs, professional organs, and enterprise management. This peculiar system of collective decision-making, with its many participants, leads to decisions that are lengthy and often are "expropriated" from the initiator of the decision.

### Critical Junction

For external and domestic economic reasons that by now are well known, our economic situation has worsened since the mid-1970s. External economic equilibrium can be improved only at a substantially lower growth rate--approximately 1 percent, instead of 3 percent a year. As a result, the rate of accumulation is declining year by year, and maintenance of the attained level of consumption creates a growing problem.

The changing economic conditions affect society as well. At a consumer price level whose rise was relatively slow until recently, we have succeeded in ensuring favorable supply. Reallocation of manpower occurred only occasionally on the enterprises' initiative, and not at all by decision of the central government. The prospects of obtaining housing improved steadily through the mid-1970s. Social benefits have become "acquired rights." All this created a sense of secure livelihood, regardless of whether or not these developments could be termed sound from the viewpoint of social policy or on the basis of economic considerations. But the events of the late 1970s and early 1980s compelled us to reassess our previous indirect methods.

One possible assessment of the present situation would be to say that path corrections are always cumbersome, nem regulators still require refinement, and all this slightly prolongs the period of consolidation. There is much truth in this: by perfecting certain elements of control, through measures directed toward partial areas, it is indeed possible to achieve temporary successes, and these too are important. But this mentality harbors the danger of failing to recognize the deeper trends--breaking them down into partial processes from the very outset--of willy nilly regarding as given, and hence as unalterable, the principal processes that have evolved in the economy.

The view can and does exist that these trends are unambiguously determined from the outside (by the world economy's environment) and therefore are beyond our control. Hence our isolation, respectively the moderation of the openness of our economy, or its "optimal regulation" is elevated to the rank of strategy, practically renoucing the maintenance of the position that we won for ourselves during the past two decades.

A third possibility that, in my opinion, offers a truly successful solution, but one that is by no means free of problems, is the economic mechanism's comprehensive development, by pursuing the 1968 process of economic reform. The social conditions for this are given. Significant changes of the economic mechanism usually are triggered by necessity rather than by a favorable situation. Progressive changes initiated centrally are usually characterized by the political leadership's ability to foresee this necessity to some extent, before the economic stresses intensify.

The compelling economic conditions now have an incentive effect rather than a paralyzing one, as this is indicated by the changes begun recently. But we are hard-pressed for time, because such changes presuppose the initiative participation of enterprise managers, and generally society's active identification with the changes. Recognition of this fact, however, must not provide room for ill-conceived "solutions." Action undertaken under necessity must be particularly deliberate, carefully weighing the economic and social consequences.

Energies for Growth

The economic mechanism to date has not proved sufficiently suitable

--To provide the conditions for the functioning of the market within a planned economy;

--To suitably enhance efficient utilization of individual talents and abilities, such as entrepreneurship, willingness to innovate, inventiveness, the owner's motivation;

--To ensure forceful assertion of social control's role in the harmonization of interests.

Solution of these tasks could liberate new energies for sustained growth. The model that I have in mind is consistent with the basic principles of the 1968 economic reform. However, its objective--specifically by utilizing the experience of the past 12 years--is not merely the consistent implementation of these principles; it exceeds them in several essential respects. The most important differences are as follows:

In the enterprise (cooperative) sphere, direct dependence on the managing organs must cease. The managing organs must not exercise the owner's functions, not even partially.

The market's regulating role must be much broader: not only in product distribution, but also in capital allocation, wage regulation, and partially also in the management of the infrastructure. But in none of these areas would the market's regulating role be exclusive.

Within the state's economy-managing functions, the sphere that ensures the general framework of economic activity (normative regulation) would be separated from market intervention. In the case of noninstitutional interventions in the future, preference will be given to partnership relations with the economic organs and their common-interest associations.

Transformation of the system of enterprise organization is the key to perfecting the economic mechanism, because organization of the real market can be expected only from a radical modification of the relationship between the enterprises (and cooperatives) and their managing organs, and from developing common-interest associations within and outside the enterprises, and a system of intraenterprise organization that supports these changes.

We must strive to develop a heterogeneous system of organizational forms for enterprises, one within which transformation and combination of the various organizational forms would generally take place without government intervention. Another prerequisite for successful development is abolition of (foreign-trade and capital-reallocating) monopolies that restrict the economic sphere's activity.

Substance and Form

As new organizations there could function enterprise-operating bureaus (vallalkozaslebonyolito irodak) that would replace the present large-scale enterprises (trusts, associations, large enterprises) with several factories, factory units and plants that are economically viable on their own. The bureaus would differ from the present large-scale enterprises in that all their functions related to day-to-day operations would cease, and the member enterprises would be independent. The member enterprises would transfer to the bureau a proportion of their developmental resources as specified by law. The bureau's staff would consist of the directors of the now independent enterprises, and perhaps of hired experts.

It would be the task of the bureau to choose and evaluate managers; also to decide questions of strategy, and of allocating developmental resources, but solely on the basis of profitability and rate-of-return considerations. The bureau's staff would screen developmental proposals on the basis of competitive bidding and by majority vote. The fact that the bureau's material self-interest is linked to the growth of the bureau's assets, and that the decisions concerning the allocation of developmental resources and the choice of developmental directions are collective decisions guarantees that the decisions are based solely on profitability and rate-of-return considerations. The bureau would have the right to allocate resources also to enterprises other than its own enterprises, and to found subsidiaries in other branches of economic activity, even by borrowing. Thus the business-operating bureau would function as a "quasi capital market" and could be developed from the

present organizational forms. Thus the director of a member enterprise belonging to the bureau would have a twofold material self-interest. On the one hand he would have a material self-interest in the growth of his own enterprise; and on the other, in the consolidated profit of the bureau, which in turn depends on the profitability of all the member enterprises.

The member enterprises would decide with full responsibility the questions concerning production, marketing, and the operation of the assets made available by the owner organization. The managers of member enterprises would receive personal salaries negotiated with the owner organization.

The incentives for managers are linked to long-term profit. Managers would be appointed for a fixed term only. Thus the material self-interest of managers now includes also the risk of failure, and no longer as merely a moot possibility. The situation of nonmanagers under this arrangement is characterized basically by the fact that they are employees.

The cooperative is another possible form of "enterprise" organization. The owner's functions are exercised under this form by the entire collective, respectively by the body (for example, the board) that the collective directly elects, and include a proportion of the operational authority to set working conditions and regulate wages. The elected body decides essential questions pertaining to the enterprise or has a minimal right of veto. It appoints the manager, approves the enterprise's plan and organizational structure, and directs the finances of the enterprise. It decides how much of the produced gross income becomes personal income, and what proportion the collective allocates to accumulation. Of course, this decision is influenced by the general system of taxation, but by no means so decisively as in the case of the present regulations governing the formation of the profit-sharing fund. In a cooperative the material self-interest is more sensitive to short-term changes in income, and the common interests of managers and workers are more direct than under the enterprise system; therefore decisions that are promising in the long run, but which could affect momentary personal incomes unfavorably, must first be reconciled with the collective.

The entrepreneur (or collective of entrepreneurs) who leases society's capital assets is the third type of management organization. Potential entrepreneurs are awarded management positions by tender, through competitive bidding, and they operate in the same form the subunits capable of independent commodity production. The lessee has an absolute material self-interest in profit in excess of what he bid, because this extra profit enhances his own wealth, but he is personally responsible for payment of the pledged profit. The managers, heads of subunits, etc. function as lessees for a specified period of time.

In addition to the proposed three organizational forms, of course, there would also exist the various forms of small companies that are now unfolding.

The listed organizational forms differ from one another in the separation of the functions of owner and operator, and also in terms of the appointment of managers, material self-interest, and the status of the workers. Each form has its justification. If we succeed in developing a system under which the various forms can exist side by side, and where legal barriers will not hamper the spontaneous development and transformation of the organizational forms, then sooner or later there will develop a system of viable organizational forms.

Public Setting of Wages

In the proposed model, as I have already mentioned, the market will act as regulator in a significantly wider scope, but not as the sole regulator. First of all we must develop a system of wage regulation that provides wider room for the effect of the job market. For the present system of enterprise wage regulation is one of the most serious obstacles to business-like operation. The present system of wage regulation could be replaced by a system of collective wage contracts. (See Laszlo Herczog's article: "Regulation by Negotiation," in FIGYELO, No 10, 1982.) The collective wage contracts would by supplemented by a progressive--but not deterring--income tax.

No central regulation is necessary in the case of those forms of small companies and cooperatives where wages can move also downward. The published collective wage contracts would transmit their effect also to this segment of the job market. But I regard as indispensable that a higher level of incomes be allowed to develop in this sector, primarily to compensate for the greater risk and smaller income security, and to reward the mostly higher intesity of labor.

A feasible solution for perfecting the present system of price regulation would be to let the Hungarian Chamber of Commerce assume the task of organizing the price negotiations in the case of the principal commodity groups. Besides the large producers, users, importers and distributors, also representatives of the small ones and officials of the Price Office would participate in these negotiations. In the annually recurring negotiations the interested parties would agree not on prices, but on price-policy behavior, and the agreements would be made public. Under these circumstances the specific agreements on prices would be truly free-market prices, unhampered by specific limits between the various price levels.

However, price simulation would have to be retained in the case of energy sources and raw materials. Market stability could be ensured if a few "direct state" enterprises pursue a policy of market intervention, and purposeful import competition when necessary (which would not require substantial outlays of foreign exchange).

Constant Competition

State intervention cannot be excluded, not even in the distant future. Except in agriculture, however, all forms of aid to reimburse costs could be abolished. In the case of production that shows inadequate profitability but temporarily is still indispensable, and also in lagging industries, it is not the costs that should be reimbursed. Rather it might be warranted to provide aid for development necessary to end the losses; this should be provided on the basis of a business-like agreement between the enterprise and the state, by tender. The state must regulate the manner in which the loss is to be settled. Intervention in the marketing conditions cannot be normative, because of the individual nature of the commercial contracts and marketing programs. However, there is room for competition and for any form of public tender.

All these changes presuppose, like a chain reaction, also the perfection and transformation of national economic planning, of the financial system, and of their institutions.

An essential feature of my outlined proposal is that the enterprise sphere is the aggregate of heterogeneous organizational forms capable of growing into, and of competing with, one another. The proposal breaks the one-way vertical dependence. The functioning of the economy would be governed by several forces in partnership (central planning, financial management, common-interest association of businesses, the trade union, and the market). The plan formed in this manner would result in a real integration of entrepreneurial efforts, and of the various macroeconomic and social priorities, because the plan would be adopted after mutual reconciliation. I think this is what the primacy of the national economic plan's objectives really means.

I do not imagine that the outlined rules of the game, if they can be introduced at all, would be able to function immediately. I envisage a long process of gradual development, one in which every step cannot be foreseen and planned in advance. On the basis of practical experience it might be necessary to make more specific or correct some of the original ideas.

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## SITUATION, EXPERIENCES OF NEW FORMS OF BUSINESS OPERATIONS DISCUSSED

Budapest KERESKEDELMI ERTESITO in Hungarian No 8, 6 Apr 82 pp 173-175

[Bulletin of the Ministry of Domestic Trade Concerning Experiences With and Further Tasks of New Forms of Business Operations Introduced in Trade]

[Text] In January 1981 retail trade began the conversion to contract and leasing operation of small businesses. As a whole experiences with the new forms of business operation are favorable. The opinions of councils, enterprises, cooperatives and the populace prove that the contract and leasing form of operation well serve both the consumers and the interests of the national economy.

The achievements in introducing the new forms of operation, the operational experiences and the further tasks of the conversion are as follows:

### 1. The Situation in Introducing the New Forms of Business Operation

After widespread preparatory work and in accordance with the provisions and guiding principles the enterprises and cooperatives began propagation of the contract and leasing forms of operation.

In the first year of the introduction of the new operational forms the enterprises and cooperatives handed over 2,212 businesses. Of these 2,054 have the contract form and 158 have the lease form. The results--taking into consideration the character of experience acquired in the first year--are favorable and correspond to the original ideas. This is given significance primarily by the fact that businesses operating in the new form can be found throughout the country and in every trade, serving as an example for their further widespread propagation.

In the first year the management organs operating commercial units advertised more than 5,000 businesses, 10 percent of all units. The entrepreneurial spirit was moderate in the first year.

The entrepreneurial spirit was greatest in the catering industry. Espressos, restaurants, bars and taverns in the higher category attracted the most bidders. There were an acceptable number of applications for lower category drink shops, espressos, snack-bars and buffets.

The ratio of conversion for industrial article shops is similar to that for catering. The entrepreneurial spirit was moderate in the foodstuffs branch. There were bids for only about one quarter of the units advertised. There were few applicants for shops selling general foodstuffs, spices, meat and milk; somewhat more bid for vegetable and fruit shops.

Enterprise examples show that the leasing and contract form of operation can be propagated in the foodstuffs branch also--if realistic conditions are set and the network workers are properly prepared and educated. On 1 January 1982 there were 346 contract foodstuffs shops operating in the country and in general they were very successful.

The ratio of conversion for industrial article shops is similar to that for catering. About two-thirds of the clothing and sundry articles retail trade units advertised were taken over.

Interest and entrepreneurial spirit varied significantly by region also. The ratio of conversion varied between 19 and 62.4 percent.

2. Operational Experiences With Contract and Leased Businesses

The business leaders are striving to develop an offering of goods better and flexibly adjusted in time and variety to demand. The ratio of direct acquisition from private persons and artisans is not considerable and has significance primarily in the offering of fruits and vegetables by foodstuffs shops and of trifles and fashion goods by industrial article and clothing shops.

In a few branches a significant proportion of the business leaders undertake acquisition and shipment of goods. It is important that the management organizations determine the magnitude of the defrayal of delivery costs in accordance with the pertinent guiding principles. Concessions given in this area must be established in such a way as to create suitable interest in using one's own transportation tools.

The creation of self-service wholesale warehouses significantly improves buying conditions for the leaders of lease and contract businesses. In the period ahead it would be useful to create more self-service wholesale warehouses in the association form (bringing in the industrial shippers).

Warehouse services for contract and lease business leaders can take place in the same way as for other businesses. One cannot permit the discrimination experienced in a few cases--tie-in sales, late service for contract shops, etc. It is unfortunate that a few shippers have "excluded" the shops operating in the new form from their routes.

As a result of a more active acquisition policy the number of shortage items has decreased in these businesses. The cultured nature of service provided has improved significantly. Service is more courteous and attentive than before. Personal contact between business leaders and customers is stronger and care is taken to develop a permanent circle of customers.

New services have been introduced in a number of businesses (in catering businesses they provide take-out menus, disco programs and organize programs more actively while in industrial article shops they permit people to reserve items in advance, have simplified the handling of claims, etc.).

The business leaders have increased the capacity of their units in various ways. By eliminating storerooms and offices and using simple work and organization procedures they have expanded the sales space. A number have set up sidewalk and garden areas. The times they are open are better adjusted to consumer habits.

Turnover at these units has increased significantly as a result of the measures taken. When signing the contract the business leaders undertook to increase turnover 15-20 percent in the first year of operation. We have only approximate information concerning the actual development of turnover. A few examples show that in a number of cases the actual turnover is two to three times what it was.

As an average personnel decreased by more than 20 percent in the contract businesses. The decrease is characteristic primarily of catering businesses with larger numbers of personnel. In foodstuffs businesses in general the improvement in efficiency means that they are doing more business with the same personnel. The situation is similar in regard to embodied work. The increase in turnover is achieved with the same or smaller fixed and circulating assets and care is taken to conserve on energy and costs.

The share of profit paid to the enterprises by the contract businesses is nearly twice the profit achieved by these units in the preceding year.

The management organizations calculated into the initial fixed rate fee a profit larger by 70 percent. In the course of bidding this increased by another 25 percent--differentiated by branch.

In the foodstuffs branch businesses were frequently advertised with an excessively high fixed rate fee. It is incorrect to project the average enterprise profit level for shops which had been operating at a loss--and under unfavorable conditions--if the conditions for profitable operation are lacking.

The contract was voided for 1-2 percent of the units operating in the new business form. A role was played in this by poor management or payment difficulties arising from excessive bidding; in one or two cases the contract was voided due to sickness, death, etc. The magnitude of contract voiding is not significant and one must count on a similar ratio in the future also.

The trade guidance work of the enterprise centers has practically ended in regard to the contract units. Some of the enterprises--despite the guidelines issued--interpreted this to mean that they need offer no aid to these businesses. The opposite mistake was made also, when they intervened too much (for example, in regard to acquisition sources, setting opening times or profile, etc.).

The obligatory administration of the businesses is minimal. A few management organizations stuck to the prescriptions used earlier and accordingly obliged the contract businesses to provide superfluous reports in a number of places (for example, daily personnel and turnover reports, etc.).

Investigations performed in the enterprise centers showed that preparing the transfers, doing the calculations, advertising, discussing the bids and signing the contracts really represent extra work. In the course of the conversion the decreasing number of units working in the old form will mean constantly decreasing administration.

There are still significant reserves in abandoning superfluous, parallel operations and in exploiting the possibilities of simplification.

One of the goals of introducing the system was to bring in and use private financial assets. The business leaders have undertaken minor renovation, in a few cases more significant investments (for example, ice-cream machines and beer bars), and have undertaken to replace shop furniture. The contract leaders bought a part of the circulating assets or financed them themselves.

The size of the financial assets used by the entrepreneurs to finance circulating assets can be put at about 60-70 million forints. With the increase in the number of units working in the new form and with increasing confidence we can expect an increase in private investment.

In a number of cases we found improper enterprise practices in setting supplementary obligations ensuring the contract. The excessive sum set as property insurance greatly reduced the entrepreneurial spirit. In places the size of the sum demanded from those who were not enterprise workers (for example, a sum of 100,000 to 400,000 forints for the 3 month fixed fee) practically excluded outside bidders. It would not endanger the security of the enterprise and it would be in the interest of the business leaders if free financial assets were used to purchase the circulating assets, instead of using sequestered savings deposits for this purpose.

With the cooperation of the business leaders the management organizations have renovated some of the businesses more cheaply and more quickly. Because of the limited financial possibilities of the enterprises it is useful to refund the expenditures of the leader from the fixed fees--if the business leader undertakes renovation at his own expense.

On the basis of the experiences of the first year the pace of conversion must be substantially accelerated. We plan to hand over about 6,000 businesses in 1982. This is nearly three times the number of units handed over in the first year, which means an increased task for the ministry, the SZOVOSZ [National Federation of Cooperatives], the councils, the administrative organs, the enterprises and the cooperatives.

3. Further Tasks of the Conversion

In the interest of accelerating introduction and a wider arousal of entrepreneurial spirit the Ministry of Domestic Trade is increasing propaganda to popularize well functioning contract and leased businesses. In the months ahead we will organize consultations in every megye to clarify the problems and debate the tasks. The ministerial decree pertaining to contract operation will undergo minor modification.

It is an important requirement that every enterprise and cooperative evaluate in detail the experiences of the first year, the causes of achievements and problems, and work out conditions for a swifter pace of introduction.

Increasing entrepreneurial spirit is one of the most important tasks at the enterprise level.

--According to a representative survey only 17 percent of the business leaders are fully aware of the essence of the new operational forms. This shows that there is further need to organize study courses aimed at making the system known. In addition to expanding professional expertise an important goal of education is persuasion. It seems useful for the management organizations to take over the cost of the study courses in whole or in part.

--The advertising of businesses must be better concentrated regionally and by branch. Instead of sporadic announcements pertaining to only a few businesses a given region should advertise all businesses in the same branch at the same time. Experience shows that this increases interest and encourages the submission of bids.

--In the interest of creating longer-range interest we recommend that the agreements pertain to a 5 year-period. The longer contract period strengthens confidence and encourages the investment of larger sums by the business leaders.

The enterprises and cooperatives should review and if necessary modify the conditions for advertising businesses.

--They should strive for a realistic determination of fixed fees. Where it is not possible to put an end to deficit operation the fixed fee should not contain a profit component. Eliminating or decreasing the deficit also represents an increase in economic efficiency.

--The sum of the supplementary obligation ensuring the contract, or the security put up, should not exceed a value proportional to the real risk. Excessive requirements decrease the entrepreneurial spirit. Enterprise conditions should be developed in such a way that the "security" of the enterprise is based on the circulating assets financed by the business leader and not on the security put up. The management organizations should make use of different forms of the supplementary obligation ensuring the contract (sponsors, pledges, mortgages). A part of the bidders, experts without property, should not be excluded by too large a supplementary obligation ensuring the contract or by sticking to the need to put up security.

--In the interest of ensuring the goods and other stockpiles needed throughout the year the enterprises should agree on a supply of circulating assets of varying size. In the case of an especially seasonal business it may cause a problem if the management organizations adjust the quantity of circulating assets transferred to the business leaders to needs outside the peak season. For this reason it would be useful to fix an upper limit for fixed assets in the contracts. As needed--in return for payment of a use fee--the contract holders can raise the value of the circulating assets being used to the upper limit; then, when the need ends, they again reduce this through repayment.

--The management organizations--primarily in the foodstuffs area--should initiate the creation of acquisition associations. An association of business leaders or other organizational forms made possible by central regulations will facilitate a supply of goods for shops with one or two people.

--Insofar as the operation of a given business cannot be made profitable in its present profile the profile should be modified or expanded in the interest of creating conditions for profitable operation. It would be useful to review the operating permits of the businesses and if necessary the units should be advertised in accordance with modified operating permits.

At the time of the comprehensive evaluation of the annual work of the enterprises the supervisory organs should take into consideration the enterprise efforts and measures taken in the interest of introducing and successfully propagating the new operational forms.

Propagating the contract and lease forms--in accordance with the original plans--will take some time. But the management organizations should schedule the conversion so that the free cash box operational form can be largely liquidated by 31 December 1983 for urban fruit and vegetable shops and meat shops and by the end of the Sixth Five-Year-Plan elsewhere.

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OFFICIAL INTERVIEWED ON ENERGY MANAGEMENT PROBLEMS

Budapest NEPHADSEREG in Hungarian No 15, 10 Apr 82 p 3

[Interview with Gyula Czipper, director of the National Energy Management Authority by Gyorgy Toth; date and place not specified]

[Text] The rationalization of energy management cannot be separated from the production of our national income, or even our day-to-day life. Our country does not abound in energy carriers, and thus, our economy is sensitive to all changes affecting energy. How should we manage energy? This was discussed with Gyula Czipper, director of the National Energy Management Authority by our correspondent, Gyorgy Toth.

[Question] How is our energy consumption adapted to the production of our national income?

[Answer] All branches of the people's economy are energy consumers. Industry is responsible for 50 percent of our total energy consumption, transportation and agriculture for approximately 10 percent each and the population for the remaining 30 percent. To evaluate the energy consumption level, we first examine the energy percentage consumed for a 1-percent increase in the national income.

Based on international experience, if the mentioned indicator is less than 1 percent, we have an effective energy management. This indicator is between 0.6 to 0.7 percent in countries with advanced economies. The comparison, of course, requires thorough analysis. Energy consumption is greatly dependent on the production mechanism of the given country, its climate and the composition of the consumption. Our country--as far as its flexibility indicator is concerned--is in the middle of the spectrum compared to other countries. Only through improving our energy consumption efficiency can we move up to the front line.

[Question] What kind of energy carriers do we have to work with?

[Answer] Hungary supplies half of its energy needs from national resources and the other half by imports. This ratio varies depending on the price of energy carriers on the world market. At the end of the 60's and in the early 70's, we were planning to increase oil imports and neglected the production

of domestic energy carriers. Imports reached their peak in 1978, when we covered 55 percent of our energy needs from imports. But we would like to influence this process by our energy management program, since the increasing oil prices became almost constant. Thus our imports will be below 50 percent in 1982.

[Question] How have our geological resources shaped the system of energy-carrier production?

[Answer] In our country, we produce, among other things, 2 million tons of crude oil and 6 billion cubic meters of natural gas. Our reserves are short; so we cannot increase production. Only our natural gas production can be increased significantly, from natural gas containing inert gases, whose heating value is approximately 4,000 calories per cubic meter, i.e., one half of that of pure natural gas. Natural gas of this quality cannot be mixed into the national gas system due to its reduced quality. Thus it will be consumed by a targeted consumer. More exactly, we shall replace oil by this gas in the Tisza Power Plant. Our coal reserves would permit a much greater production than the one presently in effect. To accomplish this, however, we must open new mines. We have several programs for this, out of which the so-called eocene program is the most significant. Within its framework, we are developing the Komarom County coal basin. Two plants are already in operation. Coal has been brought to the surface first from the Markushegy mine, but even the Nagyegyhaz mine is producing this year. These deep mines contain good quality brown coal, most of which is used to supply the population, partly as classified coal and partly as briquette base material. By 1982, we are planning the construction of a factory in Dorog, Tatabanya and Varpalota, capable of producing 400,000 tons of briquette. A part of their base material will be produced by these two mines.

[Question] The saving of energy is an important part of energy management. How do we manage energy carriers from their production to their final consumption?

[Answer] The increase of the energy carrier prices, especially the price of oil, urged our country to prepare a separate energy management program, i.e., to put together a program in whose framework we adjust our energy consumption in a planned and conscious manner to the possibilities. The government established our energy management program in its December 1980 decision. According to this, we must moderate the rate of increase in energy consumption. Before 1978, the annual energy consumption in our country averaged 4 percent. Our goal is to keep this average value below 1.5 to 2 percent.

Another important goal is to reduce oil consumption. Five years ago, the consumption of this energy carrier was above 43 percent; according to our plans, we shall reduce this ratio below 30 percent. A part of our task must be implemented by organizational measures, i.e., by measures which eliminate or reduce obvious waste by improved labor organization, more professional equipment maintenance, more careful energy consumption.

The so-called energy rationalization measures belong to the second task group. In its framework, we shall initiate energy-saving investments; e.g., to utilize waste heat, to reduce the specific energy consumption of certain industrial processes, we can create the conditions of energy technology rationalization in a given plant by a more economical waste water maangement. We have a broad range of opportunities which offer significant energy savings via investment, further development and by improving the efficiency of the existing energy-consuming and conversion facilities.

The world-market price of metallurgical coke increased in proportion to oil price increases; for that reason, our program includes tasks to reduce its consumption. We are importing this kind of coke in large quantities, and thus the increase costs hurt us. Based on the program--especially in large metallurgical plants--we must save nearly 300,000 tons of metallurgical coke. As a first step to this end, we are developing the technology of pig iron production, especially by improving the energy efficiency of blast furnaces.

We also want to reduce heating oil consumption. To this end, the method of feed preservation without drying, i.e., wet feed preservation, must be used more and more widely in agriculture. Agriculture consumes 10 percent of the total energy. Most of this is fuel and heating oil, which amounts to 30 percent of the national consumption. It is important to reduce the quantity of oil burned by the utilization of agricultural and forest side products. In these two latter categories, agriculture moved ahead. More than 500,000 tons of heating oil must be substituted by the increased use of coal, natural gas and geothermal energy by the end of the sixth five-year plan period.

[Question] How can the energy consumption of the population be adapted to the possibilities of the people's economy and to our living standard and political goals?

[Answer] We can reduce the energy required for the central heating of newly constructed homes with increased heat insulation and the installation of hatches minimizing heat loss. We are planning on the separate measurement of heat energy and hot water consumption even in dwellings with remote heat and the billing of the individual dwellings instead of using lump-sum tariffs. Today's billing system does not encourage energy saving. This, of course, does not entirely depend on the residents: dwellings must be equipped with radiator regulators and devices accurately measuring the temperature.

[Question] Are rate increases or consumption regulation and the installation of measurement devices the most effective way?

[Answer] Prices are extremely important from the viewpoint of energy saving. But I must immediately add that the rates paid by the management organizations and the prices established for the population must be separated. The increasing of the latter can only be done taking into account living standards and politics. Energy management interests can only be satisfied with regard to this. As an example, remote-heat and hot water supply prices

can be maintained at a level corresponding to our living standard and politics. Subsidies will not be abolished in the future, and even if the cost of the services may increase from time to time, their price will not approximate the real cost of their generation.

As a national average, remote heating costs nearly four times as much as the amount paid by the population. Even domestic heating oil costs double for the people's economy than what it is sold for. This was the reason, among other things, for the increase in heating oil prices.

The energy management program involves the improvement of technical sophistication of household machines and equipment. Last year, we have completely stopped the manufacturing of televisions with electron tubes. Transistorized sets using smaller amount of energy can be purchased at approximately the same price as their predecessors. Energy efficient equipment appeared in the stores, such as washing machines and centrifuges. The benefit of such devices and equipment is two-fold: significant energy savings can be achieved through their use. And since they require less energy, the extra expenses relative to the consumer price increases can be somewhat moderated.

[Question] What are the tools used to achieve the energy management goals?

[Answer] One of the important elements of our tools: investments which serve energy rationalization can enjoy state support. During the sixth five-year plan period, we have budgeted 15 billion forints of credit for this type of investments. From this amount, about 7 billion forints are state subsidy, i.e., credits not to be paid back, which are available to the management organs through competitive selection.

[Question] What are the experiences of the implementation of the energy management program until now?

[Answer] The most significant achievement has been the moderation of the dynamic growth of energy consumption. Neither in 1979, nor in 1978 did the energy consumption of the country increase; furthermore, there was a 0.7 percent reduction in 1981 compared to the previous year. According to our plans, there will be no significant increase in our energy consumption this year. As a matter of fact, we shall consume 2 million tons less oil in 1982 than in 1978. Not only the effect of energy rationalization measures is demonstrated everywhere but in the meantime our economic growth also slowed down, and thus the energy needs of our people's economy have been moderated. It is important that we managed to achieve results precisely where waste has been the most conspicuous.

[Question] How can compatibility be achieved between our energy saving efforts and our possibly increasing economical growth?

[Answer] Our economic growth is more and more determined by energy consumption and the cost of energy supply. In certain branches, there will be sufficient amount of energy available under any circumstances. However, when we are planning our future, we must always consider the costs of energy

supply. We must strive for an economic development that would not require any more energy than necessary even for the production of articles that are competitive on the world market. Energy saving, however, must always be kept within reasonable limits. Our economic growth and energy management concepts can be made compatible in this manner.

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## PROBLEMS OF INCREASING ENTERPRENEURSHIP ANALYZED

Budapest KULGAZDASAG in Hungarian No 1 82 pp 3-11

[Article by Kamilla Lanyi: "The Problem of Enterpreneurship in Our Economy"]

> [Text] A whole series of government regulations appeared in recent months making the establishment and operation of small enterprises and flexible small entrepreneurships possible in the state, cooperative and private sectors. However, in order for the requirement of entrepreneurship to become commonplace in the whole enterprise sphere, significant changes in our economy's methods of operation would be necessary. At the same time, there appears to be an indispensable need for the clarification of some conceptions and the reconsideration of what we deem to be necessary, possible and permissible in a regulated market. This article is intended to be a contribution in this direction.

Towards the end of the 1970's, it became apparent that the methods and means with which Hungary had participated in the international division of labor thus far would no longer insure the international competitiveness —taken in the broad sense—of the Hungarian economy. Doubts also began to appear whether a restrictive economic policy carried out over an extended period by itself would be sufficient to reestablish equilibrium and to place the economy on a new stage of growth within the foreseeable future.

On a very wide scale, Hungarian economists have endeavored and are still endeavoring to explore the conditions for reestablishing the equilibrium and of initiating a new stage of growth. Economic policy problems, and within this, particularly the problems of development policy, economic mechanism, organization and of institution systems have emerged. Their discussions, for the most part, were carried on within the framework of responses to world economy challenges. At the same time, attention was naturally focused on the forms of interaction between enterprise and state economic direction, and also on how and in what direction these interactions are influencing enterprise behavior both on the internal and external markets.

The 1968 economic reform created the institution of the market in the enterprise sphere in Hungary, and established the conditions of competition among certain enterprises. The creation of the market institution in itself does not yet assure a well organized market, or its proper and trouble free operation. This can only be accomplished through a longer examination process and the introduction of numerous new institutions. The existence of the competitive status in itself does not equivocally determine in what, for what goals and with what means the enterprises will compete, and how competitive the forms they have available and with which they have experience will make them on the external market.

The examination of the total economy, and more specifically, that of the adaptation and entrepreneurial capacities of the enterprise sphere have led us to the problem of enterpreneurship, to the recognition that the organization, institutions and directive system of the economy are restricting and preventing, rather than promoting the advancement of Hungarian enterprises (including agricultural production units and monetary institutions also) as entrepreneurs on the market.

The Concept of Entrepreneurship

When we write about entrepreneurship it would be proper for us to attempt to clarify what we mean by economic entrepreneurship. What can the function of entrepreneurship in the economy be, and just what does an entrepreneur do?

Rather than give a definition, let us examine two very simple examples!

In our first example, let us imagine a very imperfectly operating market in which merchant "A" has a product for which the customers of whom he is aware are not interested in his product, or are only willing to purchase it at a price so low that it does not even cover his costs. On this same market there is also a potential customer "B" who needs just this product but cannot find it, or the shippers are asking a transportation charge too high to make the purchase worthwhile. If "C" becomes aware of the situation and buys "A"'s product at a somewhat higher price than the others had offered and sells it to "B" at a somewhat lower price than the previous best offer, then entrepreneur "C" by exploiting the information gap existing on the market may perhaps reap a large profit, while assuring the continued existence of "A" and "B" on the market.

In the second example, let us imagine a country which has a large polyethylene factory which exports all of the foil it manufactures. There is also a doll factory which importa all of the multi colored paper boxes it needs for its dolls. If at this point someone equips a plant which produced polyethylene bags with engraving and lettering in color to pack the dolls, and if the merchants and customers accept these, then the plant could be a successful entrepreneurship. It could grow to be large by also manufacturing special bags for soup vegetables, which were packed in netting before. It could continue like this until competitors arose.

The first example, primitive as it is, calls attention to the fact that entrepreneurship is always based on a market impulse. The entrepreneur seizes the opportunity provided by the market's given state—which is never perfect—and important roles are played by his attention, resources and information gathering capacities. The second example illustrates the relationship between innovation and entrepreneurship, and its characteristics of often producing further new activities. In the first example, the profit motive is clearly apparent. At the same time, an activity based on only profit making and market speculation contributes to the development of the market equilibrium. The second example rather brings out the elements of risk in entrepreneurship, and the characteristic that entrepreneurship can break down the previous balance, while at the same time initiate a growth process.

From our examples it is evident that capital is needed for entrepreneurship. But it is also evident that the entrepreneur himself does not have to be the owner of the capital. It also occurs to us that the entrepreneur needs information and also, in most cases, he needs to be able to mobilize certain resources (materials, machinery, manpower). Furthermore, entrepreneurship always adds some kind of new activity to the ones already existing. Where information gathering and transmittal are monopolized, where resources are completely distributed and where activities are determined once and for all there can be no entrepreneurship.

Thus, entrepreneurship is a market concept, on a market in which capital is also present. Perhaps there is not a single other function from which speculation, risk and profit acquisition are as inseparable as they are from enterpreneurship. Naturally, in a modern and properly operating market there is no possibility for the kind of speculation given in our first example, and profit cannot be reaped so easily. In a planned economy and in a regulated market, however, both speculation and the acquisition of profits can be restrained, regulated and narrowly channelled as desired. Within such a framework both activities, or rather behavior—that is, both speculation and profit acquisition—are indispensable constituents of the entrepreneurial process.

It is necessary to establish this because where there is entrepreneurship the question usually arises whether the entrepreneurial profit is deserved and well earned, or whether it arises from exploitation of some weakness in the market or market participants, that is, from pure speculation. It is worht noting that the more unregulated the market is, the greater the number of information gaps, the more uncertain the mutual relationships among the market participants (the more difficulty the buyers and sellers have in locating each other, the more defenseless situations exist, the less the market participants know about the conduct of their competitors) the more possibility there is for short term and perhaps destructive speculation, and the easier it is and less risks are involved in making a profit. A good example of this is the Western European agricultural market during the first half of this century.

Among the market functions of the enterprise and individual entrepreneurship is the one which is most closely connected to the concern for profits, that is, interest in acquiring as great a profit as possible. The success of economic entrepreneurship—in contrast to other economic functions--can be assessed only by the magnitude of the profits, since it has no other indicator of success. Perhaps it is not superfluous to mention that the current role of the enterprise in society's division of labor is much more complicated than to permit the restriction of its functions to entrepreneurship alone, or its motivations to the acquisition of profit only. All experience points to the opposite. But it should also not be forgotten that while in recent decades the methods and styles of entrepreneurships and ventures and the acceptance of risks have changed significantly in possibly all developed market economies, they will never be eliminated from enterprise life. In fact their role in recent years appears to be growing.

Problems of Entrepreneurship in the Hungarian Economy and in Economic Thinking

As we already mentioned, on an operating market the entrepreneur notices new demands and also how old demands may be met in new ways. In his perspective it appears that something can be produced more cheaply or something could be sold to someone which could not be sold to him before. Why is the state not capable of doing this?

The state is obviously unable to perceive the new possibilities as an enterpreneur. The state government, state direction and the central planner are not directly involved with the market. And why does the demand, or the possibility that something can be produced in a new way or can be marketed in a different way occur to them? Naturally it does occur to them, but in a different way. The chief indicator for the state is the shortage. The opportunities, or rather the missed opportunities are signaled by such aggregate indicators as growth rates, the balance of trade, the development of terms of trade and the population's unspent money. We should note that in this case the awareness—in contrast to entrepreneurial behavior—is always subsequent, and under the best circumstances can only take the form of a response and never the seizure of new opportunities. Let us also note that news of only the most important shortages, those which affect many, can reach teh central government, which must then rank their elimination according to some scale of demand, especially if monetary investment or supplementary imports are required.

Entrepreneurship as a profit acquiring activity, and the entrepreneur as an activity expressing individual or as one managing a group interest also present ethical problems. Thus, values are attached to the concept of entrepreneurship. Some of these ethical problems can also be generally raised about the market economy (along with the institutionalization of exchange through the market, or the exchange of operations and activities). Without attempting to outline the varied history of these ethical problems and solutions, we would like to remind the readers that under the

circumstances of today's capitalist economy, the exploitation of economic superiority on the national and international scales and the despotic decisions of the large enterprise managers and state bureaucracies which affect the environment and the living conditions of large masses of people, and their methods which influence consumer behavior have been condemned both as market morals and as immoral in themselves.

Thus entrepreneurship also involves value conceptions. In today's socialist economies--chiefly for historical reasons--entrepreneurship is not valued very highly. It is not related to organizations and institutions which have been considered prestigious until now--the experience has been insufficient, and from the theoretical standpoint, it has not been clarified how it could be so related. Thus we should not be surprised if the need for enterpreneurship so far has been formulated in relation to activities, organizatonss and social groups which are either on the lower levesl of the value hierarchy, or are considered as temporary, tolerated phenomena by society, as tactical elements in economic policy such as: among enterprise activities, the servicing of large enterprises (background industry and services; in terms of enterprise size, the small plants, cooperatives and small private artisans; as far as form of ownership is concerned, cooperative and private entrepreneurships; from among the social spheres of operation, the entrepreneurships of the so called secone economy. Perhaps it would not be superfluous to mention here the Soviet trusts on the early twenties, which operated as profit making entrepreneurships without a framework of welfare and supply, and with less social responsibility than today's Western European state enterprises. From this we may immediately conclude that it is not the socialist state property institution which automatically eliminates entrepreneurships and the operating conditions of the market.

If the need for entrepreneurships is characteristically attached to small scale ventures, it has what appears to be an objective cause. The current work organization and technology in large industries of even capitalist countries makes it possible for only a narrow group of the enterprise leadership and ownership level (management and directing councils) to perform its activities--at least partly--in such a way that the success of the entrepreneurship becomes the personal success of the entrepreneurs. Often, even in capitalist countries, entrepreneurship on the massive scale can be found only in a competitive sphere maintained artificially, or at least through unusual means--in a classical competitive sphere, as Galbraith calls it. The survival of this characteristically small scale owner and small enterprise sphere had been subsidized in the past chiefly for political or more for ideological reasons--in addition to the economic reasoning only recently recognized--as symbols of open competition, free enterprise and of completely private property. As similar symbols, the small enterprises in socialist countries often and for a long time came under a variety of restraints and restrictions, and often even became problems to be handled by the police. Among other reasons, this is why every effort which attempts to resolve or even initiate entrepreneurial values and entrepreneurial activities in areas which are secondary in importance and prestige, or which do not present

compatible solutions in terms of forms of ownership or ownership organization (especially an organization representing or handling state property) are received with such well founded hesitancy.

In order for there to be entrepreneurial enterprises, groups of enterprise leaders, capital owners and certain invididuals with the appropriate capacities must exist.

In the current economy, ownership and entrepreneurship can be wholly or partially seperated from each other, but can be distributed among owners (share holders) and entrepreneurs (managers), or rather, their associations. As far as the Hungarian economy is concerned, when recommendations about ownership organizations independent of state direction emerge, these implicitly postulate exactly the distribution of entrepreneurial activities and profits. It is evident that entrepreneurial activity is alien from the ownership body represented by state directive organizations (ministries, councils). There is also no method by which this body can acquire income from entrepreneurial activity. If these cannot participate in either risks or profits, ownership supervision and oversight can only be assured if the enterprises which are in possession of state property, are operating with it and may detach part of it, while not themselves acce ting the ris s or entrepreneurial profits, share in the ersponsibility and commitment which the state as owner has towards society.

An ownership organization independent of state direction would be suitable for sharing the risks and profits of entrepreneurship--no matter what given size or extent--with enterprises irregardless of how the entrepreneurial role is divided among them. The prime social condition for the operation of such an independent ownership organization would be the development of a strata (technostructure) which would receive justification for its existence and propserity from the rest of society for the performance of the entrepreneurial function (ownership and management) and the success acquired in it. The members of this group would be mobile compared to the other ownerships, or rather, owner representative groups (leaders of cooperative and private venturers, representatives of cooperatives and their chambers), but the exchange of places between these and representatives of political power could only be a rare exception.

This technostructure could evidently coexist with the more unusual forms of groups of small ventures and could also survive on a market on which both written and unwritten rules predominate (with the exception of laws which limit monopolies).

Some Problems with Small Ventures

We naturally did not intend to disparage the importance of small ventures with the preceding. Their value and shortcomings are especially noticeable in an economy which is characterized by the numerical majority of large organizations (that is, there are only a few medium and small enterprises both in the state and in the cooperative sectors) which do not at all or

hardly operate as entrepreneurships, but rather expect both initiative and recognition of their significance from the government. (In our economy, for example, in the form of the state assuring the necessary profits for survival and growth)

The chief advantages of small ventures are usually said to be their mobility and their need for only small amounts of capital. Also in the realm of these characteristics, they would exempt the state and its large enterprises from numerous supply responsibilities, would create and continually re-create the background industries for the large enterprises, would satisfy an important part of the continually changing demands of the population and would free the state from many imports which appear to be unnecessary.

Also usually mentioned among the advantages of small ventures is the fact that their possible failures and bankruptcies do not project a very large burden on society. We know from the literature that in capitalist countries a large number of small ventures begin and end annually, and that during their lifetimes a portion of workers and employees will try independence at least once. Many of these workers are heads of families who are engaged in part time small scale farm production. After experiencing a failure in a small venture, these people find themselves employment again without a great deal of anguish.

Among other things, these observations supply evidence for those Hungarian economists who are desiring to provide a free rein to private entrepreneurships for individuals, families or for cooperatives consisting of afew persons. Relatively little has been said about the fact that occasionally an entrepreneurship started with the least possible capital can become very successful, and that there is the possibility--and the possibility must be there--that some small ventures may grow to be mid sized or even larger entrepreneurships. It will depend on economic reasoning and social opinion just how large and how important private capital belonging to an individual or a group may be allowed to grow, and where the boundary will be at which the taxing of profits must be replaced by making the entrepreneurship a cooperative or by nationalizing it.

A different problem area than that just described is the well known rigidity of the enterprise size structure, the rigidity of the size of operating state and cooperative enterprises under the current and already existing legal and organizational framework--which developed as a result of economic policy endeavors and official decisions during the last three decades. The problem is that in Hungary there a very few mid sized enterprises in either the state or the cooperative sectors, and small enterprises are virtually nonexistent.

The lack of entrepreneurships or their insufficiency cannot, of course, be attributed to this. In addition, the fact that in the last 13 years among the small number of mid sized and small enterprises there were state

enterprises and cooperatives which displayed enterpreneurial behavior in no way indicates that in an economy in which the market entices and forces enterprises to entrepreneurships small size in itself is an advantage. Since there is sufficient literature on this problem it would perhaps be enough to note that the large enterprises, because of their greater capital resources, information bases and risk taking capacities notice, seize and are able to exploit other possibilities than the small and mid sized ones. Usually the market position and the extensive system of relationships of the large enterprises—meaning also its special relationships with the state (and perhaps also with multinational enterprises)--can and do play important roles.

Mention is made rather that in circumstances under which large enterprises could also participate in entrepreneurships, the lack of mid sized and small enterprises could lead to the breakdown of the economic equilibrium, if the large enterprises were to withdraw their capital rapidly from all the activities which they are performing in place of non existent small enterprises out of constraint or because of the lack of anything better. It is possible, however, that on the long run the only sensible capital investment for large enterprises and banks could turn out to be the institution of smaller enterprises. This could be a healthy process, but it could also be accompanied by the squandering of part of the accomplishments of research and development. Thus many recommend that the dismantling of at least those large enterprises which can be viewed as artificial according to market criteria be a state task, and that it should be accompli hed before enterprises in general, without regard to size, can establish the institutions of entrepreneurship.

Today many economists agree that the development of a healthy enterprise size structure cannot be the direct result of state action. On an existing and operating market, the cooperative and competitive relationships and the constant changes in these relationships among different sizes enterprises must elicit the growth, cessation, merger and dissociation of enterprises, as well as the impulse to establish new enterprises. State interference ought to be directed only towards market regulation and the maintenance of uniformity in the enterprise sphere, in order that individual enterprises or enterprise groups reach or not exceed their desired size.

Entrepreneurship and Its Methods of Integration into the International Division of Work

One of the most distinguishing characteristics of the enterprise sphere created by the 1968 reform is that Hungarian enterprises are expending more systematic effort on their markets on the input side than on the output side. There is more vigorous competition in demand than in supply. Enterprises are competing to win sellers with more varied methods than they are competing to retain buyers. The Hungarian enterprise which is counting on appropriate cleverness in creating a demand and on adaptation to shortage situations created by others—that is, it can be sure to be competitive on the domestic market—turns out to be rather helpless on foreign markets where competition in supply is still dominant today.

Because of the nature of entreneurship, the entrepreneurial enterprise can only create a demand the satisfaction of which is assured on the input side, or it creates a new enterpreneurship. On the output side, the entrepreneurial enterprise itself satisfies the demand, since this is what constitutes its entrepreneurship. This is the approximate thinking on the basis of which we can expect that if enterpreneurial activities become general in our economy, domestic shortages would significantly decrease and the competitiveness of the enterprises on external markets would have to increase significantly.

Beyond this, the requirements of entrepreneurship, or rather, its potentialities can be related in many ways through the method of an economy's participation in the international division of labor. We would like to focus attention here to only a few of its aspects.

One country's capital, land, material and human resources are at any given moment finite. Entrepreneurships just beginning will tie down a portion of these resources for the performance of a new task, which in itself may give rise to further new tasks, which will require capital and resources again. It is true that successful enterpreneurships must increase the total amount of capital and resources found in an economy. The price of this increase, however, is that the enterpreneur foregoes other activities or draws capital and resources from them despite the fact that the need for the fruits of these other activities has not ceased to exist.

Meanwhile, the structure is changing in two directions. New activities and new kinds of relationships among these activities are arising, while others—at least within a given economy—are ceasing. Thus, either the capital, part of the resources or the products lacking because of activities which have ceased, but for which there is still a demand must be acquired from the external markets. Other products and perhaps resources must be sold on the external markets.

It is clear that the structure modifying effects of enterpreneurships can only take place in an open economy, provided that we view the satisfaction of domestic demands and international competitiveness as the measures of entrepreneurial affectiveness.

This is not only relevant to the possibility of import competition, although—discounting several branches and activities protected in a protectionist way by economic policy—the value of import replacing entrepreneurships can be evaluated only through effective import competition. The more important standpoint, however, is that while only insignificant entrepreneurships are possible, while entrepreneurships cannot initiate processes which lead in the direction of sensible specialization and optimum size of a series, the domestic market is institutionally not open. The institutions of an open economy must be established in order for entreprenrurial behavior to become common in the sphere of market participants.

Moreover, today we are more or less at the point where rapid structure modification can only be imagined if entrepreneurial activity becomes common throughout the whole economy. Beyond the world market price explosion of the seventies and the recession which struck the capitalist countries, most economists contend that the era in which a moderately developed small country, while slowly improving its price structure, foreign trade organization and its trade and operating methods could generally maintain its position or its traditional markets and could assure for itself the necessary external resources for its planned or desirable development, while world trade develops rapidly and evenly are gone for a long time. The variability of the market, the vigorous price changes, the sharpening competition, the recurring drops in traffic, the appearance of more and more new countries on the markets of traditional or so called backward industry branches and the placement of more and more new industrial branches among those protected by backward, so called periodic protectionist methods appear to be permanent tendencies today.

In the development of international economic relatins other processes which may be said to be untried for the Hungarian economy thus far can be discerned. In the international division of labor, increasingly greater portions of the exchange of goods is being relaized by the international flow of production factors. In addition to cooperation with foreign enterprises, long term relationships among enterprises of various countries are increasing, and in certain industry branches are of fundamental importance. If it is a matter of a new technology, the development of new manufacturing branches, the exploitation of large scale natural resources or a business which can only be accomplished with the cooperation of principal and subcontractors and a large number of suppliers, the participants are often determined through fierce competition from the international realm, and the business in underwritten by international financing. New types of inter enterprise relationships and vertical integrations are coming into existence, especially among the enterprises of machinery (machine tool) and electronics industries. The multi nationalization of many branches which heretofore only operated within the domestic framework can be considered a new phenomenon. The continued increase of small multinational enterprises is changing the structure of the market significantly. These phenomena are modifying the relationships between buyer and seller and between the organization of trade and marketing methods. In the opinion of some, the sellers appearing on the world market are systematically divided onto the ones that keep up, or those which can recognize the advantages of new methods, and the outsiders, the group relegated to backwardness. Only enterprises which are flexible, capable of action and entrepreneurships which can integrate themselves into these processes can realize the accompanying advantages.

It appears sufficiently clear that in an open economy in which the direction of structural change is also influenced by the possibilities of entrepreneurship the factors to be taken into account in the formulation of state structure policy and the means of implementing structure policy are different than in an economy in which in practice every capital allocation is a result of central selection.

Likewise, where production factors either visibly or invisibly overstep national boundaries, where enterprises are aligned into ever newer formations on the international scale, only with different methods than before can the state assist and direct its enterprises to integrate themselves into the new processes taking place on the world market in such a way that the implementation of its economic policy is promoted.

A no less important result of the operation of the entrepreneurial enterprise sphere is that it is capable of continually relating economic policy conceptions and can provide responses to world market challenges beyond merely adaptations to already completed or registered processes.

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MAV DIRECTOR DISCUSSES RAILWAY TRANSPORTATION POLICY

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[Article by Zoltan Szucs, director of the MAV [Hungarian State Railways]: "Railway Transportation Policy," a speech given by the author at the Seventh National Transportation Economics Colloquium, Gyor, 1 October 1981]

[Text] The changes taking place in the development of the national economy and in the world economy and the increasing international division of labor mean ever new tasks for the railways also, from both the quantitative and qualitative viewpoint.

On the basis of the significant changes which had taken place already in the division of labor of the transportation system of our homeland it was possible to think, 12-15 years ago, that the swift development of highway transportation would influence to a much larger degree than at present the freight market situation of railway transportation.

Recent years, however, did not justify this hypothesis. Despite the fact that the freight market share of the railways declined somewhat as compared to highway transportation, the oil supply problems have again directed attention toward the railways.

The passenger and freight transportation needs of the national economy are such, in regard to their size and composition, that, even with a dynamic development of highway vehicle transportation, they cannot be satisfied without a gradual development of railway transportation and a modernization of its organization and technology. Thus the railways continue to form the backbone of the transportation network and it follows from this that they are a very important tool of the economic policy of the country.

We have undertaken to develop the railways in accordance with the level of the surrounding countries; development and electrification or even simply maintaining the level in a dynamic way result in capacity growth. So we must strive to exploit this increasing capacity. At present there are still ample opportunities for this in the Hungarian national economy.

In the interest of this we must increase the quality of rail services, in every area and in every respect, but in the interest of this we must also employ economic tools, fee policy and state intervention, and must harmonize

the capacity of the various transportation branches. And finally, one can imagine the use of administrative tools also--the use of diversions and restrictions.

It would damage the national economy if the railways, representing fixed assets of about 140 billion forints, were not used to the maximum extent; but it might be even more damaging to think that if the performance of the railways did not increase then they need not be developed at the planned rate. This would be accompanied by a great decrease in the efficiency of the railways and the technical backwardness could be overcome only over a longer time.

We have defined railway transportation policy--which is an organic part of the general transportation policy worked out for the entire domestic transportation system--in accordance with this interpretation. Our long-range tasks are adapted to the national economic needs, which make necessary comprehensive, complex development and the organization of the entire domestic transportation network into a unified system.

The following appear as especially important tasks in the complex development of transportation:

--creating a purposeful and economical division of labor between railway and highway transportation, in accordance with the fundamental goals of the transportation policy conception; and

--proportional development of track, vehicles and junctions in railway transportation, in accordance with the ability of the country to bear the burden.

The fundamentally important viewpoint in the transportation division of labor is that, because of the energy supply problems, that sub-branch always carry out the tasks within the transportation system which has the smallest specific energy needs and costs and which can aid an improvement in the balance situation of the national economy most effectively, with its economicalness and its earning of foreign exchange.

When establishing correct ratios for railway and highway transportation one must consider also that because of the increase in the number of highway vehicles, and passenger cars therein, there are difficulties in conducting highway traffic, and we have energy problems also.

These difficulties of the transportation system can be solved by developing and by making increased use of railway transportation, which moves on fixed track, can be automated and has great capacity for moving masses of people and goods.

After this introduction, our most important goals can be outlined as follows.

In passenger transportation we must improve conditions for commuter traffic; we must make fast, comfortable travel possible for those going to work or school. In addition to the commuter passengers, of crucial importance, we

must turn great attention to satisfying the needs of those traveling for recreational, tourism and cultural purposes. We must expand international travel possibilities and further increase the number of domestic express and fast trains.

As the 5-day work week becomes general we must work out schedules and plans for equipment turnaround, traction use and personnel assignment which will make it possible to continue to get people to work without delay in factories and enterprises working continually. Together with this we must ensure that those travelling for cultural, tourism and other personal reasons, which can be expected to increase, have favorable conditions for their travel. We want to provide new possibilities to expand direct links between the larger cities.

In the interest of decreasing travel time we plan to increase the speed of trains on main network lines to 100-120 km/h and on the main international lines to 140 km/h. Naturally the energy conservation measures may influence all this.

In regard to freight transportation it is necessary to increase our participation in the international transportation division of labor, in order to improve the foreign exchange management of the country. This task will stand in the center of our freight acquisition activity--due to the world economic recession and the resulting temporary decline in transit freight.

In domestic traffic we must strengthen our freight market situation so that the railways should have a share of the total freight needs of the economy which will ensure the perfect satisfaction of the freight needs, in time and space, and a high level and an even as possible use of railway freight capacity, decreasing the specific values of our costs and ensuring higher productivity for the work of railway workers.

In the interest of all this we place especially great emphasis on containerization--in cooperation with the transportation sub-branches--which thus far has won substantially less scope than needed.

We must decrease the time cars are held at border stations and marshalling yards, and we must accelerate the flow of trains on the lines.

The goals outlined above can be realized only with a modernization of rail traffic technology, the technical tools and the organizational structure. It is already characteristic of the situation that we can handle the traffic appearing with the tools available only at the price of great difficulties. The significant backwardness appearing in network development is causing especially many problems.

But the development of railway transportation means not only a modernization of technique and technology. In the present system of economic guidance, in which the railways perform their tasks as an enterprise of public interest, a new form and content must be given to contacts with the traveling public and those providing freight.

Our chief goal is to satisfy the needs of travelers and those shipping goods to the fullest possible extent at a level which corresponds to the desires of those using the services of the railways, while also meeting the requirements for economicalness.

We will strive to spread this attitude throughout the MAV because only thus can we satisfy the needs and only thus can we win recognition for our work.

To realize the goals outlined above in harmony with the requirements of the national economy we are rank-ordering the developments needed in railway transportation--because of the limited material possibilities available--and we are putting in the foreground those investments which can ensure most effectively the realization of our appointed goals.

The present situation of the railways is characterized by a relatively favorable supply of vehicles, in contrast to the considerable backwardness of track, junctions, marshalling yards and signal equipment, which cannot be soon overcome under the present economic conditions of the country and, naturally, of the MAV.

The MAV conducts about three-quarters of all its traffic on main lines. In accordance with this a renewal of the main lines--the so-called trunk network--stands in the center of the network development tasks at this time together with a modernization of the marshalling yards and, to a lesser extent, an expansion of the track network at stations.

In order to ease the energy management problems we are electrifying about 280 kilometers of track and acquiring 115 large-capacity electric locomotives. In the interest of final liquidation of steam traction we will place into operation 74 newly acquired diesel locomotives--in addition to the electrification plans.

We will modernize 1,300-1,400 kilometers of track; we will install self-operating blocking devices on 440 kilometers of line and we will install new signal equipment at 33 stations. We are acquiring 15 motor cars, 307 passenger cars and auxiliary motor cars and 3,000 freight cars.

But we must note the circumstances that in regard to modernization it is not only ensuring financial resources that causes difficulty; difficulty is also caused by the shortage of the necessary materials, tools and construction capacity.

Our possibilities for renewing our less used lines are very limited. In order to realize a rail materials management policy and a thrifty investment policy we worked out methods to re-use the "48" system roadbed salvaged from modernization of the main lines. We plan partial rebuilding of the less used lines with this simplified line renovation; not only will this increase the safety of travel but it will make possible the use of uniform, 200 kN axle load vehicles.

In addition to ranking line modernizations according to the viewpoints described we are taking into consideration economic policy goals and the central measures defining the infrastructural development of our homeland.

The new requirements being made of railway tracks require a stronger roadbed structure. In the interest of this we want to make wider use of track made from 60 kilogram per running meter rails; we will further develop the reinforced concrete tie system and modernize rail reinforcement procedures.

The majority of railways are in a developmental phase which is characterized by an effort to improve the level of passenger and freight services, use technological innovations and introduce new traffic technologies associated with this. The concrete sites of installations needed to realize this are the large railway junctions--among others.

Unfortunately the present status of the junctions of the Hungarian railway network is not satisfactory. The destruction caused by World War II can still be seen at the railway junctions. Much of the junction track network still operates in the old system and the tasks, which have increased manyfold, must be carried out in part with obsolete equipment and installations. Going beyond the problems of developing the track network, most stations have a shortage of platforms and pedestrian underpasses; the station buildings and other superstructures are obsolete; modern signal equipment is still lacking at many stations.

The chief reason for the backwardness which has developed at stations, marshalling yards and junctions is that we had to use the available financial resources and labor primarily on line work of various types to assure the safety of passenger and freight traffic and meet the increased tasks of the railways.

This method of development meant that some of the lines were rebuilt, they got modern signal equipment and the lines were electrified in a number of places; at the same time the reconstruction of the junction stations was neglected, and now this is causing capacity problems. Because of our limited investment frameworks we will not be able to resolve this tension in this plan period.

Among the large railway junctions we must stress the greater Budapest junctions and the most important border stations. Because of the nature of the Hungarian railway network, the geographical situation of the country and the links to the trunk networks of European railways these are of special significance.

Some partial modernization has been done to the greater Budapest junctions in past decades. But we can speak of larger developments only in the case of the Budapest South and Budapest West rail yards.

In the years ahead, unfortunately, reconstruction in greater Budapest will continue at an inadequate pace and will be concentrated primarily on work connected with the new railway-metro links. We will continue reconstruction

of the Budapest-Kelenfold rail yard and will begin modernization of Budapest-Ferencvaros, our largest marshaling yard.

Our most important junction from the viewpoint of the railways and our entire economy is Zahony. Development and expansion of this will continue in the years ahead, which is certainly justified by the constant and significant growth of Soviet-Hungarian trade.

In regard to junctions inside the country the greatest work of the past decade was that at Szolnok. Within the framework of this we created one of our most modern passenger stations and marshaling yards, including construction of a new station building. Significant modernization work is being done in Debrecen also.

Reconstruction of the other junctions of the network represents a very great task also. But for the time being we cannot provide the material resources for this. Despite this the MAV is seeking a solution so that in the future the problem of the large railway junctions can be solved in accordance with their economic significance.

Speaking of the management, commercial and business policy of the MAV it can be said that in recent years the quantity of goods hauled by the railways has stagnated, the drawing power of the railways has not increased. But because of the gradual increase in the price level our costs have increased sharply. This circumstance, naturally, is very unfavorable from the viewpoint of the national economy and the enterprise alike. We must counterbalance this primarily by reducing expenditures and increasing freight and passenger volume.

We must ease the effect of the increase in the price level with technical development, by developing a more favorable energy structure through electrification and dieselization, by saving the wages of manpower freed by installation of line and station signal equipment and by complex mechanization of track maintenance, reloading and humping work.

In order to create harmony between the sales receipts representing the countervalue of our services and the costs of our operational performance we need to develop a fee regulation policy which reflects the justified expenditures arising in the performance of railway passenger and freight services, which ensures the financial side of enterprise self-financing and which contains an honest profit component.

In accordance with this goal we must develop a fee system for the MAV which makes our services competitive; our fee regulation should adapt flexibly and quickly to the foreign and international fee system.

The basic principles of our commercial and business policy derive from the requirements of social development, the economic situation of the country, the development of the international political situation, interstate contacts and the competition of the railways with each other.

Among the goals of our commercial policy we place emphasis on a commercial view pervading the activities of the railway as a whole and on the development of partner contacts based on mutuality and equality. We want to improve our competitiveness by propagating modern transportation methods and improving the level of our services, with effective market research, activity to acquire traffic and advertising the advantages of railway travel and shipping.

We are devoting special attention to an effective transportation division of labor between railways and highways--in the interest of a fuller satisfaction of the needs of shippers.

In the area of freight shipment it is important to improve the quality of service and satisfy needs going beyond the so-called basic activity--for example, official weighing and unit counting.

We plan a further development of traffic on industrial track by encouraging the creation of new industrial tracks and improving service to industrial tracks.

The gradual development of a regional station system, the creation of concentrated freight handling sites and improving the technical equipment for sites handling containers are under way. We are working on the creation and introduction of foundations for a guaranteed car assignment system.

In the course of the Fifth Five-Year-Plan we worked out the most important guiding principles for organization development and we expect from these a substantial improvement in the guidance and operations work of the MAV. Execution of the tasks contained in the organization development program is not yet completed but the results thus far are reassuring. Among the most important organizational developments realized thus far we might mention that we have created a uniform operations service in the organization of the Directorate General and the railway directorates and we have modernized the operations guidance organization. Creation of a regional operations managers system throughout the network is nearly complete.

We have developed a combined machinery and vehicle maintenance service and the construction industry organization of the MAV has been centralized. In order to relieve the burden on the Budapest Railway Directorate we modified the borders of the railway directorates.

As a result of the organizational measures taken thus far our car management has improved, our contacts with shippers have developed more favorably, the use of modern freight techniques has increased and the speed of freight flow has increased.

We plan to create a uniform organization to guide and lead the construction, supervision and maintenance of fixed installations (track, superstructures, telecommunications and signal equipment and overhead electric lines) in connection with which we would like to re-regulate and simplify the investment activity of the MAV.

In parallel with the full development of the operations managers system we are organizing the way in which they will function, their management activity, a way to evaluate their work and conditions to create incentive; we will increase their independence and self-initiated activity.

We will continue to modify the activity of the functional organs of the Directorate General and the railway directorates in accordance with changes in the economic guidance system.

We are studying the traffic on the little used lines operating uneconomically, keeping in mind energy conservation and the interests of the shippers. We are preparing the traffic structure changes planned in some areas very carefully and with the appropriate justification.

We must improve cooperation between MAV and the VOLAN [highway transport enterprise] with a mutual assurance of the organizational, technical and technological conditions. This task will make necessary--at a pace depending on the material possibilities--the modernization of the freight handling equipment at our regional stations.

Realization of this railways policy conception, outlined in general terms without trying to be complete, and of what is contained in it will require a long time. It will make necessary consistent work, a concentration of the forces of the railways as a whole and better cooperation with the traveling public and our shippers, with a mutual understanding of each others' problems.

A harmonization of national economic interests and the properly conceived interests of travelers and shippers, of the railways and railway workers, stands in the center of all our work. In every area we will strive to improve the level of our services, to provide fast, comfortable travel to the traveling public and to satisfy every shippers' needs, if possible without delay; and we will strive to create ever better working conditions for our railway workers.

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## CATEGORIES OF AGRICULTURAL COOPERATIVE STUDIED

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[Article by Ervin Zsuffa, deputy department head of MSZMP Central Committee]

[Text] It is a view already accepted in practice that a natural phenomenon of economic life is a varying rate of development and an evident differentiation in its wake. And still this subject area evokes a great deal of debate in agriculture, and this is understandable: the problem is complicated and contradictory. It can be ascribed to this that there is no agreement even over apparently simple questions as to whether the differentiation has increased or decreased. Because of the recurrence of the tensions, new measures for their solution are inevitable, for we are speaking here of a constantly changing phenomenon.

### Has Differentiation Increased in Agriculture?

It is impossible to give a definite answer to this question, which is often posed, because even the way it is put is inaccurate. In order to give a correct reply one must know what economic category we are speaking of. But if we approach the subject in this way, we will receive very different answers.

For example, it is clear that the differences have increased in the level or dimensions of production. We are not surprised to hear that on one farm production value is on the order of billions, while on many cooperatives a realistic scale is a million forints. Differentiation has also increased in farm revenue and production. The strongest farms reckon their results in 100 million forints while at the same time 151 cooperatives were obliged in 1980 to leave this side of the balance ledger empty. It is noteworthy, however, that in personal incomes a narrowing could be demonstrated although very small in extent. This is indicated by the fact that in cooperatives belonging to the "low" revenue-level category, per capita income increased by 126.1 percent between 1976 and 1980 and on cooperatives with "high" revenue level it increased by 123.9 percent.[1] Detailed study affirms this finding.

1. On basis of the write-up by MEM STAGEK [Statistical and Economic Analysis Center, Ministry of Agriculture and Food Industry] those cooperatives were placed in the "low" category which gained 6 forints or less at a cost of 100 forints. We may regard as "average" the farms which realize results of 6.10 to 12 forints, and those farms belong in the "high" category which gain results of 12.10 forints or more for 100 forints of cost. In the following I shall use these classifications unless otherwise indicated.

The growth rate of personal income declines consistently in sliding up the scale from the lower income level.

Interestingly, one index which indicates efficiency--results for 100 forints of cost--showed a moderate convergence between 1976 and 1980. The ratio of the "low" revenue group dropped from 33.3 percent to 30 percent, the "high" dropped from 42.3 percent to 41.6 percent, while the medium increased from 24.4 percent to 28.4 percent. Obviously the decline in the number of low revenue-level producer cooperatives was favorable. Some cooperatives were unable to counter the withdrawal measures. It is food for thought that the decline was chiefly characteristic of cooperatives with a once "high" revenue level but unfavorably endowed. The number of remaining (well endowed) farms belonging to the strongest group increased from 483 to 487 despite the changes that occurred among them.

The differentiation, it should be noted, is not a constant condition, and in fact the processes are not unidirectional. Simultaneous with the differentiation there are factors which exert influence toward a levelling in economic life. Thus the economic always reflects the results of various, frequently contradictory processes.

The ratio of weak, medium and good cooperatives is more or less constant. The data given above also illustrate that the ratio of the individual groups was modified over 4 years only by 2 to 4 percent. It is surprising, however, to see how great the mobility has been behind this apparent stability. Only 49 percent of the cooperatives maintained in the base period the place they had, 24 percent moved into a higher category, and 27 into a lower one. And these numbers refer only to a rearrangement in three groups! If we increase the number of groups to six (and this is still not a detailed breakdown), it is evident that 30 percent of the cooperatives remained in their original place, 36 attained a higher and 34 percent a lower revenue level. We must weigh the fact of a rapid and continuous change rearrangement, particularly during changes in the economic regulator system.

The trend that was developed earlier and consciously supported has continued, therefore, and economic policy allowed a growth of differentiation appropriate to efficiency differences, but in the case of personal incomes it strove to moderate unjustifiable differences and to prevent tensions. This statement is supported by data in Table 1.

Table 1. The Differentiated Development of Agricultural Producer Cooperatives in the Fifth Five-Year Plan Period

| Classification | | Low | Medium | High |
|---|---|---|---|---|
| | | Data on revenue-level groups in percentage of average | | |
| Production value per worker | 1976 | 86.5 | 101.7 | 106.2 |
| | 1980 | 83.0 | 101.7 | 107.3 |
| Results according to balance | 1976 | 15.6 | 79.0 | 156.9 |
| | 1980 | 7.3 | 87.3 | 153.1 |
| Personal income | 1976 | 87.5 | 97.8 | 108.2 |
| | 1980 | 88.3 | 97.2 | 107.2 |

Therefore, practice corresponded to our efforts in respect to the main processes, but we still had to modify regulation. The cause of this was that despite the lower production level personal incomes could actually be increased at the cost of accumulation. Thus such differences developed in the development sources as would have led in following years to a broad scope of economic difficulties.

Table 2. Development Source Per Worker and Its Debit (1980)

| Classification | Low | Medium | High |
|---|---|---|---|
| | Revenue level group (in forints) | | |
| Profit branch development funds | 1,927 | 9,197 | 16,877 |
| Amortization | 15,111 | 15,030 | 16,449 |
| Combined: | 17,038 | 24,227 | 33,326 |
| Debt Obligation on the development fund | 27,660 | 21,855 | 17,252 |
| Obligation in percentage of the entire source | 162 | 90 | 52 |

From data in Table 2 it is evident that under unchanged conditions the low revenue group would not have much chance of holding its ground in economic competition. The tension is still greater if we reckon with the fact that in judging cooperative credit requests only the development fund that is formed from profit is taken into account. And its distribution is strongly differentiated. In 1980, for example, at 30 percent of the cooperatives 4.5 percent formed funds, whereas 42 percent of the strong farms had 69 percent of the development fund. Most of the farms belonging to the low category have little in the way of eigen sources, and they have no real possibilities for receiving development credits. And without development (which does not unconditionally mean expansion) the maintenance of production and particularly of the revenue level is difficult to conceive.

It is a problem or a fact, therefore, that the weaker farms have in effect no possibilities for development. There are some who question whether this is, in fact, a problem. It is theoretically right to raise this question because it is our goal to realize a difference in achievement and that the units which are operating more effectively should have an advantage. Undoubtedly, however, the efficiency indexes of cooperatives working with a higher profit ratio are more favorable. This is shown by data in Table 3.

Table 3. Several Indexes of Achievement Differences (1980)

| Classification | | Low | Medium | High |
|---|---|---|---|---|
| | | Revenue-level group (in forints) | | |
| Per worker | production value | 214,002 | 268,708 | 293,082 |
| | gross revenue | 38,843 | 65,190 | 85,370 |
| Per 1,000 forints fixed assets | production value | 800 | 1,008 | 1,009 |
| | gross revenue | 145 | 245 | 294 |
| Per one hectare producer area | production value | 22,030 | 33,491 | 36,201 |
| | gross revenue | 3,999 | 8,125 | 10,545 |

The figures show a clear trend. And still the view, which causes so much uneasiness among those affected, that the development of low revenue farms, or their level maintenance, is unnecessary is debatable. After weighing the problem from various aspects, the Politburo took a position by development. The political motives of the decision are perceptible. It can lead to social tensions if several hundred large agricultural farms, about one-third of all the farms, drop more and more below the average, and if their situation is without prospects. That these cooperatives are concentrated in several areas, mostly on peripheral areas of the country, is another problem. Since in the given regional units agricultural production is generally the most important economic activity, the lagging situation of the farms also has a negative effect on the living standards of the population residing there. A permanent increase in the difference between the capability of certain areas to support farms can lead to an undesirable migration.

We cannot neglect the cooperatives for economic reasons, however. The land they cultivate makes up 29 percent of the producer area (one and one-half million hectares), which we cannot do without. The situation is similar with other factors of production. In principle, only a part of the 40 billion forints' worth of fixed assets could be transferred to other farms. Transfer of manpower and family members--at least over the medium term--would represent additional social costs that would amount to more than the farm support. Weighing all these things, it is desirable for individuals, smaller communities and society alike not to cut back development (or perhaps to eliminate the far farms) but to make operations more profitable.

Thus the continuation of present practice in unchanged form was not possible without endangering the original goals. Modification of special elements of the agricultural regulator system again became necessary.

Producer Place Endowments--Management Level

The causes of less profitable or deficit farming are manifold. Among these, we must first stress unfavorable producer site endowments. In Hungary, the value or arable land on 340 cooperative farms does not reach 14 gold crowns, which we regard as the index for a farm with unfavorable producer endowments.[2] It is due to their praiseworthy work that of the 340 unfavorably endowed cooperatives, 61 do not receive support because of their relatively high revenue level. Of the 352 cooperatives which do receive support, 104 were in the "medium" category in 1980, and 69 in the "high" category. The regulator system, which takes endowments into account, and the efforts of the farms themselves made successful farming possible.

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2. Overlapping or use of concepts causes problems in the numerical evaluation of results. The producer site endowments of a cooperative is unfavorable where the gold crown value of the arable land is below 14. There were 340 such cooperatives in 1980. But of these only 279 received differentiated support. Another 54 cooperatives which receive support have a gold crown value of 14 to 18; 19 cooperatives farm on land that is better than this. We call these 352 farms supported cooperatives because of their unfavorable endowments.

In recent times the view has become more widespread that economic results can be made independent of producer site endowments by dint of good work. Several comments need to be made on this partially true but dangerous simplification.

Above all, undertaking results are directly influenced by differentiated support. A processed data base is not available, and still it can be soundly vouched for that without special support few unfavorably endowed cooperatives can be found in the "high" profitability category.

Moreover, the effect of the producer site endowment does not appear, cannot appear, clearly in the overall-undertaking profitability indexes. The result of the supplementary activity hides the relationship between agricultural production and revenue (good examples are Komarom, Pest, Veszprem and Nograd megye). This is not the problem, of course, for our goal is that cooperatives should manage profitably from their own resources and with the purposeful development of their activity sphere. But we must know that the changing production structure and the profit deriving from it does not alter the basic interrelationships in agricultural production. Table 4 provides a good awareness of the unchanged trend that is being consistently realized.

Table 4. The Relation Between Land Quality and Agricultural Production

| Classification | Average gold crown value of arable land | | | | |
|---|---|---|---|---|---|
| | 0-14 | 14-18 | 18-21 | 21-25 | over 25 |
| Income in 1980 per 1 hectare arable land (1,000 forints) | | | | | |
| plant production | 5.48 | 7.22 | 3.68 | 10.23 | 12.60 |
| livestock breeding | 6.54 | 8.02 | 9.65 | 9.28 | 11.79 |
| total agriculture | 12.02 | 15.24 | 18.33 | 19.51 | 24.39 |
| Revenue from agricultural production in percentage of average | | | | | |
| 1976 | 70.4 | 87.6 | 100.4 | 106.6 | 131.8 |
| 1980 | 67.0 | 84.9 | 102.2 | 108.8 | 136.0 |
| Balance result per 1 hectare producer area (1,000 forints)* | | | | | |
| 1976 | 1.3 | 1.7 | 1.9 | 2.0 | 2.6 |
| 1980 | 1.7 | 2.6 | 2.9 | 3.5 | 3.8 |
| per worker | | | | | |
| 1976 | 12.1 | 14.1 | 16.8 | 18.1 | 21.6 |
| 1980 | 14.9 | 20.5 | 25.3 | 30.4 | 31.6 |
| per 100 forints of cost | | | | | |
| 1976 | 9.3 | 9.8 | 10.8 | 11.6 | 13.0 |
| 1980 | 7.6 | 9.5 | 11.4 | 12.8 | 12.8 |

*It must be stressed that result derives not only from agricultural production but also from management as a whole.

It is evident from the data that income from agricultural production is twice as great on good lands as on unfavorably endowed areas. Also, it is a fact

differentiation in this comparison increased between 1976 and 1980. This is a consequence of the fact that per unit expenditure makes possible an increase in production in proportion with the quality of the land, which in enterprise results--despite the strong effect of other activity--appears more strongly even than before.

To counter unfavorable natural conditions, the farms are developing their auxiliary activities more and more. This is the correct thing to do, in fact it is necessary. But this means that in a number of cooperatives, agricultural production is becoming auxiliary activity. This is not at all a rarity in certain areas. Although it is theoretically possible, we fortunately do not find evidence that the cooperatives neglect agricultural production for their other activities. On the contrary, we find that on certain unfavorably endowed farms they are conducting "prestige" production with great outlays of expenditure. In such cases, the lack of profits or possibly the deficits that are suffered despite the high product averages of agricultural production are made up for with results from other activities. It can be assumed on the basis of analyzing data in various megyes that this effort also contributes to a slow growth of the national income production in agriculture.

One of the characteristic forms of unfavorable endowments is recurrent flood and inland water damage, which has increased in recent years in certain areas of the country for complex (objective and subjective) reasons. A role is played in this by the fact that the flood waters are peaking at increasingly higher levels, but it is also a matter of concern that we have not devoted adequate attention to protection against inland water damage. On the basis of the frequency and extent of the damage, there is a registry of 175 cooperatives which are subject to flood and inland water danger. The unfavorable circumstances make farming more difficult to the extent that 95 cooperatives are under the 6 forint result per 100 forints of cost, that is, they belong to the "low" revenue-level group. Particularly difficult is the situation of 62 cooperatives which because of their unfavorable producer site endowments are also constrained to take support.

The frequent flood and inland waters in these cooperatives cause a great production loss or additional expenditures. But the greatest problem is the uncertain farming management. This could be countered with large stockpiles, but only few farms have the possibilities for forming reserves of such extent. It is a characteristic problem that the areas afflicted by water damages are frequently good-quality producer lands, and thus it is not possible to give up cultivating them despite the great risks involved.

The uncertainty of production and farm management is generally characteristic of the cooperatives that operate under unfavorable natural conditions. Among those that are supported because of unfavorable endowments, 83 farms in 1976 reached the "high" revenue level. Of these, only 25 could maintain their position by 1980, 70 percent fell back. On the other hand, only 36 percent of the cooperatives with better endowments dropped to a lower group. The opposite of this coin is that climbing up is also more difficult. Between 1976 and 1980, 12 percent of the unfavorably endowed cooperatives and 18 percent of the other cooperatives were able to move up to a "higher" revenue level.

Finally, it is necessary to work harder for results under unfavorable endowments! Or to put it another way: under better conditions it is possible to reach the same level more easily. For this reason, among other things, these areas do not attract the specialists and the lack of such personnel is unfavorable to production development possibilities.

In my opinion it can be established without further study of the interrelationships that differences evident in the production level and particularly in profitability still depend primarily on the endowments of the producer area. Regulation must take this into account.

The Effect of Supply of Capital Means on Farm Management

The supply of capital means has a strong effect on the production level and on management success. But there is a great deal of uncertainty in the numerical evaluation of the interrelationships. It is a disturbing factor that a shortage of capital means can be both cause and effect. A shortage of capital means impedes production, while at the same time a low level of production and profitability will make an appropriate development of producer means impossible. It is also a problem that the supply of capital means and production can be the function of a third factor (for example, producer site endowment), and thus the interrelationships that can be demonstrated are only apparent. Proceeding with all these things, I would like to discuss several results of the analyses.

The statistical data clearly support the also logically justified statement that a better supply of capital means is accompanied trendwise by a higher production level and greater economic results. But the received numerical values are widely different depending on the kind of indexes we use. It is worthy of note, for example, that gross fixed-asset value per person in an average body of personnel is hardly different in the various groups of cooperatives. In 1980, for example, the per capita distribution in the "low" category was 267,441 forints, in the "medium" category 266,429 forints, and in the high revenue group 290,551 forints' worth of fixed assets. The relative constancy of this index is perceptible by the fact that in a more detailed study which divides the cooperatives into 36 groups, the average for the poorest category of capital means supply was 81.9 percent, and for the strongest group 116.6 percent. Analyses performed through many other approaches give similar results. It appears that the way manpower is equipped in agriculture is rather balanced.

At variance from the foregoing, however, there are great differences (and in the same piece of processing!) in data projected on area. Another study performed with the use of a similar index reflects a characteristic situation.

Grouping the cooperatives according to the net fixed-asset value per hectare producer area (Table 5) we can state the following. With an improvement in the supply of capital means, production value and gross revenue gradually increase. In personal incomes the difference is smaller than this, but in results the difference is much greater. It is noteworthy that with the exception of the highest category there is no great difference in the use of fixed assets, taking production value as the base but in the results the difference is threefold among the two extreme values. Even greater extremes are shown by

Table 5. Group Characteristics of Producer Cooperatives (1980)

| Classification | Net fixed-asset value per 1 hectare, 1,000 forints/hectare | | | | | |
|---|---|---|---|---|---|---|
| | 1-15 | 15-20 | 20-25 | 25-30 | 30-45 | over 45 |
| Number of producer cooperatives | 311 | 368 | 259 | 159 | 187 | 54 |
| including: | | | | | | |
| ration supported because of unfavorable endowments (percent) | 45.3 | 29.9 | 20.5 | 17.0 | 10.2 | 3.7 |
| Production value per worker (1,000 forints) | 202 | 239 | 259 | 281 | 311 | 319 |
| gross revenue (1,000 forints) | 49.3 | 60.8 | 67.5 | 70.2 | 76.4 | 85.4 |
| personal income (1,000 forints) | 40.4 | 43.5 | 44.9 | 46.3 | 48.8 | 54.2 |
| results (1,000 forints) | 10.5 | 20.1 | 25.8 | 27.3 | 31.5 | 34.8 |
| Per 1,000 forints of fixed-asset value | | | | | | |
| production value per worker | 907 | 891 | 875 | 893 | 983 | 1323 |
| results (1,000 forints) | 47 | 75 | 87 | 87 | 99 | 144 |
| Production value (1,000 forints) | | | | | | |
| results (1,000 forints) | 1.8 | 9.8 | 11.9 | 11.6 | 12.4 | 13.6 |
| Ratio of revenue for auxiliary activity | 35.0 | 32.6 | 32.9 | 36.8 | 44.0 | 70.8 |

the results per 100 forints of cost, according to which the index for the strongest group is seven and one-half times that of the weakest.

Thus according to the figures, the greatest difference exists in the success results of farm management. This is understandable because on one hand the strongest farms have the more complex supply of means that increases efficiency, and on the other hand a more ample development source makes it possible to have greater flexibility, and more rapid and purposeful development. But we still have to weigh at least two circumstances in evaluating the figures. One is that with a single exception the ratio of auxiliary activity is greater with a group having more capital means, and in general this increases efficiency. The other is that there is a very close interrelationship between the supply of capital means and the producer site endowments. Almost one-half of the group with small means consists of cooperatives supported because of unfavorable endowments, while in the highest categories their ratio is only 3.7 percent. It can be rightly assumed that land quality has a role particularly in efficiency indexes.

The modernity and composition of the capital means stock can play, in principle, a substantial role in efficiency. It is interesting, however, that the difference is only minimal in its ratio as compared to the gross value of net fixed assets, and thus in certain groups the obsolescence of means is presumably similar. The ratio of machinery and equipment is surprisingly constant. Even in the abovementioned 36-group breakdown the two extreme values are a relatively close 31.8 percent and 40.9 percent. On the other hand, as shown by Table 6, strong differences exist in the use of the capital means stock. On farms with

a "low" revenue level, or which have fallen back in the period of the analysis, the index projected on capital means stock of production value is very small.

Table 6. Production Value Per 1,000 Forints of Gross Fixed-Asset Value

| Results per 100 forints cost in 1976 | Results per 100 forints cost in 1980 | | | | | |
|---|---|---|---|---|---|---|
| | below 0 to 0 | 0-6 | 6-9 | 9-12 | 12-15 | 15 and above |
| below 0 to 0 | 622 | 837 | 868 | 896 | 921 | 906 |
| 0-6 | 689 | 973 | 963 | 936 | 959 | 990 |
| 6-9 | 788 | 842 | 1192 | 915 | 894 | 948 |
| 9-12 | 672 | 880 | 1006 | 900 | 1032 | 910 |
| 12-15 | 726 | 777 | 971 | 915 | 966 | 910 |
| 15 and above | 709 | 701 | 987 | 1229 | 1140 | 1050 |

The above table groups the cooperatives according to two criteria, the 1976 or the 1980 results. In a diagonal line from the left upper corner to the right lower corner those farms are situated whose economy of production did not change in the period of the study. In the cooperatives below the diagonal the economy declined, above the line is increased. As a consequence of the dual-row arrangement the difference can be seen in the capital means utilization of the farms that are falling back, that are holding their place and that are increasing their specific results.

The picture, therefore, is varied, and the phenomena shown by the figures are not uniform. We know on the basis of practical experience that on many farms the shortage of capital means causes problems, in fact there are some farms that do not have producer means sufficient for and adequate to the cultivation of the land. But since the difference in the supply of means for manpower is relatively small in respect to the group averages, it is likely that the main cause of the weaker results can be sought for mostly in the general state of development of the farm, and the capital means shortage can be evaluated as a part of this. Of course, it can be assumed that in the "low" revenue-level producer cooperatives the per capita index appears more favorable because the projection basis, the manpower, is not adequate.

## The Personal Conditions of Production

In response to the idea that had been raised, I also sought to analyze the manpower supply of the cooperatives. On the enterprise level, the review is easy to make, and on the basis of experiences it is well known that a number of farms have a manpower shortage, and in certain areas employment is a concern. Statistically, however, it is difficult to examine what the manpower situation is like for there is no objective comparative base to judge the need. Most of the index numbers which can be taken into account already express directly or indirectly the manpower achievement, and thus they distort. From the available data an index number that affords acceptable orientation is conceivable: the quotient that expresses the relationship of land and manpower. Therefore, in the various analyses I studied the number of those engaged on the producer area in agricultural production. I must note, however, that this comparison leaves

out of consideration the structure of agricultural production, and understandably does not shed light on the manpower relations of the auxiliary activity which forms an important part of farm management. Thus the results are only of an orientation nature.

If we compare the total number of employed with the producer area, the differences are great. This is natural because our large farms do not deal only with agricultural production, but the auxiliary activity does not have a direct tie with the producer land. But if we divide the manpower up and only relate the workers in agricultural production to the area, we unexpectedly receive a rather balanced picture. In the grouping shown in Table 6, the average manpower for 100 hectares of producer area is 5.6 hands at the least and 8.9 hands at the most. Taking into account the 36-part breakdown and the very different circumstances, this is not in my opinion a very big difference. This is also reflected from data ordered according to other cooperative indexes as well. In the study performed on basis of the average gold crown value of the arable area, for example, the extreme values are 5.8 and 7 hands and 6 and 7.5 hands in groupings according to gross revenue per worker.

Weighing the rather firm trend, it is apparent that in most of the large farms it is not the quantitative lack of manpower that explains the lower efficiency. It is true that in proceeding from the weak groups to the strong, manpower supply consistently increases. But the difference is considerably greater in production, and in the weaker cooperatives the manpower situation is even more favorable as compared to the smaller production. It must be emphasized, however, that this statement can be true only in generalities and in respect to averages, and the problems of the individual cooperatives may take form independently of this.

Among the interrelationships we studied, however, the manpower density in one grouping shows a twofold difference (5.3 and 11.9 hands per 100 hectares), but this is according to the specific volume of fixed assets (Table 7). The exception is not accidental for the capital means value projected on the producer area in itself indicates the strength of the farm. The available development and amortization fund in harmony with this emphasizes even better the fact of strength difference. It is characteristic that in this approach the state of equipment for manpower means is also the most balanced. A lower manpower density is accompanied by specifically smaller means while a bigger manpower stock is better provided with producer means. This strengthens the assumption that a low farm management level conceals a general lag. The weak farms are in worse condition in respect to every important factor, while the strong farms achieve their good results with a greater stock of capital means both in the manpower situation and as compared to other manpower.

Our statements thus far have referred to manpower volume and its supply of means. But the success of production depends on the composition of the workers by age, sex, training and so forth, and on the use of the manpower. It was not possible to examine these interrelationships in the system up to now because the data are not processed according to results per 100 forints of cost. Therefore, I have used the sequences of the KSH [Central Statistical Office] according to gold crown value or eigen development means volume.[3] In my

3. Source: "Management of Agricultural Farms, 1980" KSH 1981.

opinion, we can obtain satisfactory information in this way also because, as we saw, the land quality, the available development means are in very close relationship with successful results.

Table 7. Differentiation in Manpower and Capital Means Supply (1980)

| Classification | Net fixed-asset value per 1 hectare producer area (1,000 forint/hectare) | | | | | |
|---|---|---|---|---|---|---|
| | 1-15 | 15-20 | 20-25 | 25-30 | 30-45 | Over 45 |
| Average manpower (hands) per 100 hectares producer area* | 5.3 | 6.4 | 7.1 | 7.6 | 8.8 | 11.9 |
| Gross fixed-asset value per one worker (1,000 forints) | 223 | 268 | 296 | 315 | 316 | 241 |
| Development fund per 1 hectare producer area (forint) | 459 | 877 | 1166 | 1431 | 2061 | 6186 |
| amortization (forint) | 1178 | 1525 | 1801 | 1724 | 2628 | 5077 |
| Combined: | 1637 | 2402 | 2967 | 3155 | 4680 | 11263 |

*Engaged only in agricultural production

The composition of those engaged in cooperatives varies also according to group averages. Together with land quality, the ratio of active members increases from 67.6 percent to 89.6 percent within the average manpower volume, and in contrast the volume of those steadily employed declined from 20.4 percent to 5.2 percent. Data arranged according to eigen development means shows the same trend. This is understandable, for in the stronger cooperatives the workers cling less to the employee status that affords greater security. Manpower mobility also reflects increasing stability. Proceeding from farms with unfavorable producer site endowments to those with good land, the ratio of those entering and leaving gradually declines by one-half (from 20 to 21 percent to 9 to 11 percent). This same kind of decline can be shown with producer cooperative data grouped on the basis of eigen development means.

The ratio of physical laborers is constant. A comparison of the two types of data processing shows that the ratios fluctuate only between 85.2 and 87.2 percent. Within this, however, the ratio of specialists increases from 24-25 percent to 33-34 percent to the benefit of the stronger farms, and the ratio of women declines from 34-35 percent to 25-26 percent. The latter is a result of the fact that men, who have fewer ties to hold them down, moved from cooperatives with difficult conditions to other places of work.

Weighing all these things we can establish also on the basis of statistical data that manpower is not only less in the weak producer cooperatives, but the domposition also is less favorable. It is noteworthy, however, that there is no difference in employment, the number of workdays per worker is practically the same.

In recent years the supply of specialists in agriculture has improved a great deal. But despite development, the situation is contradictory. In 1980, 58.8 percent of those in a managing position had a higher degree, while 10.2 percent did not even have a secondary school degree. It is characteristic that

56 percent of the producer cooperatives employ hardly 30 percent of all specialists, while the 10 percent that are the best supplied employ as many. Area distribution is also highly differentiated. In Pest megye, for example, the ratio is 85 hectares per specialist, in Bacs megye 135 hectares, while in Bekes megye 274 hectares and in Hajdu megye 241 hectares. The spread is even greater in farm data. There are cooperative farms with only one specialist, and on the other hand one cooperative employs 169 specialists.

After all this, it is unexpected that the grouped figures do not reflect this differentiation. According to data arranged on basis of the producer cooperatives' gold crown, the ratio of those with a higher degree in a given group is minimally 54.8 percent and maximally 60.6 percent, while the ratio of those without a degree varies between 8.1 and 11.5 percent. But the ratios do not manifest any firm trend. This is what we can accurately establish if we process the data according to eigen development means. The relationship of specialists and producer land also appears to be accidental. According to the data, the differentiation is not great, and it is in the medium-endowed cooperatives that there is the largest area per specialist.

It is undoubtedly true, therefore, that the differences are great in the professional education of managers. In all certainty, this also contributes to the low level of achievement on many cooperatives. However, it appears to be a tenable judgment that the supply of specialists on unfavorably endowed farms or those that are weak for some other reason is generally poor. In this area, the differences are also great within the various groups of cooperatives.

How Long Will We Support Weak Cooperatives?

In judging the possibilities, it is advisable to proceed from the viewpoint that weakness is a complex problem. As is evident from the analysis, the cooperatives which belong in this category work under unfavorable natural conditions, have a poorer supply of capital means, and work with less manpower of less favorable composition. [illegible]r location is also disadvantageous mostly from the economic point of view. They are located farther from purchasing or marketing places, transportation is more difficult, and delivery costs are greater. In a significant share of the cases, this is accompanied by less effective leadership--indifferent because of the difficulties--which cannot adequately exploit even existing endowments.

Rarely does it occur that one factor alone causes difficulties on a farm. Where there is no more to worry about than this, the solution is simple because the elimination of the bottleneck improves results by leaps and bounds. The generally low level of the producer forces, however, is characteristic. We may also put it this way--the resources are in harmony with one another at a lower level. This is indicated by the fact that in relation to manpower, which is the most important factor, the various indexes are rather uneven. This unevenness is one of the considerable results of development in recent years. In accordance with the lower level of producer forces, the greatest differences are evident at present in the success results of production, which through the sources of formation determine the differentiated possibilities of development.

As a consequence of the foregoing, no possible solution will result in quick success. If we do not want to worsen an effectiveness that is also otherwise low, we are free to change the various factors of production in harmony with one another. But this of necessity gives room only for gradual development. Since our material means are strongly limited, we can count on slow development of our low revenue cooperatives.

The idea is repeatedly raised that we should improve their economic situation by transforming the production structure of the farms to adjust with their endowments, and in this way state support will become unnecessary over the long term.

Obviously, the production structure influences the results, and optimizing it will ease the worries of the cooperatives. But we cannot put excessive hope in this because the unfavorable endowments have an effect for the most part on all production branches. The difference, aside from rare exceptions, is that one or another plant crop will better tolerate a poor producer site. But in such a case also the outlay-yield ratio remains below the average. Another problem is that a large ratio of the unfavorably endowed producer sites is advantageous for cattle and sheep breeding, but even nationally these do not belong among the branches that assure large revenues. Their larger share in the production structure will from the start determine a specifically lower income level. Thus a change in agricultural production structure will only in exceptional cases make supports unnecessary.

One of the most frequently offered methods for the economic development of unfavorably endowed areas is the expansion of the scope of activity, and the organization of auxiliary (chiefly industrial) activity. This is in fact a useful recommendation as clearly shown by the results in many a megye. But experiences also show that the development of industrial activity in certain areas is limited by objective impediments. The industrial activity of cooperatives has developed chiefly where industry is already developed. The obverse of this relationship is also true. Where there is no industry in the locality or nearby, auxiliary activity develops slowly. This is understandable for a material and intellectual base is also needed for auxiliary operational branches. Indispensable are several specialists at least, a manager, cooperation that can be usefully developed with industrial enterprises, an existing infrastructure, but for the most part the birth of the idea itself is stimulated or inhibited by the state of industrial development.

Therefore, the transformation of the production structure can bring a decisive change in the short run only on few unfavorably endowed farms. Since the producer site still has a basic role in the successful result of agricultural work and in the level of the total remaining factors of production, we will have to continue counting on supports.

By generalizing the problem, we can approach it also from the theoretical aspect. We may put the question this way--if "weakness" is one of the manifestations in the differentiated development of large agricultural farms, then we may answer that we need to count permanently on differentiated treatment (on supports). There will always be weak, average and good farms at the higher level of production. Differentiation of development is the natural condition

of the economy, but we must help those that lag behind if we have a demand for their production, which as we have seen is indispensable. But it is possible to debate the mode and extent of the help. This question can always be decided according to the given circumstances, for the tensions that stem from differing development change from time to time.

## The Purposeful Form of Assistance

In the years following the socialist reorganization of agriculture, lack of organization was the biggest problem as a consequence on one hand of the shortage of capital means and on the other hand of the low level of leadership, which became evident in a wide circle of cooperatives in their weakness, the undeveloped state of management, and in the final analysis in shortage of revenue. Accordingly, in this period we spoke of producer cooperatives that were "economically not strengthened," and the main task was to strengthen their management. Beginning in the second half of the 1960's, the "unfavorably endowed producer cooperatives" received tax rebates and differentiated supports to counter their unfavorable natural conditions. At the beginning, the supplementing of personal income had of necessity a great weight, but beginning in the mid-1970's it became possible to eliminate this form, and emphasis was placed on price supplement supports bound to commodity production.

The effectiveness of this regulation is shown by the fact that the cooperatives, aside from few exceptions, have remained operational amid economic conditions that are becoming more and more stringent. The cooperatives with unfavorable producer place endowments, for which there are special rules, have managed to keep pace with the general development. In fact, in the 1970's the field of play became mixed in respect to success of results. As we have seen, according to results per 100 forints of cost we find unfavorably endowed cooperatives also in the "high" revenue-level category, and some well-situated farms have a low rate of revenue.

We must note here that the revenue level is not to be identified with the management level. The results and the effort expressed to this end coincide only as a trend. Only amid particularly unfavorable production conditions is it possible to have little results despite well-organized work. The view is frequently expressed that the differentiation (differentiation of revenue) shows the achievement of differences among the farms. But this expresses merely a half truth. Results are in part achievement and in part simply a consequence of endowment.

The most important element of the special regulator system continues to be differentiated support for cooperatives classified as unfavorably endowed. The main form is the price supplement as an incentive for commodity production. The main theoretical justification for this is that the additional costs deriving from the cultivation of producer lands of poorer quality must be reimbursed in part or whole if the society has a demand for the products. However, if we accept this, we cannot regard it as just to deny farms a price supplement above a certain revenue level. Some cooperatives rightfully state that the revenue level rose as a result of their efforts, their work, and by this means--as the regulator system was modified--escaped from the dependent

category although the endowments remain unfavorable. In my opinion this practice is also debatable and can be justified at the best with the narrowness of state capital means. It should be emphasized that the former revenue-supplement support has been terminated. The price supplement, in respect to economic content, is reimbursement of additional costs for production, and not support for work.

Over the long run we must strive to see that the farms receive supports that are regarded as necessary and are of a cost-reimbursement nature independent of the revenue level because otherwise in the interest of the success results they will rightly end, or at least retrodevelop, their agricultural production and convert to other, more profitable activity. The extent of the price supplements must be established, of course, in accordance with the interests of the economy and in harmony with needs and efficiency requirements. It should be noted that with the most recent measures this effort can already be felt. For the marketing of certain products and farming on arable land under 17 gold crowns in value, price supplements may be granted independently of their revenue situation.

Price supplements have two forms: the basic price supplement depends on where the price center of agricultural products is located. If we assume that agricultural producer prices cover the cultivation costs on the poorest quality of land kept under cultivation, then there is no need for price supplements. But the farther removed the products are from the price center the greater the demand for support.

The state links special price supplements to a number of products. The goal is that large farms are necessary for the economy and at the same time should be interested in the production of commodities appropriate to their endowments. This is actually intervention in the life of the farms by indirect means, and therefore certain people dispute its justification. I do not regard such "intervention" as erroneous, for the harmonization of social and group interests is indispensable. The problem is, on the other hand, that this support breaks up the unity of the price system. Actually, it can also be regarded as an area price, which in principle does not have such a place in a small country like ours. It is also frequently raised that price supplements frustrate our efforts at increasing efficiency. There is reason also to weigh other interrelationships.

Some of our agricultural producer prices, particularly in crop production, are lower than the world market price. For example, in the export of grains a higher price can be realized than what the producers receive. The profit margin provides cover for the so-called special price supplement and beyond that for profit, and thus it is justified to give incentive to the production of this important product group. In this case, the price supplement is not contradictory to efficiency requirements, and in fact is in harmony with them.

The question may be raised: if this is so, why do we not raise the producer price? In principle, this is the correct solution, and the practice gradually brings it closer to the world market price. But there are obstacles to its rapid realization. Among these we must first mention that a rise in the grain

price would increase the fodder costs of livestock breeding, which it can endure only if applied gradually in proportion to improvement in fodder utilization. A simultaneous increase in the producer price of livestock appears to be a possible road, but this would require consumer price increase and would worsen the competibility of livestock breeding. It is also a problem that the outlay-yield relation depends in crop production on producer site endowments. If we desire to give the necessary revenue in price to farms on unfavorable areas, a discriminatory allowance is created for farms operating on better producer land. On one hand it is difficult to withdraw this in a just way, and on the other hand it is easily obtainable revenue which does not give incentive to the well-endowed farms to reduce specific costs.

Weighing all this, we cannot regard the support system as slippage, as a deviation from correct regulation. In fact, this solution proceeds from the outlook that enterprise decisions must be turned by indirect means into a direction appropriate to the interests of the economy.

The advantage of price supplements is that it gives incentive to commodity production and to raising the production level, and the support can be obtained only after actual work. Its disadvantage, on the other hand, is that it can be realized only afterwards, and thus there is a delay in helping the developing of production, and in easing the shortage of sources. For this very reason, cooperatives indicated for support can receive development contributions on the basis of a one-time judgment. One part of the development contribution is generally oriented, and the other part serves on the other hand the development of auxiliary activity and the establishment of new work places. This type of support can be repaid from the production tax realized during the activity. Since experience has met our expectations, no significant changes in development-goal supports has been necessary.

Further Possibilities of Development

The differentiation of the cooperatives, including an important group of weaknesses, is therefore a complex problem, and a quick change in this area cannot be expected. But one cannot draw the conclusion that the future can bring only little development either from the viewpoint of the cooperatives which are in a difficult situation or from the viewpoint of the economy. But we must adjust consciously to realities. If we reckon with facts, we can expect the smallest economic burden.

According to our experiences, the best solution is to follow the path we have been on up to now and keep the differentiation within limits. We must continue to allow room for the realization of achievement differentiations, but we must prevent tensions that endanger our goals and are related to regulation. The fulfillment of tasks facing agriculture demand from all groups of large farms greater achievements. In accordance with the resolution of the 12th Party Congress our goal is: "The vanguard state farms and the producer cooperatives should develop dynamically, be an example in the application of modern production and management methods; and promote the generalization of these methods. Among the medium managing, well-endowed cooperatives more and more should reach the level of vanguard farms. We need to help farms that are operating under unfavorable natural conditions to better develop a production structure more suited to their endowments."

A recurrent problem of management is that an increase in efficiency would justify a stronger concentration into good farms. As we have seen, however, there is no real possibility for this. The orders that were put into effect in 1982--according to needs--resulted in the revenue regrouping of several hundred million forints in agriculture to the benefit of large farms with unfavorable endowments. This step was inevitable. The concern, however, is understandable as to how far we can go, how many sources we can withdraw from the stronger farms before our development comes to a standstill. We have succeeded in avoiding the critical limit thus far, and on the basis of estimates this can be expected now as well.

The modifications are advantageous to the unfavorably endowed farms. And still we must stress that the goal of regulation is not equality. It is a decisive problem that the good farms should continue to be interested in production growth. For this reason also, earnings regulation has been modified. According to the new arrangement, every farm may increase wages tax-free by 2.5 percent. This standardization is disadvantageous, to be sure, to the low revenue-level farms which up to now enjoyed a greater subsidy; at the same time it improved the incentive of the stronger large farms, and gave greater room to the paying of wages according to achievements. The disadvantages of earnings regulation tied to the average are also moderated by the fact that those farms which remain within the wage-fund of the previous year receive the possibility of being granted a maximum 3 percent, tax-free increase.

One may see in advance that the regrouped revenue is not adequate to solve tensions, but further tension is dangerous because of multiplying risks. Therefore, we must also look for other possibilities. The economic development of agricultural production is a basic task. Because of this, we must above all improve production conditions.

The elimination of flood and inland water damages could finally settle the problems of several farms and substantially improve the situation of others. But for this, a great deal of work, money, and a change of outlook is necessary. Available central sources give only narrow possibility for moderating the problems. Later, depending on our possibilities, we shall have to increase the sums we can devote to this purpose, but even until then we must improve the purposefulness of the use. The so-called complex melioration works should be concentrated chiefly on endangered, well-endowed areas. Moreover, the melioration work must be continued also on other unfavorably endowed areas. In order to attract eigen sources more intensively, state support that can be extended for melioration work has been differentiated between 30 and 70 percent. For those farms that do not have sufficient strength, it is possible to give a source supplement that is interest-free and must be paid back. Preferred credits can also be used for melioration work. On the national scale, it is at least of this great importance to moderate or prevent water damages in developing the fields of our farms, in choosing the production branches, and in working out cultivation procedures.

Because of a deficient and technically poor stock of capital means, it is a problem in certain areas to cultivate the producer lands in time and good quality. The limited narrow demands make it impossible in many instances to improve the situation. The problem can be eased, however, by broadening the

machinery loans. It is also likely that working capital on these farms is insufficient, and this makes it difficult to utilize fixed assets. This may be the most important cause and explanation, for example, for the often unrealistically lower fertilizer utilization. As we have seen, the unfavorably endowed farms have received development support on the basis of one-time awards. It would be correct if unrestrictedly available funds were used primarily for supplementing the stock of capital means and for eliminating bottlenecks. And it would also be desirable if unlike practice at present, support could be given for the acquisition of working capital.

The farms themselves can improve their situation if they modify their production structure according to their endowments. It is also worthwhile for them to calculate the kind of products, appropriate to the producer area, for which they will receive price supplements. The extension of this support form to cooperatives with arable land that have an average 14 to 17 gold crown value could moderate the problems of many low revenue-level farms.

Pressing forward more strongly with the expansion and modernization of various supplementary (industrial, service-type) activities would be justified. It is true that for the most part there is no manpower surplus on the large agricultural farms. But manpower that is released by increased productivity and perhaps by the simplification of the production structure could be well used in auxiliary activity.

According to practice thus far, the industrial enterprises give advantages to the large agricultural farms in their environment, and thus the rapid development of auxiliary activity in areas that are in need cannot be expected without help. Those cooperatives, however, which conduct developed industrial activity can also help other farms by turning over some of their own auxiliary operational branches, or as a mediator in bringing together needs and capacities. This idea was born in the practice of recent years. A good number of examples show that such operation offers great possibilities for strong and weak farms alike.

Cooperation among the farms and the accompanying voluntary regrouping of producer forces can be used, of course, not only in auxiliary activity. Some of our best cooperatives are seeking relations with farms managing on a lower level. We can assume a role is played in this by a feeling of responsibility for the whole movement, but it is a fact that the new capacities rest on mutual material interests. Our cooperatives increasingly recognize that there are many unused possibilities in economic cooperation. Frequently, this is how manpower and means can be brought into harmony. It is not rare that means invested in a farm struggling with a shortage of sources will bring more profit than if it were used on a strong cooperative's own farm. There have also been cases where the specialists have been transferred from good farms to cooperatives, and they had a positive effect on the entire farm management.

We are only at the very beginning of exploiting the advantages latent in economic cooperation based on mutual interests. If we use these possibilities well, tension within agriculture can be substantially moderated, the use of producer forces may improve, and the danger of stagnation on good farms will be reduced. In making economic decisions, we must weigh more carefully than

up to now this alternative which does not require additional sources, and even uses existing producer sources more purposefully. The new regulation seeks to give incentive to such relations by taking the economic cooperation conducted on the cooperative site according to the conditions of a low revenue cooperative.

Thus there are real possibilities for raising the level of farm management. But to discover these possibilities and to intensify the results it is necessary, above all, to have high-level leadership and organizational work. The increasing of intellectual sources is a factor which in itself may improve the use of the entire producer capacity.

Improvement of the specialist supply is an unpostponable task on some of the low revenue farms. In this, the managing or the interest representational organs and cooperatives have an important role. Modernized support conditions help better than before the improvement of the specialist supply, and the limits on those available have also been improved. According to experiences the placement of one or two specialists does not bring important results, and therefore in awarding the support megye councils give preference to group settling. It is also significant that the statutory provision makes possible increased material recognition for successful work. The advantages that can be gained hopefully will quicken the undertaking desire of specialists.

All this, however, is only a possibility. The results can be expected when managers who have proved unsuitable are exchanged as soon as possible, and if the poorly supplied farms recognize the advantages that can be expected from good leadership. It is to this end that we must give more help in management to the interest representational organs and to the workers in the party organizations. It is also important that the strong farms should understand the problems and support their dispensable people in undertaking the difficult task.

The path as outlined, of course, with the means available will not eliminate the differentiation in production and revenues. This cannot even be our goal. But with good work we can increase the efficiency of production even on the low revenue-level farms, and thus we can moderate tensions, and despite the more difficult economic conditions we can continue the upswing in the development of agriculture.

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## FIRST QUARTER PRODUCTION STATISTICS PUBLISHED

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[Article by Ch. M.]

[Text] We have been waiting with great interest for the statistical summary of the results of first quarter operation of the economy. In that same period we began to implement the program of economic reform. In essence, the work of our enterprises has not been disrupted by the strikes. We began to implement the government-established operational programs. All of these factors ought to facilitate stabilization of the operation of the economy, normalization of co-production links and gradual changes of production structure.

On the other hand, however, the factors, which hindered overcoming the economic crisis, appeared with a greater force than before. The most outstanding of these factors were: additional import restrictions of the capitalist countries; running out of stocks of imported raw and other materials for production; "ongoing" changes in organization and methods of industrial management. Evaluation of all these positive as well as negative factors is very difficult on the basis of the available data. This was so because of the still very complicated situation and the fluctuating effect of individual causes impeding resolution of the crisis.

During the first quarter industrial and construction production was still declining. Industrial sold-production was 11 percent lower in comparison to that of the first quarter of last year (during the comparable time of work by 10 percent). However, the rate of this decline had a clearly diminishing tendency. As compared with the respective months of 1981 this rate of decline was: for January--13.7 percent; for February--10.7 percent; for March--7.4 percent.

In March, as compared to February of last year, the increase of production was 15.5 percent (during the comparable time of work, by 1.7 percent), while the decrease in employment was 6,400 persons.

How the aforementioned trend will continue is at the moment difficult to estimate. However, changes in the structure of industrial production are no less important than the actual level of that production. It is, above all, the changes that indicate whether and to what degree the industry is able to adjust to the altered conditions, both external and internal. The most noticeable tendency in this area is the increase in production of the mineral-extraction industry, and the tolerable results achieved by the small-scale

industry. Hard coal output increased by 16.5 percent in March, and by 13.8 percent during the whole of the first quarter; electrolytic copper production increased by 4.4 percent (during the first quarter it declined by 5 percent); lead production increased by 5.6 percent (first quarter was marked by a 2.2 percent decrease). As compared to the fourth quarter of the previous year, an increase in production was seen for hard coal, brown coal, natural gas, lead, zinc and cement.

In March electricity production more or less was on the level of the previous year. Considering that the evening peak demand decreased for this period by nearly 1,000 MW, such level assured coverage of the needs of the economy. Power supply levels 20 and 19 had not been announced even once during the month of March.

This March, as compared to March of last year, there was a 7 percent increase in small-scale industrial production. During the whole first quarter there was a 1.1 percent increase. (Small-scale industry provides about 5.3 percent of the total socialized industrial production.)

In viewing the subsector structure for the first quarter of 1982 by comparison with the same period of the previous year, the increase of production occurred in the following industries, along with the increase in small-scale industry:

| | |
|---|---|
| coal industry | -- up by 13.8 percent; |
| energy industry | -- up by 3.7 percent; |
| whiteware | -- up by 1.9 percent; |
| clothing | -- up by 1.6 percent; |

However, a higher than average decrease (11 percent) was noted in the following more important subsectors:

| | |
|---|---|
| iron and steel industry | --down by 17.9 percent; |
| metal industry | --down by 14.7 percent; |
| transport equipment industry | --down by 16.4 percent; |
| electrotechnical and electronic industry | --down by 16.7 percent; |
| chemical industry | --down by 16.3 percent; |
| wood industry | --down by 13.2 percent; |
| textile industry | --down by 16.8 percent; |
| food industry | --down by 12.5 percent. |

In some cases (for instance, in metallurgy) the decrease was close to planned estimates for the first quarter; however, this could not be said for all the subsectors.

During the first quarter, specifically in March, planned restrictions, or production stoppages were initiated in individual plants. Temporary restrictions affected 325 enterprises. Relatively permanent restrictions (lasting at least until the end of the year) included 44 enterprises. As a result of these restrictions the decrease in employment was about 4,500 persons.

Total industrial employment during the first quarter decreased by 4.9 percent, with an increase in the personnel wage fund of 20 percent, and 26.2 percent, in average wages.

The winter losses in agriculture included about 26 percent of the winter rape area, about 11 percent, in barley, and 3 percent, in rye and wheat. The livestock raising situation is very complicated. This is due to the increase in the free-market prices of grain and potatoes, and to the decrease in the price of piglets. The supply of gilts increased to the procurement centers. These are signals indicating the collapse of the movement to increase hog-breeding. The decisive influence in that collapse is debatable: the physical lack of fodder; or the disadvantageous ratios of the price of fodder to the procurement price. At this moment these ratios are the worst in nearly 10 years.

Butcher livestock procurement was 151,300 tons in terms of meat in March of this year; as compared to March of last year, this procurement was about 14 percent lower, and as compared to February of this year, it was 21.5 percent lower. The decrease in hog-procurement occurred along with an increase in cattle-procurement.

In the first quarter of this year livestock procurement was 10 percent lower as compared to that in the comparable period of the previous year. Lower procurement of livestock is the result of lower procurement of slaughter poultry by about 81 percent in March of the current year, caused by the loss of production from a considerable number of poultry farms that is due to the lack of imported feed mixes.

Milk procurement in March of this year was more than 588 million liters and was 1 percent higher in comparison with March of last year, and 13.2 percent higher in comparison with February of this year. During the first quarter of this year, milk procurement was about 1,687,000 liters, that is, it was 2.4 percent higher than in the first quarter of last year.

The scale of concentrated fodder was 2.23 million tons for the period July 1981-March 1982. It was 28.6 percent lower in comparison with the same period of the previous marketing year.

The sale of artificial fertilizers for cooperative and private farms was, for the period July 1981 to March of this year, 1,982,000 tons in pure form, and was 1.8 percent higher in comparison with the same period of the previous marketing year.

The level of shortages continued in the supply of basic spare parts of agricultural machinery and equipment.

In the socialized housing construction industry 20,400 apartments have been completed for use; of these 11,600 were handed over in March of this year. Compared to the first quarter of 1981, there were 13,200 apartments released for use, that is, 39.2 percent less. Investment outlays in the government economy amounted to 30 billion zlotys in current prices for the period January-February. In that time, 210 new investment projects were initiated for a total cost-estimate value of 3.6 billion zlotys.

In the first quarter of this year 10 outpatient clinics have been put into use, also 4 health centers, 6 preschool nurseries with a capacity of 450 places and 16 preschools with capacity of 2,250 places.

Average employment in the four basic sectors (industry, construction, transportation and communications, and commerce which include about 70 percent of the employees in the socialized sector of the economy) was 361,000 lower for the first quarter of this year, that is, it was 4.4 percent lower than the level of first-quarter employment in 1981. As compared to the fourth quarter of last year, average employment in the four sectors was less by 303,000 persons, including industrial employees, by 203,000 persons. A great majority of those employed opted for early retirement.

Payments from the personnel wage-fund (without compensatory pay) increased by 25 billion zlotys in the four basic sectors, that is, by 15.1 percent as compared to the first quarter of last year.

Compensation paid to those employed in these sectors amounted to about 24 billion zlotys. This compensation was paid because of the price increase of bread and other grain-flour products and the introduction of new retail prices for basic food items, heating fuel and energy. Additionally, the family members of the employees were paid about 14 billion zlotys from the Social Insurance Agency's funds.

Payments from the awards fund of the plants in the four basic sectors totaled 48 billion zlotys for the first quarter of this year, that is, they were 14 billion zlotys more than for the same period in 1981.

Personal monetary income increased by 111.5 billion zlotys in March of this year, that is, by 64 percent in comparison with March of last year. The components of this income increase were, among others: the increase in the wage fund (including compensatory pay) by 49 billion zlotys, that is, by 43 percent; the increase in social services (including compensatory pay) by 29.1 billion zlotys, that is, by 138 percent; and the increase of income from the sales of agricultural products by 27.1 billion zlotys, that is, by 156.9 percent. In March of this year personal monetary expenditures increased by 107.6 billion zlotys, that is, by 74.6 percent as compared to March of last year. Expenditures for the purchase of goods increased, entirely because of the price increase, by 98.5 billion zlotys, that is, by 86.5 percent.

In the first quarter of this year, in comparison to the same period last year, personal monetary income increased by 264 billion zlotys, that is, by 55.7 percent. Monetary expenditures however, increased by 185.2 billion zlotys, that is, by 46.8 percent. The amount of personal funds totaled 1,206.1 billion zlotys at the end of March, of which the monetary deposits amounted to 754.1 billion zlotys, and the amount of cash, 452 billion zlotys.

Retail sales of goods by individual outlets of the socialized sector of the economy were 71.4 percent higher (in current prices) than those of March last year. The sale value of food products (including alcoholic beverages) was more than twice as high, and the sale value of nonfood products was 47 percent higher. It is estimated that the actual quantities of goods sold were lower than in March last year.

Significant shortages persisted in the area of nonfood products. Among others, such shortages existed for products of light industry and for durable mechanical equipment.

In the first quarter of this year retail sales increased by 46.9 percent as compared to the first quarter of last year; at the same time, the sale of food products (including alcoholic beverages) increased by a higher amount (by 67.8 percent) than the sales of nonfood goods (by 31.2 percent).

Two phenomena have to be stressed when considering the market situation. For the first time in many years, March was the month in which the rate of increase of personal expenditures was higher than the rate of increase of income. These are the first results of price changes.

Unfortunately, the second phenomenon is not new. It is based on the fact that the burden of maintaining the existing market level, or, speaking more precisely, prevention of a total market collapse, is supported to a greater extent by the food economy rather than by other industrial sectors.

In March of this year, as compared to the March of last year, we have observed a considerable increase in exports. In trading with I payments area, exports increased by over 20 percent, and with II payments area, by 11 percent, while imports from I payments area were higher by 6.3 percent and were lower by about 43 percent from II payments area.

In the first quarter of this year, as compared to the first quarter of last year, exports approximated the level of last year (lower by 0.8 percent), while imports were lower by 25.2 percent. In exports, there was a large increase in regard to fuel and energy (mainly coal and coke) and construction projects, while a considerable decrease occurred in the area of food-industry products, wood and paper products and agricultural products.

Attention should also be drawn to the principal changes in the import structure. The share of imports for investment purposes decreased as a whole from 11.9 percent in the first quarter of last year to 6.6 percent in the current year, while, at the same time, there was an increase in the share of supply-type imports.

It is difficult to draw any further general conclusions from the above given data. In regard to the material welfare of the population, the trends caused by the introduction of economic reform, and primarily price changes, are quite clear. They are, however, considerably less clear in regard to the scale and structure of production. Even though no precise data are yet available concerning living costs increase (Central Office of Statistics (GUS) is obliged to prepare such data at 6-month intervals); nevertheless, certain preliminary estimates may be made, with the stipulation that such estimates will be tentative in nature. Thus, the cost of living increase in January, as compared with that of January last year, was about 50 percent; while in February, as compared with the same month in 1981, it was about 115 percent. The average wage increase, including compensation, was in February, smaller at least by one-half.

This difference (although no direct comparisons should be drawn in this case) reflects the scale of the social costs of resolving the crisis. The matter of greatest importance is to have these costs halt the decrease in production and the changes in the structure of production and improve its effectiveness. Some harbingers ["swallows"] of such changes may be observed; however whether they really predict "spring" will be seen in 2-3 months.

9934
CSO: 2600/550

INITIAL ASSESSMENT OF ECONOMIC REFORM REPORTED

Lodz GLOS ROBOTNICZY in Polish 2-4 Apr 82 pp 1, 3

[Article by Janusz Kotarski]

> [Text] From the standpoint of long-range economic policy, the first quarter is primarily the beginning of the implementation of economic reform. It is difficult to attempt to make a more thorough analysis after such a short time. Ninety days is only sufficient to make some preliminary observations, which does not mean that the most valuable may turn out to be the critical signals.

The registration of these signals and the suggestions that ensue from them must, however, take into account the fact that reform is being applied under extremely difficult conditions, that were additionally aggravated by the economic sanctions applied by the United States and certain Western countries during the first quarter. Thus, both the structural preconditions of our economy (for example, the dependence, of about 60 percent of industry on imports) and the need to make payments on loans and interest under penalty of breaking off talks on the subject of further rescheduling of the debt, and finally, implementation of the primary goal--counteraction to the negative effects of the winter period, required many operative decisions that were sometimes not too consistent with the principles of reform.

This preliminary assessment must also consider the situation of the enterprises themselves, faced with self-government, self-dependence and self-financing, but at the same time lacking raw and other materials etc. The first quarter was, after all, a period of total reshaping of coproduction ties, whose determinant most often was lack of a guarantee on the part of the partner.

However, none of this changes the fact that certain tendencies in the approach to economic mechanisms introduced by reform must arouse fear. The circumstances mentioned above served, in far too many cases, as a kind of screen behind which enterprises tried to utilize the principles of reform to implement parochial interests. Too often they tried to relieve themselves of the effort that improvement in work organization, employment efficiency, and cost reduction, requires.

This can be observed in the specific planning methodology. In many cases, the question was asked of oneself at the beginning--what level of profit must be achieved to

maintain both a state of employment and obtain an increase in wages without reducing other costs. This led by a straight path to raising the prices, particularly of those goods which are not covered by a system of controlled or official prices.

This is not a trivial problem from the social point of view either. It is estimated that approximately half of the products still carry free prices and a further increase in the tendency to work out a correspondingly high profit (making it possible to pay for both a progressive turnover tax and accumulate higher wage funds without reducing employment) will contribute to an acceleration of inflation.

Such a development of events may also make it necessary to modify the system of compensating for price increases both in budgetary units as well as in regards to people covered by social security, leading, as a result, to a flattening out of incomes, with no relationship to management efficiency.

The problem is not trivial in face of the fact that in applying reform the increase in prices for market items was estimated at approximately 60 percent, whereas in practice, this indicator is much higher.

The difficult supply situation had an adverse effect on the principles of competitiveness, which had been written into the reform. Nor is it not unimportant that many enterprises still maintain a position of monopoly.

In fact, the competitive race applied primarily to the operational programs. This was clearly revealed at the commodity markets in Poznan, organized for the first time under conditions of reform. Aside from the bid resulting from "registering" in the operational program, the key industry did not propose many commodities. Crafts and the small-scale industry started out somewhat better, which may confirm the thesis that in order to achieve the goals of reform, time is also necessary.

Of the other signals, the fact is worth noting that the income tax, unfortunately, continues to be a price-fixing element (added automatically to costs). Possible higher returns into the state budget from the income tax than from the turnover tax would indicate that it has not been possible to put into effect the very important principle of "large turnover, small profit".

The matter of foreign-currency conversion factors, it appears, also requires more precise analysis. The difference in the conversion factor for won raw materials (1 dollar = 50 zlotys) and in export (1 dollar = 80 zlotys) unfortunately encourages the export of the least processed goods. On the other hand, however, the possible revision upwards of producer prices may, under present technical conditions and current efficiency, make export unprofitable.

Application of economic reform is a long-range process. A fetish should not be made of the negatives that have appeared, nor should they be ignored. Beginning in April, a system of analyses and evaluations of the application of reform, organized in accordance with the government's schedule of work, will function. A draft of its general assumptions was discussed at the last meeting of the Commission on Economic Reform. This will be a scientific system of accumulating information and analyses, qualified to answer the questions: Are new management principles being put into effect and do the executive regulations correspond to the intentions of reform.

9295
CSO: 2600/564

## CHANGES IN 1982 SOCIOECONOMIC PLAN REPORTED

Warsaw IDEOLOGIA i POLITYKA in Polish No 4, April 82 pp 95-103

[Excerpts from article by Jan Guz]

[Excerpts] The changes in the national econony made in 1981 did not bypass methods of regulating its functioning, especially in planning. Work done on the directions of economic reform has been of special importance in this regard. These efforts have created premises for substantial modifications in activities connected with preparing the plan for 1982. It was symbolized through the change made in the name of the yearly plan. The adjective "national" was changed to "central," and so in 1982 we have the Central Socioeconomic Plan [CPSG] instead of the National Socioeconomic Plan [NPSG] of former years.

Underlying the symbolism of the changed name of the plan are substantial changes in its content. First, the scope of the central plan and its minuteness of detail have been reduced. The 1982 plan is composed of the Council of Ministers resolution and a schedule; 2 years ago, in 1980, there were 17 schedules. Second, the application of plan directives has been radically curtailed, and the directive and forecast-information section has been separated. Third, the organizational-unit [plant and equipment] role of the economic ministries has been abandoned. This is designed to limit their role to exerting indirect influence on enterprises, ensuring the latter independence in the development of their own plans.

### The Planning of Developmental Activity

It is in the nature of developmental processes to be spread over many years. For this reason, the planning of these processes should not be decided when the yearly plan is prepared, and certainly not when the quarterly plan is set up. However, for 2 years we have had an exceptional situation in this area due to the lack of a current five-year plan. The 3-year stabilization plan prepared last year was developed for another purpose, and was not able to fill this gap. In addition, work continues to clear the plan and to adapt it to the new circumstances of the national economy.

The duty of outlining developmental policy in 1982 of necessity must fall upon the CPSG. The first central quarterly plan did not undertake this

matter. Thus, we may assume that the provisions of the yearly plan adopted in December 1981 remain current in this regard. At the threshold of 1982, the cost-estimate value of the entire investments program in the socialized economy (from the initial stage of implementation through the total, comprehensive completion of investments) amounted to approximately 3 trillion zlotys. Already incurred outlays amount to approximately 1.8 trillion zlotys, of which approximately 50 percent have thus far been put into operation. The remainder, or approximately 1.2 trillion zlotys, represents a so-called investment commitment, i.e., the amount of outlays indispensable to complete all projects included in the investments program. This is the equivalent of investing at the 1981 level over a 4 to 5 year period, and considerably more in industry. Investment outlays in the socialized economy for this year are planned at 340 billion to 350 billion zlotys. Thus, the potential for financing the implementation of investments has dropped by about 15 percent.

The Special Investment Commission under the chairmanship of Deputy Premier Z. Madej reviewed the investment projects already underway. The result of the commission's work was the curtailment of the continued implementation of investment projects of a cost-estimate value of 200 billion to 250 billion zlotys. Together with investments curtailed earlier, this amounts to a cost-estimate value of 600 billion to 650 billion zlotys. Dropping the implementation of such a considerable number of investments has made possible the improved execution of other projects. Nonetheless, in the opinion of some experts, the scale of reduction is not sufficient to set the investments front completely in order. Because of the planned reduction in the level of investment outlays, particularly in industry, there may be the continued occurrence of such unfavorable phenomena as the dissipation of means, the diffusion of potential and, consequently, insufficient progress on the structures of concrete projects. The signs issuing from major investment structures seem to confirm these fears.

In the plan for 1982, new principles for the distribution of investment funds were adopted. Their distribution to the ministries was abandoned. The concept of central investments and the investments of economic organizations was introduced. The first group includes 78 investments named in the CPSG; credit allotments have been specified for each one. The remaining investments are included in the second group. These will be financed out of enterprise funds or on credit granted by the NBP [Polish National Bank] competitively. In this way, the bank will assume a major part of the responsibility for conducting investment policy. The success of this move would create an incentive for the still greater commitment of financial institutions in investment activity programs.

It is expected that in the near future, the government, via the Planning Commission, will make decisions only on the undertaking of central investments that represent approximately 20 percent to 30 percent of the general value of investment outlays. Regarding the designation of remaining outlays, in accordance with governmental guidelines, and abiding by rules of cost effectiveness, the Investment Bank will make the decisions.

8536
CSO: 2600/559

## RATE OF UNUSED PRODUCTION CAPACITY REPORTED

Warsaw WIADOMOSCI STATYSTYCZNE in Polish No 3, Mar 82 pp 12-13

[Article by Bogdan Wyznikiewicz and Docent Dr Habilitatus Leszek Zienkowski, GUS [Central Office of Statistics] Department of Balance-Sheets of the National Economy]

[Text] A GUS report on the socioeconomic situation in 1981 contained the following statement: "As a result of the substantial increase in fixed assets in the past few years, there has arisen a considerable potential in production capabilities that is not being fully utilized, mainly in the processing industry (except for the power industry) and in construction." Thus, it seems advisable to make a brief presentation of simplified methods for estimating unused production capacities.

The evaluation of the degree of utilization of production capabilities is a very complex task; moreover, the results yielded will always be controversial. Let us begin by saying that views may vary regarding the methods used to measure production capacities. If we define them in physical units, the problem of nontotalization arises. Defining them in value units likewise may engender doubts. The value of production is contingent upon its structure; consequently, we should perhaps adopt here some sort of conventional assumptions of an arbitrary nature. These and many other problems not mentioned here remain to be solved in Polish statistical practice. Until this happens, it is advisable to make an estimate on the basis of several simple assumptions.

In the first place we assume that under present economic conditions the work force is not a factor affecting the utilization of production capacities in a fundamental way. In conjunction with this, for selected basic subsectors of the processing industry a simple linear regression has been used to estimate a trend of changes in the productivity of fixed assets measured by the ratio of net production to fixed assets, expressed in constant prices. It is recognized that the period during which these ratios developed relatively "normally" was from 1965 through 1977. During the period encompassed by these years, a slightly shorter subperiod was chosen for each subsector, during which the empirical data best corresponded to the workings of the trend. We noted the basic statistical trend in 8 of the 13 subsectors examined. In most cases it was a favorable trend, i.e., it showed a

tendency toward the increased effectiveness of fixed assets. Based on comparisons of the trend, hypothetical values of the effectiveness of fixed assets in 1980 were calculated for these eight subsectors. As an approximate measure of unused production capacities, we recognized the share (in percentages) of unused production capabilities in hypothetical capacities (attained as the difference between the extrapolated, i.e., hypothetical and the actual productivity of fixed assets).

For those industrial subsectors for which we had not ascertained statistically the basic trend of productivity changes for fixed assets, we based our estimates on the volume of the average productivity of fixed assets, eliminating from the period 1965 through 1977 those years at either extreme that showed a more pronounced divergence from the average. Hence, we adopted the assumption that the productivity of fixed assets in these subsectors was maintained at a constant level during the period under examination. The low coefficients of variability inherent in the interval of 2 to 5 percent confirm the aptness of this assumption. The calculations of the percentages of unused production capacities and the interpretation of these percentages are, of course, the same as described above.

It is assumed that a further extrapolation, up to 1981, would lead to results of little credibility, since a continued significant increase in the productivity of fixed assets could not take place in practice. Taking into consideration the imprecise nature of the entire estimate, we believe that the volumes of unused production capacities described in the table are only an approximate characterization of the range of volume exhibited by unused production capacities in 1980 and that they showed some increase in 1981. Moreover, we modified the formal results in the evaluation by dropping off marginally high volumes and using a steeper incline. According to this version it is estimated that if the "normal" usage of production capacities were possible in the processing industry, net production could increase by more than 40 percent over actual output, and it could average from 25 percent to 60 percent higher in particular subsectors. In our opinion, this estimate should be treated as a minimal variant. Let us add that the nonuse of production capacities we have evaluated should be interpreted not so much as the nonuse of the production capabilities theoretically available as the nonuse of production capabilities that could have been used, given the technological and organization circumstances from 1965 through 1977.

In conclusion, it is our opinion that the problem of researching and gauging the level of utilization of production capabilities, an especially important problem during the present crisis, requires further in-depth study.

Estimates of Unused Production Capabilities in Selected Subsectors in the Processing Industry in 1980

A. Estimates Based on the Productivity Trend of Fixed Assets

| Subsector | Subperiod used as basis of estimate | Specificity coefficient of the comparison of the trend $R^2$ | Direction of the trend | Unused production capacities in 1980 in percentages |
|---|---|---|---|---|
| Industry: | | | | |
| fuel | 1966-1975 | 0.88 | positive | 45 |
| metals | 1969-1977 | 0.66 | negative | 18 |
| machine | 1965-1976 | 0.70 | positive | 18 |
| precision tools | 1967-1976 | 0.92 | positive | 24 |
| means of transport | 1967-1976 | 0.75 | positive | 31 |
| electrotechnical and electronic | 1965-1976 | 0.90 | positive | 26 |
| chemical | 1965-1975 | 0.91 | positive | 28 |
| food | 1965-1975 | 0.98 | negative | 28 |

B. Estimates Based on Mean Productivity of Fixed Assets

| Subsector | Subperiod used as basis of estimate | Variability coefficient (ratio of standard deviation from the mean) | Unused production capacities in 1980 in percentages |
|---|---|---|---|
| Industry: | | | |
| iron metallurgy | 1966-1975 | 0.05 | 44 |
| nonferrous metals | 1968-1975 | 0.04 | 34 |
| construction materials | 1965-1975 | 0.02 | 40 |
| timber | 1965-1975 | 0.02 | 33 |
| textile | 1966-1975 | 0.03 | 26 |

8536
CSO: 2600/524

ECONOMIC CONTRADICTIONS IN PRODUCTION INDICATED

Warsaw SLOWO POWSZECHNE in Polish 7-9 May 82 p 9

[Article: "The Economy and Life -- Contradictions Which Must Be Removed"]

[Text] According to a recently published report on the state of the economy towards the end of last year, one of the most important factors underlying the decline in industrial production in 1980 and 1981 was the diminishing importation of raw and other materials and coproduced components from the capitalist countries. It is estimated that the volume of supply deliveries declined by half from these countries, and this, combined with the steady level of imports remaining virtually unchanged for supply purposes from the socialist countries, brought about a decline of a whole 22 percent in the total size of supply imports.

Of course, this was mainly as the result of a certain feedback, but our export capabilities gradually declined, while the state's balance of payments got worse permanently. As the report says, the limitations on raw materials deliveries for the needs of the chemical industry, light industry, and nonferrous metals industry and the great limitations on coproduction components for many sectors of the electric-machine industry were especially sensitive. Each of these unbalanced positions, let us add, has its extended effects. For example, the decline of production in the chemical industry directly impacts agriculture's supply of fertilizers and essential pesticides and thereby reduces the size of the product created in this sensitive sector of our economy.

Here is a footnote to the assessment in the report: it is an important fact that last year it was basically only small manufacturing that achieved results on a par with 1980. It is also worth remembering that small manufacturing was working back during the first half of last year under the new principles consistent with the principles of the economic reform presently being introduced. Unfortunately, the first two months of this year in small manufacturing did not show any clearer production increase. Increasingly stronger shortages in the material supply became evident.

The systematic decline in production, caused by the shortage of supplies to factories, consistently created successive negative phenomena, underuse of industry's production potential. Thus, for example, while in 1978 the exploitation of production capacity throughout our industry amounted to about

85 percent, by 1981 the index had reached a level of 60 percent. The specialists estimate here that in the final months of last year, production capacities in mining and power industry approximated 72 percent, those in metallurgy and engineering industry approximated 57 percent, and those in the chemical industry, in light industry, and in the food and building materials industries approximated 60 percent.

On the basis of the above illustration of the status of the economy, insofar as industry is concerned, we can imagine the great difficulty of inculcating the economic reform itself in such a way as to avoid devaluing either its basic ideals or its various concrete principles. The independence of the enterprises, one of the main tenets of the entire design of the reform, alongside the self-financing of the enterprises' economic activity and their self-government, was bound to be limited, by the force of the facts, at least to a certain extent. It is mainly a question of the enterprises which are working in the government operational programs. As everyone knows, these programs were created in a situation in which there were supply shortages, and the object was to provide an incentive for the production of vital goods.

On the other hand, the thing is that participation in these programs was extremely disturbing for many economic managers. They provide, or at least they should provide, clear supply priorities. This great emphasis, on the other hand, created a secondary phenomenon, whereby these programs showed a very marked increase. As a result, the priorities remained on paper to a great extent, and the order-directives method of management of the enterprises actually remained in force. I believe that this contradiction should be eliminated as soon as possible.

10790
CSO: 2600/587

CITIZENS' COMPLAINTS, GRIEVANCES TO PARLIAMENT TRIPLED

Warsaw SLOWO POWSZECHNE in Polish 10 May 82 p3

[Interview with Deputy Eugenia Kemparowa, vice chairman of the Sejm's Commission on Administration, Local Economy, and Environmental Protection, by Kazimierz Klos: "The Sejm Vis-a-vis Citizen Complaints and Grievances"]

[Text] [Question] The number of complaints, grievances, petitions, and comments which citizens have sent to the Sejm during the past 2 years has increased many times. As the Sejm Commission on Administration, Local Economy, and Environmental Protection was told, in 1981 the Sejm received about 23,000 letters of that sort, compared to about 8,000 in 1980. What does this indicate in your opinion, Madam Deputy?

[Answer] There are various reasons why the number of complaints and comments nearly tripled last year. First of all, I should like to point out two contrasts, both the result after all of the political situation in our country. Citizens are becoming more and more courageous about the undoubted development of democratic forms of life and the promise to maintain this direction in the future. They believe in the effectiveness of the intervention of the institutions which they have elected. They think -- and they are right -- that this is some sort of participation in the improvement of the republic. On the other hand, there are a number of malcontents with unjust, emotional, unjustified attitudes towards any sort of authority. Their complaints are usually anonymous. In their circles criticism for the sake of criticism has become not so much a civil need as a fad. Another thing is that the heartlessness still found among many bodies of the administration and the economy and the bureaucratic way officials operate on various echelons were particularly tempting for these citizens.

Finally, we are seeing a rise in the number of complaints and grievances sent to all state bodies, the NIK, and the party. The Sejm called for greater social criticism, and the citizenry believes that it can now call on the state administration at the various levels to carry out their just demands and rights.

[Question] After all, they have a basis for such belief in the legal documents recently issued...

[Answer] Of course. To a great extent the modernization of the Administrative Procedure Code contributed to this. The constitutional right to lodge complains and register grievances was expanded and made more concrete. The revision listed bodies, ways of handling things, and deadlines. Here we must also remember the previously unknown court control of administrative decisions. The very possibility of such control is already helping the upgrade the work of the administration, in the view of our commission.

The Supreme Administrative Court serves as a watchdog over the legality of decisions, and the fact that a decision in question can be overturned by the NSA contributes to care in decision-making and to greater knowledge on the subject. It would seem that the administration is trying to keep its decisions from being overturned, and therefore to avoid the reversals is trying to see that they are consistent with the law in every way.

[Question] Citizen complaints and petitions, as has already been said, come from two sources and are of two kinds. They are a signal of a concrete wrong, and of the citizen's confidence in the Sejm, but in toto they are also an important source of information concerning the improprieties occurring in the country. Generally speaking, can you specify the subjects which come up over and over again most frequently in the complaints?

[Answer] Of the complaints sent to the Sejm, 42 percent concern questions of quarters, which proves eloquently the tremendous housing problem in the country. Twenty percent concern construction (for example, renovation, the quality and scheduled on-time completion), and 10 percent relate to improper local administration. There has been an increase in the percentage of complaints and suggestions in the area of environmental protection, which shows the development of the ecological movement and the observation of threats from the uncontrolled development of industry.

Our Commission (the Sejm Commission on Administration, Local Economy, and Environmental Protection--editor's note) makes an analysis not only of those matters which come to it but also of those sent to the Ministry of Administration, Local Economy, and Environmental Protection. We do not just want to see whether the ministry and bodies subordinate to it are handling the matters quickly and efficiently in formal terms. We are also interested in seeing the sort of social effectiveness of the citizen-official feedback included in the handling of intervening action. And insofar as we can determine the subject matter of the complaints, the formal course of their handling, to this extent we are still looking out for more information on the effectiveness of complaints, whether as a consequence improvements have been made in certain areas of social life.

[Question] No analyzing institution?

[Answer] To a certain extent. The deputies' lack of information on the subject of the effectiveness of complaints and suggestions in terms of the meritorical aspects as well as the formal ones was demonstrated and was the reason for the creation in 1981 of a special Sejm Commission on Complaints and Suggestions. The assumption was that this commission would not review individual citizen complaints, because that is the job of the Sejm office, the Sejm commissions, and appropriate agencies and organizations, but it has the right to ask for information and to analyze complaints as well as to investigate how effective their handling of them is to improve the state administration and economy. The commission has not been long in operation. Therefore there is not the proper cooperation yet between it and the rest of the Sejm commissions.

The specialist commissions' deputies count on the Commission on Complaints and Suggestions to advise them of the need for changing improper practices regarding the application of the law, whenever this has become the source of complaints, and the need for filling legislative gaps revealed by the complaints. This is a tremendous task for this commission.

We have considered it an urgent task to draw up the principles for effective cooperation, possibly at a joint session of the Sejm Presidium and commission chairmen.

[Question] Alongside the improvements in the legislative system, are there any other general conclusions concerning the effectiveness of the state administration brought to light up until now in the analysis of the complaints and suggestions?

[Answer] The fundamental condition for improving the work of the administration, as we have seen not only from analysis of the matters coming in to the Sejm but also from the deputies' observations, consists of personnel, not only their shortcomings but to an overwhelming extent their low level of qualifications, especially in the field. It is true that a personnel monitoring process is going on. The pragmatic procedure to be followed by the state administration employee is also being prepared in the form of a legal document. For example, qualifications are being tightened, but the deputies are turning their attention to the need to create a system of education for the intermediate-level administration personnel, for all echelons of officialdom out in the local areas. In the curricula of post-secondary studies a greater number of hours should be devoted to administrative procedure too. The Commission on Administration, Local Economy, and Environmental Protection intends to present the chairman of the Council of Ministers with an appropriate statement of what it considers essential in this matter.

[Answer] Thank you for the interview.

10790
CSO: 2600/589

## CONSTRUCTION OF BELCHATOW MINING, POWER INDUSTRY COMPLEX DESCRIBED

Warsaw CZASOPISMO GEOGRAFICZNE in Polish No 3, Jul-Sep 81 pp 285-296

[Article by Anna Niznik, Institute of Geography, Lodz: "The Influence of the Construction of the Belchatow Mining and Power Industry Complex on Geographic Organization"]

[Text] Summary of the contents. The article deals with the problems of territorial management linked to the construction of the new mining-power industry complex. It presents, in succession, the location, the area and the boundaries of the Belchatow Industrial District, the brown coal deposits occurring there and the concept of the development of the district, as well as the degree of implementation of investments already underway. The author likewise points out both already executed and anticipated changes in the organization of district management.

All operative industrial facilities, especially those whose production activity is based on the extraction and processing of mineral raw materials, cause considerable destruction of the natural environment, changes in the sedimentation network and socioeconomic changes. This primarily refers to those facilities that mine raw materials using a strip-mining system. Brown coal mines use such a system. Electrical power plants, which likewise have an unfavorable effect on the immediate surroundings, are located right next to them. The consequences of the harmful effect on the environment, both of brown coal mines and the electrical power plants connected with them, are spread out over time, although they are usually built together. As we observe the changes taking place in an area where mining and power industry investments are already underway, we are not only able to evaluate the damage being done but we can also uncover the mechanism of the process of environmental reconstruction, and we can appraise newly created ecological conditions. This is all the more important in that the growing need for energy will stimulate the process of building brown coal mines and electrical power plants. This process in Poland is systematically gaining in intensity.

The Belchatow Mining and Power Industry Complex (ZGE), whose construction was undertaken during the second half of the 1970's, will broaden the scope of the power industry in Poland based on brown coal for the final 20-year period

of our century. The construction of the Belchatow ZGE initiated the creation of a new territorial concentration of industry in the Belchatow Industrial Districe (BOP).

The Location, Area and Boundaries of the District

The BOP is still not market out on economic maps of Poland. This is because this district is still under construction, although for several years it has been spoken of and written of more and more frequently. The foundation of BOP construction is the ZGE which, by the end of 1981, is to supply electrical power for the domestic power network through the burning of brown coal occurring in this area.

Regional planners for the BOP include in it two cities and eight gminas located in the southwestern part of Piotrkow Voivodship: the cities are Belchatow and Piotrkow Trybunalski, the gminas are Belchatow, Kamiensk, Kleszczow, Kluki, Rzasnia, Sulmierzyce, Szczercow and Wola Krzysztoporska. The BOP is located entirely on the area of Piotrkow Voivodship; however, in th the future it will extend beyond the boundaries of this voivodship, partly due to investments accompanying the power plant that has been built.

A characteristic of the BOP location is its setting at the juncture of three voivodships, Piotrkow, Sieradz and Czestochowa. Thus, the district has the possibility of cooperation with neighboring voivodships.

The BOP according to its current boundaries, covers an area of 1,069 $km^2$. This is 17 percent of the total area of Piotrkow Voivodship and 0.3 percent of the total area of the country.

The Belchatow Brown Coal Deposit and Its Characteristics

The Belchatow deposit was discovered in 1960 in the environs of the village Lekawz-Piaski on the Widawka River, located about 15 km south of Belchatow. Geological studies conducted here from 1959 to 1964 by the Central Geological Office uncovered the existence of a coal seam 60 meters thick, and further geological penetration led to the discovery of coal reserves on the order of 2.2 billion tons. Penetrative drilling and studies based on gravimetric surveys within a short time led to the contouring of the compass of the newly discovered deposit, detection of the conditions of the occurrence of the seam, as well as to an evaluation of the water conditions of the deposit and the surrounding region. It was discovered, among other things, that the length of the entire depost zone amounts to approximately 40 km, and its width varies from 1.2 km to 2.5 km, whereas the total thickness of the overburden covering the deposit varies from 100 meters to 200 meters and averages approximately 145 meters.

The Belchatow coal deposit occurs in the Kleszczow trough fault, made up of Mesozoic formations which are composed primarily of Jurassic limestone and marl, gaize and chalk gaize. The fault is filled out with Miocene and Pliocene formations, and it is covered with Quaternary drifts, whose thickness sometimes reaches 300 meters [See bibliography: Klatka, Ziomek, 1979, p 20]

The natural conditions of the occurrence and the geological formation separate the brown coal deposit into three fields. The western part of the deposit is the Szczercow field; the central part is the Belchatow field, and the eastern part is the Kamiensk field. The Belchatow and Szczercow coal fields are separated by a salt dome. The recoverable reserves of these fields, which amount to 2 billion tons, will be mined.[1] The Szczercow and Belchatow fields extend for a distance of 20 km, and their mean width is 1.5 km.

Approximately 60 percent of the detected coal reserves are in the Belchatow field. This deposit will be mined first due to the greater amount of reserves, the larger share of noncohesive soil in the overburden and the smaller percentage of sulfur contained in the coal. The mean thickness of the coal layers here is 54.5 meters. The coal occurs under a layer of overburden with an average thickness of 154 meters. The field covers an area of 18.5 $km^2$ and extends for a distance of 12 km. The exploitable brown coal reserves amount to 1.2 billion tons, and ultimate mining should yield approximately 40 million tons annually. Mining is to begin in the second half of 1981. The coal in this field has a calorific value of 2,159 kcal/kg.

The Szczercow field deposit is to be the next to be mined. It extends for a distance of 8 km. Its recoverable reserves amount to 820 million tons and it has 680 million tons of exploitable reserves. The ultimate mining of coal from this deposit is to yield 18 million tons annually, and mining is to begin in 1987. The mean thickness of the overburden on the deposit is 130 meters, the thickness of the coal seam averages 59.4 meters, and the calorific value is 2,002 kcal/kg [See bibliography, Kozlowski, 1979, p 9].

It should be added that the entire mass of the Belchatow coal deposit is energetistic, but only certain portions of it are made up of briquette coal.

The General Concept of Construction of the ZGE

The already described brown coal deposit is the basis of development of the BOP represented for the present by the Belchatow ZGE. The ultimate mining capacity of the Belchatow mine built here has been projected at 38 to 40 million tons per year. In order for this mining capacity to be achieved, in the course of a year an overburden of from 110 to 130 million cubic meters will have to be cleared [See bibliography, Kolkiewicz, Kozlowski, 1974, p 351]. This necessitates the use of basic mining machinery heretofore unknown in Poland. According to assumptions, the overburden is to be cleared with the use of three wheeled excavators produced in the FRG by the Krupp firm, and the overburden is dumped with the use of four dumping conveyors produced in the GDR. The brown coal to which these machines will have dug down will be mined by using four wheeled excavators also manufactured in the GDR. Belt conveyors are to be used to transport the overburden and coal because of the large masses being moved and the great distances they must be moved. This type of transport system will be retained.

As noted above, along with the construction of the mine, a power investment is also being implemented--the Belchatow I electrical power plant (in Rogowiec). A second electricl power plant, Belchatow II, (in Osiny) will be built next.

When completed, the Belchatow I power plant is to have a capacity of 4,320 megawatts. It will be the first electrical power plant installed with 12 power untis, each having a capacity of 360 megawatts. Annual net power production will reach approximately 26.7 billion kilowatt-hours, and the annual time for utilization of the installed capacity will be 6,530 hours. Belchatow I will be one of the largest electrical power plants in the world operating on brown coal. That this is a tremendous endeavor is demonstrated by the fact that the installed capacity will exceed the capacity of all domestic power plants operative in 1978 by 25 percent, and the electrical power generated will likewise amount to approximately 25 percent of all domestic electrical power.

The following factors help to create the exceptionally favorable technical-economic indexes of the electrical power plant: its location in direct proximity to the mine and the short distance from electrical power receiving stations. Locating an electric power plant with such a great capacity in the center of the country means that it will be the electrical power plant with the highest capacity concentration, at least until 1985, and the radius of its feed will not exceed 150 km. This radius will include such large cities as Lodz, Warsaw, Kielce, Krakow, Katowice, Opole, Wroclaw and Kalisz. [See bibliography, Niznik, Paczka, 1979, p 71] The area of 16 voivodships, with a population of approximately 13.5 million, or nearly 40 percent of Poland's population, lies within 150 km of the power plant. This situation increases the significance of the electrical power plant in central Poland. It should also be emphasized that the central location of the power plant in the country will limit outlays for the construction of a transmission network, reduce costs of transmitting electrical power and, above all, improve the stability of the operation of the domestic power system.[2]

The construction plan for the Belchatow ZGE prepared by architects projects the implementation of accompanying investments. The construction of housing and service facilities is planned, as are the modernization and reconstruction of highways and the construction of a railroad line from Piotrkow Trybunalski to the Belchatow mine and electrical power plant. The reconstruction of the old sedimentation system and the recultivation of lands destroyed by mining, among other projects, are also planned.

Current Progress in the Construction of the Investment

Mining at the strip mine was begun in 1977, but preparatory work in this area was undertaken in 1973. This included draining the deposit, for which pumping was begun in 1975. A well system is used for this. The depth of the well, depending upon the depth of the mine, varies from 120 meters to 400 meters. At a depression of 90 meters surrounding the digging, the flow amounts to 320 cubic meters per minute. Mine waters are discharged into the Widawka River [See bibliography, Kozlowski, 1979, p 9]. The draining of the deposit has caused the water in farm wells to disappear. In order to compensate farmers for the disappearance of the water in their wells, water supply systems and individual water intakes are being built in the region of the mine depression.

One of the first investments of the Belchatow brown coal mine, an indispensable one for the preparatory work front, was to shift the bed of the Widawka River for a secion of 3 km and to regulate this riverbed for a section of

3.3 km. This investment made possible the designation of a location for digging accessible to a deposit for mining in the former village of Piaski, as well as providing a location for a dumping ground for the overburden near the digging. The opening of the mine and the startup of the first system (Excavator--belt conveyor--dumping conveyor) took place in June 1977. Three such systems are currently in operation. The first excavator for mining coal has also been erected. Since belt conveyors are used to transport the overburden and then the coal, at the end of 1979, an important accompanying structure, the Stomil Rubber Conveyor Belt Factory, was built and put into operation. This factory is located next to the Belchatow I electrical power plant in Rogowiec.[3]

The basic facilities structure, including the administrative building of the mine directorship, are centrally located 1 km north of the strip mine, near the new electrical power plant.

The advanced stages of progress on the construction of the Belchatow I electrical power plant in Rogowiec have also been reached. For the construction of this structure and its facilities, lands were expropriated that were formerly the villages of Ruszczyn and Rogowiec, and a section of forested areas was likewise deforested and cleared. A road connecting Slok and Wola Grzymalina, which ran through the construction site of the power plant, has been moved. The construction of the first two power generating units with a capacity of 360 megawatts each is nearing completion. The first of these is to be put into operation by the end of 1981, the second and the third--in 1982 and two more are to be made operative during each succeeding year. In 1977, the construction of the first chimney 300 meters high was also completed. The chimney is to serve six units. For technical reasons, the chimney had to be completed before the electrical power plant was put into operation. A chimney cooling system 136 meters high has likewise been built, and others are being implemented. In addition, water reservoirs have been built in Bialy Lug and Slok, making a vital change in the landscape of the region.

A railway line has been constructed from Piotrkow Trybunalski to the ZGE, through Belchatow. While it mainly will serve the needs of the ZGE, it is also to be used for a passenger travel. In 1978, a municipal bus system was put into operation along the Belchatow-Rogowiec route. This has taken the strain off the outlet roads from Belchatow considerably. New highways have been built, and the old ones have been modernized.

Beside investments, work is being done aimed at creating the proper social-living conditions for the ZGE work forces. Housing construction is being implemented on a large scale in Belchatow and Piotrkow Trybunalski. In Belchatow, mine and electrical power plant workers have been housed in the First of May Housing Estate East, the Swierczewski Housing Estate, in Okrzej and Lower Silesia. The Young Worker's Home, the Power Engineer's Home and workers hotels are also being used. Communities of single-family low-rise cottages are being implemented for the highly qualified cadre. A heating plant and heating lines have been constructed. A sewage treatment plant is also in the process of being implemented. Both of these investments are located between Belchatow and Grocholice[4] [See bibliography: Niznik, Paczka,

1978, p 107]. Belchatow, which has become a housing center for miners and power engineers, is undergoing general reconstruction. A PKS [State Motor Transport] base and a social and gastronomic services complex have been built for city residents and employees, and the construction of a hospital, a trade school complex, an automatic telephone central office, etc., is being implemented. The implementation of the above investments is not taking place without personnel and supply problems, as well as objective problems emanating from the geological formation of the brown coal deposit. Large boulders are found in the deposit, which hamper the efficient operation of overburden excavators and belt conveyors. Local confined aquifers and the like also cause problems. Despite difficulties and certain delays, the structures of the mine and the electrical power plant are ready for operation. A coal storage site, at which reserves from the first seams already dug up will be stored, is in the final stages of completion.

Anticipated Changes in the Territorial Structure of the District

The general concept of BOP development envisages the most intensive development for the city of Belchatow, which will be the major housing and services base for the ZGE work force (80 percent of the construction program). Construction for district needs will likewise be located in Piotrkow Trybunalski.

The implemented investments will bring about an increase in the population and will cause considerable demographic changes in BOP structural units and its particular settlement units. In 1990, the Belchatow district will have 216,000 inhabitants, or 77,000 people more than in 1975. It is forecast that Piotrkow Trybunalski and Belchatow will have 150,000 inhabitants, whereas 22,000 people will be living in the larger settlement units. In particular BOP structural units, the growth rate of the population will vary. The greatest increase (more than double) will be in the city and gmina of Belchatow. Centrally planned cities and locations will have the greatest increase in population. According to assumption, by 1985 Piotrkow's population will increase to 85,000, and Belchatow will grow to 30,000.[5] A considerable population increase is likewise forecast for Kamiensk, Sulmierzyce and Szczercow. In 1990, Kamiensk and Szczercow will have 8,000 inhabitants each and Sulmierzyce will have 6,000 inhabitants [See bibliography: Niznik, Paczka, 1979, p 91].

According to predictions, Piotrkow Trybunalski will then have a population of 120,000. The implemented mining-power industry investment will double the BOP city resident population. Thus, it will be a stimulus for the development of urbanization processes. In the BOP, Piotrkow Trybunalski will function as the capital of Piotrkow Voivodship and a center of regional and national significances. The housing factory built in this city, with a production capacity of 12,000 housing units per year, will increase the city's role in serving district needs.

Belchatow, which is smaller than Piotrkow Trybunalski in size, will also be a center of regional and national significance and will primarily fulfill housing and services functions.

The central areas of particular structural units in the Belchatow district--Kamiensk, Sulmierzyce, Szczercow and Wola Krzysztoporska--will be centers of voivodship significance, primarily fulfilling housing functions. Wola Krzysztoporska will likewise fulfill an industrial and transportation function. Kamiensk and Sulmierzyce will be important agriculturally and industrially; Szczercow will have a recreational function.

The Belchatow investment will bring about changes in the employment structure of the district population. Between 1975 and 1990, the number of positions available in agricultural and forestry work will diminish by approximately 20,000 jobs; meanwhile, employment in industry and construction will grow by 29,000 jobs; other nonagricultural sectors will employ 14,000 more workers. This general employment increase (23,000) will make necessary an influx of the work force from outside, since human resources within the BOP will not be able to meet the growing need. According to planning assumptions, there will be a good deal of commuting to work and migration from other areas. These processes are already gaining in intensity and they will accompany the implemented investment for a considerable time. The BOP needs and will continue to need a low-qualified work force, as well as many specialists. Employees will come in not only from BOP rural areas and Belchatow and Piotrkow Trybunalski, but also from beyond the BOP, from the Piotrkow and Sieradz voivodships and more distant areas. The sources from which the work force will be drawn will be an area situated within a radius of 50 km from Kleszczow, which may be treated as a central point of the mining basin.

The development of the fuel-power industry in the district will cause accompanying investments to be made linked with the comprehensive development of the BOP. These will include: construction materials, aggregates and gas-pressurized concrete works, limestone-sand plants and the expansion of the Pioma Mining Machinery Factory in Piotrkow Trybunalski. Within the framework of supplementary industry, the expansion of the agricultural-food industry is anticipated. For the purpose of guaranteeing positions for women, the development of the electronics industry or other precision-tools industry is anticipated.

Changes will also occur in farming as a result of the BOP construction. Both the amount of cropland and the number of persons employed in agriculture will diminish. The high level of agricultural employment in the district will decrease gradually, not only because of labor mechanization and an increase in the general level of agriculture, but primarily as a consequence of a reduction in cropland area. According to forecasts, by 1990 this area will diminish by 5,400 hectares. The negative effect of the BOP investment on farm production--in addition to reducing cropland area--will be expressed in terms of the shifting and degradation of soils in the region of the cone of depression, as well as in the degradation of the biological activity of the environmen emanating from soil sulfurization and acidification. This negative effect accompanying the investment will be reduced in part through the intensification of production processes in agriculture, structural and organizational changes and changes in the technology of farm production. Moreover, approximately 1,100 to 1,500 hectares of forest lands will be withdrawn from use. These will be protected areas surrounding the dumping ground, the electrical power plant and the ash storage dump. While these lands will have restricted usage capability, they will not be expropriated.

The further reconstruction and expansion of the transportation, highway and railway system, adapted to the distribution of work locations and residences, is becoming a vital element of district development, underscoring the Belchatow-ZGE transportation link. The system of roads will be linked up efficiently with nearby housing, services and production center, i.e., with Piotrkow Trybunalski, Pajeczno and Dzialoszyn, as well as with Radom, Pabianice, Lasek and Lodz. It is anticipated that the roads in these directions will be modernized and PKS buses will run on the more important ones.

The construction of the ZGE, necessary from the viewpoint of the domestic power situation and the need to limit hard coal consumption for power purposes, is the first such investment being conducted in Poland on such a broad scale.

As mentioned above, the investment presents many problems, both in terms of the construction of the ZGE and for the organizers of territorial development, since the construction of this type of industrial complex causes inevitable changes in the natural environment, including its degradation. The scope of environmental destruction in the BOP encompasses not only the mine and power plant areas, but also the area of the range of the cone of depression, which occupies more than 1,300 $km^2$. The burning of coal in the electrical power plant, which will take place at the end of 1981, will initiate a process of air, soil and water pollution. Then, the problem of protecting the natural environment against the negative consequences of the ZGE will manifest itself more sharply than at present. Undoubtedly, it will be impossible to avert this negative effect completely. ZGE architects, future users of the mine and the electrical power plant and other management organizers in the BOP will have to make full use of the achievements of science and will have to do their best to see that the power benefits do not mask the need to take proper action toward protection of the natural environment and rational territorial development. We presume that the law concerning environmental protection and development (DZIENNIK USTAW No. 3, 11 February 1980) will foster this action, as will the results of studies on the changes occurring in the environment because of the Belchatow ZGE.

## FOOTNOTES

1. The Kamiensk fields, due to the unfavorable index of the coal overburden, are not projected for exploitation, although the recoverable coal reserves are estimated at approximately 140 million tons. However, the possibility is being considered for using this coal as a reserve. Associated with this, the external dumping ground, which is partly located on this field, is to be remodeled.

2. The capacity of the electrical power plant Belchatow II (Osiny) has been put at 21,160 megawatts. Six power units, with a capacity of 360 megawatts each, will be installed in this electrical power plant. The ultimate production of electrical power will amount to 14 billion kilowatt-hours annually.

3. This factory primarily will serve the needs of the coal mine. In 1985, the length of belt conveyors used in the process of mining exploitation and in the electrical power plant is to reach approximately 80 to 100 km.

4. Grocholice is a new functional city section of Belchatow. It is the oldest, earliest settled element in the city (city status was attained in 1420). The community was annexed to Belchatow in 1977, thanks to which Grocholice indirectly regained its former municipal functions, which it had lost (like Belchatow) in 1870.

5. In 1975 Belchatow had 10,800 inhabitants, and in 1978 it had 22,600 inhabitants. For the same years, Piotrkow Trybunalski had 64,200 and 68,900 inhabitants respectively.

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Ryc. 1. Położenie Bełchatowskiego Okręgu Przemysłowego.

Fig. 1. Location of the Bełchatów Industrial District.

Figure 1: Location of the Belchatow Industrial District

Key:

1. Central-western macroregion
2. Central-eastern macroregion
3. Southern macroregion
4. Southeastern macroregion
5. Belchatow Industrial District
6. Piotrkow voivodship

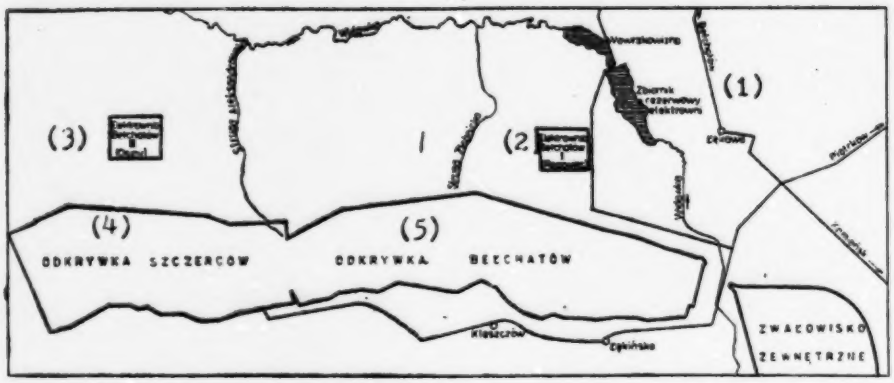


Ryc. 2. Schemat rozmieszczenia pól węglowych i elektrowni.

Fig. 2. Distribution of coal fields and the power stations.

Figure 2. Distribution of Coal Fields and Power Stations

Key:

1. Reserve reservoir for the electrical power plant
2. Belchatow electrical power plant I (Rogowiec)
3. Belchatow electrical power plant III (Osiny)
4. Szczercow strip mine
5. Belchatow strip mine
6. External dumping ground

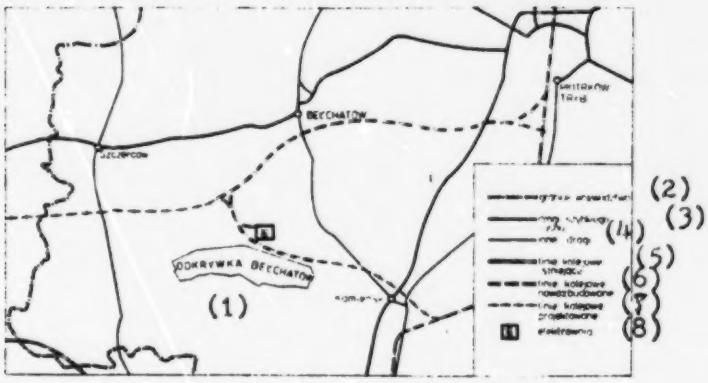


Ryc. 3. Położenie Zespołu Górniczo-Energetycznego „Bełchatów" na tle układu komunikacyjnego.

Fig. 3. Location of the "Bełchatów" Mining and Power Industry Complex on the background of the transport system.

Figure 3. Location of the Belchatow Mining-Power Industry Complex Against the Background of the Transportation System

Key:

1. Belchatow strip mine
2. Voivodship boundaries
3. Major highways
4. Other roads
5. Existing railway lines
6. Newly built railway lines
7. Projected railway lines
8. Electrical Power Plant

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BETTER USE OF PRIVATE FARM POTENTIAL URGED

Bucharest REVISTA ECONOMICA in Romanian No 15, 16 Apr 82 pp 12-13

[Article by Dr Mircea Bota: "Reserves for Increasing the Agricultural Production on the Farms of the Population"]

[Text] In accordance with the principles and norms of territorial self-supply and self-management, steps to utilize all arable land at a higher level and to develop numerically and qualitatively the livestock populations are being taken in each rural locality, on each farm and in each agricultural enterprise. At the same time, the actions for increasing the production of cereals, meat, milk and other agricultural products have in view the better utilization of the reserves existing on the farms of the population, which constitute--in our economic and social system--a special type of agricultural economic unit, based on personal labor, but indissolubly connected with the socialist economy and intricately integrated into its structure.

The three forms of farms of the population--those of the members of the agricultural cooperatives, those of the peasants in hilly and mountain zones without cooperatives and those of the worker personnel and other working people in villages and cities--have some differences from each other, but also common characteristic traits, by means of which their economic and social nature is made out. For instance, they use the own manpower of the members of the respective families; their activity has a diversified, natural-commodity, mixed economic-functional structure; the incomes obtained (in kind and in money) are correlated with the quantity, quality, importance and effective result of the own effort and contribution of those who receive them; their activity has an indirectly programmed character (it being fitted into the sole national plan), on the basis of the use of specific economic, legal and administrative factors and forms; and their activity has a certain stability and has an important role in increasing the agricultural production, the incomes of the peasants and the well-being of the whole populace.

The importance of the sector of the farms of the population has risen considerably in the current stage, in which the problem of efficiently increasing the agricultural production has been

accentuated by the new conditions of the development of our national economy, by the transition to local territorial self-management and local territorial self-supply of agricultural and food products to the population. In the speech at the plenum of the National Council for Agriculture in February of this year, the secretary general of the party, Comrade Nicolae Ceausescu, said: "It is necessary to give even greater help to the peasants in the zones without cooperatives, helping them with everything that is necessary, including agricultural machines and tools, chemicals and other products, seed and breeding stock, in order to develop the production."

The Potential and the Conditions for Utilizing it

The important role of the population's farms in raising the vegetable and animal agricultural production and in increasing the incomes and well-being of the peasantry and the other working people results from the resources that they possess, from the percentage of their participation in obtaining the various agricultural products, from the economic and social functions that they fulfill in our national economy.

The farms of the population possess over 2.3 million hectares of the agricultural area, half of which is arable (15.6 percent and 12.6 percent of the total, respectively). They have 8.2 percent of the pastures, 47.1 percent of the meadows, 37.8 percent of the area of vineyards, 22.1 percent of the area of orchards, 23.4 percent of the area cultivated with corn, 43.6 percent of that with potatoes, greens and melons and 11.6 percent of that with fodder plants. The farms of the population also possess significant percentages with regard to the zootechnical potential: at the start of last year, it represented 38.6 percent for oxen, 43.3 percent for cows and heifers, 27.7 percent for hogs, 43.2 percent for sheep, 42.8 percent for poultry and 84.2 percent for bee colonies. Comparing the percentages of the livestock populations with those of the land areas, we find that the fodder base of these farms is insufficient, which obliges them to use some fodder resources from the outside. The farms of the population also possess a significant volume of household facilities that, with minimum investment costs, permit the obtaining of significant quantities of agricultural products.

One extremely important resource that these farms possess is their own work force, in a complex structure of age and level of training. It is a question, in fact, of almost the whole work force employed in agriculture, to which are added the commuting workers (from nonagricultural branches and activities) who reside in rural areas, the children and the old people in villages and other persons from rural and urban localities who regularly or occasionally, within the limit of the available time, work on their own farm or that of their families.

The farms of the population use a significant volume of resources made available by the socialist agricultural units and by other economic units and cooperative and state institutions, such as state-owned and cooperative pastures, fodder resources from the agricultural, forest, industrial and commercial units, technical resources, supplies and loans provided on easy terms by the state. One extremely important condition, determined by the socialist economic, social and political framework in which the farms of the population operate, is the possibility of procuring their means of production and consumer goods through trade and of selling their production at

remunerative and stimulative prices through the contracting and purchasing system and on the market.

Using these conditions, the farms of the population are making an important contribution to the animal and vegetable agricultural production, possessing significant percentages for some products, as follows from the data given in the table.

Table: The Evolution of the Quantity of Vegetable and Animal Agricultural Products and the Percentages of the Farms of the Population

| Products | The Country's Total Output 1980/1965 (%) | 1965 (% of the Total) | | 1980 (% of the Total) | |
|---|---|---|---|---|---|
| | | Farms of Cooperative Members | Individual Farms | Farms of Cooperative Members | Individual Farms |
| Meat | 221.8 | 43.1 | 11.5 | 28.0 | 14.5 |
| Milk | 163.4 | 40.3 | 16.0 | 34.1 | 22.6 |
| Wool | 147.0 | 32.4 | 10.1 | 29.0 | 13.6 |
| Eggs | 255.7 | 62.0 | 22.3 | 44.3 | 17.2 |
| Honey | 186.8 | 47.7 | 27.7 | 43.7 | 47.3 |
| Corn | 189.7 | 13.8 | 3.0 | 13.0 | 5.9 |
| Beans | 113.7 | 22.6 | 7.5 | 22.0 | 8.4 |
| Potatoes | 188.3 | 35.1 | 14.0 | 38.0 | 20.4 |
| Onions | 129.5 | 39.6 | 6.4 | 37.8 | 11.1 |
| Cabbage | 239.4 | 27.0 | 6.6 | 33.3 | 12.1 |
| Tomatoes | 228.8 | 21.2 | 3.3 | 36.8 | 6.1 |
| Grapes | 142.4 | 31.1 | 2.7 | 31.3 | 4.5 |
| Fruit | 122.4 | 45.2 | 30.1 | 40.1 | 22.2 |

The Characteristics of an Upward Development

For the population's farms as a whole, some significant characteristics and trends stand out against the background of the general development of agriculture in the past three decades: the continual growth of the effective quantities of animal and vegetable products obtained; the maintenance or even the growth of their percentage on the whole for the main vegetable and animal products, except for a few (for instance, meat and eggs) for which the production has risen at a steadier rate in the socialist agricultural units; in comparison with the farms of the CAP /agricultural productive cooperative/ members, the individual farms, especially those in hilly and mountain zones, have registered a steadier rate of growth of the outputs--and, on this basis, their percentage has increased for the majority of the above-mentioned animal and vegetable products. Correlating the percentages of the livestock populations and of the animal and vegetable production with the percentage of the agricultural area on the farms of the population, one notices these farms' characteristic--with an upward trend--of processing biologically and productively their own resources and those received from the outside, in agricultural branches and activities with a multilateral, intensive and efficient character, which are situated predominantly in the higher phases of the agricultural-production circuit (the production of meat, milk, wool, eggs, cheese, potatoes, greens, fruit, bee honey and so on)--a characteristic that amplifies the role of the farms of the population in the better utilization of primary agricultural resources, through the obtaining of a greater quantity of better nutritive ingredients.

The economic, social and political functions that the farms of the population in our country are fulfilling in the current stage can also be made out on the basis of the above-mentioned aspects. Of them, we mention: the providing of a part of the local supply of agricultural and food products for feeding their members and the other citizens in villages and cities under the conditions of territorial self-supply; the contribution to the supplying of agricultural raw materials to industry; the participation in exportation with a significant volume of products in diversified assortments and of high quality; the fuller and more efficient utilization of the work force; the raising of the incomes and the standard of living of the possessors of farms; and the positive influence in stabilizing the population in rural areas and in hilly and mountain zones.

Orientations for Improving the Activity

So that these functions can be fulfilled at a higher level, we consider it necessary--in supplementing the steps taken recently on the initiative of the party and state leadership--to orient the activity of the farms of the population in the following directions:

The improvement of the structure of the agricultural areas that they possess according to categories of use. In this regard, we feel that the percentage of the area occupied by vineyards and vine nurseries--9.48 percent of the entire agricultural area that the farms of the cooperators have (as compared to 1.73 percent for agriculture as a whole)--could be reduced (especially as many of the personally owned vineyards of the cooperators in flat zones are old, incomplete, poorly productive and located on fertile arable land), for the sake of increasing the areas occupied by fruit trees and technical and fodder plants. The fact that only a small part of their grape production is used as table grapes or is delivered to the state supply, the rest being utilized in winemaking, also argues in support of this proposal;

The improvement of the structure of the areas with different crops, by further increasing the percentage of the cultivation of corn, potatoes, greens, melons, early-maturing vegetables (in heliogreenhouses) and technical and fodder plants, by increasing the percentage of the double crops (barley-corn, rape, green mass-corn), by expanding the companion crops (beets among fruit trees, beans and pumpkins among corn) and the successive crops of vegetables; and so on;

Regarding the dimensioning of the farms of the population, we feel that a system that would stimulate better the utilization of the potential of the members of these farms for personal diligence and labor should be instituted;

The intensification and diversification of the cooperation with the activity of the socialist units, on the basis of stimulative and equitable criteria, in order to satisfy social needs and requirements concerning the raising of the agricultural production and the selling of it to the state supply;

The hastening of the application of the measures established with regard to the providing of greater help by socialist industry, the agricultural-mechanization stations, the socialist agricultural units and the local state bodies along the line of helping out with machines and furnishing agricultural tools, chemical products, seed, breeding stock, construction materials and services.

By utilizing this help and the advantages created by means of the new contract and purchase prices, orienting themselves particularly toward the products most needed in the balance of the territorial self-supply of each county and each locality, for the obtaining of which they possess favorable conditions, and increasing their deliveries to the state supply, the farms of the population can and must contribute to the growth of the agricultural production, to the general raising of the level of the Romanian village.

12105
CSO: 2700/272

## LAW PROVIDES NO INCENTIVES FOR FOREIGN INVESTMENT

Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 26 Apr 82 pp 33-34

[Article by Milan R. Kovacevic, Belgrade]

[Text] The number and volume of foreign investments has not equalled the expectations, desires and projections or the total efforts expended in debates, discussions and regulations about them. Recently, as many times before, a new draft law has been drawn up on changes and additions to the Law on Investments by Foreign Parties in Domestic Organizations of Associated Labor. In reading many previous proposed changes in regulations, one gets the impression that we are seeking foreign investments at the same time that we are praying to God that there will be none.

### Limiting Goals

On a number of occasions, numerous disputed remarks have been addressed at the existing Law. In large part they relate to economic conditions of investment. There will be foreign investments, if conditions attract them. Before accepting the investment risk, a foreigner must be able to see the possibility of a satisfactory profit, for with investments there is always the possibility that there will be no gain. Worse, the investment can be lost. The existing Law ignores that crucial feature of investments. Its article 19 prescribes the contractual limit on income for the foreign investor. Another regulation stipulates that, in case of particularly successful operations, when the contracted profit level is passed the foreign investor will be eliminated from the investment project. Profit above the contracted ceiling is used to return and reduce the foreign investment.

This truly incomprehensible condition is found only in Yugoslavia among the countries of the world. Numerous criticisms have come from various countries, but no arguments for maintaining such a provision have been heard. Yet despite that, the proposer of the latest revision of the law has left in the obligation for a contractual limitation on profit for foreign investors. Only the part of that text which specifies the criteria for determining the maximum, and the consequences for surpassing it, have been eliminated. If this change were accepted, article 19 and logic would still diverge.

It should be stated that a contribution to achieving greater operational success is the basic goal of foreign investments. Profit is the marginal part of income that grows as income increases. Limiting a foreign investor's profit also limits his interest in increasing income, and thus restricts the very goal of investment. The Law excludes foreign investments that are capable of achieving high income and profit. Why? Who wants to put a limit on success?

In any case, what foreign investments have resulted in excess profits for foreign investors? Precisely the opposite is the case. The problem is how to create more attractive conditions for foreign investments, if we want to have more of them. The regulation writers stubbornly resist that. Under the conditions of Yugoslav low average profitability, foreign investors are restricted by regulation to less profit than domestic investors can earn. Yet we know very well that domestic investments are not even attractive for domestic investors.

What Do We Offer the Foreigner?

When a domestic organization invest in its own operations together with a foreign investor, then according to Article 18 of the Law it must first set aside part of the profit for expanding the material basis of labor, and only the remainder after that has to be shared with the foreigner in proportion to his investment. All taxes and contributions must be covered from the income before the profit of the foreign investor is determined (and these are not small sums). From his profit, he must still pay a profit tax (which the domestic investor does not pay). Thus the Law further draws the foreign investor into a less favorable position than that of the domestic investor. Finally, so that the foreign investor would still be prevented from earning too high a profit, the previously mentioned maximum profit limit must be negotiated. Haven't we solved the problem of foreigners earning too much nicely?

The current Article 18 of the Law made it possible for the contract on investment to "establish" obligations from income that are to be covered before determining the profit in which the foreign investor is to share. For example, this makes it possible for both investors to share the load of income tax, while only the domestic investor bears the part of the tax assessed on his profit, just as only the foreign investor pays the tax on his profit. The change in this article proposes that all "legally determined obligations" be covered from income before determining profit to be shared with the foreign investor. If this change is adopted, then the possibility for balancing tax burdens by contract between the domestic and the foreign investors will be eliminated, at the expense of the latter.

In fact, the profit is not divided where foreign investments are involved. Only an amount due the foreign party is established. Everything else remains for the domestic organization. Therefore, it looks attractive to shear the foreign sheep right to the skin. Haven't we after all gotten to their skin anyway, and aren't potential foreign investors sheep? Who would make an investment from abroad, at least without getting an equal deal?

In contrast to credit, an investment is risky not just in regard to return (which as we have seen, has a fixed upper limit for the foreigner), but also in regard to preserving and regaining the original investment. Besides all that, investment is for a longer term than credit, which even further increases investment risk. While credit has a certain, determined and for quite a while, high interest rate, we permit the foreign investment only a limited maximum profit, or a loss without any limitation. The possibility for a investment to dissipate in losses in other countries is accompanied by the possibility of earnings as its value grows. In other countries, investments are a property without time limit, while here in Yugoslavia they are restricted to a definite time. Therefore, from the beginning our regulations have permitted contracting the current value of foreign investments and contractual simulation of their real value.

Previously, Article 32 of the Law specified that return of investment can be made in "an increased ratio to a reduced amount based on parameters established by the investment contract, depending on the income achieved by mutual operations." In the period since 1978, when this provision took effect, the only problem has been that previously a number of better methods were used for establishing the value of investments, from its weighting "depending on income" alone to others. But there was never a question of the possibility of contracting investment return in "increased" amounts, whenever that was necessary and justified.

Without any explanation, the latest draft of the Law plans to erase the entire cited text of Article 32. If that change is adopted, in the future it will be possible to return to foreign investors only "the value of invested capital," which probably means the nominal amount invested. That would mean a further major and needless worsening of the conditions for foreign investments. Not only would profit be limited on the upper, but not the lower end, but in addition the value of the investment in the future would have an upper limit, the nominal amount invested, while naturally the investment could still be dissipated in losses. It is exactly as if foreign investments were flooding into the country, so that we wanted to select the best among them. Yet the situation, as we know, is completely the opposite.

Investment Credits

The lack of a feeling for reality has long characterized the treatment of financing joint investments with foreign parties. The dialogue of the deaf and dumb is supposed to end in a wrong manner, bu changing Article 8 of the Law. A new provision is being proposed which says the following: "The investment contract can stipulate that a part of the capital necessary for financing a joint operation may be agreement between a domestic organization of associated labor and a foreign party be obtained as credits or loans, with the provision that repayment of the credit or loans shall be done by the domestic organization of associated labor in which the foreign party has invested from the income of joint operations before its distribution to the parties to the contract. In that case, the capital

obtained through credits or loans are not an investment, and the income realized by operations involving that capital shall be distributed to the parties to the contract in proportion to their investments." This sentence of 80 words cannot be praised for its clarity, but when its sense is perceived, a misunderstanding of several basic notions emerges.

Everywhere in the world, and especially here in Yugoslavia, investments are financed in large part through credits. There is no reason for any difference with investments that are undertaken as joint ventures. Indeed, from teh beginning a large number of joint investments have been financed by credits, along with capital investments. Yet since 1978, when the present Law was approved, the agency that approves contracts for investments by foreign parties, without comprehensible reasons, has insisted that joint investments be made exclusively through capital investments. At times that solution suited the investors, but in many cases approval of contracts for joint investments financed both by capital investment and through credit has been preceded by long persuasion and delays before the final approval of the contract. From that it is clear that the proposer of the text cited wanted to eliminate his dilemmas. It is encouraging that finally it has been perceived that joint ventures can be financed through both direct capital and credits.

The proposers, in their long sentence, in which they explain to themselves something already understood, did not include the fate of interest on credit, which naturally "is not an investment." Instead of being paid, that interest "is paid from the income earned by joint operations before the income is distributed to the parties to the contract." In general, that is how capital investment differs from credit. Credits have their price in interest, while investments are reimbursed by a share of the remaining money (after settling all other debts), which we call profit. But in contrast to interest, credit repayment never comes from income.

The way to treat repayment of credits is studied in school and specified in accounting regulations. When clearly acquisition of credit does not increase income, then even the uninitiated would have to preceive that logically, returning credit should not be done as a burden on income. The initiated know that receiving and repaying credits in general have no influence on success. These change the balance of the status of an organization, which through the interest certainly has an indirect impact on operational results. Accepting, granting, returning or repaying credits does not have any direct part to play in operational success. Taking credits initiates, and returning credits extinguishes the obligations that enter into the balance of the organization's status. Settling debts is not connected to specific capital as a source. Thus credit is returned from total available capital, without regard to its source.

Naturally, in order to preserve liquidity, it is necessary to assure that the possibilities for returning credits are coordinated with available income. That income flow comes from amortization of basic resources, reduction of necessary working capital, newly acquired credits, or reinvestment of profit. Yet in no way should repayment of credits be

a deduction preceding the determination of profit. Credit repayment can be financed from the investors' profits, but those profits must be granted to the investors, and then reinvested. It is high time for these elemental things to be understood, and to stop the inexplicable contracting of joint investments without credits, or else with credits that involve deductions and repayments from the investors' profits. We cannot be out of step with the whole world, if we want to have foreign investments.

Uncertainty

One of the great obstacles to greater foreign investments is the situation in foreign trade and foreign exchange. Foreign investments are long-term transactions that could bring greater benefits, and are contributing to improving the foreign trade and foreign exchange situations. However, palliative measures that have suspended many regulations do not provide security for foreign investors. In order for the situation to be corrected, it is essential that a certain ratio of exports and imports, and of foreign exchange payments, be approved for joint investments. That ratio could be 1:1, as with long-term industrial cooperation, or some other justifiable ratio. In any case, a once approved ratio together with the contract approval must make unhindered import available for joint investments, until they achieve their planned exports.

The only change in the foreign exchange policy for joint investments is a proposed in Article 27, and it is unclear. It says that foreign exchange from investments can be used "without limitation for the purposes of the contract, with the condition that payments to foreign parties should come from the foreign exchange income realized on the basis of joint operations." The sources for funds to repay foreign parties (to return their investment) remains to be seen when it is done, so that it is truly incomprehensible that utilization of foreign exchange from the foreign investment at the very beginning, depends on this foreign exchange income.

With their features and possibilities, foreign investments can contribute significantly to both internal and foreign stabilization of the Yugoslav economy, but present conditions for foreign investments obviously are not attractive enough. If by changing the regulations we hope to make them more attractive, not only must we not ruin the existing conditions, but we must truly improve them. The present proposers of changes seem to have forgotten that.

12131
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FARMERS NOTE PROBLEMS IN COOPERATING WITH SOCIALIZED SECTOR

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 28 Apr 82 p 11

[Article by Djura Djukic]

[Text] Excerpts are presented from a discussion of individual agricultural producers (regarding concentrates, zadruga bureaucratism and other topics.)

One frequently hears about forming associations of agricultural workers. It is the daily theme of many meetings, and various agricultural experts and politicians are always talking about it. Least often, the farmers themselves talk about it. They are rarely found at those meetings, and even when they come, they have little to say. Thus when the farmers ay something about forming cooperatives themselves, it sounds more authentic than from other sources.

At the recent Assembly of the Yugoslav Zadruga Alliance, a number of farmers spoke. The figure has been published that there are about 300,000 farmers in associations in Yugoslavia, and that there are about 1.3 million farmers who in various ways cooperate with the socialized sector. In the country, however, there are about 2.5 million individual farms. It is also estimated that there are about 1.5 million "retirement" hectares, where little modern agritechnology is used.

We cannot be satisfied with the results of association, according to farmer Dobroslav Nikodijevic. The law is not respected sufficiently. There are few young people in teh village, and production is very unstable. We have no security. Prices change quickly, several times a year. If we make an agreement in advance on the price of corn, and we are unable to stick to the price, that is a failure. I ask: If the price of concentrate is 23 dinars, is it worthwhile to sell corn for 8.5 dinars and buy concentrate for 23 dinars? You don't need any pencil lead for that!

We cannot accept the behavior of fertilizer producers who offer us fertilizer with the stipulation that we must agree to cover their losses. They seek foreign exchange for their goods. Will the day come when we farmers will ask foreign exchange for our products?!

Association as we have conceived it will move more quickly here in Serbia if we have security for at least a full year, security in planning our production. Yet no one accepts the responsibility for the fact that there is no such security.

Two Moods

Stevan Jelenkovic, also a farmer, says that the zadruga organizations are not prepared either economically or with specialists and personnel. Really, they are not able to utilize the farmers' mood for association. One gets the impression that the zadruga organizations are not even sufficiently motivated to utilize that mood.

The lack of income relationships represents one of the greatest obstacles to the association of agricultural producers. The zadruga organizations are not able to set aside suitable income for the farmer. Agricultural producer delegates to various assemblies are not in positions to deal with the problems. We have carried on the struggle to have farmers become producers of goods, to build stock yards. Yet today there is not enough concentrate, so that these producers face enormous losses.

There is bureaucratism in the zadruga organization offices. There have been instances during stock sicknesses when specialists have not arrived for as much as 10 days. The livestock suffered and the producer suffered great losses. We have planted more wheat than we planned, but we did not fertilize it on time. We have received nitrogen fertilizer in small quantities. Those who have "connections" get it.

The farmers complain about various things. They are particularly worried by the lack of specialized personnel. In Bosanska Krajina, they say, there are many machines, which represent investments of billions. It would be good if they would also gather billions for personnel that would work in the village. The specialized services that occasionally visit the villagers are like travelling theaters; they come and they go. We should invest in village agronomists, provide them with apartments and automobiles. The farmers themselves say so.

In the Banat, one hears criticism of the "jack of all trades" farmer. They are expected to be producers of goods. A frequently repeated story is that the farmer is rich. Yet when the land is bought, then some directors and agricultural specialists have the advantage over the farmer : they are better supplied with semi-processed materials, fertilizers and pesticides. They also use zadruga machinery. Are they becoming rich in a legal way?

Cooperation as Commerce

Cooperation is still very thoroughly imbued with commercialism. When it comes time to pay accounts, it turn out that (as in the case of the Kovina cooperative) the coop has a profit of 60 million dinars, of which

40 million go to 20 people in the labor organization, while 20 million remain for all the other associated farmers!

A corn price of 8.5 dinars is by no means a stimulating price, for it will not cover the expenses. The nitrogen fertilizer plant at Pancevo cannot produce fertilizer if we do not help it cover its losses. So be it. But sugar has gone up in price, and the factories are showing surpluses. The farmer sold the factory 15 loads of sugar beets, will he get some money from that surplus profit? Nothing of the kind, for no income agreement was signed. Thus, the farmers say, they call us to cover losses, but they don't behave that way when they divide up the profits.

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INVESTMENT EXPENDITURES IN SERBIA, 1981

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 27 Apr 82 p 8

[Article by V. Subotic]

[Text] The growth of investment expenditures has been lower than the growth in social product. The share of economic investments amounts to 72.5 percent, compared to 68.6 percent for all of Yugoslavia. The rate of investment in agroindustry has intensified, while that in energy has slowed. Internal financing in Serbia proper, excluding the provinces, has grown.

In the past year, investment activities have been characterized by efforts to bring them into harmony with realistically available resources, to limit investments in noneconomic and nonproduction projects, and to use monetary credit and tax measures to give greater stimulation to priority investments. The difficulties are well known. Imports of equipment have declined by 8 percent, while the production of the means of labor has grown by only 3 percent. Along with that, according to the Federal Statistical Office, construction costs have risen by 38 percent. Thus, by the end of September last year, 538 fewer structures were registered than in the same month of 1980.

Total basic capital investments in the social sector amounted to 118,234 million dinars, or 22 percent more than in 1980. In the second half of the year, because of the increase in new investments, but not more rapid payment for projects begun earlier, the dynamics of paying for investments were somewhat more rapid. That is not in accord with the general social efforts to bring the total of investments into more realistic limits. If along with all of this we keep in mind that, beginning in July, a new tax on investments was imposed, we can say that the actual payment dynamics amounted to 18 percent less, compared to an average growth of about 32 percent in the previous 5-year period.

That means that investment expenditures last year, after discounting price growth, were about 12 percent lower in real terms. In the same way, their share of total social product has been declining constantly, from 1979 when they accounted for 36.5 percent, to 1980 with 32.1 and last year with

28.1 percent. The relatively slower growth in investment expenditures had a negative impact on the tempo of project completion, for on the basis of the ratio between precalculated values and final payments, the time required for project completion gradually lengthened, especially for priority projects and apartment construction.

Payments for investments in Serbia proper accounted for 22.5 percent of all Yugoslav payments. The growth of these payments on the average was faster than for the country as a whole. The payment index for investments last year compared to 1980 for the entire country was 117.8; for Bosnia and Hercegovina it was 124.7, for Montenegro, 135.7, for Croatia, 115.6, for Macedonia, 114.9, for Slovenia, 111.6, and for Serbia, 117.6. For Serbia proper, the index was 122, for Kosovo, 102.8 and for Mojvodina, 113.7.

Economic Investment Growth

Since the Resolution for 1981 foresaw much more extensive decreases of noneconomic investments than of those in economic pursuits, the Law provided for more stringent conditions for investments in noneconomic projects, along with stimulative measures for investments in certain economic actibities. These factors had a positive reflection in the economic structure of payments for investments. Thus, growth came in the share of economic investments: in 1979 it was 70.9, in 1980, 70.9, and in 1981, it reached 72.5 percent. Meanwhile, the share of noneconomic investments fell from 27.5 in 1979 to 27.5 last year. Data on the actual economic structure of investments in Serbia proper indicate that it is more favorable than for Yugoslavia as a whole, with a 72.5 percent share for economic activities compared to 68.6 for the entire country.

For what purposes have investment payments been made?

Investments in economic projects have increased 25 percent, while for all of Yugoslavia they grew 18 percent. Fully half the total payments went for industry. In the precalculated value of investments in progress, industry has about 2/3 of the total, indicating that the intensity of payments for industrial investment projects has been weaker than for other investments.

More for Agriculture

In 11 industrial branches, investments were nominally smaller than in 1980, including nonmetals with a 14 percent drop, shipbuilding with a 37 percent decline, electrical devices and machines down 9 percent, sand and gravel down 2 percent, paper production and processing with a 241 percent decline, cloth and knitted goods down 14 percent, rubber processing down 32 percent, beverage production down 5, livestock feed down 37 percent, tobacco down 9 percent and various other products down 13 percent.

Within the economy, investments have increased in agriculture, construction, innkeeping and trades. Thus, last year a large number of small installations were begun, whose total precalculated value showed only a 3 percent increase, while the increase in payments was 39 percent, up 25 percent over 1980. This increased tempo of payments resulted from application of measures to stimulate investments in the agricultural complex. The construction industry also saw a high, 25 percent rate of increase, again because of more rapid payments, while innkeeping grew by 2.2 percent because of expanded investment volume.

Investment outside the economy showed a more moderate growth of 15 percent, which to a large degree resulted from measures undertaken to limit those investments. The fastest increase came in apartment construction, which is exempted from all constraints. Despite the fact that the number of construction projects grew by 20 percent and the precalculated value by 35 percent, payments increased by only 19 percent. This shows that a slowing has occurred in pauments. Thus, in 1980 56 percent of the total precalculated value of projects was actually paid, while in 1981 that figure dropped to 49 percent. If we keep in mind the inflation of construction costs, it is clear that investments in apartment construction actually fell by 14 percent in real terms, so that the plan projections to maintain the same level of construction achieved in 1980 were not accomplished.

Lagging Completion of Priority Investment Projects

Investments of special importance were hastened by both legal measures and social agreements, so that the greatest growth came in that area. The index of payments for priority investments, which in 1978 was 120 in comparison to 1977, increased to 138 in 1981 compared to 1980. Last year, however, there was a markedly slower pace of completing priority projects than for nonpriority investments. Thus, of the precalculated value for priority investments of 243,890 million dinars, 45,841 million dinars were paid, while of 185,556 million dinars in nonpriority investments, 72,393 million dinars were paid. Among priority investments, the largest single category was for investments in raw material operations. Of the total 45,841 million invested in priority projects, 13,757 million dinars were invested in energy, 7,470 million in agroindustry, 13,863 million in producing raw materials and repromaterials, 5,993 million in highways, and 4,748 million dinars in producing equipment, ships and other installations.

Investments in energy for several years have held first place according to value among priority investments, but their tempo has varied. In 1981 the contribution for energy through required resource pooling was increased, but that did not reflect favorably on investments, for the growth slowed. The index for investments in coal production fell to 97 in comparison with 1980, while investments in the agroindustrial complex rose to 136, with agricultural production reaching 139, sugar production 237, and production of vegetable oils, 286 compared to 1980.

In the spirit of plan provisions, the process of strengthening internal financing for investments was continued. Of a total 118,234 million dinars of investments, basic organizations of associated labor in the economy provided 41,600 million, basic organizations of associated labor from noneconomic activities, 13,131 million, self-management interest communities in social activities, 3,601 million, bank credits 55,831 million, placement through banks 2,015 million, and resources of sociopolitical communities amounted to 2,056 million dinars. The relatively greater investments from resources of economic activities resulted from greater transferred reproductive capacities from last year, increased percentages of direct participation in using credits for certain purposes, and taxes on investments.

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## POSSIBILITIES, STATUS OF OIL RECYCLING DISCUSSED

Zagreb NAFTA in Serbo-Croatian, No 12, Dec 81 pp 615-620

[Article by Nevenka Adler, graduate chemical engineer, doctor of chemical technology, Technological School, Zagreb University; Boris Prohaska, graduate chemical engineer, doctor of chemical sciences, research and development group, INA oil company, Zagreb; Vlasta Cizmic, graduate technical engineer, master of technical sciences, research and development service, INA oil company refinery, Zagreb; Ervin Adler, graduate chemical engineer, Industrial Project Institute, Zagreb; and Berman Yabar Mejia, graduate technical engineer, master of technical sciences, Lima, Peru]

This work was first presented at the "Symposium on the Technology of Processing Oil and Natural Gas in Fuels and Basic Petrochemicals," held in Zadar 24-26 March 1980.

[Text] The work includes brief presentations on modern processes for regeneration of used oils.

It is estimated that in Yugoslavia about 150,000 Mg/year of used oil could be collected in 1985, in contrast to the total installed capacity for reprocessing used oil of 55,000 Mg/year. Currently only 36 percent of that capaicty is being used. It is proposed that the social community should develop systematic processes to support the collection of used oils and their re-refining, since this could lead to better protection of the environment and reduction in oil imports.

Using the example of the acid-clay process with a capacity of 10,000 Mg/year, the economic effects of refining used oil are studied. Application of static and dynamic investment evaluation criteria show that this conservation process with relatively low capacity is on the margin of economic feasibility. From this it follows that investing in re-refining processes for lubricating oils has a sound economic basis.

### Introduction

One of the most important problems currently attracting the interest of humanity is the uncontrolled way in which primary raw materials are being exploited, and the ecological consequences of high levels of industrialization caused by the great demographic explosion and the high standard of living.

On the one hand, development has brought progress and benefit to humankind, while on the other hand it has caused many undesirable consequences, which are tightly bound to that industrial phenomenon.

Nature with all its wealth and its great regenerating ability becomes daily more seriously threatened because of irresponsible exploitation, transport and utilization of today's most important and most used energy resource, crude oil.

The most common environmental polluter is used oil that is discarded after use. The proper solution to this problem is regeneration of used oil.

In the past few years interest for regenerating and adequate treatment of used oil has grown not only because of stricter criteria for controlling pollution of the human environment, but also because used oil can serve as a raw material to replace ever more expensive crude oil in the production of lubricating oil through regeneration.

In the past few years the interest for regenerating and adequate treatment of used oil has grown, both because of stricter criteria for controlling pollution of the human environment, and because of the fact that used oils can serve as raw material in place of ever mor expensive petroleum in the production of lubricating oils through regeneration.

In industrialized countries, about 2 percent of the total amount of refined petroleum goes into mineral oil. Of the total amount of mineral oils used, 50 percent remain as waste oils and the other 50 percent are lost in various ways, including use as fuel for high furnaces and as oil on roads for preventing dust, or simply through disposal into sewer systems.

In the past 10 years, consumption of mineral oils in Yugoslavia has risen by about 7 percent per year. The reason for that is to be found in the growing standard of living and in the rapid increase in the number of motor vehicles connected to growing living standards.

In 1975, 1,537,000 passenger cars were registered in Yugoslavia, with a growth trend at 22.9 percent; there were also 254,000 buses, trucks, and other specialized vehicles with a growth rate of 10 percent.

According to analyses of the INA Refinery in Zagreb, it is projected that growth in lubricating oil consumption will continue at a reduced rate of about 4 percent per year. In that case, it could be expected that in 1985, consumption of mineral lubricating oils would be about 317,000 Mg.

Keeping in mind the estimate that the amount of used oil available for regeneration is about 50 percent of the total amount of mineral oil, we can expect that in 1985 there will be about 158,500 Mg of used oil available.

The regenerating or re-refining process is defined as the elimination of undesirable components from used or waste mineral lubricating oils with the intention of recovering lubricating oil of a quality equivalent to that obtained in original production from petroleum.

The Technological Process

1. The acid-clay procedure

This procedure consists of the following phases:

separation of the gathered waste oil
removal of hydrates
refining
distillation

2. The IFP [French Petroleum Institute] Selectopropane Procedure

The French Petroleum Institute has provided an innovation that consists of extraction using propane before conventional treatment with sulfuric acid.

The IFP process reduces the amount of sulfuric acid and clay, and improves the oxidation stability of the regenerated oil while reducing the ash content.

3. The IFP Selectopropane-Hydrofinishing Procedure

The technological phases of this procedure are:

predistillation
treatment with lime
propane extraction
hydrofinishing, or treatment with hydrogen
clay treatment
fraction distillation

4. The BERC [Bartlesville Energy Research Center, Department of Energy] Procedure

This process consists of six phases:

removal of hydrates
treatment for dissolving and sedimentation
removal of solvents
fraction vacuum distillation
bleaching and deodorization
final processing

## Regeneration Facilities in Yugoslavia

There are industrial waste oil regeneration facilities in Yugoslavia. In 1947, the Maribor refinery went into operation; in 1972 that plant installed a new facility with 10,000 Mg/year capacity. Today, however, the facility is working at reduced capacity.

The Zagreb refinery also has a facility for processing 10,000 Mg/year of waste oil but it has been closed down because of low available quantities of used oil.

The Modrica refinery was built in 1969, with a processing capacity of 10,000 Mg/year. In contrast to the two refineries mentioned above, Modrica is using 80 percent of its capacity, and today, considering the higher purchase price for waste oil, it is expected that 100 percent of its capacity will soon be in use. In 1978, a new waste oil facility was built at the Belgrade refinery, with a capacity of 25,000 Mg/year.

The waste oil regenerating facilities at Zagreb, Modrica and Maribor use a sulfuric acid process. Such facilities are cheaper to build, but they often break down during operations because of corrosion in the facilities caused by the sulfuric acid. Furthermore, their basic oil product is of poorer quality. The Belgrade regeneration facility works on the principle of propane deasphaltization and lime refining. This technology is more expensive, but it provides higher quality basic oil fractions.

Hence the total installed capacity in Yugoslavia is 55,000 Mg/year, which actually is processing only 20,000 Mg of waste oil per year. In Europe, 50 percent of total oil production is collected and reprocessed. In 1979 127,200 Mg of motor oil and about 70,000 Mg of industrial oil were sold in Yugoslavia. Experience in the West shows that it is possible to collect and reprocess as much as 70 percent of the available quantities of waste oil, which in Yugoslavia would mean about 70,000 Mg of waste oil. From those quantities it would be possible to obtain about 50,000 Mg of regenerated oil, which would represent a significant savings for society.

## Conclusion

Of the procedures described for regenerating waste oil, the most appropriate from the ecological standpoint are the IFP selectopropane-hydrofinishing process and the BERC process. Both of these procedures have eliminated sulfuric acid, the quantity of active clay has been reduced, they make possible processing of used mineral oils with higher content of asphalt residues and additives, and the resulting products are of suitable quality.

Static criteria for investments in facilities for re-refining mineral waste oils through acid-clay processes are insufficient for determining their feasibility. A return of 6.7 percent, an economic coefficient

of 1.13 and an investment return period of 5.7 years indicate that investments in facilities for re-refining waste oils are only marginally feasible from a financial standpoint.

The contribution of the social community to solving the problem of polluting the environment with waste oils should be to support the collection of waste oils at higher prices and to assure credits under favorable conditions for investment projects connected to re-refining waste oils, as well as to exempt producers of waste oil products from social contributions.

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9 June 1982

# East Europe Report

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2277

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# EAST EUROPE REPORT

## ECONOMIC AND INDUSTRIAL AFFAIRS

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MARSZALEK BOOK ON CEMA INTEGRATION MECHANISMS REVIEWED

Warsaw SPRAWY MIEDZYNARODOWE in Polish No 7, Jul 81 p 166

[Review by a.z. of book MECHANIZMY I NARZEDZIA INTEGRACJI GOSPODARCZEJ KRAJOW RWPG [Mechanisms and Tools for the Economic Integration of CEMA Countries] by Antoni Marszalek, Polish Scientific Publishers [PWN], Warsaw, 1981, 189 pages]

[Text] This work deals with mechanisms and tools for the economic integration of CEMA countries. In his adopted definition, the author considers tools to be constituent elements of mechanisms. Therefore, to the extent that a real, albeit relative, discrepancy exists between the planning-institutional mechanism (in short, the planned mechanism) and the commodity-monetary mechanism, commodity-monetary tools can be and are elements of the planned mechanism. The author has analyzed elements of the latter mechanism in his chapters on the coordination of national socio-economic plans and on international planning, while commodity monetary mechanisms are analyzed in the chapter on prices and international currency. Both groups of mechanisms are divided into two chapters on the national [Polish] socialist enterprise and the international enterprise. The final chapter is devoted to neighborly integration and constitutes a detailed conclusion to the argumentation conducted in the preceding chapters. This conclusion is as follows: "Neighborly cooperation among countries being integrated is a specific form and tool of the integration of the whole. If integration is treated as the joining of links, then it becomes a basic and indispensable form." This conclusion, the author continues, can thus be the point of departure for the considerations put forth in this work.

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MODEL STATUTE OF THE OKRUG AGROINDUSTRIAL UNION

Sofia DURZHAVEN VESTNIK in Bulgarian 30 Apr 82 pp 451-454

[Model statute of the okrug agroindustrial union, adopted by Central Council of the National Agroindustrial Union and signed by Chairman Al. Petkov; date not given]

[Text] Chapter I. CHARACTER AND PURPOSES

Article 1. (1) The okrug agroindustrial union (OAPS [Okruzhniyat agraro-promishlen suyuz]) is a voluntary association of economic organizations, which directs, coordinates and monitors the activity and resources of its members looking not only to the intensification of production on the basis of further development of territorial concentration and specialization of agricultural production, its integration with processing industry, and more efficient utilization of land, capital assets and labor resources, but also to the fuller satisfaction of needs for agricultural output in fresh and processed state and an increase in the country's foreign-exchange resources.

(2) The okrug agroindustrial union is created by the NAPS [Natsionalniya agrarno-promishlen suyuz; National Agroindustrial Union] members situated in the same okrug. It is a collective member of the National Agroindustrial Union.

Article 2. The okrug agroindustrial union is a juridical personality in conformity with article 90, paragraph 1, of the Regulations on the Economic Mechanism (DURZHAVEN VESTNIK, Nos. 9, 10, 11 and 12/1982). It shall carry on its activity with consistent application of the economic approach and the state socialist principle in conformity with the rights and duties appertaining to it as specified in the prescriptive enactments, in conformity with the decisions of superior bodies of the National Agroindustrial Union and with the functions assigned by its members.

Chapter II. FUNCTIONS, RIGHTS AND DUTIES OF THE OKRUG AGROINDUSTRIAL UNION

Article 3. (1) The okrug agroindustrial union shall perform planning and regulatory functions and be responsible for fulfillment of the agriculture plan on socialized and auxiliary farms and private plots, as well as for the links included in its organizational structure, processing and integrated enterprises of the food industry, and service activities.

(2) The okrug agroindustrial union shall differentiate the state planned targets, normatives and limits, assigned to it by the National Agroindustrial Union, between

the agroindustrial complexes, the integrated and service organizations, and its enterprises in the okrug in accordance with the differences in soil-and-climate and other production conditions.

(3) State planned targets, normatives and limits for the units of the food and gustatory industry and the service activities that are part of economic and other trusts shall be approved by their superior organization in coordination with the okrug agroindustrial union.

(4) Jointly with the okrug people's council and public bodies and organizations, the okrug agroindustrial union shall supervise the drawing up of the okrug budgets for agricultural products, including the budgets of the self-sufficiency system for the population of conurbation systems.

(5) The agroindustrial union shall assist its members in formulating counterplans, shall summarize and formulate the okrug counterplan, which it substantiates and submits for approval by the Executive Committee of the Central Council of the National Agroindustrial Union.

Article 4. (1) The okrug agroindustrial union shall organize and coordinate the economic activity of its members and those relations, involving the economic aspects of production, between them and with scientific-research, engineering-and-applications, supply, marketing, trading, construction, transportation and other organizations.

(2) The engineering-and-applications activity of the okrug agroindustrial union shall be directed towards further intensification and elevation of the technical and economic, technological and organizational level production and an increase in production efficiency.

(3) The coordination of supply, marketing and trading activity that the okrug agroindustrial union effects between its members and other organizations shall comprise determining the needs of material resources for production, letting contracts, day-to-day control of the supply of materials and machinery, negotiating and determining the economic terms for the sale of agricultural output etc. The okrug agroindustrial union shall perform this activity through its own specialized enterprises or through its functional links.

(4) The okrug agroindustrial union may carry on foreign activity through foreign-trade and engineering organizations, as well as set up--according to established procedure--its own engineering organizations with rights to operate inside and outside the country.

Article 5. Without limiting the juridical, economic or operational independence of its members, the okrug agroindustrial union shall perform coordinating and monitoring functions involving day-to-day production control in respect of fulfillment of the state planned targets, plans for croplands and number of livestock, observance of technological and contract discipline etc., for which it bears responsibility.

Article 6. (1) The okrug agroindustrial union shall directly perform economic activity to meet specific needs of its members.

(2) By decision of the board of directors of the okrug agroindustrial union, specialized and other enterprises may be set up which are financed by funds of the okrug agroindustrial union or by pro-rata participation of the interested members. The economic relations of the okrug agroindustrial union and its members with the enterprises set up to meet common needs shall be ruled by the regulations governing the organization and activity of the okrug agroindustrial union in question.

(3) The okrug agroindustrial union may participate in new efficient forms of joint organization--associations, corporations, companies etc., regardless of their sectorial affiliation or territorial location in order to accomplish common activities on a voluntary and mutually advantageous basis.

Article 7. Within the limits of the powers delegated to it by the prescriptive enactments of the National Agroindustrial Union and the executive committee of the okrug people's council, the okrug agroindustrial union shall perform the following state and control functions:

1. Pursue state policy in the development of the economic and other organizations included in its organizational structure;

2. Perform administrative and control functions for the conservation, registration and rational utilization of land, for protection of the environment and observance of labor safety techniques;

3. See to the protection of the socialist property of the okrug union and its member economic organizations;

4. Assist and monitor the operation of units of economic and other trusts of the food industry and those with service functions in conformity with concrete production conditions and targets and, on an economic basis, coordinate their activity with the agricultural organizations in the course of plan fulfillment;

5. A special body of the okrug agroindustrial union shall consider and decide precontractual, property and other disputes between its members arising in connection with their economic activity.

Article 8. The okrug agroindustrial union shall coordinate the activity of its members during their participation in building and organizing the social infrastructure and in carrying out joint measures for the further improvement of social relations and the creation of a package of labor, living and leisure conditions for the labor collectives.

Article 9. The okrug agroindustrial union shall be responsible to its members, to the National Agroindustrial Union and to the agencies of the state for the results of the activities and functions delegated to it, for its own economic activity and for the orders issued to its members.

Chapter III. MEMBERSHIP, RIGHTS AND DUTIES

Article 10. (1) The members of the okrug agroindustrial union may be state and cooperative economic and other organizations and units of centrally established

organizations within the system of the National Agroindustrial Union, situated in the territory of the same okrug. Units of economic and other organizations with service functions shall be members of the okrug agroindustrial union and be dually subordinated.

(2) New members shall be admitted by the board of directors of the okrug agroindustrial union.

(3) The members of the okrug agroindustrial union shall retain their economic and juridical independence as well as the rights and responsibilities with which they are entrusted by the prescriptive enactments.

(4) By decision of the collective administrative bodies of the economic organizations, members of the okrug agroindustrial union may be consolidated into a single economic organization--an okrug agroindustrial complex. The decision shall be subject to approval by the Council of Ministers on recommendation of the Central Council of the National Agroindustrial Union.

Article 11. The members of the okrug agroindustrial union shall have the following rights:

1. To participate in the proceedings of the okrug agroindustrial union and its elective governing bodies through their representatives;

2. To elect their representatives to governing and control bodies of the okrug agroindustrial union;

3. To participate in the economic, social and cultural measures of the okrug agroindustrial union;

4. To receive a share of the okrug agroindustrial union's annual profit in accordance with their contribution to the creation of the profit under a procedure established by the board of directors of the okrug agroindustrial union.

Article 12. The members of the okrug agroindustrial union shall have the following duties:

1. To abide by the statute and execute the orders and decisions of the collective bodies of the okrug agroindustrial union;

2. To share in supporting the administration of the okrug agroindustrial union in accordance with the established procedure;

3. To submit to the okrug agroindustrial union a report on its activity in the form and at the times established by the prescriptive enactments;

4. To notify the okrug agroindustrial union when it holds its sessions and conferences, as well as of the decisions that are made.

Article 13. (1) Membership in the okrug agroindustrial union shall be terminated in the following ways:

1. At the request of the members on the basis of a decision of their collective administrative bodies with effect from the date of the decision of the board of directors of the okrug agroindustrial union;

2. By expulsion for nonobservance of the statute or decisions of the okrug agroindustrial union. Termination shall be effective as of the date of the decision of the board of directors of the okrug agroindustrial union;

3. Due to the dissolution or reorganization of the union-member economic organization, with effect from the date of dissolution or reorganization.

(2) Expulsion from the okrug agroindustrial union of an agroindustrial complex and other economic organizations which are also directly members of the National Agroindustrial Union shall be effective from the date of approval of the decision by the Central Council of the National Agroindustrial Union.

Chapter IV. ADMINISTRATIVE AND CONTROL BODIES

Article 14. (1) The okrug agroindustrial union shall be administered on the basis of consistent application of the Leninist principle of democratic centralism and the state socialist principle.

(2) The collective administrative bodies of the okrug agroindustrial union shall be the following: okrug conference, board of directors, control council, and executive bureau.

Article 15. The highest administrative body of the okrug agroindustrial union shall be the okrug conference, in which shall participate delegates of union-member agricultural and other organizations and units, elected at their general meetings in accordance with fixed representation standards.

Article 16. (1) The okrug conference shall be convened every 2 or 3 years.

(2) An extraordinary okrug conference shall be convened by decision of the board of directors of the okrug agroindustrial union or by request of at least one-third of the members of the union, as well as by decision of the Central Council of the National Agroindustrial Union.

(3) The okrug conference shall conduct its session if at least two-thirds of the elected delegates are there present, and make decisions by ordinary majority except, on questions of amending the statute of the okrug agroindustrial union and electing the union's board of directors and control council, by at least two-thirds of the delegates present at the conference.

Article 17. The okrug conference of the okrug agroindustrial shall:

1. Adopt and amend the statute of the union;

2. Decide the question of reorganizing and dissolving the union;

3. Determine the number of, and elect by secret ballot, the members of the board of directors and the control council and the chairmen thereof;

4. Adopt the basic directions to be followed and the long-term programs for the development of the okrug agroindustrial union, and accept the reports on the activity of the board of directors and the control council of the union.

Article 18. The board of directors of the okrug agroindustrial union shall be elected by the okrug conference for a term of 2 or 3 years with a membership of up to 61 persons. It shall direct the entire activity of the union during the period between conferences in accordance with the prescriptive enactments, the model statute and decisions of the conference.

Article 19. The board of directors of the okrug agroindustrial union shall:

1. Adopt the five-year and yearly counterplans of the union and report on its activity to the okrug conference, to the Central Council of the National Agroindustrial Union and to other state and social bodies and organizations;

2. Adopt the administrative structure and the regulations on the organization of wages of the union and its subdivisions;

3. Determine the powers and responsibility of the executive bureau of the union;

4. Make decisions regarding the admission of new members;

5. Accept reports and proposals of the executive bureau and of members of the okrug agroindustrial union and make decisions regarding them;

6. Consider findings of the control council of the okrug agroindustrial union and make decisions about them;

7. Convene the okrug conference of the union and define its agenda;

8. Determine the number and elect the members of the executive bureau of the okrug agroindustrial union and the deputy chairmen;

9. Rule on decisions of the executive bureau, countermanding unlawful ones and amending or halting inadvisable ones;

10. Remove before expiry of their mandate members of the board of directors who have not justified the confidence of the union, or add new members.

Article 20. (1) The board of directors of the okrug agroindustrial union shall conduct its sessions with more than half of its members present. Decisions shall be made by ordinary majority.

(2) The members of the control council, specialists, heads of economic organizations with which the okrug agroindustrial union has business relations, and the chairmen

of public organizations may participate in the sessions of the board of directors with a voice but no vote.

Article 21. (1) The executive bureau of the board of directors shall be the executive and administrative body of the union and perform direct day-to-day supervision of the entire activity of the okrug agroindustrial union.

(2) The executive bureau of the board of directors of the agroindustrial union shall consist of seven to 12 persons. The chairman and deputy shall be included in this number.

(3) Members of the executive bureau shall be severally and collectively liable for damages done to the union that are a result of their illegal, statute-contravening decisions, actions or failures to act.

(4) Between sessions of the executive bureau, the chairman of the board of directors of the okrug agroindustrial union shall carry on day-to-day supervision of the activity of the okrug agroindustrial union.

(5) The chairman of the control council shall without fail participate in the sessions of the executive bureau with the right to speak but no vote.

Article 22. (1) The executive bureau shall act on behalf of the common interests of the members of the okrug agroindustrial union with superior bodies of the National Agroindustrial Union and other economic systems, as well as with state administrative bodies and public organizations.

(2) Within the limits of the powers delegated to it by the statute and by the board of directors of the okrug agroindustrial union, the executive bureau may make decisions to call members of the okrug agroindustrial union to a property and administrative accounting for violation of the statute, nonfulfillment of the decisions of the collective administrative bodies, and for damage done to the union or to its members, in conformity with the prescriptive enactments currently in effect.

Article 23. The executive bureau shall work in close cooperation with the okrug committees of the Fatherland Front, the DKMS [Dimitrov Communist Youth Union] and trade-union bodies in considering and making decisions involving their joint activity, in conformity with the prescriptive enactments.

Article 24. (1) The control council of the okrug agroindustrial union shall consist of 21 persons. It shall:

1. Monitor the entire economic, financial and other activity of the okrug agroindustrial union and member organizations thereof;

2. Follow up on fulfillment of the decisions of the board of directors and executive bureau of the okrug agroindustrial union and of superior bodies of the National Agroindustrial Union;

3. Perform state control functions delegated to the okrug agroindustrial union by the relevant prescriptive enactments;

4. Monitor the protection of socialist property and observance of the socialist rule of law;

5. Methodically supervise and coordinate the activity of the control councils and control links in the member organizations of the okrug agroindustrial union and units of the National Agroindustrial Union in the territory of the okrug.

(2) The chairman of the control council may, in accordance with rights delegated by the board of directors of the okrug agroindustrial union, impose penalties on officials of member organizations for violations or for damages done, in conformity with the Labor Code.

Article 25. The control council of the okrug agroindustrial union shall be convened by the chairman at least once every 3 months. Sessions shall be conducted with more than half of its members present. Decisions shall be made by ordinary majority and shall be binding for member organizations, bodies and officials within the system of the okrug agroindustrial union.

Chapter V. MONIES AND FUNDS

Article 26. (1) The okrug agroindustrial union shall perform its economic activity applying the principles of profit-and-loss accounting and self-support.

(2) The amount of support and deductions for funds of the okrug agroindustrial union shall be determined by the board of directors of the union.

Article 27. (1) The following monetary funds shall be established in the okrug agroindustrial union:

1. Expansion and Technical Improvement Fund;

2. Social Welfare and Cultural Measures Fund;

3. Reserve Fund (with a separate Crop Failure and Disasters Account);

4. Wage Fund;

5. Foreign-Exchange Fund.

(2) The economic organizations within the system of the National Agroindustrial Union shall make deductions from their funds in order to provide payments for the pro-rata participation of their units in the centralized monetary funds of the okrug agroindustrial unions.

(3) By decision of the economic organizations and units that are members of the okrug agroindustrial union, the monies in their Social Welfare and Cultural Measures Funds may be centralized for the building of joint projects and the staging of other common social and cultural measures.

Article 28. The executive bureau of the okrug agroindustrial union shall have the power to make disposition of the fund monies.

CONCLUDING EDICTS

§1. The okrug agroindustrial union shall be represented and bound by the chairman and one more member of the executive bureau of the okrug agroindustrial union.

§2. The okrug agroindustrial union may represent and defend the interests of member economic organizations before state and other public bodies and organizations, in court, arbitration etc., through persons empowered by the chairman.

§3. The statute of the okrug agroindustrial union, approved by the okrug conference, is to be registered according to established procedure at the National Agroindustrial Union.

§4. This model statute has been adopted by the Central Council of the National Agroindustrial Union on the basis of article 15, subparagraph 6, of the Statute of the National Agroindustrial Union (DURZHAVEN VESTNIK, No. 41/1979) and supersedes the Model Statute of the Okrug Agroindustrial Union (published in DURZHAVEN VESTNIK, No. 41/1979, amended and supplemented in No. 11/1981).

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## 'RUDE PRAVO' STRESSES COUNTERPLAN INITIATIVE FROM BELOW

Prague RUDE PRAVO in Czech 28 Apr 82 p 1

[Unsigned article]

[Text] The Set of Measures for Improving the Planned Management System of the National Economy introduces a method of counterplan initiative. Its implementation in practice, especially in industrial enterprises, is progressing slowly and with difficulty. While hardly anybody found the necessary time for the preparation of counterplan initiative last year--though the text of the Set of Measures has been known for 9 months by that time--insufficient attention has been paid to the preparation of the counterplan initiative for this year. Much less has been done than necessary. The results are unsatisfactory. Good counterplan initiatives are rare as hen's teeth. While many plans are called counterplan initiatives, they in fact are not. Rather, they suggest that the meaning and purpose of counterplan initiative are not quite clear.

This can be illustrated in the case of an enterprise whose managers think that they have put together such a plan. They stated: "We have assigned increased tasks to every workshop, worked out technical enforcement, and informed the workers." However, this is not counterplan initiative because it lacks the most important element, namely, initiative and proposals on the part of workers on how to achieve more than is targeted by the existing planning procedure. Where are initiative, experience, and proposals by the people in all production sectors?

In the abovementioned enterprise they have a good plan because it contains more than one would expect from this enterprise. However, they have to ponder much more about how to correctly prepare a counterplan initiative. In the first place, they must get rid of the lack of confidence among their workers and foremen, stop considering them as mere executors af assigned tasks and look on them as collaborators who are as interested in the results of the enterprise as are the managers. All employees of the enterprise are interested in the ultimate results because of wages and bonuses. Why then should they not express themselves on such questions as development of production, how to secure it, economizing, and efficiency improvement?

It would seem that the second quarter is not exactly the most suitable time for reflections on how to prepare and put together counterplan initiative.

Why not do so during the third and fourth quarters? To think this way would mean to lose valuable time, underestimate the worth of a well thought-out counterplan initiative, accept a priori lesser demands and, subsequently, lesser achievements. In fact even the second quarter represents a some wasted time. When we all accept as a matter of fact a thorough preparation of counterplan initiative in our enterprises, we will realize that a good proposal must be prepared and secured really from the beginning of the year.

One can object that to prepare counterplan initiative prior to the announcement of all demands from the enterprise is premature. However, even such objection would suggest the misunderstanding of the purpose of the introduced method. One should not think that proposals stemming from workers are to be only some kind of immediate response to the tasks spelled out in the plan whose purpose is to surpass these tasks somewhat. Such understanding of the problem would be too simplistic and basically formalistic.

Proposals for the preparation of counterplan initiative or, to put it differently, individual sectorial prerequisites must be the aggregate of proposals of all workers concerning the improvement of work, achievement of higher efficiency, improved evaluation of savings of materials and energy, utilization of basic resources and manpower savings. In other words, we are talking about a goal-oriented discovery of potentials which obviously exist everywhere and the creation of prerequisites for the use of these reserves. However, it would be difficult to achieve this when planning from day to day or from month to month. Such interventions in the production process must be well thought-out and long-range, permanent, and systematic.

For this reason, the preparation of counterplan initiative must be on the agenda of production meetings. Collection of ideas and proposals, preparation of their implementation be it by their authors or with the assistance of the enterprises' technical groups require a good organization. This of course does not remove responsibility from the shoulders of technical groups to prepare their own proposals and secure them. The preparation of counterplan initiative is a worthy question for meetings of brigades of socialist labor, complex rationalization brigades, and improvers.

And there is no doubt that the process of the preparation of counterplan initiative is a matter for party, trade union, and youth organizations whose committees should consistently develop mass political work and regularly check on the progress of the preparation.

Counterplan initiative is a way for putting together a plan from below. Is there a risk that a plan which would be put together in such a way could be at variance with the tasks imposed from above? Only theoretically and exceptionally. After all, the workers of our enterprises know well what our national economy expect from them and what is its interest. Thus, they hardly would propose different production or different proportions. Our workers know well which products are best sold on foreign and domestic markets, what their standards and quality are. This in itself guarantees the direction of efforts for better efficiency. They also know well that every improvement in quality or technical-economic level of products is favorably

projected in the fulfillment of material incentive funds. They also know that they must reduce the material cost of production. And they also know that the tasks increase from year to year in response to the growing demands of the people.

To strive for a permanent and systematic improvement of effectiveness in production is primarily a responsibility of the managers. However, as a well-known proverb says--two heads are better than one. The complex economic situation requires that no good idea or experience be wasted or remain unutilized. And this is not possible without inviting all workers' collectives to solve the problem and actively participate.

Counterplan initiative thus requires that we unceasingly remind workers' collectives and individual workers to come forward with their proposals on the basis of which we will introduce measures making it possible to achieve better, more effective and higher-quality production. In other words, it will be possible to accept more demanding tasks than suggested in the directives for the drafting of the plan.

The acceptance of counterplan initiative contains a variety of material advantages. For instance, it makes it easier to fulfill the goals of various funds, especially the wage fund. But is also has great moral-political significance. Precisely because the volume and level of tasks are determined on the basis of proposals stemming from our workers, their authors will feel personal responsibility for the implementation of these tasks. This will also positively stimulate the workers' consciousness and their attitude toward work. It will lead them to ask a lot from themselves and other members of the worker worker's collectives.

In those places where people are dragging their feet in respect to counterplan initiative or try to circumvent it through a kind of pseudocounterplan initiative, managers remain isolated as far as the solution of problems is concerned. They are not using more obvious possibilities. To introduce the above method into practice is not easy. It requires a lot of patient explanation and winning people over. However, in every case it leads to better results. The solution of complex problems of production can be achieved only through the cooperation of all workers.

1277
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## PUNISHMENT FOR ECONOMIC CRIMES EMPHASIZED

[Editorial Report]

AU061335 Prague TRIBUNA No 17 in Czech on 28 April carries on page 12 a 2,400 word report by CPCZ Central Committee member Jaroslav Kojzar, entitled "Losses Which Can Be Prevented; It Depends on Every One of Us," and dealing with a roundtable discussion in conclusion of a series of articles, published in the weekly over the last 6 months or so and discussing unnecessary losses to the CSSR economy caused by "fires, explosions, animal deaths, health protection and labor safety deficiencies, incorrect price transactions and failure to adhere to economic discipline."

The discussion participants include Alois Proks, CPCZ Central Committee department head; Jan Pjescak, CSSR deputy minister of interior; and Karel Novak, deputy minister of interior of the Czech Socialist Republic.

Among other things, the discussion participants note that acts leading to the losses mentioned above fall under the category "economic criminality" and that, "deplorably, last year the number of these felonies and offences increased, even if not very much. But viewed within the long-term development we have a decrease," the participants note, adding that "during the Sixth 5-Year Plan, 147,575 economic felonies and offences were uncovered in the Czech Socialist Republic; there were also 5,473 extraordinary events," and the "material losses amounted to almost Kcs2.25 billion." They point out that these figures cover only the investigated cases and thus "do not give the true picture of the real extent and dynamics of economic criminality." The participants go on to deal with violations of economic discipline (said to be caused by bad organization, management work, planning and control, as well as by the wish to secure material in short supply for the enterprise, to ensure bonuses at any price, to acquire commodities for bribes, and to improve the financial results of the enterprise economic activity, mostly by overcharging for work or by billing for work not done);

--with bribes (through unjustified remuneration and gifts, in order to acquire commodities and materials in short supply, as well as for certain kinds of services, for getting a well-paid job, and also bribes to workers in education, the medical sphere and national committees; in 1981, 534 such cases were said to have been uncovered, that is 79 more than in 1980);

--with stealing of socialist property (in 1981, 7,272 such acts were said to have been ascertained in the CSSR, and damages amounted to Kcs38 million);

--with "extraordinary events" (not specified; in 1981 there were said to have been 851 such events, involving losses amounting to Kcs 490 million and costing 184 lives);

--with unpermitted business activities (said to have increased in recent years, in the form of violations of price regulations and technological discipline, billing for work not done and so forth; the effect of such acts is said to be seen in monthly incomes of individuals exceeding Kcs 10,000, and in financial advantages for unified cooperative farms and other organizations, ascertained in more than 100 cases; the calculated damage is said to amount to several tens of millions Kcs);

--with the "felony" of producing waste products (damage is said to run into tens of million Kcs);

--with the causes of economic criminality (a total of 3,416 felonies perpetrated in the CSSR during an unspecified period is noted; the causes are seen in insufficient enterprise control; in the old age of guards, who cannot properly react to extraordinary situations; in the employment of ex-convicts in responsible functions in bookkeeping, storage departments and in commerce);

--and with the measures to be taken (above all, for educating working people by party bodies, trade unions, and social organizations to realize the impact of economic criminality and to point out antisocial activities of individuals; economic managements are enjoined to take effective preventive measures and tighten their control; and personal liability for damages caused should be stricter).

CSO: 2400/252

## BRIEFS

SHEEP, WOOL PRODUCTION--By 1 January 1981 there were 909,677 sheep in the CSSR, 307,771 of them in the Czech Socialist Republic and 601,966 in Slovakia. The number of sheep per hectare of agricultural land was thus 12.8 statewide, 6.8 in the Czech lands and 23.5 in Slovakia. The corresponding numbers for cattle are 73.2 (statewide), 81.1 (Czech Socialist Republic) and 59.8 (Slovakia). In 1980 the procurement organization purchased 4,009 tons of wool, which was 4.41 kilograms per head. The domestic production of wool covers only roughly 10 percent of the Czechoslovak textile industry's need. The remaining 90 percent has to be imported at an average annual cost of Kcs 1.5 billion. Some 7 percent of the imported wool comes from socialist countries, 93 percent from nonsocialist countries, mostly from Australia, New Zealand and Latin America. The long-term concept of the CSSR Ministry of Agriculture and Food envisages 1.4 million sheep and annual wool production of roughly 6,400 tons by 1990. [Prague ZEMEDELSKE NOVINY in Czech 31 Mar 82, Supplement p 3 AU]

IRRIGATION PLANS--On 1 January 1981 Czechoslovakia had 6,764,000 hectares of agricultural land, of which 4,796,000 hectares were arable land. According to long-term plans, by 1985 there should be irrigation facilities on about 552,400 hectares and by the year 2000 on 1,086,000 hectares statewide. At present, irrigation facilities exist on roughly 50 percent of the area planned for 1985. [Prague ZEMEDELSKE NOVINY in Czech 3 May 82 p 3 AU]

FODDER ROOT CROPS--The area of cultivation of fodder beets and other fodder root crops in the Czech Socialist Republic declined from an annual average of 37,000 hectares in the 1971-1975 period to an annual average of less than 20,000 hectares in the 1976-1980 period, and only slightly more than 15,000 hectares in 1981. According to Eng J. Brokyl, candidate of sciences, deputy director of the Institute for the Scientific System of Management, the results of a 1977-1980 analysis of samples of fodder beets showed this root crop to be in many respects superior to other fodder crops. A long-term plan therefore envisages an expansion of the area of cultivation of fodder root crops to 35,000 hectares by 1985 and, ultimately, to 90,000 hectares. Given average hectare yields of 70 tons, the 90,000 hectares of fodder root crops will make up for 350,000 to 400,000 tons of grain. [Prague ZEMEDELSKE NOVINY in Czech 3 May 82 p 3 AU]

PRIVATE PLOTS, PRODUCE--According to Stefan Ferencei, Slovak minister-chairman of the people's control committee, Jan Gajdos, the committee's deputy chairman, and other committee members attending a Bratislava press conference on 13 April, about 36,000 people in Slovakia have been permitted to use plots for

planting vegetables and fruit and for breeding small animals. About 12,000-13,000 hectares of further plots are not yet utilized, as would be desirable. The plot users are producing 150,000-200,000 tons of vegetables and 100,000-120,000 tons of fruit annually, thus contributing to the domestic market and usefully spending their free time. The possibilities of contractual animal breeding for slaughter are not yet being fully utilized by plot users. [Bratislava ROLNICKE NOVINY in Slovak 14 Apr 82 pp 1, 2 AU]

PRIVATE PLOTS IN SLOVAKIA--At present small plot holders in Slovakia have at their disposal 187,000 hectares of land. At present it is being checked where there is still unused land for distributing among small plot holders; the 12,000-13,000 hectares already ascertained could help produce at least Kcs 10 billion worth of agricultural produce. About 8.2 million of the more than 13 million fruit trees in Slovakia are tended by small plot holders and produce 100,000-120,000 tons of fruit annually; that is up to 70 percent of the total production in Slovakia. Of this amount, more than 50,000 tons are being procured by procurement and trade organizations. [Bratislava SMENA in Slovak 14 Apr 82 pp 1, 3 AU]

FIRES IN SLOVAKIA--In the first 3 months of 1982 there were 305 fires in Slovakia, which cost 12 human lives and caused damage amounting to Kcs 16.5 million. This March alone there were 107 fires in Slovakia; two people died and the damages are estimated at Kcs 7 million. This is six fires more, and Kcs 6 million less, than in March 1981. But the one fire in the middle of March in the Bratislava Electrotechnical Works destroyed Kcs 3.5-million worth of finished products, and Kcs 1.5 million-worth of technical equipment. [Bratislava PRAVDA in Slovak 14 Apr 82 p 2 AU]

FOREIGN WORKERS--In keeping with intergovernmental agreements, about 20,000 foreign workers (excluding apprentices) are currently working in the CSSR; more than 14,000 of them come from Vietnam. By 1985 more than 30,000 young people from Vietnam, Cuba, Mongolia, Algeria and elsewhere will have acquired professional qualifications in the CSSR. [Bratislava PRAVDA in Slovak 13 Apr 82 p 2 AU]

PLANNED CAR IMPORTS--According to Ladislav Loula, deputy general director of the Motokov Foreign Trade Enterprise, the CSSR will import 3,500 Zhiguli [Lada in the West] passenger cars from the USSR this year, and that figure will remain unchanged throughout the current 5-year plan; 9,000 cars from the GDR, of which 3,000 will be Trabants; about 1,500 Dacias of the 1310 type from Romania; and Via Tuzex 150 Fiats 127; 150 Fiats Mirafiori and a few Ford Escorts and Volvos 244. [Bratislava SMENA in Slovak 8 Apr 82 p 2 AU] Motorcycles will not be imported this year. [Bratislava PRAVDA in Slovak 8 Apr 82 p 2 AU]

COOPERATION WITH ROMANIA--Milan Kubat, CSSR minister of electrotechnical industry, and Gheorghe Petrescu, Romanian minister of machine-tool industry, electrical engineering and electronics, discussed on 29 April in Prague specialization and cooperation in production, as well as collaboration in measuring and laboratory apparatus, electrotechnical material, numerically controlled machine tools, nonexplosive electrical engines, electronic consumer goods and television sets. The ministers signed a protocol specifying the provisions of the treaty concluded in Bucharest on 19 December 1981. The same day Minister Perescu was received by Ladislav Gerle, CSSR deputy premier, in the presence of Romanian Ambassador Cornel Panzaru. [AU031645 Prague RUDE PRAVO in Czech 30 Apr 82 p 2]

NEW RAILROAD LINE--A new railroad line between Usti nad Labem and Teplice will go into operation in about a week. The new line replaces a railroad section which had to make way for the expanding brown coal extraction at the Chabarovice strip mine. The cost of the new 2-track 10 km long rail line was almost Kcs 1.2 billion. [Prague RUDE PRAVO in Czech 14 May 82 p 2 AU]

NEW FACTORY PROJECT--The foundation stone for a new machine-tool production plant was laid on 14 May in Spisska Nova Ves, Slovakia. The costs will amount to Kcs 206 million and the project is to be completed within 40 months. [Prague PRACE in Czech 15 May 82 p 3 AU]

CSSR-AUSTRIAN COOPERATION--The session of mixed Czechoslovak-Austrian commissions for trade and for economic and industrial cooperation was opened on 17 May in Vienna. The session will end on 21 May.[Prague RUDE PRAVO in Czech 18 May 82 p 7 AU]

GOVERNMENT COMMITTEE SESSION--The government committee for matters of the planned management of national economy convened on 5 April in Prague under Leopold Ler, CSSR minister of finance and the committee's chairman, to discuss progress in working out the comprehensive programs of developing the management of federal departments, matters concering the improvement of material norms, and the possibilities of appraising enterprises according to the fulfillment of economic contracts. [Prague RUDE PRAVO in Czech 6 Apr 82 p 2 AU]

SLOVAK LABOR FATALITIES--At Slovak workplaces last year a total of 235 persons lost their lives; this is 35 more than in 1980. In the first 2 months of this year, the number of fatalities stood at 34. [Bratislava PRAVDA in Slovak 7 Apr 82 p 1 AU]

COOPERATION WITH CYPRUS--The mixed commission for trade between the CSSR and Cyrpus conducted negotiations on the premises of the CSSR Ministry of Foreign Trade in Prague on 27-29 April; the CSSR was represented by Jaroslav Jakubec, CSSR deputy minister of foreign trade, and Cyprus by Michael Brotocritos, director general of the Cypriot Ministry of Trade and Industry. The results of the talks were summed up in a concluding protocol. The Cypriot delegation was also received by Bohumil Urban, CSSR minister of foreign trade, and Mecislav Jablonsky, CSSR deputy foreign minister. [Prague RUDE PRAVO in Czech 30 Apr 82 p 2 AU]

COOPERATION WITH IRAQ--Representatives of the Strojexport Foreign Trade Enterprise signed these days in Baghdad a contract worth more than $100 million, according to which CSSR construction enterprise employees will be helping ameliorate 13,000 hectares of land between the Euphrates and Tigris rivers in the next 4 years. [Prague RUDE PRAVO in Czech 30 Apr 82 p 6 AU]

COOPERATION WITH USSR--Cyril Smolik, member of the Central Trade Union Council's secretariat and chief editor of the daily PRACE, who is currently visiting the USSR at the invitation of the USSR daily TRUD, was received in Moscow on 29 April by S. Shalayev, AUCCTU chairman. The latter "appraised the high level of negotiations" at the recent 10th All-Trade Union Congress in the CSSR.

During his visit C. Smolik was also received by AUCCTU Secretary K. Matskyavichus; and with L. Kravchenko, chief editor fo the daily TRUD, he discussed and signed a cooperation agreement between PRACE and TRUD which should help deepen the dailies' share in realizing the conclusions of trade union congresses. [Prague PRACE in Czech 30 Apr 82 p 2 AU]

DIFFICULTIES WITH GAS SUPPLY--According to Miroslav Prikryl, CSSR deputy minister of fuels and power, the ranking personnel of the country's gas and oil industries had assessed results achieved in the past winter period. During a consultation they noted, among other things, "problems that exist in the lighting gas subsystem, which works practically without reserves and whose high reliability is the fundamental prerequisite of operation. Despite the considerable extent of last year's repairs and other work connected with preparations for the winter, efforts did not succeed in stabilizing deliveries from the 25 February fuel combine in Vresova, and the output of the pressure gas works of the Czechoslovak-Soviet Friendship Chemical Enterprise in Litvinoy had considerably dropped. The consequence was a drop in pressure at the networks' terminals in the North Bohemian, West Bohemian, North Moravian and East Slovak region," where consumption had to be considerably curtailed, Prikryl said. [Prague RUDE PRAVO in Czech 6 May 82 pp 1, a AU]

SOVIET RAW MATERIAL DELIVERIES--In 1981, the Soviet Union delivered to the CSSR 17 million tons of iron, manganese and chromium ores, ferro-alloys and pig iron; 100,000 tons of aluminum; 2.2 billion kilowatt hours of electricity; 32 tons of asbestos; 60,000 tons of ammonia; 165,000 tons of apatite concentrate and more than 300,000 tons of fertilizer. [Pargue MLADA FRONTA in Czech 6 May 82 p 5 AU]

TREATY WITH DENMARK--A Czechoslovak-Danish treaty on the prevention of double taxation in the sphere of income and property taxes was signed in Prague on 5 May by CSSR Minister of Foreign Affairs B. Chnoupek and by Asgar Rosenstand Hansen, Danish ambassador to the CSSR. [Prague RUDE PRAVO in Czech 6 May 82 p 2 AU]

MOTORCYCLE PRODUCTION--The CSSR produces annually about 120,000 motorcycles with a capacity of less than 50 cubic meters, and more than 130,000 larger ones. Last year more than 60,000 Jawa motorcycles were sold to the USSR; this year's contract calls for sales of 71,000 machines, as payment for imports of Soviet crude oil, gas and iron ore. In terms of money this amounts to Kcsl billion. The motorcycles exported to the USSR come from the Jawa national enterprise in Tynec nad Sazavou. Apart from that, the Strakonice works are selling the USSR almost 20,000 350-cubic meter motorcycles. [Prague RUDE PRAVO Weekend Supplement in Czech 15 May 82 p 5 AU]

CSO: 2400/252

## SED CENTRAL COMMITTEE ACADEMICIAN REJECTS ECONOMIC REFORM IDEAS

East Berlin BERLINER ZEITUNG in German 25 Feb; 4, 18, 25 Mar; 1, 15, 29 Apr 82

[Article in seven installments by Prof Dr Otto Reinhold, economist, member, SED Central Committee; rector, Academy of Social Sciences, SED CC: "The 1980's and the Concept of Developed Socialism"]

[25 Feb 82 p 9]

[Text] How Will the Vital Questions Be Resolved? On the Strategy and Tactics of the SED

> How is the SED Program being further implemented under the new internal and external conditions? What demonstrates the effectiveness of the SED economic and social policy concept? By which means are the tasks to be coped with? That is what Prof Dr Otto Reinhold deals with in the first installment of his article series on the SED's concept of social development in the GDR in the 1980's.

The issue of a promising concept of economic and social policy came to the fore at the start of the 1980's in all developed industrial countries--both the socialist and the capitalist states. International and domestic conditions have changed fundamentally. What is being done about them?

Since 1979 it has been possible steadily to accelerate economic growth in the GDR. National income rose by 3.8 percent in 1979, 4.2 in 1980, and 5 in 1981. By its M 9 billion, our country reached its largest absolute increase in history. It was the basis for reaching important sociopolitical aims.

The result was attained mainly, of course, through the arduous and industrious efforts of millions of working people. But it was equally much the result of a clear program, of the effective SED strategy and tactics for the economic and social development of the GDR in the 1980's.

## The Old Recipes of Imperialism

How is imperialism reacting to the new questions? The United States and other NATO states resort to many old imperialist recipes which, to be sure, have never been able to resolve any fundamental problem in capitalist society, yet a doomed society evidently cannot develop new creative ideas. The crux is the attempt to surmount internal contradictions and crises by military adventure, unprecedented arms buildup and confrontation policy. By now it is clear this not only greatly endangers peace and security, it also greatly increases internal social contradictions.

This policy includes a maximal encouragement to corporate profits at the expense of the workers class; they hope increased investments will gear up the economy. The enormously increased massive unemployment has for months led in many capitalist countries to a discussion on so-called employment programs. But no one seriously believes new jobs could be created through measures dictated by corporate profit interests. At a symposium these days of executive managers of the capitalist world in Davos, this statement was made: "We are dealing right now not just with a small cold in the business cycle but are confronted with a painful and gigantic structural change." Clear is that neither the ruling circles in the United States nor those in other parts of the world have any program by which to cope with the problems of the 1980's in the interest of the whole society.

In contrast, the SED and the CPSU and other Marxist-Leninist parties in socialist countries have a clear program for economic and social development in the decade ahead. That program proceeds from a fundamental realization: To the degree that they succeed in effectuating the potentials and possibilities, advantages and impulses of socialism, the needed economic growth and the rapid performance improvement of our economy for resolving difficult tasks of the years ahead will be accomplished. In other words: the centerpiece in the SED's strategy and tactics is the consolidation of the socialist order, the continued shaping of developed socialism in our country.

The economic and social policy issued by the 10th SED Congress lets itself be guided by proven theoretical principles--by Marxism-Leninism in general and by the concept of developed socialism, in particular.

The concept of developed socialism proceeds from that now, with the foundations of socialism in place, a longer historic period is needed to bring the advantages and impulses of the socialist social order fully to bear. This places the emphasis especially on three fundamental processes and tasks.

## Prerequisites for Social Progress

First, developed socialist society means that socialism now develops on its own socioeconomic foundations. An efficient material-technical base has been created, socialist production relations are prevailing extensively, and a stable socialist state exists. The basic task now is to make full use of this socioeconomic base in the interest of the entire people. For the economy this means primarily proceeding to a comprehensive extent toward intensively expanded reproduction, organically combining the scientific-technical revolution with the advantages of the socialist order, and releasing the impulses and public activity of all working people in the effort for the highest efficiency.

Second, the shaping of the developed socialist society produces the prerequisites for establishing the unity of economic and social policy and for inseparably linking economic growth and scientific-technical progress with a systematic improvement of the material and cultural standard of living, with social progress. That is, objectively, the key issue, the main task in the shaping of the developed socialist society. On the one side, it expresses that economic activity in socialism has no other goal but raising the standard of living; therein lies the meaning of socialism. At the same time, the policy of the main task is a fundamental condition, especially, for coping with the tasks of the 1980's. For from it grow those social impulses and activities of the working people that are necessary for it.

Third, our policy deems economic activity the focal point of all efforts. On their results largely depends the progress in all other domains of public life. Vica versa, economic progress greatly depends on the development in all other domains. From the planned organization of correct interrelations, the crucial potentials and advantages of socialism arise. That makes the dialectical interrelations between economic and social policy so important, equally important as the organic connection between the scientific-technical revolution and the advantages of socialism, the effective combination of science-technology-production, the connection between economics and ideology. The unity of economic and social policy is of course a crucial impulse. But translating it into social activity mainly depends on consciousness development, on the thoughts and actions of all working people.

Centerpiece of Social Policy in Practice

After thorough scientific efforts and extensive discussions, the 10th SED Congress issued the intensification program summarized in 10 points. This is the centerpiece of the SED's social policy in practice for the decade ahead. Involving the working people in the implementation of this policy is of course not a one-time task. That has to be resolved day after day, always anew. An analysis by a West Berlin economic institute recently arrived at the following conclusion: "The GDR's strong economic growth last year is attributable, among other things, to energy saving, enhanced production refining, production coordination and increased rationalization." Economic researchers furthermore record an improved coordination of ancillary supplies, a stronger integration between research and production, and higher individual labor performance.

The outcome of economic development in 1981 demonstrates not only that we have accepted the challenges for the 1980's but that we have already started coping with them successfully in practice.

[4 Mar 82 p 9]

[Text] On What Is Our Confidence Founded? Making Use of the Advantages of Socialism

On what then actually is our confidence founded that the GDR will successfully carry on the main task in the 1980's and can accomplish the economic growth that is needed? This question arises of course as soon as one reflects on the great changes that have taken place in recent years in international life and in the GDR as well. SED policy would not be scientific and not Marxist-Leninist, had it failed to raise this question and give a clear answer to it through the 10th party congress.

All Potentials for Safeguarding Peace

Essential conditions for economic and social policy have changed of course at the beginning of the new decade. Also evident is, however, that the causes, manifestations and effects of these changes differ. While these new conditions raise new complicated problems and tasks burdening the shaping of developed socialism, they also offer new potentials and opportunities.

The central question therefore becomes: Can we cope with the more complicated problems by mobilizing all potentials and possibilities available to us, by using the advantages and impulses of socialism? The SED has given a clearly affirmative answer to that question both at the 10th party congress and the third SED Central Committee plenum. Yet it left no doubt that great efforts and creative achievements are required for it.

Let us look a bit more closely at the two types of new conditions. First there is the exacerbation of the international situation. At the third SED Central Committee plenum, Comrade Erich Honecker pointed out that in the postwar period peace had never been so much in jeopardy as today due to the imperialist arms buildup and confrontation policy. That policy evidently is no short-term episode. The aggressive forces, mainly in the United States, prepared this policy over the long haul in the second half of the 1970's and are pursuing far-reaching aims with it. They seek military superiority over the Soviet Union and the Warsaw Pact to enforce their interests, without constraint, at a global scale and to be able to reverse the direction of historic development. As illustrated by their policy vis-a-vis Poland, a destabilization of socialist countries is supposed to facilitate imperialist interference in socialist society and fundamentally change the international correlation of forces for the benefit of imperialism. Sanctions adopted by the U.S. government in recent weeks clearly indicate that the aggressive imperialist circles seek to draw all domains of public life into their confrontation policy.

This results in some fundamental implications for SED economic and social policy toward thwarting such imperialist strategy. The SED struggles with all its strength for arms limitation, disarmament and the detente process and, without reservation, backs the peace program of the CPSU. At the same time, together with the Warsaw Pact states, it is taking all measures needed to prevent any unilateral change in the existing military equilibrium in favor of imperialism. That this requires considerable potentials is all too obvious.

For the GDR--located on the dividing line with NATO and in the field of tension between war and peace in Europe--it follows that under the conditions of the imperialist confrontation policy, the solidity of socialism becomes especially important. In the 1970's, that was attained and ensured through the policy of the main task. All imperialist designs to drive a wedge between the party, the socialist state and the people have failed. Therefore, continuing that policy of the main task, ensuring the standard of living attained and elevating it further step by step, is of great weight to ensuring peace and security in Central Europe also for the future. But that in turn requires a high and steady economic growth.

## High Growth Rate Under New Conditions

Among the new conditions is the fact that the sources for an extensive growth of the economy are in fact depleted. For a circa 5-percent growth of the national income, approximately 3.7 percent more raw materials and fuels were available in 1971 to 1975 each year. Now the growth in raw materials per year lies far below one percent, with the energy volume declining absolutely. Nor can manpower and other economic funds be expanded in the years ahead. Among the complicated problems to be coped with are the high requirements placed on foreign trade. They result from the changes on the world markets and the effects the deep crisis in the capitalist world economy has on the GDR.

SED policy includes as a fact that these new conditions have always been thoroughly analyzed and left no illusions about the efforts needed to cope with them. The crucial fact is, however, that the successful development of socialist society has produced considerable potentials and capacities, which will also be produced in the future. Let us adduce the most important ones.

## Practical Proofs for the Advantages of Socialism

--There is the great efficiency of the GDR economy. In our extensive economic intensification, as one knows, we do not start at the zero point. Manpower shortage has compelled us for some years to achieve economic growth mainly through increased labor productivity. Considerable structural changes were introduced into the economy to that end, as the development of microelectronics as the branch that determines our structure, enhanced refining in metallurgy and chemistry, the reprocessing of secondary raw materials and so forth.

--Of the greatest importance is our great science potential, the educational potential together with the historic traditions in science application and the proverbial discipline and quality labor of the workers class and all working people. Everyone knows there are great reserves in this regard that have not yet been depleted.

--The scientific-technical revolution is one of the main sources for a performance boost. Experience has shown that the application of microelectronics makes possible a reduction of specific energy consumption between 10 and 90 percent.

--Of greatest importance furthermore is the planned development of the economy and of science. That makes possible effectively concentrating capacities on the areas that determine the tempo of economic intensification. Through the forming of combines and other measures, changes in management and planning were introduced that are mainly aimed at the intensification of the economic reproduction process. Socialist society makes possible a planned organization of correct interactions between the economy and all other domains of public life. That is the source of great impulses. That also includes the plan cooperation with the Soviet Union and the other countries in the socialist community.

Among the most important potentials mainly also is the leadership role of the party, its ability to resolve tough problems in good time and engage the activity of all classes and strata of the people in it. Under its leadership the practical proof has been furnished meanwhile that it is possible through the potentials and advantages of socialist society to cope with the new conditions of the 1980's. This fact was underlined particularly by the fulfilment of the 1981 national economic plan.

[18 Mar 82 p 9]

[Text] How Can Growth Be Maintained? Intensification Under New Conditions

The 10th party congress had to take care of a critical question in the SED's economic and social policy: How can we make the national income grow by circa 5 percent annually with approximately the same amount of raw materials, much less energy and the labor force remaining equal? There is no easy answer to that question, especially if we consider that this is not a one-time goal but one that has to be repeated over many years. The only economic growth source under such conditions lies of course in a more intensive use of available potentials and capacities, i.e. an all-inclusive transition toward intensively expanded reproduction.

Ways to Improve Efficiency

In his SED Central Committee status report to the 10th party congress, Comrade Erich Honecker therefore made a special point of this:

"Our economic strategy for the 1980's decisively proceeds from an intensively expanded reproduction. This task arrives even from the inherent exigencies in our country. The developed socialist society and mainly its material-technical base are inseparable from an intensive approach to increased economic efficiency. It has to mark economic processes so that the material-technical base more and more attains to its new quality."

This means that the comprehensive intensification of the economic reproduction process becomes an indispensable and critical need under the changed domestic and international conditions. With it, it is a requirement of principle, a characteristic of the developed socialist society.

Even Karl Marx, in his reproduction theory, set down that fundamentally two ways to improve economic efficiency have to be distinguished, intensively or extensively expanded reproduction. "Through briefer or longer periods," he wrote, "reproduction proceeds such that--from the standpoint of society--reproduction develops on an expanding scale, extensively when the field of production is expanded, intensively when the means of production are made more effective." Because we neither have additional raw materials and fuels nor more of a labor force, intensification is the only way.

Of course, even in the 1970's this intensification played an important role. E.g., in the course of the 1976-1980 five-year plan, the specific consumption of raw materials and fuels was reduced by an annual average of 3.9 percent while industrial labor productivity rose by 27 percent. The 10th SED Congress introduced a qualitatively new step in intensification in conformity with the requirements of the years ahead. A comprehensive intensification program was spelled out in the well known ten points in the economic strategy that embraces the entire social reproduction process.

Decisions at the Drawing Board and in the Laboratory

What is the importance of principle of this program? First, for the first time in the SED's social policy a complex intensification program is being worked out that

is based on the Marxian reproduction theory and embraces all phases and all domains of the social reproduction process. It does not confine itself to ad hoc measures, however important they might be.

It relates to the economy of both live and embodied labor (raw materials, fuels, basic assets, investment activity). It includes material production as much as all other domains of the economy. Practical experience has shown that particular, random measures in specific fields normally cost extra or call for more of a labor force in the preparatory or subsequent sectors, for which society often has to pay dearly. The use of a few industrial robots as such normally brings little or no economic benefit unless it goes together with new technologies and commensurate changes in labor organization. Therefore, the complex realization of the 10-point program is a basic condition for the success desired.

Second, in connection with this intensification program the place of science has been determined, of the scientific-technical revolution as it relates to an intensively expanded reproduction and, hence, to the economy of developed socialism. Comrade Erich Honecker made the point that the scientific-technical revolution now had become the chief source for economic performance improvements and greater efficiency. This growth is primarily determined today on the drawing boards and in the laboratories. Not one point in the intensification program can be accomplished without an effective application of modern science and technology. The reduction in the specific consumption of raw materials and fuels which is needed for the decade ahead can be brought about only through introducing what are in principle new energy and raw material saving technologies. Yet they are not even conceivable without a broad application of microelectronics or laser techniques. That is true as much of modern high-grade consumer goods of a technical nature. Effective rationalization at a large scale is possible in many economic areas only through applying new operational principles and industrial robots.

Third, along with science, some other new factors are being emphasized in our intensively expanded reproduction. A new importance is given, as a matter of principle, to labor and commodity quality. Most sophisticated high-grade labor and extreme technological discipline are required for the efficiency and reliable functioning of new technologies, especially in the production and broad application of microelectronics.

Uninterrupted rationalization in all economic domains is especially important. Already the tempo of scientific-technical progress has, as one knows, become breathtaking. The way it looks, it will become even faster. Many fields of modern techniques and technologies are marked by a fast turnover constantly of new generations. Often, one generation of equipment has hardly been introduced and already the next one and the one after that one are being readied. Such a change can be coped with only through constant modernization by way of rationalization. In other words, under the conditions of intensively expanded reproduction, a new place value, as a matter of principle, attaches to rationalization, it being the main way to enforce scientific-technical progress in practice, so that it must be carried onward--as the 10th SED Congress has demanded--in vast dimensions and by use of microelectronics and robot technology. Most of our investments must be allocated to that. Only when one controls this rationalization process can one also control the scientific-technical progress.

Dynamic Change of Our Economy

When the 10th SED Congress spelled out this comprehensive economic intensification program, it made an extremely important contribution, under prevailing domestic and international conditions, to the theory of the developed socialist society. Significant economic management and planning changes were also introduced, through the forming of combines and many other measures, so that we will be able to put this program into practice.

As this intensification cannot be a one-time affair but must become the principal form in which our economy moves ahead, it is incompatible with any prolonged standstill. It is a dynamic, and permanent, change of our economy. One need not be an expert to realize that this also calls for appropriate modes of thinking and conduct, for the readiness and ability, the active endeavor and determination to apply the last word of science and technology effectively, whatever impediments there may be.

[25 Mar 82 p 9]

[Text] What Does Technological Progress Bring Us? Requirements of Science and Technology

These questions receive completely diametrical answers in the capitalist and socialist countries, as they obviously rely on contrary experiences. A recent FRG survey showed interesting results. According to the survey, 56 percent of the persons queried on the concept of "technology" would find it implies fear; among adolescents between 16 and 20 years of age as few as 23 percent, and between 21 and 29 year old ones still only 25 percent, would be in favor of a broad application of new technology.

Closely Entwined With Public Life

Similar surveys in the GDR bring out an entirely different attitude. Here, no one is afraid of the effects it has on one's own living and working conditions. Almost without exception, science and technology are seen here as the crucial condition for maintaining and further improving the working people's material and cultural standard of living. That attitude conforms completely with the remarks made at the 10th SED Congress on the role of the scientific-technical revolution for the further shaping of the developed socialist society in the GDR.

"Science," as Erich Honecker put it at the 10th SED Congress, "has assumed a new role and responsibility. Its linkage with public life, especially with our economy, has reached a higher qualitative level. Any serious and penetrating advance in the development of the modern productive forces has its roots today, and in the future, in scientific knowledge. That must needs place social and economic benefits in the center of our scientific requirements. The key for a much enhanced economic efficiency in the 1980's lies in a much higher economic effectiveness of science and technology."

From this the 10th party congress has drawn the conclusion that the key question for the SED's economic and social strategy is found in a higher organic connection

between the scientific-technical revolution and the advantages of socialism. No comprehensive intensification is either conceivable or feasible without a broad and economically effective use of modern science and technology. Rationalization at large dimensions is as little possible without microelectronics and robot technology as a higher refinement of raw materials and fuels without modern sound scientific procedures. Prosperity, social security and full employment cannot be ensured without steady economic growth, and economic growth is possible today only by means of the scientific-technical revolution.

Compared with capitalism, the socialist society enjoys some fundamental advantages. Only the most important ones can be referred to at this place, of course.

Planned Development as an Essential Advantage

--First there is the fact that in socialism science and technology serve solely the interests of the working people: the elevation of the material and intellectual standard of living and the preservation of peace. An inhuman application of science and technology contradicts the socialist order.

--Another essential advantage lies in planned development by means of the socialist production relations. Social management and planning makes possible concentrating the necessary capacities on focal points, as it became apparent in recent years in the fields of microelectronics and robot technology. Within a very brief period it became possible to alter our industrial structure. Optimum interrelations between scientific-technical progress and the other domains of society--e.g. the educational system--also can be established by means of planning.

--Finally, among the most important advantages of socialism is the possibility to establish an inseparable connection between scientific-technical progress, economic growth and social progress. As practical experience has shown, only socialist society can apply modern science and technology in translating them directly into improvements in the working people's working and living conditions.

This is a highly complex process, of course. First we must make the scientific-technical progress prevail in a way that no social conflicts arise from it. One of the most important goals is to cut back as many jobs and release as much manpower as possible. As has been shown in practice, socialism, the socialist planned economy, offers the chance to prepare for that process long-range with the working people. Not only can another job be guaranteed, but the qualifications for it can be prepared and many other social problems can be resolved on behalf of the working people and through their active involvement.

Scientific-technical progress is to us one of the most important tools to resolve other fundamental social tasks going beyond it. For example, the modification in the substance of labor, the scientific transformation of jobs, is an important element in diminishing the essential difference between mental and physical work. Science and technology in agriculture facilitate making urban and rural working and living conditions more alike, and so forth.

The critical question of course is how, at which speed, and with which economic and social benefits the advantages and potentials of socialism are put into practical effect. Important conditions for it have been created in recent years. The most important one was the formation and transformation of the combines. Crucial for their activity is that research, technology, production and sales (including foreign trade) are combined in them under one management, in one economic unit. Furthermore, through the construction of the means of rationalization and in the most important ancillary enterprises essential prerequisites were created for a rapid application of the latest scientific data. Already many combines have managed meanwhile to translate these great potentials they have into practical and economic progress.

Meanwhile, a great number of changes were introduced or enforced in the economic management and planning system, from research management, investment activity, in the performance principle all the way to the activities of the banks, aimed at an accelerated development and more efficient use of modern science and technology. Their success largely depends on how successful we will be in concentrating the initiative of the working people, the competition and innovator movement, and the activity of the youth brigades on the key issues of scientific-technical progress.

Rationalization at Large Dimensions

Scientific-technical progress and its economic utilization is an extremely dynamic process. Reducing the specific consumption of raw materials and fuels in the GDR economy by more than 6 percent is not a one-time assignment, after all, but has to be accomplished year after year. A Japanese survey has established that in the early 1980's a product remains new only at an average of 4 years. In the production of microelectronic circuits, approximately after 2 years a new generation comes in.

So we must be perfectly clear about that each newly introduced product and each new technology need to be replaced by new products and new technologies time and time again. From this the 10th SED Congress has drawn the implication that such a dynamic process relies on permanent rationalization at vast dimensions. There is then, in principle, a new weight attached to rationalization. In other words: today only a state that can ensure and control such dynamic changes by means of scientific-technical progress can have a stable economy.

[1 Apr 82 p 9]

[Text] The Foundation of Our Successful Course--State Power and Socialist Democracy

Political power by the working class in alliance with the cooperative farmers and all other working people, stable socialist state power, therein lies the most important condition for successfully shaping the developed socialist society.

"Socialist state power," Erich Honecker affirmed at the 10th SED Congress, "under Marxist-Leninist party leadership, its authority and functional capacity, are the basis and prerequisite for successful advances. That is and remains the cardinal issue of the socialist revolution. Only the political power of the workers class ensures the people's freedom to shape worthy human living conditions for all citizens and the freedom of personality. Our state, as a form of the dictatorship of

the proletariat, represents the interests of the entire people and guarantees freedom and human rights. No one has been and will ever be permitted to touch the socialist state."

Basic Principles of the Socialist State

Because the socialist state and its practical efforts are the crucial foundation, in all phases of the development, of the socialist society, it is not surprising that the sharpest attacks by the imperialist and social reformist forces are directed against it. Poland's counterrevolutionary development after 1980 has once again borne out this experience of decades. All revisionist notions of socialism, with all their variations, always amount to portraying a socialist society in which the political power of the workers class and the party's leadership role are done away with. Such a society, naturally, would open all gates to antisocialist forces to set up the kind of "socialism" which the monopolies also could accept.

It is implied in the nature of the two systems that the character and goals as well as the forms in the exercise of power differ fundamentally. Only if some basic principles are made to prevail can the socialist state fulfil its tasks in general and those for the shaping of the developed socialist society, in particular. The most important ones may be mentioned here.

First, the inseparable connection between state power and socialist democracy. All working people's active involvement in the management and shaping of the developed socialist society is the key to it. Nothing is more nonsensical than the bourgeois thesis that the political power of the workers class actually is the exercise of power by an elite over the workers class. As historic experience has shown in socialist society, any attempt at despising the interests of the workers class and excluding it from the exercise of power has led to deep social and political conflicts and necessarily had to fail. The might and strength of socialist state power result primarily from the working people's participation in the exercise of power by way of socialist democracy. Each step toward the developed socialist society, to be successful, must rely on the spreading of socialist democracy. Only when linked through many different threads with all working people and by relying on their activities can the socialist state express, represent and enforce the interests of the workers class and of all other working people.

And here we have to remind ourselves that socialism is a society that has done away with exploitation and where there are only classes and social strata with identical basic interests, wherefore they are bonded in friendship.

Therefore, the alliance policy between the workers class and the cooperative farmers, the intelligentsia and the other working people is the political foundation of socialist state power. It is essential here that fundamental interests do agree though many social disparities still exist and are likely to remain for quite some time.

Accounting for, and using, these specific social interests of the cooperative farmers and intellectuals therefore is an important element of socialist democracy.

Of great importance to socialist democracy is the political alliance between the SED and the other parties and social organizations within the National Front. Its activity sees to it that the interests of all classes and strata are expressed through state policy.

Firms Ties Between the Party and the People

A special place is taken here by the trade unions, the largest mass organization of the workers and employees. On their activity also depends how, whether, in what form and with what results most working people take part practically in the shaping of socialist society. As the preparations, now under way, for the 10th FDGB Congress show, great activities have developed in the GDR's enterprises and institutions. But still existing reserves have become apparent along with that.

Second, for socialist democracy the Marxist-Leninist party's leadership role is indispensable. The political system of socialism is composed of many social organizations and institutions. Each represents the interests of specific classes and social strata. Only the Marxist-Leninist party can express the interests of the entire working class and all working people in a concentrated fashion. The economic strategy issued by the 10th party congress demonstrates the SED is capable to find an answer to the challenges of the 1980's that conforms with the interests of all working people and evolves from their activities and creativeness.

Political power and socialist democracy are principally determined by the close ties between the party and the whole people. Such ties are not a one-time matter; they must be brought to realization in all public domains day after day. Loosening and undermining these ties is the most important target of all enemies of socialism. Reinforcing them constantly is the most important task of the communists; for all working people it holds the essential guarantee for that their interests are in fact made to prevail in practice.

Everyone Can Exercise Democratic Rights

Third, a characteristic of socialist democracy is its being enforced in all public domains. For the first time in history, it can prevail in the most important field, in the economy. He who exercises power in the economy can also crucially affect developments in all other public domains. That is why the ruling imperialist circles do their best to prevent the workers' and employees' democratic codetermination there.

Shaping the developed socialist society in practice means making full use and extending further the diverse forms in which the working people take part in economic management. The plan discussion, production conferences, competition, the innovator movement, youth brigades, status reports, and activists' activity are but a few of the most important forms. Here we pay attention to two important factors. For one thing, absolute job security is a basic condition for everyone to be able to exercise his democratic rights without any fear of being fired. And mainly it is obvious that socialist democracy, the active participation in economic management and organization in the combine, in the enterprise, in the cooperative, amounts to a decisive impulse on which socialist society relies.

[15 Apr 82 p 9]

[Text] How Can Advantages Be Properly Utilized? New Requirements of Management and Planning

The socialist ownership in the means of production, the political power of the workers class and the leadership role of the Marxist-Leninist party provide the objective possibility for utilizing with great efficiency society's capacities and potentials for the good of the people. Shaping the developed socialist society means putting this advantage of socialism into effect at a qualitatively new level, with much higher benefits.

The question, of course, arises how, by what methods and forms, and in accordance with what principles such conscious and planned management must and can be shaped. It turns out, no eternally valid answer can be given to all these questions. The great dynamics of socialist society also necessitates a dynamic development, i.e. continual changes, in the management and planning methods. One need not be an expert to realize that economic intensification cannot be accomplished by the means used for a predominantly extensively expanded reproduction. It is, of course, of profound consequence that now the scientific-technical revolution has become the main source for increasing the economy's efficiency and effectiveness, or that international conditions have changed significantly.

Important Basic Principle for Our Development

Bourgeois ideologists seek to discredit the socialist planned economy by contending the constant efforts in perfecting and changing planning express its fault and instability. One can hardly think of a more stupid and nonsensical argument. The fact is that the stability of the socialist planned economy depends on whether in each phase in the development of socialism planning forms and methods are found that conform with concrete conditions and objectives. In the early 1970's, e.g., in the transition to the main task policy, many measures became necessary to further develop and perfect the planning system. That is all the more necessary at the start of the 1980's, to implement successfully the economic strategy issued by the 10th SED Congress.

Admitting that the management and planning of the economy and the society is a dynamic process in no way means it does not rely on a number of basic principles and universal inevitabilities. The most important basic principle is democratic centralism. Enforcing it consistently is the key, the basic condition for the full unfolding of the advantages and impulses of socialism. Democratic centralism means an optimum connection between an unrestrained central management of the economy and the society and a maximal unfolding of the initiative and personal responsibility of all working people and every collective.

Democratic centralism is of fundamental importance to the existence and successful development of socialist society. That explains its being an element of the socialist social system and why it is exposed to especially sharp attacks from various imperialist and revisionist forces; all so-called socialism models pitted against real socialism mainly aim at doing away with central party and state management.

## The People's Interests as Focal Point

What determines the Marxist-Leninist position in this regard? It is well known that Marx and Engels derived the inevitable need for socialism primarily from the basic contradiction in capitalism. The social character of production increasingly contradicts the private ownership in the means of production and the sole interest, that goes with it, in producing for the sake of profits. The scientific-technical revolution of our time has radicalized that contradiction. It is becoming ever more obvious that nuclear energy, microelectronics, robot technology and so forth, in the hands of monopoly capital, especially of the military-industrial complex, have become a source of profound social contradictions leading mankind to the brink of an atomic inferno. The political power of the workers class and the public ownership in the means of production, the historic alternative, make possible on the other hand replacing the profit interests by the interests and needs of the people.

To the Marxist -Leninists, the central management of the economy and of society is not primarily a question of management methods but comes down to the question whose interests are served by economic and societal development and what aims it pursues. Central management by the party and the socialist state alone can make sure that the main task policy becomes the centerpiece of all efforts and is carried on even under more complicated conditions.

The public ownership in the means of production can fully develop its advantages only if the economy and social development are placed under social management. By social management the Marxist-Leninists have always meant two processes, or sides, in unity--central management, management by a center that can express and enforce the interests of all society, and an active, creative participation by all members of society, by all collectives, in management and its practical realization. Democratic centralism thus is an essential element of socialist society. And so planning at the overall societal range is one of the advantages socialism has in making the scientific-technical revolution prevail.

Reformist ideologists, in contrast, propagate all sorts of "models" of a "socialist market economy," a complete independence of enterprises and combines or some so-called self-administration, not within the scope of central management but in opposition to it, i.e., as a step toward doing away with it.

As practice has shown there has not been a single example in history of an economy that would function along such principles. Principally, such a system cannot function socialistically because the social interests are replaced by certain group interests that are granted priorities, while the needs of enterprises and economic units are what counts.

But that means such enterprises must behave like capitalist corporations. Pushed resolutely, such system inevitably goes back to capitalism. It is not enough, of course, to recognize the need for democratic centralism. Equally important is to find the most efficient ways and means of its practical realization in every phase of socialist development. Decisive steps in that direction also were taken in the GDR, under SED leadership, through preparing the economic strategy for the 1980's. The crucial connecting link there has been the forming and developing of the combines.

Further Heightening the Combines' Own Responsibility

On the one hand, they significantly strengthen the GDR's central economic management. In 157 combines, centrally managed industry, construction and transportation are now concentrated. Account was taken here of the progressive socialization process: the ever closer entwining between science, technology, production and sales and the linkage between final production and ancillary enterprises.

We also greatly heightened the combines' own responsibility, their rights and duties. Through forming the combines, there also mainly greatly expanded the conditions and opportunities for the activities of the trade unions, competition, the activists' and innovator movement, and the youth brigades.

The shaping of the developed socialist society under the conditions of the 1980's, especially those of the scientific-technical revolution, can be successful only through the extension, perfection and further development, and never through a decline, of democratic centralism.

[29 Apr 82 p 9]

[Text] Thinking and Acting in a New Way--On the Increasing Intellectual and Cultural Demands

How can we further greatly speed up economic intensification? In answer to that question, the correct view was expressed in a discussion that the decisive connecting link lies in changing the mode of thinking. The objection was raised, of course, that extensive economic intensification today was no longer feasible without appropriate material-technical potentials, without a large science and education potential. There is no arguing against that fact. Yet it is also certain that an effective use of the great material and intellectual potentials the GDR has available today largely depends on the mode of thinking and the practical attitude resulting from it on the part of each working person. The question then arises what abilities and which modes of thinking and conduct are required to implement the economic and social strategy of the 10th party congress.

Motives for a High Performance Boost

As practical experience shows, the intellectual-cultural demands for implementing the economic and social policy for the 1980's are growing very fast. They are a basic condition for putting the advantages and impulses of socialism fully into effect. In the Central Committee status report to the 10th SED Congress, Erich Honecker made a special point of this unity between politics, economics and ideology, when he said:

"Through an indispensable unity between politics, economics and ideology, our political mass activity mainly is aimed at providing our working people with the laws of socialism and the substance of our economic strategy to motivate and mobilize them for high economic performance improvements. We shall meet these demands once all working people understand scientific-technical progress and its rapid conversion into high economic, and hence social, results as a matter of life and death."

There are a number of prominent ideological questions concerned with bringing about the mode of thinking necessary with its attitude and social activities.

Our Advantages Must Be Fully Used

Accurately knowing and understanding the laws of socialism and the economic strategy for the current decade naturally provide our point of departure and goal. But one must also be clear about the conditions under which the unity of economic and social policy has to be enforced now and in the years ahead. Important also is that this takes place and has to take place under variously new conditions--such as complicate socialist development and such as give rise to new potentials and opportunities. We have gone into that in detail above.

The 10th party congress resolutions and our economic development reflect that the SED has not merely acknowledged the negative changes. Rather, it has fully concentrated on tapping and putting fully into effect the advantages and impulses, the potentials and opportunities of our socialist society.

Yet this is not a matter to be confined to a party congress or a strategy issued. It can all be realized only to the extent that this attitude controls all working people's practical activities. Knowing and being convinced of the advantages and impulses, the values and potentials of socialist society in the GDR is a decisive prerequisite for finding ways and means, through energy, creativeness, reason and prescience, to make maximum use of these advantages and impulses of socialism in order also to solve the complicated tasks.

Policy on Behalf of All Working People

We pay attention here especially to two important aspects. For one thing, this effort on behalf of this kind of thinking and conduct is inseparable from the bitter ideological struggle going on today between socialism and imperialism. The ruling imperialist circles wholly concentrate on spreading doubt about the capacity and abilities of real socialism. What else is there they could do? Our ideological work is aimed at developing the awareness of the strength and ability socialism has in solving the social problems of our time in the interest of the working people. This awareness is inseparable from the practical experiences providing evidence for it day after day. The analysis and all-round dissemination of these positive experiences thus is one of the most important tasks in our ideological work.

A crucial role for the mode of thinking and acting comes from the dialectical character of scientific-technical and economic development. The effectiveness of a combine or enterprise today greatly depends on whether and to what extent it can replace old products by new ones on a high scientific-technical level and low in costs.

Thrusting Into New Territory, and Against Old Habits

This replacement rate has become an important parameter. The time for which a new product remains in fact new is shrinking. Also consider that reducing the specific consumption of energy, raw materials and material is no one-time requirement to be dealt with only for a few years. Completely converting to intensively

expanded reproduction means that it becomes a permanent source of growth. That calls for a new mode of thinking and conduct, of course. The readiness and ability to struggle for innovations constantly and without reservation is a basic requirement for implementing in practice the economic strategy of the 10th SED Congress. That requirement finds itself opposed today by conceptions and attitudes that consider such changes interference with the habitual or merely as one-time or temporary tasks. Refusing to tolerate obsolete production methods is an essential requirement for our mode of thinking and action.

It is quite in line with the dialectical character of this process that it is in many respects difficult and contradictory. Thrusting into new territory is typical of it. What is normal now is constantly to think what has not been thought before, produce what has not yet been produced, and develop technologies and production methods that have not as yet been developed. As practical experiences in various economic fields have demonstrated, not only a readiness to proceed toward new ways is needed for it, but also the determination and ability to shed old habits and contradictions.

Growing Importance of Workers' Traditions

Scientific-technical progress today and an effective economic use of it hence not only call for great technical knowledge but also for an appropriate mental and practical attitude. By that alone can we accomplish the required economic performance boost.

To that end, greater attention ought to be paid to certain historic traditions. There are criteria that have played a great role in German history, such as the respect for science and its maximum economic utilization, quality-labor, a high respect for and the great technical skills of one's superior, his role in the production organization, disciplined and painstaking work, and minutely abiding by obligations assumed. For many decades, these traditions were used for the benefit of the capitalist power and profit drive. By means of them, German imperialism was in the position to gain international influence. How much more significant are the traditions of the workers class and other woking people in the GDR today, as they, for the first time in history, serve the well-being of our people.

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NYERS ON CURRENT ECONOMIC ISSUES

Budapest ESTI HIRLAP in Hungarian 30 Apr 82 p 3

[Interview with Rezso Nyers, chief scientific advisor of the Institute of Economic Sciences of the MTA (Hungarian Academy of Sciences), by Eva Nyaradi: "We Continue To Encourage the Development of Cooperation"]

> [Text] How are our relationships with the socialist countries developing? Have we gotten too far into debt? Does an economically unified USA exist, and what is the opinion of the financial and economic experts overseas about our country? We talked about these topics with Rezso Nyers, chief scientific advisor of the MTA's Institute of Economic Sciences.

[Question] Most countries are in debt. Tensions have developed recently in the financial relationships, and there have been efforts to subordinate economic cooperation to the military political and power viewpoints. Do the socialist countries have to conform to this?

[Answer] I consider the present international financial situation to be temporary, in which the method of resolving the accumulated tensions has not yet been discovered. We simply have nothing to conform to yet. We would be glad to join the continued development of the East-West economic relationships, but it has stalled. And we must not, and hopefully we will not have to submit to having credit used against us as a weapon.

The total amount owed by the socialist countries is truly high. But this in itself would not yet cause a problem. The problem is that in some countries the loans are not being used to develop exports, and thus the process of balancing the foreign trade equilibrium is progressing only slowly.

Two Kinds of Solutions

We can talk about two independent groups of problems: judging the creditworthiness of the special situation of Poland, and of the other socialist countries. And pictures of two kinds of solutions are being sketched by the statements of the western experts. According to one line of thought the lenders handle the socialist countries the same way and they would initiate

the repayment of loans by methods of coordinated financial restrictions. This method is not uniformly accepted by the West's viewpoints, either, because it has a heavy price tag: that of retreat from the Eastern European markets.

The other possibility is the economic approach. To seek out how can solutions be found which are acceptable to the lenders as well as to the borrowers. And there is only one such solution. To solidify the economic balance by increasing trade, to create the opportunity through exports and continued rational extending of credit to repay the earlier loans on time. We are in favor of this latter viewpoint. It is my opinion that the recognition is gaining strength also in the West, that the economic difficulties of a specific country must not be generalized. Thus, at the present time, a bad variant is opposing a good one. We cannot be certain that the situation will shift towards the more favorable direction, but we also have no reason not to trust in it.

[Question] So is a differentiation possible?

[Answer] The signs indicate that it is. For example the Hungarian economic policy is considered modest and business-wise reliable in broad circles; the kind which fully satisfies the requirements of the international financial organizations and banks. It is true that our present economic results are still short range results. But the important thing is: we are avoiding forced and excessive production increases with the use of credit through underestimating the risks of foreign markets, or using credit without the proper foundations. Our economy is ready to cooperate with the CEMA countries as well as on the world market.

[Question] Have we not gotten too far into debt?

[Answer] Between 1974 and 1978, yes. It was very easy then to obtain favorable loans and almost nothing forced the economic operating organs to produce efficiently, to have a reasonable investment policy, or to make structural changes. But it is also a fact that this process has ended since 1979.

The CEMA Is a Good Market

[Question] Our country is closely aligned with the economic growth of the socialist countries. What can we expect in the coming years?

[Answer] Our advantages are decreasing as a consequence of the price ratio changes. But even today the CEMA is a good market for our products, and we have every chance to preserve our position. And what is also important, is that the world market's price changes are taking effect only gradually within the CEMA, thus the burdens deriving from this do not fall on us all at once. The energy cooperation is a safe support in development. But it is unfavorable that the domestic economic difficulties of the socialist countries can also be felt in CEMA. For example, raw material cooperation has decreased somewhat. Thus we are also forced to obtain an increasing portion of our needs on the world market.

[Photo caption: Diesel trains are being built in the Ganz-MAVAG (Hungarian State Iron, Steel and Machine Factories) for export to the Soviet Union.]

The lack of convertible foreign currency is general in our countries, and this is why the efforts for ruble export and dollar-accounted export are typical. This is an economic force which political desires can not change. But in practice we can improve on the situation with certain rationalizations. Endeepening the scientific and political shopwork would be very necessary to clarify over the longer range the questions of cooperation.

Decisionmaking Opportunities

[Question] It has been asked often recently on the various forums, what governs our economic direction: the long range concepts, or solutions applied in an idea-like manner?

[Answer] Our present five-year plan is an open one: we left the decision-making opportunities open for the second half of the plan's time period. My opinion is that to expect long range development concepts from the Hungarian economic policy at the present time would be an exaggeration. It follows from our situation that these years we are conducting a policy of conforming over the short range. In order to define the longer range goals we will have to reevaluate many things: the expected changes in the foreign conditions, our domestic resources, society's needs, the space available for actions by the state, and the activity society initiates. As far as the present situation is concerned, the concept has two directions: on the one hand regulating production and investments in the interest of the foreign economic [trade] balance, and on the other hand coordinating the purchasing power with the merchandise supply in order to protect the standard of living.

[Question] Will inflation increase?

[Answer] I know that it is not a pleasant thing to hear this. The experts also consider the tendency of money's deterioration unpleasant. Yet they feel that it is unavoidable, and indeed in the coming years also we will have to expect it. The experience shows that an administrative price freeze would only make this situation worse. For the time being the economic policy can only slow down, but not stop, inflation. Compared to international standards, this is not high in our country.

[Question] There is always a big argument around the small enterprises. Why are there so many negative opinions?

[Answer] These measures are based on thoroughly considered government policies and serve the interests of the general public. Why should one assume that the government of a socialist country takes measures contrary to its own political views? For example, few people objected to the "second economy" which developed in recent times. Even though the damages caused by this "opportunity", were much more dangerous and harmful to the economic life. Of course, I know that for a while the small enterprises will cause problems, and that they will also have undesirable side effects. But over-all they are useful, the society needs them, and therefore they must be encouraged rather than restricted.

[Question] You visited the United States recently, where you participated in various scientific conferences. What did you experience at the conferences?

[Answer] I met many representatives of the American scientific, economic and financial life. Two of the topics of the conferences are very interesting for us. The first one dealt with the situation of the Hungarian economy, the second one with the development of the East-West relationships.

I saw increased interest in the Hungarian economy. I consider this important because it means that there exists a circle in the United States the members of which are more closely familiar with Europe, and within this they are also following Hungary with attention and are interested in it. Two things meet favorable reception: our agricultural results, and our willingness to particopate in industrial cooperation.

Several Directions

Concerning the East-West relationships I experienced that some businessmen continue to encourage the development of economic cooperation, and over the long range they consider it good business to conduct trade with the socialist countries. Of course, it must not be lost from sight either that the banking experts have two souls [sic]. On the one hand they are afraid that their loans will not be paid back, while on the other hand they know: money produces profits only if it is invested, and in the final analysis the socialist countries are good partners.

It appears that there are several directions even in the American government in the judging of this question. One thing is certain: it would be a very big mistake for us to labor under a picture of a "united America" in economic questions, and to adjust our ideas and plans to this.

8584
CSO: 2500/241

## MANPOWER REALLOCATION POLICY SCORED

Budapest FIGYELO in Hungarian 14 Apr 82 p 2

[Article by Judit Adler: "Manpower Reallocation According to Plan and Unorganized"; passages enclosed in slantlines printed in italics]

[Text] In the past 5-year plan period manpower fluctuation slacked from year to year (in 1980 it affected 13 percent of the employed persons). It was more characteristic in the productive branches and all the separation turnover was quickened by work terminations initiated by employees.

However, a related analysis of the KSH [Kozponti Statisztikai Hivatal--Central Statistical Bureau] ("Manpower Turnover in the Socialist Sector of the National Economy 1976-1980") states that /larger and larger portion/ of the manpower movement /is connected to initiative by the employers/. That is, usually the employer decides on the transfer, but from time to time the initiator can be the employee or the prospective employer. According to KSH data, in 1979: 47,000, in 1980: 50,000 transfers took place. In both years about one-third of the transfers took place in the nonproductive branches. Last year KSH also published data on the organized reallocation among firms; /12,300 such cases/ where transfers occurred collectively with the agreement of the firms or institutions concerned, respectively with the prior notification of the parties involved. Thus, the organized reallocation among firms /did not become/ a common instrument of manpower management, and because for years this has been a common observation, it is worthwhile to undertake some pragmatic action in this matter.

### I Go, So They Won't Send Me

Invariably, firms complain of significant manpower shortage in spite of the reduced tempo of economic growth and decreased orders in many places. It becomes more obvious, that in the past period the tempo of productivity increased /not because/ the firms effected a conscious reduction in the work force due to decreasing orders, but rather because a portion of the employees /on their own accord/ left some areas, alleged as "critical." That is, directly or indirectly, they personally perceived the local troubles of the firms and the incidental reduction in earnings. At the same time they noticed that a trend started in some, previously neglected areas of the economy (in background industry, in small-scale production, in services, etc) which held out the possibility of employment and, chiefly, better opportunities for earnings.

Their decision should not be disapproved. As the result of this process--or rather, exploiting the possibility of choosing among places of work better suited for individual ideas, for personal goals--in the long run /the employees themselves initiate/ the kind of manpower reallocation which, of course, lacks the methodicalness, the considered organization, but eventually it serves the aims of employment policy guided by economic conditions. Therefore, we can say that the manpower movement's direction /took shape according to plan/, but its degree somewhat deviated from it.

In industry the average permanent labor force decreased somewhat faster than planned, by more than 2 percent in 1981; but because the tempo of the production increase also fell behind the plan, this larger rate of reduction in the labor force, or rather, migration, is definitely favorable from the standpoint of productivity it has beneficial results.

In the construction industry, both the quantity of production and the labor force decreased at about the same rate, so the productivity barely increased; for this reason, even a larger reduction in the labor force would not have been a drawback, especially when we consider also that in the construction industry the planned work structure modification (increased emphasis on labor-intensive maintenance and renovation tasks) was not realized either.

The number of persons employed in agriculture--contrary to the planned small reduction--/increased somewhat/, primarily because of the growth in sideline and supplementary activity. This can be classified as favorable too, if for nothing else, because in this way agriculture /offered work opportunities/--and working places which were by no means any less efficient--for those who left big industry.

After all, the purpose of the plan is suitable manpower movement--and this is worth repeating--not the deliberate management of staff by companies. From the standpoint of manpower management, economically and socially rational behavior /is much more characteristic of the individual/, than of the firm which is his employer. From this originate those conflicts, whereas given the coincidence of national economic interests and of private interests, a portion of the skilled workers leave for the small business and supplementary industries, through the rationalism lurking behind all these is no consolation for the traditional, large labor organizations. From the latter's point of view the manpower "is reduced" by a passive method which causes tension in the organization of big business.

Then Abroad

The companies--and unfortunately not the majority of them--adjusting to the changed economic conditions, and hoping for more profitable management, decided on some modernization of the product structure. A concern incidental to the change: /is the existing work force suitable/ for the manufacture of new products? Does the product restructuring /require/, and if so, to what extent, the exchange of employees?

According to a recent study, touching on this subject matter also, the firms /regard as fundamental/ the structural characteristics (skills, education,

age, etc.) of the existing work force, to which they must adjust the current productive activity. At the modification of the product structure they shift to the type of new products that can be manufactured with the existing work force, or require only a short retraining or supplemental training. In connection with the product restructuring the idea of manpower reallocation among firms practically does not even arise. The common way of adjusting to the new situation--judged acceptable by employer and employee alike--/is the organized retraining and supplemental training within the firm/.

Furthermore: in the 5-year plan period several national economic and enterprise investments were started where nobody reckoned with the manpower coverage. With the entrance of these investments, frequently the firms can secure the necessary manpower only by /internal reallocation/, by closing the uneconomical units and employing the thus freed personnel in the new and generally more productive workplaces, which are suitable for more effective employment conditions. And because they cannot count on outside sources of labor, the investments, developments and reconstructions generally "absorb" the freeable manpower within the firm.

Of course, there are firms, where neither investment activity, nor modernization of the product structure, nor anything else would justify the stabilization of the existing work force. Where a portion of the manpower really becomes redundant, in cases like this, and depending on the possibilities, the employees try to eliminate the tensions /with employment abroad/. And because this solution generally creates favorable financial conditions for the individual and for the firm also, more and more examples prove that even those firms, which are troubled by real and justified manpower shortages, are looking for possibilities of working abroad. This is an increasingly popular form of employment, and for that very reason, it thwarts the domestic, organized efforts concerning manpower reallocation among firms.

They Don't Understand...

Finally, one more factor: the thought of organized reallocation, or the efforts at implementation are generally /extremely unpopular/ among the employees. Namely, this sort of reallocation does not come with any financial advantage, contrary to the change in the place of work that was decided based upon individual motives and personally arranged. What is more: /many don't understand/ the reasons for organized reallocation. Their aversion is motivated by the fact that in our sociopolitical value system first place was always given to loyalty to one's place of work, to the employee's settled stability. One, who has always heard that for our society those, who work their whole lifetime in one place, are valuable, now only with difficulty can accept the norm approving mobility, requiring periodic migration, and all those inconveniences that--even with the most careful preparation--can only be dulled, but for the individual are eventually unavoidable. Finally: the manpower reallocation among firms in many cases means /regional regrouping also/. The infrastructural background of this (apartment, spouse's employment children's accommodation and schooling) is often missing, although the separate living of family members augments the already well-known concerns.

Summarizing the above said: The efforts on the part of the firms that are aimed at keeping the manpower should be regarded as natural, even though momentarily they disagree with the interest of the national economy. In such circumstances it is even /legitimate/ that the direction of the manpower movement, and even more so its size, /is influenced by the personal initiative/ of the employee. Regarding the employee's aversion toward reallocation: in practice it seems a more feasible way to move, when possible, not the worker but the work.

9918
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## BRIEFS

MINISTER APPLAUDS, ENCOURAGES AGRICULTURE--In ceremonies celebrating the first of May, Jeno Vancsa, minister of agriculture, gave a speech at the town of Torokszentmiklos. Among other things, he said that agriculture continues to have the dual obligation of ensuring balanced, high-quality supply for domestic demand and satisfying growing export requirements. It is exceptionally important for agriculture to contribute still more to production of the national income. Currently, every fourth hectare in Hungary produces for export. It is outstanding even by international comparison that per capita grain production exceeds 1.3 tons while that of meat is over 150 kilograms. Hungary ranks fourth highest in Europe in per capita food consumption calculated in terms of starch and protein. As a result of its achievements, the Hungarian peasantry enjoys unprecedented social appreciation. The interdependence of workers and peasantry is well illustrated by the fact that this year Hungarian industry will provide agriculture with machinery, chemicals and other products worth 40 billion forints. A thousand threads bind the two sectors. Therefore the only solution is to improve cooperation, quality and meet the new requirements. These requirements are greater than ever before, and the circumstances are such that more must be produced from less in the way of resources. Agriculture has a reputation to protect and a social program through which to realize its goals. [Excerpts] [Budapest MAGYAR MEZOGAZDASAG in Hungarian No 19, 12 May 82 p 2]

ZEOLITE USE IN AGRICULTURE URGED--Hungary has proven deposits of 100 million tons of zeolite. When 5-8 percent zeolite is mixed into liquid manure it becomes an excellent soil ameliorator, especially for sandy soil. When 20 tons per hectare are worked into the soil, average yields of grass-type plants increase by 1.5 percent. Since natural zeolite costs 3-4 forints per kilogram, improving land costs barely 20,000 forints whereas improvement using peat cost 25,000 forints per hectare. Hungary ranks first in the world in using natural zeolite in feeding livestock on a large scale. Over the past 3 years 150 farms have fed their livestock with a mineral mixture containing zeolite. Zeolite disinfects and deodorizes straw bedding, stabilizes digestion, prevents cannibalism among closely confined hogs. It reduces the cost of producing 1 kilogram of poultry by 1 forint that of a kilogram of pork by 1.3 forints. At present Hungary uses a total of 6,000-7,000 tons of zeolite annually in agriculture. This is far below the potential. To promote the extraction and utilization of zeolite, the National Technical Development Committee has consulted the pertinent ministries and authorites in attempt to obtain overall figures on agricultural and industrial requirements. The committee is prepared to help finance the costs involved in promotion but at present it has too little data to work with. [Excerpts] [Budapest NEPSZAVA in Hungarian 21 May 82 p 4]

CSO: 2500/263

## LONG-RANGE ENERGY POLICY ASSESSED

Warsaw ZYCIE GOSPODARCZE in Polish No 14, 25 Apr 82 p 5

[Article by Janusz Ostaszewski: "Energy Policy--Conception of Development to the Year 2000"]

[Text] The conception of the development of the fuels-energy economy and the directions of Poland's energy policy to the year 2000 were the subject of several studies prepared in recent years by government and scientific-research teams. Taking the results of these studies and the theses presented in the reports into account, as well as the viewpoints and opinions expressed in the discussion at the plenary meeting of the State Council for Fuels-Energy Management on 1 February 1982 (we reported on this in ZYCIE GOSPODARCZE No 4/1982, "First Attempt at Forecasting"), the Council took the following position on the preliminary assumptions of Poland's energy policy to the year 2000.

### Estimate of Requirements

An increase in the national income which would ensure implementation of such basic socioeconomic goals as: housing construction, food supplies sufficient to take care of the nation's needs, consumer goods, and increased exports, will be linked, within the time-frame of the year 2000, to a demand for primary energy on the order of 260-280 tpu [tons of standard fuel]. This estimate is based on the assumption that average annual increases in generated national income will not approach the 2 percent level until about 1985, and will then gradually increase during the subsequent years to 3 to 4 percent.

The following structure of domestic demand for primary energy is assumed to be most probable--in percentage, in the years 1980 (execution), 1985, 1990 and 2000, respectively: hard and brown coal: 78, 77, 75, 67; crude oil: 14, 14, 14, 14; natural gas, 7, 7, 8, 8; nuclear energy: 0, 1, 2, 9; other sources: 1, 1, 1, 2. The 1 percent share of nuclear energy in 1985 derives from its anticipated imports from the Khmel'nitskiy power plant in the USSR.

Poland's energy policy for the future should be based on the following directional assumptions:

--comprehensive technical improvements in the consumption of fuels and energy;

--dynamic development of the nuclear power industry;

--assurance of deliveries of hydrocarbon fuels in at least half the amount of their present percentage share in the structure of primary energy consumption;

--development of hard and brown coal mining to an amount that will close out the domestic balance of primary energy with a surplus of hard coal for export purposes;

--assurance of the development of the electric power industry at a rate which will surpass the increases in domestic demand for primary energy;

--maximum possible development of heating plant systems.

The obtainment of average annual increases in generated national income at the assumed level of 3-4 percent without the comprehensive improvement in the country's energy management, would require the consumption of 300-320 million tpu of primary energy in the year 2000. A reduction in primary energy requirements to the 260-280 tpu assumed level can take place if intensive and comprehensive technical improvements are undertaken without delay. In order to do this, the following measures are indispensable: constant elimination of waste of energy; thorough modernization of equipment and its use processes; and structural changes in the national economy which would bring about a reduction in its energy-intensiveness.

In the Direction of Savings

The elimination of manifest waste of energy requires that the following be done:

--that the principles of economical use of energy sources in all fields of their direct consumption, conversion and transmissions be applied and consistently enforced;

--that radical improvements be made in the repair and overhaul management of power-engineering equipment and systems;

--that equipment and installations using energy be equipped with indispensable measuring instruments which would make it possible to reliably caculate the consumption of energy sources and to prepare energy balances of plants and technological processes;

--that operation of obsolete and the most energy-intensive technological equipment and systems be permanently discontinued;

--that economo-financial instruments be applied which would stimulate economical consumption of energy and fuels, such as: standards of consumption, prices, tariffs, taxes, credits, as well as organizational-technical activities of a training, teaching and propaganda nature.

Thorough modernization of existing equipment and processes in which energy is consumed requires the commitment of appropriate financial, technical, material, and execution resources. The following basic directions of this modernization are proposed:

--increase in energy consumption efficiency in industrial processes by replacing elements or reconstructing entire power installations, recovery of residual energy, and improvements in thermal management;

--improvement in the thermal insulation of buildings;

--application of automatic controls in heating systems;

--improvement in the efficiency of individual heating equipment (household furnaces and stoves);

--replacement and modernization of industrial and municipal boilers;

--expansion of the range of applications of power-electronic equipment, and application of thyristors in electrical power feed;

--reconstruction and expansion of industrial and distribution electric power systems, and reduction in network losses;

--reduction in energy-intensiveness of transportation.

Ultimate annual savings which would be possible as a result of this over a 10-year period are estimated at approximately 25-30 million tpu. But this requires that indispensable technical means must be produced, such as insulation materials, boilers, automation systems, heat exchangers, etc.

Structural transformations in the national economy which would result in a reduction of its overall energy-intensiveness should include:

--changes in the structure of industry, consisting of increasing the share of processing subsectors and branches producing final products of a relatively low energy-intensiveness and high transactional value;

--changes in the structure of technological processes in favor to modern and energy-saving technologies (e.g., dry method of cement production, oxygen-converter smelting of steel);

--improvements in the type-structure of transportation and means of transportation, as well as the structure of working machines in agriculture and construction;

--a change in construction technologies;

--a change in the structure of foreign trade in the direction of restricting exports and giving priority to importation of energy-intensive products;

--development of modern, energy-saving equipment and appliances for general use.

Improvement in the efficiency of the consumption of fuels and energy in our country should be the main direction of our energy policy [in boldface]. The case for this is the fact that outlays for efficiency-improvement, in comparison with outlays for new sources of energy of equivalent energy results, are approximately two-fold lower, and the time-limits for obtaining the results are much shorter.

## Nuclear Power Industry

By 1990 the nuclear power industry's share in covering the country's energy needs will not exceed 2 percent. The startup during 1989-1990 of two 440 MW power units in the Zarnowiec power plant is being planned, as well as the import from the USSR of 1,000 MW guaranteed net output from the Khmel'nitskiy power plant successively during 1984-1988.

Beginning in 1990, a dynamic development of the nuclear power industry should take place in the country, taking into account the dependence on nuclear fuel of heating plant systems in large urban centers. It is proposed as a minimal program to assume that during 1990-2000 each year nuclear power units with a capacity of at least 1,000 MW will be completed, so that by the year 2000 nuclear energy should make up the equivalent of approximately 25 million tpu of primary energy.

In order to implement such a program, it is essential that a domestic industrial base be properly prepared and that broad cooperation and coproduction be established with the USSR and CSSR in the area of power plants as well as nuclear heating plants.

Under Polish conditions, nuclear heating plants with diphenol-cooled reactors may be desirable, i.e., not requiring the use of austenitic steel and possible to produce by domestic resources. It is also advisable to intensify geological explorations for uranium and research on obtaining it as a byproduct in the process of producing phosphoric acid.

## Crude Oil and Gas

In view of the basic importance of hydrocarbon fuels in the development of the national economy, the assumed increases in the consumption of crude oil and natural gas should be regarded as minimal. The percentage share of crude oil in the consumption of primary energy at the present level, i.e., within the range of 14 percent, will require the following deliveries (combined with finished products obtained from abroad): 17 million tons in 1980 (execution), 20 in 1985, 23-25 in 1990, and 33-35 million tons in 2000.

Domestic requirements for natural gas, in terms of gas with a calorific value of 8,000 kcal/$m^3$, assuming its share in the structure of primary consumption is 7-8 percent, will amount: in 1980, to 10.5 billion cubic meters; in 1985, 12; in 1990, 14; and in 2000, 18 billion cubic meters.

It has become extremely difficult to obtain hydrocarbon fuels. The domestic output of crude oil and natural gas is clearly declining, and it is essential, in order to halt this decline, to increase geological-exploration research significantly. The assurance that there will be suitable imports of crude oil and natural gas is also indispensable. Action in this regard should be undertaken without delay, particularly in relation to gas, the scarcity of which already threatens a large drop in the production of fertilizers. The only real solution to this problem is Poland's participation in the construction of the gas pipeline from Siberia to Western Europe.

## Hard and Brown Coal

The total share of hard and brown coal in the balance of primary energy will be the quantity that closes out the country's energy needs. The demand for hard coal, therefore, will be dependent on the development of the output of brown coal and nuclear energy. The following quantities of brown coal winning may be regarded as being realizable: 60 million tons in 1985; 100 million tons in 1990; and 120 million tons in 2000 (38 million tons in 1980).

The increase in brown coal output to the 80-million-ton level will be ensured by the strip mine in Belchatow and Lubstow, and the increase to the 100-million-ton level by the Szczercow strip mine.

During 1990-2000, development of further deposits on a scale confirmed by comprehensive cost-effectiveness analysis (Cybinka, Lubin, Mosty) is indispensable. Despite a large increase in the cost of winning brown coal, in view of the increasingly deeper deposits and degradation of the environment, further development is essential in order to close out the country's fuels-energy balance. The increase in brown coal output, except for the small exports to the GDR, should be allocated for the needs of the electric power industry and the centralized heating systems, where this fuel can be utilized most effectively.

At this assumed level of development of brown coal output, the domestic demand for hard coal (excluding exports) will be: 167 million tons in 1985; 170 in 1990; and 205-220 million tons in 2000 (160 million tons in 1980).

The level of brown coal output should be adapted to the domestic demand and the indispensable export.

## Production of Electrical Energy

Initially the following average, anticipated quantities and structure of gross production of electrical energy, in TWh, are envisaged during 1980 (execution), 1985, 1990 and 2000, respectively: total domestic production: 122, 138, 172, 260; from hydropower and nuclear power plants (combined with imports from the USSR of approximately 2 TWh in 1985 and 6 TWh during 1990-2000): 3, 5, 12, 80; from power plants operating on brown coal: 23, 33, 60, 70; from power plants operating on hard coal: 96, 100, 100, 110.

Until 1985, the increase in the production of electrical energy should be obtained mainly on the basis of brown coal (the Belchatow power plant), and during 1985-1990, in the same degree, on the basis of brown coal and nuclear fuel. After 1990, assuming maximum development of the nuclear power industry, the remaining increase in production of electrical energy may occur on the basis on brown and hard coal.

Increases in attainable output of public utility power plants are estimated as follows: 1981-1985, 4,500 MW; 1986-1990, 6,500 MW; 1991-2000, 18,000 MW. Increases in installed capacity must, therefore, be commensurately higher.

## Development of the Heating-Plant System

The program for the development of the centralized heating-plant system will ensue primarily from the size of housing construction, which thus far has not been precisely defined. Preliminary forecasts say that the following program for the development of the heating-plant system for the years 1980 (execution), 1985 and 1990, respectively, should be regarded as minimal: domestic production of heat, in total, in thousands Tcal: 205, 240, 300; public utility power industry: 52, 70, 95; electric power and heat-generating plants and industrial heating plants: 136, 150 and 175; municipal heating plants: 17, 20, 30.

During 1981-1985, increases in attainable capacity in heating plants should amount to 13,500 Gcal/h, and during 1986-1990, 19,500 Gcal/h. The public utility power industry should supply, during these periods, 7,500 and 10,000 Gcal/h; industrial electric power and heat generating plants, 1,500 and 3,500: and industrial and municipal heating plants, 4,500 and 6,000 Gcal/h.

Preference should definitely be given to the development of combined production of electric power and heat. As a result of the feasibility of using large, highly efficient boiler units and utilizing the heat of condensation of exhaust gases from the turbines, consumption of fuel in the distribution systems [as published].

The providing of power to the scattered building industry is a separate problem, which should be the subject of a special study.

## The Small-Scale and Unconventional Power Industry

The potential possibilities of utilizing the so-called small-scale power industry and unconventional sources of energy require unequivocal definition and quantification. Under our conditions, these possibilities are restricted here to:

--solar energy collector systems for heating buildings--usable water;

--biogas production plants, based on methane fermentation of animal excrement and plant wastes;

--power utilization of small water-courses;

--management of fuel wood obtained in forestry.

The above-named sources of energy may, in many cases, be very important locally, however, their share in the domestic fuels-energy balances will not be significant to the year 2000.

/Conduct of a correct energy policy will require appropriate organizational improvements in the field of management and planning at the central level and proper coordination of the fuels-energy economy in connection with the system of controlling the entire national economy/ [in boldface].

The program presented shows the country's energy needs only to the year 2000. Further study and research is needed to determine the possibilities and methods of its implementation for the time frame of the years up to 2010-2020.

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The resolution of the State Council for Fuels-Energy Management concerning assumptions on Poland's energy policy to the year 2000 sees the energy problem in a manner other than that to which we have become accustomed.

First--it treats the power industry as one unit and proposes that its development be planned based on anticipated demand for primary energy, deriving from assumed growth of national income and the goals of social policy which must be attained.

Second--definite preference, ahead of the development of new capacity, which heretofore has been regarded as the only way of covering energy needs and which has contributed to the unconrolled growth of the energy-intensiveness of our economy--is given in the program to improving efficiency in the consumption of fuels and energy. It is worth repeating here, in behalf of the resolution being discussed, that outlays for improvements in efficiency of consumption, as compared with outlays for construction of new sources of energy of equivalent results, are an average two-fold lower and bring results more quickly. This is the direction which must be, in our present circumstances and in view of the conditions for ensuring development possibilities in the future, positively taken into account when central plans for socioeconomic development are being constructed. I am emphasizing the role of the central plan for it seems to me that enterprises functioning under conditions of economic reform will be forced, sooner or later, to accept precisely this and not another direction in planning reconstruction and development. This will be for them one of the basic sources of cost reduction.

Third--the role of hard coal in the country's energy balance has been treated in a new way. It is no longer being regarded as the panacea for all energy needs, but as a source of primary energy that will close out the energy balance--supplement that which can be obtained from other sources. Such reasoning is of vital importance in protecting our deposits against wasteful exploitation. Nor will it compel the socially incompatible excessive intensification of work in mining, which has been used to compensate for the really catastrophic waste of coal. Such a direction will also provide hope for an increase in coal exports, which in our payments situation is of utmost importance.

The Council is not the only team of experts working on what is now the country's key problem, the energy policy, which has, we must add, been so very neglected in the past. As was reported recently, the first meeting of the Scientific-Technical Council for Power Industry Affairs, which was formed in the Ministry of Mining and Power Industry, also took place. It prepared a program for the development of the power industry during 1982-1990 and a directional program to the year 2000. We also want to present this work in our newspaper, at the same time inviting all of the experts on this subject to join in a discussion on these important problems.

9295
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SPECIAL CURRENCY EXCHANGE RATES PUBLISHED

Warsaw TRYBUNA LUDU in Polish 17 May 82 p 7

[Text] Announcement of Exchange Rates Table No 20/82, effective 17 May 1982, by Stanislaw Majewski, president, Polish National Bank, on 17 May 1982.

I. Foreign-currency exchange rates in zlotys for countries of the first payments area [socialist countries] for commercial and noncommercial payments in Table No 6, 1982, dated 8 February 1982, remain unchanged.

In purchases of travelers' checks for rubles, issued by the USSR Foreign Trade Bank and payable outside the USSR in the currency of the country where cashed, an exchange rate of 11,646.60 zlotys per 100 rubles is applied.

II. Foreign-Currency Exchange Rates in Zlotys for Countries of the Second Payments Area [Capitalist Countries]

[Table on following page]

Exchange Rates Table No 20/82

| Country | Curr Symb | | Currency | Foreign exchange Purchase 3 | Foreign exchange Sales 5 | Money Purchase 1 | Money Sales 2 | Money Average 6 |
|---|---|---|---|---|---|---|---|---|
| Saudi Arabia | 771 | 1 | rial*** | 23.92 | 24.16 | -- | -- | 24.04 |
| Australia | 781 | 1 | Aust dollar | 87.68 | 88.56 | 86.36 | 89.88 | 88.12 |
| Austria | 786 | 100 | schillings | 509.60 | 514.72 | 501.92 | 522.40 | 512.16 |
| Belgium | 791 | 100 | francs | 190.60 | 192.52 | 187.73 | 195.39 | 191.56 |
| Denmark | 792 | 1 | kroner | 10.61 | 10.71 | 10.45 | 10.87 | 10.66 |
| Finland | 780 | 1 | markka | 18.40 | 18.58 | 18.12 | 18.86 | 18.49 |
| France | 703 | 1 | franc | 13.79 | 13.93 | 13.58 | 14.14 | 13.86 |
| Greece | 724 | 100 | drachmas | 132.54 | 133.88 | 114.88 | 135.87 | 133.21 |
| Spain | 785 | 100 | pesetas | 78.89 | 79.69 | 77.70 | 80.88 | 79.29 |
| Holland | 794 | 1 | florin | 32.34 | 32.66 | 31.85 | 33.15 | 32.50 |
| India | 543 | 100 | rupees*** | 888.90 | 897.84 | -- | -- | 893.37 |
| Ireland | 782 | 1 | pound*** | 124.50 | 125.76 | -- | -- | 125.13 |
| Japan | 784 | 100 | yen | 35.24 | 35.60 | 34.71 | 36.13 | 35.42 |
| Yugoslavia | 718 | 100 | dinars | 180.13 | 181.95 | 156.13 | 184.66 | 181.04 |
| Canada | 788 | 1 | Canad dollar | 67.09 | 67.77 | 66.08 | 68.78 | 67.43 |
| Kuwait | 770 | 1 | dinar*** | 297.27 | 300.25 | -- | -- | 298.76 |
| Lebanon | 752 | 1 | pound | 16.60 | 16.76 | 16.35 | 17.01 | 16.68 |
| Libya | 651 | 1 | dinar*** | 277.09 | 279.87 | -- | -- | 278.48 |
| Luxembourg | 790 | 100 | francs | 190.60 | 192.52 | 187.73 | 195.39 | 191.56 |
| Norway | 796 | 1 | kroner | 13.87 | 14.01 | 13.66 | 14.22 | 13.94 |
| Portugal | 779 | 100 | escudos | 117.71 | 118.89 | 102.02 | 120.67 | 118.30 |
| FRG | 795 | 1 | mark | 35.90 | 36.26 | 35.36 | 36.80 | 36.08 |
| United States | 787 | 1 | dollar* | 82.05 | 82.87 | 80.81 | 84.11 | 82.46 |
| Switzerland | 797 | 1 | franc | 43.32 | 43.76 | 42.67 | 44.41 | 43.54 |
| Sweden | 798 | 1 | kroner | 14.35 | 14.49 | 14.13 | 14.71 | 14.42 |
| Turkey | 627 | 100 | pounds | 55.11 | 55.67 | 47.77 | 56.50 | 55.39 |
| Great Britain | 789 | 1 | pound*** | 150.51 | 152.03 | 148.24 | 154.30 | 151.27 |
| Italy | 799 | 100 | lira | 6.46 | 6.52 | 5.60 | 6.62 | 6.49 |

*Valid also in clearing accounts with the following countries: Bangladesh, Brazil, Ecuador, Greece, Iceland, Kampuchea, Colombia, Lebanon, Pakistan, Peru and Turkey.

**Valid also in clearing accounts with the following countries: Nepal and Pakistan.

***The Polish National Bank does not purchase money in these currencies.

CSO: 2600/622

## DEPUTY MINISTER SURVEYS COAL PRODUCTION

Bucharest REVISTA ECONOMICA in Romanian No 16, 23 Apr 82 pp 8-9, 21

[Article by Romica Stanciu, deputy minister of mines]

[Text] The rapid growth of crude oil prices on the world market in the last decade has demanded an increase in the production of coal, particularly lignite, in the production of electric energy. Currently, more and more countries are readjusting their energy policy with a view to counteracting the unfavorable effects of the instability of the world oil market on their economies, adopting measures to extend the exploitation and use of coal in the balance of primary energy.

In Romania the problem of increasing coal production continually has been in the attention of the party and state. This explains the increase in electric energy production on the basis of coal from 18 percent in 1965 to around 33 percent this year and to more than 47 percent by 1985, thus arriving at a point where nearly half of the country's need for electric energy should be provided by the thermoelectric power centrals which use coal, particularly lignite.

The recent RCP CC Plenum Decision on Fulfillment of the Energy Production Program in the 1981-1985 Five-Year Plan and Development of Romania's Energy Base Up to 1990, worked out on the initiative of Comrade Nicolae Ceausescu, once again stresses the permanent concern which the party is giving to the sustained development of Romania's energy base. It results from the vital requirement of insuring energy independence and for est lishing paths for development of the country's energy base, proceeding precisely from the need to insure an increase in the degree of utilization and good management of all energy resources, including inferior coal.

### In the Center of Attention--Preparation Jobs

In order to provide the conditions for plan fulfillment this year as well as for the entire five-year plan, the Ministry of Mines, the mining combines and enterprises have moved decisively to application of certain broad programs of measures

intended to bring elimination of the shortcomings still persisting in the activity being carried out through better organization of work, utilization of the technologies supplied with greater productivity and with positive effects on the efficiency of all activity. As a result of implementation of many of the measures planned, coal production in the first quarter of this year rose over last year, which has permitted increasing the daily deliveries to the thermoelectric power centrals from 65,000 tons per day in the fourth quarter of 1981 to 88,500 tons per day this March. A special contribution in this regard was made by the mining combines in Valea Jiului, Ploiesti, Motru and other enterprises which have delivered tens of thousands of tons over the plan to the country. However, despite this, overall production has not been at the level established due, in particular, to the lags at the Rovinari Mining Combine (with a deficit of more than 580,000 tons) caused by the failure to obtain the stripping volumes of recent years.

In order to recover the lags both from 1981 as well as this year's first quarter, it has been established that an additional 4 million tons of coal must be obtained in 1982. Of this quantity, 3.4 million will be obtained from mining in pits, with the Gorj basin having the greatest contribution (around 3 million tons). Next year, coal production, according to the program, will reach 60.2 million tons, of which 51 million will be lignite and brown coal, with lignite production continuing to rise above the five-year plan level by 1.7 million tons in 1984 and 1.5 million in 1985 (the rise in lignite and brown coal production--the main source for electric energy production--is given in the graph. This means that in the 1981-1985 period the extraction of lignite and brown coal will total around 256 million tons, that is, 2.3 times greater than in the preceding five-year plan. The coal-bearing basins will contribute as follows to fulfilling the lignite production forecast for 1985: 55 million tons from Gorj, nearly 6 million from Mehedinti, more than 7 million from Vilcea and Muntenia and more than 5 million from Transylvania.

With a view to emphatic development of lignite and brown coal production, however, it will be necessary to do large preparation and stripping jobs. Thus, keeping in mind that the planned volume was not achieved either in the previous five-year plan or in 1981, it has been established that a stripping quantity of around 103 million square meters is to be carried out this year so that jobs of this type reach 170 million square meters at the 1985 level. The greatest volume, around 149 million square meters in 1985, is to be obtained in the Gorj basin where, compared with the volume obtained in 1981 (40.7 million square meters), it will represent an increase of more than 3.6 times. At the Anina bituminous shale pit, which should enter into production in 1983, a large volume of stripping will be done in 1983 and in 1985 this will represent 6 million square meters, while the shale production will rise to 10 million tons.

Corresponding with the production forecast to be extracted underground, this year 9.4 km of mining jobs beyond the plan forecasts are to be built for openings and preparations, which is 58.1 km more than 1981, so that their total volume should reach 222.7 km. In order to insure that the planned and additional volume of jobs of preparation and stripping is obtained as well as coal production for 1982 and coming years, a complex of wide-ranging measures are being applied. The additional labor force will increase from around 2,300 workers this March to more than 11,000 this June. Approximately 85 percent of this

labor force will participate in fulfilling the production tasks--planned and additional--of the Rovinari and Motru mining combines.

Mobilization of these large human and material forces and their utilization with high productivity mean a broad organizational material and financial activity. With a view to providing housing and dining conditions, special measures were taken in time to build the necessary areas in record time. They are intended to lead to the creation of appropriate living and working conditions for all workers involved in this concentrated effort to carry out the program for development of coal production.

Utilization of the Equipment and Installations Stock at High Parameters

Parallel with the direct measures and efforts to continue raising the volume of jobs for preparation and stripping and that of the coal extracted and placed at the disposal of the energy units, multiple actions will take place with a view to improvement of all economic activity of the coal-bearing units. Among other things, it is required that the large efforts made during the years and currently to mechanize mining jobs, to modernize the opening technologies and the preparation and extraction of the coal (mining units have available more than 270 drifting machines and about that many shearers, around 180 complexes for mechanized support underground, 60 multi-bucket excavators for more than 2.5 square meters and 30 excavators with rotors should be utilized better.

Many enterprises have in the center of their concerns the use of the machinery and installations they have available with maximum efficiency, fulfilling or even overfulfilling the indicators for planned utilization. However, the situation is completely different at the Rovinari mining combine pits where, due to numerous interruptions in operation, the indicators of time available utilization are still way below the plan forecasts. With a view to raising the degree of use of installations and equipments, the programs of measures compiled to fulfill the plan tasks and recover the lags have provided for concrete ways to improve the situation. So the ministry and the Rovinari and Motru mining combine leaders have moved to apply the measures needed to reduce the standing time for the technological equipment. In particular, being kept in mind are better organization of work, recruiting worker personnel established through the standards approved for the technological lines in the lignite pits and providing, through redistribution, the technical coordinating personnel needed for proper operation of the equipment for the "continuous fire" working program.

Special attention is being given to vocational training of the personnel needed for the technological lines which are to be put into operation in 1982 so that they can be assigned to the working points on the equipment together with the start of the march on the assembly platforms or carrying out of the technological tests. At the same time, we are proceeding to set up the access roads for the big equipment and mainline transportation and so forth. Through application of these measures we are seeking for the planned indicators for utilization of available time to rise from 60 percent to 65 percent which, compared with 47.6 percent reached in 1982, will represent an important contribution to fulfilling the 1982 production plan.

Another group of specific measures refers to supplying the mining units with the equipment and materials needed to repair the rubber belts, to providing spare parts for the immediate repair of technological equipment within the s edules set and for effective correction of accidental defects. For this purpose, with the aid of the ministries concerned, permanent "servicing" activities will be organized at the Rovinari and Motru mining combines for effective intervention in the technological equipment in pits and underground. All this will contribute decisively to activating certain mechanized stoping complex existing in the stocks of the mining combines.

Obtaining the additional volumes for preparation and stripping both for lignite and brown coal requires a special effort for technical supply. For that reason it has been established that in 1982, in order to increase the working capacity in the lignite pits, 11 rotor excavators and 6 dumpers are to be assembled and placed into operation, while in 1983 another 5 excavators of the same type and 1 dumper will go into operation. Supplies with other varied equipment also are forecast, among which are more than 2,400 16-ton tip-trucks, 6 basket excavators, 10 S-1202 excavators and others.

The transportation of mining material (coals and mine waste) from pits and underground to the destination, that is, to the beneficiary, is one of the major problems of this sector. Its solution requires more effective participation and collaboration from those involved in this area. As far as they are concerned, the specialized units of the ministry have the task of assembling a mainline belt to transport waste at the Oltetu-Vilcea pit by the end of this November. At the same time, a loading point for coal at the Popesti train station must be designed as fast as possible, while the Ministry of Transportation and Telecommunications must build and put into operation the normal railroad over the Babeni-Popesti, Tirgu Carbunesti-Albeni and Dudas-Husnicioara routes for the coal-bearing units and build a connecting road from Berbesti to Popesti. All this must be finalized in stages by August 1983.

Similar actions are planned to improve and provide the operation of the maintenance and repair system in a short time and of a high level of quality for all the equipment and technological installations which decisively determine volume of jobs or production obtained. For this purpose, the production of and supply with spare parts are the current concern of specialists in our units and the specialized units of the machine construction industry and other branches.

Raising the Quality of Coal, an Achievable Requirement

An important problem intended to satisfy the justified requirements of the beneficiaries at a high level is continually raising the quality of the coal delivered. It is particularly well known that one piece of coal with high caloric power permits high output to be obtained in utilization at the thermoelectric power stations. With a view to reaching the goal, we have moved to taking more measures to improve working techniques in the pits and underground. In particular this aims at reducing the content of waste in the coals delivered to the thermoelectric power centrals by building picking and sorting installations for all the mines. Another four installations for pre-grinding the coal and eliminating foreign bodies will be built and put into operation in 1982-1983.

At the same time, the program establishes measures which should lead not only to improvement in the working techniques underground and in the pits but also to identification, extending and broader working of the coal reserves, capable currently of covering the need for around 100 years. Together with the Ministry of Geology, geological research institutes and units geared for geological exploration jobs, we should intensify the concern with bringing out and drawing into economic circulation the new coal reserves in order to obtain an increase in the degree to which this necessary fuel is provided to all the consumer sectors of the national economy. At the same time, the Ministry of Geology will extend research projects in all areas of the country to promote new reserves, while the mining units will intensify research with a view to establishing the technical conditions for increasing the degree of extraction and utilization of the coal reserves they have available. At the same time, specialists in the coal-bearing units and mining research institutes will extend research and experiments for finding technical solutions and new technological procedures for working the deposits situated in the more difficult mining-geological conditions (Isalnita-Prunisor, the areas of Bucharest, Lugoj, Caransebes and northwestern Transylvania and so forth).

We feel that conditions do exist for complete fulfillment of our tasks in the program for producing coal in the 1981-1985 five-year plan, thus providing the energy system and other coal consumers with necessary quantities for the development and good operation of all the units and to satisfy the needs of our national economy.

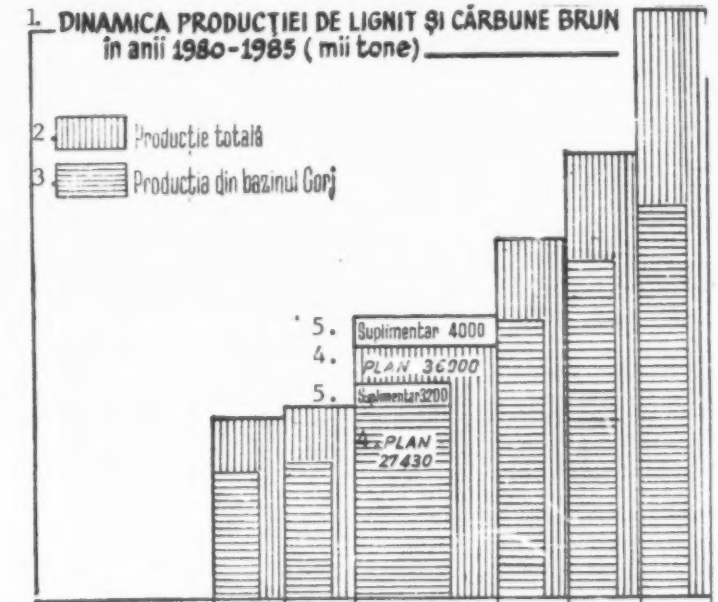


| 6. ANUL | 1980 | 1981 | 1982 | 1983 | 1984 | 1985 |
|---|---|---|---|---|---|---|
| 7. TOTAL din care: | 26 100 | 27 661 | 40 000 | 51 000 | 63 000 | 75 000 |
| 8. Bazinul GORJ | 18 197 | 19 436 | 30 630 | 39 375 | 47 750 | 55 470 |

Key:

1. Rise in Lignite and Brown Coal Production in 1980-1985 (thousand tons)
2. Total production
3. Gorj basin production
4. Plan
5. Supplementary
6. Year
7. Total, of which:
8. Gorj basin

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## METHODS TO INCREASE CRUDE OIL PRODUCTION OUTLINED

Bucharest REVISTA ECONOMICA in Romanian No 17, 30 Apr 82 pp 11-12

[Article by V. Boescu and C. Barnea]

[Text] A Micro-Survey of the Drilling and Extraction Fields of the Bolintin Oil Trust

Under the conditions of the rising requirements for raw materials, fuels and energy, the efforts of the units in the extraction sector to fulfill the provisions of this year's plan take on special importance. As Comrade Nicolae Ceausescu stressed at the RCP CC Plenum of 31 March 1982, "We must give special attentionto solving the problems of technical-material supply under good conditions, to fulfilling the tasks set by the 12th party congress for more powerful development of the energy base and our own raw material base in order to provide the need for good economic activity to a greater extent from the country."

How are the specialized units in the crude oil extraction sector taking ac ion to mobilize the reserves for continually increasing production. This was the purpose of the micro-survey made by REVISTA ECONOMICA at the drilling and extraction fields of the Bolintin Oil Trust, which this year should cover nearly 25 percent of Romania's crude oil and natural gas production.

### Extending Projects Which Research the Subsurface

In order to increase conditions for crude oil and gas production, there is special importance in research and study of the subsurface, shallow and deep. The activity carried out by geologists and specialists from the trust with new and modern means brought out in 1981, as well as the first months this year, resources from new deposits in the areas of Ileana, Stoenesti, Caldararu in Calarasi County, Independenta, Oprisenesti, Bordei Verde in Braila County, Balaria, Videle in Teleorman County and so forth. On the basis of the documents drawn up, the drilling units of the trust (the Bucharest drilling field, the Braila drilling-extraction field, the Cartojani construction-assembly jobsite) intensified their activity, overfulfilled the plan for digging on the wells amd for investments, thus placing a larger number of wells for crude oil and gas extraction at our disposal. At the Cartojani field--a unit decorated with Class I Order of Labor and winner of the "red flag" for the branch for the achievements it obtained in 1981--daily crude oil production rose 77 tons by placing 23 new wells into production in the first quarter. At the same time, at the Videle

fields putting 21 new wells into operation permitted an increase in crude oil of 110 tons daily. The efforts made by the drilling brigades at the Bucharest fields in March and April materialized in the obtaining of new productive wells which are fully contributing to recovering the lags from the first two months of the year. There are areas as, for example, Ileana, Videle and Cartojani where, due to the superior organization of work and utilization of progressive methods, two wells per month at average depth are drilled with a single installation. Shortening the drilling period by using higher speeds, by assembling and dissembling installationsin periods which are two-three days less compared with past years and achieving the volume of investments on time have permitted dozens of new wells to be put into operation 10-20 days earlier.

At the trust level, the drilling, working and injection plan was overfullfilled in the first quarter this year by 11,265 meters, and by 789 meters for deep drilling. By reaching higher speeds over the plan--also facilitated by the fact that the machine construction industry placed at the disposal of the drilling units modern, high-output instllations--the number of wells dug is exceeding forecasts, creating conditions for a daily increase in the quantities of crude oil and gas extracted. It also should be pointed out that in 1982 there is more emphatic concern for drilling wells at great depths (4,000-6,000 meters). Until now two such wells of the eight forecast for this year have been drilled.

Reducing the Supply of Inactive Wells

We see from the micro-survey made on the trust's fields that an important contribution to increasing crude oil production is made by reducing to the minimum limit the supply of inactive wells by effective geological-technological interventions and measures. As is known, throughout the extraction of crude oil, the daily rate falls at some wells, some of them get sandy, while others have various troubles. The effective intervention of specialists to activate them and put them into operation has great importance for fulfilling the extraction plan, since many times the production obtained can be doubled through the measures adopted and applied. At the Cartojani field, for example, by application of certain modern methods for stimulating production, more than half of the inactive wells were activated in the first quarter of this year, while the production obtained daily rose by more than 100 tons. Keeping a balance between the inactive wells and the ones which produce requires that the number of specialized brigades for interventions must be appropriate. That is why this year the number of such brigades at the Cartojani field increased by two, with another two to be organized by the end of the second quarter of this year.

Along with interventions or capital repairs on the wells, a large range of geological-technological measures are being applied in the extraction fields to increase the extraction rate as well as to keep them in an operational state for as long a period as possible. Due to rushes of sand, some wells at the Braila field could no longer operate. The interventions made to consolidate them by injecting sand with different granulation at high pressure and the introduction of filters permitted putting them into operation again and halting the infiltration of fine sand into the crude oil. At the Independenta deposit, just to give one example, where a crude oil production of 120-130 tons per day

has been obtained for 20 years in a row, the quantity extracted through application of a complex of geological-technological measures rose to the current 260 tons per day, with the amount to reach 300 tons per day by the end of the year.

Other interventions have consisted of increasing the gross output of the wells (water and crude oil) in order to maintain the net output for crude oil extraction. This technique for increasing the output of the wells, under conditions where the impurities have the tendency to increase, nearly in all the trust's fields have permitted the extraction of crude oil to be maintained at high rates, contributing to a great extent to fulfillment of the plan tasks. Also, it has proven particularly effective to move a large number of wells from the extraction of crude oil through pumping to extraction in gas lifting (artificial eruption). Proceeding from the fact that in pumping the surface strokes of the installations are limited by the unit of time while the quantity of crude oil extracted is kept at small amounts, by injecting gas in a large number of wells we have reached a considerable increase in the daily quantity extracted from the deposit by artificial eruption.

The utilization of the method of underground combustion in the deposit has produced good results in the Videle field and in the zone of Balaria Commune. A special element which appeared by using this particular method is the move of a large number of wells from pumping to gas lifting, which has permitted an increase in production on each well of three-four times. This year the method of underground combustion will be applied to another 150 wells.

Clearly, depending on the situation found at each well, the methods being used vary. It should be brought out that for the trust as a whole the geological-technological measures being applied this year have spread 25 percent compared with 1981. The efficiency anticipated is relevant: keeping the majority of wells in operation in an operational state in constant and superior production, which equals several thousands of tons of crude oil extracted daily.

Recovering Lags in the Shortest Possible Time

At the Bolintin trust, except for the Videle field, where the plan forecasts up to 15 April 1982 were overfulfilled for crude oil extracted (around 2,000 tons), for gas (9 million $m^3$) and for goods and net production (102.1 percent), the other fields have recorded failures of fulfillment. Partially this is also the result of an increase in plan tasks compared with 1981 (the Cartojani field should produce 200 tons of crude oil additional daily this year compared with 1981), plus the cold weather and some of their own personal organizational difficulties. In this last case we should refer to the existence of still a large number of inactive wells with which they entered the new plan year, the relatively long time for placing the new wells into operation and carrying out intervention operations, to extending certain technological procedures which proved to be very efficient slowly and so forth.

Those who participated in doing the micro-survey pointed out that, starting with the second half of March, through the measures taken at all levels and the active participation of the specialists in the weekly analysis--and sometimes even

more frequently--in the situation of fulfillment of the plan tasks at each field, deposit and well, better results have been obtained in fulfillment of the daily production tasks. Thus the Cartojani field, starting on 17 March, fit into the plan forecasts and since 12 April has been producing an additional 70 tons of crude oil daily; the Videle field fit in since 11 February, arriving at a daily 140 tons of crude oil beyond the plan since March; the Titu field, which was below the plan in March and first half of April by 70 tons a day, continued to succeed in fitting into the plan forecasts. As far as gas and gasoline production, the plan is being fulfilled and overfulfilled by each field, including at the trust level.

The problem being posed is of recovering the lag as quickly as possible in fulfilling the plan (around 43,000 tons of crude oil in the first quarter and the lags from 1981 of 72,000 tons). April's balance, in which decisive measures were taken to mobilize potential reserves, shows that a good portion of the deficits from the first part of the year were recovered, with four extraction fields--except the one in Braila--daily producing hundreds of tons of crude oil over the plan so that by the end of the second quarter they will be in the situation of recovering the deficits and, at the same time, will have overfulfillments of the plan which should contribute to recovering the quantities of crude oil left from 1981. As a result of the competition carried out to celebrate 1 May, a crude oil production which was 300 tons greater than in March was obtained in April.

One area where maximum attention should be given is fulfilling the forecasts for test drilling. Clearly, also of interest are fulfillment and overfulfillment of the forecasts for exploitation drilling and grout holes (the 4-month plan was overfulfilled long ago but, equally, also to be sought and carried out is test drilling, which provides conditions for future production. Unfortunately, the plan in this area was not fulfilled in the first four months of the year by around 30 percent. More attention must also be given to broadening activity in the direction of deep-well drilling. Since the activity to place such wells into operation lasts longer, starting this year it is necessary for the number of deep wells to be increased, having them provide in the near future a substantial base for the more emphatic growth of crude oil production.

Another important problem which must be solved more effectively is providing of spare parts. In this regard the contribution of the Ministry of Petroleum Industry's own units and the specialized units of the Ministry of Machine Construction Industry can and should be more substantial. In this regard it also is necessary for the Bolintin trust also to take timely action in order to create reserves of parts and subassemblies which are required the most and to increase the quality of their reconditioning. So it will be possible for the future to avoid the stagnation of carrying out certain interventions or capital repairs in awaiting the needed spare parts.

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## PORT EXPANSION QUESTIONED; DATA ON SHIPPING GIVEN

Zagreb VJESNIK in Serbo-Croatian 30 Apr 82 SEDAM DANA supplement pp 12-13

[Article by Gradimir Radivojevic: "Too Few Berthings To Justify Ambitions"]

[Text] The imprudent development of our seaports could put us in the situation we now find ourselves in with refineries: cargo-handling facilities would be threefold greater than needed. At the same time the seaports lack a good rail connection with the hinterland.

Yugoslav seaports, if they continue their policy of "independent development," will soon find themselves in the situation the refineries are in: They will have three times the capacity for certain types of cargo the market requires.

Very good mutual relations have been established among the seaports. There is collaboration on many matters, from mutual adjustment of rates to development programs, but there is no real agreement on development. There are even objective reasons why it has not come about: every area (opstina, region, republic) wants "its own" largest seaport, each is scrambling for every piece of business in order to earn income, and the economic associations cannot "calm them down" in this respect.

Another heretical assertion: Without neglecting the basic development of the seaports, all efforts (and the bulk of the funds) should be immediately committed to providing a good rail link between the Adriatic coast and the interior. The long-standing proposal, one which has been substantiated and proven hundreds of times, is that that link connect Zagreb and Rijeka with a line through the plain following the valley of the Kupa, but that need not be the one. Let someone offer a convincing and economically more justified and favorable alternative.... Just so there is no more waiting for solutions, since even now they are too expensive--which is the price to be paid.

### How To Survive the World Cargo Crisis

This kind of (self)-criticism of relations among the seaports or, put more precisely, of the situation in which the Yugoslav seaports find themselves at the moment, was publicly and outspokenly expressed by Josip Stefan, director of the largest Yugoslav seaport (Rijeka), who is at the same time the president of the grouping of seaports and riverports of SR [Socialist Republic]

Croatia. It is not a question of "disrupting" good relations among the seaports, but of opening up an objective dialogue concerning an intolerable situation threatening to put the seaports in a bind in their development policy.

The crisis on the world maritime shipping market is obvious. It is an old truth that the Yugoslav seaports have not been augmenting their capacity solely to meet the demand of domestic imports and exports. Transit cargo has been the most reliable and "sweetest" morsel. It is also the one claimed by the Adriatic ports of neighboring Italy and by a majority of the north European seaports. The owners of those cargoes have to be convinced--by the quality of service, but also by rate policy--that the Yugoslav Adriatic route is the most economical and reliable for them.

The decline of cargo traffic in our seaports is demonstrated not only by the half-empty berths, but also by the figures on the eight principal seaports in SR Croatia: in the first quarter of last year the volume of cargo was 7,468,484 tons, and in the same months of this year 6,450,925 tons. That is how it is. They have felt this even in the port of Rijeka, but they suspected the onset of the period of crisis even earlier, and they prepared for it. For example, last year they handled all of 7.6 million tons of traffic, but for this year they planned about 7.2 million. They say in that seaport that they are taking every measure to fulfill even this "trimmed down" plan. The essential thing for them, however, is to obtain cargo of the best possible quality, even though the physical volume of traffic may decline, in order to achieve the anticipated financial results.

Yugoslav Seaport Traffic by Ports (in thousands of tons)

| Port | 1980 | 1981 | Port | 1980 | 1981 |
|---|---|---|---|---|---|
| Kopar | 2,536 | 2,350 | Split | 1,041 | 992 |
| Pula | 292 | 262 | Kardeljevo | 3,514 | 3,330 |
| Rijeka | 7,644 | 7,890 | Metkovic | 162 | 200 |
| Zadar | 734 | 582 | Dubrovnik | 329 | 225 |
| Sibenik | 976 | 951 | Bar | 1,514 | 1,616 |

Traffic in Yugoslav Seaports (in tons)

| Year | Total Traffic | Transit |
|---|---|---|
| 1980 | 33,840,000 | 6,017,000 |
| 1981 | 33,899,000 | 5,888,000 |

Distribution of Seaport Traffic in Yugoslavia

| Type | 1980 | 1981 |
|---|---|---|
| Coasting | 5,540,000 | 5,364,000 |
| Exports | 3,482,000 | 3,383,000 |
| Imports | 18,801,000 | 19,264,000 |
| Transit | 6,017,000 | 5,888,000 |
| Total | 33,840,000 | 33,899,000 |

Investments in the Largest Seaports (in dinars)

| Seaport | 1980 | 1981 |
|---|---|---|
| Kopar | 383,977,000 | 771,865,000 |
| Rijeka | 116,843,000 | 176,248,000 |
| Kardeljevo | 84,292,000 | 68,274,000 |
| Bar | 157,527,000 | 370,641,000 |

The answer they give in Rijeka to the question of how to live/survive in the world crisis of seaport traffic is that--viewed from the general Yugoslav standpoint--it is high time to define a single development policy for the seaports and the attitude of the public community toward them.

The executives who head the Yugoslav seaports have been conducting frequent and very "amicable" talks with one another. Traditionally the seaport people have met at least once a year at athletic events or other gatherings. One would say that they enjoy almost ideal mutual relations.

But that is not the case, since it cannot be the case. Seaport activity is to some extent a mirror of relations in the Yugoslav economy and of the influences of users of seaport services from other countries.

"I am not convinced that the total specialization of seaports can alter the present situation," Josip Stefan says, "but a certain orientation of particular types of cargo to certain ports could contribute to an improvement. We are cooperating, but the fact that everyone is fighting for the best possible income cannot be condemned. Yet a sober attitude has to be taken in good time with respect to new capital investments. I think that with our present associations of various kinds we do not have the strength to resolve those relations and the opinion often heard that "the seaports should agree with one another" is as far as can be from a way out of this situation, since it is difficult to renounce individual ambitions."

In this connection Stefan cites the example of building port refrigeration facilities. They have been built at Kopar, Zadar and Dubrovnik. Nor has Rijeka renounced "its own" refrigeration facility, though it will have a smaller capacity than was planned. These refrigerated facilities are underutilized, since there is not enough flexibility. At Kopar, for example, the refrigerated facility is located in the customs-free zone, and regulations prevent it from being used (more frequently) on a broader regional basis.

Another still more drastic example is that of Austrian coal which at present is now being sought after by a virtual majority of the Yugoslav seaports and Trieste. Accompanied by the determination, of course, to build (new) bulk cargo-handling facilities, in which hundreds of millions of dinars would be thrown in vain--were this to come about.

It is an interesting and instructive story.

For years Austria has used the Bakar port basin for imports of coal for its steel mills (VOEST). This terminal in Bakar now has an annual traffic of about 4 million tons of cargo, but it has reserve cargo-handling capacity for more than another 3 million tons. However, a "rumor has reached" the northern Adriatic seaports that in the future Austria will be interested in an annual coal traffic between 4 and 7 million tons! The bait was too attractive to resist, and almost all the ports were hooked on it. Hasty plans were made to build terminals for bulk cargoes at Trieste, Kopar and certain other seaports. In Rijeka, however, representatives of Austria made a recent visit (23 April) and stated authoritatively that over the next 20 years or so, taking 1985 as the initial year, the Austrian economy would be needing about 600,000 tons of coal imported from overseas for thermal electric power plants, and to this can be added about 1.2 million tons for the steel mills imported through VOEST. If we add to this the "optimistic reserves," even then one cannot get to more than 3 million tons of coal which the Yugoslav seaports can objectively count on. This conversation in Rijeka was also attended by representatives of the other Yugoslav seaports and of republic and federal agencies, so that there is reason to expect (if nothing more) at least that illogical ambitions of building new bulk cargo facilities in our seaports will be avoided.

The Stumbling Block--A (Missing) Rail Link

If we take into account that the traffic of Yugoslav imports and exports depends least of all on the Yugoslav seaports and their capacity, one understands why the eyes of all seaport executives are turned toward transit. Neglecting all the objective problems hampering its growth, we will dwell on two problems that have the greatest urgency at the moment and which have been pointed out by Josip Stefan. "The overseas trade of the countries whose goods gravitate toward the Adriatic ports offers hopes of increased transit, but this is now being held up by our country's present rate policy. Rail and seaport services are more expensive for transit cargo than for domestic cargo, which is illogical and the opposite of the situation in other countries. Given the problematical situation in the entire world's economy, various countries are striving in various ways to encourage a growth of transit traffic through their seaports. The Federal Republic of Germany is an example: In order to respond to this situation and to orient cargo to its seaports, it has made it possible for its rail rates to be essentially reduced, and Trieste and the Italian railroads are doing something similar. It must be realized, however, that the present rate policy is not the whim of our railroads. Trains to Hamburg, for example, pull 4,000 tons, but trains from Rijeka can take only about 1,000, and that makes transport considerably more expensive. The second basic problem is the Adriatic's link with the interior. Without that link we cannot count on a growth of transit traffic. I would even say that we should reduce investments in the seaports in order to create conditions for investment in the railroad. Yugoslavia must furnish a good rail link to the sea, whichever route is chosen...."

The people in Rijeka, then, are not "rooting" for the Kupa rail route (already agreed on) whose justification is beyond dispute, but they do advocate that a land-sea rail link finally be built--"wherever and however."

The Attractive "Container Morsel"

At one time there were also disagreements on the horizon concerning the building of port container and ro-ro terminals. A majority of the ports wanted the "central" (that is: largest) container terminal, without worrying too much about the fact that the policy of building terminals was not being conducted on the land as well.

However that may be, the container terminals were built: in Kopar with a capacity of 60,000 container units, with possible expansion to 100,000, and in Rijeka for 40,000 containers. The way in which those two most important terminals were built (and are still being built) is common knowledge. In the port of Kopar the associated labor of all SR Slovenia pooled capital and facilitated its construction (that, incidentally, is how this northernmost of our seaports is developing), while in Rijeka it was built thanks in large part to cooperation between the port and the rest of the maritime industry, but the entire burden still fell on the backs of the workers in the port. Yet there is more and more containerized cargo, and the last thing that can be said of these two terminals is that the investment project was a mistake. On the contrary, there is economic justification for their expansion, and this is now being undertaken by both northern ports.

"Last year we handled about 20,000 container units through our terminal at Brajdica," Stefan says. "The growth rate of traffic is all of 20 to 30 percent a month! The SIZ [Self-Managing Community of Interest] for Combined Transportation of SR Croatia and the working group working to iron out the social compact on combined transportation have classified this terminal among priority projects as far as development is concerned. We are continuing to dump fill at Brajdica to accommodate about 100,000 containers by building up the shoreline, which would meet the demand of this route over the next 10 years or so. After that a new one can be built. We have not given up the site at Bakarac, and we have also reserved land on the northern portion of Krk Island."

According to this executive of the Port of Rijeka, satisfaction is also felt in discussion of the new port Brsica near Rasa. Aside from the timber terminal, construction of a livestock terminal is now being completed there which for the present would be the most up-to-date in Europe and would have a capacity of about 60,000 head of cattle annually. But the infrastructure has been furnished for a threefold larger terminal (which probably will not be long in coming in view of the ever more pronounced interest of foreign trading partners).

The Port of Rijeka has also committed itself in the past few days to building an up-to-date "factory" for servicing containers. This is a new port initiative which has won approval among domestic maritime carriers. Yugoslav maritime carriers, that is, possessed 28,000 container units this March (Jugolinija 11,000, Losinjska Plovidba 10,000 and Jadroslobodna 7,000) which needed regular service and maintenance in domestic ports. As a matter of fact, there are small service operations offering the most necessary services, but this is not meeting the domestic demand, and certain foreign maritime carriers are

also showing an interest. To illustrate it is enough to mention that Jugolinija and Losinjska Plovidba alone paid about $4 million in foreign imports for container maintenance and repair. This does not mean that all those expenditures will be "transferred" into the country, but it is altogether certain that most of the foreign exchange will be saved and the dinars will remain at home. This program is already well under way: it is assumed that the "factory" will be completed by mid-year at Skrljevo in the port industrial zone, where the basic infrastructure has already been built, so that only another 110 million dinars or so need to be invested.

That, then, is the situation at the moment in Yugoslav seaports, which are continuing to negotiate an agreement, but at the same time each is going its own way. The way out?

"I have the impression that we have too many structures worrying about the seaports and their problems," Josip Stefan replies, "from various committees and commissions to chambers, SIZ's, and so on, at all levels. But those are talks to no purpose. There are no results. There is no development policy which has been thought through. The current medium-term plan for development of seaports in SR Croatia, for example, is merely the sum total of our desires, but not of reality, since it takes the line of not offending anyone, and no one knows who will furnish the capital nor how, by contrast with SR Slovenia, which has already pooled about 1.5 million dinars to develop the Port of Kopar. At least we here in SR Croatia, I think, ought to join forces through the Committee for Maritime Shipping, Transportation and Communications and the Executive Council of the Croatian Parliament and define for these eight ports and also associated labor, what sort of seaports we need.

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10 June 1982

# East Europe Report

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2279

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# EAST EUROPE REPORT

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I

PROBLEMS OF CEMA COOPERATION EXAMINED

Budapest KOZGAZDASAGI SZEMLE in Hungarian No 4, Apr 82 pp 385-403

[Article by Rezso Nyers, Member of the Central Committee: "Tradition and Improvement in CEMA Cooperation"]

[Text] CEMA has always been important to the socialist countries, and today it is twice as important. Our national economies are facing two great problem complexes: the new and high requirements of intensive economic development, and the effect of the change that has occurred in the world economic situation. Both are related in a certain way with CEMA. It is, therefore, important for us to clarify what achievements we should regard as worth protecting and where we should innovate, and how in order to make our unity more effective.* When we recall the past quarter-century of dynamic economic development, we may acknowledge that economic life of that time was not without its lesser or

*The article was prepared on the basis of a study VIEWS AND DEBATES ON SOCIALIST INTEGRATION to be published by Kossuth Konyvkiado in 1982.

greater tensions, its unexpected obstacles, and the social problems stemming from these. But still the pointer tipped in favor of development. Since the middle of the 1970's, however, we have been living in a period of recession in the nonsocialist world economy and of structural changes. The economic graphs show a break in the former growth trend, and we cannot tell for certain what they will show in coming years. Problems now weigh in the heavier scale of the balance, and they spill across national boundaries and even across the dividing line between the two social systems.

Nowadays the socialist economy requires, on one hand, the performance of new economic tasks and, on the other hand, creates different social influences, which for the time being irritate social reflexes that were earlier developed. All this requires a better coordination of economic and political points of view, and not only this but also an unbiased economic-political analysis which strives to understand the new situation, first of all in national economic parameters and then in international cooperation. Even with a communist commitment it is possible, in fact desirable, that analyses should be prepared by taking various points of view into account and by proceeding from various assumptions. The following represent a possible viewpoint and thought process.

The socialist national economies united in CEMA represent a characteristically special region and an international market. Nevertheless, they have a place within the world market as a whole, and they are not closed economies but are linked with other areas of the world. They themselves exert influence externally, and they are exposed to outside influences, which are at times favorable and at times unfavorable, right now more the latter. Even if the unfavorable influences are greater than desired, the relationship itself is by no means unfavorable, and if we were to restrict the relations the unfavorable effects would be strengthened. It should be emphasized that the other areas of the world economy do not merely represent a passive external environment for the CEMA countries, where we can shape our relations and methods as we please. The other areas of the world economy represent to us much more than this. They have an active role, to varying degrees, in realizing certain conditions of socialist economic development, chiefly foreign trade and technical.

In no way would it be correct to see in the confrontation of the social systems a complete separation of the world economy and the world market. Although the divergences between the different social systems are basic and of an ideological nature and confrontational on the field of social development, economy and trade shape and mediate a work distribution of world dimensions. It is a link which creates the condition of mutual dependence, and this is one of the encouraging facts from the aspect of man's future. This is exactly why our countries cannot turn their back on other large areas of the world economy. Even if we wanted to, we do not have the possibility, but we cannot desire this from the viewpoint of our own interests. When we research the development of CEMA cooperation, we must regard the improvement and development of our nonsocialist relations as organically a part of our subject. We cannot regard it as a subject of secondary importance.

CEMA has a 32-year-old past. It has become indispensable for the national economies concerned, and thus its future is assured. In this way, the cooperation is a positive tradition, which must be guarded and continued. But as life moves ahead, economic needs and possibilities change, sooner or later a good tradition, or its unchanged continuation, is no longer sufficient; the old methods and institutions must be alloyed with new solutions. To speak symbolically, the positive tradition itself must move ahead on the highway of development in order that it may remain progressive and useful. I believe that this generalization is valid for socialist economies and, of course, for CEMA.

In addition to guarding the earlier achievements, therefore, there is an urgent need for the critical approach in the Marxist spirit both in the existing economy of socialism and socialist international economic cooperation. If from the aspect of concrete socialist relations we were to see defense onesidedly or excessively as our task, or if we were to abandon a critical taking of position, we could hardly call ourselves Marxists. We must defend and judge socialism at one and the same time in order that we may further develop the whole of society, in this case international economic cooperation.

## The Theoretical Bases and Development Characteristics of Cooperation

The shaping and development of the CEMA cooperation system is reflected in three basic documents. The first is the "CEMA basic document" approved when the organization was formed in 1949 and which is in effect down to today. The second is the position which was approved in 1962 in "The Basic Principles of Socialist International Work Distribution," which did not modify the preceding document but emphasized international specialization and cooperation. The third is "The Complex Program Designed to Deepen Cooperation and the Development of Socialist Economic Integration," which does not invalidate the foregoing documents but conceptually develops cooperation over the long term, perhaps we may say for the foreseeable future, while in the two later documents the intention of a substantive renovation of cooperation is reflected.

Let us review in outline how the basic principles, the main goals and methods were conceived in the three succeeding points of time! This will make clear where there is continuity and where a change of direction occurred.

In the question regarding the relations of the cooperating national economies and the community as a whole the basic principles are the same from beginning to end, continuity is realized to the full extent. All three documents emphasize the independence of the national economies, state sovereignty, the principle of full equality, and in fact the Complex Program is supplemented with the doctrine of noninterference in one another's internal affairs. This means that the party and government of every country decides on its own economic policy and on the economic plan and the method of economic management, while community action serves to promote nation state goals, that is, there is no level above the national for economic policy. In respect to method, the Complex Program goes beyond the previous two documents when it declares the necessity of mutual consultations on basic political questions, but this method also is in harmony with the previous principles. All three documents, but especially the Complex Program, emphasize the principle of interest in cooperation. The member countries participate in a specific cooperation activity on the basis of interest, or do not participate on basis of a lack of interest.

In setting economic goals, the member countries implemented changes that became necessary in the course of development; these changes showed at times only in a shift of emphasis but at times in the undertaking of new tasks. In 1949, the promotion of industrialization and the development of industry and the increase of efficiency was emphasized. The direction for the development of international production specialization and cooperation and related thereto the working out of CEMA standards were given a start in 1962. International work distribution was built on the basis of complexity, and that specialization must be realized in the distribution of products. The realization of combined CEMA planning was conceived in 1971 in certain industrial branches and product types as a cooperation task. Justifiably, increasing importance is given among cooperation goals to technical development in industry, economic efficiency and the direction of production specialization and cooperation. But realization of the goal is problematical from various points of view, because the pace is slow and the necessary capital means system is lacking.

In respect to the role and importance of the economic branches, a gradual change is reflected in the documents. In the course of development, industrial centralism declined somewhat. With the passage of time, agriculture was, and is, given more and more importance in the internatioanl documents as a sign of the fact that in the exercise of socialist management these represent a less successful area in most of the countries. The role and importance of the international infrastructure is also increasing in CEMA relations, including transportation, commodity delivery, hydraulic relationships, news service, and tourist traffic. In the first document there was nothing about the latter areas, little in the second but in the third they were given a relatively important role, although still not an adequate one. In 1962, but even more in 1971, a special place was given to the coordinated development of metallurgy and petrochemistry. The emphasis on the above areas is in fact correct and justified, but their driving force is weakened by the fact that very many more cooperation subjects are at the international level within CEMA. Thus the tasks at this level become fragmented, and amid the many smaller goals and tasks, some of the actually big goals are sacrificed to the burgeoning of goals and tasks. This problem derives, to a certain degree, from the strongly (apparently excessively) sub-branch management of the member countries, primarily the Soviet Union, from the fact that scarcely anything has happened in the development of the greater national economic aggregates (energy complex, food economy, and other production-processing-marketing verticals) although the position taken in 1962 recommended the development of such national economic complexes.

The maintenance of relations with countries outside of CEMA was given a role in all three documents, and with the passage of time to a greater extent. this was true, however, only at the level of a theoretical goal, but there was insufficient attention in the institutional system, in the economic methods, and in actual operations. In 1949, the member countries only expressed their readiness to develop outside relations. In 1962, they proclaimed that they were organizing socialist international work distribution by taking into account world-scale work distribution, and with this they desired to strengthen the material basis of peaceful coexistence. In 1971, they expressed a similar effort in giving greater emphasis to the development of relations with developing countries. They raised the idea of coordinating the foreign economic policies of the member countries in order to normalize international commercial-economic relations, and eliminate existing discrimination. Finally, we can establish a correct continuity in the basic principles, but in practice the effort at seeking "an opening outward" or at "inward turning" is a fluctuating one in the member countries. At the community level it is not possible to discover the characteristics of a well worked out, long term attitude. Thus in this respect it would not be adequate if we regarded it as our task merely to follow tradition.

In respect to the capital means of cooperation a basic role has been given in the resolutions from beginning to end. and in practice, to planning methods and internationally to plan coordination. This is natural and correct, but very striking is the danger of a narrow, onesided plan interpretation. The concept reflected in the plan and the planning documents has guarded the nature of the tradition, that is, the planning of natural use values, where

financial evaluation serves only to express the various use values as a combined value. With such an interpretation and under such circumstances the plan priority condemned commodity and money relations to a passive role, and eliminated their roles as incentives to production and trade. This leads to where in commodity exchange the principle of equality of value is realized to an increasingly greater extent by quotas on "hard goods" and on "soft goods." It is true that equal value exchange can be assured in this way, too, but the driving force toward efforts at economy cannot be developed in this way. Not incidentally but as a result of this, the trend toward technical obsolescence appears again and again in CEMA commodity trade. It is true that in the position taken in 1962 flexible commodity trade and the system development of foreign currency cooperation were given a somewhat greater role, and in the Complex Program a much greater role; and also the idea was born of creating direct relations among the enterprises of the member countries, and this will make possible the correct solution of the given problem. But it is also true that all this was not coordinated with the given order and methods of planning and international plan coordination, and thus the commodity and money relations have only a shadow life in CEMA cooperation. In essence, the Stalin tradition survives according to which under socialism products can actually become commodities only in a small part of economic life, and in industrial production and in investment they are only formally such; in the latter sphere the market does not operate, and therefore the role of the plan is not market regulation but direct product distribution. But if commodity and money relations do not operate in the regulation of production, they cannot operate well in international commodity trade either. The basic dilemma of the capital means system of CEMA cooperation can be summed up in this statement.

One of the innovations of the Complex Program was that in 1971 it indicated two tasks to be carried out in a parallel way: the deepening of cooperation and the development of economic integration. The program does not define the specifics of integration, but it links the total of the tasks with the two goals. In all certainty this vagueness stems from a great and justified caution, which we can explain with the fact that the political decision was not preceded by a basic and objectively scientific investigation and debate of the essence and methods of the integration. The consolidation of integration in the European Common Market undoubtedly had a stimulating effect on CEMA cooperation, but certain Common Market methods could not be borrowed. In wake of the program, we can define as a specific of integrational development several combined activities in industrial development, specialization and cooperation, but in general the supplementing of bilateral relations with multilateral relations, the modernization and development of foreign currency cooperation, and in several areas the development of international management organizations. All these form a relatively small part of the outlined cooperation, which the program called for deepening in every part, particularly in production specialization and the international coordination of plans.

Finally, the Complex Program also sets undoubtedly appropriate goals and confines to cooperation, while in respect to integrational development it permits room for various kinds of interpretation and makes possible the combination of various integrational concepts from a mosaic of partial goals.

Results and Problems, the Search for Certainties and New Paths

When we take into account the circumstances and the whole history of the formation of CEMA, we can establish two reasons that led to the realization of the cooperation. First, it was raised that the relationships of the community should replace to the fullest extent the capitalist world economic relationships of the member countries and with this they should assure the build up and consolidation of the plan management. (It was not clarified what was exactly meant by "to the fullest extent.") The other reason, which has been emphasized since 1956, was that the economic development of the member countries should grow with such new resources as could have a considerable and beneficial effect on general progress.

Beginning in 1949 and after 1956 as well, economic development was strengthened with the exploitation of national resources, but at the same time international cooperation was given a supplementary role to an increasing extent in the growth of national income. Thus the basic participants in the successes and the problems were the national economic policies, and we can define the role of CEMA by stating that without it the successes certainly would have been smaller and the problems which cropped up or have survived would still exist even without CEMA. Therefore, the role of CEMA in economic development is clearly positive. It substantially reduced the world economic dependence of the member countries, and created additional supplementary growth resources. But if we ask whether CEMA is helping the development of the member countries to the extent necessary, the answer is not clearly positive for every period. With the passage of time, the development difficulties are increasing in the member countries, and the supplementary resources stemming from CEMA cooperation are not able to expand proportionally and simultaneously.

If we consider help for the long term development of the member countries through cooperation, we can register success above all in incentives to industrialization, which was truly rapid if measured by a historical standard. It was in the wake of this that agricultural industrialization, the rise in living standards, and the large-scale expansion of social services became possible. The technical development of industry is rapid in some sub-branches but in general it is rather slow. In the development of agriculture we cannot speak of general success. The production of grain and meat is not adequate in a significant share of the countries, and this was not adequately stimulated by CEMA. We can point to slow development also in producer services and domestic trade. From the viewpoint of intensive development these are increasingly becoming restraining factors, but for the latter we cannot put the blame on CEMA cooperation. All this raises the need for long term and well-measured ratio improvements in the national economies.

In the past three decades, we have encountered economic crises in three instances in given CEMA countries: between 1953-1956 in Hungary, beginning in the mid-1970's a "quasi-crisis" in the CSSR, and in 1980-1981 in Poland. The question rises: what is the role of CEMA in these phenomena? Without seeking to undertake a deep search for causes (but this search must be performed as soon as possible!) we may conclude from the practical fact that CEMA cooperation had no definitive role in the development of the crisis

situations. The causes can be ascribed to the economic policies of the given countries, and this is why the crisis did not extend at any one time beyond a given country. This is the case even though it is well known that there are certain characteristic weaknesses in socialist economic policies: the excessively centralized production management, the low degree of material incentives, the inflexibility of production and product structure, the neglect of market equilibrium, and excessive separation from world market value ratios. Undoubtedly, these restrain intensive development, but they do not necessarily lead to a crisis situation. A mistaken economic policy has contributed decisively everywhere to the crisis: a strained and excessively rapid growth, neglect of profitability, and a political disregard for the deterioration of living standards.

Every country's party and government is finally responsible for its own economic policy, and it cannot pass this responsibility on, even in part, to CEMA. But still we should unconditionally deepen exchanges of views in international contacts regarding identical problems, scientific research in seeking ways out, and unbiased discussions. We should all the more seek for the true causes of the crisis situation because in the above-mentioned three cases we cannot truly ascribe the origin of the problem to a weakening or loosening of relations with CEMA. Those who would be content with a baseless assumption like this will find themselves in a blind alley.

If we wish to consider and analyze the key questions of CEMA cooperation, it would be correct, in my opinion, to direct our main attention to the following: the change of goals and methods in cooperation; the homogeneity of social relations and the heterogeneity of economic relations; differences in the situation of the Soviet economy and of the smaller economies; the world economic position of the member countries and of the community as a whole; and the interrelationships in the application of goals and economic means. In the following, let us review briefly and in outline the essence of the above problems!

The Development Phases of Cooperation Goals and Methods

The main goals and methods of cooperation are from time to time adjusted to the economic political goals of the member countries, and to this end of course they change as development phases, and realize various combinations of the always existing different kinds of elements. An important tactical element is defense against unfavorable world market influences; another is a quantitative incentive to mutual cooperation; third is the quality development of mutual relations; and finally, the fourth is the activation of world market relations.

If we now try to characterize the development phases of the past period, the following definition and characterization of phases appears to be true to reality:

We may put the first development phase as extending from 1949 to 1961. At that time the cooperation was designed to serve the rapid industrialization of the member countries, and in tactics a dominant role was given to defense against disturbing world economic effects and to the quantitative incentive of mutual

trade. In this period, trade among the member countries rose from a prewar low level (10 to 18 percent by country and even less in the case of the Soviet Union) by 60 percent in 1960, while trade with other areas of the world market declined by 40 percent. This was the first and biggest market change in the CEMA countries. The commodity trade was stimulated to a large extent by a broad-scale quantitative shortage in commodities. The nature of deliveries was to a full extent complementary, without specialization and cooperation. In the final analysis, it did not invalidate the self-sufficiency trend evident to a certain degree in the member countries because the rapid expansion of trade made up in part for the decline in capitalist trade. We may indicate the main successful effects of cooperation in this period as follows: it created stable external relationships for the smaller member countries and in the Soviet Union it eased the shortage of goods. But a problematic side effect also appeared: besides the rapid quantitative climb, this is the time that a commodity structural inflexibility came into being, and in many areas a lag in technical development.

We can count the second phase from 1962 to 1970. The economies of the member countries grew dynamically in this period. At the mutual foreign trade level this was followed by rapid development. With the rapid economic growth, they succeeded in maintaining the internal CEMA trade ratio with the result that by the end of the period it had a 60.8 percent share in the total foreign trade of the CEMA countries. But the ratio of trade with socialist countries outside of CEMA declined sharply from 12.5 percent to 6.4 percent. This was replaced by trade with developing and capitalist countries, which together increased from 27.5 percent to 32.8 percent. This was the second important market change in the economic history of the member countries, which they succeeded in solving along with essentially protecting the foreign trade balance. The germs of product specialization appeared in cooperation practice, but remained narrow in scope. In this period, many elements of long-term work distribution developed within CEMA, and the effort was started at a greater building of quality factors into cooperation. However, an order of permanent relationships and a mechanism for conducting trade with the capitalist world was not developed.

We may put the third phase between 1970 and 1975. These years, too, were characterized by a large-scale dynamism in economic growth, while in other areas of the world economy a crisis situation developed. It was in this period that the third important market change occurred in the economies of the CEMA countries, one which differed essentially from the first and the second. The essentials of the change may be characterized by the following data (see Table 1).

[Table 1 on next page]

Table 1. Distribution of the Foreign Trade of CEMA Countries (in percent)

*1. sz. táblázat*

**A KGST-országok külkereskedelmének megoszlása**
(százalék)

| Megnevezés (1) | | 1970 | 1975 | Arányváltozás (százalékpont) (2) |
|---|---|---|---|---|
| KGST-tagországok közötti forgalom (3) | lebonyolított áruforgalom (4) | 60,8 | 56,4 | −4,4 |
| Más szocialista országokkal (5) | | 6,4 | 4,0 | −2,4 |
| Fejlett tőkésországokkal (6) | | 23,7 | 30,3 | −6,6 |
| Fejlődő országokkal (7) | | 9,1 | 9,3 | +0,2 |

(8) *Forrás:* Nemzetközi Statisztikai Évkönyv. KSH, 1981. Sztatyisztyicseszkij Szpravocsnyik. A KGST Titkárságának kiadványa, Moszkva, 1980.

Key:

1. Classification
2. Ratio change (in percentage points)
3. Intra-CEMA trade
4. Trade conducted with:
5. Other socialist countries
6. Developed capitalist countries
7. Developing countries
8. Source: INTERNATIONAL STATISTICAL YEARBOOK, Central Statistical Office, 1981. STATISTICHESKIY SPRAVOCHNIK, CEMA Secretariat Publication Moscow, 1980.

As is evident it was no longer possible in this period to maintain the former ratio of intra-CEMA trade.

In this period the quantitative incentive to trade was continued as previously, but the demand for more rapid technical development based on specialization was not as yet really and truly realized. In the foreign trade balance of the member countries after 1972 there was a significant shortage of convertible currencies, which arose amid circumstances for opening up to the world market. What gave incentive to, or what made inevitable, this opening toward the world market? First of all, the technical imports of the large, joint CEMA investments; secondly, the demand of intra-CEMA specialization and technical development for technological imports; thirdly, recurrent, large-volume agricultural imports of some of the member countries; and finally, in the case of some CEMA countries a strong deterioration in the terms of trade. By country, various elements play the main role among the above in the deterioration of the convertible foreign exchange balance.

The fourth development phase began in 1976 and has lasted down to the very present. Characteristic in this period is the general slowing down of economic growth, emphasis on a solution of external equilibrium problems, and generally everywhere the search for new resources and methods for the intensive development of the economy. Among the tactical elements of cooperation, emphasis is being placed on the development of quality factors and defense against unfavorable world market factors. From the former aspect, coordinated technical development has been realized in a number of areas, the effective

area of specialization has been widened, but for the time being only in the field of final products and hardly together with the introduction of new technologies. The main means of world market defense is in a reduction in the import demand of the economy and only to a smaller extent in the increase of export competitiveness. From the short term point of view, the defense may be described as successful, and these may be buttressed by maintaining the convertible-relation commodity trade balances. Over the long term, however, passive defense would be insufficient, and therefore the manner of developing CEMA world economic strategy in the future remains an open question.

The Homogeneity of Social Bases--the Heterogeneity of Economic Relations

Until 1961 CEMA consisted of eight European countries, and then it was expanded in 1962 by the entry of Mongolia, in 1972 Cuba, and in 1975 Vietnam. Since Albania terminated its activity in the community, there are at present seven European countries and three non-European countries. Since 1965 Yugoslavia has also joined in the work of certain CEMA organs, and in the 1970's Angola, Laos and Cambodia have shown interest in a relationship, without the intent of full membership, however.

How is the homogeneity of social bases manifested in the member countries? In the following:

--In the dominant role of the socialist production relation, and the vastly greater role of social property.

--In the use of socialist plan management methods, the realization of the role of state economic management, and limits on the incentive forces and influences of the market.

--The leading role of the working class is realized in practice by the communist parties, the parties have a determining role in the developing of economic policy, and this shapes unique coordination in the ideological-political trend.

Social homogeneity is, in truth, a factor of first class importance, and without taking it into account one cannot correctly interpret CEMA cooperation. But by no means is this the only essential element. One cannot leave out of account the important economic-geographical and economic differences among the member countries. This became particularly important with the entry of Mongolia, Cuba and Vietnam and with the development of relations with other countries that have a socialist orientation.

How is the identity and the difference of economic relations manifested in the member countries? Mainly as follows, I believe:

--In the case of the smaller countries it creates an identity, or at least a great degree of similarity, if the Soviet Union has an important share in the foreign trade of all. The extent of this trade differs from country to country, but it is considerable in every case. In 1979, Soviet trade made up 19 percent of Romanian, 29 percent of Hungarian, 34-36 percent of Polish, CSSR

and GDR, 56 percent of Bulgarian, and 70 to 80 percent of Cuban and Mongolian foreign trade.

A convergence is evident in the development level of the European member countries--particularly in respect to industrialization--but there continues to be significant differences in respect to technical development. But the greatest and most important difference can be established between the European region and the countries outside of Europe in respect to the economic geographical situation, the general economic development, and the development of social relations. All this is accompanied, of necessity, by the fact that the two groups of countries present themselves with differing demands in the field of CEMA cooperation, and thus the cooperation practice itself must be substantially different.

From the economic point of view, that difference falls heavily into the balance which exists among the member countries from the viewpoint of foreign trade sensitivity. The foreign trade sensitivity of the Soviet economy is large scale only in the case of several products but is generally slight. The external sensitivity of Romania, Poland and the CSSR increases in that order, while finally the GDR, Bulgaria and Hungary (increasing in that order) are open countries to the greatest extent. The relative weight of foreign trade in Hungary, which has the most open economy (as compared to the national income), is five times more than for the least open Soviet economy. To this should be added the unique situation of the GDR, which conducts its foreign trade with the FRG in a special system, the so-called inner-German trade framework.

--Finally, there are important differences in the economic management system and methods of the member countries. In the countries with a directive plan management (the Soviet Union, Bulgaria, the CSSR, the GDR and Romania) the right of economic-commercial decision belongs to the state organs, and the role of the enterprises is in execution. On the other hand, in the indirect plan management countries (Hungary, Yugoslavia, and possibly in the future Poland) the state organs carry out general regulation, but in concrete cases the right of decision belongs to the enterprises. There is also a difference in the relationship between domestic prices and foreign trade prices: In Hungary, Yugoslavia (and apparently in the future in Poland) the foreign exchange rates link the two price spheres together in a normative manner, and thus domestic producers are interested in export and import prices, generally in foreign trade profitability, whereas in the other countries such a link and interest does not operate. There is also a difference in that the price formation regulations, the financial and budgetary system, and the degree of enterprise self-accounting and self-financing are different in every country, and different principles are employed in the organizational structure of enterprise and state economic management.

Some of the above-mentioned differences are necessary, others can be eliminated by way of gradual convergence. All these differences, however, did not develop accidentally or from subjective causes, but are linked together with the actual interests of the individual countries. It follows from all this that in CEMA cooperation the coordination of economic policy is possible only

gradually and up to a certain limit, and that cooperation in the future can only be built realistically on an understanding of the variety of interests and features.

Cooperation of the Soviet Economy and the Smaller National Economies

The equal rights of the member countries is one of the expressly important principles of cooperation. Its realization is a requirement of the first order both in bilateral and multilateral relationships. The 1962 basic principles express it this way: "In the socialist camp no one has, and may have, any kind of special rights and privileges." Hence there is an equality of rights at the negotiation table and in the making of decisions, in commodity trade and legal relations whether the interests of the national economies coincide or whether the differences must be reconciled.

But would it be enough to regard the actual characterization of the relations between the large Soviet economy and the economies of the smaller countries as settled with the principle of equal rights? No, because this still does not point out the mutual dependence, the advantages gained from cooperation, and the economic interests that hold the community together. Let us try, therefore, to make a survey of these!

We find in the literature such symbolic comparisons as would present CEMA as a characteristic "radial integration," with the Soviet economy at the center and around it the small economies belonging to its field of attraction. The picture properly characterizes the position of the Soviet economy and its powerful force of attraction, but it can also give rise to a misconception because it might be interpreted as meaning that the economies of the smaller nations play some kind of "satellite" role in a closed community area. But this is not true because the smaller economies are also linked to one another on the basis of their endowments, and their separate world economies are also considerable. But the special situation and role of the Soviet economy, which exercises a great influence on the cooperation as a whole, undoubtedly exists.

Where does the special role of the Soviet economy in cooperation derive from? There are those in the East and the West alike who see the economic role of the Soviet Union as coming from its political weight and influence. Those who hold this view incorrectly interpret the mutual effect of economic and political factors. In fact, the special role of the Soviet economy is a consequence of its large size, its continuous growth, and of the force of attraction which it exercises on the smaller socialist countries. The force of attraction derives from the following: 1. It is possible to export large volumes of many commodity types to a Soviet market that is very extensive and demand oriented. 2. The nearby smaller countries can import a broad range of universal type Soviet production. 3. The Soviet Union has enormous material-producing sub-branches and a limited processing industry, and therefore the opportunity exists for a mutually advantageous exchange in "materials-finished goods." 4. The scale of technical development in the Soviet processing industry is quite broad, which makes it possible for the smaller countries to import developed techniques in a number of areas, and in

other areas they can export competitively to the Soviet market. As a consequence of the foregoing the great importance of the relations with the Soviet Union which have developed since the 1950's in the smaller CEMA countries stems not from momentary factors, not even simply from political alignment, but from long term economic rationalism.

Every national economy has succeeded in deepening its relationships with the Soviet economy on the basis of the principle of bilaterally balanced trade. The absence of multilateralism is less felt in this relationship than in the relationship of the small countries with one another. Since the Soviet economy is characteristically import oriented, it turns to the outside world primarily with its import demand. This is the drawing power of its foreign trade, its relations with the other CEMA countries also develops on this base, and it appears that over the long term as well the renovation of relations will be possible largely on this base.

But how mutual is this mutual dependence? If we compare country with country, national economy with national economy, it is obvious that in the bilateral cooperation of the Soviet Union and the smaller countries there are differences of magnitude in the mutual dependence (see Table 2).

Table 2. Bilateral Trade of the Smaller Member Countries with the Soviet Union in 1979 (in percent)

*2. sz. táblázat*

**A kisebb tagországok kétoldalú külkereskedelme a Szovjetunióval 1979-ben**
(százalék)

| Megnevezés (1) | Bulgária (2) | Csehszlovákia (3) | Kuba (4) | Lengyelország (5) | Magyarország (6) | Mongólia (7) | NDK (8) | Románia (9) |
|---|---|---|---|---|---|---|---|---|
| (10) Szovjet részesedés a kis ország külkereskedelméből | 55,6 | 35,7 | 68,8 | 33,3 | 28,9 | 83,7 | 36,1 | 15,7 |
| (11) A kis ország részesedése a szovjet külkereskedelemből | 8,2 | 8,3 | 5,3 | 9,5 | 6,5 | 1,0 | 10,2 | 2,8 |

(12) *Forrás:* Sztatyisztyicseszkij Szbornyik. A KGST Titkárságának kiadványa, Moszkva, 1980.

Key:

1. Classification
2. Bulgaria
3. CSSR
4. Cuba
5. Poland
6. Hungary
7. Mongolia
8. GDR
9. Romania
10. Soviet share in the foreign trade of the small country
11. Share of the small countries in Soviet foreign trade
12. Source: STATISTICHESKIY SBORNIK, publication of the CEMA Secretariat, Moscow, 1980.

The difference in mutual dependence is also increased by the fact that the role of the national economy in foreign trade is greater in all of the small countries than in the Soviet Union. The smaller economies have a narrower range of selection possibilities because they can hardly replace the Soviet market with other markets. The Soviet market, on the other hand, can replace import and export markets in broader range.

But if we look at CEMA in the multilaterality of its relations, it is evident that the Soviet Union is no less dependent on CEMA relationships, for in 1979 the smaller European member countries combined had 44.1 percent of total Soviet foreign trade. All this makes it obvious the important role the Soviet economy plays in this area of Europe in that it is the main force in the meaning of CEMA economic cooperation, and without it we cannot conceive of a rational economic relation system in East Central Europe.

But in addition to the foregoing there are also other spheres of intra-CEMA relationships. Proportionally, the most important is the relationship of the smaller European countries with one another; the relationship of the Soviet Union with member countries outside of Europe is considerable, but the cooperation of the latter with the smaller European member countries is small.

The various CEMA sub-regions had the following share in 1979 in the combined foreign trade of the small European member countries:

| | |
|---|---|
| -- Trade with the Soviet Union | 33.2 percent |
| -- Trade among one another | 23.7 percent |
| -- Trade with non-European member countries | 1.0 percent |

Because of its economic geographical endowments, the Soviet Union turns to a greater extent toward the non-European member countries (Cuba, Mongolia and Vietnam), with the result that together they share in 7.7 percent of Soviet trade. (See STATISTICHESKIY SBORNIK, publication of the CEMA Secretariat, 1980.)

It is evident from the above picture of the situation that the smaller European countries must develop their CEMA relationships in a parallel manner chiefly in two areas: on one hand, each small country with the Soviet Union; and on the other hand, each with the others. The two spheres cannot be replaced one with the other, they cannot develop at the expense of one another because it would reduce the economic strength and effectiveness of CEMA cooperation. In truth, we are speaking of two relationships, systems which need to be developed in a parallel way.

The Actual or Shadow Role of Economic Means

Although the Complex Program called for it, we have not really succeeded to the desired extent in bringing into operation the economic means of cooperation, price incentives, the foreign exchange system, the credit mechanism, the export stimulating and structure-oriented role of the market or (to put it very broadly) the material incentive in cooperation. Natural bilateral plan

coordination and commodity trade quotas have remained the main method. The economic means exist, but only formally and not in their true function, and therefore they live in a shadow life.

Economic means can serve the central plan goals on a regulated market if their influences are not thwarted and obstructed by the naturally stipulated enterprise plan and central distribution of financial limits. Undoubtedly, we cannot regard the capital means system of CEMA cooperation as a law to itself, but as closely related to the mechanisms of the national economies. The most important of the relations is the following: the extent to which member countries in their national economies make room for economic management with economic means, to what extent will they become actually living factors exerting an effect toward a positive direction in international cooperation.

In the European member countries, the broad-scale use of economic means has become necessary for two reasons: the attainment of intensive development and greater efficiency, and the more purposeful development of international work distribution. Thus the reasons exert pressure for a substantial renovation of the national economic mechanisms and--because of the explanations given above--on the development of CEMA cooperation. The main method for doing this in the years ahead may be the activation of the economic inventory of means.

What kind of mechanism problems may arise in practice?

--The basic variation of the internal market price-value relations from the external market (international) price-value ratios. But the two must be in harmony if it is not to be merely a problem for the governments but also if it is to have an incentive effect of the actual participants (producers, users and consumers).

--One of the main means is lacking for the multilaterality of relations, an effective foreign exchange system. The role of the national currencies is passive, their exchange rates are for the most part unrealistic, and they do not actually link together the internal markets with the CEMA international markets. Only the Hungarian forint is moving in the direction of becoming a functioning currency in the commercial sphere. Today the transferable ruble is only capable of performing very limited functions.

--The excessive centralization of economic decision rights in the organs of state administration. In countries with a directive economic management system (the Soviet Union, the GDR, the CSSR, Romania and Bulgaria), the enterprises do not have decision rights in production and commercial matters, but only an executive role. This presents a very strong restraint on cooperation because there is a possibility for settling only problems of outstanding importance at the state level (although this is the smaller part of cooperation, numerically speaking).

--The flexibility of foreign trade is small in a system of bilateral quotas naturally defined. Neither the so-called value quota nor trade without quotas has gained civil rights.

If we continue tradition in CEMA, we shall perhaps take many small steps which leave the essence untouched, but for all that the economic system of means will continue to have a shadow life. If we do not wish to continue tradition, we must innovate and accept the difficulties that go with it.

The Near and Distant Future: The Possibilities of an Upswing in Cooperation

Undoubtedly, the earlier upswing in CEMA cooperation declined in the 1970's and it is still not adequate. If we are looking for causes we will find them primarily in the proliferation of growth problems of the national economies and in inadequate adaptation to the new world economic situation (including the new CEMA area situation). Another important cause is that in this period the traditional CEMA inventory of methods was not able to renovate itself, and an attempt was made to proceed in the track of past times. With this, the difficulties were not reduced since in raw material cooperation it mediated world economic influences to a constantly increasing extent.

In order for us to find actually new and good possibilities, we must first of all exclude those possibilities which are not new or which are new but not purposeful:

--On basis of experience, the CEMA "long term special programs" do not represent a new or an actually progressive solution because economically they are not well founded.

--The organs which are operating internationally are living for the most part a "sham life"; they are not able to express rational economic activity because the economic means system is lacking.

--The special program agreements which are accounted in convertible foreign exchange are useful and good to the extent they do not limit clearing trade, and are rather sources for supplementary cooperation. But according to experience there is a great danger when the supply side diverts the hardest goods from the clearing to the convertible sphere, and thus they do not expand but merely rearrange cooperation.

Now let us try to review the actual possibilities for progress in cooperation!

1. A halt in the decline of energy and raw material integration. The paradoxical situation in CEMA is that while the world market prices which were taken as the base were depressed, supply and trade increased, but since they are excessively high (in reaction to a monopoly situation) supply is declining. Since raw material-finished product exchange between the Soviet Union and the smaller member countries is an economic geographical feature, its further decline would be not a natural but an unnatural process, and CEMA cooperation could be realized only at a level lower than at present. In all certainty, this may be the hard seed of cooperation in the CEMA Soviet-centered sphere. In recent times the "trend toward disintegration" has appeared precisely in this field, and therefore this is where we must turn cooperation back to its original direction.

2. An upswing in the mutual trade of industrially processed goods. This is an important possibility both in the Soviet economy-small country relationships and in the small country-small country sphere. A new situation was created in this respect by restraints on the speed of investments in the member countries and by the balancing out of increased demand on the consumer market. The former moderates the demand for investment goods and the latter restrains the supply of consumer goods. The way to the solution is to increase, in production and supply, the ratio of such goods as are competitive with capitalist imports both in price and technical parameters, in delivery condition and parts supply. The basic condition for this is that the markets of the CEMA countries should be more open to one another's goods, market orientation in production should be raised vigorously, and rigid foreign trade methods should gradually surrender their place to more flexible ones.

3. Increased use of world economic relations (with capitalist and developing countries) for making CEMA cooperation more dynamic and raising the technical level. It is obvious that in addition to their present 43 percent share in the external foreign trade of the CEMA community, the world market relations have become a first-rate factor and an indispensable source of development. It is not enough to be passively aware of these matters, but a relation-development strategy must be worked out at the community level and in the member countries. An incentive needs to be created in order that the most developed techniques and technologies should flow into all of CEMA through the importing countries. At present there is a counter-incentive in every member country to develop its ruble exports via convertible import outlays because the convertible foreign exchange is a more limited, harder factor than the transferable ruble. If we do not succeed in easing or eliminating this counter-incentive, it will play the role of limiting world market growth in our countries.

This task must be solved in two phases: first, the national economies must adapt more effectively than at present the technical and technological imports from convertible relations; and secondly, this influence should flow more rapidly and freely into CEMA cooperation.

4. The deepening and further development of international specialization and cooperation. This goal is already generally well known and it holds an important place in cooperation documents, but in practice it is realized only formally and at a low level. In relation with this subject, three observations present themselves. First, in present-day specialization practice, work distribution is developing chiefly in the area of deliveries to the Soviet market, but this process does not proceed adequately because of the limited use of economic means. Secondly, the real parallels are in the processing industries of the smaller member countries, and specialization among one another in these countries (in respect to deliveries to the Soviet, the inner and the capitalist markets) is particularly undeveloped. This also refers to production cooperation. And thirdly, the development of production cooperation is strongly obstructed by a rigid separation between capitalist and socialist cooperation. Because of this, we deprive socialist cooperation of an important savings and technical advantage. Economic conditions and the mechanism limit the combination of socialist-based cooperation with an

advantageous capitalist-relation cooperation as well as the expansion of cooperation among capitalist and socialist countries to other interested CEMA countries. In any event, it is a fact that production specialization and cooperation is a great and inadequately used possibility, but which under present traditional methods cannot even be used well, and its success depends on the renovation of the entire cooperation.

5. The full-scale implementation of the Complex Program would represent a great possibility in the further development of cooperation in contrast with the "one-sided" development in which we used only the traditional means of cooperation that can be naturally planned, and we did not concern ourselves with activation and development of the economic means system at the community level.

We must face the undeniable relationship that at the community level the methods of price, money credit and flexible trade can be used to the extent that they are used in the national economies. But since the deepening of community economic relations is a task of first-rate importance, and this can be attained only by full-scale implementation of the Complex Program and respect for the basic principles, which requires a broad-scale application of economic means, this recognition must react on the national economic mechanism. If there exists in the member countries an inclination organically to link together central planning and the market mechanisms for the substantial further development of commodity and money relations, we can kill two birds with one stone: they can give a strong incentive to intensive-type development and at the same time promote the deepening of socialist international work distribution. All this is not an alternative to planning and planning order, but would raise its modernization to a higher level. Thus we should make changes not in the Complex Program but basically in practice.

The Long Term Trend of Cooperation

We can in no way think that with the essential and successful implementation of the Complex Program we will establish a long term, future operation which we will have to improve subsequently in practice. We can believe this all the less because when the program was started the drafters and signers believed that they could forecast the progress of development for two decades. Now perhaps we can put the cooperation proceeding on the Complex Program track at an additional two decades, but already the question rises: What will, or may, the long term future be?

But can we tell at all what the future will be like, especially now in the whirl of economic changes and political uncertainties? If we put the question this way, the more realistic answer is "no" not "yes". We would be chasing utopian dreams if we were speculatively to outline what the ideal conditions ought to be. The politician can only put the question like the modern futurist: What are the possibilities in the economy of the future and in community cooperation? In answering, we cannot build much on certainties, but rather on alternative possibilities. In such a concept we must always, as now, have some kind of future image in our consciousness.

If we consider, what the socialist economic cooperation of the future depends on, we can regard, aside from political conditions in the narrow sense, the theoretical system of cooperation as determined or at least strongly influenced by the following main factors:

--Will the capitalist and socialist parts of the world economy and the developing countries, to put it simply--will the cooperation of the three worlds result in a narrowing or expanding trend?

--To how much of the world will the socialist social structure expand?

--To what extent will the integration of the European Common Market develop and what will it be like in its developed form?

--What kind of economic policy and economic mechanism will be characteristic of the national economies that are realizing intensive development?

We must assume--because among the alternatives this is the only one that offers hope--that the economic cooperation of the three worlds will expand proportionally with economic growth, or perhaps at a greater rate. We must all the more bide by this assumption because economic rationalism and the well-conceived interest of the three worlds dictates it.

The most open question is the future expansion of the socialist social structure to various areas of the world. It is in any event correct to build a forecast of economic cooperation on the assumption that the socialist world will consist of the present socialist countries and of the socialist-oriented developing countries.

In respect to the future situation of the West European integration, two possible variants exist. In one case, the European Common Market community will remain, and with increased coordination of economic policies; in the second, they would implement a closely coordinated economic policy, with a common currency and a whole series of common institutions. We regard the first as natural, but if forced for political reasons the second is not impossible. Even in the second instance, CEMA cannot give up its principle of national economic independence, but unquestionably the socialist community would be constrained to a vigorous development of its protective means system.

The socialist economic policy and the economic mechanism of the intensive period must differ substantially from the presently prevailing model. Especially emphasized will be so-called quality factors like production efficiency, the flexible adjustment of production to market demand, the equilibrium of the investment and consumer market, technical development, and the international compatibility of production. It is certain there will be need in the European socialist countries for substantial changes in the economic mechanism, but is also certain that with a delay these will have to be solved under more difficult economic circumstances, therefore the social limiting factors will also exert an effect. It appears that we may reckon with two variants:

--The independence of the enterprises will increase substantially, but remain limited; shortages will decline in production means and consumer goods, but will remain in certain areas; in economic management the role of economic means will increase substantially, but the central management of the enterprises will remain moderately directive. The interest of producer enterprises of international cooperation will increase, but primarily it will be a matter of the exceptional interest of the export sector. With such an economic policy, the country that uses it will be interested in a more efficient international work distribution than at present, but one that is still moderately intensive.

--The enterprises are granted full-scale independence, and together with this the state economic management system will regulate the market more effectively and develop the whole of the economic environment in the interest of greater economic efficiency. The directive management of enterprises is ended, prices are adjusted to value relations, foreign trade prices have a strong effect on domestic prices, domestic market shortages are substantially eliminated, and the distribution of goods occurs with commercial methods. This is accompanied by the development of a supply market in consumer goods. A country using such an economic policy is more interested in and capable of developing international economic cooperation.

The future is open in that most of the countries will build their economic policy on the first and second variant, but it is also possible there will be a great difference among the member countries in this respect. Above all, the Soviet economy in its unique situation--of all the member countries it has the greatest number of unique characteristics--may choose to implement the first variant. Rationality supports the second for the smaller countries that are more intensive in foreign trade.

The future of the CEMA community has alternatives from the viewpoint of whether the cooperation will extend to the various areas of the world or whether separate cooperation blocs will be formed by area. In the former variant it also appears necessary that the European, Asian and perhaps African areas will develop specially developing sub-regions among countries that are close to one another and are at a similar degree of development. In the second instance the small regional communities will maintain a mutual-assistance type of relationship with one another, and close cooperation with the Soviet economy will tie them still closer together.

There can likewise be alternatives in the manner and form of future cooperation among the European CEMA countries.

In one variant the entire European region constitutes a common market which is a free trade zone toward the outside but within the community there is a free flow of goods and manpower, and moreover the internationally owned enterprises (on a combined joint property stock company or a federation basis) operate in a manner not bound to national boundaries. National economic independence and national planning survive in this case, but its directive nature is ended, and only in special cases would it support domestic production against the competition of other socialist countries.

In the other variant, a dual-tie cooperation would be realized. On one hand, each smaller member country would continue to be closely tied to the Soviet Union in such a way that it would develop cooperation on the basis of traditional bilateral relations. On the other hand, the smaller countries in this case would create the common market mentioned in the first variant in such a way that they would form a free trade zone together with the Soviet Union. The smaller countries would also use foreign exchange convertibility in their trade with one another, specialize their production to a great extent, and make it possible for enterprise associations and joint enterprises to operate.

We do not need to choose today from the alternatives of the future. It is necessary to think these over in order that they may serve as a compass to cooperation in the present and the near future as it is being developed.

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## ECONOMIC SITUATION IN CEMA REVIEWED

Budapest FIGYELO in Hungarian 24 Apr 82 pp 4, 5

[Article by Gyula Munkacsy: "Economy of the Socialist Countries: Difficult Questions"]

[Text] The economic development of the socialist countries is in a unique phase today: they must maintain the development of the economy under limited investment conditions essentially without the participation of new external resources, and with a slower rate of growth than formerly they must now carry out structural and quality changes in the economy. In the following we shall summarize the most difficult problems on the basis of economic documents made public in the individual countries.

The economic situation of the socialist countries is burdened with problems in this spring of 1982, but with the exception of Poland the continuity of growth has been successfully maintained everywhere.

In the past year the external conditions of economic growth did not develop favorably, and the situation is still not an encouraging one. The world-wide arms race, the prolonged economic recession in the capitalist countries, the spreading of protectionism, the strengthening of discrimination vis-a-vis the socialist countries--all these are only a few of the unfavorable developments. The possibility has practically ended for socialist countries to draw from Western credits new resources--in the net meaning--into the development of their economies.

The decline of oil prices on the world market has had an unfavorable effect on the Soviet Union, particularly because its import demands for other products --grain, for example--are great and still increasing. For the oil-importing small CEMA countries this price development is favorable, but its immediate advantages are still not being felt. According to the basic price-formation principle of CEMA--as a consequence of a delayed realization of world market price trends--the oil prices which they pay are for the time being increasing and to no slight extent, although even so they are significantly below the present world market level. For this reason, of course, the Soviet Union is for this group of countries still the most important acquisition source for raw materials and heating fuels. But in addition to the price problems, the physical limits of delivery are being outlined more and more certainly. The

recognition of this played no small role in that various CEMA countries have moderated the growth aims of their new five-year plans. The importance of developments affecting the raw material and energy sectors is all the greater because the energy-intensive production structure which has traditionally developed is changing only slowly. But in addition, shortcomings of management methods also encourage a certain waste.

Economic growth in the socialist countries has undergone a moderating trend for some time now. In itself this tendency is not of decisive importance. Much more essential is the kind of structural and qualitative changes that occur in the ground of slower general growth. Many results are already evident in the socialist countries in this field. At the same time, it can be observed that the inertial effects of the earlier development concepts are great. The possibilities of maneuvering and regrouping are also limited by the fact that the signs of shortages are appearing at once in various important areas, for example, in material and energy supplies, in modern techniques necessary for development, and in supplies for the populations.

In Hungary, the 1980 decline in the production of national income was replaced last year by a modest increase. In the GDR, too, there was some uplift. Growth in the other countries slowed down, and in Poland there was an absolute decline. This year's goals are also modest. The average annual goals of the new five-year plans in all countries are higher than actual present growth, that is, than last year's actual growth and this year's planned growth.

Table 1. Development of National Income. Annually on the average, or compared with the previous year, in percent

| | 1976—1980 | 1981—1985 (terv) (1) | 1980 | 1981 (1) | 1982 (terv) |
|---|---|---|---|---|---|
| Bulgária (2) | 6,1 | 3,7 | 5,7 | 5,0* | 3,6 |
| Csehszlovákia (3) | 3,7 | 2,0—2,6 | 2,9 | 0,2 | 0,5 |
| Lengyelország (4) | 1,3 | — | —5,4 | —13,0 | — |
| Magyarország (5) | 3,5 | 2,7—3,2 | —0,8 | 2,0 | 1,0—1,5 |
| NDK (6) | 4,1 | 5,1 | 4,2 | 5,0 | 4,8 |
| Románia (7) | 7,0 | 7,1 | 3,0 | 2.1 | 5,5 |
| Szovjetunió (8) | 4,2 | 3,4** | 3,5 | 3,2** | 3,0** |

*Folyó áron számítva. **Belföldi felhasználás.

Forrás: az adott országok statisztikai évkönyvei, tervdokumentumai. (11)

Key:

1. plan
2. Bulgaria
3. CSSR
4. Poland
5. Hungary
6. GDR
7. Romania
8. Soviet Union
9. *at current prices
10. **Domestic consumption
11. Source: statistical yearbooks and plan documents of the given countries

Greater circumspection and increased caution, however, are also reflected in the goals of the five-year plans. For the most part these plans became valid the end of last year, and with the exception of Romania all CEMA countries either lowered the goals of the previous party congress or finalized the lower limits.

Available but by no means complete data indicate a general effort in the CEMA countries to protect or to increase somewhat the level of consumption already attained, perhaps even by restraining accumulation. It can also by concluded from this that, in general, investment activity in the CEMA countries is sluggish. Last year investments declined in Poland, the CSSR, Romania, and Hungary. At the same time, investments increased in the Soviet Union, and while we lack exact data it appears probably there was also an increase in Bulgaria and the GDR. Restraint in investments and a circumspect development policy appears to be a general trend that will be continued in the five-year plan period that is underway. For example, according to plan investments will not be increased in the CSSR during the five-year plan period.

The question can rightly be asked: What will be the lifting power of economic growth given the restraint on investment activity? In understanding only expenditures in the concept of investments, the possibility exists--and this is a general effort--that by limiting new constructions they will at the same time complete at a more rapid rate the operations that are already underway and will increase the ratio of machinery, which represents the "soul" of investments, as compared to construction.

In addition--with varying intensity from country to country--organizational measures will be passed in an attempt to improve the economic mechanism system. For example, the current Bulgarian initiatives are worthy of attention. The depth of these was indicated by Prime Minister Grisa Filipov in his speech in January of this year. The problem of the further development of the economic mechanism has become current again in our day--he said--because certain problems had not been clarified: What is to be understood under the concept of the proprietor and owner of socialist property, what is the character of the state and counter-plan, the nature of the commodity and money relation, what is the essence of democratic centralism?

General tendencies already mentioned, together with national income, are being realized in industrial production: the slowing down of the growth rate and the partial reduction of prior plan goals. An important exception is represented by the fact that the Soviet Union wants to quicken the growth rate of its industry.

Machine production in certain countries is increasing above the average for industry (last year Romania was an exception). On one hand, this reflects traditionally developed economic political efforts, but it also follows logically from the new development concepts which seek to produce more from fewer investment means and raw materials. In this, the machine industry has a key role, including its sub-branches which may be counted as a carrier of modern, technical progress.

The individual European socialist countries are reacting differently to world economic changes which are taking place in the chemical industry and metallurgy. The CSSR is strongly slowing down the development of its chemical industry, primarily because of a shortage of basic materials. Such restraining attempts are evident to a lesser degree in the GDR. The chemical industry in the Soviet Union is developing at a rate exceeding the industrial average (average annual 5.7 percent in the five-year plan period), in Romania (10.2 percent), and in Bulgaria (7.7 percent). In Romania the economic difficulties have been increased to a great extent by the situation which has developed in the petrochemical field: they cannot supply even one-half of the processing capacities from domestic production, and it is not economical to operate these with imports given the high world market prices. Therefore, they are cutting back processing capacities, and thus the main carrier of development in the chemical industry in Romania, according to plan, is the pharmaceutical industry and the manufacture of household and cosmetic items.

Table 2. Development of Material Production. Annually on the average, or compared with the previous year, in percent

| | Ipar (1) | | | Mezőgazdaság (2) | | |
|---|---|---|---|---|---|---|
| | 1976—1980 | 1981 | 1982 (terv) (3) | 1976—1980 | 1981 (3) | 1982 (terv) |
| Bulgária (4) | 6,0 | 5,6 | 4,5 | 0,9 | 4,0 | 2,2 |
| Csehszlovákia (5) | 4,6 | 2,0 | 1,0* | 2,1 | —3,4 | 3,2 |
| Lengyelország (6) | 4,7 | —12,6 | — | —1,7 | 4,1 | — |
| Magyarország (7) | 3,5 | 2,3 | 2,0—2,5 | 2,3 | 0,0 | 4,0—4,5 |
| NDK (8) | 4,9 | 5,1 | 4,6 | 1,2 | ... | 0,2** |
| Románia (9) | 9,6 | 2,6 | 4,7 | 4,2 | —0,9 | 6,0—7,9 |
| Szovjetunió (10) | 4,4 | 3,4 | 4,7 | 1,5 | —2,0 | 6,2*** |

(11) (12) (13)

* Becslés értékadatokból. **Mező- és élelmiszergazdaság. ***Saját számítás a terv kötelező előirányzata alapján: 10,2 százalék növekedés az előző öt év átlagához képest.

Key:

1. Industry
2. Agriculture
3. plan
4. Bulgaria
5. CSSR
6. Poland
7. Hungary
8. GDR
9. Romania
10. Soviet Union
11. *From estimated value data
12. **Agriculture and food economy
13. ***Eigen calculation on basis of obligatory goals of the plan: 10.2 percent growth as compared to the preceding year's average

The lag is great--at least as compared to the plan and to demands--in Soviet iron metallurgy, including the more important products: iron ore, steel, rolled goods and steel pipes. However, this cannot be related to the production and marketing problems which are being experienced throughout the world because according to the Soviet press important domestic needs are not being satisfied. In the case of smaller socialist countries which are in close relation with the world market, the achievements in iron metallurgy can be, in part, judged otherwise. Of course, it is a question to what extent the production that continues to climb in Bulgaria (6.4 percent in 1981) and in

Romania (4.3 percent) can be evaluated as a rigidity of the old economic structure, chiefly since technical development is not rapid enough. From this point of view, it appears more positive that in the CSSR achievement of the sub-branch increased slower last year than the industrial average, or by 9.9 percent.

The increase in the achievements of the light industry is not rapid but stable in individual socialist countries. Last year the achievement of the light industry in the CSSR and in Romania exceeded the industrial average and approached it in the Soviet Union and Bulgaria.

Tensions are evident in energy management. These are partly related to the deteriorating efficiency of fuel production, and import problems. Energy supply is relatively balanced in the GDR, Bulgaria and Hungary, but certain difficulties have cropped up, with a limiting effect of the achievement of the entire economy, in the CSSR and Romania in addition to Poland.

Achievement in agriculture was for the most part unfavorable in the past year. The sub-branch offers a balanced achievement in the GDR, where a small increase is probable. Production increased also in Bulgaria and Poland, but not to the extent that would have balanced out losses in the previous years. In Hungary, production remained at last year's relatively high level, while in the Soviet Union, the CSSR and Romania it declined somewhat. In the Soviet Union the production of the more important crops, excluding cotton, lagged behind the previous five-year average, and grain and meat supply problems came to the forefront. In the other socialist countries, grain production was medium or weak-medium, but for the most part below what it was in the previous year. This in itself would not be an unbridgable problem, but it makes the situation more difficult that the smaller countries concerned--with the given foreign currency supply--can only make up for shortages from imports at the cost of difficulties and to a limited extent. As a consequence in the CSSR, for example, they are reducing pork and poultry stocks in a planned way over the long term.

A full scope of data is not available for the foreign trade of this group of countries. Undoubtedly, however, the inner economic tensions have had an effect on foreign trade. Trade among the CEMA countries has expanded, but the commodity shortage, which affects a broad range on the list of items, has had a retarding effect on trade. On the basis of partial data, it can be assumed that East-West trade has diminished somewhat, more exactly commodity exchange with the developed capitalist countries. But various CEMA countries sought and found compensation on the markets of the developing countries.

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## DEPUTY MINISTER DISCUSSES 1982 BUDGET, FINANCE POLICY

Prague FINANCE A UVER in Czech No 2, 1982 pp 73-79

[Article by Eng Miroslav Zamecnik, first deputy minister of finance of the CSSR: "State Budgets and Fiscal Policy for 1982"]

[Text] The state budgets approved toward the end of 1981 by the governments and legislative bodies of the federation and of the republics were drafted and detailed under relatively complex and demanding conditions. Although in the spring of 1981 the government had approved the projected state budget and the instruction concerning the 1982 state plan, certain tasks of the state plan and the budget policies required adjustment and modification in the course of the year due to changed conditions, particularly in the area of fuels and energy and resources of raw materials; it was not until early November 1981 that Decision No 301 of the CSSR Government in its directives concerning the finalization of the draft of the state plan for national economic development in 1982 stipulated the final form of the budget policies. Within a very short time those directives had to be projected into every sector of the plan and of the budget, which modified certain trends based on the projected budget and on the plans and budgets proposed by the ministries.

Another of its characteristics was that it concerned a plan and a budget for the second year of the application and validity of new economic regulations outlined in the Set of Measures, even without any comprehensive assessment of the results achieved by them during 1981. Such an evaluation could be completed only after annual analyses of the economy had been made and after economic achievements of organizations could be concluded in the spring of 1982. Finally the drafting of the state plan and of the budget was further affected by considerable pressures on the economic management and conservation in every sector of our national economy, for which purpose, among other things, the economic management program for the Seventh Five-Year Plan was being compiled almost at the same time.

In view of all those facts, a proposal for the state budget was drafted, proceeding in terms of fundamental policies and economy from the decisions of the 16th CPCZ Congress that were further specified by the decisions of the Fourth and Fifth Plenums of the CPCZ Central Committee and by the law on the Seventh Five-Year Plan for national economic development.

Economic Conditions Determining the State Budget for 1982

A natural point of departure for the plan and budget for 1982 and for their future implementation is the result achieved in 1981. According to an analysis made by the Fourth Plenum of the CPCZ Central Committee, the results noted in several sectors of our economy fell below the level of the planned tasks; the opportunities of the economic potentail on hand had not been adequately exploited and the solution of certain material problems of our economy had been lagging. Several sectors were unable to raise economic efficiency to the required level; it is projected that the plan for capital investment will be met neither in terms of structure nor overall volume, including the schedule for launching new capacities into operation. The turnover of supplies will be decelerated by about 1.4 days, although the plan had envisaged its acceleration. The situation has been further complicated by developments in our agriculture because the harvest fell below the plan. These factors decidedly affected the fulfillment of the tasks stipulated by the state plan and state budget for 1981, and the main objective of our economic policy for 1982 is to overcome such factors by all means.

According to a preliminary projection, the creation of social product in 1981 will be 1.0 percent above that in 1980, consumption in production will be 1.6 percent up, and the created national revenue 0.1 percent up; in view of faster growth of exports than imports, consumed national income will be 1.2 percent below the 1980 level. From the above basic ration, it appears that the formation of material resources is expected to decelerate and practically all key sectors of our national economy will share in this slowdown.

On the other hand, the results projected in economic management in 1981 display several positive trends, above all, in the development of material costs and some nonproductive expenditures, which evidently reflects the effect of the Set of Measures, focusing mainly on the qualitative aspect of the management of organizations. Furthermore, improvement was noted, for example, in the sector of foreign trade and some other areas. Moreover, it is anticipated that the economic management of the state budgets in 1981 will be balanced.

Next to the continuity of the economic development, the plan and budget for 1982 are determined to a major degree by certain new objective factors specified, above all, in the above-mentioned governmental directives, particularly lower material inputs in the economy, such as fuel, energy and supplies of some raw materials, which called for trenchant measures in the 1982 plan demanding more thorough exploitation of available assets and potential as well as structural and other changes in production in order to conserve more fuels and power, or as the case may be, to reduce overall consumption in production. The pressure to balance the payments demands that the export potential of the Czechoslovak economy be increased as much as possible and concurrently, that its needs for imports be reduced. As a natural consequence of these facts, temporary deceleration of dynamism

is imperative when creating the resources which must be used for the planning and implementation of structural changes and other measures needed to provide preconditions for the fulfillment of the objectives of the Seventh Five-Year Plan and aiming at gradual acceleration of the dynamism of development in the second half of the five-year plan.

The Direction of Fiscal and Budgetary Policies in 1982

The main target of our fiscal policy in the context of all economic policies and tasks of the state plan and of the state budgets is to achieve further, albeit less dynamic, economic development and to maintain the level achieved in our living standard and social welfare of our population. At the same time, it proceeds from the positive results of the development in 1981 and strives to resolve problems in those sectors that thus far have not been developing favorably; thus, it tries to help consolidate and balance our domestic economy as well as foreign relations.

At the same time, fiscal policies maintain the continuity of their objectives and programs in those areas where their current forms and methods have proved successful, and conversely, they react vigorously in those sectors where changed conditions call for a new approach, among them, for example, necessary cuts in capital investment programs, reduced rate of noninvestment spending in production and nonproduction areas, covering most (about 85 percent) of the growth of the revenues by reducing the costs, because the capacity for higher outputs has narrowed considerably due to the decelerated dynamism of the economic development, and so on.

The fulcrum of our fiscal policies, seeking, above all, to exert maximum pressure on achieving efficiency in the entire process of replacement, has its logical basis in the economic area, especially in state economic organizations. It is envisaged that in 1982 the volume of revenues for the whole of the CSSR will be Kcs 1.98 billion, i.e., 2 percent, higher than in the past years, which is a very demanding task in view of the overall deceleration of the economic growth rate. This task must be met by cutting overall costs by 0.21 percent, of which material costs, including depreciation, by 0.47 percent. Nevertheless, some wage costs will be slightly increased by 0.26 percent and fiscal costs will be 1.16 percent up. Financial costs will be up mainly due to the rising interest rate, contributions to funds allocated from expenses, etc. However, the most sizeable drop, namely, 0.94 percent, is evident in material costs without depredication, which is a galvanizing task calling on all sectors and managing apparatus of organizations to concentrate as much as possible on new approaches to higher efficiency. Demanding tasks in the area of material costs are projected also in the planned rate of profit which will rise 2.2 percent semiannually. Return in value added will be up 0.1 percent. An equally favorable development could not be achieved thus far in profitability of operating funds, which will decline, according to the projection, 2.8 percent; this points to the untapped assets still existing in the exploitation of capital assets and supplies.

Due to the generally decelerating dynamism in the creation and exploitation of material resources, creation and exploitation of resources will decline in 1982. The consumption of resources is down (10.8 percent) which is higher than the decline in their creation (2.1 percent) and this allows room for a positive balance of teh planned real resources and needs of economic organizations to increase 17.3 percent. This balance reflects the financial demands of our state economic organizations and at the same time, represents their total financial economic contribution toward the satisfaction of all societywide needs. The plan envisages that this contribution will increase Kcs 9.40 billion. This is an exceptionally demanding task because in preceding years the resultant relations of economic organizations could never be improved to such an extent. By the same token, this relation must be improved much further by creating more resources ind in particular, profits.

Within the framework of financial relations of our state economic organizations to our society, their relations to the state budget are naturally of the greatest importance. In the proposal of the plan for 1982, total payments exceed total grants by Kcs 63.33 billion, which is Kcs 2.54 billion more than the results projected for 1981. If one takes into consideration the multiplying problems affecting the development of the production sphere, this contribution is commensurate with the present conditions and with the realistic potential of economic organizations.

Payments from economic results play, above all, a role in this development of relations to state budgets; their increase amounts to 8.8 percent above teh projected reality and is affected not only by the growing profitmaking but also by measures in the area of capital investment and its financing.

The planned drop in the total volume of grants was made possible by lower grants for capital investment in conjunction with consistently implemented stipulations that the total voluem of investments be reduced with focus on accelerated completion of projects and their launching inot operation. At the same time, the proposed plan emphasizes more exploitation of investment credits whose share in the funds for financing is up. Thus, the trend toward a stagnation, or as the case may be, toward lower capital investment, dating back to 1980 continues to a greater extent in 1982. Financial requirements of capital investment declined Kcs 6.12 billion against 1981 and thus, in 1982 they will amount to Kcs 148.82 billion, of which the state budget will cover Kcs 38.68 billion, i.e., 26.0 percent; this represents a Kcs 1.49 billion, or 3.7 percent, cut in grants.

Due attention must also be focused on problems of financing technological development. All levels of management must, therefore, review the tasks outlined in the plan for technological development as concerns their contribution to the development of efficiency and the amount of their planned costs.

Expenditures for scientific and technological development will amount to Kcs 17.40 billion, of which the state budget will finance expenditures in the amount of Kcs 6.70 billion, i.e., roughly on the 1981 level.

The 1982 Fiscal Policy in the Area of Living Standard

Fiscal and budgetary policies in this area concentrate on the following basic objectives and tasks:

--noninvestment expenditures for social services and programs for the population will amount in 1982 to Kcs 134.94 billion, i.e., 2.2 percent (Kcs 2.85 billion) more than in 1981; they will amount to Kcs 8,706 per citizen, i.e., Kcs 81 more than in 1981;

--in the framework of social services and programs for the population the noninvestment expenditures for social welfare amount to Kcs 74.12 billion, i.e., 2.8 percent more than in 1981; in the educational system to Kcs 22.58 billion, i.e., 1.2 percent more; in health services to Kcs 21.15 billion, i.e., 2.4 percent more; and in culture to Kcs 3.61 billion, i.e., 0.1 percent more than in 1981;

--the volume of social aid to families with children will amount to Kcs 34.71 billion and will be 2.6 percent higher than in 1981;

--the expenditures from the state budgets for housing construction and housing management will amount to Kcs 22.34 billion, which is on the level of 1981;

--supplies of goods for the retail network will amount to Kcs 269 billion, or Kcs 1.9 billion more (index 100.7); the average tax duty will amount to 26.4 percent of retail prices and thus, it is up 0.7 point due to a higher share of the procurement of industrial goods than of foods which are subject to a lower tax duty. Sales taxes, including RVT, will amount to Kds 97.74 billion and negative sales taxes to Kcs 8.35 billion;

--the state budget will continue to award noninvestment grants in relation to the living standard of our population; such grants will amount to Kcs 15.90 billion in 1982 as compared with Kcs 15.19 billion in 1981. This concerns primarily subsidies to the prices of milk, cheeses and slaughter cattle and compensation for losses incurred by municipal mass transit, etc;

--a 13 percent growth of the average wage is envisaged for 1982. Cash income of our population will increase Kcs 9.6 billion, reaching Kcs 376.5 billion in 1982 (2.6 percent up); incomes from wages will rise 1.9 percent and incomes from social security 3.0 percent. Taxes on wages will be up from 17.21 percent to 17.26 percent;

--savings of teh population will increase to Kcs 9.0 billion; at the end of 1982 deposits will amount to Kcs 176.8 billion and ready cash to Kcs 43.7 billion;

--new loans granted to the population will amount to Kcs 10.7 billion and loans to Kcs 34.5 billion.

The main objectives in this area and the sizeable volume of expenditures for social consumption will be achieved by means of expenditures of the budgetary and contributing organizations for social services and programs for the population. In the sense of the above-mentioned directive by the government, their volume is set at the level of the budget approved for 1981, adjusted by projected savings and by acceptance of increased expenditures required for contributions to social welfare, wage funds, medications and special medical supplies, in accordance with the state plan.

In this context, new tasks must be met, including the planned growth of outputs in the educational and health systems, and of expenditures related to the restructuring of the Czechoslovak educational and training system; thus, in order to settle this situation, available financial resources must be employed in a more economical way. Basic data are presented in Table 1.

TABLE 1 Billion Kcs

| Indicator | Plan 1982 | Difference 1982-1981 | Index 1982/1981 (noninvestment expenditures only) |
|---|---|---|---|
| Total expenditures of budgetary and contributing organizations for social services and programs for the population—total (including investments) | 151.19 | +2.15 | 102.2 |
| where expenditures for: | | | |
| - social welfare | 74.26 | +2.07 | 102.8 |
| - health services | 22.82 | +0.37 | 102.4 |
| - educational system | 23.90 | +0.30 | 101.2 |
| - culture | 4.28 | +0.02 | 100.1 |
| - housing construction and housing management | 22.34 | -0.03 | 99.8[a] |

[a]Index of total expenditures

Expenditures for social welfare demonstrate the highest rise; two-thirds of those expenditures cover pension benefits which will increase Kcs 1.42 billion in the CSSR in 1982, i.e., 3.2 percent over the projected outcome of 1981.

It is presumed that the calculations of pension benefit paid will increase in the CSSR from 3,809,000 pensions paid as of 31 December 1981 to 3,859,000 pensions paid as of 31 December 1982, i.e., 1.31 percent. Expenditures for pensions will increase from Kcs 43.60 billion in 1981 to Kcs 45.02 billion in 1982, i.e., 3.3 percent. Average monthly pension benefits will rise from Kcs 954 in 1981 to Kcs 972 in 1982, i.e., 1.9 percent.

Expenditures for health insurance of workers and production cooperatives are earmarked for payments in case of illness, for incentives to stimulate the growth of the birth rate and for other material benefits. Expenditures to stimulate the birth rate include maternity cash bonuses, compensation during maternity and pregnancy leave, bonuses at childbirth, contributions for children, and maternity benefits. The budgets allots Kcs 15.70 billion for such payments in 1982, which is 1.2 percent more than in 1981.

The 1982 fiscal policies are targeted so as to slow down the current skyrocketing rise of expenditures in our educational system and, thus, all tasks in general must be met primarily by achieving the economically most efficient spending and control of funds. According to the indicators of the plan, the number of kindergarten classes will increase by 416, of classes in the elementary nine-grade schools by 417, and of classes in secondary academic schools by 29.

Furthermore, a certain growth is envisaged in medical services with the addition of 214 hospital beds; day-care centers will have 2,390 more openings, etc. The volume of overall noninvestment expenditures of budgetary and contributing organizations to health services budgeted for 1982 includes, according to the state plan, higher wage funds than the outcome envisaged for 1981, and a 6 percent rise in expenditures for pharmaceutics and special medical supplies.

In the housing construction sector the planned number of all types of finished housing units in new construction projects in the CSSR represents a total of 101,200 in 1982. In communal construction 20,200 housing units will be completed, in enterprise construction, 5,150 housing units, in cooperative construction 42,850 housing units, and in private construction 33,000 housing units while 2,892 housing units will be remodeled.

Main Proportions of State Budgets

The less dynamic formation of material resources in 1981 has been inevitably reflected in less dynamic incomes of the CSSR state budgets. This also results in less dynamic expenditures of the state budgets of the CSSR as well as in their stagnation of decline in certain areas. Nonetheless, on the whole the state budgets of the CSSR also demonstrate, along with balanced incomes and expenditures in 1982, a 1.6 percent growth above the envisaged outcome of 1981.

As in past years, most revenues of the state budgets (including the budgets of national committees) are derived from the socialist economy (see Table 2).

TABLE 2

| | Kcs billion | Percent |
|---|---|---|
| Taxes paid by economic organizations | 126.77 | 41.48 |
| Sales tax and margins of the domestic market | 97.74 | 31.98 |
| Taxes from financial and insurance enterprises | 10.53 | 3.44 |
| Taxes paid by the population and levies | 42.97 | 14.06 |
| Other incomes of the budgetary sphere | 27.59 | 9.04 |
| Total revenues | 305.60 | 100.00 |

By their volume the taxes of economic organizations represent the most important sector of budgetary revenues and analogically, 79.5 percent of the total increment in the revenues are derived from an increase of such taxes.

In the area of expenditures of the state budgets, noninvestment expenditures of budgetary and contributing organizations are slightly up (index 102.7), however, in their framework most of all expenditures of a material character in social consumption are stagnating. A slight rise is evident in wage funds.

The sector of expenditures in the state budgets has been affected by the general objective of the state plan and budget for 1982 in the area of capital investment, aiming at a reduction of all investment costs which have been declining semiannually by 3.7 percent. As for investments of state economic organizations, investment grants are focused on the most important projects in the fuel and energy base, the Prague metro, etc. In budgetary and contributing organizations the grants are down, mainly due to the shrinking volume of projects and deliveries in comprehensive housing construction and due to restructions on new launching of projects so as to give priority to the completion of projects already under construction.

The state budget of the federation has a 65.6 percent share of all revenues in the sum total of the state budgets. On the other hand, its own expenditures represent no more than 22.9 percent of all budgetary expenditures. The state budget of the Czechoslovak federation receives the remaining resources in the form of general and designated allocations to the state budgets of the republics as grants to cover their planned needs, including a part of the needs budgeted by the national committees. The share of such grants in the expenditures of the state budgets of the republics, including grants to the budgets of national committees averages 55.4 percent and represents Kcs 114.57 billion, of which 50.8 percent are designated grants.

General grants and designated subsidies paid from state budgets of the republics to the budgets of national committees amount to a total of Kcs 57.65 billion and their share in total expenditures of the budgets of national committees is 60.6 percent.

The state budget of the federation also fulfills its coordinating and integrating function, among other things, by means of grants to other sectors of the budgetary system and organizes the fiscal development in a unified or differentiated fashion, according to the needs in individual sectors, areas or levels of the budgetary system.

Conclusion

The approval of the state budgets by responsible governments and legislative bodies signaled only the first stage in the work for the state plan and state budgets for 1982. With regard to a relatively major price adjustment as of 1 January 1982, the state plan and budget had to be converted to the new price situation at the beginning of 1982.

In addition to the new prices, the program of conversion must also include a projection of two more relavant factors into the plan; those factors could not be included in the proposal in old prices mainly because their approval and specification almost paralleled the drafting and presentation of the state budget and the state plan.

This concerns, first of all, the introduction of an improved planned management system in the agriculture, which was discussed at the Fourth Plenum of the CPCZ Central Committee and which applies as of the beginning of 1982. It involves, among other things, for example, adjustments of procurement prices for agricultural and livestock products, premiums for higher receipts for agricultural products and other incentives. The state budget already includes assets in the amount of Kcs 2.9 billion in the form of a surplus for disposal, which will enhance the financial base of our agriculture and the efficiency of improved policies.

Furthermore, the achievements stemming from teh program of better stewardship adopted by the Government of the CSSR and party organs toward the end of 1981 must be projected into the state plan and state budget. This involves, in particular, rationalization in the area of managing and administrative programs and in the scope of the state and administrative apparatus, more efficient and economical use of automobile service for business purposes, and in nonproductive expenditures and some other measures.

In terms of creating financial resources and of financing social needs, the state budgets for 1982 represent a realistic base for the implementation of all assigned tasks. Naturally, in the course of their fulfillment maximum efforts must be dedicated to their fulfillment and for that purpose, specific efficient measures must be adopted in the production and nonproduction spheres, because those are extremely demanding tasks, but their fulfillment is a categorical precondition for our further economic and social development in every sector.

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HIGHLIGHTS OF AMERICAN-HUNGARIAN ECONOMIC CONFERENCE

Budapest MAGYAR NEMZET in Hungarian 1 May 82 p 7

[Article by Gyorgy Ranki: "The Hungarian Economy in International Perspective"]

[Text] "Never before was there a scientific conference of such great magnitude on Hungarian economic life held beyond the borders of our country" —pointed out Mihaly Simai, deputy director of the World Economic Research Institute, one of 15 Hungarian economists participating in a four-day conference organized by the Hungarian department of Bloomington [Indiana] [University of Indiana]. It would be hard to understand what brought, in addition to Hungarian economists, another more than 80 economists to this small, far-away midwestern American college town from the United States, Canada, France, England and the Federal Republic of Germany, if we did not take into account the unparalleled interest that has been expressed toward Hungarian economic life and the Hungarian economy. It was this interest that had prompted the organizers of the conference—professor Paul Marer, a member of the economics faculty of Bloomington University [sic] and the author of these lines--to include a discussion on economic questions in its academic program--following last year's historical conference—and to tie it in with the programs of the upcoming American-Hungarian round-table conference has become a regular event. In drawing up the plan for the conference, there were three topics which we considered equally important: the new phase of Hungarian economic reforms from the point of view of planning and enterprise management, the question of Hungarian agricultural development and the current question of East-West financial and trade relations. Although there has never been any doubt that the timeliness of of these subjects goes beyond their narrowly defined scientific importance, we did not even suspect at the time that the recent world political and economic events would give this conference concerning Hungarian economy such special significance. Mainly as a result of the serious situation of the Polish economy, the various manifestations of the world economic recession and the indebtedness of the socialist countries, but even beyond that, because of the heated debate surrounding the direction of future American foreign policy toward Eastern Europe, there were a great many people at the conference from the American State Department, from other official American agencies, and last but not least, from the World Bank and from the International Monetary Fund.

The discussion of the Hungarian economic reforms began with a presentation by Ivan T. Berend, who started out by giving a historical assessment of the problem. Rather than focusing on giving a historical description of the economy, Berend centered his discussion around the interrelationship between economic policy and the economic mechanism. He called attention to the fact that twice during the past 25 years--once in 1957, and again after 1973--the implementation and development of the necessary reforms was hindered by political circumstances. He also pointed out that during the various phases it was either the economic policy, or the mechanism which was improved or significantly changed, but that most of the time this did not occur simultaneously. In his opinion it is the new, significant reforms introduced since 1978 that are the most closely interlinked with our bold, new economic policy orientation and which, for the first time in the economic history of socialism, has shifted the emphasis from import-substituting industrialization to foreign economic orientation.

Bela Balassa, a professor at the Johns Hopkins University of Baltimore, and a leading consultant for the World Bank, gave an in-depth analysis of post-1968 Hungarian economic development. He pointed out that the problems that have arisen since the second half of the 1970's have been due partly to the inconsistent implementation of the reforms, and partly to a special combination of new, world economic phenomena. After analyzing our new economic measures, he came to the conclusion that without a consistent wage reform the price reform cannot yield the expected results, just as we cannot hope to overcome our difficulties if we fail to establish a stronger correlation between wages and labor productivity. According to Balassa, the weakness of Hungarian industry stems from three factors: the lack of adequate small companies, the inefficiency of our support industries and over-centralization.

One of the strongest points of Balassa's presentation was that it went beyond merely looking at the internal problems of the Hungarian economy, and examined them within the context of a broad international scope of economic problems facing countries of similar levels of development. In this context he was able to more clearly assess our achievements and to define the future requirements of our reform, not the least of which is the need to overcome our still existing dichotomies and inconsistencies.

The extent of these dichotomies and inconsistencies was shown with great scientific precision by Janos Kornai. Using tremendous amounts of domestic materials--reports, analyses, statistical figures--he pointed out the dichotomy that has characterized the implementation of the economic reforms introduced since 1978. Due to the overly flexible handling of profit incentives and to inconsistencies in determining production costs and prices, we have continued to be unable to create appropriate budgetary pressures. There is the possibility, that if the large-scale enterprises and the price office failed to develop a relationship that would once again allow enterprises to have broad price-forming functions in the pricing process, the increased role of the price office vis-a-vis the

enterprises might tempt us to pay more attention to the effects of the market than to administrative controls. This would lessen the value of the reforms' achievements which Kornai so thoroughly assessed, for the administrative relationships—i.e., the seller's price demand and the buyer's price offer—would not be brought into harmony with the market.

Arton Tardos examined those reform measures which had to do with the smaller enterprises. In general, he talked about the over-centralization of the Hungarian economy, and in connection with our recent measures he emphasized why the creation of smaller enterprises was essential to having a flexible economy and a stronger support industry. He gave some extremely interesting figures to demonstrate the utilization of manpower in the Hungarian economy and in the so-called second economy. Professor Paul Haare of England's Stirling University examined the institutional background of the economic reforms. According to his conclusions, the institutional basis of the reforms is still not strong enough. The English professor also went back to 1968 to take a comprehensive look at the relationship between economic policy and institutional changes, stressing that these changes were very much needed in view of our convertible currency deficits, the inadequate market-orientation of some of our enterprises and the continued existence of a deficit-economy.

The main question people are asking is still: how can we eliminate our enterprieses' traditional system of interrelationships to obtain financial and other resources without making our production adequately competitive, and how can we circumvent those hidden regulators which point toward recentralization? In Paul Haare's view, to successfully implement our reforms it is essential that we further weaken our vertical ties and allow the establishment of new small companies.

In his presentation, which drew considerable attention, Rezso Nyers examined the relationships between economic reform and political development. He started from the assumption that the reforms were based on a combination of two goals : a short-term goal, i.e., solving our immediate economic tasks, and a long-term goal, i.e., establishing an appropriate economic model. The realization of these goals, however, is inseparable from our domestic and international relations. Today, as a result of our shift to a phase of intensive growth, we have been forced to revise our traditional socialist economic model, and there is an effort under way almost everywhere to bring our development goals and the economic mechanism into better harmony. The reforms which cannot be replaced with substitute measures--stressed Rezso Nyers—are naturally inseparable from East-West economic relations. Giving an analysis of the interrelationships between the style of Hungarian political leadership and the economic reforms, his presentation made it clear that while these have been reforms "initiated from above", they have been based on the needs below, which is why they have also received support from below. Working on the solid basis of the socialist alliance system and of the CEMA, by consistently upholding our national interests and by fruitfully cooperating with the Western world and the developing countries, we will be able to solve the problem of foreign-trade dependency and to carry out

the needed structural changes in our two-market foreign trade and in our commodity turnover abroad. Today, the continuation of the economic reforms in Hungary is not just an alternative possibility (as it was in 1968), but a political necessity.

Can we talk about a Hungarian model of planning--asked Tamas Bauer in his presentation. The young economist took an in-depth look at the changes that have resulted from the elimination of detailed planning and central material distribution, and which have substantially reduced the traditional bureaucratic controls. He pointed out, however, that this has by no means meant that the elements of the market have begun to dominate, since the limits within which supply and demand interact and prices develop are greatly restricted. Concerning the question asked earlier referring to the complementary roles of the market and planning, he felt that under the present circumstances neither of these two components are adequately present.

These analyses of the present state of the Hungarian economic reforms and of the recent measures, supplemented with presentations by economists Paul Milch of California, Agota Goulette of Paris and Laszlo Dreschler of Budapest, and with a paper by professor Laura Tyson of the University of California at Berkely, comparing the structures of the Hungarian and Yougoslav economies, began an extensive debate among the more than 100 participants attending the conference. In addition to analyses of the problems facing the Hungarian economy, naturally there was also plenty of discussion--especially in the contributions by professors M. Bernstein of Detroit, J. Montias of Yale, E. Hewitt of Washington and H. Rocha of Leeds--about the ability of the Hungarian economic reforms to create a unique and lasting model of socialist economic management. It seems that in this context the contours have become more clearly defined in agriculture than in industry. Csaba Csaky gave a very thorough analytical overview of the achievements of Hungarian agriculture and of the problems of its structure. The achievements of Hungarian agriculture have attracted attention not only because Hungary does not suffer from supply problems, although we can hardly ignore the importance of this fact, but also because in certain special, thus in several respects, especially in the area of per capita production, our collective farms and the surplus work connected with it have worked themselves into the forefront of the world. Professor Michael Maress of the Northwestern University in Chicago arrived at the same conclusion, but he agreed with Csaba Csaky in referring to the problem of costs as an unfavorable feature of our otherwise considerable development. This subject was further expounded by professors Stephen Schmidt and Robert Thompson.

Although during the first two days of the conference the debate was centered around the achievements and interrelationships of the Hungarian economic reforms examined in a broad international perspective, on the next two days of the conference there was more attention given to world-economic relationships when, as a continuation of the traditional American-Hungarian round-table economic discussions, the emphasis shifted to the financial and political aspects of East-West relations, the

prospects of the world economy and their effects on Hungary, with a special emphasis on the world's energy and food-supply problems. Professor Richard Portes of London's Birckbeck College examined the effects of the Polish crisis on East-West relations, stressing that the serious mistakes that have been made and the severe problems that have been created will eventually force everyone to realize that the East and the West are economically interdependent, and that neither side can view this relationship as a one-way street which is beneficial only to one side. There were unquestionable mistakes made both in the taking and granting of loans, and in view of the significant differences in the American and Western European approaches to the problem, it could hardly be argued under the present circumstances that these mistakes can be easily undone.

Also examining the Eastern European countries' indebtedness was Gabriel Erchel, Vice President of the largest privately owned American bank, the Bank of America, who concluded that the rescheduling of repayments must be done before the debtors get into even more serious financial difficulties. He also called attention, however, to the growing cautiousness among bankers and to the changes that have been taking place in lending behavior. Tamas Bacskai chose a framework of concepts connected with the new financial world system to examine East-West financial relations, including the situation of the Eastern European countries. He explained how the emerging crisis of the financial system established at Breton Woods has made the Eastern European countries' financial situation more difficult, even though they were not direct participants in the agreement. Although these analyses, supplemented with presentations by American professors Thomas Wolf and Edward Hervell showed significant differences, they fully agreed both in their presentations and in their debate that the only way the difficulties of the international financial and trade system can be solved is through mutual cooperation, and that decisions in any other direction may cause the same kind of problems for the Western world as for the East.

All of this, of course, is inseparable from the development prospects of the world economy which were given a comprehensive look by Mihaly Simai. Simai stressed that the Soviet Union and the United States continue to be in the center of world-economic and political relations. What this means for Hungary, as Bela Kadar and Cibor Palanki pointed to in the structural context and as Istvan Dobozi explained from the especially sensitive point of view of energy supplies, is that the country's economic dependence on international economic conditions is unlikely to decrease. But this should not really be our goal. Much rather, we should try to catch up with the new requirements of the world economy by building an export-oriented economy and by showing more flexibility than before in adjusting to the conditions of development. As the presentations by professors Istvan Magas and Josef Brada demonstrated, making this kind of adjustments has meant occasional difficulties even for such highly developed countries as the United States.

Once the more important papers presented at the conference become published in Hungarian, the general reading public will also be able to get a direct look at the high professional standard of the conference, even though it will be hard to reproduce the excitement and the fascinating character of the debates. Perhaps it was not by accident, and was a very good reflection of the goals and the atmosphere of the debate, that the last session of the conference—in which Gyorgy Varga discussed the problmes of the Hungarian enterprise structure—was not held at the University of Indiana, but 60 kilometers from it, in Columbus, on the premises of the Cummins Machine Factory, which is one of the leading industrial enterprises in the United States. The reason for this was that a few years ago the Cummins factory established cooperational ties with Ikarus, and the directors of the firm—who were present throughout the conference—are confident that soon there will be even more Hungarian-made, Cummins-engine equipped, articulated buses running on the streets of the cities of the United States.

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## 1981 FOREIGN TRADE PROBLEMS, RESULTS EXAMINED

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[Article by Lajos Berenyi, main department chief, Ministry of Foreign Trade, and Imre Bakonyi, department chief, Ministry of Foreign Trade: "Our Foreign Trade in 1981"]

> [Text] In their article the authors provide information about the characteristic motifs of our foreign trade last year. But it is not appropriate to judge last year's achievements simply in comparison to 1980 because the economic policy line followed since 1979 provides the background for them and the most essential element of this line is the effort aimed at a gradual improvement of the foreign economic balance. From this viewpoint we can see that the foreign trade achievements of 1981 are linked without a break to the process characterizing the preceding 2 years. Non-ruble accounting trade in 1981 met the most essential goal, the process of improving the balance has not faltered since 1979. In the ruble accounting relationship, however, trade did not reach what was planned in either export or import. But as a whole the balance requirements were met. Even taking into consideration the difficult external conditions, 1982 places a high requirement before our foreign trade if it is to achieve the goal, a further improvement in the balance. This is especially true in non-ruble accounting trade. The condition for successful fulfillment of the task is an optimal concentration of forces in the tools system and harmony in execution in regard to both guidance and enterprise activity.

As a whole foreign trade last year came up to what was planned. In the background of this we find external conditions less favorable than hypothesized and differing accomplishments in the several areas.

### The Situation of the World Economy in 1981

When determining the foreign trade tasks for last year we started from the supposition--uniformly supported by various forecasts--that the 1980 recession

in the capitalist economy would be replaced by a mild upturn (2-3 percent) in the second half of 1981. We calculated that this would be differentiated by region and product group and thus that insurmountable obstacles would not be placed before the realization of our plans from the external side.

The expected upturn did not take place in the economies of the capitalist countries last year. This was the direct result of the economic policy followed in most developed capitalist countries, in the center of which stood a moderation of the rate of inflation. Opposed to the modest results achieved in this area we find a prolonging of the recession and an increase in and high ratio of unemployment.

How did all this affect Hungarian foreign trade? The effect differed by region and commodity group but the common aspect was that the developed capitalist countries in general tried--where they could--to ease their internal economic troubles at the expense of foreigners. A strengthening in protectionism serving to protect the domestic market and domestic production followed from this; there was an increase in antidumping measures initiated against foreign shippers and in phenomena suggestive of discrimination.

According to preliminary data the economic decline in our most important customer market in the capitalist world, western Europe, was 0-0.5 percent, and even greater in the countries of the Common Market. Economic growth in the United States reached an annual level of 1.5-2 percent but the recession returned in the second half of the year. In the developed capitalist countries as a whole 1981 economic growth can be put at 0.5-1 percent.

World trade stagnated in 1981; within this the imports of western Europe declined, primarily in regard to industrial articles. The negative phenomena of the world economy strengthened primarily in the less progressive areas (metallurgy, light industry and some branches of the chemical industry and machine industry) but the foodstuffs economy was affected also--as a result of personal consumption hardly expanding. For a long time 65-70 percent of Hungarian export in the non-ruble accounting sphere has been made up of products of the so-called crisis industries (metallurgy, light industry), foodstuffs articles largely burdened by the agricultural protectionism of the EEC and other products sensitive to changes in the business cycle (such as chemical industry and machine industry consumer articles). In the sharp competition it is primarily the weak and medium competitive shippers who are forced out of a market which is not expanding, and in places contracting. The majority of our enterprises can be put in these two categories.

Cooperation with the socialist countries continues to play a stabilizing role in our foreign economic contacts. The negative phenomena of the capitalist economy do not influence the continuity of this directly or fundamentally, but they made possible expansion of mutual trade at a lower rate than customary in earlier years--an effect enhanced by a moderation in production in socialist countries also, a reduction in the export goods base, and reduced internal use (investment activity) which moderated import demand.

## General Characteristics of Foreign Trade in 1981

It is not appropriate to judge the results achieved last year in the area of foreign trade simply by comparing them to 1980. The economic policy line followed since 1979 provides the background for the tasks of last year and the most essential element of this line is the effort aimed at a gradual improvement of the foreign economic balance. From this viewpoint we see that the foreign trade performance of 1981 is linked without a break to the process characterizing the previous 2 years.

From the side of internal economic processes the moderation in use had the determining role in the improvement in the balance which has lasted since 1979. This effect was especially strong in 1979; it weakened substantially in 1980 and 1981.

We can expect less and less from the reduction in internal use in regard to improving the external balance. Maintaining the standard of living--which was the other fundamental goal of the Sixth Five-Year Plan--means that a further moderation in internal use can be accomplished only at the expense of accumulation, and there are limits to this also. Thus, in the years ahead, an improvement in the balance can and must be based on the production sphere, instead of the distribution sphere; this is where income comes into being in the first place. So the road to consolidating the balance of the economy leads through an increase in the income producing capability.

The past year did not yet bring a satisfactory change in regard to improving the so-called qualitative aspects of foreign economic activity. Competitiveness is not adequate in general; non-ruble accounting export--especially in regard to industrial products--is for the most part not a deciding factor in increasing production. This is illustrated by the fact that in 1981 industrial production increased by 2.3 percent while the volume of non-ruble accounting export of industrial products (not counting the food industry) increased by 1.5-2 percent. This was characterized primarily of the production and export of machine industry and light industry articles; an opposite interrelationship developed in the chemical industry last year.

In essence trade in 1981 changed in harmony with our plans; despite external conditions less favorable than in the preceding year--and less favorable than projected--the balance continued to improve. This is a respectable accomplishment in today's world, the value of which is not diminished by the fact that there were different results in different areas (for example, foodstuffs and industry). It is also positive that the terms of trade in non-ruble accounting trade improved by more than 2 percent, as opposed to the expected minor deterioration, while the deterioration in the terms of trade in ruble accounting came to what had been calculated.

Table 1. The Development of the Foreign Trade Balance (in billions of forints, at current prices, contract parity)

| | 1978 | 1979 | 1980 | 1981 |
|---|---|---|---|---|
| Ruble accounting | -14.1 | -12.2 | -14.3 | -10.2 |
| Non-ruble accounting | -35.8 | - 3.6 | + 6.8 | + 8.5 |
| All trade | -49.9 | -15.8 | - 7.5 | - 1.7 |

Source: STATISZTIKAI HAVI KOZLEMENYEK, No 1, 1982

All foreign trade last year, at current prices, border parity, came to 613.7 billion forints, thus exceeding that of 1980 by 5.6 percent. Within this, export increased by 6.8 percent while import increased by 4.8 percent. Measured at the preceding year's prices the growth in export was 3 percent and that of import was 0.3 percent. Thus the figures speak of a balanced growth.

There was a significant change, as compared to 1980, in the distribution of trade by the chief groups of countries--primarily in export--which was in the opposite direction from the change in the preceding 2 years.

Among the socialist countries we did precisely one-third of all export with the Soviet Union while our largest trading partner accounted for 28.6 percent of the import. Our second most important socialist partner continues to be the GDR, which had a 6.9 percent share in export and a 6.7 percent share in import.

The shift in ratio, as compared to 1980, in trade with non-socialist countries took place between the developed and the developing countries (see Table 2).

Table 2. Distribution of Foreign Trade (by country of origin or destination, in percent)

| | Export | | | | Import | | | |
|---|---|---|---|---|---|---|---|---|
| | 1978 | 1979 | 1980 | 1981 | 1978 | 1979 | 1980 | 1981 |
| Socialist countries | 60.9 | 57.6 | 55.1 | 58.1 | 51.7 | 53.4 | 50.6 | 51.5 |
| Non-socialist countries | 39.1 | 42.4 | 44.9 | 41.9 | 48.3 | 46.6 | 49.4 | 48.5 |
| Total | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

Source: Year books and monthly publications of the KSH [Central Statistics Office]

The recession of the capitalist economy--with all its other consequences already mentioned--affected most directly our export to developed capitalist countries, the value of which (calculated in forints) fell by about 8 percent, while the import deriving therefrom increased by nearly 5 percent. As a result the passivity of trade with these countries increased. In the background of this process was a further deterioration of the balance in the western European zone--primarily in regard to the EEC--with an improvement of the balance in regard to the United States, Canada and Japan.

This difference is explained in part by contrary changes in the business cycle and in part by the more liberal trade policies of the latter countries.

Table 3. The Development of Foreign Trade With the Nonsocialist Countries (by country of origin or destination, in percent)

| | Export | | Import | |
|---|---|---|---|---|
| | 1980 | 1981 | 1980 | 1981 |
| Developed capitalist countries | 78.4 | 72.3 | 81.4 | 83.0 |
| Developing countries | 21.6 | 27.7 | 18.6 | 17.0 |
| Total | 100.0 | 100.0 | 100.0 | 100.0 |

Source: Year books and publications of the KSH

Our most significant developed capitalist trading partner--and our second largest trading partner--remains the FRG, the importance of which in total import continued to increase, to 11.8 percent. It also stands in first place in export (with 8.7 percent), but its share decreased as compared to the preceding year. The list continues: Austria (5.8 and 4.3 percent), Italy (3 and 3.3 percent), USA (2.5 and 1.5 percent) and Switzerland (2.4 and 1.5 percent). The share of Italy and Switzerland decreased in both import and export; that of Austria increased in import and remained unchanged in export; while that of the USA increased quickly in export but fell in import.

In regard to the developing countries the Latin American and African countries increased their weight in import, at the expense of the Asian countries. Export to African countries expanded more quickly than the average for developing countries, export to Asia remained around the average, while export to the Latin American region increased with a dynamic below the average. In sum, trade with the developing countries as a whole was a significant factor in 1981 in improving the balance, thanks to the dynamic growth of export. Our most significant partners in the developing world in regard to import are (percent of share in parentheses) Brazil (2.8), Iran (1.4) and Pakistan (0.5) and in regard to export they are Iraq (2.5), Iran (1.4), Libya (1.1) and Algeria (0.8).

The Non-Ruble Accounting Relationship

In regard to the most essential goal non-ruble accounting trade changed in 1981 according to what was prescribed in the plan--the improvement in the balance, which has lasted since 1979, was not broken last year. It is also true that the magnitude of the improvement lagged somewhat behind what was stipulated in the plan but the state of the balance consolidated further.

Our export increased by 4.7 percent; this is similar to the increase achieved in 1980 but is below the planned value. The difference--in regard to export as a whole--is entirely the consequence of lower volumes because the development of prices was near to what had been planned.

Among the various chief commodity groups the increase in the export of foodstuffs products was swiftest; the export of materials, semifinished products and parts even decreased in absolute terms. As a result of this development of export there were changes in the structure of export which were more significant than preceding years and they deviate--primarily in scale--from what was planned for 1981.

Table 4. Development of the Structure of Non-Ruble Export (in percent, on the basis of current price data)

| Chief Commodity Groups | | 1978 | 1979 | 1980 | 1981 |
|---|---|---|---|---|---|
| I. | Fuels, electric power | 5.6 | 6.5 | 6.9 | 6.7 |
| II. | Materials, semifinished products, parts | 35.6 | 38.5 | 37.8 | 33.6 |
| III. | Machines, transport tools, other investment goods | 11.7 | 12.1 | 11.2 | 12.1 |
| IV. | Consumer industrial articles | 18.1 | 16.1 | 15.4 | 14.6 |
| V. | Food industry materials, live animals, foodstuffs | 29.0 | 26.8 | 28.7 | 33.0 |
| Total | | 100.0 | 100.0 | 100.0 | 100.0 |

Source: KSH publications

The smaller than planned export derived primarily from the export of metallurgical and light industry products. The export of ferrous metallurgy products (sheet, wire, steel section, etc.) decreased by about one-tenth and there was a decrease in prices here of similar magnitude. In the area of light industry products there was a slackening of sales of cotton fabric, knit goods, ready-made goods, and leather and shoe industry articles in the non-ruble relationship.

The export of chemical industry products--especially nitrogen artificial fertilizer--developed favorably, although deliveries slacked off for a few product groups (for example, PVC powder and rubber industry products) due to a decrease in demand and prices.

Sales of machine industry products increased at a rate around the average. The export of transport tools declined. The decrease in foreign consumer demand can be felt, for example, in the decrease in the export of refrigerators and washing machines. It can be evaluated positively, on the other hand, that sales of chemical industry and agricultural machines and instrument industry products increased in 1981.

A fundamental factor in the adequate growth of our export was that the volume of sales of foodstuffs products increased by more than 10 percent with a favorable price development so that at current prices sales increased by one-fifth. This product group provided about three-quarters of the export increment. It is to the credit of the work of the foreign trade enterprises that they signed for a significant part of these products at a time which greatly contributed to getting the good prices. The increase in deliveries was especially significant for wheat, slaughter animals, slaughtered poultry, certain types of meats, vegetable oil and fresh fruits and vegetables.

The 1981 development of the structure of our export shows that the recession of the capitalist economy affects primarily the export of our industrial products. But a more detailed analysis of the several areas also shows that the inadequate competitiveness of our industry export strengthened the effect of the external factors more negatively than was supposed.

Our non-ruble accounting import exceeded what was planned only slightly as a whole. An increase in volume greater than planned and a favorable development of prices contributed to this.

Import increased by 4.4 percent in 1981. The import of fuels decreased; that of products belonging to the other chief commodity groups increased.

More significant changes, similar to those in export, did not take place last year in the structure of import. But it was an essential element that, in contrast to the trend of the last 3 years, the share of materials and semi-finished products decreased while that of machines increased.

Table 5. Development of the Structure of Non-Ruble Import (in percent, on the basis of current price data)

| Chief Commodity Groups | | 1978 | 1979 | 1980 | 1981 |
|---|---|---|---|---|---|
| I. | Fuels, electric power | 7.7 | 9.0 | 5.9 | 4.5 |
| II. | Materials, semifinished products, parts | 56.0 | 57.0 | 61.5 | 60.4 |
| III. | Machines, transport tools, other investment goods | 16.3 | 15.1 | 12.8 | 13.5 |
| IV. | Consumer industrial articles | 6.2 | 6.0 | 6.5 | 8.0 |
| V. | Food industry materials, live animals, foodstuffs | 13.8 | 12.9 | 13.3 | 13.6 |
| Total | | 100.0 | 100.0 | 100.0 | 100.0 |

Source: KSH publications

Machine industry products account for the most significant part of the import increment. This includes parts, making up the bulk of the increment, certain investment machines (chemical industry, textile industry, agricultural, metallurgical) and some of the consumer industrial articles supplied to the populace (radios and tape recorders). The increase in the other large group of consumer industrial articles (knit goods, ready-made clothing) also served to better supply the populace. Acquisition of raw materials and semifinished products increased only very moderately (iron ore, pig iron, steel pipe, polyethylene, paper, cardboard, etc.). Maintaining the level of import of foodstuffs products hides the fact that there was a decrease in the volume for a few articles (for example, fodder grain and rice) and an increase for others (for example, cocoa, tobacco, feed concentrates).

The decrease in the ratio of fuels (coke, gasoline, fuel oil) shows that energy use by our economy has moderated; one component of this is certainly more thrifty use.

The Ruble Accounting Relationship

Trade in 1981 did not reach what was planned in either export or import. As a whole export and import developed in harmony with the balance requirements.

Export increased by 8.9 percent; this is made up of a 4.7 percent price increase and a 4 percent increase in volume. Export of all chief commodity groups increased, with the exception of that for machines, which remained at the 1980 level.

The decrease in the importance of machines and the increase in the ratio of materials and parts meant a significant change in the structure of export. These changes are contrary to the trend of the preceding 3 years.

Table 6. Development of the Structure of Ruble Export (in percent, on the basis of current price data)

| Chief Commodity Groups | | 1978 | 1979 | 1980 | 1981 |
|---|---|---|---|---|---|
| I. | Fuels, electric power | 0.6 | 0.7 | 0.5 | 0.7 |
| II. | Materials, semifinished products, parts | 23.5 | 22.4 | 22.6 | 24.2 |
| III. | Machines, transport tools, other investment goods | 43.1 | 45.6 | 46.0 | 42.1 |
| IV. | Consumer industrial articles | 18.6 | 17.2 | 16.9 | 17.7 |
| V. | Food industry materials, live animals, foodstuffs | 14.2 | 14.1 | 14.0 | 15.3 |
| Total | | 100.0 | 100.0 | 100.0 | 100.0 |

Source: KSH publications

The quantity of metallurgical and chemical industry materials increased considerably in our export. The export of consumer industrial articles and

foodstuffs products increased also. In 1981 we tried to counterbalance the deficit arising in our import of fuels by increasing the volume and price for these latter two chief commodity groups. The volume of our machine industry export did not increase but we achieved favorable results in a few areas (for example, in telecommunications and vacuum technology exports).

Our enterprises tried to exploit the possibilities promising to improve the economicalness of export structure. Their price work was adequate; they succeeded in getting price increases greater than planned.

Our ruble relationship import increased by 5.3 percent, but taking into consideration the very significant price increase (9 percent) the volume of import decreased--for the first time since 1976.

The import volume for machines and investment goods decreased more strongly than in 1980, by nearly 15 percent (food industry and agricultural machines, railway traction and freight cars, etc.). This is justified in part by the moderated demand due to the development of domestic investments.

Table 7. Development of the Structure of Ruble Import (in percent, on the basis of current price data)

| Chief Commodity Groups | | 1978 | 1979 | 1980 | 1981 |
|---|---|---|---|---|---|
| I. | Fuels, electric power | 18.5 | 21.5 | 25.5 | 27.8 |
| II. | Materials, semifinished products, parts | 38.6 | 35.1 | 34.5 | 35.3 |
| III. | Machines, transport tools, parts [as published] | 29.0 | 30.0 | 27.1 | 22.4 |
| IV. | Consumer industrial articles | 11.2 | 10.6 | 10.4 | 10.8 |
| V. | Food industry materials, live animals, foodstuffs | 2.7 | 2.8 | 2.5 | 3.7 |
| Total | | 100.0 | 100.0 | 100.0 | 100.0 |

Source: KSH publications

Despite the fact that the weight of fuels increased in terms of value their volume moderated (petroleum, natural gas, gasoline, fuel oil).

The quantity of materials and semifinished products imported increased somewhat (iron ore, flat glass, ammonia soda, PVC powder, polyethylene, artificial fertilizers, etc.).

The increase for foodstuffs articles also derives in part from price increases, but there was a significant increase in the volume of sugar, distilled alcohol and beer imports, among others.

The majority of our socialist partners are in a stage of economic growth similar to ours. This is characterized by conversion to an intensive phase, by a lack of capital hindering the swift elimination of bottlenecks and the relatively slower economic growth deriving from these things, which involves stagnation of the export goods bases in some areas and a decrease in places.

This represents a problem for us primarily in regard to materials and products of an energy character. But we are trying to counterbalance this with more thrifty material use and by developing our internal production structure. From time to time, however, it caused a significant problem even in 1981 that the delivery of a few important, alloted import products (for example, coal, coke and wood) faltered or even failed.

Prospects for 1982

This year also--following the line which has been valid since 1979--the effort to further improve the balance will stand in the center of foreign trade work. But the external conditions for this are not favorable. Some improvement in the economies of the developed capitalist countries can be expected in the second half of the year at the earliest. The forecasts published in recent months are increasingly uncertain in this respect and it cannot be ruled out that the "mini" boom indicated earlier will occur only in the first half of 1983. For the time being only a few countries (for example, Japan, France and the FRG) have undertaken actions to stimulate the economy, the effect of which may be largely neutralized by the interest rate policy of the United States and the contrary behavior of other countries (for example, Great Britain). Because of all this we cannot expect a relaxation of protectionism or a reduction in other trade policy factors and phenomena holding back our export.

The oil income of the OPEC countries, which have an important place from the viewpoint of our export, can be expected to decline in 1982 as a combined effect of moderating demand and decreasing prices. So here we can count on a relatively shrinking market and increasing competition.

With the generally unfavorable external conditions the prospects for various areas of export differ. On the basis of indications from the enterprises dynamic growth can be expected in the export of machine industry products. Metallurgical export may pick up somewhat also, but for the time being there is no sign of an end to the capitalist market crisis within the foreseeable future. This will continue to leave its stamp on the export performance of our affected enterprises.

The exporting enterprises of the other branch in a difficult situation, light industry, cannot hope for a market improvement either. The consumer market as a whole is hardly expanding; at the same time the competition of some developing countries which produce cheaply is strengthening in regard to Hungarian shippers representing the middle quality category.

External demand will make possible only a very moderate increase in the export of chemical industry articles.

The good results achieved in the preceding year in foodstuffs export can be improved on--realistically--to only a small degree. In part this is a question of the commodity base (for example, in the case of wheat) and in part it is a consequence of prices which are lower than last year.

The quantity of import--in harmony with the planned rate of growth in production and maintaining a balanced supply of goods to the populace--will be greater than last year by 4-4.5 percent.

In regard to prices we are counting on export and import price increases of the same magnitude.

The determining role of the socialist countries in trade will remain. But we cannot count on expanding the volume of ruble accounting import. The least dynamic area--in accordance with the trend established in preceding years--will be mutual trade in fuels and products of a material nature. Machine trade is problematic also, because of the sluggish or moderating investments.

As a whole the signed interstate agreements will provide an adequate framework for fulfilling the prescriptions of a plan which reckons with the circumstances noted.

Taking into consideration the difficult external conditions this year's economic plan places a very high requirement before foreign trade. This is especially true in non-ruble accounting trade. The condition for successful fulfillment of the task is a corresponding concentration of forces, a tools system supporting achievement of the chief goal and harmony in execution in the areas of both guidance and enterprise activity.

8984
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## REPORT ON PRICE TENDENCIES IN FOREIGN TRADE

Budapest FIGYELO in Hungarian No 19, 12 May 82, p 6

[Article by Mrs Adam Kiss: "Price Tendencies in Foreign Trade"]

[Text] Demand was stagnant on international commodity markets in 1981, and in many cases it declined. In most industrial and agricultural raw materials a declining price trend was realized, although in the last months of the year something of a rise occurred in certain products. A role was played in the price reductions for raw materials by the fact that, along with a general stagnation in production, the high interest rates gave an incentive to low inventory levels. In the case of agricultural products, the favorable production outlook for next year also lowered the price level.

According to the Hamburg HWWA index which indicates world-market price changes in dollars, the greatest drop, 23.5 percent, occurred in the price of food and luxury goods, and this was followed by an 18.8 price decline in industrial raw materials of agricultural origin. In contrast with the 12.5 percent lower prices for industrial raw materials the previous year, the price level of energy sources rose by more than 8 percent. A permanent oversupply was also characteristic of the market for finished products.

### A Delayed Factoring-In

The world market price trends affected Hungarian foreign trade to a different extent in the two main accounting relations. The factoring-in effect of the world market inflation, which arose in wake of the second oil price explosion in our ruble account foreign trade following the well-known price formation of the CEMA countries, was again materialized with a shift in 1981. Last year the price rise was greater than in the previous year, and thus the contractual ruble prices rose by a considerable 12.7 percent in import and 8.4 percent in export. As a consequence of the 3.3 percent decline in 1981 of the ruble-forint exchange rate, the import forint price level rose by 9 percent, and the export level by 4.8 percent, while the terms of trade deteriorated by 3.9 percent, or to a somewhat greater extent than in the previous year.

In nonruble account foreign trade the 1981 declining tendency of the world market price level was realized, which however was influenced considerably by the significant rise in the dollar-forint exchange rate in the case of the

other currencies the considerable decline in the forint exchange rate. The forint price indexes reflecting both the effect of the foreign currency prices and the changes in the exchange rate exceeded the 1980 level by 0.8 percent in import and 3 percent in export.

In nonruble account foreign trade, an improvement occurred in the terms of trade as compared to the small deterioration included in the plan. The 2.2 percent improvement in the terms of trade index contributed to an improvement in the foreign market equilibrium situation.

The forint price index which indicates the combined price change of the two main accounting relations points to a 4.6 percent rise in the price level of imports and a 3.8 percent rise in exports. The foreign-trade terms of trade in trade as a whole deteriorated by 0.8 percent.

In Forint and Ruble

In the rise of the forint price level for ruble-account imports, an important role was played by the 20 percent rise in prices for energy sources and foods, while in the other main commodity categories prices were 2 to 7 percent higher. The volume of imports declined by 3 percent in 1981 because we imported fewer energy sources and investment goods. At the same time, we increased the import of consumer industrial items and foods.

Table 1. Price Formation of Ruble Account Imports in 1981

A rubel elszámolású behozatal áralakulása 1981-ben

| (1) | Árindex, 1980 = 100 | | A behozatal százalékos megoszlása |
|---|---|---|---|
| | Forintban (2) | Rubelben (3) | (4) |
| (6) I. (5) | 120,0 | 124,1 | 27,8 |
| II. (7) | 107,3 | 111,0 | 35,3 |
| (8) III. | 101,6 | 105,1 | 22,1 |
| IV. (9) | 101,2 | 107,8 | 10,8 |
| V. | 120,2 | 124,3 | 3,7 |
| (10) Összesen | 109,0 | 112,7 | 100,0 |

Key:

1. Price index
2. In forints
3. In rubles
4. Percentage distribution of imports
5. Energy sources, electric energy
6. Materials, semifinished products, spare parts
7. Machinery, means of transport, other investment goods
8. Consumer industrial items
9. Food industry materials, live animals, foods
10. Total

The prices for petroleum, natural gas and coal briquet rose by 24 to 26 percent, exceeding the average for energy sources. The forint price of electric energy rose all in all by 4 percent. We imported basic materials at 12 percent higher prices, and semifinished products and spare parts at 4 percent higher prices. Among raw materials the price for ferro-alloys rose by 46 percent, crude iron ore and synthetic rubber by 25 percent and 29 percent respectively, pig iron and crude phosphate by 15 to 16 percent.

The price level for certain main commodity groups in ruble account export, with the exception of foods, rose to a greater extent than in import, but as a consequence of differing commodity composition, the average price level of export rose to a lesser extent. Export volume was 4 percent greater than a year ago.

Table 2. Price Formation of Ruble Account Exports in 1981

A rubel elszámolású kivitel áralakulása 1981-ben

| (1) | Árindex, 1980 = 100 | | A behozatal százalékos megoszlása |
|---|---|---|---|
| | Forintban (2) | Rubelben (3) | (4) |
| I. (5) | 121,0 | 12[illegible],1 | 0,7 |
| II. (6) | 107,4 | 111,1 | 24,2 |
| III. (7) | 107,4 | 105,9 | 42,1 |
| IV. (8) | 105,2 | 108,8 | 17,7 |
| V. (9) | 106,8 | 110,4 | 15,3 |
| Összesen (10) | 104,8 | 108,4 | 100,0 |

Key:

1. Price index
2. In forints
3. In rubles
4. Percentage distribution of imports
5. Energy sources, electric energy
6. Materials, semifinished products, spare parts
7. Machinery, means of transport, other investment goods
8. Consumer industrial items
9. Food industry materials, live animals, foods
10. Total

Within the 7.4 percent higher than last year's price level for materials and spare parts that make up one-fourth of the value of exports, the price of raw materials rose by 14 percent, and semifinished products by 8 percent. The selling price of bauxite, foundry aluminum and alumina, and also to a considerable extent aluminum products and rolled steel rose outstandingly by 19 to 27 percent. Among chemical industry products, there was a significant price rise of 16 to 18 percent for propylene and etylene.

Among industrial finished products, the price level of machinery and machine equipment, exported in smaller volume than the year before, increased to the least extent, or by 2.4 percent. On the other hand, we sold consumer industrial items at a 5.2 percent higher than average price. Measured in forint prices, the price index for foods rose by 6.8 percent.

Price Indexes of Nonruble Account Trade

The rise of 0.8 percent in the forint price level on nonruble account imports derived from the unchanged price level of materials and food which make up the greater part of the trade, from the smaller price increases for industrial finished products, and from the important 29 percent price increase for energy sources. The volume of imports which had declined in the previous 2 years, increased by 4 percent as compared to 1980.

Table 3. Price Formation of Nonruble Account Imports in 1981

A nem rubel elszámolású behozatal áralakulása 1981-ben

| | (1) Árindex forintban, 1980 = 100 | (2) A behozatal %-os megoszlása |
|---|---|---|
| (4) I. (3) | 129,1 | 4,4 |
| II. (5) | 99,9 | 60,5 |
| (6) III. | 101,8 | 13,5 |
| IV. (7) | 100,6 | 8,0 |
| (8) V. | 100,2 | 13,6 |
| Összesen | 100,8 | 100,0 |

Key:

1. Price index in forints
2. Percentage distribution of imports
3. Energy sources, electric energy
4. Materials, semifinished products, spare parts
5. Machinery, means of transport, other investment goods
6. Consumer industrial items
7. Food industry materials, live animals, foods
8. Total

Because of its slight ratio in trade, the important rise in the price of energy sources influenced the average price formation only in a small way. (The price of bituminous coal and anthracite rose by 33 percent.) The import of energy sources, however, decreased by 40 percent.

The volume of material imports, which make up 60 percent of total imports and with a forint price level similar to that of last year, increased by about 3 percent. We purchased less raw materials while our imports of finished products and spare parts increased.

The prolonged crisis on the steel and nonferrous metals markets was related to the fact that it was possible to buy many metallurgical products substantially cheaper. (An exception was zinc.) The declining demand also reduced the purchase price of a good part of the chemical industrial products. (Polyethylene, synthetic material granulates, PVC powder and polyamide could be bought 9 to 18 percent cheaper.) At the same time the price of phosphorous fertilizer rose by 13 percent, and the price of blast furnace coke by 12 percent.

With an essentially unchanged forint price level for agricultural products and foods, the price indexes for certain products were widely spread. A world market oversupply is indicated by the fact that we were able to buy cacao beans and unroasted coffee for 21 percent and 18 percent less respectively, whereas the price of milled rice, soy meal, oranges and bananas rose by 11 to 16 percent.

Along with a rise of 3 percent in the forint price level, the volume of export expanded by almost 2 percent. The export price of machinery and consumer industrial items rose to a small extent, 2.7 percent and 2.1 percent respectively. On the other hand, the export price of foods rose by an above-average 7.8 percent, and the price of energy sources by 19 percent. Marketing difficulties on the capitalist markets affected primarily our material exports, with the export forint price level of materials and semifinished products declining by 2 percent.

Table 4. Price Formation on Nonruble Account Exports in 1981

A nem rubel elszámolású kivitel
áralakulása 1981-ben

| | (1) Árindex forintban, 1980 = 100 | (2) A behozatal %-os megosztása |
|---|---|---|
| I. (3) | 119,1 | 6,7 |
| II. (4) | 98,0 | 33,6 |
| III. (5) | 102,7 | 12,1 |
| IV. (6) | 102,1 | 14,6 |
| V. (7) | 107,8 | 33,0 |
| Összesen (8) | 103,0 | 100,0 |

Key:

1. Price index in forints
2. Percentage distribution of imports
3. Energy sources, electric energy
4. Materials, semifinished products, spare parts
5. Machinery, means of transport, other investment goods
6. Consumer industrial items
7. Food industry materials, live animals, foods
8. Total

In the past year we exported 140,000 less tons of rolled steel and at 12 percent lower prices. The depressed prices on the aluminum markets were reflected in the 21 percent lower price level for foundry aluminum. Among chemical industry products, the export price of bitumen, propylene, xylene, and nitrogen fertilizers rose by 10 to 18 percent, but on the other hand the price of PVC powder declined by 22 percent, and basic pharmaceutical materials by 5 percent.

The 2.7 percent increase in the price level of nonruble account machine export was accompanied by an 11 percent expansion of exports. Export to the developed capitalist countries declined, but the volume of machine export to the developing countries increased considerably.

The 2.1 percent rise in export prices for consumer industrial items developed in such a way that we sold fewer commodities at lower prices in the developed capitalist countries, while in the developing countries we succeeded in obtaining a price increase.

Similarly to last year, an important role in export development was played by agricultural and food products for which the 7.8 percent rise in the price level was accompanied by a 12 percent volume increase. At higher prices, wheat exports increased 1.7 times. Also the possibilities for marketing slaughter animals and animal products were favorable. We exported somewhat more in the way of slaughter animals and poultry and somewhat less in meat at 10 percent higher prices. In response to the recovery on the vegetable oil market, the export price of sunflower oil rose by 7 percent, and the volume sold increased by 30 percent.

6691
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UNIONS' INPUT IN GOVERNMENT DECISIONS VIEWED

Budapest NEPSZAVA in Hungarian 1 May 82 p 3

[Article by Laszlo Diosdi: "With Mutual Responsibility; What the Council of Ministers and the Leaders of the National Council of Trade Unions Discuss and How They Do It"]

[Text] It was at the price of no few and often painful, agonizing lessons that the trade union movement in our homeland has occupied for some time already its historically appropriate place, following what the Hungarian Socialist Workers' Party has recognized: A trade union movement becomes faceless and without function if it does the same thing in the same way as the party and government.

The trade unions in Hungary have possibilities and rights--standing international comparison also--with the aid of which, constantly renewing their own methods also, they can satisfy the increased requirements. The rights of the trade unions are the rights of the workers, they act in their name, as their representative, on the basis of their authorization and thus do they decide and represent opinions and positions.

The trade union movement--with the fullest commitment to the cause of socialism--not only participates here in aiding the realization of policy, but also forms and develops policy. Amidst our socialist relationships the party, government and trade union work together for a common goal, but all three serve the worker class, the people, in accordance with their social mission according to their own calling.

Let us only repeat that important assertion of the 24th congress of Hungarian trade unions that "as a result of a long process--not yet completed--the relations of the trade unions to state power have been regulated." The chief substantive characteristic of this relationship is that the party--in developing and in carrying out its policies--builds on the independently working trade unions, which offer the sum and summary of the experiences and opinions of the workers for synthesis and debate. It is also an essential characteristic of this relationship that already today it is not possible to decide any question affecting the living and working conditions of the working people, affecting social development as a whole, without the trade unions. This very important element is built into the practice of the guidance of our society at every level of decision making.

Where the decisions affect factory or place of work levels public opinion, the trade union members, generally have the information needed. More rarely they are informed when the decision is born with debate, from the clash of contrary opinions. But there is less information about the part taken by the trade union in decisions at the highest level of state power, about the position represented by the trade union when working out some plan.

But it has been a well-proven practice of our governmental work for more than 20 years for the Council of Ministers and the leaders of the SZOT [National Council of Trade Unions] to discuss at a joint session every essential question affecting the living and working conditions of workers or the living conditions of the populace, debating the ideas and decisions. This is an important manifestational form of the activity of the trade unions in forming and influencing policy. These meetings, which always do worthwhile work, are held regularly. It is also a practice of more than 20 years for a representative of the SZOT to participate in meetings of the government. Cooperation is also regular and of great significance in work conferences of branch trade unions and ministries, of megye state and trade union leaders and directors and trade union committee secretaries.

As Sharers in the Workers' Power

But let us on this occasion remain at the highest level, cooperation between the government and the SZOT. The representatives of the government and the SZOT meet regularly not so that they can say nice things to one another from time to time--no one needs this--but rather to make decisions, representing responsible positions. Because responsibility is the basic position of the government and of the leaders of the SZOT. So how is it that they often argue with one another? For what or from what can there be debate or differences of view?

The trade unions are committed to the power, to socialism, but they are not committed to every measure. Thus, as sharers of the power, they critically examine every planned measure and when developing their position they weigh as the most important factors: Is the decision justified, how will it affect the workers, and how will it affect those of them with the smaller incomes? The independence of the trade unions is expressed most strikingly in this and in the realization of the decisions. This is an expression of their authority, because if the decisions of some state organ violate the law or curtail the rights of workers then the trade unions take determined action with every tool at their disposal, up to the veto rights.

But in the majority of cases the differences of opinion do not lead--and in a lawful way should not lead--to opposition, because the trade unions are not acting against something but rather for something. Desiring a common goal involves and presumes the possibility of compromise, because usually the debate is not about whether this or that measure is important but rather about which is more important. And usually the government and the leaders of the SZOT are not trying to persuade each other about which of the needs arising are just but rather about how to rank order the just needs knowing the material

possibilities available. And since the essence of the debates is not some sort of false prestige concern bur rather to work out decisions which advance the cause they often give birth to compromise solutions which try to express ever more fully social justice, at the same time taking into consideration the changes in the surrounding world, which have an especially great effect on us, and the state of our internal situation, our ability to bear the burden.

At the discussion held in the last few years the agenda always included an evaluation review of earlier agreements, of the fate of the trade union proposals. Also constantly on the agenda was a weighing of the government and joint work done in the preceding plan period and an analytical examination of the coming plan periods and the economic policy and social policy goals.

This would have provided sufficient themes for the meetings. But there was always something which concerned the trade unions and public opinion more than the rest. These things were given a special place at the joint meetings of government and trade union leaders.

Without regard to rank order or temporal sequence I have selected a few of them to list as a reminder. The themes included the supply of goods to the populace, the situation of construction industry workers, manpower management and the problems of regrouping manpower, price measures, the development of recreational facilities, urgent questions of the living and working conditions of miners, experiences in cooperation between the state and the trade unions, the possibility of further progress, a comparison of the situation of certain strata with our standard of living policy, and proposals of the congresses of branch of industry trade unions and of the 24th congress of Hungarian trade unions the realization of which required government level decision--primarily because of their material aspects.

The Openness of the Meetings

The continuity of the work can be felt in two ways. In the first place, in the interest of preserving our standard of living, the trade union movement is always seeking methods and possibilities with which it can aid state decisions serving to augment our material goods; and this can be felt also in how attention is called again and again to those working strata in a disadvantageous situation amidst economic conditions constantly becoming more difficult, the situation of pensioners and those with large families, and in how corrections are initiated in their interest.

In general the tersely worded communiques published about the meetings say little or nothing about whether agreements were made smoothly or whether there was debate. The tersely worded statements do not indicate if the solution was a compromise--as is most often the case--which came into being by virtue of a mutual listening to arguments. In any case, public opinion needs more than bare reports. Not becasue people want to bear gossip and not because they want to know how this or that minister or this or that trade union leader argued. But rather because just as there is a healthy need for

openness in all trade union work so there is a similar need for public opinion, the trade union membership, to be better informed about work at the government-SZOT level.

The most recent, regular meeting of the Council of Ministers and representatives of the SZOT, as noted in the communique, was a traditional one in every respect. With one exception, the presence of journalists, which now makes it possible for me to try, at least approximately, to show the mood of the joint session and faithfully record the essential motifs of it. We journalists participated in such a meeting for the first time. Naturally, earlier, we also felt a lack. Why was there no more detailed information? But now we could experience that it is not so simple to present these questions to public opinion. Although there were no secrets in what was said it is still not easy to oppose publicly the opinions of the SZOT and the government in individual questions because this could cause misunderstandings. As a whole it was obvious from the atmosphere of the entire discussion that neither the government nor the leaders of the SZOT were seeking some sort of distinction. Service to the cause was the essence--mutual responsibility and common action.

The first theme was a report on the tasks mutually designated at the last meeting, stressing among these the modification of the resolution concerning membership in the basic staffs and trade union help for the government's energy conservation program. It was the trade union opinion concerning experiences with modification of the basic staff regulations that practical implementation was not without problems. Many saw in it a devaluation of the value of work done in one place, not least of all because in many places the ideas in the preliminary draft were not debated at the democratic forums. For this reason there is much misunderstanding because it is obvious that a man finds it more difficult to accept a fait accompli than something which he helped to decide, in which his opinion was asked and taken into consideration.

There was no debate on this. The chairman of the Council of Ministers felt it necessary to stress, however, that the democratic forums are to be used not out of some sort of courtesy but rather in accordance with their authority and mission, to debate, collect opinions and decide important questions affecting the workers.

Debates and Exchanges of Opinion

Similarly there was no debate concerning the trade union ideas connected with the government's energy conservation program. The government leaders acknowledged with thanks the initiatives of the organized workers and when it was mentioned that it might be worth while to recognize outstanding accomplishments materially and morally there was immediate government approval of this.

"In exchange" the representatives of the government asked the leaders of the SZOT to use their own channels to make the workers sensitive to the fact that energy conservation is not a task for some definite time but rather a

continuing government program in the execution of which it would be open to and always sensitive to citizenand trade union contributions.

How did the current economic year get started? First of all the government had something to say about this to the leaders of the SZOT. The calm, tranquil mood proved the well founded nature of the planning but before all else the facts speak for themselves. But the conference did not register mutual satisfaction because, as the reflective analysis showed, the external conditions for management have become even more difficult than we expected and the truth is that we ourselves could have worked better and more effectively--knowing the possibilities.

The enterprises gave out a good part of the sums intended for wage development at the beginning of the year but it does not seem even yet that wage distribution is in harmony with the interests of the economy as a whole, is differentiated in the interest of the goals decided upon. The SZOT comment: There are great differences among trades and enterprises in the wage increases at the beginning of the year. So if it is important to pay attention at the level of the national economy it is at least as important to pay attention to those falling behind in wages, including those strata--certain categories of the technical intelligentsia, printers, miners--for whom a wage increase would be especially justified.

There was no polemic about which strata now merit greater attention but rather about whether the names of the trades just mentioned should be made public. The unanimous opinion of the trade union was yes; it was the opinion of the government that all the material resources needed for wage development do not yet exist and without these a report might easily give rise to unfounded illusions. We must still produce the material tools, plainly put, the money. With their original proposal on development the trade unions supported the larger sphere of workers, but in light of the situation they had to admit that there is no cover for this now. The agreement, finally, was the sentence in the communique which named the trades, but indicated the problems of the government also.

The first secretary of the SZOT--precisely because it sometimes happens that one can find a difference in the opinions of the SZOT and the government concerning the standard of living of certain worker strata, due to circumstances and changes in life--recommended that the trade unions provide more indicators and analyses and harmonize experiences on the basis of these. The proposal found an open door because the government members were also of the opinion that more experience aids better founded decisions. For this reason it is not necessary to wait for official occasions in regard to important indicators; these must constantly be exchanged between state organs and trade unions during consultations.

A Dialog of Partners

In this phase of the conference it was completely obvious even to an outsider that this was not a dialog of parties with opposing interests but rather an exchange of ideas between the government and the trade unions filled with

mutual understanding, often they understood one another from half a word, where the starting point was the already mentioned mutual responsibility. There could be and often were differences in thinking, in experiences, in rank ordering decisions and needs, but the goal was the same: To see the economic condition of the country get stronger, and from this increase to make distribution increasingly just.

It would be easy to sit down at such a meeting with a wish list, and give a lesson to the regime. But those proposals and requests formulated by the trade unions took into consideration the same conditions as the government. This is how the debate developed on the outstandingly important theme of maintaining the standard of living, that there should be better coordinated cooperation than at present between the government and the SZOT in analyzing the standard of living, in harmonizing experiences and in stressing common critical points.

Do these words sound cold? We are talking about millions and billions of forints. About planning budget allocations, every one of which affects thousands and hundreds of thousands of people. Affect hundreds of thousands of individual lives.

The government chairman said in connection with this difficult theme: "What is important in weighing every item, every proposal, is that the workers should feel that in our socialist social policy we are striving to express social justice."

And if I had not had occasion before, in following the course of the discussion, I had now occasion to feel, in taking up more circumscribed interests, a debate approaching passion. The subject was resort construction. Trade union opinion was offended that state organs had a say, one way or another, in the matter of resorts built with the money of organized workers, even though it was not in their sphere of authority. Of course there was no trace of resentment, but the government was ready with a counter-argument: The fate of the Balaton is in the competence of the government. The consultation spent a good bit of time on this and on the sometimes anxious zeal of their own organs, but finally the Gordian knot was cut by saying that in the long run there would be an agreement in principle concerning conditions for setting up trade union resorts. The comment of the government chairman at the end of the whole thing was playfully provocative: "But the rules on construction standards are binding for you too." And he added: "As they are for us."

As we have said already, the 13 April joint session of the Council of Ministers and representatives of the SZOT was traditional in every respect; and with our presence we could experience how the government and the leaders of the SZOT seek solutions. One could feel how concretely and ardently and with what great responsibility they discussed the daily, timely and long-range questions. Opening the joint session to the press was a substantial step forward in the openness of trade union work. In seeing that the organized workers get worth while information from every level about how their opinions contribute to the decisions of state power and how the leading organs of the trade unions carry out interest representation.

8984
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## ROLE OF CENTRAL PLANNING DURING ECONOMIC REFORM ANALYZED

Warsaw GOSPODARKA PLANOWA in Polish No 1, Jan 82 pp 1-6

[Article by Tadeusz Kierczynski and Urszula Wojciechowska: "Central Planning During the Introduction of Reform"]

[Text] The authors' purpose is to present a comprehensive proposal for the content and methods of establishing the central plan in the interim period.* Therefore this article has the nature of an applicable draft, which accounts for the absence of more detailed explanation of the premises of the proposals presented. By interim period, the authors mean the years during which a state of deep economic imbalance will persist in Poland. Since this definition certainly applies to 1982, this will be the year covered in the text. A prolongation of this state will make the proposals contained in the article pertinent to the following years. In view of the fact that the planning methodology has already been doomed, our draft is at the same time a proposal for changes in the methodology for the coming years of the interim period.

### I. Major Features of the 1982 Plan

The situation in which the development of the plan for 1982 will proceed is primarily characterized by a high degree of uncertainty with respect to the domestic and foreign conditions of economic functioning during the plan period.

Despite such unfavorable conditions, the plan must assure concentration of the scanty resources at the disposal of the economy in order to achieve two ends: first, to assure the development of the basic production without which normal functioning of the country, the satisfaction of the major needs of the populace and necessary exports are impossible; second, to initiate (and possibly to greatly advance) structural changes in two sectors: a) in coal mining with technical progress leading to thrifty coal consumption and energy usage, and b) in agriculture with technical progress directed toward better processing and distribution of crops.

The complete futility of central planning in 1980 and 1981 had two causes: the dispersion of constantly diminishing resources and the nature of the plan, which

*The text was written in July 1981.

did not respond to changed conditions. The plan for these years envisaged and envisages continuation of all previous production introduced and of all previous directions of technical progress. The plan decrees directives and a division of resources despite the fact that there is no possibility of implementing the directives nor of assuring resources for them.

Adoption of a procedure for establishing the plan, distinguished by the following features, is proposed to remove these shortcomings:

1. The plan should clearly distinguish a forecast part and a directive part. This division corresponds both to the concept of the Team of the Second Commission for Matters of Reform and to the real possibilities open to the planning service in 1982. The forecast part of the plan can be developed by the Planning Commission [PK] and, on its instructions, by a community of experts almost "right now" without waiting for the reform and other premises. The directive part requires periodic decisions concerning the system of functioning of the economy in 1982. These decisions must consider the need of limitation and modification of the directive part of the plan, dictated by the experience of the preceding period showing the futility of the plan directives in their current scope and form, and under conditions of the existence of powerful trade unions and an evolving worker self-government.

In 1982 the decisive (directive) part of the plan will be constructed considerably more stringently than will be necessary in following years. This is a result of the fact that the use of some solutions characteristic of a wartime economy have not yet been eliminated (e.g., ration cards). These solutions were imposed by limitations (analogous to those imposed by war), a severe shortfall of fuels and materials, a sharp reduction in imports, the need to lower consumption and the need to concentrate investments with an abrupt drop in their levels. Adjustment of the current structure of production and level of consumption is impossible (at least history has no example of this) without distribution indices, restrictions (including ration cards) and productive tasks. In the future, the directive part of the national plan should pertain mainly to controlling structural changes in the economy. However, despite all the difficulties in 1982, these changes must be initiated particularly in the sector of the development of technology to save energy and material, a displacement of the labor force, the development of exports, the development of agriculture and the development of coal mining.

2. The directive part of the plan is formulated in a product [goods and services] form for both tasks and resources. There are no "organizational units" [plant and equipment] (ministries and associations) here in the current traditional concept. The executors of the tasks contained in the directive part of the plan are the enterprises. Downgrading (transmission) of these tasks to the enterprises, along with the allocation of resources, is provided by the ministries and governors in cooperation with branch-type ministries. This is done by concluding one comprehensive agreement specifying both the tasks of the enterprise in 1982 and the allocation (allotment) of resources for this purpose.

On the other hand, the forecast part of the plan will both include a product [goods and services] profile and presage the development of individual economic organizations (associations, unions and ministries).

3. The course of implementation of the directive part of the plan is different in individual divisions. The point of departure is the variant of the plan for the production of basic raw materials and other materials, prepared on the basis of bids from mines, foundries and electrical power plants. This variant is the basis for discussion with these units on signing agreements. On the other hand, the plan for the production of regulated products, standards and basic products for export comes down from above. The enterprises which assure the most beneficial ratios of production to resources will be permitted to implement this plan.

4. The 1982 plan will take form in a situation devoid of long-range plans. This is understandable under the conditions of uncertainty, and attempts to establish a five-year plan would currently be wasted effort. However, it is worthwhile to treat the plan for 1982 as an element in the stabilization program wherever it is needed and wherever there are real possibilities of extending the time frame to 1983. In other words, the plan which we are currently beginning would be developed for 1 year in some elements and for 2 years in others.

5. The economic pattern of an enterprise in 1982 should not be related to the provisions of Resolution No 118, which produced negative effects in both the economic sphere and in social reactions. New measures must be applied in two variants.

Variant I is based on complete dependence of wages on results or on self-financing, which goes hand-in-hand with significant self-government and self-dependence.

Variant II anticipates limited self-financing and, to a considerable degree, the wages are guaranteed by the government. The limited self-financing goes hand-in-hand with the limited self-government and self-dependence.

The choice of the variant for a given enterprise is a matter for discussion and agreement. However, variant I must be treated as preferred in the policy of the center, and variant II as requiring special effort and justification by the enterprise.

6. It is necessary to adopt a firm principle of controlling resource expenditure by means of currency. Concretely this means:

a) an obligation to indicate the source of financing for each allocation and allotment (provision: to finance only from one's own resources, to extend credit and give subsidies at a time of shortage of another's resources);

b) the creation of real monetary funds in situations of previous operation by the right to expend resources (e.g., the currently due or available wage fund must be transformed into a real monetary fund for a bank account):

c) the flow of real monetary sums between the budget and the enterprise for the purpose of verifying and correcting the economic results of the enterprise; a prohibition against making exclusively statistical corrections which affect resource expenditure.

II. Plan Content

The plan is divided into three parts: forecase (A), directive (B) and special-purpose programs (C). Here is a more detailed characterization of each of these parts.

A. Forecast Part of the Plan

This part of the plan, in accord with the recommendations of the Team of the Second Commission on Matters of Reform, should be quite developed as early as 1982. The multivariant forecasts under the current conditions of uncertainty are very important for the politicians and decisionmakers on the central level, representative organs, social organizations and, finally, enterprise organization. These forecasts are the premise of discussions and socioeconomic decisions which will be adopted at various levels in 1982-1983. At the same time, these forecasts are not only necessary, but are capable of implementation. This area includes both people (the PK staff and its research facilities and a number of other communities in the country) and mastery of the methods, abroad if not in our country.

The forecast part of the plan should include the following divisions:

1. Socioeconomic Macroproportions:

--variant forecasts of growth in production and national income;

--variants in estimating the income to be divided and the proportions of its division into parts for accumulation and for consumption.

2. Conditions of the livelihood of the populace, the market:

--forecast of the income of the populace and its differentiation with special recognition and consideration of households on the level below the social minimum;

--forecast of the supply of goods and consumer services, anticipated amounts of shortages in major goods groups in 1982-1983 and within the time frame of 5 and 10 years;

--forecast of price increases for consumer goods in 1981-1983;

--analysis of differences in availability to the social and cultural infrastructure (according to types, regions and groups of people).

3. Industrial Production:

--forecast of changes in industrial production in the value formulation and in main assortment groups;

--forecast of the formation of industrial production in individual branches (changes in value, assortment groups, supply of materials, employment, degree of utilization of investment production capabilities, exports, and the extent of covering needs).

4. Agriculture:

--forecasts of production results in the area of crop and animal production;

--forecasts of economic results in the profile of individual management sectors;

--evaluation of the anticipated fodder situation.

5. Relations Abroad:

--variant forecast of growth in exports;

--forecast of imports necessary from both payments areas;

--forecast of the "credit market";

--forecast of formation of foreign prices for main groups of goods imported and exported by us;

--forecast of payments balance.

6. Supply and Management of Factors of Production:

--variant forecast of main raw material limitations: coal, energy, the most important imported raw materials and other materials within the time frame of 2, 3, 5 and 10 years;

--forecasts of consequences of different variants in the continuation and maintenance of investments;

--forecast balance of the labor force and employment for 1981-1983 and within the time frame of 5 and 10 years.

7. Social Infrastructure:

--forecast of the amount of resources which can be allotted to the development of the entire infrastructure and certain of its elements (apartments and community economy, health, education, science, culture, public transportation, protection of the environment and water economy);

--forecast of the state of the infrastructure and comparison with the extent of threats to it caused by infrastructure deficiencies in individual sectors.

We must aim at the widest possible product [goods and services] scope of forecasts and their detailed expansion. The elements of forecasting in different variants, resulting from a limited amount of resources (a given amount of resources), in which division for specific purposes is examined, should particularly be developed.

B. Directive Part of the Plan

1. The production of basic raw materials and other materials, a quantitative and evaluative formulation (in old and new prices) pertaining to two groups:

a) mineral raw materials (coal, sulphur, copper and zinc) and

b) energy and other raw materials and basic materials (rolled products, cement, artificial fertilizers, plastics and crude oil refining).

The above production is planned in the procedure described in part III. On the basis of agreements, the executors of the plan are enterprise producers and functional ministries in the area of resource provision.

2. Production of selected products by the processing industries:

a) regulated consumer articles, quantitative or evaluative formulation in compliance with regulatory principles; addressees: Urzad Gospodarki Materialowej [Material Economy Administration: UGM] for purposes of supply; MHWiU [Ministry of Domestic Trade and Services] as the consumer;

b) list of standard products not subject to regulation, including medicines in the first place, determined in accord with the possibilities of 1982 after public discussions. The addressees are as above;

c) export shipments to socialist countries resulting from international agreements, addressed to MHZ [Ministry of Foreign Trade] as the consumer and to UGM for purposes of supply;

d) export shipments to area II of the most important selected products (MHZ and UGM). Directives are especially necessary where the products may be designated for all three destinations (domestic and exports to payments area I (socialist countries) and payments area II (capitalist countries)).

3. Division of basic raw materials and other materials into three groups:

a) production of regulated goods and standards; b) production of goods for export according to the nominal lists; c) distribution priorities from the material pool remaining for all other needs, including the social infrastructure.

4. Division of foreign-exchange allotments from the available fund at the disposal of the Ministry of Finance (i.e., with the exception of the foreign-exchange resources remaining in the enterprises according to the self-financing principles). The foreign-exchange allotments should be divided in the NPSG [National Socioeconomic Plan] for the following groups of needs: a) regulated and standard market production, including the purchase of market goods (tea type); b) export production in an area which may not be covered by the system of foreign-exchange self-financing; c) the production of basic raw materials, other materials, fuels, energy (mainly spare parts); d) import of basic materials and other materials divided in the NPSG (including the importation of materials and raw materials for the production of medicines and for the health service). Foreign-exchange allotments for all purposes other than those mentioned above are decided in minimum-maximum scales with a large (safe) span between the amounts. This is necessary under conditions of such great uncertainty regarding the payment balance.

The addressees of the foreign-exchange allotments are the consumer ministries, i.e., MHWiU (market production), MHZ (export production), the Ministry of Health, UGM (import of basic materials), the Ministry of Mining and Power [MGiE] (spare parts and materials). These ministries make allotments to enterprises on the basis of agreements concluded with them.

5. Tasks in the area of development of technology:

--preferred Great Research Problems (governmental and selected crucial problems), tasks in agreement with coordination plans;

--selected technical undertakings for the purpose of reducing the consumption of coal, liquid fuels, power and materials, introduced on a large scale;

--selected technical undertakings on a large scale for the purpose of managing secondary raw materials and raw material substitutes;

--implementation of the manufacture of selected new products of great importance, cost, and requiring the collaboration of several branch-type enterprises (of the type of the new Ursus tractor).

These tasks are addressed to the Ministry of Science, Higher Education and Technology, which transmits them for execution, along with the resources necessary for their execution, to suitable units on the basis of agreements.

6. One element and basis for investment distribution in the directive part of the plan for 1982 is the program to reduce and concentrate the investment front. On this basis the central plan for 1982 defines:

a) the general level of investment outlays assigned, carefully, on the basis of the forecast part of the plan;

b) a nominal list of continued investment tasks, production and nonproduction-type, which must absolutely be achieved at an accelerated rate (of the type of Belchatow and Police). The addressees for these decisions are:

--the investor enterprise,

--the band or budget as the financing unit,

--the Ministry of Construction and UGM to assure supply and performance;

c) allotments of outlays for leading programs, i.e., for:

--the coal mining program; addressee is the Ministry of Mining,

--the agricultural program, addressee BGZ [Food Economy Bank],

--preferred directions in the development of science and technology for which the addressee is the Ministry of Science, Higher Education and Technology. The above allotments also involve the Ministry of Construction and UGM to assure supply and performance;

d) allotments of outlays for individual subsectors with an indication of directions (purposes) for which they can be utilized, namely investments:

--proexport and anti-import;

--market enrichment;

--material saving; allotments addressed to banks which partially assure their financing by credits. Investors in the pertinent field assure supply and performance;

e) nominal list of investment tasks recommended for continuation if

--supply and performance in the pertinent area are assured, and

--they possess their own financial resources; the addressees of this list are: governors, enterprises and also nonproduction-type ministries (health, culture and so forth), which may obtain an additional budget subsidy for this purpose. The prohibition against starting investments beyond the allotments mentioned above in points c) and d) is obligatory in 1982.

7. Displacement of the labor force:

--tasks in the area of assuring a labor force for subsectors requiring it (e.g., mining, power, health service, public transportation, agriculture and so forth) in a regional breakdown;

--these tasks are addressed to the governors who, in agreement with the Ministry of Labor and Wages, labor unions and ministries, set the limits of employment in certain enterprises for the purpose of displacing people to others. The main instruments of economic pressure for layoffs are production agreements (regulated and standard export goods) and allotments for the supply of fuels and materials, coupled with the principle of wage fund self-financing.

C. Special-Purpose Programs

Comprehensive programs for the development of agriculture and coal mining. In regard to the decisive role of coal and food for 1982, the NPSG for 1982 must be supplemented by a 1982 appendix which will present the total profile of material, organizational and motivational resources which will be applied for the development of these fields, based on a forecast of the effects which can be achieved as early as 1982. By 31 April 1982 [sic] such a program should be developed up to 1985 and presented to the Sejm in different variants of resources which can be allotted to these purposes in the national economy.

III. Planning Procedure

A. General Principles

1. The forecast part of the plan for 1982 should evolve in a totally unregulated way (without instructions) to allow input from experience. Two teams should be appointed to work out two parallel forecasts: one set up on the basis of the Team of Plan Coordination of the KP and another at the Institute of Planning and the Institute of World Economy. Each of these forecast teams, working on the basis of a concept developed by themselves, should make wide use of the experience and knowledge of the branch teams of the KP, and obviously of the RCI [expansion unknown] staffs.

2. The first step in developing the directive part of the plan is KP preparation of variant proposals for solving problems which have particular social urgency. These proposals should be presented to the labor unions for discussion and to the Sejm for decision. This concerns the draft solutions for the questions mentioned below.

--the effect of foreign trade on the domestic consumption of the populace; variants differing in the amount of exports of consumer resources with a demonstration of the effect on imports of raw materials and other materials necessary for the production of consumer resources;

--the range and standards of distribution of regulated consumer goods;

--a list of standard products;

--centrally regulated displacement of the labor force;

--a nominal list of continued sociocultural investments;

--rate and form of execution of residential construction;

--fuel and material supplies for the social infrastructure (community economy, hospitals, urban transportation and so forth).

Decisions of the Sejm concerning the choice of variants to solve the above-mentioned problems constitute the point of departure for the directive part of the plan.

3. Equally weighty elements of the plan, as mentioned above, are decisions pertinent to assuring the production of goods recognized as absolutely necessary for society and the economy, which are:

--basic raw materials and other materials;

--consumer resources under regulation and a list of standard products;

--selected export shipments.

Production of the above-mentioned goods is the only type for which the government guarantees resources. The producers of the mentioned goods (let us call them "basic production") are governed by a special planning procedure based on:

a) The obligation of elaborating variant plan drafts according to the model worked out by the KP. Variant development is based on three planned versions of the amount of production in connection with a corresponding need for resources; models of such a draft variant (we discuss this in more detail in part B of this article) are sent by the KP to the enterprises manufacturing basic production in July.

b) Signing agreements with representatives of the government (these can be, for example, governors, representatives of the domestic and foreign trade ministries), which obliges itself to assure all resources necessary for the manufacture of basic production covered by agreement.

4. Data on agreements signed with the producers of basic production are sent to the KP and are added up there. The sum of the agreements constitutes the verified plan of basic production. This plan can be accepted as real under the condition that the government meets its obligations to supply basic production with resources.

5. Fulfillment of the agreements in the matter of basic production is monitored continuously. Monthly data on this matter are examined by the government, and by the Sejm on a quarterly basis. Interruptions in the fulfillment of the agreements produce changes in the agreements and in this way in the basic production plans.

6. Enterprises which are not manufacturers of basic production do not participate in the plan formation at the KP level. However, all enterprises are obliged to remit information on their plan for 1982 according to a rather brief outline. These data come to the KP with the beginning of 1982 and, after their summation, are used for forecast work.

7. The content of the central plan, the most important special-purpose programs, is developed by the branch ministries themselves. The PK forms special teams to evaluate these programs and the programs, which are the result of a dialogue between the authors and the evaluating teams, become part of the central plan.

B. Individual Specific Procedure for Preparing the Directive Part of the Plan

1. Planning the production of basic extractive raw materials (coal, sulphur, copper, zinc);

a) The KP turns to the mines to prepare a draft plan in three variants;

--Variant I, resources on the 1981 level, what production?

--Variant II, increase in production by 10 percent, what resources?

--Variant III, growth in production by 20 percent, what necessary resources?

b) The mines send their draft plans to both the Planning Commission and the Ministry of Mining and Power.

c) The KP, in agreement with the MGiE, selects the variants from the mine draft plans.

d) The KP sends to the governors proposals for discussion with mines regarding the planned mine production in their area. Within the framework of these discussions, conditions for agreement, specifying the amount of extraction and the quota of resources for this purpose, are established jointly with the functional ministries (KGM [expansion unknown], MHZ, the Ministry of Labor and the Ministry of Finance).

e) Governors sign agreements with mines; these agreements are then signed by representatives of the functional ministries responsible for assuring resources.

2. Planning electrical energy production and the production of other basic raw materials (rolled products, cement, artificial fertilizers, plastics and crude oil refining);

a) The KP turns to the enterprises to prepare a draft plan in three variants:

--Variant I, resources for the 1981 level, what production?

--Variant II, increase in resources by $x_1$ percent, what production?

--Variant III, increase in resources by $x_2$ percent, what production?

b) to e) Analogous to planning for basic production of extractive raw materials.

3. Planning the production of regulated consumer resources:

a) The KP with the MHWiU establishes the necessary production quotas in different classifications and the resources necessary for their manufacture according to standards.

b) The KP sends:

--Production tasks to the MHWiU;

--Decisions on the distribution of resources to the functional ministries;

c) Domestic trade enterprises negotiate with producers.

d) Representatives of MHWiU and pertinent functional ministries sign agreements for deliveries of production and for assurance of corresponding resources.

4. Planning the production of standard products not governed by regulation:

a) The KP with the MHWiU establishes the estimated amount of production and the need for resources.

b) The KP notifies:

--the MHWiU of a list of standard products and estimated amounts of production of these products;

--the functional ministries of the estimated need for resources for the production of standard products.

c) Foreign trade enterprises negotiate with potential manufacturers. A guarantee of getting resources should be utilized to induce producers to submit outlay-saving bids.

d) Representatives of domestic trade and of functional ministries assuring resources sign agreements with producers. The agreements pertain to the obligation of delivering definite products and of supplying resources for their production, but the agreements do not define the amount of production and resources (signing an agreement only guarantees obtaining resources, and thus the possibility of production).

5. Planning the production of selected export shipments:

a) The KP with the Ministry of Foreign Trade establishes centrally regulated export shipments and the quota of resources necessary for their fulfillment. These determinations are based on a decision of the Sejm regarding the effect of foreign trade on consumption by the populace (discussed in general principles in the planning procedure). The plan for export shipments must not interfere with the plan for basic production for the needs of the country (points 1 to 4).

b) The KP notifies:

--the MHZ of tasks in the area of export shipments;

--the functional ministries of the amounts of resource allocations necessary to implement these shipments.

c) Representatives of the MHZ and pertinent functional ministries conclude agreements with producers to provide export shipments with suitable resource assurance.

6. Balancing raw materials and basic materials:

a) The KP establishes the assured supply of raw materials and basic materials on the basis of plans for their domestic production (points 1-2), and of assured central imports.

b) The KP establishes the need for materials and raw materials which must absolutely be assured. These are specific resolutions based on technical and economic standards. This planning procedure refers to assuring material supplies for:

--basic production (1-6);

--the agricultural program;

--the social infrastructure (community economy, hospitals, urban transportation and so forth).

All allocations are of a product [goods and services] nature. Their implementation is assured mainly by UGM through the system of agreements between producers and the government, which guarantees to supply raw materials and other materials for the manufacturers of basic production. On the other hand, allocations for the social infrastructure have the nature of organizational-unit [plant and equipment] allotments.

c) The planned supply of raw materials and basic materials (point a) remaining after basic needs are covered (point b) is at the disposal of UGM.

The KP determines the supply preferences in the nature of:

--organizational-unit [plant and equipment] (e.g., craft, bakery) and

--product [goods and services] (e.g., assurance of the coproduction chain).

The UGM distributes the raw materials and other materials in its possession through contractual relations with producers with due regard for the KP preferences and in consultation with the subsector-type ministries which are responsible for the coproduction chain teamwork and for the elimination of bottlenecks.

7. Import Limitation

a) Limitations on foreign-exchange for imports only apply to basic production (understood in the way accepted in this report). The KP with the Ministry of Foreign Trade establishes the need for import shipments by preparing a basic production plan.

b) The MHZ immediately grants allotments to producers in accord with agreements when MHZ representatives have participated in their preparation and signing.

8. Central Tasks in the Area of Development of Technology

a) The KP, with the Ministry of Science and the subsector-type ministries, defines the research problems and technical undertakings which require implementation in 1982 to assure resources, and also establishes the amount of the resources.

b) The KP sends:

--tasks for implementation to the Ministry of Science and

--recommendations for assuring resources to the functional ministries;

--the Ministry of Science concludes agreements with coordinators on research problems and technical undertakings.

In these agreements, the representatives of the functional ministries oblige themselves to provide resources (investments, materials, imports and wages).

9. Investments:

Central determinations in the investment area concern three fields, each of which requires separate treatment:

a) A nominal list of continuing investments is drawn up by a special committee appointed by the KP, consisting of KP workers and experts from outside. The criteria and procedure for selecting investments are narrowly defined. Particularly important is recording the authorship of decisions, professional reports and opinions (investment decisions cannot be anonymous).

This list is the basis for making agreements between KP representatives and an investor enterprise. The KP sends this list to the Ministry of Construction to assure performance and to the NBP [Polish National Bank] to assure financing.

b) Investments stemming from special-purpose programs are established in the procedure anticipated for these programs.

c) Allotments of subbranch-type outlays are determined by the KP using the following principles:

--it determines the joint fund of resources for this purpose;

--it grants this fund to subbranches in proportions corresponding to the ratio of their amortization allowances in 1981;

--it brings allotments to the attention of the NBP, which grants them by the method of credit competition.

10. Displacement of the Labor Force:

a) The KP, with the Ministry of Labor and Wages and the subbranch-type ministries, determines the needs for definite subbranches of the economy for additional employment in 1982. This need is determined in agreement with the voivodships and sent to the governors.

b) The governors prepare, on the above-mentioned basis, a program of displacement in their territory (no need of apartments). Data from the UGM and MHZ on raw materials and import difficulties of individual enterprises are considered in this program.

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# East Europe Report

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2280

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11 June 1982

# EAST EUROPE REPORT

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ZHIVKOV VIEWS COUNTRY'S PROBLEMS, OFFERS GUIDELINES, SOLUTIONS

Sofia PRESENT-DAY BULGARIA: PROBLEMS, GUIDELINES, SOLUTIONS in English 1982 pp 5-86

["Verbatim" report by Todor Zhivkov, general secretary of the Central Committee of the Bulgarian Communist Party and president of the State Council of the People's Republic of Bulgaria, to the national conference of party, state, economic and public functionaries in Sofia on 24 October 1981]

[Text]

*Comrades,*

This year was of signal importance to our country. First, the Twelfth Congress of the Bulgarian Communist Party was held. Second, we celebrated the 90th anniversary of the formation of the revolutionary Marxist Party in Bulgaria. And third, we solemnly marked the 13th centenary of the founding of the Bulgarian state. Quite naturally, we had many guests from many countries. We were greatly commended for the successes achieved by our country from the congress rostrum, at the celebration of the 90th anniversary, and at the 13th centennial jubilee. We are commended not only by friends, but also by foes.

Today, though, we are not at a ceremonial meeting. As Comrade Lilov already announced, the reason for our assembly is to turn back again to the decisions of the Twelfth Congress of the Party, to the decisions of the highest forum in our country's public life.

What could we say about the Twelfth Congress?

Evidently, we should confirm what was also emphasized during its sessions: the Twelfth Congress is not only a regular party congress, but also an event of historical significance for the development of the Party and the country. **We are fully justified to call it a historical congress, a summit in our party's congresses.**

Why?

Because the Twelfth Congress did not only take stock of the implementation of the decisions adopted by the Eleventh Congress. It did not only map out the main tasks for the period up to 1985, i.e. up to the Thirteenth Congress. The Twelfth Congress covered the whole decade from the endorsement of the Party Programme up till now and charted the main guidelines of our development for an entire decade ahead, i.e. up to 1990. **It spanned a period of really great scope, of historical scope.**

After a decade-long drive for materializing the Party Programme, the Twelfth Congress discussed and solved the new economic, political and ideological problems facing the Party in the further building of the base and superstructure of the mature socialist society in Bulgaria. **These problems are of principal, theoretical importance and will be strongly reflected in our overall practical work during the following period. In this way the congress enriched and made more specific the Party Programme, elaborating and extending its general policy adopted at the April 1956 Plenum.**

It is this which precisely determines the historical importance of the Twelfth Congress of our Party.

How did we approach the implementation of the congress decisions?

The Politburo decided to divide our work in two stages.

**The first stage** was aimed at informing the Party, the working class, the farm workers, the intelligentsia, all working people of the decisions of the Twelfth Congress. This stage was mainly of an **informative nature.** At the same time we launched socialist emulation for fulfilling this year's tasks.

**The second stage** starting now demands of us to turn back again to the congress decisions, to their great, I repeat, historic importance. However, our objective now is **integrally, versatilely and comprehensively** to map out ways and means, practical approaches for translating the congress decisions into life, for materializing them to the full in all spheres of our development.

In this context I would like to put forth at the present conference some considerations and to draw your attention to those problems which are of the greatest, most immediate importance to social practice, to our future economic, political and ideological work.

## I. ON MATURE SOCIALISM'S OWN MATERIAL AND TECHNICAL BASIS

It was perfectly natural for the Twelfth Congress **to give top priority to the problem of further building the material and technical basis of developed socialist society in our country.** Because it is a fundamental problem, the foundation upon which all problems in the other spheres of our social development intersect.

In drawing up the Party Programme, and in our past activity for its fulfilment, we, as a Marxist-Leninist Party, just as the other Marxist-Leninist parties, have been guided by the formulations of the classics of our teaching, we have examined, studied and applied the creative experience of the Communist Party of the Soviet Union, which first achieved a breakthrough in the capitalist system and set out to build the new society. Nevertheless,

we would not be exaggerating if we say that we come across serious theoretical problems and difficulties in elucidating the question of the character of the material and technical basis of mature socialism.

Why?

Marx and Engels were contemporaries of the industrial revolution. As you know, they believed that the socialist revolution would first win in the most developed capitalist countries, that precisely this peak would be the starting point of building the new society. Experience did not confirm their prediction. The breakthrough came about in tsarist Russia, which Lenin assessed to be a moderately developed country in terms of economy. As far as Bulgaria is concerned, the material and technical basis left us by capitalism was by far on a lower level. That is why after the victory of the socialist revolution both in the Soviet Union and in Bulgaria **extremely serious problems had to be tackled beforehand in the sphere of industrialization so as to reach those prerequisites and conditions which Marx and Engels envisaged at the outset of the building of the new social system.**

This problem also has another essential aspect. The age Marx and Engels lived in lacked in historical experience with regard to the development of socialism as a first, relatively independent phase of communist society. That is why they viewed socialism, in the broadest, most general terms, as a transition from capitalism to communism.

As you know, historical circumstances compelled socialism to resort to military communism at the outset of its development. Lenin, though, rejected it promptly and outright. Furthermore, he **brilliantly foresaw and formulated that the economy of the new society would inevitably develop over a long period on the basis of commodity-money relations, according to the law of value and the economic levers connected with it.**

This brilliant forecast of Lenin's, as well as his tenet that along the road to communism we shall pass through mature socialist society, have been confirmed in practice in the Soviet Union and the other socialist community countries. And we did the right thing at the Tenth Congress when we formulated the task of building a mature socialist society in our country on the basis of the existing material and technical, social, cadre and other conditions.

And just because we are building and will continue to build a mature socialist society, there is a key question we cannot evade – **what should its material and technical basis be?**

It is known that the masterminds of our doctrine envisaged that the new society would be built upon the achievements of the industrial revolution. Such was then the peak in the development of the productive forces. Comrades, today we live in different times, in times when the scientific and technical revolution is unfolding on a grand scale. The productive forces both in the socialist and in the advanced capitalist states are evolving at swift rates under its impact. The development of science engenders profound, revolutionary changes in machinery and technology, in the economic, political, social and cultural evolution of society. That is why it is lettered in bold in the Party Programme that **to build the material and technical basis of mature socialism means to create a basis on a par with contemporary scientific and technical progress, on a par with the scientific and technical revolution.** This is the only way to achieve labour productivity conducive to an accelerated development of the overall social system for greatly meeting the material and spiritual needs of the people on the grounds of the socialist principle that all depends on

the quantity and quality of one's labour. **For us this tenet is of prime, fundamental importance.**

Consequently, when we speak of building mature socialist society's own material and technical basis in Bulgaria, we have in mind that it cannot but be a material and technical basis on a par with the achievements of the scientific and technical revolution.

That is why **it is, and it will continue to be the major, key problem of our development** up to 1985 and in the following decade.

That is the reason why **complex automation by means of introducing automated cybernetic systems in production and in the other social spheres is set forth in the decisions of the Twelfth Congress as a top priority strategic task for further building the material and technical basis of mature socialism.**

The technological basis of these systems today is **electronics.** The term 'computer technology' is increasingly being used in some of the publications I have been reading lately. It is probably correct if we take the literal translation. I am not sure and I would not like to turn it into a controversial problem. I am convinced, though, that computer technology cannot cover, and even less exhaust the content of electronization. Because when we speak of electronization, we also bear in mind software for material production and management, the development of element production, the introduction of microcomputers and microprocessor technology. For us all this is related to the major task of intellectualization of all social activities.

Some will probably ask: are we not underestimating in this case the other trends and aspects of contemporary scientific and technical revolution? No, we are not. Biology and microbiology, genetics, complex chemization, laser technology, etc. are very, very important, and we will continue to develop them. **However, the introduction of sophisticated automated cybernetic systems and complexes of control of technological processes is the foremost trend today, and it cannot but be so.**

Why?

Because they embrace the control of technological processes in all spheres – both in production and in the management of national economy, and, if you will, in everyday life. They are entering science, health care, covering all sectors of our life.

That is why it is and it will continue to be a leading trend in further building the material and technical basis of mature socialism.

Did we not act in haste when we set forth this very task at the Twelfth Congress?

No, we did not. Furthermore, if we had not acted this way we would have lagged seriously behind. Because this process is also intensively developing in the other socialist countries, and particularly so in the developed western states. We should be clear on this point,too.

Do we have the necessary potentials and prerequisites to tackle the task of installing complex automated systems in the economy and other spheres? Indeed we do, comrades. We have already created a great part of them, and we can create others in a short period of time.

Let us take electronics for instance. All of you present here know that we are among the first per capita in the export of electronic products.

It is true that we do not produce everything, but specialization within the CMEA framework makes it possible for 70 per cent of the different electronic devices, machines, etc. used in Bulgaria to be of Bulgarian make. We already turn out computer equipment – large and medium-sized, minicomputers, microprocessors and so forth. This is a great, unquestionable success. Bulgaria accounts for

nearly 50 per cent of trade with electronic products between the socialist states. Or, as businessmen say, we, Bulgarians, are running things in the sphere of electronics. That is also a great achievement. It shows that the Central Committee and the government showed foresight, giving electronics the green light on time, a field in which we rank among the first today.

We have already started production and will probably soon be in the lead in another sector – the manufacture of digital-control machine tools of a new type, which can be introduced in the automated systems. We have already scored tremendous success in this sphere.

We have been producing robots for several years now. We have also achieved good results here, as well as in hydraulics and pneumatics.

Successes, however, are accompanied by many unsolved problems in the sphere of electronics in Bulgaria. We have difficulties, for instance, in the production of elements. We are on the way to surmounting them though.

However, where is our weakest link?

It is in instrument-making, in the creation of the instruments and devices needed for linking a given project, a specific working unit in the general automated system. It is clear to the experts present, that what we have in mind are sensors, measuring devices, etc. Now here we are extremely behind. We import from 200 western firms such instruments, the prototypes of which total over 2,500 in industrial chemistry alone.

You can imagine, comrades, the tremendous work that still lies ahead for introducing automated systems in instrument-making!

The situation is consequently the following – we have produced quite a lot, but there is still a lot to do, relying on integration and specialization with the fraternal socialist states.

It is imperative to consolidate the existing and to create new conditions so as to proceed now from the production of separate computers, be they big or small, of separate robots, etc., **to linking them in automated systems.** Work is under way in this sphere and the manufacture of such systems has been included in the plan for the eighth five-year period, its financing is guaranteed. It will give us the chance of accumulating experience, and furthermore, **of developing on a broad front by the end of this and during the next five-year plan.** These are paramount problems for which we should get ready, it is a key task which we should turn into a nationwide objective for the achievement of which we should above all rouse the enthusiasm of the youth.

Enormous work lies ahead in **training cadres** for this activity. It is necessary to start restructuring right away the higher engineering institutes for this purpose. Special programmes should be drawn up for training experts, cadres – managing as well as executive, both in the last stages of the uniform secondary schools and technicums, and within the unified system of training cadres. **All efforts and potentials should be focused on these problems stemming from the very decisions of the Twelfth Congress, problems which no one should soft-pedal or dispose of quickly, so that we could also unfold this sphere on a wide front by the end of the current and in the beginning of the next five-year period.**

*Comrades,*

As you know, at the Twelfth Congress we did not undervalue what we have already attained with regard to the material-production basis. And it is stupendous in terms of our dimensions and resources. It is with this basis that we shall work during this five-year period, and we shall rely on it during the

next. Consequently, there are no grounds or room for a nihilistic attitude to the existing material-production basis, and there cannot be.

That is why the second major task the Twelfth Congress set us is the complex mechanization of production on the basis of reconstruction and modernization of this basis.

The reduction of manual labour, which comes up to 48-49 per cent in industry today, should here unswervingly be a leading trend. For this purpose, beside the annual programmes, three-month and monthly programmes should be drawn up in order to channel the overall modernization and reconstruction in the reduction of manual labour, especially so in places where hard working conditions exist and the production process itself is unpleasant

The third main task set forth by the Twelfth Congress in connection with building the material and technical basis at this stage is using front-rank experience – Bulgarian and foreign – or what has generally been accepted as carrying out the so-called 'quiet revolution' for which, on principle, very little capital investment is needed.

What do we have in mind?

In one and the same enterprise, in one and the same line, on a more or less equal technical and technological level, some work well, have a high productivity and low prime cost, and others greatly lag behind. There are front-rankers in every enterprise, but their skills have not yet by far become mass practice and so forth. That is exactly why it should be our immutable duty and our immutable concern to be on a par with the front-rank enterprises of our home industry, to use promptly and fully the experience of the other socialist states, the front-rank experience gathered worldwide.

This is the principal and essential goal now, these are the tasks of this five-year plan, which should find a direct and active expression in our economic and political work, so that we use efficiently what has been achieved in the sphere of the material and technical basis and at the same time stand firmly on it as a solid foundation for building mature socialism's own material and technical basis.

## II. THE MULTIPLIER APPROACH – A CHIEF MEANS OF EFFECTIVE CONCENTRATION AND SPECIALIZATION OF PRODUCTION

The next question of paramount theoretical and practical importance, not in general, but now, during this five year-plan and the following period, concerns the specialization and concentration of production.

*Comrades,*

We should understand that the process of concentration and specialization in the sphere of economy is a law-governed process. This is an objective law which no one can repeal. If we do not take its requirements into account, socialist society cannot develop successfully. This law is also in force under capitalism, but there it is of a spontaneous nature, manifesting itself in sharp social crises. In this sphere as well, socialism as a social system developing in a planned manner on scientific foundations has great advantages over capitalism.

Five years ago we were faced with the task of finding a way for rendering most fully account of this regularity, using to the utmost the possibilities opened up by the socialist system. Then we elaborated the so-called multiplier approach. In this case what is important is not its name but its nature. The multiplier approach, in our view, is nothing but a conscientious, scientific programming of the processes of concentration and specialization of production within the framework of the whole country with a view to increasingly concentrating social labour and at the same

**time intensifying the division of labour, to achieve as a result maximum economic effectivity.** For this purpose the multiplier approach presupposes production echelons, unification and typization of production and technologies.

This is what the approach which at the time I provisionally called 'multiplier' consists of.

It should be pointed out that after 1975 we enthusiastically took up this question and there is practically no sector of material production where the respective ministries and departments did not work out complex projects on the multiplier approach. Open up your drawers and bookcases, look for these projects and find them. The question was theoretically elucidated relatively well. In practice, though, with the exception of some places here and there which constitute, we might say, paradisaic islands in the ocean of production problems, the projects were put on the shelf. In some places the experts who had elaborated them were removed, and the work went on in the old way. Well, that's the truth.

Naturally, some serious difficulties also exist. One of them consists in the fact that **economic problems, and more specifically the problem of costs, have not been completely solved.** The high cost of billets, components, units and assembly parts offered by the specialized enterprises are not advantageous for the consumer enterprises; this compels them to produce these elements as they turn out cheaper. On the other hand, difficulties arise from late supplies of contracted units and components. This disrupts production and for its part gives rise to a tendency for self-sufficiency, for producing all necessary units and components by the plant's own means. The 'do-it-yourself' system, which proved useful with regard to services and housekeeping, is an extremely vicious practice in the conditions of large-scale machine-building.

As you see, a significant undertaking was not brought to completion in spite of its indubitable advantages.

And could we have created a foundry echelon in Bulgaria had we not adopted this approach? We are developing machine-building, and we have come upon serious difficulties in the founding industry. We had about 250 foundries, mainly small and primitive, with hard manual labour and low productivity. We undertook to form a foundry echelon which is to be completed this year. A total of 20-22 foundries will probably remain in the country, but with them we shall solve the problem for the entire social production.

Let us take transport machine-building. Could we have resolved the problems of transport machine-building if we had not taken up this approach?

This approach was also applied in other sectors. But I repeat, these were individual cases, while the process as a whole is neither coordinated nor managed. Those who do the planning are not concerned with this problem, or only treat it among other things. It does not even concern the expert councils which approve the plans for overhauling, modernization and building of new plants. They totally ignore it. **The problem, though, is of paramount importance. It is of a strategic nature.**

To apply to the full the multiplier approach within the framework of the country means that there should be a catalogue for each bolt produced in Bulgaria, and that no enterprise except the respective one should have the right to produce it. The units and components should be unified and standardized, and the production lines echeloned. **It is the only way to achieve big batch production in the echelons and a wide range of end products, regardless of the fact that the total quantity of end production could be small.**

All this means that now we should not only turn back to the problem of the multiplier approach; we should be clearly aware that no one can be a good manager, planner, minister, etc. if he underestimates this problem in any way. Otherwise, we shall have squandering of national wealth, loss of time and low efficiency.

## III. ON THE OWNER AND MASTER OF SOCIALIST PROPERTY

*Comrades,*

I go on to the third problem of great theoretical and practical significance – **that of socialist ownership of the means of production at the present stage and the tasks we should tackle in this sphere.**

As you know, following the victory of socialist revolution in Bulgaria two forms of ownership of the means of production were established – state and cooperative. By nature both state and cooperative ownership are forms of socialist ownership. At the same time, however, these two forms essentially differed from one another not only in the ways of their establishment, but primarily in the degree of nationalization of the means of production. That is why in the sectors of the national economy linked with them there were differences in the remuneration of labour, in social acquisitions which were more for those engaged in the state sector.

We have always been guided by the view that **the forms of socialist ownership are not frozen, they are in the process of incessant change and development.** It is an objective, law-governed process. It is pointed out in the Party Programme that the development of socialist society will run in two main directions: on the one hand, both state and cooperative property will constantly develop, improve and be enriched, they will be marked by quantitative as well as by qualitative changes. On the other hand, state and cooperative property will gradually draw closer, they will be linked by a process of mutual penetration and enrichment. As a result of this, **the two forms of ownership will gradually merge in a law-governed manner into a unified all-people's ownership.** Such is the tendency.

We are faced with the question: have we arrived at the stage of fusing these two forms of socialist ownership or have we not? What point has this process reached? Have they already merged or not? Experts and scientists are not at one on this point. Some believe that these two forms of ownership have already fused in a unified all-people's ownership, while others maintain that we are on the threshold of this merger. Discussions between scientists should continue, they are important and useful.

But it should be quite clear to all of us – party, state, public and economic functionaries – that in the years of socialist construction, and especially in the past decade, the development of the two forms of socialist ownership has been marked by extremely important quantitative and qualitative transformations.

The scope of state ownership has considerably expanded both in the national economy as a whole, and in the separate branches. In industry, for instance, state enterprises accounted for over 97 per cent of general production in 1980, compared with their relative share of 94 per cent ten years back. There is a strong tendency for concentration of state ownership. Bulgaria is one of the first socialist countries where powerful economic organizations have been created, having enormous potentials for specialization and cooperation of production, for pursuing a uniform scientific and technical and foreign economic policy.

Most substantial, however, are the changes

brought about in agriculture. The character of cooperative ownership has radically changed with the establishment of the agro-industrial complexes. It is true that it has not become all-people's ownership in the form we find in state ownership. But it is no longer the old cooperative ownership. At the core it is an all-people's ownership with some still unsurmounted specific features. That is why we are fully justified to say that cooperative and **state forms of ownership have already closely converged, that they continue to draw closer and enrich each other at a fast rate. The socialist state is the actual owner of both forms of property, authorized by the people.**

What are the socio-economic aftermaths of this development of socialist ownership?

It has placed on the same footing the economic conditions under which the economic organizations work in industry and in agriculture. They already have the same attitude toward the plan, toward the budget and so forth. A uniform principle of forming and distributing the incomes of working people has been established. Conditions were made equal under which the working people – workers, intellectuals and farmers – avail themselves of such basic social benefits as leaves, pensions, aid and insurance in case of work accidents, motherhood, etc.

Consequently, **the owner of socialist property in Bulgaria today is the state as a representative of the people and authorized by it. And masters of socialist property are the respective production collectives, the working people engaged in the economic organizations, using and taking care of this property.**

Today, both in terms of the development of property – state and cooperative – and in terms of the country's general development, we are faced with the question in all its gravity: **what are the rights, duties and tasks of the state as an owner and what are the rights, duties and tasks of our working class, of the farmers, of all work forces taking care of socialist property?**

This question is of exceptional importance. **The state is the owner on behalf and on the instructions of the people, it fulfils the functions delegated it by the people.** As an owner it has the obligation and right to channel socialist property in the interest of the entire people. The state is in duty bound to develop and multiply this property, to guarantee the basic balances of the country, which are indispensable for the successful development of our socialist society, and to assure the continuous rise of the material and cultural standard of the people.

Comrades, how did it all turn out, however, until recently? It turned out in practice that the state functions also covered the direct management of property. And that was a grave shortcoming which ran counter to the essence of the Leninist principle of democratic centralism in the management of socialist economy.

As you know, we have dwelt for three years on these problems, and in this context formulated **a new economic approach in the management of the national economy.** Two theoretical problems can be taken as its points of departure. The first concerns the state as owner and the work force as master. The second refers to the fact that socialist ownership develops on the basis of the law of value, in the presence of commodity-money relations and the economic levers connected with them – cost, profit, interest, credit, etc.

This is the crux of the matter.

Consequently, we would like now, on the one hand, to clearly differentiate the functions of the state as owner from the functions of the work forces taking care of this property. On the other hand – we should take into consideration the requirements of the law of value and the functioning of com-

modity-money relations. Without this we cannot manage successfully and effectively the development of our economy at the present stage.

**What rights does the state have?** Socialist property is not group property of those who use it. It is not theirs to buy. We cannot allow any such thing. The State cannot give up one of its main functions, its right to be owner as representative of the whole people. It is the one which comes out with the state plan, ratifies legislative acts and basic economic regulations for managing socialist property. It is the right and duty of the state. The state plan is approved by the National Assembly, it is **legally binding** and no one can modify it.

It is quite another matter that the hundreds and thousands of indices which were approved before 'from above' and handed down to the economic organizations now have to be dropped or reduced to a minimum. We are still in the initial stage in this respect. It is, however, a firm principle that the state maps out and will continue to map out and approve the **main indices**.

Which are these indices? In the first place, we have the most important natural indices which guarantee the balances of the country. Second comes the profitability indice. The state cannot stay aloof of scientific and technical progress, of the scientific and technical revolution, for their impact on the development of economy is of exceptional importance to it. Third comes foreign currency. We take wide participation in the international division of labour, and that is why the question of foreign currency is of prime importance to us. There might be other specific indices in certain cases, but these are the main ones.

The state elaborates and possesses respective legislative acts and economic regulations for management, for carrying out its activity and defending its interests in this field.

From here on **the work forces should be given full opportunity to be masters of socialist property, to use it with maximum effectiveness, to augment it and develop it in the interest of the state, of the people, and for their own sake.**

What are in this respect **the rights and duties of the economic organization, of the work force?** These rights and duties are tied above all to the elaboration, adoption and implementation of the counter-plans. You know the great political, economic and ideological importance that our Party attaches to the counter-plan, and evidently it is not coincidental.

What does counter-plan mean?

**Counter-plan is the extended programme of indices for the overall economic-production activity and for the social development of the work force, which guarantees the realization of the tasks approved by the state and achieves higher efficiency by tapping reserves.** In practice it means a contract which specifies from where the raw materials are to be bought, how to market production at home and internationally, and so forth. It should be done by the economic organization with the direct assistance and active participation of the work force. With a view to this it is envisaged to set up respective bodies with the economic organizations – marketing and supply organizations, engineering organizations for introduction, for maintainance of the technical and technological standard of production. In this way the master will have the chance in his activity to take into consideration both the state, all-national interests, and the interests of the collective, the personal interests of each member of the work force.

Consequently, the counter-plan is an instrument of socialist economic management. It includes not only the plan and financial problems, not only the indices of production development, but also the social problems of the collectives. It covers all.

The counter-plan is open. It should be constantly modified and supplemented, to raise economic efficiency depending on the changed conditions of production. The collective, however, should know about all changes in the counter-plan; those that will be affected be it in a positive or negative way should be informed.

This is the gist of the problem. Each failure to differentiate the functions of the state as owner from the functions of those who take care of socialist property is a disaster. Today the requirement of clear differentiation between the rights and duties of the owner and of the master has not been fully met. Some district leaderships also violate the technology of planning by giving additional plans, assigning various tasks to the enterprises, which makes work even harder, etc. That is so, because we are still in the initial stage of applying the economic approach.

A case in point is the state of planning a year or two ago. I repeat again – not all is yet completed, we still need to experiment. What was, though, mass practice? The state drew up a plan. The plan mapped out everything the economic organization should do, indices were given for everything. No plant management, no collective would have a stake in unfolding self-initiatives, as in the final count payment, evaluation and everything else depends on the plan transmitted. And is it possible at all, as one produces, another buys, still others sell production on the home or world market, and so forth.

We should evidently mend this state of affairs. It is a violation of the Leninist principle of democratic centralism.

The next problem is that of commodity-money relations. Commodity-money relations exist in the overall reproduction process at the present stage of our development. At the present stage there is not and there cannot be another mechanism of development. You buy raw material, and you pay for it; you produce goods, and you pay the workers; after that these goods are marketed and so forth.

What lies at the core?

At the core lies cost-accounting and self-support of the socialist economic organizations. It is not coincidental that this principle is the cornerstone of the new economic approach and its mechanism.

At the core lies remuneration according to the quantity and quality of the work done, while the wages turn into a resultant quantity, into a remainder. It means that the net income realized by the economic organization, in the plant and in the team is determined first. From that what is due to the state is deduced: the outlays needed for the reproduction process, for increasing production capacities, are set aside; and the remainder is distributed according to the quantity and quality of the work done.

Only such a cost-accounting structure could assure that the economic interests of the economic organizations and work forces are correctly combined with the interests of the state. Only thus can we achieve complete unity between the economic rights of the master and his economic responsibilities for effective use of the socialist property entrusted him. Because, you cannot have the rights to use property which belongs to all the people without being responsible for the economic results of your activities. On the other hand, the active economic interest of the work force can only be realized by linking the size of wages to the end economic results obtained.

This is all there is to it, and it should be known not only by us who are present here. It should be known by the millions of people in our country because it is not only of economic, but also of tremendous ideological and educational significance.

A great deal of work lies ahead for applying cost-accounting inside each separate enterprise. Only through consistent application of self-accounting can the individual interests and economic responsibility of each worker, of each expert and leader be at one with the general interests and economic responsibility of the entire collective of the enterprise.

In this connection we are faced with the extremely important task of building team organization of labour. A team organization of a new type, founded entirely on the economic approach with consistent introduction of cost-accounting. Cost-accounting should be applied both to the economic organization as a whole, and to each team; it should concern even the poorest worker, the millions of workers in our country. That is why the setting up of teams of a new type and applying cost-accounting to them should be in the focus of attention of economic managements, of party committees and local party organizations. It should be realized that it is not only an economic but also a very important political task which should be solved no later than this year and the next. The efforts of the trade unions, Komsomol organizations, the best experts and front-rankers in production should be actively pooled in this activity. Only thus can we count on success.

In this connection we come to the question of profit. Profit, profit and profit again. Some will say: the capitalists are striving for the same thing. It is the motto of corporations, of economic organizations in the capitalist countries. Yes, they are striving toward the same thing. But there is here a 'little' difference. In a talk with a western politician we touched upon the question of profit, and I told him: yes, both you and we wish to obtain a greater profit. But in your country the lion's share goes into the corporations, it is seized by the monopolists, by the bourgeoisie. In our country profit is used for extending production, for increasing social funds, for raising real wages, and so forth. Here, I said, lies this 'little' difference.

We should uphold profit as an important criterion for the work of each economic organization, of each work force. What profit, though, do we have in mind? There is profit obtained through underhand dealings and other speculative ways. No, we do not need such profit! Profit should be the result of economy of labour, economy of raw materials, fuel and prime material, of better use of technology. Any other form of obtaining profit is to the detriment of the working people, of society and it should be prosecuted according to the law as a crime, and the matter brought to court.

How do things stand with regard to profit from export? It should be the result of both the good quality and profitability of the exported goods, and the ability to trade and market well.

*Comrades,*

The principle of the property and the master gives rise to many other questions which were put forth by the Twelfth Party Congress. Some of them concern the development of socialist democratism in the economy.

What is the crux of the problem?

We should all know the elementary truth that you cannot manage the economy successfully without the active participation of the millions of working people. The new economic approach and its mechanism now being formed should be a solid basis for the flourishing of socialist democracy in Bulgaria.

This means above all raising the role, rights and responsibilities of the collective

bodies of economic organizations and enterprises, so that they become really elective bodies, representatives and exponents of the interests of the working forces.

We have economic committees. We also have economic councils. Let's take these two forms of collective management. How are they built up now? The director, deputy directors, chief accountant, party secretary, president of the trade union, Komsomol secretary, etc. now have the right to be included in them without being elected. In one word – all leading comrades. And what about the rank-and-file workers? What about the best and most reputed experts? One or two places may or may not be set aside for them! That is not proper, and we should set the matter straight.

In future, only the director of the respective enterprise or economic organization should have the right to be in the collective bodies of management. He is a representative of the state and enters their composition by right. All other members should be elected, while more workers should be nominated front-rankers in production, as well as the finest experts enjoying unquestionable prestige and the respect of their work forces. As far as leading cadres not elected are concerned, they can always participate in case of need in the meetings of the collective bodies with the right to a deliberative vote.

The chairmen of the economic committees and of the economic councils should also be elected.

The higher ranking bodies, as well as the individual workers should know and respect the decisions of the collective bodies, because they are the exponents of the opinions, interests and positions of the work forces.

The correct thing would be for the government to regulate the rights and responsibilities of the economic committees and of the economic councils, while extending the competencies of these bodies in the management of the economic-production activity. They should be clear on the questions which they have the right to solve independently, and the questions about which the manager of the organization or the higher ranking bodies should compulsorily take their opinion.

In this way a broad basis should be created for democracy in economic management, a democracy founded on the principle of protecting state interests, the interests of the collective. **Such a democracy does not and cannot run counter to the principle of individual authority.**

The participation of the working people in the elaboration and adoption of the counter-plan is one of the main trends of intensifying democratism in the management of economy. Unfortunately, in many places it turns out differently in practice. And the counter-plan cannot be worked out without the collective. No one should respect a counter-plan drawn up without the collective, and serious thought should be given to those managements which work out their plans by themselves. Naturally, the current practice of setting short terms for drawing up the counter-plan should be decisively mended, as no enterprise would be able to secure the participation of the workers in preparing it.

The counter-plan is not only an instrument of management, it is also a document which directly concerns the interests of every worker. That is why the worker has a great moral and material stake in its correct elaboration and overall realization. In this way, the economic approach promotes the development and consolidation of individual and collective social awareness, the attachment of the worker to socialist property as if it were his own. And that, as you realize yourselves, is of enormous economic, political and educative importance.

Naturally, I am not referring to all aspects of democratism in economic management and particularly the development of the economic foundations of democratism of the teams of the new type. But that is the gist of it. We should create conditions and prerequisites conducive to widely unfolding socialist democracy in the economy on the basis of the theoretical principles I gave in a nutshell.

The question of fighting against the improper use and waste of socialist property is directly related to the care taken of it.

A few months ago I attended a meeting of officials of the Ministry of Internal Affairs. The tasks of the ministry were discussed in the light of the decisions of the Twelfth Party Congress. Comrade Dimiter Stoyanov, the Minister, was the speaker. I should note that the questions were well put, but that is not the point now. One of the functions of the bodies of the ministry – the protection of socialist property, was also examined at this meeting. Some participants talked about the increased number of thefts, how many of them had been discovered and so on. In my statement, I put forth the question: if we counted only on you, on state control and the legal bodies, then what an apparatus would be needed to protect this property? Maybe we should increase the apparatus several-fold, but that would not solve the problem either.

What is the main thing, comrades?

The main thing is to provide such conditions and prerequisites which would get the masters of socialist property interested in its management, and in the drive against its squandering. This is the main and decisive thing. The millions of people should protect socialist property.

Naturally, it does not mean that the people entrusted with special functions for protecting socialist property should cut down their duties. Nothing of the sort. Their rights and duties should increase. There is evidence that the legal bodies sometimes approach these problems quite liberally. Besides economic and punitive measures, though, socialist property should also be protected by means of instruction. The working people should be shown that this property is theirs through specific and convincing examples taken from the life of their enterprises, calculations should be made of what each one of them loses when it is not used effectively, when it is robbed and squandered. This is the only way to increase and strengthen their conviction to be its real masters.

A few words about personal property, connected with the auxiliary farms, the communal services and retail trade.

As the Twelfth Congress pointed out, at this stage of our development personal ownership of small means of production is necessary and should be regarded as a continuation of public property. It is indispensable for the countryside, and for the other sectors where the state cannot cope with all services.

Wide use should be made here of personal initiative, the necessary conditions should be created for organizing and employing pensioners, students and working people in other spheres. It is also imperative to give workers and experts the opportunity to work in their spare time in the specialized enterprises for small productions and services.

And is it not possible to distribute land for cultivation, for additional output of farm produce among the workers of industrial enterprises, among other strata of the urban population?

Evidently, we should do away with any kind of sectarian approach to these problems. In our country this personal property functions in the conditions of socialist economy. In Bulgaria there is a powerful state property which is decisive, big trade organizations

have been set up which are increasingly being extended. Under these conditions the encouragement of personal property cannot pose a threat to socialism. On the contrary, **it can be and it should be an additional source of incomes, an important factor for the production of more goods and services for the people.**

*Comrades,*

In view of this whole formulation of property and taking care of it, we should also solve in another light the question of the character of the activity of the ministries, of their rights and duties. As you know, we proceeded to merge some ministries. But there is something more important. Let us take, for instance, the Ministry of Machine-building and Electronics. It should not interfere in the management problems of the economic organizations within its framework. It is a state body and called upon to defend the state plan. However, it is not the ministry's business to supervise all that the given organization may produce outside the plan, or whether it associates with other organizations. If a given organization has a stake in associating with other organizations, let it associate. That is its own affair. But it is obliged to fulfil the indices of the state plan. And the ministry is responsible for that. It participates in the elaboration of statutory acts, of economic quotas, necessary for the protection of state, of all-people's interests, for stepping up scientific and technical progress, and renders assistance to the economic organizations in drawing up and implementing the counter-plans.

**Interrelations between ministries and economic organizations should be completely brought into line with the requirements of the new economic mechanism.** It is necessary to decisively uproot excessive regulation and tutelage of the activity of subordinate organizations, red tape, sluggishness and lowered responsibility in the fulfilment of the decisions taken.

**Why isn't the new economic mechanism fully in force today?** First, because the economic organizations and enterprises have not been entrusted with trade activity. Elaboration of this problem is under way, and it will be solved in the near future. Second, we have not yet solved the problem of manufacturing cost. There is talk about a rise in the prices of consumer goods. There is absolutely no truth in it. It is a question of modifying manufacturing costs. We fixed new prices only for farm products. As far as industry is concerned, manufacturing costs have not yet been determined. Work is also under way on this problem, but now we should syncrhonize things, see how this mechanism will function in the team, how it will function in the plant, how it will function in the economic organization, in the entire reproduction process. All this will be at hand in the near future, so that by January 1, 1982 we shall be able to act fully in accordance with the new economic mechanism.

I would like to note now that weak points will appear in a number of cases. In such a complex field not everything can be worked out and envisaged with mathematical precision. But this raises all the more the responsibility of the leaders of economic organizations, of plants, of industrial collectives, in applying the new economic approach to the full. Weaknesses should be overcome, the problems arising should be solved, the new economic approach should be linked to the drawing up of the counter-plans, to the remuneration of labour and so forth.

All these are complex problems. We do not presume that they will be thoroughly solved in a year. **But we are on the right track and we should make a concerted effort to ap-**

ply consistently and completely the new economic approach in the next two or three years.

## IV. ON THE PROBLEMS OF THE STANDARD OF LIVING

The other theoretical and practical problem, set forth by the Twelfth Congress, concerns the more comprehensive satisfaction of the material, spiritual and social needs of the people.

The care for man, as we all know, has always been and will continue to be the major concern of our Party, of our socialist system. That is why the problem about the satisfaction of the material, spiritual and social needs of man occupies a central place in both the Report of the Central Committee and the decisions, adopted by the Twelfth Congress. The main social and economic task of our development during the Eight Five-year Plan and up to 1990 is also subordinated to this end.

Which is the new aspect defined by the Twelfth Congress of our Party?

It is, above all, the new attitude to the solution of the problems of the living standard. In speaking about the raising of the living standard, we now have in mind the comprehensive satisfaction of the material, cultural and social needs of our people in accordance with the growth of its purchasing power. In speaking about the living standard, about the comprehensive satisfaction of needs, we must always view their correspondence to the level of purchasing power of the working people, the satisfaction of that very level.

Will the purchasing power of working people in this country grow? Yes, it will. It cannot but grow. The opposite would mean that we do not take into account the objective regularities of our development, that our striving for a higher national income and for higher labour productivity is just an aim in itself, torn apart from reality. This would mean that we are only marking time. Therefore, the consumer goods, services, spiritual wealth and everything else should correspond to the purchasing power of the population. We should, by all means, provide consumer goods, services, etc. necessary for meeting both the present purchasing capacity of the people, and that which is to be attained by the end of the five-year period. This is the very core of the problem about raising the living standards of our people.

The salary, as the Twelfth Congress specially emphasized, will remain the main source of income increase and of raising the purchasing power of the people. Its significance increases further under the conditions of the application of the new economic approach and its mechanism. It is now becoming ever more dependent on the quantity and quality of the work performed by each individual.

To this end, the Congress introduced certain new ideas concerning the growth and the way of utilizing the social consumption funds. They will continue to grow in absolute terms and during the eighth five-year period will increase by approximately 9,000 million levs. This is not an insignificant growth, it is an enormous one. The social funds will continue to be an important source of real income increase. However, they will no longer be allowed to grow faster than the national income, so that the stimulating role of the salary would not be undercut. A course is also being adopted for the decisive improvement of the economic and social effectiveness of their utilization. Preference is given to those working people, whose labour is of a better quality. Priority is given to those needs, which are most topical and socially signifi-

cant. Therefore, during the current five-year plan, conditions have again been provided **for the growth of both the nominal salary** according to the quantity and quality of labour and **the real salary** which is also formed through the social consumption funds.

Thus, by raising and accordingly satisfying the purchasing power of the working people, we shall be able to guarantee the further raising of the people's living standard.

Is this a consumerist attitude?

Certainly, not!

The consumerist attitude is at hand when there is consumption without production, taking without giving, when the socialist principle of distribution according to the quantity and quality of the work done has been violated.

**Our task now is to ensure a balance between the ever growing purchasing power of the population and the supply of an adequate quantity, of high quality and variety goods and services.**

We cannot accept the explanation that it is difficult to supply the things people need, because of some unfavourable weather conditions, or all sorts of other shortcomings and difficulties, or because of international tension. For certain things there will be exceptions. As is the case with cars, for example. We simply cannot import as many cars as are wanted. **It is inadmissible, however, to fail to supply the goods man needs in his everyday life.**

We can definitely state that we are to make a correction in the plan for the eighth five-year period since we are not going to get the agreed quantity of liquid fuel. This is also the case with some other power and raw material deliveries.

The People's Republic of Bulgaria, like the other countries of the socialist community has been forced to put aside additional funds for **the country's defence.** This is being prompted not by our desire. It is the result of the complicated international set-up.

Nevertheless, **we shall do everything possible so that the standards of living of our people will not drop and so that the social policy of the Party outlined by the Twelfth Congress will be fully realized.**

As you know, it was almost ten years ago that the Central Committee approved the December Programme for raising the people's living standards. However, it is not a programme for only one or two five-year periods. It is a long-term programme covering the entire stage of the building of the developed socialist society. This calls for its constant updating, for setting it in conformity with the changes in the economic conditions and the needs of the people.

The tasks, set forth by the Rousse Conference of 1980, which were later complemented by the decisions of the Twelfth Congress, must now be in the centre of our attention. We must guarantee the production of as many goods as the level of the purchasing power of the population requires.

A comprehensive programme for the construction of new enterprises for the food industry and for the production of consumer goods is currently in progress in this country. This year 50 small enterprises for consumer goods are to come into operation and another 60 are due to open next year. Their construction and timely exploitation should be constantly supervised by the people's representatives and local councillors.

For this purpose, our plan provides the prerequisites for the comprehensive satisfaction of the needs of the population with high quality goods, goods of greater consumer value and durability. The necessary funds have been planned for the purpose.

This, however, does not exhaust the problem. We have to launch an enormous initiative

going beyond the plan, stirring into action **the social functions of all the economic organizations and settlement systems.** Not a single organization in socialist Bulgaria should be indifferent to the social functions which it must perform within the range of its capacities.

Let us take the industrial enterprises, for example. Each enterprise or plant should have **an auxiliarv farm** in addition to its basic activity. It must be provided with land to produce farm products so as to improve its canteen supplies and make food cheaper. It should also have **an auxiliary workshop for the manufacture of consumer goods,** but not of the kind of rubbish that is now being produced in many workshops which leads to a waste of materials. This kind of consumer goods production should be competitive. The big plants **should have their own food stores,** while the small enterprises should pool their resources and open their own stores. The enterprises should also have **workshops for communal services.** In the future no plant or a group of small enterprises should be left without a store or communal services workshops. This does not mean that these stores will offer goods at lower prices. They will sell at regular market prices but will make it easier for people to shop locally, thus saving time.

Let us take, for example, the tremendous contribution of **the settlement systems** in the solution of these tasks. For several years now, we have been talking about the **self-sufficiency** of the residents of the settlement systems with meat, milk, fruits and vegetables, eggs and fish. The achievements are quite impressive but the problems have not yet been fully resolved. This can no longer be tolerated. The district and municipal authorities should realize that next year they will no longer get additional quotas of meat, milk, fruits and vegetables from the centralized funds, except the already fixed ones.

Naturally, every settlement system cannot and need not build a plant for TV sets or a foundry. However, each settlement system should have a well developed network of services for the population.

To achieve all this in an organized way, **each settlement system should be granted a wide range of prerogatives.** It should have the right to conclude agreements with the enterprises on its territory and with other settlement systems. This means that the settlement systems should be rich, should have the means, capacities and funds to develop all kinds of activities necessary for the population.

What is the present situation? So far we have failed to prepare the statute of the settlement system. It is common practice to follow the easiest way: give us this and give us that ... and let the state be the provider. **From now on each settlement system will have to apply the principle of self-support.** It may use as a source of income the profits of its enterprises and establishments, the deductions from the enterprises on its territory and from the agro-industrial complexes, etc. This calls for raising the effectiveness of production. This is the starting point. Wealth is not a godsend. This is absolutely out of the question. It is true that the state can help and will help. Assistance will be rendered only to individual settlement systems whose means are insufficient even after they have made all the efforts to develop their own resources. **Therefore, the settlement systems should be given 'a free hand' so as to develop greater self-initiative and creativity.** The executive committees of the district people's councils continue to hold sessions, draw up programmes and do everything else, but if the settlement system does not get consolidated all these activities will be immaterial. This is the enormous significance that the settlement systems are now acquiring in the drive to improve supplies

decisively and meet the material and cultural needs of the population.

Comrades, we must and we shall resolve the problem of industrial and agricultural consumer goods. We have the possibilities and we will do it. There is, however, yet another problem which is also acquiring an exceptional significance and this is the problem concerning the services. In this respect we have fallen behind. I am not going to make any comparisons with other advanced countries but it is a fact that we have fallen behind.

We must no longer put up with that. The services are acquiring a decisive significance for the biological development of man, for sustaining his vitality, his working capacities, for promoting his social and cultural development and so on and so forth. The services are extremely important in spheres such as recreation, everyday life and the cultural development of the working people. Presently, about 30-35 per cent of those employed in the national economy are working in the sphere of the services. In the future 50-60 per cent of the labour force will be employed in the services. There is nothing to fear if we are to slow down the development of some other sectors in order to concentrate our efforts here, because in this way we shall be able to create better conditions for life and work.

I have tackled the problem of services at the Roussé Conference, in the Letter to the Sofia City Party Committee and the Sofia People's Council, in the Memorandum to the Politburo of October 14, 1980. The services include a very wide range of activities. Therefore, I would like to refer to just some of them.

I shall start with the health services. We can take pride in the great successes scored by our socialist health services. It was correctly pointed out that we rank among the first countries in the world as regards the number of doctors and nurses per 1000 persons. It is a fact that every year doctors make over 60 million medical examinations. We probably have other achievements in this respect. However, if we are to examine things more closely and weigh the end results of the medical services as regards the improvement of health, the lengthening of life expectancy, etc., we shall see that there are still a number of serious shortcomings in the medical services and that we can aim much higher in this field. Work on the medical front should be decisively improved in order to solve the problems which concern millions of people. These are the problems of prevention, diagnosis, treatment and rehabilitation, the standard of the medical services, etc.

Our public health services have got the necessary potential and can and must resolve this problem.

The protection of the health of the people, the vitality of the nation, however, is not and cannot be the concern of the medical establishments and bodies alone. It should become the cause of the entire nation, of every citizen who should take care of his own and his relatives' health. The problems of health should be in the centre of attention of the production teams, the departments and research institutes, of the public organizations.

The next problem concerns transport services for the population. They are among the most necessary and commonly used services. The transport services, too, deserve praise. After all, today everything in Bulgaria moves on wheels. No one goes on foot except when out hiking. Even then we use cars and buses.

Nevertheless, here again we should examine things in reverse order so as to see what the results are. In that case the picture will be somewhat different. The transport system in the large towns, not to mention Sofia is not in a good state. It will take you

more than an hour to cross Sofia from one end to the other.

Still less encouraging is the state of inter-urban transport and there are over 700,000 commuters in the country. Considering the present state of transport services a commuter will need 2 to 3 hours to get to work and return home.

Things are further complicated by the fact that very often transport vehicles disrupt the time schedules. The average delay of buses varies from 15 to 40 minutes and of trains – from 40 to 50 minutes.

Apart from that, there are nearly 140 settlement systems and over a thousand communities where the transport services are inadequate. Many of the vehicles are worn out, not to mention their hygiene inside, and the standard of services, etc.

Here is one vital problem of our people that cannot be resolved by simply holding meetings and conferences or relying on the efforts of the top officials at the Ministry of Transport. What we need is a precise picture of the situation so that we would know what exactly should be done and where. It is imperative to use most reasonably the capital investments planned for the five-year period in order to improve decisively this sector.

Another group of important services, necessary for the life and work of man, are **the administrative and legal services.** They involve hundreds of services performed by the municipal councils, the municipalities, the district people's councils, the central departments and public organizations. These services satisfy a whole complex of social needs, concerning the civil, family and property status of the people.

Here again we have to start with the shortcomings. We have scored successes, and a lot has been said about them. **It is true, however, that people waste not only hours, but days and months in seeking and receiving administrative-legal services, especially from the judicial organs, the people's councils and the financial institutions.**

In 1980 alone the central and local bodies of public administration and the mass media have received more than 230,000 complaints and warnings concerning disorders in various administrative and legal offices.

Not to speak of the time that is wasted in connection with the thousands of suits and claims, set up by the judicial organs.

It may sound rather far-fetched, but our courts and the whole judicial system are far from performing their basic function properly – to strengthen our socialist order. The judicial institutions should be centres for the education of people, instead of inflicting upon them moral traumas every day. It would probably be more feasible to transfer some of their functions to the settlement systems. Why should some cases drag on for years even though they are rather obvious and clear and could be settled quickly? What kind of society have we when anyone who has committed even the most insignificant crime, necessarily has to be brought to trial? Where is our humanism, our morality, our new outlook?

A few words on **the housing problem.** We obviously cannot resolve this problem if we rely on the building organizations alone. They should deal with the general construction work only, while the manual finishing work should be done by the new residents with the help of their friends, relatives and neighbours. This is the way to save time, nerves and materials, since the interior of the flats often does not suit the taste of the residents and they begin transformations upon entering the houses. The Komsomol is to play an important role in this respect since most of the residents are young people. The Government must pass the necessary bill for this as soon as possible and put an end to past practice. This

is the only way to resolve the housing problem. Otherwise it shall drag on for years in spite of sufficient outlays for it.

We shall continue to devote special care to pensioning. The Party Central Committee and the Council of Ministers have already adopted a decision for considerably raising certain categories of pensions of co-operated farmers, covering about 400,000 pensioners. As you see, we have made the first big step in this respect only six months after the congress. We have a distinct position – the pensions must be periodically up-dated and brought in conformity with the changes that take place in the income of the able-bodied population.

We are now working hard on certain other issues of social policy, such as raising compensation for temporary disablement, handing over an ever growing share of material support of the coming generation to society, introducing additional incentives for raising the birth rate, etc. We should carefully consider these issues and tackle them.

**One thing is clear – the quicker we create the necessary economic prerequisites, the quicker the national income grows, the sooner we shall accomplish these and other undertakings concerning the living standard of the people.**

*Comrades,*

The Twelfth Congress also attached great importance to the radical improvement of the political system in our country, as well, and in this context to the further development of socialist democracy. We cannot solve this problem successfully if we do not comprehend the idea set forth in the congress documents in the proper way. This idea implies **something new, essentially different from the present situation.** I already spoke on one of the aspects of socialist democracy which is of exceptional importance – **the economic aspect.** It does not, however, cover the whole problem. We are developing **representative democracy.** It is evident, however, that **we should now seek decisive forms for developing direct democracy above all, for ever more actively enlisting the people's masses in the solution of fundamental problems of management, of cardinal and everyday affairs of the state and society.** We should seek the proper approaches, and create forms for the broader application of **the public-state and state-public principle** in the various spheres of management.

What we need in general, is to attain **a new upsurge of socialist democracy** that will lend a new im c.us o the socio-political, labour and production initiative of millions of Bulgarian people, and assure their active participation in the discussion and solution of problems arising at their place of work and residence.

It is necessary, for example, to resolve consistently and completely the tasks set forth by the Twelfth Congress, concerning **the material strengthening of the local bodies of the state-political and economic structure. Special attention must be paid to the municipalities. Their role and strength must be raised.** As I have already pointed out, our municipalities must have the rights, financial resources, materials, allocations, etc., that is everything they need to launch a wide economic and other initiative. We should pave the way for co-operation between municipalities, between their leaderships and the managements of the enterprises. Joint programmes should be drawn up for the solution of local problems, for enlisting the population in their fulfilment, etc.

**What we need now are strong and wealthy municipalities, carrying out diverse activities for the well-being of the people, for the benefit of the entire nation.**

The fulfilment of the decision of the congress to raise **the role of the people's representatives** is of special importance. Every citizen must be aware of the fact that he has a representative in Parliament and may turn to him for protection and support. The leadership of the National Assembly should prepare and submit for approval **a special decision** to further clarify and solve this problem. We can even now undertake certain steps for improveing ties between the people's representative and his contingency.

Radical steps of the kind should also be taken for raising the role of **the people's councillor** in the solution of basic problems and tasks of the people's councils, for the establishment of proper relations between the working people and the local state bodies. Wrong are the methods of work which allow the apparatus of the people's councils to take over some of the prerogatives and functions of the people's councillors. Such methods should be done away with.

Let us consider yet another issue we have been discussing for many years now, i.e., applying **the principle of competition** in appointing people in production and management. It should be introduced at all costs. The Party will continue, of course, to elaborate and direct the personnel policy in our country. This is the way to guarantee the correct development and consolidation of our system. However, comrades, the policy and duties of the Party concerning the personnel issue is only one side of it, and providing concrete practical conditions for the realization of this policy, for ever fuller and effective manifestation of the abilities of people in Bulgaria quite another. Such people must be promoted.

We should continue work on these and other issues set forth by the Twelfth Congress along this line. We should approach the entire political superstructure in a new way, with new criteria. This will promote and lend fresh impetus to strengthening of Party ties with the millions of working people in our country.

## V. LET US BREAK THROUGH THE VICIOUS CIRCLES IN OUR DEVELOPMENT

*Comrades,*

The Twelfth Congress analyzed comprehensively our socio-economic development. It turned out that on a number of indices, such as the development of the material-technical and production basis, the growth of the national income and labour productivity, we had created yet another Bulgaria in only one decade. This is great success and we were justified to speak of it at the congress.

I would like to inform you that this year our plans are successfully being fulfilled on all quality indices. But I repeat, this fact should by no means make us complacent and slack. Some people may think it sufficient to applaud the decisions of the Twelfth Congress, to cause a stir around them – and stop at that. Naturally, something might be done here and there. And then – we should, in their view, go on in the old way.

Such comrades are deeply mistaken! Not in a single plant, not in a single agro-industrial complex or economic organization, nowhere must we tolerate such a formal attitude to the decisions of the Congress. **What we need is to tap to the full existing capacities and resources, to thoroughly restructure our activity in tune with the decisions and requirements of the congress.** And this signifies **to work out an all-out, serious scientific approach, substantiated both organizationally and politically, to pose and resolve problems**

**with a view to the world level of development of productive forces, of machinery and technology, of world achievements in the various spheres.**

I should like to be properly understood. What we have in mind are not administrative steps, much less so tightening of the belts. On the contrary! We want to create better prerequisites and more rational conditions for the construction of developed socialism in our homeland.

We cannot achieve this, however, unless we realize that we have been moving in several vicious circles. Everything I said up to now must lead to breaking through these very vicious circles at any cost.

**What are these vicious circles?**

**The first vicious circle** concerns the fact that **the extensive mode of development and functioning of our economy still continues** regardless of the successes. Capital return has not improved; on the contrary, it is decreasing. In our national economy 47 levs national income were obtained in 1971 per 100 levs fixed capital, while in 1979 we had only 38 levs. This is the real situation!

Can we reconcile ourselves to this and continue going round this vicious circle? On no account. We keep on extending and blowing up construction of production capacities, leaving effectiveness aside. Until when, may I ask? There are 400 buildings in Bulgaria fit for production purposes, but they remain empty. At the same time the plants work in one shift or one shift and a half except where we have a continuous technological process.

Or, let us take light industry, for example. There are clever, well trained people working there. They know how to ground and defend their positions. They keep on asking for more capital investments. We give them more, while from a technological point of view we continue to be on an average or above average level in many sectors of light industry. On the other hand, the local industry has quite good enterprises, and if we make minimal capital investments there, and provide the necessary raw materials, we can secure an additional output of about 500 million levs. However, the local industry is still ignored in our country. That is why the Ministry for Light Industry has turned into a body striving to produce all consumer goods. It is a case in point, but such an approach is far from characteristic of the activity of this department alone.

**It is necessary from now on to observe strictly a golden rule: no capital investment should be given for any extension, unless the already established production funds are utilized most rationally.** Absolutely no capital investments! This is the only way out of this vicious circle. And if there still exist certain managers who ask for more capital investments for extending production, while using ineffectively what has already been created, then it is high time to investigate their personal qualities, why they enjoy the support of the work force and of the Party. Naturally, we should continue to lavish care and attention on our economic functionaries. The sector they are working in is a very difficult one, especially if they are "tied hand and foot" for above. But the situation is changing now, they are given the opportunity for broad initiative and independence, and that is the reason why there should be no lenience or pardon when national wealth is squandered.

We should reduce capital investments during the present five-year period. I have already mentioned the international causes and internal factors. **In spite of this, we should use the rest of the capital investments in a way that will enable us to prevent the reduction of the national income and of labour productivity, to live up to the purchasing power of our people, to solve successfully the social problems we have set ourselves.**

**The second vicious circle concerns economizing on raw and prime materials and fuel.** Were the comrades in charge of this problem to report here on what they are doing in this respect, we would all learn of the numerous steps and elaborations that have already been undertaken. And in this case I am not being ironical. These comrades are in fact making an effort, but their projects and views are outdated. Providing that our country is very poor in raw materials, fuel and energy resources and we spend the most, we shall not be able to break through that vicious circle if we rely on such projects. What we need is a completely new approach, especially where liquid fuel is concerned. The task we face now is **to economize on each drop of fuel.** As for people unable to economize and to create the proper atmosphere for this, we shall have to ask them to look for another job, no matter what their worth may be.

Last summer, while resting in Borovets, I passed by a bulldozer in the field. The engine was working, but the driver was nowhere to be seen. I asked one of the comrades accompanying me to stay there and see for how long the engine would run idle. The engine ran like that for three hours. When they asked the driver about the reason for this, he answered: "I started the engine, but the boss did not come and tell me what to do today. I went to look for him and when I found him we chatted for a while". And so they chatted for three hours! And the engine ran idle all the time! I'd think nothing of it if it were the only case. Unfortunately, raw and prime materials and fuel are wasted almost everywhere.

You may object, saying: "Comrade Zhivkov, you are oversimplifying things." No, comrades, we should pool our efforts in an all-out drive for economizing. Both you and I know perfectly well that the sparing use of raw materials begins in the design offices, with the very designs of the machines and equipment, that it involves the whole production process. This is a major problem and we have to resolve it in a new way, to adopt a new approach, so as to break through the vicious circle we have been turning in for so many years.

**The third vicious circle concerns the dissipation and the ineffective us of manpower.** We are now beginning to introduce the automated systems in production. But, as we well know, it is not going to be so everywhere, especially during the current five-year plan. Manpower must not be dissipated. We are increasingly becoming short of manpower. During the current five-year plan we are going to develop a number of additional productions and what matters most, we should make a genuine turnabout in the sphere of the services. This will require fresh manpower.

Why is manpower being dissipated in this country? Why is it not reasonably used? Because it is cheap. The machines are expensive, the equipment is expensive while manpower is cheap. Who would be that foolish not to take advantage?

Why is manpower cheap in this country? Because the real incomes of each worker, as I have already pointed out, are formed on the account of both the labour remuneration according to the quantity and quality of labour and the social funds – for holidays, the health services, family allowances, etc. Thus the real salary depends upon two factors: the first – labour, and the second – the social funds. In actual fact, manpower is cheap and for this reason in production, administration and the other social sectors there is no ambition to use it adequately. Is it possible nowadays to tolerate and not condemn the dissipation of the most precious of productive forces – man? I think we should seriously weigh things and decide what should be done so as to resolve this problem with economic

measures, as soon as possible. It should be resolved in such a way so that each manager will know exactly what to do when the problem about the use of manpower is raised at his enterprise or department.

The fourth vicious circle is the realization of scientific achievements. A lot has been said on the matter, comrades, but the vicious circle is still there. Why is that so? It is because there exists a 'no-man's-land' between the scientific elaborations, the things created at the scientific research institutes, the design and technology bureaux and their implementation. This 'no-man's-land' is there because there is no economic mechanism for the introduction of scientific achievements in material production and in the other spheres as well. There isn't such a thing and that's that! You may argue: thereis agreement, coordination, etc. Yes, there are things like that, but there is no genuine mechanism which will represent and protect the social interests when a certain scientific innovation is to be introduced. There isn't a system, covering the entire cycle of introduction – from the signing of the agreement to the mastering of the new technology and the realization of production. There isn't a system which would bind payment with the final results of this activity.

Not long ago I visited Razgrad. The comrades there have set up an engineering organization which serves the new type of team organization of the crop-rotation of basic cereals. They have established contacts with some research institutes at home and abroad and are working hard. This organization is paid half of what is produced over and above the plan. They get paid for nothing else but the 'intellect', the 'grey matter' which is used for raising production. This is the way we should follow. However, I keep asking myself: why did they have to create such an organization in Razgrad, where there is neither a scientific basis nor specialists. Wouldn't it have been better to set it up where there was already a scientific basis?

Let us have another example – the question about the use of solar energy. For many years now it has been the subject of many discussions and scientific papers. I myself have had at least 50 meetings on the subject. Finally, the organization was founded by a group of enthusiastic people. They are a self-supporting organization. But now what a misfortune! There is no one to include their elaborations in the plan. And this is so at a time when those who continue to apply the traditional methods of heating offer more expensive designs. It is about time we gave the new organization a chance to develop. Apart from that, so far as I know, not a single representative of this organization has ever attended international meetings or symposia on these problems. Probably those who are being sent to such conferences are some 'brilliant' people and they are probably working on the problems of solar energy in the year 2000 and after. We bow our heads to them. Their studies will probably be very useful in those years to come. But why not send those people who are working on the solution of these problems today, as well?

I suppose this is so in many other spheres. In the meantime, life will not wait. It is marching forward. There is, for example, in Plovdiv, an organization, similar to the one in Razgrad, which is preparing production and organization technologies for vegetable and fruit production at home and abroad. It is also going to be a self-supporting organization, receiving 50 per cent of the production that it guarantees as an additional output. What it has got to do now is stepup its activities and spread its experience throughout the country.

Are there really any serious obstacles which do not allow to do the same in the field of machine-building where there are

systems for the automation of continuous and discrete processes. Is it not impossible to set up there powerful organizations which will implement innovations and live with what they will get for the attained results. We must admit that what we are doing now and the way we are doing it is heart-breaking and in many cases even tiresome.

**In the fifth place I have in mind the vicious circles in agriculture.**

The first one concerns **the freaks of nature**. Every year we blame the adverse weather conditions. It is either draught or a hailstorm, the early or late frosts, etc. Adverse weather conditions have existed ever since humans came into being and their evolution started. They have existed in bourgeois Bulgaria, they still exist today in socialist Bulgaria. There will be adverse weather conditions under communism as well, although people will probably find out ways to control them.

Adverse weather conditions cannot always be blamed for failing to supply the population and country's balance with the necessary farm products, especially now when selection and modern technologies are at hand.

What does experience show? It appears that maize could be planted as early as March. Under all conditions its yields are average if not high. And this holds true for all spring crops except beans.

Let us take, for example, the newly created technology for the simultaneous planting of two crops where the second one which takes longer to develop its root system is planted along with the other. The second one starts growing immediately after the harvesting of the first.

Therefore, we have to look for new means and reserves to increase agricultural output and stop blaming the weather. It cannot be an objective factor checking our forward development.

The other vicious circle in agriculture is **the almost deep-seated conviction that we cannot raise more than one crop per unit area.** We still cannot rid ourselves of our grandfathers' old ideas that it was impossible to grow two different crops in one field. We went through the stage of the cooperative farms, created the agro-industrial complexes and yet we have failed to introduce the raising of two crops from the areas which have not been planted to orchards or vineyards. **It is not a question of the irrigated areas alone. We should get two crops from all areas. This should be a law. Up-to-date selection makes this possible.**

Not long ago I had a meeting with the comrades from Bourgas and they confirmed that it was indeed possible to get two crops under the conditions existing there. In the district of Plovdiv they get two crops from an area of 50,000 ha and on the personal farms – 4 crops. It is true that personal farms are much smaller. Nevertheless, the difference is quite obvious. Now, how is that? It appears that the personal farms can get 4 crops while the large-scale socialist farms cannot get even two?!

Again I want to stress emphatically that **one of the strategic tasks of agriculture at present is to get two crops from all cultivated areas.** The efforts of scientists and practical workers, of managers and executives, of all farmers should be geared for the fulfilment of this task.

The other vicious circle in agriculture is **the utilization of the irrgation systems.** Funds for the building of new irrigation systems are requested every single year. It has been estimated that Bulgaria now has irrigation systems for 1,200,000 ha. And do you know how much water we use? For just 400,000 ha. Many of the irrigation systems are worn out, there is no proper maintenance. And no one is held responsible, while the people have

been providing the money and labour for their construction.

Besides, there are many for whom it is of no importance what yields are being obtained from the irrigated areas. Now is the time to realize that if we are not getting 10,000 kg of maize per hectar of irrigated land than this is impractical and we should decide what to do next. I take maize as an example but that is true of all other crops. By the end of the current five-year plan we should increase the irrigated areas to 1,000,000 hectars.

The next vicious circle in the field of agriculture is **stockbreeding**. Comrades. we correctly raised the question of getting 10-11 million tons of grain a year. We can state that this problem has already been solved. The average annual per capita output of grain is 1,000 kg which is quite sufficient to feed the nation and develop stockbreeding.

Where is then the vicious circle? It is in the impractical use of grain, in the wrong manner of feeding the animals. The way grain is squandered in this country is unprecedented in any other advanced country. For years on end we have been repeating the same things. For many years now, we have been trying to prove that the components of the feed mixtures for the farm animals should be selected in such a way so as to make the most of the concentrated fodder and not squander it.

Let us take the milk yields, for example. I was recently informed that at the Department on Cattlebreeding they sometimes get bonuses. I wonder what they are getting them for, since the average yield per dairy cow is under 3,000 litres. In Bulgaria, where there is not enough land, we must get at least 4,000 litres per dairy cow. If a cow fails to give 4,000 litres a year then it is ready for slaughter. Please get this right. I am not saying that this should be done right away because we will have to slaughter a large number of cows. Provided we have all these modern breeds, it is inadmissible to get less than 4,000 litres per dairy cow.

These are the vicious circles in agriculture that we have to tear apart. There probably are some othersbut I am talking now only about the most important.

**The sixth vicious circle is the education of our youth.**

Here again I would like you to get me right. We educate our young people correctly, we have scored great successes in this respect. We are reasonably proud of our youth.

Where is then the vicious circle?

The vicious circle in this case has two aspects. To begin with, from the first grade to the last year of university we teach young people one thing and when they leave to face life they come across something else. We are not telling them the whole truth about our life, about its inevitable difficulties, about the complicated problems generated by the present level of the material and technical basis and the state of social consciousness, and even the existing misdeeds. This is extremely harmful for our entire educational work. **We must be frank with the young** at school, at the university and when they get actively involved in social labour. Because they should know that in our society there is major justice but there is 'minor justice' as well.

The second aspect of the problem which I raise is connected with the 'minor justice' in particular. Would it beenough if our youth knows that this justice exists, that in many cases it is inevitable? No, this would not be enough. We should educate our youth in such a way so that it will not reconcile with it and will fight actively against this 'minor justice'. Our common task is to lead a struggle against it. If this 'minor justice' keeps growing instead of decreasing our educational efforts will not have any great effect. Here is a prob-

lem of exceptional importance which determines to the greatest extent the more realistic and active nature of our educational work among the young.

*Comrades,*

I do not intend to examine all the problems and tasks that our Party faces now. However, in conclusion, I would like to specially stress the formulation of the Twelfth Congress that **the role of the Communist Party as a leading and guiding force is growing enormously** under the present conditions of the further building of the developed socialist society. Everything that is yet to be solved and accomplished – the problems of the material and technical base and of the new economic approach, the problems of the social policy and of the development of socialist democracy – everything is organically linked with the sweeping organizational and political work of the Party, with the active position and personal contribution of each communist. **The activities of the local party organizations are now acquiring an especially great significance.** The basic idea which runs through all the decisions and formulations of the Twelfth Congress is the care for man, the attention to be devoted to his problems, the protection of the rights and responsibilities of the ordinary people, of the millions of working people in this country. And it is the local party organization which is closest to the millions of people. In the drive for the further construction of developed socialism the Bulgarian Communist Party relies firmly on them, on the militant local party organizations.

Filled with optimism, prompted by our successes, by the confidence and cohesion of our people round the Leninist April policy of the Party and the guidelines of its Twelfth Congress, **we have at hand real conditions and abilities to carry out serious activities on a large scale for the profound rationalization, elaboration and overall realization of the tasks we face.**

**The guarantee for the successful and comprehensive realization of the decisions of the Twelfth Congress of the Bulgarian Communist Party lies in the unity and cohesion of all communists round the general April policy of the Party, in our joint work with the Bulgarian Agrarian Party, with the Fatherland Front, the trade unions, the Komsomol and the other public organizations, in our ability to mobilize all factors of our development, to rely on the creativity and initiative of the working people.**

Thank you. **(Prolonged applause)**

CSO: 2020/46

## FINANCIAL ACHIEVEMENTS OF AGRICULTURE SUMMARIZED

Budapest FIGYELO in Hungarian 14 Apr 82 p 1

[Text] Last September, on the basis of tax returns of farms for the first three-quarters of the year it was expected that the increased income from industry connected with agriculture would thereby offset the income deficiency from crop raising which has suffered a considerable loss. However, the final analysis of balances shows more favorable results: the profit of state farms was 4.9 billion forints and that of agricultural cooperatives 19.6 billion forints. In comparison with the 1980 profit of 20.4 billion forints they had an excess profit of 24.5 billions. The financial deficit also dropped significantly. This was "only" 900 million forints, 62 percent of the previous year's deficit.

### Profitability Has Improved

With reorganization of financial resources half of the farms regulated their losses, or their lack of funds. The 500 - 600 million financial deficit of 66 cooperatives and 1 state controlled cooperative had to be covered from budgetary sources. Sixty-five percent of these deficits were the result of damages caused by repeated inland waters in Borsod, Szabolcs, Hajdu, Szolnok, Bekes and Csongrad counties. These losses cannot be prevented until the water regulation and amelioration works of these regions are completed. As a whole, in 1981 the totality of large agricultural enterprises was able to counterbalance the negative effects of changes in price and regulators, the additional expenses due to increased energy costs imposed by the authorities during the year and which were not compensated by any budgetary assistance, and also the increase of prices on the free market for industrial packaging material and spare parts. All this happened in a year when agriculture suffered a serious shortage in crop yield. The increase in profit does not originate from additional assistance, since without the investment supports--immediate and mediated--the budgetary aid in the amount of 21 billion forints was smaller by about half a billion than in 1980.

Together with the current 10 percent increase of baseline operation--out of which 6.5 percent corresponds to the increased price levels--profitability of production also increased. This is connected with a more moderate increase of direct cost as compared to production or current income; organization of labor and guidance were better, in animal husbandry, specific fodder use, improved and conservation policy brought results. True, in this latter case favorable dry weather during the harvest helped a great deal. Thus, specific expenses

for harvesting, drying and farming were much lower than in previous years. For example, the average water content of harvested corn was 20 percent in 1981. It was half as much as in the previous year.

Of course, the farms took advantage of governmental supports given for energy conservation purposes. A silo was built with storage capacity of 650,000 tons of fresh corn which resulted in the saving of 20,000 tons of oil. But, so far only 10 percent of the farms used these possibilities, despite the fact that for any energy saving investment they can obtain government assistance, by competition, for 20 - 40 percent of the investment, or they can obtain a loan from the government.

In 1981, export of food products increased by 9.4 percent. Better prices were achieved for the "live" animal husbandry projects than in 1980. The value of food export calculated in dollars exceeded 1.5 billion. Due to higher export prices as compared to previous years, the processing industry--meat, poultry etc.--fed back a significant part of the price profit, 700 to 800 million forints, to large farms producing raw material. (This year's outlook for similar price increase and feedbacks is, unfortunately, not promising.)

Production outside the basic line according to current prices increased by 28 percent, and in 1981 its ratio reached 32 percent as contrasted by the previous year's 29 percent. The balance sheet does not separate the proceeds from this activity as yet, but it seems probable that last year, activity outside the baseline production brought a profit of 1.5 to 2 billion forints.

Incentive Funds

Plus profits increased the incentive funds of large farms and of state budget income by an almost half and half ratio. On the whole, it created a very favorable financial basis for farming in 1982, although its distribution is probably not so favorable. The larger proportion of plus profit was produced by farms already having a high income level.

The majority of the farms can pretty well counterbalance the effects of climate and production fluctuation with their obligatory basic reserve fund of 6.5 billion forints and the 4 billion forint security fund, which was increased by 900 million forints.

From the mandatory reserve fund one can fill the incentive funds up to the level of the previous year's taxed profit as well as the development funds, from which the increase in working capital can also be covered.

More employed

The income level of workers in large agricultural plants has increased by 7.8 percent which is above the planned value. Within this amount 7.4 percent represents an increase in salary. In 1981 the volume of wages was 10.4 percent higher than in 1980, the number of employed people was 2.9 percent higher, i.e. 20,000 people more than in 1980.

The number has increased in the industrial and service plants. The larger part of increased income is due to the higher salary level and pay increases of these newly hired workers. Also, the agricultural plants performed more farmwork than usual because of the fall weather of 1980, 1981, and this was charged against last year's salary budget. A part of the plants paid the tax-free wages even though the achievements didn't justify it and their gross income didn't cover it. This contributed to the increase in salary levels above the planned one.

The large plants paid their taxes on wages on the basis of a 1.5 percent increase in salary levels. The regulation, according to which the end of the year profit sharing was dependent on the amount of per capita gain, was strong motivation. As a result the farms were able to distribute 500 million forints more in "profit sharing" and they were also able to save a part of taxes they must pay for taxable wages.

The investments of large agricultural enterprises reached 26.8 billion forints, 13 percent more than the preceding year. They did not build new animal husbandry facilities, but on the existing ones they started to build quarters for 27,000 cows and 97,000 pigs. Investments into machinery exceeded that of 1980 by 800 million forints.

Capital appreciation yielded about 10 percent higher return on investment, and capital gain had increased by 9.2 billion forints thanks to higher profit. This is 600 million more than last year. In addition with the loan which is at their disposal, and government assistance, the large agricultural plants should be able to reach last year's investment level this year.

The financial situation and financial management of large farms improved last year as a whole and this gives a sound basis for this year's farming.

9968
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STIFFER FINANCING FOR AGRICULTURAL EXPORT PROJECTS NOTED

Budapest FIGYELO in Hungarian 14 Apr 82 p 7

[Text] Ferenc Dull, head of the Main Department of Agriculture and Food Industry of the Ministry of Foreign Trade gave a report about the conditions and potential of agricultural and food export which is summarized below.

In 1981 more than 26 percent of exported goods were agricultural and food products. The ratio for shipments with rubel accounts was almost 16 percent and for nonrubel accounts more than 35 percent. Compared to 1980 agricultural and food exports increased by more than 14 percent in the rubel account, and by more than 17 percent in the nonrubel account. In 1981 the total of the nonrubel account exports increased by more than 10 billion forints. Seventy-five percent of that was achieved by the increased export of agricultural and food products.

Last year's achievements were influenced by variations of the exchange rates as well. The value of the dollar has increased as compared to the currencies of other Western European countries. The forint dropped against the dollar, but increased in value with regard to the other currencies. Therefore, exporters selling for dollars last year had a greater income in forints.

In 1982, the planned agricultural and food shipments correspond approximately to last year's level in the rubel account, while the nonrubel account according to plans is increasing by 1.5 percent. This is influenced by last year's smaller yield in grain crop, and also by the fact that nonruble account agricultural and food export had increased by 17 percent in 1981 as compared to 1980.

Also, one has to take into consideration the ever-increasing restrictions of the Common Market. In order to keep a position on the market it is of fundamental importance to choose economical products that suit the demand of the market better and to open up new markets. In more detail: in order to accomplish the planned export task it is necessary to increase the export of special products like grain, hogs, beef, wine and crude vegetable oil. Moreover, there is also a need for such "small goods" such as grain, breeding animals, rabbits, pigeons, feathers, and honey, which sell readily.

The foreign trade position of agriculture and food products is influenced not only by opportunities in the foreign market, but also by changes in the regulations. Conditions of investment have become more rigorous. In 1981, and

this year as well interest rates on credits increased by 1 percent. The interest on long-term investment loans has already reached 11 percent in 1982 and the higher interest rate has a retroactive validity for earlier credit contracts as well. If the conditions are satisfied one can get a refund of 33 percent of the interest in case of the convertible and export generating credit, and 25 percent refund for import-requiring investments.

However, this is only stimulation, not mitigation. Until now development costs were expected to be realized from foreign exchange returns in 3 years, and in 5 years in case of investments connected with meat production, not including the first 3 years of implementation. Current rules prescribe 4 years for realization of returns--with exception of meat production, where this continues to be 5 years, but implementation time for investments is included.

It is advisable to form a relationship system between producers and export firms which takes into consideration the specificities of goods and the market. In the past years associations for foreign trade based on common interest and risk became prevalent. Eight of them are associations that export agricultural products and food (products dehydrated by hot air, wine, flowers, honey, rabbits, fish and fowl), and animal products in the form of pools.

The parallel export right refers primarily to horticultural products. Forty farms have independent export permits.

The possibility for direct foreign trade of the farms is influenced decisively by the fact that a large proportion of products can be sold only within the existing marketing system prescribed by the authorities. (For example for corn and livestock, not only the procurement price, but also the amount that can be exported is centrally controlled. Fresh vegetables, fruit, seed, dehydrated products, slaughter lamb, fish, etc. are uncontrolled items. The majority of these products can be sold only in a processed form, and therefore the farms cannot export them individually, i.e., as an association. And if the farms don't have processing capacity, instead of exporting they have to sell their products either to the buying, or processing enterprise.

Products foreseen for free marketing are thus forced on a course which as far as export conditions are concerned put them into almost the same situation as controlled products. This can be changed only if the cooperatives increase their own processing capacity.

The previously mentioned suggested, or regulated prices applied by the buyer are in most cases determined by the authorities. They are sufficient to stimulate quantitative and qualitative production, regardless where the goods are sold, at home or abroad.

At the present time 300 cooperatives are exposed directly, with one or several of their products, to the qualitative and other requirements of the foreign market.

It is considered that this number should be increased in the interest of a greater and more profitable export. This should be achieved by expanding the direct relations between foreign trade enterprises and producers.

9968
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SPECIAL CURRENCY EXCHANGE RATES PUBLISHED

Warsaw TRYBUNA LUDU in Polish 24 May 82 p 7

[Text] Announcement of Exchange Rates Table No 21/82, effective 24 May 1982, by Stanislaw Majewski, president, Polish National Bank, on 24 May 1982.

I. Foreign-currency exchange rates in zlotys for countries of the first payments area [socialist countries] for commercial and noncommercial payments in Table No 6, 1982, dated 8 February 1982, remain unchanged.

In purchases of travelers' checks for rubles, issued by the USSR Foreign Trade Bank and payable outside the USSR in the currency of the country where cahsed, an exchange rate of 11,767.80 zlotys per 100 rubles is applied.

II. Foreign-Currency Exchange Rates in Zlotys for Countries of the Second Payments Area [Capitalist Countries]

[Table on following page]

Exchange Rates Table No 21/82

| Country | Curr Symb | | Currency | Foreign Exchange Purchase 3 | Foreign Exchange Sales 5 | Money Purchase 1 | Money Sales 2 | Average 6 |
|---|---|---|---|---|---|---|---|---|
| Saudi Arabia | 771 | 1 | rial*** | 24.13 | 24.37 | -- | -- | 24.25 |
| Australia | 781 | 1 | Austral.dollar | 87.45 | 88.33 | 86.13 | 89.65 | 87.89 |
| Austria | 786 | 100 | schillings | 506.95 | 512.05 | 499.31 | 519.69 | 509.50 |
| Belgium | 791 | 100 | francs | 189.12 | 191.02 | 186.27 | 193.87 | 190.07 |
| Denmark | 792 | 1 | kroner | 10.51 | 10.61 | 10.35 | 10.77 | 10.56 |
| Finland | 780 | 1 | markka | 18.32 | 18.50 | 18.04 | 18.78 | 18.41 |
| France | 793 | 1 | franc | 13.71 | 13.85 | 13.50 | 14.06 | 13.78 |
| Greece | 724 | 100 | drachmas | 133.09 | 134.43 | 115.35 | 136.44 | 133.76 |
| Spain | 785 | 100 | pesetas | 80.34 | 81.14 | 79.13 | 82.35 | 80.74 |
| Holland | 794 | 1 | florin | 32.12 | 32.44 | 31.63 | 32.93 | 32.28 |
| India | 543 | 100 | rupees*** | 892.09 | 901.05 | -- | -- | 896.57 |
| Ireland | 782 | 1 | pound*** | 123.51 | 124.75 | -- | -- | 124.13 |
| Japan | 784 | 100 | yen | 34.83 | 35.19 | 34.31 | 35.71 | 35.01 |
| Yugoslavia | 718 | 100 | dinars | 179.97 | 181.77 | 155.98 | 184.49 | 180.87 |
| Canada | 788 | 1 | Canad.dollar | 66.79 | 67.47 | 65.79 | 68.47 | 67.13 |
| Kuwait | 770 | 1 | dinar*** | 289.36 | 292.26 | -- | -- | 290.81 |
| Lebanon | 752 | 1 | pound | 16.75 | 16.91 | 16.49 | 17.17 | 16.83 |
| Libya | 651 | 1 | dinar*** | 279.59 | 282.39 | -- | -- | 280.99 |
| Luxembourg | 790 | 100 | francs | 189.12 | 191.02 | 186.27 | 193.87 | 190.07 |
| Norway | 796 | 1 | kroner | 13.82 | 13.96 | 13.61 | 14.17 | 13.89 |
| Portugal | 779 | 100 | escudos | 118.77 | 119.97 | 102.94 | 121.76 | 119.37 |
| FRG | 795 | 1 | mark | 35.71 | 36.07 | 35.17 | 36.61 | 35.89 |
| United States | 787 | 1 | dollar* | 82.78 | 83.62 | 81.54 | 84.86 | 83.20 |
| Switzerland | 797 | 1 | franc | 42.04 | 42.46 | 41.40 | 43.10 | 42.25 |
| Sweden | 798 | 1 | kroner | 14.28 | 14.42 | 14.06 | 14.64 | 14.35 |
| Turkey | 627 | 100 | pounds | 55.61 | 56.17 | 48.20 | 57.01 | 55.89 |
| Great Britain | 789 | 1 | pound** | 149.41 | 150.91 | 147.16 | 153.16 | 150.16 |
| Italy | 799 | 100 | lira | 6.43 | 6.49 | 5.57 | 6.59 | 6.46 |

*Valid also in clearing accounts with the following countries: Bangladesh, Brazil, Ecuador, Greece, Iceland, Kampuchea, Colombia, Lebanon, Pakistan, Peru and Turkey.

**Valid also in clearing accounts with the following countries: Nepal and Pakistan.

***The Polish National Bank does not purchase money in these currencies.

CSO: 2600/646

'INEQUITIES' SEEN IN INTERNATIONAL ECONOMIC RELATIONS

Bucharest ERA SOCIALISTA in Romanian No 3, 5 Feb 82 pp 33-35

/Article by Eugen Dijmarescu: "Flagrant Injustices in International Economic Relations"/

/Text/ The current international situation is marked by difficult circumstances with bad effects upon economic relations among states. The world economy is still in an acute crisis both in energy and raw materials and in trade relations and international payments, a crisis aggravated by the phenomena of recession in the western world. In the capitalist economy the 1981 results were worse than those in the preceding year. Western Europe's gross national product dropped absolutely, and that of the United States stagnated on the 1980 level. This is the natural result of the restrictive economic policies in most of the capitalist countries and of the unprecedented rise in the cost of credit as the interest rate reached levels up to 20-24 percent, first in the United States and then in the other states. The final or temporary shutdown of many production capacities and the absence or inefficiency of measures to employ the labor force increased the number of unemployed in the western countries to 26 million at the end of 1981, with prospects of a further increase in their number. The western war of interest rates and the growing international political dissension, accompanied by a new increase in outlays on armaments, caused extensive disturbances on the international foreign exchange markets culminating in a major gain in the rate of exchange of the American dollar that raised the cost of imports. The reduced access of exports to the western markets due to extensive protectionist measures and the absolute decrease in the volume of those countries' imports were aggravating factors. This not only increased the disagreements among the western countries but also aggravated the state of the balances of payments and foreign debts of the developing countries, which saw a great part of the burden of the western crisis thrust upon their shoulders again. The world economy's immediate prospects are not encouraging. Most of the forecasts made in the main developed capitalist countries depict 1982 as an uncertain and contradictory year. The western governments tend not to commit themselves to long-term policies, while the big transnational corporations have adopted a waiting policy in decisions to make new investments or form contracts. The new setback after September 1981 indicates prolongation of the recession into the first half of this year in the American economy and in the West European economies as well. All these phenomena indicate continuation of conditions unfavorable to the normal conduct of international trade relations and aggravating the injustices among countries with different levels of development. For the national economies of states other than the

western ones, the anachronistic nature of international relations in the world economic cycles constitutes a brake on better use of their productive potentials through foreign trade.

International trade has never been characterized, and much less so at present, by the principles of justice, equality and mutual benefit but rather by a flagrant inequity between the partners in the developed countries and those in the developing ones, so that actually the net benefits of the international exchanges are unilaterally acquired by the developed countries. The inequity appears in both the imports and exports of the developing countries and is generally reflected in the high prices they pay for imports and their meager returns from their exports.

As we know the fundamental principle of GATT (the most favored nation clause, which stipulates unconditional extension to all contracting parties of the advantages that one country grants another country) could not always guarantee the underdeveloped countries equitable advantages from international trade.

Under political pressure from the developing countries, in 1971 the developed countries had to accept a partial departure from this principle in their trade relations with the developing countries by granting the generalized customs preferences, which are based on the principle of nonreciprocity or in other words on the principle of vertical equity, that is unequal treatment between unequals. This means that the underdeveloped or developing countries are not obligated in their turn to grant the facilities that they enjoy within the developed countries' system of generalized customs preferences. It is clear that in case of complete reciprocity the developing countries' economies would suffer from inequality of economic power and the competition the intensively developed countries would give them in various ways. But it was not until 1979 that the system of customs preferences was recognized as having the same validity as the most favored nation clause, when the principle of nonreciprocity was adopted in the multilateral trade negotiations (the "Tokyo Round" of negotiations). But even this concession accepted by the developed countries was immediately qualified by the introduction, in 1981, of "gradualization," that is by granting the customs preferences according to the developing countries' levels of development and competitive power. It is obvious that the introduction of gradualization merely concealed an unprecedented protectionism and a disguised way of abandoning the principle of nondiscrimination, just as the developed countries multiplied the nontariff barriers, making protectionism even more acute, along with the process of reducing the customs duties on imports. This false liberalization of foreign trade perpetuates the inequity between the developed and developing countries in new ways.

The fact must be mentioned here that the results of the trade negotiations in the final round of GATT are actually not the fruit of any multilateral negotiations. Accepted within the so-called golden triangle (the United States, the Common Market and Japan), the results were practically forced upon the developing countries and represent their interests only to a small extent. For instance, a number of products important to the respective countries' export trade were excluded from the negotiations at the very start by the great powers.

Even when the "Tokyo Round" concentrated, for the first time in GATT, on the nontariff obstacles to international trade (amplified whenever the western economy snowed signs of a crisis) the developed countries promoted new forms of discrimination and protectionism, removed from the jurisdiction of multilateral control and characterized by the policy of "impoverishing the neighbor." Thus the so-called gray areas

of international trade appeared, especially agreements for "voluntary limitation" of exports and arrangements for "ordering" the market in important fields such as iron and steel products, automobiles, synthetic fibers, petrochemical products, etc, intended to restrict access to the developed countries' markets. In order to protect the inefficient sectors in the western economy, the new kind of protectionism (introduced by those who once supported liberalism) enables the developed countries to obtain additional advantages from the poor ones by blocking or delaying the necessary structural economic adjustments.

Generally speaking the inequity in the trade relations between the developed and developing countries is apparent from the results of the latter's trade exchanges. Taking for example the developing countries' trade in processed industrial products, we find that the developed countries' surplus increased from $25 billion in 1973 to $69 billion in 1979, the gain being largely due to the accelerated increase in the value of the developed countries' exports, which in turn reflects the higher prices in dollars of some major suppliers' (the FRG, Japan and Switzerland) exports, while the value of the exports of the main developing exporters was affected by the stability or depreciation of their currencies. According to the figures published by the United Nations, the exchange ratio of the developing countries, in volume and constant prices, deteriorated by about 2 percent in the 1975-1980 period and has prospects of deteriorating again to the same extent by the end of this decade. The deterioration of the developing countries' position in international trade is also evidenced by the decline of their share in world exports from 14.5 percent in 1968 to 12.5 percent in 1979 and that of their share in world imports from 18 percent in 1968 to 16 percent in 1979.

In view of the predominance of the basic products in the developing countries' exports, the deterioration of their position in international trade cannot be dissociated from the anachronistic, unfair practices of the developed countries, which actually dominate the marketing of those products.

Unequal distribution of commercial power on a market between the mass of producers and the chief consumers is one of the essential factors preventing the developing countries from gaining lucrative advantages from the export trade. In the absence of any international regulations (such as international agreements between producers and consumers, for example), the world supply of most basic products is not managed by the producers in the developing countries but by the western marketing companies. The developing countries are practically excluded from the possibility of benefiting by favorable conditions in international prices because they are faced with chronic shortages in their balances of trade and payments and have to sell their products in direct proportion to their need of foreign exchange at any given point and when they have no facilities for stockpiling or any international marketing network. On the other hand a relatively small number of buyers, represented by the developed countries and enjoying a strong financial position, can postpone buying in expectation of further declines in prices, which ultimately means an even more pronounced deterioration of the developing countries' incomes from exports.

Another factor that places the developing countries in a subordinate position is the domination of the sectors of production, marketing and international distribution by a few monopolies, vertically integrated companies that actually enable a handfull of enterprises to control or decisively direct the marketing, distribution and prices of a large number of products handled in international trade.

A report compiled by UNCTAD points out that in the United States, which is the most important market for the developing countries' basic products, a great part of the imports of those products are actually transfers within a transnational company between the "mother company" and its branches abroad. It is apparent that in the case of the vertically integrated companies, like those dealing in bananas, tobacco, bauxite, sugar, tea, rubber etc., there is practically no correlation between the price they pay the producers in the developing countries and the selling price of the finished product to the consumer, and the developing countries' incomes are only a few percentage points of the final price.

For many basic products (including food products, nonferrous metals or rubber), the developing countries do not even have access to the system for setting the international prices. By their operating system the commodity exchanges, which are concentrated in North America and Western Europe, include only the important dealers, brokers and manufacturers and exclude the very exporters whose goods are handled. This is illustrated by the fact that on the cotton exchange in New York the prices are determined by 15 transnational companies controlling 90 percent of the international trade in cotton. Controlling most of the contracts with due dates during the months of delivery, these companies manipulate the price solely in their own interest. The conclusion is that the developing countries, which have no direct contact with the exchange, must actually accept the prices for their products that are set by the West.

Study of the price-setting mechanisms at each of the links in the marketing chain from producer to consumer indicates that the developing countries receive only 6-25 percent of the retail price on the western markets. The inequity is even more conspicuous from the fact that the difference between the international prices of the basic products and the unit value of the developing countries' exports has not ceased to increase, while in the same period the unit value of the exports of basic products from the developed countries was identical with the international prices and higher than that of the developing countries' exports.

We are faced with a problem with serious implications in the long run, because the rise in international prices does not necessarily mean a corresponding increase in the developing countries' incomes from export. And even if the unit value of the developing countries' exports follows the trend of international prices the fluctuations of the latter, determined by the demand in the developed countries, prevent any stabilizing of the exporting countries' incomes in foreign exchange.

Throughout the last decade the purchasing power of the developing countries' exports (except the petroleum exporting countries with surplus capital) increased by only $121 billion compared with $471 billion in the case of the developed countries. We note that the purchasing power of the exports of the least developed countries (those in the greatest need of additional resources for development) increased by only $3 billion in those 10 years. The fact is significant that even this tiny gain in the purchasing power of their exports is not due to any real increase in prices but to a considerable increase in the volume of the developing countries' exports to compensate for the relative decline in their export prices.

In connection with exports of basic products (except for crude oil), we find that in the decade of 1970-1980, despite an almost identical increase in the volume of exports of the developed and developing countries, the purchasing power of exports increased by only 18 percent in the least developed countries, by 32 percent in the other

developing countries, and by 55 percent in the developed countries. This clearly indicates the inequity that characterizes the international trade exchanges today. The significance of these differences and the flagrant inequities between the developed and developing countries is even more apparent when we consider that the gain in the developed countries' purchasing power was mainly due to the considerably increased volume of their exports of agricultural products and the more stable evolution of the international prices for them, while the least developed countries' exports of industrial raw materials more than doubled but could not do the same thing for them. The fact cannot be dissociated from an anachronistic situation, where the developed countries control to an equal extent the world supply and demand for basic products, so that they obtain high prices for exports and low prices for imports.

Upon analyzing the inequitable international relations prevailing in developing countries' export price structure compared with the prices charged by the developed countries, as well as the long-range effects of those relations upon the national economies, we come to the general conclusion that the present system of international prices actually entails a unilateral transfer of resources from the developing to the developed countries. The remedy for this situation, characteristic of the present international economic order, is to reset the exchange ratio, which does not cease to deteriorate for the developing countries. But a mere increase in international prices cannot change the positions of the developing and developed countries in this respect. A change in the exchange ratio and an increase in the purchasing power of the developing countries' exports require a shift to new ratios between the prices of the large categories of goods and to international prices that are lucrative for all the states participating in the world economic cycle.

This is a particularly urgent necessity now that the developing countries, in order to honor their payments for imports, must resort more to credits at extremely high interest rates that only make them subtract higher percentages from their collections from exports in order to pay them. Justified concern about this is aroused by the measures the western authorities adopted at the end of last year to set, within OECD, higher coordinated levels of interest rates on export credits. We consider this action, which denotes the western developed countries' opposition to the developing countries' legitimate demands, to be typical. Such a measure can lead only to a new deterioration of relations between the developing and developed countries and a new deterioration of international relations with serious consequences for most of the states of the world, namely aggravation of the present economic gaps and perpetuation of unfair treatment in international economic relations.

The crisis situation confronting the world economy and the series of relations characterizing it have an adverse effect upon every national economy and compel every state to take further measures to limit their bad effects. As a country actively participating in the world economic cycle and procuring a large proportion of its requirement for raw materials and fuel on the international markets, Romania like most of the other states is faced with problems of promoting its exports and procuring its import requirement on advantageous terms. As Nicolae Ceausescu said in his speech at the Joint Plenum of the RCP Central Committee and the Supreme Council for Socioeconomic Development in November 1981, "Some difficulties arising in connection with the balance of payments are largely due to the crisis situation in the world economy. This year some foreign firms canceled their contracts or put off opening lines of credit, demanding postponement of fulfillment of the contracts. Secondly, these difficulties are caused by the very high interest rates, which even exceed the rates of repayment of the

credits." Under these circumstances, priority attention must be given to promoting exports in order to acquire the funds in foreign exchange needed to pay for the imports and to liquidate the foreign debt.

To accomplish these strategic aims, Romania is making an intensive effort on the international level to democratize relations among states in all respects, to eliminate the state of underdevelopment of most of the states of the world, and to establish equitable and mutually beneficial trade relations in the interest of every country and the world economy as a whole. All states must make sustained efforts to eliminate the present barriers in international trade, artificially created obstacles that can impede the normal and full course of all countries' trade. It is an objective necessity to do away with all inequities in international economic relations that burden the developing countries and restrain their efforts to overcome their economic condition and remedy their underdevelopment.

Romania considers it imperative to devise a long-term program to expedite the developing countries' socioeconomic progress on behalf of active and equitable collaboration among all states of the world which will also ensure the development and stability of the entire world economy.

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NEW AGRICULTURAL MEASURES BASED ON PRODUCER INCENTIVE

Bucharest FRA SOCIALISTA in Romanian No 3, 5 Feb 82 pp 4-7

/Article by Gheorghe Fierbinteanu, deputy minister of agriculture and the food industry: "Producers' Incentive Basic to Higher Agricultural Output"/

/Text/ As the Draft Law on Remuneration for Work in CAP's /Agricultural Production Cooperatives/ says, "Cooperative members and other workers in CAP's are to be compensated in direct correlation with the quantity and quality of the work performed, with the output and incomes produced, and with the results obtained in lowering production costs and increasing efficiency in all sections of the unit, in accordance with its development and economic potentials."

In the dialectics of the current development of the national economy, the RCP is specially emphasizing accelerated intensification and modernization of agriculture, because a highly productive and profitable agriculture is not only vital and indispensable to people's lives but also forms, along with the domestic raw material resources, the basis for industrial development and for the vigorous and all-around growth of the whole national economy. The effort is being made to better harmonize relations between industry and agriculture in keeping with the requirements for balanced development of the economic sectors and for transition to a new quality in all socioeconomic activities.

The new system of remuneration for work in CAP's, which will be experimentally applied until the law is ratified by the Grand National Assembly, has a quite outstanding part to play in the improvement of Romanian agriculture. Meanwhile the state is concerned with improving relations between city and village so that the terms of purchase and sale will encourage the producers, serve socialist construction, and combine the individual, group or local interest with the general interests of Romanian society. That purpose is served by the new regulations on procurement of crop and livestock products under contract, which regulations, reinforced by those of last year updating and improving the correlation of production, contracting and purchase prices on economic principles, eliminate the former discrepancies between the production costs and the delivery prices for agricultural products while placing the exchange of products between city and village on a permanent and equitable basis. All this directly contributes to further consolidation of the worker-peasant alliance.

The Draft Law on Remuneration for Work in CAP's and the regulations on contracting for crop and livestock products serve not only the interests of the agricultural

producers but also the general interests of national economic development as a whole. Their most efficient application can considerably further the role of agriculture as a basic, primary sector on behalf of national progress and improvement of the entire people's welfare.

Nature of New Remuneration System in CAP's

The material incentive is one of the chief economic levers used by the RCP to construct a modern, highly productive and profitable agriculture and to radically change the development of agricultural production in the sense of its decisive orientation toward the intensive factors.

A modern, intensive and highly profitable agriculture with high yields of bread grains, meat, milk, vegetables and other agricultural products is impossible without the agricultural producers' direct and decisive contribution to performance of agricultural operations, application of modern technologies, and maintenance and efficient use of agricultural traditions on a scientific basis.

In view of the necessity of accomplishing the aims of the new agrarian revolution and of obtaining increasingly high yields, the new remuneration system reflects the principles of self-management and regional self-supply as well as those of socialist ethics and justice. It serves not only the producers' interests but also those of society as a whole, because increasingly high crop and livestock yields result both in an adequate increase in cooperative members' incomes and in better satisfaction of the public's consumer demands and other needs of the national economy.

On the general level of the evolution of Romania's economic development, the new remuneration system reflects the improvement in socialist production relations in agriculture. It regulates in a new spirit the general principles of the remuneration system and of the organization of production and labor in the CAP's and intercooperative economic associations, thus eliminating the defects of the old remuneration system because the new regulations make the rise in the living standard of the cooperative members working in the CAP's directly dependent upon the results of each one's labor. Therefore the cooperative members' incomes increase with the gains in agricultural production, public property, and development of the whole national economy. No cooperative member can be paid unless he performs useful work that will help to increase production and to fulfill all plan indicators. This does away with the bad situations fostered by the old system, which sometimes made it easy to obtain incomes without doing work that directly contributed to increased production or development of public property. The socialist principle of remuneration according to the quality, quantity and social importance of the work performed is now being effectively applied in the CAP's. Differentiated according to four categories of complexity and production sectors, the rates of pay according to the work norm will contribute to the cooperative members' incentive to increase agricultural production.

Speaking of these norms, a quite new factor is to be noted that will have far-reaching favorable effects: They are equivalent to the norms in use in the IAS's /State Agricultural Enterprises/, which norms provide for a 25 percent increase in the cooperative members' incomes. This means that by doing the same amounts of work and producing the same outputs the cooperative members can earn incomes equivalent to those of the workers in IAS's. The shares of the planned and above-plan profits made should also be taken into consideration in calculating cooperative members' incomes, and then each one and every family member he is supporting is allowed 150 kg of wheat if

he produces or exceeds the specified yields, and if he exceeds them he may also receive up to 100 kg of wheat for himself and 50 kg for every family member as extra pay out of the above-plan profit sharing fund. As for corn, each cooperative member receives 30 kg for himself and as much for each family member he is supporting, for food, and also up to 300 kg per cooperative member and 100 kg per family member for fodder needed for livestock. And if he exceeds the planned yield of corn he may be allowed up to 200 kg of corn as extra pay.

All these benefits and others conferred by the draft law are granted if the plan is fulfilled, the specified volume of work is done, and all the agricultural operations are performed properly and on time.

By bringing the remuneration system in cooperative agriculture, generally speaking, up to the level of the system in state agriculture we are laying the foundations for a uniform system of remuneration for work in this important sector of the national economy. This is very important for a generally more intensive use of social labor in agriculture to increase labor productivity. By correlating CAP members' incomes with increased crop and livestock production and greater economic effectiveness, the new remuneration system encourages them to introduce modern equipment and technologies on a wide scale in production and to organize production and labor according to the most efficient methods, while order and discipline become predominant in this respect. This is of primary importance when we consider that the consumption of live and materialized labor in cooperative agriculture per unit of output is still quite high.

According to the Draft Law on Remuneration for Work in CAP's, the remuneration of CAP members, the management personnel, and other workers in cooperative agriculture will directly depend on the quality and quantity of the work performed, on the output and incomes produced, on the results obtained in cutting the production costs and raising the effectiveness of the whole activity, and on the economic potentials of each CAP. The fact that 70 percent of the basic incomes depend upon the output produced and only 30 percent upon complexity and other factors encourages the CAP members to increase production and lower the costs per unit of output. The measures to raise wages in zootechnology, in order to attract and stabilize well-qualified workers in that sector, are of the greatest importance.

The wage scales according to work norms enable the new remuneration system as a whole to efficiently enforce the principles of the new economic-financial mechanism, those of economic self-administration and self-management. The high yields that also provide high incomes for CAP members are impossible unless every CAP from the president down to the last member militates constantly for rational management of the material and financial resources and for better organization of production and labor on the basis of modern methods, order and discipline. This makes for high profits as the actual conditions are created for self-financing of the entire activity.

Reflecting the principles of self-management and economic self-administration, the new remuneration system requires every CAP to keep its incomes and outlays balanced in planning and implementing all economic and financial activity, in such a way that its outlays will be covered out of its own incomes, profits will be made, and the development fund, the other prescribed funds, and the resources to pay the CAP members will be formed.

The regulations in the draft law concerning remuneration of management personnel are particularly important to improvement of CAP management. In the spirit of

socialist ethics and justice, a better ratio is provided between the CAP members' incomes and those of the administrators, according to their responsibilities and obligations. For example, a CAP president's base pay cannot be more than 2.5 times more than the average income of CAP members working directly in production. And what is highly important, the administrators' pay, beginning with the president, directly depends upon the members' incomes. They can earn more if the members earn more, which was not true of the former system. Previously, for example, since the president was not paid in proportion to the members' incomes he was interested in fulfilling as many norms as possible, because he was paid according to the total norms the members fulfilled, and most often the consumption of norms was not accompanied by a corresponding gain in production or economic effectiveness. But now that the administrators' pay depends upon the members' incomes they are directly interested in organizing production and labor as well as possible, providing the members with work by developing various supplementary activities, and creating all conditions for increasing production and consequently the members' incomes.

A quite original feature of the new remuneration system that will have very favorable effects is relevant here, namely that all personnel performing technical, economic, management and other specialized functions as well as administrative, service and guard ones are entitled to remuneration benefits only if they perform, in proportion to the complexity of the unit, agricultural operations amounting to 25-50 percent of the volume of work prescribed for CAP members working directly in production.

The new system of remuneration for work, reinforced by the increased prices for agricultural products, brings about an equitable ratio between incomes in other sectors and those in agriculture, although some difference must be retained because of the additional incomes and conditions in villages compared with the expenses of city dwellers. The essential point is that this suitable ratio between incomes in industry and the other sectors and those in agriculture encourages the effort, to increase agricultural production, to keep more youths in agriculture, and even to attract some back to the villages.

Correlation of Production Costs with Delivery Prices

The agricultural producers' material incentive to increase production is really viable when the exchange between city and village is accomplished at a stable balance of prices for industrial and agricultural products.

The RCP makes a constant effort to improve economic relations between city and village in order to increase agricultural production and to supply the public with agricultural food products. Major material and cash resources have been allocated annually to develop and modernize agriculture, while economic measures have also been taken to encourage the socialist agricultural enterprises and private farms to increase their yields per hectare and consequently the deliveries to the state reserve of agricultural products.

Agriculture's contribution to development of the national economy is particularly apparent in the formation of the central state reserve of agricultural products. Naturally the costs of agricultural products have changed over the years with the development and intensification of agricultural production and the interaction and interdependence of industry and agriculture. This is due partly to intensification of agriculture by mechanization, chemization, irrigation projects etc., which have increased the outlays, and partly to the higher prices for some industrial products

delivered to agriculture such as fuels, power, chemical fertilizers, tractors, agricultural machines etc. In the 1971-1980 period the prices of industrial products for agriculture went up about 7.2 billion lei, while production, contracting and purchase prices of agricultural products were increased by only 4 billion lei. Moreover the workers' wages were increased considerably in this period, increasing the outlays on agriculture and consequently the production costs. And so agriculture showed annual losses which were ultimately covered out of the state budget but created a financial imbalance between incomes and outlays during the year, so that the agricultural units were placed in the position of lacking the funds essential to efficient production.

The updating and improvement of contracting prices as of 1 January 1981 raised the agricultural producers' incomes by 9.6 million lei, but did not entirely cover the additional outlays for the higher prices of industrial products for agriculture. This made it impossible to apply the new economic-financial mechanism to every socialist agricultural enterprise because they could not entirely cover the outlays out of their own incomes.

The improvement of the price system by granting production premiums to the agricultural producers according to each one's contribution to the state reserve provides the socialist agricultural units and private farms with additional incomes of more than 15.8 billion lei this year throughout all agriculture. These additional incomes enable them to cover their production outlays, including those resulting from correlation and updating of prices and rates in all fields of material production and services as well as those for mechanized agricultural operations. This makes it possible to meet some basic requirements for the substantial growth of agricultural production, namely the agricultural producers' encouragement and incentive to produce as many products as possible with which they can obtain major cash incomes. This is a highly important matter with implications that are obvious when we consider that for the first time in the history of socialist Romanian agriculture conditions have been created for the agricultural producers' self-administration and equitable incomes.

The increase in contracting and purchase prices of crop and livestock products has and can only have direct effects upon production costs in the industrial processing units using raw materials from agriculture, because the industrial processing enterprises will buy sugar beets, sunflowers, wheat, corn, meat etc. from the producers at higher prices per ton and will consequently produce sugar, oil, flour etc. at higher production costs per ton.

This situation makes it necessary to correlate the production prices of marketed agricultural food products with the retail prices paid by the consumer, which is also a logical requirement for the harmonious development of all production sectors. Of course that involves setting the ratios between costs and prices on the basis of the most exacting economic analyses to determine both the strictly necessary production outlays and the rates of optimal net return.

Essential To Lower Production Costs

A permanent correlation on economic principles between prices and production costs does not exclude but on the contrary requires a reduction in costs as a basic necessity for increasing profitability and workers' incomes and for improving the exchange of activities between industry and agriculture.

An intensive and highly productive agriculture requires sustained efforts to develop the technical-material base, major investments in mechanization, chemization and land

improvement, and a constant effort to organize production and labor rationally and to apply modern scientific-technical advances to production. All this intensifies and modernizes agriculture but also increases the volume of material outlays made by the socialist agricultural enterprises for seeds, fodders, fertilizers, soil improvers, fuel, spare parts, electric and thermal power, and other products and materials essential to the production process. Moreover the volume of fixed assets, which was increased spectacularly by the investments in development of agriculture's technical-material base, affects the volume of the material outlays by way of amortization.

The increase in material outlays as an absolute quantity is a natural process caused by modernization and intensification of agriculture, since the extent of those outlays is of course naturally determined by mechanization, chemization, irrigation projects, development of zootechnology and the other programs that increase the consumption of raw materials and materials. Throughout this whole process it is essential for the growth rate of agricultural production to considerably exceed that of the material outlays, so that the latter's share in the value of the agricultural output will decline steadily from one period to the next. Only such an evolution of the material outlays permits enough profitability on the level of the socialist agricultural units and provides for a growing contribution from agriculture to the national income on the level of whole sectors, which contribution must be correlated with the efforts made by the entire economy on behalf of its development.

The overall figures on the proportion of the material outlays show that the outputs of both state and cooperative agriculture have increased annually but that their growth rates are not in keeping with the material and financial efforts to develop the technical and material base and the increased quantities of fertilizers, spare parts, fuels and other materials. The more proounced growth rate of the outlays compared with that of the output increased the proportion of the material outlays, resulting in a relative reduction in the net output obtained. For example, in the IAS's in 1978 the share of the material outlays in the total value of the agricultural output came to 78 percent while it reached 79 percent in 1981.

If the tasks of agriculture as a whole are to be accomplished, as mechanization, chemization and irrigation are intensified and the livestock numbers and yields are increased, the additional output must be considerably greater than the material outlays made to achieve it.

Reduction of the material outlays in all agriculture, in IAS's and CAP's within the the various production sectors for crops and livestock species and categories, is a complex process and the measures it requires differ from one group to another. The effects of these outlays in agricultural production require a distinction between those for chemical fertilizers, irrigation and fooders, those for fuel, thermal and electric power, and various other materials, and even those for the mechanization process.

The savings in chemical fertilizers and the other chemical products that can lower the proportion of material outlays are to be understood not in the sense of reducing the quantities of chemical products applied (as is still often done) but in the sense of achieving the optimal ratio between the value of the chemical products used and the additional harvest obtained. To obtain the optimal ratio between fertilizers and the additional harvest, the dosages of chemical fertilizers must be based upon scientifically substantiated calculations allowing for the requirements of the soil, plant and variety, the moisture etc.

The proportion of the material outlays is higher in zootechnology, in both state and cooperative agriculture, so that reduction of the material outlays for all agriculture critically depends upon the measures taken in the animal husbandry sector.

In zootechnology, fodders are in the main proportion in the total material outlays. Accordingly Nicolae Ceausescu pointed out at the recent working conference of the RCP Central Committee that once fodder production is increased and differentiated, the standards of rational foddering of all livestock species must be applied. In this way an efficient ratio between production and material outlays can be achieved.

In foddering livestock, part of the feed is consumed as rations for biological maintenance and only the remainder is converted into livestock products. The role of the rational foddering standards is to establish a varietal structure through use of the existing resources at an equivalent quantitative level of energy and protein, so that the smallest possible portion will be used for the maintenance ration and the greatest possible one for production. Tests made in many agricultural units show that in the case of an average yield of 1,000-1,200 liters of milk obtained from a cow that consumes feed equivalent to about 2,000 UN /feed units/ for such a yield, only 20 percent of the feed is used to produce the respective yield and 80 percent is necessary for the animal's physiological maintenance. Any additional feed is converted to milk, so that in the case of a yield of 3,600 liters of milk, where the maintenance ration remains the same, over half the feed consumed is used for production. Therefore the outlays of feed per liter of milk decrease because of the advantageous ratio between the rations for production and maintenance.

Stocking the farms with animals with a high productive potential, procuring fodders in the assortment required for a rational alimentation, their preparation before application to the livestock feed to enhance assimilation, obtaining fodders at a low operating cost, and eliminating waste and any other economically unjustified outlays from harvesting to foddering the livestock are factors directly affecting reduction of the foddering outlays and consequently the material outlays in agriculture.

The fields of mechanization, irrigation, use of thermal and electric power, transportation and storage of agricultural products contain pronounced reserves for improving economic effectiveness and establishing a better qualitative ratio between production and material outlays that will permit reducing the proportion of the latter for all agriculture, for socioeconomic sectors, for crops and for livestock species and categories.

Practical application of the measures to increase the agricultural producers' material incentive and to base agricultural prices on economic principles is essential to construction of a modern, highly productive agriculture capable of better satisfaction of the public and industrial consumer demands and a more effective contribution to national economic development as a whole.

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# East Europe Report

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2281

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15 June 1982

# EAST EUROPE REPORT

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2281

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ANSWERS TO QUESTIONS ON APPLICATION OF NEW ECONOMIC MECHANISM

Sofia IKONOMICHESKI ZHIVOT in Bulgarian 7 and 21 Apr 82

[7 Apr 82 p 3]

[Text] 70. Question: The now revoked Reserve Fund stipulated the application of funds for socialist competition among units within the economic organization. Will this stipulation be retained with the new Economic Risk Fund?

Answer: The new Economic Risk Fund assumed some of the functions of the revoked Reserve Fund. However, it is substantially different from it both in terms of its formation and basic purpose. As we know, the former Reserve Fund consisted of withholdings from the consumption income. The Economic Risk Fund comes from the balance sheet profit based on a two percent norm as approved by the Council of Ministers. According to Article 171 of the Regulation on the Economic Mechanism, the assets of the Economic Risk Fund may be used for the following purposes:

1. Meeting expenditures related to the organization of production and other activities involving higher production risks.

2. Covering shortages or overexpenditures from the Wage Fund.

3. Payment of fines, damages and losses caused by the nonfulfillment of contractual obligations, should the payment account of the economic organization lack the necessary funds.

Consequently, the regulation does not call for assets from the Economic Risk Fund to be used for the socialist competition. According to the regulation, assets from the socialist competition will come from the SBKM [Social and Cultural Measures] Fund. The assets of the Stimulation of Technical Progress Fund may be used as an additional source for rewarding workers and employees, sharing and applying leading experience, improving the socialist organization of labor, applying measures for the conservation of materials and labor, etc.

71. Question: Are economic organizations--producers and consumers--or their branches allowed to terminate concluded contracts with a given marketing and procurement organization and choose another intermediary enterprise on their own initiative or if so ordered?

Answer: One of the basic features of the Regulation on the Economic Mechanism is the fact that relations among supply and marketing economic organizations are essentially based on direct contractual relations between producers and consumers. The economic organizations may use the services of a marketing-procurement organization if they deem such services economically expedient and profitable.

The right to choose the form of supply and marketing fully applies to the enterprises of economic organizations--producers and consumers. The other units of economic organizations may choose their intermediaries and sign contracts with them if so allowed by their economic organization.

The procurement contract signed with the chosen marketing-procurement organization or its branch may be amended or terminated in accordance with established procedures whenever changes are made in the control figures and the state planned assignments of the economic organizations and the mandatory planned assignments of the subunits. In all other cases, including the wish of the producer or consumer to ensure procurements or the marketing of his output with the help of another intermediary, the existing contract may be amended or terminated by mutual agreement. In the case of a unilateral amendment or termination of the contract, the delinquent party must be held liable for the implementation of the contract, pay the required fines and compensate for damages and unearned income.

72. Question: What will be the source of the Wage Fund for construction carried out by the organization itself and financed out of the SBKM and the RTU [Expansion and Technical Improvements] funds? Should this be carried out within the framework of the maximally possible Wage Fund, as per line 10 of reference No 1, would the collective engaged in the main industrial activity be harmed?

Answer: According to the Regulation on the Economic Mechanism, the maximally possible amount of the Wage Fund will be established for the entire personnel of the economic organization or the enterprise. Consequently, the payment of wages from the SBKM and RTU funds for the personnel engaged in construction carried out by the enterprise itself or in other projects will be within the framework of the maximally possible Wage Fund as per line 10 of reference No 1 of the regulation governing the formation and distribution of the income of economic organizations and enterprises. An answer to the question of whether in such a case the personnel engaged in the main activities would be harmed can be given only on the basis of a specific computation. The size of the maximally possible Wage Fund does not depend on the size of the personnel but on the growth of the general income compared with the previous year. That is why, in the course of the adoption of the counterplan, it must be determined whether it is more advantageous to carry out a construction project by the organization itself or by contracting it. In other words, the economic organization itself must determine how to use its available personnel with a view to achieving the highest possible increase in the general income.

73. Question: Will management cadres be penalized for nonfulfillment of state planned assignments for marketing basic commodities in physical terms?

Answer: The new Regulation on the Economic Mechanism does not call for the superior organ or the bank to impose penalties for nonfulfillment of the state planned assignment for marketing basic commodities in physical terms. However, if this nonfulfillment has resulted in the violation of contractual obligations assumed by the enterprise or the economic organization, leading to the payment of fines and damages and compensating for unearned income by the other parties to the contract, the funds which will be paid out will be considered as damage caused to the enterprise (economic organization), i.e., they will reduce the enterprise's income and profit. The officials specifically guilty of this must be charged and the extent of the liability of the manager must be determined by the economic council and the superior authority. One of two methods may be applied in determining the amount of penalties to be paid by the guilty officials in such cases:

Direct, by subtracting from the individual wage part of the amount of the damage personally caused by the official to the enterprise or economic organization;

Indirect, by lowering the base (the coefficient of labor participation) in computing the individual wage.

The lowering of individual wages in such cases must not exceed the limits stipulated in the Labor Code and the regulations governing its application.

This procedure for penalizing guilty officials shall apply also in cases of nonfulfillment of contractual obligations involving other types of goods in kind for which no state planned assignments have been issued to the enterprise or economic organization.

74. Question: Article 99 paragraph 3 of the Regulation on the Economic Mechanism stipulates that the payment of normative turnover outlays and normative profits of marketing-procurement organizations consist of discounts given by organizations which have chosen the intermediary form of production-economic relations. This is not stipulated in existing procurement contracts, for they have been concluded in accordance with the stipulations of the previous economic mechanism governing marketing and procurement activities. Should such contracts be reviewed and made consistent with the new stipulations?

Answer: The economic organization itself will choose the most suitable organizational form for material and technical procurements or commodity marketing. This will stimulate the development of direct relations between producers and consumers. In many cases, however, the economic organization may find it economically more profitable to organize the marketing of its output through outside marketing-procurement organizations. In such cases, it must pay for the services provided by such organizations by granting them price discounts.

Following the application of the new method for the payment of intermediary services provided by marketing-procurement organizations, relations among producers, consumers and intermediary organizations will be organized entirely on an economic basis. According to Article 279, paragraph 2, of the Regulation on the Economic Mechanism, the reorganization of markups for material and technical

procurements will take place on a planned basis. Until such reorganization has been completed, the current markups will apply, on the basis of a mutual agreement in accordance with the extent of participation in the marketing-procurement process. The concluded contracts must not be amended unless this is done by mutual agreement between the contracting parties.

The total application of the new method of settling accounts with marketing-procurement organizations must begin with delivery contracts signed for 1983 and subsequent years. Contracts signed before 1 January 1982 should be reviewed by producers, consumers and marketing-procurement organizations and made consistent with the stipulations of Article 99, paragraph 3, of the regulation. The economic consequences of this action must be reflected by the economic organizations in the formulation of their draft planned assignments and counterplans.

75. Question: Many ministries, economic organizations and enterprises have questions regarding the procedure for determining individual wages of managers and highly capable and skilled specialists as per Article 199, paragraph 2, of the Regulation on the Economic Mechanism.

Answer: The following procedure must be observed in the individual determination of wages of managers and specialists as per Article 199, paragraph 2, of the Regulation on the Economic Mechanism:

1. In the case of employees of branches of economic organizations, the proposal must be made by the head of the branch with the approval of the trade union committee and the economic council of the branch.

2. The proposal regarding the manager of the branch must be formulated by the head of the economic organization, in coordination with the trade union committee and the branch's economic council and approved by the economic council of the economic organization.

3. In the case of employees working in the administration of the economic organization, the proposal must be submitted by the organization's manager, with the agreement of the organization's trade union committee and must be approved by the economic council of the economic organization.

4. In the case of the manager of the economic organization, the proposal must be submitted by the minister (department head) or the chairman of the executive committee of the okrug people's council, with the agreement of the Central Committee of the corresponding sectorial trade union and the economic council of the economic organization. It must be approved by the collegium of the ministry (department) or the executive committee of the okrug people's council.

5. In the case of personnel of the ministry (department), the proposal must be submitted by the minister (department head) with the agreement of the ministry (department) trade union committee and approved by the collegium of the ministry (department).

In the case of these agreements between suggesting and approving authorities, the decision of the collective management organ will be final in determining individual wages of managers and specialists.

Individual salaries of managers and employees can be revoked on the basis of the procedure through which they were set.

76. Question: Are withholdings for the Social and Cultural Measures Fund reduced if the counterplan is fulfilled with a lesser personnel than planned? Will there be an incentive norm for enterprises working with less personnel than planned?

Answer: Withholdings for the Social and Cultural Measures Fund will not be reduced should the counterplan be fulfilled with less personnel. The following must be taken into consideration regarding SBKM funds:

1. According to the Regulation on the Economic Mechanism, the planned number of personnel will be used only in computing the minimal amount of withholdings for the Social and Cultural Measures Fund. This is accomplished by multiplying the number of personnel times the maximum amount of outlays for the SBKM per individual, as approved by the Ministry of Finance and the Central Council of Bulgarian Trade Unions.

2. The actual amount of withholdings will be related to the balance sheet profit with the help of a norm defined in the formulation of the counterplan. This means that if the profit plan is overfulfilled more funds will be withheld regardless of the size of the personnel.

3. The maximal amount of withholdings for the SBKM fund will be limited by the percentage growth of actual withholdings per individual compared with the previous year and may not exceed the corresponding increase in the established average gross wage.

This shows that the Regulation on the Economic Mechanism creates incentives for lowering the size of the personnel in accordance with the counterplan and the report on the previous year. In all cases, should the profit remain the same or be higher than last year's while the size of the personnel is reduced, SBKM funds per individual will be increased.

[21 Apr 82 p 10]

[Text] 77. Question: Is it allowed, on the basis of Article 332, point 1, section 4, of the Regulation on the Economic Mechanism, for industrial enterprises to help obshtina people's councils with assets from the SBKM fund, including fees to medical specialists with a view to taking specialized medical aid closer to the rural population?

Answer: Article 332 of the Regulation on the Economic Mechanism gives the right to obshtina people's councils to apply a variety of methods for voluntary association with economic and other socialist organizations for the purpose of engaging in joint activities in the areas of consumer, communal, trade and health population services and housing, public work and cultural construction.

Furthermore, Article 331 calls upon economic and other socialist organizations engaged in activities or using manpower within the respective conurbation

system to participate in the comprehensive development of the territory and the development and preservation of the living environment, and the fuller satisfaction of the population's material and spiritual needs. This participation must be organized on a voluntary basis or through mandatory withholding of funds on the basis of the law approved by the Council of Ministers. Voluntary participation is organized on the basis of a contract concluded between the enterprise and the executive committee of the obshtina people's council.

In other words, the Regulation on the Economic Mechanism offers extensive opportunities and a variety of forms of participation by socialist organization in measures aimed at improving population services on the territory where they conduct their activities. As we know, the SBKM fund is the source of financing social measures carried out by economic organizations and enterprises. Consequently, in accordance with Articles 331 and 332, point 1, enterprises may determine, together with the executive committee of the obshtina people's council their participation with SBKM assets in paying for the work of medical specialists with a view to bringing closer to and improving specialized medical aid in the individual settlements.

78. Question: How is the Wage Fund established for the personnel of the administration of economic organizations and enterprises which do not have a state planned assignment for overall profits?

Answer: In the case of economic organizations and branches which do not have a state planned assignment on overall profit, for which reason the stipulations of Article 190, paragraph 2, point 2, of the Regulation on the Economic Mechanism do not apply, wage funds for the administrative personnel are based on the counterplan and the report, determined by the actual share of the wage fund for such personnel listed in the 1981 report on the wage fund of the economic organization or branch as a whole.

79. Question: What is the procedure when during some periods of the year the economic organization does fulfill its state assignment regarding the overall profit but the wage fund for the administrative personnel, in accordance with the overall profit norm, is less than the amount needed for meeting the payroll and additional payments based on the Labor Code and other laws?

Answer: During some parts of the year, when the economic organization does fulfill its state assignment for overall profits but the wage funds for the administrative personnel, based on the overall profit, are insufficient to meet the payroll and additional payments based on the Labor Code and the other laws, funds may be borrowed as follows:

a. For economic organizations without enterprises--from the wage reserve share of the result-residual wage fund;

b. For economic organizations with enterprises, from the Economic Risk Fund.

80. Question: Article 228, paragraph 4, of the Regulation on the Economic Mechanism stipulates that by decision of the brigade general assembly, the

Brigade Leader Fund may be set up from the wage fund earned by the brigade. Should a brigade decide to set up such a fund, where should the assets be deposited and how should they be spent?

Answer: Both the creation of the Brigade Leader Fund and the use of the thus collected assets are based on a decision passed by the brigade's general assembly. Article 228, paragraph 4, of the Regulation on the Economic Mechanism stipulates that the fund's assets must be used as an incentive for the implementation of important assignments, surmounting current difficulties and other purposes as defined by the brigade's general assembly. Consequently, the fund's assets may be spent freely with no restriction whatsoever. However, in order not to create prerequisites for misuse in the collection and utilization of such funds, the following rules must be observed:

1. The assets of the Brigade Leader Fund of each brigade must be kept as a special part of the branch's wage fund.

2. The use of such assets is allowed with the permission of the brigade leader. All expenditures must be approved by the brigade's general assembly.

81. Question: Could the maximally possible wage fund as per Article 182, paragraph 3, of the Regulation on the Economic Mechanism, be based on lowering the cost of direct material outlays per 100 leva commodity output?

Answer: Article 182, paragraph 3, of the Regulation on the Economic Mechanism specifically stipulates that the maximally possible wage fund is established separately for lowering production costs only when the overall income has increased compared with the preceding year as a result of lowered production costs based on savings on direct material expenditures per unit of output. Paragraph 4 of the same article stipulates that lowering production costs as a result of savings on direct material outlays per unit of output is based on the actual achievements during the preceding year, as computed on the basis of bookkeeping data. Consequently, the Regulation on the Economic Mechanism excludes the possibility of establishing the maximally possible wage fund on the basis of lowering production costs of direct material outlays per 100 leva commodity output. If it is impossible for some enterprises to determine the lowering of production costs based on savings on direct material outlays per unit of output compared with the preceding year, the maximally possible wage fund is determined only in accordance of the increased general income compared with the preceding year as per Article 182, paragraph 1, of the Regulation on the Economic Mechanism.

82. Question: Article 195 of the Regulation on the Economic Mechanism stipulates that the specific organization of the wage system in economic organizations be based on directives (internal regulations of the branches) approved by the respective collective management organ. To which organs should such legal documents be submitted?

Answer: The economic organizations and their branches must submit their directives or internal regulations governing the organization of the wage system to

the superior organ and the respective bank branch. The superior organs and bank branches have no right to approve them. They must review them with a view to ensuring their consistency with existing laws.

83. Question: RABOTNICHESKO DELO has reported that the Council of Ministers had passed amendments and supplements to the directive on contracts among socialist organizations. What are the essential new features contained in these amendments and supplements?

Answer: On the basis of the changes made in the directive on contracts among socialist organizations, its stipulations have been made consistent with the Regulation on the Economic Mechanism.

The most essential changes are the following:

Changes are made in the procedure for resolving precontractual disputes regarding the subject and deadlines of contracts to be concluded. It is stipulated that all precontract arguments must be resolved by the state arbitration authority, with the exception of cases involving subunits within the same economic organization. Some guarantees are also provided to ensure the correct resolution of such disputes.

The previous procedure did not provide the opportunity to resolve disputes within a short time and for the organizations to secure contractually their counterplans. Arguments regarding the item (quantity, quality, variety, comprehensiveness, packaging) and deadlines, in the case of contracts stipulating reciprocal agreements, are settled as follows: between the branches of the same economic organization, as we said, by the manager or by his authority; between branches of different economic organizations, between a branch and another economic organization or between economic organizations within the same sector, by the state departmental arbitration authority of the sectorial ministry, with the mandatory participation of ministry specialists assigned by the minister. Disputes between socialist organizations belonging to different sectors must be resolved by the okrug state arbitration or the Sofia City arbitration authorities.

It is strictly stipulated that sectorial ministries must actively participate in settling disputes regarding the contractual item and deadlines. They must submit to the arbitration authority their viewpoint in writing, on the basis of which the arbitration authority will make its decision. Officials charged with failure to carry out this obligation will be penalized in accordance with the Law on State Arbitration. Should the dispute pertain to uninsured raw materials, materials, electric power, etc., or the lack of capacity and should the sectorial ministry of the supplier fail to submit its viewpoint, the dispute will be settled in favor of the purchaser.

The supplement to the directive settles the question of the material liability based on contracts for the delivery of goods for export and import, including commission charges. The amount will be consistent with the principle of assuming total property liability.

The full amount of fines, damages and compensation for unearned income shall be owed for nonfulfillment of internal contracts, regardless of the amount of liability based on the external contract. In the case that by virtue of a governmental agreement, liability based on a contract with a foreign partner is lesser than the amount of liability based on the internal contract, in accordance with the laws of the country, the foreign trade organization will cover the difference between the funds paid out and the total amount of the liability out of its Economic Risk Fund and the funds of the respective sectorial ministry. In the case of a shortage of such funds, the difference may be covered partially or entirely by the state budget in accordance with procedures and conditions stipulated by the minister of finance and the minister of foreign trade.

A similar procedure is followed in the case of liability proceeding from contracts for international freight transportation.

The amendments and supplements make some other features consistent with the principles of the economic mechanism. Specific norms are set regarding the confiscation of foreign exchange from the producing economic organization which fails to deliver on time stipulated quantities of goods; incentives are provided for the actual implementation of obligations, although with some delays, within the framework of the following quarter of the planned year, etc.

84. Question: Are leading cadres and specialists in shops, brigades and other units part of the administrative personnel of the enterprise in the sense of Article 190, paragraph 2, point 2, of the Regulation on the Economic Mechanism, and if not, how should the amount of their wages be determined?

Answer: Management cadres and specialists in shops, brigades and other units operating on the basis of internal cost effectiveness, are not part of the administrative personnel of the enterprise (branch) whose wage fund is established in accordance with Article 190, paragraph 2, point 2, of the Regulation on the Economic Mechanism. Their individual salaries are determined on the basis of the internal regulations on the organization of the wage system within the framework of the wage fund of the respective unit. Consequently, the administrative personnel of the enterprise includes only management cadres and specialists in units not operating on the basis of separate internal cost accounting. (To be followed.)

5003
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## FUTURE ROLE OF NATIONAL COMMITTEES UNDERLINED

Prague HOSPODARSKE NOVINY in Czech 23 April 82 p 1, 7

[Article by Ladislav Adamec, vice premier of the CSR government: "The National Committees after the 6th Plenary Session of the CPCZ Central Committee; Support for More Creative Approaches"]

[Text] At its recently held 6th plenary session, the CPCZ Central Committee dealt with the tasks of national committees. Its deliberations covered further strengthening the importance and extending the authority of these bodies, preparing the conditions for making them more responsible for meeting the goals of socialist construction. With special attention they worked on problems the settlement of which can relieve poeple's concerns about meeting legitimate demands.

Consistent with the policy of the 16th congress, they also reviewed thoroughly the level which the national committees had attained, appraised the unselfish efforts of the deputies, officials and hundreds of thousands of our citizens and prescribed key directions for further development in this area. Together with emphasis on the influence that individual aspects of manifold activity have on the commitment of the populace, attention was focused on a critical analysis of the causes of deficiencies and those sectors where representative bodies in localities, districts and krajs are not, so far, fulfilling the duties entrusted to them.

The conclusions adopted by the Central Committee apply not only to the dissemination of good experiences but also to consistency in overcoming difficulties and point to more systematic pursuit of efficiency in work performance and to more exacting orientation of economic, political and social activity. Moreover, we consider it essential to adhere uncompromisingly to the principle that we can fully meet our prescribed tasks only when, under the leadership of party organizations, the unique political position of the national committees continues to be reinforced and the application of their economic, organizational, authoritative and educational functions is systematically supported. Decisions are being made on how they will effectively meet their new obligations now, at a time when they will be familiarizing themselves with the substance of the material formulated by the CPCZ Central Committee plenum, mastering it and adapting it to their own conditions. The main concern is that the objectives be creatively and fully comprehended and carefully put into action.

Hostage to the past are those programs which consider only the scope of actions and their variety as the measure of correct procedure, losing sight of or underestimating the appropriateness of the courses adopted. They also forget the fact that noe even under city and community conditions can one overlook the principles of conservation, similar to the rules of economic thinking and acting as they are projected throughout the national economy.

The requirement to support and develop more creative approaches takes on a more important character when we realize more fully that the national committees not only manage or administer their own organizations but at the same time play a notable part in the management and regulation of every activity (planning, financing, investment, care for the environment, transportation, trade, services, collection of secondary raw materials, fuel and energy conservation, etc).

Naturally it is not a question of simply underscoring the importance of the authority of national committees and indicating the range of decisions made by them. The possibilities for increasing the efficiency of efforts expended in most sectors are given expression here.

At the same time it would be short-sighted to simplify the problems of conservation by merely limiting our objectives. Past experiences attest to the fact that confusing haste with determination, mistaking vacillation for rational deliberation can be expected to eventually blunt the initiative of the people and lead to formalism and indifference. This can be exemplified by the directions taken in voluntary work for the public good in the near future. We will certainly not be able to permit ourselves the building of costly facilities or initiating actions which cannot be proved to be absolutely necessary. This does not mean that all of a sudden any opportunities for expanding campaigns of pledging and competitions should be lost or that offers of specific assistance by individuals or collectives should be ignored.

Analysis shows that it is precisely at this time that we should concentrate on those problems for which we did not have time or manpower earlier, using simple and inexpensive methods. By this we refer mainly to matters of cleanliness, maintaining and expanding green areas, the appearance of streets and squares, in short, improving the environment. Another current issue is more systematic use of facilities already built, such as those used for social-cultural, physical fitness, educational and similar activities. There are also always tasks relating to training and organization, the formation of persons who promote socialism in their thinking and acting, intensifying participation of workers in management and administration, improving the negotiating ability of various bodies as well as evaluating the effectiveness of deputies.

Of special importance in the process thus established is the whole problem of how official and administrative state bodies should participate in meeting the goals set forth in the economic and social program of the 16th CPCZ Congress, questions of improving services and finding a

meaningful solution to the problems of education, culture, health and social security. Developments in the immediate future are also associated with raising the efficiency of operations in cities and central communities, with a thoroughgoing appraisal of the authority of elected officials as well as the deputies themselves and fruitful relations with aktivs.

In accordance with the resolutions of the 6th plenary session it will be necessary to project local initiative into these areas and fix the focus of responsibility of representatives' collectives and citizens' committees. We consider it imperative to associate this effort with the notable contributions of National Front components. We are well aware that they are one of the pillars of our political system through which the citizens promote their interests, take part in meeting the goals of social development and find opportunities to indulge personal predilections for their own self-fulfillment. Experience shows that without the endeavors of organizations of the National Front we could not image either the origin of past performance or the fulfillment of future plans.

An integral part of the formation of immediate plans as well as future prospects is also rightly perceived in the differentiated cooperation with the whole productive and nonproductive sphere, especially with industrial and agricultural enterprises in a given territorial unit. There are many examples. In general, they indicate that, for the most part, there is a matter-of-fact, unpretentious understanding among business leaders, trade union organizations, councils and assemblies of the actual perception of mutual needs to intensify cooperation in pursuing creatively the interests of all of society. Even here it will be important that clear initiatives not only be popularized but also incorporated into the broader context of efforts to discover and mobilize reserves that are still not fully utilized in order to more rapidly implement the concepts adopted.

In this regard the 6th plenary session of the CPCZ Central Committee advocated an ever closer linking of the everyday activities of representative committees with the implementation of key objectives contained in party policies. That is why the efforts expended by them to substantially raise the effectiveness of actions to carry out the comprehensive economic and social development of area jurisdictions are so urgent. If they want to pass the test of political and professional maturity and their own skill and ability, they must first of all proceed more rapidly on the road to overall improvement in labor efficiency.

Certainly the materiality of goals pursued is very important. But that does not mean that in the process we should avoid mutual integration and lose sight of the sense of unification. The implementation of prescribed plans must, above all, contribute--even though perhaps in the long-range perspective--toward deliberately increasing the well-being of the people and concentrating on meeting their legitimate needs. This principle was agian underscored at the 6th plenary session of the CPCZ Central Committee. There is no doubt that to fully apply it we must, on the ond hand, evaluate more specifically all available

findings and the lessons learned from them and, on the other hand, give full support to efforts to find more efficient means of operation. We find important assistance in the full preparedness of deputies and officials, their insights into what is possible, their patiently built confidence in courses adopted and in their willingness to work together in carrying them out.

So that a given approach should not be perceived as action by decree, it is always necessary to set the proper conditions. This consists primarily of systematically preparing the citizens with appropriate promotional and propaganda actions, eliminating sybjective and objective obstacles to the momentum of creative initiatives. Furthermore, this is demonstrated by information from places where people are given reliable background information for carrying out tasks at worksites, where they consistently explain things and, in particular, follow up on suggestions, react responsibly to key initiatives and also appreciate the good ideas and involvement of the populace.

There are still, however, frequent cases of disparaging attitudes toward criticism. Irregularities exist with dilatory efforts toward correction, some officials still have a superior attitude toward citizens and nothing is said against individuals responsible for years of abuse. They look for reasons why this or that does not work. There is far less interest in figuring out solutions for legitimately criticized situations or matters. Truthful examples are--among others--conditions attached to services, transportation, supplies, dealing with workers of national committees, etc.

It is especially necessary to bring out that a politically prudent attitude to urgent needs of the populace must be imbued with specific results in activity on the economic front and efforts to improve management. It must be founded on real programs which are fruitful in every season, lead to the elimination of problems and produce a creative atmosphere.

In attaining the objectives set forth by the Central Committee sometimes it will be necessary in localities, districts or even krajs to be more critical of the correctness of earlier objectives and compare them with current possibilities, to consider whether they contribute effectively enough toward the execution of policies of the 16th CPCZ Congress.

Naturally, the essence of the actual activity does not lie in the extent of newly set goals but in resolute and patient improvement of the status quo, in emphasis on quality and well-thought out approaches to individual tasks. It is not the verbal reports but only the actual deeds that will determine success.

e cannot allow the pursuit of basic directions of development to be perceived as a campaign with a time limit requiring only action readiness and immediate correction of the most obvious deficiencies. Let us keep in mind that the conclusions of the CPCZ Central Committee plenary session are directed specifically to the present as well as future time and lead to honorable fulfillment of current obligations in the interests of safeguarding the concept of future advances.

The problems that the 6th plenary session took up did not concern only officials, deputies and activists of national committees but their binding nature is general, it applies to all sectors in which social consciousness, active involvement and the enthusiastic dealings of people are formed. It also urges many workers in the economic sphere to reconsider their personal attitude toward not only deputies and representative bodies but particularly to securing critical needs for the development of territorial units.

In the coming period national committees will be dealing with tasks of extreme complexity, using exceptional methods from the viewpoint of their overall development. The conviction that they will be able to cope with them is based on the responsible manner with which they consistently advocate party policy. The immense support from which they draw their authority and their truly efficient cooperation with individual bodies and organizations offer assurance that the goals of the 6th plenary session of the CPCZ Central Committee will be met by the broad range of their activities.

8491
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## EXPERIENCES FROM FIRST YEAR SET OF MEASURES VIEWED

Prague KONTROLA in Czech No 3, 1982 pp 1-3

[Article by Eng Stanislav Sourek, Deputy CSSR Finance Minister: "Experiences From the First Year of Application of 'Set of Measures'".]

[Text] The current year is the second year of operation of the Set of Measures for Improving the Planned Management System of the National Economy, and of the legal and methodological regulations issued on the basis of it. Experiences from its performance must be evaluated systematically as a base for a further increase in managerial efficiency in all sectors. For this reason the evaluation of the application of Set of Measures in 1981 has great significance, even though it must be acknowledged that even a year is a relatively short time for a thorough evaluation of the efficiency of the planned management system. So far, on the basis of 1981 experiences, certain findings may be noted from the application of the Set of Measures, even though it is a matter for the time being solely of isolated findings, while an overall, thorough, comprehensive analysis of 1981 from these points of view is only now beginning to be conducted.

The implementation of the Set of Measures required extensive methodological and legislative activity. About 80 methodological and legal regulations have been issued. They were issued, to be sure, with a validity beginning on 1 January 1981, but nevertheless most of them became valid at the end of 1980. Each of these regulations was then adapted to the conditions of sectors, economic production units (VHJ), and enterprises, and time was spent getting acquainted with the regulations themselves. This very important phase required, in some instances, a substantial part of the first half of last year. In particular, the introduction of new regulations at the enterprise level called attention to a lot of shortcomings, and in a number of cases was not feasible or was too time consuming. In evaluating the results of 1981, it is necessary to take account of this.

Practically speaking, it is difficult to evaluate comprehensively and unambiguously the level of operational efficiency of the Set of Measures in 1981 solely on the basis of judgments and evaluations of results achieved in the national economy. This is, certainly, an important measurement of the efficiency of all measures in national economic management, but it is impossible to pronounce definitive judgments on the basis of an annual period;

rather, one must take into account inertia and the utilization of earlier, now obsolete approaches. A number of other factors in addition to management sophistication exert an influence, in a positive and negative sense, on the management results which are achieved. Moreover, all of the requirements of the Set of Measures, in their full complexity, have not as yet been implemented in practice.

For this reason, at first glance a comparison of certain management results achieved in 1981 with the projected affects of certain principles and indicators of the Set of Measures may appear to be internally in conflict. For instance, in 1981 the costs of industrial materials evolved favorably (materials costs as a percentage of volume of outputs declined by 1.1 percent). The development of direct material consumption was not as favorable, and wage costs increased somewhat. This result is clearly influenced also by the affect of the indicator of adjusted values added, to which is tied the formation of the basic components of wages payable. In other branches, however, the costs of materials did not develop as favorably. In 1981 the return on operating assets likewise developed favorably, but capital stock utilization did not change substantially, and inventory development was very unfavorable. There is a certain conflict evident here, but this is also quite probably a matter of the first positive effects of certain elements of the Set of Measures. At the same time, however, it points to a need for additional thorough study of the influence and function of individual newly introduced instruments (for instance, return on operating assets) and to assure their increased and more comprehensive implementation, or the rounding out of the set of instruments. Experiences from 1981 indicate that, in comparison with previous periods, managerial employees are devoting their attention to qualitative indicators, and especially to those which are directly related to material incentives. In particular, adjusted values added, return on operating assets, the structure of sales, and profit stand out as the most significant.

The shift to a focusing of the development of wages payable on the basis of adjusted values added and return on operating assets took place satisfactorily and without serious problems. It will also be necessary here, however, to analyze in more detail the influence of both of these indicators, for instance the development of the structure of adjusted values added, the influence of return on operating assets, and the development of specific factors which affect it (such as capital stock utilization, inventories, profit), and the like. Contacts with economic production units (VHJ) and enterprises indicate that even during the practical implementation of wage policy, the slow introduction into wage policy of deleveling trends and the concept of merit still remains a great problem.

In the area of technical development, 1981 demonstrated that technical development has still not become the hub of planning and management. To be sure, the percentage of new products and of technically advanced products is for the most part increasing, but the actual effects of technical development, especially in foreign trade or even in the domestic market and the bottom line of the financial plan are very little in evidence. A "hunger" for technical development as the fundamental path to an increase in efficiency and quality has not yet occurred.

Likewise, in foreign trade there has not yet been a significant turnaround to an interest in an increase of efficient exports. On the other hand, it is possible to evaluate positively the fact that most managerial employees have increased their overall attention to issues of efficiency, both overall and specific. For instance, costs representing losses due to low quality production have continued to decline, and pressure is increasing for a reduction of unproductive costs, etc. However, concepts of efficiency are penetrating relatively slowly the decision making procedures in technical, production, and at times even supply sectors.

We are not being successful in utilizing more effectively counterplanning, a situation influenced to a great extent by its current orientation to annual guidelines and the plan.

On the basis of the Set of Measures, a number of new elements have been in effect since 1981 in the area of management, especially though in the financing of investments. Even though 1981 saw a further continuation in this area of well known, longstanding shortcomings such as a high degree of unfinished construction projects, a failure to meet construction deadlines and technico-economic parameters, and the exceeding of budgeted costs, particularly for major projects, right in the first year of applicability of the new measures positive changes may be noted in the area of investment projects financed from the development fund. The development fund serves as an economically active element in the entire system of the arranging for and financing of investment projects. For this investment category (construction projects of less than 2 million korunas and machinery and equipment not included in the budget of completed structures), greater consideration is evident in making investment decisions, the percentage of investments aimed at modernization increases, and VHJ and enterprises calculate more closely whether the resources to be expended from the development fund will produce greater economic advantages for them than the existing capital stock.

Certain sanctions have a new role in the area of investment projects; specific fines levied on investors for the delayed startup of imported machinery, a shift of resources from the development fund to the construction fund as a penalty for shortcomings (failure to meet planned construction schedules and the exceeding of budgeted costs) in investment projects financed from the construction fund and, in relation to contractors, a prohibition on providing payments for construction projects established as binding tasks of the state plan for which the planned completion schedule has not been adhered to. Experience indicates that these sanctions, in conjunction with the more rigorous character of the VHJ and enterprise management system, are sufficiently harsh and, for the most part, have quite an impact. The idea of the sanctions is to aid in the elimination of shortcomings and this requires, among other things, that they be applied to an effective extent on those participants in the entire investment process who were responsible for the shortcomings. This may also take the form of a complaint to recover damages. It is evident that these possibilities are as yet being used insufficiently and that quite often "more promising" paths are sought, for instance through requests for waivers, etc. This points, above all, to shortcomings in supplier-consumer relations in the area of investment projects.

Furthermore, during 1981 great shortcomings continued to be evident in inventory management. Inventory turnover significantly slowed down in comparison with the plan, and significant inventory growth in excess of the plan occurred. It appears that VHJ and enterprises have so far felt only slightly this unfavorable development in material incentives and their overall financial situation. At present the influence of bank interest, including interest penalties, must also be evaluated as insufficiently effective.

The implementation of the principles of the Set of Measures in financial management has strengthened the khozraschot character of the financial management system of VHJ and enterprises. Above all, the significance has increased for VHJ and enterprises of usable profit, on which allocations to funds, including incentive funds, are directly dependent. The share of profits in the financing of the needs of VHJ and enterprises has also increased. Therefore, not only has the interest of VHJ and enterprises in profit formation increased, but the influence has increased as well of various penalty payments such as fines, penalties, supplementary taxes, penalties for low quality production and the like, which reduce usable profits and therefore limit the possibilities open to a VHJ to finance its own needs and its allocations into material incentive funds. This influence will undoubtedly become much stronger in the future. A number of VHJ and enterprises are "feeling" these effects of the current financial management system during the annual evaluation of 1981 management results, and in their allocations of resources to material incentive funds.

The effectiveness of the financial management system must be further intensified. Experiences from 1981 indicate that it is especially necessary to improve the operation of the financial plan, which is the basis for the proper functioning of financial mechanisms. There is still great unused capacity in the active application of the financial plan, such as in the economic calculations of an enterprise or VHJ for effectiveness in the plan compilation process. Shortcomings persist in the breakdown of financial plan indicators along the management axis, and are evident in the pro forma nature of some breakdowns, a lack of specific knowledge of subordinate units, frequent plan changes, shortcomings in work with unused capacities, and the like. These represent, at the same time, great possibilities for increasing the operational efficiency of the financial plan, of financial instruments, of the material incentive system, and the like.

The development of khozraschot and an increase in the operational efficiency of its instruments on effectiveness and quality are important aspects of the implementation of the Set of Measures generally, as well as in 1981. It is possible to state that the first steps, to be sure, were taken in this regard in 1981, but that the basic tasks set by the Set of Measures have not as yet been fully mastered in practice. Above all, this is a matter of a new set of issues in VHJ khozraschot and of the assurance of a high level of effectiveness in internal enterprise khozraschot.

In this connection, it is necessary to emphasize the new quality of the position and function of the VHJ as the fundamental administrative element in the enterprise sphere, managed according to khozraschot, a position which

places great demands on the mastery of the entire set of issues involved in the khozraschot management of a VHJ as a unit and likewise of khozraschot management within the VHJ. This is a task which may, clearly, be mastered only gradually over a certain period of time, and 1981 must be understood as the beginning of this process. Under these conditions, the resolution of issues of the khozraschot management of enterprises within the VHJ framework has especially great significance. This involves a resolution of the problems related to the matrix of khozraschot relationships within the VHJ, in the context of the management systems of individual VHJ's. The elaboration of these issues in accordance with general regulations, but based on the concrete conditions of individual VHJ's, belongs among the most difficult tasks of the development and increased effectiveness of khozraschot in practice. At present, this task has still not been fully and generally mastered. It remains quite pressing, and VHJ's must complete it rapidly, because the effectiveness of VHJ and enterprise khozraschot is dependent on the smooth functioning of khozraschot relationships within the VHJ. The position of the VHJ as the basic administrative element in the enterprise sphere understandably requires as well some necessary centralization, for instance in financial management at the VHJ level, and they have been provided with the necessary jurisdictional authority. On the one hand, however, this is a matter of the extent and the efficiency of this centralization, and on the other hand a matter of the assurance of a positive function for finance and for khozraschot at individual enterprises within the structure of a VHJ.

Insofar as this concerns an increase in the effectiveness of internal enterprise khozraschot, the past year indicated that there is a very uneven situation in individual enterprises, and that the efforts of enterprises and VHJ's to master the tasks of creating the necessary preconditions for the efficiency of internal enterprise khozrachot have also been uneven. One of the main preconditions is a good normative basis, i.e., the existence of standards of all kinds; for output, for materials consumption, for energy, and the like, capacity standards, equipment utilization standards, and others. As the inspection showed, efforts to improve the normative basis are not as yet proceeding satisfactorily, and a substantive improvement in these efforts must be assured. Without quality standards, it is impossible to compile a quality operating plan, calculations, or budgets, or to evaluate their fulfillment and provide compensation according to merit. Without them, therefore, it is not even possible to utilize successfully internal enterprise khozraschot.

As mentioned above, the experiences from the application of the Set of Measures in 1981 will be evaluated thoroughly. The monitoring and evaluation of the operation of the Set of Measures will be carried out on a continuing, systematic basis by the Government Committee for Problems of Planned National Economic Management and the appropriate central organs. For instance, in the financial sector the Ministry of Finance will conduct the evaluations of the application of the new financial regulations which have been issued in selected VHJ and enterprises on the basis of the Set of Measures and through the medium of financial reports. It will certainly also be effective to make use of the experiences of control agencies. Along with

an evaluation of 1981 management results, an overall evaluation of the implementation of the Set of Measures will also be conducted. An evaluation of experiences will be carried out by detailed research on the part of the Covernment Committee for Problems of Planned National Economic Management at selected VHJ. The monitoring and evaluation of the implementation of the Set of Measures has great significance. It will assist in the identification of upcoming and unresolved problems and provide the impulse for their operative resolution. It also provides suggestions which may be acted upon by certain sectors and for the improvement of resolutions which have already been adopted. In these areas, work is being oriented towards an elaboration and further implementation of the Set of Measures, and towards the working out of certain as yet unsolved or insufficiently resolved problems, for practical purposes, in other words, on the further development of the Set of Measures, which represent an open starting point for the improvement of the planned management system of the national economy, which is a continuing process. On the basis of these initial experiences, for instance, beginning in 1982 additional measures will be adopted to resolve certain problems in the application of economic instruments in foreign trade and in the financing and granting of credits for working capital, experiments are being planned for the improvement of administration in the area of scientific and technical development. foreign trade, etc. The improvement of planned management and thus of financial management on the basis of the Set of Measures is a process in which 1981 was the first important phase.

Nor should sight be lost of the fact that the improvement itself of the principles of the planned management system of the national economy is only half of the route to greater administrative efficiency. The second half, then, is the systematic improvement of daily administrative and organizational work at all management levels and, within this framework, for example, also an increase in the efficiency of inspection efforts. It is with reference to a total picture defined in this way that it is necessary to develop efforts at improving planned management during this year and in future years and that the results which we achieve in this period must be thoroughly evaluated.

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## INCREASED ROLE OF NATIONAL COMMITTEES DISCUSSED IN COUNCIL

Prague RUDE PRAVO in Czech 28 Apr 82 pp 1, 2

[Unsigned article: "Deliberations of the Czech and Slovak National Councils"]

> [Text] Prague/Bratislava, 27 Apr (CIK)--The deliberations were attended by representatives of the party and the national governments. Deputies of the Czech National Council assessed the Czech Government report on further improvement of the work of the national committees. Deputies of the Slovak National Council evaluated the Slovak Government report on fulfillment of tasks in the construction industry. The role of the Local National Committees in key central villages is being enhanced.

The meeting was held on Tuesday in the presence of party and Czech and Slovak government representatives. The deliberations assessed the republic government's reports on the role of the national committees and performance in the construction industry, respectively. The two national councils also approved legislative proposals which amend and supplement the law on national committees and enhance the jurisdiction of the local national committees in key central villages. In consonance with the conclusions of the Sixth Plenum of the CPCZ Central Committee, these legislative acts are the first in a series of planned amendments which will gradually create legislative prerequisites for enhancing the role of the national committees and the position of the deputies.

Deliberations of the Czech National Council [CNC]

Josef, Kempny, CNC chairman and member of the CPCZ Presidium, welcomed Josef Korcak, CPCZ Presidium member and Czech premier, and other Czech Government ministers, as well as representatives of central organs, political parties, and social organizations of the National Front.

Before opening their deliberations, the participants honored the memory of the recently deceased Czech minister of forestry and water economy, Ladislav Hruzik.

This was followed by a report presented by the Czech minister of interior, Josef Jung, on further improvement in the work of the national committees and the organizations they manage.

"We followed with great interest," Minister Jung said in his opening remarks, "the deliberations of the Sixth Plenum of the Central Committee which approved important measures aimed at enhancing the role and authority of the national committees, broadening their jurisdiction, and intensifying their effect on satisfying the legitimate needs of our citizens. We know what needs to be done in the krajs and okreses, the path we must follow in strengthening the vital stature of elected organs, and what is needed to improve the system of their management.

"Last February," he continued, "the Czech Government approved a set of measures aimed at improving economic management in the national committees in terms of better structure; more consistent fulfillment of the principles of effectiveness; and, stated briefly, the overall implementation of their social responsibility. On this goal is focused a set of basic indicators of the plan and other management instruments, strengthening and accentuation of the coordinating role of regional and territorial planning, higher quality in departmental management according to the developmental concepts of the individual branches, within the framework of a uniform national policy.

"One of the most sensitive tasks requiring special attention of the national committees is to satisfy the needs of our citizens in housing. Given the complexities in housing construction, this means resolving the problem of civic and technical furnishings in the settlements and better management of the housing fund in general. We have set up enterprises of housing management which have large numbers of employees and receive hundreds of millions from the state for this purpose. Yet, in most cases, they fail to live up to their responsibility to provide what is legitimately demanded by the tenants and what is required by the interest of a socialist state in good housing conditions for its citizens.

"At a time of a slower tempo in the construction of new housing units, modernization and restructuring of housing and nonhousing funds are becoming a serious problem, on the resolution of which we must focus attention of the local construction organizations and okres construction enterprises. Their participation in large construction projects will, henceforth, be approved only in very exceptional cases.

"In national committee economic management," the minister went on, "improvement in paid services holds an important place in the effort to satisfy citizen needs. We have achieved some progress in selected areas such as, for example, in the repair of television and radio receivers, washing machines, barbering and hair-dressing services, dry cleaning, photographic processing, and others. Nevertheless, there are still shortcomings in the performance of laundries, automobile repair shops, shoe repair, clothing, underwear, furniture, and spa services. There are even some localities where services do not function at all.

"A few weeks ago, the Czech Government approved principles of more effective management and more flexible performance in paid services.

"One option in replacing administrative methods of management by economic methods is a fundamental simplification of the planning, fiscal, wage, and tax systems and a gradual but consistent application of the enterprise and intraenterprise khozraschet principle. It was decided to lower substantially the binding indicators set at the center. We place special emphasis upon shortening delivery deadlines; extending hours of operation, market services and a corresponding network of shops; establishment of emergency services; and, above all, better overall performance.

"At the same time, we must bear in mind that the primary effort in improving services under the adopted measures is the responsibility of the services enterprises and organizations, whether they are managed by the national committees or whether they are cooperatives or other types of organizations. All other forms are merely auxiliary and their joint aim must be to satisfy the people's needs.

"At the same time," Minister Jung continued, "the care and protection of the environment is one of the most important tasks of the national committees of all levels. The seriousness of this responsibility is reflected in how successful they are in improving conditions in villages and towns but also involves a reduction of the harmful consequences of production and extraction operations, cleansing the air polluted by industrial emissions, care for forest growth, and protection of streams.

"Special attention will be given to the North Bohemian Kraj, the capital city of Prague, and the Ostrava-Karvina complex where the situation is the most serious. Equal care must be given especially to the West Bohemian spa areas.

"The government also approved principles toward improvement in the work, organization, and effectiveness of the national committees in towns and cities.

"In this respect, we envisage four groups. The first will include Brno, Ostrava and Pilsen, where national committees have the standing of okres organizations. The second group will include the remaining kraj capitals and economically and socially important large towns. Among others, this means Karlsbad and Marienbad. The third group will consist of the remaining okres seats and other population centers of regional importance. The fourth group will include all the remaining towns.

"These steps will significantly strengthen the coordination functions of the municipal national committees in organizations managed by higher national committee echelons, as well as in organizations managed centrally.

"Another broad set of questions concerns the effectiveness of national committees in central villages. We want to expand their activity in state administration in the interest of ensuring more consistently economic, social, and cultural progress in satisfying the needs of citizens.

"An important place in the intensification of socialist democracy is held by an enhanced role of the elected organs. The approved set of measures will raise the effectiveness of their work, intensify their accountability to their

constituents, and facilitate their managerial, coordinating and control functions.

"Without doubt, our deputies are an important factor in the mission of the national committees. We strive to have them apply more emphatically their expanded authority, increase their impact on the elimination of shortcomings in the work of representative bodies, expand their cooperation with components of the National Front, and strengthen the respect and authority of their office.

"Management is the most important sphere in the effort to improve the performance of the national committees. The principal responsibility in this area rests with the government. We, therefore, wish to ensure more consistently, first of all, the coordinating functions of the central organs with respect to the national committees, intensify their participation in overall management, strengthen the practical significance of a quality performance in state administration and place more emphasis on the strengthening of socialist legality."

In closing, Minister Jung assured the assembly that the Czech Interior Ministry would deal responsibly with the findings of a probe conducted by CNC deputies.

Deputy CNC Chairwoman Marie Jarosova served as joint reporter for the committees dealing with the Czech Government report. "Each of us CNC deputies," she said, "has often participated in discussions with national committees of all levels. We can therefore testify that the proposed measures toward enhancing the role of elected organs in the national committees are well taken.

"During the probe," she continued, "the deputies found that an integration of communities is inevitable, since the population is being concentrated in larger localities. We must not allow, however, the creation of central villages to result in a lower standard of living or social stagnation for those being thus joined in a larger grouping. For a successful integration and creation of larger communities, it is necessary--as we found in the South Bohemian and North Moravian krajs, and in the okreses of Decin, Cheb, Benesov, Domazlice, Louny, Gottwaldov and Prerov--to create the needed legal, cadre, and material conditions sufficiently ahead of time before the integration process begins."

Marie Jarosova also dealt with the role of citizen committees, residential commissions and trustees, cooperation of the national committees with social organizations which mobilize their members toward fulfillment of the election programs of the National Front. She also discussed the methods of national committee management by higher echelons and the performance of the national committee, pointing out some of the shortcomings found in these areas.

Czech Interior Minister Josef Jung then explained the government proposal for the CNC law which amends and complements the law on national committees and adjusts their jurisdiction in the central villages.

He pointed out, among other things, that the process of integrating small communities into larger units which had begun in the early 1960s, had indeed resulted in larger territorial formations. A situation thus arose in which, beside the

national committees in the integrated units, we still had the local national committees in the smaller component communities, and all the national committees at the local level have equal position, responsibility and jurisdiction.

"The establishment of national committees in the integrated communities," the minister continued, "is a long-term process in the course of which the kraj national committees will gradually designate the principal integrated communities, as the required prerequisites materialize. In the course of this process, the local national committees in the integrated communities will eventually become the basic element in the national committee system.

"To achieve this goal, it will be necessary that the legislative adjustment of the responsibility and jurisdiction of the national committees in the key central villages be carried out without delay, even before the final version of the law on national committees becomes effective. The principal aim of the adjustment is to improve the quality of national committee operations in the key central villages through better forms of state administration and better conditions for the complexities of life in them."

The minister then noted that the proposed adjustment would affect 671 national committees of the basic level in the Czech Socialist Republic, of which 427 are municipal national committees and 244 are local national committees.

Finally, Minister Jung recommended that the Czech National Council approve the proposed legislative amendment of the law on national committees as it had been submitted to it.

Approval was also recommended by the joint committee reporter, Deputy Jiri Burian, who said, among other things, that, where integration was followed by the formation of citizens committees, some of the latter often perform better than the former national committee. Burian also reported that, in their probe, the deputies frequently encountered doubt as to whether the local national committees would be capable of handling the increased responsibilities of a central village. This doubt referred not only to the number of employees but also to their professional qualifications with respect to the new situation and the requirement to simplify state administration. Burian also informed the assembly that committees of the Slovak National Council had introduced some changes into the legislative proposal.

A general discussion then followed on the two points of the agenda. The following 17 deputies presented their contributions: Josef Mecl, Vaclav Burian, Jiri Maryska, Jiri Fleyberk, Anna Langerova, Pavel Krystnik, Frantisek Antony, Miroslav Novotny, Bretislav Varecka, Zdena Zakova, Miroslav Slouf, Marcela Vokrouhlikova, Vaclav Michalec, Vladimir Bursa, Petr Kratky, Marie Santorova and Marie Cmiralova.

In the discussion, appreciation was expressed for the work of the national committees and their deputies, but there were also many critical remarks about cumbersome and sluggish administrative operations and a bureaucratic approach to dealing with citizens. Several deputies expressed support for the need to improve national committee operations in the key central villages. Others cited

examples of simplification of administrative operations which would be conducive to expeditious handling of various citizens' requests. Yet others pointed to unutilized opportunities to improve and make more flexible the various types of paid services to the population, to the role of national committees in local and regional planning, capital investment construction and in the protection of the environment.

Based on experiences in their electoral districts, a number of deputies presented their findings in the establishment of central villages, especially in the sense of bringing the national committees closer to the people and increasing the participation of citizens in public administration, as an expression of broadening our democracy. Management in the construction industry was criticized for its complexity, which complicates the building of family houses, particularly. There was also criticism of the shortage of craftsmen, etc.

The CNC resolution on the government report on further improvement in national committee operations and in the organizations they manage charges the CNC committees to devote attention to the national committees, especially in connection with the complex development of their territories, toward better utilization of the labor force, effective capital investment construction, thrift in outlays, protection of arable land and emphasis on domestic resources.

The CNC adopted the changes in the law on national committees, and the adjustment in the jurisdiction of local national committees in the key central villages is to become effective on 1 July 1982.

In his closing remarks on these points, CNC Chairman Josef Kempny stressed the fact that the discussion confirmed approval ofthe conclusions on national committee operations which had been adopted by the highest CPCZ organs. The adopted law creates conditions for the central villages to offer a broad range of paid and public services for citizens of their territories, to become a foundation of future advancement of social and cultural life. This law is the first piece of legislation which implements the conclusions of the 16th CPCZ Congress, six plenums of the Central Committee, and other CPCZ Presidium documents. The chairman concluded "our contribution rests not only in new legislation, but also in overseeing how these laws are translated into life and what their effects are."

The deputies then approved (effective date 1 July 1982) a change in the law on the organization and oversight jurisdiction of the state mining administration, in that one of the nine regional mining bureaus is moving from Tisnov near Brno to Liberec. The proposal was defended by the chairman of the Czech Bureau of Mines, Ladislav Zika, and supported by Deputy Ladislav Berenreiter.

Following reports on the application of the conclusions of the Third CNC Plenum, and on the work of the CNC presidium, the Fourth CNC Plenum adjourned.

Deliberations of the Slovak National Council [SNC]

Viliam Salgovic, SNC chairman and member of the CPS Presidium, welcomed members of the CPCZ Presidium, Josef Lenart, CPS first secretary, and Peter Colotka,

Slovak premier, and other CPS presidium and secretariat members, members of the Slovak Government, and other guests.

Following the approval of legislation which supplements the law on Slovak Government organs responsible for social security, the deputies discussed the government proposal on the SNC legislation which amends and supplements the law on national committees and adjusts the jurisdiction of local national committees in key central villages.

The proposal was explained by Slovak Interior Minister Stefan Lazar, who noted, among other things, that the amendment will enable the national committees in key central villages to establish, to a greater extent than heretofore, facilities and organizations to provide paid services for citizens, contribute to okres medium-range planning and budget operations, etc.

The SNC committee view was presented by the joint committee reporter, Deputy Vojtech Tokarik. He noted that, in order to apply the new law in practical life, the Slovak Government had adopted measures of a political and organizational nature. The kraj national committees in Slovakia have thus far designated 54 key central villages where the local national committees will have broader jurisdiction. In closing, he recommended that the government proposal be approved.

Following a discussion during which the proposal was supported by deputies Jan Pikula, Andrej Sulety, Vojtech Ligart and Ladislav Mihalik, the assembly approved the proposed law.

The deputies then dealt with the Slovak Government report on task fulfillment in the construction industry, which was presented by Slovak Construction Minister Dusan Miklanek.

"During the Sixth Five-Year Plan," the minister said, "the plan of binding tasks in construction was, by and large, fulfilled. The deadlines for putting capacities into experimental operation, as well as terms of completion, however, were not met. In contrast, 152,000 finished housing units in the course of the Sixth Five-Year Plan is the highest in the history of our housing construction. Important buildings serving health care, education, culture and commerce were opened for public use.

"Some of the tasks in construction stemming from the conclusion of the 16th CPCZ Congress, especially with respect to changes in the structure of construction capacities and the level of construction management, were not fulfilled on time, nor in the desirable volume.

"The task to reduce during the Sixth Five-Year Plan unfinished construction projects 15-18 percent was not met; on the contrary, this problem increased 22 percent. The dispersion of construction capacities intensified as a result and exacerbated conditions for a rationalized organization and management system in the construction industry.

"Accompanying phenomena of the high rate of unfinished construction were serious shortcomings in the preparation and supply of construction projects, in maximum utilization of working hours and mechanisms, in labor and technological discipline, in the quality of labor, and in the complexity of finishing construction projects and housing within the time frame projected by investors and designers.

"Plan fulfillment in 1981, even as early as the first half, showed that shortcomings continue. Despite numerous measures adopted to improve the situation, many basic volume and substantive indicators of the plan have not been met.

"Of 27 enterprises, good economic results were achieved by only 18. The cause of nonfulfillment, i.e., a loss of 285.5 million kcs, rests in VHJ Surface Construction. We consider this situation to be a consequence of the low management level in some enterprises, including the offices of the director general, and we expect improvement, starting with an analysis of the failure and finishing by the elimination of the shortcomings discovered.

"The basic task of the 1982 plan is a consistent realization of the restructuring of construction operations and reducing the number of unfinished projects, so that in the course of the Seventh Five-Year Plan we achieve an optimum cycle in the construction industry. The lower planned volume of starting construction offers a realistic prerequisite for the achievement of this goal.

"With the overall lower volume in complex housing construction, tasks to provide furnishings and outfitting have risen 10.3 percent. This year, 28,000 housing units will be completed. Our task is to achieve a turn toward smooth and even operations, notably in the completion of higher quality housing construction."

The minister then continued: "Even more demanding this year are the tasks of binding construction. Of 107 construction projects, we need to put 44 into operation, of which 24 are to be fully completed.

"Correct wage and social policies must contribute to a higher stabilization of the labor force throughout the construction industry. For 1982, the task before us is to achieve a more differentiated system of rewards for construction workers.

"This year is the first time we have introduced counterplanning in the construction industry.

"In 1982 housing construction, during the first half we want to turn over 40 percent of the annual plan of housing units for finishing operations. We will expand the rapid-flow method in order to build 80 percent of housing units and 20 percent of public construction by this method.

"The main developmental directions in the construction industry," concluded Minister Dusak Miklanek, "are, we believe, adaptation of construction capacity structures and their deployment to the needs of capital investment construction, an overall higher effectiveness to allow a more intensive application of a uniform technical policy in the construction industry."

The SNC committees view on the report was presented by the joint reporter, Deputy Vladimir Fasang. He noted that the SNC committees, with the participation of construction organizations, had conducted group probes at 9 construction sites and in 16 organs of state administration. In addition, deputies had conducted individual investigations in their electoral districts. In the state and economic organs and organizations they visited, they found that measures are being taken to improve the situation. The reporter also recommended approval by the SNC of the government report.

In a discussion, Deputy Michal Rohac reported that the construction organizations in East Slovak Kraj last year failed to complete more than 2,800 housing units; and, even in those which were completed, the quality was below the desirable level. Deputy Mirosalv Smetana stressed the desirability of advance work in design and architectural preparation to allow the construction organizations sufficient lead time to adequately adapt to the plan. Deputy Olga Psurikova noted that many construction organizations in their preparation of the plan have not dealt consistently enough with supplier-consumer relations, and Deputy Ladislav Laczko emphasized that the most common cause of failure to fulfill tasks in the construction of educational facilities is a shortage of labor, insufficient material and machinery assets, transportation problems, etc.

The first deputy premier of the Slovak Government, Julius Hanus, stressed the fact that an analysis of the condition of the construction industry showed that the main direction in meeting its tasks in the Seventh Five-Year Plan must stem from the need to eliminate quickly and resolve the problems which were found.

Contributions to the discussion were presented by deputies Jozef Trepas, Tichomir Toth, Ondrej Horniak, Stefan Hajduch, Vincent Foldes, and Jan Stencl.

In its resolution, the SNC charged its deputies and committees with responsibility of devoting their constant attention to the problems which had been discussed.

At the close of its deliberations, the SNC took note of the implementation of recommendations of its deputies presented at the Third SNC Plenum and the chairman's report on the work of the SNC presidium during the preceding period.

At the meeting on Tuesday, the SNC also announced the SNC legislation which amends and supplements the law on national committees and adjusts the jurisdiction of local national committees in key central villages.

The meeting also dealt with ensuring meat supply and other animal products during the first half of 1982, with consideration of the anticipated situation in the second half of the year.

9496
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## GROWTH OF INDIVIDUAL VEHICULAR TRAFFIC ANALYZED

West Berlin DIW-WOCHENBERICHT in German Vol 49 No 15, 15 Apr 82 pp 197-203

[Article by Rainer Hopf, German Institute for Economic Research (DIW), West Berlin: "GDR: Individual Traffic Continues to Increase." A translation of the article by the same author cited in footnote 9 is published under the heading, "Greater Use of Rail for Freight Transportation Seen," in JPRS 77933, 27 Apr 81, No 2120 of this series, pp 8-20. Translated excerpts from the "Law of 3 December 1981 on the Five-Year Plan for the Development of the GDR Economy During 1981-85," cited in footnote 1, are available in JPRS 79769, 31 Dec 81, No 2216 of this series, pp 7-29. Translations of two more items cited in footnotes below are published under quoted headings in the following JPRS issues of this series: Footnote 5--East Berlin DDR-VERKEHR article by Hans-Werner Schleife, "Statistics Provided on Growth of Vehicular Traffic," 72829, 15 Feb 79, No 1855, pp 46-66; and Footnote 7, by Doris Cornelsen of DIW, "West German Institute Analyzes GDR 1981 Economic Growth," 80519, 8 Apr 82, No 2256, pp 37-49]

> [Text] The decrease in economic expenditures in transportation for freight and passenger traffic is being emphasized in the GDR as a major transportation policy line. The principal goal is to conserve energy. While a broad range of actions can be implemented in freight traffic to realize these goals, for example, organizational measures, administrative decisions and decrees concerning the division of labor, or policies on fares and prices, the possibilities are far fewer in passenger traffic: More than one-half of the traffic load is accounted for by individual traffic, an area which is mostly free of state planning, even in the GDR.

### No Planning for Individual Traffic

Public transportation in the GDR, as in the FRG, is increasingly tending to stagnate. Individual traffic, by contrast, exhibits high rates of growth. This is surprising, if one considers that until now railroad, crosscountry bus and local urban traffic had enjoyed unlimited priority in all short-, medium- and long-term traffic planning. Individual traffic is not even mentioned in published one-year and five-year plans. Standards for the production of automobile tires and for vehicle maintenance are given[1]; but one looks in vain, for example, for figures on the development of the automobile supply or other orientation guide lines concerning individual traffic. Under these circumstances, the question arises of how to interpret the

demand made by politicians in the GDR that the five-year plan should be made the initial standard for general traffic plans for the 1980's, which include all carriers. The exclusion of individual traffic is apparently an admission that this sector of traffic is not amenable to planning.

In addition, the foundation for an integrated transportation policy which can bring individual measures into line with an overall design is lacking in the GDR. Official statistics which include individual traffic do not exist in the GDR. The most comprehensive studies in this area in the GDR were carried out as part of the System of Representative Traffic Polls (SrV).[2] Additional individual figures in GDR publications made it possible to derive a fairly realistic total picture of passenger traffic, in spite of the generally narrow data base.

Sharp Rise in Mobility . . .

The development and structure of passenger traffic in the GDR have been influenced by the rise in the standard of living, the accompanying growth in individual vehicular traffic and increases in the numbers of working people, high-school and college students. Other factors, such as increased leisure time, partial improvments to highways, the shift of apartments to the city outskirts, processes of concentration in health,social life and education, as well as in trade and industry, have also played a part.

The consequence of these changes is that today almost twice as many trips per inhabitant are made by public transportation, automobile or motorcycle as 20 years ago. Taking into account the distances covered, the rise in mobility (passenger kilometers per inhabitant) was even greater.

A comparison of the mobility indicators for the two German states reveals features in common, in spite of many differences. In the GDR and the FRG, the development of passenger traffic has been decisively shaped by individual traffic. Because of the general increase in average trip lengths, the growth in traffic loads was higher than the corresponding indices for traffic volume. The overall lower level of numbers of journeys in the GDR and the considerably higher ratios of mobility for public transportation reflect the different degrees of personal transportation.

. . . in Individual Traffic

In total passenger traffic in the GDR in 1980, individual means of transportation made up almost one-half of the traffic volume (number of passengers carried) (FRG: four-fifths) and almost three-fifths of the traffic load (passenger kilometers) (FRG: four fifths). Compared with 1960, individual traffic has increased almost fivefold.

Within the Council for Mutual Economic Assistance (RWG), the GDR now has by far the highest degree of personal transportation.[3] However, compared with the FRG, great differences still exist. While there was one automobile for every 2.5 inhabitants here in 1980, in the GDR there were still six inhabitants for every automobile. But if motorized two-wheelers are included (motorcycles, motor scooters and mopeds), the degree of personal transportation in the GDR is only about one-fifth less than that in the FRG.

| Jahr (3) | DDR (1) | | | Bundesrepublik Deutschland (2) | | |
|---|---|---|---|---|---|---|
| | Insgesamt (4) | Öffentlicher Verkehr (5) | Individual-verkehr (6) | Insgesamt (7) | Öffentlicher Verkehr (8) | Individual-verkehr (9) |
| | Fahrten je Einwohner (10) | | | | | |
| 1960 | 254 | 208 | 46 | 410 | 132 | 278 |
| 1965 | 285 | 207 | 78 | 457 | 123 | 334 |
| 1970 | 321 | 204 | 117 | 505 | 119 | 386 |
| 1975 | 393 | 227 | 166 | 556 | 127 | 429 |
| 1976 | 410 | 235 | 175 | 559 | 123 | 436 |
| 1977 | 424 | 239 | 185 | 557 | 123 | 434 |
| 1978 | 435 | 243 | 192 | 577 | 123 | 454 |
| 1979 | 442 | 244 | 198 | 594 | 125 | 469 |
| 1980 | 454 | 245 | 209 | 604 | 128 | 476 |
| | Personenkilometer je Einwohner (11) | | | | | |
| 1960 | 3 033 | 2 238 | 795 | 4 521 | 1 589 | 2 932 |
| 1965 | 3 813 | 2 227 | 1 586 | 6 129 | 1 547 | 4 582 |
| 1970 | 4 602 | 2 421 | 2 181 | 7 400 | 1 591 | 5 809 |
| 1975 | 5 846 | 2 944 | 2 902 | 8 331 | 1 713 | 6 618 |
| 1976 | 6 261 | 3 056 | 3 205 | 8 521 | 1 691 | 6 830 |
| 1977 | 6 526 | 3 138 | 3 388 | 8 802 | 1 724 | 7 078 |
| 1978 | 6 654 | 3 157 | 3 497 | 9 097 | 1 745 | 7 352 |
| 1979 | 6 814 | 3 165 | 3 649 | 9 415 | 1 798 | 7 617 |
| 1980 | 6 967 | 3 155 | 3 812 | 9 510 | 1 832 | 7 678 |

1) Ohne Luftverkehr, Binnen- und Seeschiffahrt.

Quellen: Statistische Jahrbücher der DDR; Statistische Jahrbücher für die Bundesrepublik Deutschland; Verkehr in Zahlen, Bundesminister für Verkehr, Bonn; Berechnungen des DIW.

Inhabitant-Related Figures for Passenger Traffic* in the GDR and the FRG 1960-1980

Key:

1. GDR
2. FRG
3. Year
4. Total
5. Public transportation
6. Individual traffic
7. Total
8. Public transportation
9. Individual traffic
10. Trips per inhabitant
11. Passenger kilometers per inhabitant

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Excluding air traffic, inland water and maritime traffic.
Sources: Statistical Yearbooks of the GDR; Statistical Yearbooks for the FRG; traffic figures, the Ministry for Transport, Bonn; calculations by the DIW.

| Jahr (3) | DDR (1) | | | Bundesrepublik Deutschland (2) | | |
|---|---|---|---|---|---|---|
| | Kfz / 1000 Einw. (4) | | PKW-Anteil in vH (7) | Kfz / 1000 Einw. (8) | | PKW-Anteil in vH |
| | Alle Kfz[2] (5) | PKW[3] (6) | | Alle Kfz[2] (9) | PKW[3] (10) | (11) |
| 1960 | 94 | 17 | 18 | 156 | 81 | 52 |
| 1965 | 176 | 39 | 22 | 191 | 158 | 83 |
| 1970 | 239 | 68 | 28 | 251 | 230 | 92 |
| 1975 | 316 | 112 | 35 | 325 | 290 | 89 |
| 1976 | 333 | 122 | 37 | 346 | 308 | 89 |
| 1977 | 352 | 133 | 38 | 366 | 326 | 89 |
| 1978 | 311 | 143 | 39 | 389 | 346 | 89 |
| 1979 | 333 | 151 | 40 | 411 | 367 | 89 |
| 1980 | 338 | 160 | 47 | 423 | 377 | 89 |
| 1990[4] | 450 | 250 | 56 | 533 | 480 | 90 |

1) Ohne Nutzfahrzeuge. - 2) Personen- und Kombinationskraftwagen, Motorräder und -roller sowie Mopeds. - 3) Personen- und Kombinationskraftwagen. - 4) Berechnungen und Schätzungen des DIW.

Quellen: Statistische Jahrbücher der DDR; Statistische Jahrbücher für die Bundesrepublik Deutschland.

Development of Traffic Density* in the GDR and the FRG 1960-1980

Key:

1. GDR
2. FRG
3. Year
4. Vehicle per 1,000 inhabitants
5. All vehicles*
6. Automobiles*
7. Automobiles as a percentage
8. Vehicles per 1,000 inhabitants
9. All vehicles
10. Automobiles
11. Automobiles as a percentage

---

Excluding commercial vehicles.
Passenger and dual-purpose vehicles, motorcycles, motor scooters and mopeds.
Passenger and dual-purpose vehicles.
Calculations and estimates of the DIW.
Sources: Statistical Yearbooks of the GDR; Statistical Yearbooks for the FRG.

The increase among small motorcycles and automobiles has been exhibiting considerable growth rates for years. By contrast, it is interesting that since about 1970 the number of motorcycles has been declining each year by a small amount. Because of the long waiting period from placing the order to taking delivery of a car (10

years or longer), as well as the high purchase price[4] and maintenance costs, the motorcycle is clearly only a temporary substitute vehicle for many who really want to have a car.

Currently, just under two-fifths of all households in the GDR own a car. As in the FRG, acquisition of a car is primarily dependent on income and age. Households whose monthly net income is below the average account for only about one-third of privately registered vehicles.[5] Households with retired persons, as is to be expected, have the lowest instance of car ownership, because of theire generally low income and the very high average age of those living there.

| Jahr (1) | DDR (2) | Bundesrepublik Deutschland (3) |
|---|---|---|
| 1960 | 3,2 | 19,6 |
| 1965 | 8,2 | 35,8 |
| 1970 | 15,6 | 48,0 |
| 1975 | 26,2 | 58,8 |
| 1976 | 28,8 | 60,7 |
| 1977 | 31,6 | 62,5 |
| 1978 | 34,1 | 64,5 |
| 1979 | 36,3 | 66,0 |
| 1980 | 37,4 | 67,5 |

1) Einschließlich der Haushalte mit mehr als einem PKW. - 2) Personen- und Kombinationskraftwagen; nur im Betrieb befindliche Fahrzeuge, ohne gewerblich genutzte Fahrzeuge.

Quellen: Statistische Jahrbücher der DDR; Statistische Jahrbücher für die Bundesrepublik Deutschland; Kraftfahrt-Bundesamt; Berechnungen des DIW.

Ownership of Automobiles* by Private Households* in the GDR and the FRG 1960-1980 in Percentages

Key:
1. Year
2. GDR
3. FRG

---

Passenger and dual-purpose vehicles; includes only vehicles in operation, excluding vehicles used for trade.
Including households with more than one vehicle
Sources: Statistical Yearbooks of the GDR; Statistical Yearbooks for the FRG; Office of Transportation; calculations by the DIW.

The automobile is far and away at the top of the list of desirable items for GDR citizens. Polls in 1979 showed that 53 percent of all workers and salaried employes households in the GDR already owned a car, and another 30 percent would like to own one. In 1973 the comparable figures were 36 percent in each category. Taking into consideration the actual possibility of satisfying demand,[6] estimates are being made of about 4 million cars in the GDR in 1990, or a degree of personal transportation of 250 cars per 1,000 inhabitants. These are figures which traffic researchers in the GDR can no longer assume to be equivalent to a saturation point. All previous prognoses for individual traffic are now proving to require revision. Also, the difficulties of plotting accurate prognoses for personal transportation and, derived from that, for individual traffic, are becoming clear.

This presents a serious problem for national economic planning, which envisions a marked reduction in the consumption of crude oil products in all areas of the economy[7] in view of difficulties in energy economics.

Individual traffic currently accounts for about one-third of the energy consumption of all transportation (including freight traffic). That is clearly more than all the modes of transportation employed in public transport consume together. This area would, therefore, be the most suitable for measures to conserve energy. The "use-related fuel consumption standards," which have been in force since the beginning of 1982 and which prescribe the maximum amount of gasoline and diesel fuel that can be consumed per 100 kms according to vehicle type and model year, apply only to the approximately 300,000 official and business vehicles (10 percent of the total number).[8] To what extent additional worthwhile savings in consumption are possible as a result of design changes on the Trabant or the Wartburg (engine, carburetor, transmission, lightweight construction, and so on), remains to be seen.

Another central problem is that of vehicle maintenance. As a consequence of the long waiting periods for new cars, available cars are used for an unusually long time and are correspondingly in need of repair. The capacity for car maintenance is lagging far behind the increased demand. Even if the increases in maintenance capacity predicted in the current five-year plan (just under 50 pecent) are achieved, there are likely to be bottlenecks in this area, particularly as the number of cars continues to grow. Inadequate repair shop capacity and the shortage of spare parts are definitely one reason that an official vehicle inspection program on a rotating basis, such as is conducted by the TUeV every 2 years in the FRG, is not mandatory in the GDR.

The road network in the GDR, viewed statistically, is adequate for the increased demands of individual traffic. With a network density of about 110 kms/100 $km^2$, the GDR can certainly match Western European countries. Vehicle occupancy of the roads is still far below that of the FRG, for example, because of the low volume of traffic. From this the GDR planners conclude that there is adequate capacity for individual traffic in the future. However, in its basic structure, the road network, which was inherited from the former German Reich, is extremely antiquated and is no longer adequate for the demands of today's traffic. The condition of the road surface, the dimensions available for expansion of the major highways, the large number of surface-level railroad crossings and much more would require substantial investment, if capacity is to be increased to any marked degree. Today there are frequent

traffic jams at sensitive traffic intersections, particularly in the highly industrialized south. In contrast to the assumptions of GDR highway planners, there must be doubts that the future requirements of individual traffic can be met successfully simply by organizational measures and the accelerated construction of bye-passes.

. . . while Public Transport Stagnates

In 1980 the volume of traffic on public transportation was about 4.1 billion persons. On the average, 11 million persons (FRG: 22 million) traveled by rail, bus, tram, trolleybus or subway each day.

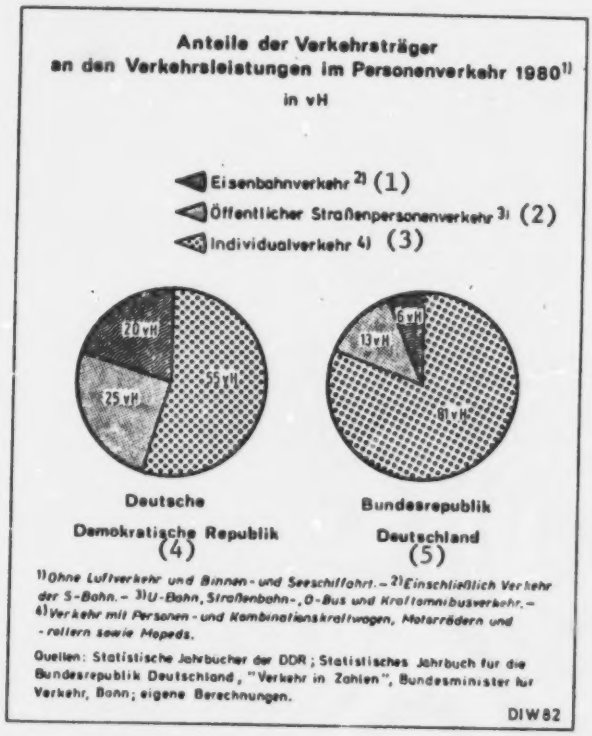


Share of Passenger Traffic Load by Carrier 1980* in Percentages

Key:

1. Rail traffic*
2. Public road passenger traffic*
3. Individual traffic*
4. GDR
5. FRG

[Key continued on following page]

Excluding air traffic, inland waterway and maritime traffic.
Including intra-urban traffic.
Subway, tram, trolleybus and motor bus traffic.
Passenger car and dual-purpose vehicles, motorcycles, motor scooters and mopeds.
Sources: Statistical Yearbooks of the GDR; Statistical Yearbooks for the FRG; "Traffic in Numbers," Minister for Transport, Bonn; DIW calculations.

Certainly as a result of the closing of unprofitable branch lines on the Reichsbahn in the 1960's, the railroad accounts for only about one-seventh of this traffic (1960: one-quarter), while in the same period bus traffic (crosscountry traffic, including factory traffic) increased its share from just under one-fifth to more than one-third.

As in the case of freight traffic[9], previous tendencies are to be reversed here as well. In accordance with the principal requirements of conserving energy, bus traffic over longer distances, which is less efficient in this respect, will be terminated if there is an alternative service available on the railroad. A reduction in regularly scheduled public service during off-peak periods and an examination of temporary bus services are additional measures intended to bring about a switch to the railroad.

Bus traffic has also increased substantially in importance in local urban traffic. But the tram is still the principal means of tranportation, with a share of two-thirds of the passenger traffic carried. Trolleybuses are used in only a few cities, a subway exists only in East Berlin. Consequently, both means of transportation play no part in the overall framework of the transportation system.

According to GDR calculations of specific energy consumption (kilojoules per passenger kilometer) for mass transit in local traffic, the intra-urban train has the best consumption figures. It is followed by the streetcar, subway, trolleybus and motor bus. This ranking is reflected in the principal requirement for urban short-distance traffic in the 1980's, that absolute precendence should be given to rail-borne electric mass transit[10], and that, as far as possible, further establishment of bus routes should be avoided.

The streetcar track networks, which have been severely neglected in recent years, are being modernized in stages. By acquiring their own right-of-way, the expansion of the streetcar routes is being pushed ahead rapidly into a high-speed streetcar network. Plans are for the bus to fulfil a general transportation service function by opening areas to traffic in cities without a streetcar service, intra-urban or subway, but otherwise it will increasingly perform the function of a feeder service.

The railroad will also increasingly assume the job of local transportation in major cities and high-density areas. However, some of the railroad's routes are already overloaded now with freight and passenger traffic.

The capital available in the current five-year plan for local transportation is needed mainly for opening up new residential areas to traffic, and these areas are being built almost exclusively (up to 91 percent) on the outskirts of the cities.[11]

| Verkehrsarten (1) | DDR (2) | | | | | Bundesrepublik Deutschland 2)(3) |
|---|---|---|---|---|---|---|
| | 1960 | 1965 | 1970 | 1975 | 1980 | 1980 |
| | Verkehrsaufkommen Beförderte Personen in Mill. (4) | | | | | |
| Öffentlicher Verkehr (5) | 3 598 | 3 513 | 3 477 | 3 818 | 4 097 | 7 895 |
| Eisenbahnverkehr[3] (6) | 943 | 684 | 626 | 634 | 607 | 1 165 |
| Kraftverkehr[4] (7) | 688 | 941 | 1 137 | 1 343 | 1 484 | 6 730 |
| ÖPNV[5] (8) | 1 967 | 1 888 | 1 714 | 1 843 | 2 006 | |
| Individualverkehr[6] (9) | 790 | 1 334 | 2 000 | 2 800 | 3 495 | 29 280 |
| Verkehr insgesamt (10) | 4 388 | 4 847 | 5 477 | 6 618 | 7 592 | 37 175 |
| | Struktur in vH (11) | | | | | |
| Öffentlicher Verkehr (5) | 82 | 72 | 63 | 58 | 54 | 21 |
| Eisenbahnverkehr (6) | 21 | 14 | 11 | 10 | 8 | 3 |
| Kraftverkehr (7) | 16 | 19 | 21 | 20 | 20 | 18 |
| ÖPNV (8) | 45 | 39 | 31 | 28 | 26 | |
| Individualverkehr (9) | 18 | 28 | 37 | 42 | 46 | 79 |
| Verkehr insgesamt (10) | 100 | 100 | 100 | 100 | 100 | 100 |
| | Verkehrsleistung Personenkilometer in Mrd. (12) | | | | | |
| Öffentlicher Verkehr (5) | 38,6 | 37,9 | 41,3 | 49,6 | 52,8 | 112,8 |
| Eisenbahnverkehr (6) | 21,3 | 17,4 | 17,7 | 21,3 | 23,1 | 38,9 |
| Kraftverkehr (7) | 9,9 | 13,5 | 17,3 | 21,0 | 21,5 | 73,9 |
| ÖPNV (8) | 7,4 | 7,0 | 6,3 | 7,3 | 8,2 | |
| Individualverkehr (9) | 13,7 | 27,0 | 37,2 | 48,9 | 63,8 | 472,7 |
| Verkehr insgesamt (10) | 52,3 | 64,9 | 78,5 | 98,5 | 116,6 | 585,5 |
| | Struktur in vH (11) | | | | | |
| Öffentlicher Verkehr (5) | 74 | 59 | 53 | 50 | 45 | 19 |
| Eisenbahnverkehr (6) | 41 | 27 | 23 | 22 | 20 | 6 |
| Kraftverkehr (7) | 19 | 21 | 22 | 21 | 18 | 13 |
| ÖPNV (8) | 14 | 11 | 8 | 7 | 7 | |
| Individualverkehr (9) | 26 | 41 | 47 | 50 | 55 | 81 |
| Verkehr insgesamt (10) | 100 | 100 | 100 | 100 | 100 | 100 |

1) Ohne Luftverkehr, Binnen- und Seeschiffahrt. - 2) Aufgrund unterschiedlicher Abgrenzungen kann für die Bundesrepublik Deutschland nur ein Gesamtwert für den Kraftomnibus- und den öffentlichen Personennahverkehr ausgewiesen werden. - 3) Einschließlich S-Bahnverkehr. - 4) Oberlandverkehr mit Kraftomnibussen; einschließlich Werkverkehr. - 5) Öffentlicher Personennahverkehr (U-Bahn, Straßenbahn, Obus und Kraftomnibus). - 6) Verkehr mit Personen- und Kombinationskraftwagen, Motorrädern und -rollern sowie Mopeds.

Quellen: Statistische Jahrbücher der DDR; Statistische Jahrbücher für die Bundesrepublik Deutschland; Verkehr in Zahlen, Bundesminister für Verkehr, Bonn; Berechnungen des DIW.

Development of Passenger Traffic* in the GDR 1960-1980

[Key on following page]

Key:

1. Type of traffic
2. GDR
3. FRG
4. Volume of traffic. Number of persons carried in millions
5. Public transportation
6. Rail traffic*
7. Motor vehicle traffic
8. Public local passenger transportation (OePNV)*
9. Individual traffic*
10. Total traffic
11. Structure in percentages
12. Traffic load. Passenger kilometers in billions

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Excluding air traffic, inland water and maritime traffic.
Because of different methods of demarcation, only a total figure for motor bus and public local passenger traffic in the FRG can be given.
Including intra-urban railroad.
Crosscountry traffic with motor buses; including works traffic.
Public local passenger transportation (subway, streetcar, trolleybus and motor bus).
Transportation by passenger car and dual-purpose vehicle, motorcycles, motor scooters and mopeds.
Sources: Statistical Yearbooks of the GDR; Statistical Yearbooks for the FRG; "Traffic in Numbers," Minister for Transport, Bonn; calculations by the DIW.

There is hardly anything left for the fundamental modernization of the existing infrastructure. Consequently, it cannot be assumed that the expansion of individual traffic in the cities can be prevented by organizational measures alone. This is borne out by the fact that the demand recurring in all one-year and five-year plans for "safe, punctual and reliable transportation to and from work" has still not been met.

Evaluating the Possibilities in Transportation Policy

The conclusion one must not lose sight of is that even socialist states like the GDR have not been able to make any alternative ideas in transportation a reality.[12] Only the arrangement for prices and/or fares for public and individual means of transportation meets the transportation policy goal of priority for public transport.[13]

Domestic railroad fares and fares on the bus or local urban transportation have remained constant and very low for decades.[14] For example, a streetcar journey as a rule costs M 0.20, and sometimes even less. The fares, which are tantamount to free fares, particularly on local transportation, require constantly increasing subsidies (1980: about M 3 billion). This is repeatedly given special emphasis as a significant element in the social policy of the GDR.

Individual traffic, on the other hand, is expensive. A liter of premium gasoline costs M 1.65 (regular gasoline: M 1.50), although this has not changed in years. Added to this are the high purchase costs for cars. In spite of these economic hardship in personal transportation, the demand for individual means of transport is still far ahead of supply.

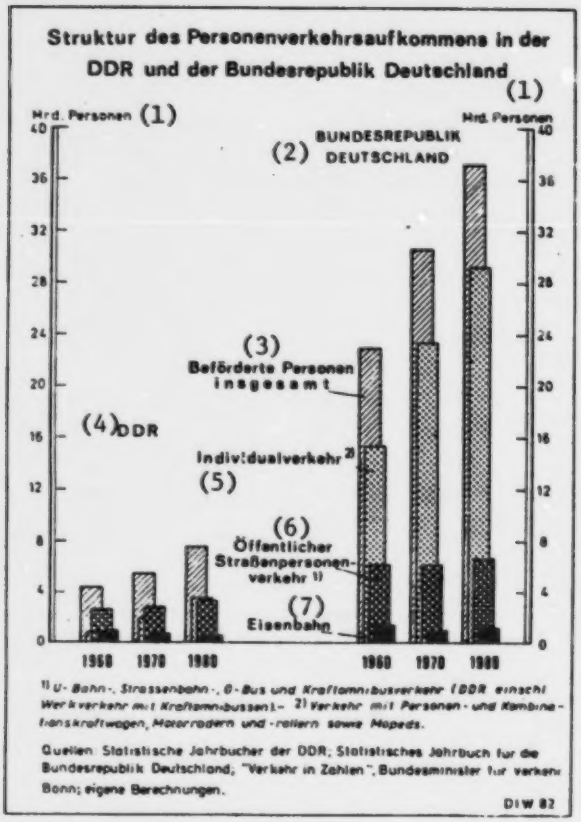


Structure of Passenger Traffic Load in the GDR and the FRG

Key:

1. Billions of passengers
2. FRG
3. Total number of passengers carried
4. GDR
5. Individual traffic*
6. Public road passenger traffic*
7. Railroad

---

Transportaton by passenger and dual-purpose vehicles, motorcycles, motor scooters and mopeds.
Subway, streetcar, trolleybus and motor bus traffic (GDR includes works traffic by motor bus).
Sources: Statistical Yearbooks of the GDR; Statistical Yearbooks for the FRG; "Traffic in Numbers," Minister for Transport, Bonn; DIW calculations

The automobile has become an object of daily use even in the GDR and has assumed the character of a means of mass transit. The socialist planners are apparently facing this phenomenon with the same powerlessness as Western transportation policy makers. As a result, little is being done except attempts to promote public transport in cities and high-density areas and to make it more efficient. Better coordination of public transport (railroad, bus and local urban traffic), harmonization of routes and lines, abolition of parallel traffic, systems for opening areas up and then serving them are being integrated between long-distance and regional traffic, car pools for passenger transportation to and from work, the creation of pedestrian zones and much more are measures aiming in this direction. The result of the construction of new residential areas almost exclusively on the periphery of the cities is that many trips which could previously be made on foot or by bicycle now require some form of transportation to be used. This development was a prime cause of the expansion of individual traffic in the FRG.

So even the transportation policy of the GDR is not free of contradictions. In western countries, solutions have been sought long and unsuccessfully to the problems caused by individual vehicular traffic. It cannot be expected that simple appeals to the socialist conscience of GDR citizens not to use the automobile excessively in city traffic will be sufficient.

FOOTNOTES

1. "Law of 3 December 1981 on the Five-Year Plan for the Development of the GDR Economy During 1981-85," GESETZBLATT DER DEUTSCHEN DEMOKRATISCHEN REPUBLIK, Part I, No 35, pp 411 and 413.

2. The SrV was carried out for the first time in 1972 in 16 cities in the GDR and for the new edition of 1976/77 it was expanded to cover 30 cities, in which about one-third of the population of the GDR lives. With regard to the subject of the questions, this poll is directly comparable to the KONTIV poll in the FRG. However, the latter did cover the entire country. See: Social research Broeg: "Continuous Polling on Traffic Behavior" (KONTIV), 1975, 1976, 1977. The poll was conducted for the Minister for Transport (copied as a manuscript), Munich, 1978.

3. See: "Personal Transportation in RWG Countries," edited by Maria Lodahl, WOCHENBERICHT DES DIW, No 48, 1979.

4. In 1981 the average monthly net income was M 800. The cheapest car (Trabant) costs M 8,000 to M 10,000, depending on equipment, the Wartburg costs about M 20,000. Imported cars are even more expensive, for example, a Mazda 323 costs M 24,000.

5. In 1980, over 60 percent of households with a monthly net income of more than M 1,400 (this is approximately equal to the average income) already owned a car. See: Peter Stockmann, "Changes in the Area of Passenger Transportation with Special Attention to Individual Means of Transportation," MARKTFORSCHUNG--MITTEILUNGEN DES INSTITUTS FUER MARKTFORSCHUNG, Leipzig, No 2, 1981, p 26; also, Hans-Werner Schleife, "The Growth of Individual Vehicular Traffic in the GDR," DDR-VERKEHR, No 12, 1978, p 409.

6. In the past decade, the number of cars has been increasing on the average by about 150,000 annually.

7. See: "Strong Economic Growth--The State of the GDR Economy at the Year's End 1981-82," edited by Doris Cornelsen, WOCHENBERICHT DES DIW, No 5, 1982, pp 75 ff.

8. This figure was derived from information about the number of private households owning a car.

9. See: "GDR: Freight Traffic Returns to the Rails," edited by Rainer Hopf, WOCHENBERICHT DES DIW, No 8, 1981, p 86.

10. Another reason can also be seen in the fact that the energy needed for electric propulsion can be produced from domestic soft coal. The planned speed-up of electrifying lines on the Reichsbahn (750 kms) contained in the current Five-Year Plan is based on this view.

11. See: Heinz Engelmann, Hans-Werner Schleife and Werner Voigt, "The Development of Urban Traffic, with Special Attention to the Housing Construction Program," DDR-VERKEHR, No 12, 1980, p 417.

12. See: Thomas Weymar, "The Automobile, Status Symbol Under Socialism," DEUTSCHLAND-ARCHIV, No 3, 1977, pp 271 ff.

13. See: "The Relative Buying Power of the D-Mark and the GDR Mark in Mid-1981," edited by Charlotte Otto-Arnold and Heinz Vortmann, WOCHENBERICHT DES DIW, No 3, 1982, p 52 f.

14. Railroad fares were increased by 50 percent for journeys involving border crossings to other socialist states (beginning on 1 May 1981). There were also drastic rate increases in domestic freight traffic--although they were differentiated by carrier--whose aim was to lower the cost of transportation and to effect shifts in transportation to more the more energy economical railroad and inland waterways.

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## STATE AUDITS REVEAL SHORTCOMINGS IN ENTERPRISE CONDUCT

Budapest PARTELET in Hungarian No 4, Apr 82 pp 7-11

[Article by Dr Dezso Suto, chief director of the Finance Ministry's Audit Department: "Economic Operational and Financial Discipline"]

[Text] The present condition of economic operational and financial morale can be classified in many ways on the basis of information, examples and statements. There is no limit to the number of derogatory adjectives. This also moved the Audit Department of the Ministry of Finance to analyze the reasons which create the basis for voicing disapproving opinions. At the writing of this article the picture of last year's economic results is not yet complete, yet much experience has been accumulated from the preliminary information; it is worth revealing a few of them.

It is general knowledge that socialist management of the economy cannot dispense with mutual trust between those directing it and the enterprises, nor among the enterprises themselves; this--among other things--can be one of the foundations for firm economic operational and financial discipline. Of course, this trust must be implemented not just in general terms but also in very specific respects. But just as I do, many people with me remember the situation, the general pessimism which followed the introduction of the pricing and regulatory system in 1980. The heads of many enterprises--supported also by heads of social organizations--reasoned stormily against the "unbearable" extent of the restrictions. They exploited every forum to win specific easements by reasons of various difficulties. Time was rolling on, and in possession of the balance sheet data most of them gradually retreated--because the regulation deemed excessively severe can, on many points, be called rather lax. It can not be stated that the apprehensions of the time were unfounded in all cases. But it is also a fact that the 1981 balance sheets are reflecting better results than ever before. The analyses--as I have already mentioned--are under way, but that much is already certain that the improvement of the results derives not only from better work but also from other "sources" (for example, from the consumption of "profit reserves" formed earlier, from price increases, etc.).

Economic operation in 1981 started out with better money supply than in the previous year, and in an organized economic environment--due to more thorough knowledge of the new regulators. In general, the enterprises and cooperatives

endeavored to make efficient use of the financial tools and credit, avoiding the unnecessary interest burdens. The traffic in materials and merchandise between the economic operating entities became significantly livelier, and the movement of goods and money followed each other more closely. Evaluations and analyses made during the year about the movement of money indicate that deliveries are paid for sooner and more smoothly.

In the composition of payments made within 30 days, which represents the bulk of payments made among the enterprises to each other, the ratio of 10 and 20-day payments has increased. The circle of enterprises owing significant amounts of money and for a long time, and the amount of monies owned, were much smaller in the first three quarters than a year earlier. But payment problems again increased in the last three months of the year--due primarily to the peak periods in sales and delivery.

The financial situation of the economic operating units continued to improve in 1981. Profit increase was a definitive factor in the better money supply. The amounts owed on accounts increased, and the amount of money in the accounts of the enterprises was also significantly higher than in 1980. Because of the livelier financial processes and more favorable supply of private resources the demand for revolving credit moderately increased in spite of the fact that production and sales significantly increased.

Thus, seemingly everything is in order. The adjectives used in the summaries are: improving, increasing, expanding, etc. But the situation is far from such when we examine the acceptance and fulfillment of obligations, repayment of loans, and observing deadlines. It does not even occur to many managers that the huge industrial enterprise constantly "standing in line" is a piece of the total property of the people, and if it does not fulfill its obligations it makes the situation of the suppliers as well as of the state more difficult. Neither our present nor our future circumstances permit such large differences between words and facts. It would also help decrease the differences if the appropriate state organs and party organizations would review afterwards: who wanted to "convince" whom, and with what reasons, and how do these reasons stand up in the mirror of the facts. By doing so in some cases light would also be shed on the absurdities of the realization of interests.

## The Mirror of Organization

It is always important for order to prevail in ideology and in recordkeeping, but especially so when the conditions of economic operation become more complicated. The situation of the economy must be known precisely in order to know what can and must be done, since the effects of the environment carry in themselves many factors of uncertainty.

The study made of the accounting system of the economic operating entities is published every year. This reflects that order and discipline are not universal on the one hand, and on the other hand, they are not improving, either. Since 1979 we have been controlling and evaluating the records of the enterprises by a new method, and we have also made these viewpoints

available to internal control. We collected and for the purpose of education published the most frequently occurring and most typical accounting errors. We used every forum--including the regular conferences of chief accountants--to place the importance of certified accounting discipline into the focal point of economic development.

But the situation is hardly changing at all. Our inspectors have established significant discrepancies in the accounting order and control discipline at about 4,600 enterprises and cooperatives, and some of these are repeat offenders. The consequence is: 60-70 percent of the economic operating units have been turning in erroneous balance sheet reports for years. In about 100 cases we have found such reports which endangered the protection of social property. Lack of order in cost calculation, accounting and bookkeeping are frequent phenomena, as are the ignoring of the formal and contentual requirements of proof. The control mechanism of computerized data processing systems, and the required path of correcting errors are also not sufficiently regulated.

Accounting does not exist for its own sake: it is the mirror of economic operation and organization. At the same time a well organized accounting and proof system are preconditions of improving economic operation and protecting the state's property. It directs and evaluates economic operation, and by means of the reasonable checkpoints built into the system it is the basis of reliable and important information for management. After all, it must be understood that the gaps in internal regulation or the orders which were not issued, the system's errors in practical implementation qualify first of all the management, but also the work of the entire collective of the enterprise. For this very reason the collective's control should be sharper, the system should be surrounded by broader social interest, which also includes the condemnation of those who regularly make mistakes. These requirements are justified also when "as a result" of control the fines or procedures for breaking the rules are implemented anyway.

It would not be correct to "assign" all the responsibility for the shortcomings to the enterprises. The control determines the mistakes and errors not only to the advantage of the enterprises and cooperatives but also to their disadvantage. This indicates that the amount and complicated nature of the instructions and directives is not synchronized with the absorption capacity and capabilities of the enterprise experts. Consideration must be given to the insufficient moral and financial appreciation and the high turnover of the accounting and financial workers employed by the enterprises.

The Correct Interpretation of Good Contact

The contract is an agreement dealing with the establishment, modification, or termination of rights and obligations, and is the most typical expression of merchandise trade. Under the socialist conditions of property ownership the contract system is an important tool of the planned and proportional growth and management of the economy.

The follow-up examination by the Control Directorate of the Ministry of Finance concluded about the regularity of the contractual relationships that the situation has not improved in recent years. The economic operating units generally fulfill the formality requirements, even though the records of very many enterprises and cooperatives are incomplete--and this refers to sellers as well as buyers--: they do not adequately record the unfulfilled obligations, or the ones deriving from the late payment of monies owed. The question is rightfully asked: how high can the financial morale be at a place where payment deadline, the time when late payment was made, and the amount of penalty or interest charged or which could be charged, are not recorded? It is difficult to follow this way who owes whom and for what, when payment is due, and what are the consequences of failure to perform. And, are there any consequences? It can be stated on the basis of our studies that nowadays the enterprises emphasize the acknowledgement of economic advantage, the "good relationship" at any cost. In practice the legal consequences of violating the contractual relationship are hardly ever implemented. The reason for this is that the condition of partnership connections has more influence on cooperation than interests, reimbursements for damage, or penalties.

Well thought out, planned and efficient economic operation is made more and more doubtful by partnership relationships based on subjective elements rather than agreements. An enterprise can hardly succeed under the changing market conditions without stable and proper cooperation.

People with their feet planted on the ground know: there are situations when subjective assistance is indispensable. There is nothing unhealthy in this, but there is in the situation when matters of public interest can not be handled without the so-called "good connections." The control study experienced--what others also know--, that very often the "good connection" is based on mutual "favors," behind which frequently unjustified advantages and other immoral behavior are concealed. And I will add to this: the reason may even be the service of a seemingly good cause. It is still quite a frequent thing today the person is considered a clever manager who can obtain raw materials, semifinished products, or parts necessary for the job on the basis of his connections, perhaps even just by a phone call. Who considers at such times that as a result of the good connection, of "handling the matter," the situation of another collective was upset because the missing material was obtained at the cost of violating [another] contract, by causing problems to another enterprise. What kind of economic operational morale is this, and what financial morale corresponds to this?

It is heard at times from the foreign partners that even though the Hungarian partner is reliable as importer, it is less reliable as exporter: it rarely delivers according to the terms of the contract. This practice does not help improve the foreign trade balance.

It must be noted in spite of all the shortcomings that the economic operational, financial, and contractual discipline could be good even under today's conditions. During the course of our control audits we have found a large number of enterprises and organizations which for years have had order in their accounting, the balance contains data corresponding with reality, and they accurately fulfill their obligations.

More Consistent Implementation of Distribution According to the Work Done

It will probably seem amazing if I state that at this time the amount of income not derived from work directly can be estimated to total over 10 billion forints, and this is the consequence of obtaining income which damages the common good and society.

The political effect of income obtained without work--or out of proportion with performance--is also negative. At the same time these various ways of making money generally do not mean that the original incomes are being redistributed among the population, but represent an unrecorded part of original income distribution. It can not be stated that the majority of working collectives and managers are endeavoring to obtain unjustified financial advantages, but the audits have shown that often the undesirable and reprehensible cases are taking place with the approval of the managers and in front of the eyes of the collective. For example, how many people know about the phenomena where, in addition to receiving money for the use of one's automobile, the person regularly uses a company car; or, where service apartments are used free, or even purchased for very low prices--with time payment privileges? Does everyone always pay the fee on time for tilling the household plot land? Etc.

The various economic situations of the enterprises and cooperatives, and exploitation of unequal partnership relationships make it possible in many cases to obtain these extra incomes. Setting up the so-called "miscellaneous legal relationship" is a typical case of abusing excessive economic power. On the basis of this it is possible to pay fees--far out of proportion with the work done--at the expense of wages outside the budget, or to pay for fictitious performances. The irregularities are compounded by the fact that the working tools and materials owned by the state are being used free of charge also to perform the work.

It is a noteworthy phenomenon that only a very small portion of the affected enterprises and cooperatives object to the audit's findings. There have also been instances when at the concluding hearing the legality of the findings was questioned but they did not avail themselves of the opportunity to make written observations. It is also typical that in general the management of the enterprise considers the unvailed phenomena only as economic rulebreakings, and does not feel the socio-political content concealed in them. On the other hand, the heads of a number of enterprises and cooperatives have already furnished information at the concluding hearing about eliminating the recorded problems and shortcomings, and about the steps they have taken in the interest of these. The measures were directed not only at correcting the accounting and proof systems and at setting up the necessary internal regulations, but also at initiating disciplinary procedures and repaying the sums of money received illegally.

The use of "small gaps" is also frequent in our economic life, which in effect exploits the loopholes in the regulations. At times, "rationalization" covers up consciously committed abuse. For example, this type of a

signal: "we must solve the accounting problem somehow" is not a rarity in business letters from the boss. And the chief accountants always find some solution--if nothing else, then one that violates the law. Or something else: in mid-December, a number of economic managers will state what the profits of the enterprises they head will be--even though the peak period of merchandise and money movement is taking place right then. And it has also happened that this same manager requested leniency, a delay in filling the balance sheet reports in February because "...the accounting has not yet been completed."

What can, and what must be done? In my opinion it is not enough if the party organizations emphasize the resolutions of the party congress concerning discipline, accounting, and responsibility. First of all, the methods of distribution and acknowledgement of work done--which evaluate all performance characteristics--must be improved, contributing thereby to having differentiation recognized as a social requirement.

The work of managers should be weighed by the collective as well as by the supervisory organs on the basis of suitability and success, and we should not be proud of our managers, our fellow managers who maneuver cleverly, who exploit personal connections, and who force or beg for unlawful advantages. If broader social control followed the economic management, the financial morale, and distribution, it would mean the expansion of socialist democracy and its fulfillment with new content.

Under the more tense economic circumstances the illegal incomes are harder and harder for society to endure, as they deteriorate the public's feeling of wellbeing and the political public opinion. We must pay serious attention to these phenomena also because it exists in broad circles and in an extremely diversified way, often in ways not legally objectionable, and at other times perhaps in ways where legal responsibility cannot be proven. Discovering them perhaps a year or two later the facts makes them also lose some of their significance according to our legal practice. Social activity in this area is also justified by the fact that the personal social and economic connections, the morally reprehensible mutualities--apart from a rare exception--cannot be, or are difficult to, apprehend by the auditing organs, and anyway this is not their regular assignment.

Internal auditing can do much more than it is doing now to uncover the phenomena which harm the socialist economic operational ethics and morale, and to eliminate them with the help of the party organizations and managers.

Second jobs, part time jobs and the establishment of other legal relationships are sufficiently regulated questions, repressing them would not serve our economic goals. But calling to life new formats of enterpreneurship may make it necessary for example for the organs of authority to review and interpret the category of incompatibility.

In socialism the decisive majority of adults able to work spend a significant portion of their lives at their places of work, in economic operation. A

person's social relationships are concentrated to a significant extent at the place of work, and are formed here. For the most part the place of work also designates the territory also for social work performed for the community, and for activity in public life. Doing work and the economic relationships cannot be imagined without contacts among people.

A portion of these relationships can and must be regulated, while another portion of them is organized in the proper directions by social standards. But the regulations alone, and the standards alone, by themselves are insufficient to implement the over-all society's interests. We must demand coordinated legal and political responsibility from the enterprises and from individuals and we must also encourage them in this direction with all the means and all controls available. But responsibility and political commitment cannot be replaced by regulations.

8584
CSO: 2500/244

## MORE INNOVATION IN ECONOMIC LIFE URGED

Budapest MAGYAR NEMZET in Hungarian 11 Apr 82 p 5

[Interview with Adam Juhasz, state secretary, by Bela Weyer: "Innovation at the Secondary Level: To Innovate--But How?"; date and place not specified]

[Text] The Hungarian economy has never been in so great a need of new products, new markets and new methods--in other words innovation--as today. This observation can hardly be doubted, but it is still a fact that in the process of efforts toward innovation we often run into obstacles that we ourselves have created. It is not accidental that at the recently organized First Academy of Innovation in Tata Dr Adam Juhasz, state secretary in the Ministry of Industry expressed himself thus in his opening address: "I am in a difficult situation, because I cannot speak about innovation at the academic level. My practical experience has shown that in general we are only doing it at the level of secondary education..." And why? Are the results of research poor, is industrial development weak? We talked about these questions with the state secretary.

### It Begins with the Market

[Question] Research and development cannot be separated from economic processes as a whole. Do you agree with that?

[Answer] Yes. If we restrict innovation to this area, it ceases to be viable. If the results of research and development must be put into practice artificially, we get an immune reaction; in other words, the economic organism rejects the new thing forced into it as a foreign body. Innovation must penetrate into all economic processes, including production, market work and marketing [sic]. In fact, it must begin here. For it is precisely here that we can learn what can be sold profitably and hence what should be manufactured, or in which direction innovation should proceed.

In my opinion the problems should be sought in this latter area. The techical level of our products--which is also the result of research and development--is good enough. There are more problems with quality and efficiency of production, but the really backward area is in sales, marketing and market research.

It must be emphasized that the picture is--fortunately--varied. Many, and increasingly more, enterprises are practicing innovation, particularly marketing work and market-directed technical development with world-market competitiveness. Among these are both small and large enterprises, which shows that this is possible. Most of the enterprises, however, do not meet the requirements for competitiveness, but even they are beginning to move in that direction--even if slowly.

[Question] What are the reasons for their shortcomings?

[Answer] First of all insufficient economic pressure. As long as the enterprises find that they can get along without innovation, they inevitably ask: what good is innovation for us? Why should we develop, why seek new marketing possibilities, why disturb the present product structure and sales practices?

Secondly I would mention inward orientation. As a result of their basic attitude of relating everything to themselves, the enterprises have reported production increases from year to year and better and better economic indicators relative to previous periods. The number of "champion" operations has increased--but this hasn't meant much, since the rate of growth of the producers that are leading the world has been faster than ours; thus the technology gap, the distance between us and the developed industrial countries, has not decreased here but increased instead. Naturally we cannot generalize about this either, since many operations have moved up in ranking.

And lastly the lack of a comprehensive industrial policy has played a part in all of this. We have not recognized, and in some cases we have still not formulated sufficiently clearly our possibilities and tasks. We must also list among the reasons the obsolete internal structure of enterprises and the excessive centralization of the relationships between decisions and interests.

Dangerous Comfort

[Question] You mentioned just now the insufficient pressure for innovation. This means, among other things, that domestic enterprises that have failed in or have not even attempted to enter the world market can still survive comfortably. For they can still sell on the domestic market their obsolete, and very expensive products that are in no way competitive on the world market...

[Answer] Unfortunately, this is often true. Many enterprises are practically in a position of monopoly in this country. For them, market pressure is mostly a fictitious thing. Of course the mechanism attempts to imitate market pressure for them too--with the help of the pricing system--but like every imitation this can only operate with limited effectiveness. The indirect judgments made by regulations can never be as effective as the judgment of a real marketplace--and moreover when we do something indirectly it is easier to make concessions as well. We permit more readily that a particular enterprise departs from the regulations and sets its own prices...

[Question] ...so we get management by exception?

[Answer] ...yes, or we could state it as unequal enforcement. And in addition to that there are regular channels resulting from the mechanism as well. For instance there are prices of the self-financing type. For them we don't even attempt to imitate or follow world-market prices and the market judgment that comes from them. Unfortunately, more than a third of our products belongs to this category.

[Question] Can any change be expected in this area? Because if there is no appropriate pressure, we can hardly expect any progress, even though we still talk about innovation, can we?

[Answer] In economic life, not only the automations that come from the regulations have an effect, but we can also count on efforts based on analysis of the situation by managers and collectives, responding to world market challenges. The fact that in our day a greater readiness to undertake [new things] is emerging--and not just within small undertakings, but in large operations as well--should lead to a termination of the monopoly situation mentioned earlier, or at least to a reduction of it.

On the other hand, the imitation we talked about before, that is the methods of setting prices and our whole economic mechanism, is continually becoming more modern and developing. Of course even so, only some of the enterprises will be in a situation where they will have to struggle with all their might--but it would be difficult to say anything that would resolve the whole question at one blow.

There is still another possibility--and hopefully this will be achieved--an increase in domestic competition: "potential import." It is potential because it is not necessary to import a large quantity of goods in order for competition to be livened up. It is enough that we provide an opportunity so that if the products of a domestic manufacturer in a monopoly situation are expensive and obsolete, then the consumer can buy from abroad as well. With this he can "shock" the domestic companies that have become too comfortable, and they will be forced to look for ways to innovate.

There Is No Other Way!

[Question] Finally, why is innovation so important? Is there no other possibility?

[Answer] If we look around in the world [to see] what we can live on these days, what a country can produce exports from, in particular profitable exports, we can see that there is not. I emphasize that innovation does not necessarily mean investment, but rather a better use of existing means. You see, we can only achieve a permanent position on world markets with items that are in short supply--for instance strategic raw materials--or with intellectual monopolies. This includes equally patents, manufacturing experience, trademarks and marketing methods. The best example of this is Japan, which, as is well known, is a country poor in energy and raw

materials, but it was unshaken by either the oil crisis or the recession. For that they can thank mainly the fact that they have been able to incorporate into their modern products and market work intellectual capacities, whose price could rise along with the increase in energy prices.

Readiness to innovate, or an innovative attitude in an economy, is an intellectual monopoly for which the world market will pay. Since Hungary also does not abound in either energy or raw materials, it is clear that for us also innovation is the only way to go.

9611
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## INDUSTRIAL REFORM, PRODUCTION CAPACITY ASSESSED

### Unused Production Capacity

Warsaw PERSPEKTYWY in Polish No 10, 23 Apr 82 pp 8, 9

[Article by Andrzej Zimowski: "The First Small Key"]

[Text] Pessimistic reports are coming in from many industrial enterprises of our country: production of a certain good has been halted, there is a lack of domestic raw materials and semi-finished products, coproducers are not meeting their obligations, foreign-trade organizations are not signing contracts for imports that are needed to continue production. Difficulties are proliferating, the delicate network of coproduction links is bursting, machinery, shops and entire enterprises erected and installed for outlays going into many billions are coming to a halt. The supplies are short, despite the fact that production is lower than 2 years ago.

If we take our 1979 industrial sales volume 100 percent, the 1982 plan is markedly lower at a mere 87.9 percent.* The plans vary among economic-type ministries. For example, in the former chemical industry ministry this indicator is worse still--only 81.1 percent of the 1979 sales.

Comparing percentages does not show everything; they do not reveal what is actually behind the statistics.

### What Is Behind the Statistics

This means that with the sale prices accepted for the elaboration of the 1982 draft plan, industry will sell about 500 billion zlotys less of its products than in 1979. Half a trillion less!

Such a precipitous decline in production triggers an avalanche of consequences: tens of thousands of workers receive remuneration without contributing to the national income. Consequently, there are fewer goods on the market with surplus money accumulating simultaneously. This means lower exports and attendant difficulties in paying foreign debts and also lower

*To ensure comparability, all statistics have been converted to 1982 plan prices.

imports, which consequently exacerbates a bad situation in production and results in the deterioration of basic technico-economic indicators of the industrial enterprises and, in turn, to an increase in production costs. In short, nothing but losses.

It should also be borne in mind that 1979 domestic industrial output was not the peak of what our industry can accomplish. According to conservative estimates, production capacities would have made it possible to increase production and sales by about another one-fifth.

There Are Tremendous Reserves in Industry

What remains to be done is to quickly find the keys that will let us open up dormant opportunities.

A paradoxical situation has emerged. Passenger car tires, for example, can only be purchased with great difficulty whereas more or less only 70 percent of the production capacity is used! More than a million tires for large and small Fiats, Zastavas, Skodas, Wartburgs and Trabants will not come off the vulcanizing press this year.

The paint and varnish industry will not receive adequate deliveries of titanium white, a valuable white pigment, whereas the producer plant in Police is working at half capacity due to the lack of foreign-exchange funds to purchase ilmenite, a raw material. Production is reduced and capacities are unused in the footwear, furniture, garments, wool, silk, textile, machine-building and electrical machinery industries.

Where is the key to industry? What should it be? Are there chances for getting our industry going? Is the lack of foreign-exchange funds the only issue?

The First Signs

The first signs signifying an opportunity for the use of some of our industrial installations by our CEMA partners have appeared. In February of this year, talks were held in Berlin between representatives of the central planning organs of the GDR and PRL concerning the leasing of capacity in Polish rubber industry enterprises. The Polish rubber industry will produce heavy conveyor belts and plastic footwear earmarked for our Western partner from the raw materials provided by the GRD. Costs of the service, such as labor and energy input, depreciation and so on will be covered by additional raw materials deliveries, such as granulated PCW [polyvinylchloride], polyurethanes and synthetic rubber. This will allow us to use domestic production capacity for the needs of our market. It has also been decided to continue the search for other opportunities for cooperation in using the spare capacities of our industry, which are of interest to both parties; for example, in the production of cord fabrics from yarns delivered from the GDR or of titanium white.

## March Was a Fruitful Month

It was so because further talks were held by the central planning organs and ministries, this time in Bucharest and Moscow. The Romanian side expressed interest in the opportunity to process in Poland the so-called cathode units used in the electrolysis of alumina and also in the production of an important chemical semi-finished product, bisphenol, in exchange for deliveries of the initial raw materials, phenol and acetone. Production of titanium white was also discussed. Finally, it was agreed that pertinent foreign trade organizations of both sides would finalize these transactions as expeditiously as possible.

The March talks in Moscow centered primarily on using the idle capacity in the Polish consumer goods industry in the way of capacity leasing on the basis of raw materials provided [by the Soviet side]. Deliveries to Poland will include important raw materials such as cotton, anilane yarn, wool, hides and auxiliary raw materials. Polish industry will process these raw materials into garments, woolen fabrics, carpets, textiles from anilane and leather footwear. It should be stressed that Soviet representatives agreed to begin raw material deliveries to Poland on the basis of agreed-upon production specifications, even before the formal signing of the contract.

The talks in Moscow also touched on the chemical topics. The Soviet side expressed interest in opportunities to use Polish production capacities by leasing in fields such as production of conveyor belts, bicycle tires, inner tubes and pharmaceuticals.

On the basis of these examples, some general conclusions can be drawn. Primarily, the concern of the countries of our community with the difficulties of Poland and their resolute desire to help us out should be stressed.

## The Resolute Desire to Help Us Out

We are not alone in this difficult period. The talks have started and have produced initial results. We should count on the continuation and broadening of the scope of these talks. The environment for further talks is good. Certainly, the results could be much greater, if the goods produced were concrete commodities for the market or export rather than just a service rendered.

However, this presents an opportunity for overcoming the impasse, increasing production, starting up again halted shops and plants. This gives work to work forces and opens prospects for many further initiatives. In this way, the first small key to opening up our industry has been found. Let us hope that other larger keys will follow.

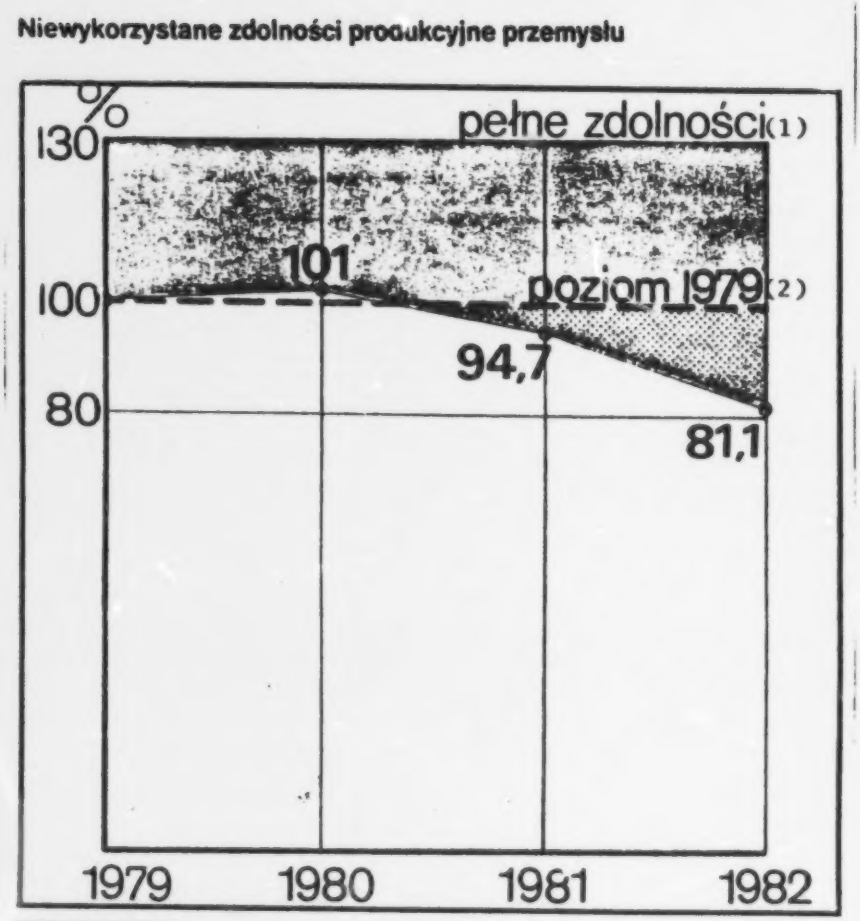


Figure 1. Unused Production Capacity in Industry

Key:
1. Full capacity
2. 1979 level

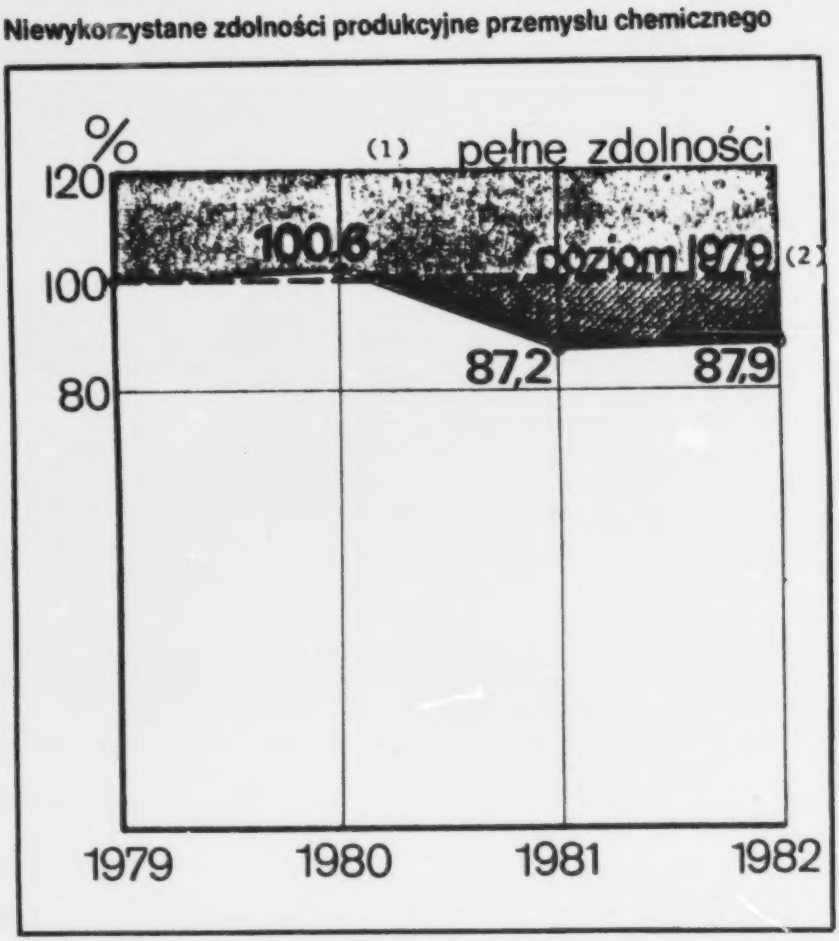


Figure 2. Unused Production Capacity in the Chemical Industry

Key:
1. Full capacity
2. 1979 level

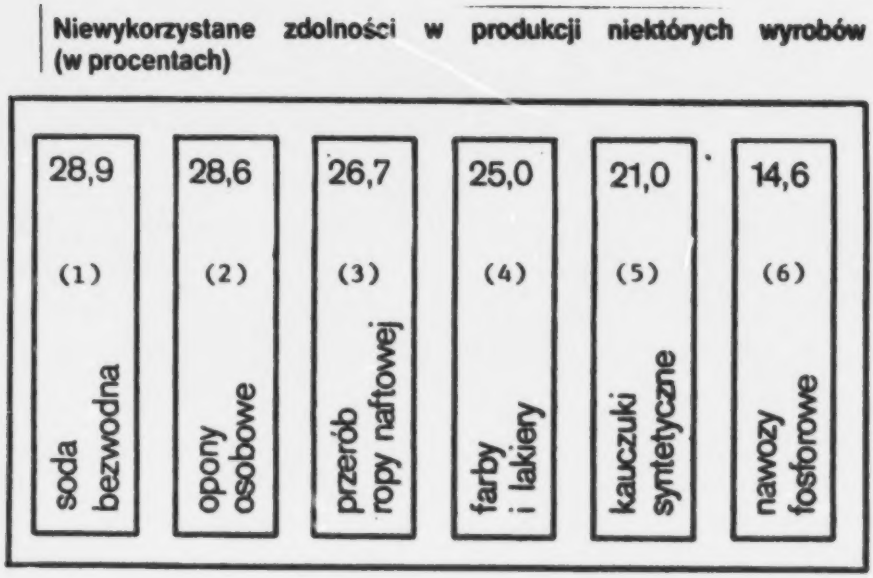


Figure 3. Unused Capacity in the Production of Selected Goods

Key:

1. Soda ash
2. Passenger car tires
3. Petroleum products
4. Paints and varnishes
5. Synthetic rubber
6. Phosphorous fertilizers

## New Industrial Associations

Warsaw SLOWO POWSZECHNE in Polish 29 Apr 82 p 1

[Article: "Reform in the Chemical and Consumer Goods Industry: First Associations Are Being Formed"]

[Text] Prof Dr Edward Grzywa, minister of the chemical and consumer goods industry, awarded certified statutes to the first six associations [new] formed in this ministry during a meeting at the ministry. These associations account for one third of the total production of enterprises in the sector; the value of their production amounts to 540 billion zlotys.

The following associations [new] were formed: Association of Chemical Synthesis and Petroleum Refining Enterprises Petrochemia, based in Krakow and employing 70,000 persons; Association of the Woolen Goods Producers Merinex, based in Lodz and employing 40,000 persons; Association of the Silk and Decorative Fabrics Industry, based in Lodz and employing 40,000 persons; Association of the Cotton and Cotton-type Goods Producers, based in Lodz and employing 100,000 persons; Association of Chemical Apparatus, Machinery and Equipment Producers, based in Gliwice and employing 10,500 persons and Association of Spare Parts and Assemblies Producers, based in Lodz and employing 9,000 persons.

Jerzy Reszka, chairman of the Council of Association Petrochemia, presented guaranties to the enterprises which would make the associations [new] bear resemblance to the apparatus of associations [old]. According to him, this is assured by the employment allotment (in the case of his association--60 persons, whereas the old association employed 300), by the fact that associations [new] do not wield power, votes are not binding for the enterprises associated from the economic point of view. Also, an enterprise may easily either join the association or leave it. It has also been stressed that no preconceived model of an association existed, and that it would be worked out later on, in action.

9761
CSO: 2600/574

PROGRESS ON INVESTMENTS REVIEW REPORTED

Warsaw RZECZPOSPOLITA in Polish 15 Apr 82 p 4

[Interview with Stanislaw Wozniak, deputy director of the Investments and Construction Team, Planning Commission, Council of Ministers, by Malgorzata Szyszllo; date and location not given]

> [Text] In August 1981, the chairman of the Council of Ministers appointed a team to review continuing investments and generally to set in order investment policy, in accordance with principles defined in the government program for overcoming the crisis and stabilizing the economy. An additional task for the team was to adapt the scope of investments to the current possibilities for implementing and financing them. The efforts of the team were divided into two stages.
>
> We are speaking on this subject with Stanislaw Wozniak, deputy director of the Investments and Construction Team, Planning Commission, Council of Ministers.

[Question] What general assumptions have been adopted to evaluate investments?

[Answer] During the first stage, all investments of budgetary units and economic organizations with a cost-estimate value of more than 50 million zlotys implemented in 1981 were analyzed, as were tasks that had been curtailed prior to this. Investments that were to have been implemented, but were never begun were likewise examined. In particular, this affected investments for which imported machinery and equipment were purchased or contracted for. Housing construction investments were not included in the analysis. A separate analysis was done for tasks included in the central and territorial plan.

[Question] Are we to understand that the investment front has been further restricted?

[Answer] Yes, although not to the degree that could lead to the proper concentration of outlays for projects of priority significance from the viewpoint of meeting the most urgent socioeconomic needs.

I would like to emphasize that the decision to withhold an investment is a difficult decision to make, but given our economic situation, it is the lesser of two evils. If the national income level drops, a reduction in the level of investments must occur as a consequence.

[Question] How many investments have been curtailed, and for what cost-estimate value?

[Answer] Altogether, last year the implementation of approximately 1,500 tasks was halted, for a cost-estimate value of more than 600 billion zlotys. This included outlays of approximately 200 billion zlotys that had already been incurred. This means that another 400 billion zlotys would still have to be expended to complete these projects. The investment front was the most severely curtailed in the metallurgical, chemical and machine industries, in construction and in highway and rail transport.

[Question] Have decisions been made concerning the future fate of these projects?

[Answer] We are currently at work on this problem. A basic task of the commissions appointed to this end is to distribute investments into three groups. The first will encompass investments that will be curtailed temporarily. The second group will likewise be implemented, but the designation will be changed. The third group includes those investments that have been abandoned.

In order to keep to a minimum the margin of making the wrong decision, the investor and representatives of the bank and organs of the local administration have spoken out on the subject of each investment. Groups of independent experts from scientific institutions, as well as from the Chief Technical Organization [NOT] and the Polish Economic Society [PTE] were appointed to evaluate the more important projects. Investments were likewise analyzed by macroregional and subsector problem-solving groups.

[Question] In many instances, the investors in these curtailed projects are enterprises. A condition for their implementation is possession of one's own financial means or, if they are insufficient, the acquisition of credit. Therefore, are you not afraid that projects that are to be discontinued will be implemented?

[Answer] In accordance with the assumptions of economic reform, the policy of orders and bans from above has been abolished. It is possible to have an effect on the investments of enterprises only with economic instruments. In such a case, the bank plays a major role. It is hard to believe that most enterprises playing the role of investors have enough financial means to implement projects. Such cases are unique. Most plants must acquire bank credit, which is granted only when the bank has a full guarantee of repayment.

On the other hand, the attitude of local authorities to investments financed from their budget is a cause for concern. In accordance with the

provisions of Council of Ministers Resolution No 279, voivodship governors are obliged to make a review similar to the one conducted in the central plan. As far as I know, such a review has not been made.

[Question] I see no cause for concern, for if the local authorities have the necessary means available, they can continue construction.

[Answer] Yes, where there is a will, there is a way. But as a consequence--and there are many examples of this--construction, instead of lasting several years, goes on for over a dozen years, while the cost-estimate value increases several-fold. Thus, is it not better to implement selected, most-needed investments than to dissipate financial means and building potential?

Moreover, the financial outlays allocated this year to local authorities are not enough to implement even half the tasks.

[Question] The unwillingness to curtail investments may be the result of the desire to wait out the "lean years."

[Answer] I agree. It is difficult to abandon a construction project for which the indispensable designs, as well as machinery and equipment have been purchased. Nevertheless, the hard economic reality forces us to tighten our investment belt.

[Question] Apropos of machinery and equipment designated for discontinued investments: how will they be handled?

[Answer] This is a serious problem. At the end of 1981, machinery and equipment valued at more than 67 billion zlotys was being warehoused. For the most part, this is specialized equipment purchased for the given project. During the second stage of work, we will make a list of unnecessary machinery and equipment, and we will also make preliminary decisions concerning the manner of their utilization. Of course, this affects machinery designated for investments whose implementation has been abandoned completely.

[Question] After all work is completed, will you be able to say that the investments front has been put in order?

[Answer] It will certainly be somewhat on the road to recovery. However, treatment will still have to last quite a long time.

8536
CSO: 2600/585

IMPACT OF REFORM ON MARITIME ECONOMY ANALYZED

Warsaw SLOWO POWSZECHNE in Polish 5 May 82 p 4

[Article by Stefan Sokulski: "Good Start with the Reform"]

[Text] One of the most important matters in maritime economy, along with developing a state maritime policy and settling fishing problems, is the economic reform. Although one could suppose that reform in a new office would be easy (the Office of Maritime Economy has been in existence only 10 months), one must not forget that this office is operating under prevailing national conditions and that it started working based on the old structure. It will not be easy to switch in a short period of time to new operational methods and to overcome all difficulties.

The main purpose of the maritime economy reform is to increase efficiency which should help the foreign exchange situation, expand supplies to the market and increase the national income. The plans are ambitious and their realization encounters considerable obstacles in every sector: shipping, fishing and harbors.

As Ryszard Bialas, the deputy minister, said, after a period of initial trials, the reform is being implemented under the conditions of 1982 as the planned actions continue. Current activities are guided by three regulations which deal with: the enterprises, the operation of enterprises in 1982 and the principles of economic activity under martial law. It goes without saying that the completely new conditions create additional difficulties which may impact the timeliness of reform implementation in maritime economy. Another obstacle to the reform is dealing with the world prices and the new dollar and ruble exchange rates.

Already the first changes brought about by the reform significantly increased costs of many enterprises resulting in their unprofitability. For instance, Polish Ocean Lines were bringing in sizable profits for years and now must be subsidized to the tune of several billion zlotys. Paradoxically, because of the new exchange rates, the lower volume of shipments notwithstanding, Polish Ocean Lines has a favorable balance of payments in terms of foreign exchange while being in the red in terms of zlotys. Polish Ocean Lines may or may not have excessive operating costs but certainly it is necessary to adjust the way one works to operational conditions under the reform.

Efforts to achieve the planned goals are based on the Sejm acts of last February. There is a problem, however, that these acts will take legal effect this July and this means that they will become operational in 1983. In addition to the acts themselves, the implementing regulations are also necessary to govern, among others, such important matters as financing, banking, etc.

Returning to the current efforts of the office to implement the economic reform in this area, it should be added that much has already been accomplished and that the original decisions are starting to produce definite results.

All the units under the rubric of "transportation" have been excused from paying a turnover tax. This accommodation permits the enterprises' developmental fund to increase as well as operational profits. Another matter successfully settled is the agreement reached to retain 100 percent operations amortization allowance for operations. Inter alia, this will make it easier to repay debts which are very large for some enterprises.

It is extremely important to obtain the right to set up maintenance funds for shipping enterprises. This will permit shipowners to set their own maintenance policies and to preserve the good name of our fleet in foreign markets.

Also important especially for the Polish Ocean Lines, Polish Maritime Shipping and Polish Baltic Shipping will be the opportunity to establish their own marketing funds. As long as one was carrying domestic cargo it was somehow possible to make up for freight shortages but now by carrying 50 percent foreign cargo proper marketing efforts acquire particular importance; moreover, they guarantee the continued existence and growth of shipping activities.

The matter of allocating foreign exchange has been settled and an agreement with the Ministry of Finance has been reached regarding subsidies for some enterprises such as Polish Ocean Lines during the transition period. Bankruptcy of a shipowner with such a meritorious past could not, after all, be permitted. The situation could have also been saved by revising the dollar exchange rate but this was outside the office's area of jurisdiction.

Fishing enterprises have obtained permission to cover their operating costs and to buy fuel from their income. Thus, there is a chance for systematic fishing expeditions and increased foreign exchange inflow. The last two matters that have been resolved are the authorization of the office chief to establish port rates and to exclude from the wage fund food and clothing costs.

In addition to these nine already resolved matters essential for the maritime economy, there is a sizable group of problems awaiting quick decisions. Among them there are such important matters as the amount of allocated foreign currencies and the principles of wage determination in maritime enterprises. The owners are impatiently waiting for the settlement of the

first matter and the other problem is just waiting for the final decision by the Ministry of Labor and Wages inasmuch as proposals were submitted a long time ago.

A difficult problem is to set fish prices. Currently, fish prices are regulated but the office proposal is to set them free already this year.

Also awaiting decision is the matter of financing investments and the principle of how to convert freight payments from socialist countries. It should be remembered that according to the old conversion factors the ruble was worth more than the dollar but currently the dollar is worth about 80 zlotys and the ruble 65 zlotys.

Among other matters related to the reform still awaiting settlement are the following: piece rates in the ports and fishing industry, participation in food and transportation in operational programs, import duties for imported ships and organizational changes. At the end of April, the port complexes Gdynia/Gdansk and Szczecin/Swinioujscie ceased to exist. The Fishing Industry and the Maintenance Shipyard Associations continue to operate but on a totally different basis. They no longer supervise their branches but they manage them. Perhaps, they will also change their name to unions but names are not really important.

The Fishing Industry Association will take care primarily of securing fishing licences, coordination of foreign activities, setting prices and working together with the cooperative and private sectors. The Maintenance Shipyard Association will perform similar tasks.

It is difficult to forecast today what tangible benefits the economic reform will bring. It can be presumed, however, that it will lead to the elimination of disproportions among individual branches of the maritime economy, better cooperation with other subsectors of national economy and that it will mean complete independence of enterprises. In short, the office will take care of systemwide solutions but the implementation will be under full control of enterprises.

A promising start does not mean the final success. There will be many obstacles on the road to achievement of changes prescribed by the reform and the existing problems have to be solved concurrently. The reform may help to endure and to get to the straight but only the men of the sea can better use our potential, lower our costs, increase transshipments or relocate the fishing fleet on account of the Falkland conflict. And all the time the current tasks must be on our mind and they are not easy. This year we are planning to carry 32 million tons of cargo, handle 33.5 to 38.5 million tons in the ports and deliver over 170,000 tons of fish and fish products to the market. Additionally, we will continue to build the container terminal at Gdynia. If other matters related to the reform are settled favorably, it may be expected that the regression in the maritime economy will not last long.

8801
CSO: 2600/573

STATUS OF PRODUCTION, IMPORT, EXPORT OF CEMENT REVIEWED

Warsaw ZYCIE GOSPODARCZE in Polish No 16, 9 May 82 p 5

[Text] This year, we are to manufacture approximately 16 million tons of cement. To produce this amount, we have secured a supply of coal and electric power. And yet, according to some opinions in the cement industry, most plants should suspend cement production. Reportedly about 70 percent of cement production is unprofitable under the new economic reform.

Investment Illusion

During 1971-1975, investment outlays for the development of cement industry were over 21.3 billion zlotys. For the sake of comparison, let us remember that, in the 1960's, millions rather than billions were spent on the development of the industry. The production was increasing very rapidly. In 1975, for the first time cement was taken off the list of imports, although between 1972 and 1974 we had purchased approximately 1.2 million tons annually, chiefly from capitalist countries.

But no one computed the cost of the increased production of cement. Under the pressure from the economy, the cement industry focused mainly on the quantity, ignoring completely the effectiveness of the production. Until the end of 1981, there was even a special system of bonuses, dependent on the number of manufactured tons, not on the production cost.

In the cement industry, it is extremely difficult to analyze effectiveness indicators. But there is no doubt that during the period between 1976 and 1981, the cost increased considerably, owing mainly to the higher cost of depreciation and the repayment of investment loans. At the same time, 1981 brought an approximately 40 percent decline of the productivity of permanent assets in comparison to 1976. Moreover, production technology has been very inefficient from the point of view of the production cost. More than one-half of cement plants use a very expensive, energy inefficient technology. Four cement plants use mazut as the energy source.

One can only deplore such an inefficient structure of cement production. Between 1972 and 1974, during the great energy crunch, large cement producers in West Germany, France, and Spain received huge state subsidies to develop energy-saving technologies. At the same time, we had a relative abundance of

coal and electric power. Therefore we now have what we have. The economic reform has made it clear that the crisis in the cement industry had been growing for years, and now the industry is on the verge of an economic crash.

Will It Go Under?

As in most other countries, an official price has been set for cement. Both production quotas and the price of cement are strictly controlled by the state. Cement is the basic construction material, and its arbitrary price would cause a chain reaction throughout the whole economy. Moreover, cement production is expensive in every respect and very harmful to the environment. Overproduction results in high economic losses especially because cement cannot be stored too long, while underproduction leads to expensive imports.

However, the official price does not cover the cost of production. Only a few cement plants--for example, Gorazdze, Ozarow, and Chelm--operate in the black at the current prices. According to some estimates, the official price is on the average about 5 percent lower than the production cost, depending on cement quality. Under these circumstances one questions the very principle of enterprises' self-financing.

But since there is the official price for cement, the state has taken over the responsibility of providing economic support for the plants. The official price does not include a number of cost factors, for example, the cement industry's loans from the state, amounting to approximately 18 billion zlotys. The industry has not had its own environmental protection program, not even during the previous period of economic directives. Annually, such a program costs 13 billion zlotys which come partially from the state budget, partially from voivodship subsidies.

Moreover, the production cost does not include a portion of transportation buildup, for example, adding new railroad sidetracks and loading and unloading equipment. About 12 billion zlotys must be earmarked for this purpose.

Due to limited supplies of coal and mazut, some cement plants have closed down, while in others production is much below their production capability. Therefore it has been decided that the closed plants should not increase the production cost by depreciation deductions. But even those closed plants require considerable investment spending in order to protect production assets and the entire technological infrastructure.

Branch Concept

This year, the cement industry will receive approximately 4 billion zlotys in state subsidies. This is understandable. For social reasons, the state has set up a rigid price for cement, and thus it has accepted the fact that most cement plants would operate in the red. Had the price been set on a level which would guarantee profits to every plant, then the price must have been between 10,000 and 12,000 zlotys per ton. This would have led to an inflationary increase in cost in many fields of the economy, including apartment

construction, and an increase of retail market prices. But a system of state subsidies is used with many products, and it is not out of line in the new economic system.

But the subsidies alone are not enough. There are attempts to provide additional sources of self-financing for the unprofitable production of cement. One of the sources is a system of compensatory prices, administered through the Wholesale Cement Bureau. In all cement plants, the official price is in force, but within the industry individual plants are held accountable using the factory price, since production costs vary from plant to plant. The cement plants, where the factory price is lower than the official price, operate in the black and can thus finance the other plants. The mechanism is quite simple, but it questions one of the basic principles of the economic reform, that is, the autonomy of enterprises. The cement plants themselves have protested against such a system. Those which are profitable are unwilling to finance the others, while the ones which operate in the red are not anxious to be at the mercy of the financially stronger partners. In April 1982, the cement industry has been exempted from the income tax which was equal to about 50 percent of the gross. There has been a recommendation to increase the official price, but it has not been decided yet by how much.

However, the cement industry is a bottomless barrel. In the former Association of Cement, Lime and Plaster Industry, I was told that all the present exemptions and subsidies are only half-measures, and they will not save the industry from bankruptcy.

There is a chance to get out of the crisis by implementing the so-called dry method of cement production and leaving out mazut from technological processes. As many as four large cement plants use mazut as the energy source. Thus the focus is mainly on energy efficiency. A modernization of two cement plants, Kujawy and Warta, would mean that in two years 375,000 tons of heating oil would be saved and coal consumption would decrease by 475,000 tons. But how to finance this modernization? It is estimated that it would require about 8 to 9 billion zlotys. The cement industry can lay out about 2 to 2.5 billion zlotys. The construction industry cannot help even if it wanted to, because this year's loans to develop the entire industry of construction materials are only about 3 billion zlotys.

Moreover, even the so-called dry method has its disadvantages. Professor Czeslaw Mejro, for example, has said that "the dry method of cement production is not a panacea for all ills of the cement industry. If one looks at direct energy consumption, the consumption of coal or mazut to produce one ton of cement using the dry method is actually 60 to 70 percent lower. But in the dry method, approximately one-half of the energy includes electric power, while in the wet method electric power constitutes only one-third of the used energy."

In the dry method, the coal is also processed, but in an electric power plant, not in a cement plant. Moreover, according to specialists, cement produced by the dry method includes a large percentage of so-called alkalies, while the production itself is very harmful to the environment.

Economic Criteria, After All

The industry has its reasons to support this line of development. First of all, the industry wants to secure its assets. It also fights the necessity to lay off employees. It is estimated that the overemployment in cement plants is now over 4,000 people. It is argued that the cement industry must stand by in a state of complete technological preparedness and full employment until the economy overcomes the current crisis, or when additional cement production is needed.

One can accept that. There is no doubt that the cement industry is one of the most difficult and complex industries to invest it. It is often compared to mining industries. Hence it is extremely difficult to have a ready-made formula how to get out of the economic crisis. But let us look realistically at an improvement program which would cost 8 to 9 billion zlotys. Overall, an improvement is among the most effective and profitable forms of investment, provided that it is supported by efficiency factors. But at present the cement industry pushes for further investments and loans, although it is up to its ears in debt. The annual service on the existing loans alone is over 720 million zlotys. The cement industry has recently completed the building of several new, large plants. Perhaps during the 1970's, the cement industry suffered from delusions. But the truth is that we have huge production assets capable of meeting the economy's demand for cement. For the most part, the assets have not depreciated yet. This was also an opinion of the Planning Committee which has rejected the industry's proposal to include improvements in the cement industry on the list of centrally subsidized projects. Also the Polish National Bank has refused to provide loans for such projects in the cement industry.

Perhaps, then, we should look for ways out of the crisis within the framework of what we have. To push for new investments would mean to fall into a trap of more loans, which would eventually lead to a bankruptcy. While the interests of the industry were being protected, this situation created a number of negative incentives, including a system of compensatory prices. One cannot accept such a situation. It is unprofitable industries, subsidized by the state, that should be the first to follow the criteria of effectiveness and strive for profitability mainly through lowering production costs. And the system of compensatory prices is geared toward something totally opposite. It is agreed that every cement plant will continue to produce a certain amount of cement, depending on its coal allocation. Thus all plants--profitable, barely profitable, and unprofitable--are treated the same. This leads directly to raising production costs in the entire industry. Thus in every plant the production potential is not fully utilized. Paradoxically, this situation has a negative effect on production costs mainly in profitable cement plants such as Garazdze or Ozarow. These are modern plants where depreciation costs are still high. Hence the constant portion of the price is also very high. When production potential is fully utilized, the constant cost, included in the production costs, goes down. When the potential is not fully utilized, then the constant price rises and thus it lowers profitability. In old cement plants the constant cost is low. Do we want to discourage plants from following sound economic

policies? Profitable cement plants are not very anxious to increase production. In fact, they are interested in working only at half their capacity. For example, the plants Gorazdze and Ozarow, built on a Danish license, are capable of producing 2.4 million tons of cement each, but neither has ever reached that production capacity. Both plants still prefer to keep production reserves. Most of the basic machinery and equipment come from the second payments area. It is estimated that about 4 million dollars will be needed for necessary repairs. But since it is not likely to secure such an amount, the plants prefer to produce less than they are able to and thus lengthen the life of the machinery and equipment, rather than utilize their full production potential and run the risk of putting the machinery and equipment out of service, without resources for repairs. To be sure, export-producing plants are entitled to 25 percent of the earnings in hard currency, but this would not cover the expense of buying spare parts. About one million tons of cement will probably be exported. But it will be necessary to subsidize the export by 2.2 billion zlotys, because of the difference in production cost between our cement and cement manufactured by other producers.

Are there other options? Let us say that we choose an option of economically sound management rather than one that protects the interests of the industry. Only profitable cement plants would receive coal allocations, and they would maximize their production. The old plants, with high production costs, would be closed down. If these criteria were applied to 18 cement plants powered by coal, seven of them would have to be shut down, and yet cement production would increase by 700,000 to 720,000 tons. And it would be a profitable production, based on the official price and state subsidies.

Following this mode of reasoning, the strategy for the development of the industry looks totally different. Many factors, which lower profitability, would be removed. It may turn out that it is worthwhile to spend 4 million dollars to buy imported spare parts in order to keep the profitable plants going at full tilt. If a shortage of hard currency continues and the percentage of export earnings is not enough to meet all expenses, then it may be necessary to increase the cement export. The export is not profitable, to be sure. But cement is produced from our own raw materials using our own means of production. Moreover, the export would serve to increase production profitability. Hence we need to calculate very carefully what is more profitable: to spend 4 million dollars on spare parts, or to approve the industry's recommendation and invest 8 to 9 billion zlotys in the industry.

We might just as well suggest that the cement export be abandoned altogether. Maybe it would be more profitable to export coal which had been allocated for the export production of cement. I do not know if such a calculation has ever been done, but it is a must from the point of view of sound economic decision making. Under the present circumstances, such decisions are often dramatic.

If the economically sound management version is accepted, several thousand workers will face unemployment. But for them it may also be a chance to survive. When only profitable plants are in operation, enterprises'

self-financing will improve. If this is indeed the case, then a share of the profits may have to be used to compensate the workers of the closed plants. Perhaps this will be more profitable.

Finally, we must ask how much cement is and will be needed by the economy. After all, it is the demand that determines the future development of the industry. It is estimated that in two or three years, with the present structure of construction technology maintained, the demand will be for over 20 million tons. This creates a new problem. How can this demand be met? One can influence the supply, which would pose many problems. But just as well one can influence the demand. I do not suggest that cement allocations be limited. I merely support an idea of rational economy. In 1980, excessive consumption of cement in socialized construction projects, caused by deviations from construction standards, was over 600,000 tons. I do not intend to start a debate about the excessive cement consumption by our economy in general, which has been caused by several factors. I merely want to show two potential sources of additional amounts of cement. Sooner or later, reality will force us to utilize all those reserves.

9852
CSO: 2600/591

## PROSPECTS FOR MARITIME FLEET OUTLINED

Warsaw MORZE in Polish No 1, Mar 82 pp 3, 4

[Article by Jerzy Micinski: "What Is New Under the Polish Flag]

[Text] Polish shipping enterprises working in direct contact with the capitalist forms of economy by their very nature have weathered the 1981 crisis better than any other type of enterprise in our land. However, this is not all, being forced to seek cargo in unfamiliar ports (due to breakdown of our maritime business in foreign commerce) they not only managed to fill the holds, but instead of losses (in this fateful year) they turned a profit. Not just any kind of profit but the most precious kind--foreign exchange. This should serve as an object lesson to all those who have a tendency to underestimate the possibilities which are to be expected with a wise, systematic development of maritime economy and, above 11, that of the merchant marine fleet.

The year 1981, unfortunately, brought yet another painful setback in this area, mainly because our shipbuilding industry was totally engaged in (not always beneficial) exports, at the expense of the needs of our domestic flag. Not a single ship constructed during that year in Polish shipyards entered our fleet, with the possible exception on one delivery to the Sino-Polish "Chipolbrok [Chinese-Polish Shipping Co. S. A.]."

Continuing our 20-year tradition, we are describing below last year's changes in the Polish Merchant Marine [PMH] holdings; however, at this time, we are not going to publish a full listing of ships. We shall include them [from now on] in a 2-year cycle; therefore, the next listing will appear next year. Readers of MORZE will find the previous lists in the January 1981-March 1981 editions.

### Polish Oceanic Lines

Strictly speaking, Gdansk shippers did not gain a single vessel in 1981. The four "con-ro" units destined for the North American route, delivered from the French shipbuilding industry, are only chartered to the Polish Oceanic Lines (PLO); according to their registry, they belong to the French-Polish Maritime Co. Only after the credit (obtained to finance their construction) is amortised will the ships be formally transferred to the Gdansk shippers. Nevertheless, they are being counted as acquisitions of thw white-and-red flag, and at that they are very considerable acquisitions. We have never had--to date--such large

and complicated specialty cargo ships which task the highest skills of the crews and the shippers services.

The prototype, "Tadeusz Kosciuszko", ceremoniously hoisted the flag at the Gdansk Container Terminal on 26 June 1981, curing the celebration of "Sea Days", following the completion of its maiden commercial run to the United States, directly from its builders: Ciotat Shipyards in Marseille, France. This was described in detail in the September 1981 edition of MORZE. Also included were personal observations by our special reporter on board. Also, on page 27 of this edition, the reader will find technical data on the "Tadeusz Koschiuszko" and her three sister ships in an article entitled: "Under the Polish Flag." The second ship in the series, "Kazimierz Pulaski", hoisted the flag in Gdynia on 7 September 1981; the third, "Wladyslaw Sikorski", on 17 November. The last ship in this series, the "Stefan Starzynski", was handed over to the shippers during the last days of 1981; however, the ceremonial hoisting of the flag took place in Gdynia, on 22 February 1982, upon its return from its maiden run to the United States.

Inasmuch as the year 1981 was the "French" year (the same as in 1926, or exactly 55 years ago, when five colliers purchased in France initiated the continuous development of our merchant fleet), then the current year will be known as the "Spanish" year. We expect to realize our order for four "con-ro" ships which are being constructed for the PLO at the Puerto Real shipyards near Cadiz. The first two were launched at the end of October 1981. Those were the "Katowice II" and "Poznan." The remaining two, "the Gdansk" and "Wroclaw", are under construction. All four will augment our Australian route, where they will contribute to make this route much more attractive from the point of available services.

Unfortunately, nothing was built, or even started, at the domestic shipyards that was destined for the PLO. The Szczecin shipyards "threatened" to build the fourth ship of the interrupted series of rapid semicontainer vessels of the "Adam Mickiewicz" class (B-467; 17,200 tons, 25 knots); unfortunately, they were not able to carry it out. Our route shippers would probably be glad to place orders with our own shipyards for modern "ro-ro" class ships of intermediate and small tonnage; they are very badly needed for the modernization of our shipping routes of short and intermediate range--above all--to Africa and the Mediterranean.

Meanwhile, an agreement has been signed with the Paris Commune Shipyards in Gdynia for construction, during 1985-87, of a series of eight semicontainer ships of 10,000-14,000 tons, destined for the modernization of the South American route. On the other hand, the Gdansk shipyards have undertaken the construction of three container ships (capability to transport 1,513 TEU [class containers] on each ship) for the Far Eastern route. As of the beginning of 1982, both agreements have been confirmed. The year 1981 saw the PLO lose the MS "Stanislaw Dubois" (built in 1965). While en route to Vietnam, she collided with the Sudanese ship "Omdurman" somewhere between Antwerp and Hamburg. The collission caused flooding of number 2 and 3 holds, some water also penetrated hold number 1. Tugs were called to assist and towed the ship close to the Dutch shores; however, because of danger of explosion of a cargo of calcium carbide in one of the flooded holds, the "Dubois" was refused entry to all

ports in the North Sea Basin. This resulted in a decision to scuttle the ship by opening the sea cocks. She sank in a location designated by the Dutch authorities. The "Stanislaw Dubois" went to the bottom on 9 April 1981 (see reportage and photos in the May 1981 issue of MORZE.)

As a result of sales, six consecutive ships have left the PLO fleet and are now sailing under foreign flags. Perhaps there could have been more; however, because of a market slump caused by the crisis, there is a shortage of good buyers who would be willing to pay decent prices for conventional, used merchandise. The "Florian Ceynowa," one of a series of 10,000-ton ships (type B-54; build in 1957) was sold. She was the last of the seven vessels which were equipped with the troublesome Fiat engines. She was handed over to her new owners--Philippine President Lines, Inc.--in Manila, new name: "President Osmena." Sister ships of type B-55: "Olesnica" (built in 1959) and "Swidnica" (built in 1960) were sold, at the beginning of last year, to Greek shippers (Grecomar Shipping Agency Ltd) and changed names to "Michalis" and "Kostis." General cargo ship "Monte Cassino" (built in 1958) passed to the Panamanian flag. She was not typical of our fleet; she employed a Stork engine which was salvaged from the "Warszawa," a passenger ship which was sunk during the war (built in Holland for Poland, commandeered in 1940 by the Germans). The new owners are the Hobby Maritime Co., new name, "Solidarity." Also sold one after another were two small refrigerator ships, type B-513, which were built sometime ago to serve the English route of PLO. The prototype "Wolin" (built in 1960), the same ship which following her maiden voyage was named "the most beautiful ship of the Kiel Canal," passed under the Egyptian flag; her sister ship, the "Deblin", (built in 1961) is sailing under the Jordanian flag as the "Petra." An interesting detail here: both ships were immediately adapted, after the sale, to be manned by an 11-man crew; while sailing under the Polish flag and Polish maritime rules, the crew was 28.

In conclusion, we should add that a small general cargo ship, the "Chochlik" (type B-57; built in 1960) was handed over, at the onset of 1981, to Polish Baltic Lines (PZB). Consequently, the PLO has only four units remaining of this long series in which all ships have been rebuilt as container delivery ships. Following such reconstruction by the Szczecin Gryfia Shipyards, a small general cargo ship, the "Marynarz Migala" of B-548 series (in Finnish ice class), was returned to service in 1981; it is capable of transporting 42 of the 20-foot-type containers.

Polish Steamship Co [PZM]

Following a "fat" year (1980), the Szczecin shippers had a "lean" year--not even a single ship (as a result of the famous "contract of the century" 14 brand new ships from British shipyards entered the Szczecin service in 1980). It is true that the A. Warski shipyards had commenced the delayed construction of the fourth bulk cargo ship, type B-517 (33,500 tons); however, this ship will not be ready until next year. This series has been extended by three more ships.

Nevertheless, the Szczecin shippers have managed to "wangle out" another contract, with 100 percent credit, with Argentinian shipyards. The agreement

concluded with the Astilleros Alianza Shipyards provides for delivery, still within the current 5-year plan period, of two "panamax" type ships of 61,000 tons each and six ships at 26,000 tons each. Those ships are destined to replace the aging "Ziemia" class ships--bulk cargo ships of Italian construction from the 1966-1968 period.

Another contract concluded by the PZM was with the Bulgarian shipbuilding industry. The Dimitrov Shipyards in Varna have long supplied ships (since the beginning of the sixties) for the Szczecin shippers. Among them, built in 1973-77 period, was a series of five ships--the "General" series--bulk cargo ships (type B-591; 37,800 tons). This series is to be continued in a very modernized form. The next three "Generals" will shortly reinforce the PZM fleet. Planned names are: "General H. Dombrowski," "General Pulaski" and "General Berling." We are noting a reservation as to the second name because, not too long ago, the PLO included the "Kazimierz Pulaski" in their fleet. Will it be perhaps the "General Grot-Rowecki?"

Insofar as the bulk-cargo ships working for the PZM are not complaining about unemployment, there is a crisis in the Office of Tanker Utilization regarding that portion of it which is responsible for shipment of crude petroleum. For the domestic needs of our seaborne oil imports, the PZM has six large tankers of 137,000-145,000 tons capacity. However, since last year, we no longer purchase oil from the Arabian countries, due to a shortage of foreign exchange; therefore, we no longer need large tankers. We managed to find employment abroad for three ships of Japanese construction which are more economical to operate due to their diesel engines. The remaining three large tankers, equipped with the less economical steam turbines, are not so lucky. Two of them: the "Kasprowy Wierch" and "Giewont II" had to be placed "on the string" by the shippers. They are anchored off the coast of Greece, in Itea Bay, where the mild climate will permit preserving them. They are cared for by a skeleton crew of 10 men. Perhaps they can be sold if we can find a buyer. An extensive article on these ships appeared in the November issue of MORZE.

In 1981, Szczecin shippers did not register any tonnage losses. Following a thorough rejuvenation of the fleet over the past few years and in conjunction with elimination of all the steamships (which also happened to be the oldest items in the PZM inventory), transfers played a minimal role in 1981. This mainly affected general-purpose ships, series B-512, constructed in the mid-sixties which are today considered to be obsolete. Following the "Kolejarz," "Stoczniowiec," "Metalowiec" and "Wlokniarz, it was the turn for the "Energetyk" which was transferred (in July 1981) to the Polish-Korean Shipping Cooperative, Chopolship. It is anticipated that the next ship in line--the "Gornik"--will follow suit, thus causing this series, still sailing under the PZM flag, to shrink down to three ships.

Polish Baltic Lines (PZB)

The Kolobrzeg shippers are feeling the very painful reduction in ferry services which is being caused by a reduction of the flow of tourists going to Poland. They are also troubled for other reasons, for instance--the high operating costs of the Szczecin-constructed ferries ("Pomerania" and "Silesia") which, on

one hand, cannot attain their specification speed and, on the other, burns much more fuel than anticipated. Let us hope that the third ship in the (B-420) series, still under construction in Szczecin, will turn out better. She is to be named the "Masovia" and was launched in 1981 (although she was projected for 1978 completion). This construction lasted this long because the ship became an "unwanted child"--the shipyards and the shippers would be very glad to sell it abroad; however, so far, there is no good buyer in prospect.

The PZB keeps on reducing its inventory of ferries. Following the "Gryf" which was sold in 1980, the ferry "Skandynawia" (built in 1964) left the Polish flag. It was sold to Yick Fung Shipping and Enterprises Co Ltd in Hong Kong. Its new name is "Tien Hu," and it is sailing under the Panamanian flag. Next in line to be sold was the largest ferry of the PZB, the "Rogalin" (built in 1972); however, as of the end of 1981, the transaction did not take place.

As pertains to the second category of ships in the PZB--general cargo ships--including lumber transports, the only change noted in the "plus" column was the acceptance from the PLO of a B-57 type general cargo ship: the "Chochlik." This took place in early 1981.

In the "minus" columns we must enter the entire B-475 series: ships "Boginka," "Dziwozona" and "Nereida" (all built in 1964) which were sold, at a profit, to Greek shippers. The smallest PZB unit: the 450-ton "Flora" (built in 1967), was deleted from the inventory. This vessel is "on a string" and we would be very glad to sell it; however, there seems to be no one stupid enough to buy this marvel. Also earmarked for quick sale was the entire reminder of the ships in the "river" class, type B-51-II: the "Ina" (built in 1958), "Krutynia" (1959), "Ner" (1958) and "Sola" (1959). In this way, a total elimination of our outdated and unattractive tonnage of small tramps would become an accomplished fact. It is only a pity that this is not being accompanied by a replacement of the inventory through construction of modern and economic units of this category.

Chinese-Polish Shipping Lines S.A.

This enterprise, which has been described in more detail in the March 1981 issue of MORZE is celebrating its 13th anniversary under the sign of modernization of its inventory. Currently under construction are two four-ship series, one in Shanghai and the other in Gdansk. We are interested in the latter because it is destined to sail under the Polish flag. Those are universal type, general cargo ships, type B-348 of 16,000 tons capacity and a speed of 16.5 knots. They are capable of transporting 542 (TEU) containers each. The prototype "Parandowski" was launched on 30 May 1981, with the distinction of passing the 5-million-ton mark in the postwar production history of the Gdansk shipyards. Handing over to the shippers has been planned for the end of 1981; however, it actually happened on 12 February 1982 (date of hoisting the flag). The second ship of this series, the "Karlowicz" was launched on 11 November 1981; it will enter service this year. The remaining two ships (names still not determined) are projected for the end of 1983.

As for the losses, it was intended to sell the "Zamenhof" (built in 1959) during 1981. It was the oldest of the 10,000-ton series of Yugoslavian construction, but it was sold actually in February 1982, it passed over to the flag of the Chinese People's Republic, current name: "Ju Cheng."

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# East Europe Report

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2282

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15 June 1982

# EAST EUROPE REPORT

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2282

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## CEMA MULTILATERAL COMMITTEE DISCUSSIONS VIEWED

### Shiryayev Article on CEMA Integration

Prague ZAHRANICNI OBCHOD in Czech No 2, 1982 pp 13-14

[Article by Jaroslav Nykryn: "An Interesting Contribution to the Theory of Socialist Economic Integration"; passages within slantlines in boldface]

[Text] Yuri Shiriaev, director of the International Institute of Economic Problems of the World Socialist System in Moscow, has published in the January issue of the magazine FOREIGN TRADE an unusually interesting and significant article entitled "Problems of Developing Direct Relations Among Economic Organizations of the CEMA Member States." No doubt from certain aspects this article can be considered an outstanding contribution to the development of the theory of socialist economic integration. Due to this circumstance, after having read it I am adding my own point of view to some of the questions covered by the author. At the same time, I presume that it would be very useful if Yuri Shiriaev's article drew attention from other workers in our economic theory and practice.

It was by no means easy to translate the original text of the article into Czech, especially as far as the /terminology/ is concerned. In the original, Shiriaev uses the term "neprosredstvennye proizvodstvennye svyazi," for which it is tempting to use the literal, though not quite correct, translation "direct production relations." In this case a term would be used which could be connected with an already deep-rooted economic category "production relations" as an antithesis to "production forces." That is why it is more correct to use a simplified translation "direct relations" which had also been used for the mentioned term in the Czech edition of the Complex Program, or to use suitable descriptions, such as "direct production collaboration," "direct relations in production," etc.

Right at the beginning Shiriaev draws attention to some confusion involving the very /conception of the "directness" of relations/ among economic organizations of the CEMA countries. I think it is questionable whether the issue is important, or only of secondary significance. The author tends to favor the latter opinion, when he says that if e.g., cooperation is as a rule brought about by means of foreign-trade organizations, it by no means changes the essence of the issue. It can be deduced from his article that one has to

distinguish between cases when production cooperation is implemented without any mediating organizations of foreign trade, and cases when these organizations act as middlemen in the relations between direct producers. The former case is concerned with "direct relations" in a pure form, the latter involves direct relations "mediated." The author is right to prefer content to form, on the other hand, however, it is still also necessary to analyze the form more thoroughly. There are several reasons for this:

1. A question arises whether the entrance of foreign-trade organizations into relations among producers in any of the various cases of implementation of direct relations (scientific-technical cooperation, common research and development, production specialization and cooperation, joint investment, joint undertaking, etc.) is a hindrance, or the opposite, that is, a stimulus, in their development;

2. In all cases, the problem of direct relations involves national mechanisms of managing foreign economic relations, in general first of all the question of state monopoly of foreign trade which is solved in individual CEMA countries in different ways. In a more concrete way, it especially involves the national supplier-purchaser relations which arise in the process of implementation between producers and foreign-trade organizations in all cases when these organizations obligatorily represent the producer;

3. The problem of direct relations is becoming an international problem of all CEMA countries, being internationalized in parallel with the internationalization of production, and the differences in national forms of the implementation are, in my opinion, a certain hindrance to development.

I see /the principal significance/ of Shiriaev's article in the fact that in it the author deals with a problem which is relevant in the economic cooperation among economic organizations of CEMA countries, and consequently in the whole process of deepening socialist economic integration. Despite its mentioned relevance--which so far has been potential rather than real--during the 10 years since the acceptance of the Complex Program in 1971 this problem has not been, at least not in this country, subjected to a deeper theoretical examination, nor has it been respected in practice, except for some sporadic cases. In my opinion, it would not be an overstatement to claim that in the sense of I. Shiriaev's article, direct relations belong, or may belong, to those basic factors of a faster and more effective development of socialist economic integration which include, e.g., coordination of national economic plans, or long-term target programs of cooperation among the CEMA member countries. The importance of direct relations can be seen in the fact that they represent the following factors:

--desired internationalization of production in countries with socialist systems, the advantages of which are directness, tangibility, and a high (potential) economic efffectivity;
--accelerating the international transfer of scientific and technical findings, as well as of production experiences within the framework of these countries;
--contributing directly to the desired "integrative" way of thinking, the importance of which is still being underestimated, and which can be favorably

influenced by the directness of real working relations between technicians, economists and workers of various national economic organizations.

Direct relations in production, or let us say direct production cooperation can substantially contribute to the development of an effective distribution of production programs of the cooperating production organizations of individual CEMA countries. It can also lead to an increase in serial production with all the positive consequences ensuing from it for the area of work productivity, production unit cost sensitivity, as well as production quality, and, finally, also for export potential.

I. Shiriaev mentions certain permanent trends in enforcing the elements of direct relations, and also the experiences gained in this field so far, which should be evaluated. In this point I fully agree with him. Perhaps in this connection it might be worthwhile to present a certain simple survey of this development in a sense of forming categories, that is, to outline some differences and /degrees of intensity of direct relations/ in the production area. In my opinion, here lies the focus of the problem which also holds Shiriaev's concentrated attention, although in his article he disccuses direct relations in a broader sense (that is, on the level of ministries and central authorities). In this sense, direct relations are enforced as follows:

I. Within the framework of interstate economic organizations such as Intermetal, and of international economic organizations such as Interatomenergo; in the former case the intensity of direct relations does not reach--because of having been mediated--the same extent as that of the latter case; this ensues from the functions of these organizations and from differences in implementing the budget;

2. Within the framework of joint enterprises of the CEMA countries, that is, organizations such as Haldex, when it is a matter of clean-cut budgetary formations with full economic and legal subjectivity; the intensity of direct relations is in this case, which of course so far occurs as a sporadic exception, higher than in previous cases;

3. Within framework of fulfilling joint research and development tasks of scientific and research institutions of the CEMA countries, whether of multilateral or bilateral nature; here a high intensity of direct relations is involved which I am "including" in the production sphere as a potential component of direct production cooperation;

4. Within the framework of a joint large-scale investment ventures, such as the Soyuz gas line, where a high intensity of direct relations is involved in connection with solving internationally unusually significant tasks;

5. Within the framework of production cooperation based on production specialization and coproduction, when direct relations in the production sphere are most intensive in the section which belongs to the most basic factors--and for Czechoslovak economics also the most hopeful ones--of a further economic development. However, it is to be added that until now among the agreements on specialization and production cooperation, e.g.,

between Czechoslovakia and other CEMA member states, those on specialization have prevailed, not those on cooperation or coproduction which objectively enable, even assume, the directness of economic relations.

In accordance with the spirit of Shiriaev's article it is necessary to point out that the more complex and challenging the given production branch, technically, technologically and from the aspect of the world pace in innovations, the greater is the significance of direct production cooperation among technicians, engineers, economists and workers of manufacturing plants in socialist countries, and the more important is their direct, fast and operative cooperation in the implementation of planned projects. This applies especially to engineering industries in general, and to nuclear techniques, electronics and microelectronics in particular, although it is also impossible to overlook reserves in such classic production branches which include, e.g., the production of machine tools, tractors, cars, or highway and construction equipment.

Shiriaev points out the sporadic nature of direct relations in one case, and their regularity in another. Measures which have already been taken, but even more those which should be taken in order to gradually deepen direct relations in the production sphere among the CEMA member states on the level of production organizations, are supposed to follow the rational trend from /accidental to planned issues/, that is, from sporadic to regular in nature. This is far from being simple, of course, because such measures require first of all a substantial rapprochement of national approaches to this task, especially in those elements of national mechanisms of managing foreign economic relations which so far have been construed and applied in different ways. However, here we can draw attention to considerable reserves which are being offered in the area of coproduction, involving also the phase of research and development. As a matter of fact, the very substance of the mentioned agreements, especially their long terms (in engineering industries we can count on an average validity of 5-7 years and more) and flexible stability (by flexibility I mean here the necessity of including into cooperation agreements necessary amendments on technological and technical modernization of joint production and on innovation of products), significantly support the planwise nature and permanency of the development of direct relations. The same applies to cases of participation in joint ventures and in big investment projects.

The most important factor in the development of direct relations on the enterprise level is the /formation of more general preconditions/ of their implementation on the level of central authorities, that is of corresponding branch ministries of individual CEMA countries. Nevertheless it seems that there is no narrow profile in this sense, and at present people are rather concerned that the enterprise sphere would take more advantage of the already existing international agreements on this level. More often the setbacks can be found in the low initiative of production enterprises (in Czechoslovakia it is the middle link, that is, the VHJ [economic production unit]). which, on the other hand, hits certain barriers of both an objective and subjective nature worth being mentioned in more details (however, this concise

contribution makes it impossible), I would like to remark at least briefly that from the aspect of the middle link in management, that is, from the aspect of production enterprises, barriers of an objective nature include some measures in the field of national mechanisms of management (the system of supplier-purchaser relations, the fixing of wholesale prices, the adjustment of internal converting rules, or national rates of exchange, etc., inclusive of some questions or organization of the enterprise base of foreign trade) carried out by the "center" and standing up against the enterprise sphere of production in an objectivized form; barriers of a sujective nature include the "customary" unwillingness to undergo certain risks and to change the stereotypes of management, even those of thinking.

Of an unusual importance for the development of direct relations through production is economic cooperation, first of all /the price basis/, or price conditions of cooperative agreements. It is necessary to distinguish between internal prices of materials, of cooperative components of finalized cooperative products, and other activities connected with the fulfilling of cooperative agreements on the one hand; and between foreign prices of all these elements on the other, when mutual supplies take place "inside" the cooperative agreement. There are well-known cases when a certain cooperative agreement, e.g., coproduction and finalization, is for both partners quite explicitly advantageous from the purely technical and technological points of view. Direct production cooperation, direct relations in production are evidently being offered as technically effective for both sides. If the problem of cooperation in creating relevant use values is viewed from the aspect of technical parameters, everything is all right. However, as soon as the same problem is beginning to be enforced from the aspect of economic effectiveness, and price parameters are added to technical parameters, too, it happens that the agreement in question is less advantageous than expected, or downright disadvantageous for one or the other partner, or even for both. The roots of this paradox are in the differences of price fixing in individual countries, and also in different methods of economic stimulation. Shiriaev is right in stating that national systems of management of cooperative relations often, e.g., are quicker to stimulate final production than cooperation in semifinished articles, that is semifinal production. Under these conditions internal enterprise budgets, or internal economic calculations of participating enterprises, are of varying sensititivy toward foreign prices of mutual supplies within the framework of a cooperative agreement, often reacting in an opposite way from that following from purely technical conditions of cooperation.

Naturally, direct relations in production are not a self-purpose, but exclusively a means for attaining /higher effectivity and mutual advantageousness/ of all the elements of economic cooperation among the CEMA countries which can be included under the concept of direct relations. It appears to be quite explicit that the problems of direct relations cannot be viewed from the aspect of only one country, one producer, or one cooperating party; that by their substance direct relations in production are an international problem. That is why this attribute of theirs equally explicitly calls for international cooperation in this area, such as is the case also in other areas of the CEMA countries' cooperation. Here we can point out the

statement of L.I. Brezhnev at the 26th CPSU Congress: "Life compels us to carry out the coordination of plans through the coordination of our entire economic policy. The daily agenda is going to include also such questions as is rapprochement of the structure of economic mechanisms; further development of direct relations among ministries, associations and enterprises participating in cooperation; as well as formation of joint companies. There are also possibilities of other forms of joining our efforts and resources."

In the conclusion of his article Shiriaev emphasizes very precisely the necessity of further measures which would lead to a desirable development of effective direct relations, especially among producers of socialist countries.

Also in our conditions, it would be useful to /contribute more to the development of these relations/. Without going into details (considering the complexity of individuals problems, as well as the conception of this article) it is possible to state at least the following keynotes:

--faster adjustment of supplier-purchaser relations between OZO [Supply and Marketing Department] and VHJ in the export-import area to international conditions of socialist economic integration in general and to the conditions of direct relations, especially in the field of production cooperation, in particular;

--to better adjust (differentiate) the enterprise basis of Czechoslovak foreign trade to the conditions of direct relations, including the solution of the question of adequate delegation;

--to strengthen the planning discipline both in production and foreign trade, especially in the export field;

--to gradually bring together value tools in the management of foreign trade and of production, among others to strive for rapprochement in the fixing of wholesale prices;

--to speed up the unification of technical standards and of production technology regulations with those of other top-level CEMA countries, especially with the view of facilitating cooperative relations.

## Role of Management Systems in Foreign Economic Relations

Prague ZAHRANICNI OBCHOD in Czech No 2, 1982 p 15

[Article by Judita Stouracova: "The Role of the Management System in Socialist Foreign Economic Relations"]

[Text] On 19-23 October 1981, the proceedings of the Problem Commission for Multilateral Cooperation of the Academies of Sciences in the Socialist Countries took place in Moscow. Within its framework, there was also a session of the work group for questions of planned management of socialist foreign economic relations.

The proceedings of this group dealt with topical questions of managing foreign economic relations of socialist countries in the conditions of the starting decade. Its participants were representatives from the Bulgarian People's Republic, the Hungarian People's Republic, the GDR, the Polish People's Republic, the USSR, and the CSSR.

In 1976, the Problem Commission for Multilateral Cooperation of the Academies of Sciences in the Socialist Countries appointed a work group for questions of planned management of socialist foreign economic relations. Members participating in the activities of this group are institutes for basic and applied research of Bulgaria, Hungary, the GDR, Poland, USSR, and CSSR. For the last 5 years the aim of the group has been to compose a comprehensive study on the management of socialist foreign economic relations, both from the standpoint of its general trends and of its specific features and solutions in individual countries. During the proceedings last year, which took place in Prague, this task was finished. The participants of the proceedings approved the final text of the assigned study which contains relatively complete information on the principles and measures of the management system for foreign relations of socialist countries in the late seventies and the early eighties. The study will be published as part of a more extensive monograph entitled "Economic Mechanism of the Operation of Socialist Economics."

Although the system of planned management of national economy is merely one of the aspects of economic development whose trends on the macroeconomic level are being laid out on the basis of central decision, and although the actual questions of economic cooperation among socialist countries are of ever-increasing importance, especially on the long-term horizon of its structure formation, the system of management in implementation of these trends can still play an important role, that is, be affecting the activity of national economic subjects which are pointed at the growth of its effectiveness.

Documents to the most recent congresses of the communist and labor parties of CEMA member countries put considerable emphasis on an intensified linkage of national economics with the international division of labor, made necessary by the changed conditions of both internal and world economic development. The interconnection of national and world economics is carried out by means of foreign economic relations. With respect to the fact that the most significant form of these relations still remains the exchange of goods with foreign countries, the striving of socialist countries for effective participation in the international division of labor in the present phase of their economic development results in the requirement of intensifying the effectiveness of their foreign trade.

Whereas in past periods the questions of the effectiveness of foreign trade were mostly examined as partial problems of economic theory, attention being paid mainly to the investigation of their criteria and of the effectiveness's direction, at the present time the growth of the effectivenss of foreign trade is becoming a topical program of the economic policies of most socialist countries. In this connection, the feature gaining in importance is the

management system for the national economy as one of the factors influencing this growth, and in its framework again it is the system of managing foreign economic relations, especially those in foreign trade.

The spirit of such a conception of the role of the management system for foreign economic relations also prevailed in this year's proceedings of the work group of the Problem Commission which took place 19-23 October 1981 in Moscow. The proceedings were linked up with joint sessions of the members of all work groups of the mentioned commission (the work groups covered the following subject matter: questions of the linkage of economic mechanism to the aims and tasks of the national economic plan; questions of apprising and stimulating effective utilization of natural resources; methods of measuring and economic stimulation of scientific and technical progress with the aim of increasing the effectiveness of corporate production; economic, organizational and legal problems in the operation of productive economic organizations, such as corporations, concerns, enterprises, etc.; and problems of operation of the economic mechanism and the development of foreign economic relations) during which the representatives of individual delegations presented reports on changes and topical problems of economic mechanisms of operation of their national economies.

During the Moscow session of the work group for operational problems of economic mechanism and the development of foreign economic relations, first the schedule of activities for the period 1981-1985 was agreed upon and the subjects of joint research were approved. The problem spheres involved here are as follows:

--Respecting the requirements of the international division of labor and of socialist economic integration in the preparation of national economic plans;
--The economic mechanism of relations between foreign trade and production (economic mechanism and material interest of enterprises in structural changes of production; influence of the results of exports on the operation of enterprises, the role of imports in internal economics; economic mechanism and the adjustment of enterprises to export markets);
--Organizational forms of relations among production, internal market and foreign trade;
--Long term production relations in international cooperation and the economic mechanism;
--Questions of determining the effectivity of foreign economic relations.

The second part of the program of this work group's session was held in the form of an academic seminar. Based on the presentations of its participants, both theoretical and practical questions of relations between production organizations and those of foreign trade were discussed. Further discussions covered experiences of economic and organizational arrangement of these relations in Bulgaria, as well as experiences of the operation of industrial concerns in the GDR from the viewpoint of positive results of their action being reached in foreign economic relations. The participants of the seminar were acquainted with both plans and results of activities of the Soviet Zagranpostavka organizations, and finally they also discussed theoretical ways of solving the participation of production organizations in foreign relations.

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YUGOSLAV, SOVIET OFFICIALS DISCUSS MUTUAL TRADE

Belgrade PRIVREDNI PREGLED in Serbo-Croation 12 May 82 p 3

[Discussion with Boris Andreevich Borisov, chairman of the Presidium of the USSR Trade and Industrial Chamber and Straso Hristov, chairman of the Yugoslav Presidency of the Yugoslav Economic Chamber]

[Text] At the invitation of the editorial board of a Soviet newspaper, the CPSU Central Committee weekly EKONOMICHESKAYA GAZETA, Slobodan Sindolic, the acting director general of PRIVREDNI PREGLED and the chief managing editor for publication, recently visited the Soviet Union. The result of this visit was an agreement between the two editorial boards to address basically the same questions to the chairman of the Presidium of the USSR Trade and Industrial Chamber, Boris Andreevich Borisov, and the chairman of the Presidency of the Yugoslav Economic Chamber, Straso Hristov.

We asked the following questions: what characterizes the trade and overall economic relations of the Soviet Union and Yugoslavia today; what in particular could you say about the ties and cooperation between the Soviet Union's Trade and Industrial Chamber and the Yugoslav Economic Chamber; what the role is of the two chambers in the development and consolidation of cooperation between the economies of our countries; and how you view and assess the role of the two economic newspapers, the daily PRIVREDNI PREGLED and the weekly EKONOMICHESKAYA GAZETA, in accelerating and intensifying cooperation between the two chambers.

[Response by B.A. Borisov]

First of all, I want to emphasize that economic relations between the USSR and Yugoslavia are developing on the basis of equality, mutual benefit, and comradely mutual assistance, while taking into accout the capabilities and needs of each participating country. Soviet-Yugoslav trade is characterized by continuous dynamism. This view has also been confirmed by the words of

the General Secretary of the CPSU Central Committee, the chairman of the Presidium of the Supreme Soviet of the USSR, L. I. Brezhnev: "In recent years, cooperation between our countries has been on the ascendant. It has a stable and planned nature. This applies in full to the ties of mutual interest that are making it possible for the economic foundations of our countries to be consolidated."

Speaking in terms of statistics, it may be noted that in the period from 1971 to 1975, the volume of Yugoslav-Soviet trade more than doubled in comparison with the preceding five-year period. During the five years from 1976 to 1980, our trade increased again and reached $18.1 billion, considerably exceeding the planned target of $14.2 billion. In 1980 alone, the volume of trade was equal to that of the preceding five years--$5.9 billion. The trade agreement between the USSR and the SFRY for the current five-year period provides for a further significant growth in trade, and it is expected to reach $32 billion.

Cooperation in Industry Especially Significant

The Soviet Union holds first place among Yugoslavia's trading partners: almost a third of total Yugoslav exports go to the Soviet Union. The extent and stability of our market present broad prospects for developing production in several branches of Yugoslav industry.

Economic and technical cooperation between the Soviet Union and Yugoslavia in the construction and renovation of industrial and other installations in Yugoslavia has attained imposing dimensions. As the largest of these installations, we can cite the Djerdap I hydroelectric and navigation system on the Danube, the Birac alumina mine, which has a capacity of 600,000 tons per year, and the thermoelectric stations, with a total capacity of about 2.5 million kW, in Kostolac, Lukavac, Obrenovac, Sisak, Tuzla, Negotin on the Vardar, and Zagreb.

The Soviet Union is assisting its Yugoslav comrades through its own experience in the production and enrichment of nonferrous metal ores and the production of steel, iron, and coke.

In accordance with intergovernmental agreements, our side is cooperating in the construction and renovation of more than 140 installations of the Yugoslav energy industry, metallurgy, the coal and oil refining industry, and other branches. More than 75 of them have already been completed. For their part, Yugoslav enterprises and associations are producing machines and equipment for ferrous metallurgy, to meet Soviet orders, as well as certain equipment parts for our atomic energy stations. Yugoslav shipbuilding is well known in the Soviet Union. The Split and Rijeka shipyards, as well as other Yugoslav port cities, have built dozens of passenger and freight vessels for us. Yugoslav waterways are being sailed by fast vessels of the hydrofoil and "meteor" types, as well as container ships marked "built in the USSR."

Due to the efforts of both sides, every year our cooperation is becoming more diversified, extending to new areas.

In regard to new forms of mutual economic cooperation between the Soviet Union and Yugoslavia, which demonstrate the intensification of the economic ties between the two countries, I want to stress the participation of Yugoslav enterprises in equipping installations in third countries. Yugoslav machine builders are developing special machines for metallurgical plants in Turkey, Iraq, Algeria, Sri Lanka, and other developing countries in whose national economic development the Soviet Union is participating.

The prospects for our mutual cooperation are good. The guarantee for this is the above-mentioned agreement on trade for the current five-year period, and likewise an agreement on economic and technical cooperation in the construction and renovation of Yugslav industrial and other installations. This has to do with 16 enterprises, including five electric power stations with a total capacity of 1.4 million kW. The largest of these is the Tuzla Velika thermoelectric power station. A power unit with a capacity of 500 kW is planned to be built in Yugoslavia for the first time.

Constructive Meetings Between the Heads of the Two Chambers

The new agreements between the two governments once more confirm the fact that the relations between our countries rest on stable, mutually beneficial, and long-term foundations.

It is undeniable that the two chambers are also contributing to the development of trading-economic and scientific-technical relations, and to the expansion of specialization and cooperation. It should be stated that cooperation between the two chambers is developing smoothly. The regular contacts between the heads of the chambers contribute to this to a considerable extent. I recall the trip by a delegation from the Trade and Industrial Chamber of the USSR, which I headed, to Yugoslavia in 1978. The result of that visit was the signing of an agreement on cooperation between the two chambers. This document established the basic directions for action to promote economic and scientific-technical cooperation between the two countries. The meetings with the heads of the Yugslav Economic Chamber and the economic chambers of Serbia, Macedonia, Croatia, and Montenegro were constructive. Their purpose was to contribute to expanding the existing mutually beneficial ties.

This purpose was also served by the visit to the Soviet Union of a delegation from the Yugoslav Economic Chamber, headed by chairman of the presidency Jon Srbovan in September 1981. During the talks with Srbovan, the great significance of contacts between the two chambers for good mutual economic cooperation was emphasized. A role in this has also been played by the representation from the Trade and Industrial Chamber of the USSR in Yugoslavia. We have ascertained that coordinated and planned cooperation between the chambers, taking into account the characteristics of the economic management systems in the USSR and in Yugoslavia, can and must contribute to an even greater extent to the development of mutual trade, specialization and production cooperation, and the joint completion of large projects in both countries.

During the visit to the Trade and Industrial Chamber of the Soviet Union, the delegation from the Yugoslav Economic Chamber held meetings and talks with First Deputy Chairman of the USSR Council of Ministers I. V. Arkhipov, the deputy chairman of Gosplan, N. N. Inozemtsev, the first deputy minister for foreign trade, N. D. Komarov, the first deputy chairman of the State Committee for Foreign Economic Relations, B. G. Morozov, and deputy minister of information V. N. Ginko.

During the talks, the issues of the status and prospects for the development of mutually beneficial ties between the two countries were discussed, and a set of measures for cooperating to ensure the positive development of these processes were developed.

We feel that the visit by Jon Srbovan to the USSR will contribute to the expansion of diversified ties between our chambers in all aress of their activity.

For several years, the Export Center, which operates as part of the system of the USSR Industrial and Economic Chamber, has been cooperating with Jugoslavijapublika. Between 1976 and 1981, enterprises and organizations in the SFRY participated in 33 international exhibits in the Soviet Union, and arranged 17 separate exhibits.

The directorate for commodity evaluation of the USSR Trade and Industrial Chamber is cooperating, on the basis of an agreement, with the Yugoslav inspection organization Jugoinspekt. Cooperation also exists on the basis of ten contracts on inspecting goods that we deliver to each other.

Primary Attention to Information

The Soviet Union has been participating in the international fair in Zagreb for three decades now. Good business cooperation has been established with the management of the fair and the firm Intereuropa.

I think that the significance of work on information can hardly be overestimated, especially today, at the time of a scientific and technical revolution. Considerable attention was given to this subject during our meetings with the heads of the Yugoslav Economic Chamber. For example, it was recommended that primary attention be given to increasing all forms of mutual information when the plan is drawn up for carrying out the agreement on cooperation during the forthcoming period.

I feel that the Yugoslav daily PRIVREDNI PREGLED and the Soviet weekly EKONOMICHESKAYA GAZETA could contribute a great deal to the consolidation of the mutal ties between our chambers, especially since we already have experience in cooperating with PRIVREDNI PREGLED: in 1979, I gave an interview to that newspaper, in which I acquainted the Yugoslav readers with the functional areas of activity of the Trade and Industrial Chamber of the USSR, discussed its goals and tasks, and cited examples of industrial specialization and cooperation between the two fraternal countries.

Articles devoted to these issues are also published on the pages of EKONOMICHESKAYA GAZETA.

In conclusion, I want to express my confidence that the friendly ties and mutually useful cooperation between the Soviet Union and the SFRY will be comprehensively developed in the future, as well, for the welfare of our people.

[Response by Straso Hristov]

In the last ten years, the cooperation between the Yugoslav Economic Chamber and the Trade and Industrial Chamber of the USSR has proceeded on the basis of the principles of the agreement on cooperation that was signed by our two chambers. Depending on the jurisdictions of the two chambers, this agreement specified the areas of cooperation, especially those relating to the participation of the two economies in fairs and exhibits, exchanging information on the quality of mutual consignments of goods, and rendering assistance in concluding some agreements on expanding cooperation in the areas of trade, industry, transportation, tourism, etc.

Significant Influence of the Chambers on the Development of Relations

In the cooperation of the two chambers on the basis of the agreement, particular attention was given to providing assistance in organizing mutual meetings and contacts between interested economic organizations of the two countries, exchanging experts from individual economic areas, and organizing symposia and "economics and technology days," all in order to provide better information on the production and technological capabilities of the two economies.

I particularly want to emphasize that our two chambers have signed an agreement on the general conditions for delivering goods, which regulates many significant issues in our mutual trade. Implementation of this agreement has had a positive effect on trade between economic organizations of the USSR and SFRY.

It should be noted that the overall cooperation between the two chambers has had a significant effect on the expansion of trade between our two countries, as well as on the development and expansion of new forms of cooperation. In the cooperation of our chambers, the practice has been for the chairmen of the two chambers to meet each year, and on that occasion to analyze thoroughly the experiences and results of our cooperation, and establish new areas and directions for mutual cooperation. Thus, as can be seen, bilateral cooperation between our two chambers is proceeding very successfully, for our mutual benefit and satisfaction; this is in any case also confirmed by the results.

Our experiences to date confirm that the possibilities and prospects for cooperation between the two chambers are very broad. I believe that during the forthcoming period, we will also extend our cooperation to new fields, and enrich it with new forms and content.

This year the chairman of the USSR Trade and Industrial Chamber, Comrade Borisov, will visit our country. On that occasion we will discuss thoroughly all of the possibilities for expanding cooperation between our two chambers.

I feel that the adoption of a joint program for implementing the agreement on developing mutual cooperation during the next few years ought to provide for quite specific activities in carrying out certain joint actions that the two chambers are planning. Here I am primarily thinking of organizing meetings of interested economic organizations from the two countries and discussions of the quality of consignments of goods, exchanging experience in practical application of the agreement concerning the general condition for the delivery of goods between organizations of the SFRY and USSR in order for us to acquaint each other with the export possibilities of those types of goods which have so far not been involved in mutual trade, organizing symposia in order to inform each other of new technological achievements in some economic areas, etc.

Special Place and Role of the Two Newspapers

In a word, the possibilities for cooperation between our two chambers are very broad and numerous. For our part, we will do everything necessary for cooperation during the forthcoming period to be not only continued, but even expanded to new areas.

The news media in general, both in the USSR and the SFRY, have a great and responsible task--primarily to inform readers in their countries objectively about the overall achievements of the working people of both countries, to note and encourage successful mutual economic cooperation, and to open up prospects for further promotion of the relations between the two countries. In regard to economic cooperation and especially the place and role of the two economic newspapers with particular significance and circulation, I can say that the responsibility of the two newspapers is increased, in view of the volume of trade between the two countries, its diversity, and especially the possibilities and necessity for this cooperation to be continually strengthened and developed.

My view of the contents of the two newspapers, in regard to keeping businessmen of both countries mutually informed, is basically positive.

There is a fair amount of information in both of these newspapers about how trade is developing, what the results in technical cooperation are like, and what the overall achievements in the economic development of both countries are like. On the basis of the level of mutual information that has been achieved, I think that the editorial boards of both newspapers should take a step forward, and exchange with each other as much information, of as many different kinds, as possible, in regard to the economic life of the two countries, emphasizing both the positive experiences in mutual cooperation, and the possibilities for overall economic cooperation in all complex areas to be even greater. I am confident that both editorial boards are capable of satisfying this requirement.

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## RAW MATERIALS, CEMA COOPERATION DISCUSSED

Warsaw SPRAWY MIEDZYNARODOWE in Polish No 7, July 1981 pp 57-72

[Article by Pawel Glikman, docent at the Institute of Scientific Policy, Technological Progress and Higher Schools: "Mineral Raw Materials in the Economies and Cooperative Efforts of the CEMA Countries"]

[Text] Raw materials represent substances and at the same time are one of the three basic factors of material production. They are unevenly distributed within individual national economies as well as on the international scale. Thus, there is not a country (more precisely, almost no country) that does not have to import raw materials. Raw materials represent about one-fourth of the world's goods turnovers; they are qualitatively comparable, and thus a strong dependence exists between their prices and utility properties. As a rule, the mineral raw materials extracted in the CEMA countries are in areas that are difficult to access, and as a result it is increasingly necessary to go to low-yield deposits. Therefore, careful management of raw materials is necessary, and as production and human needs become more intense the greater is the need for careful management.

Raw materials distribution is not proportional to the economic development levels of their producers and users. Raw materials were, and to a great extent continue to be, objects of international domination and subordination, an objective of policital strategy. They also can be the object of cooperation among nations.

All these factors, designating goods turnover on a worldwide scale, directly or indirectly have a bearing on the raw materials situation of the CEMA countries, and on their economies and mutual cooperation. Raw materials are commodities that are easily sold on the world market. Because of the possibility of alternative sale, world market prices are obligatory in the goods turnover transactions among the states of the socialist community and represent a true parameter of economic accounting. At the same time, the similar character of raw materials makes such pricing more authoritative than those regarding processed articles. As a result, CEMA countries exporting raw materials have a good argument in demanding imports from CEMA countries that are exchangeably and materially equivalent and that are no less beneficial than that which they can obtain on the world market, Thus, in practice, countries with net raw materials imports must compenstae for them with

deliveries of world-standard goods. Here, however, we should cite two types of these latter goods. First, there are those goods with assured sales in the world market. If we ignore the problem of sustainability of supplies (that is, assume that these goods can be the basis for assuring long-term deliveries from the first as well as the second payment areas), then the benefits of cooperation within the framework of the socialist countries are almost zero in this realm of exchanges (equivalent alternatives). The second type is world-standard goods--offered by the CEMA countries in exchange for raw materials--which currently do not have great sales on world markets. With regard to this area of turnovers, the importing countries gain the benefit.

Countries exporting raw materials designate the remunerative period for exploiting their resources on the basis of current or forecast world prices. As a result of a mutual agreement with partners, it is possible to commit to turnovers a portion of resources that are unprofitable at a given price and which requires appropriate price adjustments. In turn, the importing countries can counter deliveries of raw materials derived from barely profitable resources with goods that deviate from world standards, which, of course, should be reflected in the prices. Both sides benefit from this type of exchange because if the principle of world prices is rigidly maintained then remunerative transactions would not be realized.

The exploitation of raw materials resources that are remunerative at current world prices can be hampered by the lack of capital resources. Then there is a need for cooperation among the interested countries based on investment credit or other forms of capital aid.

## Raw Materials Resources, Their Extraction and Consumption

Because of the different roles that specific types of raw materials play in a national economy and their different technical-economic characteristics, the problem of energy carriers is justifiably examined separately from all the other mineral raw materials.

### Energy Carriers

In the present structure of primary energy consumption in the CEMA countries, hydropower and atomic energy play an insignificant role.[1] Only the USSR has abundant resources of all energy carriers (crude oil, natural gas, coal). The remaining countries possess only some types of fuel; Poland and Czechoslovakia have a surplus of solid fuels. All European CEMA countries, except the USSR, are net importers of primary energy.[2] These countries cover most of their shortages with imports from the USSR. Thus the USSR's fuel situation has the utmost bearing on resolving the problem of supplying the economies of the entire grouping with energy carriers.

The Soviet Union's crude oil reserves are estimated to be about 80 billion barrels, which in all probability will be sufficient for 17 years at the current rate of extraction.[3] But inasmuch as crude-oil reserves are not disclosed in the official statistics, one must be very wary of these estimates. However, of more vital significance is the appraisal that over

the last few years oil reserves have not diminished appreciably which is in line with the viewpoint that the traditional extraction regions--the Caspian Sea, the Urals and Western Siberia--are intensively exploited; but to date geologists have not discovered equivalent new oil reserves. It also is probable that the terrains on which as-of-yet undiscovered resources can be discovered will be more rather than less burdensome to exploit, which will increase extraction costs. According to the assumptions of the five-year plan, the extraction of crude oil over the next few years will stabilize at the present level; the projected increase over the entive five-year plan period is supposed to be 3-7 percent. In comparing 1980 extraction data (603 million tons together with gas condensates) with the estimated volume of present crude oil consumption (in the range of 450 tons) and taking into account the Soviet Union's payments situation, it is very probable that the export of crude oil to other CEMA countries will be rigorously maintained at the current level.[4]

The possibility of increasing the extraction of natural gas, of which the USSR has about 40 percent of total world reserves, is much greater. At the present level of extraction known reserves should be sufficient for more than 80 years. To be sure, one can anticipate that with the more rapid growth in extraction relative to the increase in resources that their relation to annual extraction will decrease over the next several years. But with regard to the probability of resources existing that exceed known resources many times, the possibility of further expanding the production of this raw material is immense. Then again, expanded cooperation among the CEMA countries to resolve the energy problem will be linked primarily with gas. Natural gas can also become the object of widely conceived cooperation between the USSR and the Western countries. The vast resources of gas in the Western Siberian Basin are located at so-called economic distances from Western Europe and the eastern shore of the U.S., but severe climate conditions requires a vast amount of capital to make these resources available for exploitation.

Rich deposits of hard and brown coal are also to be found in the USSR. Since only a small percentage (not quite 2 percent) of the geological resources have been made available for industrial exploitation, at the present level of extraction they should last for many decades. Again, the problem is not with resources as such but with their distribution. The Donets Basin contains only about 2 percent of the balance reserves, but 30 percent of the extracted coal is mined there. Altogether about 70 percent of all the coal is extracted from the European part of the USSR and only 30 percent from the eastern basins of this country. But the distribution of resources is just the opposite; thus the plan calls for the entire increase in coal production to come from the eastern regions of the country. Immense difficulties are linked with this because most coal and energy users are located throughout the European part of the USSR.[5]

In contradistinction to crude oil and natural gas, practically the entire output of coal is intended for the Soviet Union's own use (net export, that is after deducting coal imports from Poland, amounts to about 3 percent of the total coal extracted), but coal imported from the USSR plays a significant role only in Bulgaria's energy economy (about 10 percent of that country's

total consumption of primary energy). Thus this type fuel can only be of significance in a direct way in the cooperative efforts of the remaining CEMA countries in the raw materials field. But expanding coal production can have an effect on changing the structure of consumption of energy carriers and thus eventually permitting additional possibilities for exporting liquid fuels.

The goal of using one's own resources to the maximum extent possible had the most substantial effect to date on the energy situation of the other CEMA countries. That is why investments were made to expand extraction capability for brown and hard coal, crude oil and natural gas even during the period of 'cheap' crude-oil prices. It is difficult to evaluate this fact unequivocally. From the viewpoint of current crude-oil prices and payments difficulties, no doubt the situation is beneficial. However, the fact of the illusiveness of long-term prognoses of world prices for raw materials must be considered. At the same time, the gamble on coal, which is harmful to the environment but is our own resource, in contravention to the cost effectiveness of prevailing parameters and diagnoses, resulted from the autarchic tendencies which survive even to date and from not taking advantage of all the opportunities that can be provided by international cooperation and exchange. What is more, while it is a fact that all long-lasting programming is linked with the risk of error which lies in the nature of prognoses, it can turn out that a variant that is evidently worse on the basis of rational premises in the planning period turns out in reality to be more beneficial.

Despite autarchic efforts, Bulgaria covered only 26.4 percent (in 1978) of its consumption of primary energy carriers with its own production, including 51.8 percent of solid fuels and about 2 percent of liquid fuels and gas. Primary electric energy (mainly hydropower) plays a relatively greater role in Bulgaria then in the other CEMA countries.

Czechoslovakia covers 66.3 percent of its consumption of primary energy carriers by its own production, including 101.5 percent of solid fuels and 3.7 percent of liquid fuels and gas (thanks mainly to the production of natural gas).

For the GDR, the respective data are as follows: 67.8 percent, 89.4 percent and 0.4 percent; for Poland--108.9 percent, 133.3 percent and 2.5 percent (73 percent relative to gas); for Romania--84.5 percent, 63.2 percent and 87.7 percent (101.5 percent relative to gas and 70 percent relative to crude oil); for Hungary--50.7 percent, 65.7 percent and 22.5 percent (including 2.8 percent for crude oil and 21.0 percent for gas).[6] Deserving of special emphasis in the fact that with regard to all the mentioned countries the relations between production and consumption are now worse than in previous years, and the relative deficit of energy carriers will continue to increase. This means that these countries will have to satisfy almost the entire increase in demand for energy carriers via imports. However, this is linked with serious problems:

1) In the CEMA countries, the structure of consumption of energy carriers is differentiated, which also means that the material structure of imports is varied;

2) In this situation, the question arises concerning imports from the capitalist countries, with all its complications, as supplements of imports mainly from the USSR. If imports within the grouping are more beneficial for the CEMA countries, but is not detrimental to the exporter, then the concern is that some countries would find themselves in a privileged situation at the expense of the remaining countries;
3) Differences in the structure of energy-carrier imports have a direct bearing not only on the cost of generating energy, and thus on the efficiency of the entire economy, but also on protecting the natural environment, which is becoming an increasingly severe problem in the CEMA countries as they develop.

Other Raw Materials

The second significant raw materials problem in the economies of the CEMA countries is the balance of metallurgical products. The industrialization model that is characteristic of the Soviet Union was adopted by the socialist countries; that means that the foundation is heavy industry, placing special emphasis on metallurgy and the machine industry with a highly developed investment sector. Within the framework of this model, the concept of an iron and steel industry with a full cycle and continuing demand for iron ore was accepted in a quite routine way. Except for Bulgaria, which covers 45 percent of its current needs for iron ore from its own resources, the other countries are forced to cover almost the entire demand via imports. Only the Soviet Union has vast iron ore resources, largely concentrated in the European part of the country. Thus deliveries from the Soviet Union are dominant in the import of this raw material even though--depending on the individual country--this import is supplemented by deliveries from third countries. Despite the fact that these deliveries are a very miportant item in the balance of payments of the CEMA countries (but incomparably less important than deliveries of energy carriers), the iron ore problem is not the most important one in the overall complex of problems associated with the development of the metallurgical industry.

A relationship exists between the structure of metallurgical products and an economy's level of development. The higher the level, the greater the share of high-quality products. In the socialist countries, products with a low degree of enrichment are still dominant in this structure, which unfavorably affects the processing of metallurgical products, investments and foreign trade. In this regard the situation in Poland is relatively the worst. In the CEMA countries (the USSR excluded), in the area of supplying their economies with nonferrous metals based on their own raw materials bases, the differentiation is quite prominent. Poland, having at its disposal substantial resources of zinc and lead ores as well as copper, is in the relatively best situation. Having a surplus, these resources permit us to satisfy our own needs and to allocate a certain amount of ore for export. Among the remaining countries (the USSR excluded), only Hungary has bauxite resources of which it is an important exporter. Some copper ore reserves are located in Bulgaria, but the ore has a low metal content and does not fully satisfy their own needs. Bulgaria also has lead and zinc, manganese, chrome and pyrite resources. The GDR and Czechoslovakia possess small amounts of various

colored metals (zinc, lead, copper, manganese and nickel). Also, Romania has discovered and is exploiting zinc-lead ores and manganese. This country is one of the few gold producers in Europe. As a rule, however, the extraction of these raw materials by the latter four countries does not fully meet their own needs and to a great extent is supplemented by imports.

Raw Materials Exchange Among the CEMA Countries

The European CEMA countries must import a large portion of their raw materials needs. The singular severity of the problem is based on the fact that--in respecting the principle of reciprocity, but on the basis of cost effectiveness--the CEMA countries exporting raw materials are justified in demanding goods that are exchangeably and materially equivalent and no less beneficial than those that can be obtained in world markets. This creates many problems for the importing countries.

Determining the price of raw materials is another problem. In truth, in light of the trend of constantly increasing prices, the principle of establishing prices as averages of the previous 5-year period prices, which is obligatory within the CEMA framework, guarantees that in mutual turnovers they will be lower than world prices, but this also applies to exporters as well as importers. Then the problem boils down to establishing the terms of trade in raw materials/processed products relations and whether or not and to what extent countries exporting raw materials are included to accept deviations from the rule of full equivalency of raw materials without regard to the direction of their sale.

Despite differentiation of price movements for individual types of raw materials, one can speak of the overall existence of their interdependence and, in association with this, to separate turnovers of raw materials as a certain specific group in the foreign trade of the CEMA countries. We are made aware of this above all by the fact that countries having surpluses of some types of raw materials can assure supplies of other types for themselves independent of the direction of turnovers. In this regard, the situation is not the same for the individual European CEMA countries (the USSR excluded).

As indicated in the attached data, the CEMA countries (the USSR excluded) have a debit balance or raw materials turnovers. Their of coal imports ranges from 25-30 percent. The exception is Romania, where the percentage is even larger and is greater than 37 percent. The share of raw materials in exports is between 10-25 percent, with Bulgaria having the smallest (8.5 percent) and Poland the largest (24.8 percent). It is an important fact that the shares are constantly increasing for imports and decreasing for exports; in all probability this trend will continue for the foreseeable future.

The five European CEMA countries (Romania and USSR excluded) cover only about one-half of their raw materials imports with deliveries from the other countries of the grouping (mainly from the USSR) which attests to the difficulty of the problem. Romania covers its needs the least with deliveries from the CEMA countries (estimated at 14 percent) and Czechoslovakia the most (about 65 percent).

Table. Raw Material Trade in the CEMA Countries for 1977

**Obroty surowcami krajów RWPG w 1977 roku**

| 1 Kraje | 2 Eksport (w mln rubli) | 3 Import (w mln rubli) | 4 Nadwyżka[a] (w mln rubli) | 5 Nadwyżka importu do eksportu pozasurowcowego (—), nadwyżka eksportu do importu pozasurowcowego (+) (w %) | 6 Udział surowców | |
|---|---|---|---|---|---|---|
| | | | | | 7 w imporcie ogółem (w %) | 8 w eksporcie ogółem (w %) |
| Bułgaria | 394 | 1758 | (—)1364 | (—)0,322 | 0,377 | 0,085 |
| w tym: | | | | | | |
| kraje RWPG | 21[b] | 995 | (—) 974 | (—)0,272 | | |
| kraje pozostałe | 373 | 763 | (—) 390 | (—)0,376 | | |
| Czechosłowacja | 1216 | 2268 | (—)1052 | (—)0,156 | 0,287 | 0,167 |
| w tym: | | | | | | |
| kraje RWPG | 179 | 1466 | (—)1287 | (—)0,234 | | |
| kraje pozostałe | 1037 | 802 | (+) 235 | (+)0,086 | | |
| NRD | 1003 | 3097 | (—)2094 | (—)0,263 | 0,290 | 0,112 |
| w tym: | | | | | | |
| kraje RWPG | 44 | 1334 | (—)1290 | (—)0,193 | | |
| kraje pozostałe | 959 | 1763 | (—) 804 | (—)0,354 | | |
| Rumunia | 1090 | 1956 | (—) 866 | (—)0,209 | 0,374 | 0,208 |
| w tym: | | | | | | |
| kraje RWPG | 45[b] | 284[b] | (—) 269 | (—)0,109 | | |
| kraje pozostałe | 1045[b] | 1672[b] | (—) 627 | (—)0,206 | | |
| Polska | 2274 | 3016 | (—) 742 | (—)0,107 | 0,276 | 0,248 |
| w tym: | | | | | | |
| kraje RWPG | 837 | 1441 | (—) 604 | (—)0,109 | | |
| kraje pozostałe | 1437 | 1575 | (—) 138 | (—)0,038 | | |
| Węgry | 901 | 1801 | (—) 900 | (—)0,152 | 0,240 | 0,132 |
| w tym: | | | | | | |
| kraje RWPG | 47 | 896 | (—) 849 | (—)0,220 | | |
| kraje pozostałe | 854 | 905 | (—) 51 | (—)0,017 | | |
| ZSRR | 15996 | 3973 | (+)12023 | (+)0,697 | 0,132 | 0,481 |
| w tym: | | | | | | |
| kraje RWPG | 5572 | 515 | (+)5057 | (+)0,425 | | |
| kraje pozostałe | 10424 | 3458 | (+)6966 | (+)1,197 | | |

a) nadwyżka importu nad eksportem (—), eksportu nad importem (+)
b) dane szacunkowe

Źródło: Na podstawie roczników statystycznych poszczególnych krajów; *Statisticzeskij jezegodnik stran-czlenow SEW*. Moskwa 1978; *Rocznik Statystyczny Handlu Zagranicznego 1979*, s. 56—57.

[Key on following page]

Key:

1. Countries
2. Exports (in millions of rubles)
3. Imports (in millions of rubles)
4. Surplus (in millions of rubles)
5. Surplus of imports over non-raw material exports ( - ); surplus of exports over non-material imports ( + ) (in percent)
6. Share of raw materials
7. In total imports (in percent)
8. In total exports (in percent)
9. Bulgaria
10. Including
11. CEMA countries
12. All other countries
13. Czechoslovakia
14. GDR
15. Romania
16. Poland
17. Hungary
18. USSR
19. a) Surplus of imports over exports ( - ), exports over imports ( + )
    b) Estimated data
20. Source: based on the statistical year books for the individual countries; Statisticzeskij jezogodnik stran-czelnow SEW (Statistical Yearbook of CEMA Member Countries), Moscow, 1978; ROCZNIK STATYSTYCZNY HANDLU ZAGARNICZNEGO, p 56-57, 1979

A question arises: To what degree does the import of raw materials debit the export of all other goods, or to what extent is the export of raw materials a source for financing the import of nonraw materials? As it turns out, this debit is very differentiated depending not only on the individual countries involved but also on the directions of the turnovers. Of course, the situation is diametrically different in the USSR and the remaining countries. For the latter, a debit balance in raw materials turnovers is characteristic, and in relation to this a smaller or greater portion of income from nonraw material exports must be allocated to cover net imports of raw materials (the only exception is Czechoslovakia where in 1977 the surpluse of exports over raw material imports in turnovers with third countries was a minimum).

This export deficit occurred to the greatest degree in Bulgaria (over 30 percent), and at the same time the especially strong net import of raw materials is linked with nonraw material goods in turnovers with third countries (37.6 percent). A similar situation occurred in the GDR but only in relation to third countries (debit, 35.4 percent of nonraw material exports). The smallest debit occurred in Poland (10.9 percent in turnovers with CEMA countries and 3.8 percent with third countries). In the USSR, however, the surplus of exports over raw material imports is immense. This country finances about 70 percent of its entire nonraw material imports with income from raw material exports. This percentage is smaller with regard to mutual turnovers; it is 42.5 percent, which is proof of the existence of specialization in other areas of turnover, above all in manufacturing. Regarding turnovers with the remaining countries, the subject relationship is 1.3 which indicates that the Soviet Union uses raw materials not only to pay for all remaining imports but in probability also to repay incurred credits. This results from the fact that this country is not involved in specialization with third countries in any field of production.

Of course, the above data can sufficiently illuminate the payments situation for individual countries if it concerns raw materials management but on condition that the status of indebtedness and other factors related to export pressures are known. When exports are not highly encumbered by servicing debt, the low relation of net imports of raw materials to nonraw material exports can be proof of a relatively greater field for maneuvering the economy or its specialization possibilities. But it is known that the CEMA countries, especially Poland, are to a significant degree indebted to the West; thus such an analysis should be linked with examining the payments situation. If we assume that the production of world-standard goods for export is a problem for all the CEMA countries, then the question of whether an economy covering the import of specific raw materials via the sale of other surplus raw materials is in a better situation--and to what extent--then an economy that does not have such surpluses can be answered only when all the factors defining the payments situation are comprehensively considered.

CEMA's Raw Materials Problems in the 1980's

The dilemma facing the European CEMA countries in the 1980's are:
--how to assure external raw material supplies;
--how to improve the relation of raw materials consumption to the economy's results.

In truth, to some degree these are 'age-old' dilemmas, but they take on special significance in this decade.

Concerning the substance of the problem of external supplies of raw materials, there is a basic difference between the highly developed capitalist countries and the CEMA countries. In these former countries, this problem is characterized mainly by its effectiveness aspect and the problem is not to pay for raw material deliveries but rather how much to pay for imports and what are and what should be the relations between convertible raw materials and manufactured products. In the socialist countries, the problem is characterized mainly by its balance aspect, which is not only an indication of the still existing technological gap but also of the system for managing the economy in which effectiveness criteria still continue to play a minor role in economic decisions, including choices that are directly or indirectly linked with exchange and international cooperation. At the same time it is obvious that the unfavorable trend in the terms of trade for the exchange of raw materials for manufactured goods is intensifying balancing difficulties.

If it is assumed that the growth rates of the national incomes of the CEMA countries will be in the 3-3.5 percent range annually, and taking into consideration the necessity of improving the indexes of the energy intensiveness of income and, in association with this, the increase in their own production of energy carriers on the order of 2 percent annually, then the projected deficit of primary energy carriers in these countries will be about 200 million tons of conventional fuel in 1985. This is more than twice the 1975 energy shortage. How will it be covered? Knowledgeable people agree that one cannot count on increased Soviet deliveries. In spite of this, it seems that certain reserves exist in the USSR which are not sufficiently considered in existing prognoses. They are linked to technical progress not only on a world scale (recovering about one-third of the crude oil still remaining in deposits) but also with the use of existing techniques which depend above all on their importation or on the Soviet Union mastering modern equipment.[7] First of all, the use of these reserves will depend on the overall political-economic situation in the world and to what extent currently frozen U.S.-USSR relations improve, and secondly on increases in crude-oil prices that will make the mentioned ventures profitable. But in this case, only about one-fourth of the crude-oil shortage, amounting to about 75 million tons in terms of conventional fuel (about 52 million physical tons), will be covered by Soviet supplies. This means that the import of oil from third countries should increase by 40 million physical tons in the course of 10 years. Thus the average increase in oil imports is supposed to be 4-5 percent annually which, if one considers the unabated pressure to expand motor transport and the existing energy-consumption structure in the CEMA countries, seems to be a rather reasonable assumption. By 1985, oil imports are supposed to increase by 25 million tons, including 6.3 million tons from the USSR. In light of existing and foreseeable realities, however, this is a highly extravagant assumption. It should be noted that current oil imports of the European CEMA members from third countries amount to 15 million tons and, thus, in accordance with the above assumptions, this import would have to increase 1.7 times by 1985 or over 11 percent annually. If the total value of imports from third countries in 1978 amounted to about $23.8 billion, then

the increase in value resulting from the purchase of crude oil would have to be about $4.4 billion (based on $230/ton) or over 18 percent (3.3 percent on an annual scale). If we consider the fact that currently about one-third of all raw materials deliveries from third countries consist of crude oil, then with the above assumptions the share of crude oil in these deliveries will increase to 60 percent.

If, however, one considers the fact that world technical progress is introduced into the CEMA countries mainly via transfers from Western countries, then such debiting of the payments balance should actually hinder the development of the European socialist countries. In turn, the pressure for expanded motor transport will continue (according to estimated calculations, the increase in demand for gas will amount to about 6 million tons in 1985), and therefore limiting the increase of crude-oil imports from third countries to a level of 10-12 million tons will require radical changes in the structure of its consumption and the use of other energy carriers, mainly natural gas.

The USSR has vast resources of natural gas, probably enough to completely satisfy the present and future needs of the other European CEMA countries. The development of the USSR's natural gas resources will depend on collaboration of capital, mainly for the construction of gas pipelines. Thus, existing forms, especially cost effectiveness and clearing of accounts, will require far-reaching modifications. The possibility of increasing the share of natural gas in the structure of consumption of energy carriers is attested to by the fact that in the 1970-1978 period in Bulgaria this share increased from 2.5 to 7.6 percent; in Czechoslovakia--from 3.1 to 8.0 percent; in the GDR--from 1.4 to 11.1 percent; in Poland--from 6.3 to 6.6 percent; and in Hungary--from 15.6 to 25.7 percent.[8]

Hydropower and atomic power continue to play a minor role in the structure of consumption of energy in the European CEMA countries. Only in Bulgaria has its share of the balance of primary energy been significant--it was 7.0 percent in 1978. In the other countries it was insignificant. However, various experts refer to the prospects of expanding primary electric power. J. Biernat assumes that the growth of primary electric energy derived from atomic electric power plants will be 18 million tons of conventional fuel (about 8.400 MW). This means that the share of atomic energy in the total increase in installed power by 1985 will be in the range of 40-45 percent. In terms of conventional fuel, this will represent about 80 percent of the projected deliveries of oil and petroleum products from third countries. Other experts evaluate the possibilities in this area as being more modest. According to T. Muszkiet, the share of atomic energy in the growth of electric energy production in Poland by 1990 will be in the range of 20 percent.[9] J. Danielewski believes that an increase on the order of 10,000 MW of atomic energy power will be achieved only by 1990 and not 1985. These are very important divergences because they have a significant bearing on the structure of the growth of consumption of energy carriers, including growth based on imports. Those latter estimates appear to be more probable because they are based on the assumption that expanded fuel cooperation, above all with the USSR, will be linked with the use of that country's natural gas reserves.

Concerning nonenergy raw materials, the situation appears to be less complicated. The Soviet Union will remain the main supplier of iron ore, even though great opportunities for capital cooperation exist here. Presently, the CEMA countries supplement imports from the USSR with imports from third countries (about 20 percent). However, this does not appear to be a big problems because the total import of ores from third countries debited the balance of the European CEMA countries in 1978 by the relatively small amount of about $180 million. There is another incomparably important problem, that is the problem of the structure of production and exchange of metallurgical products and their rational consumption.

Concerning raw materials for aluminum production, the only alternative besides imports is to use nonbauxite raw materials. Regarding the decreasing possibilities of Hungary satisfying the needs of its partners for bauxite, the use of nonbauxite raw materials will become increasingly widespread.

Among the European CEMA countries (the USSR excluded), only Poland is capable of basing copper production on its own resources, but the increase in production that will be possible from exploiting these resources is estimated to be relatively small.

In addition to external supplies of raw materials, their rational consumption is a serious problem. Considering the overall severity of the raw materials problem, the CEMA countries exhibit wastefulness in their use. The consumption of primary energy per dollar of gross national income was 2.027 kg of conventional fuel for Bulgaria, 1.755 for Czechoslovakia, 1.746 for the GDR, 1.646 for Poland, 2.956 for Romania, 1.805 for Hungary, 1.961 for the USSR, and an average of 2.015 for the European countries. But this index was 0.838 for the FRG, 0.909 for Sweden, 0.714 for France, and 1.034 for the EEC countries as a whole.[10] The fact that the energy intensiveness and raw materials intensiveness of a final product are higher in the socialist countries than in the highly developed capitalist countries should not be surprising. In these latter countries, subsectors that embody the highest achievements of technical knowledge contribute a relatively large share in generating the national income, and thus the relation of growth of manufacturing to the consumption of raw materials must from the nature of things be more beneficial than in some of the socialist countries that are still at a lower level of development. Of great negative significance, however, is the fact that individual countries in both groupings differ markedly with regard to national income per inhabitant which at the same time is characterized by the absolute consumption of energy carriers which at times is higher in the socialist countries (consumption in the GDR is 20 percent higher than in the FRG, 44 percent higher in Czechoslovakia than in France and 13 percent higher in Poland than in Austria).

The relations for steel, cement, nonferrous metals and other raw materials are similar. For example, in 1975 Poland used 225 kg of steel per $1000 of national income, in Great Britain--117 kg, in the FRG--85 kg, and in France--71 kg. With a relatively much smaller volume of residential construction, Poland consumes 2.15 times more cement per resident than France and 2.8 times more than the FRG. Even more disturbing is the fact that these relations

continue to deteriorate.[11] This is indicative of immense waste resulting from a lack of motivation to manage energy and raw materials economically. At the same time, many opportunities exist to save raw materials. They are inherent in every sector and subsector of industry. Certain problems related to this should be mentioned. First, investments intended to economize on raw materials are currently the main determinant for the development of the socialist countries. As a result of payment difficulties, these countries have run up against an acute raw materials barrier. Thus, eliminating imbalances to a great degree will depend to what extent raw materials savings can be achieved via internal efforts for already installed and newly created assets. Second, the main barrier for improving the raw materials intensiveness indexes lies in the system for managing the national economy. The concern here is not only about the well-known solution that now impels a producer to increase rather than reduce material intensiveness. One should look more deeply into this matter, namely at the investment lobby that is associated with the administrative structure. Once this lobby is framed in a model of industrialization based on heavy industry, it regenerates itself on a broader scale. As is known, breaking this lobby is impossible without strong social pressure of which the events in Poland are a forcible expression. Thus, essential reorientation in the consumption of raw materials can occur only on the basis of extensive systemic changes in the activities of enterprises and their organizations as well as in the activities of the central authorities. The concern here is about changes that encourage raw materials savings and about reorganizing the production and investment structure. In association with this, apparently it is not well known that beneficial structural changes regarding new material savings on a perceptible scale are possible only over the long term. It is linked strongly with investment policy which determines growth structures and at the same time the shape of economic development for the immediate future.

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Poland's raw materials situation is only apparently more favorable than those in the other CEMA countries that have fewer raw material resources. The complexity of the overall economic-political situation in Poland is now incomparably greater than in the other socialist countries. The imbalance existing in our country is much more extensive than in the other countries of the grouping. One of the most critical problems that is much more severe than elsewhere is the raw materials/energy barrier which immobilizes a large part of the capital assets. An attempt at a certain estimate can be made: during the 1971-1975 period capital assets increased (in constant prices) at an 8 percent annual rate, and during the 1976-1979 period at a 9 percent annual rate; during the 1971-1975 period the import of raw materials increased (in constant prices) by 14 percent and was uniform in both geographical directions. And this is mainly where the mystery of that great acceleration in the first half of the 1970's lay hidden because not only were new assets equipped with complimentary factors (probably at high interest) but even old assets could start operating at full steam with regard to eliminating the raw materials bottleneck. The situation reversed itself radically during the

second half of the decade. Capital assets increased at an even more rapid rate (because of time slippage) but raw materials imports were rapidly restrained; the average growth rate for raw material imports during the 1976-1979 period was 3 percent annually; from the socialist countries--8 percent annually, but from the other countries they decreased an average of 1 percent annually. At the same time, the fact must be considered that the unnatural growth in investments during the mid-1970's was characterized not only by substantial growth in capital intensiveness of the expansion,[12] but also--which is especially significant--by an increase in import intensiveness. That variant was realized which subjected the economy--to a significantly greater degree than previously--to highly technological materials that were 'adapted' to imported techniques, to the flow of imported spare parts and so on. Thus, if it is assumed that imports from third countries should increase at least at the same rate as capital assets in step with the full utilization of production capacities, then the difference between the value of such hypothetical and the real imports should have been $5-6 million in 1981 (and in terms of current prices about $200 million more). This is the import barrier which over the next several years will limit the expansion of the national economy.

Obviously, in view of the existing situation, this barrier should be the starting point for all plans and raw material prognoses for Poland's economy over the next several years. Problems associated with this require a separate and extensive study; only some of these problems are worthy of note here.

It is not possible or even advisable to formulate plans for Poland's economy that go beyond 2-3 years (end of the crisis). In addition, all multiyear plans and prognoses drafted more than a year ago are now obsolete.

It remains to be seen if the 1981-1982 years will be declining years in which the main task will be to gradually eliminate imbalances.

Concerning raw materials management, the following activities can have the most important results:
--limiting investments and changing their subsector structure. Immediate results will depend on the increased activity of industries manufacturing investment resources or changes in the production profile, which is much more difficult;
--implementing, on a much greater scale then now, investments directed toward saving raw materials (for example, intensifying cracking). From the viewpoint of raw materials management, this is presently the primary direction of activity because the possibilities of maneuvering here are far greater than eliminating imbalances with the aid of additional imports;
--changing the structure of production. As mentioned--despite often announced opinions--positive results are possible here in a relatively short time. Changes in the profile of production where they are technically feasible (marketing, agriculture, service, export) not only should reduce pressure on raw materials and improve the economy's raw materials intensiveness index, but also have an effect on changing the structure of their consumption.

Economic reform will be an incomparably important factor in improving the situation. It appears that one of the main criteria for changes which are possible to implement in the near term should be the effect in raw materials savings. However, voices will be raised that in the framework of the so-called minor reform it will be difficult to depart from the rigorous division of deficit factors of production. It should be remembered, however, that the severe imbalance began in Poland 5 years ago, and during this entire time heroic efforts were made to alleviate the situation by means of a paltry division. In the belief that this would produce results, the so-called WOG [Large Economic Organization] system was realized. But the result is known.

The consumption of raw material intensive luxury goods must also be limited (for example, gasoline).

The development and implementation into practice of the cost effectiveness of cooperation among the CEMA countries, including cooperation in the field of raw materials, are essential. Some problems associated with this are:
--each country calculates the cost from the point of view of its own economy, comparing variants of cooperation with other variants that satisfy the economy's raw material needs (domestic extraction, imports from third countries, investments that save raw materials). In those cases where goods included with raw materials turnovers are suited for export to a third market, world market prices should be taken into account;
--cost calculations are lacking from the viewpoint of an agreement between interested countries, especially when the possibility exists for optimizing the materials structure of investments realized jointly or when the possibility is considered for expanding turnovers of goods (raw materials or their convertible equivalents), which cannot be sold in this market or else their sale would be unprofitable (this concerns raw materials) because of obligatory prices on the world market or limited demand;
--interest rates that do not reflect the true cost of capital are not used in credit transactions. Only with true interest rates can credit be compared with internal conditions or conditions existing in the world market. Prices should also be used that permit the determination before hand of the convertible equivalent (implement in raw materials) of the allocated capital.

All actions should aim to support cooperation among the CEMA countries based on criteria of economic rationality. In the long run, this will be more understandable and justified than talking about cooperation based on the principle of an "international obligation" without knowing and considering the economic costs. However, if noneconomic premises exist that justify giving mutual assistance, then it would be reasonable and ethical if both sides were aware of them.[13]

FOOTNOTES

1. For the seven European CEMA countries (including the USSR), 3.9 percent of the total primary energy consumption is used for hydropower and atomic energy. See J. Danielewski: "Energy Problems and Cooperation of the CEMA Countries with Poland." Warsaw, 1979 (typewritten copy).

2. Ibid, p 42.

3. See T. Muskiet: "Fuel-Raw Materials Problems and Prospects for Their Resolution in Cooperation with the CEMA Countries," Warsaw, 1979, pp 27-28 (typewritten copy).

4. See TRYBUNA LUDU, 28 February 1981 and MINING ANNUAL REVIEW, 1980, London, p 45.

5. T. Muszkiet: op cit, p 18.

6. All data according to J. Danielewski: op cit, pp 42, 108, 112-113.

7. According to the evaluations of American experts, the Soviet petroleum industry is about 30 years behind the United States as a result, above all, of obsolete equipment. For example, Soviet crews require an entire year to drill a hole to a depth of 10,000 feet whereas in the United States it is done in 34 days (T. Muszkeit: op cit, p 27).

8. J. Biernat: "Raw Materials Problems of the CEMA Countries," Warsaw, 1979, pp 3, 47 (typewritten copy).

9. T. Muszkiet: op cit, p 89.

10. J. Danielewski: op cit, p 14. Estimates of national income per resident that are considered when calculating the above relations appear to be highly overstated in favor of the CEMA countries, especially Poland. According to estimates, the national income per resident in Poland was almost the same as in Italy and 25 percent higher than in Hungary, and it was higher in the GDR than in Great Britain.

11. J. Macieja: "Lowering the Material Intensiveness of Production--A Strategic Task for the Economy in the 1980's," GOSPODARKA PLANOWA, 1978, No 9.

12. Up to a short while ago, a current thesis was that debt is somewhat of a benefit, that it is not a burden on the national economy because the inflation rate exceeds the interest rate. What was forgotten, however, is that in order for there to be profits in such a situation, products from new plants must be suitable for export. But more important is that capital must be nominally relatively cheaper and possible to control. Unfortunately neither of these conditions were fulfilled.

13. Method for calculating the effectiveness of cooperation among the CEMA countries in the field of fuels are described more fully in: P. Glikman: "Effectiveness of Cooperation Among the CEMA Countries in the Field of Fuels and Raw Materials," PROBLEMY HANDLU ZAGRANICZNEGO, 1980, No 13.

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# AGRICULTURAL INSURANCE, RESERVE FUNDS DESCRIBED

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[Article by Doc Eng Karol Vlachynsky, CSci: "Reserves and Insurance in Agriculture"]

[Text] Agriculture is a sector in which the production process is essentially a biological process. The key role is played by plant production connected with the soil and area distribution throughout the territory of the entire state. As a consequence, the reproductive process in agricultural enterprises is much more affected by random fluctuations in climatic conditions than it is in other sectors. For that reason accumulation of reserves and insurance of property assumes a particular importance in agriculture.

This presentation proposes a brief characterization of the risks attendant to agriculture, the current methods for coping with them, topical problems pertaining to this area and directions and potential for their solution. It is not intended to deal in closer detail with contemporary solutions which form the contents of relevant legal regulations and modifications.

## 1. Effects of the Singularity of Agriculture on Accumulation of Reserves and on Insurance.

### 1.1. Uncertainty and Risk in Agriculture

Explanation of the problems pertaining to reserves and insurance must commence with the terms uncertainty and risk interpreted as economic phenomena.

The term uncertainty is used here to denote the indeterminate, random nature of conditions, effects or results of certain phenomena or processes. The sources of uncertainty in the economic sphere can be constituted by the effects of natural forces, characteristics of the human factor and lack of information.

Risk is the kind of uncertainty in which we can avail ourselves of various methods--most often statistical--to quantify the possibility (or probability) for the occurrence of adverse alternatives. At the same time, the economic criterion for classifying alternatives as favorable is a certain socioeconomic objective.

Risks can be classified into groups according to a number of criteria. The key types of risks in agricultural enterprises can be considered to be:

--the risk of damage to property
--the risk of declining production
--the risk of declining economic results.

a. The risk of damage to property includes possible damage to or destruction of buildings and structures, machinery, equipment and supplies, dying off or forced slaughter of animals. The cause for the occurrence of this risk are natural disasters (lightning, windsotrm, flood, landslide, glacier, conflageration, explosion, etc.) on the one hand, and failure or shortcomings of the human factor (failure to meet work obligations, negligence, inadequate qualification) on the other hand.

Risks of this type are encountered in agricultural organizations as a general rule.

b. The risk of declining production is of particular importance specifically in agriculture insasmuch as it is significantly connected to the sectorial peculiarity of the reproductive process. The causes for the occurrence of most risks of this nature can be classified into two groups.

--Effects of a natural character which include climatic conditions, incidence of pest and disease damage to plants and animals. Agricultural production is connected with the soil and distribution over the entire territory of the state. Its biological character accounts for the fact that temporal and spatial variability of climatic conditions, incidence of pests and diseases primarily determines to a considerable degree plant yields. It follows from the close interdependence of the branches of agricultural production that such flucutations come to bear also on animal production.

It stands to reason that the most intensive fluctuations in production volume are encountered in monitoring the results by individual products and for individual agricultural enterprises. With expansion of the monitored territory (district, region) the fluctuations in production are reduced, because compensation for positive and negative deviations from the average are made. Nevertheless, even assessment of data for the entire state shows significant fluctuations in production

In assessment of data for 30 years (from 1948 to 1977) for the entire CSSR there occurred a decrease in grain harvest per hectare in comparison with the preceding year on 11 occasions, whereby the highest decrease between years amounted to 11.5 percent (in 1954 as compared to 1953).

Monitoring the overall volume of gross plant production (in comparable prices) for the same period shows that 12 decreases occurred in comparison with the preceding year with the highest decrease between years amounting to 14.4 percent (in 1965 as compared to 1964).

--Level of management of the reproductive process, within the framework of an individual enterprise on the one hand and within the framework of larger entities (i.e., at the level of administrative bodies above enterprises) on the other. Herein we can differentiate on the one hand between risks constituted by routine management (decisions regarding the structure of sowing and crop strains, combining plant and animal production, maintenance, renovation of eqipment and its utilization, etc.) and, on the other hand, the so-called risks posed by development (decisions regarding construction of new production capacities, introduction of new techniques, technology, biological materials and strains, implementation of a new organizational structure and management, etc.).

It is obvious that the risk of drops in production is connected also with the risk of damage to property. After all, e.g., destruction of agricultural buildings by a natural catastrophe cannot but become reflected in the level of animal production, etc.

c. Risk of decline in economic results is the most comprehensive representation of the risks attendant to economic activities of an enterprise. The risk of drops in production is reflected in it to the full extent. However, it is of a much larger scope, because it also involves all accidental factors--be they of an objective or subjective nature--that affect the level of operating costs.

## 1.2. Methods for Coping with Risks in Agriculture

In providing for the continuity and stability of development of the economic activities of individual agricultural enterprises--as the prerequisite for positive development of agriculture as a whole--an important role is played by elimination of risk factors and overcoming of their effects on the income producing situation of an enterprise. The following methods may be considered as basic:
--improvement of the planned management process
--utilization of the system of reserves.

a. Improvement of the planned management process from the viewpoint of elimination and overcoming the effects of risk factors on the income producing situation of agricultural enterprises includes two groups of tasks.

The first is to work out at individual levels of management (enterprise, district labor center, regional labor center, ministerial department) such a plan for the development of agriculture which would include only economically permissible risk. The latter term is to be interpreted as a risk which the enterprise concerned (or a group of enterprises) can overcome within the framework of the used system of management without critically worsening the income producing situation. Thus, it involves a plan incorporating a realistic

rate of production growth, adequate solutions to the problems of diversification and specialization, prevention of risks, etc.

The second group of tasks involves use of individual tools provided by the system of planned management to react in the process of meeting the plan to occurrence of deviations from the envisioned development in such a manner as to have the occurrence of risks have the smallest possible impact on adverse development of the income producing situation.

b. Utilization of the system of reserves[1] is the decisive method for overcoming the impact of occurring risks.[2] Depending on the level at which reserves are generated, we can distinguish between decentralized and centralized reserves. According to their form we distinguish between material (natural) reserves and financial reserves.

Decentralized material reserves most often take the form of reserves of fodder and seeds. They are generated, as a rule, directly by the enterprise (but can also be generated by larger entities). Their purpose is to provide in a given enterprise for a trouble-free reproductive process even during a drop in the production of fodder, or partial repetition of sowing if needed (e.g., damage by frost, destruction by pests). The advantage here is the option of the enterprise management to operationally dispose of such reserves as well as their economic utilization (they constitute a drain on the internal resources of the enterprise). On the other hand, however, their development calls for expansion of storage facilitites, and there is also the possibility of their deterioration in the storage process. For that reason the amount deserves careful consideration.

Decentralized financial reserves take the form of contingency funds of individual agricultural enterprises (or economic production units). Their generation from the distribution of the economic profits actually represents a growth of internal resources to provide for the needs of the working capital of the plants concerned. The key purpose here is to provide for relative stability of remuneration of manpower in JRD [unified agricultural cooperatives] (or requisite allocations to incentive funds of state agricultural enterprises) even in case of a decline in economic results.

Use of resources from the reserve fund, for all practical purposes, represents for an agricultural enterprise, a reduction in internal operational resources and, as a rule, increased need for operating credits in a corresponding amount.

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1. The term reserve is variously defined in agriculture. A suitable formulation is: "...Reserves are that part of natural and financial funds that does not directly increase production as it is not part of the reproductive process, but which is a precondition and prerequisite for stability and dynamic development of agricultural production."

2. Under occuring risk is meant a situation when the potential occurrence of an adverse alternative expressed by a risk has materialized, the adverse alternative did occur.

A certain problem in this respect is constituted by the fact that agricultural enterprises allocate only minimum means to supplement their revolving funds and give priority to contingency funds allocations. The reason for this is higher mobility of contingency fund resources (under certain conditions they can also be transferred into the investment sphere).

Included among decentralized financial reserves are also financial reserves of administrative bodies above enterprise level. They are as follows:
--financial reserves of District Agricultural Administrations generated from unused resources of economic tools of the fund for stabilization of manpower and the intensification fund;
--sectorial reserve funds generated by agricultural enterprises operated by the sector at economic production unit level.

Providing for effective overcoming of all occurring risks in agricultural enterprises only by means of decentralized reserves would represent an unnecessary failure to utilize great material and financial resources. For that reason a part of the risks are overcome by means of centralized reserves. The advantage offered by the latter is that they can provide an identical degree of certainty for covering the consequences of risks in individual enterprises with a much smaller amount of unutilized material and financial resources. The need for centralized reserves can be determined with relative precision by using the probability calculations based on the law of averages. On the other hand, there are disadvantages as well--namely smaller mobility of these reserves (a longer reaction time) and weakened responsibility of individual enterprises for precluding damage and for economic utilization of centralized reserves.

Centralized material reserves are generated and managed by the Administration of State Material Reserves. These take the form of grain reserves (for feeds, but also for food production purposes) and the form of strategic reserves of agricultural products.

Centralized financial reserves can be classified from the viewpoint of their generation into those generated through financial relations and those generated through insurance relations.

The first group includes the following:
--financial contingency fund of the Ministry of Agriculture and Food. It is generated by allocations from the state budget and is administered by the national ministries of agriculture and food. These resources are used for modifications and stabilization of stipulated economic instruments,
--fund for uninsurable damages in plant production,
--part of budgetary contingency fund designated for coverage of selected risks occurring in agriculture (involving primarily contributions for coverage of more extensive damages insufficiently covered by insurance).

The second group includes insurance funds of state insurance companies (Czech State Insurance Company and Slovak State Insurance Company) in the framework of agricultural insurance.

The basic orientation to improve the system of centralized financial reserves is to make more systematically certain that their use not only solves the impact of occurring risks on the income generation situation of individual enterprises, but enables them to also factually (materially) compensate for the damages that occurred in the reproductive process. The prerequisite for successfully meeting this task is to improve the structure of material balancing of centralized financial reserves. So that financial reserves are supplemented by material and capacity reserves in the requisite structure. Only in this manner will it be possible for agricultural enterprises that have obtained monetary resources from centralized financial reserves to buy those material values that will enable them to materially overcome the damage sustained in the reproductive process.

This calls for a more systematic linkage of centralized financial reserves with the system of material reserves (particularly with federal material reserves) and the foreign-exchange reserves of the state.

2. Property and Production Insurance

A particularly significant manner of generation and utilization of centralized reserve funds is insurance.

Under insurance is meant an organized, distribution and utilization by a specific institution of a centralized monetary fund generated by the insurance method (i.e., from insurance contributions by natural and legal persons who form a risk association) to cover future potential and estimable monetary needs.

Insurance of the property and of production of socialist agricultural enterprises commenced in the CSSR with the establishment of the first JRD and has been undergoing successful development ever since.

At first (since 1951) JRD insured their property voluntarily (contractual insurance). Social interest in reinforcing the economic position of the developing cooperative sector led as of the beginning of 1953 to compulsory insurance of JRD property (produce, domestic animals and other movable property) against most damages occurring as a reslut of natural disasters. In addition, the cooperatives were free to insure themselves against additional risks by voluntary insurance.

JRD property insurance in the years 1953-1959 was not only a form of redistribution of a part of revenues among cooperatives by the insurance company, but also a form of economic aid to the cooperative sector. Namely, in the specified period paid out insurance compensation exceeded the overall sum of insurance premiums paid by the cooperatives by 34 percent.

As of the beginning of 1960--as a consequence of unification and an overall increase in the level of procurement prices for agricultural produce--also increased in insurance premiums have occurred in an effort to provide an economic base for JRD property insurance. The effort has not fully succeeded because in the years 1960-1966 (mainly due to floods in Slovakia in 1965)

the total sum of insurance compensation exceeded the paid-in premiums by an approximate 9 percent.

Introduction of the principles of the improved system for planned agricultural management agriculture also brought about significant changes in agricultural insurance as of 1 January 1967. Applicability of compulsory property insurance was also extended to state farms and some other agricultural enterprises in the state socialist sector. At the same time further expansion of insurance protection was offered by both compulsory and contractual insurance.

Further modifications of insurance protection and insurance premiums were carried out as of 1970 and, later, as of 1975.

At the present, property and production insurance is divided into compulsory (statutory) and voluntary (contractual) insurance.

a. Compulsory (statutory) insurance includes:
--natural disaster insurance
--domestic animal insurance
--crop insurance

Natural disaster insurance relates to the risk of damage or destruction of buildings and structures, produce, supplies from own production, other movable objects (machinery and equipment, procured supplies, money), domestic and other animals, as long as the damage or destruction occurred as the result of a natural disaster.

Ohter risks covered within the framework of this insurance include damage to or destruction of buildings through the weight of snow or ice; damage to or destruction of fibrous plants, potatoes, tobacco, viticulture stock and vegetables by frost; damage to or destruction of winter grain crops and perennial fodder crops by winter kill, as well as peronospot mildew damage to tobacco.

This insurance further relates to wasting of an animal suspected of an infection, or an animal that suffered a permanent loss of fertility or utilitarian value due to infection and losses caused by miscarriage and loss of fertility due to infection.

Crop insurance pertains to lower yield of the insured crop:
--fruit in organizations in which the planned yield of fruit crop amounts to at least Kcs 1 million in the given year, or organizations designated by the appropriate agricultural administration during plan approval as an organization specializing in fruit growing,
--hops, its vine stock and tobacco,
in cases where lower yield of crops occurred due to destruction, lower quantity or deteriorated quality of crops due to any cause that adversely affected fruit crops from 1 January till completion of picking, and crops of hops and tobacco from completion of one collection to completion of another harvest.

Preventive action by the insurance company is an integral part of compulsory insurance. Its objective is to forestall damage or lessen the extent of its effects. Measures carried out by the insurance company as part of its preventive efforts have a motivational character on the one hand and are repressive in nature on the other hand.

Motivational measures favor those insured agricultural organizations which endeavor to preclude the occurrence of insured events or lessen their impact. A form of motivation on the one hand is reimbursement for appropriate costs expended by the insured organization to prevent the insured threatening event from happening or on lessening its consequences and, on the other hand, offering reduced premiums to organizations that implement preventive measures.

Repressive effects consist in reduced insurance reimbursment when the insured event occurrs as the result of the insured organization's failure to meet its obligation to implement preventive measures.

In addition, a significant part of the prevention efforts developed by the insurance company is its direct financial participation in preventive measures (e.g., construction of fire stations, water tanks, financial participation in solution of relevant research tasks, etc.).

b. Voluntary (contractual) insurance is negotiated between the insurance company and the agricultural enterprise in the form of an independent insurance policy. In essence, this insurance can cover any risks that are agreed upon by both contractual parties. The following types of contractual insurance are provided at the present time:

In plant prodution they are:
--insurance of flowers for a case of damage or destruction by a natural disaster,
--insurance of fruit (in enterprises not subject to statutory insurance) against damage by hailstorms,
--insurance costs expended on cultivation of ergot.

In animal production it involves the following types:
--insurance of domestic animals against disease, injury, operation, delivery or miscarriage. It involves a type of insurance supplementing and expanding insurance protection included in statutory insurance. At the present it is the most widely used type of contractual insurance (yielding more than 90 percent of all insurance contributions for contractual insurance),
--insurance of animals kept for special purposes. This includes insurance of breeding stock,
--insurance against destruction of eggs in an electric incubator and dying out of 1-day old poultry,
--insurance for apiculture.

To gain a certain quantitative insight into the extent of agricultural insurance, let us outline some basic data for the Sixth Five-Year Plan. [See Table 1.]

The data show that insurance contributions for agricultural insurance for the entire CSSR in the Sixth Five-Year Plan--even taking into consideration insurance company expenses--not only fully covered paid out indemnity, but provided for an increment in the capital reserves of the insurance company, or payment of part of the resources into the state budget. Thus, insurance has an economic base and has become not only a form for redistribution of a part of the earnings of agricultural enterprises by means of centralized insurance funds, but, to a certain extent, also a form of tapping a part of the revenues from agriculture as a whole.

However, the situation is still different in this respect in the CSR and the SSR. In the CSR the overall claim ratio for agricultural insurance in the course of the Sixth Five-Year Plan was 74 percent, with compulsory insurance accounting for only 58.1 percent, but voluntary for as much as 121.3 percent.

Table 1. Progress of Insurance in Socialist Agricultural Organizations in the Years of the Sixth Five-Year Plan (in million Kcs)

| (1) Roky | (2) prijaté poistné | | | (3) poistné náhrady | | | (4) škodové percento | | |
|---|---|---|---|---|---|---|---|---|---|
| | povinné (5) | dobrovoľné (6) | spolu (7) | povinné (5) | dobrovoľné (6) | spolu (7) | povinné (5) | dobrovoľné (6) | spolu (7) |
| | | | | | ČSSR | | | | |
| 1976 | 2 189 | 705 | 2 894 | 1 041 | 864 | 1 905 | 47,6 | 122,6 | 65,8 |
| 1977 | 2 279 | 760 | 3 039 | 1 729 | 832 | 2 561 | 75,8 | 109,9 | 84,3 |
| 1978 | 2 384 | 834 | 3 218 | 1 800 | 920 | 2 720 | 75,5 | 110,3 | 84,5 |
| 1979 | 2 478 | 887 | 3 365 | 2 074 | 1 016 | 3 090 | 83,7 | 114,5 | 91,8 |
| 1980 | 2 801 | 967 | 3 768 | 1 976 | 1 054 | 3 030 | 70,5 | 109,0 | 80,4 |
| Spolu (7) | 12 131 | 4 153 | 16 284 | 8 620 | 4 686 | 13 306 | 71,1 | 112,8 | 81,7 |
| | | | | | ČSR | | | | |
| 1976 | 1 436 | 459 | 1 895 | 537 | 578 | 1 115 | 36,7 | 125,9 | 58,8 |
| 1977 | 1 503 | 488 | 1 991 | 923 | 576 | 1 499 | 61,4 | 118,0 | 75,3 |
| 1978 | 1 565 | 541 | 2 106 | 1 031 | 635 | 1 666 | 65,9 | 117,4 | 79,1 |
| 1979 | 1 612 | 574 | 2 186 | 1 034 | 724 | 1 758 | 64,1 | 126,1 | 80,4 |
| 1980 | 1 827 | 610 | 2 437 | 1 088 | 728 | 1 816 | 59,6 | 119,3 | 74,5 |
| Spolu (7) | 7 943 | 2 672 | 10 615 | 4 613 | 3 241 | 7 854 | 58,1 | 121,3 | 74,0 |
| | | | | | SSR | | | | |
| 1976 | 753 | 246 | 999 | 504 | 286 | 790 | 66,9 | 116,3 | 79,1 |
| 1977 | 776 | 272 | 1 048 | 806 | 256 | 1 062 | 103,9 | 94,1 | 101,3 |
| 1978 | 819 | 293 | 1 112 | 769 | 285 | 1 054 | 93,9 | 97,3 | 94,8 |
| 1978 | 866 | 313 | 1 179 | 1 040 | 292 | 1 332 | 120,1 | 93,3 | 113,0 |
| 1980 | 974 | 357 | 1 331 | 888 | 326 | 1 214 | 91,2 | 91,3 | 91,2 |
| Spolu (7) | 4 188 | 1 481 | 5 669 | 4 007 | 1 445 | 5 452 | 95,7 | 97,6 | 96,2 |

Key:

1. Years
2. Pain-in Insurance
3. Paid-out Insurance
4. Incurred Loss Percentage
5. Compulsory
6. Voluntary
7. Combined

In the SSR the effects of a different structure of plant production and the effects of natural conditions caused the claim ratio--at identical rates of insurance premiums as in the CSR--to be higher overall. The total incurred loss percentage for the Sixth Five-Year Plan is 96.2 percent, of which compulsory insurance accounts for 95.7 percent, voluntary insurance for 97.6 percent. It can be stated that in the SSR insurance is in fact only a form of redistribution of a part of the earnings among agricultural enterprises.

3. Uninsurable Damages in Agriculture

Our current system of statutory and contractual insurance does not cover all damages that do occur. In plant production there remains a significant area of risks--namely drought, damp, rain, diseases and harmful pests--that according to regulations valid in the CSSR cannot be insured for the time being. At the same time damages resulting from these risks considerably exceed those from insurable risks.

To lessen the impact of uninsurable damages on the economic situation of agricultural enterprises afflicted by damage, the national ministries of agriculture and food established a Fund for Alleviation of Uninsurable Damages in Plant Production. It receives allocations from state budget resources in the framework of the total sum of budgetary resources reserved for agriculture. The ministry can use the fund for making contributions to afflicted enterprises on the basis of the amount of damage which is determined by the State Insurance Company in cooperation with an agency of the state economic management. Enterprises have no legal entitlement to receiving a contribution.

As the fund, as a rule, does not have sufficient resources to cover all uninsurable damages, in allowing a contribution the ministry takes into consideration not only the list of requirements submitted by the enterprise, but also the latter's income situation. Overall coverage provided by contributions from the fund extends to an average of less than one-fourth of the total amount of uninsurable damages.

Contributions to enterprises from the Fund for Alleviation of Uninsurable Damages in the CSSR for the years 1976-80 amounted to a total of Kcs 2,476 million. These contributions reimbursed only 9.3 percent of reported uninsurable damages (in the CSR it was 5.5 percent and in the SSR 17.7 percent).

It is true that improvement of the earning situation of enterprises afflicted by uninsurable damages can take the form of direct allocation of resources from the state budget. However, such a solution is adopted only in exceptional cases. Thus, the greatest share of uncompensated uninsurable damages must be borne directly by enterprises which should provide coverage from their contingency funds.

This constitutes a serious problem that has a significant impact on the stability of income in agricultural enterprises. In our opinion, it will have to be dealt with primarily by expansion of insurance protection.

4. Problems and Trends of Further Development of Insurance in Agriculture

Insurance protection of the property and production of socialist agricultural enterprises in our state has considerably developed ever since their inception. Nevertheless, the potential for its expansion in depth are far from exhausted. Two problem areas are to be considered as topical and urgent:
--expansion of insurance protection to other, still uninsured risks,
--transfer the types of contractual insurance with mass appeal into statutory insurance.

1. The preceding explanation showed that the still uninsured risks are of great importance to plant production and the amount of damages caused by these risks considerably exceeds the claim rate of insured risks.

Thus, e.g., in the years of the Sixth Five-Year Plan the insurance companies in the CSSR paid out a total of Kcs 7,435,488,800 as compensation for damages in plant production. From that amount the decisive amount of damage (almost 95 percent) was caused by floods, freezing weather, spring frosts and storms. However, for a comparable period there were reported uninsurable damages caused mainly by drought, damp, rain and plant diseases amounting to Kcs 26,489,000,000.

A solution which could expand insurance protection for plant production in a decisive manner would be introduction of a comprehensive crop insurance. This problem has been the subject of discussions for quite some time and computations were made of several alternative solutions. The point is that a number of important problems must be tackled in connection with this type of insurance:

a. Insure groups of plants, or plant production as a whole? The first case would involve comprehensive insurance of cereals, root crops, fodders, vegetables and special plants, i.e., hips, vines, tobacco and low-tonnage produce. The insurance company would reimburse damages caused as the result of any climatic effects if they caused the value of production of a group of produce to drop below a certain limit.

In insuring plant production as a whole, the insurance company would indemnify only when any type of climatic effects would cause the value of the entire plant production to drop below a certain limit. The rate of damage compensation for certain types of produce by higher yields of other produce would be relatively high, which would enable insurance premiums to stay at a relatively low rate. However, the problem is how would agricultural enterprises approach the task of cultivating special produce, which constitute a small share of total plant production, but the danger of risk is considerably high.

b. How to arrive at a basis for determination of premiums and for computation to total damage? There appear to be two possibilities:

--Consider the basis to be actual average yields for the past 3-5 years (with eventual elimination of years with extremely favorable results).

--Accept the yields specified in an approved plan for a given year to form the insurance basis. True, this could pose the danger of speculative overestimation of plant production plans.

c. How to appraise planned or actually attained production (or incurred damage)? Appraisal possibilities are:

--in procurement prices. a certain problem is posed by the fact that procurement prices are determined by margins and for that reason the price for a given enterprise would have to be individually determined within the given price spread (to include all supplementary amounts) with a view to the natural conditions, quality, the rate of propagation of the produce, the share of contracted deliveries, etc. This type of appraisal is currently used in statutory insurance of agricultural produce;
--in planned realizable prices. This type of production appraisal is used in fruit crop insurance and can be said to have proven viable;
--in stable prices. This type is less laborious, but it is least suited to reflect the actual deferred time value of production.

d. Should insurance premium be uniform or differentiated?
This problem can be viewd from serveral aspects.

--As regards areal differentiation of premiums (i.e., differentiated rates according to the production region or territorial entity in which the insured organization is active), it is problematic. Its adoption would tend to weaken the principle concept of insurance which consists in redistributing a part of income by means of an insurance fund among the members of an insurance association in dependence on the occurrence of insured events.

--Differentiation according to the acreage of agricultural land cultivated by the insured organization has its rational core. The larger the acreage, the higher the rate of mutual compensation between favorable and unfavorable results in the framework of the organization's plant production--allowing determination of lower insurance premiums. The quantitative impact and significance of this approach requires further study.

--Differentiation according to the rate of damage incurrence (i.e., stipulate lower premiums for an organization that incurs less damage over a long-term period) could provide an incentive for organizations for prevention of damage occurrence. After all, optimum agrotechnical measures can partially eliminate the effects of draught, suitable chemical protection can limit damage caused by diseases and pests, etc. However, determination of the intensity of such limitations calls for accumulation of experience regarding the factual progress of damage occurrence. For that reason this problem could be dealt with only after a certain time lapse following introduction of comprehensive crop insurance (e.g., by introducing a bonus system for damage-free operation).

e. Calculation of insurance premiums calls for a widely based determination of fluctuations in plant production of agricultural enterprises over a number of years (8-10) and for utilization of experience gained in the already valid

comprehensive insurance of fruit crops. The insurance premiums should be determined on an economic basis.

f. The amount of insurance premiums depends to a considerable degree on the extent to which the insured organization participates in allaying the suffered damages. On the whole, such participation is considered to be a desirable element of this type of insurance. Its form can be either fixed (the insurance company pays when the damage exceeds a certain percentage of the value of insured production), or variable (the insurer would be obligated to pay a certain percentage of the determined difference between planned and actually achieved production).

g. The problem to be also dealt with is whether the contingency fund for comprehensive crop insurance should be formed within the overall insurance fund of the insurance company, or as a separate contingency fund.

Solutions to the above problems cannot rely only on theoretical assumptions and calculations, but call for their verification in practice. Only in this manner can material be acquired for assessment of agricultural enterprise management under the individual varying types of insurance.

The first verification for a type of comprehensive insurance is provided by the general application of fruit crop insurance (since 1 January 1976). An analysis of its functioning over a 5-year period pointed out that the insurance did contribute to stabilization of earnings of agricultural enterprises specializing in fruit growing. However, it failed to provide incentives designed to promote reduction of damage to crops.

Verification of a somewhat different model was experimental introduction of hops and tobacco crop insurance (as of 1 January 1980).

The insurance base is formed by a 5-year average of actually achieved yields per hectare of cultivated areas appraised in realizable prices. The upper limit for insurance payment is constituted by the difference between the insured and actually achieved yield.

The relatively short application of this model did not as yet provide adequate verification of the employed principles. Nevertheless, it can be preliminarily stated that the 5-year average forming the insurance base prominently reflects total or extensive damages which in the course of at least 4 years reduce the insurance base in the given organization.

Both cases involve crop insurance for produce the cultivation of which does pose a relatively high degree of risk, but its share in the total volume of plant production is not significant.

Of decisive importance to dealing with problems regarding the still uninsured risks in plant production is verification of an insurance model that would apply to key plants or all produce. An attempt at such verification is the experimental verification of statutory comprehensive crop insurance for produce of socialist agricultural organizations, which commenced in 1981.

The experiment can be characterized by the following basic principles:

--insurance applies to groups of produce (not to plant production as a whole). Damage compensation within groups of produce applies to individual produce included in the group;

--insurance applies to reduction in the insured yield caused by destruction or reduced quantity or deterioration in the quality of crops by any event that occurred during the period between sowing (planting) and completion of harvesting (with the exception of events for which blame can be ascribed to the insured or some other organization);

--the insured yield is determined as a sum of insured yields of individual produce in each group. Insured yield denoted herein the value of harvest from the acreage actually planted by a given produce in a given year and is determined as a multiple of the average of three highest yields per hectare achieved by the agricultural organization in the last 5 years and the planned realizable price of the produce concerned (to which differential and other supplementary payments);

--rates for insurance premiums for the calendar year are determined from the value of the insured yield for the following groups of produce:

| | |
|---|---|
| cereals and grains for seed | 5.2 percent |
| root crops | 12.6 percent |
| oleaginous and textile plants | 15.9 percent |
| fodders | 11.0 percent |
| vegetables | 13.3 percent |
| medicinal herbs and spices | 12.5 percent |
| grape-producing vines | 14.0 percent |

--the basis for determination of the amount to be paid by the insurance company is constituted by the difference between the insured yield of individual groups of produce and the yield actually attained. From this difference the insurance company provides an indemnification in the amount of 80 percent (20 percent are borne by the agricultural organization as participant in damage sustenance);

--the insurance company provides bonus payments for a favorable progress of damage occurrence. The reduction in insurance premiums amounts to

35 percent when the insurer did not incur obligation for payment of crop insurance in a given year
20 percent when indemnification did not exceed 10 percent of insurance premiums in a given year
10 percent when ind mnification did not exceed 20 percent of insurance premiums in a given year;

--from the paid-in insurance premiums the insurance company provides financial contributions for prevention of damage in plant production (construction of irrigation facilities, multipurpose water tanks, water management, amelioration and drainage projects, etc.).

The experiment commenced in the SSR as of 1 March 1981 in 13 agricultural organizations.

The experiment with comprehensive crop insurance in the CSR was started by 35 agricultural organizations along similar principles. The only difference is that this insurance was extended to two additional groups of produce, namely tobacco and hops.

Problems attendant to this type of insurance as well as the progress of the experiment show that introduction of comprehensive crop insurance still poses a number of ponderables which will have to be intensively examined and dealt with.

It is true that the rates for insurance premiums are relatively high and that they might be considerably taxing for economically weaker agricultural organizations and, at current earning relations, be almost unbearable.

However, on the other hand, we must keep in mind the extent of the still uninsured damages, only minimally covered by the resources of the fund for alleviation of uninsurable damages, which also must be covered by means of allocation of resources from the state budget. It appears that the thus utilized budgetary resources would be better applied in the form of allocations to a certain group of enterprises for partial coverage of insurance premiums for comprehensive crop insurance. Such a solution would definitely provide more incentives than a posteriori dealing with consequences of damages not covered by insurance.

In regards to this problem we would like to express in conclusion our conviction that comprehensive crop insurance represents a viable option for the future. On the one hand, it can substantially expand the insurance protection of agricultural enterprises and in so doing reduce fluctuation of their revenues from year to year and, on the other hand, contribute to a more streamlined operation of insurance companies in liquidation of damages in plant production (the focus of their liquidation operations would shift from the current inspections of individual areas and laborious determination of the percentage of damages into the sphere of verification of circumstances that can adversely affect the overall yield of plant production).

2. The second important approach to consolidation of insurance protection and rendering insurance more effective and efficient is to transfer those types of contractual insurance that have a mass appeal into the sphere of statutory insurance.

Mass appeal of some type of contractual insurance is a confirmation of its meeting a general need and offering an advantage from the viewpoint of development of agriculture. Economically backward agricultural organizations, as a rule, are not insured. They claim that payments for additional insurance would constitute for them an unbearable increase in costs. However, when such an organization sustains damage due to the occurrence of a given (in the given organization uninsured) risk, it demands compensation through an emergency nonreimbursable allocation from budgetary resources.

Transfer of such a type of insurance into the sphere of statutory insurance would force also the above organizations to insure themselves against the specific risk, which would not only expand the insurance association and make insurance company operations easier, but would also promote more efficient use of budgetary resources. The subsequent increase in costs, which could be taxing for backward organizations, could be dealt with in their case for a temporary period by non-reimbursable allocation of budgetary resources for payment of insurance premiums.

Under our current conditions the type of contractual insurance with mass appeal is contractual insurance of domestic animals against disease, injury, operation, delivery or miscarriage. We belive that the idea of transferring this type into the sphere of statutory insurance is viable and, in the course of the Seventh Five-Year Plan, calls for conduct of sample surveys and quantification required for its implementation.

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18 June 1982

# East Europe Report

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2283

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## ECONOMIC AND INDUSTRIAL AFFAIRS

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# CEMA COUNTRIES SEEN UNABLE TO MEET FIVE-YEAR PLAN GOALS

Zurich NEUE ZUERCHER ZEITUNG in German 23 Apr 82 p 15

[Article signed 'oo': "Unrealizable CEMA Five-Year Plans: Weak Economic Growth--Stagnating East-West Trade." A translation of an article on a related subject by the same author is published under the heating, "Debts to West Seen Limiting Economic Growth," in JPRS 80398, 24 Mar 82, No 2249 of this series, pp 23-25]

[Text] After the failure of the CEMA countries' five-year plans for the period from 1976 to 1980, attainment of the targets set for the period from 1981 to 1985 appears unlikely. For economic growth within CEMA declined from 2.7 percent in 1980 to a mere 1.6 percent in 1981, which is attributable above all to the extraordinary slump in Poland (-13 percent). In 1982, the CEMA economies--excluding Poland--are supposed to expand by 3.1 percent. In 1981 the investment volume of the states of the "red community"--excluding the USSR--declined or showed a stagnating trend. The development of private consumption likewise was unsatisfactory. East-West trade--calculated after adjustment for inflation--declined and the trade balance deficit of the CEMA states increased from $3.1 billion (1980) to $3.9 billion. These are the most important findings of a seminar of the Viennese Institute for Comparative Economics, which studied the development of CEMA in 1981 and the prospects for 1982.

## Setbacks Everywhere

Aside from the setback in Poland, the weak economic activity in the CEMA countries is attributable to the slowed growth of the GNP in the CSSR and in Romania. The key factor in regard to the disappointing overall results in the USSR was the further production decline in the agricultural sector (-2 percent), which thus showed a drop in output for 3 years in a row. In the CSSR, the diminished expansion of the GNP from 2.9 percent in 1980 to 0.2 percent in 1981 is attributable not only to the poor results in the agricultural sector, but also to the reduced growth of industrial production (2 percent as against 3.5 percent in 1980).

In Romania, where agricultural production in 1981 showed a decline for the second year, the overall economic decline (from 2.9 to 2.1 percent) was due above all to the sharp reduction in industrial expansion (from 6.1 to 2.6 percent). The curbing of investments and of Western imports, which were enforced by the high level of indebtedness, resulted as early as 1979 and above all in 1980 in a drastic decline in industrial growth.

As regards Bulgaria, on which country data concerning the 1981 GNP are not available, the industrial and agricultural results reported suggest that the planned growth rate of 5 percent (as against 5.7 percent in 1980) has been attained. An equally sharp rise in the GNP was reported in the GDR. In Hungary, the GNP last year showed a slight increase (+1.8 percent) after a slight decline (-0.8 percent) in 1980; with agricultural production stagnating, this was attributable above all to the moderate growth in the industrial sector (2.3 percent as against -2.1 percent in 1980).

With the exception of the USSR, where the investment volume has increased by 3 percent, there has been stagnation or decline in investment activity, and the development of private consumption has been unsatisfactory on account of the poor results in the agricultural sector and the decline in consumer goods imports. In order to prevent total collapse of the supply situation, Poland has strictly regulated--since the beginning of 1981--the distribution of foodstuffs; so far, however, it has not been able to achieve any marked improvement. Romania likewise has been confronted with serious shortages. Other CEMA countries such as the USSR have not been able fully to meet demand.

By contrast, the consumer market in Hungary has been distinguished by a broad product assortment, with the income-related price level exceeding that of the other CEMA states; the development of private consumption, which in Hungary is stagnating at the 1979 level in spite of a slight recovery in comparison with 1980, is being curbed by a restrictive wage policy.

Several CEMA countries in 1981 reported a continuing rise in retail prices. Aside from the special case of Poland, where the 1981 inflation rate amounted to 25 percent, retail prices--according to official data--showed the following increases: Hungary, 4.6 percent; Romania, 3.1 percent; CSSR, 0.8 percent. As regards Bulgaria, which in 1980 registered an inflation rate of 14 percent, no data are available for 1981.

The present policy of stable retail prices, which has been made possible through increasing state subsidies, can be maintained only in the USSR and in the GDR. But even these two countries have registered price hikes: in the Soviet Union, primarily in the kolkhoz markets, and in the GDR, for choice consumer goods. However, these two categories are not covered by the consumer price index.

Energy Shortages

With the exception of Poland, which did not draw up any plan for this year, the plans for 1982 provide for approximately the same rate of economic growth (3.1 percent). In all of the CEMA countries, however, the projected GNP increases are below the targets of the current five-year plans and this goes for industrial production as well. In the CSSR and in Hungary in particular, the GNP will show only modest increases (0.5 and 1-1.5 percent, respectively). All of the CEMA states will continue in 1982 radically to restrict the investment volume so as to be able to maintain as much as possible the current consumption level. The investment volume will be absolutely reduced (CSSR, Poland, Hungary, USSR) or it will increase more slowly than the GNP (Bulgaria, GDR, Romania). As has been the case for many years, the investment activity is focused on the energy sector and on projects already started. Modernization of existing installations is another area of concentration.

In all of the CEMA states, economic growth is hampered above all by energy bottlenecks. According to unofficial reports, the USSR has in 1982 reduced its oil shipments to the satellite states by at least 10 percent; only Poland is to receive the usual volume. The situation is aggravated by the reduction of Polish coal shipments, the discontinuance of Romanian power exports (to the CSSR) and delays in the expansion of nuclear power plants. For this reason, all of the CEMA states attach great importance to energy economy. Through higher consumption norms, price hikes and stricter controls, they want to enforce efficient and economical use of these important production factors.

While the volume of intra-CEMA trade--calculated at current prices--increased in 1981 by 10 percent, the dynamism of East-West trade declined. The exports of the European CEMA states to this area increased by a mere 4 percent (1980: 23 percent) to $45.8 billion, whereas imports increased by 4.3 percent (12 percent) to $49.7 billion. In real terms, both sides registered a decline. The CEMA countries' trade balance deficit vis-a-vis the West increased from $3.1 billion (1980) to $3.9 billion in 1981. Even in nominal terms, the small CEMA states registered a decline of trade with the West, which is attributable above all to the slump in Poland: East Europe's exports to the West declined by 0.6 percent to $21.5 billion and imports decreased by as much as 5.9 percent to $24.2 billion. In Poland alone, Western imports declined by approximately 28 percent; in Romania, by 19 percent, and in Hungary, by 7 percent. But even the CSSR--a country distinguished by low indebtedness vis-a-vis the West--reduced Western imports by 4 percent.

In contrast to 1979 and 1980, the exports of the USSR increased last year much more slowly than did its imports. The marked decline (8.7 percent as against 27 percent in 1980) is attributable primarily to the reduced demand for oil and petroleum products in the West and to the stagnating oil prices. The rather sharp increase in imports (+15 percent) is a result of the crop failure, which necessitated increased imports of grain and feedstuffs. With Soviet export to the West totaling $24.3 billion, and imports, $25.5 billion, the trade balance deficit amounted to $1.2 billion. In 1980, Moscow was able to realize a slight surplus ($202.7 million) in its trade with the West. The small CEMA countries reduced their trade balance deficit from $3.3 billion in 1980 to $2.7 billion in 1981.

Foreign Trade as a Burden

The East-West trade prospects for 1982 are not very favorable. And the intra-CEMA trade, which in 1980 amounted to approximately 53 percent of the Soviet Bloc's total commodity exchange, is likewise affected by the economic slump of the various economies involved. Regarding the further intensification of "socialist integration," which is emphasized in the plans for 1982, the preconditions are rather unfavorable. The strained situation concerning the current-accounts balance of the small Eastern Bloc states vis-a-vis the West and also vis-a-vis the USSR and the increasing demand for investments in the energy sector appear to be the main factors in regard to the lack of further joint large-scale projects in the next few years. Another negative factor in regard to economic relations is the crisis in Poland. So far, Poland has not been able to contribute--through a new five-year plan--to a coordinated CEMA cooperation program. The diminished supply capacity and the necessary changes in Poland's demand situation necessitate revision of the CEMA partners' economic plans. It is not only in regard to coal and other raw materials such as sulfur or copper, but also in regard to machines and equipment--

the production of which is dependent on Western supplies--that Poland does not fully meet its delivery obligations. And on account of Poland's discontinuance of investment in other projects, long-standing orders of producer goods have been canceled. Thus this year foreign trade will strain rather than boost the development of the CEMA economies.

Table. Key CEMA Economic Indicators

*(Durchschnittliche jährliche Wachstumsrate in %)*

| | 1976–1980 | 1979 | 1980 | 1981 Plan | 1981 Ist | 1982 Plan | 1981–1985 Plan |
|---|---|---|---|---|---|---|---|
| *Osteuropa* (ohne UdSSR) 1) | | | | | | | |
| Nationalprodukt[1] 2) | 3,8 | 2,3 | 1,0[2] | 4,6[3] | −2,0[2] | 3,4[3] | 3,1–3,8 |
| Brutto-Industrieproduktion 3) | 5,5 | 4,4 | 2,7[3] | 4,8[3] | −1,1[3] | 4,4[3] | 3,5–4,2 |
| *UdSSR* 4) | | | | | | | |
| Nationalprodukt[1] | 4,2 | 2,2 | 3,5 | 3,4[4] | 3,1 | 3,0[4] | 3,4 |
| Brutto-Industrieproduktion | 4,4 | 3,4 | 3,5 | 4,1 | 3,4 | 4,7 | 4,7 |
| *Comecon* 5) | | | | | | | |
| Nationalprodukt[1] | 4,1 | 2,2 | 2,7[3] | 3,7[3] | 1,6[3] | 3,1[3] | 3,3–3,5 |
| Brutto-Industrieproduktion | 4,7 | 3,7 | 3,3[3] | 4,3[3] | 2,1[3] | 4,6[3] | 4,3–4,6 |

[1] Netto-Materialprodukt. [2] Nach Ausklammerung Polens 1980: Osteuropa – 3,0%, Comecon – 3,4%; 1981: Osteuropa – 2,8%, Comecon – 3,0%. [3] Ohne Polen. [4] Verwendetes Nationalprodukt. [5] Nach Ausklammerung Polens 1980: Osteuropa – 3,9%, Comecon – 3,6%; 1981: Osteuropa – 3,5%, Comecon – 3,4%.

Key:

1. East Europe (excl. USSR)
2. GNP
3. Gross industrial output
4. USSR
5. CEMA

Footnotes in the table: 1. Net material product. 2. After exclusion of Poland....

8760
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## COST EFFECTIVENESS OF COMPUTERIZED MANAGEMENT QUESTIONED

Prague HOSPODARSKE NOVINY in Czech 23 Apr 82 p 5

[Article by Eng Slavoj Chladek, deputy director, and Eng Jiri Tesar, CSC, INORGA in Prague: "Computerized Management Systems; High Costs, Low Yield"]

> [Text] The development of conditions influencing our economy is setting increasingly more demanding criteria for an evaluation of the effectiveness of the methods, instruments and means of management. The CSSR entered the Seventh Five-Year Plan with almost 15,000 computers introduced in technological and production processes in the management of enterprises and all the way to the central organs. Almost 70,000 people are dealing with the development and utilization of computerized systems in computer centers, scientific research organizations and in the management apparatus at all management levels.

Computerization will keep penetrating all areas of our life until finally it will become part of it to such an extent that we will simply stop considering it as something unusual. But that does not mean that the problems will disappear. However, their quality will change.

### Methodology Without a Tuneup

Nevertheless, the development of computerized management is very difficult. It makes it necessary to keep gaining people, changing their knowledge and habits, changing the organization and method of work, keep creating conditions for changing the technology of management, and so on. Just like any similar process, it has its turning points, when we are forced to do a bit of thinking about the results obtained and about what to do next. To put it plainly, one gets the impression that the results and effects are not so convincing as to justify additional large investments at the present time. There appears disillusionment and a certain amount of impatience.

At the end of the Sixth Five-Year Plan, the development and results of computerization of management were being evaluated in many respects and by various organs. If we take in consideration the experience gained by certain

industrial departments and the evaluation conducted within the framework of the computerization program of the state plan of economic research, we can make a series of positive findings, even though the development of the computerized management systems was mostly of an extensive nature. The number of enterprises which are building computerized management systems is reaching almost 90 percent in some departments. Over 500 subsystems or groups of tasks of comprehensive planning, technical development, finances, outlays and so on, have been computerized at the level of the branch organs during the last 2 years.

A basis has been created for a gradual completion of the computerized management systems of coordinating agencies, where the new qualitative properties of the systems have become more clearly pronounced. This applies particularly to their flexibility, readiness, ability to provide information when the user communicates directly with the computer, broader applicability of model engineering and to utilization of economic mathematical methods.

In spite of the predominantly quantitative development of computerized management systems, the achieved level has a significant impact on the work of management workers. In particular, it creates pressure to improve the quality of the basic data, make the operational procedures more precise, make the information requirements more specific, unify the algorithms along the vertical coordinating line and so on. At the same time, the processing and utilization of information is rationalized in the preparation of the plan and in keeping track of its implementation.

However, the evaluations which have been made also indicate a number of shortcomings. For example, efforts to harmonize the development of management with the development of computerization in research as well as in practical application have failed. The development of computerized management systems of coordinating agencies is lagging behind, and consequently their function is not utilized to influence the development of the corresponding subsystems within the scope of the individual management levels of the departments.

This resulted in great differences in the development of computerization at individual management levels and in individual organizations. In terms of substantive content, the application of automation was based on the existing organization and on the methodology and technology of decisionmaking currently in effect. Therefore, computerization concentrated mainly on informational enrichment of management and less on its innovation on the basis of full utilization of the opportunity provided by computer technology.

One can say generally that as a rule management is being computerized for the time being in such a way that the existing work system is maintained and the computer is adapted to it, even though sometimes the opposite procedure is the correct one. Emphasis was being placed for a number of years on the systems approach, but first of all with concentration on single-stage systems, that is, on relatively closed computerized systems of management of individual organizations or management organs. The effects of such a procedure could be seen within these organizations.

However, the overall management system continues to retain the old forms and methods of work. This harness is gradually becoming an increasingly bigger drawback for progressive development and effective utilization of computerization in management. Thus computerization rather frequently means processing of an increasingly larger volume of information which is being used inadequately, and it manifests itself on the outside as a factor reducing flexibility and slowing down management.

Necessary Qualitative Changes

In spite of the given problems, computerized systems in all areas undoubtedly bring certain new elements. These are, above all, a systemic approach, which is applied more or less successfully, and rationalizing viewpoints. An analytical and project preparation of each task requires that we gain a perfect knowledge of it, formalize it, define the inputs and outputs, and that we get to know its goal and meaning in relation to the other parts of the system, while applying the systemic approach correctly. This leads to an engineering approach to management and discloses various improvisations in decisionmaking. Actual computations often dispose of various illusions, reveal shortcomings of the information, make it possible to determine what instances are wishful thinking, and so on. This reality encounters a favorable response in cases which are rather exceptional. More frequently, the tendency is to put computerization of management in its proper place.

For example, the research part of the tasks in the area of management computerization is completed successfully only if it ends in a project and its application in the form of practical computations of the task on a computer and their utilization by the users. However, that is a result which is seen relatively rarely in the area of economic research (even applied research). Therefore, it makes one suspect that it could not be a question of research, but rather a question of "mere" project work, and consequently it is necessary to eliminate computerization from research. What is surprising is the fact that research concerning certain economic mechanisms which lasted many years does not cause such a suspicion.

An effective computerized solution often requires such a basic change of methods and instruments of management technology, a change which cannot be prepared without the necessary research work based on broader contexts. In the same way, the relatively high requirements and long-term implementation of certain solutions are hardly compatible with the interests and evaluation of efficiency of those organizations which are to release funds for bringing about these solutions. If suitable conditions are not created in these cases, it can be only detrimental to the effectiveness of the development of computerization. The conversion of the tasks to a computer and their routine operation has been accomplished, and the key to the effectiveness of computerization lies in the basic changes of the qualitative properties of the main components and mechanisms of management.

Indeed, if we want to talk about computerized management systems, it means that the issue involved is the question of a change of their properties. In these systems, computerization influences all principal components of management in all stages (organization, methods, instruments, operating procedures,

information processes). This change cannot be brought about in practice within the framework of the computerized management system of one single organization or one single level of management because it is determined too much by external factors. Consequently, the order of the day is beginning to include continuous introduction of computerization in the entire vertical structure of management in the form of close combination of the development of both computerization as well as methodology, technology and organization of management.

Ineffective Results

If we set for ourselves the goal of bringing about changes of the qualitative characteristics of basic elements of the management systems, we cannot be concerned under any circumstances with the idea that those who handle computerized assignments should take over the guarantee for the development of the management system and its effectiveness. They cannot play such a role, and an overestimation of the opportunities and of the role of the computerizers never led to good results. However, the main problem at present is the fact that the handling of computerization of management processes is being brought up to the margin of the main development trends of management methods. As a rule, computerization of the tasks is taken care of only after the fact. The tasks are based essentially on procedures corresponding to the working conditions without computerization and transmission technology.

Let us give an example. It is often emphasized that the development of the economy, scientific-technical progress, international conditions and so on result in a growing complexity of management. This complexity makes it necessary to process promptly a continuously growing volume of information, particularly information about new economic, social and technical phenomena and their mutual relationships.

It is true that computerization can handle these tasks, but without the necessary degree of efficiency. At the present time, computerized management systems of all industrial departments are processing the overall indices of the plan, including data transmitted on tapes from VHJ [economic production units] to the department.

However, analyses conducted in these industrial departments basically agree in their findings that the volume of information pertaining to the plan is difficult to handle and is little effective, even when it is processed by a computer. In the formulation of the plan starting with an enterprise and going all the way to the central management, the key steps are not correlated, the harmonograms are not worked out uniformly and methodically. The work concentrates on filling out the forms of the plan, which at lower levels is done mostly by hand, and on transmission of information concerning the plan.

The forms which are being filled out are often in the nature of initial tables prepared before processing, or they are a sort of instruction as to how the data are to be computed. They are processed along the management line regardless of the fact that with computerized processing many of them can be done by a computer, depending on the needs of the given management

level. The result is that the indices are duplications, and there are discrepancies between planned indices and statistical indices. The great variety of forms results in frequent changes. That has a negative effect on the organizational and project preparation of the plan processing because the time limits are short. It has been established that even a tremendous volume of data does not guarantee that all parts of the plan are consistent. On the contrary, it makes it impossible to create conditions for the necessary interaction between individual management levels.

Overall Model of the Plan

Examples from various VHJ (for example Chepos, which is the most active unit introducing an information system on innovations) show that there is no harmony between the processing of the basic lists of innovations and the planned list of scientific-technical development, the methodology of planning of investments, licenses, imports, and so on. The preparation of prognoses of long-term development is not being coordinated with the planning of innovations, either in terms of time limits or in terms of content and methodology. Of course, that results in many duplications, lack of coordination, large volume of administrative work, lowered level of data processing and lesser opportunities for their effective utilization at higher management levels. It also leads to inefficient and nonrational use of computerization.

The situation is similar in the development of the quality-control system. A so-called simplification of records which had been already computerized in their essence has taken place, for example at the Skoda VHJ. This is reflected in the fact that the needed data cannot be obtained now as output processed from the existing computerized tasks. Instead, they have to be obtained laboriously from various basic materials. The result is that such cases cast doubts on any process of developing computerized systems and instruments of management.

However, the basic solution is not merely to reduce the number of indices and forms, or to pretend that lower level management organs have a free hand in the preparation of information they transmit. That would merely mean closing eyes in facing responsibilities, in this case by the central organs. We are dealing here, for example, with the drawing of an overall model of computerized processing of the plan on a scale which has to be evaluated at the level of the central organs, a scale which includes the role of individual management levels from the viewpoint of decisionmaking, information base and processing of the transmitted information.

The given example shows that this involves both information processes as well as decisionmaking and, in this context, also the delimitation of the task and of the conditions of its computerization. Substantive handling of the implementation of the management functions at individual management levels, specification of the decisionmaking processes, and their correlation constitute the basis for a rational delimitation of the needs for information and the methods by which these needs are satisfied in the area of automation. Therefore, in our opinion, one can consider the following as the basic development trends of automation in the forthcoming years:

--development of new forms, organization systems, methods and technologies of management work, based on computerization and including also the necessary training of personnel;

--systemic delimitation of the decisionmaking processes and principles of implementation of management functions involving the use of computers, particularly in direct interaction between man and computer;

--both vertical and horizontal integration of computerized management systems, which provide for integration of the decisionmaking processes, computerized data processing and transmission, as well as technical measures taken from the viewpoint of the new tasks and needs of the management of the national economy and continuous increase of its effectiveness.

It is not enough to deal with the problems of the hierarchic structure of computerized management systems merely from the positions of the superior organs. One cannot disregard the functions and tasks of the lower management levels and their working conditions. The coordinating agencies sometimes simplify the problems according to their viewpoints, they keep forgetting the specific aspects of individual branches of the economy, the need for a complex systemic handling of the information base, and so on. This means that all management levels must participate in bringing about vertical and horizontal integration of computerized management systems in terms of changing the technology and organization of management work on the basis of a correlated computerized handling of the operations in the entire management structure, and the corresponding branch organs must bear the final responsibility within the framework of the individual departments.

5667
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## LAG IN IMPLEMENTATION OF WAGE DIFFERENTIATION CRITICIZED

Prague SVET HOSPODARSTVI in Czech 4 May 82 pp 1, 2

[Article by Engr Vojtech Mechura, Federal Ministry of Labor and Social Affairs: "The Principle of Merit Must Be Asserted More Consistently"]

> [Text] The problems of wage differentiation have probably been the most debated issue of our wage policy in recent years. This is understandable because the demanding tasks of the economy's further development require raising the incentive effect of wages. And it is a known fact that the intensity of this effect is commensurate with the extent of wage differentiation.

In the debate, however, emphasis is not always on the decisive cross sections of wage differentiation. Often the prevailing view is that the general tendency is toward wage equalization, which is not always true. This article is intended to provide a better and especially more comprehensive understanding of the problems of wage differentiation, which roughly can be classified into three groups, each with its own specifics.

In the first group we may include overall differentiation of the level of earnings in our society; i.e., the ratio of earnings by workers performing the most simple tasks requiring the least skill, to work ranging from the average to the most complex, most responsible and most difficult. It can be demonstrated numerically that this spread of the overall differentiation of earnings in Czechoslovakia is around a ratio of nearly 1:10, which may be regarded as fair and in agreement with the socialist principles of remuneration. Not even in the coming period is this spread expected to become more pronounced. The problem within this circle of differentiation is merely that there is excessive concentration about the existing average earnings, roughly 2700 korunas [per month]. Approximately 60 percent of the workers in Czechoslovakia are in the Kcs 2200 to Kcs 3300 wage bracket, which means that the ratio of earnings in this group is merely 1:1.5. The causes of this concentration are varied, partially objective (for example, the structure of the tasks and jobs in the individual branches and sectors), but also subjective--stemming primarily from wage practice where the classification of tasks and jobs into tariff grades shows a clear tendency to shift the lower grades toward the average.

In the second group we may include the ratios of earnings between individual branches of the economy, and also between individual economic production units or enterprises. In the past there did exist in this differentiation cross section various disparities,

namely a tendency toward wage equalization and also unfair differentiation. But with time, as a result of the different rates of the annual pay increases and also by using central reserves, these inconsistencies have been eliminated to a considerable extent, and the present situation in wage ratios is roughly in accord with the basic considerations of wage policy. Which does not mean that in this cross section there do not exist partial differences unwarranted by wage policy, but these differences are merely minor inaccuracies or affect only few workers. In this circle of wage differentiation we likewise do not anticipate any significant changes long term. In addition to the considerations of wage policy, however, the aspect of effectiveness should be better reflected in these ratios. If within this circle of differentiation there do occur more conspicuous changes in the ratios of earnings--for example, as in the mining industry at present--for the most part they cannot be regarded as the elimination of earlier shortcomings, rather they will stem from a new assessment of the situation regarding working conditions, because the abundance of available jobs is expected to continue for some time, and in such a situation the working conditions strongly influence the attraction and stabilization of manpower in the most difficult branches and sectors of production. By raising the wage level and improving the wage ratio, we wish to influence favorably for a longer period of time the placement of manpower, in favor of the production operations that are the most important to society.

The most important problems of wage differentiation are in the third group; i.e., within enterprises, organizations and working collectives, between individuals. The wage system's overall effectiveness depends to a considerable extent on how consistently wage differentiation is carried out in this cross section. At the same time, in an enterprise there are several specific types of wage differentiation: for example, between blue-collar workerers and technical-economic personnel, between blue-collar workers paid hourly wages and the ones receiving piecework wages, between the individual subdivisions and trades within the same enterprise, etc. It must be admitted that the weakest link of our wage differentiation is in this cross section, and the most inconsistencies are to be found here. Consequently, the workers' wages are not commensurate with their actual merits. To a lesser extent this follows from the wage regulations that are in force (the catalogs of jobs and skills, and the structure of wages), but the main problem lies in the enterprises' wage practices.

The most frequent complaint is that the tendency toward wage equalization is the greatest between the earnings of blue-collar workers and the technical-economic personnel. The present situation is not good, but this question must not be judged one-sidedly. If we compare the total volumes of wages paid to blue-collar workers and to technical-economic personnel in a time series, the proportion of wages paid to the technical-economic apparatus in relation to the total volume of wages paid has not declined, rather it has risen slightly as a result of an increase in the number of technical-economic personnel. An improvement of this ratio is socially desirable, but realistically this can be accomplished only if the total number of technical-economic personnel is reduced.

The decisive factor in wage differentiation, the one that also determines the wage system's motivational effectiveness, is the graduation of earnings among individual workers within small working collectives, crews, shops and establishments; i.e., where workers are able to reliably evaluate the abilities of every worker, his actual performance and the amount of his wages. Sooner or later the workers will adjust also their own performance to their evaluation of this relationship.

In this cross section of differentiation there unquestionably exists wage equalization in Czechoslovakia, and it has very serious consequences. For illustration we

can cite the fact that in the case of workers with identical skills and qualifications, both blue-collar workers and technical-economic personnel, the differences in earnings within working collectives roughly vary only between 3 and 5 percent from the average; however, the differences among the same grades of workers are substantially greater, and very often there are substantially greater differences also in their actual performance. This is where we can speak of the violation of the socialist principle of remuneration based on the work performed.

However, it would be a simplification of the problem to regard inadequate wage differentiation merely as mistakes of the appropriate managers and of the sections concerned with wages and work norms. The general social climate, particularly the continuing abundance of job opportunities, influences the situation. In order not to lose their workers, managers reduce the requirements they set for them, enabling even the less capable workers to earn roughly the same amount as the workers with higher performance. The requirements cannot be raised merely here or there; this must be done at all enterprises. For the time being, however,many enterprises do not feel the need for this; economic pressure is not strong enough to compel them to set higher requirements for their workers.

In the coming years, therefore, the efforts to widen wage differentiation will concentrate on the wage ratios within enterprises. At the same time, emphasis will be placed on making more conspicuous the differences in the earnings of individual workers, in accordance with the work they perform, its quantity, quality and economic effectiveness. More consistent implementation of the socialist principle of merit-based remuneration is a demanding task, but it is an essential one from the viewpoint of ensuring the successful development of our economy.

1014
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FOOD INDUSTRY AIMS OUTLINED

Bratislava EKONOMIKA POLNOHOSPODARSTVA in Czech No 4, Apr 82 pp 145-148

[Article by Professor Eng Jiri Davidek, Doctor of Sciences, Vice-Chairman of the Czechoslovak Academy af Agriculture: "Agricultural Raw Materials and Rational Nutrition of the Population"]

[Text] The CPCZ Central Committee Plenary Session, which dealt with the fulfillment of the 16th congress resolutions concerning the area of agriculture and nutrition, proved that the party regards the agriculture and food industry as important areas of the national economy, irreplaceably significant both for satisfying people's needs and success in external economic relations. Food is becoming a progressively more important economic and also political factor in the world politics. As comrade secretary Pitra said at the Fourth CPCZ Central Committee plenum: "...it is misused in the hands of imperialist countries as a means of political blackmail and pressure. Therefore, we must base the nourishment of our people on domestic production and also, gradually create necessary reserves in case of poor crops..

The objectives for our agriculture and food industry have been formulated clearly. At the present stage it is only necessary to develop them, specify them and implement them at all levels of management, manufacture and research. In this area, an irreplaceable place belongs to the Czechoslovak Academy of Agriculture, which at its 17th extended plenary session dealt exclusively with the question of nourishment of Czechoslovak population. This article presents general attitudes, summarizes the present results of science and research conducted into the methods of ensuring nourishment and formulates questions, which must be in the focus of our attention.

It is evident from the long-term development of the food consumption that its quantitatively high level cannot be continuously increased and that the final goal in this area should be to achieve such a consumption standard, which would fully satisfy the physiological nourishment needs and, at the same time, would be in accordance with the socially recognized development of material needs of people living in an advanced socialist society.

Summarizing facts about the present nourishment conditions of our population, we can say that except for the consumption of C vitamin, there is rather a slight overconsumption, both in terms of total caloric intake and some

nutrients. The way to lower the average intake of calories, particularly in the consumption of fats and sugar, and the consumption of salt, cannot be achieved only by producing foods with lower contents of these substances, but also through long-term education and long-term proposals for the development of food consumption are based on dietery recommendations, the level of the food consumption in 1975-1979, the demographic development, the natural consumption development and the consumers' demand, and they reflect fundamental health requirements for improved nourishment conditions of the population as well as general social attitudes and the respect for a future way of living and the living standard of the population living in the period of advanced socialist society.

Taking in consideration the present consistent increase in meat consumption, which cannot be justified either from the point of view of human health or economy, and also the present capacities of the animal production, the proposal anticipates a slight decrease in meat consumption in the near future. Later, we can expect a slight increase in meat consumption, which should be increasingly covered by beef supplies.

Milk consumption should reach the recommended amount of 251 kilograms per person per year in the year 2000. Also, it is quite realistic to expect that at that time milk proteins will be fully used to improve the quality of a number of food products, particularly those of the meat and bakery industries.

The consumption of fats is expected to stagnate (roughly at the level of 24 kilograms per person and year).

The consumption of fruits and vegetables (including products made from them) is also expected to reach or at least to approximate substantially the recommended level (70 kilograms of fruits and 100 kilograms of vegetables per person and year) in the year 2000. Should this proposal be fulfilled, it will will be necessary to ensure intensive growing of fruits and vegetables in orchards and greenhouses as soon as possible and also to ensure their timely purchase and transportation to the final destination. Also, it will be necessary to pay attention to the required assortment.

The outlook for sugar consumption expects quite realistically that after 1990 synthetic low-caloric sweeteners will be used to a considerable extent. Subtracting the consumption of sugar needed for the manufacture of alcoholic beverages, we will have sugar consumption approaching the health requirements in 2000.

The grain product consumption has been proposed to be gradually slightly reduced, in order to reach the recommended consumption level of 91 kilograms per person and year in 2000.

To summarize, we can say that the average citizen consumption will grow slightly and should decrease a little only later (in 1985). However, even in the target year the consumption is planned to exceed the upper level of caloric intake by about 5 percent.

The proposals presented here are based on the present conditions and cannot be considered unchangeable. Actual consumption will always be affected by the capacities in particular periods. The area of scientific research must prepare variants of options for optimum covering of recommended amounts of nutrients proportionally in agreement with the rational nutrition requirements and also with regard to the capacities of our national economy, primarily agricultural production.

These points of view are also applied in formulating the objectives for the food industrial technologies. The food industry occupies an irreplaceable position in ensuring the needs of the population mentioned above. It processes almost exclusively raw materials produced in agriculture. Therefore, its capacities must be well balanced with respect to the raw materials produced and must also be ready to accommodate fluctuations, which are typical and inevitable for agriculture in our climate.

At present, the volume of industrially processed food stuff represents 80 percent of the total consumption. Thus, the food industry participates in supplying the population by basic food to a significant extent. The degree of processing food is progressively higher, the industry essentially overtakes the role of kitchen.

In ensuring the implement: or of enforced tasks, it is necessary to concentrate on those food industry technologies which can and must contribute to resolving these tasks to a maximum extent. Areas primarily involved are those dealing with proteins (meat, milk, poultry) and, further, fats, canning, frozen foods and starch industries, and for purposes of external economic relations, also the sugar and brewing and malting industries.

The Main Directions to Optimally Evaluate Materials for Human Nutrition

The annual production of proteins from products used in human and animal nutrition in Czechoslovakia is roughly 32 million tons, out of which amount 390,000 tons (e.i. 11.9 percent) are animal proteins suitable for human consumption and 2.8 million tons are vegetable proteins.

Losses and unused resources of animal proteins have been calculated to be as high as 30 percent from production to direct consumption. About 10 percent of losses occur between retail purchase and final consumption depending primarily on the level of the final processing of food. The rest, i.e. 20 percent, are losses and unused resources. From the point of view of human nourishment, unused resources are those resources so far only used to feed animals, but which could be either entirely or partially used for human consumption. Losses, on the other hand, express the ratio of protein depreciated directly in manufacturing. As a basis, let us take the value of animal protein intake as 55.5 grams per person and day. If we relate this value to the population of 16,820,000 people in the year 2000 and increase this value by 10 percent to cover losses, we get a total consumption of 378,590 tons. It follows from these figures that agriculture is already to produce such an amount of proteins today, to cover the recommended consumption in 2000 (assuming that the volume of imported means of intensification remains

constant). However, from the point of view of the total balance in the protein needs, it is necessary to quantify the necessary needs for feeding animals, primarily in terms of milk protein.

Meat, Dairy and Poultry Industries

Implementing a more progressive method in meat refrigerating during fast refrigerating of beef and pork sides, we can expect a decrease in losses by 1,800 tons of meat at least in 45 percent of instances of the total annual Czechoslovak production of 915,000 tons.

An important way to decrease losses in meat and poultry is more intense utilization of raw materials in final product processing. Another hidden potential in the meat industry is utilizing blood. At present, only about 2.1 percent of extracted blood is used, while unused resources of blood protein have been estimated to be about 5,500 tons per year. However, it is necessary to overcome a number of problems in the area of abattoir processing. Also, the bone waste in the meat industry can be utilized for the manufacture of extracted edible fat, soup concentrates, edible and technical gelatine and glue and also bone flour. After separators have been introduced, it is possible to obtain meat mass from meat bones, which is used as an additive to meat products (up to 10 percent).

The meat industry could also utilize industrially processed milk protein from separated milk and also proteins separated from vegetable substances, particularly soy protein. Our conditions also permit the use of potato protein from starch-processing waters, of which 300,000 tons are available but only about 3 percent e used.

Total annual losses and unused resources have been calculated to be 2,400 tons. Greatest losses occur in the manufacture of butter and cheeses, since buttermilk and whey are not utilized. From the point of view of rational nourishment it is desirable to increase the consumption of milk, particularly in the form of milk products and cheeses.

Research into these areas (meat, milk, poultry) should be directed primarily to breeding types of animals more resistant against factors causing high death rates, cows with milk of high content. It should concentrate on the problems of fodder consumption and utilizating proteins suitable for human nutrition. In the processing industries research should design and introduce technologies suitable for processing of all appropriate raw materials and utilize industrial byproducts to manufacture fodder proteins.

In the area of management, it is necessary to ensure higher standards of processing (extracting, packing and final processing in general) of the meat and poultry product industries to better satisfy consumer demands and, at the same time, not to increase the demands for basic raw materials. Depending on economic means it is necessary to give priority to investments to implement meat refrigeration immediately after the slaughter. The poultry industry needs reconstruction, and new feeding capacities should be built,

if possible, in the vicinity of available waste heat sources since poultry raising is energy demanding. Also, it will be necessary to build facilities for manufacturing milk proteins and to commence this manufacture, and to ensure raw materials for special purposes (children's nourishment), in accordance hygiene regulations demands.

Fat Industry

In the course of the Seventh Five-Year Plan, the fat industry will be processing 350,000 to 370,000 tons of oil seeds annually. The share of domestic raw materials is growing; in 1976 it was 47 percent and in 1980 already as much as 67 percent.

The supplies of rape-seeds to the fat industry amounted to 120,000 tons in 1975, 200,000 tons in 1980. This increase represents savings of Kcs 410 million. We can realistically expect that in 1985 rape-seed supplies will amount to 245,000 tons, which will further increase savings by Kcs 230 million. Supplies of sunflower seeds amounted to 26,000 tons. In 1985 the supplies are expected to increase to 38,000 tons, and the fat industry would welcome further increases sunflower cultivation because of nutritional value of oil.

The results achieved in the flax-seed procurement are not satisfactory and lag far behind the actual needs, despite all measures introduced. During Sixth Five-Year Plan, 37,000 tons of flax seed and 6,000 tons of flax oil were imported.

In growing winter rape, we must expect some losses due to frosts every year. It would be desirable to replace the frozen plants by spring oil-producing plants, namely by oil flax and spring rape. Although spring rape does not provide high yields, it is important from the point of view of its oil.

In the area of fat resources, research will concentrate on cultivating an oil rape varieties with 43 percent or more oil erucic and linolenic acids contents of up to 3 percent, with a considerable higher content of linoleic acid and with glucosinolates contents of up to 3 milligrams per 1 gram of bran. In the area of processing, research will concentrate on designing an optimum technology for the production of quality bruised rape seed, which could also be used for the production of protein for human nourishment, and other improvements in technology.

The tasks of management are to ensure the production of oil seeds and to evaluate economically and appreciate the possibility of increasing independence in the flax seed production are:

The Canning and Frozen Food Industries

Given the considerable production growth, the canning and frozen food industries should process roughly one third of the overall fruit and vegetable production plus imported raw materials to an extent of about 3.7 percent of the total production. The strain between the production growth and the

obsolete technical conditions in processing capacities becomes more intense in years with exceptionally good crops, when big losses occur because it is not possible to store the raw material, especially fruits, for periods when crops are low.

In the area canning and frozen food industries, cooperation between agriculture enterprises and Fruits and Vegetables Retail will have to be substantially intensified. It would perhaps be efficient to centralize the contract procurement and to distribute the purchased products as suitable, either to retail or to the processing industry.

In the area of basic production, research will cultivate varieties most suitable from the point of view of yields as well as of nutritive and processing characteristics, and will also concentrate on reducing losses during storing both fruits and vegetables. This ensues a number of technical and organizational tasks for the area of processing and management, such as evaluation of raw products (including prices), securing the conditions for quality production facilities.

Starch Industry

The importance of starch and starch products for many areas of the national economy is growing continuously.

At present, the starch industry processes approximately 220,000 tons of potatoes every year (roughly 10 percent of the total potato production). The content of starch in the potatoes supplied is relatively low, 13 to 15 percent. However, the content of starch increased only by 1 percent over 15 percent represents a reduction in the production costs by 2 percent. Losses during storing and transportation of potatoes from the moment of purchase to the moment when they are brought by a customer increase considerably, the potato harvest lasts until winter thus exceeding the technical economic limit of 100 days. There are several causes extending the harvest season. Semi-ploughed industrial potatoes for planting are not available in a sufficient amount and there is not enough cooperative farms specializing in growing industrial potatoes.

In Slovakia, starch is extracted mostly from corn and it is necessary to find varieties most suitable for the starch industry.

At present the disproportion between realistic production possibilities and real needs for potato starch must be covered by exports amounting to average to Kcs 40 million. The potato starch industry could be reconstructed to the level corresponding to present needs by building integrated units with the capacity of 600 tons of potatoes per 24 hours, which could also produce starch from corn and manufacture various products from starch.

The higher evaluation of starch concerns also the area of starch modified as raw material for food, food hydrolyzers and glue. In 1990, the profit from modified starch would amount to Kcs 1,000 per 1 ton of processed starch, which would represent the evaluation higher approximately by Kc 12.5 million

and the consumer profit would be approximately 3-4 times higher than in manufacture.

The starch industry production base is very obsolete and worn out and insufficient in terms of capacity. The return of investments for reconstruction and construction of new facilities would take 10-13 years, however, labor productivity would rise 200 percent, annual hard-currency savings would reach Kcs 40 million and the losses during potato storage would be reduced by 5 percent (i.e. 14,000 tons).

For research it means a task of finding a suitable variety of semiploughed industrial potatoes, optimizing harvest and postharvest processing and conducting research into the industrial chemistry of starch. Management should ensure buildup a starch industry manufacturing basis and organize the production of potatoes or other plants with high contents of starch.

The Malt Industry

To secure the export of malt and beer, the malt industry needs 310,000 to 350,000 tons of high quality barley. However, these requirements have not been met, which hinders the exports of malt and beer. This fact is one of the causes of low exports.

The main objectives of the malt industry is to improve permanently the raw material quality through agrotechnical discipline and to speed up the reconstruction and modernization of the industrial basis. To improve malt quality, manufacturing capacities have to be expanded. The profits we get from overloading the manufacturing equipment are not high enough to justify the resulting worsened quality.

Apart from improving the general quality of malt, it is most important right now to resolve the questions related to the content of nitrosamines in malts. This can be achieved only through cooperation between agricultural and food industries.

Research in this area will concentrate on cultivating feed barleys morphologically different from malt barly and to improving the quality of malt barleys. Apart from technological improvements of malt processing, the area of management must create good conditions for a cooperative relationship between agriculture, the procurement organization and the processing industry and implement principles of specialization to grow barley malt and ensure other quality production conditions.

Sugar Industry

With regard to the recommended limit of sugar consumption, we will consider the sugar industry from the point of view of increased exports of sugar and the efficiency of sugar beet production and processing, Given our present potential, the increase in sugar production can be achieved by increasing the sugar content (the area sown is 220,000 hectares).

The objective of research is to develop the cultivation of a one-sprout genetic seed with the at least 18 percent sugar content and develop harvesting machines with lower harvest losses and a soil and beet separation, to simplify production patterns and to complete the automation of production lines processing raw material. The management will see to adhering to the principles of proper agricultural technology, nutrition and conservation and also to building ventilation systems for beet storage yards.

Food Industry Technology, Mechanical and Power Engineering

The food industry mechanical engineering has a long tradition and can boast of great successes. Since the assortment of food processing machines includes 7,000 various types, it is obvious that all of them cannot be manufactured in our country and, therefore, it is necessary to consider all circumstances and decide, which machines will be exported now and in the future.

In designing food processing machines it is useful to realize the necessity aspects of broad knowledge not related directly to mechanical engineering (chemistry, technologic processes, microbiology, nourishment), the complexity of the equipment and the inevitable necessity to manufacture food processing equipment from rust-resistant materials.

The focus food industry production is the area of mechanical engineering about one third is imported and about 15-20 percent comes from our agriculture engineering plants. It follows from the foregoing that it is necessary to reinforce the position of food processing machine production the machine industry sector (by no means can the production be reduced). The, the food industry must formulate its requirements for research and development much more precisely.

At present, power consumption is a most improtant aspect. Nationally, the food industry uses only 5 percent of total industrial energy consumption. The food industry is not greatly affected by this fact, however, today limits are not determined by energy prices but by availability. For these reasons, we are not indifferent to the fact that our specific consumption is actually two times higher than in advanced countries. It is not only a question of serious boiler obsolescence (370 boilers are older than 40 years, 82 percent of the boilers in sugar factories are also older than 40 years) as well as other technological equipment. This situation requires both investments and technical research efforts, design departments and operation.

In the area of technology, research should establish appropriate research and development centers in the Strojobal sectoral enterprise, and the Food Industry Engineering Plant, Bratislava, enhance departments for food processing technology in sectoral research and development facilities, define the structure of technical research in ministerial food industry institutions, demand reinforcement of the research and development base in the machine industry sectors and to employ the research and development base to deal with problems in the area of automation and control.

As far as the area of management is concerned, it is necessary to reinforce the production in mechanical engineering plants in the sector of agricultural and nutrition sector demand expansion of food processing machine production by the heavy and general engineering sectors and to cooperate more effectively with CEMA countries.

Food Quality Requirements

At present, by quality we understand the nutritional, sensory and hygienic quality of food. Each of these qualities has its characteristic irreplaceable position.

Analyses by experts in the area show that attaining rational nourishment is more effective from the point of view of both production and society than mere increases of food production and consumption. If certain prerequisites are met, the set of organizational measures introduced in the manufacture can shift the center of attention to producing quality food with positive economic consequences for the society.

As our knowledge of the nutritional physiology increases, our demands for monitoring, and primarily ensuring the nutritional value of food increases as well. It is necessary to concentrate on limiting factors in our nourishment and factors which cause the largest losses during storage of raw food materials, their technological processing and storage of final products, or also in cooking meals in homes.

Given the conditions, primary attention must be paid to proteins. As for other mutrients, increased attention must be paid to lipides (primarily to the composition of fatty acids) and sugars, also to minerals and vitamins as essential factors.

From this point of view it will be necessary to pay attention to these factors not only in terms of research but also to incorporate them into Czechoslovak state norms and to supplement or replace the present criteria, which in many cases do not correspond any longer to our present requirements for quality control of food.

The sensory value is an inseparable part of the food product quality and it substantially affects the consumption of individual food industry commodities.

From the point of view of quality, sanitary requirements appear as very urgent at present. The sanitary requirements for food quality can be influenced both positively and negatively within the entire food processing chain, beginning with agricultural production and food processing to the area of distribution and sales and to consumers' homes or factory cafeterias.

In order to improve food quality, research must decide optimum dosage of chemicals needed to attain the required results. In the area of food processing, research must elaborate, unify and introduce methods to ascertain foreign substances and by-products, to study the possibilities of the behavior of residues in various environments and to develop technological

methods which could be used to reduce the residue concentrations in finished products. Medical institutions must determine norms for maximum permissable concentrations of foreign substances in agricultural products and food. The area of management should concentrate on equipping the facilities with instruments to monitor and control the content of substances in raw materials and food, to secure the inspection of imported fooders and food and through price adjustment to ensure purchase according to the quality in selected types of food (food products for children, malt etc.).

Conclusion

The present analysis of the situation in various areas of the food industry showed that a number of problems have been resolved in terms of research. In the next stage we consider absolutely necessary that all tasks proposed be thoroughly economically evaluated by experts in both the agricultural and food industry research and the area of management. From the basic materials prepared in this way it will be possible to determine priorities in dealing with all these problems, which will make the efforts to increase our independence in providing good nourishment most effective.

9814
CSO: 2400/239

FIRST QUARTER 1982 RETAIL TRADE SUMMARIZED

Prague HOSPODARSKE NOVINY in Czech 23 Apr 82 p 2

[Commentary by Jan Kumr, official of the CPCZ Central Committee: "Retail Turnover"]

[Text] For several years already the main focus of our economic policy has been on the aspects of quality of our material consumption which will determine increasingly more our living standard.

The fulfillment of the plan for retail turnover in the first quarter of this year was distinctly affected by higher retail prices of certain food and tobacco products, including price adjustments in public dining services. In view of the given potantial of our production, this had set the preconditions for satisfaction of demands for choice selection of foods.

This had been preceded by the fluctuating direction of consumers' demands since the end of 1981, which also affected the volume and structure of supplies as a result of a price cut of certain types of industrial goods last October. Due to more expeditious deliveries from the production and to the distribution of goods to the retail network, trade restored the continuity of supply, especially of basic types of goods, toward the end of 1981 as well as during January 1982, when the exaggerated interest in purchase of food and non-food products continued.

Consequently, the plan for retail turnover was well exceeded during the first months of 1982. On the other hand, development of our domestic market, or as the case may be, in food sales after the introduction of price adjustments, slowed down conspicuously. Consumers' demand declined, and total volume of retail sales, particularly food sales, remained far behind the 1981 level.

Nevertheless, already during March the interest of the consumers gradually rose and retail turnover exceeded the preceding months as well as that for the same period of 1981. It was typical for the development of demand that all through that month keen interest of our population in food products was gaining intensity continuously through March, while the sales of industrial products were stepped up only at the end of that month. On the whole, the plan for retail turnover in the first quarter of 1982 was 102.3 percent fulfilled in major trade systems.

The purpose of the changes introduced in retail prices on 20 January was, amont other things, to guide the development of consumption in accordance with the potential and with the interest of our society as well as with regards to wholesome and rational nutrition. However, contrary to this principle the consumers drastically changed their orientation, and this also affected their behavior. For example, those types of meats and meat products which once used to be in oversupply in the market were suddenly in short supply. On the other hand, following the increase of prices of types once in high demand, their consumption dropped conspicuously and their supply reached an appropriate level. The tendency to economize and to frugal has become evident in consumption of many food products.

Analogically, the consumption of meals and food in public dining facilities dropped during February and March; this was distinctly apparent especially in facilities included in higher price categories. Even in that area the development coincided with the development of food sales. Here, too, sales declined, although in centers of tourism and winter sports the heavy influx of tourists and high demands for services continued.

During the first quarter the supply of most of the current line of goods was adequate. Nevertheless, many problems still remain in meeting the demand, for instance, for sugar cubes and salt. Problems with the supply of vegetables involved the root and green-house vegetables; the supply of tropical fruit could not fully satisfy consumer demand. Serious problems were, and still are, caused by low supplies of fruit syrups. An unfavorable situation appeared in the supply of dairy products, particularly toward the end of the quarter. Furthermore, the demand for lard and fats containing lard had not been met. Sales of butter were up.

Consumers' interest in textiles and garments was focused entirely on products for the spring season. Especially less expensive types of bed linens, knit underwear, terry cloth, ready-made corduroy clothing, etc., were in short supply. As for industrial goods, certain models of black-and-white television sets, freezers, cheaper models of table radios, and for a long time already, of sewing machines, bicycles, cookware, etc., were in short supply. In the line of small retail goods, all kinds of winter sports equipment were in high demand, and problems appeared in the supply of hygienic products. In addition, more strains developed between the resources and the needs of the market for coal supply, due to the harsh winter weather.

All these problems reaffirm the fact that shortcomings in satisfaction of the justified interests of the consumers have been known for a long time and that despite all evident and efficient efforts to remedy some of those problems, they reached a chronic stage where a radical approach is needed to eradicate them.

Naturally, there can be no improvement without close coordination and cooperation of trade with production. As for the strained supplies of raw materials, the primary precondition here is the highest possible efficiency in their exploitation: deliveries to consumer goods inventory must be

skillfully negotiated by suppliers and consumers, so as to acquire merchandise which is highly sought in stores and does not gather dust in storerooms. The objective in the production of all kinds of goods is to search more and more for domestic resources in the first place and to find and utilize nonconventional materials and processes of production.

In terms of food, we count on the development of the potential for production by small cultivators and livestock breeders as one of the supplementary resources, particularly for meat, fruit and vegetables. Some other criteria must be applied to useful value of the products, such as longer durability, less packaging for sales purposes, the highest degree of industrial processing, speed and simplicity of final preparation of food at home, etc. In the trade and production of industrial goods interest must be focused on supplies of the currently upgraded products, especially durable goods (machinery, furniture), and in the line of textiles, most of all on goods with quality of the material for easier care and more attractive appearance. The common denominator of all those goods must be prompt introduction of latest trends in fashion.

Price adjustments alone cannot remedy the situation in domestic markest and the quality of supply and sales. The living standard of our population will develop further mainly according to the development of efficiency in our national economy. Our primary target is to produce more and better products at the same or lower cost. The result was, is, and will be determined by the production of adequate supplies. This aciom has been fully confirm in practice by the unfulfilled demand for egges, lard, etc., which is directly linked with lower production and lower supplies.

Current changes in the structure of consumption have in turn aggravated certain problems, which calls for prompt increase of supplies of cheaper cuts of meat as well as of cheeses and eggs, although the process of setting a new trend in demands for price adjustments cannot be regarded as completed after such a brief period of their implementation. The trends and development of consumers' demand must be studied in every period and twice so now, when the trends of demand are adopting far more distinct form.

Nonetheless, the apparent problems and shortcomings now under criticism cannot be generalized. The supply of goods is adequate and there are great many workers in our retail business who are doing their job responsibly and conscientiously. Furthermore, our enterprises have the authority to adapt production programs to coordinate them better with the legitimate demands of our working people. The economic policies of the Set of Measures allow large enough space for that. The more vigorously we apply them in practice, the better will be the quality of our purchases.

9004
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## CAPITAL CONSTRUCTION IMPLEMENTATION IN 1981 SUMMARIZED

Prague PLANOVANE HOSPODARSTVI in Czech No 4, 1982 pp 9-14

[Article by Engr Imrich Huzvar, State Planning Commission: "Realization of the Capital Construction Plan's Objectives in 1981"]

[Text] The basic objectives of the capital construction plan for 1981 stemmed from the economic necessity of increasing the utilization of invested resources and of ensuring the economy's effective development. In order to further improve the situation in capital construction, the state plan set the following task of primary importance: to reduce the excessive volume of capital construction in progress, to shorten the average construction time, to place the capacities in trial operation within the planned time limits, and to cut back the total volume of capital construction. To ensure these objectives, the state plan anticipated investment starts totaling 39.15 billion korunas in 1981, 38.3 percent less than in 1980. The purpose of this cutback was to aid the completion of the individual projects. At the same time, special attention focused on the category of capital construction projects designated as obligatory tasks of the state plan.

### Achieved Actual Results, General Trend

Already the results in fulfilling the planned volumes of construction work and deliveries of machinery and equipment for capital construction during the first half of 1981 were not the most favorable. The situation did not improve even in the second half of the year. As a result, the objectives of the plan were not fulfilled, neither in terms of volume nor in terms of the physical content of the investments. Fulfillment of the plan in terms of volume was 97.4 percent, lower than in 1980. The volume of construction work and deliveries of machinery and equipment for capital construction projects in 1981, without "Z" [community self-improvement program] projects and private construction by the population, reached 133.2 billion korunas. This is 3.6 billion korunas less than what the state plan had anticipated. The 1981/1980 index was 97.8.

Plan fulfillment was 96.9 percent for construction work, and 98.0 percent for deliveries of machinery and equipment. At the same time, plan fulfillment of the total volume of construction work and deliveries reported for the CSR (98.3 percent) was better than for Slovakia (95.7 percent). In both national republics plan fulfillment of machinery and equipment deliveries was better than plan fulfillment of construction work in place. The latter was 98.1 percent in the CSR, and 94.8 percent in the SSR.

Similarly as in 1980, better results were achieved in the volume of work and deliveries for projects not exceeding 2.0 million korunas, and in the case of machinery not included in the project budgets (99.7 percent) than for projects with budgeted costs exceeding 2.0 million korunas (96.1 percent). The following table shows plan fulfillment in greater detail, including a breakdown by territory and structure.

| | CSSR | | | CSR | | | SSR | | |
|---|---|---|---|---|---|---|---|---|---|
| | Roční plan (v mld. Kčs) (1) | Skuteč. (v mld. Kčs) (2) | % | Roční plan (v mld. Kčs) | Skuteč. (v mld. Kčs) | % | Roční plan (v mld. Kčs) | Skuteč. (v mld. Kčs) | % |
| (3) Objem prací a dodávek celkem (bez akce Z a soukr. výst. obyv.) | 136,8 | 133,2 | 97,4 | 88,4 | 86,9 | 98,3 | 48,4 | 46,3 | 95,7 |
| (4) v tom: stavební práce | 76,7 | 74,3 | 96,9 | 48,7 | 47,8 | 98,1 | 28,0 | 26,5 | 94,8 |
| (5) stroje a zařízení | 60,1 | 58,9 | 98,0 | 39,7 | 39,1 | 98,6 | 20,4 | 19,8 | 96,8 |
| (6) Objem pro stavby do 2 mil. Kčs RN | 55,2 | 55,1 | 99,7 | 38,3 | 38,0 | 99,2 | 16,9 | 17,1 | 101,0 |
| (4) v tom: stavební práce | 14,9 | 16,1 | 107,8 | 9,8 | 10,7 | 108,7 | 5,1 | 5,4 | 106,2 |
| (5) stroje a zařízení | 40,3 | 39,0 | 96,7 | 28,5 | 27,3 | 95,9 | 11,8 | 11,7 | 98,7 |
| (7) Objem nad 2 mil. Kčs RN | 62,6 | 60,1 | 96,1 | 38,2 | 37,5 | 98,1 | 24,4 | 22,6 | 92,5 |
| (4) v tom: stavební práce | 42,9 | 40,4 | 94,1 | 27,1 | 25,9 | 95,5 | 15,8 | 14,5 | 91,8 |
| (5 stroje a zařízení | 19,7 | 19,7 | 99,8 | 11,1 | 11,6 | 104,5 | 8,6 | 8,1 | 93,8 |
| (8) KBV a drobní investoři | 18,9 | 18,0 | 95,4 | 11,8 | 11,3 | 96,0 | 7,1 | 6,7 | 91,4 |
| (4) v tom: stavební práce | 18,8 | 17,8 | 94,4 | 11,7 | 11,1 | 94,9 | 7,1 | 6,7 | 91,3 |
| (5) stroje a zařízení | 0,1 | 0,2 | 254,6 | 0,1 | 0,2 | 247,5 | — | — | |

Key:

1. Annual plan (billion Kcs)
2. Report (billion Kcs)
3. Volume of construction work and deliveries jointly (without "Z" projects and private construction)
4. Of which: construction work
5. Machinery and equipment
6. Volume for projects with budgets not exceeding 2.0 million Kcs
7. Volume for projects with budgets exceeding 2.0 million Kcs
8. Comprehensive housing construction and minor investors

An unfavorable phenomenon is the relatively considerable shortfall in construction work, despite the fact that the weather throughout the entire year was very good. It is indeed evident that some construction organizations did not react in time to the change in the structure of investment on projects with budgets exceeding 2.0 million korunas, nor to the effect of the new instruments of management stemming from the Set of Measures, and to the curtailment of investment starts to which it was necessary to adjust the structure of supplier capacities. Of course there were shortcomings also in fulfilling the deliveries of technology. The shortfall in deliveries of machinery and equipment was 1.1 billion korunas, but there are problems particularly in physically securing the individual projects and in placing the capacities in trial operation. A favorable phenomenon is that fulfillment of deliveries of technology for projects exceeding 2.0 million korunas is better than in the case of machinery not included in the project budgets.

Throughout the entire year, the volume of construction that the construction organizations performed with their own personnel dropped 2 percent in comparison with 1980. The state plan had anticipated a 2.7-percent increase of this volume. The

causes of the shortfall lie primarily in the shortcomings in work organization, in the composition of the workforce by trades, in the dissipation of construction capacities, and in the structure of the material-technical base.

However, shortcomings must not be sought only in deliveries of construction work. The shortfall in deliveries of technology was 1.2 billion korunas. Similarly as in 1980, the problems in physically securing the individual projects continued, as a result of which a series of important production capacities were not placed in trial operation within the specified time limits.

In housing construction the shortfall in the volume of construction work and deliveries was 870 million korunas. As a result, only 94,100 housing units were completed, 15,700 fewer than what the state plan had anticipated. Of the total number of completed housing units, 18,700 were municipal construction projects, 33,200 were cooperative construction projects, 12,700 were built by enterprises, and 29,500 were built by private individuals.

Securing Capital Construction on Projects Designated as Obligatory Tasks

In accordance with the methods for the Seventh Five-Year Plan, a new classification of capital construction projects has been introduced beginning with 1981. The old category of "Selected centrally reviewed capital construction projects scheduled for completion as obligatory tasks" has been abolished. The 1981 plan included a number of projects in this category, especially the construction of more important production capacities, among the capital construction projects designated as obligatory tasks. For this reason the number of projects realized in 1981 within the framework of this selected set of priority projects increased to 353.

The 1981 plan called for supplying 26.5 billion korunas of construction and deliveries on these projects, or 27.1 billion korunas including also the capital construction projects in North Bohemia Kraj. From the viewpoint of the volume of the planned tasks it can be established that the plan's objectives were fulfilled and overfulfilled in terms of both construction work and the deliveries of technological equipment. However, these results in terms of volume are not adequate for fulfillment of the individual projects' tasks in physical terms, nor are they fully comparable with meeting the time limits for completion and for placing the capacities in trial operation. In other words, fulfillment of merely the volume indicators, if they are not in accord with fulfillment of the tasks in physical terms within the specified time limits, cannot be the criterion of the fulfillment of capital construction within the time limits set by the plan for trial operation and completion of the work on capital construction projects. [See table, next page.]

The mentioned problems and shortcomings in securing capital construction on the individual projects resulted in that the tasks set for the completion of capacities were not fulfilled. Of the 119 capacities that were to have been placed in trial operation in 1981, only 80 (61.1 percent) were completed. These include, for example, the following:

--VZKG [Klement Gottwald Iron Works of Vitkovice] Ostrava--expansion of the gear-cutting shop;

--Bukoza Vranov--intensification of the pulp mill;

| (1) Závazné úkoly | | (2) Státní plán | (3) Skutečnost | (4) | Index | | |
|---|---|---|---|---|---|---|---|
| (5) Rok | (6) Počet staveb | (7) (v mil. Kčs) a) celkem b) st. práce | c) stroje | % plnění | 1979/1978 | 1980/1979 | 1981/1980 |
| 1978 | 223 | a) 23 742 | 24 746 | 104,2 | | | |
| | | b) 12 077 | 13 003 | 107,7 | | | |
| | | c) 11 665 | 11 743 | 100,7 | | | |
| 1979 | 227 | a) 26 241 | 26 901 | 102,5 | 108,7 | | |
| | | b) 14 127 | 14 652 | 103,7 | 112,7 | | |
| | | c) 12 114 | 12 249 | 101,1 | 104,3 | | |
| 1980 | 246 | a) 27 068 | 27 792 | 102,7 | | 103.3 | |
| | | b) 14 270 | 14 293 | 100,2 | | 97.5 | |
| | | c) 12 798 | 13 499 | 105,5 | | 110.2 | |
| 1981 | 353 | a) 27 073 | 28 258 | 104,4 | | | 101,7 |
| | | b) 13 986 | 14 855 | 106,2 | | | 103,9 |
| | | c) 13 087 | 13 403 | 102,4 | | | 99,3 |

Key:

1. Obligatory tasks
2. State plan
3. Report
4. Percent fulfillment
5. Year
6. Number of projects
7. Million korunas
a. Jointly
b. Construction work
c. Machinery

--NHKG [Klement Gottwald New Metallurgical Works] Kuncice--the No 11 coking battery;

--Prerovske Strojirny (Prerov Engineering Works)--heavy machinery assembly plant;

--No 2 capital construction project at the Zdenek Nejedly Strip Mine in Rtyne;

--Hodonice grain silo;

--No 2 capital construction project at the Most Strip Mine;

--Cerny Vah pumped-storage electric power plant;

--Michalovce Tile Plant (Obkladacky); and others.

The Ruzomberok Pulp Mill, the Michle Power and Heating Plant, the new refinery at CHZ CSSP [Ceskoslovak-Soviet Friendship Chemical Works] in Zaluzi, and the Trmice Power and Heating Plant were placed in trial operation with moderate delays.

We failed to place 41 capacities in trial operation in 1981. Most of them are productive capacities, and their outputs had been taken into account in course of drafting the 7th Five-Year Plan. Thus failure to meet the time limits will result in considerable economic losses. The unfinished capacities include:

--Bucina Zvolen, modernization of DTD [expansion unknown];

--Bukoza Vranov, furniture plant;

--CZM [Czech Motorcycle Works] Strakonice, turboblowers;

--The Brno North Power and Heating Plant;

--Tatra Koprivnice, aseembly and body shop, engines and transmissions;

--UTB [expansion unknown] Bratislava;

--TAZ [Trnava Automobile Works] Trnava Agrovuz (Farm Truck) first phase;

--Likier Hnusta, industrial rubber;

--Pharmaceutical building in Hlohovec;

--Dunajska Streda Meat-Packing Combine;

--Matador Bratislava, phase II of plant expansion; and others.

Active Approach to Fulfillment of Tasks

Last year was the first phase in fulfilling the tasks stemming from the conclusions of the 16th CPCZ Congress, and from the law enacting the Seventh Five-Year Plan. In the course of this, the functioning was also tested of the new economic instruments from the Set of Measures for Improving the Planned Management System of the National Economy.

The results achieved in capital construction in 1981 reveal, besides a series of positive factors, also certain serious problems. In comparison with 1980, for example, the situation in placing new capacities in trial operation worsened. This fact is not accidental. Concentrated in it are the persisting problems in securing in physical terms the progress of capital construction on most projects, in fulfilling both the planned volume of construction work and the planned deliveries of technology. The 16th CPCZ Congress critically evaluated the overall situation. From its conclusions, and also from the directives for drafting the 7th Five-Year Plan, there follows the need to change the structure of investment and to cut back the total volume of new investment starts. These tasks, which were to influence the volume of capital construction in progress and strengthen their completion, were already incorporated in the indicators of the 1981 plan. However, many supplier organizations (particularly in the construction industry) and their supervising organs did not react in time to this altered situation, and to the essential need for the structural transformation of supplier capacities. In a number of instances they limited themselves merely to proclamations by economic officials, and these were not follwed up with specific measures at the enterprises and plants. At the reduced volume of investment starts, construction capacities were thus not fully utilized. Efforts to beef up capacities intended for the completion of capital construction projects, as anticipated by the plan, failed.

This was one of the reasons why the total volume of construction work in 1981 declined in comparison with 1980. Among other things, also the economization measures to ensure the economy's supply with petroleum and fuels had a certain unfavorable effect on fulfillment of the tasks at the end of the year. This of course does not excuse all the mistakes and shortcomings, as some managers are attempting to excuse them in this manner.

An improvement of the overall situation in the realization of capital construction clearly demands that capacities be adjusted to the needs. Their structural change, if not already made, must be implemented everywhere and at an accelerated rate. For we cannot agree with the views "What will we do with certain types of capacity if this or that project is not started" and start certain types of projects merely

because there are idle capacities. The approach must be the exact opposite. We will build was is essential for the operation of our economy, in agreement with the overall possibilities for investing. The appropriate organs and organizations must subordinate to these needs the structure of supplier capacities, whether in construction work or in ensuring the technological deliveries and installation work. We have no other choice. A task of primary importance within this framework is to better master the completion cycle, and thereby to significantly improve the placing of capacities in trial operation within the specified time limits, in all categories of construction projects and in the case of obligatory projects in particular. Also here, despite the very good fulfillment in terms of volume, the tasks in 1981 were fulfilled only 61.1 percent, and a number of important capacities that were to strengthen our production potential were not completed.

I have already mentioned the problems of project management and control, in my contribution at the beginning of 1981 (cf PLANOVANE HOSPODARSTVI, No 3, 1981, pp 13-18). In conjunction with evaluating the report data for last year, and the experience gained with the realization of the projects, I find it necessary to again mention certain problems in this area. Practice has unambiguously demonstrated that the critical path method is a very effective tool for the operational management of capital construction. Despite this, some economic workers underestimate its value and are not devoting as much attention to planning project management and control as it deserves. This is evident also from the fact that at the end of 1981 approved project management and control procedures were still lacking on 43 of the obligatory projects. Here again the tasks assigned to central organs by the government resolution concerning the 1981 plan have not been fulfilled. An analysis of the results in securing capital construction on the projects in this category indicates that the contradictions are not always solved in due time, or are solved only perfunctorily in terms of the volume indicators, without any conclusions about securing capital construction in physical terms, etc. I believe that the mentioned practice is a gross violation of discipline and of the statutory regulations in capital construction. The supervising organs should take action against all officials who, by their irresponsible approach and dereliction of duty, are causing serious problems and delays in capital construction, in the completion of the projects and capacities. To improve the situation it is necessary to use more widely than up to now also the principles of economic incentives for the personnel in capital construction, including wage preferences and target bonuses. But in no case should they be offered on projects where the set tasks are not being fulfilled, and in cases when extensions of the time limits for completion have been granted.

In conjunction with the evaluation of the results in capital construction last year, it can be established that the investor organs and organizations are still not making adequate use of the statutory regulations in their negotiations with suppliers, in attempting to solve the conflicts that arise in the course of securing capital construction.

The sanctions and penalties that the law and the economic system permit are not being applied adequately, for fear of possible countermeasures by the supplier (suspension of work, etc.). Therefore investors prefer to enter into various agreements that do not advance the progress of capital construction and merely serve to delay discovery of the fact that something is wrong on the construction projects. If the control audits are scheduled properly, and if the supervising and central organs exercise more consistent control, these phenomena can be avoided, and the problems can be solved in time.

The results achieved in 1981 are not the most favorable. In comparison with years past, particularly the startup of new capacities worsened. This situation should be subjected to thorough analysis and criticism at every level of management, by both investors and suppliers.

We have completed the first year of the 7th Five-Year Plan. On the basis of the experience gained, we must quickly adopt effective measures to remedy the mistakes and shortcomings and, by intensifying our efforts, eliminate also the poorer results in the fulfillment of the tasks in physical terms on the individual projects. On this occasion I would like to refer to the provisions of the organizational measures to ensure the state implementation plan for 1982, which state: "If on an obligatory project the prerequisites are not attained for fulling the volume of work and deliveries anticipated in 1981, the participants in capital construction are obliged to raise the tasks of the 1982 state plan by the amount of this shortfall, to correct and update their critical path diagrams and project management and control procedures, and to secure the time limits set for the commencement of trial operation and the completion of the projects."

At the same time, the timely completion of production capacities, the reduction of the volume of capital construction in progress, the shortening of the average construction time, and cutback of the scope of capital construction are the basic objectives of the capital construction plan, stemming from the conclusions of the 16th party congress and the 5th session of the CPCZ Central Committee. It is the primary obligation of all management personnel to elaborate the securing of these tasks in accordance with the specific conditions of each construction site. At the same time, the results of 1981 show where our weaknesses lie, where we have to improve the situation in fulfilling the tasks in conjunction with the realization of the projects, in the management process, and in controlling fulfillment of the set tasks.

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## BRIEFS

CSSR MOTORCYCLE PRODUCTION--The CSSR produces annually about 120,000 motorcycles with a capacity of less than 50 cubic meters, and more than 130,000 larger ones. Last year more than 60,000 Jawa motorcycles were sold to the USSR; this year's contract envisages the sales of 71,000 machines, as payment for imports of Soviet crude oil, gas and iron ore. In terms of money this amounts to Kc$1 billion. The motorcycles exported to the USSR come from the Jawa National Enterprise in Tynec Nad Sazavou. Apart from that, the Strakonice works are selling the USSR almost 20,000 350-cubic meter motorcycles. [Prague RUDE PRAVO weekend supplement in Czech 15 May 82 p 5 AU]

NEW FACTORY PROJECT--The foundation stone for a new machine-tool production plant was laid on 14 May in Spisska Nova Ves, Slovakia. The costs will amount to Kc$206 million and the project is to be completed within 40 months. [Prague PRACE in Czech 15 May 82 p 3 AU]

CSO: 2400/267

## ENERGY SAVINGS SEEN IN FURTHER ELECTRIFICATION OF RAIL LINES

East Berlin SIGNAL UND SCHIENE in German Vol 26 No 2, Mar 82 (signed to press 5 Feb 82) pp 55-56

[Article by Manfred Hahn, engineer, director, Electrification Department, Deutsche Reichsbahn (DR. GDR Railroad), Ministry for Transportation: "Electrification of Deutsche Reichsbahn Lines--An Important Rationalization Task of the Railroad Workers and Their Cooperation Partners." Excerpts from a January 1981 speech by Minister for Transportation Otto Arndt, cited in footnote 1, outlining railroad electrification for the 1981-85 Plan have been translated in JPRS 78041, 11 May 81, No 2124 of this series, pp 2-8]

[Text] In regard to the fulfillment of the program concerning electrification of approximately 770 kilometers of much-traveled track of the German Railroad during the five-year plan period up to 1985, the year 1981 was an important starting point. The objective was significantly to increase the electrification rate as compared to the performance of the preceding year and to create the preconditions--through the preparation of additional track, the development of more efficient technological procedures and an appropriate capacity development--for attaining in 1982 and in the following years further high rates of acceleration of the electrification program.

### Results of the 1981 Plan Year

The great efforts put forth by all of the collectives involved are reflected in the results of the 1981 plan year. With the punctual startup of the 47-kilometer Elsterwerda-Uckro section of the Dresden-Berlin line and of the 25-kilometer Luckenwalde-Ludwigsfelde section of the Leipzig/Halle-Berlin line, including the Doberlug and Ludwigsfelde transformers stations, the plan targets were attained. In addition, the following programs--in excess of the plan targets--were completed: On 16 December 1981, the 14-kilometer Uckro-Golssen section was opened to electric trains and headway was made in regard to pylon foundation in the capital of Berlin and at the Berlin Outer Freeway and in regard to pylon assembly and train capacity expansion.

The 86 kilometers of railroad track electrified in 1981 represent a higher rate of increase as compared with the period from 1977 to 1980; the transport capacity of the electrified lines increased by approximately 2 percent over 1980.

Proceeding from the Transport Ministry Conference for Electrification of German Railroad Lines in January 1981,[1] all participating state-owned enterprises and all agencies and institutions of the German Railroad put forth efforts in 1981 to tap reserves for the further acceleration of the electrification rate, for the reduction of the construction times and for the reduction of input. These efforts were concentrated above all on the development of new technologies for pylon foundation and pylon assembly. As a result of close cooperation among the Railroad Construction Office, the German Railroad Berlin Electrification and Engineering Enterprise (EIbb) and the Institute for Railroad Affairs, significant progress was made. This goes for

--increased use of prefabricated concrete parts for pylon foundations;
--introduction of direct foundations for reinforced concrete pylons;
--more efficient excavation and concreting procedures for local concrete foundations;
--introduction of high-performance equipment such as Poclain excavators equipped with drilling devices; development and construction of concrete mixing trains in the EIbb;
--introduction of pile-driving technology for pylon foundations at railroad stations.

To facilitate the assembly of power lines, the Stendal Railroad Works has made available additional power line-assembly cars.

High Degree of Efficiency Through New Technologies

The helicopter technology developed by the Halle/Leipzig High-Voltage Installations and Power Line Construction VEB and by Interflug [GDR Airline] again proved very successful. It helped significantly to reduce the power line preassembly times and to minimize the shut-down periods. Due to the application of this technology--involving aerial transport of the pylons, of the rail power lines and of the traverse beams at railroad stations, labor productivity increased 14-, 5- and 11-fold, respectively.

On account of the new technical and technological procedures, it was possible in the electrification work on heavily used lines to reduce the work spells and better to utilize the shut-down periods. However, the possibilities offered are still not fully utilized on account of shortcomings in regard to production preparation and an insufficient supply of auxiliary labor and equipment. Proceeding from the experience gained in 1981, we must insure that in the track electrification all workers show a high degree of discipline, steadfastness and efficient cooperation.

Performance Increase Presupposes Greater Efficiency of the Preparatory and Planning Processes

To effect the requisite performance increase in the electrification program, it is necessary more effectively to tap the available reserves in all fields, to enforce large-scale application of modern technologies, more quickly to produce results in the scientific-technological work while drawing more strongly on experts and on the innovator and rationalization movement, to improve the efficiency of the preparatory and planning processes, and to insure marked performance increases in this field.

Of great importance for solid production preparation is the timely presentation of the project documents. The quality of these documents--based on a detailed analysis of the underground construction area, the available construction site and the projected and available railroad installations, safety and telecommunication devices and high-voltage installations--determines the organization of the construction and assembly process. In this regard, the central departments still allow too many uncertainties and changes during the planning phase. It still happens--all too frequently--that agencies

--transmit the documents to the contractor too late, that they transmit incomplete documents or that they do not include the results of the cable search team or of test excavations;

--are careless in the development of a construction area;

--in the event of parallel repair or investment projects, permit deviations in regard to the documents to be transmitted or in regard to their belated completion.

Thus, the planning work in 1981 was characterized by an excessive share of planning changes and construction startups had to be put off, which delays affected the overall technological schedules. Consequently, the agencies of the respective central departments are expected to show greater consistency and accuracy in the preparatory phase. In regard to the development of the underground area or of the construction site, it is necessary to develop more efficient procedures or better to utilize the available possibilities.[2]

Further performance increases in the new construction program for track electrification presuppose enormous intensification of the preparatory and planning work. Since there is only a limited number of special cadres for the planning of power line installations and for the adaptation of the safety and telecommunications installations, reduction of the existing backlog has been too slow. For this reason, it is necessary--aside from capacity expansion measures--quickly to utilize all possibilities concerning reduction of the planning input and application of more efficient preparatory and planning procedures. The measures started in 1981, e.g.

--uniform spacing of the pylons on the open line in the so-called track area;

--introduction of tolerances in the construction operations in regard to problems in the underground area;

--preparation of simplified project documents tailored to the requirements of the construction site, documents that give the construction site supervisor broader decision-making powers and greater responsibility

must be continued systematically and consistently. As for acceleration, however, these measures will be effective only if as a result of the scientific-technological work the number of presently used foundation and pylon types is reduced in favor of reinforced concrete pylons.

As regards the present foundation processes, the share of local concrete foundations is decidedly excessive and too expensive. For this reason, we must do our utmost--by means of direct foundation of reinforced concrete pylons, a narrow assortment of prefabricated parts and increased employment of pile-driving technology at the stations and on the open track--to restrict the local concrete foundations to exceptional situations. These more efficient construction and assembly technologies offer the main contractor foundations and they provide the EIbb and its subcontractors with various simplified preparatory technologies and with the means of concentrating the construction operations and of making better use of the shut-down periods.

The intensified concentration of the construction and assembly operations on heavily used lines makes it increasingly necessary to implement--by means of good construction preparation and optimal utilization of the shut-down periods--the "drive and build" principle. The technological procedure used so far--excavation of the construction site, concreting and pylon assembly or casting during individual or continuous shut-down periods--must be changed as soon as possible and complex machinery chains must be established before the end of 1982. Within a single shut-down period, a machinery chain will then have to carry out in one operation the excavation of the construction site, the setting of the pylon or of the prefabricated part, and the casting.

Numerous Requirements Concerning Adaptation of SF Installations

The requisite measures concerning adaptation of the safety and telecommunications installations are another focal point of the electrification program. Even though the capacities for preparation and execution in this field are presently used primarily for track electrification, it is necessary--in view of the great needs of the German Railroad--to employ this technology most economically. In the interest of reduction of investment-intensive safety measures in regard to adaptation of SF installations (in connection with track electrification) for the protection of persons and installations against electromagnetic effects, the Work Paper No 15--entitled "Maximum Permissible Exposure"--was drawn up last year. Although its application necessitates increased preparatory and planning expenditures, it is indispensable for reduction of the construction and equipment input.

Proceeding from the experience gained in 1981, one can safely say that provided that there is good cooperation among all parties involved in regard to preparation, construction and assembly, that the workers' creativity is better utilized and that the aforementioned technical, technological and organizational possibilities concering a more efficient implementation process are systematically developed, there are good chances of further accelerating the rate of electrification in accordance with the requirements. In regard to the high degree of complexity of the task of track electrification on the basis of the "drive and build" principle, it is necessary to insist on strict organization and consistent action on the part of all departments and agencies of the German Railroad so as to insure steady operation. This includes the following: The railroad administrations must provide the requisite number of safety sentinels, supervisors, team leaders and equipment operators; the large-scale assembly machines and work train locomotives must be deployed punctually before the beginning of the shut-down period, and measures such as deforestation, cable laying and clearing of bridges, high rise structures and similar

objects must be carried out well before the beginning of the construction and assembly operations.

Electrify 140 Kilometers of Track in the Current Year

In 1982, the rate of electrification must be accelerated so that a total of 140 track kilometers can be put in operation and preparatory work for 1983--above all in regard to the foundation program--can be carried out toward startup of electrified train operation on further sections of the track to Berlin and via the western Berlin Outer Freeway to Rostock. At the same time, work must begin on the foundation projects of the Magdeburg-Stendal line. The primary objective is by the first change of the 1982 schedule for the Golssen-Ludwigsfelde line to start electric train operation up to Seddin. This calls for highly concentrated work on the part of all assembly collectives and railroad workers. Moreover, the Radebeul Energy Construction VEB and the BMK East VEB are to put in operation the Wunsdorf Transformer Works by September 1982.

Every kilometer of electrified track makes it possible to reduce the share of diesel traction and thus to make available diesel fuel. Thus during the plan discussion the collectives of the construction and assembly enterprises set themselves the task by the end of 1982 to complete the 44-kilometer Seddin-Saarmund-Priort section for electric train operation. Through continuation of the construction and assembly operations at the Wustermark-Birkenwerder, Nauen-Albrechtshof and Hennigsdorf-Velten sections, the foundations must be laid for the other startups planned for 1983.

In the interest of further diesel fuel economy, it is necessary to determine--in close collaboration with the operational departments, with the construction and assembly operations being continued--to what extent the finished track sections can be used immediately, before the projected startup date, and how one can technically prepare for this. In regard to the implementation of the new construction program, every kilometer of electrified track contributes to the successful implementation of the GDR energy policy adopted by the Party and the Government.

FOOTNOTES

1. "Electrification of the German Railroad--a Decisive Contribution to Efficient Energy Use in the GDR," SIGNAL UND SCHIENE, Vol 25 No 2, 1981, pp 55-56.

2. Leyn, H. "Results of the OBEDR Cable Search Team in the Location of Underground Installations," SIGNAL UND SCHIENE, Vol 26 No 1, 1982, pp 40-42.

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# MINISTRY ISSUES FINANCING GUIDELINES FOR STATE ENTERPRISES

## New Law Explained

East Berlin DIE WIRTSCHAFT in German Vol 37 No 4, 8 Apr 82 p 19

[Article by Dr Ilona Fuchs and Gerhard Boeber, Finance Research Institute, GDR Ministry of Finance: "Great Responsibility for an Effective Financial Policy." A translation of the new financing guidelines discussed below follows this article]

> [Text] The new financing guideline combines combine and enterprise economic accounting with the interest in a perceptible improvement of the cost/benefit ratio.
> The real industrial output becomes more of a criterion for the economic performance contribution.
> Financial liabilities to the state budget have to be met in full.
> Efficiency and liquidity are more closely linked.
> For overfulfilled performance quotas the bank grants preferential credits.

The implementation of the economic strategy issued by the 10th SED Congress makes new demands on the combines' economic accounting and financial policy. Appropriate measures were passed on that by the SED Central Committee Politburo on 3 November 1981. Those resolutions provide for a closer connection between the economy of the scientific-technical progress, cost accounting and economic accounting.

Based on the plan, the new financial policy measures aim at raising combine and enterprise responsibility for providing the financial means and improving their effective economic utilization, attaining an increasingly better cost/benefit ratio, and deriving a high net income for society from it.

The new financing guideline (GBL, Part I, No 5, p 113) resolutely proceeds from still more closely connecting the economic accounting of the combines and enterprises in all the fields of our economy with the requirements of the economic strategy for the 1980's and reinforcing the interest in improving the cost/benefit ratio as the most important source for economic growth. The economic accounting and financial policy of the combines and enterprises are thus fully oriented to intensification, i.e. a better use of the qualitative factors in economic growth. That, in particular, heightens combine and enterprise responsibility for cost reduction and for

producing revenue as a basis for their systematically forming their own funds and as a decisive source for financing our economic and social policy.

Typical of the new financing guideline, therefore, are, in particular, the following basic requirements:

1. A rigid control over cost reduction is the decisive prerequisite for high efficiency. The measures for further developing the financial policy based on the plan focus mainly on ensuring high efficiency in our reproduction process. What is wanted in particular is to enforce the demands made on cost reduction per every M 100 of commodity production as the main source for revenue growth. That calls for further improving planning and cost accounting and analysis, as spelled out in part II of the order.

In 1981, total prime costs in industry were saved at a rate of more than M 1 billion which reduced costs by 1.5 percent compared with 1980. These savings could have had a still greater effect on the national income, had there not been some enterprises that exceeded their costs.

As industrial cost reduction, i.e. mainly the reduction in production consumption, will become the crucial factor for the growth of our national income, we must more rapidly than we have and more effectively react to cost excesses occurring. That is why cost reports have been ordered as a new element in our financial policy, wholly for strengthening the active role of finances. The new regulations demand that when planned costs are exceeded, cost reports have to be made within 4 weeks. The causes for losses have to be thoroughly analyzed in them and measures have to be taken to recover the planned development. All this aims at heightening state discipline in abiding by planned costs and benefits and taking effective measures in time when the planned plan yield is in jeopardy.

2. Obtaining the planned efficiency and meeting the financial obligations the combines and enterprises have to the state therefore are decisive demands in the new financing guideline. An important concern is to provide full conformity between the financial policy of the combines and enterprises and the high demands of the 1981-1985 Five-Year Plan on the efficiency growth of social production, turning the industrial output actually achieved into still more of a criterion for the industrial contribution to economic performance. This puts more of an emphasis on producing industrial results as a source for passing planned revenues on to the state budget and on the formation of enterprise funds of their own. It is important to strengthen the connection between performance and efficiency development on the one side and the formation of funds of their own, on the other. In accordance with the stipulations of Article 20 in the decree on the further perfecting of economic accounting, the prevailing principle is that the combines and enterprises have to meet their financial obligations to the state budget at the planned rate. It still holds true even when the planned revenue can for a while not be fully produced. Then the combines and enterprises have to use their own funds. In any event, of course, wage and bonus payments to the working people in accordance with their performance and the provisions applying to it, will be ensured.

If the full commitment to the state is not ensured even though all available means were used, special decisions have to be made within the scope of status reports. Definite decisions have to be made in such cases at the end of the year by the competent minister in concurrence with the minister of finance and the president of the State Bank about the allocation of funds, the passing on of the net revenue to the state budget and the credit redemption.

3. To concentrate funds completely on the plan tasks, strengthen currency control and provide a close bond between efficiency and liquidity, it was decided that the planned financial funds of the combines and enterprises themselves have to be accrued purposively in equal monthly rates, depending on the fulfilment of planned performance and efficiency targets.

For that reason the monthly rates have to be made dependent on the plan quotas broken down by months in the ratified quarterly plan and transferred into special bank accounts from operational accounts at fixed schedules. In cases where one cannot depend on revenue production, e.g. in funds formed at the expense of prime costs, one should always proceed from one-twelfth of the anticipated and planned fund accrual per year.

To enable the combines and enterprises to finance the reproduction process according to plan from the first of the year, the regulations provide for allocating the currency fund as early as in the first quarter of the plan-year. If there is a temporary gap between producing the means for fund accruals according to plan and the time when funds are needed for plan implementation, credit applications to the bank may be made in accordance with Article 11 of the new credit decree.

To encourage the overfulfillment of planned performance and efficiency quotas, the bank grants extra credits on preferential terms, especially to cover financial needs in currency for the production and use of additional industrial robots and other means of rationalization, for the production of additional spare parts and a rational full capacity use of shipping space.

Measures have also been set down, however, that make it impossible to bridge over liquidity difficulties by not paying the suppliers.

If there are payment difficulties, the bank can grant the enterprises a payments credit up to 90 days at an interest rate of 12 percent. The object of such measures is to enhance payment discipline vis-a-vis contract partners.

The new regulations issued are a guideline for action. On their basis we must organize the effort for meeting the 1982 plan in every way and thereby actively implementing the new decisions. For the main bookkeepers in the combines and enterprises it is important to adapt their preventative and predictive activity as comptrollers fast to the level of the new tasks through close cooperation with the finance and banking organs.

## Text of Guidelines

East Berlin GESETZBLATT DER DEUTSCHEN DEMOKRATISCHEN REPUBLIK in German Part I No 5, 17 Feb 82 pp 113-124

[Official text of "Order of 28 January 1982 on Financing Guidelines for State-Owned Enterprises," signed by Ernst Hoefner, minister of finance]

[Text] For further perfecting economic accounting in accordance with the 10th SED Congress resolutions, the following is set down:

Article 1

The financing guideline for the state-owned economy (appendix) is being put into effect.

Article 2

(1) The guideline applies to state-owned combines and economic management organs (henceforth referred to as combines) and to state-owned enterprises (henceforth referred to as enterprises) in the field of the industrial ministries and the ministry for construction industry. It also applies to the industrial combines and enterprises and those of construction under the bezirk councils. The guideline does not apply to the foreign trade enterprises.

(2) The guideline applies accordingly to the other areas of the centrally or locally managed state-owned economy.

(3) The competent ministers and managers of other central state organs may make branch-specific arrangements in concurrence with the minister of finance, based on the financing guideline.

Article 3

(1) This order goes into effect when promulgated.

(2) Rescinded at the same time are:
--The financing guideline for the state-owned economy as of 21 August 1979 (GBL Part I, No 28 p 253), and
--the financing guideline for the state-owned enterprises and combines under the economic bezirk councils and for the state-owned enterprises of the local supply economy as of 19 September 1979 (GBL Part I, No 32 p 302).

Appendix to Above Order

Financing Guideline for the State-Owned Economy

I The Planning and Use of Net Revenue

1. Combines and enterprises, in conformity with legal regulations, have to plan their integrated operational objectives or operational objectives (henceforth referred to as integrated objective).

This they have to base, in conformity with state plan parameters assigned and while using the prices as set down in legal regulations, on the following:
--Revenue from commodity production and other turnover;
--the plannable prime costs of commodity production and other turnover;
--export revenue and costs; and
--the revenue from foreign trade enterprises attached to combines.

2. Combines and enterprises have to plan their net revenue on the basis of the state plan parameter called "net revenue." Net revenue is to be determined as follows: Integrated objective plus allocations according to legal regulations minus production fund levy minus the use of the results of the foreign trade enterprise.

3. The use of net revenue according to the planning order[1] is to be planned, in conformity with the tasks set down in the plan, in the following sequence:

(a) Enterprises
--Net revenue obligation to the state, at least at the rates set down by the state plan parameters,
--accruals to the bonus fund in accordance with legal regulations,[2]
--financing of contributions to voluntary insurance,
--accruals to the currency fund in accordance with legal regulations,[3]
--scheduled redemption of basic assets credits in accordance with part III,
--accruals to the investment fund in accordance with part III, and
--financing of other measures as set down in legal regulations.

(b) Combines -- Use of Net Revenue from the Enterprises
--Net revenue obligation to the state, at least at the rates set down by the state plan parameters,
--accruals to the enterprises
----for the investment funds to finance measures exceeding the enterprises' planned reproduction capacity,
----for recovering possible temporary losses and strengthening funds, and
----of means to finance other measures according to legal regulations,
--accruals to funds of the combine and for further use
----for bonus funds of the combines with their own management,
----for the scheduled redemption of the combine's basic assets credits in accordance with part III,
----for the investment fund according to part III,
----for the reserve fund according to part V figure 2,
----for the discretionary fund according to part VI figure 1, and
----for further measures in accordance with legal regulations.

For effects of scheduled industrial price changes on net revenue and net revenue distribution, applicable legal regulations must be resorted to.

4. Enterprises have to plan net revenue in excess over state tasks (price basis 1) for the following purposes:

(a) The revenue goes to the state after accruals as to letters b and c are deducted from the excess revenue--but at a minimum at a rate of 50 percent of the excess net revenue.

(b) Accruals, according to legal regulations to the
--bonus fund,
--performance fund,[4]
--young socialists account,[5]
and use for special purposes as set down in legal regulations.

(c) Enterprises not governed by the legal regulations on the performance fund may in the use of net revenue plan 10 percent of the excess net revenue for measures in socialist rationalization and for improving working and living conditions. Prerequisite to it is obtaining at least one of the qualitative state plan parameters, as determined by the competent minister or the manager of the next-higher state organ that would orient the enterprise collectives to solving important economic tasks.

These means are to be invested in accordance with the legal regulations on the use of the performance fund. Prior to being used, these means are to be deposited on account 417--clearing account for the net revenue left to the enterprises. Account 417 deposits can be carried over to the following year.

5. Combines have to plan net revenue in excess over state tasks (price basis 1) for the following purposes:

(a) Accruals to the reserve fund in accordance with part V figure 2 within preestablished limits, and
(b) accruals to the bonus fund and the young socialists' account in combines with independent management.

Prerequisite to it is that the excess net revenue from the enterprises is, at a rate of at least 50 percent, planned by the combine as net revenue payments to the state.

II -- Use of Net Revenue

1. The net revenue of combines and enterprises derives from their integrated objective with the following accruals and deductions:

Accruals according to legal regulations

Deductions
--Production fund deduction at the full rate in accordance with legal regulations,
--Stallage[6] dues and other remittance to the state budget in accordance with legal regulations,
--revenue not due to their own economic performance, as to figure 4,
--revenue from exceeding the manpower plan or unauthorized hiring of labor up to M 5,000 per individual. The revenue per individual is to be determined on the basis of the state plan quotas,[7] and
--use of the results of the foreign trade enterprise according to legal regulations.

2. When the state plan quota for net revenue is reached, the net revenue is to be used for the purposes as set down in Part I figure 3, up to amounts set down in the plan.

Excess net revenue is to be used in accordance with part I figures 4 and 5. If it results from returning allocations and other measures undercutting costs per M 100 in commodity production, it may be used in addition to the determinations in part I figure 4b to finance planned retionalization investments in lieu of intended scheduled credits and for the preredemption of basic assets credits. Remittance obligation of at least 50 percent of the excess net revenue to the state remains in force.

Planned net revenue not used for the planned purposes has to be remitted to the state budget.

3.

(a) When the state plan quota for net revenue is not fulfilled, the enterprises have to remit the net revenue to the state at the full cash plan rates.

Any remaining net revenue is to be used in the order set down in part I figure 3 letter a. Scheduled accruals to own funds from revenue are to be reduced at the rate of the diminished revenue, and if accruals were already made, they have to be cancelled, maximally to the total still remaining.

(b) If net revenue is smaller than the amount of net revenue obligated to the state, all the net revenue produced has to be remitted to the state budget. When there remains a difference from the net revenue remittance according to plan, enterprises have to use their own funds, as to Annex 3, as long as their own plan tasks are financially ensured. The bank has to be instructed on which of their own funds have been used for it. Even when own funds are used, wage and bonus payments to the working people have to be ensured.

(c) If net revenue and special bank accounts do not suffice for the enterprises to remit to the combine, so that the combine can meet its obligations to the state in remitting its own revenue, the combine funds have to be used and centralized means in the combine.

(d) When the state plan quota for net revenue is not fulfilled, the combines and enterprises may, in line with legal regulations, apply to the bank for extra credits for the anticipated and economically necessary accruals to enterprise funds, scheduled to come out of revenue. When on behalf of meeting the obligation to remit net revenue to the state investment funds were used, combines and enterprises may apply to the bank for credits, which must be redeemed within 90 days, to pay for deliveries under contract and performance investments.

Temporary payment difficulties caused by reduced accruals to own funds must not be bridged over by using other financial means of the combines and enterprises.

(e) When in the case of diminished revenue
--credits are not or no longer granted to bridge over payment difficulties,
--accruals to own funds were smaller than planned or funds were depleted to meet the planned net revenue remittance, or
--the planned net revenue remittance was impossible,
rulings go into effect in accordance with Article 20 of the 28 January 1982 decree on further improving economic accounting based on the plan (GBL Part I, No 3 p 85).

4. Revenue not coming out of one's own economic achievements must be remitted separately to the central budget whenever found to be used for the integrated objectives. That includes

(a) revenue from infringements of price regulations, especially through overcharging, unless such revenue counts as surplus revenue. Revenue from correcting wrong prices for ancillary products also has to be remitted;
(b) revenue from infringing assortments according to plan[8] by overfulfilling more profitable products at the expense of products or performances under quota or contract;
(c) revenue from commodity production or products that are sub-standard or below the quality provisions in terms of planned state quality criteria--revenue reductions as to Annex 1--;
(d) revenue from infringing rating provisions, from excess cost planning departing from state contingents, balancing ratios, standards, norms and limits, from centrally established planning and accounting methods, from rules on resorting to financial means--such as product-related price support--and from other legal regulations;
(e) revenue produced in previous years but shown only during the planning year because of a wrong chronological alignment between costs and revenue;
(f) revenue from the application of legal regulations that came into force or were rescinded after the assignment of state plan quotas;
(g) revenue caused by that the enterprise plan, in depending on the state plan quota, was not based on the prices and performances subject to industrial price revisions; and
(h) revenue not considered a result of performance of their own, due to special legal regulations, and thus to be remitted to the central budget.

Revenue not a result of performance of their own, as to letters a to e, may in principle not be counterbalanced against losses caused the same way. Losses and profits from a wrong chronological alignment between costs and revenues may be counterbalanced only if for reasons the enterprise or combine could not help, it was impossible to ascertain and account for costs in the year they were generated.

If for reasons under letters f and g revenue is reduced, the net revenue remittance to the state may be reduced by that amount, unless legal regulations provide otherwise.

The reduction in the net revenue remittance has to be confirmed by the general director and main bookkeeper in the combine and kept revisional.

III -- Financing of Investments--Redemption of Basic Assets Credits

1. Planning of the investment fund

1.1 To ensure an effective basic assets reproduction, combines and enterprises have to plan under their investment fund as financial requirement, related to projects or measures, the financial means only for planned investments[9]
--in conformity with the investment preparation plan and the state plan parameters under "investments (material volume)," and
--on the basis of their integration with material stocks and confirmed nomenclatures.

That also implies one may resort to reserves set up for performances not ascertainable in advance, in accordance with legal regulations.[10]

Financial requirements furthermore embrace the financing of the assumption or purchase of subject-related basic assets, devices, tools, instructions and testing devices paid out of research funds and of testing installations and experimental structures, in accordance with legal regulations.

The investment expense set down in the decision of principle must not be exceeded. Planning financial means for investments outside the plan is forbidden.

The investment preparation plan, the nomenclature listings (including a cover page listing all investments) and the "planning of financial means for investments"[11] must be submitted to the competent bank in draft and after decision-making.

1.2 Financial investment requirements as of figure 1.1 are to be held to the requisite plan level
--for paying for accountable performances for preparing the decision of principle in accordance with the preparation plan,
--for paying for accountable investment performances in implementing the planned and legally prepared investments including other payments to be made, in conformity with legal regulations, as part of the investment expenditures set down in the decision of principle,
--for discount payments falling due, according to legal regulations, and
--for taking part in planned and joint investments and special investments of other combines and enterprises as ratified by the ministers or bezirk councils.

Above and beyond that, no finance requirement may be planned.

1.3 To meet planned finance requirements, in conformity with the "planning of financial means for investments," the following financial sources are to be employed and channeled into the investment fund:
--Amortizations,
--means of the performance fund or of account 417--in accordance with legal regulations--,
--revenue from the sale of basic assets and from pulling down and scrapping basic assets in connection with investments and other revenue, residual book values from the sale or conversion of basic assets and the settlement of investment expenditures in accordance with legal regulations[12] (henceforth referred to as sales revenue and other means),
--insurance payments for basic assets provided they were made mandatory for the plan-year,
--means for the revenue and amortization dispersion by the combine,
--interest-bearing basic assets credits based on the state plan parameter, "credit volume changes due to interest-bearing basic assets credits,"
--means of the "young socialists account,"
--accruals from other combines or enterprises because of the partnership in planned and joint investments and special investments ratified by the ministers or bezirk councils, and
--net revenue (after all previously listed finance source were first used on a priority basis).

Appropriations to the investment fund above the planned finance requirement level are not authorized.

2. Use of the investment fund

2.1 The means of the investment fund are to be deposited, earmarked for their purpose on a special bank account, "investment funds," with the competent bank. All payments for purposes mentioned under figure 1.2 must come out of that bank account exclusively. Payments for other purposes or from other finance sources are inadmissible.

2.2 The means of the investment fund may be used only for their particular purpose and exclusively in preparing the decision of principle in accordance with the preparation plan and for implementing the investments contained in the ratified nomenclature listing. Financial investment means not resorted to in line with the nomenclature listing may not be used
--to finance investment not contained in the nomenclature listing or
--to reduce the credit share of other investments on the nomenclature listing.

2.3 Combines and enterprises are not allowed to use to planned means of the investment fund for
--investments for which there is no decision of principle according to legal regulations,
--transfer to other combines, enterprises or local state organs, unless these are planned partnership means for planned and joint investments and special investments, ratified by the ministers or bezirk councils, in other combines and enterprises,
--expenses exceeding investment expenditures authorized by the decision of principle, and
--credit redemptions. Excluded from that is the use of means saved in one's own planned investment fund insofar as they result from the reduction of investment expenditures thanks to more efficient investment activity.

3. Use of means of the investment fund not used up by the end of the year.

Means not used and remaining in the investment fund by the end of the year may be used up to 31 January of the following year for paying for accountable investment performances under the plan completed up to the end of the year.

Excess means beyond that must be remitted to the central budget.

4. Redemption of interest-bearing basic assets credits

4.1 For the scheduled redemption of interest-bearing basic assets credits are to be used at their scheduled amounts:
(a) amortizations,
(b) revenue from the sale of basic assets and the pulling down and scrapping of basic assets in connection with investments, other revenues in accordance with legal regulations, settlement of investment expenditures in accordance with legal regulations and insurance payments for basic assets,
(c) means of the performance fund or of account 417, and
(d) net revenue after the means under letters a to c were used up.

4.2 Ahead-of-schedule redemption of interest-bearing basic assets credits may be financed out of
--saved resources in the planned investment through lowering the investment expenditures thanks to more effective investment activity,
--amortizations coming back in excess of the plan and means exceeding the plan as of figure 4.1 letter b,
--write-off of production fund dues according to legal regulations,[13] and
--resources of the performance fund or of account 417 and net revenue produced above the plan as of part II figure 2.

4.3 The resources as of figures 4.1 and 4.2 are to be kept in an industrial collective account for the redemption of basic assets credits. Resources on that account not used are to be remitted to the central budget by the end of the year.

5. Amortization

5.1 The combines and enterprises have the planned amortization resources for the planned formation of the investment fund and the planned redemption of interest-bearing basic assets credits.

Unless enterprise amortizations are used with it, they must be remitted to the account, "amortization redistribution," and planned by the combine accordingly. The general directors of the combines may, above and beyond that, set down higher amounts in the plan as long as the planned formation of the investment fund and the redemption of the enterprises' basic assets credits are ensured by using other authorized financial sources.

5.2 Combines have to plan for remitting amortizations to the central budget when they are not used for the planned formation of their investment fund, the planned redemption of the basic assets credits, and the planned redistribution to the investment funds of the enterprises.

5.3 Enterprise amortization must monthly, and at the planned rate
--be put into the investment fund,
--be put on the combine's "redistribution of amortization" account,
--and used for the scheduled redemption of interest-bearing basic assets credits.

5.4 Amortizations falling due above and beyond the plan must at once be transferred to the combine's "redistribution of amortization" account or to the competent local council, if ahead-of-schedule redemption of interest-bearing basic assets credits is impossible. They may not be put into the investment fund. The general director of the combine has the right to allocate, above the plan, amortizations to the "redistribution of amortization" account of enterprises that do not reach through their own amortization the volume planned for forming an investment fund or redeeming on schedule their interest-bearing basic assets credits.

The planned level of amoritzations in these enterprises may not be exceeded.

5.5 Amortizations placed in the combine's "redistribution of amortization" account that are not used up to the end of the year have to be transferred to the central budget.

7. Resources of the performance fund or of account 417

7.1 Resources of the performance fund that are to be planned through the investment fund for the planned investments of socialist rationalization, in accordance with legal regulations, are to be allocated to the investment fund at the planned size by the start of the plan-year. Resources of account 417 are to be allocated when they come up.

7.2 Resources of the performance fund or of account 417 which are planned through the investment fund, in accordance with legal regulations, for planned investments to improve the working people's working and living conditions must be put into the investment fund when the financial need arises.

8. Financial resources from redistribution, from credit and from the "young socialists account"

8.1 Financial resources from revenue or amortization redistribution, from interest-bearing basic assets credits and from interest-free credits have to be deposited in the investment fund when the financial need arises.

8.2 Resources of the "young socialists account" have to be deposited in the investment fund when they come up.

9. Resources for participating in planned, joint investments, and investments ratified by the ministers or bezirk councils, of other combines and enterprises

9.1 Resources planned for such purposes are to be transferred from combine or enterprise investment funds to the chief consignor of the joint investments not until he has proven that the financial need has arisen.

9.2 Participation in planned joint investments and the stipulations made for it as to figures 1.2, 1.3, 2.3 and 9.1 also apply to subsequent investments according to legal regulations.[14]

10 Control and release of planned financial resources for investments

10.1 The competent bank,the finance department of the local council, the Internal Revenue Service and its supervisory organ must check the investment financing of the combines and enterprises between 1 April and 30 June each year and make a state decision on releasing the planned resources of the investment fund in accordance with the economic requirement for the conformity between material and financial planning.

It has to ensure that
--financial resources are used only on the basis of the plan and in conformity with the decisions of principle and the ratified nomenclature listings,
--an improvement of the cost/benefit ratio, a reduction in the production time frames, a lowering of investment expenditure and a cutback in jobs are achieved,
--all measures are purposefully supported that aim at an ahead-of-schedule and concentrated completion of production investments, and
--investments outside the plan are prevented and investments are not allowed to become more expensive.

10.2 To that end, proceeding from the state plan quotas, "investments (material volume," and in conformity with the nomenclature listings and the allowable investment expenditures set down in the decision of principle, and through integrating the investments within the balance sheets through appropriate balancing decisions, the combines and enterprises have to present to the organs referred to under figure 10.1 evidence on

--material safeguarding through contracts concluded on investment deliveries and performances for the duration of the plan,

--the conclusion of investment preparation, and

--the financial requirement that actually exists within the scope of the decision of principle through investments properly prepared, materially secured, and contained in ratified nomenclature listings, broken down according to accountable investment expenditures and instalments for the various investment projects and measures.

10.3 Through the competent bank, the finance department of the local council or the Internal Revenue Service, in cooperation with the competent combines and on the basis of the evidence presented, the actual financial requirement is to be determined and put on record with the general director of the combine or the director of the enterprise.

Up to the limit of that amount, the competent banking or finance organ, while taking account of payments already made, releases the account to fund the special bank account, "investment funds," for the plan-year.

Account has to be taken of the reductions ascertained for investment expenditures as confirmed by the decision of principle through price checks by the Price Office and investment checks by other organs.

10.4 The record as to figure 10.3 is to set down up to which level and in what deadlines investment fund resources of their own that are not needed must be transferred into a "special state budget fund." Combines and enterprises have to transfer these reductions from the investment fund to the bank account in conformity with Annex 2. In credit-financing projects, credits have to be curtailed proportionately. The bank that handles this has to keep an eye on the settlements obligations being abided by as set down on the record.

To the "special state budget fund" also have to be transferred the resources released from converting provisional into definite prices, in accordance with legal regulations.[15]

10.5 If the combines and enterprises manage in the time of the verification of investment financing, as to figure 10.1, an ahead-of-schedule completion of production through concentrated investment implementation, or catch up on backlogs, while the material safety of the planned investments remains assured, the release of the resources needed for that has to come from the bank's "special state budget fund."

The return of resources, in the amount released, has to be charged against the bank account of the combine or enterprise, as to Annex 2, and credited to the special "investment fund" bank account.

If through concentrated plan implementation, investments reach their operational effectiveness ahead of schedule and financial resources according to plan are not yet available for them, credits on preferential terms may be applied for from the bank, in accordance with legal regulations.

10.6 The organs charged with the verification of investment financing, as to figure 10.1, must provide investment consignors to whom up to 30 June of any given year the planned investment resources have not yet been released with further resources in fulfilment of the investment plan and verify matters once again in the second half of the year.

If up to that point in time either the conclusion or the fulfilment of the contract has not been ensured, all resources needed up to the end of the year have to be ascertained and deposited in the "special state budget fund." Claims to get such resources back require a provable catch-up with such backlogs.

11. Intra-enterprise order, financial and banking controls

11.1 The general dirctors of combines and the directors of enterprises have to set down in enterprise regulations that assignments and orders for deliveries and performances for investments are possible only within the scope of the decision of principle and investments will only be paid for if they are in conformity with the ratified nomenclature listings.

11.2 The main bookkeepers, in their capacity of state comptrollers, have to make sure that legal regulations on pay arrangements for the state-owned economy are strictly observed and resolutely enforced and that payment assignments for investments stay within the limits of the released resources.

11.3 The bank in charge has to keep an eye on the legal regulations being observed about the project and measure related planning and utilization of financial resources for investments and obtaining useable benefits, as it exercises its operational activity within the enterprises.

IV -- Centralization and Redistribution of the Net Revenue by the Combine

1. By means of the plan, the general directors of combines have to determine how much in net resources the enterprises have to pass on so that their obligations to the state are met and the reproduction process remains assured according to plan.

2. In the planning and utilization of the net revenue subject to centralization, the shares of other revenue contributed by research and rationalization facilities and the revenue of commodity production under financial planning and other accomplishments must be included.

3. The resources to be centralized in accordance with figures 1 and 2 are to be handled through the clearing account, "centralized net revenue," and deposited on the special bank account, "centralized net revenue."

4. The utilization of the centralized net revenue has to be purpose-related exclusively and be carried out up to its full level according to plan in terms of the planned purposes as of part I figure 3 letter b. To the extent that the planned subsidies in case of losses were not resorted to because the losses remained below plan, those resources must be included in the combine's computation of net revenue remittance to the state. If by the end of the year there still is net revenue on the clearing account as of figure 3, not invested in the purposes as to plan, it must be transferred to the central budget.

V -- Reserve Funds of the Combines

1. The planning, forming and using of reserve funds by combines to which combine enterprises belong are authorized in full by the next-higher organ. Additional resources for the combines' reserve funds are authorized under the preconditions set down under figure 2. The limit has to be established in concurrence with the minister of finance.

2. Combine reserve funds are to be formed as follows:

(a) at 50 percent of the limit from planned net revenue, and
(b) up to the limit in full from surpassed and overfulfilled net revenue and from resources carried over from the previous year.

Additional resources, above the established limit, may be put into the combines' reserve funds, provided that in the enterprises of the combine
--in the year before, targeted measures for improving the materials economy and speeding up the turnover of planned inventories were not funded sufficiently and
--the acceleration rate for the turnover of the previous year was taken for the basis of the plan-year.

Resources of the currency fund released thereby or net revenue earmarked for the financing, according to plan, of the growth in own resources not needed for the planned purpose, can further be added, by a decision from the general director, at a rate of up to 50 percent, to the reserve fund. Above and beyond that limit, there can be additions coming from sanctions, in accordance with legal regulations, via balancing arrangements.

The resources of the reserve fund have to be kept in a special bank account.

3. The reserve fund is to be used for financing
--higher expenditures resulting from an accelerated introduction of scientific-technical data into production, from additional research accomplishments and from short-range production conversion due to new requirements of the scientific-technical progress and of the foreign markets,
--higher costs, on behalf of the economy, for the storage of raw materials, spare parts and export products,
--technically and economically justified risks,
--economic effects from changes in the production assortments to improve the satisfaction of demands from the population and the economy,
--minimum appropriations for the bonus funds of the enterprises in accordance with legal regulations, if the net revenue produced in the enterprises does not satisfy them,

--the redemption of credits for the repayment of which the general director of the combine has assumed the guarantee,
--remitting the net revenue to the state to the extent that the centralized net revenue in the combine does not suffice, and
--other payments in accordance with legal regulations.

The reserve fund also is to be used at the end of the year to redeem credits granted particular enterprises when revenue was below par.

4. No credits are to be made from reserve fund resources and no allocations to combine and enterprise funds to bridge over payment difficulties when revenue is below par.

Reserve funds must not be used to pay bonuses, buy consumer goods and finance any events.

5. Reserve fund resources not used up during the plan-year may, as to figure 2 letter b, be carried over to 50 percent of the limit for the next year, to the reserve funds of the next year. Any surplus must be transferred to the central budget.

VI -- Discretionary Fund for the General Director of the Combine

1. The planning, forming and using of discretionary funds from centralized net revenue are permitted to combines to which combine enterprises belong up to the full limit allocated by the next-higher organ. The resources of the discretionary fund are to be kept in a special bank account.

2. The resources of the discretionary fund are to be used primarily for inducing targeted measures to intensify production and improve reproduction process effectiveness. That concerns extraordinary efforts by the working people in surpassing and overfulfilling the plans toward solving scientific-technical tasks, a short-term realization of rationalization projects, cost, material and energy savings, increased consumer goods production, increased export turnover and export lucrativeness, more ancillary supplies for export and consumer goods, improved quality and performance, and the solution of other important economic tasks.

State distinctions and merit payments, according to legal regulations, may also be made from the resources of the discretionary fund.

The payment of bonuses to socialist working teams, collectives and individuals from resources of the discretionary fund has to come in the form of target bonuses, performance bonuses or on the basis of agreements through mission-related bonuses. Payment of bonuses to persons who do not belong to the combine is permitted only with the agreement from the director of the state organ, the state institution, the combine or the enterprise to which that person belongs. Payments must go via those organs, combines or enterprises. Payments from the discretionary fund to such persons must not exceed 20 percent of the limit of the discretionary fund. Performance-related bonuses from the discretionary fund may be paid to associates of combine management only if they are members of such socialist working teams that are primarily made up of associates of state-owned enterprises, engineering bureaus, institutes and other facilities.

3. Resources of the discretionary fund may not be used for bonus payments to the general directors of the combines and the directors of enterprises, the purchase of consumer goods and the expenses for holding events--unless settled otherwise--and for conducting representations.

4. The general director of the combine has the obligation to confer with the competent trade union management about the utilization of the discretionary fund as directed by the plan and account to it for the actual use made of those resources.

5. Discretionary fund resources not resorted to by the end of the year can be carried over to the next year up to the limit allowable as to figure 1.

VII -- Centralization of Financial Resources in Combines

1. With the agreement from the industrial ministers, the minister of finance and the minister for foreign trade, the yield from export may be centralized in selected combines.

2. Parts of the export inducing resources may be centralized in the combine to increase the combine's influence on boosting the combine's export.

3. Resources in the risk funds formed in accordance with legal regulations[16] and financial resources for centralized promotion measures may be centralized in the combine to boost exports.

4. The centralization of financial resources in the combine can be arranged according to plan if the measures to be financed thereby serve the intensification of the combine's reproduction process and the development of the working and living conditions of the working people in the combine.

These are:
(a) Resources for scientific-technical tasks, according to legal regulations,
(b) net revenue and amortizations for planned investments (as to part I figure 3 letter b and part III figure 5.1) within the scope of measures for expanded reproduction and socialist rationalization,
(c) resources of the combine enterprises' cultural and social welfare funds for institutions of culture and social welfare that may be used by all combine enterprises (e.g. vacation homes, vacation camps for children); using such funds for investments is prohibited, and
(d) resources of the performance fund or of account 417 for purposes as to letters b and c.

The centralization of the resources of the culture and social welfare funds and of the performance fund is subject to agreement from the enterprise trade union managements and the directors of the enterprises. The arrangements made have to be included in the enterprise collective contract.

VIII -- Revenue to the State, Adding to Own Funds and Depositing Purpose-Related Financial Resources in Bank Accounts

1. Revenue to the State

1.1 Combines and enterprises must include the net revenue passed on to the state, on the basis of the breakdown set down by the Council of Ministers, in the state

plan quota, per quarter according to months, in their cash-flow account.[17] It must be made sure that the annual planning rates in toto agree with the state planning quota, "net revenue passed on to the state."

1.2 Combines have to pass on to the central budget, up to the eighth calender day and up to the next-but-last calender day of a current month, equal planning rates of net revenue, in amounts as set down by the cash-flow plan set down for any given month.

1.3 Amounts of net revenue from an overfulfillment of the state plan quota for net revenue are to be passed on monthly by the combines, in accordance with part II figure 2, with the second instalment of the following month, reflecting the actual amount of excess; repayments are to be arranged through clearing.

1.4 It is the general director of the combine who determines when the enterprises have to pass on their net revenue excess.

2. Passing on Amortizations

To the extent that the combines and the enterprises directly under the ministries have to pass on amortizations according to plan, such amounts have to be passed on to the central budget monthly up to the 18th calender day on the basis of the cash-flow plan.

In dealing with his enterprises, the general director sets down the schedule for receiving their amortizations under his own authority.

3. Special Payments to the State Budget

Enterprises make special payments to the state budget, in accordance with Annex 4, to a combine account called "special payments to the state budget." The combines must deposit such resources, at schedules referred to in Annex 4, on the account "special payments to the state budget" under the competent ministry.

In contradistinction to the enterprises, the combines determine the schedules and bank accounts for such payments under their own responsibility.

4. Combines and Enterprises of the Locally Managed State-Owned Econonmy (Except Enterprises According to Part X)

Combines and enterprises of the locally managed state-owned economy make their payments to the local budget. Special payments, as of Annex 4 figure 1 letters a through d, are made to the central budget. The finance department manager of the local council in concurrence with the chief of the next-higher organ, sets down the schedules separately for the payments to the local budget.

5. Enterprises Which Plan and Settle at a Smaller Scope

For enterprises that plan and settle at a smaller scope the competent ministers, in concurrence with the minister of finance, have to set down a smaller number of due-dates for payments and longer time frames for settlements for their passing on their net revenue to the state.

6. Additions to Own Funds and Placing Purpose-Related Financial Resources in Bank Accounts

The combines and enterprises add to their own funds from revenue and costs, in relation to their having met planned performance and efficiency targets, in equal monthly rates. Additions to the currency fund have to be made by one-third each in the months of the first quarter in the plan-year.

The purpose-related resources are deposited on the bank accounts in those amounts at schedules set down in Annex 5.

IX -- The Planning and Financing of Managerial and Administrative Costs in Combines

1. Combines plan costs for tasks incurred by the management and administration of the combine (combine management) by use of cost standards. This must not exceed the state plan quota "managerial and administrative costs."

2. Cost allocation for combine management and administration goes according to legal regulations issued on the subject.[18]

3. For financing the combine's managerial and administrative costs, as to figure 2, the revenue of the combine management is to be fully used, according to plan.

Planned costs not covered by the combine management's own revenue are to be financed through assessing the enterprises (henceforth referred to as cost assessment).

In combine management via a parent enterprise, managerial and administrative costs may be financed, by a decision of the general director, through a cost assessment for the enterprises or the planned costs of the parent enterprise.

The amount of the cost assessment has to be determined annually by the competent ministers or the chairmen of the bezirk councils, according to plan.

Resources from their own revenue and cost assessments not used up by 31 December in any given year become part of the domestic combine yield.

4. For determining how much the enterprises are to be assessed, the general directors of combines have to set down appropriate assessment standards, such as commodity output at enterprise rates, commodity turnover, size of work force and so forth, for a period of several years.

The assessment has to be distributed to the enterprises with the plan at absolute rates.

Enterprises have to plan the cost assessment as prime cost. It has to be shown separately in accounting and statistics. The assessment is to be calculated in accordance with legal regulations.[19] Enterprises, institutes and other facilities are not authorized to pay associates who handle managerial and administrative tasks of the combines or the ministries out of their own wage funds. That does not hold true for associates of the parent enterprise who assume tasks in the combine's management and administration. The enterprises have to pass on to the combine their assessments, as planned, in monthly instalments. The general directors of the combines set down the due-dates and amounts of monthly instalments of the cost assessment.

X -- Special Provisions for the Combines and Enterprises in Industry and the Local Supply Economy Under the Local Councils

1. The economic bezirk councils may apply part III figure 5.1 only when dealing with enterprises that do not belong to combines.

2. In the local supply economy, the combines and the enterprises not directly responsible to local councils but not being parts of combines have to plan the passing on to the local budgets those amortizations that are not used to forming investment funds as to plan, for redeeming their basic assets credits as to plan, and for the redistribution within the combine as to plan, in which this provision deviates from part III figure 5.2.

3. Economic bezirk councils have to pass on their net revenue to the state budget, which deviates from part VIII figure 1.2, in monthly planning rates up to 10 days after the due-dates for the combine enterprises. Net revenue yields from an overfulfilment of the state plan quota for net revenue, in deviation from part VIII figure 1.3, are to be passed on by the economic bezirk councils to the central budget on a quarterly basis at the rate of the quarter ending of the following month, or repayment is to be computed accordingly.

The economic council under the municipal council of Berlin, capital of the GDR, passes on the net revenue to the municipal council of Berlin, capital of the GDR.

4. The economic councils of the bezirks set down the deadlines for payments to be made as of figure 3, with respect to the combines and enterprises under the bezirk councils, and the combines do so with respect to their enterprises. Due-dates for payments from enterprises are to be scheduled in the terms in effect for 1981.

Combine directors may simplify the deadlines for payments to the state, for their enterprises, and in concurrence with the economic bezirk councils, if it does not increase the planned additions to the currency fund above planned amounts.

5. Combines and the enterprises of the local supply economy under the local councils pass on their net revenue to the state on the basis of planned monthly instalments to the local council. For due-dates, the provisions of part VIII figure 4 are in effect.

Combines and the enterprises of the local supply economy under the local councils have to arrange for their special payments to the local budget in accordance with Annex 4 figure 1 letters e through j, which deviates from part VIII figure 3.

XI -- Proving Expenditures for Procuring Industrial Goods for Public Demands

Combines and enterprises, regardless of financial sources used, must list all expenditures for industrial goods for public demands, as to Annex 6, on a separate account--broken down in terms of users' purposes--and in terms of value per item. Separate legal regulations govern the authorization for the purchase of industrial goods for public demands.[20]

XII -- Transitional Provisions

1. The 1982 plan implementation has to arrange for the contractual redemption of credits planned for play-year 1982 for an out-of-plan production of own resources from net revenue and for adding investment funds from resources of the performance fund or account 417 and other financial resources.

2. The settlement of financial relations between the combines and enterprises and the state budget and the settlement of financial funds for all of 1982 are to be made for the first time on 31 March 1982 on the basis of this order.

Annex 1 to the Financing Guideline

Imposts of Revenue deductions for Commodity Production or Products That Are Substandard or Below the Quality Specifications in Accordance With the Specifications from the Standardization, Measurement and Commodity Testing Office (Part II, Figure 4, Letter c)

1. The Standardization, Measurement and Commodity Testing Office imposes revenue deductions for commodity production or products below planned qualitative specifications or state standards and other quality provisions if
(a) quality seals assigned to products in current production are disallowed,
(b) technically obsolete products are not replaced according to plan,
(c) products are manufactured that do not correspond to state standards,
(d) planned use properties are not ensured,
(e) the planned volume fails to be reached for the commodity production in the various quality classes (including attestation clauses), quality levels and types per product and assortment, and
(f) in justified cases, for economically significant major emphasis tasks there are not obtained
--the quality and efficiency targets for products development planned under the science and technology plan, or
--the established objectives and schedules for the elaboration, introduction and revision of state standards.

The determination of revenue reductions calls for correlation with the competent pricing organ if for the same reasons price discounts are already being used for commodities.

2. The basis for determining revenue deductions is the revenue planned for any given products in accordance with output, or else --in cases as to figure 1 letter d--the branch-specific computation basis set down by the Standardization, Measurement and Commodity Testing Office.

In cases as to figure 1 letter e, as revenue deduction is assessed the planned revenue of commodity production brought out below par qualitatively or produced, due to the non-fulfilment of the relevant tasks in the science and technology plan, in accordance with outdated standards or without standards altogether.

3. The rate of revenue deduction may go up to 100 percent of the planned revenue for a product for which such a deduction comes into force. The revenue deductions may altogether not exceed 10 percent of the planned net revenue in an enterprise.

4. Assessing revenue deductions does not alter the industrial prices in effect.

5. Revenue deductions are to be shown in accounting and statistics and shown separately in reports.

Annex 2 to the Financing Guideline

Withdrawals From and Deposits to the "Investment Fund" Bank Account (as to part III, figures 10.4 and 10.5)

1. Figure 10.4

Combines and enterprises must make the withdrawals from the investment fund and deposit on the bank account number 6836-2-...06 of the next-higher centralized state organ.

Account designation: Ministry for . . .
--Withdrawals for the separate fund of the state budget--
Constant part of coded reason for payment
Code 556.
Departing from that rule, bezirk-managed industrial combines and enterprises withdraw from the investment fund and deposit onto the budget account maintained by the economic bezirk council at the State Bank branch office.
Account number ...-2-167112
Account designation: Economic bezirk council
--Withdrawals for the separate fund of the state budget--
Constant part of coded reason for payment
Code 556.

2. Figure 10.5

Combines and enterprises deposit onto the investment fund by charging the account number 6836-2-...16 of the bank account maintained by the competent central state organ.

Account designation: Ministry for . . .
--Withdrawal from separate state budget fund -- to the account of separate bank account "investment fund."
Combine/enterprise constant part of coded reason for payment, Code 556.
Departing from that rule, bezirk-managed industrial combines and enterprises deposit onto the investment fund while debiting the account number . . .-2-167132 of the budget account maintained by the economic bezirk council.
Account designation: Economic bezirk council
--Withdrawal from separate state budget fund--crediting the separate bank account "investment fund"
Combine/enterprise constant part of coded reason for payment, code 556.

Annex 3 to Financing Guideline

Authorized Financial Funds from Net Revenue or Charged Against Costs

| Type of financial funds | Combines | Enterprises |
|---|---|---|
| Financial funds according to financing guideline | | |
| 1. Investment funds | x | x |
| 2. Reserve funds | | x |
| 3. Discretionary funds | | x |
| Financial funds in accordance with other legal regulations | | |
| 4. Science and technology funds | x | x |
| 5. Performance funds | x | x[21] |
| --Order (No 1) of 15 May 1975 on the planning, formation and use of performance funds in state-owned enterprises (GBL Part I, No 23 p 416) in the version of order No 2 of 19 July 1978 (GBL Part I, No 22 p 249) | | |
| 6. Bonus funds | x | x |
| Decree of 12 January 1972 on the planning, formation and use of bonus funds and of cultural and social-welfare funds in state-owned enterprises (GBL Part II, No 5 p 49) in the version of the second decree of 21 May 1973 (GBL Part I, No 30 p 293) | | |
| 7. Cultural and social welfare funds | x | x |
| --legal regulation cf. figure 6-- | | x[21] |
| 8. "Young socialists account" | x | x |
| --Joint resolution by the GDR Council of Ministers and the FDJ Central Council of 21 March 1974 on the formation and use of the "young socialists account" in state-owned enterprises, combines, state organs and state institutions (GBL Part I, No 20 p 191) | | |
| 9. Maintenance funds | x | x |
| 10. Promotional funds | | x |
| 11. Risk funds (according to branch-specific legal regulations) | x | x |
| 12. Order of 24 April 1978 on the formation and use of separate funds to finance appropriations for the further development of the production of fashionable products in the light industry (separate GESETZBLATT issue No 9?5, p 7) | x | |

Annex 4 to Financing Guideline

Special Payments to the State Budget

1. Special payments to the state budget are:
(a) Revenue not produced through economic efforts of one's own (part II figure 4--except letter g--),
(b) revenue produced through plan implementation by that operational plans, based on the state plan quota, are not based on the prices for individual products and performances decided on by industrial price alterations (part II figure 4),
(c) revenue from exceeding the manpower plan or by unauthorized hiring of labor (part II figure 1),
(d) investment fund resources not used up by the end of the year (part III figure 3),

(e) centralized net revenue not used up by the end of a year (part IV figure 4),
(f) payments from the enterprise collective account for redeeming basic assets credits (part III figure 4.3),
(g) payments from the "redistribution of amortizations" account (part III figure 5.5),
(h) payments of above-plan sales revenue for basic assets and other resources (part III figures 6.2 and 6.3),
(i) payments of net revenue not used for planned purposes (part II figure 2), and
(j) other payments to the state budget in accordance with legal regulations.

Special payments as to figure 1 are to be made by the combines for:
(a) Revenue not produced through economic efforts of their own, up to the 18th calender day of the month following its ascertainment,
(b) revenue from exceeding the manpower plan or by unauthorized hiring of labor, as to part II figure 1, up to 28 February of the subsequent year,
(c) payments of above-plan sales revenue for basic assets and other resources, as of part III figures 6.2 and 6.3, up to the 18th of the subsequent month, and
(d) payments of resources not used up by the end of the year in the investment fund, the collective account for redeeming basic assets credits, the "redistribution of amortizations" account, the "centralized net revenue" clearing account, up to 28 February of the subsequent year.

Annex 5 to the Financing Guideline

Depositing Purpose-related Financial Resources on Bank Accounts (part VIII figure 6)

1. The transfer of purpose-related financial resources from the enterprise operations account to the bank accounts of the enterprises has to take place at appropriate amounts, as set down in a mandatory manner by legal regulations, at following due-dates:

(a) for funds charged again prime costs, up to the 15th calender day of the current month
--cultural and social welfare funds,
--science and technology funds,
--maintenance funds,
--promotional funds,
--risk funds,
--cultural, social welfare and bonus funds in the enterprise facilities for the vocational training of apprentices, and
--the amortizations to be put into the investment funds;
(b) for funds formed out of net revenue or depending on the size of the net revenue, up to the 18th calender day of the subsequent month
--resources from combine revenue distribution,
--performance funds,
--bonus funds,
--the parts of net revenue that go into the investment funds,
--reserve fonds,
--young socialists account, and
--discretionary funds.

2. Due-dates referred to under figure 1 are to be used as mandatory for ascertaining the credit/debit status within the framework of the currency plan.

Annex 6 to the Financing Guideline

Industrial goods of public demand according to part XI of the financing guideline

Sound equipment
Television sets
Lighting fixtures
Photograpic, cinematic and optical items
Watches
Furniture and upholstered goods
Sport and camping items
Refrigerators and freezers
Washing machines
Electrical household gadgets
Glas and china
Silverware
Macrame
Interior textiles
Carpets, rugs
Arts and crafts items
Bed linen and table linen
Pocket calculators
Small and portable typewriters
Wall-paper
Musical instruments
Bicycles and automobiles including spare parts

FOOTNOTES

1. Order for the Planning of the GDR Economy, 1981-1985--Planning Order--Appendix to the Order of 28 November 1979 (special GESETZBLATT issue No 1020 a) in the version of the Order of 30 April 1981 supplementing the Order for the Planning of the GDR Economy, 1981-1985 (GBL Part I, No 14 p 149) and Order No 2 of 29 January 1982 (GBL Part I, No 5 p 109).

2. In force at this time is the 12 January 1972 Decree on the Planning, Formation and Utilization of the Bonus Fund and the Culture and Social-Welfare Fund for State-Owned Enterprises (GBL Part II, Bo 5 p 49) in the version of the second decree of 21 May 1973 (GBL Part I, No 39 p 293).

3. In force at this time is the 21 May 1979 Order on the Planning of Financing Currency--Currency Order--(GBL Part I, No 16 p 124).

4. In force at this time is the 15 May 1975 Order on the Planning, Formation and Utilization of the Performance Funds of the State-Owned Enterprises (GBL Part I, No 23 p 416) in the version of the order no 2 of 19 July 1978 (GBL Part I, No 22 p 249).

5. Joint Resolution by the GDR Council of Ministers and the FDJ Central Council, of 21 March 1974 on Forming and Using the "Young Socialists Account" in State-Owned Enterprises, Combines, State Organs and State Institutions (GBL Part I, No 20 p 191).

6. 27 October 1981 Instruction to Stimulate the Acceleration of German Railroad Freightcar Dispatch (TARIF- UND VERKEHRS-ANZEIGER, No 39).

7. Computed [in terms of the following formula]: Planned integrated objectives [numerator] over Planned number of workers and employees (fully employed) at annual average (without apprentices) [denominator].

8. The ministers have issued branch-specific regulations on that.

9. That also includes the acquisition of basic assets with a normal working life of over one year and a gross value of at least M 1,000.

10. In force at this time is the 13 July 1978 Decree on Preparing Investments (GBL Part I, No 23 p 251) in the version of the second decree, of 12 December 1979 (GBL Part I, 1980, No 1 p 15) and the third decree of 30 October 1981 (GBL Part I, No 32 p 375).

11. Skeleton guideline of 30 November 1979 (special GESETZBLATT issue no 1021), forms 435 and 436.

12. In force at this time are the 20 June 1975 Order on Accounting and Statistics in the Enterprises and Combines (special GESETZBLATT issue no 800); the 10 November 1971 regulations for the financing of investments and the treatment of cost overruns and starting costs (GBL Part II, No 78 p 690); and the 10 November 1971 order on separating basic assets, the use of special write-off and the setting up and using repair funds (GBL Part II, No 78 p 694) in the version of order no 2 of 23 June 1975 (GBL Part I, no 30 p 574).

13. In force at this time is the 10 November 1971 order on separating basic assets, the use of special write-off and the setting up and using repair funds (GBL Part II, No 78 p 694) in the version of order no 2 of 23 June 1975 (GBL Part I, no 30 p 574).

14. In force at this time is the 13 July 1978 Decree on Planning, Preparing and Placing Follow-up Investments (GBL Part I, no 23 p 257).

15. In force at this time is the 13 July 1978 Decree on Preparing Investments (GBL Part I, no 23 p 251) in the version of the third decree of 30 October 1981 (GBL Part I, no 32 p 375).

16. In force at this time are the 10 March 1971 order on forming and using risk funds (GBL Part II, no 32 p 265) and order no Pr. 283 of 1 November 1978 on price setting to promote the production of special machinery, special devices and special tools (GBL Part I, no 41 p 447).

17. In force at this time is the 2 August 1979 order on cash-on-hand planning (GBL Part I, no 28 p 249).

18. In force at this time is the 11 May 1978 order on putting into effect and issuing the guideline to ascertain managerial and administrative costs (GBL Part I, no 16 p 185).

19. In force at this time is the 10 June 1976 central state computation guideline for setting industrial prices (GBL Part I, no 24 p 321) in the version of order no 2 of 23 August 1979 (GBL Part I, no 30 p 336).

20. In force at this time is the 1 November 1971 order on procuring industrial goods on public demand and resorting to the performance of public service agencies (GBL Part II, no 77 p 678).

21. Centralization of resources in the combine is possible.

5885
CSO: 2300/276

## BANK REPORTS ON FIRST QUARTER CREDIT, MONEY CIRCULATION

Budapest FIGYELO in Hungarian No 19, 12 May 82, p 6

[Bulletin from the Hungarian National Bank: "Credit and Money Circulation in the First Quarter"; passages enclosed in slantlines in italics in original]

[Text] The economical and financial accomplishments of the year 1981 are reflected in the economy of the current year. But after the appropriate allocation of funds from last year's profits, the maintenance of liquidity was a continual source of problems for the companies and cooperatives--especially after February. The disadvantageous changes in market conditions, marketing difficulties (lack of orders, protraction of contract agreement negotiations) and the slow influx of outstanding accounts were contributing factors.

At the beginning of January the balance of accounts receivable of the economic organizations still exceeded that of the previous year by 5 percent. However, the situation later deteriorated. The reasons for this were /late payments/ for purchased goods, compulsory deposits on various special-purpose accounts and the necessity for greater investment potency.

### Working Capital Loans

Between the months of January and March, 12 percent more /applications/ for working capital loans were submitted to the bank by companies and cooperatives than during the same period of the previous year. A significant amount of the /approved/ 122 billion forints represents new credit; of this, a total of 8 billion is for renewals of previous contracts. The number of /denied/ requests is identical to that of last year, but proportionately less.

Of the newly approved working capital loans, the industrial sectors (together with the food processing industry) received 55 billion forints, 13 billion was allocated to the building industry, 22 billion forints to the state-owned and cooperative agriculture, 22 billion to circulation and 1 billion forints to other sectors.

Of the approved amounts in the first quarter of the year, a significant portion (98 percent) comprises /short term loans/ of which 63 percent financed frozen assets (supplies, accounts payable), 25 percent compensated for temporarily

lacking resources and 12 percent served to overcome financial complications. The proportions of distribution did not change considerably as compared to last year.

Unfinished production, an increasing number of outstanding accounts and regulation changes served to intensify the /freeze on liquid assets/. Seasonal production investments, primarily in the agriculture and building industries, created greater credit demands. On the other hand, in the export-oriented sectors of industry, the receipt of sales returns was often slowed by circumstances hindering deliveries, delays, market expansion and longer transportation distances. Due to /lack of resources/, the credit needs of industrial sectors were greater than last year and fundamentally provided interim compensation for the generation of profits in 1982.

The /lending period/ of short term loan contracts approved between the months of January and March was somewhat lengthened; an average of 5.7 months changed to 5.9 months. The predominant portion of the provided working capital loans /was utilized/ by the companies and cooperatives during the first quarter.

The majority of the matured loans were repaid in time by the economic organizations. At the end of March, the total amount of all working capital loans increased in the first quarter and was 10.5 percent greater than 1 year earlier. Within this amount, the /short term loans/ between January 1 and March 31 increased by 4 billion forints as compared to last year; on the other hand, the reduction of revolving credit, export and company credit and special credit totaled 3 billion forints less than last year.

Invdstments

In the interest of cutting back on accumulation of funds and because of more stringent credit conditions, the bank in 1982 further limited the selection of applications for investment loans.

The total amount of /applications/ for investment loans by /state enterprises and farms/ in the first quarter was 9 percent less than last year and about half was meant to be utilized in 1982. The credit applications were divided nearly evenly (one-third) among industry, food production and the other sectors.

On the basis of applications not yet reviewed at the end of 1981 and those received in the first quarter, the bank /authorized/ 1.6 billion forints in loans in the above-mentioned categories (as compared to 2.2 billion in the first quarter of last year), almost half of which was allocated toward the realization of preferred developments. (Among these, investments for improvement of credit balance are predominant.)

The /average maturity/ of the investment loans authorized during the January-March period is 79 months, and, due to earlier repayments by the industrial and food processing sectors, this period is /shorter than that of last year/. Shorter than average repayment periods were promised by the building industry,

agriculture and the non-manufacturing sectors. The economic organizations provided an average of 24 percent of their investments from their /own resources/ (as compared to 17 percent 1 year earlier). In the agricultural sector, the average is even higher--30 percent.

From investments made through the utilization of authorized loans, the state enterprises and farms expect an average of 23 forints profit for every /100 forints invested capital/ (as compared to 16 forints in the same period last year); in every sector, this is larger than the minimum stipulated as a condition for loan authorization.

In the interest of increased enforcement of credit competition, the amount of investment credit applications awaiting review at the end of March was greater than last year.

The bank received a total of 1.5 billion investment credit applications from /cooperatives/ in the first quarter (four-fifths of these were submitted by agricultural farming cooperatives); however, the authorized loans amounted to 0.6 billion forints. Most of the requests were for investment credit relating to export development.

At the end of the period, the /amount of investment loans/ totaled 3.4 percent more than in the identical period of the previous year.

Income and Purchases of the Population

In the first quarter the /cash income/ of the population from the socialist sector increased more moderately than last year, but this year, taking the outflow of purchasing power through foreign exchange in consideration, its growth reaches 6 percent (as compared to 6.2 percent 1 year earlier). Due to the combined effects of greater amounts of merchandise and price increases, /purchasing/ expenditures increased at a rate surpassing incomes. The /amount of money in circulation/ decreased in contrast to an increase last year and /savings account deposits/ increased slightly more than last year.

/Wages/ paid in cash, not counting wages of cooperative employees, increased by 4.3 percent.

/Other personal income/ sufficiently reflected expectations and was nearly equal in amount to that of last year.

Among the incomes from agricultural sources, the /earnings of cooperative members/ increased by 5.8 percent and the /wages of cooperative employees/ by 20.8 percent. (Amounts paid as dividends from profit-sharing funds surpassed those of the same period in the previous year by 14 percent.)

From the /marketing of agricultural produce/ (collection), the population received less cash income than last year; however, if the foreign exchange rate is taken into consideration, it remained on the same level as last year.

/Cash social benefits/ increased by 8 percent compared to last year. As background, increases in the number of retired persons by 46,000 and in the average pension by 200 forints are noteworthy.

9956
CSO: 2500/246

SOCIALIST ENTREPRENEURSHIP MUST BE FURTHER DEVELOPED

Budapest MAGYAR NEMZET in Hungarian 4 May 82 p 9

[Article by Dr Zoltan Zoltan: "On the Path to Entrepreneur Development"]

[Text] An increasingly greater social interest is being shown nowadays in the different entrepreneurial forms. Retail stores and restaurants are coming under business operation by contract; and business work partnerships and small co-ops are being formed. We can say that fortunately the entrepreneur spirit of our society has grown. And it is really time! In the current world economic situation, when our economy is being challenged again and again by the world market, we cannot delay giving up our comfortable economic stance and appearing on the field of active market competition.

Without wishing to be a wet blanket, however, I feel I must unconditionally point out that these small company forms will hardly "redeem" the Hungarian economy. They can bring a certain effervescence and competition in the sphere of retail trade and services, but they will not be able to raise the entrepreneur spirit of the economy as a whole to the desired level. For this to happen, the already existing enterprises will have to become, in fact, socialist economic entrepreneurships. But the institutional condition-system of our economy is still rather far from achieving this even though there are and have been efforts and hypotheses at making advances, but in an atmosphere of social disinterest these have died out one after the other.

In shedding light on the problem area, we must start out by analyzing etymological questions. Namely, that our word "enterprise" (vallalat) suggests the normal recognition that it can be only an entrepreneurship. On the other hand, we have always regarded the enterprise as being a socio-economic organization of many kinds, but not as an entrepreneurship. Our word "entrepreneurship" fell victim to our earlier "great house cleaning" as well as the similar words of "market" and "profit": We swept these concepts, too, from the dictionary of socialist economics as "capitalist economic categories." Our rejection of the concepts of market and profit has softened a great deal since 1968--and it has been included in the economic reform concept--but we hardly spoke of entrepreneurship until the recent past.

Our rejectionist attitude toward entrepreneurship can be ascribed to the fact that we have not as yet succeeded in theoretically clarifying the dual

right of disposal over social capital--namely, that part of social property invested in economic activity. On one hand proprietary and on the other entrepreneurial functions are linked to this right. It is already well known from capitalist practice that the person of the proprietor and the entrepreneur do not always coincide. Many proprietors, including for example stock owners, do not in the nature of the matter appear in their own person as the entrepreneur but entrust this function to appropriately equipped people, economic managers who understand better the tasks of entrepreneurship. The ownership body exercises appropriate control over their activities, and they confirm only those managers in their assignment who give proof of the results of their economic activity by attaining high profits.

It is all the more justifiable in a socialist country to clarify the question of the right of disposal over social capital. This is so because here the owner is the state, that is a legal person who, even if he wanted to, could not himself attend to entrepreneurial functions. The entrepreneurs must in fact be there on the market, in the thick of economic life in order that they might react immediately to every market vibration. The arrangement and distribution of proprietor and entrepreneur functions between the state and the enterprise can have an important effect on many related areas, and indeed must have. That is, an effect primarily on the nature of the management, on the means of the regulatory system, on the extent of risk undertaking, on the differentiation of personal incomes--because of all which the question cannot be avoided. As a consequence of the lack of clarity in this basic question, we sought without success to make progress in certain questions for in the end we always crashed into the wall of a social lack of comprehension. Such, for example, was the case in 1969 when immediately after the first year we had to pull back with the categorization for regulating the differentiated profit sharing of managers. Because no one explained to people that the managers--as the economic entrepreneurs--have a much greater role in the formation of above-average profits than subordinate workers. And no one explained the extent to which this can be expressed in higher basic payments to the managers. A similar, general problem was the differentiation in income among workers on the same job and with the same skill, and the same amount of experience. People did not understand, and many still do not understand, why certain job categories can have different base pay at various enterprises depending on the prosperity of the enterprise where one works. This happened because no one explained to them that certain work outlays yield more profits where current, modern products that can be sold on all markets are manufactured than where they manufacture obsolete items that are difficult to sell and require a state subsidy. This led by the mid-1970's to a public sentiment which was finally embodied in the publication of the National Trade Wage Schedule (which did not meet the hopes that were pinned on it and was invalidated). Thus we deprived the economy of an effective signal system: the income differences indicate for the individual workers to what extent their work outlay is embodied in economic and market-worthy products. If the wage and income level is low at some enterprises this indicates, should indicate, to the workers that they are not investing their work strength in the best place for production. If they want to earn more, they should transfer to an enterprise where higher wages can be paid on the basis

of their participation in the manufacture of products with greater profitability. Or they need to reprofile their own enterprise--make it better, more efficient, and flexible.

A certain lack of comprehension has been evoked in our society down to this day by that measure of the 1968 economic reform establishing "managerial control authorities," chiefly with the participation of specialists and high level managers. But along with these--or in place of these--they did not establish "workers control committees." And still if the working collective must accept to a significant degree the odium of inadequate or bad economic decisions, it should receive a greater role in the social control and supervision of these decisions.

The basic question is: How should we conceive of the socialist enterprise as an entrepreneurship? In such a way, that the socialist state, as a legal person, would share in part with the enterprise collectives proprietary rights over social capital on the basis of delegation of authority. It could charge these collectives--or certain social forums of these collectives, for example, the control committees--with the exercise more or less of proprietary functions. These would refer chiefly to the protecting and increasing of social property, the fulfillment of material obligation undertakings charged to the property, confirmation of the naming of managers, and approval of the strategic problems of entrepreneurship. (To such an extent, that group interests would not confront national economic interests.) They would have to prepare concepts and programs including alternatives for the more profitable use means available to leaders of the entrepreneurship but under social property ownership. This would be over the short, medium and long term. Whatever the collective approved would form the basic concept of plan preparation.

The entrepreneurial-managerial class should also be given greater freedom of mobility in choosing the production profile. In our era, the future belongs to economic diversification, and enterprises with a one-sided profile are readily vulnerable. In all questions affecting the collective as a whole, stpes can be taken only on basis of positions, in principle, taken by the control committee.

A managerial assignment should, or may, be given--preferably by way of competition--only to those who can prove with results their professional grounding, their entrepreneurial and managerial ability, and their political reliability. If a manager does not meet these requirements or does not realize the entrepreneurial concept in the approved manner, the control committee may initiate his recall at the highest authority.

The state can make withdrawals from the enterprises through economic regulators on the basis of two functions: on one hand in a normative manner, as owner, pursuant to the fixed and working capital made available to the enterprises; and on the other hand as the guarantor of social justice by taxing outstandingly high levels of enterprise and personal incomes or implementing sociopolitical points of view. In enterprise and personal income regulation we should unconditionally put an end to the base outlook which has prevailed thus far because this is exactly what restrains the entrepreneur spirit or

the efforts at attaining higher incomes. Entrepreneurs--as well as collectives and individuals--can be stimulated to react to the active market and to innovation only if the accompanying additional efforts are rewarded in the form of incomes above the average. Thus what the enterprise would attain as profit, after payment of the normative means-utilization fee, would be the entrepreneurial profit of the collective. (Whatever is withdrawn from this could be only for income regulation purposes, and no further withdrawal could be made on basis of the ownership principle.)

This does not mean, of course, that the current wage-system nomenclatures would lose their importance. A similar, continuously maintained trend-nomenclature would remain in effect. The workers' income could be basically from two sources: an adequately defined, normative wage and a share deriving from the profit of the entrepreneurship. The share from the entrepreneurial profit would be much more differentiated than the basic wage--depending on the extent an above-average achievement was presented, and to what extent this contributed to the formation of the profit.

In summary, it must be emphasized that socialist entrepreneurship, in the true sense of the word, can be one that is conducted with collective and adequate social control. To this end, we need to increase further the decision-making independence of the managers, their economic freedom of mobility, but also to intensify local social control. Only in this way can we conduct this desirable process in a socialist channel according to principle.

6691
CSO: 2500/238

HUNGARY

GUIDELINES FOR IMPLEMENTING SMALL BUSINESS REFORM IN INDUSTRY

Budapest IPARI KOZLONY in Hungarian 15 Apr 82 pp 381-383

/Text/ Guidelines

[Ministry of Industry Decree No 265/1982 for the creation of new modern organizational forms to increase productivity

I. The role and place of small business organizational forms in industry.

The Ministry of Industry seeks to promote internal development and connections between enterprises, according to the nature of their product structure and within the dimensions of the market, so that individual and collective entrepreneurship will receive support in an organizational respect as well. This can be accomplished through the adoption of new forms of small business production and subsidiary activity, thus broadening the set of organizational forms in business.

The tasks resulting from the establishment of economic goals must be accomplished through the systematic modernization of large industrial management. However, the maximal exploitation of the possibilities for small business use of socialist economic conditions is also essential. Our viewpoint is that small business forms are organizations which adapt to socialist production conditions for the benefit of the general economy and our goals. The small business forms do not represent the rivals of large industry, but rather are designed primarily to meet the need where large industrial systems cannot, or do so inadequately.

Thus, the small enterprises can effectively fill small-volume needs or occasional supply and demand shortcomings, can expand capacities for parts and intermediates, and can play a large role in eliminating shortages. In addition, by reducing the pressure on large industries, small enterprises can aid them in concentrating on their task of structural reform.

The ingenuity and entrepreneurship of the individuals, groups, and institutions (enterprises, cooperatives, local councils, etc.) which founded a given

organization play the primary role in the employment of small business forms. However, we find it necessary that the Ministry of Industry establish a set of theoretical-practical guidelines in the most important production and service areas for the development of small industrial activity. In these guidelines, we do not discuss in a legal sense that the small business legislation has already achieved widespread recognition through the available trade literature and mass-communication systems.

The following guidelines combine the most important tasks.

II. Recommendations for the areas in which small business organizational forms can be instituted.

It is important that industries make the creation and institution of small business forms a systemic part of the modernization of their management and internal direction system. It is expedient that they should survey and systemically follow activity groups and organizations which, taking into account market, technical, economic and administrative concerns, justify the utilization and operation of small business forms even in the long run.

The variety of industrial activity and the applicable small business forms does not permit the clarification of which activity or group is reasonable for the creation and institution of which small business forms. On the basis of our preliminary observations, however, certain activity groups seem to tie to the institution of a few organizational solutions. We recommend that these be noted when activity is surveyed.

As examples of recommendations, we offer the following possibilities:

1. Small concerns dealing in repair, maintenance, service, and support industry, with no more than 15 employees, could operate on a contractual basis, since their activity is presently often unprofitable at large enterprises. This form is especially advantageous for organizations with many locations that are difficult to survey from an administrative point of view. At clearly unprofitable branches, it is expedient to examine the possibility of leasing.

2. The new cost allowance system is applicable over a wide range of services, for example at isolated branch offices in maintenance activity (heating, janitorial, maintenance services etc.)

3. The business work partnership and its enterprise forms offer many possibilities (it is expected that this will be the most widely utilized small business form.) Of these, it is useful to emphasize the innovative process within the enterprise (in promoting suggestions and utilizing inventions); recycling of scrap; capacity use of productive facilities; more economical manufacture of support industry products; the resolution of bottlenecks; preventive maintenance; substitution for imports, etc.

4. Subsidiary industries must be created primarily to reduce industrial cooperative tensions, to improve marketing or innovation, and to increase the independence of certain plants in the interests of modernization. At enterprises manufacturing consumer goods, small business forms should be created with intent to research the market and demand, as well as improve supply.

The subsidiary form is also useful where demand arises in many related and geographically close industries not necessarily at the same time. In this case, the better use of capacity will result. If the demand is small or occasional, a partnership could also be formed.

The industry decides which form the small organization will take: whether within the industry, outside it, or as the jointly administered organization of many industries.

The creation of small business forms should occur as a two-way process. The directorship of the industry should designate those activity groups or administrative bodies for which a small business form would be effective, and make known those groups. At the same time, the directorship should provide the possibility for similar intiative among the employees of the industry.

The Ministry of Industry desires to exercise its right to create small businesses. The Ministry will direct special attention to this organization form during the survey of individual industries, and where it deems the action justified, will create new organizations.

We expect that small businesses will be created primarily at independent, geographically isolated branches which are difficult to administer. It is necessary to judge in these cases, for administrative reasons, the value of keeping these small businesses in the framework of the large industry. Their present capacity for meeting local producer-consumer need must be examined, that is, whether they can continue to meet that need in the future.

The Ministry of Industry, on the basis of its privilege of ownership, will in the future examine the possibility of a small business form for regional machine repair services. In addition, the Ministry will examine the most reasonable form for creation of small businesses in specialized activities (tool maintenance and sharpening, for instance.)

III. The role of small business organizational forms in developing connections among enterprises, sub-branches and branches of industry

Besides providing a source for better supply, the small business forms can promote improvement of connections between enterprises and other economic bodies. Examination of the usefulness of small businesses in this respect is also recommended.

The large industries should examine the side industries of agricultural cooperatives for the possibilities of taking over certain lines of manufacture or product groups, or forming shared businesses. It is also expedient to strengthen these connections through long-term cooperative contracts, transfer of developmental resources, etc.

In addition to creation and utilization of small business forms, those possibilities which were established earlier for the promotion of cooperation must also be utilized. This is justified by the development of social division of labor also.

It is in agreement with our goals that businesses should coordinate their acquisitional, developmental, productive and marketing activity in, for instance, a partnership or a project, independently and in their individual and collective interest.

We recommend examination of the possibility of association for geographically close businesses or cooperatives for more economical management of maintenance services. Consolidation of financial and mental resources, and the use of appropriate organizational forms would benefit other supplementary services also, such as transportation.

Besides the traditional contractual relations, we suggest that enterprises seek possibilities for new cooperative forms with their branches and other sub-branches, in order to insure the collective interest.

IV. What needs to be done in the creation and application of small business forms

The Ministry of Industry supports the creation of all such new organizations which are required from an economic and administrative standpoint, which serve to fill a need, whose operation is free from formalities, and which do not serve monopolistic ends. Thus:

--The Ministry supports the creation of all such small business forms which make possible the more organized association of broadening, differentiating productive and consumer needs and previously unused economic forces.

--The Ministry also supports the creation of organizational forms which increase the development of connections among nations, branches, and enterprises, and the improvement of real productive and innovative connections.

The Ministry of Industry also wishes to provide more than moral support for the creation and utilization of small business forms, and those organizational forms which will develop the network of enterprise connections, through concrete provisions.

In this framework, the Ministry of Industry contributes to the creation, propagation, and effective operation of the new, modern organizational forms through the systematic publication of observations, the representation of related themes, the posting of contests within its financial means, the publication of financial support possibilities, and the development of concrete official opinion.

An internal committee for the completion of Ministerial tasks has been formed, headed by Dr Istvan Bartek, director of the Department of Organizational Development.

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## BRIEFS

AGRICULTURAL EQUIPMENT REPAIRS--The Ferroglobus Capital Goods Commercial Enterprise recently founded an undertaking for the purpose of organizing repair of machine parts in the entire country. This is commendable because uncoordinated repairs are uneconomical, and the renovated parts cost too much. Under the name of Ferroweld it has set up a coordinating office which collects and keeps records of the parameters of renovatable parts and helps establish repair facilities. It collects damaged parts systematically and distributes them so that the capacity of repair centers will be utilized to the maximum. At present, Ferroglobus has concluded repair contracts with four of the largest cooperatives including the Babolna Corn Production System. Organizers hope to meet national demand fully in a year or two. The Austrian firm, Interweld, participates by supplying the required machinery and material. The parts repaired through a special welding process are of very high quality and cheap despite involving capitalist imports. [Budapest MAGYAR MEZOGAZDASAG in Hungarian No 19, 12 May 82 p 10]

CSO: 2500/270

# CRITICAL POINTS OF POLISH FOREIGN TRADE DISCUSSED

## Weakened Position on Capitalist Markets

Warsaw HANDEL ZAGRANICZNY in Polish No 1-2, 1982 pp 9-10

[Article by Marian Paszynski]

[Text] In 1977-1980 the total value of Polish exports increased by 8.4 percent annually, exports to the developed capitalist countries increasing at the rate of 11.9 percent [annually]; while the total of Polish exports in 1980 increased by only 3.4 percent, exports to the industrialized capitalist countries increased by as much as 14.4 percent. These trends in Polish exports appeared despite unfavorable economic situation in the West, even though decreased demand [for Polish goods] in these markets was to some extent counterbalanced by the favorable price structuring of many commodities exported by Poland.

However, this situation changed drastically in 1981. The value of Polish exports to the Western capitalist countries decreased sharply (by nearly one-fourth), and this decrease was much larger than the one in the total of Polish exports. This results from several causes.

First, Polish exports to the West are insufficiently diversified; they are concentrated in a relatively small group of commodities (fuels and energy, industrial metals, and food). In this group there was an exceptionally sharp drop in production, and the pressure of domestic demand considerably limited their surplus for export. Suffice it to say that nearly 9/10 of the decrease in exports to the developed capitalist countries in 1981 occurred in the group of fuels and energy, metallurgical products, and food and the raw materials for its production.

Second, although the main cause of the decrease in exports was the decrease in their volume, unfavorable price changes also occurred, particularly with regard to the prices of silver and, partly, of copper.

Third, the decrease in the volume of exports of hard coal to the capitalist countries was larger than in exports to the socialist countries. While the total of coal sold [abroad] decreased by 49 percent, the decrease in exports to the first payments area [socialist amounted to approximately 34 percent, but it was over 60 percent in exports to the second payments area [capitalist]. In comparison with 1979, coal exports to the socialist countries decreased by 51 percent, while those to the capitalist countries decreased by as much as 70 percent.

In connection with this, the share of the developed capitalist countries in Polish exports decreased further in 1981, to approximately 30 percent. The high degree of concentration of exports in those groups of commodities in which there was the largest decrease in the value of exports contributed to a drop in exports to some markets and caused a change in the direction structure of exports within the industrialized capitalist countries. A particularly sharp drop was noted in exports to Denmark (coal and petroleum products constituted 4/5 of exports), as well as to Norway,[1] Sweden, Switzerland, France, and Italy. Decreased exports to these countries (which in 1980 received over 1/3 of these exports) represent nearly 3/5 of the total decrease in exports to the industrialized capitalist countries in 1981 they received over 1/3 of these exports). It is also worth emphasizing that the sharp decrease in export occurred, to a large extent, in markets where Poland's export position was relatively stronger (Switzerland, Sweden, and Denmark). The interdependence between the intensiveness of the decrease in exports and the degree of their commodity concentration requires detailed studies. Nonetheless, at present we can assert that more diversified exports (e.g., exports to German Federal Republic and to Great Britain) are more resistant to sharp decreases.

The above changes resulted in a relative increase in the importance of non-European sales markets. On the other hand, within the European area there was a slight decrease in the importance of the European Common Market to the advantage of the remaining countries. In Polish exports to the industrialized capitalist countries the sharpest decrease was in the position of those countries in whose markets an above-average decrease in Polish exports occurred.

It will not be easy to restore the market positions which we lost in 1981.

First, this will depend on increasing the domestic supply of export commodities. Moreover, in view of the low level of integration of Poland's industry with the industries of the developed capitalist countries, an increase in export surplus would have to occur, first of all, in those groups of commodities in which there has been a drastic decrease in exports, i.e., fuels and energy, industrial metals, and food. With regard to the first group, it is difficult to anticipate a large-scale resumption of petroleum products and electric energy. The increase in the export supply of coal will depend on the size of its output and on the volume of the necessary sales of coal to the socialist countries, such sales being related to securing deliveries of raw materials, food, and supply materials from these countries and to repayment of debt obligations to some of them. Resumption of food exports, though theoretically possible, seems not very likely in the near future. Filling the gap created by a sharp decrease in exports of fuels, metals, and food with exports of processed products does not seem possible, mainly as a result of a decrease in supply imports, particularly as seen against the background of limitation of the availability of foreign credits.

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1 In the case of Norway, fluctuations of exports result mainly from the "bulkiness" of deliveries of products of electrical and machine industry (ships).

Second, the restoration of our market position will be adversely affected by the slow rate of the economic recovery of the capitalist countries. According to the most recent OECD, the growth rate of GNP (expressed in real terms) of all OECD countries in 1982 will be 1.25 percent, the same as in 1981 (in Europe, respectively, 0.5 and 1.5 percent). It is anticipated that this growth will accelerate only in the second half of 1982 and in the first half of 1983. This does not augur, similarly to the predicted improvement in the current turnover balances, a rapid rate of increase in the export demand of the Western countries. The differentiation in the situation of individual countries in the area of structuring current turnover balances will strengthen--in the opinion of OECD experts--protectionist tendencies in the capitalist world.

Third, competition in foreign markets will undoubtedly continue to increase. This results from the fairly lasting effects of filling by third-county supplies the gap in those commodities markets in which Poland had previously played a leading role. Here a typical example is the rapid expansion of loading and carrying facilities for U.S. coal, which considerably improves the already prominent competitive position of American coal in West European markets. This will be favored by the fact that those countries which hitherto depended to a considerable extent on deliveries from Poland will now tend to diversify their sources of supply in order to secure continuity and stability of deliveries, even though the cost of their import purchases may increase.

Fourth, the sharp decrease in Polish deliveries in some groups of commodities has disorganized and, in some cases of great dependency on trade in Poland, has even undermined, the principles of operation of an (agency) sales network as well as confidence in Polish suppliers. Discouragement increased by rigorous financial requirements (pre-financing, letters of credit, performance bonds, etc). All this will create difficulties in restoring the position of Polish exports in the markets of the industrialized capitalist countries.

Fifth and final, while estimating the chances of improving our market position, we cannot fail to mention the political factors and their direct or indirect influence on our exports. As regards direct influence, we may have to deal with government decisions of our trade partners which may hamper our access to their markets or which may make this access more difficult by, among other things, withdrawals from the existing license agreements. This applies especially to the U.S., but it does apply also to some European countries and--perhaps--to Japan. In addition, we should expect social actions which may create an unfavorable climate for imports from Poland. These actions may range from attempts to boycott [Polish] imports, or prevent unloading, to pressures to take restrictive measures based on the charge of disrupting the market.

Indirect actions concern, first of all, restriction on deliveries to Poland, particularly those deliveries which service export production--whether final or of co-production type. They are related mainly to the restriction on credit financing of exports to Poland, this restriction being based, above all, on politics. We should also anticipate attempts to limit exports [to Poland] of strategic raw materials as well as engineering and technology. The effect of indirect actions would be intensified if they were applied--as, for example, the President of the U.S. has announced--not only to Poland but also to the other socialist countries, since it would affect to some extent also exports from the socialist countries to Poland.

In the light of these considerations, we should recognize that restoring the market position of Polish exports in the industrialized capitalist countries will be very difficult.

## Exchange with Developing Countries

Warsaw HANDEL ZAGRANICZNY in Polish No 1-2, 1982 p 11

[Article by Boguslawa Barankiewicz]

[Text] In 1981, Polish exports to the developing countries amounted to approximately 5.2 billion foreign-exchange zlotys and showed an increase of 2.8 percent as compared with the previous year. The developing countries were the only group in which an increase in our exports occurred. As a result, their share in our total exports increased to 11.7 percent, from 9.7 percent in 1980. Difficulties in supplying export goods during past years had relatively little impact on trade with the developing countries, though the implementation of exports was over 1 billion foreign-exchange zlotys less than what was stated in the contracts. In turn, our imports from the developing countries amounted in 1981 to over 3.7 billion foreign-exchange zlotys, thus being 39.3 percent less than in 1980. Consequently, it was the greatest decrease in purchases among all the groups of our trade partners. As a result, the share of the developing countries in our total imports decreased to 7.0 percent, from 10.2 percent a year ago. This exceptionally large decrease is related to restricting imports of crude oil, whose value in comparison with the previous years decreased to 19.0 percent; moreover, the quantity of imported crude oil was 2.8 million tons less. Excluding crude oil from the value of imports, the decrease in imports from the developing countries was smaller and amounted to 12.6 percent. There was a similar decrease in the purchases of other commodities, with the exception of food industry products.

This structuring of trade resulted in a favorable balance of free foreign exchange which exceeded 1.4 billion foreign-exchange zlotys. After a 2-year period of deficits, the developing countries again became an area for obtaining surpluses, then being possible to use these surpluses to compensate for payment deficits in turnover with the capitalist countries. However, this was done at the cost of inadequately supplying our country with crude oil[1] as well as with other commodities, such as phosphate rock, cotton, or coffee.

In 1981 we aimed at reducing our purchases in the developing countries, with the exception of the most basic commodities needed for supplying our industry, agriculture, and [domestic] market. Simultaneously, we tried to import even necessary commodities mainly from countries with which we have clearing-type account settlements or from those which had granted us credit. Pressure to restrict imports in order to obtain payment surpluses endangers the supplying of industry, this being true even in the case of purchases in those countries in which we have had surpluses for several years in a row. An example is the lack, until the middle of December 1981, of a signed contractual agreement to purchase long-fiber cotton and yarn in Egypt. "Savings" of this type have two kinds of negative effects. The first is lack of high-quality production whose importance at present is not so much for supplying the domestic market as, above all, for exports. The second is a tendency of our trade partners to lower the trade volume.

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1 Purchases of this raw material in the quantity imported in 1980 and at an already higher price would result in a deficit of approximately 1 billion foreign-exchange zlotys.

Thus, for example, in Brazil we purchased, on credit terms, commodities which are extremely important for our economy and [domestic] market (imports from that country represented over one-half of all the purchases made by us in the developing countries). They were: soybean meal, iron and manganese ore, cocoa pulp, yarn and textiles, coffee cocoa, soybean oil, and other agricultural and food products. However, here also difficulties in repayment of outstanding credits have lessened the possibilities of obtaining new credits and, moreover, have prevented utilization of those already granted. This is bound to result in a decrease in purchases during the current year to one-half of last year's, which would have a tangible effect on agriculture and on market supply.

India, the second largest market as regards our purchases, also deserves to be mentioned. It would be possible to increase our imports of such key items as fodder and tea, were it not for difficulties with export supply. Admittedly, purchases are implemented through clearing-type account settlements, but every now and then the trade partner insists on changing the terms of payment to free foreign exchange. The lack of commodities which would be of interest the partner (mainly as a consequence of the impossibility of making imports to complete exported products) has a restrictive influence on import possibilities.

The volume of imports from the developing countries in 1982 and, consequently, the role of these imports in supplying our country, will depend chiefly on three factors. First, it will depend on the continuation of the policy of managing to obtain foreign-exchange surpluses. There is reason to fear that this line of action will continue to be implemented in spite of the many negative results of this policy and, particularly, its regressive influence on export possibilities. Second, it will depend on policy with regard to crude oil purchases. In the event of a prohibition to import crude oil from the second payments area (capitalist), the only possible purchase in the developing countries could be made in Libya, if that country would make our exports a condition for oil imports, but even then it would not be a large one.

Third, it will depend on the possibility of obtaining credits in the Third World countries. Such possibilities are limited, on account of the unfavorable economic situation of the majority of the countries of this region. The oil-producing countries, of course, are an exception; but these, for either economical or political reasons, are not interested in granting us credits.

Summing up, in 1982 we are threatened with a further decrease in imports from the developing countries. This decrease should be avoided, if at all possible, in view of its negative impact on Poland's economy and market and of our considerable potential capability of exporting to these countries.

## Raw Materials Problem

Warsaw HANDEL ZAGRANICZNY in Polish No 1-2, 1982 pp 12, 17

[Article by Jacek Dembowski]

[Text] The problem of raw materials has two important aspects. The first aspect concerns payments, and the second is a general economic one. Appraising Poland's raw materials situation from the payment side, we must note that it is relatively favorable. This has been caused by the relatively small degree of dependence of our economy on crude oil, in comparison with other countries. As we know, crude oil prices have risen drastically since 1973, which, in countries dependent to a large extent on imports of this raw material, has resulted in economic difficulties with regard to equalization of trade and payments balances. Our country has not been affected by these problems. This results from the fact that in Poland only approximately 400 kg of crude is consumed per inhabitant (1981), while, for example, in France (where general energy consumption is lower than in Poland) this consumption amounted to 2700 kg per inhabitant in 1978. An additional "cushion" for the petroleum shock has been the fact that we purchase crude oil almost exclusively from the USSR, which gives us benefits accruing from the operative price system in CEMA. This system creates preferences for importers of commodities whose prices have been increasing more rapidly than their average prices. And this is precisely the case with crude oil.

However, Poland's raw materials situation is decidedly unfavorable from a general economic viewpoint. We are concerned here, and this should be strongly emphasized, not so much with this situation's influence on our country's balance of trade and payments as with the efficiency of management of raw materials. The actually implemented model of development of Polish economy was based on development of structures which consumed energy and raw materials. The high energy consumption of our economy has been generally known for a long time. It is estimated that in Poland energy consumption per 1 dollar of produced national income is two times higher than in the German Federal Republic and two-and-a half times higher than in France. This high energy consumption is intensified, moreover, by the relatively high (but for objective reasons) cost of fuels and materials. Unfortunately, the operative price system (even the one after 1 January 1982) prevents a correct estimate of the real cost of these. The fact of the matter is that capital, which is the factor determining the cost of the acquisition of raw materials and their further processing into other materials, is not taken into account in our calculations. The high capital consumption during acquisition of raw materials and other materials, as well as the high energy consumption by these, constitute the basic factor in the decrease of management effectiveness and are an important cause of our present economic crisis.

However, no appropriate conclusions were drawn from these regularities, and in 1981 there appeared symptoms of further worsening of the situation in this sector. In 1980, consumption of contracted fuel decreased by 8.1 percent, accompanied by a parallel decrease of approximately 13 percent in national income and industrial production. We know that in our country the coefficient of the flexibility of energy consumption in relation to economic growth is

greater than one unit; this means that energy consumption increases more than proportionately as national income grows. Thus, with a decrease in national income and industrial production we should have expected a proportionately larger decrease in energy consumption, all the more so that the desired goal of improving management efficiency pointed up the need to drastically limit energy-consuming production processes. It happened otherwise, however. There was indeed a decrease in energy consumption but to a much smaller extent than in national income and industrial production, which signifies a relative increase in energy consumption by our economy. This insufficient decrease in energy consumption is a consequence of an insufficiently consistent policy of limiting energy consumption as well as of the so-called idle speed of our industry which, from a technical standpoint, does not utilize its optimum production capacity. Energy supplies, which should be distributed in a selective manner depending on differences in the productivity of individual plants, were allotted--as one could judge--according to the principle "to each one a little." The result has been a paradoxical situation in which, on one hand, energy shortages hamper production and, on the other hand, there is an oversupply of energy. Initially we estimate that the approximate level of energy consumption in 1981 corresponding to the level of economic activity [in our country] should be lower by the equivalent of 20 million tons of coal. Considering the problem in its most general aspects, our economy is characterized by a lack of adaptation of the structure of raw materials consumption to the economic conditions of production. Here we can cite many examples of development of energy-consuming industrial structures without the possibility of providing them with needed energy. For example, we adopted the most expensive and the most material-and energy-consuming (requiring large quantities of cement, structural steel, etc) model of apartment construction (prefab) which became the cause of limiting the program of apartment construction. We developed the raw materials base of iron metallurgy, but we neglected steel processing, as a result of which our industry became largely dependent on imports of highly processed types of steel. Through a price policy which was incorrect from an economic point of view, we distorted the consumption model. This applies, for example, to coal, whose low prices not only discouraged efficient management of its consumption but, on the contrary, also encouraged wastefulness in all the stages of management, from designing new technologies to actual mining and processing. This caused, among other things, abandonment of efforts to secure local fuels such as peat and wood, orienting nearly all the demand toward coal.

These are but a few examples which, however, together compose a picture of the utilization of raw materials and other materials in our country. On one hand, there are severe shortages of raw materials, other materials, and energy; on the other hand, there is carefree consumption of these. Under these circumstances, the raw materials and energy crisis of our country should be regarded as a phenomenon which is a consequence of our previous economic policy having been based on an abstract development model.

This situation has both a direct and an indirect impact on our foreign trade and particularly on the balance of that trade. The direct impact is the great demand for raw materials which are needed by our excessively "absorptive" production. The indirect impact is expressed, on one hand, in limiting our export possibilities (e.g. of coal) as a consequence of our excessive domestic consumption and the limitation of the production of processing industries on

account of energy shortage; on the other hand, it is expressed in the import demand for products which are "neglected" in our country, such as, for example, the highly processed metallurgy products which are indispensable in modern industrial production.

The lack of adaptation of materials requirements to the production capabilities of our economy (which, besides, occurs in many complex structures) indicates the directions of desirable structural changes. These changes must be made in the area of materials production and, above all, in our industry; but in each case they must be made from the standpoint of their impact on the situation in foreign trade, both in a near and a long-range perspective.

## Agricultural Trade-Necessary Evil

Warsaw HANDEL ZAGRANICZNY in Polish No 1-2, 1982 pp 13-14

[Article by Henryka Bochniarz]

[Text] The pressure of the domestic market, where demand for food is being met to a limited extent, together with the enormous indebtedness of our country, contributed to in a large measure by imports of raw materials and agricultural products, may make the thesis about the need for pro-export development of our agriculture sound surrealistic. Opt slogans of Poland attaining self-sufficiency in food, with a simultaneous drastic reduction of imports, could lead to a wrong conclusion that the goal of our policy should be the attainment of economic anrarchy in the area of the food complex. The formulation of such an opinion proves a lack of understanding of the role and conditions of operation of our trade in agricultural products.

As we know, in the postwar period exports of agricultural products represented a large part of our free foreign exchange revenues. In turn, in the 1970's there was an enormous increase in agricultural imports. However, neither the first nor the second tendency was a result of Poland's long-range trade policy. The transformation of a favorable balance of the turnover in foreign trade in Poland's agricultural products into a rapidly increasing deficit which in the years 1971-1980 reached a cumulative value of over 5.5 billion dollars, resulted not only from the worsening of the terms of trade in agricultural commerce and the decrease in the volume of exports of many agricultural commodities. The basic cause of the change in this ratio was the increase in imports of grains and fodder. This increase was caused mainly by the unbalancing of the proper ratios between the increase in crop production (by approximately 11 percent) and the increase in animal production (by approximately 39 percent).

Under the conditions of retail food prices being "frozen" at the 1967 level and an insufficient supply of non-food commodities, our population's rapidly increasing income in the years 1971-1980 was spent largely on food, mainly on meat and processed meat products. In this situation, the lagging development of the domestic fodder base forced our government to steadily increase credit imports of grains and fodder which maintained the level of animal breeding. In the years 1971-1980, nearly 50 percent of the increases in animal production were attained with the support of grains and fodder from imports.

Thus, agricultural exports in the past period simply meant sales of "relative" surpluses of food products under the conditions of insufficiently supplying domestic demand. On the other hand, imports were limited to indispensable raw materials and thos items which either were not produced domestically in sufficient quantities or were not produced at all. The lack of a consistent, stable, and long-range agricultural policy did not create conditions for a steady and correspondingly vigorous production growth and, consequently, for the formation and implementation of a long-range trade policy which could be applied not only to eliminate "bottlenecks" but to raise the efficiency of food production.

The peculiar character of agricultural production consists in the fact that programming and implementing its development requires a long-range view. This accounts for the fact that precisely now, while formulating a program of development of agricultural production, we must point to the need for and the possibility of its pro-export character. Foreign trade can no longer be only a balancing factor but should actively influence the making of macro-economic decisions. In the long run, the best guarantee of the development of agricultural production, and, consequently, of exports of agricultural products, will be the creation and implementation of a stable and long-range agricultural policy through guaranteeing the proper status of agriculture, and particularly of private farming, in the development of our national economy. This signifies assuring the profitability of agricultural production, improvement of management efficiency, development of peasant self-government, and an active role of foreign trade in determining the volume and structure of the foreign trade turnover of our agricultural products.

Much has been accomplished already in the area of creation of a stable agricultural policy; however, many measures continue to be in the form of frequently ineffective pledges. A particular role in the activation of agricultural production should be played by agricultural price policy. What I mean here is both the purchasing prices (as well as their mutual ratios) and the prices of production means for agriculture. Indeed, the profitability of agricultural production--the income parity for agriculture--depends on the mutual ratios of these prices. Likewise, no executive orders will guarantee vigorous growth of production as well as sales of agricultural products and raw materials by those who produce them under the conditions of an increasing (despite formal pledges of "green light" for agriculture) shortage of production means for agriculture. An increase in the supply of means of production for the rural area can be attained only on the condition of profitability of production for the industries which produce these means. In the present system of price creation by manufacturers this could mean a lowering of the income parity and, moreover, the inevitability of a further increase in purchasing prices and, subsequently, even in the retail prices of food. Under these circumstances, the government should play a more active role through an appropriate, economically efficient system of price subsidies for prices means of production. Government subsidies for means of production in agriculture are widely used in the majority of West European countries. This type of subsidies should constitute a permanent element of our country's agricultural policy. On the other hand, the retail prices of food and a flexible--in the future--policy in this respect should maximally restrict subsidizing of consumption. In no case, a policy of rigid "frozen" food prices should be resorted to.

With an increasing and stable agricultural production, it will be possible and necessary to form a long-range policy of activating agricultural and food exports. Therefore, systemic solutions as proposed in the economic reform should take into account the specific character of agriculture. Consequently, a system of guaranteed export subsidies should be created in the form of appropriate supplemental payments at the foreign currency exchange rate, which would assure the profitability of agricultural trade. We should take into consideration the fact that agricultural production under Polish conditions (similarly to conditions in West Europe) is relatively "expensive" and that for this reason we would have difficulty in price competition with the agriculture of overseas countries. As has been proven by practice, exports from the EEC countries are predicated on a system of export subsidies: recently, supplemental payments have amounted there to 16 to 22 percent of the value of food exports.

A factor in the activation of exports can also be the granting of licenses for export operations, as well as the right to foreign-exchange deductions, to associations of small manufacturers. The element of competition among exporting enterprises should contribute to improving the quality of export production and increasing our export activity in foreign markets.

Independently of the effects of the economic reform, we ought to utilize to a greater extent the possibilities of trade exchange with the CEMA countries. The increasing dependence of these countries on imports of agricultural products and of food from the highly developed capitalist countries, with a simultaneous decrease in their mutual turnover in the area of agricultural products, arouses concern and ever-increasing doubts as to the correctness of hitherto implemented policies in all the CEMA countries. Independently of actions taken in individual countries and aimed at solving the food problem (which is attested to by documents of recently held party congresses), it is absolutely necessary to provide for better utilization of the mechanisms of the economic integration of the CEMA countries for the implementation of this objective. Many economists are of the opinion that the basic causes of difficulties in the development of integration of the CEMA countries are of a systemic character and result from the lack of possibility to objectively evaluate the economic effects of integration.

As a result, two-party agreements between exporters and importers predominate; there is a lack of progress in the implementation of already signed agreements; multi-party agreements are converted to two-party agreements; and there is a continuing tendency to balance trade exchange in commodity groups on an annual basis. Introduction of objectively operating principles of economic accounting and at least partial convertibility of currencies would favor expansion of the international division of labor in the field of agriculture and food industry of the CEMA countries, as well as optimum utilization of economic potentials and development of mutually complementary production structures. The problem of the necessity of introducing a new economic and financial system is essential, especially now, under the conditions of the economic difficulties of the CEMA countries. It does not seem possible for the CEMA countries, in their present financial situation, to commit sizable capital outlays (frequently in convertible currencies), in investments whose economic

effectiveness is difficult to ascertain. Consequently, it is absolutely necessary to prepare a realistic program of cooperation in the area of agriculture and food industry which will be based on an honest evaluation of the situation at present and in the near future.

The above comments on the need to develop mutual trade in agricultural products among the CEMA countries do not disparage the effectiveness of and prospects for foreign turnover of these products with the highly developed capitalist countries and with the developing countries. Imports of certain raw materials, and of agricultural products such as high-protein fodder or condiments, will depend on the possibility of purchasing these in the capitalist countries. The present restrictions of certain capitalist countries regarding exports of agricultural products to Poland particularly underscored the dependence of our production, consumption, and also exports, on imports (e.g. a drastic situation occurred in our poultry industry as a result of a U.S.-announced blockade of exports of high-protein feed). However, it should be pointed out that our payments situation is the main cause of our difficulties. Having appropriate cash payment possibilities available to us would completely eliminate our present difficulties in purchasing.

Summing up, then, agricultural policy and solutions in the field of export policy should assure the development of production and of export supply of many agricultural and food articles for which there exist favorable production and trade conditions. On the other hand, imports should represent a quantitative and structural complementation of domestic market supply. Poland, where conditions for the pro-export specialization of agriculture exist, can be--following the example of Denmark or the Netherlands--a significant exporter of agricultural products, with a favorable trade balance because of this. Internationalism, and the resulting need for pro-export development of our economy, are an inevitable element in the present stage of development of our production capabilities. This constitutes an objective process from which there is no retreat, and the present economic difficulties cannot hide this truth.

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CSO: 2600/632

INFLATION, BLACK MARKET PRICES OF ALCOHOLIC BEVERAGES REPORTED

Warsaw ZYCIE GOSPODARCZE in Polish No 17, 16 May 82 p 7

[Article by Ch.M.: "Prohibinflation"]

[Text] In 1980 alcoholic beverages accounted for 12.2 percent of the population's expenditures on consumption of material goods and services (in constant prices since 1977). We achieved the disgraceful position of leader in the list of nations which were compared to each other in this field in our statistical publications. As is cited in the 1981 Yearbook (p. 123), in 1980 we drank per person 14.9 liters of pure and high-grade vodka of 40-proof alcohol. In 1981 that consumption was reduced dramatically (by nearly 30 percent), or to about 10.5 liters. The share of vodka in the population's expenditures, however, did not decrease. Admittedly, last year the market was supplied with 138 million liters, not 185 million liters of these goods (calculated as 100-proof in alcoholic content). However, the average price of 1 liter rose from 640 zlotys to 994 zlotys. The value of the vodkas supplied increased, therefore, from 118 billion zlotys to 137 zlotys. A similar situation appeared in the first quarter of 1982. Last year during that period the market was supplied with 45 million liters (100 proof), and this year with 29 million liters. Because of the increase in prices, however, the value of these supplies this year was about 20 percent higher than last year.

If such supplies were maintained to the end of the year, the consumption of spirits and vodkas from state sources would decrease by half in comparison with 1980. In the list of statistically comparable nations we would move from the top to some place behind Hungary (9.2 liters in 1978), the GDR (8 liters), the FRG (7.9 liters), the United States (7.6 liters), Sweden (7.3 liters) or to somewhere near France (5 liters) and other countries where wine rather than vodka is drunk, and that in quantities 10 times greater than in Poland.

Since we have mentioned wine, it is appropriate to point out that its consumption decreased in 1981 to 7.5 liters per person in comparison to 10.1 liters in 1980. In the first quarter of this year 19 percent less wine was supplied to the market than in the first quarter of last year. And the consumption of beer decreased from 30.4 liters in 1980 or 36.8 liters in 1975

to 28.6 liters per person in 1981. But in the consumption of both these beverages, especially wine, we were traditionally found near the end of the list of the nations compared in our statistical publications.

The reduction of consumption of alcoholic beverages in Poland is, therefore, a drastic step, in which observation of various side effects is unusually important. It is difficult to expect someone who drinks to give up his tendencies with ease. The black market in alcohol, which arose in our country as one of the first in the face of the growing vodka shortage in socialized trade, provides much evidence for that.

On the basis of over 500 observations nationally, it is estimated that in March of this year, half a liter of pure vodka cost on the average 1026 zlotys on the black market. At the same time in socialized trade that vodka was sold for an average of 384 zlotys. The speculative margin of profit on the sale of 1 half-liter reached 678 zlotys. Before prices were raised in the fourth quarter of last year, that margin of profit reached 531 zlotys. Immediately after the price increase the black market margin of profit on vodka decreased from 531 zlotys to 521 zlotys. There was a slight reaction--unfortunately, rather slight. After all, the price increase in socialized trade was high--almost double the former prices. It is true that ration cards for vodka were very limited at that time. In March of this year, however, they doubled compared to December of last year.

Similar observations can be made with regard to the black market in other alcoholic products and in wine and beer. In March of this year on the black market a half-liter of high-quality vodka cost 1159 zlotys an average of nationally, as opposed to 683 zlotys before, and 584 zlotys after, prices were raised.

Domestic fruit wine was sold illegally in March of this year for an average of 263 zlotys--thus 161 zlotys more than in socialized trade. Speculative resale of wine before the prices increases were yielded 141 zlotys per bottle. In March of this year beer sold illegally for an average of 50 zlotys for bottle which cost 20 zlotys in socialized sector. With beer, therefore, the black market margin or profit grew from 27 zlotys before prices were raised to 30 zlotys.

The continued speculation in alcoholic beverages can also be attested to by the spread in speculative prices of alcoholic beverages in various provinces, which is smaller in comparison to the fourth quarter of last year. In 47 provinces in March of this year one paid from 750 to 1250-1350 zlotys for a half-liter of pure vodka on the black market. In 37 provinces one paid from 800 to 1100 zlotys. High-quality vodka was sold predominantly at a price of from 1000 to 1300 zlotys, wine from 220 to 300 zlotys, and beer from 40 to 75 zlotys.

Obviously, the subject of alcohol gives rise to various controversies, especially when some families do not have enough food. But the last pennies are spent on vodka in the poorest families, too. Yet rationing alcohol as an immediate solution also meets with objection, since there are not many

similar goods whose equivalent coupon value corresponds to the reality of alcohol consumption or where forced equalization does not reduce but rather increases various grave pathologies. We are not deliberately focusing on the large speculative profits from the redistribution of alcohol which are amassed in large part by illegal means, although that money could aid our still almost empty state budget. Thus this is a problem which cannot be ignored by pointing to other important matters.

9451
CSO: 2600/641

PRIVATE-PLOT GARDEN AREA TO INCREASE BY 1985

Summary of Recent Resolutions

Bialystok GAZETA WSPOLCZESN' in Polish 29 Apr 82 p 3

[Text] Two Council of Ministers resolutions concerning allotted-plot gardens appeared in MONITOR POLSKI No [Number illegible, T.N.]

A resolution conerning the development of employee gardens provides for an increase in their area by more than 31,000 hectares by 1985. This assumption complies with a Sejm law dated May 1981. According to the document, the specification of lands designated for allotted-plot gardens should be a permanent element of plans of territorial development of the particular voivodships.

The resolution obliges the minister of finance to set aside suitable means each year supplement the employee allotted-plot garden developmental fund. The Minister of Agriculture and the Food Economy is obliged to consider, in annual balances, the need for such items as seeds, fertilizers, pesticides, machinery and equipment as set forth by the Polish Union of Allotted-Plot Holders [PZD]. The Minister of Culture and Art should insure the union assistance in publication activity. The government resolution likewise imposes a series of duties on representives of the local authorities. The PZD is ordered to bring new lands into cultivation rapidly and to adapt them to garden production, as well as to undertake training activity.

A rider to the government resolution specifies the increase in acreage projected for allotted-plot gardens in the particular voivodships.

The other Council of Ministers resolution concerns the services to be provided by plants on behalf of allotted-plot gardens. Accoding to the document, these services should be designated toward the construction and maintenance of basic equipment. This includes technological assistance, particularly in record keeping, the transfer of construction materials that are not needed at the plant, transport services, accessibility to machinery and construction equipment and the like. These services may be implemented free of charge or on condition of payment, but only on an at-cost to the plant basis.

Apart from payments made from the plant social fund, enterprises may transfer funds written off from profits for the development of allotted-plot gardens. The Worker's Council is preparing a resolution concerning financial assistance and other forms of aid.

The head of the Main Committee for Tourism is likewise obliged to ensure the means yearly that are indispensable for the employee allotted-plot garden developmental fund.

## Responsibilities of Various Sectors

Warsaw RZECZPOSPOLITA in Polish 15 Apr 82 p 4

[Article by an]

[Text] The subject of allotted plots has once again come into vogue in recent weeks. This is not only because the spring favors considerations of the employee gardens. The lively discussion among allotted-plot holders and particularly those who are waiting in line patiently for a patch of earth has been engendered by two resolutions recently undertaken by the Council of Ministers: one concerns the development of allotted-plot gardens through 1985, and the other refers to the participation of factories in these tasks. They make it possible for 700,000 families to receive allotted plots relatively quickly. The transfer of 31,000 hectares of land is planned for this purpose.

At present, allotted plots occupy 31,000 hectares of land in Poland. A total of 655,000 families tills the soil in 5,600 gardens, of which every 5th one also functions as a park, primarily in large cities.

Until recently, when allotted plots were spoken or written of, emphasis was placed on their recreational and relaxational values, and on the possibilities of refreshing oneself in the outdoors. Recently, however, given the problems with food supply, more and more stress is being laid on the harvests from these plots. And, as the illustrations show, they are not meagre.

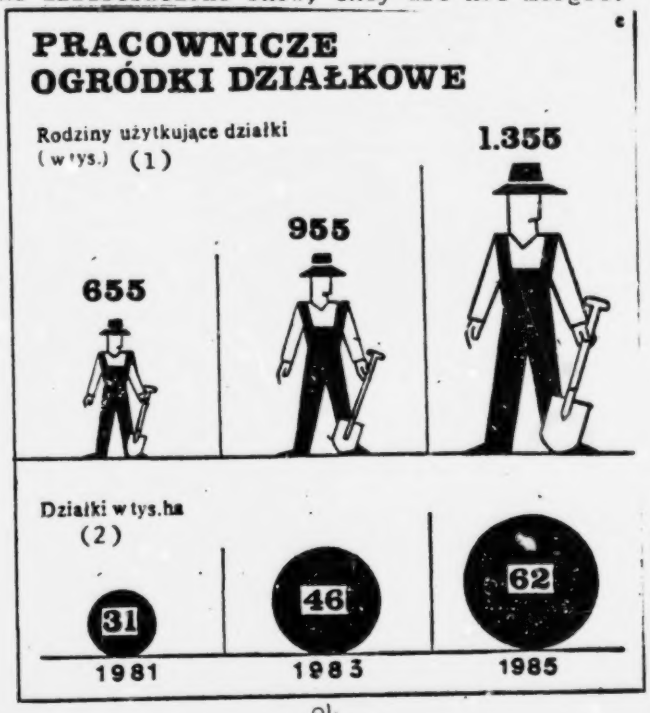

Employee Allotted-Plot Gardens

Key:

1. Families utilizing allotted plots gardens (in thousands)
2. Allotted plots in thousands of hectares

Allotted-Plot Yields

Key:

1. Thousands of tons
2. Tons
3. Vegetables
4. Fruit
5. Rabbit meat
6. Poultry
7. Honey
8. On the allotted plots:
9. 5.5 million saplings
10. 2 million bushes
11. 11,000 hectares of vegetable cultivation
12. 2,150 hectares of berry cultivation
13. 24,000 beehives
14. 300,000 $m^2$ of hotbeds
15. Average production from one allotted plot:
16. 450 kg of vegetables
17. 220 kg of fruit
18. 3 kg of rabbit
19. 1.4 kg of poultry
20. 0.5 kg of honey

However, the potential is much greater, as is indicated from the experiences of our neighbors. The share of farm harvests from allotted plots in the

total Polish harvest amounts to approximately 6 percent of all vegetables and 11 percent of all fruit. In Hungary, e.g., up to 70 percent of all fruits and vegetables come from allotted plots and home gardens, while in the USSR the figure is approximately 60 percent.

The interest in receiving an allotted plot has gained in intensity in our country, especially in recent weeks.

In accordance with Council of Ministers Resolution No 50, dated 6 March 1982 (in MONITOR POLSKI, 20 March 1982), lands designated to be permanent employee gardens should be included in plans of territorial development of particular voivodships, cities and gminas.

By virtue of a Sejm law passed last year, the PZD established and runs allotted-plot gardens. At the same time, local authorities and particular ministries are obliged to provide the PZD with far-reaching assistance. New governmental regulations define precisely who is responsible for what. For example, local authorities are responsible for the transfer of lands to PZD voivodship boards, for recultivation, land reclamation, the installation of power and water lines and approach roads and for insuring public transportation. This activity is to be supervised by the Ministry of Administration, Local Economy and Environmental Protection.

The Ministry of Agriculture and the Food Economy should take into account in its balance of needs the need announced by the PZD each year for indispensable amounts of seedlings, seeds, fertilizers, pesticides and machinery and equipment.

The Ministry of Culture and Art must help the PZD to carry out the publication activity indispensable for raising the level of gardening knowledge of allotted-plot holders.

The resolution imposes a crucial task upon the Ministry of Finance, which has the duty of ensuring the means in the central budget for supplementing the developmental fund of employee gardens. In another resolution, the government recently allocated 0.5 billion zlotys for this fund.

The second resolution (No 51), dated 6 March 1982, specifies the services required of factories. Their duties include investment service, technological assistance, providing building materials, transport services and making available machinery and construction equipment.

It is noteworthy that the new regulations likewise oblige voivodship governors and the plant management to immediately transfer lands designated for investments that have been temporarily delayed, for temporary allotted-plot gardens.

Recent governmental decisions concerning employee gardens will enable many of those who are waiting for plots to receive them within the next few years. If the resolutions are implemented fully and on time, everyone who has applied for a plot thus far should receive one by 1985. By virtue of an understanding

concluded by the PZD and the Bank of the Food Economy, the PZD will make use of the available credit to purchase equipment and to bring the land into cultivation.

## Role of Administration Ministry

Warsaw RZECZPOSPOLITA in Polish 21 Apr 82 p 5

[Interview with Czeslaw Kotela, undersecretary of state in the Ministry of Administration, Local Economy and Environmental Protection with Anna Sielanko; date and location not given]

> [Text] A Council of Ministers resolution dated 6 March 1982, concerning the development of allotted-plot gardens through 1985 imposes concrete tasks on several ministries and organs of the local administration. The execution of these tasks is to double the lands occupied by allotted-plot gardens during this five-year plan. One of the ministries mentioned in the resolution is the Ministry of Administration, Local Economy and Environmental Protection. We spoke with Undersecretary of State Czeslaw Kotela concerning the role of this ministry in the implementation of the governmental resolution.

[Answer] Our ministry's tasks emanate not only from the resolutions adopted by the Council of Ministers in March 1982 concerning: the development of allotted-plot gardens, services to be rendered by factories on behalf of the gardens and the allocation of 0.5 billion zlotys for the development of the plots, but also from a Sejm resolution dated 6 May 1981, concerning employee allotted-plot gardens and from the ministry statute itself, concerning the scope of its activity.

MAGTIOS [Ministry of Administration, Local Economy and Environmental Protection] is the spokesman for issues associated with allotted-plot gardens in the governmental forum. At the same time it has legislational duties that include the preparation of drafts of governmental resolutions on this issue and normative duties--the minister determines the size of the plots and the manner of their utilization. Our tasks likewise emanate from our functions as coordinator of the work of the local administration. Thus, we will supervise the implementation of tasks emanating from the resolution by particular voivodship and municipal offices. These include the allocation of lands to the PZD, land reclamation, recultivation, the installation of water and power lines, road construction and the facilitation of access to the plots by public transportation.

We are working together with the other ministries who also have tasks outlined by the resolution. In reality it may be said that we are responsible for the full and on-time implementation of the government resolutions. The minister has appointed his plenipotentiary in our ministry for overseeing all of these matters.

[Question] Does the ministry have at its disposal information concerning the execution of tasks assigned to the particular units of the local administration?

[Answer] As cocreator of the draft resolutions, and therefore familiar with their contents beforehand, the ministry approached all voivodship governors and mayors on 19 February, ordering them to review the lands that would be suitable for permanent or temporary allotted plots and to transfer these lands as quickly as possible to the PZD. The reason for this was to enable allotted-plot holders to receive as much land as possible in the spring. We are getting the first reports of this review. For example, in the Czestochowa voivodship, 8 hectares have been transferred for temporary allotted plots and 15 hectares have been transferred for permanent plots. Meanwhile, in Suwaly it will be possible to designate 60 hectares for temporary gardens, and in Suwalki itself 32.5 hectares will be designated this year for permanent plots.

Altogether, one-fourth of the voivodships have sent us information concerning the spring campaign for designating lands for allotted-plot gardens. Further reports are still coming in. Special teams appointed by voivodships governors are reviewing uncultivated lands and are determining whether they are suitable for permanent or temporary gardens.

[Question] Temporary gardens are a new idea in the allotted-plot holder's vocabulary. Just what kind of plots are these to be?

[Answer] The domestic economic situation has forced the government and particular enterprises to postpone many investments and to delay their completion date by several years. Hence, the idea to give this land over temporarily to allotted-plot holders. However, these will not be gardens in the full sense of the word. These lands will not be fenced off; arbors may not be erected upon them and trees may not be planted. On the other hand, they will be larger in size (up to 1,500 square meters) and they may be planted only with vegetables or, e.g., potatoes. Their purpose is not so much recreational as it is the utilization of free lands for production purposes. The interest in temporary plots is considerably greater in such large cities as Warsaw and Katowice and relatively minor in small towns.

[Question] You have mentioned harvests from these plots. Until now, the yields from these plots have not been significant on the fruit and vegetable market.

[Answer] Last year, fruit and vegetable production amounted to 450,000 tons. It is estimated that the plot holders and their families and friends consumed the bulk of this themselves, with approximately 100,000 tons going to stores and to market. The increase in acreage for cultivation by 100 percent as specified by the resolution should also double production. In other socialist countries, the share of harvests from allotted plots designated for the market runs from 20 to 30 percent; in Poland it is barely a few percentage points.

[Question] Until now the annual increase in allotted plots was small in our country. In 1979 it amounted to 1,974 hectares; in 1980, it was 2,205 hectares

and in 1981 it was 2,221 hectares. Meanwhile, the resolution provides for 31,000 hectares to be brouhgt into cultivation for allotted plots between 1982 and 1985. Thus, this increase should amount to 7 to 8 more hectares over the course of a year. This is not an easy task. In our opinion, what are the most serious obstacles to be overcome to make 62,000 hectares for allotted plots a reality in our country?

[Answer] Indeed, the implementation of the resolution will certainly be no simple matter. But such are our social needs. Today about 700,000 families are waiting for allotted plots, and if as many new gardens are provided for by the law are made available, everyone who is waiting for a plot will receive one. The greatest problems lie in the repurchase itself of lands. Only part of these lands belongs to the State Land Fund. The rest is held by private owners. The law covers only repurchase. Formalities usually take a long time, not to speak of the costs to the state. The local organs of the state administration are involved in the repurchase, and the lands are then transferred to the PZD for their use. Our ministry's role consists of creating legislational conditions in local matters and of supervising these units.

A second important duty of local authorities, and one that is difficult to perform is the work associated with installing water and power lines and building roads. We are all aware of the current problems with materials and workmanship. The managements of the particular gardens, who must fence in the land allocated to them and equip it from within will have similar problems to resolve. The help of factories will be important in this field.

The government resolution outlines the services of plants on behalf of the gardens. For example, plants are expected to extend their patronage over particular allotted-plot gardens, and their employees will have priority in receiving plots.

[Question] Mr Minister, the 25 March resolution, the government allotted your ministry 0.5 billion zlotys for the development of allotted plots. How do you plan to make use of such considerable means?

[Answer] These monies will be transferred to the PZD National Council as a supplement to the Employee Allotted-Plot Garden Developmental Fund. They will be designated for the completion of garden construction and for equipping lands that have already been allotted. Altoghether this sum will build up plots occupying approximately 8,000 hectares.

Since we are speaking of finances, I should like to add that one of our ministry's tasks in this regard is, likewise by agreement with the minister of finance and voivodship governors, to supervise the utilization of financial means transferred by plants to the Employee Allotted-Plot Garden Developmental Fund.

8536
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ECONOMIC RESULTS OF CURTAILED PORT INVESTMENTS PUBLISHED

Gdansk TECHNIKA I GOSPODARKA MORSKA in Polish No 12 Dec 81 pp 615-617

[Article by Dr Rudolf Karbowski: "Economic Results of Curtailing Certain Port Investments in Gdansk and Gdynia"]

[Text] In the country's current economic situation resulting, among others, from a shortage of adequate financial means to implement initiated capital investments, the necessity of curtailing many, frequently far advanced capital investments in the Polish seaports is being evaluated. Construction of the following at the Gdansk port was included:

- iron ore storage bases at North Port, outlays of 4470 million zlotys, 49.5 percent completed;
- a complex of infrastructural installations at North Port, outlays of 2338 million zlotys; 96.5 percent completed;
- task 2 of the coal base at North Port, outlays of 1742 million zlotys; 68.5 percent completed; and
- task 3 of the oil base at North Port, outlays of 1398.6 million zlotys, 89.5 percent completed.

At the Gdynia port, the following construction was included:

- container base (first stage), outlays of 3574.1 million zlotys, 54.1 percent completed;
- storage warehouse for general cargo and cement, outlays of 223.5 million zlotys, 33.5 percent completed;
- container base (task 2), outlays of 128.4 million zlotys, 76.7 percent completed; and
- task 3 of the oil base, outlays of 201.9 million zlotys, 75.4 percent completed.

Curtailment of further implementation of only some of these investments must cause definitive economic results. By "economic results" we mean actions or decisions that cause direct and indirect financial consequences connected with normal investment or operating activities that result from a complete or partial curtailing of already implemented port investments.

The following factors can be included among the direct financial consequences of curtailing port investments:

- the costs of removing building sites (dismantling of building facilities, material losses of removing facilities, clearing of accumulated materials, etc.);
- the costs of insuring installations prior to loss of their value;
- the costs of the contractor's leaving construction;
- the costs of freezing committed investment outlays;
- the costs of renewed effort by the contractor and the development of a building site at the moment of renewed construction;
- the costs of renewed purchase and transporation of owned materials at the moment of curtailed investment; and
- the interest from investment credit earned on the current state of construction.

The following factors can be counted among indirect financial consequences: the financial results that will have to be borne by foreign trade because of the shortage of a specialized, highly productive storage base at the port (e.g., storage for iron ore or containers) and the results of incurring higher maritime cargoes, prolonged stays by ships at Polish ports and long stays by railroad cars at the ports.

The cited financial results of curtailing port investments have been given as examples of capital investments that are the most capital-intensive and advanced in implementation (40-60 percent). These are also investments whose current stage of implementation and priority in the structure of the ports' economic needs require particularly careful and obvious decisions.* Included among these capital investments are construction of an iron ore transfer base at North Port in Gdansk, construction of a storage area for cement in Gdynia and construction of a container base on the Hel coast in Gdynia.

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*R. Karbowski, E. Redla, H. Godlejewski: Report on the State of Implementation of Fundamental Capital Investments in the Port Complex of Gdansk-Gdynia and the Consequences Resulting From Curtailing Their Implementation. Maritime Institute, Gdansk, 1981.

The Transfer and Storage Base at North Port

The direct financial results of curtailing investments stand at approximately 877 million zlotys and include the costs of eliminating building facilities --40 million zlotys; insurance on completed hydrotechnical work, capacity installations, steel construction, railroad infrastructure, foundations for machinery, etc.--70 million zlotys; contract costs (5 percent) tied to release from the agreeement with the general contractor--100 million zlotys; costs of maintaining the current state of investments for a period of 3 years--36 million zlotys; costs of freezing investment outlays--223.2 million zlotys; costs of renewed construction by the contractor (approximately 10 percent of the estimated value)--187 million zlotys; costs of renewed and additional transport of materials by type and size maintained at the construction site at the moment of curtailed investment--3 million zlotys; interest on the credit used in construction--217.6 million zlotys.

The indirect financial results include, above all, the results of covering maritime freight's high rates caused by the need to engage considerably smaller ships for iron ore shipments than those that North Port could accept if the iron ore base were completed. Losses from this situation are estimated at approximately 800-900 million zlotys annually.

To the indirect results of curtailing construction of the transfer and storage base for iron ore, one also can add the losses acquired by the Polish maritime fleet as a result of losses to portions of the ships' operating readinesss. Until the present, the time needed traditionally to service iron ore ships at the port of Gdansk was 13.5 hours/1000 tons of cargo from roadstead to roadstead. In the newly constructed iron ore base at North Port, an average cargo of 11,000 tons can be serviced in 24 hours, a reduction of 3.5 hours. This fundamental reduction in the time ore ships spent at North Port signifies the possibility of acquiring additional and larger iron ore transports at a value of 1.6 billion zlotys.

The average time of stay by railroad cars transporting iron ore from the ports is currently 12 hours. At the specialized base, including the time required for the port service of railroad cars in accordance with technical principles, the average time will be only 2 hours. Saving 10 hours per railroad car equals a savings of over 8 million railroad car hours needed to transport iron ore from North Port.

Cement Storage Area at the Port of Gdynia

The direct financial results of curtailing capital investments stand at approximately 534 million zlotys and include the costs of liquidating building facilities--250,000 zlotys; insurance on completed construction, electrical and sanitary work--9.9 million zlotys; costs of purchasing materials and equipment--11.4 million zlotys; interest tied to release from the agreement with the general contractor--3.2 million zlotys; costs of maintaining the current state of investment--3 million zlotys; costs of freezing already enacted investment outlays--8.012 million zlotys; costs of renewed construction by the contractor--7.510 million zlotys; costs of renewed transport of materials--1.140 million zlotys; interest on the credit used in construction--9.012 million zlotys.

The indirect financial results of curtailing construction of the cement storage area should include losses of Polish shipping that would have come into existence as a result of operating readiness needed to load and unload the ships in the traditional port. Service time for loading cement currently requires 68.1 hours/1000 tons from roadstead to roadstead. Use of the modern storage area should reduce the time to 48 hours/1000 tons. Through effective use of the 370,000 tons at the storage area, time saved at the port should be approximately 7,400 hours annually. As a result, the time required for ships at port will be reduced, and the possibility of transporting additional cargo will be enhanced.

Another indirect consequence of curtailing construction of the cement storage area, which is located next to the Swedish pier, is the loss of transporting general cargo to the 250-meter pier. Losses caused by this situation are estimated at approximately 180 million zlotys annually.

Container Base in Gdynia

The direct financial results of curtailing capital investments are estimated at approximately 765 million zlotys. These include the costs of liquidating building facilities--5.5 million zlotys; insurance on the port area from the section where work on the Hel pier was halted--21.0 million zlotys; insurance on the current state of construction prior to the end--7.0 million zlotys; costs tied to release from agreement--64.0 million zlotys; costs of maintaining machinery and equipment, as well as technical devices needed to transfer containers and capacity installations--15.0 million zlotys; costs of freezing already installed capital investment outlays--272.0 million zlotys; costs of renewed construction by the constractor--216.4 million zlotys; interest tied to release from the agreement with the general contractor--163.9 million zlotys.

Indirect financial results of curtailing further work on the base can be seen above all in the loss of a portion of the operating readiness by the Polish line fleet, and especially the new roll-on-roll-off ships. It is anticipated that total turnover time of 3 hours/1000 tons for lift-on-lift-off will not be achieved as a result of the current curtailing of investments, and the considerable portion of cargo on modern ships will have to be serviced on traditional piers. Therefore, service time for 1000 tons of cargo will be correspondingly long--approximately 60 hours. For the base's storage capacity (first stage) of 1.3 million tons (600,000 tons of roll-on-roll-off position and 700,000 tons of lift-on-lift-off position), this means a loss of over 68,000 ship hours during the course of a year. As a result, this means the loss of possibility of taking in additional freight at a value of approximately 1.76 billion zlotys annually.

Incompletion of the container base in Gdynia can have the result that after getting out of the economic crisis, Polish foreign trade using maritime means will encounter another barrier in the ports--a shortage of possibilities for reloading a specific number of goods held in containers.

Conclusions

Considering such long-reaching economic results (financial losses), one can propose the following solutions:

1) Without curtailing the implementation of continued investments, one should work out new, economic programs (so-called "minimum programs") for each examined capital investment in progress. Their scope should be curbed drastically up to the limitation of their operation after implementation of the "minimum program". After the end of the unfavorable economic situation, one should complete the investment according to the indispensable and full scope of issues.

2) Administering as best as possible the interests of the national economy, investments whose costs of completion is lower than the costs of protection and conservation during the period of their curtailment (approximately 3 years) should not depend on curtailment. On the other hand, in cases when the cost of completing investments is higher than the costs and losses tied to their curtailment, decisions on the eventual curtailing of investments should be made only then when it is confirmed that the ports of Gdynia and Gdansk, based on their current service potential, rectify their transfer tasks through the assumption that the quality of ship service, and especially the time of that service, will not deteriorate further.

3) Capital-intensive construction of the iron ore base in North Port and the container base in Gdynia, although only 50 percent completed, already are giving clearly evident effects. The completed iron ore base permits an improvement in service time for 1000 tons of iron ore from roadstead to roadstead. Under current conditions, the transfer of 5 million tons of iron ore annually saves approximately 50,000 ship hours, which means the possibility of earning approximately 1.6 billion zlotys from additional freight. The completed container base shortens the transfer of 1000 tons of general cargo to a few hours. Current container capacity of 1.3 million tons permits the savings of over 34,000 ship hours and additional savings of 1.8 billion zlotys annually.

4) The economic results of curtailing researched port investments will be greater the larger the degree of construction completion and the larger the storage capacity. Particularly in the latter case, the economic results can manifest themselves in infrequently encountered financial amounts. Their mismanagement would act negatively on the results of Poland's foreign trade and influence the intentions to reduce its efficacy.

5) Many years of analyzing the implementation of port investments as compared to needs and especially to the constantly worsening time required to service cargo and ships, as well as the numerous examples of economic results cited in this article, show that curtailing each introduced port investment, and especially the iron ore base in North Port and the container base in Gdynia, would cause in the future large economic losses and push our ports and foreign maritime trade to the level of an insignificant partner in world goods exchange.

9807
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END

JPRS 81096

21 June 1982

# East Europe Report

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2284

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TRADE OFFICIALS DISCUSS EFFECTS OF NEW LAWS

Prague TRIBUNA in Czech No 12, 1982 pp 12-13

[Interview with Josef Danihelka, CSR deputy minister of trade; Josef Prchal, deputy chairman of the Czech Union of Consumer Cooperatives; and Rudolf Kubena, deputy chairman of the South Moravia Kraj National Committee; by reporters Jaroslav Kojzar and Jiri Janouskovec: "Trade and the Law"; in Prague, date of interview not given]

[Text] Domestic trade. The branch at which, justifiably and unjustifiably, much criticism is directed. It too affects, more than any other branch, the satisfaction or dissetisfaction of hundreds and thousands of citizens. Also for this reason the 16th party congress emphasized domestic trade's responsibility to society, the importance of the tasks awaiting domestic trade in the coming period, and the significance of the national committees' efforts to improve its work.

To achieve the expected results, in every area—in trade, at its suppliers, and in the national committees—it is necessary to honestly think about the tasks and to implement them in practice. Only in this way will we be able to fulfill the set objectives.

Therefore the manner in which we wish to fulfill the set objectives was the main topic of our interview with Josef Danihelka, CSR deputy minister of trade; Josef Prchal, deputy chairman of the Czech Union of Consumer Cooperatives; and Rudolf Kubena, deputy chairman of the South Moravia Kraj National Committee.

TRIBUNA: The new Law on Domestic Trade becomes effective as of 1 April. Actually it represents the culmination of four years of effort to perfect the instruments of management within domestic trade. What was the purpose of enacting this law, and what objectives does it set?

Danihelka: We were long aware of the need to change some of the previous principles of managing domestic trade. What these changes should be was debated for several years. The Central Committee of our party also considered these problems and established that domestic trade was not operating according to an integrated trade-policy concept, that the quality of management at the individual levels was

unsuitable for its present tasks, etc. The resolution that the CPCZ Central Committee adopted at that time--it was the Central Committee's seventh session in 1977--set for us a series of tasks. In the course of their implementation it became evident that we could not avoid enacting new statutory regulations that would contribute toward the overall perfection of the activity of domestic trade.

Kubena: This law will become effective within a few days, and we believe that it will soon influence the results of the work of domestic trade. Already because the national committees, so far as relations between trade and the consumers are concerned, will receive wide authority and will no longer have to act in the role of an applicant or of some arbitrator with little authority.

Prchal: The consumer cooperatives on their part regard the new law as a means of eliminating the shortcomings that the sphere of management often did not allow us to remedy effectively. We welcome also the wider authority of the national committees.

TRIBUNA: Even under the "old" law, the national committees did not have to remain passive in their relationship with domestic trade. They were able to influence some things.

Kubena: Exactly. They were able to influence some things, but did not have to do so. They were unable to change many of the decisive factors. Or they succeeded in changing them only through good personal relations among all the top officials concerned, with the help of the party organs and organizations, or simply by making concessions on other matters in return for a promise to satisfy their request.

Danihelka: There were, and actually still are, two laws giving the national committees authority to make decisions regarding domestic trade. The Law on National Committees--from it stem the rights and obligations in conjunction with satisfying the needs and interests of the population--and the 1949 Law on Domestic Trade, from which actually only a single paragraph has been retained, the one authorizing the minister to adopt measures to secure the domestic market's supply. Various decrees, edicts and instructions transferred all other authority to the national committees. However, the problem was that the minister of trade, as a representative of state power, was able to issue decisions that applied only to the trade organizations managed by the CSR Ministry of Trade. In agreement with the chairman of the Czech Union of Consumer cooperatives, similar decisions were issued also within the cooperative network. But the minister's decisions did not apply to other trade organizations. I have in mind, for example the Benzina, Mototechna or Kniha [Books] national enterprises, the retail outlets of production enterprises, etc. In this situation it was practically impossible to coordinate trade policy.

TRIBUNA: Could you cite an example?

Danihelka: Take Mototechna. The CSR Ministry of Trade and the national committees attempted for a long time to persuade the responsible officials of Mototechna to keep their stores open not until 5 pm, but until 6 pm or longer, and not only on weekdays but also on Saturdays. This despite the fact that there was an agreement between the two ministers concerned. The split-off plants of Mototechna simply interpreted in their own way their rights and obligations, and even their relationship with the national committees and consumers.

TRIBUNA: But will the new law be able to influence these and other frequently criticized phenomena within the trade network? For example, specifically the store hours, the shortages of certain types of merchandise, the sales personnel's attitude to customers, the number and location of the retail outlets, the unwarranted closing of stores?

Kubena: The new law will hardly be able to solve some of the problems. How to ensure an adequate supply of certain shortage items when the conditions do not exist for their domestic production in sufficient quantities, and when importation is not feasible for various reasons. But as I have already mentioned, we will be able to solve most of our previous complaints far more effectively than up to now.

Prchal: I can only confirm what you have said. No law and no decree is able to solve the material problems of trade. After all, the stores cannot stock sufficient merchandise on their shelves if the producers do not supply the merchandise. The same holds true for quality, and for better and faster product innovation. In this context we must mention also supplier-customer relations. I do not have to explain what problems we encounter here. The problems between trade and production are the same as between two or more production organizations. But we want to do more than merely point this out. The new law enables us to exert more effective pressure on suppliers than up to now. The law gives us this opportunity, and we intend to use it.

Kubena: Specifically here the national committees will have wider room to influence the market. They will be able, among other things, to decide what type of outlet, with what assortment of mechandise, can open in a given district. Previously this was merely a dream.

TRIBUNA: The national committee, then, will have the final say on what stock the trade network will carry in a given locality. The law that we are discussing authorizes the national committee to regulate the assortment of the merchandise sold in accordance with the needs of the district and the possibilities of the national economy. The national committee will be able to influence the trade network with far greater emphasis, to ensure that merchandise regarded as unattractive, troublesome or difficult to store by the sales personnel does not disappear from the stores.

Danihelka: I think that in this context it will be appropriate to mention another factor to which consumers have frequently called attention up to now, namely the availability of the assortment throughout the store hours, especially in food stores. The point is that people should be able to buy, even after work, everything they need for their households. The new law assumes that this will be so, and it authorizes the national committees to agree with the trade organizations on a standard assortment, which then must be available in the stores.

TRIBUNA: Already now there are favorable experiences with such agreements in some places.

Danihelka: Yes, there are. But only where the range of the assortment is determined sensibly. Understandably, store managers have a great responsibility to order everything they need in due time from their suppliers. But we will not be able to eliminate entirely the fluctuations that may occur. Take summer as an example. In this season the urban resident does his food shopping in the city on Thursday, expecting to buy whatever else he may need--bread, rolls, milk, eggs, etc.--in the locality where he has his vacation hut or cottage. But next day the weather changes, and he decides to stay at home. Then what happens? The rural

food stores expected increased sales, but the bread, rolls, etc. remain unsold, and the same items are in short supply in the city. What does it matter that the demand and supply are generally determined correctly? Although it can happen anytime, our example is an extreme one and merely serves to round out the situation. But it too demonstrates how essential cooperation between the trade organizations and the national committees is to help solve not only the normal situation, but the mentioned extreme one as well.

TRIBUNA: There are of course also other solutions that can help solve problems of this kind. We have in mind suitable rationalization of the sale--and production--of food. Not only certain kinds of bread wrapped in foil, but also the sale of one-kilogram loaves, which would enable shoppers to buy less and could even reduce the demand for bread. And what about milk? Here again we should learn from our neighbors and sell milk in containers, in which milk can be kept fresh much longer. The savings we could achieve in this way are enormous.

Kubena: Based on the conditions in South Moravia Kraj, I can safely say that many things could be solved very quickly. This would require "merely" a change in the present breakdown of the plan, and in the methods of planning in general. In this branch the use of the index method--i.e., increasing the output each year by a certain percentage--is not in accord with the interests of society. Although we have called attention to this repeatedly, it has not been changed. Then how can we expect the bakeries to bake one-kilogram loaves, or bread that is more labor-intensive but remains fresh longer, if this means that they will not fulfill their production plan, and their workers will not be entitled to bonuses and premiums? The ill-considered approach means that the output is there, but the bread is not consumed. At best it is used as feed, and at worst it ends up in the grabage can. Although we have long called attention to this anomaly, it is continuing. Regardless of the fact that we are wasting a raw material that today is more precious than gold.

TRIBUNA: Thus the Law on Domestic Trade is about to become effective. In the remaining time--if this has not already been done--the main task will be to acquaint all workers in domestic trade with its individual principles. And not only that. It will be necessary to begin immediate implementation of the new law. Will this succeed? In Prague, for example, an entirely exemplary decree on cleanliness was issued some time ago. But because the sanctions apply only to a limited extent, it remains merely on paper. Will not something similar happen in this case?

Kubena: I don't think we have anything to fear. Of course, we must begin consistently with the basics.

TRIBUNA: Which means?

Kubena: We must resist various efforts, whether by the managers of domestic trade or the workers in the stores, especially regarding store hours. This is the first thing. In our kraj we are perhaps farther ahead in this respect than elsewhere. We introduced a system under which the manager of a state or cooperative store must come to the national committee with a proposal regarding store hours. And only here is the final Yes or No given. Without guessing, but as the situation requires.

Secondly, it will be necessary to bring consistently to account those who violate the provisions of the law and, say, close the stores without reason. In the future

it will not be possible to close a store without posting a notice that clearly states why the store is closed, for how long, who personnaly approved the closing, and where is the nearest substitute store. After all, we must implement the Law on Domestic Trade in the consumer's behalf, for it was enacted in his interest.

Prchal: I fully agree. But the national committee must take into consideration that the salesperson, too, is a citizen. Therefore he should help to solve the problems related to the activity of domestic trade.

TRIBUNA: We unquestionably must take cognizance of the fact that about 80 percent of the sales personnel in the stores are women who often have small children and have households to manage. Simultaneously we have to bear in mind that in the case of longer store hours it is necessary to ensure also related services, so that the store manager can deposit his proceeds from sales at the post office, and everyone has proper transportation to get home, etc.

Danihelka: Perhaps the most difficult problem will be to ensure transportation. This is why the law provides that the question of store hours must be discussed also by the enterprise's trade-union committee. Here there should be no conflicts, if the law's provisions are strictly observed.

Prchal: Our interview, I believe, correctly focuses on the role of the national committees in the area of domestic trade. Indeed, the national committees will be able to contribute significantly toward improving our work. Not only by regulating store hours or perhaps by exercising control, but also through their knowledge of the comments from citizens, representatives and other organs.

TRIBUNA: Among the frequent comments that have been sent also to our editorial office there is the requirement to keep more stores open on Saturdays and Sundays, and also evenings. Readers frequently cite the experiences of our Soviet and Bulgarian friends. According to the letters, there is growing interest in these forms of retailing, and not only for bread, wine, coffee or sugar. Especially in cities.

Kubena: In Brno we have 12 stores open evenings, and we are preparing to add more. Not all stores are open Saturdays and Sundays. Only a few. But they carry the regular assortment of merchandise. And the interest? Exceptional. Both evenings and on days of rest. The Brno Municipal National Committee came to the conclusion that more stores should be kept open. But the comrades in the management of the Potraviny (Foods) Enterprise are of a different opinion. To determine who is right there remained no other solution than to conduct a survey, to determine on the spot the public's interest in this form of retailing. The result has been unambiguously clear. In the near future we will have to add at least two more stores that will be open on Sundays.

TRIBUNA: So far as extended store hours are concerned, Prague is still the Cinderella among Czechoslovak cities. Here the system of stores open evenings is only sporadic. Actually only the Vcela (Bee) Cooperative has broader experience with extended store hours. In the center of the city it opened a store with a complete assortment of foods.

Prchal: Although the actual return to Vcela on sales in its evening store has yet to be evaluated, it is indisputable that interest in this form of retailing is growing.

Kubena: The national committees' concern and care to seek new forms of cooperation with the trade organizations will necessarily bear fruit. Let me cite a specific example. It was immediately after the 7th session of the CPCZ Central Committee, the results of which significantly influenced the very drafting of the new Law on Domestic Trade. At that time we were able to filter down the results of this session truly as far as the local national committees, and the citizens' committees. The citizens' criticism of, for example, store closures during the summer months led the enterprises to reassess the need to close some stores during vacations. Since then we have been consistently monitoring the number of stores closed. And I must say that their number is declining, slowly but surely. Thus in the past two years we have not encountered any comments on store closures.

Danihelka: Our available store hours are above the European average. Of course, the simple total of available store hours is one thing, and its breakdown in a way that satisfies customers is quite another thing. Nearly 90 percent of the food stores, and 60 percent of the other stores are open Saturdays. This measure, similarly as the extension of evening hours, was adopted for the convenience of the citizens. A basic solution was the Thursday evening extension of store hours in stores selling industrial goods. In agreement with the national committees, we wanted other services to conform to this solution. After the initial problems when many trade workers objected, the result has been a growing interest among customers. But what we still lack is a complete line of goods and services. Therefore we now are seeking shopping centers where on Thursday evenings one can buy not only a television set or furniture, but also food, take one's clothes to the cleaner's, etc. Keeping food stores open Sundays and Saterdays encounters the problem of manpower. The high proportion of female employees makes the solution of this problem difficult. Prague too will have to begin serving customers outside the regular store hours. Perhaps in a different way than in the other krajs. Store hours will have to be set flexibly according to the season of the year, the day of the week, and the location of the store.

Kubena: In our experience, the best remedy for such problems is a good level of the citizens' committees, a knowledge of the needs of the citizens in the district, and responding to them. Then there is nothing to impede an agreement between the national committees and the trade organizations for providing the services that the overwhelming majority of the citizens require.

Danihelka: All workers of domestic trade should be aware that the new law emphasizes quality--in the widest sense of the word--as an integrated system of trade-policy, legal, control and organizational measures to ensure the consumer's justifiable interests. From these interests it is necessary to derive the rise in the level of the supply of merchandise, the care for its composition and quality, and finally the sale itself. Trade acts as the consumer's protector, towards production and foreign trade as well. And simultaneously trade must perform its duties as the organ that ensures the circulation of goods.

TRIBUNA: But all this must not remain without response from production. For the time being, you are not able to influence very much the technical level of the merchandise you are selling, whether in the state or in the cooperative network. The same goes for packaging quality and innovation, which is merely a change of the external appearance, etc.

Danihelka: Trade should not be excluded from the proceedings for adopting Czechoslovak state norms, from proceedings in which basic questions of the output of industrial and consumer goods are decided. Already because trade participates in the evaluation of the products. Every trade organization has its quality inspectors and laboratories. There are the organs of the Czech Trade Inspectorate, etc. And the minute inferior quality is detected, we should consistently see to it that the product is included in compulsory quality evaluation, that its quality grade is revoked, and that—if appropriate—its price is adjusted as it deserves to be.

Simultaneously we must keep consumers better informed about the merchandise sold. There are many ways of doing this. The best way is the training of the sales personnel in the stores. However, this is not possible without information from production. The documentation accompanying mostly industrial goods should be more complete, and of significantly better quality than up to now.

TRIBUNA: We have not discussed a number of things closely linked to the implementation of the Law on Domestic Trade. However, the essential thing was mentioned. Let us seek a solution in the responsible approach of all those who are able to influence customer satisfaction, be they production, the national committees, or the trade organizations. Each of them can offer many suggestions for improving the quality of domestic trade's work.

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## EXPERIENCES WITH THE SET OF MEASURES IN FMPRE SUMMARIZED

Prague HORNIK-ENERGETIK in Czech 6 May 82 p 11

[Article by Engr Karel Cadan, CSc, department director within the Federal Ministry of Fuels and Power: "Closer Attention to the Set of Measures. Last Year's Experience Within the Federal Ministry of Fuels and Power"]

> [Text] The fuel and power sectors devoted considerable attention and no small effort during the past period to the preparation and introduction of the Set of Measures for Perfecting the Planned Management System. Although a single year is not long enough time for a thorough evaluation, it will nevertheless be expedient and necessary to evaluate at least in general the key elements of the Set of Measures in the reproduction process, including the approved special provisions that take the specifics of the fuel and power sectors into account.

The increasing scope of operational decisions by supraenterprise organs, due to external and domestic factors, limits to a certain extent the comprehensive functioning of the elementsof the Set of Measures in the khozrasohet and supraenterprise spheres of management. In 1981, effectiveness in the fuel and power sectors was influenced directly or indirectly by the following factors in particular:

--Necessary central interventions in operational management of supplying the economy and the population with fuel and power;

--Mine accidents, particularly in the mines of the Ostrava-Karvina and North Bohemia districts, and the associated large number of injuries;

--The high proportion of coal mined on days of rest, which had already been anticipated in the plan; 3.8 million tons were mined on days of rest in 1981, which on average represents more than 7 percent of the output in underground mining and over 1 percent of the total output in strip mining at continuous operation;

--The still insufficient performance and reliability of the mining machines in strip mining, where the rate of their utilization has declined;

--A conspicuous shortfall in the planned volume of overburden removal, which worsened the situation in the preparedness of the North Bohemia Brown Coal District for mining in future periods; unfavorable weather in the fourth quarter of 1981 also played a role in this;

--Persisting shortcomings in supplier-user relations in the case of deliveries for capital construction as well as for productive consumption;

--Continuing cost overruns on construction projects, especially the nuclear power plants;

--Slow change in the mentality and approach of the managing cadres in the process of decision-making, management and control, from the viewpoint of the practical implementation of the Set of Measures;

Decisive Results in 1981

The effectiveness of the Set of Measures is reflected in the specific economic results, in relation to the plan as well as to the report data for the preceding year. The rate and quality of economic development are characterized by the following:

The coal output reached 122.8 million tons. The plan was fulfilled 99.9 percent at a 1981/1980 index of 100.4; 191.3 million cubic meters of overburden were removed, and plan fulfillment was 93.1 percent at an index of 101.2. Generation of town gas totaled 3.1 billion cubic meters; plan fulfillment was 96.0 percent at an index of 97.5. Electric power generation totaled 63.5 billion kWh, plan fulfillment was 100.5 percent at an index of 101.5. Capital construction totaled 17.4 billion korunas, plan fulfillment was 103.6 percent at an index of 98.4. The capital-labor ratio was 731,000 korunas per worker and plan fulfillment was 98.3 percent at an index of 107.

These are aggregate figures for the entire ministry. If we consider the economic development of the individual sectors within the ministry, then effectiveness in the coal industry declined in 1981, both in relation to the plan and to the comparable report data for the preceding year. The gas industry improved its effectiveness in relation to both the plan and the comparable report data for the preceding year, primarily through favorable structural changes. The electric power industry improved its effectiveness in comparison with the plan, but effectiveness in this sector declined in relation to the comparable report data for 1980.

Situation in Selected Areas of Economic Management

The cost of materials, without the depreciation of capital assets, amounted to 31.5 billion korunas in 1981. This included 13.6 billion korunas or 43 percent for fuel and power, 9.1 billion korunas or 29 percent for materials, and 8.8 billion korunas or 28 percent for other costs (transportation, repairs, etc.).

Most enterprises have introduced consumption norms, are using bonus systems and cost-accounting bonuses, and have attained certain favorable results. Despite this, however, the specific consumption of fuel and power per unit of product is not reduced at the desired rate, neither in the coal industry nor in the power industry. The comprehensive energy efficiency in generating electricity and heat is still low, 33.5 percent at CEZ [Czech Power Plants National Enterprise] and 32 percent at SEP [Slovak Power Plants National Enterprise].

If we compare the input-output ratios of fuel and power within the ministry in terms of standard fuel equivalent, then in 1981 the input reached 46.03 percent of the

output, whereas in 1980 it was merely 45.31 percent. The worsening of the indicator of energy intensity was due particularly to the less favorable structure of the coal mined (lower outputs of graded quality coal and coking coal).

In the consumption of materials there are likewise considerable reserves for cost reduction, particularly in terms of reusing decisive materials and rebuilding old spare parts.

There have been some favorable phenomena in the development of science and technology. The concentration of tasks and the gradual concentration of the research and development base's capacities on the decisive tasks have begun, in order to shorten the time for solution and realization. Mutual confirmation of the economic benefits from the development of science and technology, between design and development, is having a favorable effect. Exaggerated claims of financial contributions are ceasing slowly but surely, and valuation in this area is becoming more realistic. Despite partial successes in realizing the development of science and technology at our plants and enterprises, however, it must be established that the overall results of the development of science and technology are not commensurate with the expenditures and with the capacity of the ministry's scientific-research base. Annual expenditures in this field are around 800 million korunas, and 5300 workers are employed in it.

Planned average earnings were not achieved in 1981 in the coal and gas industries, while in the electric power industry they were slightly exceeded. The shortfall in the fulfillment of the planned average earnings in the coal industry was caused primarily by unever fulfillment of the mining tasks during the year, and by nonfulfillment of the planned tasks for coal output, its assortment, and for the removal of the overburden at some enterprises. It must be established that also in 1981 the workplaces, plants and enterprises did not achieve any significant changes in wage differentiation and in ending wage equalization, particularly at the auxiliary and service operations and in the case of technical-economic employees.

The main objective of intraenterprise cost accounting is to ensure fulfillment of all the tasks and limits in the economic plan, through a suitable system of breaking down the tasks and the limits on assets, by monitoring their fulfillment, and by providing suitable material incentives within the subdivisions and workplaces of enterprises. Experience indicates that at the subdivisions, enterprises and concerns where the set production tasks are basically in accord with the production capacities, and where there are no exceptional occurrences, cost accounting is mostly on a good level, and good results are being achieved in economization and effectiveness. Audits at selected enterprises confirm that the cost-accounting system can help fulfillment of the production tasks in terms of quantity and assortment, without cost overruns, and stricter economization particularly in the consumption of materials at a better utilization of plant and equipment, thereby also tightening technological, economic and labor discipline.

The basic prerequisites for increasing the effectiveness of capital construction are demanding and qualified expertise, financial, physical and scheduling coordination with the contractors, and skillful management and thorough control of the realization of capital construction. Some improvement can be established on the basis of the results. However, we have not been able to achieve significant progress in raising effectiveness in this area. One of the reasons for this is that the amended regulations governing capital construction were issued late. The program for

reducing and controlling the volume of capital construction in progress has not been mastered, neither statewide nor within the ministry. The demanding nature of the preparations by the investor is being influenced increasingly by ever-stricter requirements by public organs, the organs of health inspection and labor safety, and the organs concerned with the protection of farmland and forests, with all the consequences of lengthening the time required for preparations by the investor. The trend of rising budgeted costs is continuing, especially in the case of non-standard machinery and equipment and where the construction industry is using individual costing. A continuing shortcoming is the cumulation of "financial" fulfillment of capital construction in December. About 18 percent of the total annual expenditure on capital construction was "financially invested" in December of 1981, and in the electric power industry this proportion even reached 21 percent, mostly for technological deliveries.

Implementation counterplanning during the preparation and breakdown of the 1981 plan was basically not employed within the ministry. One of the reasons for this was the delay in issuing the methodological instructions. In course of drafting the plan for 1982, some of the enterprises and concerns did submit better indicators as compared with the Directive for the Elaboration of the Plan, in the form of implementation counter planning. However, their contributions did not improve by much. A basic prerequisite for effective implementation counterplanning during the preparation of the plan for 1983 is the existence of a medium-range plan covering a period of at least three years (1983-1985), and also greater economic incentives, particularly in the area of wages and in the overall coordination of available capacities with the production tasks.

What Have We Learned?

The one year during which the Set of Measures has been in force is too short time for a more thorough evaluation of its effectiveness. Therefore it would be unwise and hasty to make any basic changes in it. However, the following could enhance the effectiveness of the Set of Measures:

a. Creation of a general atmosphere of stricter requirements, leading to more respect for the interests of society as a whole, greater social responsibility, to closer compliance with the regulations and orders, and to stricter discipline of every kind. It is not enough to merely propagate the stricter requirements orally or in writing;

b. Accelerated elaboration of a plan for the period through 1985. This would give the enterprises and economic production units a certain guaranty of their planned inputs and outputs, and of their incentive to improve them, primarily in the form of implementation counterplanning;

c. A stronger approach to raising the effectiveness of capital construction and of the development of science and technology, from preparation through realization;

d. A more effective and more consistent attitude against excessive paperwork, especially where it serves to compensate for and conceal shortcomings in management and responsibility;

e. More purposeful continuation of usefully propagating the application of the Set of Measures within the ministry, in the trade-union journal HORNIK-ENERGETIK, and in the district and plant publications.

## IMPLEMENTING DECREE FOR SCIENCE, TECHNOLOGY CONTRACTS

### Changes in Law Explained

East Berlin WIRTSCHAFTSRECHT in German Vol 13 No 2, Apr-Jun 82 pp 102-105

[Article by Karl-Dieter Schwenk, chief justice, Central Contract Court and chief, industry department of contract court: "Economic Contracts on Scientific-Technical Achievements--On the First Implementing Decree (DVO) to the Contract Law." A translation of the new contract law is published in JPRS 80875, 21 May 82, No 2272 of this series, pp 24-73, under the heading "New Law on Contracts Sets Responsibilities, Sanctions." A translation of the implementing decree discussed below follows this article]

[Text] Among the ten major points of GDR economic strategy for the 1980's, as developed by the Tenth SED Party Congress, the major point involving scientific-technical progress takes first place; this is because "the long-term, steady economic growth of the GDR can be sustained only by a speed-up in scientific-technical progress"[1]. This means that economic law also has the task of drafting legal norms in such a manner that science and production will be tied together even more closely than so far, that scientific-technical results will be transposed into practice as quickly as possible, and that available scientific-technical results can be used faster and more broadly. That resulted in the essential premises for the review for the third DVO/VG [Implementing Decree/Contract Law] (old).

This is the aspect from which we must view the provisions of the first DVO/VG which, compared to the old regulation, are new or which were adapted to the new requirements:

It was necessary to take the growing significance of the specifications as such into account. This is expressed among other things by the fact that it has now been determined that the specifications are a part of the contract even without express agreement among the partners. It was furthermore necessary to draft the rights and duties of the partners in such a way that the specifications would constitute the foundation of their work in, if possible, all phases of cooperation. From that angle, it is especially articles 4, 5, 9, and 10 of the first DVO/VG which are important.

One of the essential causes of the many troubles arising in the establishment of production cooperation relations is due to the fact that the partners

cooperate too late; this is why the information supply obligations were so spelled out that there are rights and duties applicable both to the information-supplying party and the party that is supplied with the information (Article 4).

The coordination contract--with whose help early and planned cooperation, binding for both partners, can be organized, and whose significance, in my opinion, will grow further during the next several years--was revised in keeping with the specific conditions of scientific-technical tasks (Article 5).

The rapid introduction and utilization of scientific-technical results among other things is to be supported by the fact that the rights and duties of the economic units in connection with material-technical backup support were regulated in Article 6.

In the course of the discussions it was demanded that a regulation be created which in particular supports the material-technical backup support for the tasks of the science and technology state plan. Comprehensive considerations were entertained therefore, regarding a possible settlement here, during the drafting of the basic concept. Further work on the law however shows that yet another generalization is necessary because priority contract conclusion is justified not only for the tasks of the science and technology state plan but also for other tasks, for example, the export of systems. This is why a generalizing provision was included in the contract law and this is why there was no special provision in the first DVO/VG.

The use of scientific-technical results was regulated in a complex fashion, including the award of methods in order thus to give the economic units uniform instructions in the establishment of the necessary production cooperation relations (articles 19 ff.).

Subject of Economic Contract Covering Scientific-Technical Performances

The third DVO/VG (old) for the first time, in the context of legislation, represents an attempt to define scientific-technical performances in terms of content. Through Article 2, first DVO/VG, an attempt has now been made to develop this provision further. Here, as was done already in Article 1, third DVO/VG (old), a compromise was worked out between clear theoretical definition and practicable guidance. The actual definition is contained in the first part of Paragraph 1, Article 2; the reference to the listing of work steps and performances concerning tasks in the science and technology plan[2] was included in order to facilitate the application of this provision because all performances, contained in the list, undoubtedly involve scientific-technical performances.

It was pointed out in the discussion with full justification that there are also scientific-technical performances which are not contained in the list. It was thus demanded that the regulation be so drafted that it would also be applicable to expert reports, analyses, specific investigations of a natural-science-technical, technological, medical, or social-science nature, as well as geological and geophysical investigation work and the like. Furthermore,

it was pointed out that there are also design and planning performances which are not contained in the list. This for example involves construction planning. This is why it was specified in Article 2, Paragraph 3, first DVO/VG, that the first DVO would apply also to those performances which are not contained in the list but which, as for the rest, meet the requirements of Paragraph 1, that is to say, those that are aimed at the implementation of scientific-technical progress, those that were produced by way of implementation of or as the result of intellectually creative work, with the use of scientific work methods.

No attempt was made to come up with the most complete possible listing in Article 2, Paragraph 3. Only the typical and most frequent scientific-technical performances were listed. These listed performances in each case involve scientific-technical performances. Here in other words we do not need to examine whether they meet the requirements of Article 2, Paragraph 1.

The first DVO/VG does not contain any provision that would introduce a dividing line with respect to the other implementing decrees. The dividing line with respect to the Delivery Decree[3] springs from Article 5, VG, with respect to the third DVO/VG, it springs from Article 1, Paragraph 3, third DVO, and with respect to the second DVO/VG, it derives from Article 1, Paragraph 3, second DVO. The dividing line with respect to the LVO [Delivery Decree] and the third DVO here creates hardly any difficulties. But this turns out to be more problematical in relation to the second DVO. Here it must be made clear that the delivery of newly-developed or improved products is not treated as a case of turning out scientific-technical performances in the first DVO. In other words, if newly-developed or improved products are introduced into investments, then there cannot be any problems in terms of dividing lines between the first and second DVO/VG because the first DVO does not apply in any case[4].

Note Significance of Specifications

The specifications constitute an important management document for the combine's general manager to help him in guaranteeing a high level of creative performances in research and development[5]. Through the specifications, we can help work toward raising the level and the effectiveness of scientific-technical work. Because the drafting of the specifications and their confirmation and the content quite correctly are regulated in a special regulation, the Specifications Decree, it was necessary to include in the first DVO/VG only those facts which directly touch production cooperation. In this connection we must above all point to Article 9, first DVO/VG. Accordingly, the specifications constitute a part of the contract even without express agreement. In this way, the current provision in Article 11, third DVO (old) was amended; it only provided for the right of the partners to agree that the specifications would be a part of the contract. This amendment was made because it is necessary in the specifications to spell out the objective and the jobs within the scientific-technical task; in this way, we can determine the scientific-technical and economic parameters which are of decisive importance to the relations between the partners. This is why it was necessary to determine that the specifications would be a part of the contract also without express agreement. By the way, it would not be efficient once again in the contract to stipulate parameters and agreements which are already spelled out in the specifications.

Article 7, Paragraph 3, Specifications Decree--providing for the confirmation of the specifications by both partners--however tells us that the specifications become a part of the contract only after both partners have confirmed them. If the specifications, for example, are drafted only by one partner and if they are not signed by the other one, then they will not be binding in the relationship among the partners. The determination to the effect that the specifications are a part of the contract even without contractual agreement thus does not replace the agreement among the partners.

The designation of the specifications as a part of the contract has been challenged on various occasions to the effect that it is not supposed to be necessary to make the entire specifications a part of the contract. This must be countered by stating that a differentiation between those determinations in the specifications which become a subject of the contract and those which do not, is hardly possible in a legal regulation. There is certainly no debating the fact that the specifications decree contains a series of provisions which are not subject to agreement among the parnters and which thus also are not part of the contract. The partners by the way also have the right to spell out the provisions of the specifications in the contract or to make reference to certain provisions in the specifications for the purpose of attaining greater clarity.

Specifications and Task Statements

Article 7 of the Specifications Decree states that the economic and scientific-technical target and job statement must be worked out by both partners together and that the specifications must be confirmed by the client and the contractor. This means that adequate provisions were made for the drafting of the job statement and to that extent there was no need for any provision to draft the job statement in the first DVO/VG. This is why it was decided not to introduce a provision such as it is contained in Article 24, third DVO (old).

The provision in the third DVO (old) in the past has given rise to questions regarding the relationship between the specifications and the job statement. It was pointed out that, in addition to the specifications, containing the economic and scientific-technical objective and thus also all important parameters, there cannot be any separate job statement going beyond that; this was countered by maintaining that this is blocked by the provision of Article 24, third DVO (old) which obligatorially calls for drafting the job statement. This apparent contradiction has now been eliminated through the specifications decree and the first DVO/VG. Something similar also applies to the provision in Article 24, third DVO (old), according to which economic contracts must be concluded on performances which are covered by production cooperation in connection with the drafting of the job statement. This obligation arises already from the general provisions on the contract obligation in the contract law and did not require any special development.

Conclusion of Economic Contracts

The State Contract Court did a rather comprehensive job on the material-technical backup support for the tasks listed in the State Plan. Here it was found that one essential cause of the arising difficulties had to do with the fact that the requirements, to be met by enterprises that were to take care of these performances, were communicated too late. The provision now created concerning priority contract conclusion (Article 26, VG), will now help solve some problems.

The positive effects of priority regulation depend extensively on whether information is given at the right time concerning the requirements to be met on a priority basis. This means that the most important production cooperation partners must be informed at the right time. In these cases, the performances can frequently still be inserted into the plans because it is often very small quantities of material which are not made available and which thus hinder scientific-technical progress.

Article 4, first DVO/VG therefore expands on the information obligation of the economic units. Here, both the requirements for the content of this information and the obligation of the informing enterprises to react to this information were spelled out in obligatory terms. This means that we went considerably beyond the requirements of Article 4, third DVO (old).

It was demanded at the third conference of the SED Central Committee that more export commodities of top-level quality be developed[6]. The science and technology plan is to be oriented far more strongly toward foreign-trade requirements. This calls for close cooperation among the foreign trade enterprises and the export enterprises in developing new products. This is why the duties of the foreign trade enterprises in connection with information exchange were expressly spelled out in Article 4, Paragraph 3, first DVO/VG. The economic units furthermore were instructed in Article 9, third DVO/VG, obligatorily to spell out their rights and duties connected with the development of new and the improvement of old processes and methods in the coordination contract.

A provision on material-technical backup support was also newly included. Here, a task [job] standard was created which is to make the close connection between research and development and material backup support clear and which demands that the economic units initiate the required measures at the right time. Some of the duties spelled out here regarding the reporting of the requirement or the indication of the utilization purpose in the requirement report might appear somewhat tough; but they cannot be spelled out in any more specific fashion in the context of the first DVO/VG. It is therefore the job of the economic units to make decisions in a responsible fashion as to the timing as well as the scope and the type of the measures to be initiated for the material-technical backup support for the transposition of scientific-technical results into practice.

In this connection it is pointed out once again that the practical implementation of the provision on priority contract conclusion calls for complying

with the duties spelled out in Article 6, first DVO/VG. The requirement can be fitted in on a priority basis only if the obligated organs or enterprises know that this is a priority requirement.

Coordination Contract

Starting with the basic model of the coordination contract, which was newly set up in Article 25, VG, Article 5, first DVO/VG, spells out the special features of the coordination contract in connection with scientific-technical tasks. Here we essentially tied in with the proven provision of Article 5, third DVO (old) in working out the content. It was possible to include only a few essential guidelines. Especially when it comes to scientific-technical tasks, both partners must be required to clarify on their own responsibility which additional agreements are necessary.

The practical application case spelled out in Article 5, Paragraph 2, first DVO/VG, is particularly significant, to the effect that an enterprise demands that another one deliver to it a product to be newly developed. In this case, the enterprises do not enter into any performance contract on a scientific-technical performance because the delivery of a newly developed product is not a scientific-technical performance; instead, they organized their relations in terms of the development work to be done within a coordination contract and they conclude a delivery contract on the delivery of the products. By means of the coordination contract it is possible to exert influence to the effect that the required parameters can be implemented and that the development will be carried out in keeping with the justified requirements of the customers. This means that the commercial enterprises were also given an important instrument in order to be able to influence required new developments or improvements at the producer's end on a contractual basis. The discussion on the determination to the effect that the annual minimum quantities must be agreed upon was conducted in a partly controversial fashion. It was argued that it is not possible to determine and agree upon the miniumum quantities at such an early point in time. But that had to be countered by noting that we are not concerned here with the determination of the specific delivery volume but only with a minimum volume. If it is impossible to determine the minimum quantity then one must ask oneself how one is then to determine the necessity and effectiveness of development. Would there then not be a danger of tying down urgently needed research and development capacity for ineffective development tasks? The purpose of Article 5, Paragraph 2, first DVO/VG, among other things, is to make sure that the interests of the national economy and the interests of the producers--who must know whether there will be a sales possibility for the products to be newly developed--will agree completely. We cannot allow a situation where development work is done without a prior clarification of the sales outlet question. These remarks are designed to make it clear that we are concerned with a very basic issue here. Reference must also be made to the fact that Article 4, Paragarph 2, third DVO/VG, contains an identical determination. Article 8, first DVO/VG, applies to the amendment and cancellation of coordination contracts. As for the rest, the general provisions of contract law apply.

Contract Content

Article 9, first DVO/VG, does not contain a full listing of the contract content--as was attempted in Article 10, third DVO (old)--in favor of a tightening-up of the regulation. The partners have adequate orientation when it comes to working out the contracts both by virtue of the provisions on the contract content in the contract law and by virtue of the provisions immediately following Article 9, first DVO/VG, for example, concerning co-operation, quality, guarantee, etc. Article 9 therefore only contains the orientation which is still required beyond that.

A series of provisions in the third DVO/VG (old) was dropped in the light of the consideration that they are not absolutely necessary in view of our current knowledge and that the economic units are in a position to enter into the necessary agreements on their own responsibility. If we examine above all the 2nd Subsection, 3rd Section, third DVO (old), "Special Development of Rights and Duties," on this aspect, then we arrive at the conclusion that this part of the third DVO (old) could not possibly be taken over in this form. Practice has shown that there is no longer any need for a detailed regulation of research and development performances as well as standardization performances. At the time that the contract on scientific-technical performances was being drafted, it was a meritorious achievement to be able to give the economic units a regulation which made it easier for them to conclude contracts. This guidance aspect was also the essential cause of the inclusion of this regulation into the third DVO (old). Our interpretation of the law and our broader knowledge however enable us today uniformly to regulate only the basic provisions of the contract on scientific-technical performances and to leave the modifications to the responsibility of the partners. This is why only testing performances and utilization were regulated separately because essential and special aspects, requiring regulation, exist here after all.

Because a repetition with respect to the contract law was to be avoided, we dropped all those provisions in the new version of the first DVO/VG which are regulated in a generally obligatory fashion in the contract law. This is why, for example, we did not include a provision on contract conclusion, such as it is contained in Article 6, third DVO (old). When and on what basis contracts are to be concluded will be derived from the general regulations on contract conclusion because they are applicable also in the case of scientific-technical performances.

We also decided not to regulate here such questions as general contractorship or freedom from general warranty in the first DVO/VG. Because these regulations so far, for example, have been contained both in the third DVO (old) and in the fourth DVO (old) and partly also in the eighth DVO (old), the regulations were standardized and included in the contract law.

Giving Scientific-Technical Results for Remunerated Use

The third DVO (old) regulated the use of scientific-technical results in addition to the award of processes, that is to say, both of then accordingly

were independent juridical solutions. If we examine both regulation models, we find that the basic juridical solution is the same. In each case, existing scientific results are given to a customer for use against remuneration. It was therefore obvious to standardize the text and thus to make it easier for the enterprises to apply this provision. Article 18, first DVO/VG, therefore contains a uniform basic principle both for the use and for the award of processes. At the same time, the regulation has the purpose of covering all cooperation-law provisions, contained in other legal regulations[7], in a complex manner. The idea was, in keeping with a comprehensive application of existing scientific-technical results, to give the partners guidance for the conclusion of contracts. In terms of content, the text essentially followed the old concept of the third DVO (old) and the regulation on use. But reference must also be made to Article 18, Paragraph 2, first DVO/VG, which states what results ready for use really are. Here, a change was made compared to the regulation on use. Article 2, Paragraph 2, of the Regulation on Use provides that results capable of being used exist only if, for their utilization, the surrendering enterprise gives the documentation, transmits production experiences, or provides support. These criteria need no longer exist regarding results from research and development and for enterprise-organizing and economy-organizing solutions. The idea is to prevent disputes between the partners as to whether, for example, production experiences were really passed on and whether results capable of being used thus really exist. Besides, the interests of the enterprises--where such results exist--concerning the giving of these results was to be stimulated. The provision contained in the Regulation on Use was retained for inventions and innovations protected by industrial patent rights.

In the discussion the question was asked on various occasions whether the Regulation on Use is to be rescinded or whether it is to continue to exist. Because the cooperation-law provisions of the Regulation on Use were included in the first DVO/VG, it is necessary to revise the Regulation on Use because such questions, as financing and the formation of the remuneration, were not settled in the first DVO so that a rescission of the Regulation on Use without replacement is not possible.

In settling the matter of material liability, the concept in the third DVO (old) was retained, that is to say, the provisions of contract law do apply and only the required special features were regulated. Article 23, Paragraph 1, first DVO/VG, gives the economic units the possibility of agreeing upon contract fines and damage restitution in the light of specific conditions and the risk, in deviation from the determinations contained in the contract law or other legal regulations.

If we compare the version of articles 23 ff., first DVO/VG, with the corresponding legal norms in the third DVO (old), we will note several editorial changes. These changes were essentially made in order to formulate identical provisions in the first DVO and the second DVO (see Article 29, second DVO). There were thus no motives in terms of content for these changes.

The risk connected with scientific-technical performances was also adequately taken into account with this regulation. Here it was necessary to observe that,

on the one hand, it is necessary to stimulate the readiness to undertake risks whereas, on the other hand, it is also necessary to urge the economic units to work with the utmost care. If an economic unit fails to meet these requirements, it must pay penalties just as if it were to have had to provide some other performance.

Concerning the risk problem complex, it must furthermore be kept in mind that this involves not only a question of material liability. The handling of the amendment and cancellation of economic contracts in Article 8, first DVO/VG, is based, for example, on the consideration of so stimulating the risk readiness of contractors that they will also be ready to enter into contracts that might perhaps later on have to be canceled again because new circumstances have arisen which none of the partners was able to foresee.

The proven provision of the third DVO (old) on the legal consequences in case of violation of warranty rights was also taken over. The provision (now Article 24, first DVO), according to which warranty demands are ruled out if the contract violation is due to circumstances which the contractor was unable to avert in spite of all care, considering progressive scientific-technical discoveries and work methods, likewise pursues the objective of stimulating the readiness of the economic units to undertake risks.

FOOTNOTES

1. "Bericht des ZK der SED an den X. Parteitag der SED" [SED Central Committee Report to the Tenth SED Party Congress], reporter: E. Honecker, Berlin, 1981, p 51.

2. "28 May 1975 Order on the List of Work Steps and Performances Involved in the Tasks of the Science and Technology Plan," GBL.[Legal Gazette], I, No 23, p 426.

3. "15 October 1981 Decree on Deliveries and Performances for the Armed Services--Delivery Decree (LVO)," GBL., I, No 31, p 357.

4. On this problem complex of drawing dividing lines, see also the article by H. Walter in this issue, p 106.

5. See Article 2, 17 December 1981 Decree on the Specifications for Research and Development Tasks--Specifications Decree, GBL., I, 1982, No 1, p 1.

6. See "Aus dem Bericht des Politbueros an die 3. Tagung des ZK der SED" [From the Political Bureau Report to the Third Conference of the SED Central Committee], reporter: E. Honecker, Berlin, 1981, p 44.

7. See the 4 November 1971 order on remunerated use of scientific-technical results in the GDR--Regulation on Use, GBL, II, No 75, p 641. In connection with the giving of processes, the directive of the National Economic Council of 20 January 1964 was also applied in practice; it deals with process ownership in the erection of chemical plants at home and abroad because the third DVO/VG (old) contained only a few basic provisions.

## Text of Decree

East Berlin GESETZBLATT DER DEUTSCHEN DEMOKRATISCHEN REPUBLIK in German Part I No 16, 29 Apr 82 pp 325-328

[Official text of "First Implementing Decree to the Contract Law--Economic Contracts on Scientific-Techncial Achievements--25 March 1982," signed by Willi Stoph, chairman, GDR Council of Ministers]

[Text] The following is hereby ordered on the basis of Article 117, Paragraph 1, of the Contract Law of 25 March 1982 (GBL., I, No 14, p 293):

### Chapter 1. General Provisions

#### Scope

#### Article 1.

(1) This implementing decree regulates the conclusion and implementation of economic contracts for the coordination of economic-technical cooperation and on the implementation of scientific-technical performances.

(2) This implementing decree applies accordingly to other scientific performaces.

#### Article 2.

(1) Scientific-technical performances are performances whose subject is the solution of a problem aimed at the implementation of scientific-technical progress, which are provided primarily by way of implementation or as a result of intellectual-creative work and using scientific work methods, and which correspond to the performances contained in the list of work steps and performances connected with jobs within the science and technology plant.

(2) Scientific-technical performances in particular are research and development performances, including the implementation of tests and experiments, as well as model construction performances and the erection of experimental structures and experimental facilities plus the giving of scientific-technical results for remunerated use.

(3) The provisions of this implementing decree must also be applied to the design and planning performances as well as other performances which are not contained in the list on work steps and performances of jobs in the science and technology plan, if they correspond to the requirements of Paragraph 1 for the rest.

#### Article 3. Tasks of Economic Contracts

The economic units must so organize their cooperation on the basis of government plan decisions through the conclusion of economic contracts on scientific-technical performances that the scientific-technical results--in terms of

their utility value parameters, costs, lifetime, and reliability--will take into account advanced international standards and will meet the requirements of strengthening the national economy's material-technical base. They must guarantee broad use of available scientific-technical discoveries via the economic contracts.

Article 4. Information Obligations

(1) The economic units must mutually inform each other on the development of scientific-technical progress, especially on the development of their products and processes, to the extent that this is necessary for the development of their production cooperation relations. The information must be supplied at the very latest at the time the specifications are worked out.

(2) A report on the preparation of future performance relationships must contain data on the content and scope of the required performance. The informed economic units must declare within one month the extent to which the required performance corresponds to their research and development production profile.

(3) The foreign trade enterprises must--in the context of information exchange --in particular develop proposals for the utility properties to be attained, they must submit data on cost and price development, and they must cooperate in the procurement of documentation.

Article 5. Coordination Contracts

(1) In the coordination contracts it is necessary in particular to arrive at agreements on the following:

1. The qualitative and time requirements for the development of products and processes;

2. Freedom from general warranty and patent-law measures;

3. The upper limit for costs and prices for the products to be developed;

4. The rights and duties of the partners in drafting the specifications, in the conduct of tests as well as performance certificates;

5. Participation in [thesis] defenses and

6. Protection of secrecy.

(2) If the coordination contract is concluded to prepare the delivery of products to be developed, then it is necessary, beyond that, to agree upon the annual minimum quantities, the deadlines for the completion of the development work, and transfer into production as well as cooperation by the customer.

Article 6. Material-Technical Backup Support

(1) The economic units must at the right time initiate measures required for the transfer of scientific-technical results into practice, including the

planned preparation and implementation of the necessary investments, especially for the rationalization and modernization of basic aspects.

(2) The economic units are obligated, as soon as the requirement for supplier shipment for the implementation of scientific-technical tasks and the introduction of their results into practice can be determined, to secure the requirements in contractual terms, specifying the utilization purpose.

Article 7. Form of Economic Contracts

The economic contracts on scientific-technical performances are to be concluded in writing.

Article 8. Amendment and Cancellation of Economic Contracts

(1) The partners must immediately inform themselves on new scientific-technical discoveries which can influence the fulfillment of the contract and they must examine the requirement for contract amendment or contract cancellation. This also applies when patent rights held by third parties obstruct the fulfillment of the contract.

(2) If the contract was amended or cancelled due to circumstances not caused by any partner, then the customer is obligated to compensate the contractor for the expenditures that arose, provided the partners did not agree otherwise. New scientific-technical discoveries, which none of the partners was able to foresee at contract signing time, are considered a circumstance which is not caused by any partner.

(3) The expenditures to be reimbursed by the customer also include the proportional stimulation amount in keeping with the legal regulations.

Chapter 2. Working Out Scientific-Technical Results

Article 9. Development of Contract Content

(1) The partners must develop the content of the contract in keeping with the specific conditions of the scientific-technical performance and the requirements spelled out in this chapter. The specifications constitute a part of the contract also without express agreement.

(2) The partners must determine the performance especially through agreements on the objective of scientific-technical work, including the utility coefficients, the scientific-technical and economic level of the performance, including the performance and effectiveness increase, the method of the implementation of work and the form in which the work results are to be handed over.

(3) The partners must furthermore enter into agreement on the measures for the continuation of scientific-technical work, the giving of scientific-technical results to third parties for use, as well as participation in the proceeds deriving from that.

Article 10. Cooperation

The manner, scope, and deadlines of cooperation are to be agreed upon between the partners in keeping with the specific conditions of the scientific-technical performance. Cooperation obligations particularly exist:

1. In the drafting of the specifications;

2. During the justification;

3. During the conduct of tests or participation in tests;

4. During functional tests and performance trials;

5. During the development of the technology;

6. During the introduction of the results into practice all the way to the attainment of the agreed-upon coefficients and

7. During the implementation of patent-law measures.

Article 11. Quality

The partners must arrive at agreements on the quality of the scientific-technical results on the basis of the scientific-technical and economic objective. Quality determination in particular includes the technical, technological, and economic coefficients of the results, the operational reliability of the products, the quality of protection and the guarantee of environmental protection, the requirements for the design of product shapes, and the requirements of standardization as well as the patent protection capability to be attained for the results.

Article 12. Warranty

(1) The warranty in particlar includes the correct execution of the performances agreed upon in the contract, including the foreseeable further development of the scientific-technical state of the art for the period of time necessary for production preparation, the technical feasibility and the economic usefulness of the result, as well as the functional and performance capacity of the product or process in keeping with the specified coefficients or those assumed according to the contract.

(2) The partners can enter into different agreements, to the extent that this is required by the specific conditions of the performance.

Article 13. Legal Warranty Period

(1) The warranty period is to be agreed upon in the light of the type of performance between the partners unless a warranty period has been determined in legal regulations or by the government agencies authorized to do so. If the partners did not enter into any agreement or if no determination was made, then the warranty period shall be 1 year.

(2) The warranty period for performances connected with product development and the designs of series-produced products does not terminate prior to the expiration of the warranty period for the first product manufactured by the customer [as published] on the basis of the development results. For development and design performances relating to the manufacture of individual products and for planning performances, the warranty period ends with the expiration of the warranty period for the product or plant made on this basis.

(3) The warranty period for processes ends with the expiration of the warranty period for the first installation erected which works according to this process in the context of the planned commodity production effort or the first product which is made by the customer according to this process in the context of planned commodity production in an already existing plant [installation].

Article 14. Patent Law Tasks and Publication of Work Results

(1) The partners must agree on the subjective, time, and local scope of freedom from general warranty and must carry out the patent-law tasks in the GDR and abroad in keeping with the requirements of the scientific-technical performance.

(2) Unless other agreements have been enterred into, a publication of scientific-technical results requires the prior approval of the other partner.

Article 15. Justification before Customer

The customer may demand that the contractor justify the scientific-technical objective, the result of individual work steps, or the scientific-technical results before him. This does not apply if the regulations call for a justification before a specific body and if the customer is represented on that body.

Article 16. Performance and Acceptance Timing

Unless otherwise agreed upon, the customer must, within one month after the forwarding of the scientific-technical result, declare the acceptance of the performance or the refusal to accept it. If the performance is accepted, it is considered to have been fully rendered upon transfer of the results. If, within the prescribed or stipulated deadline, the performance is not accepted or if acceptance refusal is declared, then the legal consequences of acceptance delay become effective after the expiration of the deadline.

Article 17. Billing

The billing statement must not be delivered prior to the day of acceptance. Unless otherwise specified in the legal regulations on in the contract, the contactor must forward the billing statement at the very latest 10 workding days after acceptance. The right to send out a billing statement in the case of acceptance delay according to Article 59, Paragraph 4, of the contract law, is not affected by this.

## Chapter 3. Giving Scientific-Technical Results for Remunerated Use

### Article 18. Development of Contract Content

(1) In contracts on giving scientific-technical results, it is necessary to enter into agreements as to the utilization purpose and the utilization scope, the description of the patent-law situation by the contractor, the freedom from general warranty, the procedure in case of conclusion of utilization contracts with additional interested parties, and use in the context of international research cooperation. If there is to be export of scientific-technical results, then the agreements must be entered into in accordance with the provisions of international-law contracts or international-economic contracts.

(2) Usable results within the meaning of this implementing decree are results of research and development and enterprise-organizing and economy-organizing solutions. Usable results are also inventions and innovations protected by economic patent rights in accordance with the legal regulations if scientific-technical or economic documents have been turned over for their use or if production experiences are being transmitted or if the surrendering enterprise provides support.

(3) Those economic units are entitled to give out scientific-technical results which fully or partly finance the results from in-house funds or government budget funds or which worked out the results or acquired them through contract. The economic units are obligated to offer results available to them to other economic units for use.

(4) The remunerated transfer of scientific-technical results for use can be ruled out contractually only if this has been so spelled out in the legal regulations or if there are national economic requirements for this. This applies also to the conclusion of contracts on research and development.

(5) Planning performances, whose use is regulated in special legal regulations, are not subject to remunerated use within the meaning of these provisions.

### Article 19. Giving Processes

(1) Unless otherwise specified in the legal regulations or in the contract, the following are included in the contractor's performance volume in connection with the transfer of processes:

1. The transfer of process documentation;

2. The transfer of start-up, operating, and damage-control instructions;

3. The checking of the project for agreement with process documentation and the confirmation of their correctness in terms of process engineering, as well as their agreement with the regulations on health protection and work safety as well as fire protection;

4. The conduct of the necessary experiments;

5. Measures for the advanced training of operating, maintenance, and management personnel;

6. The management of trial operation;

7. Advising the customer on the use of the process.

(2) The partners must furthermore enter into agreements on the cooperation of the partners up to the actual commissioning of the plant to be erected, the performance trials and certificates, and the obligations connected with the conduct of functional tests.

Article 20. Warranty

(1) The contractor guarantees that the result will be usable to the extent agreed upon.

(2) The warranty period for the scientific-technical results, given for remunerated use, ends in case of results of product development and in case of constructions [designs] in accordance with the provisions of Article 13, Paragraph 2, in the case of the transfer of a process in accordance with the provisions of Article 13, Paragraph 3, and in all other cases, upon expiration of the warranty period in accordance with the provisions of Article 13, Paragraph 1.

Chapter 4. Testing Performance

Article 21. Basic Principle

(1) If the performance consists of testing, the contractor is obligated to perform the test according to the agreed-upon program and to give the result to the customer. The customer must cooperate in the manner agreed upon, in particular, he must supply the contractor with the object to be tested, and he must accept the testing result and pay the price.

(2) The contractor is obligated to return the test object. This does not apply if the test consists of the consumption of the object and if it cannot be performed without destruction. The partners then can agree on something else.

(3) If a process is being tested, the partners should enter into agreements concerning the use of the results made by the process.

(4) The partners should enter into agreements concerning the development-connected risk arising from the testing operation. If the test is conducted at the facility of the subsequent user, the risk should be shared.

Article 22. Additional Rights and Duties

(1) If unforeseen changes take place in the testing object during testing, the client must immediately be informed. He must decide on the continuation of the test.

(2) If there is a threat of damage due to testing, the test must be interrupted. If necessary, the contractor must dismantle the test object or perform an analysis of the test material.

(3) The contractor may not make any changes on the object to be tested without approval from the client unless the testing goal calls for a change in the testing object.

Chapter 5. Liability

Article 23. Contract Fine and Damage Restitution

(1) To allow for the risk arising from the specific conditions and the type of performance as well as the damage to be expected in case of contract violation, the partners may agree upon the amount of the contract fine and the extent of damage restitution in deviation from the determinations contained in the contract law or in other legal regulations. The stipulated scope of the damage restitution obligation must not fall below the price to be paid for the performance.

(2) Agreements on restricting the scope of damage restitution obligation do not take effect if the contract violation is due to a coarse violation of the obligation to exercise care which must be complied with during the implementation of scientific-technical performances.

(3) If a contract fine is to be ordered because of failure to meet interim deadlines, this requires prior agreement. This does not apply to scientific-technical performances in preparation and execution of investments.

(4) There is no obligation on the part of the contractor to pay a contract fine or to make damage restitution if the performance is not to be paid for by the client according to the legal regulations. If the contract violation is due to a coarse violation of the obligation to exercise care during the implementation of scientific-technical performances, the contractor must make restitution for the damage arising due to contract violation.

Article 24. Exclusion of Warranty Demands

(1) Warranty demands are ruled out if the contract violation is due to circumstances which the contractor was unable to avert in spite of using all possible care and considering advanced scientific-technical discoveries and work methods. In this case, the contractor is obligated either immediately to correct any reported deficiencies at the expense of the client or to make restitution. The partners may agree on something else.

(2) The demand for follow-up improvement or substitute performance is ruled out if it calls for an expenditure that cannot be justified in terms of the national economy and if the client can be expected to make use of the object of the performance. In this case, a reduction corresponding to the scope of the deficiency is to be granted.

## Chapter 6. Concluding Provisions

### Article 25.

This implementing decree takes effect on 1 July 1982. It applies to all economic contracts which are to be fulfilled after its entry into force.

5058
CSO: 2300/279A

## IMPLEMENTING DECREE ON INVESTMENT, MAINTENANCE CONTRACTS

### Discussion of Decree

East Berlin WIRTSCHAFTSRECHT in German Vol 13 No 2, Apr-Jun 82 pp 106-109

[Article by Harri Walter, chief justice, Central Contract Court, and chief, investment department of contract court: "Economic Contracts on Investments and in Maintenance of Capital Goods--On the Second Implementing Decree (DVO) to the Contract Law." A translation of the contract law is published in JPRS 80875, 21 May 82, No 2272 of this series, pp 24-73. A translation of the implementing decree discussed below follows this article]

[Text] The regulations of articles 63 ff. of the contract law and the second implementing decree (DVO) to the contract law more or less follow the proven basic principles of the eighth DVO to the contract law,[1] which is in force at the present time. Simultaneously demands--emerging from the 10th SED Congress--for increasing the effectiveness of investments were taken into consideration.[2] Furthermore, the cooperation regulations concerning investments are characterized by the following goals or principles:

--The second DVO was coordinated more effectively with the regulations on scientific-technical services. It is evident, for instance, from the fact that general projection services are included in the first DVO to the contract law, in accordance with their character. Specific peculiarities relating to investments result from the regulations of the second DVO.

--The second DVO includes only economic contracts on investments and on the maintenance of capital goods. As a consequence legal developments were taken into consideration that occurred in recent years in the field of investments, applying to specific regulations governing investments, including the appropriate cooperation norm.[3]

--The full acceptance of the responsibility for preparing and implementing investments through combines and enterprises is supported by cooperation regulations which for the first time regulated basic rights and basic duties

for the respective economic contract. Because of the incorporation of two major forms of economic contracts into the contract law which apply to the preparation and implementation of investments, the respective basic rights and basic duties are regulated in a stable manner over a longer period of time.

--Compared to the eighth DVO to the contract law (old), a considerable number of separate regulations on the contract content could be eliminated, because basic regulations on the contents of service contracts from the third chapter of the third part of the contract law apply.

--The inclusion in the contract law of legal institutes, such as claims following the expiration of warranty periods or in cases of economic sanctions, the necessity was eliminated to retain the appropriate regulations from the eighth DVO to the contract law (old) and include them in the second DVO.

Below a discussion follows of the motives and some of the problems inherent in the continuing development of regulations in the contract law and the second DVO:

Scope of the Second DVO to the Contract Law

In comparison to the actual scope of the eighth DVO to the contract law (old), which dealt with the major forms of the complex reproduction of basic assets, the subject matter of the second DVO was reduced. In the second DVO, cooperation relations on general economic investigations of basic assets are no longer regulated. In this matter the regulations of the first DVO to the contract law apply exclusively. Furthermore, service agreements are no longer covered by the second DVO; instead the general regulations on service contracts (articles 69 ff. of the contract law) apply. With respect to personnel matters within the scope of the second DVO the term of subcontractor was dropped. In article 1, section 1, item 2 of the eighth DVO to the contract law (old) this term raised questions with respect to the classification of enterprises. In its place, article 2, section 2 of the second DVO to the contract law referenced to economic units that provide construction services or carry out equipment assembly. Within the expanded cooperation chain, the second DVO includes primary suppliers of these economic units. On the other hand, the second DVO only applies to economic units which supply projection services. Not included, for instance, are their material suppliers. Article 1, section 3 of the second DVO points to the admissibility of applying regulations intended for other contracts if the second DVO does not contain regulations and the others do justice to the principles of this implementing decree. In a case of a shipment of capital goods, for instance, the regulations of article 67 of the contract law apply. For projection services during the preparation of objectives, the preparation and implementation of investments and the implementation of maintenance services, the regulations of the first DVO apply, because the second DVO contains no specific regulations

on projection serivces. Thus, article 13, section 2, item 2, for instance, or article 24 of the first DVO to the contract law applies to the respective projection contracts. For the conclusion of contracts, however, specific prerequisites pertaining to investments apply, in accordance with the respective parts of the second DVO. Legal regulations on import (article 1, section 3 of the second DVO) have priority over the second DVO.

Cooperation Relations During the Preparation of Objectives

The new version of article 3, section 6 and article 4, section 1 of the investment preparation decree, as found in the third decree of 30 October 1981 on the preparation of investments,[4] regulated for the first time the fact that the preparation of qualified objectives urgently requires the cooperation of enterprises and projection establishments in the capital-goods industry and the building trades. It was taken into consideration when formulating the regulation of article 4 of the second DVO, among other things, through the elimination of a former requirement--article 4 of the eighth DVO to the contract law--according to which contracts had to be concluded at each step. Rather, a reciprocal contract requirement had to be regulated between the investment contracting agency and contractors (included are, above all, enterprises and projection establishment of the capital-goods industry and the building trades, technical suppliers, etc.). The comprehensive term of contractor was used for enterprises that may be considered as possible partners of investment contracting agencies. This term offers the advantage of avoiding the enumeration of a large number of enterprises at several places. In addition to the investment contracting agency, the term of contracting agency is used within the cooperation chain, because the partner relationship requires that a distinction be made between the contracting agency and the investment contracting agency. Article 4, section 1 of the second DVO omits the regulation on prerequisites for contract conclusions on the part of contracting agencies, because regulations on this matter would not have been outside the basic principles for contract conclusions as contained in the contract law. As a rule, this phase of the reproduction process especially lacks concrete plan decisions on specific investment projects. On the part of contractors, the conclusion of a contract, among other things, depends on the existence of a balancing decision on projection services, as long as these services are subject to the balancing regulation.[5] Among other state plan decisions is the establishment of object lists. The contents of contractor cooperation is regulated through article 4, section 2 of the second DVO, especially with respect to projection services for the preparation of technical, technological and economic factors for the preparation of investment projects.[6] In accordance with the regulations of the newly revised article 3, section 6 of the investment preparation decree, the data that is to be transmitted--including necessary variables and tolerances--have a binding effect on the contractor and are the basis for the establishment of appropriate technical parameters and economic targets within the objectives.[7]

Economic Contracts for the Preparation of Investments

During the 10th SED Congress the demand was raised for a substantial improvement in investment preparations, which led to additional considerations with respect to the establishment of appropriate legal cooperation regulations. The principle of full responsibility of the investment contracting agency for the preparation of investments--firmly established in the investment preparation decree--is the basis for the regulations of articles 63 ff. of the contract law as well as articles 5 ff. of the second DVO.

The regulation of article 63 of the contract law labels the submission of binding offers, which are to be prepared on the basis of technical, technological and economic factors in conformance with stated objectives, as the main duty of contractors within the phase of the investment preparation. Consequently, proceeding from the twofold character of the binding offer more consideration is accorded to securing early material-technical guarantees of investments and simultaneously it is oriented toward steering away the investment contracting agency from exclusive cooperation with contractors in investment services. This basic idea reappears in the regulations on general and major contractors (article 65, section 2 and article 66, section 2 of the contract law). The regulation of article 63, section 2 of the contract law states the main duty of the contracting agency, which is to cooperate in the established manner, to accept the binding offer and pay the price. In this respect the concrete cooperation duty of the contracting agency can be required in special legal regulations, but it can also be the result of contractual agreements. Obligatory contract conclusions and a detailed legal format of preparational contracts were regulated in articles 5 ff. of the second DVO. On the part of the contracting agency, prerequisites for contract conclusions will remain the same as those regulations that have been in effect to date (Article 6, section 1 of the eighth DVO to the contract law [old]). On the part of the contractor, the comments under article 4, section 1 apply. The emphasis of balancing decisions on projection services as a prerequisite to contract conclusions corresponds to the regulations of the planning ordinance.[8] Partial deviations, which occurred in practice, could not be sanctioned by the second DVO. A proven regulation was included in the second DVO, calling for a qualified obligation to conclude contracts whenever enterprises were designated by the central planning authorities to conduct preparations. In these instances the existence of projected balancing decisions is not a prerequisite for the contract conclusion. Article 6, section 3 of the eighth DVO to the contract law (old) was incorporated in the regulation of article 5, section 3 of the second DVO. Otherwise the responsibility of combines to coordinate the services of legally independent preparation and implementing enterprises would be shifted to contracting agencies. Proceeding from the concept that the binding offer was to be prepared and submitted under the responsibility of the subsequent implementing enterprise, in recent years general managers authorized these enterprises in almost all instances to conclude the preparatory contract and the implementing contract. This development also has the explicit approval of the state contract court. To guarantee

a thorough and rational preparation, the regulation of article 6 of the second DVO is oriented toward coordinating the preparatory contract--including content and extent of the binding offer--considering the specific conditions of the investments as well as the services required for the implementation. This orientation must also apply unconditionally to general and major contractors, since earlier regulations on the content of binding offers had already been repealed with the investment preparation decree. Article 6, section 2 of the second DVO provides a direct orientation for coordinating the contract content. At this point it must be reemphasized that only specific investment peculiarities of the preparatory contract are regulated in article 6, section 2. Orientations for arranging service terms etc. are to be found in the basic regulations on service contracts in articles 41 ff. of the contract law. In addition to existing regulations and in accordance with article 5, section 2, item 7, agreements are to be made concerning proof of meeting the targets established through the confirmed objectives. In this respect, maintaining the norms for investment expenditures and construction time must be in the foreground.

Contracts for general project planners, which are regulated in article 7 of the second DVO, are more or less the same as the regulation of article 23 of the eighth DVO to the contract law (old). In contrast to the existing regulation, however, it became mandatory that the transfer of the appropriate tasks to projection establishments was to be based on the premises that the use of a general project planner was to be included when the objectives were established. Such a regulation is necessary in the interest of an effective use of available projection capacities. Furthermore, the general project planner's obligation to secure binding offers for the investment contracting agency was stated in a binding manner. The purpose of this expanded development of the contract for the general project planner is to contribute consistently to the material-technical guarantee of subsequent investment implementations parallel to the technical and technological clarification of the investment task.

Economic Contracts on Implementing Investments

The enforcement of the resolutions passed by the party and the government to increase the speed of social rationalization and modernization of existing capital goods requires a concentration of investments on projects and objects of high scientific-technical levels to guarantee the shortest realization period possible.[9]

From the legal view of cooperation, these requirements are satisfied by the concept of prerequisites for contract conclusions as well as the contract content for the implementation of investments. In article 64 of the contract law, the basic rights and basic duties are regulated which result for the partners from contracts to be concluded for the implementation of investments. The contractor's obligation to provide services can consist of performing construction work, the supply and assembly of facilities or equipment, the

exclusive shipment of products (for instance, of capital goods) or the provision of other services (like implementation projects) and can be intended for one of three categories of investments listed in article 64 of the contract law. On the part of the contracting agency an obligation exists for cooperation, acceptance of the goods or services and payment of the purchase price.

The regulations in article 65 ff. of the contract law contain general requirements for contract conclusions and services for enterprises that provide services as main or general contractors. For the general contractor the service requirements consist of uniform management, the coordination and control of all necessary work to be performed for the erection or restoration of complete, usable production sites, technological facilities, buildings or housing complexes.[10] Simultaneously, for the first time the contract law established standards for general contractors and select major contractors (article 66, section 2 of the contract law) for the submission of binding offers. The content of prerequisites for contract conclusions, regulated in article 9 of the second DVO, corresponds more or less to the regulations of article 9 of the eighth DVO to the contract law (old). On the part of the contracting agency, the basic decision as well as state plan targets must be available. On the part of the contractor the required service must agree with the state plan tasks or plan quotas of the annual economic plan. Among the other state plan decisions are balancing decisions. In this area the regulations of article 5, section 5 and 8 of the construction balancing decree apply at the present time to construction projects, which means that the existence of the building balancing decision is a mandatory prerequisite for the contract conclusion. With respect to equipment, the regulations of article 16 of the decree of 15 November 1979 are in effect. They cover the balancing of material, equipment and consumer goods.[11]

Article 9, section 3 was a new addition. It requires that contracting agencies prove the existence of the prerequisites for the contract conclusion in accordance with the legal regulations. This regulation is a contributing factor in making sure that investment service contracts are only concluded for legitimately prepared and planned projects. It is the obligation of the contracting agency to supply the proof required by law in all phases of cooperation. The conclusion of the contract, however, can by no means be made dependent on the existence of the confirmation entry on title lists.[12]

In accordance with the regulations in articles 41 ff. of the contract law and articles 10 ff. of the second DVO, the format of the contract content is to be arranged by the partners in such a manner that the investment is implemented systematically and that the technical and economic targets established through the basic decision are met or surpassed. In this respect, the regulations of article 10, section 2 contain exemplary orientations for the required contract agreements dealing specifically with investments. Considering the specifics of the investment and the specifics of the required services, the partners must decide on the concrete agreements that are necessary.

One demand raised during the discussion, dealing with the continuing development of legal regulations in individual cases could not be followed through. The goal was to establish binding contracts for building projects balanced in the annual plan and to impose sanctions if these services--excluding those listed in thousands or millions of marks--are not materialized. Regulations that deal with the contract content must be oriented toward the shortest time possible for construction and assembly and the systematic completion of usable projects, partial projects and objects. The regulation in article 10, section 1, item 1 of the second DVO deals with this matter; accordingly, technologically and economically feasible interim dates as well as final dates are to be agreed upon, based on the planned timetable.[11] The orientation toward the fulfillment of the values balanced for the plan year would support tendencies for the preferential treatment of value-intensive production at the expense of the planned construction and assembly programs. Guarantees would have to be established, however, that independent of the causes for the nonrealization of the balanced values listed, the investment contracting agency is to be placed in a position that will enable it to notify right away the balancing organ of its needs for the following year. These requirements were met with the regulation in article 14, section 2 of the second DVO.

In addition to the regulations of the eighth DVO to the contract law (old)--dealing with cooperation activities--article 13, section 1 of the second DVO to the contract law added new duties, requiring partners to agree on the content, the extent and the dates of the transferral of work records by the contracting agency. It also contains an appropriate reporting requirement for the contractor. This addition as well as the regulation concerning an appropriate determination of contract violations in article 29, section 3 of the second DVO is to support the orderly transfer of necessary work records by the contracting agency, because it is crucial for conducting effective and systematic investment activities. The regulation of article 14, section 2 of the second DVO was also new; it contains a general requirement for the contractor, according to which he is to take part in control deliberations with members of the contracting agency and implement jointly established measures. This regulation corresponds to justified demands by contracting agencies to establish fundamental duties in connection with control deliberations.

Contract changes that affect specific prerequisites for investments are standardized in article 15 of the second DVO. In consideration of the requirements of the investment preparation decree for changes in the basic decision, two cases had to be distinguished with respect to the prerequisites for contract changes. With that in mind, the regulation of article 14, section 5 of the eighth DVO to the contract law (old) had to be modified. If a basic decision has to be newly formulated in accordance with the current regulation of article 9, section 4 of the investment preparation decree, the contract change can only be made on this basis. In all other instances, a contract change, calling for deviations from the stipulations of the basic decision,

requires the approval of the manager who made the basic decision. The existence of his approval is verified, for instance, with the confirmation of title lists for the respective plan year, if appropriate agreements were precisely defined from the basic decision to the realization process.

Compared to the regulation of article 15 of the eighth DVO to the contract law (old), the acceptance regulations of article 16 of the second DVO contain further developments in a twofold manner. First, the twofold use of the term acceptance--acceptance by partners and through controlling, inspection and supervisory organs--was abandoned. Instead the decisions by the above-mentioned controlling, inspection and supervisory organs are called approval measures. At the same time, the term approval also includes acceptance by the state, in accordance with other legal regulations.[13] Secondly, the legal fiction of acceptance in article 15, section 5 of the eighth DVO to the contract law (old) was removed, because this concept was combined with considerable disadvantages. The new regulation in article 16, section 5 of the second DVO proceeds from the premise that in extraordinary cases the use of investment services may be necessary for economic reasons even before its acceptance. It is permissible only on the basis of a concluded user contract. These regulations, the violation of which, among other things, will lead to sanctions in accordance with article 29, section 4 of the second DVO, will contribute to an increase in state and contract discipline in investment activities. Therefore it will be impossible in the future to include incomplete and unaccepted goods and services in the total of goods produced and to demand payment. Simultaneously contracting agencies will be more inclined than they have been to date to remove existing defects or perform remaining services as soon as possible. If the exception applies and the use is necessary for economic reasons before the goods or services have been accepted, the user contract must also contain agreements on the completion of outstanding services along with the conditions for the use of the project or the service. It is also understood that the conclusion of a user contract can be mandated by a decision of the state contract court if all the other prerequisites have been met in accordance with article 16, section 5 of the second DVO. With respect to warranties, a standardization was introduced to bring the regulations in conformance with the contract law. Whereas a warranty period agreed upon by the partners was considered a legal warranty period in accordance with the regulations of article 17 of the eighth DVO to the contract law (old), according to the regulations of article 18 of the second DVO, the legal warranty period for construction projects is 2 years and for equipment it is 1 year, as long as regulations by the competent state organs do not rule otherwise. According to the new regulations there is only room for an agreement between partners if a longer warranty period is involved.

Economic Contracts on the Maintenance of Capital Goods

The fifth part of the second DVO adopted most of the proven regulations of the eighth DVO to the contract law (old), for instance, the regulations covering the offer or the extent of services. Article 23, section 1 of the second

DVO to the contract law contains the basic rights and basic duties of the contractor and the contracting agency and the basis for the contract conclusion (state plan decisions in accordance with article 12 of the contract law). Certain measures that are not considered investments are to be prepared and implemented in the same manner as investments, in accordance with the legal planning and investment regulations. Currently regulations apply to modernization measures for multistory residences in accordance with article 1 of the implementing regulations of 13 July 1978 to the investment preparation decree.[14] In the interest of regulation stability, article 23, section 2 of the second DVO does not only include the specific case mentioned above but all maintenance services that are to be prepared and implemented like investments. With respect to the application of article 24 of the second DVO, the principles of the relationship between specific and general regulations--which has already been explained--apply as well. Also in this area only examples were formulated of orientations for the arrangement of the contract content.

The warranty regulation for maintenance services (article 27 of the second DVO) is limited to the warranty period. The content of the warranty is based on the legal warranty period established through state quality regulations, contractual agreements and the usefulness of services as listed in the contract, including built-in parts. In article 28 of the second DVO, peculiarities for the implementation of maintenance and modernization services in apartments and apartment buildings were regulated for the first time. To safeguard justified tenant interests, article 28, section 1 formulated specific requirements dealing with the preparation of plans for construction timetables and the agreements covering building permits. A legal requirement was now regulated for the contractor, according to which the time required for the construction project has to be specified separately by rooms and days required. As a result the requirements are high for the preparation of these construction measures since, for instance, the extent of the required construction measures since, for instance, the extent of the required construction work has to be ascertained exactly at least for each apartment. Simultaneously it requires an orderly cooperation between contracting agencies and contractors during the planning and preparation of modernization and maintenance services, which in part must also include consultations with the tenants. In article 28, section 2 of the second DVO, a legal requirement was established, according to which agreements are to be made on the acceptance of specific product lines or services. A prerequisite for such agreements, which deviate from general principles, is the fact that the services are useful to the tenants or the contracting agency. At the same time justified interests are met of tenants or contracting agencies in occupied buildings who are able to benefit from short-term completions of projects, independent of the acceptance of the final completion of all the work that needs to be done on the building.

FOOTNOTES

1. Following eighth DVO to the contract law (old).

2. Cf. report of the SED Central Committee to the 10th SED Congress; reporter: E. Honecker, Berlin, 1981, p 57 ff.

3. The decree of 13 July 1978 on the preparation of investments (GESETZBLATT, Part I, No 23, p 251) followed by the investment preparation decree and finally the decree of 27 March 1980 on the implementation of investments (GESETZBLATT, Part I, No 13, p 107) abolished the complex basic-assets regulations from the year of 1970.

4. GESETZBLATT, Part I, No 32, p 373.

5. It applies, for instance, to the cooperation by projection establishments and enterprises in the construction industry on the preparation of tasks in accordance with the decree of 15 May 1980 on construction balancing and construction projection balancing (GESETZBLATT, Part I, No 15, p 127), followed by the construction balancing decree.

6. For the respective investment projection project, agreements must be reached on the services to be provided by the contractor, in accordance with the requirements of the supplement to the investment preparation decree, loc. cit.--orientation for the content of the objectives.

7. Cf. O. Drasdo, E. Fenske and H. Walter, "Zur Anwendung der Dritten Verordnung ueber die Vorbereitung von Investitionen" [On the Application of the Third Decree on the Preparation of Investments], in this issue p 127.

8. Part L, Section 20, item 3.3 of the supplement to the decree of 28 November 1979 on the ordinance on planning the GDR economy between 1981 and 1985 (GESETZBLATT, special edition, No 1020 1).

9. Cf. From the politburo report to the Third SED Central Committee meeting; reporter: E. Honecker, Berlin, 1981, p 36.

10. Cf. articles 13 ff. of the investment implementing decree, loc. cit., as well as item 4 of the instruction No 1, 1981 of the state contract law of 17 July 1981 on principles regarding contract writing activities of the state contract law for investment services by major and general contractors (directives and information, state contract law, No 2, 1981).

11. GESETZBLATT, Part I, 1980, No 1, p 1.

12. Cf. H. Walter, "Planmaessig investieren setzt gruendliche Vorbereitung vorous" [Systematic Investments Require Thorough Preparation], DIE WIRTSCHAFT, Vol 10, 1980, p 6.

13. Article 21 of the decree of 30 October 1980 on energy management in the GDR--energy decree (GESETZBLATT, Part I, No 33, p 321).

14. GESETZBLATT, Part I, No 23, p 251.

## Text of Decree

East Berlin GESETZBLATT DER DEUTSCHEN DEMOCRATISCHEN REPUBLIC in German Part I No 16, 29 Apr 82 pp 329-333

[Official text of "Second Implementing Decree to the Contract Law--Economic Contracts on Investments and on the Maintenance of Capital Goods--25 March 1982" signed by Willi Stoph, chairman, GDR Council of Ministers]

[Text] On the basis of article 117, section 1 of the contract law of 25 March 1982 (GESETZBLATT, Part I, No 14, p 293), the following regulations will go into effect:

Part I--General Regulations

Article 1--Scope

Section 1--This implementing decree regulates the conclusion and fulfillment of economic contracts for the preparation of objectives, the preparation and implementation of investments as well as the maintenance of capital goods.

Section 2--This implementing decree applies to the cooperation chain, including the suppliers of the economic units which perform construction projects or equipment assembly as well as to the relationship to the economic units that produce projection services. The equivalent applies to the cooperation chain involved in maintenance services.

Section 3--Regulations in effect for other economic contracts apply if this implementing decree does not contain appropriate regulations and whenever they are in agreement with the kind of services as well as principles of this implementing decree. With respect to economic contracts on imports, legal regulations adopted for that purpose are in effect.

Article 2--Tasks of Economic Contracts

Section 1--The economic units are to organize their cooperation through economic contracts on the basis of state plan decisions in such a manner that

the systematic transferral of new products and procedures is guaranteed, the preparation and implementation of the investments is based on meeting the advanced progressive international standards of scientific-technical results and the requirements of socialist intensification and rationalization are fulfilled.

Section 2--The economic units are to use the economic contracts to prepare the investments in accordance with the legal regulations,to guarantee that the project starts on time and proceeds with a high degree of productivity and effectiveness as well as to support the lowering in investment costs and reducing the construction and assembly time.

Article 3--Format of Economic Contracts

Economic contracts on investments and on the maintenance of capital goods are to be concluded in writing.

Part 2--Economic Contracts for the Preparation of Objectives and for the Preparation of Investments

Article 4--Contracts on the Preparation of Objectives

Section 1--The investment contracting agency and the contractor are to conclude contracts on services for the preparation of objectives on the basis of the balancing decisions on projection services or other state plan decisions. The equivalent applies to the relations within the cooperation chain.

Section 2--The contract on services for the preparation of objectives obligates the contractor to produce particularly projection services for the preparation of technical, technological and economic factors for the preparation of an investment project. The contracting agency is obligated to cooperate in the prescribed manner, to accept the services and pay the price.

Contracts on the Preparation of Investments

Article 5

Section 1--The investment contracting agency and the contractors are to conclude contracts on services for the preparation of investments on the basis of state plan targets for investments, the confirmed objectives, the balancing decisions on projection services or other state plan decisions. In cases where the preparation of an investment project has been centrally planned, the economic units involved in the plan of preparation are obligated to conclude a contract. The equivalent applies to the relations within the cooperation chain.

Section 2--Whenever services for the preparation and services for the implementation of an investment project are provided by several enterprises of a combine, the contract on the preparation and the contract on implementing the investment are to be concluded through a combine enterprise designated by the general manager of the combine.

Article 6

Section 1--By concluding and fulfilling the contract, both partners are providing guarantees that a rational preparation takes place in accordance with the specific conditions of the investment, maintaining or improving the established goals stated in the objectives, as well as carrying out necessary research and development tasks that agree in content and time with the investment preparation and become effective with the investment.

Section 2--The contract is to contain special agreements on

1. the content and extent as well as an appropriate format of the firm offer and other documents suitable for examination by the contracting agency and in accordance with legal regulations,

2. the terms for examining the firm offer, including the firm price quoted by the contracting agency and for the cooperation of the contractor during the examination,

3. the cooperation activities of the contracting agency, such as content, extent and date of the transfer of work documents,

4. the preparation of rational construction site facilities,

5. the projected time period for implementing the investment service,

6. the proof concerning the state of development of new scientific-technical solutions in accordance with the legal regulations,

7. proof of adherence to the targets contained in the confirmed objectives and binding investment costs and construction time norms.

8. the cooperation for guaranteeing capacities for implementing the investment, especially with respect to planning on time and to balancing.

Section 3--Upon delivery of the binding offer, the contractor is to transfer to the contracting agency the result of agreements made with balancing organs to incorporate in the balances deliveries and other services contained in the binding offer.

Section 4--Whenever the contractor ascertains that the established goals confirmed in the objectives cannot be met,he is obligated to notify the contracting agency immediately and to suggest suitable ways for solutions. The contracting agency is to introduce measures to guarantee a short-term decision on the continuing investment preparation.

Section 5--The contractor is obligated to conclude the contract for implementing the investment on the conditions of the binding offer. The fixed terms of the offer that are to be agreed upon are to extend over the period necessary for establishing the prerequisites for concluding the contract for implementing the investment. The earliest date for ending the binding offer is 1 month following the expiration of the data applicable to the project and the contracting agency.

Article 7--Contracts on the Production of Services for General Project Planners

Section 1--The investment contracting agency and a projection facility are to conclude a contract on the production of services as a general project planner as long as it was prescribed in the confirmed objectives. The projection facility is obligated to conclude a contract on projection services on the basis of the balancing decision or other state plan decisions.

Section 2--The contract obligates the general project planner to provide the agreed-upon projection services and to fulfill the tasks of investment preparation for the investment contracting agency to seek, in particular, binding offers. The investment contracting agency is obligated to cooperate in the prescribed manner to accept the services and to pay the price.

Section 3--If binding offers are made to the general project planner by contractors, they also apply to the investment contracting agency.

Section 4--If the general project planner assumes the tasks of the major contracting agency, article 22 applies accordingly.

Article 8--Contracts on the Coordination of Investments

Section 1--The investment contracting agency and economic units responsible for subsequent investments are to conclude contracts on the coordination of investments. The contract is to contain special agreements on

1. the coordination of function, location and timing of the investment with subsequent investments,

2. the extent and time for the replacement, removal and modification of capital goods as well as the provision of material and financial means in accordance with the legal regulations,

3. the necessary information on the status of the preparation and implementation of the investments,

4. the cooperation of investment contracting agencies in the preparation of objectives and preliminary documents for subsequent investments in accordance with the legal regulations.

Section 2--On the basis of the confirmed objectives, the investment contracting agency is to conclude coordination contracts on the preparation of future service relations with contractors who are to provide services during the implementation of the investments and who do not have to supply binding offers to this effect. The equivalent applies to the relations within the coordination chain.

Part 3--Economic Contracts on the Implementation of Investments

Article 9--Contract Conclusion

Section 1--On the basis of the basic decision, the state plan targets for investments and other state plan decisions, the investment contracting agency and the contractors are obligated to conclude contracts covering the entire period of the implementation of the investment. The equivalent applies to the relations within the cooperation chain.

Section 2--As long as the prerequisites prescribed in the legal regulations are available, the conclusion of the contract on implementing investments can take place before the basic decision.

Section 3--The contracting agency is obligated to prove to contractors the existence of the prerequisites for contract conclusions.

Article 10--Format of Contract Content

Section 1--Through appropriate agreements the partners are to provide guarantees that the investment will be implemented systematically and that technical and economic targets established by the basic decision will be fulfilled and improved.

Section 2--The contract is to contain special agreements on

1. technically and economically essential timetables covering the beginning, interim as well as final terms and also building permit provisions,

2. the exact date when the preliminary price is to be changed into the final industrial price,

3. the installment payments in accordance with the legal regulations,

4. the rational establishment and use of the building site equipment as well as the reuse of equipment and materials,

5. the care and social and cultural welfare of the workers at the building site,

6. measures for qualifying plant, maintenance and supervisory personnel,

7. quality control, operating tests, trial operation and performance proof as well as the acceptance,

8. the services by the contractor after acceptance, until the designated target is fulfilled,

9. the measures for a systematic preventive maintenance.

Article 11--Extent of Services

Section 1--The extent of services is to be agreed upon in a manner that will guarantee concentrated construction and assembly implementation and the shortest construction times as well as an efficient management organization and structure in cooperation relations.

Section 2--The contractor is obligated to hand over documentation required for the application of the services, such as proof of available health, work and fire protection measures, guarantees for the implementation of the project, revision documents and operating and maintenance regulations. The extent of the documentation is to be agreed upon. As long as legal regulations or the contract do not indicate otherwise, the transferral of the documentation is to take place no later than the date of acceptance of the service.

Article 12--Price

Section 1--The agreement on the price is to be based on the binding offer confirmed by the basic decision, in accordance with the legal regulations.

Section 2--The agreed-upon price can only be changed in accordance with the legal regulations.

Article 13--Cooperation

Section 1--The investment contracting agency is to support the contractors during the fulfillment of the contracts. In the process all possibilities are to be exhausted for the rational establishment and use of building site facilities, for the optimization of construction site transportation, for

the safety of the construction site as well as for the material, social and cultural welfare and care of the workers at the construction site. As a matter of principle, the investment contracting agency is to provide the operating, maintenance and supervisory personnel, the means and the raw materials for the trial operation. Content and extent of cooperation are to be agreed upon in the contract. The equivalent applies to the relations within the cooperation chain.

Section 2--Agreements are to be made on the content, the extent and the time for building permits granted by the respective contracting agency as well as on the work papers that are to be handed over. As long as no other agreements have been made, the terms for granting building permits that were agreed upon at the ouset of the construction and assembly project will be in effect. Failure to grant building permits on time or interruptions as well as violations of the agreements on the content or extent of work documents that are to be handed over, are to be reported immediately to the contracting agency.

Article 14--Controlling Duties

Section 1--Jointly with its contractors, the investment contracting agency is to organize a constant control over the fulfillment of the contract. The same duty applies to the contracting agencies in the remaining cooperation chain.

Section 2--The contractors are obligated to inform the contracting agency of the material status of completion, to participate in the control deliberations of contracting agencies, to present the causes for interruptions in the fulfillment of the plan, to submit proposals for future guarantees for a systematic implementation of the investment and to carry out jointly established measures.

Section 3--The partners can enter into agreements on the implementation of joint quality inspection during the construction and assembly process. Quality inspections are to be agreed upon when segments of the construction and assembly production are exempt from inspections by the continuing investment implementation.

Section 4--When violations of the quality requirements are discovered during the investment implementation, the contracting agency can demand the elimination of these defects before accepting the service.

Article 15--Contract Modifications

Whenever the basic decision is to be newly formulated in accordance with the legal regulations, contract modifications may be agreed upon only on the

basis of the new decision. In other instances, contract modifications that deviate from the agreements contained in the basic decision, require the approval of the manager who made the basic decision.

Article 16—Acceptance

Section 1--The contracting agency is to accept the investment service if it has been carried out in accordance with the contractual agreement and if there are no defects or imperfections which could lead to limitations to the projected usability stated in the contract. The contractor's request for acceptance presupposes proof of usability, assuming that the requirements for health, work and fire protection and environmental protection have been met and the required approval measures have been followed, in accordance with the legal regulations.

Section 2--The contracting agency is also obliged to accept the service when the contractually agreed-upon usability--in accordance with the basic decision--is only attained after start-up operations. In this instance, the contracting agency is entitled to request additional proof of the contractually agreed-upon usability.

Section 3--Unless the legal regulations stipulate otherwise, the acceptance is to take place also when proof of usability cannot be ascertained because of circumstances that were caused by the contracting agency or occurred at that location. The contractor's obligation to provide later proof of usability is not affected by these circumstances.

Section 4--The partners are to agree that independently usable project parts or objects will be accepted.

Section 5--If for economic reasons the use of the investment service is required before acceptance, it may only take place after the conclusion of a usability contract. If the contracting agency used the investment service without concluding a usability contract, the danger of an accidental failure or an accidental deterioration is to be assumed by the contracting agency.

Article 17--Warranty

Section 1--The warranty to be granted by the contractor also extends to the binding offer extended by him or to other documents prepared by him.

Section 2--The warranty requirement does not apply when the deficiency is a result of the documentation submitted by the contracting agency or some other cooperation activity. In these instances, the contractor is to remove the reported defects at the contracting agency on terms to be agreed upon.

Section 3--The requirement for later improvements does not apply when the elimination of the defects involves economically unfeasible expenditures and when the contracting agency can be expected to use the goods or services. In this instance, a reduction is to be granted in accordance with the extent of the defect.

Section 4--The period for improvements or replacement services is 2 weeks, beginning with the date of notification of the defect, as long as no other agreements have been made.

Article 18--Legal Warranty Period

Section 1--As long as legal regulations or ordinances by the appropriate state organs do not stipulate otherwise, the warranty period for equipment is 1 year, for construction services 2 years. The partners can agree on a longer warranty period.

Section 2--The warranty period begins with the acceptance of services by the respective contracting agency. The earliest expiration date for all investment services occurs at the end of the warranty period to which the investment contracting agency is entitled. To guarantee a uniform warranty period for the investment, agreements are to be made on an appropriate extension of the warranty period for services that contractually are directly tied to the investment contracting agency and which are accepted before the usability of the investment has been established. If--in accordance with article 16, section 2--the contractually agreed-upon usability can only be attained after a specified period of use, the warranty period expires 3 months following the attainment of full usability in cases where the expiration date would have occurred earlier.

Part 4--Economic Contracts on the Acceptance of Tasks of Investment Contracting Agencies by Major Contracting Agencies

Article 19--Contract Conclusion

Section 1--The major contracting agency for the complex residential construction is to conclude contracts on accepting tasks of investment contracting agencies for buildings and housing facilities for social purposes within the jurisdiction of local state organs.

Section 2--The requirement of contract conclusions for other major contracting agencies--formed in accordance with the legal regulations--depends on the tasks that were assigned to these major contracting agencies when they were formed.

Article 20--Basic Principle

Section 1--The major contracting agency is obligated by the contract on accepting tasks of investment contracting agencies to perform the tasks of the investment contracting agency--preparing and implementing investments--in its own name but at the expense of the investment contracting agency, and it is to transfer to the investment contracting agency a useful investment on time.

Section 2--The investment contracting agency is obligated to submit to the major contracting agency the confirmed objectives, to make the basic decision or to ask the appropriate organs to do so, to cooperate in the prescribed manner, to make available financial means, to accept the usable investment and to pay the agreed-upon compensation.

Section 3--As a matter of principle, the partners are to agree that the acceptance of the investment by the major contracting agency and its assumption by the investment contracting agency take place at the same time.

Article 21--Additional Duties of the Major Contracting Agency

Section 1--The major contracting agency is charged with the coordination of the different investments in its realm of responsibilities, including traffic and supply functions.

Section 2--The major contracting agency is obligated to submit to the investment contracting agency at the proper time the agreed-upon preparation documents for the basic decision, including necessary approvals, comments and opinions.

Section 3--The major contracting agency is to carry out the control duties in accordance with article 14. The manner and extent of cooperation by the investment contracting agency is to be agreed upon.

Section 4--The major contracting agency is to account to the investment contracting agency for carrying out the tasks. It is to grant access to the investment contracting agency to appropriate documents indicating its compliance with the tasks.

Article 22--Processing Claims

Section 1--The major contracting agency is required to relinquish to the investment contracting agency the results obtained during the process of carrying out the tasks of the investment contracting agency. It is entitled to deduct from the given amount for any damages that transpired while fulfilling the tasks of the investment contracting agency, unless it itself was responsible for the damage.

Section 3--Following the transfer of the investment, the investment contracting agency is entitled to make any claims in its own name, even if they arose during the fulfillment of the tasks by the major contracting agency.

Part 5--Economic Contracts on the Maintenance of Capital Goods

Article 23--Basic Principle

Section 1--On the basis of state plan decisions, the maintenance agreement obligates the contractor to carry out services on buildings, equipment and other capital goods to effect the repair or the improvement of the usability as well as the prolongation of their use. The contractor is obligated to cooperate in the stipulated manner to accept the services and to pay the price.

Section 2--For general repairs and other restoration services, which are to be prepared and implemented like investments, the regulations of part 5 of this decree apply as long as they are not regulated by provisions for contracts on investments.

Article 24--Format of Contract Content

Section 1--The partners are to guarantee through appropriate agreements that repairs will be carried out systematically and with utmost efficiency.

Section 2--The contract is to contain special agreements on

1. the type and extent of repair services,

2. the use of regenerated construction materials and parts as well as the short-term supply of replacement materials,

3. the terms for supplies, construction permits and dates of completion,

4. the documents to be made available by the contracting agency,

5. applicable procedures for quality control and acceptance.

Section 3--The contracting agency is obligated to transport to the contractor the object in need of repair or to grant a building permit in accordance with the specific service required. The granting of building permits is regulated in article 13, section 2.

Article 25--Offer of Services

Section 1--At the request of the contracting agency, the contractor is to make an offer of services which is to contain, above all, a list of services

and a cost estimate. The partners can agree to limit the offer to the cost estimate. If the offer of services is requested before the conclusion of the repair contract, a separate contract is to be concluded on the offer of services.

Section 2--The contracting agency is to provide compensation for the preparation of the offer of services or the cost estimate even if the repairs are not to be carried out.

Article 26--Extent of Services

Section 1--If the extent of required services cannot be determined by the data of the contract conclusion, the partners are to make agreements on the appropriate measures necessary to ascertain the extent of services. With respect to the compensation for services connected with these agreements, article 25, section 2 applies.

Section 2--If, while making the repairs, the contractor discovers that additional work is necessary, which will add more than 10 percent to the cost estimate, he is required to secure the approval of the contracting agency. If the contractor fails to do so, the contracting agency is not obligated to pay the amount which exceeds the cost estimate. The partners can make other arrangements.

Section 3--If the additional services are necessary to prevent these conditions from endangering plant, work and traffic safety and if the contracting agency refuses to give its approval for carrying out this work, the contractor is to point out in his inspection report or in his submitted protocol the defects or possible effects. In a case of serious danger, the contractor is to interrupt the repair process and notify the appropriate organs immediately.

Section 4--The contractor is obligated to hand over any documentation necessary for performing the service. Article 11, section 2 applies accordingly.

Section 5--If a variety of repair services can only be carried out conjuntively, the contract for the complete repair of the object is to be concluded by the contractor whose range of tasks includes the most important part of the repair services.

Article 27--Legal Warranty Period

Unless legal regulations or stipulations by the appropriate state organs rule otherwise, the warranty period for repair services on equipment is 1 year, on buildings it is 2 years.

Article 28--Special Considerations for the Repair and Modernization of Apartments and Apartment Buildings

Section 1--With respect to repairs and the modernization of apartments and apartment buildings, the partners are to guarantee that the preparation of construction timetables is done under consideration of tenant interests and that appropriate agreements are made on providing construction permits. When the buildings are occupied, the contractor is obligated to specify in the timetable the time needed for repair and modernization services separately by rooms and to indicate the days required.

Section 2--The partners are to make agreements on the acceptance of services of specific product lines or professional services, as long as these services are beneficial to the tenant or the contracting agency.

Part 6--Responsibility

Article 29

Section 1--Considering the specific conditions of the investment, the type of service and damages that can generally be expected in cases of contract violations, the partners can agree on the amount of the contract penalty and include it in the contract if the terms differ from the provisions contained in the legal regulations.

Section 2--If the partners agreed on providing investment services by using scientific-technical findings for which adequate experience is not yet available, agreements differing from the legal regulations can be made on the legal consequences following neglect of duties. It does not apply when the risk resulting from the application of such scientific-technical findings is to be considered for arriving at the price.

Section 3--The contracting agency is obligated to pay a contract penalty when the construction permit is not granted or the work process is interrupted,when the object in need of repair is not delivered on time, when work documents are not transferred on time and when agreements on the content or the amount of work documents are violated, and it must make amends for damages that may have arisen. Unless the contractor reports immediately the lack of the construction permit or the interruption in the work process or a violation of the agreements on the content or amount of work documents, the contract penalty can only be demanded as of the time of the report.

Section 4--The contracting agency is obligated to pay a contract penalty in cases of illegal use of the service before the acceptance and, in addition, amends must be made for any damages that may have arisen.

Part 7--Final Regulations

Article 30

This implementing decree will go into effect on 1 July 1982. It will apply to all economic contracts that are to be fulfilled after they go into effect.

8991
CSO: 2300/279B

# IMPLEMENTING DECREE ON EXPORT, IMPORT CONTRACTS

## Explanation of Decree

East Berlin WIRTSCHAFTSRECHT in German Vol 13 No 2, Apr-Jun 82 pp 110-113

[Article by Marianne Walther, justice, Central Contract Court and deputy chief, industry department of contract court: "Economic Contracts on Export and Import--On the Third Implementing Decree (DVO) to the Contract Law." A translation of the contract law is published in JPRS 80875, 21 May 82 No 2272 of this series, pp 24-73. A translation of the implementing decree discussed below follows this article]

[Text] The further development of legal regulations in import-export trade is aimed particularly at more strongly activating the partners in economic contracts through export and import, in assuming a joint responsibility for an effective foreign trade activity in accordance with economic requirements. The purpose of the regulations thus is to induce the export enterprises and the foreign trade enterprises (AHB's) to make export products available that bring in good foreign exchange and conform with international requirements, ensure their sales and to resolutely abide by contracts concluded. The import enterprises and ABH's are directed to ensure supplying the economy and the population according to plan while making the most economical use of imports.

Through this third DVO to the contract law, furthermore, the combines' further development was to be taken account of, in the course of which a number of combines, for enhancing the quality and effectiveness of foreign trade, were given AHB's as economically and legally independent combine enterprises.

Furthermore, by adopting regulations basic to cooperation law, via the export and import of installations, one has sought a higher degree of complexity in regulating cooperation relations to ensure export and import. In revising the rules in effect thus far, moreover, a justified demand by the partners involved in foreign trade was complied with for simplifying the system of sanctions. A number of changes respond to that concern, which will be commented on in particular.

### General Provisions

For determining the range of application of the third DVO to the contract law, one had to proceed, in particular, from the stage of combine development achieved in the process of improving their management and planning and establish conformity

with the legal regulations issued in this field. In view of the authority granted a general director of a combine to centralize certain tasks of the combine,[1] the export and import enterprises had to be defined as economic units appearing as partners of the AHB in export and import. In connection with Contract Law Article 2 section 1, cooperation relations between state-owned combines and AHB's thus fall within the effective range of the third DVO to the Contract Law.

Article 4 of the third DVO introduces a new formal regulation for export-import contracts. This takes care of the demand justly raised in the discussion determined by the importance of such contracts and an unequivocal evidence needed for the actual content of the contract.

Proceeding from the general rules on cooperation relations between combine enterprises in Article 21 of the Contract Law, Article 8 of the third DVO determines the particulars in export-import relations between an AHB that belongs to a combine and a different combine enterprise.

Export-import rules deviating from the general rules on internal combine cooperation relations are motivated by the special place the AHB has within the combine, because an AHB that belongs to a combine is accountable both to the general director of the combine and the minister for foreign trade. This twofold accountability requires that both management areas can assume their responsibility on equal terms within unified, complex foreign trade management.

In regulating internal combine export-import relations one had to consider that mandatory provisions must also apply to the cooperation relations between export enterprises and the AHB's for the sake of ensuring the requisite uniform management, planning, organization and controls in foreign trade. Export enterprises and the AHB's, e.g., are obligated to conclude export-import contracts. Establishing and developing cooperation relations in any way but through contracts thus is excluded for the foreign trade sector.

Within these arrangements it is up to the combine to organize optimum cooperation among the partners as it conforms to specific conditions to solve the foreign trade tasks, according to plan, with high efficiency. That applies, e.g., to the development of rules of conduct as proposed by the third DVO for coordination contracts, unless the signing of coordination contracts is governed by other mandatory provisions.[2]

Cooperation regulations may also set down time frames for bids and the partners' rights and duties in jointly negotiating the signing and fulfilment of contracts with foreign partners, in readying export deliveries, processing complaints and safeguarding claims. Cooperation regulations must however not issue any rules that differ from the legal export-import regulations.[3] Authorized central state organs may make different arrangements.[4]

A specific aspect of internal combine import-export relations with regard to rulings on litigations was settled by Article 8 section 2 of the third DVO. It envisages for ruling on litigations over the fulfilment of economic contracts the competency of the State Contract Court when agreement cannot be reached within the combine.

Although, in accordance with procedural regulations of the State Contract Court decree, an attempt to settle litigations under their own responsibility must be made evident in any given case, when the application is made to start arbitration proceedings,[5] it was considered necessary to stipulate explicitly the attempted settlement in the combine as prerequisite to such an application. That was meant to underscore that the extensive opportunities existing within the combine for out-of-court settlements of suits should be fully exhausted. With regard to that it must yet be considered that a decision by a general director of a combine that opposes reasonable objections by one of the partners does not count as a sttlement under own responsibility in terms of Article 8 section 2.

The special rule on the competency of the State Contract Court in litigations on contract fulfilment also implies that the State Contract Court may start proceedings in such cases even without any application. This does not infringe the authority of the general director to settle suits in organizing cooperation relations as to Article 21 section 3 in the Combine Decree.

Types of Contracts

Surveys carried out in preparation of the third DVO found that the types of contracts based on the regulations in effect thus far have stood up well. Thus the export commission contract and the export and import contract were adopted in the third DVA. Thus they will continue to be the binding contract types and, irrespective of AHB subordination, ensure the uniform structure of import-export relations.

The third DVO has refrained from issuing rules on retail trade contracts. The specifics in that field justify special legal regulations.[6]

On the Coordination Contract

Pursuant to the streamlined model for the coordination contract as settled by the Contract Law (Article 34), the third DVO also formulated a contract in preparation of subsequent export-import relation performance[7] as a coordination contract.

The duty to sign coordination contracts on preparing the export (Article 9 section 3) or the import (Article 13) of installations was adopted by the third DVO in conformity with authoritative, binding regulations. Despite reservations expressed in the course of the discussion to regulating an obligation for signing a coordination contract on the export of installations, that obligation could not be avoided because the export commission contract only takes effect after a general supplier's written agreement with the export contract prepared for signing (Article 15 section 2). An export commission contract therefore is unsuitable for any particular orchestration of the partners' rights and duties in preparation for future performance relations in the export of installations. That is why this must be handled by a coordination contract. The duty to sign coordination contracts on preparing an export of installations between general suppliers and their chief or other customers[8] is set down in Article 34 section 1 of the Contract Law.

On the Export Commission Contract

Export enterprises with integrated business objectives must sign export commission contracts with the competent AHB. This applies, as to Article 8 section 1 of the third DVO, also to export enterprises and AHB's belonging to one and the same combine. The export commission, which has stood particularly well as a legal instrument that imposes on the export enterprise a higher responsibility for the development and production of marketable products, is being considered the appropriate form even under the conditions of a more extensive inclusion of foreign trade tasks in the combine's management activity for shaping export-import relations.

As to the rules on the further substantiation of the export commission contract, some changes were made that are meant to lead to more responsible conduct of the partners both with regard to the conditions of special export business and to economic requirements. There will then no longer be a legally regulated time frame for making bids in the future. The partners have to agree on such time frames among themselves (Article 16 section 1) with a view, among other things, to sales market requirements. The desire expressed by some export enterprises to set down time frames for delivery arrangements and releases has not been honored. Here also one orients to contractual agreements (Article 22 section 1) in order to be able to take better account of the specific conditions for the export of products and of the experiences with regard to the partners' mode of operation. Incidentally, the partners may enforce the orchestration of such contractual conditions through assistance from the State Contract Court. According to Article 26 section 1, last clause, in the third DVO, the partners may also agree on contractual fines for violating those obligations.

Regulating performance time frames was supplemented on the basis of extra-economic requirements inasmuch as the ABH's and the export enterprises have to agree on performance deadlines in the export commission contracts which, as it were, are intermediate dealines for the performance time frames agreed on in the export contract, with special sanctions envisaged for their violation (Article 18 section 2 and Article 26 section 2 of the third DVO). This regulation is motivated by the desire to achieve the necessary export continuity. The monthly or quarterly delivery deadlines set down in the export contracts as a rule make it possible for the export enterprises to predeliver export products at the end of a month or quarter without infringing their obligation to ship by schedule in fulfilment of contracts. In the economic interest, that should be opposed.[9] This rule, by the way, also applies to export contracts.

As in consequence of the strong price and rate fluctuations on the foreign markets the minimum foreign exchange rates no longer exercise their originally intended function of directing AHB behavior in price negotiations with foreign partners, the AHB's and the export enterprises are being oriented to more flexibly handling various forms for setting prices (Article 19 section 1). Joint negotiations (Article 6) offer the necessary possibilities for it. For agreements on setting foreign exchange rates, the partners depend on the concepts and limits for prices as issued by the Ministry for Foreign Trade.

Article 18 section 1 and Article 19 section 2 of the third DVO contain a rule that entitles the AHB to conclude an export contract even when delivery schedules and prices could not be agreed on, and to settle such accords itself to a certain degree. Some combines to which an AHB is attached have criticized this. The point was made that an export contract, as far as it goes, could be concluded only on the basis of a decision made by the general director of the combine. When such an argument is raised, it is being ignored, however, that it is up to the general director of a combine to make sure such an accord comes about at a good time. As far as the general director's authorizations are concerned, that would also be possible through appropriate management decisions. The combine's own decision-making thus makes it possible to prevent the alternative of Article 18 section 1 and Article 19 section 2 from taking effect.

On the Import Contract

For the import contract, the delivery contract has been preserved as a suitable model. Departing from the rules thus far,[10] one abstains from detailed specifications on quality stipulations and on determining the useability of the product that is to be imported. Here one focuses then on a kind of cooperation between the economic units that conforms with the requirements of their own responsibility for special imports. In any event, partners have to come to quality agreements that would ensure the useability of the products in the GDR. That implies the liability to pay heed to all authorized instructions. If the conditions thus demanded are not feasible in an import, the import enterprise, as to Article 33 section 2 of the third DVO, has to decide whether it nevertheless wishes to get the import. As to the demands for health protection and labor safety and fire insurance, Article 33 section 1 explicitly points to the agreements required by legal provisions.[11] If the import enterprise decides in favor of getting the import, that presupposes a responsible examination of the products' useability, including coordination with the final user or the accounting organ and the competent supervisory organs. In the same way, decisions have to be made about any possible resupply or replacements before one may accept the useability clause for the GDR.

It was also possible to do without the old and detailed stipulations, as of Article 45 sections 4 and 5 of the fourth DVO, on the applicability of CEMA standards in view of the new rules on introducing CEMA standards.[12] This rule provides for the introduction of CEMA standards in two stages. After CEMA standards have come into effect as mandatory for application in the economic and scientific-technical cooperation with the GDR and the other CEMA states, the GDR issuance according to CEMA standards as mandatory for application within the GDR economy goes into effect. So, for the application of GDR issuances of CEMA standards the same provisions apply as for the applying GDR and specialized standards.

Material Accountability

To simplify the sanction system, export sanctions were included in the Contract Law's penalty system (Article 26 section 3). This does away with the previous liability the export enterprise had of paying part of the fines to the state budget.

Without abandoning the time-tested principle to punish export infringements without regard to the foreign partner's own accounting, this rule ensures the proper fulfilment of export contracts more comprehensively in that now the violation of all export contract obligations becomes subject to sanctions while export enterprises, as to Article 62 section 1 of the old fourth DVO, have to pay fines only when export contracts were improperly met in terms of deadlines or qualities. The just demand for simplifying the sanction system is also served by the modification with regard to the legal consequences in material accountability when export contracts were violated. Through appropriate application of Article 26 of the third DVO, fines and damages are to be paid in accordance with the provisions in the Contract Law for export contract infringements. This does away with differentiating claims of the AHB to fines and damages owing to the provisions on international delivery conditions the GDR recognizes and on stipluations in treaties under international law.

Accountability arrangements have been made altogether more understandable in the import contract. First there is the proposition that to the accountability of the AHB and the import enterprise in case of their having violated their obligations there apply the principles of the Contract Law and the provisions of the fifth DVO. When a foreign partner violates his obligation, AHB accountability, as to Article 42 of the third DVO, in principle depends on whether and to what extent claims against the foreign partner exist according to the import contract and the law that applies to it. That applies to all claims on an inadequate fulfilment or non-fulfilment of an import contract, for the facts of the case and the amount of the contract penalty and damages as well as for warranty claims,[13] the refusal to accept shipments or to pay, the interest computation and so forth. As far as this goes, the rules as to Articles 46 and 47 of the third DVO merely reiterate the principle set down in Article 42. This still had to be included in the third DVO because with respect to warranty claims, different arrangements had to be held feasible,[14] e.g. when consumer goods are imported, and in regard to cancellations, the dealine for making them with respect to the foreign partner had to be rendered specific.

An independent right by the import enterprise to refuse the acceptance of goods[15] that is not provided in the import contract and the law applicable to such a contract was no longer included in the third DVO because neither CEMA's general delivery terms as of 1968/1975, in the form of 1976,[16] nor the 5 February 1976 law on international economic contracts (GIW)[17] provide for a refusal to accept shipment as a sanction against shipments in improper quality and contractual agreements of that sort are, in principle, not in use internationally. Thus, when explaining why it refused acceptance in terms of the old fourth DVO, the AHB could press no such claim against a foreign partner.

Supplementing Article 42, the third DVO's Article 43 regulates an original claim by an import enterprise to a minimum fine[18] when a foreign partner has caused delay, non-fulfilment or a performance improper as to quality. This, on the one hand, is meant to induce the AHB to negotiate optimum safety conditions for contract fulfilment with a foreign partner and, on the other hand, make it possible for the import enterprise to be reimbursed for any damage to some extent.

Article 43 of the third DVO always applies if international delivery conditions or stipulations in treaties under international law, recognized by the GDR, have no regulations on contract penalties, there are no such delivery conditions or international law treaties, or no contract penalty, or only one below the minimum rate, could be enforced through the import contract and the law applicable to it.

To settling a liability in a violation of obligations caused by the foreign partner and affecting the AHB, in terms of a mandatory import contract, there applies the accountability regulation for relations in the cooperation chain. For relations between final users and their partners and the extended cooperation chain, this regulation settles an exclusion or a limited accountability as to Article 83 section 3 of the Contract Law.

Accountability for Violating State Discipline

Part VI of the third DVO, supplementing Article 109 of the Contract Law, rules on facts of the case that might incur payments for economic sanctions for the violation of state discipline in export-import preparation and implementation. What is particular in the regulation as of Article 48 of the third DVO is that it deals with the grossest violation of economic interests in concluding and fulfilling export and import contracts, i.e. the conduct of the economic units in their relations with foreign partners. The facts of the case must of course be understood completely. Without providing a complete list of all possible infringements as in Articles 63 and 64 in the old fourth DVO, this includes in particular such irregularities as detriments to sales due to qualitative deficiencies or violations of obligations in organizing and conducting customer service and so forth.

Settling violations of commitments incurring economic fines in import (Article 49 of the third DVO) is determined, to a special degree, by the specific conditions to be taken into account when a decision to import is made.

The maximum of economic sanctions for the violation of state discipline in export-import preparation and implementation, by the new version of the Contract Law is adjusted to M 500,000.[19] It takes account of the greater responsibility incurred by all partners in foreign trade.

FOOTNOTES

1. Cf. Article 7 section 2 of the 8 November 1979 decree on the state-owned combines, combine enterprises and state-owned enterprises (GBL, Part I No 38 p 355), hencefort referred to as Combine Decree.

2. Cf. Article 9 section 3 and Article 13, third DVO.

3. Cf. also Article 23 section 3, Combine Decree.

4. These are the ministry for foreign trade and other ministries or central state organs with combines under them to which AHB's are attached.

5. Article 19, State Contract Court Decree.

6. Cf. first implementing regulation of 17 November 1978 on the decree on the management and conduct of foreign trade--independent commercial activity-- (GBL, Part I No 41 p 443).

7. Cf. Articles 9 and 10 of the fourth DVO (old).

8. Cf. "Basic Observation on Organizing and Fulfilling Economic Contracts in Installation Export," No 1, 1979 (placed directly under the ministries); cf. also M. Walther, "On Some Legal Matters in Installation Export," WIRTSCHAFTS-RECHT, No 3, 1979, p 158.

9. Cf. also M. Walther, "Affecting the Needed Export Continuity," WIRTSCHAFTSRECHT, No 3, 1980, p 150.

10. Cf. Article 45 of the fourth DVO (old).

11. Cf. Article 8 of the third implementing regulation of 24 January 1980 on the labor safety decree--trade mark quality-- (GBL, Part I No 6 p 45).

12. Cf. first implementing regulation of 30 April 1978 on the decree on CEMA standard (GBL, Part I No 19 p 233).

13. The fourth DVO (old) has often been criticized, cf. e.g., M. Kemper and D. Maskow, "Aussenwirtschaftsrecht der DDR" (GDR Foreign Trade Law), Berlin, 1975, p 314.

14. Cf. Article 150, Civil Code, together with instructions from the minister for foreign trade and the minister for trade and supply.

15. Cf. Article 58 of the fourth DVO (old).

16. Announcement of the CEMA general delivery terms 1968/75 in the form of 1979, of 12 October 1979 (GBL, Part II No 6 p 81).

17. GBL, Part I No 5 p 61.

18. Cf. Article 11 of the fifth DVO

19. Cf. Article 110, Contract Law.

Text of Decree

East Berlin GESETZBLATT DER DEUTSCHEN DEMOKRATISCHEN REPUBLIK in German Part I No 16, 29 Apr 82 pp 333-339

[Official text of "Third Implementing Decree to the Contract Law--Economic Contracts on Export and Import--25 March 1982," signed by Willi Stoph, Chairman, GDR Council of Ministers]

[Text] Pursuant to Article 117 section 1 of the Contract Law of 25 March 1982 (GBL, Part I No 14 p 293), the following is decreed:

I. General Provisions

Article 1 -- Scope

(1) This implementing decree regulates the concluding and fulfilling of economic contracts between the foreign trade enterprises and the economic units that act in the delivery of products, the setting up of installations and other export and import transactions as partners of the foreign trade enterprises (export and import enterprises). Economic units charged with foreign trade functions are considered foreign trade enterprises in terms of this implementing decree.

(2) This implementing decree, subject to subsequent or other legal regulations, also applies to the relations between an export enterprise and its ancillary suppliers and to the further cooperation chain and, in import, to the cooperation chair down to the final buyer.

(3) Supplementing this implementing decree, provisions in force for any given kind of performance apply to export and import performances.

Article 2 -- The Tasks of Economic Contracts

(1) The foreign trade enterprises and the export-import enterprises have to conclude and fulfil economic contracts in such a way that foreign trade preparation and implementation are ensured according to plan and a growing contribution is made to improving economic efficiency.

(2) The economic units have to use the economic contracts via export to make available marketable products, renew export assortments in line with international requirements and with increasing lucrativeness, ensure the flexibility of export production, improve the effectiveness of market research, and consistently ensure customer service and spare part supplies.

(3) Economic contracts on imports have to be used to secure supplying the economy and the population according to plan, while making the thriftiest use of imported goods.

Article 3 -- Bases for Economic Contracts

(1) Export-import enterprises and foreign trade enterprises have to base their economic contracts on state planning decisions. Legal regulations may settle further preconditions for concluding contracts.

(2) Contracts have to be based on the stipulations agreed on in export-import negotiations, which must be based on state planning decisions.

Article 4 -- Form of Economic Contracts

Export-import contracts must be drawn up in writing or some other embodied form.

Article 5 -- Modifications and Cancellations of Economic Contracts

(1) Unless legal regulations provide differently, export commission contracts and import and export contracts may only be modified or cancelled if not ruled out by international law treaties or international economic contracts.

(2) Foreign trade enterprises are under the obligation to seek modifications or cancellations of a contract (export or import contract) concluded with a foreign partner if economic interests demand it.

Article 6 -- Joint Contract Negotiations

(1) The signing and fulfilling of export and import contracts must be jointly negotiated if that is demanded by the foreign trade enterprise or the export or import enterprise.

(2) Foreign trade enterprises and export and import enterprises are under the obligation to engage jointly in negotiations on the signing and fulfilling of export and import contracts dealing with installations. Important partners in the cooperation chain have to be drawn into the preparations for the joint negotiations. They are obligated to take part.

Article 7 -- Enforcing Claims

The foreign trade enterprise is under the obligation to exercise and enforce claims against foreign partners and turn down unjustified claims. The export or import enterprise and the partners in the extended cooperation chain are entitled, and on the request from the foreign trade enterprise are obligated, to take part in preparing and conducting out-of-court, arbitration court or court settlements.

Article 8 -- Regulating Cooperation Relations Among Combine Enterprises

(1) Cooperation relations between a foreign trade enterprise that is part of a combine and other combine enterprises are organized by economic contracts. In their cooperation transactions no arrangements may be made that deviate from legal regulations on export and import, unless different arrangements were made between the competent central state organs.

(2) Foreign trade enterprises attached to a combine and export and import enterprises have the right to apply for proceedings before the State Contract Court in litigation on the fulfillment of economic contracts, as to Article 1, unless they can settle matters under their own authority.

II. Coordination Contracts

Article 9 -- Coordination Contracts on Export

(1) Coordination contracts have to make arrangements especially about
1. establishing the developmental trends of the products' qualities, costs and prices abroad,
2. market research measures including promotion and developing sales outlets,

3. innovative and further development of export products by the export enterprises and the foreign trade enterprise obligation to take part in this,
4. storage maintenance,
5. ensuring customer service and spare part distribution,
6. trade mark protection measures and measures to prevent legal shortcomings, and
7. ensuring reciprocal information and documentation requirements.

(2) The arrangements as to section 1 can also be made in an export commission contract, unless an obligation exists to sign a coordination contract.

(3) In preparing export of installations, the foreign trade enterprises and the export enterprises have to conclude coordination contracts.

Article 10 -- Promotion

The foreign trade enterprise is responsible for promotion abroad. An export enterprise is under the obligation to make available to the foreign trade enterprise, free of charge, at agreed amounts and by an agreed deadline, promotion material and catalogues in the internationally current commercial languages, in conformity with market requirements, and samples and models for fairs and exhibitions, for display and testing abroad.

Article 11 -- Storage

(1) For storage abroad, the foreign trade enterprise has to organize storage facilities. The costs for it are paid by the export enterprise.

(2) When installations are exported, the general supplier has to organize storage facilities in situ, unless other arrangements were negotiated in the export contract.

Article 12 -- Customer Service and Spare Part Distribution

(1) The foreign trade enterprise is responsible for customer service abroad. The export enterprise is under the obligation to create the technical and personnel prerequisites for the customer service. It must make available to the foreign trade enterprise, free of charge, the necessary basic assets and working tools. The export enterprise has to ensure an adequate supply in spare and replacement parts on schedule.

(2) If about the handling of customer service, including the ways and means for handling warranty claims, contracts are to be signed with foreign partners, the intended content of such contracts has to be agreed on between the foreign trade enterprise and the export enterprise. These agreements then determine the form of the contracts in the cooperation chain.

Article 13 -- Coordination Contracts in the Import of Installations

(1) In preparing an import of installations, the foreign trade enterprise and the import enterprise have to sign coordination contracts. Unless an import enterprise has itself given the order, the coordination contract must be signed by the one who gave the order, the foreign trade enterprise and the import enterprise.

(2) In coordination contracts, arrangements have to be made in particular on
1. partnership in requirement elaboration,
2. the phases in preparation for the imports of installations,
3. the documentation to be handed over to the foreign trade enterprise for bids,
4. the offers the foreign trade enterprise may demand of the foreign partner, and
5. the documents to be handed over by the contract partners to the foreign trade enterprise for working out contract offers and negotiation directives.

## III. Export Commission Contracts

### Principles

### Article 14

(1) Cooperation relations between export enterprises working for one and the same enterprise objective and the competent foreign trade enterprise are handled by export commission contracts.

(2) By an export commission contract a foreign trade enterprise assumes the commitment to sell to foreign partners products and other services in its own name on account of the export enterprise at terms agreed upon. It must pay to the export enterprise the price agreed upon in the export contract in accordance with legal regulations. The export enterprise is under the obligation to stand behind the service agreed on in the export contract and pay a marginal sum to the foreign trade enterprise.

(3) The provisions of international delivery conditions and terms, as recognized by the GDR, in treaties under international law are binding on a contract even if not explicitly negotiated.

### Article 15

(1) In the export of installations, the general supplier is the sole contract partner of the foreign trade enterprise. The general supplier's contract partner may be the major supplier or other suppliers.

(2) In the export of installations, the export commission contract goes into effect when the general supplier has declared his agreement, in writing, with the export contract as prepared for signing. Any additions have to be negotiated as soon as the contract is signed.

### Article 16 -- Bids

(1) If the particulars of the product or the sales market conditions require it, the export enterprise has to submit bids to the foreign trade enterprise. The partners have to agree on the deadlines for submitting bids.

(2) An export enterprise has a claim to be paid for bids only if the foreign partner is obligated to pay for them.

Article 17 -- Quality and Warranty

(1) The partners have to agree on quality in line with the internationally set quality levels or the foreign partner's requirements. The quality agreements binding on the export enterprise are to be made the basis for the cooperation chain.

(2) Unless international delivery conditions or terms in treaties under international law as recognized by the GDR or warrenty conditions exist, agreements have to be negotiated in accordance with warranty conditions generally in effect. On such agreements are the relations in the cooperation chain to be based.

(3) The warranty periods as contained in international delivery conditions or in the terms of treaties under international law, as recognized by the GDR, or those agreed on in accordance with section 2, are legally binding warranty periods for all partners in the cooperation chain.

Article 18 -- Time of Performance

(1) The partners have to agree on the times of performance in accordance with the requirements of the sales markets. If such an agreement has not been brought about, the foreign trade enterprise is entitled to take for its basis in the agreement on the time of performance in the export contract the time frame offered by the export enterprise.

(2) To ensure the necessary export continuity, performance schedules have to be agreed on in the export commission contracts that lie within the performance deadlines as negotiated in the export contract.

Article 19 -- Price

(1) In the export commission contract, the partners, based on ratified price concepts or price limits, have to negotiate the setting of foreign exchange prices.

(2) If no agreement has been brought about concerning the valuta price, the foreign trade enterprise has the right to complete the export contract at the kind of valuta price conforming with comparable products on the sales market. Evidence for such a price has to be furnished the export enterprise by means of price documentation.

Article 20 -- Concluding an Export Contract and Its Terms

(1) The foreign trade enterprise concludes export contracts in conformity with the agreements in the coordination contract and in the export commission contract, and with the bids from the export enterprise. The terms of the export contract, including the applicable legal terms, are binding on the export enterprise. The foreign trade enterprise has the obligation to submit a copy of the export contract to the export enterprises within 2 weeks after it was signed or inform it otherwise in writing about the signing and terms of the export contract.

(2) If a foreign trade enterprise wants to make arrangements that deviate from those as per section 1 or from a bid, in the export contract, agreement must be obtained for it from the export enterprise, unless the possibility of deviating is part of the contract. Agreement or justified rejection must at once be announced by the export enterprise.

(3) An export contract deviating from the arrangements as to section 1 or from a bid is binding on the export enterprise even when it has not agreed to such a deviation, unless the deviation makes the performance of the export enterprise impossible. If it deems the performance impossible, the export enterprise has to reject the export contract at once, the latest within 10 days after gaining cognizance of it.

Article 21 -- Scope of Performance for Main and Other Suppliers in Installation Export

(1) The main and other suppliers are, in particular, under the obligation to provide bids, project planning and other scientific-technical services, to deliver and assemble and take part in testing operations, in performance demonstration and in handing over the installation, as well as to provide services for the training of technicians for operations, technical aid and customer service.

(2) The ways and means and scope of the performance to be accomplished have to be settled among the general supplier and the main and other suppliers pursuant to the terms of the export contract.

(3) If the export contract provides for full assembly, the scope of performance for the main and other suppliers includes the assembly of their own equipment. That also applies to the chief assembly accordingly.

Article 22 -- Shipment

(1) The partners have to agree on authorizing shipment dispositions and releases. A shipment release from a foreign trade enterprise may be cancelled.

(2) An export enterprise has the responsibility to package and ship the product proper as to export specifications. The partners may agree that the foreign trade enterprise makes all the necessary shipping arrangements with the economic units in transport at the expense of the export enterprise.

(3) Upon request by the foreign trade enterprise, the export enterprise is under the obligation to inform the foreign partner by telephone or teletype of having shipped the products within 24 hours after they were sent off. The partners also may make other arrangements.

(4) The export enterprise is under the obligation to indicate that a shipment is ready at least 10 days prior to handing it over to the transport enterprise by informing the foreign trade enterprise and the shipping company concerned, unless other arrangements were made.

Article 23 -- Property Transfer, Aleatory Clause and Place of Performance

(1) Property transfer and risk and the place of performance are determined by the export contract, unless other arrangements were made.

(2) The foreign trade enterprise has to take out mandatory insurance for the export products and assume the rights and obligations provided by the insurance arrangement.

(3) If installation export includes the delivery and assembly of machines and equipment as within the scope of performance by the chief and other suppliers, the place of performance is the site of assembly or any other place so defined by the client, unless other arrangements were made. The place of performance is defined in terms of Article 29, if the supplier only has to supply machines and equipment.

Article 24 -- Currency Billing

The export enterprise makes out the bill (currency bill) to the foreign partner, unless other arrangements were made. The documents agreed on or contained in the export contract have to be attached in appropriate copies to the bill.

Article 25 -- Securing Payment

(1) The foreign trade enterprise has the obligation to examine the foreign partner's solvency before the export contract is signed and ensure payment. It bears the risk for the foreign partner's paying in valuta prices.

(2) If the foreign trade enterprise has asserted the right, as set down in the export contract, to ask that the products be returned, the export enterprise has to take the products back and reimburse the foreign trade enterprise for the amount of payment received from it. Return shipping costs and any other clearing costs are borne by the foreign trade enterprise. It remains bound to sell the products abroad on the basis of the export commission contract.

Article 26 -- Liability

(1) The foreign trade enterprise and the export enterprise bear the blame for a non-fulfilment or improper fulfilment of an export commission contract. They are under the obligation reciprocally to make up for damages incurred through their violating their obligations, pursuant to the legal regulations on material liability. Contractual fines may be agreed on for the violations of certain obligations.

(2) If an export enterprise infringes the scheduled deadlines as to Article 18 section 2, it must pay a contractual fine to the foreign trade enterprise for the default. A contract penalty paid is to be debited to a default penalty to be paid as to section 3.

(3) If an export enterprise infringes performance obligations in the export contract, it has to pay a contractual fine to the foreign trade enterprise in accordance with Contract Law provisions. An export enterprise is committed to pay

damages to the foreign trade enterprise to the extent that the latter was held liable by the foreign partner in conformity with the terms of the export contract. A contractual penalty already paid is debited to the damage claim.

(4) A foreign trade enterprise is liable to hand over to the export enterprise all that was received in satisfying the claims in the export contract. This does not apply to claims on violations of payment liabilities.

IV. Export Contracts

Article 27 -- Principle

(1) Cooperation relations between export enterprises not working for one and the same enterprise objective and the competent foreign trade enterprise are handled by export contracts.

(2) By an export contract an export enterprise assumes the commitment to hand over the product agreed upon to the transport enterprise or shipping company to deliver it to the foreign partner of the foreign trade enterprise and assign the fund ownership or property right to the foreign trade enterprise. The foreign trade enterprise is obligated to accept the product and pay the industrial price for it. Other performances also can become subject to export contracts.

(3) Export commission contract provisions appropriately apply to export contracts as well, unless other rules are submitted in the following.

Article 28 -- Refusal to Conclude a Contract

(1) A foreign trade enterprise may not refuse concluding a contract because it has not yet signed an export contract.

(2) A foreign trade enterprise is not compelled to to sign an export contract as long as there are no sales chances abroad despite all efforts made in that direction. Export contracts already concluded should in such a case be modified or cancelled.

Article 29 -- Place and Time of Performance

(1) The place of performance is the place where fund ownership or property rights are transferred. That may be in
1. railroad transports, the freightcar dispatch at the GDR border crossing point,
2. motor vehicle and inland waterway transports, the passing of the border crossing point of the GDR,
3. merchant marine transports, the transshipment in a GDR port to recipients of the shipment as authorized by the foreign trade enterprise,
4. air transports, the transshipment in a GDR airport, and
5. postal shipments, a dispatch at the post office.

(2) The performance is carried out at the time referred to under section 1.

Article 30 -- Warranty

(1) The warranty period, unless it begins with the start of operations, begins at the times in accordance with Article 29, in maritime transports, with the date of the bill of lading.

(2) The announcement by the foreign trade enterprise that a warranty case exists has to be made as soon as the foreign partner reports the fault, at the latest, 45 days after the warranty period has expired. The partners also may agree on reduced time frames.

Article 31 -- Shipping Disposition

If the partners have failed to negotiate a time when the shipping disposition has to be announced, the foreign trade enterprise is under the obligation to announce the shipping disposition 2 weeks prior to the scheduled performance or the start of the performance period at the latest.

V. Import Contracts

Article 32 -- Principle

(1) Cooperation relations between import enterprises and the competent foreign trade enterprise are handled by import contracts.

(2) The import contract commits the foreign trade enterprise to hand the product over to the import enterprise and transfer to it the fund ownership or property right. The import enterprise is under the obligation to accept the product and pay for it. Other performances also may be subject to import contracts.

(3) Only one import enterprise is, in principle, the contract partner of the foreign trade enterprise for a given product of the production and performance nomenclature. The central state accounting organ designates that import enterprise, and the competent central state organ does so for deliveries serving public supplies exclusively. If a type of product finds no more than two different kinds of buyers, import contracts have to be signed with both.

Concluding an Import Contract

Article 33

(1) In principle, an import contract calls for an import license. An import contract that deviates from the terms of the import license or the bids of the import enterprise calls for an import enterprise authorization ahead of time. When those deviations concern health protection, labor safety and fire insurance requirements, the import enterprise has to obtain the legally required authorizations.

(2) If the terms of the import license or bid cannot be enforced vis-a-vis the foreign partner, the import enterprise has to decide whether the import should be authorized anyway.

(3) The foreign trade enterprise has to submit a copy of the import contract to the import enterprise within 2 weeks after its having been signed or inform it otherwise in writing about the signing and terms of the import contract.

Article 34

(1) In the import of installations, the buyer or supplier may be an import enterprise. The import license takes effect when the buyer declares his agreement in writing or, if the buyer is not also an import enterprise, when the import enterprise declares its agreement with the import contract prepared for signature.

(2) In the import of installations, the terms of the import contract except for the prices, the payment conditions and legal status, up to including the buyer, remain in effect. The import license is to be updated right after the import contract is concluded by further terms, especially on prices, the payment conditions and the forms and methods in the cooperation between the partners while the import is being transacted.

Article 35 -- Quality

(1) The quality of performance has to be agreed on so that the useability requirements for the GDR are complied with.

(2) The foreign trade enterprise is under the obligation to let the import ascertain, if it so wishes, the quality of the products and the prerequisites for their licensing. Licensing has to be applied for by the import enterprise, unless legal regulations determine otherwise.

(3) Accords on quality in import licenses are to be held basic to the relations in the extended cooperation chain all the way to the end buyer.

Article 36 -- Customer Service and Spare Part Supply

The accounting organ, in concert with the import enterprise and the foreign trade enterprise, has to decide whether spare part supply is to be ensured by means of GDR production or by import. If the spare part supply is to come out of GDR production, the accounting organ appoints an economic unit responsible for spare part supplies in coordination with the combine or next-higher organ. This also applies to customer service arrangements.

Article 37 -- Warranty Period

(1) The warranty period is governed by the provisions for international delivery conditions as recognized by the GDR or stipulations in treaties under international law.

(2) When international delivery conditions as recognized by the GDR or stipulations in treaties under international law do not exist or do not settle the warranty period, the partners must make arrangements about them.

(3) If the warranty period is not determined as to section 1 or not agreed on as to section 2, the fault reporting period as of Article 45 section 3 counts as warranty period.

(4) The warranty period ends with the termination of the warranty period as determined as to section 1 or agreed on as to section 2.

(5) If the start of the warranty period is not determined as to section 1 or agreed on as to section 2, it starts as soon as the performance is made.

(6) This ruling is applied accordingly to the relations in the cooperation chain down to the end buyer.

Article 38 -- Performance Period

(1) Performance periods are in principle set down by months.

(2) The performance period agreed on becomes basic to the relations in the cooperation chain all the way to the end buyer.

Article 39 -- Shipping Disposition

(1) If the place of destination cannot be determined when the contract is signed, the import enterprise is under the obligation to make a shipping disposition 5 weeks prior to the scheduled performance or the performance period, unless other arrangements were made.

(2) If the shipping disposition is not made in time, the foreign trade enterprise has the right to induce the foreign partner to ship to the import enterprise.

Article 40 -- Time and Place of Performance

(1) The place of performance is the place where fund ownership or property rights are transferred. That may be in
1. railroad transports, the freightcar dispatch at the GDR border crossing point,
2. motor vehicle and inland waterway transports, the passing of the border crossing point of the GDR,
3. merchant marine transports, the transshipment in a GDR port (loading on freightcars or vehicles, port storage at import enterprise depots, port dock storage as directed by the import enterprise),
4. air transports, the transshipment in a GDR airport, and
5. postal shipment, by postal delivery.

(2) The performance is carried out at the time referred to under section 1.

(3) The foreign trade enterprise is obligated to ship products within the GDR.

(4) Unless legal regulations determine otherwise, the import enterprise assumes all costs beginning at the points as specified under section 1. In railroad transports, freights from the national border of the GDR (tariff rates) are borne by the import enterprise.

Article 41 -- Notifying the Import Enterprise

The foreign trade enterprise is under the obligation to inform in good time the import enterprise and, if necessary, the shipping company of the expected arrival date of the shipment at its place of performance.

Liability

Article 42

(1) If a foreign partner involved in the signing or fulfilment of a contract has violated an obligation, the liability of the foreign trade enterprise depends on whether and to what extent, according to the import contract and the law applicable to it, claims exist against foreign partners, unless no other rulings are subsequently provided. That also applies to the relations in the cooperation chain all the way to the end buyer.

(2) If claims against foreign partners cannot be enforced and the fault for it lies with the import enterprise, claims as to section 1 are not authorized.

Article 43

In case of default, non-fulfilment or improper quality performance caused by the foreign partner, the foreign trade enterprise has to pay at least the contractual fines as arranged for such cases. To the extent that international delivery conditions recognized by the GDR or stipulations in treaties under international law contain rules about contractual fines, they are used exclusively. This also applies to the relations in the cooperation chain down to the end recipient.

Article 44

In the import of installations, and in the case that a foreign partner has committed a violation of obligations, the import enterprise is entitled to claims against the foreign partner to the extent that they can be enforced. Measures taken to enforce them have to be documented by the foreign trade enterprise. This also applies to the relations in the cooperation chain all the way to the buyer.

Article 45 -- Reporting Faults

(1) Faults must be reported by ways and means as required for enforcing claims against the foreign partner.

(2) When in such a fault report the existence of jeopardy is to be proven to the foreign partner, the import enterprise has to provide the evidence for it.

(3) Faults must be reported by the import enterprise no later than 1 month before the expiration data, which the foreign trade enterprise must abide by in dealing with the foreign partner.

(4) If the fault is not reported within the time frame as of section 3 yet still within the time frame agreed on in the import contract, and if the claims against the foreign partner still can be enforced, the foreign trade enterprise must make good the warranty vis-a-vis the import enterprise.

(5) These rules are applied accordingly to the relations in the cooperation chain down to the end recipient.

Article 46 -- Warranty Claims

If no agreement was made on the type of warranty claims, the import enterprise may demand warranty services as enforceable against the foreign partner by the import contract and the law that applies to it. This also applies to the relations in the cooperation chain down to the final recipient accordingly.

Article 47 -- Cancellation

(1) The import contract terms and the provisions of the law that applies to it determine contract cancellation.

(2) An import enterprise can cancel only if the foreign trade enterprise has meanwhile, and in good time, explained it to the foreign partner.

(3) This rule is applied accordingly to the relations in the cooperation chain all the way to the final consumer.

VI. -- Economic Sanctions

Article 48

Economic units chat are grossly violating economic interests in concluding and fulfilling export contracts, may be compelled to pay economic fines.

Articld 49

Economic and state organs working on the basis of economic cost accounting may be compelled to pay economic fines if they apply for, confirm, authorize, plan or carry out unjustified imports.

VII -- Final Provisions

Article 50

This implementing decree goes into effect on 1 July 1982. It applies to all economic contracts to be fulfilled after its being in force.

5885
CSO: 2300/279C

# IMPLEMENTING DECREE ON CONSUMER SUPPLY CONTRACTS

## Decree Explained

East Berlin WIRTSCHAFTSRECHT in German Vol 13 No 2, Apr-Jun 82 pp 113-115

[Article by Hans Lehmann, chief justice, Central Contract Court and chief, trade department of contract court: "Economic Contracts for Supplying the Population--On the Fourth Implementing Decree to the Contract Law." A translation of the contract law is published in JPRS 80875, 21 May 82, No 2272 of this series, pp 24-37. A translation of the implementing decree discussed below follows this article]

[Text] In conformity with the importance of continually improving the supplying of the population in the further implementation of the main task in its unity of economic and social policy, the new version of the contract law and of the regulations needed for its enforcement also provide special regulations on economic contracts for supplying the population. This takes account of the specifics of such relations, as had already been done in the past by the sixth implementing decree (DVO) to the Contract Law (old). The regulations now issued as the fourth DVO now take in the experiences gathered by the combines and enterprises in consumer goods production and by domestic trade as well as within the framework of state contract court jurisdiction. It led to further refinements of rules, which serves their more effective application and the shaping of more effective relations between commerce and production on behalf of an improved supply performance.

Rules that have stood up well were kept. Regulations that came in through the sixth DVO (old) but apply to relations transcending its particulars, e.g. customer service and spare part distribution (Article 44, Contract Law), settling demands after the expiration of the warranty period (Article 94, Contract Law), have been included in the contract law, in view of the need for its further development, and now apply to all relations within its scope. This makes it necessary in applying the fourth DVO not to confine oneself to its provisions but to keep the regulations of the Contract Law in mind and make sure that it is applied conscientiously and responsibly on behalf of constantly improving the supplying of the population.

### The Scope

The scope, as defined in Article 1 of the fourth DVO, extends to concluding and fulfilling economic contracts on delivering all products intended as public supplies

to the economic units in domestic consumer trade--the wholesale and retail enterprises including the restaurants and hotels--and the wholesale consumers. The supplying economic units needed not be designated in particular because the relations addressed are clearly defined by their purpose and the recipients of the deliveries. Furthermore, the special provisions of the fourth DVO are applicable to the relations in the cooperation chain and to the economic units and craft enterprises involved in customer service, as set down in the fourth DVO. Provisions were made for contractual penalties, as of Article 16 section 1, in such a way that that evidence for the indispensability of circumstances causing contract violations also is ruled out for the relations in the cooperation chain. Moreover, the application of the special rules for cost reimbursement is also decreed for the relations in the cooperation chain (Article 17 section 2).

Finally, the fourth DVO also applies to the economic units and craft enterprises involved in customer service. This provision pertains in particular to the rules on customer service and customer service contracts in Articles 4, 9, 10 and 16 section 1, which, in principle, were taken over unchanged from the regulations in effect thus far.

Concluding Economic Contracts

The rules of the fourth DVO aim at further increasing combine and enterprise responsibility for a production of consumer goods, proper as to demands, through a more complete definition of the rights and duties in concluding and fulfilling economic contracts. In making use of the experiences in the application of regulations in effect thus far,. some new rules were fashioned, some existing ones were further developed.

The requirements that must be met by the economic units in production and commerce are combined in the fourth DVO so that by means of an economic contract great effectiveness is ensured in supplying the population. The efforts of the economic units in fulfilment of the tasks resulting from state plan decisions and economic contracts concluded must be aimed at making available supply products that meet demands properly and continually. Here, a requisite adaptibility to changing supply conditions is to be developed, in supplying good supplies of qualitatively high-grade consumer goods, and it must be seen to it that economic requirements and customer preferences are met increasingly better in the preparation and implementation of supply processes.

Among the tested rules already contained in regulations in force and now taken over by the fourth DVO is the obligation of the production combines and the management organs of production enterprises to demonstrate to the central organs of consumer goods wholesale, if they request it, that the state tasks or planning quotas assigned to the production enterprises conform with consumer goods balance-sheets or to see to it that the plan, balance and contract conformity is ensured throughout the entire planning period (Article 3 section 2). Meeting this obligation is imperative for concluding contracts at the full scope of the plan and for producing on its basis at proper demands and continually. The same applies to establishing a concrete contractual substance based on commodity supply that has to conform with state planning decisions and the assortment concepts to be worked out in accordance with the planning order,[1] as to Article 3 section 3 in

connection with section 1. The importance of these duties is underscored by that the Contract Law provides, in its Article 109 section 3, for combines and state organs operating on the economic cost accounting principle, if they violate their decision-making obligations in this respect, to be held accountable by having to pay economic penalties.

The fourth DVO furthermore includes a ruling on the right of bezirk councils to set quotas when economic contracts are concluded for receiving certain foodstuffs; the point to be made here is that such contracts can come in the form of delivery contracts as well as commission contracts (Article 3 section 4).

Coordination Contracts

A further development in the legal situation thus far, which suggested coordination agreements merely as a recommendation, is that the economic production and commercial units and the next-higher organs of such economic units now, in accordance with Article 34 section 1 of the Contract Law, are under the obligation to sign coordination contracts if, for the sake of a more efficient preparation of consumer goods shipments or of some other supply performance, intensive long-range cooperation among them is required. By means of such contracts one will have to organize early in the game a long-range cooperation in carrying out the tasks in market and requirements research, working out assortment concepts, and preparing the production of consumer goods, including their requisite ancillary supplies. Agreements must also be set down in the coordination contracts on product quality, on the number of units of newly and further developed commodities to be produced and the commitment to their acceptance, on the organization of operations and customer service and on rational forms for signing the contract between production and commerce.

Article 5 of the fourth DVO contains a listing of the types of coordination contracts which, without being exhaustive, does make Article 35 of the Contract Law more specific. In connection with the demanded agreement on cooperation for preparing assortment concepts in good time, we ought to recall that such cooperation between partners is important for ensuring supplies proper as to demands, especially for fashion items. This, among other things, must be directed at promoting skilled preparations at good time of fashion and assortment concepts and reconciling economic requirements, expressed, e.g., in the demand for large lots, with the population's justified demand for diversified, fashionable and attractive products of the clothing, shoe and leathergoods industry. Because such cooperation cannot be confined to the finished production field but necessarily also extends to the products to be developed in ancillary fields, the coordination contract is the suitable instrument to organize the necessary cooperation of all involved on the various production levels including the commercial enterprises and agree on the needed capacities for the development of new ancillary products, on trying them out, and on introducing new production technologies, as well as on the necessary measures for introducing the end products on the domestic consumer market. Article 5 of the fourth DVO furthermore provides important guidance for ensuring a high supply level; the partners must further develop the content of coordination contracts as requirements may demand.

Delivery Contracts

For the relations between consumer wholesale and consumer retail, special provisions have been in effect since 1978.[2] The fourth DVO does not change those arrangements in any sense. Because the sixth DVO (old) is now rescinded, however, the provisions are now dropped about the relations between produce production and retail trade. So these relations had to be reformulated as, by the way, also those between produce production and consumer wholesale, on the one hand, and the wholesale consumers, on the other, This new regulation lies in orienting toward concluding skeleton contracts and signing sales outlet contracts; when there are differences in handling sales outlet contracts, the partners will make the arrangements for them within their skeleton contracts (Article 8 sections 2 and 3).

Proceeding from the principle contained in Article 2 in connection with Article 3 section 3 of the fourth DVO, that the contract partners in concluding economic contracts have to make public distribution highly effective and that, in particular, the assortment and quality arrangements under such a contract have to conform to that requirement, future relations between commerce and production will become more flexible. It provides him from whom the order comes with standards for the possibility to submit definitive specifications for the product under orders up to a definite date after the signing of the contract (Article 7). Care will have to be exercised that this new rule, set up especially for the production and supply of fashion-related products, is used sensibly, and exclusively to improve the supply situation.

When specifications are not provided in time, or not at all, contractual penalties are envisaged (Article 16 section 2) to induce proper contract behavior and to prevent detrimental effects on the public supply situation caused by defaulting due to but partly specified contracts.

Material Liability

The rule on supplying newly and further developed technical consumer goods is modifying Article 1 section 3 of the sixth DVO (old) to the effect that a complete testing and securing of spare part supplies and customer service no longer are prerequisite to the signing of a contract but can now also often be provided between the signing of the contract and the delivery. The population is protected from inadequately tested technical consumer goods and from others for which no adequate spare part supply or the necessary customer service are ensured, by requiring the supplier to provide the appropriate evidence and by authorizing the one from whom the order came to refuse to accept the commodities (Article 11 of the fourth DVO). In other respects, the provisions of the first DVO apply to the new and further development of technical consumer goods.

The fourth DVO reconciles the rights of the one by whom an order was placed, in case the delivery was not up to standards, with the rights of the buyer, to which he is entitled in conformity with civil code provisions on warranties with respect to the trade enterprise. This is a better arrangement for ensuring the enforcement of warranty rights all the way to the one that defaulted (Article 13) and for taking care of warranty liabilities to the customer in accordance with law (Article 12 sections 2 and 3).[3] Reasonable trade enterprise interests are balanced

against the immediate access to the producer's customer service facilities to eliminate faults over the short run in products sold yet withdrawn from public distribution due to their faults (Article 12 section 1).

Article 14 of the fourth DVO provides for the case that a product other than the one under contract was supplied, which aims at ensuring a high supply level and at reliability to contracts.

It has become increasingly necessary in practice for the contract partners to come to a rapid understanding about the measures to be taken when public supplies are behind schedule. As a stronger inducement for suppliers, from whom the initiative for an unerstanding has to come, the contract cancellation deadlines as set down in Article 10 section 1 of the sixth DVO (old) was curtailed to 1 month after the start of the delay, in Article 15 of the fourth DVO.

Contract Penalty, Cost Reimbursement and Economic Sanction

Some contractual penalties and factual circumstances have already been referred to above. In establishing the facts of a case as of Article 16 in the fourth DVO, the consideration was to allow deviations from general rules to the necessary degree only where the special implementation of penalty application has been firmly rooted in everyday practice and been exercised for years. The need was affirmed for contractual penalties for deliveries not meeting their schedule or for not fulfilling the obligation to supply spare parts, precluding in such cases the opportunity to prove circumstances that made the violation of obligations inevitable. In this, the exceptional ruling for contractual fines for deliveries below standards was confined, as before, to genuine cases of inferior quality; it was not extended to cases to which the provisions on below-standard performance would merely apply accordingly (Article 98, Contract Law).

The special rule on cost reimbursement (Article 17 of the fourth DVO), departing from general provisions, in principle abides by previous regulations.

Ensuring the supplying of the population with goods available according to plan calls for a permanent influence on those commercial enterprises which permit infringements of state discipline and, through faulty commercial activity, cause avoidable disturbances in orderly public supply activities. The special circumstances for the payment of economic sanctions therefore were taken over from legal regulations in effect to be able to bring an appropriate influence to bear, as a measure of discipline, on wholesale and retail enterprises. Because it is so important to stay within price group proportions, as set down by the plan, for supplying the population according to needs, there furthermore now is the liability to paying economic sanctions when determinations established are ignored (Article 18 of the fourth DVO).

FOOTNOTES

1. 28 November 1979 Order on the Planning System of the GDR Economy, 1981-1985, Part E, Planning for Domestic Consumer Goods Trade, no 4 (GBL, Sdr. no 1020 e).

2. 3 August 1978 Order on Contractually Organizing Relations in the Supplying of Retail Trade by Wholesale Trade, (GBL, Part I no 25 p 284).

3. Cf. Article 152, Civil Code in connection with the (first) DVO of 27 December 1976 to the Civil Code on Rights and Duties in Filing Complaints Against Inferior-Quality Commodities (GBL, Part I, 1977 no 2 p 9).

Text of Decree

East Berlin GESETZBLATT DER DEUTSCHEN DEMOKRATISCHEN REPUBLIK in German Part I No 16, 29 Apr 82 pp 339-342

[Official text of "Fourth Implementing Decree to the Contract Law--Economic Contracts for Supplying the Population--25 March 1982," signed by Willi Stoph, chairman, GDR Council of Ministers]

[Text] Pursuant to Article 117 section 1 in the Contract Law of 25 March 1982 (GBL Part I No 14 p 293), the following is decreed:

I. General Provisions

Article 1 --Scope

This implementing decree governs the concluding and fulfilling of economic contracts for supplying the population in which the economic units of the consumer commodity trade or the wholesale consumers take part as the ones that place the orders. It also applies to the relations in the cooperation chain and the economic units and craft enterprises involved in customer service as to the provisions that follow.

Article 2 -- The Tasks of Economic Contracts

The economic units, on the basis of state planning decisions, have to organize their cooperation through economic contracts in such a way that a high effectiveness is achieved in supplying the population. With it, they have to ensure the requisite flexibility and bring their influence to bear on the new and further development of qualitatively high-grade consumer goods, an efficient customer service, rational modes of distribution, and the reduction of commodity losses.

Article 3 -- The Basis for Economic Contracts

(1) If legal regulations call for the elaboration of assortment concepts, the economic units are under the obligation to make them the basis for concluding economic contracts.

(2) The production combines or the management organs of the production enterprises have the responsibility to demonstrate to the central organs of consumer wholesale trade, if they request it, the conformity between state tasks or the planning quotas of the production enterprises and the consumer goods balance-sheets and to ensure the conformity between plan, balance and contract throughout the planning period.

(3) If the commodity supply offered on the basis of state planning decisions does not conform, in assortments, qualities and availabilities, with the reasonable demands of the economic units in consumer commodity trade, the production combines

or the management organs of the production enterprises, upon instruction from the competent central consumer wholesale trade organ or from the bezirk council, are under the obligation to ensure appropriate stocks within one month.

(4) Bezirk councils are authorized to instruct the economic units in consumer goods trade to sign delivery contracts or commission contracts on providing certain foodstuffs. Where economic units in the consumer goods trade are not under their control, quotas have to be correlated with the management organs of such economic units.

Article 4 -- Customer Service

(1) To ensure the necessary customer service, the economic units in production or the customer service enterprises of the industrial branch charged by them, in coordination with the local state organs and the economic units of the consumer goods trade, have to maintain their own customer service facilities or sign repair and maintenance contracts with workshops (contractual workshops).

(2) Economic units in production are responsible for ensuring adequate information about buyers and customer services.

II -- Coordination Contracts

Article 5

(1) In coordination contracts, agreements have to be made, in particular, about
1. meeting the tasks in market and requirements research;
2. cooperation in preparing assortment concepts in good time and in measures that ensure long-range consumer goods production preparation including requisite ancillary supplies;
3. product quality, the number of units of newly or further developed products to be produced, the obligation to their being accepted, and the sales and customer service organization; and
4. rational forms for concluding contracts between the economic production units and commerce.

(2) The managers of state organs have the righ to insist that organs under them or economic units sign coordination contracts binding on other organs or economic units in their field of responsibility.

III -- Delivery Contracts

Article 6 --Delivery Relations With Retail Trade and Wholesale Consumers

(1) The relations in the economic units in consumer wholesale trade supplying the economic units in consumer retail trade are subject to the special regulations issued for them.*

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*In effect at this time is the 3 August 1978 Order on Contractually Organizing Relations in the Supplying of Retail Trade by Wholesale Trade, (GBL Part I No 25 p 284).

(2) Relations between the economic units in produce and consumer goods wholesale, on the one side, and the economic units of consumer goods retail and wholesale consumers, on the other, are to be handled by skeleton contracts. They can also be concluded with the management organs of consumer goods retail.

(3) Sales outlet contracts are to be signed on supplying the sale outlets of the economic units in consumer goods retail. In a skeleton contract with the economic units in produce it is to be agreed for which products sales outlet contracts are in effect when orders are submitted or when a declaration of acceptance confirms an offer. If no agreement is reached about that, the competent bezirk council decides. That also applies to supplying the wholesale consumers accordingly.

Article 7 -- Delivery Contracts Partly Specified

To take better acount of demand developments, the partners may agree under the delivery contract that the one who placed the orders in the framework of agreements on volumes and assortments may up to a certain date give specifications for the products to be delivered.

Article 8 -- Centralized Buying and Entering the Contract

If an authorized economic unit concludes delivery contracts in a centralized manner, no agreement from the supplier is required for others to enter the delivery contract to place more orders.

IV -- Customer Service Contracts

Article 9 -- Principle

(1) By a customer service contract, a contractual workshop obligates itself to take on, in toto or in part, obligations the production unit has as the producer to repair and maintenance services during or beyond the warranty period.

(2) The production unit has to submit the documentation needed for repair and maintenance services, supply spare parts and pay for the services assumed by the contractual workshop within the scope of the producer's warranty obligations.

(3) The production unit has to supply the spare parts in scope and amount as called for by the contractual workshop within 3 weeks after receiving the order for them. This also applies to contractual workshops that are craft enterprises. The partners may also agree on a different time frame.

Article 10 -- Other Duties of the Contractual Workshop

(1) The contractual workshop must carry out the repair and maintenance within the time frame and in the ways and means set down by the production unit or by the customer service enterprise of the industrial branch it has designated for it.

(2) The contractual workshop has to inform the production unit or the customer service enterprise designated by it, if they so demand, about the organization and

handling of the repair and maintenance and about typical product shortcomings. It has to give access in its workshop to authorized personnel from the production unit or the designated customer service enterprise.

(3) The contractual workshop has the obligation to grant the authorized personnel from the production unit or the designated customer service enterprise access to documents pertaining to the customer service.

(4) The contractual workshop has the right to recognize warranty claims, unless the partners have agreed on different arrangements.

V -- Liability

Article 11 -- New and Further Developments in Products

When he makes new or further develops consumer goods, the supplier has to account for their functional and performance efficiency while abiding by agreed-upon parameters and for a reliable spare part supply and customer service. If the supplier does not come up with such evidence, the one who placed the order may refuse to accept the goods.

Deliveries Below Standards

Article 12

(1) The demand to make good from the one who placed the order may also be addressed to the producer's customer service facility.

(2) The customer service facilities or, if there are none, the production units themselves are under the obligation to eliminate shortcomings brought to their attention by the economic units in the consumer goods trade, acting in response to warranty claims from buyers, within a schedule that permits the economic units in the consumer goods trade to abide by the make-up deadlines as set down in civil law provisions. To eliminating shortcomings found by an economic unit in the consumder goods trade prior to the sale, as reported by customer service facilities, there applies the time frame as of Article 94 section 4 in the Contract Law.

(3) The supplier or the customer service facility must decide at once, at the latest within 2 weeks after being informed of the fault, whether to recognize the warranty claim. If no decision is made within that time frame, the claim is regarded as recognized.

Article 13

If the one who placed the orders recognizes the buyer's claims with respect to substandard deliveries to which he was subject in terms of civil law provisions, that decision is binding on all who contribute their own to the cooperation chain, in imported products, all the way to the last consumer. That is not so if it can be demonstrated that the one who placed the order flagrantly violated his duty to examine the warranty claim.

Article 14 -- Substituting Products in Deliveries

If a product is substituted in deliveries, the partners, without prejudice to their rights as of Article 98 in the Contract Law, may agree on taking it on consignment. The supplier must take the product back after 6 weeks if the one who placed the order was unable to sell it within that period. The partners also may set another time frame for the return of the product.

Article 15 -- Cancellation

(1) Irrespective of presuppositions as of Article 101 of the Contract Law, the one who placed the order may cancel the contract, unless within 1 months after the start of the delay delivery schedule modifications were negotiated.

(2) If the one who placed the order cancels the contract as to section 1, a consignment may be negotiated as to Article 14.

Article 16 -- Contract Penalties

(1) Contract penalties for sub-standard deliveries of consumer goods or for missing the deadlines in deliveries or not meeting the responsibility to deliver spare parts to the contractual workshops or to the economic units in consumer goods trade are not mitigated by the proof that the circumstances leading to the violation of the obligation were unavoidable. This also applies to the contractual relations in the cooperation chain. To the contract violations referred to under Article 98 of the Contract Law the general provisions apply. No contract penalties are to be paid for missing the deadlines in deliveries or not meeting the responsibility to deliver spare parts, if a contractual workshop's demand for supplies was unjustified.

(2) In case that the one who placed the order delays submitting his specifications for a delivery contract as of Article 7, he has to pay a contract fine and a fine for the delayed acceptance. If specifications are not submitted or so late that the supplier can no longer honor them, the legal consequences are those that apply in non-fulfilment of contract.

(3) For failing to submit in time a collective invoice to an economic unit of consumer goods retail, the partner in charge of billing has to pay a contract fine.

(4) A sales outlet contract as to Article 6 section 3 is considered in default, if the delivery has not arrived by the delivery date, nor by the following day for giving orders. The partners may arrange different deadlines.

Article 17 -- Cost Reimbursement

(1) Expenses incurred in connection with the modification or cancellation of economic contracts are paid by the contract partners by halves if the modification or cancellation was made on behalf of supplying the population according to plan. But if it was due to the duty obligation of one of the partners, this does not apply.

(2) The provision of section 1 also applies to the contractual relations in the cooperation chain.

Article 18 -- Economic Sanctions

(1) Economic fines may be levied on
1. economic units the sales facilities of which do not have regularly in supply the consumer goods needed for their implementing their supply tasks, in accordance with assortment and performance merchandise catalogues, despite the fact that the economic units in consumer goods wholesale or produce could deliver to them;
2. economic units in consumer goods wholesale which repeatedly and unjustifiably refuse accepting orders from the sales facilities of the economic units in consumer goods retail, whereby they violate their obligation to supplying the population according to plan; and
3. economic units which, by departing from the price group proportions as set down by the plan, sign or fulfil contracts.

(2) Economic fines as of section 1 figure 1 may go up to M 5,000 for shopping malls, retail centers and department stores and up to M 1,000 for other sales outlets. For the rest, the magnitude of economic sanctions is specified in Article 110 section 1 of the Contract Law.

VI -- Final Provisions

Article 19

This implementing decree goes into effect on 1 July 1982. It applies to all economic contracts that are to be fulfilled after its being in force.

5885
CSO: 2300/279D

# IMPLEMENTING DECREE ON PENALTIES FOR BREACH OF CONTRACT

## Discussion of Infractions, Sanctions

East Berlin WIRTSCHAFTSRECHT in German Vol 13 No 2, Apr-Jun 82 pp 94-99

[Article by Dr Manfred Enzmann, deputy chairman, State Contract Court: "Responsibility for Violations of Duty." The article below discusses the new contract law, which is published in translation in JPRS 80875, 21 May 82, No 2272 of this series, pp 24-73, and the fifth implementing decree, which follows this article]

[Text] Contract law regulations assign a central place to determining economic law responsibility. This arises from the essence and function of economic law responsibility as a juridical reaction to duty violations reflecting an avoidable subjective hanging back by economic units and economic management organs behind public requirements.[1] Economic law responsibility, as much as any other form of responsibility, goes a long way toward ensuring the operational mechanism of socialist law, its enforceability and its inescapability. Understanding, as a matter of principle, this role of economic law responsibility, receiving added weight through the growing demands placed on economic law within the scope of perfecting economic management and planning, also explains the interest devoted to these matters while the Contract Law was being drafted.[2]

The whole design of the fourth part, as indeed also the revision of the contract law as such, is based on the predominant thought that regulations found suitable should be taken over and perfected and new regulations and solutions should be designed wherever made necessary by the requirements for the further development of economic management and planning and the economic activity of the combines and enterprises. So the fundamental responsibility principles in the contract law in force were kept, in the first chapter of the fourth part dealing with the responsibility in violating precontractual and contractual obligations, and the regulations on economic sanctions, heretofore dispersed, were combined in the second chapter of the fourth part, setting down basic rules on "Responsibility for Violating State Discipline."

### Responsibility for Precontractual and Contractual Violations of Duty

Articles 82 to 86 of the Contract Law have in essence taken over the solutions of principle from the responsibility regulations in the Contract Law of 1965, such as:

--The principle that the partners to an economic contract are generally responsible for the violation of their precontractual and contractual duties and have to bear the legal consequences of their duty violation;
--exemption from the legal consequences of the responsibility in terms of contract penalties and damages when unavoidability is proven;
--the responsibility for third parties;
--the responsibility exclusion when caused by partners and in the case of force majeure;
--the general applicability of legal responsibility limitations;
--the presumption of responsibility;
--the duty to avoid or mitigate damage; and
--the duty to ascertain the causes.

With respect to the effectiveness of this responsibility conception, a study came out some time ago that was based on extensive experience and a cautious scientific analysis of it.[3] It contains the indisputable projection that the efficacy of economic law responsibility has its limits and is determined by the requirements, conditions and possibilities of the whole system of economic incentives and economic accounting. With all its reservations, it reaches the conclusion "that for the purpose of greater efficacy in responsibility, no drastic changes are essentially needed in the juridical conception."[4] A higher efficacy in the way economic law responsibility works can thus not be expected solely from rules on cooperative law such as the Contract Law. It must be obtained in consequence of the further perfecting of the whole economic mechanism, as resolved by the 10th SED Congress.[5] These interconnections, which can only be presented briefly in this context, mark the point of departure for all the regulations in the Contract Law dealing with responsibility and the sanction system.

Within the scope of the contract law's responsibility conception there has always been of fundamental importance the determination of the criterion for responsibility, or "accountability," and thus for determining the prerequisites for waiving contract penalties and damages as the most frequently occuring legal consequences of duty violations. In looking at the development of economic law, it marked an essential advance that in the 1965 Contract Law that prerequisite was defined as there having to be circumstances which "could not be prevented even though all opportunities provided by the socialist production relations were fully exploited" (Article 82 section 1, Contract Law [old]). This responsibility criterion has been rendered concrete through many years of copious State Contract Court jurisdiction on responsibility problems[6] and also has become a regular feature in the socialist legal consciousness through the economic units' own debates on the legal consequences of duty violations. Above all, it has distinguished itself as a dynamic criterion that takes account of the conditions and requirements of the constantly changing and developing socialist production relations. That is why it has, for all intents and purposes, been taken over unchanged in the Contract Law.

In preparing the contract law, attention had to be given to the fact, however, that the formation of the state-owned combines as the basic economic units in material production with a largely uniform reproduction process and the resulting increased combine responsibility had to be reflected by the regulations on the responsibility criterion. In conformity with the importance of this task, even the first SED Central Committee experience exchange seminar on the development of the combines offered the following observation:

"Five-year plan implementation thus far has confirmed our view that production continuity is among the most important factors for improving our labor productivity, efficiency and quality. Arrears in contracts, predeliveries, nonfulfilment of planned investments, surplus in material and finished products--such and similar manifestations smack of inadequate continuity.

"Well, such manifestations, as one knows, have many causes. But you cannot make it easy on yourself and simply argue that one supplier or another or one buyer or another is to be blamed for it. To approach matters communistically first and foremost demands that each asks himself: where do I cause disturbances in my enterprise or combine that cannot simply be dismissed by saying that contractual provisions have been violated? Disturbances in the combine--that means, considering the great economic responsibility of the combines with the grown criteria they embody for the production and sale of products, they interfere with the continuity of overall economic development. That is why the responsibility for ensuring continuity starts with every combine and every single enterprise in a combine."[7]

What matters, therefore, is to activate more strongly the combine's inherent potentials for meeting contractual obligations to the outside and realizing intra-combine cooperation. And that is the reason why, in Article 84 section 1 of the Contract Law, the responsibility criterion was broadened to say that the full utilization of all possibilities provided by the socialist production relations especially also includes the "possibilities provided by the uniform reproduction process in the combine." Due to the combine responsibility for the production and delivery, proper as to demands, schedules and qualities, of the final products as set down in state plans, and for organizing a largely cohesive intra-combine reproduction process, the responsibility of the combine enterprises for duty violations with respect to partners outside the combine cannot be confined to causes within the immediate sphere of influence and responsibility of a combine enterprise. Rather, it must also include causes lying in the influence and responsibility sphere of the whole combine, which could have been prevented by the combine.

As to the responsibility of a combine enterprise for a duty violation by another combine enterprise in the combine, one must note that decisions by the general director on waiving material responsibility in duty violations among combine enterprises apply only within the combine and are not binding on the partners outside the combine or on the State Contract Court.[8]

With respect to the "general provisions" of the fourth part, it seems worth noting that, in doing away with the traditional terminology, the concept of force majeure in Article 83, Contract Law (old) has been replaced by that of "unavoidable events." Article 83 section 2 of the Contract Law defines the unavoidable event by, essentially, taking over the legal definition of Article 343 section 2 in the Civil Code, which better expresses the uniformity of the socialist legal system.

Legal Consequences of Particular Duty Violations

In classifying particular duty violations, the law essentially keeps the expedient regulations of the 1965 Contract Law. In revising, legal developments thus far and the results of State Contract Court jurisdiction, and the contract law debate, were taken into account, and some systematic and linguistic adjustments were made.

For systematic considerations, therefore, the violation of precontractual duties, which as one knows had been kept out of the responsibility part, in Article 19 of the 1965 Contract Law, was included in the sections on the various types of duty violations and placed on top of the others, in analogy with trial proceeding considerations. Considering that, even though precontractual duty violations are not so very rare at all, damage claims play a relatively minor role because the evidence that has to be brought is fairly difficult to come by, in the drafts for the contract law for this kind of duty violation a facts-of-the-case clause for contract fines had been conceived in order to be able to affect that kind of duty violation more simply and effectively. But that thought was abandoned again in the course of the debate because in view of the differentiated prerequisites for signing contracts for variuos products and performance areas an existence of such a facts-of-the-case circumstance could not be assessed as unequivocally as in other duty violations and, for the same reason, determining a contract penalty adjudication basis would turn out to be dubious. A certain compromise came then from the possibility granted by the Contract Law to handle such a contract penalty by special law regulations.

In conformity with the importance underscored in the party resolutions of the qualitative factors to the development of economic growth, the Contract Law, after precontractual duty violations, speaks to substandard performance and for the rest maintains the systematic handling of other types of duty violations in accordance with the 1965 Contract Law, supplementing it by the facts of the case for restricting legal shortcomings (Article 99, Contract Law), the violation of the duty to make reports (Article 105 section 1, Contract Law) and the belated return of an object that was used (Article 105 section 2, Contract Law), which either had thus far been handled by supplementary legal provisions or amounted to newly created facts of case.

An analysis of State Contract Court jurisdiction on ensuring quality and the cooperation partners' mode of conduct in quality violations, as well as the debates held while drafting the contract law, unanimously indicate that the rules on proper quality in the 1965 Contract Law largely measure up to requirements and have met their function to ensure quality together with all the other measures in state quality policy. That made it possible to adopt many of these regulations unchanged in the Contract Law. But there are some aspects with respect to further developments that ought to be pointed out.

Touch-up repair is more definitely in focus in the new contract law than it was in the 1965 contract law, it being the major object of warranty claims because, in general experience, it is normally the economically most advantageous alternative for recovering operational functionality. Only when such touch-up is not possible on schedule or the acceptable interests of the one who placed the order demand different warranty services, replacements or discounts may be considered.

In this context one had to take account of the experience that in a sub-standard performance, providing or recovering functionality often causes considerable delays incurring, in particular, efficiency losses in investment activity. One concern of the Contract Law therefore is to discipline the partners' conduct when quality deficiencies do occur and to speed up the repair of functionality in the interest of securing our basic assets economy and uninterrupted production operations. That also is the reason why Article 94 section 2 of the Contract Law

commits the supplier to make good, irrespective of the acknowledgement that a warranty claim is in order. The same trend is found in the further detail on the right to make good by oneself which, as a prerequisite, merely requires now that it is done properly and with respect for economic concerns, and it no longer depends on the supplier's having caused delays in schedule (Article 94 section 6, Contract Law).

It has turned out to be educationally effective in the past that in the field of investment activity and in deliveries for supplying the population, a supplier could not resort to the fact that a warranty period had expired if a fault discovered later suggested a flagrant violation of the proper-quality-performance duty, especially an infraction of elemental principles in the design, project planning, material selection, finishing and assembly, the testing, storage or recognized rules in construction techniques. On that basis, a supplier is to remain, in fact, liable to warranty services above and beyond warranty periods. Since the partial application of this ruling (Article 36 of the eighth DVO [old], Article 22 of the sixth DVO [old]) has already been extended to civil law (Article 149 section 3, Civil Code), Article 93 in the Contract Law now sets down that in all economic contracts the contractor in cases of flagrant quality infractions also remains liable after the warranty period has expired. However, the regulation of Article 36 of the eighth DVO (old) has not been maintained in that it, in this connection, generally also admitted damage claims after the expiration of the warranty period. According to Article 93 section 2 of the Contract Law, such damage claims are allowable only in exceptional cases on the basis of a decision by the Contract Court, if such a duty violation caused the consignor considerable disadvantages.

As to applying the provisions on sub-standard performance to other contract infractions (Article 98, Contract Law), the previous facts-of-the-case circumstance in neglecting agreements on assortments has been replaced by one of supplying other than agreed-upon products. That actually means a return to the contract regulations of 1957. This was justified by the fact that the expectations placed in the amendment at the time about preventing misunderstandings[9] have not been borne out in practice. On the contrary, the complexity of product nomenclature and the vagueness of the concept of assortments have time and time again caused differences of opinion about whether a deviation from a contractually agreed-upon product still lies within the confines of an assortment deviation and thus comes under warranty claims or must be interpreted as a different product having been delivered. By reintroducing the circumstance of delivering a product other than the one agreed upon, such distinctions fall by the wayside.

As already suggested, for systematic and substantive motives, the responsibility provisions of the fourth part have been expanded by some duty violation situations. That concerns the handling of the legal consequences of legal defect constraints, which was rendered more precise by being adapted to the 5 February 1976 law on international economic contracts[10] and been removed, because of its overriding character, from the third DVO (old), previously Article 38 of the third DVO. The ruling on the legal consequences of violating the duty to make reports was adopted unchanged in substance from Article 12 of the 26 January 1978 decree on ensuring the unity of plan and contract in signing and fulfilling economic contracts.[11] The legal consequences of a delayed return of objects used mark a further

development of the law situation up to now. On the one side, they are meant to promote the readiness of the ones who own the funds to make temporarily available to other economic units basic assets not in use for the sake of a sound basic assets economy; on the other side, they are to induce the users, as it were, to meet obligations contracted on returning items in an orderly manner. This is meant to counteract a situation not rarely found where a temporary user after the period of use has expired registers an interest in continued use and so does not want to surrender the item he has used, or where the owner of it--afraid of just that--fails to make it temporarily available from the outset.

For reasons of systematic consistency, to the sections defining contractual penalties and damage payments--without prejudice to their importance as it transcends the legal consequences of duty violations, e.g. in contract changes and cancellations--a section has been added on cost reimbursement (Article 109, Contract Law). Cost reimbursement is defined as a special form of making up for material disadvantages for the cases adjudicated under the law. It differs from damage payment in that it is confined to actual and justified costs, i.e., does not include loss in revenue, and, apart from the exceptional cases under Article 79 section 3 and Article 80 section 3 in the Contract Law, cannot be computed against contractual fines. In this connection, terminological distinctions of the 1965 Contract Law, which had no objective justification, have been cleaned up (cf. Article 23, Contract Law [old] "necessary expenditures," Article 90 section 3 Contract Law [old] "additional expenditures," and Article 94 Contract Law [old] "expenditures").

The Contract Law, for reasons explained in detail elsewhere,[12] does without the erroneous term "price sanction." To preserve the possibility that inheres in such a specific form of sanction for simplifying the debate about the legal consequences of a duty violation, however, Article 56 section 2 of the Contract Law provides for the partners to be able to prevent through contractual agreements the possibility of proving the unavoidability of a duty violation for a contractual fine.

Responsibility for the Violation of State Discipline

The preparation stage for the resolutions on which the Contract Law is based contained the mission to set up a unified basic codification for the great number of economic sanctions under economic law regulations.[13] So the regulations in the second chapter of the fourth part dealing with economic sanctions were couched in terms of a responsibility for the violation of state discipline. Such an arrangement took account of the considerations concerning systematic regulations during the debate on the contract law draft, where a strong motion was made to combine all regulations that have to do with legal economic responsibility in a special part on responsibility.[14] Other views had favored including the regulations on economic sanctions with the tasks of the State Contract Court because economic sanctions wholly depend on rulings by that organ. What finally decided it, however, was that the internal connection among material-legal regulations about responsibility appeared to be a stronger and more compelling aspect than functionally relating a form of sanction to a particular organ.

As expressed directly by the title of the second chapter, economic sanctions are linked with the violation of state discipline. That is being considered, ideologically and conceptually, a sufficient demarcation from the responsibility for precontractual and contractual duty violations, in that one proceeds from the proposition that a violation of state discipline in this sense is a violation of duties that exist toward the state directly. It is not being misconstrued here that, given the unified character of state socialist property, a violation of precontractual and contractual obligations among cooperation partners also always contains an element of violating duties toward the state, and hence, of violating state discipline.

Of fundamental importance for the content of a basic ruling on economic sanctions was the elaboration of a unified responsibility criterion. Due to the lack, probably, of an adequately sound conceptual basis for economic sanctions, not enough attention was paid to this requirement in establishing the facts of the case for economic sanctions in the past. What regulations for economic sanctions used to have in common up to now was the reference to an "appropriate application of the provisions of the contract law on material responsibility" (partly by excluding the responsibility of third parties). Then, through Article 17 of the decree to ensure the unity of plan and contract, the circumstances of economic sanctions were straightened out and uniformly applied as precondition for "flagrancy" or "considerable economic ramifications." Yet such preconditions were not envisaged for other facts-of-the-case regulations, or only for specific or selected ones, if not in different forms (e.g. "repeated" duty violations), without motivation for such differentiations. In drafting the Contract Law the justified demand was raised to develop an original responsibility criterion for economic sanctions, as a critical view, due to what was specific for economic sanctions, left no room for an "appropriate" application of responsibility rules to contractual duty violations.

Article 109 of the Contract Law now defines economic sanction as a monetary fine to be paid by an economic unit, set down by State Contract Court decision and collected for the benefit of the state budget. An economic sanction can be levied if state discipline in cases under contract law or other legal regulations has been flagrantly violated. As "flagrant," the Contract Law defines a duty violation when the ways and means of committing it marks an infraction of fundamental principles of socialist management and planning, the compact expression of which is the principle of democratic centralism. In rendering this general standard of conduct concrete, the salient point will be the extent to which a duty violation has hurt the economic units' unity of social and collective interests. Another independent criterion for the flagrancy in a duty violation is whether it was committed although considerable economic implications were predictable. Prescience cannot be clued to the subjective ability of management members in an economic unit; it must be judged by the objective requirements of sound scientific management activity.

In line with the regulatory system of the contract law and its implementing decrees, the general facts of the case in economic sanctions that apply to all cooperation relations are taken care of in Contract Law Article 109 section 1 figures 1 to 5, and the ones for those in special cooperation relations, in Articles 48 and 49 of the third DVO and in Article 18 of the fourth DVO.

This now exclusively involves the circumstances that are directly or indirectly connected with the duties laid down in the Contract Law or its implementing decrees. In other words, the circumstantial catalogue, in terms of the legal domain assigned to the Contract Law and its implementing decrees, as a matter of principle, relates to their objective sphere of application, if one ignores the violation of import licenses (Article 49 of the third DVO), which was included for reasons of utility. All economic sanction material has come from the implementing decrees to the 1965 Contract Law and the decree on ensuring the unity of plan and contract, partly in an abstract version. Some previous circumstances for sanctions have been done away with. Economic sanction law has thus only been codified; it has not been expanded in terms of stiffer sanctions. This aspect of legal policy also is basic to the regulation of Article 109 section 1 sentence 1 in the Contract Law which states the economic units may be held to account by having to pay an economic sanction "with consideration given to other measures for ensuring state discipline." This expresses the connection between economic sanctions and the whole state system for educational measures and imposes the obligation on the State Contract Court, when examining the prerequisites for imposing an economic sanction, not only to ascertain objective facts-of-the-case circumstances, a flagrant mode of conduct or considerable economic consequences caused by the duty violation, but also to take into account other educational measures already taken or in preparation (e.g. disciplinary measures against individuals with responsibilities) because of the duty violation, and ensure, through a proper constraint in the state reaction to duty violations, the desired educational and indoctrinational effect.

The question arises how the Contract Law's basic ruling relates to economic sanction regulations in other legal regulations, such as the 25 September 1975 decree on stopping or shifting the production of commodities and of performances,[15] or the 15 October 1981 decree on shipments and performances for the armed organs--shipment decree (LVO).[16] The answer comes from Article 110 section 3 of the Contract Law, which contains the provision that for other violations against state discipline in preparing and concluding economic contracts, economic sanctions may be determined by other legal regulations. That must be related to future regulations of this kind as well as to already existing ones and means that the principles of the Contract Law on the responsibility for violating state discipline are to be applied to such circumstances accordingly.

On the Further Development of the Contractual Sanction System

The fifth DVO contains the general provisions on computing and paying contract fines as the most frequent form of sanctions for duty violations and the special provisions of the rates and so is directly related to the responsibility part in the Contract Law. To that extent, the content design coincides with that of the previous first DVO (old). But it goes beyond it in that it determines the rates of contract fines not only in the responsibility part of the Contract Law, but also for the contractual fines governed by the implementing decrees. Thereby, in contrast to previous regulatory systems, all provisions setting the rate of contract fines are brought together in one implementing decree, regardless of whether the circumstance of the contract fine they relate to are handled by the Contract Law itself or by one of the implementing decrees.

The elaboration of the fifth DVO on contract penalties as the legal consequence of duty violations was based on the, in principle, expedient regulations of the first DVO (old), the other implementing decrees to the 1965 Contract Law and the decree in effect on ensuring the unity of plan and contract. As previously, the norms for contractual penalties as regulated by the implementing decree are binding on all, unless in special regulations or between the partners, within the scope of disposition opportunities allowed by the Contract Law or its implementing decrees (Article 56, Contract Law; Article 23 of the first DVO; or Article 29 of the second DVO), other arrangements were made. Maintained was the right of the managers of centrally managed state organs to make different arrangements about contract penalties in certain economic areas and branches and for specific performances and time frames, whereby to lend purposeful efficacy to the sanction system (Article 1 section 2 of the fifth DVO).

Modifications and specifications were made in the contract penalty law as follows:

--Not maintained was the duty, set down previously in Article 7 of the first DVO (old) to pay a contract fine within 15 days without prejudice to an appeal and the repayment duty linked with it in case that appeal was denied. This arrangement did not prevail in practice because, if consistently applied, it would have incurred unacceptable financial expenditures and would have done nothing to substantiate the contract penalty's alert function.

--To make the right of appeal uniform with regard to contract penalties, the fifth DVO, based on the principles developed in State Contract Court jurisdiction, adopted a complete enumeration of the reasons for exclusion for ruling on contract fines (Article 3 section 31).

--Proceeding from the simplification of the sanction system, one of the intentions in the elaboration of the contract law, the rates for delay with fault elimination (thus far, 0.5 percent per 10-day period) and for delay in general (thus far, from 0.5 to 1.5 percent increasing per 10-day period) were simplified such that the contract fine for each 10-day period begun comes to 1 percent of the basis on which it is computed. That does away with the escalator clause in computing general contract fines. Its assumption had been that the longer the delay, the more damage would be caused; it also was meant to help minimize delay periods. In simplifying the penalty rates it was taken into account that, according to the Central Administration for Statistics, arrears in the economy are normally short-term and by doubling the rate in the initial phase of the delay (from 0.5 to 1 percent), the effectiveness of the legal consequence of responsibility is raised for most contract violations. Due to the proportionate development of penalty rates for delays, the total delay period until it reaches the maximum penalty rate of 12 percent was prolonged by one 10-day period. In contract penalties for delay with fault elimination, on the other hand, the total delay period until it reaches the maximum penalty rate of 4 percent is cut in half (from eight to four 10-day periods), which speeds up fault elimination.

The lower rates, deviating from the general contract penalty rates in duty violations of economic contracts through investments are determined by the value intensity of investment activities and were adopted unchanged from the eighth DVO (old). If particulars in other performances or products deem it necessary, special arrangements are possible within the scope of Article 1 section 2 of the first DVO.

FOOTNOTES

1. Cf. Authors' Collective, "Sozialistisches Wirtschaftsrecht--Instument der Wirtschaftsfuehrung" (Socialist Economic Law--Instrument of Economic Management), Berlin, 1971, p 248.

2. Cf. M. Enzmann, H. Oertel and W. Panzer, "For Higher State Discipline in Preparing and Implementing Economic Contracts," WIRTSCHAFTSRECHT, No 3, 1976, pp 132 ff.; G. Walter, "Conceptual Problems in the Further Development of Cooperation Law," Ibid., No 3, 1978, pp 121 f.; W. Panzer, "On the Effectiveness of Contractual Responsibility Under Economic Law," STAAT UND RECHT, No 3, 1979, pp 209 ff.; R. Schuesseler, "Conceptual Questions in Regulating Economic Sanctions Under the New Contract Law," WIRTSCHAFTSRECHT, No 4, 1979, pp 207 ff.; B. Beier and W. Panzer, "More on Regulating Economic Sanctions," Ibid., No 1, 1980, pp 32 ff.; Authors' Collective headed by U.-J. Heuer, "Wirksamkeit des Wirtschaftsrechts" (Efficacy of Economic Law), Berlin, 1979 pp 239 ff.; G. Pflicke, "On the Subjective Prerequisite for Responsibility in Contract Penalty and Damage Payment," WIRTSCHAFTSRECHT, No 2, 1980 pp 75 ff.; K. Mueller, "On The Chargeableness of Duty Violations Under Economic Contract," Ibid., No 1, 1981, pp 24 ff.; W. Panzer and E. Suess, "On Economic Contract Responsibility," Ibid., No 2, 1981, pp 89 ff. et alia.

3. Authors' Collective, "Wirksamkeit des Wirtschaftsrechts," loc. cit.

4. Ibid., p 258.

5. Cf. E. Honecker, "Aus dem Bericht des Politbueros an die 3. Tagung des ZK der SED" (From the Politburo Report to the Third SED Central Committee Session), Berlin, 1981, pp 41 f.; "Direktive des X. Parteitages der SED zum Fuenfjahrplan fuer die Entwicklung der Volkswirtschaft der DDR in den Jahren 1981 bis 1985" "Tenth SED Congress Directive on the Five-Year Plan for the Development of the GDR Economy, 1981-1985), Berlin, 1981, pp 86 ff.; "28 January 1982 Decree on Further Perfecting Economic Accounting Based on the Plan" (GBL, Part I, No 3, p 85).

6. "Kommentar zum Vertragsgesetz" (Commentary on the Contract Law), Berlin, 1977, pp 435 ff. and compendium of rulings, "Aus der Spruchpraxis des Staatlichen Vertragsgerichts" (State Contract Court Jurisdictions).

7. G. Mittag, "Purposeful Implementation of the Main Task," EINHEIT, No 10, 1978, pp 1006 f.

8. In greater detail than is possible in the context of these explanations, the responsibility of the combine enterprises is dealt with by U. Gerberding and E. Suess, "On Some Problems of Cooperation Between the Combines and Combine Enterprises," WIRTSCHAFTSRECHT, No 3, 1981, pp 150 f.

9. Cf. "Kommentar zum Vertragsgesetz," loc. cit, pp 509 f.

10. GBL, Part I, No 5, p 61.

11. GBL, Part I, No 6, p 85.

12. M. Enzmann, H. Oertel and W. Panzer, op. cit., p 134.

13. Surveys in connection with the drafting of the contract law have established that since economic sanctions were introduced to GDR economic legislation (by Articles 24 and the subsequent ones in the sixth DVO [old]), 65 pieces of economic sanctions have been adjudicated up to now through 19 legal regulations.

14. Cf. R. Schuesseler, op. cit., p 208; W. Beier and W. Panzer, op. cit., p 32.

15. GBL, Part I, No 45, p 729.

16. GBL, Part I, No 31, p 357.

Text of Decree

East Berlin GESETZBLATT DER DEUTSCHEN DEMOKRATISCHEN REPUBLIK in German Part I No 16, 29 Apr 82 pp 342-343

[Official text of "Fifth Implementing Decree to the Contract Law--Penalties for Breach of Contract--25 March 1982," signed by Willi Stoph, chairman, GDR Council of Ministers]

[Text] Pursuant to Article 117 section 1 of the Contract Law of 25 March 1982 (GBL, Part I, No 14, p 293), the following is decreed:

I -- General Provisions

Article 1 -- Principle

(1) If legal regulations do not set the rates of contract penalties and nothing else has been arranged by Article 56 of the Contract Law, Article 23 of the first implementing decree and Article 29 of the second implementing decree to the Contract Law, the rates are subject to the determination of Articles 4 to 12.

(2) The managers of the central state organs, on the recommendation from the chairman of the State Contract Court or in concurrence with him, may alter the penalty rates set down in this implementing decree or in other legal regulations in economic areas and branches and for certain performances and time frames.

Article 2 -- Computation and Payment of Contract Penalties

(1) There are definite maximum contract penalties for all types of duty violations. If an economic contract is changed after a duty violation has occurred or if another duty violation occurs, another contract penalty may be demanded.

(2) The contract penalty is to be assessed in terms of the value of the performance or the part affected by the contract violation. If the result of the duty violation is that the entire performance cannot be properly used, above and beyond the part affected, the contract penalty is to be assessed in terms of the value of the performance.

(3) Contract penalties are to be computed to the last day of the month, at the latest, following the occurrence of the duty violation, in quality infractions, following the day of the fault report, and in delay, following the termination of the duty violation.

(4) A contract fine is to be paid within one month after being billed.

Article 3 -- Appeal

(1) A contract penalty can be appealed within one month after billing. The appeal must be made to the contract partner in writing and must contain the objections raised against the contract penalty.

(2) Without an appeal or a belated one or one that does not present the decisive causes for the contract violation, the contract penalty is acknowledged.

(3) A contract penalty is not considered acknowledged if the alleged contract violation has not occurred or if the appeal was not raised or not properly made out for serious reasons. The rate of the contract penalty is not recognized if the computation can be shown to have been mistaken.

II - Contract Penalty Rates

Fines for Quality Infractions

Article 4

(1) A contract penalty for sub-standard performance is 8 percent. When the contract is cancelled because of sub-standard performance, the contract penalty is 12 percent.

(2) The contract penalty for sub-standard performance in economic contracts via investments is 4 percent.

(3) The contract penalty for sub-standard delivery of consumer goods is 12 percent. In sub-standard deliveries of consumer goods based on a sales outlet contract, the contract penalty is at least M 10 per contract position and sales outlet.

(4) The contract penalty for infringing the trade-mark obligation is 3 percent.

Article 5

(1) If the deadline for making good or replacement performance is missed, the contract penalty rises
1. as to Article 4 section 1, by 1 percent each of the basic rate for every 10-day period begun, at the most, however, by 4 percent,
2. as to Article 4 section 2, by 0.05 percent each of the basic rate per day, at least by M 30 per day, at the most, however, by 8 percent.

(2) The same contract penalty applies if the consignor, in terms of Article 88 section 2 of the Contract Law, is entitled to warranty claims only.

Article 6 -- Fines for Delays

(1) The contract penalty amounts to
1. 1 percent for each 10-day period or part thereof when performance deadlines or schedules are missed,
2. 4 percent for each 10-day period or part thereof when performance deadlines or schedules are missed because a consignor refused acceptance,
3. 0.1 percent per day when intermediate deadlines in economic contracts on investments and on the repair of basic assets are missed,
4. 1 percent per day when delivery deadlines or schedules for spare parts to contracted workshops or commercial enterprises are missed, and
5. the rate set by the president of the GDR State Bank (late charges) when payment deadlines are missed.

(2) Fines for delays in contracts may not exceed 12 percent in cases under section 1 figure 1 and 2, 6 percent in cases under figure 3, and 20 percent in cases under figure 4.

(3) If several deadlines have been missed for one and the same performance, the contract penalty for missing an earlier deadline is to be applied to the contract penalty for missing a later one.

(4) If no other arrangements are made as to section 1 figure 5, the late charges for missing deadlines for contract penalty, damage payment, cost reimbursement and other claims come to 8 percent annual interest.

Article 7 -- Contract Penalties for Non-fulfillment

(1) The contract penalty for non-fulfillment is 12 percent.

(2) The contract penalty for not fulfilling the duty to deliver spare parts to contract workshops or commercial enterprises comes to 20 percent.

(3) The contract penalty for not fulfilling a contract with a sales outlet comes to at least M 10 per contract position and sales outlet.

(4) A contract penalty for non-fulfillment cannot be demanded along with a fine for delays.

Article 8 -- Contract Penalty for Infringing the Reporting Obligation

The contract penalty for infringing the reporting obligation is 25 percent of the contract penalty for duty violation which, impending, was not reported at once.

Article 9 -- Contract Penalties in Economic Contracts for Usufructary

The contract penalty for infringing the duty to surrender an object used after the termination of the usufruct relationship is five times as high as the rate of penalty to be paid for the period of delay. When the use was gratuitous, the computation of the delay penalty is to be based on a commensurate usufructuary rate.

Article 10 -- Special Contract Penalties in Economic Contracts on Investments and the Repair of Basic Assets

(1) The contract penalty for refusing or interrupting a building license, for remaining behind schedule in supplying an object to be repaired, or in submitting labor documentation, and for infringing the content or scope of labor documentation agreed upon, is 0.05 percent for each day of delay, based on the value of the performance to the consignor affected by the contract violation, the maximum being 6 percent, however.

(2) The contract penalty for an unlawful use of the performance prior to acceptance is 0.1 percent for each day, depending on the value of the unlawfully used performance, the maximum being 6 percent, however.

Article 11 -- Special Contract Penalties in Import Contracts

(1) The contract penalty, as to Article 43 of the third DVO to the Contract Law, is 0.05 percent for each day that schedules or deadlines were missed, the maximum being 5 percent, however.

(2) Contract penalty for non-fulfillment is 5 percent.

(3) In the case of sub-standard performance, the contract penalty is to be paid as for a delay in terms of section 1, counted from the day of the fault report to the day on which the warranty claims are settled.

Article 12 -- Special Contract Penalties in Economic Contracts in Supplying the Population

The contract penalty for not submitting a collective invoice in time to the retail enterprise is 10 percent of the retail price of the object, with a maximum of M 50, however. If the collective invoice is made out for shipments covering several days, the contract penalty may be computed on the basis of each delivery day.

III -- Final Provisions

Article 13

This implementing decree goes into effect on 1 July 1982. It applies to all economic contracts that are to be fulfilled after its being in force.

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## CSIKOS-NAGY VIEWS ECONOMIC GROWTH, REFORM, CEMA COOPERATION

Budapest HETI VILAGGAZDASAG in Hungarian 8 May 82 pp 4, 5

[Interview with Bela Csikos-Nagy, state secretary and chairman of the Hungarian Economics Society, by HETI VILAGGAZDASAG, on the eve of the 21st Congress of Economists to be held on 10 and 11 May 1982 in Balatonfured, place of interview not given]

> [Text] At their annual congress this year, to be held on 10 and 11 May (it will be already the 21st in the series of congresses), Hungarian economists will discuss the new growth path and the alternatives of economic policy. We interviewed Bela Csikos-Nagy, state secretary and chairman of the Hungarian Economics Society. He discussed, among other things, the possibilities of changing over to a different growth path.

[Question] In its March issue, VALOSAG characterized the present state of the economy as stagnation. In conjunction with this, this year's congress of economists evidently regards as its task to smooth the changeover from stagnation to growth. Could you expand on this?

[Answer] The use of the word is not the most fortunate. Stagnation has also an unfavorable connotation. One can interpret stagnation to mean making no headway, becoming bogged down. In our country, however, the purpose of the quantitative curb is to gain strength, reorganize and establish a production structure that can better adapt to the international requirements.

To my mind, the use of the word stagnation serves to characterize the economic situation that has developed by curbing the growth of domestic demand. The change is fundamental. After an average annual growth rate of 6 percent attained in the long run, the economic policy adopted in 1979--among other things, under the pressure of the external conditions--calls for an average annual growth rate of only 1 percent in the period 1980-1982. This of course raises a series of problems that are manifestations of stagnation. Obviously it is more difficult to find solutions for the problems raised by socioeconomic development if national income, respectively the part of national income available for spending domestically, does not grow and occasionally even declines. Our policy needs economic growth, because it is then unambiguously clear to society that we are making progress. And the social formations of the socialist economy are committed in principle to a fixed growth path. In production this is stimulated by the profit incentive. In the sector of consumption the pressure for growth is generated by the gap between the demand for and supply of goods collectively. Therefore policy is reluctant to accept stagnation, and if stagnation is unavoidable, policy strives to make the duration of stagnation as short as possible.

[Question] During the decades of building socialism, we successfully employed on several occasions a policy of boosting production. Why can't we do this today when there are significant capacity reserves in industry?

[Answer] Also in the debate on the concept of the 1982 national economic plan, several contributers urged that we adopt a policy of boosting production. This would be warranted, among other things, by the declining rate of capacity utilization. Capital efficiency has been worsening in Hungary in recent years; incidentally, this is a natural consequence of curbing growth. If an economy that is growing at annual rate of 5 to 6 percent is switched into lower gear, reserve capacities are unavoidable. This is because the capacities that are starting up will, for a time, expand the economy at the old rate.

From the viewpoint of capacity utilization it unquestionably seems that the concept of stagnation is accompanied by a missing of opportunities. If we were to seek a solution to the problem merely by operating idle capacities, then actually we would have to investigate the justification of curbing growth. But in the given circumstances we know that a high growth rate would require more import, while export could not be expanded accordingly.

Of course, in a sense a policy of boosting production applies even today. There is no curb on the expansion of profitable export. As a matter of fact, stagnation wishes to indicate that, despite everything, we have not been able to expand export at the desired rate. But it would be especially dangerous to pursue a policy of boosting production by expanding domestic demand. We formulated our long-range structural policy still at a time when energy was cheap. If we were to utilize our idle capacities indiscriminately, then we would have to increase, among other things, our import of hydrocarbons by several million tons, and this could be offset by export only to a very small extent. We would trigger a large-scale foreign indebtedness, in a situation when it is extremely difficult to obtain new credits.

[Question] More and more reports are reaching us that the price of oil on the world market is declining. Will this not create a new situation sooner or later?

[Answer] The propaganda that the world-market price of oil is declining is a source of much confusion. On this basis, some people object even to the 25-percent rise in the domestic consumer price level of energy that became effective as of 15 April. The weakening of oil prices on the world market applies predominantly to oil prices higher than OPEC's benchmark price of 34 dollars per barrel. But two things must not be disregarded. First, within CEMA we are following the world-market price as its average over a five-year period. The price that we are paying the Soviet Union for petroleum in 1982 corresponds to a price of 23 dollars per barrel. If the OPEC price does not change in the coming years, the CEMA price will rise to the level of the world-market price in 1986. This is a significant temporary advantage that applies to the quantity coordinated in the trade agreements. If we want to buy more, we have to pay the world-market price for the additional quantity.

All this means that the burden of the second oil shock of 1979-1980 will be felt by the Hungarian economy only gradually. For this reason in our ruble-denominated trade we have to plan an annually increasing export to offset the same volume of import. This is why we have to be moderate in the domestic spending of the produced national income. Finally, this is why we must attach special significance to energy conservation.

[Question] Energy conservation was the main topic at last year's congress of economists.

[Answer] When we set the rational use of natural resources on the agenda last year, we did so intentionally. A debate on this topic will probably be unavoidable also now, but attention this year will presumably focus on the openness of planning, and on the questions of regulation and organization in conjunction with the demand-led growth path.

[Question] Demand-led growth is frequently being mentioned these days. In what do you see its novel elements?

[Answer] The Marxian scheme of expanded reproduction describes the shifts in the proportions of the three basic sectors (industry, agriculture and services) and within industry of departments A and B, in conjunction with the changes in the structure of consumption. If the state wishes to regulate the course of socialist industrialization on this basis, it must free its structural policy, which forms the structure of the economy, from control by prices. In this case prices have a profit-and-loss accounting function and, trailing the structure, ensure a material self-interest in the production structure. This is actually demand-led growth, served by an autarchic price system.

A structural policy completely divorced from the market's price mechanism, as the cardinal rule of socialist industrialization, is the prevailing view even today, desptie the fact that within CEMA the contractual foreign-trade prices have been based since 1958 on the world-market prices, and the 1971 resolution to integrate the CEMA countries' economies has placed on the agenda production specialization and cooperation among the socialist countries. This meant a general revision of the traditional structural policy.

If we have to take international competitiveness into account, then the growth path has to be led by demand, and this can be accomplished only if the price function is activated. On the basis of these considerations we introduced the competitive price system in 1980. A clearly defined price system is essential to, but not a sufficient condition for, rational behavior. The system for managing the economy must comprehensively be made suitable for this purpose.

[Question] In your opinion, do we need a new comprehensive economic reform in Hungary?

[Answer] Naturally, I cannot know in advance what consensus will emerge at the congress. But in my opinion, the three pillars that we erected during the past quarter century provide a suitable foundation for the continuous corrections that unquestionably are necessary to better adjust to the requirements of the world market and to further improve our ability to compete internationally.

[Question] What are these three pillars?

[Answer] The first pillar is the new economic policy introduced in 1957, which is sometimes forgotten, but without which the 1968 economic reform would not have been possible. Admittedly, the measures introduced in 1957 were of fqndamental importance primarily from the viewpoint of agriculture. Here I have in mind the abolition of compulsory deliveries. But there were also comprehensive measures. We introduced profit-sharing at that time, and we made profit the main criterion for evaluating the work of the enterprises. We abolished then the rigid system of

central wage tariffs, and autonomous wage administration by the enterprises became possible within the given limits. The second pillar was the 1968 economic reform that introduced regulation of the economy by means of economic instruments, abolishing the fixed path set for the enterprises by the system of obligatory plan indicators. And the third pillar was the 1980 correction of the system of regulation: the principle of normative financial regulation, and introduction of the competitive price system.

[Question] If a series of minor measures produce a qualitative change in the system or regulation, then in the final outcome this can be interpreted as a comprehensive economic reform.

[Answer] First of all I would like to answer your question in principle. In this formulation, we would have to characterize the past quarter century as a period of permanent economic reform. But I fear this would discredit the concept. I think that we nevertheless should make a distinction between a process of minor corrections and a one-time comprehensive change. In my opinion, only the latter could be called a reform. An economic reform in this sense becomes necessary when the contradictions intensify between the specific system of regulation and the conditions that can be ensured for growth.

Determination of the time and mode of the changes requires careful deliberation. But even under such circumstances there might be losses resulting from the changeover. The danger of this is greater when there is comprehensive new regulation than in the case of minor measures, when also path corrections are much easier to make.

Of course, I would like to immediately add that the 1968 economic reform liberated growth forces that dwarfed the changeover "losses". But specifically this proves that we may boldly embark on reform when the conditions for it are ripe.

Your question can now be reworded as follows: Are there contradictions in our system for managing the economy that require a reform? I am certain that many elements of our system for managing the economy require correction. In the coming years, through an entire series of partial measures, we must further improve the ability of our economy to adjust to the changing world requirements. Furthermore, I believe that problems could accumulate by the mid-1980's, which could then raise the question as to whether a reform is necessary. But I am not certain about this. Therefore I, too, am curious what view will emerge about this at the congress.

[Question] In your opinion, how will all this affect cooperation within CEMA?

[Answer] Already in the 1970's many of us were of the opinion that the ability of the CEMA mechanism to function did not necessitate identical systems for the management of the economy in the individual countries. Every country can be expected to adapt its internal system for the management of its economy, to those nationally determined socioeconomic conditions under which the socialist economy can best function. In the same manner, however, every country can be expected to adjust in the international division of labor to the procedures and methods that have developed there.

Even today the system of CEMA cooperation is characterized by barter based on the coordination of material balances. In most CEMA countries the domestic systems for the management of their economies are likewise geared to this. Starting out from this fact, some people assumed that the Hungarian reform of 1968 would loosen

the ties within CEMA. But specifically the reform made clear to many of us the advantages that the division of labor within CEMA offers on the basis of mutual advantages, as a result of economic geography and other factors.

Every CEMA country has suitable experience to prove that the different types of systems for the management of the economy can be harmonized, because each country has extensive relations with countries outside the organization and is adjusting on the world market to the forms of cooperation prevailing there.

[Question] In recent years the question has nevertheless been raised that the differences between the systems for the management of the economy in the individual CEMA countries should be narrowed.

[Answer] If the European socialist countries wish to make significant progress in production cooperation and specialization, then it is really necessary to bring their systems for the management of the economy closer to each other, primarily for the comparability of the production conditions and in the interest of intensive trade based on mutual advantages.

Thus if someone raises the issue by saying that one or another CEMA country's system for the management of the economy is bad because it differs from the systems in certain other countries, this is sheer economic nonesense. But what we unquestionably must do also at the CEMA level is to define more accurately the set of requirements for cooperation geared to economic efficiency, and then to gradually apply these principles.

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CSO: 2500/255

DECENTRALIZATION OF ECONOMIC MANAGEMENT CONTINUES

Budapest MAGYAR HIRLAP in Hungarian 14 May 82 p 5

[Report by Eva B. Mezei: "Statutory Regulations Governing Enterprise Supervision Are Changing"]

[Text] On the proposal of the minister of finance, on Thursday [13 May 82] the Council of Ministers discussed and adopted certain changes in the staturoy provisions governing the supervision of enterprises.

Within Their Own Competence

The present modifications are a part of the process within which--under the Ministry of Finance--the committee for coordinating the review of enterprise organizations has been reviewing already for the past 1.5 to 2 years the work of the supervising organs. In addition, this committee presents proposals for the abolition of statutory provisions that hamper enterprise independence and are in conflict with the 1968 economic mechanism and with the 1977 law on enterprises. Another consideration in the investigation is to relieve the supervising organs of administrative and operational chores that are unnecessary and can be handled in other ways. Of the statutory provisions reviewed by the coordinating committee, six were modified earlier and 13 have been modified now.

Up to now when state organs purchased real estate, leased property or bought merchandise from private individuals, the state organs in question--depending on the value limits--had to obtain permission from their supervising organ, respectively the finance minister's advance agreement. In the future such approval will not be necessary, and the statutory provisions will apply only to purchases of real estate.

A decree that dates back to 1951 and regulates the reimbursable expenses of workers on domestic official trips, during foreign service and when transferred has likewise been amended. Previously the minister determined what assignments were foreign-service assignments, whether first or second class travel by rail was authorized, and what per diem allowance was granted for meals. From now on this will be the task of the employer, respectively the provisions of the decree will be uniform.

Up to now the enterprises were obliged to submit to their minister separate reports for his obligatory biennial control audit. In the future the enterprises will be relieved of the obligation to file this separate report, and the control audit's cycle will be identical with the cycle of supervisory control.

If enterprises altered the work schedule between Christmas and New Years, or rescheduled workdays because of exceptional circumstances, they had to obtain approval from their supervising organ. In the future the enterprises will be able to alter their work schedules independently. The supervising organ's intervention likewise will not be necessary in cases when the enterprises want exemptions from the obligatory norms (standards) regulating floorspace.

Only If Disputed

According to the decrees now in force, ministers had to issue annual directives on the development of educational and cultural activities (within their own area) and had to investigate the situation of education and culture every three years. According to the adopted modification, the issuance and validity of the directives will be linked to the medium-range plan's period, and the supervision cycle will also change to five years.

The resolution governing the admission applications of engineers for training in economics has likewise changed. Up to now the opinion of the supervising organ also was necessary, in addition to the enterprise's recommendation. From now on only the enterprise's recommendation will be needed for enrollment.

Up to now a worker wishing to take a second job with another enterprise on a part-time basis always had to turn to the supervising organ to obtain an exemption from the conflict-of-interest ban on other employment. With the issuance of a new decree, however, the supervising organ will grant such exemptions only in the case of employees appointed by the given supervising organ. Otherwise an exemption can be granted by the head of the employing organ, by the director of the enterprise.

The reviewing of collective contracts also has been simplified. Up to now the supervising organ was obliged to obtain copies of the collective contracts from all employers, and to call the enterprises' attention to any improper provisions. Now the supervising organ will review a collective contract only if it is disputed.

Earlier it was left to the discretion of the supervising organ whether or not certain groups of employees studying abroad on scholarships received their average pay at home. In the future such cases will be treated uniformly, and the supervising organ's permission will not be necessary. An employee accepting a work assignment abroad was able to obtain his salary from his enterprise only with the special permission of the minister who authorized the work abroad (in agreement with the minister of finance). On the basis of the modification, this authority will now be exercised by the head of the employing organ.

There is a change also in the procedures to be followed when an enterprise director hands over his files to his successor. In the past a representative of the supervising organ also had to be present at this transfer. This will no longer be necessary.

Broader Enterprise Independence

The adopted modifications will ease the workload of the supervising organs, relieving them of chores that up to now have been cumbersome or outright perfunctory. In sum the amendments will contribute toward enabling the supervising organs to concentrate more on meaningful work in managing the economy, and at the same time the amendments broaden enterprise independence. Since the coordinating committee is continuing its review of statutory regulations, further changes in the provisions can be expected in the future.

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INDUSTRIAL PRICE MOVEMENTS IN 1981 ANALYZED

Budapest FIGYELO in Hungarian 19 May 82 p 3

[Article by Dr Laszlo Harsanyi and Mrs Katone nee Zsofia Kelemen: "The Movement of Industrial Prices"]

[Text] The movement of industrial prices last year was more moderate than in 1980. Industry's domestic sales prices rose 19 percent in 1980, the year of their introduction, and 7 percent in 1981. The 1981 price movements conformed to the planned level. (In 1980 they were much higher.)

The new system of pricing made the domestic price level and price ratios more sensitive to foreign-market price movements.

The basic cause of the relatively moderate movement of the producer prices in 1981 was that on the world market the price movements of sources of energy quieted down.

On 1 January 1980, the domestic price of petroleum was 10 percent lower than the price of Saudi crude. The rise in the price of Saudi crude on the world market, and the change in the forint's exchange rate in relation to the dollar necessitated a further increase in the producer price of petroleum. At the end of 1981, the ratio of the domestic price of petroleum to that of Saudi crude was about the same as two years earlier.

According to one of the most essential elements of the pricing regulations applicable to the competitive branches of manufacturing, the rise in the level of the domestic sales prices may not exceed the price increase in nonruble-denominated export. This regulation was observed also in 1981.

In the case of finished products, the attainable price increases were limited by the world-market recession. Even though the engineering industries of many countries operated at reduced capacity, the output nevertheless exceeded the demand. Where producers have been able to pass on their higher material and other costs, product prices show a slight increase.

The intensification of recessional phenomena was characteristic also of the market for light-industry finished products. The market for textile-industry products was the weakest. On the market for chemicals, metalworking basic materials and steels, the declining demand prevented any significant price increase.

In the developed price ratios a significant role was played by the prices of energy sources. These were mostly official prices that followed the fixed export or import prices.

As a result of official price measures, the prices in nonferrous metallurgy rose in 1980 and fluctuated slightly in both directions in 1981. The prices in ferrous metallurgy rose in 1980 but already dropped in 1981.

Manufacturing industries were able to pass on their higher costs in their domestic prices only to the extent that the price level attained in nonruble-denominated export and the profitability (the dual limit) permitted.

The domestic and nonruble-denominated export price indices in engineering and the clothing industry, the two most important industries whose prices are geared to the export prices, were as follows:

Development of Prices (Preceding Year = 100)

| Prices | Engineering | Clothing Industry |
|---|---|---|
| 1980 domestic | 102.8 | 103.8 |
| nonruble-denominated export | 101.7 | 101.3 |
| 1981 domestic | 102.4 | 99.5 |
| nonruble-denominated export | 107.5 | 102.7 |

From the table it is evident that the enterprises observed the limit on raising the price level. We do not have a clear picture as yet of how the enterprises observed the limit on profitability. Thus we likewise do not know whether the price increase attained in nonruble-denominated export improved the profitability or was it merely sufficient to neutralize inflation and the higher costs.

Characteristic of the situation in the food industry and the building materials industry, which (with the exception of two sectors within the building materials industry) do not employ the system of competitive pricing, was that--in the interest of keeping the consumer price level within the planned limits--they were able to pass on in their transfer prices only a proportion of the increases in energy prices during the year. To compensate for the higher production costs due to rising energy prices, the state budget increased the price subsidies for the building materials industry and reduced the turnover tax for the food industry.

An important objective of the new price mechanism has been to provide incentives for reducing material costs and economizing in the use of materials. The readjustment of the price ratios also served this purpose.

If we compare the 1981 data of current productive consumption (the bulk of which is the cost of materials) at the 1980 prices, with the data for 1979 (the last year before the introduction of the new system of pricing) recalculated into 1980 prices, it can be established that the proportion of current productive consumption within the gross output increased by 1 percentage point in industry as a whole, by 3 percentage points in the construction industry, and by nearly 2 percentage points in agriculture.

At the same time, however, current productive consumption declined in most industries. The decline of the proportion of productive consumption was relatively smaller in those sectors that account for a large sale of entire industry's productive consumption (the food industry, engineering, the chemical industry). At the

same time, however, exceptionally large (8 percentage points) were the savings in the electric power industry and the building materials industry. The opposite trend, that of rising productive consumption, can be observed in the mining industry, presumably because it is able to mine coal under increasingly more difficult natural conditions, at higher cost.

Due to the differences in the structure of their productive consumption, the bottom line of the individual sectors was affected differently by the price changes. In comparison with the preceding year, socialist industry's gross output in 1981 increased by nearly 80 billion forints, while its current productive consumption increased by 54 billion forints. This growth in value terms can be attributed predominantly to higher prices. The value of the materials and energy used in production rose less than the sales prices of the produced products. Due to differences in the magnitude of the price effect, from their net output the industrial enterprises realized a "price profit" of 8.9 billion forints, a signifixant proportion of which was the sources of enterprise profit. Computed in the same manner, in 1980 socialist industry suffered a "price loss" of more than 22 billion forints.

Changes of the transfer and procurement prices varied considerably by sectors.

The rise in the mining industry's 1981 gross output can be attributed entirely to higher prices. The price increases amply covered the higher costs of productive consumption. The mining industry realized the bulk of the price profit in entire industry's output.

Because of the difference in the price effect on output and on current productive consumption, the electric power industry suffered a loss, while the building materials industry showed a minimal price profit.

It is noteworthy that the negative difference increased in metallurgy. In engineering the difference was negative in 1980 and positive in 1981.

The different rates of price change significantly influenced the results of production activity. The question of how the activity of individual enterprises was affected by the price changes awaits further analysis.

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## EXPANSION OF COAL, COKE PRODUCTION FACILITIES DESCRIBED

Budapest MAGYAR IFJUSAG in Hungarian No 15, 9 Apr 82 pp 9-11

[Article by Laszlo Varga: "Renewals, [and] Becoming Richer"]

[Text] Mining and metallurgy. The connection between them is a close one: the foundries are fed coke, made from coal. In the epic era of our industry's growth the smelters in Dunaujvaros were built on the excellent quality coking coal base hidden in the Mecsek coal basin. A coking plant was also built in the young socialist city, but time has passed it by since then, as it has also passed by some of the Mecsek mines and shafts. Together with obsolescence and old age, the new requirements are also making demands. It is in our national economy's interest to use domestic coal at least to replace the coking coal imported from the capitalist countries. This is why heavy billions are being spent on the Dunaujvaros coking facilities and on the mines of the Mecsek coal basin. Large-scale work has already begun under a major investment program by the state, and by 1992 we will have spent over 30 billion forints on development, reconstruction and investments.

### Changes in Dunaujvaros

Mining and metallurgy have formed an alliance with each other. This "long-distance marriage" was made in the interest of furnace coke. The "marriage partners" are connected by railroad between Komlo and Pecs. Last year, 600,000 tons of coke preconcentrate were transported from the Mecsek coal basin to Dunaujvaros. According to the plans, after the developments are completed, beginning in 1993 this amount will rise to 900,000 tons per year.

Istvan Kiss is head of the main engineering department of the coking facility operating within the Danubian Iron Works. He is a chief engineer, an experienced technical expert, with long experience. I asked him:

"What is the world market price of furnace coke?"

"Its present price is $170-$180 per ton, but it is going up each year..."

"How much is needed in Dunaujvaros and in the national economy?"

"We use 600,000 tons of furance coke in a year. The national economy's demand is 2.4 million tons per year. We cover 1 million tons of this from socialist imports. We are paying hard currency for 400,000 tons. The balance is provided by our domestic resources."

"A new coking works is under construction here. The value of this major investment by the state is 10.5 billion forints. What is its most important purpose, and how soon will it be recovered?"

"We must start it up no later than in the first half of 1986! According to our calculations the cost of investment will be recovered in 4 years. Primarily we would like to replace capitalist imports. But in order to do this we will also have to receive more coal from the Mecsek. At the present time we are able to produce 780,000 tons of furnace coke in a year. Our new facility will be capable of much more than this: its capacity will be 1.3 million tons. And this requires 1.8 million tons of coal..."

They are facing significant changes in Dunaujvaros. At any rate they were forced to renew their facility. Two blocks of the present coking works are totally outdated. Especially the one built in 1956, the standards of which are equivalent of those of the 1930's. Thorough changes are beginning to take place now. Soviet technologies recognized as the most modern are being installed, and the technological processes are also being modernized.

Demands and Requirements

We can see the real value of the changes truly and realistically in the mirror of coke production. Let us follow the path of the present technology. The coal arrives in Dunaujvaros by rail. It is stored in the open, then loaded onto a complicated system of conveyor belts by loading scoops. This is called the coal-preparation pahse. At least four different quality coals are blended, then homogenized: that is, crushed to uniform size. After this, the path leads to the coal-storage tower of the coking block, from where it is fed into the coking chambers by feeder carts. It is heated there for 12-14 hours at about 1,300 degrees Celsius. After that the coke pie is finished; it is mechanically discharged and crushed down. This is coke now, and it is cooled by water.

I asked Istvan Kiss again: "What are the changes in the new coking works?"

"After the coal arrives by rail, we will store it in closed reinforced concrete bunkers rather than in the open. We are building more coking chambers with higher capacities. We are modernizing the discharge step of the coke pie, and we are building a dry coking facility. The essence of this latter is that we are circulating nitrogen instead of water in the slaking chamber."

"What is the advantage of this new technology?"

"It is more modern. The environmental pollution effect is decreased. It is more energy efficient. It improves the physical characteristics, that is, the quality of the furnace coke. We can produce more coke."

"How does good coke look?"

"It has a gray shine, and the pieces are dense and 4 to 8 centimeters in diameter. There are no cracks in it, and it is hard."

When coal is transofrmed into coke it undergoes complicated chemical processes, during the course of which a number of harmful and environment polluting byproducts are generated. The new investment also solves the problems of decreasing these and turning them into useful products. This will be the task of the chemical gas purification plant next to the coking works. When 1 ton of coal is heated up, 300 cubic meters of flue gases are produced. This is purified, on the one hand, and, on the other hand, it is recycled to heat the blocks. Let's look at its useful aspects. For example, benzol can be extracted from the flue gases. After it is refined, it becomes export quality benzoline, or crystal-clear benzol. Other products useful to the chemical industry which can be recovered, are toluol, xylol and solvent naphta. All these can be sold at good prices.

The hydrogen sulphide given off, which--when combined with air is capable of intensive corrosion--also deteriorates the environment. It corrodes iron. It will also be possible to put it to use. It will be combusted, purified and converted to solid, flake-shaped sulfur. It is a raw material in demand for the domestic production of sulfuric acid. Dunaujvaros will supply 8,000 tons of it per year.

The new coke works is built on the basis of Soviet plans and represents Soviet technology. Of course, the knowledge of Hungarian experts will also be incorporated in the new facility. Among other things, the engineers of KOGEP [Metallurgical Machinery Design Enterprise] are designing most of the underground installations, the conveyor belt system, gas desulfurification, sulfuric acid production, the social facilities, and the environment protection installations. We talked with Engineer Laszlo Balogh, who is in charge of the machinery, about these things while visiting the stiles of the new investment.

About 30,000 cubic meters of dirt was moved for the coking block's foundation. Iron webs are being stretched out in a huge "ditch," bratticemen are preparing for the concrete work. The fire-brick warehouse is already under roof (24,700 tons of it will be needed, and 9,000 to 10,000 tons of it will be received this year from the Soviet Union). This is important because it must not be exposed to moisture and dirt. The new cooling towers and the walls of the kitchen and dining room have also already grown out of the ground. The flue gas pipeline is under construction. Welders are working in the 2-meter-diameter steel pipes, and they can comfortably walk inside them. Its wye-shaped support columns are already anchored in the ground and are awaiting the giant pipes to be placed onto their shoulders. Excavation of the foundations of the dry coking works will begin this year, and construction of the biological-wastewater clarifier will begin in the spring. The site is also being readied for the foundation of the railcar dumping facility.

Leszlo Balogh's complaints are justified. No matter what they touch, something has to be demolished or relocated, and care must be taken to maintain the functioning ability of the old equipment which provides the production. They are not building on green, or virgin land but on the crowded land of the Danubian Iron Works, a site thickly enmeshed and built up underground as well as above ground. They have to struggle for every foot of land or "vacant" area.

The investment is in its first stages. This year 600 million forints' worth of work, installations and construction will be implemented. Most of it, the bulk of it will come later.

The Lias Program...

The National Planning Council voted, under the title "Improvements for the Production of Cokeable Coal in the Mecsek" 22.9 billion forints for the major investment by the state which can be used in the Mecsek coal basin beginning in 1982. The public simply refers to it as the Lias program.

"Estimating it in terms of tons, the Lias-age quantity being explored even today can be expressed only in billions! One-third of this estimated quantity is exploitable. The geological coal inventory of the mines we are presently working is 400 million tons, and 180 million tons of it can be mined out," says Janos Kovacs, head of the main long-range development department of the Mecsek Coal Mines Enterprise.

"Will you also be opening up new mines?"

"No! We are planning to spend this money on the reconstruction and improvement of the existing mines. As of 1 January 1982, we have practically 10 years to translate our ideas into reality. We plan tto spend 4 billion forints in this five-year plan. In 10 years our deep mining production must increase from 2.6 million tons to 3.4 million tons."

"What will be the significant stages of this development?"

"Dunaujvaros (and our national economy) expect more and better quality coal from us. Thus our task is to improve the quality of the cokeable coal concentrate. Stage one of the modernization of the coal-preparation facility in Pecs will begin to operate next year. Unfortunately several of our mines and shafts have become old and obsolete. We are scheduling their reconstruction or shutdowns in a planned manner. Preparations for work of this nature are under way at the Zobak shaft, the Beta shaft and at the Pecs mining facility. Next year we will begin to deepen the Istvan 3 shaft. New stepw will be taken between 1984 and 1985 in the Vasas [Iron Man] mining facility. Another five of our mines will have their turns during the Seventh Five-Year Plan. We are expanding and modernizing our machinery park, our transportation system, and improving our service support base and material supply system. Stage two of the Pecs coal-preparation facility will also be continued and completed."

Komlo Preview

The huge cokeable coal vein which will represent the "real Lias program" and which is now being explored, is farther away from Pecs and Komlo at the foot of the Mecsek in the "Maza-South" region. To exploit this, new shafts and mines will really have to be built and opened. This is still the job of the future..., but the large-scale reconstruction and development which runs until 1992, rushes forward to meet this future. The Pecs coal-preparation facility will also serve this goal. And the construction of shaft 4 of the Kossuth mine can also be considered a precursor of this; it is now being examined by the experts.

The new shaft towers in the Mecsek are near the old Anna shaft. The new facility cost almost one-half billion forints. Its purpose and significance are summarized by Lajos Belenyesi, deputy chief machinery engineer of the Kossuth Mine:

"Two of our old shafts became slanted and sagged, and became unsuitable for operation, this is why we had to open a new one. And the other reason for it is that we also come back and want to win out the coal under the shaft's feet. This shaft 4 of ours is the most modern one in the Mecsek coal basin."

"Thus, is moderness also undergoing a test with this new shaft?"

"Yes. The shaft is "lined" with slipring concrete. The shaft's transportation equipment is controlled by thyristors which is also a novelty. Its essence is that the acceleration and deceleration of the cage is programmed, the operator does not need to interfere with it. We are trying out new machines down in the mine also. The mine carts are moved by electro-hydraulic means, the shaft loading is also done by machines, the hitcher only controls them. These make the job simpler, safer and faster.

"In addition to the above, our dispatcher system was also modernized. There is UHF radio contact between the underground locomotive engineers and the people directing transportation. Besides this, they have also installed an industrial television network. The dispatcher can see the most important locations on the monitor and can follow the transportation system. This method also makes material transportation and personnel transportation more modern and safer, and at the same time also represents savings in manpower."

When I talked with Janos Kovacs, he also mentioned that the construction of computer centers is also included in their development program. They will receive an R-22 machine which will be installed in the headquarters and a smaller capacity computer in each facility will be linked up with it. With this system, they wish to increase mine safety and the efficiency of energy supply, rational transportation and the rapid exchange of information and instructions.

We became convinced in Dunaujvaros and in the Mecsek coal basin that sizeable goals of the national economy are being implemented. Mining and metallurty are being brought closer to each other. And man also does not get lost in the jungle of the new techniques and technologies.

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## KIRO GLIGOROV NOTES IDEOLOGICAL PROBLEMS IN ECONOMY

Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 26 Apr 82 pp 20-22

[Transcript* of speech by Kiro Gligorov delivered in a meeting of the LCY Central Committee: "The League of Communists: The Reach of Government Ownership"]

> [Text] This is not the first time that we have published in toto the speech of one of the participants in a republic or federal plenum of a central committee of the League of Communists. This time our reason for publishing Kiro Gligorov's speech from last week's meeting of the LCY Central Committee was not only that this statement goes to the heart of the matter in pointing up the sources of our increasingly numerous controversies. An especially and sufficiently valid and urgent reason lies in the initial foundations just adopted for the program of long-range economic stabilization, that is, in the obvious connection between ideological and economic topics. There is no question that economic stabilization will not be forthcoming unless the major ideological dilemmas are not debated in advance or at least simultaneously, and last week's meeting of the LCY Central Committee confirms that this kind of clarification is necessary in the League of Communists first of all.

A debate of the problems of political ideology in the LCY and in our society is indispensably necessary, not only in advance of the congress, but also as an ongoing form of monitoring, analyzing and assessing ideological developments in the society which we are building on the new socioeconomic and sociopolitical foundations. Our society is very complicated in its socioeconomic, ethnic and cultural characteristics, and aside from the inherited contradictions, numerous new contradictions in dynamic economic and social development also arise by the nature of things.

For the leading subjective forces, including science, and especially for the LCY, this must be a constant, enduring and overriding objective if they are to

* The title and subtitle were supplied by the editors.

be able to preserve their vanguard role, ideological unity and the strength of that factor which opens up the prospects for resolving the contradictions of society. It is a prerequisite for that that the LCY and our science constantly study actual social developments and processes and creatively seek the answers to the issues which stage of social development inevitably places on the agenda.

The fact that the LCY and our society have a long-range strategy sketched out for the development of socialist self-management, that we have grasped the basic patterns of the development of socialist self-management, its categories and institutions, does not free us of the need and responsibility to constantly trace the actual developments in society (economic, political and social) and draw the appropriate conclusion concerning the situation in society and concerning ideological and other developments within it. This is especially relevant today, since both the situation in the world and the situation in the country are such as to require uninterrupted scrutiny of practice and of everything taking place within it.

We can state in this connection that one of our obvious shortcomings is in precisely this area. Real developments in society are not being sufficiently monitored and studied so that conclusions can in turn be drawn concerning action in society and ideological activity in particular. This was understandable in the period after adoption of the new constitution and a number of important documents determining the future development of our system, but the mere repetition of those commitments, insistence on their realization, and neglect of all the phenomena having an impact on our present domestic and international situation and the period of development are today proving to be increasing inadequate. A careful analysis of the new phenomena is necessary precisely so that our commitments display their full importance and relevance, but also so that they are given the elaboration and application required by this period of time and its problems.

I would like to say that for all the critical attitude which is displayed when the situation in our science is discussed, especially the situation in the social sciences, it is indisputable that our social sciences have never been so occupied in studying our reality. By contrast with previous periods, when foreign scientific knowledge was taken over uncritically and academically and our own topics, self-management and our economy were even evaded, now the principal involvement of the social sciences is almost without exception related to our society, its developments, and its contradictions. The LCY, consistent with its lasting commitment, ought to be enlisting our scientists in the study of our reality to a far greater degree than in the past and ought to be using the critical consciousness of science for its own ideological effort and its own action. Certain worthwhile undertakings that have already begun toward rallying our scientists around the LCY in the study of the problems, changes and developments in society, of the situation in the working class, in self-management, and concerning the strategy of material, technological and scientific development, have paramount importance if we are to overcome practicalism, improvisation and arbitrary conclusions concerning the situation in our society. The collective mind is more than ever necessary to our organization of the League of Communists. All creative people need to be rallied

around the LCY and a creative dialogue stimulated along the line of the historic interests of the working class and the effort necessary to oversome the stagnation in self-management and to open up the prospects for an offensive course of the LCY toward more radical transformation of society on the foundations of socialist self-management. The objective and subjective circumstances which facilitate and dictate that orientation have come about. In that creative effort there will also be a differentiation as to the views that now exist and answers will be made to certain dilemmas, and this can only strengthen the ideological unity of the LCY.

Where To Begin

In the reading the material that serves as the basis for the debate at this meeting I could not escape the impression that the ideological problems of society and the LCY are being treated in a rather stereotyped manner in categories such as dogmatism, liberalism, rightwingism, ultraleftism, centralism, separatism, and so on. I do not mean to say that these directions in ideological commitment do not exist. On the contrary, but the trouble is that they are viewed, not always or to a predominant degree, as phenomena always displaying the same characteristics, a bit outside of space and time. This happened because we lack a more detailed analysis and assessment of those developments in society which arise out of the real and dynamic processes taking place in our society and above all in self-management itself.

Every social system must base its analysis of the situation and of possible changes above all on an assessment of the position--economic and social--of its principal protagonist. In our system that is the worker in associated labor, with the inalienable rights which are his under the constitution, and the basic organization of associated labor, as an economic and legal individual, the self-managing commodity producer of associated labor, which as a rule cannot exist unless it is associated, above all to form a work organization, and then in all other associations in which it can pursue some of its objectives.

It is my impression that precisely this is lacking. It seems that there is not analysis of real social and economic changes, though those changes are profound. Let us mention only the changes in the social composition of the population, the changes based on development and changes within the working class, on an analysis of its interests and preoccupations, on an analysis of the obvious and very marked growth of bureaucratic-statist structures, the enormous phenomenon of the administration, ideological problems are not arising out of the position of productive labor, the position of the social services, the exodus of the able-bodied population from rural areas, and so on.

It is in that social and economic ferment that one should seek the causes of various phenomena of an economic, social and political nature and, of course, the material basis for various ideological currents. Dogmatic or liberalistic conceptions also find fertile soil in them, they feed nationalism, especially economic nationalism, which is on the rise, as are those conceptions which are expressing nostalgia for centralism or which see the cause of our serious disturbances in the sovereignty of the republics and the autonomous nature of the provinces, in the principle of equality respected in the process of reaching agreement and in the initial weaknesses of that process.

To speak in more detail, the ideological problems of our society at the present moment are not being sought and analyzed in the existing production relations, which are far from those which have been proclaimed and are desired, nor in the relations of social ownership, the alienation of the worker from income and the surplus value of labor; the fate of the surplus value of labor is not being analyzed and traced, nor are the forces which are usurping it, their social power and the relations which are springing up on that basis, but rather, if you will forgive me, what we have is a repetition of the rather stereotyped outlooks, which have their place as manifestational forms, but they lack weight, specific reference and social consequence, and that is why they seem like very familiar rhetoric, and the analysis they offer in ideological terms is not well-founded enough or convincing.

Ideological problems in the sphere of self-management are to be found first of all in all the departures from principle and from the law of income and in all the usurpations of income. They lie in the sphere of the disposition of the surplus value of labor, in all the deformations in the formation and use of accumulation, in the lack of respect for economic laws and of voluntaristic sketching out of development goals, megalomaniacal plans, and so on. Problems of an ideological nature should be seen in the inappropriate treatment of the economic functions of income, in the idealistic treatment of the conclusion of accords and compacts outside their economic essence, in the topsy-turvy treatment of solidarity without economic limits, in the neglect of the economic accountability of entities, all of which indicates that we have not kept up sufficiently with actual economic processes, their protagonists and representatives.

Let me say incidentally that the major issue of the importance of socialist commodity production in our system, of economic laws and patterns under the conditions of social ownership and self-management, has been extremely oversimplified and treated in black and white: for example, as though some are for a completely free market like they have in capitalism, while others completely deny the market, which is an excellent example of how the real ideological problems related to a key issue are not seen or dealt with, since the differences that arise in this context are more differentiated and subtle and cannot be denoted accurately at all in those terms.

The LCY accordingly has very important tasks in the ideological area. If we retain the outlook based on government ownership, the technobureaucratic moopoly and group-ownership appropriation, no program of economic and social measures, however well conceived, will rescue us from this extremely unfavorable economic situation. Predominant reliance on government measures and administrative action are appropriate to technocratic structures and the consciousness of government ownership, since that is the basis of their power, just as the pooling of labor and capital and integration into the broadest forms of association are alien to them.

The operation of the market and of economic laws does not suit either group, since that limits their power and makes their function as arbiter superfluous.

The LCY must oppose the underestimation of the objective operation of economic laws and the market under the conditions of socialist commodity production, since that orientation is making it more difficult for self-management to develop and is strengthening other tendencies in society. That market is not someone else's market which has been copied, but a market of self-managing commodity producers, which they have to conquer by using their own economic strength and the power of science and planning. Anything other than that is either an idealization of social relations or encouragement (conscious or unconscious) of spontaneity, a strengthening of government and technocratic power, a belief in the automatic operation of the system and in a voluntaristic economic policy.

There are also cases when relations in our system are idealized, and sometimes some of its institutions are even ideologized, which cannot be of great help to a living revolutionary movement. Only presence in the basic social cells and events furnishes the necessary knowledge that always and repeatedly gives relevant meaning to the basic commitments. The fact that we do not have a clear answer to the problem of new jobs, say, or to the deformations which are cutting across the unified Yugoslav market and slicing it up, the fact that vacillation, differing interpretations and the like are occurring in connection with those fundamental institutions of our community life, the fact that people are falling back to bourgeois positions concerning the concept of the economies of the nationalities, the fact that the existence of a single exclusive currency on the unified Yugoslav market is in jeopardy--all these are also manifestations and symptoms of ideological vacillation, of quandaries, and not infrequently even of non-Marxist and bourgeois views. They have not been sufficiently clarified, and we cannot claim that we have been clearing them up at this meeting, but we have a duty to label them and confirm the necessity of a dialogue on these issues before the congress and at the congress. Otherwise the necessary unity of the LCY will be a desire or a proclamation, but in reality the ideological splintering of the rank and file will continue.

Government Logic Has Replaced the Logic of Self-Management

Finally, the question was raised at the Third Congress of Self-Managers of responding to the situation as to why many workers have little influence on decisionmaking in connection with the disposition of income, as to why production work is treated the way it is, as to what their real role and influence is in the delegate system, as to whether or not they see their own existence sufficiently within their own basic organization of associated labor. Entering into those questions, into the causes of that situation, and opening up the worker's prospects for seeking through full commitment in his organization ways of stabilizing his position as a self-manager and the economic stabilization of society is a great challenge, one which necessitates a direct examination and definite and clear answers and ideological commitments within the specific conditions.

There is a very great deal of talk about resistance, about various types of enemies of various stripes, etc. Certainly they do exist, the more contradictory and burdened with difficulties the situation, the more vigorously they will emerge, and that dare not be forgotten or underestimated. But devoting

so much space to them is to me a sign of taking up a defensive posture, however revolutionary may sound the words about the need to have a showdown with them. An authentic offensive posture toward these enemies of social self-management would be to promptly answer the outstanding questions and contradictions of society and to overcome the ideological differences within the League of Communists of Yugoslavia. But it is in the lag in resolving the new problems that have arisen, in the orientation toward seeking answers in government intervention, in the outdated methods of economic policy, in the stereotyped analysis of the situation which is not based on the actual situation in self-management and its basic goals that I see the causes of the exacerbation of economic and other difficulties. And that phenomenon in and of itself is an ideological demand for the answers to the aggravated contradictions to be sought in decisions and measures which do not set in motion the motivation of the principal protagonists in our system, nor do they awaken his energy and strength. Government logic has replaced the logic of self-management. That is why in our entire community, from the opstina to the Federation, and especially in the republics and provinces, the characteristics of a government community have been more fully manifested, and their functions of self-managing socialist communities have been neglected.

We must answer the question as to why the government, using statist measures, has entered into the very sensitive relations in the domain of self-management, and how did this occur? It is a fact that statism is on the rise, that in economic policy we have mainly been using the kind of measures whereby we turned first of all to the sociopolitical communities, to the opstinas, the republics and the provinces, rather than to the principal protagonists--organizations of associated labor and to their motivation.

Or, if we ascertain that there is a certain lag in self-management, that the working class is not exercising control of income or that it is controlling a truncated income, that must in turn give rise to certain processes in society and a change of the balance of power. Social power is rising up on the basis of economic power and having the result that the self-managers in the organization of associated labor are themselves, compelled by circumstances, turning ever more frequently to the government and calling upon it for certain interventions and encouraging the statist way of resolving problems. After all, to a certain degree the government has taken over functions in regulating the social relations of self-management instead of associated labor itself. But it is not just a question of that; the problems would not be resolved if the government only withdrew from the sphere of self-management. After all, the government is not performing any of its inherent functions of its own at the present time. Nor is it performing to the degree it should the function of protecting self-management, the monitoring function, nor are the inspectorates functioning, nor is there all that social regulation and direct activity to preserve the unity of the Yugoslav market, and so on.

What has happened here is a substitution of functions: on the one hand the government has moved into the sphere of self-management, but on the other it has neglected certain of its own jobs, certain inherent government functions which the government will have to perform for a long time yet. At the same time, the narrowed space for self-management has placed the working class and

associated labor in a position which does not correspond to what we wished and expected 12 years ago whe we enacted the worker amendments.

Or take the phenomenon of autarky. It could not have come about without relying on certain ideological errors which we have not been discussing sufficiently. Not only because of the neglect of economic laws, but also because of the way of thinking which has become commonplace and which is based on the logic of government ownership. It is on that basis that the opstina, the province, the republic and indeed Yugoslavia as a whole has rounded itself off. This process is not related solely to certain particularistic and special interests. It is a fact that exclusiveness exists in the basic organization of associated labor on the basis of group-ownership behavior. Which accounts for the conservative tendencies that are present in it, and so on, all the way to the fact that Yugoslavia is shutting itself off from foreign countries as a community economic space and unified market. There have to be ideological problems at the heart of that. We have to extract them and in debating them along with all the other issues to guarantee unification of the League of Communists on these issues. Without that and the clearing up of these problems we can go on pleading for the unity of the League of Communists of Yugoslavia, we can go on repeating our strategic commitments, but practice will not follow those commitments unless those ideological problems which are present are cleared up within the League of Communists itself, and unless, of course, there are specific responses to those outstanding issues we have been referring to.

The idealization of social relations is very much evident in our context, and that is another ideological problem. One sometimes gets the impression reading certain authors that we are building a society in a test tube. What would a pure self-management socialist society look like? Unfortunately, it is being painfully built in the class struggle to achieve self-management, a struggle in which there are conflicts between differing and contradictory interests and through which the new self-managing socialist society is being built gradually through the everyday social battle to change the existing relations.

And finally, I am very skeptical about the justification which is often heard and which sounds like a consolation and is to some extent lulling--"everyone is having difficulties, so it is nothing strange that we should have them to." We are not, of course, any oasis in which we can live idyllically out of reach of the restless waves from the world. But in and of itself this is not only not a consolation, it is not even an answer to our situation. Every society does have its own problems, does solve them as best it can and on the basis of the class interests which prevail. We have a responsibility to the League of Communists and to the working class to resolve our problems by pursuing the interests of the working class and self-management and using the means appropriate to that. In such moments I am convinced that the true nature of our system, its capabilities and advantages, should be manifested. Provided ideological views are clear concerning the nature of the problems and the phenomena we confront and provided we are ready to resolve them without being blinded by momentary partial interests and are not led either consciously or unconsciously by slogans whose content is that of government ownership, nationalism or anything other than self-management. That is why the tasks in

the ideological domain are just as important, if not more important than all the preoccupations with material development, with investments, and the other preoccupations which are living such an intensive life in the heads of many of our cadres.

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22 June 1982

# East Europe Report

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2285

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22 June 1982

# EAST EUROPE REPORT

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2285

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## CSSR DRIVE FOR INDUSTRIAL EFFICIENCY VIEWED

Moscow EKONOMICHESKAYA GAZETA in Russian No 16, Apr 82 p 20

[Article by R. Kostka, editor in chief of the economic weekly of the Central Committee of the Communist Party of Czechoslovakia, GOSPODARZHSKE NOVINY: "CSSR: On the Path of Intensification"]

[Text] When defining the idea of the Main Directions for the Economic and Social Development of the CSSR during the Seventh Five-Year Plan (1981-1985), the 16th Congress of the Communist Party of Czechoslovakia emphasized the need to achieve the planned rates of growth of the national economy through its extensive intensification, increased labor productivity, reduced expenditure of energy and materials, and fuller utilization of fixed capital. Czechoslovakia has specific features that are related to carrying out these tasks.

On the one hand, it is typical of the CSSR to have a high degree of industrialization with a large proportion of heavy industry, especially machine building, extensive enlistment of the economy in the processes of international division of labor, a relatively high standard of living, and a large group of scientific and technical intelligentsia. On the other hand, the republic is relatively poor in raw materials, especially energy; the demand for many kinds of vitally important raw material and fuel, including petroleum, is satisfied mainly through imports from the USSR on the basis of long-term, truly fraternal cooperation.

Because of the rapid increase of world prices for fuel and raw material commodities and the keener competition on the markets for machine building products, foreign trade conditions deteriorated significantly for Czechoslovakia in the 1970's. Thus during 1971-1980 the prices of Czechoslovakian imports increased by 93.5 percent while the prices of exports increased by only 58.3 percent. The country's previous small foreign trade assets were replaced by liabilities, amounting to 20 billion krona in 1976-1980. The need to cover them made it necessary, in addition to reducing imports, to take loans from foreign banks and exporters, including capitalist ones. And although the indebtedness to the capitalist countries is commensurate with the export capabilities of the CSSR, it is absolutely impermissable to allow it to increase further.

In this situation further development of the Czechoslovakian national economy is essentially subordinate to the need to restore the foreign economic balance through

limiting imports and accelerating exports and, consequently, considerably slower growth of the utilized national income as compared to production.

At the 16th Congress of the Communist Party of Czechoslovakia they gave an in-depth analysis of these complex conditions for the development of our economy. The congress established the level of average annual growth rates for the period of the Seventh Five-Year Plan--approximately 3 percent for produced national income and less than 2 percent for utilized national income. We shall rely on measures that are directed toward comprehensively intensifying the national economy and increasing its efficiency through increasing capital investments.

Under these conditions it becomes exceptionally important to maximally utilize the internal reserves of the Czechoslovakian national economy.

The unutilized reserves for economizing on raw materials, energy and processed materials are still great. Thus, according to our calculations, in 1980 the consumption of steel per 1,000 dollars' worth of gross social product in Czechoslovakia was 170 kilograms as compared to 44-45 kilograms in Denmark, Holland, Sweden and Belgium; the consumption of primary energy resources was 1,700 kilograms as compared to approximately 800 kilograms, respectively, and cement--150 kilograms as compared to 50-100 kilograms. Even with all the methodological shortcomings, these figures show that our consumption of the main kinds of raw materials, processed materials and fuel per comparable unit of national income is still approximately twice as high as in the aforementioned group of countries.

In other words, maximum utilization of reserves in this area alone could gradually double the national income. Increased efficiency of the national economy is also impeded by the low coefficient of utilization of fixed production capital, the long time periods and the large volume of incomplete construction, the freezing of significant capital investments, the existence of excessive stocks at the enterprises, and large losses of agricultural products during their harvest and storage. The way to utilize these and other reserves is to raise the technical level and improve the quality of the items.

Under our conditions, whereby machine building creates about 33 percent of the gross output, and almost 44 percent of the net industrial output and more than 50 percent of the exports of the CSSR, the task of more actively introducing the achievements of scientific and technical progress into industry has become vitally important. It has become extremely crucial to create and extensively apply microprocesses and minicomputers and the automated control systems and robots that are related to them. The introduction of the latest achievements of biology, biotechnology and genetic engineering have assumed an especially important role in agriculture.

These tasks cannot be carried out without the corresponding structural changes in a number of branches of the economy and planned implementation of an entire complex of specific measures, or without deepening socialist economic integration. It seems necessary to create large centers for developing, accounting for and introducing scientific and technical innovations, which would rapidly become widespread in the most important spheres of the national economy. Such centers should be created for the strategic areas with a strictly limited group of goals, which can provide a sufficiently high degree of concentration of resources and efforts which is necessary

for rapid and efficient implementation of the tasks. The inevitable limitation of the list of items should be accompanied by the further development of specialization and cooperation of production and deepening of division of labor, above all on the basis of socialist integration.

The role of centralized planning increases under these conditions. It can optimally combine the structural changes in the strategic directions that are brought about by scientific and technical progress with the modernization of other branches. It is capable of orienting structural changes in such a way that forces and funds are not dispersed. Effective structural changes make it necessary to conduct strict centralized measures (and also to utilize the corresponding forms of economic stimulation at the enterprises) in order to remove all ineffective units from the national economy.

In order to accelerate this process it is necessary to create a whole number of interconnected preconditions. In particular, it seems necessary to change the existing ratio between capital investments for development and those for reconstruction. At the same time it is necessary to make sure that a sufficient quantity of progressive equipment is provided for the needs of reconstruction in the country.

It is typical of modern scientific and technical progress that, in addition to large discoveries, there is a large stream of inventions and efficiency proposals which increasingly strongly "attack" the entire economy, giving rise, in turn, a flood of individual innovations and processes for production. They also accumulate and spread, gradually raising the qualitative level of the given industry. The previous ordinary production is transformed into a "production of innovations."

To do this, of course, it is not enough to change only the forms and methods of administration. It is necessary to change the very thinking, step by step to form and deepen the economic thinking of the masses, and to create a climate of true innovation throughout the society. Naturally, this complex transformation can be successfully carried out only on the basis of creative application of Marxist economic theory and in close cooperation with all socialist countries, above all the Soviet Union--our major economic partner.

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## TEXT OF LAW ON 1981-1985 ECONOMIC PLAN PUBLISHED

East Berlin GESETZBLATT DER DEUTSCHEN DEMOKRATISCHEN REPUBLIK in German Part I No 35, 9 Dec 81 pp 405-416

[ Official text of "Law of 3 December 1981 on the 1981-1985 Five-Year Plan for the Development of the GDR Economy," signed by Erich Honecker, chairman, GDR State Council. The following is a complete translation of the law, which was published in abbreviated form under the heading, "Excerpts of 1981-1985 Plan; 1982 Plan, Budget Published," in JPRS 79769, 31 Dec 81, No 2216 of this series, pp 7-29]

[Text] In conformity with the decisions adopted by the 10th SED Congress, the Five-Year Plan for the Development of the Economy of the GDR During 1981-1985 is geared toward the consistent all-round consolidation, by means of a high rate of economic growth, of the GDR as a socialist workers' and farmers' state. Thereby, further advances are to be made in the shaping of the developed socialist society.

The five-year plan serves the well-being of the workers class and all the people. The focal point lies on carrying on throughout the 1980's our main task policy, which deals with economic and social welfare tasks as a unity. It amounts to further elevating the people's material and cultural standard of living based on high speed in the development of socialist production, greater efficiency, scientific-technical progress and growth in labor productivity.

The main content of the five-year plan and its implementation are the 10 key points of the economic strategy adopted by the 10th SED Congress.

The broad discussion of implementing the tasks of the directive by the 10th SED Congress for the five-year plan for the development of the economy of the GDR during 1981-1985 involved millions of working people in the combines, enterprises, facilities and cooperatives actively in preparing the five-year plan, who submitted many proposals on the basic issues of our economic strategy for the 1980's, especially for improving our performance and efficiency. That expresses the GDR population's broad agreement with the SED policy for successfully carrying on our proven main task policy.

There has been a new strong boost in our socialist competition, organized by the trade unions and aimed at the implementation of the 10th SED Congress decisions. The competition initiatives must receive every kind of encouragement from the state managers for meeting the five-year plan goals. They are to be directed toward the

implementation of this principle: "High economic growth through increasing labor productivity, efficiency and quality--Everything for the well-being of the people and for peace!"

The successful continuation of our policy, geared at the well-being of the people, requires that in the 1980's we purposefully proceed toward a higher productivity and efficiency level. More and more must performance improvements and efficiency be determined by the most advanced achievements in science and technology. It is imperative to turn the experiences of the best workers in all combines, enterprises, facilities and cooperatives into the criterion for anyone's own performance and to apply consistently the principles of socialist economic management and socialist thrift. On that basis, reserves at new dimensions have to be tapped in all areas of the economy, high and stable production and productivity growth rates beyond the previous degree have to be achieved, and the cost/benefit ratio must be decisively improved in all fields.

In implementation of the GDR-USSR production specialization and cooperation program up to 1990, the all-round economic and scientific-technical cooperation between our two countries is being consolidated and expanded. The accords made for deepening socialist economic integration in the plan coordination with the USSR and the other CEMA countries form a stable basis for implementing our five-year plan for the development of the economy of our republic.

The reality of this strategy relies on our consolidated socialist production relations, on modern socialist management and the high skill of our workers, engineers and researchers. On this basis it is possible to achieve a perceptible performance thrust toward higher productivity, efficiency and quality.

The further strengthening of our economic capacity is of great weight to the GDR's peace policy which, in the sense of peaceful coexistence, serves political and military detente in Europe and the recovery of the political climate in the world.

I

The following main indicators have been laid down for the development of the GDR's national economy 1981-1985:

| | $\frac{1985}{1980}$% |
|---|---|
| Produced national income | 128 |
| Manufacturing output, industrial ministries | 131 |
| Manufacturing output, national economy | 128 |
| Increase in labor productivity, industrial ministries | 129 |
| Output of construction industries | 118 |
| Output of construction, construction ministry | 123 |
| Transport and telecommunications | 112 |
| Export to the socialist economic region | 150 |

| | in 1985 |
|---|---|
| Crop production output in grain units per hectare of farmland | 43.7-44.2 dt |
| State output | |
| --Fattened cattle | 2,400 kt |
| --Milk (4-percent fat content) | 6,930 kt |
| Collection and utilization of secondary raw materials | 30 million t |

| | 1981-1985 average annual % |
|---|---|
| Reduction in specific production consumption figures for major energy sources, raw materials and semimanufactures | 6.1 |

| | Total 1981-1985 |
|---|---|
| Investments--Economy on the whole | M 256 billion |

The people's material and cultural standard of living attained must be ensured and gradually further raised. To that end, the following targets are laid down:

| | Total 1981-1985 |
|---|---|
| Dwellings to be provided, newly built and modernized | 940,000 units |
| --of which: newly built | 600,000 units |

| | 1985/1980 % |
|---|---|
| Retail trade turnover | 120 |
| Net monetary income of the population | 120 |

Allocations of public funds in continuing the policy of stable consumer prices for commodities in daily use, rents, fares and services, and for satisfying the growing health, social and intellectual-cultural needs of the population, are to be increased to M 295 billion in conformity with economic performance development in the 1981-1985 period. That amounts to a growth rate of 126 percent.

Training and education must be developed in such a way that they are relevant to practical life and encourage creative thinking and acting, the initiative and dedication of youth and its class-bound standpoint and conscious political conduct.

Medical and social services for the population, notably health care for the working people, are to be purposefully improved in quality and effectiveness for the good of the citizens.

Social care, notably for mother and child, the veterans of labor and the disabled, must be systematically further extended through close cooperation between state areas and social organizations.

The working people's working and living conditions in the enterprises are to be further improved, mainly through a progressive reduction in heavy physical and hazardous jobs, the perfecting of workers' welfare and the extension of labor-medical consultation and care. Further qualitative improvements are required in recreational opportunities for the working people.

Berlin, capital of the GDR, must be further developed as the political, economic and intellectual-cultural center of the socialist GDR. The central youth project, "FDJ Initiative Berlin," has to be promoted purposefully, and all bezirks have to make an increasing contribution to it.

Extensively and on a priority basis to be ensured are the tasks for economically securing national defense and internal security and order in accordance with the requirements for the 1981-1985 period; state and economic management organs, combines, enterprises, institutions and cooperatives have to meet conscientiously the obligations resulting therefrom.

II

The five-year plan is aimed at the implementation of the 10 key points in the economic strategy for the development of the GDR economy in the 1980's, as issued by the 10th SED Congress. It is based on a cohesive conception that relies on the universal inevitabilities of socialism and the experiences in a longtime and proven policy to ensure the advances throughout the 1980's.

1. As a decisive condition for our performance growth and for improving our economic efficiency, the advantages of socialism have to be closely combined with the achievements of the scientific-technical revolution. Through science and technology the necessary lead time has to be ensured for our intensively expanded reproduction, especially through the development and introduction of new products, procedures and technologies. On that basis, R&D contribution to increasing our national income has to be perceptibly increased. R&D has to be speeded up, and there is a priority on ensuring a rapid application of research data in production. Top-standard achievements have to be increased in number and have to be used at a broad range.

The priority here is placed on speeding up the development and application of microelectronics, robot technology and electronic computer technology for a more efficient organization of production and administrative projects.

Based on technologies that save working hours, energy and material, the productivity and the qualitative level of products have to be improved considerably through an extensive use of industrial robots. R&D work is primarily to be aimed at the most efficient use and highest possible refining of available energy sources, raw materials and material, including secondary raw materials and waste products, and at the development and effective use of highly refined chemical and metallurgical working materials and silicate raw materials.

Mainly by way of socialist rationalization and by reconstruction and modernization at a high technological level, science and technology must be used still more extensively to elevate productivity and improve the working people's working and living conditions. Creative work, especially the inventiveness of the scientists, engineers and innovators, must be oriented to solutions through which from every unit of raw material and energy invested a maximum of use value is achieved, a high boost of productivity ensured, and a decisive contribution is made to strengthening our export capacity.

To boost the economic effectiveness of science and technology, the following targets are set down:

--In the economy we must achieve an annual saving of working time from 490 million hours in 1981 increasing roughly to 660 million in 1985, while simultaneously assign manpower to other, more productive, labor and achieve further improvements in the working people's working and living conditions;

--the specific energy consumption is to be reduced, up to 1985, by an equivalent of 70 million tons of raw lignite compared with 1980; the use of heating oil as energy source and of imported pit coal and pit coal coke for energy purposes must be extensively reduced;

--in the 1981-1985 period, the following material savings are to be achieved:

| | |
|---|---|
| Rolling steel | roughly 2.2 million t |
| Aluminum | more than 50 kt |
| Copper | roughly 15 kt |
| Cement | 1.9 million t |

An effective solution of this requirement calls for a deepened cooperation between the combines' R&D facilities and the Academy of Sciences as well as the universities and colleges.

To ensure high speed of development and a high economic effectiveness of science and technology, the results of the international scientific-technical cooperation with the USSR and the other CEMA countries must more be used and international scientific-technical cooperation must systematically be ensured as an effective process of the division of labor.

Through basic research, within the scope of the natural science and technical sciences research programs, the necessary lead time for economic development has to be created, scientific solutions have to be worked out for decisive economic and social processes, and they must help in applying such research data rapidly to production.

Through the social sciences, developing further their interdisciplinary character, effective contributions have to be made to the all-round strengthening of real socialism.

Research collectives are to be assigned, mainly, ambitious tasks for top achievements and high economic objectives commensurate with the advanced status and developmental trends of science and technology in the world.

A purposeful use has to be made of the scientific-technical creativeness of the innovators, inventors and rationalizers, especially of youth in the "Fair of the Masters of Tomorrow" movement to achieve the ambitious tasks of the science and technology plans. To cope with scientific-technical progress, more still must be made of the dedication and creativity of youth, especially the working youth. The economic initiatives of the FDJ and the youth brigades must be supported in every way.

Management and planning must most effectively ensure the connection between R&D, project planning, investment and production all the way to the selling of the products.

2. A vastly higher level of labor productivity is to be attained through high scientific and technical effects at a broad range. In a growing number of enterprises and combines we must ensure a faster rate of growth in labor productivity than in industrial commodity production, mainly by raising the technological level of production, a more rapid generalization of the experiences of the best workers and the reduction of unjustified differences in levels.

The number of jobs saved, on the basis of an extensive reconstruction and rationalization of extant enterprises or of production sectors, must more and more exceed the number of jobs to be newly created.

The application of scientific labor organization is to improve the material working conditions, ensure smooth labor processes, reduce downtime wherever possible, and consolidate labor discipline.

It must be seen to it that the working people are from the outset drawn into the preparation and implementation of measures to improve production and working conditions further and in introducing technologies and procedures that cut back working hours and jobs.

For boosting the labor productivity, comprehensive use has to be made of the working people's high educational and qualification level, which will grow further up to 1985, it being so high an objective. In material production and in science, the high intellectual potential is to be applied always more effectively to the acceleration of scientific-technical progress.

For implementing our socialist performance principle, we must extend the systematic introduction of productive wages through performance-oriented basic wages and salaries. Pay must be closely connected with scientific labor organization and the application of performance indicators.

Wage increases, according to plan, in the combines and enterprises must be used as incentives for higher results in R&D and production, as productive wage incentives.

3. A decisive five-year plan emphasis is given to enhanced refinement and the more comprehensive use and utilization of economically available energy sources, raw materials and working materials at all production levels.

The requisite improvement of performance and the providing of more and better end products for public supplies, the economy and export have to be accomplished by a more or less unchanged volume of raw materials and energy sources. The consumption of economically important energy sources, raw materials and working material, in terms of unit of industrial commodity production, is to be reduced by an annual average of 6.1 percent, which includes

| | |
|---|---|
| energy intensity | at least by 5.0 percent |
| rolling steel in metal working industry | 6.8 percent |
| rolling steel in construction industry | 3.9 percent |
| cement in construction industry | 5.0 percent |

All combines and enterprises have to solve the task of producing high-grade commodities from every kilogram of raw material through skilled labor, at a maximum volume. To that end, a high degree of refining and recycling of every available raw and working material has to be ensured in each production branch. Through such enhanced refining, a greater volume of end products is to be achieved and a perceptible reduction in production consumption while the use value and quality of products go up, particularly through the comprehensive utilization of the important intellectual potential, based on the application of the latest procedures and technologies.

Support must be given to the FDJ campaign, "Materials Economy," and the corresponding projects of the Ernst Thaelmann pioneer organization.

Through the development and stronger application of material-saving procedures and technologies and multishift capacity operation of most modern equipment, a high contribution is to be made to reducing specific material consumption.

The ministers and the general directors of combines have to implement the work with norms and parameters for material and energy consumption, as the main field of all management activity, at a high quality and by constantly adapting to changing conditions and opportunities. Planning, balancing, allocations and the use of energy and material must be ensured on the basis of progressive guidelines, norms and standards.

As a fundamental task for materially ensuring our performance development, the collection and reutilization of available secondary raw materials and industrial waste products must be increased. That pertains in particular to ferrous and nonferrous metal scrap, waste paper, timber offcuts, plastic materials and fixing baths, bones, fatty compounds, corundum grains and waste sulphite liquor, used oil, old textiles, thermoplastic waste, scrap tires, electronic scrap, return-container glass and old fire-resistant materials. The ministers and the general directors of the combines have to provide for a speed-up in the production effectiveness of the necessary scientific-technical solutions and create the requisite processing capacities within the scope of their appropriations while fully exhausting available basic assets for processing primary and secondary raw materials.

To meet the altered conditions for securing raw materials, it is imperative to raise the degree of multiple use significantly, especially for wrapping material.

4. As a fundamental task, a high qualitative production level at our entire economic range has to be ensured across all preparatory and intermediate steps, down to the final products. Top-product "Q" quality seal output must be raised to circa M 100 billion by 1985.

Quality improvements for products while improving the volume/performance ratio are R&D tasks of the first rank. Scientific-technical solutions have to be worked out and applied in production which, based on an optimum refining of available raw materials and working material, ensure an output that helps set progressive international standards in terms of use value parameters, costs, working life, reliability and design.

On that basis we must meet the increasing needs to strengthen the material-technical base of the economy at a high technological level, supply the population with new, high-grade consumer commodities, and provide for lucrative exports.

5. Labor efficiency must be greatly improved during the five-year plan period. The cost/benefit ratio must be decisively improved by using the latest scientific and technological data, the most economical use of live and embodied labor, mainly in base material, energy, propellants and fuels, and through the most rational use of investments and of all economic resources.

In 1985, the national economy must experience at least a 15-percent reduction of public expenditures compared with 1980. On that basis we must ensure a high growth rate for the economic end product and a perceptible reduction of production consumption andof material allocations in all public domains, especially a further reduction in the outlays for energy and basic material. To that end, the combines, enterprises and institutions must thoroughly analyze the factors of the reproduction process and disclose, and make useable, sources and opportunities for additional reserves. Common and administrative costs must purposefully be reduced.

In industry, prime costs have to drop by 3 percent each year.

In combine and enterprise planning, the unity between material and financial processes has to be reinforced, and the tasks of the state plan must still more effectively be combined with the economic accounting categories.

The controls over and the precise accounting for and analysis of costs must be raised onto a higher level in the enterprises and combines. Cost comparisons have to be conducted among enterprises and combines with the purpose of using the experiences of the best workers for the most efficient employment of live and embodied labor.

The most effective use of all available resources and the thriftiest handling of all material and financial assets must be enforced as a principle of socialist economic management in all areas of the economy. The effectiveness of economic cost accounting must be further improved to that end.

Currency control must be strengthened to enforce the economic demands placed on efficiency development.

6. Comprehensive socialist rationalization has to save working hours, enhance the quality of labor and improve the working people's working conditions. There must be a decisive boost in the proportion of investments in socialist rationalization. The technological level must be fundamentally improved through accomplishing modern, labor-saving technologies, especially by means of microelectronics and the use of industrial robots and automated systems.

In the 1981-1985 period, 45,000 industrial robots have to be produced and used highly effectively in our economy. Per industrial robot used, an average of 2.5 manpower is to be released for other tasks. What it costs must be made up for in no more than 3 years. At least 37,500 industrial robots have to be produced by the combines and enterprises themselves, through their own construction of means of rationalization. The combines concerned must ensure the availability of specific components and sets of components such as controls, engines and gears.

By means of constructing its own means of rationalization, each combine must expand significantly the scientific-technical and material foundations for rationalization. In industry, its own production of branch-specific means of rationalization must by 1985 at least be doubled, compared with 1980.

7. Through a resolute implementation of socialist intensification and rationalization, basic assets and investment effectiveness must be raised significantly in all economic areas. We must improve the utilization of the available important potential of our basic assets. Investments must be aimed at perfecting our material-technical base in qualitative respects.

By cooperating with planned preventive maintenance, the reconditioning and modernization of the constantly growing resources of basic assets must receive an absolute priority attention in the placing of investments.

Maintenance and modernization measures for the available basic assets must be effectively combined so as to raise steadily the scientific-technical level and the effectiveness of basic assets, whereby to create the prerequisites for greatly boosting our labor productivity. The placing of investments must be concentrated on production sectors that determine capacities. That must include the perfecting of finishing processes and labor cycles. Starting new investment projects must be held to the measure that is economically absolutely necessary.

R&D must be connected with investments in such a way that we can ensure the planned conversion to new products and technological procedures that conform with the highest scientific-technical standards and are of crucial importance for fashioning a highly effective economic structure. We also must make sure that the preparation and realization of investments are based on the latest R&D data.

Realization periods must be greatly reduced through investment concentration. A maximum of 2 years is to be established as a social norm for realizing investment projects. Thereby we can critically reduce the volume of incomplete investments in our economy. Investments must cut back more jobs than create new ones.

The construction share of investments must be greatly reduced in all economic areas, the one in industry, to at least 25 percent. Construction combines and enterprises working together with the investment consignors and the combines and enterprises in the investment goods industry, have to develop cost-reducing construction engineering and design solutions or absolutely abide by best solutions available.

A properly timed and high-grade preparation of investment projects the plan calls for is important. Implementation has to be managed rigidly. Standards for the costs and time frames for investments, based on modern projects and on using bids and reutilization projects, have to be constantly improved and be resolutely implemented. To improve investment efficiency, the increase in industrial commodity production per M 1,000 of investments placed, has to be brought to 126 percent compared with 1976-1980. The most important production equipment must be allowed 16 to 17 hours per calender day in 1985.

8. For public supplies, far more and better consumer goods have to be manufactured, including the needed ancillary products and semifinished products and an adequate assortment of spare parts. At the same time it is necessary greatly to increase supplies in novel, high-grade consumer goods in excellent quality and design, especially those that are much in demand among the public and on intenational markets. In this, consumer commodity production must primarily be developed on the basis of domestic raw materials and those imported from the socialist economic sector.

In areas that have a great share in consumer commodity production, "Q" quality seal production has to be boosted as follows:

| | 1985/1980 % |
|---|---|
| Ministry for Light Industry | 156 |
| Ministry for the Glass and Ceramics Industry | 261 |
| Ministry for Bezirk-Managed and Food Industry --in the wood and cultural merchandise industry field-- | 426 |

Better intrinsic values for the products and their highly efficient manufacture are to be achieved through an increasing degree of refinement in the raw materials used, the application of technologies and new working principles that are beneficial in costs and highly productive, a low specific material and energy consumption, and through improved reliability and a simpler way of using them, through functional properties and designs and by being more fashionable. Technical consumer commodities must get more microelectronic components.

The combines making means of production have to raise their contribution to consumer goods production rigorously, particularly by developing and producing new high-grade consumer goods or through a targeted increase in their production of means of rationalization and of components for the consumer goods industry.

9. The five-year plan is to achieve high dynamics for the social production and the national income. That depends on a much higher effectiveness of all qualitative factors in the reproduction process.

National income growth, in conformity with the tasks to increase our materials economy and reduce costs, must more and more parallel its own share in the reduction of production consumption.

A fundamental task in the 1981-1985 five-year plan therefore is that in all areas and on all levels of the economy economic end results must grow faster than production consumption and investments. It is to be taken for a fact that the growth of production and of the national income will not be able to rely on using more material in the future but on more skilled labor.

10. In conformity with our economic strategy, the scope and quality of our social production must continue to be improved, increasingly so, by our intensively expanded reproduction. Our material-technical base must be extended further, principally by means of intensification.

The critical prerequisite for it lies in the implementation, according to plan, of the new strategic developmental trends of science and technology, the development and application of new working principles, effective technologies and procedures, the organizing of a powerful thrust in rationalization and the needed qualitative changes in shaping economic structures and production profiles.

The consisten deepening of intensification becomes an economic strategy task of the first rank. It must organically be combined with improving the working people's working and living conditions. This way it becomes a basic concern for each individual and deeply conforms with his own interests.

III

For the further extension of the material-technical base of our economy as the critical basis for further ensuring stable economic growth, the following tasks are laid down:

1. The Energy and Raw Material Base of the Economy

The energy and raw material base of the economy is to be further developed by raising the supplies in domestic raw materials and comprehensively using secondary raw materials and waste products and by a new quality of our entire energy and materials economy, principally through comprehensive refining.

For crucial economic raw materials, closed cycles are to be set up that make full use of waste products and by-products. Up to circa 12 percent of economic requirements for important raw materials is to be met by 1985 by using 30 million tons of secondary raw materials. The highest rank is to be granted to an economical use of energy sources, raw materials and working materials in all combines and enterprises.

The production of important energy sources and raw materials is to be developed as follows:

| | Unit of quantity | 1985 |
|---|---|---|
| Softcoal mining | million tons | 290 |
| Electrical energy production | billion kilowatt | 112 |
| Carbide | 1,000 tons | 1,250 |
| Plastics, elastics | 1,000 tons | 1,300 |
| Synthetic fibre materials | 1,000 tons | 150 |
| Nitrogen fertilizers | 1,000 tons N | 1,200 |
| Potash fertilizers | 1,000 tons $K_2O$ | 3,450 |
| of which granular and globular | | 2,245 |
| Rolled steel total | 1,000 tons | 9,282 |
| of which refined rolled steel | | 7,393 |

Geological industry has to ensure necessary research, exploration and supply leads for the extraction in domestic raw materials.

All economic areas have to carry out target-directed measures to save energy. For comprehensively enforcing rational energy use, the scientific-technical potential is to be aimed at the refinement processes for rough lignite, at

electrical energy and heat production and coal refining, and at solving the crucial substitution questions and attaining scientific-technical top levels in terms of the energy requirements for products and procedures on all production levels in the economic areas and branches.

Primary energy is to be developed by more of a use of domestic softcoal and nuclear energy. We must crucially reduce here the use of heating oil, pit coal and pit coal coke and fuels.

The planned rough lignite extraction is to be accomplished through intensifying extant open-pit mines and creating an extraction capacity for an annual volume of at least 70 million tons. Supplying the economy and the population with electrical energy, according to plan, is to be ensured through stable operations in the existing power plants and through an expansion of capacities in line with economic requirements.

In chemical industry, we must significantly increase the refining of the available raw materials, especially of domestic rough lignite. Carbochemicals must mainly be made more effective and efficient to that end. Measures set down for boosting high-grade petroleum products must be enforced resolutely. There has to be a priority development in the production of highly-refined chemical products, especially high-grade synthetics, synthetic fibre materials, highly refined small-tonnage products and new effective medicines and herbicides and insecticides.

Metallurgy, through a higher refinement of its commodities, must create the prerequisites for ensuring the high rate of economic growth by means of more or less equal volumes of rolled steel and nonferrous metals. In ferrous metallurgy, the production of refined commodities must be developed in such a way that its share comes to 80 percent of the end products by 1985. The converter steel works with a continuous casting plant in the Ost metallurgical combine and the reconstruction and modernization of other profile-controlling capacities must be kept to definite production schedules. In wire rod, heavy plate, sections, tubing, coated metal and internally coated steel pipe assortments and qualities must be greatly improved through the use of continuous and modern methods.

In nonferrous metallurgy we must increase the production of metals from domestic raw materials, resorting also to secondary raw materials and slag dumps. In tin, domestic demands must be satisfied by higher extraction.

In forestry, through comprehensive intensification measures, the production and yield guarantees of forest resources must be raised, and lumber supplies must increase to from 10 to 10.2 million cubic meters in 1985.

2. Production and Allocation of Equipment, Machines, Ancillary Supplies and Spare Parts

The production of high-grade machines, equipment and devices for the rationalization of our economy and for export, conforming to the intrinsic value and performance parameters of the highest scientific-technical standards, is to be developed above average by the broad application of microelectronics, electronic control and testing equipment and means of automation.

| The output of important products is to increase as follows: | 1985/1980 % |
|---|---|
| Microelectronics components (solid state circuits) | 435 |
| Electronic ADP installations | 270 |
| Industrial measuring, control and regulating installations | 148 |
| Digital controls | 397 |
| Cutting-type machine tools | 165 |
| Cold-forming machine tools | 162 |
| Machinery and equipment for the textile, clothing and leather industries | 143 |
| Wrapping machines | 148 |
| Open-pit mining installations | 155 |
| Cement installations | 175 |
| Foundries | 150 |
| Farm machines | 150 |

In line with the high economic requirements, industrial commodity production in electrical engineering and electronics must be raised to 158 percent. We must achieve above-average growth rates in the production and products of ADP techniques and telecommunication techniques, scientific equipment construction, and automation and control techniques.

The production of microelectronic components has to be more than doubled; it has to be raised three to fivefold for optometric and performance-electronic components. By far most of what the economy needs in these products up to 1985 has to come out of our own efforts; the crucial ancillary supplies and equipment for it have largely to be manufactured by the industrial branches concerned. The use of base technologies is to be doubled in 1985, compared with 1980. In selected fields we must achieve international top standards in terms of qualities, technologies used and costs.

In all economic areas, the application of microelectronics is to be directed at the development and production of highly productive machines and installations, especially in machine tool and processing machine construction, at producing high-grade industrial consumer commmodities, and at extensively rationalizing administrative work toward cutting back jobs.

Machine building must boost its production by 141 percent up to 1985, which must come mainly from an intensively expanded reproduction.

Existing enterprises must be reconstructed and modernized purposefully, internal reserves for improving production techniques and organization must be mobilized, and the newly created capacities must be used more effectively.

The proportion of more highly refined products must be significantly increased. By 1985, at least 50 percent of the final commodities must have their own microelectronic control and guidance systems. Through a wider use of more solid working materials and of material-saving technologies, the specific material consumption in rolled steel and cast metal must be greatly reduced. The main way to raise the technological production level is the complex rationalization of whole production sectors, setting up integrated production sectors and machine systems all the way to flexible automated operations.

For that, we need more industrial robots. Technical production preparation and organization have to be greatly rationalized and optimized through consistent ADP and the proper ADP equipment.

The capabilities of the ancillary industry and spare part production have to be increased in accordance with the requirements for ensuring final production. That calls for further improving significantly the scientific-technical level and the qualities, working life and reliability of ancillary products and for accelerating the application of highly-productive technologies and of material-saving design principles. In the enterprises that we have we must carry out more rationalization measures and expand capacities for economically important ancillary commodities.

3. Consumer Goods Production

The production of essential consumer goods is to be increased at the following rate:

| Product | Unit of quantity | 1985 |
|---|---|---|
| Household refrigerators | thousand | 859 |
| Electric ranges | thousand | 232 |
| Washing machines and combined washing devices for domestic use | thousand | 521 |
| Radios | thousand | 1,426 |
| Color television sets | thousand | 510 |
| Heavy detergents | metric tons | 200 |
| Paints and varnishes | metric tons | 368 |
| Car tires | thousand | 5,500 |
| Textile floor covering | million square meter | 39 |
| Walking shoes | million pairs | 45.8 |
| Furniture and upholstered goods at industrial sales price of | million Marks | 7,295 |
| Household and hotel porcelain at industrial sales price of | million Marks | 709 |

Through the textile and clothing industry, the wood and cultural merchandise industry and the glas and ceramics industry, production has to be increased to meet demands, especially in high-grade and fashionable consumer goods. Young people should get more of a chance to obtain youth fashion items.

In the bezirk-managed industry, the newly formed combines have to be consolidated and expanded. Through an important labor productivity and efficiency boost, a critical improvement in performance efficiency has to be achieved in high-grade consumer goods, the "thousand small items," and in spare parts. The higher technological and economic level of production and products is to be ensured through a target-directed extension of the R&D potential and the construction of means of rationalization of one's own.

The crafts have to make a significant contribution, in conformity with teritorial and craft-specific conditions, to meeting public demands, especially in individually designed consumer goods, and to improving the supply level in qualitative terms. Socialist cooperative work must be further extended, especially through taking part in commodity or supply groups and through cooperating with state-owned service and repair enterprises.

## 4. Agriculture, Food Production and the Foodstuffs Industry

Agriculture and the food industries must further raise their output and efficiency by making better use of their own resources to ensure stable and constantly improving public supplies through high-grade foodstuffs and agricultural raw materials for industry. By menas of local reserves, rural working and living conditions have to be improved and be brought more in line with urban ones.

In conformity with economic requirements, the cost/benefit ratio must be vastly improved in our socialist agriculture. That is imperative for the requisite reduction of the production consumption per unit of commodity, especially through improving the materials and energy economy and a cautious maintenance and care of the equipment we have. The main course for improving the capability of agriculture and the food industries is a continuing rigorous intensification and rationalization based on science and technology and the full utilization of the great development potentials of socialist agriculture. Capacities and resources are principally to be concentrated on the intensification of crop production. Emphases are the increasing of grain, basic fodder, produce and fruit production and higher potato and sugar beet yields. An effective and complete use of every square meter of soil and a constant improvement of its fertility is a first-rank task of great economic weight. At the same time we must tap reserves by surmounting the unjustified yield level differences between the LPG's and VEG's.

The total yield in crop production is to be raised by 1985 to between 43.7 and 44.2 metric tons of grain units per hectare of agricultural acreage, those of grain to 39.5, potatoes to 220, and sugar beets to 330. On that basis we will achieve a grain output of at least 10.4 million tons by 1985. The state production of fruit is to be raised to 610 kilotons and of produce, to 1,368 kilotons in 1985.

The following state quotas were set for the more important animal products:

| | Unit of quantity | 1985 |
|---|---|---|
| Fat stock | 1,000 tons | 2,400 |
| Milk (4% fat) | 1,000 tons | 6,930 |
| Eggs | millions | 4,720 |
| Wool | tons | 7,000 |

With it, one has to ensure a systematic reproduction of cattle stocks and improved breeding results, mainly by reducing animal losses and good animal care and maintenance. From each kilogram of fodder more animal products must be produced.

The consolidation and deepening of cooperation relations are to be aimed more consistently still at a high increase in performance and the use of all inherent potentials of the agricultural production cooperatives, state farms and their cooperative facilities.

Crop production investments have to be concentrated more on improving the effectiveness of machine systems, especially in the grain harvest, and on production installations, transport and reducing storage and canning losses.

Animal production investments are resolutely to be concentrated on rationalization and reconstruction; the idea is to use the installations we have for a long time.

In the foodstuffs industry agricultural raw materials are to be processed efficiently with their losses kept low, so that the population has high-grade foodstuffs available.

The foodstuffs industry has to make stable and uninterrupted supplies in the commodities of daily need available to the population. In response to constantly climbing demands, more newly and further developed high-grade food and luxury food items must be made available, with special attention given to healthful nourishment.

Management and industrialized production in sea and coastal waterways are to increase the supplies of fish for consumption.

5. Construction

The building industry must improve its performance and efficiency to strengthen further our accomplishments and effectiveness in resolutely carrying on our housing construction program. The main way to build faster, better and more effectively is to go on and enforce rigorous intensification and rationalization based on high scientific and technical levels, industrialization, and the management, planning and organization of production and construction processes.

In the construction ministry area, labor productivity has to be increased by 19 percent. Emphases are the reduction of specific building expenditures, while maintaining our economic and sociopolitical goals, by 15 percent and reducing construction schedules by 30 to 50 percent, especially for industrial and science projects. In new housing construction and public education buildings, assembly line production must be used consistently. We also have to improve significantly the technical construction preparation for communal underground structures and for modernization and repair projects.

The proportion of construction measures for reconstruction and modernization is nearly to be doubled up to 1985. To ensure the realization of local construction projects, especially those for maintenance, the enterprises in the kreis-managed construction industry have to develop their capacities as to demands. Building repairs for apartment buildings, especially for refurbishing them, must be boosted significantly.

The development of the building materials and prefabrication industry must consistently be aimed at supplying the economy, the population and export with building materials and prefabricated elements proper as to needs and qualities.

To ensure better heat insulation for buildings and other possibilities for the development, production and use of insulating materials, we have to use domestic raw materials and by-products and create more expedient insulating techniques for windows and doors.

6. Transport/Postal and Telecommunications Service

In the transport sector, better service is to be provided in passenger transport, freight and transshipment.

To reduce social expenditures in the economy and for reasons of our energy economy, specific transport costs must systematically be lowered in all economic branches by means of optimizing delivery and transport relations.

To cope with domestic freight under energy-economy conditions, our scientific-technical development must focus on introducing new, especially energy-saving, technologies and comprehensive mechanization.

By resolutely shifting haulage from road to rail and expanding the cargo to be transported by inland navigation, the division of labor among the freight carriers has to become more effective. To make the railroad more efficient, we must electrify a section of between 700 and 750 kilometers, and more efficient operational technologies are to be introduced for making better use of freight car parks, trailer camps and transport installations.

The transshipment performance in sea ports is to be raised to 146 percent.

Motor vehicle enterprises have to provide the most efficient use of transportation and repair capacities.

In passenger traffic, to improve further the working people's working and living conditions, the quality and reliability of communter and pupils' transportation and travel have to be improved.

In the postal and telecommunications sector, services are to be increased to 113 percent, with their efficiency and quality improving as well.

Telecommunications performance is to be raised by 118 percent by using modern transmission installations and gradually expanding the long-distance network and telephone extensions.

New housing complexes must get telephone lines, especially those in Berlin, capital of the GDR.

7. Water Management and Environmental Protection

Through water management, we have to do better in supplying the population, industry and agriculture with drinking and service water in good quality. We have to ensure rational water resource management through minimizing expenditures and effectively using water management installations in all areas of the economy. There is a priority on water supply and sewage treatment for the complex housing construction program. Further improvements in water supply and sewage treatment are required for Berlin, capital of the GDR. The degree of public drinking water supply is to be raised to 91 percent, of sewage disposal, to 70 percent. Supplying another 400,000 citizens from the central drinking water network primarily calls for their own initiative.

In environmental protection, systematic measures have to be adopted, to improve the working people's working and living conditions and make a rational use of the natural resources, to keep the water clean, use and protect the soil, keep the air pure, reduce noise, and take away and utilize refuse and by-products. Environmental conditions have to be improved especially in workers' centers and conurbations.

IV

To elevate the population's material and intellectual-cultural standard of living, the following targets are assigned:

1. Working and living conditions in the combines, enterprises, facilities and cooperatives, being the basic element of the working people's material and intellectual-cultural standard of living, must systematically be improved.

In industry, the building trade and the transport sector, circa 1,100,000 jobs have to be newly set up or reorganized between 1981 and 1985 through the use of scientific labor organization data; and existing labor hazards are to be done away with for circa 300,000 working people.

In conformity with the steadily growing comprehensive material funds and the increase in modern highly-productive equipment and installations, enterprises and combines will have to take purposeful measures to prevent fires, interference and breakdown in order to improve labor and production safety. Through resolutely abiding by and enforcing the legal regulations applying to it, a more effective contribution is to be made to improving order, security and discipline, technical safeguards and technological orderliness, and to all-inclusive labor safety and health and fire protection. Measures for improving disaster protection further must be enforced rigorously.

In the enterprises, we must further improve health and social welfare care and the preconditions for the working people's intellectual-cultural and sports activities. Facilities for it must be efficiently used and further expanded. Territorially available cultural institutions and sports arenas must still more be made available to all working people, especially to youths. FDJ initiatives toward setting up youth club facilities are to be supported.

Catering facilities on the shop floor, especially for workers on shifts, who are working under cumbersome conditions, are to be perfected. Especially in the construction and assembly enterprises and in the small and medium-size enterprises must catering facilities be improved.

There must be a further development of the cooperative efforts between the enterprises and facilities in tapping territorial reserves for improving communter traffic, the food quality at work, commodity and service provisions, and the conditions for taking care of the children.

In the industrial and construction combines and on the local councils, the management, planning and structuring of the working people's working and living conditions must be further perfected in conformity with the integrated reproduction process.

Meals for pupils and pre-school children are to be further improved.

2. The long-term housing construction program, the centerpiece of our social policy, is to be steadily advanced between 1981 and 1985 by the new construction and modernization of 940,000 dwellings, especially for workers' and large families and young couples. There are 600,000 new dwellings among them that are to be completed.

We must see to it that the proportion of dwellings to be built by workers' cooperative house-building societies comes to between 42 and 45 percent of industrial new housing construction, and that of private and rural homes, to circa 10 percent of it each.

Within the scope of our complex housing construction program, there are to be completed, in accordance with state expenditure guidelines, for supplying and taking care of the population in the residential areas, the necessary communal facilities, especially schools, gyms, kindergartens, day nurseries, youth club facilities, medical and dental positions in out-patient and polyclinical establishments, sales outlets, restaurants and service institutions.

For housing structure and dwelling unit maintenance, we have to provide, between 1981 and 1985, for a circa 125-percent increase in bulding repair services in comparison with the 1976-1980 period.

3. The net monetary incomes of the population are to be raised by 120 percent in 1985 over 1980, as our production and efficiency goals are being met. The increased monetary income of the working people must mainly be ensured through their work income on the basis of our proficiency-oriented wage policy.

Because of better performance and qualifications, the cooperative farmers and the other working people will also make more money.

4. To improve public consumer goods supplies, retail turnover is to be increased by 120 percent in 1985 over 1980.

The production and supplies of high-grade consumer goods are to be raised significantly on the basis of the latest data of scientific-technical progress. These commodities have to be manufactured in response to public demands at fine qualities, in good design, being fashionable and attractive and more reliable and using less energy, and in large numbers. That above all includes consumer goods to provide apartments with fine decor, ease household chores and make leisure-time and recreation meaningful.

Supplying the population with commodities of daily use, mainly with basic food varieties and baby-food products, must be ensured on a steady basis and be proper as to demands. Supplies to consumers, proper as to demands, must likewise be ensured in the assortments of the "thousand small items." Spare part supplies must be noticeably improved at a broad range.

Consumer durables have to be offered at stable consumer prices. In view of the development of more diversified needs, goods are to be made available in all price categories, with goods in the medium price range, solid in quality, making up the main portion of our commodity supplies.

To ensure our supply tasks, commercial activity must become more efficient. Commercial losses must be reduced further, and disparities among commercial enterprises and territories must disappear.

Commercial expenses must drop by an average of 1.3 percent annually. The efficiency of the material-technical base we have in commerce is to be improved further through rationalization and reconstruction and through multishift operations, especially in commercial shipping.

To take care of the population and the social institutions, services have to be systematically expanded through raising the efficiency of state-owned service enterprises and the promotion and better utilization of the craft producers cooperatives and the individual crafts. Growing demands for services have to be satisfied through high efficiency, reduced waiting periods and ever improving qualities. Public repairs and services are to be increased to 120 percent in 1985 over 1980. A stable, reliable and proper-quality performance development of dry-cleaning will give greater satisfaction to the population.

Maintenance and repair of technical consumer goods have to be increased by 123 percent in the current five-year plan period. Municipal service enterprises, taking account of environmental and hygienic requirements, have to provide cleanliness and order in the towns and communities.

5. In the educational system, in accordance with the further shaping of the developed socialist society, youth is to be enabled to cope with the demanding tasks posed by our carrying on with our socialist revolution.

In the field of public education, the development of the 10-grade general-education polytechnical secondary school is to be carried on systematically. This further shapes the polytechnical character of the secondary school. All children get a high-level secondary school education, and their communist education is being further improved.

Material and personnel prerequisites for pedagogical work are to be improved further. The development of the various fields in public education has to be ensured systematically, and territorial disparities existing have to be further diminished.

Building kindergarten facilities must make sure that children are taken care of in kindergartens, if their parents wish them to be, in all territories and can so be prepared for school.

We must systematically maintain public education institutions at their value and provide them with modern education aids; 13,400 new classrooms are to be built between 1981 and 1985.

In vocational training we must ensure high-grade training for circa a million of young specialists. Vocational training must effectively contribute to all-round personality development and economic performance growth. We must see to it that this new generation of specialists is trained appropriately for all fields and occupations and assigned correctly, especially the new industrial workers.

The combines and enterprises must gear the working people's advanced training to high performance improvements. The proportion of certified working people, especially among the women, has to be raised further.

At universities, colleges and technical schools, the basic task is the training and communist education of the students and of the new generation of scientists at a high technical level and in the spirit of the scientific world-outlook of the workers class. Through broad and sound basic training, combined with acquiring solid specialized skills for their future practical field, graduates are to be trained who can rapidly adapt themselves to new requirements of the scientific-technical progress and of society. Research at universities and colleges must still more effectively be focused at science development and economic efficiency improvement. The application and use of research data must be ensured through close links with practical life.

Between 1981 and 1985 there must be made available 13,000 boarding house vacancies, 12,000 lecture hall, seminar room and job vacancies as well as additional kitchen capacities.

6. Medical and social welfare and facilities for recreation, physical culture and sports for the citizens are to be further developed to maintain, promote and recover health.

Through public health and social services, we must further improve public health protection, make the achievements of modern medicine serviceable to the citizens and enhance still more the quality and effectiveness of medical and social care.

Mainly such measures have to be carried out that are of importance to the majority of our citizens and have a beneficial effect on our population's state of health. That concerns in particular improvements in basic medical care in large cities and conurbations and in out-patient care in general medicine, dentistry and neurology/psychiatry.

A total of 2,100 medical and dental positions have to be created, mainly in out-patient and polyclinics. Through reconstruction, modernization and new construction, 8,500 beds are to be made newly available for hospital patients. We also must set up 55,000 new places in day-nurseries and 18,500 in old-age and nursing homes.

Recreational opportunities for the working people are to be further improved up to 1985 through more package holidays sponsored by the trade unions and enterprises, to 4.7 million trips.

The FDJ initiatives for the maintenance, reconstruction and modernization of leisure-time and youth recreation facilities are to be encouraged and supported by the state organs.

In the central pioneer camps, the FDJ and the Ernst Thaelmann pioneer organization must by 1985 enjoy the use of 39,000 places per booking. A comprehensive reconstruction of camps must be continued. The proportion of capacities that can be used all year around is to be raised to 13,000 places per booking by 1985.

Physical culture and sports must be promoted all the way. The citizens' desire for health, joy in life, recreation, efficiency and well-being up to old age has to be fostered.

We must ever more extensively bring to realization the mass character of socialist physical culture in all fields, mainly in the sports for children and youths and in leisure-time and recreational sports. To that end we must steadily further develop the effective forms of engaging in sports, especially regular participation in the training, exercise and competition activities of the German Gymnastic and Sports League of the GDR and the Spartacus movement. Competitive sports must be encouraged.

7. The artists have the task to contribute, through new works of literature and art, to the forming of socialist personalities and the further shaping of the socialist way of life. Through unfolding the versatility and skills of the population, especially of the young, and through closely connecting the working people with art, we have to keep fashioning the mass character of socialist culture and art and their content of socialist ideas.

We must further expand the opportunities for high-level youth leisure-time activities, especially for the work of the FDJ youth clubs and for dances for adolescents.

A qualitative improvement is needed in the supply of books and brochures, records and movies to meet the growing demands. Public libraries must get more books.

With the opening of the concert hall on the Platz der Akademie and the rebuilding of the Friedrichstadt Palais in Berlin, capital of the GDR, and with the new Gewandhaus in Leipzig and the Dresden Semper Opera House, a significant contribution is to be made to enriching the cultural life in the GDR.

We must further enhance the qualitative effectiveness of the mass media--radio, television and the press, whereby we shall make an essential contribution to the working people's political-ideological orientation with their growing intellectual-cultural needs.

An increased effectiveness is to be achieved through the material and financial appropriations available to the educational system, medical and social care, recreation, physical culture, sports, art and culture.

## V

A crucial prerequisite for continuing stable economic and social development in the GDR is the purposeful deepening of our socialist economic integration with the USSR and the other CEMA countries. This ties the GDR ever more firmly to the community of socialist states and its main force, the USSR.

Through resolutely implementing the GDR-USSR production specialization and cooperation program up to 1990, the agreements with the other CEMA countries and the long-term target program of CEMA, which also render the comprehensive CEMA program more specific and develop it further, the GDR economy must become increasingly more entwined with the economies of the USSR and of the other socialist countries.

For that purpose, the following main trends have to be brought to realization:

—A further deepening of cooperation in science and technology aiming at the acceleration of scientific-technical progress and its effecting a high performance improvement in the economy by rapidly applying common research data in production;

--ensuring stable and long-term supplies in raw materials and fuels and their effective use; and

--deepening international specialization and cooperation aimed at an efficient production structure, increased labor productivity, stable material and equipment supplies for the economy, and an all-round boosting of the GDR's export capacity.

The tasks of export to the USSR and the other socialist countries have to be made, and be fulfilled as, standard components of the plans and accounts on all economic levels, as a precondition for implementing the accords made on the import of raw materials, fuels, machines, installations and consumer goods.

We must make sure that, by way of specialization and cooperation, available capacities are used increasingly more rationally and the output of important final products, especially in the metal working industry, is increased. Specialization must give rise to new installations, machines, equipment and materials meeting technical top standards.

Economic and scientific-technical relations with the developing countries, mainly those that have taken the socialist road, have to be further extended and developed on a long-range basis. We have to provide for complex connections of export-import with scientific-technical cooperation, personnel training, advisory work and consultation and customer service.

Relying on the firm foundations of our economic relations with the socialist countries, we have to develop and expand our foreign trade with the capitalist industrial countries. That serves the policy of peaceful coexistence and benefits economic growth in our republic. Trade with those countries must be on an equal basis, without discrimination, obstacles and restrictions. Exports to those countries can be greatly expanded if we make more high-grade marketable and lucrative export products available.

International market requirements must still receive greater attention. Foreign trade sales organization must still more be adapted to the international market conditions, products must be exported at the most beneficial valuta prices, market research must become more effective, and customer service and spare part supplies must be further improved.

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The GDR Council of Ministers, in conformity with the law on the Council of Ministers, is charged with the implementation of the 1981-1985 Five-Year Plan, based on the 10th SED Congress directive, and with supervising its fulfillment. It must prepare the annual national economic plans on the basis of this law and thus ensure the fulfillment of the goals and tasks of the 1981-1985 Five-Year Plan.

The People's Chamber of the GDR calls on the workers, the cooperative farmers, the members of the intelligentsia and all other working people to devote all their strength to the fulfillment of the tasks of the 1981-1985 Five-Year Plan, strengthen the GDR in every way as an inseparable part of the socialist community of states that is rallied around the Soviet Union, and contribute to the further consolidation of the positions of socialism, peace and international security.

5885
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## ECONOMIC GROWTH, PLANNING, SOCIAL DECISION MAKING ARE INTERDEPENDENT

Budapest MAGYAR HIRLAP in Hungarian 28 May 82 p 7

[Paper presented by Gyorgy Marosan Jr at the 21st Congress of Economists held on 10 and 11 May 1982 in Balatonfured: "The Risk of Growth Paths"]

> [Text] Economic growth is one of the central issues of economic policy today. Several reports and contributions were devoted to it at the Balatonfured congress of economists. We are reprinting one of these reports in our paper.

The concept of economic growth path became a generally accepted category in economics a few years ago. Actually its emergence and spreading reflect the realization that the slowdown of the economy is not of a temporary nature--i.e., that it is not a result of passing problems and temporary standstills--but a regularity of longer duration.

For decades we lived in a fetishism of growth. This of course applies not only to us, but to other socialist countries as well, and essentially to every country in the world. Politicians prompted the economic experts to plan ever higher growth rates, as if the choice of the rate of economic growth were merely a question of decision.

Naturally it was possible to accelerate economic growth for a time, at the cost of intensifying certain contradictions. In the socialist countries the acceptance of certain structural contradictions--for example, the infrastructure's neglect in favor of industry, the financing of import with loans--made temporary resources available with which the rate of economic growth could be accelerated or maintained temporarily. Even if they recognized the problems stemming from this, economists tried to reassure themselves with the hope that at a higher level of development it would be easier to rectify the omissions. But the contradictions intensified more and more, and the liquidation of the disproportions was postponed for ever later. Finally the accumulated contradictions, the intensive structural problems and shortages slowed down the economy's growth. Just as in the case of a student driver: if he does not shift gears in time going uphill, his engine will stall. At this point it became clear that the entire economy had to shift gears.

Recognition of the need to switch to a new growth path reflects a change of view: long-term the planner anticipates a significantly slower rate of economic growth than before. But this has very far-reaching consequences. It is true in general, and

in Hungary's case in particular, that structural transformation becomes more important as the economy slows down. Earlier, in the period of rapid economic growth, it was easier and less painful to make structural changes. With the slowdown, however, also the nature of structural transformation changes. Any of the elements can be modified only at the expense of the others; i.e., structural transformation can take place only in a process of sharp differentiation.

## Against Excessive Differences

In Hungary, parallel with the slowdown of economic growth and partially as its result, the internal and external conditions of economic reproduction have changed. In contrast with the past, the quantitative factors are relegated to the background, and the qualitative factors are shifting into the forefront of attention. The importance of increasing the workforce is gradually being replaced by the requirement of using the human factor effectively. In the final outcome, this new stage of development is characterized not so much by a slow rate of economic growth as by a fast rate of structural transformation and rearrangement. Therefore it is more appropriate to speak of a path of development, not of a growth path. This seemingly insignificant conceptual difference is not only important in principle but, as we shall see, also has important practical consequences.

Are there alternative paths of development? At least two typically different alternatives can be imagined: the stability-centered and the innovation-centered paths of development. The stability-centered path of development is based on freezing, or at least slowing down, structural change. Over a short period of time, this alternative minimizes the conflicts. Its underlying, explicit or implicit, assumption is that structural change intesifies the socioeconomic contradictions. If society's tolerance of conflicts is low, these socioeconomic contradictions disorganize society and the political system, and necessarily set the economy back. It is better and safer, the advocates of this alternative contend, to centralize resources and, through their redistribution, forestall the development of excessive differences.

## Growing Conflicts

The innovative path of development is based specifically on an acceleration of structural change. The intensification of the contradictions is partially a cause and partially a consequence of this. But the leadership deliberately wants to place in the service of economic development the social and economic conflicts triggered by these contradictions. Choosing this path, society regards as more tolerable the intensification of the conflicts accompanying structural change, in comparison with problems that would arise from a postponement of structural change. Society permits and even encourages differentiation, while reducing centralization and redistribution. In most of industry, society focuses attention on effectiveness--profitability--and creates the economic and organizational conditions for it, by perfecting the banking system. Thus the choice between the two different paths of development is essentially a qeustion of a political nature. Every leadership must consider what is more tolerable for society: the present smaller or the future larger conflicts and contradictions. Within these two basic variants there can be other strategic alternatives. For example, a centralized or decentralized mechanism, a demand-led or output-led system of objectives, etc.

Each path of development has its own planning style, method and approach. The so-called system of the plan's breakdown used in the 1950's and 1960's, for example, suited in many respects the growth-oriented path of development. It attempted to define quantitative growth in ever greater detail. In longer historical perspective this succeeded, but the planning system was unable to manage qualitative development.

With the introduction of the new economic mechanism, planning changed significantly. It deliberately assumed that it was unnecessary to plan development and growth in every detail, for this never succeeds. Or if it does succeed, very often the problem is that certain side effects, difficult to take into account, severely impede or prevent the realization of the objectives. In a significant sphere of the economy, therefore, self-organization must be allowed. This approach first emerged in agriculture and spread increasingly in industry.

Simultaneously it became increasingly clear that even this new approach to planning was unable to suitably perceive the qualitative factors. It was typical that the quantitative objectives were mostly fulfilled, but in practice the qualitative objectives were never achieved. The problems can no longer be solved through a quantitative growth of output, but by accelerating the change of the product structure and by raising the effectiveness of the innovation process.

With Circumspection, Accepting the Risks

Thus the innovative path of development represents a new stage also in planning. For the reasons outlined above, so-called problem-oriented planning is now the order of the day. In comparison with the previous approaches, this approach represents progress in the sense that it concentrates predominantly on the areas that determine development. It is not sectoral, it does not want to adjust at all cost to the division of competence among ministries, the individual phases of social and economic reproduction are not separated, and it is not limited to certain social spheres. The essence of problem-oriented planning is that it concentrates on the resolution of the important problems and contradictions that have both social and economic aspects and are in the forefront of society's development. It is not simply a question of a certain retreat in planning, of planning's refusal to define the economic development of all spheres in every detail. Instead, planning is concentrating its efforts on the solution of the problems that impede long-range development. But in this area planning is taking more closely into consideration the human element, the factors that often cannot be quantified readily or at all.

The choice among the various paths of development is decided by many factors (of a social and political nature). In making this choice, however, one consideration must not be overlooked. As our opponents and even our enemies admit, our society has accumulated considerable political capital during the past 25 years. But it is true of political capital--in the same way as of economic capital--that it is lost not only when it is placed at risk unnecessarily and used unwisely, but also when it remains idle and unused. Political capital can be preserved and enhanced only if it is invested; i.e., if we assume with circumspection the warranted risk.

1014
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## NEW FORM OF BUSINESS OPERATION IN RETAIL TRADE

Budapest MAGYAR HIRLAP in Hungarian 27 May 82 p 7

[Article by Lenke Elek: "Independent Accounting on a Large Scale"]

[Text] Hungarian domestic trade is on the move. Perhaps there were not as many changes during the past 30 years as we have seen during the past two years and will be able to monitor during the next 1.5 years. In agreement with the ministers concerned, the Ministry of Domestic Trade drafted an interministry program that also the government's Economic Committee has approved. Greater independence for enterprises and business is one of the preferential directions of development.

"The present methods of remuneration, notably the commission system, have not proved sufficiently motivating because they do not exert adequate pressure for effective operation and better utilization of capital; waste and unprofitable operation are common," states the ministry's package plan.

### If Stores Are More Independent

Have the contracting and leasing systems failed? Not at all. They are just now unfolding in small businesses. By the second half of the plan period the cashier-free stores will be operating mostly in these forms. At present there are about 2100 such stores, and by the end of this year their number will have increased to 3000; that of restaurants and espressos, to 5000. According to optimistic expectations, the number of contracted units will be between 15,000 and 16,000 by December 1985. I regard these expectations optimistic because widespread contracting is being hampered by a lack of interest among entrepreneurs, the relatively short term of the contracts, the high fixed charge, and in some places also by resistance on the part of the headquarters of enterprises. It is also questionable whether about 10,000 more persons can be found who are willing to plunge into a contract under these conditions. Those who are imbued with such entrepreneurial spirit have already hastened to the negotiations.

Therefore the ministry has decided to introduce the cost-allowance system in those stores with not more than 15 employees where contracting or leasing is not feasible. "The cost allowance is a cash allowance to cover the direct costs incurred by outlets of the retail network and certain units of the economic organizations. It is paid to the units' managers and workers respectively, on the basis of a separate

agreement, without accountability," states the official wording. Simultaneously a changeover to the profit or cost incentive is warranted in these stores.

Thus a new form of business organization is coming! The medium and larger (with not more than 100 workers) units of the retail network will operate in the form of independent accounting. As KERESKEDELMI SZEMLE (No 2, 1982) reports, if a store under independent accounting attains a higher turnover or cuts costs, the store manager retains the additional income after paying the progressive tax. Besides the store manager, also his coworkers may share in this additional income. A specified proportion of the proceeds is left at the disposal of the store manager (in accordance with the concluded agreement), and from this proportion the manager covers his direct costs. Under the system of independent accounting, store managers will be given wider authority in procurement, and with certain restrictions also in pricing (they will not be able to exceed the maximum markup). They will decide when to hold sales and cut prices, and whom to hire.

Foreseeable Advantages

So far a store under independent accounting is similar to one that has been contracted out. However, the stock of merchandise, the expendables, and of course also the fixed assets remain the property of the state (or cooperative), receipts are controlled by means of cash registers, and the stock of merchandise by inventory count. The managers of stores under independent accounting would be chosen by competition, for fixed periods. The manager of the enterprise or head of the cooperative will decide which stores are to be placed under independent accounting, but store managers and store workers may propose a changeover.

According to the ministry, it will be expedient to expand complete independent accounting to the large units (generally with more than 100 workers) of retail trade and the catering industry (department stores, hotels, and production plants). This is again something new.

Everyone will benefit from the foreseeable advantages. Real competition will be able to develop among the stores, restaurants and hotels. Store managers will show more initiative if their every step is not regulated. Of course, it would be a mistake to generalize also in this case. In our country, unfortunately, not every store manager is a real merchant. Occasionally their attitude is somewhat conservative. And even the bolder ones must become accustomed to the new, for this is not what they learned in school, saw and experienced in their everyday work. We wonder how they will use their greater independence.

Their success will depend also on the supply of merchandise by industry. So long as a good many items are on allocation, store managers will be forced to fight for merchandise and "to be on good terms" with their suppliers, which could make under-the-table payments more widespread. The "cash and carry" practice of the self-service warehouses of domestic trade could provide a solution for the smaller stores, but only if these warehouses remain open after the stores roll down their shutters, and the managers can go to replenish their stock of merchandise.

The question is how much incentive the enterprises' buyers, together with those of the ABC department stores, will have to buy salable merchandise at a suitable price.

For if they do not act in this manner, the manager of a store under independent accounting will turn elsewhere. But where? In principle, he has several options. He can turn to industry, to the headquarters of a competing enterprise (as yet this still sounds utopistic), to some wholesaler, and in individual instances to a private producer. It is to be feared that in reality the choice will be very narrow in the case of many items.

After a Longer Period of Time

It is likewise uncertain, for example, whether the independent store managers will avail themselves of containerized and unitized delivery at night. It will now become evident whether such delivery is truly in the storekeepers' interest or did they accept up to now this modern mode of transportation merely because it was an obligatory central program. If storekeepers are not given the opportunity to use this mode of transportation (and there already are examples of this), then very many trucks and containers will remain empty.

Thus the real questions are raised by life. Another question that will probably be raised is how can the units of the retail network assert their independence without jeopardizing the business policy of the enterprises and cooperatives. Harmonization may not be easy in some instances. Assuming of course that the given firm has a specific business policy of its own, because very often business policy, unfortunately, consists merely of automatic repetition of central directives.

The trend toward independence alters also the methods of management. The ministry's management will probably continue its proven practice of recent years to directly interfere less and less in the life of the enterprises.

All this is merely one aspect, although an important one, of the further development of our domestic trade. The head of the ministry wrote the following in the cited issue of KERESKEDELMI SZEMLE: "There is a significant lag, within the entire economy and also in domestic trade, in developing the enterprises' internal system of management, the indepedence and incentives of the individual units." The task is to eliminate this lag. Of course, the work of years cannot be made up within a few months. The new forms of operation will not spread overnight. A long period of time will be necessary for them to pass the test of practice.

1014
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## PASSENGER TRANSPORTATION FACILITIES DISCUSSED

Budapest NEPSZABADSAG in Hungarian 15 May 82 p 5

[Interview with Lajos Urban, State Secretary of the Ministry of Transportation and Postal Affairs, by Gyula Fejer: "On Passenger Transportation"]

> [Text] Everyone travels. It is a well-known fact that our public transportation system carries over 10 million passengers daily. Foreigners wonder: "How do they do it?" they ask. Yet the home opinion is more critical of the Budapest Transportation Company, the Hungarian State Railways, the state taxi service and other smaller passenger transportation businesses. It is justified; how often do we see buses and trolleys not coming for a quarter hour, trolleys broken, local taxi runs crowded, the train late and dirty too. All these are causes for complaint and anger. However, we Hungarians do not have to live out the foreign saying: "He that must hurry should travel on foot." And as long as we do not have to live it out, our mass transportation truly belongs among Europe's finest. Are the criticisms justified then? We discussed these questions with Lajos Urban, state secretary of the Ministry of Transportation and Postal Affairs.

[Question] Among the different sources of income for the railways, passenger transportation lags far behind freight transportation. Is this fact the basis for the complaint that "passenger rail transportation is just a millstone around our necks"?

[Answer] If such a complaint existed, it now belongs to the past, and even then, only to those few who do not understand what transportation service means. The primacy of mass transit, which we set forth several years ago as a goal, is not merely a fine-sounding but empty phrase. The primacy of mass transit is a socialist, and therefore a Hungarian, specialty. It expresses our transportation system, the evolved system of state financial and practical responsibility. Our public transportation, which boasts a network denser and more organized than the European average, carries more people yearly than the entire population of the earth. However, transportation officials often hear the accusation that they live under the spell of

numbers. In other words, the more passengers, the more bragging. This is not the case; we are not bragging when we state the facts, that is, that the standard of our public transportation corresponds to the Hungarian socio-economic situation, and in comparison to the standards of other services is no lower, and in some cases is higher.

Of course, the question was not addressed to generalities, but to the railways. In this regard, let me say that today the Hungarian State Railway is no longer operating at a loss on passenger transportation. Even if its profit from this source is not as great as from freight transport, the railway still makes a profit, aided by state subsidization. For the passenger, the fare continues to be low, while the state treasury turns over 16 million forints for subsidization. Passenger transport is a "millstone" in the sense that while it represents a profit with subsidies, the profit is inadequate for expansion. Let us return here to the problem of quantity and quality. If we wish to improve the quality, which we do, we run into a large expense. Speed and comfort are costly. Income decreases when crowding decreases. Yet we still believe in doing everything possible for the improvement of quality, since although freight transport increases receipts, passenger transport serves man directly.

[Question] Still, every day one can observe that the cars and stations are dirty, the passenger cannot find paper towels, soap, or toilet tissue, the water tanks are not filled, lighting if often poor, and last winter many trains ran unheated. Can this not be changed?

[Answer] Yet, it can. In this question, the directorship of the ministry can no longer be patient. However, we can also blame ourselves that in the past few years no advances have occurred in the refinement of the railroads. Are the trains dirty? Yes. Are the stations dirty? Yes. Do the passengers litter? Yes. We must create an environment which itself has a training effect. Do passengers litter on the premises of the subway? No, because the passengers have accepted the striking cleanliness of the surroundings, they accept it as natural, and guard it themselves. We have instituted a so-called minimal program: in 1 or 2 years, every possibility for improving the railway environment which does not require investment must be instituted. Local directors can do much to decorate stations with flowers, so that cleanliness should not be lacking on the railway cars. This is primarily the Hungarian State Railways' concern, but the work can be performed by a rail worker in his secondary occupation or a production cooperative--only one thing is important, that the result be cleanliness. It is true that even the railroad specialists think the station buildings are in bad condition, yet today, we can hardly think of rebuilding them. Tomorrow's solution is upkeep, which will have to be performed with more speed and organization than at present.

[Question] To win over the majority of passengers, speed and puctuality are important. How often are the trains late?

[Answer] According to the railways, rarely; according to the passengers, often. Who is right? The railway people should forget that only 3 or 4 percent of the 2,500 trains running daily are late. This is embroidering

the truth. Recently, we supervised 180 workers' trains, which ran into Budapest in the morning or left the capital after working hours. Of the 180, more than 150 ran late. It must be known that the entrances to Budapest are the narrowest passages on the railroad. If one train is late in the morning rush, when trains filled with workers arrive every 5 minutes, then all other trains will be late because of that one.

Nevertheless, it would be unfair of me not to mention that the trains are rarely late due to human error, inadequate passenger and machine traffic direction, or organizational shortcomings. The vast majority of latenesses are due to "slow" signals or tracks closed under construction. Here, freight and passenger transportation are not separated, and there are no special tracks for suburban traffic. International express trains arrive at the Hungarian border very late. It is not infrequent for one to arrive 2 hours late and overturn our domestic timetable. Let it be said for the good of the Hungarian railway workers that late international trains do not increase their lateness in our country.

Last year, in the first 3 months 37.3 percent of international trains deviated from the timetable, and their average lateness was 50 minutes. This year's statistics are more favorable: fewer trains were late, and then only by 40 minutes on the average. Domestic expresses ran 40 minutes late, rapid trains 25. For the past 8 or 10 years, 2 percent fewer passengers have been riding the train annually. It would be good if these passengers would return, since this would result in better use of equipment and more conservation of energy. Yet for them to return, service must be improved.

[Question] How many more train lines will be closed? Did the ministry of transportation ever take into account the social and economic impact of these closings? Did they consider the depopulation of towns, the slackening of markets, work force migration and housing, schooling and service worries elsewhere? This question is partially justified by the fact that a concept which serves the development of smaller areas is being shaped.

[Answer] Allow me to discuss the question. I do not believe in the far-reaching consequences you mentioned. Workers do not move with their families to find new work because of the trains. But because they move, the trains become less profitable. These lines can hardly be called railways anymore, because the crowd and the tight organization are missing. They make one or two trips daily, with barely a few passengers and they move very slowly. To go faster would be dangerous because the track is bad. However, reconditioning the track would cost as much as the construction of six roads. Whom would it benefit? Thus it would be reasonable to close all lines which are unprofitable. According to calculations, this means approximately 300-400 kilometers of track.

[Question] Thus lines are being closed. And what is being developed?

[Answer] In this plan period, 1,500 kilometers of track will be rebuilt, and 280 electrified. It is indeed worthwhile to work diligently on the latter, since according to calculations the investment in electrification

will give a rapid return. By 1985, electric locomotives will pull trains over 1,775 kilometers of our railway network. By then, steam locomotives will be phased out, and we will purchase 111 new electric and 40 diesel locomotives, passenger, sleeper and restaurant cars. The modernization of Kelenfold will be accomplished with an expenditure of nearly 1.3 million forints, and by 1983 its new track network will be completed. Kobanya-Kispest station will be renovated, and the renovation of Nyugati and many other stations will continue, all with a total cost of over 1.5 million forints. Track and station modernizations will make it possible for trains to travel at 100-120 kilometers per hour on 40 percent of our country's track by the middle of the decade.

[Question] Within a foreseeable period of time, will railroad conditions in the Budapest metropolitan area improve?

[Answer] In Hungary, 1 million people travel daily, 350,000 of them in the capital area. Their transportation is an overwhelming task, and it does not proceed without difficulties. In this regard, only further development of division of the task among the various branches of transportation will bring results. The railway, the Budapest mass transportation system, and the connections between the two are developing (here I mean the metro network). The north-south subway has already allayed the fears of some commuters.

[Question] Continuing on the subject of commuters: it is an unfavorable situation that blue buses run to many townships near the capital, but not to all of them. The commuters from the former townships travel more cheaply than those of the latter, who must take taxi lines. Outside of the capital, similar complaints have been remedied. When will these complaints be heard?

[Answer] It is indeed true that similar complaints have been remedied, and these have not. We will examine the possibilities, but a final solution can only be brought about through fare changes.

[Question] Can we expect a fare increase?

[Answer] Yes, because with a normal economy and changing price conditions, we must regard an increase as natural. We cannot ignore the socio-political aspects, nor can we be free of the processes of economic life. Rail fares have not changed since 1952; their price can hardly be maintained. Everyone also admits that the fares on other forms of public transportation are also very low.

[Question] According to studies, the 2 million inhabitants of Budapest travel 4 million hours daily, all within Budapest city limits. Is it possible to reduce travel time and crowding in our capital city?

[Answer] In Budapest, travel speed is still much higher than in other European capitals. The trolleys travel at 14 kilometers per hour, the buses at 20. The Budapest transit traffic control system is of a high

quality. Developments have been instituted that ensure that traffic lights will be computer controlled. Today, too many lights are not timed with the next one, thus slowing traffic.

It is well known that with the introduction of a 5-day workweek, staggered workshifts have once again reached the forefront. Last year, the Economic Committee issued a decree that the capital and county seats can decide which businesses will be required to institute staggered work hours. Later, the beginning hour of work changed at 1,200 employers in the capital, affecting 200,000 persons. The effect of the legislation is visible; Budapest travel conditions improved suddenly. Outside the capital, the cooperation of transportation enterprises, county councils and county commerce commissions has brought results. The state taxi service accepted 80 percent of the enterprise recommendations, was unable to agree on 1 percent and reached a mutual compromise on the remaining 19 percent of the suggestions. Thus transportation itself aided in the institution of staggered shifts, as reflected in the compilation of the timetable.

[Question] Is the trolley program also being continued outside the capital?

[Answer] In Szeged, the trolley has been instituted; in Debrecen, it is being prepared. In Pecs, we had planned to begin construction later, although that city should have received attention first due to geographical and conservationary concerns. It is important that such concerns should be considered according to their importance at the time the decision is made.

[Question] Is the safety of railway-street intersections, the bus drivers' qualifying exam, their continuing education and last but not least the extremely expensive technology adequate?

[Answer] The opinion that today's technology is safe is universal, assuming, of course, the appropriate behavior and responsibility on the part of the passengers. This is strongly lacking on the public streets. After the tragic accident in Mohora we again received many ideas, improvements and modernizations which dealt with the safety of pedestrians crossing the street. We try all suggestions which contain the least bit of practicality. The interministry committee has examined and is examining mechanisms for auditory traffic signals. The reception is mixed, because their value is debatable. Some cannot be implemented in residential areas, but will be of definite use in outlying areas. Concerning the bus drivers, let me say that they do their work conscientiously, with preparation and responsibility, and are adequately trained.

[Question] Since the middle of the 1970's, our supply of buses has mostly belonged to businesses, cooperatives and institutions. Today, the maintenance of their buses is no longer paid for by transportation savings; yet they keep the buses, fearing that the state taxi services will not be capable of meeting their individual, local and special transportation needs. Are you succeeding in convincing them to turn their buses over to the service?

[Answer] We must start with the fact that although, according to the bus park number, most are in the hands of enterprises, only 3,000 of them are large buses, and the rest are small. However, it is true that these 3,000, because of their inadequate utilization, do deserve attention. But we do not wish to take over the business buses. Our purpose is to use them for public transportation services within a given period of time, place by place. Excellent first steps have been taken, and we can expect effective legislation that will destine the owners of the buses for their economically advantageous use.

[Question] Five days of work, 2 days' rest. What new issues has this change brought into transportation?

[Answer] The Hungarian State Railway, the state taxi service and the Budapest Transportation Company all seek to fill the changed needs of their passengers. The Budapest Transportation Company has instituted vacation runs on weekends to Nagykovacsi, Solymar, Diosd, Torokbalint. The timetables for trains and buses have changed completely; new lines have been added to resorts and exursion spots. Weekend runs designed for tourist purposes which depart the county seats now avoid Budapest. These efforts verify that mass transit has recognized its role and importance for people's leisure time.

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## OFFICIAL QUIZZED ON RENTABILITY OF GRAIN PRODUCTION

Budapest MAGYAR HIRLAP in Hungarian 15 May 82 p 5

[Interview with Gabor Magyar, deputy minister of agriculture, by Ivan Gador: "The Reserves of Grain Production"]

[Text] Gabor Magyar was born in Hajduszoboszlo in 1928. He graduated from the Godollo University of Agricultural Sciences, and from 1951 worked as agronomist in the Irrigation and Rice Production Research Institute in Szarvas. From 1958 he was irrigation agronomist at the headquarters of the Hortobagy State Farms, then from 1962 he was department manager at the Voros Csillag [Red Star] TSZ [producer cooperative] in Nadudvar. In 1964 he went to the Debrecen University of Agricultural Sciences as researcher-lecturer. He became the manager of the Corn and Industrial Crop Production System when it was formed in 1973, where he was awarded the State Prize in 1980. On 1 January 1982 he was appointed deputy minister of agriculture and food industry. [end of bio]

In the old days wheat was also called life, and religious respect surrounded it. About 10-15 quintals of it were produced on one hectare, and this was even enough for some export. Today, wheat is simply called wheat, and it is just one of the grain crops. Its average yield approaches 50 quintals per hectare, and in the world trade the various grains rose so successfully from the ranks of other merchandise that they became items to be stockpiled, and became strategic items. Grain importers are at the mercy of others to some extent because grain continues to be life itself, or at least one of its preconditions. The often mentioned demographic explosion has created a demand for it the likes of which have never been seen before.

According to internationally accepted standards one ton of grain per year is necessary to feed one person well. At the present time we are producing almost 13 million tons for our population of 10 million. The national economic plan

projects further expansion of its production. Our reporter Ivan Gador talked with deputy minister Gabor Magyar about our grain production.

[Question] If I am correctly informed, each year we use just barely over 2 million tons of grain directly for human consumption. Yet, for years our export has been only about one million tons. The other nine or ten million tons are fattening our sizeable livestock population. It is an old debate whether we should be exporting grain directly, or the meat produced by it.

[Answer] Those who argue that we should not develop livestock production which requires work and expense, but instead we should export grain directly in as large quantities as possible, refer to this fact: the income of $1 can be achieved from grain with much smaller expense than if we sell meat abroad. This is in fact so. But let us not forget that the plowfield acreage suitable for grain production has its limits, and it is far from immaterial how large an income we can produce per hectare of this. If we sell the corn itself, then using last year's average yield of 5.5 tons per hectare we can produce a value of $700 to $800 per hectare. But the dollar income can be a good two to two-and-a-half times this much when this amount of corn is sold as meat.

[Question] However, in this case the expenses are really much higher...

[Answer] That is true, but I wish we had more export items as profitable as this. In spite of all rumors to the contrary, livestock raising is a very good business.

[Question] Even for the agricultural operations?

[Answer] Absolutely, for those who are doing it right. There is more operational profit in fattening hogs or poultry than in grain production.

[Question] Considering that nowadays even hog or chicken fattening is not too profitable in most large operations, the situation of the grain producers must be quite unfavorable.

[Answer] The cost of wheat production increased by 80 percent between 1975 and 1980. The cost of corn production by 60 percent. It is true that today much larger crops are harvested per hectare than 5 or 6 years ago, but costs have risen faster than yields. Because of this, the income that can be earned by producing wheat has stalled at 4,000 forints per hectare. But income produced by corn has decreased during the last 5 years from an average of 5,000 forints per hectare to barely 2,000 to 2,500 forints. And this is really not enough. But in spite of all this we still cannot speak of a lack of interest, because grain production brings in a stable and a steady income in large amounts, and last but not least it is collected in the year of production.

[Question] Of course this is true for those who produce wheat and corn primarily for sale.

[Answer] Our goal is, for example, to produce corn primarily where the soil's natural properties are most suitable for it. And this geographic rearrangement is gradually being implemented. This is how it has to be because under today's cost and price conditions corn is a crop produced at a loss on poor soils. But on good soil it still produces a significantly larger income than spiked crops. We cannot expect, of course, that a corn belt similar to Iowa in the USA would develop in this country. But it is an absolutely achievable goal that primarily corn will be grown on the loess in southern Bekes [megye] or in the Hajdusag [Hajdu megye]. In contrast with this the spiked crops produce good results even on poorer soils. In this time period the regional rearrangement of crop production must be implemented, because without this the mobilization of all the genetic, technological, and manpower reserves will not be enough to achieve the planned 15.4 million ton grain production by the end of the plan period.

[Question] This is 3 million tons more than the 1980 production volume. Such an increase can hardly be achieved with the same size, or especially with decreasing growing acreage. It is a well known fact that in the last plan period the country's plowland acreage decreased by a good 200,000 hectares.

[Answer] In the future we will not be able to endure such a large loss. If for no other reason, then because in recent years, for example, the sunflower growing acreage had to be doubled, and we will have to continue producing sugar beet, potatoes, vegetables, and many other things.

[Question] It seems that nowadays the sunflower is agriculture's most profitable crop. Is this not being overdone? If things continue like this, this otherwise excellent industrial crop will slowly force grains from the plowfields.

[Answer] That statement is an exaggeration. First of all, sunflower and all the products made from it are excellent export items. But even so the farms may produce only as much sunflower as the industry's processing capacity [can handle]. They may not contract for more.

[Question] But in spite of this, sunflower occupies a good 300,000 hectares each year, and the plowfield acreage continues to decrease, even if not at the earlier rate. What are the remaining possibilities this way to maintain the present production acreage of grains, or to increase it slightly as desirable?

[Answer] Only that we will decrease the planting acreage of fibrous fodders. And we must do so even if livestock raising requires increasing quantities of fibrous fodders. But in spite of this, acreage is the only remaining reserve, because the production standards are lowest here, that is, this is where the improvement opportunities are greatest. Just as with the other crops, improvement of the yields is possible for the fibrous fodders also, so that significantly larger product quantities than before would grow on smaller acreage.

[Question] This was unquestionably successful with the grains. In the time period of the Fourth Five-Year Plan an average of 3.15 million hectares produced 11.2 million tons of grain [yearly]. During the Fifth Five-Year Plan we produced grain on only 2.9 million hectares, yet we harvested a yearly average of 12.4 million tons. The big question is whether this rate of increasing intensity can be further increased?

[Answer] We are far from having reached the upper limit of our potentials. The wheat types now in general production have genetic producing capabilities around 7 tons. Yet, over the average of the last plan period we produced only slightly over 4 tons per hectare. Our present corn hybrides are capable of 11-12 tons per hectare, and the last plan period's average remained under 5 tons for this crop. Even the record holder farms have room for improvement. Not to mention the others! Regional reorganization may help much, and in the future even better types than those of yesterday and today will be introduced into general production. Of course, this by itself is not enough.

[Question] The higher production levels will obviously require more modern machinery with higher performance, and more of them. But the domestic machine industry continues not to offer always what is needed. And if we import everything...

[Answer] Machinery is indeed needed. But slowly the domestic sources are also beginning to produce them. The Raba, and to a lesser extent the enterprises of MEZOGEPTROSZT [Agricultural Machinery Supply Trust] are showing good sensitivity in recognizing what agriculture needs. They signed a series of successful cooperative contracts with the best western agricultural machine manufacturers. What they are producing within the framework of these cooperations is really good and modern. But, together with this, continued large-scale and rapid development is unavoidable. Within the framework of the intensive grain production programs of the Babolna and Nadudvar crop growing systems, for the time being we can make full-scale use of this above-mentioned modern equipment only on 100,000 hectares. The job of the domestic industry is such a quantity of these within a limited time that will make modern soil work possible without any special imports, on much larger acreage than 100,000 hectares. This is a question of survival, because that is the only way the annual 15.4 million ton grain production projected in the national economic plan can become reality.

[Question] And let's add this: all the financial factors listed here are worthless if the high level professional work which creates harmony between the factors, is missing. You have recently emphasized a number of forums: grain production must not become a humdrum matter.

[Answer] What is involved here is not that the agricultural operations cannot produce wheat and corn sufficiently well. They have learned to do this. Most of the professionals have excellent training. After the successes of the recent years many people are now at the same point as the driver of a car who has had a license for two or three years, and so far had no accidents. They understand and have a feel for the traffic, and have some experience. And,

why deny it: they are a bit overconfident. They hardly pay attention to the details, since this is running by itself! But it does not. Because the slightest inattention can be sufficient...Really, grain production must not become a routine matter. The conditions are different each year and on each farm, indeed on each field. At the time our successes of today began, when the grain production systems started up, the experts practically without exception stood at the edge of the fields at the start of each job. They must not get out of this habit. On the contrary. Nowadays perhaps even that would not hurt if from time to time they walked in to the center of the field.

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## STATUS, PLANS OF NONFERROUS METAL INDUSTRIES

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 17-19 Apr 82 p 5

[Article by Dusan Ivanovic]

[Text] Several factors must be taken into consideration when trends in nonferrous metallurgy are to be analyzed--from investment in geological research, the mining of ore, and the production of all metals to processing and export-import balances. For years, there have also been certain difficulties that were never taken seriously into account. Above all, substantial disproportions continue to exist in relation to established reserves of ore, the mining and production of metals, and constant growth in processing facilities. We should not underestimate the additional fact that ore deposits are located in certain regions, while processing facilities are scattered throughout almost all the republics and autonomous provinces. Accordingly, there is a certain hesitation to invest substantial resources in prospecting operations. Later, however, when actual deposits of metal are discovered, there is interest in consolidating resources for mining. In a word, no one is willing to take the risk of looking for ore.

We are obviously unprepared to make use of ore with a lower metal concentration because of the outdated technology used in the Yugoslav metal processing industry. It can happen that 50 percent of other metals, from tungsten to cadmium, as experts on nonferrous metallurgy say, will stay "in the mud," simply not being used although at arm's length, after all the effort invested in prospecting and mining of the ore.

Another problem is the diversity of equipment used. Practically every mine has different equipment, which is difficult to reduce to a common denominator, and hardly ever domestically produced equipment. Although there have been attempts to have all this manufactured by our own plants, these are only the initial efforts, and suitable results are to be expected only in the future.

We are constantly operating with prospected reserves between 15 to 20 years, and it is clearly difficult to set aside funds for prospecting for new ore deposits for the simple reason that this requires a large sum which can be as high as 20 percent of the total invested in opening new mines. It is far easier where ore is already being mined, where the appropriate infrastructure is already built, from roads to housing complexes.

## What Is Expected

We began 1982 with a great deal of optimism, as we did also the current medium-range plan, since--above all--we believed that we would overcome certain shortcomings noted in the previous two 5-year plans--when we lagged perceptibly behind the forecasts. Our expectations turned out to be unfounded, as the balance sheets for this year caution us: things are going to be rough, not only now but all the way to the end of 1985.

To recall: we are supposed to produce approximately 3,696,000 tons of bauxite in 1982, or as much as half a million tons above projected needs. Yet simple comparisons of figures can sometimes be misleading. Apart from the fact that the "Aluminij" firm of Kidricevo is to import approximately 180,000 tons, we have to assume that more than 100,000 tons of so-called special bauxite or bauxite with a markedly higher silicon content will be imported. These are facts that cannot be ignored.

The next link in the chain leading to the production of aluminum and related products is alumina, 1,143,000 tons of which are to be produced this year under planned projections. This figure omits the facility at Obrovac; because of its well-known difficulties, and because it is undergoing reorganization proceedings, production and the volume of output are extremely uncertain. In any case, this facility is known to have operated with substantial losses, threatening even the lower range of profitability.

At first glance, domestic consumption of alumina in relation to production would not seem high--approximately 600,000 tons. Everything would be just fine if we had not committed ourselves to extremely high export levels as a consequence of the installation of foreign equipment. However, we have to export at least 700,000 tons to be able to meet arrangements signed--probably not very luckily--with foreign commercial partners.

After all this, it is no surprise that aluminum production is planned at approximately 290,000 tons, and that would be a great success, considering the circumstances. To satisfy domestic demand, we need at least around 200,000 tons, and everything would be fine if here too, we were not committed to high levels of export. More precisely, we must export at least 134,150 tons. To strike at least a partial balance between production and domestic and export demands, we must import approximately 40,000 tons.

However many problems we have had in recent years in the production of suitable quantities of lead, in 1982 we should be able to produce more than 180,000 tons of this metal. Ordinarily the greatest consumption is by the steadily growing domestic market, close to 135,000 tons, but in this case as well we must take into account commitments toward foreign partners. In fact, we must export over 24,000 tons. To balance all these items (domestic demand, export, etc.), we must import at least 40,000 tons.

Domestic zinc production is planned to be 98,150 tons this year, but this is no certainty. The planned volume of production would meet the needs of the domestic market, estimated at slightly over 90,000 tons, if we did not have

high export commitments. As things stand, exports are planned to exceed 32,000 tons, automatically requiring imports on no small scale. To be specific, we need to import slightly more than 30,000 tons of zinc to strike a better balance between production and consumption.

Shortfall

Balancing production and consumption is more complicated in the case of copper than anywhere else in the field of nonferrous metallurgy, especially because the concentration of metal in domestic ore has been rapidly declining in recent years. Just a couple of years ago, 15 million tons of ore yielded at least 100,000 tons of copper. Under current ore mining conditions, the proportion of tailings has increased by more than 25 percent. Last year, not even 20,000 [evidently 20 million] tons of ore were sufficient to provide as much as 90,000 tons of copper.

This year's plan calls for the production of 135,900 tons of copper, but with the reservation that for years we have been planning quantities which in the final reckoning turn out to be unrealistic. Even assuming that this plan can be fulfilled, this is far short of the demands of domestic processors. In other words, domestic consumption is planned at over 170,000 tons, and only imports of copper concentrate can alleviate this shortfall, which is not so small.

Here again, as in the case of other nonferrous metals, the key question is providing monetary resources on a sufficiently large scale for investment in prospecting for new localities; for the installation of new equipment in existing mines, the majority of which operate as they did decades ago, relying exclusively on extra efforts by miners, which is no longer the case in any well-known world-renowned deposits, where cheaper ore is produced through more economical and more profitable operations; for the erection of infrastructure facilities, etc. Investing in expansion and modernization where mines already exist is considerably simpler, but that also requires substantial funds. The Bor RTB (mining and smelting works) alone, for example, needs at least a billion dinars through 1985.

It is little consolation to know that the geological reserves of copper ore in Yugoslavia constitute 15 percent of European reserves, not counting the Soviet Union (European part). The Veliki Krivelj mine alone requires an investment of 1 to 6 billion dinars.

At the same time, despite the difficulty of satisfying the domestic market, there are high export hopes, since sales of copper products on the foreign market are supposed to grow at the very high rate of 22 percent. If we were to succeed in this, processors would achieve a monthly inflow of foreign currency amounting to approximately $36 million. This certainly cannot be accomplished easily without affecting supplies for our own working organizations. In any case, the beginning of this year has only confirmed justified doubts.

Corrections?

At the beginning of the current medium-range plan period, having learned from experience that we lagged behind substantially in the past two 5-year plan periods, planners projected an optimistic variant for development through 1985, based on data from working organizations in nonferrous metallurgy. Not much time needed to pass before the necessity for corrections became obvious.

Originally, the feasible production levels in 1985 were thought to be nearly 5 million tons of bauxite, more than 33 million tons of copper ore, nearly 6.5 million tons of lead and zinc, and 320,000 tons of antimony ore. Possible metal production levels in the final year of the medium-term plan period were reckoned on the basis of these estimates of raw materials. Accordingly, we were expected to be in a position to produce 440,000 tons of aluminum in 1985, 210,000 tons of copper, 200,000 tons of lead, 180,000 tons of zinc, and 128,000 tons of anode units.

Even at that time, however, it was quite doubtful whether estimates of the production of bauxite and lead-zinc ore were realistic. Processors' representatives in particular pointed out the absurdity of estimating a high increase in the production of aluminum in view of all the problems associated with this area. The arrangements made for purchasing technology from foreign partners are especially unfavorable.

There have also been remarks on the methodology itself on the grounds that a 5-year planning period is not suitable for this area. The training of new miners is known to take from 7 to 10 years, and large metallurgical facilities require more than 5 years to build under our conditions.

The central question in developmental planning is "rounding out the financial structure" for long-term investment, inasmuch as little can be accomplished without large sums. In the normal course of events, an estimate has been made of the cost of intensive development in nonferrous metallurgy in 1980 prices. However unreliable these figures may be as indicators, in view of the fact that prices for all materials and services are recording very high growth, they constitute some kind of a basis for overall conclusions.

Copper production alone requires investment in excess of 13 billion dinars, mostly to maintain and increase the current level of ore production (over 10 billion dinars).

Rather large sums are planned for investment in lead and zinc production--approximately 10 billion dinars, with a 50:50 ratio of investment in mines and metallurgical facilities.

The total investment for the development of the bauxite-alumina-aluminum complex is around 11 billion dinars, including 7 billion for aluminum production.

Clearly, however, the 34 billion dinars planned for the development of all aspects of nonferrous metallurgy--from the mining of ore to the production of metals--will not be sufficient to cover all investment needs. This could not have been expected, in any case. The planners were counting on closer cooperation among groupings within the field of metallurgy and with consumers of the products of nonferrous metallurgy. If this were not to happen, there is little likelihood that this field will overcome the difficulties with which it has been faced for years.

In this case, too, we cannot ignore the fact that nonferrous metallurgy is operating under the pressure of capital borrowed from domestic and foreign sources at very high interest rates. Loans make up 65 percent, or two-thirds, of investment. Obviously, many organizations have not invested enough in the development of raw materials, precisely because of high interest rates. Last year, interest alone consumed 16.7 percent of earnings. This is far above the level for industry as a whole, which spent 9.7 percent, and for the Yugoslav economy, which spent 7.7 percent. Here, also the primary segment is in a worse position, since the share of interest in realized earnings is 20 percent.

The Armor of Price Increases

This year, which is more difficult than ever, prices of products can be raised but may not be used for developmental purposes. This fact is sure to hinder operations, but is a stabilization measure which applies to all and must be respected. We must seek a way out elsewhere, especially in increased productivity.

As we know, price increases of up to 20 percent are allowed for nonferrous metal ores, in accordance with efforts to promote a sector which is in the most critical position to start with. This is no longer a question of miners being underpaid but the fact that young people are difficult to persuade to do such difficult work.

In addition, each of the metals is listed separately, and aluminum will be allowed the smallest price increase--up to 13 percent. This is 5 percentage points away from the average for nonferrous metals. At the same time, the price increase for copper is also planned at less than the average--up to 15 percent.

In view of the difficult situation in the case of lead and zinc, a substantial price increase is planned for these two metals: zinc can go up in price 40 percent, lead 50 percent.

However, an individual survey of metal prices shows that, in fact, the 18-percent average has no specific meaning. For consumers of these metals, the decisive factor is the percentage of copper, aluminum, lead or zinc which they use in their products.

No Illusions

Metal processors are allowed to raise their prices an average of 12 percent. Here too, however, the average increase means little, since obviously some will have more and some less maneuvering room for price increases. For example, cables may go up as much as 10.5 percent in price, while fittings of nonferrous metals and similar metal products may go up 12 percent.

These price ratios show that slow progress is occurring toward redistribution, the goal of which is to strengthen ore mining and metallurgical facilities while restraining metal working, which for years has been "ahead" of the supply of raw materials.

There is little likelihood that price increases will solve the problems which have been piling up in nonferrous metallurgy, since last year prices were raised several percentage points in advance. This means that the planned average of 15 percent must be decreased by the same amount this year. At first glance, the mines and metallurgical facilities appear in better shape. However, in view of their past development, we are clearly dealing with an attempt to give them equal status with metal processors, which for many years have had more favorable operating conditions.

When we consider geological reserves on a European scale, aside from the copper mentioned above, with our 27 percent of the bauxite, 22 percent of the lead, and 9 percent of the zinc, we seem to be rich in nonferrous metals. The reality is different, however, and it would be harmful for us to be misled by the illusion of abundance. We ought to reconcile ourselves to the fact that the concentration of metal is declining in existing mines and that slightly poorer ores, rather than miracles, must be expected from geological reserves not yet prospected.

The day is coming, therefore, when we will be forced to mine poorer ore, requiring metallurgical facilities to adjust their procedures. How are we to buy new technology from foreign manufacturers, and how much is this justified from the standpoint of overall social commitments? The way out lies in an agreement with domestic manufacturers of machinery. It is high time for representatives of both areas to sit down together and work out a program of long-range cooperation, as was done, for example, by the Yugoslav Railways and equipment manufacturers.

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# East Europe Report

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2287

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# EAST EUROPE REPORT

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2287

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# ECONOMIC PREDICAMENT OF CEMA COUNTRIES CALLS FOR REFORMS

Budapest KULGAZDASAG in Hungarian No 4, 1982 pp 12-29

[Article by Laszlo Csaba: "World Economic Adjustment and Economic Development in Eastern Europe"]

[Excerpts] The demands of the new economic world order may become tangible economic realities instead of wishes if West, East and South realistically approach the problems of the international economic relations system, their structure of interests, and if they accord due importance to the structural transformation processes taking place in the world. We need patient, persevering work, above all for the most developed countries--besides the West, the governments of the East—to withstand the special interests that want to conserve the economic structure as it has developed, and the protectionist pressures represented by groups and institutions. With the realization of the macroeconomic interests of all groups of countries, the new economic world order will make it truly possible effectively to support the industrialization of the developing countries, and in this framework establish a permanent, long-term East-South work distribution. This does not mean, however, the exchanging or replacing either of East-West relations or South-West relations with South-East relations. The chances for the realization of such views, which stem from the 1950's and 1960's and in some circles remain popular until today, is smaller in the 1980's than ever before.

## Growth Rate, Reform and World Economic Adjustment

The limited scope of this article[1] makes it impossible to go into an adequately deep analysis of the explosion of oil prices and other epochmaking factors, which in truth affected the economics of Eastern Europe in a manifold way, transforming basically and for the long term the possibilities, the type and condition system of their economic growth.

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[1] On the basis of a study prepared at the request of the Institute for Relations Between Italy and the Countries of Latin America and the Middle East.

As is well known, the traditional concept of the political economic science of socialism has regarded the maintenance or increase of the rapid growth of national income as an attribute of the socialist mode of production. It has been customary to show the superiority of the socialist plan economy, among other things, through the international comparison of growth rates. This approach did not completely disappear at the end of the 1970's but in the professional literature of 1966 evidence was presented that among the causes of the imposing economic growth rates achieved by the socialist community in the 1950's and the 1960's was the determining role of the low starting level and the supplementary growth possibilities and renovation factors deriving from this--in addition to the indubitable mobilizing effect of the new social system, socialist idology, and the introduction of economic planning. Other writers at this time pointed to another important growth factor, the exhaustion of intra-CEMA technology transfer (which meant a flow of technical information chiefly from the GDR, CSSR, and Soviet Union to other socialist countries, including the PRC People's Republic of China between 1961 and 1962. They also called attention to the necessity of economic management reform, mathematically showing that the survival of the traditional directive management system in itself becomes a factor limiting independent growth (Goldmann-Kouba, 1966). Actually, therefore, the declining trend in the growth rate should not have caused surprise, but still as is evident with the first glance at trends in national income and industrial production and the planned values, the above conviction did not spread rapidly in the views of the decisionmakers in the planning offices.

Reluctance evident even in the data to acknowledge the growth decline, which is also attested to by the almost complete ignoring of world economic developments which occurred between 1973 and 1974 when the five-year plans were being prepared for the end of 1976, is related to many factors, one of these is a political-economic concept which undoubtedly had a certain ideological influence on the decisionmakers. As additional factors, we can mention the characteristic mode of approach by the formerly (historically) underdeveloped countries, the effort at catching up, and the relatively small role of equilibrium (including the foreign economic equilibrium) points of view. In a number of instances, this acquired special importance. In the case of the GDR, a role was played by the keen competition with the other German state; in Romania and Bulgaria the broad acceptance of extremely ambitious development goals and programs by the populations of the countries concerned. In Poland, as a consequence of the instability of the Gierek leadership which came to power after the 1970 Gdansk workers demonstrations, it appeared to be an imperative necessity that the new leadership should clearly justify its right to existence with wage increases that proved to be excessive and grandiose and with the "New Poland" program which it desired to create within a decade. (The latter conceived the politically attractive and mobilizing goal, in popular form, of speeding up the country's growth--by establishing modern fixed funds purchased with Western credits--in such a way that the national income would double in 10 years.)

These economic development strategies, like the CSSR's more moderate but also ambitious goals, finally outgrew themselves as alternatives to the reform of the economic mechanism.

The growth orientation is also explained by an economic system element. This derives, in part, from the fact that the three decades of existing socialism have been characterized by the main rule of dynamic growth. As a consequence, in planning the use of national income--which in every case comes as a result of a one-type bargaining process--it is possible to count on a continuously increasing distributable income. A restrictive period inevitably draws tensions in its wake, whereby the cutting back of central and local budgetary expenses becomes unavoidable (the curtailing under directive management relations of the grants or allowances necessary to attain the given plan goals), as well as the rejection (or repeated delay) of development goals which compete with one another, are socially and politically accepted or supported by influential groups striving in the hope of success for their acceptance. Of course, this draws in its wake the opposition of those interested, the strengthening of "lobbying" extending from tendentious press announcements to time spent in waiting rooms for the hope of exceptional treatment. Under socialist relations, too, the policy of restraint is unavoidably unpopular, because even fragments of it cannot be carried out without harming partial interests. Thus the undisturbed survival of "growth orientation" between 1973 and 1978 can be explained in the East European countries all in all by historical and ideological considerations, foreign economic mistakes, and sociological factors of the economic system.

A similar situation developed in Poland at this time. Here the PZPR proclaimed at its session in December 1976 the so-called "new economic maneuver." In this framework they conceived plan goals which were less strained but were still built on unfounded optimistic assumptions related to investments, agriculture, and the further growth of the entire economy. This indicated that the Polish planning and decisionmaking organs still were not adequately aware of the strained situation that already existed in the economy. In the preceding period from 1973 to 1975, they continued without concern the "economic maneuver" which was started in 1971. In this framework they called for, among other things, a 40 percent increase in investment growth, as compared to 1966-1970, but in fact they actually "achieved" 90 percent; they planned a 39 percent per capita increase in personal real income and approved instead a 69 percent increase; at the same time they did not succeed in fulfilling the agricultural and consumer industrial goals although these had been modestly set.

The definitely improving trend observable in this period in the Polish terms of trade had a reassuring (and misleading) effect on the then Polish leadership; this trend reflected the energy-intensive and material-intensive structure of the country's exports--which was maintained despite the striking structural improvement observable since 1971--that is, its relative backwardness and the modernization results that were not adequately competitive.

Role of the Import-Substitute Economic Strategy

In view of the fact that after World War II, given the Western embargo policy, it was finally the radial (unicentered or radiating) integration concept which was finally realized in the form of CEMA from among the various East European coblaboration ideas: the parallelism of the industrial structures in the 1950's and the 1960's, that is, in two different waves of socialist industrialization, was unavoidably recreated. This interrelationship can also be conceived from the opposite side, namely, that it was the bilateral and natural character of CEMA integration that inevitably materialized from the inward-turning nature of socialist industrialization and from the plan-dismantling management system that developed within the member countries. As a result of the foregoing, it was not accidental that in working out the CEMA complex program, ideas were formed urging the gradual and mutual opening of the markets of the socialist countries. Although the program as accepted does not explicitly exclude the above-mentioned development course, the modest nature of the results achieved thus far in the monetarization of CEMA collaboration derives clearly from the survival of mutual protectionism serving to defend primarily large, non-competitive enterprises.

Because of the foregoing, it is of interest to approach the extent to which East European countries participate in international work distribution not only through the export ratio but also through the indexes for total foreign trade, or total exports.

It is evident from available data that the ratio of foreign trade--particularly the developed capitalist and developing commerce that makes up the smaller part of this trade--can be regarded as expressly low as compared to country size and developmental level. This refers above all--and perhaps in a surprising way--to Poland, or to that country which in the 1970's put in the center of its economic modernization strategy the use of Western technology. The above statement is well illustrated on the basis of our source by data on per capita foreign trade in international comparison. In 1978, the average for the CEMA countries was 223 ruble/person: for Bulgaria 580, the CSSR 526, Poland 287, Hungary 679, and GDR 590, Romania 253, and the Soviet Union 137, while for the United States it was 447 and Japan 581. The above data clearly show that the per capita foreign trade of the smaller CEMA countries characteristically agrees with the value of large Western countries, that is, they are significantly behind small countries which they can be compared to in development level and country size.

Table 4. Foreign Trade Development of CEMA Countries

| | Millió rubel (1) | | | | 1950= 100 | 1970= 100 |
|---|---|---|---|---|---|---|
| | 1950 | 1970 | 1975 | 1978 | 1978/50 | 1978/70 |
| KGST (2) | 7402 | 55 355 | 126 166 | 175 148 | 2366 | 316 |
| Bulgária (3) | 225 | 3 452 | 7 521 | 10 347 | 4599 | 300 |
| Csehszlovákia (4) | 1276 | 6 739 | 12 171 | 16 473 | 1291 | 244 |
| Lengyelország (5) | 1172 | 6 440 | 17 057 | 21 515 | 1836 | 334 |
| Magyarország (6) | 580 | 4 303 | 8 645 | 16 151 | 2785 | 385 |
| NDK (7) | 788 | 8 479 | 15 930 | 20 745 | 2632 | 245 |
| Románia (8) | 410 | 3 428 | 7 960 | 11 519 | 2810 | 336 |
| Szovjetunió (9) | 2925 | 22 079 | 50 704 | 70 224 | 2401 | 318 |

Key:
1. Million rubles
2. CEMA
3. Bulgaria
4. CSSR
5. Poland
6. Hungary
7. GDR
8. Romania
9. Soviet Union

Table 5. Percentage Increase in Per Capita Foreign Trade, National Income and Industrial Production

| | Külkereskedelmi forgalom növekedése / Ipari termelés növekedése (1) | | Külkereskedelmi forgalom növekedése / Nemzeti jövedelem növekedése (2) | |
|---|---|---|---|---|
| | 1960 | 1977 | 1960 | 1977 |
| Bulgária (3) | 230 | 265 | 290 | 280 |
| Csehszlovákia (4) | 210 | 200 | 215 | 200 |
| Lengyelország (5) | 115 | 130 | 130 | 130 |
| Magyarország (6) | 210 | 335 | 200 | 445 |
| NDK (7) | 210 | 225 | 295 | 220 |
| Románia (8) | 130 | 110 | 190 | 120 |

Key:
1. Increase in foreign trade/increase in industrial production
2. Increase in foreign trade/increase in national income
3. Bulgaria
4. CSSR
5. Poland
6. Hungary
7. GDR
8. Romania

If we compare the dynamics of foreign trade in the period of detente with the values that were developed in the entire period of socialist industrialization, we obtain the following interesting picture.

The data in the two tables speak for themselves. Table 5 shows several characteristic features of the international work distribution participation of certain countries with special regard to the 1970's.

First of all, the autarkic trends of the CSSR economy are particularly conspicuous for the entire period, but particularly the detente years. Given the country's traditionally high development level, its small size and poor raw material resources, this trend is contradictory in the judgment of CSSR economists. Generally, the country's size makes it impossible for it to exploit the advantages of large serial manufacture, whereas even the excessively wide range of domestic production has led to low efficiency in the separate activities and a neglect of the advantages of international specialization according to comparative benefits. The other striking data are from the GDR. In the 1970's it was exactly the GDR that attained the lowest foreign trade dynamics among CEMA countries. Although in case of the GDR the foreign trade dynamics do not lag behind the CEMA average over the long term (an average which is determined to the greatest extent, of course, by the largest partner, the Soviet Union), it is still worthy of note that the inward-turning nature of economic development was strengthened exactly when more than 120 countries had already recognized GDR statehood. Nor is it less interesting that Bulgaria, whose relative openness declined (as measured by CEMA standards) in the 1970's, was the country where socialist industrialization was for the most part characterized by a "growth of foreign-trade orientation." Poland's development is accompanied by unaccustomed trends. In contrast to the views deriving from the recent extreme indebtedness of the country, the Polish foreign economic openness, in international comparison, can in no way be regarded as excessive, since the extent of it between 1970 and 1978 does not exceed the CEMA value average (which corresponds to the Soviet value). What appears as even more surprising is that despite the often-condemned explicit efforts of the Gierek leadership, the relative openness of Polish industry has not been increased. In the opinion of competent and official Polish economists, this gives witness to the survival of the inward-turning, import-substitute industrial strategy of the 1960's and 1970's. The investment expansion which in the beginning of the 1970's gradually became an economic reform substitute that was put into the plan meant that while the volume of investments between 1971 and 1975 increased by 20 percent as compared to 8 percent between 1966 and 1970, exports, at unchanged prices, increased only 10.7 percent from the 1966-1970 annual average of 9.6 percent, and between 1976-1979 by 6 percent. This indicates that most of the investments did not serve export goals, the traditional directive economic system did not give incentive to and compel the enterprise to adjust to the world market, to increase exports, since the overheated domestic market could suck everything in, and suck it did.

Romanian commercial data give witness of an average participation in international work distribution, and it is still worth noting the feature that the relative openness of Romanian industry declined, which reflects the development practice that unfolded in the middle third of the 1970's with reliance on one's own resources. Hungary's above-average intensity of participation in international work distribution derives only partly from a more receptive development policy toward international industrial cooperation and, on the other hand, it develops from that feature of economic development practice conducted between 1973 and 1978 according to which after the first oil price explosion those import and energy-intensive developments (as a matter of fact, new ones were started) continued undisturbed such as the petrochemical development and iron metallurgy reconstruction programs, and in agriculture the central program for large-operation beef production where the use of large volumes of imported raw materials, semifinished products and technologies were necessary, while the share of value added by Hungarian work was relatively small. Parallel with the survival of the import-substitute nature of development, this became an important source, even to a determining extent, of the structural nature of the payments balance problem, the overcoming of which rightly became the central priority of economic policy, subordinating everything else after December 1978

Table 6. Increase in Gross Agricultural Production in East European Countries (annual average, in percent)

| | 1971—1975 | 1976—1980 amiből (1) | 1976 | 1977 | 1978 | 1979 | 1980 |
|---|---|---|---|---|---|---|---|
| Bulgária (2) | 3,0 | 0,9 | 4,1 | —4,6 | 4,3 | 6,0 | —4,8 |
| Csehszlovákia (3) | 2,7 | 1,7 | —2,4 | 7,9 | 1,5 | —3,9 | 6,0 |
| Lengyelország (4) | 3,5 | —1,4 | —1,1 | 1,4 | 4,1— | 1,5 | —9,6 |
| Magyarország (5) | 4,7 | 2,3 | —2,7 | 10,3 | 2,0 | —1,1 | 3,4 |
| NDK (6) | 2,9 | 1,0 | —5,8 | 7,2 | 1,4 | 2,5 | 0,2 |
| Románia (7) | 6,5 | 3,4 | 17,3 | —1,3 | 2,4 | 5,0 | —5,0 |
| Szovjetunió (8) | 0,6 | 1,2 | 6,5 | 4,0 | 2,7 | —3,8 | —3,0 |

Key:
1. of which
2. Bulgaria
3. CSSR
4. Poland
5. Hungary
6. GDR
7. Romania
8. Soviet Union

Agriculture and the World Market

Table 6 gives a comprehensive picture of agricultural development. It is worth drawing attention to two factors: one is that in this area, too, a decline in the growth rate is observable, the other is the extremely great annual fluctuation in production, which can only be partly ascribed to weather factors

since sensitivity to climatic conditions itself is one of the quality indexes that characterizes the development level of the agrarian sector.

Perhaps the most interesting feature of the area studied is that the East European countries are constrained to an increasing extent to the use of CEMA imports. This is related primarily to the large volume of grain imports of the two largest CEMA countries, the Soviet Union and Poland (and also the GDR and CSSR). Here of primary importance is the extent of Soviet grain imports and their continuity since this is the differentiation sign that developed in the 1970's. In the 1950's and 1960's, as is well known, the East European countries were able to make up for occasional shortages from the Soviet Union, that is, from within CEMA sources, since the Soviets were traditional net grain exporters.

It is also worth noting that with the large-scale revision of world market price ratios following 1973, agricultural values were relatively upward evaluated. Related to this is the fact that many East European socialist countries, including the GDR and CSSR, first of all in 1976-1980 and then in the 1981-1985 plan period drew up agrarian self-sufficiency goals. Nor can we lose sight of the fact that in both of the above-mentioned countries as well as in Hungary, Romania and Bulgaria a regular net agricultural surplus and agricultural development assumes the import of animal fodders and of fertilizers and moreover in some cases the acquisition of agricultural technology and breeding animals from developed capitalist country suppliers. In no way can this "dependence" be judged harmful since the import of the above-mentioned items contributes to protection of living standards, and in fact to creating one of the most important entries for a convertible export goods base in all the East European countries (including the GDR and CSSR). The fact of a "dependency situation" affirms the requirement justified also by many other factors that the East European countries today must intensify their participation in world-economic (global) work distribution primarily through the export side, and not by striving to reduce ("optimize") it.

The compulsion and the demand for an export orientation is intensified for Eastern Europe also by the changes taking place in the energy sector. Although the CEMA community as a whole was always a net energy exporter, since the Soviet Union is one of the world's largest producers of petroleum, natural gas, electricity, wood, hard coal and other energy sources, the smaller CEMA countries can in no way be regarded as self-sufficient in this area, as was always the situation ever since the beginning of socialist industrialization. All of socialist industrial development was built on the relative abundance of Soviet fuels and raw materials. The subbranches manufacturing semiprocessed and finished products in the small countries were built in good part on the processing of Soviet raw materials, and the products were developed according to the market needs of the CEMA partners, above all the Soviet Union.

At the same time, Soviet fuel and raw material deliveries increased at a declining rate in the 1970's and on the basis of plan coordination results for 1981-1985 the volume of Soviet fuel and raw material deliveries in a given period will not increase above the 1980 level. From the aspect of adjustment to the world economy, two factors merit special attention.

One important development is that in response to the new CEMA price formation introduced after the first explosion of oil prices the absolute and relative rise in the prices of energy sources was gradually implemented in CEMA trade, too, and the East European countries reacted to this by increasing the production of the generally uneconomic but domestic (that is, "secure" and "subject to planning") energy sources. This meant, above all, the development of uneconomic brown coal mining that is damaging to the environment, or the increased construction of power works built on poor-quality brown coal and lignite. This investment trend obviously had a limiting effect on the real economic growth possibilities of those countries--including among others the GDR, CSSR, and Hungary--where between 1976 and 1980 more than one-third of the industrial investments were placed into brown coal mining or lignite-based energetics subbranches, which are low in average economic efficiency. Nevertheless, even at the cost of these exceptional efforts they did not succeed in fully satisfying the energy requirements in the given economic structure and mechanism. It is not only the question of a power currency shortage which affects all CEMA countries as a result of which from time to time the systematic interruption of service to large consumers has become necessary (which obviously can lead to economic losses) but also of such memorable "energy crisis situations" as affect the population broadly, such as the ones reported in the winter of 1979-1980 and 1980-1981 by the press in the GDR and CSSR.

Another important feature is that between 1973 and 1980 the material- and energy-intensive subbranches (for example, olefin chemistry, iron and steel metallurgy, heavy machinery manufacture, and large-scale livestock breeding) continued to have great importance in the economic structure of all the East European countries, and that in most of the countries between 1973-1980 gross production, realized production or net production value-type indexes continued unchanged at the center of the interest-incentive system. The reason for this is that the energy intensiveness of economic growth in Eastern Europe did not decline substantially between 1973 and 1979, but rather continued significantly to exceed (in some cases by two or three times) the level in the developed capitalist countries. For example, the energy intensiveness of GNP growth in 1978 was 1.6 in Bulgaria, and the CSSR, 1.5 in Poland and the Soviet Union, 1.0 in Hungary, 2.3 in Romania, and 0.9 in Yugoslavia, while at the same time it was 1.0 in Great Britain, 0.5 in Japan, 0.6 in Sweden, Austria and the Netherlands, 0.5 in France, and 0.3 in Switzerland (Balkay 1981). Among these the data for small energy-importing countries of comparable size appears to be standard.

Consequently, there are two possible solutions for the East European countries. According to one, the energy-intensive nature of economic development must be reduced through an export-oriented economic policy, decentralization through management system changes and the spread, to an important degree, of imported, modern technical solutions, if necessary even at the price of reducing energy-greedy subbranches and closing down the affected operations. To quote the CSSR economists, this means the surrender of the supply-oriented approach concentrated on the acquisition of resources, and the limitation of the demand side in a self-containing way by changing the direction of the final achievement and efficiency growth. The second possibility is a solution often proposed by Soviet economists, namely, that in order to cover the energy demands of the small CEMA countries they must rely to a substantially greater extent than before on work distribution to be developed with the developing countries.[9] First let us take a look at this latter possibility!

## Alternatives of "East-South" Work Distribution

It is no secret that in the decade of the 1970's the share of CEMA countries both in the total exports and total imports of developing countries declined, and similarly the share of the developing countries also declined in the total trade and imports of the CEMA countries. "East-South" trade in 1978 made up 1.1 percent of world trade. The main commodity structural ratios of trade between socialist and developing countries is summarized in Table 7.

Table 7. Structure of Trade by Developing Countries with CEMA Countries (together with the Soviet Union, in percent)

| Árucsoport (1) | A fejlődők (2) kivitelében (3) 1955 | 1970 | 1977 | behozatalában (4) 1975 | 1970 | 1977 |
|---|---|---|---|---|---|---|
| Élelmiszerek (5) | 41,7 | 48,4 | 52,5 | 5,0 | 9,2 | 7,9 |
| Mezőgazdasági nyersanyagok (6) | 51,5 | 24,9 | 11,4 | 7,3 | 2,7 | 3,2 |
| Fémek, ásványok (7) | 2,7 | 10,7 | 6,4 | 6,7 | 7,1 | 4,7 |
| Energiahordozók (8) | 0,5 | 1,6 | 20,5 | 10,0 | 4,6 | 9,2 |
| Ipari cikkek (9) | 3,6 | 14,5 | 10,0 | 46,0 | 51,6 | 41,9 |
| ebből vegyi termékek (10) | 1,7 | 1,5 | 1,2 | 3,6 | 4,0 | 4,6 |
| gépek (11) | — | 0,2 | 0,3 | 19,4 | 37,2 | 28,2 |
| ipari cikk (12) | 1,9 | 12,8 | 8,5 | 23,1 | 10,4 | 9,1 |
| Egyéb (13) | 0,4 | 9,9 | 9,1 | 25,0 | 24,8 | 33,1 |

[Key follows on next page]

[9] In the framework of this concept, Istvan Tobozi made proposals in this periodical (1982, pp 12-37) regarding the working out of an economic collaboration condition system.

Key to Table 7.

1. Commodity group
2. of the developing countries
3. in exports
4. in imports
5. Foods
6. Agricultural raw materials
7. Metals, minerals
8. Energy sources
9. Industrial items
10. of this, chemical products
11. machinery
12. industrial items
13. Other

The most striking feature of the change in the commercial structure is the increase in the share of energy sources and foods and the decline in the ratio of industrial items in exports by developing countries to the CEMA countries. Industrial items always made up the lion's share of exports by the East European countries. Since the unspecified "other" category in the UN statistics consists chiefly of industrial items (among other things, weapons), the traditional and "patriarchal" nature of East-South work distribution is obvious.

In addition to the possibilities of industrial work distribution between the socialist and developing countries, it is necessary to keep in mind the constraints. The constraints should be understood in two ways. On one hand, on the West European markets--at present and for the near future the major extraregional market of the East European countries--there developed in the middle third of the 1970's an increasing competition for the marketing of materials, energy, and the products of unskilled and simple labor-intensive subbranches, since as a consequence of the parallel maturing of socialist and developing country industrialization a structural oversupply of world dimensions developed. From the market aspect, this means that the exports of such a group of countries puts pressure on East European exports, for in addition to comparative advantages, they also enjoy benefits deriving from preferred commercial-political treatment. On the other hand, under the limits of the given economic mechanism there is a general manpower shortage in the East European countries, particularly in the work-intensive lines of unskilled or little skilled work. Consequently, it would be purposeful to "export" this manpower shortage to the developing states, which to a significant degree are struggling with a manpower surplus. This would mean that over the long term the countries of the "East" would arrange to import the products of the above-mentioned subbranches from the "South." Such a decision would draw in its wake the elimination of the backward branches, in other words, it would be necessary to accept the "cost" of domestic political-social tensions with factory closings or the retraining of workers in a given line of work. At the same time, we should not forget that the recommended structural policy would increase the economic efficiency of the East European countries to a great extent, because it would make it possible for them to specialize and join on the basis of comparative advantages in international work distribution, and at the same

time they could fulfill at lower costs and a higher level the producer and consumer demands for the products from the underdeveloped and unspecialized areas. This would raise living standards and at the same time (in the ratio of producer consumption) improve the competiveness of exports from the cost aspect.

In my opinion, the above economic-political decision is the basis for all such "East-South" dialogues which, in addition to intellectual diplomatic conceptualizations, can also lead to tangible and practical economic results. This would also make it possible for the East European countries not only to be present at negotiations related to the new economic world order but to pass from the defensive to the offensive ("we were not the colonists"). In this way, East Europe, going beyond long-existing support in principle, could also contribute practically to the efforts of the Third World at industrialization. And it could do this by giving up that aborted, traditional mode of approach--which is still widely held in certain "East" and "South" circles--that the East-South relationship should be conceived primarily as a problem of assistance and in its place realize in the practical sense a long-term structural work distribution built on the sound self-interests of both sides.

As for the earlier outlined approach to East-South work distribution from the aspect of the energy acquisition demands of the small CEMA countries, it is clear from the foregoing that in addition to maintaining the traditional structure of East-West trade, and in fact with an energy-centered approach, the unavoidable strengthening of this patriarchal character would be in contradiction to the general lines of structural development in the world economy as well as to the industrialization efforts at development in countries which have already stood the test of experience. We are not only speaking of the fact that by announcing this kind of work distribution idea the Third World partners concerned would hardly find it attractive. It is more essential that such an international economic relation system, in my view, could not even be realized. The domestic literature has already rightly pointed out that from the point of view of the importer the system of raw-material supply contracts, which has been given a prominent place in the above concept, does not at all afford greater "supply security" than the customary market conditions for material and fuel purchases (with respect, of course, to market characteristics). Moreover, the South--from an extremely pragmatic East European point of view--can be divided into three groups:

--The OPEC and other fuel- and material-producing countries with ability to pay. This market is no easier to win than West Europe or the developed capitalist markets overseas. It would be a serious mistake if anyone were to regard this area as easy terrain. Beyond the obvious political points of view, these countries can essentially choose as they please from the world supply scale, and thus it is not simple to gain ground for the exports of the East European countries which are characterized by poor- and medium-quality supply. Naturally, one of the important limiting factors of commercial competiveness

is that today the East European countries are often not able to offer the internationally customary, sometimes long-term credits in supplying the infrastructural facilities of machinery and heavy equipment.

--The so-called newly industrializing countries (NIC). Here, on one hand, the competition from the developed Western countries is as strong as it was in case of the previous group, and, on the other hand, from here it is not possible to acquire primarily fuels and raw materials because most of these countries themselves have to import some of this commodity group.

--The "fourth world," or in other words, the least developed countries (LDC). Cooperation possibilities are extremely limited. The East European countries cannot increase their exports to these countries aside from liquidation considerations, without worsening their already very strained payments balance situation. In the 1980's, we look at a decade which will be characterized by a general and large-scale curtailment of investments, stagnation and occasional reduction of living standards, social tensions that unavoidably accompany structural change and a restraint on business policy. They simply are not in the position to furnish, in advance of payment, development means which cost large sums of money or to work out and deliver developed, technical processes which are absolutely necessary for the economic exploitation of almost undiscovered natural resources. On the contrary, if they are to exploit the fuel and raw material economy latent in CEMA integration--which today is almost the same as an exclusively Siberian development--they themselves are constrained to import the most developed Western technology as a consequence of many factors detailed elsewhere. Examples of this, among others, are the "transaction of the century," the Soviet-FRG natural gas transaction originally planned for 1974, and the joint CEMA investments--including the Orenburg alliance gas pipelines for which both the technology and pipes of appropriate diameter had to be imported from the West. It follows from the foregoing that Western imports are necessary for the East European countries both for the acquisition of fuels under more difficult natural conditions and for the significant reduction of consumption in relation to the technical modernization of producer fixed funds. Obviously, this can be acquired only in return for export achievements realized on the markets of the developed capitalist countries. This is one of the factors why the CEMA countries regard East-West and East-South cooperation as a sphere of questions indivisible one from the other. For East Europe any plan for the new economic world order is inconceivable which does not take East-West relations into account or regards the two relation systems as replaceable even partly, one by the other.

In the interest of the offensive outlined above, it appears above all necessary that the East European countries should abandon their historically developed economic development strategy of import substitution. The internal conditions of development also require that these states turn to an export-oriented economic policy in the sense that all the other elements of economic policy

(industrial, income-distribution, training and employment policy) should be clearly subordinated to this task. At the same time, we cannot lose sight of the fact that the solution to such a task demands a mighty effort from the governmental system. Extremely strong individual, group and institutional (among others, regional) interests are linked to the economic and related power relations which have developed during the decades of import substitution, and these interests want to maintain the existing structure and to expand reproduction.

The successful realization of an export-oriented, offensive development policy also assumes at the same time the comprehensive reform of the traditional plan-dismantling economic mechanisms (that is, the exchange for another regulated market-management model). The real external and internal economic situation of the East European countries and the economic and foreign-political priorities alike have changed substantially since the plan-directive economic mechanism was introduced in the 1940's. The recentralization trend of the 1970's has not proved convincing, and in fact the possibilities of its viability are not even in the perspective of the whole 1980's.

The important difference in our days is that, as compared to the reform wave of the 1960's and the growth-accelerating trend of the 1970's, the economic policy at present of every East European country has recognized that the foreign-economic and management-system factors are closely related to each other. In each country, measures have been taken that are starting to dissolve the complete isolation that was again created in the 1970's in the domestic and world economic sphere. This trend exists most tangibly in the case of Hungary and to a certain extent Poland, where the spread or implementation of the comprehensive reform of the economic mechanism is directly linked with the foreign-economic difficulties of the country.

The other East European countries are taking extremely noteworthy steps, even though within the limits of the plan-directive system. Similar to the measures taken in Hungary in October 1981, Romania, for example, has introduced the unified exchange rate for the lei within the framework of the officially declared goals of the convertibility of national currency. From the institutional aspect, the GDR has established an organic relationship between production and foreign trade in that it has linked the specialized foreign-trade enterprises to the industrial combines (in various organizational forms). The CSSR is gradually bringing the relative prices of fuels and raw materials closer to the world level in harmony with intra-CEMA changes. The first step was the simple revision of the fuel and raw-material producer prices first in 1979 and then in 1981 (in some cases a 50 percent increase), which will be carried over into further phases of the processing industry price revision planned for 1982. It is once again beginning to apply the recurring foreign-currency credit program and it is being debated whether the base of the official producer prices should be in part the actual import price in place of domestic

price cost. Bulgaria introduced management measures in 1979 which are called the "new economic mechanism"; it was a strong and central element in directly linking domestic prices to the foreign market (primarily CEMA) prices. It is the common characteristic of the management measures taken by all the East European countries that they do not regard these steps, taken in relation with new developments in the world economy, as a completed process. The view is generally accepted that the economic mechanisms of all the East European socialist countries must be developed further in order that the individual national economies will be more sensitive to changes in the world economy and they can adjust to these changes more flexibly.

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GREATER CEMA TECHNICAL COOPERATION URGED

Bucharest REVISTA ECONOMICA in Romanian No 20, 21 May 82 pp 11-12

/Article by Aurelia Resiga: "Romania's Technical-Scientific Collaboration with CEMA Countries"/

/Text/ Science and technology cannot develop under the best conditions without regular meetings and contacts among the scholars and specialists in various countries. The regular flow of information has always been a stimulating factor and therefore absolutely necessary to the creative process.

Now that the role of science in social development has grown spectacularly, man's progress is inconceivable without extensive use of the scientific advances made in various countries and without close international collaboration among scientists.

Engaged as it is in a sustained effort toward economic development that will place us among the states with medium development, Romania is particularly interested in prompt and efficient use of modern scientific and technical advances. Moreover the achievements of Romanian science can also make valuable contributions to general scientific-technical progress.

Romania constantly emphasizes collaboration with the socialist countries in its international scientific-technical relations, being keenly interested in solving, by joint efforts, some research and development problems highly critical to its national economy. According to the said directive-program for research, those problems concern exploitation of the reserves of raw materials, fuels and power, expedited development of nuclear power engineering, accelerated use of new energy sources, and promotion of modern technologies in metallurgy, chemistry, machine building, electronics, agriculture and the food industry.

Expansion and diversification of the socialist countries' economic potential and the rapid development of their productive forces has enhanced the role of science and technology in their economies and the importance they attach to scientific-technical progress in building the new society.

As a natural result of their internal development and in order to meet its requirements, the socialist CEMA countries have consistently expanded and intensified their technical-scientific relations. This process was greatly affected by supplementing

and consequently strengthening direct cooperation in the form of the bilateral mixed governmental commissions by organizing multilateral collaboration among those countries.

Accordingly, a broad organizational framework for multilateral collaboration was gradually adopted by creating a large number of economic and scientific-technical international organizations and international research institutes, centers , laboratories and collectives, and also by concluding over 150 multilateral agreements for collaboration on specific research problems.

This framework permits scientific-technical collaboration among the central organs in that field, the economic ministries and the scientific academies, as well as extensive direct cooperation among the research organizations, industrial centrals and enterprises.

The problems treated in collaboration are highly varied and in such important fields as scientific-technical forecasting, research and development, documentation, patents and inventions, improvement of scientific personnel, technical-material resources for research, etc.

The forms of cooperation in use vary with the levels of the organs or organizations of the collaborating countries, extent of application of the results, the period for which collaboration is arranged, and especially the nature of the program or field of collaboration.

Consultations on the main problems of scientific-technical policy held on the decision-making levels in the countries' central organs have proved useful for mutual determination of the policies on the trends of technical progress and for organization of research and of assimilation of the results in production. These consultations also include exchange of views on the progress of collaboration, the bottlenecks in it, and the priorities to be emphasized.

Coordination of research projects of mutual interest is the form of collaboration most frequently used in the CEMA countries' scientific-technical collaboration. It has occasioned a broad exchange of information on the research findings, regular contact among specialists, and systematic knowledge of the various scientific opinions and hypotheses. It has facilitated mutual access to the scientific-technical values, with good effects to the advantage of the partners.

Of course the most efficient form of collaboration would have been cooperation on research, planning and assimilation of the results in production on the basis of contractual agreements among the collaborating organizations, including firm commitments of the partners and specific terms of collaboration, and that result was expected by the countries when they concluded the said multilateral agreements. But this form of cooperation has not yet reached the desired development in the multilateral framework, and exchange of information on the research results is still the chief form of collaboration. This situation has encouraged the widespread development of collaboration with no provision for any division of labor in research or maintenance of the quality of the exchanged information at a satisfactory level. Note that the most conclusive results in that respect have been obtained bilaterally through cooperation arranged within the countries' mixed governmental commissions.

Forms of collaboration involving temporary combination of the material and manpower resources of partners interested in solving particular research and development problems of major importance within a specific deadline and in the so-called temporary international collectives of specialists or other such forms have proved effective and consequently should be used where they prove suitable. But the results of collaboration indicate the necessity of avoiding organization of international budgetary forms operating on the basis of the countries' contributions, because they usually encourage activities with no practical effectiveness for the countries.

Active Presence, Notable Contributions in Various Fields of Research

CEMA plays an outstanding part in determining the structure, forms and problems of the CEMA countries' multilateral scientific-technical collaboration. That organization conducts an extensive activity of methodological-organizational, financial and legal guidance for all forms and units of the said collaboration, in addition to its own effort to organize this collaboration in the main economic sectors and fields.

CEMA is also the framework wherein the member nations' organs and organizations prepare the draft agreements for collaboration and analyze the results periodically.

The 25th Session of CEMA in July of this year in Sophia, on the level of the heads of the member countries' governments, was such an occasion for analysis. Among other problems important to the member countries' economies, they also analyzed further improvement of scientific-technical collaboration to create modern technologies and equipment and new materials and to expedite their introduction in production.

Romania's participation in the CEMA countries' multilateral scientific-technical collaboration is very active, for purposes of better use of its own research effort and aiding the transfer of advanced technologies. Thus Romania participates in the Unified Institute for Nuclear Research (Dubna, USSR), in the International Center for Scientific-Technical Information (Moscow), and in the international conferences on basic research and space research activities.

An international laboratory was founded for the CEMA countries under the Cimpina Research and Design Institute for Petroleum and Gases, which studies fluids and cement pastes for drilling oil and gas wells. Specialists in Romanian research institutes participate in the temporary international research collectives for reactor physics (Budapest) and for processing waste paper in a mixture (Lodz), and they collaborate with such collectives formed for problems of selection of wheat and barley varieties and of embryo transplants in cattle.

Menawhile Romanian research organizations are collaborating with their partners in the CEMA countries under more than 100 agreements for multilateral collaboration concluded in the last 10 years. In connection with the signed agreements Romania coordinates operations for a great many projects of particular interest to the Romanian institutes and, for the same purpose, it performs the function of a coordinating center for five agreements on such important research and development problems as rarationalization of drilling processes, direct reduction of the iron in ore, acoustics in construction, nondestructive testing methods in construction, automation means, and telemechanics and telecommunications in transportation.

The extensive and varied problems in which the Romanian research organizations participate flow from their own research plans and are in the fields important to the national economy.

A group of such problems of particular interest to Romania concern expansion of the fuel and energy resources as well as conservation and better use of the resources Romania has. These include development of technologies for rational management of enery resources, recovery of secondary energy resources, better use of coal (including inferior coking coal), crude oil and gases, use of nuclear enery, obtaining energy from new, unconventional sources, construction of highly efficient power installations, etc.

Problems of research on development of the raw material base are of equally great interest, such as development of geological and geophysical equipment, as well as technological processes and equipment for highly efficient processing of mineral raw material resources, especially those with a low content of useful substances, better exploitation of rare metal and nonferrous ores, etc.

The Romanian specialists in ferrous metallurgy are collaborating with the researchers in the partner countries to perfect the technologies for production of special steels and rolled products, for more intensive use of the metal, including metal wastes from the metallurgical processes, etc.

Collaboration in the field of chemistry is producing good results, especially in development of new and highly effective chemical products like plastics and synthetic fibers, the low-tonnage products, proteins and enzymes for agriculture, and industrial catalysts. The Romanian specialists are also interested in better exploitation of crude oil and gases, development of petrochemistry and organic synthesis, use of raw materials other than petroleum, and recovery and exploitation of used chemical raw materials.

Romania is also actively collaborating on the peak sectors of the economy in order to develop and assimilate modern, highly productive equipment and technologies consuming less fuels, energy and materials as well as equipment for automated control of the production processes. Accordingly the Romanian research organizations are participating in more than 45 agreements for scientific-technical collaboration on machine building and the electrotechnical industry, where major results have been obtained in shipbuilding and ship equipment, road construction equipment, agricultural machines and machine systems, the bearings industry, the automotive industry, welding equipment, etc.

In the field of agriculture and the food industry, the Romanian researchers are collaborating effectively with their partners on increasing livestock production by transplanting embryos, especially in cattle, and good livestock foddering, and raising the agricultural output by developing new and highly productive varieties of plants and new types of fertilizers with better properties, by creating systems for integrated pest control, and by recultivating lands impaired by mines.

Increasing the productivity and promptness of shipping by rail and highway and in containers is another important field of scientific-technical collaboration showing considerable results.

Important cooperative programs are being implemented in the field of outer space research, in pursuance of the conference of the national organs for space activities in the CEMA countries, through the development by Romanian specialists and testing on Soviet satellites and spaceships (including the one on which the Romanian cosmonaut flew) of a number of highly important devices for outer space research. Their

production will give Romania an important place among the countries producing such devices.

Economic Effects Warranting Consolidation of Cooperation by Firm Contracts

Scientific-technical cooperation helped to enhance direct ties between the Romanian research organizations, centrals and enterprises and the comparable organizations in in the other countries. This facilitated exchange of experience and mutual knowledge of the results.

In the course of collaboration scientific-technical measures were developed jointly, technical parameters and standards for machines, equipment and technologies were adopted, and expertise was effected. All this helped to lower the costs of research, design and assimilation of some products, equipment and technologies, especially by advancing the planned research deadlines, to reduce some inputs of raw materials, fuels and energy, to eliminate some imports and to create conditions for expanding the exports in the CEMA countries.

Despite the good results recorded, the contribution of scientific-technical collaboration to the development of the national economies is below its potentials. It has not contributed enough to the solution of some major problems of technical and technological progress or to the development of products, machines, equipment and technologies with superior parameters comparable to those on the world level to replace the expensive imports of licenses and highly productive technologies and equipment from other countries paid for in convertible foreign exchange.

In view of Romania's keen interest in considerably increasing the effectiveness of scientific-technical collaboration, the head of the Romanian delegation to the CEMA session in Sophia criticized in his comments the present dispersion of collaboration over an unduly large number of subjects, often of little importance or urgency, and emphasized the need of concentrating the joint efforts upon the solution of some priority problems of development of the countries' economies in connection with growth of labor productivity and substantial reduction of consumption. The problems of scientific-technical collaboration of particular interest to Romania, also stressed on this occasion, are development of methods for better processing of energy resources and mineral raw materials, development of modern equipment to lower the inputs of fuels, energy and materials as well as machine systems for overall automation of the production processes, and assimilation of new products with technical-economic characteristics up to the best performances in the world, which the CEMA countries now have to import for convertible foreign exchange.

Orientation of all scientific-technical collaboration to obtain definite results in the form of advanced technologies, models, licenses etc. as quickly as possible was discussed in this connection and in connection with more extensive use of the contractual forms of collaboration including well-defined deadlines and objectives.

The experience acquired in these relations justifies us in maintaining that fulfillment of the provisions adopted at the session of the Council concerning strict selection of the problems of mutual interest with prospects of solution by collaboration and concentration of the joint efforts upon them, organization of collaboration on the basis of contracts with firm obligations to the participants, and preparation of cooperative programs for the whole cycle from research to assimilation of the findings and organization of specialization and cooperation in production can lead to a substantial gain in the effectiveness of this activity.

5186
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SHORTAGE, POOR QUALITY OF CERTAIN CONSUMER GOODS CRITICIZED

Sofia OTECHESTVEN FRONT in Bulgarian 28 May 82 p 4

[Article by Metodi Genov: "'Iron' Rules of Small Hardware Items"]

> [Text] Why is it that precisely the items in demand are unavailable at the marketplace? Who will resolve the problems of the "producer-merchant-consumer" triangle?
>
> Anyone who takes up a project immediately comes across the "not available" feature in our hardware stores. There are no bolts, nuts, hinges, or zinc-plated wire. Even the most ordinary bolts are lacking, not to mention bolts of the "federshayba" variety, which have never been procured.

We have already become accustomed to the lack of even the simplest and most basic small hardware items. This has been confirmed in recent months as a result of extensive observations and investigations conducted by control organs in a number of okrugs, trade organizations, stores and manufacturers. The data supplied by the trade organizations generally clarify the condition regarding the production and trade in hardware goods. The substantial gap between production and consumer demand has been unquestionably established.

The information provided by the Blagoevgrad Okrug people's council states that ". . . The contracted for varieties and quantities do not meet the needs of the market. Limited quantities of items are offered by state and cooperative enterprises and every year variety is declining. Essentially only more expensive items are offered and only 70 to 80 percent of the orders are accepted. . . ." The orders themselves are based on a 1969 list which does not reflect increased requirements. That is why "shortages exceed 60 percent."

Last year, the Wholesale Trade Okrug Enterprise in Tolbukhin requested from the Stoyan Buchvarov Plant in Sevlievo 56,000 water taps but had to settle for no more than 7,860. The enterprise requested 13,220 tub and sink units but received 2,586; only one-half of the spare parts for water main systems needed by the okrug could be contracted for. The Surp i Chuk Plant in Stara Zagora sent to the Tolbukhin trade enterprise only symbolic quantities of axes and adzes; the Metal Plant in Varna delivered only 600 padlocks although 8,000 were requested. The Stakhanov Labor Cooperative in Petrich, the Granichar DMS in Momchilgrad,

the Petko Denev Plant in Gabrovo and dozens of other enterprises are fulfilling their contractual obligations toward this okrug on a level which is far below their possibilities.

Store shelves are empty not only in Tolbukhin but in the other okrugs as well. For example, contracts were signed for no more than 7 to 63 percent of the requested metal casings, fittings, straight shovels and picks, axes, adzes, plumbing equipment, instruments, and others, requested by the Trade Economic Enterprise and the Wholesale Trade Okrug Enterprise in Varna for the second half of the year. It is precisely in Varna Okrug, which has a large number of enterprises engaged in the production of small hardware items, that shortages are particularly severe'

Unquestionably, the main culprits for the lack of petty hardware items are the producers. However, many commercial workers are still unfamiliar with actual population requirements, for they do not systematically study consumer demand.

Good Management Requires Knowledge of the Market

The information supplied by the okrug Wholesale Trade State Economic Trust enterprises and some "trade bases" and specialized stores indicates that most of the stores are unfamiliar with approximately what volume and type of goods are included in the "nomenclature" of petty hardware items. With the exception of several stores in Vidin and Blagoevgrad, there is unfamiliarity with the so-called "minimum variety" which indicates the type of orders to be placed.

The manager of the specialized store on No 75 Georgi Dimitrov Boulevard in Sofia, states that the nomenclature of petty hardware items includes more than 350 varieties; the manageress of the store on No 11 Zhdanov Street in Sofia claims that both last and this year the variety included from 120 to 130 different items; about 100 are regularly available while some 30 items are received after substantial time intervals. Other reports inform us that there are 800, 900 or 1,000 varieties (Veliko Turnovo), that there were 1,500 4 to 5 years ago and that they now number 1,800 (Gabrovo), etc. The same reports inform us that the stores carry regularly 50 to 60 varieties or, occasionally, some 100, which are sold out rapidly.

It turns out that commercial workers are simply unaware of or uninterested in what their stores should stock.

Many of them work on the principle of "whatever they give us we sell." This carelessness unquestionably begins with the producers. However, who will defend the interests of the consumers if not the trade worker?

During the past 10 to 15 years the possibilities of state and cooperative industrial enterprises have increased considerably. That is precisely why we cannot be satisfied with the condition on the market for petty hardware goods. Some 100 new types of varieties have appeared. Meanwhile, however, two to three times more traditional items have vanished.

Who is the culprit? On the one hand, we have a firm production base and, on the other, a secure market. In the middle, however, it is the trade organization, which many people are inclined to accuse of inability to organize a good market.

"Is poor quality the reason for shortages?"

Here is what our reader Vasil Popov, No 16 Aton Street, Plovdiv, writes: "Last year I bought a straight shovel. However, I had barely shoveled out a square meter of earth when the edge began to bend, followed by the middle. I had to throw it away. I bought a second, which was no better than the first. Is it difficult to make such goods last years on end? In such a case they would always be available. The same applies to saws--hand and double. Most frequently the teeth are dulled (particularly in the double). The moment this occurs, the tool must be discarded, for there are no spares. Recently ordinary saws with an iron beam appeared on the market. Someone must have missed something, for the saw is so heavy that it exhausts the people. Axes are equally substandard with large pores and bent tips. Had all of these cutting tools been qualitatively made, in all likelihood there would have been no shortages!"

The investigation revealed that most small hardware goods are indeed defective, with airpockets, corrosion on the surface, poorly cut teeth and other seemingly minor faults which become apparent mainly when the tool is used.

The Wholesale Trade Okrug Enterprise in Varna as well complained of receiving substandard small hardware goods. Nearly one-third of the pliers supplied from the Arda Plant in Kurdzhali were corroded and had to be sent back. After a while, pliers with "improved" appearance were received, but their defects reappeared 3 to 4 months later. The pliers remained unsold and the trade organization is refusing to sign a new contract with the same enterprise. Hand pumps for wells, vine sprayers, metal-cutting shears, padlocks, and straight and bent shovels, worth 23,836 leva, produced by the Edinadeseti Kongres State Production Enterprise in Peturch Village, Sofia Okrug, and other goods were equally substandard. The Wholesale Trade Okrug Enterprise in Tolbukhin filed claims against 13 enterprises for goods worth about 49,000 leva. The Gabrovo Wholesale Trade Okrug Enterprise as well was dissatisfied with goods worth about 14,000 leva, received from 11 factories and plants, such as the Georgi Dimitrov KSM in Ruse, which delivered substandard garbage-cleaning shovels, the Georgi Dimitrov Shipbuilding Yard in Varna, which delivered defective floor pumps, the Khristo Smirnenski State Industrial Enterprise in Sandanski, which supplied garden rakes, the machine building plant in Pavlikeni, which supplied picks, the Anton Ivanov Machine Building Plant in Plovdiv, which supplied vises, and others. In under 1 year the Wholesale Trade State Economic Trust has drafted 70 protocols on substandard hardware goods worth about 500,000 leva.

The quantity and quality of available "consumer hardware goods" have dropped substantially. According to Iliya Dyankov, from the Wholesale Trade Okrug Enterprise in Varna, "In practice, despite the many meetings held with the producers, the latter agreed to manufacture only some goods (most of which not particularly needed or convenient), which are usually economically profitable to them.

"We are offered very expensive items which, naturally, we cannot accept. For this reason, we are not particularly successful in our joint work, which includes a number of local industry enterprises as well. . . . Given these circumstances, the prospects for 1982 as well will be no different. Steps must be taken to improve the organization and management of this sector."

The packaging of the hardware goods is also substandard.

Many enterprises do not make permanent identifying marks on their goods, which leads to claims and the possibility of misuse. Of late this phenomenon has become more apparent. Let me point out merely a few plants which used to label their goods properly but which are no longer doing so: the Surp i Chuk Plant in Stara Zagora, the Gen. Lavrov Plant in D. Dubnik, Pleven Okrug, the Budeshte Plant in Dragoman and others.

It is time for the production of and trade in petty hardware goods to come out of this dead end and assume its proper position on the Bulgarian market. The State Committee for Science and Technical Progress must help to eliminate shortcomings, mostly those of a technological and economic nature, which are now holding back the production process. The State Committee for Planning, in turn, must allocate some materials for the manufacturing of such goods in demand and control their proper use.

We should think of creating a separate organization which would assume the management and organization of the manufacturing of so-called hardware items. We should perhaps also set up regional economic combines under a general management, thus combining the efforts of the individual local and cooperative industry enterprises which would engage in the specialized production of consumer hardware and appliances, such as the Electric Household Appliances Economic Combine in Varna or the Dograma Economic Combine in Sofia. The bulk of the work, however, should be done by the industrial enterprises which must organize the manufacturing of small hardware goods in demand by the population, and by the trade organizations which must be aware of what is unavailable on the market and persist in their efforts to procure it. To this effect the old nomenclature must be updated and expanded.

Petty hardware items are not a petty problem. Such goods must be made available in adequate amounts in all conurbation systems, along with bread, meat, shoes, clothing, furniture and television sets. . . .

Balloon caption:

"I will let you have the big donkey if you sell me shoes for the small one...."

5003
CSO: 2200/112

IRREGULARITIES, THEFTS IN PUBLIC SECTOR OF AGRICULTURE EXAMINED

Sofia ZEMEDELSKO ZNAME in Bulgarian 22, 27 May 82

[22 May 82 p 2]

'Chain Reaction'

[Article by Senior Scientific Associate Candidate of Juridical Sciences Petko Tsankov]

[Text] By decision of the collegium of the Ministry of Internal Affairs and the Executive Committee of the Central Council of the National Agroindustrial Union, a sociological investigation was conducted in Burgas, Vratsa, Pleven, Plovdiv, Sofia and Tolbukhin okrugs on the subject "Factors Leading to Crime and Other Delinquencies in Agriculture." The purpose was to formulate specific measures for the elimination of the reasons and conditions which lead to encroachments on agricultural production and the irresponsible attitude toward it, as a result of profound studies and thorough criminological analysis. The views of the law and order authorities, the Committee for State and People's Control and the agroindustrial complexes have already been studied. Currently a group of authors is processing the collected data and drafting the concluding materials.

A representative of this newspaper asked Senior Scientific Associate Candidate of Juridical Sciences Petko Tsankov, from the Scientific Research Criminology Institute, head of the research project, and the other members of the collective to share their conclusions with the readers. Following is his summation.

It is the petty nature of thefts in agriculture that makes them widespread. This precisely is the alarming feature! Observations have indicated the existence of a psychosis, a chain reaction which leads to brutal encroachments on the national property. Even a court sentence or a jail term are no longer considered socially "damning." It is as though the feeling of intolerance has been forgotten and that indifference has converted from an exception to almost a principle.

The reasons for this phenomenon are both objective and subjective. In many cases, however, they are so tangibly interwoven that it is difficult to trace the line between them. The problem becomes even more difficult if we add the conditions for crime. We must include as crime-originating factors violations of socialist discipline--state, labor, technological, contractual and financial. Let me discuss each one of them briefly.

Disciplinary violations are due to reduced strictness and poor control. This accounts for 14.6 percent of crimes for which court sentences have been passed. Obviously, here everything is traced to the subjective factor, to weaknesses allowed by responsible economic personnel.

The second most important reason for such violations is the careless attitude toward materials, produce and equipment, which has led to crime in 12.5 percent of the cases.

That is why it has become necessary to adopt a punitive law which would guarantee the effective protection of such public interests. Such laws may be found in the penal codes of other socialist countries.

The almost complete or total lack of protection of such items is a widespread phenomenon. Decree No 52 of the Council of Ministers of 1978 was not passed by accident. Unfortunately, to this day, despite the stipulated penalties and the steps taken mainly by the people's militia organs, only 3,129 of 3,398 projects are guarded. Only 9,839 watchmen have been appointed instead of 11,995 as required.

The fact that this is the case is proved by the study of criminal cases. Approximately one-quarter of all crimes were made possible because of lack of watchmen or because there was neither fencing nor lighting around the projects.

Extremely obsolete or nonexistent warehousing facilities are another clear confirmation of the underestimated role and significance of such facilities. Even new construction, although sporadic, is not consistent with modern requirements governing the preservation and protection of the produce. Consequently, the largest number of crimes involving agricultural produce is found wherever such produce, fertilizers and equipment are left in the open and stored in unsuitable warehouses.

Weaknesses in primary accounting are the reason for illegal acquisitions in all economic sectors. However, it is perhaps in agriculture that they are the most acute and most flagrant. Both in crop growing and animal husbandry accountability is at an exceptionally low level. The produce and the output in animal husbandry, etc., are left either unrecorded or are recorded inaccurately. Violations are particularly frequent in writing off livestock and in drawing up death certificates. Approximately 10 percent of the crimes are the result of improper filling and processing of primary documents, failures to record some of the produce and shortcomings in basic bookkeeping.

Control at all levels--both internal and external--is unsatisfactory. This particularly applies to internal control in its three varieties--preliminary,

current and subsequent--which is the duty of the chief bookkeeper. Lowered supervision of the drafting of primary documents and accountability of agricultural output account for one-sixth of all crimes.

The shortcomings of outside state control may be reduced mainly to violations of the stipulations regarding the frequency of audits and their not always profound and qualitative conduct.

Self-satisfaction is also of major social importance. Laws regulating it were promulgated within a relatively short time. The latest decree, which is Council of Ministers Decree No 11 of 2 March 1982, resolves a number of important questions. Nevertheless, it is hardly likely to stop familiar crimes related to machinations in supplying the farmers with fodder, nonexistent contracts for raising cattle, etc. We know, however, that loopholes for violations can always be found if we do not respect the letter and the spirit of the laws.

We believe that it would be socially justified to establish greater guarantees for the protection of public property under self-satisfaction conditions. Both the previous and the present decrees, for example, do not limit the number of animals which could be raised by a single household. Practical experience indicates that in frequent cases large numbers of animals are purchased for raising without the necessary conditions being present. Naturally, the shortage of fodder is compensated by stealing, grazing the herds on APK land, etc. In order to avoid such phenomena, the local state management organs and social organizations should be asked to assess the possibilities of the individual families to raise cattle.

[27 May 82 p 2]

'Sentence' Is Final

[Article by Scientific Associate Candidate of Juridical Sciences Yuliya Boyadzhieva, Scientific Research Criminology Institute, and Vasil Popov, member of the Council for Criminology Research of the Chief Prosecutor's Office of the Bulgarian People's Republic]

[Text] Scientific Associate and Candidate of Juridical Sciences Yuliya Boyadzhieva, Scientific Research Criminology Institute:

Unenviable Championship

After trade, agriculture is second best in terms of the number of crimes which have ended with court sentences.

What are these crimes? Leading among them are thefts of agricultural property, accounting for two-thirds of the total. They are followed by illegal acquisitions by officials, 15.1 percent; document frauds, 4.7 percent; destruction and damaging of farm property, 3.3 percent; negligence, 2.3 percent, etc. Their steady growth has been an alarming fact. Thefts increased by about 20 percent while acquisitions, fraud by officials, negligence and others have increased by about 50 percent between 1972 and 1981.

Material damages from crime are rising particularly rapidly. They have more than doubled over the past 10 years. We are also concerned with the low percentage of damage restorations, which has reached only 53 percent but which, with some types of crimes such as negligence, or destruction and damaging of agricultural property, is barely between 7 and 17 percent.

Compared with the other economic sectors, most crimes in agriculture are petty--50 percent of them not exceeding 100 leva. About one-third of the crimes range from 100 to 500 leva, and the remainder exceed 500 leva. This includes larger acquisitions and all cases of negligence.

Crimes in agriculture are distinguished from the other sectors by the target of the crime. Most frequently this applies to unsupervised farm produce. The results of the investigation indicated that one out of three crimes affect produce (corn most frequently). Other vulnerable areas are fodder (12.2 percent), cattle (12.5 percent), cash (9.6 percent), fuels (6.8 percent), etc.

Bearing in mind the greater effectiveness of general and individual preventive measures, knowledge of the characteristics of the crimes, based on position held, is of great importance. According to the investigation, more than one-half of such crimes are committed by people who are not employed in agriculture--58.4 percent. Nevertheless, a substantial share of the thefts--41.6 percent (i.e., almost one out of every two!) are committed by officials--crop growers, livestock breeders and mechanizers.

Illegal acquisitions, document frauds, and crimes committed on duty and document crimes are committed mainly by officials (81.2 percent) of the branch farms of the APK--crop growing and animal husbandry workers (24.4 percent), managers of production sectors and brigades, chiefs of sections (21.7 percent), bookkeepers, storekeepers, cashiers, stewards (13.4 percent), etc.

These percentages are indicative of the weaknesses in the selection and educational work with officials within the APK system.

Vasil Popov, member of the Council of Criminology Research at the Chief Prosecutor's Office of the Bulgarian People's Republic:

Preventive Activities Must Be Energized

A number of party and state documents call for energizing preventive activities in the observance of the law and preservation of socialist property and making control the main direction followed in preventive work.

This direction offers a tremendous field of activity in agriculture. In this area substantial losses are still allowed to occur as a result of fires caused by negligence, cattle mortality, destruction, thefts, negligence, waste of expensive equipment and improper utilization of warehousing facilities....

However, preventive activities hardly involve merely the explanation of laws and other normative acts. Prevention requires something else as well, which is

efficient and realistic: agricultural property must be kept under lock and key once it has been removed from the fields. It must be protected and accountability documents must be strictly drafted and controlled.

At the Trakiya APK in Plovdiv, I. D. stole in one fell swoop 58 sheep and 46 lambs worth 14,201 leva from the sheep farm of Kolekovets and Voysil villages! All of this remained . . . unnoticed! In the middle of the night, totally undisturbed, he took the animals out of the livestock farm of the two branch farms and during the day took them on a truck to the Rodopa Raising Farm in Stanke Dimitrov in accordance with a signed contract. (There was no night watchman in Voysil, and we do not know where the Koletkovets watchman was. . .)

Again because of poor supervision, on several occasions D. S. loaded bags and cases with wheat from the farmyard of the Kamenovo APK, which he subsequently sold to private citizens. This once again justifiably poses the question of how long will it be before farmyards are fenced and left unsupervised, thus facilitating the thieves? Is it not time to standardize methods for storing and protecting farm produce, as we do in the other economic sectors?

Another no less alarming question is the mass nature of petty thefts. Cherries and beans are stuffed in bottles, dried peppers and grain are put in bags and baby carriages, etc. Great inventiveness is being displayed in this respect. However, no one has ever pointed this out, as though everything was normal. There have been mass thefts of bales of straw left without permanent supervision from the fields of Rosen Village, Burgas Okrug. Was no one impressed by this fact, have the neighbors failed to see such bales being brought in?. . .

I read in a penal case that 123 bales were confiscated from the home of I. Stoyanov. He told the criminal investigation organs that "I knew that it was forbidden but seeing how people were helping themselves freely, I thought that it was permitted. . . "

I read in another case that in the Kraymorie APK, Ravna Gora Branch (and elsewhere), whenever farmers happen to lack fodder for their private cattle they immediately take it from the cooperative. Some do their stealing with carts drawn by donkeys, others carry the stuff themselves, everyone doing as best he can. Finally, instead of such people being prosecuted and the straw bales confiscated, the people were asked to pay for them and their action was "legitimized." In this case a crime was not countered properly. That is what makes thefts of farm produce twice more dangerous. There is neither shame nor embarrassment. One can steal with impunity, for no one is held strictly to task!

In this respect yet another problem must be considered from a different angle: how to put an end to thefts when there is a shortage of fodder for privately owned cattle? In such cases, preventive activities demand of the state and economic organs to cooperate in procuring the necessary fodder.

Another problem should be considered as well, that of the underestimated role of public pressure. Comrade courts are being used extremely insufficiently. The people are unwilling to criticize or make remarks in order not to be hated by their fellow peasants or by the thieves of farm property themselves.

Free gifts of produce presented to guests is having an adverse effect on the farm workers. It is high time to stop issuing notes to watchmen "legitimizing" the taking of produce.

Many of the problems related to the preservation of agricultural property and produce exist, but not one of them can be properly resolved without developing in every citizen and working person the feeling that he is the real owner of the socialist property!

5003
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## OPERATION OF RAILWAY SERVICE EXAMINED

Sofia VECHERNI NOVINI in Bulgarian 30 May 82 pp 1-2

[Article by Nikolay Cheshmedzhiev: "Accelerated Rhythm Along the Railroad Arteries of the Homeland"]

> [Text] The documents of the 12th BCP Congress paid particular attention to railroad transportation. What is the situation now, what is the pace of the work and what are the prospects? These are the questions we are discussing in this issue with Stoil Ferdov, deputy minister of transportation and general director of the Bulgarian State Railroads Economic Trust.

It would be difficult to conceive of the millions of tons of freight, goods and raw materials without transportation arteries. The acute energy crisis of recent years and the sharp increase in liquid fuel prices worsened further the problems of the structure of the transportation system. Motor vehicles are becoming increasingly unprofitable and many countries are turning to rail transportation.

Were we ready for this stage?

Yes and no. Our railroad transportation system achieved remarkable successes over the past 25-30 years. Within a short time we converted from steam to electric and diesel traction and laid the beginning of doubling railroad tracks and their electrification, updated a considerable percentage of the railroad car fleet, and applied loading and unloading mechanization, containers and pallets. However, the needs increased as well. A disparity developed between the new requirements and the possibilities of the railroad transportation system.

Stoil Ferdov: The underestimating of these problems led to a certain lagging of the railroad transportation system compared with requirements, the development of excessive stress in its operations and a number of difficulties in satisfying the transportation requirements of the national economy and the population. Difficulties developed in transportation services provided to major industrial projects.

As always, this time again the BCP Central Committee and the government displayed concern and attention toward the problems. On Comrade Todor Zhivkov's

personal initiative and with his help important documents were adopted, such as the decision of the BCP Central Committee Politburo and the Bulgarian People's Republic Council of Ministers decree of the end of 1980. The resolutions of the 12th BCP Congress and the Eighth 5-Year Plan provided additional impetus.

The 1982 results have been eloquent.

Stoil Ferdov: During the Seventh 5-Year Plan and in 1981 (in particular) 382 kilometers of tracks were doubled and 510 kilometers were electrified. Currently, Bulgaria is in a leading position in CEMA in terms of railroad electrification in percent of the overall length of tracks. More than 81 million tons of freight were hauled in 1981 and the expected amount for 1985 is about 97 million. Electrification resulted in substantial diesel fuel conservation. The possibility appeared to increase the speed of the trains in some sectors, which were repaired or updated. It was decided that the time was ripe for double railroad tracks to be used regularly at a minimum speed of 80 kilometers per hour.

Compared with 1980, freight haulage must be increased by about 20 percent at the end of the Eighth 5-Year Plan. The plans call for the electrification of about 680 kilometers and the doubling of about 400 kilometers of railroad tracks. We shall complete the doubling of the northern main railroad between Sofia, Gorna Oryakhovitsa and Varna, and the southern main tracks from Sofia to Plovdiv. We shall also double the sections from Plovdiv via Stara Zagora to Zimnitsa, which will make it possible for Sofia to be linked with double tracks to the two Black Sea ports of Varna and Burgas. The electrification will close the major Sofia-Ruse-Varna-Burgas-Stara Zagora-Plovdiv-Sofia ring. A very difficult problem will be resolved: within 3 to 4 years we must eliminate the lag in repairs and maintenance of the tracks. Along with doubling the tracks they will be restructured to handle speeds in excess of 130 kilometers per hour.

We, the Passengers

The railroads are still not meeting the requirements of the millions of passengers who travel by train annually. The quality of the services offered the Bulgarian citizen largely determines his labor productivity and mood. Concern for the people applies to transportation services as well, as an area for improving the living standards, for the Bulgarian people will continue to travel more and more.

An interesting statistic: according to a study made in the socialist countries, the individual Bulgarian citizen travels 318 times a year (1980 data), compared with about 257 in Hungary, about 169 in the USSR, 160 in Czechoslovakia and almost 157 in the GDR.... The figure rose to 330 trips in 1981. Naturally, this applies to all types of transportation but the main share goes to the railroads.

Here is another statistic--the punctuality of the trains: our percentage is 91.6. Still, if only 1 out of 100 trains is late it makes an impression.

Stoil Ferdov: The first thing we had to do was to improve train schedule accuracy particularly in the case of express and fast trains. The trouble was that

alongside objective reasons such as modernization and reconstruction without stopping the traffic--we were facing an unsatisfactory organization and low labor and technological discipline..... Currently we are striving to achieve iron discipline and good results have already been attained. Our transportation collectives and managers are becoming increasingly aware of the fact that train schedules are a law governing the work of the railroads. The new economic mechanism is in effect and we are imposing strict financial penalties on the violators. The new train schedule, which was recently enacted, coordinates to a maximal extent schedules with modernization and reconstruction. The citizens frequently complain that the duration of the travel in some sectors has been lengthened. This is true. However, both this year and in 1983 construction work will be very stressed and we shall be enjoying high speeds only at the end of the 5-year plan. Some patience is required in this respect. Judge for yourselves: every year about 9,000 "windows" with a duration of the travel of about 4 hours are opened to meet new construction requirements (doubling tracks, electrification and reorganization of railroad stations), capital repairs and updating of the tracks. All of this requires an interruption of the traffic and of operational work for several hours, which lowers handling capacity and, therefore, the speed.

The difficulties are real but, as we were promised by the Bulgarian State Railroads Economic Trust, they can be surmounted within the next few years. Our people are mature and can appreciate, be patient and understand our position. However, we cannot agree with another manifestation of the subjective factor: the railroad cars are still not properly lit and heated. Trains and railroad stations are not suitably clean, no full information is available to the passengers and, last but not least, there is insufficient respect for the passengers and service standards are low. On our part, we must display greater respect for the work of the railroad men, for this old and honorable profession. Frequently it is the passengers who dirty the cars and destroy government property.... The public and the respective authorities must display a stricter attitude toward hooliganism.

Let us mention briefly another problem: the variety, quality and prices of items offered in the restaurants and canteens of the Restaurants and Sleeping Cars Enterprise. The enterprise is being heavily criticized today, particularly on the subject of prices: it is not normal for a sandwich to cost more than 2 leva and a cup of coffee, 1 leva. Such prices are charged by luxury establishments!

From Bulgaria to the USSR--Friendship Tracks

Our country's largest trade is with the Soviet Union. Here again the railroads have the final say. Let us take the unique transport installation--the Varna-Ilichovsk ferryboat complex as an example. This is the fourth consecutive year in which freight flows along this "blue friendship bridge," the largest freight ferryboat in the world. About nine percent more freight than in 1980 was hauled between Varna and Ilichovsk in 1981. The figure is close to three million tons per year. The Soviet railroad workers are of great help to us in terms of electrification, providing us with equipment, documentation and materials.

Comprehensive Automation and Electronics

This subject, which is topical of the 5-year plan following the 12th BCP Congress, is clearly present in the railroads, although it applies more to the future. However, intensive work is already underway along this line, for the share of automation and electronics in our railroads is no more than four percent, compared with 50 percent in the USSR and Switzerland, 30 percent in the FRG, 55 in Japan and 60 in the United States....

Stoil Ferdov: The intellectualizing of labor processes in railroad transportation during the Eighth 5-Year Plan and through 1990 will be most fully manifested in the decisive application of automation and telemechanics through the use of electronic and conventional control systems. This 5-year plan an integral hierarchical system will be developed, consisting of dispatcher centralization, computer and relay-controlled station centralization systems, automated control of train traffic in the individual sectors and automated control of processes in marshaling yards. All of this will be based on electronics and computers. Such essentially new systems will begin to be applied along the Sofia-Plovdiv sector, which includes three computerized and 15 relay station centralization systems....

The 12th BCP Congress formulated the strategic task of "giving priority to the development of railroad transportation compared with the other transportation systems, with a view to enabling it to assume entirely the transportation of bulk freight and the overwhelming majority of passengers traveling over middle and long distances, as well as a considerable share of suburban and worker traveling." The almost 18 months which have passed since have proved that the thousands-strong collective of railroad workers, which have preserved Georgi Dimitrov's militant behests, can make this change.

5003
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## TEN YEARS OF COMPUTERIZATION IN CSSR EVALUATED

Prague HOSPODARSKE NOVINY in Czech 30 Apr 82 p 3

[Article by Eng Zdenek Kotalik, Candidate for Doctor of Science, Enginering Technology and Economy Research Institute, Prague: Computers; Effectiveness of Problems of Computer Technology in Engineering Managment]

[Text] The management of the socialist economy as a whole, as well as of its individual elements, is an area where the use of computers runs up against a number of problems. At present, there are quite divergent views concerning the efficiency of their utilization. Critics see the main shortcomings to be the fact that computers are not applied to the key problems of management and that their utilization has not yet been able, to an adequate extent, to change existing and in many ways no longer appropriate management systems. This article is concerned with these issues, but mainly with ways to improve the existing situation.

Critics of the efficiency of the application of computers to management can create the impression that as yet very little has been done in this area. A detailed evaluation of the developments of the past decade, however, indicate the opposite.

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At the beginning of the Fifth Five-Year Plan roughly 30 computers were in operation throughout the entire engineering industry. They were being utilized to automate isolated, mutually unconnected and mainly documentary functions. At the present time there are almost 300 of them. Computers have been installed in all large, medium and in some instances small enterprises, in a majority of economic production unit (VHJ) general directorates and in sectoral ministries. It was not easy to start up, often under difficult conditions, this large amount of complex technical equipment, to train the service personnel, the designers, programmers and users.

In accordance with the objective of the announced program for building automated management systems (ASR), during the Sixth Five-Year Plan there was a change from a step by step approach to the building of entire systems with quite a high degree of complexity and internal coordination. To a large extent, a

lack of planning in the introduction of computers was eliminated, and design preparation procedures were united with documentation of the outcomes of the solution. A broad range of managerial employees received their first contact with the results of automated processing and are learning to work with it.

A large piece of organizational work has been completed which has not yet been sufficiently evaluated. Certain measures, such as the bringing of order to technical documentation, to internal enterprise price lists and calculations, the standardization of dials and an increase in the quality of primary documentation, are all becoming evident gradually in improved management.

In spite of these undoubtedly positive aspects, the automation of management possesses a largely extensive character over the broad range considered here. A number of enterprises, organizations and decisionmaking collectives having minimum experience with automated management have been incorporated into the building of an ASR. Success has not yet been achieved, either in a design sense or organizationally, in assuring the objectives of the construction of an ASR of the planned scope. For instance, in the national-industrial distribution system the entire area of inventory documentation has been, for the most part, mastered comprehensively, but only individual calculations related to its planning have been automated because of their great complexity. In the operational planning of a number of enterprises, failure to master the automation of the technical preparation of all products for production has resulted in the delivery of some products into the production process in an automated fashion, with the remainder delivered by hand. Or, automation may be introduced at a central factory. Many times, however, both the work force and technical resources (data transfer, difficult communications with remote work sites, etc.) are lacking to introduce it as well into branch factories.

In completeness and inefficient combination with manual processing reduce significantly the effectiveness of automated management. In some cases obsolete manual processing is not eliminated thoroughly, out of a lack of faith in the new system, out of conservatism, or out of lack of desire to switch to a new, unaccustomed way of working. These attitudes and every additional lack of consistency in the utilization of automated processing have a direct influence on reducing the effectiveness of computer utilization in the management process.

To sum up, there has been success recently in expanding automation to the managements of most engineering organizations, in working out high quality and relatively mature conceptions and aggregate design solutions in the form of design tasks and technical system designs. However, the working out of detailed designs is being stretched out and there are serious problems in the full implementation of the intentions outlined in the design tasks. It is understandable that every delay in the practical introduction of completed designs, or inconsistency or incompleteness in implementation significantly reduces the effectiveness of computer use.

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Shortcomings in the implementation of objectives in building an ASR have various causes, the principal ones, in order of importance, being:

--Insufficient participation on the part of managerial workers, especially of managers at the level of design preparation and practical managerial introduction of completed designs. It has clearly been shown that the best results are achieved in instances where a qualified and enthusiastic decisionmaking collective has joined, in a single organization, with the active and constant support of the organizational leadership. Cooperation makes it possible to overcome the problems and difficulties which logically come about during such major changes as those caused by management automation.

This situation, however, has not arisen everywhere. A low level of managerial support for ASR development has been, in those cases when it has occurred, the result of the influence of the previous planned management system of the national economy, which did not generate sufficient pressure for the achievement of intensive economic development, and thereby for the search for underutilized capacities in management, and in its systematic improvement.

--Inadequate sophistication of technical equipment stemming from a narrow assortment of apparatus which substantially complicates the selection of the optimal mix of computer systems according to the very different conditions in individual organizations. There is a particular lack of equipment for the collection of data of an operational character. Users are forced to resort to traditional information bearers (punched cards and punched tapes). Their acquisition extends the cycle of data preparation and processing, thereby detracting from the operational relevance and pertinence of the results of processing for managerial decisions.

Experiences to date have shown quite clearly that producers of computer technology must, in addition to the production of highly reliable technical equipment, provide comprehensive service for the rapid installation of computers, for their routine maintenance, for the delivery of spare parts and assistance in the resolution of extraordinary situations. Any shortcomings in these areas reduces the faith of users in computer reliability and leads them to a certain caution in the carrying out of jobs in cases when a computer failure could threaten or complicate enterprise operation. And these are, in many instances, the jobs which could have the greatest impact.

--A shortage of decisionmaking personnel results in stretching out of design preparations (the average decision period for an ASR exceeds 5 years), and sometimes even lowers the quality of the decision process. A shortage of design facilities persists, despite the fact that in the course of the Sixth Five-Year Plan the number of ASR designers in engineering organizations increased to almost 4,000 employees, most of whom have a college education. We must compare this number, however, with the planned scope of work. Almost 300 ASRs are being designed with an average number of 8 subsystems. An average of not quite 2 designers is involved in the design of a single subsystem (covering a large segment of managerial activity, such as the management of production, distribution, inventories).

The shortage of decisionmaking capacity is, however, to a large extent relative. It stems from an as not yet completely overcome individualized approach to design preparation and from a lack of quality pilot projects. Identical or similar problems still continue to be resolved at many work sites. A concentration of decisionmaking capacity runs into a number of problems, but is, however, essential under our conditions.

There are other reasons as well. It is a matter, for instance, of the issue of compensation for employees of computer centers. These centers are divided up into categories and the main criterion for inclusion in a higher category is the model and equipment of the installed computer. This leads to the submission of demands for the largest computer, but does not stimulate, however, the assurance of an efficient implementation of design solutions. There are similar shortcomings in the motivation of decisionmakers to achieve the maximal effectiveness of designed systems and in that of the managers of user divisions for their implementation.

Where To Search for Sources of Influence?

The fundamental goal of the installation of computers is to make a substantial contribution to improving management efficiency at all levels of the national economy. The most effective area for their application is in planning. The planning system under today's complex economic conditions requires the movement and processing of a wide range of information, the potential to verify the consequences of every long-range measure with complex calculations, to search for the most favorable variants of economic development, to choose an optimal combination of available resources and social needs. Without the aid of advanced computer technology all of this may be provided for only with difficulty.

Planning procedures at lower management levels have a simpler, to a large extent predictable character and may for the most part be entered easily into a computer. The latter is able, due to its rapid computation speed, to determine much better than a human the appropriate course for planned activities, and to increase their efficiency. Among the possible uses is a reduction in the scope of preparation time by producing in economical batches, an optimalization of the order of production operations at the workplace so that average machinery and employee utilization, the maintenance of an optimal inventory level in warehouses and in work-in-progress, the choice of the most appropriate preventive maintenance cycles for operating machinery. In these areas there is great unused capacity in our country. A reduction of inventories of all kinds by only 1 or 2 percent would contribute great savings within the framework of the national economy.

At the present time, a conservative approach to the allocation of ever more limited resources is the main criterion for the functioning of the economy. Here as well, computers can make a substantial contribution to the assurance of maximum efficiency by raising the quality of standards and limits on all kinds of consumption, by intensifying the control of actual consumption according to these standards and limits, and by the objectivization of the evaluation of credit for the achievement of efficiencies in consumption, as well as of blame for the violation of standards.

Computers can also contribute actively to a reduction in consumption, for instance by optimalizing the cutting plans for metals and fabrics, by the cutting of bar stock with minimal waste, by utilizing tolerances to achieve the most efficient possible combination of charge materials. No less significant is the creation of the organizational, documentational, and other conditions for the utilization of waste materials, which can represent an important source of savings of inputs and raw materials.

An additional, currently very important area is the utilization of computers in transportation management. They can play an important role in the optimalization of transportation patterns and the utilization of transportation resources.

Even though it is not primary, nevertheless an exceptional component of the effectiveness of a computer installation is the reduction in administrative work, especially through the automation of the maximum possible scope of routine tasks in the preparation and processing of information. These activities claim an inordinately large percentage of the work force of our national economy, and are often performed with low level technology and therefore with low labor productivity. The results, even though they are so labor intensive, mostly fail to satisfy the needs of contemporary management.

Design preparation for the installation of computers for management should at the same time become a check of the efficiency of specific types of administrative work, as a means for discovering redundancies and gaps in information supply for management, and as a basis for subsequent rationalization. This is a matter, clearly, of a very sensitive undertaking, one which touches the interests of a broad range of people. At present, a lack of consistency in this area is permitting an overflow of discharged employees to other administrative areas, allowing the redundant conduct of previous manual documentation procedures concurrently with the automated, and in certain cases even a reduction in the intensity of work by collectives whose work functions have been taken over by a computer. This situation is in part also the result of the unequal position of the people responsible for the introduction of computers into management on the one hand, and the managers of the user divisions on the other. An agreement is struck under the table: the manager agrees to the introduction of an automated system in his divisions on the condition that this will not reduce the size of its work force.

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The achievement of the projected effects from the installation of computers in management is an unusually complex and long-range matter. Even the implementation of individual improvements requires great efforts, the overcoming of long standing habits and, sometimes, even the open or hidden resistance of those who are supposed to use the computer in their managerial work.

The fundamental measures of the ASR construction program have been shown to be correct. There is a lack, just as in other areas of our work, of consistency in their introduction into our life. It would therefore be a mistake to back off from this program or to change its direction. It is rather necessary, by intensifying the management of the entire process of ASR construction, to assure the completion of the designs which have been worked out on a scale of approved design tasks, and to create the conditions for the full and effective introduction of just finished and previously finished designs into managerial work.

In addition, it is essential to deepen the incorporation of managerial employees into the process of preparation and especially into the introduction of automated systems into management. Without the active participation, efforts

and support of managerial personnel, the desired effect cannot be achieved. It is furthermore essential to eliminate the organizational, legislative, and technical obstacles to the effective introduction of computers into management. It is clear that in spite of the progress achieved recently, there are still significant shortcomings in technical assurance, in the comprehensiveness of the production and delivery of computer systems, in their operational reliability, and the availability of deliveries of spare parts and technical service.

In addition to these measures which seek to improve the present situation, it is necessary to think of the long term. Development is being completed of a set of generation computer resources with significantly higher functional capabilities. The current state of the introduction of computers into management must be regarded as only an initial stage of automation from which will arise new, more improved forms. Indications are appearing, however, of undesirable tendencies to operate old or only partly repaired systems on new machines. Such conduct will assure that the discrepancy between the capacity of computers to improve management and the actually achieved results not only will not get any smaller, but will become still more profound.

9276
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# IMPLEMENTATION OF SET OF MEASURES IN AGRICULTURE LAGGING

Prague KONTROLA in Czech No 3 1982 pp 5-8

[Article by Engr Jan Koncel, Czech People's Control Committee]

[Text] The adoption of the Set of Measures Concerning the Improved System of the Management of the National Economy After 1980 (hereafter referred to as Set of Measures) has given the latest orientation to a completely new attitude of managers of economic production units to consistently improve the efficiency and quality of all labor, labor initiative, as well as better discipline in fulfilling the plan. It is an indisputable fact that this step alone will not lead to success unless it is implemented in everyday practice and unless those who implement it are willing to take certain risks.

The formulation and breakdown into specifics of the Set of Measures in agriculture has become a process which has not been completed yet.

During the whole of 1980 the VHJ's, trusts, enterprises and plants under the jurisdiction of the Ministries of Agriculture and Forestry and Water Management concentrated their attention on applying the Set of Measures to their own specific conditions.

The 4th plenum of the CPCZ Central Committee of October 1981 which dealt with current tasks to develop agriculture and food discussed, in accordance with the resolutions of the 16th Congress, the principles of the improved system of planned management in agriculture. As far as the state directives are concerned, CSSR Government resolution No 249/1981 approved the improved planning in those sectors which provide food for our people, measures affecting the economic system in agriculture for 1982 and, finally, measures concerning the productivity of manpower and renumeration in agriculture for 1982 and other years of the Seventh Five-Year Plan.

The previous complexity in the development of regulations for the implementation of the Set of Measures in agriculture and food industry (variety in agricultural organizations, JZD's, state farms, associated agricultural enterprises, planning organizations, agricultural services, etc.) led to temporary failure in the breakdown of the Set of Measures in accordance with the original ideas and plans in comparison with other sectors on the national economy, for example, industry.

In the Agricultural Sector

The implementation of the Set of Measures in agriculture was and still is lagging behind that in the food industry and agricultural services.

As far as agricultural enterprises are concerned, especially the JZD's, their financial management is still not in line with the financial plan. However, their production and financial plan closely follow their production targets. Similarly, we do not meet the indices of cost profitability and production fund profitability. To explain this situation we tend to point to developments in this sector in recent years and to the fact that we have not yet verified the influence of the devising of the new indicators on the financial situation of our agricultural enterprises. The cost of materials delivered by non-agricultural organizations has sharply increased and primary agricultural production has not been able to radically change this unfavorable influence on output by a necessary increase. Hence, the measures in the system of economic instruments in agriculture for 1982 and other years of the Seventh Fifth-Year Plan try to solve this problem by changes in the purchase prices and other measures affecting crop and animal products as well as by differential bonuses, premiums for higher sales of agricultural produce and grants and subsidies to the agricultural sector which stem from the abolition of fixed prices on fodder mixtures, the second phase of the regulation of whole prices and, finally, the price increases of fuel.

As far as quality, one of the basic incentives of the improved system, is concerned, it is necessary to propose and verify a system of independent evaluation of the quality of complex primary agricultural production. The existing classification of agricultural production by categories (cattle for slaughter, vegetables), even if based on logically determined characteristics, is basically a matter of agreement between the producer as a supplier and the processing industry as a buyer. In practice, it does not affect at all the bulk of agricultural production, i. e., intermediate production (bulk fodder, fertilizers, etc.).

Similarly, it is necessary to solve the serious problem of the effect of weather on the economic results of agricultural enterprises.

The application of the khozraschot is at the present time verified in the agricultural enterprises in Brno-suburb, Kromeriz and Cheb okreses. In order to facilitate this process, the Institute of Rationalization and Management has worked out a new system of technical-economic norms, cost criteria, and standards in crop and animal production.

In Okres Agricultural Administrations and Primary Production

In November 1980, all Kraj and Okres Agricultural Administrations held managers' meetings seminars, attended by JZD chairmen and managers of subordinate organizations, which dealt with the new measures. This was followed by specific seminars, attended by invitation only, of managers concerning wage problems, production problems, etc.

In 1981, the problem of long-range concepts, annual plans, norms, manpower productivity and other issues were discussed in accordance with okres plans which are related to kraj plans. The basic indicators of production were broken down on the basis of assigned tasks to individual agricultural enterprises. Keeping in mind the Set of Measures, these meetings dealt with the problems of manpower norms and cost criteria according to production areas and yields.

The Okres Agricultural Administrations established managing commissions whose role is to prepare proposals for the realization of the Set of Measures under local conditions. Gradually, we can witness the realization of the elements of the Set of Measures in agricultural entities, especially in respect to organization and management and in material incentives. On the whole, we have succeeded in applying some elements of the Set of Measures in establishing basic relations between managers and their subordinates through amended organizational rules and work plans and the division of enterprises among individual centers. These centers have their own complex plan of production, cost and yields, including surplus. In most cases the production targets assigned to each center have been based on the production results of previous years, capacities, and the potentials of each center (number of animals, limits of fodder mixtures, production unit, etc.).

The rules governing material incentives as related to the fulfillment of the plan are being worked out. For example, in the SPZ for Beroun ZV material incentive is related to the marketing of animal products and to the meeting of production targets with minimal consumption of fodder, energy and other materials. Up to 20 percent of wages of individual workers is directly tied to the fulfillment of the assigned tasks. Of this flexible wage component 13.5 percent constitute premiums paid out each month and 6.5 percent are shares. Manual laborers are paid these premiums monthly, technical-economic workers and managers, quarterly. Animal attendants receive premiums in the amount of 5 to 25 percent when meeting the planned indicators and stipulated requirements.

These are:

--Meeting planned profits

--observing the criteria fodder mixture consumption and keeping animal mortality below a recommended level

--personal evaluation (observing technological production processes, etc.)

The decision to pay premiums to technical-economic workers finds its concrete form in premium pledges which determine the tasks to be fulfilled before a premium is paid. In the case of the central managers, involved are tasks which affect the entire center. In the case of other technical-economic workers at the center we are talking about the tasks within the assigned sector but which depend on the entire center to fulfill the tasks. And in the case of the technical-economic workers of enterprises the tasks are related to the fulfillment of the target by the entire center as well as to the fulfillment of tasks in the assigned sector.

Measures aiming to eliminate unjustified differences in production and economic results of agricultural enterprises operating under relatively equal or similar conditions constitute an indivisible part of the implementation of the Set of Measures in the agricultural sector. It is expected that the realization of this task will help to uncover and utilize the existing reserves in agricultural enterprises. This, in turn, directly creates prerequisites for the optimal implementation of khozraschot relations in agricultural enterprises.

The Food Processing Industry is in the Best Situation

The basis of the Set of Measures of the Czech Ministry of Agriculture and Food pertaining to the food processing industry consists of certain facts, verified in practice--as for example the fact that most of the plan and financial operations indicators which in the improved system of management become the decisive indices for enterprises and material incentive were broken down in detail in the food processing industry and already followed in previous years. What is involved here is individual output, cost-effectiveness and production fund rentability. However, there was no reference to material incentive. Also, the system of management and quality evaluation has been applied in the food processing industry for the number of years. It has improved on several occasions and we have enough experience linking the quality of the food processing industry to material incentive. This and other experience, supplemented by the results of experiments conducted in two VHJ's, were fully taken into account in the new system of management. The implementation of the new principles in management, effective in the food processing industry as of 1 January 1981, has not been endangered at all.

The branches of the food processing industry that were examined accepted and concretely implemented in their situation the overwhelming number of ideas and tasks listed in the Set of Measures. For example, seven complusory indicators have been observed. They include the output of individual workers, production fund rentability, share of turnover fund in proportion to reserves, etc. Other indicators of the financial plan and finances have become a part of the economic plan.

In specific parts of the Set of Measures we investigated different approaches to giving incentives to workers. Branch managers concentrated their attention primarily (with a few exceptions) on the establishment of relations with lower level management. However, it was stated that intra-enterprise and intra-plant relations will be discussed in the future either by VHJ managers or by enterprises (plant OP).

As far as content is concerned, the fact that at the time of the adoption of certain measures we did not know certain general principles--for example, the principles of counter-planning, rules of plan specification and their implementation within the VHJ's, etc.--had an unfavorable effect on applying the Set of Measures in individual branches (as already indicated).

In certain branches which were subject to a systematic review it was determined in the first half of 1981 that the intra-enterprise khozraschot centers were managed appropriately. In most cases, the centers were given the plan of production, sales, wage and manpower fund, cost, operation and surplus estimates in the form of annual budgets which are related to operational plans of

the enterprises. For example, in the case of the Mills and Baking Industry VHJ, the budget takes care of a methodical agreement in bookkeeping in such a way that budgetary expenses are equal to actual entries in the books. This VHJ prepares the budgets for individual centers on a monthly basis. The budgetary items are specified for every operation, and attention is paid to the division of calculating entries. Consumption of direct material, packing materials and direct labor is planned in the budget on the basis of the material and wage criteria determined by the enterprise and applied to real production. Production and administrative overhead continue to be computed on an absolute basis, i.e., 1/12 of the annual cost of the plan. Intra-enterprise transfers are expressed in intra-enterprise prices.

In khozraschot groups individual branches define the basic managing and functional relations of managers and subordinate employees. Provisions exist for taking care of managerial disagreements. In addition to generally accepted forms for solving such disputes, they can also be referred to superior organs. The relations between the superior and subordinate organs are regulated by rules and bylaws of the pertinent units of the VHJ. These relations are specified in the description of individual functions.

In spite of objective difficulties which appeared in the past, we have succeeded within the framework of individual levels of management to project and elaborate general principles for the regulation of the spendable amount of wages and thus also the pertinent relations of collective material incentives up to the level of intra-enterprise organizational units, while taking into consideration their nature and the content of their activity.

It has become a rule that the individual levels of management (a plant or a center) have material incentives in the fulfillment of value indicators, i.e., in the fulfillment of the planned contribution of the center. For example, in the case of the Meat Industry VHJ, the fulfillment of the planned contribution of the center regarding this material incentive is expressed in terms of the volume of production while in the non-productive centers it is expressed in the savings on budgetary expenses. Comparable values in respect to incentives as well as to penalties are worked out in intra-enterprise principles of gains and tied to the economic results of the centers, their work, and the securing of tasks of the plan as well as of all-societal tasks.

The Mills and Baking Industry VHJ introduces, in respect to the branch and enterprise wage regulations, a system under which for products classified (by a testing center of SI/presumably Statni inspekce; State Inspectorate/) as being first class quality there will be a 4 percent increase of the wage fund for a given year. For third class products the amount of the wage fund will be decreased by 2 percent of the volume of sales expressed in wholesale prices. In the case of production of wastes, a hearing will be held to assess the penalities. Also in the case of shortages, damages, fines and penalties rules are being drawn up to be discussed in damage-award commissions which are to propose compensation. Effective 1 January 1982, the branch also takes into account new requirements for material incentives in respect to production quality.

The control of the fulfillment of the assigned tasks is an integral part of the entire khozraschot system. The principle issued by the CSSR Government and the Central Trade Union Council and the implementing directives, determining joint participation of the workers in the drafting, implementation and control of the plans in the 1981-1985 period, have become the basis for control in the drafting, implementation and control of the plans. The minimal time frame for control is a month. However, the overwhelming majority of enterprises and centers check the fulfillment of the main indicators of their plan every 10 days. In certain cases such verification is done every week.

A regular feature of these controls is the analyses of the economy at all organizational levels of the branches. In addition, control is also done at membership meetings of the CPCZ and the Revolutionary Trade Union Movement. Some procedural and operational aspects of tasks and problems are discussed at production meetings.

The participation of workers in management, especially through the possibility of applying labor initiative and in the development of competition, is organizationally well secured. Especially, the brigades of socialist labor have sufficient leeway to show initiative. Competition is directed primarily at the quality of products (plants and operations of examplary quality) and at flawless work. The use of moral incentives is secured through a form of collective contracts and the complex socialist rationalization.

In spite of the fact that in the overwhelming majority of cases the Set of Measures of the branches correspond to the intentions and ideas of the Czech Ministry of Agriculture and Food and organizationally create good prerequisite for overall economy, there is still some confusion and unsolved problems which, however, leave room for hope for a definite solution.

Further Clarification by the 4th Plenum of the CPCZ Central Committee

The effectiveness of the applied system has been weakened to some extent by the fact that the tasks of the plan could not in most cases be normatively determined and substantiated and by the fact that the applied system has not achieved complete dovetailing and interdependence with the tasks of individual enterprise units and the tasks of the organization as a whole, especially in the breakdown of the plan.

For this reason the aforementioned 4th plenum of the CPCZ Central Committee has already decided to replace the former mainly administrative breakdown of the plan of agricultural enterprises by the rules of improved planning. This is concretely manifested by the fact that the breakdown of the state plan at the level of the kraj agricultural administrations is in the case of the most important indicators limited to only two (purchase of grain and animals for slaughter) and the intermediate level of management can, in accordance with its own specifics, increase these indicators to a maximum number of five. Other basic changes reside in the fact that consumer organizations will fulfill their social needs through the purchase of agricultural produce by concluding contracts concerning the deliveries. Changes are being made in the planning of the improved basic assets, etc.

In the Jurisdiction of the Ministry of Forestry and Water Management

As far as the Czech Ministry of Forestry and Water Management is concerned, the government committee for the planned management of the national economy approved in the Set of Measures certain specific features which are different for the forestry branch and different for the water management branch. As in the case of the Czech Ministry of Agriculture and Food, the Czech Ministry of Forestry and Water Management has been given--in order to fulfill the Set of Measures--a fixed date schedule in order to organizationally master the assigned tasks. Work groups have been established to identify sectional issues in the Set of Measures. The breakdown into specifics of the Set of Measures was discussed at a series of aktivs, discussions and other meetings at various levels of management in order to concretely detail the Set of Measures gradually in such a way as to make it possible for the directly managed organizations to incorporate these steps as much as possible in their own procedures. These procedures are receiving the final touches.

The Czech Ministry of Forestry and Water Management has issued for the needs of the forestry sector a set of exemplary rules of the khozraschot management of the State Forests, forestry plants and methodical recommendations for planning, material incentives, etc. These exemplary materials were in all cases fully utilized and concretely introduced in local forestry plants. The latter are in the nature of economic centers and are internally divided into operational centers (groups of forests).

In the system of planning the forestry plants have expressly defined production tasks according to technical units and the entire field of cost and yields and other financial indicators, including profit. Comparable calculations, long-term developmental trends and to a lesser extent norms which, because of the character of forestry production, are low constitute the basis for the breakdown of the plan. The operational plans of the centers specify for the operational centers (groups of forests) not only their production tasks but also their economic conditions, especially cost limits for implementation.

The control of the fulfillment of tasks is secured through reviews in direct relation to material incentives. It takes into consideration the workers' role in the fulfillment of the qualitative conditions of production as well as penalities.

In comparison with the forestry sector, in the water management sector the situation regarding the implementation of the Set of Measures is much more complex. From the viewpoint of an effective operation of the principles governing the Set of Measures and controlling the economy of water management enterprises, the most important fact is that we have not yet been able to solve the problem of the repair fund. It is characteristic of the water management sector that the enterprises are high-cost fixed resources (dams, locks, etc.) for the repair of which it is necessary to create funds on a regular asis.

The detailed implementation of the Set of Measures in the water management sector is carried out in close relation to other published materials. As far as an agreement on the statutes of the repair fund is concerned, negotiations with other interested organs are taking a disproportionally long time.

In years past as well as in the preparation of the 1982 plan we only partially applied the principles of counter-planning. These principles, however, were not sufficiently advanced to affect individual workplaces or individual workers.

The application of the Set of Measures is far from being complete and require additional time to work out all economic means making it possible for other elements to come into play as, for example, a change in the work organization during floods, etc.

Other basic principles in the Set of Measures such as the rationalization of labor and management, the breakdown of the plan into individual economic centers, use of the principles of material incentives, etc., have contributed to a certain improvement in the economic results in the water management sector.

Conclusion

The introduction and especially the acceptance and actual use of the Set of Measures is a process which is still in the making. In agriculture and food production its application is much more difficult in terms of procution because our agriculture is affected by natural factors and the existing base with insuffient standards does not make it possible to determine an immediate relationship between labor and material as far as production results are concerned.

For this reason a further significant step in the introduction of the principles in the Set of Measures must be seen in the Principles for the Improved System of Planned Management in Agriculture adopted at the 4th plenum of the CPCZ Central Committee.

From all this two tasks become necessary as far as control is concerned. The first task is the immediate inclusion in the rules governing improved planning of the application of economic instruments, measures in the area of manpower productivity and the system of compensation in 1982 and other years of the Seventh Five-Year Plan. The second task is to use the control mechanism to create an atmosphere of critical standards especially as far as their application in everyday practice is concerned.

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## MINISTER EMPHASIZES NEED FOR HIGHER FODDER PRODUCTION

Bratislava ROLNICKE NOVINY in Slovak 3 Jun 82 p 3

[Excerpt from speech by SSR Agriculture and Food Minister Jan Janovic, at the all-Slovakia aktiv on fodder harvesting, held in Krajne: "Losses Must Be Reduced to a Minimum"]

[Text] Last year, due to objective reasons and also subjective shortcomings, there were considerable shortfalls in plan fulfillment in the output of grain and sugar beets, and in some regions also in fodder and oil seeds. Thus our start in the new five-year period has not been the most auspicious. These shortfalls were harshly reflected in livestock production. To compensate for the shortage of domestic feed, we had to regulate the hog population and now have a tight situation in the supply of feed grain. Mostly the new conditions that have arisen after the adjustment of retail prices, particularly of meat, have an unfavorable impact on us. The market demand for lard, eggs, butter, vegetable oils and even flour is increasing. This poses for us a complex situation that we must solve. It must be admitted that our cooperatives and state farms did good work last fall and this spring to ensure this year's harvest. However, the weather is again not what crop production and this year's plan require. Farmers have been plagued by an unusual drought in April, and by cold weather and sharp frosts in early May, and also by wind erosion in some places. Thus we had to plow up and reseed 30,700 hectares of winter grain, 20,200 hectares of perennial forage crops, and more than 11,000 hectares of sugar beets that were damaged particularly by strong wind erosion. Vegetation has been delayed and is stagnating; this is evident the most in the formation of biomass, particularly in the case of perennial forage crops, mixtures of winter wheat and rye, and permanent grasslands.

The start of grazing has been delayed; with stocks of feed grain low, this has disrupted the program for fattening cattle and sheep. Unfortunately, this has affected milk production unfavorably; to the winter dropout there was added the one in spring; at the end of May milk purchasing was 14 million liters behind schedule. We really did not expect this situation, and it is causing us considerable problems in supplying the population with milk, cream and cheese; also the shortfall in milk purchasing has resulted in reduced deliveries of milk-containing mixed feeds for feeding calves. The chain reaction is continuing. Because there is a shortage of milk-containing mixed feeds, farmers are feeding their calves whole milk. Therefore farm consumption is increasing, at the expense of milk purchasing.

## Not Only Milk

We will be able to fulfill the tasks in livestock production only if we produce the planned quantity of grain, and if in the next farm year we achieve the objective of reducing the specific consumption of feed grain by 3 to 5 percent. And this requires a volume of rough fodder, but of higher quality. Admittedly, the situation in the first harvesting of fodder has not developed the most favorably. We have large unmowed areas along highways and waterways. As if we did not need the grass from these areas. Such an approach to securing the fodder base is intolerable. There is no other solution than to produce enough rough fodder of good quality from our own resources, because there is no way we can expect to make up the shortage by importing feed grain as in years past. The 16th CPCZ Congress and the 4th session of the CPCZ Central Committee set a clear policy in this respect: the development of livestock production must be based on our own feed resources, and this inevitably requires that we intensify crop production by utilizing every are of land and by developing crop production at a faster rate, particularly the production of feed, which will enable us to intensify also the raising of cattle and sheep. The same principles will apply to hog and poultry production as before; i.e., the hog and poultry stock must be commensurate with the ensured feed supply. At the same time we want to intensify hog and poultry production and increase the yields, to save the maximum amount of feed.

## Through Intensification

So far as rough fodder and grain are concerned, our production possibilities are diametrically opposite. Grain production is confined exclusively to arable land, and the reserves for increasing the grain yields are relatively small. Under the Sixth Five-Year Plan we obtained 4.09 tons per hectare, which is a good level even in comparison with the developed agricultural countries. The situation in the production of rough fodder is different. Here we simply are stagnating. We are lagging not only in relation to foreign countries but also in terms of our own possibilities. Therefore it is logical if we say that we will base the raising of cattle and sheep on our own rough fodder, specifically by intensifying the production of rough fodder on arable land and on permanenet grasslands, and by improving its effectiveness. There are enough examples to allow us to set as our goal an increase in milk yield based on feeding rough fodder, from 5.8 liters at present to between 6.5 and 7 liters. If the structure of rough fodder is improved in favor of hay from meadows and perennial forage crops, and if grazing and soilage are used more efficiently, on average for Slovakia we can achieve even 8 liters. At an effectiveness of 7 liters, on rough fodder we could increase the annual milk yield per cow in Slovakia by 435 liters. This converts to 130 kilograms of feed grain per cow, or to 73,000 tons for the entire dairy herd. At an efficiency of 8 liters of milk, to total equivalent feed grain would be as much as 140,000 tons.

Our reserves for producing rough fodder are by no means insignificant, although there are enough complaints that the plan does not allot sufficient arable land for fodder. We are growing fodder on 390,000 hectares of arable land, which is 25.4 percent of the total acreage. To this we may the 805,000 hectares of permanenet grasslands. Without sugar beets and ear corn, then, we are growing rough fodder on 1.195 million hectares, 48 percent of the total acreage of farmland. According to statistical reports, on this acreage we are producing about 4.3 million tons of hay equivalent.

This is by no means little in comparison with our cattle and sheep population. But experts estimate that the actual yield is about 30 percent higher. Thus there are losses that occur in the entire process from harvesting, through storage and preserving, to the manger or feed rack. With suitable harvesting and hauling equipment, sufficient haylofts and silo capacity, and preservatives, these losses could be cut in half. But we know that our material-technical base has considerable gaps, that we lack machinery for the mountainous and piedmont regions, that there are not enough tedders, side-delivery and other rakes, and good storage capacities. Therefore we estimate that these losses could be cut by one-third, to 20 percent. In Slovakia this would mean 400,000 to 500,000 tons of hay equivalent. This is the quantity we need for unrationed feeding and for forming the necessary reserves. At a yield of 7 tons of hay per hectare, this would now require about 70,000 hectares. If we consider the total fodder acreage from this point of view, we have no right to complain that the share of arable land for fodder production is small. But we can accept that the share of perennial forage crops, particularly of lucerne, is small. Here Slovosivo [Slovak Seed Enterprise] must adopt radical measures to increase the production of leguminous forage crop seeds, particularly of lucerne, because a shortage of seed is the primary reason that the proportion of perennial forage crops is low. The conditions for this do exist.

Warning Numbers

But we are worried about the losses in terms of the quality of rough fodder. Laboratory analyses of hay, silage and grass silage performed by staff members of UKSUP [Central Agricultural Control and Testing Institute] and SVS [expansion unkown] at the okres and regional laboratories convince us that the quality of rough fodder is exceptionally poor. I have here the UKSUP results for 1981. The proportion of hay of excellent quality was merely 14.8 percent, including 43 percent in West Slovakia Kraj, 4.1 percent in Central Slovakia Kraj and 4.7 percent in East Slovakia Kraj. But the proportion of hay in Grade 3, designated as unsuitable, was 38.2 percent, including 20.5 percent in West Slovakia Kraj, 58.8 percent in Central Slovakia Kraj, and 33.9 percent in East Slovakia Kraj. The proportion of grass silage Grade 2, good to excellent, was 52.4 percent, including 61.5 percent in West Slovakia Kraj, 40.5 percent in Central Slovakia Kraj, and 71.4 percent in East Slovakia Kraj. The proportion of less than good and unsuitable grass silage was 47.5 percent, including 38.5 percent in West Slovakia Kraj, 59.5 percent in Central Slovakia Kraj, and 28.5 percent in East Slovakia Kraj. The proportion of silage in Grades 1 and 2 was 64.4 percent, including 77.9 percent in West Slovakia Kraj, 51.5 percent in Central Slovakia Kraj, and 39.7 percent in East Slovakia Kraj.

These statistics, provided by UKSUP, are alarming and should be causing us sleepless nights. After all, this was fodder already processed, at considerable labor, fertilizer and other costs, and what we got was ballast of minimal nutritional value. This applies to 38.2 percent of the hay, 47.5 percent of the grass silage, and 35.6 percent of other silage. We are not fostering excessive hopes, and under our conditions I believe it is realistic to expect of our agronomists, farm-mechanization engineers and all those who harvest and preserve fodder, that this year we struggle to achieve our target of 20 percent more hay, silage and grass silage of Grades 1 and 2 in comparison with last year. We must take firmly in hand the question of the quality of harvesting and preservation, and must create favorable conditions for fuflilling this suitable target, including more personal incentives.

The success of harvesting will depend on technology. This area of mechanization is criticized the most, especially before the commencement of harvesting the fodder. Even though there are bottlenecks in some types of machinery--for example, in tedders, side-delivery and other rakes at present--it can be said that in terms of overall mechanization we rank among the foremost countries with developed agricultures. We have, for example, over 1,500 self-propelled cutters of high capacity that can harvest between 15,000 and 16,000 hectares of fodder a day. We also have over 2,000 tractor-mounted cutters, 3,300 rotary mowers, and over 6,000 self-loading trailers. We admit that the situation is more complicated in equipment for mountainous and piedmont regions. Our engineering industry has contributed very little in this respect, and we must depend on imports from capitalist countries, for which there is not enough foreign exchange available. Therefore we must be that much more demanding in ensuring the suitable preparation and also the utilization of those machines that we already have. This applies particularly to the power mowers imported from Austria and Switzerland. Of these we have about 1,000, and to them will be added this year the domestic hand mowers made by Agrostroj Jicin. I am pleased to announce that the economic production unit ZTS [Turcianske Engineering Works] Martin has agreed, on our initiative, to resolve this pressing problem, and we will be testing already this year the functional model of a self-propelled power mower.

Unutilized Capacities

We are not satisfied with the harvesting equipment's state of repair. Only 85 percent of the self-propelled cutters, 84 percent of the windrowers, 81 percent of the tedders and side-delivery rakes, and 75 percent of the self-loading trailers are in operating condition. We have not learned the lessons of years past. This applies particularly to the manufacturers and suppliers of spare parts. But users likewise have not exerted sufficient effort to ensure the better preparedness of the machines. We are annoyed particularly by the shortage of machinery that we ourselves produce. This applies especially to side-delivery rakes and tedders. Likewise incomprehensible is the benovelent attitude regarding the preparedness of the self-loading trailers that are produced within our ministry, specifically at the Nove Mesto nad Vahom and the Topolcany STS [Machine Tractor Station]. Moreover, the repair capacities of the STS's also are not fully loaded and could ensure the repair of all machines in time.

We have been emphasizing for years that the hauling of fodder must be ensured in such a way as to eliminate avoidable losses. Every haul that loses fodder in the field or along the road should be regarded as criminal.

In this year's harvest of green fodder we are not specifying the shares of the individual harvesting and preservation technologies. This must be determined by the technologists of the agricultural enterprises, on the basis of the existing conditions.

They must produce the maximum quantity of good-quality hay from the perennial forage crops and permanent grasslands. The rays of the sun and the winds are free, and therefore the organization of work and volunteer help must be geared to them. We are reverting to these proven technologies and natural drying also because hay is an indispensable constituent of the feed rations, and the results in livestock production are poor where there is not enough hay. Finish drying with natural or preheated air is now the thing worldwide. By this method it is possible to make hay of good quality even when the days are not sunny and the relative moisture content of the air is high. The haylofts must be placed in good repair as soon as

possible, and the construction of new ones must be accelerated where the conditions for new construction are more favorable than in years past. For finish drying we have about 6000 blowers, and we are expecting 1400 more this year from the GDR. But this is not enough, we need far more. It would be desirable for the STS's and PZN [Agricultural Supply and Purchasing] to organize the domestic production of blowers, perhaps as subsidiary production, in Slovakia or in the CSR. This ties in with the entire programs of building haylofts. Construction will start this year of 42 haylofts with a capacity of nearly 30,000 tons.

Are Pastures Treated Like Cinderella?

We must likewise achieve maximum utilization of permanent grasslands, in the form of organized grazing. Organized grazing is very widespread in all countries with developed agricultures, only on our large-scale farms is it being treated like Cinderella. Last year we used for fence-enclosed grazing roughly 30,000 to 35,000 hectares, which is merely 6 percent of the total acreage. Some improvement is noticeable this year in the northern districts of East Slovakia Kraj where permanent barbed-wire fences are spreading rapidly. Last year we had marketing problems with the electrical fences imported from the GDR. A total of 2650 fences were delivered and have been sold, but this year we will not import more from the GDR. Importation from the Polish People's Republic is still possible. Therefore we are seeking a solution from domestic producers, but this will take time and they obviously will not be able to supply any electric fences this year. For this reason the agricultural enterprises should consider building permanent fences with wooden posts and barbed wire. In the spreading of grazing practices we expect more help also from UVSH [Institute for Scientific Farming]. We should not wait for a final evaluation of the 12 model farms that UVSH is organizing on a combined total acreage of about 11,000 hectares, as grazing areas and meadow-pasture farms. Instead, we must begin on a large scale, because the economic advantages of organized grazing have been clearly demonstrated. The ministry will create the conditions necessary for this purpose, to ensure sufficient investment already under the current five-year plan.

Although dehydrated forage is essential for the production of mixed feeds and feed pellets, we must limit its production through the allocation of light heating oil. In comparison with last year, the output of dehydrated forage will be reduced by 100,000 tons; i.e., by more than one-third. This situation requires a new and more efficient approach to the production of dehydrated forage. First of all we must employ a system of selective drying, which means dehydrating raw material only of the highest quality, with a high content of digestable nutrients, proteins and vitamins. The second requirement is a reduction in the specific consumption of refined fuels, by drying only forage that has withered or has been preprocessed by crushing to reduce the moisture content.

Another essential requirement is to operate the dryers three shifts per day and to supply the forage from nearby, so as to minimize the consumption of diesel fuel for hauling the raw material. Therefore we request the agronomists to intensify the growing of lucerne and other leguminous crops in the vicinity of the dryers.

Unutilized Silos

We have built over 1200 tower silos with a combined total capacity of 740,000 $m^3$, at an investment cost of more than 500 million korunas, in order to make fodder production more efficient and preserve as much digestible nutrients as possible.

This technology of preservation meets the new requirements; it is not fuel- and energy-intensive, and therefore it remains the technology of the future.

Audits show that these by no means cheap installations are not being utilized adequately. We estimate that their utilization at present is about 60 percent. The main cause of this we see in failure to observe the basic technological rquirements such as the fineness of cut and the dry-matter content. This complicates the unloading of the grass silage and also worsens its quality. Every battery of tower silos for grass silage must have its master, a responsible guarantor who will also have a personal economic incentive to ensure capacity utilization and the quality of the grass silage. Annually we are preparing 4.6 million tons of silage, including 1.3 million tons of protein and semi-protein silage. The rest is carbohydrate silage. The more serious mistakes are being made in preserving fodder that is difficult to ensilage; i.e., grasses, perennial forage crops, and pulse-grain mixtures. We see the main cause of the high losses and inferior quality in failure to observe the basic principles, in the violation of technological discipline. The trench silos take too long to fill, are not compressed adequately, and the dry-matter content is not taken into consideration. There is a tendency to conceal the organizational and technological shortcomings with demands for preservatives, specifically for "silostan", the supply of which is limited. We have many examples where preservatives are not used, yet the quality of the silage is excellent. By this we do not wish to excuse the Ministry of Industry, which is not fulfilling its production task for "silostan", despite the fact that this task has been set by a government resolution, and the ministry is asserting it annually in its supplier-user relations. We insist that the SSR Ministry of Industry supply 3,000 tons of "silostan" a year, which would be sufficient for 1.0 million tons of silage.

For this year we have secured 710 tons of "silostan", 500 tons of muriatic acid, and have been promised 500 tons of new preparations of the Fosil type. Jointly this is 1710 tons, sufficient for 450,000 to 500,000 tons of silage. In comparison with last year, the increase [in the supply of preservatives] is 400 tons. According to the example of the Slusovice JRD [Unified Agricultural Cooperative], we must employ the industrial system of ensiling that is based on the concentration of the harvesting and hauling equipment at one point, at one farmyard. With the help of the concentration of equipment and highly professional control, a trench silo can be filled in 3 to 5 days. The Slusovice JRD has a carefully planned work organization to utilize the high-capacity harvesting machinery. To fully utilize the self-loading trailers only for gathering, at the edge of the field there are loading ramps that enable the trailers to transfer their loads into trucks, which then haul the harvested fodder to the silos. Thus the performance of the self-loading trailers is doubled, and breakdowns are less frequent. Efficient work organization is the foremost prerequisite for quality and rules out leaving fodder in the fields and disregard of the need to reduce losses. As soon as the trench silos are filled, the entire crew, together with the harvesting and hauling equipment, moves to the next farm. To ensure the continuous hauling of the fodder for silage, a cooperation agreement should be concluded with the traffic inspectorate to temporarily close the road to other traffic if necessary. Every trench silo must have a responsible guarantor who directs the entire operation and will have the authority to make decisions; but he will also be responsible for the quality of the silage throughout the entire period, until the silage is finally fed.

Welcome Assistance

Sufficient manpower is necessary to ensure the harvesting and preservation of fodder under the present difficult conditions. Therefore we expect to include in harvesting volunteers from among students within the framework of summer help, and also from sponsoring industrial plants and social organizations belonging to the National Front. About 45,000 students will help out on farms this summer, in organized groups of at least 15 students. Further opportunities lie within the okres and community organizations of SZM [Union of Socialist Youth] at the request of the OPS [okres labor center] directors or possibly the enterprises.

The inclusion of other components of the National Front was discussed already in January with the the National Front's Central Committee Presidium. Social organizations have received instructions to organize their members to help out in harvesting crops.

The Slovak Central Committee Presidium of CSZTV [Czechoslovak Union of Physical Training] has issued an appeal for political and organizational work to ensure the "Under the Banner of the CSZTV" competition, the principal criterion in which is to produce the most fodder with own manpower. A similar appeal has been issued by the Central Committee of Svazarm [Union for Cooperation with the Armed Forces] for the harvesting of fodder, potatoes, fruit and other crops. We regard favorably the efforts of the Union of Socialist Youth. Their drive "For the Intensification of Meadows and Pastures" is already widespread. Last year it included 73,000 young people from 2200 local SZM organizations who made 30,000 tons of hay. For 1982 SZM decided to intensify this drive, with the objective of including all local SZM organizations on the basis of long-term sponsorship agreements. Whether the grass is growing along highways, railroads and waterways, in forest clearings, on municipal and community land, or on less accessible permanent grasslands, the point is to haul hay of good quality into the haylofts, and not merely report how many hectares we have mowed. Understandably, this applies to all meadows where, unfortunately, we often see that the new growth is forcing its way through the old grass cut previously.

The order of the day is to harvest as much as possible, to reduce the losses in harvesting, handling and storage to a minimum, and to make significant progress toward improving the quality of the hay, silage and grass silage. Immediately at the start of fodder harvesting we find it necessary to state emphatically the requirement that the green fodder must not be squandered, and that we must start immediately to build reserves for winter feeding. The new conditions that have arisen in our economy compel us to restrict the fuel- and energy-intensive technologies in fodder harvesting, and to make full use of the natural conditions primarily for making hay of good quality and for the expansion of grazing on pastures enclosed with electric fences or permanent fencing. In the production of fodder we must use catch crops far more extensively than in the past. Here we are setting the task of increasing stubble mixtures to 130,000 hectares, which is 20 percent more than the actual acreage last year.

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## PROSPECTS FOR SEMI-PRIVATE MANAGEMENT COMPANIES SURVEYED

Budapest IPARGAZDASAG in Hungarian No 4, Apr 82 pp 23-27

[Article by Dr Karoly Fesus, Hungarian Shipping Association's Computer Technology and Management Center: "Some Questions of Assessing the Prospects for Small Management Companies"]

[Text] Many small companies have been formed recently in the field of enterprise organization and management. In the wake of the successful operation of these organizations, the formation of even more small management companies can be expected in the future.

The professional public is keenly interested in the questions of the organization, operation and effectiveness of the small companies formed in the field of enterprise organization and management. This topic is in the center of attention particularly of managers and specialists at the computer technology and management institutes whose main responsibility up to now has been enterprise organisation and management. But it is also the subject of lively debate among management engineers at the enterprises. On the basis of the debate and professional views on this subject, it can be established that the assessment of the prospects for small management companies, in terms of the professional, social and thereby also political aspects, shows a very mixed picture. The formed views are extreme, either for or against the small management companies. For a better understanding and more accurate assessment of the problem, it will be expedient to familiarize ourselves with the views, both for and against.

In the opinion of those who support the formation and existence of small management companies:

--The small management companies will solve the existing shortages now encountered in satisfying the demand in the field of enterprise organization and management;

--The small companies will make it possible to solve the present shortage of specialists in enterprise organization and management; and

--The small management companies will provide the desirable competition that can curb the monopolistic attitude of the institutes in the field of enterprise organization, management and computer applications.

It should be noted that the views supporting the formation and existence of small management companies have developed primarily among persons who are or will be

interested in forming such companies, and also among the management engineers at the enterprises.

According to the views opposed to the formation of small management companies and denying the justification of their existence:

--The small management companies have been formed primarily in the hope of higher incomes, taking advantage of the limitations on higher earnings at the organization, management and computer technology institutes and other economic organizations. As a result, the small management companies can be expected to attract the best specialists among the personnel of the enterprises and institutes;

--The fees charged by the small management companies--since they do not have capital assets of high value (buildings, machinery, equipment), they will be spared these costs and will not be burdened by substantial operating costs (heating, electricity, administration, etc.); according to an extreme view, they need only paper and pencil to operate--will be substantially lower than the present customary and accepted fees. Therefore the organizations operating in the form of enterprises or institutes will be at a significant disadvantage in competing with them.

The views opposed to the formation of small management companies and denying the justification of their existence developed primarily among the directors and managers of the interested enterprises and institutes, and among management engineers at the enterprises. It should be noted, however, that we may regard as completely erroneous the extreme view that the small-company form of operation, based predominantly on private ownership and private entrepreneurship, cannot be reconciled with the social system's political principles.

Obviously, a professional, social and thereby also political assessment of the small companies is not possible on the basis of extreme views, not even if they stem from the best professional and political conviction. To facilitate a sound assessment of the small companies, we must explore the present state of the economy and of enterprise operation, so that on this basis we may be able to determine the most important timely tasks in developing the economy, and thereby also in developing business organizations.

Interrelations Between the State of the Economy and the Role of Small Companies

The most important task at present in managing the economy is to ward off the unfavorable changes--limited possibilities of selling in foreign markets, intensification of the competition for foreign markets, symptoms of recession in the world economy, the oil shocks, discrimination in some markets, etc.--affecting the entire economy, to take advantage of the possibilities for making changes, and thereby to preserve the economy's equilibrium. In the interest of preserving economic equilibrium, we must significantly improve the effectiveness of economic management and of enterprise operations. To achieve this objective, we must perfect economic management, and also the organizational framework of the enterprises, their conditions of operation and scope of authority.

Perfection of economic management's organizational and operational framework and scope of authority is now underway. In the course of this, significant measures have already been adopted in individual areas of both branch and functional management. Significant results have been achieved also in perfecting the enterprises'

organizational and operational framework and scope of authority, primarily in relation to the large industrial enterprises and trusts. The urgent need to form and operate small businesses surfaced in the course of reviewing and perfecting the enterprises' economic, organizational and operational framework and scope of authority. This need was evident predominantly in supplying the population with goods and services,including intellectual services.

The most important economic-management, social and political expectations in conjunction with the formation of small businesses can be summed up as follows:

--Small businesses are to be formed to satisfy real social needs, primarily in the area of services, and their operation is intended to support the supply of the population and economic organizations;

--Small businesses must be able to adapt to rapid changes in the economic environment, and this flexibility must assert itself extensively in their operations;

--By their operations the small businesses are to create sound competition with organizations that in many instances have become inflexible as a result of their monopoly situation;

--Small businesses must remain within the social system's existing organizational framework. Their operations must never become a source of social contradictions.

General State of Enterprise Organization and Management, Tasks of Its Development

For a better understanding of the formation of small management companies, it will be warranted to review more closely the general state of enterprise organization and management, identifying its difficulties and the timely tasks of its development.

In the wake of implementing Council of Ministers Decree No 1046 of (14 Dec) 1977 on the Development of Enterprise Organization and Management, there has been slow but perceptible progress in enterprise organization and management. The overwhelming majority of the enterprises have prepared their revised rules of operation and organization, and progress can be noted in the regulation of activities, in industrial engineering, and in setting up management information systems. Despite the evident progress, we have not yet been able to make up for the lag in the domestic business organizations' level of organization and management as compared with the developed industrial countries. This is particularly true of industrial engineering studies to uncover reserves, and of feasibility studies for computer applications. And in some areas--particularly in process control, and in the realization of computerized management systems that are based on the use of data banks and include planning, management, operations and accounting--our gap of previous years has widened further.

Taking into consideration the state of the economy and the epxectations regarding the effectiveness of enterprise operations, the most important tasks in enterprise organization and management are as follows:

-- Industrial engineering studies that will permit the uncovering of reserves and their utilization; and

--Fesibility studies to provide the conditions for effective computer applications.

The small management companies can play an important role particularly in these areas areas.

How to Assess the Small Managament Companies

In addition to what has been said above, for a substantiated assessment of the small management companies it will be warranted to examine also the following:

--What organizational forms can these small businesses assume;

--Foreseeably in which professional fields will they function;

--What will be the composition of their personnel; and

--Foreseeably what professional knowledge and business connections will they have.

Organizational Forms of Small Management Companies

The feasible organizational forms of the small management companies are as follows:

--Business association,

--Subsidiary,

--Sepcialized cooperative group,

--Small cooperative,

--Civil-law partnership,

--Business work partnership, and

--Individual proprietorship.

The first three of the listed organizational forms have been feasible under the enterprise system's regulation even up to now. It should be noted that no professionally and financially sound organizations of this type have been formed so far, with the exception of a few initiatives.

The formation of small cooperatives, civil-law partnerships and business work partnerships in the field of enterprise organization and management has essentially become feasible only lately. The professional debate on small management companies centers primarily on these organizational forms.

Individual employment in the field of enterprise organization and management has been feasible also in the past. It should be noted, however, that until very recently there have been strict restrictions on individual employment, either as individual work in primary employment, or as secondary employment or part-time employment. The wages of individual employees and of persons employed part-time or in secondary employment are charged to wages of workers not on the payroll, a strictly monitored part of the business organizations' wage fund. On the other hand, the fees of the other forms of business organizations--depending on the nature of the assignment--can be charged to the technical development fund or to production costs. This seriously limits an individual propietorship's chances of undertaking work.

## Possible Fields of Activity for Small Management Companies

The small management companies will foreseeably function in the following professional fields:

--Regulation of organization and operations,

--Control of work processes,

--Control of administrative processes,

--Designing the employed number systems,

--Industrial engineering,

--Uncovering and utilization of reserves,

--Organization of the application of norms,

--Designing computer systems,

--Computer programming, and

--Review of organization and management.

Each of the listed fields of activity is closely linked to the most important immediate tasks of the development of enterprise organization and management; to the organization and management reviews for uncovering and utilizing reserves; and to feasibility studies for computer applications. From this point of view the small management companies can be expected to engage in the most important organization and management tasks that will enhance the effectiveness of the national economy and enterprise operations.

## Sources of Manpower Supply for Small Management Companies

In the assessment of the small management companies it is very important to determine the sources from which they will obtain their manpower. It should be noted that this has been the most controversial issue in the debate concerning the asessment of the small management companies. The manpower of the small management companies will foreseeably include the following:

--Organization and management experts of great erudition, very vast practical experience and outstanding professional achievements, whose real pay at their present workplace cannot possibly match their actual performance, not even in the case of considerable wage differentiation. Perhaps not even the higher income they may earn at the small management companies can provide a meaningful solution to this problem. In the evaluation of specialists of great erudition who are working effectively and fruitfully, we must finally take cognizance of the fact that in intellectual work there are indeed performances that exceed the average severalfold. The present wage regulations are able to reward such outstanding performances only with very great difficulty. But the absence of performance-commensurate pay either leads to a decline in performance or compels valuable employees to leave. The departure of experienced employees of great erudition poses the greatest problem, one that extremely undermines the sound assessment of the small management companies and occasionally even produces distorted views. Important enterprise and institute operations

are based on the work of these employees, and therefore their departure will significantly impede or entirely exclude the continuation or acceptance of certain activities. The replacement of the departing specialists or the training of new ones will likewise cause considerable difficulties and occasionally will require great effort.

--Specialists of great erudition, capable of performing organization and management work of a high professional level, whose abilities are not being utilized at their present workplace or are being utilized only partially. In this group belong the specialists who, after a few successful organization and management projects, have remained with the same organization and management tasks where the elaborated solutions are on the same level, require no special effort or creativity, and are repetitive. In this group belong also the employees whose abilities have not yet been recognized at their present workplace, or whose professional or job advancement, their chances of becoming chief cannot be realized within the foreseeable future, for reasons beyond their control (for example, an error of judgment, or a profesionally very strong management). The departure of the unquestionably valuable specialists in this group--even though their replacement within the enterprise or institute might cause considerable difficulties--could prove advantageous in the long run, for both the departing employee and the organization employing him. In assessing the departure of staff members belonging to this group, it should be taken into account that they are the majority of the "offended" people, and therefore they always cause tension; and also that the personal advancement of these valuable specialists and the better utilization of their capabilities are in the interest of both the individual and society.

--Well-trained professionals who are dissatisfied with the success and material rewards of their work. In this group belong employees who so far have been unable to achieve professional success, the employees plagued by financial problems, the ones founding a family or building a home, and in general the young specialists. The departure of these specialists serves primarily their own interests. For the enterprises or institutes employing them the problem is merely to find replacements for the departing experts, and perhaps to compensate for a worsening of the organization's wage situation (a rise in average wages).

--Employees who have professional training but are performing work far below their abilities. In this group belong the soldiers of fortune, the ones who hope to get rich without working, and the job-hoppers for whom it is always greener on the other side of the fence. At the enterprises, unfortunately, there is quite a number of such characters in the field of organization and management. The departure of such employees can only benefit the enterprise or institute employing them. It should be noted that the new small management companies, in their own best interest, are very reluctant to hire such employees.

Professional Background of Small Management Companies

At the start of their operation, the newly formed small management companies are able to rely primarily on the professional knowledge and cooperational contacts that their employees gained at their previous places of employment. This fact is another source of the small management companies' unfavorable assessment. For the small management companies not only take over the highly erudite and valuable enterprise and institute experts, together with their existing professional knowledge, but in

many instances they conclude contracts with the very same enterprises with which the former employers of their staff members had contractual relations, on the very same topics that were being investigated at the enterprises and institutes. It should be noted that such behavior can hardly be regarded as fair competition, and it jeopardizes the possibility of future cooperation between the small management companies and the enterprises and institutes whose principal activity is work in organization and management. This cooperation could produce very effective results.

Proper Attitude Toward the Small Management Companies

An integral part of the small management companies' proper assessment is determination of what attitude the enterprises and institutes engaged in organization, management and computer technology as their principal activity should adopt toward the new small management companies. In determining the proper behavior of the enterprises and institutes we must start out from the fact that there are very great possibilities for very effective cooperation with the small management companies.

--The small management companies could be suitable for distributing the very valuable and highly professional systems and methods developed by the organization, management and computer technology enterprises and institutes. The targets of this distribution would be the enterprises and economic organizations--particularly the small and medium enterprises--to which the activity of the institutes does not extend. Wide distribution of comprehensive systems is very important. For example, the development and introduction of a management system that is based on a data bank and incorporates complex planning, management and accounting functions is very expensive, requiring outlays totaling tens and millions of forints. The earliest possible recovery of the high costs is very important to the developing institute. At the same time it is obvious that the development of systems far exceeding the financial possibilities of the small management companies cannot be one of the fields of their activity. Therefore the small management companies could play a major role primarily in the distribution of the very valuable and highly professional systems. It would be a very grave mistake if the activity of the small management companies were directed toward organizing traditional data-processing and record-keeping routines of a low professional level, thereby limiting the rapid spreading of highly professional and effective organizational methods and comprehensive systems. Likewise objectionable are the efforts to acquire and apply, in some instances irregularly, very valuable organizational methods and management systems.

--If an effective division of labor is achieved, the small management companies can ensure favorable marketing opportunities for the better utilization of the organization, management and computer technology enterprises and institutes' very valuable stock of equipment that occasionally exceeds 100 million forints. The investment and operating costs of the equipment owned by the institutes--ergonomic instruments and laboratory, industrial-engineering measuring and testing instruments, the professional training base and library of professional literature, data-recording installations, business machines, calculators--exceed several times the present and foreseeable future investment and development possibilities of the small management companies. (In conjunction with this, however, it should be noted that in the future the need will probably arise, in the case of some of the successfully operating small companies, to borrow for investment and development purposes the savings of private individuals outside the companies, at interest rates commensurate with

the high risks involved. If this becomes feasible, the strongly limited nature of the small management companies' investment and development activity would be resolved.) In other words, the equipment of the organization, management and computer technology institutes could serve for a long time as a base of the small companies' activity. It would be a grave mistake on the part of the small companies if they --in the spirit of misinterpreted independence--refrain from using this very valuable equipment of the institutes and limit their activity to the application of equipment that they too can afford, but which often is rather primitive. This would be a great step backward in developing the effectiveness of enterprise organization and management.

For the organization, management and computer technology institutes--under the possibilities and conditions of cooperation with the small companies--it is necessary to define the tasks which, over and above the utilization of the possibilities stemming from cooperation, increasingly assert also the institute interests that embody the interests of the national economy. These tasks are as follows:

--Considering that the capabilities of the highly erudite and successful experts cannot be fully utilized at the small companies with their considerably narrower competence, every effort must be made to retain these specialists. This will require first of all greater wage differentiation in comparison with the wage and wage-increase practices of years past, the setting of wages more commensurate with performances, and far-reaching support to promote to chiefs the very valuable and effective specialists of outstanding knowledge. But the requirement that the organization, management and computer technology institutes serve as a base for the training of specialists for the economic organizations must be met also in the future. This statement is confirmed also by the practice in the developed industrial countries where the large corporations and various professional institutes--in their own interest and hope of future cooperation--supply suitably trained cadres for the business organizations in their field of professional and business activity;

--Special care must be devoted to protecting the intellectual products developed at the organization, management and computer technology institutes. To this end:

--Existing intellectual products must be patented;

--Systematic protection of intellectual products must be introduced; and

--In the case of contractual relations--whether under a contract of employment or a service contract--the use and release of information that is the property of the institutes must be limited also contractually.

Increased protection of intellectual property belonging to the institutes is in the interest of both the institutes and the small companies, because the use of such property within legal, contractual limits permits the transfer of experience gained in practical application, decisions regarding the tasks of further development based on the experience with and demands of extensive practical application, and thereby the earliest possible publication and spreading of new developmental solutions.

Summary

The formation of small companies in the field of enterprise organization and management is at its very beginning. For the time being it is not possible to give an

exact and unambiguous assessment of the operation of small management companies, but from what has been said above we may conclude that there are large-scale possibilities in the operation of the small companies and in cooperating with them.

In developing cooperation with the small management companies and in assessing their present situation and future prospects, it is always necessary to start out from the viewpoint of the effectiveness of enterprise operation, from the development of organization and management at the enterprises that will create the prerequisites for greater effectiveness, and from the need to spread as quickly as possible the high-level organizational methods and procedures.

1014
CSO: 2500/265

## FOUR MONTH PRODUCTION RESULTS REPORTED

Warsaw TRYBUNA LUDU in Polish 16 May 82 pp 1, 8

[Text] According to the Central Office of Statistics [GUS] monthly report, the economic situation in the country in April approximated the situation in the first quarter of this year. Three main trends were noted in industry: increasing production in mining industries; slower production growth in the light industry; and deep production drop in processing industries mainly due to insufficient supplies from other economic sectors. At the same time, despite the lack of raw materials, their utilization efficiency continued to be low.

In agriculture, the number of livestock and hogs increased, but the livestock procurement dropped. The profitability of raising hogs decreased. Signs appeared that the production was being limited in comparison with the preceding months.

The increment of the accumulated monetary resources by the entire population decreased due to the fact that the growth rate of expenditures was higher than the growth rate of earnings. The price increases resulted in the higher living costs. Despite an increase in the nominal earnings of the employees in the socialized sector of the economy the real incomes of many employee categories were lower than in the first quarter of this year.

### Production Sales Drop

Production sales of the socialized sector was by 7.5 percent lower than 1 year earlier, but the indicators for the first quarter were even worse. During the first 3 months production sales were lower by 11 percent in comparison with the same period 1 year earlier. Deliveries of many raw materials and materials continued to be lower than the demand. In comparison with March of this year production sales in April decreased by 10.7 percent, while labor in the same period decreased by 3.6 percent. However, decrease in sales in April as compared with March took place in the preceding years as well. Comparable indicators show that in 1980 there was a 4.7 percent drop, in 1979 -2.0 percent, and in 1979 -4.0 percent.

## Increase in Mining Industries

Production increases were mainly observed in the mining industries. In April 15,800,000 tons of hard coal were produced, that is 13.6 percent more than 1 year earlier, and 13,900 tons of zinc an increase of 13.7 percent as well as 30,000 tons of electrolytic copper, an increase of 8.9 percent.

In April the work force in the socialized sector reached 4.5 million persons and was by 268,000, that is--that is, 5.7 percent--less than 1 year earlier. An average monthly wage, including recompensations, reached 11,332 zl and it increased in comparison with last April by 4,126 zl, that is by 57.3 percent. The drop in productivity in April was 1.9 percent lower than in the preceding months.

In the first 4 months of this year production sales dropped by 10.2 percent as compared with the same period 1 year ago, and for the comparable labor time the drop amounted to 9.3 percent. Except for four branches, that is coal, energy, whiteware, and cloth industries, production sales were lower than 1 year ago. Particularly big drops were noted in such industries as the ironworks--by 16.3 percent, metals--15 percent, transport--14.6 percent, electric and electronic--14.5 percent, chemical--14.3 percent, textile--16.3 percent, food-11.4 percent, and fodder and waste recovery--36.2 percent.

Socialized construction-assembly enterprises this April as compared with April of last year showed a 16.6 percent drop in basic production, but compared to March it was higher 4.1 percent higher and in comparable labor time even by 13.6 percent. The analysis of data for the first 4 months in 1982 and 1981 showed that the production in the construction industry dropped by 19.6 percent. This drop was mainly caused by reduced investment outlays. During the first 4 months of this year 26,900 apartments were built (6,500 in April alone), that is by 16,200 less than during the first 4 months last year.

## Agriculture

In agriculture, field work was delayed. By the end of April grains had been planted on only 90 percent of the planned area, while sugar beets--had been planted on about 60 percent of the planned area. By the end of the first quarter this year the number of livestock as compared with the same time a year ago increased in entire agriculture by 2.1 percent and of hogs by 5.5 percent. The procurement of slaughter animals in April reached 135,300 tons, or 22.3 percent less than April last year. The procurement of milk was slightly higher--by 0.6 percent, and of eggs slightly lower--0.4 percent. In comparison with the preceding month the procurement of slaughter animals was 14.4 percent lower, milk--by 3 percent, and eggs--lower by 15.3 percent in April of this year. Compared to last year of slaughter livestock for January/April was 11 percent lower, eggs--3.5 percent lower and milk--2.1 percent higher. Fertilizer and concentrated fodder sales were lower in the first 4 months of this year.

Reduced Employment

In four major branches such as industry, construction, transport, communications, and trade further manpower reductions were noted. In April average employment in the branches decreased by 81,000 persons as compared to March of this year. This was primarily due to early retirements and educational leaves which had been extended by 6 months. Simultaneously, the number of jobs reached 232,000. A growing demand for additional employees was also noted, because in March their number reached 176,000, while in April of last year the number was 155,000. Moreover, only 27,000 persons were looking for work, that is 10,000 less than in March.

The personell wage fund in the four major sectors in April reached 69 billion zl and it was by 11 billion zl higher than 1 year ago. Recompensation paid to employees (excluding dependents) reached 12 billion zl.

Population Income and Expenditures

The monetary income of the population reached 259.1 billion zl. They increased 95.5 billion zl, that is 58.4 percent as compared to last April. However, expenditures reached 243.2 billion zl and increased in comparison with April 1981 by 97 billion zl, that is 66.2 percent. Out of this amount the expenditures for goods reached 207.9 billion zl. The increase due to price increases was 76.4 percent.

If price increase are excluded, retail sales in April showed considerable decrease compared to April 1981. Market supplies shortage goods was enough to cover the demand regulated by ration coupons. However, supplies of non-shortage foodstuffs as well as non-food articles was insufficient.

During the first quarter of this year as compared with the first quarter of last year the prices of foodstuffs (excluding alcoholic beverages) increased by 128.7 percent, alcoholic beverages by 144.4 percent, non-food articles by 65.4 percent, and services by 46.7 percent. It is estimated that the real incomes of employees in the socialized sector were in the first quarter about 23 percent lower during the same period a year ago.

Exports and Imports

Exports in April were 0.8 percent higher than a year ago, but imports were 23.8 percent lower. However, in trade with socialist countries exports increased by 16 percent, and imports by 0.8 percent, while in trade with the capitalist countries exports dropped by 12.9 percent, and imports by 48.6 percent.

For the first 4 months of this year as compared with the exports remained on nearly the same level as for the analogous period last year, but imports decreased by one-fourth. Average import prices rose more than export prices, which had an unfavorable economic effect on us.

8609
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## OPERATIONAL PROGRAM FOR ROAD, RAIL TRANSPORT PUBLISHED

Warsaw RADA NARODOWA GOSPODARKA ADMINISTRACJA in Polish No 6, 19 Apr 82 pp 24-26

[Text] One of the government operational programs covering areas presently recognized as the most critical ones is the program for road and rail transport. Its purpose is to provide the conditions for satisfying the basic transport needs of society and of the national economy, including first of all the needs arising from the rest of the operational programs.

### Freight Transport

The transport program does not define directly and precisely the amounts of rail and motor transport for this year, since no one--including the Council of Ministers Planning Commission--is able to quantify the dimensions of transport needs or their structure accurately at the beginning of the current year. There are still too many unknowns, especially the level of production of the individual branches of the economy, and also trade relations with other countries. In this situation, the main transport task recognized by the program is providing the necessary resources for the transportation of:

--99 million tons of freight in the first quarter and 420 million tons in all of 1982 by standard-gauge railways;

--37 million tons of freight in the first quarter and 165 million tons during the year by PKS [State Motor Transport];

--130 million tons of freight in the first quarter and 580 million tons during the year by branch motor transport enterprises;

--1.9 million tons of freight in the first quarter and 9 million tons during the year by transport cooperatives.

The above figures should be treated as approximate ones, indicating the required level of transport capacity of the railroads and motor transport. From the nature of things, when this level is set for a quarter, the approximation can be more precise than for the entire year, since it is more fully grounded in economic realities. In spite of this, the performance of transport in

January and February indicates that the real needs for transport in the first quarter will be lower than the level of transport capacity required by the program. This is associated precisely with the continued decline in production by many branches of industry and construction, in comparison with the analogous period last year. For example, the only items of which the railroads carried more in January than they did last year were coal and cement; in all other freight groups, there was a further regression.

Obviously, the data from the first quarter are still an insufficient basis for any annual predictions. The following quarters may bring real changes in the size and structure of transport needs. If actual transport reaches a level this year that corresponds to the transport resources established by the operational program as mandatory, this will mean a considerable increase in railroad and state motor transport work in comparison with last year's performance (by about 26 million tons for the PKP [Polish State Railroads], and about 9 million tons of freight for the PKS). On the other hand, there would be a small reduction in transport performed by the branch motor transport, associated mainly with the curtailment of construction. At the same time, there will be a tendency toward considerable curtailment of the sphere of activity of the so-called economic-type motor transport, which is dispersed, is the most poorly organized, and is characterized by the least economic utilization of rolling stock. One may expect the economic reform itself to incline numerous enterprises, especially the smaller ones, and other establishments to relinquish the expensive maintenance of their own transport when they come to the conclusion that it is more worth their while to use the services of public carriers. The stimulus set in motion by the reform should likewise result in a reduction of the distance covered by railway and motor transport, as a result of a more efficient search for closer supply sources and sales markets.

The difficult fuel situation is reflected in the principles presently accepted by transport policy as the basis for the operational program in this field. In accordance with these principles, the railroads will take over certain tasks--especially freight transportation over long distances--from motor transport, which will specialize in short-distance and at most medium-distance transport. Great emphasis in the work of the PKP is being placed on further intensification of the use of electric locomotives on the electrified line network, which already includes over 7,000 kilometers, with a "freeze" on, or even a decrease in, the present extent of the use of diesel locomotives, and a retention of the [present] share of steam locomotives, amounting to several percent.

In certain periods of the year, railroad capacity may not suffice to meet all of the economy's transport needs simultaneously. Taking this eventuality into account, the program has established in advance several types of freight as railroad transport priorities for the entire year. These are coal and liquid fuels, basic raw materials and materials for key industrial plants and for residential construction, food, and goods that are exported, imported, or carried through Poland by transit.

In freight transport carried out by the PKS, a special place has been given to serving the agricultural-food sector, i.e. to deliveries of the means of

production to the villages, and in the opposite direction, to the transport of agricultural products (plant and animal products) to the cities. The general principle in this is concentration of the PKS's resources on local transport, with a restriction on long-distance transport.

Consistent implementation of the above-mentioned principles of transport policy (which have a corresponding application in passenger transport, discussed below) should become an object of interest and attention from central and local agencies of the state administration in their control and coordination activities.

Passenger Transport

It is estimated that this year the PKP will carry about 1.1 billion passengers, and the PKS, about 2.3 billion passengers. It thus turns out that in this area there are no major changes in comparison with 1981. The volume of railroad passenger transport has been stabilized for many years, with insignificant fluctuations. In recent years, difficulties with rolling stock and fuel in the PKS have slowed down the previously rapid increase in the number of passengers, and even led to a certain reduction in this number. This year, the exceptionally difficult situation is forcing the PKS to initiate further restrictions on bus transportation. It is necessary to take into account the fact that long PKS bus trips, which were generally suspended this winter, are and will be renewed only on a very modest scale, and that the transport resources thus saved, which are small in any case (long-distance transportation was barely 1 percent of total PKS activity in terms of the number of trips per day) will be used to support transportation to work and schools. Even on medium-distance and local routes, however, there will inevitably be reductions in the frequency of buses, especially during the hours of peak-period increases in rides (to work and schools, and back) and in sections parallel to railroad lines.

This year, the restrictions, to a certain extent, will even affect buses that have so far traveled to work and schools. Local PKS units are reducing or suspending sales of monthly bus tickets to residents of locations with PKP stops and convenient railroad connections. In this manner, it is being ensured that people who do not have any other means of transportation can get to work, in spite of the reduced size of the rolling bus stock. In view of the occurrences of shortages of tires, storage batteries, and spare parts, fuel shortages, limited deliveries of new rolling stock and changes in its structure (an increasing proportion of buses with less capacity), the PKS has to concentrate its modest resources selectively on the tasks that cannot be handled by any other carrier. On the other hand, wherever possible, and wherever two carriers have duplicated each other's services in the past--both over long routes and in transportation service for large urban-industrial centers--railroad transport capacity should be fully utilized. This imposes additional tasks and demands upon the railroads in connection with adapting train schedules to new conditions and social needs, increasing the train-car composition, insofar as this is justified and possible, and finally, adhering to the verified and modified train schedule. These are not easy tasks, since after all the railroads are also struggling with enormous difficulties and supply problems.

Many people thus expect a compulsory shift from buses to trains--which will not always be convenient and will frequently mean a longer ride to one's destination, but which is necessary and inevitable in view of the situation that has arisen. This shift, nevertheless, should be properly considered and prepared, well organized, agreed upon and coordinated among local PKS and PKP units, and accompanied by an extensive explanatory campaign among the passengers.

Means of Carrying Out the Transport Tasks

While requiring that railroad and road transport provide set transport resources, at the same time the operational program established quarterly and annual figures for deliveries of the basic technical means to meet the needs of transport. It thus determined the deliveries of new railroad and motor transport rolling stock, as well as the allocations of coal and coke, electrical energy, liquid fuels, tracks and railroad turnouts, sheet metal and other rolled products, steel pipes, cables, cement, lumber, road asphalt, batteries, motor vehicle tires, and also machines for transport technical facilities. Transport will have priority in obtaining supplies of energy, fuel, and raw materials on the basis of the same rules as other areas of the economy covered by operational programs. Limits have also been established on foreign exchange resources, which are to be used primarily for essential purchases of spare parts.

The sizes of these allocations constitute a compromise between the needs of transport and the capabilities of the economy. In some areas, transport can count on a certain improvement in supply this year; for example, in comparison with last year, it is to receive somewhat more turnouts and wooden railroad ties, cement, batteries, tires, and machines. There is to be a slight increase in allocations of electrical energy and liquid fuels. On the other hand, the amount of foreign exchange available for import purchases is declining. Above all, there is to be a marked reduction in the deliveries of new rolling stock, including especially passenger and freight cars (with reductions of 25 percent and close to 40 percent, respectively), buses, high-tonnage trucks (cut in half), and medium-tonnage trucks.

This picture must be supplemented with the news of further drastic reduction in construction and installation investments. Not only are no new railroad and roadbuilding investment tasks to be initiated this year, with the exception of the electrification of some sections of railroad lines, but in addition, there is to be a suspension in completion of numerous installations that were begun long ago and on which in some cases much progress has been made. The list of suspended projects has included new railroad line sections (including the continuation of the construction of the Central Railroad Trunk Line from the region of Grodzisk Maz. in the direction of Wyszogrod and Plock) and other tracks, the expansion of several main switching stations, technical and operating facilities for the Steel-Sulfur Line, the construction of many two-level junctions, road by-passes (city by-passes), new expressway sections, etc. As a rule, investment activity in the transportation industry is to be limited this year to the continued electrification of railroads, the expansion and modernization of service and repair facilities, and a limited

program for the construction of residences, social facilities, and health services for the workers.

If all goes well--with some "margin of hope"--the results of the PKP electrification this year will provide an increase of about 300 kilometers of electrified lines (for comparison, there were only 181 km in 1980 and 223 km in 1981). This year the following sections are scheduled to be shifted to electric locomotive operation: Lochow to Malkinia on the Warsaw-Bialystok line, with the Tluszcz-Wyszkow branch, the first section of the Nadodrzansk Trunk Line from Wroclaw in the direction of Glogow, a portion of the so-called "eighth outlet" from Slask (from Zabrze-Mikulczyc through Fosowska in the direction of Kluczbork), and in addition, if financing for the work is provided, the following sections: Swidnik-Jaszczow on the Lublin-Chelm line, Szczecin-Police, the railroad sections in the Fishing and Coal District, and others. It is no less important this year to begin and make progress on electrification of the next sections, on a scale such that next year the combined length of newly electrified lines turned over for use will reach at least 300 km.

The construction or adaptation of a large number of installations is continuing in transport technical facilities, especially in PKP locomotive maintenance shops and railroad-car maintenance shops. These, however, are for the most part tasks that require many years to complete. It is planned in the current year that PKP locomotive service facility installations in the expansion or adaptation stage in Gdynia Cisowa, Lodz Olechowa, the central portion of Szczecin, Tarnwskie Gory, Ostroleka, and Jaslo will be turned over for railroad operations this year, while work of many years' standing at other units of the facilities will be continued at the same time. On the whole, the present scope of the expansion and modernization of transport technical facilities is lagging far behind the requirements, which have increased over the last 10 years, and behind the tasks that have been set for these facilities.

Main Course of Action: Repair and Maintenance of the Rolling Stock

In view of the extensive limitations on investment work and purchases, and in view of the supply difficulties, this year (and probably the next one as well) will not create the conditions or chances for the expansion, or, in general terms, for the development of transport. In this situation, maximum efforts must be directed toward repair and current maintenance of the railroad and road rolling stock, as well as the transport infrastructure: railroad tracks and mechanisms, and vehicle roads. Since they cannot count on a significant increase in technical means, transport workers have to do all they possibly can to maintain the existing equipment in good operating condition. In practice, this is the only way to increase capacity and transport performance to the level required by the operational program, i.e. to the level that the national economy will need and expect while it is finding a way out of the crisis and attempting to increase production and trade again.

We will illustrate this with just one example. Almost 3,400 new freight cars will be delivered this year. This does not compensate for the loss of freight

capacity resulting from the inevitable removals of worn-out cars from the inventory. Last year these removals included over 11,000 cars; actually most of these had less freight capacity than newly received cars, but deliveries on the order of 5,000-6,000 new cars each year would be needed to cover this loss. Meanwhile, we have to take into account the necessity of carrying more freight this year than last. The only possible way to ensure this will be to reduce the number of technically defective cars withdrawn from operation for repairs. The average daily number of those cars considerably exceeds 50,000. Reducing this number is a task of primary importance and a basic condition for achieving the required transport capacity. For this purpose, railroad repair facilities--repair shops for railroad rolling stock and cars--have to perform more repairs this year than last. Likewise, railroad customers--large industrial enterprises, ironworks, mines, and ports, which damage considerable amounts of rolling stock during freight-handling operations, have to do a better job of abiding by the government resolution requiring them to repair such damage.

The repair capacity of railroad facilities will be increased by several approaches: by better equipment for the shops and an improved supply of materials and spare parts, insofar as this is possible; by various modernization measures, carried out for the most part with one's own work force and with a small outlay; by improving the organization of the repair processes; and by a gradual improvement in working conditions. The decisive matter, however, is an increase in employment--by several thousand qualified workers, just in the repair units of the railroad rolling stock. Extending work to a second or third shift and fuller utilization of the machines and equipment on free Saturdays also depend upon this. The approaches prepared this year on a large scale in the labor market will create some chances for a favorable resolution of this problem. Among other things, a great deal depends upon the employment policy conducted by local state administrative agencies and on assistance from them.

At the same time, in many areas of the country, the railroads are looking hard for installations that could be adapted relatively cheaply for organizing new car repair shops. They are considering various unused or unfinished factory buildings, stations, and so forth, which the owners--for various reasons, e.g. forced abandonment of the project--will not be able to use for a long time and would be inclined to lease or sell. The local administration could also be of assistance in looking for such installations.

In view of the limited material possibilities, the transportation ministry is planaing a considerable increase in the expenditure of labor for current maintenance of railroads and roads. In this manner, without large expenditures of materials in short supply, it is attempting to slow down the process of the depreciation of a valuable property like the country's transportation network, and to keep it in a state making normal operation possible. On the other hand, in capital repairs of the tracks (replacing the rails with new ones) and vehicle roads, it is attempting to at least maintain last year's volume of work, 2,300 kms of tracks and 5,800 km of state roads. In order to carry out this year's program for repairs and maintenance of the tracks, bridges, and railroad buildings, 17.5 thousand new workers will be required.

An increase in employment is also essential in the areas of the public roads, especially in crews directly engaged in maintaining the roads.

Likewise, the main emphasis in managing local roads this year should be placed on current maintenance, in order to prevent a deterioration of the existing state of the network of these roads.

Regrouping forces and equipment from investment and development activity to repairs and maintenance of the existing infrastructure and rolling stock is one of the principal tasks of transport and its facilities this year.

9909
CSO: 2600/594

## INCREASED RATE OF RAILROAD ELECTRIFICATION REPORTED

Warsaw TRYBUNA LUDU in Polish 16 May 82 pp 1, 2

[Article by staff correspondent A. Kozminski: "PKP Electrification Rate Increasing--1,000 Kilometers of Track in 3 Years--Copper Net on Nadodrzan Trunk Line"]

[Text] The fuel crisis forced the authorities at the Ministry of Transportation to accelerate the rate of electrification of the Polish State Railroads (PKP) tracks. This amounts to--strictly speaking--a resumption of the old rate of electrification because, during the last few years, it has fallen to barely about 150 kilometers (km) per year.

According to the already undertaken decisions, there will be 316 km of newly electrified PKP tracks opened to service in the current year, 317 km next year, and 400 km of electrified tracks in 1984.

In a word, within 3 years the PKP electrified network consisting currently of over 7,000 km of the line will be lengthened by about 1,000 km. In 1985 it is anticipated that 500 km will already be electrified.

### In Most Important Directions

The PKP electrification program includes four basic activity sectors for the next few years:

--On the North-South axis it includes principally those lines which are an extension of the routes emanating from Slask, and are already electrified: the Nadodrzan Trunk Line from Wroclaw through Zielona Gora to Szczecin; the line from Opole through Jelcz to Wroclaw, this forms the railroad connection between the Lower and the Upper Slask; the line from Kutno through Torun to Bydgoszcz, this connects the electrified trunk line Warsaw-Poznan as well as the electrified coal trunk line from Slask to Gdansk and Gdynia; the line from Kutno to Plock which is the principal route for transporting petroleum products from "Petrochemia," and finally the line Warsaw-Gdansk or exactly its unelectrified portion from Nasielsko to Tczew.

--The second group, on the East-West axis, consists of three lines: Lublin-Chelm-Dorohusk (USSR border); Wroclaw-Legnica-Wegliniec [in direction Zgorzelec] and the completion of electrification of the Moscow-Warsaw-Berlin trunk line which passes through our country in the sector from Zbaszynek to Kunowice (GDR border).

--The third group is formed by completions of electrified PKP net in Slask. The fourth group consists of connections between the already electrified lines and sections located within urban centers, for example: Inowroclaw-Torun, Szczecin-Police-Trzebiez, Fosowskie-Strzelce Opolskie, Wysoka Kamienska-Kamien Podmorski.

Currently, personnel from Railroad Electrification Operations Plant [ZKRE] are working on erection of poles and suspension of electric power-line systems on the lines from Szczecin to Police, from Lochow to Malkinia and from Tluszcze to Wyszkow.

Unfortunately there is a danger of interruption of this work due to a shortage of copper catenary cables.

The facilities of two sub-stations, in Lososiowice and Scinawa, have already been completed. These will power the electrified sector of the Nadodrzan trunk line from Wroclaw to Scinawa. By the end of May, this sector will be opened to electrified train traffic. Also by the end of this month [May], further electrified sections will be turned over to use in the so-called VIII exit from Slask, i.e., the line from Zabrze Mukulczyce to Tworog Brynka and from Borowiany to Fosowskie.

In the Fall to Malkinia and Wyszkow

Next lines to be electrified, prior to the celebration of "Day of the Railroader" in September (1982), will occur when the ZKRE will hand over, for utilization, the route from Lochow to Malkinia, on the Bialystok line and from Tluszcze to Wyszkow.

By the end of this year [1982], electrified trains will reach Glogow on the Nadodrzau trunk line, from Zory to Pszczyna, from Bielsko Biala to Skoczow, from Szczecin to Police and Trzebina as well as from Wysoka Kamienska to Kamien Pomorski. The electrification of the latter will eliminate the necessity of motor [diesel] trains from covering some 70 km of the already electrified line from Szczecin to Wysoka Kamienska, in order to reach Kamien Podmorski which is situated 17 km further on down the line.

9511
CSO: 2600/615

## METALLURGICAL INDUSTRY PRODUCTION, REFORM DESCRIBED

### Improved Metallurgical Production

Warsaw TRYBUNA LUDU in Polish 27 Apr 82 p 5

[Article: "The Metallurgical Industry Is Straightening Out"]

[Text] This year: 15 million tons of steel, 10.3 million tons of rolled products and the beginnings of stabilization.

In the first quarter of 1982, the metallurgical industry produced 4.3 million tons of coke, 1.8 million tons of pig iron, 3.2 million tons of steel and 2.35 million tons of rolled products. Except for coke, the planned tasks were not fulfilled in the remaining sectors which severely affected other areas of the economy, especially construction. The primary reasons why the planned production, which was less than the previous year's, was not fulfilled were the emergency shutdowns of the Katowice Iron and Steel Works No 2 great furnace, the poor condition of the furnace at the Bierut Iron and Steel Works and difficulties in initiating production of products that heretofore were imported from the Western countries.

"The situation is now improving," stated Zbigniew Szalajda, minister of Metallurgy and Machine Engineering Industry, at a press conference. "We are obtaining better results now than in the second half of 1981. Technological discipline and productivity have stabilized. Although this is taking place at a low level of total production, the overall condition of the industry is starting to improve."

Improvements Are Already Visible

"Promising results," emphasized Z. Szalajda, "were acheived by the copper, zinc and lead industries. Operations in the shipbuilding, aircraft and machine-tool industries are also stabilizing. Exceptional progress was also achieved by enterprises manufacturing agricultural machinery."

Despite the great difficulties caused by the shortage of imported raw materials, extensive operations have begun to adapt the industry to the new economic conditions. Among other things, materials that were previously imported from the dollar zone are now being obtained on a wide scale from

domestic sources or from the USSR and other CEMA countries. After the initial shock which the plants endured at the beginning of the year, the operations of the heavy machine industry are organized.

Data for the first 20 days of April indicate that in general the plan is being realized on schedule, and for some assortments (coke, pipes, copper and lead) it is even ahead of schedule. Energy and raw material supplies have improved.

The Soviet Union, which supplies needed ferroalloys that were previously imported from the West, provided much help. Additional supplies from the USSR of change materials for ingots and slabs were assigned. Two hundred thousand tons of these products are being processed by the Lenin, Bierut, Nowotki and Katowice Iron and Steel Works. The delivery of an additional 100,000 tons of ingots have been agreed to. Our mills are also processing 6,300 tons of Soviet copper. The USSR is supplying iron, chromium and manganese ores ahead of schedule.

The probability of stabilization and even of a gradual increase in production in the next quarters appears to be increasingly possible. Under these conditions this year we will produce about 15 million tons of steel, 10.3 million tons of rolled products and 8.9 million tons of pig iron. Even though these figures are a couple of percent less than those for 1981, the decrease in production this year will be a lot less than previously projected in January.

How Can the Needs of the Economy Be Satisfied?

In its striving to satisfy the needs of the economy as much as possible, the metallurgical industry is initiating various actions to increase productivity. Among other things, if it obtains an additional allocation of coal, coke and furnace oil it will be able to provide an additional 374,000 tons of rolled products.

To minimize the effects of limiting imports of metallurgical products, a program has been initiated to produce these products ourselves. It is projected that this year the import of 110 products (worth 116 million foreign exchange zlotys) will be discontinued. Some of these are already being produced in Poland, for example, pipes for hydraulic components use in coal mining which heretofore cost us 27 million foreign exchange zlotys annually.

Action has also been initiated in the social sphere to encourage people to become metallurgical workers. At the suggestion of the ministry, the government passed a resolution to implement modified rules for paying out awards, the so-called Metallurgical Workers' Charter.

Improvement in the Balance of Foreign Trade

The situation in the copper industry is shaping up favorably. This year the miners will produce about 26.5 million tons of copper ore, 16 percent more than last year. Production of electrolytic copper will reach 340,000 tons

or about 4 percent more than in 1981. This represents a solid base for expanding production in many industrial sectors and for maintaining a high level of export.

However, there are some problems in meeting the demand for lead and aluminum. The first actions have already been initiated to decrease the lead deficit. Among other things, a department has been activated to process storage battery scrap which will enable us to develop this raw material on a national scale. Work has also begun on completely exploiting dusts generated by the copper industry that contain lead. A plant in Szklarice near Zabkowice Slaskie will be adapted to process this dust.

The aluminum situation is more difficut. Domestic production supplies 48 percent of Poland's needs. However, thanks to the aid of the CEMA countries we will have to purchase only a portion of our needs for aluminum for dollars. Despite the restrictions set by the Western countries, we have accrued additional trade surpluses in this area. Also, there is a surplus of exports over imports in trade with the socialist countries. Even though the nonfulfillment of the import plan affected these results to a great extent, the improvement in the foreign trade balance is nonetheless appreciable. This will permit the purchase during the second quarter of many needed raw materials and materials and will further stimulate the operations of the metallurgical industry.

## Reform, Plan Overfulfillment

Warsaw SLOWO POWSZECHNE in Polish 30 Apr - 2 May 82 p 3

[Article by Ewa Gomolka: "Steel and Reform--Why the Lenin Iron and Steel Works Is Optimistic"]

[Text] In November 1981 the local paper GLOS NOWEJ HUTY featured on its front page a brief interview with representatives of the combine's employees' self-government. Robert Scholz, vice chairman of the self-government at that time said: "The minister (speaking of a meeting with Zbigniew Szalajda) told us that in 1982 the steel works will be operating at a loss of about 7 billion zoltys instead of a profit. (...) The self-government proposes: no not work, just take the money. Since our steel mill's wage fund is about 4 billion zlotys this will cut the projected deficit practically in half.

The formula is facetious, although not funny. The HiL [Lenin Iron and Steel Works] is, of course, the largest plant in Poland, employing almost 40,000 people. But it is somewhat sad to read that this giant flounders in such debt ... .

I do not know how it came about, but sometime in February or March of this year the estimate was different. The information was provided by the Krakow papers which also stated that it actually happened at a executive meeting of the party's factory committee at which Kazimierz Miniur, chief of the organization, stated that the steel mill's deficit would be about 5 billion zlotys. There also was an appeal in this speech for a subsidy to be included

in the state budget and a reminder that it has only been since last year that HiL has been in such bad shape. Never before has HiL asked for a handout, but now that the situation is quite difficult a helping hand should be given.

"Afterwards," stated Wladyslaw Winiarski, deputy director for economic affairs, "the auditors visited the mill and verified each and everyone of our conclusions. The truth is that if we did not need a subsidy we would not ask for it. And no one will give it to us if it were not necessary."

"However, it will probably be necessary."

What is HiL? It is a completely integrated metallurgical combine having a closed production cycle and capable of producing coke, pig iron, steel, semi-finished rolled products, finished rolled products, processed mill products (cold-rolled sheetmetal, especially auto-body sheetmetal for the automotive industry), thin galvanized cold-rolled sheetmetal for the sheet packaging industry (especially the food industry), galvanized sheets and steel pipes. Other products include: transformer plates and dynamo sheets for the electrical engineering industry, cold-bend sections for the construction industry and railway rolling stock. It is an enterprise consisting of super modern divisions and departments whose roofs are in danger of collapsing. It is an enterprise which to date found it most profitable to belabor primitive production and which to a great extent was concerned with processing metallurgical products which in reality only increased the deficit because it was necessary to pay out an additional 700 zlotys for each tons of cold-rolled sheet produced.

"Now the mill is militarized, the socio-political situation is good, and the combine is realizing its imposed economic tasks with a surplus," states Ryszard Kaczor, assistant chief director. The first quarter ended with the plan overfulfilled by an additional 63,000 tons of steel and 16,000 tons of pig iron.

Thus, there is room for official optimism and satisfaction. But what about the deficit? No doubt, there will be a big deficit although not as large as projected. But why was it projected?

Dr Winiarski explains: "The plan, established by us at the beginning of the year, was drawn up on the basis of 1981's fourth quarter results which were affected by disturbances and limited fuel supplies. The socio-political situation also had an effect, but I would like to remind you that production continued during the December strike. Finally, the poor prospects for raw material supplies (iron ore, stoking coal and charging coal for coking plants) played a part in the plan's assumptions for these specific production levels. Meanwhile, this year there were no serious supply problems and, in contrast to the winter months, there were no shutdowns or limitations of electric power and natural gas supplies. And thus we exceeded our plan for the first quarter."

But let us not compare it with the results of the analagous period one year ago because it appears not to be worthwhile and in addition production now

depends on concrete orders and the sales market. As a result, production is less.

The expression 'taking part in the reform' grates Director Winiarski. It already has happened once in January. And it actually happened a second time when the combine started to invoice its products at the new prices and when raw materials and semi-finished products which were also newly priced started flowing into the combine. It is obvious that the reform will be spread out for years, but prices determined that we are part of the reform. They are, after all, the most important element, and their true levels will determine the results and success of the reform.

And what about prices? The drawback here is that 80 percent of HiL's production as well as the raw materials and products that it purchases are in the sphere of official prices. The director for economic affairs, however, expresses the hope that in the future, to the extent that raw material controls are abolished, the official price lists will undoubtedly be restricted. Now, despite the fact that the HiL is a monopoly in certain areas of production, a regulation is a regulation and how to make a profit here is a problem.

Thus the new prices are determined on the basis of old price lists times a conversion factor established by the PKC [State Price Commission]. Refering to the PKC pronouncement, Director Winiarski said that the prices are approaching world prices.

We cannot answer the question regarding the meaning of 'approaching.' What does this refer to and do they approach those used by our central trading enterprises or world prices for metallurgical products?

Last year's deficit, amounting to 2 billion zlotys, was brought about by the unprofitability of certain areas of production. It sounds paradoxical that the old, small mills had a profit and that the modern HiL operated at a deficit as a result of unprofitable manufacturing. How it will be now only the future will tell. Only the quantitative results of the first quarter are now visible, but the entire cost side will be known only at the end of April and beginning of May. Only then will we be able to say whether the 'price revolution' actually restored the proper price ratios between basic production and metallurgical products.

But it does not prevent one from saying that everything is in order because the plan, of course, has been exceeded. "This sounds a little like the propaganda of success," apologized Engineer Kaczor, "but it is a fact that we are producing steel."

Order No 2 of February 1982 of the Chief Director regulates the functioning of the combine's reforms. It is a many paged report with an operating schedule, fulfillment schedule, lists of supervising and executive personnel, tables, charts and sections. Director Winiarski said that it was drawn up by the directorate without consulting the unions and self-government which

at that time were inoperative, but in many cases solutions were used that were put forward earlier by these people.

The slogan now is that the reform is based on three "S's"--that is self-dependence. Well, it is now greatly expanded, especially in planning. The plan is an internal document generated within the enterprise. They drew it up without directives, indexes and orders. The plan was proposed and no one raised any objection to it; it was not revised, But that distribution system! Such limitations! Both with regard to the choice of suppliers as well as course of sales ... .

More about self-government. It will probably not come about very soon. There simply is no reason for its establishment. While it is true that one can appeal to the ministry to reactivate or establish a new self-government (just as director 'Swarzedza' did), it does not appear that those colleagues from the self-government wanted to work with him. In addition, there is somewhat of a standoff. People are indifferent, have no initiative and no spirit of social welfare. Perhaps self-government activists will evolve from the social commission; if not, the work force must be represented.

About self-financing. It appears that there will be no basis for self-financing because of the deficit. And those taxes are the worst. There is a proposal that they be decreased or some of them eliminated for the combine. Much money goes for taxes, positively too much.

The people in the steel mill complain that there are always shortages of one thing or another. It is a fact that energy is not a problem, but it is bad regarding odds and ends, components and low-ceramic ores. And thus, in general the secretariats, who are affixing seals to documents without stopping, and the section of the director for workers' affairs work the best.

"This is caused by the realization of production tasks in sections that are threatened by employee cutbacks," explains Engineer Kaczor adding, at the same time, that he read such a formula in the papers, perhaps this too is involved, but that is what it is called ... .

Employment is similarly factually bad. The work force which not too long ago numbered almost 40,000 is now 36,200. Early retirements thinned out the departments markedly, And where will the missing 800 be obtained? For example, at the rolling mill people are literally at the crossroad. Mill workers are thinking about what would happen if the staff was not decreased. They speculate, they think. Then they return to work and produce steel, over-fulfilling the plan. And they become irritated that there is always something or another that is lacking, and at the same time the directorate has absolutely the same problems; if it is not a shortage of odds and ends, then it is components to produce auto-body sheetmetal; either way the matter is serious. Because of such a small matter, the entire automotive industry can come to a standstill. Or else, there is something else, it depends what is being done.

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# East Europe Report

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2288

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NOTICE

ERRATUM: The series numbers of two issues of the EAST EUROPE REPORT: ECONOMIC AND INDUSTRIAL AFFAIRS require correction. In JPRS 81124 of 24 June 1982, the series number should read 2286 instead of 2285. In JPRS 81130 of 25 June 1982, the series number should read 2287 instead of 2286.

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29 June 1982

# EAST EUROPE REPORT

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2288

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# HIGHER ECONOMIC GROWTH RATES ATTAINED IN FIRST QUARTER OF 1982

Sofia IKONOMICHESKI ZHIVOT in Bulgarian 28 Apr 82 p 4

[Article by Mirka Bozhilova, chief specialist at the Committee for the Unified Social Information System: "A Successful Start"]

[Text] This year, the entire Bulgarian people will celebrate the centennial birthday of the great son of Bulgaria, Georgi Dimitrov. The workers are celebrating this jubilee with significant successes in their activities even during the first 3 months of the year. Additional reserves have been disclosed, production efficiency has increased, and the needs of the national economy are being more fully satisfied.

The positive end results have developed chiefly under the influence of the attained development rates in the basic national economic sectors, mainly industry, construction and agriculture.

The state plan quotas and calculations for the quarter have been fulfilled. Aggregate profit, net product and social labor productivity have risen, respectively, by 7.9 percent, 4.9 percent and 3.0 percent in comparison with the first quarter of 1981. Material expenditures have declined.

During the quarter fixed capital valued at 281 million leva was put into operation and this was 18.3 percent more than planned.

The volume of industrial commodity product reached 8,757,000,000 leva and this was 6 percent more in comparison with the same period of last year.

In all sectors, the fulfillment of the quota for increasing commodity product was greater than that for the first quarter of the previous year. Certain economic organizations, however, showed a slowdown in achieving this.

The demands of the national economy and the public for certain basic industrial goods were better satisfied. Production increased for: electric power, coal, rolled ferrous metals, electric hoists, internal combustion engine plant trucks, power transformers, soda ash, chemical fibers and silks, cement, paper, furniture, cotton and cotton-type textiles, wool and woolen type textiles, footwear, meat and meat products and butter. In comparison with the same period of 1981, production for certain major industrial products increased as follows: by 14 percent for coal, by 8.2 percent for electric power, by 7.8 percent for rolled ferrous metals, by 6.1 percent for electric hoists, by 5.8 percent for internal combustion engine plant trucks, by 6.3 percent for power transformers and by 3.4 percent for soda ash.

Mainly due to the unsteady supply of raw products and materials as well as the unsatisfactory organization of the production process, over the quarter the planned amounts were not produced for the following: pig iron, ingot steel, cold rolled steel, steel pipe, cement, steel structural bearing elements, seed drills, trucks, cattle hides, cotton thread and certain consumer goods.

The agricultural workers have reported good results. Produced agricultural product has been 2 percent more than the corresponding period of the previous year and for livestock raising, 3.8 percent more. There has been a significant increase in meat (in slaughtered weight) by 2.3 percent and for milk by 6.6 percent.

The number of agricultural animals has increased. On 1 April 1982, there were 1,417,000 head of cattle of which 484,000 were cows, 8,813,000 sheep, 2,760,000 pigs and 23,760,000 head of poultry.

Construction completed by organizations as the head executor amounted to 703 million leva which was more than the planned. Higher results have been reported by the construction and installation organizations of the Ministry of Construction and Architecture.

During the quarter, particular attention has been paid to building projects for the production of consumer goods.

Some 3,900 residences were completed and turned over to the public.

Income in transportation increased in comparison with the previous year by 6.2 percent. The noted positive trend in the improvement of the technical and economic indicators in using the means of transport has been maintained. The turn-around of freight cars has been reduced by around 4 hours while the average daily run and the average gross weight of a freight train have increased.

The task set of better supplying more diverse goods to the domestic market is successfully being carried out. The produced and delivered goods are 10.7 percent more and comprise a value of 257 million leva.

The quarterly report for consumer services for the public was overfulfilled by 10 million leva or by 8.5 percent. A significant increase was achieved in comparison with the first quarter of 1981, some 16.0 percent. The positive results run counter to the negative trend in the development of certain services for which the quarterly plan was not fulfilled. These include the maintaining and repair of radio and television equipment, dry cleaning and construction repair services.

Retail commodity turnover increased by 6.2 percent, by 6.3 percent in the trade network and by 5.5 percent in public dining.

The successes achieved by the labor collectives in the first quarter place even greater obligations. By the end of the year, on the basis of the fuller application of the economic mechanism, it is essential to disclose and utilize the reserves and to enrich and fulfill the counterplans. Only this will provide a stable basis for fulfilling and overfulfilling the quotas set for improving the standard of living of the people.

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QUESTIONS ASSOCIATED WITH APPLICATION OF NEW ECONOMIC MECHANISM

Sofia STROITEL in Bulgarian 28 Apr 82 p 3

[Unattributed article: "The Economic Mechanism in Action"]

[Text] Question: Is it necessary to differentiate the rate of the wage fund for personnel of a division's administration for periods during the year, according to Article 190, Paragraph 2, Point 2 of the Regulation Governing the New Economic Mechanism.

Answer: The rate for a certain amount of money for current labor remuneration for the personnel of a division's management is an annual one and is not differentiated by periods. It is envisaged that the same rate calculated for 1982 will be applied for all the years of the Eighth Five-Year Plan.

Question: On what bases are incentives to be provided for group and technical leaders of divisions which are not included as part of a brigade?

Answer: The money owed for the wage fund of production units, including the technical and group technical leaders outside the membership of a brigade, is to be determined on the basis of the approved normed costs, including for the wage fund and the quantity and quality of the produced product (the volume of construction-installation work). Within the amount due for the wage fund and with the fulfillment of the obligatory planning quotas and with the fulfillment of the obligatory planning quotas assigned to the production units which they lead, individual wages are set for the group and technical leaders, according to the internal rules for the organization of wages.

Question: According to the procedural instructions given, the recalculated annual total income for the previous year using the prices of 1 January 1982 can be differentiated according to periods, when a direct recalculation is difficult, on the basis of the relative share of the amount of total income for the individual periods in the counterplan for the current year. Would it not be correct to employ the same principle to differentiate by periods the reported wage fund of the previous year following row 9 of the reference appendix No 1 of the scheme?

Answer: According to the principle, the total income for the previous year must be recalculated according to the prices of 1 January 1982 directly for the year and for the periods. When the economic organizations and divisions find it difficult to

carry out this calculation for each period using the direct method, according to the Letter No TsF-01-03-1 of 10 February 1982 of the State Planning Committee and the Ministry of Finances, the opportunity is provided, as an exception, to differentiate the recalculated total income for the previous year by periods (with a running total from the start of the year) on the basis of the relative share of the amount of total income for the individual periods according to the counterplan for the current year. This does not provide a basis to employ the same principle in setting the wage fund for the previous year by periods. In drawing up the reference appendix No 1 to the scheme, line 9 shows the wage fund for the corresponding period of the previous year in observing the note to reference No 1. In instances when for the previous year there has been a shortage of the wage fund, the same is taken into account up to the amount covered by the reserve fund.

Question: When the resulting-balance wage fund is less than the money for current labor remuneration, according to Article 190, Paragraph 3 of the Regulation Governing the Economic Mechanism, the wages for the leadership and specialists are to be paid without a guaranteed minimum. What personnel is to be included in the group of leaders and specialists?

Answer: The group of leaders and specialists includes all personnel with the exception of the personnel designated in section "B," that is, assistant executive personnel for all levels of management in the Unified Staff Table.

Question: Article 118 (4) of the Regulation Governing the Economic Mechanism points out that the division leaders are to be appointed and dismissed by the leader of the economic organization. Who will appoint and dismiss the deputy directors and the chief bookkeepers?

Answer: There are plans to approve a regulation for conducting contests in assigning leaders and specialists and this will also determine the procedure for appointment. Until the regulation has been published, the deputy directors, chief bookkeepers and legal consultants of the divisions will be appointed as up to now, that is, by the superior organization.

Question: Article 228, Paragraph 4 of the Regulation Governing the Economic Mechanism provides that a brigade can create a brigade leader fund. How specifically is the money of this fund to be formed and spent?

Answer: According to Article 228, Paragraph 4 of the Regulation Governing the Economic Mechanism, upon a decision of the general meeting, a brigade can deduct money into the brigade leader's fund. The deduction of the money is done before the distribution of the earned wage fund between the brigade members. The money of the fund is kept in a special account of the division's wage fund and is spent only against the brigade leader's signature. The expenses are approved by the brigade's general meeting.

Question: When a larger number of personnel is employed according to the report in comparison with the plan, is additional money to be deducted for the SBKM [social, domestic and cultural measures] fund according to the per-person rate?

Answer: According to Article 180 of the Regulation Governing the Economic Mechanism, the deductions for the SBKM fund are set by a rate related to the balance sheet

profit. The rate is set in the counterplan as the ratio of the total which is due according to the per-person limits set by the Ministry of Finances and the Central Council of Bulgarian Trade Unions and the planned number of total personnel in relation to balance sheet profit. According to the report scheme, the deductions for the fund are set by the rate and the actual amount of balance sheet profit. Here the percentage increase in the actually deducted money per person in comparison with the previous year cannot exceed the increase in average gross wages after their adjustment. Consequently, the deductions for the SBKM fund according to the report are not influenced by the number of personnel.

Question: What criteria and indicators are to be used in evaluating the contribution of the vocational training centers [PUTs] in forming the resulting wage fund and on what basis will the leaders and specialists at the center be provided with incentives?

Answer: The economic organizations which have a PUTs form a maximum possible wage fund according to Statement No 1 for the scheme on the basis of the entire number of personnel, including the personnel of the PUTs. The costs of the PUTs, including wage expenses, are covered under the approved plan-estimate from the RTU [development and technical improvement] fund. Within the approved outlays, the money is planned for the wage fund on a basis of the calculated number and the average gross wages. The payment of the individual gross wage for the PUTs personnel is carried out in accord with the internal rules for the organization of wages and within the owed amounts of the wage fund.

Question: Does not the coefficient for the labor participation of the workers tend to level the categories of the workers? Can an administrative leader influence this in setting the coefficient for labor participation?

Answer: The assigned employee category is taken into account in setting the coefficient for labor participation. The wage money earned by a brigade is allocated among its members depending upon their specific contribution to carrying out the production and economic tasks according to the procedure laid down by the brigade's general meeting. The participation is established as follows: directly through the use of quantitative and qualitative indicators for assessing the work performed, or indirectly through the labor participation coefficient. In observing these conditions, an administrative leader cannot influence the setting of the labor participation coefficient or the distribution of the earned wage money.

Question: Do the wages of a technical leader who is part of a brigade depend upon the results of the brigade and how is his contribution assessed?

Answer: According to Article 226, Paragraph 4 of the Regulation Governing the Economic Mechanism, the wage expenditures are determined under the form of a comprehensive rate for the product, without being differentiated by operations. These expenditures also include the wages of the leader and the technical and other specialists from the brigade. In an instance when a technical leader is not part of a brigade, his labor remuneration depends completely on his contribution to fulfilling the indicators stipulated in the internal rules for the organization of wages and his labor participation coefficient which is determined and applied on the same grounds as for all the other members of the brigade.

Question: How will deviations be adjusted in the normed costs of auxiliary enterprises when these deviations are not their fault?

Answer: Deviations from the normed costs of auxiliary enterprises, particularly those operating on internal cost accounting, are adjusted according to the procedure of Article 218 of the Regulation Governing the Economic Mechanism, with the economic organization covering the full amount of the losses which have been caused by its action or inaction and leading to deviations in normed costs. The questions are settled specifically following the ordinance governing internal cost accounting.

Question: When an enterprise, particularly one operating on internal cost accounting, has several activities or types of production which operate at a loss and which also receive subsidies, how is it to proceed in instances when structural changes occur in the process of carrying out the program and there is an increased share of the loss-inducing activities or production?

Answer: If in the process of carrying out the program structural changes occur under the orders of an economic organization, the losses and damage caused are covered for the enterprise according to the procedure of Article 218 of the Regulation Governing the Economic Mechanism by the economic organization. If, however, the enterprise at its own initiative has produced more product which is a loss, this is done at its own expense.

Question: How are incentives provided for tower crane operators who are not members of a brigade?

Answer: Article 220 (2), Point 2 of the Regulation Governing the Economic Mechanism envisages that a brigade is to be provided with the use of machinery, equipment and other production-end elements needed for carrying out the assigned production tasks. This means that the tower crane operators, by principle, must be included as members of the brigade and participate in the distribution of the earned wages by setting for them a labor participation coefficient following the general procedures, regardless of administrative affiliation. When the tower crane operators are not from the same division, they are to receive their labor remuneration from the division of which they are members but following the above-described procedure for a brigade.

Question: Is it possible to apply Article 244 (1) of the Regulation Governing the Economic Mechanism to projects being carried out under the direct labor method where the construction organization carries out the work by assigning over certain types of it?

Answer: It can if this is provided for in the contract between the investor (the chief executor) of the project and the construction organization which is the subexecutor, with funds being provided in the project's general estimate.

Question: Wage funds for managerial personnel of the divisions are set according to the procedure of Article 190, Paragraph 2, Point 2 of the Regulation Governing the Economic Mechanism. Are not poorer conditions created for those divisions which in 1981 did not receive the additional labor remuneration and the calculated wage fund is lower than those divisions which received the additional labor remuneration?

Answer: No, but they are put in a less advantageous position. Section 9 of Appendix No 1 to the Decree of the Council of Ministers No 16 of 23 March 1982 supplements Article 190, Paragraph 2, Point 2 of the Regulation, in clarifying that the norm for setting the money for current labor remuneration of a division's managerial personnel is set on the basis of the state plan quota for aggregate 1982 profit and the amount of the "current labor remuneration in the wage fund" for this personnel according to the 1981 report, that is, without the additional labor remuneration. Consequently, the additional labor remuneration paid in the previous year is not taken into account. For this reason the payment of such for the current year depends solely upon the amount of the extra realized resulting wage fund.

Question: A contract has been concluded with a brigade and it has carried out all the indicators for the normed plan quota but the division does not have a resulting wage fund. How can incentives be provided for the brigade?

Answer: The brigade (team), in operating separately on internal cost accounting, forms its wage money as a resulting amount depending upon the quantity and quality of the produced product, the comprehensive rate, the fulfillment of the obligatory plan quotas and other specific conditions and requirements. The thus formed wage money is paid out without fail to the members of the brigade, regardless of the end results of the division. The division is obliged to provide the money from the corresponding funds or a bank credit.

Question: With an adjustment of the plan in physical units due to unrealized sales, how can the necessary money be provided for the wages of a division?

Answer: With a reduction of the physical plan of a given division in an economic organization due to unrealized sales, a comprehensive adjustment will be carried out without fail in all the indicators, including the calculated number of personnel. If, after the adjustment of the scheme, the counterplan does not provide the necessary wage funds, the economic organization must provide a subsidy which compensates for the increased cost of the conditionally fixed expenditures as a result of the reduced product.

Question: The increase in the wholesale prices of certain materials on 1 January 1982 has been at the expense of the costs of construction and installation work and leads to a decline in profitability. The same applies to industrial activities. How can the necessary funds be provided for wages under this situation?

Answer: The planned change in wholesale prices for certain materials as of 1 January 1982 has been reflected in the cost plan and the state profit targets. Through prices, the base total income for 1982 has been adjusted in order to make comparable the indicators used in forming the maximum possible wage fund. When, as a result of the change in prices, however, the profitability of the corresponding production has been so reduced that it is impossible to provide the covering of expenses and the calculated wage fund of a division, the latter is provided aid under the procedure of Article 156 of the Regulation Governing the Economic Mechanism.

Question: Is there a normative document which obliges all enterprises to carry out their activities on a contractual basis?

Answer: This is the Ordinance Governing Contracts Between Socialist Organizations approved by the Decree of the Council of Ministers, No 25, 1980, and brought into conformity with the Regulation Governing the Economic Mechanism by the Decree of the Council of Ministers, No 16, of 23 March 1982, Appendix No 3. In addition, the Regulation Governing the Economic Mechanism, on the question of the contractual principle in economic activities, explicitly states:

In Article 153 (2), contracts are the basic document for carrying out economic activities;

In Article 166 (5), the income from the sale of products not covered by contract is not to be considered as valid income and must be paid as income to the budget.

Question: How are the operations of auxiliary systems to be evaluated, that is, independently or related to the results of starting up the projects of the division which they serve?

Answer: The auxiliary and ancillary systems and divisions have the task of ensuring the fulfillment of basic activities, that is, the starting up of the projects. The quotas and indicators for the auxiliary systems must be such ones and approved in such a manner that they ensure the fulfillment of the basic tasks of the divisions which they serve. An assessment of the activities of the auxiliary systems must be made on the basis of obligatory plan quotas thus approved for them. In instances when the auxiliary systems do not fulfill the tasks entrusted to them and thereby do not carry out the tasks in the basic activities, they bear liability for the full amount of the losses and damage caused according to the Ordinance governing internal cost accounting.

Question: How is payment to be made for valid overtime under the conditions of the economic mechanism?

Answer: Payment for valid overtime is carried out within the limits of the wage fund provided for by the norms for the corresponding unit. For this reason it is essential to restrict the use of overtime as this places a burden on wage expenditures.

Question: When a worker has acquired a given category at a PUTs, but has been assigned to a lower category due to the absence of the position in the brigade, can this worker be given a protected category and when?

Answer: A protected category is recognized and observed. Assignment and reassignment are carried out according to the brigade's production listed personnel and this must correspond to the category of the performed work.

Question: How does the labor participation coefficient influence the allocation of earned remuneration between the brigade members?

Answer: The labor participation coefficient must reflect as accurately as possible the quantity and quality of the labor invested by the persons participating in production. According to Article 228 of the Regulation Governing the Economic Mechanism, the money earned by the brigade as wages is distributed between the brigade

members depending upon their contribution following the procedure outlined by the brigade's general meeting. The contribution is established:

a) Directly by quantitative and qualitative measurement;

b) Indirectly by the labor participation coefficient.

Question: What must a brigade do in order to operate under brigade cost accounting?

Answer: According to Article 220, Paragraph 2 of the Regulation Governing the Economic Mechanism, in setting up the brigade, the following conditions are to be observed:

a) To totally cover the production and technically complete process of turning out the finished product (project, subproject or stage) or a basic portion of it;

b) To be provided with the machinery, equipment and other elements of the production base needed for carrying out the assigned production tasks;

c) To jointly carry out a production assignment on the basis of common interest and responsibility for the results of the performed work.

d) The activities are to be organized on an economic base by establishing the brigade on internal cost accounting with the consistent application of the principles of self-support, material interest and material liability.

The size and composition of brigades operating on cost accounting are determined by the economic council of the division, in bearing in mind the specific and concrete conditions of the work.

The economic leadership is obliged to create the necessary conditions and prerequisites for the brigade organization operating on internal cost accounting.

Question: Is there not a contradiction between the provisions of Article 242 of the Regulation Governing the Economic Mechanism which provides that the estimated cost of construction-installation work is to be altered when changes have occurred in certain unit prices, services and other expenditures after the concluding of a contract, and the Decree of the Council of Ministers, No 35, of 28 October 1981, according to which a change in wholesale prices for certain materials as of 1 January 1982 is to be at the expense of product costs?

Answer: There is no contradiction. The increasing of report costs by the differences in wholesale prices for certain materials as of 1 January 1982, has been adjusted for by planning in reducing the state profit quota. In these instances Article 242 of the Regulation Governing the Economic Mechanism is inapplicable as there is an explicit provision in the 35th Decree of the Council of Ministers of 1981. In all other instances, Article 242 is applied on the general basis.

Question: How are material savings of a brigade to be figured in a situation when there has been a change in the wholesale prices for certain materials on 1 January 1982?

Answer: The plan and the report of the brigade (normed) costs are to be drawn up using the planned calculated prices and the change in the wholesale prices of 1 January 1982 should not have any influence on their results.

Question: How must the economic mechanism be applied for projects with partial design preassembly?

Answer: According to Article 244, Paragraph 3 of the Regulation Governing the Economic Mechanism, when construction is carried out according to partial design preassembly, the Council of Ministers is to set the amount of additional funds for the more difficult conditions according to the proposal of the main executor with the approval of the investor and the Main Price Administration Under the Ministry of Finances. The required additional money to compensate for the increased costs of the builder are provided for in the project's general estimate. Any deviation from this requirement is a violation of the Regulation Governing the Economic Mechanism.

Question: How is the work of a brigade or team operating on internal cost accounting to be organized when it performs auxiliary activities and how will the members of the brigade be given incentives?

Answer: All brigades must operate on cost accounting in creating the requisite conditions according to the requirements of Article 220, Paragraph 2 of the Regulation Governing the Economic Mechanism. Compulsory plan quotas are to be set for the brigades in accord with the specific working conditions and the specific nature of the work assigned to them. These requirements apply fully also to brigades involved in auxiliary and ancillary activities. The payment of labor remuneration, including additional labor remuneration for the carrying out of the assigned tasks, is done under the conditions of Article 228 of the Regulation Governing the Economic Mechanism, that is, depending upon the contribution and within the limits of the wage money earned by the brigade. This provision is applied both to the brigades in basic activities as well as to those in auxiliary activities in observing the requirements of the internal wage organization rules.

Question: Under the condition that the carrying out of a state plan is the criterion for assessing a division's activities, how is the importance of the counterplan to be seen?

Answer: State plan quotas for a limited number of indicators are approved for the economic organizations and their divisions but this is not a state plan. The fulfillment of these quotas is the criterion for assessing the activities of the corresponding leadership. The counterplan is the sole plan for the economic organization and division. It is a comprehensive plan for all activities and the covering of costs is to be provided in it. The basic part of the counterplan is the scheme for the formation and distribution of income and the financial plan which shows whether or not this is feasible.

Question: Compulsory plan quotas and limits for their resource support are set for the brigades. In the process of carrying them out, the leadership does not always provide the necessary materials and so forth. This reflects badly on the work and results of a brigade. Who is to answer for the losses from bad results when the brigade is not to blame for them?

Answer: According to Article 231, Paragraphs 4 and 5 of the Regulation Governing the Economic Mechanism, plan coordinating agreements (organizational-managerial contracts) are to be concluded between the brigades and the division leadership for the spelling out of relationships. These clarify their reciprocal obligations and responsibilities. The ensuing losses and damage are at the expense of the guilty party. Disputes involving the fulfillment of the plan coordinating agreements are reviewed and resolved by the division's economic committee.

Question: Changes in the plans of projects require the breaking up of concrete, the undoing of performed work and so forth and all of this leads to additional expenditures which reflect badly on financial results. Who is responsible for this?

Answer: Additional expenditures which are made to correct mistakes and changes in plans are to be paid for by the guilty party. The amount of additional expenditures is to be set by bilateral protocols and on the basis of them the guilty party pays for the amount of losses and damage caused under the conditions governing the rules for the organization of internal cost accounting.

Question: What is the optimum size of the new type of brigade?

Answer: The optimum one. According to Article 220, Paragraph 1 of the Regulation Governing the Economic Mechanism, the new type of brigades are organized on the basis of the specific and concrete working conditions to ensure the optimum organizational, technical and economic limits for the brigade's size. The number and composition of the brigades are set by the economic council.

Question: Is the technical leader of a project a member of the brigade council and must he approve a decision of the brigade council for distributing the earned wage money on the basis of the labor participation coefficient?

Answer: The technical leader of a project is not directly a member of the brigade council. The members of the brigade council are elected by the general meeting. The brigade council has competence determined by the general meeting within the limits of the rights and obligations granted the brigade. The labor participation coefficients are set by the brigade council and are not to be approved by the technical leader or any other administrative person.

Question: How must one proceed in paying labor remuneration, including additional labor remuneration, to brigades and teams where some have losses and others operate at a profit?

Answer: Each brigade operating separately on internal cost accounting forms wage money on the basis of its own results from carrying out the assigned tasks, regardless of the overall results of a division. A shortage in the wage fund of a division as a whole is not grounds for not paying the full amount of the wage money earned by the brigades and owed for the quantity and quality of work performed, in observing the internal rules for the organization of wages.

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## ANSWERS TO QUESTIONS CONCERNING APPLICATION OF NEW ECONOMIC MECHANISM

Sofia IKONOMICHESKI ZHIVOT in Bulgarian 28 Apr 82 p 3

[Unattributed answers to questions concerning the Regulation Governing the Application of the Economic Mechanism]

[Text] 85. Question: Certain ministries, economic organizations, enterprises and individual specialists have asked questions concerning the unlisted personnel and whether it is necessary to recalculate 1981 total income with the wage fund paid to this personnel which has been accounted for as material expenditures?

Answer: The money for the wages of all listed and unlisted personnel, including for the so-called personnel of "other contingents," must be paid from the resulting-balance wage fund of the economic organizations and enterprises. An exception to this rule is made only for the honorariums which are considered as other monetary expenditures in costs. Consequently, the expenditures on wages for the unlisted personnel which in 1981 were accounted for as material expenditures at present, according to the sense of Article 189, Paragraph 2, Point 1 of the Regulation Governing the Economic Mechanism, must be covered from the account "Current Labor Remuneration" of the wage fund. For this reason for the sake of comparability of the data, these wage expenditures must be subtracted from material expenditures and added to the paid wage fund according to the 1981 report, in increasing the reported 1981 total income by this amount.

The necessity of employing unlisted personnel, as well as the expenditures of wages for this personnel are determined by the corresponding leadership depending upon the specific requirements of the economic organization or enterprise. The owed individual wages of persons from the unlisted personnel are determined by the internal rules for the organizing of wages depending upon the specifically performed work and within the limits of the wage fund of the appropriate organization.

86. Question: What payments are made by the economic organizations to the budgets of the obshtina people's councils and what is the procedure for making them?

Answer: Normed deductions are paid as income to the budget of the obshtina people's council by all economic organizations, enterprises and production-economic units with headquarters on the territory of the obshtina, regardless of their affiliation. According to the decree of the Council of Ministers of 1 January 1982, these deductions are to be set at 3 percent of the balance sheet profit of all the industrial,

trade, transport and other enterprises, with the exception of the APK [agroindustrial complex] for which the payments are set at 1 percent of total income.

The payments are made by the economic organizations to the budget of the obshtina people's council in the territory of which they are located. The enterprises and production-economic units which are divisions of economic organizations but operate on an independent balance sheet are to pay deductions to the budget of the obshtina people's council where they are located and not to the obshtina where the economic organization is located.

When divisions located on different territories do not draw up an independent balance sheet, the economic organization distributes the contributions between the appropriate obshtina people's councils proportionally to the number of personnel which the obshtina council has provided for this subdivision from its population.

In addition to the designated contributions from the economic organizations and their divisions, the budgets of the obshtina people's councils receive:

a) The full amount of the profit tax and the turnover tax of the economic organizations, enterprises and other production-economic units which are directly under the executive committees of the obshtina people's councils;

b) The full amount of the profit tax of okrug-level enterprises which are located on the territory of the corresponding obshtina.

Income under letter "b" is distributed by the okrug people's council between the corresponding obshtina people's councils proportionately to the personnel provided by them for the okrug-level economic activities.

87. Question: How are the deductions for the fund for social, domestic and cultural measures [SBKM] to be made when for the current year a higher limit has been set per person than for the previous year?

Answer: From the provisions of Article 180, Paragraph 3 of the Regulation of the Economic Mechanism it is seen that the counterplans must provide at least a minimum amount of deductions for the SBKM fund and which must be paid according to the per-person limits set by the Ministry of Finances and the Central Council of Bulgarian Trade Unions. The regulation also defines the limiting conditions for increasing the money in the fund. The percentage increase in the actually deducted money per person in comparison with the previous year cannot exceed the increase in the average gross wages after their regulation. Naturally, when the approved limit per person for the current year significantly exceeds the actual deductions per person for the previous year, the economic organizations and enterprises may not be required to observe this restriction.

Consequently, in these instances the economic organization and, correspondingly, the enterprise, in the counterplan and in the report must provide what is owed according to the approved per-person limits for the SBKM fund, regardless of whether the restriction has been observed of its conformity to the increase in the average gross wages. Other questions also arise in applying the Regulation Governing the Economic Mechanism to deductions of money for the SBKM fund. Because of this, the Ministry

of Finances together with the Central Council of Bulgarian Trade Unions have been entrusted with preparing a proposal to supplement the normative provisions on the forming and expenditure of money from the SBKM fund.

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## IMPORTANCE OF NEW NATIONAL COMMITTEE ECONOMIC ROLE DISCUSSED

Prague TRIBUNA in Czech No 20, 1982 p 4

[Article by Miroslav Srbek: "National Committees Faced With New Tasks in Services"]

> [Text] The Communist Party has always devoted exceptional attention to the activity of the national committees, regarding it as one of the pillars of the socialist system. Also the 16th CPCZ Congress devoted close attention to the development of the national committees. The measures that the party and government organs adopted in recent years, and primarily the conclusions of the 6th session of the CPCZ Central Committee set for the national committees new tasks and perspectives for solving the economic, social and cultural development of our country in the 1980's.

The national committees express the unity of state power and administration in their districts and play an important role in formulating state policy, in its implementation and control. Through the national committees the citizens participate in managing their communities, cities, okreses and krajs. During the past decade, the authority of the national committees and the comprehensiveness of their functions have been further broadened. However, the scope and depth of the social changes, the demanding nature of the tasks of economic and social development, and also the growing material and cultural needs of the people are confronting the national committees, in the same way as entire society, with new tasks and are placing objectively greater demands on their work. The requirements of intensifying and raising effectiveness and productivity are not basic directions only for the economy; in principle they apply to all spheres and areas of society's activity. Therefore it is essential to further develop and perfect also the mission of the national committees so that they may better serve the needs of the people. This also means that they must gradually overcome the shortcomings that have accompanied their work up to now.

### Possibilities Must Be Taken Into Account

In the course of building socialism, the economy managed by the national committees has become an important part of our economy. Together with education and health care, the economy of the national committees employs over 1.5 million persons, roughly 25 percent of the gainfully employed population. This indicates on the one hand the great economic and social strength of the national committees, but on the other

also the high degree of the national committees' coresponsibility for implementing the economic and social policy of the party and government. Therefore it is necessary that also the national committees devote increased attention to the economic tasks and their overall fulfillment, so that they can assert with much greater emphasis the requirements of effectiveness in their own activity and in the work of their subordinate organizations, enforce utmost economy in every area, and consistently take into account the interests and possibilities of society as a whole.

Therefore the 6th session of the CPCZ Central Committee analyzed in detail the resources and work results of the national committees. The requirement was emphasized that the national committees must influence even more effectively the economic and social development of their districts. To this end CPCZ Central Committee Presidium and the governments adopted principles for expanding the authority and responsibility of the national committees. On this basis it is necessary that primarily the kraj national committees assert more fully than in the past their role in formulating the regional and territorial plans of the districts, expediently allocating investments and manpower and utilizing the natural and social conditions. Simultaneously it is the duty of the central organs to inform, with sufficient lead time, the kraj organs about their intentions.

Improvement of the paid and free services provided for the population has become an important task of the national committees. The national committees direct to a large extent the activity and development of services and are responsible for the functioning of services. The 16th CPCZ Congress directly set the task of expanding paid services and significantly improving their quality. It was emphasized that every responsible official must be fully aware in his own area that this is not merely an economic question but also a highly political one. Prompt and readily available paid services of good quality significantly influence the citizens' satisfaction and their work activity.

The balance of the population's cash incomes and expenditures shows, for example, that in 1980 the population of the CSSR spent roughly 48 billion korunas on all types of services. One-fourth of this was for services that organizations of the local economy and production cooperatives provide for the population. The service enterprises and organizations employ over 700,000 persons. However, an analysis of the output volumes shows that the proportion of the proceeds from the sale of paid services to the population is only 12 percent in local industry, 30 percent in municipal services, 15 percent in the production cooperatives, and merely 0.3 percent in the local construction industry.

In the area of services and local production there are 584 enterprises managed by national committees, and 510 production and consumer cooperatives. The number of business establishments is 58,000. In their work there is much that is favorable, yet the results are not enough from the viewpoint of the growing demand. From an analysis of the individual branches of paid services provided for the population it follows that progress has been made in providing barbershop, hairdressing, dry cleaning, photo and certain other services. There has been a radical improvement also in repairing television sets, radios, other audio equipment and washing machines, particularly in cities.

However, there are shortages in laundry services, automobile rapirs, repairs of certain products made by the metalworking and electrical engineering industries, in

repairing clothing and custom tailoring, furniture-making, and public baths. The greatest shortages are in services for the repair, maintenance and remodeling of apartments and of the housing stock, particularly installation work, roofing, heating, masonry and carpentry work. The situation is truly critical in repairing shoes, leather accessories, and chimneys. So far no organization is engaged in providing some types of services such as the towing and junking of privately owned motor vehicles.

Causes of the Shortages

At the 6th session of the CPCZ Central Committee it was emphasized that the economy had sufficient resources and manpower to suitably supply the population's demand for services. Proof of this are the developed material-technical base of the service industries, the human potential, the creative work and dedication of the overwhelming majority of the workers employed in services.

Then what are the causes of the unsatisfactory state of paid services? It was established that the primary cause was the poor quality of management; it was costly, bureaucratic and inflexible. So far we have been unable to simplify the system of planning and financing. It is very complicated, and the effectiveness of the employed directive and economic instruments is low. In the system of economic incentives, particularly at the level of the business establishments, a closer link is lacking between the work results and bonuses of those workers who directly provide services. Shortcomings along entire staff and line management and in personnel work likewise affect the quality of services.

Many enterprises managed by the national committees, and many production cooperatives have deviated from their mission; production cooperation with centrally managed industry is the dominant within their activity. Various local opportunities for better satisfying the citizens' needs likewise are not being utilized adequately. Also the profitability of many services is low, for objective as well as subjective reasons.

Pronounced differentiation of profitability in its turn has an unfavorable effect on the structural development of services. This differentiation is a contributing factor in that many low-profitability or unprofitable services are becoming scarce in some regions. After the increases of the prices of raw materials, supplies, fuels and energy in the one-time adjustment of wholesale prices, the low profitability of some services has worsened further. The considerable differences in profitability between production activities on the one hand and services on the other are one of the reasons why enterprises are giving preference to ensuring their production activities. The unsatisfactory situation in supplying the organizations with materials and machinery is continuing. Likewise the technical equipment of the enterprises is below the necessary level in some instances; special equipment is lacking, especially the power tools necessary for repair and maintenance work. Unsuitable use of the organizational forms likewise creates problems. For example, unwarranted monopolization of the production programs by the organizations, and too narrow specialization. Centralization, and failure to master the internal organization and cost accounting at the enterprises likewise have a negative effect. Many business establishments have been closed, and not always expediently. In many service industries this has made the actual supply of services for the population more remote.

Solutions

Elimination of the mentioned shortcomings and the further development of paid services require a unified and highly active approach by the central organs, national committees, and cooperative organs and organizations. To regulate and support these efforts, the federal government and the goverments of the two republics approved in March of this year principles for the more effective management and greater flexibility of paid services. These principles will be implemented primarily in local production and services, in the production and consumer cooperatives, and scrap collection. But it is necessary that these principles be applied also by other organizations providing paid services, particularly the unified agricultural cooperatives and organizations belonging to the National Front.

The essence of the adopted measures, as this was emphasized at the 6th session of the CPCZ Central Committee, is to simplify the entire system of management and planning, to make the economic instruments more effective, and to provide room for the truly active support of the development of services, for making the activity of services more economic and better. The number of indicators used will likewise be reduced sharply. Economic incentives will be made more effective.

This convincingly shows that the present unsatisfactory state of paid services will not be resolved merely by minor improvements in organization, planning, financing and remuneration, but by significant perfection of the management of services. The party and government will continuously stimulate, monitor and evaluate this approach and regulate it on the basis of new information. The essence of the proposed measures applies to all main aspects of the system of planned management, and to increasing its authority. The economic instruments should encourage more effectively the development of socially desirable activities, and the curtailment of production and cooperation. Profit and the fulfillment of quantitative tasks will certainly remain important criteria for evaluating the results of services, but they cannot be the decisive aspect in evaluating the activity of the organizations. New, particularly qualitative criteria will be used.

Within the organizational structure attention will focus on ensuring enterprise cost accounting and internal cost accounting of the business establishments, using more simple and administratively less demanding forms of their operation. To increase the activity of the workers who directly provide services, more flexible economic incentives will be introduced. The operation of enterprises must be based on the principle of cost accounting. The process of the further concentration of service organizations into large units should not continue if it does not produce the desirable effect in terms of the further development, quality and structure of services. In cases where the integration of service outlets did not accomplish its intended purpose and merely made services more remote for the population, it will be desirable to quickly bring closer to the consumer the appropriate organizations or their subdivisions.

In the report at the 6th session it was clearly stated that ". . . the decisive role in perfecting and expanding services belongs, and will continue to belong also in the future, to the service enterprises and organizations managed by the national committees, and to the production and housing cooperatives. The principal direction in improving services is to significantly upgrade the functioning of these enterprises, organizations and cooperatives, and to increase considerably their proportion of work for the population."

In the development of services it is likewise desirable that the national committees employ forms that make better use of local resources, and of the interests and initiative of people who, through supplementary activity in selected areas, could contribute toward better satisfying the population's needs.

More Care to Supplying Citizens

Principles similar to the ones adopted for the more effective management and development of paid services will be introduced gradually also in public catering. The report at the 6th session of the CPCZ Central Committee justifiably pointed out that there was much room for improvement also in this area. This applies to the quality of planning and management, to the employed forms of economic incentives, to the quality of service, and to the quality of the meals and provided services. Therefore it was decided to basically perfect the system of work in this area, primarily by introducing more flexible forms of management, consistently employing cost accounting, and by introducing other necessary measures concerning operation, economics and incentives, which would make for greater economy and would improve the quality and profitability of catering services.

The 6th session of the CPCZ Central Committee devoted considerable attention to the relationship between the national committees and domestic trade and its work, in general to the coresponsibility of the national committees and domestic trade for the overall level of the population's supply. It was emphasized that the new laws on domestic trade give the national committees significant authority regarding the location of retail stores, the level of sales, supervision over the quality of merchandise and its assortment, store hours, expansion of sales to large plants, etc. The national committees must solve these problems more forcefully. The session again underscored the fact that satisfying the needs of the people in terms of volume, structure, and also of place and time, requires a more responsible approach by manufacturers and domestic-trade organizations, and their closer cooperation with the national committees. At the same time ". . . particularly the municipal and local national committees must exercise their control function more consistently than up to now in relation to the trade organizations and retail outlets to ensure the population's supply."

Simultaneously the national committees are obliged to employ more actively such forms in purchasing, market supply and sales that will contribute significantly toward the population's continuous supply with fruit and vegetables. It was emphasized that the often inflexible approach of the purchasing and trade organizations and of the national committees had to be changed to ensure that the grown produce gets to the consumer as quickly as possible.

The 6th session of the CPCZ Central Committee discussed in principle also other main areas of activity whose operation and development are predominantly the concern of the national committees. These included primarily a set of questions relating to repair and maintenance of the housing stock, to housing construction, etc. The session adopted appropriate conclusions for a balanced development of these activities. And specifically they pose complex and often new tasks for the national committees. However, also others--citizens, legislative bodies, state organs, ministries, enterprises, plants, cooperatives, and organizations belonging to the National Front--will participate in the fulfillment of these tasks.

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CSO: 2400/271

## NONIMPLEMENTATION OF SET OF MEASURES CRITICIZED

Prague HOSPODARSKE NOVINY in Slovak 14 May 82 p 4

[Article by Engr Tibor Vasko, director of the Kosice-Mesto Okres branch of the Czechoslovak State Bank: "Waiting as a Tactic"]

> [Text] The economic results achieved last year by the industrial and construction organizations headquartered in Kosice-Mesto Okres, where the principles of the Set of Measures were applied for the first time on a larger scale, do not differ significantly from their results in preceding years.

In the 1981 plan fulfillment of the industrial and construction enterprises located in Kosice-Mesto Okres we may regard as favorable the fact that the dynamic growth rate of industrial output, 3.5 percent over 1980, was maintained; adjusted own output increased by 5.4 percent; and profit also increased, by 7.4 percent. The enterprises fulfilled also their total sales, and the planned volume of deliveries of consumer goods was exceeded by more than 100 million korunas. A favorable ratio between the rise of labor productivity and wage increases was maintained. In comparison with 1980, the turnover time of inventories was shortened by 0.3 day in industry and by 1.5 days in construction.

On the other hand, a series of shortcomings from preceding years are continuing, especially in construction, and this has been reflected in the worsening of the fulfillment of certain qualitative indicators. The enterprises' shortfall in main construction activity was 3.5 percent, despite the fact that their tasks for 1981 were lower than in 1980. The construction industry in the okres exceeded its planned losses by 45.3 percent. The industrial enterprises did not achieve the planned level of their export margin indicator in export to nonsocialist countries; in comparison with 1980, this indicator dropped 3.5 percentage points. The efficiency of fixed assets dropped in comparison with 1980 (measured in terms of output per koruna of fixed assets): by 0.7 percentage point in industry and by 4.5 percentage points in construction. On the other hand, the enterprises' applications for short-term operating credit increased by 5.6 percent, and a significant contributing factor in this was uneven fulfillment of planned sales, including export tasks.

The principles of the Set of Measures have not had a noticeable effect even on preparing the plans for this year. In the draft plans of the overwhelming majority of the enterprises there is a continuation of the tendency from years past, i.e., an effort to have a "good" plan. Likewise the enterprises have not taken advantage of the possibilities of implementation counter planning.

Thus we have not succeeded in mobilizing the reserves and possibilities that unquestionably exist at the enterprises. A large share of this is due to the inadequate stability of the plan and to the resulting uncertainties about the validity of the tasks. The enterprises simply do not believe in the objectivity of the plan's breakdown, and especially of the changes during the year. And since the evaluation of the results continues to be based on a comparison of the report data with the plan, only the enterprise that had a "good" plan is rated as "good". Only fulfillment of the set criteria is evaluated and appreciated, not the enterprise's economic contribution, the result of its activity.

As an example I will cite the annual evaluation of two construction enterprises in Kosice-Mesto Okres for last year. One of them achieved a minimal profit of 2.0 million korunas on a volume of 936 million korunas in main construction activity, but it failed to fulfill seven of the eight indicators that had been set. Understandably, the bank closed the year with this enterprise by placing it on the stricter rules for credit financing.

The other construction organization reported a loss of 39 million korunas on an output of 250 million korunas in main construction activity. But because this organization failed to fulfill only two of the eight indicators, the bank was able to close the annual evaluation merely with reservations. Unfortunately, under these conditions it is understandable that the enterprises strive to get the most advantageous breakdown of the plan.

It is true that certain changes in the plan during its realization are unavoidable. This is understandable already for reasons of possible changes in external relations. Nobody can demand a plan that is absolutely unchangeable. But it is more than likely that there are not only unavoidable, objective reasons behind the breakdown of the plan from the economic production units to the level of the enterprises, and behind the frequent changes in the plan during the year.

Let us again cite an example. At 13 industrial enterprises in the okres, there were 21 plan changes in 1981, including 10 in the second quarter and 8 in the fourth quarter. Seven construction organizations had 12 plan changes, again in the second and fourth quarters. It is difficult to avoid the impression that this was nothing else than adjustment of the plan to the actual results, always before evaluation. The scope of the changes likewise does not indicate a "dissolution" of reserves, rather a redistribution of the tasks in accordance with their fulfillment.

This practice also prevents the enterprises from considering the advantages of implementation counter planning, from probing deeper into their own reserves. A radical change can be expected, I believe, only after setting objective basic tasks and by maintaining the stability of at least the five-year plan.

An area to which the enterprises systematically are not devoting sufficient attention is financing, credit and profit formation. The primary consideration in their decisions to apply for credit is overall fulfillment of the plan in physical terms. Often literally at all cost. This mentality leads, among other things, to an excessive accumulation of inventories, at high interest costs to the enterprise. Nationwide the production inventories in industry and construction can be estimated as only slightly less than annual national income. But in our okres these inventories are more than double the annual profit.

An indication of the failure to appreciate the financial reserves concealed at present in inventories is also the fact that the inventory positions in production rose at the same rate during the first quarter of this year as in the same period of last year, despite the fact that the Czechoslovak State Bank has increased the interest rates on credit to finance inventories by as much as 33 percent over the previous interest rates, in accordance with the slowdown of the velocity of inventory turnover in 1981. For 12 selected production organizations in the okres, this difference in basic interest rates alone amounts to 35.8 million korunas of additional interest costs! How is it possible that the organizations do not miss this amount in their economic results? Evidently they are not missing it, because otherwise the managements of the enterprises would not permit a further rise in inventories. The more so because the enterprises--pursuant to Decree No 49/1981 Zb of the State Planning Commission and State Arbitration Board--reviewed their yearend inventory positions and earmarked 130 million korunas' worth as excessive, unused and intended for consumption or liquidation in 1982. According to our experience gained during audits, the actual value of such unnecessary inventories is higher by 174.5 million korunas. A reduction of inventory positions by this amount is a condition for providing credit at normal interest rates throughout the entire year. Failure to meet this requirement set by the bank would mean a further rise in interest costs.

Despite this unfavorable financial impact, presented here only in general outlines, many of the enterprises have not adopted any exceptional measures in their management of inventories. This can be attributed only to the fact that not even now is the long-term continuity of the results of enterprise operations maintained. Once again it is being assumed that everything will be squared away and explained at the end of the year, and we will be able to begin next year with a clean slate. Thus the long-term normatives for the enterprises' economic incentives based on their results will be set aside, everything will be averaged, set anew, and distributed at the level of the economic production units. And thus we have come full circle, back the the problem of "good" plans.

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SPECIAL CURRENCY EXCHANGE RATES PUBLISHED

Exchange Rates Table No 22/82

Warsaw TRYBUNA LUDU in Polish 31 May 82 p 7

[Text] Announcement of Exchange Rates Table No 22/82, effective 1 June 1982, by Stanislaw Majewski, president, Polish National Bank, on 31 May 1982.

I. Foreign-currency exchange rates in zlotys for countries of the first payments area [socialist countries] for commercial and noncommercial payments in Table No 6, 1982, dated 8 February 1982, remain unchanged.

In purchases of travelers' checks for rubles, issued by the USSR Foreign Trade Bank and payable outside the USSR in the currency of the country where cashed, an exchange rate of 11,767.80 zlotys per 100 rubles is applied.

Rates for Noncommercial Payments

| Country | Curr Symb | Currency | Foreign Exchange Purchase 1 | Foreign Exchange Sales 2 | Money Average 3 |
|---|---|---|---|---|---|
| Albania | 215 | 100 leks | 213.92 | 216.08 | 215.00 |
| Bulgaria | 202 | 100 levs | 4,070.45 | 4,111.36 | 4,090.91 |
| Czechoslovakia | 203 | 100 crowns | 358.20 | 361.80 | 360.00 |
| People's Republic of Korea | 219 | 100 won | 1,243.75 | 1,256.25 | 1,250.00 |
| Cuba | 208 | 100 pesos | 3,227.02 | 3,259.46 | 3,243.24 |
| People's Republic of Mongolia | 204 | 100 tugriks | 856.93 | 865.55 | 861.24 |
| German Democratic Republic | 205 | 100 marks | 1,343.25 | 1,356.75 | 1,350.00 |
| Romania | 206 | 100 lei | 431.56 | 435.90 | 433.73 |
| Hungary | 207 | 100 forints | 242.85 | 245.29 | 244.07 |
| Vietnam | 210 | 100 dong | 375.80 | 378.84 | 376.96 |
| USSR | 201 | 100 rubles | 3,582.00 | 3,618.00 | 3,600.00 |

II. Foreign-Currency Exchange Rates in Zlotys for Countries of the Second Payment Area [Capitalist Countries]

Exchange Rates Table No 22/82

| Country | Curr Symb | | Currency | Foreign Exchange Purchase 4 | Foreign Exchange Sales 5 | Money Purchase 1 | Money Sales 2 | Average 6 |
|---|---|---|---|---|---|---|---|---|
| Saudi Arabia | 771 | 1 | rial*** | 24.04 | 24.28 | -- | -- | 24.16 |
| Australia | 781 | 1 | Austral.dollar | 87.17 | 88.05 | 85.86 | 89.36 | 87.61 |
| Austria | 786 | 100 | schillings | 509.27 | 514.39 | 501.59 | 522.07 | 511.83 |
| Belgium | 791 | 100 | francs | 189.96 | 191.86 | 187.09 | 194.73 | 190.91 |
| Denmark | 792 | 1 | kroner | 10.56 | 10.66 | 10.40 | 10.82 | 10.61 |
| Finland | 780 | 1 | markka | 18.30 | 18.48 | 18.02 | 18.76 | 18.39 |
| France | 793 | 1 | franc | 13.85 | 13.99 | 13.64 | 14.20 | 13.92 |
| Greece | 724 | 100 | drachmas | 130.66 | 131.98 | 113.25 | 133.95 | 131.32 |
| Spain | 785 | 100 | pesetas | 80.37 | 81.17 | 79.15 | 82.39 | 80.77 |
| Holland | 794 | 1 | florin | 32.22 | 32.54 | 31.73 | 33.03 | 32.38 |
| India | 543 | 100 | rupees*** | 886.57 | 895.49 | -- | -- | 891.03 |
| Ireland | 782 | 1 | pound*** | 124.10 | 125.34 | -- | -- | 124.72 |
| Japan | 784 | 100 | yen | 34.39 | 34.73 | 33.87 | 35.25 | 34.56 |
| Yugoslavia | 718 | 100 | dinars | 185.12 | 186.98 | 160.45 | 189.77 | 186.05 |
| Canada | 788 | 1 | Canad. dollar | 66.74 | 67.42 | 65.74 | 68.42 | 67.08 |
| Kuwait | 770 | 1 | dinar*** | 288.09 | 290.99 | -- | -- | 289.54 |
| Lebanon | 752 | 1 | pound | 16.62 | 16.78 | 16.37 | 17.30 | 16.70 |
| Libya | 651 | 1 | dinar*** | 278.46 | 281.26 | -- | -- | 279.86 |
| Luxembourg | 790 | 100 | francs | 189.96 | 191.86 | 187.09 | 194.73 | 190.91 |
| Norway | 796 | 1 | kroner | 13.79 | 13.93 | 13.58 | 14.14 | 13.86 |
| Portugal | 779 | 100 | escudos | 116.78 | 117.96 | 101.22 | 119.72 | 117.37 |
| FRG | 795 | 1 | mark | 35.84 | 36.20 | 35.30 | 36.74 | 36.02 |
| United States | 787 | 1 | dollar* | 82.46 | 83.28 | 81.21 | 84.53 | 82.87 |
| Switzerland | 797 | 1 | franc | 42.16 | 42.58 | 41.52 | 43.22 | 42.37 |
| Sweden | 798 | 1 | kroner | 14.26 | 14.40 | 14.04 | 14.62 | 14.33 |
| Turkey | 627 | 100 | pounds | 54.61 | 55.15 | 47.33 | 55.98 | 54.88 |
| Great Britain | 789 | 1 | pound** | 149.10 | 150.60 | 146.85 | 152.85 | 149.85 |
| Italy | 799 | 100 | lira | 6.47 | 6.53 | 5.61 | 6.63 | 6.50 |

* Valid also in clearing accounts with the following countries: Bangladesh Brazil, Ecuador, Greece, Iceland, Kampuchea, Colombia, Lebanon, Pakistan, Peru and Turkey.

** Valid also in clearing accounts with the following countries: Nepal and Pakistan.

*** The Polish National Bank does not purchase money in these currencies.

Exchange Rates Table No 23/82

Warsaw TRYBUNA LUDU in Polish 8 Jun 82 p 7

[Text] Announcement of Exchange Rates Table No 23/82, effective 8 June 1982, by Stanislaw Majewski, president, Polish National Bank, on 8 June 1982.

I. Foreign-currency exchange rates in zlotys for countries of the first payments area [socialist countries] for commercial and noncommercial payments in Table No 6, 1982, dated 8 February 1982, remain unchanged.

In purchases of travelers' checks for rubles, issued by the USSR Foreign Trade Bank and payable outside the USSR in the currency of the country where cashed, an exchange rate of 11,728.60 zlotys per 100 rubles is applied.

Rates for Noncommercial Payments

| Country | Curr Symb | Currency | Foreign Exchange Purchase 1 | Foreign Exchange Sales 2 | Money Average 3 |
|---|---|---|---|---|---|
| Albania | 215 | 100 leks | 213.92 | 216.08 | 215.00 |
| Bulgaria | 202 | 100 levs | 4,070.46 | 4,111.36 | 4,090.91 |
| Czechoslovakia | 203 | 100 crowns | 358.20 | 361.80 | 360.00 |
| People's Republic of Korea | 219 | 100 won | 1,243.75 | 1,256.25 | 1,250.00 |
| Cuba | 208 | 100 pesos | 3,227.02 | 3,259.46 | 3,243.24 |
| People's Republic of Mongolia | 204 | 100 tugriks | 856.93 | 865.55 | 861.24 |
| German Democratic Republic | 205 | 100 marks | 1,343.25 | 1,356.75 | 1,350.00 |
| Romania | 206 | 100 lei | 431.56 | 435.90 | 433.73 |
| Hungary | 207 | 100 forints | 291.42 | 294.34 | 292.88 |
| Vietnam | 210 | 100 dong | 375.80 | 378.84 | 376.96 |
| USSR | 201 | 100 rubles | 3,582.00 | 3,618.00 | 3,600.00 |

II. Foreign-Currency Exchange Rates in Zlotys for Countries of the Second Payments Area [Capitalist Countries]

Exchange Rates Table No 23/82

| Country | Curr Symb | | Currency | Foreign Exchange Purchase 4 | Foreign Exchange Sales 5 | Money Purchase 1 | Money Sales 2 | Average 6 |
|---|---|---|---|---|---|---|---|---|
| Saudi Arabia | 771 | 1 | rial*** | 24.33 | 24.57 | -- | -- | 24.45 |
| Australia | 781 | 1 | Austral.dollar | 87.44 | 88.32 | 86.12 | 89.64 | 87.88 |
| Austria | 786 | 100 | schillings | 505.07 | 510.15 | 497.46 | 517.76 | 507.61 |
| Belgium | 791 | 100 | francs | 187.82 | 189.70 | 184.98 | 192.54 | 188.76 |
| Denmark | 792 | 1 | kroner | 10.41 | 10.51 | 10.25 | 10.67 | 10.46 |
| Finland | 780 | 1 | markka | 18.37 | 18.55 | 18.09 | 18.83 | 18.46 |
| France | 793 | 1 | franc | 13.58 | 13.72 | 13.38 | 13.92 | 13.65 |
| Greece | 724 | 100 | drachmas | 130.37 | 131.69 | 113.00 | 133.65 | 131.37 |
| Spain | 785 | 100 | pesetas | 79.43 | 80.23 | 78.23 | 81.43 | 79.83 |
| Holland | 794 | 1 | florin | 31.87 | 32.19 | 31.39 | 32.67 | 32.03 |
| India | 543 | 100 | rupees*** | 893.34 | 902.32 | -- | -- | 897.83 |
| Ireland | 782 | 1 | pound*** | 122.41 | 123.65 | -- | -- | 123.03 |
| Japan | 784 | 100 | yen | 34.33 | 34.67 | 33.81 | 35.19 | 34.50 |
| Yugoslavia | 718 | 100 | dinars | 186.24 | 188.12 | 161.43 | 190.92 | 187.18 |
| Canada | 788 | 1 | Canad.dollar | 67.08 | 67.76 | 66.07 | 68.77 | 67.42 |
| Kuwait | 770 | 1 | dinar*** | 291.03 | 293.95 | -- | -- | 292.49 |
| Lebanon | 752 | 1 | pound | 16.82 | 16.98 | 16.56 | 17.24 | 16.90 |
| Libya | 651 | 1 | dinar*** | 281.79 | 284.63 | -- | -- | 283.21 |
| Luxembourg | 790 | 100 | francs | 187.82 | 189.70 | 184.98 | 192.54 | 188.76 |
| Norway | 796 | 1 | kroner | 13.80 | 43.94 | 13.59 | 14.15 | 13.87 |
| Portugal | 779 | 100 | escudos | 118.19 | 119.37 | 102.43 | 121.16 | 118.78 |
| FRG | 795 | 1 | mark | 35.37 | 35.73 | 34.84 | 36.26 | 35.55 |
| United States | 787 | 1 | dollar* | 83.44 | 84.28 | 82.18 | 85.54 | 83.86 |
| Switzerland | 797 | 1 | franc | 41.55 | 41.97 | 40.92 | 42.60 | 41.76 |
| Sweden | 798 | 1 | kroner | 14.23 | 14.37 | 14.01 | 14.59 | 14.30 |
| Turkey | 627 | 100 | pounds | 55.26 | 55.82 | 47.90 | 56.65 | 55.54 |
| Great Britain | 789 | 1 | pound** | 149.59 | 151.09 | 147.33 | 153.35 | 150.34 |
| Italy | 799 | 100 | lira | 6.40 | 6.46 | 5.54 | 6.56 | 6.43 |

* Valid also in clearing accounts with the following countries: Bangladesh, Brazil, Ecuador, Greece, Iceland, Kampuchea, Colombia, Lebanon, Pakistan, Peru and Turkey.

** Valid also in clearing accounts with the following countries: Nepal and Pakistan.

*** The Polish National Bank does not purchase money in these currencies.

## Exchange Rates Table No 24/82

Warsaw TRYBUNA LUDU in Polish 14 Jun 82 p 7

[Text] Announcement of Exchange Rates Table No 24/82, effective 14 June 1982, by Stanislaw Majewski, president, Polish National Bank, on 14 June 1982.

I. Foreign-currency exchange rates in zlotys for countries of the first payments area [socialist countries] for commercial and noncommercial payments in Table No 6, 1982, dated 8 February 1982, remain unchanged.

In purchases of travelers' checks for rubles, issued by the USSR Foreign Trade Bank and payable outside the USSR in the currency of the country where cashed, an exchange rate of 11,774.80 zlotys per 100 rubles is applied.

II. Foreign-Currency Exchange Rates in Zlotys for Countries of the Second Payments Area [Capitalist Countries]

Exchange Rates Table No 24/82

| Country | Curr Symb | | Currency | Foreign Exchange Purchase 4 | Foreign Exchange Sales 5 | Money Purchase 1 | Money Sales 2 | Average 6 |
|---|---|---|---|---|---|---|---|---|
| Saudi Arabia | 771 | 1 | rial*** | 24.43 | 24.67 | -- | -- | 24.55 |
| Australia | 781 | 1 | Austral.dollar | 87.66 | 88.54 | 86.34 | 89.86 | 88.10 |
| Austria | 786 | 100 | schillings | 500.44 | 505.46 | 492.89 | 513.01 | 502.95 |
| Belgium | 791 | 100 | francs | 186.39 | 188.27 | 183.58 | 191.08 | 187.33 |
| Denmark | 792 | 1 | kroner | 10.35 | 10.45 | 10.19 | 10.61 | 10.40 |
| Finland | 780 | 1 | markka | 18.27 | 18.45 | 17.99 | 18.73 | 18.36 |
| France | 793 | 1 | franc | 13.52 | 13.66 | 13.32 | 13.86 | 13.59 |
| Greece | 724 | 100 | drachmas | 129.68 | 130.98 | 112.39 | 132.94 | 130.33 |
| Spain | 785 | 100 | pesetas | 78.95 | 79.75 | 77.76 | 80.94 | 79.35 |
| Holland | 794 | 1 | florin | 31.80 | 32.12 | 31.32 | 32.60 | 31.96 |
| India | 543 | 100 | rupees*** | 895.01 | 904.01 | -- | -- | 899.51 |
| Ireland | 782 | 1 | pound*** | 121.91 | 123.13 | -- | -- | 122.52 |
| Japan | 784 | 1 | yen | 34.11 | 34.45 | 33.59 | 34.97 | 34.28 |
| Yugoslavia | 718 | 100 | dinars | 186.16 | 188.04 | 161.36 | 190.84 | 187.10 |
| Canada | 788 | 1 | Canad.dollar | 66.70 | 67.38 | 65.70 | 68.38 | 67.04 |
| Kuwait | 770 | 1 | dinar*** | 292.20 | 295.14 | -- | -- | 293.67 |
| Lebanon | 752 | 1 | pound | 16.88 | 17.04 | 16.62 | 17.30 | 16.96 |
| Libya | 651 | 1 | dinar*** | 282.92 | 285.76 | -- | -- | 284.34 |
| Luxembourg | 790 | 100 | francs | 186.39 | 188.27 | 183.58 | 191.08 | 187.33 |
| Norway | 796 | 1 | kroner | 13.74 | 13.88 | 13.53 | 14.09 | 13.81 |
| Portugal | 779 | 100 | escudos | 115.23 | 116.39 | 99.87 | 118.13 | 115.81 |
| FRG | 795 | 1 | mark | 35.22 | 35.58 | 34.69 | 36.11 | 35.40 |
| United States | 787 | 1 | dollar* | 83.77 | 84.61 | 82.51 | 85.87 | 84.19 |
| Switzerland | 797 | 1 | franc | 41.37 | 41.79 | 40.75 | 42.41 | 41.58 |
| Sweden | 798 | 1 | kroner | 14.20 | 14.34 | 13.98 | 14.56 | 14.27 |
| Turkey | 627 | 100 | pounds | 55.44 | 56.00 | 48.06 | 56.83 | 55.72 |
| Great Britain | 789 | 1 | pound** | 150.29 | 151.81 | 148.03 | 154.07 | 151.05 |
| Italy | 799 | 100 | lira | 6.37 | 6.43 | 5.52 | 6.53 | 6.40 |

* Valid also in clearing accounts with the following countries: Bangladesh, Brazil, Ecuador, Greece, Iceland, Kampuchea, Colombia, Lebanon, Pakistan, Peru and Turkey.

** Valid also in clearing accounts with the following countries: Nepal and Pakistan.

*** The Polish National Bank does not purchase money in these currencies.

CSO: 2600/697

## PROBLEMS IN TRANSPORTATION INDUSTRY ANALYZED

### Employment, Rolling Stock, Finances

RZECZPOSPOLITA in Polish 17-18 Apr 82 pp 1, 8

[Text] Problems in transportation industry: employment, rolling stock and finances. The need for maintaining priorities in transportation. More trains, fewer cars and trucks. At the center of attention--commuting to work and school.

During his first meeting with journalists (16 May 1982), Janusz Kaminski, the Minister of Transportation, said, in describing the situation in his ministry, that one must include as a myth the opinion which sees the transportation industry as not having any problems in performing its alloted tasks because of a weakening in the tempo of the economy.

The chief ot the ministry of transportation recognizes three key problems:

Employment. Approximately 30,000 PKP [Polish State Railroads] workers have retired or gone on pension in the past few months. On the same scale as the railroads, and for the same reasons, employment has decreased in the PKS [State Airlines] and in the railroad and motor transport industry repair and servicing facilities.

Deliveries of new rolling stock. In past years, we received 12,000 to 15,000 freight cars from industry annually. In 1982, industry will assure delivery of just 3,000 freight cars and then only coal cars and flat cars: the railroads are not getting the boxcars that are so much in need. For PKP passenger transportation needs, deliveries of 50 electric units (instead of at least 70) and 200 passenger trains (350 to 400 are needed this year) are being promised.

Finances. An increase in producer prices and everything connected with that process have necessitated tripling the amount of subsidies from the state treasury for the benefit of transportation (presently about 200 billion zlotys). A 165 percent increase in tariff rates for freight transport, effective 1 January 1982 did not balance against the first cost increments. This will also necessitate price increases for passenger service, which has had a growing deficit every year.

With fuel restrictions, there has been a growing tendency for railroads to take over the freight transportation, which up to now had been done by cars and trucks. It has been estimated that the railroads will transport 22 million more tons of freight in 1982, while PKS will transport 21 million tons less.

In the first quarter, PKP transported 94 million tons of freight. The goal for the second quarter is 102 million tons and, for the last half of this year, 219 million tons.

In sum, applications have been made for the transportation of coal, agricultural products and freight earmarked for export. An absolute priority will continue to be maintained for transportation of these groups of freight.

Modest investment means available to the ministry in 1982 are concentrated on modernization of repair-servicing facilities and the electrification of railway lines.

Electrification of railway segments should increase by 316 kilometers this year. This is a rather significant increase in relation to past years, when 180 to 190 kilometers of railway lines underwent electrification. In future years, about 500 kilometers of railway lines are being slated for electrification.

Passenger travel, after a very difficult fall and winter, does not anticipate further restrictions, and long-distance train service has at last been restored. At the moment there is no possibility of restoring long-distance bus service, especially where parallel railroad connections are being installed. Buses have been designated for suburban service, and especially for transporting people to work and youth to school.

The ministry has also completed a special analysis of the possibility of an increase in transporting passengers by rail within the compass of large urban centers and foresees the introduction, wherever possible, of regular train schedules.

## Rolling Stock Shortages Revealed

SLOWO POWSZECHNE in Polish 30 Apr 82 p 9

[Text] This crisis has encompassed all sub-sectors of the economy; consequently, it is not strange that production in a great majority of plants has significantly decreased. Even coal, whose output has been increasing systematically for the last few months, continues to be produced at a significantly lesser rate than in the years of prosperity. The obvious consequence for such a state of affairs is the conspicuous decrease in railroad freight transportation. In this situation, it would seem to appear that all transportation difficulties, indicated so far, would have been

appreciably alleviated. At the same time the railroad continues to fulfill its burdensome tasks with the greatest difficulty. Why?

Among the several real causes for such a state of affairs, the most important seems to be the lack of rolling stock, and, more precisely, the lack of freight cars. On the surface the situation is paradoxical to the extent that Poland is a leading world producer of these kinds of products.

Admittedly, we are now producing two times fewer freight cars than we did in 1975, but we also occupy a responsible place in the world after the U.S., the USSR, Romania and India, with a production of 9,100 units. And even taking into account the years when we exported rolling stock--its drop even proportionally higher than the drop in production--there should not be a shortage of rolling stock for the needs of PKP.

But this is only an apparent paradox. For as it turns out, during the whole decade of the 1970's the supply of freight cars did not make up for the systematic increase in freight that was occurring at that time. And this in turn caused exploitation beyond measure of particular units, which, in view of an increasing breakdown rate, created disturbances in transportation. In the end, one way or the other, it was necessary, however, to withdraw units from service.

The result was such that although year after year rolling stock made its way from producers to the domestic user, the number of freight cars in service decreased--this began to occur in the mid-1970's. The sum total of freight cars for 1975 was 212,000, and 5 years later only 194,800 were in service.

But even up to last year, the situation, though systematically worsening, was still not dramatic. Whereas now only 169,200 freight cars are operational. In comparison with the previous period the number of boxcars in daily use fell from 33,300 to 30,100, flatcars from 21,500 to 18,700, and tank cars from 12,800 to 10,700. However, the greatest deviation was noted in the case of coal cars, whose number dropped from 115,200 to 98,900.

And it is necessary precisely here, first of all, to search out the source of disturbances in our transportation industry that--as one has to presume--are still increasing after the anticipated growth in production, especially in mining industries. Right now it is necessary to look for full utilization of rolling stock--which is so closely bound up with the expansion of railroad repair facilities and with the need for eliminating freight car tie-ups among unreliable consignees.

For it may turn out that we will indeed have available the production for serving social needs, but there will be no way of transporting the products from producers to consignees.

9866
CSO: 2600/588

FURTHER DEVELOPMENT FOR IRON GATES HYDROPOWER SYSTEM

Bucharest REVISTA ECONOMICA in Romanian No 18, 7 May 82 pp 4-5

/Article by Dr Iulian Plostinaru: "Better Utilization of Hydropower Resources"/

/Text/ Hydropower resources occupy a continually growing place in the structure of Romania's energy balance. On the basis of the relatively large resources that we possess in this regard--those of the Danube and its main tributaries--a number of highly important facilities that help to utilize the hydroelectric potential and to expand the energy base of the country have been built and are in the process of being achieved.

The most important of the hydropower facilities built or slated to be built on the Danube are in the range of Mehedinti County: the Iron Gates One Hydropower and Navigation System, which has been operating for 10 years, and Iron Gates Two, in the process of being achieved.

Built in a period of only 7 years, on the basis of the agreement between the governments of the Socialist Republic of Romania and the Socialist Federal Republic of Yugoslavia in 1956, the Iron Gates One Hydropower and Navigation System marked the start of the utilization of the hydropower potential of the Danube in the sector common to both countries. Through the construction of the imposing facility, on the one hand, the utilization of a hydropower potential of over 10 billion kilowatt-hours per year (by both parties) is secured and, on the other hand, the Iron Gates zone has been transformed from a narrow sector extremely difficult for navigation into a sector favorable to it, providing for the growth of the transportation capacity on the Danube from 15-16 million tons per year to over 50 million tons per year--that is, by a factor of over 3.

Through the prodigious activity of the work staff there, the Romanian power station's main indicators--installed power, power output and production cost--were fulfilled in the first 12 months after putting the system into operation--that is, in half the planned time. Strongly stimulated by this success, the power engineers at Iron Gates One intensified their efforts to operate the installations on hand as rationally as possible, managing to fulfill and overfulfill the plan for electric-power production every year by completely using the incoming flow. Continually performing studies and research on the possibility of raising the power of the turbines beyond the projected levels, the Romanian power engineers managed to provide for maximum utilization of the Danube's hydropower potential, especially in the high-water period, when part of the water flow was diverted over the dam. These studies and research activities

confirmed the possibility of raising the power from 175 megawatts, which represented the projected nominal power of a hydroelectric generating set, to 190 megawatts. The flow of water through the turbines also rose accordingly--from the initially installed level of 710 cubic meters per second to 800 cubic meters per second per turbine, which represents an increase in it from 8,530 to 9,600 cubic meters per second (the total increase in flow being over 1,000 cubic meters per second) by both power stations (Romanian and Yugoslav) in the Iron Gates One System. The above-mentioned increases in power and flow led, on the one hand, to the growth of the peak electric-power output and, on the other hand, to the growth of the total power output, through the reduction of the water diversion.

Starting in 1976, the operation of the Iron Gates One hydroelectric power station at increased power was undertaken, there being obtained in this way an increase in electric power of 133 million kilowatt-hours per year on the average in the Romanian power station. Through these actions, the complete recovery of the funds spent for investments was also obtained in 3.23 years, as compared with the 5.5 years approved by means of the technical and economic indicators.

In the electric-power branch, the Iron Gates Electric Power Enterprise occupies first place over the other units producing electric power within the hydroelectric subbranch in the structure of the Ministry of Electric Power. The evolution of the fulfillment of the indicator of electric-power output is shown in Graph 1. Year by year, the staff of the hydroelectric power station has overfulfilled the plan targets for electric-power output, putting into the national power system a cumulative additional power of over 3,700 gigawatt-hours, which represents over 75 percent of the average annual output of the power station. In addition, one also distinguishes the fact that the average annual output in the 10 years is over 5,939 gigawatt-hours, as compared with the 5,000 gigawatt-hours projected. The additional output of electric power was obtained under the conditions of reducing the consumption for production and transformation by 5 percent on the average from the consumption set and reducing the cost of the power produced from 0.03 lei per kilowatt-hour to below 0.02 lei per kilowatt-hour. These results have put the enterprise in top spots in the socialist competition every year, it being awarded the Order of Labor, first class, in 1974 and 1981.

The main factors that influenced the fulfillment and overfulfillment of the plan targets for the indicator of electric-power output were:

The improvement of the activity of operation and maintenance, by increasing the degree of reliability of the installations and optimizing the forecasting of the Danube's flows and the system of operating the hydroelectric generating sets;

The improvement of the activity of planned repairs, by improving the matter of scheduling and pursuing them, by reducing the standardized periods of stoppage for planned repairs, and by eliminating the breakdowns due to personnel and the technical hitches.

The thorough preparation for repairs, by providing the SDV's [tools, devices and gauges], materials and work technologies in time, and the introduction of the overall contract system, as a better way to give an incentive to the working people, led to the shortening of the repair time, which had a direct effect on the growth of the effectively usable average power, as can also be seen from Graph 2.

Some 10 years after putting the Iron Gates One Hydropower and Navigation System into operation, we are in the middle of the process of achieving a new hydropower facility--Iron Gates Two, also built jointly by Romania and Yugoslavia in order to utilize more fully the Danube's hydropower potential. The construction of the Iron Gates Two hydroelectric power station, at Ostrovul Mare, will completely change the appearance of this zone. Let us mention just part of the construction that will ultimately make up this facility, which will rest, monumentally and solidly, in the Danube's bed.

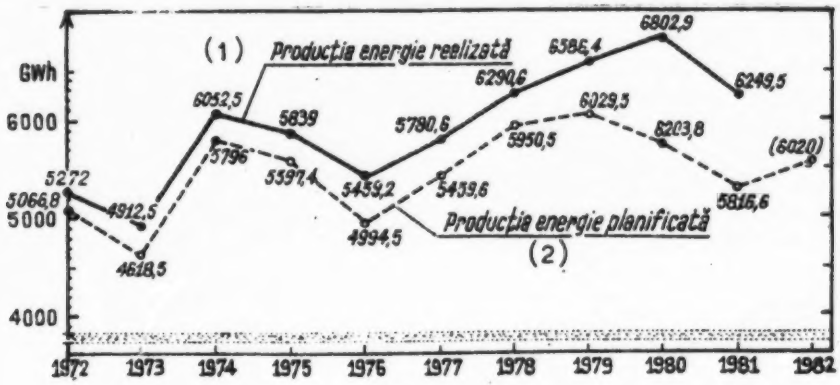


Graph 1. The Evolution of the Achievement of the Production of Electric Power in the 1972-1982 Period

Key: 1. The power production achieved 2. The power production planned

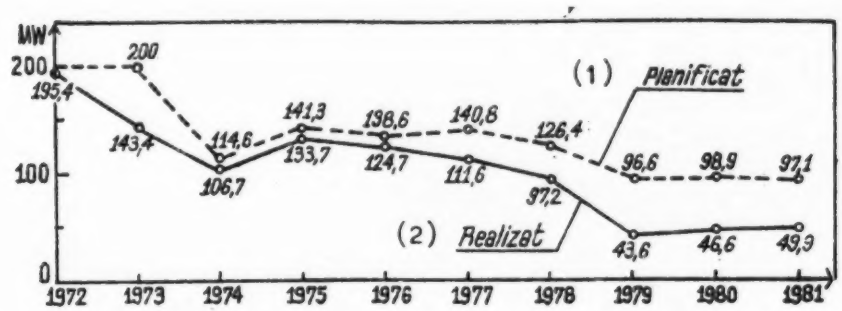


Graph 2. The Growth of the Effectively Usable Average Power

Key: 1. Planned 2. Achieved

The island of Ostrovul Mare, the place where the work fronts of the builders of the new hydroelectric power station are located at present, has a length of 14 km and, in some sectors, a width of 4 km. As the design provides, the overflow dam, which will incorporate over 200,000 cubic meters of concrete and for achieving which 300,000 cubic meters of excavation are necessary, will be erected on the secondary branch of the Danube. At the same time, the work also requires the preparation of 3,000 cubic

meters of blocks of concrete, each weighing up to 2.5 tons. The height of the dam will be 17 meters and a storage lake with a length of 80 km will be formed behind it. The two power stations, both totaling an installed power of 432 megawatts, will be on the primary branch of the Danube, at kilometer 683. When the two power stations are finished, the water flow will reach 6,750 cubic meters per second. In the 2 power stations, 16 turbines--horizontal bulb turbines--will be installed: 8 in the Romanian power station and 8 in the Yugoslav power station. The eight turbines for the Romanian power station will be achieved by our machine-building industry.

There is the possibility of increasing the number of turbines by another four in the two dams in order to use the flow that would be diverted in the case of high water, thus helping to increase the installed power by another 54 megawatts (the Romanian part) and to use the Danube's flow as fully as possible. The length of the new power station will be 180 meters and the width will be 73 meters. The diameter of the rotor on a turbine will be 7.5 meters. Just for building the Romanian power station, 1.5 million cubic meters of dirt and stone will be excavated and 296,000 cubic meters of concrete will be used. For one lock, which will have a length of 310 meters, a width of 34 meters and two gates--one a mitergate and the other a drawgate--and which will operate in a single stage, 400,000 cubic meters of excavation will be done, 245,000 cubic meters of concrete will be necessary, and 900,000 cubic meters of filling will be done. The second lock, which will cut through the island and unite the two branches of the Danube, will require 1.1 million cubic meters of excavation and 320,000 cubic meters of concrete. At the same time, a 4.1-km dike will be built at Ostrovul Corbului and a dike with a length of 7 km will be built at Ostrovul Mare.

Adding to all these things a 110-kilovolt station and the various social facilities--120 apartments, a school, a kindergarten, a motel, a restaurant, a thermal power station and others--which will define the "city" of the builders and fitters, we have a picture of the impressive efforts that man is making so that there, at Ostrovul Mare, the Danube will soon pump additional millions of kilowatts of electric power into the aerial powerlines of the homeland. When it is connected to the circuit of the national economy, the Iron Gates Two hydroelectric power station--in fact, just the Romanian part--will annually pump over 1.4 billion kilowatt-hours of electric power into the national power system.

The development of the country's energy base in the future in conformity with the Directive Program for Research and Development in the Field of Energy in the 1981-1985 Period and the Main Orientations up to the Year 2000 will lead to the growth of the installed power in the basic electric power stations (thermoelectric and nuclear-electric power stations). The plenum of the RCP Central Committee on 31 March of this year analyzed and approved the report on the implementation of the program for power production in the 1981-1985 5-year period and the development of the country's energy base up to 1990, so that, on the whole, Romania may give itself independence in energy and fuel by 1990. Referring to the big tasks in this field, in the speech given on that occasion, Comrade Nicolae Ceausescu said: "Every year, we will possess greater capacities in hydroelectric power stations; by 1985, we will rise to over 10,000 megawatts in coal and shale power stations and, as you have seen, in 1990, we will reach 12,000 megawatts; we will reach over 9,000 megawatts in hydroelectric power stations and about 4,500 megawatts in nuclear-electric power stations."

In the context of the energy crisis on a world level, the problems connected with the stocking of energy are acquiring greater and greater importance. The equalization of

the consumption in the system will be one of the main tasks of the energy economy in the future.

Among the various means available for achieving a temporary reserve of energy needed to be put at the disposal of the national power system for covering the peak of consumption, pumped-storage hydroelectric power stations will assert themselves as a main means. In this regard, on the territory of Mehedinti County, due to the geographical characteristics, the construction of pumped-storage hydroelectric power stations will experience spectacular development in the future. The natural framework offered by the creation of the storage lake of the Iron Gates One Hydropower and Navigation System provides the possibility of setting up, under extremely advantageous conditions from a technical and economic viewpoint, a number of facilities of this sort, including some on the territory of Mehedinti County. Other important resources for increasing the production of electric power will also be utilized within the county, through the achievement of micro hydroelectric power stations on the inland rivers.

Acting steadily to draw the existing energy resources into the production circuit, Romania will be able to cover from its own sources its ever growing need for electric power, becoming--as it is pointed out in the party documents--independent from an energy viewpoint by 1990.

12105
CSO: 2700/288

## BRIEFS

NEW AIR TERMINAL IN SUCEAVA--Yesterday, a new air terminal was inaugurated in Suceava. Its construction was prompted by the increasing passenger traffic from year to year. The new building has a capacity of about 250 travellers at peak hours, and can handle simultaneous departures and arrivals of domestic and foreign flights. Utilizing direction and control apparatus of high technical quality, the Suceava airport can handle the take-off and landing of AN 24, BAC-1-11 and IL 18 aircraft. Two domestic routes operate between Bucharest and Suceava each day. Also, the TAROM company organizes charter flights for foreign tourists who visit the historic and artistic monuments in northern Moldavia. [Excerpts] [Bucharest SCINTEIA in Romanian 9 Jun 82 p 4]

CSO: 2700/296

END

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29 June 1982

# East Europe Report

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2289

YUGOSLAVIA: BASIC PREMISES OF THE
LONG-RANGE ECONOMIC STABILIZATION PROGRAM

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29 June 1982

# EAST EUROPE REPORT

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2289

# YUGOSLAVIA: BASIC PREMISES OF THE LONG-RANGE ECONOMIC STABILIZATION PROGRAM

Belgrade BORBA in Serbo-Croatian 27 Apr 82 Supplement pp 1-31

[Statement of basic premises adopted on 19 April 1982 by the Commission for Problems of Economic Stabilization to govern its work of drafting the long-range economic stabilization program]

[Text] The Commission for Problems of Economic Stabilization, which was created by the federal social councils, has endeavored in its work to date to render appropriate assistance to the competent authorities in resolving the most urgent issues in the domain of current economic policy (balance of payments and exchange balance, rate of exchange of the dinar, external liquidity, foreign indebtedness, and the federal budget) and the domain of medium-term development policy (related to dovetailing medium-term plans, the energy balance, the agroindustrial complex), as well as in seeking out common solutions to the outstanding issues in the domain of the money system, the monetary and credit system, and the foreign exchange system.

The Commission's principal task is to draft an integral and long-range program of economic stabilization, on which it has already been working for several months in a separate working group and in its subgroups for the particular parts of that program.

In order to furnish a uniform conceptual foundation of the future program and to move beyond differing approaches in the interpretation and implementation of the SFRY Constitution and Law on Associated Labor, in a session held 19 April 1982 the Commission adopted the "Basic Premises of the Long-Range Economic Stabilization Program" as a kind of platform for its subsequent work.

In order to ensure the broadest unified commitment to carrying out economic stabilization, it was agreed that the basic premises of the long-range economic stabilization program would be published and sent to all institutions participating in the work of the federal social councils.

The long-range program of economic stabilization, which is being worked on intensively, involving the participation of a large number of scientists, specialists and other public figures from all over the country, will specifically cover the following subjects:

a. The indispensable need to adapt the conditions for conduct of economic activity from the standpoint of strengthening the material base of organizations of associated labor and of the workers taking command of funds for social reproduction;

b. Development policy as a factor of economic stabilization;

c. Technological strategy;

d. Energy strategy;

e. The strategy and development policy in the transportation sector;

f. Agriculture and the agroindustrial complex;

g. The housing industry and municipal services and utilities;

h. Small business;

i. Social services;

j. Regional aspect of development;

k. Employment and creation of new jobs;

l. Adaptation of the economic system to the requirements of stabilization;

m. Anti-inflation program;

n. The strategy of foreign economic relations and the convertibility of the dinar;

o. Long-range social welfare policy;

p. Social prerequisites of the long-range stabilization program;

q. Economic stabilization measures in the domain of the legal system.

Since certain parts of the program are in the phase of final revision (Anti-Inflation Program, Foreign Economic Relations, Energy Strategy, Agriculture and the Agroindustrial Complex, Employment and Creation of New Jobs, The Housing Industry and Municipal Services and Utilities, Social Services, Social Prerequisites of the Long-Range Stabilization Program, etc.), they are just about to be examined by the Commission, after which they will be presented in succession to the Yugoslav public.

The final document which can serve simultaneously as foundation for the competent agencies of the Federation as well as of the socialist republics and autonomous provinces in formulating conceptions of economic policy and the necessary changes in the mechanisms of the economic system, and also for drafting medium-term social plans in conformity with the bases of our system of

self-management planning, will be a synthesis of the tasks of the long-range economic stabilization program and measures to implement it, together with establishment of priorities in its achievement as to time.

Introductory Remarks

The Commission for Problems of Economic Stabilization deemed it necessary to examine and adopt Basic Premises before undertaking the specific consideration of the program of economic stabilization itself and of its individual parts. The Basic Premises contain the most necessary basic commitments concerning further development of socioeconomic relations and sociopolitical relations as well as the foundations and directions of future material and social development.

The reasons which decided the Commission to adopt Basic Premises in advance were the following:

i. a critical examination of our experience indicates that some of the basic commitments of our socioeconomic system are not being carried out or are being carried out in a manner that does not conform to the constitutional commitment;

ii. the differing treatment of the role and importance of certain basic definitions and certain basic institutions in the system of socialist self-management (who is the basic subject in our system and what is his status, what is the attitude toward economic laws, toward the market and planning, and toward conclusion of self-management accords and social compacts, what is the responsibility of the republics and autonomous provinces for their own development and for the development of the entire Yugoslav community, etc.?) which has had major consequences for the country's social and material development;

iii. ideological differences which may arise on this basis and which could impede adoption of the long-range stabilization program and diminish effectiveness of its implementation. Unity of views on certain essential questions which are to determine the character and content of the stabilization program as well as the methods and means of its accomplishment is absolutely essential to consistent implementation of such a major social undertaking. This will make it possible to resolve and overcome more easily the differences that will occur in the consideration of specific matters.

The need to draft an integral economic stabilization program arose out of the assessment that the present condition and accumulated problems in the economy and the associated social contradictions are of such nature that without quite profound changes in social relations as they stand at present, in the structure of the economy, and in the method and quality of economic performance and everything that follows therefrom in the economic and social fields we cannot achieve lasting results of stabilization nor guarantee that socialist self-management will develop faster in the future.

The Commission came to the conclusion that before proposing the specific economic stabilization program it was indispensable to elucidate in more detail

several of the fundamental features of our system and its essential institutions. This is indispensable not for the sake of a mere repetition of the constitutional commitments, but because of the urgent need to approach the drafting and elaboration of the stabilization program from a point of origin in the form of a uniform set of basic premises governing the work of the Commission and at the same time providing conceptual unity of all participants in the work of the groups and subgroups working on the various segments of the program and the various aspects of the system and of economic and development policy.

Two points need to be made in this connection. First, the changes that are to ensue on the basis of the stabilization program will have far-reaching consequences. They have to be undertaken in the context of very unfavorable international conditions, when difficulties and contradictions have accumulated within society, and at a time when the country's external liquidity is threatened. This makes it a necessity that the basic premises of the long-range stabilization program be stated clearly, that they follow from the foundations of our system and the long-range commitments of our society, as well as from a realistic determination of material capabilities.

Second, the present situation and the trends under way that can be used as the basis for an assessment of the situation in the immediate future point up the need for clarity in basic commitments and at the same time for realism in examining capabilities, the sequence of the measures, and the stages in which they are to be carried out, in assessment of the consequences, and in the procedure for moderating or correcting those consequences.

The point of departure in drafting the Basic Premises ... was the conviction that our society possesses a long-range strategy for development of the social relations of socialist self-management, a strategy contained in the LCY Program, the SFRY Constitution, the Law on Associated Labor and the resolutions of the 10th and 12th LCY Congresses. In that respect we have definite advantages over societies which are still searching for their way and yet have to plot the strategy of their social development. From that standpoint the document hereby offered does not contain major new commitments which are not contained in the documents mentioned. This makes our task much easier, but in view of the exacerbated contradictions that exist in our socioeconomic development, the changes which have to be made also make that task a complicated and difficult one.

The essence of all the changes, both material and social, that would follow from a long-range stabilization program is that they must be aimed at creating conditions for the worker--both as an individual and as an associated worker, to take that place in society to which he is entitled under the constitution, to take command of the conditions and results of his labor, the entirety of income and all relations in social reproduction and in society so as to develop on those foundations as a free creative person.

In the relations that exist in the system for formation of accumulation, extensive alienation of the accumulation from the workers has been accomplished, and on that basis a mechanism has developed for centralizing those resources,

for their inflationary augmentation and distribution, whereby the principal economic subject in our system is being displaced and is being prevented from becoming a responsible self-managing commodity producer.

No one could of course have expected that the worker would quickly and easily take command of social reproduction, of income and of the surplus labor in the short period since enactment of the constitution and become the principal decisionmaker in society, nor will that follow immediately upon enactment of the stabilization program. Even on the assumption that the causes of the adverse situation have been ascertained and even when the necessary responses are made on that basis in the form of the economic stabilization program, the gradual accomplishment of that goal should be anticipated, along with a fierce social battle and resistance and inertia on the part of the old.

The changes must embrace the social relations that now exist and the currents of social development up to this point. It is indispensable to subject to critical analysis the present goals and plans of development and the methods and means of accomplishing them. Time is needed for such undertakings and changes, but this cannot justify inactivity, inconsistencies and the status quo, since such a case usually involves a balance of power in society, since in this case it is usually a question of a balance of power in society and a situation in the organized social forces and in politics which will make it possible to successfully carry out real and timely changes.

Which is why the struggle for economic stabilization is actually a struggle to strengthen the real social power and responsibility of the worker in associated labor. The economic stabilization program should above all be a program of actions and measures to implement the socioeconomic system of self-management.

In the course of the major changes which development of socialist self-management involves one must anticipate the ideological differences that necessarily arise whenever major changes take place in the economy and when it is necessary to carry out a social transformation which has class features. The offering of differing interpretations of the essential categories of our system and the social order has in fact been typical of recent years. Differing patterns of practical behavior are also based on this.

How otherwise to interpret the fact that our principal subject of economic activity is in practice often losing the characteristics of a commodity producer and is not behaving like one, that the economic responsibility for work and conduct of business have been displaced and transferred to society as a whole, thereby reducing in an essential way the motivation of the principal economic subject when business decisions are being made, as well as the fact that the economic position of associated labor is today worse than it was before enactment of the Law on Associated Labor.

This issue leads one on to others. Why, for example, does our economy not pay sufficient respect to the market (domestic and foreign); why are its economic limits often neglected in the name of solidarity, and what are the essential consequences for the attitude toward work; why is the importance of social

resources and of past labor as a whole underestimated; why is there that attitude toward the use of accumulation, and so on?

If we examine this same problem from the standpoint of the mechanisms of the economic system, we will note the same phenomenon. For example, self-management accords and social compacts are being used to regulate relations even outside their domain or are on the other hand being interpreted as instruments in which one can incorporate even subject matter which has not been verified and justified in economic terms. As a consequence their legal and social validity is discredited, and due consideration is not given to the fact that they are one of the basic institutions of our system.

We enact plans which do not have an adequate economic substantiation, but on the other hand abound in goals which cannot be achieved in the given period of time either because they are unrealistic or because, when all the goals are taken together, they amount to too large a bite to take in the particular period.

This kind of attitude is evident even in the measures of economic policy, which is not sufficiently mindful of the economic importance and operation of certain of these categories of the system, and measures are used which do not rely on economic coercion, but on normative and government administrative coercion. Which is why so much legislation is being enacted, along with the many accords and compacts, which often are vague with respect to obligations, and neither the legislation nor the agreements alter the status quo or practical behavior, since the orientation is not toward the interest, the motivation and the logic of the self-managing subject as a commodity producer and his economic accountability for his work and the results of the conduct of his business. In a word, the real conditions and economic laws operating within them and conscious and planned guidance of economic and social development and correction of undesirable effects of the market are not being taken sufficiently into account, but rather they are suppressed and replaced by administratively and arbitrarily established "legality," which does not recognize the contradictions which socialist commodity production contains within itself.

Basic organizations of associated labor have adapted to business conditions of this kind, living and developing as extensive producers, with modest demands of a qualitative nature and with the high degree of certainty that the poor quality of their economic performance will be socialized--whether it is a case of losses or of income which is redistributed through the numerous burdens on the economy.

A great deal of attention has been paid to the situation and relations in the world economy and in international economic relations, as well as to their impact on the Yugoslav economy. Our principal purpose here was to indicate the exceptional difficulties arising from that quarter, to point out that they are not conjunctural or transitory in nature, and that they must be taken into account over the long term.

It has been especially emphasized that the lag in economic exchange with foreign countries has had a strong impact on the character of economic activity

within the country, which has been expressed in the autarkic orientation of the economy, with the consequences that has for social relations.

The impression must not be gained on this basis, however, that the situation in the world economy and on the world market is the first and predominant factor which has brought this kind of situation about in our own economy. The basic causes lie above all in the shortcomings of our development policy and economic policy and in the stagnation that has occurred in development and self-management relations.

However, though the external factor is not its principal cause, the way out of the present situation should be sought first of all in a radical change of attitude toward exports, in an ever greater presence on the international market, and in submitting to the criteria which that kind of orientation demands.

But even if we agree that such a change of direction has to be accomplished in foreign economic relations, the principal changes have to be made in domestic development. It follows from this that the very difficult conditions and high requirements of the foreign market can be met only through essential changes throughout the entirety of social labor and business activity and at every individual work station by applying general criteria in the use of social capital, through higher productivity of live labor and more vigorous and complete use of knowledge and modern organization, as well as through development of our own engineering and technology wherever this is expedient and possible.

The problems of our economy's structure are treated more broadly and not merely from the standpoint that has been customary in the past: on the basis of emphasizing the priority of producing energy, food and raw materials. Consideration was given to the sum total of the economy and the social services, to broad complexes in reproduction, to their position and relations on the domestic and foreign markets, to the structure of the economy from the standpoint of the size of organizations, and so on. This was not in the least aimed at diminishing the importance of the problems of energy, raw materials or food, for example, but at emphasizing as well certain factors which are well known, but are still underestimated, though they are important to the economy's orientation in development, especially from the standpoint of its becoming capable of expansion of exports.

Development of the economically underdeveloped republics and the Autonomous Province of Kosovo has not been extensively treated in this phase of the work. This is one of the most difficult long-range problems, a problem with its economic and political implications, since it reflects one of the most profound contradictions of our society, and in the subsequent work it will have to be given the place to which it is entitled. What has been stated on this occasion is in a multinational socialist self-managing community economic development will be a lasting preoccupation of society from the standpoint of the successful development of both the whole and the parts, from the standpoint of the equality of the nationalities and ethnic minorities, of the republics and autonomous provinces. The methods for resolving these problems will bear the imprint of the level of development attained, the character of self-management social relations, the status of the republics and autonomous provinces, and

the character of the problems to be resolved. But there is no doubt whatsoever that they will be a lasting concern and preoccupation of the entire community on the basis of an affirmation of the socialist socioeconomic relations of self-management.

Our society and economy, as it attains the present level of development, which in many respects is a crucial one, finds itself in the position and with the contradictions of a moderately developed country. However, it also has the characteristics of a developing country because of major differences in its regional development.

The point of departure of the Basic Premises of the Long-Range Economic Stabilization Program is the place and role accorded the republics by the constitution as states and as socialist self-managing democratic communities and to the autonomous provinces as autonomous socialist self-managing democratic sociopolitical communities of sovereign nationalities and ethnic minorities who have come together voluntarily to form the Yugoslav federal governmental community in which they realize their common interests and goals, bearing responsibility for their own development and for the joint development of Yugoslavia. Their role, constitutional status, and their need to function as governments, as the broadest self-managing communities, must always be borne in mind.

1. What Is Meant by the Term "Economic Stabilization"

The economic stabilization program should take as its point of departure the long-range strategy of social development as defined by socialist self-management as the lasting basis of the social system and life, which is to become the dominant and integral relation in society. In this connection there is a need to conduct a comprehensive analysis and assessment of the situation, of its causes and the balance of power in society, and to ascertain the content of the stabilization program with respect to class and social ownership, those social entities which are to carry it out, and their basic interests.

Given the present balance of power, judging by the material status of associated labor and level of influence achieved in society, it is only with the direct and resolute involvement of the LCY and the other organized socialist subjective forces that any serious changes in the economy and society can be expected. It can be confidently said that the status quo and a deepening of instability are suitable to certain strata and forces in society (with statist, technocratic and other antiself-management orientations), which only points up the seriousness of the changes and the resistance which should inevitably be counted on.

The long-range economic stabilization program should cover two groups of problems in its commitment and content.

The first group of problems has to do with the development of socioeconomic relations, with consistent performance of the commitment contained in the SFRY Constitution, the Law on Associated Labor and the documents of the 10th and 11th LCY Congresses and the Third Congress of Self-Managers of Yugoslavia.

This is emphasized especially because in recent years very serious problems, difficulties and shortcomings requiring appropriate social action have been evident both in economic development and in the development of socioeconomic relations.

The other group of problems pertains to aspects of material development. In this context it is necessary to cover the questions of its general orientation, its dynamics, its quality and its structure, including the necessary alignment of commodity-money relations and other relations in social reproduction.

The long-range stabilization program, then, is an extremely complicated and difficult social undertaking, one which the working class can accomplish assuming it takes command of the entirety of social reproduction with the full commitment of the LCY and all the organized socialist subjective forces. Honoring this assumption, the stabilization program has to be thoroughly elaborated and the goals, ways and methods of carrying it out chosen so as to stimulate the interests of the worker and of his organization of associated labor, which means a program whose point of support will be the principal economic subject in a self-managing socialist society, rather than above all the force of the state and its methods of operation.

It is a question, then, not only of short-term material difficulties, but of long-range phenomena and relations which call for an appropriate long-range program to overcome them. The program must therefore critically examine the entirety of socioeconomic relations in practice, the results of development to date and of the existing deepened socioeconomic contradictoriness, and it must also respect the international aspect and conditions which arise out of the deep and long-term social and economic crisis in the world, which is having its impact on both our economy and our society.

The term "economic stabilization" should not be understood to mean changes which are supposed to restore the disturbed flows of the economy to the previous "stable" condition; it is not merely a question of correcting errors which have caused disturbances or of reestablishment of the previous relations in social reproduction, in the position of the working class and in relations within it, in the distribution of economic and social power and, still more directly, in the previous relations in the creation and distribution of the social product.

It is a question of an economic and social situation whose causes should be elucidated in their entirety and in their interdependence (it is not merely a question of economic causes); responses appropriate to that situation have to be prepared and applied through the mechanisms of the system and through economic and social welfare policy. Both are to be achieved on the basis of a critical analysis both of the situation and basic processes under way in society and in the economy and also of the forces which have a decisive impact on those processes. Our country has to take decisive steps in order to win its place in the international division of labor, altering its standards of work and economic performance and also the goals and criteria of its development.

For all these reasons it is indispensable to continue the profound transformation of society on the foundations of the constitution and the Law on Associated Labor. Without that, or outside of that, it is an illusion to construct any sort of long-range stabilization program. A stabilization program cannot be restricted solely to the economic sector and to economic decisions and measures, but must contain the necessary social and sociopolitical decisions and measures and--on that basis--an entire program of activity of all factors in society.

## 2. Basic Characteristics of the Present Situation

An overall assessment of the situation and of tendencies in the practice of self-management, in economic development and in society as a whole suggests several observations.

A high degree of imbalance prevails in the economy and economic flows; it is expressed in the high rate of inflation and disrupted commodity-money relations, in structural disturbances and autarkic orientation in development from basic organizations of associated labor to the attitude of sociopolitical communities and of the entire economy toward the economies of other countries and the world market, and in the standstill in development of the relations of socialist self-management.

The policy of economic and social development at all levels and joint development policy have been urging on the material growth of the economy and the development of the social services beyond real capabilities. Also, the economic mechanism which is in place, along with the inconsistencies in implementing certain of its features, has allowed effective demand to be created considerably beyond the social product and income which have really been created (note issue and formation of the supply of money and credit, the several years of financing the federal budget deficit by issuing money, the inappropriate mechanism of primary and secondary distribution, which is manifested in the price disparity, in the siphoning of depreciation into income and in payments for social services and government which are not in proportion to the economy's real income). A permanent, uncontrolled and fiscal redistribution of the national income within the economy and between production on the one hand and government and social service expenditure on the other has been taking place as a consequence. That is why demand inflation is built into our economic life.

The contradiction between the economy's low accumulative capacity on the one hand and the orientation toward large investments on the other has been resolved by creating artificial demand by augmenting the money supply, through investments without coverage and through excessive foreign indebtedness. Decisions on investments have mostly been made outside the range of oversight of workers in organizations of associated labor.

This attitude toward social reproduction and the opportunities for certain types of expenditure to increase independently of income earned have brought about the dynamic quantitative growth of the economy accompanied by increasingly marked inflation and declining interest in qualitative growth (labor

productivity has an ever smaller share in economic growth, and economic efficiency has been dropping steadily, though technical adequacy has been rising all the time). The accumulation of these shortcomings year after year has been speeding up inflation and diminishing the competitiveness of the economy on the world market. The increasingly unfavorable relations between the growth of domestic and the growth of foreign costs have brought about the lasting presence of cost inflation.

The alienation of the workers from the conditions for realizing income and for the disposition of income, administrative regulation of economic relations, suppression of economic laws, the lag in development of the function of self-management planning, and the orientation toward solving domestic problems first have encouraged autarkic development and an unsuitable economic structure. Conditions of this kind, in the recent past especially, have objectively been leading toward enclosure of the economy within narrow regional boundaries (the republics, the provinces and opstinas) with no real interest, opportunity or economic necessity for establishing ties and associations outside those countries, for division of labor and internal technological development, and toward a gradual weakening of the role of the unified Yugoslav market, toward its becoming more and more closed to the influences of the more productive foreign economies and the corresponding operation of the world market.

This does not explain why we did not respond in time to changes in price relations and consumption of energy raw materials and exacerbation of conditions on the world market, nor why in spite of the emphasis put on the importance of agriculture we did not take appropriate measures to develop it, nor why transportation has been lagging more and more, nor why domestic sources of raw materials have not been explored even when conditions exist for their commercial exploitation, nor why the development of tourism has been stagnant, as has that of the services, small business, the housing industry and municipal services and utilities, and so on. Finally, one of the largest structural disproportions in the economy, the 15-year decline of our share in world exports, showed clearly that the overall structural disturbances are deep and cannot be corrected with current measures or in the short term. The unsuitable structure of the economy, then, is an additional source of inflation, the one which also has the most lasting effect because of its character.

World inflation, that is, imported inflation--in spite of the higher prices of petroleum and the steady rise of the prices of imported engineering and technology as well as the high rate of interest and other costs of capital--has for its part helped to make domestic inflation still higher.

The adverse consequences of this kind of development are especially evident in the pronounced instability of the economy, in its low accumulative and reproductive capacity, in its excessive dependence on credit and high indebtedness, in its very limited ability to export (especially to the convertible market), in the high rate of inflation which, having reached a disturbing level, has begun to display the well-known characteristics that emerge in the advanced phase of inflation: a slowing down of growth and development, losses, ever more pronounced disturbances on the market, an increasingly frequent occurrence

of shortages of goods, and ever greater administrative regulation of economic and market flows and, finally, exacerbation of the problems of unemployment.

The growth of unemployment, especially of the young generation, deserves a specific reference. Though demographic growth is moderating (the average growth rate of the population is at the European level, though with significant differences from one republic or autonomous province to another), in spite of huge investments over the past decade, the number of unemployed is rising. An answer can be obtained to this question only on the basis of an analysis of development policy and economic policy with respect to the various sectors of the economy (especially agriculture), of the character of investment projects and of their regional location. The system of education and the schools has for its part also complicated the problems of creating new jobs by recruiting personnel for occupations in which the economy is not showing an interest and at the same time leaving unsatisfied a demand for over 80,000 workers with certain qualifications. The stagnation in the West European economy and the return of our workers to the country, along with the inadequate preparedness for creating conditions for individuals to solve this problem themselves through self-employment, are only an additional factor making the problems in this field more difficult.

So, there is no complete answer to one of the most complicated economic phenomena and social contradictions without touching upon all the basic aspects of our system of investment and development, the directions and effects of investment, and other factors which cannot at present be dealt with.

The conditions described, under which the economy and other social services have been developing, have not been favorable to the further successful development of self-management. In the same period when the constitution inaugurated the dominant position of associated labor and the worker with his inalienable rights, the position of the economy was becoming increasingly unstable, relations in the economy were exposed to the ever greater arbitration of the state and to the effect of development decisions and economic policy which bore administrative features. Patterns of behavior penetrated economic reality which do not correspond to the system of self-management and which have become the source of further disturbances in social reproduction: autarky, outsized plans and goals which cannot be achieved within the time envisaged, overestimation of quantitative results, and neglect of tendencies leading toward deep-seated disturbances of the economy. The indispensable actions in the economic and social fields have been postponed, and those which were undertaken have not been based on a very thorough analysis of the situation.

The leading social forces have not been sufficiently oriented toward resolving the key issues in the economy and in self-management, nor have conclusions been drawn in time to the effect that the constitutional concept of self-management necessitates serious changes in the economy and in all sectors of social life. Dynamic development of the economy and its constructive influence on overall social development, on the personal and social standard of living, have resulted in toleration of unfavorable phenomena and postponement of actions to change the current positions of various factors in society so that the worker in associated labor can take command of the conditions and results

of his labor, postponement of changes of work habits and other habits, toward respect for economic and other accountability for the results of labor and business operation, and toward greater commitment of the subjective forces in the development of self-management, the delegate system and organization through communities of interest.

Another weakness of the organized subjective forces is that they have not managed to rise above individual interests in good time, to take the long-term interests of the working class as their point of departure, to energetically mobilize forces to enforce the new socioeconomic system, to alter the country's economic policy, which, as a result of pressures from the republics and autonomous provinces and segments of associated labor, has contributed to a behavior which does not respect real material capabilities and economic laws and has thus objectively allowed voluntaristic behavior on the part of economic policymakers and those carrying on economic activity.

3. Certain Basic Causes of Economic Instability and the Prerequisites for Economic Stabilization

The causes of economic instability can be sought in the sphere of socioeconomic relations, in material development and in the situation and relations in the world economy; in this one should distinguish the objective causes from those which are either entirely or partially subjective in nature, whether it is a case of the choice of goals, the policy for achieving society's commitments, or whether it is a case of the behavior of individual factors in society.

A. The Situation and Relations in the World Economy

The situation in international political and economic relations is very unfavorable. Deep social and economic ferment is occurring in the world as a result of profound social contradictions and an economic crisis.

a) To a large extent contemporary capitalism has exhausted its previous theoretical attainments and practical methods of resolving the exacerbated and accumulated contradictions in its development. The attempt to revive the classical and neoclassical theories and to return on that basis to the outdated methods of a liberal economy, like many of the searchings of bourgeois science in the world, have not taken shape in a general theory which could lay claim to defining the general course of a way out of the present crisis.

Which accounts for the pragmatism in policy, the obsession with short-term goals and the absence of perspective. The very strained international relations, the danger of war and the relatively broad application of social welfare measures with respect to unemployment in the leading capitalist countries are postponing major conflicts on the domestic scene and class skirmishes of broad proportions, at least for the present. At the same time internal reorganizations and ferment and dissatisfaction with the present situation are becoming more intensive in what until yesterday were the magnificent societies of prosperity (the antiwar and environmentalist movements, the steadily growing unemployment and dissatisfaction of the organized workers, the decline or very low growth of labor productivity and the standard of living, and so on).

In most countries the way out is not being sought in any reform undertakings which after the pattern of the fifties and sixties would create conditions for still another period of boom, Social Democratic reforms and concessions to the working class, including the programming of certain forms of worker participation. On the contrary, the remedy for inflation and the lost pace of development is being sought in a narrowing of the interests and material strength of the working class and other working strata with low income, as well as in passing the burden of the economic crisis on to the developing countries.

In the leading capitalist countries economic policy measures are the basis of an ongoing redistribution of the national income to the detriment of the working class and of putting the burden of programs against inflation on its back. That is why in the leading capitalist countries the predominant currents in economic policy are conservative. (The exception is France, which under very unfavorable international conditions is attempting to carry out quite profound social changes in the economy and society.)

Alluding to the energy crisis and the economic crisis, the leading capitalist countries have been less and less willing to meet the growing needs of the developing countries and to offer assistance in their development, are retreating [original reads: "treating"] even from concessions previously agreed on, they are proceeding cautiously and postponing confrontation with the urgent material problems of the developing countries and with the urgent need to seek foundations for a new economic order. Ignoring the fact that the basic institutions of the economic order are in crisis, they reconcile themselves to an attitude of each to his own, to the growth of protectionism and to the little "economic wars" between individual countries. Even the European Economic Community is falling into ever greater difficulties, joint solutions are hard to find, and contradictions and conflicts within the community are growing.

The pace of world trade has slowed down considerably and is becoming a limit upon further economic development. Since the oil crisis broke out, a process has been taking place whereby the burden of the crisis has constantly been passed on to the developing countries because the prices of equipment, technology, food, weapons, etc., have been growing considerably faster than the prices of the traditional exports of those countries. That accounts for the intolerable indebtedness of the developing countries, the declining growth rates and exacerbation of domestic contradictions.

These circumstances, along with the constant pressures and attempts at neocolonialist penetration and at reestablishment of domination over these countries, are leading toward deep disturbances and latent conflicts (both within and between individual countries), to rivalry and increased strain between the blocs, and they represent a constant danger to peace and peaceful development, to the independence of countries, and thereby to progress as well.

Unwilling to change their own social relations and to accept the need to reform the international economic order, the leading capitalist countries see the way out of the crisis mainly in a strengthening of the positions of the transnational companies, in new discoveries in science and technology, in new branches of production (for example, electronics, production of robots, the

development of technologies for creation of new technologies, new sources of energy, information systems, new weapons, a new technological leap in agriculture, in transportation, etc.), and thereby also in redistribution of power on the world market.

The efforts of the most highly developed countries, especially of the multinational companies, should not be underestimated, but an organized effort should be made in the country to monitor those achievements and in particular to create conditions for science and the economy to adapt rapidly to the conditions which will occur after new scientific discoveries and technological penetration, which will certainly be forthcoming. The possibility cannot be excluded that a certain recovery of the leading capitalist countries and a redistribution of economic power and market among them might occur on this basis, although, according to present assessments in those countries and in their international integration, no major change of direction is to be expected in this decade.

It is difficult to foresee what will come in the meantime from the stagnant development, the arms race, inflation and instability on the international scene, but in working out a strategy for overall development and the development of foreign economic relations we should bear in mind the general conclusion concerning uncertainty and unfavorable conditions in the world economy. On that basis we should adopt an orientation toward a vigorous and offensive national economic policy aimed at greater participation in the international division ol labor and on the world market, and in this connection consideration should be given to the regional distribution of external economic cooperation. Only in that way can sizable damage be avoided to production and the overall activity of all entities in the country which has been occuring because of the adverse tendencies in international economic relations and on the world market.

b) Most of the socialist countries in eastern Europe are also having difficulties of their own kind in their development, difficulties are rooted in the contradiction between the augmented productive forces and the situation that exists in development of production relations. The rates of economic growth which up until now have been high, are dropping, since the opportunities for extensive development have been exhausted.

Because of the lag in technology, labor productivity and food production and the ever higher expenditures for the arms race the difficulties of these economies are being manifested even more in the aggravated and competitive conditions on the world market. Structural changes are also indispensable in these economies.

CEMA is encountering difficulties in carrying out programs for joint development and its internal linkage, as well as in finding economic foundations for setting prices, establishing relations between currencies and instituting up-to-date forms of commodity trade. The division of labor, establishment of economic linkage on a lasting basis and utilization of technological progress have had to be limited under those conditions.

The development of economic cooperation with the socialist member countries of CEMA and the other socialist countries on basic principles which are well known has lasting importance to our own inclusion in the international division of labor as well. In view of that importance and its lasting interest to cooperation, our own labor productivity and the quality of our products have to be raised so that by virtue of its competitiveness our economy will have a proper place and the success of its efforts will be assured on those markets.

c) The disturbing situation and increasingly unfavorable conditions for the development of the developing countries are also an element tending to aggravate the situation of crisis in the world. For every beneficial change of direction in economic flows, these countries and these economies, both in their productive and human potential and also in their needs for dynamic development, represent a factor indispensable to overcoming the present structural, social and other disturbances and to the upward trend of world production. The development needs and other needs and potential of this part of the world, the predominant part of it, in the international strategy of development in the development strategy of each national economy, and in the policy for preserving peace and progressive alteration of existing relations.

The developing countries are heterogeneous both in the level of development attained and in their own capabilities, so that an exclusively global attitude toward them runs the risk of oversimplification unless a differentiated approach is taken with a view to the peculiarities of their socioeconomic and political posture. However, all the developing countries have priorities in common such as faster economic development, social and institutional changes, reliance on their own resources and establishment of mutual ties in order to strengthen their place and role in the world.

In the strategy of our development we should also bear in mind the large opportunities for development of those countries. We need to be involved in their development programs, through the most diverse forms of cooperation within the framework of carrying out our own long-range policy of nonalignment, independence and democratization of international political and economic relations. We are thereby strengthening as well our own overall political and economic position in the world. In future relations with those countries in current and especially long-term cooperation should be developed on foundations of equality, to which constant concern must be paid in practice, and concrete new methods of linkage need to be built on a more lasting basis.

Should we reduce our presence in the developing countries to the traditional relations and cooperation, under the conditions, moreover, of competition with world giants and their capabilities, we would be letting slip an occasion as well as an obligation to contribute more appropriately to the development of those countries and at the same time to a strengthening of our own economic power through the practice and development of new forms of cooperation and linkage. With all of that we could exert an effective impact toward altering the institutions of the present international economic order.

d) Proceeding from the fact that over the last 15 years, and especially since the beginning of the oil crisis, we have typically had a relatively smaller

presence on the international economic scene, since the share of our exports in world exports has dropped, and the share of exports in the national income has been cut almost in half, we can draw the following general conclusions:

i. Our economic growth and development and the overall level of physical productive forces are not in line with our share in world economic exchange. Important consequences had to follow therefrom for domestic development, for the structure of our economy, for establishment of the goals and methods of its development, for the criteria used in measuring productivity and efficiency, and for the strengthening of autarkic tendencies under the increasingly difficult conditions on the world market. We have not taken advantage of our natural and productive potential, the level of our technical adequacy and capability of our personnel, nor in particular the political advantages which we have as a nonaligned country to increase our presence on foreign markets. Autarkic tendencies in development and the relative reduction of our share in world trade have quantitatively diminished our presence in the world economy, and at the same time we have become much more dependent in the field of technology and in obtaining finance capital for development, and our dependence is also evident in the regional distribution of our foreign trade. The constructive influences of world productivity on our productivity have diminished and all the parameters of qualitative economic performance have deteriorated, above all because of autarkic tendencies.

ii. Improvement of our position in world trade and the world division of labor and the need for them to become considerably greater and broader are becoming an imperative and essential prerequisite for development on a sound economic foundation. However, this process will take place under very unfavorable economic and market conditions in the world, in a context of keener competition, so that a certain price, which will not be small, will have to be paid. To the extent that domestic reorganization on foundations of a more suitable development policy and overall economic policy and sounder business conditions is directed toward essential change in the quality of economic performance, that price will be lower, and the process of recovering and expanding our share in the international division of labor will be that much more successful and rapid.

Consistent orientation toward exports and greater openness toward the world economy, as a red thread running through the entire strategy of the long-range stabilization program, along with appropriate structural changes in the economy and a willingness to sacrifice, can turn things around not only in the balance of payments and the country's economic policy, but also in the sense of a different domestic orientation in economic activity, in which world standards of productivity and quality would be taken as the points of departure. It is indispensable that the burden of these sacrifices be distributed as uniformly as possible among all entities engaged in economic activity.

The overall situation in the world economy is such that we have to assume that the unfavorable international economic conditions will last for some time, we have to adapt to them constantly and overcome them by carrying out a long-range export strategy. Only in that way and with a regional distribution of economic cooperation that conforms to our country's position in international

political relations will our independence become stronger and our international position and political action in the world be enriched with ever more significant economic content.

Expansion of economic relations with the world will both broaden the ties of our economic entities in the world outside and also increase elements of association at home, but not through the intermediation of multinational companies and in dependence on them, but through creation of conditions for the broadest unhindered formation of ties and division of labor within the country. Conditions are created thereby for productive, scientific and technical linkage and cooperation with foreign companies in a context of our economy's greater equality. In that way we will gain increasing respect as a trading partner on the basis of our economic weight, the quality of our production and our greater competitiveness.

The situation and relations in the world economy and the problems that have arisen therefrom, or that we will have to anticipate in the future, have to be treated not only as a part of the causes of our present or future difficulties, but it must also be taken as a point of departure that our country's worsened position in international economic relations is a consequence of disturbances in our own economic development, above all of the outsized and one-sidedly programmed goals of development, inappropriate mechanisms for regulating economic and social development, and so on. We are referring, that is, to a cause-and-effect relationship of factors which have an essential impact on every country's economic and political life, and this must be borne in mind in order to avoid one-sidedness in evaluating the present situation and possible ways out of it. Continued neglect of this factor in the orientation and development of a country like Yugoslavia (which has a relatively small economy, which is outside the economic groupings and is conducting an independent and nonaligned policy) would constitute a major oversight in carrying out the proclaimed policy of the country's openness and readiness for the broadest cooperation. Faster closing of this gap between the policy of being open to the world, to which we are permanently committed, and the actual level of development on the one hand and the volume of international trade on the other will open up new possibilities for more effective overall activity of our socialist community in the world. This is certainly an essential, if not indeed the decisive factor in the more lasting stabilization of our economy and equally in the full and unhindered development of the socialist relations of self-management as well.

B. Socioeconomic and Sociopolitical Relations

The causes of economic disturbances and of the instability of the economy and of society should be sought and examined both in the existing socioeconomic relations and also in sociopolitical relations.

Yet it is necessary that we first make the following observations:

The results achieved in the course of the 30-year development of socialist self-management are manifestly successful, and there is no need to prove them. Socialist self-management has become the strategic commitment of the working

class and a lasting way of life and of work both in the economic sphere and also in the social and political spheres.

Socialist self-management is a response to the basic contradictions whereby in other systems the alienation of the worker from the means of production, from social and political affairs and decisions, is being perpetuated in various ways on the basis of domination of capital or the omnipotence of the state. That is why it is arousing great interest on the part of science and also in the field of practical public affairs, ideology and politics in the world, since it offers certain essential responses to the contradictions that are objectively present in contemporary societies, responses that do not overlook the diversity of material, social, historical and ethnic peculiarities of our country and other countries.

Within that context, insofar as it reflects the objective needs of the development of society and the historic aspirations of the working class and of the working people in general, socialist self-management, as a general tendency and general direction of social developments, has a universal importance, though taken as the Yugoslav model it cannot be valid for other societies. It can be confidently assumed that there are a large number of possible, greatly differing and independent roads to achievement of differing forms of self-management, with the historical tendency toward ever greater socialization of private and state capital, toward social ownership's becoming the material base of self-management, determining the worker's economic and social position and liberating him from labor on someone else's account and under someone else's command.

These and similar social processes will fill with content the era ahead of us, bringing all the contradictions and social and class conflicts which such a transformation implies. Therefore, the results of the practice and theoretical conceptualization of self-management in Yugoslavia have tremendous importance to our successful development and to the stability of our community, as one of the experiences in the development of socialism. This enhances the responsibility of the subjective forces and of science and practice in Yugoslavia for maximum success in the development of self-management, for a critical attitude toward social practice, for an ongoing analysis of that practice and for discovery of its shortcomings, lapses in development and their causes, and for opening up prospects in good time for further social and material development.

By contrast with other contemporary societies, which are seeking a way out of the present crisis while still preserving the systems that exist, carrying out within them minor or major reconstruction projects of a practical nature, we are building a society on new property relations and on the foundations of social ownership and self-management. In that sense we have an advantage over them, since our social efforts are on the line of progressive changes which the augmented productive forces in the world and the need to change social relations objectively demand.

In addition, the theoretical efforts and experiences from the past period of self-management's development, which have made it possible for the SFRY Constitution and Law on Associated Labor to establish the basic institutions of a

self-managing socialist society, offer the framework for ongoing and deliberate social changes during the lengthy period ahead of us.

However, the task of building our society's self-management is not thereby performed in and of itself, nor will it be accomplished spontaneously or through the automatic operation of the system. Real changes in the existing economic and social structure will necessitate many efforts. This will be a lengthy and painful process full of contradictions, which can be overcome only through a social battle which will be led by the broadest progressive forces in society, the LCY first of all.

The commodity character of production in the context of socialist self-management, the legacy of the past in economic and social relations and the inherited cautiousness which can be altered only gradually, the objective difficulties in development, and also the very accomplishment of changes requiring prior creative elaboration of the goals and the means of economic and social action corresponding to the given stage of social development--all of that makes construction of a socialist self-managing society an extremely complicated and responsible act. It also necessitates constant examination of social and economic processes in the basic cells of society and well-timed changes in social and economic development. It is indispensable in this connection that the LCY and all the other subjective forces be very much present in society and capable of assessing the situation in good time, even on the basis of the initial tendencies manifesting contradictions and economic and social development, and of finding answers for further progressive development. Only that kind of LCY is an authentic vanguard, one which will, as in the past, eliminate the hazards of deep social crises in good time.

That is the task which the organized socialist forces confront even now, when serious disturbances that have arisen in the flows of social reproduction need to be eliminated and a further step needs to be taken in development of the system of socialist self-management, thereby creating the appropriate social conditions for unhindered development of the productive forces and for more harmonious material and social development as a whole.

1. Characteristics of the Principal Subject and Other Subjects in Social Reproduction

The analysis of the relations of socialist self-management and the examination of the conditions and directions of their further development should rightly begin with an examination of the worker's position in the basic organization of associated labor and its nature and role as the basic form for the association of labor with socially owned assets; it is in that framework that the new socialist production relation is expressed most directly, that the contradiction is eliminated between labor and capital, and the dominance of live labor over past labor is established.

The principal subject in our system is the worker, but he does not enter into economic and other social relations as an isolated individual, but as an associated worker through his labor with others in economic and legally independent organizations of associated labor; in this context the basic organization

of associated labor is the basic form of associated labor, the one in which the workers exercise self-management jointly, equally and directly, above all managing their own labor and the conditions and results of their work.

The results of the joint labor of the workers are realized under the conditions of socialist commodity production by realizing the value of the products of their labor on the market, and they are expressed in the basic organization's income, which it realizes directly or in joint labor on joint products or services in diverse forms of pooling labor and capital. As a form of distribution of newly created value on the basis of the operation of the laws of the market and on the self-management foundation of the established social conditions for its realization, income represents the material base of the worker's right, by making decisions on the entire income in the basic organization of associated labor, in conformity with his constitutional rights and responsibilities to other workers in associated labor and to the social community as a whole, to decide on the conditions and results of his labor, to realize personal income and to enlarge and improve the material basis of his own labor and of social labor as a whole. On that basis income figures as the expression of the socialist production relation and as the principal motivation for work and for invigorating the factor of higher labor productivity, as well as the foundation and motivation for integrating social labor and for a more harmonious decision of that labor among the diverse types of production.

The commodity form of production on socialist foundations and market exchange of the products of labor--in that they reduce individual labor to the measure of the socially necessary labor by the logic of the law of values and on that basis encourage economy of live and past labor, integration of social labor and its higher productivity, and adjustment of production to effective demand on the market--are the most optimum and democratic form of production for the present stage of our material and social development, a form of production which makes it possible to measure objectively the social results of the labor and business operation of every economic subject on the basis of his independence in making decisions on his labor and business operation and on the basis of his responsibility for the economically and socially expedient use of the assets of society and for economy of current and past labor.

The spontaneity of the market can largely be suppressed in a self-managing socialist society through social planning on a self-management basis, through coordination of operating and development plans of self-managing organizations and communities in self-management accords and social compacts which they conclude, and through reconciliation of the plans of those organizations and communities with the social plans of sociopolitical communities. Springing from the interests and plans of the basic economic subjects and from self-management accords and agreements concerning the bases of social plans, the plans of sociopolitical communities, making use of scientific knowledge and respecting the entirety of relations and interests in society, as well as those premises which depend on the international economic conditions, define on a self-management foundation the established goals and the methods and means of regulating economic and social development.

Respect for the objective economic laws of socialist commodity production and also for the economic coercion which they embody, planning, as an instrument of deliberate regulation of social relations in economic flows, afford the possibility of responsible and optimum economic management of the assets of society, income and the surplus value of labor in the interest of the workers, in the interest of the organizations of associated labor and in the overall interest of society. Respect for economic laws forces all subjects into the most diverse forms of linkage and association in the cycle of reproduction and in other forms, including as well the integration of the economy and the social services. Respect for economic criteria and economic motivation and verification of the results achieved on the domestic and foreign markets objectively turn all economic and other subjects toward mutual cooperation and association. In that way they become stronger, invigorate the social organization of labor and the concentration and combination of production factors in integrated structures that have come about on that basis as a condition of higher labor productivity, larger income and greater security in realizing it.

Linkage of organizations of associated labor in the most diverse and broadest form is also an essential element to suppressing the spontaneity of the market. To be sure, this is a process which necessarily passes through various developmental forms and phases, which in turn depend basically on the development of the material base of work and the level of labor productivity attained, but once the breadth and intensity of integration has been achieved in one segment of social labor, others are compelled to behave likewise. A higher level of labor productivity in integrated production, by the logic of the law of value, becomes the standard of labor of other subjects and integrated structures as well, and it also stands as a condition of survival in production on the principle of income.

On that basis the basic organization of associated labor, though it is the basic form of associated labor, is not an economic subject that is closed off and sufficient unto itself. In the major part of social production on socialist foundations it is the building block whereby work organizations are legally constituted as self-management structures, i.e., forms of associated labor in which organizations of associated labor arise as independent self-managing organizations of workers bound together by their common interest in their labor and organized, whenever the appropriate prerequisites exist, in basic organizations of associated labor within the work organization.

In addition, work organizations themselves enter into association to form diverse forms of complex organizations of associated labor, and both basic organizations and work organizations enter into association to form various communities and other forms of association of organizations of associated labor in which they pursue particular common interests in production and business operation. Thus even today most of the workers in associated labor with the assets of society are bound together and associated in various forms of integration of associated labor in which the worker's inalienable right to decide on the entire income in the basic organization of associated labor and the worker's other inalienable rights which they exercise in basic organizations of associated labor constitute the basic barrier against the tendencies to take advantage of joint decisionmaking in the various integrational forms of social

labor to usurp the functions of management on the part of those to whom the conduct of joint affairs, that is, certain functions of decisionmaking concerning joint affairs and interests, must be entrusted in joint operation or in the pursuit of certain common interests.

This kind of socioeconomic position of the workers in basic organizations of associated labor has not, however, been achieved as yet in the various forms of integration of social labor, and usually joint responsibility has not been developed in them for the results of their joint labor and decisionmaking; a responsibility that would make the position of the associated workers and their basic organizations more dependent on the results achieved jointly. That is why it is necessary to devote more attention in future to relations in those forms of the integration of labor, and especially to relations in work organizations and complex organizations through which basic organizations are represented on the market and jointly earn their income.

Along with these social entities which come about in the relations of the pooling of labor and capital and in the pursuit of specific joint interests of organizations of associated labor, other social entities also perform certain functions in social reproduction.

Particular attention should be paid to self-managing communities of interest, in the framework of which and through which decisions are made on satisfying common needs through the work of workers in organizations of associated labor in the social services and in which the users of their services pool their funds for that purpose and, in making decisions on the pooled funds, they make it possible through free exchange of labor for the workers in those activities to attain the same socioeconomic status as workers have in organizations of associated labor realizing income through exchange of the products of their labor on the market. The relations in those communities, in which is pooled a substantial portion of the income of organizations of associated labor and of the personal incomes of workers and other working people who in them or through them satisfy their respective common needs, have usually not been established in conformity with the rights to self-management of the workers pooling their funds in them, nor with the rights to self-management of the workers in the social services. This important field of social reproduction is still alienated to a large degree from the workers and has become one of the serious reasons for disruption of relations throughout social reproduction and for imposition of administrative-bureaucratic forms of resolving basic problems. Stabilization of these relations is not, then, possible without fundamental changes toward consistent development in that sphere of the relations of self-management in conformity with the constitution and the Law on Associated Labor.

Sociopolitical communities and their bodies and agencies also have certain important functions in social reproduction in the system of the socioeconomic relations of socialist self-management. In those communities and through their bodies and organizations the functions of government and administration of other public affairs of common interest set forth in the constitution are performed, those interests are established on the foundation of self-management, and their bodies and agencies, through the legislation and measures they

adopt within the limits of their constitutional powers, create conditions in which the particular interests and independent activity of organizations of associated labor and other self-managing organizations and communities are brought into the fullest possible agreement on common interests and goals of development established on a basis of self-management.

In view of the multinational composition of our socialist community and its federal structure, particular importance is assumed by relations in the Federation and by the responsibility of the republics and autonomous provinces for their own development and for the development of the community as a whole, and that under the conditions in which the working people and the nationalities and ethnic minorities pursue their economic interests on the unified Yugoslav market.

In practice, however, performance of the functions of sociopolitical communities and of their bodies and agencies, and in particular the performance of the functions of government, has largely been out of line with their constitutional rights and duties and also out of line with the self-managing status and rights of workers in organizations of associated labor and the status and rights of workers and other working people in other self-managing organizations and communities as well. And under the constitution the status and rights of self-management are the foundation, the limit and the direction for the exercise of rights and discharge of duties by sociopolitical communities and their bodies and agencies in performance of the functions of government.

In the analysis of the entirety of the relations of socialist self-management and in examining the conditions and directions of their future development, then, the place and importance of the sociopolitical communities and their position in social reproduction need to be established appropriately. The decisive importance should be attributed in this to the functioning of the delegate system as the foundation of socialist self-managing democracy and of decisionmaking by the workers and other working people even on those public affairs which are decided in the assemblies of sociopolitical communities and the assemblies of self-managing communities of interest.

This also applies to the role of the organized forces of socialist consciousness, which are also responsible for the protection and further development of the achievements of the socialist revolution and for strengthening socialist social and democratic consciousness. Their presence throughout the system of self-management, and especially in the delegate system, is insufficient at this point. The contradictory nature of social relations and of their forms in the present phase of our socialist development does not allow their further development to be left to spontaneity. Unless those forces, especially the LCY, as the leading political-ideological force of the working class and all the working people in building socialism, play an active role, it is not possible to perform successfully the tasks which our socialist community faces today.

## 2. The Institutional Framework of the System of Socialist Self-Management

Over the past three decades, in every phase of Yugoslav society's development on the foundations of socialist self-management valuable experience has been gained which has at the same time stimulated and made possible further improvement of our self-management practice and development of the appropriate foundations of the system of socialist self-management in terms of general theory and political ideology. This has been especially manifested in documents such as the resolutions of the 10th and 11th LCY Congresses, the SFRY Constitution, and the Law on Associated Labor.

The SFRY Constitution and the Law on Associated Labor rounded out the relatively consistent institutional framework of the economic and political system of socialist self-management. We intentionally emphasize the point of the relative nature of the consistency achieved in the institutional framework of the system of socialist self-management, since our experience in development and the practice of self-management have taught us and caution us that without a persistent struggle for its application and without constant and continuous improvement and adaptation of the institutional framework to the needs of each specific phase of our socioeconomic development, it is not possible to build and develop the kind of economic and political system which will simultaneously reproduce on an expanded scale both satisfactory economic efficiency and satisfactory socioeconomic, i.e., self-managing, production relations.

### a) Economic Laws and the Market

In view of the characteristics of the basic subject and the other subjects of social reproduction in our socioeconomic system, the institutional framework for development of a system of socialist self-management are necessarily based on operation of the laws of socialist commodity production and on an adequate system of self-management social planning, including free exchange of labor as the basis for development of the social services.

In the context of social ownership, self-management, relations based on the principle of income, and on the corresponding pooling of labor and capital, the market has somewhat different content, mechanisms and contours than the market in other economic system and other social relations. These differences pertain especially to the classic capital market and the classic market of manpower.

However, the free movement of social resources and accumulation on the unified Yugoslav market and the circulation and concentration of funds are both an economic and social imperative and the material basis for association of the workers and of their organizations of associated labor to create all, even the broadest, forms of associations.

One can also speak similarly about the need for the free movement of workers and knowledge, including all scientific and technical advances.

In short, a socialist self-managing system does not presuppose lower mobility of live labor and social capital than in other present-day market economies,

but it is of course based on a different production relation and displays different social features.

In this connection we should emphasize once again the relevant stands taken in the LCY Program, which point out that the market is not an obstacle to development of the system of socialist self-management, but a condition of its development.

Effective development of the system of socialist self-management is dependent upon a clear delineation as to what we also can and should expect from the operation of the constraints which the market has and can have in this and in the subsequent phases of our self-management development. Every attempt at voluntaristic displacement and negation of the objective role and place which the market has in this phase of our socioeconomic development not only would not contribute to achievement of the desired pace and quality of that development, but, to the contrary, would slow down the objectively possible movement along the long-term and painful road toward the liberation of labor.

However, when we speak of the laws of socialist commodity production and of economic laws in general, as basic premises for defining the institutional framework of the development of the system of socialist self-management, by no means are we restricting ourselves solely to the manifestation of those laws on the market and to market mechanisms, criteria and relations, but the context is considerably broader than that.

This broader conception and examination of the importance of economic laws in the present phase of the socialist society's development must penetrate all relations in the economic system of socialist self-management, and that means all relations in the system of social reproduction as well. They have to be at the foundation of all the strategic premises of long-range development policy and all the measures of current economic policy.

Respecting economic laws in conceiving the long-range strategic premises of development policy especially applies to that concept of inclusion in the international division of labor which presupposes an enduring orientation toward exports in the context of the most diverse forms of economic cooperation with foreign countries and also the objective need to define a corresponding strategy for the structural and technological development of our economy.

Economic laws and market criteria and relations must be manifested first on the unified Yugoslav market. Proceeding from the theoretical and constitutional principle that the foundations of the unity of the Yugoslav market include the unity of the currency and the system of prices and uniform features of the economic system, unhindered circulation of goods, services, labor, knowledge and social capital, it can be stated without any great dilemma that the unified Yugoslav market and its operation have been seriously disrupted.

In view of the provisions of the constitution, there is a need to reassess and, wherever necessary, to make the appropriate correction, completion and closer definition of those provisions of laws and sublegal acts which have contributed directly or indirectly to the cases of shattering of the unity of the Yugoslav market.

Many shortcomings in the effectiveness of the economic system, in the instability of economic developments and in the quality of social relations have occurred precisely because our principal subject of economic activity has not been placed in conditions in which his behavior is decisively affected by economic coercion, but rather, in the absence of that coercion, it is the government with the coercion of the state that has imposed itself. The measures of sociopolitical communities have often encouraged economic entities to conduct their economic activity in an extensive and inefficient way, instead of the reverse.

The predominance of government coercion over economic coercion places our economic subject in conditions for the conduct of his economic activity which direct his behavior according to criteria which differ essentially from those which are regarded as active and desirable from the standpoint of the constitution and the Law on Associated Labor.

To this we should add that by our own behavior and economic policy and the deformed consciousness of economic laws we have violated certain basic proportions in commodity-money relations. Use of the method of deficit financing of certain segments of final consumption, especially investment spending, and also economically unjustified foreign indebtedness have contributed greatly to deformation of relations on the unified Yugoslav market.

Another reason why these phenomena need particular emphasis is that they are one of the principal causes of many problems, difficulties and shortcomings which our economy and society face in this phase of development.

It is indispensable that changes in the conditions for the conduct of economic activity, in the sense of placing our principal economic subject, as a commodity producer, primarily under the pressure of economic rather than governmental coercion, be supported as well by appropriate solutions pertaining to the economic system and appropriate measures of economic policy.

In this connection we should emphasize that the worker in the basic organization of associated labor has not up to now been in a situation, nor is he even now, where he might have a direct influence on the decisions which guide development and align relations on the market, that is, in a position to have an influence on the social plan and economic and other measures adopted to implement it.

That is why the decisions and corresponding measures have usually not been based on the real needs and interests of the workers in organizations of associated labor nor on the alignment of those interests, nor have they taken into account their capabilities, so that they had to rely primarily on administrative rather than economic coercion.

The basic condition for the conduct of economic activity ought to be a function of associated labor, should meet its needs and capabilities, and that presupposes that it has a more direct influence on the adoption of the relevant decisions and measures.

Unless changes are made in this sense, it is not possible to put an end once and for all to the tendencies of autarkic development, which have been manifested with greater or lesser intensity in the past period of development at all levels from the basic organization of associated labor to the Federation.

An economic and social need and necessity is today in and of itself asserting itself for reaffirmation of the constitutional commitments related to the role and place which economic laws and the market and market relations should have in defining the initial institutional framework for development of our system of socialist self-management.

This position concerning reaffirmation of economic laws specifically presupposes that all ambitions and goals of development be brought within the limits of real material capabilities.

Reaffirmation of economic laws, by the force of economic logic and necessity, will also lead to essential changes in the behavior of all subjects and at all levels in the direction of the socially and economically expedient use of live and past labor.

b) The System of Self-Management Social Planning

The system of self-management social planning is a very important instrument in the hands of associated labor and the conscious subjective forces of our society, one with which, through conclusion of self-management accords among organizations of associated labor interdependent in the process of reproduction, through mutual reconciliation of their operating and development plans, through conclusion of agreements on joint interests and goals of economic and social development within sociopolitical communities, and through alignment of the plans of self-managing organizations and communities with social plans of sociopolitical communities, relations are coordinated on the market, the spontaneous operation of the law of value and other market laws is corrected and limited, and their operation is directed toward achievement of the goals of development which have been agreed to on a self-management basis.

In this way the system of self-management social planning has a guiding, coordinating and--with respect to the market--corrective role in the development of our economy and society. Emphasizing this guiding, coordinating and corrective role of the system of self-management social planning with respect to the spontaneous operation of market laws does not diminish the role which this system has in the operation and development of our system of socialist self-management.

The goal of our system of self-management socialist planning is that the workers in basic and other organizations and communities of associated labor and the working people in sociopolitical communities, through adoption, reconciliation and fulfillment of the plans of their own organizations and communities, create the most favorable conditions for development of society's productive forces, for constant improvement of the material and other conditions of life and work and for development of the relations of socialist self-management in society. Income, which as a whole is decided on by the workers in their basic

organizations of associated labor, figures as the basic category in planning and economic assessment of fulfillment of the plans of self-managing organizations and communities and the social plans of sociopolitical communities. By no means, of course, does this contradict the importance which should be given in the system of social planning to harmonious social division of labor, including the socially and economically expedient inclusion in the international division of labor in the sense of respecting the entirety of the process of reproduction in the logic of Marx' schemes of reproduction. In view of the unity of the Yugoslav market, this has particular importance to planning at the level of the entire country.

Relations in our system of self-management social planning are based on the premise that planning must not restrict the rights which the self-managing social subjects have in our economic and social system, but that plans should be a form of constant exercise of those rights and of their further progressive development. The essence of the system of self-management social planning, in other words, is that it directly expresses the relations of social ownership. It is above all a question of the inalienable right of the worker in his basic organization of associated labor, jointly and equally with other workers, to manage the operation and conduct of business of his basic organization and of the organization of associated labor of which it is a part; to decide on income earned and to monitor disposition of that income at all levels of its expenditure, and to manage the affairs of social reproduction within his own basic organization of associated labor and through his delegations, in all forms of the pooling of labor and capital as well as in sociopolitical communities. It is also a question of the inalienable right of the workers and of all the working people to decide on the conditions and results of their labor in the republic or autonomous province; to establish the joint policy of economic and social development of the republic or autonomous province, and, on the principles of concluding accords and compacts, to participate in adoption of the joint policy governing the economic and social development in the SFRY, thereby guaranteeing the national interest within a framework of full economic, social and cultural equality and freedom of all the nationalities and ethnic minorities.

The system of self-management planning does not presuppose a hierarchical relationship among the plans of the various planning entities. Along with the duty of organizations of associated labor and other self-managing organizations and communities to mutually reconcile their plans and to reconcile them with the social plans of sociopolitical communities, the constitution also emphasizes their right to adopt their plans independently, thereby safeguarding in the joint planning in work organizations and various forms of complex organizations of associated labor and in other self-managing organizations and communities the worker's inalienable right to make decisions within his basic organization even concerning those plans. The constitution likewise emphasizes that the social plans of sociopolitical communities may not impose specific obligations on the specific organizations of associated labor and other self-managing organizations and communities without their consent. That is why it is particularly important to appropriate administration of the system of self-management social planning that all planning entities, from the basic organization of associated labor and local community, through the various

forms of integration of social labor and opstinas, as self-managing and basic sociopolitical communities, to the republics, the autonomous provinces and the Federation, remain within the limits of their constitutional rights, obligations and responsibilities, thereby exercising their right and discharging their obligation to plan.

It should be particularly emphasized that the mutual reconciliation of the plans of self-managing organizations and communities and the social plans of sociopolitical communities does not signify by any means a mere adding up of the plans of organizations of associated labor and other self-managing organizations and communities in the social plans of sociopolitical communities, nor does it mean that they would be reconciled in advance in all the planning components. The social plans of sociopolitical communities cover what represents the common interest which is to be pursued in the respective sociopolitical community and pertains above all to the general conditions which will make it possible for organizations of associated labor and other self-managing organizations and communities, through their independent activity and guided by their particular interests, to realize the common interest as well. This presupposes adoption of certain obligations by individual organizations of associated labor and other self-managing organizations and communities in order to realize the common interests and goals set forth in the social plans of sociopolitical communities. The reality of planning makes this increasingly desirable, but this must be based on economic interest and on the consent of the respective organizations and communities and should not be the general rule for every goal or task set forth in social plans.

Relations of this kind in the system of self-management social planning ensure that the workers in basic organizations of associated labor decide on the entirety of income and on the joint interests and goals of development in the diverse forms for pooling labor and capital and for the self-management organization of particular interests, as well as on the joint interests and goals which will be pursued in sociopolitical communities--the opstina, the republic, the autonomous province and the Federation. As an entity which is realizing income and making decisions on it, the basic organization of associated labor will accordingly figure as the point of departure and end point of the entirety of the system of self-management social planning.

Relations of this kind likewise guarantee that in the opstina, as a self-managing and basic sociopolitical community, those joint interests and goals of development will be established on a self-management basis which the workers and other working people and their self-managed organizations and communities pursue in it, especially with respect to ensuring and developing the overall conditions of work and life, as well as with respect to consistent exercise of the opstina's other rights and discharge of its other duties in self-management, along with consistent exercise of the rights and discharge of the duties in self-management of self-managing organizations and communities within it, as the basis for restricting and suppressing statist tendencies, whether they emerge in the opstina itself or on the part of higher-level sociopolitical communities.

Planning in the republics and autonomous provinces has particular importance under these conditions since as a multinational community of equal nationalities and ethnic minorities we have entered into association to form the federal community, which includes the responsibility of the republics and autonomous provinces for their own development and for the development of our socialist community as a whole.

Planning in the Federation likewise has particular importance for the sake of establishing joint interests and goals of development which the working people and nationalities and ethnic minorities of our socialist community pursue on the unified Yugoslav market and in the uniform system of socioeconomic relations of socialist self-management. As a matter of fact, this planning is an essential component of the entirety of planning, since, as is well known from the theory and practice of planning, only those economies deserve to be called planned economies, in the sense of imparting elements of science to development policy and economic policy in which social planning has developed at the level of the economy as a whole.

In our practice to date of realizing and administering the system of self-management social planning, especially since enactment of the constitution, the Law on Associated Labor, and the Law on the Bases of the System of Social Planning and on the Yugoslav Social Plan, numerous difficulties and shortcomings have manifested themselves; in part they have occurred because basic and other organizations of associated labor have been relatively slow in mastering the rather complicated procedure of preparing, reconciling and adopting development plans.

The difficulties that stand in the way of adequate planning in organizations of associated labor include, first of all, the conditions that now exist for the conduct of economic activity, which are not primarily determined by economic and market criteria and influences, but in large part by the influences of governmental and quasigovernmental factors, which is especially manifested under the conditions of instability and a high rate of inflation.

The deformations that exist in the system of social reproduction, especially in the system of distribution and in price relations, and that means in the conditions for the conduct of economic activity, have occurred in spite of market and economic logic and constitute the direct opposite and an obstacle to more effective operationalization of our planning system.

Large differences in operating conditions and conditions for conduct of economic activity, the low accumulative and reproductive capacity of organizations of associated labor in the economy, and also the very uneven distribution of accumulation are causing particular difficulties and problems in the reconciliation of plans of organizations of associated labor and in intensifying the process of pooling labor and capital.

The unsatisfactory pace of the pooling of labor and capital has also been greatly influenced by the present limits and criteria governing distribution of joint income between associated partners, which have operated strongly as a disincentive.

Solving these problems is accordingly very important to strengthening the role and place of the institution of pooling labor and capital through compacts and accords, which is one of the essential factors determining the future development of the system of self-management planning of expanded reproduction.

In social and economic practice planning is still taking place largely in sociopolitical communities and only to a lesser extent in organizations of associated labor.

It is most important to the quality of social planning that the reconciliation of plans encompass that portion of the value of the gross social product realized through the participation of those organizations of associated labor which in view of the present structural characteristics of the Yugoslav economy basically determine through their production the degree of harmony in the basic flows of social reproduction as a whole.

However, in view of the great importance which the system of self-management social planning has to development of our system of socialist self-management, this assessment certainly does not diminish the obligation of all organizations of associated labor to adopt and carry out plans of their own operation and development, mindful in so doing of the general goals and tasks set forth in the social plans of sociopolitical communities.

One of the greatest shortcomings in the development of our system of self-management social planning to date certainly has to do with reconciling development plans and therefore with the consistency and realism with which the joint interests and goals of development are defined.

In this connection our experience to date cautions us that development goals which have been set unrealistically have been one of the principal causes of many of the difficulties and shortcomings we confront in this phase of our socioeconomic development (this has been accentuated by the shortcomings of the existing information system, which does not make it possible to examine the needs and possibilities of further development in good time).

Those difficulties and shortcomings have to do with disruption of certain basic proportions of commodity-money relations, with excessive deficit financing of social reproduction, with exaggerated indebtedness and problems in payments-balance relations, with the high instability of economic developments and strong inflationary trends, with disruptions of the unity of the Yugoslav market, and finally, with the lag in the quality of development of social relations. Often a contributing factor has been enactment of inappropriate measures of economic policy or tardy adoption of the necessary measures or their incomplete or inconsistent enforcement and the like.

In the area of operationalizing the system of self-management social planning specific problems and difficulties have also been arising in the conclusion of social compacts and self-management accords. That is, the causes of many problems and difficulties which have arisen in the recent past, especially in our economic life, have been the failure to respect compacts and accords, and that without any consequences whatsoever for those who violated them.

On the other hand, according to the theoretical conceptions and political ideology which are the foundations of our society's development and which have been expressed in the constitution and the Law on Associated Labor, social compacts and self-management accords ought to have great strength and should be highly binding in the system of socialist self-management. That is why in the practice of concluding accords and compacts there is a need to also establish and elaborate financial liability and public accountability of the participants for failure to discharge obligations assumed in accords and compacts.

Aside from that, in the future development of our socioeconomic and political system on the foundations of socialist self-management they ought to be more a function of economic and market laws, criteria and relations, rather than a substitute for them.

Our experience in past development also points up an entire set of problems pertaining to reconciling the views of the republics and autonomous provinces at the level of the Federation concerning the joint interests and goals of development and the means of achieving them.

Among the problems and dilemmas that arise in this connection one of the most important has to do with the manner of implementation in the practical operationalization of the system of self-management social planning of the constitutional provision that a joint economic policy and joint development policy based on the responsibility of associated labor and the republics and autonomous provinces for their own and for joint development are to be carried out on the unified Yugoslav market.

In this sense there is no contradiction between the economies in the republics or autonomous provinces and the unity of the Yugoslav market. However, there are a number of conditions which first need to be filled to achieve that, and it seems that we should especially single out two, specifically (1) the conception of Yugoslavia's long-range development in which the republics and autonomous provinces have by agreement established the strategy and corresponding joint interests and goals of development which on the same basis, ensuring the equality of the economies in the republics and autonomous provinces on the unified Yugoslav market they will concretize as the joint development and economic policy in the social plans of Yugoslavia and will support by undertaking the appropriate economic and other measures within the constitutional powers and duties of the bodies and agencies of the Federation and of the republics and provinces, and (2) establishment on a self-management basis of development policies of the republics and autonomous provinces which will not contradict the joint interests and goals nor the foundations of the unity of the Yugoslav market. Both one and the other takes for granted the basic economic subjects, that is, basic organizations of associated labor and their various associations as subjects which, guided by the logic of income and dependence in reproduction, directly pursue those common interests both on the unified Yugoslav market and in the republics and autonomous provinces. In other words, on the unified market it is segments of associated labor which operate in their own right and confront one another, and not the economies from the republics and autonomous provinces. The sociopolitical communities, especially the Federation, the republics and autonomous provinces, bearing responsibility for

the unity of the Yugoslav market, will have to be decisive in correcting all the impediments to the free movement and pooling of labor and capital, to the free exchange of products and services, and to the other bases of the unity of the Yugoslav market, and will have to prevent the creation of artificial monopolies, abuses of monopolistic positions, and so on.

All the difficulties and shortcomings enumerated above, which have come about because of failure to respect economic laws and market mechanisms and criteria, just as in the case of operationalizing the system of self-management social planning, have brought about both a drop in the efficiency of the economic system and an increase in the instability of economic development, and indeed the lag in development of social relations as well.

We have found ourselves in a situation where neither the market nor the plan had the place and role which corresponds to the nature of our system of self-management, and they do not have it even today. Factors (governmental and quasi-governmental) outside associated labor have filled that vacuum in the initial institutional framework and in the foundations for development of our self-managing society.

For the sake of future and more effective development on the foundations of socialist self-management, then, all subjective factors of our society must fight persistently for a far more consistent respect for and affirmation of economic laws and the market and market mechanisms and criteria along with appropriate further application and elaboration of a system of self-management social planning, and they must win that fight.

Respect for economic laws must also be manifested to a greater degree in all the relations and processes of the conclusion of self-management accords and social compacts (including the free exchange of labor), and thereby throughout social reproduction as a whole.

Although the components of economic laws and the market, just like the components of the system of self-management social planning, must imbue all the relations in the system of social production, especially expanded reproduction, there are still certain objective restrictions in the intensity of their operation. Leaving to one side specific features in the operation of the market and planning components in the domain of the social services, were the commitment that the workers in basic organizations of associated labor shall take command of the entirety of income is realized by applying free exchange of labor and through the appropriate role of the delegate system, our attention with respect to this restriction dwells only on the individual sectors of the economy. Even in the system of socialist self-management differences objectively arise in the intensity of the market and planning components when the economic sectors we are dealing with, by contrast with other sectors, are those in which up-to-date technology requires a large concentration of capital and in which the period required to activate and reproduce the capital committed is extremely lengthy.

However, this certainly does not mean that any sector of the economy or any segment of associated labor can remain outside the framework of the influence

of both market and planning components, since components of both kinds are indispensable institutional frameworks of that development in the present stage of development of the system of socialist self-management.

In defining the long-range economic stabilization program one needs to be very consistent in seeking and finding solutions for improvement of the institutional framework and conditions for conduct of economic activity which maximize the constitutional commitments concerning the role and place of economic laws, the market and self-management planning and which minimize the direct intervention of the government in the flows of social reproduction.

However, taking for granted that our system of planning must respect the inalienable rights of the workers in associated labor, their specific right to dispose of and manage income and the conditions, implements and results of their labor, the government has a certain important role in planning which is indispensable at the present moment of history in order to consolidate and develop further our system of socialist self-management. But its role in our constitutional system is so defined that a domination of the government apparatus and political arbitrariness of government bodies, which would threaten the basic rights of the workers in associated labor, must not occur through the system of planning.

Under those conditions the urgent problems which are often the subject of controversies have begun to appear in a new light.

In view of past experience it can now be stated with quite a bit of confidence that unless the fundamental institutional framework and conditions for conduct of economic activity do follow this course and character of development, the theoretical opportunities do not exist for intensification of the process whereby the workers take command of the conditions and results of their labor, that is, take command of income and surplus labor, especially accumulation, as the basic prerequisite of more stable relations in social reproduction.

3. Management of the Resources of Society and the System of Expanded Reproduction

a) Management of the Resources of Society

An analysis of present relations shows that the workers in the basic organization of associated labor are not yet in a position to manage fully the assets owned by society in conformity with the economic and social nature of those resources and their role in the process of the creation of value. The fact that the resources have been separated from the workers in the basic organizations and that they are being used apart from their immediate interests and decisions is the main reason for the poor efficiency with which the resources of society are employed and for their inefficient utilization.

It is a constant occurrence, one which is manifested still more strongly under conditions of inflation, that the full reproduction of the resources of society is not occurring at their actual value, and in particular that fixed capital is not being depreciated in accordance with its real value and obsolescence.

Which is why the government emerges as the custodian of social property, establishing minimum rates of depreciation, and it performs that function which it has in such a way as to subordinate that function to the pragmatic needs of economic policy. In this way a portion of the value of the resources of society is constantly siphoned off into income and distributed for consumption, which is one of the sources of inflation. In addition, the use of the resources of society does not entail an obligation to achieve corresponding results in simple and expanded reproduction. Which is why relations in the management and distribution of total resources, which are an extremely important factor in labor productivity and the formation of prices, as well as to the realization of income, have not been defined sufficiently or placed on an adequate economic foundation. This problem is all the greater because the attitude toward capital, when it comes to constant technical and technological progress, is assuming ever greater importance.

Closer scrutiny of the utilization of accumulation and funds earmarked for investments shows that the easiest decisions in society are those concerning their use, but also that the possible poor results of investment undertakings are easily passed on to the economy and to society as a whole through various ways of covering losses, overruns, financial rescue plans, writeoffs, etc. Under present conditions we behave toward social capital as though, because it is social, it has no price and is not a value which must be reproduced in the process of production. And thus it is as if efficient use of capital has lost importance when operating and business performance are being evaluated. The productivity of live labor is not related to the volume of social capital used and the level of economic efficiency of their use. That is why the differing organic composition of capital is not sufficiently manifested either in the setting of prices and earning of income or in the distribution of income.

Related to this is the treatment of the basic organization of associated labor as a pooling of labor, that is, as an association of workers, and people often detour around the fact that we are not dealing just with an association of workers, but also a pooling of capital and the fact that the laws of the division of labor which essentially determine both the association of the workers and the association of basic organizations of associated labor are operative on that basis. Conceptions of this kind help to shape the outlook that the essential thing is only or mainly the economy of current labor and that social capital is secondary.

The points already made point up clearly the need for a treatment of social capital and of its place and role in the processes of production and reproduction that will fully reflect its economic and social importance. Otherwise the basic organization of associated labor ceases in one of the essential elements of its status, operation and economic activity to be a commodity producer using social capital in its own interest and the interests of society and obligated to reproduce them, that is, bearing the consequences of its good or bad stewardship of that capital. Neglect of this point has broad implications and does not come down merely to the partial reproduction of productive capital. Segments of the total social capital, of such magnitude and importance, for example, as the housing stock, are reproduced in a manner which results in their constant degradation, with consequences affecting both present

and future generations. Finally, the inappropriate economic attitude toward social capital also narrows the opportunities for broader employment.

A contemporary economy requires a high concentration of capital at many points. If in principle government coercion in this domain is rejected in the system of self-management, then concentration must be accomplished exclusively on an economic basis, on the existence of real economic interests of economic entities in that kind of concentration. The constitution and the Law on Associated Labor have established the pooling of labor and capital through self-management as a fundamental form of achieving self-managing integration of social labor and of circulation of the capital for social reproduction as one of the key links in the system for financing expanded reproduction, which will become the predominant form ensuring circulation of social capital in associated labor and in social reproduction and guaranteeing the rights of the workers in the economic employment of that capital. But in spite of all the general insistence on the principle of pooling labor and capital on this basis, this process has not yielded large results, and instead circulation of capital through credit relations has become broader and broader, the role of the banks has been dominant in these relations, and the banks have not operated as financial associations of organizations of associated labor, but as the long arm of the government.

Commitment of one's own accumulation or of the accumulation of other entities must have its price. In a situation when the credit form of committing the capital "of others" to investment projects is predominant, it is a normal assumption that the rate of interest will be realistic and will become a more vigorous instrument in the fight against redistribution of the real value of social capital. The use of credit as a form of investment should, however, be reduced, the reproductive capacity of the basic organization of associated labor should be increased as the basis for the self-financing of expanded reproduction, and the most favorable conditions should be created for the pooling of labor and capital and for the realization of joint revenues and income on that basis. But even in that form and for the sake of its broadest possible application it is indispensable that under normal conditions an equal benefit be realized in terms of larger income or accumulation than through use of the credit relation. The reference is to the direct or indirect growth of income (if, for example, it is a question of regular supply of energy, better transportation, etc.). If that kind of interest is not respected, since there is a risk that nothing will be accomplished on this basis, then it is difficult to anticipate greater interest in the pooling of labor and capital.

It needs to be emphasized that in spite of the statement of principle and constitutional commitment on the role of past labor and the right to share in joint income on the basis of it, there has been ideological resistance and a fear of opening up room for exploitation. In actuality the reference is to a self-management procedure premised on the inalienable rights of the workers in their basic organizations to create economic entities in which basic and other organizations of associated labor which are pooling labor and capital in them conduct a policy of simple and expanded reproduction on a lasting basis and by agreement, reconciling their production programs and all the essential value components in them--depreciation and accumulation, costs and prices. Within

that framework internal banks may also assist the circulation of capital. Wherever technology because of an economy of scale imposes these large organizational entities, they figure as strong points of support for planned guidance of economic flows. However, it is essential in this connection that they be set up as commodity producers which economic coercion is compelling to conduct their economic activity optimally. What is more, within them all the parts, all the organizations of associated labor they encompass, display the features of commodity producers, all the internal relations are based on objective economic quantities as our market and the world market verifies them, except that the participants, for the sake of long-term economic interests, do not utilize fluctuations and advantages which are of the moment.

An essential prerequisite for all this is that investments in expanded reproduction based on self-financing increase. Self-financing is an indispensable component for stabilizing economic developments, since without it there is no sound selection and good economic decisionmaking on investment projects, nor do the decisionmakers bear full responsibility for their decisions. However, for all the justification of the social condemnation of the present hypertrophy of the credit relation and the need to put a stop to artificial multiplication of the credit potential, which is placing the economy in a subordinate position and compelling growing overindebtedness, the credit mechanism remains an important mechanism for the collection and placement of free and available capital. Provided the role of the credit mechanism and the sphere of its activity are precisely delineated, and assuming that the banks are guided in the operation of their business by economic criteria, that mechanism, by mobilizing savings and other available capital, augments social capital, promotes concentration and faster circulation of social capital and is conducive to the effectiveness of its commitment. This is the important role of the banks, which, as financial associations of organizations of associated labor, should make it possible for them to pool, to manage and to dispose of those resources.

Two conclusions impose themselves when we view as a whole the need for the pooling of labor and capital that is imposed by the contemporary economy and when we compare the real strength of the basic subjects and the role and place of credit resources in financing expanded reproduction: First, that the balance of power between these economic segments has been disrupted contrary to social commitment, and second, that the legally prescribed forms of concentration of capital and labor are scanty. Both of these conclusions make it a necessity that society act to alter these relations and to develop new forms of self-management concentration of capital.

One very important sector of the economy--especially the fuel and power industry and main-line transportation--cannot as a rule rely in its development on capital assembled voluntarily. However, even here a society organized along the lines of self-management is able through its self-managing communities of interest in the republics and autonomous provinces and at the level of Yugoslavia to separate this sector from pure government decisionmaking, linking it as much as possible to the economy, to its needs and responsibilities, and applying economic elements--motivation and criteria--to the maximum.

This kind of attitude toward expanded reproduction as a whole, toward the relations which should be established within it, and toward the interests of economic entities which should be respected will make it possible for the worker, without anyone's intervention, to learn on his own and in the distribution and use of income to respect the objective limit of accumulation and consumption. There is an abundance of evidence of this in our practice.

b) The System of Expanded Reproduction

One of the basic contradictions in the present relations in the system of expanded reproduction has to do with the low accumulative and reproductive capacity of organizations of associated labor in the economy and the high level of investment spending.

The difference between the accumulative capacity of the Yugoslav economy at the micro- and macrolevels indicates the small and--from every standpoint--unsatisfactory role of self-financing, including all the forms and levels of pooling labor and capital, and also the large and dominant role of credit and credit relations. Personal savings have had a share of about one-third in total gross accumulation of the Yugoslav economy in several recent years. At the same time supplemental capital from abroad, taken predominantly on a credit basis, amounted to almost one-fifth of total gross investments in fixed capital.

In view of the fact that in our system of socialist self-management self-financing and the pooling of labor and capital also signify improvement of the quality of investment decisions (and accordingly improved efficiency of the economic system) and improvement of the quality of social relations, there is also a need in the solutions pertaining to the economic system and the measures of economic policy to increase the accumulative and reproductive capacity of basic organizations of associated labor in the economy, as an essential prerequisite for both augmentation of the role of self-financing and for augmenting the role of pooling labor and capital in financing expanded reproduction.

This needs particular emphasis because strengthening the accumulative and reproductive capacity of organizations of associated labor in the economy and also strengthening self-financing and pooling constitute an essential prerequisite for changing the present negative trend of development of relations into a system of expanded social reproduction. The basic characteristic of those relations today is that organizations of associated labor in the economy are becoming larger and larger debtors to the banks, while the national economy as a whole is becoming a larger and larger debtor abroad. A different trend must be imparted in both cases.

If the role of pooling labor and capital is to be enhanced, one of the things required is to establish more stimulative relations in the distribution of joint income. There is also a need to establish more stimulative relations of interdependence between the results of managing capital for social reproduction and personal income.

New instruments based on securities also need to be introduced into the system for financing expanded social reproduction; among other things they would be used for committing resources which are socially owned and private capital more effectively and with greater incentive.

One particular problem in the present system for expanded social reproduction is the system of accumulation, both the system for forming it and also the system for its use.

As for the system of forming accumulation, problems arise both concerning its sound sources and also concerning its deficit or inflationary creation through multiplication on the basis of credit-deposit relations.

This multiplication of accumulation through credit-deposit relations has during the last period of development been one of the principal hotbeds and generators of inflation, with all the considerable adverse consequences for the stability of economic developments, for the effectiveness of the economic system, for the spontaneous redistribution of socioeconomic power to the advantage of factors outside organizations of associated labor in the economy, and, accordingly, for the quality of social relations. That is why the self-management transformation of the credit and banking system, which has become independent, so that it moves closer to workers in basic organizations of associated labor, has particular importance to solving these problems in the system of expanded social reproduction, that is, in the system of accumulation, especially the formation of accumulation.

One of the principal questions in the system of expanded reproduction has to do with the circulation (intersector and interregional) of funds for expanded reproduction on the unified Yugoslav market for the sake of optimal allocation of social resources in general and of social accumulation in particular.

Because of the unresolved issues in this area there have been very marked tendencies toward reproduction of the existing economic structure and the necessary processes of structural changes on a self-management foundation have been greatly impeded. The circulation of capital has been confined within regional boundaries and has been based on governmental and quasi-governmental decisions.

In view of the structural characteristics and phase of development of the Yugoslav economy, which by the force of economic logic and technical progress, is in urgent need of a continuity of structural changes (especially in the light of the strategic orientation toward exports), a solution to the question of the circulation and concentration of funds for expanded reproduction on a self-management foundation figures as one of the most important issues of the entire system of self-management planning of expanded social reproduction.

That is why both in solutions for the economic system and the measures of economic policy organizations of associated labor in the economy need to be stimulated to pool their accumulation on the principles of maximization of income. Along that line restrictions which tend to discourage organizations of associated labor from pooling their labor and capital in order to realize joint

income should be abolished as much as possible. In that light a reassessment should also be made of present relations between the parent organizations of associated labor and newly founded organizations of associated labor established on the basis of pooled labor and capital.

The standards of behavior in preparation and adoption of investment decisions which have been agreed on should also operate in this direction.

4. Worker Command of Income

The workers, that is, organizations of associated labor, have not had control of the entirety of income, nor its realization and distribution. The reference is to complete mastery of income as envisaged in the constitution--within the basic organization of associated labor itself and likewise in the other forms of pooled labor and capital, within the framework of communities of interest and through decisionmaking in the delegate system. This is the key issue in overcoming the stagnation in self-management and in opening up prospects for its advantages to be fully manifested.

The necessity that workers in organizations of associated labor exercise control of income must be seen as an immediate task, and not as some remote historical goal. Starting from the present situation and the modest participation of workers in decisionmaking on the entirety of income, every increase in percentage of the share of organizations of associated labor in income is a step forward, but we dare not stop there. In the present situation and in the period before us this kind of definition of the goal of control over income is not only not satisfactory, but it could postpone essential changes in superseding the statist and paragovernmental disposition of the income of associated labor, and could postpone the actual construction of the system of free exchange of labor and organization of particular interests as conceived in the constitution, and the delegate system could be left to the predominant influence of factors outside associated labor.

It is not possible on that basis to extricate ourselves from the economic and social difficulties and their consequences. Unless the worker has control of income and unless he bears the consequences of exercising that control, unless the worker and his interests are the decisive factor in all forms and domains of decisionmaking on income, within associated labor itself and outside it, then the worker cannot be the principal economic and social subject. Though this is not exactly the most suitable analogy, the worker would find himself in the position of the capitalist who does not decide on his capital and profit and its use, but rather the decisions are made by someone else instead of him. Incidentally, the various forms of intervention of the capitalist state in disposition of capital and especially in determining the conditions for conduct of economic activity, prices, etc., has opened up the way to state capitalism.

Full respect for the historic commitment that the workers shall take control of income and the surplus value of labor is in accord with their nature as self-managing commodity producers. That position of theirs furnishes the basis for a different attitude toward social property, toward work and labor

productivity, and toward the need for full economic and social accountability for the work and business operation of the organization of associated labor in its own interest and in the overall social interest. That also has its social consequences, of course. The position of associated labor is then definite and clear relative to the governmental and self-managing functions of sociopolitical communities and their right to regulate economic and social relations and economic developments. Opportunities are opened up for associated labor within itself, by virtue of its own decisions, and by its own linkage to make it superfluous to have such broad arbitration of sociopolitical communities as governmental communities, thereby reducing their intervention, monitoring and protection so that they are confined to the constitutional limits, but at the same time accentuating their role as self-managed factors in our society. This at the same time essentially diminishes the space for group-ownership behavior at the material base and social position of the bureaucracy and technocracy to manipulate the interests of the working class and exercise power over it by making decisions on a sizable portion of income and especially on the surplus value of labor. This strategy and transformation is by no means simple and calls for an examination of all the practical mechanisms of the economic system and for a change of the character and methods of economic policy.

## 5. Economic Functions of Income

Under the conditions of social ownership of the means of production and worker self-management the total product sold and income are in the hands of the creators of value. This eliminates duality in disposition of income and the division of income into that part which the producer disposes of in the form of personal income (wages, earnings) and that part which is appropriated by the owner of capital as the surplus value of labor (profit, accumulation). The mastery of income by the worker and his basic organization of associated labor is the material basis and economic condition for his mastering the entirety of social production. This can bring about profound changes in production relations, in the realization and distribution of income, and in relations between self-management and the state.

What primarily interests us at this point are the economic functions of income, the differing purpose of that portion of it which is to go to meet the needs of reproduction of the worker and his family and that portion which is to go to meet future needs, for expansion and improvement of the material base of labor. Decisionmaking on the fate of both parts of income is unified in a single person, who is at one and the same time producer and consumer.

Two conclusions follow from this. First, that regardless of the unity of income, it is not an amorphous mass, but continues to contain both functions, that is, both purposes of income. Unless equal respect is given to both types of needs, it is not possible to guarantee reproduction of the self-managing economy and society without adverse consequences. And second, the distribution of income into personal incomes and accumulation is not and cannot be a subjectivistic act. It is objectively given for a given period of time, and it is expressed in the agreement on the bases of the social plan. Since it is not possible to stretch income, since it is a given quantity in any particular

case and in the entire social community, it is thus not possible either to accomplish an arbitrary and economically unjustified shift of the ratio between accumulation and consumption.

Neglecting the fact that the basic goal of socialist production is the ever fuller satisfaction of needs and that the worker cannot be expected to behave as a rational producer if he is not motivated by a material interest in a continuous rise of the standard of living--his own, that of his family, and that of society as a whole--has untold economic and social consequences.

That is why it is especially important to the further development of self-management to create the economic and social conditions and mechanisms of the economic system in which the worker will more and more feel like a producer whose decisions on the use of income are crucial to his future and to his position in society, as well as to the future of the organization in which he works and in which he makes decisions on income and from which he derives his personal income as well. Otherwise intervention by the government in the disposition of income in the name of protecting the social nature of income, future development, and so on, will inevitably recur.

Consequently, taking command of income is inseparably bound up with that status and those working and business conditions of organizations of associated labor on the unified Yugoslav market whereby the interests of the working class and economic necessity and coercion will act toward the workers being affirmed more and more as the decisionmakers in all the principal functions contained in the contradictory nature of income. That contradiction will be resolved by the workers themselves, without the intermediation of factors outside associated labor, insofar as those inalienable rights of theirs entail full economic responsibility for use of the resources of society, for their own work and business operation and for social progress as a whole.

6. Worker Command of Working Conditions and Business Conditions

Under our socioeconomic conditions production has the characteristics of production of value and of commodity production. That makes it necessary for the market to evaluate the results of work and business operation of every individual economic entity and that pricing methods be such as to result from the effect of the world market, economic relations within the country and the supply and demand on the domestic market.

At the same time this presupposes the existence of reasonable tariff protection, which respects differences in the level of labor productivity, but which at the same time also respects world criteria in ascertaining the results of business operation. It is also assumed that we have our own development policy and that that policy is planned, coordinated and agreed on in such a way as to express our development goals, common interests and the specific features of the republics and autonomous provinces, assuming an ever greater degree of association of labor on the unified Yugoslav market and ever greater inclusion in the international division of labor. In this connection we should also be aware of the fact that it is above all those economic organizations with business strength that have formed association over the entire

unified space of Yugoslavia which can survive successfully in the competitive struggle on the world market.

That kind of policy is essentially antiautarkic, it is oriented toward convertibility of the national currency and, on that basis, toward creation of conditions of the greatest equality in foreign trade, that is, toward the most appropriate possible valuation of our work, toward the ability to absorb the scientific and technological progress of others, but also toward our own scientific and technological development, without which there is neither economic emancipation, nor equality, nor will it be possible to keep pace with the rise of labor productivity and overall progress in the world. This kind of orientation is a prerequisite if our system is to display its advantages and demonstrate that socialist self-management contains humane components in production relations, but also a capability for reproduction on the basis of high productivity, high quality and high efficiency.

With these circumstances in mind, our economic subjects are to take control of the entirety of working and business conditions. The price system and policy, the system for issuing money and credit and monetary policy, as well as the system and policy of contributions and taxes should conform to that demand.

It is essential in this connection that every organization of associated labor, alone or in an accord and compact with other organizations of associated labor (assuming prevention of price setting on a cartel or monopoly basis) decides on prices according to the conditions of the market (domestic and foreign). It is contrary to this orientation that prices be set by any sociopolitical community or that they be set on the basis of a division of powers among the Federation, the republics, the autonomous provinces and the opstinas (a division by products or percentages). This does not mean that these communities do not influence or should not influence price affairs, but not by setting prices, though there may be exceptions, but through the measures of economic policy, including interventions with material reserves and social price control, which encourage more stable relations in the economy and on the market, by monitoring and combating various forms of monopoly, and so on.

Both economic policy and its individual measures must at the same time proceed from a strict respect for the fact that the setting of prices is one of the rights of associated labor itself, that the measures of sociopolitical communities shall respect its interests, that they shall be based on economic criteria and that they shall respect the market conditions of business operation. Coercion from outside the economy in this sphere as a rule has adverse economic consequences and is among the most frequently used methods of statist intervention and of expanding the power of the state.

Associated labor's exercise of this right presupposes respect for the role and importance of all factors of production, a realistic representation of all production costs and a wholesome market competition in which higher productivity and better employment of the resources of society will result in greater income, higher personal incomes and larger accumulation. This means that the results of labor will be measured by the work invested and its effects, but also as a function of the size of resources of society employed (as a function of labor productivity and the organic composition of capital).

In addition, there are two other points that have to be borne in mind in connection with the setting of prices and the income realized on that basis. There is also a need to guarantee on the basis of objective social criteria that that portion of income which is derived from exceptional advantages in its realization is earmarked exclusively for development of the material basis of labor, and then the system and policy governing contributions and taxes should not burden business conditions, but should depend on the results achieved, care being taken so that the motivation to increase output and income, to raise labor productivity and to conduct economic activity efficiently and effectively is by no means jeopardized. All of this means that business conditions and economic accountability for the results will be considerably stricter than is the case today.

7. Distribution According to the Results of Work and of Economic Activity

The economic purport of distribution according to work is that it furnishes an impetus to the invigoration of all factors in higher labor productivity and successful worker management of the business operation of the basic organization in which they work and also of the business operation of the work organization and complex organization of which their basic organization is a part and whose business operation is also managed by the workers in basic organizations of associated labor making them up. This stimulus should be sufficient for attainment of the appropriate results, but it should not be greater than necessary, since then it becomes a socially and economically unjustified privilege accorded at the expense of accumulation of the resources which are socially owned.

Since the realization of income by organizations of associated labor is also affected by factors which do not depend on the work and management of workers in them, such as, for example, exceptional natural conditions under which work is done, exceptional market advantages or other advantages for realization of income, and since in addition various factors which depend on work yield results in differing proportions to the contribution of work, distribution according to work presupposes establishment of the bases on which income is realized and the appropriate measure for division of resources into personal and community consumption according to those bases, in conformity with the results achieved and the contribution which the workers have made to this by their own labor and management of the resources of society as well as of their own past labor and that of society.

Although the realization of income in different activities and organizations is influenced by diverse factors and does have varying intensity and differing results, this is no impediment to building up the system of distribution according to work as a uniform system throughout the entire society nor to organizations of associated labor establishing in self-management accords, assuming a vigorous role by the trade unions, joint bases and scales of distribution which when applied to the specific operating and business conditions of every organization of associated labor will everywhere give for the same contribution of work, for the same results of work and business, at least approximately the same personal incomes. This means that the realization of larger personal incomes should be made possible on the basis of larger results of labor.

This is an extremely important part of the entire system of socioeconomic relations, one on which the material and social position of every worker depends and whose consistent application essentially determines the effectiveness of the entire system of socioeconomic relations of socialist self-management.

If the system of distribution according to work is to conform to its internal logic, it requires conditions for the conduct of economic activity that are known in advance, correct determination and representation of income, realistic determination of the depreciation of fixed capital and material costs, as well as a secondary distribution, that is, fiscal distribution and other deductions from income which will not disturb the proper ratio between total income realized and net income. In other words, it requires that the establishment and representation of income, as well as the system of taxes and contributions, be socially regulated in conformity with the internal logic of the principle of distribution according to work.

The demand that greater social esteem and a better material value be accorded to production work, to work under difficult conditions, and also to creativity in general has particular importance and direct relevance to the system of distribution. This is a condition not only for changing vocational orientation in accordance with the demands of successful material and social development and for changing the attitude of production workers toward their work, for workers to see their existence above all in their organization of associated labor and in its improved business operation, but also for the criteria governing material and moral valuation of the labor of production workers to be in line with the nature of a self-managing socialist society.

Adequate material and social valuation of the scientific or other creative contribution, along with proper valuation of production work, will create conditions for initiative and creativity to arrive. This kind of orientation can become a real barrier to the growth of administration and to the squandering of the resources of society and can stimulate a rise of labor productivity, provide the necessary foundation for reform of education and for up-to-date organization of work set up on scientific foundations. It is at the same time an essential condition for changing the present relations and positions of individual segments of the working class, which in turn will have a beneficial effect toward changing the relations that exist throughout society.

Only under those conditions will it be possible to fulfill the lasting commitment of ensuring an equal personal income for an approximately equal amount and quality of labor, including the results of the management of labor and of its conditions and results. Given the very heterogeneous practice in the evaluation of labor today, this principle is becoming an increasingly urgent one and has both economic and also broader social importance. The trade union has an indispensable role in this domain.

8. Economic Accountability of Individual Entities and of the Workers Themselves

The accountability of the workers and of organizations of associated labor is above all economic. Today, when they do not govern income, but rather their

decisionmaking on expanded reproduction is very limited, when they have little effect on the conditions for the conduct of economic activity, with all the governmental and other interventions in the domain of prices, the formation and distribution of income, the economic accountability of organizations of associated labor is very reduced and devalued, and ultimately it results in socialization of many failures and of responsibility which ought to be clearly defined and ought to bear the direct consequences for those who bear that responsibility. In addition, the very pronounced rpocess of distribution and redistribution of the newly created value, essentially intensified by the high rate of inflation and numerous interventions at various levels, diminishes direct economic responsibility of economic and other subjects.

On that basis various forms of social intervention are covering many shortcomings and economic failures and are being justified more and more on the basis of the principle of solidarity. Solidarity, as an essential component of a socialist self-managing society, is thereby used even in situations and for purposes which have nothing to do with solidarity. Inappropriate and excessively broad application of the principle of solidarity is having adverse consequences for conducting business on an economic basis and is resulting in interpretations of certain institutions of our system which are contrary to their nature and purpose.

If economic accountability is to be required, work collectives must first be placed in a position of commodity producers, as equal partners on the market, above all by creating appropriate conditions for conduct of economic activity. Neglect of economic accountability and emphasis of all possible objective and other circumstances which make it difficult to establish it is tending to weaken certain basic economic prerequisites and prerequisites of the system without which it is not possible to expect that the working collective will look to itself and its capabilities and unused potential and join other organizations in seeking a way out of the present difficulties.

That is why in the stabilization program, along with the proposal for necessary changes of relations in social reproduction and the measures which are to make it possible for the self-managing entities to make economic and social decisions independently, there must be insistence on reaffirmation of the economic accountability of all subjects. This orientation will inevitably operate in the direction of poor business results being reflected in the level of personal incomes of the workers and toward the outlook that coverage of losses can be neither a right nor a rule, but an extreme exception, an exception when there exists an unambiguous social interest, above all the interest of associated labor, and that this is not a general sociopolitical concern and obligation. This should become the normal thing, since this is in line with the nature of structural and other changes which are inevitably coming about in the economy, and any production operation should be shut down, including even entire organizations based on it, if it does not convert in good time to new production and new products or if it does not keep pace with the general rise of labor productivity in its respective line of production.

The many years of experience in covering losses at the end of the year and the unselective coverage of losses or carrying of losses over to the next period,

with formal coverage or without it, stands in the way of the normal process whereby particular production operations come into being and disappear. A sizable portion of the national income is lost in this way, technological development is hampered, and the competitiveness of our economy on the world market is steadily diminished. Even the most able organizations become hampered in their progress under the burden of this quasi-solidarity.

Prejudices or dogmas to the effect that not a single organization can or should go under still have currency. The survival or termination of an organization of associated labor should be decided by economic considerations, which will show what its survival means and how much it will cost and what is gained by complete or partial termination or by changing its line of production, and so on. In this connection there does not exist even accountability of professional managers or any obligation to discharge them because of losses lasting over several years. Some organizations have had losses exceeding the value of the total resources of society they manage. It is difficult to understand what goals in building socialism can justify their survival.

The problem of placing the workers of those organizations in jobs must, of course, be solved, but not at the price of maintaining unprofitable organizations, but by transferring the means of production, as social property, to other organizations, with or without realistic compensation, where they will be efficiently and profitably used and where, of course, concern will be paid to productive employment of the workers.

9. Social Services

Free exchange of labor as our lasting commitment will make it possible for self-management to be related not only to economic activity, but also to become an integral relationship, that is, for all workers who live from their labor to achieve the same social position.

Organizations of associated labor in the social services should earn income in the form of compensation for services which they render to economic entities in the sphere of material production and to other users. The overall opportunities for development, including opportunities for development of the social services, are given by the available national income, whose growth may be the result only of the joint efforts of the workers in the sector of physical production and that of the social services. Proceeding on that basis, relations between them should be based on equality and jointly conceived programs which will respect the needs and capabilities of both physical production and the social services and, on that basis, they should be based on establishment of mutual rights and obligations by agreement.

Along with respect for the nature and specific features of the social services, the productivity of labor and efficiency of business operation have full significance for them, just as they do for all other activity.

On the basis of this conception of mutual relations, which begin with the direct free exchange of labor between interested entities, without the intermediation of self-managing communities of interest, including free exchange of

labor related to local communities when it is a question of meeting the needs of their inhabitants, to other forms of linkage based on interest, solidarity and organization around interest in the republics and autonomous provinces should be reduced to the necessary degree.

With all that borne in mind, the self-managing communities of interest are an indispensable factor in the conclusion of accords and compacts among interested participants within them, in establishment of joint policy and programs for development of the various social services, and in regulating mutual relations.

However, in spite of the initial results, we are still far from achieving free exchange of labor as it was conceived in the constitution and the Law on Associated Labor.

The shortcomings of the development of free exchange of labor to date in the self-managing communities of interest have been manifested especially in the large growth of administration in those communities and in its acting as an intermediary in relations between the workers in the social services and the users of those services, as well as in the surviving automatism of the contributions which are made from the income of organizations of associated labor and from the personal incomes of workers to satisfy their joint needs in communities of interest and which are given to organizations of associated labor in the social services regardless of their work. That is why the appropriation and decisionmaking on the use of funds assembled in that way have been alienated from the workers and are not in line with their needs and capabilities, while the power of the administration has been growing, intensified by the possibility of disposing of funds which are gathered in the communities of interest.

A closer relationship needs to be established between the satisfaction of needs which are related above all to the personal standard of living of the worker and his family and his gross personal income; that is, it must be made possible for him to make a direct decision on this matter, while the satisfaction of those needs which have to do with solidarity or are needs of overall development (basic scientific research, say) ought to be based on the income of organizations of associated labor and on the economic strength of the users.

Finally, in one domain which in both its activities and within each individual activity is full of specific features (elementary and university education, say) we have not advanced beyond general commitments, without entering into a professional and specific treatment of the problems of the various activities and into the proposal of methods and measures which ought to be applied in each of them, proceeding on the basis of the overall foundations and principles of the free exchange of labor.

Instead of evaluating and condemning this institution as a whole and the shortcomings of the present self-managing communities of interest, very specific work needs to be done within each individual activity in accordance with the nature of the needs which the individual institutions satisfy, and there is a need for radical change of the present situation and of the character of

decisionmaking and disposition of the funds pooled in the communities of interest.

10. Methods and Means of Achieving the System of Self-Managing Socialist Relations and Economic Policy

Continued successful development of our system and achievements of the economic and social goals set forth on a self-managing basis are possible only if the interests of its principal subjects in all forms of their association are taken as the point of departure and if their initiative and action are taken for granted. This at the same time defines the place and manner of commitment of the sociopolitical communities and of their bodies and agencies and also of the subjective social forces.

The sociopolitical communities, that is, as the broadest self-managing communities, facilitate conclusion of self-management accords and agreements within their assemblies, provided the delegate system is fully manifested. And there is nothing that can replace this as a line of development whenever it is a question of major social decisions. It is a part of the system of self-management and of decisionmaking, and that the most subtle of its parts. The operation of sociopolitical communities in the governmental function and their decisionmaking and intervention under that head must be based on the constitution and on full respect for the operation of economic laws, which also presupposes that appropriate methods of action will be chosen.

It is especially important in this connection that the position of executive bodies and their forms of operation be adapted as a whole to the social relations of self-management and to the rights and duties of the sociopolitical communities. Their independence is manifested in their function of preparing decisions and particularly in carrying out those decisions. Any other aspect of their independence leads to diminished importance and responsibility of delegate assemblies or to displacement of economic laws and to a strengthening of administrative decisionmaking and technobureaucratic tendencies. Consequently, in the present phase of development it is quite essential that the predominance of the state-ownership and administrative approaches in the work of executive bodies at all levels and the hampering of the development of the delegate system as a democratic mechanism, in which associated labor and its interests play a decisive role, be replaced by essentially different relations among all the relevant factors in society, in conformity with the foundations of our socioeconomic system and political system.

In that context the position of the sociopolitical organizations, and especially the role of the LCY, requires certain clarifications. First of all, an end should be put to cases where the LCY or its organ is merged with government bodies and agencies, on the basis of the definition of the place and role of the LCY in the LCY Program and on the basis of the resolutions of the 10th and 12th congresses. The League of Communists must show more concern and make efforts to realize the historic interests of the working class, the ideological unity of the LCY, the discovery and resolution of the principal contradictions in society, and the mobility and presence of the LCY in all the cells of society--in self-managed organizations and in all forms of delegate

decisionmaking in which its presence should be a guarantee of preservation of the revolutionary achievements, of realization of the historic interests of the working class, of its unity and the equality of the nationalities and ethnic minorities, and of the unity of the Yugoslav community.

In that sense there need to be quite a few changes in the operating methods and activity of all organs both in sociopolitical communities and in sociopolitical organizations. To be specific, the means and methods of economic policy must undergo radical changes, must be adapted to the position of associated labor in our society, to respect for the law of socialist commodity production, and to the theory and practice of socialist self-management. It is natural that the old and the new will be intermixed in this, that government intervention will still have their place along the problematical and lengthy road of building a self-managing socialist society. But the essential thing in all of this is the character of the methods and means used to achieve our goals, which tendencies win out and whether the present practice undergoes change. Otherwise the contradictions between the foundations of the system and the institutional position of associated labor on the one hand, and the means and methods of achieving those goals on the other become increasingly serious and could have lasting consequences.

C. Material Development

As has been mentioned, we should look for the causes of our present situation in material development as well.

1. The Course Toward Industrialization

There is no doubt that the only possible line of development for Yugoslavia after the war was to industrialize the country. That orientation and successes in this area have basically altered Yugoslavia's economic and social structure and have helped it to attain the level of a moderately developed country with strong and underutilized productive forces, with a sizable working class and with a large number of educated and highly skilled personnel.

The remarks which follow and which point up the accompanying shortcomings of industrialization are not aimed at offering any complete retrospective assessment of the road that has been traveled and of its conditionality, but to point up certain shortcomings and problems which at this level of development have a certain specific weight, especially with a view to future development.

In the first place we should emphasize the one-sidedness in conceptions of industrialization and in its implementation. What was understandable for its first phase--that everything should be subordinated to it and that it should have absolute priority, even at the price of disinvestment in certain other sectors of the economy, is not only not possible today, but in fact represents a serious obstacle to further development of both industry and the economy as a whole. Without generalizing, it can still be said that in every opstina and community plans are still based and success evaluated according to the development or expansion of industry. The conceptions from the initial period of postwar development have left deep roots. As we were freeing ourselves from

certain burdens of state socialism, very important trusts were given, for example, to the development of trade, to agriculture in the latter half of the fifties and in the sixties, and later, as personal income grew, to certain service activities.

But viewed as a whole this one-sided attitude toward industry as almost the only factor of progress and the underestimation and neglect of other sectors and branches of the economy and also of certain noneconomic activities have not been overcome even today. And when attempts have been made from time to time to equalize their business conditions and to establish relations that conform to the plan and more balance in their development, this distribution of the planned investments was departed from in practice, industry broke out into the foreground regardless of the ever greater adverse consequences for both industry itself and the economy as a whole. The emphasis put from time to time on accelerated development of particular branches and activities (agriculture, transportation, timber and lumber, reclamation, etc.) were more an expression of necessity, of political need, and so on, than any long-range orientation.

In many places agriculture has been developing as a function of supplying the public rather than for the sake of a lasting growth of income, trade has not uncommonly been treated as a speculative activity, capacities in the service activities are inadequate, and the unsatisfied needs are so great and the quality of work in them such that the greater demand of the public is being partly met by the work of workers employed in the socialist sector who practice additional occupations as private entrepreneurs outside their organizations, their income from that work is not recorded, and therefore they bear no social obligations whatsoever on that basis.

The orientation toward large projects even though they are not economically justified is related to this as well. In many places nearly every plan has been oriented predominantly toward large individual investment projects which were supposed to signify a major change in development in each particular area. Underestimation of medium-sized and especially small organizations is an expression of the very low level of division of labor and mutual dependence of the branches and groupings of the economy, but also of the conception that only large projects can fundamentally change the situation, but not the erection of medium-sized and small projects which would gradually overcome backwardness. The figures show that Yugoslavia's economy has relatively more large organizations than the advanced capitalist countries and incomparably fewer medium-sized and smaller organizations.

One of the things this has meant is extensive development of industry and the hiring, especially in large organizations, of a considerably larger number of workers than is technologically and economically justified, while high rates of employment have not been achieved in dispersed smaller industrial and other organizations, in a multitude of ancillary organizations, in service activities, in still broader development of agriculture and other activities. Unsynchronized development of interdependent production even within the confines of particular activities and especially of interdependent activities, along with the lag in development of entire economic sectors, have considerably

diminished the efficiency of invested capital, slowed down the growth of labor productivity and increased the country's dependence on imports. Uncontrolled and very rapid social changes, the mass exodus from rural areas and from agriculture and many problems in the cities have been a constant concomitant phenomenon of this kind of development.

This kind of orientation in development and this kind of distribution of the productive forces among branches and activities represent one of the greatest disproportions in the structure of our economy.

Along with the preference given to the development of industry, the treatment of certain economic activities has also been economically defective with respect to the conditions for their economic activity, which is why their overall position is unfavorable. This is the kind of treatment that has been given both to the fuel and power industry and certain other branches of primary production, agriculture above all. Electric power has hardly had economic rates at any point. Rates have been set by the government in the heavy industries and in agriculture as well.

The example of agriculture is very instructive. Viewed as a whole, it is still not treated as an economic sector in which income must be earned just as in others, but as an activity which is to guarantee supply. Its noneconomic treatment has been motivated by the need to preserve the standard of living of the population. However, it has been lost from view that its inevitable lag under those conditions is not only unable to contribute to the rise of the standard of living on a lasting basis, but even will actually threaten it. The change of agriculture's social and economic treatment and its accelerated development are a material and social need of the country based on the real potential opportunities which cannot be allowed to slip by.

Transportation, especially rail transportation, which has experienced disinvestment and lag in development on a lasting basis, is in a similar position. One reason is that even the organization is contrary to the nature of this organization. The lack of complementary development of river, maritime and rail transportation, which would facilitate cheaper transportation as compared to highway transportation, is considerably increasing the share of shipping costs in the price structure of products and is diminishing our competitiveness on the European and world markets.

The service activities have been given similar treatment, especially the housing industry and municipal services and utilities, in which relations have also been set up uneconomically, rents do not cover even simple reproduction of the housing stock, and in spite of high appropriations for housing construction and construction of municipal utilities and services, there has been both disinvestment and a growth of housing problems in the cities, especially in the case of worker families living exclusively on income earned by work in the socialized sector.

This answers at least in part the question of why in spite of the high growth rates of employment there is still widespread unemployment or a high rate of unemployment or fictitious employment [redundant manpower in the workplace]

relative to the work force, why the exodus from farming and rural areas are so strongly pronounced (this is necessary and inevitable, but not in such a short interval and at such a rate) and why the problems in the cities are increasing and becoming more and more complicated. While in one sector sizable productive capital goes unutilized (land, agricultural equipment and buildings, rural dwellings and the like), the economy, especially industry, among the other reasons, is unable to develop and conduct its economic activity on a sound foundation because of the high pressure to hire manpower.

Neglect of the development of certain activities of the economy, disinvestment in those activities and extensive development of industry have been accompanied by adverse consequences of the country's industrialization to date, and these facts must be manifested in the conception of the long-range development program and stabilization program.

It is necessary, then, precisely because of the augmented capacity of industry itself, that all other activities develop so as to create more favorable conditions for industry's further development in an interdependence with other economic sectors, above all on the basis of further dispersion of its capacities, along with far better regional distribution, in combination with a network of ancillary small and medium-sized plants in all activities, which will emphasize the division of labor and the necessity of forming ties and associations of the greatest potential, but also the conditions for further qualitative and quantitative growth of industry.

This needs to be established exclusively on a foundation of self-management, which means that the respective organizations of associated labor must participate in this process as the principal protagonist. The essential thing in all of this is to respect above all realistic economic relations among the branches of industry and activities of the economy and to strictly honor economic principles in the conduct of business. At the same time, overall economic conditions, the available unused capacity and the limited capital for development--point up the exceptional importance of the fullest possible utilization of available capabilities in industry and other economic activities. Development on this basis of highly productive production oriented toward export would make it possible to introduce more than one shift in a large number of existing industrial plants, which would not only speed up economic development, but would also create additional room for opening up jobs in industry and for stimulation of the development of small business in tertiary activities, which can develop more successfully under those conditions. In this context the fullest, most efficient and most optimum possible use of available productive capacity and economic resources as a whole is one of the priority tasks in development policy covering the next period. The essential thing in all this is above all to respect the real economic conditions among branches of industry and activities of the economy and to strictly honor economic principles in the conduct of business.

2. Inclusion in the International Division of Labor

Although the openness of the economy to foreign countries and its broadest possible inclusion in the international division of labor have always been

stressed as the goal of our development policy, the importance given to it varying from period to period, the awareness of the true importance of this component of economic activity has had hard going, so that its accomplishment has been an expression of necessity rather than an organic need of growth and development. This need is based more on political premises (the character of our society, its openness, Yugoslavia's nonaligned position outside the blocs, outside economic groupings, etc.). Policy has certainly put a high value on this goal, but the appropriate conclusions have not always been drawn concerning the need to conduct a very consistent economic policy within the country, which is why appropriate and comprehensive measures have not been taken to carry out such a policy, which would have made this kind of orientation realistic and feasible. Far from that, the domestic constellation of economic conditions and relations which have prevailed in economic development have encouraged autarky and a high and often prohibited protection of domestic production, which because of its overemphasis has not stimulated domestic development, but has created conditions for the influence of foreign economies not to be felt on the domestic market, has tolerated a lower productivity and efficiency, slow assimilation of up-to-date forms of economic activity and modern technology, as well as low and inefficient use of available resources. But more important and decisive to autarkic development has been economic policy within the country, which, on the basis of certain inadequate economic mechanisms, has facilitated an almost continuous seller's market, which in large part was based on artificial demand in all its forms, above all on unrealistically high investments. This has constantly disrupted economic relations, brought about instability of the market and prices, unrealistic planning, adaptation to consumption exceeding the limits of what had been achieved and earned, pressure to contract indebtedness, and so on. The way out of this situation was not always sought in equipping the economy for international competition and export, but in restrictions and in raising import barriers, whereby the growth of production and qualitative elements of economic activity were jeopardized. This method of operation and conduct of business, the mechanisms which made it possible, and also statist tendencies became resistant to the consequences and difficulties which our economy and society have fallen into more and more. The quantitative results were emphasized, and all the disturbances that were present were underestimated on the basis of the quantitative results. Examination of the danger of this kind of extensive development and of its limited possibilities could be postponed until the outsized sources of consumption dried up and until the use of foreign loans reached and exceeded our capabilities.

Future more rapid and comprehensive development of economic relations with foreign countries has primary importance to our country, which in view of its size and social relations is imperatively oriented toward export and the broadest economic cooperation with other economies. Self-management, its principal subjects, and market verification of the results of labor and business need as an essential prerequisite continuous confirmation of results achieved on the international market according to the higher criteria by which they are measured.

To be sure, this was noted relatively early in our development, as indicated by the attempt at the so-called minireform in 1961 and the social and economic

reform in 1965. However, the first, as a very limited attempt, and the second, which was taken without the necessary prerequisite in a fully shaped economic and social system (which came about only with the "worker amendments" in 1972 and the 1974 Constitution) and when there was not enough willingness to bear the consequences of quite profound changes, were soon abandoned, and over the entire last decade this has brought about still greater exclusiveness and a piling up of our problems.

In the context of the considerably enlarged productive forces and national income, which suggests much greater trade with the world, production has been predominantly oriented toward the domestic market, and exports have been treated as a necessity or as a market for surpluses of products which the domestic market did not want to absorb. Along with the quite fierce economic competition, which favors the more productive producers, stagnant tendencies in the development of our national economies and attainment of the extreme limits of possible foreign indebtedness have confronted us with an unavoidable problem whose solution necessitates profound changes in the economy, which has become accustomed to quite different behavior and is rather resistant to qualitative changes. Given the unfavorable international economic situation, there is obviously no other way out. Changes in social relations, following the logic of the constitution, and economic changes premised on shattering autarky, and on the primacy of exports and economic ties with the world comprise a unified whole.

The necessary transformation of the economy, though it is now incomparably better developed than in 1965, though we have a conception of social relations as an essential prerequisite for lasting economic reorganization, will neither be easier nor simpler than when the economic reform was undertaken.

The more highly developed economy requires a more elaborate and finer tuned economic mechanism, relations within associated labor and between the republics and autonomous provinces require much more painstaking treatment, and the social consequences require examination and solution in conformity with the interests of the producer segment of the working class, as well as recognition of the augmented social and other inequities, a cutting of the roots and sources of income on some other basis than work, speculation, bribes; everything implied by antisocialist tendencies, which encourages idleness and indifference. The depth of the changes will also require opening up real prospects for the future development of social relations, the status of the worker, for treatment of productive and creative work, and a different scale of social and economic values.

The orientation toward export must run like a red thread through all these changes. It is on that basis that the effect of all elements of the economic system, of plans and of economic policy must be verified as to how far they reflect the interest of associated labor, but also respect the awareness and assurance that without exports and expansion of economic relations with the world in all forms we cannot live better or survive. This is the point of intersection of the interest in more stable relations in the economy, as a condition for work and the results of work to be manifested, and for self-management to win real protagonists and a new spurt by strengthening our position on the world market on a more equal basis.

Our technological and technical development are also most intimately bound up with this. We have used and must continue to use all the advances of science, engineering and technology in the world available to us. The need for continued transfer of those advances in the country in the future is unquestionable. However, in future development we must accomplish that transfer in the context of our own long-range strategy for the development of science and technology. It is not permissible to buy licenses on an extremely liberalistic basis, when we lack our own strategy for technological development, when lack appropriate development of domestic science and technology, when the technology passed on is not refined or developed further, and it is also not permissible to consent to unequal conditions in this type of cooperation with foreign countries. This has impeded the development of our science and technology, and in practice the division of labor, the formation of domestic associations and joint representation toward the powerful concerns in the world have been neglected [original reads "overstrained"]. Foreign countries have begun to divide up our market among themselves, causing antagonism on that basis among domestic producers, and sometimes even arbitration among them. In a social community like ours, when there exist differing autarkic development policies in the republics and autonomous provinces, occurrences like this represent a serious danger, since they lead our economy into ever greater dependence on foreign companies, some organizations become an appendage of them, we are tardy in entering upon technological development, we pay a high price for every technological advance, we are lagging further behind and we are accentuating our lack of connections. The parcelization of our market and the phenomenon of its regionalization are directly related to this kind of position of ours vis-a-vis foreign companies.

It seems contradictory, but this liberalism in the purchase of licenses is directly related to autarky in the development of our economy. The possibility of living above all from the domestic autarkic market does not stimulate efforts to develop our own science and to upgrade the advances of others, but rather to open wide the "technological door" to foreign companies, to pass that concern on to others, while the domestic market, which is shut off, must pay every cost, including that one. Related to this is the assent to so-called restrictive clauses in contracts whereby the domestic partners unanimously assume a commitment that they will not sell products based on foreign licenses on a foreign market or that they may do so only on the East European market.

Even at this point of our foreign relations a major change of direction is needed, one which will not be easy, nor can it be carried out quickly, since it has its domestic and external prerequisites, which we can achieve only gradually.

Assuming establishment of more stable relations in our economy, when our economic entities will by the force of economic necessity be turned to one another, to establishment of mutual ties on the basis of the division of labor, and, given the fiercer competition on the world market, which necessitates higher productivity and technical and technological capability, to keep pace with others, it is natural that the formation of associations within the country requires a clearly established technological strategy as well as the

development of a domestic science with closer ties to the economy on the basis of overall development policy.

Since we find ourselves in difficulties which have arisen from the spontaneous and unwise structural development of our economy, momentary economic interests in production and the like cannot be the commencement or that lasting basis of internal linkage, but rather this must above all be joint development plans of organizations of associated labor, which should include joint scientific and technological progress. Only along this road is it possible to achieve more lasting linkage and interdependence among them. Not only ties so as to obtain some critical material or lacking foreign exchange which can be obtained elsewhere tomorrow, but joint scientific research and technological, technical and production ties which give a lasting character to the manifold nature of relations and at the same time strengthen such organizations for efforts on the world market and for more equal relations with foreign trading partners. Only this will make it possible for the results of our economy's knowledge and technological growth to be put to use and multiplied in the export of our products.

Our science has already achieved important results, in certain fields especially. We possess a sizable scientific potential on which associated labor can put still greater demands.

That is why the long-range stabilization program must furnish specific guidelines for the development of science and define its place and treatment and give preference to that orientation of production which places the initiative and interest of the workers in the foreground, which proceeds from the position of the workers in organizations of associated labor and our society, since otherwise the demand for efficiency in the conduct of business will not have a real basis.

It can be confidently said that scientific, technical and technological cooperation on a long-term basis and dispersal of technical and technological progress over regional borders and barriers are one of the essential elements for overcoming regional limitations and crossing the borders of sociopolitical communities and for strengthening the unified Yugoslav market.

3. Economic Development of the Republics and Autonomous Provinces and Regional Development

In this domain we must proceed from several premises. In a multinational and federal community the principle must prevail that every republic and autonomous province, within its rights and duties established by the constitution, shall bear responsibility for its own development and development of the entire Yugoslav community and accordingly dispose of its natural resources, national income and especially the surplus value of labor. Respect must be paid to the existence and development of the economies in the republics and autonomous provinces, which are the material basis of their overall social life and development. The essential thing here is the foundation on which they develop, what ties they establish, that is, what binds them together. Foremost in the answer to that question are the unified socioeconomic system and uniform

foundations of the political system, the unified market and common interests in relations with other economies, economic relations which are conceived on the basis of the workers' rights to work with the resources of society and to dispose of the gross social product and the results of his labor. Under our conditions, then, it is not a question of opposed "national economies" which in other socioeconomic and economic systems are based on different class foundations and which link together the world market, but on the agreed economic policy which is in the common interest, on the unified Yugoslav market and in the uniform system of foreign economic relations, on the basis of the single domestic currency, the results of labor and business of every economic entity are measured, and those entities are the workers and their organizations of associated labor. They are linked together, then, not only and not primarily by the market, but by the same class interests and by solidarity, which makes it possible to a significant extent for the community itself to be based on an equitable foundation, for it to have socialist foundations and for ever fuller economic equality to be gradually achieved as well. Solidarity, as one of the conditions of discharging the responsibility of the republics and autonomous provinces for the joint development of Yugoslavia mitigates differences in economic development and contributes to overcoming them gradually.

If these factors were dominant in socialist self-management, then it would not be possible to speak of the social character of capital and income and of everything that follows therefrom, parallel to the right of the nationality and the republic or autonomous province to national income. The dialectical expression of the class aspect and ethnic aspect in socialist self-management is, then, a complicated relation which does not satisfy a one-sided interpretation without serious consequences even for the very basic production relation, for the attitude toward the working class and its historic interests, and for the functioning of the unified market, as the common framework in which the contribution of every organization of associated labor and, on that basis, the economic and social development of every republic and autonomous province is economically evaluated.

The economies in the republics and autonomous provinces conceived in this way are not and cannot be rounded off and enclosed wholes which, as separate economies, are linked to one another primarily by means of governmental couplings. Nor are they relations of separate markets, which would reduce the role of the Yugoslav market only to some space for exchange of goods which exceed the needs of those national economies, but an organic linkage and development of all self-managing entities under equal conditions in the framework of the entire Yugoslav community and the unified Yugoslav market. The socialist republics and socialist autonomous provinces, as sociopolitical and self-managing communities, have under those conditions their own inalienable powers and responsibilities which in this case are no obstacle whatsoever to the organic development in integration of the economy of Yugoslavia and to its inclusion in the international division of labor. That is, they can become an obstacle only if the elements of the state-ownership relation toward associated labor become stronger in the republics, if the republics and autonomous provinces lose the characteristics of self-managing communities of the working people and citizens, and if they [original reads "it"] cease to be based on the power and self-management of the working class and all the working people.

In that sense differing levels of economic development, and not only economic development, will be subject matter for interethnic relations, agreements and compacts, above all in the economy, regardless of the level of development attained by each individual republic and autonomous province. Conclusion of mutual agreements, which will mitigate and tend to eliminate the inequalities which derive from differences in the level of development and from the differing structure of production will unquestionably be a lasting problem, and it has to be solved on the foundations expressed in the constitutional commitments.

However, assuming that the conditions are created for development on a more stable basis, the regulation of those relations will also require other methods, above all more equal forms of association and interweaving of interests, from joint planning and technical, technological and scientific development to the highest forms of division of labor and participation in joint revenues and income. Adjustments of those relations will be economic in nature insofar as the unified market facilitates the free exchange of goods, labor and social resources, and they will also act as incentives on an economic basis and through the conclusion of social compacts, and finally, through elements of solidarity.

This should contribute to exercise of the rights and performance of the obligations and responsibilities of the republics and autonomous provinces for their own development and for the development of the socialist community as a whole.

This should not be equated with the need for conducting a joint policy of regional location of productive forces, which occurs both as a problem within the republics and autonomous provinces and also as an interrepublic problem, that is, a problem of location of the productive forces throughout the entire Yugoslav economy. And this can be solved on the basis of joint plans of associated labor as well as on the basis of social compacts concerning the bases of plans for development of Yugoslavia. The actual formation of associations among organizations of associated labor and joint production should be the principal method for faster development of the economically underdeveloped republics and especially SAP [Socialist Autonomous Province] Kosovo, as a markedly economically underdeveloped province.

Insofar as the unified Yugoslav market functions without hindrance, and the greater its openness to the world market and insofar as its strengthens the worker's social position, his mastery of income, and his role in the making of social decisions in delegate assemblies, regional development will be treated as a common interest and expression of the need of associated labor as a whole. Then there will be no bias and dominance of noneconomic motives in making decisions related to regional development, no tendencies toward rounding out the economic structure of each individual republic and autonomous province and indeed even certain smaller areas.

4. Employment

In spite of the high growth rates of employment and exceptionally dynamic changes in the economic and social composition of the population, the opening up of the new jobs continues in this decade to be one of the most important problems of the country's socioeconomic and political development.

That is, in just the past decade 1.9 million new workers were hired. The annual growth rate of employment in the socialized sector was 4.2 percent, about 300,000 people returning from abroad were hired in the socialized and private sectors, and the share of the farm population in the socioeconomic composition of the population has dropped to about 25 percent.

On the other side there are still the following facts: the number of registered unemployed workers is about 800,000 (the first results of applying the social compact on selective registration of the unemployed among persons seeking employment shows that about 80 percent of the persons registered are actually unemployed). There are nearly 800,000 workers abroad (and 200,000 children and young people), and underemployment of persons employed in the socialist sector (concealed unemployment) amounts to about 30 percent of the total work force according to certain estimates.

The seriousness of the problems is especially manifested in the fact that half of these people seeking employment are skilled and specialized workers, and about three-fourths are under age 30, and a great majority have not yet been employed. More than half of the unemployed are women.

And finally, it is significant that this problem is manifested quite differently from one republic or autonomous province to another and also within them (full employment in SR [Socialist Republic] Slovenia, while in SAP Kosovo only 11 employed persons for every 100 inhabitants).

What has been said inevitably imposes the conclusion that the manpower potential of the Yugoslav population is underemployed and that in this area a much more effective policy and measures have to be worked out in every republic and autonomous province and in the country as a whole. Assuming a normal (anticipated) rate of development, the situation in this area will last about two decades. In many respects its social and political components will mark not only our economic problems, but also our socioeconomic problems up to the end of this century.

The long-range stabilization program, then, cannot be based on restrictions and an inadequate rate of economic growth. Optimum selection of the conception and strategy of development, and solutions and measures related to this system will have to pay attention to the problem of opening up new jobs and to these aspects of that problem.

In the past period of development it has been relatively easy to provide the capital for construction of new plants and to employ new workers, with little responsibility borne for their use, though there was not enough capital. By contrast with that, human labor was not sufficiently utilized and was disproportionately expensive, not in terms of its net weight (the net personal income

received by the workers) but in terms of its gross weight (including social services and government expenditures and the respective contributions and taxes). That is why labor-intensive activities have been neglected. If we bear in mind that the obstacles to development of small business and for self-employment have not yet been removed and that not enough consideration has been given in the location of industry to bringing it closer to potential workers, just as one takes into account the insufficient mobility of capital in our context (without going into the complicated and numerous causes of that), then the conclusion can be drawn that our development policy in the past has not been sufficiently mindful of the true condemnation and utilization of either of these two factors of production (the factor of labor and the fact of social capital). Economic policy and measures have not been sufficiently mindful of demographic, regional and other aspects of the population, of the underdeveloped occupational and regional mobility of the workers, and so on; one of the causes of this is the inadequate operation of economic laws and the market throughout the entire space of Yugoslavia and the inadequate motivation of organizations of associated labor to invest capital outside their own sociopolitical communities (opstinas, provinces and republics).

The solution to this problem cannot be to refrain from using top-level technology in production, but must consist of expanding activities in those branches and activities which have been neglected, in the comprehensive development of agriculture, in opening up opportunities for self-employment, in developing numerous small plants of ancillary industry and service activities on the basis of division of labor throughout the entire Yugoslav economic region, along with considerably stricter requirements with respect to the economic employment of capital and accumulation so that they are economically selected, used and concentrated where they are indispensable from the standpoint of raising labor productivity and where jobs can be created and total income expanded at lower investments and using relatively "cheaper" labor than is now the case (it is a question of relieving personal incomes of excessively high obligations and of passing certain obligations on to income, of an essential reduction of administrative costs and of various middleman and other exaggerated social costs).

If these factors are not properly assessed in the stabilization program, there is a hidden danger that the trends in the past concerning unemployment, especially of young and skilled workers, will impose solutions which will complicate still more our present economic problems, which arise out of low labor productivity of the workers employed and out of the fact that our economy is not competitive with foreign countries.

Present legislation on employment relations and even more employment practice have led, as is often mentioned, to the absolute certainty of employees about their jobs, over which they hold a "monopoly," regardless of the results of work and business. Our organizations of associated labor are not able to adapt to market conditions and to reduce or increase the labor force under certain conditions, if at the same time the workers enjoy full protection of their material and other rights (having their incomes covered from certain social funds created by the economy itself). That is why it is impossible for them to adapt to conditions on the market, to changes in technology and

engineering, and so on. In a new and higher organic composition of capital there is still the same number of employed persons or it even increases, when the growth rate is low or there is quite an essential change in the structure of production, the previous workers remain, and the need for new workers is solved by additional hiring.

Nor is there even an opportunity to replace workers who are not adequate in their skills and the results of their work with new workers who in spite of the appropriate qualifications and work skills remain unemployed during the most productive part of their working life. That is why the worker's interest in preserving his job by timely retraining to meet his own need is manifested to a very limited extent.

These and other problems of creating new jobs must be taken up in the conception of long-range development and solutions must be sought which will respect the position and inalienable rights of the workers in our system, but which will bring them into line with the corresponding acceptable measures which will be suited to the social character of capital and income. It is the workers in organizations of associated labor and in all their forms of association and organization who must be the makers of policy governing creation of new jobs, along with creation of certain conditions by the appropriate sociopolitical communities and with their mutual cooperation.

5. Social Problems

Major changes in the present economic and social relations in general, changes in the position of branches, groupings and almost every organization of associated labor, and greater market orientation will give rise to many problems of adaptation, changes in the structure of production, in the organization of work, in the level of income and accumulation, in the losses of organizations of associated labor (not to mention the need to introduce economic rents, prices of certain products and services important to the worker's standard of living, and so on). This will necessitate a more careful assessment of present relations within the working class, of various categories of families and of those segments of the population in which considerable social inequities are manifested even now, especially those who have their origin in income earned without or with very little work, from trade in property, speculations of various kinds, and so on.

Unless measures are precisely worked out that take into account the working class nature of our community, unless respect is paid to the elements of equality, especially in those needs which arise from the socialist character of our community (the social minimum in education, health care and social welfare), and that in the form of both transitional and lasting measures in assemblies, republics and autonomous provinces, according to their objective capabilities and without the adequate involvement of local communities, it is not possible to carry out even the best conceived economic programs and measures. Just as business conditions cannot be altered in the economy without making it possible for the transition to be made to new, more difficult and more complicated and requirements and conditions, so every worker and every family must have the opportunity to assess and examine its position, what it

is getting and what it is losing, what are the direct consequences of the orientation toward better work and economic performance in terms of the personal and family standard of living and position in society. Calling for sacrifices, for doing without, for changing work habits and other habits in order to overcome the very difficult problems in our development to date, unless every individual sees his own interest in a better life tomorrow for his family and in the general progress of self-management and society, is condemned to failure in advance.

The economic and social sections of the stabilization program will have to be complementary, balanced, staged and so measured in quantitative terms that they can be withstood, so that from the first step of fulfillment results are evident which make it possible to mitigate or abolish those measures which have the character of limitation, restriction and deprivation of an economic and social nature.

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# East Europe Report

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2290

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1 July 1982

# EAST EUROPE REPORT

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No. 2290

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Trade Exchange, Aid, Cooperation

Warsaw RYNKI ZAGRANICZNE in Polish No 1, 2 Mar 82 pl

[Article: "Poland-USSR -- Trade Exchange, Assistance, Cooperation"]

[Text] Given the restrictive economic moves on the part of many Western countries, our economic cooperation with the socialist countries is taking on icreasing importance, and here the Soviet Union's trade and assistance are of the greatest significance.

The Soviet partner is demonstrating a great understanding of our economic difficulties and is agreeing to a reduction in our deliveries projected in bilateral agreements. While our foreign trade in 1981 fell drastically overall, Soviet deliveries increased by 11-percent to 4.8 billion rubles, 3.1 billion of which consisted of exports of raw and other materials and fuels. These exports consisted in part of additional deliveries made above and beyond the trade agreement, those under the auspices of the Soviet Union's economic assistance to us.

At the same time Polish exports to the USSR last year declined by 11.7 percent to about 3.6 billion rubles. With relation to our Soviet partner we failed to deliver not only coal but also capital goods (totalling about 230 million rubles) and many items of light industry, such as textiles, ready-to-wear, and furniture.

It is also worth emphasizing that the Soviet Union granted us credit in "free" foreign exchange and that even though our indebtedness is already approaching nearly 5 billion rubles, we have obtained new credit amounting to 2.7 billion rubles to buy essential raw materials.

At the beginning of the year we signed a trade protocol for this year which provides that the value of mutual deliveries will be on about the same level as last year. Hence the lack of balance in trade will be maintained, because the Soviet Union's exports to us are to amount to 4.8 billion rubles, while our deliveries will amount to 3.6 billion. The significance of this trade to our economy is determined not only by the sizes but above all by the commodity structure of Soviet deliveries, which are to be 75 percent fuels, raw materials, materials for production, and market items. It is worth emphasizing here

that back in January contracts with a value exceeding 2.9 billion rubles were signed, and this represents 84 percent of annual Soviet obligations in the realm of deliveries to supply our industrial production. Talks are also in progress concerning the joint use of untapped manufacturing capacity in our industry.

It is therefore no exaggeration to state that economic cooperation with the Soviet Union has been and will continue to be a major factor in the development of our country and the basis of the existence of many areas of industry and trade. We can see in this context the great significance of the Polish party-state delegation's visit to the Soviet Union.

## Reliable Alliance

Warsaw RZECZPOSPOLITA in Polish No 40, 1 Mar 82 pp 1,2

[Article by Marek Pogodski: "Unfailing Alliance"]

[Text] The promised visit by the Polish party-state delegation to the Soviet Union will be of great significance both in the sphere of political and economic relations and in the overall dimension of international policy.

For us Polish citizens the alliance with the Soviet Union has been the foundation of an assurance of our nation's independence and the guarantee of the lasting nature of our borders, peace, and security. In difficult moments we have been protected by the alliance, which was made in the common struggle with a common enemy during World War II and which was sealed with the joint shedding of blood. On the other hand, the peace and security which we gained through it have allowed us to build and develop our country. Without the assistance of our Soviet allies it would have been difficult for our country to rebuild and pull itself out of the destruction of war.

We are living through a difficult period. The administration in Washington is mobilizing all the antidetente and antisocialist forces to blackmail Poland politically and economically. The economic sanctions and restrictions levied against Poland are not to humiliate us but to destroy our country economically. Therefore, each day we must make an accurate detailed balance of our international cooperation, and this balance-sheet is showing clearly how serious the Western sanctions and restrictions would have been, if it were not for the help of friends.

The Soviet Union decided to accomplish most of its deliveries of raw and other materials during the first and second quarters of this year, that is, during the period most difficult for our economy. Despite our indebtedness, which is approaching nearly 5 billion rubles, we have obtained new credit in the amount of 2.7 billion to buy essential raw materials. As Gen Wojciech Jaruzelski stated in his address to the Seventh Party Plenum, during the past few days Leonid Brezhnev has given information about the decisions of the Politburo of the CPSU Central Committee on additional deliveries of raw and other materials to insure continuity of work to hundreds of Polish enterprises.

This is not assistance with business ends in view, calculated on one-sided profit or on making the partner dependent. It is a lasting element of cooperation based on the principles of internationalism and the fraternal relations of socialist states.

Economic cooperation with the Soviet Union will also continue to be a major factor in our country's development and the basis of the existence of many areas of trade and industry. It is worthwhile remembering that in the years 1976-1980 imports of raw materials and fuels from the USSR cost Poland about 22.5 billion zlotys in foreign exchange less than if we had made these purchases on other markets and paid the current world prices.

Polish-Soviet economic cooperation encompasses 54 multilateral and 22 bilateral specialized and coproduction agreements. The deliveries anticipated from these international agreements represent about 20 percent of Polish exports and 10 percent of the imports from the USSR. Because of these agreements the division of labor has expanded and become stronger in industries such as the automotive industry, steering systems and automation, aircraft production, farm machinery, building equipment and machinery, and road equipment and machinery.

We are going through some difficult moments, but we are looking towards the future with hope. We believe that we will overcome our difficulties and prevail over the crisis, despite all kinds of barriers within and without. At the same time, we are aware that this would not be possible without the cooperation and assistance of our friends.

The impending Polish visit to the Soviet Union will also be of great political significance. It emphasizes the fact that all sorts of attempts to isolate Poland internationally are doomed to failure. Alliance with the Soviet Union, membership in the community of socialist nations, bolsters our international position, our sovereignty, and the ability to protect our intereests. The problems which Poland is resolving, as was stated in a report of the PZPR Politburo at the Seventh Party Plenum, have become a subject of international U.S. action calculated to isolate our country, to weaken it economically, and to force on us solutions which would be convenient to those countries in the West which still have illusions about the possibilities of changing the regime in Poland, those forces which are counting on being able to drive Poland out of the camp of the socialist states.

Those hopes are empty. The resolutions of the Seventh Party Plenum and the deliberations of the final session of the Polish Sejm proved once more our desire to maintain the socialist renewal line, so that that a strong, forceful socialist Poland can remain an inviolable link in the socialist community.

## Assistance for Shipping Industry

Warsaw RZECZPOSPOLITA in Polish No 42, 3 Mar 82 p2

[Article: "Dilemmas and Hopes of the Maritime Economy -- Shipyard Problems, Soviet Assistance"]

[Text] One of the major sources of free foreign exchange, which our economy needs so much just now, has been, is, and will be the maritime economy. The ship-building industry has permanently made itself an export branch second only to coal. Shipping is not only an instrument in active defense of the balance of payments but also brings into the state coffers substantial amounts of foreign currency. The situation with ports is similar, although this issue is not so simple and for a long time much of the potential has remained unused.

Shipping is the greatest helping hand out of the crisis. Last year PLO [Polish Ocean Lines] made an even greater balance-of-payments profit than the year before. The great drop in the cargo of Polish foreign trade was more than made up for by transit and shipping between foreign ports. Without diminishing in any way the merits of crews at sea on PLO ships, we must say clearly that this whole economic "miracle" would have been impossible without the previously introduced far-reaching independence of the company.

The ship-building industry is in a far more difficult situation. Even in the best of years the shipyards have been condemned to dealing with breakdowns in cooperation. These great shipyards have still had to chase after their suppliers, sometimes close their eyes to their infidelities and look increasingly to imports. Last year, somehow it all continued to work somehow, but from month to month the catalogue of shortages increased. Currently the situation has become critical, but the sore point is the lack of foreign exchange to import fittings, imports which after all never can be avoided, even given the best possible domestic cooperation. At the moment the most urgent matter is the implementation of the shipyards' right, implied by the reform, to dispose of part of the foreign-exchange profit they have made. Because of relatively minor sums to import fittings, the shipyards are in danger of facing many millions in fines for failing to deliver ships on time.

It has been possible temporarily to defer some of the danger and to renegotiate the delivery dates with our customers. More optimistic are the talks with the Soviet shipbuilding industry concerning supplying our shipyards with the most vital materials and equipment, especially cables, paints, and manufacturing equipment for fishing boats.

If the shipyards are successful in overcoming the current difficulties, their future should not hold any special fears. The portfolio of orders to the year 1985 is full.

In the ports, turnovers are presently one-third to one-half of the sizes in the peak years, but despite this fact we do not see any sensational improvement in the shipping schedules. The main reason is equipment inefficiencies resulting from the shortages of spare parts. For this reason, far over half the moving cranes, stackers, carts, and other pieces of equipment stand idle. Because most of the equipment is imported and there is a shortage of foreign currency here too, this factor is often a barrier which cannot be overcome. Like the shipyards, the ports are trying to mobilize the foreign-exchange allowances from their profits as quickly as possible.

Transshipping of our own commodities will undoubtedly soon reach the ceiling of a few years ago. Meanwhile, we could profitably serve our neighbors to the South, who are eager to use the services of our ports, but here it is necessary to provide the assurance that these services will be reliable and on schedule.

## TPPR, Polish-Soviet Economic Cooperation

Warsaw RZECZPOSPOLITA in Polish No 47, 9 Mar 82 pp 1,3

[Article by Zbigniew Bozek: "Polish-Soviet Economic Cooperation -- Meeting at the TPPR Main Board"]

[Text] Activists of the central aktiv of the Society for Polish-Soviet Friendship met with a member of the Polish party-state delegation who had made the official visit to the USSR, Marian Wozniak, deputy member of the Politburo and secretary of the PZPR Central Committee, on 8 [March] at the House of Polish-Soviet Friendship in Warsaw.

He acquainted the people at the meeting with the course of the friendly visit and emphasized its significance for making permanent Polish-Soviet economic cooperation, friendship, and alliance. The party secretary emphasized that cooperation with the USSR is playing a decisive role in solving our economic difficulties. Without the aid which is being given us by the socialist countries, especially the Soviet Union, it would be impossible for our country to find a way out of the deep crisis. This is all the more important now when certain governments of Western governments, especially the United States, want to use the situation in Poland to make our country an instrument for their own interests and to escalate international tensions. An extreme example of this policy is the application of economic restrictions vis-a-vis Poland and the Soviet Union.

Poland needs not so much humanitarian aid as reliable economic cooperation, especially raw materials, coproduction, and trade. We can count on such cooperation from the Soviet Union, which is treating our difficulties with understanding and giving immediate, comprehensive assistance. This was confirmed by the visit of our country's party-state delegation and the talks in Moscow with key representatives of political and economic life in the Soviet Union. In a situation where the shortage of raw materials threatens to halt production in some of our plants, we are receiving from the USSR,

for example, wool, cotton, and other raw and other materials under convenient terms, and the materials will go for processing in Polish enterprises. This will permit the operation, for example, of the textile, clothing, footwear, and other industries. Soviet aid also consists of supplying materials and equipment to permit completion of previously begun industrial investments and of increasing deliveries of crude oil, gasoline, and gas.

The Soviet Union has made it possible for us to utilize all the economic agreements and contracts entered into, despite the fact that Poland is having great difficulty at present in fully discharging its export obligations and has an adverse trade balance with the USSR. Soviet assistance is of tremendous significance in overcoming the economic crisis in our country, and in the long run in activating our economy.

The people at the TPPR activists' meeting adopted a resolution stating, for example, that they had been attentive and satisfied as the result of learning about the results of the visit of the party-state delegation from Poland headed by PZPR First Secretary Gen Wojciech Jaruzelski to the USSR, as announced in a joint communique signed in Moscow. The warmth and friendship surrounding the talks and the concrete provisions once more confirmed the lasting nature of the friendship, alliance, and cooperation between the two countries, the basis and source of which go back to the Polish-Soviet brotherhood at arms growing out of the years of struggle against the Nazi invasion forces, the ideological and political joint interests, and the need to insure common security. The Polish nation can face the future with hope, given the certainty of the moral, political, and economic support from its closest friends.

In the declaration the TPPR activists called on all members and sympathizers of the society to spread the rich content of the joint communique issued at the close of the visit of the Polish party-state delegation in the USSR and to undertake concrete action to implement the provisions implied by this visit, to make full use of the new possibilities and the chance for Poland to get out of the economic and socio-political crisis, for deepening Polish-Soviet friendship and cooperation, and for bolstering socialism.

## Additional Deliveries for Construction Industry

Warsaw RZECZPOSPOLITA in Polish No 47, 9 Mar 82 p8

[Article: "Additional Soviet Deliveries for Building Materials Industry"]

[Text] As the result of the talks recently conducted with a delegation of Soviet specialists in Poland representing various branches of industry, the construction and building materials industry ministry will receive additional deliveries of long-fiber asbestos, the raw material essential in producing asbestos-cement blocks (eternit) and asbestos-cement pipe.

In all the Soviet deliveries will total 12,000 tons and be nearly 5,000 tons greater than last year. They will make it possible to produce about 15 mil-

lion square meters of asbestos-cement boards more than was initially projected.

Because of Soviet assistance, imports of asbestos from II payments area countries have been substantially reduced.

In addition, within the construction and building-materials industry ministry talks were held on the subject of deepening scientific-technical cooperation between Polish and Soviet specialists in the realm of using asbestos in the production of building materials.

## Raw Materials Deliveries

Warsaw RZECZPOSPOLITA in Polish No 50, 12 Mar 82 p7

[Article: "Aftermath of Polish-Soviet Economic Talks; USSR Participation in Carrying Out Stalled Investments, Deliveries of Many Raw Materials"]

[Text] Warsaw (PAP). The Polish-Soviet economic talks conducted at the end of February and the beginning of March in Warsaw have already produced concrete results. The Polish side listed several problems the solution of which, given Soviet aid, would reduce substantially our economic problems.

The matter of help with raw materials was primary. Alongside the normal deliveries provided for in the protocol, which the Soviet Union is carrying out despite the greatly reduced deliveries from Poland, the USSR will supply Poland with many raw materials which we previously imported from free foreign exchange areas, by the end of this June, in keeping with a decision of the Politburo of the CPSU Central Committee dated 18 February of this year. These deliveries will include 4,600 tons of long-fiber cotton, 2,300 tons of high-pressure polyethylene, 3,200 tons of polyvinyl chloride resin, 6,000 tons of synthetic rubber, 32,000 tons of aluminum oxide, 4,000 tons of wool, 13,200 tons of unprepared cattle hides, 6,500 tons of viscose cellulose, and 7,000 tons of chemical fibers.

The value of these deliveries is estimated at about 60 million rubles. Based on these raw materials certain commodities will be produced in Poland for export to the USSR, such as 28.6 million tons of cotton textiles, 7.5 million tons of woolen textiles, 3.5 million tons of silk textiles, 1 million square meters of carpet, 9 million pieces of knitwear, and 8 million pairs of leather footwear. At the present time Poland is obtaining significant benefits from processing the raw materials it obtains, because about 14 percent of the goods produced from them will remain on the domestic market, and the value of the goods exported to the USSR will amount to about 200 million rubles. Another advantage is the assurance of work for many plants which would have to close for lack of raw materials otherwise.

The Soviet side has announced the possibility of additional raw materials deliveries for light industry, like polyvinyl fiber, polyamide cables, and tailings from polyacrynitryl yarn. At the present time talks are in progress on the subject of the size and scope of Polish deliveries for certain amounts of the above-mentioned raw materials.

As everyone knows, Poland has offered to make our industry's unused potential available to the socialist countries. Up until now, the Soviet Union has affirmed its interest in cooperation in the production of color television picture tubes, goods milled from copper, and also the exploitation of underutilized capacity in ferrous metallurgy. For example, Soviet specialists are reviewing the possibilities for Soviet participation in carrying out the temporarily interrupted investments of the department for working rails and the coking plant at the Katowice Iron and Steel Works, the department of seamless pipe in the Jednosc (Unity) Iron and Steel Works, and the contour form department at the Pokoj (Peace) Iron and Steel Works.

The Warsaw television plants are also undergoing problems in securing materials. And here the Soviet side is looking into the possibilities for delivery of sets of components for making black-and-white television sets.

There has been a fundamental review of the foreign exchange problem for the import of raw materials and equipment for the machinery, equipment, and apparatus which Poland exports to the USSR, because this problem is so difficult for Polish industry. The Soviet side has agreed to a mutual solution to this problem with regard to telephone exchanges, ships, and missing items to complete the Waz and Kamaz trucks. The total value of imports from the capitalist countries for the above-mentioned purposes has been set at about 30 million dollars per year.

These are important decisions, but they are more or less immediate. For this reason the two sides have recognized it as essential to determine together the major subjects of cooperation geared particularly at making Poland independent of coproduction ties with the capitalist countries. During the first stage, specialists from the two countries are working out a cooperation program for the production of automatic electronic telephone exchanges, the production of equipment for outfitting ships, the production of electronic components and special materials for the electronics industry, and the production of blocks and components for color television sets, and for the organization of production in POland of low-grade asbestos slabs and the production of heavy technical textiles.

We can say that the completion of this work will be the beginning of a qualitatively new stage of cooperation among the CEMA countries, especially cooperation between Poland and the Soviet Union, because this will involve ties of a long-range nature and at the same time be broad in scope, but the main feature is the fact that the cooperation is based on the principle of economic accounting and bilateral benefits.

It is worthwhile to point out the rate at which the new cooperation agreements are being emplemented. Never before have decisions on the government level been implemented into everyday practice so quickly. For some time now many of our factories have been working with Soviet raw materials supplied within the framework of assistance. There have also been worker contacts at the plant level, like the direct cooperation between Polcolor and plants in Brzesc and that between Ursus and the plants in Minsk.

Difficulties often bring energy and initiative to life. We are witnesses to this fact in the realm of Polish-Soviet economic cooperation

## CEMA Assistance

Katowice TRYBUNA ROBOTNICZA in Polish 17 Mar 82 pp 1,2

[Article: "Concrete Expression of Brotherly Aid—From the CEMA Countries to Poland: Credit and Deliveries Valued at 10 billion Zlotys, Nonrepayable Loans, Food, Market Goods, and Raw Materials for Industry"]

[Text] Warsaw (PAP). After 13 December, in response to the Polish authorities' appeal, the socialist countries rushed to our aid, sending market commodities, and raw and other materials for production to Poland.

Last December and this January, under the auspices of immediate assistance we received commodities valued at about 2.2 billion zlotys from the Soviet Union. This is more than the sizes set down in the annual trade protocol. These deliveries were accomplished within the framework of the credit granted to us, which Poland will repay after 1985. It is worth recalling that Poland received among other things 465 million dollars in nonrepayable Soviet assistance earlier.

Under the auspices of nonrepayable assistance which the GDR gave us, we received commodities valued at nearly 2 billion zlotys. All these deliveries have already been made.

Towards the end of last year [1981] Czechoslovakia promised us deliveries of goods (above and beyond those provided for in the protocol) with a total value of nearly 2.6 billion zlotys. These goods are still being delivered, and they are being treated as nonrepayable assistance.

Hungary promised, also within the framework of nonrepayable assistance, to increase deliveries above and beyond the amounts specified in the contract agreements by a total of about 2.5 billion zlotys.

Bulgaria also rushed to make additional deliveries totalling a value of about 480 million zlotys. We will not pay for these deliveries, which have already been completed, until 1984, and we will be paying very low annual interest, 2.5 percent.

It must be emphasized here that countries like the following have also offered assistance, treating the deliveries of their commodities as nonrepayable assistance: Mongolia (136 million zlotys), Vietnam (about 7 million zlotys), Korean People's Democratic Republic (68 million zlotys), Yugoslavia (15 million dollars), and Afganistan (700,000 dollars).

The total value of the assistance which the above-mentioned countries have extended to us is estimated at about 10 billion zlotys, calculated in retail prices. This represents about 8 percent of the monthly deliveries to the domestic market.

What do the deliveries from the brother countries include and what have they included? For the most part, market goods, and here food makes up a sizeable percentage. Part of the assistance has been in the form of packages for children. Deliveries of food and washing agents have been important from the viewpoint of social needs.

Premier Wojciech Jaruzelski, First Secretary of the PZPR Central Committee, appealed to the first secretaries of the central committees of the CEMA countries to give Poland further assistance in the form of accelerating this year's deliveries, so that the major shares would come during the first two quarters, because it is a question of easing the economic sanctions imposed by the U.S. government and the governments of some Western countries.

The Polish side expressed the desire for our CEMA partners to speed up deliveries of market goods, especially food and agricultural items, medication, agents of personal hygiene, raw and other materials for production, and spare parts in the item assortments and quantities to meet our needs.

We also asked for increased deliveries of the above-mentioned commodity groups to sizes above and beyond the usual ones, with agreement to defer Poland's replayment of the adverse balance of payments from 1982 to later years and to review the possibilities of delivering to Poland certain raw and other materials which we used to import from the West.

Basically all our partners reacted affirmatively to Poland's request. The USSR confirmed deliveries during the first quarter of 25 percent of the annual size of deliveries, which is more than in previous years, when the largest shares of the goods usually fell during the third and fourth quarters.

As the first partner, the Soviet Union took advantage of our offer to allow them to use our unused production capacity in Polish industry. The agreements provide for us to supply the USSR with certain amounts of finished goods in exchange for Soviet raw materials.

The other CEMA countries declared their readiness to supply an average of 30 percent of the total annual amounts of market goods and raw materials right during the first quarter, and Bulgaria even took it upon itself to perform the entire year's deliveries during the first two quarters.

In terms of deliveries exceeding the amounts provided for in the protocols, Czechoslovakia, Bulgaria, and Romania announced deliveries totalling a value of about 1.5 billion zlotys.

Poland also gained agreement for the deferral of repayment in connection with these additional deliveries, and Czechoslovakia and Bulgaria even agreed to defer repayment beyond the year 1985.

Talks are also in the final stages concerning the exploitation of unused capacity in Polish industry.

## Joint Efforts

Warsaw RZECZPOSPOLITA in Polish No 56, 19 Mar 82 p6

[Article by Zbigniew Bozek: "In the Language of Facts -- on the Vistula and at Moscow"]

[Text] (Our own correspondence) "Brotherly unity," the confirmation of "ties of friendship and cooperation," "unity of views on all issues," "USSR assistance an important factor in the stability of the Polish economy," "a new chapter in cooperation,"... these are only a few of the headlines in the world press at the head of commentaries and articles in connection with one of the most important events on the international scene of the past few days.

This is because there is a lively general interest in the course of events and the fruits of the important visit which the Polish party-state delegation, headed by General Wojciech Jaruzelski, chairman of the Council of Ministers and First Secretary of the PZPR Central Committee, made to the Soviet capital. In Moscow, as in Warsaw, it is thought that the visit made a new contribution to the bolstering of friendship and cooperation between our countries and our nations and that it created the next stage in Polish-Soviet cooperation. At the same time it was an important event in the life of the whole community of socialist states, and it also is of unequivocal international significance in terms of the position of an independent, socialist Poland. Today there is talk on the Vistula and near Moscow about Polish-Soviet cooperation not only in the language of promises and communiques but also in the language of concrete facts.

### Decisive Role of Raw Materials

The economic aid and cooperation of the Soviet Union have been of first-ranking, absolutely vital importance to our country today. The Soviet Union's readiness to bring comprehensive economic help to us, which is so important during a period in which Washington and certain of its West European allies have broken the generally accepted international norms by using political blackmail and economic restrictions and are trying to frustrate the process of normalization of life and the gradual restoration of our economic stability and to interfere in affairs that are purely our own internal matters, has been decisive proof of international brotherly relations.

The stable Soviet deliveries of fuels and raw materials confirmed during the recent talks will be of decisive importance to our economy, and we should remember that they "feed" the basic branches of our heavy and light industry. We annually import, for example, 13.1 million tons of crude oil, 5.3 billion cubic meters of gas, about 3 million tons of petroleum products,

more than 16 million tons of iron alloys, 213,000 tons of paper and cellulose, 125,000 tons of cotton, and 53,000 tons of aluminum.

At the decision of the Politburo of the CPSU Central Committee, the Soviet Union determined that it would send to Poland additional quantities of raw and other materials like cotton, leather, wool, plastic fibers, synthetic rubber, aluminum oxide, and viscose cellulose. These deliveries will help us get through the economic crisis and will be an important factor in gradually stabilizing our economy. Finally, they will make us independent of those who broke the bilaterally accepted principles of not entering into the mixing of relations of economic cooperation with political conditions.

Joint Effort, Mutual Benefits

Also important for our economy in the area of raw materials is the Soviet partner's promise to accelerate the deliveries of natural gas and milled goods provided for in the economic agreements.

The promise of new possibilities of investments in the Soviet Union which are beneficial for Poland, with the participation of our enterprises and specialists, is also aimed at raw materials sources. It is sufficient to remember that it is just because of our joint efforts in the construction of installations through the multinational effort of the countries of the socialist community that we have assured ourselves of many years of additional favorable deliveries of Orenburg natural gas, Kiyembayev asbestos, Ust-Ilim cellulose, and Bielorussian potassium salts.

Because of our participation in the expansion of Soviet atomic energy, beginning in 1984 we will receive for 20 years an additional shot of 1.2 billion kilowatts of power from the Khmelnitskiy nuclear power plant, in whose construction Poland has had a part. It was not long ago that an agreement was signed to initiate construction of our country's first section of a super high pressure 750 kilovolt transmission line by which Soviet power will be supplied to Rzeszow. The Soviet Union has at the same time insured us of help in building the first Polish nuclear electric power plant in Zarnowiec, which will be put up by Polish personnel specialized in the construction of the nuclear power plants at Smolensk, Kursk, and Khmelnitsk.

As agreed in the course of the Moscow talks, through joint effort the construction of certain factories will be finalized.

New Forms of Cooperation

Another interesting form of assistance from the Soviet partner, a way which is beneficial to us, is aimed at making full use of our developed production and personnel potential. As the result of in-depth research, certain Polish enterprises will undertake the processing of Soviet raw and other materials, which will make it possible to maintain production in hundreds of factories, will reduce difficulties on the labor market, and finally will enrich our market with many sought-after items, because we will be paid for processing the raw and other materials with a certain share of the finished products.

The principles of this cooperation encompass first of all the plants of the textile, leather, rubber, and synthetic fiber industries.

The Polish economy is finally facing the possibilities promised during the Polish-Soviet talks in Moscow, possibilities for new higher forms of economic cooperation. It is anticipated that within the framework of bilateral and multilateral efforts of all CEMA countries there will be a basic expansion and deepening of specialization and direct cooperation between enterprises. This pertains in particular to the self-financing branches, such as the electric-machine industry, shipbuilding industry, and the industries of modern means of communications and metallurgy.

We face similarly broad possibilities for cooperation in other areas: agriculture, science, engineering, and culture, cooperation based on the principles of fully equal rights, mutual benefits and economic advantages.

There is one other feature which has been characteristic of the recent Polish-Soviet talks and the documents adopted as the result of these talks, All of them are being inculcated right away, without unnecessary procedure, because in our cooperation it is facts first of all which count.

Neighborly stable economic cooperation with the Soviet Union is opening up before Poland the way to a gradual route out of the crisis. Neighborly aid is on the other hand material expression of the Soviet Union's many assurances that it will not leave socialist Poland in poverty, and as the old saying goes, it is in need that one learns who his true friends are.

## Trade Relations: Myths and Realities

Warsaw RZECZPOSPOLITA in Polish No 59, 23 Mar 82 p4

[Article by Tomasz Bartoszewicz: "Trade With the USSR: Myths and Realities"]

[Text] Polish society is extremely subject to myths. Something or somebody always has to be to blame for all our misfortunes. A particularly popular myth is the one that trade relations with the USSR are disadvantageous to Poland.

This myth operates not only in the lines ("You know, I have this friend, a railroad worker, who personally saw with his own eyes how everything is being exported to the east") but what is worse also quite seriously by people who it might be presumed could be expected to be familiar with the facts.

The profound food crisis in which Poland has found itself must obviously evoke social dissatisfaction. The source of this crisis can be most easily explained not in the errors of native economic policy but in outside factors. For years whispered propaganda has been spreading the gossip that there is a shortage of food because it is being sent east. How many such stories we have heard on this subject during the past few

years. We were supposedly actually feeding the Olympics, and in the best case all the national liberation movements in the world!

Myth Number One -- Food

On the other hand, the truth is that food and agriculture exports for years have been representing about 2 percent of all our exports to the USSR (in 1980, about 70 million rubles). The item-assortment structure of these exports is stable and has been for years, encompassing such commodities as apples, frozen fruits and vegetables, fruit extracts, cut flowers, and up until 1981, potatoes and eggs. We do not export grain or meat to the USSR at all.

So how should we treat all the known legends about the exportation of food to the east? I think that except for intentional insinuations, these are the repercussions of our country's role as a transit country for a large share of the trade between the USSR and the countries of Western Europe and the GDR, because it is true that the Polish-Soviet border has large shipments of food which the USSR imports from the capitalist countries cross it in an easterly direction. This also applies to meat imported from the Common Market area. In addition, shipments of food from Western Europe to Iran and other Persian Gulf countries also sometimes pass through Poland and the USSR.

The principle of free transit is one of the supreme principles of international relations. I do not imagine after all that anyone in our country could question it. Let us add that the money earned from transit is not at all bad.

Since 1964 the unit of clearing in international turnovers in CEMA has been the transferable ruble, which is based on gold. Against the backdrop of the transferable ruble there have been a host of misunderstandings, most of which seem to imply that it is associated with the ruble in circulation, which is the domestic monetary unit of the USSR. The transferable ruble is nothing more than a uniform system for recording clearings of accounts between CEMA countries, conducted by the International Bank of Economic Cooperation (IBEC).

Myth Number Two -- The Dollar and the Ruble

This is not real money, because it is not issued. After all, it sort of amounts to what we call a Common Market monetary unit (also called an Ecu) used mainly to establish a uniform price system for farm products under the auspices of a free market farm policy.

Therefore to juxtapose the transferable ruble to the dollar is just as much nonsense as to compare it to any other sort of conventional clearing unit (including the dollar) used within the framework of the system of clearing in free foreign exchange. It is true that the transferable ruble was supposed to serve in a somewhat different role, because there

was the notion of a system of multilateral clearing for the whole CEMA area, but in practice, there are still no multilateral clearings within CEMA, despite the assumptions made at one time in a comprehensive program of socialist integration. This proves the imperfections of the current mechanisms, but it has nothing whatever to do with the system of prices or the clearings used in trade between the USSR and Poland.

We often hear the example of the "wonderful exchange of 62 kopecks on the dollar," but it is therefore an example which at best simply is the product of a lack of familiarity with the system of international clearing of accounts. The completely different matter is the fact that this system is not very well known to the public, and in the 1970's the whole clearing of accounts in foreign trade was treated as a matter of secrecy (which was after all complete nonsense, because can you keep quiet a secret which is known to many thousands of employees in the foreign trade ministry and analyzed in the foreign press?!).

The new system of clearings introduced within the framework of the economic reform finally made it possible to get away from the infamous conversion tables and is already more legible. It also seems as though we are getting away from the secrecy mania gradually, but I am afraid that the good old bureaucratic customs may appear again.

Although a good deal has been written about the system of so-called creeping prices used within the framework of CEMA, it is still not very well known, and it is the public's feeling that we are selling everything dirt cheap, in exchange buying things at very high prices. Here I do not want to justify clumsy trade people or close my eyes to the obvious facts of certain very poor transactions, but this applies mainly to trade with capitalist countries. In the case of CEMA countries, the system of creeping prices, after all, leaves only a small margin for price negotiations.

Since 1973 we have been seeing a constant rise in world prices on fuel and raw materials. Taking into account that in turnovers with the USSR we are a net importer of raw materials and fuels (65 percent of Polish imports from the USSR) and an exporter first of all of industrial goods (barely 12 percent of all exports to the USSR consist of raw materials and fuels), there is a phenomenon of constantly worsening price conditions in trade with this country.

Myth Number Three -- We Subsidize Trade

The system of creeping prices nontheless slows this process down, because the price is set not on the basis of current world prices but as the mean for the period of the past 5 years. In practice this means that if we took all the goods which we export to the USSR and sold them on the markets of the capitalist countries, we would not be able to buy there the same amount of raw materials and fuels which we import from the USSR. I am not mentioning here the fact that in the case of many goods, there would be serious problems with selling them.

The structure of trade turnovers between Poland and the USSR is hence very favorable to us within the framework of the price system which exists in CEMA. I am afraid that this is a structure which may be difficult to maintain in the future, and we should be aware of this, but for today, particularly in the face of the additional raw materials deliveries promised us from the USSR, it is an important handicap working in favor of the Polish economy.

For many of our readers, especially those with access to the foreign press, the fact presented are obvious. Despite this, primitive anti-Sovietism is not receding in the face of total nonsence. No facts will be convincing, but the author of this article will be accused of receiving a fee in rubles (transfer rubles, of course) and not in zlotys. On the other hand, the facts are incontestable. They prove the partnership relations in trade between Poland and the Soviet Union, but if we are to talk about benefits, especially now, the Polish side can enter them into its accounts.

## Earlier, Additional Raw Material Deliveries

Warsaw RZECZPOSPOLITA in Polish No 62, 26 Mar 82 pp 1,6

[Article: "Polish-Soviet Trade Talks -- Earlier Deliveries of Vital Raw Materials from the USSR"]

[Text] Moscow (C). The chairman of the Polish delegation arriving in Moscow for the CEMA commission deliberations, Minister Tadeusz Nestorowicz, conducted talks on accomplishing this year's raw materials deliveries from the Soviet Union for Poland and the possibilities for further expanding Soviet exports, mainly for the needs of our agriculture.

This year Soviet raw materials which we import are expected to total nearly 3.5 billion rubles, while, on our side, exports of raw materials to the USSR in terms of value will amount to only half a billion rubles. The adverse balance of trade in our books will be nearly 3 billion rubles. This follows from the structure of trade exchange. The share of raw materials in our imports from the USSR will amount to 72.8 percent of purchases, but in exports to the USSR they will amount to 13.8 percent of the value of commodity deliveries.

That is why the question of activating our exports to the Soviet Union this year is all the more important. This does not apply to coal or sulfur, because here the planned commitments are being carried out well, but it does apply to processed industrial goods, equipment, machinery, and parts. To increase our exports, in the interest of our country and the public, we should as quickly as possible avail ourselves of all available possibilities and set them in motion.

In assessing in detail the course of deliveries during the first quarter, ministers T. Nestorowicz and N. Patolichev stated that the Soviet Union

had met its commitments in keeping with the provisions that had been made. For the items most important to our economy, like natural gas, crude oil, fuel oils, apatites, potassium salts, cotton, and other raw materials, the deliveries were made in advance of contract deadlines. This year the Soviet Union has already made good on 20 percent of the year's delivery commitments.

The ministers also discussed the matter of contracting for additional raw materials deliveries to permit fuller use of our industry's manufacturing capacity.

During the course of the session of the CEMA foreign trade commission, the Polish delegation headed by Minister Nestorowicz also held talks with other CEMA partners on the subject of additional raw materials purchases for the needs of our economy.

## Deliveries of Other Needed Equipment, Spare Parts

Warsaw RZECZPOSPOLITA in Polish No 63, 27 Mar 82 p1

[Article: "Earlier Deliveries From the USSR"]

[Text] As the result of recent agreements between the trade ministry and Soviet suppliers, deliveries from the USSR set for this year will be accelerated for equipment sought after in our country: color television sets, washing machines, and refrigerators. During the first half of the year, 75 percent of the goods promised Poland this year will make their way onto the Polish market.

Shipments of spare parts for equipment already imported earlier will also be accelerated. Substantial quantities of subassemblies and replacement elements and components should arrive from the USSR by the end of May.

## New Methods of Cooperation

Warsaw RZECZPOSPOLITA in Polish No 64, 29 Mar 82 p6

[Article by Janusz Karkoszka: "Opportunity for the Polish Economy -- Cooperation With the USSR"]

[Text] There are many elements upon whose resolution depends the rate at which our economy comes out of the crisis. They are to be found both inside our country and outside of it. International economic cooperation belongs to the latter category.

Possibilities in this area are generally known. Trade with the West has been restricted. We are doing a deep about-face in the direction of the CEMA countries, as expressed in the resolution of the Ninth PZPR Extraordinary Congress. The sanctions imposed by the Reagan administration and some of the governments of the capitalist countries only accelerated this process.

## Cooperation in All Areas

Close cooperation with all CEMA member countries will therefore be one of the most important levers for getting the Polish economy out of the crisis. Here cooperation with the most powerful member country of this group, our greatest trade partner for years, the Soviet Union, will occupy a special place.

Today the economic assistance which the Soviet Union is extending to us is of vital significance in overcoming the crisis, and in the long run also in revitalizing our economy.

This assistance basically stems from the nature of Polish-Soviet political relations, which are based on a community of goals and on internationalist and brotherly ties linking our nations. It also follows from the fact that like us the USSR is interested in the existence of a strong, socialist Poland, because a Poland upon which it can depend lies within the interests of the Soviet Union. Both of these elements were emphasized in the course of the addresses given during the recent visit to Moscow by the Polish party-state delegation headed by Gen Wojciech Jaruzelski.

The USSR is part of the front group of economically most powerful nations in the world, and the tremendous natural resources, and economic and scientific potential which it is ready to make available to us through cooperation show that cooperation in practically all spheres will produce important measurable effects.

## Absorptive Market

Not without sigificance to the development of mutually beneficial cooperation, as foreign trade representatives are best aware, is the common border criss-crossed by an adequate number of transportation routes, a large, absorptive sales market, and a resistance to world economic crises unknown in other countries.

These trump cards have been dealt to us by history and geography. Are we making proper use of them?

The answer to this question is not entirely clear. The decided majority of the benefits come from the possibility of obtaining supplies from the USSR, in exchange for manufactured industrial items, which comprise about 80 percent of total Polish exports to the Soviet Union, supplies of basic raw materials from the Soviet Union for our industry, like crude oil, iron ores, natural gas, apatite, ammonia, aluminum, and others.

Owing to the price system in effect within CEMA, in the years 1976-1980 raw materials and fuel imports from the USSR cost us about 22.5 billion foreign exchange zlotys less than they would have if we had made similar purchases on other markets at world prices.

Participation in Investments

Participation in industrial investments undertaken on the territory of the Soviet Union is a qualitatively new method by which we can supply ourselves with essential raw materials. In exchange for the materials, technology, and building crews we have assured ourselves of the following additional deliveries (beyond the trade agreements): 2.8 billion cubic meters of natural gas, 40,000 tons of cellulose, 50,000 tons of asbestos, and about 2.5 million tons of ores and other raw materials. Further long-term agreements extending even to the year 2000 are in preparation.

The economic potential as well as the size of the Soviet market make the orders for certain of our products very great. This fact means longer series and lower production costs. The scale of orders also makes it profitable to use the newest technology, to introduce modernization, and to conduct research. As the producer continually becomes more modern, in time he becomes a valuable sought-after economic partner for other countries.

We Have Entered Onto World Markets

Largely because of Soviet orders we have entered world markets with our ships, sugar refineries, sulfuric acid factories, and rolling stock. At the present time similar possibilities can be opened up for the products of our electronics, electical-engineering, and engineering industries and many items of general use.

The possibilities of our cooperation with the Soviet Union have not been exhausted yet however. Specialists estimate that our exports to the Soviet Union could nearly be doubled. Unfortunately we have produced and do produce too few high-quality products to compete with similar products offered by both firms of socialist countries and by those of capitalist countries.

## Increase in Trade Exchange

Warsaw RZECZPOSPOLITA in Polish No 80, 17-18 Apr 82 p7

[Article: "Rise in Soviet-Polish Trade -- Commentary of Novosti Soviet Press Agency"]

[Text] Novosti Soviet Press Agency has passed on to the PAP a commentary discussing the various forms of economic assistance and support which the Soviet Union and other countries of the socialist community are extending to Poland, aid which is particularly important for our country in the face of the sanctions and restrictions which the United States and other Western countries have introduced.

The agency mentions that this January the foreign trade enterprises of both countries signed contracts to deliver to Poland Soviet fuels and

raw materials totalling 2.9 billion rubles, which represents more than 80 percent of the commitments for deliveries of this group of commodities this year. The contracting of Soviet food items exceeded 70 percent of annual commitments.

In keeping with the protocol on commodity and money turnovers between the USSR and Poland in 1982, according to the commentary, Soviet-Polish turnovers are to reach a value of 8.4 billion rubles, and imports from Poland, 3.6 billion rubles. Because this year Soviet exports will exceed the value of imports from Poland, the Soviet government has taken the Polish national economy's difficult situation into account and agreed to grant credit on easy terms, in order to make up for the difference in value in the deliveries of commodities back and forth.

During the first quarter of this year Soviet exports to Poland were carried out precisely as written and often even preceded the deadlines by a wide margin. The delivery standards for Soviet crude oil, natural gas, cotton, and other items essential to the Polish national economy for Poland were met in their entirety.

This year Poland is receiving additional amounts of raw materials, items, and other materials. The list includes cotton, leather, wool, bulk plastic, artificial fibers, aluminum oxide, synthetic rubber, and viscose cellulose. The export of these articles from the Soviet Union will make it possible to provide work for hundreds of Polish factories of tens of thousands of people. Also under review presently are possibilities for making better use of Poland's production potential in keeping with agreements, and here too the Soviet Union is taking part.

The visit which the Polish party-state delegation made to the USSR this March greatly facilitated the further expansion of Soviet-Polish cooperation.

During a dinner given in honor of the Polish delegation at the Kremlin, Comrade Leonid Brezhnev said that after the present complicated day there would dawn a better tomorrow and that they would help and had helped socialist Poland in every possible way. He said that these were not mere words, because there was no doubt that the plans they had set down for economic cooperation would be beneficial to both countries and that they include both the management of raw material resources and the development of the most important branches of industry. He also said that there were many possibilities for expanding relations in the area of agriculture.

In 1981 the Soviet Union accounted for 35 percent of Polish imports and 32 percent of exports. It again confirmed the undeniable truth that the relations between socialist countries are based on the principles of equality and mutual assistance.

On the other hand, the basis of the current policy of the U.S. administration with regard to Poland is an open dictate. In a very open manner

Secretary of State Alexander Haig described the essence of American policy and its goals, saying that for them it was very important to maintain the incentives at their disposal to further that development of events within Poland which would correspond to those values and ideals for which they are striving.

In the name of the "noble ideals" given, the U.S. president is waging a policy of economic boycott against Poland. There are no more sales of American food to Poland. The implementation of agreements made earlier has been held up. Besides this Washington has started putting pressure on the Western European countries to force them to anti-Polish and anti-Soviet activity.

Nevertheless, even today it is clear that many countries, as events show, do not want to see "a continuation of military competition" in their relations with the Soviet Union and Poland, for the ease of the United States.

Life has shown that the discriminatory moves which the Reagan administration has tried to wage against the Soviet Union and Poland have boomerangued in the United States. As the result of the sanctions, many of the American items on foreign markets have been replaced by their competitors, much to the detriment of U.S. firms.

The prohibition against exporting to the Soviet Union will cost General Electric 175 million dollars and Caterpillar Tractor 80 million. In one of the Caterpillar plants producing machinery for laying gas pipelines, as the result of the embargo, unemployment has now reached at least 2,000 people. Many thousands of blue- and white-collar workers employed in International Harvester plants are in a similar situation, victims of the discriminatory action of the U.S. administration. Soviet contracts of various sort provided work for at least 300,000 American workers.

American blue- and white-collar employees, company owners, and the U.S. economy as a whole are all victims of President Reagan's economic sanctions imposed against the Soviet Union and Poland.

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## BETTER MANAGEMENT OF PAID SERVICES URGED

Prague HOSPODARSKE NOVINY in Czech 14 May 82 pp 1, 4

[Article by Professor Antonin Cervinka, CSc, Charles University School of Law, Prague, and Engr Jaroslav Matousek, CSc, deputy chairman of the CSR Planning Commission: "Principles for More Effective Management of Paid Services"]

[Text] One of the requirements set by the 16th Congress of the CPCZ is a significant improvement in the quality of paid services and their expansion. As has been repeatedly emphasized, this is an important area of satisfying the populations' needs, through the effective demand. This effective demand should be matched by a sufficiently flexible, efficient and prompt supply accessible to the citizens. The total amount that citizens spend annually on paid services is by no means small--50 billion korunas. The demand is thus great, and it certainly would considerably increase further if the supply were more abundant.

At the same time on the supply side we have over 1000 socialist enterprises with 58,000 outlets, employing nearly 700,000 persons. This is by no means insignificant since it amounts to nearly 10 percent of the population of work age. At first glance it would thus seem that supply can and should fully cover the demand.

In spite of this, however, we are receiving numerous justifiable complaints--from citizens as well as from representatives of the various elected bodies--regarding the level, availability and quality of services. The debate on services that took place in recent months on the pages of HOSPODARSKE NOVINY likewise revealed a series of shortcomings in the area of paid services for the population. The critical comments focused particularly on certain types of services.

### Complaints Often to No Avail

As was pointed out in the Central Committee Presidium's report at the 6th session of the CPCZ Central Committee, serious shortages persist particularly in the repair, maintenance and remodeling of apartments and the housing stock. This involves installation work, roofing, heating, masonry and carpentry work. The situation remains critical in repairing shoes, leather accessories and chimneys. In some regions services are not provided promptly, elsewhere some services are not being provided at all (for example, the towing and junking of privately owned motor vehicles). In public catering the shortcomings persist regarding the quality of the food, the level of service, hygiene, and civilized environment. There is undesirable curtailment of business hours on days of rest and during vacations. Restaurant service is poor at recreational centers and areas visited by tourists.

From the viewpoint of the economy's capabilities, there are no objective reasons for the mentioned shortcomings. Our socialist economy has sufficient resources to ensure that the effective demand for paid services is properly supplied. Then what are the causes of the unsatisfactory situation up to now?

The enterprises that provide paid services for the population, especially services of a handicraft nature, jointly constitute a specific area of the economy. By the nature of their work they differ in many respects from the work of the centrally managed enterprises, and therefore also the mechanism of their economic activity must be adapted to these specifics.

Many services are associated with a large proportion of labor value added within the total value of the services provided. It is not by accident that many services are provided by artisans. Although an artisan can pursue his trade with better and more efficient tools, but it still remains a handicraft activity, with a large proportion of craftsmanship and experience in repairing or maintaining articles that mostly are privately owned and tied to a given locality. Therefore excessive centralization of services and their concentration into large units, parallel with the closing of scattered small service outlets, must necessarily lead to more handling, administration and transportation, to moving services away from the localities where the citizens are living, to a longer trip for citizens in search of services, and to other inconveniences that far outweigh certain advantages of centralization which, incidentally, can also be achieved in other ways.

Competitiveness Can Only Be Beneficial

Most services are not exposed to the comparative pressure of the world economy, as is the large-scale production of goods within the centrally managed economy. A proportion of the produced goods is exported, other goods are imported, and this naturally leads to a comparison of the produced goods' quality and effectiveness. Since services are neither exported nor imported, monopolistic tendencies in services often produce stagnation in the quality and effectiveness of the provided services.

Therefore it is desirable, particularly in services of a handicraft nature, to allow various social organizations and individual citizens to offer services, and to compete among themselves in the quality of their craftsmanship. For whom would such competitiveness be harmful? It will be objectionable to services that are inferior and slow, and hence also expensive. It will be beneficial to all those who provide good services and therefore will earn commensurately high incomes. And what is the most important, it will be beneficial to the citizens, and this is of great social and political interest to the Communist Party.

Failure to take the specific economics of services into account, and the application of the same system of planning and financing to services as to centrally managed production have resulted, among other things, in that many service enterprises managed by national committees and many production cooperatives have deviated from their mission--i.e., from providing services for the population--and have excessively expanded cooperation with centrally managed industry. An analysis of the total output volume shows that the proportion of proceeds from the sale of paid services to the population is only 12 percent at local industrial enterprises, 30 percent at enterprises providing municipal services, 15 percent in production cooperatives, and merely 0.3 percent in local construction. This is truly too little, and it is time to

change these proportions, because socialist organizations are and will remain the most important form of supplying the citizens' demand for services, despite the various supplementary forms of including individuals in providing services. If the socialist organizations are to fulfill their role, the present system of planning and management must be changed for the service enterprises.

This is nothing exceptional. The party and state leadership prepared, and the 16th CPCZ Congress approved, the Set of Measures for Improving the Planned Management System, which is being implemented gradually and in a differentiated manner in the various branches of our economy. It was implemented first in industry, this year it is being implemented in agriculture, and now the Principles for the More Effective and More Flexible Management of Paid Services has been approved.

To Simplify the Entire System

As CPCZ Central Committee Secretary Jindrich Polednik noted at the 6th session of the Central Committee, the essence of the CPCZ Central Committee Presidium's resolution, and of the measures adopted by the governments, is to simplify the entire system of planning and management, the financial, credit and tax instruments, to create the conditions for the more flexible management of services, and to employ stronger incentives for the expansion of services and for cutting costs, including administrative costs.

The concept of the Principles starts out from the need to preserve a simple but nontheless essential link between the area of services and the statewide and republic reproduction processes. Even though the indirect instruments of management that are related to the use of commodity-money relations will be strengthened considerably, planning and the instruments associated with it will remain the principal tool for the management of socialist organizations that provide services. On the other hand the implementation of the Principles should create sufficient room for the entrepreneurial activity of the enterprises and businesses that provide services so that the local conditions and needs in paid services can be taken fully into account, with a minimal administrative burden.

The operation of the enterprises managed by the national committees and of the cooperatives will be based on the full application of enterprise cost accounting and internal cost accounting. Which means that the activity of the enterprise management and of its staff will be evaluated objectively, on the basis of how they have been able to organize suitable working conditions for those who directly provide services, and that the remuneration of the collectives in the service outlets will depend on the quantity, quality and promptness of the provided paid services. The Principles assume that the unnecessary administrative links in management will be abolished in the enterprises' economic sphere, if they do not earn their keep through activity that is beneficial to society. The principle of complete cost accounting will gradually apply to all the links in management within the enterprises' economic sphere. The purpose of complete internal cost accounting at the service outlets is to install simple systems of economic incentives and financial responsibility for the working collectives of the service outlets; these systems will not require much administration and will link bonuses, as a proportion of wages, to the quantity and quality of the provided paid services.

In this way the amount of remuneration for the collectives and individuals at the services outlets will be tied to the volume and quality of the paid services.

Moreover, if there are differences in the volume and quality of paid services between individual enterprises and outlets, also the wages and bonuses for their workers will differ. Henceforth nobody will set a wage ceiling in the area of services, but at the same time nobody will offer guaranteed--even if low--wages without the corresponding quantity and quality of provided paid services.

This is logical, incontrovertible and in accord with the essence of socialist economic relations and of the new economic mechanism. But simultaneously this is a harsh logic and not easy to implement. Consistent realization of the Principles particularly in this sector sometimes encounters incomprehension and also creates conflicts because it affects the accustomed duties and jobs of some officials.

Adjusted Output as Criterion

Decisive for service enterprises is the question of whether a criterional indicator or a plan indicator will be used. For this will determine on what basis the fulfillment of the planned tasks will be evaluated and how much of the income after deducting the cost of materials will be available for bonuses and the modernization of the enterprise. From the very beginning of the work on drafting the Principles, it was evident that--in accordance with the Set of Measures--the criterional indicator of net output should apply.

Gross output indicators include the cost of materials and in practice lead to the squandering of materials and spare parts. The larger and more expensive is the part replaced, the easier it is to fulfill the gross output indicator. The need for utmost economy in the use of materials and spare parts led to the choice of a criterional indicator of the net output type. As we very well know, adjusted value added is the indicator chosen for centrally managed industry. The feasibility was investigated of using this indicator also in the area of services. It comprises scores of cost items and does not appear to be sufficiently functional and expedient for the area of services. Therefore another indicator of the net output type was chosen, namely the indicator of adjusted net output, because it is simple, comprises only two cost items and--the main reason--can be applied easily to the internal cost accounting of the service outlets.

The indicator of adjusted output permits a detailed breakdown of enterprise cost accounting even by service outlets, and it enables the manager of the service outlet to calculate his plan fulfillment at any time. Because the new system of planning and management for service enterprises starts out from the principle of including as many workers as possible in the output of own services organized specifically by service outlets, and of linking their bonuses to their contributions toward fulfilling the indicator of adjusted output, after many analyses and in accordance with the views of the enterprise and service-outlet workers themselves, this indicator of adjusted output was chosen and approved.

To achieve a more suitable ratio between the work of the service enterprises by which they supply the population's demand for services on the one hand, and cooperation with centrally managed industry on the other, the previous indicator of work and services--it included both activities and concealed their ratio--is being replaced by a new indicator: services for the population (adjusted) provided directly or through other facilities whose costs are covered from social expenditure funds (such as the health-care and welfare facilities, etc.).

Financial and credit policy will give preference to services for the population, over cooperation with centrally managed industry.

In these and other ways, services for the population will gradually be expanded, excessive cooperation with centrally managed industry will be curtailed, and a sounder ratio of the two will develop that better meets the needs of the population and of society.

More Flexible Approach to Prices

Prices of course are an important part of the new economic mechanism chosen for the management of the socialist economy. It is essential to implement a more flexible price policy in services so that prices can cover the objectively necessary costs and provide a fair rate of profit, between 10 and 15 percent. Attainment of this necessary profitability presupposes first of all greater economy, a reduction of the excessive overhead including administration costs, the use of modern equipment, and more efficient work organization.

Simultaneously this requires--parallel with maintaining price uniformity--the setting of only obligatory price ceilings, which the kraj national committees will be permitted to reduce in accordance with the individual conditions. On the other hand, however, it will be necessary to distinguish the prices of basic services from the prices of extra services, such as home delivery of furniture, special packaging, etc.

An important prerequisite for improving the efficiency of service enterprises is to modernize their production equipment and to ensure for them an adequate supply of the necessary materials and spare parts. To ensure maintenance, repair, modernization, reconstruction, and the purchase of new machinery and equipment or of machinery and equipment that have become obsolescent in large-scale production, a repairs and modernization fund is being introduced. This fund will be used to finance low-cost and quickly recoverable investments that do not require central allocation of construction capacities and can be completed within a year at most.

In dealing with supplier organizations it is recommended to make full use of the designated coordinator system that was approved earlier but has not been fully implemented so far. It is also recommended to change the conditions for the supply of spare parts so that the agreed volume and assortment will be based on the objective needs of the service enterprises and service outlets, rather than on parameters specified by the manufacturers of durable consumer goods. And since it will no longer be in the interest of the enterprises to fulfill the planned indicator of gross output, instead of the indicator of adjusted output, the objectivity of the service enterprises' requirements for spare parts will be guaranteed. Simultaneously the service enterprises will have an economic incentive to salvage spare parts and to rebuild them.

Service enterprises will be able to buy directly from the manufacturing enterprises seconds and discontinued materials from export production, for their own custom orders. In the same way, they will be able to buy also other suitable materials directly from the manufacturing enterprises. The public catering enterprises will be allowed to buy products directly from members of special-interest producer and supplier unions. The service and the public catering enterprises will be able to

increase their purchases from the retail network if the supply and demand situation of the domestic market permits this. The service enterprises will gradually develop their own supply base, in accordance with local conditions.

Supplementary Forms of Services

Supplementary forms of providing services will be used much more widely in the sector of paid services for the population. The concept of these supplementary forms is twofold. On the one hand the national committees will set up small service outlets on their territories, and small cooperatives will be formed within the framework of our cooperative system for certain types of work, with simple recordkeeping of the work and proceeds, and without a costly administrative apparatus. Furthermore, the industrial, construction and agricultural enterprises, and possibly also other organizations belonging to the National Front, will be able to provide certain types of work and services for the population. It is recommended to use more widely the present form of so-called special participation, and to reintroduce the form of leasing businesses. Essentially this involves a worker who works for his own account in the name of a socialist enterprise, to which the worker remits a certain proportion of his proceeds from sales.

Simultaneously also the forms of part-time employment will be encouraged. This will involve the part-time employment of citizens by the local production and service enterprises, to provide minor services and repairs, and for other specified activities. Homework by citizens likewise can be utilized on a wider scale.

On the other hand there will be individual entrepreneurship in services. We wish to emphasize that this is individual entrepreneurship and not private or private-capitalist entrepreneurship. This is entrepreneurship that excludes outside hired labor and utilizes personal ownership by citizens to provide paid services for the population. Licenses for such activities will be issued by the appropriate national committees, to citizens who will provide on a part-time basis paid services for the population according to an approved price schedule; furthermore, to retired persons, and in certain specified cases also to citizens who will be providing services as their principal occupation.

Thus the necessary conditions will be created enabling anyone to provide services who wishes to do so in an orderly manner, and he may obtain a license for such activity from his national committee. But unlicensed entrepreneurship, or entrepreneurship that violates the set conditions, will be dealt with strictly.

It follows from the 6th session of the CPCZ Central Committee that the authority of the national committees at every level is being broadened to coordinate and manage all forms of enterprises and individual entrepreneurship in paid services. Especially the authority of the municipal national committees and of the national committees in communities that are [economic] district centers will be broader. These national committees will have the function of coordinating the entire system of services based on state, cooperative or personal ownership, or on ownership by social organizations. The organization and territory of the service enterprises and service outlets will be adapted to the local and territorial conditions, taking fully into account both the satisfaction of the customers' needs and the optimal utilization of capacity. Decentralization will proceed in cases where the centralization of organizations has not produced the desired effect and has led to a worsening of services.

Room for Entrepreneurship

At the service enterprises, administration and reporting will be simplified considerably. All monthly statistical and accounting reports, if they are merely summaries and are not essential to management within the organizations, will be abolished. Only selected data on the fulfillment of the service enterprises' significantly simplified indicators and tasks will be monitored quarterly. Other essential data will be reported semiannually or annually, possibly in ad hoc reports, but will not be more detailed than necessary. Obviously the specific economics of services must be reflected also in recordkeeping and reporting, and the same system should not apply to services as to centrally managed organizations in large-scale production. In order to curtail administration, it will be necessary to review also the area of special regulations.

All these and other measures will not be able to dispense with significant perfection of the work of the central state organs, including both the branch and the cross-sectional central organs. Great demands will be placed especially on the interior ministries of the two national republics. The Central Committee Presidium's report at the 6th session of the CPCZ Central Committee states that the work of the republic interior ministries must be improved substantially. In the interest of the national committees' more effective management by the governments it must be recognized that the governments' work must center on care for the work of the national committees, local economy, services and housing administration; on legislation and the streamlining of public administration; and on consistent coordination of the implementing regulations for the national committees. As CPCZ Central Committee Secretary Jindrich Polednik noted, the statutes and rules of organization, the organizational arrangement of departments and sections, the allocation of cadres, and the methods and style of the ministries' work must be adapted accordingly. It is essential that the republic interior ministries concentrate entirely on securing the resolutions that their governments adopted for implementing the conclusions of the Party Central Committee.

The basic premise of the Principles for the More Effective and More Flexible Management of Paid Services is that substantially better results can be achieved with the available resources, if sufficient room is created for the aggressive and, from socialism's point of view, beneficial entrepreneurial activity of the enterprises, outlets and individuals providing paid services, and if also the central state organs that administer the local economy and services improve their work. The existing reserves are by no means insignificant. They can be uncovered and utilized through the more efficient operation of the enterprises, service outlets and individuals, and also through the better policy-making and economy-organizing work of the national committees and central organs. Transformation of the system for planning and managing services requires that this process be managed centrally, in order to prevent its random course or slowdown.

1014
CSO: 2400/273

SHORTCOMINGS, RESULTS OF ECONOMIC PERFORMANCE SINCE 1978

Budapest FIGYELO in Hungarian 26 May 82 p 3

[Article by Mrs Dr Ferenc Nyitrai: "Economic Processes 1978-1981]

[Text] The December 1978 "track modification" resolution of the MSZMP Central Committee modified the growth trend and decided economic political priorities on the basis of the experiences of the 1970's. It is worth reviewing what we have achieved in the past 3 years, to what extent we moved ahead on the course of track correction, where we can, or must, accelerate our speed, and where there is reason to alter direction.

The track modification resolution recognized that we must adjust the growth rate to our possibilities and that the rate must be subordinated to two of the most important goals: stabilization of the general level of living standards and the improvement of the equilibrium--including primarily the foreign market equilibrium--which has already proved correct and has brought significant results. It can be attributed to this that the second world market price explosion found the Hungarian economy prepared, and that its effects were solved by economic management and organizational activity in such a way that it did not cause significant shocks.

During the same period, the shock effects in most of the developed capitalist countries were perhaps stronger, or at least as great, as they were in the first half of the 1970's.

Economic Equilibrium

The level of the gross domestic product in Hungary continued to rise although at an unquestionably slower rate. The new price and regulator system as adjusted to the tasks of track correction was introduced in 1980 and had its first full year of operation in 1981 when the GDP increased by 2.5 percent as compared to the previous year.

By the year following the 1978 Central Committee resolution we were prepared to "welcome" the changed conditions with the strengthening of the normative nature of the regulator system and by introducing a new price mechanism better adjusted to the new foreign market conditions. Naturally, their effects were felt in the first year only to a small extent, but much more firmly in the

following year. We were able to experience the most important improvement in the development of the foreign trade balance. Between 1979 and 1981 the deficit in the foreign trade balance was reduced to one-half of what it was between 1976 and 1978. The improvement came to a significant extent from the favorable development of nonruble account export-import.

This was primarily the result of the reduction of domestic consumption which was useful for countering the unfavorable--for us--changes in the direction and extent of changes in foreign market prices in 1979. In the following years, however, there were already some changes in the trend: in 1980 the average level of foreign trade prices developed favorably, and no small role was played in this by the active rate of exchange policy. In 1981, the development of domestic consumption and the change in foreign trade prices worsened our equilibrium situation somewhat.

We achieved results in import management. Between 1979 and 1980 the volume of imports for production remained essentially at the same level despite a minor growth in production. In 1981, the 2 percent increase in the growth of national income was accompanied by a decline in imports per unit of production. We must take care to note, however, that the import structure was modified, including an increase particularly from the developed capitalist countries, in the consumption of semifinished products and spare parts, indicating that a significant portion of the exportable finished products required the use of considerable imports.

Investments

In investment activity we did not succeed everywhere in realizing economic, rational management. In the sphere of state decisions, this management was effective. But in some enterprises a more important degree of investment spirit was perceptible even in areas where this was not justified by the present level of export capability. A role was played in this by the fact that given the new prices the income producing capability of enterprises was greater than we had planned and conceived in shaping the price mechanism. This greater than expected profitability expanded development sources.

Quite a few enterprises also initiated investments with a favorable effect on the structure of the economy, partly from foreign resources and partly from credits. This was favored by the convertible export-expanding credit program (which was also paired with the convertible import-replacement program) as well as by the credit program for energy rationalization goals. Enterprise investments were joined to these government programs and to several special government programs primarily in order to expand the ratio of production and competitive export.

It is not an unfavorable phenomenon that the volume of investments in the enterprise sphere grew more rapidly than in the state decision sphere. State means were and are available for restraining excessive investment spirit (one such means was the interest-level increase employed in January 1982 with retrogressive effect).

In the composition of the investments, however, unfavorable phenomena are in evidence. While at the end of the 1970's 45 to 46 percent of the investments by socialist organs was in construction, and a similar ratio was represented by machine investments, the ratio of construction investments in 1980 to 1981 increased by 48 to 49 percent and machine investments represented a value of about 41 percent. Thus the ratio of reconstruction type investments declined. (The composition change was influenced to a large extent by the fact that at the end of the 1970's and at the beginning of the 1980's important infrastructural investments were started which had a greater construction requirement than the average.)

It is also an unfavorable phenomenon that in 1981 the volume of facilities put into operation declined, and to a greater extent than the investment and financial disbursements. Therefore, the stock of unfinished investments increased once more, and this time by 3 percent. Between 1979 and 1980 the number of investments underway declined, more investments were completed than were started, but in 1981 the number of starts increased once more.

The combined volume of investments decreased by about 10 percent in 3 years. As a result, the ratio of investments in gross domestic production (GDP) declined from 34.8 percent in 1978 to 27 percent in 1981.

The stock of means used in production also grew at a slower rate than in the previous period. While between 1976 and 1978 the volume of means used in production increased annually on an average of 4.1 percent, this increase came to only 4.1 percent between 1979 and 1981, and within this period there was a declining trend (from 5 to 4 to 3 percent for the individual years).

The exports of the agriculture and food industry complex increased more rapidly than average in the past 3 years as compared with exports of industrial products, and this had an effect on the development of the foreign market equilibrium. For example, the export of machine industry products increased to a smaller extent than called for in the plan. But even then, a greater share of industrial sales in 1979 to 1981 was for export than previously. In 3 years the volume of foreign trade sales for industry (excluding the food industry) increased by 8.6 percent.

The level of domestic consumption has declined by 7 percent since 1979. This included a minor increase in consumption by the population and a significant, almost 12 percent increase in public affairs material consumption in the past 3 years.

Given the above-mentioned investments, inventories declined in 3 years, a larger role in which was played by the change in the year 1979 (it must be taken into account that in 1978 inventories increased to an extent exceeding any previous time).

Table. Development of Added Value (GDP) and Investments

| Year | Added value volume, previous year = 100 | Investment volume, previous year = 100 | Investment in percentage of the GDP (at current prices) |
|---|---|---|---|
| 1977 | 107.6 | 113.0 | 34.6 |
| 1978 | 104.4 | 105.0 | 34.8 |
| 1979 | 102.7 | 101.0 | 33.1 |
| 1980 | 100.2 | 94.2 | 29.6 |
| 1981 | 102.5 | 93.9 | 27.0 |

Foreign Trade

Among the notable factors which helped improve the equilibrium were all those things which we did in foreign trade and particularly in export. The last time Hungarian foreign trade had achieved a favorable balance was in 1973, and after that the deficit increased extremely rapidly. The 1978 import surplus was equal in value to more than 11 percent of the national income.

In 1979 the import surplus was equal to 4.2 percent of the national income, in 1980 to 2.7 percent, and in 1981 to only 1.6 percent. Although we could not afford to rest satisfied even with these results for the goal was to turn the process around and to achieve a favorable balance, the direction of the change was appropriate and its rate was also favorable.

But in order for us to achieve the equilibrium situation set in the track modification, we will have to increase exports, and particularly nonruble account exports more rapidly. The change that has occurred in this area since 1979 is significant but not enough. In 1979, nonruble account exports jumped to an outstanding extent of 15.6 percent. But in 1980 the increase came all in all to 2.1 percent (of course, this was not small in comparison to the higher base), and in 1981 we also failed to reach the planned level, and nonruble account exports increased by 1.7 percent.

Initiatives to expand nonruble account exports were successful. Formerly, the exports in this trade relation were excessively concentrated, primarily to the developed capitalist countries and especially to the FRG. In recent years we have succeeded in building up and expanding our relations with a number of developing countries. In this field our reserves are significant, for the import capability of the developing countries is increasing, and the opportunities exist for the export of complete factory facilities, and in addition to the specialized training that goes with this it is also favorable for us in the development of a qualified work-intensive export structure. For this, of course, we need to know well the special requirements of the markets.

In 1981, the terms of trade for nonruble relations improved, principally in reaction to an active rate of exchange policy. The terms of trade in the ruble relation deteriorated significantly in 1981 by 9 percent. This was partly a consequence of the fact that because of the CEMA price formation

methods the raw material price increases--in a delayed manner, to be sure--began to appear strongly this year. It can be expected that this trend will be felt also in 1982 and 1983 depending on the extent and direction of world market price changes in 1982.

It is worth noting a number of characteristics of our foreign trade structure, for this is where we need the most rapid change if we want the improvement in the equilibrium to be built on a permanent export expansion. At present, about one-third of the nonruble account export consists of materials, semifinished goods, and spare parts; another one-third consists of food industry materials, live animals and food; in both groups there is a significant ratio of products at a low level of processing and including a relatively small amount of Hungarian work. Although there is progress within the groups--for example, among the food industry materials and live animals, processed products are steadily increasing--among materials, semifinished products and spare parts, it is spare parts that represent an increasingly greater share. However, there is scarcely any perceptible change in the export of machinery, transportation means, and other investment goods. All in all, machinery, transportation means and other investment goods made up 12 percent of our 1981 nonruble account export; and consumer industrial items made up 14.6 percent.

Our nonruble account machine exports developed somewhat in 1981. This is indicated by the 10.6 percent growth. However, the export of our consumer industrial items declined a little. There was a decline in the export of clothing items which was countered to an extent, but not fully, by a significant increase in pharmaceutical exports. Within machine exports there was an increase in the export of complete manufacturing facilities and this amounted to 1.1 billion forints more in 1981 than in 1980.

The new price system introduced in 1980 significantly improved the economy of industrial exports. In 1981, 40 percent of the full marketing by socialist industry was done by enterprises using competitive price formation, 31 percent by those using the so-called price-ratio formation, and 29 percent by those using prime-cost type price formation. The profitability of enterprises using competitive price formation was higher in 1981 both in domestic and foreign sales than in 1980, which was achieved because meanwhile the non-normative incentive to capitalist export decreased. The foreign trade price work of enterprises developed perceptibly, particularly for those using competitive price formation; the cooperation of industrial and foreign trade enterprises improved; and the possibility of choosing among foreign trade enterprises has also brought initial results. The expansion of the independent export right (and the responsibility accompanying it) also had a favorable effect on the development of profitability, but we still have many reserves in this area.

The 3 years that have passed since the track modification has undoubtedly brought results, and among these we should not underestimate the effect of factors improving the equilibrium. But we must also state that the development in production is slow, that our greatest reserves are in the transformation of the product structure, and it appears we must intensify our efforts

in this area if necessary through an appropriate change in the incentive system, and the strengthening and in some cases the expansion of the various credit programs in order that the favorable trends which are developing may become permanent, and it will not be merely through restrictions on domestic consumption that we achieve further results.

6691
CSO: 2500/269

## PROBLEMS OF CLOSED PRODUCTION SYSTEMS, AGRO-INDUSTRIAL OUTFITS NOTED

Budapest FIGYELO in Hungarian 2 Jun 82 p 13

[Text] The IX National Agricultural and Food Industry meeting was notable for its dullness. Although the program came off on schedule, and the lectures were topical, there were only four comments, and only one of these dealt with the theme of the meeting: namely economic cooperation, especially the current problems of the production systems and the agro-industrial associations. The lack of debate and exchange of experiences is all the less comprehensible because managers of these undertakings have quite definite opinions on the subjects under discussion albeit usually expressed in private.

Although the meeting generated no debate, certain points of criticism worth reporting emerged: The farms which are members of the closed production systems are dissatisfied with the services provided, chiefly by the fact that, in many places, the technology required is not adapted to prevailing local conditions. The administration of the systems is large: as many as 600 persons are employed at some of the centers of such systems. For instance, a total of 1,500 persons worked for the food industry trusts before they were dissolved. Now two production systems employ this many persons. The fees which must be paid to production system centers are high. Frequently the interests of the system centers differ from those of member farms. Usually there are no personal reasons for this. Today the technical-technological standards of agricultural production are much more uniform than when the systems came into being. Thus it is difficult for the systems to come up with innovation beyond raising overall yields. Possibilities for material technical development are limited, partly because the farms involved lack or have limited development funds and partly because even if they have money, the constraints on foreign exchange make purchase of latest technology difficult. Yet the systems achieved their greatest success through use of new technology.

The production systems are seeking renewal under entirely changed circumstances: for instance through reorganizing the supply of parts, organizing service networks participating in distribution and sales and general strengthening of enterpreneurial endeavors. Although such efforts are commendable, they may not replace the basic tasks of the centers, namely, research and establishment of the connection between production and the latest technological results.

It appears that no single form of undertaking has provoked so much controversy and animosity as organization of the agro-industrial associations. In addition to uniting production forces and harmonizing development, Hungarian practice pays great attention to the independence of the farms and enterprises involved in cooperation. Thus these are not giant enterprises but a joint undertaking of units which retain their independence. Not only has there been no loss of economic independence for participating enterprises, but development of private plot projects and ancillary activity of members of such associations has been stimulated. Naturally not all aims of the agro-industrial associations have been realized. Differences between participating farms have persisted; no satisfactory linkage has evolved between growers and the food industry. Nevertheless, the production standards and efficiency indexes of the four Agro-Industrial Associations is not only higher than that of their neighbors but exceeds their own previous records.

Organization of additional associations is not planned. The existing ones will become open, making it possible for members to drop out or for new ones to join. The agreed upon development programs should be made more flexible; the degree of contributions to joint development sources should not be prescribed. Participants in such associations should have the right to contribute to the particular projects in which they are interested.

CSO: 2500/288

## BRIEFS

LIVESTOCK CENSUS FINDINGS--In March 1982 there were 31,000 more head of horned cattle than during the same period in 1981. Increase was particularly notable among animals raised for slaughter. Although there were 4,000 fewer cows than in March 1981, milk yields are higher due to genetically superior stock. Milk increase over 1981 amounts to 6 percent or 28 million liters. The decline in the number of privately owned cows continues, but small producers are raising more animals for their cooperatives. The number of hogs increased by 4,000 head over 1981. Hog raising is especially lucrative for small producers; they have upped their stocks by over 2,000 head. The number of sows has increased by 53,000 of which 46,000 are being raised by the private sector. The herd of sheep has grown by 44,000 head since 1981. [Summary] [Budapest NEPSZAVA in Hungarian 16 Jun 82 p 11]

CSO: 2500/290

## 'RYNKI ZAGRANICZNE' OUTLINES ITS REPORTING POLICY

Warsaw RYNKI ZAGRANICZNE in Polish No 1, 2 Mar 82 pl

[Article by the editorial staff: "To Our Readers After the Interruption"]

[Text] Today we are once again publishing RYNKI ZAGRANICZNE after an interruption of more than 2 and a half months caused by the drastic rigors of martial law. We felt keenly the introduction of martial law, but it was recognized as essential to have a break in the growing wave of social shocks which were deepening the destruction of the economy and endangering our national existence. It is also a question of creating conditions for effectively counteracting the political and economic crisis, for implementing the reforms which the country urgently needs.

Our national economy nonetheless continues to find itself in a difficult and complicated situation. We seriously see the signs of the errors of the economic policy of the 1970's and the economic losses suffered during the post-September period, which forces us to many instances of renouncement and hampers our efforts to get out of the crisis.

This also applies in particular to those of us interested in Poland's economic ties with foreign countries. Things got to the point where our country was deeply in debt and the economy was excessively dependent on imports, where the ineffective utilization of the resources at hand did not permit the proper development of the export potential, and the shocks of the most recent period hampered a fuller utilization of the production capacity already available. This is also the reason for the unsatisfactory results of foreign trade last year, when our exports declined substantially while reduced imports did not provide for the satisfaction of many of the country's important needs (we shall soon be publishing a comprehensive analysis of these results). Our situation also became more complicated with regard to our foreign creditholders, and relations grew worse with those capitalist countries whose governments began to impose painful economic sanctions against us.

At the present time our foreign trade faces urgent tasks which are still important for the country, tasks concerning the profound rationalization of imports and the most rapid possible activation of exports based on

the deepening of economic cooperation with foreign countries, especially the socialist countries, which have been demonstrating understanding of our difficult situation and coming to us with assistance we can notice. We are attaching particularly great significance to close cooperation with the Soviet Union, our most important partner (see the neighboring article [CSO-2600/596, Item 1]).

In the execution of difficult export and import tasks, we should find helpful the economic reform which in the sphere of foreign trade too consists mainly of expanding the enterprises' independence (we are discussing this more comprehensively today in the article on page 8 [see CSO-2600/597]). More and more will depend here on the skill, initiative, and activity of the trade people and producers themselves.

And of special significance in this situation is the provision of a wide range of information and analyses portraying the economic situations of partner countries and the trends on the international commodity and money markets to the foreign trade enterprises and factories (which are interested and involved in export and import). This is just what RYNKI ZAGRANICZNE is involved in. As the only special newspaper in Poland which regularly reaches foreign trade activists, it also devotes a great deal of space to current issues concerning our export and import.

Because a broad, reliable presentation of all these subjects today is becoming so important to us, we are resuming RYNKI ZAGRANICZNE's publication knowing that we must make every effort for our newspaper to be able to fulfill its tasks better.* It is particularly a matter of adapting the subject matter of RYNKI ZAGRANICZNE more precisely to the needs of our producers and trade people.

Therefore, in writing about the most varied sorts of world economic trends, about the economies of various countries, about the production of the widest range of sectors, about the situation on the world markets of the major commodities and international trade, and about the international problems of foreign currency exchange and the like, we will give particular consideration to those aspects which have an impact on the situation in our economy and in our foreign trade, as well as to those other issues which may be useful to us for other reasons.

Alongside its informational functions, after all, our newspaper should at the same time serve educational functions, help raise the level of knowledge of people interested in the problem of world economics and foreign trade, thereby inspiring them to enter into their own reflection and more effective action in their own areas.

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*The fact that the price of our newspaper is increasing also obliges us to upgrade its quality. Nonetheless, it is worth adding that even this increased price covers less than half of the costs of publishing RYNKI ZAGRANICZNE (for example, the foreign agency services to which we subscribe are very expensive); after all the State Foreign Trade Institute finances it out of resources serving informational activity on behalf of our exporters and importers.

Nonetheless, Dear Readers, in order the better to meet your needs -- because re realize the inadequacy of our efforts -- it is important for us to have closer contact with you and especially to continually become familiar with your views concerning our newspaper and with your requirements addressed to our editorial office. Therefore, we are awaiting your comments, for which we thank you in advance.

We are also waiting for your letters, statements, and articles, which we would like to see in our columns (this applies particularly to the exchange of experience between production enterprises and trade enterprices concerned with export and import). Treat us as your own newspaper, your tribunal, and think of yourselves as its joint editors.

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## NEW MECHANISM FOR HANDLING EXPORTS AND IMPORTS OUTLINED

Warsaw RYNKI ZAGRANICZNE in Polish No 1, 2 Mar 82 p8

[Article by Eugeniusz Harasim: "The Economic Reform: The New Mechanism for Guiding Export and Import"]

[Text] Along with the rest of the economy, foreign trade is currently subject to new principles of management. Although this formulation is not too precise, we can reduce the new principles to the following changes:

A significant increase in the operating independence of the foreign-trade enterprises and the production enterprises in the realm of export activity,

New principles for the distribution of foreign currency and the functioning of import,

New principles for clearing export and import deliveries.

The new decisions concerning economic instruments like supply prices, exchange rates, taxes, and so on are closely related to these changes.

### More Realistic Rates of Exchange

The principles of creating prices and price levels themselves have undergone the greatest change. The new supply prices for basic raw and other materials are basically set on the level of world prices calculated at a rate of 50 zlotys on the dollar. Because of this the new supply prices could provide a more realistic though not entirely realistic representation of the price of exported and imported raw and other materials and have led to ratios between world prices and our economy. The foundation has been created for building an optimal foreign trade structure for us and for rationalizing the whole economy, because the goods which are expensive worldwide have become expensive in our country too, and the inexpensive ones, relatively inexpensive.

Under conditions of grave controversy a decision was made about the foreign-currency exchange rates currently being used in our country in clearing export and import deliveries.* The transferable ruble exchange rate in effect here for many years, set at 44.44 zlotys, was increased to 68 zlotys, while the dollar was increased from 54 zlotys to 80 zlotys. Such great increases are extremely rare, because they amount to about 50 percent.

What is implied by such a great decline in the value of the zloty? Mainly it means an increase in production costs and a decline in labor productivity throughout our economy. For this reason the supply price reform must signify a substantial rise in the prices of raw and other materials. There were similar reasons behind the several price increases on the procurement of farm products.

But the world markets do not react to a rise in our production costs. The foreign-exchange prices in effect on those markets are relatively stable and can usually increase by a few percentage points per year. Therefore the great increase in domestic prices must be accompanied by an increase in the sales prices for exports, which means a decline in the value of the zloty in terms of foreign currencies. The alternative would be to maintain the exchange rate and do away with exports.

The level of currency exchange rates also plays an exceptionally important role in the realm of imports. The target mechanism for guiding imports does not provide for the distribution of foreign currency but for the free purchase of it at the bank. On the other hand, this will not be possible until an equilibrium rate is introduced, that is, such an exchange rate which will keep our balance of payments on an even keel in the long run. Such a rate will surely not be introduced soon, but it is essential to approach it gradually. The alternative is clear: either a high rate of exchange or an administrative distribution of foreign currency, and therefore either the independence of the enterprises or centralized decisions.

Greater Independence for the Enterprises

The scope of the foreign trade enterprises' independence has expanded in several spheres of operation. First of all, we should mention planning. Back during the first wquarter of 1982 the enterprises themselves set the level of export and import targets. The Ministry of Foreign Trade did not set the targets for them. It only gave them the government targets for the first quarter by way of information. On the other hand, the initial tables in the enterprises' plans show that they are relatively close to the central plan. In our country this is a new phenomenon. Here is an illustration (in billions of negotiable zlotys):

| | Exports | Imports |
|---|---|---|
| Central plan | 182.7 | 193.5 |
| Plans of the enterprises | 174.1 | 182.5 |

*Viz the editorial discussion "Controversies Over the Rate of Exchange" in RYNKI ZAGRANICZNE No 143, 1 Dec 1981 (Editor)

This table reveals a new element, which was the product of the economic reform, the elimination of the foreign exchange zloty and the use of negotiable zlotys to measure foreign trade turnovers, but these figures will be difficult for the reader until he becomes accustomed to them.

Although the foreign trade enterprises formally are free to set export targets, they do not determine the sizes of that export. For the moment it is the producer who has the deciding word. He is also independent, and to an extent greater than in the past.

Unfortunately, it is difficult to talk about enterprise independence in structuring imports. Foreign-currency distribution is centralized, and despite appearances this is not the result of martial law but of a serious shortage of foreign currency which has been coming for many years.

It must be emphasized that from the very beginning of work on the reform, the rules for the functioning of import have never been clearly formulated. There were only enigmatic promises about the possibility of the enterprises' free purchase of foreign currency, but the authors of these statements never had the courage to specify how high the rate of exchange should be set to keep the demand for foreign currency from exceeding the amount in the till. Empty foreign-currency drawers seriously interfered with the vision of the reform, or the vision of the enterprises' independence, we should say.

The Question of Foreign-Currency Allowances and Concessions

One of the possible ways to provide for a certain level of independence in import decisions under these conditions has been the method of using what we call foreign-currency allowances obtained by exporting enterprises for additional imports. We do not need to discuss here the regulations on the functioning of foreign-currency allowances, which have been implemented and already made common knowledge in the press.

On the other hand it is worth emphasizing two questions. First, the foreign-currency allowances encompass only one-fifth of the whole pool of foreign currency designated for imports in 1982. The basic share of imports, mainly raw materials and foodstuffs, will continue to be carried out under the auspices of the central foreign exchange allocation. Second, the principle that foreign exchange allowances are to serve only export production is accepted with disappointment and disapproval. Despite this fact, this principle cannot be changed at the present time.

Foreign currency allowances are fundamentally only received by producers. On the other hand, the foreign trade enterprises have practically no independence in importation. They handle imports within the framework of orders stemming from:

--Foreign currency allocations for central imports (raw materials, foodstuffs),

--Allocation of foreign currency to carry out operating programs,

--Allocation of foreign currency for nonproduction purposes,

--Orders of producers which available foreign-currency allowances at their disposal.

Altered Relations Between Trade and Industry

The producers' right to gain the authority to conduct independently the export of their commodities and the import of products for their own needs within the framework of the above-mentioned mechanism for allocating foreign currency is another new element in the operation of foreign trade. The Minister of Foreign Trade grants the authority to conduct foreign trade, that is, what are called "concessions," if the producer meets certain conditions, which means that he has sufficiently great export production and appropriate personnel and technical conditions.

Another important producer privilege is the right to select the foreign trade enterprise (with approximately the same commodity specialization), with which it signs export or import contracts. For this reason, as well as in connection with the decline in turnovers, the foreign trade enterprises are becoming increasingly interested in attracting domestic contracting partners.

Among two theoretically equal partners, the producer has a far stronger position than the foreign-trade enterprise does, and this is also because the latter must compete with a deprived domestic market which is capable of absorbing just about everything and does not set qualitative or other requirements. Given the new principles of the functioning of the economy, foreign trade must therefore have at its disposal strong economic arguments to obtain a commodity for export.

Does it have them? We have already spoken of the most important one, foreign-exchange allowances. The other should follow from the system of clearing of accounts.

The regulations previously in effect imposed two sorts of conventional relations for contracts: the foreign-trade enterprise received the export commodity either on commission or on its own account, but the details of these contracts were imposed from above. At the present time the enterprises determine independently the content of the contracts they sign, but they must respect the prices in effect or the principles of setting the prices.

The generally used commission form is drastically reduced for two reasons. First, official prices or regulated prices must also be paid to the producer for export deliveries, but transaction prices can appear only as a special form of contract prices. Second, compensatory accounting in foreign trade has been located in the foreign trade enterprises.

With the current solutions it is a question of seeing that the producer receives from the exporter the same prices as from deliveries for the domestic market. Here the additional costs related to export must be taken into account either in the form of supplements to official prices or in the level of contract or regulated prices. If the foreign-exchange prices provide for high profits, then the enterprises allocate them by appropriately setting contract prices. The new general principle boils down then to the fact that foreign trade pays producers official prices or prices resulting from the costs of production, and foreign trade has assumed the difficulties related to compensatory accounting.

Functions of the Central Authorities

In the legal documents issued up to the present time, the new principles of operation of the enterprises have been formulated in a far more exhaustive way than the new functions of the central authorities. We should recall that enterprise activity, that of the production firms, foreign trade, and so on, is largely regulated today by the following new documents:

Law on the state enterprise,

Council of Ministers Resolution No 243 on the principles of operating state enterprises in 1982,

Council of Ministers Resolution No 278 on the functioning of the economy under martial law.

The problem of regulating the circulation of money in the country and of reducing the freedom to obtain credit has received a great deal of space in papers and work on the reform. It has been recognized that the Sejm must play an important role in these areas. The bank is another institution which has substantial authority in this realm. Both the central office of the bank and the banks which finance the enterprises are an important link in the regulation of the economic activity of independent enterprises.

The functions and rank of the Ministry of Foreign Trade are also increasing to a great extent, as the result of both the general assumptions of the economic reform and the principles concerning the period of martial law. For example, the Council of Ministers' Economic Committee's decision on entrusting to the foreign trade minister for the period of martial law the functions of founding body with regard to absolutely all foreign trade enterprises, regardless of their prior organizational relationship is of very considerable practical significance.

The new expanded functions of the Ministry of Foreign Trade apply in particular to the guiding of export and import. For example, let us mention the granting of authority to conduct foreign trade, the setting of foreign exchange allowance rates, the introduction of compensatory accounting in foreign trade, the access to foreign currency to carry on central imports, and the issuing of import and export permits.

The organizational structure of the Ministry of Foreign Trade has not been altered up until now, although there is an essential adaptation to the new functions. The tasks of the legal services, organization and management groups, and economic units have been clearly increasing. The functions of the commodity departments are undergoing substantial changes. For example, they are taking over the issuing of decisions concerning compensatory accounting and the issuing of import and export permits.

* * *

It has only been possible in this article to point in passing to the more important elements implied by the economic reform in our foreign trade. An exhaustive discussion of the various individual themes should be the subject of further publications concerning both the theoretical assumptions underlying the reform and the practical experience gained from its inculcation. I think that RYNKI ZAGRANICZNE will continue in particular to take up such issues, which today are of such great interest and importance to our milieu.

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REFLECTIONS ON PROMOTIONS, ADVERTISING IN FOREIGN TRADE

Warsaw HANDEL ZAGRANICZNY in Polish No 1-2 1982 pp 43-46

[Article by Wlodzimierz Strzyzewski]

[Text] Does it have to be that the most serious crisis in Poland's history has to be a period of shameful silence as far as the promotion and advertising of Polish export goods is concerned? Silence and, hence, a lack of enthusiasm that might be absolved by arguing that "nobody speaks of the rope in the house of the hanged man?" But might it perhaps be not only better for business, but also more shrewd to sell pieces of the rope as "good luck" pieces?

Here is a practical example of how this works as described in the KOELNER STADFANZEIGER for 13 October 1981 in an article on the ANUGA 81 World Food Trade Fair: "Poland surprised everybody by the fact that it was participating in the fair. We were all the more surprised when we heard how openly the Poles were talking about their problems. The press spokesman for the Polish pavilion, Wlodzimierz Strzyzewski, did not try to hide the fact that Poland is suffering from internal difficulties and shortages of supplies. But he recalled the well-known truth that the loss of one's reputation on world markets costs millions of dollars if you ever want to get it back. And this is why this year Poland is shipping to the FRG 8,000 tons of geese and 6,000 tons of ducks in an effort to earn some of the foreign exchange it needs to pay for essential imported goods. And this is why--as it was explained to us--the purchase of Polish foodstuffs is another way of helping Poland to overcome its present crisis."

Why was I talking about this to people who--as one might expect--ought to know this themselves? Because before I left on my trip to Cologne I had been talking with journalists from various countries, with scholars, and also with some Norwegian students of economics. All of them remarked that by paying a visit to hunger-stricken Poland and dining in hotel restaurants they felt as they were all but taking food out of the mouths of the Polish people.... To be sure, there are good reasons for having such feelings, since the emotions are not governed by logic. But these feelings still represent a dangerous menace for us Poles. This is because Poland's dishonest competitors can play on these feelings like some pied piper and discourage tourist travel to Poland and trade with Poland. All they have to do is zero in on the humanitarian dictum that "one does take food out of the mouths of starving people." As long as we ourselves are aware of this, then let's tell foreign journalists and their readers that our "Orbis" travel agency knows how to count and that the prices of hotel

accommodations and food and drink are calculated so as to produce a profit for Poland. Let's tell them that it is by using these profits that we are best able to help ourselves and that, on the contrary, empty hotels built with the aid of foreign loans and idle imported mixers and grilles would mean that we would become increasingly unable to repay our debts. Janusz Szczupak from RYBEX in Szczecin told me that by selling 1 ton of cod filets we are able to use the proceeds to buy 4 tons of fresh mackerel. We bring it into Poland, smoke it, pack it in tomato sauce, and what we are in effect doing is stocking food stores with 2 tons of fresh meat instead of 1 ton. This is just how we ought to be thinking and acting. And not just during periods of crisis.

But it is true that Poland is now beset by a crisis. It wants to find a way out of this crisis and it will do so. We also need foreign exchange in order to find a way out of this crisis. So, this is no time for Poles to be gorging themselves on Vistula salmon, trout, filet cuts of wild game, to be drinking Polish meads, or eating the world's best kielbasa, ham, and those incomparable Polish geese. So, it is easy to explain to any businessman why it is we are selling grass and herb seeds, rabbit and Arabian horses, frozen strawberries and black currant juice, onions and vodka. A business firm builds itself up over a period of years. A business firm is millions of already invested dollars that are already bearing interest. Nobody kills the goose that lays the golden egg, even though he may be temporarily forced to deny himself the pleasure of the eggs which the same goose lays. Nor is anyone going to starve to death by not cooking up the golden goose into a soup good for one meal only.

So, how was I able to implant all of this into the brain cells of the members of my audience, journalists from all over the world who were covering ANUGA 81 in Cologne, the biggest food trade fair in the world's history? First of all, becuase I was there. Never before have I had a chance to obtain a clearer understanding of the saying about how "those who were not there are wrong" as I did by listening to the fundamentally erroneous views, views which are detrimental to Poland's economic interests, that, were it not for a rebuttal from a Polish journalist, would have been relayed to millions of readers in the articles and columns filed from the site of ANUGA 81. I was able to be there because the foreign trade enterprise POLEXPO and the Polish press agency INTERPRESS recognized the need for using a journalist to get a message across to other journalists and shared the expenses of sending a press spokesman to the Polish pavilion. Both firms viewed this as an opportunity to do something good for Poland, and to generate current and long-term gains for the country and for themselves. Secondly, because I had a reputation there based on my participation in previous trade fairs. The successes that were scored in Cologne in the area of promotion and salesmanship once again confirmed the truth of the argument which holds that advertising, in order to be effective, must be continuous, and that when it comes to promotion no form of business correspondence can take the place of direct face-to-face contacts. The director of the Cologne Exhibition and Trade Fair Association, Wolfgang K. Lange, remembered his visit, immortalized in an article entitled "Food from Poland," to the Polish pavillion at ANUGA 79, where I had invited Minister Jurgen Wischnieski (the "hero of Mogadishu") together with his wife and a host of accompanying dignitaries and where I presented his wife with a bouquet of flowers and the minister with a fine goose from ANIMEX as part of a commemorative photograph ceremony in honor of Polish export industries, and he also remembered the speech I gave at that time at a "vodka party" organized by the enterprising institutions AGROS and the Office of Commercial Counsellors in Cologne. So, when I asked him for a few minutes of his time at

the press conference which opened this year's trade fair, he simply could not refuse, and he sent along an amiable member of the Association Board to run the conference, Mr Lothar Roggenbuck. "Herr Strzyzewski," he said, "there are more than 80 countries represented here, and if I gave each of them a couple of minutes to introduce the big hits of their respective pavilions to the world press, we would be here all night. And to make Poland the only country to enjoy this unique advertising privilege would be undemocratic." That is quite true, I said, but I am the first one to apply, and, so, this is sort of my "patent." So, what can we do? "Well, maybe one of the journalists will ask if Poland is taking part in the trade fair and whether it has anything interesting to exhibit." Having my own speech in hand that was prepared in advance--in the form of replies to questions, I managed in the few minutes I had left to find a man who was willing to ask this key, promotional "open Sesame" question. And this also proved to be possible thanks to previous contacts, thanks to the good will that had been earned 2 years ago. Readers will reproach me for giving too long-winded an account of all this, but I am persuaded to do so by the practical usefulness of this experience for press spokesmen acting on behalf of all Polish expositions. Namely, the promotional effort should get under way with a main press conference sponsored by the organizers. The effectiveness of this approach is borne out not only by the loud applause that followed the speech welcoming visitors to the Polish pavilion and the congratulations of journalists from different countries who could not forgive themselves for having passed up such an opportunity themselves, not only by the numerous visitors to our pavilion and the several dozens of orders that I collected in Cologne for articles on Poland, but also by references to Polish successes in export sales markets in the paid advertising releases of other countries, such as the comment in an article on American poultry in which a correspondent of the Frankfurt ABENDPOST paid a compliment to Polish geese.

The costs of sending a press spokesman to the ANUGA trade fair were reimbursed if only by the television news brief highlighting a Polish export sales bid that was broadcast by Westdeutscher Rundfunk on 9 October as part of a report on the ANUGA fair. All things considered, this was a net gain for POLEXPO and INTERPRESS and, when you get right down to it, these two institutions were instrumental in producing a net gain for our economy. For, as Dr Wilhelm Gieseke, general director of the Federal Association of the German Food Processing Industry, said at a "Presseschlussgespraech" that wrapped up the trade fair, "there is not much interest in purchasing goods from less well-known countries and the prices of these goods, even if they are superior to others, are lower." And this is precisely the reason why efforts aimed at promoting Polish export commodities, be they Polish mead or numerically controlled machine tools, are also achievements of Polish practitioners of the arts and sciences and successes of Polish athletes.

Another net gain as far as the advertising of Polish vodkas and meads is concerned was the final press conference where I was in a way finally called to account and where, thanks to the promotion-mindedness of the hardworking representatives of AGROS, Urszula Blaszkowska, Aniela Lyski, and Barbara Orlowska, and the Underberg firm, I was able not only to make a reference to the visit of the Emperor Otto III to the coronation of Boleslaw the Brave in 1025 in Gniezno, "where the very same world's best Polish mead was quaffed," and to the great

tradition of Poland's "aqua vitae," thanks to which Polish vodka enjoys a world-class premium quality rating, but also to offer rounds of these specialties for the personal inspection of the ladies and gentlemen journalists. So, it can be said that, when it comes to product promotional efforts, action is the prime mover of action--a real perpetual motion machine! Thirdly and finally, I had somewhere to play host to the managers of international advertising agencies. The POLEXPO planners, Andrzej Lesiak (an architect) and Zygmunt Zurowski (a graphic artist), created a beautiful pavilion. A pastoral idyll made of white pine and green plywood. They conjured up an oasis depicting Poland's natural beauties, a refreshing phenomenon covering 320 square meters where both guests and all of the Polish businessmen felt at home. The gardener felt as if he were in his own private greenhouse, the hunter felt as if he were in a hunting lodge in the forest, and the journalist--well, the journalist felt as if he were in some rustic inn decorated with Cepelia [a Polish handicrafts cooperative enterprise] floral woodcarvings.... "I am proud," I was able to say to international fraternity of journalists, "to be able to invite all of you, dear friends, to the Polish pavilion in conference room 5 where we are displaying agricultural products and processed foods. I am proud to do so, because this is a beautiful pavilion, the atmosphere of which is reminiscent of the style created by the world famous Polish school of poster art and--taking into account the approaching winter--very conveniently located between Brazil and South Africa. At ANUGA 81 Poland, its crisis notwithstanding, is standing firmly on two feet, because in conference room 14 we have another pavilion, the pavilion of the firm VARIMEX, which exports first-class Polish kitchen appliances for military messes and canteens, hospitals and retirement homes, for factories and schools, restaurants, and shelters." It should also be stressed that the entire Polish team--AGROS, ANIMEX, HORTEX-POLCOOP, ROLIMPEX, RYBEX, and the Polish airline LOT and the travel agency POLORBIS--pulled together to make sure that every guest left us with a smile on their face. This has nothing to do with horsdoeuvres and drinks, of which there was less anyway than the medicinal antidotes, but rather with cordiality, sincerity toward everyone, a marvelous blend of personal pride and professionalism and good will. This is exactly how Gerhard Schmidt, a reporter for the KOELNER STADT-ANZEIGER, said goodbye to the Polish pavilion (see photo) [photo caption: Dr Gerard Schmidt, editor of the KOELNER STADT-ANZEIGER, says goodbye to the representative of the Polish airline LOT, Mrs Barbara Wroblewska. This is the right kind of advertising!]

Dieter Ebert, general director of the Trade Fair and Exhibition Association in Cologne, told the journalists covering ANUGA 81 that, "no country can afford not to be at ANUGA 81." And how. This is the world's biggest trade fair for food products and food processing technologies. This fair consisted of 205,000 square meters of exhibit space, 4,436 exhibitors from 80 countries, 144,900 fair guests from 88 countries, i.e., 5 percent more than in 1979, 69 official government-sponsored pavilions, and a record-breaking number of visits by official dignitaries, including the president of the FRG, Karl Carstens, the Federal Ministers Josef Ertl and Egon Franke, a dozen or so ministers of foreign trade, agriculture, and tourism--ranging from Christo Christov from Bulgaria to Constantinos Kittis, the minister of industry and trade of Cyprus, 11 deputy ministers secretaries of state, and 40 ambassadors. So, this was last year's ANUGA fair. While I was attending various press conferences and viewing various promotional displays I got an idea for a big and stylish campaign aimed at pro-

moting export sales of Polish alcoholic beverages. If we ran out of mead for the production of "Wawel," "Staropolski," or "Babun," it would be a good idea to look for a solution to this problem through the good offices of one of the "Polish" companies operating abroad. Most importantly, one should not wait around for merciful divine intervention, rather one should take practical action. This is exactly what the Director Stanislaw Leszkowicz did, the man who invented...the firm MERKUR. He did not have very much to work with dealing in the product lines offered by ANIMEX, and costs were rising. So, he found a solution in the form of a firm that operates in the FRG selling goods imported from third countries. At ANUGA 81 MERKUR set up its own booth in conference room 9 to introduce its powdered Indonesian soups: onion, crab, tomato (Tohun), and, a big hit on the market, "Bihunsuppe Indonesia." "With this soup alone we are making 4 million marks a year! We pay taxes, and not only are we making money for ourselves, we are also passing on some of the revenues we earn to other firms. After taxes, you can make as much money as you want here." MERKUR is a holding of the YANO firm, in which ANIMEX owns 55 percent of the shares, and as of 1 January 1982 it will have a 70-percent share in this company. They spent in excess of 4,000 marks at the ANUGA fair and set up booths covering an area of 63 square meters. In this country it costs 95 marks to rent just one chair for 6 days! But these expenses are paying off. Let us hope that "Bihun," "Sarun," "Tohun" and the other exotic names will be associated with the unique armomas of the South Seas, a culinary adventure with sultry Indonesian girls that has been magically transformed into powdered soups by MERKUR Handelsgesellschaft mbH, 8022 Gruenwald, Postfach 210 with affiliates in Bochum, Isernhagen, Nuremberg, and Schwieberdingen. Let us hope that they carve the biggest share they can out of this market! How I would have liked to run a photo of their advertising brochure on the cover of this issue, and how I would have liked, were it in my power, to present Mr Leszkowica with the "Golden Mercury" award. Are we doing everything we can? I doubt it. The commercial counsellor in Cologne, Mr Tadeusz Piekarski, thinks that we are not getting the best deal we can by granting the Underberg firm exclusive rights to distribute Polish vodka. "Clients complain that there is no one to talk to, and there are so many firms interested in selling vodka."

Mr Oskar Schorer from the firm Inter-Planning GmbH came to the ANUGA fair with his colleague Mr Karl-Heinz Bischof "ausschliesslich wegen Agros-Warschau" [solely because of AGROS-Warsaw]. To start with they want to buy 500 12-bottle cases or 6,000 bottles of "Wawel" and "Maliniak" label mead. Unfortunately, Mr Gawronski from AGROPOL in Hamburg told them that "there isn't any 'Wawel,' and, moreover, 4 weeks have passed and there is still no answer as to how much the tariff is on Polish mead and how much these 6,000 bottles would cost 'FOB Krumbach railroad station near Munich.'" They are also interested in buying honey mead. They are buying mead from Mexico, Spain, the USSR, Hungary, China, Hong Kong, Turkey and Greece in 300 kilo barrels for an annual total of approximately 500 tons. Could somebody perhaps supply them with mead from Poland? It could be mead made from three leaves, acacia, mixed flowers, fir needles.... "When it comes to mead, finding a railroad car to ship it in is no problem," says Mr Bishchof. What do the Polish bees have to say about this?

So, what is going to come of efforts to promote sales of Polish vodka and mead? I spent many long hours in the Statistisches Bundesamt in Wiesbaden in order to learn something about the structural breakdown of alcoholic beverages, including our own share, imported into the FRG. In 1980 the FRG imported all kinds of

wines, beers, wine vinegars, cognacs, whiskey, liqueurs, and other alcoholic beverages worth a total of 242 million marks. This comes to a grand total of 1 billion 461.8 million liters. Polish vodka accounted for only a very modest share of this total, i.e., 252,957 liters worth 2.4 million marks. Of course, all exporters of vodka to the FRG have experienced a falloff in export sales in comparison with 1976, when Poland sold to the FRG 546,000 liters of vodka in 2-liter containers with an alcohol content of 45.2 percent. The USSR sold the FRG 2,132,000 liters, Belgium-Luxemburg--517,000 liters, Finland--149,000 liters. There was a sharp decline in vodka export sales in 1978. Poland sold 278,800 liters, the USSR--810,000, Belgium-Luxemburg--201,000, Finland--19,200 liters. And yet sales of Western vodka are growing steadily, rising from 821,700 liters in 1979 to 840,100 liters in 1980. Judging from the reactions of businessmen and journalists attending a reception given by the Soviets at ANUGA 81, where they were treated to caviar, crab, salmon, and champagne--and of course several kinds of vodka--, 1981 will be a year in which Russian vodka acquires an even bigger share of this market. However, during the year in which ANUGA 79 was held (when we organized our "vodka party") we boosted our vodka export sales from 278,800 liters to 313,100 liters (thereby boosting earnings from 2.2 to 3.0 million marks) only to "fall on our faces" in 1980 when sales dropped to 252,900 liters worth 2.4 million marks. In 1980 the FRG imported a total of 1,297,927 liters of vodka. Are we incapable of acquiring even a 50 percent share of this market? What do we have to do by way of production and promotional efforts to accomplish this goal (apart from keeping the vodka rationing card system in place in Poland)? What are we doing to boost the image of Polish vodka in other countries? What kind of global strategy have we devised not only not to lose ground to the competition, but also to move into an increasingly more dominant position?

Potential customers are constantly being tempted with free samples, lotteries, and contests with prizes. The Stilton Cheese Makers Association has successfully combined its excellent cheese with art, to be precise, in the form of stylish pieces of Wedgewood procelain, in the same way as the Greek olympics combined art with athletics. And everyone who was intrigued by the works of art displayed in their booth--and also sampled the Stilton cheese so redolent of herbs--left with feelings of regret, as if they had lost something which they cherished. And this in fact is what promotion is all about! The Canadians handed out small bottles of "pure maple syrup" and colored folders describing this "natural wonder." The Herbruks Cheese Company of St Johns, USA tempted people with the high earnings they have realized from sales of their "Choc-O-Chee" product, an amazing mixture of yellow cheese and chocolate, and with their folder written in terrible German. At a cocktail party in the Mexican pavilion Herbert H. Lee, director of the Association of Tequila Producers in Dallas (World Trade Center Hall of Nations), presented me with an attractively put together book called "The Tequila Book" (price: $5.95) covering the prehistory and methods used to produce this beverage and recipes for tequila cocktails. This book tells us that the volume of tequila exports to the USA doubled from 1971 to 1974 and that the word "tequila" means "something mystical." It also appeals to love for one's neighbor. That is, "Americans annually guzzle up enough food that over the course of a given year could have been used to feed 25 million people!" (If grain was not used to make vodka and whiskey and beer; in 1977 Americans drank 4.2 billion gallons of beer and 402 million gallons of vodka and whiskey.)

"What is the moral of this? Leave more grain for people to eat. Tequila is made from the heart of the aguava plant, not from grain. Join the tequila lovers!" Naturally, this promotional book does not tell us that the same ground on which the inedible aguava grows could be used to raise edible grains and vegetables for the starving of the world.

As is the case with all international trade fairs, ANUGA is a big bazaar of possibilities. What we need are first-class professionals to exploit these possibilities. And there is a very great deal that remains to be done in this area. The point is that buyers from all parts of the world should have confidence in everything that is "Made in Poland," that our businessmen should have a reputation in the world as honest, reliable business partners who live up to the terms of contracts and guarantee good reciprocal benefits from trade and cooperation, and that the advice of our trade consultants should be much sought after by both developed and developing countries. These in fact are the good wishes I wish to pass on to Polish professionals engaged in foreign trade, industry and agriculture, to our insufferable bureaucrats in all ministries, to workers in all sectors of the national economy, and to all Poles living at home and abroad. For it is after all true that everything made in Poland and also the behavior of all Poles, whether we like it or not, creates an image of Poland in the eyes of the rest of the world.

11813
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## ROLE, FUNCTION OF FOREIGN TRADE ENTERPRISE DISCUSSED

Warsaw HANDEL ZAGRANICZNY in Polish No 1-2, 28 May 82 pp 20-24

[Article by Wieslaw Otta: "Functions of Foreign Trade Enterprises--Directions of Evolution"]

[Text] Foreign trade enterprises function in a varied and changing economic and social environment. The structure and dynamics of the surroundings define the role of the enterprise and determine its functions in the economy and in society. The functions can be divided into realistic, i.e. pertaining to attainment of deliberately chosen objectives of the enterprise and of the larger organizations of which it is a part (associations, ministries, state).

Within the realistic functions, the fundamental role is played by marketing functions performed together with domestic partners and specialized foreign organizations: manufacturing the product, shaping the market, physical transactional functions, material and financial implementation, and post-transactional functions.

The execution of fundamental functions is supported by service functions, the most important of which are: financial administration, cadre function, and administration of permanent property of the enterprise. The foreign trade enterprise also performs many other, often more informal functions and services for its social environment. Of essential importance here are social functions performed for the benefit of the enterprise's workforce.

Up to now regulatory functions have been implemented within the framework of a centralized system of direct management of the economy and foreign trade. Thus, they can be divided into functions of the management of the enterprise and administrative functions performed within the framework of the central system of management.

Existing divergence between outside demands and the ways in which the enterprise functions is to a great degree a result of rigid institutional structure of our economy, minimal flexibility in shaping division of labor, and little responsiveness to changes in the environment. Particularly, many reservations can be postulated as to the way in which regulatory functions are managed. Marked domination of administrative function, little importance

of preparatory, decision-making and analytical functions, as well as burdensome functions pertaining to record-keeping and control of its supervisory apparatus (management, administration) can be observed. This results in inferior regulation in relation to foreign exchange abroad as well as within the enterprise.

Deepening maladjustment and disfunction of foreign enterprises justifies questions: where is foreign trade enterprise going? what will be its role in the now-forming socio-economic system? Present interest in these questions is emphasized by the economic reform which is currently being implemented. The attempt is made to define the most essential changes in external conditions of the functioning of the foreign trade enterprise, which should be expected immediately and in the near future, and to answer the question of whether those changes will bring about full transformation of its role, or just modifications in its scope, and importance of its particular functions.

Changes in the realistic Sphere. The most important long-range tendency in the evolution of the functioning of the foreign trade enterprise will be an increase in the role of industrial organizations in foreign exchange. This is mainly a result of changes observed in the past decade in the commodity structure of our foreign trade exchange and especially of exports. In the long run, it will not be possible to continue pushing for the export of raw materials, a situation which was caused by the economic crisis. The possibility of economically advantageous export expansion can be found only in the export of highly manufactured products.

Increase in the share of trade of highly manufactured products (especially capital goods) entails shifts in the structure of required knowledge and qualifications of producers. Increase in the role of industrial entities in the implementation of marketing functions is clearly seen in the sale of compounded products often produced upon individual request. Here the function of manufacturing the product acquires fundamental importance. Its implementation requires the mastering of the complex problem of not only the construction of the product itself, but also the technology and special requirements of the future user. This is of particular importance for the sale of complete installations, technological assemblies, and elements of production lines. Even highly organized and qualified cadres of technical experts of foreign trade enterprises might not be equal to such tasks.

Essential shifts should also be expected in the implementation of the function of running the market. Mainly, this means that promotional activities would have to include arranging specialized shows, seminars, and training. However, there is little need for traditional advertising techniques. This is also the case with the remaining activities pertaining to running the market, i.e., acquisition and bidding: here technical elements should predominate. A foreign trade enterprise acquires some field of activity in negotiations concerning establishment of trade and financial conditions of the contract and in the financial implementation. Material implementation and post-transactional functions are, however, dominated by the producer.

Of course, the role of a foreign trade enterprise would not be so severely limited in all the cases. Its justifiable input may vary considerably. Analysis of the needs in the area of cooperation between the manufacturer and the foreign trade enterprise producing machinery showed basic differences in the area of necessary marketing functions required from a unit of foreign trade depending on the object of the sale[1]. This enterprise offered complete technological assemblies from the foreign trade enterprise the export of which required marketing services which were limited only to trade and financial consulting. It also offered standard catalogue products, the marketing of which could have been successfully conducted by the foreign trade enterprise. This applied even to a part of the function of manufacturing the product.

Increase in the role of industry in the activities of foreign trade constitutes an essential developmental tendency. It should not be treated, however, as an absolute principle. I believe that there are many situations where giving foreign trade enterprises far-reaching rights in organizing product, especially when competing with imports, is warranted.

Foreign trade enterprises which are in possession of foreign exchange to be used for import of finished products should have the right to organize (at prime cost), using their own funds and taking their own risks, putting-out production of such products in the country based on purchase abroad of raw materials and components. In the properly functioning economic system this would be an operation profitable for the enterprise and advantageous to the public. This is extremely desirable in the present situation which is characterized by the duality: non-use of productive capacity of Polish industry and lack of foreign exchange.

The second most important group of phenomena shaping new conditions for marketing activities are changes in our position in foreign markets. Of importance here is not the fact that the markets are dynamic, difficult to enter and even more difficult to hold. The important factor is that the possibilities of applying "strategy of penetration" into a given market with small and varied supplies are being exhausted. In many markets we crossed the threshold of visibility which resulted in decisive counteraction of competition. To hold on to such markets requires deep penetration, and most of all investing in the trade network. This approach is all the more warranted by profits from intercepting profit margins and commissions of brokers. An own sale network is also--usually--much more discretionary than independent agents.

The foreign trade community[2] has been for some time interested in the problems of the trade network abroad, mainly in the form of single or mixed companies and trade, production and trade-production companies. Many enterprises have created their own companies. However, progress in this area is slow. Limited decision-making capacity of foreign trade enterprises, lack of investment opportunities bringing in foreign exchange and an imperfect economic-financial system which does not allow working out of satisfactory criteria for appraising activities of the trade network abroad and methods of settling with parent[3] units are the main hindrances. In the meantime the ability to reach the client and supplier of the foreign trade enterprise

from abroad quickly and directly should prove that foreign trade enterprises are indispensable and have advantage over industrial organizations.

While speaking aoout conditions under which the international market functions it is impossible not to mention the progressive differentiation and the separateness of its individual segments. As a result it is necessary to apply basically different methods to implement marketing functions in each case. Rarely is an enterprise with wide assortmental and geographic scope of operation able, within the limits of warranted and accepted costs, to implement a great number of specialized functions. Here, two nonexclusive solutions are possible. One direction would be deepening specialization (but not exclusivity) of commodities and geographic territory of foreign trade enterprises. Development in another direction would create need for narrowly specialized institutions offering services in the area of information, financial and technical consulting, etc.

Changes in the realistic sphere of foreign trade enterprises include transformations in their social environment, especially among employees. A progressive democratization process is observed. Demands of employee participation in management are now a fact. Considerable increase in demands concerning working conditions and social benefits, as well as changes in their character, should also be expected. For more and more highly qualified personnel, professional activities will become in ever higher degree the area of self-implementation. For this reason "paternalistic" behavior of the enterprise will be less and less efficacious and even outright rejected.

Changes which will take place in realistic, social and economic surroundings of the foreign trade enterprise will have to be reflected in its regulatory functions as well. This especially concerns management of the basic activities, i.e. marketing activities. The size of the market space in which the enterprise functions is increasing. The market dynamics are high as well. Differentiation and distinctness of individual segments of the market is also increasing. In this situation it is not possible to conduct effective commercial operation on a large scale based on intuitive analysis of conditions and customary ways of behavior. It is necessary essentially to increase the role of analytical and preparatory functions (market analysis, forecasting, planning); up to now the development of these functions in the enterprise was effectively blocked by centralized, direct management of foreign trade and the entire economy.

Changes in the Regulatory Sphere. According to the assumptions of the system, a socialist economy is a planned economy, embraced by one consistent regulatory system. The method of executing total economic regulation, shapes, in an essential way, conditions for the foreign trade enterprise's operations, defines its scope and mode of implementing its real as well as regulatory functions.

Methods of managing the economy used so far have led to unprecedented economic, social, and political crisis. They pushed the economy in the direction of spontaneous, uncontrolled changes. In the past few years foreign trade has played the role of shock absorber and of binding material,

joining increasingly disparate parts of the economic system. It is difficult to say, however, that its functioning has been efficient and productive[4]. To come out of the crisis basic change of regulatory mechanisms is needed first of all. The most important of the proposed directions of changes in the sphere of foreign trade and economic cooperation with foreign trade and economic cooperation with foreign countries are:

--limiting of administrative dependency of foreign trade enterprises and other enterprises participating in the foreign trade on the organs of central economic administration (dependence on the Ministry of Foreign Trade turned to a larger degree into functional rather than linear dependence);

--increasing the autonomy of the foreign trade enterprise in the area of financial management (this concerns mainly funds of zlotys, to a smaller degree foreign exchange);

--wider autonomy in planning foreign trade, preserving, however, significant scope of centrally determined, obligatory assignments;

--relaxation of the monoply on commodities of foreign trade by postualting an increase in the number of concessions for conducting foreign trade operations granted to the internal economy units;

--limitations on the monopoly of commodities of foreign trade enterprises by allowing the domestic contractor to chose an appropriate foreign trade enterprise, and by allowing both import and export servicing of domestic manufacturers by one foreign trade enterprise.

These proposals are not met with universal enthusiasm. May critical remarks are made about projects of specific solutions[5]. It seems, however, that even now some main directions of changes in the regulatory sphere of foreign trade enterprises can be devined.

Significant expansion of autonomy and increase of decision-making authority of foreign trade enterprises should be considered as the most important of the proposals. The enterprise will most probably have less authority than in other branches of the economy, but the scope of autonomous decisions will broaden. Systematic analysis of the market environment will have to be developed in order to establish an advantageous business strategy. It will be necessary to have at our disposal long-range forecasts of developments in foreign markets and in the internal economy. Planning will become the basic instrument of the internal management of the enterprise. It will result in the necessity to increase the attention to detail and to include in planning many fields of operation heretofore ignored. The basic role must be played by marketing planning which would not only determine the size of tasks and individual markets but also a set of operational plans (a marketing mix). Next to general plans of marketing actions it will be necessary to construct a more detailed planning section for individual markets, or even their segments, as well as for more important marketing ventures (e.g.; programs for entering new markets). Of vital importance will also be financial planning. Financial autonomy will force enterprises to forecast determinants of financial factors (e.g.; prices on foreign markets, exchange rate, credit terms, etc.) and planning of operations which will insure the most advantageous financial position.

In the context of enterprise autonomy, it is impossible not to mention the planning and forming of the organization. Up to now organizational solutions

have been dead instruments. The applied organizational procedures and structures were rigid, they did not consider special operational requirements of particular units. Differentiation of operational conditions of enterprises and increased field of maneuver when managing them, should return the role of one of the basic managerial instruments to organizational solutions.

An autonomous, self-governing, and self-financing foreign trade enterprise will have to pay close attention to the analysis of its own operations. It seems that the most importion directions of development of analytical functions are:
--more detailed analysis of outlays and results--in cross-section with particular commodities in relation to markets, their segments (even particular clients), operations, kinds of activities or cells of the enterprise. It will entail modification of the present synthetic system of recording costs and revenues;
--introduction to the analysis of appraisal (evaluation, rating) of taking advantage of opportunities created by the market. Fulfillment of the plan does not always prove that the enterprise took advantage of all the opportunities and is operating on an optimal level. Lost market opportunities should constitute an essential element of internal evalustion of correct operations .

The above mentioned broadening of scope and increase in importance of preparatory and analytical functions is connected to changes in the decision-making function itself. The most important, possible to forecast changes in the decision-making process in foreign trade enterprises are:
--broadening of the decision-making area (matters under the foreign trade enterprise's competence);
--expansion of the time horizon of decision-making for some decisions, e.g.; those pertaining to the establishment of trade network, time range should be significantly longer than the 5-year-plan range);
--decrease in the number of repeated decisions (study, forecasting, planning) and analysis of fulfillment as an informational base for future decisions;
--application on a longer scale of decision-making procedures and models (e.g.; optimalizational, allocative models, etc.).

The changes in regulatory functions should be accompanied by changes in the nature and way of processing information. The scope of data base on which information systems are based will change. To a higher and higher degree it will also be necessary to include computers in decision-making processes.

Even though the principles of economic reform imply doing away with administrative functions will be eliminated from foreign trade activities. A limited scope of accountability will surely remain. Without it, it is difficult to imagine steering the economy. In any event it should be expected that the burden of record-keeping and controlling activities performed on behalf of the organs of economic administration will decrease.

The reform in national economy management will leave its imprint not only on the regulatory functions of the foreign trade enterprise. It will also influence the realistic sphere of operations. K. Fonfara[7] showed connections

between the kind and way of formulating the enterprise's objectives with the scope and methods of implementing realistic operations. It is not possible, however, in a short article, to present the whole gamut of expected transformations. Only those issues which point to basic differences between future situation and the present state should be emphasized. It seems that such significant new areas of activities are: financial economy and new areas of marketing activities of the foreign trade enterprise.

One of the principles of the reform is self-financing of enterprises. It will force them to portray the role of financial economy. It will not be based on record-keeping and control of the usage of means allocated from above. The enterprise will shape, to a great degree, a set of sources from which its revenues come and it will decide on the directions of expenditures. It will force, for example, the careful appraisal of input of particular cells into general outcomes and their share in the costs. Enterprises will have to ponder the concept of "profit centers" and the crossing over of particular cells to full internal self-accounting. This will also concern staff and service units[8].

As proposed in the projects of reform, the possibility of a domestic contractor choosing a foreign trade enterprise and limiting commodity exclusivity of foreign trade enterprises will put them in a new market situation. There will be no more specific manufacturer-foreign trade enterprise agreements in advance. These connections will be to a great degree shaped freely. This puts the foreign trade enterprise in an entirely new role. It is no longer the necessary executor of marketing functions in the production-trade agreement. It faces the necessity of marketing the "product", which is a set of services which are offered. It will be necessary to get acquainted with the demands of the makket (potential foreign and domestic contractors) and accordingly shape the "product", inform and rule the market, negotiate conditions of sale of the "product" (chances to negotiate profit margins and commissions, etc.).

Practical Consequences. As shown above changes in the realistic and regulatory spheres of the environment will entail significant transformations in the demands and expectations directed to foreign trade enterprises. There will be, of course, no radical change in their function. Significant shifts in thresholds of tolerance should be expected. In general, freedom of the choice of modes of implementation of economic and social functions will increase, but simultaneously the demands concerning quality and efficiency with which they are performed will increase as well. This has significant consequences for the practical activity of foreign trade enterprises, as follows:
--The general concept of a foreign trade enterprise will have to undergo a change. Safe, practically monopolistic, position in production-trade agreements will end. Very strong pressure from industrial organizations should be expected. The attack should be forestalled by enriching the offer, differentiating the scope of activities, and carrying aggressive marketing of its own services. This will entail a change in mentality and ways in which managers and workforce of foreign trade enterprises operate, which will become more efficient, productive, and--as a result--cheaper in operation than their competition and industrial units.

--Differentiation and flexibility of agreements and forms of cooperation with domestic contractors must increase. Foreign trade units must be prepared to offer a wide variety of services. They may play the role of trade and financial consultants, sell specialized marketing services, conduct agentship activities, play the role of a commission agent, buy and sell on their own account, arrange for outlaying production based on imported raw materials, enter into partnerships with industrial organizations at home and abroad, create consortia to implement specific ventures, etc. Institutional structures of marketing channels will be enriched and differentiated. They will not be formed by administrative compulsion but by voluntary cooperation; foreign trade enterprises ought to strive to control those channels to play the role of a "Captain".

--Changes in the internal organization of the enterprise have to take place, manifesting themselves in: change in the nature of trade bureas (in which bargaining function will cease to dominate and the research and analytical roles, arranging volume of commodities, search for new sources of supply will increase instead)[9] and in the shifts of significant parts of bargaining, acquisitional functions and bidding functions to trade networks abroad, expansion of staffs; getting away from stiff, rigid organizational solutions; application on a larger scale of divisional and parent hybrid structures; managing ventures, etc.[10] In connection with the increase in aspirations of the employees, changes in the style of managing have to take place in the direction of democratization, increase of the share of lower-level personnel in decision-making process. Neither will highly formalized, bureaucratic principles and structures be accepted. A shift in the direction of freer organic structures and better self-implementation opportunities for employees has to take place. Cost-effectiveness ought to become the major decision-making criterium. Those are the rules of the game in a parametrically regulated economy.

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My intention was to deliver organized material for quiet reflection of the role of foreign trade enterprise in the economy and in the society. Many of the propositions announced in that field have markedly emotional character. Irresponsibility and indignation may be observed in some representatives of industry as well as of foreign trade. It should, however, be remembered, that solutions do not lay in destroying the other side. In a properly functioning economy a place will be found for a variety of organizations and various forms of their cooperation.

FOOTNOTES

1. Compare with W. Otta, "Strategia exportowa producenta" [Export Strategy of the Producer] HANDEL ZAGRANICZNY, 1980, No 9.

2. For example, A. Jung, H. Sawicki "Spoki mieszane--cel i rzeczywistosc [Mixed Companies--Objectives and Reality] HANDEL ZAGRANICZNY, 1975, No 11; Z. Jachnis "Spoki produkcyjne--alternatywa czy koniecznosc?" [Production Companies--An Alternative or a Necessity?] HANDEL ZAGRANICZNY, 1970,

No 3; J. Huczek "Z mysla o spokach zagranicznych" [Thoughts about Foreign Companies] HANDEL ZAGRANICZNY, 1976, No 11; M. Wrzesinski "Cele i motywy tworzenia spoek mieszanych na rynku miedzynarodowym" [Objectives and Motives of Forming Mixed Companies] HANDEL ZAGRANICZNY, 1977, No 1; A. H. Krzyminski "Kierunki zmian w polskich przedsiebiorstwach za granica" [Directions of Changes in Polish Enterprises Abroad] HANDEL ZAGRANICZNY, 1977, No 5-6; J. Huczek "Posrednictwo spoek w imporcie" [Companies as Agents in Importing] HANEDL ZAGRANICZNY, 1977, No 9.

3. Compare with A. Jung "O csynnikach efektywnego dziaania przedsiebiorstw handlu zagranicznego" [Determinants of Effectiveness of Foreign Trade Enterprises] HANDEL ZAGRANICZNY, 1980, No 7-8.

4. More about problems in the functioning of foreign trade system: W. Otta "Reforma w handlu zagranicznym" [Reform in Foreign Trade] ZYCIE GOSPODARCZE, 1981, No 12.

5. E. g.; J. Wierzboowski "Rozwiazanie bez sprzezen zwrotnych" [A Solution Without Feedback] HANDEL ZAGRANICZNY, 1981, No 6; E. Harasim "Moje propozycje do reformy" [My Proposals for the Reform] RYNKI ZAGRANICZNE 1981, No 42, W. Otta "Wiecej uwagi dla producenta" [More Attention for the Manufacturer] RYNKI ZAGRANICZNE, 1981, No 18.

6. Compare with M. Ciesielski, W. Otto "Cena straconej szansy" [The Price of a Lost Chance] RYNKI ZAGRANICZNE, 1974, No 85.

7. K. Fonfara "Warianty funkcjonowania przedsiebiorstw handlu zagranicznego" [Variants in the Functioning of Foreign Trade Enterprises] HANDEL ZAGRANICZNY 1981, No 5.

8. Internal self-accounting of service cells of foreign trade enterprises was proposed already several years ago--see A. Jung, H. Sawicki, "Sztab czy piony funkcjonalne w przedsiebiorstwach handlu zagranicznego?" [Ataff or Functional Vertical Structures in Foreign Trade Enterprises?] HANDEL ZAGRANICZNY 1970, No 5-6

9. Compare with A. Jung, A. Jung, A. Malhomme "O nowa knocepcje przed przedsiebiorstwa handlu zagranicznego" [For a New Concept of a Foreign Trade Enterprise] HANDEL ZAGRANICZNY 1980, No 10.

10. A broad overview of possible organizational forms applicable in foreign trade is presented in the article: W. Otta "Organizacja dzialan exportowych w przedsiebiorstwie przemysowym" [Organization of Export Functions in an Industrial Enterprise] from: "Czynniki oddziaywajace na export przedsiebiorstw przemysowych" [Factors Affecting Export of Industrial Enterprises] PROFESSIONAL SOCIETY FOR ORGANIZATINN AND MANAGEMENT (TNOiK), Gdansk, 1980.

9959
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DRAFT 1982 BUDGET PLAN SUBMITTED

Warsaw TRYBUNA LUDU in Polish 13 May 82 pp 1,2

[Article: "The Country's Economic Situation -- Draft Budgetary Law at the Sejm"]

[Text] The Sejm received a government draft of the 1982 budgetary law. It sets the state budget's income this year at 2.25 trillion zlotys and budget expenditures at 2,618 billion zlotys.

The draft law states that additional state budget income to cover part of its shortage will be economically managed by the government through a hike in the level of social security contributions (from 25 percent to 33 percent of the payroll fund) and also through the introduction of an ad hoc stabilization loan from the economic units which do not receive state budget subsidies.

The government also gave the Sejm a report on last year's fulfillment of the state budget, for the period from 1 January to 31 December 1981.

The Sejm also received government information on the country's economic situation during the first quarter of this year, central plan targets for the second quarter, and a forecast of economic processes during the latter half of 1982. In this publication the government mentions that the introduction of martial law made it necessary to adapt the principles of the economy's functioning to altered conditions while maintaining the new mechanisms of the economic reform to a maximum extent.

The government publication filed with the Sejm also includes a synthesized description of the country's economic situation during the first three months of this year. The declining trends in the economy continued to be maintained, but they were clearly weaker than during the past 2 years.

The government information states that the main element interfering with production this year is the drastic restriction of imports from II payments area [capitalist countries] as the result of the economic sanctions which the United States and other Western countries have imposed against Poland.

The best results during the first quarter were obtained in the coal industry (the plan for extraction was exceeded by 4 percent). The situation improved in the realm of copper, lead, and cement production and in the ceramics industry. There was a great decline in production, on the other hand, in the electric machinery, chemical, and textile industries. The level of grain procurement and slaughter livestock procurement continued at a low level, and observations of market phenomena in agriculture confirm that there are no signs of any reactivation of livestock-raising trends. The supply of the means of production to agriculture continues to fall short of the needs there.

The rise in retail prices has contributed to some normalization and quieting of the domestic market situation. In March for the first time the population's income and expenditures balanced out overall. The Main Statistical Office (GUS) calculates that the rise in the cost of living amounted to 84 percent, which means a decline of about 20 percent in the population's real income.

Plan targets for the second quarter of this year and the forecast of the course of economic processes during the latter half of this year have been formulated in keeping with the assessment of the situation up until now and the effects of agreements with socialist countries regarding increased supply and market imports, which to a great extent will make it possible to compensate for the effects of the sanctions imposed by the Western countries. Consideration was also given to the need to restructure the national economy to permit maximum use of domestic raw materials and a more direct connection between our economy and the socialist countries. It is estimated that industrial production during the second quarter will continue to decline but at a far slower rate. In the food economy, on-schedule supply of fertilizers, pesticides, and spare parts, tires, and fuel, certified seed, and seed potatoes and the prompt completion of spring sowing along with the contracting of sufficient amounts of industrial crops were recognized as the most important issues.

One of the most sensitive problems for the economy is the current procurement of grain. We should count on a shortfall of about 360,000 tons of fodder. In order to take care of these difficulties, we expected to export 60,000 tons of high-quality meat and at the same time to import a like quantity of meat of lower quality. This will make it possible to obtain the equivalent of 400,000 tons of grain.

Government information also promises for example to speed up work on the creation of an incentive wage system in connection with a rise in labor productivity.

The government estimates that the latter half of this year will see the onset of growth tendencies in industrial production, along with the possibility for a general balancing of the value of deliveries of market commodities and services with the population's buying power (with profound shortages of certain items).

Summing up, it is not possible in a decisive way to counteract the recession trends throughout the economy, but there are visible signs which show the beginning of activation of the economy in certain areas during the latter half of this year creating the conditions for the onset of growth processes in 1983, according to the government information given to the Sejm.

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## PROBLEMS OF CENTRAL OFFICE OF STATISTICS REVIEWED

Warsaw TRYBUNA LUDU in Polish 3 Jun 82 pp 3,4

[Interview with Docent Dr habilitowany Jan Kordos, director of the Living Conditions Department, Main Statistical Office, by Zofia Krzyzanowska: "The Hour of Truth From GUS"]

> [Text] Society is understandably interested in the communiques issued by the Main Statistical Office (GUS) concerning our living conditions, but they are often mistrusted, because they are unintelligible to the average citizen. We are interviewing the director of the Living Conditions Department of GUS, Doc Dr hab Jan Kordos, on the misunderstandings surrounding GUS information and the living situation of society.

[Question] I will begin with letters of complaint. The first concerns GUS' frequent use of arithmetic mean, which is the subject of jokes, as everyone knows. If one employee, for example, earns 5,000 zlotys a month, then the mean is 25,000, if the second earns 10,000. This does not portray the situation of either one.

[Answer] All the jokes I know about statistics fail to interpret statistical data properly. This also applies to arithmetic means, which are often used in statistics, but you cannot apply the value of the arithmetic mean to a given individual in a sampled group, because it is only a measure of the average level of the value of the characteristic of all units as a whole, not a concrete individual. For example, the mean per capita income in employee and pensioner families gives information only on the mean income level in the whole sampled group of households. For this reason we give not only the mean income but also its distribution: the distribution by per capita income level in conjunction with other characteristics being examined, like expenditures for various food and nonfood items. We track the relationships between various factors and characteristics and we examine their interrelationships, in order to be able to know more about the group being examined. This applies in particular to research on the population's living conditions.

[Question] The second complaint concerns the so-called cost-of-living index. People are trying to compare it to their own situation, but somehow it does not match.

[Answer] Assessments of the rise in the costs of living given by GUS are the mean rise in the cost of living of a given group of households (for example, employees', peasant-workers', peasants' households or the households of retired people and pensioners). But in these groups there are various trends: for part of the households the real rise in the cost of living is far greater than the mean. For this reason this share of the households casts doubt on the mean assessments published by GUS. We should also remember that as international practice shows, the ordinary subjective impressions are quite different from objective measurements. In terms of the population's living conditions, in crisis situations there is usually a greater disparity between objective measurements and subjective assessments than under normal conditions.

[Question] The calculation of the cost-of-living index is an unintelligible subject.

[Answer] Cost-of-living indices are information about changes in the prices of consumer services and commodities of a given group of households during the period examined in relation to a previous period (usually a similar period during the preceding year). It depends on the adopted system of weights, which are sometimes called a shopping basket of goods and services, and on observation of changes in the prices of the goods and services which go together to make up that shopping basket. The weights can concern the past period (this solution is most often used in international practice) or the period examined. In Poland the cost-of-living indices published in the statistical annals and other statistical publications are usually calculated according to the weights of the previous period, but they are also calculated according to the weights of the period examined for the purposes of in-depth analysis. Under the conditions of a great rise in prices, cost-of-living indices calculated according to the previous period are usually higher than indices for the current period. It should be remembered that the shopping basket contains goods and services whose prices have increased by varying amounts. The individual goods are also bought in varying quantities and a different frequency intervals. For example, bread is bought every day in a quantity of about 25 dekagrams per person. Barely a couple of dekos of sugar or butter are used per day. There are also durable goods bought once every dozen and some years, like furniture and television sets. People observing the rise in prices do not make such calculations. The sense of the rise in the cost of living is created by the greatest price increases, regardless of how great an impact they have on everyday purchases.

It should be emphasized that the cost-of-living index measures the rise in the prices on consumer goods and services in a given sampling of households, but it does not show how much the households currently are spending to meet their needs. For this we have the help of family budget research

which provides information about the current income, expenditures, and consumption of households. On the basis of this research, for example, we can say how much more families are paying for the goods and services bought during the first quarter of this year than the same goods and services would have cost at the prices in effect during the first quarter of 1981.

[Question] What sort of difference would there be in expenditures?

[Answer] In employee families the expenditures during the first quarter of this year amounted to 4,964 zlotys per person per month, but during the first quarter of 1981 they paid 2,683 zlotys for these goods and services, which means that the increase in the cost of living for this group of households amounted to 85 percent. In the families of pensioners and retired persons, expenditures per person amounted to 4,564 zlotys, and during the first quarter of last year they amounted to 2,383, which means that the rise in the cost of living index amounted to 93 percent. In the families of peasants and worker-peasants the rise in the cost of living during the same period amounted to 100 percent and 93 percent, respectively.

[Question] The calculation also takes in the month of January, which was the month before the price increase. Therefore it can probably be said without exaggeration that living costs of doubled. What about income?

[Answer] In employee families income increased by 48.2 percent per person. In families of pensioners and retired people the increase was 65.5 percent. In worker-peasant families the increase was 73.7 percent, and in peasant families it was 116.5 percent. But the rise in the latter two family groups were very differentiated.

[Question] I propose that we put the worker-peasants off to one side, since farm income can be calculated on an even basis only over the course of a year.

[Answer] All right, but for other household groups too the first quarter of this year was special. In February retired persons and pensioners received a lump sum triple compensation. In March there was the combining of the "thirteenth" and "fourteenth" for employees of the socialized economy. These special circumstances make an assessment of the situation more difficult.

[Question] From this we should draw the conclusion that in the coming months income will be somewhat lower. In assuming this improvement we are trying to measure changes in income and consumption. I do not think I will be greatly in error in comparing income from the first quarter of 1981 to income in the first quarter of 1982, saying that in terms of value income of 1,000 zlotys last year corresponds to an income of 2,000 zlotys during the first quarter of this year. Calculating in this way, what sort of changes can we detect in the structure of income?

[Answer] Of course, this is oversimplifying things a great deal, because, as I mentioned before, the cost-of-living index differed from one household group to another, but there were rather substantial changes in the structure of income. For example, during the first quarter of 1981, 34.6 percent of the persons in employee households and 60.4 percent of the persons in the households of retired people and pensioners received up to 3,000 zlotys per person per month. During the first quarter of this year 69.7 percent of the persons in employee households and 82.9 percent of the persons in the households of retired people and pensioners received up to 6,000 zlotys per person.

[Question] These incomes are low. The level and breadth of scope of them confirms the correctness of the wage system reform which is being prepared and of the demands for reform of pensions and retirement pay. But what sort of situation do you find in the extreme groups?

[Answer] During the first quarter of 1981 only 3.1 percent of employees' families and 0.8 percent of retired people's families received more than 8,000 zlotys per person per month. During the first quarter of 1982 the respective figures were 10.7 percent and 5.1 percent.

[Question] In the families of retired people, to what can we attribute the mass retirement of employees? The level of new retirements now is higher. Why? And what about the group at the other extreme?

[Answer] During the first quarter of 1981 11.5 percent of the people in the households of employees and 22.7 percent of those in the families of retired persons and pensioners had a monthly per capita income of less than 2,000 zlotys. During the first quarter of this year 30.2 percent of the persons in employees' families and 49.2 percent of the persons in the families of retired persons and pensioners had per capita incomes of 4,000 zlotys or less.

[Question] This is the group at the poverty level. It is very large.

[Answer] The level of per capita income is not the only criterion for including households in the poverty sphere. Psychophysical ability and what we call living ability play a great role. Many families in this category receive considerable social assistance, for example, in the form of gifts. But certainly most of the people in this group have a very difficult life. Here we need further research, and we intend to undertake such research this year.

This is research which will be of great practical significance, because the protection of the groups in the worst situation is a priority target of social policy.

[Question] Is it possible to assess the changes in real income during the first quarter of this year in comparison to a similar period last year?

[Answer] It is not easy to assess this under conditions of serious market instability, under conditions of crisis and changes in the real income of various population groups. The population's real income is measured in terms of the amount of goods and services which households could buy with their nominal income during comparable periods. In a situation of serious market imbalance, rationing of many commodities, and a permanent shortage of many commodities on the market, the real income indices have a different interpretation than previously. As everyone knows, in practice the index of the growth rate of the population's real income is calculated as the quotient (and not the difference) of nominal income indices and the cost-of-living index. For example, for employee families during the first quarter of this year, if the nominal income index was 148.2 percent and the cost-of-living index was 185 percent, then the real income index would be 80 percent, which means that the real income of households of employees fell 20 percent in comparison to the similar period last year. Last year, however, different conditions prevailed on the market. There was no rationing of goods yet. We should also remember that this is a mean size for this group of households. This decline was far greater for a certain portion of those households.

[Question] For the average citizen, these calculations are complicated. Therefore, let us go back to the general trends in changes revealed as the result of the research.

[Answer] The overall trend is undoubtedly a drop in real income and a certaining flattening of income. For example, the standard of living of the families of retired persons and pensioners came closer to the standard of living of employees' families. The group with above-average income increased. When we examine the shopping basket, we also see trends of change in consumption accompanying the decline in real income. Compared to the first quarter of last year, there has been a great decline in the standard of living in households. And that is true of all groups. There has also been a very great increase in the share of expenditures devoted to food as a percentage of total expenditures. This is characteristic of a decline in the standard of living. March was the month of greatest expenditures for food.

[Question] Which can be explained both by the preholiday buying and by the exhaustion of reserves.

[Answer] Perhaps. Let us be careful about conclusions in statistics. We can only note that in March, compared to this past January, food expenditures increased (per person) by 1,348 zlotys in employee families and by 1,364 zlotys in pensioners' families. This means that 58 percent and 65 percent, respectively, of the increase in total expenditures went for food. At the same time we are noticing a decline in the consumption of nonfood items and services: by 13-20 percent after accounting for the change in prices. Going back to the data for the quarter, the greatest decline was in the consumption of items and services related to meeting needs in the realm of culture, education and recreation, a decline of 25-28 percent in relation to the first quarter of 1981. Except for the

households of pensioners, it was double in the use of transportation and communications. The value of food consumption declined by 9-15 percent, despite the increase in the share of expenditures. The greatest drop occurred in the consumption of meat and variety meats, animal fats, and butter. On the other hand, there was an increase in the consumption of breadstuffs, vegetables and vegetable products, milk, and sugar, but these increases are not great, ranging around a few percent. Generally speaking we can say that the price increases had only a minimal impact on the amount of food consumed and had only a slight influence on the structure of nutrition. Here the income factor makes a great difference in terms of consumption of high-quality foodstuffs, like meat, fish, cheese, fruits, and vegetables.

[Question] You have very detailed, interesting tables of the sizes of consumption of various items broken down by social groups and income groups. I must admit that at many points these tables are astounding. They show, for example, that the consumption of rationed items is greater than the ration-card norms would imply. Usually only the families with the lowest incomes break down. What is the reason for this? Black market buying? Stock on hand still being consumed? Help from families in the rural areas?

[Answer] It must be admitted that the situation is full of unclear points, which make it very difficult to assess the society's living conditions, but the research results for May and June eliminate some of the unclear areas. Compensation allowances for the "thirteenth" and "fourteenth" [pay] will no longer have an impact on the calculation of income. The calculation of expenditures for the size of consumption will no longer be influenced by reserves which are being exhausted, by farmers' market buying, or by the black market. The farmers' market prices are already close to those of socialized trade, and the scope of the black market is narrowing along with the decline in the population's real income.

[Question] Therefore we are getting closer to the hour of truth, which cannot be hidden. It is true that this is bitter, but it probably will not astound the society, which is already acquainted with it from its own daily observations and experience. We all feel that the material conditions of our life have become very much worse. It is true that the statistical confirmation of these feelings will not provide the means for improving the standard of living, but the accuracy of statistical research is nontheless of great, comprehensive significance, not just because it convinces people that their difficulties are noticed and not trivialized, which creates faith in the measures stemming from the research, [but also because] statistical findings can help in making decisions in areas which are of decisive significance with regard to the society's living conditions, areas like social policy, wage policy, and benefits. Competent decisions provide the possibility of correct solutions which coincide with the interests of the society.

[Editor's note] During the past months the government has been devoting a great deal of attention to protecting the families which are economically the weakest. We have written about this more than once, and we shall return to this subject.

10790
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USE OF DOMESTIC RESOURCES TO ALLAY NEED FOR IMPORTS SUGGESTED

Warsaw PERSPEKTYWY in Polish No 13, 14 May 82 p 10

[Article by Andrzej Zimowski: "The Key Is Less Foreign Exchange. Fish Oil Overboard"]

[Text] As perhaps you readers remember from publications which have appeared in the last several months, in 1980, Poland exported to capitalist countries goods worth 24.2 billion foreign exchange zlotys, which after conversion, is over 7 billion dollars. Unfortunately, the balance of foreign trade remained negative, because at the same time, we imported commodities worth 27.7 billion foreign exchange zlotys, an exchange value of over 8 billion dollars.

In 1981, Polish exports began to quickly decrease, which had immediate repercussions in necessitating a lowering of the level of imports.

And then came 1982, and the forecast for this year, prepared on the basis of the results of the past three months, are poor: a further lowering of the value of export commodities and, consequently, a shortage of foreign exchange for much needed supplies.

The situation created is best illustrated by the table below which in we again use foreign exchange zlotys with respect to the application of this measure of value in past years:

| Item | 1979 | 1980 | 1982 | Forecast |
|---|---|---|---|---|
| | (in billions of foreign exchange zlotys) | | | |
| Exports to capitalist countries | 21.4 | 24.2 | 18.5 | 12.0 |
| % (1980 100) | 88.4 | 100 | 76.4 | 49.5 |
| Imports from capitalist countries | 26.0 | 27.7 | 19.5 | 9.0 |
| % (1980 100) | 93.8 | 100 | 70.4 | 32.5 |

Let's consider for a moment the significance of two figures related to the anticipated turnovers in foreign trade in 1982, namely the two-fold decrease of our exports in comparison with 1980, and the three-fold reduction of imports.

Our industry, developed in a material-intensive and import-intensive direction as a result of the political program conducted at one time, has met with stiff barriers: a shortage of foreign currency for imports, and therefore a shortage of many raw materials, and other materials, for production, and a shortage of spare parts for machines and equipment imported from western countries. The limitations in production resulting from this further decrease the volume of exports which again lessen import possibilities and, in this way, create a vicious circle.

In this situation, a very significant matter is the most effective possible utilization of those modest foreign exchange resources that we have, and therefore, above all, the importing of such goods, thanks to which we limit so called production bottlenecks in industry. The political management of investments throughout the 1970s led to a situation where, in developing the production of goods, parallel, or even prior development of the raw material base was forgotten. A very telling illustration is that of the chemical industry. The "Program of the Chemicalization of the National Economy," worked out at the beginning of the 1970s, remained on paper for the most part. And the effect of the above is shown in an unequivocal way by the following table concerning imports, from capitalist countries, of several raw materials and semi-finished chemical products.

IMPORTS FROM CAPITALIST COUNTRIES

| Name of raw material, semi-finished product or group of goods | Average annual value of imports in millions of dollars | Earmarked for: |
|---|---|---|
| natural fatty acids and fatty products | 13.3 | production of soap products |
| synthetic glues and resins | 14.5 | production of footwear, clothing, goods from fabrics, electromachine industry |
| pharmaceutical raw materials | 39.5 | pharmaceutical industry |
| semi-finished synthetic products and synthetic dyes, refining materials | 11.9 | textile industry |
| synthetic aromatic materials | 9.5 | soap industry, perfume and cosmetic products |
| semi-finished products and materials aiding in the production of rubbers and of rubber materials and rubber products | 5.1 | synthesis of synthetic rubbers, plastics, production of rubber and plastic products |

| | | |
|---|---|---|
| materials for the refining industry | 16.3 | production of motor oils and greases and gasoline |
| synthetic resins, solvents, pigments | 43.6 | production of paints and lacquers |

In the table, such important items as natural unvulcanized rubber or phosphorite are purposely disregarded because they are raw materials, import of which we cannot cut out or even greatly reduce; shown however, are chemicals, of which the majority could be produced in Poland. On items of this type, the chemical industry has recently spent almost 1 billion zlotys, that is, almost 300 million dollars, annually.

Therefore, besides the effective expenditure of foreign exchange currency, the question of activating the domestic production of substitutes of imported products is immeasurably important and urgent. But what do we see? In many cases, Polish scientists have developed production technologies; on this basis, they have worked out so called trial projects. They have set into motion, on a semi-technical and even technical scale, production of many valuable and expensive products, and in spite of this, imports continue.

A few weeks ago, in the Planning Commission building, there was an interesting meeting of representatives of the world of science and industry, from the chemical and mining inudstries. The discussion showed that a modest flow of foreign exchange can be directed along a different way if we only begin to utilize the work of the domestic scientific-research force. It also showed that industry is ready at once to introduce technology, if only barriers, often of a purely bureaucratic character or a result of inadequate regulations, or the lack of certain regulations, are removed.

What kind of examples were given, and what kinds of barriers were enumerated?

In 1980, we imported from capitalist countries 10.5 thousand tons of industrial fats while, as the Office of Materials Management (UGM) gives, over 25 thousand tons of fats are wasted annually in Poland. We even have the technology for processing them. What is not organized, however, is the collection of these fats: in many processing plants, there is a shortage of so called grease catchers, there are difficulties with their transportation, and carcasses are not utilized for recovering fats. A scandalous example is that of fish oil, which, as a result of the lack of storage possibilities on fishing ships, is simply thrown overboard.

UGM has worked out a reasonable and realistic program of utilizing domestic fat sources--why isn't it being used? One answer emerges--because up to now, it has been easier to buy it for dollars than to organize a collection of fats and save those dollars--up to now. And now?

In the sheet iron works of the Insitute of Heavy Organic Synthesis, technique of producing hitherto imported products have been developed, and semi-technical

pilot installations, and even production on an industrial scale, have been started, for example, production of powdered polyethylene for the needs of the automobile, clothing, and mining industries. For a full activation of production we lack only one mill from a West German firm, for pennies. There has been no approval of the import of the mill, however, four times as much money is found for importing powdered polyethylene.

This same institute has already tested techniques of production for many complicated chemical compounds. Often, they are not introduced because of a lack of a producer of simple and inexpensive equipment.

The Central Laboratory of Batteries and Cells has developed a number of techniques for chemical production of sources of current, but some of them, encountering mounting difficulties, have been utilized to only a small degree. This applies to production of a special type of carbon for Leclanche type batteries, and of various compositions of glues.

Also, the Institute of Industrial Chemistry has many developed and mastered technologies waiting for application, from large installations to a number of small technologies for the needs of the materials and glue industries, and agricultural industry.

A great source of foreign exchange is the copper industry. Technologies for recovering certain metals accompanying copper deposits, for example, silver, lead, and nickel, have been developed. However, in spite of these technologies, cobalt selenium, thallium, and indium are not being recovered. Techniques for bismuth, molybdenum, and arsenic have not been developed. If there was recovery of all the metals accompanying copper ores, the efficiency of the copper industry would increase by about 20 percent.

The current state of Polish technology of managing aluminum scrap and wastes is highly unsatisfactory: of the approximately 18 thousand tons of scrap annually, only 44 percent is processed.

In metallurgical processes conducted in steel, a waste gas is produced which has a fuel value of about 2200 K cal per 1 $m^3$ of gas. Utilizing it in the Katowice iron works alone would allow savings of about 70 thousand tons of standard fuel annually.

In a word, there is much foreign exchange tied up while our economy needs a great number of good scientific, and later technical, developments, allowing us to secure foreign exchange. If only there were not barriers to introducing them... With their profits, plants are not able in many cases to rebuild old machinery that is falling apart. Where then are they to get the money for financing research projects and for utilizing the results of these projects, especially in the case where it is easier to obtain foreign exchange for import of deficit raw materials?

This, then, is the paradox. That certain finished products are being continually imported while at the same time, there are in Poland installations for producing them, because there is a shortage of foreign exchange for

purchasing much cheaper raw materials. Is this happening because of the politics of various ministries? Why can't a flow of information between enterprises about what is imported be activated? Maybe then it would appear that with a small amount of good intentions, ingenuity, and a little money, many products could be made in Poland.

There are many barriers, questions still to be settled, inadequate regulations, a lack of an incentive system for application of technologies. Maybe periodic tax breaks are needed. Maybe, additional, internal import duties, when there is a chance for a quick activation of production of goods previously imported, are needed.

Application of the results of many Polish developments may considerably help in overcoming the economic difficulties. It should be expected that the recommendations announced at a particular meeting, together with a critical evaluation of the situation, will be seriously considered by our specialists and they will find the key to increasing production.

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# East Europe Report

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2291

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# EAST EUROPE REPORT

## ECONOMIC AND INDUSTRIAL AFFAIRS

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## CEMA COOPERATION ON USES OF SECONDARY MATERIALS DISCUSSED

Prague NOVE SLOVO in Slovak 1 May 82 p 6

[Article by Peter Zrinsky: "Program of Cooperation: CEMA Initiative on Use of Secondary Raw Materials"]

[Text] At the 36th Session of the CEMA Committee on Cooperation in National-Industrial Distribution, the Council on Economic Mutual Aid decreed that in the implementation of measures for the more rational utilization of material resources extraordinary attention is to be devoted to cooperation in the area of methods and technologies for the utilization of secondary raw materials and in the development of the equipment essential for this.

The work plan for this CEMA committee therefore included projects of scientific and technical cooperation focused on the development of technical processes, equipment, and the design of production lines for the processing of solid household wastes on the condition that any specialization and cooperation in production will be applied by interested CEMA member countries in accordance with the results of this scientific-technical cooperation.

In the CSSR, 3-3.5 million tons of solid household waste are produced annually. Extrapolating from existing solid household waste dumps near urban areas of the CSSR, we arrive at the following composition of solid household waste: paper, 16 percent; organic materials, 36 percent; plastics, 5.5 percent; textiles, 3 percent; magnetic metals, 4.5 percent; glass, 12 percent; other combustible materials, 21 percent; noncombustible materials, 2 percent.

With an appropriately chosen reclamation technology for individual components it is possible to count on an average rate of extraction of 75-80 percent, and 95 percent for magnetic metals. If the capacity of a planned processing plant were, for instance, 100,000 tons of solid household waste annually, it would be possible to extract on an annual basis the following amounts of secondary raw materials, prior to reprocessing: paper, 14,450 tons; plastics, 4,360 tons; glass, 8,930 tons; magnetic metals, 3,880 tons; nonferrous metals, 1,000 tons.

In addition to these raw materials, it is possible to utilize the organic part of solid household waste for the production of compost and the excess

combustible materials group for combustion. The value of these raw materials represents about Kcs 13 million per year and would replace primary raw materials with a value of Kcs 50 million per year.

With a view to comparing primary raw material resources and secondary materials, the following examples may be adduced: 1 ton of recycled paper takes the place of 2.51 cubic meters of wood. For the melting of 1 ton of glass it is necessary under varying conditions to extract, process and transport over varying distances, in differing amounts and changing proportions 10 or more component materials and raw materials. Given a shortage of shards, consumption of other raw materials increases, some of which are imported, while at the same time the useful life of glass tanks is shortened, resulting in an increase in the consumption of materials for their construction. A ton of waste plastics represents a saving of 2.5 tons of crude oil. A ton of scrap iron replaces 4 tons of iron ore in primary metallurgical production, along with 2 tons of bituminous coal and other materials. In addition to this, the scrap from solid household waste contains about 70 percent tinplated cans. An appropriate detinning technology would make it possible to obtain 5 kilograms of tin from a ton of waste cans.

Examples of energy conservation can also be cited; energy consumption for the reheating of sorted metallic wastes to produce raw metals is as much as 10 times lower than for obtaining the same amount of metal from the basic raw materials. One ton of pure glass shards represents a saving of about 80 kilowatt hours in comparison with the manufacture of paper directly from wood, and of 400-450 kilowatt hours in comparison with production from dried unbleached sulfate pulp.

The noneconomic effects of the use of solid household wastes as a secondary source of raw materials include a reduction in the pollution of the soil, water and air which arise from the extraction and production of traditional raw materials. And the reduction in labor intensiveness which comes from the obtaining of raw materials by industrial processing in an automated production process is a substantial contribution from the viewpoint of the society as a whole.

The foregoing data were contained in a report related to the proposal, Agreements concerning Scientific and Technical Cooperation on the theme of The Development of Rational Technological Processes, Specialized Equipment and Automated Lines for the Comprehensive Processing of Solid Household Waste, which has been discussed by the SSR government.

A factory for the processing of solid household wastes represents, basically, a nontraditional method for the detoxification of wastes by industrial separation and processing, making it possible to obtain secondary raw materials from wastes. The basic elements of the technique, which resolve the technological-operational issues, have been proposed on the basis of findings and experiences of the developed industrial countries where substantial financial and material resources are expended on the solution to these problems.

The program of cooperation is composed of 11 tasks. The CSSR is taking part in 3 of them: 1. Developing the technology and working proposals for equipment for the preparation of solid household wastes into fractions according to size. This task is divided into 6 stages. The CSSR has been proposed for the assurance of the entire task without cooperating countries. The organization responsible for solving this problem will produce prototype sifting equipment for solid household waste in 2 types, or perhaps variations of the same model, on which testing will be performed, on the basis of which corrections may be made in the technical documentation of the equipment.
2. Developing the technology and working proposal for equipment to extract glass from solid household wastes. According to the preliminary agreement, the CSSR would cooperate on this task with the People's Republic of Hungary.
3. Development of a technical proposal for the processing of the unusable portion of solid household wastes (for pyrolysis, combustion, etc.). The object of this cooperation is a technical proposal for one of the technical phases of waste processing, the one which assures the processing of the residue remaining after the separation of utilizable raw materials. In addition to the CSSR, the cooperating countries are the People's Republic of Poland and the Romanian Socialist Republic.

Total Czechoslovak participation in the cooperation included in the agreement relates to work on similar subject matter which had been proceeding in recent years in the Prague Institute for Research and Development in Local Economy.

The CSSR is interested in this agreement because the implementation of the technology for processing and utilizing wastes as a secondary source of raw materials, and the implementation of the results of the above mentioned tasks has so far been connected in this country to deliveries of certain pieces of equipment from nonsocialist countries.

Organizations of the CSR Ministry of the Interior are so far participating in the agreements. Implementation, but also effectiveness of operation are also a concern of the SSR Ministry of the Interior, and therefore of both republics, just as for the entire Raw Materials Collection organization. And it is not out of the question that in the future research and/or economic organizations of the Slovak Socialist Republic will be interested in direct participation in cooperation within the framework of the agreement.

9276
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ENERGY AS GROWTH FACTOR EVALUATED

Prague PLANOVANE HOSPODARSTVI in Czech No 4, 1982 pp 1-8

[Article by Dr Vitezslav Vinklarek, deputy chairman of the State Planning Commission: "Energy--a Growth Factor"]

[Text] The internal and external conditions which have arisen in the late 1970's and which are shaping up in the early 1980's will no longer foster a predominantly extensive character of the development of Czechoslovak economy. Every previous development had to consider--and the future development will have to consider even more--such basic facts as the restricted and insufficient resources of fuels, raw materials, materials, the limited acreage and hence, also a limited supply of raw materials for our food industry, and the landlocked position of our state which calls for an extensive development and increasing scope of laborious overland transport operations. In order to achieve increasingly higher inputs into our economy, particularly the most expensive types and lines of products must be procured, and under such circumstances it is imperative that more and more labor forces available to our society be assigned to the production of those goods with which we must cover the costs of imports and transportation. What remains is less labor available for the production of goods to satisfy the other needs of our society.

We must economize with social labor and stop using more of it than necessary to cover the essentials with which we shall always have to supplement our domestic needs; this task was articulated in the discussion and decisions of the 16th CPCZ Congress as follows: "...We must be far more consistent in implementing the long-range economic strategy of higher efficiency and better quality of all labor. This will be achieved: by shifting our economy toward an intensive development; by efficient structural changes in our economy and by rational exploitation of our production potential; by rational management of all resources and by their profitable processing; by better management and extensive development of our working people's initiative; by linking our economy more intensively to socialist economic integration and international division of labor."

The implementation of this economic policy is affected by several factors, above all by our state's balance of fuel and energy. Early in the era of the building of socialism its solution required thorough concentration of

our forces on increasing our domestic production of coal, particularly of black coal, on generation of electric power, etc. Later during the 1960's and in the first half of the 1970's its needs were covered by foreign trade, especially by magnificent programs in economic cooperation with the USSR, whose achievements continue to serve as the mainstay of our foreign solutions to this problem. The volume of fuel and energy imports had gradually expanded and now it amounts to approximately 40 percent of our domestic consumption of primary energy sources. This share is so much more important because it consists almost entirely of higher types of energy, namely, natural gas and especially crude oil. It was correct and advantageous for our national economic development to increase the share of imported resources during the era of "cheap oil." This entire development is apparent from the following data (in million tmp):

| | 1960 | 1965 | 1970 | 1975 | 1980 |
|---|---|---|---|---|---|
| Consumption of primary sources of energy in the CSSR | 56.9 | 71.9 | 81.2 | 93.2 | 103.2 |
| Increment of domestic consumption | - | 15.0 | 9.3 | 12.0 | 10.0 |
| Imported crude oil (in million tmp) | 3.3 | 8.4 | 13.7 | 22.2 | 26.3 |
| Increment in oil imports (in million tmp) | - | 5.1 | 5.3 | 8.5 | 4.1 |
| Share of the increment in oil imports in the increment of domestic consumption of primary energy (in percent) | - | 34.0 | 57.0 | 70.8 | 41.0 |

Some significant aspects should be noted in the above figures. Over the past 20 years our domestic consumption had been increasing almost along the straight line with the average annual increment of 2.3 million tmp. Should we therefore conclude that this trend will continue for the next 20 years? Should we anticipate that our current consumption which at approximately 6.8 tmp per citizen is already among the highest in the world (this is hardly proof of progress) will reach a consumption of about 10 tmp per citizen in the year 2000? And over the following 20 years thereafter a consumption equal to 12-15 tmp per citizen? Such a prospect is unconscionable and above all, impossible.

Nevertheless, we must realize at the same time in particular that:

-- As far as crude oil is concerned, the attempt to continue the development of the past 20 years by increasing the share of imported resources to cover our domestic consumption has already come to an economic dead end. As known, the price of crude oil in world markets skyrocketed in 1973-1974. In this conjunction we do not appreciate properly the fact that the 1979-1980 price

is double the 1973-1974 price. Although at present we are not paying such exorbitant prices as those reported in world markets, nonetheless, this year we shall pay for crude oil about Kcs 20 billion more than we used to pay in the early 1970's. Such enormous additional expenditures stemming from increased prices represent roughly the amount of the annual increment of national income created at that particular time and simultaneously, this indicates the amount of work which our society must save in other areas in order to pay for oil. Under such circumstances, at the current level of oil consumption in power generation the use of oil is inefficient.

After the initial price increase of oil over the past 5 years we have taken steps toward better exploitation of our cheaper domestic resources, which produced additional sources equal to about 10 million tons of lignite (approximately 3.5 million tmp); now its potential is almost exhausted and we are near the ceiling of our domestic production. However, even the costs of domestic resources are steadily rising. We are mining black coal progressively at greater depths and in thinner seams and furthermore, strip mining of lignite has reached depths of about 150 meters. Although increasingly more technology is being put into operation, it cannot compensate for the deteriorating natural conditions and rising costs.

As far as certain structures are concerned, the need to expand the primary sources of energy, whether domestic or imported, is therefore accompanied by the necessity to redistribute considerably social labor. The demands on the volume of that redistribution have reached such a level that even in order to maintain the current volume of the most expensive resources (particularly crude oil) it is necessary to reduce gradually the use of our national income for domestic purposes. Instead of being a factor of growth, an expanding volume of primary resources of energy in their current structure would become a burden for our national income. From this assessment we may already draw certain conclusions:

1. It would be difficult to achieve a rational growth of national economy without a certain growth of primary energy resources, necessary changes of industrial structures, etc. However, it is absolutely impossible for us to continue the practice adopted by many enterprises and often enough also by their superior institutions: expanding the production (as well as building new plants) without comprehensive study of the methods and economic conditions which will determine the supply of fuels and electric power as well as of raw materials and materials for an expanded production. It used to be taken for granted that fuels and energy will be--or must be--made available, but that assumption no longer applies automatically.

2. In addition to the definition of the necessary inputs in the production, the entire economic production sphere must also regard the ceilings for fuels and electric power as important data for the determination of the objectives in the scientific-technological development and investment of funds in the production. In this respect, such tasks as conservation of fuels, energy, metals, raw materials and materials and their best possible processing and conversion into final products are now of foremost importance.

Furthermore, it may be said that conversely, limited amounts of primary energy (and also other raw materials and materials) may be used only where they can be most profitably utilized.

If we comprehensively consider the overall economic and financial situation of our state and the need to remain in complete balance with socialist and other states, and if we realistically assess our prospects, we come to the conclusion that we cannot presume that in the future we shall obtain more crude oil than in 1982. On the other hand, we may realistically envisage a certain growth of imports of natural gas probably through this whole decade.

The expansion of our domestic coal production may be only temporary, structurally differentiated and limited in quantity. Everything suggests that even if we fully concentrate on the development of new mining zones and prepare the forces and assets of our national economy for it the volume of black coal produced in the Ostrava-Karvina basin during the 1990-1995 period cannot be maintained at the current level. Lignite will continue to serve for many years to come as the basic resource for power generation and in the future particularly for heat generation; we may, and must, count on a certain growth in its production in the near future. In the former as well as in the latter case the volume of mining production will be affected mainly by the quality of the operating machinery and equipment as well as by the skill of the operating crews. After all, the giant excavator technology, for example, represents values of Kcs hundreds of millions for each independent complex. In the nearest future such values cannot remain without effect on the growth of production, although it may be relatively slight, and in the future they will positively influence higher productivity of labor. A certain decline in the production of black coal should be therefore compensated in the nearest future by an increased production of lignite.

The increase in imported primary sources of energy will therefore not be as significant as in the past and neither can our domestic resources of solid fuels increase much more. Thus, in fact, the only potential factor in the growth of primary resources of energy in the CSSR is the nuclear electric power.

This brief and simplified prognosis concerning the potential development of basic resources of primary energy should lead to further considerations which evidently will be affected by the necessity to implement extensive and fundamental structural changes in the area of resources as well as in the consumption of primary energy and thus, also to considerations about preparations and organization of such changes.

When allocating crude oil, priority must be given to its utilization in the process of expanded socialist production which will process it appropriately, i.e., practically as a chemical raw material (and even here primarily in the most profitable chemical production) and where oil is irreplaceable and still essential as a traditional factor in our national economy. However, this calls for higher yields of light petrochemical products. In the nearest

future we shall begin the construction of a cracking unit and if possible, of other facilities with processing capacities of approximately 1 - 1.5 million tons of dark petrochemical products. Evidently, another project of that type will have to be built and put into operation after 1990. The need to obtain light products from the newly built capacities (i.e., at the price of additional investments and expenses) only underlines the fact that they must be used only where they may be properly processed.

Since we have reached the conclusion that crude oil is now too expensive to be used for power generation and since for its more lucrative processing we adopted the objective to increase the yield of light products, we must realize that in the future about 3 million tons of dark petrochemical products cannot be used in particular for power and heat generation. This does not apply only to their consumption in enterprises managed by the Ministry of Fuels and Energy but also in every area of our national economy and in generation of heat for technical purposes.

The situation is characterized by the following data (in million tons):

| | | | | Index | |
|---|---|---|---|---|---|
| | 1980 | 1982 | 1990-1995 | 1990-1995 / 1982 | 1990-1995 / 1980 |
| | Actual | Plan | Estimate | | |
| TTO consumption in national economy - total | 6,970 | 5,735 | 3.0 | 52.3 | 43.0 |

From the trend of these figures it follows that the consumption of heavy heating oils must go down relatively rapidly. A long-range outlook suggests that their consumption must drop well below the above-mentioned 3 million tons. Practically every consumer faces the problem of not counting on general overhaul and so much less so restoration of facilities for combustion of liquid fuels but mainly on conserving power and heat in general and thus, also reducing the consumption of liquid fuels and then converting the facilities for combustion of liquid fuels but mainly on conserving power and heat in general and thus, also reducing the consumption of liquid fuels and then converting the facilities to the available fuels (lignite, gas).

-- By expanding the basis for nuclear electric power we shall create promptly essential opportunities for the above-mentioned structural changes. Should we fully compensate for the reduced consumption of petrochemical products in the area of exploitation of energy, we will have to deal with limiting their consumption in our national economy or with producing additionally about 10-12 million tons of lignite annually prior to 1990-1995. That is neither simple nor easy; such a growth of coal production is not very realistic, yet some points of departure in that direction are beginning to appear. Their common denominator is the development of nuclear power.

We may estimate with great deal of optimism that 5,280 MW nuclear power plants will be in operation in the CSSR before 1990. Their output will develop as follows (in million kWh):

| | 1980 Actual | 1982 Plan | 1990 Estimate |
|---|---|---|---|
| Production | 4,523 | 5,350 | 28,000 - 29,000 |
| Increment over 1980 | - | 827 | 23,477 - 24,477 |

If managed rationally and used efficiently, our domestic consumption of electric power may increase during that period by about 15,000 - 17,000 million kWh even with higher consumption for traction purposes. This suggests that in 10-15 years energy generated in coal-operated power plants may be cut by 7-8 billion kWh and that would release for other purposes approximately 7-8 million tons of lignite whose production will increase moderately in the coming years--in this case mainly to replace fuel oil for power and heat generation.

What directions are feasible under such circumstances, or which solutions should be studied in depth in terms of heat generation?

1. We must rebuild electric power plants furnished with condensation aggregates, which will require general overhaul, convert them to thermal plants (with lower generation of electricity) and organize a system of centralized heat supply in the vicinity of such locations. We must gradually take over supplies to industrial enterprises and nonp duction facilities within accessible areas and thus, displace heat generated first of all from overly expensive thermal media (mainly fuel oil), in other words, we must undertake such reconstructions primarily in locations where liquid fuels are used at present.

2. Gas in part from higher sources and from the gradually released coal should be used to replace heating oil and boiler rooms and heating plants in industrial enterprises and national committees must be rebuilt as economically as possible. We must proceed in this direction with utmost efficiency and planners, technicians, engineers, etc., will have their say here. Furthermore, this program calls for, among other things, better design of boilers for liquid fuels and their assembly which will enable us to use coal with lower caloric values and at the same time to keep their effect on the environment within acceptable limits.

3. We shall use the released coal for selection and modernization of finishing and screening plants and thus, enable our population in time to purchase ample supply of various kinds of graded coal in corresponding [word illegible] relations. This may also help mitigate the negative effects of burning lignite on the environment.

4. We shall use sources of electric power more extensively to supply power for households and public buildings on the basis of current usage (heat storage stoves, etc.). However, there are some new opportunities, for instance, for cooking purposes electricity may replace propane-butane (another petrochemical product) which is in short supply. Furthermore, it may be well worth considering to combine long-distance delivery of heat with electric power, which is common practice in the world (apartments are tempered as units and living areas are heated with electric modules to comfortable temperatures).

Among other considerations on hand is, for example, conversion of the released lignite for generation of higher types of energy. However, this is not so much a practical problem, i.e., to release sufficient amounts of that fuel, as much as a theoretical dilemma--to find economically feasibly methods of that particular conversion. The development of science and technology may lead to some other approaches.

In the coming years the resources of primary energy will expand far less rapidly than in the past and the factor which will most determine their overall growth is nuclear power. In this situation the dynamism of the growth and efficiency of our national economy will depend to an overwhelming degree on conservation of all kinds of energy and on the extent of electrification in the fuel-energy balance. In addition, created national income is also the value of the energy conserved, i.e., the better the conservation not only of all kinds of energy but above all, of the most expensive types of energy and the better its exploitation, the more dynamic the growth of national income. Moreover, it applies that the more fuel oil we absolutely conserve, the fewer fuel bases will have to be rebuilt.

The following data illustrate the development in this direction thus far:

| | 1960 | 1965 | 1970 | 1975 | 1980 |
|---|---|---|---|---|---|
| Consumption of primary energy (in million tmp) | 56.9 | 70.4 | 81.2 | 93.2 | 103.2 |
| National income (in Kcs billion) | 199.6 | 225.6 | 313.0 | 414.7 | 504.5 |
| National income in Kcs per 1 kg of primary energy | 3.508 | 3.205 | 3.855 | 4.45 | 4.889 |
| Index in percent | - | 91.36* | 120.28 | 115.43 | 109.86 |

The most relevant factor is the decline of the level to which every kg of primary energy has been processed at the end of the period under observation. This may be connected with the declining dynamism in creating national income

*The steep decline in 1965 stemmed from an unusual decline in the dynamism in created national income in 1963.

and with the changes in the qualitative structure of the primary sources of energy, but mostly with the fact that the processing which used to be positively affected by "cheap fuels" must be based at this time on the growth of the technological and economic standard of the production and of the products. And here we are not proceeding at the necessary speed. This issue is so much more meaningful because a greater percentage of every Kcs of created national income must be set aside at present for payment for fuels, especially crude oil, than in the past. All this emphasizes even more the necessity and urgency of conservation and better processing of fuels and energy throughout the entire process of production.

Urgent tasks (particularly in 1982) demand more strident steps in the effort to process all inputs in our national economy to better advantage and at the same time also to curtail the consumption of crude oil and petrochemical products because they are the most expensive raw materials we are now procuring. It is therefore imperative:

-- that we rearrange the tasks, forces and means in the macroeconomic area so as to reduce the demands for higher consumption of power. Consequently, the accumulation fund and with it, the volume of investments, particularly those which require transportation of materials, will be cut in the distribution of national income, in order to maintain our living standard. This will lower the demands on the volume of stripping operations, consumption of construction materials and metals and thus, on the amount of fuels, electric power and heat. By the same token, transportation of materials and consumption of gasoline will be reduced. At the same time it is presumed that transport operations will be redistributed in favor of railroad and river transportations and factory and air transportation which consumes large amounts of gasoline will be reduced.

The purpose of all such structural changes is to reduce consumption of energy in our national economy; although in 1982 our national economy will advance at a slower pace, its power fuel consumption will have to be over hald a million tons less than in 1981 and its consumption of heating oil will be down over 1 million tons;

-- The entire economic production sphere will focus on upgrading fundamentally the standard of our fuel, power fuel and energy economy. For the time being, we cannot even speak of adequate standards of evidence and control and of the ways and means of consumption of petrochemical products and above all, of Diesel oil. Furthermore, the quality of the norms for their consumption, their control (for instance, even such a trivial matter as a working speed recorder in a truck), material incentives promoting conservation, or simply, the whole basic order in exploitation of such expensive raw materials fail to meet our current needs and yet, those are some of the imperative preconditions which will determine the progress of our economy in 1982.

No less important are the future tasks in this area. If we consider the fact that in the entire process of reproduction the standard of processing

of energy resources is unsatisfactory, we must work already now on measures leading to a change in the future. Let us compare the international situation (in 1976) to illustrate this fact:

Consumption of primary energy per $1 of gross domestic product (in kg m.p.)

| | Total | Of which liquid fuels |
|---|---|---|
| FRG | 0,838 | 0,405 |
| Sweden | 0,909 | 0,514 |
| Italy | 1,146 | 0,767 |
| Great Britain | 1,390 | 0,517 |
| CSSR | 1,755 | 0,461 |

Although the above data fail to offer a fully comparable picture (there are differences in methodology, structure, climate, etc.), nonetheless, they do point to the untapped assets in our national economy. However, it is far from easy to mobilize them, nor can it be done expeditiously, because the determining factors here are most of all the technological progress, opportunities created in our national economy, the development of more efficient international division of labor, and so on--in other words, technological and economic solutions which will bring our economy closer to the level of the more advanced coun ries of the world.

Nevertheless, in terms of efficiency and effectiveness we cannot always maintain the criteria applied thus far. For example, to cut the consumption of coke in the production of pig iron we have gradually raised the share of heating oil as a source for power generation because at that time it was inexpensive and thus, it could replace coke. At present we are using for that purpose about 230,000 tons of oil in metallurgy. However, at its current price it seems more advantageous and rational to increase the consumption of coke over its current volume of about 530 kg per ton of pig iron and thus, to conserve the expensive oil. Under certain conditions this may save as much as approximately Kcs 200 million fco annually because the price of oil is far higher than that of about 230,000 tons of coke saved thus far. Therefore, we must reassess in every area the current approaches to the solution of national economic problems from the viewpoint of the new circumstances. This does not always apply to the amounts saved but probably even more to the values preserved.

In terms of the entire process of conservation, reproduction and processing of primary sources of energy, this concerns above all:

- A higher share of less energy- and material-intensive (but lucrative) services of all types which the CSSR may offer to the world as well as to her own population.

- Scientific-technological, planning and organizational programs, services, transit services and other services (including hotel and dining services) may be of considerable advantage in the process of upgrading material values.

- Higher technological standards of our final products, especially exports, so that we may offer them, along with flawless delivery and trade services, good engineering, prompt delivery, reliable servicing, etc., at even more advantageous prices than our competitors and thus, to get the highest profit from the fuels and raw materials contained in our products. This does not concern only the often mentioned example of per kg prices of engineering products. Practically all export commodities enjoy the same opportunities.

-- Structural shifts in processing of all raw materials and materials. As a country with an insufficient and limited base of raw materials we must procure certain raw materials and fuels at high prices, seek new opportunities to substitute cheaper types for them, and process them better. As for better processing, let us take wood as an example of our raw materials which is important in terms of foreign trade. We may sell it in the form of green wood, lumber, dry and packeted timber, furniture, cellulose, paper, print-- just to mention a few selected grades of processing. Each of these grades means a different level of processing, and we are interested in the highest of them. For that reason we are making every effort to stop for all practical purposes exports of green wood and to export the highly processed types of wood.

This calls for seeking everywhere and everything such solutions that will enable us to process to the best advantage raw materials and above all, fuels (crude oil) and electric power in the production of goods and to bring (even at the constantly rising prices) appropriate profits in foreign and domestic markets (for example, blast furnaces). Every kind of work that is more efficient and better solves at the same time the fuel and energy balance in national economy of our state.

In order to resolve the fuel and energy balance we must develop, improve and use more efficiently economic opportunities and prices, and control them more systematically. However, even a better system of management in itself is no magic wand which can bring about instant changes everywhere. At this time when world economy is struggling with crucial problems, when inflation is rising and when negative effects on our economy are often intentional, it would be a pipedream to expect that it will be easy to put everything in order. We must not yield to such illusions. We are facing a long period of diligent and patient work in every area of our national economy because the sources of fuels and energy and their conservation and processing are not an incidental but rather a common national economic problem.

Nevertheless, one thing must be emphasized. Since we have begun an era of "expensive fuels," the entire scientific and technological vanguard, including our economists, must focus far more attention than ever before

in this particular area. Together they stand before the task of planning technical solutions which will enable use in the near future to produce energy and coking coal more reliably and more efficiently, to convert energy at lower losses, to explain whether and how (with what changes) it might be possible to make better use of our own raw materials for power generation and what technical solutions should be applied to control their consumption and to cut down the consumption of power-intensive appliances. In the end each final product must be planned so that the cost of energy (and materials) used in its production be multiplied in its selling price much far more than thus far. When planning programs for the scientific and technical development over the next 5 or 10 years and their implementation, one of our prime considerations must be the method to achieve that objective. Otherwise we might face even more serious problems at the end of this century than now.

The fact that the price of energy and fuels is now high must at the same time affect the thinking of all echelons in the management, especially the engineering and technical personnel in enterprises and plants, and galvanize their skills and know-how. After all, it is a matter of honor for our engineers to continue improving the production of goods and to use fuels, electric power, raw materials and materials most economically. At the present time this improvement must consider the fact that a higher consumption of power for the production and energy-intensive products is eating up a good part of our national income. We need, however, to turn energy into a factor which will increase our national income. Therefore, all our nation must be concerned about mastering and solving our country's fuel and energy problems.

9004
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## AGRICULTURAL MACHINERY TRENDS ANALYZED

Prague MECHANIZACE ZEMEDELSTVI in Slovak No 5, 1982 pp 179-182

[Article by Eng Stefan Kocian, Bratislava: "Technical-Material Base of SSR Agriculture and Its Development in the Last Decade as Seen From the World Census"]

[Text] In order to learn the actual situation in worldwide food production, the FAO, with headquarters in Rome, organizes a worldwide census of agriculture once every 10 years. It ascertains facts not only about the utilization of land, methods of organizing enterprises and the use of intensification factors but also the technical-material base which at the same time indicates the level of productive development.

The program recommended for conditions in Czechoslovakia was applied in such a way as to make maximum use of data regularly determined and only a small portion of the data was obtained by subsequent determination in order to correlate with 1980. The subject of the determination was all agricultural enterprises farming the land or developing agricultural activity. Therefore, in the section that follows we want to acquaint our readers with the main findings of this census, particularly in the area of technical-material standards or comparing the present situation with that of 1970.

The level of development of agricultural production is dependent on natural conditions, utilization of current modern technology and the broad application of the results of science and research.

As emphasized at the fourth session of the CPCZ Central Committee in November 1981, the determining factor in food production is agricultural land which represents our greatest natural wealth. Inadequate legal protection and low appreciation of the economic value of agricultural land resources resulted in a constant diminution of its size, in many cases because of poorly justified diversion to industrial and housing construction purposes and also because some sloping and less fertile areas were transferred to forest lands. The actual losses are considerably greater than the difference gained because a substantial part of the plots were returned to their original use by recultivation. In the year of the world census the socialist sector reported 7,805 enterprises which cultivated 2,323,000 ha [hectares] of farmland. Significant positions in large-scale production are held by 323 state properties

which are managed by kraj agricultural administrations or centrally, 645 JRDs [Unified Agricultural Cooperatives] and 27 joint agricultural enterprises. The average acreage of cultivated land during the last 10 years increased 40.5 percent in state properties and two and a half times in the cooperatives, attaining 5,664 ha and 2,617 ha respectively.

## Irrigation

An important intensification factor is irrigation which is used by 46 state properties and 318 JRDs. On the average, one state property has 333 hectares under irrigation and one cooperative has 212 hectares. Their greatest importance is chiefly demonstrated in times of drought as, for example, last year or also in 1976 and 1979. Utilizing these irrigation capacities depends on several factors. In addition to the intensity of rainfall and existing water resources suitable for use, one must also take into consideration the frequency of power breakdowns, electricity failures, shortages of manpower and other causes. The highest percentage of usage was in 1976, specifically 96.2 percent and likewise also last year. The yields from irrigated acreage were higher compared with non-irrigated land by one-sixth in the case of wheat and barley, over one-fourth in the case of seed corn and potatoes, 36 percent more in the case of sugar beets and corn for fodder, two-thirds more in the case of perennial fodder crops and one-half to twice as high in the case of permanent grasslands.

## Mechanized Labor in Agriculture

The timely performance of the various work operations connected with the cultivation of crops as well as in animal production, and reducing the work time and exertions of human labor in the production process can only be accomplished, even with reduced manpower, with the help of machines and mechanization. As shown in Table No 1, the process of increasing mechanization of labor in agriculture was not uniformly positive. This is also confirmed by the existing lag in the level of mechanization in the sector of potato cultivation, vegetable culture, fruit growing and maintaining permanent grasslands, etc.

There was significant progress in the mechanization process in animal production which was shown by a substantial increase in the number of electric motors. A similar trend appeared also in the increase of diesel electric units which in many cases serve in certain operations as reserve power sources in case of breakdowns or loss of electric current. At the same time the number of combustion engines fell sharply. Grain combines recorded an increase of 53.5 percent, even with increased performance. Equipment for divided harvesting of sugar beets shows a reduction by over one-half even though its productivity has more than doubled. The number of milking machines increased by one-sixth. The greatest growth was attained in the building of drying capacities, although current problems in obtaining energy sources limit the extent of their full utilization. The number of tractors is about at the 1970 level although their performance has changed considerably. The proportion of caterpillar tractors decreased from the original 17.6 percent to 12.7 percent. The development of processes of concentration of production was also evinced in agriculture by increased demand for transport of material and

raw materials. Even though the number of trucks doubled, nevertheless this was not enough to meet the demand in that area. There is also the fact that, contrary to original plans, the production program of the special Tatra-agro vehicles is well behind schedule.

The degree to which various machines and equipment are used by the properties and cooperatives depends on the structure of production and its overall purpose. Important objective factors, especially for plant cultivation, are the production region and, to a lesser degree, the size of the enterprise. According to data published in Table No 2, all of the enterprises in the socialist sector own and use tractors and other vehicles. At the same time there are three enterprises that use only caterpillar tractors. Of course, among the most widely used implements are plows and also grain drills. Although in neither case are the legitimate requirements of agricultural workers being met adequately. There are, on the average, 14 plows and 5 grain drills for each agricultural enterprise. The harvesting of grain, oil-bearing plants and seed corn is fully mechanized. During the period under study there was also considerable activity in other sectors of agricultural operations. Machine harvesting of sugar beets was carried out at 340 enterprises and harvesting of potatoes at 364 cooperatives and properties.

On the average, an enterprise in the socialist sector of agriculture had 35 tractors, 31 trails and 10 semi-trailers, 12 trucks and 13 other vehicles, including buses. Each enterprise had seven grain combines and twice as many plows. The number of hectares of arable land per piece of equipment in 1980 is shown in Table No 3.

From the above survey it is apparent that the cooperative sector is best equipped mechanically, relatively speaking. However, to make an accurate assessment one would have to know the various pieces of equipment represented which also differ considerably among themselves in productive capacity. Although in the cases cited we are assuming that the composition of the mechanized equipment is relatively the same in all the enterprises under study. There were more substantial differences only in the trucks which at the time was mostly due to broader subsidiary production in the JRD. The considerable limitation of motor fuel resulted in a significant restriction of such activity.

At the same time, however, one must consider that the portion of the year in which, for example, grain combines are used is greater in south Slovakia than in other krajs because under essentially more adverse weather conditions they are also used for harvesting sunflowers and seed corn. A considerable portion of the tractor pool is used for the transportation of animal production. At the Hlohovec State Property, for example, this comes to 20 percent of the tractor operations.

In examining the supply of mechanical equipment of agricultural enterprises according to size groupings it generally follows that the larger the size of the enterprise the greater the number of machines employed (see Table No 4). This trend is not directly proportional to the increased size of the cultivated land which attests, among other things, to better utilization of the

existing technological base. On the basis of state-wide figures, the concentration of land has a positive effect on more economical use of mechanical equipment only to a certain extent. Even in this case the method of organizing work, the quality of maintenance, soil and climatic conditions and other factors have a considerable influence. Enterprises in the size grouping of up to 1,500 ha of arable land had, in the year under study, an average of 22.5 tractors, 8 plows, 3 grain drills and 2 machines for divided harvesting of sugar beets. Cooperatives and properties with twice the acreage did not show a like increase in the number of such machines but rather a considerably lower one. If we compare the group of enterprises having 2,000 to 2,500 ha of agricultural land with the group having up to 5,000 ha we arrive at a completely different mutual relationship. The number of wheeled tractors, plows, milking machines and refrigerating facilities for milk is in the second group of enterprises twice as high and in the case of grain drills and grain combines the coefficient is over 1.7 times the number of machines in the primary group.

A similar trend in comparing previously cited enterprises paired by size is shown also with respect to stationary power sources (except combustion engines) and certain transportation facilities (Table No 5).

In addition to machines, mechanized equipment and transportation facilities directly used by primary producers of food, the worldwide census also ascertained the extent of specialized services and operations which directly influence the level of production achieved with respect to quantity and quality. Under our conditions this refers chiefly to the use and application of fertilizers and pesticides since a substantial portion of the machines and mechanisms for these operations are owned by agrotechnical enterprises, STSs [Machine and Tractor Stations], PNZPs [Agricultural Supply and Purchase Enterprises] and other service organizations.

Fertilizing and Tending Vegetation

During the year under study, 860 enterprises with 310,000 hectares used manure to fertilize the soil with an average of 37 tons per application. The largest amount of manure per hectare of soil was applied in enterprises with up to 1,000 ha of agricultural land, or 44.0 tons, and the smallest amount was in enterprises cultivating 7,000 to 8,000 ha, or 33.6 tons.

The majority of the enterprises did fertilizing using their own equipment, although the figures for agrotechnical enterprises was 8.7 percent, by STSs 3.62 percent and by other organizations 0.84 percent.

Synthetic fertilizer was used by 954 enterprises of which only 467 used their own mechanized equipment. There were 1,955,000 ha fertilized of which 16.8 percent was done by agrotechnical enterprises, 0.56 percent by STSs and 1.6 percent by other enterprises. The average application was 289.2 kg of pure nutrients of which 109.2 kg was potassium and 77.4 kg phosphorus.

Machines and equipment are used to an even greater extent by other organizations in applying chemical preparations to protect plants. Of a total of

1,312,000 ha treated, cooperatives and properties treated two-thirds with their own equipment, agrochemical enterprises 21.0 percent, STSs 11.4 percent, PNZPs 1,503 ha and other organizations 1.3 percent. On the average, 8.26 kg of preparations was used per hectare of which 3.39 kg was active matter.

The results of the world agricultural census carried out under conditions of the CSSR make it possible not only to compare developments in the last 10 years but also to assess the degree to which the existing technical-material base is utilized and the results achieved according to size groupings of the enterprises. We are convinced that the present decade will also be a significant period in the development of agriculture and will contribute to meeting the goals set forth at the 13th session of the CPCZ Central Committee in 1978 as well as the fourth plenum at the end of last year, especially in the sector of assuring self-sufficiency in foodstuffs and further increasing intensification and efficiency.

Table 1. Numbers of Certain Machines and Mechanisms in SSR Agriculture in 1970 and 1980 (units)

| (1) Druh stroja, zariadenia | 1970 | 1980 | (2) Rozdiel | Index 1980x /70 |
|---|---|---|---|---|
| Elektrické motory (3) | 90 434 | 156 611 | 66 177 | 173,2 |
| Spaľovacie motory (4) | 5 468 | 996 | −4 472 | 18,2 |
| Dieselelektrické agregáty (5) | 309 | 583 | 274 | 188,7 |
| Zberové obilné mlátačky (6) | 3 644 | 5 594 | 1 950 | 153,5 |
| Stroje na delený zber (7) cukrovej repy | 2 330 | 1 104 | −1 226 | 47,4 |
| Dojacie zariadenie (8) | 5 208 | 6 042 | 834 | 116,0 |
| Sušiarne (9) | 400 | 1 370 | 970 | 342,5 |
| Traktory spolu (10) | 35 648 | 35 780 | 132 | 100,4 |
| v tom: kolesové (11) | 29 390 | 31 235 | 1 845 | 106,3 |
| pásové (12) | 6 258 | 4 545 | −1 713 | 72,6 |
| Nákladné autá (13) | 5 724 | 11 964 | 6 240 | 209,0 |

Key:

1. Type of machine, equipment
2. Difference
3. Electric motors
4. Combustion engines
5. Diesel electric units
6. Grain threshing machines
7. Machines for divided harvesting of sugar beets
8. Milking machines
9. Drying chambers
10. Total tractors
11. of which: wheeled
12. caterpillar
13. Trucks

Table 2. Number of Enterprises Using Certain Types of Machines and Mechanisms

| | (1) Druh stroja (zariadenia) | (2) Počet podnikov vlastníscich stroje | | | (3) z počet strojov na 1 podnik | | |
|---|---|---|---|---|---|---|---|
| | | (4) JRD | (5) ŠM | (6) socialistický sektor | (4) JRD | (5) ŠM | (6) socialistický sektor |
| (7) | Traktory spolu | 647 | 64 | 1019 | 39 | 81 | 35 |
| (8) | v tom: kolesové | 647 | 64 | 1016 | 34 | 71 | 31 |
| (9) | pásové | 641 | 64 | 868 | 5 | 10 | 5 |
| (10) | Traktorové pluhy | 646 | 64 | 922 | 14 | 28 | 14 |
| (11) | Traktorové obilné sejacie stroje | 643 | 64 | 855 | 5 | 9 | 5 |
| (12) | Zberové obilné mlátačky | 628 | 64 | 830 | 6 | 13 | 7 |
| (13) | Kombajny na zemiaky | 297 | 33 | 364 | 3 | 5 | 3 |
| (14) | Súpravy pre delený zber cukrovej repy | 272 | 33 | 340 | 3 | 4 | 3 |
| (15) | Kanvové dojacie zariadenie | 571 | 63 | 699 | 8 | 16 | 9 |
| (16) | Dojacie automaty | 367 | 51 | 459 | 4 | 8 | 4 |
| (17) | Chladiče mlieka | 619 | 64 | 752 | 7 | 16 | 8 |
| (18) | Sušiarne spolu | 452 | 59 | 573 | 2 | 3 | 2 |
| (19) | Nákladné autá | 645 | 64 | 967 | 13 | 21 | 12 |
| (20) | Ostatné automobily vrátane autobusov | 646 | 63 | 1020 | 14 | 28 | 13 |
| (21) | Traktorové návesy jednoosé | 646 | 64 | 885 | 10 | 21 | 10 |
| (22) | Traktorové prívesy dvojosé | 646 | 64 | 997 | 34 | 72 | 31 |

Key:

1. Type of machine (equipment)
2. Number of enterprises owning machines
3. Average No of machines per enterprise
4. Unified Agric. Cooperative
5. State property
6. Socialist sector
7. Total tractors
8. of which: wheeled
9. caterpillar
10. Tractor plows
11. Tractor grain drills
12. Grain threshing machines
13. Potato combines
14. Equipment for divided harvesting of sugar beets
15. Container milking equipment
16. Automatic milking machines
17. Milk coolers
18. Total drying chambers
19. Trucks
20. Other vehicles including buses
21. Single-axle tractor trailers
22. Double-axle tractor trailers

Table 3. Number of Hectares of Operational Land Per Piece of Equipment

| | (1) Pripadá pracovných hektárov | | | |
|---|---|---|---|---|
| | (2) socialistický sektor | (3) ŠM | (4) JRD | (5) Plochy |
| (6) Traktorový pluh | 130,7 | 124,9 | 117,8 | ornej (7) |
| (8) Traktorový obilný sejací stroj | 216,3 | 217,4 | 214,0 | osevnej (9) |
| (10) Obilný kombajn | 169,7 | 155,9 | 167,8 | zberovej (11) |
| (12) Kombajn na zemiaky | 46,2 | 50,4 | 46,8 | zberovej (11) |
| (13) Súprava na zber cukrovej repy | 51,1 | 53,1 | 53,4 | zberovej (11) |
| (14) Traktor | 70,7 | 71,2 | 67,2 | poľnoh. (15) |
| (16) Nákladné auto | 211,5 | 276,2 | 207,0 | poľnoh. (15) |

Key:

1. Operational hectares in
2. Socialist sector
3. State property
4. Unified Agric. Cooperative
5. Type of land
6. Tractor plow
7. Arable
8. Tractor grain drill
9. Sowing
10. Grain combine
11. Crop
12. Potato combine
13. Equipment for harvesting sugar beets
14. Tractor
15. Agricultural
16. Truck

Table 4. Basic Machines and Equipment of Socialist Sector Enterprises According to Size Groupings

| (1) Druh strojov | (3) | (2) Podniky s poľnohospodárskou pôdou o výmere (ha) | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 50 až 500 | 500 až 1000 | 1000 až 1500 | 1500 až 2000 | 2000 až 2500 | 2500 až 3000 | 3000 až 4000 | 4000 až 5000 | 5000 až 6000 | 6000 až 7000 | 7000 až 8000 | 8000 až viac (4) |
| (5) Traktory spolu | A | 75 | 68 | 106 | 105 | 106 | 95 | 126 | 81 | 42 | 23 | 13 | 10 |
| | B | 10,2 | 14,5 | 22,5 | 29,0 | 33,4 | 39,7 | 49,2 | 66,1 | 75,0 | 88,1 | 103,3 | 153,9 |
| (6) v tom: kolesové | A | 75 | 68 | 106 | 105 | 106 | 95 | 126 | 81 | 42 | 23 | 13 | 10 |
| | B | 8,0 | 12,0 | 19,0 | 25,3 | 28,8 | 35,0 | 43,3 | 58,9 | 67,0 | 76,9 | 915 | 135,0 |
| (7) pásové | A | 51 | 62 | 102 | 104 | 105 | 95 | 126 | 80 | 41 | 23 | 13 | 10 |
| | B | 3,2 | 2,8 | 3,7 | 3,8 | 4,6 | 4,7 | 5,9 | 7,4 | 8,3 | 11,2 | 11,8 | 18,9 |
| (8) Traktorové pluhy | A | 68 | 66 | 106 | 105 | 106 | 95 | 126 | 81 | 42 | 23 | 13 | 10 |
| | B | 4,0 | 5,6 | 8,2 | 11,2 | 11,9 | 13,9 | 17,8 | 25,1 | 29,1 | 34,3 | 38,2 | 51,1 |
| (9) Traktorové obilné sejačky | A | 59 | 63 | 104 | 105 | 105 | 94 | 126 | 81 | 42 | 23 | 13 | 10 |
| | B | 1,8 | 2,3 | 3,0 | 3,6 | 4,4 | 4,7 | 5,7 | 7,5 | 9,1 | 11,4 | 14,0 | 15,8 |
| (10) Obilné kombajny | A | 37 | 53 | 100 | 104 | 103 | 92 | 126 | 79 | 42 | 23 | 13 | 10 |
| | B | 1,7 | 2,4 | 3,4 | 4,5 | 5,4 | 6,3 | 7,9 | 9,4 | 12,0 | 14,2 | 18,8 | 29,2 |
| (11) Kombajny na zemiaky | A | 2 | 23 | 43 | 55 | 57 | 48 | 51 | 37 | 16 | 9 | 4 | 5 |
| | B | 1,0 | 1,7 | 2,2 | 2,4 | 2,3 | 2,7 | 2,9 | 4,2 | 4,9 | 3,1 | 7,2 | 9,6 |
| (12) Súpravy na zber cukrovej repy | A | 9 | 11 | 31 | 45 | 33 | 40 | 68 | 49 | 24 | 15 | 8 | 5 |
| | B | 1,1 | 1,7 | 2,1 | 2,5 | 2,8 | 2,5 | 3,4 | 3,8 | 4,7 | 3,9 | 8,0 | 9,0 |
| (13) Kanvové dojacie zariadenia | A | 15 | 38 | 85 | 93 | 95 | 87 | 120 | 177 | 41 | 22 | 13 | 10 |
| | B | 3,4 | 3,2 | 3,5 | 5,5 | 7,4 | 7,8 | 10,5 | 10,8 | 18,0 | 18,2 | 14,5 | 22,6 |
| (14) Dojacie automaty | A | 9 | 25 | 53 | 54 | 55 | 54 | 77 | 58 | 32 | 18 | 13 | 10 |
| | B | 2,3 | 2,0 | 2,4 | 3,2 | 2,7 | 3,7 | 5,4 | 6,2 | 7,1 | 4,2 | 5,1 | 10,7 |
| (15) Chladiace zariadenie mlieka | A | 18 | 48 | 97 | 100 | 102 | 9ý | 125 | 81 | 42 | 23 | 13 | 10 |
| | B | 3,7 | 3,2 | 4,7 | 5,5 | 6,1 | 8,3 | 9,8 | 11,0 | 12,8 | 16,6 | 18,6 | 32,8 |
| (16) Sušiarne spolu | A | 9 | 16 | 58 | 63 | 70 | 80 | 106 | 75 | 40 | 22 | 11 | 10 |
| | B | 1,4 | 1,2 | 1,4 | 1,7 | 1,7 | 2,5 | 2,4 | 2,8 | 4,1 | 3,5 | 2,9 | 6,4 |

A = počet podnikov, B = počet strojov pripadajúcich na 1 podnik
number of enterprises number of machines per enterprise

Key:

1. Type of machine
2. Size in hectares of agric. land in enterprises
3. 50 to 500 (etc)
4. 8,000 and over
5. Total tractors
6. of which: wheeled
7. caterpillar
8. Tractor plows
9. Tractor grain drills
10. Grain combines
11. Combines for potatoes
12. Equipment for harvesting sugar beets
13. Container milking equipment
14. Automatic milking machines
15. Milk cooling facilities
16. Total drying chambers

Table 5. Power Sources and Transportation Facilities in Enterprises of the Socialist Sector

| (1) Druh strojov | | (2) Podniky s poľnohospodárskou pôdou o výmere (ha) | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 50 až 500 (3) | 500 až 1000 | 1000 až 1500 | 1500 až 2000 | 2000 až 2500 | 2500 až 3000 | 3000 až 4000 | 4000 až 5000 | 5000 až 6000 | 6000 až 7000 | 7000 až 8000 | 8000 až viac (4) |
| (5) 1. *Stacionárne energetické zdroje* | | | | | | | | | | | | | |
| (6) Elektrické motory | A | 66 | 66 | 107 | 107 | 107 | 95 | 124 | 80 | 42 | 23 | 13 | 10 |
| | B | 41,0 | 83,6 | 82,5 | 100,5 | 114,8 | 143,4 | 176,2 | 293,6 | 333,7 | 313,3 | 316,7 | 712,2 |
| (7) Spaľovacie motory | A | 14 | 12 | 27 | 32 | 32 | 29 | 60 | 41 | 29 | 15 | 6 | 5 |
| | B | 1,6 | 2,0 | 1,9 | 1,6 | 1,8 | 2,5 | 2,8 | 3,1 | 3,0 | 16,4 | 4,6 | 3,0 |
| (8) Dieselelektrické agregáty | A | 16 | 10 | 33 | 27 | 29 | 30 | 62 | 36 | 23 | 17 | 7 | 6 |
| | B | 1,2 | 1,4 | 1,4 | 1,2 | 1,3 | 1,3 | 1,7 | 2,0 | 2,3 | 1,8 | 1,6 | 2,5 |
| (9) 2. *Dopravné prostriedky* | | | | | | | | | | | | | |
| (10) Nákladné autá | A | 54 | 60 | 106 | 105 | 106 | 95 | 126 | 81 | 42 | 23 | 13 | 10 |
| | B | 4,7 | 5,5 | 7,7 | 11,1 | 11,3 | 12,3 | 15,0 | 18,8 | 19,4 | 20,5 | 21,8 | 35,8 |
| (11) Ostatné automobily vr. autobusov | A | 66 | 62 | 106 | 105 | 105 | 95 | 126 | 80 | 42 | 23 | 12 | 10 |
| | B | 5,2 | 5,5 | 9,6 | 10,6 | 11,2 | 14,4 | 17,9 | 24,1 | 27,8 | 33,0 | 38,7 | 48,9 |
| (12) Traktorové jednoosé návesy | A | 23 | 52 | 65 | 107 | 106 | 95 | 126 | 81 | 42 | 23 | 13 | 10 |
| | B | 2,9 | 4,4 | 6,3 | 7,8 | 8,9 | 10,2 | 12,4 | 17,5 | 19,0 | 21,8 | 24,6 | 39,8 |
| (13) Traktorové dvojosé prívesy | A | 68 | 67 | 106 | 105 | 106 | 95 | 125 | 81 | 42 | 23 | 13 | 10 |
| | B | 6,3 | 12,9 | 19,6 | 25,0 | 28,1 | 34,5 | 42,7 | 56,8 | 72,7 | 76,7 | 88,5 | 138,0 |

A = počet podnikov number of enterprises
B = počet strojov pripadajúcich na 1 podnik number of machines per enterprise

Key:

1. Type of machine
2. Size in hectares of agric. land in enterprises
3. 50 to 500 (etc)
4. 8,000 and over
5. Stationary power sources
6. Electric motors
7. Combustion engines
8. Diesel electric units
9. Transportation facilities
10. Trucks
11. Other vehicles, incl. buses
12. Single-axle tractor trailers
13. Double-axle tractor trailers

## SUPPORT FOR UNPROFITABLE AGRICULTURAL ESTABLISHMENTS OUTLINED

Prague ZIVOT STRANY in Czech No 9, 82 pp 43-44

[Article "To Improve the Management of Unprofitable Enterprises"]

[Text] The measures adopted for improving the planned management system in our agriculture are among other things, focused, on intensification and consolidation of the khozrashchet principle in the management of agricultural enterprises. Their purpose is to offer a broader area for greater decision-making competence and independence and to promote material incentives and responsibility of the enterprises and their work teams for a favorable development of the production in accordance with the needs of our society. This objective goes hand in hand with restructions curtailing the state's participation in financing the needs of individual state and cooperative agricultural organizations(with the exception of needs with a more fundamental social impact, such as land reclamation) and thus, making them dependent on resources created by their own effort.

This is a difficult task, particularly for state farms which have lost over Kcs 1.7 billion during the Sixth Five-Year Plan; for three years they were operating at a deficit and in the remaining 2 years they profits amounted to no more than 0.09 and 1.58, respectively. The solution of the khozrashchet problem was approached already in 1980 when the economic policies of planned management in agriculture were being modified. In addition to measures targeted at closer interrelation of individual parts of the plan and at more realistic qualitative indicators of the financial plan, this objective was achieved on the one hand by measures in the price policy system, which in the state sector favorably affected in 1977 the creation of its resources amounting to nearly Kcs 900, and on the other hand, by raising the limits and amounts of the tariffs of differential surcharges for individual categories of natural conditions in which the state farms are classified. The adopted measures positively influenced the achievements of the state farms in 1980, when they earned profits of Kcs 300 million; however, that failed to solve the problem of their khozrashchet. Due to the rising costs of agricultural production and its structure and to the growing needs for investments in its intensification, along with the diminishing effect of those investments, the economic policies required further modifications within the improved system of planned agricultural management, mainly by means of consolidating the prices and price policies as of 1982. These

adjustments will provide more significant support for the economy of our state farms. For example, in 1982 preconditions were created for the state farms to enable them to reach according to summary quantifications on the average 11 percent profitability; the profit is to be used in the enterprises to make their management for most part self-sufficient.

In terms of economic dependence on the state budget, the situation in individual agricultural cooperatives is different and less complex. Most JZD [unified agricultural cooperatives] achieved self-sufficiency even before the introduction of the improved system of planned agricultural management. Nevertheless, even the internal resources created in this sector have declined during the Sixth Five-Year Plan due to a drop in profitability from 14.91 percent in the Fifth Five-Year Plan to 9.17 percent in the Sixth Five-Year Plan. This fostered a rapid growth of credit indebtedness and more enterprises ended their operations in that fiscal year with a deficit.

The cause of the declining profitability of the production lies mainly in external factors, particularly the high costs of external production and services, increasing prices for procurement of basic needs, higher requirements of funds and materials for intensified agricultural production, and in the fact that the wages of the work forces were growing at a faster rate than the dynamism of the production. In view of those facts, the supreme political and state authorities decided to contribute Kcs 2.9 billion from societywide resources for overall compensation of both socialist sectors of our agriculture. In addition to external effects the quality of the management which was not always well organized also affected the current level of profitability of agricultural enterprises. Therefore, the management of agricultural enterprises must regard the funds granted from societywide assets also as an obligation to our society and step up its efforts to achieve better results.

It may be presumed that the adopted measures will enable the state as well as the cooperative sector to develop the khozrashchet principles, i.e., to cover the needs stemming from the development of their enterprieses as well as the needs of their workers' material security from the resources which they create by their own effort.

Nonetheless, some agricultural enterprises will not be able to create with their available capital and policies by their own efforts all resources necessary for their oepration and for the needs of their work teams. There are about 380 such JZD and 100 such state farms, most of them operating in less favorable natural conditions, but some of them operating under better conditions. As ascertained by survey, they are lagging behind because of their inferior management, organization and supervision, and partly also because of their substandard equipment with the needs of production. Moreover, their management failed to implement with sufficient dynamism the measures stipulated in plans for consolidation of unprofitable enterprises, failed to make grants of funds from the state budget contingent on consistent fulfillment of the plans and in many instances tried to resolve the problem of unprofitability by merging the enterprises, which could not eradicate the underlying causes of their inadequacy.

An improved system of planned agricultural management emphasizes a comprehensive solution of this problem and furthermore, creates preconditions for it in areas of planning, economic policies and material incentives. The adopted measures make it mandatory to impose special discipline in enterprises whose production and economy are lagging, which are deep in debt and whose operations have relied for a long time on grants from the state budget. Enterprises selected by the ministries of agriculture and food of both republics through the middle level of the management on the basis of objectively stipulated criteria must prepare according to published principles a program for intensified production, aimed at raising the volume of our domestic agricultural production per 1 hectare of agricultural land at least to the level of the indicators stipulated for average enterprieses. This task must have a definite schedule and the programs must specify the measures on whose basis the above-mentioned bojectives will be achieved. The management of agricultural enterprises must discuss the announced programs and specify them in detail for corresponding enterprise subdivisions, review them with all workers in order to motivate them for enthusiastic participation in the implementation of the adopted measures, and for that purpose, the system of material incentives must be adapted for the leading cadres of the middle-level technicians and working teams.

Above all, regulations restricting the exploitation of the land and of all means of production, observation of the principles of appropriate agrotechnology, supply of adequate amounts of good fodder, determination and maintenance of the portions of fodder, and observation of the principles of husbandry must become an integral part of intensification programs. It is absolutely imperative to improve at the same time the organization and the methods in the management of enterprise subdivisions and to enforce the principle of rewards for achievements. The tasks stipulated in the intensification program and the means for their fulfillment must be incorporated in the five-year plan and further detailed in annual plans.

Next to the managers of organizations, the district agricultural administration must contribute toward consistent implementation of the intensification program. Since the inferior standard of operations in such enterprises is mainly a result of inadequate application of scientific and technical know-how, it is envisaged that teams of experts from scientific research institutes, service organizations and foremost enterprises will be organized in okreses to help draft intensification programs and also to implement them.

The fulfillment of intensification programs calls for considerable financial resources and special funds, and for that reason, our state will allocate funds for their implementation.

This is facilitated by measures for improvement of the planned management system in agriculture. Stabilizing grants and subsidies for investments (except for subsidies from state funds for land amelioration) were canceled and a new economic institution, the "infensification fund" was established with their resources; it is internally divided into an operational sector and an investment sector with very specific purposes. At the same time,

conditions were stipulated for state funds to be released and granted by mediation of district agricultural administration after previous commitment. A basic precondition for agricultural enterprises to receive such funds is to fulfill operational and investment tasks specified in intensification programs and in measures adopted for that purpose. If this condition is not fulfilled, the district agricultural administration or the appropriate middle level of the management must correspondingly reduce the committed funds. This method, plus systematic and responsible control of the fulfillment of intensification programs must guarantee efficient use of the funds.

Another factor which must play a meaningful role in the implementation of intensification programs for chronically unprofitable agricultural enterprises are the goal-oriented rewards to the leading workers of those organizations. The rewards are determined in advance when the intensification program is approved. Their grant depends on the achievement of financial independence in chronically unprofitable enterprises and on the fulfillment of selected indicators and measures of intensification programs. Goal-oriented rewards to individual leading workers are scaled according to the complexity of the tasks of the program, to the lag in the production and economy and to the extent of the organization; they may amount up to Kcs 50,000 in JZD and to Kcs 60,000 in state farms, provided that the indicators for the organization as a whole have been fulfilled. The differentation of total rewards in the cooperative and state sectors stem from the fact that, unlike in the state sector, the rewards in the cooperative sector are tax-exempt. District agricultural administrations will determine the decisive indicators and the amount of the goal-oriented reward for the director of the state farm and by the administrative council of the JZD. After evaluation of the fulfillment of the stipulated indicators the district agricultural administration will determine the goal-oriented rewards and approve their payment.

It is extremely important for national economy that the level of the production and economy be taised and the chronic lag in selected agricultural enterprises eliminated. Converted to actual results of 1980, for example, gross agricultural production per hectare of agricultural land would be increased more than Kcs 1.9 billion, or 3 percent of the gross agricultural production of all JZD, if it could be brought in the below-average agricultural cooperatives up to the level of average cooperatives. The achievement of this objective is important not only in economic but also in political terms because it intensifies the socialist methods of management in agricultural enterprises.

9004
CSO: 2400/266

OBSTACLES TO ENTREPRENEURSHIP SUMMARIZED

Budapest MUSZAKI ELET in Hungarian 27 May 82 p 4

[Article: "Obstacles to Entrepreneurship"]

[Text] In April the leadership theory work committee of the SZVT [Scientific Society of Organization and Management] held a round-table discussion to clarify the kinds of obstacles that are encountered by entrepreneurship in Hungary.

It first became clear in the course of the discussion that the concept of entrepreneurship itself is not clear, for everyone interprets it differently. Some people are of the opinion that every enterprise is an entrepreneurship, and according to others a usual solution to routine tasks cannot be regarded as an entrepreneurship. Despite the differences of interpretation, a relative identity of views developed in relation to several problems. We shall illustrate with a number of these.

The outlook and the views of the vast majority of our managers and technical and economic specialists do not favor the development of entrepreneurships and do not stimulate the entrepreneur spirit. Very many of them root in opposition to the developing entrepreneur spirit, do everything they can quietly to delay its success. Despite the announced efforts of the political leadership, public opinion is inclined to look at successful entrepreneurs as uninhibited go-getters, hardly able to wait for their decline, even their fall. Recognition, popularity is lacking, they can hardly count on moral recognition. The economic regulators and in harmony with these the limits of tolerance in the socio-political environment will not permit outstanding recognition for outstanding accomplishment. Various differences of magnitude can exist between the social usefulness of the activities of two managers at the same level but a two-one ratio in their income, if such a thing existed at all, would cause an outcry.

It is often mentioned that entrepreneurship is accompanied by risks. This is true, of course, but the risk belongs to the proprietor, the state, and the individual who undertakes the risk is hardly responsible for a fragment of the loss, in fact, he cannot even be responsible because he does not have the wherewithal. Thus it appears just that he should not share in the results achieved--but given a lack of incentive he will not strive for particularly

outstanding results. Therefore, those large-scale profits do not appear which would cover the possible large-scale losses that may come from the risk-taking. The basic element of entrepreneurship, however, is profit and its twin loss, which should also appear in the personal interest of the individual before we can speak of entrepreneurship in practice.

We have become accustomed to preparing solid plans for the fulfillment of which the slow-moving but more or less even resources--credits, materials, machinery, and so forth--are somehow available. Entrepreneurships, however, mean rapid decisions and execution, unexpected demands by means of which outstanding results can be achieved. The slowness and the ease of administrative offices and the delays in committee decisions do not find favor with the enterpreneur spirit.

There is no difference of opinion that the problems of our economy can be solved only by extending and accelerating innovative processes. However, as long as a talented and industrial engineer must "cab it" or must, for example, obtain the wherewithal for a house and the material conditions for a more human life in some other way, in another line, we cannot expect that this requirement will be met. It is ridiculous to ask: Who earns more, the enterprise director or the cleaning woman? And from which one do we expect solutions to our economy's most urgent problems?

On the basis of the round-table discussion, debate material is being prepared which the specialists in the bodies of the MTESZ [Federation of Technical and Scientific Associations] propose to debate in broader circle. It is desirable that as a result of the debates the MTESZ presidium should also take a position and make recommendations to the appropriate organs for solutions to the problems.

6691
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## MARJAI ADDRESSES REMEDIES FOR ECONOMIC SHORTCOMINGS

Budapest MUSZAKI ELET in Hungarian 27 May 82 pp 1, 3, 4

[Address by Jozsef Marjai, deputy premier, at the national conference of innovators: "Regeneration Is the Condition of the People's Existence"]

[Text] I am convinced that everyone is worthy of special respect and honor who performs his day's work with the effort to create in a superior way, more perfectly and more rationally--or as it is the style to say, more efficiently--the materials goods which assure the existence and development of the country--said Jozsef Marjai in the beginning of his speech.

Without the activity of the inventor and the innovator there is neither economic nor social progress. Sound economic-social relations, on the other hand, nourish and give incentive to technical development. In a socialist society and in the present situation of the Hungarian economy, bringing creative and intellectual energies into more intensified motion has a special role. The quality transformation of the economy and along with it the society and the speeding up of this process has become a condition not only of development but also of existence. We are dramatically faced with this requirement by the unfavorable--for us--changes in the world economic environment, the permanent world economic crisis overlaid with world political problems and tensions. It is not an exaggeration to put it this way today. Without foreign trade the Hungarian economy would plunge back into the stone age. Most of our products are measured by the values of the world market. Because of our features, dimensions and conditions, the ratio of products measured by the world market is constantly increasing, this is the pressure of development. We must, therefore, be competitive and able to operate on markets. Moreover, the world is constantly developing, even in an era of crisis. Products which are judged to be modern today will be obsolete tomorrow; that which is economic today will be a losing bargain by tomorrow.

Amid the radical changes in the prices for energy and raw materials and the conditions of economic crisis which have proved to be prolonged and permanent for almost a decade on the capitalist markets, the influence is being more strongly felt that the work productivity of some of our competitors on the world market is considerably higher than ours and therefore their profitability--despite their higher wages--is greater than ours. In some others, on the other hand, they are producing with similar productivity but with much lower real wages than ours.

With our technical development and all our efforts, we must close the gap with the first category of countries. A worthy improvement over the long run in the world economic crisis situation cannot be expected. The months may see this crisis becoming broader, deeper, and catastrophical if the determining political factors of the capitalist world and those who are active in the ruling posts of the capitalist world's economic and financial system do not change their policies and if they want to solve their problems at the cost of others, by rupturing and paralyzing the world economic relations system.

Together with the Soviet Union and our allies, our party and government will do everything it can to improve the world political situation, to ease the world economic problems, and to hold and possibly improve our positions.

This work is not without results. Recently, we have seen--as was also felt at the most recent international negotiations--that a favorable change of modest extent has occurred. This, however,--and we must see this clearly--does not ease the pressure on us, and it does not lessen the requirement which life has faced us with.

Despite a significant decline in investments, the crisis has been accompanied by a reorganization of the structure of investments and is compelling the capitalists to a more rational management and production. Thus this weak and possibly temporary revival is not improving our competitive situation, and for the time being it is creating even more difficult conditions for us. This is a starting point which we must take seriously into account and realize in our attitude, activity and all our actions.

We have often put into words the following and I can only repeat it: we must above all manage economically and rationally with import materials. We can make profits on material imports only if we add high domestic values and creative work. In many cases, the material and spare parts imports seem to be less expensive than the domestic. But this is merely appearance. Domestic materials are made more expensive by shortcomings in enterprise cooperation and unorganized work. This is our fault and our weakness. We must devote constant attention to economic energy and material use, to the utilization of by-products and waste, to the development of technologies for saving energy and materials, and to the economic replacement, technically equal in value, of imported materials, semifinished products and spare parts with domestic counterparts. In this field there are broad possibilities for technically creative work. In a very large proportion of these cases this requires innovative, inventive and so-called detailed work. And it also requires specific knowledge of the materials used in the given producer process.

The task is great--unsolvable with the exclusive help of central programs. The economy is dependent on professional knowledge, creative activity and inventiveness, and must rely thereon.

In comparison to the level of the second half of the 1970's, we cannot increase investments in this five-year plan period. We had to decrease them, and in fact in the future we must decrease them still further. We have been constrained to do this. We had to choose between lowering the level of

consumption by the population or reducing investments. We decided to reduce investments. I believe we did so correctly. I am convinced that even without the external constraint we would have been reduced to decreasing our investments. We have extremely great reserves in the field of investment efficiency and in general in the efficiency of the whole production process. With the given investment relations and conditions, the high investment rate was leading to waste and the squandering of social property and resulting in careless management of social capital. We have reserves in investment practice which we must bring to the surface. With this we may, and must, significantly increase the degree of efficiency in produciton.

With the existing producer aparatus and available means we must manage rationally, ingeniously and daringly. This compulsion of the economy opens enormous possibilities for innovators and inventors. The rational use of existing equipment in the interest of economic satisfaction of domestic and export requirements is the utilization of the restricted investment possibilities at the highest degree of efficiency, if we open for it an actually free road.

Of course, we cannot cradle ourselves in the illusion that we ourselves can create all the technical innovations necessary for economic development, the new products and the modern technology. We must learn from others, we must take over large numbers of foreign results, for we are an organic part of international work specialization, the culture of humanity, including our technical culture.

We are also dependent in the field of intellectual products and technical innovations on fruitful cooperation with the world that surrounds us. We must be aware of this and evaluate it accordingly as a valuable technical innovation when we adjust (do not devaluate) a purchased foreign result to our own manufacturing conditions or consumer needs--and develop it further. However, where we have an adequate level of resources of sufficient quantity and concentration available for the attainment of success in time, we are obligated to use these to the maximum degree. We must not only think of epoch-making, original inventions. Our activities are carried ahead not only by great moments and the great historical situations but also by detailed daily work and results which we must respect.

Now and within the new few years we can undertake with responsibility only to maintain the living standards we have achieved thus far. This is not little. But this too can be assured only if we adjust rapidly to changes in the world economic situation and to international development, if we keep abreast and in certain areas also secure the advantage.

It must be clear to everyone that under such conditions, the possibilities for increasing real wages and earnings are limited. If we say--and say correctly--that the differentiation of earnings according to achievements is necessary, we must also say that we cannot solve this in the usual or accustomed, popular manner. That is to say, society "penalizes" small achievement with the same income or with slight income increases, and rewards great achievements with outstanding income growth. If in our present situation--and this is not only

the situation today but also in the coming years--we want to give validity to the principle of income differentiation proportional to achievement differences, and this is essential for life and development, we cannot avoid the "downward correction" of real wages for those individuals and collectives who do not understand or do not want to understand the voice of the times and do not want to put forth the best of their knowledge, industry and inventiveness. This is also a precondition of the fact that those individuals and enterprise collectives which offer the maximum of their talents and industry for the welfare of the community should be able to measure in every way but above all in their own incomes, the evaluation and respect of society.

Our economic policy must create conditions under which it will recognize materially and morally only profitable surplus production, particularly the results of highly qualified, inventive and unexceptionable work and will reduce, on the other hand, the income of those who perform poor quality work, the undisciplined, the manufacturers of obsolete products, the masters of energy and materials, and the producers of superfluous products. Society and, in our conviction, enterprises too should more easily put up with the mutterings of those who plod behind and are unsatisfied rather than have those unsatisfied who are capable of taking along the economy if they receive proper encouragement and incentive and sense the material and moral respect of society. All the more so since the income that adheres closely to achievements is at the same time a means which awakens people more effectively than any kind of agitation to the fact that they themselves are primarily reponsible for their individual fate and for which they themselves must bear the responsibility and which they themselves can change.

It is the effort of our economic policy and a task still to be realized to create and strengthen an economic environment in which incentive and compulsion alike lead to disciplined, careful and creative work performance, and at the same time expose to serious consequences those, whether individuals or enterprises, who run after apparent results and do not seek to realize themselves with their industry, talent and inventiveness.

We have done a great deal to introduce financial systems which prevent the outflow of personal incomes without actual achievement and profitable surplus achievements; we have done a great deal but still not enough. Our consumption still exceeds our achievements. The shortcoming and fault of our regulation and management are that we continuously reproduce surplus distribution, which will be accompanied by serious and indefensible consequences if we do not find a solution urgently. In this case we endanger the realization of our basic political goals of improving the external equilibrium and protecting the level of living standards, and in the worst cases we make these impossible.

We must stimulate, and this we still do not accomplish to a sufficient extent, the deeper exploitation of possibilities latent in enterprise independence. We must strive to develop managing conditions in which the enterpises may make worthy decisions, in their own sphere of authority, in questions which they can sense and measure better than anyone else on the basis of the best management knowledge. We must create conditions in which maximum reliance on the talents and industry of the enterprise collective may be the only

materially and morally recognized means of fulfillment of the tasks of the economic community and the socialist enterprises.

It is a fact that under the pressure of the increasingly more difficult foreign economic conditions we still have not fully succeeded in creating such economic conditions.

It remains characteristic today that the central government is still taking on itself a significant share of these burdens that weigh on the country like, for example, the worsening of the terms of trade, the foreign market crisis, the narrowing markets, trade discrimination--and I could continue with the list of serious factors that weigh like "Biblical curses."

As a consequence, many enterprises can still operate in our country--apparently undisturbed, peacefully and without any particular anxiety or restlessness, or without the danger of liquidation--whose management and leadership level does not meet the requirements of today, or even of yesterday.

It is an illusion to believe that at times like this the budget or the state can fulfill the function of "the good Lord," independently or real, material resources, practicing charity, offering help and granting support to the needy. The central government can give support and preferences to those who have fallen behind, to the poorly managing and to the poorly working only from actually produced values which someone, somewhere has produced; that is, from those who work well. Support at the cost of the efficient for the benefit of the inefficient can only be charged to all our accounts.

Therefore, we do not have the possibilities for investments, imports and wage preferences to replace the quality work of the working collectives, technical renovation, and detailed concern, or to counter and cover the lack of these. If we continue to do so, this will be contrary to the interest of all the community, the people, the country and the nation.

The leadership of several enterprises will be obliged to report that the conditions are too strict as measured by their managing capabilities. We can also put it in this way: they are proclaiming bankruptcy. We will have to take account of this and seek for a solution which will give some way for the workers of an enterprise that is bankrupt in the eyes of its leadership and for their producer means to operate efficiently in the future. Or we will look for a managerial cadre which can cope with the tasks, or for another enterprise which can fit the given producer capacities into its own activities.

The older people know and the younger are familiar with it from textbooks that the capitalist withdraws his capital from deficit, uneconomic production. We cannot permit ourselves either the luxury of tying up socialist social wealth permanently where it will not bring all of us the necessarily fair profit and income. We have no right to this luxury. This is the wasting of public property, the diversion of national energies from areas on which we can and must live, which make it possible for us to have a more pleasant life, and to live better and more prosperously. I do not maintain that such a decision will be simple but we shall have to do it; the support of efficient

work as opposed to inefficient is not a matter of deciding whether "I want to or not" but should be based upon strict and unforgiving economic laws. It is true that we have to find a socialist solution to do this, by developing human means of reorganization, but we must do it, we cannot delay it, we cannot keep saying for decades that the tasks are essential but we must wait now, we simply do not have time. We must take the step, even if in some places it causes sorrow, pain and agony: we must do so in the interest of all of us, in the interest of the country.

The enterprise leadership bears special responsibility not only for the management of the enterprise's material energy but also its intellectual energy. Managers are generally, or at least generally now, called to account for the waste of material goods. This practice has not as yet been realized, however, in unused creative and intellectual capacities. We are also familiar with statistics on domestic innovations and inventions suitable for international comparison, and we know that this activity in the Soviet Union and other fraternal countries is characterized by more favorable indexes than ours. Even in countries with a more backward social system, including capitalism, the property owners cannot afford themselves the luxury of leaving unused the intellectual values and the creative intellectual capacities that they have available. Then how can we permit it in socialism, which is a more developed and higher social order than capitalism?

Efficient operation of means and of intellectual capacities is our responsibility, the responsibility of all of us, and primarily of the managers to whose care society has entrusted an important share of the property. I must add that the task of the technical-economic leadership will not have been exhausted when it simply takes over the innovation proposals that have been submitted, subjects them to study, and if conditions develop favorably, actually introduces them and pays an innovation fee.

This in itself is not enough. But even this minimum task has not been fulfilled in certain instances. All of us are familiar with negative examples which understandably evoke an unfavorable reaction and justifiable indignation, have have a damaging effect on the innovators movement even beyond the immediate environment. It has happened that an innovator's fee has been raised more than sixfold on the basis of the opinions of objective experts or in the course of judicial procedure. With what kind of conscience did they establish the award originally?

On what kind of opinion can we have of the business policy of an enterprise which initiates nullification proceedings against a newly introduced patent? Between the reporting of the patent and the nullification procedure, one of these actions is baseless and irresponsible. Among these examples also belongs the relatively frequent attempt of an enterprise leadership to sidestep a judgment on the value of an innovation, and to show an inclination to pay fair innovator's fee only after judicial procedure.

If we want to be objective, we must state, of course, that most of our enterpise leaderships have recognized that only with the use of all available intellectual resources is it possible to make progress and to prosper.

Mere recognition and good intentions, however, are too little. Creation of the necessary conditions have a decisive role within the enterprises. The managers must bring about an organization that will assure that every member of the collective will contribute to the full measure of his strength and capability to solving the short-term and the long-term tasks facing the enterprise. A particularly important managerial task is to assure the essential material-technical and operational conditions for the practical implementation of technical and intellectual works.

At the December session of the National Assembly it was stated that with the development of a modern incentive system an enterprise, without any investment whatever, could increase its achievements by 20 to 30 percent. To think only of innovations, rationalizations, and inventions, it is clear that the reserves have a decisive importance.

Of course, in order for our enterprises to be able to plan with confidence to expand and manage with the money means available to them, to be mobile on internal and external markets, they first need material independence, and secondly an independent decision sphere in all areas where they can make the best decisions. Only under such conditions can we expect that the enterprise activity will outgrow daily, routine work, that innovation will become an element of the first order in its management and undertakings, that the enterprises will dare to take risks and bear responsibility in the eyes of the workers and the state. The enterprises must radically tear themselves from the three-decade-old habit, which is still alive and active in the nerves, and which seeks to solve every task beyond the expected results by using additional resources.

The practical use of innovations and inventions is basically a task of enterprise management, but the responsibility and task of the government and managing organs is also very important. It is essential for the necessary changes that in economic regulation we prevent an extensive spreading of experiments, and remove obstacles in the path of enterprise measures planned for quality development. For this a gradual, complex modification of the economic regulators is necessary beginning with the modification of the prices, exchange rates, the wage and earnings system, the income regulation, and credit practice to making the enterprise forms more manifold and the managing licenses of the enterprises more flexible as well as to the modernization of economic and enterprise planning inclusively. It is in our interest that one of the centers of the modifications should be the liberation of surplus energies latent in innovative capabilities of society.

We must find that objective standard by which the usefulness of the innovation can be judged.

And from the overall social approach this usefulness is clearing the additional yield of the enterprise perceptible in the merited price increase of the innovation, in cost decreases, in the utiliziation of waste and by-products, or in the additional revenues realized by the transfer of the innovation to other enterprises.

We are confronted with many other problems which have not as yet been reassuringly solved. Such, for example, are the recognition in surplus storage (tobblettarban) of new, useful products recognized by the market, the great sensitivity of enterprise profits to product costs, the just distribution among innovator, enterprise and the state of the risks accompanying the introduction of an innovation.

The most perfect economic regulation and incentive system cannot operate with good results if public opinion and attitudes do not favor the innovator and the inventor, or this type of activity. The strengthening of this is a task for all of us. It is undoubtedly a two-edge sword to be an innovator; on one hand, someone is liked and respected who devotes a significant part of his energy to solutions which increase productivity, enterprise profits, security or work, and also has a favorable effect on the environment. On the other hand, the innovator and inventor is at the same time an unpleasant individual to those who have grown use to--grown gray in--everday routine work because the natural demand is for change and departure from the accustomed. His attitude itself is a criticism of those who do not behave as he does. Moreover, he also expects, and rightfully in my view, personal material gain from what he has done.

It is a mockery of socialism and a continuous detriment to the public interest if the people who offer surplus achievement, solve tasks successfully, and give what is new and improved are isolated, attacked, and if creative work is made impossible for them. We must unite out of public interest and object to such a phenomenon and attitude.

We must generalize the sound socialist mode of outlook that respect for innovators, inventors and rationalizers serves everyone's interest including that of the country.

It is very important that the workers should regard people with a creative intellect as one of their own, that the latter do not form a separate, closed caste. Let the concept of an innovator be of a category that is always being renovated, expanding, never isolated from the workers, and constantly including more and more members in its circle. In many areas obstacles are rolled in the way of the innovators' and inventors' case by a lack of understanding, lack of interest and unconscionable administrative work. The government must do everything it can to improve the conditions for copyright and patent judgment, but in this respect most of the tasks belong internally to the enterprises.

Some of the enterprises devote care to this, but the attitude is not yet a characteristic one and cannot be regarded as general. It is an important task of the enterprise to increase the professional training of those dealing with the innovations, their interest in seeking out technical innovations and making them known, and to shorten the introductory procedural time period. We may certainly say that the elimination of state and enterprise bureaucracy is the pledge of a rapid decision and implementation. By bureaucracy I do not mean necessary order and administration although in this area as well continuous rationalization and simplification is unavoidable and essential.

In the preparation and discussion of organizational, incentive and other measures designed to serve the promotion of technical development, the government also wishes to rely on the opinion of experts who are active in this area. We shall carefully study and make use of the proposals which are made at plant conferences. We request the same from enterprises, too.

We speak a great deal nowadays of human factors, and rightfully so. In this period, this is what we must group the other factors of management around, and from where we must bring to the surface new and hidden reserves. This is emphasized by increasingly new experiences and knowledge. But it is not enough to keep repeating this, we must create its conditions and its system of means. For my part, I sought by ennumerating these things to contribute to the common thinking which is being done at this conference.

We frequently say that ours is a small country, and when we look at the map we can actually see how small we are. The world's fair which is being held in the southern part of the United States and in which we are participating has as its theme "energy turns the world." On our pavilion we have written "Hungarian creative energy for the world."

A large part of the exhibit is made up of posters which show the great Hungarian inventors, and beside them we have displayed the technical drawings which show how many serious inventions were born in Hungary and originated with Hungarians. We were able to show imposing intellectual resources. The human factor has always played a special role in this country and this people, and if the human factor is not realized today and tomorrow, Hungary will not remain in the future the kind of country which is paid attention to and taken into account. In the world of today they try to observe us, the small and the great, friends and nonfriends alike. This is among other things a consequence of the fact that in the past 25 years the party's policy has continuously taken the human factor into account at a high level. The Hungarian party has guarded its policy and will continue to keep it alive and to include that valuable element of continuously renovating its policy while it keeps its basic values and demands.

This capability for renovation is the essential condition for existence and the demand of the party, the country and our people, and innovators have a very great role in it. This is not simply an economic or technical matter, but a nation-wide, popular and national cause. This is how you should receive and treat these questions, these concrete problems, concrete matters and then I believe that this conference will have done good work and that it will have worthy consequences and profitable results.

Permit me to wish you and all those whom you represent good health and good luck in your creative work in the name of the Central Committee of the Hungarian Socialist Workers Party and the government of the Hungarian People's Republic, and permit me to wish you good combined work, for these problems must be solved by all of us together. We can do it only together: you, the enterprises, and the government share in the problems and the results alike. The difficulties and the results are shared in common.

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HAVASI DRAWS BALANCE OF ECONOMIC SITUATION, COMMENT ON IMF

Budapest HETIVILAGGAZDASAG in Hungarian 15 May 82 pp 4,5

[Article by Ferenc Havasi, member of the MSZMP Politburo: "What Is the Way Out?"]

[Text] Is there a cause and mode for two kinds of action--as suggested by the theme of this year's itinerant congress of economists: "A New Course of Growth and the Alternatives of Economic Policy" or is there actually only one way out of our stringent economic situation? On Monday and Tuesday of this week this was debated by about 600 economists at their 21st meeting. The opening address was given by Fernnc Havasi, member of the MSZMP Politburo and secreatry of the Central Committee. In the following we selected a number of ideas from his speech.

In 1973 the world began to think over how it should react to those very radical changes which had taken place in a well-known way on the market for oil and other material and energy sources, but above all on the market for developed technology. In these periods the Hungarian leadership underestimated the effect of the economic changes, in their dimensions, and regarded them as transitory. We said that perhaps these influences can be excluded from our international relations. We overestimated a bit the speed of our adjustment capability, and we also judged our financial situation more optimistically than we could have. There were very serious debates over the rate and the extent by which we could pass these losses on to the economic units and to the population. I do not think that even today we can dispute the correctness of gradualism in passing on these losses, particularly as far as the population is concerned. We are, in fact, speaking of the years 1972 to 1974 when were still discussing property, the stability of large operations and their protection by all means, and not at all of permitting them to engage in competition.

In this atmosphere it was rather difficult to seek for, and even more to work out, radical solutions. At a meeting of the Academy last week, Professor Botnar called this period, very pertiently in my view, the dead point of action.

When the degree of the difficulties involved in the situation was recognized, a search for the way out began immediately, but this was characterized as

much by efforts related to the continuation of reform as, unfortunately, by ideas which saw the solution in reviving methods and concepts which had been used before.

It was under such conditions that we started to prepare the Fifth Five-Year Plan, the goals of which were actually good: competitibility, improvement of the product structure and restoration of the equilibrium. But at least by virtue of hindsight, the plan had an erroneous assumption, namely the assumption that the external equilibrium could be brought about along with a high growth rate and rising living standards. For the sake of objectivity we must state that such goals were also included by other socialist countries in their medium term plans. In fact, some of the cspitalist countries were able to ward off the first oil price explosion while at the same time advancing in these areas. But this erroneous assumption crept not only into the plan but also its execution. Not only did growth turn out lower than planned but also the import demand of the economy increased substantially, to such an extent that in the given structure the economy increased substantially, to such an extent that in the given structure the economy could no longer cover its import expenditures by export revenues. This is how we arrived to December 1978. From this time on, emphasis was placed on bringing about a foreign economic equilibrium, protecting the living standards already achieved, and improving living conditions.

In the 3 years, now going into the 4th year, that have passed since the December 1978 resolution of the Central Committee, economic growth increased annualy on the average by 1 percent, but remained below the goals set in the plan. Domestic consumption declined in a differentiated way. Investments were moderated, and consumption by the population rose modestly. In 3 years, exports increased by a total of 16.5 percent, including a 20 percent increase in capitalist export. The material demand of industry declined by 1.4 percent, and this is very important when we know that 1 year's material requirements may be put at 700 billion forints. While energy consumption increased annually by 3.5 percent between 1973 and 1979, it decreased by 1 percent between 1980 and 1981. Our petroleum imports fell from 10 million tons in 1978 to 7.7 million tons in 1981. And 1982 will be the first year when we will seek to manage an import decline of 1.5 million tons in such a way that we will need to import as little oil as possible from the capitalist market. Today there are 100,000 fewer persons working in industry than 3 years ago, but at the same time means efficiency declined in industry, which is related among other things with unused capacities. In practice, we have succeeded in bringing about an equilibrium in our dollar account foreign trade, but there is a serious blemish on this record. We have a deficit of US $1 billion with the most developed capitalist countries while we have brought about an equilibrium in trade conducted with developing and socialist countries.

Is this a fragile equilibrium? Professor Bognar also stated that an equilibrium brought about by the compulsory restraint of dynamics is temporary and relative. I fully agree with this. We must eliminate the causes of the disequilibrium, and then we can achieve stable results, but we have not as yet put an end to these causes. We devote a great deal of capital work and

imports to a unit of national income. Therefore under the present structure it would increase the disequilibrium if we were to speed up growth. The party and the government never regarded low growth as a goal but a consequence. Under the old structure, it would not be difficult to achieve dynamics of high growth. The difficulty is that we must develop a higher growth rate in a new economic structure. There are still quite a few people --Bela Csikos-Nagy spoke of it in HETI VILAGGAZDASAG--who urge the pursuit of an upswing policy. These views certainly come from good intentions. But we must see that we have no such goods, or few, which would make it possible to bring about an upswing in the economy and in export.

Behind the figures we must also see that almost one-third of the industrial enterprises are actually not competitive under international conditions. The question is whether we should relax in competibility in this stringent situation or keep ourselves toeing the line: as our competibility grows so grows our dynamics. Apparently we have no alternative but the latter.

As for our joining international financial institutions, we asked the officials of the International Monetary Fund and the World Bank when we submitted our request: What is your opinion of our conditions? Hungary, we stated, is a sovereign country, and its economic policy is also independent. We belong to the Warsaw Pact and to CEMA, and we wish to strengthen our relations with these organizations in the future. The financial institutions cannot ask us for such information as would harm our interests or those of our friends.

The answer we received was positive for all the Hungarian conditions. We are now well beyond the acceptance procedure and can speak assuredly of what the IMF can offer us. It will certainly improve our credit possibilities, giving us now greater access to more medium and long term credits. If in addition to the International Monetary Fund we also become members of the World Bank, and from which up to now we have been excluded. And there may be a number of Hungarian investment plans for the implementation of which we can obtain credits from the World Bank. We must solve our problems ourselves as we have done before. Still we should not underestimate those accessory possibilities which can be extended by the development of a relations system like this.

We must develop our management system in order to promote our course of growth. This management system has linked many people into the Hungarian economy and made them thinking and responsible people, something which cannot be expressed in forints.

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PROBLEMS OF 1982 BUDGET ANALYZED

Warsaw ZYCIE GOSPODARCZE in Polish No 17, 16 May 82 pp 1, 9

[Article by Grzegorz Pisarski: "Problems With Balance"]

> [Text] Since the beginning of this year the state's budgetary management has been based on a provisional budget for a 5-month period. This period is coming to an end. It has thus become urgent for the Sejm to consider a draft budget for this year that allows for the complex whole of the new premises of the economic reform, the revised premises for economic development, and the effects of the introduction of new producer prices, procurement prices, and retail prices.

Most notable in the draft budget proposed by the government are the difficulties and complications associated with its balancing. Thus these matters especially require broader elucidation.

The Point of Departure

The situation of the state budget this year, like the entire economy, is very adversely affected by last year's performance. The sharp social tensions have gravely compounded last year's collapse of the economy and prevented the implementation of many of the measures intended to eliminate the budget deficit. The stabilization measures proposed by the government and accepted by the Sejm had been implemented only to a relatively small degree owing to the boycott by the leadership of Solidarity.

As a result, the deficit of the state budget for 1981, planned to be about 217 billion zlotys, was limited to only 124 billion zlotys. Thus the 1981 state budget was not fully balanced. The scale on which it was not balanced had in reality been even greater, since part of the consequences of the increases in procurement prices, amounting to 100 billion zlotys, was financed from bank credit instead of from the budget. The budget was incapable of financing a large part of the losses sustained by enterprises. In reality, then, the extent to which the budget was not balanced exceeds 300 billion zlotys. This lack of balance means that last year the state budget was a major factor in

aggravating the tensions of the economic situation. This was reflected in, among other things, a correspondingly greater scale of market shortages, since the funds placed by the budget at the disposal of schools, hospitals, the communal economy, etc., were not offset by market-supply possibilities. Thus, the budget became a factor that worsened, not allevated, the general disorganization of our entire economy.

When looking for the causes of this occurrence, attention should be drawn primarily to two factors:

--The first factor was the high wage increases granted under the duress of strikes, which were justified neither by an increase in labor productivity nor by an increase in output. This has resulted in a huge increase in the cost of production and services and, as a consequence, in loss of profits for enterprises on a scale such that the total losses sustained by enterprises of the socialized economy proved to be higher than their total profits. Thus, the revenues derived by the state budget from the enterprises of the socialized economy proved to be lower than the subsidies that had to be paid to enterprises operating at a loss. This means that, among other things, the sphere of material production has ceased to provide benefits for social consumption financed from budget funds.

--The second factor, decisive to the rise of the budget deficit, has been the considerable increase in budget expenditures for the needs of social consumption. Owing to the intense pressure of social needs, the expenditures of the state budget on the communal economy and housing have increased 20 percent, while the expenditures on public health, education, and other public and cultural services have increased 26 percent. Moreover, the budget expenditures on social services increased 46 percent. Altogether, the increase in these three categories of budgetary expenditures on the needs of social consumption totaled about 150 billion zlotys, which represents an unprecedented scale in our economy. In the preceding years the rate of increase in these expenditures was much smaller--e.g., in 1980, it was about 30 billion zlotys.

All this means that budgetary management, like enterprise management as a whole, was marked in the previous year by spending on a much greater scale than justified by actual revenues. The decisions to increase expenditures had been adopted gradually, throughout the year. The consequences of these decisions, calculated for the year as a whole, as affecting the current year, are thus much greater. For many reasons, production possibilities have declined still further, on the other hand. Thus, we began the new year with prospects for the evolution of still more unfavorable proportions between budgetary revenues and expenditures.

Deficit For 1982

Current calculations show that this year we should expect a budget deficit of about 370 billion zlotys. Such a large deficit will occur despite the adopted premise that the budgetary expenditures relating to the so-called clearing of

accounts will be financed from the surplus funds deriving from the revalorization of inventories. The reasons for the emergence of such a large deficit have already been partially explained (effects of last year's decisions on this year as a whole). The situation is additionally aggravated by the great likelihood that the budget will receive from the enterprises as excessively small part of the income they will derive from the price increases, while at the same time, owing to many essential social considerations, we will have to increase budget expenditures to a sizable extent.

As regards the revenues from the enterprises of the socialized economy, here the reform was to play an essential role.

This concerns such expenditures as the clearing of accounts associated with budget-financed investments (schools, hospitals, roads, etc.), refunding to the banks the amortization payments relating to certain loans for agriculture and housing construction, and clearing of accounts with the banks as regards the payments of interest on foreign bank loans, etc. The adopted assumption is that expenditures of this kind will be offset with funds gained as a result of the adjustments of the prices of inventories to conform with new prices. Part of the equivalent of profits from these price adjustments must be deposited by the enterprises in a special clearing account at the NBP [Polish National Bank].

From this standpoint, the most important measure was to be the reform of producer prices and the introduction of new higher retail prices. Current estimates show that this operation has resulted in restoring the profitability of means of industrial production and services in the country as a whole. It is estimated that the overall financial accumulation by enterprises will exceed 800 billion zlotys, whereas in 1980, for example, it had amounted to a little less than 300 billion. It is of basic importance to the state budget to determine the part of that amount which will represent its revenues on the basis of the new principles of the economic-financial system of enterprises. This is extremely difficult, because even now it is not possible to determine which enterprises will become highly profitable and pay high income taxes to the budget, and which will be relatively unprofitable and either pay nothing or very little into the budget.

Budget calculations are based on the assumption that about 45 percent of the financial accumulation of enterprises will be paid into the budget. This will leave the enterprises with some 440 billion zlotys at their disposal plus about 250 billion zlotys in remaining fund resources. After payments of interest on investment credits and deductions to the contingency fund, the enterprises will probably be left with more than 500 billion zlotys at their disposal to be spent on wage increases, awards, bonuses, the social services fund and investments. This warrants the conclusion that the price reform has, on the whole, restored the financial health of the enterprises although we still have to pay out budget subsidies in many fields of production. But as for the problem of eliminating the budget deficit, it still exists.

The great size of the budget deficit and the large amount of funds remaining at the disposal of enterprises point to the need to consider whether they should not share more of their funds with the state budget. The government has proposed

to the Sejm that this should take place in the form of a stabilization loan in the amount of 30 percent of the profits of enterprises after the payment of income taxes. This would serve to additionally increase the revenues of the state budget by about 140 billion zlotys and to correspondingly reduce the deficit. At the same time, this would temporarily restrict the extent to which enterprises spend more on bonuses, social services and investments. Such restrictions seem, given our present situation, fully justified by the lack of the market supplies needed to offset the funds assigned for these purposes. As regards, on the other hand, the surmounting of the most important material shortages through the undertaking of appropriate investments by enterprises, this process can be more effectively guided by means of bank credit and eventual tax relief.

The improvement in the financial condition of most enterprises points moreover to the advisability of taking steps to have them pay for certain of their expenses which at present are subsidized by the state budget. This concerns state budget subsidies of the national retirement fund, which this year are markedly increasing owing to, in particular, the need to finance compensation payments to pensioners and annuitants so as to offset the consequences of the increases of retail prices. The elimination of these subsidies would require raising the corresponding premiums to about 45 percent from the present 25 percent of the wage fund. Such a considerable one-time increase in premiums might, however, in many cases increase the costs excessively as well as exert strong pressure for price increases. Thus, the proposed assumption is that the necessary increases in premiums will be carried out gradually over several years. Thus, this year, the premiums would be increased to only 33 percent. This would make it possible to reduce the budget deficit by an additional 30 billion zlotys, more or less.

In the event that these measures are taken, the remaining deficit will still be about 200 billion zlotys. Formally, about 115 billion zlotys of that sum could still be financed from the holdings of the budget at the NPP that have been accumulated over the previous years and the remainder with bank loans. It is possible, however, that even this may prove unnecessary, because the balance of funds following the aforementioned repricing of inventories may turn out to be much higher than estimated. The settlement of the related accounts will probably still continue until this coming June.

This does not, however, in any way reduce the need to continue the work to further mobilize budget revenues, because such a solution is by its very nature interim. A large part of budget expenditures at present is financed from revenues of a nonrecurrent nature, that is, with funds deriving from the repricing of inventories and with budget surpluses from the previous years, as well as, eventually, with bank loans. A recurrence of a sizable budget deficit is thus to be expected next year when the extra funds deriving from the repricing of inventories as well as from budget surpluses will no longer be available. Of course, as is known, many countries have been living with deficits for years, and pretty well at that. As a rule, however, their deficits are not as high in relation to their overall expenditures and their economic situation is completely different.

In countries with a substantial surplus of produced means of consumption and adequate possibilities for procuring supplies of raw and other materials, a budget deficit can be tolerated for some time, because if more is spent from the budget than taken in, this results in additional demand for various material goods and services which can be satisfied with no major difficulty. In this country, on the other hand, the situation is completely different. We experience acute shortages of material goods, and the injection of extra monies through a deficit budget merely augments the scope of these shortages and hence also disorganizes the economy and stimulates additional price increases. This is because then the extra money appearing on the market is not offset by an extra supply of goods.

Thus, it is extremely important to an improvement in our economic situation that possibilities for actually eliminating the budget deficit be further explored.

Paths Toward Balance

From the economic and social standpoints, the most appropriate and desirable path toward a balanced budget should, of course, be an increase in production and a decrease in production cost, which should result in a marked increase in budget revenues without any special "sopping-up" measures. This should be promoted by the new principles of functioning of the economy. But doubtless we would have to wait, and for several years at that, before such a policy would bring tangible results. Thus, we have to intensively explore other ways of eliminating the budget deficit. One such path is the aforementioned temporary extra levies on the profits of enterprises of the socialized economy.

As regards the nonsocialized sector of the economy, the taxes payable by artisan establishments have already been raised about 60 percent. It appears that in our search for additional sources of budget revenues we should not overlook private peasant farming. This issue should be considered from a new standpoint. The drastic increases in procurement prices have markedly added to the incomes of the rural population while at the same time its tax burden has remained unchanged for many years and, in relation to income, the taxes paid even by relatively inefficient farmers are of a rather merely symbolic nature. This has perpetuated the existence of poorly managed farms with extremely low volumes of marketable output. A suitably high tax rate would define the minimal level of profitability of farms and prevent the survival of the most badly managed farms. Their lands would be taken over by those who can manage them better. This would contribute to the intensification of production on private peasant farms.

This reasoning also justifies a marked increase in premiums payable to the Retirement Fund of Farmers, considering that currently these premiums total barely about 3.5 billion zlotys annually, whereas expenses from this fund will exceed 45 billion zlotys this year. The difference, amounting to about 42 billion zlotys, has to be offset through a subsidy from the state budget.

Owing to the low tax rates and low premiums paid by farmers into their retirement fund, the services provided to farmers, such as education, public health, and social security, cost the state several times as much as the revenues it collects from farmers in the form of taxes and retirement-fund premiums. This is yet another factor obscuring the true cost of food production.

Further ordering of prices will be another element, and a very essential one at that, in the elimination of the budget deficit. This is because too many prices still remain below production cost and require considerable subsidies from the state budget. This concerns chiefly the prices of services, especially the rat s charged for freight and passenger transit, housing rents, radio and TV fees, urban rapid transit, etc. The recent major raises of prices of coal and cement still are not high enough to offset their production cost. All this requires budget subsidies counted not in billions but in hundreds of billions of zlotys.

Thus, balancing the budget requires continuing the process of ordering the price system. But this must be done with great deliberation, because it directly affects the living standards of the population. It should be borne in mind, however, that in the final analysis, an unsettled price system affects very adversely the effectiveness of the economy and hence also the evolution of living standards.

Little time has remained for carrying out the measures discussed here, which are most important from the standpoint of balancing the budget. Practically speaking, [the time that remains is] the second half of this year and the first half of the next. Unless we succeed in balancing the budget during this period, we will be forced to introduce sharp cutbacks in budget expenditures on even such important consumer fields as public health, social services, utilities, housing, and the subsidies for staple foods. This would be a step backward compared with the tremendous advances which we have scored in these fields in the last few years--and intend to score this year. But these matters require separate treatment.

1386
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FOREIGN TRADE SITUATION IN 1981 DISCUSSED

Warsaw HANDEL ZAGRANICZNY in Polish No 1-2, 1982, pp 3, 4, 14

[Article by Marek Misiak: "The Year 1981 and Conditions for the Start"]

[Text] The view that foreign trade is one of the basic barriers for overcoming the Polish economic crisis is widespread. This view equates the negative consequences of "the debt noose" with our exchange with foreign countries, which is expected, somehow all by itself, to at least loosen, if not eliminate, that noose.

However, the data on the situation of foreign trade last year suggests that the problem lies far deeper. It is deeply rooted in the proportions of generating and distributing national income and the efficiency of utilization of the basic production factors, above all, fixed assets and materials. This point of view must be respected in assessing the situation in Polish foreign trade and the payments situation and in formulating recommendations for the ways of surmounting the crisis as well.

In 1981, national income declined by 13 percent as compared to 1980 and by about 18 percent as compared to 1979 (in constant prices). At the same time, the balance of foreign trade turnover in convertible currencies amounted to a relatively small negative quota at the end of 1981, about 200 million foreign exchange zlotys (that is, about $60 million), as compared to minus 3 billion foreign exchange zlotys (about $0.9 billion) at the end of 1980 and minus 5.2 billion (more than $1.5 billion) in 1979. Such a marked decrease in the negative balance was primarily a result of decreased convertible-currency imports in 1981 as compared to 1980 by about 29 percent in current and more than 33 percent in constant prices. Convertible-currency exports decreased somewhat less, by 20.6 percent in current and more than 24 percent in constant prices. It should be noted that terms of trade were unfavorable for Poland last year: the ratio of foreign exchange prices in exports for convertible currencies was 104.7 percent, whereas in imports 106.2 percent.

The decrease in imports from capitalist countries manifested a declining tendency over the particular quarters of 1981. In the first quarter, imports from capitalist countries decreased by 10 percent as compared with the same period in 1980, in the second quarter--by 24.8 percent, in the third quarter--by 35.8 percent and in the fourth quarter--by as much as 40.4 percent. In

December of last year, these imports fell especially far down as compared to December 1980, by 53.9 percent (in current prices). These imports are estimated to have fallen by about 60 percent in constant prices. In January 1982, convertible currency imports also amounted to an exceptionally low quota of 1.2 billion circulation zlotys ($150 million), which means, in comparison with January 1981, a decline by 41.6 percent (in current prices, or by about 50 percent in constant prices). This was a result of the lack of means for payments, due to the necessity to make rigid overdue payments associated with the debt servicing.

About $9 billion in principal and interest came due in 1981. It is estimated that about $2 billion out of this quota had been paid before refinancing talks were begun in April 1981. As a result of the talks, until the end of the third quarter of 1981 payments of $5 billion were postponed, out of which $2.6 billion were for government loans servicing and $2.4 billion--bank loans servicing. The non-European governments agreed to postpone 90 percent of payments of principal and interest coming due between April and December 1981. The banks agreed to postpone 100 percent of principal payments, provided that the interest on bank loans coming due in this period would be paid before the end of 1981. The banks did not agree to postpone interest payments.[1]

Therefore, on the threshold of 1982, we faced the necessity to pay the remainder of the payments due at the end of 1981 and the beginning of 1982. On top of that, principal and interest payments amounting to more than $10 billion are coming due in 1982, which is a commitment that cannot be fully honored this year without obtaining new credits or other relief. Annual income from commodity and service exports will not exceed $7 to $8 billion in the best scenario this year, but there will still be expenses for imports.

The way this indebtedness has come about is no secret for either Poland or her creditors. The influx of technology from capitalist countries in the 1970's created a situation, whereby the utilization of Polish production potential became greatly dependent on imported materials with high technological "adjusted" to the imported technologies. Increased imports of equipment paid for with capitalist currencies also became necessary. This also included spare parts. However, an adequate export production volume to capitalist countries was not created by technical potential. As a result, the created technical potential was utilized in an increasingly smaller degree because imported and other supplies had to be restricted from these countries.

A negative balance of turnover within the framework of the so-called foodstuffs sector was also a considerable burden. This was a result of weaknesses in agricultural policy and also of low harvests, especially in the 1980-1981 agricultural year. In 1981, more than 7.2 million tons of grain and milled commodities and 1.3 million tons of oil-meal and oil cakes were imported. Total imports of raw and other materials for agriculture and the food economy for western currencies exceeded $2 billion. The impact of reductions in

these imports will only become apparent this year, which will be reinforced by the sanctions instituted by the USA.

The effect of payment difficulties which limit supply imports from capitalist countries can be quite easily discerned from last year's statistical data. This import decreased by 41 percent in current prices as compared to 1980. In constant prices, this decrease reached about 43 percent. As compared to 1979, supply imports for convertible currency decreased by about 50 percent. The largest decrease, by about 73 percent (in constant prices) occurred in fuel imports. This was primarily a consequence of stopping crude oil imports from capitalist countries, of which we imported only 400,000 tons in 1981 as compared to 3 million tons in 1980. Imports of the iron and steel goods in 1981 decreased by 58.6 percent as compared to 1980, or by 67.9 percent as compared to 1979. Imports of electric machine building products were down 42.4 percent (as compared to 1979--51.7 percent), products of the mineral industry--41.6 percent (as compared to 1979--58.5 percent), products of the chemical industry--38.7 percent (as compared to 1979--41.1 percent).

Ensuing difficulties were eased partially by keeping up imports from socialist countries at a relatively stable level. Supply imports from these countries increased by 12.5 percent as compared to 1980 and by 28.5 percent as compared to 1979 (in current prices). In constant prices, these imports were 4.8 percent less last year than in 1980 and 0.8 percent higher than in 1979. Fuel and energy imports from socialist countries declined by 1.5 percent in constant prices (compared to 1979, they grew by 6.8 percent). At the same time, imports of chemical products grew by 7.3 percent compared to 1980 and by 14.8 percent compared to 1979. In the commodity groups, where a decrease of supply imports from socialist countries occurred, it was much less marked as compared to imports from capitalist countries. However, our exports to socialist countries decreased over this period much more markedly, which caused a systematic growth of our indebtedness to these countries (primarily the USSR) from 0.8 billion transferrable rubles in 1979 to 1.4 billion in 1980 and 3.3 billion in 1981.

Combined supply imports from socialist and capitalist countries decreased by 21.5 percent in 1981 compared to 1980 and by 23.2 percent compared to 1979. It is understandable that such a decrease in imports had to bring about a decrease in production, a lower degree of utilization of production capacity, a deterioration in production efficiency and a decrease in exports.

However, one cannot fail to notice that the economic capacity has been deteriorating in Poland for many years. This is especially apparent if the productivity of fixed assets is taken as an example. The rate of decrease in the productivity of fixed assets was accelerating as early as the 1970's and amounted to 1.4 percent in 1976, 3.4 percent in 1977, 7.1 percent in 1978, 9.5 percent in 1979 and 9.6 percent in 1980. A faster growth of technical development of labor compared to increases in production was the reason for this phenomenon since 1976, and since 1979--also a decrease in production volume. It should be noted that the technical development of labor was still growing until as late as 1981, despite a precipitous decline in investment (by 25.7 percent compared to 1980 and more than 35 percent compared to 1979).

There is a certain time lag in the changes of technical development of labor following investment. Consequences, in this case the reverse, in the form of lower technical development of labor will be felt only in the years to come (among other things, in the form of aging fixed assets).

In 1981 a further decrease in the productivity of fixed assets was registered. The magnitude of this decrease probably exceeded 20 percent (compared to 1980). In this estimate, it is assumed that net industrial production decreased by about 18 percent, whereas technical development of labor grew by at least 2 percent. In the fourth quarter of 1981 and in December 1981 and January 1982, a decrease in the productivity of fixed assets was still larger, because in this period a further decline in production of several percentage points occurred, mainly associated with limitations on supply imports from capitalist countries. It follows from the above that in the years 1976-1981 productivity of fixed assets decreased more than twofold (including decreases of about 32 percent in the years 1976-1980 and 20 percent in 1981). Docent Dr L. Zienkowski, on the basis of these data, placed the unutilized production capacity in particular industries to be between 25 and 50 percent. Despite this disastrous process, it was necessary to limit imports from capitalist countries because of the rigid payment burden imposed on export revenues discussed above.

One of the consequences of limited imports was a reduction of exports. A declining tendency was evident in particular sectors last year. This, in turn, caused a decrease in consumption and investment in accordance with the principle of forward linkages.

It follows from the preliminary estimates that total investment outlays in the socialized economy were about 140 billion zlotys in 1981, or about 25.7 percent lower than in 1980 and 35.1 percent lower than in 1979. Consequently, the share of net investment in the distributed national income, despite the appreciable decrease, dropped from 22 to 11 percent in current prices and to 9 percent in constant prices. This reduction in the share of investment magnitude unparalleled anywhere in the world. The share of national income for investment by CEMA countries, as a rule, has never dropped below 15 to 17 percent in any country. In the majority of capitalist countries, this share has also not been below 15 to 17 percent.

In the face of such a precipitous investment decline, tremendous capital was tied up and a further increase in frozen investment projects was unavoidable, despite the fact that the number of newly started investment projects was reduced by about one-half as compared to 1980 and by more than two-thirds as compared to 1979. Unutilized machinery and equipment are a peculiar element of the investment freeze. The data for the end of September 1981 show that they amounted to 61.7 billion zlotys compared to 53.2 billion zlotys at the end of 1980 and 45.3 billion zlotys in 1979. The value of unutilized imported machinery also grew. This means that the slowed investment process was inadequate. Consequently, this will certainly make it necessary to broaden the list of halted investment projects. In many fields, this would translate into accelerating the process of fixed asset depreciation with all the ensuing negative consequences.

The basic problem involves an assessment of opportunities for a transition from slowing investment down to such a restructuring of production capacities, which will create conditions to stabilize and increase production. Switching over to production based to a much larger degree on domestic raw materials and also to more efficient production will require many structural changes within industries and enterprises.

The last years and months have been a period when supply difficulties with imports from capitalist countries snowballed. The economy took the blow largely by losing production. Defensive reflexes in the form of a search for substitute stock allocation opportunities were not efficient enough to halt this process. Particular enterprises and also ministries are reluctant to come to terms with the reality of "fending for themselves." Everybody wants to enjoy preferential treatment in the distribution of means of production.

This was manifested in recent months, when almost everybody wanted to take part in operational programs.

Reality is forcing us to speed up undertakings which as late as yesterday could have been implemented with no particular hurry. It is understandable that with such a shortage of resources it is necessary to direct them to where they can generate the greatest effect from the point of view of our payment situation. We should also tap domestic research and the development base. After all, this base employs 220,000 persons, which include--a considerable number of professionals with high and very high qualifications. This base was not well accepted in the 1970's (at least, until 1978), especially when it offered its findings because justifications for purchasing [foreign] licenses were being sought. Using the potential of these nearly quarter of a million research and development employees is an important factor for transforming the production structure in accordance with the environment created by restricted resources and a management reformed system.

The initiation of the process of economic reform is associated with creating conditions for enterprises which are conducive to finding new solutions in the areas of organization, supply and, finally, in production techniques and technology and structure armed at obtaining profit. This will not always be possible to accomplish if the consequences of mismanagement are passed on in the prices of goods, though some symptoms of such tendencies can be observed. In the area of foreign trade, the reform, in accordance with its assumptions, must bring about an increased incentives to increase export efficiency because this is the main factor which will make it possible to overcome the crisis.

FOOTNOTE

1. See "Credit Talks," ZYCIE GOSPODARCZE, No 44, 1 November, 1981.

9761
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OIL, NATURAL GAS PRODUCTION PLANS FOR 1982 OUTLINED

Bucharest REVISTA ECONOMICA in Romanian No 13, 2 Apr 82 pp 6-7

[Article by Valeriu Soare, deputy director in the Petroleum Ministry]

[Text] As party documents have pointed out, sustained efforts must be made during this year, as in fact during the entire five-year plan, for an intensive development of a domestic raw materials base. Priority is being given to the discovery and valorification of the largest possible amounts of hydrocarbons and coal. This means that the oil and gas industry has exceptional responsibilities for completing on time and placing in operation a significant number of new production capabilities, for better labor organization, and for increasing the production that is so necessary to petrochemical plant and refinery processing, so as to provide the national economy with a broad range of raw materials and fuels.

Major Investment Objectives

Increased oil and gas production requires first of all greater efforts in geologic prospecting to discover new reserves for drilling, exploitation, injection, and placement in production of planned new capabilities. The documentation and design of new production structures require relatively long times (at least 4-5 years), which means that the investments made during that time are frozen, and that their recovery does not begin until after they are completed. That is why prospecting, drilling, and well production are carried out in parallel with research.

The large investment volume in the oil and gas extraction industry is also determined by the nature of the complex processes involved in their production. The attached table shows the 1981-1982 investments made in the oil industry.

An analysis of the structure of these investments indicates that a large portion of them are devoted to geologic projects and exploitation drilling, so as to assure production reserves for the longest possible period, and to exploit them through new wells. To this end, significant investments are stipulated for completing the priority programs for very deep drilling. As a result of the results obtained in past years, during 1982 this drilling will increase by 40 percent over the preceding year, to confirm the hypothesis that exploitable hydrocarbons are available at great depths. The good results obtained thus far have led to a reorientation of activities in areas of high interest, in which oil was found below 4000 m: Virteju, Valuta, Stoenita, Slavuta, Bibesti, Contesti, and Calina-Draganu.

| Investment destination | 1981 | 1982 |
|---|---|---|
| Discover new oil and gas reserves | 32.0 | 32.2 |
| Drill exploration wells and increase deposit recovery | 19.0 | 19.7 |
| Installations for placement in production | 20.0 | 18.8 |
| Equip drilling, construction, and installation organizations | 29.0 | 29.3 |

Still on the topic of investments, it should be pointed out that for a more efficient valorification of hydrocarbon reserves, work was started on the construction of gas compressor stations at Danes, Filitelnic, and Taga, and that the pipelines which will connect the gas fields to consumers will cover more than 600 km. Concurrently, the automation of well fields will be extended to include more than 1000 wells, while an extensive action will be placed underway to electrify drilling installations in order to shift from diesel fuel to electric power. At the same time, the concentration of efforts in the country's western areas in order to exploit as rapidly as possible the newly discovered oil and gas deposits, is another concern of the collectives which contribute to the scheduled completion of investments with the highest possible efficiency.

In order to complete the investment plan and place in operation the production capabilities planned for 1982, measures were taken beginning in the second quarter of 1981, to provide documentation, contract for tooling, and perfect the forms for occupying the land in question. At the same time, new construction groups and sites were organized to satisfy the growing needs of the oil industry in the operation of wells and installations. Because experience has demonstrated the many technical and economic advantages offered by the use of standardized projects which result in advantageous technical and economic indicators, and which offer solutions soundly controlled in all their aspects (faster formulation of investment documentation, and creation of a basis for increasing the industrialization and transformation of the production process at an installation site), steps were taken to assure that 33 standard projects would exist by the end of the current year. The construction of standard installations was similarly expanded, a process which has led to a significant reduction in constructions. As a result, more than 95 percent of the fixed assets in the oil industry are presently erected on foundations prefabricated outdoors, without costly and complicated constructions, and when the technology also requires enclosed spaces, the solution is to use enclosures built from corrugated iron, whose cost is also lower because they can be rapidly assembled and disassembled.

Planned Capabilities in Operation on Schedule

In the much improved framework of measures taken in proper time, the builders have undertaken new projects and are continuing those in progress, under better conditions than those of previous years. That is because much better documentation has been provided than in previous years (over 83 percent by 30 December 1981, and more than 90 percent by the end of the first quarter of this year, the remainder to 100 percent being determined by the results obtained from geologic borings being carried out in totally new zones). Investment planning charts as well as the more than 3500 projects in execution, have assured the scheduled start and pursuit of the work.

Because they were well prepared, the plan provisions for all investments were fulfilled even during the first month of 1982, so that this indicator can even be surpassed during the first quarter of 1982. It is notable that the wells which provide production capabilities for the oil industry are being placed in operation on schedule, in accordance with the formulated programs.

About 200 oil wells with a production capacity of more than 1400 t/day were placed in operation during the first three months of this year, and their number and production is expected to double during the second quarter. Together with that, we have built 12 oil collection, transportation, and storage facilities, and more than 100 km of roads to research and exploitation wells. At the same time, in order to improve working conditions at work sites, about 200 apartments and 150 camps were placed in use in new areas with intensive activity and high concentration of material resources and manpower.

But although the ministry's plan for total investments was fulfilled, some lags persist in some sectors, such as the Transylvania basin and the Western zone. This situation is primarily due to the very low temperatures of winter, when it was not possible to normally carry out the assembly of installations and of oil and gas pipelines.

Given this situation, as well as the need to accelerate the increased production of hydrocabons, the appropriate ministry and its units have formulated programs of supplementary measures for the second quarter of 1982, which will include:

Reassignment and redistribution of about 200 workers and technicians with the appropriate training, to the country's western zone, so as to intensify the research and exploration activity in areas of high economic interest and efficiency;

Starting and intensifying the work on the Danes gas compression station (Mures County), and on the Hurezani-Bucharest gas pipeline, so that they will be placed in operation by the end of the year;

Encourage and support collaboration among users, builders, designers, suppliers, and other partners, for the scheduled delivery of tubing and pipes (extraction, drilling, conduits), installations, motors, and drills.

Activation of Old Wells and Maintaining Constant Output in Extraction

The extraction process of oil and gas involves particular aspects of deposit exploitation which are reflected in production levels and in economic efficiency. That is why in order to eliminate the production decrease of some wells, investments are required to drill wells in order to maintain a constant production level; at the same time, it becomes necessary to change extraction systems in time, and to apply new technical processes (fluid injection in the deposit and stimulation of crude flow into the well hole), all of which require additional investment operations and exploitation costs. In order to minimize the production reduction, concrete programs have been formulated in time for each deposit and well, on the basis of which dozens of technical operations are performed daily. The actions undertaken last year, for instance, have succeeded in limiting the reduction to 13 percent compared to 1980.

For 1982, investments have been planned to discover new oil and gas deposits, to place them in exploitation, and to introduce new secondary recovery processes that are 25.5 percent larger as a whole, and 33.2 percent larger for construction and installation, than those of 1981. These increases impose more design, planning, and execution capabilities, as well as higher efficiency in project completion. To this end, the plans include the injection of water, steam, and micellar solutions into deposits, which will contribute to increase the recovery coefficient of crude oil from deposits. In addition, new experiments are planned for underground combustion, as well as their extension to the Barcau and Videle- Balaria substrates.

In fact, exploitation through underground combustion will be extended to a large number of deposits, so as to ultimately obtain a more accelerated increase in the crude oil recovery factor, which--together with other factors--will contribute to the fulfillment of the plan at the annual levels established for hydrocarbon extraction.

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8 July 1982

# East Europe Report

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2292

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8 July 1982

# EAST EUROPE REPORT

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2292

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ENERGY MANAGEMENT IN CEMA COUNTRIES VIEWED

Budapest HETI VILAGGAZDASAG in Hungarian No 22, 5 Jun 82 pp 4-5

[Article by Gyula Munkacsy: "The Key to the Situation"]

> [Text] Energy is expensive! proclaims the television advertisement daily, and the little dog Morgo encourages us to conserve. In most socialist countries, the supply of energy is steady, but tensions occur everywhere.

Conservation of energy is one of today's keys to economic development in the socialist countries. The cost of producing heating materials is rising rapidly, and energy import prices either directly or indirectly limit production. From the viewpoint of general energy conservation, the CEMA countries can be divided into three groups.

1. The situation in the Soviet Union is unique. Although its energy balance is strained, its energy management problems are different from the other countries', since it is a major fuel producer and exporter. The Soviet Union has manuevering possibilities between home consumption and export of fuels.

2. The use of energy is strictly curtailed in Poland, Romania, and Czechoslovakia, and this naturally affects production.

3. Energy management is fairly stable in GDR, Bulgaria and Hungary. However, these countries are also affected by the concerns of the smaller CEMA countries: the fuel and energy sector draws means for development away from other branches; as a consequence of increasingly difficult production circumstances, the efficiency of fuel production is decreasing; the productive infrastructure is highly energy intensive; and besides all the above, a great deal of inefficient energy use takes place. (The two preceding problems are not identical, however. The energy-intensive productive structure does not preclude a technological sanction for increased energy consumption. The development of such an infrastructure can be markedly efficient and beneficial in countries rich in energy such as the Soviet Union. On the other hand, high specialized use of energy can cover for inefficient conservation.) All these factors increase the price of production in these countries.

Concerning the directions visible in the fuel output statistics of the European CEMA countries, we can say the following: production of Soviet natural gas is increasing dynamically, production of Soviet crude oil, East German brown coal, and Rumanian coal is increasingly moderately, production of Czechoslovak and Hungarian coal remains the same, and Rumanian oil mining is decreasing. Soviet coal production has dropped in the past 3 years, but plans call for considerable expansion. Polish coal output is difficult to categorize, since it suffered sensitive losses in the past 2 years. (Newer reports describe some stabilization.)

The question of how Soviet crude oil production is developing is of worldwide economic importance. The strongly biased Western debates of previous years on the subject have ceased, and the boundaries of possibility are becoming clearer. Apparently, petroleum production in the Soviet Union has not lost its developmental reserves, but at the same time, the possibilities for increased production are severely limited, at least in the near future. Internal consumption is increasing, which reduces export. The Soviet Union can substitute natural gas for oil exports. The possibilities in this area depend largely on the pace of realization of the huge steel pipe-natural gas enterprises which the Soviet Union is in the process of creating with various West European countries.

Soviet plans for energy management call for a significant reduction in petroleum consumption, while also increasing its refinement exploitation. According to the directives, natural gas, coal, nuclear energy and hydraulic energy must supplement petroleum. However, execution of this program is faltering, says the Soviet press, because of deficiencies in the nuclear neergy program and coal mining. Soviet press commentators find the cause of this last deficiency in the slow rate of assimilation for new production capacities, the inadequate rate of reconstruction, and the slow acceptance of technological advances by the branch. In addition, the drilling depths are increasing, geological considerations are becoming more complex, and the average quality and caloric value of the coal is decreasing. The press also indicates that the above concerns are also present in other fuel-production branches.

In GDR and Czechoslovakia, fuel production consists mainly of coal. Brown coal is the only form mined in GDR, while in Czechoslovakia it is the main form. The limits of expanding production are firmly delineated in both countries, from both and economic and physical standpoint.

In Rumania, the attained results systematically fall behind planned results in fuel production. This causes confusion in energy conservation and petroleum refinement. The disparities are especially large in coal mining. The 86 million ton goal for 1985 demonstrates the strained plans; if this goal is to be reached, present production must grow to twice its present level by mid-decade.

Finally, how should CEMA countries seek a solution? In socialist countries, the problem is not energy supply, but energy utilization. Thus the basic solution is to decrease specialized energy consumption, to develop a productive structure appropriate to the energy supply situation of each country, and to conserve.

Initial results have already been obtained in this area, but the situation can hardly be called satisfactory. Among the positives is that for instance, in the past year GDR has increased its national income by 5 percent without a significant increase in material or energy consumption. Many CEMA countries are measuredly, selectively developing other energy-intensive subbranches of metallurgy, petroleum engineering and chemistry. Reductions in specialized energy consumption, and energy-conscious systematic reorganization are indispensable to the general modernization of individual economies.

In smaller socialist countries, there is widespread effort to exploit internal energy resources while either relatively or absolutely decreasing imports. However, due to the deterioration of fuel production, this has become a very costly enterprise.

It is a general tendency in CEMA countries to increase the roles of coal and nuclear energy in the energy balance. Bulgaria is in the lead, having developed 20 percent nuclear energy proportion in its total electrical energy output; this is significant even in international comparison.

Production of Main Fuels in Some CEMA Countries

(Coal and petroleum in million tons, natural gas in million cubic meters)

| Country and Fuel | 1975 | 1976 | 1977 | 1978 | 1979 | 1980 | 1981 | 1985 plan |
|---|---|---|---|---|---|---|---|---|
| Soviet Union | | | | | | | | |
| petroleum | 491 | 520 | 546 | 572 | 586 | 603 | 609 | 630 |
| coal | 701 | 712 | 722 | 724 | 719 | 716 | 704 | 775 |
| gas | 289 | 321 | 346 | 372 | 407 | 436 | 465 | 630 |
| Czechoslovakia | | | | | | | | |
| coal | 114 | 118 | 121 | 123 | 125 | 123 | 123 | 125-128 |
| GDR | | | | | | | | |
| brown coal | 247 | 247 | 254 | 253 | 256 | 258 | 267 | 290 |
| Poland | | | | | | | | |
| coal | 172 | 179 | 186 | 193 | 201 | 193 | 163 | - |
| brown coal | 39.9 | 39.3 | 40.8 | 41.0 | 38.0 | 36.9 | 35.5 | - |
| Rumania | | | | | | | | |
| petroleum | 14.6 | 14.7 | 14.7 | 13.7 | 12.3 | 11.5 | 11.6 | 12.5 |
| natural gas (methane) | 27.0 | 29.8 | 28.8 | 29.0 | 27.2 | 28.2 | 29.3 | 31.0 |
| coal | 27.1 | 25.8 | 26.8 | 29.3 | 32.8 | 35.2 | 37.0 | 85.6 |

Source: national statistics of CEMA countries

Hungarian Statistics

Production and Import of Fuels, in million tons

| Fuel | 1970 | 1980 | 1981 |
|---|---|---|---|
| Coal | | | |
| production | 27,830 | 25,701 | 25,942 |
| import | 1,986 | 1,623 | 1,678 |
| Petroleum | | | |
| production | 1,937 | 2,031 | 2,024 |
| import | 4,349 | 8,336 | 7,754 |
| Natural Gas, in million $m^3$ | | | |
| production | 3,469 | 6,142 | 5,997 |
| import | 200 | 4,045 | 4,000 |
| Gasoline | | | |
| production | 990 | 2,338 | 2,361 |
| import | 105 | 613 | 531 |
| Diesel Fuel | | | |
| production | 1,948 | 3,713 | 3,711 |
| import | 298 | 908 | 717 |
| Fuel Oil | | | |
| production | 2,276 | 3,267 | 3,082 |
| import | 388 | 92 | 34 |

The Makeup of Energy Resources, in percents

| Resource | 1970 | 1980 | 1981 |
|---|---|---|---|
| Coal forms | 50.1 | 28.8 | 29.7 |
| Petroleum and petroleum products | 30.3 | 37.4 | 35.7 |
| Natural gas | 13.4 | 26.2 | 26.2 |
| Other resources | 6.2 | 7.6 | 8.4 |
| Total | 100.0 | 100.0 | 100.0 |
| The proportion of imports in energy consumption | 39.5 | 54.8 | 53.5 |

Consumption of the Most Important Energy Resources in 1980, in percents

| Area | Coal | Natural Gas | Electric Energy |
|---|---|---|---|
| Industry | 20.7 | 65.5 | 55.1 |
| Agriculture and Labor | 1.5 | 2.4 | 8.0 |
| Transportation and Communications | 7.8 | 1.5 | 5.6 |
| Population | 59.9 | 14.0 | 19.1 |
| Other | 10.1 | 16.6 | 12.2 |
| Total | 100.0 | 100.0 | 100.0 |

Source: Hungarian Statistical Handbook, 1981.

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FASTER GROWTH OF INVENTORIES THAN OF PRODUCTION CRITICIZED

Prague HOSPODARSKE NOVINY in Slovak 21 May 82 p 4

[Article by Eng Vit Kobora, Czechoslovak State Bank, Kraj Administration Banska Bystrica: "Undesirable Trends Continue in Inventories of Central Slovak Kraj Enterprises"]

> [Text] The disproportionate growth of inventories has long been one of the negative characteristics of the economy, especially in enterprises of industrial production and construction. Inventories are growing faster than is production, the turnover of stocks is slowing down, enterprises are exceeding inventory plans, putting a strain on requirements and resources which is reflected in inability to meet payments. This is carried over to suppliers, creating pressure on credit and the whole circulation of monetary resources is impaired. The following paragraphs will describe the situation in the Central Slovak Kraj and discuss various possible solutions.

Enterprise inventory plans at the start of the year assume the reduction of supplies and accelerated turnover. In the course of the year, however, the same officials who had called for the reduction of supplies are retreating from their positions, yielding to "justified" enterprise demands and inventory plans are amended or increased from quarter to quarter closer to reality, even though there are no reasons for these increases either in costs or increases and changes in the assortment of goods.

The annual inventory plans for industrial enterprises in the Central Slovak Kraj as of 31 March 1981 assumed a reduction of supplies as compared with the end of 1980. The requirements in the plan were justified because in 1980 there was stockpiling beyond planned inventories to a considerable extent. Together with the reduction of supplies there was supposed to be a distinct acceleration in their turnover.

Growth Which is Not Beneficial

The development of inventories in 1981 proceeded as in the preceding years with further growth and at the same time pressure was increasing on higher

officials to make adjustments, that is, raise the plan of supplies and reduce their turnover. The amended plan at the end of the year was Kcs 992 million higher than the original but even this adjustment did not correspond to the actual development and the inventory plan at the end of the year was again exceeded, by Kcs 795 million.

By amending the plans the stockpiling of supplies became a matter of course and gave it the stamp of credit-worthiness. The growth of inventories was thus reflected in the growth of credits which results in raising interest costs and also excess financing charges which in turn are inereased by sanctionary interest for excess inventories and penalties for late payment because of a shortage of funds tied up in the excess inventories. The increased need for credits and the resulting interest costs as well as penalties reduce profits. Excess inventories in turn increase the amount of operating assets which results in reduced returns and also smaller allocations to enterprise assets. The effect of increased interest costs and inventory overruns alone caused a 6.2 percent reduction of profitability in the kraj and this, of course, does not indicate the full scale of the negative impact caused by excess stockpiling.

At first glance it would appear that these consequences of excess stockpiling would be enough to compel enterprises to reduce their inventories to their optimal level. Experiences from the first year's implementation of the Set of Measures, however, do not support this even in our kraj. There is a stronger element here which compels enterprises to stockpile supplies without regard to their negative impact on the economy of the enterprise and that is the fear of failure to fulfill the plan which might happen if plans to provide necessary supplies were inadequate.

In 1981 the enterprises were obliged to sort out excess inventories according to State Planning Commission and State Arbitration Office decree No 49/1981 of ZBIERKA. Here too, the enterprises tried to maintain their current stockpiles and the actual sorting out was done so as to have the least effect on the interests of the enterprises. This consisted mostly of attempts of the majority of enterprises to sort out only those kinds of supplies which were in excess of the plan. Certain kinds of supplies, for example, unfinished production or spare parts, objects of gradual consumption, were, therefore, not sorted out in many enterprises. The goods sorted out represent only 2.9 percent of the entire inventories and only 53.7 percent of the supplies above plan. From a check of the sorting out conducted by employees of the Kraj Administration of the State Bank, it appeared that the volume of stocks screened out should have been at least 50 percent more.

The stockpiling of supplies creates, on the one hand, a feeling of production security, but on the other hand there is the danger of depreciation of inventories which is all the greater the more specific its character requiring a high proportion of single-purpose items and the more they are subject to technical progress, changes in production technology or design and the greater the need for rapid innovation. These are generally enterprises in the engineering and electrotechnical industry where there is also at present the greatest stockpiling of excess supplies. The heterogeneous character of the

inventories is so broad that serious external control is impossible as well as as effective external pressure for reduction if this need is contrary to an enterprise's own interests. The question of optimal inventories is a problem which only the enterprises themselves can resolve and for this proper conditions must be created, an economic climate that would rule out stockpiling.

Experience up to now indicates that enterprises worked hard to include excess inventories in the plans and they succeeded to a considerable degree. That led to legalization of excess stockpiling and their credit-worthiness. In this way the enterprises obtained a cheap source of protection, credit on inventories at an interest rate of 6 percent, even in those cases where the stocks were directly or indirectly obtained from abroad. Credit abroad, however, costs three times as much but this pressure does not affect the enterprises.

Problematical Solutions

Banks may increase credit rates by sanctions of 50 percent for uneconomic stockpiling of supplies. It appears, however, that even this increase is not enough of a stimulus. The enterprises do not even have great objections to a 12-percent interest rate for nonpayment of credit on time. In their opinion it is always cheaper than the amount of the penalty for late payment. In the meantime, excluding inventories for granting credit or refusing to credit inventories is the device most likely to affect enterprises that stockpile excessively. It is, however, only a follow-up device, not a preventive, an external, not internal measure to prevent stockpiling over planned amounts.

At the same time, it is generally known that excess supplies are not identical to above-plan supplies because not even planned supplies correspond to optimal supply requirements but are generally a lot higher.

For judging the development of inventories, as a rule the determining factor is development of inventories without labor and deliveries that have not been invoiced. Not even for computing the profitability of operating assets or setting interest rates for credits are any other criteria established, with the exception of preferential interest on credit for certain seasonal and temporary supplies.

From an economic standpoint, however, inventories differ considerably. As long as production supplies are stocks of unfinished production, that is, supplies that are tied up in the production process, their status as such is all the longer the greater the volume of stocks and so they are not available to society. Supplies of finished goods are already in the area of circulation and can meet society's needs whether in relation to domestic or foreign customers.

So it can be said that conditions for the smooth and uniform flow of production and sales are not created by inventories of raw materials and stocks stored up in excess quantities but rather by finished products, ready at any time to meet the needs of buyers and especially to meet them under optimal

conditions for the buyer, that is, not only in quantity, assortment and quality but mainly on optimal terms.

And it is precisely this kind of supply--finished products--that makes up the smallest portion of the total volume of stocks and its proportion decreases with the growth of inventories. At the same time, the ability of the supplier to meet the needs of buyers decreases and the latter are compelled to comply with the supplier's dictates. Times of delivery are extended which brings about a high state of insured inventories. Deliveries come in spurts, not regularly, which has a bad effect on uniformity of production and in the final analysis leads to excessive stockpiling of supplies.

Because finished products are considered the same whether in computing profitability or setting interest rates for credit the enterprises are not particularly interested in finished production, rather the opposite.

In order to create interest in enterprises to produce supplies of finished goods, these would have to be excluded from computations of profitability. Favoring this exclusion is also the fact that finished products are not in the area of production but in circulation and therefore should not be considered as part of operating assets.

At the same time steps should be taken to separate the crediting of supplies in the area of production from those in the area of circulation, that is, finished products. Supplies of finished products, on the assumption that they are covered by sales, should be granted credit at the most advantageous interest rates. On the other hand, credits on supplies in the sphere of production should be subject to substantially higher interest rates (without regard to the plan), rates that would approximate penalties for late payment and would make it impossible to shift the results of poor management in stockpiling supplies to the suppliers and in the end to the credit system. A definite interest differentiation and changes in the computation of profitability of operating assets could thus become preventive and not just aftereffects for preventing excess stockpiling of production supplies and their gradual depreciation.

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## MARCH ECONOMIC RESULTS EVALUATED

Prague HOSPODARSKE NOVINY in Czech 30 Apr 82 p 2

[Commentary by Dr Eng Vaclav Cap, ScC, Federal Bureau of Statistics: "March 1982"]

[Text] When evaluating economic development in March and the first quarter of the current year, it is important to consider the conditions that developed during the preceding period and affected the first quarter, most of all the high prices of imported raw materials, materials and particularly fuels, whose rise substantially outpaced the price increases of finished goods for export. In addition, obstacles in foreign trade have been unilaterally imposed in recent months by certain capitalist states.

Moreover, the costs of production of domestic fuels and raw materials rose. In agriculture last year's lower harvest affected the steady development of livestock production and the food industry. The need to rationalize capital investment in particular to reduce the number of projects under construction was reflected in a lower demand for construction works and subsequently in lower production of construction materials. The economic policy specified in the 1982 plan allows for this situation. It envisages less dynamic development, which will restore the balance of foreign trade even at the price of lower imports of raw materials.

If we consider these principles of the plan for the current year, which are expressed in fundamental, albeit simplified, terms, it follows from the results of January through March that the stipulated line has been fulfilled in general. With a slower rate of development the structure of our economy has begun to change, economic relations are improving and opportunities for a more dynamic development in the future are being created.

The main way to achieve the outlined economic objectives should be better efficiency and quality of all work. Their fulfillment thus far may be assessed only on the basis of indirect, partial characteristics. Nevertheless, already it appears that this will be a particularly taxing task because it calls for a change in the thought and action of everyone, especially the managers.

The results in foreign trade indicate that the opportunities for trading with the capitalist states have further deteriorated and that a shift toward a more

extensive exchange of goods with the socialist countries is taking place. If we consider the experience of the 2 months alone, the adjustment of retail prices resulted in changes in the structure of demands for meat and dining out.

The 1982 state plan on the whole has been fulfilled in the first quarter. During March there was one more working day than in March 1981; industrial production was up 3.1 percent and several sectors of production made up for the shortfall in production during the first 2 months of 1982. Nevertheless, 26 percent of all industrial enterprises failed to meet their planned production tasks. As compared with the targets of the state plan, in the first quarter production dropped especially in sectors with a particularly high consumption of fuels, energy and raw materials. Electric power generation was down 0.3 percent due to an overall reduction of energy consumption in our industry; during the first quarter the production in ferrous metallurgy was down 2.6 percent (the annual plan envisaged a 2.5 percent reduction) and in the industry of construction materials down 3.7 percent (the annual plan envisaged a 0.6 percent reduction).

Contrary to the planned 1 percent reduction in the chemical industry for the year, production in the first quarter was up 1.6 percent. The production in the food industry was 3.9 percent below that of the first quarter of 1981 due to lower procurements of slaughter animals and milk. On the other hand, the production in engineering industry was up 3.2 percent and in the light industry, up 1.5 percent, in accordance with the plan. New installations in the wood-processing industry have failed thus far to operate at full capacity; thus, the 1.1 percent increment in production falls substantially short of the annual plan.

Production in most industrial sectors was less dynamic than during the preceding year and therefore managers and administrators must focus on high technical standards and quality of goods, in most cases without reducing their work forces. We cannot be satisfied with the current standards, although last year 16 percent of our products achieved high technical standards (less than 13 percent in 1980). Furthermore, the process of innovations improved, since 10.1 percent of all products in 1981 were new products (9.4 percent in 1980). Changes in the line of goods must go hand in hand with the implementation scientific and technological progress and with basic structural changes in production.

Marketing results in the first quarter prove that there has been an apparent upturn in that direction; however, our economy demands even faster and more resolute approaches to their fulfillment. In the first quarter the deliveries for exports to the socialist countries increased by 9.8 percent in wholesale prices over the same period in 1981 and exceeded the planned dynamism, while the deliveries for exports to the nonsocialist countries increased by no more than 3.1 percent; in other words, at a slower rate than the annual plan had envisaged. The situation in exports developed accordingly.

Exports to the socialist countries in the first quarter rose by 10.1 percent and to the nonsocialist countries declined by 6.7 percent. Exports to the

nonsocialist countries have not been fulfilled partly because of the administrative restrictions on our exports imposed by those countries, consequently, goods are being exported to socialist countries. (Imports from the socialist countries have risen 4.5 percent and from the nonsocialist countries declined 25.7 percent due to the austerity in expenditures of hard currency.) Deliveries for our domestic market dropped in the first quarter below the level of the same period of 1981. A more tangible problem stems from the fact that the line does not always satisfy consumers' demands because production and trade are not flexible enough

The favorable development in the dynamism and fulfillment of the plan for adjusted value added in our industry over the 2 months indicates that the trend toward reducing material consumption and focusing on less material-intensive production of goods continues.

Despite certain improvements in March, the construction enterprises have not met their plans. The volume of construction production was 9 percent below the first quarter of 1981. The annual plan had envisaged a 4.2 percent cut in production. The consequences of its nonfulfillment and of the nonfulfillment of certain deliveries of machinery and equipment are reflected already in the failure to meet the deadlines to begin operation in the planned mandatory capacities.

In agriculture the plan for the procurement of slaughter animals was exceeded in the first quarter by 2.4 percent but the planned tasks in the procurement of milk have not been met. Cattle decreased slightly in number over the first 3 months and reached approximately the same level as last year; the numbers of hogs slightly increased after a drop of 1/10 in late 1981.

Following a gradual increase of dynamism, the financial income of our population in the first quarter was 2.3 percent higher than in 1981. Retail sales in the main trade systems in March increased rapidly after their decline in February and in the first quarter were already up 3.7 percent. The savings of our population continued to rise in March, to the amount of Kcs 170.3 billion at the end of that month; ready cash in March was lower, amounting at the end of that month to Kcs 44.7 billion.

Basic Indicators of National Economic Development in March 1982

Increments over Comparable 1981 Period (in Percentages)

| | Mar. | Jan.-Mar. | State Plan[1] |
|---|---|---|---|
| Deliveries of the Centrally Managed Industry for: | | | |
| --Investments at wholesale prices | - | 6.3 | -11.9[2] |
| --Domestic market | | | |
| at wholesale prices | - | - 0.1 | - 0.3[2] |
| at retail prices | - | - 1.4 | 1.6[2] |

| | Mar. | Jan.-Mar. | State Plan[1] |
|---|---|---|---|
| --Export to socialist countries | | | |
| at wholesale prices | - | 9.6 | 2.6[2] |
| at FOB prices | - | 11.1 | 4.7[2] |
| --Export to nonsocialist countries | | | |
| at wholesale prices | - | 6.0 | 4.6[2] |
| at FOB prices | - | - 1.3 | 6.7[2] |
| --Other sales for industrial production and operations at wholesale prices | - | 0.5 | - |
| Volume of industrial production | 3.1 | 0.4 | 0.6 |
| Average number of employees | 0.7 | 0.7 | 0.3[2] |
| Labor productivity based on industrial production | 2.3 | - 0.3 | 0.3[2] |
| Construction | | | |
| Construction work performed with internal labor resources | - 3.0 | - 9.0 | - 4.2 |
| Average number of employees | - 0.8 | - 0.8 | - 0.8 |
| Labor productivity based on construction work | - 3.2 | - 8.3 | - 3.5 |
| Housing units delivered by contracting enterprises | 106.6 | 92.6 | 11.1 |
| Procurement | | | |
| Slaughter animals (including poultry) | 0.5 | - 4.6 | - 9.5 |
| Milk | - 1.0 | - 1.8 | 0.2 |
| Eggs | 4.5 | - 1.1 | - 0.2 |
| Retail Turnover of the main trade systems | 6.0 | 3.7 | 4.2[3] |

| | Mar. | Jan.-Mar. | State Plan[1] |
|---|---|---|---|
| Foreign Trade[3] | | | |
| Export to socialist countries | - 1.3 | 10.1 | 5.0 |
| Export to nonsocialist countries | -17.6 | - 6.7 | 7.5 |
| Import from socialist countries | -20.6 | 4.5 | 11.9 |
| Import from nonsocialist countries | -37.9 | -25.7 | 4.2 |
| Personal Earnings[5] | 3.4 | 2.3 | 4.0[6] |
| of which: income from wages[5] | 2.0 | 1.1 | 3.2 |
| Actual cash expenditures[5] | 4.2 | 2.5 | 4.3[6] |

FOOTNOTES

1. Increases compared to actual 1980 results.

2. Increases compared to expected 1980 results.

3. All trade systems.

4. Data on actual results refer to actual transactions; and the state plan (in contrast to overall actual results) does not include unplanned actions within the framework of cooperation, unplanned reexports trade, exchanges and conditional trade transactions, etc.

5. Data calculated according to the treasury plan of the SBCS [CSSR State Bank2.

6. Including estimated interest on loans.

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## PROSECUTOR CRITICIZES AGRICULTURAL PRACTICES

Bratislava NOVE SLOVO in Slovak 20 May 82 p 7

[Article by Milan Valashik, county prosecutor, Greater Bratislava: "Law in Agriculture, A Useful Inspection in the Outer Bratislava County"]

[Text] Analyses have shown that like other countries with intensive agriculture, there are objective causes in Czechoslovak agriculture which lead to the growth of production costs, and decrease of profitability and weaken the khozraschet positions of individual agricultural cooperatives and state farms. In 1980, 56 percent of the enterprises in Slovakia managed their economy with minimal losses and profit. Therefore, measures were adopted to better cover the agricultural replacement costs from the resources of the entire society to achieve an average of 10-11 percent profits from the agricultural production throughout the country and, at the same time, to resolve the unjustifiable differences in the profitability of individual agricultural products.

Apart from objective causes, however, there are also subjective causes for the differences in the economic results. One of them is also the violation of socialistic laws. The inspection carried out at United Agricultural Cooperatives and State Farms in the Greater Bratislava County showed several surviving examples of this violation, such as insufficient fencing of farm yards, construction material and agricultural chemicals stored outside and easily available to anybody, agricultural machines and vehicles parked outside guarded areas and buildings and insufficient supervision over vehicles which are often used for private purposes. Growth, utility values and changes in the number of farm animals are not recorded sufficiently, stock and supply files such as receipts, issuance and transfer certificates and stock cards are also inadequate. In and out checks of trucks are not performed well either, which makes possible illegal transportation of various materials. Insufficient attention is being paid to adhering to the law concerning the protection of agricultural field fund, although there has been improvement since 1980. Agricultural organization managements still underestimate this problem. There should be one worker in every agricultural organization entrusted with the protection of the field fund, particularly in integrated United Agricultural Cooperatives and State Farms; all these problems should not rest only on the agriculturalist. Moreover the person who has been entrusted with the protection of the field fund, should not be given other work. Every agricultural

enterprise is obliged to keep detailed records about soil in accordance with land records and existing natural conditions. Physical surveys of land showed that not even a single agricultural enterprise had its land records in order. These records must receive systematic attention, the ascertained discrepancies must be put in order and, above all, the land fund records must be compared with those of the geodesy center every year, to avoid repeating errors from the past, when the geodesy made changes particularly inside the land fund without notifying the user.

Many enterprises do not pay sufficient attention to proper use of the land fund. They have the right to use land in the cooperative. The land is recorded as being used by them, however, the land is actually being used by private individuals (either those who purchased the land from original owners or the original owners themselves)--Jur pri Bratislave, Modra, Stupava. In several places, summer houses have been built on cooperative land, either legally or illegally. For example there are about 600 users of agricultural land at Badogy in Modra. Present users purchased the land from original owners or their heirs despite the fact that the land from original owners or their heirs despite the fact that the land had been registered as the property of United Agricultural Cooperatives and is still recorded as being "in use" by the JRD Modra. Summer houses have been built there although it is not an approved recreation or a gardening area. Some cases of willful occupation of land which had been in the use of United Agricultural Cooperatives were also discovered; the land was added to private gardens (JRD Lozorno).

Existing farms have been built on large areas and many of them, due to the integration of individual United Agricultural Cooperatives, do not serve their original purpose any longer and are overgrown by weeds.

There are numerous shortcomings also in the area of environmental protection and water system development. These shortcomings result from the methods of the construction of the facilities as well as from negligence and insufficient supervision in using oil substances and other pollutants.

The problems of water protection in the Zitny ostrov (Rye Island) constitute a specific category. The intensify of the agricultural production there is not in agreement with the directions and regulations of the government of the Slovak Socialist Republic concerning the protected area water reservoirs in Zitny ostrov. In endeavoring to secure the planned tasks--mainly in the production of meat and milk--it is almost impossible to uphold the basic regulations concerning the permissible number of animals for individual farms. The objectives can be achieved only after the production plan has been adjusted (particularly for the JRD Dunajska Luzna) or by changing the basic orientation of the production into exclusively plant production and assigning the animal production to other agricultural enterprises, which do not have to be concerned with water protection.

It has been discovered that the responsibility for safety and health protection at work has not been assigned to anyone at any of the organizations inspected, This is a violation of appropriate regulations and the Work Law Code. Records and registration of work accidents are incomplete. No set

supervision methods were found in the accident records. Regular checks and inspection of technological equipment are not performed. To be specific, a number of shortcomings were found in arc welding. Coworkers are not protected against radiation, welding equipment is not protected against weather and accidental human contact, nor is it regularly inspected.

All organizations show a great number of shortcomings in metal machining, operation of road vehicles. The worst working conditions were found in assembly pits. In the JRD Modra, the Pexinok Machine and Tractor Station and the Agricultural Machine Repair Shop in Ivanka pri Dunaji, unsatisfactory technical conditions of electrical equipment were found.

About 50-60 defects, very often serious ones, were found in medium and large agricultural organizations; many of them have a common denominator: a low level of knowledge of legal regulations and norms concerning work safety and health protection. It is also necessary to point out that according to statistical data, the number of occupational illnesses in agriculture grows every year.

Although upholding the laws in agriculture in the Greater Bratislava County has improved substantially in comparison with the past, many problems of both objective and subjective nature continue. Therefore, managers and supervisors responsible for adherance to the law in individual areas of activity evaluated the present conditions at their enterprises. They adopted various measures to eliminate the present defects and to deal with problems according to present legal regulations.

9814
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## ACCELERATED ROBOTIZATION IN INDUSTRY URGED

Bratislava PRAVDA in Slovak 21 May 82 p 3

[Article by Frantisek Zdobina: "Robots Are Knocking on the Door But Do Not Beg"]

[Text] It is not easy to come up with an article about robots with a title more attractive than the one printed--for example, "Robots Knock on the Door but Barely," "Robots Crossed the Threshold of the Present," "Robots--Illusion and Reality." It is often mentioned that the word "robot" was coined by the Czechoslovak writer Karel Capel. He did not coin a new word, as tradition would sometimes have it, but a neologism derived from the term "worker," which originated in the older Slavonic expression "robota," the Slovak "robotnik" and the Russian "rabochiy.

Even history was pressed into service in the popularization of robotization. Actually, from the days of Greek mythology mankind coveted a mechanical man that would carry out on their behalf certain tasks. But as soon as robots made their appearance, some philosophers in the West saw in their ascendancy the beginning of the end of mankind, because one day they will surpass man in the ability to learn and destroy him. These murky visions do not scare us; we know from which direction the wind is blowing.

With the ascendancy of robotization, production is acquiring a new technological base and that, in a social system based on exploitation, will increase the pressure toward creation of new relations in production. "It is on the whole impossible and contrary to nature," we cite Soviet scientists, "that robots could become a means for oppression and exploitation. By themselves, as manmade objects, they cannot play a social role even if they were close to being perfect."

In the communist form of society, comprehensive automation (of which robotization will be a part) represents the type of organization of production that meets the needs of liberated labor. Every significant change, and the area of production is no exception, brings about a tendency for exaggeration. Robots inherited this at their conception only because we became accustomed to transforming them into the human image. In reality they are machines, sometimes even ugly. They resemble humans about as much as angels with wings on their backs resemble today's airliners.

## Everywhere and without Fatigue

The predecessors of robots were relatively simple manipulators. They made their appearance in the latter half of the 1940's and somewhat resembled cranes. Today we designate as industrial robots complicated systems with a certain number of work operations, programmable and equipped with a handle or a tool. The sequence of motions and changing positions is programmed, so that a robot is a versatile device.

A robot is tireless. It works in media that humans cannot stand; work at night poses no problem for it; and, depending on their design, robots can be used in practically any sector: on earth, in space, under the ocean.

They are machines, for all their advantages. Several years ago they were counted in the hundreds; today tens of thousands of them operate in industrially advanced countries--and their numbers will grow. Interest in them is increasing, also in our country. Participation and attendance at the Brno exposition ROBOT 78 exceeded all expectations. Let us hope that domestic interest in robots will persist, because, as we will show, we will need them as allies against certain conservative trends. Robots bring about changes and we must be prepared for them so as not to lose time and also to overtake what has escaped us so far.

## Onset of Mass Utilization

A coordinated and systematic research and developmenof robots and manipulators commenced in our country in 1975. Its concept was based on the significance and nature of the Czechoslovak machining industry. As a high share of it is characterized by piecemeal and small-series production, it was correctly determined that further advances in automation of Czechoslovak machining will depend on flexibly programmable and expediently adaptable production and manipulation systems. Support for this role was expressed many times. The key directions of economic and social development for the current five-year plan, adopted by the 16th party congress, directly require further research and development on "implementation of a higher level of mechanization, automation and robotization of integrated production processes, lines and sectors," calling on general engineering specifically "to develop production of robots and manipulators." The pressing nature of this task is brought into even sharper focus when related to the intent of increasing the productivity of labor in machining by 30 to 32 percent and its obligation to meet demanding export tasks.

And What Is the Situation at the Moment?

The answer can be found in documents of the federal government. Last December the CSSR Government discussed the concept of development of industrial robots and manipulators. As concepts must be based on wider relationships, it emphasized in its introduction that we cannot afford to lag behind in robotization, because robotization is a scientific and technical orientation that is rapidly progressing worldwide and its use is constantly widening. The key area determining the extent and the rate of robotization is automation of technological and production processes. The government determined that "in the CSSR now exist the basic prerequisites for systematic technical development of industrial robots and manipulators and the foundations are laid for its production base." Czechoslovak needs in this respect were expressed in the State Goal-Oriented Program 07.

This goal-oriented program envisioned producing approximately 3,000 robots and manipulators by 1985. This would represent a manpower savings of approximately 5,500 workers. By 1990 the number of robots and manipulators was expected to increase to 13,000 and manpower savings to 25,000.

However, the government was not fully satisfied with the proposed concept. It stated that capacities for developing the production of industrial robots and manipulators and deliveries for final assembly of production lines failed to materialize to the requisite extent. It requested that the concept be improved with the objective of "intensification of the development of industrial robots and manipulators." That, in a word, was a suggestion that all those who have anything to do with robots and manipulators step up their efforts.

A new report on the progress of redefining more accurately the program for production and utilization of industrial robots and manipulators in the years 1983 through 1985 has a bolder tone. The number of produced and utilized industrial robots and manipulators has been increased from 3,545 to 4,143. For the period of the subsequent five-year plan, preparations are made for the mass utilization of this technology.

The developmental phase in our country has already been concluded, or will be concluded by 1985 at the very latest, involving 12 types of industrial robots, 11 types of industrial manipulators and 5 types of manually operated manipulators. The birth certificate of robots will list not only weight but also carrying capacity--up to 160 kg for robots and up to 250 kg for manipulators. They will be used in machining at points with the most occurrence of manipulatory or technological operations, mainly handling semifinished products and workpieces in machine tools and forming machines; they will operate pressurized and casting machines for the processing of plastics; they will do resistance and arc welding, provide surface finishing, etc. Robots of a higher carrying capacity will be imported, preferably from CEMA countries.

This article could continue with a discourse about how one day our robots will teach themselves to correct mistakes done by humans. But we had better keep both feet on the ground. Technical advance does, as in this case, make from time to time a leap forward, but after an innovation of a high

order, things progress very slowly, step by step, and with it increases the value of endurance.

What Are Our Robots Like?

They already are, figuratively speaking, capable of life but some of their properties still must be improved, such as precision of positioning and improved manipulation performance. More reliability is also called for; after all the level of robots is judged mainly by the length of operational time before developing a medium defect. Leading world producers guarantee 2,000 consecutive working hours. Further development of robots in the CSSR must also be oriented in this direction.

The key position in the research and development of robots and manipulators in our country is occupied by the well-known Research Institute of the Metal-Working Industry in Presov (its first robot was used in 1978 in the automobile production plant in Mlada Boleslav). Significant coresearchers are the Research Institute for Machining Technology and Economy in Prague, the Research Institute for Mechanization and Automation in Nove Mesto nad Vahom, the Research Institute of Welding in Bratislava, institutions of higher learning with a technical orientation in Prague and Kosice and scientific research institutes of robot and manipulator producers.

In the next five-year plan the technical development of robots and manipulators will be oriented toward development of higher generations of intellectual robots, more extensive standardization and unification as well as robotized technological lines, operations and plants. Additional facilities, including the Institute of Technical Cybernetics of the Slovak Academy of Sciences, are participating in this task.

Production will be handled by 21 manufacturing organizations. Among the larger producers in volume and number of types are, in the first place, VUKOV, the Industrial Automation Plant Presov, Vihorlat Snina, Heavy Machining Plant Kosice and selected plants of the concern Machining Technology Plants Prague.

Why is the strongest base for production and development of robots and manipulators located in Slovakia? Chance is a priori excluded in making decisions about such important problems. Let us first credit the efforts of the Research Institute of the Metal-Working Industry in Presov and its director, Eng Vladimir Cop, CSc. In this institute a highly qualified team originated enthusiastic about technical innovations, which, at a time when more was said than done about robots and manipulators, carried out research and development and built prototypes. The young researchers and developers let no difficulty stop them. It is primarily to their credit that we have a series of robots that we can follow up and keep expanding. Eng Josef Benes, head of a department in the Federal Ministry of General Engineering that deals with problems in the development of the machining technology sector, gives high praise also to help from the Slovak Academy of Sciences and the Technical College in Kosice, which on their own initiative started courses in robotization and trained highly qualified specialists.

Thus, there never was a lack of enthusiasm and it is not lacking now. If it could be fully developed, we would have advanced further in robotization. Regretfully, even in this particular case barriers appeared, acting as brakes, between the individual stages of the cycle from research to utilization.

We Must Produce Them

These barriers are of a somewhat unusual nature and for that reason we must devote more attention to them than to those long since uncovered and surviving. At the end of this five-year plan we should be producing 23 types of robots and manipulators, but for not a single producer will production of robotization equipment be the main production program. In other words, production of the most advanced technology in the plants mentioned, and in others, will be merely supplementary production. The fate of supplementary programs is common knowledge. As times goes by, they tend to lose most of the attention of producers and their superior authorities. When time comes for accounting, both parties claim that they had to give priority to their key tasks, operational tasks, because the latter are the criterion for their evaluation. The Set of Measures does try to inject into the decisionmaking process the principle of long-term outlook, but in the area of technological development its effects are weak for the time being; for that reason we must insist that priority be given to societal interests ahead of those of agencies and plants.

On the other hand, some experts claim that concentration of the production of robots is ill-advised. According to them, it would be better to emphasize that enterprises and plants with the requisite conditions construct the robots by themselves. Special producers would just supply them with key assemblies, uniform parts and components.

One way or another, there can be no relaxation in the attention paid to robotization. Now the time has come to ponder whether it might not be better to avoid these and other difficulties and simply stop developing and producing robots and manipulators. After all, we cannot keep pace with the world in everything.

We must produce them! In the period of preference for the intensive development of the national economy, the prevalent argument in favor of robots was a lack of manpower. However, that was a one-sided argument, if not superficial. Along with robots is primarily growth of productivity; adding a cultural dimension to labor, which comes first, if we want to continue exporting automated production and technological equipment, it will be inevitable that some robots must be tailored to specifications. After all, a robot is not some machine standing in isolation but supplements, completes automation, because it takes over manipulatory tasks and manual technological operations. New technology simply cannot do without robots.

The discussed problem and solutions were very aptly commented upon by the director of VUKOV, Engr V. Cop, CSc, when he wrote, "We are aware that we cannot keep pace with the world in all aspects. The Czechoslovak electronic

"industry even more must engage in cooperation, specialization within CEMA, especially with the Soviet Union. And what VUKOV preaches, it does. From the outset it has been cooperating with research institutes in Moscow, Odessa and Voronezh.

Starting Conversion of Industry

Data about the advances of robotization in the Soviet Union are imposing. Its extensive scientific and technical program envisions growth in its inventory of robots to be almost sixfold by the end of the 11th Five-Year Plan. On the agenda are even whole automated plants. Findings by the Soviet Union are of even greater importance to us, because simultaneously with robotization it is studying changes in the social and professional structure of the workers' class, introduction of new professions and the development of a new type of producer whose activities combine in harmony physical and mental efforts.

Just now a new opportunity developed for establishing closer cooperation and specialization that we should not miss in any case. The CEMA Council for Scientific and Technical Cooperation recently discussed a preliminary project for a general agreement regarding multilateral cooperation in devising and organizing specialized cooperative production of industrial robots. The council's chairman, Academician Marchuk, in response to an APN query regarding the significance of the project, emphasized that "it is the start of embarking on an important path, the path to conversion of industry."

On this path we should be among those who march in the first ranks. In our country initiative must be developed by all those who have anything to do with robotization, we should develop active participation in preparation for the Board of Principal Planners and Designers, which will devise a uniform concept, technical requirements and nomenclature of robotization.

Price Must Not Be an Obstacle

Robots, sticking in this case to allegoric language, are knocking at the gates of factories as an omen of the changes in production forces. They still only knock--and experts at the Federal Ministry of General Engineering, which together with the federal ministries for technical and investment development and the electrotechnical industry bear the brunt of responsibility for the development of robotization, are already pointing out that "utilization of robot technology appears to be one of the most vulnerable points in robitization of production processes in most sectors."

We could ignore this warning by pointing out that something similar happened in the case of numerically controlled machinery. Factories were refusing them at first, and now they are calling for them. But this time the situation is more momentous. The situation at home and on the world's markets requires that everywhere and from the very start doors be kept wide open for robots.

It is known why robots are sometimes not welcome. Their price is quite high. Let us add that this problem is also being dealt with. The government

directed the Ministry for Technical and Investment Development to supplement the uniform methodology for evaluation of societal and economic effectiveness and substitution of live manpower in the production process by robots and manipulators into the nationwide valid methodology for evaluation of investments. Even in other industrial countries the ascendancy of robots was hampered by their high initial price. Production of robots in larger series, which would also make them cheaper, should be brought about by the mentioned international typification and unification within CEMA, uniform modular design and systematic international specialization. The clash between societal and enterprise interests could be minimized in this way.

But nobody has the right to wait for all that robotization in the end will force to come about. After all, new ideas should be met halfway with creative conditions for the development and utilization of robots every desirable place. Planners should count on the approaching utilization of robots, and designers should plan their design with the awareness of their incorporation into the technological process.

Examples of such initiative are provided mainly by research institutes. In Presov they stage workshops about robotization; much initiative is also developed by the scientific and technical society. But that is not enough. Transition to a new level of technology presupposes great organizational efforts at practically all levels. Robotization must include not only research and development but also production and all those who will be introducing the robots.

A Great Incentive

We do stand a chance of robotization. Scientific and technical efforts in this context are of a high level, we are gradually reducing certain lags behind worldwide development, we developed a relatively wide assortment of industrial robots and manipulators for present and future utilization, and we actually "pulled ourselves" to one of the leading positions in CEMA.

But let us repeat once again: one sector alone cannot aspire to meeting the level of needs by its own resources. Responsibility accrues also to other ministries, economic production units and enterprises. Thus, the State Goal-Oriented Program 07 justifiably requires that it be "expediently reflected in all plans for the national economy in the entire cycle research, development, production."

Should someone think that he is being asked for some kind of favor, he is sadly mistaken. Robots are knocking on the door but they do not beg. They do not have to, because:

--One robot represents the savings of 1.6 to 2.5 workers;

--Thanks to robots, the productivity of labor increased 20 to 30 percent per shift;

--Utilization of production machinery increased by 10 percent due to auxiliary and idle times and by 50 percent thanks to the fact that a robot permits operation of machinery for two to three shifts;

--The robotization program permits up to a twofold increase in the kilogram price of machinery and systems for exports.

Isn't this a truly great incentive?

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## CRITICAL ANALYSIS OF SELECTING MANAGERS SUPPORTS NEED FOR PRAGMATIC APPROACH

Budapest TARSADALMI SZEMLE in Hungarian No 5, 82 pp 52-62

[Article by Lajos Hithy, director of Research Institute for Labor Affairs: "Economic Tasks of Our Days and the Leadership Incentive"]

[Excerpts] According to Lenin's concept the decisive element of socialist leadership activity is the organization of the masses--which is a creative function that brings about and establishes the new--and in comparison, leadership itself is secondary: a function that operates, protects and maintains. In our times it is particularly important to refer back to this Leninist idea, for to meet the requirements of socio-economic development this is a process in which a decisive role falls on managers with initiative who can create new things and which cannot even move ahead without such leaders and leadership activity.

In relation to the growth of economic difficulties and the increased need to react, it therefore repeatedly happens that the question of leadership and managers is in the forefront. Today there is hardly anyone who would dispute that our economic difficulties--beyond the unfavorable shifts that have occurred in the world economy--can be ascribed to those inadequacies which have accumulated in our economic work, among other things in the work of managers who are also in the center of this field. While doubts are cropping up in public opinion about the activity of certain managers, the work they perform, and even their suitability, and changes are being urged, even deeper and more comprehensive questions than this are agitating social science research and political decision making. To what extent do social organizational relations, including the interest relations that have developed--make it possible, or compel, managers to work for society in accordance with requirements of our socialist development, among other things in the interest of overcoming economic difficulties and according to the imperatives of their requirements? To what extent does the creation of incentive, the most important means available to the management of society, assure that managers will work in this direction?

### Interpretation of Managerial Incentive

Nowadays we have been accustomed to narrowing incentive to material incentive, which is basically justified in the case of most social groups and thus

also in the case of managers by the degree of development of our socio-economic relations as they have historically developed, the structure of demands, and the level at which they are met. At the same time, the managers form a unique social group: it is not only the unique functions they perform in the organizations and society as a whole that raises them from society as a whole, but also--accompanying this--their higher education, qualifications, political training, and not least of all the favorable position they enjoy in the distribution of material benefits, which means a higher level of living than for many other social groups, higher income, better provision with the means of material consumption, and hence in the final analysis the satisfaction of material needs at a higher level than for others. Thus in addition to their material needs other needs may also be emphasized. Therefore, it is not only a narrow but in the final analysis a mistaken scientific approach to limit the incentive of the managers to material matters and to study it in the dimensions of basic wage, premium and bonuses.

As an alternative concept, a broader scientific overview suggests itself: this extends to the consideration of all those material and nonmaterial type of organizational-social factors which can be developed by social management and may be considered important from the viewpoint of meeting the needs of the managers.

The Conditions of Management, Enterprise Interest and the Action Plan of Managers

There is no direct transmission between the requirements stemming from socialist social development and economic progress and the action of the people and managers active in the managing organizations. This indirect relationship, which is the central subject of this analysis, is given by those organizational-social relations, including the economic relations, created by society but appearing today to people as objective features which motivate, make possible or obstruct actions by individuals or groups in this or that direction (promote or stall development). It is the particularly important and unique function of the leaders to develop relations within the organization (in some cases, although more rarely, also the formal framework of the organization) that are in accordance with the new situation; this is made possible by the position they hold in the organization and the means that accompany it. The independent movement of the organization is manifested primarily in the actions and decisions of the managers. With some simplification, we may say, therefore, that the enterprise's area of mobility is identical with the manager's area of mobility, and the socio-economic influences which shape the actions of the enterprise and determine its interests are those which at the same time influence the activity of the managers and determine their interests.

But since today material-economic interests, deriving from their socio-economic development level, dominate in the actions of people who work at the enterprises, the enterprise interests (as in a certain sense the summation of individual interests) must have a decisive material-economic content. On this basis the proper recognition was born that the action of

the enterprise collectives, including the managers, may best be linked into the social unity serving the interests of the economy and society if we create appropriate incentive relations proceeding from their material-economic interests. This is how the so-called profit incentive was born with economic reform at the end of the 1960's, which was called on to assure that the individual enterprises would enjoy material advantages or suffer sanctions in ratio to their contributions to the successful development of the national economy. One of the much debated questions of recent times is to what extent has the incentive built by central regulation in profits and in final analysis in effective management been built into actual enterprise interest and into the actions of the enterprise collectives. Is the profit incentive able, and to what extent, to create interests that stimulate the collective to efficient management?

Our socio-economic relations (including the conditions created by central regulation) have in the past decade and half not only failed to promote this but have expressly obstructed it a good many times. To this date there is no reliable criterion system that would make it evident to society, the central guiding organs, and not least of all to the workers (managers and subordinates) themselves to what extent the activity of a given enterprise (collective) is economic, successful, and profitable to society.

Nor was this reflected in profit development because this index depended on a series of factors outside the actions of the collective (past developments; various elements of central regulations, for example, the formation of prices; the proliferation of individual supports in the economy, and so forth), and they proved to be manipulative by the enterprises.

One of the interests of the enterprise and accordingly of the enterprise collective is continuance and survival. For this, most enterprises in our society must achieve a certain level of management efficiency; few enterprises could have permitted, without the risk of external intervention, that the management results (at least according to valid indexes) should deteriorate, and in fact it was their well-considered interest that it should improve to an average extent. Despite the central guidance and bove all the contradictory conditions created by the earnings regulation, it was in the interest, and still is, of the enterprise collectives (and particularly of the managers) to produce one kind of management results. In addition to the guarantees of disputable results in material incentive, it was also promoted by such conditions as political-social pressure on the enterprises as embodied in the demands of the highest authorities, the appropriate party organs, and the workers' collectives. Of course, this did not by any means represent, nor does it now, the exploitation of the possibilities and reserves of the enterprise, merely the extension of one kind of acceptable achievement as compared to the "base," and what is equivalent thereto in the base incentive system: holding back a significant part of the possible achievement.

To the extent that we regard the economic managers as the primary carriers of enterprise interests, it may be said that those motives which prescribe as an

imperative necessity the most successful and most efficient enterprise management possible did not prevail, could not prevail, in their actions.

The Managers' Material Incentive System

According to their own statements, managers frequently do not ascribe primary importance to their material payments: they work, they say, for "Sport," "honor," "duty," and so forth. This approach by no means makes it unnecessary that we weigh very seriously the question of material incentive, for its existence or absence leaves its imprint, in any event, on the activities of the managers, independently of how it is brought to their consciousness and in what kind of ideology it is conceived.

The devaluation of the material elements of incentive stems from the fact that society, as we shall see, has been even less able to establish for managers wage differences and wages with an incentive effect than for other groups, and related to this, it is even less able to tie the earnings of workers to achievements and to their work performed. Thus we are not speaking of some kind of outstanding sense of calling (although we may at times be witness to this as well) or some glaring affluence that would deemphasize material incentive, but of the inadequate nature itself of the material incentives created for managers.

The material incentive system for top enterprise managers is worked out by the central guidance organs, and the superior authorities of the enterprises (or other organizations) operate it. The present system, which has been functioning with minor modifications since 1976, is made up of two main elements. The determination of the basic wage derives from the importance (responsibility) of the managerial assignment and from the degree of complexity of the managerial work, that is, it primarily recognizes the assignment itself, independently of the level at which the holder of the assignment attends to the task. At the same time, the mobile wage is designed expressly to recognize achievement. One of its factors, the annual premium of the managers, depends on the profitability or some other index of the enterprise, while the complex recompense rests on a comprehensive evaluation of the whole enterprise activity. In the case of managers, profit sharing is added to this. The material incentive system of the top enterprise managers is similar to that of other managers, although this is run not by a superior authority but by the top enterprise leadership.

In principle, this incentive structure is suitable for creating appropriate material incentive for the managers if in practice it recognizes actual achievements with pay representing an appropriate incentive power. But its practical functioning raises many problems:

1. Within the narrow limits of the differentiation, the earnings of the managers has little to do with the work performed, with actual achievement, and with their capabilities. The size of the basic wage, which represents the decisive weight of managerial earnings--or 63 to 75 percent--does not depend on the manager's own responsibility, work and importance, but on the economic importance of the enterprise, the economic organization, or more exactly on

its size. Thus the basic wages for individual managerial categories (the highest level managers and the second and third level of economic leadership) can pass into a more favorable or less favorable position depending on whether the enterprise belongs to the "special," A, B, or C category (D category has been eliminated).

In managerial earnings, the ratio of the mobile wage to the basic wage in 1977 was about 32 percent, that of the premium 21.1 percent and of the bonus 11.8 percent. (In principle, the mobile wage, depending on the enterprise category, can come to 40 to 50 percent of the basic wage, and in fact the ceiling of the latter has been eliminated.) This ratio in itself would not appear to be slight if the earnings (including the mobile wage) were the carrier of an adequate incentive power and would actually follow work performed. Problems here are caused by the following:

--the main index of profitability is the success of enterprise management, which, however, as we have said, also reflects with distortion the actual achievements and can be manipulated as a consequence of economic regulation, among other things the subsidy practice of the 1970's, the problems of the price system, and so forth;

--in establishing premiums and bonuses, the whole system of viewpoints beyond profitability is taken into account, although the combined realization of various, frequently contradictory points of view opens a wide field for subjective judgment;

--in respect to managers belonging to the highest authority of the enterprise, to the managing director, or to managers belonging to the director's sphere, frequently such viewpoints come to the fore in the establishing of premiums and bonuses in the absence of achievement criteria like loyalty to the superior organ or to the superior, or the satisfaction of one's own demands;

--in establishing premiums and bonuses, frequently the rule is valid that the decision-making manager seeks to adjust the reward of the subordinate to his own--or to put it more exactly, to a level lower than his own;

--the viewpoints of the political social organizations strengthen this tendency in the establishing of premiums and bonuses.

Therefore, it may happen that while we are speaking of the material incentive of the managers, hardly any relation can be shown between the deployment of managerial earnings and the success of the enterprise, and in fact it frequently happens that despite permanently deteriorating enterprise results managerial earnings continue to increase.

2. Earnings by the managers are low in themselves and in comparison to other groups of workers, and relation to this the earnings are too little differentiated for expression to be adequately given to the work performed by managers and the differences among them (speaking of it in an inventive way even if not linearly following work performed).

In 1979 the top managers (responsible managers of enterprises, cooperatives, and institutions: directors, chairmen and their deputies) earned on a monthly average 7,747 forints projected on the economy as a whole; managers at the second level (technical, trade and economic managers of Class I, that is, department heads, their deputies, independent section heads, and so forth) received 7,204 forints monthly; managers at the third level (economic managers of Class II, that is, section heads, independent group managers, and so forth) received a monthly average of 6,125 forints.

Between the average wage of top managers and managers of the third level there was only a difference of 32 percent, expressed in percentage of the latter, and the average wage of the top managers was scarcely more than twice as much as that of their subordinates; finally, the average wage of managers at the highest level was not even twice as much as that of the skilled workers, and thus the frequently criticized (and in most cases rightly so in our judgment) situation occurred in which skilled workers could legally earn more--and not only the best of them, because wages did not unconditionally follow achievements--than the first class managers of the economic organizations and enterprises to which they belonged. This is morally as well as materially harmful.

3. In managerial incentive we find the problem evident in other relations as well, namely, the pay differences are not of such extent that they would help advance in a perceptible way the satisfaction of the needs of those concerned (along with the given satisfaction of needs, consumption aspirations, commodity relations, and so forth).

Thus, for example, the wage surplus of the managers may ease the costs of housekeeping tensions--a matter which is more important to workers than to managers--but is not enough for the solution of other important problems, that is, the reduction of material cares that frequently weigh on them (for example, their own or their children's housing problems) or perceptible progress in meeting their more important needs (house furnishings, car purchase, travel and so forth). Even the higher pay that goes with a managerial assignment is frequently insufficient for this.

4. Managerial basic wages, which make up 63 to 75 percent of earnings, are determined on the basis of pay-rate schedules for nonmanual workers. For the highest level of managers in economic organizations and other institutions they are determined by the highest authority that supervises the organization, and for the other managers they are determined by the one-person, responsible manager of the organization.

The development of the pay rates is an important factor in the situation as it has developed: by 1980 wage rates of the system introduced in 1976 were rather out of date, and thus the basic wage of managing directors in enterprises belonging to the special enterprise category could still be set at between 8,000 and 10,000 forints, while the basic wage of directors in the D category could be set at between 4,700 and 6,400 forints (!). The wage rates were modified somewhat but not significantly on 1 January 1981. (In the

former category the ceiling was raised to 13,000 forints; the latter category was eliminated and the remaining lowest ceiling was set at 9,000 forints.)

What is socially surprising is that even in these categories with their low ceilings, the starting level of the higher managers was very low: in 1977 it did not even come in most places to one-half of the attainable wage increases. This means that they did not even use the legally available possibilities for better material support of the managers of the economic organizations.

Most significantly evident in our economy in the establishing of managerial earnings is the contradiction between work-related incentives and practice, which for workers at higher levels in the organization and in society awards higher pay or income unconditionally, that is, independently of work performed. In a significant share of cases the latter is justified, as for example responsibility usually increases and requirements are greater as one progresses up the organizational ladder, but it happens quite often that the managers at the lower levels actually carry heavier burdens than those higher on the ladder, that is, the value of the work by certain specialists or organizational units exceeds all others for the enterprise, and in the final analysis for society. According to experiences, however, even in these cases the decision-making mechanisms related to pay and rewards adjust the material allotments generally to the level of the organizational assignment. Why is this?

In respect to the earnings of the top enterprise managers (whether we mean overall decisions determining the listing of categories or pay scales or specific decisions determining the pay of managers), the right of determination belongs to the highest authorities (the functional and sub-branch ministries); in respect to the pay of other managers, however, the topmost manager of the enterprise has the right of decision. The earnings of the managers and their colleagues in the highest authoritative bodies is set relatively low (as compared to those of the enterprise managers) largely out of political considerations and conventions, independently of the fact that the importance, responsibility and requirements of their work in some cases far exceeds that of the managers of areas belonging to their management. Under such conditions, if a manager or the highest authoritative body proceeds from the requirement of distribution according to work, but at the same time the above-mentioned factors obstruct him in the evaluation of the areas and of work actually performed under his management, he will naturally adjust their earnings--whether basic wages or rewards--to his own, or more exactly, below his own. And for similar reasons this is how the top leadership of the enterprise deals with its own subordinate managers. In other words, the principle of distribution according to work is deemphasized in favor of the hierarchical principle, and the earnings express the work performed to the extent that the hierarchically higher position represents at the same time a greater work accomplishment.

The survival of this practice is strengthened also by the political element that influences the economy. In questions about earnings under present conditions, the leaders of the political-social organizations cannot break loose

from the fact that their own earnings--for political considerations--are quite low, independently of work performed, as compared to that of corresponding managers in the bodies of the highest authorities, or of the enterprise managers. In certain action aspects their ideological motives and ideological convictions obviously can help overcome this problem, but with the development of their earnings ratios it will conduct their positions as related to earnings differentiation into a characteristic direction. At the same time, the practice has led to many other troublesome consequences:

--the situation that has developed on the labor market has put many working sub-classes in a favorable position, and these groups--exploiting the demand for their work--have reached and are reaching a far higher wage than was and is intended for them by the managers, confusing the earnings ratios judged proper and intended by the management guidance. Among other things, this is how we can explain the earnings of the skilled workers--and quite often of semiskilled and unskilled workers--compared to which managerial earnings appear anachronistic;

--similarly it has an effect on the real economic processes when the topmost managers of the economic organizations and institutions, who bear primary responsibility for the operation of their organization, are obligated to pay their subordinates with the means of their own organization with the result that quite often, independently of work performed, they move into a more favorable position in respect to the development of earnings (not by way of basic wages, but premiums and bonuses).

6. In the development of managerial earnings levels and ratios there are also indirect political and social values mediated by policy which at the time of their formation were designed not only to demonstrate the fulfillment of certain proclaimed socialist principles but also embodied the requirements and realities imperative in organizations and in society from the aspect of cooperation and political stability.

Since most of the economic and political-social managers are party members, it is right to require of them to perform their work well not simply out of material interest but also out of a sense of calling, ideological loyalty and conviction. But the emphasis on this political point of view, which is very much justified from the political and social aspect, does not need to force into the background the consideration of material interest and the requirement for creating incentives, although it may carry with it such tendencies.

However, the socio-economic conditions for the realization of the principle has been basically altered in the past 15 to 20 years:

--the satisfaction level for the material living conditions and needs of society has risen enormously; formerly even a relatively very slight earnings difference could cause perceptible differences in the satisfaction of needs, but today they have a lesser effect in this way;

--formerly it was exclusively the managers who represented that group of society living in the best material conditions; nowadays, however, many social

groups with various backgrounds have come into a similar or more advantageous position (creative intellectuals, artisans, skilled workers in the second economy, and so forth);

--formerly an egalitarian ideal had a strong effect in public thinking and ideology, which was concentrated almost exclusively on the equality of earnings and incomes, and now this has yielded to a more differentiated approach.

It now appears that economic rationalism desires--and socially and politically it becomes more and more tolerable--that wage differences between managers and their subordinates should be increased, or that the wage scale should be spread in general.

All in all it may be said that the material incentive system for enterprise managers, in its present form and as a whole, is not very suitable to interest managers in more successful management or in the performance of any other kind of task that may be conceived for them, and to stimulate them in this direction. Their earnings and their earnings differences do not carry enough incentive power within themselves, nor do these reflect their work performed, their achievements and their differences (possible or actual). While in recent years the political program (if you wish, the values and principles) have set before economic managers the intensification of the success and profitability of enterprise management as the strongest requirement, economic management has not succeeded in adequately transplanting this into the interest relations determining the specific actions of the economic leaders. The position of the economic leaders is less secure today, but independently of their better personal intentions they continue to have a weak interest in producing enterprise results and profits at an increasingly higher level. In fact, the inappropriateness is an incentive system which prefers the average by removing differences is today all the more in conflict with their interests. The same with the excessive "lag." Instead, the strong interests of the economic managers are necessarily tied to the fulfillment of those criteria which, in part at least, differ from the achievement principle, and on which their position, their personal advance, and their material or moral recognition depend.

It is also an unfavorable consequence that the material problems of the relatively poorly paid economic managers draw them away from their work, and in some cases they must look for material compensation. The managers themselves join the "second" economy, and the fact that their activity of this type is relatively slight (10 percent of them are interested in a second job, in a part-time job, in intellectual paid work, in physical paid work and so forth) is due partly to the burdens of their main position, the limited nature of the demand for their qualifications, and frequently to legal regulations which preclude such activity. Similar symptoms and causes are in evidence also among the leaders of political-social organizations.

Manager Selection and Incentive

Manager selection can be included in the organizational-social mechanisms for determining the interest of managers only to the extent that the possession of

the managerial function itself makes it possible to meet certain needs, that is, the selection of criteria for manager selection becomes itself a motive for managerial actions. Therefore if actually performed work (that is, those factors which mean a guarantee for the success of future work), is given appropriate weight in the criteria for manager selection and managers are designated decisively or removed on this basis, manager selection itself can be a factor in the incentive for good, managerial activity. And vice versa, if this process is conducted independently of work performed, it will also ruin the effect of other means for creating incentives.

Manager selection in our economy is a sensitive area where the differing (quite often contradictory) efforts, the varying economic and political points of view, the interests of the central organs and the enterprises, including the economic, political-social organizations, and groups and individuals come into conflict. All the more so, because in this question the concern of individual interests is also quite strong: under our socialist organizational social relation, selection as a manager is for the individual one of the paths to success, and there are significant social groups for whom this is the main channel to advancement. The obtaining of a managerial assignment or a rise in the managerial hierarchy represents at the same time more permanent work, better work tasks, generally more favorable working conditions, as well as an increase in earnings and income, an improvement in material living conditions and an increase in social respect and prestige--for the social importance of the managerial person is sometimes emphasized by such obvious symbols as his private office, vehicle use, secretary and so forth. All this is true even if there are exceptions and there are social groups for whom the managerial assignment is not attractive, and not every managerial assignment is attractive. And this is independent of the extent to which the material incentive of those already in positions is assured in successful management or other goals.

The outcome of the selection and the related interest processes are determined by the above discussed conditions of manager selection and management.

--The fact that in manager selection we have to weigh a complicated combination of economic and political viewpoints and moreover the fact that in respect to the most important economic viewpoint, the judgment of work performed, there is no reliable yardstick--because there is nothing like it either for the judgment of enterprise activity--leads us to where the economic criteria of suitability are quite often forced into the background, and other viewpoints, chiefly political, are brought to the forefront. Also exerting influence in this direction is the natural approach of the party organs, which share in the manager selection decisions, to evaluate necessarily upward the political criterion, that is, its usual practice is to "reward" with economic functions some of their own functionaries and perhaps council leaders. (It is another matter, that work done in the party apparatus is a very good school, from many points of view, for economic managers.)

--Since the main substantive index of work performed is not only professional training but at the same time political reliability and managerial talent, and as such it operates only in a limited way; the external--we may put surely:

the formal--characteristics of certain criteria are of necessity emphasized during the weighing of the selection. Thus instead of weighing work performed, professional training, and managerial talent, schooling and practical experience is emphasized (which among other things leads to making fetishes of certificates and diplomas); political reliability is identified with membership in political-social organizations and the functions held in them.

Quite often a bureaucratic approach also supports the emphasis on external, formal features by the organizations participating in the selection of managers.

--Individuals and social groups, motivated by their interests, seek to exert strong pressure on the process of selecting a manager, something from which neither the economic nor the political-social organizations can fully free themselves. At the same time, the realization of ideological requirements--in the organizational and social sense--which usually determine the selection of a manager is in good part unregulated and rests on unwritten rules and conventions which have developed among the state organs, the economic organizations and the party organs. All these things together give scope to the informal processes influencing the informal groupings that weave through the economic and political-social organizations and set up their own criteria to the social requirements designed to regulate the selection of managers.

--The sanctioning element is also missing from the selection of managers: in the past it rarely happened that an unsuitable or poorly working manager would be discharged. Beyond the political considerations of strengthening the sense of stability and confidence, a role was obviously played in this reluctance by the described difficulties in measuring achievement. And what is more: there is today a greater inclination to replace the drawing of necessary personal consequences with organizational measures instead of grading work and achievements, and in this light the suitability of a given manager or group of managers, and proceeding from here in carrying out personal measures; rather they will bring about some changes in the organizational unit which they guide or in the organization, which like some "unintended" side-effect will solve the personal problem or question. (In such a case, those affected as well as the decision makers are freed from the negative consequences of the procedure.)

Unfortunately, on the basis of all these matters the operation of manager selection has hardly become the source of an incentive which would put the action of our managers clearly in the service of overcoming present economic difficulties and solving economic tasks.

If we examine the material (and nonmaterial) incentives of enterprise managers, their action conditions and possibilities together with the increased political tasks of our days, the picture is not at all reassuring. We must clearly see that most of the problems in this field are not the characteristic problems of the situation of the managers but stem from one stock with those shortcomings which may be found in the operation of the wage system,

the incentive system, wage regulation, individual and enterprise achievement measurement, and the regulation of the whole economy.

And still, a very important factor in the present problems and in progress is the managerial incentive. What can we set today as a realistic goal for improving this situation? In my judgment, over the short term--that is, in course of changes in the offing--we should concentrate our efforts primarily on the elimination or at least the easing of those negative phenomena and trends which have an unfavorable effect on the approach and action of those more than inconsiderable number of managers who actually regard their work as a calling and even without particular material incentive are willing basically to do it well. (Therefore, we should concentrate on increasing the general--among other things, material--recognition of managers, on the reduction of counter-incentives related in some cases to successful management, moderation of the anomalies in manager selection, and so forth.) Only over the long term in relation with the development of the whole system of economic management and regulation can we set it as a realistic goal--by closely linking managerial earnings (premiums, bonuses, and so forth) and enterprise success--to make managerial incentives the driving motor of the solution to economic tasks and successful management.

Consequently, we must in any event guard against the lure of such simple solutions limited to the problems of managers as an increase in pay and earnings for their own sake. Although the step may appear necessary and it can scarcely be avoided to increase the social (including material) recognition of managers, it can lead to results, in respect to the development of managerial incentives, only if accompanied by stricter requirements on the work of managers and enterprises, or bringing to life criteria of achievement measurement on basis of which society can clearly judge the work of managers and of economic organizations that are managed by them.

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PROBLEMS OF EXPANDING FOOD INDUSTRY ANALYZED

Budapest MAGYAR TUDOMANY in Hungarian No 4, Apr 82 pp 267-272

[Article by Aladar Sipos: "Some Problems of Our Food Industry's Expansion"]

[Text] The place and role of food production in our national economy is generally well known. We have achieved results in the last decade in improving food supply of the population and also in increasing exports. In my comments,* I wish to direct attention primarily to some factors which hinder progress.

The heretofore limited cross-section of our food production is in the food industry which is working, on the one hand, with obsolete production and technology and at times under inadequate hygienic conditions, and on the other hand, it is made up of unjusitfiably large enterprises which results in increased transportation costs and lower product quality.

Even though in the last 10 years the fixed assets of the food-industrial enterprises have been increasing relatively rapidly, its average technological level conceals very large differences between the various branches as well as within those with respect to the various enterprises. That is, the major developments have been aimed mainly at solving or easing the basic tensions. Thus, for example, the rapid increase in grain production made it necessary to build grain-storage facilities; the increase in mild production, to expand the milk-processing facilities; the steady increase in slaughter-poultry production, to build new poultry-processing plants; the increase in slaughter-hog production and the opportunities for increasing the meat industry's exports, to build new slaughter houses and meat-processing plants with high hygienic standards which satisfy export requirements and to expand existing ones; the situation of vegetable oil on the world market and the increase in the production of domestic oil seeds, to build a new oil plant.

The fact that while during the time period of the Fourth Five-Year Plan we spent 33 percent of the food industry's investments on new facilities, but

*Comments delivered at the 22 December 1981 session of the MTA [Hungarian Academy of Sciences] presidium discussing the situation and tasks of the domestic food industry and of the food industry's research projects.

in the Fifth Five-Year Plan the ratio of new facilities amounted to 48 percent of the investments in this branch, proves what I said above. Thus, there was no financial possibility to improve the technological standards of the existing plants and to replace obsolete equipment with more modern equipment. Because of all this, the food industry's fixed-asset inventory is becoming more and more worn out with each year; at the end of 1980, the net value of the fixed assets represented 65 percent of the value of the operating inventory. The ratio of the fixed-asset inventory depreciated to zero but still operating in production is increasing.

The Hungarian food industry's technical level can be considered average in European respects. The level of its productivity is 35 to 40 percent lower than those of the food industries of the recognized most advanced countries. The level of modernness of the equipment--with the exception of some of the newest plants and installations--is far behind the currently known most advanced standards.

The operating costs of our food industry, its specific water and energy consumption are higher than required by advanced techniques and technology. The fact that its electrical-energy consumption is lower in the technological processes than at the modern food-industrial enterprises of the advanced countries, indicates a relatively lower level in its mechanization.

A comprehensive study of the product structure has established that of our food industry's 363 most important product groups 63 can be qualified as "good," 165 as "adequate" and 130 as "inadequate." One factory that qualifies as advanced level can be found in most of the speciality branches, but the others are strongly declining, both in the technical and moral viewpoints.

The result of poorly interpreted frugality with development resources is the often-seen picture when certain intermediate or peripheral sections of a modern line are missing. At times, there is a domestic, or perhaps an imported, machinery unit in the middle of the production sequence, out of sync with the other sections. In many cases, the imported equipment can not deliver the niminal performance and is often operated by an unjustifiably larger number of service personnel.

Food-Industrial-Machinery Production

Production tasks of increasing quantity and quality, and the limited development opportunities are a contradiction appearing to be practically unresolvable for the food industrial enterprises. Beyond the debts accumulated in recent years and the low profitmaking opportunities resulting in poverty [sic], improving technology or at least maintaining its level at the food-industrial enterprises is made more difficult by the weakness of the domestic food-industrial-machinery production base.

The level of our food-industrial-machinery manufacture--with the exception of a few equipment types--is mediocre, and its capacity does not even cover the

industry's needs for simple replacements. Our food-industrial-machinery manufacture--as our machinery manufacture in general--is conducting an export-oriented production and sales policy, but its offerings and the level of its products are, for the most part, suitable for the needs of the developing countries. But for a long time, food-industrial-machinery manufacturing specialization within the CEMA has been the topic of negotiations, and to date this has produced little practical results. Therefore improving the technology of our food-industrial enterprises can be implemented only through greater or lesser machinery imports, for the most part from capitalist countries. We are in a similarly unfavorable situation also in the area of machinery and equipment of a nontechnological character (pumps, motors, connecting elements, etc). Spare parts manufacture cannot keep up with demand either in quantity or in quality.

In addition to the lack or insufficiency of domestic packaging-machinery production, packaging improvements are also hindered by the lack of domestic production of modern packaging materials and packaging equipment. This circumstance greatly lowers the competitiveness of our products on foreign markets and increases the need for imports. Because of the quality shortcomings of the domestic packaging materials and packaging equipment, the performance of the high-performance and sensitive foreign packaging machines falls significantly short of the nominal.

Rational equipment management in the food industry requires, on the one hand, modernization which includes not just the modernization of individual pieces of equipmnnt but rather the reconstruction of entire plants and includes a planned program of a series of these, and also includes the construction of a nationwide network of processing facilities (large, medium and small ones), which--in addition to significantly reducing transportation--will also make it possible to fully process food raw materials. All these would significantly increase food production--even with the same raw material base. Consequently, domestic supply would improve and exports would also incresse.

One of the basic requirements of our domestic food supply is that everywhere there always should be as much af a supply of the most important foods (for example, bread, flour, lard, sugar, milk) as is needed. But much more than this is required nowadays to maintain society's general mood at the proper level, and in part the food industrial enterprises have to produce it. Apart from a few exceptions, the food-industrial enterprises have to produce it. Apart from a few exceptions, the food-industrial enterprises are satisfving the demand in all product groups and with adequate selection. But in spite of this, there are often justifiable complaints by consumers in connection with merchandise supply. Most of the problems originate not on the production side but in the area of product distribution.

Commercial Problems

The merchandise volume handled by the domestic food trade increased much faster in recent decades than the capacity of the commercial network. The switch to the modern self-service system and building large food supermarkets only partially eased the problem. In the 1960's, the food industry

also actively helped modernize the food stores by, for example, purchasing display coolers, but it can not solve the question of expanding the network of stores, mainly of the selling floors and store warehouses.

To a large extent, the lack of coordination between the food-industrial enterprises and the food sales enterprises results from the fact that the retail enterprises have a direct financial interest in keeping on hand as small supples as possible, which means that the amount of orders placed by the store decreases, but the frequency of deliveries increases. At the same time, this also means that the industry's merchandise delivery and shipping container and material collecting jobs increase and merchandise transportation costs go up. Cooperation between the food industry and food sales, the goal of which is to increase sales on the basis of common financial interests, is relatively rare--if it exists at all.

The relationships between food-industrial enterprises and foreign-trade enterprises have undergone qualitative changes after 1968. In several cases the factories developed direct connections with the foreign customers, and the foreign-trade enterprises also helped modernize production. But in my opinion, further efforts must be made also in this area. The possible tension with the foreign-trade enterprises results in many cases from the inadequate quality of the products and from the nonhomogeneous character of the products of various factories. The quality problems could be helped by increasing production discipline; it is more difficult to insure the homogeneity of the export product base, since one foreign-trade enterprise may be selling the products of 8 or 10 domestic industrial enterprises.

The foreign-trade enterprises have a greater opportunity to assume a role in the production and product development of the industrial enterprises, since the basis of relationships with the industrial enterprises is the interest which can be more flexibly adjusted. On the other hand, the sales markup of the domestic trade enterprises, treated as a fixed price, does not even furnish sufficient funds for the necessary development of the network.

Opportunities Concealed in Enterprise Independence

Significant efforts also have to be made to increase organization in the food industrial enterprises. It would be difficult to list fully and in an organized manner the criteria of a modern enterprise, but such requirements as knowledge of the environment and of its own situation, recognition of the changing situation and the ability to flexibly adjust to it, innovative ability and the courage to accept risks, the ability to influence the environment, etc. would certainly be among them. But these characteristics can develop only in an independent enterprise. In the present situation of our national economy, only the enterprises can solve a significant portion of the national economy's problems. Let us attempt to outline the system of conditions of this ability of the enterprises in the food industry, noting at the outset that the reality of some of our assumptions must be checked by research and analysis of the national economy and of the economics of the enterprises. We may also make some assumptions which at the present time may

appear to be illusory or naive, in the reflection of certain dogmatically defended concepts (for example, the obligation to buy up agriculture's products).

a) I will mention first that it would be necessary to create a system of conditions of indepencence for the food-industrial enterprises. This is a multifaceted task which includes:

--a new directing system for directing the state-operated food-industrial enterprises, freed from the restrictions of the specialty branches;
--determination of the minimal lower limits of the obligation of the food-industrial and food-sales enterprises to provide the public with supplies;
--creating a self-financing ability for the food-industrial enterprises, considering also the ability to repay the loans for developments decided upon earlier and now completed.

b) It must be made possible for the food-industrial enterprises to be able to form multifaceted relationships of varying content not only with the agricultural enterprises but also with the domestic food-sales enterprises. It must be noted in connection with these things that our retail food enterprises are also characterized unjustified centralization.

c) In the interest of improving the level of our competitiveness on international markets and of our domestic supply, emphasis must be placed on the question of quality in all areas of food production and sales. Thus, among other things,

--quality must be at the center of the merchandise relationships between agricultural and food-industrial enterprises, and of cooperation based on common financial interests;
--the obligation of the food-industrial enterprises to buy up agriculture's products should be limited only to agricultural products that can be processed profitably and are suitable to produce quality merchandise;
--objective qualification based on measurement by instruments of the food industry's raw materials of agricultural origin must be made general wherever this can be solved;
--in organizing the process of production in the food industry, a broad-based system of quality control and hygiene must be implemented everywhere, which begins with the receiving of materials and ends on the retail sales floor;
--quality control by the authorities must be made more strict and more frequent in every phase of production and sales, and must be coupled with financially felt consequences;
--paying workers' wages based on quality must be made general, or at least much broader than it is now, in the large agricultural operations as well as in the food-industrial enterprises.

d) The internal organizational structure of the food-industrial enterprises needs to be reviewed and modernized. It would be practical to replace the linear organizational system of production management with a product- or product-group-centered production-management system and one which maintains

external contact centered on the end product. This could result in broader development of the knowledge of the experts working in the production area as well as in the staff organs of the enterprises.

The internal decisionmaking authority of the food-industrial enterprises should be decentralized to a greater extent. An increasing ratio of the lower level managers participating in the direct management of production are young professionals with top-level qualifications who have more energy and courage, and more ability to take the initiative than do the workers close to retirement age, who, on the other hand, have several decades of professional experience that could be put to good use.

In addition to the modernization of the organizational structure of the food-industrial enterprises characterized by decentralization, the method of enterprise management based on exceptions should also be made general. The essence of this is that the responsibilities and authorities of the enterprise's departments are precisely specified in the rules of organization and operation, and also that each individual department receives the planned tasks to be implemented in each time period on the basis of the enterprise's plan being broken down by department. The middle- and top-level managers are notified about the enterprise's processes regulated and defined in their extent in this manner only when a significant deviation from the plan appears, which requires managerial decisionmaking or a stand to be taken. Thus the manager has to intervene in the enterprise's processes only "exceptionally," in cases of deviation from the regular conditions. In this way, the major portion of the managers' working time remains available for real managerial activity and is not divided up by the mass of operative decisions. The basic precondition for managing based on exceptions is to adequately break down the enterprise's plan and the financial interests related to it. This method would also make it necessary to modernize the enterprise's internal information system and the operative accounting.

e) The question of organizing the enterprise's operation and work came into the focus of interest as a result of the December 1971 party resolution. The party resolution was justified in focusing on this question and called the attention of the enterprises to its importance. In connection with this, the problem started when at the beginning of the following year the party resolution became national policy through a government resolution. The government resolution was dominated by bureaucratic and administrative elements such as, for example, the question of measuring the level of organization which even to this day has not been solved (and which, by the way, cannot be solved in that form), the preparation of organization plans and reports, taking these into consideration in evaluating the work of the managers, etc. This bureaucratization was only topped off by the requirement of preparing regular statistical reports on plant and work organization. It must be clearly seen that plant and work organization is an enterprise function which belongs within the enterprise's sphere of interest. That is, the enterprise itself initiates plant and work organization and its economic results manifest themselves in the profitability of the enterprise. The plant and work organization of a profitable and efficient enterprise. The

plant and work organization of a profitable and efficient enterprise is promoted not by directives from the ministry but by economic necessity or by the enterprise's interests, or by both at the same time.

Plant and work organization will become lively practice and an indispensible operational element in our enterprises if its results could be kept by the enterprises for the enterprises unimpaired, or we might even say with reduced taxes or tax-free. That is, the trust that regroups the enterprise's income does not honor separately the additional profit of its enterprises deriving from plant organization.

f) Compared with other branches of industry, the food industry has a significantly bigger job and at the same time more opportunity to improve plant and work organization. That is, the food industry not only converts the raw materials received from agriculture into finished products, but also exports some of them (for example, slaughter animals) immediately after receipt, and others (for example, grain) after short or longer storage. Wholesale purchasing is an organic and quite costly activity of most of the food industry's specialty branches. That is, significant losses do occur during the time of storage in the stage before processing, losses which derive in part from the biological character of the raw material (for example, in the case of sugar beets), and in part are the consequences of the insufficient capacity of the storage facilities, or of their inadequacy (for example, in the grain industry).

Transportation represents a large cost factor in the "operational" branches of the food-industry enterprises, and because of this organizing transportation has a great significance. This is directed primarily at shortening trips and cutting down time losses.

There are so many sources of loss, or hidden reserves, in the areas of the processes of wholesale purchasing, storage and wholesale trade that continuously and partially uncovering and eliminating them is a sure source of constantly increasing the enterprise's results--noting again here that this is the case to the extent to which the enterprise is directly interested in these financially.

g) The tasks of organizing the manufacturing processes are also manyfaceted in the food industry. Increasing the intensive utilization of machinery and equipment by means of decreasing downtime, optimizing the product structure through the use of modern computer technology, decreasing material and energy consumption, analysis and organization of the work place, working hours and work methods in the areas of work organization and ergonomics, the discovery of microlosses by using the tools of film technology and instrumented measurement of work, especially in the interest of better utilization of high-performance bottling and packaging machines, have particularly great significance. There are also many areas and opportunities for plant and work organization in our food industrial enterprises through the discovery of which the enterprise can increase the economy, efficiency and profitability of its operation. I am convinced that through efficient plant and work organization (even without trying to calculate that the sales prices abroad will turn more favorable) the self-financing ability of the food-industrial enterprises can be assured, emphasizing again the precondition for this: enterprise independence!

3584
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STRONG INTEREST IN SMALL BUSINESSES NOTED

Budapest MAGYAR HIRLAP in Hungarian 21 Apr 82 p 7

[Article by Ilona Kocsi: "Without Illusions: Small Enterprises of the Office Technology Enterprise--Source of Great Tension"]

[Text] There was great surprise...and even greater interest. The former came to one of the speakers, namely, the deputy economic director of the Information Technology Enterprise, who cited examples from their enterprise, supported by figures. The latter indicated the general interest of the theme: one of the branches of the Chamber of Commerce not long ago put the undertaking of large businesses on the agenda. The questions poured in, and as the news that has come to light since then bears out, not without reason. A representative of the Danube Iron Works, for example, inquired about the effectiveness of the ground-work, a colleague of the Csepel Auto Factory asked about leasing fees and a possible admission fee. Since then small businesses have already been formed in both places--in the form of interprise business work partnerships. It appears that the enterprise making the presentation has been left behind....

But in the event this is immaterial. Let us return to the figures that caused such surprise earlier. Dr Gyula Fonyodi, deputy economic director, had said: "In the first half-year, approximately one-half of the 1,500 productive workers at our enterprise indicated their participation in various small businesses. By the end of the year their ratio may reach 80-90 percent." I believe that it is not necessary to explain the cause of the surprise in any greater detail. Two months have passed since then; let us take an even closer look at the facts.

A Flash in the Pan

"In any event I must modify the figures," the deputy economic director mentioned at once at the beginning of our conversation, "for the blaze at that time has in many cases proved to be a flash in the pan. As information has expanded, it has become clear that it is not so easy to undertake something new. The hoped-for additional income is attainable only with intense effort. Several people withdrew their applications, or we ourselves saw the ideas as unrealistic. Now we figure on a maximum 500-800 people, that is, by the end of the year one-half of the productive workers at most will take part in an

"enterprise business. If we also take extra-enterprise forms into consideration, then it is conceivable that there will be more than this."

The exact figures therefore are not known. That is, you are still at the discussion stage, and not that of implementation?

Yet things are not quite like that. For example, it has already been decided that in 14-15 places there will be business operation by contract, and more than 25 enterprise business work partnerships are being formed. Many have received the preliminary authorizations, and for all practical purposes are now just waiting for a response to advice and for filing. The conditions for material work have been provided.

Why did they choose precisely these two forms of business enterprise? The regulations make others possible, as well....

The business operation by contract is the most flexible form, although it is a great limitation on its formation that it can work with only 15 people. In most cases, it is hardly possible to isolate a 15-person unit in our enterprise. We sign a contract for 5 years, so that the contractors might have plenty of time, and not want to "get rich" in a year. We have determined precisely how much of a fixed rate and how much of a profit proportional to returns must be paid in to the enterprise, but if for any reason this were not to succeed, the enterprise guarantees payment even to those working here. The enterprise business work partnership is beneficial, therefore, because here the enterprise may, if need be, intervene in the work, and if it sees fit, it may even halt it. Risk of course exists here, too: if loss occurs, the members are responsible only up to the amount of their contribution, or up to the income obtained in the association. The rest must be paid off by the firm.

They May Not Mix

It appears from this that in both cases the enterprise assumes a risk. Probably the benefit to be obtained by the business is not insignificant, otherwise it would be incomprehensible why they started it.

If the estimates prove correct, then our profit will be 5-8 million forints more this way, than if everything had remained the way it was. This was one of our reasons. The other is that in this way we may alter our spheres of activity and raise our capacity without any extra additional investment. Smaller units can often transform our heretofore occasional losing work into a profitable undertaking, or if we must tackle the maintenance of the latest office machines, we no longer need to train an additional work force. Since the selection of office machines is constantly expanding, the old ones are being replaced by ever more up-to-date ones, and so we are training 600-800 workers per year anyway. And this is no small investment. We keep pace with the tempo, and afford the costs, only with great difficulty. Now, however, it is becoming possible not that we increase the training, but that existing workers also undertake the maintenance of the latest office machines. If it does not work out in any other way, then it will in a small business or in a

contract format. And as long as we are speaking of reasons, I must certainly mention one more: our wage level is extraordinarily low--43,000 forints per year, but the bulk of the workers are technicians who have completed secondary school. The new forms of business also offer greater scope for income differentiation, as well.

This is true, only I do not know how one can separate activity during working hours and that carried out afterwards: after all, office machines have to be repaired in both cases. The suspicion will immediately arise in people: supposing skillful people turn up who increase surplus labor at the expense of "regular" work time, and thus labor discipline, which is not very high anyway, deteriorates further....

This can occur only if we do not work out exactly what must be done during working hours, and what afterwards. For example, we determine the type of machines that must be serviced during working hours, we limit the range of clients, and the work partnerships can work only outside of this. The two may not mix, and they must be so well arranged that we may continuously monitor them. This is not a concern with business operation by contract, for there the primary job and spare-time work coincide. If we detect any fraud with the work partnerships, we will immediately disband the group.

Variable Work-Plan

The Information Technology Enterprise is typically a service firm, and it must do the bulk of repairs during working hours. How then will the work partnerships operate? Most of the offices work an eight-hour work-plan; there is no second shift. That is, if they are going to repair the machines only after working hours, then they will not be successful.

Some repairs can indeed be carried out only on the spot, but there is also a possibility for doing the work in a shop, that is, for assembly after working hours. Examining this carefully, we have decided to designate divided working hours for some work partnerships, while for others there will be no set work-plan. The divided working hours, for example, may last from 6 to 10 in the morning, then there will be a break for several hours. During this time the work partnerships will collect the work, or will do the repairs right on the spot. Between 2 and 6 o'clock in the afternoon, on the other hand, they will again do their primary job. So that we do not support the contractors just in principle, such practical possibilities for work must be created. The regulation of working hours with no set limits is simpler: we will determine norms that the workers must fulfill. For example, we will designate those machines that must be serviced regularly. Beyond this they may repair what they want. If on the other hand we receive complaints, we will immediately go back to the old system.

Divided working hours, no set working hours, during which a large number of workers will continue to work set hours?! Whatever happens, this will lead to tension and friction....

We have no illusions. If everyone were to work according to these rules, then there would be no problem. Now, however, right in the middle of the old, and to a certain extent rigid, system of regulators the possibility has presented itself for experimentation, for more effective work. This in itself is already a great source of tension: it obviously creates a conflict between the old elements and the new. How the enterprise will succeed in settling this, and whether it will succeed at all, these are still questions for the future. We have to undertake the new forms of business, however, even under conditions like these.

8971
CSO: 2500

HOUSING CONSTRUCTION PLAN IN 1976-1980 OUTLINED

Warsaw INWESTYCJE I BUDOWNICTWO in Polish No 9, Sep 81 pp 31-34

[Article by Tadeusz Zarski: "Apartment Construction in the Five-Year Period 1976-1980"]

[Text] The years 1976-1980 as compared to 1971-75 were characterized, by more favorable ratios between investment outlays for housing and the whole of investment outlays in the national economy, and the gross distributed national income. Taking current prices as the basis of calculations, the extent of the investment outlays for apartment construction, as well as their relation to the mentioned macroeconomic categories, appears as follows:

| Year | in billions of zlotys (current prices) | in % of total investment outlays | in % of gross distributed income |
|---|---|---|---|
| 1971 | 33 | 15.5 | 4.5 |
| 1975 | 70 | 12.9 | 4.4 |
| 1976 | 86 | 13.9 | 4.7 |
| 1977 | 103 | 15.7 | 5.2 |
| 1978 | 116 | 17.1 | 5.4 |
| 1979 | 120 | 19.0 | 5.4 |
| 1980 | 124 | 21.0 | * |

It should be remembered that both the total investment outlays in the national economy, and the distributed national income showed a decline in 1979 and 1980 in comparison to the previous year. Outlays for apartment investments in the years 1976-1980 were in a more favorable situation relative to other investments, treated as a whole. However, in the years 1971-1975, the increase in outlays for apartment construction was slower than that of other expenditures.

The favorable relation of outlays on apartment construction to the total investment outlays as well as to the whole of national income were not accompanied, especially in recent years, by good substantive results in apartment construction. This is illustrated by the data contained in Tables 1 and 2.

Before analyzing these data, it must be said that they differ relative to the years 1975-1979 from those previously published. The new data are the result of verification work done by the Main Central Statistical Office (GUS). The need for such work came from the widely known fact that the production data of a given year include apartments assigned for use in the first months of the next year. This work is not completely finished and the new figures may still be amended. According to information obtained from GUS, possible changes will be minimal. The verified data for the years 1976-1979 are 37,000, and, for 1975, 16,000 apartments fewer than previously published.

In light of the data contained in Tables 1 and 2, there was an increase in the extent of construction up to 1978. In 1979, however, there was a gradual, small decline in the extent of construction which became very marked in 1980. This decline affected both socialized construction (19.5%) and private construction (22.2%). Consequently, the results in the last year of the past five-year period turned out lower than in 1975, that is, in the last year of the previous five-year plan, despite the fact that the data presented in the table for that year were, as mentioned, greatly reduced in relation to the data previously publicized.

Table 1. Extent of Apartment Construction and Its Investment Structure

| Years | Construction | | | | | | |
|---|---|---|---|---|---|---|---|
| | Total | State | Cooperative | Private | State | Cooperative | Private |
| | in thousands of apartments | | | | in % (100 - total) | | |
| 1971-1975 | 1121.3 | 324.8 | 519.7 | 276.8 | 29.0 | 46.3 | 24.7 |
| 1976-1980 | 1307.3 | 253.6 | 714.2 | 339.4 | 19.4 | 54.6 | 26.0 |
| 1975 | 248.3 | 83.1 | 107.2 | 58.0 | 33.5 | 43.2 | 23.3 |
| 1976 | 263.6 | 58.6 | 141.5 | 63.5 | 22.2 | 53.7 | 24.1 |
| 1977 | 265.9 | 48.4 | 143.9 | 73.6 | 18.2 | 54.1 | 27.7 |
| 1978 | 284.4 | 52.1 | 158.0 | 74.3 | 18.3 | 55.6 | 26.1 |
| 1979 | 274.4 | 55.5 | 146.9 | 72.0 | 20.2 | 53.5 | 26.3 |
| 1980 | 218.9 | 39.0 | 123.9 | 56.0 | 17.8 | 56.6 | 25.6 |

Table 2. Fulfillment of the Criteria of the Five-Year Plan for 1976-1980

| Type of construction/ years | Plan criteria | Percentage fulfilled | Plan criteria | Fulfillment | Percentage fulfilled |
|---|---|---|---|---|---|
| | Thousands of apartments | 100 = plan | Thousands of square meters of useable area | | 100 = plan |
| Total 1976-1980 | 1575 | 83.0 | 96,250 | 80,989 | 84.1 |
| 1. Socialized construction | 1193 | 81.1 | 59,450 | 49,003 | 82.4 |
| 2. Private construction | 382 | 88.8 | 36,800 | 31,986 | 86.9 |
| 1976 | 275.2 | 95.8 | 15,883 | 15,422 | 97.1 |
| 1977 | 289.0 | 92.0 | 17,350 | 16,322 | 94.1 |
| 1978 | 312.7 | 90.9 | 19,114 | 17,677 | 92.3 |
| 1979 | 339.6 | 80.8 | 21,124 | 17,537 | 83.0 |
| 1980 | 358.5 | 61.1 | 22,749 | 14,031 | 61.7 |

The decline in the extent of apartment construction, with the simultaneous increase in outlays on apartment investments (in current prices) testifies both to a worsening of the economic return on these investments and to the increase in the costs of this construction. In light of these data, it should be stated that the growth in apartment investments and the improvement in the relation of these outlays to the whole of the economic life in Poland, are not a result of a growth in apartment construction but simply of a bad economy, which in turn is a result of errors committed both in the coordination of investments and in construction politics. These same conditions caused a set-back and recession in construction, above all socialized construction. This matter has many times been the subject of various analyses and pronouncements so there is no need to discuss it in more detail. It should just be repeated that the conditions which are having the most unfavorable consequences are:

--the lack of coordination between municipal and apartment investments, causing both a shortage of developed land and of municipal power supply and conversion equipment (water intakes, sewage treatment plants, etc.);

--the uneven development of our well known output potential and, above all, the appearance of gaps in the production of insulation, plumbing, and finishing materials;

--the application of an ever increasing degree of ineffectual technologies and systems of erecting buildings, mainly of the very expensive large-panel technique coming from "house factories," with the simultaneous abandonment of other proven cheaper technologies, and the lack of new, more efficient, less capital-, energy-, material-, and transport-intensive technologies.

The main obstacles to the development of private, one-family home construction have been, and still are, shortages of materials, lack of building ground, and too little credit (until March, 1981).

The result of the unfavorable growth trends in apartment construction was the non-fulfillment of the criteria of the five-year plan for 1976-1980 (Table 2). Noticeable are the poorer results of socialized construction than of private construction. The degree of fulfillment of the criteria lessened with time, which likens the 1976-1980 period to previous five-year plans, with the exception of 1971-1975, when this phenomenon was not observed.

Altogether, in the years 1976-1980, about 2.4 million apartments were built. The long-range apartment program announced by the Sejm of the Polish People's Republic in 1972 anticipated the creation, in this period, of 2.6-2.7 million apartments. Therefore, in relation to the long-range plan for the whole decade, there was a deficit of 0.2-0.3 million apartments, that is, 7-11%.

In the years 1976-1980, the regulations for new standards of designing, confirmed in the previous five-year period, were applied more and more as time went on. As a result of this, there was an increase in the average size of apartments in cities, by 6 $m^2$, and in the country by more than 8 $m^2$ (Table 3). Data from studies made at the Institute for the Development of the Environment indicate that the average growth was realized as a result of designing and constructing larger apartments of particular categories (M 1-6), and not of changes tending toward an increase in the share of apartments of higher categories. On the contrary, a steady increase in the share of small apartments was observed. And so, in 1971, apartments up to M 3 inclusive constituted about 42%, in 1975, 43.5%, while in 1979, almost 49%. This direction of change is completely at odds with the needs resulting from the size of households and from the average size of all existing apartments in Poland.

The last five years saw an increase in the average size of apartments in private construction, though it was slightly smaller than in socialized construction, though it was slightly smaller than in socialized construction with the increase in cities being about $5m^2$ and in the country not quite $5m^2$. Of course, apartments erected in private construction are characterized by a much larger area than those in socialist construction.

Table 3. Average Area of Apartments (in square meters)

| Construction | 1976-1980 | 1975 | 1976 | 1977 | 1978 | 1979 | 1980 |
|---|---|---|---|---|---|---|---|
| Total | 62.0 | 57.3 | 58.5 | 61.4 | 62.2 | 63.9 | 64.1 |
| Socialized | | | | | | | |
| in cities | 50.4 | 46.8 | 47.7 | 49.0 | 50.5 | 52.2 | 52.8 |
| in the country | 54.2 | 49.2 | 49.9 | 53.0 | 55.4 | 57.0 | 57.5 |
| Private | | | | | | | |
| in cities | 99.0 | 95.5 | 96.9 | 97.7 | 99.2 | 100.5 | 100.6 |
| in the country | 91.4 | 88.9 | 89.6 | 90.2 | 91.3 | 92.8 | 93.7 |

The universally-applied index for comparison of the extent of apartment construction in time and between countries is the average number of apartments assigned for use per 1,000 persons. The average figures for selected years for the entire country are given below:

| | |
|---|---|
| 1971 | 5.8 |
| 1975 | 7.3 |
| 1978 | 8.1 (maximum) |
| 1979 | 7.8 |
| 1980 | 6.2 |
| 1971-1975 | 6.7 |
| 1976-1980 | 7.5 |

Therefore, the intensity of apartment construction relative to the population was, in 1980, only slightly greater than in the first year of the past decade.

To show the extent of apartment construction in Poland in comparison to other countries, information is presented in Table 4 for sixteen countries located in our climatic zone (buildings on southern continents can be less expensive and differently equipped) concerning intensity of apartment construction in 1979 (for 1980, data are lacking for countries other than Poland). This intensity is expressed by the number of apartments assigned for use per 1,000 persons and by the number of useable square meters of these apartments per 1,000 persons. In 1978, the position of Poland among these sixteen countries was relatively good as concerns number of apartments per 1,000 persons but much worse in overall floor space of new apartments per 1,000 persons. This is a result, of course, of the much smaller average area of apartments in our country in comparison to the remarkable size in other countries in Europe.

Undoubtedly, in 1980, Poland's position fell in comparison to 1979. In intensity of construction in 1980, we placed in comparison to that of other countries in 1979, in fourteenth position in number of apartments per 1,000 persons and in fifteenth position, ahead only of the USSR, in useable area of apartments per 1,000 persons (Table 4).

A knowledge of the degree to which apartment construction is meeting needs can be obtained by a comparison of the growing net number of households with the growing net number of apartments. This information is supplied, however, only by general censuses. The last two censuses were conducted in 1970 and 1978. A comparison of their results shows that in the eight years between 1971 and 1978, the increase of apartments was 377,000 fewer than the increase in households. As a result, the so-called statistical deficit of apartments grew to more than 1.6 million in 1978.

Table 4. Intensity of apartment construction in selected European countries in 1979

| Country | Useable area of apartments | | Number of Apartments | |
|---|---|---|---|---|
| | Assigned for use per 1,000 persons | | | |
| | $m^2$ | country ranking | units | country ranking |
| Belgium | 1730* | 1* | 6.9* | 12* |
| Norway | 879* | 2* | 9.4* | 2* |
| Finland | 855 | 3 | 10.5 | 1 |
| Ireland | 766 | 4 | 7.5 | 8.9 |
| Sweden | 764 | 5 | 6.7 | 13 |
| Denmark | 753 | 6 | 6.1 | 15 |
| Austria | 632 | 7 | 7.1 | 11 |
| Czechoslovakia | 617 | 8 | 8.4 | 3 |
| West Germany | 615* | 9* | 6.0* | 16* |
| Hungary | 542 | 10 | 8.2 | 4 |
| Poland | 498 | 11 | 7.8 | 5 |
| Romania | 448 | 12 | 7.6 | 6.7 |
| Bulgaria | 444 | 13,14 | 7.5 | 8.9 |

| | | | | |
|---|---|---|---|---|
| East Germany | 444* | 13,14* | 7.2* | 10* |
| Yugoslavia | 422 | 15 | 6.3 | 14 |
| USSR | 391 | 16 | 7.6 | 6.7 |
| Poland in 1980 | 394 | - | 6.2 | - |

Source: Annual Bulletin of housing and building statistics for Europe 1979. United United Nations New York 1980; data for Poland--our own calculations

*1978 because of a lack of data for 1979

In evaluating apartment construction in periods other than between successive general censuses, we are using comparisons of the number of marriages contracted with the number of apartments assigned for use. This information is contained in Table 5.

Table 5. Marriages contracted (number of apartments assigned for use)

| Years | Number of marriages contracted | Number of apartments assigned for use | Difference between number of marriages contracted and number of apartments assigned for use | Average number of apartments assigned for use per 1,000 marriages |
|---|---|---|---|---|
| | | in thousands | | in units |
| 1971-1975 | 1564 | 1121 | 443 | 717 |
| 1976-1980 | 1606 | 1307 | 299 | 814 |
| 1975 | 331 | 248 | 83 | 751 |
| 1976 | 327 | 264 | 63 | 807 |
| 1977 | 326 | 266 | 60 | 815 |
| 1978 | 327 | 284 | 43 | 869 |
| 1979 | 319 | 274 | 45 | 860 |
| 1980 | 307 | 219 | 88 | 712 |
| | | in percentages 100 = 1975 | | |
| 1980 | 92.7 | 88.2 | 107.3 | 94.8 |

In comparison with the period 1971-1975, in the years 1976-1980, only 38,000 more marriages were contracted, since, beginning in 1975, for several years there was a stagnation in the number of marriages, though in the last two years there was a clear decline. The increase in the number of apartments assigned for use was, in the years 1976-1980, in comparison with the previous five-year period, greater than the increase in the number of new marriages. As a result, in the entire period 1976-1980, the difference--to the disadvantage of new apartments--between the number of apartments and the number of new marriages decreased in comparison to the years 1971-1975. In observing the relationship between these numbers in individual years, it should be seen that there was a slight worsening of this relationship in 1979 and a very great worsening in 1980. As a result, despite the drop in the number of new marriages, the difference between their number and the number of new apartments was in 1980 larger than in 1975, the last year of the previous five-year period.

Of course, the number of marriages is not the only factor in the increase in apartment needs. These needs also are a result of the desire on the part of single people to have their own apartments and of the desire on the part of families and households of single people to improve their existing apartment situation. The main place where these needs appear, especially as concerns the rural population and rural people supporting themselves on non-agricultural jobs, is the apartment cooperative. Apartment cooperatives have precise knowledge of the members and candidates awaiting apartments. This information is contained in Table 6.

In light of this information, the increase of legally adult cooperative members, amounting in the years 1976-1980 to about 350,000, was less than the growth in the years 1971-1975. This should not, however, be attributed to the growth in the extent of cooperative construction but to a slowing in the rate of increase of new members of cooperatives. This is undoubtedly related to the fact that the constant extension of the waiting period for apartments discourages people from signing up in cooperatives. On the other hand, the decline in recent years in the number of persons reaching full legal age in the overall population of Poland may have a certain influence.

The observed decrease, beginning in 1976, in the number of members waiting for an apartment is a result of the cooperatives' resolutions restricting acceptance to those candidates who fulfill all the requirements necessary for membership. From this also, there was a great increase in the number of legally adult candidates among them, above all, of those who had amassed the required financial means.

The constant increase in the number of people waiting for cooperative apartments, determined of course by the extension of the waiting period, is connected not only to too few apartments built relative to the needs, but also to the policy of the distribution of the apartments. This policy has favored allocations of cooperative apartments through places of work and through offices of city directors. These institutions in the remarkable majority of cases allocated apartments to persons who did not belong to the cooperatives.

Table 6. Legally Adult Cooperative Members Waiting for Apartments

| Years | Total | Members | Candidates | Of the total number, cooperative members with the full investment | | Candidates saving for the investment |
|---|---|---|---|---|---|---|
| | | | | total | candidates | |
| 1970 | 876.1 | 486.1 | 390.0 | * | * | * |
| 1975 | 1529.7 | 929.5 | 600.2 | * | * | * |
| 1976 | 1651.4 | 854.3 | 797.1 | * | * | * |
| 1977 | 1720.7 | 797.6 | 923.1 | 1309.7 | 512.1 | 411.0 |
| 1978 | 1776.9 | 726.9 | 1050.9 | 1325.0 | 598.1 | 451.9 |
| 1979 | 1755.8 | 661.8 | 1094.0 | 1506.0 | 844.2 | 249.8 |
| 1980 | 1877.2 | 613.7 | 1263.5 | 1628.3 | 1014.6 | 248.9 |
| Increase 1971-1975 | 653.6 | 443.4 | 210.2 | * | * | * |
| Increase 1976-1980 | 347.5 | -315.8 | 663.3 | * | * | * |

The members waiting for apartments, required by the regulations to make their financial investment, were constantly discriminated against in the distribution of apartments. Such was the policy applied throughout the 1970's, and especially in the latter half, including 1980. This is shown by the fact that in 1975, 53.6% of the cooperative apartments distributed were assigned to individuals on the general waiting list. In 1979, this small percentage fell to 38% and in 1980 amounted to only 39%.

In summarizing the information presented, it should be stated that despite all hopes, the past decade, especially its latter half, was not beneficial to the development of apartment construction and the apartment situation. Despite devoting tremendous investment resources, as a result of obvious errors, a properly functioning construction potential appropriate to the needs was not created. Neither the planned number nor the quality of apartments was reached. In this respect, and also concerning the socially unjust policy of apartment distribution, the degree of meeting the needs, measured by objective indices and from the point of view of the very parties interested in improving the cities' situation in this regard--was much worse.

9915
CSO: 2600/670

INFORMATION ON NEW THREE-YEAR ECONOMIC PLAN PUBLISHED

Warsaw TRYBUNA LUDU in Polish 7 May 82 pp 1, 4

[Article: "Stages of Overcoming the Crisis"]

[Text] When are we coming out of the crisis? The answer to this question, bothering many of us, was outlined at the Eighth Plenum of the Central Committee of the Party. Let's remind ourselves that Comrade Wojciech Jaruzelski outlined three timetables for overcoming the crisis phenomenons up to 1990, in his farewell speech.

At yesterday's 6 May 1982 press conference at the government's spokesman's office, vice-premier president of the Planning Commission Zbigniew Madej, presented the goals and program of government activities in this timeframe, to the journalists.

In near perspective, until the end of 1982, the government hypothesizes to stop the continuing economic regression, which is manifesting itself through lowering of global industrial production. Is it realistic? Answering, vice-premier Madej pointed out the increase in coal production, as well as copper and sulphur, which are the initial raw materials for other production subsectors.

A certain boom was noted in those processing industry branches which depend on domestic raw materials: such as the potato, sugar, fruit and vegetable processing industries and others. Still, production in the chemical, electronic and steel industries is falling. These branches depend to a large extent on foreign sources and have severely felt the over 40 percent decrease in imports from capitalist countries.

The government sees the overcoming of these difficulties by intensifying cooperation with socialist countries. Efforts have been made for deliveries planned for this year to strengthen Polish economy already in first two quarters.

Deliveries of wool, cotton and synthetic fibers from the Soviet Union will keep the light industries busy until the end of the year. Partly, these materials will satisfy the needs of our eastern neighbor but partly they will enrich the domestic market.

Fraternal countries are also giving us resources to buy irreplaceable equipment for ships and automobiles on Western markets which are earmarked for export to socialist countries. Talks are continuing on continuing joing construction of some started but not finished industrial projects. This wide range of assistance requires us to substantially increase our exports to fraternal countries.

Thinking of Stabilization

Vice-premier Madej said that the Planning Commission is working on drawing up the Three Year Plan for Reconstruction for 1983-1985. This plan will also contain a prognosis up to 1990, and will be presented to the government for approval after first two quarters.

In this time frame, the basic reconstruction of the Polish economy will be accomplished. The basic assumptions of the plan are:

--Self-sufficiency in agricultural production is absolutely necessary. It means a necessity to eliminate grain and feed imports (so far, we have imported about 6 million tons yearly). Mr Madej emphasized that it might result in a further reduction in the standard of living. In order to raise agricultural production which would pacify the domestic situation, farmers need substantial supplies of agricultural means of production, fertilizers, pesticides, tractors, agricultural machinery and building materials. These needs give direction for development of industrial production.

Priority has been given for the production of consumer goods and production of industrial goods, particularly for children and youth.

But most clearest priority has been given to export production. It has been estimated that export will grow at the rate of 18-20 percent yearly. It is particularly necessary to increase trade exchanges with the socialist countries. In 1981, 45 percent of our exports went to socialist countries, in 1985, they should increase to 47-48 percent. That is supposed to be accompanied by an increase of imports from socialist countries from 51 percent in 1981 to 53-54 percent in 1985.

An Outline of Reconstruction

On the basis of the above assumptions, one can see an outline of reconstruction of the Polish economy, planned up to 1985 and in a further perspective to 1990.

The press conference makes it clear that the rank and meaning of consumer goods will increase significantly. At present, its share in total industrial production is 29 percent. In 1985, it will increase to 31-31.5 percent, and in 1990 to 34-36 percent.

That will happen at the expense of production of investment goods and a relative decrease in the size of investment initiatives. It will be accompanied by changes in organization of investment plans. In 1983-85, the share of

central investments will decrease to 30 percent, and later to 20 percent. To a greater extent, according to tenets of economic reform investment initiatives will pass into hands of independent enterprises.

Decisive scientific-technological progress is absolutely necessary in processing industry. Even as we have reached a high technical-organizational level in mining industries--Vice-Premier Madej said--the world passed us by in the processing industry. The Polish economy must be enriched with new generation technology. This necessity is a challenge for Polish scientists he said.

Scientific progress gives an answer to the question--what we can offer for sale on world markets? In the past, we lived from exports of coal and other raw materials and agricultural produce. We stopped exporting food in the 1960's. Coal remains but we will be unable to extract more than 180 or so million tons yearly for the next several years. The economic reconstruction should give new trump cards for Polish exports.

These trump cards are absolutely necessary to achieve an elimination of our indebtedness to the capitalist countries by 1990 and also, to make goods produced domestically better serve to satisfy the needs of society.

9032
CSO: 2600/583

# NEED FOR SELF-SUFFICIENCY IN FOOD SUPPLY STRESSED

## Policies, Aims

Warsaw IDEOLOGIA I POLITYKA in Polish No 3, Mar 82 pp 26-28

[Article by Stanislaw Zieba: "Food Self-sufficiency of the Country--the Main Goal of Agricultural Policy"]

[Text] The belief in the key role of agricultural development and foodstuffs production in successfully solving social problems in our country is becoming increasingly apparent, though not yet commonly accepted. Despite tremendous grain imports, mounting difficulties in the food market have given rise to a near collapse situation. Economic ties between the city and the country have loosened precipitously. Speculation in foodstuffs has assumed threatening proportions. In this time of increasing economic difficulties, putting an end to further destructive processes in agriculture and mapping out a concept of socioeconomic renewal in rural areas became the order of the day for the party and the ZSL [United Peasant Party].

In the fall of 1980, village meetings were held all over the country where peasants discussed the assumptions of "The Theses..." on agricultural policy. These assumptions were also discussed by PGR [State Farms] and RSP [Agricultural Producer Cooperatives] work forces, the scientific and foodstuffs industry communities and cooperators. As a result of this debate the Politbureau of the Central Committee of the PZPR and the Presidium of the Main Board of the ZSL adopted the "Theses on the Nodal Problems of Agricultural Policy, Agriculture and the Food Economy" in January 1981.

This document states that "actions to promote agricultural development have not been persistent, there has been a lack of clear agricultural policy. Those were the main causes of unsuccessful agricultural development. Protracted indecision in the strategic reorientation of the economy toward a proagricultural trend, willful investments, disregard for economic laws in both production and consumption are the primary source of the deep crisis our country has found itself in.

An in-depth critical analysis of the pre-August agricultural policy allowed us to work out, with the participation of the rural community, new principles of such policy, taking into account the needs of agriculture, the social

aspirations of the rural population as well as the attainment of food self-sufficiency in the country.

At a joint session of the Politbureau of the PZPR Central Committee and the Presidium of the ZSL Main Board an 1 December 1981 a comprehensive review of the "Theses", adopted a year before and further reinforced by the decisions of Ninth Extraordinary PZPR Congress, was carried out. This review suggests a general conclusion that the highest political priority is not to repeat the mistakes of the past. There is a need to avoid the multiplicity of priorities, safeguarding the priority status of the extractive industries, power generation and agriculture, in accordance with the accepted trend in economic policy. Also, there is a need to pry the economy loose from the directive-distribution inertia, to implement economic reform, stable agricultural policy and proagricultural orientation of the economy at all levels, despite tremendous difficulties.

What is meant by "stable agricultural policy" in light of the above-mentioned review?

Item one: continuous material prerequisites for expanded reproduction must be created in all branches of agriculture in the way of switchovers in industry and directing a far wider stream of manufactured means of production and capital goods adjusted to the varied areal structure of our multisector agriculture, changing natural conditions, labor force and differentiated equipment levels in live and mechanical draft. Industry, as was reinforced by a political directive, must double over the current 5 years the share of its production capacity earmarked for manufacturing means of production for agriculture and foodstuffs processing. Industry must also better adapt the structure of production to the needs of agriculture in the field of raising management efficiency and better use of capital assets in the farming sector and the entire food economy.

Item two: continuous and comprehensive profitability of all agricultural subsectors to be ensured in conjunction with natural processes of increases in production costs and upkeep. This will be accomplished, as has already been proven in practice, through moving prices where varying costs of production will be reflected in the procurement prices of food.

Item three: even-handed treatment of all [social] sectors, continuous good prospects for private family farms and creating necessary conditions for the strengthening and development of the socialized sector of agriculture. The problems of comprehensive and rational land development, of guarding the land from diversion to nonagricultural uses, land reclamation, irrigation and improvement of agricultural practices, especially in smaller farms, assume the greatest significance.

Item four: preserving parity of incomes between the agricultural and non-agricultural population accompanied by ensuring the socially necessary increment in productivity, increase of the average size of holding and elimination of counterproductive field patchwork, and, above all, increase in the productivity of every agricultural job. This productivity is

reflected by the amount of surplus market production sold by peasants on the basis of contracts in the socialized market. It is accepted that it will become an important indicator in ranking the farms and a permanent measure of supply with agricultural and manufactured means of production.

Item five: the creation, in accordance with the idea of economic reform, of comprehensive preconditio for a parametric system of managing production processes in all agriculuural sectors and a self-governing management of production and communal-social services in rural areas, primarily through the units of agricultural education has a great role to play which can, relying on social activity of rural self-government echelons, ensure progress in acquiring knowledge and improving professional skills of farmers and work forces of state and cooperative agricultural enterprises.

Item six: facilitation of the rise and release of collective self-governing social effort, organization of volunteer work for farmers, rural women and youth with an eye to improving conditions of work and life; self-governing solving of their problems by rural population in the name of their own and the common good, of social progress in rural areas.

Item seven: ensuring marked progress in the efficiency of utilization of the entire production potential in all groups of farms, private family as well as socialized.

What are the characteristics of the current production situation in agriculture and what conclusions can be drawn from it?

Unfavorable climatic and economic conditions in previous years, overextended auxiliary production in animal husbandry developed on the basis of imported rather than domestic grains, tremendous subsidies to food consumption have all contributed to a drastic reduction in gross agricultural production. Marketed agricultural production, especially in the private sector, did not only fail to increase but plunged precepitously in 1981--a year with favorable natural conditions for agriculture--due to mounting political turmoil, recurrent strikes and a flareup of speculation. It decreased incomparably lower than the level of gross production would suggest. This caused a difficult situation in food markets and simultaneously an increase of stockpiles on the farms.

Grain has been and will remain the issue of paramount importance. It has always signaled and will continue to signal not only the general production situation in agriculture, but the general nutritional condition of our society. This is especially important in Poland due to a bleak outlook for grain imports. Let us notice that gross grain stockpiles from the 1981 harvest amount to 20 million tons according to CUS [Central Statistical Office] estimates. This is 2 million tons more than in 1980. Despite this fact, market production was remarkably smaller and did not exceed 1.45 million tons by February 1982, or amounted to less than one-half of planned annual procurement, or was more than one-half less than the average of previous years. At the same time, annual consumption of grain in Poland in

the form of baked goods exceeds 5.5 million tons. Only a few know that even provinces dubbed "agricultural granary," such as Leszno, Opole or Poznan do not procure enough grain to cover their own needs. This shameful truth was concealed for years. The state had to shoulder tremendous costs of monstrously increased grain imports from Western countries, largely from the United States. The production potential of domestic agriculture was underestimated. Therefore, our foreign-exchange debt kept climbing up. An example of this situation is provided by a comparison of procurement and deliveries for grain consumption in three selected provinces in 1981 (table 1)--and those are, as a matter of fact, agricultural provinces.

Table 1. Level of Self-supply in Grain Products in Three Agricultural Provinces (tons)

Tabela 1

**Poziom samozaopatrzenia w produkty zbożowe (w tonach) w trzech rolniczych województwach**

| 1 Województwa | 1981 (rok kalendarzowy) 5 | | 8 Dostawy produktów zbożowych w przeliczeniu na mąkę | 9 Proc. samozaopatrzenia |
|---|---|---|---|---|
| | 6 skup zboża | 7 skup zboża w przeliczeniu na mąkę | | |
| 2 Skierniewickie | 12 000 | 8 400 | 42 000 | 20 |
| 3 Piotrkowskie | 12 000 | 8 400 | 53 000 | 16 |
| 4 Sieradzkie | 26 800 | 14 500 | 36 000 | 42 |

Key:

1. Province 2. Skierniewice 3. Piotrkow 4. Sieradz 5. 1981 (calendar year) 6. Grain procurement 7. Grain procurement converted to flour 8. Supply of grain products converted to flour 9. Ratio of self-supply.

The current situation of our country in the field of grain production and procurement necessitates:

--the creation of economic and management conditions for the fast growth of gross and market grain production in all farming sectors and not only in the socialized sector. In early 1982, the state was forced to institute a grain loan in order to amass enough grain for grain products;

--striving for such a balance between grain production and the number of hogs which, in the face of further Western economic sanctions and, consequently drastically reduced grain imports, will enable us to protect the consumer market from the rationing of baked goods and simultaneously not only refrain from reducing the level of market production of pork, but to keep and even increase it, at least a little, for several years to come;

--the all-out reduction of losses, comprehensive implementation of savings measures and improvement in the production, trade and consumption of bread and also of grain products. Until recently, bread purchased for a mere pittance and thrown away everywhere in urban dumps was a manifestation of degradation in the food economy. This can never again happen.

Grain is a synthetic indicator of the general level of crop production. This level is unsatisfactory; it is below the one that natural conditions and the supply of manufactured means of production might suggest. In many regions, agricultural engineering is neglected on private and socialized farms alike. On tilled areas, none of the planned changes toward the growth of areas under grain have been achieved over the last years. At the same time, results in increasing the yields have been minute. Let us assume that a precipitate decline in the total herd in 1981 compared to 1980 (by 2.8 million hogs and 850,000 head of cattle) and certain growth in the gross yield of grain and fodder combined decreased the gap between the neglected crop production and animal husbandry which was developed with an increasing share of imported fodder. Then, there is an opportunity to start a difficult process of restoring relative equilibrium between these two subsectors of agriculture, increasing the market surplus of grain earmarked for consumption.

Therefore, a general conclusion must be drawn to the effect that there is a permanent dependence between the development of animal husbandry and the production potential of the field. At present, all farmers are learning these truths anew, however, not without losses. This is especially true of farmers specializing in poultry production who will have to switch to other kinds of production due to the lack of imported fodder (corn).

There is a structural dimension to the direction of these changes and the balancing of growth rates in crop production and animal husbandry. Several conclusions and tasks follow from that.

Land as a nonreproducible production asset must be adequately used for production in its entirety. It should be the object of the utmost concern of farmers. If the land is to be respected, it must be priced according to the class and location, the price being equal in the land turnover of the State Land Fund [PFZ] and in the free market, where prices accepted by farmers have traditionally been derived from the price of grain. Also, economic aspects should be restored to the land tax. It should be increased adequately and varied according to soil characteristics and location of the farm. The tax must be a powerful economic lever at the disposal of the state.

The land must yield good harvests in the all-social interest in all sectors, including inviolable family private farms. Therefore, a draft law is being prepared which will set in motion efficient economic and legal means facilitating the introduction of socially desirable changes in the agrarian structure, land reclamation and protection of land against diversion to nonagricultural uses.

The needs of the country in food require a perceptible increase of market surpluses of agriculture, especially private agriculture. One-fourth of land yields very low harvests and more than 1 million hectares of cropland are badly neglected--this is not serving the public interest. It cannot be that about 2.1 percent of all farms do not have livestock, reducing in this way the productive potential of land (lack of manure) and frequently producing less foodstuffs than the farmer and his family need. Almost 1 million

farms sell nothing or just symbolic quantities of foodstuffs to the state. Only 11,000 farms sell foodstuffs worth 1 million zlotys annually, or 0.3 percent of all farms (Table 2).

Table 2. Volume of Crop Sales in 1980 (according to BGZ [Food Management Bank I)

Tabela 2

Wartość sprzedanych płodów rolnych w 1980 r. (wg BGŻ)

| 1 Wartość sprzedaży w tys. zł | 2 Liczba gospodarstw w tys. | 3 Proc. |
|---|---|---|
| 0 | 547 | 22,0 |
| 15 | 404 | 14,0 |
| 15—50 | 725 | 25,1 |
| 50—100 | 509 | 17,8 |
| 100—200 | 401 | 14,0 |
| 200—290 | 142 | 4,8 |
| 290—470 | 94 | 3,2 |
| 470—700 | 32 | 1,0 |
| 700—1 mln | 11 | 0,3 |
| 1 mln | 11 | 0,3 |

Key:
1. Volume of sales, thousand zlotys. 2. Number of farms, thousand
3. Percentage share

Improvement in the productivity of land is also associated with the necessity to couple larger investment efforts aimed at regulating water ratios in the soil with a comprehensive extension of social and self-governing concern among the farmers with the rational maintenance and operation of watering and land-reclamation equipment. Water companies have a significant role to play here. They will be reinforced through legal regulations concerning their activity and the necessary equipment and technical support.

Rational agricultural engineering, organic fertilizing, mechanization of soil working, cultivation and crop harvesting are of tremendous importance in raising land productivity. The importance of agricultural engineering is growing all the more since, in a realistic perspective, chemical fertilization agents will be scarce this year and in the several years to come. Deliveries of pesticides can, in the perspective of the nearest future, play a supporting role (possibly, with the execution of horticultural production and industrial crops, where the necessary level of pesticide delivery will be kept).

Independent decisions will be made on a case-by-case basis with regard to the crop mix by farmers or self-governing socialized agricultural enterprises. This notwithstanding, economic and social requirements of growing economic efficiency will bring about them being increasingly guided by the criterion of maximizing energy units and protein yields from each hectare. Papilionaceous crops which increase protein output and facilitate humas formation, which brings out the natural productivity of soils, play a tremendous role in efficient production, especially on light soils. This means now and will

mean in the future the necessity to increase areas under efficient crops selected in accordance with varying soil and climatic conditions. Similar considerations of growth in land productivity suggest the necessity of ascribing due significance to liming and magnesium upgrading of highly depleted soils, especially light soils.

Our agriculture is highly differentiated geographically. This differentiation occurs in many fields, for example, in the size structure of holdings, soil survey, labor supply, fixed assets. However, this differentiation cannot justify tremendous discrepancies in the efficiency of production, which is in general unsatisfactory in our entire agriculture. This efficiency measured by the net agricultural production per convertible hectare of agricultural land displays a striking magnitude of differences. For example, in the marketing year 1980/81, Leszno Province obtained 25.7 grain units of net agricultural production per convertible hectare of agricultural land, whereas Poznan Province obtained 24.5 and Opole Province, 23.8. At the same time, Kielce Province obtained 10,8 units, Radom Province, 10.3 and Krosno Province, 10.3.

It can be conjectured that this differentiation was due to factors of a subjective nature, primarily to the worse organized and less productive work of agriculture and pertinent infrastructure. If a more detailed analysis is made, it turns out that still larger differences occur in the levels of production of particular gminas [parishes], villages and farms, where next to a good farm, a decrepid neglected attribute of old Galitian poverty drags out a wretched existance. It is in the social interest to change this picture.

There is no other way to implement the assumptions of agricultural policy but to comprehensively increase the efficiency of production. We, therefore, see the necessity to arrange legal and economic insturments in agriculture, to distribute fixed assets promoting production growth among particular regions and farms, to organize services in rural areas in such a way that one full-time worker in agriculture could feed at least 12 persons and not 7, as is the case today (now this indicator stands at 15 in both Czechoslovakia and the GDR). This is what the entire society requires of agriculture. Agriculture must face up to the challenge of the time. The national economy must assist agriculture in this venture.

Therefore, it has been decided, in accordance with the requirements of objective criteria for accounting and the economic reform, to establish the level of net agricultural market production per convertible hectare as the primary indicator of efficiency and simultaneously as the primary statistic for providing agriculture with fixed and turnover assets, at both the macro- and microlevel. This decision was made on the basis of substantial research supplemented by interviews with private farmers and work forces of the PGR and RSP.

It is accepted that multiyear contracting becomes a permanent form of linking farms with the state socialist economy. In the process, the administrative-directive approach to organizing production is decidedly abandoned in favor

of parametric management. The system of volunteer contracts ensures conditions for the farmers to select freely their market products taking into account natural and economic conditions and also the specialization of the farm. Principles of higher prices for contracted products, exclusive supply of manufactured means of production to farms and also credits, rate reductions, sales of land from the PFZ installment purchases of tractors and agricultural machinery and other preferential measures are associated with contracting as a tool permanently binding together the planned economy of the socialist state and farmers' enterprise.

Equality and partnership in the contractual relationship between the state and the farmers require that the activity of raw-material-supply branches of industry and the cooperative movement be brought back for good. Their work will be supported by self-governing activities of associations and branch organizations of breeders and growers. In this way, the restoration of traditional mutual links very strong in the past, and of close cooperation between industry and cooperatives, on one side, and breeders and growers, on the other, can be started. The orientation of the agricultural service and the new reconstruction of permanent ties between the farmer and the foodstuffs industry and cooperatives are subordinated to this goal. Mutual cooperation is to be based on the principles of multiyear volunteer contacting, care and professional assistance, supply of guaranteed means of production and procurement of agricultural products on more favorable conditions, carried out in a preplanned manner. Among other things, creating an environment that actively promotes production in small farms and facilitates the development of a local network of food-processing plants is important. This is especially so with regard to cooperatives and small-scale processing plants organized by craftsmen and also to companies formed by physical persons.

The production capacity of agriculture, of all its sectors is undoubtedly higher than the level already attained. Utilization of this capacity will depend on the supply of necessary means of production in no lesser degree than on the farmers themselves and on the unit of agricultural service. A substantial increase in the production capacity of industry earmarked for producing agricultural equipment is a process that takes a long time. However, in the way of persistent implementation of the course toward a pro-agricultural structuring of industry, the current difficult stage in the entire economy requires that agriculture be supplied with at least the necessary means. These means can bring the necessary results relatively fast and with lower outlays. Also, they can protect the economy from tremendous losses in food production.

Lime and artificial fertilizer are issue number one, with availability, proportions and stability of supply in the picture. Domestic resources of lime-magnesium fertilizer can and should be tapped to a larger degree. Local initiatives can and should be developed comprehensively in the provinces (for example, the dolomite grinding started up in Rzeszow and Wloclawek provinces or large-scale utilization of waste lime in Bydgoszcz and Krakow provinces). It is also acutely necessary to mobilize the efforts of work forces in enterprises of the ministries of chemical and light industry, iron

and steel industry and construction and also transportation with an eye to increasing output and haulage of lime fertilizer, so as to improve solid reaction and its lime content as early as this year. This will determine the effectiveness of all agricultural engineering measures.

At present, agricultural and transportation machinery out of commission due to the shortage of spare parts, rubber tires and batteries, is the most formidable obstacle to the rational use of agricultural production assess. Data of the Ministry of Agriculture and Food Economy show that, for example, more than 50,000 tractors, or about 10 percent of the total, and more than 21 percent of tractor-drawn trailers are idle due to the lack of rubber tires. Therefore, delivering spare parts to agriculture, even at the expense of producing new equipment, is the most urgent task.

There is a high density of horses in private agriculture (9 horses per 100 hectares of agricultural land). Due to the tremendous parcellation of agricultural land holdings in almost the entire middle and southeastern sections of the counrry, relatively correct agricultural practices can be ensured through a wider application of horse-drawn equipment. Industrial and agricultural enterprises are starting or are preparing to start production of the basic set of horse-drawn equipment. These efforts are not adequately coordinated in the territorial and branch aspects. In this matter, not everything depends and, moreover, cannot depend on the central echelon. Farmers agree that at present a solution for the production of horse-drawn equipment for soil work which has been abandoned over the years is one of the most important conditions for raising labor productivity in private agriculture, especially in minor and smaller farms. Industry promises to solve the so far very troublesome problem of the lack of hand tools and simplest agricultural implements in the course of this year. The problem, however, is larger than that.

The development of pesticide production on the basis of domestic raw materials such as sulphur, copper and zinc can bring about a reduction in the currently very large losses in crop production (the Institute for Plant Protection estimates them to be about 20 percent). Initial studies suggest that initiative of the work forces can be relied upon in this matter. Also, there are concrete analyses and draft solutions which hold some hope for breaking out of the vicious circle of decline. However, economic incentives for such production should be introduced, designs elaborated within the framework of the inventors and technical progress movement should be utilized, the necessary fund for modernization and investment should be allocated. These measures are possible and necessary, though it is known that systemic solutions entail the implementation of economic expansion in the pesticide industry.

Tremendous losses are also incurred by agriculture in fodder management. Due to the lack of opportunities for solving quickly complex investment and technological problems associated with the startup of production of amino-acids, biostatics, many vitamins and growth stimulants, the simplest means should be provided for agriculture, such as mineral mixes, pasture salt licks, disinfectants, preservatives and plastic foil needed in silage production and

for early vegetables grown under panels. To ensure rapid progress of these efforts in their entirety, it is necessary to introduce suggested monetary, foreign-exchange and raw-material preferences for the chemical and machine-building industries with regard to their production for agriculture. The chemical industry is at present the weakest spot in agriculture-related facilities.

Agricultural self-government is of outstanding importance in the life of rural areas. As a result of accepted statutory arrangements, agricultural circles have become an independent self-governing organization of the farmers. Representing rural concerns, they started working, besides traditional professional aspects, on many tasks in the field of social supervision, for example, on land use, utilization of the means of production and also, in accordance with the will of village meetings, on organizing volunteer work using the moneys of the State Fund of Agricultural development, suggesting improvements in production, supply, sales and production service management.

The current reform of prices for the means of production, agricultural product and services prompts the self-governing bodies of agricultural circles to analyze comprehensively the work of cooperative service facilities. The self-governments of agricultural circles decide themselves on the detailed price lists for agricultural services in their subordinate cooperatives. It should be specifically stressed that self-governing bodies are guided in their pricing decisions by the concern with a necessary level of profitability of the cooperative. Consequently, this facilitates productive use of tractors owned by private farms.

Circles of Farm Wives [KGW] have traditionally been very active. Their present program calls for an improvement in preventive health care, issues of nutrition and development in many fields of production, for example, chicken breeding and also for the development of professional improvement and qualifying courses for farmers, in cooperation with the WORP [Provincial Center for Agricultural Progress] and the agricultural service, On the initiative of the KGW, a discussion on the concept of rural social fund is getting underway in rural areas.

Groups of young farmers working under the auspices of the ZSMP [Union of Socialist Polish Youth] and ZMW [Rural Youth Union] are infusing new life into their activities after a longer period of stagnation. The social support base of associations and branch organizations of growers and breeders is broadening. However, the contractual tasks at hand require a more efficient input from the associations on the program of the level of concentration and progress in production in particular rural chapters of breeders and growers.

Rural supply and sales cooperatives, horticultural and milk cooperatives are beset by considerable difficulties in meeting economic targets. Rural areas demand that these cooperative units discharge their responsibilities as organizers of production and distribution of the means of production and sales of crops with more order and efficiency. This is the main task of the self-government and administration from the scope of their activities.

The earliest introduction of the new economic, financial and organizational system occurred in socialized agricultural enterprises. The PGR were the first in the national economy to introduce economic reform as early as 1 July 1981. A wider display of the advantages of the new system is restricted due to difficulties in supply of raw and other materials and the general disarray in the economy in 1981. Nonetheless, the growing goodwill of work forces toward the new economic and management arrangement is already showing. In the current situation in socialized agricultural enterprises, their attention is centered on ensuring higher overall social efficiency. As a result, there is high sensitivity to any attempts of the state administration to intervene and strive to form associations.

Social progress in rural areas and elimination of differences between urban and rural areas which have formed in this regard are the highest goals of agricultural policy. This is the strategic goal of agricultural policy. The land reform, elimination of illiteracy in rural areas, opening access to schools and colleges for rural youth, development of folk culture are only the few most important signs of progress in rural areas in the years of People's Poland. Also significant are social achievements, such as free health care and pension and annuity provision for the rural population. In this way, conditions of work and life of the farmer and his family have been permanently improved step by step, along with the increase in the resource of the people's state.

Despite the progress so far, much still remains to be done in this field. New social, educational and cultural problems emergy in the countryside and require a new approach to the solving of these problems. It will not be easy to solve these problems in a time when the country is overcoming a deep economic crisis. Nonetheless, there are matters which cannot be postponed. This is why the PZPR and the ZSL guided by the principles of joint agricultural policy are handling these problems. Let us point out the most important issues and the latest achievements in this field.

First of all, in accordance with the desires of the rural population, the task of reforming the pension system for farmers had been undertaken. This is an immensely complicated problem that permeates almost all aspects of social and economic life in the countryside. The main task is to reconcile suggestions of the new principles of social security for the farmers with the general system of social security which is in effect in our country. Principles under discussion should not be in mutual conflict, but should supplement each other in working toward the evening out of social conditions and also toward the development of agricultural production.

One of the draft pension systems for farmers is based on the use of a comprehensive pension quota derived from the research on the social minimum while simultaneously giving the farmer a free hand in choosing the amount and scope of retirement benefits which will be pegged to the installments he pays in. Draft laws on social security for farmers are being considered by parliamentary commissions. The issue will have to be decided soon.

Regardless of this systemic changes, current agricultural pensions have been increased extemporaneously. Monetary services to farmers who turned their

farms over to their heirs before the law on social security for farmers was adopted have been raised to the level of minimal retirement benefits.

Recently, work has been undertaken on establishing the social minimum for farmers within the framework of systemic tasks. This minimum will be the foundation for income and social policies of the state with regard to rural areas.

Work in rectifying mistakes in educational policy in rural areas should also be noted. Many rural schools have been reopened in order to shorten the way to and from school for students. Agricultural schools have again returned to the proper patronage of the Ministry of Agriculture. Much still remains to be corrected in education, since today about one-quarter of those employed in rural areas have not completed primary schools. Agricultural skills of many farmers are very limited; there still are few courses and workshops for the working population. These problems will have to be solved more efficiently. In recent years, health care facilities have been successfully developed in rural areas. The quota of health resort slots for farmers has been increased, though the need for preventive care is tremendous.

These facts alone testify to the persistent striving to improve the conditions of life in rural areas and to humanize agricultural work despite considerable economic difficulties in the country. It is no secret that the future of the Polish village will be decided in the sphere of social and living conditions. Whether young people will want to stay in rural areas and permanently devote themselves to the agricultural professions depends to a large degree on the social, educational and cultural condition of the countryside. Therefore, multifaceted activity of the state, the rural community and rural sociopolitical organizations will have to develop in this direction.

## Freedom From Dependency

Warsaw ZYCIE GOSPODARCZE in Polish No 9, 10 of 21, 28 Mar 82

[Two-part article by Slawomir Gburczyk, Tomasz Lonc, Waldemar Michna, Augustyn Wos: "In the Direction of Food Self-suffificiency] [21 Mar 82 pp 6]

> [Text] A food war has been declared on Poland. This is not meant to include only the latest economic sanctions against our country instituted by the Reagan administration after the imposition of martial law. These decisions are a logical consequence of the political course which the United States has followed since proclaiming that food aid (trade in food) was treated by the United States as a political weapon.

"Food is a weapon, it is at present one of the main negotiating levers at our disposal," stated E. Butz, secretary of agriculture in the Nixon administration. The extension of political rivalry to the economic sphere and,

specifically, to the food trade will undoubtedly be a permanent feature in the international political arena in the decades to come. Therefore, the current economic sanctions are not an isolated episode, but rather a particular example of the general course the United States has taken. In the future, similarly to the developments so far, there will be ebb and flow periods in the implementation of this policy depending on the changing political situation in certain importing countries. The doctrine of selective treatment of particular socialist countries will certainly continue to apply. However, it is beyond any doubt that in the foreseeable future the United States and other capitalist countries will use food as a means of political pressure with no scruples. Respective conclusions should be drawn from these facts.

External Environment

It is beyond doubt that economic dependency of Poland on foreign countries is a fact with significant and far-reaching implications, not necessarily of an economic nature. About $7.5 billion in credits which we received for the imports of grain fodder and other foodstuffs in the second half of the 1970s are a tremendous burden on our trade balance and make surmounting the crisis more difficult.

The problem is still more complicated, since the socialist countries as a whole are extremely heavily dependent on the United States for grain deliveries. In the years 1974-1980, these countries (excluding the USSR) purchased 96 million tons of grain, of which 43.7 million tons was from the United States and 31.1 million tons of oleagenous crops (including oil cakes), of which 12.3 million tons was from the United States. Combined expenses for imports from the United States amounted over that period to $8.3 billion. Of this amount, the largest quota, $2.8 billion, went to Poland. The situation has become particularly difficult in Poland, Czechoslovakia and the GDR. Animal husbandry in these countries has become dependent to a considerable degree on fodder imports, one-third of which come from the United States.

In the opinion of American experts, the U.S. foreign policy leaders did not strive to secure concrete and politically spectacular concessions while considering the opportunities for using agricultural products sales to socialist countries as a political lever. Instead, they consciously embarked on shaping the dependence of the food economies of the socialist countries on U.S. imports in the long run. With regard to Poland, this idea has been a total success. Part of the blame for this goes to the Polish economic policy of that time.

In the years 1976-1980, we purchased abroad more than 40 million tons of grain, of which slightly more than 3 million tons was from the socialist countries. Purchases of powder, oil cakes and fish meal amounted over that period to 8 million tons, all of it from capitalist countries. As a result, the negative balance in trade with agricultural products and foodstuffs accounts for one-third of our present debt to capitalist countries, whereas in 1975 it was less than 10 percent. Until 1973, we had a positive balance

of trade in agricultural products and foodstuffs with developed capitalist countries. Since 1974, this balance has permanently been negative. It has increased 13-fold by the end of 1981 (from 613 million to 8 billion foreign-exchange zlotys).

We cannot keep on going in this direction. Due to both political and economic considerations, the situation when one-third of meat output and consumption depends on imports of grain and fodder cannot be permanently tolerated.

What was the origin of the development strategy in the food economy, which led to this state of affairs in the 1970s? The concept of fast growth in meat consumption was its linchpin. Meat consumption became the determinant of the standard of living and a symbol of social progress of certain population groups. Meat became a "political" commodity. Increases in its production and consumption were an important test of the credibility of social policy in these years.

... and Internal Environment

The society demanded an increase in the availability of food and, especially, meat. This was a social fact which could not be ignored. However, the concept of consumption with a permanently increasing share of meat is one of the most expensive versions of providing nutrition to population. Meat is a very expensive product (from the point of view of social costs of production), due to which any increase in meat consumption makes the overall diet "more expensive." The larger consumption of animal products is, especially meat, the fewer persons can be fed with the output of 1 hectare of agricultural land.

The more we adjust the structure of consumption to the conditions of agriculture, the better we can use the potential productivity of land. The decisionmakers were well aware of this fact, and the choice was made consciously. Indeed, over 6 or 7 years meat consumption per capita increased by about 20 kilograms. This was a very fast rate. However, equilibrium in the meat market was not achieved because retail prices were low. Due to this, pressure on the meat market intensified instead of decreasing. This forced further growth in production. This growth required increasingly larger imports of grains and fodder. The necessary increment of meat production could not be achieved on the basis of domestic fodder. Therefore, the growth of grain and fodder imports had to become an integral part of the accepted development strategy.

It was calculated that volume of agricultural production must increase at an average annual rate of 2.5-3.0 percent in order to meet the food needs of society and ensure the necessary increment in per capita consumption (with a fast population increase at a rate of 1.1-1.2 percent annually). In order to achieve that (with a permanent increase in the share of animal products), crop production, and especially yields of grain and other fodder crops, should grow at an average annual rate of 4 to 5 percent. Meanwhile, at the current level of production techniques, crop production can realistically

increase at a rate of 1.8 to 2.0 percent, with large oscillations from one year to another, which further complicates matters and makes it more difficult to maintain production equilibrium. The difference between the desired and the actual production of grain and fodder had to be covered by imports, which grew consistently to the level of one-third of total concentrated fodder consumption and exceeded the payments opportunities of the country, making its development dependent on foreign countries.

Rapid industrialization and urbanization of the country caused the demand for food to increase beyond realistic opportunities of domestic agriculture. It is not so much the absolute level of consumption as its structure that is at issue here. The food barrier in Poland emerged exactly in the structure of consumption, which turned out to be irrational from the point of view of nutrition science, very expensive and out of tune with the opportunities of national agriculture.

The strategic blunder committed in formulating the concept of providing nutrition for the people had its roots in the general strategy of accelerated economic development. Unfortunately, the investment boom brought about a deranking of agriculture in terms of devlopment plans, and, on the other hand, stimulated demand for food to such a degree that it was impossible to manage without considerable imports.

The strategic decision rested on two pillars. Development of animal husbandry, even at the price of rapidly growing grain and fodder imports, was the first pillar. The second pillar was found in the forced growth of animal production by so-called industrial methods (farm production), which were marked by high grain-intensity and, on top of that, require high investment outlays, also from imports. Almost the entire increment in meat production in these years was achieved on industrial farms, that is to say, at a relatively high social cost. It could not be otherwise, because the assumed increment of meat production could not be achieved in so short a time in the traditional breeding system of private farming.

This led to the growth of intensiveness of outlays and social costs of agricultural production (in the years 1970-1979, the intensiveness of outlays of final agricultural production increased by 48 percent.) There was a major mistake in this concept. In the environment of capital shortages, expensive production should be equated with lower production, because there simply will be no funds to sustain further growth. Unfortunately, warnings given by the critics of this strategy in agricultural policy had to be borne out.

Neither agriculture nor, especially, the national economy were prepared for the implementation of this policy. The strategic blunder committed at the time was associated with treating technical reconstruction (switching to new production technologies) as no less than a condition for a rapid increase in agricultural production. Given the permanent lack of funds, this had to bring about a decline, not growth in production.

The accepted directions of industrialization downgraded agriculture, especially from the technological point of view. This blocked opportunities for

agricultural development. Simultaneously, industrialization created tremendemand for agricultural raw materials and foodstuffs. In this way, the discrepancy between the needs that industrialization gave rise to, and the opportunities for increasing agricultural production, grew wider and wider. This issue is not confined to the 1970's. This is a structural problem in our economy, or it may be a certain regularity for the stage of economic development that Poland is passing through at present.

We do not know much about the nature of these dependencies. We tend to treat everything as human error, whereas studies on economic growth in various countries indicate that many countries which are highly developed today, went at some point through the same stage Poland is in now. The difference is that market took care of many complicated problems in their case. Specifically, no mistakes were made there of the kind which, in our country, is associated with arbitrary pricing and conscious (unfortunately frequently voluntaristic) shaping of consumption modes.

This is a very important statement, because it makes us aware of the fact that structural problems of the entire economy hold a key to the problem of food self-sufficiency. This problem cannot be solved within the scope of agriculture itself. Equilibrium in the scope of the entire national economy will shape equilibrium in the food supply.

Pushing the growth rate beyond domestic opportunities was unescapably bound to cause disproportions and slow down growth. This coincided with the environment in the credit market which was favorable for Poland. For example, in principle the entire imports of food and agricultural products from the United States were financed by special U.S. Government credits or by government-guaranteed bank credits. Poland accounted, by the end of the 1970s, for about one-third of all such credits granted by the U.S. Government. Reasons for and consequences of such a relationship of the two parties seem to be evident today.

The problem discussed here also has a purely economic aspect. According to the initial assumptions, imports of grain and fodder were to be financed by meat exports (the Dutch and Danish models). In fact, this has not occurred, because the needs of the country and demand pressure have been so high that the exportable surplus has been very small. The concept of sustaining meat production largely by imports of grain and fodder has not worked out in our country. Numerous technicoeconomic conditions which could have rendered this concept rational and efficient, have not been met. It is difficult to predict that these conditions will be met, taking into account the current state of our economy and forecasts of economic development in the years to come. On the contrary, we must reckon with the conditions growing even worse. If these assumptions are correct, the concept of developing meat production on the basis of imported fodder is not realistic.

Self-sufficiency Is Necessary and Possible

Now, Poland has to consider changing the strategy of economic development in the direction of food self-sufficiency, Political and economic considerations alike suggest this.

Food self-sufficiency can be described as a state of continuous equilibrium of the balance of foreign trade in agricultural products and food (eventually, with the inclusion of means of production for agriculture), or as making agricultural development independent of imports, especially in key production fields. To our mind, the latter definition is proper. What is meant here is a formulation of strategy which will ensure the minimal possible dependence of agricultural development on foreign countries. Certainly, a tendency to self-sufficiency cannot be equated with economic autarky. Should we take the autarky approach, we will deprive ourselves of the benefits ensuing from the international division of labor (comparative costs.)

Will it be possible to achieve food self-sufficiency?

Polish agriculture already produces enough primary ingredients to ensure the attainment of food self-sufficiency. By primary ingredients we mean plant protein (consumed directly or converted to meat protein), hydrocarbons (fats), vitamins and other microelements. If we leave out the internal structure of the product which agriculture places at society's disposal we can state that 1,300 kilograms of convertible grain units suffice to adequately feed one person for 1 year.

According to A. Leopold, 1,100 grain units were produced in Poland in 1960 (of which 64 percent was converted into animal products). In 1970, this statistic stood at 1,250 kilograms (67 percent was converted into animal fat products). In the 5 years between 1971 and 1975, there was substantial growth up to the level of 1,430 kilograms of grain units per capita (of which 70 percent was converted into animal products). After that, there has been a drop in agriucltural production, which can now be estimated at 1,330 kilograms of grain units per capita. Nonetheless, it is still at the level of gross demand, by which we mean an adequate level of nutrition. This means that at the current level of production of agricultural raw materials, all rationally justifiable social needs in food can be met, assuming that the conversion of plant products into animal products is at a moderate level (about two-thirds of the plant products available), and that this conversion is efficient. To sustain the growing demand for highly processed animal products, production of plant primary ingredients must grow faster than proportionately (about 6.5 kilograms of grain units must be used to produce 1 kilogram of convertible meat).

Polish agriculture produces the amount of primary ingredients which is needed to feed the nation. If there is a shortage of food, two factors are responsible for it:

--the tangible structure of agricultural production is not adjusted to the structure of demand;

--large losses of primary nutritional ingredients are incurred in various elements of the food economy.

Achieving food self-sufficiency under such conditions does not hinge primarily on forcing growth in the production of agricultural raw materials. It requires that the two above-mentioned issues be resolved. Certain organizational activities and changes in economic levers affecting agriculture are

needed for that. Also, and, perhaps, first of all, funding is necessary to eliminate the barriers which make it impossible to utilize rationally the agricultural raw materials produced. Reasons for weakness in the food economy are found in the faulty structure of the production apparatus.

Extensive Growth?

Let us consider at first a strategy of solving the problem of food and self-sufficiency in the way of growth in agricultural production. In theory, this is possible, but is it realistic and economically justifiable?

The opinion is making the rounds that growth of agricultural production is the solution. Other solutions are not even being considered. All known programs of development of the food economy so far were based exclusively on the strategy of extensive growth in agricultural production, frequently without taking into account social costs. Specifically, it was assumed that the other side of this peculiar balance, that is, consumption, was an independent variable; that it constantly had to grow, and grow as fast as possible. The truth, however, is different. In the process of social development, production indeed adjusts to demand, but at the same time demand (consumption) adjusts to production. This is true because only things produced can be consumed, but not just that; also, pushing consumption beyond realistic limits is the simplest way to depress consumption and disturb the equilibrium. While striving for food self-sufficiency, it should be assumed that all elements of an economic strategy are variable.

We have stated that solving the problem in the way of accelerated growth rates of agricultural production can be considered. Indeed, this is possible in theory, but we must understand that this is very costly and at present beyond the reach of our economy. If we assume that all other elements of the strategy are fixed and only agricultural production is increased, than final net agricultural production must grow at a rate consistently higher than 2 percent annually. Needs associated with natural population increase should be met (1.1-1.3 percent annually), plus the needs due to the growth in the real income of the population and also additional demand associated with changes in the structure of consumption (a growing share of highly processed products). With these requirements in the picture, the 2 percent level is rather minimal. To see how formidable and difficult a task that is, suffice it to say that in the second half on the 1970s the net final agricultural product practically did not increase. Therefore, the average growth rate was close to zero.

It is difficult to extrapolate the proportions of past economic growth into the future, but the last decade can shed some light on the issue. In the 1970s, agricultural final product grew at an average annual rate of 1.94 percent, close to what we consider the minimum for the future years (given that the above assumptions hold). It is worth considering that a less than 2 percent growth rate of agricultural production required an 8 percent rate of growth in technical development of labor and a 5 percent average annual growth rate in the outlay intensiveness of production. Capital intensiveness of production stood at 5.80 at the time. It follows from the analysis

that capital outlays for purchased inputs into agricultural production must, under such circumstances, grow 4.2 times faster than agricultural production. Therefore, there is a question whether in the next few years we will be able to sustain such a growth rate of capital investmnnt.

It can be stated that this will not be possible without researching deeper into the balances. The capital-intensive model of agricultural development in Poland must be abandoned, at least for the current decade. We do not see an opportunity to keep the 2 percent rate of growth of final net product in this traditional way. Only the savings (low material-intensive) version stands a chance of succeeding. In this version, the socially desirable production is secured not through forcing an accelerated growth rate of agricultural production, but, to a large degree, through reducing losses and changing consumption adequately. A combination of these three elements holds a key to solving the food problem of the 1980s.

Reduction in Losses--the Most Inexpensive Solution

This argument has been put forward in professional scientific literature for a long time, but it is received with disbelief and even with caution. It is not overly spectacular, it does not call for a wide stream of modern machinery or gratifying indicators of investment growth, but rather for strenuous savings down to the smallest elements of the food economy, for everyday thrift and a strict mode of cost effectiveness based on "unadulterated" prices of capital goods and products.

Everybody knows that large losses are incurred in the food economy, but nobody knows their real magnitude. Adequate precise research in this field is not being made. A definition of losses has not even been agreed upon. Among them, there are losses most frequently called natural wastage, which are associated with technology. They are unavoidable at the current level of production technologies. These are usually small quantities, from a fraction of one to several percent, depending on the product. Eliminating this wastage is not economically justifiable, since it entails high cost.

These losses are not the problem in a contemporary food economy. These losses present a problem for which man is to blame and which result from an improper use of existing stockpiles and attendant high cost, from the wastage of a portion of the commodities harvested and produced, for example, as a result of bad storage, from stopping or failing to undertake activities ensuring growth of food production from existing stocks, from choosing inadequate production technologies, from the shortcomings of the accepted system of organization and management which usually leads to lowering motivation and reduces interest of the people in production results.

It turns out that these losses in the food economy are large enough to be able to bring about a perceptible improvement in the food market, if reduced even slightly. This does not require costly production growth. Reducing losses is, therefore, the simplest and the most inexpensive way to increase food production.

From the economic point of view, we can classify losses into three groups. The first group consists of losses which can be eliminated with no additional investment, but with more diligence and better organization. Losses which can be eliminated with some additional investment, the latter being lower than the price of the product, belong to the second group (in the scale of the entire economy, the marginal cost of producing a given good must be the reference point, not the price). The third group consists of losses in the case of which the cost of recovering a unit of the product exceeds the price of the product.

Boundaries between these two last groups shift due to changes in the prices of agricultural products and means of production.

In our considerations, we will leave out the third group of losses and also those items from the second group where the elimination of losses encounters a technological barrier or requires capital which we will not be able to provide in the short run. Therefore, we will try to outline only the losses which can be eliminated without major investment and with economic efficiency. Despite such considerable restrictions, quantities in question turn out to be appreciable, which can be of essential significance in solving the food problem in our country. Three to 4 million tons of convertible grain units are at stake, or 5 to 7 percent of total crop production, which corresponds to planned outputs from a 100,000 to 130,000-hectare area. This is the area by which the production potential of agriculture could "increase" without investment. From the point of view of statistics, this area can provide food for between 190,000 and 240,000 persons. From 390,000 to 520,000 tons of convertible meat can be obtained from the 3 to 4 million tons of grain units.

To visualize the magnitude of the problem, yet another calculation can be made. Three to 4 million tons of grain units translates into a large loss of plant protein, which we must produce in the country at the cost of import imported grain-generating inputs or import this protein from abroad. The price of 1 ton of grain units in imported grain and fodder is now estimated to be 480 foreign-exchange zlotys. This makes the value of lost protein amount to from 1.4 to 2.0 billion foreign-exchange zlotys, or from $370 to $500 million in the low 1980 prices. Now we have to pay much higher prices. This is not a hypothetical calculation. So far we have been buying this protein and paying for it by our high indebtedness. Under the present circumstances, this foreign-exchange estimate has real meaning.

Are the 3 to 4 million tons of grain units that we can reach for an appreciable quota? Besides the above-mentioned arguments, it should be added that Polish agriculture needed as much as 15 years to achieve an increment in grain harvests equal to the amount of current losses in crop production. If we wanted to make up the shortage only in the way of production growth, we would need to have at least 10 years of reserve time. We do not have that time, and this circumstance predetermines the choice of a development strategy.

We have been discussing only losses which can be avoided, estimated at 4 to 5 percent of gross grain production, 10-15 percent of green fodder production

and 4 to 5 percent of other crop production. Actually, total loss is estimated to be at least two times higher. Let us look into this issue in more depth.

Grain loss in storage in the nonsocialized economy is estimated by the Office of Material Economy to be at least 10 percent. To eliminate these losses, capital investment will be needed for constructing granary dryers, grain silage facilities, etc. To avoid the portion of loss attributable to harvesting and on-farm transportation, the number of combined harvesters and transportation vehicles should be increased considerably. The combined efficiency of such investments would undoubtly be higher than that of the investment necessary to obtain an equivalent in production increments. In the current situation, however, no radical increase in investment in the production process can be expected. This direction of investment should become a priority as soon as possible, but for now the real opportunities to reduce losses should be sought primarily in motivation-oriented activities, organizational arrangements and such improvements in production processes which require only small additional inputs of currently available means of production.

The difference between the average and the minimal loss amounts to 5.9 percent with a combined harvester, 8.2 percent with a sheafer, 18.2 percent with a reaper and 18.0 percent of biological yield with a scythe (according to S. Jelinowski et al "Rye," PWRiL [State Agriculture and Forestry Publishing House], 1972). Assuming that with a little more diligent harvesting, better preparation of machinery and better organization of labor losses can be reduced by one-fifth or one-fourth of the difference, losses of grain in harvesting could be lowered by 600,000 to 710,000 tons with only a small increase in outlays. Another 50,000 to 70,000 tons of grain can be recovered in grain handling and transportation by reducing losses in the same proportion. Finally, assuming that losses during on-farm transportation and storage which can be avoided with small investments amount to between 1 and 1.5 percent of gross production, a total of between 200,000 and 290,000 ton of grain can be obtained in addition. At a relatively low cost, grain losses could be reduced by between 850,000 and 1.07 million tons, increasing in this way the availability of domestically produced grain by 4 to 5 percent. Assuming even the modest opportunities of growth in investment and working capital for the protection of production processes until 1990, this amount can at least be doubled.

Losses incurred in producing bulk fodder exceed those in grain production. For example, depending on the mode of drying clover (on the ground, on hoods, bucks or fences), loss of dry mass fluctuates in the range of 4 to 40 percent, of organic substances--3 to 41 percent, of raw protein--9 to 31 percent, of protein proper--7 to 24 percent and of nonnitrogen extractive compounds--from 10 to 50 percent (see S. Starzycki "Clover," PWRiL, 1981). The combined losses of digestable nutrient matter amount to, with correct management, between 10 and 15 percent in silage and between 6 and 10 percent in fan drying (see S. Slominski "Meadow and Pasture Management" PWRiL, 1969). In the case of bulk fodder, reducing losses at the price of relatively small investments is much easier than in the case of grains. Additional outlays for drying

on scaffolding, between 10 and 15 percent in silage and between 6 and 10 percent in fan drying (see S. Slominski "Meadow and Pasture Management" PWRil, 1969). In the case of bulk fodder, reducing losses at the price of relatively small investments is much easier than in the case of grains. Additional outlays for drying on scaffolding rather than on the ground or for silage instead of natural drying are inordinately low compared to the effects received. There still are considerable reserves in the opportunities for improvement in green fodder hauling, especially in the socialized economy. The necessity to haul the fodder, which causes enormous losses of nutrient matter, is often a consequence of the in dequate structure and organization of cattle breeding.

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[Text] Losses in cattle breeding are a separate problem. Three fields of activity can be mentioned in this regard. The first are losses caused by the lack of diligence in handling cattle or lack of the necessary knowledge and experience by the farmers. Reducing loss of cattle and improving the condition of the cattle (for example, through eliminating glaring mistakes in feeding and improving veterinary care) can bring benefits. These are relatively accessible reserves which can be tapped without major capital outlays.

The second field of activity concerns an improvement of the coefficient of converting fodder into animal products. This is a more complex problem. The effects in this sphere depend on a set of measures, including improvements in fodder quality, on-schedule fodder delivery, adjustment of fodder mixes to the needs of particular animals, selection in the herd with an eye to improving herd quality, skills of producers and many other factors. In the 1970s, the development in this sphere was unfavorable. Fodder input per unit of animal products was high and kept growing. In the years 1971-1975, 7.67 grain units in fodder were consumed per unit of convertible animal products, whereas in the following 5 years this rationincreased to 7.71.

The program of development for agriculture and the food industry in the years 1981-1985 elaborated by the Ministry of Agriculture and Food Economy, envisages an improvement of the conversion coefficient to 2.7 percent and by 4.7 percent by 1990. These are estimates for a more distant future. Substantial benefits can be obtained now. If only a segment of the least efficient production units in each sector of agriculture ceased production (which the new economic conditions will force them to do) or improved the efficiency of feeding by as little as several percent, an overall improvement in feeding efficiency by between 1.0 and 1.5 percent can be achieved in agriculture as a whole. This translatas into 80,000 and 100,000 tons of convertible meat. This estimate takes no account of opportunities for fodder reallocation which should be a result of the natural division of labor.

The third field of activity concerns structural changes in animal husbandry, i.e., the choice of production profiles better suited to the domestic fodder base. Experience gained in this field over the last years has not been

encouraging. We have opted for a model of developing animal husbandry on the basis of grain-intensive technologies, similarly to the situation in highly developed capitalist countries. In their case, this is justified because grain yields are high. In Poland, with its high share of class 5 and class 6 soils, it will be difficult to attain a level of yields which can justify grain-intensive technologies in cattle breeding. Under these circumstances, a need, a necessity even, of a change in the development strategy should be considered. Production based on nongrain fodder, mainly potatoes, should be given preference. The natural conditions of Poland are conducive to a grain-saving model of cattle breeding. The volume of production per unit of area must be the decisive criterion in selecting the structure of production. Proceeding from these assumptions, the need to reduce meat production nn the basis of fodder grown on developed farm acreage age should be considered (this is the most land-intensive kind of production). On the other hand, preferences should be granted to milk production, which is the most inexpensive source of animal protein.

Structural Error

Prices must be the main lever influencing structural changes. They must eliminate modes of production where efficiency is low. If prices become genuine paramenters--and the latest reform has created conditions for that--producers themselves will make a choice according to the requirements of rationality and economic efficiency. If this turns out to be ineffective, prices should be changed rather than other means of economic policy substituted for prices. At present, patience should be used. New economic conditions should be allowed to work in accordance with their internal logic. Only after a certain time should a price correction be introduced if it turns out that processes of adaptation are not developing as forecast. The current price system provides an opportunity to set in motion processes of adaptation facilitating higher efficiency and loss reductions. This, however, must be a natural process, as is required by the spirit of economic reform.

How much can be achieved in animal husbandry in the short run? No precise answer to this question can be given at present, because losses due to particular factors are not known. In absolute terms, the most can be achieved in milk production, but, unfortunately, not without investment. Losses of milk are great, and great at all stages of production, transportation, processing and distribution. Nobody as yet has estimated these losses precisely. Reducing these losses, however, calls for investment outlays. Specifically, milk-producing farms should be modernized, the volume of production and sales should be increased, and, therefore, certain specialization in the field should be introduced. If you purchase milk from 2 million suppliers, you cannot expect high quality, and quality is the decisive factor when it comes to losses. Equipment systems of the Alfa Laval type are needed in milk production for milking, cooling, transportation and processing. It will be necessary to create a dense network of small dairy plants to supplement the giants built so far. Many organizational measures aimed at raising efficiency in milk management should be undertaken. Failure to do this will cause us to lose irreplacably large quantities of very

valuable protein which we must obtain on remote ocean waters or purchase abroad in order to supplement the market. This protein is produced in the country in sufficient quantities. Surely, increasing milk production should also be contemplated. However, utilizing what milk is already being produced is the most important issue, at least for now.

In other modes of animal husbandry, results may be easier to achieve. Abandoning the most expensive production, which is inefficient at current prices, by some PGR and collective farms will be a source of considerable savings. But the lost product will have to be produced somewhere. The ones whose production is profitable must do it. No means of economic policy should be used to stimulate unprofitable production. It can be expected that with the current price arrangements animal husbandry will be profitable for farmers who have their own, relatively inexpensive fodder. Especially, it should be expected that small farms which have a certain fodder stock and relatively plentiful labor supply will produce more actively due to the growth of retail food prices. This will make it possible to reduce losses of some kinds of fodder and increase meat production.

If the expected reallocation of fodder to the more inexpensive producers really occurs (the new price arrangement should facilitate this) and if the most expensive producers cease production in a natural way, animal production could be increased in a relatively short time by between 450,000 and 630,000 tons of convertible meat, or by between 7 and 10 percent of the envisaged 1985 production level. (This holds if the above-mentioned estimates of avoidable losses in crop production are figured in). This translates into an increase of per capita convertible meat consumption by between 13 and 18 kilograms annually. (Convertible meat means all kinds of animal food products recalculated into meat on the basis of conventional conversion factors).

This, however, will not happen without investment. Implementing the above-outlined program of savings requires capital investments into streamlining production processes and creating economic mechanisms capable of eliminating inefficient producers.

The activity of all elements of agricultural services is tremendously important for reducing losses. The amount of losses the farmer and the entire society incur depends on the timing and dependability of services. An arrangement must be set up whereby low-quality work of agricultural service facilities will not be granted social acceptance and will not be paid for. The same applies to the sphere of processing and distributing manufactured foodstuffs. Losses incurred in each further link of producing the finished product are increasingly expensive, because labor expended at all previous stages of production is wasted. From this point of view, losses of manufactured foodstuffs in distribution and households hit society the hardest. This squandering must be the first to be eliminated.

In Processing

Opportunities for increasing the volume of manufactured foodstuffs by improving processing in the food industry are not yet known. Despite the

technological and investment boom of the last decade, the food industry in Poland is still at a low level of development. Its market assortment is still very poor (when it comes to the array of products produced from the primary agricultural raw material). The quality of products is low, whereas the cost of processing, measured by cumulative social costs, is high. As the balances of intersectorial flows published by GUS [Central Office of Statistics] show, by the end of the 1970s, coefficients of cumulative consumption of agricultural products in foodstuffs processing approximated or even exceeded par. This means that particular branches of the food industry and sectors cooperating with them consumed approximately a unit of agricultural production to turn out a unit of finished product. Besides, the levels of aggregate asset intensiveness of production in particular branches of the food industry are very high in Poland. In several cases, these levels approximated the level of power generation, and in the cases of the dairy and sugar industries, even exceeded it. In light of the tables of intersectorial flows, coefficients of cumulative labor intensiveness in the food industry are the highest in the entire economy (outside agriculture).

Coefficients of import intensiveness of the production of food industry are also high, which points up direct and indirect consumption of natural gas, oil, plant products and so on in producing the unit of a final food product. Per million zlotys' worth of final production in the food industry by the end of the 1970s, imported liquid and gaseous fuels worth more than 20,000 zlotys and chemical products (including chemical minerals) worth about 30,000 zlotys were used. More than 60,000 zlotys' worth of domestic energy carriers and products of the domestic chemical industry worth 66,000 zlotys should also be enumerated. At the same time, in order to produce 1 million zlotys' worth of final product, plant products worth between 60,000 and 80,000 zlotys had to be imported, and in the milling and the macaroni industries, products worth as much as 437,000 zlotys. This was a consequence of basing food processing to a considerable degree on imported raw materials.

Some reservations should be made concerning the prospects for keeping these development proportions in the future. Especially, questions about the social efficiency of agricultural and food processing should be posed. Let us use the meat industry as an example to highlight the issue. This industry is one of the most important and, at the same time, fairly representative. At the end of the 1970s, in order to produce 1 million zlotys' worth of final product in this industry, 1.2 million zlotys' worth of animal products had to be used directly and indirectly, as well as domestic energy products worth of 60,000 zlotys, imported energy products worth 22,000 zlotys, domestic chemical products for 66,000 zlotys and imported chemical products for 30,000 zlotys. The recent price reform could change these proportions, but so far it is not known to what extent. (Prices of all items in outlays and final products have changed). We do not expect these changes to be significant. If it is so, the problem presented above remains acute and important. The question concerning the ways to produce more final foodstuffs from a unit of agricultural raw materials still remains unanswered. Improving processing coefficients is not only a prerequisite for the profitability of particular food industry enterprises under the economic reform, but a condition for rapid improvement in food supplies to the market.

In recent years, we have embarked, in accordance with foreign models, on upgrading foodstuffs, that is, developing industrially processed foods that require specialized and expensive unit packaging and so on. Let us ignore the issue of whether highly processed foods are the best from the nutritional point of view (some experts think that a high degree of processing is accompanied by a considerable loss of nutrients valuable for the human organism, a loss which has to be made up subsequently). Our current situation places on our agenda the issue of the feasibility of shifting emphasis to foodstuffs prepared inside the household to a larger degree than the case has been so far. To be sure, this solution is not without drawbacks, but for the time being it can bring substantial benefits and reduce the losses which unavoidably occur in the food insustry. Also, we think that this is the way for healthier foods. Certainly, this cannot lead to food consumption in its raw form. This extreme solution will not be reasonable and will cause much harm. Only restrictions on the so-called high stages of food processing, and then only on a case-by-case basis should be considered. No universal solutions can be found in this sphere.

Regardless of the mode, place and degree of processing of agricultural raw materials we opt for, losses incurred today as a result of bad organization in managing these raw materials are high. Experts from the GDR estimate that, due to wasting raw materials and agricultural products, the member countries of CEMA lose, in the entire cycle of production, about 30 percent of meat products, 20 percent of poultry, 60 percent of fish, 25 percent of hen eggs, 27 percent of potatoes, 38 percent of vegetables and 18 percent of fruit. It is estimated that about 20 percent of the total amount of raw materials for the food industry is lost in CEMA countries due to improper storage.

Let Us Change the Consumption Model

The concept of achieving food self-sufficiency in Poland rests on three pillars: 1) growth of food production; 2) a marked reduction of losses in all elements of the food economy; 3) changes in the national model of nutrition.

In the most general terms, the shift in the model of nutrition should go in the direction of a more inexpensive diet with full provision for the needs of the human organism in necessary nutrients. There are opportunities for that. The nutritional level and model of the Polish society established in the 1970s was seen as adequate or, at any rate, fairly adequate by Polish and foreign experts alike and also by our society.

There are all objective prerequisites for keeping the consumption of all plant products at least at the level attained in the second half of the 1970s. This lies within the scope of the opportunities of Polish agriculture. Despite many difficulties, this even extends to vegetable fats. Our practice shows that whenever Polish agriculture produces rape in sufficient quantities, even the variety with high erucic acid content, there is an opportunity to sell it at an adequate profit and to purchase sweet vegetable oils for consumption.

The situation in animal husbandry is different. Meat and egg production must decrease in the absence of additional grain and fodder imports. At the same time, milk production does not have to decrease.

Whereas in the years 1976-1980 net imports of grain and fodder per capita amounted to about 200 kilograms of grain units per capita, in the years 1982-1985 these imports can be eliminated entirely, or almost entirely. The elimination of imports can reduce combined annual consumption of meat and eggs by about 20 kilograms per capita. Whereas in the years 1976-1980 combined per capita production of meat, eggs and fish exceeded 85 kilograms per capita and was approximating 90 kilograms, in the years 1981-1985, in the case of total or almost total emimination of imports, combined production may fluctuate within the range of 65 to 70 kilograms of meat, eggs and fish per capita.

With no grain imports, the following quantities of meat protein carriers per capita would be available: between 65 and 70 kilograms of meat, eggs and fish and about 280 kilograms of milk. The average content of animal protein in meat, eggs and fish can be estimated to be 12 percent, whereas in milk--about 3.1 percent. Therefore, combined annual intake of protein in animal raw materials per capita would amount to 16,500-17,000 grams, or 45 to 47 grams daily.

From the point of view of protein content, nutrition is rational if it meets the nutritional requirement of 80 to 90 grams of plant and animal protein combined. Animal protein should account for one-third of the total protein intake for adults and one-half for other population groups. Taking this assumption into consideration, we can ascertain that the above-outlined forecast of providing meat, eggs, fish and milk for the population may turn out to be adequate on the condition that a relatively rational distribution of consumption of these items is ensured and also that losses of animal protein in processing do not turn out to be excessively large.

A reduction in the combined production of meat, eggs and fish does not pose a threat of biological malnutrition for the population. However, it must be compensated for by increased supplies of plant products with high protein content, for example, seeds of leguminous plants, baked goods with a higher plant protein content and some protein-rich vegetables. As a matter of fact, this reduction of meat, egg and fish consumption has already occurred. However, its replacement by plant protein has not been ensured so far. This should be recognized as a threat.

A reduction in the consumption of protein-rich products in the longer run can give rise to apprehensions that these products will become the hardest to get for the lowest-income families, including mainly families with many children. This may happen to about 10 percent of the blue-collar families which are treated in GUS analyses as living below a certain social minimum, the latter being a still controversial convention. This also concerns about 20 percent of families, mainly with many children, drawing their income from agriculture or earning mixed incomes. This threat should be treated with exceptional care.

There is a need to make special research into consumption levels of various population groups every so many years. The current information is generated as somewhat of a byproduct of the family budget studies. It is desirable that studies be carried out periodically not of the structure of expenses in family budgets, but rather with an eye to defining how rational the nutrition patterns are and to what degree they provide conditions for the normal development of all social groups.

How to manage with Less Animal Products

In all the programs of improving the national diet so far, an increase in consumption of animal products has been the mainstay. Developing such a program for the 1980s would be without realistic foundations. Maximizing meat consumption leads to a more expensive diet. The production of 1 gram of animal protein must be preceeded by the consumption of 5 to 8 grams of plant protein. Similar conversion ratios are characteristic of food energy carriers. Conversion ratios of plant into animal products are low not only due to the laws of nature which govern metabolism in this sphere, but also due to a chain of shortcomings and drawbacks in the technology of this conversion. In this case, we are talking about the shortcomings and drawbacks which cannot be rectified over a period of months, but rather a period of several years would be needed.

Therefore, nutritional programs for the 1980s, especially for the first half of this decade, cannot be based on the idea of maximizing the consumption of meat and meat products. They can rather be based on the concept of ensuring normal psychophysiological development of the nation, including all of its social groups, in the conditions of food self-sufficiency of the country. Reducing social costs of nutrition appears to be the main pillar of nutritional programs.

The nutritional policy must facilitate overcoming the crisis in the country through eliminating dangers in the nutritional sphere. Specifically, it should envisage the following:

--Measures to stabilize meat, egg and fish consumption at a level of 65 to 70 kilograms per capita annually. To this end, it is necessary to set up a distribution system which would ensure equal access to these products for various groups in the populace.

If grain and fodder imports are limited or altogether eliminated, limiting the lack of protein in fodder would become a prerequisite for achieving this level of production. As one of the alternatives, importing fodder concentrates in exchange for exporting meat should be assumed.

--Fixing the volume of hog production at a level which will make it possible to procure about 6 or 7 million tons of grain annually. In such a case, hog herds will decrease considerably.

--Priority status for keeping up the consumption of milk at a level of between 280 and 300 liters a year. Per unit of protein in milk, 2 to 3 times

less fodder is used than per unit of protein in meat. This favorable conversion ratio also holds for fats, vitamins and digestable mineral salts.

--Setting targets with a goal of at least 10-fold growth in the production of rabbit and other small animal meat over the next 5 years on farms which have marginal fodder resources for this kind of auxiliary production. Along with geese, rabbits exhibit the highest ability among all animals to process fodder with high cellulose content into meat. They also have the highest coefficient of multiplication. They present a chance to start animal production for the users of 1 million agricultural plots which do not engage in animal husbandry.

--A study of opportunities to produce live horses and horsemeat for exports as a source of providing concentrated fodder.

--Creating conditions for an abundance of plant products for direct consumption. This would be a condition for food security in the environment of limited meat supply. Along with grain products, there should be abundant market supplies of potatoes and potato products, vegetables and fruits. There are no objective conditions for recurrent difficulties and shortages in the market with regard to these goods. Concessions should be granted to all those who want to engage in market sales of such products as potatoes, vegetables, fruits etc.

--Granting priority status to the production and sales of leguminous seeds for consumption as "vegetable meat." Leguminous seeds, along with protein-rich baked goods, must make up for the loss of protein associated with a decrease in meat consumption. Deliveries of leguminous seeds can and should substitute for protein contained in about 10 kilograms of meat. This magnitude of consumption of leguminous seeds is justified in light of the science of nutrition.

--Concentrating on increasing production of oleagenous plants as a source of vegetable fat supply. If further difficulties are encountered in producing rape free of erucic acid and triglycerides, it will be necessary to treat the seeds of this plant as a source of foreign-exchange funds for purchasing raw materials needed to produce sweet oils.

--Keeping all current preferences for sugar beet and sugar production. We should strive to cancel sugar rationing as soon as possible.

--Creating conditions for utilizing all vegetable greenhouses and mushroom-growing cellars. The production of greenhouse vegetables and mushrooms should be treated as a source of vitamins and mineral salts, but also as a way to accommodate the tendencies of certain groups in the populace to consume gourmet foods, which are manifested under any circumstances. Luxury in nutrition has always been expressed mainly in meat consumption. These tendencies should also be allowed to manifest themselves in other fields.

Bioeconomic Conditions

According to findings of the science of nutrition, the human organism requires at least 40 nutrients. The science, however, has established quantified requirements for merely a dozen of the nutrients the human organism needs. It is still not in a position to prescribe definitive and precise nutritional recommendations. It makes use of many estimates. The science recommends the largest possible variety of foods.

The science has created the notion of consumption norms and nutritional norms. Consumption norms approximate physiological needs of the human organism, though they are much higher than the minimal need of man. However, no permanent key exists which makes it possible to assess how much a consumption norm is higher than the minimal requirement of human organism. In determining a consumption norm, scientists take various circumstances into consideration, for example, the rate ot which nutrients in various ingredients are broken down. For example, the consumption norm of vitamin C is a full 50 percent higher than the minimal requirement of the organism, because this nutrient decays easily in the process of cooking food.

Nutritional norms are much higher than consumption norms. They define the need for nutrients contained in marketed foodstuffs. In other works, the losses of nutrients which occur in processing raw foods, defined empirically under average conditions, are figured into these norms. Unskillful processing can increase these losses excessively and reduce the content of nutrients in meals, and the reverse is also true. Processing in accordance with the rules of the art of meal preparation can make a great impact on preventing undesirable decay of nutrients.

It is impossible to state unambiguously that some rules of nutrition are more important than others. There is a certain balance of goals. Preserving a balanced consumption of the three groups of food items which are the sources of energy for the human organism, namely, fats, proteins and hydrocarbons, is the goal that particular emphasis has been laid on recently in the world literature. Research results allow us to state that about 30 percent of the energy needed to sustain the life of a human should be drawn from fats, largely vegetable fats, 12 percent of energy from proteins and about 58 percent from hydrocarbons (including sugar, the share of which in the total energy intake of man should not exceed 10 percent).

Recent results of research on improving human nutrition suggest that the recommendation be stressed to the effect that a person should take in as much energy in the form of food as he expends. All accumulation of energy in the form of fat deposition is viewed as harmful.

In the most affluent countries, where much meat and meat products have been consumed for many years, the necessity is now being stressed to limit this consumption and, moreover, to drastically increase the share of hydrocarbons in the diet of the population. The famous report of U.S. Senator McGovern suggests that up to 55 or 60 percent of the total energy the person needs be drawn from hydrocarbons, recommending, however, that sugar consumption should be reduced to 10 percent of the energy needed.

The same report recommends that protein consumption supplies only 12 percent of the energy person needs in the course of one day. This means that a white-collar worker who expends 2,600 kilocalories a day should consume items with a protein content not higher than 80 grams. A miner, who expends 4,000 kilocalories a day should consume no more than about 120 grams of protein in animal and vegetable products (including about 40 grams of animal protein). Recommendations appear with increasing frequency to the effect that consumption of fats in general should be reduced and especially of animal fats, including butter as the product with high cholesterol content. Cholesterol is considered to be a compound which promotes sclerosis.

In summation, it can be stated that research results, while stressing the need to avoid one-sideness in consumption, ascertain the need to maintain a firm predominance of vegetable over animal products in total consumption.

9761
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RESULTS OF RECENT LIVESTOCK INVENTORIES ASSESSED

January 1982 Inventory

Warsaw RADA NARODOWAAGOSPODARKA ADMINISTRACJAA in Polish No 4, 22 Mar 82 pp 20-21

[Article by Wieslaw Mlynarczyk: "The Population of Farm Animals"]

[Text] The official census of farm stock carried out by the Chief Central Statistical Office on private farms according to the condition of 2 January 1982, as well as reported data from socialized farms, showed a tendency toward a rebuilding of the stock. For agriculture as a whole, farm stock at the end of 1981 showed, compared with the same period in 1980, a growth of: cattle by 1.2 percent, in which cows increased by 0.7 percent; hogs by 1.9 percent, in which piglets increased by 9.3 percent; and gilts by 8.3 percent.

The recorded growth in the number of cattle and hogs does not, however, modify the effects of the previously maintained tendency to limit the raising of farm animals. The recorded number of stock at the end of 1981 is, in comparison with the highest December total of the last 10 years, namely 1974, lower in the case of vattle by 1.3 million head, that is, by 19.3 percent, and in the case of hogs, by 2.7 million head, that is, by 12.2 percent.

It should be emphasized, however, that by sector, the tendency toward the rebuilding of farm stock was seen only in the non socialized economy.

The increase in stock noted at the end of 1981, in comparison with the same period in 1980, in the non-socialized economy, is very significant, amounting to 7 percent for cattle and 13.1 percent for hogs.

On socialized farms, however, at the end of 1981, in comparison with the end of 1980, the severe decrease in the number of farm stock continued, amounting to 14 percent for cattle and 18.2 percent for hogs. As a result of the continued decrease in stock on socialized farms, there is at present a lesser emphasis on breeding in this sector than in the non-socialized economy, which is expressed by the smaller number of stock per 100 hectares of cropland. Currently, on socialized farms, in comparison with the non-socialized economy, the cattle stock is smaller by 4.4 head per 100 hectare of cropland (97.2 head and 102.1 head), while at the end of 1980, socialized farms were

characterized by a generally higher incidence of breeding farm animals than on non-socialized farms, and until June of 1981, by a higher incidence of hog breeding.

Cattle Population - A Clear Tendency Toward Growth

The growth in the cattle population in all of agriculture at the end of 1981, in relation to the end of 1980, was a result of a considerable increase in the cattle population in the non-socialized economy, by 0.7 percent with a simultaneous severe decline in this population in the socialized economy. In the framework of the socialized economy, the most severe decline in the cattle population, in relation to the previous year, was in agricultural circles - by 58.4 percent.

The number of cows in all of agriculture at the end of 1981, in comparison with the same period of the previous year, was 0.7 percent higher as a result of an increase in the number of cows in the non-socialized economy by 2.3 percent, with a simultaneous decline of this population in the socialized economy by 8.8 percent.

The noted increase in the number of cows in the non-socialized economy is a consequence of a lesser shortage of cows in the fourth quarter of last year and of the limited allocation of cows for purchase. On the average, in the fourth quarter of 1981, purchase of cows was 48.1 percent lower than the purchase of cows in the same period in 1980.

On the basis of the growth rate of the cow population in the non-socialized economy, it can be concluded that the farmers' attitude toward increasing cattle breeding is clear.

On the basis of area, the tendency towards growth in cattle breeding does not have a universal character. The increase in the cattle population was noted in only 33 voivodships, and the scale of this growth is shown in the following table:

| Less Than 2 Percent | 2-5 Percent | 5-7 Percent | Over 7 Percent |
|---|---|---|---|
| Bielsko-Biala | Warsaw | Kielce | Bialystok |
| Chelm | Bielsk Podlaski | Konin | Lomza |
| Katowice | Bydgoszcz | Lodz | Radom |
| Plock | Ciechanow | Wloclaw | Siedlce |
| Przemysl | Czestochowa | | Torun |
| Walbrzych | Kalisz | | |
| | Krakow (Cracow) | | |
| | Lublin | | |
| | Nowy Sacz | | |
| | Ostroleka | | |
| | Piotrkow | | |
| | Rzeszow | | |
| | Sieradz | | |
| | Skierniewice | | |
| | Suwalki | | |
| | Tarnobrzeg | | |
| | Tarnow | | |
| | Zamosc | | |

In the remaining 16 voivodships, there was a decline in the cattle population at the end of 1981 relative to the end of 1980, in the following scale:

| Less Than 2 Percent | 2-5 Percent | 5-10 Percent | Over 10 Percent |
|---|---|---|---|
| Gdansk | Elblag | Koszalin | Gorzow |
| Jelenia Gora | Legnica | Slupsk | Szczecin |
| Krosno | Pila | Wroclaw | Zielona Gora |
| Leszno | Poznan | | |
| Olsytyn | | | |
| Opole | | | |

The decline in the number of cattle in part of the above mentioned voivodships is hard to justify on the basis of feed shortages considering the highly intensive cattle breeding. This refers to all voivodships in which there was a decline in the number of cattle by more than 5 percent, despite the fact that the cattle population did not exceed 65 head per 100 hectares of cropland in any of these voivodships. At present, the intensity of cattle breeding is, on the basis of area, highly variable. The cattle population per 100 hectares of cropland at the end of 1981 in individual voivodships is presented in the following table:

| Less than 55 head | 55-65 head | 65-75 head | Over 75 head |
|---|---|---|---|
| Warsaw | Bydgoszcz | Elblag | Bielsko Bialo |
| Bielsk Podlaski | Ciechanow | Kalisz | Leszno |
| Bialystok | Czestochowa | Krakow | Nowy Sacz |
| Chelm | Gorzow | Krosno | Opole |
| Gdansk | Helenia Gora | Legnica | |
| Konin | Katowice | Poznan | |
| Ostroleka | Kielce | Rzeszow | |
| Pila | Koszalin | Sieradz | |
| Radom | Lublin | Tarnow | |
| Slupsk | Lodz | Torun | |
| | Lomza | | |
| | Olsztyn | | |
| | Piotrkow | | |
| | Plock | | |
| | Przemysl | | |
| | Siedlce | | |
| | Skierniewice | | |
| | Suwalki | | |
| | Szczecin | | |
| | Tarnobrzeg | | |
| | Walbrzych | | |
| | Wloclaw | | |
| | Wroclaw | | |
| | Zamosc | | |
| | Zielona Gora | | |

Hog Population - Unjustified Disproportions Between Voivodships

The increase in hogs in all of agriculture at the end of 1981, in comparison with the end of 1980, by 1.9 percent, was attained thanks to a considerable growth in the number of hogs in the non-socialized economy, by 10.5 percent, with a simultaneous severe decline of this population in the socialized economy, by 18.2 percent.

In the hog population in general, there was an increase in the population of piglets less than 3 months old, by 491.8 thousand head, that is, by 9.3 percent, in the population of gilts for breeding by 170.3 thousand head, that is, by 8.3 percent, and in the population of porkers by 674.6 thousand head, that is, by 14.1 percent, with a simultaneous decline in the population of shoats, by 15 percent.

The increase in the piglet population in the non-socialized economy of 13.1 percent, with a simultaneous decline in this population in the socialized economy, by 3.1 percent, is a result of the stance of the private farmers on increasing breeding of hogs on the basis of the good potato yields of the past year, and of the reduction in purchases of piglets and shoats by the socialized sector. In the first quarter of 1981, socialized farms bought directly from private farms only about 320,000 head of piglets and shoats, that is, about 70 percent fewer than in the fourth quarter of 1980.

The rising costs of piglets in the last months of 1981 in free market trade between farmers assured a high profitability in raising piglets and caused an increase in the rate of covering gilts (in the fourth quarter of last year, 19.7 percent more gilts were covered than in the fourth quarter of 1980) which as a result caused an increase in the population of gilts for breeding in the non-socialized economy at the end of 1981, by 13.9 percent, in relation to the same period the previous year.

The population of shoats, limiting the marketable commodity production of slaughter hogs at the midpoint of last year, showed in all of agriculture at the end of 1981, compared to the end of the previous year, a decline of about 989.4 thousand head, or 15 percent. At mid-year of 1982, we can expect an interim decline in the supply of slaughter hogs for procurement. It should be stressed that the decline in the population of shoats at the end of 1981 is a result of the decline in the hog population shown in the June, 1981, census, which was caused by both the limited supplies of fodder from the 1980 harvest and by the low profitability of breeding hogs up to the time of the introduction of new prices in June of last year.

The population of porkers, limiting supplies of slaughter livestock for purchase in the next months, showed, on private farms - as a result of the delay in deliveries for purchase of hogs in the fall of last year - at the end of 1981, as compared to the same period of the previous year, an increase by 1168.6 thousand head, or 41.9 percent. This increase modifies to a considerable degree the severe decline in the population of porkers in the socialized economy. The population of porkers in this sector at the end of 1981, in comparison with the end of 1980, was lower by 23.7 percent.

The periodic withholding by private farmers of porkers in the second half of last year assures, therefore, the possibility of an increased supply of slaughter hogs in the first months of this year, this also a result of the higher unit weight of the withheld animals.

By area, changes in the hog production at the end of 1981, in comparison with the end of 1980, show considerable divergence. An increase in the hog population was noted in 29 voivodships in the amounts shown in the following table:

| Less than 5 Percent | 5-10 Percent | Over 10 Percent |
|---|---|---|
| Warsaw | Jelenia Gora | Kielce |
| Bialystok | Lublin | Konin |
| Bielsk Podlaski | Piotrkow | Krosno |
| Bielsko Biala | Plock | Lodz |
| Bydgoszcz | Poznan | Lomza |
| Ciechanow | Rzeszow | Radom |
| Czestochowa | Siedlce | Skierniewice |
| Krakow | Sieradz | Tarnobrzeg |
| Nowy Sacz | Walbrzych | |
| Ostroleka | Wloclaw | |
| Pila | | |

In the remaining 20 voivodships, however, there was a decline in the hog population. The scale of this decline was considerably varied and appeared as follows:

| Less than 5 Percent | 5-10 Percent | Over 10 Percent |
|---|---|---|
| Elblag | Chelm | Olsztyn |
| Gorzow | Gdansk | Przemysl |
| Kalisz | Katowice | Szczecin |
| Koszalin | Wloclaw | |
| Legnica | | |
| Leszno | | |
| Opole | | |
| Slupsk | | |
| Suwalki | | |
| Tarnow | | |
| Torun | | |
| Zamosc | | |
| Zielona Gora | | |

Notable is the fact that by area, the decline in the hog population occurred mainly in the voivodships with a concentration of socialized farms which at present are getting away from hog raising. Considering that at the same time, the part of the voivodships in which a decline in hogs was noted was characterized also by a considerable decline in the cow population, this situation can be evaluated as a departure from raising farm animals which is not a consequence of available fodder resources. This concerns, for example, Elblag, Gorzow, Olsztyn, and Slupsk voivodships in which at the same time, the current number

of hogs per 100 hectares of cropland is lower than the national average. According to the data for the end of 1981, the population of hogs in individual voivodships appears as follows:

| Less than 70 | 70-100 | 100-130 | Over 130 |
|---|---|---|---|
| Chelm | Warsaw | Bielsk Podlaski | Bydgoszcz |
| Jelenia Gora | Bialystok | Gdansk | Kalisz |
| Krosno | Bielsko Biala | Gorzow | Leszno |
| Nowy Sacz | Ciechanow | Konin | Pila |
| Przemysl | Czestochowa | Koszalin | Poznan |
| Tarnobrzeg | Elblag | Legnica | |
| Walbrzych | Katowice | Lublin | |
| Zamosc | Kielce | Lomza | |
| | Krakow | Lodz | |
| | Olsztyn | Opole | |
| | Ostroleka | Plock | |
| | Piotrkow | Siedlce | |
| | Radom | Skierniewice | |
| | Rzeszow | Szczecin | |
| | Sieradz | Torun | |
| | Slupsk | Wloclaw | |
| | Suwalki | Zielona Gora | |
| | Tarnow | | |
| | Wroclaw | | |

Large disproportions between voivodships in the intensity of hog breeding, expressed by a difference of more than 65 head per 100 hectares of cropland, indicate the possibility of intensifying hog breeding in almost every other voivodship, under the condition that there is an increase in the yields of the basic crops, mainly grains, as well as an increase in the construction of farm buildings.

April 1982 Inventory

Warsaw ZYCIE GOSPODARCZE in Polish No 17, 16 May 82 p 4

[Article by M. Mak.: "Breeding Prospects"]

[Text] The animal census, which was conducted by the Chief Central Statistical Office in June, and observation of other production phenomena, prove that the present situation in breeding has changed quite significantly, in comparison with previous months. The stabilization of production conditions is the major cause of these changes.

The purchase prices were established for a long period - to July, 1983; farmers already know that they will not be able to count on supplies of nutritional fodder from the state and must make their breeding plans on the basis of their own fodder production. There has been, however, a certain improvement in the supply of coal. These are factors which necessitate a reorientation of production focus on some farms, and which at the same time assure greater stability of production. Now, one does not see the same

instability in the economic situation as in the last year, caused by the several increases in purchase prices, the collapse of the fodder market, and difficulties with supply of other means of production (above all such an important necessity for hog breeding as coal). Breeding, because of its long cycle, requires stable conditions. In making production decisions, farmers must know what they can count on for several months, for a year, and adjust their plans accordingly.

The April census showed that on private farms, in hog production, the process of rebuilding the population, begun in the second half of 1981, was continued. Altogether, in non-socialized agriculture, there were 15.2 million head of pigs, 10 percent more than 1 year earlier (for comparison: in 1976, there were 17.9 million, in 1980, 16.4 million). The growth of the population by 1 1/2 million head in a one-year span can be attributed mainly to the increase in the number of piglets (by 19.5 percent) and this in turn resulted from the fall placement in pens of a greater number of sows. But now the situation has already changed. The growth index of the gilt population was, in April, lower (growth of 6.2 percent) than in January (12.2 percent).

The weakening of growth trends, which have been fairly strong, is supported by other production and market data. The number of covered sows is gradually decreasing, while the supply of sows for purchase is increasing. Poorly understood fluctuations in prices occurred in the piglet market. Prices are still high but they have started to fall (in January, the average price was almost 3,300 zlotys for one head, in March, 2,926 zlotys, with great regional fluctuations - the highest prices in January amounted to 4,600 zlotys for one piglet, and in March 3,700 zlotys). Usually, prices of piglets rise gradually to the end of May-beginning of June. This year, they broke much earlier, which denotes a gradual saturation of the market. At present, we have a million piglets more than 1 year ago, and the buyers of considerable quantities of them to date, namely the socialized farms, have withdrawn.

The decline in prices and the worsening economic situation for piglets must in the future lead to an already visible decrease in the number of sows, and to a subsequent regression in the whole population. For now, though, there are no special concerns that the piglets supplied to the market will be wasted. There still are buyers (there is an increasing interest in breeding among smaller farmers) and there still has not been need of intervention anywhere to start forced deliveries. A certain easing of excess supply will come also from interregional trade, conducted by licensed private middlemen. There are also fairly considerable regional differences in the growth rate of breeding.

The strongest growth trends occurred in the eastern and central voivodships, however, there has been observed a tendency to decline in the western and northern voivodships (especially in Wroclaw, Legnica, Leszno, Zielona Gora, Szczecin, Gdansk and Elblag voivodships). Hog breeding private farms in these regions were characterized in previous years by a greater concentration of production, large purchases of fodder from state supplies, and by strong co-production unions with socialist farms. The shortage of fodder and the breaking of cooperative ties have negatively influenced production trends in this group of farms. There was, however, a growth in production where there were

more small farms raising hogs mainly on their own fodder. It is worth recalling that in these regions, fodder supplies from the state as a rule covered only 40-60 percent of the need defined by the norms for farmers for the sale of slaughter animals.

To the questions of what the future will bring, and what trends will prevail, there are still no answers today. It is known that the possibilities of motivating the decisions of farmers are very limited. The fodder market is empty, and purchase prices have already been raised. One can count, therefore, only on the effects of a profitable appraisal of farms' own situation (with fodder, for example) and on a positive evaluation of long term production prospects for the private farmer.

For now, only the situation relative to purchasing has been settled. In April, it was already lower than in March - this concerns supplies from all of agriculture. Developing similarly is the situation in May and June, as well as in the third quarter. In the last 3 months of this year, however, there will be an increase in supplies.

The total population (in all of agriculture there was an increase, in relation to April, 1981, by 5.5 percent, to a total number of 19.8 million head) as well as the level of purchase was influenced by the decrease in the number of animals on socialized farms, which most seriously felt the drastic drop in fodder allocations. This undercut above all those farms on which production was based on supplies from outside sources. One more interesting phenomenon should be noted. The trends in production are not adequate with very decreased fodder supplies. This is proven by the fact that the more modest resources are better utilized and farms are adjusting gradually to the new fodder situation.

The results of the April census showed that cattle breeding on private farms is still in a growth phase (a growth in population of 5.1 percent in comparison with the previous year). In socialized agriculture, however, the population has continued to decline, although at a much slower rate than in the previous quarter.

In comparison with previous years (for example 1975, when the number of cattle on private farms was the highest) the population at present is about one million head less. Now, there are somewhat more than 1 year ago (by 1.2 percent), 5 million in total, but fewer than in 1980 (5,077 thousand head) and in 1976 (5,450 thousand head). According to the opinions of specialists, we will not reach such high numbers as several years ago, although some increase should still occur. This is confirmed by the direction of certain production processes on farms, A gradual concentration of herds is occurring - the number of farms where there is more than three cows is growing, and the total number of cows on bigger farms, with an area of more than ten hectares, has also been rising. One also observes a return to raising milk cows on small farms. Once again, family cows are appearing, utilized above all for the needs of the farm household.

Cows command a high price on the market, too. The records of the Chief Central Statistical Office showed that their average price in March amounted to

55,000 zlotys (in January, 52,000 zlotys) and this was 70 percent higher than 1 year ago. In January and February, there also was a large demand for heifers for breeding and utility; in March, the demand was slightly less but prices remained high (28,000 zlotys on the average).

Enterprises engaged in the trade of breeding animals, and Central Meat have made great efforts to buy (236,000 head) and distribute large numbers of calves good for further breeding. This significantly influenced a decrease in farm slaughter (126,000 head in the first quarter, 60 percent fewer than 1 year earlier). Also, other production data show that farmers are increasing the population of young cattle. This is a positive trend and if this year's fodder yields are good, in the second half of next, more slaughter cattle should make it to purchase.

We have a total of 11.7 million head of cattle in our agriculture, of which 5.7 million are cows (of this total, private farms have 9 million head, of which 5 million are cows).

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END

JPRS 81272

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# East Europe Report

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2293

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# EAST EUROPE REPORT

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2293

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# PROPOSAL TO INTRODUCE STOCKS, BONDS IN HUNGARIAN ECONOMY

Budapest FIGYELO in Hungarian 2 June 82 p 5

[Editorial by Sandor Kopatsy: "Stocks--Publicly Owned"]

[Text] A joint stock company is only advantageous among certain types of enterprises. Even in developed capitalist countries, stock corporations do not predominate in the foreign trade, wholesale trade and construction industries. The railroads, postal service and energy industry are areas in which more governement direction than a stock corporation would permit is needed.

Economists debate the value of the division between proprietary and opertional functions in Hungarian industry. It is worthwile to note the advantages of stock corporations over private industries in those areas where that form predominates. In private enterprise, directorship and proprietorship are the same. In stock corporations, the two functions are separated, and the possibility of marketing the corporate worth arises. (I do not wish to describe in detail the reason that in the majority of today's economies it is necessary to resolve these two problems, no matter what sotck forms are available.)

The separation of proprietary functions is possible without resolution of the problems of the stock market. This version is promoted by those recommending creation of a board of directors at existing companies that will accept proprietary functions; in other words, it would practice appointment, discharge and remuneration of managers and approval of the strategic goals of the company. The members of the board would be appointed by legally specified authorities and social institutions. The advantage of this solution is that its institution does not cause any shock and greatly reduces the enterprise director's personal subjection to official supervision. Another advantage is that it makes further change easier, since with this development proprietary functions would separate from supervisory authority and the workers' collective for the first time in the history of socialism. The disadvantage is that the problems of capital influx and the capital marketing mechanism remain unresolved.

## An Enterprise for Proprietary Administration

My goal is to propose a final solution. Its thrust is conversion of companies into stock corporations. The stocks, in turn, must become the monopoly of a controlled number of companies dealing in proprietary administration. (I do not see the purpose of allowing individuals, stock companies or enterprises to hold stock.)

For the sake of simplicity, let us suppose that the state creates 10 proprietary companies. All stocks must be divided among these 10 enterprises. One method of division could be giving an equal share of all the stock corporations' stocks to each, in which case each would receive 10 percent. The stocks' distributed value, or rather their face value, would be determined by the value of the corporations' resources. The state would provide each of the 10 proprietary enterprises with bonds equal to the book value of the resources of the stock corporations. In a year's time, the enterprises would be required to buy stocks with their bonds. The stock prices in this case would be independent of their face value.

The disadvantage of this solution is that it would cause commotion in the first year, since heavy stock trading would have to take place in the absence of any stock experience. The corporation selling stock would be forced into a totally passive state. A true stock market requires extensive experience and action on the part of both buyers and sellers; thus, I do not see such an initiative as feasible. It would be necessary to clarify the rules of the game of buying and selling stocks and also what investment possibilities are open to the proprietary enterprises besides stock.

I strongly oppose all solutions that would allow a proprietary enterprise to hold controlling stock. In this case, proprietary and operational functions would be separated in theory only, since the sole proprietor would be empowered to interfere in operation, and the control of other proprietors would be lacking. It would be necessary to specify in law that a proprietor cannot own more than 20 or 30 percent of a company's stock.

Considering that the proprietary enterprise would have control of corporations' liquid resources, or would share them, the use of this income would also have to be regulated. First, how far a proprietor can go in withdrawing resources must be specified. Even though the maximum amount is theoretically best, considering present practice, the companies must be assured which resources will be left under all circumstances. Otherwise, the present company directorship would offer strong opposition to reorganization. It is not realistic either to reorganize all company resources now. This is only necessary where some companies can cease operation. In the case of large industries, even in capitalist countries, this is a very rare occurrence.

## Bonds for Stocks

The state should require proprietary companies to invest part of their worth in state bonds, so that taxed profits would not have to be reduced to an excessively low level and most amortization could remain. In this manner,

the state would always have a means for maintaining the balance between investment resources and their capacity funds. However, stocks could circulate freely among the proprietary enterprises, under a certain fixed ceiling. This traffic would determine the value of the stock market and the price of the government bonds. The reserve bank would have the power to repurchase these bonds at any time.

The functions of socialist proprietary companies would be based more on capitalist countries' pension funds than on their stock holdings. Proprietary supervision of the individual stock corporations would be provided by a board of directors on which the propreitary enterprises are not represented. This would continue to be a body of appropriate officials and social institutions. The stockholders would merely receive dividends.

The Decisions Are Measured up

It would be necessary to regulate the minimum dividend, just as now the makeup of the development fund is regulated. Large dividends would be in the interest of every company since they would ensure that proprietary enterprises with resources would invest them there. On a national economic level, it would also be necessary to regulate the proportion of company and other inputs in the stock sector. The ratio of credit resources could be much larger than at present if the source were not a one-bank monopoly. When healthy competition between banks takes place, a high level of extraneous investment does not hurt the company's independence while it allows greater state freedom and influence.

Proprietary enterprises would be more active in the stock market if their worth and thus their economic influence grew in the process. I do not find the self0interest of the directors of proprietary enterprises important. The world's best stock handlers are pension funds, at which only one form of financial incentive, salary, is familiar; this is significantly smaller than chief managers' at production firms, or banks. I find it adequate that we should grant our experienced economists the direction of proprietary enterprises and stock and bond activity in addition to a salary appropriate to their trade education. For this, we need smaller enterprises but more information and experience. The type of law that permits sotckholders complete access to the company's activity and plans for the future is indispensable.

The part of my suggestion that will generate the most complaint is that I do not grant the stockholders the right to appoint directors and managers. I find it a perfectly acceptable solution that directors are not appointed by a minister. The sotck exchange will indicate through prices that it is or is not satisfied with an important director. The stock market mechanism is an index of the stockholders' opinion about the leadership. Thus the appointing board or the supervisory board will always receive a critique of its performance.

I find it very important that we should begin to separate proprietary functions. The most successful system and method in socialist situation can only be arrived at in practice.

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JOINT VENTURES WITH WESTERN COMPANIES FAVORABLY VIEWED

Budapest FIGYELO in Hungarian 2 June 82 p 3

[Article by Laszlo Akar: "Joint Ventures in Hungary"]

[Text] The Ministry of Finance decree permitting foreign businesses to create joint companies in Hungary with Hungarian companies was issued 10 years ago. The goals of this action--speeding technological development, aiding reform of the productive system, strengthening domestic and foreign market positions, modernizing administrative and managerial methods, etc.--are well known. (The creation of joint companies with COMECON nations is also of primary importance. Such joint companies have long been active in Hungary, for instance, Interlighter, Agromas, Intertransmas.)

On the basis of the decree, which appeared in 1972, contracts for nine joint ventures in Hungary have been created; most are already in operation. They have fallen far behind expectations.

It is interesting to observe the chronological appearance of the joint ventures. The first, Sicontact Ltd., began operations 2 years after the decree. In the same year, Volcom Ltd. was founded. In the following 4 years, only one new company, Radelkor Ltd., was created. The Central European International Bank was founded in 1979. Since then, five companies have requested and received recognition as joint companies: B + Z, Casino Budapest Ltd., Sphero-EVIG Ltd., BCR LILLY Ltd. and QUALIPLASTIC Ltd. At the first, Sicontact Ltd., an increase in capital and more productive activity have been undertaken.

The capital measn and market standing of the foreign companies are varied. Among them are multinational companies as well as specialized smaller businesses. In some cases, the joint ventures arose as the product of decades of cooperation between the partners and in others the joint venture opens up the Hungarian market for the foreign partner.

Opening Markets

The newer ventures, with one exception, also perform joint production. Their goal is marketing their jointly produced goods on third markets. The nature of this market expansion is different if the dimensions of production clearly

exceed the demand on the Hungarian market from the start. In this case, the partners specify in their contract that they will open and release their market contacts to each other and thus the jointly produced exports enjoy all the advantages that the partners had earlier ensured for themselves. In other cases, in the first phase the Hungarian market demand clearly means a new market for the foreign partner, and the product is phased into foreign markets only after Hungarian demand is filled. Through examination of the circumstances for the development, it appears that many factors were involved in the difficult inception. It was unlucky that the decree of 1972 excluded direct participation in production. The amendment of 1977 that permitted joint production certainly had a role in the development of events. That he can participate directly in administration of the company, obviously increases the businessman's security. It also clarifies for foreign companies that Hungarian statues protect the rights of proprietors. It is the duty of the owners in the partnership to divide the rights of administration in questions concerning the company's operations, such as technological development, marketing politics, etc. There is no obstacle to unanimous decisions for the partnership contract in these decisions, regardless of the degree of ownership of each partner.

Even today, the degree of initiative in Hungarian companies is insufficient but in the beginning it was almost totally lacking. Despite numerous suggestions, the creation of joint companies as an option was not considered systematically either in industrial legislation or simple expansion of industry.

Hungarian public opinion and economic conditions, which today encourage enterprise and new forms, are certainly qualitatively different than in the pioneering years of the early 1970's. The lack of such conditions was a deterrent in the beginning.

Already instituted and projected economic legislation will have a favorable effect on joint ventures: for instance, the tighter relationship between domestic and world prices, the institution of a unified rate of exchange, planned controlled foreign convertibility for the forint, the development of background industry, etc. It seems also that in foreign companies the prejudices of the early 1970;s against capital investment in countries of a different social system are disappearing. This change can only be strengthened if our economic planning legislation is comparable to rational decisions abroad, even in international comparison.

It is likely that the founding of the international bank encouraged the creation of more joint ventures. The presence of six prestigious foreign banks embodies the advertising slogan "our man on the spot" for international banks. An activity of the Central European International Bank is the promotion of Hungarian partnerships for foreign companies. The participation of the bank is above all moral support for the foreign partner. We already have been informed of initial results.

Changes in the international market also affected the founding of joint ventures. When the decree was issued, in 1972, the world economy was in an upswing. The search for workers has been replaced by employment concerns. This condition certainly played a part in the slow development of foreign ventures.

Expansion of marketing possibilities and markets is of primary importance in all economic situations. In lasting economic declines the importnace of this expansion grows, augmented by the political decisions of certain countries to increase employment. Thus it is understandable that all market contacts that offer the possibility of lasting export deserve attention, even if the necessary investment lies outside national borders. Finally, a joint venture represents an assured market status for those parts and machineries incorporated in the product of the joint company. This point is especially attractive when the new joint venture offers marketing possibilities previously closed to one partner. Although the export of finished products is often more profitable than that of parts, it still represents market expansion in comparision with the previous situation.

A Higher Standard

These efforts of the partners are quite understandable. The Hungarian companies do not hide the fact that the important goal of their ventures--besides more efficient fulfillment of domestic demand--is the expansion of exports. It is also justified that the companies choose a convertible currency as the monetary unit of their increased export marketing. This solution ensures that input in convertible currency will likewise reappear as currency output.

This basic, main effort does not exclude the possibility that the joint company will market part of the given production in countries of nonconvertible currency but the percentage of imports obtained in convertible currency for these products is significant. Transfer of the appropriate sum to the foreign partner means currency loss from the profits of the joint company. Thus, on nonconvertible markets, the joint company can sell in significant amounts if some unique construction that can make up for currency losses can be worked out.

The authorities with jurisdiction for economic regulation always pay special attention to the handling of joint ventures. In the interest of dealing equally with Hungarian companies, joint companies can also be levied the differential producers' excise tax in th event of export.

Double Taxation Ruled out

In recent years, joint ventures have been further promoted by international agreements concerning avoidance of double taxation. The Hungarian economic ministry takes the lead in promoting two-sided economic connections, even in the important opinion of developing countries. The problem of doublt taxation had to be solved even in our own country. The solution ensures that the Hungarian parent industry adds to its taxed development funds through its share of the taxed profits of the joint company.

The development of joint ventures is also aided by the fact that since 1979, unlike general practice, the schedule of charges for the budget has not changed. The 40 percent profit tax is among the lower ones in international comparison.

An institutional system for the handling of joint ventures as a main activity has not yet been worked out. Foreign trade enterprises have accomplished much to date, although they judge the companies in terms of their main activity, simple export-import concerns. They are primarily active in founding foreign trade companies that strengthen their own market standing. However, it is also understandable that a producer who is interested in a joint production company but inexperienced in international matters will have difficulty beginning the complex series of talks necessary for founding a joint company. Thus a specialized system for creation of joint companies, equally at home in the domestic and international community, is decidedly lacking. Its rudiments can be found for instance in Intercooperation, which has already brought about several successful joint ventures. It would be good if the active mediation of Interinvest were also available.

Our statues do not prohibit the creation of a tax-free area for production. Examination of this possibility has begun.

The complicated procedure for gaining permission for a joint venture is a common source of complaint. The authorities, in fact, deal with a concrete matter in two ways: first in granting permission for commencement of international talks and then in approval of the final partnership contract.

This two-step procedure can be explained by lack of administrative and corporate experience. It would be useful to simplify the daily schedule. In practice, granting permission for talks has become a form of thinking aloud. At this time, initial ideas are clarified and the first conception is amended through new ideas and options. At the same time, corporate and official viewpoints are assimilated. This assimilation becomes useful in the second process, where it simplifies approval for the contractual partnership. For the most part, the companies find this useful.

One solution is to make the licensing procedure one-step, while the granting of permission for talks becomes an optional consultation. It can be left up to the companies to decide this. Of course, this solution means that the officials will first review an already decided contract. In this case, both the Hungarian and the foreign company must prepare for possible major changes in their finished contract, or even denial of permission for the joint venture. However, the consequences of such a po-sibility can be lessened if the company accepts the option of a preliminary consultation.

From the attitude of Hungarian companies and from the talks in progress, it appears that interest in joint ventures is increasing. Signs of rapprochement are apparent in more and more foreign companies. Much depends on the development of world politics and world economics. In an atmosphere more relaxed than today's, it is certain that the second decade of joint ventures will be more successful than the first.

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ROLE OF COMPUTERS IN ADMINISTRATION STUDIED

Budapest NEPSZAVA in Hungarian 21 May 82 p 5

[Interview with Dr Lajos Varga, director of the Computer Applications Department of the Central Bureau of Statistics by Antal Szalay; date and place not specified]

[Text] An office without paper is not an unattainable dream. At least the computer systems of state administration are developing in this direction world wide, hallmarking the rapid and accurate administration of public affairs and the democratization of the dialogue between the administration and citizen. This development is served by the development of various methods of information organization and technical modernization. The last 10 years of the modernization of administration information organization and the implementation of the computer central development program--as reflected by the paperless office and from the viewpoint of the citizens--have not been entirely smooth. Thus, for instance, in connection with the recording of population, personal numbers have been introduced, but their use is still unclear. In regard to the other development direction, the large computer systems of the central administration do not provide the councils with adequate assistance in their role as area managers, and thus, for example, the so-called black, local and obsolete keeping of records is still necessary.

How will the achievements of the past 10-year development be felt by the clients of public administration? Will the current modernization result in advantages or disadvantages for them? We discussed these problems with Dr Lajos Varga, director of the Computer Applications Department of the Central Bureau of Statistics.

--The computer central development program is in part targeted to the development of public administration applications and is of coordinative nature in this area--said Dr Lajos Varga.--It mainly relates to the coordination of work done in various areas and to the further development of the achievements made.

[Question] What are the main directions of state administration?

[Answer] One of the most important goals of the program is the implementation of real estate, population, legislation and public vehicle registration, i.e., to create of computer systems for their function. The other branch of the program is the modernization and the coordination of the internal information

systems of state administration. Here I must emphasize the common development of the National Planning Bureau and the Central Bureau of Statistics to coordinate their significant data files. Their goal is to permit the colleagues at the four principal authorities to access data from any of the significant data files for their important decision-preparation activity.

[Question] Thus data and information flow to the computer from many locations. Are these streams sufficient and satisfactory? Can the offices and bureaus perform this task?

[Answer] One of the major obstacles of the program is that the organization of office work is backward in our country. Document handling and record keeping are obsolete. and thus access to data is difficult and requires a great amount of work. The mechanization and automation of office work is in its infancy. In spite of the fact that this does not require expensive computer tools. Most of the problems could be solved by inexpensively punched cards and well-organized cardboard boxes. Thus the resources flow unevenly unevenly and sometime dry up.

[Question] Were these the reasons for the difficult preparation of the census?

[Answer ] In part, yes. In the past, computer experts did not have to deal with this amount of data; experience was lacking. There were not enough computers either. At the same time, we would have needed regional records in order to base the central record on them. The preparers of real estate records were struggling with similar problems. In the future, these regional centers will be established.

[Question] Obsolete offices, a lack of decentralization; thus the collection, processing and flow of data are difficult. Did not we start to build the house from the roof?

[Answer] We cannot say this categorically. Observing the activity of other, even western, countries, we can see that they struggled or are still struggling with similar difficulties. Furthermore, in our country, few things provided an impetus for the better organization of office work. For example, the modernization of council management has not been placed on the agenda until the last few years. At the same time, everything has a financial correlation. The establishment of regional records had already been included in the plan during the preparation of the central program, but could not be implemented because of lack of funds.

[Question] Does the central development program stimulate the councils to modernize their work?

[Answer] Although I cannot give you a factual example, the answer is yes. The fact that the central state administration has been computerized encourages the local councils to move at a faster pace. The difficulties in this case are caused by the fact that the councils have to deal with many organizations, ministries and principal authorities; so this information system can only be developed from the bottom up. Currently, the councils are keeping about 300 sets records; out of these, 70-80 are relative to individuals. These must be modernized, consolidated and coordinated with the systems of the higher organs. The multifaceted nature of the task is apparent.

[Question] Can we say then that the network covering the country is being woven and the goal of the central development program is precisely a coordination of this effort?

[Answer] Yes, but the threads are still missing in many places and in some others are still not consistent.

[Question] Those already mainly using computerized systems complain that their speed and applicability is unsatisfactory, and, as a result of various desires, manually kept records are also needed or often used parallel with the computerized records. Because someone who must pay his taxes, for example, is interested not only in the final sum but also the reasons for the payment.

[Answer] For the most part, this is not a fault of the computerized systems, but rather results form the inadequacy of the information organization. This can, of course, be hindered by several things, such as the obsolete work methods of the state administration organ. Other obstacles may be--although less frequently--of human nature. Thus besides the computerized records, for the time being, manually kept records are needed in public administration, in part as a result of previous planning and in part as a result of subsequent development.

[Question] Are we not rather talking about the citizens losing their individuality and becoming a piece of data?

[Answer] No, since their data can be found somewhere, if not in the memory of the computer. There is no reason why these could not also be stored in the machine. Computerized data processing has two important goals: the rapid, accurate and ever broader supply of data to the management organizations to make their decisions and, at the same time, to perform citizen transactions as fast as possible. In this process the computer is merely a tool. But an effective, good and efficient tool.

[Question] If the computerized records are prepared and the opportunity to connect these systems is offered, is it conceivable that the experts involved with sociology will be able to perform various model experiments and examinations using the computers?

[Answer] Of course this is possible, since, among other things, this is one of the main objectives of the applications. However, this activity cannot jeopardize the right of those in the records not to have thier individual data made public without their permission by those keeping the records.

[Question] The protection of individual rights is a complicated problem. For example, the State Insurance Agency knows even before the new automobile owner reports whether he should be persuaded to take out auto insurance. Thus it reviewed (or must have reviewed) the financial matters of the individual. Computers facilitate the organization of data. Is increased protection guaranteed?

[Answer] Even double protection: legal and technical. In connection with the foregoing, a decree has been published by the Ministry of Interior, according to which every ministry and principal authority must decide what data to protect and provide the technical means for the protection. The other guarantee

resides in the fact that only those data must be recorded which are needed for the decisions and the work. The statistical data supply is regulated by the statistical law and provides increased protection for the information, independent of their processing.

[Question] To what degree are data protected in countries where the application of computers is much more advanced than in ours?

[Answer] For understandable reasons, very strictly. Technical literature presented a case where a real estate agent managed to access health records and based on these decided with whom he would deal and what type of rental contract he would offer. In capitalistic countries, legal regulations protecting data are introduced after such abuses. In our country, individual rights are protected by a clear law, independent of the technology; i.e., it needs only to be applied to the area of machine data processing, record keeping and services. We are this far ahead of capitalistic countries.

[Question] Are the advantages of computer technology reduced by wide-spread data protection?

[Answer] Protection must be present in the relationship of the administration and the citizen, but if this is satisfactory, then no. Moreover, the decision-making process of the state administration generally does not directly need personal data of any particular individual. The wide-spread use of computer technology brings up a series of similar questions, but so far these have been successfully answered, and the related experiments research and development programs also promise success.

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## UNPROFITABLE ENTERPRISES SURVIVE DESPITE REFORM

Budapest NEPSZABADSAG in Hungarian 2 June 82 p 10

[Interview with Laszlo Nyikos, deputy director of the Ministry of Finance's inspection division, by Katalin Bossanyi: "Enterprises--In a Difficult Situation"]

> [Text] It appears from our report on last year's balance sheet that there has been an overall improvement in the economic operation of the enterprises and cooperatives. At least, this is indicated since the income situation of the economic operating units--the profits and the rate of wage increases--as more favorable than planned. In spite of this, some enterprises and cooperatives still operate at a loss, or with a shortage of funds. We talked with Laszlo Nyikos, deputy director of the finance ministry's inspection division, about the group of economic operating units that over the short- or longer-term got into a difficult situation and about the mutual effects of enterprise behavior and regulation.

### Why Do They Have Losses?

[Question] What does last year's "cashier's quality control" of the inspectors show; compared to previous years, is the number of those operating at a loss in industry higher or lower?

[Answer] Some of this and some of that show up. In the national economic branches other than agriculture, we found only 20 units, according to their balance sheets, operating at a loss; this is fewer than in the previous year. At the same time total losses increased fivefold. The Heves Megye AEV [State Construction Enterprise], the Bridge Construction Enterprise, the Ibrany Construction Industrial Cooperative and the Hajdu-Bihar Megye ZOLDERT [Vegetable and Fruit Sales Enterprise] have suffered repeated losses. Of the economic units operating with losses, 9 are supervised by ministries. Two-thirds of the losses recorded in industry and in the construction industry are concentrated in four enterprises. These are the LKM [Lenin Metallurgical Works, of Diosgyor], the Office Machinery and Precision Mechanics Enterprise, the Kecskemet Enamel Goods and Bathtub Factory and the Salgotarjan Iron

Foundry and Stove Factory. The latter two became independent last year. Even though they also operated with losses before that, in 1 year they have significantly decreased their losses. No enterprises are operating at a loss in the light and chemical industries, while the amount of losses has increased in the construction industry in spite of the fact that one fewer economic operating organ reports losses than in 1980.

[Question] What caused the losses?

[Answer] There are external as well as internal reasons. But primarily they were market reasons: demand for the products or activities decreased, and in connection with this the prices are also lower. Because of the world market decline, for example, the world market prices of ferrous metallurgical products have greatly decreased, while production costs could not be decreased. The balance sheet data do not directly show the reasons for the losses, but in our experience the lack of enterpreneurial readiness, inflexibility or the lack of organization, and the use of faulty management methods may also be reasons. At some economic operating organs with losses, the large amount of damage discards and inventory devaluations also increased the expenses.

[Question] What is the solution?

[Answer] Twelve enterprises and cooperatives will be able to handle their losses with their own resources (by using their reserve funds and other enterprise funds) but external intervention will be necessary at the others. There is a [are] cooperative[s] receiving help from the OKISZ [National Federation of Artisan Cooperatives], two enterprises in Heves Megye will be reorganized, and four--the Pest Megye Council-Operated Construction Industrial Enterprise, the Szeghalmi [sic] Construction INdustrial Joint Enterprise, and the ZOLDERTs of Hajdu and Komarom Megyes will be closed down. In accordance with the principles heard for over a decade, we have finally reached the point where we throw no additional liferopes to those who continually operate poorly.

[Question] Even though the lack of funds is not yet a loss, it indicates that there is a problem--there will be problems with the enterprise's economic operation. Why did the enterprises, struggling with the lack of funds, get into such a situation?

[Answer] We saw a lack of profit-sharing funds at 7 enterprises; 18 enterprises and cooperatives have indicated that this year they expect a lack of development funds. The number of those struggling with such problems has decreased but the extent of the fund shortages has significantly increased. For the most part the lack of profit-sharing funds was caused by losses (six of the seven economic operating units with lack of funds are also operating at losses), or by wage raises without efficiency improvements or in excess of them. One-half of the enterprises without development funds are in the machine industry. Most of these took out large loans in recent years and accepted their repayment obligations in the previous economic environment. But the standards of their economic operation and the discovery of their

resources did not improve to the desired extent; they were unable to keep up with the increasingly severe conditions. Fewer enterprises became independent last year and got into a disadvantageous situation because of a not-too-fair distribution of assets. The elimination of the lack of funds in most cases is possible only if the bank reorganizes the repayment of existing loans. They cannot solve the problem on their own strength, because either they have no mobilizable reserve funds, or they must spend them to cover their losses.

The Evaluation

[Question] If we compare the value of the losses with the total enterprise profit, we see that this is only 2 or 3 percent of it. Is this picture a realistic one? Are we really doing this well?

[Answer] Indeed the loss is even smaller than this, because accounting within the trust or the major enterprise makes the losses of the member enterprises or factory units "disappear," and thus the national economy's losses according to the balance sheets do not even amount to 1 percent of the profits. But one must not draw excessively confident conclusions. One must not, primarily because according to this the economic operating level of the decisive majority of the Hungarian enterprises and cooperatives would correspond to the requirements of this age, when this in fact is not so: at least one-third of them fall short. In interpreting the small extent of the losses, we must not forget that--even though it has decreased in comparison with the previous years--the subsidy content of enterprise profits is still very high. Because of this, it is difficult to get a clear picture.

We have no reliable evaluation method by which we could compare the competitiveness and efficiency of our enterprises with, for example, the international field. Even though "comparison to itself" can provide some basis for comparison, it is not enough for real clear sight. For example, our division has been watching with particular attention--based on the average of the speciality branch--the economic operation of the so-called low-efficiency enterprises since 1978. However, we have no reliable data on just where the speciality branch itself stands, what its chances on the world market are. We have established a special computer ranking of the activities of the enterprises on the basis of several indexes that characterize efficiency. This does not provide a method for error-free measurement but it does provide an opportunity for some kind of orientation. If we compare this ranking with the list of enterprises that have won the title of excellence, often we find no matches, this points to the contradictions in making the evaluations.

All these things illustrate that substantial changes and more consistent implementation of the normative regulation are needed in much broader circles than the list of those operating at a loss. In this case the bokkkeeping balance sheets would also show a much more differentiated picture. Even though the number of economic units operating at losses

would be larger, we would also probably have many more economic operating units that can be classified effective even by world market standards. In the final analysis the means needed by the economic operating units in a difficult situation to keep them on their feet, must even today be taken from those enterprises and cooperatives that are better than the average. Thus, modernization of the production and product structures continue to progress at a very slow rate. But, without it, the reestablishment of the foreign trade balance cannot be imagined. We continue to maintain production at a loss, while those who produce outstanding results have only more moderate opportunities for growth.

There Is Much Subsidy

[Question] Last year the increased profits of the enterprises derived not only from improved efficiency and better marketing work but also from the increase in producers' prices and from various benefits. What is the reason for seeking the direction of least resistance?

[Answer] The various preferences, subsidies and individual evaluations continue. Of course, by this I do not mean to question the role of special measures and exceptions in managing the economy. For the very reason of the general buisness slowdown--mainly in the crisis branches--the role of state intervention is increasing even abroad. But this continues to cause many problems, in that the requirement of normal activity is not valid in the same manner for everyone. We can also measure the harmful effect of this in the behavior of management and of the enterprises. The economic operating units do not seek the way to success primarily around their own home base but rather try to win easier conditions than the average. But the real tensions are caused not just by being granted some such favorable treatment on occasion but rather by its spiraling effect. Since various ministries and top-level national authorities host the various elements of the regulatory system, comprehensive evaluation is difficult to ensure. At the same time, these institutions cannot always sense all the consequences of the various individual measures--easements and restrictions--in some cases, even within their own organization. I am thinking here, for example, of the granting of wage preferences in certain cases. This is not surprising, since for the most part we are dealing with "mechanical conforming" interventions. This also is the reason in this country for much fewer enterprises ripe for reorganization than would be realistic.

[Question] Yes, but in the majority of the enterprises and ministries they can also provide economically acceptable reasons for these individual measures.

[Answer] Most of the time it is easier to prove why something cannot be accomplished than to go ahead with goal-conscious work. An enterprise in a difficult situation can line up inumerable "objective obstacles" to explain its own report card. They often succeed in doing so. Day after day it can be seen during the course of an audit that the various individual price, wage and financial measures did not save, or only partially solved, the problems of those requesting the favored treatment; rather they only

postponed them. In addition to decreasing the effect of the economic and market forces, this also carries the danger in itself that with time the enterprise taken under the "protective umbrella" continues to lose its competitiveness. For example, seven of our respected machine industry enterprises would have been weeded out through the profitability screen of the competitive pricing mechanism introduced 2 years ago, had their problems not been solved by the most frequent compromise; that is, by subsidy. Of course, the reason was an acceptable one in their cases, too: market conditions are unfavorable, discriminative measures are being applied against them, etc. However, competition has gotten even sharper since then.

By the Same Measure

[Question] A new assignment of the division is to analyze the effect of the regulations jointly with other departments. What has been the most important experience of the last year?

[Answer] In spite of all the central intentions, our regulatory system is still not able to relay the strict requirements fully and force an enterprising behavior. It also plays a role--due to the world economic situation --in several central measures being enacted that changed the extent of some of the earlier elements of the regulation. This caused uncertainty in some enterprises and suggested certain tactical steps. But a more definitive feature is that the enterprises continue in not being sufficiently sensitive to costs; many of them also do not feel the effect of the world market sufficiently and directly. Also, certain elements of the regulation are not consistent with others; the most glaring example of this is today's income regulation, which "regulates" the payment of wages almost independently of the enterprise's actual performance. This even causes a restraint on performances--pulling back the better ones into the region nearer the average--instead of the desirable differentiation. For this very reason, in addition to a coordinated modernization of the economic regulatory system, changes should be made not so much in the content of the regulations as in their style. This would mean that only exceptions verifying the rule can be the reasons for occasional intervention and subsidy. This would probably cause much more conflict to the enterprises in a difficult situation than exists today. But the question is, if the national economy, the national budget continues to take over the difficult situations of those who, for various reasons, continuously perform poorly in their economic operations, will this not result in even more significant tensions?

8584
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SPECIAL CURRENCY EXCHANGE RATE PUBLISHED

Warsaw TRYBUNA LUDU in Polish 21 Jun 82 p 7

[Text] Announcement of Exchange Rates Table No 26/82, effective 21 June 1982, by Stanislaw Majewski, president, Polish National Bank, on 21 June 1982.

1. Foreign exchange rates for commercial and noncommercial payments from table 23/82 dated 8 June 1982 remain unchanged.

In purchases of travelers' checks for rubles, issued by the USSR Foreign Trade Bank and payable outside the USSR in the currency of the country where cashed, an exchange rate of 11,797.10 zlotys per 100 rubles is applied.

II. Foreign-Currency Exchange Rates in Zlotys for Countries of the Second Payments Area [Capitalist Countries]

[Table on following page]

Exchange Rates Table No 26/82

| Country | Curr Symb | | Currency | Foreign Exchange Purchase 3 | Foreign Exchange Sales 5 | Money Purchase 1 | Money Sales 2 | Average 6 |
|---|---|---|---|---|---|---|---|---|
| Saudi Arabia | 771 | 1 | rial*** | 24.80 | 25.04 | -- | -- | 24.92 |
| Australia | 781 | 1 | Austral.dollar | 87.84 | 88.72 | 86.51 | 90.05 | 88.28 |
| Austria | 786 | 100 | schillings | 498.27 | 503.27 | 490.75 | 510.79 | 500.77 |
| Belgium | 791 | 100 | francs | 182.90 | 184.74 | 180.14 | 187.50 | 183.82 |
| Denmark | 792 | 1 | kroner | 10.18 | 10.28 | 10.03 | 10.43 | 10.23 |
| Finland | 780 | 1 | markka | 18.14 | 18.32 | 17.87 | 18.59 | 18.23 |
| France | 793 | 1 | franc | 12.63 | 12.75 | 12.44 | 12.94 | 12.69 |
| Greece | 724 | 100 | drachmas | 125.15 | 126.41 | 108.47 | 128.30 | 125.78 |
| Spain | 785 | 100 | pesetas | 77.76 | 78.54 | 76.59 | 79.71 | 78.15 |
| Holland | 794 | 1 | florin | 31.74 | 32.06 | 31.26 | 32.54 | 31.90 |
| India | 543 | 100 | rupees*** | 898.67 | 907.71 | -- | -- | 903.19 |
| Ireland | 782 | 1 | pound*** | 120.85 | 122.07 | -- | -- | 121.46 |
| Japan | 784 | 100 | yen | 33.77 | 34.11 | 33.26 | 34.62 | 33.94 |
| Yugoslavia | 718 | 100 | dinars | 170.20 | 171.92 | 147.52 | 174.48 | 171.06 |
| Canada | 788 | 1 | Canad.dollar | 66.74 | 67.42 | 65.74 | 68.42 | 67.08 |
| Kuwait | 770 | 1 | dinar*** | 295.65 | 298.63 | -- | -- | 297.14 |
| Lebanon | 752 | 1 | pound | 17.25 | 17.43 | 16.99 | 17.69 | 17.34 |
| Libya | 651 | 1 | dinar*** | 287.42 | 290.30 | -- | -- | 288.86 |
| Luxembourg | 790 | 100 | francs | 182.90 | 184.74 | 180.14 | 187.50 | 183.82 |
| Norway | 796 | 1 | kroner | 13.78 | 13.92 | 13.57 | 14.13 | 13.85 |
| Portugal | 779 | 100 | escudos | 115.87 | 117.03 | 100.43 | 118.78 | 116.45 |
| FRG | 795 | 1 | mark | 35.09 | 35.45 | 34.56 | 35.98 | 35.27 |
| United States | 787 | 1 | dollar* | 85.10 | 85.96 | 83.82 | 87.24 | 85.53 |
| Switzerland | 797 | 1 | franc | 40.80 | 41.22 | 40.19 | 41.83 | 41.01 |
| Sweden | 798 | 1 | kroner | 14.17 | 14.31 | 13.96 | 14.52 | 14.24 |
| Turkey | 627 | 100 | pounds | 54.90 | 55.46 | 47.59 | 56.28 | 55.18 |
| Great Britain | 789 | 1 | pound** | 149.65 | 151.15 | 147.39 | 153.41 | 150.40 |
| Italy | 799 | 100 | lira | 6.24 | 6.30 | 5.40 | 6.40 | 6.27 |

*Valid also in clearing accounts with the following countries: Bangladesh, Brazil, Ecuador, Greece, Iceland, Kampuchea, Colombia, Lebanon, Pakistan, Peru and Turkey.

**Valid also in clearing accounts with the following countries: Nepal and Pakistan.

***The Polish National Bank does not purchase money in these currencies.

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## PRODUCTION INCREASE IN APICULTURAL SECTOR DISCUSSED

Bucharest REVISTA ECONOMICA in Romanian No 19 14 May 82 pp 11-12

[Article by Ovidiu Grasu: "Apiculture - A Pursuit With Broad Opportunities for Profitable Development"]

[Text] As an occupation of the inhabitants of this land having a multimillenia tradition, beekeeping is today in the picture of our agriculture and of great crop and animal production in an unjustifiably modest position if we keep in mind its important potential as a producer of a basic biologic foodstuff that has great nutritional value and important therapeutic properties, as a supplier of specific raw materials for a broad series of food products, pharmaceuticals and cosmetics, as an export product that does not require imports for its activities and as a source of supplimentary income for numerous residents in villages and even the cities.

The complex, scientific view of our party and its secretary general regarding the new agricultural revolution, which also includes the return to using certain traditional resources as once of its significant points, also involves reconsidering beekeeping. In this regard, the 12th RCP Congress outlined important tasks referring to the permanent improvement of the bee stock and the judicious use of the basic melliferous reserves. By the end of the current five year plan, the production of honey will have to reach 15-17,000 tons, with a level of efficiency of 17-20 kg per hive. In order to achieve this requirement, it is necessary to take measures of a technical, organizational and social nature. There is need for the broadest possible segment of the public to be made aware of its advantages and to be broad up to date regarding the main requirements of beekeeping technology and for possible solutions to be adopted so that the strategy for the development of this sector will be combined with the measures to protect the environment.

The program regarding self-management and territorial self-supply for providing the populace with animal and crop agricultural products during the 1982-1985 period offers a favorable framework for the qualitative improvement and quantitative growth in the activities to raise bees.

## Favorable Economic-Natural Conditions

The natural conditions that characterize our regions of plains, hills and mountains, which have a great variety of spontaneous and cultivated melliferous plants, represent an important resource for the development of beekeeping. Even back in 1850 the agronomist scholar and agrarian economist Ion Ionescu of Brad urged: "In collecting pollen and the nectar of the flowers and converting it, by using bees, into honey and beeswax, you do not have to use a plow or have land and skill. For that reason, let us all work together to that each villager will have a beehive at his home."

The species of nectar-bearing and pollen-bearing plants in our country are numerous, with some of them having an unbelievable productivity and intensity. Beginning early in spring (in some years even in February), the successively flower until late fall, when the frosts arrive, with the colonies of bees thus having the optimum conditions for collecting over a period of at least 8-9 months. Thus, the approximately 660,000 hectares of fruit-bearing and viticultural orchards offer a valuable source for maintaining the bee colonies, which, for their part, ensure the pollination of the orchards. The basic flower for the bees in our country is the acacia. The over 100,000 hectares of acacia in orchards, as well as in more or less separate stands in the villages or along the banks of rivers, annual provide large quantities of the best quality honey. Under normal weather conditions, the the acacia's period of flowering varies in Romania between 8 and 14 days. Although a short period of time, the harvest is of great intensity, with a colony of bees obtaining 8-12 kg of honey each day.

Also of special important are the linden tree groves which cover an area of over 70,000 hectares and from which, during favorable years, a colony of bees can produce 15-20 kg of superior quality honey. A large melliferous source is also represented by the over 4,470 thousand hectares of pastures and hayfields which provide the bees with an abundant and continuing harvest over a long period of time. Among the melliferous plants that are grown, the most important is the sunflower, which covers an area of over 500,000 hectares. It represents the basic melliferous crop in the plains regions, providing the main summer source. The period of flowering lasts between 20 and 30 days and the production of honey achieved by a colony of bees varies from 12 to 40 kg, depending upon the variety and the pedoclimatical conditions.

The variety and abundance of melliferous flowers in Romania and the abilities of the native bees (which constitute a separate race - Apis metifica carpatica - created over the centuries under the specific climatic, terrain and floral conditions) to efficiently use them have stimulated the year-to-year growth of the number of bee families that are kept in systematic hives of great productivity. At the same time, a tradition has been created of seasonally moving the hives to different sources, the "pastoral" method of hivekeeping.

## The Advantages of Raising Bees

The main product of beekeeping - natural honey - is a foodstuff of special properties, composed of glucose, fructose, different proteins, aminoacids and

enzymes. It also has therapeutic value, being used in the prevention and treatment of certain afflictions of the digestive track, the cardio-vascular system and the nervous system. Other apicultural products, beeswax, queen bee honey, beehives and pollen have a special role in medicine, cosmetics and so forth.

Bees play a special role in agriculture as the ones who pollinate the entomophial plants. Pollination by bees is an important method for increasing the production of seeds and fruits under the conditions of intensive agriculture. Living in large families, in a short time bees can saturate and pollinate large areas of entomogameous crops. (In this context, we note the insufficient attention that our agricultural specialists have given to research of biological methods and to the deeper study of their effects. Recently, a reconsideration of these methods has been noted and, certainly, the new biological revolution in agriculture will have its say). For example, in the case of the sunflower by having bees do the pollination production increases by 25-30 percent, and at the same time achieving a significant harvest of honey. The research recently done in this field has demonstrated that by using bees in pollination the value of production increases by 1,800 to 2,000 lei per hectare. With regards to the fodder crops, it is sufficient for us to point out that after pollination the production of clover seed increases by 50 to 60 percent, with important harvest increases also being obtained for white and red clover, esparcet and others.

Another advantage of the bee lies in the better and efficient use of land and especially that land which is inappropriate for agriculture. By raising plants or trees that have melliferous flowers on this land, apicultural products can be produced that have a high nutritional value and low costs - an economic efficiency which, in many cases, could make this land competitive even with fertile lands.

We cannot omit this branch's participation in consuming actual labor at reduced levels and the relatively small costs to train the workforce, compared to the other branches of agriculture. At the same time, beekeeping can be a complementary branch for other agricultural activities, contributing to the elimination of the seasonal nature of the work processes in agriculture.

The energy requirements in apiculture are minimal. In exchange, its products can replace a series of energy-consuming products (sugar, certain medicines, different substances used in the tanning industry, in perfumes and so forth). Compared to sugar, honey has a series of superior nutritional qualities, being able to replace it to a great degree in individual and collective consumption and in the production of certain superior food products, under the conditions that it be obtained and sold in sufficient quantities and at an acceptable price. The sugars in honey that are taken into the body are completely burned, right to the state of carbon dioxide and water, releasing energy in all the stages of decomposition through which it goes. The amount of energy released by a gram of honey equals 4.1 calories, being made fully available to the body.

The essential difference between bee's honey and commercial sugar is, however, the fact that it contains certain non-sugar substances that have beneficial effects upon the organism - vitamines, mineral salts and enzymes.

Achievements and the Future in Romanian Apiculture

With regards to the numbers of bee colonies (approximately 1,120 thousand), Romania is in first place in Europe, and with regards to production (approximately 14,500 tons in 1980) it is in second place. Our honey production represents over 11 percent of European production and nearly 2 percent of world production. Each year, we export 6,000 tons of high quality honey to 25 countries and especially to those that are developed from an economic point of view.

The current level of average production for a bee colony, 13-14 kg of honey, is great than the majority of the other producer countries. It is especially worth mentioning the contribution made by the people's farms which, accounting for approximately 940,000 bee colonies, achieve an average annual production of 14-15 kg per colony (with a record of 17.2 kg in 1977). For 1985, it is estimated that there will be 1.7-1.8 million bee colonies in this sector.

Considering the economic advantages of apiculture, there can be no reason to neglect it in the cooperatist sector of our agriculture. Not only has there not been measures taken to develop these activities, but in the last 10 years the number of bee colonies has decreased by nearly one-third, and the productivity per colony - approximately 6 kg per year - has remained nearly unchanged even though the cooperatist sector has large melliferous resources at its disposal (among other things, over 425,000 hectares of sunflowers). The reduction in the number of bees is tied to the shortcomings in the organization of production and in the training of the workforce, as well as to the limits on or total cessation of investments in the apicultural sector of agricultural cooperatives. A major decision in this area could lead to rebuilding their numbers and to the substantial growth of honey production.

Reserves for Increasing the Number of Bees and Production

Under our country's specific conditions, the greatest reserves for increasing the number of bees and production remain in the sector of the people's farms. There still are counties, especially in the mountainous regions, where the number of bees can be doubled or tripled. Climatic difference cannot completely justify the fact that, for example, in the people's farms in Alba, Harghita amd Bistrita-Nasaud counties there are only four bee colonies per 100 hectares of agricultural land or seven, nine and six colonies, respectively, per 100 inhabitants in the rural areas while in Vilcea the corresponding numbers are 14 and 12.

The fact is that any family in the rural areas could raise two to three bee colonies with a minimum of material and human effort, while under these conditions the honey production would double. With regards to productivity, the large scale practicing of pastoral beekeeping, in order to better use the

melliferous base, could contribute to increasing honey production per hive by two to three times, along with reducing the costs of biostimulants used in bee feeding. Similarly, pastoral beekeeping offers the opportunity of using certain modern, intensive methods for raising and caring for bees, such as colonies having auxiliary hives and temporary families.

Table One

The Evolution of the Number of Bees and the Annual Production of Honey Per Colony

| | | 1950 | 1970 | 1975 | 1979 | 1980 |
|---|---|---|---|---|---|---|
| Unităţi agricole de stat (1) | mii colonii (3) | 30,1 | 122,1 | 130,8 | 130,6 | 130,5 |
| | kg | 4,3 | 7,3 | 5,6 | 9,2 | 7,8 |
| Cooperative agricole de producţie (2) | mii colonii | 2,5 | 112,6 | 71,6 | 56,8 | 46,6 |
| | kg | 6,0 | 6,6 | 5,1 | 6,7 | 6,1 |
| Gospodăriile populaţiei (4) | mii colonii | 425,9 | 776,6 | 652,0 | 910,0 | 939,8 |
| | kg | 5,6 | 7,7 | 9,9 | 14,3 | 13,9 |
| Total | mii colonii | 458,5 | 1011,3 | 855,3 | 1 097,4 | 1 116,9 |
| | kg | 5,5 | 7,6 | 8,9 | 13,3 | 12,9 |

Key:

1. State agriculture units
2. Agricultural production cooperatives
3. Thousands of colonies
4. People's farms

Under conditions where production, contracting and acquistion prices were increased up to profitable levels (superior honey - 26 lei/kg, quality I - 22 lei and quality II - 17 lei), economic activities in apriculture can conclude each year with significant profits. The most graphic proof in this regard is the special interest shown by an ever larger number of people for raising bees, a group of people who who find in this occupation (frequently practiced outside of their professional careers) an important means for increasing their personal incomes.

It is necessary to have, however, a substantial, concomitant increase in the contribution of the socialist sector of agriculture.

In the state agricultural enterprises, apiculture is organized in farms of 2,000 up to 5,000 colonies, and there is an increase in the number of apicultural farms that have the conditions for obtaining higher production levels (it would be worthwhile to have an analysis of the causes that caused the average annual production to fall from 11.4 kg in 1976 to 7.8 kg in 1980) and for reducing production costs. In this sector, it is necessary to improve the existing species by establishing certain specialized units that will produce

selected queen bees and swarms of high productivity bees, and to provide modern apicultural equipment and installations for the purpose of increasing labor productivity and hive efficiency.

Great opportunities for increasing the number of bee families can also be found in forestry units (where the number, last year, exceeded 65,000 colonies) for the purpose of better using and having a great efficiency in the forest flowers that are found in the hill and mountain regions.

The cooperatist sector benefits from especially favorable conditions for increasing the number of bee families. Apiculture can be a complementary branch for crop production, with the workforce being successively or concomitantly used in these activities depending upon seasonal needs.

The growth of honey production in the agricultural production cooperatives is influenced, however, by the making of certain production costs of a nature that are capable of making it profitable, and this cannot be obtained except by increasing efficiency and decreasing costs. This means the more productive use of certain bee families, the mechanization of certain work (the loading and unloading of hives in pastoral hivekeeping, the extraction of honey and so forth) and the supply of multilevel hives that are highly efficient and of modern apicultural tractors that can haul 50-70 hives each.

Specific and Efficient Measures

The problems of developing apicultural in our country cannot, certainly, be resolved all at once and without material and financial efforts. Precisely for these reasons, the first ones called upon to contribute to their solution are the agricultural and forestry units which, with better guidance and support from the central organs with tasks in this area, can provide the beekeeper with an improved and tested organizational framework of technologies for the purpose of obtaining certain higher levels of productivity. At the same time, it is necessary to have a better cooperation between the units in the socialist sector and the Bee Raisers Association for the purpose of having a better use of the natural conditions and existing melliferous flowers in our country, as well as for providing the biological stock and equipment needed by the people's farms. There is need to establish certain direct relations between the association and the agricultural and forestry units for the purpose of expanding pollination actions for entomophial plants - a cooperation that will allow Romanian agriculture to fully benefit from the positive effects of pollination in increasing harvests and that will, at the same time, be advantageous to apiculture.

8724
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CHEMICAL EXPORT RESTRUCTURING BASED ON MAXIMIZING RETURNS

Bucharest REVISTA ECONOMICA in Romanian No 19 14 May 82 pp 13-14, 27

[Article by Olga Mihaescu and Ioan Popa: "The Restructuring of Export Offerings in the Chemical Industry"]

[Text] A decisive direction for action in increasing the efficiency of foreign trade in the products of the chemical industry and in promoting and increasing its efficiency is the full implementation of the measures outlined in party and state documents calling for the restructuring of export offerings and for the continuing improvement of the production of this branch in accordance with the requirements of contemporary technical progress.

In the Report of the United Nations Industrial Development Organization (UNIDO), "World Industry in 1980," it is estimated that in the 1970's the chemical industry entered the world scene in the second phase of its development, one of maturity, characterized by a more accentuated orientation towards finished products (laquers, paints, detergents, cosmetics, medicines and so forth) compared to basic and intermediary products. As a result, specialization in products having a high degree of processing, increases in the per-ton value for increasing the efficiency of sales and ever more complete adaptations to consumer requirements are current conditions for gaining and maintaining sales markets.

At the same time, according to the same study, in the 1980's there will be a movement into the third stage, characterized by the growing costs of basic inputs, restrictions of a technological and environmental nature, the increases in the framework of commercial changes involving chemical products in the number of sales of basic products as a result of saturation in many markets and the strong entry of certain more advanced developing nations into the world markets. These predictions begin to show that, for a series of sub-branches of the chemical industry, such as those products in large tonnages, the conditions of the foreign market no longer provide an appropriate profitability for exports and this does not justify maintaining certain high levels of exports. At the same time as the reorientation of these sectors towards their most competitive products, it is necessary to have a redimensioning of production and an optimization of the relationship between foreign sales and sales on the domestic market.

The improvement and restriction of the list of export products, the concentration upon those products having a high level of use and higher average per ton prices, the specialization of production for export in accordance with the structural conditions and circumstantial evolution of the foreign markets and the specific requirements of the foreign users are current requirements for promoting and increasing the performance of Romanian exports of chemical products.

Increasing the Per-Ton Value of Products

The characteristics of the development of the Romanian chemical industry over the recent five year plans - high rates, the growth and diversification of the list of products, the structural changes and the trend of accentuating qualitative facets - have been appropriately reflected in the sphere of foreign trade activities through the dynamics and structure of the exports of this industry. As shown in Table No 1, the export of the group including chemical products, fertilizers and rubber recorded rates of growth among the highest noted, outstripping the growth of total exports, and, in the recent decade, the rate of the chemical industry itself. As a result, the percentage of the group of chemical products (excluding petroleum products) within the total amount of exports has currently reached over 10 percent (which approximately corresponds to the percentage of this group in world exports - the world average). At the same time, an ever greater portion of the production of our chemical industry is destined for the world market, with the chemical industry having one of the highest levels of involvement in exports.

A priority direction in improving the exports of this branch has been, especially in the recent decade, an orientation towards those products and varieties that use natural and labor resources at a superior level and towards those goods characterized by the highest possible average per-ton price and the growth of the degree of processing of those goods slated for the foreign market. Actually, an important trait of the chemical industry is the vast range of varieties that are obtained starting with a certain raw material, as well as the very significant differences with regards to the unit value and foreign price of these products in relationship to the degree of processing. Thus, for example, the per-ton values of crude oil that has been transformed into phenol increase by 10 times over, into acrylonitryl by 18 times over, into butyl rubber by 34 times over and into polyester resins by 40-120 times over (1980 prices). And, along these lines progress has been made, with the average price obtained on the foreign market being - in relation to calcium hydrate taken as a base - being more than five times greater for PVC and vinylidin, seven times greater for high density polyethylene, 8.5 times greater for plastic products, 10 times greater for butyl rubber and 14 times greater for poly-isoprenic rubber.

According to these criteria, priority has been given in the orientation of exports to those products characterized by a higher average per-ton price and by an increase in the level of exports of rubber, PVC, tires, chemical fibers and threads, as well as - with some oscillations - plastics, dyes,

laquers and paints, and the reduction of the direct export of certain basic chemical products. These basic products were directed towards more advanced processing within the framework of the national chemical industry (for example: the reduction in the level of exports of carbon black, methanol, phenol - see Table No 2). This orientation, as well as the growth of our industry's ability to provide the complex requirements for chemical products in our national economy and for foreign customers, has been expressed in the increase in the efficiency of the export of different products and groups of products and in the achievement in recent years of a strong surplus in the trade balance in the field of chemical products (see Table No 1).

Table No 1

Indicators of Chemical Product Exports*

| | 1950 | 1960 | 1965 | 1970 | | 1975 | 1980 |
|---|---|---|---|---|---|---|---|
| Volumul exportului de produse chimice (%) (1) | 100<br>— | 445<br>— | 20 ori (2)<br>100 | 37 ori<br>184 | | 135 ori<br>8 ori | 258 ori<br>13 ori |
| Coeficientul de devansare a producției** (3) | | — | 0,68 | 0,95 | 0,68 | 1,20 | 1.45 |
| Coeficientul de devansare a exportului total*** (4) | | — | 1,31 | 3,85 | 4,22 | 6,48 | 6.09 |
| Ponderea produselor chimice în exportul total (%) (5) | | 1,7 | 2.2 | 6,4 | 7,0 | 10,8 | 10,1 |
| Balanța comercială la produse chimice (mil. lei valută) (6) | | —44.7 | —195,2 | +17,9 | —9,9 | +1 135,9 | +1 649,9 |

*Group of chemical products, fertilizers and rubber (see statistics of S.R. Romania)
**Indices of the export of chemical products/indices of chemical industry production
***Indices of the export of chemical products/indices of total exports
Source: calculated according to the "Statistical Yearbook of the Socialist Republic of Romania, 1981"

Key:
1. Volume of exports of chemical products
2. Times over
3. The coefficient of exceeding production
4. The coefficient of exceeding total exports
5. The percentage of chemical products in the total exports
6. The trade balance for chemical products (millions of hard currency lei)

Nonetheless, in analyzing the structure of Romanian exports during the last five year plan we find that there are serious reserves for improvements and for increasing the export of higher processed products. Thus, basic products and high-tonnage goods (chloro-soda products and chemical fertilizers) still hold down a significant percentage in exports, exceeding by several times over the level of these branches' participation in the structure of exports of chemical products in developed countries. As a result, a large portion of Romanian exports is located in the class of relatively cheap products (under $1,000 per ton), products that do not ensure the appropriate use of resources, and under conditions of the exhorbitant growth in the price of energy and primary products in general they have become very costly in terms of national effort.

Table No 2

The Evolution of the Level of Exports for Chemical Products*

| | 1960 | 1965 | 1970 | 1975 | 1980 |
|---|---|---|---|---|---|
| 1. Sodă caustică (1) | 44,1 | 46,6 | 28,5 | 39,5 | 34,4 |
| 2. Sodă calcinată (2) | 52,9 | 47,8 | 55,5 | 50,5 | 54,7 |
| 3. Negru de fum (3) | 67,7 | 47,1 | 48,0 | 35,0 | 28,7 |
| 4. Metanol (4) | — | 37,9 | 40,9 | 3,1 | 5,5 |
| 5. Fenol (5) | 43,8 | 61,9 | 52,3 | 47,3 | 3,6 |
| 6. Mase plastice şi răşini sintetice (6) | 2,4 | 22,6 | 21,3 | 17,0 | 25,6 |
| 7. PVC şi vinilidin (7) | — | — | — | 14,0 | 38,1 |
| 8. Cauciuc sintetic (8) | — | 36,6 | 40,2 | 39,4 | 38,2 |
| — poliizoprenic (9) | — | — | — | — | 61,9 |
| 9. Anvelope (auto, tractor, avion)(10) | — | 29,6 | 20,8 | 22,6 | 21,0 |
| 10. Fibre şi fire sintetice (11) | — | 1,0 | 17,6 | 24,7 | 19,2 |
| 11. Lacuri şi vopsele (12) | 2,5 | 1,8 | 20,3 | 20,2 | 16,7 |
| 12. Coloranţi şi pigmenţi organici (13) | 3,5 | 30,3 | 24,7 | 45,7 | 21,8 |

*Percentage of export in the production of the group of products

Key:

1. Sodium hydrate
2. Calcium hydrate
3. Carbon black
4. Methanol
5. Phenol
6. Plastics and synthetic resins
7. PVC and vinylidin
8. Synthetic rubber
9. Poly-isoprenic ubber
10. Tires (automobile, tractor, airplane)
11. Synthetic fibers and threads
12. Laquers and paints
13. Dyes and organic pigments

As is shown in the speech by comrade Nicolae Ceausescu at the Second Congress of the Workers' Councils, this is why in the development of the chemical industry during the current five year plan stress will be placed on increasing the degree of processing raw materials and materials and on producing new, superior products and adopting new technologies that will lead to the ever better use of raw materials, the reduction of specific consumption levels and the production of higher quality products.

The new requirements that stand before the production and export of chemical products - those imposed by the current level of development of the technical-material base of this sector and by the requirement to move Romania to the status of a country having an average level of development - are also expressions of the changes that have taken place in the world economic arena during the current period and the implications of the structural crisis of the world economy, especially the energy crisis. The difficulties in getting access to a series of primary products, such as hydrocarbons, the sharpening of international conflicts, the proliferation of certain restrictive trade practices and the growth of the degree of uncertainty and risk in foreign transactions require, in all the countries of the world, taking certain measures for structural adaptation, including in the chemical industry in accordance with the new technological and economic realities.

An important direction for action in the 1981-1985 five year plan is represented by the development of precision synthesis and low-tonnage production on the basis of using technological facilities and national scientific research, the more powerful promotion of the export of medicines and dyes, including by way of the production of modern varieties, and the extension of the export of original cosmetic products under conditions of quality and packaging that correspond to the requirements of the foreign market.

In recent years, these products accounted for less than 10 percent in our exports, while in France their percentage is over 15 percent, in England 18-19 percent, in West Germany over 13 percent and in Italy over 11 percent. This orientation towards new products of high economic value and towards top-level achievements in this field of production, the continuing renewal of the list of products and its constant placement at the level of world market requirements must also direct the development of exports for other groups of products. Thus, with regards to plastics it is necessary to increase the production and export of certain valued varieties of processed products, beginning with polystyrene, polypropylene and polyethylene (technopolymers in general) and to start production of polyacrylic and polyurethane plastic materials and polycarbonate products. For this group of products there is a significant reserve for promoting exports, with their total percentage in our country being approximately two times lower than in the export of France and England and three times lower than in the exports of West Germany, Italy and Belgium.

In the field of chlorosoda products, where our country has long experience and a significant production capacity, production must be directed towards the production of sodium hydrate in flakes and pellets, sodium silicates, pickling and phosphatizing agents for machine building, and so forth, in accordance with the current trends in demand. At the same time, the achievement of certain cooperative actions in production, the construction of chlorosoda products factories in the developing nations, including tripartite cooperation, and the achievement of certain complex joint production and

sales operations for soda, soaps and detergents are proving to be ever more superior forms - in relationship to the traditional forms of exports - for using our potential in this area, which satisfy the current energy and technological restrictions.

Table No 3

The Influence of Modernizing Production Technologies Upon Energy Consumption (in percent as compared to classical technology)

| (2) Tehnologii folosite în fabricația de: | (1) Îmbunătățirea consumurilor specifice de: (3) combustibil convențional | (4) energie electrică | (5) abur |
|---|---|---|---|
| 1. Amoniac (6) | | | |
| (7) — generația I (1960—1965) | 100 | | |
| — generația II (1967—1968) | 68 | | |
| — generația III (1969—1972) | 64 | | |
| — generația IV (1974—1980) | 64 | | |
| 2. Uree (8) | | | |
| — procedeu convențional (9) | | 100 | 100 |
| — procedeu stripping (10) | | 18 | 86 |
| 3. Metanol (11) | | | |
| — instalație 1 (10800 t/an) (12) | 100 | 100 | |
| — instalație 2 (30000 t/an) | 111 | 82 | |
| — instalație 3 (50000 t/an) | 72 | 79 | |
| — instalație 4 (210000 t/an) | 60 | 3 | |
| 4. Butadienă (13) | | | |
| — procedeu clasic (14) | 100 | 100 | 100 |
| — procedeu oxidehidrogenare (15) | 20 | 79 | 77 |
| 5. Etilenă (16) | | | |
| — oxiclorurarea etilenei în pat fix (17) | | 100 | 100 |
| — oxiclorurarea etilenei în pat fluidizat (18) | | 86 | 95 |
| 6. Propilenă (19) | | | |
| — procedeu clasic | | 100 | |
| — procedeu îmbunătățit (20) | | 26 | |
| 7. Etilbenzen (21) | | | |
| — C.P. Pitești (40000 t/an) (22) | | 100 | 100 |
| — C.P. Teleajen (60000 t/an) | | 77 | 72 |
| — C.P. Năvodari (120000 t/an) | | 57 | 64 |
| 8. Stiren (23) | | | |
| — C.P. Pitești (30000 t/an) | | 100 | 100 |
| — C.P. Teleajen (50000 t/an) | | 87 | 77 |

Data from: Mihail Florescu: "Development Strategy in Chemistry," Politica Publishing House, Bucharest, 1981; REVISTA DE CHIMIE, No 9/1981.

Key:

1. Improvements in specific consumption of:
2. Technologies used in the production of:
3. Conventional fuel
4. Electrical energy
5. Steam
6. Ammonia
7. Generation I
8. Urea
9. Conventional procedure
10. Stripping procedure
11. Methanol
12. Installation 1 (tons/year)
13. Butadiene
14. Classical procedure
15. Oxide-hydrogenation procedure
16. Ethylene
17. Oxychlororation of ethylene in a fix medium
18. Oxychlororation of ethylene in a fluid medium
19. Propylene
20. Improved procedure
21. Ethylbenzene
22. Pitesti Petrochemical Combine (tons/year)
23. Styrene

A Solution - Integration of the Stages of Higher Processing

An important requirement in the growth of the efficiency of exports of chemical products is represented by the specialization of production for export in an integrated concept, from the raw material to the final product, pursuing the bringing together of as many processing phases as possible. Actually, under the conditions of radically modifying trade relations on the world market between different products and groups of products, as a result of the energy and raw materials crises, the export of chemical products during the first stages of processing does not always ensure an appropriate recovery of primary inputs and a high level of efficiency. The growth of the profitability of production and exports requires, to an ever greater degree, the achievement of savings on "the vertical axis," the integration of production and the recovery of the costs of primary factors through the better use of the final product. This is also the trend that currently can be seen on the world scene. As shown in the UNCTAD ST/MD/23 study, in the current structure of the chemical industry there is a new wave of acquisitions and mergers, with a large portion of international trade being carried out between enterprises belonging to certain giant groups put together along vertical axes.

In this new context, we must also place the strategy of reducing costs along "the horizontal axis" by achieving economies of scale as a result of increasing series (volume) production specific to the development of certain basic and intermediary production during the 1960's and 1970's (see Table No 3).

We have in mind, for example, the relative reduction of the export of carbon black and the increase in the export of synthetic fibers and threads, which, as we have pointed out, leads to the multiplication of the value of the products. Similarly, the increase in the degree of processing for petroleum products by continuing to improve the production and export of rubber and the stressing of polyiosprenic rubber, butadiene-styrenic rubber, the production of latexes and the export of tires and rubber items in accordance with the current foreign user demand (radial tires, "tubeless" tires, giant tires and so forth) will also help.

As a large exporter of chemical fertilizers, especially nitrogen-based fertilizers, with their percentage in exports in recent years being 2.5 times greater than in Belgium, over 5 times greater than in Italy and nearly 9 times greater than in the FRG - for which we obtain a favorable return (less than the unified trade return), we can achieve an increase in the average price per ton of export by increasing the percentage of exports of complex fertilizers, by quickly adapting to changes in demand and by improving the quality of the products offered through exports.

At the same time, the achievement of certain complex foreign trade actions and production cooperation actions can lead to a better use of our facilities in this field and to the optimum dimensioning of exports.

## The Conservation of Energy as a Raw Material and Fuel

An important direction in the restructuring of the chemical industry's export offerings, placed in agreement with the requirements for advanced processing, is represented by the orientation of production towards those technological procedures that ensure a lower level of energy consumption, as well as the conservation of raw materials involved in the production process. This desire must be kept in mind even more so in the chemical industry since it is among the branches with the highest levels of specific electrical energy consumption per worker.

The use of certain advanced technologies and the modernization and permanent improvement of the installations that are used, up to the level of world technology, are precisely the ways to produce certain chemical products of a high quality and competitive level on the world market under conditions of certain reduced levels of raw materials and energy consumption (see Table No 3).

8724
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PETROLEUM MINISTER DISCUSSES DELAYS IN OIL PRODUCTION

Bucharest SCINTEIA in Romanian 12 Jun 82 pp 1,3

[Interview with Gheorghe Vlad, minister of petroleum, by Dan Constantin]

[Text] As part of the efforts designed to ensure the attainment of the priority economic goal -- the country's independence in terms of energy during this decade -- provision of greater output of crude and gas is a paramount task. Recently, our newspaper has portrayed the concerns and results of the activity of many collectives of oil workers, who display spirit of responsibility and dedication in obtaining the highest possible crude oil outputs. Today, in our interview with Gheorghe Vlad, minister of petroleum, we describe the manner in which workers and experts in the petroleum industry perform to implement their assignments for this year, in line with the instructions given by the party secretary general at the recent enlarged plenary session of the CC of the RCP. Of course, the results obtained in 5 months of this year triggered the discussion.

[Answer] The work of oilmen in the first part of this year materialized in a number of positive results, including the overfulfillment of the plan for gas production by almost 748 million cu m and 655 tons for gasoline, implementation of plan provisions for investment projects, export and economic cooperation with other countries. But these results cannot satisfy us as long as this period of the year did not see the attainment of the level anticipated for crude oil extraction. Even though the crude output showed progress -- versus the same period of 1981 extra 45,000 tons were extracted -- the output did not reach the level expected under the plan provisions. It is true that during these months the energy balance was compensated by supplemental deliveries of natural gas, but the petroleum output backlogs, for which we are responsible, generated difficulties in ensuring fuel and raw materials to other economic branches.

According to the pledge taken before the party leadership, in the presence of Nicolae Ceausescu, who closely followed the activity in this vital economic sector, we are firmly resolved to bring crude oil output up to the level of the tasks outlined. Moreover, during May, eight of the 19 oilfields under the ministry obtained average daily outputs at the planned level and two petroleum trusts reached the planned level for the daily crude output.

[Question] From your answer it follows that many units have so far gained valuable experience in organization of production and work, which has ensured the fulfillment and overfulfillment of plan assignments. What does this experience involve and what is being done to make it operate on an overall scale in all units?

[Answer] Under this five-year plan, which will mark a continuous rise in the level of crude oil extraction, in all drilling and mining units, the collectives are mobilizing their efforts and all their creative energy to attain the objectives set by the party leadership. In the context of oilworkers' emulation, unfolding under the keynote "Most Oil for Our Country," a number of valuable initiatives and methods of organization have emerged, whose impact has been reflected in the production increases obtained. In the first place I would like to point out the experience gained during recent months in the optimal utilization of the amount of oil wells and the mobilization potential of oilmen at the Videle, Mosoaia and Tirgoviste oilfields. At the Tirgoviste Oilfield, the return to service of old damaged or abandoned wells has resulted in an increase in the mining level above the plan targets, and at the Videle Oilfield, modern methods for monitoring wells' operation in oilfields has ensured maximum expeditiousness in the endeavors of the overhaul teams.

The modern mining procedures, which mainly focus on maximizing the utilization of the deposits, have yielded very good results in the structures of the curvature Sub-Carpathian area. For instance, the final recovery factor has reached 48% in the Manesti-Draganesti area and the Tirgoviste Oilfield, on this basis, obtains more than 40% of the amount of crude oil extracted. Positive results also were obtained in drilling and utilization of deep wells.

Furthermore, a basic concern of collectives in petroleum units involves wise management of material resources, rigid administration of fuel and energy. We constantly keep in mind that the petroleum and gas industry is not only a producer of fuel but also a major consumer of energy. For each 1,000 tons of crude oil extracted an average amount of 35 tcc is used, and for 1,000 drilled meters 110-130 MWh electric energy are used. As instructed by the party leadership, a sustained drive has developed in the entire branch to significantly reduce these consumption rates by promoting new mining and drilling procedures, intensive utilization of facilities, elimination of idling, proper maintenance and utilization of installations, use of reusable energy resources.

What do I want to point out by these examples? Practically, at every oilfield, valuable experiences and initiatives have developed, and some of them offer prospects for use on an overall scale. The exchanges of experience which are being organized chiefly at the level of trusts and oilfields, primarily focus on presenting the best technical ideas and methods of organization of production and work. Also, the experts of our research and design institute, those from the ministry apparatus, whose activity has shifted the emphasis to production units, work for the advancement of the experiences that have proved their effectiveness.

[Question] What is being done at the level of ministries, trusts, and, especially, at oilfields, to do away with backlogs in crude production?

[Answer] From the onset I would like to specify that responsibility for the non-fulfillment of the plan for crude extraction in the first part of the year primarily

rests with us, workers in the petroleum industry. In order to eliminate the delays in the production of crude oil, firm measures are taken to do away with the causes that generated them. I must point out that, even though I specified, as early as last year, at the level of the ministry, trusts and oilfields, broad programs for upgrading production activity, some measures were not implemented and there were unjustified delays in the completion of other measures. For example, we failed to strengthen, according to our potential, the activity in terms of overhaul, production tests and capital repairs for oil wells. Out of the 12,000 oil wells that make up the production capacity of our oilfields, by the end of May, 500 wells were idled for capital repairs and overhaul. If only half of the number of wells made idle had been returned to service, the oilfields would have daily provided a surplus of about 200 tons of crude. We plan to significantly reduce the number of idle wells by the end of June, so that one of the chief causes of delays in extraction may be eliminated.

We are paying special attention to improving the activity of geological research and to the activity of drilling, surveying and mining, especially deep drilling, and to upgrading the methods for increasing the oil inflow in wells. The councils of working people in trusts and oilfields, teams of experts from the ministry and research and design units carefully examined the shortcomings found, the problems that underlay the righting of the activity in each unit and production section. The solutions devised aim at attaining the planned extraction levels at all the 19 oilfields in the month of June. We must point out that the average daily crude output went up in May, versus April, by 330 tons for all the units of the ministry. Moreover, measures were taken to expand geological surveying to include new structures with prospects of containing hydrocarbons and open new areas of great importance in boosting oil and gas outputs: Virteju, Stoenita (Gorj County), Mihai Bravu, Nadlac, Seitin (Arad), Contesti (Bacau), Ghelinta (Covasna) -- areas which have gone into production, some with significant daily outputs.

At Umbraresti and Independenta (Galati), Mamu and Mitrofani (Vilcea) we continue our drilling in both research and mining. To these technical measures are added firm steps which are taken at oilfields and production sections to strengthen order and discipline, enhance responsibility in work at all hierarchical levels, because on observing discipline in terms of technology and work ultimately hinges the upgrading of production activity.

[Question] When do you think will the delays be eliminated?

[Answer] I repeat: The oilmen chiefly are accountable for nonimplementation of the plan for crude oil production. Without underrating our shortcomings, I deem it necessary to point out that our units were faced with some difficulties caused by nonimplementation of contractual obligations by a number of enterprises in the metallurgical, machine building and chemical industries. During 5 months we did not receive from the contracted for amount 2,200 t pipes from high-grade steels, 617 t mining pipes out of alloy steels, 1,000 threaded pipes, 815 t drill pipes, 69 thermal motors for drilling installations and 35 pumping units, a significant amount of chemicals destined for mining processes.

To reduce the deficiencies caused by some suppliers, in all trusts and petroleum enterprises permament drives are under way to upgrade the handling of materials

and equipment, to increase their life, to minimize relative consumption rates. During the last months, following an inventory of materials and facilities provided to units, a number of pumping units, drilling rods, mining pipes and stems, and various other materials valued at 4.6 million lei, were returned to the production circuit.

I am again pointing out that our activity cannot develop at the level set for us by the party leadership without a greater assistance from the suppliers of equipment destined for the units in the petroleum and gas mining industry. The rate of eliminating delays also considerably depends on the suppliers' ensuring the materials and installations requested. It must be well understood -- and the party executives have clearly stated it -- that without a greater increase in oil production, great difficulties are created in the economic mechanism, in the country's energy balance.

The shortcomings which I listed above can be eliminated and the backlogs can be done away with in the next months. To do this it is necessary, it is imperative that all the parties involved work for rapidly resolving the problems that underlie the rise in oil production and the attainment of the gas, gasoline and ethane production.

11710
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# GREATER USE OF ANIMAL POWER IN AGRICULTURE CONSIDERED

Bucharest REVISTA ECONOMICA in Romanian 28 May, 4 Jun 82

[Article by Dr O. Parpala: "Animal Power in the Energy System of Romanian Agriculture"]

[28 May 82, pp 10-11, 13]

[Text] If at the beginnings of the first industrial revolution "the sheep swallowed up man," under the conditions of the contemporary scientific-technical revolution, which includes agriculture, it can be said that "the machine has swallowed up the animal." The existence of certain sources of abundant and cheap energy sources favored the extension of motorization in agriculture, and everywhere the motor overtook animal power or beasts of burden, like a train passing a wheelbarrow. One after another, the developed capitalist and socialist countries, and after them numerous developing nations, replaced animal power with motorized tractors and transports. The most advanced agriculture in the contemporary world was caught up in a true frenzy with the motor while animal power was reserved, in the majority of cases, for sport and pleasure.

But, from this beautiful dream, world agriculture was thrown into the nightmare of the energy crisis that was especially strongly felt in agriculture where the main motive force - the tractor - was based exclusively upon the use of fossil fuels. As a result, the last decade was characterized by the initiation and intensification of research into the discovery and use of certain new sources of renewable energy, including the reconsideration of animal power, especially for those countries where the process of replacing animal power has still not reached irreversable limits. Certainly, this is not an easily solved problem given the fact that for a long period of time economic practice and research has not considered this primary energy source, with whose help man carried out a true revolution in the development of agricultural crop tools and methods.[1]

The status of animal power throughout the world and in Romania, the criticisms made, the reconsideration of the advantages of animal power as a renewable energy source in agriculture and the main directions for the development of animal power and its more efficient use - these are only some of the problems that I will attempt to analysis in this article.

## The "Motor-Animal" Relationship in the Complex Group of Agricultural Activities

The main argument used against animal power (especially against the horse) was the incompatibility of mechanical energy and animal power, a thesis proven incorrect however both by world practice and by our own experience (to which I will refer later on the basis of the research results that I initiated and headed up within the student scientific circle called "Agrarian Economics and Policy in the Socialist Republic of Romania").

First of all, on the international scene tractor motor pools in the recent decade (1969/71-1980) have increased by 4.8 million units (from 15.5 million to 20.3 million, or by 31 percent). During the same period, the numbers of horses were reduced by only 2.7 percent (the percentage for mules and donkeys remaining constant), a reduction due solely to the underappreciation of animal power in some countries. It is clear, therefore, that the extension of the motorization of agriculture does not exclude, but implies the existence of animal power as a complementary energy source that is absolutely necessary under certain working conditions (which we will detail later on). This source becomes even more necessary under the conditions of the fossil energy crisis, the only one capable of powering on a large scale the deployable, mobile mechanical equipment that can cover the large land areas.

And, the research that has been carried on throughout the world has established a close correlation between the amount of energy available per hectare and the output of the agricultural crops, especially when the energy imports are increased to .4 kw per hectare. Under these conditions, animal power can provide complementary power to the mechanical power in order to increase the per-hectare output.

Second, the clearest illustration of the complementary nature of animal power and mechanical power is the situation in agriculture in some of the economically advanced countries (the United States, for example), which clearly show that the motor does not replace the horse, but subordinates it within the energy system of agriculture for the proper carrying out of all agricultural work with a high degree of economy. And, in Romania, where there is one tractor per 107 hectares of agricultural land or 75 hectares of arable land and for the same tractor there are eight rural inhabitants or four persons working in agriculture, for each horse there are 19 hectares and 10 persons. Just through this simple comparison one can see the amount of reserves - which can be raised to the level of need - we have available in order to increase the number of animals for tractive power and the number of horses.

## Animal Power and Small Farms

Third, under certain social-economic, technical and pedoclimatic conditions in Romania's agriculture the use of animal power proves more efficient (in a social and economic sense) than mechanical means, a fact which requires the proportional combination of mechanical power and animal power.

I am speaking about, first of all, the completely special conditions on the private farms in the mountainous and even hilly regions: small arable land areas, those scattered on lands having a relatively steep slope, those having a thin layer of soil, and so forth. Under such conditions, currently the problem of extending mechanization in these regions, by building a specific tractor having an adequate system of machinery, itself presents a question mark. Mechanization is one of the technical attributes of high production. And, precisely the lack of certain adequate conditions that will permit showing the superiority of high production has brought about maintaining small farms in these regions. The establishment of certain agricultural mechanization stations to serve the private farms in the mountainous regions is, we think, inopportune under the current conditions of the energy crisis. It seems more appropriate to us to increase the number of work animals (and beasts of burden) and the production, by our industry, of those tools necessary for animal power, modernizing the agricultural production processes in these regions on the basis of this energy source.

According to recent published data (1973), the private farms have over one-fourth of the horses in the country although they possess only 9.5 percent of the agricultural land or 4.8 percent of the arable land. We believe, however, that given the specific structure of production in these poorer regions in those cereals that produce concentrated fodder, as well as the specific conditions for carrying out agricultural work, the main form of animal power must be represented by the ox. At the same time, we should not neglect the use of horses for light transports for different transportation activities (including forestry work), as well as beasts of burden, whose need will become even more clear as we intensify the production from mountain pastures by moving to the large scale organization of summer camps for grazing animals (cattle and sheep) in the plains regions.

Special problems are also raised by the use of animal power on the private farms of cooperative members. These farms account for 14 percent of the number of horses and the largest portion of donkeys. The carrying out of agricultural work on the small land areas of the personal plots in the village, and especially production and farm transport activities, make the horse and donkey a precious auxiliary in the better use of all production resources on the personal farms.

The Area of Profitability of Horse-Drawn Transports

Large socialist mechanized agricultural production - by its very nature of using all production resources on economical and rational bases - does not replace, but subordinates animal power. Very graphic from this point of view are the results of the research to which I referred earlier that are localized in a number of agricultural production cooperatives in Buzau County, both on the plains and in the hilly regions in this county.

By fields of activity, given the current structure of production in the agricultural cooperatives that were researched approximately 70 percent of the consumption of days per pair of animals (d/pa) takes place in the crop

production sector, especially for transport activities: for fertilizers (approximately one-fifth), for agricultural products (approximately one-third), for fodder for animals (one-tenth to one-fifth) and for the transportation of cooperative workers to the fields (up to one-tenth), as well as for the transportation of seeds to the fields, for the transportation in connection with construction, for irrigation projects, for the transportation of water for the tobacco crop (in the plains) or for the watering of the grape crop (in hilly areas), and so forth. In accordance with the structure of the crops, nearly two-thirds of the total consumption of d/pa are accounted for by the corn crop (nearly two-fifths) and wheat, followed by vegetables, sugar beets, sunflowers, clover and tobacco. In cases where horses are also used in carrying out certain agricultural projects, over four-fifths of the consumption of d/pa stems from mowing and cultivating (nearly two-thirds), followed by pest control and raking.

The excellent use of horse-drawn transports for production and farm transportation is explained by the higher economic efficiency (lower costs) of this power source in comparison to mechanical power (especially trucks). Even on the international scene, it is estimated that animal-drawn vehicles complement mechanized transport equipment, yielding a higher efficiency in the case of transporting smaller loads (in weight, but which can be large in volume - like hay, stalks, fodder and so forth) over short distances. The higher efficiency of animal-drawn transport vehicles in comparison to trucks or tractors is even clear in the case where the loading and unloading time is great in relation to the time needed to carry out the transport. Keeping in mind the investments necessary in order to be profitable, a truck must each day travel a distance of at least 150 km. This shows how uneconomical it is to use trucks or tractors to transport cornstalks, hay and haycocks out of the fields, as well as corncobs temporarily stored in fields and whose loading and unloading must be done manually.

From the data that we have, the activities of certain agricultural production cooperatives show that the transportation of unbaled field products is cheaper when it is done using animal traction (horses) up to a distance of seven kilometers compared to a tractor with a four ton vehicle, up to a distance of 6.4 km compared to a tractor with a five ton vehicle and up to five km compared to a tractor with two towed vehicles. The transportation of a ton of fiberous product over one kilometer costs 97 percent more when a tractor with a four ton trailer is used and 64.4 percent more when a tractor with a five ton trailer is used, in comparison to a vehicle pulled by two horses. The cost of transporting stable wastes (per ton/km) is lower when it is done by horses up to a distance of 2.45 km. In the case of transporting root-type crops (sugar beets, potatoes), the cost (per ton/km) is lower for animal power up to a distance of 4.85 km (but the condition of the roads during late fall and the rains allows this limit to attain much greater limits). Animal-powered transportation of wheat, barley, oats and so forth is cheaper compared to tractors up to a distance of 2.95 km and only up to a distance to 2.65 km when compared to trucks. Concerning the transport of corncobs, the use of horse-powered transports costs less than the use of tractors (also per ton/per) up to a distance of three km.

Certainly, these are orientational limits determined under certain conditions (prior to the updating of prices for fuels, diesel oil and gasoline), with these limits being variable depending upon changes in the basic parameters upon which they were based. One thing, however, is certain: in the area of transportation between farms (not to mention transportation within the farm) the use of animal power is more profitable than mechanical power (within certain limits). This conclusion is also valid for the transportation of management and assistance personnel, where a return to the classical horse and carriage can not only lead to savings in usage, but also increases their ability to understand the realities in the field, contributing to a better understanding of the work.

Criticisms That Do Not Take Reality Into Account

As a result, instead of ending its historical role in the development of agriculture - and against the unjustified desire of some to speed the departure of animal power from the picture of the contemporary village - animal power is proving just as useful for the progress of agriculture as mechanical power, even though it holds - it is true - a complementary position, but an irreplaceable position.[2]

On the other hand, there are those who, without an appropriate substantiation and claiming that animals "compete with man" in the use of the land, subjectively lose sight of an essential element: neither pigs nor fowl are part of the category of animals used in transportation. The largest portion of the food for draught animals is based on crop products that are not used by man; these animals consume fodder which, furthermore, would be lost to the economy. As a result, raising draught animals not only would permit the better use of pastures and natural hays, but, by way of the natural fertilizers that are produced, would contribute to increasing the efficiency of these fields. It is true, however, that they compete with production animals, limiting the fodder resources for them. In reality, it is not the presence, but the insifficiency of draught animals that limits the country's fodder resources. Let us keep in mind just the quantitative and qualitative losses of fodder due to the delays in the harvests, transportation and storage precisely because of a lack of draught animals, those most appropriate for such transport work. Therefore, there is room under the sun for both production animals and draught animals, with their interaction favoring the growth of both crop and animal production.[3]

Another "criticism" deals with the seasonal nature of using draught animals and the fact that they also eat on those days when they are not taking part in agricultural activities. This does not mean that we cannot organize the use of animal power during the "dead" periods in agriculture. The transport of stable wastes to the field during the winter period (a lost tradition precisely because of the shortage of draught animals which can go where the tractor cannot), the transport of large volume fodder from the storage areas to the stables, the movement of supplies of chemical fertilizers, seeds and so forth - so that we no longer can speak about transportation needs for the

non-agricultural production activities in the villages - are all directions for the more uniform use of draught animals during the course of the year so that the period of use can increase to 200 and even 300 days per year (exceeding that of a tractor or even a truck).

Let us not forget that, up to now at least, a motor cannot give birth to another motor that will replace it when it is used up. And, animal power presents great advantages since it is renewable. The mare, cow, buffalo cow, mule and so forth leave behind during the period they serve as draught animals a number of offspring which become, in turn, draught animals. This is also the special significance of the animal power resource.

"Secondary" Economic Effects

Under the current conditions of the international market, the raising of horses can also become a hard currency source worthy of being considered. The hard currency contribution of a trotter sold from stud (up to 2 years of age) is $1,000-$2,500. For a horse "trained" for 1 to 2 years (when the costs for care increase by approximately 10 percent compared to those up to 2 years old), the hard currency contribution is 15-20 times greater.[4]

More than that. Draught animals represent an entire series of other uses of great economic significance. Manure and urine are used as the most complete fertilizer (a third of the farmers in the world use them to fertilize the soil). Upon death, these animals provide meat, hides, hooves, bones, blood and so forth that find multiple uses in industry and even in foodstuffs. Horse meat, for example, is characterized by the highest content of protein and glucide substances, by a high content of mineral substances and by the lowest fat content. For that reason, it is regretable that, while we organize the fattening of horses for export, domestic consumption underestimates horsemeat, whose use in production made the traditional Sibiu salame famous. With regards to horse manure, rightly called "bio-fuel," it is not equalled in calorie content, not even by cow manure. Normally, the entire nursery and early vegetable production, as well as the mushroom crop, are based upon the use of this "living fuel." Its replacement by the use of technical heating or by using the sun to heat layers of polyethylene has not only proven costly, but does not provide the plant with cheap nutritional elements that are offered by horse manure. Even the hair (from the mane) finds the most diverse and useful uses, including as strainers in the milling industry and as bowstrings for string instruments, while the bones serve in the refining of sugar and, as flour, in the feeding of animals.

Recent history leads us to another finding of a social-economic nature: the forced reduction of the number of draught animals in agriculture has contributed to the migration of the workforce from the village to the city. The old peasant, in the prime of his life, with the professional qualifications that he has and with the innate attachment to draught animals, no longer finds his place in a motorized agriculture which requires new skills and a new professional direction.

Not by chance, today the lack of draught animals is concomitantly felt with the lack of a workforce for the development of zootechny on the basis of the new orientations resulting from the rational combination of the modern with the traditional.

Draught animals, and first of all the horse, were one of the first of man's colleagues with which he started down the long and difficult road of creating modern civilization. And, the current historian shows us that the role of animal power in agriculture cannot be neglected.

[4 Jun 82, pp 11-12]

[Text] The Status of Draught Animals

What are the numbers of and what is the structure of these numbers of draught animals throughout the world - these are questions that can only be answered with approximations. According to the statistics of the FAO, at the end of 1980 in the world there were approximately 61 million horses, approximately 12 million donkeys and nearly 43 million mules (but lacking data regarding the other types of draught animals - oxen and buffaloes, yaks and llamas, goats and camels). According to certain semiofficial estimates,[5] the number of draught camels would be 14 million, 150 million oxen and 58 million buffaloes. This would mean a total of approximately 338 million draught animals, which represents a significant power source and an important chapter in the fixed assets of world agriculture. Thus (excluding the mule), the large draught animals - oxen, buffaloes, horses, mules and camels - can provide the power of approximately .5 horsepower for 7-8 hours each day. As a result, the nearly 300 million large draught animals can daily provide approximately 150 million horsepower. And, since to build a power facility of one horsepower it is necessary to invest at least $1,000, the replacement of draught animals would require an additional investment or, conversely, the existence of draught animals means a savings in investments of at least $150 million, a nearly sensational figure if we keep in mind that to increase agricultural production in the developing nations up to the level of need it would be necessary to invest $16-18 billion! Since the selling price of a draught animal varies between $100 and $500, even at the average price of only $200 the value of the draught animals (without the llama, mule and so forth) is at least $60 billion!

In the last decade (1969/71-1980), the number of horses has suffered a slight decrease (of 1,686,000 head, or 2.7 percent). Keep in mind the fact that this reduction is due exclusively to the socialist countries (4.2 million head), especially the countries in Eastern Europe and the Soviet Union (3.2 million head). Especially graphic in this phenomenon is the case of the greatest agricultural power in the world - the United States of America - which is in first place in the world with its more than 9.6 million horses! In other words, the country that has the largest number of tractors in the world (4,351,000 tractors) also has the largest number of horses. If for each

tractor there is 100 hectares of agricultural land or 43 hectares of arable land, for each horse there is 45 ha of agricultural land or 20 ha of arable land; if for each agricultural person there is .9 tractors and two horses, for each person actively working in agriculture there are two tractors and 4.4 horses!

With regards to mules and donkeys, whose numbers have remained approximately constant, there is a slight trend towards an increase in the developing nations.

Romania was once of the countries recognized in Europe, and especially by its neighbors, for the quality of its horses and oxen, which were much in demand on the foreign market. The specialized economic literature mentions the semiwild studs that existed earlier in our country, like in Dobrogea and in the pond regions in Ialomita and Teleorman counties (renown for the quality of the horses). The predominance of the small peasant farms under conditions of maintaining semifeudal forms in agricultural work, which blocked and slowed the technical revolution, transformed the draught animal into the principal power source in Romanian agriculture. In 1938 (when there were only 4,049 tractors), Romania had 1,581,000 horses (of which 644,000 were mares and 628,000 draught horses) and 829,000 oxen. The heavy losses suffered by the horses during the second world war were reflected in the status of draught animals in 1948: 1,035,000 oxen and 932,000 horses (of which only 697,000 were mares and draught animals). There followed a period of rebuilding the numbers of horses (in exchange reducing the number of draught oxen) so that in 1961 (on the evening of completing the cooperativization of agriculture) we had one million horses (of which 806,000 were mares and draught horses) and 520,000 draught oxen. The period immediately following the conclusion of the cooperativization of agriculture was characterized by a strong reduction in the number of draught animals so that in 1966 we had only 273,000 oxen and 689,000 horses (of which 585,000 were horses and maresover 3 years old).

The underappreciation of draught animals was translated not only into the unjustified reduction in their numbers, but also into the deterioration of the age structure. If in 1956 the young animal under 3 years of age represented 30 percent of the total numbers, in 1966 it was but 15 percent of the total, a fact that created clear difficulties for the process of replacing the animals that had been eliminated.

The process of reducing the numbers of horses continued so that (according to FAO data) in 1980 there were only 566,000 horses (plus 35,000 mules, whose numbers are on the rise, compared to the 31,000 in 1969/71). The last animal census, in 1982, indicates a rise in the number of horses - to 598,000 head.

Directions for Development

The first problem is that of selecting and using the most appropriate local conditions and species of draught animals, which requires knowing the advantages and disadvantages of each species. The FAO manual published in 1972 by the Center for the Study and Experimentation in Tropical Agrarian Mechanization (CEEMAT) characterizes them as follows:

The Horse. Advantages: it was a good work disposition and it becomes attached to its handler; it enjoys a certain amount of prestige which has caused agricultural producers to prefer it instead of the ox; it is easy to train to carry out all the categories of agricultural work; it is easy to lead, being a docile animal. Disadvantages: sometimes it is too light (up to 300 kg) which limits its power; it is especially fragile, requiring special attention in care, which is costly; it tires sufficiently quickly in working; it is expensive; it requires costly harnesses.

The Ox. Advantages: it is quiet, but untiring; it is tough, robust and easy to feed; it requires a simple harness, with the yoke being made with little costs on the local level; it is less costly (in many countries, the cost of a pair of oxen equals the cost of one horse); in rebuilding, after a period of fattening, it is sold and slaughtered for meat. Disadvantages: it does not have the good disposition of the horse; for feeding, it needs a relatively expansive pasture; it seems to be more difficult to train than the horse and requires more manpower; it moves slower than the horse in all agricultural work.

The Mule. Advantages: it has a good disposition, it is rustic; it is less costly and can be fed from the products of the farm; it is intelligent and easy to train; it is patient, especially in carrying out light pulling and transport work. Disadvantages: it is very light and, as a result, as limited power; it tires easily if it is handled too quickly; it is easily injured by a harness.

The harmonious combination of these main species of draught animals for our conditions is also determined by their power potential, whose correlation with energy consumption required for different types of work can give indications regarding the size of development of each separate species. According to the data presented in "Energy For World Agriculture," we have the following:[6]

- a light horse, weighing 400-700 kg, can reach and average working speed of 3,600 meters/hour, and develops a power of .75 kw or one horsepower;

- an ox, weighing 500-900 kg, has an average working speed of 2,160-3,240 m/h, with the amount of power being .56 kw or .75 horsepower;

- the same amount of power is developed by a 400-900 kg buffalo, with the lower speed, however, being 2,880 m/h;

- a cow, weighing 400-600 kg, travels with an average speed of 2,520 m/h, developing a power of .34 kw or .45 horsepower;

- a donkey weighing only 350-500 kg has a speed of 3,240-3,600 m/h, developing a power of .52 kw or .70 hp (being, therefore, relatively more powerful than the ox or buffalo and absolutely more powerful than the cow);

- the mule, weighing 200-300 kg, moves at an average speed equal to that of the cow (2,520 m/h), but, compared to its weight, develops much more power: .26 kw or .35 horsepower.

Clearly, the horse is the most appropriate one for transport, and the ox is best for agricultural work in the socialist agricultural units or in the private farms, while the mule gets the recommendation for the personal farms of the members of the cooperatives where the difficulty of the work does not exceed the mule's ability.

Under conditions where in pre-socialist Romania draught animals represented the main power source in agriculture, it is natural that the specialized literature was directed at the problem of the rational combination of the different species of draught animals depending upon their intrinsic qualities and the costs of caring for them, as well as the specific social-economic conditions in the countryside. Thus, N. O. Popovici-Lupa,[7] in analyzing the production differences between the ox and the horse, arrives at the following rules: a) When we are talking about a faster rate of transport or over longer distances or on rocky, soft or not too smooth roads, horses are more useable than oxen. Similarly, they are preferred for harrowing and in carrying products; b) Horses are more appropriate for work where the intelligence and agility of the animal plays some kind of role; c) On the other hand, oxen are at least as good in plowing, they work a little less, but the work is more regular. For carrying wastes, green fodder and so forth, where the quickness of movement is not important, the oxen are nearly equal with the horse; d) For heavy loads on soft ground, for example, for moving hay from wet fields or swampy areas, oxen are better than horses (since their hooves do not go in as deeply and they do not get upset as quickly if somehow the cart does not move easily).

The costs for caring for the animals and especially the level of fodder consumption represent the fundamental criteria for optimizing the relationship between horses and oxen. The feeding of oxen is always cheaper than that for horses since they are, normally, satisfied with green fodder, hay, straw and roots. If they are not used as draught animals, the amount of fodder can be reduced, but when they are fed in a uniform manner their weight and, therefore, their value increase, especially since long breaks in using the yoke is not damaging to them. On the other hand, horses require grains in their feed, even when they are not working (which gives the proverb: "Oxen pull and horses eat"). Long periods of inactivity damage their health and ability to work (by way of the appearance of "dead bones"). Their care and harnesses are more expensive, and they use them and break them quickly. The feeding and caring for horses in their stables require more attention and time. They are more susceptible to diseases than oxen, and the costs required for shoeing are greater. The annual amortization climbs to 10-12 percent of their value at the time they are put in the stables, while for the oxen the amount is insignificant or even zero, if they are well-kept. Horses are used on the average for 8-10 years, and when they are recycled many times they have no value other than that of their hides. Oxen, on the other hand, if they pull the yoke for 3-4 years and are used for another 5 years, gain weight and their value is at least equal to their

initial value. On the basis of these considerations, George Maior concludes: "Oxen are and remain our principal working animal. Normally, our oxen are stronger than the native horses. And as a breed and regarding their work attitude, the oxen from Moldavia and the Transylvanian Plain are superior to all others since they are temperate and moderate when at rest, robust and very quick on their feet."[8]

Nonetheless, the costs per unit of work are influenced also by the period of use of the draught animals throughout the year: while a horse can be used 250-275 days per year, an ox can be used only 200-250 days (according to George Maior the limits vary between 280 and 300 days for horses and 220 to 250 days for oxen), in other words an ox is used 10-20 percent less than a horse.

On the basis of the above considerations, N. O. Popovici-Lupa recommended keeping only as many horses as could be used economically throughout the year, with the rest of the needed number of draught animals - needed at peak periods - being filled out with oxen, whose care during the winter costs less.

The second problem is, especially for the horse, that of the direction of production, including the selection of breeds. It is clear from the very beginning that local breeds must be used on a priority basis, avoiding resorting to imported breeds or those brought from the other end of the country where there are totally different socioeconomic and pedoclimatic conditions.

The failure to consider draught animals today places us in a problem of great current relevancy: the degeneration of the existing animals in production. This is the source of the need to intensify the activities of the 15 state stud farms (which have 1,400 mares), as well as those involved in scientific research for the creation of new types of horses for agriculture that will combine the power and docility of the large horse with the temperment and esthetics of the types of intermediary horses. The results obtained to date are expressed in:[9]

a) the creation of the semi-heavy Romanian horse, completed in 1980. Currently, we have 150 stallions for reproduction, which can produce 2,500-3,000 offspring each year;

b) the phase of creating the Bukovina horse (by crossing stallions with thick blood with mares of the Hutul breed) slated to provide draught animals for the hilly and mountainous regions. The result of this cross is a horse with greater pulling power, as required by the people, the army and forestry units. They are massive, harmonious and have an increased pulling power, combined with the rustic nature and strength of the Hutul horse, which has special qualities (a draught animal and a beast of burden, one which travels at approximately four km/hour on mountain trails and rough terrain);

c) the efforts to produce a Sport-type horse;

d) it is felt that the creation of the Romanian Pony (a cross between the Pony stallion and the female without the Hutul variety) should be done which will respond wo the requirements for a draught animal and pleasure riding along the seacoast, as well as for summer tourism and winter tourism in the mountainous regions;

e) the resumption (after a break of 40 years) of research regarding trotters in the direction of increasing their power capacities in order to be competitive on the world scene. Furthermore, this research activity, which is carried out by the National Center for Raising and Training Breeding Horses (the center holding all the studs and stallion farms), was interrupted for a period of 20 years (1960-1980).

A problem of great significance in the economy of animal power is that of using it as fully as possible. Our people's centuries-long practice, as also expressed in specialized works, shows that in this field cooperation does not increase the animals' power. On the contrary, the tractive power is better used when they are harnessed or yoked to the same vehicle in small numbers since, in the case of a large numbers, their tractive effort is not fully used, but instead part of it is neutralized by opposite actions. Thus, if the power of a single harnessed horse equals 100, then two horses (of the same size and power) will not equal 200, but 160, and four horses will not reach 400, but rather only 300. At the same time, different species of animals should not be teamed together so as not to arrive in the situation in "The Crawfish, the Frog and the Pike!" Similarly, we must keep in mind that two horses pull what three oxen can pull, three horses what four oxen and so forth.

And, the fullest use of animal power also depends upon the construction of the vehicle being pulled, the type of harness and how the animals are teamed. These are problems which, on the worldwide level, enjoy clear attention. It is thus felt that the improvement of the transport cart (by using rubber or pneumatic tires and a lighter platform bed), along with the improvement of the harness, could double or even triple their transport capacity (from one ton to two to three tons). At the same time, the use of a comfortable harness that is adapted to the animal contributes to extending the life and activities of the animal by at least 1 year.

Problems that are considered "minor," but which have major negative repercussions, must be quickly resolved. We are talking about the technical-material base of draught animals, and especially horses: such traditional skills in the Romanian villages as the blacksmith and the saddlemaker are about to disappear. Obtaining a pair of harnesses has become a very great problem to resolve, just as it has become a similar problem to get iron nails for horseshoes. An industry that produces turbines for the hydro-power central at the Iron Gates does not produce simple nails!

The data of the recent census on animals shows a slight growth in the numbers of horses. Is this the forerunner of a reconsideration of draught animals, and especially the horse, in Romania's agriculture? This would be the wish of all those who are militating for the modernization of Romanian agriculture by all means, where draught animals can contribute to the growth of power and agricultural production to the levels of the requirements of the new agricultural revolution in Romania.

## FOOTNOTES

1. Symptomatic from this point of view for me is the fact that such a scholarly work as "Energy for World Agriculture," written by B. A. Stout in cooperation with C. A. Myers, A. Hurand and L. W. Faidley and published by the FAO in Rome in 1979, a work which cites no less than 282 bibliographic sources, makes only banal references to draught animal power, on just one page. Similarly, the prestigious review published by the UN, FORUM DU DEVELOPEMENT, in an article in No 70/1981 limits itself to a passing statement: "Draught animals represent a source of power that is decentralized and renewable... (about which) there is little information... Draught animal power should not be neglected." UN sources, which this article mentions, only cites the current animal power in India (30 x $10^9$ kwh) and presents global estimates for the year 2000 (1,000 x $10^9$ kwh). Further, the presitigious "FAO Yearbook on Production" presents total data regarding the numbers (by countries) of horses, donkeys, mules, cattle, cows and camels in such a way that you cannot get a true picture of the number of animals actually used as draught animals. With regards to the "Statistical Yearbook of the Socialist Republic of Romania," the number of draught animals was completely left out.

   Under such conditions, "The Intermediary Report on the Power of Draught Animals," drawn up by professor N. S. Ramaswamy and presented at the second session (21 July-1 August 1980), as organized by the Preparatory Committee of the "United Nations Conference Regarding New and Renewable Sources of Energy," as well as the study "Animal Power for Agricultural Production Systems" by F. M. Inns and published in the review ZOOTECHNIE No 34/1980, are of a special documentary, conceptual and practical importance in the field of using animal power.

2. The agrarian economic thought in our country also anticipated this conclusion. At the moment between the two centuries, our great agrarian economist George Maior wrote: "No matter how much the inanimate power of steam, water and electricity might make headway in agriculture and in transportation and communications, nonetheless they will never be able to substitute for animal power... An economy with draught animals - although it is in part possible, replacing the animal power with the power of steam in plowing, communications and transportation and replacing stable wastes with chemical fertilizers, nonetheless the experience to date here has proven that it cannot be maintained over time and to practice it for a long time will hurt the physical condition of the land... Without good and sufficient work animals systematic agriculture cannot be carried out."

3. Precisely on this basis, the Report of the Special Group for Rural Energy (including the use of energy in agriculture), drawn up by the Preparatory Group for the United Nations Conference Regarding New and Renewable Energy Sources and presented at the third session on 30 March - 17 April 1980, recommended: "Increased attention should be paid to animal power and the improvement of agricultural harnesses and instruments. Given the fact that large land areas are necessary in order to provide food to draught animals even when they are not working, the possibilities offered by this source of power are limited in the case of a scarcity of land, at least when the harvests do not have a very high level of efficiency. The use of draught animals also contributes to the achievement of the objective of intensifying production and increasing efficiency."

4. In this regard, see the article "Using Horses: The Present and The Future," by I. Teodoru in REVISTA ECONOMICA No 45/1970 (editor's note).

5. Preparatory Committee of the United Nations Conference Regarding New and Renewable Sources, the second session 21 July to 1 August 1980, the intermediary report on the power of draught animals (prepared by professor N. S. Ramaswamy), pp 7-8.

6. R. E. McDowell, "Report of the National Dairy Research Institute," UNDP/UNESCO/1975, p 4.

7. N. O. Popovici-Lupa, "Elements of the Rural Economy for the Use of Agriculturists and Scholars in Agriculture," Vol I, MIJLOACELE DE EXPLOATATIE AGRICOLA, issue I, Bucharest, 1912, pp 199-202.

8. George Maior, "The Rural Economy or the Organization and Administration of Large and Small Estates," Bucharest, 1909, p 191.

9. E. Calinescu, "The Current and Future Problems of Scientific Research in the Field of Horse Raising," REVISTA DE CRESTEREA ANIMALELOR, Nr 6/1981.

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## WEST GERMAN COMMENT ON ECONOMIC SITUATION

Frankfurt/Main FRANKFURTER ALLGEMEINE in German 5 Jun 82 p 6

[Article by Viktor Meier: "Belgrade Has Faith in a Fresh Start"]

[Text] Belgrade, 4 Jun--The inauguration of the new Yugoslavian government under Milka Planinc is attended in Belgrade by the feeling that, in some areas at least, a fresh start is now possible. It is true that people are saying of the departing head of government, the Montenegrin Djuranovic, that he tried his best and was not without some success, principally he succeeded in drawing the attention of all circles in the country to its economic difficulties. Just a short time before its resignation, the old government brought the new currency law through parliament, which gives the national bank a stronger position with respect to the trade banks, firms up financial discipline among foreign businesses and establishes a general required quota of just under 16 percent of currency income to go to the central bank to meet Yugoslavia's foreign obligations. The prerogatives of the companies and in particular of the republic were basically preserved.

The adoption of this new law will make it easier for the new government to begin work. particularly as the question of Yugoslavia's foreign debt again seems to be turning into the biggest economic concern. According to the latest figures, Yugoslavia's debt is more than $18 billion, almost $17 billion of which is to the hard currency area. In the current year, Yugoslavia will have to spend about $2.3 billion just to pay the interest on its debts, and about the same amount again to repay obligations due. The interest alone amounts to more than the total income from tourism in the past year. A nervous feeling predominates in the economic and financial offices of the new government. It is certain that Yugoslavia will again have to take out new credits this year. Maintaining foreign credit has become an important objective of Yugoslavian economic policy. The figures for the first 4 months of this year show that the country has still not succeeded in increasing exports to the hard currency countries to the desired extent. These exports rose nominally by 5 percent, compared with the same period last year, which is equivalent to stagnation. Imports from industrialized countries dropped in the same period by 11 percent, as a result of the rigorous steps that were taken. That means great difficulties for many factories in procuring raw materials.

Some foreign institutions, such as the EEC and the OECD, had publicly praised the success of Yugoslavia's stabilization policy in the first months of this year. In Belgrade reliable sources say that this was intended principally as encouragement.

There is not complete agreement among the foreign experts in Belgrade about how the International Monetary Fund is setting priorities. One hears that, in the case of Yugoslavia, it was less a matter of moderating inflation and of achieving a purely numerical reduction in the balance of payment deficit, but rather of attaining these objectives through the free effect of market forces and through an actual increase in exports to hard currency countries. Instead, the formulist attitude of the International Monetary Fund had steered Yugoslavia onto the path of administrative price controls and simple import restrictions.

The effects of this will probably be felt all the sooner, since attempts have failed to create within in the party for the 12th party congress at the end of June, the first congress since Tito's death, the conditions for a fundamental reform of the economic system. The country's economic system, established and laid down ideologically in broad areas by ideologue-in-chief Kardelj, who died before Tito, condemns Yugoslavian enterprises to prorated production costs and thus diverts it to the inflated domestic market or to the East.

Yugoslavian politicians, who for reasons of power have a great interest in not deviating a single centimeter from "Tito's way," are resisting reform and claim that they are opposing "self administration." As a result, very few preparations could be made in the economic area within the party prior to the congress. Still, there are forces pushing in the direction of the urgently needed reforms to the system. On the one part they are coming from economists, on the other from the so-called "Kragjer Commission," the commission founded under the chairmanship of the former head of state and made up on a broad basis of politicians and experts concerned with the long-term stabilization program. The Macedonian Kiro Gligorov has has been able to make a name for himself again in this commission, after he had to leave the influential ruling circle a few years ago. The impression of many observers is that Gligorov set up his own economic counterthesis to the document of the party congress, which was restricted to generalities, with his report to the commission. The Serbian leadership has made similar criticisms of the economic theses of the party congress.

This attitude brings up the question, among other things, of what the role and the situation of the party will be in the spectrum of political institutions in the future. As far as economic policy is concerned, the initiative is clearly with the government or with the state presidium or with the republics. The majority of the republican party congresses, which customarilty precede the party congress, have been concluded. Occasionally there were feelings of resentment from individual parts of the country, but they also produced very few progressive elements. They showed too that a dividing line separates the Yugoslavian republics. The leaderships of Bosnia, Herzogovina and Croatia form a kind of "dogmatic bloc," which sets itself apart from the liberal republics and often opposes them.

The new chairman of the Federal Executive Council, as the government is officially called, the former Croatian party chairman Planinc, appears herself to be a prisoner of this confrontation. She belongs to the group in Croatia, which in 10 years has not succeeded in restoring an identity to the Croatian nation. At the Croatian party congress she delivered a dogmatic speech, in which "counterrevolutions" and the like were mentioned constantly. Her candidate for the new minister of information

had been the functionary Sima Kronja, who vehemently opposed the more liberal tone of the newspapers in Serbia, who described the movement of Serbs from Kosovo as "natural migrations from the underdeveloped south to the developed north" and who had become entangled in serious arguments because of his opinions. His election was prevented, but the new Prime Minister has put herself in an unfavorable light in different circles through such maneuvers and has probably made her task, which was not easy to begin with, even more difficult.

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# East Europe Report

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2294

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16 July 1982

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## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2294

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Warsaw HANDEL ZAGRANICZNY in Polish No 1-2, 1982 pp 30-34

[Article by Jerzy Sleszynski: "CEMA and EEC Foreign Trade Turnovers: Criterion of the Intensity of Trading Ties"]

[Text] Integration, integrating--we have been meeting these concepts exceptionally often in recent years. Regardless of the context in which they are used, the semantic meaning of both these terms does not deviate from their colloquial interpretation. The process of integration is usually construed as combining, meshing, and creating a whole from discrete elements. Analysis of concrete economic, political, sociological, or psychological phenomena requires, of course, a more detailed formulation of the attributes and properties distinguishing integrative actions from processes of other kinds: economic integration is defined as the development of a unified, coherent economic organism comprising at least two discrete elements that form its structure. By the same token, international economic integration denotes the formation of an economic organism comprising at least two countries linked by strong and permanent structural bonds of an economic nature.[1] Here it is also worth noting that distinguishing between, say, "economic integration" and "political integration" is rather of a purely theoretical nature: in practice, what occurs is a coherent social-economic-political complex whose disaggregation is often not possible. When speaking of economic integration we inevitably encroach upon the domain of foreign policy and social policies.

The course of the process of international integration is relatively slow and manifests itself in nearly every sphere of the functioning of national economies. Proceeding in some chronological order, one can mention here: assumption of diplomatic contacts, foreign trade, long-range agreements for foreign trade, combining of international markets, a broadly interpreted cooperation (scientific and technical cooperation, joint economic ventures), and ultimately the attainment of a solid position in the international division of labor. Trade is an essential factor in the integrative process, and for most countries and blocs it is the dominant factor. The intensity of trading ties linking partners is of an objective nature, independent of the motivation of the participants or the manner in which the ventures are carried out. Flows of trade between or among countries or groups of countries are of an integrative nature regardless of the socio-political context.

The scale of the flows of trade is of limited informational value to analyses of time cross sections or "non-comparable" economic organisms. In such cases, the yardsticks of the intensity of trading ties are irreplaceable since, by converting absolute values, they provide the necessary data for resolving the problem of estimating the flow of trade between or among selected countries in face of other trading contacts analyzed in a particular comparison. A broad range of diverse criterions for a broad evaluation of the structure of international trade is presented in the work by J. Kotynski.[2] Most often the conducted analyses of integrative processes are based on the use of only a few criterions of intensity [of trading ties], thus narrowing the range of possible interpretations. The most often used yardsticks of this kind are the so-called delta coefficients, especially in the normalized form proposed by G. Fink.[3,4,5] The suitability and efficacy of this analytic method are unquestioned, but this should not preclude comparison with other findings (derived by using other criterions) as well as the indispensable discussion of the findings in the context of their differentiated economic interpretation. The present article is an attempt to verify several criterions of the intensity of foreign trade, as based on uniform data on foreign trade turnover in 1975.

The structure of international trade is formed by the following groups of countries: the EEC, the other industrialized countries, the CEMA, the other socialist countries, the OPEC, and the other developing countries. The classification of countries in the discrete groups is in accord with that given in the MONTHLY BULLETIN OF STATISTICS, a periodical publication of the United Nations. The basic definitions will be presented in an abridged manner, because they already have been twice cited in full in previous articles published in HANDEL ZAGRANICZNY. This also applies to the interpretation of the delta coefficient in its normalized form.

The theoretical construct on which all the criterions presented here are based is the matrix of the flows of international trade, which comprises mutual flows of goods, services, or capital between discrete groups of countries. The following notation has been adopted: $x_{ij}$, the flow of international trade from the group of countries i to the group of countries j, for n groups of countries i, j: 1, 2, ..., n; $x_i$, the aggregate amount of exports by the group of countries i; $x_j$, the aggregate amount of imports by the group of countries j; $x_{..}$, the aggregate volume of international trade turnover.

This satisfies the basic balance-sheet requirement: the aggregate volume of international foreign trade turnover equals the sum total of all flows of trade among discrete groups of countries. By the same token, the aggregate volume of exports in international trade equals the aggregate volume of imports.

Table 1 presents the input matrix of flows of foreign trade on the basis of which the various criterions of the intensity of trading ties will be measured.

Table 1. Matrix of the Flows of Foreign Trade for Specified Groups of Countries in 1975 (in US$ billion, f.o.b.)

| Consignee \ Consignor | EEC | Other industrialized countries | OPEC | Other developing countries | CEMA | Other socialist countries | Exports |
|---|---|---|---|---|---|---|---|
| EEC | 145.93 | 76.14 | 22.85 | 32.08 | 14.51 | 1.59 | 293.10 |
| Other industrialized countries | 66.67 | 114.08 | 24.80 | 58.76 | 13.35 | 3.99 | 281.45 |
| OPEC | 39.17 | 45.50 | 0.39 | 22.77 | 1.98 | 0.06 | 109.87 |
| Other developing countries | 22.69 | 42.35 | 6.37 | 18.84 | 7.01 | 0.77 | 98.03 |
| CEMA | 10.44 | 9.76 | 2.64 | 7.59 | 44.37 | 1.96 | 78.76 |
| Other socialist countries | 0.82 | 2.04 | 0.51 | 2.58 | 1.24 | ...(1) | 7.19 |
| Imports | 285.72 | 289.87 | 57.36 | 142.63 | 82.46 | 8.37 | 866.40 |

SOURCE: Data of MONTHLY BULLETIN OF STATISTICS. Own treatment of data.
(1) Lack of data.

The first to be presented will be the findings derived with the aid of the Hirschman concentration coefficients. The degree of concentration estimated pertains to the aggregate exports or imports of discrete groups of countries and at the same time it reveals the degree of concentration of foreign trade in the selected groups of countries. The Hirschman criterion is based on the fundamental structural relationships of the matrix of trade flows, and it is determined as the square root of the sum of discrete markets in the aggregate imports or exports of the analyzed group of countries. The normalized coefficient lies within the (0, 1) range. In the event of total concentration of exports or imports the value of the coefficient is 1, while its 0 value corresponds to a uniform spread of imports or exports among all the participants in foreign trade included in a given comparison. Table 2 presents Hirschman coefficients calculated separately with both allowance for and disregard of trade turnovers among the countries belonging in a given group. For both exports and imports the coefficients pertaining to EEC, CEMA, and OPEC are the highest, since in the pertinent calculations we allow for internal turnover within these blocs. On the other hand, disregard of internal turnover reveals explicit differences among the blocs. For the OPEC countries the coefficient remains at an unchanged high level, which means a nearly total concentration of exports and imports in countries not belonging to that bloc. For the EEC and CEMA countries the exclusion of internal turnover results in a decline in the value of the coefficient, and for CEMA countries this decline is much more marked. Although the Hirschman criterion is termed a "concentration coefficient," in reality it provides direct information on the intensity of foreign trade between distinct groups (blocs) of countries. Two versions of the criterion may be used for purposes of

comparison to evaluate the intensity of internal trading ties within individual groups of countries.

Table 2. Hirschman Concentration Coefficients for Six Groups of Countries in 1975

EXPORTS

$$\left[\text{for exports } M_i = \frac{1}{1-\sqrt{n}} - \frac{\sqrt{n}}{1-n}\sqrt{\sum_{j=1}^{n}\left(\frac{x_{ij}}{x_i}\right)^2}\right]$$

| | Allowing for internal trade within the bloc | Excluding internal trade within the bloc |
|---|---|---|
| EEC | 0.58 | 0.30 |
| Other industrialized countries | 0.52 | 0.33 |
| OPEC | 0.58 | 0.58 |
| Other developing countries | 0.54 | 0.50 |
| CEMA | 0.01 | 0.22 |
| Other socialist countries | 0.51 | 0.51 |

IMPORTS

$$\left[\text{for imports } M_{.j} = \frac{1}{1=\sqrt{n}} - \frac{\sqrt{n}}{1-n}\sqrt{\sum_{i=1}^{n}\left(\frac{x_{ij}}{x_{.j}}\right)^2}\right]$$

| | Allowing for internal trade within the bloc | Excluding internal trade within the bloc |
|---|---|---|
| EEC | 0.58 | 0.28 |
| Other industrialized countries | 0.52 | 0.34 |
| OPEC | 0.60 | 0.60 |
| Other developing countries | 0.52 | 0.50 |
| CEMA | 0.60 | 0.29 |
| Other socialist countries | 0.57 | 0.57 |

Another criterion proposed by Hirschman is the coefficients of trade preference with respect to trade with "small" countries, with a country's size being identified with its share in international trade. Hirschman's position is that foreign trade may serve to make partners interdependent. The decisive factor is the selection of "large" or "small" countries as main customers. The degree of the spread of trade turnover may serve to estimate the degree of advancement of such factors. To an analysis of integrative processes it is more essential to identify the preferences practiced by the groups of countries forming associations of an integrative nature. When the criterion exceeds unity, this means preference for smaller customers or suppliers. When the R is contained within the (0, 1) range, this points to the

concentration of exports or imports within the groups of countries with the largest share in international trade turnover. R = 1 corresponds to a situation in which the exports or imports of a given group of countries are uniformly distributed among all partners. Table 3 presents findings which indicate that the OPEC, for example, is extremely dependent on the countries with the largest trade potential. Of course, when thus interpreted, the dependence need not fully correspond to economic and political realities, and it requires additional interpretation. In the particular case when exports are limited to a single extremely valuable commodity (crude petroleum), it is rather the principal importers (the EEC and the industrialized countries) that are dependent on the monopoly of the Arab countries. The highest values of the preference coefficients pertain to the exports and imports of CEMA--a bloc which places a premium on internal trade exchange at the expense of contacts with the potentates of world trade. A valuable complement as well as another attempt at a practical application of the presented Hirschman criterions may be Tables 4 and 5, which estimate the preferences present within the most highly integrated economic groupings.

Table 3. Hirschman Preference Coefficients for Six Groups of Countries in 1975

EXPORTS: $\left[ R_i = \sum_{j=1}^{n} \frac{x_{ij}}{x_{.j}} : n \cdot \frac{x_{i.}}{x_{..}} \right]$

| | |
|---|---|
| EEC | 0.86 |
| Other industrialized countries | 1.08 |
| OPEC | 0.65 |
| Other developing countries | 0.95 |
| CEMA | 1.77 |
| Other socialist countries | 1.04 |

IMPORTS: $\left[ R_{.j} = \sum_{i=1}^{n} \frac{x_{ij}}{x_{i.}} : n \frac{x_{.j}}{x_{..}} \right]$

| | |
|---|---|
| EEC | 0.80 |
| Other industrialized countries | 0.99 |
| OPEC | 0.85 |
| Other developing countries | 1.19 |
| CEMA | 1.64 |
| Other socialist countries | 0.92 |

SOURCE: Own data

Table 4. Hirschman Preference Coefficients for European Countries Belonging to CEMA in 1976

| Country | For exports | For imports |
|---|---|---|
| USSR | 1.5129 | 1.5814 |
| GDR | 1.0901 | 1.0365 |
| Czechoslovakia | 1.0085 | 1.0124 |
| Poland | 0.9707 | 0.9450 |
| Hungary | 0.9090 | 0.9120 |
| Romania | 0.9323 | 0.9921 |
| Bulgaria | 0.7740 | 0.7180 |

SOURCE: Own data

Table 5. Hirschman Preference Coefficients for EEC Member Countries in 1976

| Country | For exports | For imports |
|---|---|---|
| FRG | 1.1542 | 1.2281 |
| France | 1.2324 | 1.0088 |
| Holland | 0.9236 | 0.9953 |
| Belgium/Luxembourg | 0.9139 | 0.9121 |
| Italy | 0.8065 | 0.9070 |
| Great Britain | 1.9651 | 2.0422 |
| Denmark | 1.0755 | 0.8948 |
| Ireland | 1.2283 | 1.3710 |

SOURCE: Own data

A more complex interpretation applies to the coefficients of standardized trade dependence formulated by Beckerman. They are intended to reveal the degree of dependence of individual trade partners on their share in discrete flows of exports or imports. Thus, now dependence is construed as the importance of a particular type of exports or imports to the entire structure of the trading ties of a given group of countries. The criterions proposed by Beckerman are expressed in the formulas accompanying Tables 6 and 7. These coefficients are normalized within the (1, n) range, and a comparison of a series of coefficients pertaining to different flows of trade provides sufficient premises for evaluating the importance of the volume of particular exports or imports. This precludes the effect of overall exports by exporter and imports by importer, which objectivizes the assessment of the nature of bilateral trade contacts. Tables 6 and 7 present the resulting findings. The coefficients with the highest values pertain to trade flows within the CEMA, while those with lowest values pertain to the trade turnover of the OPEC states. The Beckerman coefficients, like the Hirschman coefficients, essentially reveal which international trade routes are most intensively used. The absolute figures on trade flows are interpreted for a coherent system of interdependences derived from the structure of the matrix of foreign trade flows.

Table 6. Coefficients of Standardized Dependence on Exports

$$\left( SXD_{ij} = n \frac{x_{ij}}{x_{.j}} : \sum_{j=1}^{n} \frac{x_{ij}}{x_{.j}} \right)$$ for Six Groups of Countries in 1975

| Consignee \ Consignor | EEC | Other industrialized countries | OPEC | Other developing countries | CEMA | Other socialist countries |
|---|---|---|---|---|---|---|
| EEC | 1.74 | 0.90 | 1.36 | 0.76 | 0.00 | 0.64 |
| Other industrialized countries | 0.67 | 1.12 | 1.22 | 1.18 | 0.46 | 1.37 |
| OPEC | 1.66 | 1.91 | 0.08 | 1.94 | 0.29 | 0.09 |
| Other developing countries | 0.74 | 1.36 | 1.03 | 1.23 | 0.79 | 0.85 |
| CEMA | 0.23 | 0.21 | 0.29 | 0.34 | 3.43 | 1.49 |
| Other socialist countries | 0.34 | 0.82 | 1.03 | 2.10 | 1.74 | ... |

SOURCE: Own data

Table 7. Coefficients of Standardized Dependence on Imports

$$\left( SMD_{ij} = \frac{x_{ij}}{x_{i.}} : \sum_{i=1}^{n} \frac{x_{ij}}{x_{i.}} \right)$$ for Six Groups of Countries in 1975

| Consignee \ Consignor | EEC | Other industrialized countries | OPEC | Other developing countries | CEMA | Other socialist countries |
|---|---|---|---|---|---|---|
| EEC | 1.89 | 0.81 | 1.39 | 0.55 | 0.32 | 0.61 |
| Other industrialized countries | 0.90 | 1.26 | 1.55 | 1.06 | 0.30 | 1.60 |
| OPEC | 1.35 | 1.29 | 0.06 | 1.06 | 0.12 | 0.07 |
| Other developing countries | 0.88 | 1.34 | 1.15 | 0.98 | 0.46 | 0.88 |
| CEMA | 0.51 | 0.40 | 0.61 | 0.50 | 3.70 | 2.87 |
| Other socialist countries | 0.44 | 0.89 | 1.26 | 1.83 | 1.10 | ... |

SOURCE: Own data

Interpreting the matrix of the flows of foreign trade in terms of the calculus of probability makes it possible to introduce the correlation coefficient as yet another criterion of the intensity of trading ties. Suppose the random variable $U_i$ means that the group of countries i acts as an exporter, and the random variable $V_j$ means that the group of countries j acts as an importer. The random variables are determined for a population consisting of $x_{...}$ units of trade flows. Assuming the independence of the random variables, we derive a simple formula that must be satisfied by the trade flow corresponding to the adopted assumption: $x_{ij} = x_{i.} x_{j} : x_{..}$ The correlation coefficient is in this context written as:

$$r_{ij} = \frac{p(U_iV_j) - p(U_i)p(V_j)}{\sqrt{p(U_i)[1-p(U_i)]\,p(V_j)[1-p(V_j)]}} \quad i,j = 1,2,\ldots,n$$

$$\text{where} \quad p(U_i) = \frac{x_{i.}}{x_{..}};\ p(V_j) = \frac{x_{.j}}{x_{..}};\ p(U_iV_j) = \frac{x_{ij}}{x_{..}}$$

The specific nature of the findings derived with the aid of the correlation coefficient is determined by the covariance present in the numerator of the above formula. This covariance represents the differential yardstick of the deviation of the actual volume of trade flow from the hypothetical volume ensuing from the premise of the independence of the random variable. The correlation coefficient lies within the range (0, 1). Table 8 contains coefficients estimating discrete trade flows. It is readily seen that the absolute value of the difference between $x_{ij}$ and $x_{ij}$ determines the value of the coefficient. A major role is played by the scale itself of the process of trade exchange, and thus the highest estimates of the intensity of trade flow pertain to the groups of countries with the highest export and import turnovers. The correlation coefficient for internal turnover within CEMA is here twice as high as its counterpart for EEC. In this comparison, the most disintegrated pattern is revealed for the exports from other socialist countries to the OPEC countries. The high estimate of internal trade ties within CEMA is the exception proving the rule that the maximum value is to be assigned to the trade flows that are highest in absolute value. Noteworthy here is the comparison with the normalized delta coefficient--a criterion of a relative (mathematical product) nature.

Table 8. Matrix of Correlation Coefficients for Six Groups of Countries in 1975

| Consignor \ Consignee | EEC | Other industrialized countries | OPEC | Other developing countries | CEMA | Other socialist countries |
|---|---|---|---|---|---|---|
| EEC | 0.2558 | -0.1134 | 0.0340 | -0.1066 | -0.1110 | -0.0302 |
| Other industrialized countries | -0.1372 | 0.1041 | 0.0592 | 0.0823 | -0.1128 | 0.0327 |
| OPEC | 0.0217 | 0.0643 | -0.0954 | 0.0438 | -0.1004 | -0.0368 |
| Other developing countries | -0.0745 | 0.0763 | -0.0013 | 0.0264 | -0.0291 | -0.0064 |
| CEMA | -0.1287 | -0.1372 | -0.0396 | -0.0550 | 0.5132 | 0.0502 |
| Other socialist countries | -0.0423 | -0.0093 | -0.2168 | 0.0470 | 0.0226 | -0.0112 |

SOURCE: Own data

If we proceed from the premise of the independence of the random variables $U_i$ and $V_j$, the delta coefficient compares the actual and the hypothetical volumes of trade flow. The normalized delta coefficient has values lying within the

range (-1, 1), with the 0-level corresponding to a situation in which instances of occurrence of country i in the role of an exporter and country j in the role of an importer in the same transaction can be regarded as independent random variables. The value 1 corresponds to the maximum intensity of trade flow and -1, to minimum intensity. A normalizing formula has been proposed by G. Fink.[6]

The value of the criterion dsi is not decided by the scale of the process of trade exchange. The relative nature of this criterion causes the highest prices to pertain to strongly directional trade flows based on explicit trade preferences. A premium is placed on those trade flows--even if they are relatively small in value--which reflect the mutual preferences of the exporter and the importer.

The findings derived in Table 9 differ for this reason from the previously presented findings. True enough, the highest values of dsi again pertain to the internal trade turnovers within the CEMA and the EEC, but essentially the delta coefficient and the correlation coefficient measure the intensity of trade ties on proceeding--as has been elucidated above--from two different interpreting conventions. The correlation coefficient provides a distinctly lower estimate of trade flows that are low in value. The delta coefficient, especially in its normalized form, links the analyzed trade flow to a hypothetical trade flow, relatively speaking, eliminating in its turn the value of the scale of the trade exchange performed.

Table 9. Matrix of Criterions of Scale of Integration dsi* (Diagnostic Scale of Integration) for Six Groups of Countries in 1975

| Consignee \ Consignor | EEC | Other industrialized countries | OPEC | Other developing countries | CEMA | Other socialist countries |
|---|---|---|---|---|---|---|
| EEC | 0.2606 | -0.2236 | 0.0908 | -0.3351 | -0.4799 | -0.4385 |
| Other industrialized countries | -0.2817 | 0.1063 | 0.1541 | 0.1291 | -0.5016 | 0.2249 |
| OPEC | 0.0399 | 0.1197 | -0.9464 | 0.0510 | -0.8107 | -0.9435 |
| Other developing countries | -0.2981 | 0.1464 | -0.0185 | 0.0330 | -0.2487 | -0.1869 |
| CEMA | -0.5876 | -0.6200 | -0.4805 | -0.3993 | 0.5286 | 0.1597 |
| Other socialist countries | -0.6542 | -0.1520 | 0.0051 | 0.2325 | 0.0846 | ... |

SOURCE: Own data

*dsi is the normalized delta coefficient $\left[ ij = \frac{x_{ij} x_{..}}{x_{i.} x_{.j}} = \frac{x_{ij}}{\bar{x}_{ij}} \right]$

Here it is difficult to speak of a general summation. It appears that all the presented criterions should find application in analyses of the matrix of trade flows. It is essential to draw attention to the proper interpretation of the resulting findings, because in many cases the ultimate meaning of figures can be decided by a subjective choice of the criterion. Only an exhaustive commentary defining the scope of analysis and the basic concepts such as economic integration and international integration can provide the appropriate conditions for a proper product of analysis. Although, as presented above, the correlation coefficients and the criterion dsi of a certainty reflect the intensity of trade exchange, the application of one of them makes sense in a specific conceptual-definitional system associated with the slogan of integration. Many studies, such as that of J. Kotynski,[7] provide interesting research tools whose practical utilization is, however, meeting with resistance. Nonetheless, the tables presented above demonstrate that such a labor is worth undertaking, that it can be fruitful, and that it opens vistas of further and broader analyses.

FOOTNOTES

1. J. Sleszynski, "Structure of Flows of International Trade and Problems of Integration," HANDEL ZAGRANICZNY, No 2, 1980.

2. J. Kotynski, "Struktura handlu miedzynarodowego. Metody oceny" [Structure of International Trade. Methods of Assessment], PWE, Warsaw, 1979.

3. G. Fink, "Measuring Integration--A Diagnostic Applied to EEC, CMES and East-West Trade 1938-1975," WIIW Vienna, FORSCHUNGSBERICHTE, No 42, 1977.

4. Sleszynski, op. cit.

5. J. Sleszynski, "Internal Trade Exchange of CEMA Countries and Integration," HANDEL ZAGRANICZNY, No 7/8, 1980.

6. Fink, op. cit.

7. Kotynski, op. cit.

1386
CSO: 2600/652

## BRIEFS

YUGOSLAV-SOVIET TRADE--The Yugoslav Economic Chamber section on economic relations with the USSR is searching for ways of implementing the trade program, especially in new fields of cooperation, to replace those [parts of the program] which cannot be carried out as planned. This year the Yugoslav side will have a marked surplus, and now is the time for both sides to agree on how to balance the trade program. One-third of Yugoslav exports planned for 1982 and one-fifth of Yugoslav imports have been carried out thus far in the total $7 billion plan. Yugoslavia accounts for 4 percent of all Soviet imports; this is a high percentage considering the USSR's membership in CEMA and the large difference in physical potential of the two economies. According to data available to the section, as of 1 June business contracts have been concluded for exporting $2.75 billion worth of goods from Yugoslavia, or 87.8 percent of the 1982 plan, while $2.505 billion worth of Soviet exports have been contracted for, or 90.5 percent of the plan. [Excerpt] [Belgrade PROVREDNI PREGLED in Serbo-Croatian 29 Jun 82 p 1]

CSO: 2800/416

## CATTLE PRODUCTION TRENDS DESCRIBED

Bratislava EKONOMIKA POLNOHOSPODARSTVA in Czech No 4, 1982 pp 222-225

[Article by Professor Engr Jan Vachal, DrSc, Research Institute of Livestock Production, Uhrineves, and Engr Ludek Sereda, State Breeding Enterprises, General Directorate in Hradistko: "Plans for the Development of Cattle Production"]

[Text] Social development, the political and economic changes directly determine the development of agriculture as a whole, and hence also the development of cattle production. The different structure and state of agriculture and of cattle production in individual countries are sufficiently edifying in this respect, and to a considerable extent the differences can be attributed to different political and economic systems.

Cattle production in the CSR underwent an intensive development in the postwar period. After a temporary decline of the results in the 1950's, there has been a resounding improvement particularly in the past decade. This is evident from the data in Table 1 that shows the rise in the level of production as well as consumption, of milk and of beef with bone in 1975-1980.

Table 1. Development of Meat and Milk Consumption in the CSR in 1975-1980

| Indicator | 1975 | 1980 |
|---|---|---|
| Purchasing of slaughter cattle (1000 t) | 453.1 | 484.8 |
| Average slaughter weight (kg) | 502 | 476 |
| Average annual milk yield (liters) | 2846 | 3119 |
| Per capita consumption of meat with bone (kg) | 24.49 | 25.12 |
| Per capita consumption of milk (liters) | 222.4 | 247.6 |
| Total cattle population (1000 head) | 3205.2 | 3498.8 |
| Of which cows (1000 head) | 1323 | 1317.1 |

During the past decade, at more or less the same number of cows, milk production increased, the average annual milk yield increased significantly, and the production of beef cattle increased sharply, primarily as a result of the more intensive reproductive use of the breed herd. But because the average slaughter weight and the average weight gain in feeding simultaneously declined, the number of younger cattle and their proportion within the total turnover of the herd increased. The per capita consumption of milk and meat rose. As we very well know, in meat consumption the CSR ranks among the foremost countries in Europe, and in beef consumption it is at

the very peak. The outlined development means an increase in the output of milk and slaughter cattle per cow of the basic herd and per hectare of farmland. These are decisive indicators of the intensity of development in this branch of livestock production.

When deciding the strategy of the plans for the development of cattle production under the 7th Five-Year Plan and thereafter (with an outlook to the year 2000), it is necessary to take into consideration an entire complex of questions of a technical, organizational, biological and economic nature that completely interact. Their successful estimation for the given time frame of reference and their gradual solution will determine the desirable direction of production and labor productivity not only within the system of cattle production but, in view of cattle production's ability to react on soil fertility, also in direct context with the soil and entire agriculture.

In principle, then, we are seeking on the one hand a credible and possibly reliable estimate of the long-range production conditions that are specified by the production possibilities, and also by the technology, manpower, organization and management, or in other words by the economics of the branch of cattle production. On the other hand we are seeking a possibly accurate estimate of milk and meat consumption. These considerations are the basis of the overall requirements on production, and from them we can then derive the breeding objective of the entire cattle stock, and develop suitable breeding procedures, with sufficient lead time for the age composition of the cattle stock.

From the viewpoint of the external conditions—determined in particular by the political and economic systems, the energy situation, the limited grain resources, population growth, not readily available foreign exchange, etc.--it is and will be increasingly desirable to intensify our own agricultural system, and hence also cattle production that unalterably remains a key area of livestock production. In this context the ability of ruminants, and of cattle in particular, to utilize roughages and to convert vegetable protein into animal protein is shifting to the forefront of attention.

This entire general overview of the problems in developing cattle production is unambiguously underscored also by the objectives and intentions of the party's agricultural policy, approved by the 15th and reaffirmed by the 16th CPCZ Congresses.

Comparison of Development With Europe

As already mentioned, the production and consumption of livestock products, hence also of milk and meat, are developing very differently in the individual countries, depending on an entire series of factors. For illustration and an overall assessment of the trends in the development of cattle production, we have selected information from the data presented at last year's Zagreb session of the European Association of Livestock Production (Bakker, Allen, 1981), as a part of the results of the appropriate work group (see Tables 2 and 3). In this study the countries of Europe (without the Soviet Union; in view of its size and the diversity of its internal conditions, the Soviet Union cannot be compared as a single entity) were divided into ecological zones that roughly correspond to the following groups of countries:

1. Denmark, Finland, Iceland, Norway and Sweden;
2. Belgium, Luxembourg, France, Federal Republic of Germany, Ireland, the Netherlands and United Kingdom;
3. Austria and Switzerland;
4. Greece, Italy, Portugal, Spain, Turkey and Yugoslavia;
5. Bulgaria, Czechoslovakia, German Democratic Republic, Hungary, Poland and Romania.

Table 2. Milk Production in the Countries of Europe

| (1) Skupina zemí | | (2) Skutečnost | | | (3) Prognóza | | Soběstačnost % (4) | |
|---|---|---|---|---|---|---|---|---|
| | | 1960* | 1970* | 1978 | 1985 | 2000 | 1978 | 2000 |
| (5) Mléko spotřeba [tis. t 4 %] | 1 | 11050 | 10185 | 10220 | 9940 | 9645 | 136 | 128 |
| | 2 | 73845 | 81935 | 79145 | 79140 | 79270 | 115 | 111 |
| | 3 | 5670 | 6330 | 6455 | 6390 | 6175 | 103 | 100 |
| | 4 | 23145 | 26545 | 35110 | 43930 | 60460 | 84 | 82 |
| | 5 | 29485 | 35080 | 40520 | 43500 | 47450 | 103 | 103 |
| (6) Ø roční dojivost [kg] | 1 | 3225 | 3945 | 4750 | 5342 | 6386 | | |
| | 2 | 2873 | 3378 | 3821 | 4072 | 4763 | | |
| | 3 | 2345 | 3297 | 3644 | 3935 | 4386 | | |
| | 4 | 1551 | 1585 | 1723 | 1931 | 2402 | | |
| | 5 | 1984 | 2443 | 2952 | 3259 | 3760 | | |
| (7) Počet krav [tis. ks] | 1 | 4473 | 3276 | 2917 | 2390 | 1930 | | |
| | 2 | 22440 | 23104 | 23492 | 21595 | 18170 | | |
| | 3 | 2066 | 1968 | 1885 | 1670 | 1410 | | |
| | 4 | 11761 | 12919 | 14630 | 16215 | 18640 | | |
| | 5 | 13709 | 13697 | 13934 | 13485 | 12780 | | |

*Three-year average.

Key to Table 2:
1. Country group
2. Report
3. Forecast
4. Self-sufficiency, percent
5. Milk consumption (1000 tons of whole milk containing 4 percent butterfat)
6. Annual average milk yield, kg
7. Number of cows, 1000 head

Even though the data in Tables 2 and 3 do not permit a more detailed evaluation of the development of cattle production in individual countries within the zones (nor is it known by what methods and from what input data the forecasts for the individual zones were prepared), the information is unquestionably interesting regarding both the actual development through 1980 and the forecasts for the year 2000, especially if we compare the CEMA countries (zone 5) with the other groups.

It is estimated that annual milk consumption in zones 1, 2 and 3 is declining, but meat consumption will rise, with self-sufficiency in both. In the countries in groups 4 and 5 there will be a gradual rise in milk consumption as well as meat consumption, but in the countries of group 4 there will remain also in the long run a gap between production and consumption, while in group 5 (CEMA countries) consumption is expected to rise parallel with increasing production and full self-sufficiency.

Table 3. Beef and Veal Production in the Countries of Europe

| (1) Skupina zemí | | (2) Skutečnost | | | (3) Prognóza | |
|---|---|---|---|---|---|---|
| | | 1960 | 1970 | 1978 | 1985 | 2000 |
| (4) Výroba [tis. t] | 1 | 491 | 550 | 571 | 580 | 585 |
| | 2 | 3665 | 4679 | 5316 | 5650 | 6375 |
| | 3 | 246 | 326 | 359 | 395 | 450 |
| | 4 | 1077 | 1745 | 1981 | 2475 | 3570 |
| | 5 | 1111 | 1740 | 2138 | 2450 | 3020 |
| (5) Spotřeba [tis. t] | 1 | 347 | 403 | 438 | 445 | 480 |
| | 2 | 4077 | 4899 | 4962 | 5345 | 6060 |
| | 3 | 246 | 335 | 353 | 385 | 440 |
| | 4 | 1215 | 2356 | 2665 | 3135 | 4330 |
| | 5 | 1139 | 1603 | 1984 | 2240 | 2790 |
| (6) Soběstačnost [%] | 1 | 141 | 136 | 130 | 130 | 122 |
| | 2 | 90 | 96 | 107 | 106 | 105 |
| | 3 | 100 | 97 | 102 | 103 | 102 |
| | 4 | 89 | 74 | 74 | 79 | 82 |
| | 5 | 98 | 109 | 108 | 109 | 108 |

Key:

1. Country group
2. Report
3. Forecast
4. Production, 1000 tons
5. Consumption, 1000 tons
6. Self-sufficiency, percent

In the countries of Western Europe, the process of a reduction in the number of cows and of a parallel rise in the average milk yield will continue. So far as meat production is concerned, the production of veal in these countries is expected to decline, and that of beef to increase, by feeding most calves to heavier slaughter weights, which is the trend begun in our country already in the 1970's. The authors of the study do not believe that this system will spread significantly in countries where there are meager traditions for raising fat breeds of cattle; in their opinion, technological procedures and the practical application of scientific results will unquestionably be used (better management of pastures and meadows, utilization of secondary sources of feed and fodder, growth inhibitors, embryo transplants, etc.). So far as the type of cattle is concerned, most European countries will give preference to high average milk yields but will still keep dual-purpose cattle, using Holstein bulls fairly extensively to upgrade the population of red-spotted and black-spotted cattle.

This briefly outlined general estimate of the development of cattle production in corresponding zones during the forecast period has much in common with the expected development of cattle production in the CSR.

Our own conceptual plans must likewise carefully evaluate the development to date (a brief characteristic of which can be found in Table 1), and at the same time carefully weigh the possibilities of ensuring the environmental conditions for cattle production, including feed. Under our conditions of the planned management of socialist agriculture, furthermore, decisive in setting the long-range objectives for the entire cattle population is also the warranted development of consumption: we anticipate a moderate rise in milk consumption, and growing demand for the production and consumption of meat.

## Optimization Demands a Comprehensive Approach

Thus it is evident that solution of the development of cattle production can be approached only with an effort to optimize entire livestock production, taking into consideration the existing sources of feed and fodder, particularly of feed grain, and the feedback of the cattle to the soil that is expressed most often in the requirements regarding the density of cattle per unit of acreage.

Concerning the question of the redistribution of feed grain, it is necessary to weigh also the aspects of feed utilization, of the conversion of the feed into the final product. Let us recall that roughly 9 kilograms of feed grain is consumed to produce 1 kg of milk proteins, but as much as 23 kilograms of feed grain is consumed to produce 1 kilogram of meat protein! In an economic evaluation of feed consumption to produce 1 kilogram of beef, pork and poultry meat, we must bear in mind that beef is a coproduct of milk production, whereas pork and poultry meat are sole final products!

Another important consideration is the ability of polygastric animals to digest bulk fodder; from this point of view, cattle are able to produce the most animal protein, in terms of milk and meat jointly, from the feed grown per unit of acreage. So far as meat production alone is concerned, feed grain is best utilized by broilers, then by hogs, and least efficiently by feeder cattle. If the entire complex of productive factors is considered from the viewpoint of ensuring self-sufficiency in grain production, then in the mutual evaluation of cattle, hogs and poultry for meat production we must devote special attention to cattle, in agreement with the latest party resolutions.

A further important consideration is the cattle density per unit of acreage. Academician Karel Kudrna is frequently quoted in this context. He estimates that a minimum cattle density of about 80 head per 100 hectares of farmland is necessary in the CSSR to ensure the lower limit of the agricultural system's stability. This density is already being achieved on average in the CSR, with the exception of North Bohemia and West Bohemia Krajs. In East Bohemia Kraj this density is even exceeded by more than 10 percent. Thus we should strive to gradually eliminate the differences between krajs, and within krajs between their okreses, and particularly within the okreses between their agricultural enterprises, but at only a gradual moderate rise in the total cattle population in the entire CSR, in accordance with the intensification of the feed base, primarily in terms of bulk fodder. At a desirable increase in the growth intensity of young cattle, primarily the cow population should increase, and thus the total cattle population's structure should change in favor of the proportion of cows. The low increases in the number of heifers, together with the early mating of underweight heifers, have resulted in a deterioration of the dairy herd, evident in the high culling rate of older cows and in their declining average slaughter weight. This situation often did not leave sufficient room for the advantageous and effective selection of first calves, despite the intensive use of heifers for reproduction.

It is an entirely different question that in the past the importance was underestimated of organic manures from the viewpoint of maintaining and improving soil fertility, and the supply of manure was utilized entirely inadequately. Under these conditions, even when the lower limit of cattle density was achieved in the CSR, the feedback to the soil has been below the desired level. A radical change in this respect is one of the decisive factors for the further development of the entire agricultural system.

Similarly the low growth intensity of feeder bulls had an unfavorable effect by extending the period of feeding and reducing the slaughter weight. Parallel with the extension of the period of raising and feeding, the number of cattle in these categories gradually increased as a result of the growing intensity of reproduction that was caused, at the same number of cows, by the intensive mating of heifers (as much as 37.5 percent per 100 cows on average for the entire CSR).

Because the feed base did not grow with commensurate intensity--and spectacularly favorable changes cannot be expected from one year to the next--for the immediate future it seems desirable to halt the growth to date of the cattle population and to keep it approximately at the present level. At the same time our main effort must be directed toward gradual intensification, of milk production by increasing the average milk yield per cow, and also of beef production by improving the weight gain of young cattle and by gradually raising the slaughter weight. Depending on the possibilities of sheltering and feeding, for the Seventh Five-Year Plan it may be assumed that the present total cattle population can be stabilized at a level of about 3.5 million head, including 1.30 to 1.31 million cows, at a less intensive use of heifers for reproduction.

If we summarize all the listed aspects, it follows from them that it is decisive to adopt basic measures for ensuring an adequate feed base. At the same time the main emphasis must be placed not only on producing sufficient bulk fodder, but also on technological discipline in its harvesting and storage, and on reducing feed losses, particularly losses in quality. Therefore the production of forage in sufficient quantity and of good quality is our task for the present and the future, and it can be regarded as the decisive factor for the intensification of cattle production. In this context our objective should be not only to ensure an adequate assortment of varieties of efficient forage crops and to observe the basic agrotechnical principles in growing them, but also to channel investment to the construction of suitable preservation and storage facilities, and to ensure a line of suitable harvesting machinery. In conjunction with this, special attention should be devoted to haymaking and to the harvesting of fodder beets.

The required intensification of crop production and an adequate supply of feed and fodder will contribute toward upgrading the future dairy herd. Especially desirable is a gradual reduction of the proportion of culled older cows, by extending their useful life and increasing their weight, and thereby improving the overall economic effectiveness. As optimal we can regard raising heifers so that at the age of 17 to 18 months, when they are first serviced, their weight is between 360 and 380 kilograms; on the other hand, more heifers should be culled already during raising if they are slow in gaining weight. These measures could contribute toward expedient regulation of the number of serviced heifers in comparison with the present situation and particularly to the situation in years past, and toward a reduction of the total number of heifers.

In the same manner the overall economics of cattle feeding could improve through the timely culling of more steers, preferably at the very beginning, if they are slow in gaining weight.

Capital construction will be linked essentially to the present development, with more emphasis on complementing existing facilities, and on their reconstruction and modernization. It also appears that systems of stanchioned keep are beginning to find wider

application, especially for dairy cows, with their commensurate concentration in accordance with the regional conditions, the specific sites of capital construction, etc. Generally speaking, the buildings and technological solutions that should find long-term application are the ones that take adequately into account the biological requirements and characteristics of the individual categories of cattle, will not be energy-intensive and will permit efficient feeding and thereby also efficient utilization of feed grain. In the foreseeable future, around the year 2000 or later, it may be assumed that all dairy cows will be housed in mechanized dairy barns, with machine milking in milking parlors or in the stalls.

The high capital intensity of building barns for cows (especially large-capacity barns) will lead to an economically substantiated effort to increase the average milk yield per cow, objectively based on a high conversion rate of feed into milk protein. At the same time it is necessary to take into account the possibilities of cattle feeding; i.e., of improving the quality of feed and fodder supply on the one hand (in general as well as under the specific conditions of the individual agricultural enterprises); and on the other hand, the anticipated total consumption and production of milk. Under our conditions, then, the objective will not be to attain an extremely high average milk yield, merely an optimally high average milk yield per cow.

Entire Cattle Population Must Be Upgraded

From the outlined considerations that jointly determine the future direction in the development of cattle production there also follow requirements for the entire breeding process and for setting a breeding objective for the cattle population. At the level of the entire cattle population, then, we should be breeding dual-purpose cattle as up to now, for both milk and beef, only with a moderately higher milk yield, and possibly with the ability to attain higher slaughter weights at efficient utilization of bulk fodder.

The comprehensive selection program that is already in place and is fully implemented will certainly remain the basis for upgrading the entire cattle population also in the future. The main element of this program is the highly effective offspring testing of bulls for both production characteristics (i.e., for the set of characteristics for milk production, and the set for beef production), as well as for the indicators of reproduction (including ease of calving) and health, on the basis of the adopted and approved methods.

Although the selection program has already been fully implemented in practice, there still remain further possibilities of a technical and organizational nature that can contribute to the gradual perfection of this program. A set of measures will be necessary to increase the number of offspring included in the tests, by organizing their servicing for testing and by complementing the testing facilities (stations for testing slaughter weight and carcass quality), and extending to the storage of more sperm and to increasing the capacity of the central sperm bank. Furthermore, there are possibilities for perfecting and refining the estimation of the breeding qualities of the tested sires, by selecting and using more effective methods of mathematical statistics and by an expedient and economically substantiated combination of the main selection criteria into aggregate selection indices.

In the category of brood cows it is likewise possible to gradually further improve the existing and functioning selection of first calves. This will involve the activity and expansion of breed herds, the construction and operation of stations for

testing the mothers of potential sires, further improvement of the preselection and selection of the mothers of potential sires for mating them with the best breeder bulls, etc.

All these elements should be directed toward the long-range conditions of cattle production and to the set long-range breeding objective. The dynamic development of the entire cattle population, generation after generation, will thereby pursue and implement the objectively set general objectives, which therefore must be weighed and determined very carefully, taking into account not only the biological but also and primarily the economic interrelations within the branch of cattle production and the entire agricultural system. These broader aspects can simultaneously help to properly orient and regulate the importation of strains from the world's top cattle populations that serve the desired breeding purpose and can be used to upgrade our cattle population through the comprehensive breeding and selection program that is in place.

As a supplementary system of cattle production we can consider the specialized keep of cows without marketable milk production. For this purpose it will be possible to use the culled cows, especially the rejects in the selection of first calves of the spotted breeds in particular, and of the Hereford breed under rugged conditions of keep. But here again the application of this supplementary system cannot be considered without solving its economic impact on the enterprise sphere and on society as a whole, because here the only final product is beef, and its production is economically less efficient.

So far as the practical application of qualitatively entirely new scientific knowledge is concerned, we cannot expect significant contributions in the immediate future, even though much hopeful attention is being devoted at present particularly to the practical feasibility of employing embryo transplants, possibly combined with sexing. If this proves successful in practice, it will have an impact on the entire strategy of cattle production, increasing the number of calves from the same population of brood cows or obtaining the same number of calves from fewer brood cows, or developing herds of the same genotype and ranging as far as cloning. Although very bold forecasts have been made in this respect, the overall strategy of cattle production does not take these new methods into consideration, neither abroad nor at home. The other possibilities may be considered approximately, in the sense outlined above, in conjunction with the European forecast of the development of cattle production.

Besides the already mentioned development of the breeding organization's activity, it will be necessary to expediently adapt to the entire strategic plan for cattle production also the activity of the veterinary organization, by shifting it predominantly to the area of comprehensive prevention, which includes the principal factors of animal health and aims to optimize the living environment and feeding of cattle, to reduce reproduction disturbances, and hence to actively control and protect the health of the cattle.

In conclusion we wish to emphasize once again that the proper orientation can be set only by comprehensively solving all the elements of the entire strategy for the development of cattle production, by analyzing them in detail and then synthesizing them. The questions involved are of a technical, as well as of a biological, organizational and economic nature. Some of the outlined considerations can be applied

directly, while others must be subjected to intensive study, until their final economic solution.

The principal factor in the overall strategy and tactics of developing cattle production is and will remain the supply of feed and fodder of good quality. This key problem in developing cattle production demands preferential and constant attention.

1014
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## BRIEFS

FOOD IMPORTS--The imports of the CSSR agricultural food sector constitute at present more than 10 percent of the country's total imports. [Prague ZEMEDELSKE NOVINY in Czech 12 Jun 82 p 1 AU]

KAPEK ATTENDS SEMINAR--The second Czechoslovak-Soviet seminar on "very hard synthetic materials" opened in Prague on 15 June, in the presence of Antonin Kapek, member of the CPCZ Central Committee Presidium and leading secretary of the Prague CPCZ city committee. The main objective of the seminar is to make use of Soviet experiences in this sphere and to expand cooperation with Soviet organizations engaged in the research, development and production of such materials. [Prague RUDE PRAVO in Czech 16 Jun 82 p 2 AU]

INTERNATIONAL IRRIGATION CONFERENCE--The first international conference on new trends in irrigation technology opened in Bratislava on 15 June. It is being attended by more than 200 experts from the CSSR, Bulgaria, Hungary, the GDR and Yugoslavia. [Prague RUDE PRAVO in Czech 16 Jun 82 p 2 AU]

LIGHT TRUCK EXPORTS--This year the Avia Letnany National Enterprise plans to export more than 60 percent of the light trucks it produces. A total of 3,500 of these vehicles should be exported to socialist and 4,200 to nonsocialist countries. The largest importers of Avia trucks are the USSR,Hungary and Poland. The trucks are also being exported to North Korea, Cuba, Algeria, Egypt and Morocco. [Prague LIDOVA DEMOKRACIE in Czech 8 Jun 82 p 6 AU]

CEMA FOOD INDUSTRY COOPERATION--The Council for International Economic and Scientific-Technical Cooperation held a meeting in Prague on 11 June. The council meeting, presided over by CSSR Deputy Premier R. Rohlicek, discussed --among other things--topics concerning the expansion of the CEMA member states' cooperation in the food industry, and dealt with a "draft measure influencing the conditions of direct contractual relations" among the CEMA's economic organizations. [Prague RUDE PRAVO in Czech 12 Jun 82 p 2 AU]

CONTRACTWITH USSR--In Moscow, representatives of the Soviet Mashinoimport and the Czechoslovak Srojexport foreign trade enterprise have signed one of the largest contracts for the delivery of Skoda electric locomotives. On the basis of the contract, next year the Skoda Plzen concern will produce for Soviet railroads 80 express electric locomotives and spare parts worth Kcs865 million--60 5,100-kwlocomotives of the CS4T type and 20 6,160-kw locomotives of the CS7 type. [Prague RUDE PRAVO in Czech 9 Jun 82 p 2 AU]

WORK DISABILITY IN 1981--In 1981 an average of 289,346 employees a day were absent from their places of work owing to illness or accident. The average work disability rate was thus 4.14 percent, compared with 4.34 percent in 1980. In the Czech Socialist Republic the work disability rate was 0.51 percent higher than in Slovakia. [Prague RUDE PRAVO in Czech 9 Jun 82 p 5 AU]

FODDER HARVEST--In the Czech lands by 14 June, perennial fodder crops were harvested from 60 percent of arable land and from 55 percent of pastures and meadows. [Prague ZEMEDELSKE NOVINY in Czech 16 Jun 82 p 1 AU]

WORK DISABILITY--At a press conference held in Bratislava on 15 June, Slovak First Deputy Minister of Health I. Hatiar provided information about the developments in the sphere of work disability due to illness or accidents and in the sphere of occupational diseases. Hatiar stated that in Slovakia in 1981, on the average more than 95,000 employees were missing daily from their workplaces. Due to accidents occurring outside work hours alone, "which have an increasing tendency," 10,400 persons were missing from their places of employment daily. Also, the number of fatal work accidents increased last year--mostly in the construction sector--Hatiar said, adding that in the first quarter of 1982 a total of 50 persons were killed on the job. [Bratislava PRAVDA in Slovak 16 Jun 82 p 2 AU]

CONSULTATION ON ENERGY--A statewide consultation of ranking personnel of the CSSR fuel and energy sector, held in Prague on 15 June, was devoted to problems connected with fulfilling the 1982 plan, to issues of the 1983 execution plan and to ensuring the tasks of the Seventh Five-Year Plan. The conference was attended, among others, by CPCZ Central Committee Secretary Josef Haman and CSSR Minister of fuel and power Vlatimil Ehrenberger. Representatives of the CSSR Federal Assembly, the CSSR Government Presidium office, State Planning Commission, CSSR State Bank and other central agencies were also present. Haman noted the key importance of the smooth supply of the national economy with fuels and energy, and called on the attending ranking personnel and functionaries of coal basins to exert maximum efforts to fulfill this year's coal extraction tasks. [Prague RUDE PRAVO in Czech 16 Jun 82 p 3 AU]

COOPERATION WITH USSR--Business talks between the director general of Soviet Production Associations of Electrical Engineering, led by Y. Khomenko, representative of the USSR Communications Equipment Ministry, and J. Stanek, director general of the Tesla Economic Production Unit of Consumer Electronics, began on 16 June in Bratislava. The talks aim at achieving specific agreements for expanding cooperation and the range of consumer electronic products on the CSSR market, and at speeding up the production of certain promising products in this field. The delegation was also received by J. Lenart, CPCZ Central Committee Presidium member and first secretary of the Slovak Communist Party Central Committee, who acquainted it with the tasks set by the CPCZ Congress and underscored the role of consumer electronics." [Bratislava PRAVDA in Slovak 17 Jun 82 p 2 AU]

MILK PROCUREMENT FIGURES--By the end of this May, Slovak farms sold the state over 14 million liters of milk less than planned. The cause was a lack of good quality fodder which would not endanger the cattle's health. The worsened quality of bulk fodder is due to the lack of discipline in adhering to correct technological principles. [Bratislava PRAVDA in Slovak 17 Jun 82 p 1 AU]

ADVANCE OF COMMUNICATIONS--According to V. Chalupa, CSSR minister of communications, the communications sector in the CSSR now has about 113,000 employees. In the last 10 years the number of telephone licences increased 53 percent; the number of those waiting for a telephone dropped in the last 10 years from 600,000 to 196,000. About 2,920 letters and postcards, and 7,400 packages were lost in the mail last year. By the end of 1983, the post will be transmitting the pages of PRAVDA from Bratislava to Zilina and Kosice, in the way it is now transmitting pages of RUDE PRAVO from Prague to Brno and Ostrava. [Bratislava PRAVDA in Slovak 17 Jun 82 p 2 AU]

CSO: 2400/303

PROBLEMS OF TSZ WORKING CAPITAL MANAGEMENT VIEWED

Budapest FIGYELO in Hungarian 2 Jun 82 p 13

[Article by Dr Gabor Foti: "With the Same Measure"]

[Text] The control offices of regional tsz [producer cooperative] associations examined the 1981 inventory management of 66 agricultural producer cooperatives. The examination sought an answer for what reserves are there in material supply and in financing the expenditures, or what kind of measures by the cooperatives and by the state are necessary to improve working capital management.

The production of the producer cooperatives calculated at current prices increased by an average of 12 percent per year during the span of the Fifth Five-Year Plan, by a total of 63 billion forints. However, the end-of-year growth rate of production and sales inventories fell significantly short of production's growth during the first 4 years of the plan period. Simultaneously, the sum of short-range production loans used increased gradually. Banking costs increased by an average of 12 percent per year.

In 4 years the end-of-year levels of loans supplementing the revolving funds and loans advanced to the revolving funds increased by about 140 percent. As a result of changes in the regulations enacted at the end of the plan period, the revolving fund inventory increased by 21.6 percent between 1979 and 1980.

Uncertain Planning

In their annual plans the cooperatives include their need for revolving assets for production during the year. But while the needs for means for basic activities in each branch can be calculated approximately accurately, the needs for means for supplementary activities can be calculated only approximately. To a decisive extent the inaccuracies of planning result from the continual price changes of equipment purchased, mainly of free-prices items, not yet known at the time of planning. As a consequence of all these things, the producer cooperatives plan their money coverage needed for continuous production with a certain safety factor. And they also include in this the reserves necessary for the "loan negotiation" conducted with the bank.

In planning the value of the funds for the time of the so-called bank measurement includes many factors of uncertainty (for example, the weather, price fluctuations, etc.). As a consequence of all this, the "narrower overhead costs" move within rather broad limits, which causes problems in planning the value increases of the inventories and in obtaining loans for this.

The situation is only complicated further by the fact that even though, for biological reasons, the inventories are needed at strictly specified times, quantities and qualities, the rates of deliveries are determined by the storage and transportation facilities of the manufacturing and sales organs. For example, the chemical fertilizers and plant protection chemicals ordered by a schedule and the order is so accepted, but the deliveries arrive several months ahead of schedule, or quite the opposite happens: they are delayed. It also occurs that the quantities ordered are unilaterally decreased by the sellers.

The several months of storage accepted in the interest of more reliable supply causes an unnecessary tieing up of finances, the lack of adequate storage space, significant losses, and the lack of planning in deliveries, as well as the use of certain transportation organization solutions (for example, transportation on holidays) causes labor organization problems for the produer cooperatives.

The packaging material and spare parts supply problems also lead to forced hoarding and the development of idle inventories. The situation is made more difficult by, for example, the fact that following price changes of spare parts—according to the 1979 and 1980 spare parts purchase bills of the cooperatives examined, the prices of 32 different types of spare parts went up by an average of 40 percent--, there is no procedure for reevaluating the inventories because of the price changes. And price changes of such size cause financial problems for the producer cooperatives. But if there were a possibility for reevaluation, the difference from reevaluation could be credited between the inventory account and the revolving fund account without tax payment obligations.

There is an effect of interaction between the revolving fund supply of the producer cooperatives and their production levels and the profitability of their economic operation. In the cooperatives with the best revolving fund supplies the production value per hectare of production area (53,800 forints) is more than triple of those with poor supplies (17,500 forints). The difference is more than 23-fold (0.5 and 11.7 percent) in profit levels in relationship to the production values.

There is quite a broad difference in the growth rates of durable inventories and revolving funds. While in the TSZs with poor financial supplies from one year to the next the 26 percent increase in durable inventory value was followed by a 7 percent lower, or 19 percent increase of the revolving funds, in the units operating on a higher level, without credit, the 33.7 percent growth rate of the value of durable inventories was accompanied by a 3.7 percent higher, or 37.4 percent increase in the revolving funds.

In the producer cooperatives with poor financial supplies the inventory value calculated at diminished costs is higher than the realization prices. Thus, these farms are producing at a greater cost than for what they can sell the merchandise. This indicates that the durable means of this circle of cooperatives contain activated losses. Thus, here the credit extended for increasing the value of the inventories does not represent increased means for expanding production, but increasingly it is credit for unrealizable value increases, or losses.

Financial supply for the production activity is based on the annual loan contract. But the farms do not use the so-called revolving credit much. Therefore even with the large sums of money for bills they often use supplementary working capital loans at high interest rates.

The interest burdens on cooperatives are often increased by the fact that most customer enterprises fulfill their payment obligations only after the longest possible carrying time. In contrast with this, too many organizations are implementing demands immediately on billing, as authorized by statute or on the basis of agreement by the cooperative.

The working capital needs of the cooperatives is also increased unjustifiably by the fact that in investments they build themselves, the otherwise existing financial means of the investment can be used only after the performance values have been billed. Thus, in order to implement these investments, on the one hand they need duplicate resources, and on the other hand the interest costs increase because of the unnecessary loans. In addition to this, the sum on the account and intended for the investment draws no interest.

It Would Be Good, If

There are several possibilities to increase the supply of working capital, to improve inventory and money management in the cooperatives examined. For example, in some of the cooperatives the financial means assigned for development purposes--after coordinating this with the bank's organs--could be involved in financing the working capital. Improving the personnel and material conditions of inventory management, better organization of the delivery and receiving of the quantity and quality of the supplies, and better planning of the purchases and sales would also improve the inventory management of the cooperatives.

The interest burdens could also be decreased by the use of revolving credit, by shortening the time of validity during which demands can be made, by taking a more consistent stand against late payers, by expanding the opportunities for taking out less costly loans (KTA: Mutual Assistance Fund, loans to members), by the timely fulfillment of repayment obligations, or by using a larger ratio of the development funds for increasing the working capital.

Besides all these things, central measures would also be needed. For example, it would be practical to build into the planning system a planning opportunity also for minimizing inventory at some other point in time than 31 December.

In the interest of decreasing idle inventories, among other things, the collection and removal of plant protecting chemicals which have become unneeded, and are still in intact packages, should be organized.

The storage costs and storage losses of producer cooperatives, related to deliveries ahead of schedule, should be compensated in some manner, for example, in the form of price discounts. It would be justified to simplify the inventory revaluation system, and to expand the revaluation opportunities for the present, larger circle of industrial products (based on average indices). In placing values on home-produced inventories such an upper limit should be developed which would screen out the unrealizable costs, the activation opportunity of the losses.

In the circle of low profitability cooperatives the stockpiling of revolving assets (inventories and cash) is a basic condition for expanding production and improving profitability. In this circle, therefore, it would be justified to examine the possibility of expanding resources (perhaps credit construction) at the expense of the untaxed profits. It could be considered that for self-executed investments the purchase of materials for the investment, and financing the wages for labor should not involve unjustified loans and interest burdens.

Naturally, these are only partial solutions! The basic one would be if the regulatory system developed an operational approach and behavior in which the producer cooperatives would consider justified expansion of the working capital to be the same kind of development as an investment.

8584
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## RESTRUCTURING OF ECONOMY REQUIRES LONG RANGE PLANNING

Warsaw ZYCIE GOSPODARCZE in Polish No 21, 13 Jun 82

[Article by Danuta Hubner and Wojciech Hubner: "Changes in the Structure and Ties With the Surrounding Milieu"]

[Text] The call to rebuild economic structures appears in many statements regarding our country's current situation. Although it is understandable that today attention is focused on current actions, those of a stabilizing nature, nonetheless, the basic hindrances standing in the way of a sounder economy and its further development are structural in nature.

There are unsurmountable barriers to extensive expansion in the Polish economy. The low labor productivity and low effectiveness of the other production factors keep management costs high. Cheap resources of the labor force, energy, and raw materials are basically exhausted. Under the conditions where there are supply barriers, consumption cannot be a driving force of development either. As a result, within the framework of existing structures and given their effectiveness, the fixed (structural) feature of the economy is the growth of imports at a rate more rapid than that of exports, but the overall lack of internal equilibrium is accompanied by a growing deficit in foreign trade.

We should also take as unreal at the same time the often silently accepted assumption that the very exhaustion of the extensive factors of development automatically means the economy is on the way to intensive development. In order for intensive development to actually be able to take place, the circumstances for its effective course must be present. It is only the structural reconstruction of the economy which can provide for these circumstances.

In this article we want to show the role which ties with the surrounding milieu should play in the process of restructuring the national economy.

Under the conditions of the existing dimensions of indebtedness, there is a revitalization of concepts of return to at least partial autarky and the expansion of antiimport production, concepts which are particularly dangerous in a situation where the national economy faces the need to begin a long-term process of structural reconstruction.

It can be accepted that short-term ad hoc economic undertakings can run completely autonomously in relation to the changes taking place in the surroundings, and even such tactics of operation can bring the economy short-term benefits, but the long-term strategy for development and hence the restructuring of the economy, however, must be based on full information concerning the directions of the surrounding development and must provide the national economy with beneficial participation in the international division of labor.

If we consider the transformation of the economic structure to be a goal of the projected actions, we must have available information concerning the conditions under which these transformations can produce the desired effect and concerning the means of action which are available. Within the framework of these decision-making components, we can single out the most vital restrictions which should be anticipated in the course of conducting the restructuring process.

Here we should list the internal restrictions and those rooted in the external environment of our economy. Most of the external restrictions which we should expect in the future have had an important impact on the development of our economy at least since the middle of the 1970's (strong inflationary trends, low developmental growth rate of the capitalist countries and relatively great instability in it, free development of international trade, worsening of commodity terms of trade, etc).

The limitations of an internal nature are related both to the real sphere of the management process and also in the regulatory stratum. In the production sphere we are dealing with substantial investment commitment and a production system inherited from the past, one with a historically shaped structure and technical-quality parameters. Today this system is greatly underutilized. The significance of this restriction is tremendous owing to the fact that the source of this underutilization of existing production capacity leading to a great rise in management costs is not a decline in demand but supply limitations, including above all the foreign trade barrier.

In a short period attempts to break or ignore the production, technical, and trade, foreign and domestic, ties will be a factor which will vastly increase the cost of getting out of the crisis.

The economic management system can also appear as a factor restricting the scope and effectiveness of structural policy, if the reform being inculcated does not create adequate incentives and stimuli for structuring proexport economic potential.

The clasp buckling the internal restrictions to the external ones is the balance of payments. This will be a key restriction for a long period of time, not only because of the previous indebtedness and the situation on the international credit market but also because of the structural lack of harmony between the growth rate of exports and that of imports. This restriction should be recognized as one which designates the nature and sphere of current stabilizing measures and the long-range directions of development. Given the limited internal capacity for financing investments, the situation with the balance of payments will hamper the structural maneuver and even limit its scope in many areas with regard to modernizing measures to update the ever-ageing production equipment.

In looking at time we should also consider it to be a factor which is limiting in the process of structural changes. Both the theory of economics and economic history provide proof of the occurrence of inversely proportional relations between the costs of the economy's structural reconstruction and the length of the period in which this process is carried out.

In formulating the concept of restructuring the economy, we can take a timeframe equidistant from the current point of observation (here we usually talk about the stages of actions undertaken) within the framework of which the set goals are successively realized. Then we are dealing with a chronological operating schedule of restructuring measures.

The interior logic of the notion of structural changes, on the other hand, calls for a restoration of the sequencing and a departure from the tasks which one wishes ultimately to carry out in the longest periods to those tasks which these aspirations imply for increasingly shorter periods of time.

Even an optimistic look at the structural changes ultimately designating our economy's new place in the international division of labor must lead us to the conclusion that noticeable effects of the actions undertaken (and these are very intensive ones) cannot appear until a rather substantial passage of time.

Therefore, it becomes essential to establish suitable criteria of selection and therefore the most rational viewpoint for an assessment of the various variants of the changes which can be evoked in the economic system.

If we recognize one of the major shortcomings of the current structure to be its features which ultimately predestine the economy not to be very open, to give it an undistinguished place in the international division of labor, and to be very weak in international competition, then we can designate as a criterion of selection the maximalization of the degree to which the variant being considered agrees with the demand for the economy to gain a respectable economic position in the framework of the economic surroundings.

Therefore, such a criterion would have to be related to the pursuit and selection of the optimal degree of openness for the economy. This would be the equivalent of determining the line between the national economy's interdependence with the milieu, on the other hand (which makes it possible to obtain benefits from exchange) and sovereignty and the gaining of benefits from the economic and political security of such a solution, on the other hand.

Each of the possible variants being analyzed as a possibility for making a change in the structure should be assessed from just this point of view, by designating special sorts of economic enclaves, in which one would purposely achieve complete or nearly complete independence (this can be done in gradations, narrowed to just the national economy or in a broader sense expanded to include the integrated socialist community) and strive to achieve maximum benefits (in absolute or relative categories) over a long period from economic relations with the external milieu.

At the same time it should be emphasized that the dimensions of the "sovereignty enclave" could not be extensive and would be greatly limited by the costs of maintaining them, which is the proverbial other side of the coin. They would represent some sort of departure from the rule, which would be the striving for a rational growth of ties with the milieu. In the modern sense of the process of restructuring, there is no way to overlook the supreme role of the conscious, economically justified process of opening up the economy.

The restructuring processes require drawing up a long-range structural policy. It is more necessary particularly because most of the current undertakings and economic decisions are also being modified, sometimes in a manner which is difficult to grasp from a close perspective, through the internal economic structure.

Conscious structural policy setting specific goals and identifying operating conditions and means, a policy under whose auspices a choice is made in keeping with a uniform criterion, must have at its disposal those mechanisms and instruments which permit a cohesive implementation of the concept being proposed.

Hopes for initiating the process of changes in the economic structure are linked to the mechanisms which ultimately the reform is to set in motion. It would seem that many of them can play and important role in this process and become a driving force in restructuring the economy, but to a great extent it will be the content which these mechanisms of economic policy supply which will determine whether the long-term structural goals will be met.

A great deal also depends on the way in which individual legal documents expand the ideas contained in the previously adopted basic reform documents and then on the sort of day-to-day pragmatics of implementation that results.

The impact of the economic reform mechanisms is being clearly weakened in the example of the current situation, for example, by the selective, limited application of merely excerpted solutions stemming from the basic concept of the reform.

As a result the process of inculcating the reform may both help us overcome structural barriers and be a source for the creation of new restrictions too.

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# EFFECTING ECONOMIC REFORM IN FOREIGN TRADE DISCUSSED

## Managerial Principles

Warsaw HANDEL ZAGRANICZNY in Polish No 1-2, 1982 pp 15-17

[Article by Eugeniusz Harasim: "The Directions of Effecting Economic Reform"]

[Text] The economic reform which was put into effect at the beginning of 1982 introduces new principles of managing the entire economy, including foreign trade. The principles of managing this sphere of the economy may be specified, although not too precisely, in the following way:

1. foreign trade enterprises and production enterprises are achieving considerable independence in the area of export activity,

2. new principles of foreign exchange distribution and import functioning are in force,

3. new principles of clearing of accounts for supplies for export or from import have been introduced,

4. the functions of the central authorities in foreign trade management have undergone changes.

New decisions with regard to economic instruments, such as producer prices, foreign-exchange rates, taxes, etc., are closely tied in with all the mentioned directions of changes in managerial principles.

The principles of establishing prices and the price level itself have gone through the greatest transformations. New producer prices on basic raw materials and materials were set at world-market price levels calculated at the exchange rate of 50 zlotys per dollar. Thus, the said level of the rate of exchange has become the cause of serious problems in the formation of a rational system of clearing of accounts in foreign trade, which we will discuss in a moment. New producer prices have made it possible to implement, although not entirely, the pricing of raw materials and imported as well as exported materials and have introduced world-market price ratios into our economy. The foundation for the construction of the optimal structure of our foreign trade and for the improvement of the entire economy has been created since commodities which are expensive on world markets have also become expensive in our country, while inexpensive commodities have become inexpensive.

The decision regarding foreign currency exchange rates, which are currently in effect during the clearing of accounts on export supplies and on those which are imported, was undertaken under conditions of serious controversy. The exchange rate of the transferable ruble, which for many years has been set at a level of 44.44 zlotys, has been raised to 68 zlotys while the exchange rate on a dollar has increased from 54 zlotys to 80 zlotys. Such large increases--on the order of 50 percent--of foreign-exchange currency rates are extremely rare in the economic policy of all countries. Despite this, it will soon turn out that these increases are insufficient. What is the cause of such a great decline in the value of the zloty? The answer is simple: an increase in production costs and a drop in the work output of our entire economy. It is a known fact that for a long period of time now, production has been falling whereas wages are rising. That is why reform of producer prices could only have meant an increase in prices on raw materials and materials. This price escalation was remarkably well supplemented by several procurement price increases on agricultural products.

World markets do not react to the increase of our production costs. Foreign exchange prices are relatively stable and may increase within the limit of several percent annually. In the meantime, detailed calculations by several important producers of export commodities show that today production costs are already increasing, not the range of 50 percent, but over 100 percent. Thus, the shockingly high increase of prices in stores must be accompanied by an increase in the sale prices of commodities intended for export or, in other words, by a drop in the value of the zloty against foreign currencies. An alternative to this process would be to maintain the rate of exchange and to eliminate export.

The already executed reform of producer prices on raw materials and other materials, based on the exchange rate of 50 zlotys per dollar, constitutes an objective difficulty in the further increase of the exchange rate. A greater disparity between these rates is an indication of bonuses received on material intensive export production. The manufacturer pays 50 zlotys for raw material worth $1.00 whereas in selling this raw materials for export, he currently already receives 80 zlotys. Thus, it is possible to make a great profit on the difference between exchange rates alone. Under conditions of enterprise independence, this is a real danger. We shall end this topic here with only one conclusion: the need for a new reform of producer prices is beginning to emerge.

The range of independence of foreign trade enterprises has increased in several spheres of activity. Planning should be mentioned first. The enterprises themselves have established the size of export and import already for the first quarter of 1982. The Ministry of Foreign Trade did not assign tasks to them but only relayed, as information, government assumptions for the first quarter of this year [1982]. The preliminary arrangement of the sum of enterprise plans reveals their great convergence with the central plan. This is illustrated by the data given below:

| | In billions of negotiable zlotys | |
|---|---|---|
| | Export | Import |
| According to the central plan | 182.7 | 193.5 |
| According to enterprise plans | 174.1 | 182.5 |

In this arrangement, a new element appears, which was brought on by economic reform; i.e., the elimination of the foreign-exchange zloty and the use of negotiable zlotys for the assessment of the extent of foreign trade turnover. Obviously, it will take a certain amount of time to get used to these new quantities.

Although, foreign trade enterprises are officially free to set up export tasks, they do not decide, however, about the size of this export. For the time being, the manufacturer has the deciding voice to a large extent and this also includes the independent manufacturer.

Unfortunately, it is difficult to talk about the independence of enterprises in the shaping of import. The distribution of foreign exchange for import is centralized and, contrary to outward appearances, this does not result from martial law but from a deep foreign-exchange deficit which is forecast for many years to come. It must be emphasized that from the very beginning of the work done on reform, the principles of import functioning were not formulated clearly. There appeared only enigmatic announcements about the possibility of freely purchasing foreign-exchange [currency] by enterprises. However, the authors of these announcements did not have the courage to specify at how high a level the exchange rate ought to be set so that the demand for foreign exchange would not exceed bank funds. Empty foreign exchange currency coffers, like empty coal storage yards, seriously disturbed the vision of reform or, in other words, the vision of enterprise independence. Under these conditions, the only possible method of executing a certain independence in the making of import decisions is foreign exchange allowances. The rules regulating the functioning of these allowances, which were put into effect and publicized by the press, do not require reporting here. Two issues are worth emphasizing. First of all, foreign exchange allowances will entail only about one-fifth of the entire pool of foreign exchange intended for import in 1982. The fundamental part of import, mainly raw materials and food, will continue to be implemented within the framework of the central appropriation of foreign exchange. Secondly, the principle which specifies that foreign exchange allowances are to serve only export production is being received with disappointment and disapproval.

A problem of a general nature should be stressed here, namely, the supply of production which is not included in operational programs. Undoubtedly, experience will also show that the idea of operational programs is only a superficial solution to the problem of the selective upkeep of production. The official registration of specific factories for operational programs inadequately specifies the distribution of raw materials and foreign exchange since today every product is made in numerous stages of production and by many subcontractors. It appears that the limiting of production, to

which priority was not assigned, must be implemented by means of methods which are more effective than the mechanism of the selective supplying of foreign exchange and domestic raw materials. Without this, the practical implementation of the principle that foreign exchange from allowances is intended only for export production will, undoubtedly, not be possible.

In principle, foreign exchange allowances are received only by manufacturers. Foreign trade enterprises do not, in practive, have any independence in the implementation of import. They implement import within the framework of orders [for goods] resulting from the allocation of foreign exchange: for central import (raw materials, food), for the implementation of operational programs, for nonproduction purposes as well as from orders placed by manufacturers who have foreign exchange at their disposal.

The possibility of manufacturers obtaining authorizations to carry on independently the export of their own goods as well as import for their own needs (naturally, within the framework of the above discussed mechanism of foreign exchange allocation) undoubtedly is one of the new elements in the functioning of foreign trade. The right to conduct foreign trade is conferred by the minister of foreign trade if the manufacturer fulfills specified conditions; i.e., if he has an adequately large export production and possesses cadre and technical conditions.

A second important right given to manufacturers is the possibility of choosing a foreign trade enterprise with a similar commodity specialization with which to enter into agreement for export or import. For this reason as well as in connection with a decline in turnover, foreign trade enterprises are increasingly more concerned with attracting domestic contractors.

Among two partners possessing equal rights, the manufacturer has a considerably stronger position than the foreign trade enterprise. The latter must compete with a bare domestic market, which can take in nearly everything without posing quality requirements on others. With new principles of economic functioning, foreign trade must have strong arguments at its disposal in order to receive goods for export. Does it, indeed, have such arguments? We have already discussed teh most important one--foreign exchange allowances. The second one should come about from the system of the clearing of accounts.

The previously binding regulations imposed two kinds of stipulated relations: that a foreign trade enterprise would take export commodities either on consignment or on its own account. The specifics of these agreements were imposed in advance. Currently, enterprises decide independently about the contents of negotiated contracts; how they must abide by the prices in effect or the principles upon which they are set. The general use of the consignment form becomes radically limited for two reasons. In the first place, official or regulated prices must be paid to the manufacturer also at the time of delivery for export. Transaction prices may appear only as a specific form of contracted prices. Secondly, the balance account of foreign trade has been placed in foreign trade enterprises.

Without discussing this particular subject in detail here, the main concept of the present solutions should be emphasized. Thus, what was of concern here was that the manufacturer receive from the exporter the same prices as he would for supplies intended for the domestic market. In addition, extra costs related to export must be honored in the form of surcharges on official prices or accounted for in the level of regulated or contracted prices. If foreign exchange prices guarantee high profits, then enterprises carry out an agreed upon distribution of these profits through the proper fixing of contracted prices. Essentially, therefore, what the new general principle comes down to is that foreign trade pays the manufacturers official prices or prices resulting from the costs of production. Foreign trade has taken upon itself the problems connected with the balance account. As we have mentioned, the calculations received until now of the production costs of larger export suppliers, point to the necessity of further increases of foreign currency exchange rates.

The level of foreign currency exchange rates plays an extremely important role in the field of imports. The purposeful mechanism of import control does not foresee the distribution of foreign exchange but its free purchase in banks. Of course, this will be possible after the introduction of an exchange rate of balance. It is worth referring to the theory of R. Nurksy, in accordance with which the balance rate of exchange is a rate which maintains the balance of payments in a state of equilibrium for a long period of time. We will certainly not intorudce wuch a rate of exchange in the near future but it is indispensable that we gradually move closer to it. The alternative is clear: either a high rate of exchange or the administrative distribution of foreign exchange, ergo, the true independence of enterprises or central decisions. Let us only add to these statements that there is a rapid increase in the amount of information from industry about lowered prices on supply commodities from import as compared to new supply prices on domestic goods. This constitutes important evidence that the current foreign exchange rates are too low.

To a certain extent, the tariff collected from imported goods serves as a regulating instrument. Reform has not introduced any vital changes here. Naturally, tariff levels are increasing along with increases in foreign exchange rates.

In the legal acts issued to date, new principles of enterprise functioning have been formulated much more comprehensively than the new functions of the central authorities. Let us remember that the activity of enterprises is regulated mainly by the following legal acts:

--The law regarding state enterprises;

--the resolution of the Council of Ministers No 243 concerning the principles of operation of state enterprises in 1982;

--the resolution of the Council of Ministers No 278 concerning the functioning of the economy during the martial law period.

The rules contained in these legal acts refer in full to foreign trade enterprises. Specific solutions are found in executive decrees and ordinances pertaining to them.

Undoubtedly, the Sejm will shortly issue other laws which will regulate the particular fields of economic life and which will specify the new functions of the central authorities. Above all, this concerns planning, thus tasks of the Planning Commission, prices and therefore, the activity of the State Price Commission, the entire sphere of financial and bank problems including functions of the Ministry of Finance, the Main Office of NBP [Polish National Bank] and other banks. In the first package a law on the granting of authorization for the carrying on of foreign trade will also be approved. All the topics mentioned here deserve a separate discussion. Only certain problems should be stressed here.

Much of the work on the reform was taken up by the problem of regulating currency circulation in the country and the limiting of freedom int the negotiation of credits. It was recognized that in these fields, an important role must be played by the Sejm. A second institution which receives important authorizations in this area is the bank. Both the Main Office of BNP as well as banks which finance enterprises become the most important element which regulates the economic activity of independent enterprises. The functions and rank of the Ministry of Foreign Trade are also increasing to a great extent. This issues forth from both the general assumptions of economic reform as well as from the principles which pertain to a martial law period. New, expanded functions of the minister of foreign trade pertain, in particular, to the control of export and import. By way of example only, let us mention the granting of authorization for the carrying on of foreign trade, the establishing of foreign exchange allowance rates, the managing of a balance of accounts in foreign trade, possessing foreign exchange for the implementation of central import and the issuing of export and import licenses. It is not necessary to emphasize that traditional tasks connected with activity abroad are no less important and difficult than before. The current management of foreign trade by the minister of foreign trade takes place, of course, within the framework of government agreements and those of the Economic Committee of the Council of Ministers and with the close cooperation of the Planning Commission and the Ministry of Finance.

The organizational structure of the Ministry of Foreign Trade has not as yet succumbed to change, although currently a necessary adaptation to new functions is taking place. The tasks of legal services, of the Department of Organization and Administration and of units which are economic in nature are increasing markedly. The functions of commodity departments are undergoing significant changes. Among other things, they are taking over decision making tasks concerning the balance of accounts and the issuing of export and import licenses. The decision of the Economic Committee of the Council of Ministers in regard to entrusting the minister of foreign trade with the function of a founding organ in relation to all foreign trade enterprises, without exception for the period in which martial law is in force, also has a specific, practical significance.

Only a rough outline of the more important elements resulting from economic reform was possible in the present article. A comprehensive discussion of the particular topics will, undoubtedly, be the subject of a series of publications on the practical assumptions and the experiences of reform.

## Foreign Trade Monopoly

Warsaw HANDEL ZAGRANICZNY in Polish No 1-2, 1982 pp 17-20, 27

[Article by Jozef Wierzbolowski: "Foreign Trade Monopoly Under Conditions of Economic Reform"]

[Text] Economic reform places such problems on the agenda as: the scope of using foreign trade monopoly in this entire sphere of economic activity; relations between the carrying out of foreign trade monopoly and proportions of the central plan, credit and foreign exchange policy of the state, investment processes, etc; the distribution of powers (and the resulting functions) among state administration organs in the implementation of foreign trade monopoly; the functioning of information systems (including computerized information systems), which assure the efficient implementation of foreign trade monopoly under conditions of a reorganized economy.

A solution to the enumerated problems appears to be indispensable for an outline of the institutional forms of implementing foreign trade monopoly under conditions of state enterprise operations in accordance with the "three s" formula.

These problems did not find--in my opinion--a proper reflection in the papers prepared by Team VIII for Economic Reform. It is difficult for example, to recognize the following statement as an adequate point of departure for institutional solutions: "The constitutional principle of state foreign trade monopoly constitutes the basis for institutional solutions in the management of foreign trade. It specifies the exclusivity of the state in the shaping of economic relations with foreign countries as well as in the management of the processes of cooperation and exchange. Specific rights and responsibilities of the supreme organs of state authority and administration, of banks as well as of enterprises and their associations arise from this principle. They pertain to the planning of economic development from the point of view of its optimum participation in the international division of labor; in the planning of the entire scope of exchange, of credit and foreign exchange policy, of instruments for the indirect control of exchange; the negotiating of international agreements and specifying the structure of the organization of foreign trade and its particular elements".[1]

No "specific rights and responsibilities" have as yet resulted, either for the state administration or for economic organizations, from the assertion of state exclusivity in the shaping of economic relations with foreign countries. Rights and responsibilities result only from established (and legally secured) mutual relations between the state administration and economic organizations. These relations, which constitute, among other

things the object of reform, currently find themselves in statu nascendi. What's more, it is in the definition of these rights and responsibilities connected with the principle of foreign trade monopoly that, in my opinion, lies the essence of economic reform in the sphere of foreign trade. All other solutions including also institutional solutions should constitute offshoots of this basic solution. They are, in my opinion, just as important as the designation of the position of the state enterprise and the role of the self-government of its workforce.

Until now, foreign trade monopoly was reduced, in practice, to the principle of the implementation of foreign trade turnover by specialized foreign trade enterprises, which are directly or in fact subordinate to the Ministry of Foreign Trade. The tying in of foreign trade turnover with the central plan assured (and continues to assure) the fulfillment by foreign trade enterprises of certain administrative functions in the name of the Ministry of Foreign Trade. Some general services of these enterprises (for example, planning or economic services) constituted, to a greater extent, the extension of appropriate organizational divisions of the Ministry rather than an integral part of these enterprises.

The following belonged (and still continue to belong) to the responsibilities of foreign trade enterprises: the responsibility of controlling the conformity of turnover implementation with the assumptions of the National Socio-Economic Plan [NPSG]; the responsibility of accounting for the execution of the plan by the suppliers and buyers cooperating with them [the foreign trade enterprises]; the obligation to respond to instructions of the Ministry of Foreign Trade regarding the halting of transactions in case the proper implementation of planned tasks should be threatened by particular suppliers and buyers and even the responsibility of issuing export and import licenses. In addition, if, for example, plan tasks had been reduced during the year and contracting had already been carried out at the level of preliminary plan tasks, then enterprises were obligated to renegotiate the transacted contracts in such a way as to adjust the level of contracting to the current plan proportions.

Examples of the activity of foreign trade enterprises as "guards" of foreign trade monopoly abound. They make it possible to highlight two common traits. First of all, with this type of activity, there is no room for an analysis of the effectiveness of trade operations from the enterprise point of view, not even to mention being steered by the criterion of profit.[2] Secondly, the fulfillment of these functions places the foreign trade enterprise in opposition to its suppliers and buyers, thus, making difficult the integration of activity within the sphere of production and within the sphere of foreign trade.

Such an approach to foreign trade monopoly is not peculiar only to Polish conditions. Its source may be found in the document of the socialist state, introducing for the first time the principle of foreign trade monopoly, i.e., in the decree of the Council of the People's Commissars of the RSFRR [expansion unknown] from 22 April 1918.[3] This approach was presented, in a much more precise manner than it would seem, in the resolution of the CK WKP (b) [Central Committee of the All-Union Communist Party (Bolsheviks)] Plenum of October 1925: "...the state itself implements the carrying on of foreign

trade by means of a specially created organ (The People's Foreign Trade Commissariat); it [state] decides which organizations, in which branches and to what extnet they can conduct direct operations within the scope of foreign trade: it specifies, on the basis of tasks pertaining to the growth of socialist construction and holdings, by means of the export-import plan, what can be taken out of the country in what amount and what may be brought into it; it directly regulates import and export as well as operations of foreign trade organizations by means of the system of import licenses and quotas".[4]

Many Polish economists presented a similar approach, stressing issues concerning foreign trade turnover and the assurance of the continued functioning of monopoly through a specialized apparatus which is subordinate to the Ministry of Foreign Trade or which operates on the basis of concessions granted by it.[5] Such an approach, justified in the light of the conditions esisting in the 1950's or even the 1960's, not to mention Soviet experiences from the inter-war period, gradually became inadequate especially in view of the progressive increase of economic ties between Poland and its external environment. These ties, which manifest themselves in, among other things, the entire scope of processes of cooperation and specialization with foreign countries, caused the problems connected with foreign trade to penetrade production, investment and even research-developmental processes more and more deeply. Because of this, there was an increasing need for the supreme state administration organs to make use of instruments of influence--by virtue of foreign trade monopoly--on the entire scope of processes of specialization and cooperation with foreign countries and also on investment processes which are connected to them, already at the stage of developmental decision making and not just at the stage of the distribution of production results. However, this condition was either underestimated or (which amounts to the same thing) inaptly accounted for in practical activity. It would probably be possible to show direct evidence that at the base of the slow changes of the structures of Polish foreign trade and the extremely high increase of the import intensiveness of production there was, among other things, the improper functioning of foreign trade monopoly, which encompassed within itself regulatory activities in the sphere of final production, without influencing decisional processes in the sphere of production and investments which forejudge the shape of foreign trade turnover.

Economic reform will, undoubtedly, intensify these conditions and will increase the necessity of acting upon the sphere of production and the directions of its development.

The elimination of the foreign exchange zloty and, above all, the new role of the foreign exchange rate as a price creating factor form a direct link between foreign trade and the results obtained by industrial enterprises, domestic trade and others. In connection with the "three S" principle and particularly the principle of self-financing by enterprises, this indicates that foreign trade is becoming a vital factor of the developmental strategy of these enterprises, a strategy which lies within the scope of their self-governments. In order to assure influence on the structure of foreign trade and the fulfillment of treaty terms, the supreme state administration organs

must have at their disposal--in the implementation of foreign trade monopoly--measures of indirect influence on the directions of undertaken developmental decisions and not only on directions of the sale and purchase of commodities and services by enterprises. A change in the nature of the central plan (including the plan of foreign trade turnover) from one which commands to a plan which presents conditions necessary for the maintenence of the equilibrium of economic development and presents plan parameters which are treated as being changeable, as well as to a plan which is developed within objective and/or purposeful systems, entails the necessity of a change of the entire regulatory system whose purpose it would be to assure the implementation of plan assumptions. From a point of view of interest to us, this denotes a change in relations between the central plan and foreign trade monopoly since it undermines the entire hitherto existing structure of implementing this monopoly by the foreign trade apparatus. Finally, a change in the managing of foreign exchange means which are derived from export, in the form of leaving a part of the revenues at the disposal of industrial trade enterprises and others, will essentially change the scope of managing export revenues by the supreme state administration organs, thus limiting the field of strategy of the Ministry of Finance in the area of the balance of payments.

All of these expected changes (which constitute the consequences of putting economic reform assumptions into effect) seem to justify the demand for a considerable expansion of the definition of foreign trade monopoly. Therefore, it is possible to accept the statement of J. Zawada that "by the concept of a state foreign trade monopoly, we understand...the socialization of that segment of the economic process which is represented by economic relations with foreign countries and the resulting exclusivity of rights of the socialist state for the management of the entire scope of matters connected with the development of these relations".[6]

How are the supreme organs of state administration supposed to insure the implementation of foreign trade monopoly, understood in such a way under conditions of economic reform and the existence of enterprises acting in accordance with the "three S" formula? In answering this question, it ought to be assumed that the key issue is insuring, through the activity of foreign trade monopoly, the implementation of assumptions of the central plan. Apart from the central economic plan, foreign trade monopoly would lose its "differentia specifica" and would become one of the forms of state interventionism implemented during the present century by many states regardless of their economic system.

The creation of new institutional forms for the purpose of insuring the functioning of foreign trade monopoly is all the more vital since, under reform conditions, the possibility of using foreign trade enterprises as transmitters which relay agreements of the central plan to the system of implementation of this monopoly will disappear. A few reasons are given here. First of all, the "three S" principle in relation to enterprises limits, to a considerable degree, the monopoly of foreign trade enterprises in the carrying on of exchange with foreign countries and, as can be expected, it will cause industrial enterprises to come out with proposals of a license for the carrying out of this activity. Secondly, foreign

trade enterprises will be forced to find new forms of activity in order to create conditions of interest on the part of domestic suppliers and buyers for the purpose of maintaining an exchange of specialized elements of the foreign trade apparatus.[7] Thus, these enterprises will, among other tfings, have to represent the interest of manufacturers who work in cooperation with them before the Ministry of Foreign Trade, and not the priorities of the central authorities before the manufacturers. Finally, foreign trade enterprises will, in accordance with the principle of self-financing, have to be ruled by the criterion of profit in their activity, which is impossible to reconcile with the fulfillment of administrative functions in the name of the Ministry of Foreign Trade.

A change in the position of foreign trade enterprises, in connection with a concept of foreign trade monopoly broad enough to conform to the conditions of reform and the current level of economic development in Poland, carries with it the necessity of the exact distribution of responsibility for the implementation of this monopoly among various state administrative organs and not only--as it follows from teh papers prepared by Team VIII for Reform Matters--to highlight the role of the Ministry of Foreign Trade.[8] With this type of distribution of functions, it would be possible to properly establish the institutional forms of foreign trade monopoly with the assumption that:
--the planning Commission of the Council of Ministers as well as the Ministry of Finance should be authorized to set the numerical values of parameters introduced into the central plan (such as the foreign exchange rate, the amortization rate, the tax rate, the discount rate at central banks, the level of foreign exchange allowances due to export, etc.);
--influencing the directions of economic exchange and cooperation with foreign countries by means of investment outlays should be carried out through banks, in accordance with the general principles of acceptance of investments of economic organizations for financing from bank credit.[9] In order to account for the effect of a given investment on foreign trade, banks should either possess a rule which enables the assessment of this effect (by means of an investment efficacy account), or they should have at their disposal (for specific investment categories) an acceptance [draft] from the Ministry of Foreign Trade.[10] In the case of the obtaining of foreign exchange credit, the banks financing the investments should have, in addition, an acceptance from the bank servicing the foreign exchange turnover pertaining to the readiness to accept an investment for crediting on the basis of a separately carried out account of efficacy or a license issued by the Ministry of Foreign Trade or the Ministry of Finance.

The influencing of current foreign trade turnover should remain entirely within the jurisdiction of the Ministry of Foreign Trade through:

--a system of regulations (import and export licenses) aimed at economic units at whose expense export sales or import purchases are carried out;

--a reserve for the direct transaction--on behalf of the state--of contracts with suppliers of export commodities for the implementation of obligatory commitments resulting from trade agreements (above all with CEMA countries), in case such deliveries of supplies cannot be implemented under normal trade

conditions; this system could be partially refinanced from debts collected from importers if the level of import prices resulting from the transacted trade agreements would bring unwarranted profits to these importers;

--a tariff system (under the condition that the tariffs will constitute a price creating factor);

--authorization for the issuing and revoking of licenses for the carrying out of activity within the sphere of commodity trade turnover with foreign countries, if such licenses, for specific groups of enterprises, do not arise from normative actis of a higher order.[11]

The form of the institutional implementation of foreign trade monopoly outlined in such a way must find its reflection in the creation of an information system which would be suitable for it. In the conditions existing until now, there was no comprehensive information system for foreign trade which, in and of itself, placed a question mark on the credibility of monopoly activity. Information on commodity trade turnover with foreign countries came from the GUS [Main Office of Statistics] computerized system of foreign trade fed by enterprises in the form of so-called FE's [export invoices] and FI's [import invoices] as well as import-export licenses; information on economic cooperation with foreign countries was received from the GUS system fed by departments within the framework of form reporting; information on export production and the sale of commodities and services for export--from the branched out, industrial reporting GUS system; finally, information about payments and credits--from bank systems. All of these systems were not (and are not) interrelated either in concept or through the code base whereby, under conditions of reform, none of these systems--with the exception of the bank system--has a chance of surviving in its present form.

The presentation of the entire scope of the concept of a new solution to this problem exceeds, of course, the limits of this article. I would only like to stress here the particular indispensability of the coordinating role of the Ministry of Foreign Trade, which bases the entire information system in this spyere on such source documents as: export and import licenses, tariff documents, cooperation and specialization agreements, technical-economic assumptions (in the case of investments), survey research as well as agreed upon bank information systems.[12] The key role of the Ministry of Foreign Trade in the ensuring of the proper functioning of the foreign trade information system, including a computerized information system, becomes all the more vital as the decision-making process within this sphere is to become more decentralized. Under such conditions, the information system constitutes a basic form of feedback between planning decisions on a macro scale and their implementation which constitutes the result of atomized decisions of the real sphere. Translating this into the language of the present article--under such conditions, the information system becomes a supporting structure of foreign trade monopoly under conditions of reform.

FOOTNOTES

1. "Kierunki Reformy Gospodarczej w Sferze Handlu Zagranicznego" [The Directions of Economic Reform within the Sphere of Foreign Trade], HANDEL ZAGRANICZNY, No 10/81

2. Some authors identified foreign trade monopoly directly with the treating of foreign trade enterprises as organs which assure the concentration of turnover in the hands of the state. For example, according to Z. Kamecki: ..."In a socialist economy, the entire scope of economic turnover with foreign countries becomes directly concentrated in the hands of the state; through authorized organs, it [the state] alone conducts economic transactions with foreign countries. In other words, foreign trade monopoly exists here."--see Z. Kamecki, J. Soldaczuk, W. Sierpinski, "Miedzynarodowe Stosunki Ekonomiczne" [International Economic Relations], PWE [Polish Economic Publishers], Warsaw 1964, p 496.

3. In accordance with 1 of this decree: "The entire foreign trade is becoming nationalized. Trade contracts, with foreign countries and with particular trade enterprises a broad for the purchase and sale of all sorts of products (of the mining industry, the manufacturing industry and agriculture, etc.), are transacted in the name of the Russian Republic by organs which are expressly authorized to do this. Outside of these organs, all trade contracts with foreign countries for export and import are prohibited". Quoted from T. Lychowski, "Zagandienia Obrotu Miedzynarodowego" [Issues of International Trade], PWN [Polish Scientific Publishers], Warsaw 1954, p 249.

4. Ibid., p 250.

5. Compare, among others, J. Zieleniewski and S. Szczypiorski, "Zasady Organizacji i Techniki Handlu Zagranicznego" [Principles of Foreign Trade Organization and Techniques], PWE, Warsaw 1963, particularly pp 53-54; J. Soldaczuk, "Handel Miedzynarodowy" [International Trade], Wiedza Powszechna, Sarsaw 1967, pp 28-33.

6. J. Krynicki, Tom Kronsjo, Zbigniew Zawada, "Ekonomika Handlu Zagranicznego" [Economics of Foreign Trade], PWE, Warsaw 1972, p 274. In commenting on the above cited definition, Z. Zawada writes: "...this is not only a question of a simple statement of fact that the object of monopoly is various kinds and forms in which exchange relations of a country with foreign countries become implemented (commodity trade relations, service, finance-credit, individual and foreign-exchange relations). However, it is also a question of emphasizing that the state possesses an exclusive right to make decisions regarding organizational matters, institutional, economic, financial-foreign-exchange, accounting, cadre as well as other matters connected with managing foreign turnover. The concept of monopoly defined in such a way encompasses, therefore, the entire scope of the country's economic relations with foreign countries, from the objective as well as the subjective point of view." (ibid., p 275-276).

7. An example of this are attempts at giving a partnership form to these enterprises--see the discussion on this subject in RYNKI ZAGRANICZNE [Foreign Markets], which begins with the article by J. Szumski entitled, "A Moze Spolka z Organiczona Odpowiedzialnoscia?" [Maybe a Partnership with Limited REsponsibility?] (RYNKI ZAGRANICZNE 19 March 1981). At the same time, it should be emphasized that practical solutions have already gone way beyond the sphere of discussion.

8. For example, the already cited "Directions of Economic Reform within the Sphere of Foreign Trade" states, among other things, that: "The forms of implementing the principle of state monopoly of foreign trade will undergo a change in the direction of... concentrating the whole of trade policy, both in bilateral as well as multilateral relations, in one functional organ of state administration such as the Ministry of Foreign Trade." (HANDEL ZAGRANICZNY No 10/81). However, in this analysis, there is a lack of prominence of the role of the Ministry of Finance within the sphere of credit and foreign exchange policy and in the relation between foreign trade monopoly and investment processes under conditions of their financing from the enterprises' own funds and from NBP [Polish National Bank] and BGZ [Bank of Food Economy] credits, which is to be the basis for the new system of investments, etc.

9. This would not concern investments introduced into the central plan and financed from the state budget.

10. With such a solution, the Ministry of Foreign Trade should have its own Investment Evaluation Service which would study the effects of undertaking concrete investments for the future structure of foreign trade turnover and its effectiveness.

11. The entire sphere of treaties was left out here intentionally as totally without need of discussion and not arousing any controversy.

12. Information about the external environment from a study of foreign markets as well as prognoses for world economic development and prognoses for the development of techniques and technology constitute a separate issue.

9853
CSO: 2600/633

EMPLOYMENT STRUCTURE, LEVEL FOR 1982 ANALYZED

Warsaw RZECZPOSPOLITA in Polish 3, 4, 5 May 82

[3 May 82 p 4]

[Article by Ireneusz Sekula: "Level and Structure"]

[Text] Due to the radical change in economic conditions over previous years, it is very difficult to formulate an employment forecast for 1982. It is particularly difficult to foresee what course the economic crisis will take (in light of U.S. restrictions, for example).

Such factors as the economic autonomy of enterprises and the direction of the move for efficiency in making personnel decisions will have an impact on the level and structure of employment in 1982. A tendency toward the ossification of structures of the so-called administrative superstructure and the retaining of employees who do not have qualifications corresponding to new needs and the changing situation may also occur.

Under New Conditions

It is difficult today to make an accurate forecast of the reactions of enterprises to such phenomena as sluggishness in supply, uncertainty regarding import and coproduction, price changes and inflationary processes. Enterprises may either wait passively for an improvement in supply, while maintaining their previous production lines, or they may adjust rapidly to new conditions by changing their production and employment structure. Regional disproportions on the labor market represent another factor to be considered, taking into account labor resources and needs and the limited housing situation. There is also the pressure for making a living abroad.

Council of Ministers Resolution No 258, dated 11 December 1981, concerning the Central Socioeconomic Plan for 1982, defines the level and structure of employment. The level of employment in autonomous enterprises can only be estimated. These estimates may be inaccurate due to many changeable factors affecting the functioning of the economy.

Given these reservations, the Council of Ministers Planning Commission envisages that employment in the various sectors of the economy will have the following

structure: There will be an increase in employment in agriculture by 5,000 persons, in forestry by 10,000 persons, in transportation and communications by 17,000 persons, in the municipal and housing economy by 17,000 persons, in education and upbringing by 13,500 persons, in culture and the arts by 2,000 persons and in health protection and social care by 36,000 persons. Employment in industry should decline by 350,000 persons, on construction by 150,000, in technological science and development by 2,000 and in administration by approximately 5,000 persons.

Internal Shifts

It is likewise anticipated that the implementation of operational programs will bring about internal shifts in employment, increasing employment by approximately 100,000 persons in those subsectors embraced by these programs.

A total of 26,000 persons will find employment in new health service treatment facilities; basic rural and urban health care will employ 8,000 more full-time employees. Employment in repair plants and medical equipment factories should increase by 2,000 persons.

Rail transport should increase the number of those employed by 19,000 persons. An improvement in the quality of service rendered by the postal and telecommunications services necessitates an increase in employment by 5,000, and better service in banks and insurance agencies requires the employment of 2,000 more people.

The level of employment in January 1982 was nearly 250,000 less than during the same period last year. The decline was noted primarily in industry (150,000) and in construction (28,000). This is mainly the result of earlier retirement and the extension of educational leaves. This year as well, a significant part of the decline in the employment level will be the result of these two decisions.

The Complete Manning of Work Forces

This year, work forces for 107 central investments and other investments with an intended employment level of over 200 persons will be manned completely. This year, 22 investments will be put into operation, and 45 projects will be made operational in the next few years. In 40 plants that are already in operation, work forces will be supplemented until planned production capacities are attained. It is projected that these installations will employ approximately 27,000 people this year and 42,000 people during coming years.

The employment of 7,000 workers is planned in 16 mining and power industry installations, and 22 metallurgy and machine industry plants will employ 8,000 workers. The chemical and light industry is to employ 5,000 in 20 installations, and agriculture and the food industry should employ 2,500 workers in 9 plants. At seven new investment projects of the construction and construction materials industry, 1,500 people will find employment.

The greatest number of new investments and the related employment increase in occurring in two voivodships, Katowice and Warsaw, in which the completion of 23 projects is anticipated.

The Ministry of Labor, Wages and Social Affairs will coordinate the activity of ministries and voivodship offices, especially in the area of transferring experienced and qualified employees. It is envisaged, however, that the complete manning of work forces should take place within the framework of the same ministry in a system of transfers from plants cutting back on the number of employees or plants that have been liquidated.

A fundamental condition for the complete manning of work forces will be to ensure apartments or living quarters for workers transferred from other voivodships and to create the appropriate social/daily living conditions.

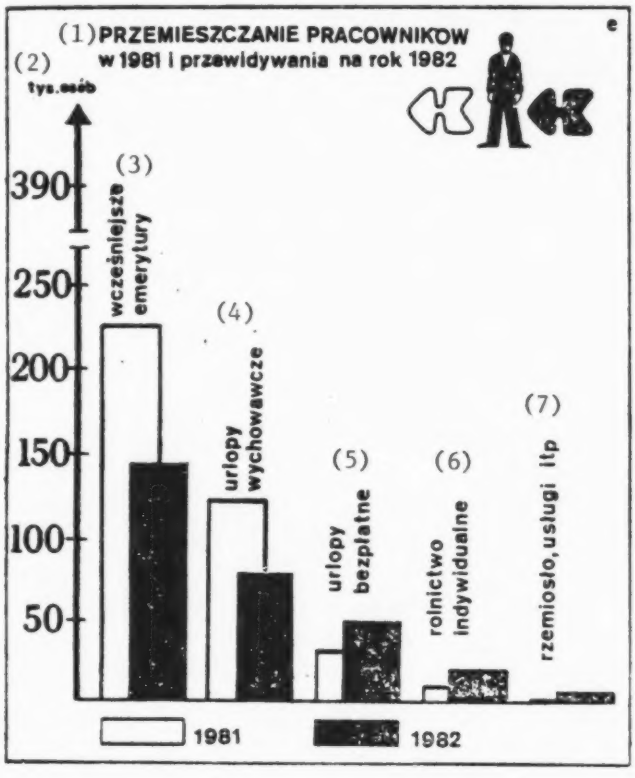


Key:

1. Employee transfer in 1981 and projected for 1982
2. in thousands of persons
3. early retirement
4. educational leaves
5. unpaid leaves
6. private farming
7. handicraft, services and the like

[4 May 82 p 6]

[Article by Irenuesz Sekula: "Work for Graduates"]

[Text] The Ministry of Science, Higher Education and Technology projects that 49,000 students should complete higher studies this year. Approximately 42,000 graduates will compete for work (since we have observed for several years that some students delay completing their studies). However, since another 8,000 graduates who were unemployed last year will be applying for work, 50,000 people will be competing for employment in 1982.

The largest group will be made up of graduates of higher technical schools (15,000) and graduates of all areas of study who are able to work in the teaching profession (11,000). It is projected that 5,000 students will graduate from medical schools, 6,000 will complete agricultural schools and 4,000 will graduate from economics schools.

While graduates have already announced their employment needs, work is ensured them only in public service (education, health, finances and the like), since positions and a wage fund have been designated toward this goal in the Central Socioeconomic Plan. Employment opportunities announced by work institutions are uncertain, since enterprises will be initiating reform this year, and only then will they determine the level of employment needed to complete production tasks.

A Shortage of Work Positions

Twenty-four thousand graduates will be able to find positions in public service. In education and upbringing units 14,000 will find employment, and 5,500 will find jobs with the health service and in social care. While the need is greater than this, the number of persons completing studies in these fields this year is only as above. In culture and the arts, 1,500 graduates will find work, 800 will be employed in local administration, 600 in finances and insurance, and the same number in the administration of justice. The marine economy and sports and tourism will each employ 500 people.

In the sphere of materials production, 7,000 graduates may count on being employed in factories. These are primarily scholarship students who have made preliminary contracts with enterprises. It is estimated that 1,000 people will be employed by the nonsocialized economy, in private farming, handicrafts and in agencies.

Thus, it is projected that there will be work for 32,000 graduates. The shortage of positions mainly affects graduates in the fields of architecture, construction, electronics, basic problems of technology and chemistry. In particular fields, from 150 to 600 people will have problems finding work in their chosen professions. Graduates in all nonteaching fields and law and administration graduates will encounter the most difficulties.

There is a total shortage of 2,000 and 1,200 positions [unclear, T.N.]. There are no openings for about 1,500 economists and 1,300 graduates in agricultural fields, including veterinarians and zootechnicians. The greatest problems in

employing graduates will occur in Warsaw, Krakow, Wroclaw, Poznan, Lodz and Gdansk.

The Failure to Adapt Study Programs to Needs

The employment forecast for 1982 graduates confirms the failure of many fields of study to adapt to the current needs of the economy and public services. Efforts continue in the modernization of the system of employing graduates to develop an active labor exchange based on a system of incentives and preferential treatment for accepting positions outside of large urban centers. This system will guarantee the planned influx of personnel into public services, and it likewise offers incentives to enterprises that employ graduates.

About 10 percent of this year's graduates will have to earn additional qualifications this year which are indispensable for them to get work. Following the completion of postgraduate courses or study programs, approximately 3,000 to 4,000 graduates will be able to find work in ZUS [Social Security Agency] as social workers, as personal property insurance specialists in PZU [State Insurance Bureau] and "Warta," and in personnel and employment services. Besides this, graduates will give much more preference than in the past to the possibilities of being employed in production, in the nonsocialized economy and in services. Graduates who are fluent in foreign languages will be employed by organizations abroad.

Employment Abroad

Approximately 84,600 people worked abroad at the end of 1981. Of these, 55,800 were employed in the exportation of construction and services, 14,800 worked under PHZ [Foreign Trade Enterprise] Polservice trade contracts, 8,300 were employed in GDR enterprises under a government agreement and on the basis of a ministerial understanding and 5,700 worked in CSRS enterprises.

The above data does not include employees sent to work abroad by institutions of the Ministry of Culture and Art, the Ministry of Sports and Tourism, the Ministry of Science and the Marine Economy and individuals who found employment abroad privately.

Activities are underway aimed at increasing the employment of Poles abroad in 1982 to approximately 105,000 to 110,000 persons. These activities are being conducted simultaneously with actions being taken to guarantee the protection of State interests--the potential of personnel and the promotion of foreign trade--as well as the guarantee of the protection of those working abroad in the field of legal protection, pension security and the like.

Diplomatic representatives and consular offices, as well as foreign trade institutions are studying the possibilities of employing Polish citizens abroad. Discussions on employment are being initiated at meeting of combined commissions and committees of Polish economic and scientific-technological cooperation with other countries. The appointment of an interministerial commission for employment affairs is planned. Its task will be to establish the directions and policy of cooperation with foreign countries in this field. The organization

of postgraduate study programs for approximately 100 specialists who are needed mainly in developing countries is likewise planned for the new academic year.

Key:

1. (Title) The Shortage of Openings for Women
2. no shortage
3. sporadic shortage of openings for women

[5 May 82 p 6]

[Article by Ireneusz Sekula: "Acquiring New Qualifications"]

[Text] A basic method for resolving employment problems this year should be the creation of positions everywhere that society's needs and cost effectiveness warrant such action.

For those people who are laid off permanently from socialized plants in 1982, various types of production and services establishments will be organized, such as:

-- construction groups, primarily in rural areas, using local raw materials;

-- construction material processing plants;

-- broadly structured service repair plants;

-- peat extraction;

-- rural services, e.g., blacksmiths, agricultural machinery repair and the like;

-- specialized work cooperatives for production, services and consultation primarily employing school graduates.

Those who are permanently laid off from plants will be steered primarily into trade and services centers. We expect to expand home milk and bread delivery and the like, and to increase employment in child care and upbringing institutions, in nurseries, preschools, youth clubs and social care institutions.

It is likewise being proposed that new positions be created of an interim and odd job nature, in which remuneration will be made immediately upon completion of the job.

One way of increasing employment in many neglected areas of daily living is the various forms of work primarily geared to women. These include: a shorter workday or workweek, with the number of hours established by the employee and the plant management, flex-time, contractual commissions and contract by the individual project.

We likewise foresee the possibility of freeing up positions for those who are unemployed by making agreements with pensioners, peasant-workers and other persons who have additional sources of income.

In many plants forced to limit production, a long-term program of reconstruction may be initiated, its implementation to begin with the shifting of employees from production into repair.

Changing Professions

The change in position openings will often be tied in with the necessity of acquiring a new profession. It is anticipated that this year workers who lose their jobs in the State administration, the economic administration and in associations, and employees in plants who are permanently laid off will have to be requalified, as will school graduates, in order to get their first jobs.

In over 2,000 schooling centers, approximately 1.7 million people can be retrained yearly in occupational courses. This is the current potential at the disposal of schooling organizations.

The retraining of employees should be synchronized with the local needs of the labor market. One should be directed to take courses toward acquiring a new profession only if the offers he has are unsuited to his abilities.

For some time now, the training of employees has been conducted in such professions as:

-- accountant, machinist, stock boy, buyer, postal assistant and c.o. [civil defense?] fireman serving the needs of plants in all subsectors;

-- locksmith, lathe operator, welder, and machinist miller for factories;

-- bricklayer, plasterer, carpenter, joiner, fitter of sewage equipment, tinsmith, roofer and paver for construction and municipal services;

-- tailor, seamstress and knitter.

Training is being conducted in over 500 professions and specializations found in the nomenclature of professional schooling as well as in unique specializations.

Efforts are being initiated toward modrnizing the system of upgrading the qualifications of workers along with introducing new principles of organization, planning, and financing. The system will likewise include new principles of paying teachers, as well as a modernized system of adjustments and benefits for employees who are taking courses.

Controlling the Labor Market

The economic reform assumptions give enterprises total freedom in setting up the level, the structure and the forms of employment, they create conditions for rationalizing employment, for eliminating overruns and firing unsuitable and unproductive workers. The autonomy of enterprises in the field of employment can bring about a work force surplus in local labor markets.

The first symptoms of this were already noted at the end of 1981. Dealing with these surpluses will be a basic task for the local service, which must alter its operational model and the principles of its work with plants, whose basis formerly was administrative-directive actions. Now this will have to be replaced with cooperation, counsel and various types of factors that have an economic impact.

The fund for occupational activation is such an economic instrument. It is possible in this way to have an impact on autonomous enterprises and to bring about the implementation of the desired employment policy, to organize substitute and interim work, to encourage transfers and retraining and ultimately to ensure protection against being unemployed.

Labor Mediation

The intensified passage of employees between particular elements of the national economy as envisaged within the framework of economic reform will necessitate

setting in motion various kinds of instruments aimed at stimulating the processes of occupational mobility and eliminating barriers. Labor consulting must mediate actively in this process.

In the past 2 years, 18 centers for occupational orientation and counseling have been opened in bureaus of employment and social affairs. Another 10 centers are to be opened this year.

Employment is not an independent structure, but a function of the economy; consequently, changes in employment cannot take place autonomously, but must be the result of changes in the economy. This requires imagination and patience. Autonomous enterprises need time to discern economic conditions.

These are processes that take many months, sometimes many years. This is why their effect can be permanent and stable, unlike the reductions ordered in past years.

8536
CSO: 2600/663

## ANTICIPATED RESULTS OF INCREASED INTEREST RATES

Zagreb VJESNIK in Serbo-Croatian 19 Jun 82 SEDAM DANA supplement p 4

[Article by Ante Zivkovic: "A Sobering Blow"]

[Text] Some of the commitments concerning interest rates on credit contained in the anti-inflation Program of the Commission of Federal Social Councils for Problems of Economic Stabilization were implemented even before that document was drafted. To go back, back in January of this year the Council of Governors [of the Yugoslav National Bank] adopted the decision to raise interest rates on credit extended from primary note issue. This was also an impetus for commercial banks to raise their interest rates on credit proportionally. At the same time, the commercial banks also introduced interest on the deposits of organizations of associated labor. Then in April came the decision of the Federal Executive Council to raise the rates of penalty interest for delinquent payers (to 25 percent), which more than doubled them.

There is no question that interest rates even in the past, when they were appreciably lower than the rise of prices, had a considerable impact on the business operation and business success of organizations of associated labor. The total interest which organizations of associated labor in the economy paid to the banks last year exceeded the fantastic sum of 128 billion dinars. It exceeded 8 percent of the income which organizations of associated labor earned last year. Over the last 5 years interest payments have ranged continuously between 7 and 8 percent of income. However, up to now rates of interest have as a rule been quite out of step with the rate of inflation. They have averaged between 4.8 and 6.6 percent, usually not reaching even half of the rise of prices. Which is to say that it has been lucrative to go into debt. It paid to take credit. The topsy-turvy logic of the lucrativeness of borrowing also carried over into the expenditure of the cheap money borrowed (a substantial part of which was for all practical purposes a gift), which was less than optimal.

That logic of cheap credit has had numerous consequences which are by no means pleasant. And the most obvious of them is that credit, debts that is, has been the basis for investment. Given these conditions, appetites were far greater than the available money. For a long time very expensive investment--the first payments too often come due even before construction is finished--was covered by new borrowing. Rather "cheap" credit with low rates of interest

were turned into very expensive investment. There simply was no real interest in faster turnover of money when interest rates were appreciably lower than the rate of inflation.

It is not normal for the level of interest rates to be out of parity with the rate of inflation, the document states. How abnormal that situation is is demonstrated by the situation in the last 2 years: average interest rates went as high as one-fourth of the rate of inflation if they went that high. Thanks to a number of deformations this generates, capital is transferred to those who are less successful.

That is why a stand was taken--as the program states--that the policy of negative rates of interest (lower than the rate of inflation) has to be abandoned in the long-range economic stabilization of the Yugoslav economy and normalization of the interest rate mechanism ensured.

On just two occasions in the last 5 years (1977 and 1978) the rate of interest which organizations of associated labor have paid on their credit lagged behind the growth of income. In the last 3 years, in spite of the low rate, the interest paid on credit increased faster than the income of the economy. Interest rates increased along with the rise of prices, though more slowly. With the significant changes in interest rates this year there is no doubt that interest payments on credit will increase still more.

This conclusion can be drawn both from the new rates of interest and also from the economy's hunger for new credit.

The rate of interest on monetization of securities has been raised from 6 to 12 percent. Credits covering export transactions have become three times as expensive--interest rates jumped from 1 to 4 percent. The price of credit to cover production and inventories of farm products has been doubled to 6 percent. Credits on commodity reserves rose from 6 to 8 percent, as did credits to cover stocks of coal. Credits are also more expensive for imports of raw materials (from 3 to 8 percent, and interest on credits to purchase domestic equipment within the country rose from 6 to 8 percent. The rate of interest on credit to maintain liquidity has risen from 8 to 12 percent. Thus from the beginning of February average interest rates on credits extended from primary note issue have risen from 3.15 to 6.68 percent.

It is estimated that relative to the planned amount of credit extended from primary note issue that the economy will this year pay another 7 billion dinars because of higher interest rates. The commercial banks will have the right to add to this interest of the National Bank a maximum of 1 percent, which also raises the price of credit.

In the Association of Yugoslav Banks they estimate that organizations of associated labor will this year pay an additional 23 billion dinars solely because of the higher rate of interest on so-called selective credit. This refers primarily to the price which the export sector of the economy and agriculture will be paying, though this contradicts the commitment that the terms and conditions for credit financing will not become worse in this medium-term period.

However, more purposive disposition of money also has its price. And this time it is worth paying it--in interest.

One of the premises of the anti-inflation program is that a sudden adaptation of interest rates to inflation, in view of the great difference between them, could be a powerful blow to the economy in the transitional period. This is all the more dangerous because it would occur at a time when the economy is already burdened with obligations arising out of the anti-inflation program. This would be a blow to the overindebted economy which many organizations would not be able to withstand. That is why in the years immediately ahead of us the emphasis is being put on reducing the rates of inflation.

Nevertheless, even in the transitional period, as efforts are being made to alter relations in credit financing, there still would be nominal changes in rates of interest, and specifically there would be an adjustment of the interest rate structure to the rate of inflation. That is to say that in the years immediately ahead of us we should anticipate upward changes of interes rates so that in the second phase of carrying out the program we would arrive at a system of interest rates which would basically be higher than the rate of inflation.

Even this year's higher rates of interest and payments on credit are compelling organizations of associated labor to seek opportunities of rationalizing their indebtedness and reducing the unnecessary and undesirable pressure to obtain credit. Until yesterday, for example, an organization of associated labor would take credit for working capital, paying the interest agreed on, while at the same time its banks would use without compensation the unused assets which the organization of associated labor has in its giro account to maintain its own liquidity. Thus indirectly the organization of associated labor would in a sense be paying interest on its own assets. Introduction of a current account--the proposed piece of legislation is already being prepared--would eliminate the indirect payment of interest on one's own money (through credit). It is also a question of creating conditions for use of one's own assets in the community consumption fund and reserves for working capital, when they are not for the moment committed, until the moment when they are spent for the purpose for which they have been appropriated. That is, up to now these funds have been set aside in separate accounts even when the organization was taking expensive credit to cover working capital.

In addition, there soon will be a reduction in appropriations for the solidarity fund of the banks, and a practical test is being made of speeding up the circulation of money by what is referred to as linked payment. Finally, the Executive Board of the Economic Chamber of Yugoslavia is supporting an initiative whereby internal banks would be given a more realistic position in the overall banking system so that they might make a contribution to more optimal use and circulation of the money of organizations of associated labor.

7045
CSO: 2800/411

## BRIEFS

NEW ELECTRIC CAPACITY--In Bitola work is being completed on construction of the first block, with a capacity of 310 megawatt hours, of the system of the Bitola Mining Electric Power Combine (REK). It is expected that the first kilowatts of electric power will flow from this significant Macedonian capacity during the second half of June. Also near completion is the installation of the 84-kilometer long 380-kilovolt powerline which will connect the Bitola REK with the Negotino Thermal Electric Power Plant. This is one of the essential conditions for inclusion of the first block of the thermal center in the electric power system. Work is also intensifying on construction of the second block of the same capacity, which is to be put into operation in 1983, and of the third block, for which more than 10 billion dinars will be invested. [Skopje Nova MAKEDONIJA in Macedonian 25 Jun 82 p 1] Elektromontaza in Ohrid has announced that the 380-kilovolt powerline connecting the power plants in Bitola and Negotino will be put into operation on 4 July. So far 76 kilometers of the total 84 kilometers have been completed. The entire power line will be completed in only 4 months, which is a record for Elektromontaza. [Skopje NOVA MAKEDONIJA in Macedonian 23 Jun 82 p 1]

MACEDONIAN EMPLOYMENT--Significant results have been achieved during the past period in the area of employment in Macedonia. The statistics show that the rate of employment exceeds that anticipated in the Resolution on Social and Economic Development and has increased by 3.6 percent, which is 1 percent more than planned. There are now more than 445,000 employed in the social sector and this number is constantly increasing. At the end of last year there were 435,378 employed. At the same time it was reported that for the first 5 months of this year in Macedonia productivity of labor has decreased by 1 percent, showing that greater commitment is needed by the workers in the work places for more efficient accomplishment of the assigned tasks, especially in the direct production process. [Excerpt] [Skopje NOVA MAKEDONIJA in Macedonian 23 Jun 82 p 1]

CSO: 2800/415 END

JPRS 81304

19 July 1982

# East Europe Report

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2295

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19 July 1982

# EAST EUROPE REPORT

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No. 2295

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## GDR-USSR STANDARDIZATION EFFORTS FOR 1980'S OUTLINED

East Berlin STANDARDISIERUNG UND QUALITAET in German No 4, May 82 (signed to press 15 Apr 82) pp 152-153

[Article by Dr K.-H Paepke, Office for Standardization, Measurement and Quality Control: "Basic Direction of Cooperation Set for This Decade"]

[Text] ". . . It is inconceivable today that any socialist country undergoes stable development without relations with the fraternal countries and solves such problems as energy and raw materials supply, and the introduction of the newest findings of science and technology."

This statement from the report to the 26th CPSU Congress strikes the core of the socialist economic integration among the CEMA countries. For the stable economic development of the GDR, too, the further deepening and expansion of the fraternal cooperation with the USSR and the joint mastery of the new conditions of the 1980's is a prerequisite for securing a high increase in economic performance.

The decades-long joint work in the area of standardization has already borne rich fruit. Thus, on the basis of bilateral agreements or economic treaties on economic and scientific-technical cooperation, more than 900 state standards of the GDR were unified with those of the USSR on a bilateral basis. Together with the 2,350 standards which have been worked out within the CEMA, they support cooperation and commodity exchange especially in electronics, machine tools, tools, metallurgical and electrical products, as well as medical instruments. Through the standardization work of the past years, not only the retooling and follow-up tooling expenditures for electric household appliances, electric products for motor vehicles, cranes or construction machinery. They also resulted in higher quality and reliability for mutually-supplied products--for example, spark plugs, headlight inserts, measurement devices, rolling stock and medical instruments.

With the "Program of Cooperation and Specialization of Production Between the GDR and the USSR to 1990," the basic directions and areas of cooperation for the 1980's have now been staked out. For the realization appropriate agreements were or are still being concluded between the central organs responsible for cooperation and specialization and their partners. In so doing, the increase of the scientific-technical level, the quality and stability of mutual deliveries of goods, the reduction of production consumption, the better refinement of the imported raw

goods and equipment, and the concentration on the crucial points of the national economy which determine the scientific-technical progress of both countries are the things that matter. The Standardization, Measurement and Commodity Testing Office and the GOSSTANDART [State Committee for Standards of the USSR Council of Ministers], too, have agreed on the main directions of cooperation in the area of standardisation and metrology to 1990 according to these cardinal points.

The foundation of the scientific-technical cooperation of both organs is the government agreement on the unification of state standards of the two countries and the government agreement on cooperation in metrology. Both sides orient their work towards the support of the measures of specialization and cooperation through the development of joint standards within the framework of the research and development tasks to be carried out or through the unification of existing standards, so that at the time of the beginning of the measures the necessary standardization work has been concluded and the cooperation or specialization objects are realized on their basis between the two countries. Practice has demonstrated: The best results of bilaterial standardization work were achieved where they were realized as a component of research and development tasks or reconstruction projects. These include, for example, such measures as joint research tasks and experimental tests in the construction of diesel engines, which resulted in the development of standards, the improvement of the mass-performance ratio of four-stroke diesel engines, and the saving of development costs. Another example is the further development of construction groups of rolling stock construction, which results in an improvement of the reliability demands and diagnosis system.

The standardization takes place pre-eminently for those types of products that are traded in significant volume between the two countries. Included in these are also the joint development and production of measuring devices for quality control, the creation of a basis for standards, and the securing of the uniformity of measurements.

As far as measuring devices are concerned, there is a strong expansion in the mutual exchange of goods because of the demands in regard to quality tests. In order to reduce the testing expenditures for the importer and exporter, the Standardization, Measurement and Commodity Testing Office has concluded bilateral agreements concerning the mutual recognition of the state control of measuring devices with the majority of CEMA countries. The economic utility lies in the furnishing of measuring devices of a high scientific-technical level, in the saving of control fees, as well as considerable costs for the introduction of qualifying tests on the part of the importer. Between the GDR and the USSR there was an increase every year in the list of state tests of measuring devices to be mutually recognized and thus the cooperation in this field for mutual benefit.

The decisions of the SED Politbureau in regard to the direction and planning of science and technology, as well as in regard to the assessment of the visit of comrade Marchuk, deputy chairman of the USSR Council of Ministers, in the GDR, proceeding from the analysis of the work up to now and the requirements of the tasks confronting us, require

--a stronger concentration of the joint standardization work on such areas which make the greatest contribution to the growth of output of the national economies of both countries,

--a strong connection of the elaboration of unified standards with joint tasks for the development of new products and processes in order to transfer the scientific-technical results immediately into production,

--the reception of characteristic values in the unified standards which correspond to the advanced international level, for the reduction of energy and materials expenditure and for the increase of quality and reliability of the products.

With the deepening of the scientific-technical cooperation required by the program of specialization and cooperation, the unification of standards of the two countries for the intermeshing of the economies, for the joint development of products and processes, for the expansion of cooperation and specialization in production and research, as well as for the increase of the reciprocal exchange of goods, receives increasing significance. Therefore it is absolutely necessary to coordinate the standardization work between the two countries on a long-term basis. Its tempo and economic effect must be substantially increased. Thus the unification of standards will orient itself pre-eminently towards standardization in industrial robot technology. That means, universally insertable building groups and building components are created which are exchangeable and rationally manufactured. The quality requirements, testing and acceptance conditions for them are set down in standards. Standards are to be worked out for microelectronics to secure the compatibility and exchangeability of building elements and building groups, in particular for microprocessors. An important complex is also comprised of standards for the numerical guidance systems for machine tools and industrial robots.

In order to be able to make uniform assessments of the quality and quantity of raw materials and synthetic materials, finished products and energy carriers, the standardization of testing devices and testing methods is being accelerated. At the same time, the mutual recognition of state tests of measuring devices is to be expanded, in connection with which the industrial ministries of both countries are included to a greater extent. Both countries regard it also as expedient to begin the development and production of measuring devices for automated technological processes on the basis of a division of labor and thus to close gaps in quality control devices and processes.

To fulfill the goal formulations of the economic strategy of our national economy with a sense of responsibility and personal involvement requires a coordinated and long-term incorporation of the powers of the GDR and the USSR in the solution of scientific-technical problems. The criterion for effectiveness is the contribution to the increase in output of the national economy of the native country, the execution of the specialized processes in research and production with the goal of attaining a higher volume and top outputs in the exchange of commodities between the two countries. A challenge to researchers, developers, design engineers, and planners.

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ERRATUM: The following translation, which originally appeared on pages 1-4 in JPRS 81081 of 18 June 1982, No. 2283 of this series, is being republished to correct the table on its last page.

## CEMA COUNTRIES SEEN UNABLE TO MEET FIVE-YEAR PLAN GOALS

Zurich NEUE ZUERCHER ZEITUNG in German 23 Apr 82 p 15

[Article signed 'oo': "Unrealizable CEMA Five-Year Plans: Weak Economic Growth--Stagnating East-West Trade." A translation of an article on a related subject by the same author is published under the heading, "Debts to West Seen Limiting Economic Growth," in JPRS 80398, 24 Mar 82, No 2249 of this series, pp 23-25]

[Text] After the failure of the CEMA countries' five-year plans for the period from 1976 to 1980, attainment of the targets set for the period from 1981 to 1985 appears unlikely. For economic growth within CEMA declined from 2.7 percent in 1980 to a mere 1.6 percent in 1981, which is attributable above all to the extraordinary slump in Poland (-13 percent). In 1982, the CEMA economies--excluding Poland--are supposed to expand by 3.1 percent. In 1981 the investment volume of the states of the "red community"--excluding the USSR--declined or showed a stagnating trend. The development of private consumption likewise was unsatisfactory. East-West trade--calculated after adjustment for inflation--declined and the trade balance deficit of the CEMA states increased from $3.1 billion (1980) to $3.9 billion. These are the most important findings of a seminar of the Viennese Institute for Comparative Economics, which studied the development of CEMA in 1981 and the prospects for 1982.

### Setbacks Everywhere

Aside from the setback in Poland, the weak economic activity in the CEMA countries is attributable to the slowed growth of the GNP in the CSSR and in Romania. The key factor in regard to the disappointing overall results in the USSR was the further production decline in the agricultural sector (-2 percent), which thus showed a drop in output for 3 years in a row. In the CSSR, the diminished expansion of the GNP from 2.9 percent in 1980 to 0.2 percent in 1981 is attributable not only to the poor results in the agricultural sector, but also to the reduced growth of industrial production (2 percent as against 3.5 percent in 1980).

In Romania, where agricultural production in 1981 showed a decline for the second year, the overall economic decline (from 2.9 to 2.1 percent) was due above all to the sharp reduction in industrial expansion (from 6.1 to 2.6 percent). The curbing of investments and of Western imports, which were enforced by the high level of indebtedness, resulted as early as 1979 and above all in 1980 in a drastic decline in industrial growth.

As regards Bulgaria, on which country data concerning the 1981 GNP are not available, the industrial and agricultural results reported suggest that the planned growth rate of 5 percent (as against 5.7 percent in 1980) has been attained. An equally sharp rise in the GNP was reported in the GDR. In Hungary, the GNP last year showed a slight increase (+1.8 percent) after a slight decline (-0.8 percent) in 1980; with agricultural production stagnating, this was attributable above all to the moderate growth in the industrial sector (2.3 percent as against -2.1 percent in 1980).

With the exception of the USSR, where the investment volume has increased by 3 percent, there has been stagnation or decline in investment activity, and the development of private consumption has been unsatisfactory on account of the poor results in the agricultural sector and the decline in consumer goods imports. In order to prevent total collapse of the supply situation, Poland has strictly regulated--since the beginning of 1981--the distribution of foodstuffs; so far, however, it has not been able to achieve any marked improvement. Romania likewise has been confronted with serious shortages. Other CEMA countries such as the USSR have not been able fully to meet demand.

By contrast, the consumer market in Hungary has been distinguished by a broad product assortment, with the income-related price level exceeding that of the other CEMA states; the development of private consumption, which in Hungary is stagnating at the 1979 level in spite of a slight recovery in comparison with 1980, is being curbed by a restrictive wage policy.

Several CEMA countries in 1981 reported a continuing rise in retail prices. Aside from the special case of Poland, where the 1981 inflation rate amounted to 25 percent, retail prices--according to official data--showed the following increases: Hungary, 4.6 percent; Romania, 3.1 percent; CSSR, 0.8 percent. As regards Bulgaria, which in 1980 registered an inflation rate of 14 percent, no data are available for 1981.

The present policy of stable retail prices, which has been made possible through increasing state subsidies, can be maintained only in the USSR and in the GDR. But even these two countries have registered price hikes: in the Soviet Union, primarily in the kolkhoz markets, and in the GDR, for choice consumer goods. However, these two categories are not covered by the consumer price index.

Energy Shortages

With the exception of Poland, which did not draw up any plan for this year, the plans for 1982 provide for approximately the same rate of economic growth (3.1 percent). In all of the CEMA countries, however, the projected GNP increases are below the targets of the current five-year plans and this goes for industrial production as well. In the CSSR and in Hungary in particular, the GNP will show only modest increases (0.5 and 1-1.5 percent, respectively). All of the CEMA states will continue in 1982 radically to restrict the investment volume so as to be able to maintain as much as possible the current consumption level. The investment volume will be absolutely reduced (CSSR, Poland, Hungary, USSR) or it will increase more slowly than the GNP (Bulgaria, GDR, Romania). As has been the case for many years, the investment activity is focused on the energy sector and on projects already started. Modernization of existing installations is another area of concentration.

In all of the CEMA states, economic growth is hampered above all by energy bottlenecks. According to unofficial reports, the USSR has in 1982 reduced its oil shipments to the satellite states by at least 10 percent; only Poland is to receive the usual volume. The situation is aggravated by the reduction of Polish coal shipments, the discontinuance of Romanian power exports (to the CSSR) and delays in the expansion of nuclear power plants. For this reason, all of the CEMA states attach great importance to energy economy. Through higher consumption norms, price hikes and stricter controls, they want to enforce efficient and economical use of these important production factors.

While the volume of intra-CEMA trade--calculated at current prices--increased in 1981 by 10 percent, the dynamism of East-West trade declined. The exports of the European CEMA states to this area increased by a mere 4 percent (1980: 23 percent) to $45.8 billion, whereas imports increased by 4.3 percent (12 percent) to $49.7 billion. In real terms, both sides registered a decline. The CEMA countries' trade balance deficit vis-a-vis the West increased from $3.1 billion (1980) to $3.9 billion in 1981. Even in nominal terms, the small CEMA states registered a decline of trade with the West, which is attributable above all to the slump in Poland: East Europe's exports to the West declined by 0.6 percent to $21.5 billion and imports decreased by as much as 5.9 percent to $24.2 billion. In Poland alone, Western imports declined by approximately 28 percent; in Romania, by 19 percent, and in Hungary, by 7 percent. But even the CSSR--a country distinguished by low indebtedness vis-a-vis the West--reduced Western imports by 4 percent.

In contrast to 1979 and 1980, the exports of the USSR increased last year much more slowly than did its imports. The marked decline (8.7 percent as against 27 percent in 1980) is attributable primarily to the reduced demand for oil and petroleum products in the West and to the stagnating oil prices. The rather sharp increase in imports (+15 percent) is a result of the crop failure, which necessitated increased imports of grain and feedstuffs. With Soviet export to the West totaling $24.3 billion, and imports, $25.5 billion, the trade balance deficit amounted to $1.2 billion. In 1980, Moscow was able to realize a slight surplus ($202.7 million) in its trade with the West. The small CEMA countries reduced their trade balance deficit from $3.3 billion in 1980 to $2.7 billion in 1981.

Foreign Trade as a Burden

The East-West trade prospects for 1982 are not very favorable. And the intra-CEMA trade, which in 1980 amounted to approximately 53 percent of the Soviet Bloc's total commodity exchange, is likewise affected by the economic slump of the various economies involved. Regarding the further intensification of "socialist integration," which is emphasized in the plans for 1982, the preconditions are rather unfavorable. The strained situation concerning the current-accounts balance of the small Eastern Bloc states vis-a-vis the West and also vis-a-vis the USSR and the increasing demand for investments in the energy sector appear to be the main factors in regard to the lack of further joint large-scale projects in the next few years. Another negative factor in regard to economic relations is the crisis in Poland. So far, Poland has not been able to contribute--through a new five-year plan--to a coordinated CEMA cooperation program. The diminished supply capacity and the necessary changes in Poland's demand situation necessitate revision of the CEMA partners' economic plans. It is not only in regard to coal and other raw materials such as sulfur or copper, but also in regard to machines and equipment--the production of which is dependent on Western supplies--that Poland does not fully meet its delivery obligations. And on account of Poland's discontinuance of investment in other projects, long-standing orders of producer goods have been canceled. Thus this year foreign trade will strain rather than boost the development of the CEMA economies.

Table. Key CEMA Economic Indicators

| | Average Yearly Growth Rate in Percent | | | | | | |
|---|---|---|---|---|---|---|---|
| | 1976-1980 | 1979 | 1980 | 1981 Plan | 1981 Actual | 1982 Plan | 1981-1985 Plan |
| East Europe (excl. USSR) | | | | | | | |
| GNP[1] | 3.8 | 2.3 | 1.0[2] | 4.6[3] | -2.0[2] | 3.4[3] | 3.1—3.8 |
| Gross industrial output | 5.5 | 4.4 | 2.7[5] | 4.8[3] | -1.1[5] | 4.4[3] | 3.5—4.2 |
| USSR | | | | | | | |
| GNP[1] | 4.2 | 2.2 | 3.5 | 3.4[4] | 3.1 | 3.0[4] | 3.4 |
| Gross industrial output | 4.4 | 3.4 | 3.5 | 4.1 | 3.4 | 4.7 | 4.7 |
| CEMA | | | | | | | |
| GNP[1] | 4.1 | 2.2 | 2.7[2] | 3.7[3] | 1.6[2] | 3.1[3] | 3.3—3.5 |
| Gross industrial output | 4.7 | 3.7 | 3.3[5] | 4.3[3] | 2.1[5] | 4.6[3] | 4.3—4.6 |

1. Net material product
2. After exclusion of Poland in 1980: East Europe 3 percent, CEMA 3.4 percent;
   1981: East Europe 2.8 percent, CEMA 3 percent.
3. Excluding Poland
4. Appropriated GNP
5. After exclusion of Poland in 1980: East Europe 3.9 percent, CEMA 3.6 percent;
   1981: East Europe 3.5 percent, CEMA 3.4 percent.

## CHANGES DUE TO MANAGEMENT COMPUTERIZATION DISCUSSED

Prague HOSPODARSKE NOVINY in Czech 14 May 82 p 7

[Article by Eng Emil Kotoul, Candidate for Doctor of Science, Kosire Industrial Automation Factories: "Producer and User; Automated System of Enterprise Management"]

> [Text] Effective management is no longer thinkable without sophisticated computer technology. At the Kosire Industrial Automation Factories concern enterprise and its production plants, computer technology is not only produced, but also widely used. Within the framework of this automated management system, internal enterprise management is being rationalized gradually as well.

The improvement of the management system with the help of the computer technology has its own tradition as well as its own demanding future tasks at our enterprise. In recent years, we have given priority to the building of an automated management system for our factories with a technical base of third generation computers such as the EC 1021. The existing automated management system corresponded to the technical and systemic possibilities of the computer. It has covered, with a certain degree of complexity, the requirements for the automation of managerial and informational processes in our factories, and also contributed to the rationalization of their management system.

### Preconditions

From the viewpoint of an automated enterprise management system, our current approach represents a beginning phase with its typical characteristics, among which are incomplete data bases, information processing in batches, a traditional method of data collection and a relatively extensive combination of manual and automated information processing. Every enterprise, of course, must go through this phase, if it wants to create conceptually at lower organizational levels the inputs for automation at a higher managerial level, i.e., the enterprise level.

We are linking the further development of our automated management system with tasks which came about as a result of the VHJ [economic production unit]

reorganization of 1 January 1981, and in this connection with the basic expansion of our enterprise, which is now a concern enterprise. For the assurance of these tasks, it will be necessary, among other things, to create a rationally ordered system of enterprise management in which an automated management system will occupy a significant place. There is the matter, for instance, of the relatively stable allocation of managerial functions and activities among the divisions of the enterprise and of the factories. In connection with this, it will be necessary to decide in which areas of the system management will exist on the enterprise level, and in which areas on the factory level. Development is tending toward the centralization of some managerial and performance activities at the enterprise level.

All of these changes in the enterprise management system can come about only through a close mutual interaction between an automated management system and a number of developmental steps in the managerial sphere of the enterprise. The direction and tempo of development of management are dependent on the technical and systemic possibilities of a new line of computers and the applications software which has been prepared for them. Management will clearly also be influenced by pressure to rationalize administrative work and reduce the extent of the managerial and administrative staff.

The realization of these intentions presumes more advanced forms of an automated enterprise management system which we are linking with the introduction of the third and a half generation computer, the EC 1025, equipped with modern peripherals and the capacity for the semiautomatic collection and transmittal of data. Only with this technical equipment, and after mastering the first phase of the building of an automated enterprise management system, can we move on to the creation of a central data base, to real-time information processing, to the eventual hooking up of managing and managed locations to the computer, and the linking of factory satellite computing centers with the central enterprise computer.

We have already for some time been preparing the organizational, technical and methodological bases for such an automated management system, and these bases are now present in the entire managerial mechanism of the enterprise. In this connection, we first had to place the factories on about the same organizational and managerial level. The MARS application program (for small automated management system) helped us considerably in this. The MARS program is a generic one and represents for an engineering enterprise a comprehensive system which covers the automation of critical management areas.

Through the broad application of generic design solutions, and with the introduction of EC 1021 computers at three factories, we achieved significant savings in our needs for designers of automated management systems and for programmers. Our calculations indicate that it is possible to save in this manner Kcs 4-6 million on every automated management system in comparison with the use of our own designers. We are also using applications software for the development of automated enterprise management systems. This year the MARS system programs (multilevel management system) will be tested on our data systems for the EC 1025 computer.

Data

Furthermore, we have had to reach the same automation levels at the factory, operation, workshop and workplace levels of management, and thereby create the conditions for management integration with the help of unified data bases. This will make it possible in the future to hook up factories to the automated enterprise management system. In the conceptualization of this objective, we began from the fact that it is possible to reduce to algorithms almost all of the managerial and information processes of the lower elements of the internal enterprise organizational structure. This is based on primary information concerning a product and production resources, on norms and standards, on information concerning employees. For the most part it is a matter of data of a mass character.

We consider the key place in the automation of management to be activities connected with the ordering and actualization of that data which has a relatively permanent character for the enterprise. This forms the normative base for the enterprise. It serves for all calculations related to planning, budgets and documentation.

Information in the normative base concerns the technical parameters of products and of technical procedures which are the bases for establishing consumption standards for labor value added and labor content. We devote attention to input information of a normative character right in the construction offices and at technological workplaces at the stage of preparation of the test series. From these stages we use norms as the building blocks for all automated calculations.

The normative base in our enterprise has been constructed in a unified way in all factories, and is based on the same principles, yet is utilized in a decentralized fashion for factory management. There it is used to the full extent for the planning and management of production as well as for calculations and for budget-related tasks.

A quality normative base is a precondition for the broad application of automation in all areas where there is a need for the processing of aggregated data. An automated system has shown itself capable of taking over and replacing simple administrative tasks, for instance, the movement of material for documentation purposes, wage calculations, calculations of operative documentation, but also certain managerial functions, such as in the area of operative planning and management of production, the industrial distribution system, etc.

We have achieved a high level of automation in critical areas of management, such as the technical preparation for and the operative management of production, supply, marketing and work and wage accounting. These are important steps for a further stage in automation which, however, especially in view of the capacities of third and a half generation computers, cannot be accepted without a critical evaluation with a view to their final effect on the enterprise.

We have confirmed, you see, that computer centers in factories often provide users with information which is not used too much. The problem is that some information is fully usable only for decisionmaking at higher management levels and less so for the factories, which have neither the adequate capacity nor authority to make use of it.

Centralization

We have also confirmed that in certain instances processing on a computer would be more costly than the assurance of an activity by the current method. This is true, for instance, for invoicing, where if we were to automate, without basic changes, decentralized sales in factories, the cost for the preparation of a single invoice would amount, according to our calculations, to Kcs 820. This is, understandably, out of the question. Certainly, in addition to computers there exist moderately mechanized resources which are well able to carry out certain activities, and even to automate some functions, thereby also speeding them up and making them easier. Similar cases must be resolved through a change in the organizational structure of the enterprise and the organization of management. The deciding factor, however, is the final contribution to the enterprise.

Also at the enterprise level, significant importance is attached to the building of centralized, enterprise controlled and actuated normative bases which are to become the pillar for a unified data base for the enterprise. Direct access for the enterprise to primary normative information which so far has been utilized comprehensively in factory management systems will open the way to automating and rationalizing the enterprise management system as a whole. Top priority will be given to utilizing centralized data bases to increase the quality and make more precise the system for the breakdown of the plan for internal enterprise divisions.

Broader space for the utilization of normative data for standardization, for technological designing and the optimization of production scheduling is gained likewise at the enterprise level. The objective, within the framework of the enterprise, is the standardization of the formation of fixed orders of material utilization (material standards), of produced components within the framework of their unified classification systems, of production equipment, machinery and tools.

The existence of these enterprise standards must be expressed in the computer memory as a set of information. In addition, it must be evident as well during the unification of procured components and the centralization of the procurement of critical material components, in the specialization of the production of parts, the deepening of cooperative relations among factories, with the objective of greater utilization of machinery, equipment, etc.

In certain areas of management, an individual approach by factories is essential. This is true, for instance, when breaking down a plan by workplace, during organizational work and when mobilizing employees to fulfill tasks. Certain activities, however, may be rationalized at the factory only by shifting them to the enterprise.

Thus, for instance, through analysis we determined that of 15,000 material components, about 400 make up 85 percent of annual material consumption in an enterprise. A solution suggests itself: centralize the procurement of these components for the factories in the enterprise and for the other components coordinate the use of warehouse inventories at the factory level. The direct management of the procurement of selected components and the gradual utilization of enterprise materials standards has been supported by a number of measures of our supervisory VHJ. The means for handling the problem of managing procurement in conjunction with the standardizing and regulation of inventory development is a single, or unifying materials price list, the function of which is the unification of planning and of documentation throughout the entire concern.

If the requirements placed on an automated enterprise management system are to be fulfilled, the material conditions must be created for its implementation, and the professional sophistication of designers and user must be raised. We demand of them a comprehensive knowledge of enterprise management and an understanding of national economic problems. These employees often have, you see, a tendency to follow technical and systems views of problem solving, meaning that the content aspects of the concrete needs of management can escape their attention.

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CSO: 2400/279

## IMPORTANCE OF FUEL AND ENERGY RATIONALIZATION VIEWED

Prague STROJIRENSTVI in Czech No 3, 1982 pp 129-133

[Article by Eng J. Fiser, ScC, director of Power Research Institute in Prague: "Rationalized Consumption of Fuel and Energy--An Important Precondition for National Economic Development"]

[Text] The complex situation with supply, conversion, transport and exploitation of energy is not idiosyncratic for the CSSR. The turbulent development in consumption of energy sources is causing serious problems to power engineers all over the world. The constantly growing consumption of energy in absolute values as well as in conversion per citizen stems from numerous objective causes which have already been adequately publicized.

Many prognoses presented in the world deal with the future growth of energy consumption in the world. All of them attempt to prove that the primary problem in supply of necessary goods for the population of a country depends on adequate amounts of power for the production of those goods.

Figure 1 illustrates the process of production of primary sources of energy as estimated by a study conducted by the Conservation Commission (WEC). The only hope for expansion of the sources of primary energy after the year 2000 concern coal and nuclear power, while the sources of crude oil and natural gas will be declining. It will be increasingly more difficult to expand mining and exploitation of coal resources because of the growing demands on mining and transportation. The increment in energy consumption must be covered primarily by nuclear power; the limited sources of uranium will sooner or later lead to the use of fast breeding reactors. It will be necessary to overcome the psychological and political barriers placed in the way of the use of nuclear power, not to mention its great demands on investments, which may become a serious drawback.

The energy situation in the CSSR resembles the world situation in many ways but is even more complicated because new sources of energy are derived from the limited domestic coal supplies. Domestic resources of crude oil and natural gas are all but nonexistent and we are practically completely dependent on imports; in relation to our existing industrial base our domestic resources of raw materials appear inadequate.

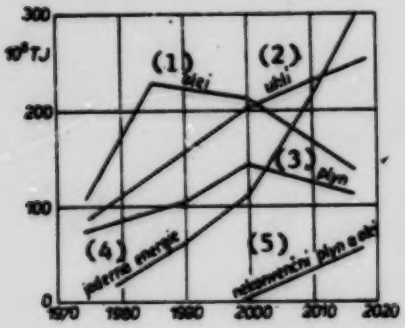


Figure 1. Annual world production of primary energy from fossil and nuclear sources according to the WEC Conservation Commission

Key: 1. Oil
2. Coal
3. Gas
4. Nuclear power
5. Unconventional gas and oil

The strategic objectives in the development of the Czechoslovak energy system have been essentially determined. The increments in energy resources are contingent on the development of nuclear engineering. Domestic fuels to supply our economy must be produced in economically most expedient volumes. High-grade energy carriers must be curtailed as sources of fuels and energy as much as possible and all types of power must be converted to the highest possible values. External circumstances, especially the skyrocketing prices of energy and raw materials, have quantified the initial proconditions for projections in the framework of the outlined strategy and for that reason, all long-range outlooks presented thus far must be regarded as potential developmental variants subject to initial conditions in the situation from which they have evolved, and thus, also as certain iterative steps leading to gradual specifications of the potential development of national economy as a whole. The time has come when the needs of power engineering on the one hand and on the other, the potential for the production of other national economic partners and last but not least, the linkage with the conditions in international trade must be most painstakingly weighed. One of the previous prognoses for the development of the Czechoslovak power system suggests, for instance, that during the 1980-2000 period our national income may increase 3 to 4.2 percent (I should like to mention for comparison that our average national increment during the 1960-1980 period amounted to approximately 4.6 percent). Of course, the values for the period of development prior to the year 2000 are not definite and further specification without doubt will modify them.

Figure 2 presents one of the elaborated variants of the primary fuel and energy resources used in the CSSR before the year 2000. Individual curves follow approximately the same direction as the corresponding curves in Figure 1, albeit for somewhat different reasons. For the control of primary sources of fuels and energy (PEZ) in the CSSR it is typical that the production of

solid fuels will not rise after 1990, unlike world projections. Until about 2000 will remain on the same level, after 2000 it will decline at first slowly, then rapidly. With its supplies limited, coal cannot be produced in volumes larger than the necessary supplies to the greatest consumers during their service life. Oil imports will stagnate in the greatest probability until the year 2000 after which it will presumably decline. Projections for imports of natural gas are not essentially different.

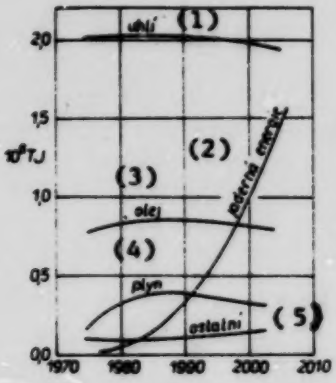


Figure 2. Total resources of fuels and energy used in the CSSR (according to sources from early 1980)

Key: 1. Coal
2. Nuclear power
3. Oil
4. Gas
5. Other

The sources of fuels and energy used in the CSSR were reviewed under the premise that the measures contained in the draft of the rationalization program for the Seventh Five-Year Plan and intended also for the subsequent period would be implemented. Although rationalized consumption of fuels and energy by itself does not guarantee abundant resources, it should be mentioned here that if the proposed rationalization measures are not implemented, Czechoslovak national economy cannot be supplied with the required volume of power, which would entail disastrous consequences. According to research data, the envisaged conservation fo fuel and energy resources has a realistic chance of success if the management on all levels and all participating authorities and organizations pay energy control undivided attention.

From the beginning of its activity the Power Research Institute (EGU) always emphasized the necessity of rational consumption of fuels; since the onset of the Sixth Five-Year Plan, in cooperation with 34 research institutes and other organizations, it intensified its expert study of specific needs and of reducing consumption of energy of selected energy-guzzling products and technologies. It focused primarily on the production sphere whose consumption of energy has a decisive effect on total consumption of primary sources of energy. Of course, it did not neglect the nonproduction sphere which consumes a major share of heat.

The results of research in the production sphere of our national economy point to two basic types of rationalization measures:

--to reduce specific consumption in the production by the application of the achievements of research in the area of technological development,

--to reduce specific consumption in the production by structural changes in national economy.

The share of both effects on total relative conservation of primary sources of energy in the period from 1970 to 1980-1990 was determined by separating the effect of the technological development and the effect of the branch structure on the consumption of energy (Table I).

Table I

| | 1980/1970 | 1990/1980 |
|---|---|---|
| Period | $10^3$ TU | $10^3$ TU |
| Savings based on the technological development | 464.90 | 411.61 |
| Savings based on changes in branch structure | 15.82 | 274.01 |
| Total savings | 480.72 | 685.62 |

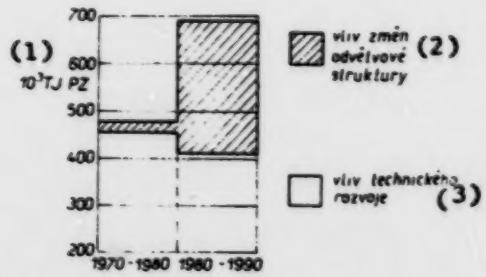


Figure 3. Summary relative savings of primary sources of energy

Key: 1. $10^3$ TU primary sources
2. Effect of changes in branch structure
3. Effect of technological development

This development is presented in a graphic form in Figure 3. From the above-mentioned review it appears that during the 1970-1980 period 96.7 percent of the conserved energy converted to primary sources of energy stemmed from technological development programs, while the effect of the changes in branch structures remained negligible. However, during the 1980-1990 period the effect of branch structures will become more pronounced and account for almost 40 percent of total relative savings, while the share of the technological development in conserved energy will decline relatively as well as absolutely. Structural changes will become an increasingly more distinctive factor of the rationalization program.

Naturally, rationalized fuel consumption must be viewed according to several criteria, not only from the standpoint of conservation of sources of fuels and energy. In addition to lower specific consumption of energy, a relevant criterion is the investment required for the program and the ensuing payback on capital. As regards reconstruction of facilities, physical wear and tear of the equipment to be remodeled and its remaining service life, the potential guarantee of investments and other criteria must be considered.

Primary sources of energy must be conserved by means of implementation of several programs whose viability was assessed first of all from the technological point of view and then with regards to their economic parameters. In terms of investment guarantees thus far their availability has not been analyzed in detail, however, it is axiomatic that further development of the program cannot avoid dealing with that particular aspect.

Herebelow we present a selection of some of the most important sectors of our production where conservation must become especially intensive. It does not list all rationalization programs, only an outline of some of the more noteworthy proposals which are of particular importance in terms of lower energy requirements.

Electric Power Generation

--Higher efficiency of operation of high-pressure heaters (VTO).

Although recycled heating of water feeding electric power stations reduces specific fuel consumption in power engineering, the operation of the VTO in all large condensation power stations is unsatisfactory. If the VTO would operate reliably and continuously in half of the blocs of 110 MW and 200 MW units, about 4,300 TU in primary fuels would be conserved.

--A higher share of combined generation of electric power and heat. In our conditions the production of electric power in thermal plants demonstrates currently specific consumption of fuels on the average 37 percent lower than its generation in 110 MW units. The projected increments in thermal plants and conversion of condensation systems to heat generation are expected to save approximately 12,500 TU of primary resources before 1990.

--Reconstruction of power engineering units

This follows the program planned already for the Seventh Five-Year Plan which will continue in the next period with the objective of achieving the planned parameters.

--Liquidation of obsolete production equipment

It is estimated that in this system about 380 MW of facilities with less than 50 MW capacity will be eliminated in 1985 and another 300 MW during the Eighth Five-Year Plan. Their production will drop from 1140 GWh in 1985 to about 200 GWh in 1990. Actual savings will depend on actual exploitation of those facilities, on their condition and on actual conditions of the electrification

system in a given period. If all rationalization programs now under consideration are implemented and all thermal power stations in the CSSR generate electric power, then the result would be the following development of specific fuel consumption in electric power engineering related to primary sources of energy (Table II).

Table II

| Year | 1970 | 1975 | 1980 | 1985 | 1990 |
|---|---|---|---|---|---|
| Specific fuel consumption for generation of electric power in primary sources $10^3$ TUPS/kWh | 12,274 | 11,585 | 11,237 | 10,979 | 10,557 |

Production of Pig Iron

The following are the principal factors which determine energy requirements in the production of pig iron:

1. Metallic contents of the blast-furnace charge and its homogenization;

2. The usable capacity of blast furnaces;

3. The counterpressure in the throat;

4. The temperature and the oxygen-enriched blast;

5. The type of power charge;

6. Mechanization of operations in blast furnaces;

7. Automatic computerized control of blast furnaces.

Blast furnaces are about 90 percent energy-efficient, from which it follows that it would be difficult to introduce additional efficient rationalization measures in power engineering. In the CSSR we have begun liquidation of outdated low-capacity furnaces and modernization of those adaptable to more efficient operation.

The rationalization measures under consideration should promote this development of specific consumption related to primary sources of energy (Table III).

Table III

| Year | 1970 | 1975 | 1980 | 1985 | 1990 |
|---|---|---|---|---|---|
| Charge TUPS/t | 0.0250 | 0.0229 | 0.0214 | 0.0203 | 0.0190 |
| Consumption of TUPS/t in operation | 0.0063 | 0.0060 | 0.0054 | 0.0053 | 0.0050 |
| Total TUPS/t | 0.03]3 | 0.0289 | 0.0268 | 0.0356 | 0.0240 |

## Generation of Heat

All ministries have jointly studied the options for rationalization measures in generation of heat on the basis of concepts concerning heat consumed in individual branches and its development. Public facilities will generate more heat (from the current one fifth to about one fourth of total heat produced in 1990), however, this will not affect total specific consumption of fuels for heat generation because specific consumption in public and industrial facilities are almost identical.

The share of heat produced in thermal systems in combined heat-and-power generation will be significant. In addition, the effect of reconstructed old facilities and of newly built or expanded facilities with lower specific consumption will be in evidence. The power station in Melnik which was partially converted to heat generation and some expanded thermal plants, such as those in Opatovice, Otrokovice, Plzen and elsewhere, may serve as examples. Nevertheless, the quality of solid fuels will produce some negative effects, but on the other hand, the organization of extensive centralized heat supply systems will be beneficial because the expanded facilities will more than compensate for the effect of heat lost in transfer and distribution, if the operations are improved by more advanced control systems. The use of certain regenerative types of energy and of unconventional sources of energy will mean further contribution.

If implemented, the measures under consideration for heat generation will result in the following development of specific consumption of primary sources of energy in the production of 1 TU (Table IV).

Table IV

| Year | 1970 | 1975 | 1980 | 1985 | 1990 |
|---|---|---|---|---|---|
| TUPS/U | 1,457 | 1,386 | 1,373 | 1,343 | 1,320 |

## Production of Ammonia from Natural Gas

Ample opportunities for conservation of energy in the Eighth Five-Year Plan may be anticipated from the new, more sophisticated production units installed in one of the industrial establishments in Slovakia under the title of Ammonia I. Several potential models are currently under consideration. One of the variants involves replacing the existing unit with a new one which would more than double the output and which has more advanced production technology; it is presumed that one production unit will be built for the production of urea. In terms of necessary public outlays, the relatively high one-time investments will be paid back within 3.8 to 2.7 years depending on the type of the design.

The envisaged development of specific fuel consumption in primary sources of energy for 1 ton of the product in the planned production establishment of the Ministry of Fuels of the SSR appears in Table V.

Table V

| Year | 1970 | 1975 | 1980 | 1985 | 1990 |
|---|---|---|---|---|---|
| TUPS/t | 0.0634 | 0.0626 | 0.0687 | 0.0680 | 0.0577 |

The indicators presented above apply to a single plant in the CSSR and not to all ammonia-producing plants. Total specific consumption of primary resources for the production of ammonia, including the compressed type, is estimated at approximately 57 GUPS/t in 1990.

Production of Aluminum Oxide

The currently applied technological method of production of aluminum oxide, $Al_2O_3$, in the CSSR consumes considerable energy. For that reason an oxide-producing plant is scheduled for reconstruction which will proceed in two stages. After the reconstruction its consumption of energy will drop to about 42.5 percent of the current consumption, which represents significant savings in the planned production.

The development of consumption of primary energy sources per unit of production is presented in Table VI.

Table VI

| Year | 1970 | 1975 | 1980 | 1985 | 1990 |
|---|---|---|---|---|---|
| TUPS/t | 0.0691 | 0.0641 | 0.0583 | 0.0516 | 0.0167 |

Production of Technically Pure Aluminum

The production of $Al_2O_3$ is narrowly linked with the production of technically pure aluminum. At present aluminum is produced by two-stage electrolysis of $Al_2O_3$ in a continuous process under the effect of additives and direct current in rectangular steel tubs. It uses a type of electrolyzers that make it impossible to cover individual tubs, which causes considerable waste of heat, tars dust and fluorine in various chemical forms and affects unfavorably not only the immediate area of the operation but also the near and even more distant environment of the plant. It should be mentioned that the production of anode materials for Soederberg electrodes has very untoward effect on hygienic conditions.

The program for reconstruction which is therefore under consideration should save the maximum possible savings of electric power and considerably improve hygienic conditions. Electrolyzers will be enclosed and the polutants exhausted more efficiently, which will improve the environment of the plant.

The results of the scheduled reconstruction will be reflected in specific consumption of primary sources of energy per unit of production (Table VII).

Table VII

| Year | 1970 | 1975 | 1980 | 1985 | 1990 |
|---|---|---|---|---|---|
| TUPS/t | 0.2016 | 0.1194 | 0.02070 | 0.1990 | 0.1647 |

I offered these examples to illustrate the options for the rationalization program in energy conservation in industrial production for the near future. However, it is not possible to present here every program under consideration for the period before 1990.

Rationalization programs will involve also the nonproduction sphere of our national economy. The development of centralized heat supply systems (SCZT) deserves special attention because heat supply consumes about 40 percent of total consumed primary sources of energy; about 20 percent of their total consumption is used to generate heat supply which is transferred by pipeline from thermal and heating plants and from boiler rooms to consumers, in other words, by centralized heat supply systems. A major share of energy consumed in the nonproduction sphere is used to heat and prepare hot service water. The following potential structure of heating systems for housing was prepared on the basis of projections (Table VIII).

Table VIII

| | 1975 | 1980 | 1985 | 1990 | 2000 |
|---|---|---|---|---|---|
| Solid fuels | 73 | 63 | 56 | 47 | 30 |
| Liquid fuels | 6 | 7 | 6 | 6 | 4 |
| Gaseous fuels | 7 | 13 | 18 | 23 | 26 |
| Centralized heat supply systems | 12 | 15 | 17 | 19 | 28 |
| Electric power | 2 | 2 | 3 | 4.5 | 10.5 |
| Nonconventional sources | - | - | - | 0.5 | 1.5 |

It is therefore envisaged that heat supplied from centralized heat supply systems will gain in importance mainly due to the limited resources of fossil fuels and their steadily deteriorating quality. Only large central thermal plants can burn such fuels economically and with minimum effect on the environment. Thermal capacities will be concentrated in large central facilities and therefore, large central heat supply system must be established to transfer heat economically over long distances. Several different sources of heat will function side by side in interconnected concentric thermal networks which will be gradually established. In due time the limited resources of our domestic fossil fuels will necessitate the use of nuclear fuel to generate heat. Nuclear power plants and nuclear thermal and heating plants will supply heat. The so called nonconventional sources of energy which will become auxiliary factors in the CSSR fuel and energy balance, particularly in genera-

tion of heat and preparation of hot service water, will involve in the conditions of our state primarily the solar and geothermic energy, the secondary sources of power and last but not least, the recycled energy recovered from waste air and water. Such supplemental sources will not be of major importance in the overall fuel and energy balance. It is estimated that in 1990 their contribution will amount to $29.3.10^3$ TU and in the year 2000 about $120.10^3$ TU, or less than 3 percent of total consumption of primary sources of energy at the end of this century. Heat recycling of the "air-air" type appears highly efficient. It may be introduced by simply adding a recycling heat exchanger to the existing air technology in facilities. Energy thus obtained is at least 60 times cheaper than solar or geothermic energy. Our national economy still has relatively extensive untapped sources of energy. I should like to point out as an example the Ostrava-Karvina district which is losing more that 360,000 cubic m/min of upcast blast escaping at 14 to 18°C from the coal mines into the atmosphere. If we would take the advantage of the 5.5°C thermal differential from the escaping blast, we would gain over 31,000 MWh of heat per month. We may not even realize the specific amount and volume of the sources of energy wasted on the territory of our state which should be used efficiently and profitably to the best advantage. It may be therefore advisable to survey the entire territory of our state from the air by the infrared or other method over appropriate intervals of time (individual seasons, workdays and holidays, etc.) in order to identify locations suitable for comprehensive utilization of wasted energy and its further programming in detail.

In view of the changed situation in our country and abroad our entire national economy is facing the fact that the type of extensive management prevalent until very recently is no longer possible. We must seek and find methods and programs that will create and utilize more national income and advantageous indicators for our people's living standard even though we shall have fewer resources at our disposal and they will require more intensive processing.

The same applies to the fuel and energy base at our disposal. We must continue processing available resources to better advantage and consequently, reduce their consumption in the production and nonproduction spheres to an absolute minimum and utilize them so as to achieve desirable final economic results. From the above it follows that if we make good use of the technical skills of our people we may accomplish satisfactory achievements with rationalization programs. Naturally, this is predicated on rationalized consumption of materials and energy which must become the concern of all working people on every level of work and management and in every sector of national economy.

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## FUTURE IMPORTANCE OF SMALL ELECTRIC POWER STATIONS VIEWED

Prague TRIBUNA in Czech No 19, 1982, p 12

[Article by Rostislav Valasek "Small Hydroelectric Power Stations--Program for the Future"]

> [Text] Though there may be some questions concerning the operation, reconstruction and even construction of new small hydroelectric power stations, none of them is a "to be or not to be" question. Actually, small hydroelectric power stations do nothing more than fulfill the demand that domestic sources of energy be exploited as efficiently as possible.

In 1980, we consumed in the CSSR almost 370,000 GWh of electric power. In addition, in the late 1970's the theoretical hydraulic power potential of our rivers represented more than 28,500 GWh annually and the technologically usable potential almost 12,000 GWh. Obviously, this is far from negligible. Of course, in reality in 1979 we exploited no more than 32.8 percent of this potential of our rivers, which represented 3,672 GWh of electric power.

In other words, the amount of unexploited hydraulic power leaving the territory of our state annually corresponds to 5.1 million tons in conversion to lignite for power engineering; it may be obtained from sources with a capacity over 10 MW, with an additional 1.8 million tons in sources with a capacity of 0.2-10 MW and at least 826,000 tons in sources with a capacity under 0.2 MW.

Every single kWh of electricity generated by harnessing the hydraulic power potential equals energy produced by burning 1 kg of power coal in steam power stations.

Nevertheless, despite the indisputable advantages of hydroelectric sources, in 1965-1979 the rate of progress in our country's hydraulic engineering declined 8 percent, while, for example, in the GDR it increased 63 percent, in Poland 162 percent, in the USSR 108 percent, in Belgium 84 percent and in France 48 percent during the same period.

At present, when we are reducing the consumption of high-grade fuels precisely in power engineering, when despite our country's focus on domestic resources the construction of thermal power stations is winding down and the increment

in power generation will come predominantly from nuclear energy, the emphasis is again on hydraulic power. While it is true that the cascades on the Vltava and Vah rivers have become synonymous with hydraulic power, it is no less true that we lack the hydraulic engineering potential of other countries, since most of our rivers have their springs in our country and most of the hydraulic power on our territory is dispersed in small streams.

Needed Stations Must Not Be Eliminated!

In view of the fact that the exploitation of our rivers for power engineering has not reached a desirable level, the presidium of the CSSR Government approved toward the end of 1979 the Principles for Intensive Exploitation of the Hydraulic Power Potential of River Streams in the CSSR for Electric Power Generation in Small Hydroelectric Power Stations.

We discussed the general principles as well as certain problems connected with the operation of small hydroelectric power stations with Eng Frantisek Pazout, a member of the bureau of the presidium of the CSSR Government, who informed us that the presidium of the CSSR Government in its Decision No 304/1979 assigned, among other things, the following tasks:

--to ensure continuous operation and regular maintenance of all existing small hydroelectric power stations and to prevent their liquidation;

--to rebuild, remodel and modernize the technological equipment and buildings of the obsolescent small hydroelectric power stations, including appropriate water works--dams, weirs, river beds, canals, etc.;

--to survey dams and weirs thus far unused for power engineering, to determine whether they may be furnished with equipment for power generation;

--to reassess the potential for restoration of the already abolished hydroelectric power stations.

Furthermore, the demand was emphasized that already during the planning stage of new weirs or dams to be constructed on our rivers for purposes of water economy, incorporation of small power sources should be always considered, if that is feasible for power engineering. Further development and construction of facilitites for small hydroelectric power stations must be adapted also to specific conditions of the river streams and maximum conservation, reliability, minimum investment outlays and brief construction schedule must be taken into consideration when developing suitable models of technological equipment for small hydroelectric power stations.

Two years later we may say with satisfaction that the demand to exploit small sources of hydraulic power as much as possible has met with a very favorable response and many of the "forsaken" power stations are already producing electric power. Work is now under way to put still more power stations into operation. The construction of new, more efficient small hydroelectric power stations is now in the planning stage or already under way (see Table).

Cataloguing for the Second Half-Time

All hydraulic works suitable for power generation were supposed to be catalogued in 1980-1981. Although such cataloguing is of fundamental importance, only the Federal Ministry of Fuels and Energy [FMPE] and the national ministries of forest and water economy and the ministries of industry have fulfilled their tasks. The kraj national committees prepared their listing most unsatisfactorily and some failed to attend to it at all. At the same time, one of the preconditions for a comprehensive solution of the problems of small hydroelectric power stations will be met only if we obtain accurate reviews of potential exploitation of hydraulic energy, the condition and usability of the existing machinery in both the liquidated and operating sources.

By its decision of November 1981 the CSSR Government assigned responsible authorities the task of completing the cataloguing of small sources of hydraulic power and their technical facilities, particularly the still usable ones, and to submit their reports to the FMPE before 30 June 1982 so that they can be presented for the action of the advisory bureau organized by that ministry. Only complete listing will enable us to reach some conclusion about the type of technological equipment available in existing sources and about their location.

From the cataloguing completed thus far, we learned that of the 955 localities already surveyed on our territory 230 are now operating at 159 MW total capacity.

The programs approved for the construction of new small hydroelectric power stations--in other words, for the construction of small hydroelectric power stations with less than 10-MW capacity--is focused on those locations where the sources of electric power will constitute a part of relatively extensive multipurpose works already completed or now under construction, such as dams, weirs rendering rivers navigable, or water-supply systems for nuclear power plants, etc. In addition, opportunities are being created to promote the interest of organizations and individual citizens in the implementation of rationalization programs for exploitation of microsources of hydraulic energy.

During the current five-year plan the construction of new, more efficient small hydroelectric power stations should add 15.96 MW of installed capacity and generate 71.1 GWh of electricity per year.

The construction program for the Eighth Five-Year Plan includes 28 support programs on the Vltava, Labe, Morava, Ohre, Dyje, Odra, Hron and other rivers, which involves total installed capacity of 62.35 MW in small, 1 to 3 turbine hydroelectric power stations, with an annual capacity equal to 271.43 GWh.

Microsources of Hydraulic Power

Small hydroelectric power stations with capacity under 200 kW offer additional opportunities for the exploitation of the power-generating potential of our rivers. Such sources are abundant all over our territory. From them we may gain an additional 171 MW or more of installed capacity. Under the current conditions, water works and construction units are partially equipped for operation of such stations in many localities where they may be restored mostly by self-help and without major investments.

Extensive deliveries of small turbines and generators are needed to put microsources of hydraulic power into operation. If we want to specify their potential volume, the results of previous inventories of such works may serve as illustration: 14,882 small sources of energy were operating in our country.

Naturally, this is not a question of the volume as much as of the most efficient solution as regards the concept of works and economical production of technical equipment. Before June 1982 the ministries of metallurgy and heavy engineering and the ministries of electrical engineering in cooperation with the FMPE will submit a report on auxiliary development of unified series of technological equipment, including automatic units, and a report on provisions for the production and delivery of such equipment for the program of reconstruction, general overhaul, restoration or new construction of small hydroelectric power stations.

An advanced concept of DC elbow turbine for low heads with capacity from 0.5 to 10 MW which has been already completed in the planning department of the CKD [Ceskomoravska Kolben Danek] N. P. in Blansko has attracted interest even abroad. Of course, new, nonconventional solutions have also been proposed, among others, by engineers of the CVUT [Czech Military Institute of Technology] who had tested a prototype of propeller pump. With no adjustments it achieved 89 percent efficiency of turbine operations in conversion of hydraulic power, which is an unqualified success. Pumps manufactured in our country and suitable for this purpose have capacities from 30 to 110 kW; their price range is from Kcs 50,000 to 300,000.

Higher Purchase Prices, Lower Charges

Principles of economic incentives for operators of small hydroelectric power stations and for potential interested parties are valid as of the beginning of 1982.

—The new price list of the FMPE which is now in force adapted the price of electric power purchased from hydraulic sources at Kcs 0.32 per kWh supplied to the network in the daytime, and at Kcs 0.09 per kWh supplied from 10 pm to 6 am. The average per kWh cost for electricity produced in such sources as, for example, those under the jurisdiction of the FMPE is in the range from Kcs 0.11 to 0.14 and should not exceed the ceiling of Kcs 0.24 even in the least favorable case.

Last year the ministries of forestry and water management of the CSR and SSR reduced by 80 to 95 percent the rental fees of water works serving small

hydroelectric power stations of the FMPE, which facilitated their further operation and development within that ministry because that fee is not charged outside the ministry.

--Since the beginning of 1982 the Czechoslovak State Bank grants state, cooperative or public organizations preferential credit up to the full amount of the costs of construction or reconstruction of hydraulic power sources. If such works are constructed in conjunction with reclamation projects, the credit, which amounts to 3 percent in agricultural and commercial organizations, is cut to 1 percent.

--If a citizen decides to build a small hydroelectric power station, the Czechoslovak State Savings Bank grants him a loan to construct such a microsource at a credit rate of 2.7 percent. Such loans are made without collateral and the savings bank pays invoices and bills of supplier organizations.

The above-mentioned measures follow a single purpose: to provide incentives to former operators or new parties interested in the construction of small hydroelectric power stations.

Many steps have already been taken but numerous unresolved and unanswered questions still abound. The meeting of the presidium of the CSSR Government on 12 November 1981 reemphasized the demand that the cataloguing of sources of hydraulic power and of capacities installed in them be completed. In this conjunction the Ministry for Technological and Investment Development prepared in January 1982 a simplified questionaire for completion of the cataloguing project (the preceding questionnaire was excessively laborious). It includes enforcement of expeditious permit and approval procedures for small hydroelectric power stations which are now under construction, which are being remodeled or about to begin operation. The proceedings for a permit to operate a 5-kW source should not be as tedious and complicated as for a nuclear power plant.

Even with the adoption of the decisions of the presidium of the CSSR Government, considerable shortcomings in the sector of planning of small hydroelectric power works in the CSR led to the construction of large weirs which do not utilize their potential for power generation. This must not be repeated.

The growing interest in the exploitation of small hydroelectric power stations indicates that we can be good managers. Although operations in small hydroelectric power stations have the character of untraditional and auxiliary sources, it is indisputable that they help rationalize the consumption of fuels and energy. The problem is to provide such opportunities and preconditions for the construction, restoration and operation of small hydroelectric power stations that would give us the best advantage of the power-generating potantial of our rivers.

Program of the Construction of Small Hydroelectric Power Stations in the CSSR Prior to 1985

| Location | River | Installed Capacity MW | Average Annual Production GWh/year | Investor | No of Turbines | Schedule for Completion |
|---|---|---|---|---|---|---|
| Prague-Stvanice (1st stage) | Vltava | 2.2-3.0 | 20.8 | FMPE | 3 | 1983-1985 |
| Prague-Modrany | Vltava | 1.08 | 7.7 | FMPE | 2 | 1983-1985 |
| Prague-Libcice | Vltava | 3.65 | 20.7 | MLVH*)<br>CSR<br>FMPE | 4 | 1985-1987 |
| Prerov | Becva | 0.43 | 1.7 | FMPE<br>MLVH<br>CSR | 1 | 1982-1984 |
| Hranice-Prerov | Becva | 0.50 | 2.0 | FMPE<br>MLVH<br>CSR | 1 | 1984-1987 |
| Nove Mlyny-Breclav | Dyje-dam | 2.30 | 6.2 | MLVH<br>CSR | 1 | 1984-1986 |
| Velke Kozmalovce-Levice | Hron | 5.00 | 12.0 | MLVH<br>SSR<br>FMPE | 2 | 1985-1986 |

*) MLVH - Ministry of Forestry and Water Management

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## INDUSTRIAL PROBLEMS, SOLUTIONS ASSESSED

### Industrial Concentration Problem

Warsaw ZARZADZANIE in Polish No 7, Jul 80 pp 7-10

[Article by Andrzej Cylwik: "Problem of the Concentration of Polish Industry; the Concentration of Production"]

[Text] During the latter half of the 20th Century, the concentration of industry has become common, a feature of the economic development of the capitalist and socialist countries. At the present time many Polish scientists are inclined to view this process as the objective law of scientific and technical progress. We can see this merely from the following statements: "The concentration of industry is undoubtedly correct because of how generally it occurs and because of the economic results";[1] "Production concentration and its closely related processes of integration of production activity and specialization are becoming increasingly objective in nature, and in certain subsectors of industry this concentration is even somewhat forced on industry by the current development of science and technology";[2] "The process of concentration is historical in nature and is an unavoidable phenomenon determined by overall economic growth."[3]

The process of concentration of industry has been going on in the Polish economy for more than 20 years now.[4] Changes in this realm have been great and have been manifested, among other things, in the following:

Decline in the number of state enterprises, which dropped between 1960 and 1975 from 3,514 to 2,554,

Increase on the magnitude of a dozen and some times in the value of the production created by a single enterprise,

Rise in the mean employment in a factory (for example, the mean in 1960 was 418 employees, but in 1977 the mean was 1,043 employees).

Current trends in the development of industry and long-range aspirations show that the concentration process will continue. This makes it advisable to analyze in retrospect the previous achievements and to attempt to establish the laws of development for the concentration process, as well as to assess its results, especially as to whether it turned into the called-for process of integrating the industrial units.

The process of concentration is defined and classified in various ways. In this analysis the division proposed by J. Goscinski will be used.[6] He makes a distinction between three major sorts of concentration:

Production concentration taken to be:

-- an increase in the quantity of production created in various plants,

-- a decline in the number of places in which a given product is produced,

-- the creation of new, combined places of production, in which it becomes possible to install larger pieces of equipment and to use more modern methods of production;

Capital concentration, or the process of the fusion or joint designation and use of collected funds without basic changes in the authority of the economic organizations participating in this venture;

Administrative concentration, which is a form of forced grouping of industrial units, accompanied by important changes in the realm of the autonomy of the combined units.

Only the first and third sorts of industrial concentration have had practical significance in Polish economics. It is true that capital concentration existed in the form of combining funds for joint research or investment ventures, but despite the many postulates up until now it has not been possible formally to create voluntary industrial associations.[7]

In the real course of economic development we are most often dealing with the simultaneous appearance of the phenomenon of production and administrative concentration, but owing to the lucid nature of the analysis, they will be presented separately. Let us start with the concentration of production and look at the benefits of it, the most important being what is called the effect of large-scale production, or the decline in mean production costs per unit of the product as the size of production increases.

The basic problem analyzed by numerous scientists is the scope of the general application of the principle about the existence of the effect of large-scale production and the related problem of the optimum size of factories. Research conducted in the developed capitalist countries analyzing many years of change in the extent of concentration clearly shows the practical existence of an optimum enterprise size, depending on the subsector of industry. J.C. Allen examined the structural changes in British industry from 1900 to 1960 and found, for example, that in the textile industry, the decided majority of the enterprises employed from 100 to 399 people, but in the steel industry the major development took place in enterprises numbering more than 1,000 employees.[8]

M. Bottcher[9] gives an interesting view concerning the process of concentration in a socialist economy. In his opinion, the increase in the sizes of enterprises should be related to a certain change in the structure of production. The production structure should be "adapted" to the size of the industrial unit, so as to help it to achieve the greatest labor productivity. On the other hand, if there is no possibility of changing the structure of production, then there is undoubtedly a limit on (optimum) size for the enterprise (plant), and if this size is exceeded, production costs will increase. To support his statements, Bottcher includes examples of phenomena which occurred in the 1960's in the GDR economy, where greater effectiveness occurred in certain subsectors of industry in enterprises of less than average size (for the given subsector) than in other enterprises.

T.B. Kozlowski summarizes the comprehensive review which his book gives of the opinions and research results obtained on the subject of the effects of large-scale production and says that each subsector or branch of industry has its own specific characteristics, which make it possible to obtain greater or lesser benefits from using highly productive equipment. There are branches in which the possibilities of designing and installing highly productive equipment are very great and those in which there are only limited possibilities in this area."[10]

The above points have also been confirmed in the research conducted at the end of the 1950's and the beginning of the 1960's in Polish and Soviet industry. On the basis of the results of this research, L. Pasieczny[11] singled out four industrial groups with a specific impact of production concentration on the rise in labor productivity. Here they are:

Industries in which increases in the size of plants cause an uninterrupted (although paced at different rates) increase in labor productivity. This rule applies to the power, chemical, metallurgical, building materials, and timber industries;

Sectors of industry in which the increase in the size of the plants brings about a rise in labor productivity but only up to a certain point. This law applied to the chemical, metallurgical, engineering, textile, and clothing industries.

Sectors of industry in which growth of plant size gives no regular change (increase) in labor productivity, but the largest plants (in the given subsector) nonetheless feature the greatest productivity. This law applied to the building machine and fuel industries.

Industries in which there is no regular relationship between increased plant size and an increase in labor productivity. This law applied to the rubber industry and the food industry.

It is L. Pasieczny's view that owing to technical production factors, the concentration of production can be best utilized in the case of apparatus processes (power industry, chemical industry, metallurgy) and

and the production of large-scale goods (aircraft, ships). It also gives the causes for the inadequate effectiveness of the process of production concentration in the Polish economy, mainly listing errors in the organization of the production process, errors in the preparation and execution of the investment process, excessive production concentration in certain subsectors of industry as expressed in unjustifiable exceeding of the plant size optimum (for the given subsector), and technical and technological backwardness of local industry.

Some of these errors were also committed during the latter half of the 1970's, as we can see from the results of the analysis conducted by M. Lissowska[12]. She confirmed the occurrence of two harmful phenomena:

Exceeding the optimum size of enterprises (plants). For example, in the electrical engineering industry the greatest productivity per employee was achieved in enterprises employing 2,000-5,000 persons, but in the metal industry the optimum size of enterprises from the viewpoint of maximum labor productivity ran between 1,000 and 2,000 employees. Meanwhile, in both of these industries there was an increase of several percentage points in the share of the larger enterprises, above the optimum employment level.

The adverse impact of concentration on the productivity of fixed assets. M. Lissowska discovered the major causes of this phenomenon to be "inadequacies in the organization of production and failure to make rational enough use of equipment, whether as the result of delays in bringing new plants up to full production capacity or as the result of stoppages or permanent failure to use equipment found to be surplus."[13]

Summing up the results of her analyses, she stated: "...in only a few subsectors we can see the continual, decided occurrence of the effects of a large scale up to the largest plants according to both ways of measuring concentration (the number of employees and the value of fixed assets -- author's addition). This applies only to thermal and electric power and to the textile industry."[14] In the other subsectors of industry there was a clear range of optimum plant size, and when this size was exceeded work productivity suffered; in certain cases the limit of optimum splant size was relatively low, for example, 201-500 employees in the fuel industry.

M. Lissowska also made a comparative analysis of the development of production concentration in Poland and in England and the United States. It turned out -- and this may cause a certain amount of consternation -- that the mean number of persons employed in a factory in Poland, except in the food industry, the automotive industry, and the clothing industry, was higher than in England or the United States. Hence there arises the question: Why, despite the high level of production concentration, is this process less effective in our country than in certain advanced industrialized countries? It would seem that the cause for this state of affairs is to be found in the majority of instances outside the process of concentration. This has been pointed out by L.

Pasieczny and M. Lissowska, who have pointed out numerous shortcomings in the organization of production.

This fact has also been confirmed by the results of research conducted at the beginning of the 1970's in the Polish knitwear, hosiery, and chemical industries.[15] The authors of this research emphasized the impact of poor production organization on the reduced effectiveness of the concentration process. The occurrence of this phenomenon was related to the application of outmoded production technology and engineering, difficulties in managing a large number of employees and in resolving complicated problems of decision-making, and disruptions in industrial units (for example, periodic shortages and outages of raw materials).

T.B. Kozlowski states right out that the primary role in the genesis of economic limits on enterprise size is played by organizational factors. In this connection he calls for the gradual development of factory size, which may create the opportunity for combatting sooner the problems associated with inadequate employee training and the absence of management routines and may serve as an incentive to the more effective implementation of the later stages of development. There is much to show that under Polish socioeconomic conditions, when many plants are springing up on previously unindustrialized land and many of them are employing a great many people without industrial experience, this view is correct and worth broader application.

In my opinion, however, this does not exhaust the list of problems concerning limits on the effectiveness of the process of production concentration. An equally or perhaps even more important matter is inadequate specialization and coproduction and inconsistency in the structure of Polish industry. Data on this subject are very rarely published. The discussion launched in 1975 by the editors of PRZEGLAD ORGANIZACI threw some light on the phenomena which were occurring. It was evident from the information[16] provided at that time that mass production in Polish industry amounted to only 7 percent, while the figures were 28 percent for France and 35 percent for the United States. In similar fashion, large-series production in Poland amounted to 15 percent, in France to 30 percent, and in the United States to 24 percent.

The low level of specialization and coproduction were also proved by the fact that in the Polish engineering industry 90 percent of the enterprises produced spare parts independently, with only a few industrial units fully availing themselves of centrally produced structural components (this ratio was just the reverse in U.S. industry). The phenomenon of relatively meager development of specialization and coproduction is characteristic not only of the Polish economy but also of some other CEMA countries. It is closely related to periodic disruptions and economic tensions, which encourage autarky. We should also point out certain inefficiencies in the system of industrial management. For example, in the research which H. Sadownik conducted in 1971, he found that branch coordination in Polish industry functioned almost exclusively in a formal sense. This was the result of the lack of the ability to execute resolutions and branchwide

agreements, or to mount effective control and exact the sanctions which had been provided for.[17]

On the other hand, the lack of consistency in the structure of Polish industry, the next important reason for the decline in the effectiveness of production concentration, appeared as underdevelopment of small-scale industry, which for many years had worse management conditions than the larger industrial units (key industry). This adverse trend was not reversed until 1979, and gradual improvement is to be anticipated. We can best get some sort of idea about the importance of proper cooperation between large and small firms by the example of the expansion of Japanese industry. One of the experts on this problem, Norio Yanagihara, says: "by regulating the coproduction tasks assigned to the small and medium-size firms, the large corporations can achieve the most beneficial level of utilizing their own production capacities."[18]

Finally, the next reason for the inadequate effectiveness of production concentration is to be found in the inadequacies and inconsistencies of the process of administering the concentration of industrial units. This problem should be given far more attention, because it is upon its course that such important, anticipated effects of the concentration process as the greater competitiveness of large economic organizations on international markets, greater possibilities for using the achievements of science and technology, and the relative decline in the costs of managing production depend. This problem will be presented more comprehensively in the next article.

FOOTNOTES

1. Z. Szeloch. "Organizacyjne problemy tworzenia i funkcjonowania kombinatow przemyslowych" [Organizational Problems of the Establishment and Operation of Industrial Complexes]. Wyd UMCS [Marie Curie-Sklodowska University Press], Lublin, 1976.

2. J. Kortan. "Doskonalenia procesu laczenia przedsiebiorstw" [Upgrading the Process of Amalgamating Enterprises], EKONOMIKA I ORGANIZACJA PRACY [Economics and Organization of Work], May 1978.

3. J. Goscinski. "Modele i funkcje duzych organizacji gospodarczych. Referat na konferencje naukowa" [Models and functions of large economic organizations; paper at scientific conference], Lodz, 1973.

4. It practically begun in 1958; initially, especially in the years 1950-1955, even a counter tendency appeared, in the concern about the misconceived "branch purity," and some enterprises were divided up into individual plants.

5. Information based on ROCZNIKI STATYSTYCZNE PRZEMYSLU [Statistical Annals of Industry] for 1973, 1976, 1978.

6. Viz J. Goscinski, op cit.

7. Viz H. Mrela."Rodzaje zrzeszen" [Types of Associations] ZARZADZANIE [Management], 1974, No 8; A. Jedraszczyk, E.W. Murawski. "Koncern i zrzeszenie" [The Concern and the Association], ZARZADZANIE, 1975, Nos 2-3.

8. G.C. Callen. "Struktura przemyslu brytyskiego, analiza przemian ekonomicznych" [Structure of British Industry; Analysis of Economic Changes], Warsaw, PWE [Polish Economic Press], 1962.

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10. T.B. Kozlowski. "Optimalne wielkosci przedsiebiorstw przemyslowych" [Optimum Size of Industrial Enterprises], Warsaw, PWE, 1973, p42.

11. L. Pasieczny. "Koncentracja, specjalizacja i wspolpraca produkcyjna" [Production Concentration, Specialization, and Cooperation] in joint work: "Ekonomika przemyslu" [The Economics of Industry]. Warsaw, PWE, 1966.

12. M. Lissowska. "Zmiany stopnia koncentracji przemyslu w latach 1966-1970" [Changes in the Extent of Industrial Concentration in 1966-1970], GOSPODARKA PLANOWA 1979, No 11.

13. M. Lissowska. "Wplyw wielko ci zakladu na wydajnosc pracy w przemysle" [Impact of Plant Size on Labor Productivity in Industry], GOSPODARKA PLANOWA, 1973, No 9, p 606.

14. M. Lissowska. "Wplyw wielko ci..." op cit

15. A detailed description of the scope, methods, and results of the research was given in: S. Niewiadomski. "Ocena efektow gospodarczych koncentracji produkcji na przykladzie przemyslu dziewiarskiego i ponczoszniczego" [Assessment of the economic effects of production concentration using the example of the hosiery and knitwear industry] in "Funkcje i struktura przedsiebiorstw -- ewolucja i integracja" [Functions and Structure of Enterprises; Evolution and Integration], Warsaw, PWE, 1976; T.B. Kozlowski, op cit.

16. "Aktualne problemy organizacyjne jednostek inicjujacych" [Current Organizational Problems of Initiating Units], PRZEGLAD ORGANIZACJI 1975, Nos 8-9.

17. H. Sadownik. "Problemy zarzadzania zjednoczeniem przemyslowym" [Problems of Managing the Industrial Association]. Warsaw, CODKK, 1972.

18. N. Yanagihara. "Strategia i struktura japonskich organizacji przemyslowych" [Strategy and Structure of Japanese Industrial Organizations], ZARZADZANIE, 1974, Nos 10-11.

## Technology Import Substitute Solution

Krakow ECHO KRAKOWA in Polish 27 May 82 pp 1,2

[Article: Lenin Iron and Steel Works Saved Thirty Million Dollars"]

> [Text] What do you do when the foreign-exchange coffers are empty and you cannot move to produce a thing without certain components which used to be imported? This was the problem which the Lenin Iron and Steel Works faced. Krakow mill employees are not waiting for the gods or the bankers to smile on them. They have worked out a special program to replace imports with their own newly introduced technology. There is a list of 37 undertakings the execution of which will make it possible to save about 30 million dollars.

Specialists from the Refactory Materials Plant of the HiL [Lenin Iron and Steel Works] developed the technology and began their own production of special megnesite products used in the linings of mixers used to hold the liquid pig iron. A ton of similar products formerly imported from Austria costs more than 500 dollars. Their production in our country, even though foreign raw material is used, brings an annual savings of 19 million zlotys. The antiimport program calls for beginning production on a total of ten types of refractory materials.

The so-called pellets previously bought from Brazil were eliminated from the charge of the great furnaces and were replaced with Polish and Soviet sinter.

In coproduction with Zygmunt Iron and Steel Works, certain parts are made which are needed for the American, Japanese, and West German rolling-mill equipment in the complex.

The Sheetmetal Cold-rolling Mill has to its credit great achievements in its actions to limit foreign-exchange expenditures. Here they found native substitutes for the emulsion oils, chemicals used in "washing" sheet metal, cast-iron shot for the machining of rollers, and so on, all of which they used to buy for hard currency.

The iron and steel works also helps others starting up production of rolled products which used to be imported for the needs of the automotive industry, the electrical engineering and tele-engineering industry, the farm machine industry, and the printing industry. For example, sheet metal which is smoother, as is necessary for the components of automatic telephone exchanges, is already being produced.

There are also problems. In its desire for some domestic partner to begin making things it needs, HiL must independently arrange for the necessary raw materials, look for coproducers, and often provide for

its own transportation. I recalled the cast-iron shot. They make it at the Metallurgical Plants in Trzebinia. Kambud in Krzeszowice provides a partly finished product. HiL trucks transport them on the route from Trzebinia to Krzeszowice and Krakow.

Information is miserable. HiL recently received a telex from the automobile factory concerning the possibility of replacing imported oil in the process of conserving auto chassis sheet with domestically-produced Korferol WD-5 oil. Meanwhile, the complex has been using this item with success for several years aleady.

In the case of the detergents used in the cold-rolling mill, the right hand did not know what the left hand was doing. It was by accident in the course of talks on a completely different subject that it was learned that the chemicals were being sought by the Institute for Heavy Organic Synthesis.

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## STATUS, SIGNIFICANCE OF FISHING INDUSTRY PROBED

### General Prospects

Warsaw RZECZPOSPOLITA in Polish 27-28 Feb 82 p 5

[Article by Zbigniew Wyczesany: "Can We Afford Fish from the Pacific?"; passages enclosed in slantlines printed in boldface]

[Text] Report on the Status of Fishing. Meat or Fish? How Much, What Kind, and At What Cost?

/Over the course of the past thirty years for the second time the following problem has arisen: what should we invest in, meat or fish? Just as during the 1960's, when the economy had limited possibilities for investment, it is a matter of weighing current decisions, but, above all, of clearly outlining a long-range strategy in the area of food economy./

The result of a change in views was then a compromise--it was necessary to develop grain products and, on a parallel basis, fishing, especially deep-sea fishing. Moreover, the latter promised lower costs for obtaining protein products as well as providing the market with an increase in valuable consumer products which would be a complete substitute for meat and its processed products.

To Catch or To Buy?

Times have changed. We have to go farther and farther for fish. Limitations on fishing have increased. The direct costs of fishing have grown enormously. At present the prices of ships are very high, even though they are being built by Polish shipyards. There have been manifold increases in fuel prices. Foreign-exchange expenses for the fleet (the purchase of fuel and material provisions, port duty-fees, etc.) are being maintained at a high level.

/Hence, doubts have been expressed in certain circles as to whether, in general, it is worthwhile to engage in deep-sea fishing, which is such a great burden on the economy. A report which has recently been developed by a group of experts on the status of fishing provides an answer to this question.

The report on the status of fishing comprehends its role in the national economy and in the country's food complex, points out the consequences of the economic changes brought about by the taking possession of the seas by the maritime states, informs us about the results of searching out new fishing locations, and presents capital ratios, cost estimates, including foreign-exchange intensiveness, as well as comparisons between the costs of meat products and those of fish during the years 1977-1980./

Based on a thoroughgoing analysis, conclusions have been formulated in the matter of developing fishing in the short-term and long-term future.

Status of Possession

What is the disposition of Polish fishing today?

At present the fishing fleet is composed of 101 trawler-factory ships with a combined capacity of more than 200,000 GRT [gross registered tons]. The average age for this fleet amounts to 12 years. The status of the auxiliary fleet is 10 ships with a combined capacity of 71,000 GRT; these are indeed ships which are newer than the fishing fleet, but their suitability for transport--among other things, from the viewpoint of the increasingly greater distances of the fishing locations from Poland--covers scarcely 40--50 percent of the needs.

In 1981 the value of the fishing fleet and the auxiliary fleet amounted to approximately 15 billion zlotys. Furthermore, the value of the shoreline property was about 3 billion zlotys (docking facilities, workshops for repairing refrigeration units, supply warehouses, etc.). The fishing fleet has become obsolete to a considerable extent, but, at the same time, it has not yet reached the stage where it has to be refurbished or replaced.

In 1970 the fishing fleet was operating relatively close by (the average distance of the fishing sites from our country was 2700 nautical miles), i.e., principally in the Atlantic and in African waters.

In 1980 we were catching fish in eight regions of the world, already including the Pacific to a considerable extent. The average distance of the fishing sites from Poland amounted to 6660 nautical miles.

/This geographic change has brought about a change in the structure of the kinds of fish being caught. Ten years ago the following four kinds of fish were dominant: codling, herring, mackerel, and flatfish. At present the proportion of these very kinds of fish in global, deep-sea fishing amounts to scarcely 1.5 percent. More than 80 percent of all fish catches today are made up of kinds of fish which were practically unknown in Poland ten years ago./

Hake and [mintaj] have won recognition for themselves in home cooking, and they are tasty. The situation is not so good with other kinds of fish which are less valuable and more difficult to process technically.

A Broken Agreement

Under conditions which have been worsening since the very early 1970's at fishing sites (the process of taking possession of the seas and the establishment of 200-mile-limit economic zones), many fishing sites which had heretofore been exploited by our fleet became inaccessible. We concluded a series of agreements with the maritime states on the right to fish in their zones, with the United States, among others.

As recently as November representatives of the U.S. Embassy in Warsaw confirmed the stability of our presence in waters within the jurisdiction of the United States. In April of the current year we had to sign an extension of an inter-governmental agreement within the framework of which we had the right to catch about 250,000 tons of fish annually, which would have been much less than half the amount caught in long-distance, deep-sea fishing.

As a result of President R. Reagan's brutal decision, the fishing fleet which was operating there (28 ships) was compelled to leave the waters which were located within the U.S. zone. After a two-month interruption, which caused a dislocation of the fleet, the first information came in about the undertaking of fishing in new zones in the Pacific and the Atlantic. This has created chances of catching at least as many fish this year as in 1981.

We have at our disposal a staff of experienced deep-sea fishermen, and we have attained a high rank in oceanographic research and in ascertaining the status of stocks in various parts of the world. We have concluded agreements with several states, including, among others, Canada, Norway, and France, on fishing within their economic zones.

We can continue to obtain considerable quantities of fish from areas which are generally accessible as well as from waters which are covered by international conventions. We are conducting negotiations with a number of African and South American states regarding the purchase of fishing licenses or regulating fishing on the basis of sharing or cooperation. Fishing on the open oceans [high seas] beyond the continental shelfs is an open matter.

Real Prospects

/Experts assert that we could obtain as much as one million tons of fish annually from the ocean waters immediately around us. Realistic possibilities have been estimated more modestly. Let us bear in mind that the report estimates them at 500,000 tons of fish annually in the fish catch./

This would allow us to export enough fish to cover the increased foreign-exchange costs for the fleet, to produce fish meal in amounts of 60,000 tons, as well as to provide the domestic market with fish and fish products amounting to 190--200,000 tons (in commercial terms). Let's add to that fish from the Baltic Sea (a catch amounting to 170--180,000 tons annually), which in analogous commercial terms would amount to about 100,000 tons.

Question: how much does this cost? At present it is still impossible for us to carry out a complete economic calculation. The prices of the new ships are not known, nor do we know how much the costs of fuel and material supplies will rise. It has been computed that before 1990 we will have to lay out approximately 17 billion zlotys for renovating the fishing fleet, modernizing and rebuilding the auxiliary fleet, as well as developing the shoreline installations (mainly the refrigeration units).

/The comparisons which have been conducted with the shaping up of the costs of animal products under present conditions do not run counter to similar calculations which were carried out some 22 years ago. Ocean fish in the course of things are a relatively cheaper product than meat. And such is the foundation and the final conclusion of the report on the status of deep-sea fishing and the prospects for its development./

## Inland Fishing

Warsaw GOSPODARKA RYBNA in Polish No 1, Apr 82 pp 3, 4

[Article by Professor dr hab. Jan Szczerbowski, Olsztyn Inland-Water Fishing Institute: "Prospects for Inland-Water Fishing"]

[Text] Poland's rapidly occurring socio-economic changes compel us to outline the conditions for the further operation of inland-water fishing. This is connected not only with the ultimate purpose of increasing the quantity of fish supplied to the market but equally with the role which it must perform as a component part of the comprehensive hydro economy. For the reservoirs which are used for producing fish are often also reservoirs of water for communal purposes, agriculture, and industry. In large number they are the direct receivers of a constantly increasing amount of pollutants. Fishing, which includes various means of catching fish, among others, sports fishing, will have an increasingly vital importance within the natural attaining of consumer centers and the recreations which are inextricably linked with them.

Discussion of the topic of fishing's role as well as its importance within the prospects for operating the entire national economy assumes, therefore, especially now, a great importance, and it touches increasingly wider circles. A symptom of this is the large amount of works, among others, "An Evaluation of the Status and Prospects for the Operation of the Inland-Water Fishing Economy," which have been completed by a group of staff members at the Inland-Water Fishing Institute.

In the introduction to this work it is asserted that during the period from 1957 to 1977 evidence has shown that fish production along with material connected with fishing increased from 13,100 to about 34,000 tons, with an average annual growth of 800 tons, which amounts to a growth rate of 3.42 percent. This is a growth more rapid than for agriculture as a whole and also more rapid than in meat production, wherein this indicator reached 3.17 percent. However, in the last three years (1978--1980) production has undergone a decrease (Table ]). Fish caught by anglers have attained a high supplementary position in consumption. It is reckoned that they amount to approximately 30,000 tons. Total consumption, therefore, fluctuates within

limits of 50,000 tons. Registered production from 1 ha. of pond surface during the years 1970--1979 fluctuated from 340 to 606 kg of consumable fish, in the case of lakes it amounted to about 32 kg, while in rivers and dam-type reservoirs it fluctuates around 10 kg per ha. The officially documented effects places the productivity of the waters in Poland among the highest places among the countries which lie in an analogous climatic zone. However, these values are much lower than those set forth in the plan for development in the last five-year plan.

TABLE 1. Production of Fresh-Water Fish during the Years 1970 and 1975--1980

(in thousands of tons)

| Years | 1970 | 1975 | 1976 | 1977 | 1978 | 1979 | 1980 |
|---|---|---|---|---|---|---|---|
| Total Production | 21.5 | 30.7 | 32.1 | 34.0 | 26.0 | 27.5 | 26.7 |
| Consumable Fish | 17.8 | 23.4 | 23.7 | 26.5 | 21.0 | 19.5 | 18.7 |
| Fish-Stocking Material | 3.7 | 7.3 | 8.4 | 7.5 | 5.0 | 8.0 | 8.0 |

In 1980, according to the government program, 32,000 tons of fish were supposed to be caught from ponds, as compared to an amount of 14,000 tons extracted in 1975. Such a rapid growth of production was stipulated, among other things, by the need to construct or reconstruct about 20,000 ha of ponds (of which 6,500 ha have remained incomplete) and the supplementary construction of industrial-type breeding facilities for fish-stocking material, based on heated water, construction of a number of fish hatcheries, plants for industrial-type fodders, as well as facilities for production and social purposes. Up to the present time many enterprises have not begun to be implemented but continue to perform at a low percentage.

A retardation in the development of production also ensued as a result of the reorganization of the terrain administration division as well as the liquidation of the Association of State Fish Farms and the inclusion of fishing within the operational sphere of the viovodship organizations. An additional hindrance was the clearly marked increase in production costs, while the sale price of fish remained changed for many years.

The production of lake and river fish was maintained at a similar level only thanks to the very intensive economic measures which were undertaken, including fish stocking of well-known types for economical prices. It should be pointed out that the attainment of economic effects from lakes as well as the high level of fish catches by anglers indicate that their productivity fluctuates around 60 kg. per ha. This value goes beyond the limits of the natural production suitabilities for this type of reservoir, which, perhaps, testifies to the extensive fertilization of the waters brought about by pollutants. It is reckoned that of the total surface of lakes in Poland, amounting to about 302,000 ha., there are 240,000 ha. which are utilized for fish production; moreover, the water which is designated as pure accounts for only 30 percent of the lakes, while a further 16 percent of the surface is no longer suitable for fish production.

The catastrophic status of the purity of the overwhelming part of the rivers as well as the dam-type reservoirs decidedly limits their use in the sphere of commercial fishing production. Only the middle and lower courses of the Wisla and Odra are exploited for commercial fishing. In 1980 approximately 362 tons of fish were caught. In recent years a well-marked tendency has been observed toward a decline in commercial fishing activity as well as production effects. It must be reckoned that further worsening of the state of purity of the river waters will completely eliminate commercial fishing from them. However, rivers and dam-type reservoirs are becoming interesting areas which are used by anglers; they obtain there several thousand tons of fish during the course of a single year.

As presented in an abbreviated form, the present status of the effects of fishing operations should provide us with an outline of its possibilities for work in the future. Depending on the methods adopted and the forms of conducting the fishing economy, its effects may fluctuate within the parameters of the two variants given below:

| Years | 1980 | 1981 | 1985 | 1990 | 20000 |
|---|---|---|---|---|---|
| | | (in thousands of tons) | | | |
| Variant I | 18.7 | 20.0 | 20.2 | 21.7 | 24.7 |
| Variant II | | 20.0 | 24.3 | 30.0 | 41.5 |

It should be pointed out here that the development of production can ensue only in the sphere of pond fishing. Catches of lake fish will fluctuate within limits of about 8-9,000 tons. We must point out with particular emphasis, however, that the maintenance of total production at the level which has been maintained up to the present depends, among other things, on the following conditions:

--introduction of rational foundations enabling the multi-faceted use of water supplies,

--decrease in the level of water pollution,

--central coordination of fishing activity as a whole,

--modernization of legal regulations,

--improvement in the technical condition of ponds, the production center for fish-stocking material, and production facilities,

--improvement in social facilities,

--correction of deficiencies in supplying means of production and especially fodder.

If these conditions are not fulfilled, then after 1985 we must reckon on a well-marked decline in production.

Development of production in accordance with Variant I up to a level of 24,700 tons in the year 2000, as compared with a yield of 20,000 tons in 1981, will require the following additional measures:

--undertaking of investment outlays connected with modernizing and repairing 1000 ha of ponds,

--assuring approximately 60,000 tons of fodder, including 20,000 tons of pellets.

Development of production in accordance with Variant II requires the following:

--undertaking of investment outlays connected with modernizing and repairing 1750 ha of ponds annually,

--building up at least three or four fish hatcheries,

--building up three or four centers for commercial-type breeding material for hatching young carp, with a production capacity of 300-600 tons each,

--making it possible to purchase 100,000 tons of fodder, including 42,000 tons of fodder pellets, which is connected with the ultimate purpose of building a new plant with a production capacity of 15,000 tons annually.

## Baltic Sea Fishing

Warsaw RZECZPOSPOLITA in Polish 8 Mar 82 p 1

[Article by WYCZ: "Fish Harvest on the Baltic: Deliveries to Market to be Increased in March; passages enclosed in slantlines printed in boldface]

[Text] /Good news has come in from the Coast: anchovies, codlings, and herring are pouring onto the nets. It is a fish harvest on the Baltic. This creates real chances of improving the supply of salt-water fish to the market. In March of this year it is predicted that more than 21,000 tons of fish and fish products will be delivered to the commercial network, including considerable quantities of fresh fish from the present Baltic catches. For purposes of comparison: in January of this year such deliveries amounted to 13,500 tons./

From January to April, often under difficult weather conditions, fishermen obtain 60 percent of the entire annual quantities of anchovies, and codlings, as well as 25 percent of the herring. The catches of these fish are, however, limited, and our fishermen within the framework of the Convention for the Preservation of the Live Resources of the Baltic Sea and Straits have the right to catch within the Polish zone during the course of a year, among others, from 60,000 to 80,000 tons of codlings, from 55,000 to 65,000 tons of herring, and from 15,000 to 40,000 tons of anchovies. Violation of these amount limits could threaten the Baltic catch and decrease the catch in ensuing years.

A fundamental matter is the complete management of the fish which are caught. For example, social disapproval greeted the decision to send to the State

Fish Farms for fodder purposes 32 tons of anchovies, as if it could not be managed differently at that time.

/On the eastern coast the local directors of fishing enterprises decided to create a coordinating council, the goal of which is to endeavor to create conditions for the untroubled collection of fish from fishermen, the freezing of fish for purposes of later processing, and the justification of transporting fresh fish to consumers in the inland parts of the country./

Following the pattern of the last few years, the deep-sea fishing enterprises "Odra" in Swinoujscie and "Dalmor" in Gdynia extended aid to Baltic fishing. Several large trawler-factory-ships take fish off from cutters at sea and provide processing connected with freezing. At the same time fishing refrigeration units and storehouses receive prior to freezing considerable quantities of fish for purposes of processing and current delivery to the market.

The processing enterprises are signaling a shortage of cans for canned fish. This could threaten a decrease in the production of canned goods. Conversations have been held with the GDR in the matter of exchanging cans for finished products, but this is only a temporary solution. Fishing ought to receive cans from the country's metallurgical industry.

## Maritime Office Director Comments

Koszalin GLOS POMORZA in Polish 1 Apr 82 pp 1, 2

[Interview with Director General Marian Fila in the Office of Maritime Economy [UGM] by Henryk Borucinski: "The Baltic Is Our Great Storehouse"; date and place not specified; passages enclosed in slantlines printed in boldface]

[Text] /Seasons abundant in fish manifest themselves cyclically in the Baltic. At such times the press writes about a "crop disaster" and the "unutilized possibilities" of Baltic fishing.

At present signals are coming in from the Coast that the Baltic has produced an exceptionally abundant "crop" of anchovies. Fresh anchovies, as something new, have begun to show up in the retail shops of Central Fishing. At the same time opinions have been formulated that the fishermen are idly observing enormous schools of anchovies without being able to catch them because of badly established limits on fish catches./

With these doubts a PAP reporter addressed the director general of the Office of Maritime Economy [UGM], Marian Fila, who in the UGM is responsible for the sector of maritime fishing.

[Question] /Mr. Director, do we have a regular "crop disaster" with regard to fish?/

[Answer] We have a crop but not a disaster. I say this because at present we have succeeded in managing the entirety of the fish caught in the Baltic, despite the fact that, already at the beginning of the year, if it is a matter of anchovies, we have profited from the greater size of the limits placed upon us.

[Question] /The fishermen are questioning the size of those limits. For example, the fishing enterprises from the Koszalin Coast assert that they could increase their catch by close to half again as much. But they are not allowed to. And there is a lack of meat in the country./

[Answer] Poland ratified the Gdansk Convention on the preservation of the Baltic's biological stocks. We strictly warn and will continue to strictly warn that our Baltic fishermen not violate the quota of catches designated for us by the Baltic Commission. This type of policy is in the interest of the Baltic countries. But the Baltic was already being over-used in the past. We have observed for several years the free growth of the fishing stocks, which has brought about a situation whereby the limitation upon the catch performs its own role. We want the Baltic Sea to be our great storehouse.

[Question] /But in view of a fish crop above all expectations, in this case, of anchovies, is there no possibility of adjusting the limits?/

[Answer] There have been some disputes and exaggerations over this unusual crop. According to research conducted by the Maritime Fishing institute, the flock of anchovies from the years 1980-91 is quite weak, and there is no basis for increasing the limit. The best anchovies are fish which are three years old. If we increased the catch during the current year, we would be obtaining small fish, and in the ensuing years the flock of anchovies would be reduced, and, as a consequence, there would likewise be a reduction in the status of the codling stocks, because the codling live on anchovies.

Likewise exaggerated are the reports about the fishermen inactively observing the flock of anchovies. The Baltic fishermen work hard and have attained a good level of productivity.

[Question] /But what limits has the Baltic Committee designated for Poland during the current year?/

[Answer] On herring 64,500 tons, on codling 95,000 tons, and on anchovies 12,500 tons. A combined limit has been designated, amounting to 172,000 of those three kinds of fish which have been limited. Let us recall that flatfish and fresh-water fish which go out into the Baltic are not limited. Thanks to negotiations with Sweden, we have increased our combined limit to 174,400 tons for this year. For we yielded to them 600 tons of codling in exchange for 3,000 tons of herring.

[Question] /Fresh anchovies have begun appearing in the Central Fishing retail stores./

[Answer] The customers are not yet used to this form of anchovies. Everyone is familiar with "anchovies in oil" or smoked by weight.

[Question] /Hasn't this led to a waste of anchovies?/

[Answer] I have already mentioned that we are treating the Baltic as a handy storehouse, and we are trying to see to it that the entirety of the Baltic

catches are managed effectively. In order to profit fully from a good fishing run, we have directed to the Baltic 10 large factory ships belonging to deep-sea fishing enterprises. Their task is to cooperate with the Baltic cutters [fishing boars]. They take off from them the fish which have been caught and freeze them or prepare them in a preliminary fashion.

[Question] /But sending fresh anochovies to the retail stores bears witness to the fact that the processing industry is not keeping pace. After all, anchovies are not the best fish for frying./

[Answer] Indeed, but for years we have had shortages of cans, seasonings, oil, tomato sauce, and processing capacities. We have no signals, however, from Central Fishing that fresh anchovies have gone to waste. They have been bought not only for frying but for grinding and for marinating.

A chronically recurring weak point of the fishing industry is a shortage of boxes. To a large extent, boxes are made or repaired independently in the fishing or processing enterprises.

The central maritime supply office announced a need for 112 tons of nails, but only 3 tons were delivered.

[Question] Which of the fishing firms are the most active on the Baltic?

[Answer] In this matter too there are differences depending on which region the fish are appearing in. On 3 March the best results were obtained by "Szkuner" from Wladyslawowo--8,694 tons; ranking next were two enterprises from /Ustka: "Korab"--8,444 tons and "Barka"--6,462 tons, then came "Kuter" from Darlowo--5,996 tons and "Koga" from Hel--5,317 tons./ Fishermen associated in collectives caught 6,899 tons, while individual fishermen caught 4,022 tons. Nor are there any limitations on fish in these quantities.

[Question] /What was delivered to the market from this? Or, to put it another way, why are there no fish to be seen in the market?/

[Answer] In February 7,894 tons of fish and fish products came onto the market from Baltic catches. As a whole, however, the supply of fish to the market underwent a worsening, for because of the American restrictions the deep-sea fishing catches declined. In February of last year deliveries of fish and fish products amounted to 23,453 tons, but in February of this year the amount was only 17,867 tons. Within the total deficit of foodstuff shortages in the stores such an amount of fish is the proverbial drop in the ocean of needs. But also from this point of view the Baltic is an object of our particular interest, and we are trying not to allow even the least waste of fish which have been caught.

## Deep-Sea Fishing

Szczecin KURIER SZCZECINSKI in Polish 1 Apr 82 pp 1, 2

[Article: "To Be or Not To Be: Deep-Sea Fishing"; passages enclosed in slantlines printed in boldface]

[Text] /GDANSK PAP. Two facts about the contradictory pronouncement designating the present position of Polish deep-sea fishing. On the one hand, it is

catching too much, and this raises its economic reason for being, while, on the other hand, it provides such a quantity of protein, which we cannot do without--at least not for a brief time period--and which nothing can replace./

For the long-term goal purely economic factors have certainly been decided. Then there ensues deep-sea fishing, which will provide abundant supplies, but there is not much time to adapt ourselves to the new conditions. Many surrounding factors are against it: the reduction in the accessibility of shelf-type fishing sites, especially as a result of the American restrictions, the rise in fuel costs, and the age which the fishing fleet has already attained. The trump cards are presented, as it were, less convincingly: tradition, knowledge and capacity, as well as highly skilled, professional personnel. That is not enough. What we need are more and more specific "trump cards." The key sector in these searchings is science and technology, and specifically the Maritime Fishing Institute [MIR].

When decisions made by President Reagan were detrimental to our fishing fleet near the Pacific coast of the United States, the fleet set out for the open waters of the Northeast Pacific. But the trawler-factory-ships did not proceed "in the dark." Two years ago this region was penetrated by the MIR's research ship "Profesor Bogucki." During the period of adjustment the places where the ostrobok [?] are concentrated were defined, and the catching methods appropriate for overcoming the difficulties were shown by time. Soviet ships have advised that the situation there on the whole is good.

In the open ocean the most abundant fishing sites are located equally in outflows and in zones where the ocean currents mingle. Such places were found by our research ships in the Atlantic as well. Today we are catching not only fish there but ever-increasing amounts of squid.

Squid, like kril a few years ago, have recently become a center of interest at the MIR. Could it be that the scientists have been subject to a passing fad? The known reserves located beyond the zones already possessed are estimated at millions of tons of annual catches of these cephalopods. Commercial catches are still barely in their infancy, and, therefore, there exists considerable room for technical and economic progress. Soviet scientists are of this same opinion. The news has resounded somewhat prematurely that Polish and Soviet researchers have recently recognized as the most important subject of mutual cooperative work the design of automated lines for processing squid. The fact of the matter is that squid in its natural state does not bring about wide interest in the market, although the meat of this cephalopod is highly valued for its nutritional qualities and taste, and there is a discouraging amount of labor intensity in preparing the raw material.

Automatic units must take this over. In the Middle Atlantic region the fleet must be furnished with better equipment than it has been up to now, equipment suitable for carrying out a great many tasks. Serving as a prototype of such a multi-task unit is MIR's research ship "Wieczno," which has just left on its second run to the mid-Atlantic in order to research the problems of catching

not only squid but also tuna, edible sharks, marlin, and other large pelagic fish. Catching all these animals has one trait in common: it takes place with the aid of fishing hooks rather than trawling nets, and for this reason it is less energy-intensive.

In the opinion of a great many scientific experts, Antarctica should become a successive region of lasting interest to Polish fishing. This problem is very controversial because economic views speak out against sending ships out to such distant fishing sites.

## Herring Catch

Poznan GAZETA POZNANSKA in Polish 6 Apr 82 p 1

[Article: "The Fishing Season Moves On"]

[Text] On the Baltic the harvest of herring has begun. The first few "trial" catches of fishermen from the Szczecin Coast have indicated that there will be plenty of herring this year. There are many fish and very splendid ones. If the warm weather holds, the boats will return in the next few days from the fishing sites filled to the gunwales. However, is not the situation being repeated from the past few years, when there was a shortage of ice for freezing the fish and of boxes for packing them? Fishermen are likewise worried whether the prices which have been established for a kilogram of herring will be adequate to cover the costs and the effort which have been invested in catching them. For up to now there are no price-lists which clearly define how much can be earned on these fish. Whether or not the supply to the market of herring, which are so sought after, is subject to correction depends on a positive solution of these problems.

## Falkland Conflict, Other Problems

Warsaw RZECZPOSPOLITA in Polish 22 Apr 82 p 4

[Article by WYCZ: "Maritime Economy Earns Enough To Pay for Itself: Basic Functions of the Office [of Maritime Economy]. Results in 1982. Dispute over the Falklands as An Important Threat To Our Fish Catches. Herring 'Harvests' in the Baltic"; passages enclosed in slantlines printed in boldface]

[Text] /(C). The far-ranging panorama of maritime matters and problems--from the office's organizational structure, the sphere of activity and competence, through the complicated question of economic reform, the fish harvests in the Baltic, and the consequences for our foodstuff market resulting from the conflict over the Falklands, the conditions of functioning within the new system of navigation and ports, and to the matter of maritime training and about the vanture of the "Dar Pomorza"--all these were brought up at a press conference held in the Office of Maritime Economy by its director, Minister Jerzy Korzonek, as well as the under-secretary of state, Ryszard Bialas./

The office chief stated the following among other things: We have been in existence for 10 months, and from the very earliest period all of our activity has been subordinated to the new systems principles. We do not have a division into branch departments, nor does the office perform functions proper to subordinate enterprises and supervisory institutions. Each one must earn enough to pay for itself. We do not have any cell-type compartmentalization which would continue even in a vestigial form the distributive-command system.

The most important task for this office is the creation of conditions for developing the maritime economy with consideration being given to the full independence and self-financing of the enterprises relative to the social and economic needs of the state as well as the formation of over-all principles of maritime policy.

In general, it is not easy. Navigation, ports, fishing, facilities for repairing the fleet, protection of the maritime environment--each of these sectors of the maritime economy has its own troubles. With respect to global results, however, this past year has been a profitable one. Let's bear in mind that the maritime economy, like the economy as a whole, had about 6 percent better financial results htan in the year 1980, even though transshipments in ports were approximately 40 percent lower, and fish catches were about 20 percent lower. In the final analysis, the good results attained by the merchant fleet were of preponderant importance here.

/A declining trend has, unfortunately, makred deep-sea fishing. In 1982 this does not look as if it will improve. As a result of the brutal controls imposed by President Reagan, we have been compelled to seek out new fishing sites. At present about 40 fishing ships are located in the Falkland region, and, as predicted, they were to have caught about 230,000 tons of fish here. The conflict over the Falklands has indirectly affected Poland as well.

We cannot catch more than 200,000 tons from the Baltic, because this amount more or less coincides with our stipulated quantity in accordance with international agreements./ Meanwhile, precisely on the Baltic, after a mass winter run of anchovies, on 15 April of this year there began to appear abundant banks of large Baltic herring. Daily trans-shipments have reached amounts of 1300-1400 tons. Because these herring have been afflicted with a parasite [a nematode] they are not directly suitable for consumption. In accordance with the recommendations of the sanitation-epidemiological services, they must be subjected to a process of deep freezing or a powerful salinization for at least 6 weeks. Eight factory-ships have been directed to the Baltic; they take fish off from the cutters; the loading facilities have likewise been put in a state of complete readiness. Nothing can be wasted.

We will address the remaining problems which were raised during the conference at the Office of Maritime Economy in separate publications.

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## SECTORS INVOLVED IN FULFILLMENT OF ENERGY PROGRAM

### Mineral Resources

Bucharest ERA SOCIALISTA in Romanian No 8, 20 Apr 82 pp 608

[Article by Gheorghe Codreanu, state secretary in the State Planning Committee]

[Text] Recent decisions of the party's Central Committee Plenum and of the RCP CC Executive Political Committee have brought to the forefront of attention the problems of speeding up the fulfillment of Romania's energy program with a view to reaching the strategic goal of the greatest national importance--achieving Romania's energy independence by the end of this decade. The indications and tasks formulated on these occasions by Comrade Nicolae Ceausescu firmly orient the communists' efforts and those of all the people toward broad utilization of the entire energy potential we have available at a more sustained rate and toward managing all forms of energy with maximum care and a high spirit of saving from everyone. And it is a duty with profound patriotic meaning to take decisive action for the purpose of having exemplary fulfillment of the tasks and measures established by the party leaders.

### Faster Increase in Mineral Energy Resources

As we know, the energy sources which have supplied civilization until the 40's when Enrico Fermi put the first nuclear reactor into operation have been vegetable or mineral (coal, crude oil, gases and so forth). One must make the clarification that there is a basic difference between the two classic types of energy raw materials, in the sense that the vegetable sources regenerate in 50-60 years, while the mineral ones can be considered nonregenerative, bearing in mind how long it takes for them to form--many millions of years--which means that the exploitation of them is limited in time.

During the development of society and, in particular, of industry, a larger and larger energy consumption was required, which could not be satisfied by vegetable resources. So man was forced to turn to mineral resources in order to produce the energy he needed. In the case of coal, the total quantity consumed from the time it began to be exploited until 1940 is approximately equal to what was consumed in just three decades from this date, that is, until 1970. World

stat stics show that in recent decades, fuel consumption doubled in intervals of 20-25 years, which required a rapid diversification of energy sources in order to cope with this growth rate of consumption. Naturally, the sources most easily exploited were the ones sought, ones with advantageous conditions for transport and ones which efficiently adapts to the varied forms of consumption. In this century we have reached the point where the fuel with the greatest development would be crude oil and gases, whose consumed quantity doubled from one decade to another.

Under these circumstances the question is justifiably posed: what are the reserves and their prospects for the future? The answer is absolutely necessary in order to be able to direct efforts toward those resources which provide the consumption which society needs for the longest possible time.

Current fossil fuel consumption (crude oil and coal) represent nearly 80 percent of total primary energy used in the world, while, taken separately, crude oil and gases hold more than 60 percent of this consumption. Retaining current consumptions, a maximum exploitation period of 50-60 years can be counted on for the crude oil and gas reserves as they are estimated. And this is with the condition of usubstantially increasing the investment effort both for exploitation of reserves in the zones which are accessible with difficulty and awell as for substantially increasing the recovery factor for crude oil from active deposits. These are the reasons which require man to head for other combustible substances capable of providing a greater prospect and growth in economic independence, together with the economic and political unfavorable circumstances which made crude oil prices rise artificially.

The reserves of coal, whose exploitation began long before that of crude oil, have reached a rather advanced degree of knowledge; the ones certain of being exploited can satisfy consumption at a growth triple the current one for a minimum 130 years.

Knowledge of the reserves of fossil fuels is a very important problem, bearing in mind that in the next two-three decades theystill will be the base for primary energy sources. For that reason many specialized studies are being worked out for modernization both of the extraction techniques as well as those for use in the industrial area. With regard to the crude oil reserves, their geographic distribution shows that in the current period and probably for a number of years to come the states which hold big reserves (particularly the OPEC countries) will be able to keep control over crude oil prices as a result of the fact that replacement of this type of fuel requires reorientation of the economy, with very big implications for technologies and change in the installations and production on other bases, with other costs and other productivity. One may say that the evolution of crude oil prices will be affected very much by the evolution of reserves and the rate for replacing it with other fuels which would provide sources of primary energy for a longer period.

Knowledge of the mineral raw material resources Romania has available has permanently been in the attention of the party and state leadership, since without knowing their prospects one cannot work out the strategy for overall national economic development in a substantiated way. It should be pointed out that the

special importance given to energy problems in Romania did not proceed from an accidental phenomenon, but it was brought out even before the 1973 oil crisis. This general attention, directed in particular toward counteracting the negative effect of the oil crisis, meant that Romania would be among the first countries where the problems of production, consumption and emphatic saving of energy were legislated before the end of 1973.

In foreseeing and approaching these problems, the special merit of Comrade Nicolae Ceausescu should be noted; he was deeply concerned with working out and consistently applying an effective energy policy as an integral part of the national strategy for economic and social development. The paths to be followed were made specific in the 12th party congress directives and in the program-directive specially dedicated to energy, which draws precise tasks for all sectors of activity with a view to achieving Romania's energy independence by 1990 due to the development of our own sources.

The decision of the recent RCP Central Committee plenum sharply brings to the center of attention the speed-up of actions at all levels to carry out the energy program by 1990. In this framework, tasks of special importance belong to geological research which, by intensifying its activity, must make widely known the potential of mineral resources underground, must increase the degree to which the national economy's needs are covered with geological reserves of raw materials. Proceeding from this, the extraction industry should work out and generalize techniques which insure a rise in the degree of extraction and utilization of all useful elements from the deposits in operation. At the same time, the ministries, and other central organs, together with centrals and enterprises, are called on to actively be concerned with new energy sources, with intensifying research for utilization of geothermal, solar, wind and wave energy as well as with using hydrogen, synthetic fuels and household waste for energy purposes and with the subterranean gasification of coal and the production and utilization of biogas and the discovery and utilizationof other new energy sources.

The Romanian state has allocated large amounts for development of the mineral raw material base, which in the last three decades have totaled more than 83 billion lei, of which more than 50 billion have been for crude oil and gases and more than 4 billion for coal and combustible shale. Despite this, whereas the situation may be considered satisfactory with regard to knowledge of structures bearing combustible mineral substances, the degree of providing exploitable industrial reserves for some substances is slow. That is why it is necessary to raise the rate of knowledge of exploitable reserves for crude oil, gases, pitcoal and even lignite and brown coal in order to insure the production established at the 1990 level.

The known potential of coal and combustible shale at the level of reserves on balance covers the production forecast for 1990 for a period of more than 30 years, a period not considered to be satisfactory. For that reason, the RCP CC plenum established as the task for geological activity the increase in the volume of known reserves for lignite and brown coal for covering production for a 100-year period.

An important problem facing researchers in the area of geology is of investigating all Romania's geographic regions and of knowing the reserves for each zone in view of the development of explorations in as many counties as possible and thus reducing transportation distances from the mine to the electric power or thermal power central. At this time, the distribution of the known potential of solid combustible substances is as follows:

| Geographic Zone | Potential Equal to Thousands of Tons of Conventional Fuel | Proportion of total (%) |
|---|---|---|
| Total Romania, of which: | 2,347.6 | 100 |
| Banat | 227.9 | 9.6 |
| Valea Jiului | 296.3 | 12.5 |
| Oltenia | 1,464.2 | 62.4 |
| Muntenia | 239.3 | 10.4 |
| Moldavia | 5.8 | .2 |
| Transylvania-East | 31.9 | 1.4 |
| Transylvania-West | 82.2 | 3.5 |

This extremely uniform distribution by zones of the reserves of Romania's potential requires transporting a very large volume of coal from Oltenia, especially to Moldavia and the other zones with low reserves for the purpose of providing thermal energy for industry as well as for heating homes. This translates into large expenses. Of course, not all regions have similar conditions for promoting reserves; yet, as is also seen in the table, there are coal-bearing formations in nearly all Romania's zones, however with more difficult research and exploration conditions. Intensification of research will create opportunities for supplying the locations with coal with much greater efficiency if extraction would continue to develop in a restricted number of counties.

Fulfillment of the geological research program and of utilization of coal and combustible shale resources means that in this five-year plan the projects should be directed toward knowing the coal layers situated at greater depths than those from the perimeters currently being exploited even if the exploitation conditions are more difficult and require adoption of new utilization techniques. Geological research cannot be limited just to "showing" the existence of coal layers; it must bring the geological conditions and mining conditions in which they are found and, together with the research and design institutes for coal extraction, it should establish the technical conditions for exploitation and utilization. That is why the percentage of mining projects in total volume of geological projects should rise very much, while research activity must be combined more harmoniously and more closely with the activity of designing the mines and pits. During the extraction, the exploitation units in turn are required to continue geological research on one hand for increasing the degree of knowledge of the reserves and, on the other, for a detailed knowledge of the way that rocks behave, the way waters circulate in the zone which is being exploited and the variation of coal layers and taking the necessary measures in time for the good flow of production activity.

In light of these demands, we see that geological research must be intensified substantially in order to be able to carry out and overfulfill the task of the reserves from the balance group forecast in this five-year plan, with the majority of these reserves to enter into operation by the end of 1985. Also, together with homologation of the reserves of a new deposit in the balance group, it is necessary to move immediately to drawing up the investment documents and for all technical-economic indicators to be subject to proval for utilization to conform with current legislation.

Proceeding from the real opportunities which Romania has for providing primary energy resources for the future, it has been forecast that coal production should increase from 44 million tons in 1982 to 87 million in 1985. In the current five-year plan the operation of deposits of bituminous shale will begin, reaching a production of 10 million tons by 1985, which will be used totally for the production of electric power. According to estimates, by intensifying the activity of geological research in all regions of Romania, the fund of coal reserves will substantially exceed consumption, increasing 425 million tons in this five-year plan compared with a consumption of 348 million tons. Geological and technological research projects will be concluded and 13 new mines for pit coal and 22 mines for lignite and brown coal will be turned over for introduction into economic circulation.

Romania is among those countries in which the industrial production of crude oil started way b fore World War I and continued at a high level in the period between the two wars and developed considerably between 1950-1975.

The geological research done until now is rather advanced in the case of se imentary structures down to a depth of 3,500 meters, where most of the existing deposits in operation are known. Bearing in mind the very broad area of the use of crude oil and products derived from it both in industry as a raw material as well as for energy purposes, Romania is making sustained efforts to increase the degree of knowledge of the potential of operational reserves for the purpose of providing the production tasks established (15 million tons by 1985) for as long a period as possible.

The party leadership established that the main goals in geological research activity in the area of hydrocarbons are to extend projects to depths of more than 4,000 meters and to intensify research on the continental shelf of the Black Sea and to continue drilling to extend the productive zones. In these ways, the volume of reserves brought out in this five-year plan must increase around 60 percent compared with the achievements in the preceding five-year plan.

Fulfillment of these tasks requires decisive measures from the Ministry of Petroleum and subordinate units to increase the efficiency of research projects, to reduce the nonproductive time in drilling activity by at least 40 percent by 1985 compared with 1980 and to substantially increase working speeds at the deep wells, mainly due to extending new techniques and optimizing the drilling process and using fluids with superior characteristics. A problem of special importance is the improvement in the operation techniques and application of new procedures which insure a final recovery factor from the reserves of 40 percent compared with the 32 percent achieved in 1980.

Special attention involves geological research to bring out new accumulations of gas both in the Transylvania basin, where the majority of deposits in operation are known, as well as outside the Carpathains, where the percentage of reserves which are to be brought out in the current five-year plan is 50 percent of the total, compared with the 30 percent achieved in the last five-year plan.

In general one should say that the substantial improvement in drilling and extraction activity in all respects in the area of hydrocarbons requires special measures from other ministries, too, in order to adapt the equipment to the new working conditions, to increase the range of equipment in the supply of this sector and to provide materials from the metallurgical and chemical sector according to the specific nature of the environment at the depth at which work is being done.

With the potential of mineral energy resources which Romania has available, it can carry out important quantitative and qualitative changes in the energy balance so that it provides for fulfillment of the program established, whose goal is the energy independence of Romania by 1990.

## Role of Technology

Bucharest ERA SOCIALISTA in Romanian No 8, 20 Apr 82 pp 8-11

[Article by Dr Eng Mario Duma of the Central Institute for Energy Research]

[Text] The March RCP CC Plenum decision on carrying out the program for energy produc ion in the 1981-1985 five-year plan and development of Romania's energy base by 1990 devotes a separate chapter to increasing the role of scientific research and of new technologies in this regard. But the problems of technical progress go through the entire decision because, truly, accomplishing all the directions of action forecast is indissolubly a condition of the contributions which science and technology should make, explicitly or implicitly.

Basically, what are the data on the energy problem in Romania's specific conditions?

In its direct form, the energy problem lies in the need to provide a balance between energy consumption and "production" of it. We consume much more energy than we produce. So we import. But, as we know, the prices of raw materials in general and those of oil in particular have seen considerable increases throughout the last decade, affecting the entire economic balance at the world and national level and requiring a readaptation and general reorganization of structures, of technologies, of mechanisms and of criteria and indicators of development.

Recently, as a result of a certain relaxation on the internal market of oil, having as a result a certain fall in oil prices, optimistic views have appeared---the energy crisis has passed, oil is abundant, we can return to "normal," that is, to an energetics based intensely on oil. Without arguing further the premature nature of such evaluations, we feel that this is neither the time or the place to predict how matters will develop. Two hypotheses can be kept in mind for a prognosis: either the current relaxation is a passing phenomenon and the rising course of oil prices will return, or the relaxation is a long-term one. But, in any case,

even in the most optimistic versions, one must bear in mind that the current relaxation on the hydrocarbon market and even a continued reduction in oil prices will not bring back what it cost even at the 1972 level or even near that.

In the period of the start of the world oil crisis, although independent of it, through the net exporting of energy, Romania became a net and massive importer. This situation must be remedied, regardless of the fluctuation in oil prices, because only with such a condition can Romania's future energy independence be insured.

Strictly limiting ourselves to the area of energy and attached technologies, the imperatives resulting from the current situation are that we should consume less energy to achieve the same values, that we should produce more energy and that we should use energy that we produce better and more efficiently.

Despite the quantitative appearance of the problem, energy--through its role in the development process and its omnipresence and total involvement in social and economic activities--reflects the deep qualitative aspects and, in order to solve it as a problem, requires structured qualitative progress throughout the technological and economic structure.

Reduction in Energy Consumption

As was stressed at the RCP CC Political Executive Committee on 9 April, the most important source of energy is the saving of it.

In this connection, one must distinguish many aspects. We have not reached the stage where we can put the problem of consuming less energy in an absolute way under conditions of a sustained economic growth. But it is clear that we also should seek for the growth rate of energy consumption to be less than the rate of economic growth and for a unit of national income achieved to consume less energy and also for the reduction in energy consumption not to cause social and economic harm and not affect the normal operation of production units and quality of the habitat.

We feel it is necessary for four paths to be pointed out, ones by which we can reach this goal.

The first is in avoiding waste and the losses caused by negligence and poor management. It is an immediately accessible, cheap and, by this, all the more efficient way. But, at the same time, its finite, limited, exhaustible nature must be kept in mind as well as the need to stay within limits in order not to exceed the bounds beyond which material or social damages could be caused. Pushed beyond the optimum point, social-economic processes become vulnerable and unstable. Of course, in most cases, the reserve for avoiding waste is open and fully justifies efforts to utilize it.

The second way is to promote technical progress in the energy-consuming processes, particularly in the energy-intensive technologies and products and those which consume energy-intensive materials. And here it is possible to apply the method of "small steps," that is, modernizations, improvements, gradual optimizations which reduce in time the level of specificconsumption of energy and of the

energy-intensive materials. Of course, a large number of "small steps" can produce a lot. But the basic solution to the problem will come from the technologies conceived on new principles, ones which take the place of current technologies in the branches and processes which are big energy-consumers and also the energy-intensive products. In this regard much is expected from the basic research in physics, chemistry and biology. New catalysts and new methods for stimulating chemical reactions and separators of physical components are awaited, others than the change in phase by temperature, combustion, electrolization and so forth, which require a lot of energy.

Also, some of these "new" principles are actually known and returning to them not only would save energy but also would bring an increase in quality and efficiency. For example, in agriculture, the use of natural fertilizers and reestablishing crop rotation, reestablishing vegetable-animal ecosystems which provide natural fertiliz tion of the soil in association with new biotechnologies would permit saving large quantities of chemical fertilizers and energy-intensive pesticides, at the same time avoiding the gradual destruction of soil quality.

The third way to save is "recovery of the energy utilized in the consumption sectors (heat of gases, liquids, semi-manufactured and manufactured items, warm air and water used technologically, material waste with energy value), including by the broad use of pumps and heat recovery receptables," as is mentioned in the decision of the RCP CC plenum. These types of reserves are very great, particularly for certain categories of processes such as, for example, those in metallurgy (due to the high temperatures with which they operate). It also is necessary to provide the elements for installation and standardized equipment on industrial bases, proceeding from a study of the specific local possibilities for optimum recovery of heat as well as local use of recovered energy, which is a separate technical problem which sometimes is more difficult to solve than the recovery itself.

Sometimes the solution to the problem lies in combining or associating varied technological processes which would mutually (or unidirectionally) use the recoverable energy. So it is a problem of technological concept at the level of the structure of investments and technological flows. The classic example for this idea also is from the iron and steel area: cast iron is produced in blast furnaces, it is cast and cooled, then heated but in order to be placed in the steel ovens, it is cast and cooled and then again heated in deep ovens for rolling. For several decades the technological procedure for continuous casting of the metal has been known, a procedure in which all these phases follow directly, taking the hot material from one to another without cooling and intermediary heating. Of course, the procedure involves deep reutilizations, the need for synchronizations which are hard to achieve as well as other difficulties, but it illustrates a long-range principle in the concept of the integrated utilization of energy, that is, through systems of "total energy," as such procedures started to be called.

Basically, thermification (the combined production of electric energy and heat)--so widespread in our energetics and which is the exclusive principle of building the electric power centrals in Romania in the future--is another example of the integrated use of energy and intrinsic recovery of it.

Finally, the fourth way to reduce energy consumption per unit of national income lies in modifying the overall industrial structure in favor of the branches and products with a high degree of processing and low energy consumption, a way whose importance was emphasized in the Directives of the 12th party congress. Yet, we see from the statistical data that the guidelines established and the decisions adopted in this regard are being applied insufficiently. The recent legal regulations for taking fixed capital out of operation and removal of certain material goods from the administration of the social state units do not provide for, at least they do not explicitly provide for, the case of moral usage and removing technological installations with high energy consumption from use. Also, some installations which should have been removed as a result of unjustifiably high energy consumption continue to be given plan tasks in the practice of production planning and utilization of production capacities.

Returning to the problems of structure, one can show that shifting a single percentage of the total volume of industrial production from an energy-intensive branch--for example, chemistry or metallurgy--toward a branch with low specific consumption of energy--including sector B--can reduce total energy consumption of industry by several percentage points. However, this requires a particular increase in the quality and competitiveness of nonenergy-intensive products and, so, their technical level and degree of science incorporated.

Generally, it is possible to bring the share which each way could have in the saving of energy and in the rise of the energy intensiveness of the national income--reducing waste and losses, technical progress, recovery, structural changes in the economy. It would be particularly useful if analyses for the specific conditions of Romania could be made in the research of energy economics and the industrial economics. Given the current large share of the energy-intensive branches in the structure of industry and of it in the national income and in total energy consumption, given the large share of energy-intensive products in export, the firmer application of directives on the structural changes mentioned could have favorable results for reducing energy consumption per unit of national income.

Really, we have a specific energy consumption per unit of national income which is much greater than that of the industrialized capitalist countries or the other socialist countries and even that of the developing countries. The difference no longer can be considered as coming just from waste following intense measures for saving introduced in recent years. The studies made show that the indicators of energy-intensiveness characteristic of our economy exceed that of other countri much more than is seen by comparing certain specific consumption for certain products or certain specific technologies. The conclusion required is that action must be taken in all ways, primarily through radical change in the energy-intensive processes by introducing technical progress as well as by the quantitative and qualitative reorganization of the structure of branches and products and for the reduction of the energy intensiveness of the economy as a whole.

Increase in Energy Production

Providing primary energy resources above all is linked with the development of methods, techniques, apparatus and equipment for exploring geological structures

and for discovering some new useful deposits and new reserves at the level of knowledge and preparation which would permit the move to exploitation, to production.

In turn, the new deposits discovered until now generally are found at greater and greater depths and under more and more difficult natural geological conditions (for example, inclined layers and thin layers, deposits at the bottom of the sea, crude oil of high viscosity, unfavorable composition and so forth). For that reason, they need new technologies and equipment in order to provide extraction at an appropriate level of economic efficiency and sometimes even for the technical achievement of the utilization of the deposits concerned. The plenum decision points out that "the industrial coal reserves which are useable with the methods being used now lead to a degree of provision of more than 30 years at the level of 1990 consumption," with the degree of provision of 100 years thus requiring new technological methods for utilization.

But from this one should not understand for 30 years we are being "provided" with coal,without there being a need for technical progress. The fact that the reserves are useable does not mean that equipment with high performance is not necessary, appropriate for the diversity and difficulty of geological conditions and, at the same time, answering the continually greater demands for efficiency which they insure.

We know the special efforts and measures adopted to supplement the labor force needed for coal extraction. This is at the current and immediate future level of production. But how is the situation seen in relationship with the considerable increases in production in 1985-1990? Labor productivity which is provided by the technologies and extraction equipment is not only a parameter of efficiency but a bottleneck, a condition of development and of solving the energy problem. So what we need is for a new generation of mining technologies and equipment to be conceived and built now, which would permit carrying out the necessary jobs under conditions of the severe limitation of the labor force for providing services. This same thing is also valid for mining projects required by building hydroenergy construction--excavation, digging the galleries and so forth. With highly productive equipment we could build hydroelectric power set ups not only at a faster rate but also with a higher degree of utilization of the hydroelectric power potential in certain basins, by building hydroelectric power centrals with greater drops in level, thus, in greater power on the same rivers, with the same losses of water.

A second aspect is that of the energy intensiveness belonging to fuel extraction. The fuel branch in 1980 consumed around 11 percent of Romania's total energy production--in the form of direct energy consumption alone (without, for example, also counting the energy included in building the extraction and drilling equipment and in obtaining metal from the equipment and so forth). Together with the worsening geological conditions, our own energy consumption can rise up to the unacceptable limits if new technologies and new types of equipment do not compensate for this trend, at least in part.

In the end, from the total quantity of energy in the deposit, we actually can extract more or less--with the remainder remaining lost, not extracted--depending

on the extraction methods. Among other things, it is a question of the technologies needed to utilize the pit coal reserves tied up in the protective pillars and to increase the final factor of recovery of crude oil deposits (for example, steam injection into the deposit), with the technologies themselves often energy-intensive.

The same problem, of our own energy intensiveness, is crucial in promoting new sources of energy. The high energy consumption included in the materials belonging to the equipment concerned meansthat an intense program for proliferating them should itself be a "net consumer" of energy at the level of the economy for a prolonged period.* So the faster possible reduction of our own energy intensiveness, increase in the energy efficiency of the equipment and promotion of nonenergy-intensive,renewable sources become priorities of scientific research.

Currently the electric power produced in the nuclear power centrals in some countries is a solution contributing to the solution of the energy problem. In Romania, the geographic assymetry of placement of the energy resource of coal and shale, discovered and in operation in the southwest, also where there are big Danube hydroelectric power resources set up, justify the locations established for the nuclear power centrals: Dobrogea, Moldavia, Transylvania.

The RCP CC plenum decision provides for scientific research " irst, building of the projects from the special programs for nuclear materials, moderators, nuclear fuels and equipment for the nuclear portion and the classic portion, on schedule and at the level of quality appropriate." Implicitly this also means doing research on the overall operation of the installations in time and their future operation in full safety and efficiency and research which would specify the technical conditions for materials and equipment. Prior experience of Romania's electric power requires this. We must take into account that the 300-MW blocks from the Isalnita central delivered in 1960 by prestigious suppliers also caused some difficulties in operation at the beginning. From this experience, but especially from the big difficulties avoided and as yet not solved forever at the Rovinari and Turceni centrals, we believe three very important conclusions are required: a) energy scientific research must precede and prepare the design and building of projects; b)a type of spacing of building is needed so that at least a year is provided for between the entry of the first energy block into operation and the actual start into manufacture and building of the following blocks of the same type in order to correct any defects or technical shortcomings established for the first aggregate in time; c) local providing of social conditions to recruit and stabilize labor force with necessary qualifications which should precede and then keep up with the energy investment.

Utilization of Energy With Maximum Efficiency

Basically, in order to consume the available energy as efficiently as possible, it is necessary to insure the highest possible output for conversion of the various forms of energy from one into the other (refining, processing, combustion),

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* Through exact calculations this was demonstrated for the case of solar energy by Dr Eng Costin Motoiu of the Faculty of Energetics of the Political Institute in Bucharest.

to use high-performance energy-receiving equipment and--in extension from the technical toward the economic--to obtain valuable and competitive products with the energy consumed, including through the chemification of superior fuels. The connection with technical progress, thus, is clear, even without giving examples which would be strictly specialized.

A well-known international trend is the increase in degree of electrification of energetics, that is, a rise in the percentage of electric energy in total energy consumed. This trend is explained by the versatility of utilizing electric energy, by its obligatory nature for certainsituations (electric motors, lighting, electronics, telecommunications), by the superior qualities obtained with the aid of electric technologies (electric steel, electrolytic aluminium and so forth) and by the greater opportunities for automation and improvement in working conditions for the users.

The world energy crisis has emphazized this trend of the electrification of energetics for many reasons: the use of inferior coal can be done advantageously only through the conversion into electric power in the big centrals located in zones where the land needed for storing the ash can be allocated and where measures for environmental protection can be taken. Also it is economical not to transport a fuel with lower caloric power per unit of weight great distances. Also, nuclear power is converted advantageously into electric power only in the very big units, while hydraulic power can be used on a broad scale by conversion into electric power. (Yet, some of the new energy sources are utilized advantageously through conversion directly into heat and chemical energy and not into electric power).

From this viewpoint, one finds that the percentage of electric power in the total energy consumption in Romania is around one-fourth, comparable with the situation in most other socialist countries; but in the industrialized capitalist countries the percentage is somewhat greater--generally, one-third. The countries which are very rich in hydroelect ic energy resources reach or exceed one-half. As a result, the concern with increasing the percentage of electric power in the future, as established by the decision of the RCP CC plenum, answers a current trend of technical progress, including as an important means of saving crude oil that is imported and the superior utilization of hydrocarbons.

Also, the combined production of electric power and heat in the electric power thermification centrals is an important way to increase efficiency in the utilization of energy resources. From this viewpoint of the percentage of thermification, Romania is in the forefront.

Yet one should mention several general coordinates of the "maneuvering range"in this direction and several bottlenecks of a qualitative nature which cause basic problems for energy strategy, including for scientific research and technological engineering.

A first problem which rises refers to the supply of the industrial processes with heat, heating of areas in building, supplying warm household water and the food preparation. In the zones near the electric thermification centrals and for many industrial processes as well as for heating and supply with warm water, the

heat produced in the central is used. Heat cannot yet be transmitted economically great distances with the solutions existing today. So the problem remains open, the problem of covering consumption in the case of non-thermificated zones as well as those for food preparation and the operation of industrial furnaces. Currently, this consumption is provided by hydrocarbons (natural gases, petroleum) partly through electric power and partly with the aid of firewood and coal. The introduction of electricity requires a corresponding rise in the peak power in the national electrical power system, making the electric network an appropriate size and, in particular, an appropriate structure for the balance of fuel to produce electric power.

Providing heat in small locations through the electric thermification centrals leads to the installations of small thermoelectric energy blocks (unified power), having as a result the worsening of output, labor productivity and specific investment. Also, local supply of the electric thermification centrals or thermoelectric power centrals with lignite, besides the disadvantages connected with transporting the lignite and those which are involved in pollution and the need to combat it. For rural locations and isolated settlements there actually is no complete substitution solution. On the other hand, some of the new sources--for example, solar energy--have the inconvenience of being unavailable precisely when there is a need for more heat, that is, winter, while the seasonal stocking of heat does not seem to be achievable in this decade.

A second difficult problem is transportation. Except for the transportation itself, which can be electrified, all the rest--motor, naval and air transport--remains a tributary of liquid or gas fuel in the foreseeable stage of technology.

A third problem is that of the industrial installations--including the electric power centrals—conceived to operate on gas or black oil. Many of them, having been built relatively recently, are in good condition and include considerable investments not yet amortized.

Precisely in order to solve such problems a number of countries now are orienting their scientific research efforts on a priority basis toward achieving liquid or gas substitute fuels-- the so-called synthetics--either through processing of coal, including inferior coal and shale, or by other means (alcohol from the biomass with rapid growth, methanol and so forth) obtained at the industrial scale. According to a 1980 document of the United Nations Economic Commission for Europe, the new technologies of this type allow fuel to be obtained at a price which is just 50-100 percent more than that of natural liquified gas or coal and comparable with the price of petroleum.

For the future, following the solution of the problem of synthetic fuel in Romania--which, as we have showed, is being researched intensely at the world level--priorities for using it could be established depending on the quantities obtained. In any case, the investment efforts needed to produce synthetic fuel should be compared with the investment savings achieved by supplying liquid or gas fuels for the existing equipment and installations, with minimum reconversion.

We want to dwell on one last problem of scientific strategy--and not just scientific—in the area of energy.

Generally a great diversity of possible solutions existsfor a great diversity of energy problems. In order to solve any problem we need an effort of conception and investment. Each ton of conventional fuel produced in addition or saved, as well as any really new and efficient technological solution, requires an allocation of human and financial resources. Nothing is obtained without human and material efforts.

In relation to Romania's size and our economic potential, the election of certain priority directions of research and concentration of efforts in such directions are posed in a much more critical way than in the countries which have big reserves available. But, in these countries, too, priority directions for research are being s lected without trying to approach all the possible solutions.

The criterion of energy efficiency, of the achievable energy contribution is decisive for such a selection of priorities and orientation of efforts toward them. Of course, if forces and resources are concentrated on few research directions, the risk of failure also exists: precisely in some of these directions it is possible for the anticipated efficiency not to be obtained. But, if forces and resources are not concentrated, the certainty appears that, actually, the significant efficiency will not be obtained in any direction, thus increasing the gap compared with the peak world achievements. Of course, the version of "on all fronts" does not involve the decision-making responsibility of selection. Yet it involves the responsibility "of not being selected."

Precisely for that reason we feel that a solution to the many problems dependent on the future insuring of Romania's energy independence is a condition of the way in which human and financial resources we have avilable in research are concentrated--on the basis of prospective well-based analyses--on certain goals of maximum energy contribution.

## Agricultural Production

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[Article by Dr Eng N. Brasoveanu]

[Text] Agriculture, along with silviculture, is the single branch of the economy which has a net energy production, contributes to the convervation and improvement of the environment and represents the main source for feeding the population and providing raw materials for light and food industry. At the level of foreign relations, a developed agriculture reduces or even cancels food dependency on countries abroad and provides the necessary surplus for the import required by gradual industrialization and achievement of the balance of agricultural products from within the country, contributing to economic and political independence.

One of the great paradoxes of the modern world lies in the fact that more and more grains from the countries with advanced industry are being imported to feed the world's population, with the developing countries adding credits to cover their food needs for industrialization. And the "green weapon," agricultural production, is being used by the exporting countries as a means of political pressure.

Clearly, in these conditions the problem is not posed of the dichotomy between the agriculture-industry concept, with the dogmatic alternative of industry or agriculture being accepted, but rather merely types and solutions of industrialization and modernization of less energy-intensive agriculture are required and a better proportioning of the sizes of these two main branches in order to insure the harmonious,balanced development of industry and agriculture. Any historical measure for economic development against the background of joint growth and mutually intensifying growth of the two basic sectors shows that the countries with a developed economy on our continent were first "the granaries of Europe" before being "workshops of the world."

The place and role of agriculture within the national economy bring to the forefront the problem of the type of agriculture and alternations of the process of economic growth and solutions to intensify and modernize agriculture which answer the more and more pressing demands for agricultural products under conditions of population growth and reduction in the labor force for agriculture. At the same time , they would integrate the current instructions for saving raw materials and energy, given the negative balance on the world level. Whereas in recent decades more and more an increasingly overloaded and sophisticated model was imposed for modernization and intensification of agriculture on the basis of an industrialization policy at dimensions and rates which many times were suffocating, what has been pointed out in the somber picture of the resources of raw materials and energy at the world level in recent years led to a radical reconsideration of economic policies on the models for economic growth, development rates for industry and agriculture, types, sizes and structures for modernization and intensification of agricultural production. The imperatives for raising efficiency begin to be conditions decisively of economic growth. Thus, in the quarter - century since 1945-1970, a picture has been given us of a spectacular quantitative development, following a decade of profound reflection, in the 1980-2000 period a superior qualitative evolution is forecast, with the decisive role which in the past belonged to raw materials being taken over by ashy material and efficient technologies.

The historically determined fact pointed out in this optionis that as long as natural energy sources predominated, per hectare production was small, however the conversion ratio between energy invested and what was achieved was large. Together with the introduction of new energy sources intended to intensify natural fertility, vegetable production increased, while the conversion ratio for energy use fell. From here we have the urgent need to practice an intensive agriculture so that the energy investment is as efficient as possible. This means that solar energy, the single way to insure a ratio agreeable for bioconversion must be used at a high level , which in the end is carried out in obtaining large quantities of production per unit of energy invested.

In this framework, under conditions of moving from the extensive to the intensive phase of the economy, the new agrarian revolution in Romania above all aims at a revolution in the development and intensification of agriculture, with the qualitative problems of investment efficiency and judicious use of natural and human resources moving to the forefront. This means a review of the range of species and types of plans, of species and breeds of animals, it means a new size for the proportion of energy-intensive and energy-extensive crops, it means a reconsideration of the big energy-consuming technologies and expensive types of agriculture.

A New Strategy for Intensification of Agricultural Production

In the process of the economic growth of agriculture, together with acceleration of the process which modernized sturctures of the national economy as a whole, agricultural space has the tendency to continually diminish. Also contributing to this process is the diversification of the functions of agricultural territory. From its main end of providing agricultural food goods to the new qualities which gives agriculture a greater functionality--industrial, by implanting industries in the rural environment; touristic, by developing rural tourism; residential, since it is the residence of a portion of urban workers; recreational-cultural, by establishment of regional and national parks and nature conservation. In the process of agricultural growth, land improvement projects become more and more necessary; either they increase the land's production potential as in the case or irrigation, or they bring back into agricultural circulation areas of land which had become inappropriate for agriculture--goals fulfilled by digging projects, drainage, combatting of soil erosion and correcting of waterways.

A considerable intensification for agricultural lands is given by circulating resources, of which fertilizers and water are particularly distinguished. They insure economic efficiency in a shorter period and with lower financial contributions than fixed capital, bringing high economical nature and rapid rotation of funds invested. In this regard, the studies on evolution of the agriculture of the developed countries accredit the idea that the rise in volume of fixed capital has lost its prior significance, with the decisive element being technical progress and optimum combination of the factors of production, providing a differentiated correlation by territory and crops and mainly between the most important economic resources in agriculture--fertilizers and water.

Against this background, the soils of high biological capacity explain the spectacular results in the so-called "green revolution," marked by tripled grain production. Only these increases were possible due to the creation of types of grain and rice capable of fully utilizing large quantities of chemical fertilizer. Without chemical fertilizer the soils of the types mentioned did not prove to be more productive than the old soils. Thus, the entire structure of the "green revolution" miracle collapsed under conditions of massive requirements for chemical fertilizer required by the most productive varieties, however they are fertilizers which require large quantities of energy to produce them. What is more, the vegetable biological material with the greatest biological potential, very rapacious in the lack of chemical fertilizers, extracts its nutritional substances from the organic substance in the soil, thus "charging" the land to the account of future generations.

For that reason, many developing countries were forced to reject the plans for economic growth planned on this basis, given the impossibility of supporting such overwhelming costs. So the use of "natural nitrogen" is taking on greater and greater importance in the world with the more pronounced introduction of leguminous grain crops--particularly soy--and perennial fodder crops--leguminous (clover, lucerne, trefoil)and perennialgraminaceae. Also, a reconsideration of stable waste in all its forms, so disconsidered in Romanian agriculture for a long time, is a problem being posed more and more intensely. Use of residual water, of liquid stable waste from the industrial animal-raising complexes and of compost would reduce fertilization cost a lot.

In the same framework of improving biological material it is felt necessary to improve the ratio between caloric contribution and protein contribution to the new varieties. In this regard, we know that satisfying the need for calories is much easier to achieve than the need for protein. Hunger in the world is more for protein than calories. With a century of efforts and achievements we have not succeeded in affecting the quality of proteins and quantity of digestive protein, but changes have been produced in the protein content of the main crops which continue to remain around 75 percent for rice, 9 percent for corn, 12 percent for wheat. Of course, in this direction the field of research is still open broadly, with some recent achievements being revealing.

Regarding the same problem of protein contribution of food resources, we mention that improvement in the food system requires greater participation from the animal proteins. But for one calorie in the form of protein and lipids from meat or eggs, 7 and 4 calories of vegetable origin, respectively, are consumed, marking a lower efficiency of conversion of energy from one area to another. For that reason the problem is posed of the direct use of protein from soy, for example, avoiding their travel through the animal's organism. What is more, in order to quantitatively and qualitatively increase vegetable production, the attempt is being made to move from the crosses between varieties of the same species to crosses between species, knowing that in this case there is a superior heterozise. Until then, the most complete utilization as possible of all fodder resources, particularly the less expensive ones, that is, hayfields and pastures, waste from food industry, from secondary products from grains and leguminous crops and some food and technical crops and double crops would reduce the cost of products of animal iorigin.

In order for the increase in agricultural production, brought by the process of intensification, not to lead to a more expensive cost of living, the problem is posed of a model of an agricultural food system which would appease both the demand's of today's society, requesting, stocking, preserving and processing of agricultural products, but also the need for providing a satisfactory management of the family budget. This kind of end, aimed in particular at reducing the cost and share of expenses for food, is not possible under the condition of the agricultural food system in the world's developed countries, where the transformation, transport, commercialization and preparation of foods absorb a quantity of energy which is triple that of the quantity needed to produce agricultural raw materials. The food industries in the particular countries have come to occupy fourth place in energy consumption, after the metallurgical industry, chemical production and petroleum refinery industries. For example, it is significant that the energy utilized to conserve food products in cans--the manufacture of packaging and sterilization--much exceeds the food energy of the product canned.

The higher and higher specific consumption for obtaining each additional unit of production requires that the intensification processes be based on the concept of total use of all the economic resources which agriculture has available, on utilization of existing reserves, but reserves which are not utilized enough, such as organic fertilizer, green fertilizers, practicing of crop rotation with a justifiable share from the technical and economic viewpoint, of grain leguminous crops and perennial fodder crops and based on superior utilization of the natural conditions through use of techniques and combinations of adequate economic means--

means and measures which lead to an increase in production without requiring high energy consumption and big expenses incurred by exclusive application of the modern factors of intensification.

Mechanization and Chemification Are Not a Goal in Themselves

Whereas at the startof the process of the cooperativization of agriculture and mechanization of production processes, along with increasing the number of animals and production constructions, a decisive goal was to carry out investments with a view to intensifying and modernizing agriculture in the following stage, after generalization of socialist relations in the rural world, chemification became the priority direction. In recent decades, the most important share of the effort of social labor was represented by land improvement projects. For these projects as a whole the need is brought out of regulating the water factor, the characteristic of all hydroimprovement projects--irrigation, drainage, digs--as well as of combatting soil erosion, since regulating of high floods and evacuating excess water at the same time have an anti-erosion effect, that is, improvement of soil acidity.

The unified approach to the problems of land improvement projects, however, does not exclude priorities. It is precisely taking into consideration these factors which insures great economic efficiency in the use of energy resources. Among these priorities I want to first stress the improvement in the balance of humus and keeping it in the soil. From this viewpoint there is special importance in extending projects to set up sloping, including enforesting of agricutural lands which have been powerfully destroyed, with these projects affecting all the other projects by reducing the solid and liquid output drained, with the result being conservation of the land, an end with broad economic and social effects.

Let us not forget that each year millions of tons of soil go into the Black Sea, an inestimable value which no longer can be recovered in any form. Due to the lag of some water management projects, irrigation projects cannot join with the contribution of other hydroimprovement projects on the basis of agropedologic research, which reduce the efficiency of the irrigation a lot. That is why it is necessary to carry out drainage projects in the zones affected by humidity faster and in greater dimensions, with a view to blocking surface leakage and regulation and digging of interior rivers with the purpose of avoiding worsening of the hydroenergy balance of the particular zones and destruction of the ground with high phreatic contribution. In this context, Comrade Nicolae Ceausescu requested that priority be given to the projects to eliminate excess humidity, with the beneficiaries being urged to carry out the maintenance and care of the projects to correct the water factor, since a disfunction of great portions in the entire sewer system is installed, a fact which brings a substantial reduction in the effect of the particular improvement projects and rise in expenses and energy consumption for correcting these defects. I feel that it is significant that expenses of up to 700,000 lei/hectare have been reached to bring back into agricultural circulation some nonproductive lands, with a very large consumption of fossile fuels, without still obtaining an optimum soil in all respects.

One also may state that the inadequate structure of crops in an irrigated system, characterized by excessive crowding of the technical and food crops--

making some crops like sugar beets and soy too big to detriment of the plateau lands of Transylvania and Moldavia, where they had the tradition and conditions for obtaining economical products, and making the corn crop too small, which many times does not exceed the proportion of arable land considerably in the non-irrigated systems--leads to economic results which are inappropriate for the effort of social work intended for irrigation projects. We also mention that reduction of electric energy consumption intended for irrigation in the peak periods of this activity at the level of an irrigated system results in savings in this way of around several hundred thousands, which is insignificant compared with losses in the millions for agricultural production due to restrictions on obtaining water. This denotes an inadequate management of energy sources which in the end brings large losses for the national economy as a whole.

The contribution of land improvement projects is different in intensity. While irrigation shows its effects immediately, water management projects--accumulations, regularizations of river beds, deviations and so forth as well as digs--do not produce immediate effects and are difficult to give a value to. However, eliminating the losses caused by flooding, they have great economic and social importance. Their complete effect in the projects to combat soil erosion is seen 6-8 years after the work is done, but they have a decisive role in lessening and gradually avoiding the erosion process. Eliminating excess water requires lower investments than irrigation, so they are more efficient, but irrigation brings the biggest economic effects. So we see that in evaluating economic efficiency it is not at all suitable to look for just the immediate result. Precisely such a view meant that many land improvement projects were delayed, which negatively affected soil fertility, emphasizing the process of destruction of extended areas. Precisely for that reason, together with interest in those hydroimprovement projects which have immediate effects and efficiency, the same attention also should be given to those improvement projects which have a more remote and reduced contribution during a nearer stage, but contribute decisively to the timely intensification of the land's production capacity, savings and giving to future generations a land with high production values. The economics of land improvement projects always should be analyzed within the framework of the past-present-future relationship, at the level of immediate and more distant economic effects, and not just with regard to economic efficiency as well as social-political efficiency.

The use of the main factors of technical progress at the optimum dimensions and structures is an important way to improve the relationship between effort and economic effect in the process of the modernization and intensification of agriculutre.

In this framework, under conditions of reducing the labor force working in agriculture, the options of the decision-making factors more and more are heading in the direction of extending mechanization, of including the totality of links of production techniques in the mechanization process. Although this option has a decisive role in increasing labor productivity and production and for reducing expenses, its being carried out is limited by the incomplete stage at which the system of agricultural machinery is. The stage we are referring to even now, as an effect of a policy of mechanization of agriculture from the first two decades of the period of cooperativization and following this period, also drags on now, a stage characterized by the action of "tractorization," that is, preponderant supply with tractors, to the detriment of the stock of mechniery needed to form

the particular aggregates. Such a situation has economic and social implications, since it brings surpluses of tractor and labor force for the agricultural year as a whole and, at the same time, large peaks of requests for mechanization and other energy resources (human and animal) in certain stages of the year, particularly in the September-October period of harvesting of the late crops, with negative effects with regard to creating some big gaps between the biological harvest and the economic harvest stored.

A study on production costs at various levels of mechanization records that in the version with the highest level of mechanization, as a result of reduction in consumption of the labor force and force of animal traction and corresponding rise in the volume of mechanized projects, although the total number of energy units used--expressed in horsepower--actually doubled, the cost of energy consumption fell compared with the least mechanized version from 899 to 595 lei/hectare and from 7.43 to 2.53 HP. These figures plead for diversifying the stock of agricultural machinery and for completing it with all the necessary aggregates. Only the need for applying complex mechanization and the mechanized operation of all agricultural projects as much as possible do not mean loading a large volume of mechanized projects for the sake of mechanization. The need for saving energy and raw materials requires application of the mechanization technologies at the level of minimum work, presupposing the forecast of strictly necessary projects within an agricultural year. In this regard it is planned for the introduction of certain technologies with the most economical aggregates in agricultural practice to have as an effect in 1981-1990 reduction in fuel of 8.5 percent for the agricultural projects carried out by tractor, 19 percent for harvesting with grain combines, 7 percent for corn and 12 percent for fodder.

Reducing to the minimum the energy consumption used requires a reconsideration of the use of work animals under certain unsuitable conditions for mechanization activity; these are on lands with small stocks, on very high slopes for internal transporting, large distances and so forth.

Fertilization activity represents the most important component in the process of the intensification and modernization of agriculture. The thing is for fertilization not to be done unilaterally, with the stress being placed in chemical fertilizers. Especially since these fertilizers require a high energy consumption--50 percent of total energy consumption in vegetable production. Given this, it becomes urgent to reconsider the role and place of organic fertilizers,which no chemical fertilizer can equal. Of the approximately 25 million tons of organic fertilizer estimated by specialists in the Ministry of Agriculture and the Food Industry, equalling 300,000 tons of active nitrogen, phosphorous and potassium substance, only 12-14 million tons are used. Using these reserves, too, the entire need for nutritional substances is not insured within the fertilization process, clearing requiring the contribution of chemical fertilizers to complete them.

With regard to the interrelationship between the production structures and the strategy of intensification of agriculture, one notes that in the last three decades the trend was formed to move from circular agriculture, within which the connection between vegetable and animal production is carried out by fodder balance and balance of waste--contribution to fertilization of thesoil--to

the type of linear agriculture, in which system animal production in the industrial animal-raising complexes is broken from vegetable production, with the concentrated fodder being brought from outside these enterprises and the leadership factors not being concerned with the fertilization of the land they have available on the basis of the waste. What is more, about 20 years ago it was planned more and more intensely to reject crop rotations with the motivation that chemical fertilizers would compensate for the effect of crop rotation. Which was also carried out to a large extent. Of course, big productions were obtained, but to the detriment of the soil structure and quality of production. The experiments made bring out that compared with single crops, a rotation of 4 years brings a rise in production (expressed in grain units) of 14 percent,with the net income rising better than 2.7 times. Longer rotations permit cultivation of technical crops in greater proportions, which through the level of production and prices contributes to the increase in net per hectare income. Such an agricultural system permits an intensive agriculture to be practiced, diminishing the big requests for chemical fertilizers, herbicides and pesticides. Against the background of the interrelationship of the structure of intensification-types of intensification, we have the need for generalizing certain systems of specific agriculture, zonal ones, which would include different types of crop rotations in relationship with the ecological conditions but also with a social order appropriate production technology.

Through the prism of the need for the continued intensification of agriculture, under conditions of the scarcity of energy and raw material resources in the world, more and more the biological concept of agriculture is being brought up to date, whose structural background is including some ameliorative crops and fertilization mainly with organic fertilizer. Within this agricultural system, at the level of the same net income, just one-third of the energy used by chemified agriculture is consumed. The problem being posed refers to the fact that by exclusively practicing such an agricultural system we cannot cope with the increasingly greater demands for agricultural products at the level of a population which is increasing at very fast rates, since rejecting chemical fertilizers would reduce current grain production in half. With this, a mixed type of agriculture--with a biological foundation but also with a broad opening toward intensive, modern and utilized rationally in a managerial spirit--appears timely and answers the current social and economic commands between the apologists for modernization of agriculture with no discernment, one which promotes superchemified agriculture despite the higher and higher cost of the products and deterioriation of the environments and between the supporters of a strictly biological agriculture, without any contribution of intensification, which forgets that we cannot cope with the demographic-food balance with chemical fertilizers and other modernization factors.

8071
CSO: 2700/295

REPUBLIC OBLIGATIONS TO FEDERAL FUND FOR UNDEVELOPED REGIONS

Belgrade SLUZBENI LIST SFRJ in Serbo-Croatian No 31, 4 Jun 82 p 911

[Excerpt] The following annual and monthly advance payments into the Federal Fund for Granting Credits for the Faster Development of Economically-Underdeveloped Republics and Autonomous Provinces have been established (in thousands of dinars) for 1982:

| 1 Republike odnosno autonomne pokrajine | 2 Godišnja akontacija stalnih sredstava Fonda | 3 Sredstva po osnovi obveznog zajma (50%) | |
|---|---|---|---|
| | | 4 godišnja obveza | 5 mjesečna obveza |
| 1 | 2 | 3 | 4 |
| 6 SR Bosna i Hercegovina | 5,578.300 | 2,789.100 | 232.425 |
| 7 SR Crna Gora | 957.500 | 478.700 | 39.892 |
| 8 SR Hrvatska | 11,847.800 | 5,923.800 | 493.650 |
| 9 SR Makedonija | 2,347.900 | 1,173.900 | 97.825 |
| 10 SR Slovenija | 6,936.500 | 3,468.300 | 289.025 |
| 11 SR Srbija izvan teritorija socijalističkih autonomnih pokrajina | 11,641.100 | 5,820.600 | 485.050 |
| 12 SAP Kosovo | 926.400 | 463.200 | 38.600 |
| 13 SAP Vojvodina | 4,423.100 | 2,211.600 | 184.300 |
| 14 UKUPNO: | 44,658.400 | 22,320.200 | 1,860.767 |

Key:

1. Republics or Autonomous Provinces
2. Annual advanced payments of permanent funds into the Fund
3. Funds on the basis of obligatory loan (50%)
4. Annual obligation
5. Monthly obligation
6. SR (Socialist Republic of) Bosnia-Hercegovina
7. SR (Socialist Republic of) Montenegro
8. SR (Socialist Republic of) Croatia
9. SR (Socialist Republic of) Macedonia
10. SR (Socialist Republic of) Slovenia
11. SR (Socialist Republic of) Serbia
12. SAP (Socialist Autonomous Province of) Kosovo
13. SAP (Socialist Autonomous Province of) Vojvodina
14. Total

CSO: 2800/418

## TRADE UNION MEETING CITES FAILURES IN POOLING LABOR, FUNDS

Belgrade BORBA in Serbo-Croatian 26 Jun 82 p 5

[Excerpt] The central theme of the 25 June meeting of the governing council of the SSJ (Trade Union Federation of Yugoslavia) was the pooling of labor and resources in earning income and in developing the under-developed republics and Kosovo, and the building of a unified Yugoslav market. Trade union and other analyses of this problem show that we are lagging considerably behind in associating labor and funds, that we have not yet, in all areas, perceived the problems involved in this process, and income-linking by OOURs (basic organizations of associated labor) with those [OOURs] in undeveloped areas is still inadequate.

Of the total revenue accrued in 1980 only 10.74 percent was based on joint revenue [programs]; in 1981 this percentage was 11.31. This result is even worse if one considers the fact that two-thirds of the funds pooled are associated on the basis of law, not on a free basis. The situation is similar in regard to exchange of labor; in 1980 1.87 percent of income was earned on the basis of labor exchange; in 1981 this percentage was 1.78. In 1981 joint [jointly-earned] income accounted for 0.19 percent of total revenue; in 1981 it accounted for 0.16 percent.

Alija Avdic, member of the SSJ Presidium, said in his report on this that 80 percent of pooled funds are linked to investment programs initiated by collectives in the economically developed parts of the country. This indicates that the attitudes and policy in regard to regional development through associating of labor and funds, as envisioned in the 5-year plan, have not been attained.

In the judgment of the SSJ governing council, many self-management agreements which regulate these matters are inadequate. A survey made in 1980 in 20,000 basic organizations shows that 94 percent of these [OOURs?] pooled funds within their republic or province, while only 6 percent pooled funds outside their borders. Thus, also the policy of investment is enclosed within opstina, republic, and provincial boundaries.

Also evident are tendencies toward weakening of [domestic] trade trends, fragmenting and encapsulation of the market, and toward monopoly.

Because of inadequate linking therefore, the entire reproduction structure is not developing as desired in the spirit of the Law on Associated Labor. Many facts show that it is not only a question of resistance to associating but also other conditions including the inadequate material position of producers. Available income is declining from year to year. In 1974 the share of producers in distribution of the social product was 72 percent, while in 1981 it was 67 percent. In the same period the income available to them declined from 67 to 63.3 percent of total income. Thus their rate of capital accumulation and reproductive ability also declined.

CSO: 2800/418

## ANALYSIS SHOWS INTER-REPUBLIC TRADE CONTINUES TO DECLINE

Belgrade BORBA in Serbo-Croatian 24 Jun 82 p 4

[Excerpt] The unified Yugoslav market is not functioning, but this is not because of the lack of a new special law to coordinate relations in this field. This is the judgment of the Federal Executive Council which believes that if the existing laws were consistently applied, they could effectively regulate relations on a unified Yugoslav market. It is well-known that relations in this field are not in order. Inter-republic commodity trade has been only symbolic for a long time. This is indicated also in an extensive analysis of the unified Yugoslav market which will soon be the subject of discussion by delegates in the SFRY Assembly. The analysis shows that more than two-thirds of all goods and services "move" only within the boundaries of our federal units [republics and provinces].

Some republics and provinces frequently produce considerably more goods than they need, but nevertheless this "surplus" rarely crosses their own "border."

In the last 10 years Bosnia-Hercegovina has reduced its purchases of goods and services from other republics and provinces by 11 percent, Montenegro by 22 percent, Croatia from 27.4 percent to 18.5 percent, Macedonia from 36.2 percent to 29.1 percent, Slovenia from 23.9 percent to 20.2 percent, Serbia from 32.6 to 20.4 percent, Kosovo from 53.7 to 44.4 percent, and Vojvodina from 30.8 to 26.3 percent.

In regard to exports of goods and services, Bosnia-Hercegovina, for instance, delivers to other republics 28.9 percent of its total production, Montenegro 28.1 percent, Croatian 27.7 percent, Slovenia 36.5 percent, Serbia 30.8 percent, Kosovo 37.1 percent, and Vojvodina 34.7 percent. All percentages show a reduction of about 10 percent compared to those of 10 years ago, except for Macedonia which increased its deliveries to other republics by 1.9 percent.

Many facts which this very useful analysis has shown were known and discussions have been held many times about them in delegate committees of the SFRY Assembly. Now, however, extensive material with tables and percentages has been compiled which also offers certain political recommendations. The question is, however, how much strength delegate assemblies, or associated labor, will find to break down and overcome republic and provincial borders in a short time.

CSO: 2800/418

## BRIEFS

SOCIALIZED WORK ORGANIZATIONS--As of the end of 1981 there were 20,939 basic organizations of associated labor (OOURs), or about 1,700 more than 3 years earlier, according to the Federal Bureau for Statistics. There were also 13,888 work organizations without OOURs; this is a reduction from 14,269; and 4,451 work organizations with OOURs (in 1978 there were 3,812). There were 404 complex organizations of associated labor compared to 286 [in 1978] and 5,246 organizations of associated labor (OURs) compared to 4,173 [in 1978]. In agriculture there were 774 basic organizations of private farmers cooperating with cooperatives (compared to 266) and 264 basic cooperative organizations (compared to 261). The number of internal banks remained unchanged at 167. There were 10 associated banks. The number of artisan cooperatives increased from 293 to 389, while the number of [artisan] contract organizations of associated labor increased from 59 to 123. In 1978 there were 6,837 SIZs (self-management interest communities), and 8,054 at the end of 1981. The largest number of OOURs is in industry and mining (6,053), agriculture and fishing (1,252), transportation and communications (1,457), construction (1,611), and commerce (2,293). [Excerpt] [Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 31 May 82 p 29]

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END

JPRS 81339

22 July 1982

# East Europe Report

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2296

FBIS FOREIGN BROADCAST INFORMATION SERVICE

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22 July 1982

# EAST EUROPE REPORT

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2296

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## ROLE AND FUNCTIONS OF NEW ACADEMY OF SCIENCES

### New Presidium Elected

Sofia KOOPERATIVNO SELO in Bulgarian 2 Jun 82 p 1

[Text] The constituent assembly of the Agricultural Academy was held in Sofia on 1 June 1982. It was attended by 400 delegates, including academicians, corresponding members, scientific workers, general directors of trusts, okrug BCP committee secretaries in charge of agricultural affairs, chairmen of OAPS [Okrug Agroindustrial Associations] and APS [Agroindustrial Combines], and others.

Also attending were Vasil Tsanov, CC BCP secretary, Nacho Papazov, chairman of the Committee for Science and Technical Progress, Academician Angel Balevski, BAN [Bulgarian Academy of Sciences] chairman, and Angel Bobokov, head of the Agricultural Department of the CC BCP.

The opening speech at the meeting was delivered by Aleksandur Petkov, chairman of the NAPS [National Agroindustrial Union] Central Council. The speaker pointed out that many problems related to the intensive development of agricultural science have not as yet been resolved most accurately in the course of intensive scientific research for upgrading its effectiveness, adopted by the Ninth BCP Congress, which is being systematically pursued, and in accordance with the resolutions of the 12th BCP Congress, under the conditions of all-round intensification of the entire socioeconomic development.

First among the unresolved problems in the organization of scientific research and engineering and application activities is the insufficient comprehensiveness of scientific research in the individual subsectors in agriculture and the food industry and in the sector as a whole.

"Bearing in mind the current state of agricultural science," Aleksandur Petkov emphasized, "and the great significance of accelerating agricultural intensification, on Comrade Todor Zhivkov's initiative the 12th BCP Congress called for the re-creation of the Agricultural Academy."

Corresponding Member Prof Dr Tseno Khinkovski, deputy chairman of the NAPS Central Council, presented a report on "Improving the Organization of Agricultural Science in Order to Implement the Decisions of the 12th BCP Congress." The speaker discussed in detail the need for the creation of an

Agricultural Academy, its status and structure, the great tasks in scientific research and application, and the organization of scientific services on the basis of the economic approach and its mechanism. The constituent assembly approved the bylaws and the General Assembly of the Agricultural Academy.

Corresponding Member Prof Dr Tseno Khinkovski was elected academy chairman; Senior Scientific Associate First Class Dr Vasil Chichibaba was elected chief scientific secretary; Senior Scientific Associate First Class Todor Pandov was elected deputy chairman in charge of scientific affairs and head of the Scientific Coordination Center for Organization, Economics and Mechanization; Prof Dino Dinev was elected deputy chairman in charge of higher education and head of the Cadre Training Center; Senior Scientific Associate Second Class Emil Nikolov was elected deputy chairman in charge of engineering and application affairs; The following were elected department heads at the Scientific Coordination center: crop growing, Senior Scientific Associate First Class Aleksandur Karaivanov; perennials and vegetables, Senior Scientific Associate First Class Milko Yordanov; animal husbandry, Senior Scientific Associate First Class Dr Angel Stoyanov; veterinary medicine, Prof Dr Trifon Tomov; and food industry, Prof Dr Nikola Nestorov.

The following were elected presidium members: Prof Vuto Gruev, Corresponding Member Dimitur Shabanov, Zhelyu Dobrev, Prof Zakhari Zakhariev, Corresponding Member Prof Dr Ivan Vasilev, Senior Scientific Associate First Class Dr Ivan Ivanov, Ivan Tonev, Senior Scientific Associate First Class Yordan Ivanov, Academician Kiril Bratanov, Senior Scientific Associate First Class Krustyu Brusarski, Prof Kiro Kostov, Academician Kunyu Stoev, Docent Lyuben Glogov, Senior Scientific Associate Second Class Dr Nikola Belev, Senior Scientific Associate First Class Dr Nikola Tomov, Prof Nadezhda Fetvadzhieva, Nikolay Tsonev, Senior Scientific Associate Second Class Petur Donchev, Academician Pavel Popov, Docent Petko Fedin, Rumen Boyadzhiev, Prof Dr Svetoslav Raychev, Corresponding Member Prof Tosko Vanchev, Academician KHristo Daskalov, Prof Tsvyatko Petkov, Prof Dr Tsanko Stoychev and Senior Scientific Associate First Class Yakim Dimov.

In his concluding speech Dr Vasil Tsanov emphasized that this marks the beginning of a new type of agricultural academy, which will be focused entirely on the needs of agroindustrial production in terms of nature, function and tasks. The academy will be based on new management and scientific administration and services principles, such as the application of the economic approach, the state-public principle, the programmed organization of labor, program-target financing of scientific research and engineering-application activities and others.

In discussing the many problems which the academy will have to resolve, Dr Vasil Tsanov emphasized the following tasks as the most topical:

Raising scientific research to a qualitatively new level within the shortest possible time. The main thing now is to mobilize the entire scientific potential within and outside the academy on an economic basis and to create a unified agrobiological front;

The academy must make radical changes [illegible] gineering-application activities. This will require the creation of economic and organizational conditions resulting in the fast application of the peak achievements of scientific and technical progress and leading Bulgarian and worldwide experience;

The training standards of agricultural specialists with higher and secondary school training must be raised by turning the higher educational institutions into comprehensive scientific centers and linking the training and education process with practical requirements more closely;

Scientific and technical cooperation between the Agricultural Academy and other Bulgarian and foreign scientific units must be organized on an entirely new basis. comprehensive target programs must be formulated within a short time, covering the most important technical directions of scientific and technical progress in the sector, to be implemented with the help of modern scientific means and methods.

A telegram was addressed by the delegates to the BCP Central Committee (KS).

## Academy Chairman Interviewed

Sofia KOOPERATIVNO SELO in Bulgarian 2 Jun 82 pp 1-2

[Text] Correspondent Iliya Simeonov met with Corresponding Member Prof Dr Tseno Khinkovski, chairman of the new Agricultural Academy and chairman of the NAPS Central Council and asked him the following question:

[Question] Prof Khinkovski, can you tell us what made the re-establishment of the Agricultural Academy necessary?

[Answer] Let me point out first of all that thanks to the creative application of the party's April agrarian policy, a powerful scientific-cadre potential was developed in our country over the past decades. With the help of the existing wide network of scientific research institutes and stations it can provide the main agricultural and food industry sectors with high-level scientific services. The existing scientific-production trusts and

complexes are a manifestation of the qualitatively new structures in the integration of science with production. A very good beginning has been laid for unifying and coordinating the efforts of the scientific institutes on the basis of the program-target and comprehensive approaches.

At the same time, however, there were many weaknesses in our scientific field in recent years. The level of effectiveness of scientific services was held back. There were particularly serious omissions in terms of the comprehensive nature of developments. The ones focused on basic scientific problems became increasingly limited and insignificant. Clearly, the management of agricultural science was not consistent with the changes which had taken place in agricultural management after the creation of the NAPS.

[Question] What role will the Agricultural Academy play in the further development and strengthening of agriculture and the food industry?

[Answer] The academy is being established as a superior comprehensive organization in charge of the management and development of agricultural science, cadre training and application of scientific and technical progress. Its basic task will be to provide comprehensive scientific services and effective application activities in agroindustrial production. Our obligation will be to direct the efforts of the entire scientific potential in order to enhance its technical-economic, technological and organizational standards. We will thus help to convert agriculture and the food industry into highly developed, profitable and competitive socialist economic sectors able to meet the country's growing needs for food and export goods.

The academy will head the work related to the development of basic and applied problems in the most promising directions of agricultural science with a view to resolving specific agricultural problems promptly and on a high scientific level.

[Question] How will the academy contribute to the even broader practical utilization of scientific and technical progress?

[Answer] In order for the academy to carry out its responsible and comprehensive tasks successfully, it will organize structural units entirely consistent with such tasks -- scientific research, engineering-application, production and cadre training. They will be functionally related and constitute systems of scientific research organizations operating in various directions and headed by scientific coordination centers, applied engineering, organizations and higher educational institutions and service unit systems.

The academy will have a system of engineering-application units (whose structure and nature will be discussed and amended in the course of the work), which will interact closely with the overall production management system in the NAPS. Let me emphasize that our entire activity and system, which is being established and will continue to be developed in the future, will be assessed above all on the basis of our contribution to the level of agricultural production and efficiency. In this sense we consider application a structural component and natural extention of scientific research. We shall try to prove this through practical work.

[Question] How will the new economic approach and its mechanism be applied and manifested in scientific research?

[Answer] In accordance with the new economic mechanism, the scientific research institutes were converted to a system of self-financing for one half of the funds required for their maintenance. Most of the scientific workers showed their understanding of the forced economic nature of the mechanism. Most of the managements of the institutes and stations also found the proper guidelines. They quickly contracted to provide scientific developments against payment by the economic organizations.

Despite certain successes, let us emphasize that the process remains incomplete. Without downplaying the weaknesses in the work of the scientific research system and some of its units, we continue to find weaknesses outside the system as well. They greatly hinder the efforts to intensify the process of utilization of scientific and technical progress.

Many economic managers on all levels, who had become used to receiving free help from the scientific institutes, are finding it hard to reorganize their way of thinking and acting. That is why one of the first and most urgent tasks will be to present the NAPS Central Council with an efficient system and a mechanism for upgrading the interest of the economic organizations in the application process. We are guided in the completion of this task by Comrade Todor Zhivkov's instructions to the effect that the application mechanism must be based on the principles of economic incentive. It must both encourage and force the scientific collectives and the users of scientific and technical results to use the latest achievements of science and leading experience.

[Question] What are the most important problems on which the academy will focus its scientific research in accordance with the decisions of the 12th BCP Congress?

[Answer] One of the most important tasks is to make radical changes in the selection work conducted at scientific research institutes and to make it consistent with the latest achievements in modern biology. That is why in the future, along with classical selection methods, we shall make wide use of new means and methods which will help to intensify the process and to reduce the time needed for the creation of new strains and breeds.

During the last decade, problems related to the technology used in the production of various vegetal products gained particular importance. Practical requirements demand with increasing urgency the development of essentially new technologies. The main task over the next few years will be to develop integral farming systems for the separate ecological zones in the country.

Genetics, selection and breeding are becoming increasingly important parts of the animal husbandry production system. Our science is faced with resolving important problems in the development and upgrading of breeds. Animal husbandry needs not only new technologies for raising various breeds and categories of animals but integral systems for livestock goods output.

Veterinary medicine faces urgent tasks in upgrading the vaccine protection of the animals and the elimination of disease spots in the country, which cause great damages, detailed work on fertility problems, etc.

The food industry faces important problems too. Many of its branches and production lines require radical technological and production changes. This calls for an overall revision of scientific research in terms of direction, level and content. Comparisons and evaluations in this area must be based on the worldwide scientific and technical revolution. The level of output has always been and will remain the basic yardstick in determining the level of scientific research. There is no such thing as good science and bad production or good production and bad science.

Finally, let me emphasize that the scientific workers in the institutes and stations and the collectives of the higher educational institutions and development bases will be intensifying their research steadily and will work with an even greater feeling of responsibility for the implementation of the decisions of the 12th BCP Congress.

5003
CSO: 2200/117

## MITTAG ADDRESSES COMBINE DIRECTORS ON MANAGEMENT TASKS

East Berlin EINHEIT in German Vol 37 No 5, May 82 (signed to press 14 Apr 82) pp 463-479

[Excerpts from concluding address by Guenter Mittag, SED Politburo member and Central Committee secretary, to the SED CC seminar for combine general directors and CC party organizers, delivered in Leipzig, 8 April 1982: "Combines in the Struggle for High Achievements: High Growth in Performance for the Continued Strengthening of Our Republic." Translations of a shorter version of this address as well as of the text of a letter by the combine directors to Erich Honecker are published under the heading, "SED Central Committee Holds Seminar for Combine Directors," in JPRS 80732, 5 May 82, No 2266 of this series, pp 11-23. Mittag's address is supplemented by contributions of ten combine directors and one VEB party secretary, published under the heading, "From the Discussion on Experiences and Requirements," on pp 480-501 of this EINHEIT issue]

> [Text] SED CC seminar for combine general directors and CC party organizers: How do the combines increase their contribution to fulfilling the 10th party congress resolutions in the economic field? The significant presentation by Comrade Guenter Mittag is supplemented by contributions of 11 combines on experiences and ways of successful economic activity aimed at increasing labor productivity, efficiency and quality and based on target-oriented ideological party work.

The SED CC seminar for combine general directors and CC party organizers was governed by resolute struggle for fulfilling the 10th party congress resolutions. The basic guideline for implementing the 10th SED Congress resolutions was issued by Comrade Erich Honecker at the third CC session and the CC secretariat conference for the kreis first secretaries. This seminar considered the inferences to be derived from it for the work in the industrial and construction and the transportation and communication combines.

In the letter by the attendants of the seminar to Comrade Erich Honecker, general secretary of the SED CC and chairman of the GDR State Council, this position was given clear expression through high commitments assumed by 157 centrally managed and 66 bezirk-managed combines with a total work force of over 3 million. Those commitments mainly amount to exceeding the ambitious goals of the 1982 national economic plan for industrial production by at least a 2-day production volume,

to make more products available for public supplies, economic development and export in accordance with the requirements for strengthening the GDR. With it, each combine is taking concrete steps to accomplish the higher achievements for 1982 through a reduced specific consumption in working hours, raw materials, energy and material and through an improved multishift capacity use of the available basic assets. In certain areas, material and energy consumption must be reduced in absolute terms. Those funds are already being returned.

This commitment is based on the staunch intention of all communists and all working people in industry and construction, transportation and communication in the GDR to carry out the 10th party congress resolutions rigorously. That intention finds its full expression in socialist emulation, organized by the trade unions under the motto, "High Growth of Performance Through Increasing Labor Productivity, Efficiency and Quality--All for the Good of the People and Peace!" Right now, particularly in preparation of the 10th FDGB Congress, many new ideas and initiatives are coming from it.

The ideological position on resolutely implementing the party decisions is what mainly matters right now. We must make a complete use in a creative way of all opportunities available everywhere in the GDR. And that mainly means that each combine has to mobilize its own capacities. It means combining the well prepared and fast introduction of new products with modern technologies which, in terms of socialist rationalization, cut back jobs and improve working and living conditions, significantly reduce material and energy consumption, and improve the quality of products.

To that end, science and technology must much more than before proceed toward creative solutions of their own. The economic task truly has to be comprehended in industry and construction, science and technology. This also includes the high requirements for making a much better use of available basic assets by a target-directed modernization and a more long-range capacity utilization.

It mainly also means producing intrinsic values through less material and energy consumption, new imaginative solutions and skilled work, by which we also then realize higher production values. That is what we mean by enhanced refinement.

The cost reduction struggle must become more determined everywhere. It means reducing the investment of live and embodied labor in production. It is imperative fully to apply economic accounting throughout the whole cycle of our intensively expanded reproduction, including science and technology.

The 10th party congress has made perfectly clear that we have to take another qualitative step in our socialist intensification. Solving these great economic tasks makes high demands on management activity in fully exhausting the available intellectual-creative capacities and the high skills of the workers, male and female, the technologists, engineers, designers and researchers. This is where our greatest reserve lies, and there is the place that guarantees our success. That is what each person should consider while organizing his further efforts.

It is found that the socialist planned economy based on Marxism-Leninism and under our party leadership is able to react flexibly to new requirements and clearly demonstrates its superiority, especially under the more complicated conditions. For that purpose the party elaborated its economic strategy. Its ten

key points are decisive for implementing the 10th party congress resolutions. The developmental trends that are basic and decisive for the 1980's have, presciently and at the right time, flown into this economic strategy. Such a clear requirement, viable over the long run, is of inestimable value, as one finds, for our party's successful struggle.

In implementation of the 10th party congress resolutions, we shall rigorously further deepen our close economic cooperation with the USSR and the CEMA countries on the whole. We shall carry on this tried and tested course in the future in the sense of highest achievements through jointly introducing top technologies and a production cooperation of benefit to all involved, in everything the CEMA countries need in jointly advancing along the road of the most up-to-date productive forces.

All our efforts in increasing the GDR's economic performance growth are taking place amidst the international class conflict. They are, in fact, a significant contribution to our gaining victory against imperialism in this conflict.

There is no other alternative but peaceful coexistance for a policy which, were it up to the most reactionary and adventurist circles of imperialism, would ultimately lead to war. Our responsibility results from the objective fact that especially in our days real socialism turns out to be the mightiest bulwark of peace, progress and the peoples' struggle for national and social liberation. Our party unequivocally presented at its 10th party congress its attitude toward safeguarding peace, disarmament and arms limitation. We have announced that we fully and completely endorse the peace program of the 26th CPSU Congress. That also is why the GDR has given its full endorsement to the new initiatives of Comrade Leonid Ilyich Brezhnev, secretary general of the CPSU CC and chairman of the presidium of the Supreme Soviet of the USSR, on disarmament and the safeguarding of peace. In line with its international responsibility, our party does what it can to counteract the danger of nuclear world war and make peace permanent.

The policy that aims at confrontation by the U.S. administration carries the blame for the current deterioration of the international situation. If that policy is understood for what it really is, it becomes clear that the United States, on behalf of its lust for imperialist power, is gambling with the destiny of humanity. U.S. imperialism--there is no other way of saying it--is engaged in adventurist and perilous policy. The reactionary U.S. circles currently in power would like to settle the sharpening social contradictions and the deepening economic crisis with the recipe of increased armaments efforts and greater military aggressiveness. U.S. imperialism at present seeks to force its West European allies and Japan step by step to join this confrontation course.

We shall do what we can to strengthen the GDR economically by continued economic growth. That is why we boost what has to be done to ensure all production prerequisites. This amounts to a new and great fitness test for the strength inherent in socialism and the efficacy of its historic advantages.

Continued Shaping of Our Modern Economic Structure

The 10th party congress resolutions on our economic strategy are implemented through our fulfilling our 1982 plan tasks and getting set properly for the 1983 national

economic plan. Thus, the tasks of the national economic plan, to put it plainly, set the measure for the implementation of the party congress resolutions. And here we are concerned with meeting and exceeding the goals for our production growth, especially for export, on the basis of decisively improving the cost/benefit ratio.

For implementing these ambitious tasks we rely on what has been accomplished in our republic and on the greater intellectual and material potential available to us. We also rely, as on a decisive source of our strength and opportunities, on our cooperation with the Soviet Union, as set down in the GDR-USSR specialization and cooperation program up to 1990. During their August 1981 Crimean meeting, Comrade Erich Honecker, secretary general of the SED CC and chairman of the GDR State Council, and Comrade Leonid Ilyich Brezhnev, secretary general of the CPSU CC and chairman of the presidium of the Supreme Soviet of the USSR, agreed on further steps in deepening the all-round cooperation between our two countries. The implementation of these fundamental requirements is crucial for the GDR's continued economic performance growth and for deepening the GDR-USSR fraternal alliance, which we always guard like the apple of our eye. Along this course of deepening the scientific-technical and economic cooperation with the USSR, the material-technical base of socialism will be shaped further in the GDR.

In his speech before the kreis first secretaries, Comrade Erich Honecker called attention to fashioning the structure of production and export in accordance with future requirements. Our economy's efficiency and international positions, he pointed out, will increasingly be determined by the advanced industrial branches that are directly tied up with scientific progress.

The principles in our modern economic structure began to evolve even during the last decade. They concern
--the stronger development of our domestic raw material basis, especially in raw lignite and potash, clay and earth;
--starting conversion to refined metallurgy;
--the further development of modern branches in machine building, especially the fashioning of the assortment structure in machine-tool construction along the lines of the latest technologies;
--creating the premises for the microelectronics industry and starting the conversion of electrical engineering and electronics to a broad microelectronics application;
--a trend toward higher refinement in the chemical industry; and
--a further quantitative and, especially, qualitative development in the consumer goods industry.

All these basic trends are subject to 10th party congress resolutions. They are part of the implementation of our economic strategy. Important points of departure for our further work are contained in the conceptions on refinement. What matters now is to bring to realization these production and export structures in accordance with party resolutions in the struggle for plan fulfilment. Ministry by ministry, combine by combine now must shape its production profile and production assortment in such a way that it fully meets its economic responsibility in terms of this structural development.

Along with it, one must keep in mind the requirements of the day and prepare for sales in 1983 and beyond through concrete scientific-technical and production organization measures. What matters is to have to offer more high-grade export commodities, more top products, and reap hard currency even under toughest competition. That also is of the greatest importance for improving public supplies in high-grade consumer goods proper as to needs. When we generally focus our production at fine and suitable intrinsic values controlled by a favorable cost/benefit ratio, we will also be in the position to meet the targets assigned in consumer goods production for the population.

It can clearly be seen that the still existing disparities among combines is identical with disparities in management activity and also in the quality of party work. The most important task in the work of the CC party organizations in the combines thus is right now to do everything for fashioning the ideological position in the implementation of the 10th party congress resolutions in such a way that it finds its expression in concrete and accountable achievements as they are now needed.

Science and Technology--The Crucial Prerequisite for High Efficiency

At the conference with the kreis first secretaries, Comrade Erich Honecker has called for a penetrating improvement of the cost/benefit ratio and added to that the remark that truly decisive advances today start on the drawing board and in the lab. Science and technology are no ends in themselves but ways and means for implementing our economic and social policy. Economic yield is the yardstick for our technical development.

Only from such a position is a truly creative approach possible to solving scientific-technical tasks. That also calls for making use of the whole wealth of international experience and knowledge. Important in this mainly is that the GDR's own solutions and opportunities are applied in close cooperation with the Soviet Union and the other CEMA countries.

If, in conformity with the party resolutions, the strict and objective economic criteria are made the yardstick for scientific-technical tasks, then we arrive at truly viable solutions for the GDR economy through using the most up-to-date international scientific-technical data. That is why choosing the economy is equally important as point of departure for scientific-technical work and for economic and technical progress. The economic outcome provides the measure for scientific-technical work.

In science and technology, particularly, management activity controls the degree to which results can be achieved. The heart of the matter lies in whether a general director knows how to use his scientific-technical potential as a genuine instrument for solving the economic requirements facing him on behalf of the economy or lets the development of science and technology proceed more or less automatically. If someone treats science and technology as a departmental matter and cannot use that potential to speed up the cycle of intensively expanded reproduction in the combine, he cannot fulfil his economic responsibilities.

Some apparently look at financial, personnel and material funds and capacities in science and technology as naturally given, as it were. They do not understand

that precisely the means for science and technology actually amount to a big advance given to society, charging society with the unequivocal requirement to apply this advance as effectively as possible for the benefit of society.

In every modern industrial country, one of the main expenditures are those for science and technology. That is so for a sound reason because this expenditure, if translated into creative capacity and great economic results, is the most efficient one that can be made altogether. That presupposes a clear management activity position, however, calls for a hard economic requirement and for setting down the cost/benefit ratio as early as in the R&D phase. Science and technology should therefore resolutely be included in economic cost accounting. Savings computed, and adduced to justify the investments of funds in science and technology, still have to be produced and paid back. It would therefore be good to check to what extent scientific-technical solutions worked out for new products, technologies and procedures are saleable within the scope of the combines' intra-enterprise economic cost accounting. Such results of intellectual work can, after all, only be sold if they yield a proven benefit.

By establishing the commodity-money relations also in this field, as is the case already among the production enterprises in a combine, stronger economic inducement might be found for high scientific-technical achievements. That is one of the inferences to be drawn from the Politburo resolution on further measures toward perfecting economic cost accounting for the work in the combines, i.e., our combining the plan more still with economic cost accounting. And then there also is the currency control the bank exercises. All that is based on Karl Marx' understanding, of principle, of the activity of the "societal total worker," in which scientific-technical work also has to be included. As any other societal work needed for producing intrinsic values, the results of this work also enter the value formation process. So science and technology have to be treated with still greater determination as an element of the intensively expanded reproduction cycle in the combines.

Nor must there be any curtailments made to the topics outside the national plan, as far as levels and, mainly, economic effects are concerned. There is, after all, where most of the scientific-technical tasks are found. The demand was raised at the 10th party congress to bring about top achievements at a broader range. We stick to that. No enterprise and no combines is exempt from this responsibility. It is important for economic results and, above and beyond that, for the international positions of socialism. And in this context we also have to offer a comment on constructing means of rationalization on one's own.

Constructing means of rationalization on one's own can no longer be detached today from the picture we have of our combines. In 1981, it rose to a total of M 4.2 billion, whereby it has grown nearly fourfold, compared with 1975. Building on one's own means of rationalization has become a genuine factor of the combines' intensively expanded reproduction, based on most up-to-date technologies. We never have considered building one's own means of rationalization a make-shift solution for short supplies in equipment. Developing it was based on considerations of principle with an eye to our own and to international experiences. It has always been a matter of creating in every combine the intellectual and material prerequisites for immediately introducing the most modern technologies to produce new products. By them solutions are to be effected that are the best for the given conditions in a combine.

Much that has today been created by our own construction of means of rationalization amounts to unique top solutions no one would have supplied us with. Constructing means of rationalization is akin to the pioneer spirit in the technological field and calls for high speed. That also implies assigning ambitious task to all young graduates of universities and technical schools. Nothing could be more criminal than wasting this "golden fund" of our society. This would not only squander abilities but morale and good will as well.

We request the party organizations in the combines and enterprises to pay special attention to the development and assignment of university and technical school personnel and to urge management activity to set up the kind of conditions where such personnel will dedicate all strength, knowledge and skill to the strengthening of the GDR.

In other words: just talking about science and technology profits us nothing. What rather matters right now is to organize the work of our highly skilled personnel most efficiently in such a way that over the briefest period those creative new solutions are generated and realized that we need today for strengthening our republic's position within the international class conflict.

In his speech before the kreis first secretaries, Comrade Erich Honecker asserted: "Also in coping with the great goals of the 1981-1985 Five-Year Plan, we rely on the initiative and energy of youth. We count on its knowledge and its drive to find assurance through creative achievements." Every general director is likely to agree that the youth brigades led by our FDJ, the youth projects, the Fair of the Masters of Tomorrow and the youth innovator collectives, with their economic initiatives in the struggle for high plan targets, are proving themselves at the focal points of economic developments. In fact, as shock troops in socialist emulation they are downright irreplaceable.

The Politburo has accepted the proposal from the FDJ and the FDGB to conduct a congress of GDR working youth in Berlin in April 1983. We expect all state managers to assist the FDJ and the trade union extensively in mobilizing the working youth toward preparing that congress.

Our party also continues to pay great attention to the 40,000 youth brigades we now have and to setting up further youth collectives. What with all these youth brigades contesting for optimum values in the performance comparison under the heading, "Each Every Day With a Fine Balance-Sheet," we could tap enormous reserves. All managers also are well advised to promote much more purposefully the creativeness of youth to accelerate scientific-technical progress in the movement of the Fair of the Masters of Tomorrow."

Young personnel will grow and stand up under such tasks. And yet, the number of those who feel challenged, and thus content, in their work still is much smaller than that of those young graduates and young innovators who remain unchallenged. FDJ participation in accelerating scientific-technical progress ought therefore be broadened in all combines. This involves demanding requirements for new solutions as well as more rapid application of innovations.

## Increased Labor Productivity and Socialist Rationalization

The task to increase our labor productivity always is the centerpiece of all our efforts in improving social labor efficiency as a whole. This concerns the effective degree of live labor, the outcome of the people's creative activity in socialist production.

With the law on time economy, Karl Marx discovered, and formulated accurately, the fundamental and determining relation between society's outlay in working time and the social wealth in material and cultural goods. "The less time society needs to produce wheat, cattle and so forth, the more time it gains for other production, material or intellectual. As in each and every individual, its all-round development, enjoyment and activity depend on economizing on time. Time economy, as well as a distribution of labor time among the various production branches according to plan, thus provides the primary economic law based on societal production."[1]

The whole development of our socialist economy bears out that this fundamental economic law is in effect; as all other laws, it is objective in character. The time economy law functions, as it were, as the law of motion in our socialist economy. Only to the extent that we will progressively account for this objective economic law will we, in accordance with the basic economic law of socialism, accomplish the goal of our socialist production, the continual elevation of the population's material and cultural standard of living. The basic orientation of our seminar conforms with those objective interconnections: "To continue successfully the policy of the main task in the 1980's, economic efficiency, the cost/benefit ratio, must be improved in every way."

Improving the cost/benefit ratio in every way calls for maintaining, and exceeding, the tempo of 1981. It means reducing all cost factors throughout the whole economy. That also holds true for the development of the bezirk-managed combines. Their having been set up marks an important step toward strengthening the GDR's economic efficiency and also a step toward consolidating our socialist production relations.

The industrial commodity production in the 66 newly formed combines under the bezirk economic councils came to a total of circa M 11 billion in 1981. Net production in 1981 came to a total of approximately M 3.4 billion. We are placing great expectations on the development of the bezirk-managed combines. It is important for many of these combines to achieve a noteworthy improvement in labor productivity in 1981.

We think that now the struggle must be conducted everywhere for high labor productivity goals in following the yardsticks applied by the best ones. When we prepared the plan targets, it turned out that some comrades considered the labor productivity increase parameter as a passive result, as it were, obtained by computation. All they see in it is a magnitude resulting from dividing the anticipated production volume by the number of workers. Approaching the increase of labor produtivity that way is completely mistaken. It always was mistaken and is all the more mistaken at the present time. Especially now, it matters more than ever to save working hours and eliminate jobs in order to be able, on the basis of one's own possibilities, to

produce more raw materials, material, ancillary supplies, spare parts and means of rationalization for the economy. Boosting our productivity--that is an indispensable prerequisite for ensuring under all conditions economic performance growth as planned and needed.

We must consider the need for greater efforts to boost labor productivity still in a different context. That pertains to making a much better use of available machinery and installations through shift work. That is a task of economic significance. Before one talks about investments and enlarging the size of the basic assets, one must be certain about the utilization of existing funds. That is the first and foremost source of accumulation and one of the least expensive as well.

If the capacity use parameter is improved by only two-hundredths, it means using the basic assets by 10 extra minutes each day. And that makes possible an increased output in industrial commodities by M 4.5 billion per year. That shows the range of our reserves.

To alter the situation, it is necessary
--to place investments only if multishift capacity use is ensured from the outset and
--to organize rationalization in connection with robot technology in such a way that whole technological processes are provided with a continuous production flow and the transition is made to multishift labor.

To create the prerequisite needed for that, territorial organs must of course play their proper part in it. Much organizational, and mainly political-ideological, work thus has to be done in this field.

The 10th party congress set down such ambitious goals for introducing robot technology because this is one of the most efficient ways to boost labor productivity and, at once, make better use of the basic assets. Clear tasks were mentioned and as a premise it was adopted that on the average a robot must set free 2.5 workers. We must be clear that this is a minimum objective. International experiences inform us about 4, 5 and sometimes even more released manpower.

We have made considerable progress within one year in the development and production, and partly even in the application, of robot technology. It shows that the socialist planned economy in the GDR can react fast and flexibly to new requirements of technical progress. And not in a limited area only, but at a broad range.

What has here been developing in initiative, energy, and the expertise in genuine innovations and their rapid application in practice is truly impressive. It is so impressive mainly also because it has not been and is not the outcome of what an exclusive collective of specialists did but is the outcome of thoughts and efforts by a large group of working people in many places, out of needs for application, in machine building as in metallurgy, in chemistry as in the light industry.

The objective resolved at the 10th party congress is ambitious. It conforms to objective criteria. If one wants to be successful in the effort for the highest labor productivity, one must proceed toward resolutely and speedily introducing robot technology. Looked at internationally, one can clearly see that the speed in

introducing industrial robots and the breadth of their application is increasing briskly. Already, the highest efficiency criteria are in place for the application of robot technology. Robot technology is developing into the most efficient way of automating whole technological processes in that extant installations are being lifted onto a completely new production level, production processes are made both continuous and flexible, and working in three shifts becomes possible and necessary.

This development and these results teach us important lessons, too. They are, in particular, that the GDR has the requisite intellectual potential, the knowledge and the abilities to implement most up-to-date developmental trends at a broad range. These lessons also tell us, however, that a correct and ambitious requirement at the right time awakens initiatives that otherwise would have lain fallow. And we mainly also learn here that through purposeful management and under party leadership novel tasks at large dimensions can be solved and are being solved.

What matters now is to make effective what has been generated and continues to be generated completely for strengthening our republic. Here, most of what has to be done is still ahead of us. The most important thing now is to use robot technology as the core of a conversion of the technological processes so that it gives rise to profound effects on the economy. They must concern the boosting of our labor productivity as well as a more efficient use of the basic assets. Robot technology application must be used as a modernization tool for existing techniques toward the automation of production processes, with the working and living conditions to be improved along with it.

Preserving this unity between high economic results and improving working and living conditions is our mission and our most important concern in socialist rationalization.

Production Growth With Decreasing Production Consumption

Production growth, better qualities and decreasing costs are three sides of the task of ensuring a continued economic performance improvement in our republic in the 1980's. Cost reduction here becomes increasingly a growth source of crucial importance. That concerns in particular a decided reduction in production consumption plus avoiding any losses. Though altogether in the last 2 years a perceptible change in the development of production consumption has taken place, when compared with previous periods, even that, gaged against experiences, can only be considered a beginning. In continuing a resolute reduction of production consumption the greatest reserves can be found.

Bigger steps are needed in every combine in reducing energy consumption, more rationally and efficiently using domestic energy sources, and saving imported energy sources still much more. We have great reserves which are mainly found in the vast performance disparities in the energy economy.

If one considers that, e.g. in the VEB IFA commercial vehicle combine, an energy intensity reduction of 9.4 percent was reached in 1981, compared with 1980, and another 7-percent decrease is supposed to be attained in 1982, compared with 1981 -- while the growth rates of production in these years are around 5.8 and 7 percent-- that demonstrates responsible work.

Our energy reserves are large in many respects. Available energy sources still are not always used efficiently. In looking at the results in using available secondary energy--to us, energy sources that cost nothing--it becomes obvious that it must play a much greater role in combine activity. That is part of bringing to realization the intensification course.

We advocate that in the future ministers assign the combines clear requirements for the use of secondary energy under precise government accounting and supervision. Things must not be left to themselves here, as they have been. There, money is lying in the gutter, to put it idiomatically.

For the combines, the development of basic material costs per M 100 in commodity production is a clear yardstick for their share in the effort to decrease production consumption. The measures issued by the Politburo and the Council of Ministers on improving economic cost accounting ought mainly to be seen as a clear signal that from this very instant the matters of cost reduction and crucially improving the cost/benefit ratio call for the greatest attention by the general directors of the combines and that work as such is greatly judged in accordance with it. Analyses reveal that some combines and enterprises still are not serious enough in their concern for costs, from which large economic losses result.

All these matters of decreasing costs--as altogether the reduction of public expenditures and the avoiding of any losses--apply to all areas, the industrial combines as much as those in construction, transportation and communication. This is an economic demand placed on all; everyone is responsible for paying strict attention to it and has to draw his personal conclusions from it.

Purposeful Intensification Through Optimum Use of All Available Funds

Intensively expanded reproduction, strictly speaking, calls for a different approach to the basic assets economy as well as the material and energy economy.

Even from the study of political economy it is sufficiently known that Marx regarded embodied labor as a basic material condition for the cycle of both simple and expanded reproduction. This cycle of an intensively expanded reproduction is all the more effective, however, the more favorable the ratio is between embodied and live labor, the more one succeeds, in other words, in producing a constantly growing social product while funds more or less remain the same and, furthermore, are decreased.

Basic assets available in industry, construction and transport come to M 413 billion in 1981. That includes a value of M 241 billion in equipment. This, in economic dimensions, enormous sum is what our intensively expanded reproduction is based on. How will it gain still more production effectiveness?

One can still encounter the view that expanded reproduction simply required an extension in terms of value of available basic assets which should then automatically give rise to investments. But as one also knows, Marx already pointed out that through higher economizing of the constant capital simple reproduction as such can become a source of accumulation.

This fundamental economic inevitability is of special importance under prevailing conditions when the basic assets have grown considerably and the average basic assets allocation per industrial worker has reached a value of more than M 100,000. An unequivocal implication results from that: Any effort aimed at making available basic assets economically more effective, through technical improvements or a higher shift capacity use, is ten times as effective as any measure of enlarging funds by investments. Thus we have every good reason to do away with the residues of an ideology that starts from the premise that any production advance requires new investments and also the withdrawal of so-called obsolete basic assets. Such an ideology opens the floodgates to the squandering of the people's wealth. And that was in fact blocked by the Politburo resolution on more skillful management and planning for basic assets reproduction.

Any desultory elimination of basic assets neither stands up to economic criteria nor is it technically justifiable. That one reads about also in Marx. In his thoughts on the economy of constant capital, Marx first quoted Sturrock, who had written: "To repair means to renew. To me, the word 'replacement' does not exist. We renew our machines. If you want to buy a machine new, you spend more money than necessary. On the old machine, you will always find a few wheels, an axle or some other piece that is usable, and that helps putting a machine into use which is as good as a completely new one. Now I produce a new locomotive every week, or one that is as good as new because the boilers, cylinders or understructures are new."[2]

Marx explained in this context: "This process does not apply to an entire factory but it does apply to the picture of constant, partial reproduction mixed with repairs of the fixed capital, looked at within overall production on the social scale."[3] And elsewhere he writes: "An old sold machinery does not become scrap at once. It finds buyers among small-scale spinners and others who can use it still. As in most machines only few parts wear out so that they have to be replaced after 5 to 6 years and where even after 15 years, provided the machine was not in its main principle superseded by new inventions, that which was worn out can easily be replaced (and I speak here particularly of spinning machines and drawing frames), no positive limit can possibly ever be set for the working life of such machines."[4]

In our own time it is known that automation does not mean completely replacing the whole aggregate. This proceeds more or less by way of integrating old machines and equipment within complex automation by installing appropriate control automation or accessory devices.

Depending on production problems, e.g., in conventional machine tools, along with digital controls, diverse components can be attached: loading and unloading devices, linear testing systems, servomotors.

Of extraordinary importance in this context is the initiative of Erfurt's Forming Equipment Combine in making many of the 18,500 presses in the GDR more productive through accessories, whereby to maintain them on a new technical level. This shows economic thinking and action. This, undoubtedly, provided a model that applies not only to forming equipment.

The continued use of older machine tools through productivity boosting automation accessories fully conforms with our line on making better use of the raw materials

through refinement. It impressively shows that recycling need not be narrowly limited to raw materials or secondary raw materials but is likewise applicable to semi-manufactures, component parts and entire machines. Supplementary automation is thus a modern example for the words of Marx that the old industry is the basis for the new. So, simple reproduction can indeed become the source of expanded reproduction.

Time economy naturally also includes organizing production installations for running friction-free.

In summary we may say that greater effectiveness of basic assets in an intensively expanded reproduction makes new demands on all management activity. This requires
--a clear ideological position on making more effective use of what one has and opposing the wrong demand for all-inclusive replacements;
--preparing creative solutions for modernizing our equipment by supplementing it with means of modern rationalization and automation; and
--preserving proper technological organization.

Where investments are placed they must mainly serve to make extant installations and equipment more effective. That implies completing projects section by section in order to boost outputs as fast as possible. Everything must be done in investing our wealth as well as possible and making it production effective as fast as possible. Emulation can derive one goal from it only--beating scheduled deadlines.

As important as the basic assets economy is the economy of the energy and material funds within the production process. Their total volume came to a value of M 70 billion in 1981.

An objectively conditioned production flow from the raw materials to the highly refined end products exists, as everyone knows. That also is why one must see to it at every production sector that energy and material funds are used with the greatest efficiency. That mainly means carefully abiding by quality specifications and avoiding all rejects and seeing to it that as little waste as possible is generated and that the technologically caused waste will be recycled.

A key issue in the materials economy today and for the future is that this involves not merely improvements in relative savings--i.e., decreasing the specific consumption of raw materials, energy sources and material--but an absolute reduction in the funds to be used in comparison with the previous state of affairs, so that funds can be used elsewhere or that the basic materials used for producing them serve more effective economic purposes. Material saving must be expressed by real fund savings. Thus we are concerned everywhere with dealing with the available raw materials and energy sources with utter care.

One of the things the seminar brought out was that the harmful ideology that opposes the intensification economy, and which we call "ideology about tons," has not yet been done away with in every respect. It is an ideology in favor of the path of least resistance. The more of material, and the more expensive it is, the easier it is to fulfil the plan. But that merely means living at the expense of society. Through our performance rating system we have reduced the leeway for such an ineffective mode of thought and action.

Marx already pointed out that the product of one industry was the raw material of another. "The waste product of one industry is the raw material of another."[5] "The most striking example of using waste," he said elsewhere, "comes from the chemical industry. It not only consumes its own waste products by finding new uses for them, but even those of various other kinds of industries."[6]

Marx also taught us how to conduct ourselves economically, in the sense of intensification, on making more use of secondary raw materials. He wrote: "As raw materials become more expensive, that, of course, induces us to use waste products. Altogether, the conditions for such recycling are: the massiveness of such excrements, which arises only in large-scale labor; improving the machinery by which substances which in their original form formerly were useless can be converted into a form that suits the new kind of production; and the advance of science, especially chemistry, which discovers the usable properties of such waste products."[7]

Under those aspects, the 30 to 40 percent of recycled secondary raw materials is much too low. We must now use traditionally recycled secondary raw materials 100 percent and furthermore organize the recycling of secondary raw materials which thus far were not recycled or only to a small extent.

What is the situation now after the conference with the kreis first secretaries and the seminar on implementing the 10th party congress line on intensively expanded reproduction?

Intensively expanded reproduction in terms of the economic strategy for the 1980's means that the raw materials and energy sources, buildings and installations that exist in the GDR are as best possible brought to bear on a constantly growing economic end product through disciplined and skilled labor.

Intensively expanded reproduction requires that our own raw material sources and our own capacities for processing them are as much as possible used on behalf of the entire economy, public supplies and export.

Intensively expanded reproduction requires making a fuller capacity and, thus, more efficient use of the available large production funds in all economic branches through multishift labor, maintaining them carefully, increasing their productivity through targeted rationalization and automation measures, and also placing investments there in a more targeted manner.

Intensively expanded reproduction calls for using the available raw materials and material and energy sources in the most economical way and determining for each raw material and energy source the economically most beneficial utilization purpose. From extant raw materials and material best-quality products must be made everywhere. At the same time we must recycle secondary raw materials as best possible.

Intensively expanded reproduction means decisively improving the cost and benefit of production, mainly reducing costs as well as stocks, to the required minimum for ensuring smooth production processes. It may be mentioned in this context what Marx has said about the "reduction of the total labor quantum entering the commodity." That has to be, according to what he said, "the essential criterion

for increased labor productivity, regardless of the social condition under which one produces. In a society where the producers produce according to plan, even in simple commodity production, labor productivity absolutely should have to be measured by that standard."[8]

What is the main road that leads to solving these intensification tasks?

The answer is plain: Science and technology must consistently be made economically more effective. Up to 90 percent of that is decided in the prevailing state of development in the GDR by target-directed management activity. Because on its level essentially depends how we direct the great intellectual potential available in our country at creatively solving those tasks that can make us successfully advance in the continued implementation of the 10th party congress resolutions.

Performance Comparisons Among Combines

At the conference with the kreis first secretaries, Comrade Erich Honecker explained that performance comparison was a fundamental method in the political management of economic processes and how it is to be conducted in practice. The comparison manifests the experiences of the best ones and thus significantly helps achieve great economic results at a broader range. The performance comparison therefore belongs in the basic arsenal of socialist economic management. It grows on the ground of socialist production relations and is part of socialist emulation as a form of comradely aid and mutual assistance. The performance comparison includes experience exchange and so helps all involved advance toward highest productivity and efficiency.

Only remember that even Lenin granted an important function to the performance comparison in establishing the basic principles for socialist economic management. He called for a thorough analysis of all economic data, as we know. He demanded that causes for deviations from optimum levels were to be uncovered accurately and to explain why one success or another was achieved or why backlogs could arise. That was so in the first years of Soviet power. Today the socialist economy has the means for an extensive and refined orchestration to account for economic processes down to the finest detail. Unfortunately, however, for some the work with data appears to reach its end at the moment they are put on paper. Sometimes one can hear the term "cemetery of figures." Such a judgment, however, can only come from someone who himself works poorly with statistics. Computations and statistics are no ends in themselves but are ways and means for decisively improving expenditures and results that must be used sensibly.

This ideological attitude toward data anlysis and comparison has much to do with the attitude toward the economy as such. For here are displayed the will and ability to penetrate the economic process and comprehend the nature of economic processes.

It was Marxism-Leninism that truly turned economics into a science. On its basis it became possible for the first time to design a true picture of economic processes that conforms with objective reality and of their deepest causes. Its centerpiece is Marx' labor value theory.

So we have inherited a rich legacy. That we should use still better to strengthen socialism. How can that be done? By deepening our economic knowledge by means of the classical authors of Marxism-Leninism and correctly applying such knowledge in practice as a means for a better and more conscious control of economic laws, a tool for our striving for higher labor efficiency and qualities.

It mainly means organizing and conducting performance comparisons. This has to be done in the sense of disclosing and tapping reserves. It is not a matter of formally comparing figures. Nor is the purpose of comparisons of performances a matter of giving out grades. It is a way to show how and what one can learn from someone else. Performance comparison is a give-and-take. The performance comparison method is so important because it combines actually achieved results with the educational effect, because performance comparisons urge conclusions on us.

And mainly: they make demands on one's own attitude as a communist, on the ability to reveal the secret of one's own success or to learn from what is better and thereby modify one's own habits, one's working and life-style. So this is always a frank and honest comparison of performances, because in order to change, one has to explore the causes of discovered performance differentials.

In almost all cases, the chief cause is difference of quality in management activity. There lies the crucial point of departure for disparities in economic results. That becomes clear when we consider whether and how management activity presciently orients to an intensively expanded reproduction as a basis for the constant performance improvements of the combines, and which concrete measures are derived from it and dealt with. That in particular concerns the question as to how precise economic leads determine scientific-technical work and the whole management development of a combine. It is understood, almost, that these goals also form the decisive basis for the political leadership activity and for the party organization education given the executive personnel.

The following conclusion from the application of performance comparisons also is of universal validity: each must know his tasks and responsibility within the overall process exactly--each enterprise director, each department chief in the parent enterprise and in all other combine enterprises. Uniform action in line with highest economic criteria for our intensively expanded reproduction holds the key to our success.

Each minister should constantly check and see why one combine or another constantly comes up with a high performance growth and others do not as yet. That makes the beginning for surmounting performance differences, and therein lie our largest reserves and also our greatest opportunities.

If we turn socialist performance comparison this way into a standard element of our work everywhere, the quality of management activity will improve decisively and make a difference in the form of greater productivity and efficiency.

Thus, as far as our task in improving economic performance for strengthening our republic is concerned, much, if not everything, depends on how each manager lives up to his responsibility in a communist spirit.

That was made clear in our seminar. With it, great constructive work was done, and new reserves were tapped and made effective for our economic development. And it was found useful that the work in the seminar that focused on the most important areas of emphasis had been prepared over the long range. It was also found to be of benefit that the work in the seminar itself had been rigidly organized in accordance with a unified conception and a number of questions could be discussed on the spot with the competent ministers, representatives of the State Planning Commission, and the ministry for materials management, and that the pertinent decisions were made by the ones in charge.

On the basis of this working method, coupled with the high political responsibility the seminar attendants displayed for solving economic tasks, important results were achieved for our republic, for the continued successful implementation of the 10th SED Congress resolutions.

This makes a crucial contribution, for 1982 and beyond, to continuing the implementation of our party policy, aimed at the good of the people, as set down through the main task, the unity of economic and social policy. To go on and create all prerequisites for it through high achievements is what our responsibility to the party demands of us.

High obligations were assumed in this sense; they will be fulfilled point by point. These great commitments express the only possible position for a communist who bears responsibility in our economy. It is the position of enhancing the performance goals scheduled up to this point.

Time and time again the realization is confirmed that on the basis of a clear requirement, which unmistakably and compelling proceeds from unavoidable needs, the readiness to face it all is also awakened. Many scientists, engineers and skilled specialists consider an honor being confronted with such novel requirements and being given the confidence that they will find viable ways to meet them.

While everything is being done now in the combines to create the conditions for meeting those tasks and for surpassing the 1982 national economic plan by using the opportunities of one's own, and especially those of science and technology, we must alwys remember how great a creative potential exists in the combines, how much strength our republic has generated in the past under the leadership from its Marxist-Leninist party, and that in this unity between party policy and working class and all working people's trust there is also vested the guarantee for our future successful advances.

We shall do what we can to strengthen further socialism in the GDR by fulfilling and exceeding the demanding tasks of the 1982 national economic plan and thereby make our most important contribution to the safeguarding of peace.

FOOTNOTES

1. Karl Marx, "Principles of the Critique of Political Economy," Dietz publishing house, Berlin, 1953, p 89.

2. Quoted in Karl Marx, "Das Kapital," Vol II, Marx/Engels, "Werke" (Works), Vol 24, Dietz publishing house, Berlin, 1963, pp 179-180.

3. Ibid., p 181.

4. Karl Marx/Friedrich Engels, "Letters about 'Das Kapital,'" Dietz publishing house, Berlin, 1954, pp 82-83

5. Karl Marx, "Principles . . .," op. cit., p 604.

6. Karl Marx, "Das Kapital," Vol III, Marx/Engels, "Werke," Vol 25, Dietz publishing house, Berlin, 1963, p 112.

7. Ibid., p 111.

8. Ibid., p 271.

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## GREATER USE OF 'SECONDARY ENERGY' URGED

East Berlin PRESSE-INFORMATIONEN in German No 67, 10 Jun 82 Supplement pp 1-2

[Report by Press Office, Chairman, GDR Council of Ministers: "Secondary Energy--Economic Source of Energy"]

[Text] The economic strategy of the 10th SED Congress has assigned the target to achieve a maximum performance increase through the least possible expenditure of energy, raw materials and material. For that, a more rational use of energy increasingly becomes the key to satisfying out energy requirements, as Erich Honecker affirmed at the Third SED Central Committee plenum. The fact is that we can just as little increase our energy, raw material and material resources as our labor force.

Socialist intensification under the conditions of the 1980's makes the highest demands on the management of economic processes, especially in enforcing the most rational and economical use of energy. With respect to energy, concretely, that means total savings for the 1981-1985 period at an equivalent of 170 million tons of raw lignite. That amounts to circa two-thirds of our annual extraction of it, to show the magnitude we are talking about. That amount suffices for supplying all coal power plants in our republic with fuel for a year.

Secondary energy is an important item on our energy balance-sheet. In our overall objective it comes to an equivalent of more than 20 million tons of raw lignite. That makes sufficiently clear that "secondary" here in no way means that these forms of energy are of less importance or secondary in rank. To us, secondary energy rather is the cheapest and safest and most productive energy reserve because it is available in most combines, enterprises and facilities. So, economic reason alone would demand extracting and using it on a priority basis.

Its use calls for only one-sixth of the effort approximately that would be needed for supplying primary energy like raw lignite and its refinement products, lignite briquette and natural gas. Strictly speaking, the benefit is far greater, if it is taken into account that, because of the secondary energy, high-grade energy sources need not even be transported, supplied and used. On the other hand, the use of secondary energy is also an effective method for protecting our environment.

## How Are We Using Our Reserves?

By secondary energy we mean those forms of energy which, through physical processes, are yielded inevitably through energy conversion and application processes and can be recycled through proper procedures. It can come as waste heat, waste fuel and potential energy. The plan calls for using more than 70 percent of our secondary energy by 1985. To solve this task, we must pay more attention to tapping all available secondary energy in the combines, enterprises and institutions. That was emphatically reiterated at the SED Central Committee seminar with the general directors of combines and party organizers in April this year.

First of all, it is a matter of determining the useable potential available on the basis of extensive energy process analyses as well as the most advantageous procedures, technically and economically, for using it and for putting it into operation as rapidly as possible. The VEB Otto Grotewohl Boehlen, an enterprise in the VEB Petrochemical Combine Schwedt, is setting an example for using secondary energy. There, more than 90 percent of an accurately analyzed yield in secondary energy is already being used. More than 70 percent of the secondary energy resources yielded are at present being used in the VEB Hermann Matern strip mill combine, the VEB Walter Ulbricht Leuna Works Combine, and the VEB Heidenau automation equipment construction, tracked vehicle construction and cellulose and paper combine.

The energy rationalization conceptions in those combines envisage making still more use of secondary energy in the future. Their recipe for success lies in that all managers, from the general director down to the foremen, and all working people are committed to uncovering and using secondary energy reserves while also extensively resorting to a construction of means of rationalization of their own. Such initiatives then translate into lower operational costs. Prime costs, obviously, are positively affected by it.

Clear reserves, on the other hand, are shown in the results in the VEB Baukema Combine, Pentacon Dresden and the IFA commercial vehicle combine. There, more then four-fifths of the secondary energy now still remains unused. Proceeding from a thorough analysis of their own work, one must there mainly study the best experiences of the most advanced combines in situ to find out how they might themselves come up with better results and what ways and means are needed for it.

## Yields in Various Forms

Investigations about secondary energy supplies indicate that the useable reserves at this time are diverse in kind and quality. Waste heat, coming up to almost 90 percent, amounts to the largest share in absolute terms. It appears in the forms of smoke and waste gas, air exhaust and cooling water from industrial installations and as product heat, for instance in combustion processes in the ceramics industry. Nearly 10 percent of our current secondary energy potential is waste fuel, in which waste gas from metallurgical processes, lignite slurry and other combustible waste products predominate. Being circa half a percent, the secondary energy reserves yielded in a potential form constitute a small amount, to be sure, yet it should not be underrated. This mainly includes exhaust under high pressure, compressed air and the kinetic energy of vehicles.

We especially get large volumes of waste heat from industrial processes. Extraordinary energy effects are derived, e.g., from recycling high-temperature waste heat coming, for instance, from the waste gas in the more than 20,000 fuel-heated industrial furnaces and driers with tempratures between 300 and 1,700 degrees Celsius. By a 100-degree preheating of furnace air one can save there circa 5 percent of the fuel directly. From the high-temperature processes, more than two-thirds of the secondary energy reserves are to be obtained by 1985.

In the parent enterprise of the VEB glass fibre Oschatz combine, it became possible, for instance, to save considerable amounts of energy by using the waste heat of glass melting furnaces. The relatively low expenses that made were amortized by much reduced energy costs already after 2 months.

The use of pit heating recuperative furnaces of the VEB steel and rolling mill Brandenburg, developed and produced right in that plant, which made possible a preheating of the air to 600 degrees Celsius, brought energy savings of 30 percent. Using waste heat does not only lead to energy savings, however, but often also to technological improvements such as greater performance in the installations, so that it contributes to our intensively expanded reproduction. In many cases, this way then available basic assets needed not be expanded.

Also the steam production in the waste-heat boilers and the supplying with it of technological and other heat consumers, the production of electrical energy and the direct-driven turbocompressor and other machines with steam turbines constitute an extremely valuable energy rationalization measure. The greatest benefit comes from making sure that the waste-heat steam is used all throughout the year. That depends on pertinent territorial supply conceptions for making heat available beyond enterprise boundaries. This is a task to be coordinated by the official local organs.

Complex Solutions for Waste-Heat Utilization

An example in this field is the cooperation between the steel and rolling mills in Brandenburg and Riesa and the energy combines and municipal councils. The VEB steel and rolling milll Brandenburg, for example, supplied last year alone thousands of apartments, public institutions, and almost 20 enterprises in the city of Brandenburg with more than 130,000 tons of steam, waste heat of the Siemens-Martin furnaces. Almost 60,000 tons of raw lignite thus did not have to be extracted and transported. Nor did one have to build a separate heating plant. But the expense for building the waste-heat boilers was relatively small. From this comes the experience of conceiving and implementing industrial and territorial heat supplies from the outset on the basis of secondary energy.

There are already technical traditions in the use of waste fuels. The waste-gas from blast-furnace processes, for instance, has long been used in preheating combustion processes and in heat and electrical energy production. Lignite briquette slurry, left behind in considerable amounts, especially on coal transshipment sites and by large-scale consumers, is most efficiently used in so-called mill-heating. A new design by the VEB steam automation Leipzig makes possible producing from this high-grade waste fuel 600 kilogram of steam per hour in a fully automated boiler. Installations using other waste materials also, as the energy wood chips com-ustion plant in the VEB for kitchen furniture in Radeberg, help ease our energy balance.

Secondary energy in potential form often does not yet receive the attention it deserves. Inspections keep pointing up that energy-intensive enterprises with steam networks of different steam pressures do not yet use the steam differentials to produce electrical energy, for instance. That gives away the opportunity for using secondary energy when the steam pressure is choked like that.

Second-Hand Energy

The task assumed by the combines of a two full-day output in excess of the plan by using the allowed amounts of energy, raw materials and material demands of each combine and enterprise to make more intensive use of secondary energy at once. To that end, energy processes, technologies, installations and aggregates must be analyzed accurately and measures must be taken on completely tapping available energy reserves.

What is wanted is secondary energy in just any form and its extensive use in the enterprise and territory. Extensive here means that secondary energy be optimally used in line with the prevailing state of technology. That makes it necessary, e. g., to create rapidly still more effective solutions for the use of waste heat from many industrial furnaces. Also the use of waste steam which, confined to technological installations, does not always come off consistently, can be greatly improved by means of heat storage units and thereby be realized more extensively.

In the non-producing sector and in the territorially managed industry, secondary energy becomes also available in various forms. There one is presently preparing programs for using it in analogy with those already in effect in industrial combines. Bezirk councils in Leipzig and Magdeburg have long been pioneering in that direction. The available secondary energy potential has been thoroughly analyzed, and concrete ways have been found to put those reserves to use extensively.

Waste heat in shopping malls turns out to be an important energy source. By use of the heat pump principle, the waste heat from central air conditioning installations can be used for heating purposes and warm water production. More than half of the heat needed for heating can thereby be saved. Those reserves ought to be used by 1985 in all 1,100 shopping malls in our republic.

To preserve heat, for example in department stores and shopping malls, their entrances have air locks. When warm air is no longer surrendered to outdoors but recycled in a circle, it can largely be reused. This way, the two department stores in Leipzig achieved energy savings of more than 40 tons of raw lignite annually.

Especially the use of heat pumps is highly effective when there is a simultaneous need for warm and cold air. In the Mittelbach animal production LPG in Karl-Marx-Stadt Bezirk, for example, a heat pump refrigerates the milk after it comes off the milking-stool. The heat released thereby saves annually 800,000 kilowatt hours of electrical energy for heating water in a 2,000-unit installation.

Constantly increasing the proportion of the technically useable secondary energy needed places science and technology before ambitious tasks. In principle, new production procedures and technologies must be designed in such a way that no or

but little secondary energy is generated. These installations, poor in secondary energy and waste products, often have entirely new working principles. On the other hand, through new technological solutions the prerequisites have to be laid for reducing the prevailing limits of the technological and economic useability of secondary energy. That includes, among other things, the application of eddying whirl techniques and the already available data on compressor heat utilization and the use of heat in solids.

The degree to which secondary energy reserves are used in the combines has been receiving a high place value in the performance comparisons in these economic units. The status attained in this essential field of rational energy consumption is considered a decisive criterion in awarding the title, "For Exemplary Energy Economy Work." The challenge of our time, to fulfil and exceed our economic performance goals with less energy and a more rational and effective use of domestic energy sources and a much greater economizing in imported energy sources, can be confronted by all areas effectively and successfully by the tapping of available secondary energy reserves.

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## SUCCESSES CITED IN LOWERING BUILDING MATERIALS CONSUMPTION

East Berlin PRESSE-INFORMATIONEN in German No 62, 28 May 82 p 2

[Article by Herbert Musch, deputy minister for construction: "Build with Less Consumption and in a Shorter Time"]

[Text] The further increase of the national economic effectiveness of investments, in other words the attainment of a higher growth in commodity production per invested mark, is among the crucial points of the economic strategy for the development of the national economy of the GDR in the 1980's decided at the 10th SED Congress. To bring about the realization of this task, the construction workers are focusing their efforts, first of all, on the realization of highly-productive, modern technologies, to save labor time and material, and to surpass by far the level achieved up to now. Secondly, it matters to them to achieve a further decisive reduction in the specific construction expenditure per use-value unit through the application of material-saving building constructions and building technologies.

In this way, the construction share of the total investments available for the benefit of productive equipment is to be reduced to a magnitude of 24 to 25 percent. This means the decrease of building expenditures by 15 percent by 1985 compared to 1980. In connection with this, the construction times, beginning with the building site preparations and ending with the test operation of the main production installations--in other words, including the assembly of equipment--are to be reduced to the social norm of 2 years. This makes it possible to accelerate effectively the increase in output from investments that have been put in. Based on the fundamental orientations of the seventh building conference of the SED Central Committee and the GDR Council of Ministers, the construction workers in industrial construction have in so doing attained the first good results jointly with the investment patrons and the partners in the equipment industry.

### Make Maximal Use of Building Capital

Especially in the preparation of the investment projects, the original conceptions of the patrons could be changed through the thorough study of the 1981 plans and in so doing the costs could be reduced by more than 550 million marks. During the first quarter, reductions in building expenditures amounting to about 300 million marks could already be demonstrated. The goal is to reduce the planned building investments by at least 450 marks this year.

The most important task consists in attaining the planned increase in output of industry through maximum use of the existing building capital, through reconstruction and modernization of production buildings instead of new buildings. All experience up to now confirms that this demands only 50 to 60 percent of the building capacities and materials required for new buildings. At the same time there is a substantial reduction in construction time. This requires already prior to the elaboration of the task formulation a close comradely cooperation between investment patrons, building combines and the partners in the equipment industry.

Of highly urgent significance is the reduction of the transportation expenditure, especially through the reduction of transports of natural substances and the rationalization of the transportation, transfer, and storage processes at the building sites. Of the reductions in building expenditures in 1982 accounted for thus far, approximately half have been achieved through the use of foundation processes involving little excavation, such as the gripper excavator process and the drilled pile foundations, through the broader use of ground stabilization processes instead of concrete roads, through the equalization of soil mass in the building site area, the reduction of transportation distances for the hauling away or the hauling back of excavated soil masses, and other methods. These measures entail simultaneously a substantial reduction of fuel consumption.

Design and Build With Minimum Use of Material

Good progress was made by the construction workers in the reduction of expenditures for preparations of building sites. Here it was, first of all, newly-developed construction solutions, for example halls with under-span sheet-metal roof, textile compound constructions, building roads made of discarded truck tires and with textile fabrics, which during the past year led to a reduction in building expenditures of around 187 million marks and in labor time by 4.5 million hours. Beyond this considerable amounts of cement and steel were saved and transportation expenditures were not required. Controls of such investment projects, whose total expenditures run to about 1.25 million marks, point to the possibility of further reductions in expenditures amounting to about 260 million marks.

New material-saving building designs and building processes account for a significant share in the reduction of building expenditures. In particular in the case of halls and one-story buildings, more than 40,000 tons of cement and 20,000 tons of rolled steel could be saved in 1981 through the introduction of light support constructions, as well as new solutions for roofs and outside walls along with improved insulation of the buildings. In the future still greater attention must be given to the selection of optimal combinations of building materials in the planning of buildings and building installations corresponding to the functional and technological requirements.

The demand for reduction of building expenditures and securing of the shortest construction times is, above all, a high demand for quality of the planning and preparation of the investment projects. Through the close cooperation of patrons and chief contractors significant savings can be attained during these early phases in regard to building expenditures and construction time if already in the formulation of the site plan and the building conceptions some important principles receive still greater attention. Among these are the concentration and compaction of buildings

on a site, the flat transfer of supply and disposal roads, the reduction of established traffic and storage areas, and the joint use of existing plant facilities. For this a great deal of responsibility rests on the shoulders of the investment patrons, the territorial planning organs, and the planning groups for industrial construction of the building and assembly combines, because omissions in this phase of the preparation can no longer be made up even through the concentrated use of the building capacities in the realization phase.

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## LARGE ENTERPRISES, VESTED INTERESTS PLAYED NEGATIVE ROLE IN REFORMS

Budapest VALOSAG in Hungarian No 5, May 82 pp 23-35

[Article by Erzsebet Szalai: "The Large Enterprises and the New Phase of the Reform Process"]

[Excerpts] Even in its ambiguous realization, full of backward steps, the economic reform of 1968 represented significant progress toward the development of conditions for a socially controlled market economy. This was not primarily because even the very limited unfolding of enterprise independence liberated significant growth reserves, especially in small and medium enterprises and in agriculture; since the declaration of enterprise independence was not accompanied by a change in the social-economic institutional system and the large enterprise structure of industry, the brief upswing following 1968 offered reserves for conserving what already existed, what we wanted to transcend, and not for going beyond it.

The long-term effects of the reform were changes, difficult to measure quantitatively, in the social-economic view and in these relationships themselves--mixed with other external and internal factors--which laid the foundations for a continuation of the reform process.

### The Long-Term Effects of the 1968 Reform

1. The economic-social processes of the period after 1968 gave birth to a number of new experiences. Among these one of the most essential was, perhaps, that the reform attempts starting from above, from the sphere of economic policy and the regulator system, finding themselves in opposition to the linkage system, interests and will of already existing social-economic units, were forced onto the defensive and could become carriers of aspirations opposed to their original goals. This is not to say, naturally, that the economic policy to 1968 could have carried out its will without restrictions, but the visible limitations to the realization of the goals were, as it were, outside the system itself. It was determined by such "interest free" factors as the low consumption level, investment over-demand, excessive and growing indebtedness, etc. The objective foundation for this was that the branch, institutional and large enterprise structure inherited in 1968 developed or became general in the middle 1960's; the existence of large economic organizations with independent interests and methods for realizing their interests gave an internal uniqueness to the

economic-social system. Earlier also there were large enterprises and institutions representing them--branch and regional party and state institutions. Earlier also there were separate interests and methods for realizing them. But they did not constitute such a concentrated force--and thus did not have such an effect on the economic mechanism--as to bring openly to the surface the interest linkages and interest contradictions of those participating in the system, affecting the economic processes on the one hand and the economic policy intended to guide these processes on the other.

As a result of the large amalgamation at the beginning of the 1960's mammoth administrative organizations came into being in the economy even where the "nature" of the economy was opposed to this (light industry, the machine industry). As a result of the amalgamations an enterprise structure developed in our industry which was uniquely centralized even on a world scale. Thereafter the large enterprises created by administrative means became organic, indispensable elements of the economy and occupied key economic positions--to a certain extent independent of whether or not their creation was rational at the time. This made it possible, and still makes it possible, for the enterprise leaders and experts interested in the existence of the large enterprise to realize the interests of their enterprises to the detriment of the other areas of the economy; indeed, for a long time it made it possible for an enterprise to survive its own failure. This possibility was fed by the "quasi-autarkic" structure of the economy, by the fact that in regard to the structural framework the autarkic structure does not resolve but rather increases the openness of the economy as a whole; the openness appears as a form of dependence because the import requirements of the economy increase without creating the conditions for economical export. This leads not only to that pressure directed at replacing with domestic production the import of more and more areas, which in the final analysis makes the process self re-inforcing; if the unsatisfactory export capability and the constant external balance problems can clash only with difficulty with the survival or even growth aspirations of the large enterprises which have been created then there can be no realistic idea of liquidating their production and replacing it with import if their operations are not economical.

One of the great lessons of the 1972 turn and of the period following it is that the aspirations of the higher economic leadership cannot for long be independent of the existing social-economic-political power relationships, and thus it can follow a reform policy, an economic policy, opposed to these power relationships for only a brief time if there are no changes in the institutional system of guidance and if it does not encourage the initiation of processes which aid the birth and development of new economic units which are potentially competitive with the existing ones.

2. The relationships of the period after 1968 were profoundly contrary to the interests of a considerable number of the large enterprises; the existence of a few of them--as is well known--became questionable. This happened despite the fact that the large enterprises occupying key positions in the economy--primarily units of the branch ministries and functional institutions with a branch character and with the aid of the regional party organizations--continued to have the means to avoid uniform regulation, thus increasing the sphere of supports and concessions intended as temporary when the reform began.

Those social-economic units which provided a social-economic-political base for the efforts of those interested in reversing the reform process were primarily the large enterprises and especially those large enterprises in key positions.

In addition to the large enterprises it was primarily the branch ministries which had an interest in the 1972 turn. With the abolishing of the branch ministries in 1980 the large enterprises lost their most significant allies. This is true despite the fact that even since then characteristic signs of the branch view and of ad hoc intervention have appeared in the activity of the Ministry of Industry. It is no longer possible, however, to restore the old relationships in their entirety.

The review of the trust and large enterprise structure, beginning in 1979, was also aimed at and served a weakening of the large enterprise positions, initiated from above. As a result of this a few trusts have been abolished already, or smaller units have been detached--to stand on their own feet.

3. Giving life to the second economy--in the form of new private, small undertakings--is in part a necessity deriving from our present economic situation. The practical goal of this is to avoid a deterioration in the standard of living and to maintain the functional capability of the "first economy." But the recognition of the economic significance of the second economy and the appearance of a demand for new institutional forms are also links in the development of the economic reform or of the ideology pertaining to it. To put it a little more strongly: We could also have reacted to the increase in our economic difficulties and our living standard policy problems with radical and administrative measures to decrease the standard of living--together with other antecedents. On the other hand, it can be recognized already that the second economy, taking on institutional forms, will certainly be competitive with the large enterprises on the labor market, especially in regard to the best experts.

4. One of the most striking phenomena of the period after 1968 was the increase in the variety of goods. The defenselessness of the consumers decreased and there appeared, if in an initial form, a rational consumer mentality which weighed the choices. Once consumer sovereignty becomes organic it cannot be taken back.

The partial liberation of the labor market is very significant also, even considering that due to the "bad" setting of the economic regulators the direction of the manpower flow is not always the most favorable one. The greater than earlier freedom enjoyed by consumers and employees and the knowledge acquired here could create a foundation for ever broader strata of the workers to participate more effectively and more intensively than heretofore in the guidance of production.

I have mentioned those social-economic results and effects of the reform process begun in 1968 which represent conditions more favorable than before for taking new reform steps more significant than before. The slowing of economic growth and the stagnation--in the best case--of the standard of living make further steps a burning necessity.

I see the path of this development in the development of an economic structure with a less bound, pluralistaic character, more varied in its institutions than at present, agreeing with the basic ideas in this regard of Laszlo Antal and Laszlo Lengyel. According to the conception of Laszlo Antal the various spheres of the economy would be the following: 1. a capital ownership organization of the holding type; 2. worker self-management; 3. entrepreneurs leasing social property. Laszlo Lengyel distinguishes the following economic players: 1. Individual entrepreneur; 2. Free association of entrepreneurs; 3. Self-administering undertakings; 4. New small undertakings created by decentralizing large enterprises; 5. Developing the large enterprises and trusts into vertical concerns or loose holding associations; and 6. Making public utilities a special type of enterprise.

An analysis of the difference between these two conceptions is not the purpose of this study. What I consider most important is what is common to them--the idea of a less bound economic structure and the coexistence of economic institutions bearing different production relationships.

Although thus far we have been talking about the results of the 1968 reform, or about how the steps taken thus far could be antecedents to the next steps, the desirable economic structure certainly cannot be regarded as a continuation of the process thus far; rather, it represents a qualitative leap as compared to what has gone before. Two basic questions arise in connection with this: The social base of the structural changes and the various paths leading to them; And the real possibilities of a large enterprise counterattack similar to that fo 1972.

The Social Base for a Radical Reform of the Economic Structure and Various Paths Leading to It

The interest and activity of the various social groups could be different in a radical reform, depending on whether it takes place before or after the economic difficulties deepen into a social crisis.

What social-economic groups have a direct interest in a radical reform even before the economic difficulties deepen into a social crisis?

1. Those from whom things are always being taken to benefit the social-economic groups representing the foundations of the given structure. Because of this their situation is deteriorating as compared to earlier and/or as compared to the other social-economic groups, or if it is not deteriorating their realized income is less and less proportional to their "production." These include: The relatively profitable enterprises or factory units of uneconomical trusts or large enterprises, if the disadvantage deriving from having income withdrawn is greater than the advantage deriving from appearing in the "colors" of the trust or large enterprise; certain agricultural units; and the small and medium enterprises and that part of the second economy not built into or at the mercy of the large industry structure (an immediate danger threatens their existence; although they are working economically some large enterprise will want to swallow them up, maybe in a different form but in a way not favorable for them, for example in the form of cooperation with them, or they represent a rival to large industry because of the better or more unique quality of their product).

2. That part of the intelligentsia which is limited by the given structure in the realization of its unique values, abilities or expertise.

3. In a way much more contradictory as compared to those listed above, and depending on the power relationships of the moment, there could be a change in the attitude toward a radical reform on the part of those large enterprises which continued to develop after 1968, so that their leaders (even) might have faith that even after another reform they could preserve the stability of their enterprises, that another reform might help rather than hold back their development.

The members of these social-economic units have a way even individually, more or less, to change their situation within the social-economic structure; on the other hand they have no independent political institutional system and do not constitute a united social force which could force radical reforms in the form of a movement coming from below. At the same time, this does not rule out that they are already trying to force open the given frameworks and might become active participants in a radical reform process already begun.

The economic difficulties could be transformed into significant social tension if the situation of a large part of the workers in the large enterprises deteriorated in an absolute sense. This could happen if it was not possible to regroup more income to the benefit of the large enterprises as a result of stagnation or decline in other areas of the economy. In this situation the social base for starting the reform process would include the workers in large industry, which could change their situation only by a transformation of the economic structure and by creating independent institutions to realize their interests, and could not do so individually.

The two paths for starting the reform process differ not only in regard to the process but also in regard to their results, and lead to economic structures differing from one another. A reform started from above would favor a reform of the large enterprise structure and a swift development of the private small undertaking sphere. In my opinion, forms of worker self-management which really worked could come into being primarily via initiatives coming from below. At the same time, it is not inconceivable that the seeds of worker self-management might appear in the process of a reform started from above also. But it is a condition for their permanent existence that new, local institutions realizing worker interests be permitted to come into being, institutions which express not only economic interests, or short-range economic interests. The coming into being of such institutions is also necessary for other social-economic units if the process of reform, however it comes into being, is not to be reversible--under "favorable" conditions.

Is Another Large Enterprise Counterattack Possible?

The question of the extent to which one could avoid, after a radical reform, a large enterprise counterattack similar to that of 1972 is also not independent of when and by what path the reform occurs. It is difficult to answer this question even if we take the present situation as the base--thus presuming that the reform is realized "tomorrow." Still it is worth while to make a brief

comparison between the period surrounding the 1972 counterattack and the present situation. This part of my work is based on certain partial results of a larger research project under way with the title "Our Large Enterprises and Change in the Economic Mechanism."

1. The 1972 Turn

There was not, in connection with the 1968 reform, any change in the relationship of the party and state apparatus or in the institutional system of guidance--its branch character--which provided an institutional guarantee of the status and stability won by the large enterprises. In practice there was no decentralization of developmental decision making. Despite the operation of these "built-in stabilizers" there were serious profitability problems for a substantial number of large enterprises in the first years of the reform. The rate of growth of industrial production slowed between 1968 and 1971, while the general growth of the economy accelerated. Parallel with the slowing of industrial growth unused capacity increased, primarily in the large enterprises. Sales of the large enterprises which came to be designated in 1972 increased less between 1968 and 1972 than the sales of those not designated. The frontal counterattack by the large enterprises began in 1971.

The November 1972 situation of the Central Committee of the MSZMP called attention to the situation of the large enterprises when it said that in the interest of improving the efficiency of the national economy the economic guidance organs would in the future pay special attention to the activity of the largest 40-50 state industrial enterprises producing a significant part of the industrial production of the country.

In the course of our interview a worker at one of our functional institutions spoke as follows about this period: "The large enterprises came into the center of political and economic interest in 1971-1972, primarily in relation to the small and medium enterprises. At this time the small enterprises were developing more quickly, but the burdens of this--according to large enterprise opinion--were being born by the large enterprises. According to public opinion the direction of manpower flow was toward the small enterprises, toward the auxiliary factories of the producer cooperatives; the possibilities for wage increases were greater here and the small enterprises derived a great advantage from the fact that they were burdened with smaller administrative costs. The large enterprises regularly complained about the small enterprises and auxiliary plants of producer cooperatives. Looking at it today this was a mood which had been whipped up a bit artificially. 'At what forums did these questions come up?' At every possible forum--Central Committee meetings, chamber conferences, in the professional press. For example, the leadership of one of our large enterprises exposed the fact that a producer cooperative auxiliary plant was producing the same products, under worse conditions, but with greater profitability. The other reason for bringing it up is connected with the development of economic planning. The disadvantages of planning from above downward were becoming increasingly obvious. The trend at this time was to build the plan upward from below, and a great role in this fell to the large enterprises which define the Hungarian economy. As a starting point it had to be determined which enterprises should form the sphere to be included in planning, and watched centrally. There

were proposals and debates. In a series of conferences held in the National Planning Office it was finally determined that they would have to deal with 80 enterprises. The 80 finally became 50, as they still wanted it to be a round number. 'And how did the 80 become 50?' By excluding the foreign trade, domestic trade and capital equipment marketing enterprises. 'What criteria did they take into consideration in the selection?' The most important viewpoint was branch-regional proportionality. The branches and the megyes tried to get their enterprises in the sphere of those chosen at least in proportion to their economic importance. Another consideration was which enterprise had a Central Committee member as director. 'So the National Planning Office finally decided which would be the 80, or the 50. But where did the original idea come from?' The party center. 'And did the large enterprises exercise some sort of pressure in this matter?' This is a rather delicate question, but, yes, they did. Primarily those who were Central Committee members. For example, one of them did everything to present the problems of his own enterprise as the general problem of the large enterprises. He said, for example, that he was at the mercy of the small enterprises working on projects for him, and even cracked that he had little casting capacity. Presenting problems as large enterprise problems was a general phenomenon in the period beginning in 1972. This is how they were brought up in city district party committees also."

Another worker at this same institution confirmed this latter information and even disclosed further interdependencies: "'On the occasion of an earlier interview you mentioned that the leaders of the most important large enterprises received significant aid in this period from the party center. How did this happen?' Yeh, the leader of every significant large enterprise would run to the party center, to the acquaintance he knew best. It is quite certain that they talked this over beforehand and agreed with one another. Then the center would call a plenum, to which they would invite the people from the functional apparatus as well as the leaders of the large enterprise. The enterprise directors would leave reassured." The functional guiding apparatus--the National Planning Office, the Ministry of Finance, the Ministry of Labor--did not carry out the selection with a great ovation. To quote one of the leaders of this work: "The selection was made under pressure coming from 'the highest' circles. We tried to select large enterprises which had to be paid attention to anyway, the large enterprises in trouble. Other enterprises were included because they controlled an entire branch of industry. We tried to carry out the selection in such a way as to do the least possible damage."

The documents preparing for the designation indicated in advance the possibility of a unique judgment of problems arising at large enterprises, naturally only in those cases where national economic interests made this necessary.

As a result of the changes following the 1972 turn the regrouping of income to the benefit of the large enterprises, flowing through ad hoc channels, picked up, especially in connection with preparation of the Fifth 5-Year Plan and thereafter.

Thus the first conflict between large enterprise interests and the conditions created by the 1968 reform was resolved to the benefit of the large enterprises. Naturally, changing the relationships and putting a stop to the process of development cannot be attributed solely to the aspirations of those interested

in this and their ability to realize their interests. The following factors (without trying to be complete) also catalyzed the counterattack and were further causes of the halt:

a. A consistent carrying through of decentralization would have made clumsy cooperations with the other CEMA countries, still operating basically in a plan directive system. "From our point of view it is an important act that in the past decade we have not succeeded unambiguously in getting them to accept the chief trends of the 1968 attempts.... The 'international mechanism'--in accordance with the law of the 'bottleneck'--is always fundamentally determined by those of the cooperating states with the more rigid internal guidance system."

b. Growth accelerated, and the entire economic system became more open and more sensitive. This brought to the surface the balance problems of the economy deriving from structural causes. For example, the backwardness of the infrastructure and background industry, the drive to overheat investment, the external balance dificit, etc.

c. The income differentiation which became more open with the reform caused broader social tensions also; however, these were frequently stirred up artificially also. (Comparing the incomes of large factory workers and those migrating to producer cooperative auxiliary plants and the allegation, later refuted, according to which the wages of those working at the large enterprises were a good bit lower than the wages of those working in other areas of the economy.)

In a paradoxical way the acceleration of growth provided an economic background for the process of reversal--there was something to regroup to the benefit of the large enterprises which had gotten into trouble.

2. The Present Situation of the Large Enterprises

The large enterprise positions which have been regained are not the same as the old ones. The reasons for this derive in part from the general situation of the economy and from the situation of the large enterprises; they derive in part from a change in the institutional system which mediates large enterprise interests.

a. The general growth of the economy is slowing at present--partly as a result of satisfying the support demands of the large enterprise sphere which increased especially from 1972--but together with this the sphere of goods which can be redistributed via the administrative market is narrowing also. The decline in the resources which can be drawn from outside, from other areas of the economy, strengthens the elements of competition rather than the elements of solidarity in the relationship of the large enterprises to one another.

To sum up and take further what has been said, contrary to my earlier expectations--on the basis of those factors which I was able to examine up to that time--the economic situation of the large enterprises is not significantly differentiated as compared to the 1972 turn; the chief characteristic of the period after 1972 was not differentiation but rather a reordering of positions. This reordering is explained only in part by the central redistribution of a

part of the developmental resources or the differentiated central participation in large enterprise developmental actions. The connection between an expansion of capitalist export, one of the chief goals of the Fifth 5-Year Plan, and the change in the profitability situation was negative rather than positive. Discovering the causes of the reordering requires a more profound analysis than has been made thus far.

One director general, who was a key figure of the large enterprise counterattack of 1972 and even appeared in a number of public forums as a "large enterprise ideologist," took a stand in 1979 for a narrowing of the individual discrimination system and for a tightening up of the general regulator system. Naturally, tactical elements play a role in this and similar behavior also. As the general economic conditions become more difficult and as the supplementary incomes which can be siphoned off via the administrative market narrow down it is a better solution to tacitly accept the narrowing of the general frameworks, and then for each to follow his own "way out" individually. The most recent experiences already indicate that the guiding principles pertaining to limits on the system of ad hoc discrimination cannot be carried out with the planned severity. The need for tactical action and the choice of just this tactic already indicate--and my more recent observations support this--that the "good ones" will not take a stand for the "bad ones" for the sake of ideology, as long as they do not feel that the conditions for their existence are endangered, but rather view them as rivals. With a narrowing of the resources which can be brought in from without--the theoretical effect of which would be for those large enterprises to stabilize and/or develop more quickly which can perform profitably even without supports or with a reduction of them--this further reduces the possibility or chances of another large enterprise counterattack, at least in the near future. But it is not certain that this "near future" will last long.

The most important goals of the Sixth 5-Year Plan--a dynamic expansion of capitalist export and a reduction in investments and capitalist import--are not new ones, compared to the chief goals of the Fifth 5-Year Plan. Nor is the conflict between the goals new, although it is much sharper and can be felt more by the large enterprises, since the goals are broken down much more to the level of individual enterprises than before.

The enterprises must increase their capitalist export much more than ever before in a period when, according to the plan, the investment level remains unchanged, and even decreases in the processing industry. For a large number of our designated enterprises the need to increase capitalist export is no longer simply an expectation formulated by state institutions; because of the reduction in investment the investment demand of the internal market is stagnating, and this affects very sensitively the large enterprises producing investment goods. Primarily those which carried out significant developments in the recent past (the Hungarian Cable Works, the Lang Machine Factory, etc.). They are trying to protect themselves by orienting toward the capitalist market even the capacity originally intended to satisfy domestic needs. But this cannot be truly profitable export--recognizing the difference between the quality expectations of the two markets--especially since the money needed to carry out minor investments to improve quality is drying up also, and since there are also limits on the import of capitalist parts, so important from the viewpoint of improving quality. On

the other hand, the competitive price system--although the system of ad hoc intervention filtering out its effects is still in operation--will transmit indirectly to domestic sales the profitability achieved on the capitalist market.

What is true today of the large enterprises producing investment goods may be true tomorrow of the other large enterprises also. Even now there is not, on the domestic market, that significant over-demand for the products of the large enterprises which there was in 1972 or 1976. The effects of the narrowing of the domestic market may slowly penetrate the sphere of the large enterprises not producing investment goods also. This may affect them very seriously also, because they have never been so indebted as at present.

Sooner or later the slowing of growth and the narrowing of the domestic market may reach even those which are still the "good ones." If there is no radical reform by then or if there are no institutional guarantees of an existing reform then the elements of solidarity in the relations of the large enterprises to one another may come to the surface again. It is worthy of note that even today they regard the spread of private and small undertaking forms as "anti-large enterprise," justly fearing that they will "entice away" from them just their best experts.

b. From the viewpoint of the possibility of realizing large enterprise interests the abolishing of the branch ministries and the creation of the Ministry of Industry was a very important change; this modification of the institutional system of economic guidance was unfavorable for the large enterprises. With the disappearance of the branch ministries they lost their chief allies--just in the period which was most important from the viewpoint of those on the administrative market, in the period of the preparation of a new 5-year plan.

In the spring of 1981 one of the deputy chiefs of a large Budapest enterprise said: "The old links still exist in my area, but the situation in general has changed. The Ministry of Industry does not have a say like the Ministry of Metallurgy and the Machine Industry (KGM) did. This is very bad in our present situation. We were accustomed to winning the fight for credits with the KGM. The KGM helped in other ways also." Another leading cadre of the enterprise expressed himself similarly: "We had very good contact with the branch ministry, while it lasted. There was no problem with the Ministry of Industry, because for the time being it had not been formed in practice. We know some of the cadres personally.... Now we have problems asking for credit, but we do not know who in the ministry can help. Someone came here the other day, a rather low level cadre, and we told him our problems. We shall see what he can do."

Despite the fact, or perhaps because of the fact, that the current enterprise 5-year plans were prepared under substantially more difficult conditions than before, there is now an alternative formulation in the plans of goals and market conditions, missing earlier; the level of planning work has risen. It is another question that, finally, the plans did not fit in too well with the prescriptions of the national economic plan.

The period following the dissolution of the old power relationships and system of personal contacts is a transitional one; it will last until the development

of a new system, partly preserving elements of the old and partly woven of new strands. There are already signs of this.

According to one working at the Ministry of Industry: "In principle the creation of the Ministry of Industry meant that the enterprises got greater freedom. At the moment it carries out, with three times fewer people, those tasks which three ministries carried out earlier. This won't work. In principle we were supposed to shift in the direction of conceptional work; but life does not really permit a reduction in operational work. We cannot say that it is not our sphere, because they do not tolerate this in the party committees. This is like not having the Price Office deal with foreign trade on a day to day basis. Previously the National Planning Office was in a comfortable situation, because the branch ministries maintained contact with the enterprises. And our socialist partners have gotten used to there being branch ministries to which they can turn in natural questions. To whom do they turn now if, for example, some large piece of equipment does not go out? We must admit that this is the situation.... This work must be done too, and you have to like it. Of course, we cannot deal with the problems of individual enterprises as deeply as before."

In addition to the appearance of elements of the earlier relationships, some of the functions of the branch ministries are being taken over by the National Planning Office, the Price Office and the regional party organizations. But the old relationships cannot be restored. The question of whether the new allies of the large enterprises, or the old allies appearing as new ones, will be as "effective" as the old ones depends on the objective situation of the large enterprises, or on the conditions affecting this situation. If, despite the tendencies opposed to it, conditions for a new large enterprise counterattack do arise then the Ministry of Industry will represent large enterprise interests more effectively than its predecessors. The already quoted worker at the Ministry of Industry alludes to this: "Our opinion will have more weight than that of the branch ministries earlier. They had a lot of matters unresolved with one another, and this became the source of a good bit of tension. The functional organs exploited this, often acting as arbitrators. Now this is not possible, because we will settle disputed matters in house, and take a united stand toward those outside. There have already been a number of things in which we were able to help the enterprises."

Thus, if the activity of the Ministry of Industry shifts strongly in the direction of representing large enterprise interests it will be able to aid the realization of these interests with greater respect and strength than the former branch ministries, which could be divided by the functional institutions.

Summary and Conclusions

The "history" of the Eastern European countires since 1968 has justified the steps we took in the direction of social and economic democratization. But it is just as important a lesson that the paths of economic and political democracy are inseparable, and without suitable institutional guarantees the process of economic democratization can be reversed.

Despite the fact that every step taken in the direction of political and economic democracy decreases the probability of a lasting restoration process,

the increase in the economic difficulties makes necessary a reform step more radical than the earlier one. This step will lead objectively toward an economic structure more varied in its institutions--the singleness (large enterprise character) of the economic institutional system is already dissolving.

The fundamental question is, due to what social movements will the radical reform come into being, what new forms will be created and what relationships of subordination, superordination or coordination will the various forms--holding, worker self-management, small undertaking, etc.--have to one another. The answer depends on whether this reform comes before or after the transformation of economic tensions into significant social tension, or in what stage of the social tensions it comes. A similarly important factor is whether the initiatives coming from below--for example, the already existing elementary forms of worker self-management--can preserve their identity, whether they can create an institutional system expressing their differentiated interests, or when they can create this--in what stage of the growth of their social significance.

Compared to the period around 1972 the danger of a large enterprise counterattack is less threatening to a radical reform coming into being in the near future. The decrease in the supplementary incomes which can be siphoned off through the administrative market, the reordering of the large enterprise positions, the improvement in the situation of a few, but vitally important, enterprises and the faith in stability--although partly of a tactical character and thus partly in quotation marks--will strengthen the elements of competition rather than the elements of solidarity in their contacts. This tendency is further strengthened by the fact that the decrease in incomes flowing through ad hoc channels in principle further differentiates the large enterprises, according to their actual profitability. The possibility and chances of a counterattack are reduced further by the abolishing of the branch ministries and thus by the dissolution of the earlier power relationships and personal contacts system.

But as a result of the slowing of economic growth, the hardening of external marketing restrictions and the narrowing of the domestic market the crisis phenomena which are still isolated could spread throughout the large enterprise sphere, endangering the existence of even those which are still the "good ones." This process could be accelerated by the development of the private, small entrepreneur sphere and their competition--appearing initially primarily on the manpower market. In this situation it may again become the vital interest of the great majority of large enterprises to quickly and powerfully tap the economic areas outside the large enterprises, in a way which violates the general regulators. If the reform does not take place before this happens and/or if institutional guarantees protecting the achievements of the reform are not created then two events are possible (which could follow one after another in order):

1. By bringing in international credits and by regrouping incomes produced outside the large enterprises it may be possible to avoid a significant decrease in the income of those working at the large enterprises. Then we may see the activity of those influential large enterprise leaders in key positions who are not only inclined but, supported by the economic strength of their enterprises and by their political importance, are also strong enough to again formulate and represent

the large enterprise ideology. In this case, exercising pressure on the administrative market--and expanding the system of ad hoc discriminations--a new, but not lasting, wave of growth may begin, accompanied by relative investment abundance and momentarily easing the marketing problems.

2. If a significant decrease in the standard of living of large enterprise workers occupying key positions cannot be avoided with outside credits and siphoning off incomes outside the large enterprises then the large enterprise ideology will lose its already unstable social base and reform demands will be formulated as the conscious demand of the large industry workers also.

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## ACADEMICIAN VIEWS ECONOMIC POLICY IN PERSPECTIVE

Budapest NEPSZABADSAG in Hungarian 1 June 82 p 4

[Interview with Robert Hoch by Denes Kovacs: "The Dilemmas of Exploring Possibilities" Date and Place not specified]

[Text] Our economic development has slowed down in recent years. Because of the worsening of the world economic situation, our economic experts have been working mainly on solving day-to-day problems and restoring economic balance. Is it now time, in such circumstances, to deal with working out our long-range economic plans? We asked this of Robert Hoch, doctor of economics, deputy director of the MTA [Hungarian Academy of Sciences] Institute of Economics.

[Answer] It is not only possible but necessary for us to deal with long-range plans, and not just because the conceptual formulation of our intermediate-range plans is only possible on the basis of and in harmony with a long-range plan, but also because we must now think about and act according to how we can turn from the present slow rate of growth to a new course of growth that will make possible an accelerated increase in national wealth and standard of living without disrupting the internal and external balance of the economy. Of course this is only possible, as Ferenc Havasi expressed recently at the economic itinerant congress, if we can make use of the years of forced temporary slow growth to create the conditions for later dynamic progress.

[Question] This thought corresponds to the concept of our present Five-Year Plan, which leaves open our possibilities of decision-making for the second half of the 1980's. The plan expresses the requirement that for the present we must conduct a policy of short-range accomodation. Is it possible to expect a reasonable long-range plan from Hungarian economic policy?

[Answer] It is true that the conditions that have evolved force us to accept an intermediate-range concept that regards the restoration of the foreign-trade balance and repayment of our debts as the basic task and subordinate to that all other tasks, including consequently maintaining the standard of living already achieved. But a period of time like this is necessary to give economic policy a breathing space and time to work out a strategy that will be appropriate to stimulate growth. But slow growth can only be a transitory phenomenon in a socialist economy, nor would society accept a long period of stagnation, and we know that we are capable of much more.

In order to determine our long-range goals we must re-evaluate our external conditions, our internal resources, our social demands, and the scope and potential of a socialist society. Time is needed for all of this, and we must start on this difficult task now.

[Question] Still, many are of the opinion that in the present uncertain world-economic conditions and in a world-political situation full of conflicts the proper conditions for working out a long-range strategy do not exist.

[Answer] That kind of opinion comes from the idea that our possibilities for development are pre-determined by external conditions, which decide what we can do in the future. But this is an erroneous standpoint, which underestimates the possibilities for planned, conscious development of internal conditions. Just as earlier we were unable to take advantage of favorable foreign-policy and external economic conditions unless we corrected our own economic mechanism, so in a difficult situation as well the extent to which we can help ourselves depends on how and to what extent we can further develop our system of direction and whether we can work out a good long-range plan concept. The increased flexibility and adaptability that our economy now needs can only be achieved through continual and systematic improvement in internal conditions, and without that we will not be able to get control over our difficulties. But this effort is connected with searching for a concept and creating an appropriate strategy within the framework of long-range planning.

[Question] What kind of development strategy can and should be worked out to move the economy out of its stagnant situation? What requirements must be placed on such a plan concept?

[Answer] The new course of growth must first of all ensure a change from "extensive" to "intensive" growth. It can be supposed that growth will really be slower than at the end of the 1960's at least for a good many years. But the essence of the new course of growth is not what percent annual growth we can measure statistically. It is most important that through a significant transformation of the structure of the economy we guarantee growth such that it will make possible balanced, supported, and flexible adaptation to both internal and external conditions in the long term as well. For this it is necessary to have economic operation in a broad sense, the efficient utilization of human and natural resources, and an emphasis on the qualitative features of the economy. The concept of development must harmonize with the requirements of balance in the national economy, and this involves not demanding too many imports; on the other hand it must be directed toward an economic development that will increase the capability of the economy to export and increase the country's foreign-currency income. Another indispensable requirement is that in turning to the new course of growth the acceleration of economic growth not postpone increasing the standard of living and achievement of social goals to the distant future. Not only the rate of growth but also its direction are of fundamental importance for the living-standard policy of the whole country.

[Question] In determining principles it is obviously much more difficult to work out a concrete economic strategy that satisfies all these requirements. Is a long-range concept that satisfies every requirement even possible?

[Answer] Naturally there is not and cannot be such a thing. But several partial solutions can be proposed, whose favorable and unfavorable features will then have to be weighed. One such long-range concept can be the development of the infrastructure, in a broader than usual sense. We include in the infrastructure--among other things--the supply of energy directly to production and the population, transportation, communication, housing, health matters, education, research, technological development, etc.

[Question] What can cause a marked growth of the infrastructure in coming decades?

[Answer] It is now a widely accepted standpoint that one critical condition and stimulating factor for higher economic development is a well-functioning network in the infrastructure. We also know that in our country backwardness in the infrastructure is an obstacle to both development of production and increasing the standard of living. You see, the economy can do nothing but operate with low efficiency if, for example, energy supply is interrupted, if transportation is over-loaded and difficult, if highways are poor, railroads are slow, communication is late, the telephone system is inadequate, if there is insufficient financial support for research and technological development and insufficient connection between it and production, etc. It does not need to be demonstrated that social problems are already being caused by backwardness in housing construction and the supply of utilities, which directly serve standards of living and socialist transformation of the way of life, and we also know--it has been expressed in party and state decisions--that health services, vocational training, and public education are all in need of urgent development.

Whereas during a period of extensive development it is acceptable that the infrastructure lag slightly behind production, it is a condition of intensive development that the infrastructure precede development of production as much as possible, or at least be in harmony with it. A critical factor for development is the "cultured worker," in a broad sense, who is receptive to modern technology and able to apply it, whose way of life and conduct correspond to socialist norms and requirements. All of this, however, requires cultured living and working conditions, appropriate housing, good transportation, favorable shopping conditions, etc.

[Question] How can development of the infrastructure influence balance in the national economy?

[Answer] A favorable feature of this concept is that it requires much less import than development of either productive or manufacturing industry. Development of the construction industry, the highway network, the water system, health, or education, for example, require relatively little import. It is true that the influence of the acquisition of foreign currency is extremely indirect, and it is just as much as part of increasing export

activity on the part of industry as it is an indispensable condition for a high-level infrastructure network. Development of tourism also increases foreign-currency income directly. The realization of this concept can have a good effect on the external balance of the economy, both short- and long-range.

A drawback of this strategy, on the other hand, is that it requires much capital. And it must also be seen that not all of the burden of a significant development of the infrastructure can be placed on the budget. For this reason the enterprises and cooperatives that use them will probably have to participate in the financing of infrastructure investments that directly affect production. And the implementation of this idea requires a much greater use than before of the incomes of the population in the financing of the establishment of operation of the infrastructure network that directly affects the standard of living. The acceptance and realization of such a strategy thus requires a decision on many questions and a many-sided balancing of political and economic influences.

In conclusion I must emphasize again that development of the infrastructure, as a long-range concept, cannot mean any kind of exclusiveness in long-range economic development. There is a need for different kinds of strategies, the elements of which are closely connected with and pre-suppose one another. The essence and science even the art of planning however, is nothing more than a decision on ordering and prioritizing the various simultaneous processes. But such a decision will only be possible if during these years of slow growth we create the conditions for faster economic development.

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OVERVIEW OF TRANSPORT SYSTEM FOR 1982 PUBLISHED

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[Article by Kazimierz Ratajczak: "Transport in 1982--Tasks, Means, New Principles of Management"]

[Text] The year 1982 is the year which is to provide the conditions for surmounting the economic crisis and introducing the economic reform.

The new principles of activity for transport enterprises were defined in the Decree No 243 of 30 November of the Council of Ministers Concerning the Principles of Operation of State Enterprises in 1982.

In addition, the legal basis for the management of transport enterprises is the Decree of 25 September 1981 on State Enterprises. The provisions of that decree (Article 6) do not apply to enterprises of the PKP [Polish State Railroads] and Lot Polish Airlines, save for the provisions governing the register of state enterprises.

The new principles of management for these enterprises will be specified in separate decrees whose drafts, prepared by the Government during the second quarter of 1982, will be submitted for voting upon to the Sejm of the Polish People's Republic.

According to the assumptions underlying the aforesaid drafts, the PKP Enterprise will base its activities on its own plan which will be meshed with the goals of the national economic plan by applying to it the provisions of the decrees on: planning and statistical reporting; financing and taxing; formation and utilization of funds; and determination of prices.

Within the PKP Enterprise, as an enterprise of special and strategic importance to the national economy, the planning system will comprise 10-year, 5-year, and yearly periods. The plans prepared by the PKP Enterprise will be designed to adapt its development to the transport needs of society and the national economy. The plans should also contain the proper ratios between tasks to employment and the material resources needed to fulfill them.

The social nature of the planning process, in its turn, will be reflected in the consideration of social needs and priorities when determining the

practical plan tasks such as: transport tasks, the quality of services rendered, the timeliness of freight deliveries, etc., as well as the observance of procedural rules assuring the participation of the work force in the process of the preparation and monitoring of plan fulfillment.

In independently preparing its own plans, the PKP Enterprise will guide itself by:

--information ensuing from the premises of central and local plans;

--own studies of demand for domestic and international railroad traffic;

--principles of cost effectiveness;

--standards and economic parameters specified in the decrees and ordinances of the Council of Ministers;

--agreements concluded with suppliers, consumers, banks, etc.

The (long-range) 10-year plans for the development of the railroads, prepared centrally at the level of the PKP General Directorate, will specify the transport needs, the directions of the expansion and modernization of the technical facilities of the railroads, the repair and maintenance facilities, and the assumptions with regard to technical, economic, and organizational progress, as well as to employment and cadre policy. It is expected that units subordinate to the PKP General Directorate will take part in preparing these plans. The five-year plans will elaborate the assumptions adopted in the 10-year plans, and their preparation will be preceded by studies of the feasibility of revising transport fares. Railroad directorates are expected to take part in preparing these plans.

The yearly plans, which elaborate the assumptions of the five-year plan for a particular year from the standpoint of the activities of the railroads as a whole, will be prepared by the PKP General Directorate on allowing for proposals by the work force.

Segments of the approved five-year and yearly plans will be assigned by the PKP General Directorate to the railroad directorates. These segments will specify the obligatory tasks as regards investments and repairs of rolling stock and rail roadbed performed with own resources, as well as production. tasks. In addition, the segments will specify the resources for implementing tasks for an obligatory nature, such as: the wage fund, fuel and power consumption, consumption of materials, and financial outlays.

On the basis of the assigned segments of the plan, the railroad directorates will prepare economic-financial plans for their own districts and transmit to their subordinate units the sub-segments pertaining to their plans and specifying the quantitative and qualitative tasks as well as material and technological resources, data on employment, the wage fund, and cost limits.

Transport Tasks for 1982 Freight Transport

It is estimated that the 1981 freight transport plan was fulfilled 83 percent, of which standard-gauge railroads fulfilled about 93 percent and automotive transport about 80 percent. Compared with 1980, overall freight transport was about 27 percent lower, of which transport by rail was about 16 percent lower.

Table 1. Freight Transport (in millions of tons/millions of ton-kilometers)

| Subject | | 1981 Fulfillment | 1982 Assumptions | 1982/1981 |
|---|---|---|---|---|
| Railroad transport | | 409.2 / 110,022 | 427 / 117,760 | 106.5 / 107.2 |
| Of which: | Standard-gauge railroads | 401.6 / 109,835 | 420 / 117,600 | 106.6 / 107.3 |
| | Narrow-gauge | 7.6 / 187 | 7 / 160 | 92.1 / 85.6 |
| Automotive transport | | 1,552. / 36,075 | 1,484 / 30,950 | 95.6 / 85.8 |
| Including: | PKS [State Motor Transport] | 157.0 / 8,505 | 165 / 8,300 | 105.1 / 97.6 |
| Inland water transport | | 17.0 / 1,913 | 18.0 / 1,940 | 105.9 / 101.4 |
| Of which: | Inland waterway transport of the Ministry of Transportation | 14.0 / 1,794 | 15.0 / 1,800 | 107.1 / 100.3 |

In 1982 the level of total transport demand will not rise owing to the stabilization of the volume of industrial and agricultural output and investment construction. Only railroad transport will increase, chiefly owing to the increase in the extraction of hard coal.

In view of the need for the conservation of fuel and energy and their consumption per unit of transport work, it will be necessary to give priority to railroad transport and, within it, to electric locomotives. The need for fuel conservation will require maintaining steam locomotives for switching operations. The share of diesel locomotives in railroad traffic will be limited.

Freight transport by standard-gauge railroads should reach about 420 million tons in 1982, or 5 percent more than in 1981.

The extensive decline in automotive transport that took place in 1981 should reach a plateau owing to the decrease in the transport demand and the retirement of the fuel-intensive part of the motor vehicle fleet. Overall automotive freight transport should be about 1.5 billion tons, which will be at the same level as in 1981. But the volume of public transport should increase 4.4 percent. This means that freight transport by PKS will increase from 158 million tons in 1981 to 165 million in 1982.

Passenger Transport

The 1981 passenger transport plan was fulfilled both in automotive and in railroad transport.

In view of the drastic decline in the technical readiness of busses owing to the shortage of spare parts, tires, and storage batteries, the number of runs of the motor vehicle fleet has markedly decreased within PKS throughout 1981. This unfavorable operating situation forced PKS to curtail and eliminate many routes, resulting in a deterioration of traveling conditions for motor coach passengers.

In 1982 PKS passenger bus traffic is expected to diminish owing to the limited deliveries of busses, In view of this, the railroads must maintain at the proper level the available transit capacity for passenger services, which requires assuring in 1982 adequate deliveries of new passenger cars.

The anticipated 1981 fulfillment of the 1982 plan of passenger and freight transport are illustrated in Tables 1 and 2.

Table 2. Passenger transport, in millions of passengers/millions of passenger-km

| Subject | 1981 Fulfillment | 1982 Fulfillment | 1982/1981 |
|---|---|---|---|
| Railroad transport | 1,113.6 | 1,115 | 100.1 |
| | 48,238.0 | 48,450 | 100.4 |
| Of which: Standard-gauge railroads | 1,107.0 | 1,110 | 100.3 |
| | 48.160.8 | 48,400 | 100.5 |
| Automotive transport | 2,325.5 | 2,262 | 97.3 |
| | 48,221.0 | 46,200 | 95.8 |
| Of which: PKS | 2,310.5 | 2,250 | 97.4 |
| | 47,815.6 | 45,900 | 96.0 |

Deliveries of Transport Equipment

In view of the current transport situation and the need to replace worn-out transport equipment, the deliveries of rolling stock to the railroads in 1982 should be at the level of approximately 3,400 freightcars, 300 passenger cars,

100 electric locomotives, 60 electric locomotive units, and 10 diesel locomotives. These deliveries will be smaller than in 1981. The continued shortage of boxcars for PKP is disturbing.

Considering the necessity of retiring worn-out vehicles, it is estimated that motor transport should be altogether provided with 92,000 tons of new truck load capacity. This means that deliveries will be 47 percent smaller than in 1981. Bus deliveries should be maintained at the level of about 5,900 units.

Overhauls of Rail Roadbed and Public Roads

The plan for the overhauls of rail roadbed in 1982 provides for continuous replacement of 2,300 km of rails, 3.7 million crossties, and 1.6 million cu m of track bed. This means that the overhauls of rail roadbed will be at the same level as in 1981.

For 1982 the central budget allots about 16.4 million [sic] zlotys for the maintenance of public roads, and the local budgets allot additionally about 7 billion zlotys, i.e., the level of allotted funds will be the same as actually used in 1981.

Repairs of Transport Equipment

There also occur difficulties as regards the repair of railroad rolling stock owing to the limited capacity of the pertinent repair plants. Steam-locomotive repair needs will be met 64.3 percent (compared with 69.4 percent in 1981); and electric-locomotive needs, 78.6 percent (74.8 percent in 1981). As for the needs for repairing electric-locomotive units, they will be met 74.5 percent (67.1 percent in 1981); the needs for repairing diesel locomotives, 70.1 percent (63.7 percent in 1981); railroad passenger cars, 93.3 percent (81.0 percent in 1981); and freightcars, 64.7 percent (72.9 percent in 1981).

The program for meeting the needs for repairing track vehicles in 1982 at the railroad rolling stock repair plants shows that the following proportions of different vehicle categories will not be accepted for repair: 21.4 percent of electric locomotives, 30 percent of diesel locomotives, 35.7 percent of steam locomotives, 35.3 percent of freightcars, and 25.5 percent of electric locomotive units.

The increase in repair needs ensues chiefly from the growth of the rolling stock and its intensive operation.

The chief cause of the current problems with rolling stock repair is the underinvestment in repair facilities in relation to the needs ensuing from the ongoing process of the modernization of traction and changes in the state of the railroad rolling stock pool. Large numbers of electric locomotives and locomotive units as well as diesel locomotives, especially the high-capacity ones, have been introduced into use, as have been four- and multi-axle freightcars whose maintenance and repair require qualitatively new repair facilities.

In addition, the difficulties encountered in meeting the growing demand result in considerable wear and tear of rolling stock owing to customers who do not competently operate mechanical facilities for the unloading of freightcars.

Damage to freightcars is also caused during switching-yard operations owing to the inadequate availability of track brakes on switching years along with the undermanning of switching crews.

The repair of worn and damaged rolling stock requires extremely high labor expenditures which, in view of the current underemployment (there is a shortage of about 5,000 railroaders) and shortages of materials and parts, makes it impossible to carry out any large number of repairs at railroad rolling stock repair plants.

Investments

For 1982 investment outlays within the Ministry of Transportation will total about 16 billion zlotys or about 67 percent of the 1981 level. Of this amount, 2.8 billion will be spent on investment construction, or about 58 percent of the 1981 level.

Of the 16 billion zlotys, 5.5 billion will be allotted for the acquisition of railroad rolling stock; 4.5 billion, for the acquisition of motor vehicles for assembling; 2.2 billion, on construction and installation operations; and about 325 million zlotys on other outlays.

A total of 7.7 billion is allotted to the PKP Enterprise; of which 1.1 billion zlotys for investement construction. These figures amount to 60 and 42 percent, respectively, of their 1981 levels.

For 1982 the Ministry of Transportation allots more than 1 billion zlotys in outlays for the modernization and expansion of the technical facilities of transport plus 361 million zlotys for the electrification of railroad lines.

The funds allotted for the modernization and expansion of the technical facilities of transport include, with respect to the railroads: the construction of the Gdynia Cisowa Parking Yard; the construction of a motor-car shop together with a railroad car inspection station in Jaslo; the adaptation of the Lodz Olechow Locomotive Shop; the construction of station and expansion of boiler shop and liquid-waste pump facility in Ostroleka; the construction of a PKP automotive depot in Warsaw; the adaptation of the steam locomotive shop to a motor-car shop in Tarnowskie Gory; the modernization of the Grodzisk Radonska Locomotive Shop; the construction of the Idzikowice Locomotive Shop; the construction of a railroad car shop in the Central Port of Szczecin; the construction of a railroad car shop in Losien; and the construction of a ZZMT [expansion unknown] warehouse.

Katowice-Piotrowice

Within the PKS motor transport system, among other things, automotive depots will be built in Losice, Bytow, Czechowice, Grodzisk Mazowiecki, Katowice,

Konin, Kwidzyn, and Lomza, along with the construction of a complex of PKS facilities in Olsztyn and the expansion of the depot in Szczecin.

As regards investments in railroad rolling stock repair plants (ZNTK), the electric power and heat generating facility at the Ostrow Wielkopolski ZNTK will be expanded; the KZKS and UD in Starosielce will be expanded and modernized, the mechanical department bay will be constructed at the tool shop of the Minsk Mazowiecki ZNTK; the steam locomotive bay of the Bydgoszcz ZNTK will be adapted to diesel locomotive repairs; and the heating and compressed air systems at the Stargard ZNTK will be modernized and expanded.

The outlays on the electrification of railroad lines will include the following lines: Szczecin Dabie-Swinoujscie, Lukow-Terespol, Tluszcz-Malkinia, Tluszcz-Wyszkow, Wroclaw-Glogow, and Fosowskie-Kluczbork, all representing continuing work.

The investment restrictions introduced in 1982 and the prohibition against commencing new investments inhibit the electrification of railroad lines. Total suspension of the electrification will take place as early as in 1984. This situation will necessitate imports of diesel locomotives in view of the impossibility of any renewed large-scale expansion of steam locomotive services. This will also require increasing the imports of diesel oil. Independently of this, the already well developed industrial facilities for building electric locomotives will gradually cease operating, as will the facilities for supplying power to electric locomotives and the construction and installation facilities of the Ministry of Transportation.

The magnitude of the transport work of the railroads and their substantial economic performance necessitate further urgent electrification of railroad lines such that each year an additional 400 km of these lines will be put into operation. In this connection, it is necessary to commence in 1982 the electrification of 85 km of lines; in 1983, 234 km; in 1984, 456 km; and in 1985, 504 km.[1] [sic]

Electric traction produces annually the following savings per 100 km of lines: 90,000 tons of coal, when replacing steam traction, and 11,000 tons of diesel oil when replacing diesel traction; in addition, it saves 140 million zlotys per 100 km in operating costs when replacing steam traction and 110 million zlotys when replacing diesel traction.[2]

In addition, the relatively non-measurable results of line electrification include:

--dispensing with imports of diesel locomotives;

--an explicit improvement in efficiency and regularity of train traffic, especially in winter;

--improvement in working conditions and environmental protection;

--maintenance of the production potential (employment) in plants of the rolling stock industry as well as in electrical equipment plants and installation enterprises.

In view of the country's difficult economic situation, the ministry of transportation has decided to halt completely in 1982 the implementation of 47 investment projects, including the construction of new railroad lines and the expansion of certain switching yards as well as the construction of highways and beltways (Poznan, Warsaw-Strykov, Katowice-Chrzanow, Katowice-Gliqice, Gliwice-Wroclaw).

FOOTNOTES

1. This conflicts with the preceding paragraph which states that the electrification of railroad lines will be completely suspended in 1984--Translator's note.

2. In 1979 prices.

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CSO: 2600/676

IMPACT OF WORLD INFLATION ON SOCIALIST COUNTRIES' PRICES DISCUSSED

Warsaw GOSPODARKA PLANOWA in Polish No 10, 1980 pp 480-484

[Article by Stanislaw Raczkowski: "Impact of World Inflation on Prices in the Socialist Countries"]

[Text] During the 1970's, inflationary processes in the capitalist countries worsened considerably.* In every country, wholesale prices rapidly rose, especially after the increase in the price of crude oil before the end of 1973; retail prices increased as a result. From 1970 to 1978, retail prices increased by 50 percent in West Germany, by 68 percent in the United States, by 100 percent in France, by 165 percent in Italy and by 170 percent in England.

In the CEMA socialist countries, inflationary pressure also appeared but to a lesser degree. In some countries, like Poland and Hungary, it appeared as an increase in the retail price indicator of 34 and 31 percent, respectively, from 1970 to 1978. In other countries, this indicator grew minimally or not at all, but the phenomenon of satisfied demand in the market appeared to a varying degree. Inflationary pressures can occur in a socialist country as a result of causes within the economy, especially when accelerating development. To a certain degree, they can result from the increase of world prices, so-called imported inflation.

Generally speaking, the impact of world inflation on the economy of the socialist countries belongs to two principal factors: 1) the degree of dependence of a given country's economy on foreign trade and 2) from that within the framework of the planning and management system, the relationship between domestic and world prices.

The dependence of individual socialist countries on foreign trade varies considerably. The share of foreign trade in national income fluctuates from approximately 5 percent in the Soviet Union to approximately 25 percent in Poland to approximately 40 percent in Hungary. The value of import in dollars per inhabitant was as follows in 1978: USSR, $177; Poland, $460; Czechoslovakia, $753; East Germany, $868 and Hungary, $1,113 (as a

* Work published for the first time in Problems of Planning and Socio-Economic Policy (Book for Studying National Income and Kazimierz Secomski's Economic Activity), collective paper under the direction of A. Lukaszewicz, Warsaw, 1980.

comparison, France, $1.534). It is obvious that the Soviet Union, which is not very dependent on foreign trade, was practically unaffected by the import of inflation from the West. On the other hand, the other countries had to contend with it.

In the socialist countries, the increase in world prices can impact on domestic prices only through the mechanism of accounts clearing in foreign trade. This accounts clearing is enacted by foreign trade enterprises on the one hand with their foreign partners and on the other hand with domestic suppliers of commodities for export, as well as consignees of imported commodities.

1. With respect to accounts clearing with foreign partners, because of the nonconvertibility of socialist currencies, all import and export contracts are always concluded and paid in foreign currencies. Within CEMA, there are ruble transfers; with other countries, various convertible currencies. Foreign exchange prices for imported and exported commodities are expressed in foreign currencies and are in principle world prices.

Current world prices are used in transactions with capitalist countries. When those prices increase under the impact of inflation, their growth directly affects trade and the CEMA countries' balance-of-payments situation.

On the other hand, modified world prices are used in transactions among CEMA countries. Per the resolutions passed by the Ninth CEMA Congress in 1958, world prices from the previous 5 years are employed, eliminating the harmful impact of passing fluctuations and speculation existing in capitalist markets. Previously, these prices were changed every 5 years, so that the increase in world prices was felt much later in trade among the CEMA countries. For example, average world prices from 1966 to 1970 were not used until 1974, without regard for how world prices were behaving. As a result of increasing world inflation after 1970, as well as the inerease in prices for many commodities, it was decided that from 1971, mutual turnover among the CEMA countries would be counted in prices adjusted annually rather than every 5 years. Changes in world prices continue to affect the prices used in these turnovers later, but the later effect is smaller and these prices are closer to current world levels.

In order to judge the general meaning of world price increases on the level of foreign exchange prices in individual socialist countries, it is important to know the turnover share with capitalist countries and the turnover share with CEMA countries in their respective foreign trade. During the past several years, the turnover share with capitalist countries was over 50 percent in Romania; approximately 40 percent in Poland, Hungary and the USSR: approximately 30 percent in East Germany and Czechoslovakia; as well as approximately 20 percent in Bulgaria. In these latter countries, the direct impact of world inflation on foreign exchange prices in foreign trade was thus comparatively smaller.

The delay in transferring world price increases to mutual turnover has a significant meaning for the socialist countries' terms of trade. Above all, it has eased the impact of price increases for crude oil in those countries' balance of payments.

2. With respect to accounts clearing by foreign trade enterprises with domestic partners, carried out in domestic currency, domestic prices for imported and exported commodities are used. The balance of these prices with foreign exchange prices can take shape in various ways; thus, the impact of world inflation on a socialist country's domestic prices varies.

In practice, two fundamental types of wholesale prices are used for domestic commodities becoming the subject of foreign trade; namely, constant prices and variable prices. Constant prices of commodities earmarked for export and coming from import are set for longer periods by state authorities. Their constancy is supposed to stabilize important cost elements of production and prices of fundamental commodities consumed by the people.

During the establishment of the level of constant domestic prices, the existing relationship to world prices, above all other elements, is taken into consideration. But established prices are used in accounts clearing between foreign trade enterprises and their domestic contracting parties without regard for how prices will change on the world market. In this situation, considerable differences between the constant domestic price and the foreign currency price, which is counted in domestic currency, can appear in foreign trade enterprises. Such differences can cause undeserved profits or uncommitted losses in these enterprises. In order to avoid this, a special settlement mechanism is used. Exceptional profits resulting from such price differentials are paid by the foreign trade enterprises as a special settlement calculation in the state budget. On the other hand, exceptional losses are settled by remittance from the calculation. Such settlement calculation facilitates the maintenance of an autonomous system of constant domestic prices for imported and exported commodities; the increase in world prices does not exert a direct influence on domestic prices.

Variable domestic prices of exported and imported commodities appear through conversion of the foreign exchange price secured or paid abroad into the domestic currency. This is the so-called transaction price. The variable price for an imported commodity, which the domestic buyers pay, comes about through the addition of trade costs to the transaction price and the foreign enterprise's margin of profit, as well as eventually duty and trade tax. The variable price achieved by the producer of an exported commodity responds to the transaction price, less cost and the trade margin of profit.

Changes in world prices exert an immediate and direct impact on domestic variable prices. They also exert an impact on the size of the domestic enterprises' profits, although not on constant prices. If the foreign trade enterprise is only a business agent or commission agent, then the profit or loss in a foreign transaction, after the commission's nudge, flows to the supplier of the commodity earmarked for export or to the receiver of the imported commodity. However, if the enterprise is acting on its own, it will either achieve a profit or suffer a loss.

Until the second half of the 1960's, constant prices for imported and exported commodities were used throughout the CEMA countries. Only in the case of machinery and equipment, for which it was difficult to set a domestic price

through the analogy of prices for other commodities, were variable prices based upon a transaction price used. On the other hand, in conjunction with changes in managing the national economy, which appeared later in some countries, as well as through the introduction of a wider scope of parametric management instruments, the scope for using variable prices in these countries was broadened.

Thus, we have a differentiated situation. Some countries continue to use in principle domestic constant prices, while others have introduced variable prices to some degree. This particularly concerns export. As a result of the need for a balance of payments, these prices can be modified in certain countries through various financial tools; e.g., duties or taxes on imports and a return of median taxes on export commodities. However, domestic constant prices have maintained certain basic imported raw materials and other materials.

Means to Neutralize the Impact of the Inflationary Increase in World Prices

The consequences of the inflationary increase in world prices are differentiated in this situation, if we are discussing particular socialist countries, and depend on the scope of domestic constant and variable prices. However, these countries can defend themselves from these consequences--at least for a while.

During the setting of constant domestic prices, the increase in world prices does not cause a price increase in the country for some time. Buyers of imported commodities pay the same as before for them, and the supplier of export commodities receives the same amount for them. Thus, neither the domestic enterprises' costs nor financial results change. On the other hand, amounts passing through the state budget's clearance of accounts grow immediately. A negative balance can appear in this account as a result of the unfavorable disposition of world prices. This situation can be tolerated for a certain time but in the end a problem will result--how to cover the balance. The necessity either to reduce other budgetary expneditures or to raise taxes may appear and this could act negatively on economic development.

Independent of budgetary considerations, constant changes in the relationship of world prices for certain commodities--e.g., fuels and certain raw materials during mid-1970's--should be reflected in domestic prices. This is indispensable for guaranteeing a rational economy in production enterprises. If the world price of some imported raw material increases in a constant manner, then the enterprises should save it, seek substitute raw materials, change production technology and undertake other similar actions. There is no such stimulus with an unchanged domestic price. In this case, the information function of the import price for the producer becomes very weakened.

The need to account for both the changes in relationships in domestic prices and the increase in prices for raw materials appears particularly in smaller socialist countries that import these raw materials in large quantities. This

is the reason why, against the background of considerably increased world prices for raw materials and fuel, which took place in the mid-1970's, almost all of the CEMA countries introduced reforms of national wholesale prices, taking into account the changing relationship of world prices. Not only the current world prices from the preceding period of change were considered but also the prognosis for upcoming price movement. Of course, also taken into consideration were changes originating in domestic production conditions. These reforms were introduced for the most part in 1976 and 1977.

In Poland, price reform was introduced in two stages. In 1976, wholesale prices for many basic raw materials and other materials were raised, above all energy-related raw materials, smelted goods, colored metals, wood and cotton. The price of electric energy was also raised, as well as the cost for transporting commodities by rail or truck. As a result, the general level of wholesale prices rose 6 to 7 percent. Alongside these increases, was the necessity to consider the changed relationships of world prices, as well as the change in domestic production conditions. For example, the price of coal was raised by 25 percent, in line with the increase in extraction costs. During the second stage of price reform--1977 and 1978--wholesale prices for semi-manufactured goods and finished goods were raised. Prices for components and construction work were also increased. Through these increases, the impact of the first stage's price increases on production costs in the enterprises was considered. As a result of both reform stages, the general level of wholesale prices for production means increased about 15 percent; however, this was too small. In light of a further increase in world prices, new reform of wholesale prices will be essential.

An interesting example of broad price reform was the changes in wholesale prices introduced in Czechoslovakia in 1977. The prices of basic imported raw materials were raised considerably at the time, by 52 percent. The consequences of this increase were neutralized by lowering the prices of many other products. This was achieved by lowering the degree of profit in existing prices and moreover by lowering the cost of production. New prices for raw materials and energy caused an increase in material costs of an average 5 to 7 percent within all branches of the national economy. In some branches, this caused an increase in wholesale prices. In spite of this, the existing level of wholesale prices in industry was preserved, while it was lowered somewhat in the national economy. The increase in costs for purchasing imported raw materials was greatest within basic industries (fuel, energy, chemicals and metallurgy), where the level of wholesale prices increased 8.4 percent. In manufacturing, where a greater possibility of maneuver in the profit field existed, the general price level was lowered 6.4 percent.* In general, goods production was lowered 57 percent, but the price level increased 48 percent.

The constant increase in world prices thus is not reflected initially on the level of domestic constant prices but in the longer term causes their growth. This necessitates the maintenance of a rational economic calculation in the national economy.

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* V. Janacek, Design and Results of a Complex Reconstruction of Wholesale Prices, "Planned Economy," 1977, No 2, pp 12-13.

The example of Czechoslovak price reform shows that it is even possible to defend against imported inflation and to maintain a general level of wholesale prices without change by raising some prices and lowering others. In this way, one takes advantage of suitable financial instruments; e.g., lowering profits contained in some prices or reducing production costs for some goods. Of course, all of this must fit within the state budget.

The situation with respect to domestic variable prices for imported and exported goods is different. The inflationary growth of world prices directly and immediately causes a corresponding growth in domestic prices. As a consequence, production costs increase in enterprises using imported goods. This can disturb conditions for executing the current socio-economic national plan. Thus, remedial measures are necessary.

If the growth of world prices encompasses a very broad gamut of goods subject to international trade, then its impact on the domestic economy can be neutralized by a suitable revaluation of the domestic currency. The cost of imported goods expressed in the domestic currency then does not change or at least grows to a lesser degree. In Hungary, for example, where the scope of using variable prices is very broad, the forint's rate was revalued in relation to other currencies by 38 percent from 1966 to 1974.

However, if the growth of world prices concerns only some goods--and to an unequal degree-then it is sufficient to use suitable, rectifying financial instruments. One can thus introduce subsidies from the budget for enterprises importing commodities whose prices in particular have risen. Simultaneously, it is possible to tax excessive profits of enterprises exporting commodities whose world prices have gone up. The shaping of world prices in export and import, as well as the trade balance situation, means a lot. If the foreign currency prices of export commodities increase more slowly than import prices, and at the same time an import surplus appears in the trade balance, then taxes on exports cannot finance import subsidies. Concrete budgetary possibilities thus create specific limits for using rectifying financial instruments.

In practice, despite currency revaluation or use of rectifying instruments, it is impossible to maintain domestic wholesale prices on a constant level. In Hungary, for example, producers' prices rose approximately 20 percent, despite the application of various means.

The stabilization of domestic variable prices can be generally inadvisable. If the growth of world prices and changes in their relationship are lasting, neutralizing their impact on domestic prices can be economically unjustifiable in the long run. This happened in the mid-1970's, when the prices of fuel and many raw materials rose. It was necessary then to allow appropriate domestic wholesale prices to rise. Such a consideration was undoubtedly--at least partially--the basis for the growth of wholesale prices in Hungary, and also in some other countries.* By using variable domestic prices in

* See B. Csikos Nagy, Price Mechanism and Trade in the Means of Production in Hungary, "Acta Oeconomica," Budapest, 1976, pp 35-46.

foreign trade, the impact of inflationary growth on world prices causes either an immediate or gradual increase in domestic wholesale prices, at least in those socialist countries largely dependent on imports.

As seen from this, world inflation causes an increase of domestic wholesale prices in this country through the system of constant and variable prices. The question thus can be posed as to how and whether the increase affects retail prices.

The general level of retail prices has not changed much in the CEMA countries over the long term. During the period 1966-1970, the general indicator of retail prices in two countries did not change, while it rose by barely several percent in three countries. Only in Poland and Hungary was the increase greater.

Retail prices for commodities in collectivized trade are set in the socialist countries by the appropriate authorities, organizations or economic units and remain constant for a long time without regard of wholesale price changes in foreign trade. The eventual differences between them and wholesale prices, increased by the internal trade enterprise's margin of profit, are covered by appropriate subsidies from the state budget.

To a certain degree, if the principles for setting prices agree, retail prices can change under the impact of world price changes. This occurs, for example, when the duty on an imported commodity, whose wholesale price is variable, is lowered. The retail price is then calculated and introduced by the domestic trading enterprises.

Every socialist country treats in one way retail prices for basic commodities and services for the broad mass of people and in another way other commodities that meet other needs. The prices of basic commodities and services are maintained at a low level, frequently through subsidies from the state budget, and they are rarely changed. In the USSR, for example, payments for gas, electricity and telephone and ticket prices for public transportation have not changed for 30 years. In Poland, the prices of some basic commodities and services have not changed for several years. On the other hand, the prices of other commodities have risen periodically. The constant growth of nominal income from increased work productivity has not interfered in the growth of real income and prosperity. In the Soviet Union and some other countries, the principle of maintaining the unchanged general level of retail prices is used. If the need arises to raise some prices, others are simultaneously lowered.

If under the impact of world inflation the growth of domestic wholesale prices for some consumer commodity occurs, then it is possible to neutralize its impact on retail prices through suitable financial instruments. Ostensibly, one can lower the degree of trade tax or the degree of profit in the wholesale price. One can also introduce or increase the budgetary subsidy. In the first case however, the budgetary impacts are reduced; in the second, larger expenditures appear in the budget. Despite this, such a situation can be maintained even for a long time, if planning tasks in the area of

living demand it. But if the relationship of world prices changes constantly, then it is impossible to allow domestic retail prices for consumer goods to remain permanently unchanged, as they occurred under completely different circumstances. Certain changes in the relationship and level of retail prices must be introduced in the end.

As a result of these observations, the inflationary growth of world prices undoubtedly has an impact on the level of domestic prices in socialist countries. Above all, it impacts domestic wholesale prices for imported and exported commodities. The growth of these prices is, however, retarded by two factors: 1) the CEMA countries use more stabilized foreign exchange currency prices in their mutual trade and 2) to a more or less large degree, these countries use constant wholesale prices that are changed over long time periods.

The impact of the growth in world prices on domestic wholesale prices is greatest and quickest in those countries widely using variable prices for imported and exported commodities participating greatly in trade with the capitalist countries.

The socialist countries, however, can defend themselves to a certain degree from imported inflation. Above all, they can neutralize the impact of the growth of world prices' general level on domestic prices through a suitable revaluation of their currency. This means a change in the official exchange rate or the conversion factor used to convert foreign trade prices from the foreign currency to the domestic currency.

Independent of this, the constantly changing relationship of prices for certain commodities, especially raw materials and materials used in production, can be temporarily neutralized through appropriate financial instruments, first rectifying domestic wholesale prices and next, as needed, retail prices. In the case of constant wholesale prices, this occurs automatically through an appropriate equalizing calculation in the state budget. In the case of variable prices, this can be accomplished through appropriate subsidies from the budget financed completely or partially by taxes on excessive profits from production earmarked for export. In the case of retail prices, the wholesale price of an imported commodity is the rectifying factor, reducing in it the degree of trade tax or profit, or the retail price does the rectifying through the aid of an appropriate subsidy from the state budget.

## The Role of the State Budget

The state budget plays an important role in neutralizing the impact of world price increases on domestic prices. It fulfills the role of amortizer, permitting the collectivized economic units to execute their planned tasks without regard for price changes in the world market. Neutralizing the impact of world price changes on domestic prices cannot, however, last long if tied to a considerable growth of net budgetary expenditures for this purpose. They must remain covered by some means, which can necessitate cutting budgetary expenditures earmarked for other purposes in the national socioeconomic plan.

Maintenance of unchanged relationships among domestic prices for an extensive period, when inflationary world prices rise and their relationships change constantly, perverts the economic calculation in the enterprises and can petrify the people's irrational consumption. Moreover, it retards the economy's adaption to the changed situation on the world market. After a certain period, it is thus required to introduce constant price reform or allow variable prices to rise and is also necessary to raise some retail prices. Wholesale price changes in the socialist countries follow above all the result of changes in the national economy's production conditions and only partially the impact of world price changes.

If one wishes to neutralize the impact of world price increases on the national economy, it is necessary to introduce appropriate structural changes in it. This can be done through planning, through suitable formation of midterm plans on investment, production and foreign trade, which are introduced as structural changes in import and export, as well as through improved management efficiency. In the CEMA countries, this can increase progress toward economic integration, facilitating production benefits and creating new economic connections. Changes in the national economic structure cannot be realized in a short period, however, and can demand a significant import of modern machinery and equipment from abroad, which is difficult without obtaining suitable foreign credits.

9807
CSO: 2600/635

## AIR TRANSPORT PROBLEMS REPORTED

Warsaw SLOWO POWSZECHNE in Polish 2 Jun 82 p 3

[Article by Stefan Sokulski: "Clipped Wings;" passages in slantlines printed in boldface]

[Text] / It seems that no person in the country at this moment would know what is next for air transportation. True, it is difficult to imagine a country as developed as Poland without air transportation. However, we have already got accustomed to many things, though this does not make our life easier or our existence - normal. After all, air transportation is but a marginal issue against the background of overall affairs, an issue of interest to a relatively narrow circle of people. /

While not endeavoring to come up with an answer to the question on the future of air transportation, it would be worthwhile to present the current situation and ponder the prospects.

The last decade can be entered as a very favorable chapter in the history of air transportation both in the domestic and foreign markets. The length of regular air service grew twofold in the years 1971 - 1980 (from 41,000 to 93,000 kilometers). The number of passengers increased from 643,000 to 791,000 on domestic flights and from 325,000 to 1.037 million on flights abroad. Passenger seat capacity utilization was higher than the world average. Profits of LOT increased from 300 million zlotys to 2.7 billion in 1981.

/ A decline in the volume of transportation and profits began in 1980. Until 1979, the volume of transportation on LOT increased annually by an annual average of 17 percent whereas for the last 2 years there has been a precipitous drop. / The amount of transported cargo and the number of passengers decreased, and so did the utilization of capacity on domestic and foreign flights. Some consolation may be found in the fact that the years 1970 and 1981 were also unsuccessful for international air transportation as a whole. Air transportation worldwide grew by a mere 3 percent in 1980 and by only 1 percent in 1981.

To be sure, our indicators were influenced by a difficult economic situation of the country in recent years. However, the main reasons for regress have to do with the growth of fuel prices and high fares as well as the not-so-good

quality of equipment. Suffice it to say that in 1971 the share of fuel in total operating costs amounted to 11 percent, whereas at present it reaches 25 percent.

Overall prospects are not altogether encouraging, because we have to reckon with stagnation in the domestic market and the shrinking foreign market. / There has been an increase in the number of passengers in recent months, but we still have a way to go in order to achieve the threshold of profitability for LOT, the passenger seat utilization coefficient of 0.75. A further comeback of air transportation depends on normalizing the situation in the country, but also on many other factors, such as the general development policy in transportation and transportation rates as well as the success of the introduction of economic reform.

/ It is said that fuel problems rather than air fares will put a squeeze on air transportation, as has been the case with highway transportation. However, the issue of tariffs is also important, especially given the current situation in the country. Increase in railway ticket prices may facilitate a switch to air transportation. Nonetheless, in all probability it will be impossible to do without certain state subsidies, since there is no chance of transportation becoming profitable in the environment we have.

It is a different story when it comes to international transportation, which has always turned in considerable profits. / It should be borne in mind that between 1976 and 1980 incomes of civil aviation as a whole exceeded expenditures by 5.6 billion zlotys, while LOT itself had a surplus of 7.8 billion zlotys. A marked decrease of foreign-exchange incomes occurred as late as 1980. To be sure, LOT made $28 million on international transportation. However, foreign-exchange expenditures grew simultaneously due to increasing transportation from the domestic market to a quota of $72 million. We had to allocate $44 million from the state budget to subsidize air transportation. In the current year, this negative balance will diminish despite less income (a decline in transportation from Poland) because foreign-exchange expenditures are also falling.

This year, individual transportation is planned to be at 15 percent of last year's volume, service transportation - at up to 50 percent. At the same time, there will be more passengers paying fares in foreign exchange (50 percent against 30 percent in 1981). LOT will serve a total of 700,000 - 750,000 passengers this year, which does not compare favorably with almost 2 million in 1979.

A reduced scope of operations (projected income of 6 billion zlotys as against 16 billion as recently as 1981) will certainly influence the degree of equipment utilization. We used to complain about having too few planes and about our equipment not being competitive as far as passenger comfort and operating costs. Today we are looking for work for the planes we have; also, we have started selling some planes off. Four TU 134 and two IL 62 have already been sold; however, we are having trouble trying to fully utilize our 41 planes.

/ The old age and very high operating costs of our equipment add to our problems. To be sure, we have signed a very favorable contract for selling our old planes to the USSR. Thanks to this, we will have funds to purchase new planes, but so far the time of delivery and the type of equipment are not known. They may be Jak 42 or wide-body IL 86, but we will lack all-purpose planes which can transport both passengers and cargo. /

Now is the time to say openly that we cannot afford other equipment and that we must adjust to operating the planes we have and the planes we can purchase.

However, we should proceed with more efficiency and speed in looking for a job for equipment and personnel. It is known that at this moment there is no chance of restoring the Far Eastern line and flights to the USA and also to fully employ planes on other routes. A redirection of lines and the assignment of a larger number of planes for flights to Libya and Iran could be a way out. It is not easy to increase the frequency of flights. However, at present one has to wait for 3 months for a seat on a flight to Libya.

Also, increasing cargo transportation can be given some thought, and even more so because we are said to have received such offers and only have to solve the problem of adjusting our planes for cargo transportation. Do we have to ship our cargo by car to Frankfurt and by Lufthansa planes across the ocean from there? LOT can do it and make profit in the process just as well.

In search of a way to overcome the deep impasse, LOT has begun turning to various forms of auxiliary production. At the same time, a so-called review of personnel has started throughout the enterprise. These actions are forced but necessary under the present circumstances. There is no hope of using the planes and crews abroad, because there has been a drop in transportation everywhere. Therefore, a solution must be sought in developing services and cooperation with foreign partners. This, however, is not simple. For example, buses could be painted, but there is no paint. Also, there are no materials to produce high-pressure conduits which are in great demand. Maybe, we will manage to paint several Bulgarian and Hungarian planes and produce some accessories for the USSR. Repairs of engines and An-2 planes are also planned.

Finding employment for pilots is more complicated. It would be easy to let them go or retain them as stewards or office workers. However, this is no way out, especially given reductions in employment in offices abroad and ticket offices at home. In New York, 11 persons are currently employed instead of the 30 that used to work there; personnel in Paris has been reduced from 8 to 4.

It would seem that adaptation to existing conditions and surviving the period of crisis are the most important in this extremely difficult situation. Air traffic is beginning to come back slowly. However, it will certainly be several years before air transportation can pull its weight. Maybe, it will not come to selling planes in order to provide salaries for employees, but no development in air transportation can be expected in the absence of growth in exports and tourism.

/ In adjusting the activity to new economic and supply conditions, no effort should be spared in order to preserve the basic stock (personnel, equipment, airports), because, as I have stated in the introduction, it is impossible to imagine Poland without air transportation, both domestic and foreign. /

9761
CSO: 2600/693

MEASURES TO MAKE AUTOMATION, COMPUTER EXPORTS COMPETITIVE

Bucharest REVISTA ECONOMICA in Romanian Nos 22, 23, 4, 11 Jun 82

/Article by Matei Constantin, chairman of the Scientific Council of the Institute of Scientific Research and Technological Engineering for Automation and Telecommunications (Part I), and Dr Ovidiu Rujan (Part II): "Export of Peak Equipment Promoted"/

/4 Jun 82, pp 15-16/

/Text/ Automation Systems

The Directives of the 12th RCP Congress and the Law in Ratification of the Uniform National Plan for Romania's Socioeconomic Development in the 1981-1985 Period assign the field of automation means one of the highest production growth rates, with special emphasis on increased exports and especially exports of industrial products incorporating more labor and Romanian know-how.

Therefore it is not only important to increase the volume of production but it is also vital to provide for the technical standard of the products, their quality, reliability and competitive power, as essential means to increasing their export.

On the world level the production and performances of automation means are undergoing a very pronounced evolution, especially the performances. The cost-performance ratio is increasing rapidly, by an average of 2 times in 2 or 3 years, in which time such a product becomes obsolete. This evolution is primarily due to the growing use of the advances of electronics in general and of digital computing equipment in particular, which are peak fields of science and technology. Product reliability is specially emphasized, and electronic equipment is becoming more reliable than the mechanical devices.

Although production of automation means is one of the few outputs that is maintaining a quite high growth rate in the capitalist countries under the present conditions of economic crisis, the competition is particularly keen and demands greater research and development efforts on the part of the producers to maintain the competitive power of the products. Considerable sums (up to 10 percent of the value of the output) are being allocated for this purpose.

Under these circumstances Romania has been trying to catch up with the quality of the machinery and equipment made in the developed countries, to which end the IPA /Institute of Scientific Research and Technological Engineering for Automation/ has been assigned very challenging tasks. It can be seen that the technical level of the performances of the products resulting from research and design corresponds in general to worldwide results, with a pronounced increase in the degree of electronization of the automation installations and equipment, which now amounts to more than 65 percent.

As we know the E-line electronic control system, composed of analog devices in equipment with germanium transistors, was assimilated on the basis of a license in Romania in 1965-1970. Later on two new generations of that system were developed by Romanian design, one in 1975-1980 based on silicon transistors and the SEROM system, and the other in the 1980's based on integrated circuits, which in general made it possible to maintain the performances and competitive power of the system on the level of comparable products of the Taylor, Foxboro and other firms.

In the last few years a basic trend set in toward use of digital computing equipment based on microprocesses in increasingly complex systems as extensively as possible in all types of automation means, resulting in a spectacular improvement in the latter's performances such as precision, reliability, diversification of functions and ranges, etc.

The ECAROM machine (designed by the IPA and manufactured by the FEA /Factory for Automation Elements/) is one example. It is a small computer of generations 3.5-4 designed to control technological processes that has been internationally approved for the CEMA countries both separately and with the INDEPENDENT 100-INDECAR-ECAROM process computing system. In the latter variant it is also attested by the French CERCI firm. The system is already in use in various industrial capacities like cement factories, gas fields, tire factories, the chemical industry, the passenger car industry, machine building enterprises, etc.

The NUMEROM electronic system for digital control of machine tools, also designed by the IPA and manufactured by the FEA, includes a wide assortment of machines from simple entry posting to computer control. Many members of this family have performances up to European standards.

The distributed process control system, now in the final stage of design at the IPA and Automatica, incorporates a great many units with various functions and with good performances based on peak equipment (uP, transmission of data through optic fibers, display with a color cathode-ray tube). Such systems are made by only a few firms in highly developed countries like Honeywell and Foxboro in the United States, Siemens and Hartmann-Braun in the FRG, Toshiba and Hokushin in Japan and a few others. Note that more and more beneficiaries are demanding supplies for equipping the capacity with distributed control systems in their requests for complete installations for export.

The quality of the automation means manufactured in Romania is also attested by the fact that they have been exported to several countries of the world to equip various installations like the Banias Refinery in Syria, the cement factories in Sheik Said in Syria and in Kakani and Nasice in Yugoslavia, the Hamrawein

Phosphates Complex in Egypt, steam generating stations in the GDR etc. The foreign beneficiaries have all appreciated the modern design of the Romanian systems and the quality of the automation equipment, and that has helped to promote exports of technological installations and equipment in the respective fields. Direct export is illustrated by the massive deliveries of electronic equipment for regulating the operating speed of electric motors to the USSR and other countries, a field in which the quality of the products designed by the IPA and manufactured by Electrotehnica entirely meets the INTERELECTRO standards.

Quality, Reliability and Competitive Power

A continuing effort has been made in both research and production to enhance the reliability of electronic automation equipment and especially of digital equipment.

The institute and manufacturing enterprises are taking steps in all stages of design and manufacture to further improve the quality and perormances of this equipment.

The causes of the shortcomings, the reliability of each element, and measures to eliminate the weaknesses were analyzed in the research stage. One important conclusion from these studies was the qualitative dependence of the performances of automation equipment upon the quality of the electronic components, a subject on which progress has been made through collaboration with the specialized institutes and enterprises.

Note that the quality and reliability of automation equipment must be improved while the imports of components are rationalized and the consumption of materials is reduced. Because of that situation a number of efforts has been made to assimilate a wide variety of electronic components in Romania like extensively integrated circuits (microprocessers, semiconductor memories, A/N and N/A [expansions unknown] converters, hybrid circuits, CMOS circuits with much lower consumption than the TTL circuits now manufactured) and components with better performances and in highly reliable professional varieties. Meeting the qualitative and structural requirements for components of automation equipment will be essential to the competitive power of Romanian products on the foreign market as well.

In the production stage, some particular modern manufacturing methods have begun to be introduced such as grading and aging the components and overall [in val] tin plating, while the institute's efforts are concentrated on mechanization and automation of operations for automatic installation of the components and automatic testing of the components, subassemblies and products in all units making automation equipment. Note that the technologies for automatic control are now being developed in the institute as an integral part of the design of the new products. To this end we have developed and assimilated a family of automatic testing devices based on small computers (THETAROM). Use of these testers produces spectacular gains in productivity of control operations (by dozens of times) and, more important, a better quality of the controlled products.

In the design stage, the effort is being made to obtain higher quality and reliability through design of the adjustment process, selection of procedures and provision for suitable solutions. This enhances the reliability indicator for the whole automation installation. For example in the case of the distributed control systems, from an MTBF [expansion unknown] initially of about 1,000 hours for the weakest modules, a value of more than 50,000 hours is attained for an assembly for adjustment and control of the process. In this way a reliable system is achieved with less reliable elements.

Automation installations for units in the most varied industrial sectors have been designed and produced lately practically in their entirety in Romania, the most important ones by the IPA. The quality and degree of automation of these installations are comparable to those of similar systems designed and manufactured by famous firms using electronic adjustment systems, programmable automated elements, and computerized servicing and control.

We mention by way of examples the automation of pyrolosis installation II at the Pitesti Chemical Combine, the monomer and polymer installations at the Rimnicu Vilcea Chemical Combine, the Slobozia, Turnu Magurele and Arad chemical fertilizers combines, the Hoghiz, Deva and Tasca cement factories with high-capacity production lines, the sugar, oil and margarine factories, the high-capacity conveyor-belt lines and many others.

The wealth of experience acquired in preparing and activating many such automation installations used in various and highly important industrial capacities enhances the prestige of the automation devices and equipment for export as well as the value of deliveries of complete installations that consequently incorporate a higher proportion of exported know-how. By lending better characteristics for the management and operation of the industrial capacities Romania builds abroad, automation facilitates this kind of export in the face of increasingly keen competition. But in such cases consulting, engineering and technical propaganda activity is controlling for export of automation means.

What Makes the Systems Effective?

Now that digital computing equipment is being used on an increasingly wide scale the programming effort representing over 50 percent of the value (with a tendency to reach 70-75 percent) can enhance and even determine the competitive power, quality and even the reliability of modern electronic automation means. The basic programs, and especially the applied ones, that have been developed and tested in Romania so far are only a beginning but they will be a decisive factor for future exports of automation equipment.

As we know software is a bottleneck on the world level and a sore point difficult to handle because the requirement exceeds the capacity of even the well-known specialized firms to produce it. The world's big producers, specialized firms like Foxboro, Honeywell and Taylor, have come to the same conclusion and are studying possibilities of international cooperation for the purpose.

Therefore it is necessary to prepare progams to be amplified and diversified as a sure and effective means of increasing the value and competitive power of Romanian products for export.

Another way to increase competitive power is to correlate improvement in automation equipment with modernization of the automated object (machine tool, equipment, technological installation) to permit efficient use of automation. But some installations and equipment are not originally designed for automated operation, and others are not reliable enough. And we also think organization and continuing improvement of personnel training for research, design, programming, production and maintenance of automation equipment are important factors in providing for the quality and competitive power of Romanian products. The latter can be promoted on the foreign market only by correlating their rapid adjustment to the evolution of the general technical standard with their adjustment to the customer's particular demands.

/11 Jun 82, pp 15-16, 24/

/Text/ Electronic Computers

The strategy of manufacture of electronic computers, professional electronic components and integrated circuits in Romania was formulated 15 years ago in drafting the Program to Supply the National Economy with Computing Equipment in 1967. An important part in this industry's development was also played by the Decision on Improvement of the Socioeconomic Information System, Introduction of Management Systems with ADP Facilities, and Supply of the National Economy with Computing Equipment ratified at the Plenum of the RCP Central Committee in April 1972, which also set the basic policies of this field as follows:

- Priority introduction of ADP in enterprises, industrial centrals, research institutes and coordinating units for rationalizing production;

- Concentration of facilities in large computing centers;

- Uniform design of data processing systems for management;

- Personnel training in data processing;

- Series production of high-performance equipment.

Today the Romanian computing equipment industry is concentrated in many production units coordinated by the CIETC /Industrial Central for Electronics and Computer Technology/. The main production and research units under CIETC are the Electronic Computers Enterprise, the Related Equipment Enterprise, and the Enterprise for Maintenance and Repair of Computing Equipment, which has many branches throughout Romania. Equipment related to electronic computers is manufactured in units coordinated by the CIETA /Industrial Central for Telecommunications and Automation Equipment/, and some related equipment is manufactured by the mixed Romanian-American Company ROMCONTROL DATA with headquarters in Bucharest.

The Institute for Computer Technology, specializing in software and research, operates as a specialized unit for scientific research and technological engineering in the field of computer technology with branches in Timisoara and Cluj-Napoca.

Showing a steady gain, Romanian computer production was about 5 times greater in the 1976-1980 Five-Year Plan than it was in the preceding period. Production of third generation electronic computers was started in 1971 on the basis of a license from CII (Compagnie Internationale pour l'Informatique in France) and was then greatly diversified and modernized by means of Romanian designs and went into the more advanced computer generations.

The Romanian industry now supplies almost the entire assortment of computing equipment required by the national economy, namely computing systems of medium-large, medium and small capacity in the FELIX family; MC-80, Independent I-100 and CORAL-4011 minicomputers, M 18, M 118 and other small computers; machines for medium and small scale mechanization (CE 128, CE 129 T etc.); related equipment; on-line systems for collecting and introducing data of the IEC and SID types; memory modules with ferrites and integrated circuits; and FC-16, FC-128 and other invoicing and accounting machines.

Table 1. Main American Firms' Output of Electronic Computing Equipment in 1980

| Nr crt. 1 | Firma 2 | Poziția în anul 1979 3 | Producția în anul 1980 (mld $) 4 | Creștere față de anul precedent (%) 5 |
|---|---|---|---|---|
| 1. | IBM | 1 | 21 367 | 17 |
| 2. | NCR | 2 | 2 840 | 12 |
| 3. | Control Data Corp | 4 | 2 790 | 23 |
| 4. | Digital Equipment Corp. | 6 | 2 743 | 35 |
| 5. | Sperry Corp. | 5 | 2 552 | 12 |
| 6 | Burroughs | 3 | 2 473 | 1 |
| 7. | Honeywell | 7 | 1 634 | 12 |
| 8 | Hewlett-Packard | 8 | 1 577 | 37 |
| 9. | Xerox | 10 | 770 | 35 |
| 10. | Memorex | 9 | 638 | 4 |

6 Sursa : Datamation, June 1981, pag. 102.

1. Serial number
2. Firm
3. Position in 1979
4. Output in 1980 (millions of dollars)
5. Increase from previous year (%)
6. Source

The current five-year plan calls for an output in 1985 more than 2 times greater than in 1980. The present relatively advanced equipment of the national economy with computer technology as well as the necessity of self-administration based on the favorable balance of exports and imports on the subsector level require further promotion of export of electronic computers through assimilation of new products with better performances that will make better use of Romanian know-how on the foreign market, accompanied by development of distribution systems for the trade in computing equipment.

## Attraction of a Sector That Defies the Crisis

Of course formulation of the export strategy must be based upon analysis of the current characteristics of the international market for computing equipment (1). Production of electronic computing equipment is highly dynamic, and over 90 percent of it is concentrated in the United States, West Europe (France, the FRG and England) and Japan. As indicated by the figures in Table 1, the world market for electronic computing equipment is dominated by the American producers and their branches abroad, among which the IBM firm is outstanding (about 50 percent of the world output). And production in West Europe is also dominated by the branches of the American firms. According to the data published by the journal DATAMATION in 1980, six of the first 10 firms making computing equipment in West Europe were American (Table 2). Japan's output of computing equipment has grown rapidly, its total value doubling every 4-5 years. The main Japanese producers (Hitaki, Toshiba and Fujitsu) are in the first places on the scale of of non-American firms in the field of computing equipment.

The production structure of electronic computing equipment is dominated by computers, followed by external memory units, devices for collecting data and teleprocessing, various related equipment, and parts of computers or devices. Production of related equipment shows a pronounced tendency to increase more rapidly than that of the central units. There are differences in the production structures of the big producers. In West Europe office equipment and computers are in a relatively high proportion of the total output, while in Japan and the United States it is related equipment. Specialization also continues on the level of the firms, both in production of central units and related equipment and in production of software.

The field under consideration is also characterized by cooperation in production on the levels of both the firms and the producer countries. In 1980 Japan, the United States, the FRG, England and France concluded an intergovernmental agreement for joint scientific research and production in order to develop computers of advanced generations.

The big producers of computing equipment are making increasingly frequent efforts to standardize and unify sizes and functions, especially for related devices in order to make the interchangeable.

The socialist countries are making similar efforts to improve this output. In the "Uniform Series of Electronic Computers" (RIAD), in which several CEMA countries including Romania are participating, it is planned to expedite design and manufacture of computers of generations 3.5-4 (RIAD 2 and RIAD 3), which are compatible with the IBM systems.

Among the other socialist countries, the People's Republic of China has made major progress in production of electronic coputing equipment in the fields of minicomputers, devices for process control, and automations in industry.

In the last few years the developing countries have begun to emphasize development of national industries for electronic computing equipment. Usually under foreign licenses, Brazil, Peru and Argentina have started to make some devices, especially office and pocket computers, minicomputers and some related

equipment. Morocco has developed its computer assembly activities, and some Arab countries are producing related equipment and auxiliary elements. India is producing medium computers of domestic design, and Algeria is oriented toward related equipment.

The world demand for computing equipment shows a steady increase averaging 15 percent a year, determined by intensified automation of production, by more extensive use of computers in economies, in scientific research, and in banking, services and trade, and also by the large volume of military orders.

The main sectors consuming electronic computing equipment throughout the world are industry, consuming about one-third of the total, banking (19 percent), services (16 percent), trade (9 percent) and other sectors (23 percent).

Table 2. Main West European Firms' Output of Electronic Computing Equipment in 1980

| Nr. crt. 1 | Firma 2 | Ţara de origine 3 | Producţia (mil. $) 4 | Creştere faţă de anul precedent (%) 5 |
|---|---|---|---|---|
| 1. | IBM | S.U.A. | 9 902 | 12 |
| 2. | Siemens | R.F.G. | 1 505 | 10 |
| 3. | CII-Honeywell Bull | Franţa | 1 444 | 23 |
| 4. | ICL | Anglia | 1 300 | 13 |
| 5. | Olivetti | Italia | 876 | 23 |
| 6. | Sperry Univac | S.U.A. | 825 | [illegible] |
| 7. | NCR | S.U.A. | 810 | 27 |
| 8. | DEC | S.U.A. | 786 | 39 |
| 9. | CDC | S.U.A. | 764 | 34 |
| 10. | Burroughs | S.U.A. | 734 | 14 |

6 Sursa : Datamation, August 1981.

1. Serial number
2. Firm
3. Country of origin
4. Output (millions of dollars)
5. Increase from previous year (%)
6. Source

In the structure of the world demand for electronic computing equipment, the main part is played by computer systems (52 percent), followed by related equipment (29 percent), office equipment (14 percent), data transmission equipment (3 percent) and computers for private use (2 percent).

Due to the increasing world demand international trade in electronic computing equipment has shown a steady growth, reaching $13.2 in 1980 (2) or about 22 percent of the total output.

Computer systems and related equipment predominate with a rising trend in the structure of international exchanges. The developed capitalist countries

account for about 97 percent of the exports and 89 percent of the world's imports of electronic computing equipment. The main flows of exchanges are determined by the specialties of the big producers, who are also big consumers of electronic computing equipment. The West European countries import related equipment primarily, Japan imports central units primarily, and a large part of U.S. imports consist of office and pocket computers.

The developing countries account for 3 percent of the world's exports and 10 percent of its imports. The main exporters are the United States (29 percent of world exports in 1980), the FRG (18 percent), England (15 percent), France (12 percent), Italy (8 percent), Japan (6 percent) etc., and their proportions fluctuate considerably from one year to the next.

A recent study indicates that competition on the market for electronic computing equipment will be increasingly keen in the present decade. Various marketing methods are in use to gain new markets under these circumstances, the more important of which are sale of systems (hardware) together with basic and applied programs (software) including training the beneficiary's personnel and providing the necessary service, sale of the applied software (routine or upon request), leasing (between a specialized leasing firm and various beneficiaries), rendering services at cost, deliveries of equipment through subcontracting for computer systems (from producer to producer), rendering engineering services and those for designing data-processing and service systems, and granting patents, production under a license, and know-how.

Improvement of Supply Structure

In view of the necessity of paying for imports of equipment, parts and subassemblies essential to domestic production and of computers with particular technical characteristics not covered by domestic production, export of computing equipment will continue to be one of the major aims of exporting machinery and equipment.

Due to the keen competition on the market as well as the structure of the export products, the gains in export in the 1976-1980 period were in relatively small and sometimes below-plan values although there were annual increases (See Table 3).

As for structure, we note that the great majority of the exports fall into two groups, electronic computers and invoicing machines, confirming both the trend of the foreign demand toward equipment with better performances and the need of new strategies for the other types of products (related and data-collection equipment, memory modules etc.) in regard to structure and methods of supply.

Table 3. Evolution of Romanian Export of Electronic Computing Equipment (in millions of lei in foreign exchange)

| | 1976 | 1977 | 1978 | 1979 | 1980 |
|---|---|---|---|---|---|
| Value | 10.2 | 20.7 | 37.4 | 131.8 | 55.9 |
| Percent | 100 | 203 | 367 | 1,292 | 560 |

Source: Statistical Yearbook of Romania, Bucharest, 1981.

As for the products, the efforts that can be made will be concentrated mainly upon measures to renovate and diversify the respective output, such as manufacture of the new series of universal computers of an advanced generation, development and diversification of minicomputer production, design and assimilation of data-transmission equipment with which computer networks can be produced, assimilation of off-line data-introduction systems to relieve the systems of most of the operations preliminary to actual processing, development of design activity to supplement electronic computers in complex industrial installations, and development of programs for applications (routine or upon request) needed by beneficiaries on the international market.

A joint effort by specialists in the Electronic Computers Enterprise, the Institute for Computer Technology and the Enterprise for Peripheral Equipment is considered necessary to implement these measures so that the problems encountered will be promptly solved and the constant novelty of the products will be ensured and maintained by close collaboration between production and research.

For purposes of promoting exports, the following are considered the chief measures to be taken to facilitate penetration of the foreign markets by the products of Romanian computer technology: organization of a national center to provide for domestic production of software accompanied by coordination of efforts to design the applied programs, and internal regulation of the obligation of general suppliers of complex installations, in preparing their supplies and in concluding their export contracts, to consider equipping the respective installations with production-management and management systems employing computing equipment manufactured in Romania.

Romania is orienting its production along the most dynamic lines of peak technology in view of the worldwide trends of demand for and production of electronic computing equipment, namely the rather pronounced rise of peripheral equipment to equal importance with the computer systems and polarization, within the latter, of the demand toward large systems and minicomputers, as well as the practically unlimited development of software production. The new components of the family of Felix computers, with a medium-large capacity, offer a double compatibility with both the IBM and the RIAD systems. The Romanian minicomputers (Independent and Coral), built on the basis of advanced technologies, are provided with developed peripheral equipment (rapid printers, modern posting devices etc.) compatible with the most widespread computers in that group, and they are in demand for export to both the socialist countries and the developed capitalist countries.

Production of peripheral equipment is being expanded and diversified alongside improvement of the computers, in order to generalize collection and introduction of data on magnetic supports as well as teleprocessing and to expand the distributed data processing.

The following strategies can be considered for penetrating the foreign markets:

- Negotiation, in the long-term agreements, of specified quotas for Romanian exports to the respective connections;

- A sustained economic propaganda and effective advertising effort on the part of the Romanian general supplier and exporter for both hardware and basic and

applied software, participation in the international trade fairs (especially the SICOB salon in Paris), and organization of specialized exhibits for the benefit of specialists.

- Diversification of marketing methods according to experience on the world market (Coordination of the producer with the consumer requires shortening the channels of distribution of electronic computing equipment by founding mixed marketing companies to cover geographic areas with a dynamic demand and a high economic potential, as well as trade bureaus and computer or service centers).

FOOTNOTES

1. ASE /Academy of Economic Studies/ - ICCM /Research Institute for Machine Building/, "Promotion of Exports of Machinery and Equipment in the 1981-1985 Period," Bucharest, 1981.

2. Cf. BULETIN DE INFORMARE COMERCIALA EXTERNA (BIKI) (in Russian), Supplement No 3, 1981, p 123.

5186
CSO: 2700/297

NUMBER OF CATTLE, PIGS, SHEEP, HORSES, POULTRY

Belgrade EKONOMIK POLJOPRIVREDE in Serbo-Croatian No 4, Apr 82 pp 269-272

[Article by Rade Kravic: "Numbers of Livestock on 15 January 1982"]

[Text] According to the preliminary data of the Federal Institute for Statistics, the numbers of livestock this year in comparison with last year have shown a tendency toward a slight increase. In order to continue the tendency to increase them and to ensure stable livestock production, it is essential to achieve greater production and an income linkage among those involved in production, processing, and trade. It is particularly important to achieve stronger production ties between the social and individual sectors.

According to these data, the total number of cattle, both overall and by farms, at the beginning of this year was 1 percent less than at the beginning of 1981. This reduction was the result of the 1 percent fewer number of cows and pregnant heifers. The situation on socially owned farms was at the level of 1981. There has been a slight increase in the total number of cattle in Bosnia-Hercegovina (about 2 percent), Montenegro (about 2 percent), and Kosovo (about 3 percent), because the number on the farms of individual agricultural producers has increased. In some republics and Vojvodina, there was a noticeable reduction, both overall and in the number of cattle on farms, although there was a slight increase in the number of cattle on socially owned farms. The largest drop, both in the total number of cattle and in the total number of cows and pregnant heifers, was in Macedonia, by about 5 percent, with about 8 percent and 3 percent, respectively, on the socially owned farms, and about 5 percent on the individual farms.

The total number of pigs and the number of pigs on individual farms at the beginning of the year was 7 percent larger, and about 9 percent larger on the socially owned farms. This increase was caused, among other things, by an increase in the total number of sows and pregnant young pigs (about 4 percent), and the number of sows and pregnant young pigs on socially owned farms (about 7 percent) and on individual farms (about 4 percent). The largest increase was in Bosnia-Hercegovina, in the total number of pigs (about 22 percent) and the number of pigs on individual farms (about 26 percent), while there was a slight increase in the rest of the republics and provinces. This trend is the result of an increase in the number of sows and pregnant young pigs in all of the republics and provinces except Montenegro and Slovenia, where there was a noticeable drop.

The total number of sheep and breeding sheep was at the level of the preceding year. There was a slight increase on the socially owned farms, by about 2 percent in the total number and about 4 percent in the number of breeding sheep. The largest increase was in Vojvodina, by about 12 percent in the total number of sheep and somewhat less in the number of breeding sheep, about 3 percent, and Slovenia, by about 8 percent in the total number and the number of breeding sheep, while in the other republics the situation was at the level of the preceding year, except in Bosnia-Hercegovina, Montenegro, and Kosovo, where there was a slight reduction in the total number of sheep and the number of breeding sheep, although in Bosnia-Hercegovina there was an increase in the number of breeding sheep (by about 1 percent).

The total number of poultry has shown a tendency toward a slight increase (by about 3 percent). This is the result of an increase in the number of poultry on socially owned farms (by about 3 percent), but also a considerable reduction in the number of poultry on individual farms (by about 4 percent). The largest drop was in Kosovo, by about 10 percent in the total number of poultry and about 14 percent on the individual farms, and Macedonia, by about 3 percent in the total number of poultry and the number on the individual farms.

This trend in the number of livestock at the beginning of the year, at the level of the preceding year, is, among other things, the result of an increased slaughter of young livestock. Calves, piglets, and lambs are most represented in the structure of the slaughter of livestock, especially on individual farms. A continuation of such a tendency in the slaughter of young livestock will have a significant effect on the normal development of the livestock.

Number of Livestock on 15 January 1982

| Region | Total | Agricultural organizations (in thousands of head) | Farms of individual producers | 1981 index = 100 | | |
|---|---|---|---|---|---|---|
| | | | | Total | Agricultural organizations | Farms of individual producers |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| | | | CATTLE -- TOTAL | | | |
| Yugoslavia | 5,441 | 478 | 4,963 | 99 | 99 | 99 |
| Bosnia-Hercegovina | 964 | 27 | 937 | 102 | 87 | 102 |
| Montenegro | 186 | 2 | 184 | 102 | 110 | 102 |
| Croatia | 962 | 182 | 780 | 99 | 104 | 98 |
| Macedonia | 371 | 19 | 352 | 95 | 92 | 95 |
| Slovenia | 565 | 66 | 499 | 99 | 99 | 100 |
| Serbia | 2,393 | 181 | 2,211 | 99 | 98 | 99 |
| Serbia proper | 1,658 | 116 | 1,541 | 99 | 96 | 99 |
| Kosovo | 410 | 5 | 405 | 103 | 109 | 103 |
| Vojvodina | 325 | 60 | 265 | 97 | 100 | 97 |
| | | | COWS AND PREGNANT HEIFERS | | | |
| Yugoslavia | 3,070 | 89 | 2,982 | 99 | 100 | 99 |
| Bosnia-Hercegovina | 645 | 8 | 637 | 99 | 93 | 99 |
| Montenegro | 121 | 1 | 120 | 104 | 90 | 104 |
| Croatia | 580 | 12 | 568 | 97 | 106 | 97 |
| Macedonia | 149 | 10 | 139 | 95 | 97 | 95 |
| Slovenia | 264 | 12 | 253 | 100 | 98 | 100 |
| Serbia | 1,311 | 47 | 1,265 | 101 | 101 | 100 |
| Serbia proper | 962 | 23 | 939 | 99 | 100 | 99 |
| Kosovo | 219 | 3 | 217 | 108 | 128 | 108 |
| Vojvodina | 130 | 21 | 109 | 102 | 101 | 102 |

| Region | Total | Agricultural organizations (in thousands of head) | Farms of individual producers | 1981 index = 100 | | |
|---|---|---|---|---|---|---|
| | | | | Total | Agricultural organizations | Farms of individual producers |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| | | | PIGS -- TOTAL | | | |
| Yugoslavia | 8,477 | 1,669 | 6,778 | 107 | 109 | 107 |
| Bosnia-Hercegovina | 681 | 90 | 591 | 122 | 100 | 126 |
| Montenegro | 27 | 7 | 20 | 116 | 113 | 117 |
| Croatia | 1,866 | 483 | 1,383 | 198 | 108 | 108 |
| Macedonia | 210 | 92 | 118 | 109 | 109 | 110 |
| Slovenia | 574 | 189 | 355 | 107 | 113 | 104 |
| Serbia | 5,119 | 808 | 4,311 | 106 | 110 | 101 |
| Serbia proper | 2,720 | 215 | 2,505 | 106 | 108 | 106 |
| Kosovo | 59 | 18 | 41 | 106 | 100 | 109 |
| Vojvodina | 2,340 | 575 | 1,765 | 105 | 112 | 103 |
| | | | SOWS AND PREGNANT YOUNG PIGS | | | |
| Yugoslvaia | 1,333 | 131 | 1,202 | 104 | 107 | 104 |
| Bosnia-Hercegovina | 107 | 8 | 99 | 110 | 99 | 111 |
| Montenegro | 3 | 1 | 2 | 95 | 90 | 97 |
| Croatia | 254 | 32 | 222 | 104 | 121 | 102 |
| Macedonia | 29 | 10 | 19 | 100 | 96 | 103 |
| Slovenia | 52 | 16 | 36 | 95 | 95 | 95 |
| Serbia | 888 | 64 | 824 | 104 | 107 | 104 |
| Serbia proper | 639 | 13 | 626 | 104 | 94 | 105 |
| Kosovo | 12 | 2 | 10 | 103 | 108 | 102 |
| Vojvodina | 237 | 49 | 188 | 104 | 117 | 102 |

| Region | Total | Agricultural organizations (in thousands of head) | Farms of individual producers | 1981 index = 100 Total | Agricultural organizations | Farms of individu producer |
|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| | | | SHEEP -- TOTAL | | | |
| Yugoslavia | 7,417 | 252 | 7,164 | 100 | 102 | 100 |
| Bosnia-Hercegovina | 1,375 | 12 | 1,363 | 99 | 100 | 99 |
| Montenegro | 482 | 4 | 478 | 98 | 137 | 98 |
| Croatia | 729 | 25 | 704 | 100 | 108 | 100 |
| Macedonia | 2,162 | 165 | 1,997 | 102 | 98 | 102 |
| Slovenia | 16 | 0 | 16 | 108 | 107 | 108 |
| Serbia | 2,653 | 46 | 2,606 | 105 | 113 | 100 |
| Serbia proper | 2,004 | 21 | 1,983 | 100 | 109 | 99 |
| Kosovo | 341 | 6 | 334 | 97 | 163 | 98 |
| Vojvodina | 308 | 19 | 289 | 112 | 106 | 112 |
| | | | BREEDING SHEEP | | | |
| Yugoslavia | 5,366 | 182 | 5,184 | 100 | 104 | 100 |
| Bosnia-Hercegovina | 1,019 | 6 | 1,013 | 101 | 80 | 101 |
| Montenegro | 390 | 3 | 387 | 97 | 133 | 97 |
| Croatia | 573 | 19 | 554 | 101 | 102 | 101 |
| Macedonia | 1,466 | 124 | 1,341 | 102 | 103 | 102 |
| Slovenia | 9 | 0 | 9 | 108 | 449 | 107 |
| Serbia | 1,910 | 30 | 1,880 | 99 | 116 | 99 |
| Serbia proper | 1,493 | 16 | 1,477 | 99 | 125 | 98 |
| Kosovo | 246 | 3 | 243 | 96 | 110 | 96 |
| Vojvodina | 171 | 11 | 160 | 103 | 106 | 103 |

| Region | Total | Agricultural organizations | Farms of individual producers | 1981 index = 100 | | |
|---|---|---|---|---|---|---|
| | | (in thousands of head) | | Total | Agricultural organizations | Farms of individual producers |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| | | | HORSES -- TOTAL | | | |
| Yugoslavia | 507 | 3 | 504 | 88 | 100 | 88 |
| Bosnia-Hercegovina | 134 | 1 | 133 | 84 | 113 | 84 |
| Montenegro | 24 | 0 | 24 | 93 | 30 | 93 |
| Croatia | 86 | 0 | 86 | 87 | 106 | 87 |
| Macedonia | 90 | 0 | 89 | 95 | 109 | 95 |
| Slovenia | 17 | 0 | 17 | 96 | 123 | 95 |
| Serbia | 156 | 1 | 155 | 88 | 82 | 88 |
| Serbia proper | 73 | 0 | 73 | 89 | 40 | 89 |
| Kosovo | 40 | 0 | 40 | 83 | 100 | 83 |
| Vojvodina | 43 | 1 | 42 | 90 | 86 | 90 |
| | | | POULTRY -- TOTAL | | | |
| Yugoslavia | 66,398 | 26,985 | 39,414 | 101 | 105 | 96 |
| Bosnia-Hercegovina | 8,912 | 3,079 | 5,883 | 103 | 110 | 110 |
| Montenegro | 736 | 6 | 730 | 112 | 123 | 112 |
| Croatia | 15,648 | 7,353 | 8,295 | 102 | 107 | 99 |
| Macedonia | 4,775 | 2,283 | 2,492 | 97 | 97 | 97 |
| Slovenia | 11,248 | 9,783 | 1,465 | 103 | 104 | 97 |
| Serbia | 25,079 | 4,480 | 20,595 | 99 | 108 | 98 |
| Serbia proper | 14,119 | 2,548 | 11,571 | 98 | 100 | 88 |
| Kosovo | 1,896 | 278 | 1,618 | 90 | 114 | 86 |
| Vojvodina | 9,064 | 1,654 | 7,410 | 103 | 122 | 100 |

END

JPRS 81429

3 August 1982

# East Europe Report

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2299

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3 August 1982

# EAST EUROPE REPORT

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2299

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BULGARIAN FOREIGN TRADE MINISTER INTERVIEWED

Moscow IZVESTIYA in Russian 21 May 82 p 5

[Interview with Khristo Khristov, Bulgarian minister of foreign trade, by IZVESTIYA correspondent V. Lukashin: "To Strengthen Cooperation"]

[Text] [Question] Of what importance is foreign trade for the further development of the Bulgarian economy?

[Answer] The role of foreign trade in the socioeconomic development of Bulgaria is determined primarily by the tasks of socialist construction. Of course it is also essential to consider the particular features of our national economy with its certain limited natural resources and domestic market.

Foreign trade ties have always been of greater importance for successfully carrying out the tasks which had to be resolved by our nation over the more than three and a half decades of socialist development. This was the case during the period of establishing the present-day industrial-agrarian structure of the economy. This was the case during the years when accelerated development of heavy industry, electronic and machine building was essential. Finally, it is essential now when, in accord with the decisions of the 12th BCP [Bulgarian Communist Party] Congress a transition is being made to production intensification and the comprehensive improvement of the nation's economic life.

In giving the report of the BCP Central Committee to the 12th Party Congress, Comrade Todor Zhivkov said: "Our participation in the international division of labor is viewed by us as an exceptionally important and powerful factor in the all-round intensification of the national economy. For this reason in the Eighth Five-Year Plan the growth of foreign trade turnover should significantly outstrip the growth of national income."

Thus, foreign trade has now become a powerful and very active factor in improving the structure of the various national economic sectors and the economy as a whole, for raising social labor productivity and for the rapid introduction and effective realization of the achievements of scientific and technical progress.

[Question] Please tell us about the economic ties of Bulgaria with the USSR and the other socialist countries.

[Answer] The economic ties between Bulgaria and the USSR are carried out, as is known, on the basis of long-term intergovernmental agreements which define the volume and range of the reciprocally delivered goods for a 5-year period. These agreements are of very important significance for the intensive development of all the national economic sectors and they guarantee the planned and rhythmical supply of Bulgaria with the necessary machines, raw products and other goods. At the same time, they ensure the stable sales of our industrial and agricultural products.

It is essential to accentuate the growth rates of trade between our nations. Over the last 10 years, the average annual increase in the foreign trade volume was 12-14 percent. In 1976-1980, the volume of two-way deliveries reached 29 billion rubles. Is this much or little? For comparison's sake I would say that this exceeds the volume of trade over the period of the three previous five-year plans taken together.

I would like to recall that the USSR has always held and presently holds first place in Bulgarian foreign trade turnover. The USSR is responsible for over 50 percent of our nation's total foreign trade. In turn, Bulgaria holds third or fourth place in Soviet foreign trade. During the period from 1981 through 1985, trade between our nations will significantly increase. The value of the two-way deliveries will exceed 40 billion rubles.

Our trade ties have assumed particular scope after the adoption of the General Plan for Specialization and Cooperation in the Area of Material Production between Bulgaria and the USSR up to 1990. New horizons have been opened up for the further development of specialization and cooperation in the area of machine building, electronics, electrical engineering, chemistry and petrochemistry. Here are just a few facts. Between our nations there are over 30 agreements in effect on specialization and cooperation for the period from 1981 through 1985 and about 40 sectorial programs for specialization and cooperation have been signed up to the year 1990. At the same time, our trade is constantly broadening with the other fraternal nations. The proportional amount of this trade exceeds 20 percent of all Bulgarian foreign trade.

[Question] How are Bulgaria's relations developing with the developing and capitalist nations?

[Answer] Socialist Bulgaria maintains extensive and diverse trade ties and economic cooperation with scores of states in the Near East and Africa, Asia and Latin America. In recent years, there has been dynamic growth in trade and the volume of cooperation has increased in the area of designing, building and operating production and other projects in these nations. The chief results are primarily the results of the comprehensive approach which we employ. The core of such an approach lies in the long-term and mutually advantageous development of trade and economic ties which help to increase the national economic potential of the developing countries.

About the capitalist nations. Bulgarian policy in the area of economic relations with the industrially developed states of the West is also consistent and clear. We have always supported and do support equal and mutually advantageous trade and economic relations with our partners in accord with the spirit of the Helsinki Final Act, in the interests of both economic and broader political cooperation and mutual

understanding between states with different social systems. Unfortunately, the constructive line of the socialist nations in this area has collided with the obvious discrinination and aggressive policy of pressure, particularly from the United States and NATO, as well as the threats of employing various sanctions and so forth.

[Question] What data characterize the present volume and structure of Bulgarian foreign trade?

[Answer] I would like first of all to draw attention to the dynamic nature of our foreign trade. Over the years of the Seventh Five-Year Plan, the volume of Bulgarian foreign trade turnover approximately doubled and by 1980 reached 17 billion currency leva. And this has increased at rates surpassing national income, by 8.2 percent in comparison with 6.1 percent per year. Over this same period, the share of machinery in gross exports has increased from 38.8 to 47.7 percent.

Over the years of the Eighth Five-Year Plan, foreign trade is to grow by 40 percent. We also plan to improve the trade structure and increase the quality of export products. The tendency will be maintained to consistently broaden the share of machinery and equipment in exports. This will increase up to 56 percent in 1985. The basic task for Bulgarian imports will be to provide the nation's economy with the necessary fuel, raw products and materials as well as highly productive equipment.

In one of his recent interviews, in replying to the question of how Bulgaria intended to compensate for the increased prices for fuel, energy and raw materials on the international capitalist market, Comrade Todor Zhivkov said: in the first place, by the great reserves of our economy in all the sectors, secondly by the advantages given us by socialist economic integration and particularly close cooperation and collaboration with the USSR and the other CEMA nations.

In conclusion I would like to emphasize that the intensification of foreign economic activities and their further dynamic development will be carried out by us on the basis of the new economic approach and the new economic mechanism from which we expect a sharp rise in the efficiency of our entire national economy.

10272
CSO: 1825/66

## APRIL 1982 ECONOMIC RESULTS SUMMARIZED

Prague HOSPODARSKE NOVINY in Czech 21 May 82 p 2

[Report by Dr Eng Vaclav Cap, CSc, Federal Office of Statistics: "April 1982"]

[Text] A characteristic feature of development of the national economy in this year's plan--and the reality conforms to it--is the slowdown of dynamism in production of resources and in outputs in those sectors and branches in which we must adjust the production basis to smaller material and energy resources. The preliminary results achieved by industrial production in April essentially meet this requirement, but the production decline in the construction sector was smaller than planned. The enterprises must make much more effective use of this planned slowdown in dynamism for solution of problems related to production efficiency. This possibility has not been sufficiently utilized so far. The high use value of products manufactured at minimum cost therefore is the key uncompromising criterion. The prices achieved on foreign markets, satisfaction of consumers on the domestic market and effective capital investments which are the objective yardstick for it have been improving only slowly.

In comparison with the same period last year, industrial production increased 1.4 percent in April and 0.9 percent from the beginning of the year. The growth rate set by the annual plan was thus surpassed 0.6 percent. The production trend in individual sectors, however, indicates that everything is not in order everywhere. Although the enterprises generally met plan targets, more than 25 percent of them failed to do so. By far the most unfavorable is the comprehensive compliance with the mandatory indicators which were not complied with by 2/3 of enterprises during the first quarter. While industrial production increased in April as indicated above, production of electric energy increased 3 percent which essentially represented the increase in energy consumption. This increased consumption was caused among other things also by surpassing the production plan target in the ferrous metallurgy sector, where the 2.2 percent increase in April was substantially higher than anticipated by the plan. Extraordinary attention must be paid also in the future to the woodworking industry, where the new production capacities have not reached the planned parameters and are put into operation with delay.

Light industry developed both in April and from the beginning of the year in accordance with the plan: production increased 1.7 percent in comparison with the first 4 months of 1981. Chemical production and crude oil processing declined in accordance with the planned possibilities of crude oil supply. Engineering production increased more significantly in April--5.3 percent in comparison with April 1981. The sales and prices of products in the future months will evidence to what extent this increase is substantiated by effective, desirable production.

Sales of industrial products improved in April: with the exception of exports to the nonsocialist states, the enterprise tasks were fulfilled in all directions from the beginning of the year. As last year, the gradual improvement of trade and payments balances with foreign countries is among the foremost tasks of production enterprises and foreign trade organizations.

Although in construction the backlog in the plan fulfillment accumulated during the first quarter was reduced in April, the 7.2 percent reduction in the volume of construction work during the first 4 months--as compared with the same period of 1981--was bigger than anticipated by the plan. This indicates that a number of construction organizations have not yet reacted to the changed situation in capital investment and to the necessary restructuring of their construction capacities. The reduced scope of new projects urged already for several years failed to augment capacities designed for completion of construction projects. Yet, it must be and has been evident already for a long time that only those construction projects will be carried out which are in harmony with the proportions in the use of the national income, and are indispensable for smooth functioning of the economy.

In agriculture, dry and simultaneously cold weather in April delayed the plant growth. In the purchase of animal products, the purchase of slaughter animals and poultry is proceeding on schedule, while the purchase of milk and eggs is lagging behind. In comparison with the same period last year, the purchase of meat declined 35,000 tons, milk by 27 million liters and eggs by 11 million from the beginning of the year. To maintain the optimum relation between the fodder supply, the number of domestic animals and animal production remain the foremost task of agricultural production plants.

Despite partial successes in increasing efficiency, production intensification, structural changes and quality products with high technical parameters and use properties do not correspond to the needs or possibilities of the economy.

The adjusted net outputs in the economic organizations were higher in the first quarter than specified by the plan--primarily because of lower material consumption. The share of material cost in outputs was 64.87 percent and was 0.1 points lower than the annual plan specifies. From the small increase in the share of wage costs it is possible to conclude that more human labor is being put into production and that the production structure is changing in favor of products requiring more human labor. At the same time, the small sphere of labor productivity increase in the gross production increase indicates, however, that not all enterprises have as yet effective management,

good work organization or are applying the latest scientific and technical achievements on a timely basis.

According to the preliminary results of the first 4 months, capital investment and deliveries, excluding "Z" project and investments by the population, amounted to Kcs 31.2 billion which was 5.9 percent less than during the same period last year. The diminishing scope of investments conforms to the state plan. The intentions of investment policy to complete construction projects more rapidly are not being carried out. For example: of 10 capacities specified as mandatory tasks of the state plan only three were put into operation in the first quarter, while the deadlines for the remaining 7 were extended to the second half of the year.

In foreign trade, sale of finished products at good prices requires offering goods of superior quality, outstanding technical standards with faultless and reliable services. For consumer goods fashionable design is required. The uneven and irregular fulfillment of our export plan shows that we are still far from meeting these requirements. This is particularly noticeable in our relations with the nonsocialist countries, where due to the intensifying economic recession, competition is becoming increasingly fierce. Exports to these countries during the first 4 months of this year fell insignificantly below the last year's level, but the state plan had anticipated a relatively rapid increase this year. For this reason, strict criteria apply and are enforced to the overall economic relations with the nonsocialist states at the present time. Imports from these countries during the first 4 months were more than 20 percent below the last year's level. Exports to the socialist countries increased 12.4 percent and imports by 8.8 percent over the January-April period last year. The relation in the development of export and import prices was unfavorable for us last year, and preliminary calculations indicate that this tendency is continuing this year.

While the retail trade turnover in the main trade systems increased 2.4 percent in April and 3.3 percent during the first 4 months in comparison with the same periods last year, and the retail prices increased more than during the comparable period 1981. The demand by the population on the domestic market as measured by the physical volume of sold goods declined slightly. The population's monetary incomes increased 3.1 percent in April over the April 1981 level, and 2.5 percent during the January-April period over the comparable period of 1981. Savings accounts deposits amounted to Kcs 171.3 billion at the end of April and were Kcs 9.8 billion higher than a year ago. The money supply increased Kcs 2.1 billion and amounted to Kcs 46.5 billion.

Basic Indicators of National Economy's Development in April 1982
Increases Over Comparable 1981 Period (in percent)

| | April | Jan-Apr | State plan[1] |
|---|---|---|---|
| Deliveries of the Centrally Administered Industry for: | | | |
| --investments at wholesale prices | - | 7.7 | -11.9 |
| --domestic market | | | |
| at wholesale prices | - | -0.5 | -0.3[2] |
| at retail prices | - | -1.6 | 1.6[2] |
| --export to socialist countries | | | |
| at wholesale prices | - | 7.7 | 2.6[2] |
| at FOB prices | - | 9.4 | 4.7[2] |
| --export to nonsocialist countries | | | |
| at wholesale prices | - | 4.9 | 4.6[2] |
| at FOB prices | - | -2.0 | 6.7[2] |
| --other sales for industrial production and operations at wholesale prices | - | 0.5 | - |
| volume of industrial production | 1.4 | 0.9 | 0.6[2] |
| average number of employees | 0.8 | 0.7 | 0.3[2] |
| labor productivity based on industrial production | 0.7 | 0.2 | 0.3[2] |
| Construction | | | |
| construction work performed with internal labor resources | -3.6 | -7.2 | -4.2 |
| average number of employees | -0.6 | -0.7 | -.08 |
| labor productivity based on construction work | -3.0 | -6.5 | -3.5 |
| housing units delivered by contracting enterprises | -32.5 | 45.7 | 11.1 |
| Procurement | | | |
| slaughter animals (including poultry) | -9.7 | -5.9 | -9.5 |
| milk | -1.7 | -1.8 | 0.2 |
| eggs | -1.6 | -1.2 | -0.2 |
| Retail Turnover | | | |
| of the main trade systems | 2.4 | 3.3 | 4.2[3] |
| Foreign Trade[4] | | | |
| export to socialist countries | 0.1 | 12.4 | 5.0 |
| export to nonsocialist countries | -16.7 | -0.8 | 7.5 |
| import from socialist countries | -9.4 | 8.8 | 11.9 |
| imports from nonsocialist countries | -39.3 | -23.7 | 4.2 |
| Personal Earnings[5] | 3.1 | 2.5 | 4.1[6] |
| of which income from wages[5] | 1.8 | 1.3 | 3.2 |
| Actual cash expenditures[5] | 1.3 | 2.2 | 4.3 |

Footnotes:

1. Increases compared to actual 1981 results.
2. Increases compared to expected 1981 results.
3. All trade systems.
4. Data on actual results refer to actual transactions and the state plan (in contrast to overall actual results) does not include unplanned actions within the framework of cooperation, unplanned reexports trade, exchanges and conditional trade transactions, etc.
5. Data based on treasury plan of the SBCS (CS State Bank).
6. Including estimated interest on loans.

10501
CSO: 2400/283

## NEW CEREAL VARIETIES DESCRIBED

Prague ROSTLINNA VYROBA in Czech No 4, 1982 pp 337-345

[Article by J. Schmidt: "Current Situation in the Assortment of Approved Cereal Varieties According to the Results of State Hybrid Tests"]

[Text] If we compare the yields of crops produced in our agriculture over the 5-year period 1950-1954 and over the 5-year period of 1976-1980, cereal crops demonstrate without any doubt the greatest increment. In addition to corn the greatest increase in yields of cereal crops was noted mainly in spring wheat (+92 percent) and winter wheat (+88 percent). Among the most efficient factors affecting the growth of yields is evidently the seed of productive hybrids.

However, the yields fluctuated in individual years due to the physiological reaction of the hybrids to weather conditions as well as to the harmful effect of diseases attacking them. In recent years hybrids were therefore tested so as to focus on more stable yields, whether by more adaptable new hybrids or by raising the resistance of new hybrids to diseases.

At the same time demands on the quality of the harvested grain were emphasized. The bonus system introduced in procurement of choice barley for malt and of wheat for processing in mills and bakeries provided the necessary economic incentive for our agricultural enterprises. Because the variety--the quality of the variety--is the carrier of indicators determining the quality of the grain, this interest was reflected in research for improvement of varieties and in the process of approving new hybrids for supplementing and modifying the assortment of cultivated varieties.

### Material and Method

Varieties of cereals are subject annually to basic tests in 47 testing institutes of the Central Agricultural Control and Testing Institute and its counterpart in Slovakia, representing main conditions for agricultural production in the CSSR; all approved--regionalized--varieties as well as new hybrids registered for further improvement are tested annually. Experiments were conducted following all usual preplanted crops according to the sowing plan of the institutes. Nutrition averaged about 300 kg of pure NPK nutrients per hectare. Winter barley, rye and oats were sown only after cereal crops. The sowing was uniform, with the exception of that where the demands of the hybrid were considered. The area of the 15 square meter plots was harvested four times in succession, divided into random units.

The yields of grain were converted to uniform 86 percent solids and statistically analyzed by diffusion; their stability was established on the basis of regression coefficient. The yields of individual varieties were compared to the average yields of all tested hybrids. The resulting yields are quoted for 3 years, i.e., 1979, 1980 and 1981, other economic characteristics for 1981, except for the technological value which is based on the 1980 harvest.

Brief description of years during which the tests were conducted:

1979 -- Hard frosts in January and February; plants frost damaged.
Hot and dry weather in May and June; the number of productive stalks reduced.
Rains in late June; short growth; unaffected by disease.

1980 -- Autumn weather favorable; winter sowing good, offshoots well formed.
Spring cool; optimum number of productive stalks, more grains per spike. Growing season prolonged by 2 to 3 weeks; spikes diseased in some locations.

1981 -- Offshoots failed to develop in the autumn; spring dry, frosts.
May and June--warm and dry; fewer productive stalks.
Late in July unusual precipitation--occurrence of grain fungus; grain sprouting in spikes; growing season reduced by 1 to 2 weeks.

Hybrid agrotechnology was recommended for the newly approved varieties on the basis of results of agrotechnical experiments conducted by the Central Agricultural Testing and Control Institute, namely: different precultivated crops, different sowing schedules, different sowing, different levels of N-nutrition, with growth morphoregulators, fungicides or insecticides.

Results and Discussion

Winter Wheat (Table I)

Czechoslovak winter wheat varieties approved in recent years for cultivation in key areas during the Seventh Five-Year Plan are hybrids of Soviet varieties which passed on to the new Czechoslovak hybrids better resistance against diseases or better quality of the grain.

The first hybrid of this generation--Slavia--will be soon supplemented by Vala, a plastic variety suitable for all areas of cultivation throughout the CSSR, and by hybrids Hela and Odra in areas with sufficient moisture; the grain of the two varieties is more suitable for baking and their high and stable yields have demonstrably exceeded the standard of the current assortment. Furthermore, a more recent variety, UH 192/19 approved in the spring of 1982, will be sown not only for its top yield but particularly for the above average quality of its grain which is comparable to Soviet varieties. The hybrid assortment still includes the classic, Moronovskaya 808, mainly in less intensive conditions, or Il'ichevka, a hybrid improved in the experimental cultivation maintenance institute in Cejc. The Amika variety demonstrates the highest stability among varieties resistant to yellow rust which is particularly harmful in corn-growing areas. Kosutka, a new hybrid which may be added to these varieties,

Table 1. Winter Wheat

| Odrůdy 1 | Povoleno v roce 2 | Výnosy zrna % ČSSR 3 | | | Jakost zrna 1980 4 | Vegetační doba 1981 5 | Výška rostlin 1981 6 | Odolnost proti 7 | | | Počet odnoží 1981) 11 | HTZ 1981 39 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 1979 | 1980 | 1981 | | | | polé-hání 1981 8 | padlí 1981 9 | rzi travní 1981 10 | | |
| | | 5,54+) | 6,94+) | 6,33+) | A – C | ± dní 13 | cm | 9 - 1 | 9 - 1 | 9 – 1 | na 1 rostlinu 12 | g |
| Košútka 14 | 1981 | 104 | 100 | 97 | A2 | -6 | 90 | 7 | 5 | 6 | 1,5 | 35 |
| Mironovská SSSR 15 | 1966 | 101 | 90 | 95 | A1 | 210 | 127 | 4 | 7 | 4 | 1,8 | 46 |
| Iljičovka SSSR 16 | 1974 | 100 | 93 | 99 | A1 | 0 | 115 | 6 | 7 | 5 | 1,5 | 45 |
| Mironovská zlepšená 17 | 1979 | 102 | 93 | 93 | A1 | 0 | 121 | 5 | 6 | 5 | 1,5 | 46 |
| Jubilejná SSSR 18 | 1971 | 102 | 95 | 96 | A1 | -1 | 108 | 6 | 3 | 3 | 1,6 | 45 |
| Amika 19 | 1980 | 101 | 95 | 94 | A2 | 0 | 102 | 7 | 5 | 7 | 2,- | 40 |
| Istra 20 | 1979 | 101 | 101 | 89 | A2 | 1 | 88 | 7 | 4 | 8 | 1,6 | 41 |
| Solaris 21 | 1976 | 92 | 99 | 94 | A2 | -1 | 93 | 6 | 5 | 8 | 1,7 | 42 |
| Odra 22 | 1981 | 108 | 107 | 106 | A2 | 0 | 98 | 8 | 5 | 4 | 1,7 | 41 |
| Hela 23 | 1979 | 106 | 106 | 104 | A2 | +2 | 104 | 9 | 5 | 5 | 1,7 | 42 |
| Juna 24 | 1979 | 106 | 99 | 97 | A2 | -3 | 107 | 7 | 5 | 3 | 1,6 | 46 |
| UH 192 25 | 1982 | 109 | 115 | 107 | A1 – 2 | -3 | 100 | 8 | 4 | 2 | 1,9 | 38 |
| Mironovská nízkorostlá SSSR 26 | -- | -- | 94 | 99 | A2 | 0 | 96 | 8 | 6 | 7 | 1,4 | 43 |
| Vala 27 | 1980 | 106 | 107 | 107 | B1 | -1 | 92 | 9 | 5 | 5 | 1,4 | 44 |
| Slavia 28 | 1976 | 102 | 106 | 104 | B1 | -2 | 95 | 8 | 4 | 5 | 1,6 | 45 |
| Grana PLR 29 | 1974 | 108 | 106 | 98 | C | +4 | 101 | 8 | 4 | 2 | 1,8 | 46 |
| Mirela 30 | 1979 | 105 | 99 | 98 | C | +5 | 114 | 6 | 4 | 2 | 1,8 | 50 |
| UH 7050 n. šl. 31 | - | (115) | 111 | 103 | B1 | -4 | 105 | 7 | 8 | 3 | 2,1 | 42 |
| ST 129 n. šl. 32 | -- | 103 | 104 | 96 | C | +7 | 106 | 8 | 8 | 7 | 1,9 | 44 |
| SK 2365 n. šl. 33 | -- | 106 | 101 | 104 | C | -1 | 90 | 9 | 4 | 8 | 1,7 | 42 |
| BU 18 n. šl. 34 | - | – | 108 | 106 | C | +2 | 94 | 9 | 5 | 8 | 1,8 | 41 |

+) 100 % = průměr odrůd 35
Pekařská jakost zrna: A1 = i pro zlepšování mouk, B1 = doplňková, C = slabá 36
Vegetační doba: + = pozdnější, – = ranější; u standarty počítáno od 1. ledna 37
Odolnost: 9 – 1 9 = největší, 1 = nejmenší 38
HTZ (v g) = hmotnost 1000 zrn 39

Key to Table 1:

(1) Varieties
(2) Approved in
(3) Yield of grain percent CSSR
(4) Grain quality 1980
(5) Growing season 1981
(6) Height of plants 1981
(7) Resistance against
(8) matting 1981
(9) fungus 1981
(10) yellow rust 1981
(11) No of branches 1981
(12) per plant
(13) Days
(14) Kosutka
(15) Mironovskaya USSR
(16) Il'ichevka USSR
(17) Mironovskaya improved
(18) Yubileynaya USSR
(19) Amika
(20) Istra
(21) Solaris
(22) Odra
(23) Hela
(24) Juna
(25) UH 192
(26) Mironovskaya lowgrowing USSR
(27) Vala
(28) Slavia
(29) Grana Polish People's Republic
(30) Mirela
(31) UH 7050 newly developed
(32) ST 129 newly developed
(33) SK 2365 newly developed
(34) BU 18 newly developed
(35) *) 100 percent = average of varieties
(36) Bakery quality of the grain:
A1 = also for improving flour;
B1 = supplemental
C = poor
(37) Growing season:
+ = late, - = earlier;
standard counted from 1 January
(38) Resistance: 9-1
9 = highest, 1 = lowest
(39) HTZ (in g) = weight of 1,000 grains

surpasses the Yugoslav hybrids not only in its early maturation but also in its resistance to freezing; its grain is suitable for baking. Some of the newly developed hybrids from the research institute in Stupice, are resistant to both yellow rust and grain fungus but they mature later.

Recommended Agrotechnology for New Varieties

Kostuka--suitable also for drier areas and not overly rich soils; appropriate for later sowing; higher sowing. i.e., 5 to 6 million sprouting grains per hectare; Retacel--0 to 2 kg per hectare; dosage of N-nutrition up to 100 kg per hectare.

Amika--exclusively for warmer areas; average soils; only better precultivated crops; early sowing; less abundant sowing, i.e., 3.5 to 4 million sprouting grains per hectare; Retacel--0 to 2 kg per hectare; dosage of N-nutrition--under 80 kg of pure nutrients per hectare; appropriate additional qualitative fertilization (until bloom).

Hela--for potato-growing areas as well as for Slovakia; average and better soils; not to be sown after cereal crops; must be sown early; average sowing, i.e., 4 to 5 million sprouting grains per hectare; Retacel not necessary; dosage of N-nutrition under 110 kg per hectare.

Vala--suitable for any areas, average and better soil, moist locations; not suitable for sowing after cereal crops; average sowing schedule; higher sowing, i.e., 5 to 6 million sprouting grains per hectare; Retacel not necessary; dosage of N-nutrition up to 110 kg per hectare.

UH 192--for beet- and potato-growing areas in Bohemia; good soil; suitable for sowing even after cereal crops; average sowing schedule; sowing average, i.e., 4 to 5 million sprouting grains per hectare; Retacel not necessary; N-nutrition up to 110 kg of pure nutrients per hectare.

Spring Wheat (Table II)

With the advance of winter wheat varieties suitable for sowing after cereal crops, the use of spring wheat has become increasingly more limited to replacement of the destroyed winter wheat. The assortment was expanded by Rena, a large-grain Czechoslovak hybrid which is more resistant to matting and to yellow rust. The Famos variety has the advantage of better branching and a better quality of the grain. The tested new varieties are suitable for improving the quality of grain (Turbo- [screening?]) or for improving their resistance to yellow rust (HE 406).

Recommended Agrotechnology for New Varieties

Rena--for any area and for warmer locations; good soil; may be sown even after cereal crops; higher sowing, i.e., 5 to 6 million sprouting grains per hectare; Retacel not necessary; N-nutrition up to 130 kg of pure nutrients per hectare; awned spikes.

Table II Spring Wheat

| 1 Odrůdy | 2 Povoleno v roce | 3 Výnosy zrna % ČSSR 1979 | 1980 | 1981 | 4 Vegetační doba 1981 | 6 Výška 1981 | 7 Odolnost proti: 8 poléhání 1980 | 9 rzi travní 1980 | 10 Počet odnoží 1980 | 12 HTZ 1980 | 13 Pekařská jakost 1980 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 5.47 | 5.89 | 5.69 | 5 dni | cm | 9 | 9 | na 1 rostlinu 11 | g | A C |
| Jara 14 | 1975 | 103 | 103 | 102 | +26 | 97 | 6 | - | 1,5 | 41 | C |
| Mephisto NSR 15 | 1975 | 97 | 101 | 100 | -2 | 95 | 7 | 4 6 | 1,3 | 40 | B 1 |
| Rena 16 | 1978 | 102 | 104 | 94 | -4 | 78 | 9 | 6 7 | 1,6 | 45 | B 1 2 |
| Famos NSR 17 | 1980 | 106 | 101 | 99 | -4 | 85 | 7 | 3 | 1,7 | 36 | B 1 |
| Turbo NSR 18 | | 104 | 101 | 100 | 3 | 88 | 7 8 | 2 | 1,3 | 38 | A 2 |
| HE 406 nZL 19 | | 96 | 100 | 102 | 2 | 79 | 8 | 8 9 | 1,5 | 36 | B 2 |

Key:

(1) Varieties
(2) Approved in
(3) Yield of grain--percent--CSSR
(4) Growing season 1981
(5) Days
(6) Height 1981
(7) Resistance against
(8) matting 1980
(9) yellow rust 1980
(10) No of branches 1980
(11) per plant
(12) HTZ 1980
(13) Baking quality 1980
(14) Jara
(15) Mephisto FRG
(16) Rena
(17) Famos FRG
(18) Turbo FRG
(19) HE 406 newly developed

Famos--for colder areas, better and moister soils; tolerates late sowing; may be sown to supplement thinned winter wheat; average sowing, i.e., 4 to 5 million sprouting grains per hectare; Retacel 0 to 2 kg per hectare; dosage of N-nutrition up to 130 kg of pure nutrients per hectare.

Spring Barley (Table III)

After the extreme year 1981 the hybrid composition of spring barley will be fundamentally altered. Due to its lost resistance against fungus, Spartan, at present the most widespread variety, will be gradually replaced by the Koral, Krystal, Karat and Opal varieties whose resistance against fungus is inherited from donors I 25 and Palestine. Hybrids with different bases of resistance will be added to the assortment in order to reduce the risk that excessive spread of hybrids with resistance of a single biotype might deprive them of immunity.

Recommended Agrotechnology for New Hybrids

Opal--for warmer areas, average to good soils; may be sown after cereal crops; sowing average; with higher incidence of fungus, spraying with Calixin is necessary; dosage of N-nutrition 50 to 70 kg of pure nutrients per hectare; less suitable for sowing under crops.

Zefir--for any area; average and lighter soils; also dry locations; suitable even after cereal crops; sowing average; with higher incidence of fungus spraying with fungicide necessary; dosage of N-nutrition 40 to 60 kg of pure nutrients per hectare; must be harvested by combine promptly, 3 days before other varieties.

Krystal--for cooler areas, average to poorer soils; not very demanding; sowing possible even after cereal crops; sowing average; dosage of N-nutrition from 50 to 90 kg of pure nutrients per hectare; spraying against fungus not necessary; unsuitable for sowing under crops.

Karat--for cooler and moister areas (Bohemia), average and good soils with sufficient moisture; to be sown after root crops; sowing average; dosage of N-nutrition 40 to 80 kg of pure nutrients per hectare; spraying against fungus not necessary; less suitable for sowing under crops; 3 days late in maturing.

Fatran--for every area of Slovakia, average soil; to be cultivated after root crops and particularly corn; sowing average; dosage of N-nutrition 50 to 70 kg of pure nutrients per hectare; spraying against fungus necessary; unsuitable for sowing under crops; must be harvested promptly and not allowed to overripen.

Table III Spring Barley

| Odrůda 1 | Povoleno 2 roce | Výnosy zrna ČSSR 3 1979 | 1980 | 1981 | Vegetační doba 1981 4 | Výška rostlin 1981 6 | Odolnost proti 7 polehání 1981 8 | padlí 1981 9 | Podíl zrna 1981 10 | HTZ 1981 11 | Sladařská jakost 1981 12 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 5,35 | 5,97 | 5,69 | 5 dni | cm | 9 1 | 9 1 | I. třídy | g | A C |
| Favorit 13 | 1973 | 98 | 98 | 99 | 117 | 67 | 7 | 6 | 78 | [illegible] | B |
| Spartan 14 | 1977 | 101 | 100 | 96 | 0 | 68 | 7 | 6 | 78 | 35 | B |
| Korál 15 | 1978 | 99 | 93 | 101 | [illegible] | 75 | 8 | 9 | 83 | 46 | BA |
| Opál 16 | 1980 | 95 | 99 | 97 | 0 | 68 | 7 | 7 | 77 | 45 | BA |
| Zefir 17 | 1981 | 102 | 100 | 98 | 2 | 66 | 9 | 5 | 65 | 40 | AA |
| Krystal 18 | 1981 | 100 | 102 | 105 | 1 | 69 | 7 | 8 | 85 | 48 | A |
| Karát x¹ 19 | 1981 | (105) | 101 | (100) | [illegible] | 69 | 7 | 9 | 82 | 43 | AB |
| Tatran x² 20 | 1980 | (99) | 99 | 100 | [illegible] | 70 | 6 | 6 | 78 | 41 | C |
| Rapid x³ 21 | 1976 | (100) | 98 | 97 | 1 | 70 | 7 8 | 5 | 84 | 47 | C |
| ST 6984 nšl. 22 | | 102 | 99 | 103 | 2 | 68 | 8 | 8 | 51 | 41 | C |
| HE 902 nšl. 23 | | 101 | 101 | 102 | 0 | 65 | 7 8 | 8 | 75 | 46 | A |
| ST 6194 nšl. 24 | | | 100 | 102 | 0 | 68 | 8 | 7 | 75 | 41 | BA |
| HE 1440 nšl. 25 | | | 104 | 102 | 2 | 70 | 8 | 8 | 79 | 45 | CB |
| BR 1519 nšl. 26 | | | 100 | 100 | 2 | 69 | 8 | 8 | 82 | 45 | B |

27 100 = t na ha; ( ) x¹) výsledky jen Čechy; x²) výsledky jen SSR; x³) výsledky jen kukuřičná oblast

Sladařská jakost zrna: 28 A – velmi dobrá
B – dobrá
C – průměrná

Key:
(1) Varieties
(2) Approved in
(3) Yield of grain--percent--CSSR
(4) Growing season 1981
(5) Days
(6) Height of plants in 1981
(7) Resistance against
(8) matting 1981
(9) fungus 1981
(10) Share of grain 1981--percent first quality
(11) HTZ 1981
(12) Maltquality 1981
(13) Favorit
(14) Spartan
(15) Koral
(16) Opal
(17) Zefir
(18) Krystal
(19) Karat $x^1$
(20) Tatran $x^2$
(21) Rapid $x^3$
(22) ST 6984 newly developed
(23) HE 902 newly developed
(24) ST 6194 newly developed
(25) HE 1440 newly developed
(26) BR 1519 newly developed
(27) 1) 100 percent = tons per hectare; ( ) $x^1$) results only from Bohemia; $x^2$) results only from the SSR; $x^3$) results only from corn-growing areas.
(28) Malt quality of the grain: A = excellent
B = good
C = average

Winter Barley (Table IV)

Erfa, a hybrid from the GDR, will continue to be the principal winter barley variety. Nr 468, a new Bulgarian hybrid, prospers in corn- and warm beet-growing areas because it matures early and is resistant against fungus.

Recommended Agrotechnology for New Varieties

Nr 468--for corn-growing areas and warmer locations of beet-growing areas; schedule for sowing from 20 to 30 September after cereal crops; average sowing (4 million sprouting grains per hectare); dosage of N-nutrition 60 to 80 kg of pure nutrients per hectare; morphoregulator Terpal only for great density.

Winter Rye (Table V)

The share of Breno, a Czechoslovak hybrid, is the composition of winter rye varieties has increased to the detriment of the Dankovska Nova hybrid. Other new Czech hybrids are demonstrating the preconditions for a shorter and stronger stalk and thus, for more stable yields. Experiments with them will be completed in 1983.

Recommended Agrotechnology for New Varieties

Breno--for rye-growing locations, average and lighter soils; to be sown after cereal crops in the midterm prior to 30 September; sowing 4 to 5 million sprouting grains per hectare; dosage of N-nutrition 40 to 60 kg of pure nutrients per hectare; if sprayed with Camposan, the dose of N should be increased by 30 kg per hectare.

Oats (Table VI)

Veles and Pan, two new hybrids approved in 1981, will be a good addition to the composition of oat varieties. Both hybrids are more resistant against matting, pruduce excellent yield, and Pan, which matures later, is suitable for haymaking.

Recommended Agrotechnology for New Varieties

Veles--an early white-grained hybrid, for potato-growing and mountainous areas; average and better soils; to be sown after cereal crops; sowing 5 million sprouting grains per hectare; dosage of N-nutrient 60 to 110 kg of pure nutrients per hectare; suitable for sowing under crops; must be sprayed against both generations of grain fly.

Pan--semi-late yellow-grained hybrid, for potato-growing areas, average and better soils; unsuitable for dry locations; may be sown after cereal crops; sowing 5 million sprouting grains per hectare (up to 6 million for haymaking); dosage of N-nutrition 70 to 110 kg of pure nutrients per hectare; spraying necessary, particularly against the first generation of grain fly; suitable for sowing under crops as well as for haymaking.

Results of tests conducted in the institute in Stachy (Table VI) have demonstrated that repeated spraying of insecticides is highly effective against the first and second generation of grain fly.

Table IV. Winter Wheat

| Odrůdy 1 | Povoleno v roce 2 | 3 Výnosy zrna % ČSSR 1979 | 1980 | 1981 | 4 Přezimování 1981 | 5 Vegetační doba 1981 | 6 Výška rostlin 1981 | 7 Polehání 1981 | 8 Odolnost proti 9 padli 1981 | rzi ječné 1981 10 | 11 Počet odnoží 1981 | 12 HTZ 1981 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 4,56 | 6,34 | 5,59 | 13 rostlin | 14 dni | [illegible] | 9 1 | 9 1 | 9 1 | na 1 rostlinu 15 | g |
| Erfa NDR 16 | 1979 | [illegible] | 102 | 98 | 91 | [illegible]* | [illegible] | 7 | 7 | 7 | 1,8 | 38 |
| Kiruna NSR 17 | 1979 | [illegible] | 98 | 98 | [illegible] | [illegible] | [illegible] | [illegible] | 7 | 6 | 1,9 | 35 |
| Miraj RSR 18 | 1979 | [illegible] | 105 | 97 | 37 | [illegible] | [illegible] | [illegible] | 8 | - | 1,9 | 34 |
| NR 468 BLR 19 | [illegible] | 91 | 110 | 104 | [illegible] | [illegible] | 77 | [illegible] | 9 | 6 | 2,- | 37 |

100 [illegible] na ha 20
( ) = výsledky jen z kukuřičné oblasti 21
*) od 1. ledna 22

Key:

(1) Varieties
(2) Approved in
(3) Yield of grain--percent--CSSR
(4) Survival in winter 1981
(5) Growing season 1981
(6) Height of plants 1981
(7) Matting 1981
(8) Resistance against
(9) fungus 1981
(10) yellow rust 1981
(11) No of branches 1981
(12) HTZ 1981
(13) percent of plants
(14) Days
(15) per plant
(16) Erfa (GDR)
(17) Kiruna (FRG)
(18) Miraj (Rumanian Federal Republic)
(19) NR 468 (Bulgarian People's Republic)
(20) 1) 100 percent = tons per hectare
(21) ( ) = Results only from corn-growing areas
(22) *) = from 1 January

Table V. Winter Rye

| 1 Odrůdy | 2 Povoleno v roce | 3 Výnos zrna % ČSSR 1979 | 1980 | 1981 | 4 Přezimování 1981 | 6 Vegetační doba 1971 | 8 Výška rostlin 1981 | 9 Odolnost proti: polehání 1981 | plísni 1981 | rzi žitné 1981 | 13 Počet odnoží 1981 | HTZ 1981 15 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 5,30 | 5,42 | 5,33 | 5 rostlin | 7 dní | cm | 10 | 11 | 12 | na 1 rostlinu 14 | g |
| Dańkovske nove/PLR 16 | 1977 | 101 | 104 | 100 | 88 | 140* | 139 | 6 | 9 | 6 | 2,4 | 36 |
| Breno 17 | 1980 | 105 | 102 | 102 | 85 | - | 140 | 5 | 9 | 7 | 2,5 | 33 |
| Kustro/NSR 18 | 1979 | 100 | 97 | 98 | 80 | 2 | 132 | 5 | 9 | 6 | 2,7 | 32 |
| KR 110 nší 19 | | | | 103 | 88 | 0 | 135 | 5 | 7 | 7 | 2,4 | 33 |

1) 100 = t na ha 20
*) = od 1. ledna 21

Key:

(1) Varieties
(2) Approved in
(3) Yield of grain--percent--CSSR
(4) Survival of winter 1981
(5) percent of plants
(6) Growing season 1971 [sic]
(7) Days
(8) Height of plants 1981
(9) Resistance against
(10) matting 1981
(11) fungus 1981
(12) yellow rust 1981
(13) No of branches 1981
(14) per plant
(15) HTZ 1981
(16) Dankovske nove (Polish People's Republic)
(17) Breno
(18) Kustro (FRG)
(19) KR 110 newly developed
(20) 1) 100 percent = tons per hectare
(21) *) = from 1 January

Table VI. Oats

| Odrůdy 1 | Povoleno v roce 2 | 3 Výnosy zrna ČSSR | | | Vegetační doba 1981 4 | Výška rostlin 1981 6 | Polehání 1981 7 | HTZ 1981 8 | Výnos suché hmoty 9 | 10 Výnos zrna Stachy 1981 postřik proti bzunce | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 1979 | 1980 | 1981 | | | | | | kontrola 11 | 2 postřik 12 | efekt 13 |
| | | 5,39 | 5,68 | 5,59 | dni 5 | cm | 9 1 | g | 12,22 | | | |
| Diadém 14 | 1969 | 100 | 97 | 95 | 129 | 109 | 4 5 | 35 | | 4,73 | 7,75 | 3,02 |
| Hermes 15 | 1978 | 103 | 99 | 101 | 1 | 103 | 6 | 31 | | 5,22 | 8,03 | 2,81 |
| Flämingsnova 16 NSR | 1979 | 98 | 100 | 102 | 2 | 97 | 6 | 31 | | 5,21 | 8,14 | 2,93 |
| Pan 17 | 1981 | 99 | 102 | 103 | 2 | 104 | 7 | 35 | 109 | 4,92 | 8,19 | 3,27 |
| Veles 18 | 1981 | 100 | 102 | 99 | 0 | 96 | 8 | 36 | 99 | 4,62 | 7,49 | 2,87 |
| Saturn 19 | 1976 | | jen pro senáž 20 | | 2 | (128) | 7 | (37) | 100 | | | |

) 100 % = t na ha 21

Key:
(1) Varieties
(2) Approved in
(3) Yield of grain--percent CSSR
(4) Growing season 1981
(5) Days
(6) Height of plants 1981
(7) Matting 1981
(8) HTZ 1981
(9) Yield of solids
(10) Yield of grain in Stachy in 1981 Spraying against grain fly
(11) Control
(12) Second spraying
(13) Result
(14) Diadem
(15) Hermes
(16) Flaemings FRG
(17) Pan
(18) Veles
(19) Saturn
(20) For haymaking only
(21) 1) 100 percent = tons per hectare

## UNPRECEDENTED NEED FOR MULTILEVEL AGROINDUSTRIAL COOPERATION SEEN

Budapest NEPSZABADSAG in Hungarian 15 Jul 82 p 3

[Text] In the sixties, one-quarter of material outlays for agriculture originated in industry. Today industrial products account for over half of such outlays, and the percentage is increasing steadily. This year agriculture will use domestic machinery, parts, technical and chemical goods valued at about 40 billion forints. Of the machines purchased for agriculture, barely more than 40 percent will be Hungarian made; in the case of chemicals, agriculture can meet two-thirds of its needs from domestic sources.

At a recent joint meeting of the ministries of agriculture and industry, it was resolutely affirmed that these two major branches of the economy must work in the closest possible collaboration to the benefit of both. To a great extent, the quality of this cooperation will determine their capacity. This becomes a matter of interest far transcending the interest of individual portfolios.

If industry is considered solely as a manufacturer of agricultural production equipment, then agriculture is clearly the buyer. In this sense, agriculture is industry's largest domestic market. Therefore it is essential for industrial efforts to be in harmony with agricultural possibilities. Naturally there may be and are conflicts. For one thing, domestic agricultural demand in itself does not permit production in series sufficiently great to make production profitable. For another, the requirements of agriculture are demanding. A judicious and discerning industrial policy can link these two factors to great advantage. To a certain extent industry can consider Hungarian agriculture its showcase. Equipment that performs well here will sell readily on demanding foreign markets. However, the product must also be economical to use. Unfortunately, this view has not yet taken root in industry. There is a tendency to depict agriculture as an obstinate, unreasonable customer. Yet our agriculture can become competitive only with production equipment which is on par with the best on international markets. For this concept to gain ground, a new outlook and an enterprise organization adjusted to it are necessary. In many parts of the world, producers of agricultural equipment literally court their customers; the reverse is true in Hungary. Farms have had to make their needs known to industry without being fully aware of precisely what industry is capable of. This has often resulted in the import of the latest foreign equipment while our farmers were wishing that Hungary would produce its equivalent. The resulting

debates which often ended in ruffled feelings are fortunately subsiding. There are now numerous examples to prove that Hungarian makers of chemicals and machinery can provide merchandise equal to the best made abroad. In fact, there is a trend toward product development so that Hungary is keeping abreast of international technical development in a number of areas.

In line with the economic reform, a new practice is evolving: It is based on economic relations founded primarily on enterprise independence rather than official relations. It is very important for the two ministries, agriculture and industry, to act in concert in formulating the joint production development policy agenda, in setting the economic regulators and incentives through which such a policy can be implemented. But it is equally important to establish better cooperation between the producing enterprises, commercial organs and farms involved. The production cooperation between Babolna and several pharmaceutical companies, the connection between the Taurus rubber goods enterprise and number of large farms or the relations between the Borsod Chemical Works and the agricultural testing facilities of other industrial plants are examples of agroindustrial cooperation which bear emulation.

Naturally, it is unrealistic to believe that agriculture's wide-ranging needs for industrial products should be met entirely through domestic production. This has been unfeasible in the past and will remain so. Nevertheless, the proportion met through domestic supply should not only be greater but of higher quality. This intention to cooperate which is unprecedentedly strong will benefit both parties and lead to improved performance and efficiency. Amid the many problems and difficulties besetting our econmic life today, the effort at continuous renewal has become the most characteristic trait of the economy. Such renewal offers an exceptionally good opportunity for rethinking and expanding relations between our industry and agriculture.

CSO: 2500/325

## PROFITABILITY OF WHEAT PRODUCTION REVIEWED

Budapest FIGYELO in Hungarian 16 Jun 82 p 13

[Article by Margit Janky: "The Price of Wheat"; passages enclosed in slant-lines printed in italics]

[Text] Significant portion of the income from large enterprises' basic function is from wheat. In the past decade, the rising cost of materials and machinery necessary for production were only partially offset by simultaneous growth in market price and yield.

The rise in wheat's world market price was predicted to be more than the rate of inflation, but such increases in domestic purchase prices cannot be expected. Therefore, although the profitability of wheat export could improve, the sector's profit position can only be maintained by raising the yield average based on sensible economizing, by stricter adherence to technological specifications, and by improving the quality of the crop.

### Change in Production Costs

In the past decade the sector's intensive development and the price changes that took place in the meantime raised the cost of wheat production significantly. In the Fifth Five-Year Plan period the production cost of 1 hectare wheat in the cooperatives--where about 85 percent of the area is planted in wheat--was 81 percent higher than the average of the previous plan period.

/The value of materials used/ for the production of 1 hectare wheat increased one and a half times in the past 10 years, and the average of 1976-1980 surpassed the previous 5 year average by 38 percent. This was the result of price increases of fertilizers and pesticides, decrease of endowments, more fertilizing, and more widespread use of modern pesticides [insecticides and weed killers].

In the past [few] years the value and cost ratio of services by ancillary facilities has increased exceptionally. This accounted for 50-60 percent of the cost increases in 10 years. The amount of mechanized work necessary for production barely increased in this period, so the source of the cost increases was basically the change in prices of machinery, spare parts, fuel and lubricants.

Wheat production is one of the least labor intensive sectors of agriculture. Therefore the circa 30 percent decrease in wage costs in the Fifth Five-Year Plan period did not substantially influence production costs.

However, the so-called other direct costs increased almost threefold in the past 5 years. Their cost ratio also doubled, approaching 10 percent. In the last analysis, this increase can also be attributed to price changes in industrial and energy resources, which have also altered the cost of services, insurance tariffs and other cost factors.

The price increases of course affected the main sector and general agricultural costs too, which in the years 1971-1978 doubled in the agricultural cooperatives. The new method of general cost apportioning introduced in 1979 further increased the sector's burden. Namely, instead of the previous apportioning based on prices received, the direct cost excluding materials has become the basis for general cost projections. This has basically increased the agricultural sector's general cost ratio, mainly in those branches where the material cost ratio is otherwise relatively low (wheat production is like this also).

In the past decade the size and make-up of production costs in cooperatives approached that of the state farms. And because 85 percent of the wheat fields belong to cooperatives, wheat production cost increases nationwide over 10 years can be estimated at 220 percent.

Competing Branches

There was a more than 3,800 forint per hectare difference between the average wheat production costs of the two plan periods, which even the increased yields and procurement prices could not offset. Therefore in the cooperatives the income per acreage also decreased.

Despite the 1981 increase in wheat procurement prices (wheat for improving 6 percent, wheat for milling 6.5 percent, for fodder 9 percent) only by increasing the yield without additional investments can the profitability of the sector be maintained. The question is, however, how long this tempo of increased yields to approach the cost increases can be sustained. We cannot be too optimistic in this area.

That is, the excellent wheat harvest in 1980 was influenced by results of large doses of fertilizer used in previous years. Inasmuch as in years to follow they will try to maintain the income level by reducing the invested costs, this will sooner or later become an obstacle to intensive development.

Wheat's decreasing earnings per unit of land can also cast doubt on its competitiveness relative to other cultivated crop branches. In examining the competing branches with regard to varied soil conditions, it can be said that wheat will give the largest return in poorer soil, sunflowers in average soil and corn will yield a value of over 30 gold crowns per hectare on excellent soil.

Indicative of the sensitivity of the branches to soil quality is that the earnings per hectare of wheat at 10 vs. 35 gold crown [soil] value increases three times, of sunflower nearly 6 times, and of corn more than 13 times. Therefore /corn production can compete with wheat only in the best soils. Sunflower, however, can be a rival of both of our main cereal plants even in average soils/. In poorer soils the branch's earnings position is further improved by the supplementary price given since 1982.

Rapid Reaction

The security of wheat production is quality improvement. The crops quality structure have been basically determined by the production earnings ratio of different consumer value species.

Fodder-wheat's earnings per land unit in 1976-1977 exceeded that of table-wheat by 24-29 percent; by 1978 the profitability of these two species had reached roughly the same level, then in 1980 the per hectare earnings of table wheat became nearly one and a half times that of fodder-wheat.

The producers quickly reacted to the change in profitability, and so the fodder-wheat's circa 30 percent ratio nationwide for years 1977-1978 fell to below 20 percent for 1980. Further reduction in the ratio is curbed by the producer's internal need. However, if in the future new, larger yield fodder-wheat species come into production, then between the two type-groups the previous earning ratios could take shape, which would lead to a reduction in the ratio of land planted in table-wheat. Therefore it is important, /that the modernization of species selection be continuous in the table as well as in the fodder-wheat/.

The procurement price of table-wheat up to 1980 (uniform price of 2,950 forints/ton) did not stimulate quality improvement. The essence of the new wheat receiving system introduced in 1980 is that the producers turn in the wheat with a species guarantee, and the baking industry value of the so-called improving-wheats is determined by laboratory tests. So the procurement price of table-wheat varies according to quality: in 1980 the mill quality price was 3,100 forints per ton, the improving quality was 3,250 forints.

Procurement prices in 1981 further increased: mill quality to 3,300 forints per ton, improving wheat to 3,450 forints, and fodder-wheat to 3,050 forints. Simultaneously (based on the results of theses objectively studied in 1978-79) they determined those species which are suitable for the production of improving-wheat.

The area planted in these species, because this group includes the newer table-wheat species that can be successfully cultivated in all regions of the country increased significantly in latter years. Their average yield, however, because it is grown everywhere regardless of soil quality, is not on par with the species lesser valued by the baking industry and produced on smaller areas.

For improving-wheat crops to attain the desired quantity, quality, besides the ecologically suitable soil qualities it is necessary to employ special, quality improving agrotechnical methods. But these usually involve excess investment, thus cost increases.

The Premium Price of Quality

Beyond this, to achieve excellent quality crops a broader viewpoint, technical know-how and better equipment is also necessary. Fundamental task is to avoid the mixing of species. But in the receiving granaries improving-wheat cannot be stored separately even for the time it takes for the laboratory tests. Therefore the producers should assume the storage of these also. But in the years 1980-1981 the procurement price for improving-wheat was only 150 forints per ton higher than for milling wheat. Taking into account the aforementioned excess costs, this did not return more profits than mill wheat. Resulting mainly from this, in 1980 in national average only 10 percent of the improving-wheats harvested met quality standards.

In 1982 the fixed price of improving-wheat's fixed, official price was done away with. In production contracts its quality premium price is 250-400 forints per ton, which somewhat improves the sector's profit position, but does not settle the problem of larger scale production. A 600 forints per ton production premium surplus can be attained by extending production of the poorer quality, but very high yielding table-wheat species.

The increase in improving-wheat production is important not only in the interest of providing raw material for the food industry, but by selling it on the export market, it increases the foreign exchange income of export wheat. But for this, the producers should receive such a quality premium price to assure higher income than from mill wheat; this would encourage the production of lower yield, but excellent quality baking industry species and the employment of quality improving, preserving techniques, and the acceptance of larger risks. The production of these should be concentrated in regions of the country with suitable ecological endowments, by producers who take responsibility for using special production methods and have suitable facilities.

9918
CSO: 2500/287

## LASER UTILIZATION IN RAILWAY CONSTRUCTION DESCRIBED

Budapest VASUT in Hungarian No 5, May 82 pp 10-12

[Article by Lajos Karaus: "Laser Utilization in Railway Construction"]

[Text] The invention and practical use of lasers has a short past. In the summer of 1960, T.H. Maimann, scientist of the California Hughes Aircraft Co, introduced the first ruby laser. Today, lasers are successfully used in many fields of science and technology.

### The Generation of Laser Light

The technical term laser is an English acronym which means: light amplification by stimulated emission of radiation (the Hungarian translation is: "light amplification by induced emission of radiation").

According to the generation method of the laser light, there are continuous-operation gas lasers, pulse-operation solid body and liquid lasers and semiconductor lasers which operate both in the continuous- and the pulse-operating mode. If external energy is conducted to a homogeneous substance, e.g., a ruby crystal or helium-neon gas mixture, light waves are created, which cause at certain atoms of the substance--if they collide with them--the emission of further light waves of identical nature. Under the influence of the introduced energy, the generated light becomes stronger.

The theoretical structure of a laser device is shown in Figure 1.

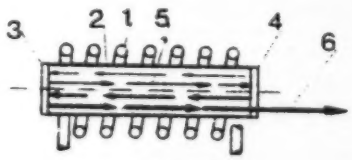


Figure 1.

Key:
1. Energy input
2. Ruby crystal
3. Plane mirror
4. Partially translucent plane mirror
5. Amplified ray
6. Laser beam

This is a ruby laser which consists of an energy supply (1), ruby crystal (2), plane mirror (3) and a partially translucent mirror (4). In this case, the homogeneous substance is the ruby crystal. In the laser device, that portion of the light which is parallel to the longitudinal axis of the substance body (perpendicular to the mirror) is further amplified under the influence of the energy. The light waves in the ruby stick bounce back and forth between the mirrors, and thus reach an intensity which allows them to exit from the device via the partially translucent mirror. This exiting light beam is the so-called out-coupled laser beam.

Practical Use of Lasers

In its track-regulating machines, the Austrian Plasser and Theurer Co has been using for nearly 20 years a variety of automatic and semiautomatic track-leveling and track-directing systems. The controlling of the leveling is accomplished via infraoptical means for the 06 series Plasser machines in MAV inventory and via a string system for the 07 series; for both series, the controlling of the directing equipment is accomplished via a string system. With both series, the level and directional faults of the track can be influenced--depending on the work method used--by two different methods.

--When the method to clear a fault is used, the track must be measured in advance via a leveling device and the measured fault-removal data must be written on the crossties. The person operating the machine feeds the data written on the crossties into the control systems of the machine.

--When the method to reduce a fault is used, the track does not have to be measured in advance, but rather the machine senses the track faults and reduces them without external intervention--in accordance with the technical construction of the machine--i.e., the faults are not removed.

From the two known methods, the fault clearance method is the one which results in the accurate positioning of the track; for this, however, the level and directional state of the track must be measured for every three to four crossties, and the results must be written on the crossties. This work method is rather lengthy and requires thorough preparation, especially if the data must be processed by a calculator.

This track-measuring process can be facilitated; Plasser and Theurer also implemented the laser control of the machine for 07 series track-regulation machines. The high directional accuracy of laserlight allows the use of a guidance beam which is suitable for the automatic control of the track-regulation machine.

Advantages of Laser Beam Utilization

--A high level of accuracy because of the continuously existing guidance beam;

--the plotting and checking measurements performed by conventional geodesic methods are no longer needed;

--the evaluation and processing of measured data (calculator, etc.) are no longer needed;

--the measuring personnel do not have to be reserved;

--a high daily or specific output.

The 07-32 SLC model track regulating machine employed in our technical service is equipped with a laser device.

The laser control system consists of two main parts:

--laser transmission system;

--laser receiver system with the associated control unit.

Laser Transmitter System

The Plasser Co uses the helium-neon laser device manufactured by the Siemens Co to produce the laser beam; this is equipped with a special optical device. The less than 1-mm diameter laser beam exiting from the laser tube is magnified by the special optics and dispersed in a fan-shaped pattern. The laser tube can be operated on a battery (12V, 1 ampere) because of the low power draw (approximately 12 watts).

Some of the most important technical data of the EL-T-461-02 helium-neon laser tube employed on the 07-32-SLC track regulating machine:

| | |
|---|---|
| Beam wavelength | 632.8 nm (red) |
| Beam power | 1.0 mw |
| Modulation frequency | 17.75 khz ± hz |
| Directional stability | $\pm 3 \cdot 10^{-6}$ rad/°C |
| Maximum effective range | 400 m |
| Operating temperature | -20°C to +40°C |

The battery can be charged by the battery charger built into the track regulation machine or by an independent charger.

Laser Receiver Equipment

The receiver circuit consists of two parts: the laser receiver head and the control circuit. The photoelement groups, signal amplifier and compensator or differential and mid-range signaling circuit units are found in the receiver head.

The photoelectric laser receiver senses the laser beams with high accuracy. The sensing is accomplished via the photoelements. The photoelements amplify the received laser signal. There is an amplifier circuit associated with the photoelement groups. Via the compensator stage, the two amplifiers supply the electrical signal for the operation of the automatics. If the two photoelement groups are identically lit by the laser beam, the amplified signals cancel each other, i.e., there is no signaling.

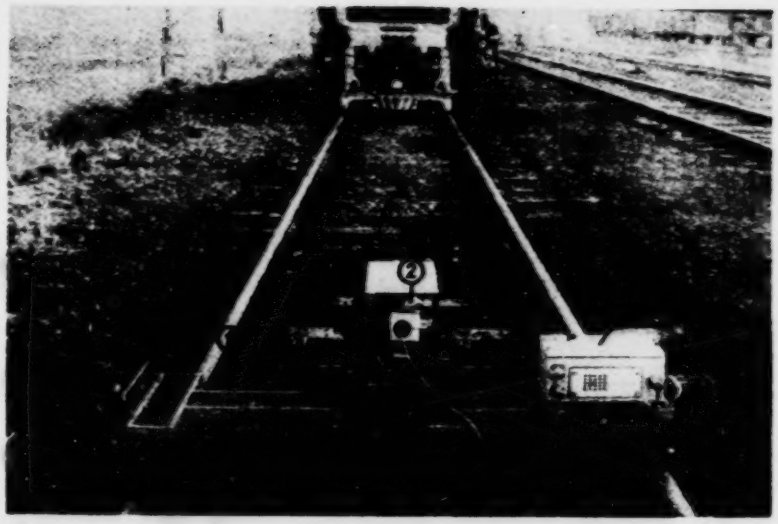

1. Hand wheel
2. Guidance telescope
3. Laser control box
4. Read-off sticks

Figure 2. Laser Transmitter Car Unit

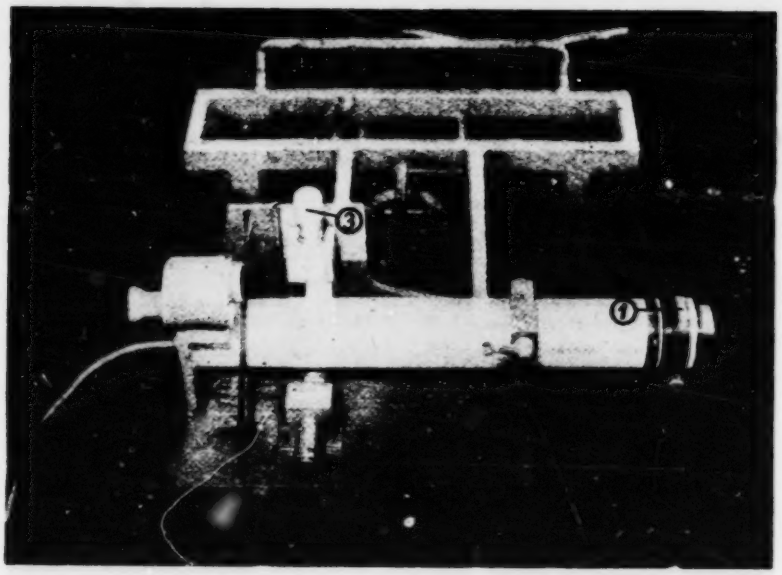

1. Level indicator of cylinder lens
2. Slow motion screw
3. Guidance motor

Figure 3. Principal Parts of the Laser Transmitter and Attachment

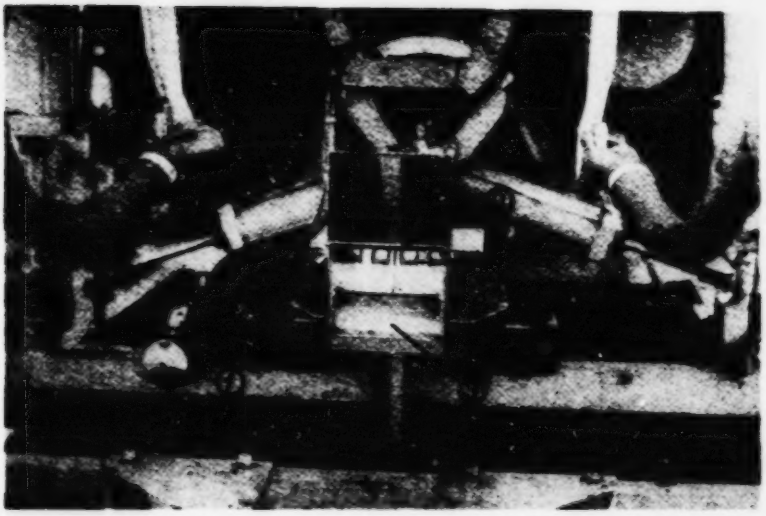

1. String-setting motor
2. Laser receiver protective hood
3. Laser receiver

Figure 4. Laser Receiver System on the Track-Regulation Machine in Operating Position

If the laser receiver is positioned to the left or the right of the fan-shaped laser plane, then the amplifier of the illuminated photoelement group emits an electrical signal via the evaluation stage for the operation of the automatic control system.

Some of the most important technical data of the EL-T 461.05/06 laser receiver:

| | |
|---|---|
| Operating range | over 300 m |
| Accuracy | ±1.5 mm over 300 m |
| Supply voltage | 12-volt battery, same as on the laser transmitter |
| Power requirement | approximaely 6 w |
| Temperature range | from -20°C to +40°C |

Output protected from spilled water.

Technical and Practical Design of the Laser Directing System

The laser transmission equipment along with the supply unit and other mechanical elements are placed on a manually movable small car (Figure 2). The horizontal and vertical positioning of the laser tube is accomplished by an electromotor (Figure 3). Before the machine can be automatically operated under control of the laser beam, the laser beam must be adjusted to the zero reference position of the laser receiver by the directional motors.

The laser receiver photoelectric device is installed on a movable sled positioned in the front of the track-regulating machine. (Figure 4).

With the rotation of the screw shaft, the laser beam moves the laser receiver on the sled perpendicular to the track axis via the control system. The first end of the track-guidance string moves together with the laser receiver. If the laser beam is directed to the zero setting of the laser receiver and the string-replacement selector switch is set to "laser operation" in the control cabin, the effective track-regulating operation is ready to start with the machine. After this, the compensator automatic keeps the center of the laser receiver in the direction of the laser beam.

Prerequisites of Laser Operation

The track section to be directed by laser must be designated approximately every 200 meters. In the designated points, the desired displacement values of the track axis must be written on the crossties in mm. In the vicinity of these points, on an appropriate fixed column (a column supporting the upper electrical wires, a sectional stick, etc.), the distance between the column and the track axis must be written. During the performance of this task, great care must be taken to keep the designated points in one line, since this is the only way to guarantee the uninterrupted guidance of the longer track section.

Laser guidance can be performed even when the track is not designated. In this case, relatively well-located points must be found by visual inspection and these must be regarded as zero. Track regulated in this manner is seemingly well located, but its axis does not necessarily coincide with that of the originally planned (designated) track.

Figure 5 is a schematic representation of the arrangement of the track-regulating machine relative to the guidance laser system along the railroad track.

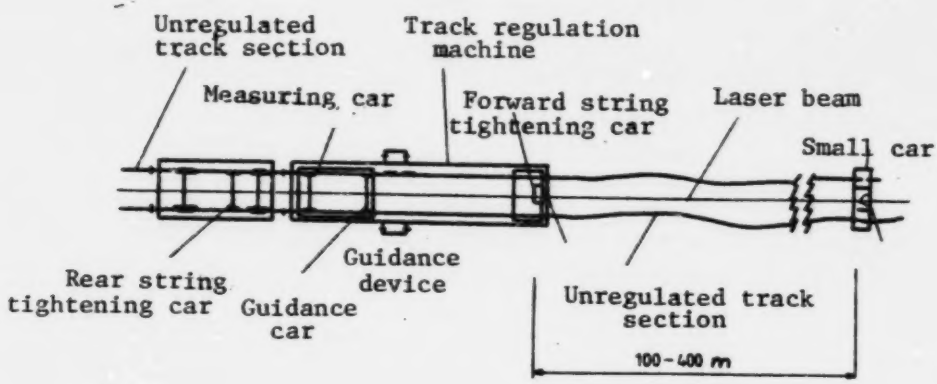


Figure 5

Process of Laser Guidance

Under way to the workplace, the laser transmitter is positioned at an appropriate place on the track-regulation machine. At the workplace designated for the machine, the car containing the laser transmitter must be removed from the machine, placed on the track in front of the machine and, depending on the weather conditions, pushed 100-400 meters forward up to a previously designated point and attached to the track. If the track is not designated, a relatively well-located point must be found, which is regarded as zero. The adjustment of the laser beam to the base position after the car has been attached is the task of properly trained personnel of the track regulation machine.

The laser beam is recommended to be set to the base position if the red indicator lamp positioned in the front of the machine continuously flashes any of the lateral white-light lamps.

After the base position is set, if the string-displacement selector switch is set to "laser operation," the work must be started with the machine. The string displacement, i.e., the directing of the track is henceforth performed automatically, without external intervention.

Ten to 15 meters before the laser transmitter, the machine in operation must be stopped and the transmitter must be advanced to a new designated point. After the base position is reset in the described manner, the work can continue.

With the gradual advancement of the laser transmitter, track conforming to the accuracy requirements of railroad track specifications can be produced.

The guidance activities of railroad tracks can be successfully performed with laser beams using the currently available system.

The Austrian Plasser-Theurer Co is involved with the development of a laser receiver system which also allows track-leveling operations. The laser control of the leveling system is made difficult by the constant changing of the slope conditions of the railway track.

With the use of lasers, the track construction service has made a big step forward in the area of the practical application of research achievements.

9901
CSO: 2500/282

## MIXED EAST-WEST ENTERPRISES ARE USEFUL, EXPAND SLOWLY

Budapest HETI VILAGGAZDASAG in Hungarian 26 Jun 82 pp 26, 27

[Article by Eva Kortvelyes: "Mixed Doubles"]

> [Text] Mixed enterprises represent one of the forms of East-West industrial cooperation. Being able to obtain modern techniques and technologies is an advantage for the socialist countries, and in this way the opportunities may open up for the capitalist firms to, for example,--by using certain countries as bridgeheads--open up the socialist market. Yet this type of mixed enterprises are not multiplying like wild mushrooms, either in Hungary or in the other socialist countries.

Since the Ministry of Finance defined in 1972 the operating rules of mixed enterprises that can be created in Hungary with foreign capital, seven such firms have come into existence. The first one was formed under the name of SICONTACT KFT. [SICONTACT Limited Liability Company] in 1974 with the participation of Siemens, the newest one was formed in 1981 under the name of Sphero-EVIG KFT. with West German and Swiss participation. Five of the seven are operating in the production sphere, one in services, and one in banking. (HETI VILAGGAZDASAG 27 February 1982) According to the experts, seven enterprises in 10 years is a modest result.

But why would it be worth it to enter into this business format, anyway? Gyula Haraszti, the titular department head of the Ministry of Industry lists the advantages: "The mixed enterprise provides an opportunity for Hungarian economic units which up to now have been swimming in the middle of the field, to break into the front lines--and not only in domestic waters--, by obtaining modern technology and methods. It provides a good opportunity for us to join in the international sharing of work more actively. This will make the selling conditions of Hungarian products more favorable, especially if we also consider that generally the foreign partner has a well developed marketing organization which the Hungarian partner can also use in the case of a mixed enterprise. In addition to this, the traditional exporting of goods is meeting with more and more obstacles. By setting up a mixed enterprise these obstacles can be overcome in part, which by itself is a result not to be belittled. And finally one must also not forget the

important fact that in the present times when capital is running low, the establishment of mixed enterprises represents the attraction of additional currency resources into the Hungarian economy. Of course nobody considers the mixed enterprise format to be the sole format of salvation, but this opportunity must also be used more in the future than it has been in the past."

Hearing so many good things, someone could justifiably ask: in the last 10 years why did not these mixed enterprises multiply like wild mushrooms? A study has recently been completed in the Ministry of Industry and it provides some partial answers to this question. Fifty leading production and foreign trade enterprises--doing significant nonruble-accounted export--were asked: in what do they see the obstacles in forming this kind of mixed enterprises?

According to the interested parties the biggest obstacle and the one most difficult to bridge is that the capitalist partners--because of the decrease in the capitalist market--are interested primarily in expanding on the socialist markets. Therefore practically their first requirement is to fully or almost fully exclude the jointly produced product from the capitalist market. The increased difficulty of selling on the capitalist market and the increasing unemployment in the Western European countries represent big problems nowadays.

Selfcritical opinions can also be found here and there in the ministry's study. The resistance within the enterprise resulting from conservative thinking must also be overcome, and in addition to this there are few experts fit to manage enterprises with more independence than the domestic ones have. There were also many complaints about the procedure of obtaining the permits.

Beyond the fact that the present East-West political atmosphere is not the most favorable for accelerating the influx of capital, the domestic financial experts relate the relative lack of interest by foreign enterprises to insufficient incentives in our financial regulations. According to the directions by the minister of finance the mixed enterprises, after forming the participation and risk funds, must pay a 40 percent association tax, while other countries are trying to attract foreign capital with sizeable concessions. In Ireland, for example, the mixed enterprises formed by 31 December 1980 with foreign capital are completely free of taxes until 1990, while the ones established after 1981 pay a small tax of 10 percent on their profits until the year 2000. Hungary's United Incandescent has also exported capital here. (HETI VILAGGAZDASAG 1 May 1982.) Favorable amortization is also offered in Ireland, a certain percentage of the cost of training manpower is rebated, and concessions are made in case the profit is reinvested. This latter also exists in this country, but it is not mandatory.

"We should also consider offering similar concessions"--said the above already quoted titular department head of the Ministry of Industry. Based on the problems mentioned earlier, regulations were born in the first years of 1982 making it significantly easier to make investments in Hungary with foreign

participation. For example, the statute makes it possible to transfer back home the achieved profits in proportion to the foreign capital invested. If establishment of a facility with especially great significance, or an especially advantageous business is involved, then the now general maximum share of the foreign capital (49 percent) can be even higher. There will be no direct connection in the future between the number and distribution of directors and the distribution of capital, that is, even with 49 percent foreign capital participation it is possible that complete management (the directing of the enterprise) will be in the hands of the foreign partner with minority participation.

Seven mixed enterprises seem to be too few, but there have also been instances when even though a foreign partner had the initiative, he could not implement it because he was not familiar with the opportunities and conditions, that is, there was no suitable foreign language information material. This problem now belongs to the past. The publication entitled "Economic Associations in Hungary with Foreign Participation" has been published in foreign languages by the Hungarian Foreign Trade Bank. This briefly informs foreigners about Hungary's economic management system, about the advantages of setting up mixed enterprises, and about the legal and financial conditions of establishing them.

Naturally, verbal information and generating attention continue to play an important role. We must make use of the programs we organize abroad--for example, the Hungarian Weeks--and the various conferences, for this purpose. Thus, for example, most recently the establishment of mixed enterprises was one of the central topics of the Tokyo session of the Hungarian-Japanese Economic Club. The Hungarian party was thoroughly prepared: it made proposals in eight concrete topic areas to the Japanese party for setting up mixed enterprises in Hungary. Among other things they discussed the possibilities of jointly producing pumps, heavy manipulators and robots, as well as packaging machinery and equipment.

Simply informing one party is not enough. Greater activity by the Hungarian enterprises is also an indispensable condition for creating mixed enterprises. "The Ministry of Industry not only supports but also encourages the enterprises to set up mixed enterprises"--Gyula Haraszti declared. The list of Hungarian enterprises desiring to establish mixed enterprises in the future for the production of various products, was born on the basis of this. Such a "matrimonial ad" can also be found in the information pamphlet published by the Hungarian Foreign Trade Bank. But the small number of enterprises engaging in it allows the conclusion to be drawn that the Hungarian firms are not overflowing with activity.

Thus it appears that neither the domestic nor the foreign enterprises are wearing themselves out to be able to play "mixed doubles". The recession dragging on in the West, and the unfavorable international political atmosphere do not favor the influx of foreign capital into Hungary. And in this situation we also must not expect great results from having made more favorable the conditions of foreign capital operating in this country, or from more abundant information.

8584
CSO: 2500/301

## MAY PRODUCTION FIGURES PUBLISHED

Warsaw ZYCIE GOSPODARCZE in Polish No 22, 20 Jun 82 pp 6-7

[Text] It has been a long time since we have not felt anxiety with respect to the possibility of an optimistic reading of industrial production data. Comparison with analagous months of last year confirmed the implacably continuing tendency for declining production. Sold production from socialized industry was only 3.7 percent lower in May as compared to last May, but it rose by 0.2 percent as compared to April. Thus, the catastrophic breakdown of industrial production, which was characteristic of the second quarter of last year, was not repeated in May. And after all, external conditions for production, tied to the import supply from the capitalist countries, were decidedly more difficult this year as compared to last.

The second quarter of last year was exceptionally bad for socialized industry. In April of last year, production by socialized industry declined by 9.4 percent as compared to March, and by an another 3.9 percent in May as compared to April. From April to June 1981, the production decline by socialized industry as compared to 1980 achieved a record level of 11.9 percent by April, 17.6 percent in May, 16.6 percent in June and 16.8 percent in July. The average annual decline in industrial production in 1981 as compared to 1980 was 13.8 percent.

We would like to warn against an exaggerated exposure of the tendency toward economic stabilization, when the sumptoms can still appear to be not very permanent. It is especially unknown what the import possibilities to supply industry will be in the third and fourth quarter of this year. Various unknown also concern agriculture in which, despite a certain improvement in the procurement of slaughter animals, signals indicating a threat to animal husbandry have not abated.

Above all, the mining industry has reduced the production decline in socialized industry. In May of this year, production sales from this industry increased by 14.3 percent as compared to last May, and by 8.4 percent in the first four months of this year as compared to the same period last year.

In May, 15.8 million tons of hard coal were extracted, a 22.3 percent increase over last May's figures and an increase of 14.8 percent for 4 months. In May of last year, a decline of 7.2 percent in coal extraction occurred as compared

to April, and of 12 percent as compared to March 1981. This May, more or less the same amount of hard coal was extracted (in natural units) as in April, and 7.5 percent less than March.

Furthermore, other indicators of the production of more important commodities in the mining industry were better this May as compared to last. For example, there was an increase of mined brown coal per million tons of 1.5 percent this May as compared to last May, and a decrease of 1.9 percent for 4 months; production of electrolitic copper per thousand tons up by 11.8 percent in May and down by 1.6 percent for 4 months; lead per thousand tons up by 32.3 percent in May and also up by 2 percent for 4 months; electric energy per billion kilowatt hours up by 0.2 percent and down by 0.3 percent for 4 months.

Also reduced in May as compared to previous months (in relation to the same period last year) was the decline in aluminum production of 24.2 percent versus 44.2 percent for 4 months.

A certain worsening occurred, on the other hand, in the production of coke from hard coal (a production decline of 6 percent per million tons in May versus 3.1 percent for 4 months); natural gas (a decline in May of this year per million cubic meters of 17.6 percent and a decline of 7.4 percent for 4 months); zinc (a decline in May per thousand tons of 20.0 percent and 11.1 percent for 4 months) and cement (a decline in May per million tons of 2.2 percent and 1.5 percent for 4 months).

In the processing industry, the production decline in May as compared to last May was 4.8 percent versus several percent for the first 4 months of the year. In some branches of the processing industry, it was possible in May to confirm a reduced production decline by even a few points as compared to last year through a comparison of data for 4 months. Within the electromachine industry, this concerned transportation means (a production decline in May as measured in 1982 prices reached 3.3 percent and 14.6 percent for 4 months), and electrotechnical and electronics products (a production decline in May by 0.01 percent, and 14.5 percent for 4 months).

In the chemical industry, a decline in production in May (as compared to last May) reached 4.2 percent, and 14.3 percent for 4 months. An analagous production decline in the wood products industry reached 3.6 percent in May, and 11.6 percent for 4 months. May production in the paper industry increased by 1.5 percent, while it decreased by 6.4 percent for the 4-month period.

Other similar data from other more important branches of the socialized processing industry are as follows:

--in iron smelting, the production decline from May 1981 to May 1982 was 9.2 percent and 16.3 percent for 4 months;

--in the clothing industry, there was an increase of 4.9 percent and of 0.3 percent for 4 months;

--in the food industry, the production decline for May was 5.6 percent and 11.4 percent for 4 months;

--in the glass industry, there was a 1.7 percent increase in May and 4.6 percent decrease for 4 months;

--in the textile industry, the decline for May was 12.6 percent and 16.3 percent for 4 months;

--in the whiteware industry, there was an increase of 5.9 percent in May and 2.0 percent for 4 months;

--in the leather industry, there was a decline of 4.7 percent in May and of 7.0 percent for 4 months;

--in the non-ferrous industry, a decline of 2.9 percent took place in May and of 6.4 percent for 4 months;

--in the machine industry, there was a production decline in May of 1.6 percent and of 4.0 percent for 4 months;

--in the construction materials industry, the production decline from last May to this May was 7.5 percent and 11.1 percent for 4 months;

--in the metal industry, a similar [decline] of 13.4 percent took place in May, and 15.0 percent for 4 months; and

--in the precision industry, May production increased as compared to last May by 0.4 percent, but it decreased by 1.7 percent for 4 months.

The number of enterprises that reduced production as a result of shortages in material and technical supplies diminished slightly. In March 1982, for approximately 3,500 enterprises in eight basic industrial-type ministries, there were 325; in April, 348 and May, 323. Forty-four enterprises in March, 53 in April and 48 in May encountered a relatively lasting reduction in production. According to these enterprise estimates, the value of their production sales declined by approximately 20.6 billion zlotys this May (as compared to last May), which constituted approximately 4 percent of the value of socialized industrial production sales. This May as compared to this April, the above reduction in production was less 1.6 billion zlotys (7.4 percent less).

In May, a relatively better situation in small socialized industry as compared to key industries also manifested itself more explicitly than in previous months. Production by small industry is May (as compared to last May) increased by 4.2 percent, and for the first 4 months it decreased by 0.3 percent.

Likewise, in other sections of the socialized economy (besides industry), a reduction in production in May as compared to last May was less than the 4-month period. Production by the socialized building-construction enterprises in May was less as compared to last May by 15.3 percent, and 19.6 percent for 4 months.

In May, 7,000 apartments were made available for use (approximately 31.8 percent fewer than last May). For the 4-month period, 26,900 apartments were released (34.6 percent fewer than last year).

Information on the situation with respect to capital investments is delayed by a month. It is thus known that through April investment outlays were 31 percent lower than last year, and outlays for building-construction work were lower by 26.8 percent.

Cargo transport in million tons by PKP is May (as compared to last May) increased by 1.8 percent, and declined by 4.7 percent for 4 months. As regards public and branch truck transport, analagous figures are -26 percent in May and -31.6 percent for 4 months.

We shall discuss now only the trends in agriculture. The procurement of butcher livestock in general increased in slaughter weight counted as meat per thousand tons in May as compared to April by 22.3 percent and was lower than last May's procurement by 5.4 percent (for the 4-month period there was an 11-percent reduction). Procurement of slaughter cattle was 23.7 percent higher this May as compared to last May and 1.8 percent lower for 4 months; slaughter calves, 34.9 percent higher in May and 80.5 percent for 4 months; hogs, up 5.9 percent (a 4.1 percent decline for 4 months) and poultry declined by 82.5 percent (49.1 percent for 4 months). Milk procurement in million liters declined by 3.6 percent from this May to last May, and increased by 2.1 percent for 4 months. In the case of eggs (per million), analagous figures are -11.8 percent in May and -3.5 percent for 4 months.

In May, the following was noted among the group of factors guaranteeing the development of domestic animal breeding:

--continued high prices for feeds and a further decline in pork procurement prices as compared to those of feed;

--decline of free-market prices for farm animals as compared to previous months;

--a considerable weakening in the growth rate of prices for farm animals as compared to last year;

--a further declining tendence of breeding gilts at breeding stations; and

--a further multiplying of gilt supplies to procurement points.

The supply of production means to agriculture especially feed, was a lot lower in May as compared to last year. Concentrated fodder for the period July 1981-May 1982 was delivered at a 30.5 percent lower rate as compared to an analagous period of previous years, and artificial fertilizers by 2.1 percent. There were also continuing difficulties in supplying some spare parts like tractor tires.

On the other hand, atmospheric conditions, especially in the second half of May, were favorable for the growing season. Warm and dry weather was also conducive to hay mowing. Spring grain was planted this year in an area approximately 7 percent greater than that of last year. On the contrary, there were 6 percent fewer potatoes planted by the end of May as compared to last year.

There were 7.7 million persons employed in four basic sectors of the socialized economy (industry, construction, transportation and communication and trade) or 5.3 percent fewer than last May. The personal payments fund (without workers' compensation) in four basic sectors stood at approximately 69 billion zlotys in May, which was higher by approximately 12 billion zlotys (21.1 percent) as compared to last year. Workers' compensation paid in May in these sectors (only for workers, not for family members) also stood at 12 billion zlotys. The payments fund and workers' compensation grew by 42 percent.

In these sectors, total average pay of worker compensation was approximately 10,600 zlotys, which signified an increase of approximately 3,500 zlotys, or 50.1 percent more than last May. Without compensation, pay increased by approximately 27.9 percent. By excluding the mining industry from the four sectors (where pay without compensation stood at 19,300 zlotys in May), the average pay in May was 8,300 zlotys, and 9.800 zlotys with compensation.

We shall discuss the monetary and market situation in a later publication. It is necessary to state only that people's monetary incomes in May (as compared to last May) increased by approximately 61 percent and expenditures by 72.4 percent. The surplus of incomes over expenditures achieved only 8 billion zlotys and was 50 percent lower than in April. People's funds reached a level of approximately 1,229 billion zlotys in May. In relation to prices, then, a further decline in real income occurred.

Foreigh trade turnover in May as compared to last May were higher in exports by 8.3 percent, and lower in imports by 11.5 percent. With respect to the first payments area (the socialist countries), exports increased by 14.9 percent and imports by 9.5 percent. On the other hand, as regards the second payments area (the capitalist countries), exports increased by 3 percent and imports decreased by 30.8 percent. This issue was discussed in the last issue of HANDEL ZAGRANICZNY, as well as on page 4 of this issue.

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SPECIAL CURRENCY EXCHANGE RATES PUBLISHED

Warsaw TRYBUNA LUDU in Polish 12 Jul 82 p 7

[Text] Announcement of Exchange Rates Table No 28/82, effective 12 July 1982, by Stanlislaw Nieckarz for the president, Polish National Bank, on 12 July 1982.

I. Foreign-currency exchange rates in zlotys for countries of the first payments area [socialist countries] for commercial and noncommercial payments remain unchanged.

In purchases of travelers' checks for rubles, issued by the USSR Foreign Trade Bank and payable outside the USSR in the currency of the country where cashed, an exchange rate of 11,760.16 zlotys per 100 rubles is applied.

II. Foreign-Currency Exchange Rates in Zlotys for Countries of the Second Payments Area [Capitalist Countries]

[Table on following page]

Exchange Rates Table No 28/82

| Country | Curr Symb | | Currency | Foreign Exchange Purchase 3 | Foreign Exchange Sales 5 | Money Purchase 1 | Money Sales 2 | Average 6 |
|---|---|---|---|---|---|---|---|---|
| Saudi Arabia | 771 | 1 | rial*** | 25.00 | 25.26 | -- | -- | 25.13 |
| Australia | 781 | 1 | Austral.dollar | 87.48 | 88.36 | 86.16 | 89.68 | 87.92 |
| Austria | 786 | 100 | schillings | 492.03 | 496.97 | 484.61 | 504.39 | 494.50 |
| Belgium | 791 | 100 | francs | 181.30 | 183.12 | 178.57 | 185.85 | 182.21 |
| Denmark | 792 | 1 | kroner | 10.01 | 10.11 | 9.86 | 10.26 | 10.06 |
| Finland | 780 | 1 | markka | 18.12 | 18.30 | 17.85 | 18.57 | 18.21 |
| France | 793 | 1 | franc | 12.49 | 12.61 | 12.30 | 12.80 | 12.55 |
| Greece | 724 | 100 | drachmas | 123.31 | 124.55 | 106.88 | 126.41 | 123.93 |
| Spain | 785 | 100 | pesetas | 76.89 | 77.67 | 75.73 | 78.83 | 77.28 |
| Holland | 794 | 1 | florin | 31.34 | 31.66 | 30.87 | 32.13 | 31.50 |
| India | 543 | 100 | rupees*** | 897.78 | 906.80 | -- | -- | 902.29 |
| Ireland | 782 | 1 | pound*** | 119.25 | 120.45 | -- | -- | 119.85 |
| Japan | 784 | 100 | yen | 33.44 | 33.78 | 32.94 | 34.28 | 33.61 |
| Yugoslavia | 718 | 100 | dinars | 168.64 | 170.34 | 146.17 | 172.88 | 169.49 |
| Canada | 788 | 1 | Canad.dollar | 66.55 | 67.21 | 65.54 | 68.22 | 66.88 |
| Kuwait | 770 | 1 | dinar*** | 298.95 | 301.95 | -- | -- | 300.45 |
| Lebanon | 752 | 1 | pound | 16.54 | 16.70 | 16.29 | 16.95 | 16.62 |
| Libya | 651 | 1 | dinar*** | 290.47 | 293.39 | -- | -- | 291.93 |
| Luxembourg | 790 | 100 | francs | 181.30 | 183.12 | 178.57 | 185.85 | 182.21 |
| Norway | 796 | 1 | kroner | 13.49 | 13.63 | 13.29 | 13.83 | 13.56 |
| Portugal | 779 | 100 | escudos | 101.85 | 102.87 | 88.27 | 104.41 | 102.36 |
| FRG | 795 | 1 | mark | 34.66 | 35.00 | 34.13 | 35.53 | 34.83 |
| United States | 787 | 1 | dollar* | 86.01 | 86.87 | 84.71 | 88.17 | 86.44 |
| Switzerland | 797 | 1 | franc | 40.63 | 41.03 | 40.01 | 41.65 | 40.83 |
| Sweden | 798 | 1 | kroner | 13.99 | 14.13 | 13.78 | 14.34 | 14.06 |
| Turkey | 627 | 100 | pounds | 51.83 | 52.35 | 44.92 | 53.13 | 52.09 |
| Great Britain | 789 | 1 | pound** | 148.36 | 149.86 | 146.13 | 152.09 | 149.11 |
| Italy | 799 | 100 | lira | 6.17 | 6.23 | 5.35 | 6.32 | 6.20 |

*Valid also in clearing accounts with the following countries: Bangladesh, Brazil, Ecuador, Greece, Iceland, Kampuchea, Colombia, Lebanon, Pakistan, Peru and Turkey.

**Valid also in clearing accounts with the following countries: Nepal and Pakistan.

***The Polish National Bank does not purchase money in these currencies.

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4 August 1982

# East Europe Report

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2300

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4 August 1982

# EAST EUROPE REPORT

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2300

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GDR PARTICIPATES IN INTERNATIONAL LITHOSPHERE RESEARCH PROJECT

East Berlin NEUES DEUTSCHLAND in German 17-18 Jul 82 p 12

/Article by Prof Dr. Heinz Kautzleben, director, Central Institute for Geophysics, GDR Academy of Sciences, Potsdam; and Prof Dr Karl-Bernhard Jubitz: "A Geological Seam Runs Across Europe—Scientists from the GDR Are Participating in the Lithosphere Project—New Findings on the Margins of the Plates of the Earth's Crust"/

/Text/ Straight down the length of Europe—from the southern tip of Norway to the Dobruja in Romania in a northwest to southeast direction—runs one of the most important geological structures of our continent, the 2000-kilometer long and on the average 50 kilometer wide Teisseyre-Tornquist line—named after its discoverers, the Polish geologist H Teisseyre and his Swedish colleague A Tornquist. It marks the border between the geologically old East European plate—which except for its southeastern part takes in most of European Russia as well as Finland and Sweden—and the more recent West European plate as well as the very young folded mountains of Southern and Southeastern Europe.

When the Continent Was Still Adding Sections

With respect to the buildup and the tectonic or we might say structural development of the European continent, however, the Teisseyre-Tornquist line represents less of a border than a seam. In the course of the earth's history, younger sections of the continent were built onto the older sections which have existed as a stable crust for at least one billion years. The addition of the younger sections took place through the formation of mountains on the edge of the plate. This first happened, as far as we know, some 700 million years ago. Proceeding from north to south, others were added 500 million, 320 million and, in the last instance, 50 million years ago.

The procedures on the fringes of the East European table along with the effects they had on the Western parts of the continent are among the fundamental problems of European geology. Its thorough investigation—as far as the territory of the GDR is concerned—was the focus of a national program conducted by geologists and geophysicists of the GDR during the seventies. This was their contribution to the international geodynamics project under the sponsorship of the International Council of Scientific Unions.

Based on their findings, similar geological-geophysical research projects will make up the GDR's contribution to the international lithosphere project in the eighties.

Since 1975, the abovementioned processes on the fringes of the East European plate are being investigated at the behest of the Central Institute for Earth Physics of the GDR Academy of Sciences by scientists from 10 European countries under the direction of the representative of the institute. The research programs are part of Project No 86 (the Southwest Edge of the East European Plate) of the UNESCO international geological correlation program. More than 300 scientific papers have already been published on the findings of the project which still has until 1985 to run.

The Mantle Lies at a Depth of 50 Kilometers

Extensive geophysical research has shown that there are distinct differences between the East European plate and its southwestern foreland not only in the uppermost layers of the earth's crust which can be investigated with the help of geological probes and borings in particular. Seismic tests have shown that the borderline between the earth's crust and the earth's mantle generally drops from less than 30 kilometers to more than 50 kilometers as one proceeds from the West European to the East European plate. In the transition zone of the Teisseyre-Tornquist line, there is a trench where the crust-and-mantle borderline runs at an even greater depth.

Similar differences were also found to exist in the course of the seismic border areas in the upper earth mantle up to a depth of 700 kilometers. Examination of the electrical properties of the lower subsoil showed that there is a stratum in Central and Western Europe at a depth of between 100 and 300 kilometers where materials are quite fluid. This stratum does not seem to exist underneath the East European plate.

Remains Still Visible in Harz Mountains Today

These findings tend to agree with geothermic investigations which showed for example that temperatures in Central Europe at a depth of 30 kilometers stand at 700 K but only at 300 K underneath the East European plate. All this shows that the East Eruopean plate is deeply and firmly anchored in the earth's mantle but that the West European plate and the areas with the young folded mountains represent plates of the firm earth crust which can be moved with relative ease along the earth surface. This becomes clear when one goes by modern tectonic theory and assumes that the old North American continent moved until it collided with the old core of Europe, which was the East European plate. At that juncture, some 500 million years ago, a unified northern continent came into existence in which the Caledonian Mountains, still visible on the earth's surface in Norway and Scotland at the northwestern edge of Europe, were connected to the Appalachians in North America.

The collision of this northern continent with the African part of the southern continent of Gondwana later led to the formation of another mountain chain some 320 million years ago, the so-called Variscan Mountains which are of extraordinary importance for the tectonic structure of all of Central and Western Europe—remains of which are still visible today in the Harz Mountains, in the Thuringian Forest and the Erz Mountains. The unified northern continent broke up about 250 million years ago. The North American part drifted westward and so the North Atlantic came into existence.

As part of Project No 86, very thoroughgoing investigations are being conducted into the processes taking place in the Central European depression which runs from England to the Carpathians in Poland. By analyzing the countless observations, a clear picture of the structure, formation and development of the depression could be obtained. The base of the sedimentary basin thus formed is located today at a depth of 8 to 10 kilometers.

Toward a Well-Grounded Tectonic Schema

Investigation of the fringes of the East European plate and the development of the Central European depression have contributed a great deal to the understanding of European geology with the aid of international collaboration. These investigations provided all participating countries with better opportunities for integrating the tectonic development of their own territory into a well-grounded overall schema and also offered further incentives for independent national efforts based on economic considerations.

Key:

1. Caledonian Mountains
2. East European Plate
3. Central European Depression
4. Variscan Mountains
5. Carpathians
6. Balkan Mountains
7. Black Sea Depression

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## ENTERPRISE REPRESENTATIVES DISCUSS PROBLEMS

Bratislava PRAVDA in Slovak 21 Jun 82 p 3

[Interview by V. Sladeckova, J Krajci and D Stancek, PRAVDA reporters: "There Are Problems But Also Solutions"]

[Text] Our reporters arranged an interview with economic managers and officials of party organizations in selected plants and enterprises which found themselves since the beginning of this year in a difficult situation and which acquired the unflattering sobriquet of "nonfulfillers" of their planned tasks. In an effort to review the problems and their solution as thoroughly as possible, we discussed with them the basic scope of vital issues and many questions stemming from them. The participants were Eng Robert Varaca, acting deputy economic manager, and Stefan Oravec, chairman of the CPSL CZV [enterprise-wide committee] in the Bucina national enterprise of Zvolen; Eng Ladislav Burzala, deputy chief of production, and Arpad Szakal, member of the CPSL CZV and chairman of the ROH [Revolutionary Trade-Union Movement] plant committee in Heavy Engineering Works in Bratislava; Eng Miloslav Duris, deputy chief of production in the First of May Plants in Liptovsky Mikulas (for the enterprise), Eng Pavol Bracok, director of Plant 02 of the First of May Works in Stara Lubovna, and from the same plant, Valent Jarzembovsky, deputy chairman of the CPSL ZO [factory organization] and director of the sector for cadre and personnel affairs. PRAVDA was represented by reporters V Sladeckova from the department of propaganda and party life, J Krajci and D Stancek from the department for party's economic policy. Our guests responded to the following questions:

--What were the decisive--objective and subjective--causes why your plant or enterprise failed to meet the tasks of the operational plans since the beginning of this year?

--What are you doing to make up for the shortfall, and when do you expect to balance the slippage in the planned fulfillment of your tasks? What measures have you adopted in this respect, in particular to prevent recurrence of that situation?

Representatives of party organizations replied to the question:

--To what extent and how efficiently are you enforcing the influence of the party--the leading role of the party and the right of control against the economic management--in fulfilling economic tasks of the enterprise?

From an extensive discussion we present the salient points from the replies of the participating economic managers and party officials.

[R Varaca] It may be surprising but unfortunately, it is true. Having successfully completed in the final years of the past five-year plan the comprehensive experiment in efficiency and quality management, last year our enterprise failed to meet its tasks. The main reasons for the failure are: late start of operations in our saw mill in Svolen which had been rebuilt after a fire; an accident affected also the production of fiberboard which could not operate for 4 months and when operation was resumed, the unit was plagued with frequent breakdowns. The same problem has been troubling also the manufacturers of veneer and plywood in our plant in Zarnovica. We are having considerable difficulties with sales of superpressed fiberboard. Shortages in managing and cadre operations must be added to this account. Lack of labor and technological discipline cost us Kcs 8 million in nonproductive costs last year. All these complaints are haunting us again this year. The saw mill has not been completed, we lack funds for foreign-made technology. The unit for fiberboard manufacture was late in starting operation. Moreover, early in the year the blockboard plant in Zarnovica burned down and the unit for fiberboard production was damaged by an accident. All that was reflected in the fulfillment of this year's plan--in 5 months we fulfilled 75.7 percent in adjusted value added; we lost Kcs 18.3 million in returns on operating assets. We are 13.3 percent behind in exports to nonsocialist states, on the other hand, however, we exceeded the ceiling for wage funds by a total of more than Kcs 800,000.

We think that a realistic plan would have prevented these problems. Already when drafting the plan, the management of the enterprise and the party organization called to the attention of our superior authorities that the plan had failed to consider the actual situation of our facilities, in other words, our production possibilities. Even the Set of Measures puts emphasis on the quality of the plan, however, our plan disregards the delayed start of operations in the reconstructed facilities, and this concerns units with continuous or at least two-shift operation; we have practically no space to make up for the lag. The plan envisaged higher prices for exports but the prices of our commodities are stable or declining, i.e., export efficiency is down. Problems have affected also our domestic market--we built a unit for pressed fiberboard but furniture manufacturers are now calling for different, cheaper materials which we cannot supply. The volume of investments is down; there is less interest in assembled log constructions; our storehouses are stocked with materials. Although the task is being met to the advantage of our entire society, we are penalized. Of course, we are searching for some solution, but that cannot be done instantly. How can we explain to our workers that their average wages are down because according to the Set of Measures we cannot draw funds for the movable part of wages if we fail to fulfill the determinant indicators? It is natural that the number of our employees is declining.

As we see it, the current situation may be resolved by determining demanding but realistic tasks which we will be able to fufill in terms of technology and material. Our enterprise has already prepared an intensification program based on the plan for technological development; we count on the development of rationalization programs; we are looking for new opportunities in sales to

nonsocialist states. In view of the fact that even after the adoption of that program we failed thus far to stop the adverse development in our enterprise, we are supposed to prepare another program--of consolidation. However, it, too, will depend on one factor--we must know what to produce and from what. First we must know what are the realistic needs in correlation with our potential, and then we shall be successful in mobilizing our forces.

[L Burzala] We are the largest producers of hydraulic cylinders in our republic. Their manufacture is relatively simple, however, the machine engineering industry cannot operate without them in the production of lifting mechanisms, ground-breaking, construction and agricultural machinery. With higher demand than the production potential, it seems that we should fulfill our plan with no problems, since cylinders account for 55 percent of our total production. In reality the story is different although none of our superior authorities would recognize it. We began manufacturing cylinders in 1971--with a production in the value of Kcs 45 million--and that was the last time we fulfilled the plan in the production of cylinders. After that the enterprise as a whole would meet the plan in other products but the production of cylinders lagged; the current plan calls for production of cylinders in the value of Kcs 316 million.

We do not have the preconditions to achieve that target. We did fulfill last year's plan but only at the cost of exhausting the entire production. This year we are behind--in the production over 5 months we owe Kcs 30 million in goods. There were no investments in the development of the production of cylinders over the past years; one of our vital technological centers, the chromium-plating unit, has the capacity for products in the value of Kcs 290 million only. There are other problems on hand. Up to 40 percent of technical rubber supplied by Rubena in Nachod for cylinder sealing are rejects. The same type of rubber imported from Yugoslavia is more expensive but even it cannot meet our parameters. The only satisfactory rubber imported from France is the most expensive. We were trying to find some solution in our country. Just to obtain a guaranteed quality we offered higher price to Rubena but we did not succeed; we were told that they could not accommodate us. Another problem concerns the pipes for the production of hydraulic cylinders. There are no norms for their production in Czechoslovakia! Our major supplies are the VTZ [Pipe Rolling Mill and Iron Works] in Chomutov, however, 6 to 8 percent of their deliveries are below our standards of quality but unfortunately, we discover defects only after processing the pipes. Thus, human labor and energy are wasted. We tried also precision drawn pipes; they suit us fine but they are as much as 3 times more expensive. We have a shortage of work forces in both plants in Bratislava; the enterprise made a mistake, we should have concentrated more on the development of production, for example, in Dunajska Streda where we could have avoided such problems. Members of our technical department had not planned adequately the development of the spare parts base in Zeliezovce.

In the sense of the decisions by the 16th CPCZ Congress which stipulate a 250 percent increase of the production of hydraulic cylinders, a modern plant must play a decisive role in raising their production. Its investment plan had been completed some time ago, however, thus far the VHJ [economic production unit] in charge has not done anything about it. I am not advocating new

units at any cost--if we install in them old, inefficient, inaccurate, engery-guzzling machinery. Even the shift rate and utilization of fixed assets pose problems for us. Productivity and efficiency are not achieved in this fashion. Our long-term objective is to remove these difficulties. In order to make up for the current shortfall in the fulfillment of our plan, our enterprise adopted measures which should eliminate it at the latest by the end of October. They involve primarily mobilization of all workers to raise labor initiative. We intend to cut down to a minimum all losses stemming from inferior production; technicians and economists will help in the production as volunterrs and before the end of this year we shall work two additional shifts. However, I can say with conviction that we shall not be able to resolve the current problems in our enterprise over an extended period without more concern about the development and better quality of the material base.

[M Duris] The market has affected our production and thus, also the fulfillment of our plan. With good marketing our plan gets fulfilled much better, and vice versa. We failed to meet our tasks for the first 3 months, however, we caught up with them in April. Then in May we fell again short by more than Kcs 5 million. Now we have in storerooms products valued at about Kcs 17 million in our plant in Liptovsky Mikulas and at Kcs 32 million in our plant in Stara Lubovna.

It is no secret that our enterprise was built primarily to process mainly synthetic fibers. The republic-wide average is as follows: enterprises comparable to ours are processing about 34 percent synthetic fibers in their products but we are processing up to 60 percent.

[P Bracok] As concerns the plant in Stara Lubovna, it was built exclusively for processing of synthetics; the share of synthetic fibers in its products is up to 98 percent.

[ M Duris] Interest in products made from synthetic fibers has been declining. Thus far, polyamide fiber products have been in the highest demand, even for imports. Polyester fibers are relatively expensive in our country. Interest in these products has been declining mostly because our chemical production is still supplying us only with fibers of the so-called first generation, while fibers of the second and third generation have already been introduced all over the world. We need more recent modifications of synthetic fibers for better satisfaction of our needs as well as of hygientic requirements and other demands. It is very important and necessary, for example, for the antistatic treatment of the fibers to penetrate the fibers, not just their surface, so that it does not wash out after few launderings.

(Editor's note: Encouraging information was received from the Petrochemical Research Institute in Novaky and from Chemlon in Humenne. The institute developed, and Chemlon tested in its pilot plant, a new method for permanent antistatic treatment of polyamides. Let us hope that similar methods will be developed for polyester and polypropylene fibers as well.)

[M Duris] Just the same, we have not thrown in the towel when facing our problems. We are fighting for the consumer and for his interests. Every Thursday we prepare and submit about 10 new designs, each of which costs us

approximately Kcs 10,000. That does not mean that we have already won our consumer over to our side. Between him and us is the trade which rejects almost regularly about a half of our designs.

[P Bracok] To tell you the truth, most subjective causes aggravating the fulfillment of the plan appear in our plant in Stara Lubovna. It is a small facility which started operation last year in March. Its work team is young, inexperienced, with the exception of some individuals who had come from Mikulas or who had been in training. There are glaring differences between individual performance and quality of work. However, the standard of operational and technical documentation and organization of labor is low. The plant was delivered and put into operation while still unfinished; for example 93 of the 2,386 documented unfinished tasks and deficiencies have not been remedied to this day. We still have no organizational and management plan. Therefore, the management is frequently forced to improvise. The breakdown rate of our machinery is considerable. Nevertheless, the factory is planning to increase its production substantially--by 35.5 percent (the entire enterprise by 7.2 percent).

[M Duris] What are we doing to make up for the shortfall and to fulfill this year's plan? We prepared a consolidation program for long-range application, which presupposes, among other things, also stopping the current trend of deficits for the enterprise. We must stop producing goods for the storage; we must sell the goods stockpiled in storerooms. We shall replace the current production program with another one, with transition to more sophisticated processing of synthetic fibers, mixed yarns and cellulose. However, that calls for remodeling of our technology.

We adopted progressive measures to make up for the shortfall before the end of June. The first 10 days of June indicated that we should be successful in achieving our objective.

[P Bracok] In April we repaid our debts accrued in January and February, which demonstrates a realistic potential for the fulfillment of our plan for the entire year. In our knitting plants and finishing rooms we plan to operate in three shifts, even on Saturdays, with a morning shift on Sunday. In addition, we completed detailed classification of expert technicians and economists to assist our production. We are offering goal-oriented bonuses for exceeded tasks and organizing socialist competition of individuals. We are regularly reviewing the achievements and publish them in the factory information bulletin.

In conclusion, I should like to underscore that after all, the results of our efforts will depend mainly on our material and technical supplies--fibers, pigments, chemicals, additional agents, because no fabric can be made without yarn and dyed without pigments.

[V Jarzembovsky] Party and political work in our CPSL factory organizations in the formative stage as regards a comprehensive system. At this time we consider intensive information-gathering by the basic CPSL organization as the base from which evolves the enforcement of the party's leading role and its right of control in objective problem-solving processes of the plant management.

However, in addition to objective problems and effects I recognize certain subjective factors inherent in our people because people are always the factor which determines success or failure. For that reason, in our situation as well as in party work personal agitation and propaganda perdominate in informal, lively and direct contacts not only with communists but also with unaffiliated. We are quite confident that this personal propaganda contact with people represents an integral form and method of our party program and that it will help resolve our current economic problems. Our plant is located in an area with no traditions of industrial production (which was established only in recent years); we often face problems with filling the positions of the management, economic and technical personnel with experienced and highly qualified cadres. College graduates have not exactly been "beating at our doors" (although we offer apartments and opportunities for advantageous career and self-fulfillment). About 860 persons are employed in our plant at present; the membership base consists of 125 CPCZ members and candidates (there were only 36 CPCZ members and candidates in 1978). The average age of the employees in our plant is slightly over 27 years, as it is in our party organization. This youth is a promise for the future that once they mature politically and professionally, we shall succeed in mastering subjective problems and achieve prosperity in our plant in general. However, there are certain problems whose solution is not in our power.

[A Szakal] Our CPSL CZV oversees 5 CPSL plant organizations. Our membership base has about 300 CPCZ members and candidates organized in plant 01 in Petrzalka, in plant 02 in Bratislava and in the directorate of the enterprise. Communists in the economic management of public organizations help us enforce the leading role of our party. Furthermore, the chairmen of all five CPSL plant organizations are members of the CPSL CZV, which promotes bilateral intensiification of the information-gathering function of the CZV and CPSL plant organizations as well as prompt enforcement of our party's influence in every place of work. By the same token the problems discussed here in conjunction with the failure to fulfill planned economic tasks complicate the party's work. We are cooperating with the economic management in mobilizing working people in the ROH factory councils. The economic commission of the CPSL CZV is preparing for us analyses for discussion and proposals of measures to be adopted. Thus, we expanded the document The Main Tasks of the CPSL CZV After the 16th CPCZ Congress with basic appendices (among them in particular political and organizational measures for making up for the shortfall in the fulfillment of planned economic tasks). I am sure that if we apply in practice all measures adopted by the CPSL CZV and by the economic management of our enterprises and plants our joint efforts will make up for the lag and fulfill the operational plan for the year. We shall do everything in our power and possibility, however, the obstacles beyond our control and competence must be resolved more expeditiously by authorities subordinated to the enterprise.

[S Oravec] At this time the number one task in the political program of the CPSL CZV is to concentrate on eliminating the deficit in the fulfillment of our planned tasks in the saw mill and on catching up with our tasks before the end of the first 6 months of 1982. The adopted measures are beginning to show a positive effect in practice. Our 11-member CPSL CZV supervises

14 CPSL plant organizations in Zvolen in plants 01, 11 and in the directorate of the enterprise. In the CPSL CZV we regularly review the fulfillment of economic tasks and with invited representatives of the economic management we are searching for joint methods and solutions of outstanding problems. It is neither unusual or infrequent for us to express our dissatisfaction to some of the comrades in economic management with the nonfulfillment of tasks. As of 1 March 1982 Eng J Briznak (former assistant manager and members of the CPSL CZV) assumed the office of the enterprise director and a completely different atmosphere is already evident in our enterprise. Moreover, we make good use of the economic commission of the CPSL CZV. Among other things, in the CPSL CZV we never discuss a single report from the economic management without expressing the standpoint, recommendation and proposals of the economic commission of the CPSL CZV. The CPSL CZV functions in an area with a total of 3,500 employees of whom about 860 are CPCZ members and candidates. We are really trying to do our best to get out from our current economic predicament, and I can say that some improvement is already in view.

The discussion made it clear that the share of subjective factors--in the enterprise or plant--must be identified in many causes which seem objective for an enterprise or plant; that even when dealing with controversy in supplier-consumer relations solutions must not be postponed until the final stage in negotiations of contract (controversies must be resolved already in contracts) and that the consumer and the supplier must cooperate more closely, exchange information and seek solution already during the pre-planning stage; that an extensive rationalization program for reducing the consumption of materials and raw materials and for more economical exploitation of available resources must preceed any requisition of new supplies, and directly in this relation hidden assets must be revealed by reviewing every norm of consumption, costing, etc. Last but not least, the standard of management and organizational work in the activity of all leading managers must be further intensified and labor and technological discipline consolidated in every work team, and in that direction the CPSL CZV and plant organization must focus more attention on enforcing the right of the party's control against comrades in economic management; the fulfillment of adopted measures and specific assignments of the communists must be systematically controlled. Our problems are complex but not unsolvable--in the enterprise as in the supra-enterprise sphere. Time will judge the efficiency of measures adopted by party organizations and economic management in those plants and enterprises as well as in other establishments which are engaged in the same struggle with problems in the fulfillment of their plans.

9004
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## JUHAR REPORTS TO GENERAL ASSEMBLY ON TOURISM, DOMESTIC TRADE

Budapest NEPSZABADSAG in Hungarian 18 Jun 82 pp 3-4

[Speech by Zoltan Juhar: "We Will Preserve the Standard of Living"]

[Text] In the introduction, the Minister of Internal Trade said that in the past four years--since the creation of the internal trade law--we succeeded in satisfying the demands.

/--The present standard of our supply of goods is equal to the level of our economic development and it can withstand the test of international comparison./

For many years, we have almost completely satisfied the population's demand for essential foodstuffs. The selection of milk and milk products, high quality frozen foods which ease household chores, canned goods and baby foods has expanded.

We essentially satisfy the demand for clothing, but it is still objectionable that there is a shortage of fashionable clothes. It often happens that senior citizens are unable to find comfortable shoes and clothing in the stores which are appropriate to their age.

The lunch program for children, students and workers has advanced. At present, 3 million people daily take advantage of this reduced rate service.

Following the 1979 price increases, the restaurant industry's volume decreased temporarily. We find it an encouraging sign that food and soft drink consumption is again growing; the restaurant industry is gradually regaining its patrons. Still more has to be done so that all sections of society can better take advantage of restaurant services.

### Errors and Shortages

Besides our accomplishments, we must talk about our concerns--continued the minister.--The population often validly complains about the existing shortages. One must honestly say that within a short period of time we cannot stop some of these, but those which result from the shortcomings of producers and commerce can be eliminated.

/For example, occasionally we do not accurately gauge the expacted demand, or industry does not deliver on the basis of its contract./

Let me point out two deficiencies in particular: the problems related to quality and to spare parts delivery. These cause much annoyance, and occasionally added expenses and waste.

There is still much valid criticism of the quality of bread in Budapest despite all that has been done to improve it in past years. For example, the variety of breads and baked goods has increased; new bakeries beginning to operate during the planning period must be further enlarged and modernized. At the same time, greater attention must be paid to the technology of the bakeries, delivery and marketing conditions. Experience proves that truly good bread can be baked from domestic wheat types.

We are conscious that the supply of spare parts has improved very little. Occasionally we have problems not only with the quantity but also with the quality.

After this the minister spoke about the fact that to protect the consumer price level, commerce must carry on more active price negotiations with producers and accept only qualitatively acceptable goods. In the future we want to avoid even more unjustifiable, frequent and excessive price changes but will approve well founded price increases.

This year and in the future we want to maintain the level of the present food supply. This definitively reflects upon the Food Ministry. The number of cheaper items must be increased. We are developing on-the-job and commercial catering services. We have to better adjust to demand, though in many areas this has its limitations. However, we cannot responsible promise that we will eliminate the present limited selection and quality inadequacies with one fell swoop, or that new ones, for one reason or other, will not appear.

Commerce, continued Zoltan Juhar, in addition to its traditional tasks must assume a much more active role to realize the prioritized national economic tasks.

To help the selected industrial development program, we have organized the production of 15 billion forints worth of consumer items annually by the smaller enterprises and industrial cooperatives as well as the production of consumer cooperatives.

A second task of this type which the minister spoke about was that we have to better coordinate the interests of product supplies and foreign trade than we have up to now. Presently 16 percent of the items on the small trade market come from imports. We do not manufacture most of these domestically or cannot produce them because of climatic conditions.

Importing goods also serves to give incentive toward better quality and modernization. Unfortunately, this is successful in a very limited area at present. With regard to the future we cannot forego the increase of consumer goods imports, since the level of the supply of goods could not be substantially improved without them.

/Our primary interests are dependent upon trade connections and the strengthening of international cooperation. For this reason we urge the specialized manufacture of essential goods within COMECON./

Our goal is to enable the purchase of modern products appearing on the markets of socialist countries to be available in every other country.

As the third task, Zoltan Juhar referred to the more active role that trade, working closely with industry, must assume in order to fulfill the energy program.

--The number of people has increased--continued the minister--who have built or renovated their homes with state credit. To this end, we would like to create such conditions in building, installation and maintenance material that lessen the already great burden of the builders. There have already been good starts. The development has already begun of the "Feszek" department store chain which provides a complete selection of necessary materials, goods and services needed for home building and furnishing.

Shopping Conditions

State companies handle almost two-thirds of the retail trade and more than 90 percent of the wholesale trade. Their activities have been greatly expanded and modernized, will at the same time improve the ability of the villages to retain their population.

Shopping conditions are also influenced by the length of business hours. Trade business hours were essentially established in accordance with the demands of the population and therefore weekly business hours were not curtailed. On Saturday, for example, practically the entire network is at the disposal of the shopper rather than the one store on call.

Tourism

The political and economic significance of tourism is growing in our country--continued the minister. Tourism exerts a beneficial effect on our economic and social lives. It promotes a more realistic judgment of our social system by international public opinion and it can increase our country's international prestige.

/Tourism also plays an important role in the strengthening of friendships between peoples. Therefore we will pursue an active tourist policy in the future./

The number of our citizens' foreign trips reaches 4-5 million a year. 1.3 million workers take advancage of reduced rate vacations and 1.5 million Hungarian citizens vacation at commercial resorts. In the future we will strive to satisfy the demands of domestic tourism with a more flexible price policy and new programs.

Our political interests are also connected to the strengthening of our relations with socialist countries through tourism. Their inhabitants comprise 85 percent of the foreigners visiting our country, and 90 percent of Hungarians traveling abroad visit our brother countries. We continue to strive for the development of effective tourism which is more systematic and better aligned to our capacity than previously.

Our capitalist tourism is far more modest, but is also developing. This is shown by the doubling of our foreign exchange revenue during the past three years. Both the income per tourist and the proportion for organized tourism have increased.

The hotels which have already been built and those under construction within the framework of tourist cooperation indicated the mutual advantages to both parties that stem from a neighborly relationship with Austria; this is further evidenced by the fact that one out of three western tourists visiting our country is Austrian. Presently, two-thirds of the western tourists arrive from Austria and West Germany.

Safeguarding of Interests and Appraisal

After this, Zoltan Juhar said that as a result of the internal trade law, the legal system protecting consumer interests and the supervisory systems have been strengthened.

The handling of consumer complaints was regulated on the basis of the law. The premise is that

/the seller is responsible for the quality of goods, even if the damage occurred during manufacture or shipping of the item./

The complaint must be remedied at the place of purchase; however, the party responsible for the damage must assume the cost.

This year the National Consumer Council, a consumer protection social organization was formed under the aegis of the Patriotic Popular Front. Authorized by the government, this council can initiate proceedings in the areas of production, distribution and services.

In conclusion, the minister talked about the reliability, and the financial and social positions of the nearly 450 thousand trade workers. --Nearly 64 percent of the trade workers are women--and the proportion is about 80 percent among the store workers. Many of them are raising small children. Many seek new jobs because of physical and emotional exploitation, unfavorable work shifts, heavy physical labor involved with the moving of merchandise and unsatisfying social conditions. In a few trades and areas, primarily in the capital and industrial centers, manpower problems in the food and retail trades were intensified which already adversely affect the level of services in some areas.

At the end of his speech, Zoltan Juhar called attention to the

/further improvement which was required in the training of trade workers, behavior and quality of work. However, our workers rightfully express a need to receive more financial and social appreciation for their well done work./

Discussion on the Speech

The activities of this sector are developing in the proper direction--Laszlo Hosszu said explaining the opinion of the Parliamentary Trade Committee. --The law is suited to further advance the more complete fulfillment by trade of consumer demands.

In today's world economic situation, the level of food supply can be classified as good even by international standards; for this we can commend primarily the organization of the food economy, the fruitful cooperation between industry, agriculture and trade, as well as the appropriate use of the interest system. Consumer goods are at a satisfactory level, but even today it is indisputable that there are shortages. Therefore the influential role of trade must be further strengthened in this respect which has already brought good results--Janos Tausz, among others, explained.

He emphasized that our internal trade policy is presently on the right track, and is in harmony with our entire economic policy; therefore, we must continue the modernization of our trade system in this direction.

The representatives participating in the discussion subscribed to the idea that the possibility of quickening the pace of development was contained, for example, in the further shortening of trips undertaken to transport goods and in the restructuring of the overly rigid separation of retail and wholesale activities.

Laszlo Radnoti, Maria Mesterhazi and Laszlo Barta spoke about their experiences to date with contractual operations. For example, Laszlo Barta, Council President of Szolnok County, said that already almost 200 stores operate in this fashion, and the performance of the shopkeepers is satisfactory and meets expectations; the selection of goods as well as the level of service has improved.

The feeding of children has come under the management of specialized enterprises in many places in the country. The children and almost 90 percent of the students in Szolnok County lunch through the arrangement of the restaurant industry. Thus there is an opportunity to improve the quality of food and to free up space for teaching purposes in the schools.

The improvement of the level of supply in the village settlements causes particular problems. These problems were discussed by Representatives Bela Harasi and Mrs. Laszlo Dancsak. Bela Havasi said that the population retaining ability of the villages was aided, for example, by raising the

levels of basic food supplies. The solution to this problem is not easy but it is essential. The majority of fixed priced goods and consumer goods brought into circulation by trade which has a low profit margin increases the problem; they barely insure a minimal profit.

Mrs. Laszlo Dancsak explained that in her voting district--the district of Paszto--the population in half the villages does not even reach one thousand; a portion of the store network is outdated and run down. In many places, the delivery of goods is haphazard, the store managers do not take risks. She emphasized that we must pay attention to the complaints of the populations in small settlements; they find the discrimination in trade provisions to be insulting.

In the discussion much was said about the development of tourism. Laszlo Radnoti pointed out that the country has favorable attributes and considerable underutilized resources. For example, by extending the recreational season, the establishments in the Balaton region could be more economically utilized. Gabor Szucs, representative of Hajdu-Bihar county, said that the quickly growing domestic and foreign tourism creates its own set of demands on commercial supply, development of housing accommodations and the expansion of services. The county did much for tourism in the past few years; they saw to the expansion of the health spa at Hajduszoboszlo and a few years later new pools and recreational areas were available to the guests.

Exploring the possibilities for expanding trade, many spoke of increasing the volume of trade across the borders. Among others, Laszlo Toth, representative of Csongrad County, said that the exchange of goods along its borders constitutes a significant role in the commerce of the county. In five years, the volume has increased more than sixfold. He suggested that the Trade Fair of Szeged, for which 130 Yugoslavian exhibitors have already applied, be used to boost trade across borders. Maria Mesterhazi also said that the exchange of goods across the borders of Vas County has helped to raise its level of commercial supplies.

On Friday, our legislative assembly will continue its work by discussing the speech of the Minister of Internal Trade.

9956
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## TSZ'S USE NEW FORMS OF WORK COLLABORATION

Budapest MAGYAR MEZOGAZDASAG in Hungarian 16 Jun 82 p 4

[Text] The new agricultural employment regulations have aroused the interest of TSZ [producer cooperative] members and employees. Although they do not yet make perfect use of the possibilities offered by the regulations there are a number of examples that the provisions have started a favorable process. This is shown in a compilation by the megye editorial offices of the Hungarian Telegraph Office which we leafed through in order to show a few good initiatives which should be followed.

In Vas Megye a number of farms signed work contracts with the family members of TSZ members who participate in the common work. At the Savaria TSZ in Gencsapat they employ family members in felling trees and planting and caring for saplings. At the Sopte cooperative they employ family members in crop cultivation. In common farms with larger orchards the members work during work time and outside of their job sphere almost everywhere. At Memescso the members produce ornamental plants on a shares contract. There are also examples of cottage industry. At Repcelak the family members make cheese boxes at home for the milk industry. At Hegyfalu they make linens, at Kam shoe uppers and at Jakfa cord and shipping bags, with the producer cooperative as prime contractor. In several places in the megye the cows and steers owned by the farm are put out in the household plot sheds so that the animals remain the property of the TSZ while those undertaking the work receive money for maintenance, feed and care in return for the milk or added weight.

In Pest Megye cultivation on shares is more characteristic of the traditional fruit producing regions. The TSZ's provide the machine cultivation, basic materials, transportation, chemicals, etc. while the members and those applying to do so undertake the hand work, cultivation and harvesting. The larger part of the crop goes to the farm, but naturally the contracting parties get a share for their efforts. The experiences are especially good in strawberry production. This work link develops with greater difficulty in the vineyards; in most places those undertaking the work get wages for caring for the plantings cultivated on shares; in addition they can get shares from the extra production. Recently the farms of the megye have been hiring the collectives after work hours in business organization, data processing and technical areas also. According to the most recent surveys 20 such collectives, with about 200 members, now work in the megye. This is done on, among others, the TSZ's in Ocsa, Kerepestarcsa and Rackeve and, in the capital, on the Sasad and

Obuda producer cooperatives. The common farms have also organized a number of special agricultural groups; the members produce bulbs and care for poultry in Szigetszentmiklos, keep sport horses at the Erd TSZ and have undertaken sheep raising in Tapioszentmarton, in return for appropriate income.

In Fejer Megye use of the new method will come up for the first time on a large scale at harvest time. Up to now, on a number of farms, people who worked elsewhere manned the machines. This year members and employees of the producer cooperatives who work on other assignments and have applied for this as extra work will drive the combines and tractors. At the Sarbogard TSZ the mechanics in the repair shop will replace the outside work force and on the Tabajd common farm in-house workers will be hired to detassel the hybrid corn. At the Zamoly producer cooperative the construction brigade undertook to do lumbering in the winter season; the method has been a complete success here.

In Baranya some of the members of the Bogad producer cooperative got together, within the framework of shares cultivation, to plant vines which could be cultivated with large scale methods, thus aiding realization of the vine planting program. The TSZ undertook the earth working and acquisition of graftlings while the members of the association will do the planting, and later the cultivation. The members got 20,000 to 25,000 forints in support for this from the TSZ, and they can take out an investment loan also. The Villany-Mecsekalj Wine Combine is signing a contract with them to receive the crop. The planting on 10-15 hectares adjoining the large scale area also serves to renew the wine region.

Since fall of last year two new special groups have been formed in Baranya. In Egyhazaskoszar some of the members have committed themselves to taking care of the sheep stock. In Szederkeny they set up a grape production and marketing special group. In Pecsvarad they are planning to organize a wine purchasing special group and in Sasd they are planning to form a bee keeping special group. Separate work for the members is needed especially in those TSZ's in the megye where the production conditions are poor and manpower is short. Ever more frequently, cowherds harvest hay in their free time while truck drivers drive the combines and, at the time of extended harvest shifts, undertake to maintain the machines.

In Komarom Megye, on the basis of good experiences in previous years, the Golden Ear Producer Cooperative in Aszar has signed a 5-year cooperation contract with 150 small producers. There have been applicants not only in Aszar but also in the neighboring villages of Hanta and Barsonyos, largely among industrial workers. Those on contract participate in cultivation of the grapes from spring to harvest; at present many work on the tying up also. The common farm pays not with money but with work of the same value--cultivating the household plots by machine, bringing in the produce from them and selling artificial fertilizer 20 percent more cheaply than the retail price. The TSZ was also relying on the cooperation when it expanded further this branch, which has already won more than 100 prizes at wine competitions. In years to come the vine area will increase to 200 hectares and they plan to process the entire crop themselves.

8984
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COMMERCE OF AGRICULTURAL CO-OPERATIVES EVALUATED

Budapest MAGYAR MEZOGAZDASAG in Hungarian Nos 24, 25; 16, 23 Jun 82

[16 Jun 82 p 3]

[Text] In the past 20 years the production of agriculture has increased by 69 percent, while gross commodity trade has increased by 177 percent. As an average a 1.9 percent expansion of trade accompanied every 1 percent expansion of production on the producer cooperatives. An increase in commodity trade at a rate exceeding the increase in production was also characteristic of the small producer sphere.

By the beginning of the 1980's the ratio of commodity production had risen to 95 percent in animal husbandry and 70 percent in crop production. These figures show that commodity production by the cooperatives had entered a qualitatively new developmental stage, characterized by the development of market oriented production and by the approximate identity of the rate of growth of production and commerce.

Market-Centered Behavior!

The more severe external conditions of the economy are increasingly forcing the cooperatives to display better thought out organizing work in exploiting the reserves of the commercial sphere--in addition to organizing production.

The increased volume and specialization of commodity production require, on the one hand, new types of links between the production and trade spheres and, on the other hand, the building up of in-house processing, where this is possible.

For years the leading producer cooperatives and the state farms have been developing their processing, storage and packaging capacity in a deliberate way on the basis of long range programs. They thus improve the quality and marketability of their products and increase the economicalness of the entire vertical activity. Amidst conditions of strengthening competition the vertical structure of production, processing and marketing is not only an essential condition for preserving quality and improving profitability but also an important requirement of market flexibility, staying on the market. For a long

ime the shortage of circulating funds has hindered commodity trading work better meeting market demand and more active commercial action also.

Laying a foundation for the effectiveness of marketing from this side makes necessary more proportional use of developmental resources, regrouping them for purposes of storage and processing, and central measures which will encourage this more determinedly.

Progress in the area of processing is strongly differentiated by article groups and between cooperatives. Initial results are appearing in fodder manufacture and in poultry and milk processing. At the same time, the role of the cooperatives is modest in wine production, seed production, the refrigeration industry, vegetable processing, and other important areas.

Building a completely vertical structure for the grain economy, the coordinated development of production, quality preservation, storage, fodder manufacture and trade, is a significant factor for increasing efficiency. This merits special attention, not only because it improves the profitability of the grain branch but also because it aids a better supply of fodder for animal husbandry, lays the foundations for small scale animal raising and decreases trade costs. By seeking new partners, and reducing the number of middlemen the cooperatives are striving to counterbalance the unfavorable effects of the monopoly situations which could be regarded as general in earlier years. This is shown by the direct trade links with various large consumers (social institutions, catering enterprises, etc.) and foreign trade enterprises, by linking directly into public marketing and by the creation of commercial associations.

The Organized Nature of Trade

Despite the undoubted progress, in some cases commercial viewpoints still remain in the background in enterprise decision making; the level of organizational work lags behind what is demanded in production. They are still considerably at the mercy of others in marketing and acquisition alike, they are frequently in tight corners, and not rarely decisions are motivated by momentary circumstances and interests.

The organizational conditions for commercial work are extraordinarily varied and as a whole show a picture of slow transformation. In many places the annual production programs and incentive factors of some branches and organizational units are rationally linked to the requirements of organizing marketing, improving quality and increasing receipts. As a result of this those guiding production are better informed about markets, commercial techniques, standards, etc., but the deficiencies which can be found in this area are still considerable.

The acquisition of the tools of production ties down large forces in the cooperatives. The situation has become especially intolerable in trade in power and working tools, vehicles, various types of equipment and parts. In the absence of a uniform, modern record keeping system and up-to-date operational information, finding even obtainable parts is extraordinarily complicated. For this reason a great deal of work time is expended on and there are many empty runs made in the name of acquisition, and over-stockpiling as a result of the shortage psychosis is significant.

In few places do they have an organization for stockpile management which really manages the stockpiles purchased or produced. There are deficiencies in the planning of acquisition. In the case of reserves purchased there is not an adequate harmonization of orders among the several organizational units. There is frequent spontaneity, which is one cause of the growth in idle stockpiles.

It happens that the enterprises trading in tools of production, exploiting their position, deliver items differing in quantity or quality from what was ordered, or fill the orders only after delays. Faulty deliveries are rarely returned, and the losses deriving from this are considerable.

Despite the cooperation which has begun in hog production, poultry production and other branches, production and marketing cooperation based on mutual interest and risk is not yet of determining importance. To an exaggerated degree organizational independence is coupled with an alienation of interests, which frequently breaks the product path and weakens efforts aimed at improving quality and increasing marketability.

On the Basis of Mutual Interests

We can continue to regard contract links as the chief form of marketing, but in the future these should be enriched with more interest elements. The improvement in quality, the proper scheduling of commodity delivery and acceptance and a strengthening of contract discipline must be based on mutual interest. To an ever greater extent contract links must extend to the acquisition of the tools of production also, thus strengthening delivery discipline and the fulfillment of obligations undertaken.

The system of classifying agricultural products follows changes in market needs; objective methods based on use of instruments are spreading.

It is an important condition for realizing producer interests that the cooperatives--making use of the possibilities in the regulations--really participate in the classification work connected with the delivery and acceptance of products. The regional federations of producer cooperatives and the TSZKER [expansion unknown, possibly Producer Cooperative Trading Enterprise] employ a total of 460 permanent and seasonal experts within the framework of commodity delivery services conducted on behalf of the cooperatives. Their work is an important link in economic interest protection. More attention than heretofore must be turned to professional guidance of them and to making use of their experiences.

The organizational modernization of some of the food industry branches and the increase in enterprise independence promise conditions more favorable than before for building closer production and marketing links. Exploiting the possibilities will depend in large measure on the recognition of common interests and interdependence and on the action unity of the cooperatives.

(In the next issue of our journal we will review the structure and directions of commodity trade, the conditions system for trade by agricultural cooperatives and their export market activity.)

[23 June 82 p 3]

[Text] At the end of the Fifth 5-Year Plan the agricultural cooperatives and their household plots sold agricultural products worth 93,501 million forints (at current prices). The growth, compared to the first year of the plan period, was 19.8 percent.

In 1980, enterprises and institutions purchased 92 percent of the goods sold. The remainder was made up of products traded in their own shops or markets or trade directed to other agricultural sectors.

The Structure and Direction of Commodity Trade

The reduction in "linked trade" through middlemen, that is, having direct forms of marketing come into the foreground, can be judged as favorable. In trade in fruits, vegetables and potatoes, for example, the ratio of direct purchases by Hungarofruct, the canning factories and other enterprises increased. Public trade in their own shops and markets essentially stagnated in the past plan period. Trade by the 2,100 shops and catering establishments has leveled off around 4-5 billion forints per year.

The significant developmental and maintenance burdens do not encourage any substantial expansion of the shop network. The majrotiy of the cooperatives conduct direct public sales primarily with an eye to the needs of members and the social environment.

Purchased tools of production make up an increasing part of the tools of production used by the agricultural cooperatives. Productive consumption in agricultural production increased from 53.7 billion in 1976 to 75 billion in 1980 (at current prices).

Fuel use in this period increased from 8.6 billion forints to 12 billion, and machine maintenance increased from 12.3 to 16.5 billion forints. Use of industrial fodders and artificial fertilizer essentially maintained its level (hovering around 13-14 and 9-10 billion forints respectively).

Growth could be experienced in use of crop protection materials, in service fees and in use of other materials of industrial origin. The specialized trading organizations play a determining role in trade in tools of production. The cooperatives purchase about 80 percent of their machines, equipment and materials of industrial origin from the Agroker enterprises. But trade conducted in the producer's interest, the acquisition of tools of production by the TSZKER, is expanding gradually. In 1981 the trade was 3.2 billion forints. Trade in tools of production by the production systems is developing dynamically; this has palpably improved the supply security of the member farms.

Sale through the common farm of goods originating on the household plots of producer cooperative members and the small farms of outsiders shows an extraordinarily swift growth. The value of this trade increased from 14.4 billion in 1976 to 32.4 billion in 1980. A similar trend can be found in the organization by the large farms of the supply of the tools of production for small producers.

The marketing of vegetables, porkers, slaughter rabbits, slaughter cattle, poultry, grapes and fruit from small producers has increased. But the role of the large farms in technical-material supply for small production has increased also. Trade in fodder mixes, crop protection materials and small machines and the provision of agricultural services--primarily transportation--have increased. Trade data and practical experience alike show that the producer cooperatives have taken effective measures in the interest of integrating small production and they are using its possibilities well.

In general the profit margin realized through commercial activity, about 4 billion forints, covers the expenditures of the trade sphere. But it does not create an adequate material source for the development of production or the technical conditions for storage, materials movement, commodity preparation of packaging. And this creates an ever more serious situation in the loss-free, cultured conduct of the increasing trade.

An upturn in multi-channel trade can be expected from the abolishing of some of the organizations of the processing and commercial trusts and from the dissolving of the zone boundaries. The organizational modernization carried out at the beginning of this year in the system for trade in tools of production expanded the possibilities for multi-channel trade and points in the direction of a development of healthy competition. Extraordinarily significant national economic and cooperative interests attach to the success of the reorganization, to more coordinated work among those manufacturing, importing, trading in and using tools of production.

The Conditions System for Product Trade

All this means that from the organizational side one can and must count on new external conditions in the commercial work of the cooperatives.

The material conditions for multi-channel trade continue to be unfavorable, especially in the area of acquiring the tools of production. In general the supply of circulating funds for the newly independent commercial and processing enterprises is satisfactory, but the new organizations trading in the producer's interest--TSZKER and the production systems--are for the most part working on credit with high interest rates. The worsening financial conditions put real limits on an expansion of trade and weaken the competitiveness of the new trading channels.

It is a source of fundamental problems in the area of acquiring tools of production that despite a significant price increase the technical level and quality of the tools lags behind the production demands. Even in a system of multi-channel trade acquisition moves in practice along a fixed path, because in many cases variety and demand are not in harmony.

As a result of the quality requirements the significance of standardizing agricultural products has increased. The majority of the product standards are realistic and contain quality prescriptions which can be met, but it also happens that exaggerated prescriptions, divorced from the objective production conditions, receive authoritative support. Each year the marketing of

agricultural products involves the shipment of several tens of millions of tons of goods, tying up a considerable part of the transportation capacity of the economy, with great seasonal variation. The receptivity of the railways and the border crossing points represents the primary bottleneck for transportation. Making insufficient cars available or making them available to the cooperatives late causes considerable losses in both domestic and international rail deliveries. The underdevelopment of other elements of the infrastructure, especially the backwardness of the provincial communications network, means serious difficulty in improving the organized nature of commodity trade and in maintaining commercial contacts.

Opening to the Foreign Market

Following the 1977 resolution of the Central Committee of the MSZMP, and especially in the past 2 years, a number of central measures have aided an improvement in the ability of the cooperatives to carry out export, and they have furthered a development of incentive relationships. Forward movement can be experienced in the linkage system between cooperatives and the foreign trade enterprises. The changes expanded the number of trade channels and the possibilities of choosing your partner. The development is indicated by the appearance of foreign trade associations in which about 200 producer cooperatives and cooperative associations now participate. New, parallel trade channels have opened to expand free-trade, non-ruble accounting export (Generalimpex, Hungarocoop, etc.). New accounting forms between cooperatives, the foreign trade enterprises and the linking domestic traders have come into being, called upon to further the relaization of mutual interest and responsibility (for example, in regard to slaughter cattle and wine).

But thus far, direct export interest--having an effect on the structure of production and the quality of goods--has developed for only some of the cooperatives or those producing commodities. The large volume agricultural articles continue to move on a fixed path and in the case of free-trade articles the role of the commercial organizations interposed between the cooperatives and the foreign trade enterprises remains significant. The intervening factors make it difficult to see clearly and make difficult a flexible accomodation to market conditions.

The domestic links of the foreign trade enterprises (maintained with the producing organs) are undeveloped. Even in the case of members of foreign trade associations participation in business discussions has not become the practice. Thus both sides lack information about the economic conditions or activities of the other. Despite their readiness for and interest in discovering new marketing possibilities the cooperatives can participate only in a limited way.

For the time being the new trade channels opened for non-ruble accounting export offer only modest possibilities of choice. Trade along the parallel paths is dwarfed by the specialized foreign trade enterprises; the monopoly situation is being dissolved slowly and contradictorily.

The change in market relationships and the growing demand for efficiency make it urgent that the commercial work of the cooperatives and the activity of the processing, tool manufacturing and trading organizations connected with them catch up with the requirements of intensive agricultural production.

8984
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## ECONOMIC STIMULATION THROUGH MONOPOLY TAX PROPOSED

Warsaw ZYCIE GOSPODARCZE in Polish No 23, 27 June 82 pp 1, 4

[Article by Jozef Popkiewicz]

[Text] Lack of competition is often regarded as the main weakness of a socialist economy and the creation of it as a necessary factor for effective functioning of enterprises.

It is difficult, however, to imagine conditions under which socialist enterprises would compete among themselves for the highest profit and profit rate or for the most profitable capital investment, thereby operating in accordance with the classic definition of free competition in pre-monopolistic capitalism. In any case, it is hard to find this type of free competition in today's developed capitalist countries, which does not mean than an even keener and more ruthless competitive struggle does not take place there, although its organizational forms have changed radically. The persistent source and driving force of this struggle are the everlasting sales difficulties, arising from the very essence of capitalist production which is directed at obtaining maximum profits and at reducing the wages and demands of the laboring masses to the maximum. It is these sales difficulties that are at the base of the operation of economic mechanisms, forcing capitalist enterprises to reduce production costs, improve quality and expand product range, and to most efficiently apply and utilize capital.

The question arises, therefore, whether it is possible to create under conditions of, after all, a monopolized socialist economy, equally effective economic mechanisms which can be mastered and methodically utilized in the interests of society, while avoiding the social and economic losses that inevitably accompany capitalist competition?

As distinct from the capitalist economy, the dominating factor in socialist countries is excess demand, growing faster than it can realistically be satisfied. It is the consequence of an active wage policy, dictated by social consideration, and a basically rigid price policy. As a result, there is a rapid growth in wages for which there is no coverage in a much more slowly rising labor productivity. This kind of wage and price policy gives rise to an inevitably specific inflationary gap and curve, which is not accompanied by a natural, in this situation, growth in prices.

Thus a producers market--so characteristic of most socialized countries--forms, whose relatively constant source is the excess demand not actually covered by increased production of goods and services. This demand, unfortunately, not only does not constitute a driving force for the economy, but simply the contrary, it becomes a large burden and brake on the economy. The producers market, in a socialist economy, creates a specific monopolistic situation, independent, as a rule, of the degree of production concentration and centralization. Under these circumstances, enterprises have involuntarily become monopolists, without the need to consult among themselves and form a cartel, for in almost every field of production they produce, in the aggregate, less than the actual demand, determined by the prices in effect and the population's nominal income.

In place, therefore, of the sales difficulties characteristic to capitalism, there forms in the socialist economy a specific producer market, creating extremely convenient functioning conditions for the enterprises. It allows them to exist and even develop without the need to be constantly concerned about reducing production costs, improving quality, increasing quantity, and expanding the range of their products.

Such possibilities are created for them by the price gap--typical for the producers market--which excess demand creates between the equilibrium price, obtainable on the market, and the computed price (lower than the equilibrium price), guaranteeing permissible standard profitability. This gap, without difficulty, reflects all kinds of costs, including those caused by waste and economical management, and a profit surcharge which rises parallel with costs.

Under these conditions, the costly price formula, unverified by the market, can function freely, giving more encouragement to increasing of production costs than to decreasing them. At the same time, positive incentives linked to wages and profits are becoming weaker, since both wages and profits can be increased easily without the effort that a growth in management efficiency requires. This increases the pressure on the nominal growth in wages, which are not compensated by a growth in labor productivity, and the tendencies of enterprises to increase profits by simply increasing prices are intensified. This again forces the tightening of administrative control over the wage fund and progressive taxing of profits, which still further weakens their incentive activity.

Therefore, if economic reform envisages full restoration of market balance and broad utilization of a market mechanism, then one of the most important and urgent tasks of economic policy should be the elimination of the very damaging and economy-disorganizing producers market and the price gaps which allow it to exist. This means that it is necessary to immediately bring contract and regulated prices to the level of market-balance prices. This also means a basic change in the establishing of official prices, whose substance should not be limited to maintaining their low level and subsidizing production shortages, but to expanding production so as to enable it to cover the increased demand produced by these prices.

These tasks, unfortunately, were not fulfilled by the recently applied price reforms and it is difficult now to expect the producer market to automatically disappear. This would take too long and would cost our economy too much, particularly since the elements of the old orders-distribution system which still remain create a fertile ground not only for constant renewal, but also for widening of the price gaps that

are peculiar to this market. The pressure for wage increases continues to be so great that demand can always grow faster and exceed any possible growth in the supply of market items.

But it is possible, as I will show, to deliberately reduce and gradually force out the producer market by eliminating the price gaps which are its source. The main road leading to this goal is a quick increase in contract and regulated prices to a level of prices which will equalize demand with current, or anticipated in the very near future, supply. Such an increase is, in any case, sooner or later, unavoidable, since the only alternative to market-balance prices is state control, which is contrary to the very essence of economic reform.

Thus instead of waiting idly until the enterprises themselves bring out market-balance prices as a result of constant increases in costs, wages and prices, if, of course, the continued growth of demand does not pass them up in this race, we can and should take steps earlier to deliberately close the price gaps everywhere they appear or can appear. This process, based on equalizing sales prices to the level of market-balance prices, should be conducted selectively, beginning with durable goods, considered to be luxuries, and ending with the most indispensable daily necessities.

It is hard to expect the enterprises, which are in no way stimulated or forced, to take action to eliminate a producers market which is so convenient for them and to restore a buyers market which is so desirable for society. Such action would, under the present conditions of almost universal market imbalance, be in conflict with their current, thus their most immediately affected, interests. That is why it is necessary as quickly as possibly to create an economic mechanism which would encourage and compel the enterprises to operate in such a way as to join their interests with the vital interests of society and the national economy as a whole.

A sliding-scale monopoly tax could fill the role of the main and most effective instrument in this mechanism. The rate of this tax would be variable and would be established flexibly for a year depending on an already existing or anticipated in the near future price gap. This tax would be fixed by the Price Office or its organs, analyzing the market situation, separately for each group of goods. It would be necessary, too, to anticipate the possibility of flexibly applying reductions if sales problems, caused by the tax and the increased prices, turned out to be extreme and threatened unrecoverable losses. Such reductions, for example, could be made for seasonal or periodic sales of accumulated stocks at greatly reduced prices.

The goal of the sliding-scale monopoly tax which I propose should be:

--to eliminate price gaps or prevent them by equalizing contract prices, and regulated prices especially, to the level of market-balance prices;

--interception, by the state budget, of the monopoly profit which is now and may continue to be absorbed by waste and uneconomical management by enterprises;

--initiating and utilizing a market mechanism which will force the enterprises to constantly strive to reduce production costs, improve product quality, increase size and range of production, and efficiently utilize its own funds and bank credits.

The schematic diagram shown here describes, in terms of statistics, the functioning of a sliding-scale monopoly tax.

To strengthen the influencing force of this tax on the enterprises' decisions, it is necessary, in my opinion, to fix its rate at a level which would bring the sales price to an amount which would equal, or actually somewhat exceed the market-balance price, rather than to an amount below the market-balance price. Thus sales difficulties would be created, or intensified, forcing the enterprises to constantly overcome them or avoid them, which they could do by reducing costs, ensuring that they will obtain past profits at full sales but at reduced prices, or by improving the quality of the goods and enhancing their range, which would facilitate full sales at prices set by the monopoly tax.

Only in this way could the enterprises ensure themselves the profitability of production indispensable for their continued existence and development. Every increase in profits would be possible, therefore, mainly through an increase in production, which would be rewarded by a commensurate reduction in the monopoly tax until it would be removed completely. The reduced monopoly tax, combined with the expansion of production, would facilitate sales at reduced prices even when unit costs of production could not be reduced.

Total abolition of the monopoly tax on the goods and services specified would take place when the market-balance prices appearing ensured only an average, i.e., a standard profit. These, then, would be the prices correctly referred to in "Directions of Economic Reform" as ultimate optimal prices. They would also mean that an optimal price structure is being approached which corresponds to optimal, from a societal standpoint, sizes of sales and demand.

Thus, although a permanent institution, the sliding-scale monopoly tax from its very inception would have, in relation to the particular enterprises, a temporary character and would be gradually abolished as the producer market is overcome and the buyers market restored along with the ultimate level and structure of prices. However, incomes which the state budget would obtain as a result of this could be used both for an increase in wages and social benefits as well as to subsidize production shortages of products covered by official prices.

A sliding-scale monopoly tax cannot, of course, be applied to basic consumer goods covered by official prices and requiring budget subsidies. The main task of these type of subsidies is, on the one hand, to ensure profitability of production, and on the other hand, to make it possible for specific groups of people to obtain specific goods at reduced prices.

Unfortunately, a decided majority of official prices in our country deviate considerably from market-balance prices, which, in advance, predetermines the necessity to exercise state control over the goods covered by these prices. We do not always realize that the administratively reduced official prices produce an understandable

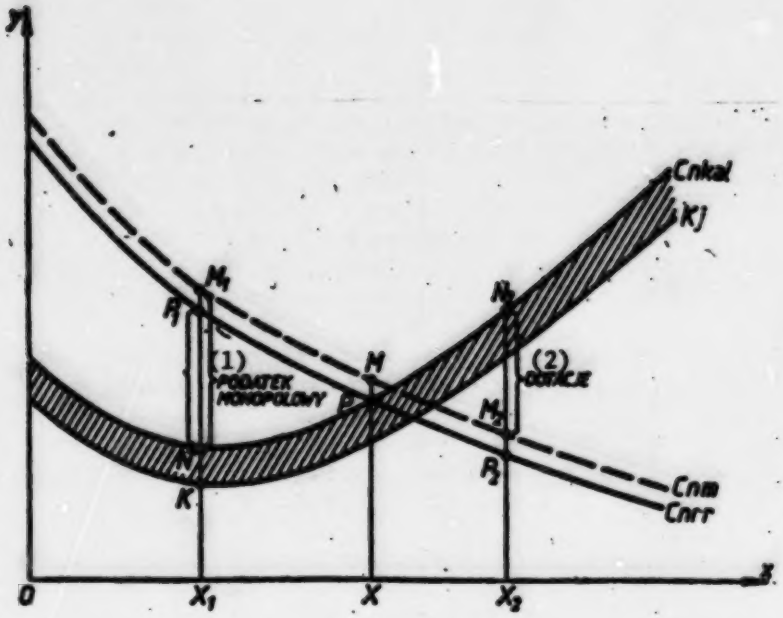


Figure 1. Schematic of Functioning of Sliding-Scale Monopoly Tax

Key:

1. Monopoly tax
2. Subsidies

Cnrr - Market-balance price curve
Cnkal - Computed-price curve, ensuring standard profit
Cnm - Price curve taking sliding-scale monopoly tax into account
Kj - Unit cost (average) curve
P - Ultimate optimal price, equalizing demand with supply and also ensuring standard profit
$P_1$ - Market-balance price at $OX_1$ production sizes
$M_1$ - Price taking $NM_1$ sliding-scale monopoly tax into account
$M_2$ - Price taking $N_2M_2$ budget subsidy at $OX_2$ production sizes into account

increase in demand which is not able to satisfy the current level of production and supply. There then appear a kind of adverse price gaps, created by the disparity between selling prices that guarantee profitability of production and the lower sales prices.

These gaps must be filled in by budget subsidies, whose social rationale would be better understood if they stimulated enterprises to increase production and thereby full satisfy the increased demand. Meanwhile, the effect of subsidies on the recovery of economic balance is, at the moment, small, and even negative on a reduction of production costs, for it seems to sanction their present level.

That is why justifying additional financing of production by social considerations should fulfill the same role in the policy of official prices as the sliding-scale monopoly tax can fill in the area of contract and regulated prices. The main task of budget subsidies, therefore, should be not only to ensure profitability of production, but, and even primarily, to expand its size until complete market balance is achieved.

It may seem that instead of a rather complicated monopoly tax, a considerably more simple tax could be applied--a uniformly set stabilization tax, or a so-called luxury tax added to prices of a selected group of goods. I would like, however, to call attention to the basic differences between the two types of taxes. Aside from its temporary and flexible nature, the sliding-scale monopoly tax should serve to restore market balance as quickly as possible and to maintain the price structure on an optimal level from the social standpoint. However, the stabilizing tax and others like it perpetuate the existing, even the most distorted, price structure, and only indirectly affect total balance.

In outlining the general conception of a sliding-scale monopoly tax, I am aware of the various problems connected with implementing it, and especially with establishing the rate of the tax and with collecting it in the sphere of production or trade. But the cost of overcoming these difficulties seems to me to be incomparably low in view of the economic and social benefits that this tax can bring to our economy.

9295
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## NEW FOREIGN EXCHANGE RATE SYSTEM IMPLEMENTED

Warsaw ZYCIE WARSZAWY in Polish 30 Jun 82 p 4

[Article by Henryk Borucinski: "The Economic Reform -- New System of Currency Exchange Rates"]

[Text] In the realm of the rates of exchange for foreign currencies, the economic reform has met one of the basic demands which scientists and practitioners have been making for years. Let us recall that the so-called foreign-exchange zloty was eliminated, and a new rate of exchange for the dollar and the ruble was introduced in relation to the zloty in circulation, that is, 68 zlotys on the ruble and 80 zlotys on the dollar. How are the new rates going? Dr Ludwik Paly, deputy director of the department of planning and effectiveness at the Ministry of Foreign Trade talks about this:

"The elimination of the foreign-exchange zloty and the establishment of rates of exchange for foreign currencies in circulation zlotys is a significant achievement. Although it does not introduce basic changes in the system of directing foreign trade, it nonetheless eliminates the distortions in the calculations used in foreign trade, greatly simplifies them, and therefore makes them more intelligible.

The basic assumption of the new system of currency exchange rates is their uniformity. The reform almost guaranteed it, but life has corrected the initial assumptions. Now, in introducing the new producer prices for raw and other materials included in the so-called official prices, world prices were adopted, calculated at a rate of 50 zlotys on the dollar, because the decisions on this subject were made at a time when the rate of about 45 zlotys on the dollar was in effect in trade payments with the capitalist countries.

Meanwhile, the great rise in production costs caused largely by the sudden decline in labor productivity, as observed particularly during the latter half of last year, along with the increasing stream of the population's nominal income, caused the ratio of the zloty to foreign currencies suddenly to become worse.

In adopting the exchange rate of 80 zlotys on the dollar for converting the prices of raw and other materials, there was the justified fear that industry (and therefore society) would not "swallow" such a great price increase. Of course, the solution adopted should be considered temporary. The purity of cost effectiveness requires the adoption of a single rate of exchange for all economic operations. The conclusion then is simple: we face a further rise in the prices of certain raw and other materials and the adoption of an identical rate of exchange, the conversion factor for export and producer prices.

The new rates of exchange have already been in effect for several months. In this connection there arises the question as to whether they were set at the proper levels. Let us remember: the economic reform assumes the setting of rates of exchange on a level a dozen and some percentage points below the limit, that is, to insure the profitability of all our exports, so that the rate of exchange serves as an incentive for producer-exporters to undertake more effective production.

With increasing frequency we are hearing the opinion that the level of the new rates of exchange was rather well selected. The overwhelming majority of Polish exports have proved profitable, so that the possible upward correction of the exchange rates to a level insuring profitability for a larger number of exporters would be minor. The new rates of exchange and the simplified principles of calculation have made it possible almost immediately to single out plants and even whole sub-branches working effectively, cheaply, and competitively in relation to foreign competitors. At the same time, for many of them their encounter with an "explosion" in their production costs vis-a-vis the requirements of the foreign market is proving disadvantageous.

At the same time, however, it should be emphasized that in assessing the propriety of the level of the exchange rates which came in after the reform, we must be very careful. The rather optimistic conclusions on this subject are advanced on the basis of an analysis of the results achieved in export during the first few months of this year. It should be remembered that the structure of exports accomplished during this period may not be entirely representative of our economy in terms of a cross-section for the whole country.

And so, for example, the process of slowing the production recession in the processing sub-branches is far more extended than, for example, in extractive industry. For the first few months of this year there was an increase in the costs of practical implementation of the regulations on the principles of clearing accounts of customers and suppliers in foreign trade. Hence this was a period of sort of getting the system going. Not all producers were "certain" of their production costs, so the inculcation of the price reform is a difficult, extended process. For this reason, it will not be possible to present a more reliable diagnosis concerning how correct the level of the rates of exchange for currencies are until the after the first half of this year.

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## SIX-MONTH INDUSTRIAL PRODUCTION PLAN DISCUSSED

Warsaw TRYBUNA LUDU in Polish 28 Jun 82 pp 1, 2

[PAP report on Council of Ministers' Economic Committee Meeting]

[Text] Improvement in mining industries. Supplies of raw and other materials will determine the growth rate of economic processes. Need for greater stimulation of export. Striving for self-sufficiency in food. Priorities for housing construction.

The Government Press Bureau reports that the general assumptions for the central socioeconomic industrial production plan for the second half of 1982 were the subject of discussion at a meeting of the Council of Ministers' Economic Committee. The deliberations were chaired by vice premier Janusz Obodowski.

The main goal of the plan is to perpetuate and expand the positive tendencies which appeared during the first six months of this year in some fields of the economy. Economic results for this period indicate that the economic situation is developing in a differentiated manner.

Improvement has occurred primarily in the mining industries. For example, coal mining in the first half of this year will be over 16 percent higher than for the comparable period last year; brown coal mining is almost 1 percent higher; electric energy, 0.4 percent higher; and copper, 4 percent higher. Some improvement towards the end of the first six months also took place in the industries that base their production on domestic raw materials.

However, the effect of disruptions, particularly those resulting from supply shortages, turned out to be greater in the processing industries than had been expected. Despite the fact, therefore, that rate of economic decline is decreasing from month to month, and in May there was an increase in production over the previous month, it is anticipated that industrial production in the first six months will be 5.4 percent below that of the same period last year. This decline is accompanied by a drastic, approximately 40 percent, reduction in deliveries of raw and other materials from capitalist countries. These indicators attest to the already begun process of replacing this import with domestic raw materials and deliveries from socialist countries. Furthermore, the process now underway of restructuring industry and changing the product type and assortment in many plants means that the relationship of presently achieved results to those of the past period can only be tentative in nature.

The negative phenomena, which must be decisively overcome during the second six months, are--as stressed at the Council of Ministers' Economic Committee meeting--lack of a clear tendency towards reduction of production costs, improvement in employment efficiency, and inadequate utilization by enterprises of all capabilities and reserves for the purpose of stimulating production. Sick leaves are growing at a disturbing rate. The activity of the economic administration in taking control over and popularizing the principles of economic reform among the workforces must also be evaluated critically.

In the second half of this year the progress and growth rate of economic processes will be decided by the availability of raw and other materials. The economy during this period will still have to be controlled by distribution of part of the materials and means, while at the same time tasks described in the operational programs are assigned. An evaluation of the past functioning of programs shows that the selection of enterprises or the specified production within the framework of these programs should be made on the basis of efficiency indicators, primarily of materials- and energy-intensiveness.

Application of the Principles of Providing Credits to Enterprises

One of the new elements in the mechanism of the functioning of the economy will be the practical application of the principles of providing credits to enterprises, as part of economic reform. They should force efficient management through the factors of production, including employment, and stimulate changes in product type and assortment in enterprises. A preliminary financial assessment of the enterprises shows that over 100 enterprises are threatened with temporary interruptions or permanent reductions of production. The most difficult financial situation, however, exists in the construction-assembly enterprises, for they are building too expensively--their costs are too high and their labor productivity is too low.

Because of the uncertainty as to many factors and phenomena, particularly those affected by external conditions, the assumptions of economic development in the second six months, prepared by the Council of Ministers' Planning Commission, were based on small amounts of production growth, foreign trade services, and market deliveries. The Council of Ministers' Economic Committee stated that this plan will only be a general guideline to the activities of the economo-administrative elements.

The most important goal, however, must be a more rapid growth in production, so that over the entire current year the level of production of the past year is achieved. This requires greater stimulation of the economy during the second half year. Whether or not this goal is achieved will be determined by whether the economy receives additional imports, raw and other materials and co-production, from the second payments area [capitalist countries]. That is why the task of stimulating export production was deemed to be most important in all of the measures that will be undertaken in the second six months.

Essential Growth of Export

The Economic Committee bound the pertinent ministers and governors, as the founding organs of state enterprises, to immediately present all proposals which would ensure

the necessary growth of export. The ministers and governors, within the framework of their authority, will also take action to provide conditions for maximally effective use of the additional foreign-exchange income derived from export. It is important also to increase deliveries of certain raw and other materials from domestic production in order to extend growth tendencies to other fields of material production and to obtain a further increase in industrial production. A flexible price and duty policy applied to raw and other materials, and a taxing and credit policy, will assist in increasing the interest of enterprises in fuller utilization of domestic reserves of raw and other materials, better utilization of production capacity and employment, and reduction of unnecessary import.

In order to increase food self-sufficiency, the Council of Ministers' Economic Committee bound the Minister of Agriculture and Food Economy to ensure the organizational conditions for efficient procurement, storage and processing of grain and other farm crops.

To achieve, during the current year, the planned amount of dwellings ready for occupancy, deliveries of indispensable finishing materials will be increased. Thus the Economic Committee bound the Minister of Foreign Trade to cite the possibilities of increasing the import of components for production of finishing materials.

There was progress in the field of financial-market balance in the first six months of this year. This was the result of a more rapid growth of expenditures for the purchase of goods and services mainly due to price increases. There is a possibility that during the second six months the value of market deliveries and services will be balanced with the population's purchasing fund, if the anticipated growth in market production occurs. A growth in the population's incomes can take place only in connection with a higher supply of goods on the market.

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## NEWLY INDUSTRIALIZED COUNTRIES' STRUCTURAL CHANGES, APPLICABILITY NOTED

Warsaw HANDEL ZAGRANICZNY in Polish No 1-2, 1982 pp 27-29

[Article by Marian Mickiewicz: "Strategy for Opening Up an Economy. Example of Newly Industrialized Countries"]

[Text] One of the contemporary phenomena in international exchange is the growing role in world export of industrial products from several developing countries which are small in size and population. These are: Hong Kong, South Korea, Taiwan and Singapore. Because of the rapid rate of industrialization, these countries are described as being newly industrialized.

It would be well to observe here that the developmental conceptions of many economically backward countries were laden with the dogma that it is not possible to cross the thresholds of backwardness through trade. This was justified simply on the basis of the theory of comparative costs, in accordance with which backward countries should specialize in the production of raw materials, and the countries already developed in the production of industrial goods. Thus it was advised that concentration be on internal factors of development. The role of foreign trade in economic development was therefore totally ignored. Growth or development problems were frequently limited to a closed economy (e.g., in the well-known Dobb-Sen model). We know, however, that the rate of reconstruction of an economic structure depends on the structure of the functioning set of production means, which determines the factual structure of the generated national income (domestic) and as a consequence, determines the factual composition of accumulation and consumption, thus also the size of absolute or relative investment. In an economy which has a minimal only share of exchange, compelled by natural conditions, these dependencies mean that structural reconstruction requires a very long time, and the tendency to perpetuate low-productivity structures appears. Under these conditions, structural transformations depend on the "pliability" of the production apparatus and on its portion producing investment goods. This "pliability", however, is problematical, since on the whole drastic attempts to convert a production apparatus result in severance of existing co-production ties and troubles in intersector and interbranch flows, which may lead to regression of the structure. We now see this phenomenon in the Polish economy.

This situation can change when we set aside the assumptions on a closed national economy, if as a criterion we accept an economic development that is thus formulated.

However, exchange with foreign countries may make the generated national income somewhat independent of the distributed income. This means that through exchange with foreign countries we can freely shape the structure and size of accumulation and the investment in it, and as a consequence, freely shape the structure of the economy. In an open economy it is also possible to change the ratio between the supply of investment goods and the supply of consumer goods in order to adapt the rate and structure of accumulation to the desired economic development. Thus, every country, sooner or later, must take the path of economic development. The turning point, which designates the moment at which this path is taken, may be the size of the given country. This may be understood in two ways. First, as the size of the territory of the given country, which relates to its natural factors (including raw materials resources) affecting the processes of economic development. Second, as the size of the domestic market, which indicates the possibility of making use of the so-called production-scale advantages. The less advantageous the arrangement of these factors is, the more rapidly the country should establish a pro-export structure of economy.

In the countries mentioned at the beginning of this article, these conditions were exceptionally unfavorable. That is why one may believe that they did not become pioneers of pro-export, and also industrial development, by chance. The implementation of this policy began in the mid-1960's by the issuance of the appropriate regulations describing the principles of the implementation of this strategy with the use of foreign capital. And so South Korea issued the so-called "South Korea's Foreign Capital Inducement Law". Taiwan and Singapore became very active in the direction of encouraging foreign capital to invest in their countries. In 1967 Singapore issued "Singapore's Economic Expansion Incentives Act", and Taiwan already in 1960 published regulations creating incentives for investment and expanded them in 1965 in the "Statute for Encouragement of Investment". The common features of these acts were the far-reaching accommodations for investments by foreign corporations. These accommodations mainly concerned exemption, for a five-year period, from income tax, and exemption from import duties of capital equipment and materials intended for pro-export investment; repatriation of profits was not subject to restrictions. Investment forms were not defined in detail, although as time went on, joint ventures become more and more important.

The opening up of the economy of the countries analyzed through conversion to pro-export development did not ensue exclusively from the natural factors peculiar to these countries. One of the fundamental factors which influenced the selection of strategy to industrialize through trade was the technical progress which occurred in the 1960's in marine transportation. There was a sharp decrease in hauling costs and freight rates dropped. This was the result of qualitative changes in the fleet which handled the bulk cargoes. The reduction in transport costs linked the sales and purchasing markets that were most distant from each other.[1]

An equally important factor was the implementation of the long-term goals of international corporations. They reached the peak of their expansion in the 1960's, an expansion that went on since the end of World War II, which is what caused the need for a strategy of industrialization through trade. The importance of this phenomenon can be explained by the theory of the international life of a product.

The theory of the cycle of a product's life (whose authors are the American economists M. V. Posner, R. Vernon and L. T. Wells) joins corporate policy in the sphere of international trade and in the sphere of foreign investments into a single sequence. This exchange is determined by the country which has the technology not available in other countries. The application of technological, organizational, and other innovations raises the threshold of the technological profitability of production, thus the scale of production grows higher than the needs of the domestic market. Hence the necessity for export (initially from the United States to Europe) until the moment that the production of a maturing product is undertaken and developed in Europe. This occurs when the average cost of manufacturing a product on the importer's market is lower than the exporter's marginal cost of production, increased by the cost of transportation. After this moment has passed, the development of export of that product to the developing countries then takes place. In the following phase in these particular countries, the manufacture of the already-standardized product is begun and development of export to the country which initiated the production. Although this theory was formulated primarily on the basis that the American corporation will remain (which was the main cause of criticism), nevertheless it is equally applicable to the activities of other corporations, principally from the FRG and Japan[2]. There is much to indicate that the phenomenon described does not arise from the existing situation but that it constitutes a developmental tendency which has appeared in the highly industrialized capitalist economy.

Thus Hong Kong, South Korea, Taiwan or Singapore are not by chance--independent of the strategy of development by trade which they undertook--in the sphere of interest of corporations, mainly American and Japanese, and with time, also the trade consortia of Western Europe. Consequently, there was a sharp inflow of capital to these countries. And, for example, direct corporate investments were as follows: In Hong Kong, 65 million dollars in 1967, and by 1972, 400 million dollars; in South Korea, correspondingly, 17.5 million dollars and 300 million dollars; in Singapore, 40 million dollars and 150 million dollars; and in Taiwan, 86 million dollars and 521 million dollars.[3]

In a short time these countries achieved a considerable economic and export growth rate and both the growth rate of the national incomes as well as the increases in export reached a record level in the 1960's, both in comparison with the previous decade and in relation to many other countries.

From the standpoint of economic development, however, most important of all are the structural transformations, and first of all, the transformations in the structure of employment. It is particularly important to answer the question, whether opening up to the outside caused the enclave-type of development or whether the export sector stimulated the development of the entire economy. This can best be examined using South Korea as an example. Here the development of an export sector created job positions for those directly employed in final export production. This effect in South Korea was highest in the sector of final textile (knitting) products, in the production of wigs and stainless steel flatware. At the same time, a chain effect occurred. Due to export, employment rose most rapidly in energy, in the shipbuilding industry, transportation and storage, and in domestic trade. However, the multiplication effect of the growth of employment (both in the export sector and outside of it) was limited in South Korea, mainly due to the rapid growth of living costs in relation to the growth in wages (e.g., during 1971-1972 wages rose

8.8 percent, labor productivity 15.9 percent, and living costs, 15 percent). There was also the effect of foreign-exchange income, thanks to which the expansion of industry, and not just the export industry, was possible,[4] which also influenced the growth of employment.

It may be estimated that the total "employment effect" of South Korea's export expansion until 1971 was as follows: each million dollars in export growth resulted in the creation of new jobs for 500 workers in the export industries, for 150 workers in the industries supplying raw materials, other materials and parts, for 500 workers in the industries producing consumer goods and services. In all, over 30 percent of the total people employed in South Korea worked in the export sector during this time. Half of the total increase in employment in the second half of the 1960's was attributed to the growth in export. There was a considerable drop in unemployment: from 8.1 percent at the beginning of the 1960's to 4.5 percent at the beginning of the 1970's.[5]

There was also another, very important, reason for such a large increase in employment and regroupment of the labor force. Namely, in the initial stage of industrialization the labor-intensive sectors played the leading role. As time went on, changes occurred in the structure of export and the entire economy. Although initially the production that was undertaken was based almost totally on imported input, gradually the manufacture of materials and components for the production of finished products in the developing countries became more and more important. For example, Taiwan in the initial period was the supplier of semiconductors produced from materials imported from the corporation. With time, it became an independent exporter of television sets on the world market. At the same time, the corporations started up production of finished electronic items, based on deliveries from Taiwan industries.[6] In the face of difficulties with export of textile products, signs of crisis on the world market, growth of manufacturing costs as a result of strikes in 1972 and a growth in wages, changes occurred in the structure of export. During 1972-1973 a new generation of export industries appeared in South Korea's export: metallurgy, petrochemistry, shipbuilding, and electrical equipment. Thus, for example, export of steel sheet grew six-fold in three years (1971-1973), and the sales of electrical machines quadrupled.[7] This was not random hole-patching in export. It is also a fact that these industries were not dominated by foreign capital. The dominating form of investment here were joint ventures. Due to joint ventures such industries were also developed as: crude oil refining and processing, artificial fertilizer production, the automobile industry, and shipbuilding.[8] Also, in 1974 the South Korean government began to attach more importance to the fair distribution of roles in joint ventures. Action was taken to take over the shares in the present branches and constitute them in the form of joint ventures. And so, for example, during 1972-1973, branches of such giants as Sony, National Panasonic, Pechiny Saint-Gobain, Kawasaki, Kubota, Toyota and U.S. Steel Corporation, became joint ventures.

Besides the reasons mentioned above, the character of the political systems functioning in the newly industrialized countries was favorable to the structural transformations which took place, for these systems permitted the implementation of a developmental strategy at a very low level of consumption. Nevertheless, obervation of the course of the processes of industrialization in these countries allows us to make certain comparisons to the present economic situation in Poland and the structural transformations that we face. In connection with this, it is worth calling attention

to two groups of problems which, in the light of certain reports and documents, appear to be insufficiently linked (particularly in the "Government Report on the State of the Economy" and the "Government Program for Overcoming the Crisis and Stabilizing the Country's Economy"). On the one hand we know that deliberations on whether pro-export development is profitable and by how much are senseless. In our payments situation, there is no alternative to such development. On the other hand it is obvious that deep changes await us (actually, this process has already begun) in the structure of employment, and even the problem of unemployment is being discussed. Both problems, thus far, have not been unequivocally connected on a large scale. As we see by the example of certain newly industrialized countries, these problems are closely interconnected. The problem of unemployment in the case of these countries became less important as time went on. Will we have unemployment in connection with this? This would be an economic paradox, flying in the face of pro-export transformations in our economy which are to be made. Of course, for now, in Poland, we are dealing with increases in employment in certain sectors of the economy, both absolute and relative increases (i.e., in relation to current needs). In a short time this problem may be solved through absorption of surpluses (absolute or relative) of the labor force by the export sector. The "Government Program for Overcoming the Crisis and Stabilizing the Country's Economy" sees these two problems as only two of many. And thus it is envisaged that regroupment of labor resources should take place into as many as 13 fields of economic activity, including "...into plants working for export, in which growth of labor-intensiveness will be covered by growth of results obtained in export".[10] As we see, the thread joining these two so closely interconnected problems is very thin. In addition, an increase in labor-intensiveness as the Program proposes is a reversal of the order of things. As we know, labor-intensiveness or capital-intensiveness are the consequence of a choice of a specific technique of manufacturing, and therefore are determined at the time the investment decision is made. These, then, are objective amounts. An increase in employment in such a situation may lead to a decline in labor productivity, and a deterioration in export profitability. Such regroupment of employment may be justified only when utilization of production assets is inadequate. But this means that we are concerned with obtaining the labor-intensiveness (capital-intensiveness) initially assumed, and not with its growth. It seems that these thoughts and observation should be considered in preparing a program for the pro-export development of our economy.

## FOOTNOTES

1. S. Ladyka and T. Lodykowski, "International Trade and Sea Navigation in the World Economy", Polish Scientific Publishers, p 224 and following.

2. See also E. Cyrson, "Multinational Corporations. Correctness of Foreign Expansion", Polish Scientific Publishers, Warsaw, 1981.

3. A. Hone, "Multinational Corporations and Multinational Buying Groups" in "World Development", February 1974 (only direct corporate investments--actual inflow of capital was much greater).

4. S. Watanabe, "Export and Employment: The Case of the Republic of Korea", in INTERNATIONAL LABOUR REVIEW, No 6, 1972; "The Impact of Multinational Enterprises on Employment and Training, ILO, 1976., Geneva. Also B. F. Wideman:

"Korean Chauvinism", in FAR EASTERN ECONOMIC REVIEW, 5 March 1973.

5. S. Watanabe, as above.

6. M. Sharpston, "International Subcontracting", in OXFORD ECONOMIC PAPERS, No 1, 1975.

7. "Korea's Likes Work [as published], in THE ECONOMIST, No 6836, 1974.

8. "National Approaches to the Acquisition of Technology", in "Development and Transfer of Technology Series", UNIDO, No 1, 1977.

9. B. F. Wideman, as above.

10. "Government Program for Overcoming the Crisis and Stabilizing the Country's Economy", p 45.

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# East Europe Report

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2301

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# EAST EUROPE REPORT

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No. 2301

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BETTER PROMOTION OF BULGARIAN PRODUCTS ABROAD URGED

Sofia IKONOMICHESKI ZHIVOT in Bulgarian 23 Jun 82 p 14

[Article by Andrey Nedyalkov, specialist in MME [expansion unknown]: "High-Quality Output in the International Market"]

[Text[ An increasingly exacerbated struggle has recently been blazing in the international capitalist markets. Competition is being waged not only on a price basis, but primarily on a non-price basis. As a result of the complicated political situation and the widening and deepening integration processes in the countries of Western Europe, as well as because of protectionist barriers of a discriminatory character, our machine-building output is encountering considerable difficulties in its sales in the Western countries. Nor, to be sure, must the role of the customer's tradition and conservatism and various influential psychological factors be overlooked. Yet in spite of this, in the past 20 years our trade with the developed Western countries has increased more than 12-fold and is almost as much as 16 percent of the total volume of our exports. More than 50 agreements and understandings with leading Western companies for cooperation in production, science and technology, and marketing are now operative in Bulgaria.

Hopeful Beginning

Bulgarian achievements in machine building, electronics and electrical engineering, in instrument manufacture and computer technology vividly demonstrate our scientific and technical progress. Thanks to these, the name of Bulgaria has won recognition as the name of a rapidly developing country. Despite this progress, however, our economic organizations in the above-mentioned sectors and subsectors are very poorly recognized, and sometimes are completely unknown in business circles abroad. These Bulgarian organizations practically break a path among the long-entrenched large Western producer firms. The market policy of these organizations of ours is, in fact, in its initial stage. Hence the necessity at once of special efforts and pains to win a reputation for, and constantly protect our output. Since foreign firms are known to make exceptional efforts and spend huge sums in order to meet competition and to strengthen and expand their positions, Bulgarian industrial output must be /only output that is up to world standards/ [passage enclosed in slant-lines printed in boldface]. It must have a long and troublefree life, which is a sure testimonial of excellent quality.

The prevailing opinion is that Bulgarian machine-building output has attained a high standard. The ratings that have been obtained from the countries importing our products of their quality are one of the chief criteria for determining the further activity of Bulgarian producers and exporters. Efforts must be made to expand the production of products that have received high ratings. Such, for example, are the ratings of the typewriters made by the Plovdiv ZPM [Typewriter Plant], of the motor trucks made by the "Rekord" Plant in Plovdiv, and of the battery-powered trucks made by the machine builders of the "6th of September" KE [expansion unknown] in Sofia and the "Dunav" [Danube] KE in Lom. Our metal-cutting machinery is highly rated in Finland, Greece, Turkey, Denmark, Spain, Italy, France and other countries. Ratings of a number of electric motors have been laudatory in Belgium. Guaranteed exports of these are a precondition for conducting an aggressive market policy. In cases where ratings of export products are middling, our producers of these must without delay set about improving their design and technology so that the improved products will come out in the international market in the shortest possible time and, backed up by good advertising, take their place in the international rankings. Thus the Western firm's original hesitation and mistrust will be overcome and a campaign to win recognition can begin. If the worst comes to the worst and the ratings of some products are unsatisfactory, they must be withdrawn from our export list without delay, and their production--it goes without saying--must be halted.

A number of Bulgarian foreign trade organizations, as well as plants and combines, have made a name for themselves among their Western partners with the high quality of the products they offer. Ranking first on this score are "Mashinoeksport" [Machinery Export] and "Balkankarimpeks" [Balkan Truck Import and Export], whose export products are bought by more than 60 countries on almost all the continents on the globe. To be sure, "Elektroimpeks" [Electric Equipment Import and Export] or "Izot Marketing," "Tekhnoimport" etc. have many successes, too. And among plants the leading ones are ZMM [Metal-Cutting Machinery Plant] in Sofia, the "6th of September" KE [Combine for Electric Trucks] in Sofia, the "Rekord" KE in Plovdiv, the "Elprom" [Electric Power Industry Enterprise] KE and "Mashstroy" [Machine Building] KE in Troyan, whose output is in demand in countries outside the European continent. Their output is well known in the developed capitalist countries. The success they have achieved is a guarantee that conditions exist for expanding the ground that has been won. In production, new products or new modifications must continuously be introduced that will meed the rapidly changing demands and needs of the market. The successful sale of one product always engenders new needs and gives rise to demand. And this is the way to active penetration when, with every new demand, our producer is ready to respond with an improved and perfected product or modification thereof, one after another.

Quality, but Publicity Too

Sales of output, even of the highest standard, require highly developed advertising and information activity. Unfortunately, much still remains to be desired here. To begin with, short announcements must be made of new things not only in the mass information media--press, radio and television, but also through the appropriate channels abroad to possible partners or to those existing at the moment. The catalogues, prospectuses and other printed publicity materials that are prepared must be of a very high standard not only linguistically, but also artistically and

typographically. Addressed by name to specific partners rather than circulated at large, they will have very great effect and impact. Making a great number of high-standard advertising and popular-science films which will demonstrate the technological and production possibilities of our products will contribute very actively to acquainting Western partners with the advances and achievements of Bulgarian machine builders. The information and advertising activities of our exporters of Bulgarian machine-building output must be expertly adapted to the characteristics of each individual country.

An analysis of information and advertising activity shows that the techniques used by our foreign trade organizations are very old-fashioned and hence ineffective. In other cases this activity can be assessed as belated or borrowed from the already tested techniques of famous trading companies and firms. It can be said that only in rare cases--and that in isolated countries--is truly original, timely, and specifically targeted advertising or information for our products to be noted. Wherever well researched market forecasts indicate that promising zones for Bulgarian industrial output are opening up, advertising and information activity must be concentrated and intensified to prepare any interested circles for the appearance of Bulgarian products. Thus, within the limits of this activity, our trading and industrial partners will get a clearer idea of Bulgarian exporters.

> During the Eighth Five-Year Plan--a five-year period under conditions of scientific and technical progress, cooperation with foreign firms in production, scientific and technical, developmental, applications, marketing and other activities will contribute to modernizing and raising the level of our machine-building and electronics industry. The necessary preconditions will be brought about for the creation and mastery of new, highly efficient products that measure up to the highest world standard.

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INDUSTRIAL PRODUCTION DURING JANUARY-MAY PERIOD, COMMENT

Sofia IKONOMICHESKI ZHIVOT in Bulgarian 23 Jun 82 p 6

[Release by Committee on Integrated System of Social Information]

[Text] During the January-May period the volume of industrial production increased 4.1 percent over the corresponding period of last year. The 5-month plan for the production of commodity output was overfulfilled by 3.0 percent, while the plan for monetary receipts from the sale thereof was overfulfilled by 3.4 percent.

Broken down by individual ministries and departments, fulfillment of the 5-month plan for the production and sale of commodity output was as follows:

| Ministries (departments) | Commodity output produced | Commodity output sold |
|---|---|---|
| TOTAL | 103.0 | 103.4 |
| including: | | |
| Ministry of Power Supply | 101.3 | 102.1 |
| Ministry of Chemical Industry | 101.8 | 101.7 |
| Ministry of Machine Building and Electronics | 102.5 | 103.2 |
| Ministry of Light Industry | 103.4 | 101.0 |
| National Agroindustrial Union (excluding agricultural organizations) | 104.5 | 108.5 |
| Ministry of Construction and Architecture | 101.3 | 99.1 |
| Ministry of Metallurgy and Mineral Resources | 100.2 | 102.3 |
| Ministry of Transportation | 102.3 | 102.3 |
| Ministry of Forests and Forest Industry | 104.3 | 102.7 |
| Ministry of Internal Trade and Public Services | 104.7 | 103.4 |
| Ministry of Communications | 101.5 | 101.5 |
| Capital City People's Council | 105.4 | 104.2 |
| Central Cooperative Union | 102.6 | 99.4 |

The production of certain basic industrial products during the January-May period and the rate of growth as compared with the same period last year were as follows:

| Basic industrial product/unit | Output produced | Rate of growth, % |
|---|---|---|
| Electric power, 000,000 kwhr | 17,263 | 107.3 |
| Coal, 000 tons | 14,661 | 112.0 |
| Briquets, 000 tons | 635 | 102.8 |
| Cast iron, 000 tons | 707 | 107.9 |
| Rolled ferrous metals, 000 tons | 1,421 | 104.1 |
| Internal combustion engines, each | 9,504 | 118.8 |
| Machine tools, each | 3,914 | 102.1 |
| Motor trucks, each | 9,242 | 110.0 |
| Electrotelphers, each | 50,456 | 104.4 |
| Power tools, lots of 1000 | 139 | 101.4 |
| Nitrogen fertilizers, 000 tons | 330 | 103.4 |
| Cement, 000 tons | 2,276 | 104.1 |
| Bricks, lots of 1,000,000 | 514 | 100.3 |
| Large reinforced concrete panels, 000 cu m | 553 | 112.6 |
| Paper, 000 tons | 147 | 103.6 |
| Sheet glass, 000 sq m | 10,938 | 111.4 |
| Household glassware, 000 leva | 14,503 | 114.1 |
| Cotton fabrics, 000,000 m | 149 | 103.1 |
| Woolen fabrics, 000,000 m | 16 | 104.6 |
| Knit outerwear, 000 garments | 22,499 | 108.6 |
| Sewn goods, 000,000 leva | 296 | 114.3 |
| Shoes (excluding rubbers and house-slippers), 000 pairs | 8,462 | 103.1 |
| Meat, 000 tons | 184 | 108.7 |
| Meat products, 000 tons | 37 | 101.0 |
| Butter, 000 tons | 9 | 105.7 |
| Brynza [sheep's milk cheese], 000 tons | 45 | 103.0 |
| Kashkaval [yellow cheese], 000 tons | 11 | 109.9 |
| Sugar, 000 tons | 166 | 100.9 |
| Treated fermented tobacco, 000 tons | 58 | 106.5 |
| Tobacco products, 000 tons | 37 | 101.2 |

Comment

The report data for industry during the first 5 months of the year show that considerable overfulfillment of the production program was achieved. Commodity production was 422 million leva more, which is 3 percent more, than the state planned targets for the January-May period. More than the targeted quantities of products of special importance for the national economy were produced.

At the same time, it must be noted that in recent months a certain slackening is discernible in work pace. Thus, in May the production rate was lower than that achieved in the fourth month, as a result of which growth declined from 4.9 to 4.6 percent for the January-May period. In many enterprises and economic organizations

funds from the sale of output were not received in good time due mainly to the uneven flow of production. During the 5-mohth period 21 percent of the enterprises fell behind in respect of this indicator.

As analysis shows, the underlying reasons for this are, to a considerable extent, the irregular receipt of raw materials and supplies, as well as subcontracted items. At the same time, many weaknesses of an intraorganizational and subjective character, resulting in less than a full workload for production capacities and manpower, in inefficient use and, in many cases, waste of raw materials and supplies, continued to exert substantial influence. Successful achievement of the counterplan for the first half, minus the laggard enterprises and economic organizations, depends, to a great degree, on the timely overcoming of these weaknesses.

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## SHORTAGE OF JOBS FOR GRADUATES IN ECONOMICS, ACCOUNTING DISCUSSED

Sofia OTECHESTVEN FRONT in Bulgarian 30 Jun 82 p 2

[Article by Sofiya Yoveva: "Unclear Meaning of 'Coordination' and 'Regulation']

> [Text] Are there suitable jobs for 5-year term Sofia Economic Technical School graduates? Skilled economists-accountants work as salesclerks.

Secondary economic studies are popular in our country and many young men and women will be applying for such training. Every year there are five applicants for each available student vacancy. The strictly selected and "finely screened" lucky applicants will sign their first serious declaration in life pledging to work wherever they are assigned by society, after which they will begin their difficult economic studies.

Finally, after taking their state examination, they will be issued a diploma in "Economic Organization and Planning in Industry and Construction" or "Machine Processing of Economic Data." The skill -- economist-accountant or programmer-operator -- is clearly specified on the diploma. Along with it, the young person is also issued a job appointment letter.

This procedure has been followed for many years at the Economic Technical School in Sofia, which inherited from the old commercial secondary school not only its solid red-colored building with a tower and a clock but the tradition of training economists and accountants in demand.

However, for the last 2 years a different situation has prevailed. The job offers which the technical school receives from the city's labor inspectorate have been insufficient. We tried to compensate for the shortage of openings by letting the students themselves look for positions and submit to us letters of appointment. This proved to be difficult, as confirmed by the records on placing young specialists who graduated at the end of the 1980/1981 school year: 67 of the 214 graduates were hired by the Sofia City People's Council, which means that the students of two classes had not found jobs. Nostalgically we remember the time when, talking to us "in private" the students would ask us about ways to avoid their assignments and look for work by themselves. We ask ourselves why is it that when Sofia had a population of

750,000 it had openings for the students of eight or 10 classes of senior grade students, whereas now, with its one million population, it finds it difficult to place the students of six (1981) or even five (1982) classes?

In all likelyhood, this is due to a number of reasons. Production enterprises are not observing strictly and irrevocably the rule on the retirement of economic-accounting specialists, as is the case with teachers. Obviously, some enterprises find it more convenient to keep on the job the old specialists with their solid experience, rather than hire young people with unknown qualities and creative aspirations.

There may also exist a certain disproportion between graduates with higher and secondary economic training. In our view, the ratio should not exceed 3-5 university graduates per 100 secondary-school graduates.

In considering the reasons for this anomaly in our comprehensively coordinated many-faceted life, let us remember Council of Ministers Decree No 50 of November 1979 with its accompanying table of organization. It stipulated that the initial salary of people with specialized technical training is 135 leva. Both students and teachers were pleased. We did not know then that graduates of technical schools with a technical skill and specialized training were not considered specialists in terms of the T/O, which meant that they were to be paid the same as graduates of unified secondary vocational schools, i.e., 120 leva. Until then managers reporting available openings requested of the labor inspectorate to be given economic technical school graduates. Now the situation is different. Secondary vocational school and economic technical school graduates have been granted equal status and the advantage enjoyed the latter is only in terms of higher wage ceilings.

We discussed the matter with Comrade Nikolina Ilieva, director of the Blagoevski Rayon branch of the State Savings Bank:

"Naturally, we prefer cadres with economic training. They come very well prepared. The work we do is fast, difficult and noisy. It involves dealing with the public. In the past, when we were short of economic specialists, we were forced to hire temporarily secondary school graduates in order to preserve job openings for technical school graduates. This is no longer mandatory. According to the old table of organization, the specialists' salary was 5 percent higher. This was an incentive. Now they are equal to the others. The practical result is that every specialist who is a graduate of a technical school trains newly hired secondary vocational school graduates without receiving more pay. We have very few jobs for people with higher training. They are unwilling to work for us because they are mandatorily assigned to man booths and do the work of secondary school graduates."

Mariya Parpulova, a graduate of the Economics Technical School has been with the Blagoevski Rayon branch of the State Savings Bank 3 years. She says:

"I am impatiently waiting for the end of my assignment term. I shall be looking for work elsewhere. They raised my salary to 135 leva but the work is very intensive and we have to help others all the time."

But her eyes lit up when we told her of the request made by Director Ilieva: "Please ask her not to leave us."

Ivan Mikahylov, director of the Sofia city branch of the State Savings Bank, said virtually the same thing:

"Graduates of the secondary vocational school do not even know what the words credit and debit mean. They are trained by Economic Technical School graduates. As to graduating students, I am prepared to sign with the technical school principal a contract for hiring some 20 graduates."

Unwittingly we compared these 20 with the 178 people who are graduating this year. Only three among them were not admitted to take the state examination. However, this is a matter for the labor inspectorate.

The Coordination and Control of Cadre Training Department of the Sofia City Labor Inspectorate answered the question of this year's job openings for Economic Technical School graduates briefly:

"Naturally, there will be openings. However, retraining may be necessary to meet the requirements of the Ministry of Internal Trade and Public Services."

"You mean salesclerks?" The answer was in the affirmative, supported by a quote from the ministerial decree.

For some reason, the very familiar words "coordination" and "control" on the office door assume a rather strange and confused meaning.

The Ministry of Internal Trade and Public Services has its own vocational training centers managed by its Food Products, Narmag, Public Catering, TsUM and other directorates, which offer short training and retraining courses for the salesclerks, managers, cashiers and storekeepers they need.

Could the final result be that a diploma issued by an economic technical school would have to be supplemented by a vocational training center diploma so that a graduate economist-accountant may become a salesclerk?

It becomes necessary to ask if secondary economics cadres are not being underestimated. Are human hopes, the efforts of youngsters and teachers and millions of leva of the people's money not being irresponsibly wasted?

Let us recall the paternal concern expressed in Comrade Todor Zhivkov's letter to the Komsomol Central Committee:

"Can we be satisfied when in some cases specialists are trained but are not given work consistent with their training and skills because of planning shortcomings and subjectivism?"

5003
CSO: 2200/123

## INDUSTRIAL ORIENTATION TO FOREIGN PRICING URGED

Prague HOSPODARSKE NOVINY in Czech 21 May 82 pp 8-9

[Article by Jaroslav Rod, Czechoslovak State Bank, and Lubomir Hejl, Federal Ministry of Finance: "One Cannot Look at the World Markets through Rose-Colored Glasses"]

[Text] As is known the "Set of Measures for Improving the Planned Management System of the National Economy" was drafted as the summary of principles of management during the Seventh Five-Year Plan already in the first stages of preliminary draft of the Seventh Five-Year Plan. The situation in the world economy and trends existing at that time served as the basis for the forecasts of the future development of economic conditions in the world. Those forecasts pursued a double purpose: they specified both the directions of further development of the Czechoslovak economy and orientation to its more active participation in international division of labor particularly within socialist economic integration. The forecasts for both these areas were, logically, based on the developmental trends anticipated at that time.

Let us recall in this context the speculations from that time on the prospects of attaining a fuel-energy balance, speculations about management of metals which were based on the preceding expansion of the primary processing basis and so on. The underlying idea of these and similar speculations also in other sectors of the national economy was that one of the fundamental purposes of participation of the Czechoslovak economy in international division of labor would be the exploitation of foreign raw materials resources. This logically called for long-term securing of these resources for the national economy also in the future.

These intentions, with all consequences for the domestic economy, were projected into the then drafted plan of economic and social development during the Seventh Five-Year Plan. Not only that: the ensuring of these developmental trends was indirectly reflected also in the "Set of Measures."

The basis of those forecasts was later on undermined by the actual development of prices of key industrial raw materials, by the change in the political climate in the world and last but not least also by the accelerating pace of scientific-technological progress and its direct impact on the production

increase which aimed simultaneously at production intensification and reduction of energy and material consumption. In addition, technical development in the domestic economy lagged behind and its achievements were applied in production with delay.

This inadequate pace of scientific-technical progress and the delayed application of its results in production (and this factor still affects the situation) caused that the prices of our products exported to foreign countries lagged behind the price development in the world. The concurrence of these tendencies has resulted in the present unfavorable exchange relations which in turn increase the demand for additional sources of foreign exchange.

These interrelated circumstances led to the following logical conclusion: the bigger will be the participation of the Czechoslovak economy in international division of labor while the existing proportions remain unchanged, the more will the tension between the supply of and demand for foreign exchange deteriorate. This negative consequence results from the fact that the effort to increase exports necessitates simultaneously a more rapid increase in imports which, while the present value relations in exports and imports are maintained, further increases the tension in external economic relations.

Quantitative Increase in Exports Does Not Solve the Problem

Evidently the only way out of this situation is the planned creation of conditions for a radical change in this unfavorable development. The way to achieve this goal is the gradual reduction of needs of imported raw materials in favor of imports of finished products, and in the area of exports creation of conditions for more rapid scientific-technological progress and prompt application of its achievements in production in order to innovate products and to achieve at least a comparable increase in the prices of Czechoslovak products with the competitive products on the world market.

These two tendencies are not contradictory, but on the contrary can be reconciled. The point is to prevent further development of the tendency to gain additional sources of foreign exchange by increasing the volume of production for exports, while preserving the present structure of participation of the Czechoslovak economy in international division of labor. The effort to reduce tension in foreign exchange relations while maintaining the above approach not only delays the basic solution of this problem by improving the quality and technical parameters, but in fact does not solve anything because, as pointed out above, a systematic increase in material exports can neither permanently nor essentially in a short run ease the existing tension between the supply of and demand for foreign exchange. Such an approach does not eliminate the very causes of this situation.

It is certainly not necessary to discuss in detail that what has been said of production for export should generally apply to entire production because the direction described above would simultaneously create conditions for

saving social labor by exchange of exports for imports in the area of finished products.

Characteristic of Price Development

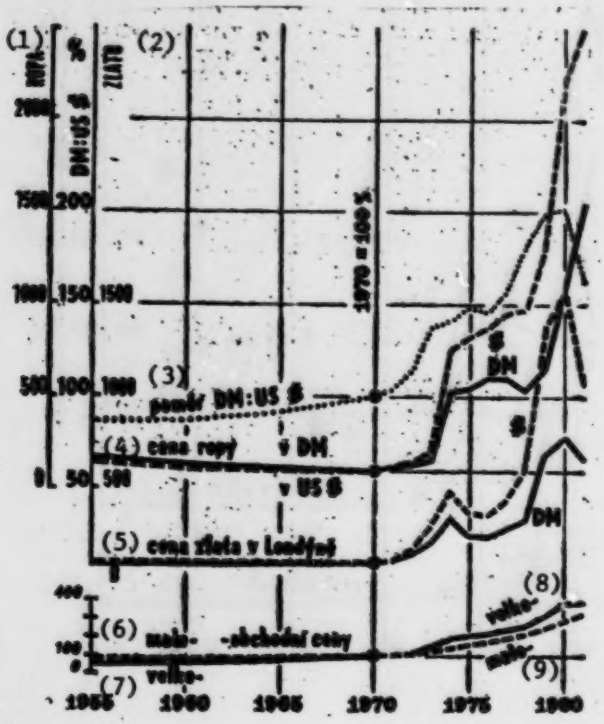


KEY: (1) Crude oil
(2) Gold
(3) Relation between DM (Deutsche Mark) and U.S. dollars
(4) Crude oil price in DM and in U.S. dollars
(5) Gold price in London
(6) Retail prices
(7) Wholesale prices
(8) Wholesale prices
(9) Retail prices

For illustration of the price development in the world, the diagram shows selected commodities characterizing the development of prices of raw materials (gold, crude oil) and shifts in the standards of value relations (relation between U.S. $ and DM [Deutsche Mark]) in comparison with the trend in prices of finished products both in international trade and domestic consumer market.

The shifts in value relations on the world market are so significant that they cannot be ignored not only in planning developmental tendencies, but

obviously also in devising the entire system of management of the national economy. Naturally, under no circumstances will this mean a simple transfer of these relations to the domestic economy, because their changes and constant fluctuation must be always taken into account. It must be consistently borne in mind that the value relations are constantly variable and every short- or long-term plan of development of the national economy must dispose of this fact.

The importance of this knowledge is reinforced by the fact that on the world market there is a long-term tension between the resources and needs which is transmitted also to the domestic economies of individual states. All these processes lead to the conclusion that the development of the national economy must be based primarily on the domestic resources and their maximum mobilization and rational utilization. A balanced and dynamic development of the national economy over a long period is impossible without taking into account the changes in the world situation. This means that the economic development should follow its specific road which corresponds to the possibilities, conditions and resources of the national economy. It should take into account the changes in developmental tendencies and not succumb to the tendencies overestimating the effect of external economic relations on the one hand or underestimating them on the other.

Ineffective Forms of Management

It is obvious from the above that it is necessary to find a correct scope for the effect of external economic relations on the development of the national economy. Furthermore, it is necessary to project this effect into the entire system of management both in the area of the plan and the area of economic tools. This requirement follows from the accelerated pace of changes in the level and relations of economic quantities. These changes must be promptly and flexibly reflected in the domestic economy so that its individual sectors can correctly and in time use these facts for further orientation of their development.

It is obvious that this orientation must be anticipated and secured by the plan, and that the economic tools must direct the enterprise sphere to meeting all-society needs and implementation of the planned development. It cannot be presumed that the complex economic processes and their constant changes which take place unevenly and with the variable effect of accelerating scientific-technological progress can be controlled by the present, no longer sufficiently effective forms of management.

The general requirement for improving the system of management must be not only that it must register technical progress in the world, but also react to it and provide for a purposeful and goal-oriented process which will create, according to a plan, conditions in the scientific-technical and development basis for its development in accordance with the world trend, and will lead to the continuous and prompt application of its achievements in production.

Some elements of this requirement have already been incorporated in the principles underlying the "Set of Measures for Improving the System of Planned Management of the National Economy." However, when the "Set of Measures" was drafted, some of the present factors did not yet exist or were not known or could not be even anticipated.

The development has reached a stage, when it is becoming definitely clear that a balanced development of external economic relations is of key importance to the development of the national economy. This fact demonstrates that the increasing social needs in all areas can be met only, if an even and dynamically balanced development of the foreign exchange situation is secured for a long period. This can be achieved by the gradual creation of conditions for a surplus in the balance of payments.

The economic mechanism must provide for the correct function of external economic relations in the entire system of management of the national economy--beginning with the plan of its individual areas, from science to technical progress to production (all the way to enterprise khozraschet, including its appropriate effect on individual workers participating in the production process). Effectiveness of the economic mechanism is strengthened by the economic tools among which foreign exchange incentives are linked directly to the balance of payments and its needs.

This tool does not work in isolation and must be considered in all contexts of the management system. It is therefore necessary to emphasize that all other parts of economic mechanism should work in the same direction and mutually complement one another.

The commodity exchange plays the key part in external economic relations because through it our economy participates in international division of labor. From this the following conclusion must be drawn: the more intensive is the participation of the national economy in international division of labor, the more urgent is the need to take into account the role of external conditions in the functioning of economic mechanism. The extent of participation of Czechoslovak economy in international division of labor is thus also the criterion for the extent to which the factors of external economic relations in the management system of the national economy must be taken into account.

Importance of External Relations Is Increasing

Czechoslovakia is among the states with the economy in which external relations play an important role. This is due particularly to the fact that the share of exports in the production of the national income has been increasing. While the national income increased 194.5 percent, exports increased 478.4 percent in the last 20 years. This marked difference resulted from the different pace of price development between the wholesale and foreign prices with the pace of wholesale price development being slower. Nevertheless, the volume increase still plays an important role.

It is thus obvious that the increasing role of external economic relations in the Czechoslovaka national economy is of a long-term nature. This

characteristic must be borne in mind in the evaluation of the foreign trade role, in the drawing up the plans, in price policy as well as in the entire system of economic tools.

These facts, however, must not be judged in absolute terms without taking their relation to the world trends. This is clear from the data on the development of CSSR exports in comparison with the exports in the entire world and exports by selected states (Table 1).

Table 1

Trend in Foreign Trade Volume during 1960-1980 Period (1960 = 100)

| | 1965 | 1970 | 1975 | 1980 |
|---|---|---|---|---|
| World | 145,9 | 247,4 | 694,4 | 1605,6 |
| CSSR | 139,4 | 196,4 | 433,7 | 773,6 |
| Belgium | 168,6 | 306,1 | 759,9 | 1690,5 |
| Finland | 144,4 | 233,3 | 555,6 | 1430,3 |
| France | 148,2 | 263,5 | 773,2 | 1619,4 |
| Netherlands | 158,8 | 292,1 | 871,0 | 1833,0 |
| Austria | 168,6 | 306,1 | 759,9 | 1690,5 |

Table 1 reveals that CSSR exports increased at a slower pace than exports by other countries and that this lower rate can be described as significant. From the national economic standpoint it indicates that:

--the Czechoslovak economy joins more slowly in international division of labor and consequently cannot make full use of the advantages offered by this form of international economic cooperation;

--effectiveness of the Czechoslovak economy lags behind the world development because the possibilities of reducing social labor through international commodity exchange are not sufficiently used;

--the results of scientific-technological progress in the world are insufficiently used in favor of the Czechoslovak economic development;

--the level of the reproduction basis relatively lags behind as does simultaneously and logically also the reproduction and modernization of the production basis with all consequences for quality, assortment and production volume.

In sum, these circumstances adversely affect the development of the level of productive forces and slow down the economic development. Concentrated attention must therefore be paid to the role of external economic relations in the entire national economy.

World Prices are the Yardstick

In examining this unfavorable development it must be borne in mind that it is not enough to achieve an increase in external economic relations, but that

this increase must attain a certain minimum pace corresponding at least to the worldwide average. Moreover, it is necessary to determine whether even such a pace is adequate for the Czechoslovak economy under the existing conditions. The increase in external economic relations undoubtedly is one of the key factors which must be taken into consideration in actual planning and management, but also in devising their methodology.

It must not be overlooked also that the price development is one of the important factors in increasing the volume of external economic relations. It is necessary not only to cover the ongoing worldwide inflation by this term, but also to choose a suitable method by means of which the price increase resulting from the better use qualities of exported products could be determined. In other words: in addition to inflation, the price increase reflects also the rising quality of products, their technical and use parameters, fashionable design and last but not least also the innovations and standard of postsale service. It is imperative to achieve price increases without increases in material or energy consumption which otherwise would be adversely reflected in smaller export effect.

The desirable price increase can be undoubtedly influenced also by the quality, standard and form of merchandising. The forms of trading must be adapted to the increasing international division of labor, and new, progressive, unconventional forms must be devised. This aspect of international commodity exchange also can play an important and irreplaceable role in achieving profitable prices of our products exported abroad and thus also in the production of foreign exchange.

It is clear from the above that the price development requires systematic examination and evaluation. The findings must be actively used in management of price policy. The level and relations of fetched prices as compared with the comparable world prices must be regarded as the important criterion of efficiency of our entire economy. The price increases and increases in exports require systematic attention and the corresponding quality of management.

Table 2

Indexes of Export Share in National Income during 1955-1980 Period (1955 = 100)

| | 1960 | 1965 | 1970 | 1975 | 1980 |
|---|---|---|---|---|---|
| Belgium | 103 | 114 | 138 | 144 | 188 |
| Denmark | 100 | 91 | 88 | 90 | 102 |
| Finland | 106 | 101 | 132 | 120 | 172 |
| Netherlands | 106 | 95 | 99 | 112 | 120 |
| Italy | 117 | 136 | 157 | 197 | 212 |
| Norway | 103 | 100 | 106 | 107 | 125 |
| Austria | 119 | 122 | 152 | 167 | 193 |
| Sweden | 109 | 97 | 103 | 132 | 136 |
| Switzerland | 108 | 110 | 117 | 111 | 129 |

| | | | | | |
|---|---|---|---|---|---|
| France | 100 | 93 | 104 | 126 | 147 |
| Japan | 102 | 102 | 108 | 126 | 141 |
| FRG | 100 | 96 | 114 | 136 | 150 |
| USA | 110 | 110 | 125 | 192 | 230 |
| Great Britain | 93 | 85 | 104 | 123 | 136 |

Table 2 illustrates how exports participated in the production of the national income in individual industrialized capitalist states. From this table it is clear that this share was somewhat increasing or stagnated up to the end of the 1960's which indicated certain differentiation or unevenness of development. In the 1970's, however, this share rapidly increased virtually in all states (with the exception of Denmark) though at different intensity. The increased share of exports in the national income, however, is typical of all states. The development can be described as the result to a certain extent of scientific-technological revolution. In addition, of course, the long-term process of concentration of capital takes place in all developed capitalist states which is reflected among other things in mergers and production specialization to which scientific-technologically revolution likewise contributes. Both these tendencies manifest themselves in the rapidly accelerating rate of participation of national economies in international division of labor. This process was previously confined to so-called small economies, but later on, that is in the recent years, it extended to include also so-called big economies which were called autonomous [self-sufficient] in some instances before.

The possibility of comparison of this development in the world with the development of our economy is limited because of the different nature of data involved. Nevertheless it is possible to state that the role of external economic relations in the Czechoslovak economy has not increased at a comparable pace. Big possibilities still exist in this respect which have not been used so far. The point, however, is not to achieve any higher degree of participation in international division of labor by increased commodity exchange, but rather to achieve higher economic effect by the increased participation.

Basic Condition of Effective Development

The characteristic of development of the Czechoslovak economy from the standpoint of foreign trade requires to focus attention on the creation of conditions for a development comparable with other states. Moreover, we must proceed from the need to increase rational participation of our economy in international division of labor in the manner which will secure a positive effect.

To put it briefly, every economic production unit, every enterprise, every cooperative, in other words every workplace must concretely clarify and formulate tasks for itself which will result in savings and improving the balance of payments. Effort at all levels of management must concentrate on this area and their own work as well as the work of all subordinated units must be organized purposefully as to follow the most economical course of action from the standpoint of its impact on the balance of payments.

Naturally, the same criterion must be observed in the actual implementation of planned tasks.

The entire system of management of the national economy must be improved and constantly developed in order to intensively and positively use international commodity exchange for achieving savings of social labor. To measure savings of social labor and to correctly evaluate the enacted measures, the criteria must be formulated which will provide the necessary amount of information and from which both the necessary inputs in the plan and effective incentives will be derived.

Economic activity of all sectors of the national economy is reflected in the balance of payments--in the values customarily used in the international economic relations. The balance of payments does not reflect the domestic price level as expressed in wholesale prices, but the prices attained on the foreign markets including the terms of payment. The balance of payments thus offers the picture of overall balance of the entire national economy in relation to the foreign countries.

From this fact it follows that:

--wholesale prices should conform to the value relations formed on the foreign markets as the standard of value recognized by the entire world. This, of course, does not mean that any prices, that is including boom and speculation influences, should be haphazardly carried over. It is, however, necessary to carry over the objective changes in value relations which reflect the level of productive forces in the world in order to provide necessary information to the planning authorities for the formulation of the plan;

--the foreign price level must be realistically and purposefully applied to the domestic economy in order to maintain a proportionate development of the national economy and to create conditions for maintaining a balance in external economic relations;

--the mechanism for reflecting foreign price influences should possess the necessary degree of time adaptability so that the planning authorities be readily informed of the level and development of value relations reflecting the development of productive forces in the world;

--it is necessary to continuously verify the balance in external economic relations in order to determine whether there is prompt and correct reaction to the ongoing development in the world and to prevent the upsetting of the balance in external economic relations, already built-in the plan, by the changing value relations.

From all these facts, the following unequivocal conclusion must be drawn: the unquestionable priority status of the balance of payments is the fundamental prerequisite for the positive development of the national economy. To promote a favorable development of the balance of payments it is imperative:

--in the area of production to pay systematic attention to increasing the manufacture of competitive products in terms of all parameters of use value, quality, reliable performance and postsale services. At the same time, production should use domestic resources to the maximum possible extent and exercise maximum economy in handling and utilization of imported raw and industrial materials, energy and machinery;

--in actual exports to ensure orientation to achieving maximum possible receipts, among other things through the most favorable terms of payments and the collection in the most valuable currencies;

--in the preproduction stages to create conditions for coordination of development with the world conditions in order to plan manufacture primarily of those products which to a maximum possible degree meet the requirement of maintaining a dynamically balanced development of the balance of payments.

The system of national economic planning is of key importance to attain this goal. The system of foreign exchange incentives is the operative tool which is purposefully and exclusively directed to affect the balance of payments. In addition, however, there is an entire system of economic and bank-financial tools which are used simultaneously, but must not cancel one another.

The entire system of management of the national economy, beginning with the plan and ending in khozraschet, must uniformly and spontaneously permeate all units of economic mechanism in order to achieve the best possible results in the balance of payments. It is necessary to systematically verify, whether some unit of economic mechanism does not deviate from this fundamental line. The maximum unity must be attained between the foreign exchange effect and material and financial planning and incentives within khozraschet in Kcs.

10501
CSO: 2400/295

## AGRICULTURAL LOANS FOR SMALL-SCALE BREEDERS AND GROWERS EXPLAINED

Prague ZEMEDELSKE NOVINY in Czech 17 Jun 82 p 3

[Article by Eng Zdenka Rodova and Eng Milan Odehnal, CSR Ministry of Finance: "Granting of More Favorable Loans to Small Breeders and Growers"]

[Text] Following the fourth meeting of the CPCZ Central Committee more favorable credit assistance has been offered beginning 29 March 1982 to small scale breeders and growers and their organizations to promote production and more effective utilization of agricultural land.

Up to now the Czech State Savings Bank extended loans to small scale breeders for financing cost of breeding domestic animals and to the growers for cultivation of agricultural products at the 8 percent interest and maturity ranging from 3 to 5 years.

Special interest associations of small-scale breeders and growers were granted loans at 5-6 percent interest depending on the repayment period.

New terms for granting loans to small scale breeders and growers and to their organizations are based on the principles of offering substantially more favorable credit to the population and special-interest organizations to promote food production and better land use.

In accordance with these conditions the Czech State Savings Bank now advances the following types of loans:

Loans to Small Scale Breeders and Growers

There are two types of loans depending on the purpose:

1. Loans for operating costs of economic activity, that is, for purchasing domestic animals for contract-feeding, for breeding of domestic animals, for the purchase of seed for sowing, seedlings, nursery-grown plants, chemicals and other supplies necessary for increasing small-scale animal production and cultivation of agricultural products (decorative plants are excluded).

The savings bank can grant loans up to Kcs 5,000. The interest rate ranges from 4 to 5 percent. Of key importance for a specific interest rate is the membership of the citizen in some of special-interest organizations of small scale breeders

and growers, particularly in Czech Union of Breeders, Czech Union of Small Garden Plot Holders (zahradkari), Czech Union of Fishermen, Czech Union of Hunters or Czech Union of Bee-Keepers.

When applying for the loan, the members of unions submit their membership card to the savings bank which proves that they are members of the organization and pay membership fees regularly.

The savings bank will advance loans to other citizens at 5 percent interest. The due date will be set individually in accordance with the production cycle, but no later than 2 years from signing the loan agreement.

2. Loans for the purchase of facilities and equipment necessary for breeding and feeding of domestic animals and cultivation of agricultural products excepting decorative plants), or for the construction, adaptation and repairs of facilities designed for small-scale breeding and growing, including protective fencing, implements and tools.

Loans up to Kcs 20,000 can be granted at 4 percent interest to the members of special-interest organizations and at 5 percent interest to other citizens. The due date may be set from 2 to 5 years.

In order to reduce paper work and simplify the procedure for the citizens, these types of loans apply to new construction projects, remodelling, additions and superstructures to the existing buildings designed for feeding of small animals and small agricultural structures which do not require a special building permit according to the building code 50/1976 of SBIRKA. The applicant for the loan simply submits a written statement from building authority to the savings bank that there are no objections to the respective project.

A notification to the building authority is sufficient in regard to minor adaptations which are supplementary to the function of the main structure and do not substantially affect the environment; remodelling which does not alter the appearance of the original structure, its present use or does not endanger society's interests. Notification is necessary of the projects might affect the stability of the existing structure, fire safety or appearance of the structure or living environment.

Loans can also be granted for construction projects that do not need building approval (for example vineyards and hop-gardens).

It is assumed that the total amount of both types of loans will be advanced usually in a lump sum. If the nature of operations on which the credit was granted requires, the applicant may arrange for gradual withdrawals of the loan but no later than one year from signing the loan agreement.

The savings bank advances the loan through cashless transfers to the account of the respective socialist organization which is engaged in sale of domestic animals, deliveries of fodder for their feeding, sale of seedlings, fertilizers, building materials and so on. The savings bank will pay the invoices issued by the respective purchasing, supply or construction organizations.

In exceptional instances, a part of the loan can be paid in cash to cover the expenditures which cannot be paid for by cashless transfers. This applies particularly to those instances, when the applicant carries out the project (part of the project) on his own and needs to buy necessary material for this purpose, and so on.

In view of the fact that the loans to the population are advanced by the savings bank partly from the deposited funds of other citizens and depositors, these loans must be backed by the guarantee that they will be repaid. The savings bank secures a regular repayment of the loans in accordance with the agreement with the citizen or loan applicant, in some of the routine forms.

The savings bank can grant more than one loan to an applicant. This additional loan can be granted before the repayment of the first loan only, if its proper repayment within the specified period is fully guaranteed.

Credits to the Czech Union of Breeders, Czech Union of Small Garden Plot Holders, Czech Union of Fishermen, Czech Union of Hunters and Czech Union of Bee-Keepers

These credits are granted by the Czech State Savings Bank for purposes closely related to their activity and mission, that is for the costs of cultivating fallow arid land, growing of agricultural plant products (excepting decorative plants) or breeding of small domestic animals.

Like the loans to small breeders and growers, credits to the special-interest associations are granted as operating credits for operating costs and investment credits for the construction and adaptation of buildings, purchase and repair of equipment and facilities for small scale breeding and growing, including protective fencing and implements.

The amount of operating credit is not specified, while the amount of investment credit is given by the approved budget of the project on which credit is extended.

There is a uniform 4 percent interest rate for both types of credit. The due date for operating credit is up to 2 years, and for investment credit up to 5 years.

To grant loans the savings bank requires a written application from the appropriate organization. In its application, the organization will state the purpose of credit, the requested amount, anticipated cost of the project and the suggested financial and material collateral for the project to be covered by credit. Depending upon the nature of the loan, the application should be supported by detailed calculation such as budget of profitability of equipment or project, and a statement on from what funds and during what period credit is to be repaid.

In principle credits can be drawn upon through cashless transfers on the basis of invoices and proper orders for payment from the organization to which credit was granted. In exceptional instances, small amounts can also be withdrawn in cash.

The savings bank controls the withdrawals of funds from the credited amount and does not permit their use for any other but specified purpose. At the same time, it follows up the progress in construction or implementation of the project, and promptly discusses the discovered shortcomings with the officials of the organization. If the defects are not removed within the period agreed upon or contract discipline is gravely violated, the savings bank can apply sanctions in accordance with the General Conditions for Granting credit.

The principles of credit assistance to small-scale breeders and growers and to their special-interest organizations as outlined above must be regarded in a certain sense as open. When small-scale economic activity expands, the loans can be adjusted on the basis of practical experience and supplemented so that they best meet the nature and needs of this activity.

10501
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## MID-1981 PURCHASING POWER OF EAST, WEST GERMAN MARKS COMPARED

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[Article by Charlotte Otto-Arnold and Heinz Vortmann, German Institute for Economic Research (DIW), West Berlin: "Comparison of Purchasing Power of West and East German Marks in Mid-1981"]

> [Text] Since the last comparison of purchasing power,[1] consumer prices in the FRG have increased; in the GDR available consumer goods have also become more expensive. In addition, changes in income and shifts in the structure of consumption occurred in both German currency territories. A new comparison of purchasing power is to show the current differences in the purchasing power of both currencies for private consumption. The results, among other things, are an indispensable basis for comparing real wages.

### On the Method of Computing Purchasing Power

The basis for computing purchasing power--according to the method of budget comparison--is the comparison of prices. Current prices for goods included in the FRG standard of living--apart from special observations--were taken from comprehensive official price statistics as well as mail-order catalogs; for the GDR data from official statistics and all additionally available price information, for instance, press reports, were analyzed.

A "genuine" price comparison, however, is difficult because frequently identical goods cannot be found. To be sure--as far as possible--similar goods were compared; nevertheless, the selection of goods is much more limited in the GDR than it is in the FRG. Frequently there are differences in the materials used, the manner of processing, the design and shape as well as the technical equipment. Under these circumstances it is particularly important to include the largest number of items possible; in this manner selection differences can be considered and possible deficiencies in the investigation can be compensated. Altogether approximately 550 kinds of goods were included in the computations.[2]

As a matter of principle, the differences in the availability of goods are not a factor in price comparisons. They are of significance, however, when an increase in demand keeps the prices stable. In the GDR it applies to quite a few items in the nonessential category (for instance, cars, color television sets, deep freezers). It results in an overvaluation of the GDR mark which cannot be quantified.

Another decisive factor is the weight (the scheme of weighing) that is used for these goods which constitute a market basket--representative of the standard of living which has been investigated. In both countries the sources are investigations of consumption[3] dealing with the structure of consumption for certain types of households. A meaningful comparison requires market baskets that are as similar as possible, i.e. market baskets that reflect the consumption of a similar type of household in a similar social position.

The new DIW computation refers to the average consumption of households which represent important groups of the population: four-person households in the workforce[4] and two-person households on retirement.[5, 6] The contents of the market baskets in the FRG as well as in the GDR were evaluated according to West German mark prices as well as to East German mark prices. The relative purchasing power is the result of two components:

--differences in prices,

--differences in the composition of market baskets.

In principle, the structure of consumption for both types of households in the FRG was established by using the scheme of weighing[7] based on price index figures for the standard of living. Because of difficulties that arose during the attempt of obtaining comparable data for the GDR, however, some of the positions of goods had to be modified.

Highly intricate schemes of weighing like those used in the FRG are not known for the GDR. The Statistical Yearbook of the GDR publishes only average expenditures of households and the divisions are very general. An additional subdivision was made on the basis of separate market research reports in the GDR, from consumption and supply statistics as well as from information about consumption preferences and habits of the population.

Relationship Between Prices and Purchasing Power According to Consumer Demand Categories

The systematics of consumption statistics are different in both areas and because of insufficient information from the GDR they could not be synchronized. Consequently there are variations in the division of expenditures according to categories of consumer demands in the tables for the FRG and for the GDR.

An essential difference in the structure of consumption is the fact that the category for services (excluding insurance, fees, automobile taxes) in the GDR consumes only about 13 percent of the income (household in workforce) because of very low prices, in the FRG, however, it takes up 30 percent. The proportion for food and luxury goods and for industrial products is appropriately higher in the GDR.

The market baskets of the FRG have more variety than those in the FRG. Particularly the weight of high-quality consumer goods, which are extremely expensive in the GDR, are less plentiful in the GDR market basket than in the FRG one. Nevertheless, goods offered in specialty shops and delicatessens were taken into consideration according to their assumed share of sales. Both market baskets included expenditures for insurance, fees and automobile taxes, although the value of the service is comparable only to a limited degree.

A special characteristic in the GDR price structure is the difference between essential--life-sustaining--goods and services and the remaining consumer goods. For essential goods and services--for instance, food, fees--prices are kept low through high state subsidies. The prices for most industrial products, particularly high-quality goods, are subject to heavy excise taxes (indirect taxes) which differ, are independent of cost but tied to the product. Services, on the other hand, generally are relatively cheap because of the low labor costs. Consequently, in comparison with prices in the FRG considerable differences become apparent; on one extreme the GDR price in marks is only one-tenth, on the other extreme it is ten times as high as the price in the FRG.

With respect to spending for food, prices for bread, potatoes and ordinary vegetables are particularly low in the GDR, but also meat and meat products and other basic food items cost less or very little more than they do in the FRG. Their share, as a part of total consumption, however, is lower here than in the GDR; the incomparably greater variety of food products offers more possibilities and a greater selection of better-quality products and more highly processed foods (for instance, choice vegetables, milk products, canned goods). In the GDR goods like that are sometimes only available in delicatessens. According to the type of household and market basket, calculations show that for expenditures of DM 100 between 87 and 108 marks would have been required in the GDR. For the four-person household the relative purchasing power of the mark was considerably higher--114 percent--according to GDR consumption conditions than according to FRG consumption conditions--93 percent.

Compared to the FRG, it is remarkably inexpensive in the GDR to eat in canteens and restaurants, which are divided into several price categories in the GDR. Only the prices in the more expensive category come close to the average level in the FRG; considering average consumption, the relative purchasing power of the GDR mark comes to 175 percent.

With respect to expenditures for luxury goods, conditions are the opposite. In this category the purchasing power of the GDR mark ranges between 42 and 57 percent. A very high price for coffee is largely responsible for it. For wine and liquor, consumers in the GDR have to pay twice as much, sometimes more than three times as much as in the FRG. For tobacco products the price relationship is closer, averaging 125 percent. It increases fast, however, when products of better quality are purchased, for instance, from the Western countries.

The expenditure category for rents, electricity, gas, fuels is characterized by extremely low prices in the GDR. Rents are only about one-fifth or one-third of those in the FRG, even in new buildings rents are very low because of very high

subsidies. The comparison of rents, however, could only be done in very general apartment categories. For rents an extraordinarily high purchasing power for the GDR mark could be established, averaging between 400 and 450 percent. Fees for electricity and gas have remained unchanged in the GDR for 20 years and are kept low by subsidies. In contrast to the firm unity prices in the GDR, prices in the FRG are much higher but they decline with growing consumption per unit. The purchasing power of the GDR mark, compared to the West German mark, varies between 200 and 250 percent. The comparison of expenditures for heating materials is only of limited validity. For private consumption in the GDR, brown coal briquettes are practically the only type of heating material available and, furthermore, only a limited quantity can be purchased at a special price; the coal is allocated and additional quantities are available at a higher price which, however, at M 3.60 per kilogram is only approximately 20 percent of the comparable price in the FRG. In the FRG, on the other hand, hard coal and heating oil constitute the biggest part of consumption. Consequently, the heating material was converted into hard coal units and the respective average prices per hard coal unit were compared with one another. The average parity of purchasing power is between 700 and 800 percent for the GDR mark.

**Kaufkraftparitäten zwischen D-Mark und Mark der DDR Mitte 1981**

1) berechnet nach der Verbrauchsstruktur in der Bundesrepublik Deutschland für ausgewählte Haushaltstypen

2) in vH

| 3) Ausgaben nach Bedarfsgruppen | 4) Vier-Personen Arbeitnehmerhaushalt[1] | | 5) Zwei-Personen-Rentnerhaushalt[2] | |
|---|---|---|---|---|
| | 6) Relative Kaufkraft der Mark der DDR 3) | 7) Ausgabenanteile | 6) Relative Kaufkraft der Mark der DDR 3) | 7) Ausgabenanteile |
| 8) Nahrungs- und Genußmittel | 84 | 30,4 | 80 | 38,9 |
| 9) davon: Nahrungsmittel | 93 | 20,8 | 96 | 29,6 |
| 10) Genußmittel | 50 | 5,8 | 42 | 6,9 |
| 11) Verzehr in Gaststätten | 172 | 3,8 | 169 | 2,4 |
| 12) Bekleidung und Schuhe | 47 | 8,6 | 47 | 6,3 |
| 13) Wohnungsmiete | 417 | 15,0 | 417 | 22,4 |
| 14) Elektrizität, Gas, Brennstoffe | 303 | 5,0 | 323 | 7,7 |
| 15) Haushaltsführung | 52 | 9,0 | 63 | 8,9 |
| 16) Verkehr und Nachrichtenübermittlung | 79 | 13,7 | 185 | 5,4 |
| 17) Körper- und Gesundheitspflege[4] | 88 | 7,5 | 114 | 3,2 |
| 18) Bildung und Unterhaltung | 57 | 9,1 | 52 | 4,7 |
| 19) Persönliche Ausstattung, sonstige Waren und Dienstleistungen[5] | 99 | 6,7 | 99 | 2,5 |
| 20) Lebenshaltung insgesamt | 83 | 100,0 | 98 | 100,0 |
| 21) Lebenshaltung ohne Mieten | 73 | 85,0 | 81 | 77,7 |

22) 1) Vier-Personen-Arbeitnehmerhaushalte mit mittlerem Einkommen des alleinverdienenden Haushaltsvorstands. 2) Zwei-Personen-Haushalte von Renten- und Sozialhilfeempfängern 23) 3) Die Kaufkraft der Mark in der DDR im Verhältnis zur D-Mark in der Bundesrepublik 24) 4) Ohne Dienstleistungen für die Gesundheitspflege 25) 5) Uhren, Schmuck, Taschnerwaren, Urlaub und Reisen, Dienstleistungen der Banken und Versicherungen, Gebühren, Kraftfahrzeugsteuern u.a.

26) Quelle: Berechnungen des DIW.

Table 1. Parities of Purchasing Power Between West German and East German Mark in Mid-1981

Key: 1. Computed according to the consumption structure in the FRG for selected types of households
2. By percentage
3. Expenditures according to category of goods
4. Four-person household in the workforce
5. Two-person household on retirement
6. Relative purchasing power of GDR mark
7. Percentage of expenditures
8. Food and luxury goods
9. Subdivision: food
10. Luxury goods
11. Meals in restaurants
12. Clothing and shoes
13. Apartment rent
14. Electricity, gas, fuels
15. Household management
16. Transportation and communications
17. Personal and health care
18. Education and entertainment
19. Personal items, other goods and services
20. Total cost of living
21. Cost of living without rent
22. Four-person household in workforce with medium income, head of household sole earner
23. Two-person household on retirement and social security
24. Purchasing power of the GDR mark in comparison to FRG mark
25. Without services for health care
26. Watches, jewelry, leather goods, vacation and travel, services of banks and insurance companies, fees, automobile taxes and other items
27. Source: DIW computations.

Approximately one-third of all expenditures for industrial goods in the GDR are for clothing, shoes and textiles,[8] in the FRG the proportion for this category is lower. Whereas in the GDR prices for shoes of low or medium quality are between 100 and 160 percent when compared to prices in West German marks for similar items in the FRG, the relationship of prices for textiles, either clothing or textiles for the home, are in part much higher. To be sure, there are also a few goods, above all, workclothes, some children's clothing and underwear, that are cheaper in the GDR than in the FRG, but outerwear, carpeting, curtains and household linens, on the average cost two and one-half times as much as in the FRG--for higher-quality goods it is more, for lower-quality goods it is less.

To be sure, during the last few years the selection of goods in this category has improved as a whole, but because prices rose simultaneously the relative purchasing power of the mark declined. For a four-person household in the GDR the purchasing power of the GDR mark compared to the purchasing power of the West German mark comes to only 50 percent; when the availability of a more plentiful selection for consumption in the FRG is taken into consideration, the purchasing power sinks even lower, to 43 percent. For the individual categories of goods it is as follows:

--76 percent for shoes,

--42 percent for clothing,

for ready-to-wear outerwear it is only 39 percent,

--39 percent for textiles for the home and household linens.

The category of household management includes durable consumer goods like furniture and electrotechnical appliances and consumer goods of everyday needs, for instance, kitchen appliances and utensils, cleaning agents. In general, consumer goods cost twice as much as they do in the FRG, in some instances even more; furniture, for instance--unless it is the simplest design--refrigerators and freezers even require outlays that are four to five times as high. More reasonable in the GDR, but most of the time still more expensive than in the FRG, are consumer goods like dishes, kitchen and household implements. Prices for tools and some cleaning agents in some instances are lower in the GDR than in the FRG; nevertheless, in this category there are still significant differences in quality. For the four-person household in the GDR and its consumption, the relative purchasing power in this category of expenditures amounts to an overall 51 percent:

| | |
|---|---|
| --furniture | 40 percent |
| --electric appliances | 40 percent |
| --household and other goods | 77 percent. |

When compared with the FRG market basket, the resulting relationship is about the same.

The category of personal transportation includes expenses for the purchase and operation of privately owned vehicles, i.e. bicycles, mopeds, motorcycles, automobiles. In 1980 the density of automobiles (automobiles per 100 households) in the GDR was 37, less than half the number in the FRG (77). Automobiles cost approximately twice as much as they do here, the relationship is more favorable for small cars. One factor which disturbs the comparability considerably is the fact that there are long waiting periods for delivery; they can be as long as 10 or more years. The price level for operating and consumer products in connection with car maintenance (fuel, oil, spare parts, accessories, car care products) differs a great deal; compared to prices in the FRG the range extends from 30 to 300 percent. Lately the cost of fuel has only been a little higher than it is in the FRG. According to the above classification, taxes and insurance are not included in the category of personal transportation but in the group of insurance, fees and automobile taxes. When compared to the West German structure of consumption, the relationship of all goods of personal transportation for households in the workforce averages 170 percent and according to consumption conditions in the GDR it is approximately 135 percent. The values are somewhat lower for households on retirement, because automobile ownership for households on retirements is lower.

**Kaufkraftparitäten zwischen D-Mark und Mark der DDR Mitte 1981**

1) berechnet nach der Verbrauchsstruktur in der DDR für ausgewählte Haushaltstypen

2) in vH

| 3) Ausgaben nach Bedarfsgruppen | 4) Vier-Personen-Arbeitnehmerhaushalt[1] | | 5) Zwei-Personen-Rentnerhaushalt[2] | |
|---|---|---|---|---|
| | 6) Relative Kaufkraft der Mark der DDR 3) | 7) Ausgabenanteile | 6) Relative Kaufkraft der Mark der DDR 3) | 7) Ausgabenanteile |
| 8) Waren | 88 | 78,2 | 95 | 78,7 |
| 9) Nahrungs- und Genußmittel | 106 | 37,9 | 105 | 45,6 |
| 10) davon: Nahrungsmittel | 114 | 25,5 | 115 | 32,1 |
| 11) Genußmittel | 56 | 8,8 | 57 | 10,7 |
| 12) Verzehr in Gaststätten | 179 | 3,6 | 172 | 2,8 |
| 13) Industriewaren | 72 | 40,3 | 83 | 33,1 |
| 14) davon: Textilien, Bekleidung und Schuhe | 50 | 13,5 | 47 | 12,2 |
| 15) davon: Schuhe, Täschner-, Sattlerwaren | 69 | 2,6 | 68 | 1,8 |
| 16) Textilien und Bekleidung | 46 | 10,9 | 43 | 10,4 |
| 17) Möbel | 40 | 2,7 | 50 | 1,0 |
| 18) Haushaltswaren | 77 | 1,7 | 81 | 1,5 |
| 19) Elektrotechn. Erzeugnisse | 27 | 3,9 | 27 | 4,4 |
| 20) Übrige Waren | 102 | 18,5 | 135 | 14,0 |
| 21) Dienstleistungen | 256 | 13,1 | 256 | 16,2 |
| 22) Mieten | 435 | 2,9 | 455 | 3,7 |
| 23) Strom, Gas, Wasser | 227 | 1,7 | 233 | 2,0 |
| 24) Verkehrsleistungen | 357 | 1,2 | 286 | 2,4 |
| 25) Kultur, Sport, Reisen | 161 | 3,3 | 149 | 3,0 |
| 26) Reparaturen | 192 | 2,0 | 189 | 1,9 |
| 27) Übrige Dienstleistungen | 167 | 2,0 | 175 | 3,2 |
| 28) Steuern, Versicherungen, Beiträge | 204 | 8,7 | 250 | 5,1 |
| 29) Lebenshaltung insgesamt | 120 | 100,0 | 130 | 100,0 |
| 30) Lebenshaltung ohne Mieten | 111 | 97,1 | 118 | 96,3 |

31) Durchschnitt aller Vier-Personen-Arbeitnehmerhaushalte. 32) Zwei-Personen-Rentnerhaushalt ohne Erwerbseinkommen. 33) Die Kaufkraft der Mark in der DDR im Verhältnis zur Kaufkraft der D-Mark in der Bundesrepublik.

34) Quelle: Berechnungen des DIW.

Table 2. Parities of Purchasing Power Between West German and East German Mark in Mid-1981

Key:
1. Computed according to the consumption structure in the GDR for selected types of households
2. By percentage
3. Expenditures according to category of goods
4. Four-person household in workforce
5. Two-person household on retirement
6. Relative purchasing power of GDR mark
7. Percentage of expenditures
8. Goods
9. Foods and luxury goods
10. Subdivision: food
11. Luxury goods

Table 2. Parities of Purchasing Power Between West German and East German Mark in Mid-1981

Key:
12. Meals in restaurants
13. Industrial goods
14. Subdivision: textiles, clothing and shoes
15. Divided into: shoes, purses, leather goods
16. Textiles and clothing
17. Furniture
18. Household goods
19. Electrotechnical products
20. Other goods
21. Services
22. Rent
23. Electricity, gas, water
24. Transportation
25. Culture, sport, travel
26. Repairs
27. Other services
28. Taxes, insurance, fees
29. Total cost of living
30. Cost of living without rent
31. Average for all four-person households in workforce
32. Two-person households on retirement without earned income
33. Purchasing power of the GDR mark compared to the purchasing power of the German mark in the FRG
34. Source: DIW computations

In the category of education and entertainment, durable products and those of higher quality are considerably more expensive than they are in the FRG. On the average, radios, television sets and phonographs cost five times as much. Cameras and movie equipment as well as optical instruments are much higher than comparable West German prices, recreational, sport and camping articles are also more expensive in the GDR. School and office supplies as well as paper items, on the other hand, are cheaper. At the lower end of the scale are printed products. For daily newspapers GDR households need to spend only about one-third of the amount required in the FRG. Most of the books for young people and on specialized subjects cost less than half. For entertainment literature and art books the price advantage has shrunk. In the GDR printed materials are subsidized; the selection, however, is quite limited and for political reasons it is by no means balanced. On the whole, the relationship of prices for goods in the category of education and entertainment averages between 215 and 240 percent for the considered households.

The price level for articles in the category of personal and health care averages 20 to 30 percent higher in the GDR than it does in the FRG. Nevertheless, products that are necessary for health care (medication, bandages, fever thermometers) are much cheaper; items of personal care, as a rule, are more expensive, cosmetics (body sprays, skin creams, bath additives) are comparatively more expensive than the so-called consumer goods (soap, toothbrush, razor blade).

The expenditure category of personal items is a fairly heterogeneous category. Essentially it consists of watches, jewelry and purses. This group again provides evidence that GDR prices for higher-quality products and new technical developments show a very unfavorable relationship when compared to the FRG. In the GDR the purchase of genuine jewelry and quartz watches requires six to seven times the amount necessary in the FRG, for traditional watches the price level is four times as high, purses average two-thirds more.

Prices for most services are considerably lower in the GDR than in the FRG. As a rule, services are labor intensive; consequently the low wage scale in the GDR is the most important explanation for the price difference. An additional factor is subsidies which are effective in many cases. To be sure, services (public transportation, education and culture) are supported in both states, but in the GDR it is done on a larger scale. The comparability is impaired by the limited capacity of repair facilities, gas stations, cleaners, hotels and other facilities in the GDR.

Due to the limitations and the high expense of personal transportation, the services of the public transportation system are used much more in the GDR than in the FRG. High subsidies for public transportation keep the fares low. On the average, ticket prices cover only half of the cost. To be sure, the subsidies in the FRG are also high, but total costs surpass those in the GDR considerably. Compared to the FRG, where fares have been increased substantially during the course of time, prices for transportation in the GDR average only one-fourth to one-third.

Depending on the market basket, services in communications in the GDR require somewhere between one-third and one-half of the appropriate expenditures in the FRG. Like fares for public transportation, postage fees have remained unchanged for a number of years in contrast to price increases in the FRG; only local calls from a pay phone are still M 0.20 or DM 0.20 respectively in both areas of the comparison. The number is low of households in the GDR that are equipped with telephones.

A very important item in the service group for the household budget consists of culture, education, sport, entertainment and travel. Due to rising income and growing motorization, tourism is also increasing in the GDR. There is little difference in the travel intensity (vacation trips of more than 1 day per inhabitant) between the two territories. Nevertheless, whereas more than half of all FRG vacationers travel to foreign countries, in the GDR domestic tourism dominates. In the GDR, vacation services by unions and plants play a large role; both offer vacation spots for which travelers have to pay only 30 percent or less of the actual costs. Independent travel, on the other hand, is complicated and connected with considerably higher expenditures because lodging capacities are extraordinarily scarce. Short trips arranged by travel agencies are already almost as expensive as they are in the FRG and prices for trips abroad are actually twice as high. Trips to Western countries are still denied to most GDR citizens.

All the remaining consumer prices in this group are below the average of the FRG--some of them are considerably lower: For attending kindergarten, for instance, GDR citizens pay less than one-tenth, instructional fees cost approximately one-third, tickets for sports and cultural events are only one-half. Television fees (two programs) and radio fees are lower by 30 percent, retired people in the GDR are exempt from these fees. Compared to Western prices for the entire category, a relationship of 65 percent results for the investigated GDR households, and a relationship of 95 percent applies when West German market baskets form the basis; higher prices for foreign travel weigh heavily.

Due to the rise in the living standard, demands on the service sector increased also in the GDR. House and apartment repairs, which were neglected for a long time, an increase in durable household furnishings and goods and the growing motorization have led to permanent bottlenecks in the supply of skilled craftsmen. As is the case with most of the other services, official prices for these items are considerably lower in the GDR than in the FRG; as a matter of fact, almost by one-half. Of course, there are gray markets in this area.

Services for insurance, fees and automobile taxes were included for the first time. Except for automobile taxes, all items indicate a substantially lower price level in the GDR. Payments for services in this group are on the average between 50 and 60 percent lower in the GDR than they are in the FRG.

Results

The computations show that price relationships for similar goods and services vary a great deal between the FRG and the GDR:

--Prices for goods in the basic-needs category and for most of the services are substantially below West German levels.

--Luxury goods, higher-quality items, durable consumer goods and new technical developments are much more expensive.

The differentiation in prices results in the fact that the average purchasing power of the mark--when compared to the West German mark--decreases with higher income and more sophisticated consumption habits. Consequently, the parity of the purchasing power of the mark declines when a market basket from the FRG is used as a basis, which represents a wider selection and, in part, more plentiful goods. On the other hand, the purchasing power is higher for the more modest market basket of households on retirement. In addition, the general trend applies, according to which the purchasing power of a currency is higher when it is based on the market basket in its own territory rather than any other (ophelimity maximum).

For a standard of living according to the GDR consumption structure the purchasing power of the mark for the four-person household in the workforce averages 120 percent of the purchasing power of the West German mark, i.e. in mid-1981 the same goods and services cost 20 percent more in the FRG than in the GDR. Based

on the West German market basket, however, the relative purchasing power of the GDR mark was substantially less, only 83 percent. The result is heavily influenced by the comparatively low rents in the GDR. If expenses for housing were excluded, the relationship for the GDR household would only be 111 percent instead of 120 percent, and if the FRG consumption structure is used as a basis, 83 percent would have to be reduced to 73 percent. Compared to households in the workforce, households on retirement enjoy more favorable parities of the GDR mark; based on the FRG market basket it is 98 percent (without rent: 81 percent) and for the GDR market basket it is even 130 percent (118 percent).

Table 3. Parities of Purchasing Power Between West German and East German Marks in Mid-1981

| Expenditures According to Category of Goods, Total | Relative Purchasing Power of GDR Mark* By Percentage | |
|---|---|---|
| | Four-Person Household in Workforce | Two-person Household on Retirement |
| FRG consumption structure | 83 | 98 |
| GDR consumption structure | 120 | 130 |
| Crossing of market baskets | 102 | 114 |

*Purchasing power of the GDR mark in comparison to the purchasing power of the West German mark.

Source: DIW computations.

The use of different types of households and consumption structures provide insights into the extent of differences of purchasing power parities; by establishing mean values (crossing of baskets)--problematic because of wide deviations--these results can be summarized. Based on the consumption structures of the FRG and the GDR, the computed average relationship of purchasing power for a four-person household in the workforce is 102 percent and for the two-person household on retirement it is 114 percent. Therefore, in both instances the purchasing power of the GDR mark--compared to the West German mark--is higher, in one case slightly and in the other one by approximately one-seventh.

A comparison with earlier DIW investigations shows that, contrary to the longer-term trend, the parity of the purchasing power of the GDR mark did not continue to improve. Compared to the last DIW computation for 1977, the relationship of the crossed market baskets revealed a relative deterioration of 3 to 4 percentage points[9] for both types of households. It may be surprising in view of the price increases in the FRG, but the price level in the GDR also rose, particularly since 1979 and affecting higher-quality goods. In addition, due to rising income in the GDR, the proportion of durable consumer goods and better-quality merchandise increased as a share of total consumption. The trend toward a more sophisticated demand was accompanied by an increase in the supply; numerous inexpensive goods disappeared from GDR shops and were replaced by better but comparatively much more expensive merchandise.

The level of the computed purchasing power parities of the currency units must not be used as an indicator of an equivalent level in the standard of living. In addition to prices, a decisive factor in determining the standard of living--as far as it depends on private consumption--is income. In 1980 the average net income[10] was as follows:

Table 4. Comparison of Net Income

| Type of Household | FRG Income in DM | GDR Income in M |
|---|---|---|
| Four-person household in workforce | 3,868 | 1,720 |
| Two-person household on retirement | 2,095 | 835 |

Although in the GDR more earners contribute to the household income, nominally the income of FRG households was more than twice as high. Following adjustments for purchasing power differences--by using the relationships of crossed market baskets--both household types in the GDR are still behind in real income by at least 50 percent.

FOOTNOTES

1. Cf. Charlotte Otto-Arnold, "Das Kaufkraftverhaeltnis zwischen D-Mark und Mark (DDR)" [Comparison of Purchasing Power of West and East German Marks], SONDERHEFTE DES DIW, No 129, 1979.

2. The price index for the FRG standard of living contains at least 700 items.

3. Results from records of bookkeeping households (economic accounts) in both areas of comparison and income and consumption samples in the FRG as well as reports on consumption studies from the periodical MARKTFORSCHUNG in the GDR.

4. In the FRG: Four-person households in workforce with medium income by head of household as sole earner. In the GDR: Four-person blue- and white-collar households with average net income per household.

5. In the FRG: Two-person households on retirement and social security. In the GDR: Two-person households on retirement with average net income per household without earned income.

6. With respect to income and consumption, the two types of households in the FRG, however, are below the average of the respective groups of all four-person households in the workforce and all two-person households on retirement.

7. Schemes of weighing of the new cost-of-living price indexes on the 1976 basis, see WIRTSCHAFT UND STATISTIK, No 11, 1979, p 797 ff.

8. Including carpets, curtains,bed and household linens.

9. For this comparison the category of services by banks and insurance companies, fees, automobile taxes and other items was eliminated from the new calculations because it was not contained in the 1977 investigation.

10. Sources: FRG: DIW income calculations. GDR: GDR Statistical Yearbook, 1981, p 272. DIW calculations and estimates.

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FOREIGN AFFAIRS JOURNAL REVIEWS HISTORY OF MERCHANT FLEET

East Berlin HORIZONT in German Vol 15 No 26, 1982 (signed to press 21 Jun 82) p 22

[Report by Wanda Kosche: "It Began With the 'Vorwaerts': Ships of the GDR Merchant Fleet Are Calling on Four Continents"]

[Text] For years, mass packaged freight has been reloaded at pier No. one of the Rostock Maritime Port. This comprises lumber, pig iron and metals which are essential for our national economy. Imports of sheet iron, coils (metal tape reels) and wire as well as of ore from the Soviet Union have constantly increased in the past few years, and are further increasing as envisaged by the program for production specialization and cooperation between the GDR and USSR for the period up to 1990. Almost 50 percent of the mutual commodity deliveries are effected by maritime transport. The parties involved rearranged their increased maritime transport relations in a government agreement in 1973. In 1974 these maritime connections, also termed the "bridge of friendship," became an international youth project whose organizers are the FDJ and the Komsomol. This year they organized the first international "fair of the masters of tomorrow" in Rostock.

Members of the youth organizations are ensuring the maritime commodity exchange in Rostock, Riga, Klaipeda, Murmansk and Arkhangelsk. They are primarily concerned with reducing the ships' layover times in ports. In 1981 2,702,837 tons of metal were unloaded, 3,348,194 tons in all GDR seaports.

The joint operation of a Soviet rol on-roll off [ro-ro] ship on the Rostock-Riga route, which has existed since 1 August 1979, constitutes another proof of the quality achieved in economic cooperation.

About the Difficult Beginning

As a result of the political and economic backwardness of Mecklenburg, which increased during the time of the transition from capitalism to imperialism, the development of Rostock, Wismar and Stralsund had become stagnant--after a time of prosperity--and the ports had become insignificant. Their small fleets exclusively operated in the Baltic Sea. The North Sea ports took over overseas trade. World War II left chaos behind: The few existing

port installations had been either destroyed or were completely outdated. A difficult legacy. As early as 4 April 1946 the Soviet Military Administration (SMA) in Mecklenburg had ordered, in Order No 404/K, the resumption of "normal activity of the ports of Wismar, Rostock and Warnemuende." SMA Order No 0405 of 11 December 1946 eventually led to the transfer of the power od disposition over the ports to the German self-administrations. But there was not much to be administered at that time.

The Fleet Emerges

The resolution of the Third SED Congress (20-24 July 1950) promoted further development. It is stated therein: "In addition, it is necessary in the years 1951-55 to build several ships in classes up to 8,000 gross registered tons for maritime transport." Before these ships were launched according to program, however, on 13 October 1950 the steamer Vorwaerts was commissioned. Loaded with piece goods, the ship with the future-oriented name set sail for Ventspils (Latvian SSR) on 4 November 1950.

On 1 July 1952, the date of the founding of the German Maritime Shipping Company (DSR), an important stage began for safeguarding GDR foreign trade. The steamer Vorwaerts and the Tender Fortschritt were the first two vessels of the company to operate between the GDR and the USSR Baltic Sea ports. By the end of 1956, the young shipyards had delivered 19 vessels to the DSR. A new stage was initiated with the commissioning of the MS Frieden (10,000 deadweight tons), the first large ship, on 23 June 1957. Eleven more ships of this type followed suit until May 1961.

Whereas in 1957 the DSR possessed 21 ships with a capacity of 46,859 deadweight tons, their number rose to 97 units with 584,484 deadweight tons by 1963. Today it has 171 ships of various kinds with 1.64 million deadweight tons. In 1981 they carried 12,524 million tons of goods, and thus exceeded the plan. The area of the fleet's operation also expanded in the past years. DSR ships called at 97 countries.

Modern vessels, shorter round trip times and a development of routes in line shipping are necessary to further meet the requirements of GDR foreign trade and the growing international demands. This end is served by a long-term modernization program of the Merchant Marine. In the past 10 years alone the DSR commissioned 43 newly built vessels, predominantly semi-container and piece-good ships. As a result, the DSR was able to decommission old vessels which had become ineffective. Increasing transports of ore and metals from the USSR require special vessels. The demands on ro-ro transports are also growing. The hoisting of the flag on the first ro-ro ship, built by the Wismar Mathias-Thesen shipyard for the DSR in 1981, is to take place in the next few days.

Development of Ports

The constantly expanding foreign trade activities of the GDR and the growing fleet required ports with greater capacities. Thus the 33rd SED Central Committee session on 16 October 1957 decided to build a maritime port in

Rostock. As early as on 1 May 1960, piece-good reloading began in Basin B. After the first building stage, the port reached a capacity of some 10 million tons. It was here that the transshipment of containers began on 8 November 1968, and thus an international trend toward rationalizing transport was complied with.

The capacity of GDR ports as a whole rose considerably. In 1981 reloaded goods amounted to 19,503,015 tons. A total of 2,830 ships from 53 countries moored in Rostock's maritime port alone. The goods reloaded there totaled 15,562,885 tons, including 1,518.819 tons of piece goods, 7,771,046 tons of bulk goods, and 2,470,026 tons of liquid goods. The CEMA countries of the CSSR, the Hungarian People's Republic and the Socialist Republic of Romania are the main transit partners of the GDR port economy. But transit customers from Yugoslavia, Switzerland, the FRG and Austria are also shipping goods via Rostock.

Founding the Maritime Transport and Port Management Combine--Deutfracht/Seereederei on 1 January 1974 was significant for the further development of that sector of the national economy. This combine is in charge of the worldwide line and tramp shipping; the transport of packaged freight, bulk and liquid goods, as well as of refrigerated goods; container services, transport of heavy goods and the loading and chartering of vessels; reloading and storage of goods; clearance (processing of documents) and care for oceangoing ships; booking of goods for line shipping; piloting, tugging and towing of oceangoing ships; excavations, underwater building projects and ships service; and equipping and supplying oceangoing vessels.

Twenty-Five Line Services

On 1 January 1965 the DSR and the Finska Angfartygs Aktiebolaget in Helsinki jointly inaugurated the regular line service between Rostock and Helsinki--the first step to developing an extensive line service which today comprises 25 lines to four continents. These lines lead to the most important maritime transshipment places of Europe, as well as to the ports of Algeria, the north and south Levant, Egypt, Western Africa and the Red Sea, the eastern coast of South America, Cuba and Mexico, Sri Lanka and Bangladesh, India and Pakistan, Southeast Asia and the Far East. GDR ships are operating regular line services between Mediterranean ports and ports of the Middle East. Maritime transport has been divided into three administrative fleet sectors: Asia/America, the Mediterranean/Africa and special/coastal shipping.

One of the long turns, as the sailors call them, leads to South America's eastern coast. This line is plied once a month. The ports of Wismar, Hamburg, Rotterdam, Antwerp, Rio de Janeiro, Santos, Montevideo and Buenos Aires are called at during this turn. Here is another example: The GDR-Great Britain ro-ro line service operates once a week. The ports of call are Rostock and Hull.

The intensification has also begun of the 25 line services--they have been organized by the GDR both as joint lines with other socialist shipping companies and independently. Since early August 1980 the Europe-Hong Kong-Japan-Bangkok and the Europe-Malaysia/Singapore Djakarta express services

have been operating. These services, which, due to a new tracing of routes have reduced the thus far required transit times by an average of 10 days, exert a favorable influence on the growing requirements of trade with the countries of the regions involved. In 1981 a new joint line service with Cuba was opened, and state shipping treaties were concluded and finalized with the SRV, Ethiopia, Angola and Mozambique.

Specialized transport by coastal motorships of sizes between 600 and 1,700 deadweight tons between ports of the North Sea and the Baltic Sea region are typical of tramp shipping (that is, transports of predominantly bulk goods depending on the needs of the freighter between any ports under prearranged conditions).

Cargo ships with a carrying capacity of from 2,000 to 7,000 deadweight tons are employed for imports of raw materials such as cut timber, coal and metal. Bulk goods carriers of from 11,000 to 38,000 deadweight tons are hauling ore, coal, apatite, metals, grain and sugar for the GDR national economy and for other customers. The 10 units of the refrigerator ship fleet are predominantly engaged in fruit imports.

Stepping Up Transshipment

Building activities in the Rostock Maritime Port have never been as brisk since the port's commissioning. It is said in the directive of the 10th SED Congress that "the capacities of the GDR maritime ports should be substantially increased to ensure the GDR's foreign trade transport, particularly to the USSR, and the capacity of the maritime fleet should be boosted by using modern ships."

Transshipment performances should increase from some 15 million tons in 1980 to 23.4 million tons of goods--an unprecedented performance increase. Building work is in progress at three different sites of the port simultaneously; at pier four, the transshipping complex for grain, fodder and fishmeal; at three new berths for the reloading of metals and piece goods of pier one; and in the south of the port, where the terminal for the ro-ro service and for container reloading is being expanded. A quick, safe and low cost transshipment of all goods, while maintaining the processing of all domestic and foreign ships and trade partners on an equal basis, is the task which the Rostock seaport feels obliged to accomplish.

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MINISTRY OF INDUSTRY APPRAISES ITS SHORT PAST

Budapest PENZUGYI SZEMLE in Hungarian No 6 Jun 82 pp 412-420

[Article: "First Experiences in the Modernization of Industrial Management"]

[Excerpts] The Industrial Committee of the National Assembly discussed on 27 April 1982 the year and one-half work of the Ministry of Industry on the basis of a written and oral report by State Secretary Bela Rabi.

Among other things he said in his report:

The development of the organization of the Ministry of Industry took place basically according to the principles outlined in the concept. In its internal structure it is decisively functional in its arrangement, but with the development of groups of experts assigned to the state secretaries and the deputy ministers, the conditions were also created for realizing special sub-branch expertise. Therefore, the internal structure of the ministry is divided into two major unit groups, namely, a functional and a sub-branch part; but the separation is not sharp. Close cooperation is assured between the eight departments and the seven sub-branch groups of experts. The special expertise of the individual sub-branches is concentrated in the expert groups, which is necessary for supporting the technical-development, investment, international cooperation activities or the carrying out of enterprise supervisory functions.

The development of the ministerial organizations, the arrangement of its personnel and technical affairs, and the assurance of work continuity required manysided, stepped-up work. It must be evaluated positively that within a short time we succeeded relatively trouble-free in shaping the organization, and in the meantime work continuity was not interrupted.

An important requirement was the assurance of the continuity of the international relations and the beginning of relations with foreign partners. There was no break in our international cooperation work, and we fulfilled our obligations.

We regarded it as our important task to start our relations with the enterprises as soon as possible. This purpose was served by the comprehensive managerial conference of 9 February 1981 where the need for a new type of

relations system for the ministry and the enterprises was drafted. Following this, enterprise maintenance of relations and the cooperation with them became increasingly manifold.

Within a short time we established our relations with the government organs, the coauthorities, SZOT [National Council of Trade Unions] and the sub-branch trade unions.

We regarded it as an important task to develop attitudinal and action unity since the work style, work methods and the habits characteristic of the earlier three ministries appeared in the beginning as disturbing factors. All these were also influenced by factors of atmosphere primarily because a significant number of managers were put into different assignments in the new organization, and the modification of their acquired rights (title use, signing off rights, etc) evoked a temporarily unfavorable effect. Within a relatively short time we succeeded in settling these matters satisfactorily, and for a long time now this factor has not disturbed either the atmosphere or the work.

The managerial principles fixed in the concept were debated for a while since the concept could not extend to every detailed problem. There was also an effort to implement ideas differing significantly from well-known principles. The development of proper ratios in technical and economic outlooks according to the concept and the establishing of foundations for the unified interpretation of ministerial and enterprise relations required a great effort.

The organization of the Ministry of Industry differs significantly from that of the earlier ministries, and therefore we reckoned that cooperation between organizations carrying out functional and sub-branch tasks would become the source of many problems. On the contrary, the forms of cooperation (team systems) developed relatively fast, personal relations promoting the successful solution of tasks were created; and today cooperation is basically smooth. Now the task is to entrust the groups of experts, in addition to their cooperation activities, with the solution of more and more independent tasks requiring more and more technical expertise.

In the past year or more, the Ministry of Industry has performed its work in a new organization basically different from the earlier forms and amid significantly altered requirements. Operations thus far assure us that the apparatus as established is suitable for the solution of modern management tasks. Of course, we must adjust to these tasks the cooperation of the departments and expert groups, and if necessary the modification of their area of tasks and the working style of the apparatus. In harmony with this is the decision that minor organizational changes will be made to carry out certain tasks. These serve the goal of permitting the ministry better to satisfy the requirements of the national economy in respect to certain commercial-political, economic regulator and socio-political tasks.

Recently, the ministry has basically solved its tasks. It has met its tasks of preparing decisions for the government and with its activity has

promoted economic results for 1981 and preparation for the 1982 plan. Hereafter, it will implement more and more detailed work of the goals called for in the concept.

When all is said and done, justification for the reorganization of industrial management has been vindicated, something which has been welcomed also by public opinion, approving the fact that the party and state leadership is dealing with the problem in an emphasized way.

How Has the Economic Management Function of the Ministry of Industry Been Implemented?

We wish to achieve establishing the basis for the economic political management function of the ministry by working out a unified industrial political concept. In the concept we shall draft the economic requirements of long-term development and the condition system, along with a comprehensive idea of the individual partial areas. The first draft summarizes the ideas on the goal and means system of industrial policy and on several possible ways of developing the sub-branches. The further establishment of this work will take place in harmony with long-term planning work. We are devoting special attention to discovering the logical-substantive interrelationships of the partial concepts and on successful solution of the mutual effects on the industry as a whole from the viewpoint of technical-economic development.

We desire to realize our economic political goals primarily by way of working out or implementing the central development programs. The basis of our planned economic policy is formed by the electronic spare parts and component parts approved at the end of last year, and the central development programs for Pharmaceutical, Herbicide and Intermedier Manufacture, the aluminum industry which has been functioning for many years, and the petrochemical industry. It makes possible the realization of our international economic cooperation goals, the development at an appropriate level of certain industrial branches (the Hungarian-Soviet alumina-aluminum agreement; the Hungarian-Soviet olefin chemical agreement; and the Hungarian-Soviet agrochemical agreement).

The programs for the National Medium Term Research Development Plan also support our most important economic development goals, including energy management, material management, spare parts and component parts development, machine manufacture technology, microelectronic spare parts, telecommunications equipment, and the development of pharmaceuticals and herbicides. The Ministry of Industry is concerned with the realization of 10 of the 14 programs approved in the National Medium Term Research Development Plan, for the realization of which the ministry has made available 30 percent of the central technical development base.

We are also promoting the realization of the economic political goals of the Ministry of Industry with well-founded international cooperation, and therefore we are working out guidelines for the international cooperation activity of the Ministry of Industry. These include the relationship of industrial policy and the concept of international cooperation, and the

major means and methods for organizing the execution. In accordance with the guidelines, they have started to draft trade relation information papers regarding certain countries, and on this basis the preparation of trade relation concepts. In these, we analyze the structure of industry in the given country, development trends, special industrial and foreign economic regulators, and foreign economic relations maintained with Hungarian industry. The work to be concluded in 1982 will significantly contribute to the high-level working out of the industrial political concept.

As an important part of our international cooperation work we have created a new basis for the solution of our economic tasks by signing or extending several important international agreements and conventions.

Last year we dealt in a special way with working out the development or execution of a material and energy savings program.

Studies have been prepared for establishing the basis of a complex program for the rationalization of material management. According to the investigations made thus far, if the recommended savings measures are realized, we can achieve a material savings of about 6 to 6.5 billion forints without the investment cost of the last year of the Sixth Five-Year Plan. With the realization of an investment of about 9 to 9.5 billion forints we can achieve a further savings of 17 billion forints in the five-year plan period.

We shall realize the energy savings program of the Sixth Five-Year Plan and the action program based on its execution on basis of the resolution approved in December 1980 by the Council of Ministers. The changes which have occurred in the import of energy sources made it necessary in September 1981 to accelerate or expand the execution of the energy management program. To do this, we have to raise the production targets of domestic energy sources as compared to the original goals of the Sixth Five-Year Plan, which means an increase in domestic natural gas and coal production and increased manufacture of briquets. Measures for accelerating the program have made it possible to reduce the 301 P calorie/year energy consumption earlier targeted in the plan calculations for 1982 to 299 P calories, and to further reduce the ratio of oil consumption. In this way it will become possible for us this year to use 2 million tons less oil than needed for meeting consumer demands in 1978.

Of the approximately 500 energy rationalization applications submitted in 1981, 350 will be realized with state support. Energy rationalization projects being realized with state support, credits and the enterprises' internal development means make up 7 to 7.5 billion forints, in which the enterprise source amounts to more than 1 billion forints. In summarizing experiences for starting and accelerating the program, it can be stated that we have made significant progress in the field of developing the planning and providing of energy supplies and needs, and in developing the complexity of the energy management rationalization and savings activity.

In the framework of our development policy, we have worked out proposals for the implementation of large state investments, and it was in this way

that proposals were accepted for the opening of new mines, for the Coking Plant of the Danube Iron Works, cokable coal production, and the development of hydrocarbon research.

We also worked out ways for the development of certain manufacturing branches or product groups (for example, the support industry, mineral and raw material research). The proposals contributed to a significant degree to revealing technical economic problems in industry, and in some cases to their solution, and in other cases they pointed to tasks, and roads leading to their solution.

We must make special mention of the fact that the Central Committee of the party put into its 1982 work plan a review of the situation and the tasks of the industry. The presentation prepared for the Central Committee gives us the possibility to show the development of the path thus far taken by our socialist industry and its present situation in historical perspective, and its result in international comparison, and for us to determine the future tasks of the industry.

On What Kind of Problems Did the Ministry Consult with the Various Managers and Workers of Its Enterprises?

Recently, the leadership and apparatus of the ministry has met with and consulted with enterprise managers of various levels and with workers on many important subjects. Among these, emphasis should be placed on cooperation related to the conclusion of the planning work of the Sixth Five-Year Plan and the working out of the 1982 annual plan.

For the planning of the Sixth Five-Year Plan, the enterprises made available a procedure to promote their work with planning methods adjusted to requirements. In the interest of adapting strategic enterprise planning, we also took steps on behalf of initiative. We expect of this that the strategic enterprise plans will help in establishing the industrial policy concept, and that enterprises will convert to the application of planning methods that promote more flexible adaptation.

We gave information to the enterprises on the 1982 planning tasks, and the enterprise managers, in turn, informed us about their own ideas. We conducted an exchange of views regarding the possibilities for their increased competitiveness, increased exports, and the effects of the regulator changes.

In the framework of work related to the economic regulator system, we conducted surveys at 71 economic units on the effect of the regulator modifications on the 1981-1982 processes. This year we conducted further consultations with those enterprises where there are significant points of tension. We tried to find a way for an increasingly greater ratio of the profit-moderating effects to be countered in their own sphere of influence, and moreover for the number of the economic units to be reduced to a minimum for which external help is necessary to create an equilibrium.

In the framework of enterprise organization development work, there was occasion for working out many investigations, analyses, and concrete reorganization proposals.

On 1 January 1981, 10 enterprises belonging under the supervision of the ministry became independent. We regarded an analysis of the effects of these reorganizations as important. Of the 10 enterprises, 7 witnessed an increase in production, while at two enterprises there was an increase of small extent, and at 1 enterprise (Kispest Textile Factory) there was a large-scale decline in production. The marketing structure of these enterprises was shifted toward domestic marketing, which is acceptable because most of them produce for further processing or for population goals. The efficiency of [the] live work or embodied labor tied down by the enterprises improved, and the level of productivity rose. The results of these enterprises increased to only a very small extent, but after the base-time loss, management became profitable.

In 1981, work directed at the modernization of the enterprise organization system was conducted according to the work plan coordinated with the Coordinating Committee. We investigated the organization of six machine industry enterprises, as a result of which seven new enterprises were established. There was also the separation of one enterprise from a trust framework.

We carried out the control of enterprise work related to the modernization of the internal management system at 11 large enterprises in five trusts.

We drafted proposals for the organizational development of the support institutes.

In the field of applying enterprise organization and computer techniques, we developed a unified system of planning for organization work, and we defined the ministerial level guidelines of its development. We organized exchanges of experience for the circulation of methods assuring outstanding results, and we supported the development of such methods in direct enterprise relations.

Last year we started and now follow with constant attention the work performed by enterprises in the international comparison of live work productivity, means efficiency, the modernity of products and prices realized in capitalist exports. On the basis of the analyses, we are evaluating measures, promoting and supervising them, for the improvement of competibility and the closing of the gap.

The problems affected in a special way in the foregoing have given opportunity for the development and expansion of enterprise ties, or for the stabilization of enterprise relations. But the development of relations is demanded not only by the ministry but also the enterprises. The ministry does not keep itself aloof from the problems of the enterprises, and we help wherever it is justified and we are able. One example of many that

can be mentioned is iron metallurgy, which is in a difficult situation because of the world economic crisis, demand for its products on the capitalist markets has declined, and prices have also declined to a great extent. In this critical situation we initiated and achieved central measures.

How Were the State Administrative Functions of the Ministry Realized?

Among the greatly manifold tasks carried out by the ministry in this area, it is necessary to stress the following:

In harmony with our economic political goals we prepared in 1981 the legal regulation of small-plant production and auxiliary activity.

With the development of new forms (small enterprises, contracting systems, cost allowance systems) the opportunity arose for the establishment of organisations in the state enterprise category, with a small number of personnel, and hopefully more efficient operation, primarily for the carrying out of service production or commercial economy-organization tasks.

In the cooperative category, the small cooperatives, the industrial and service cooperative specialized groups and the fixed rate payment systems afford the possibility for the use of forms appropriate to needs and for satisfying a broader scope of demands supplying and servicing the population. For the sake of the correct interpretation of the new regulations for small-operation production and auxiliary activity and the wide application as soon as possible of organizational forms, the ministry held many orientation sessions for the managers and workers of the council administrative and cooperative interest-representational organs. We are also dealing with these problems in the program for the further training of enterprise managers at various levels, and we are following with manifold information acquisition the results achieved in this area, and we are supporting the development of new organizations which assume the role of effectively satisfying needs.

More and more we are bringing the appropriate administrative organs of the councils into the solution of the tasks of the national program related to energy savings. From the first months of the development of the ministry we have devoted great attention to the taking up of ties with the megye councils, the development of cooperation, the mutual settling of our joint problems, and support for the work of the industrial administrative organs. In effect, we carried out within 7 to 8 months the arrangement of relations and the coordination of mutual tasks at all managerial and administrative levels of megye councils.

Important industrial authority jurisdictions are concentrated at the Ministry of Industry, which in their full scope the ministry by reason of its personnel and organization is not able to carry out. We have not been able to settle these problems, but it is our goal that these jurisdictions should be decentralized within the limits of our possibilities. In harmony with the modification of the law regarding state administrative procedures,

we have started to locate jurisdictions at a lower level within the ministry. In harmony with the resolution of the State Planning Office, we have initiated in cooperation with the coauthorities the lowering of ministerial spheres of authority to a lower enterprise level.

Cooperation Principles and Methods

Already in the beginning phase of the operation of the ministry, we worked out those important cooperation principles and methods on basis of which we initiated our talks with the coauthorities. In this framework we sought to define those critical juncture points where we consider a change necessary in the cooperation conducted with the sub-branch ministries. It was characteristic of these talks and exercises that the coauthorities for the most part wanted the carrying out of all those tasks which the former ministries had fulfilled. To this they also subordinated the work distribution related to managerial activity.

The finalization of the cooperation agreements was a long process. In the end, agreements were arrived at with the more important functional organs, and also with the OMFB [National Technical Development Committee], the Hungarian Chamber of Commerce, and the MTA [Hungarian Academy of Sciences] Industrial Economy Research Group; we also signed agreements with all the appropriate sub-branch trade unions (numbering nine) regarding the main subjects and methods of cooperation.

The content of the cooperation with the coauthorities changed slowly since with the creation of the Ministry of Industry they did not want a change in the earlier methods and systems. This was related to the fact that the coauthorities worked according to the old management system and methods, and therefore the adjustment of the ministry to their work was not trouble free.

The change that was intended in the concept came about largely only at the end of 1981 or the beginning of 1982 when the transformation of the internal organization was also begun at the coauthorities. This is bringing--sometimes by way of compulsion--a greater flexibility, a readiness for cooperation in the tasks, and the development of the new working style and work method. Readiness for cooperation changed a great deal, and now in the carrying out of all important tasks there is successful cooperation with the coauthorities. Similarly, the participation by the Minister of Industry in tasks arising at the coauthorities has become systematic and to a large degree satisfactory.

It is a part of the success and development of relations that the Ministry of Industry must be a partner capable of offering well-prepared and well-founded opinions and support. The state of preparedness in the apparatus guarantees this. The burden of operational tasks, the fulfillment of the broad-scale and large volume of international obligations formerly made it difficult for us to deal, and from time to time still does, more seriously with theoretical work requiring profoundness. In 1982 a more favorable situation developed and the setting up of the indicated new departmental organizations resulted in the development of theoretical work.

Goals and Tasks

In reviewing the 15-month operation of the Ministry of Industry, it can be stated that it is successfully moving on the track which was indicated for it by the party and the government organs.

The work of the ministry is in harmony with the concept. We are striving to realize more and more our economic-political management activity. Our goal is to realize our industrial policy in harmony with the operation of the entire economy, and therefore in our industrial policy we desire to indicate the desired directions and ratios on the basis of the producer capability of revenue. We desire to promote the establishment of such economic conditions as will give those enterprises the opportunity for fast development which increases the national income to the greatest extent. We have to find among the endowments of the country what it is we can manufacture the most economically, what we can market relatively best, that is, with what kind of structure can we most effectively participate in international work distribution. In our industrial policy we are also working out the desired direction of development and the means that are necessary to this end. We have to promote the development of proper ratios between the economy and industry, between industry and the individual sub-branches, and we have to help in indicating the regulation and organization tasks, and also to give research a program.

Industrial policy cannot be narrowed to the enterprises of the Ministry of Industry, we need an industrial policy independent of control and sectors. Therefore, the industrial political principles must have an effect on the entire state industry, the cooperative sector, and private small industry. The agricultural producer cooperatives are also conducting more and more industrial activities in their auxiliary branches. Our industrial policy must consider this also and have an influence on it. Thus we interpret industrial policy broadly and free of sector limitations.

A broad inventory of means must help in the realization of industrial policy. Beyond political decisions, the direct economic decisions, the whole system of economic regulation, the institution system of the economy, the cadre work and last but not least the participation of the workers are necessary in making and carrying out decisions.

The evaluation of the operation of the Ministry of Industry over scarcely more than a one-year period indicates the process which has been started for the sake of modernizing industrial management. We are still faced with a long road which will require a great expenditure of work before the Ministry of Industry will be in every respect a well-functioning highest authority in promoting government guidance effectively and capable of implementing the interests of the national economy in all respects. The results achieved thus far are encouraging and point to the reality of the goal, and our ability to realize it, State Secretary Bela Rabi said in his presentation.

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STUDY SHOWS MANAGERS SHOULD BE MORE BUSINESSLIKE

Budapest NEPSZABADSAG in Hungarian 30 Jun 82 p 10

[Article by Labor Research Institute fellow Mrs. Julia Venyige Molnar: "Managerial Types--Professional Careers"]

[Text] In our present economic situation, much depends on the work and managerial behavior of the directors of enterprises and other economic entities. How well they perform is in many respects dictated by social conditions (primarily the economic regulatory system) and their variations. However, these still represent only a framework in which personality traits, education, trade experience, and work attitude influence to a large extent what kind of manager any individual will be.

In 1981, the Labor Research Institute began a study into the managerial interest and managerial behavior, during which many detailed, personal interviews were obtained with business managers. On the basis of this information as well as other sources, we attempted to create a picture of the managerial types. We separated them into three basic categories based on their education, mode of thought, and managerial behavior: the enterprising manager, the trade or business specialist, and the financial and accounting expert.

The Entrepreneur

Today it has become apparently popular to encourage managers to be enterprising, and to wonder why they are not particularly inclined to do so. However, one can ask if our society has the necessary requirements for enterprise: are managers' interest served by such activity? We can be certain that two few business managers are truly good at managing. In the course of our study, we were able to speak to only a few managers; but despite the small number, those managers who fell into this category showed, not coincidentally, many of the same traits.

The most significant common trait in this category is perseverance. This quality is hailed even in trade literature as one of the most important for a successful manager, made necessary by constant adjustment to changes in the market. In our country, market influences are relatively weaker; often, economic overregulation and limitations on enterprise independence are instead the obstacles to enterprise. "It is always possible to be enterprising. The question is, is it worth it?" said one of the interviewed managers. And in this case, he was only thinking in part of the financial value of the venture, since additional profits resulting from additional effort are taken from the company by the regulatory system. He found it more important that an enterprising spirit requires much time and patience and more effort than necessary.

Nevertheless, the directors categorized as good managers are more persevering than usual. One of them worked tenaciously for 10 years to create the necessary conditions for an idea to come to fruition. Another endured upsetting disciplinary inspections for years just because he was forced to implement his economically quite beneficial ideas through less-than-legal methods. His ideas proved correct--but in any case, his resiliency and perseverance played a large role.

Another common trait is initiative. In the course of their careers, the managers frequently instituted the realization of new technical or economic ideas. In part, these were their own ideas, but their sense of timing in implementation and their selection of ideas in the field are equally important.

The ability to take risks should pair with initiative in the making of a good manager. This tendency is found in the behavior of the managers in question; they exploit situations outside of realistic expectations, relying also on luck. Moreover, they are aware of this tendency, and consider luck one of the keys to their careers and successes. Unlike the majority of directors, the true managerial types only criticize stiff regulation and tend to find legal and semi-legal paths to broadening their business possibilities.

Varied Career

A career offering varied experience seems to be another common trait. Such a career also means wide connections, since it brings the individual into contact, perhaps even friendship, with leaders in fairly important positions. In the work of the manager, personal contacts are always present; the question is how they are utilized, said one of the interviewees. Entrepreneurs--by their own admission--generally use personal contacts for obtaining important information or relaxing restriction that interferes with their work.

Another common characteristic seems to be the ability to choose good employees. The manager consciously chose persons that complemented his personality. (For instance, a manager who constantly formulates new ideas does not necessarily need a similarly intensive subordinate. Instead, he needs a man who will judge the ideas and find means for sound implementation.) They rely on key personnel, including salesmen, who "can bring in as many profits as developers." They keep and motivate their employees through a good atmosphere and the creation of interests.

The underlying motivation of the good manager is unique and differs significantly from that of other groups. They work overwhelmingly from internal motivation, which means that the main measure of their success is their personal satisfaction and interest, and they rely less on outside acknowledgement. Their expectation of the work environment and of the authorities is that they be left alone to work. However, this does not mean that they look down on finances. The managers' education is heterogeneous both in terms of direction and level. It seems that in the creation of their careers and economic behavior, personal qualities, not education, play the decisive role. And, of course, the unexpected, the fortunate meeting of circumstances, and luck, as they themselves admit.

Among those belonging to the second basic category, "trade specialist" implies two things: first, that those belonging to this category have had their careers decided by their education, and second, that they feel at home in managerial work. (Here we must mention the striking observation of the interviewee, who divided directors into "businessmen" and specialists." The businessmen, he said, were those who could maintain a managerial post at a given level, and the specialists were those who could develop it further.)

Technical (economic) specialists are characterized by technical education, and, in the first 10-15 years of their career, technical experience. At certain points in their career, they were forced to deal intensively with economic matters for various reasons--and they probably had a feel for it, too--so they acquired serious understanding and great experience. Their trade careers are varied, having involved various workplaces and, more importantly, various fields of work. There are those who filled influential posts in state direction for a time; they are characterized by high experience and broad field of view, and can envision economic interrelations well. In their work, they utilize their experience, and a certain penchant for renewal and entrepreneurship is their trademark. Yet above all they are led by their sense of reality--in contrast to the managers, for whom intuition and belief in luck played a large part.

Trade specialization can also be found in the financial-accounting expert category: Graduates from schools of accounting or economics, sometimes graduate auditors certified accountants (mostly economic and trade directors fall into this category). Their careers are relatively simple; they generally begin at enterprises, in areas of planning, or accounting. Occasionally, it happens that someone will occupy a high managerial post at the enterprise in which he started out, but generally the majority change their place of work once or twice. They sometimes work a few years at other enterprises or banks, or sometimes in the accounting offices of ministries. However, without exception it is characteristic that they have worked at their present workplace for a very long time--the name of the enterprise may even have changed in the duration.

Precision reliability, and identification with the enterprise characterize the directors in the category, as well as very wide experience in a relatively narrow field. They are familiar with the economic regulatory system, including its changes retroactively. Their economic behavior conforms to regulations, yet they have their opinions and practical ideas for details. The more polished ones know and use the small ins and outs of the system. In their work, they concentrate on economic-financial balance and even growth. They are the ones who, beginning with wage increase possibilities, calculate and plan the appropriate profits. They are used to regulations, rules, and can accommodate to them. As the primary motivation for their work, most of the directors in this category mentioned honorable acceptance of their responsibilities.

On the basis of the interviews, we formed the general opinion that the behavior of the directors in this category--less characterized by initiative or good business instinct than accommodation to regulations--was not primarily based on education or talent. Instead, the system of economic regulation requires such behavior from those dealing with narrower economic or, especially, financial matters.

## The Moral

As we mentioned earlier, the results of the study must be regarded as preliminary. However, we will risk drawing two brief conclusions on the basis of the information available. Our present economic situation primarily needs directors in the first category; those with initiative, and enterprising spirit. It becomes apparent from the interviews that those present managers who generally fall into this category have managed to work thus only with great effort and perseverance. The deciding reason is that the economic environment does not foster such behavior. The number of good managers will not grow simply from written or spoken insistence on entrepreneurship. Only change in the economic environment and improvement in the director selection system will bring change in this area.

The lack of entrepreneurship is also tied to the fact that in our society, economic activity, business in its good sense, has no real status. Thus, among other things, the economic expert is underrepresented in the top ranks of enterprises. Economists' careers generally lead to financial-accounting areas; in these, the bulk of the work consists of bookkeeping activity and familiarity with and obedience to complex regulations, and not of economic analysis and the development of economic concepts.

9890
CSO: 2500/300

NEW ECONOMIC SOLUTIONS PROPOSED

Warsaw PERSPEKTYWY in Polish No 13, 14 May 82 p 11

[Article: "The Chain of Interdependence"]

[Text] It is easier to bear life's difficulties if one has even a most general vision of tomorrow. This "lead time" awakens initiative, even if it is related to the risk involved in a decision. This decision does not come easily in personal life and is even harder in the social and economic sphere. But one has to face up to it, particularly since the first 3 months of the year show that something has stirred in the economy. Let's compare them with the first 3 months of last year: products sold in January of this year amounted to 84.3 percent, in February, 89.3 percent and in March, 92.6 percent. Thus, although in the entire quarter production was lower than last year, the decrease is getting smaller. True, it is mainly due to improvements in the raw materials industry, because the processing industries, especially those as important for the economy and supplying the market as the chemical, electronic, electrotechnical, iron and steel and textile industries, produced 16-18 percent less than last year. The results are felt in the stores. Moreover, this lack of correlation may affect negatively the monetary market situation. Nevertheless, it is a fact that something in the economy has stirred.

A question mark does not mean "stop."

There are still many questions, but it seems that at least the most important ones will have to be answered this year. This refers, in my opinion, to the general solution to the methods of repaying Poland's foreign debt. It is not only a question of what is due this year but of a long-term method which would satisfy the creditors without ruining Poland's economy, because automatic postponement of payments for a few years brings only a temporary relief until such time when they fall due and accumulate with the amounts currently due at that time.

One must also answer quickly and completely the question of to what extent the import of production supplies from the socialist countries and the mobilization of our own resources as well as the effects of scientific and technical thinking will slow down the regression of the processing industry? This has a bearing not only on appropriate contracts which we are negotiating right now but also on the adaptation to the new situation of a large part of the production system.

The third difficult question has to do with the influence of economic reforms on the speed of getting out of the crisis. We can expect an answer from the Consultative Economic Council which is led by Professor Czeslaw Bobrowski. In a recent interview, Professor Bobrowski spoke of the need to analyze the interplay of the current, hasty decisions with the newly introduced model. Operational programs, activity of the plenipotentiaries, broadening of the distribution of the basic means of production and limitation of the activity of several economic instruments in the still not fully independent enterprises, which only with difficulty are self-financing in the face of the continuing suspension of self-government, reminds one more of the system of orders from above than of the principles of reform.

Knowing the reality of the economy, one may easily show that abandoning the orders-type system and distribution requires quite a lot of time. But such affirmation is only a step removed from the suspension of reform that would doom the undertaken therapy of the economy.

There are still a number of basic questions regarding the model that have not been resolved; the most important ones include: ratios between individual and collective consumption, between the incentive function of earnings and the caretaker's role of the state. And yet the answers to these problems will have far-reaching effects, beyond the strictly economic sphere.

Reorientation--a multilevel approach.

While developing economic relations with the CEMA countries, particularly the USSR, we will not close the door on the West. This is generally understood. But it is necessary to implement an iron-clad rule that only the level of exports may determine the limits of imports and of negotiated credits.

Nor is it enough to recognize that imports must serve, first of all, the needs of production for export and that the credits must not be for consumption but must be for the development of the production system. This requires changes in the economic structure, mobilization and flexible accommodation to changing conditions of the incentive system as well as the opening of a wide field for initiatives. One could put together a whole book of catchwords corresponding to these tendencies. It would then become obvious that the book is universal, and useful at each level of economic management and activity.

I will give an example.

In such a book, you would find, and probably in a prominent place, the catchword for improvement in raw material-fuel management. It means, for example, that railroads should carry more goods than they do presently and trucks should carry less. But it also means that the railroads should increase the share of electric locomotives at the cost of steam and diesel locomotives, and the trucking industry should increase the use of diesel-engine vehicles and lower that of gasoline-engine vehicles.

As we can see, to reach the goals that we have set for ourselves we must put into action a whole chain of interdependence. And not just in industry. In the construction of housing we will surely see a limitation of the large-panel

technology that is imposed by profitability analyses. The achievement of this change will depend, among other things, on the development of a local basis for obtaining raw materials and on the production of construction materials.

The "thermometer" of the process of structural changes will be the profitability of these activities. In April of this year, banks were entering into credit agreements with industry based precisely on the analysis of profitability. Such instruments as taxes and foreign-exchange allowances should be used more boldly to stimulate those activities which are profitable and energy-and material-efficient and facilitate export production or fulfill market demands. They will result in the fact that the work force will link their own interest not only with that of the enterprise but with the interest of state and society as well.

It should also result in individual initiatives in production and services. Legislative confirmation of the equality of the three sectors of the economy in the city and in the countryside will favor that development. It is not a matter of letting someone sense a good "deal"; rather, it is in the interest of society to free all the initiatives leading to the goals set by the state in the plans and programs. Therefore, the production which is unprofitable both to the producer and to society will decrease. Social interest will oppose the waste of means and labor. The more flexible the economic policy, the sooner will these tendencies take hold. At the same time, two dangers may appear: underestimating the interdependence of the results of the undertaken initiatives; and bad management habits.

The two things have something in common.

The economic nonsense of the 70's consisted in creating too many development programs requiring tremendous outlays which exceeded considerably the real capabilities of the economy. We must make sure that this mistake will not be repeated now. That is why the Sejm [Parliament] has received broad powers over government programs and the extent of investments.

The interdependence of the programs and developmental initiatives must also be analyzed on all the economic levels: from the sources of supplies, through co-production, to the final product. This is exactly what was missing when the program and investment initiatives were being taken in the past 10 years. But even today there are complaints from those, who are to implement the operational programs, about their noninclusion in the overall production process.

Interdependence is not limited to the "production flowline." Poor salary systems caused, for example, an exodus of experts from small enterprises in the industrial regions to large factories, and poorly thought-out placement not only of combines but even of ordinary dairies, without sewage treatment facilities had ruined many rivers. But there are many and complex cases of interdependence. The change of the economic structure will often clash with the interests of those who will have to change trades or jobs. The still necessary state control of the market gives rise to a black market, but it also leads to local decisions which are contrary to economic thought. The socially justified compensation for price increases, increases in social services, etc., diminish

ever more the incentive aspect of salaries. Many conditions account for this state of affairs, but in sum it does not hasten a solution to the crisis.

The lesson of the "blind leading the blind" is not enough.

Recently, much has been written about the changes of bad habits and routine. One consolation could be that in the large plants they have not been an obstacle to preparing and introducing reform. But routine is still present in the state and economic administration. The causes of this state of affairs have also been described. I wish to stress one which is less often mentioned: underestimation of science on management and organization. There has been a noticeable lack of its representatives in the commission for economic reform. Only recently the representatives of this scientific society have been received by ranking state and economic officials. But it is not a question of etiquette but simply that generally the "organizers" were treated as hobbyists or, at best, as people whose ideas could not be applied in our country.

Not long ago, there was a verification of the qualifications of the administrative staffs. It was certainly useful; but could it be that it was operating on the principle of the "blind leading the blind," i.e., one routine-bound official verified the qualifications of another.

Today, we do not need this principle; we need to apply the knowledge about organization and management at all levels of the economy. I trust that this problem, too, will be understood by the two new consultative organs of the Sejm and the government.

The new model requires that we remember the old mistakes, but above all, it needs to be based on modern methods of management and activity that will free the initiatives favorable to restructuring of the economy in the course of a few years.

This We Want To Undo

| Year | Industry Growth Rate | | National Income Growth Rate | |
|---|---|---|---|---|
| | Gross production | Net production | Generated | Distributed |
| | (In constant prices, previous year = 100) | | | |
| 1978 | 104.9 | 102.7 | 103 | 101 |
| 1979 | 102.7 | 98.3 | 98 | 96 |
| 1980 | 100.0 | 95.9 | 94 | 94 |
| 1981 | 89.2 | 81.1 | 87 | 87 |
| | (In constant prices, 1978 = 100) | | | |
| 1981 | 91.6 | 76.5 | 80 | 79 |

9947
CSO: 2600/698

## NEW PROPOSALS ON PRICE STRUCTURE REPORTED

Warsaw ZYCIE GOSPODARCZE in Polish No 21, 13 Jun 82 p 5

[Interview with Professor Dr Jozef Popkiewicz by Karol Szwarc; date and place not given]

[Text] [Question] Economists are saying that the increase in retail prices is not the result of reform, but of the crisis situation. On the other hand, many people link this increase exclusively with the reform. Who is correct?

[Answer] I have not the slightest doubt that the price increase is a consequence of the decline in production. But even if it had not declined, the price increase would have necessarily been the result of the excessive wage escalation that was not covered by an increase in productivity.

These phenomena in Poland overlap one another. This is why the price increase was inevitable. It should have been initiated much sooner. However, the conditions for gaining society's approval of it did not exist.

[Question] Is it true, that every price change strikes at those who are the poorest?

[Answer] We are always using this argument. It encumbers all economic decisions. But without solving economic problems, we cannot solve social problems. For if a price increase enables us to maintain market stability, to ward off the breakdown between agriculture and industry and to protect co-production ties within industry itself, we will have available a much larger amount of goods and services. Thereby, we will be better able to serve the needs of society.

That is why I do not believe that we can implement social policy by a reduction in retail prices alone. These have a comprehensive impact. Setting them up on the basis of social exigencies, we usually implement one of our desired goals and create conditions for the occurrence of socially unfavorable phenomena.

[Question] Then I presume that you are an adherent of a social policy conducted mainly by means of a system of services.

[Answer] Yes, through a system of services directed toward a specific group of people, and even toward specific families. The weak and the strong benefit equally from low prices, although the weak primarily bear the burden. There is no other way of subsidizing production than by reducing real wages.

[Question] Is this division universal in highly developed capitalist countries?

[Answer] I know of no capitalist state where the production of children's shoes, e.g., is subsidized. Children's shoes are more expensive than adult shoes because everyone must buy the latter. On the other hand, school books are free, because they are a direct social service enabling the implementation of educational policy.

Low prices in and of themselves do not bring happiness. Prices are not aimed directly at anyone specific. If we sell at a low price, we do not know who profits from this and how much, and who loses. On the other hand, low prices can hurt society, since they hold up production instead of stimulating it. Every production increase means that the State budget is encumbered with additional subsidies.

[Question] Do you believe that changes in producer and retail prices have been made properly?

[Answer] I have always been an adherent of a general price reform tied in with a wage reform. I stress the word "general," that is, that changes in producer prices should be tied in with retail price changes.

[Question] Are these price changes now separate?

[Answer] Yes, unfortunately. This is why neither of the tasks that could have and should have preceded the price reform have been achieved. They are eliminating subsidies, and thereby achieving profitability, and restoring of market stability.

Undoubtedly, the increase in retail prices was a drastic and socially painful move. The further we are in time from it, the more drastic it appears. The assumption of this price reform, which professor Krasinski presented in his time, was the guarantee of the profitability of food production. A shortcoming of this concept was that nothing was said about market stability. The calculations that were the basis of the price change have not withstood the test of time. The same subsidies to food production that were tacked on formerly continue, and I suspect that before long they will increase. Thus, the new prices have not eliminated subsidies. We do not know who has suffered as a result and who has profited, but certainly all of society will have to bear this tremendous burden.

We initiated the reform of producer and retail food prices separately. In light of this, neither one was able to ensure the profitability of production.

The changes in retail food prices caused an increase in costs as a result of the compensations that were paid out. In conjunction with this, producer prices stopped guaranteeing profitability, and vice versa. The changes in producer prices were not written into the changes in the retail prices of food.

[Question] What about the changes in the price of manufactured goods?

[Answer] They are the result of economic reform and of the reform of producer prices. Economic reform has enabled enterprises to set profitable prices. It is all the same whether they are regulated or conventional prices.

[Question] Then they are tied in with the reform!

[Answer] Yes. The changes in producer and retail food prices, although they did not fulfill new tasks, were necessary, and it is good that they were initiated. I cannot imagine the market today without them. But the hope for market stability is linked to economic reform, which guarantees enterprises profitable prices approaching stable prices.

[Question] Approaching or guaranteeing?

[Answer] Profitable prices are not yet stable prices because of the relationship of nominal income to current supply. Demand grows continually. Consequently, profitable prices do not stabilize the market. This is all the more so, since supply continues to decline.

There has been a wave of protest against the price increases of some manufactured goods. Not of all of these have been rational protests, as in the case of automobiles. It pleases me to see more articles on the shelves of department stores, even if the increase is very slow.

[Question] In the past 2 months, food supplies have increased and manufactured goods have decreased.

[Answer] But we still have instability on both markets.

[Question] Is the manufactured goods market the more unstable?

[Answer] It is hard to say, since we still do not have stable prices for these goods.

[Question] Does rationing dictate the demand for food articles?

[Answer] Not only for food articles. We also have rationing in the field of manufactured goods. What's more, its scope continues to broaden, although we wish to protect the living standard of those who are most poorly paid. Rationing throws my household budget out of kilter as well. Although I drink very little, I bought four bottles of liquor in May, although I do not smoke, I bought an allotment of cigarettes. Now I guess I can kick

the habit. Rationing is only apparently just. Everyone pays low prices, but it is not known who profits from this and how much.

Meanwhile there are two alternatives to this: rationing or stable market prices.

[Question] Given the current situation, which do you favor?

[Answer] I favor stable market prices. Every kind of rationing is a source of waste.

[Question] Will society accept this solution?

[Answer] If it can endure waste related to rationing, it can stand the entire process of attaining stable prices that waste liquidates little by little.

I understand fully that in the current situation, society cannot stand stable prices for all goods. So stable prices should be introduced selectively, with restraint, but consistently. We should begin with those goods and services that people can do without for a time. For example, I do not understand why automobiles are being sold at current prices, since we all know that they could be purchased at higher, stable market prices, as the automobile exchanges confirm. I know that this too would put a dent in my wallet. Perhaps this is the reason for the outcry of those whom it concerns. But there can be no other way.

[Question] In other words, first stable market prices for luxury items, then, as the supply is restored, for those goods that determine the living standard of middle income families, and finally down to basic necessities until rationing is totally eliminated.

[Answer] It is exactly this road that lies before us if we are seriously considering an effective economic reform. It is fully possible only with a stable market. Given the existing price system, no type of freedom that we give enterprises will change the market. Enterprises are becoming monopolists against their will. For freedom under current circumstances is the possibility of concealing every sort of waste and bungling in costs. I do not blame the enterprises for this. They behave in the manner dictated by the operative economic mechanisms. They have no power to do otherwise.

[Question] I conclude from this that the road to stability passes through inflation.

[Answer] What harm will inflation cause? It will only make things more realistic, and will not reduce the living standard.

[Question] But this can be socially detrimental.

[Answer] All inflation is attended by negative phenomena. Among other things, it can worsen the situation of the lowest income families. Aided

by the principle that we wish to protect these groups of people, we have dangerously leveled the wage structure, in this way weakening their motivational force. At the same time, we have broken down the proportions between work income and income from social services.

[Question] ...And one senses a greed for money.

[Answer] This is a positive phenomenon. If it were accompanied by wage reform associating an increase in income with effective work, nothing better could happen!

[Question] How do we go about eliminating waste in production, thereby reducing costs?

[Answer] Some see our salvation in the restoration of competition. They have in mind such free competition as exists nowhere in the world.

I have given some thought to whether conditions exist in socialism for restoring competition. As I have stated, it is certain that enterprises are becoming monopolists against their will, for they are operating under conditions of a producer's market.

[Question] Then how can this producer's market be transformed into a consumer's market. What can be done so that the consumer's market may have an impact upon the quality and quantity of production?

[Answer] In capitalism, the essence of competition is selling difficulty, regardless of whether enterprises are monopolists. Even monopolistic enterprises do not sell at the highest possible price since this would cause a drop in demand. Thus, they sell at stable market prices. It does not pay to sell at lower prices, and they cannot sell at higher ones.

Unfortunately, our enterprises are interested in selling at prices that are lower than stable market prices, although they do not always realize this. And they can do it!

[Question] Why do you say that they can do it?

[Answer] They are not motivated by needs or social preferences, but by their own interest, which means ensuring themselves as effortless a production profitability as possible under such conditions. With such prices they can sell products regardless of their quality. A price that covers costs and is contingent upon them does not create incentives either for improving quality or for increasing production volume, since this might make it necessary for the enterprise to cut prices and encounter selling difficulty.

[Question] How can these tendencies be broken down?

[Answer] We must bridge the gap between stable market prices and the lower price that is profitable for the enterprise.

[Question] How do we bridge this gap?

[Answer] Editor, this will horrify you and your readers all the more. We must raise the current selling prices to the level of the stable market price. This would be an advance jolt. At some time, enterprises would come to this on their own, but the related losses would be very great.

The funds obtained from bridging the gap between previously profitable prices and stable prices could be directed into the State budget in the form of an individualized monopoly tax. In this way, funds would be created for financing social services, and even for increasing the wages of employees in the nonmaterial sphere.

[Question] This tax could be too subjective.

[Answer] Experience would determine this. If it turned out to be too high, then selling difficulties would certainly arise and reserves would be created. There would have to be a clearance sale and a reduction in the tax.

[Question] Do such high prices hit lowest income families the hardest?

[Answer] In my opinion they hit the highest income families the hardest. During the initial period, they would be in a position to buy goods at the highest prices. The entire process would begin with luxury items. And, as I already stated, more funds would be collected to implement the tasks of social policy. Nor do I exclude the fact that certain goods and services, such as education, science, health care, culture and the arts should be subsidized to make them universally accessible. On the other hand, the distribution of the national income should be achieved mainly through wages and prices. Then the motivating power of wages would be greater.

[Question] Let us return to your proposals.

[Answer] A stable market price itself causes selling difficulties. A consumer's market would be created. Then, every enterprise would have to try to sell its goods in order to make profit. Every increase in profit, on the other hand, would be possible either by a reduction in costs, by expanding production, or by increasing quality. Every increase in production should be accompanied by a price reduction, and thus by a reduction in the proposed tax. This tax would be eliminated when the optimum price from the viewpoint of social interests was reached, i.e., a stable market price guaranteeing a profit not higher than the average. In such a way, the proposed monopoly tax would cause a price increase only in the first stage. Ultimately, however, it would have to lead to the systematic reduction of prices as production volume increases. But creating a producer's market, along with its familiar consequences, once again must be avoided.

[Question] Who is to perform this operation?

[Answer] Two organs are appointed for this: the Pricing Office and the Ministry of Finance.

[Question] I believe that in the current crisis situation your proposals will be difficult to implement.

[Answer] I agree. They are as difficult to implement as the economy is difficult to reform in the crisis situation. Objectively, the existing socioeconomic conditions make reform difficult, but it must be initiated. Nothing worse than the failure to reform could befall us. Nor is there any other way out.

[Interviewer] Thank you for the interview.

8536
CSO: 2600/705

FIRST QUARTER INVESTMENT FIGURES PUBLISHED

Warsaw ZYCIE GOSPODARCZE in Polish No 25, 11 Jul 82 p 2

[Article by Ch.M., based on Main Statistical Office (GUS) materials]

[Text] Information on investments takes up a relatively small amount of space in current assessments of the socioeconomic situation. This is partly due to delays in preparing data pertaining to investments in comparison, for example, with production. Additional problems are caused by the fact that most of the tasks implemented by the investors have not yet been converted to 1982 prices.

But some observations on the investment processes are possible and should be considered. Since 1978 an exceptionally large decline in investment outlays is occurring in the national economy, outlays which in current prices approached an annual range of 700 billion zlotys. In 1981 they amounted to only 472 billion zlotys, which, after eliminating the effect of price increases, means a reduction in investment of more than one half.

Data for the first four months of this year show a further reduction in investment outlays. The value of the investment outlays implemented during this period in the socialized economy is estimated at 161 billion zlotys, including 97 billion zlotys for construction-assembly works and 57 billion zlotys for purchases of machines and equipment. In comparison with last year this indicates a further overall drop in investment outlays of 31 percent, including 26.8 percent for construction-assembly works.

The strong deceleration of the rate of the investment causes delays in allotting investments for utilization. It can be said, of course, that in many fields these delays may even be justified, since the lack of materials supplies makes it impossible to make use of the already existing production capabilities. But as a result, large freezing and commitment of investment remains. At the end of last year, investment freezing in the socialized economy reached a value of 853 billion zlotys, compared with 793 billion zlotys at the end of 1980 and 361 billion zlotys in 1975. Meanwhile, the value of investment commitment at the end of 1981 amounted to 1,225 billion zlotys in relation to 1,292 billion zlotys in 1980 and 715 billion zlotys in 1975.

There still are no verified data on how freezing and commitment of investment is currently shaping up, but everything points to the fact that these amounts continue to be very high. During the January-April period, construction investment tasks (not including small-scale industry) with a total cost-estimate value of scarcely 42.1 billion zlotys were turned over for utilization in the national economy. This was half the tasks expected to be turned over for utilization during this period.

First-quarter data reveal that in the group comprising central-plan units, the relatively greatest delays in turning over investments for utilization occurred in the agriculture and food economy and forestry and timber industry ministries. In the first of these, only 43.5 percent of the tasks expected to be released for implementation during the first quarter were actually released. In the Ministry of Forestry and Timber Industry, advancement of the implementation of the annual plan from the standpoint of value of investment tasks turned over for utilization amounted to 0.5 percent.

However, reduction of newly begun investments can cause a certain decrease in the investment freezing and commitment sums. During the first quarter, cost-estimate value of begun investments amounted to 7.5 billion zlotys. This was approximately 0.3 percent of the total cost-estimate value of investments implemented.

In April a certain increase in the number of investment tasks begun took place: from 651 in the first quarter to 1,436 for four months. As a result, the total value of investments begun in the current year increased to 19.8 billion zlotys. It appears from this that tasks of a relatively low cost-estimate value dominate here, averaging approximately 10 to 15 million zlotys. The bulk of them (692 tasks, which is 48 percent of the total number of them, and 34 percent of the cost-estimate value) are in agriculture. Of industry, the relatively largest share in tasks begun during the first four months of this year is in the chemical industry (54 tasks with a value of 1.4 billion zlotys) and electrical machinery (100 tasks valued at one billion zlotys). Next is the coal industry (10 tasks valued at 0.5 billion zlotys), then food (69 tasks, 0.4 billion zlotys), minerals (40 tasks, 0.33 billion zlotys), and light industry (49 tasks, 0.29 billion zlotys).

9295
CSO: 2600/788

SPECIAL CURRENCY EXCHANGE RATE PUBLISHED

Warsaw TRYBUNA LUDU in Polish 19 Jul 82 p 7

[Text] Announcement of Exchange Rates Table No 29/82, effective 19 July 1982, by Stanislaw Nieckarz, for the president, Polish National Bank, on 21 June 1982.

In purchases of travelers' checks for rubles, issued by the USSR Foreign Trade Bank and payable outside the USSR in the currency of the country where cashed, an exchange rate of 11,758.80 zlotys per 100 rubles is applied.

I. The currency exchange rate in zlotys for countries of the first payments area in commercial and noncommercial payments have not changed.

II. Foreign-Currency Exchange Rates in Zlotys for Countries of the Second Payments Area [Capitalist Countries].

Exchange Rates Table No 29/82

| Country | Curr Symb | Currency | Foreign Exchange Purchase 4 | Foreign Exchange Sales 5 | Money Purchase 1 | Money Sales 2 | Average 6 |
|---|---|---|---|---|---|---|---|
| Saudia Arabia | 771 | 1 rial*** | 25.00 | 25.26 | -- | -- | 25.13 |
| Australia | 781 | 1 Austral dollar | 87.22 | 88.10 | 85.91 | 89.41 | 87.66 |
| Austria | 786 | 100 schillings | 492.54 | 497.50 | 485.12 | 504.92 | 495.02 |
| Belgium | 791 | 100 francs | 182.14 | 183.98 | 179.40 | 186.72 | 183.06 |
| Denmark | 792 | 1 kroner | 10.02 | 10.12 | 9.87 | 10.27 | 10.07 |
| Finland | 780 | 1 markka | 181.3 | 18.31 | 17.86 | 18.58 | 18.22 |
| France | 793 | 1 franc | 12.46 | 12.58 | 12.27 | 12.77 | 12.52 |
| Greece | 724 | 100 drachmas | 123.74 | 124.98 | 107.25 | 126.85 | 124.[illegible]6 |
| Spain | 785 | 100 pesetas | 76.88 | 77.66 | 75.72 | 78.82 | 77.27 |
| Holland | 794 | 1 florin | 31.41 | 31.73 | 30.94 | 32.20 | 31.57 |
| India | 543 | 100 rupees*** | 898.61 | 907.65 | -- | -- | 903.13 |
| Ireland | 782 | 1 pound*** | 119.28 | 120.48 | -- | -- | 119.88 |
| Japan | 784 | 100 yen | 33.66 | 34.00 | -- | -- | 33.83 |
| Yugoslavia | 718 | 100 dinars | 170.29 | 172.01 | 147.60 | 174.57 | 171.15 |
| Canada | 788 | 1 Canad.dollar | 67.64 | 68.32 | 66.62 | 69.34 | 67.98 |
| Kuwait | 770 | 1 dinar*** | 298.92 | 301.92 | -- | -- | 300.42 |
| Lebanon | 752 | 1 pound | 16.54 | 16.70 | 16.29 | 16.95 | 16.62 |
| Libya | 651 | 1 dinar*** | 290.43 | 293.35 | -- | -- | 291.89 |
| Luxembourg | 790 | 100 francs | 182.14 | 183.98 | 179.40 | 186.72 | 183.06 |
| Norway | 796 | 1 kroner | 13.50 | 13.64 | 13.30 | 13.84 | 13.57 |
| Portugal | 779 | 100 escudos | 101.77 | 102.79 | 88.20 | 104.33 | 102.28 |
| FRG | 795 | 1 mark | 34.64 | 34.98 | 34.11 | 35.51 | 34.81 |
| United States | 787 | 1 dollar* | 86.00 | 86.86 | 84.70 | 88.16 | 86.43 |
| Switzerland | 797 | 1 franc | 40.58 | 40.98 | 39.96 | 41.60 | 40.78 |
| Sweden | 798 | 1 kroner | 14.01 | 14.15 | 13.80 | 14.36 | 14.08 |
| Turkey | 627 | 100 pounds | 52.44 | 52.96 | 45.45 | 53.75 | 52.70 |
| Great Britain | 789 | 1 pound** | 148.47 | 149.97 | 146.24 | 152.20 | 149.22 |
| Italy | 799 | 100 lira | 6.19 | 6.25 | 5.37 | 6.34 | 6.22 |

* Valid also in clearing accounts with the following countries: Bangladesh, Brazil, Ecuador, Greece, Iceland, Kampuchea, Colombia, Lebanon, Pakistan, Peru and Turkey.

** Valid also in clearing accounts with the following countries: Nepal and Pakistan.

*** The Polish National Bank does not purchase money in these currencies.

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# 1981-1985 DEVELOPMENT PROGRAM FOR AGRICULTURE, FOOD INDUSTRY DISCUSSED

Warsaw WIES WSPOLCZESNA in Polish No 2, Feb 82 pp 13-22

[Article by Boleslaw Struzek]

[Text] The subject of this article is a draft plan of development in agriculture and the food economy from 1981 through 1985 (in its December 1981 version). At the beginning of February 1982, the Council of Ministers commissioned the Ministry of Agriculture and the Food Economy to present an updated, comprehensive plan of endeavors in the area of agricultural development. According to the resolution, "their primary, long-term goal should be the attainment of food self-sufficiency." At the same time, the ministers of the Metallurgy and Machine Industry and Chemical and Light Industry "are to present the government with proposals for further actions toward effectively shifting industrial production to serve agriculture" by the end of February. After the government has examined the updated program, it will be subjected to a Sejm debate during the second quarter of 1982. I believe that at this phase of work on the program, a discussion may be vitally important.

## A Characterization of Major Program Assumptions

The lack of extensive information about the contents of the program obliges us to do a synthetic characterization. The major goals of the program are the stabilization of food consumption calculated per inhabitant, a significant reduction of the negative foreign trade balance for agricultural-food articles or the attainment of full self-sufficiency and ensuring income parity for farmers computed in terms of full-time employment. The selection of major goals is different from those of previous five-year plans because of the special nature of the 1981-1985 period.

Secondary goals include: improving management efficiency by making better use of farm production potential, the potential of the food economy and current production outlays and by limiting losses in all elements of the food chain; restoring the proper proportions between crop and animal production (the domestic equilibrium of agricultural production); better adapting the structure of crop and animal production to needs; improving working conditions and the life of the farm population.

The average yearly increase in total agricultural production was put at 2.5 percent more than from 1976 to 1980, broken down into 2.8 percent for crop production and 1.8 percent for animal production. Industrial production of food is to increase by a yearly average of 3 percent.

Significant changes in sowing structures are planned in crop production. The area of potato cultivation and of fodder crops above all is to be reduced by 1985 by nearly 700,000 hectares, while there is an increase projected for the sowing of grain--by 254,000 hectares (3.2 percent), of legumes for seed--by 102,000 hectares (54 percent) and of industrial crops--by 229,000 hectares (24 percent), as well as root vegetables. The increase in productivity per hectare of cropland has been set at 17 percent; thus, crop production from 1981 through 1985 should increase by a yearly average of 104 kg of grain measures per hectare of the UR [cropland].

The following is a forecast of the harvests of major crops for 1985:

| | in millions of tons | increase compared to averages from 1980-1981 (in percentages) |
|---|---|---|
| grain | 24.3 | 27 |
| potatoes | 46.2 | 33 |
| sugar beets | 16.5 | 26 |
| oleaginous crops | 9.1 | 68 |
| vegetables | 5.1 | 17 |
| fruits | 2.1 | 43 |

In 1985, there should be the following number of head of livestock: cattle in general--13.0 million head (an increase of 10.2 percent over 1981), including cows--5.8 million head (a reduction of 2.6 percent) and hogs--21.0 million head (a decrease of 1.5 percent); sheep should increase by 7 percent or 4.5 million head.

Slaughter livestock production in 1985 should reach a level of 4.5 million tons (2 percent more than in 1980); milk production should reach 18 billion liters (up by 12.5 percent); egg production should reach 9 billion (1.1 percent more) and wool production should reach 14,200 tons (up 11.6 percent).

For the achievement of these production tasks, the level of fertilizer consumption is to increase to 220 kg per hectares of UR, and a more than 3-fold increase in deliveries of pesticides as well as an increase in the consumption of fertilizer lime, are projected. The draft plan has not specified deliveries of concentrates and full-batch concentrated fodder. However, it has set the import of grain and high-protein fodder for 1985 at 4.2 million tons of grain measures (of which 52 percent is to be high-protein fodder). For the implementation of this plan, market deliveries of fodder could be maintained at 1981 delivery levels (with a change in their structure).

Investments outlays for the food economy from 1981 through 1985 are planned at 735 billion zlotys (according to 1981 prices). This is an increase of

their share in total investment outlays for the national economy from approximately 22 percent for the 1976-1980 period to nearly 35 percent. However, it is only a relative increase, since the general restriction of investments will bring a decline in investment outlays for the food economy by nearly 2 percent by comparison with the previous 5-year period.

These investment outlays have been designated in the following way:

--13.6 percent for industries producing the means of production for agriculture, primarily for the tractor and farm machinery industry and for agricultural chemistry (100 billion zlotys);

--66 percent for farm production together with service enterprises (485 billion zlotys);

--20.4 percent for the food and fodder industry (150 billion zlotys).

In light of such a meager increase planned for foreign deliveries of the means of production, the authors of the program place much hope in the correct agricultural policy, in the use of the suitable economic mechanisms and in social policy.

The Marketable-commodity Grain Production Sector

A primary goal of the program of agricultural development is to ensure the country food self-sufficiency. The most unfortunate result of the lack of this self-sufficiency is a large grain import that makes our food economy dependent upon one main contractor. Consequently, the most important problem toward our achieving food self-sufficiency is the grain problem. Its solution is to be envisaged in at least three mutually determined aspects: the level of grain production, grain management and the marketable agricultural product yield of grain production.

During the past 20 years, grain production in Poland increased less than 30 percent. From 1971 to 1975 alone, we attained a more significant rate of increase in harvests (by 23 percent by comparison with the previous 5-year period). A real grain revolution occurred during this period in developed countries, manifested in the relatively consistent high yields and an increase of the share of grain in the sowing area. The importance of grain in the agricultural economics of these countries also increased. Meanwhile, in our agriculture two basic groups of crops, grain and potatoes, occupying approximately 70 percent of the sowing area, are in a state of decline. Thus, a major issue in the solution of the grain problem is an increase in yields. We should do everything possible to reach the planned increase of grain yields of up to 30 quintals per hectare by 1985. "Everything" means, above all, improving the state of seeding and fertilization, increasing the level of agricultural engineering, ensuring a successful battle against weeds and diseases and reducing harvesting losses. A certain reserve of the production increase still lies in increasing the grain sowing area, especially in the socialized sector of the farm economy. Without violating the principles of the rational rotation of the share of grain in the sowing area, it is possible to increase its share to 56 or 57 percent, for an increase in the present sowing area of approximately 350,000 to 400,000 hectares.

An improvement in grain management is primarily determined by a reduction in the grain-intensiveness of feeding animals. From 1960 through 1980, meat production in the socialized farm economy rose more than 6-fold. The share of this sector in meat production increased from approximately 10 percent in 1960 to approximately 33-34 percent in recent years. From 1973 to 1980, the share of the farm production of meat in private farming likewise rose significantly. Excessive grain consumption bordering on 2 to 3 million tons is likewise related to this. Agricultural accounting data confirms this increase of grain-intensiveness in feeding,* for example, in 1970/1971 per statistical head of hogs on farms [there appears to be a passage missing in the text here, T.N.], as well as 1,177 kg of potatoes. In 1979/1980, grain and ground grain consumption rose to 216 kg (by 54 percent) and potato consumption dropped to 921 kg (a decline of 22 percent). The general consumption of concentrated fodder per statistical head of hogs from 1970/1971 to 1979/1980 rose from 278 to 373 kg, or 35 percent; per statistical head of cattle, the increase was 92 percent (from 157 to 302 kg). Consequently, given our conditions, great reserves for conserving grain are embedded in the change in the intersector allocation of meat production and the change of the system and technology of animal feeding.

The third aspect of the grain problem noted above is the problem of organizing marketable-commodity grain production. I have already noted the decline of grain on the production plane. The decline of grain on the economic plane is a still more serious phenomenon. In 1970, the share of grain in the general value of farm product procurement was 12.9 percent, while in 1980 it dropped to 6.1 percent for all of farming, and to 3.3 percent for private farming.** In the value of crop procurement, the share of grain likewise declined from 31.7 percent in 1970 to 13.2 percent in 1980, while its share in private farming dropped to 12.8 percent. Grain ceased to be a marketable commodity. Undoubtedly, the unsteady pricing policy had an impact on this.

In order to meet consumer and industrial needs, grain procurement should increase annually by 7 to 8 million tons, depending on the volume of grain imports. Is it possible to implement such a procurement volume? Let us now examine the potential of the various groups of farm producers.

In 1980, there were 1.723 million farms with an area ranging from 0.5 hectares to 5 hectares of cropland, averaging 2 hectares of cropland per family. In this group of families, direct labor resources are more than 2-fold higher per hectare of cropland than in the group of farms averaging 7 to 10 hectares. Proprietors of farms of 0.5 to 5 hectares are interested in the intensive organization of production (a large share of work-intensive crops, the development of animal production). On such a farm, less than 0.8 to 0.9 hectares of cropland is devoted to grain cultivation, and a relatively large

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*"Wyniki rachunkowosci rolnej gospodarstw indywidualnych 1979/1980" [The Results of Agricultural Accounting on Private Farms 1979/1980], IER [Institute of Agricultural Economy], Warsaw 1981.
** "Skup produktow rolnych w 1981" [Farm Product Procurement in 1981], GUS [Central Office of Statistics], Warsaw 1981.

area is devoted to potatoes. In the nature of things, grain production on such farms cannot be marketable-commodity production. It should be processed in its entirety for animal production. Animal production on these farms is characterized by the lowest grain-intensiveness. For example, according to agricultural accounting data, on farms of up to 3 hectares, the consumption of concentrated fodder mixtures per statistical head of hogs in 1979/1980 was 22 percent less by comparison with farms of 10 to 15 hectares, and potato consumption was 26 percent greater. For the same year, the consumption of grain, ground grain, bran and concentrated feed mixtures per statistical head of cattle was 21 percent lower on farms of up to 3 hectares.

There may be some grain surpluses on farms of 5 to 7 hectares, especially those that raise animals less intensively and have fewer direct labor resources.

In practice we may expect farms with an area of more than 7 hectares to have a greater marketable grain yield. There are about 800,000 such farms. They make up 60.5 percent of the general area of cropland in the private sector and approximately 50 percent of the potential grain sowing area in the country. If the marketable grain yield from these farms were approximately 40 percent, then with yields of 30 quintals per hectare, they could supply 4.8 million tons of grain, leaving approximately 7.2 million tons for their own needs.

Assuming the current area of arable lands in the socialized farming sector and an increase in the share of grain in the sowing structure to about 55 percent (in private farming this share has exceeded 56 percent for years), the area sown with grain can reach approximately 1.8 million hectares. With yields of 30 quintals per hectare and 50 percent marketable grain yield, the socialized sector would be in a position to supply about 2.7 million tons of seed and consumer grain.

Under these assumptions, the marketable grain yield would shape up in the following way:

| | | |
|---|---|---|
| --private farms of 5-7 hectares | | 0.5 million tons |
| --private farms of more than 7 hectares | | 4.8 million tons |
| --socialized farms | | 2.7 million tons |
| | total | 8.0 million tons |

The contracting of consumer and seed grain for industrial purposes as well could include 750,000 to 850,000 private and socialized farms. These producers should be organized into a separate branch association, which would be a partner of the Ministry of Agriculture and the Food Economy in developing grain policy. Farms contracting grain would have good conditions for attaining high yields guaranteed.

For the purpose of increasing profitability, in addition to a profitable price, farms contracting grain could have a partially frozen land tax.

In recent years, about 90 percent of all socialized grain procurement was implemented from the territory of 26 voivodships. The share of the remaining 22 voivodships in domestic grain procurement was insignificant. As a rule, these were voivodships with an especially where the farm land was broken up into a great many parcels. It is evident in practice which regions and groups of farms are capable of developing marketable-commodity grain production.

Is the Program of Agricultural Production Development All Wrong?

In the draft plan of agricultural production development for 1981-1985, a much more rapid growth rate is envisaged for crop production (by 15.4 percent) than for animal production (9.7 percent). By comparison with the disastrous year of 1980, the planned crop production increase for 1985 is 34.3 percent. For this same period, the planned increase in slaughter livestock production is 2 percent and the planned decrease in meat consumption (assuming self-sufficiency) per person is 19 percent, or down to 60 kg, which is the 1972 consumption level.

Similar assumptions were used in the agricultural policy for the years 1960 to 1970 (the trend toward grain-fodder self-sufficiency, more favorable conditions of crop production development). The average yearly level of production in 1966-1970 compared with 1961-1965 rose: by 15.3 percent for total production, 17.7 percent for crop production and 12.5 percent for animal production. Per person meat consumption in 1959 was 44.1 kg, in 1965 it was 49.2 kg, and in 1970 it was 53.0 kg. This entire 10-year period was marked by stagnation in farmer income and by extreme income disparity. In itself, the preservation of the formally favorable proportions between the growth of crop production and animal production could not solve many problems.

I believe that by returning in 1981-1985 to the model of the increase in meat production from the 1971-1973 period, we could attain a significantly higher increase in meat production than planned. This model consists of expanding slaughter livestock production, especially slaughter pork, on private farms. Over 84 percent of the general increase in the number of hogs in 1970-1973 (6.336 million head) was on private farms. At that time, non-grain fodder was still being used to fatten hogs. This made it possible both to increase the export of meat and cured meat products and to raise the level of per capita meat consumption significantly in a short time (an increase from 53.0 kg to 62.1 kg, or a greater increase over these 3 years than from 1959 to 1970).

However, in order to adopt a higher index for the increase in slaughter pork production in the draft plan, we would have to pay more attention to the fodder problem, and particularly to the development of the waste-recovery industry and trade and to an increase in the production of concentrates and vitamin-mineral additives. We would also have to place more emphasis on creating a technological base for making better use of potatoes as basic fodder for feeding hogs. The Ministry of Agriculture and the Food Economy should again resume its abandoned efforts on a comprehensive fodder program. Obviously, this program should be adapted to the conditions and possibilities of the current five-year plan.

Here once again we have the phenomenon of a program that is all wrong. Although the concept of basing animal production on commercial mixtures of concentrated fodder was launched in 1974-1979, it was undoubtedly an extremist concept. However, the current idea that farm producers alone should be concerned about fodder is also extreme.

Investment Policy

In the draft plan, the share of the food economy in total investment outlays for the national economy is high (35 percent). Of the planned investments in the food economy (735 billion zlotys), 250 billion zlotys (in 1981 prices) are earmarked for investments in the industrial sphere and 485 billion zlotys are designated for agriculture directly. Thus, investments in agriculture represent about 23 percent of all investment outlays for the national economy in general. The share of investments implemented on private peasant farms is another circumstance moderating the encumbrance of the national economy with farm investments. Their economic function is different from the function of investments in the socialized economy. The supply of investment goods on the rural market plays an important role in influencing the distribution of farm income for consumption and savings. Moreover, the supply of these goods is a vital element of equilibrium on the rural market. It is an especially important condition for activating production and stimulating the development of marketable-commodity production. This is why investment policy must aim hard to meet farmers' demands for capital goods (tractors, farm machinery, farm automobiles, construction materials, livestock breeding material and the like). The share of investments implemented in the private economy in total investment outlays for agriculture should be at least 55 to 60 percent--a higher percentage would be even better.

What other problems are there in the investment policy of the food economy? Investment outlays are projected mainly for the development of industries producing the means of production for agriculture (100 billion zlotys, or 13.6 percent of the planned investments for the food economy), and they do not ensure that our most urgent needs will be covered. The most urgent needs of the chemical industry already amount to more than 60 billion zlotys. Outlays for tractor production absorb a considerable sum. A significant increase of deliveries of machinery and mechanical equipment for agriculture and the food industry has been projected. The feasibility of plans to intensify farm production and the implementation of the agricultural investment program are contingent upon an increase in production in these industries.

Investments associated with water management in agriculture represent a second, likewise serious problem. The sum of 68 billion zlotys, or 14 percent of total investment outlays in agriculture is earmarked for the entire 5-year period to implement a land reclamation program and to supply rural areas with water. Shortages in materials supply and particularly the severe shortage of drainage pipes, both ceramic and made from PCV [polyvinylchloride] are the major barrier to increasing outlays in this direction of investment. The stagnation and regression that date from the beginning of the 1970's threaten to continue through 1981-1985 in the field of land reclamation. Moreover, there is also the pressing problem of implementing a program of flood control.

## The Agricultural Market

The share of the socialized sector in farm production--both total and commodity production--has declined as a result of the transfer of some lands from the socialized sector in 1979-1982, and as a result of the decline in animal production in this sector. The role of the private farm economy has increased. Given this situation, the proper functioning of the market becomes a problem of special importance.

Economic reform creates conditions for a new structuring of relations between rural trade and industry. Rural trade must make full use of this opportunity; it must actively mobilize indispensable bulk goods and have an impact on industrial enterprises, small-scale industry and trade.

If we are to give up our umbrella of security (full of holes) that covers us with distribution lists and allocations, for a policy of active methods of goods purchasing we need a basic shift of the employee cadres throughout the entire rural cooperative program. Increasing the potential of rural cooperatives' own transportation will be indispensable. The cooperatives should become the promoter of the production of goods found in agriculture and in villages as quickly as possible.

Economic reform, together with price reform, gives us the chance to abandon all forms of tied-in sale and rationing. The draft of the above program states that raising the prices for the means of production will enable us to lift rationing gradually. For the interim, however, the tendencies toward universal contracting linked with the meticulous rationing of the allocation of the means of production is causing alarm. Under such a concept, the trade enterprise becomes a bureaucratized agency. It loses the ability to penetrate and organize the markets of particular products, fails to be concerned with good relations with the producer, with serving him honestly and efficiently and providing him with information and advice. I believe that we already have the conditions necessary for shifting to a system of free trade in coal, construction materials, machinery and equipment and fertilizers. Some fodders and concentrates should also be sold in free trade. Only then will the market attain the indispensable clarity and be in a state to fulfill its proper functions.

## Farm Policy Stability and Producer Confidence

In the sphere of extramaterial factors impacting on production results in a vital way, the question of farm policy stability and producer confidence is now in the fore. In 1981, important concepts, programs and slogans battled against each other. Many myths from the junk heap of the past were overcome. Under the pressure of averting catastrophes in food supply, authorities changed the operative farm policy from month to month. This made the uncertainty of the economic situation of producers more serious and it made correct decision making more difficult. Since martial law was initiated, farmers have been fairly universal in asking: What will the farm policy be for the next few years? They must be given a complete answer, not only in the sense of a political statement, but primarily in the form of real actions and facts.

First, the principles of the modified agricultural policy, contained in a joint resolution of the PZPR KC [Central Committee] Political Bureau and the ZSL [United Peasant Party] NK [Supreme Committee] from January 1981, must be fully implemented. The most important changes in the system of agricultural policy--in accordance with universal peasant demands--express the principles of the setting of profitable prices, the parity structuring of real income for farmers, security and the certainty of running a private farm, equal treatment in farm policy for the particular sectors of farming, the creation of conditions for the development of an authentic, independent peasant self-government and the development of social policy that would lead in a fairly short time to farmers' achieving social parity with those employed in the socialized economy.

Work on the new economic system of agriculture should be completed at the latest by the end of 1982. We must admit that much has been done in this area. A new economic-financial system has been initiated in socialized farming, and new principles of credit policy have been established in institutions and organizations serving agriculture. The policy of selling PFZ [State Land Fund] lands has changed fundamentally. New farm laws have been prepared concerning the protection of farm and forest lands, the merging of lands and changes in the civil code in the area of the new regulations of land transfers, real estate registers and mortgage registers. The updating of the law concerning cooperatives and their relations, as well as the law concerning people's councils will be of great significance. Conditions have arisen for resuming work on the law concerning farm self-government. Many new legal documents on economic reform indirectly affect the development of legal-economic relations in agriculture. The resolution of a new law concerning social security for farmers and their families will be very important. Work on this law must be stepped up so that the new law can take effect 1 July 1982.

The question of farm self-government should be resolved in a manner that is free of emotion and external inspiration, and it not motivated by concern for farmers' interests. The self-government should be able to function effectively as an organizational unit in the shaping of farm policy and social policy; it should effectively represent the professional interests of farmers and should be able to develop independently those directions of activity that can facilitate the expansion of agricultural production and the social-civilizational progress of rural areas. Many valuable suggestions in this area were made in the draft of the socioeconomic program of the ZSL prepared for the ZSL Ninth Extraordinary Congress.

The preparation of a new organizational model of farming and socioeconomic life in the gmina will be an important issue. The implementation of principles of economic reform in the area of agriculture, the development of various forms of rural self-government and the stimulation of the social activism of farmers will all depend significantly upon the proper functioning of these units of the administrative division. Changes in the functioning of gmina institutions are one of the most important conditions for rebuilding the confidence of the rural population.

The principle of a uniform agricultural policy for all sectors of farming should become a condition for the creation of new intersector ties. This can have a vital impact on speeding up biological progress (seeding, breeding, the level of agricultural engineering and the like) and the social division of labor in agriculture, as well as on the development of a systemic unity of farming.

Issues of the regional aspects of agricultural development must also be considered. For example, the entire southern region of the country (approximately 18 to 20 voivodships) differs considerably in its economic and production structure. Farm policy and the entire economic policy in general should be adapted to these specific conditions and possibilities. This is the same for central and northeastern voivodships, which have a great production growth potential.

To sum up, we have a real opportunity, even during the next 3 years, to raise the level of farm production considerably and to increase the impact of agriculture into the process of bringing our economy out of the crisis situation. However, in the course of those 3 years, agriculture should obtain maximum assistance from industry and it should attain the economic and social conditions of rational management.

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## SPECIALIZATION IN SHIP CONSTRUCTION REPORTED

Katowice TRYBUNA ROBOTNICZA in Polish 24 Jun 82 p 3

[Article by Zenon Gralak: "New Specialization in Polish Shipyards. Ships for Exploring and Working Crude Oil Deposits on Sea and Ocean Bottoms"]

[Text] The Polish shipbuilding industry does not need advertising. After all, the shipyards in Gdansk, Gdynia and Szczecin have been building excellent ships for years--fishing, commercial and passenger ships, designed for different purposes. They sail under the flags of several-score countries, enjoying the approval of all ship operators. Much has been said and written on this subject. However, without fanfare and publicity, our shipbuilding industry is embarking on a totally new field of production, perhaps even the most interesting, mastered only by Japanese, American, French, British and Norwegian manufacturers. This is the production of ships and technical facilities designed to explore and exploit undersea crude oil deposits and other resources that may be deposited here. This is the most promising trend in world shipbuilding because it is related to the constantly growing demand for crude oil and other raw materials.

### Program Shelf

We are embarking on this new specialization thanks to the huge orders from the Soviet Union placed with Polish shipyards, for the USSR is beginning the implementation of a gigantic project called "Program Shelf". This program covers a complex of studies of the bottom of the sea along the Soviet coast, and then the mining of the deposits that have been located, both of crude oil as well as other undersea deposits. The worked, mapped out on a wide scale, will, of course, require the commitment of scores of ships and other specialized technical marine equipment. Most of these deliveries, according to the contracts already concluded and awaiting signature, will come from the Gdansk, Gdynia and Szczecin shipyards.

It should be added here that Polish and Soviet specialists in this field have been working together on this for a long time now. Up to now this cooperation has mainly pertained to the design offices and the first concrete implementations. Thus in 1980 in the Adolf Warski Shipyard in Szczecin two huge supply-tug ships, "Granit" and "Bazalt" were built, which service the Polish-Soviet-GDR drilling platform, "Petrobaltic", operating on the Baltic Sea. They turned out to be the best in the world in their class. Today even more and better ships of this type are being constructed.

Execution of the large Soviet order began with the construction of 33 supply-delivery tugs, 1,400 DWT each, which will be built in the Lenin Shipyard in Gdansk and the Adolf Warski Shipyard in Szczecin. This year, a prototype ship will be launched from the Szczecin Shipyard, which is the leading plant in these deliveries. The last of the series of 33 ships will be delivered to the Soviet Union in 1985. It should be added that this long series is something of a breakthrough for these kinds of ships in world shipbuilding, for they are ships with the highest ice class, adapted for operation under arctic conditions not yet encountered by those already sailing the world's seas and oceans.

Research and Drilling Ships

The next contract from "Program Shelf, valued at 180 million rubles, pertains to the contruction of a successive series of 18 ships, nine of which will be built by the Lenin Shipyard in Gdansk during 1984-1985. These are unique facilities, the likes of which we have not built heretofore, that is, huge crane ships designed to service drilling platforms. The northern Heroes of Westerplatte Shipyard in Gdansk will be building nine multi-function firefighting ships, designed to protect the operation of the drilling platforms. The Soviet Union purchased the specialized fire equipment in Yugoslavia.

"Program Shelf" also provides for delivery of other ships. This will be an entire special flotilla of geophysical and drilling ships. The Adolf Warski Shipyard in Szczecin will build nine large ships for underwater research and exploration of crude oil deposits, using geological and geophysical methods. These will be ships loaded with scientific-laboratory equipment, which will be furnished to us by the shipowner. In Szczecin there will also be built a series of six drilling ships, fitted with various technical equipment, including a complex of equipment for rock drilling and extraction of samples.

The next lot of these types of ships, six small geophysical ships, designed for working in shallow waters, will be built by the Gdansk shipyard Wisla. Also, the Paris Commune Shipyard in Gdynia is getting ready to make modules for drilling platforms. This will be the beginning of larger deliveries of these kinds of elements, announced for the next five-year plan. Within the framework of "Program Shelf", Polish shipyards will also build passenger ships to service the traffic between the land and sea mining equipment. We are also supposed to build large barges to haul drilling platform elements.

Expression of Confidence

The fact that such large contracts have been awarded to Polish shipyards is undoubtedly an expression of recognition of our past achievements. It attests to great confidence, although, after all, we are beginning the construction of these highly specialized marine facilities for the first time. But our partners know very well that we have an excellent, highly qualified cadre and an expanded production capacity. But will we be able to cope with the difficult materials-co-production situation and the drastic lack of foreign exchange for the purchase of the equipment necessary to outfit the ships with unique, expensive equipment? This situation was taken into account by the Soviet contractor. The agreements concluded define the scope of the obligations assumed by the Soviet side as pertains to furnishing

the basic equipment and fittings for the ships that we are building. The Soviet Union simply assures us that specialized equipment will be supplied. Implementation of such an important shipbuilding program, therefore, will not encumber our treasury with foreign-exchange expenditures. The undertaking of totally new production by the shipyards, however, will extend their bid for future specialized ships, for which there is a great demand at this time. This will place our shipbuilding industry in with those of other countries that have mastered the specialized, new field of shipbuilding and allow us to enter into the world markets.

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END

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10 August 1982

# East Europe Report

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2302

FBIS FOREIGN BROADCAST INFORMATION SERVICE

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# EAST EUROPE REPORT

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2302

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USSR FEARS FOR POLISH PORT LINKS: GDR BUILDS SUBSTITUTE

Stockholm SVENSKA DAGBLADET in Swedish 30 June 82 p 18

[Report by Nils Morten Udgaard]

[Text] Bonn (SVENSKA DAGBLADET)--On the East German island of Rügen in the Baltic Sea work has begun this year on a big new ferry station which in 1986 will be able to handle direct traffic from the Soviet Union, including wide-track Soviet railroad cars. In this way the Russians will get a secure connection outside of Poland to their 400,000 soldiers in the GDR and to their East German and western trading partners.

Near the little spa of Neu Mukran, southwest of Sassnitz, living and office barracks have been set up. One kilometer of the shore strip has been blocked off with a fence and iron poles are already in place on the ground. All of Neu Mukran will disappear and a switchyard of several square kilometers will be established with nearly 100 kilometers of railroad track and a special installation for the shift from track of the Soviet gauge to the European standard gauge. It was an East Berlin correspondent for the West German newspaper WESTFALISCHE RUNDSCHAU, Peter Noeldechen, that conveyed this in a report from the GDR.

*The little East German spa Neu Mukran is about to change into a gigantic switchyard.*

In connection with the construction work, a start was also made at dockyards in the Soviet Union and the GDR on the construction of three big railroad ferries. They will be used in shuttle traffic between the Soviet ports of Klaipeda in Lithuania--formerly called Memel--and the new port on Rügen, with connections with Stralsund, where a new and bigger railroad bridge will probably be built.

Political observers connect the project with Soviet uneasiness about future developments in Poland and an attempt to ensure themselves of alternative transport facilities to the west, if possible conflicts or armed clashes in Poland should lead to breakdown of rail connections across Polish territory.

Furthermore, the West Germans have said no to the construction of a similar ferry port on their Baltic coast.

8815
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PROBLEMS, PERSPECTIVES OF CEMA CURRENCY SYSTEM

Prague HOSPODARSKE NOVINY in Czech 4 Jun 82 pp 8-9

[Article by Eng Petr Spacek, candidate for Doctor of Science, Federal Ministry of Finance]

[Text] In the process of international socialist integration, a CEMA currency system is gradually being created, based on a collective currency and on deepening ties to the national currencies of the number countries. All questions connected with the creation and the improvement of the currency and credit mechanisms of economic and scientific-technical cooperation between the member countries af the council--from conversion relationships (exchange rates) for non-trade payments, the creation of a collective currency and the founding of two international banks, right through the procedural documents for adjusting the financial activity of international economic organizations or the cost-accounting for the joint construction of large integrational facilities--are gradually appearing in the annual plans of the Standing CEMA Commission for Foreign Currency and Financial Issues, the first session of which took place in February 1963 in Prague.

In the first 15 years of CEMA's existence, accounting for the mutual trade relations of member states took place through bilateral accounts in clearing rubles. A system of short-term credit existed only in the form of technical credits on these accounts; long-term credits were provided only bilaterally and exclusively in goods.

Nevertheless, the first projects involving multilateral accounting among member countries were developed in 1949-1950 and were discussed, for instance, at the CEMA second session in August 1949. The Agreement concerning Multilateral Clearing was concluded, however, only on 20 June 1957.

[subhead illegible]

Based on the principles of the international socialist division of labor, which were approved in 1962, work was completed at a conference of

representatives of communist and worker parties of the CEMA member countries on an Agreement concerning Multilateral Accounting in Transferable Rubles and the Organization of the International Bank for Economic Cooperation (MBHS), which became valid 1 January 1964. The gold content of the collective currency of the member countries of the council was set at 0.987412 grams of fine gold.

Since 1964, almost all payments between CEMA member countries have been accounted for in transferable rubles. In the first year of MBHS activity, the volume of these payments reached 22.9 billion transferable rubles, and this has increased to the same extent that mutual trade and the level of contract prices have grown. In 1981, 140.2 billion transferable rubles of goods and noncommercial operations were accounted for through the MBHS.

Transferable rubles are an international credit money, issued in the form of entries on clearing rubles at the MBHS. They do not, therefore, have an independent existence; they arise and move from account to account in connection with the movement of goods. The fact that they are issued on the basis of concluded goods transactions means that they have a stable goods coverage but on the other hand there arises the problem of their so-called exchangeability for goods.

The 1964 change from bilateral clearing accounts to a single multilateral account and the replacement of the clearing ruble by the transferable ruble was not in and of itself sufficient to achieve actual multilaterality. Under contemporary conditions, the entire mechanism of mutual economic cooperation, from the coordination of national economic plans to the conclusion of annual protocols concerning the exchange of goods and the method of contract price formation, leads to a strict bilaterality of mutual relations. The result is, then, the maintenance of the bilateral nature of mutual claims and obligations of CEMA member countries, meaning that the transferable ruble continues to have a largely clearing character. This remains, then, a basically accounting unit.

This has been incorporated as well into the foreign currency financial division of the comprehensive program, which provided for, as early as 1971-1973, not only the development but also the implementation of measures to expand multilateral accounting with the aid of the trasnferable ruble, to apply to all forms of mutual foreign trade relations (including noncontingency trade and the multilateral balancing of the exchange of goods).

In the discussion of these issues, and in particular the results achieved in resolving them, the CEMA executive committee has adopted several measures in which it directs the appropriate CEMA agencies to work out a number of measures for the fulfillment of the provisions of the comprehensive program in the foreign currency area. The coordinator of the resolution is not only the commission but also the CEMA committee for cooperation in the area of planning activities and the CEMA Standing Commission for Foreign Trade.

Despite a number of separate measures, the tasks of the comprehensive program in this area are unfulfilled. There are clearly many reasons, chiefly the

failure to implement to the requisite extent measures to increase coordination of national economic plans at both the material and the valuational level, and systemic measures for the development of international specialization and cooperation in production and the improvement of foreign trade relations; measures in the foreign currency financial sphere should be linked to all these.

In the case of the transferable ruble, the problem of multilaterality focuses on the need to assure its true transferability. This is a long-range task; the preconditions for the resolution of this have not been created even at the beginning of the 1980's. The true transferablity of international monies means exchangeability for goods and, in the final analysis, also for the national currencies of the countries participating in a given system of international accounting.

The core of the problem is the fact that a naturalized trade relationship, such as in CEMA, is necessarily always a bilateral relationship, because one is dealing with the relationship between one set of use values and another. Deliveries of specific goods are conditioned on the counterdelivery of goods of the same value. In contrast to this, a monetary or value relationship, even if only between 2 partners, is always a multilateral relationship. In this relationship, it is not a matter of the relation of one type of good to another but of a relationship of goods as value to monies; i.e., to the representative of value and a general equivalent.

From this stems, among other things, the attempt to fill out the monetary functions of the transferable ruble. In implementing the directive of substantially intensifying the development of the national economy, it is desirable to utilize in a qualitatively new way everything linked to participation in the international division of labor. Bilaterality means, however, that a national economic complex is limited in international exchange and in cooperation and specialization by the potentialities of a partner with a lower level of economic sophistication and with a lower level of integration into the international division of labor.

In the materials of the Standing Commission for foreign Currency and Financial Issues an approach is being applied, according to which the expansion of multilateral accounting in transferable rubles, and thereby also their true convertibility, is conditioned by the development of multilateral balancing, which itself is dependent on a number of factors concerning gross production, planning and foreign trade.

These factors are usually described as follows:
--providing the CEMA market with goods of high quality and eliminating shortages in a number of goods;
--the multilateral coordination of national economic plans and the development of joint planning activities;
--expanding international cooperation and specialization in production as well as additional, more sophisticated forms of economic and scientific-technical cooperation;

--the improvement of cooperation in the area of foreign trade, including its organizational forms;
--improving contract price formation, etc.

Most of these materials contain the thought that a multilateral accounting system could handle the current CEMA currency and credit mechanisms, provided that preconditions in other spheres were created.

On the other hand, some see obstacles in the currency mechanism itself; it is linked neither with the national currencies of the CEMA member countries (the conditions and method of implementation of the relevant measures were to have been worked out in 1973) nor with convertible currencies. But primarily, an autarchic tendency has persisted during the 1970's in the internal mechanisms of management and national economic planning of most of the CEMA member countries, at least in the area of value relationships. Internal price mechanisms have been more or less isolated from world dynamics particularly contract prices; the transmission of economic impact or losses from the international division of labor to the management of a khozrachot unit has been relatively slight, etc. This reality becomes clearly evident in efforts at the introduction of economically justified and mutually agreed exchange rates or national currency coefficients.

Dynamics of Contract Prices and Inflation

After 1975 the CEMA member countries agreed to annual changes in contract prices, which are now established on the basis of the average prices of the world capitalist market for the preceding 5 years. Despite the fact, then, that the dynamics of contract prices is less and, as a result, the distribution of fluctuations over a 5-year average does not have such a sharp trend, this practice has certain problems.

The system of price formation has a substantial influence both on a change in price relationships and on the overall price level. Changes in these relations are incorporated primarily in the formation of external financial equilibrium and the balance of payments of every member country; at the same time these changes are the impulse for a restructuring of the structure of production and consumption. In the final analysis they also serve as a factor in the implementation of intensive resources for economic growth.

A change in the overall price level has, a negative impact; it is manifested in a disruption of the stability and purchasing power of transferable rubles and the accuracy of its exchange rate. The internal value of the transferable ruble, its purchasing power, develops in relation to the movement of contract prices. In connection with this, a problem has surfaced in assuring the equivalency of accounting over time, because individual balances (often resulting from the failure to provide contracted deliveries of goods) appear in mutual trade in the following year. These are then paid at higher prices, meaning that the creditor country does not receive an exact equivalent. By the same token, this leads to a reduction in the real values of various monetary funds of the CEMA international banks as well as joint enterprises and international economic organizations.

In connection with this, the executive committee has directed the Standing Commission for Foreign Currency and Financial Issues to solve this problem, which has arisen basically because an economically justified change in principles of contract price formation was not accompanied with corresponding changes in the foreign currency financial mechanisms.

The exchange rate of the transferable ruble in terms of freely exchangeable currencies is used for the conversion of adjusted world prices to contract prices (in practice the exchange rate of the Soviet ruble has been used for the most part, which is actually a 20-year holdover from the earlier clearing ruble). A gradual shift is taking place to an exchange rate devised by MBHS, which differs moderately from this.

Since 1974, MBHS has used, along with most world cnntral banks, a basket of currencies to establish the exchange rate of its own currency. The exchange rate of the transferable ruble is stable in relation to the unit representing this basket, even while it fluctuates in relation to the currencies comprising the basket, in connection with changes in their mutual exchange rates. If one currency is strengthened, for instance the dollar, against the transferable ruble, simultaneously another currency, for instance the mark, becomes devalued, and vice versa. The exchange rate is fluctuating at about 0.70 to 0.75 transferable rubles to the dollar.

Given this situation, however, the exchange rate of the transferable ruble is not influenced neither by price factors, by balance of payments factors, or by supply and demand. It is, then, continually accurate (to the extent to which contract prices, with a lag, approximate world prices) but causes a decline in the purchasing power of the transferable ruble with an increase in contract prices. Its internal value, therefore, is connected to the development of the real value of the basket of freely exchangeable currencies. In this way not only justified changes in world prices, caused by the increased value of goods, but also global influences, primarily of an inflationary character, are transmitted to the international market within CEMA. A stable exchange rate for the transferable ruble thereby allows a price increase, while it would be economically effective to have a variable, constantly revalued exchange rate, which would prevent or slow inflation.

[subhead illegible]

The decline of the purchasing power of the transferable ruble and the simultaneous changes in retail prices in most of the CEMA member countries have brought new problems to the so-called conversion relations of national currencies for nontrade payments.

The agreement concerning accounting for nontrade payments, which historically is the first multilateral exchange rate agreement among socialist countries, was signed by the Miiistry of Finance 8 February 1963, practically on the eve of the first session of the CEMA Standing Commission for Foreign Currency and Financial Issues. The principle of the agreement, which is still in force, consists of the transfer of costs and outlays of a nontrade character (at first primarily the costs for maintaining diplomatic offices)

in retail prices to the level of similar costs in contract prices. In order for this multilateral system to function, it is necessary to agree upon, on the one hand, mutually interrelated exchange rates for national currencies (called officially conversion relationships), and, on the other hand, on a mechanism for the conversion of balances in national currencies to transferable rubles and a method for establishing their equivalents in goods.

The exchange rate problem is being resolved through a comparison of the purchasing power of national currencies. It is based on an agreed basket of goods and services; the problems of establishing the structure of these baskets, the selection of representatives and the determination of prices is, however, complicated due to the differing conditions in the eight participating CEMA countries (excluding the Vietnamese Socialist Republic and the Republic of Cuba). Thus, often sharp changes in retail prices in certain countries are incorporated into exchange rates tardily and only partially.

Because the exchangeability of national currencies for transferable rubles has not been introduced, a two-step calculation is used for their conversion. First a balance in, for instance, marks is clerically converted to Soviet rubles with the appropriate exchange rate; this result is then divided by a so-called coefficient expressing the relation between Soviet retail and contract prices for a certain basket of goods and services. Until 1971 this coefficient was 3.4, since the replacement costs for one transferable ruble amounted to Kcs 34. After this, when the main component of nontrade payments became tourism (roughly two-thirds), this coefficient was reduced to 2.3. Even so, however, the level of replacement costs per transferable ruble in tourism exceeded in most countries the replacement costs in the commercial sphere, which is precisely the opposite relationship from the one with convertible currencies.

In subsequent years, the relatively lower effectiveness from the acceptance of tourists was emphasized by a growth of contract prices. For the same balance of earned national currencies expressed in transferable rubles, the country accepting tourists receives a lesser volume of goods on an annual basis. Therefore, within the framework of the commission a dual reduction in the coefficient has already been adopted, to 1.9 and to 1.7 last year. If demanded by bilateral interest, a lower coefficient (for instance, 1.6) may be used in the relations of certain countries, or a higher one (even 2.3 exists, in cases where the countries have not decided on a satisfactory modification of the exchange rates for the national currencies themselves).

Until the resolution of the comprehensive program's task of introducing a single exchange rate for national currencies in relation to the transferable ruble--i.e., basically a unification of commercial and noncommercial exchange rates--the problem of assuring equivalent accounting for noncommercial payments will be an ongoing issue to be resolved within the framework of the Commission for Foreign Currency and Financial Issues. This year work is being completed on improving the methodology for establishing and making more precise national currency exchange rates and the conversion coefficient,

in which will be anchored, among other things, the decisive share of tourism as a percentage of noncommercial payments and a more adequate composition of consumption baskets.

National Currency Coefficients

The official exchange rate of the koruna in relation to both the transferable and the Soviet ruble of Kcs8 to the ruble comes from the gold content of the monetary units declared by law. With the exception of specific cases it is, however, necessary to use other than the official currency relations for accounting conversions and statistical purposes.

In addition to the official currency exchange rates established by law, and based on the relationship of the declared gold content of the monetary units, there has gradually arisen a system of currency relationships, of which some have an exchange rate and others rather a comparative character:

--hard currency exchange rates for noncommercial payments;
--agreed currency coefficients or national currency exchange rates in relation to the transferable ruble, and mutually among themselves according to the so-called Karlmarxstadt agreements;
--special conversion coefficients (established within the framework of the so-called Berlin methodology);
--internal mechanisms of an exchange rate and a parametric character, and supplementary mechanisms.

The problem of utilizing national currency exchange rates arose in the second half of the 1960's during economic reforms in certain member states. The Commission for Foreign Currency and Financial Issues concerned itself with this, beginning in 1968, in a program of research into the methodology of determining the purchasing power of currencies. In this process, five basic spheres of the presumed utilization of exchange rates were defined:

--efficiency calculations for projects involving international cooperation;
--mutual accounting;
--assurance of the equivalency of mutual economic relationships;
--the possible introduction of mutual interchangeability between the transferable ruble and the national currencies of the CEMA member countries;
--strengthening of khozraschot relations among foreign trade organizations and production enterprises within a country, and the intensification of international cooperation between economic units of individual countries.

At the 25th session of the Standing Commission for Foreign Currency and Financial Issues in October 1973, the Agreement concerning the Introduction of Mutually Agreed Exchange Rates or National Currency Coefficients in Relation to the Collective Currency (the transferable ruble) and amongst Themselves, the so-called Karlmarxstadt agreement, was signed. The coefficients were established on the basis of purchasing-power parity, according to wholesale and contract prices in the structure of all national production and export. Their utilization is limited primarily to carrying out calculations for judging the efficiency of measures connected with the

## The Berlin Methodology

The necessity of converting various costs that have been realized in national currencies for the needs of a partner country into transferable rubles or another currency has increased constantly since the end of the 1950's. Among the first documents of the commission was the so-called Berlin Methodology of Cost-Accounting Expressed in Internal Prices and Tariffs of CEMA Member Countries, which was designated above all for construction project accounting.

The basis of the methodology consists of the establishment of special conversion coefficients for the conversion of budgetary (or actual) values of a construction project, or of costs, from national currencies to transferable rubles. The overall costs of a construction project are classified into labor value added costs (wages, salaries, a portion of overhead costs and an appropriate percentage of societywide costs designated for labor force replacement) and costs of a material nature (materials, equipment, logistical, capital asset depreciation, etc.). Labor value-added costs are converted by the method used for noncommercial payments (for instance, costs in korunas are converted to Soviet rubles at an exchange rate of 10 to 1 and are then divided by a conversion coefficient, now 1.7, to yield transferable rubles). Costs of a material nature are converted by a coefficient calculated as a weighted average of a number of coefficients stemming from the relationships of internal wholesale and contract prices of relevant goods and services (for instance, for Orenburg-type projects there are several tens of individual coefficients). So-called representative goods are selected for their calculation, the volume of which amounts to a minimum of 50 percent of budgeted values.

The use of the so-called Berlin Method was not widespread initially but began to be applied on a large scale at the beginning of the 1970's for large integrational projects and the construction of joint enterprises. As with most methodological documents, the Berlin Method has also been modified (in 1972 and recently). Its advantages and disadvantages may be summarized concisely: it makes possible cost-accounting where exchange rates and currency exchangeability do not exist but the agreed coefficients may be used only for a given project and their calculation is very laborious. It may not be used in the area of so-called more advanced forms of economic cooperation, especially in specialization, cooperation and the initiation of direct relations. It is a matter then of a specific, temporary methodological instrument, which will be surpassed with the introduction of unified national currency exchange rates for the CEMA member countries.

## Convergence of Structures of Economic Mechanisms

It is clear that the intentions of the comprehensive program in the foreign currency and financial sphere will be fulfilled over a substantially longer time period than appeared probable at the beginning of the 1970's. In the second half of the 1970's, new realities appeared throughout the entire world economy that became incorporated subsequently into foreign trade and

foreign currency financial relationships within the CEMA framework. One of the first steps has been the introduction of a more flexible price formation system. In payment relations between several CEMA countries, convertible currencies have even begun to be used (for instance for the delivery of goods in excess of the amounts established in the annual protocols). Overall, however, the accounting system has come to terms with this new situation, within the constraints of limited possibilities; there has been no gross accumulation of deficits or surpluses for specific countries, and the MBHS credit system is dealing with the deepening imbalance in the turnover of goods, albeit with some tension. Providing for the financing and accounting for large integrational construction projects has been an undoubted plus. The effectiveness of the multilateral system, at the same time, also assists bilaterally adopted measures in the area of credit.

The basic problems of the currency mechanism--the achievement of true transferability of collective currencies, a substantial improvement in the exchange rate system, the exchangeability of national currencies and the utilization of the transferable ruble in relations with third countries--are being shifted to the 1980's.

In improving the currency system, it is being demonstrated that it is critical to adopt a comprehensive approach within the framework of the entire mechanism of socialist economic integration, where the main factor is a qualitatively higher level of national economic plan coordination. It is, however, impossible to achieve qualitatively new joint planning activities corresponding to a developed integration process without the realistic linking and balancing of the material and value aspects of planning.

The basis of an improvement in the integration mechanism, including its currency instruments, consists of qualitatively new internal systems of planned national economic management, in which there is gradual movement to an organic integration of the planning activities themselves with expanded khozraschot relations. This is a trend evidencing itself in most of the European CEMA member countries. (For instance, as of 1 January, the role of value categories and instruments was substantially strengthened in the planned management system of the Peoples Republic of Bulgaria).

The national economic complexes of the CEMA member countries are linked to the international division of labor so that further economic development is conditioned not only by effective participation in external economic relations but also by the integration of the value criteria of the world market into domestic economies. Foreign commercial prices, hard-currency replacement costs, parametric exchange rates, etc., are becoming an inseparable component of economic efficiency criteria and gradually of the planning process itself.

The approach of the CEMA member countries to the improvement of planning activities and increasing the efficiency of value and of khozraschot relations has a common base. Systemic measures aimed at the implementation of intensive factors of economic growth thus lead to the convergence of the economic mechanisms of individual countries, although instruments or

international division of labor. They should find broader application in the sphere of international specialization and production cooperation, in the founding and activities of joint ventures, international economic organizations, research institutes, construction laboratories and the like.

At the beginning, these coefficients were used for the preliminary accounting for various projects until final amounts were established as well as the method for covering them. Recently their use has been expanding gradually. In the USSR they are even used to establish the prices of machinery and equipment imported within the framework of specialization and production cooperation and in Interatominstrument, among others, for transfers between the home office and economic affiliates. They have likewise been used to balance mutual claims during modifications of state borders, during accounting for the construction of facilities for diplomatic offices, etc.

The expansion of the Karlmarxstadt coefficients is added by the fact that exchange rate instruments are utilized to a greater extent in internal management mechanisms and that their amount usually corresponds to, or approaches, that of internal exchange rates. This development has progressed most in the People's Republic of Hungary, where the bank sets the exchange rate of the forint in relation to the transferable ruble and publishes it on an exchange rate sheet. In the CSSR, the koruna coefficients in relation to the transferable ruble and the national currencies of the CEMA member countries are adjusted by means of Internal instructions of 15 February 1974 for implementing the Karlmarxstadt agreements, and the supplements issued by the Federal Finance Ministry, the Federal Ministry of Foreign Trade and the Czechoslovak State Bank.

In view of the annual modifications of contract prices and of the movement of wholesale prices, it is essential to alter the coefficients routinely. Changes were introduced as of 1 January 1977 and 1 August 1981; an adjustment is expected 1 January 1983 and then two or three times in each 5 year plan.

The introduction of national currency coefficients was the first step in fulfilling the tasks of the comprehensive program for researching, between 1976 and 1979, the possibilities and creating the conditions for the introduction of a unified exchange rate for the national currency of each CEMA member country, although the decision concerning its introduction, as well as its duration, was to have been made in 1980.

During the discussions of the Standing Commission for Foreign Currency and Financial Issues it became clear that it would be impossible to count on a rapid resolution of this problem, both because great differences exist between wholesale and retail prices and because there is an inadequate level of systemic preparation. The introduction of a unified exchange rate for national currencies even in individual countries is a long-range task. It is still more difficult to achieve this objective multilaterally, where these exchange rates are to be mutually linked. A precondition is the achievement of an organic integration of internal economic mechanisms with CEMA currency and price mechanisms.

indicators differ. What is critical is that they be directed at an increase in efficiency and the achievement of increased final national economic results.

The process of socialist economic integration, however, demands a conscientious and coordinated approach in this area as well: it is easier to proceed jointly from the very beginning than to adapt subsequently instruments that are already functioning. Therefore the question has been coming to the fore recently of the convergence of economic mechanism structures, which relates as well to value instruments.

The convergence of economic mechanism structures has immediate importance for the development of international specialization and production cooperation and for the development of direct relations between the economic organizations of the CEMA member countries. This is a matter of a higher form of economic cooperation, which requires similar khozraschot conditions for the production units of the partner countries, as well as foreign currency financial conditions, such as mutually agreed and actually functioning foreign currency exchange rates, specific forms of exchangeability of national currencies and the transferable ruble, etc.

World political and economic development in recent years has again confirmed that the proper path for the participation of the socialist countries in the international division of labor is through the priority incorporation of national economic complexes into the process of international socialist economic integration. In the current stage, the coordination of national economic plans resulting in the negotiation of annual protocols concerning the exchange of goods is already inadequate. Investment policy objectives and economic development strategy are being coordinated, steps are being taken toward joint planning activities; the importance of long-range target programs of cooperation is increasing. Among upcoming tasks will undoubtedly also be gradual measures in the sphere of value relationships, on the basis of which there will be movement toward qualitative changes in the currency systems of the CEMA member countries.

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ECONOMIC UNIVERSITY PRESIDENT VIEWS DEVELOPMENT, STRUCTURAL CHANGES

Prague NOVA MYSL in Czech No 6, 1982 pp 11-23

[Article by Stanislav Hradecky, rector, Prague College of Economics: "Intensive Development and Structural Changes"]

[Text] The complexity and demanding nature of the conditions in which our national economy is developing are turning the attention of theoretical and managerial employees to the problem of national economic structure and the character of future structural changes. A close link is generally recognized between the national economic structure and scientific-technical development, the intensification process and the overall effectiveness of social labor. The structural problem is also emphasized by the overall development of the world economy, especially with the great fluctuations in the world prices of raw materials, fuel and energy. Increased attention is being devoted in contemporary economic science worldwide, in socialist, capitalist and developing countries, to the theory and practice of structural changes as a factor in economic growth.

We as well are striving for intensive development, for the full utilization of science and technology for a substantial and permanent increase in overall national economic effectiveness. This is, as the conclusions of the 16th congress indicate, a long-range strategic line for future economic development. At the 16th congress, Comrade Gustav Husak emphasized the mutual interdependence of the conditions for the practical implementation of this strategy with these words: "We must much more consistently implement the long-range economic strategy of high-production efficiency and the quality of all work. The bases for this are a shift in the economy to a path of intensive growth, efficient structural changes in management, the rational utilization of production potential, a high level of frugality in the use of and in the valuation of all resources, an improvement in management, the broad development of workers' initiative, the deeper integration of our economy into socialist economic integration and the international division of labor....Science and technical progress are the determining factors in intensification and the most powerful source of increased productivity of social labor" (16th CPCZ Congress, Prague, Svoboda, 1981, p 26)

Decisive for the intensification of the production process is the ability of the national economic structure to adapt to changes in the conditions of

development. Intensification is realized in particular in the form of and through structural changes. Science and technical progress are applied in the form of production and technological innovations and through the creation of completely new fields of production. Science, technical progress and innovation are then the moving force of structural changes. Structural changes have a substantial influence on the efficiency of a single production process and thereby on the overall production process. Structural changes are one of the most important factors in the intensification of our economy and therefore a condition of its growth.

Description of Development of National Economic Structure

Industry has occupied the leading position in our national economic structure from the beginnings of socialist construction and it has strengthened this position during ongoing development.

From 1948 to 1980, industrial production increased almost 13 times. Between 37 and 43 percent of all investment has been directed to industry in individual 5-year plans and the number of industrial employees has increased from 30 percent of the work force in 1948 to 38 percent in 1980. In 1979, industry was responsible for a full 63 percent of national income formation.

The structure of industrial production has seen great changes. While in the prewar republic consumer industries dominated the value of output, an extensive restructuring of all industry began with the first 5-year plan. In particular, the development of industry producing capital assets was accelerated. This orientation was called for by the need for extensive reconstruction and modernization of the entire production base and the mechanization of agriculture. During the first 5-year plan, Czechoslovakia, as the most industrially advanced, popularly democratic state, fulfilled the role of supplier of machine tools and heavy industrial goods for the industrialization programs of the other popularly democratic countries. In view of the international situation--this was the period of the cold war and of the sharpest possible international tension--an important task of industrial development was the assurance of the country's ability to defend itself.

The development of heavy industry, especially the engineering and metallurgical industries, despite a certain lessening of tension, continued in subsequent periods. The metallurgical-engineering complex became the core of Czechoslovak industry.

In 1978, 47 percent of all industrial employees worked in these sectors, which absorbed 36 percent of all industrial investment and produced 39 percent of industrial goods. The construction of new facilities for the metallurgical industry (the New Metallurgical Works of Klement Gottwald in Kuncice and the East Slovak Ironworks in Kosice) had greatly influenced the structure of industry. In the production of pig iron, steel and rolled materials, Czechoslovakia has become, on a par capita basis, one of the leading countries of the world. However, in view of the high material-intensiveness of our national economy and also of our engineering industry, this cannot be considered an unambiguous advantage of our economic structure.

Metallurgical production was hampered by its internal structure, in which for a long time there was a low percentage of thin sections, sheets and high-quality steel. This shortcoming has been gradually eliminated by the construction of new rolling mills and of new facilities for the production of high-quality steel.

In upcoming years, the weight of the netallurgical industry should not increase but rather decline. Structural changes will, however, continue within the product mix of metallurgical production in the direction of a greater percentage of high-quality materials and thin sections. Among the most serious structural objectives of the upcoming period will be a substantial cutback in the consumption of metals.

The engineering industry, which was one of the leading branches even in the capitalist republic, has seen a rapid expansion since the 1950's. Numerous new factories have been built, new products have been introduced, for instance, diesel and electric locomotives, modern textile machinery, metallurgical and rolling equipment, bearings, chemical equipment and many other engineering products.

The structure of our engineering industry compares with that of the leading industrial states of the world. Precisely this breadth of product line, however, has been and continues to be a weakness in our engineering industry. Too broad a product mix has resulted in a low level of mass production, specialization and thereby also high production costs. Technical parameters have lagged behind world levels; innovation processes could not be stimulated by research over the entire breadth of the product mix; and most engineering sectors have continued to be very raw material and energy intensive. Only slowly has production been initiated and developed in the most progressive engineering sectors, such as electronics, which in spite of a high growth dynamic in the 1970's, is still not capable of meeting the needs of the national economy and influences the development of many engineering and other branches. Among the most significant structural changes, the importance of which will only become evident in the future, is the introduction of the production of equipment for nuclear energy generation, for which we are, in conjunction with the Soviet Union, the sole CEMA producers.

There have also been deep changes in the structure of the chemical industry, whose importance is increasing steeply throughout the world. In the years 1948-1980, the chemical industry marked its greatest production increase, even though its share of total industrial production was laws than in certain industrially mature states. Nor does it yet correspond fully to our needs. In the first 5-year plan, the main concern was the development of a material base for other chemical sectors (inorganic chemistry); construction and undertaken of facilities for the production of rayon fibers and medicines. In the 1960's, additional new facilities were built, for instance, for the production of synthetic rubber, industrial fertilizers, chemical fibers, synthetic leathers and other plastic materials.

The gradual construction of two petrochemical refineries for processing Soviet crude oil has fundamental significance for the entire national

economy. On the whole we can state that, with the development of the chemical industry, a modern raw materials base has been created for a number of other branches and for the chemicalization of the national economy.

In the upcoming period there will also be important structural changes in the Czechoslovak chemical industry. Given an overall slackening in the growth rate, the percentage will increase of so-called low tonnage and medium tonnage chemicals, which are less demanding on energy consumption, and require a high percentage of skilled labor. Specialization agreements signed with the USSR and cooperation with other CEMA members are very advantageous for our chemical industry.

In the structure of the Czechoslovak National Economy, importance of the construction industry, which has assured a substantial portion of the volume of investment activity, has increased systematically since 1948.

The volume of construction work [up to] 1980 has grown more than 13 times, with an average annual increase of 8 percent. The gradual industrialization of the construction industry, prefabrication, the standardization of construction elements, the elimination of a seasonal working pattern, the utilization of nontraditional building materials and progressive work methods contributed to a more than sevenfold increase in the productivity of construction workers between 1948 and 1980.

The Czechoslovak construction industry has handled successfully the construction of extensive and complex investment units, water management works and transportation projects. It has efficiently contributed to the implementation of structural changes and to overall economic growth. Nevertheless, in this industry several on-standing negative phenomena and trends complicate the shift of the economy to intensive development. This concerns, for instance, a high degree of uncompleted operational startups and cost overruns. There is significant underutilized potential in materials and energy consumption, machinery utilization and in the use of the work day. Nor does the internal structure of construction facilities fully correspond to the current needs of the national economy.

Regarding the consumer goods industry, it has belonged since the prewar republic to the traditional industrial sectors. This is especially true of the textile, footwear, glass, ceramics and woodworking industries. After 1948, the consumer goods industry as a whole developed more slowly and its share of total industrial output declined. The pace of development, however, has varied in specific time periods. For instance, despite initial stagnation, the 1960's and 1970's were times of relatively rapid growth in the glass and the graphics industries. In recent decades it has also been possible to note a sharp increase in the production of fiberboard, plywood, furniture, technical glassware, technical fabrics from chemical materials, nonfabric textiles, etc.

Structural changes in the consumer goods industry will continue in the direction of the development of traditional sectors based on domestic raw materials, skilled labor and export capability. The needs of the domestic

market and the demands of the population will also influence the structure and overall development of individual sectors of the consumer goods industry.

The fuel and energy base has an irreplaceable role in the structure of the national economy. In the consumption of primary energy resources, domestic solid fuels dominate, the percentage of which, however, has declined, especially since 1960, in favor of imported crude oil and natural gas. In 1960, enriched fuels represented 9.1 percent of overall primary energy resources but 34.9 percent in 1979, with a trend toward future growth.

Even though this percentage is lower than in most developed countries, it is desirable to reduce the growth rate of crude oil consumption, given the current increase in the percentage of crude oil and natural gas being used for chemical processing. The main reason for this is the sharp increase in the world price of crude oil. The role of domestic fuels, especially of coal, will increase in the energy balance.

In the extraction of brown coal, including lignite (96 million tons in 1980) and of bituminous coal (28 million tons) we belong, on a per capita basis, among the leading world producers. A high level of extraction has been made possible by an increase in mining and transportation mechanization, especially in the area of high-capacity excavators, which has resulted in a significant increase in labor productivity. In recent years, however, mining conditions have worsened, especially for mining at greater depths. Direct and derivative investment in mining is increasing, thus raising extraction costs. It is estimated that this increase during the Seventh Five-Year Plan will amount to 30 percent of current costs.

About one-half of the mined brown coal and lignite is consumed for the generation of electrical energy. We produce roughly 88 percent of all our generated electricity in thermal powerplants, with the remainder generated at hydroelectric plants (6 percent) and at nuclear power-plants (6 percent). The production and consumption of electricity has increased since 1948 by a factor of almost 10, reaching 72.6 billion kilowatt hours in 1980. This increase has been made possible by the extensive construction of thermal powerplants, especially near coal sources, which are being constructed in units of higher and higher output (up to 500 megawatts). Likewise, a number of waterworks and powerplants have been built, especially on the Vltava and Vah Rivers.

By the end of the Seventh Five-Year Plan, increases in electrical energy are to be covered by nuclear powerplants. In 1980, operations began at the first Czechoslovak nuclear powerplant at Jaslovske Bohunice. Each of its two units has a capacity of 440 megawatts. During the Seventh Five-Year Plan, construction will be completed on a second powerplant at Jaslovske Bohunice (with four 440 megawatt units) and at Dukovany. During the Eighth Five-Year Plan, construction is planned for two additional nuclear powerplants, one at Malovice near Ceske Budejovice and one at Mochovce near Nitra. By 1990, nuclear powerplant capacity is to increase from today's 880 megawatts to 8,280 megawatts.

The development of nuclear energy represents one of the most profound and far-reaching structural changes in the entire national economy.

The development of our national economy in the past 36 years has been successful. Deep structural changes, which have placed our economy on a par with the most developed industrial countries of the world, are a result of the economic policy of the CPCZ, which has proceeded according to the scientific, Marxist theory of the building of socialism, and the work of our mature working class, farmers and working intelligentsia. Our current level of economic development has not been unambiguously direct. It has not come about without shortcomings and mistakes that had to be corrected. We have not always proved ourselves capable of utilizing fully the advantages that the socialist method of production and socialist production relationships provide. We have not always shown ourselves capable of reacting in a timely and effective manner to changing internal and external conditions. Our economic successes, however, are clearly evident. Despite all the complications and difficulties, despite the numerous structural problems of our economy, these successes provide a solid starting point for further effective national economic development based on efficient intensification.

Requirements of Intensive Economic Development

The requirement for an intensification of further economic development, which was formulated with such urgency by the 16th CPCZ Congress, is in no sense either new or specific to our economy. An orientation toward the more efficient utilization of intensive factors is a necessity for all socialist countries. This is confirmed by documents of the party congresses and in particular by the economic policies being implemented by our fraternal parties in the other socialist countries. The requirement for intensive development has not fallen from the sky. It has not been brought about solely by a shortage of raw materials and the sharp fluctuations of world prices; it is not a question, that is, of a "state of emergency" brought about by these factors.

Intensive and extensive factors act together in every aspect of expanded socialist production. This coexistence was described by Marx in DAS KAPITAL, where he speaks of an intensive and an extensive type of production. He defined production as expanding extensively if the area of production is expanded and as expanding intensively if more efficient means of production are utilized.

Intensive elements of development are contained within, and exert an influence as well on, those phases of socialist construction designated as extensive. They exert an influence along with the extensive elements, and concurrently with them. The critical consideration is which of the factors are predominate and determinate for a given type of development. The need to use intensive factors becomes pressing as factors of an extensive character are gradually exhausted or become unavailable. The necessity of turning to intensive economic development does not follow, however, only from the exhaustion of possibilities for economic growth. It is also a question of a process equivalent to mature socialism, which flows from its

very foundations. The intensification of a socialist national economy belongs among the most profound, and at the same time most complex, changes in socialist production. In its difficulty as well as its economic and social consequences it is comparable to socialist industrialization.

Extensive and intensive types of production are always linked to structural changes. With extensive production, structural changes are realized through a quantitative increase in the factors of production newly integrated into production. The overall amount of social labor functioning in the economic cycle increases. At the same time, the allocation of social labor to specific production groups changes in the sense that through the reallocation of resources (especially investment) the material preconditions result for structural changes in production branches and in the entire national economy.

In the intensive type of production, it is a question of producing more products with greater use characteristics with the same or fewer inputs of resources. Expanded intensive production is based on an increasing level of resource utilization and in no sense on their quantitative expansion. The systematic increase in resource utilization belongs among the key conditions of the intensive expansion of production and influences in a decisive way economic development and the proportionality and structure of the national economy. Increasing resource utilization leads to the freeing of factors of production, which is a basic characteristic and condition of the intensive type of production. Latitude for the improvement of the structure of the national economy depends precisely on such a freeing of factors of production.

The relative and absolute freeing of factors of production is an essential precondition of the creation and expansion of latitude for the reallocation of social labor in favor of a higher level of satisfaction of the needs of society. Only should it lead to a relative and absolute saving of labor resources, materials and energy may we expand the production process. The qualitative renewal of existing resources in the form of resource conservation is becoming an essential production condition for quantitative expansion.

The process of national economic intensification is dependent on the interrelationship of extensive and intensive factors. Both groups of factors act concurrently and, depending on their weight in economic development, we speak of three phases of intensification.

In the first phase, to be sure, the amount of social labor increases (still partly as a result of extensive factors) but is not, however, a decisive factor in the dynamic. Structural changes in production lead to increased use values, which increase faster than the physical volume of production. In the second phase of intensification, economic development is realized without a change in the overall amount of social labor, at the same time that the amount of use value increases. Finally, in the third phase the overall amount of expended social work declines but the use outcome of production increase. Precisely this third type creates the conditions for an absolute freeing of social labor.

The third phase of intensification is also reflected in the interrelationship of the social product of production consumption and the national income. The third, and highest, phase of intensification corresponds to an interrelationship where the national income increases at the same time that the social product stagnates and production consumption declines. From the viewpoint of intensification, this is the most significant macroeconomic structural change, which results from many microeconomic structural changes in production.

Our Current National Economic Structure

The current structure of the Czechoslovak national economy and its basic element, industry, is the result of a long-term process encompassing all postwar development. This fundamental restructuring of Czechoslovak industry has been oriented from the dominant and traditional light and foodstuff industry to an engineering-metallurgical profile, giving priority to the development of the production of investment projects. This concept has been fully justified by internal and foreign political conditions. In particular, the orientation of our economy toward the newly emerging markets of the world socialist system, the need for postwar renewal and the beginning socialist industrialization of the popularly democratic countries, and the orientation toward economic cooperation with the raw-materials-rich Soviet Union have been economically advantageous for us.

The construction of new production facilities and a rapid growth of employment in industry (along with a significant decline in agricultural workers) resulted in a rapid dynamic of industrial production, which reached 10 to 12 percent annually in the 1950's. The engineering industry, however, developed still more rapidly, with its growth rate being twice the preceding, while the development of the consumer goods and the foodstuff industry, on the other hand, was significantly slower.

The overall growth of the national economy in this period has permitted a rapid increase in the living standard of the population in the sphere of personal and social consumption. This has served to confirm the fundamental correctness of the structural and developmental concept that has been adopted. Simultaneously, however, this development has created a structure that from the viewpoint of new conditions and especially of current needs may not be characterized as optimal. The problems of a structure formed historically in this way consists mainly of certain macroeconomic relations. High investment-intensiveness has forced investment resources to be concentrated in those sectors being given priority in development, while the investment requirements of the other sectors, including the nonproduction spheres, cannot be subsidized to the requisite extent. The investment-intensiveness of the preferred sectors, acting in a reverse fashion, produced an additional, supplementary development of heavy industry. The aggregate macroeconomic expression of this structural development has been a significantly more rapid growth in the amount of social labor expended on production. The concrete manifestation of this has been an increase in production consumption, accumulation and therefore the entire social product in excess of the growth rate of national income.

In the postwar period, production consumption, as a percentage of the value of the social product, has continually increased. From 46.2 percent in 1948, it increased to 61.4 percent in 1980. This important macroeconomic relation has been retained and the necessity of moderating and gradually reducing it is one of the most serious structural problems of the shift to intensive development.

In this high production consumption, two components of the material factors of production stand out above all: capital and energy. Production demands on capital assets, given their average 5 percent annual growth, generate an annual need, in the current period as well, for a high degree of investment, and lead to the repression of their modernization and a limiting of nonproduction investment. Likewise, the high percentage of energy consumption and the trend toward its systematic increase are becoming the limiting condition of the desired structural changes, including production related to the enriching of domestic raw materials. The overcoming of these barriers cannot be resolved by a further expansion of energy resources but above all by savings, again on the basis of purposeful structural changes.

During the 1950's, the process of expanding the product mix of engineering products began. Besides increasing domestic demand, the need for machinery exports as a way to pay for imports of raw materials was the reason for this. Given the lack of development of international cooperation and specialization and given the low percentage of machinery and equipment in our imports, the trend toward a broad product mix, almost to the point of self-sufficiency in the assurance of demand for these products for the national economy, is understandable. This brought along, however, several unfavorable consequences, that we are encountering today. A lack of standardized production has resulted in high production costs; the breadth of the product mix could not be maintained at a high technical level; and the pace of innovation has been low. This is one of the reasons for the current lagging of some of our products behind the world's best and is manifested in low technical sophistication, high weight and low use parameters. A low export capability of a number of these products and low prices received for them are both only natural consequences of this situation in the area of our incorporation into the international division of labor.

A further structural problem of the national economy is a certain lack of balance in the sectoral structure of industry. In comparison with the industrially developed countries, we show a low percentage of electronics and so-called qualified chemistry, in spite of a sharp increase in these sectors in recent years. As shown earlier, the structure of the material base of industry is unfavorable in the relatively high percentage of the metallurgical industry and low percentage of the chemical industry.

We can then summarize. We belong among the foremost nations of the world, with our industrial and economic potential formed in the course of socialist construction. The structure of our national economy in its most fundamental features corresponds to the trends of structural changes in the world economy. From the viewpoint of changing conditions and of future requirements there are, however, numerous structural problems, whose gradual

resolution is a condition for the shift to an extensive production. The capability of the structure to adapt to economic conditions, a purposeful and feasible restructuring is an important task of the economic policy of the party and of the socialist state.

Prospects for Structural Changes

The capability of adapting the structure of the national economy to changes in conditions of economic development is crucial for the intensification of the production process. In this sense, structural changes are quite simply the critical condition for intensification and an increase in efficiency. If science and technology are the main path to intensification, then the condition and outcome of scientific and technical progress are structural changes. Without structural changes it is impossible to imagine the deepening even of the international socialist division of labor.

Structural changes are a long-range matter. The development concept of the structure of the economy must follow from a Marxist understanding of the laws governing the development of the forces of production under the conditions of a scientific and technical revolution and must be based on thorough analyses and long-range prognoses.

When considering the character of future structural changes, it is necessary above all to start from the achieved level of economic development. It is necessary, likewise, to take into consideration objective conditions that in the near and distant future will influence the development of the economy and economic growth. In our situation, this is primarily a matter of worsening conditions. For instance, the development of the labor force population is unfavorable. Demographic studies indicate that in the Seventh Five-Year Plan we must reckon with absolutely the lowest increase in the work force of the entire postwar period. The tension between requirements for and sources of labor (even though we are aware of the relative nature of this relationship) will be higher than ever. We must count on worsening natural conditions for the mining of fuels and raw materials, with increasingly limited supplies af basic raw materials and energy, whose imports will be objectively limited.

The worsening of the so-called external conditions, so critical for our foreign trade, will continue. High import prices on the one hand and the rigorousness of world markets for our exported products on the other hand will continue to complicate the trade balance. Investment will also be limited, because of the unfavorable development of national income and because a great part of future investments will be already earmarked (for completing projects and for the energy industry).

Under these conditions, we will strive for structural changes that will increase the efficiency of the national economy and, in all its consequences, lead to a maximization of the national income. In this regard, three groups of possible structural changes suggest themselves:

1) The priority development should be in sectors where we are now reaching, or apporaching, a leading world level of productivity, and the products of

which may be effectively applied to world markets (the so-called second order technology).

2) The development of sectors representing so-called first-order technology; i.e., mainly electronics and microelectronics. Our current, huge lags in these sectors, and our relatively low level of labor productivity in comparison with world productivity levels, cannot lead in our conditions to an underestimation of these sectors. The products of the microelectronics industry determine the technico-economic sophistication of other industrial products, raise their use and functional parameters, influence their reliability and performance and make programming and service easier. Structural changes based on their application have the character of an "innovational leap."

Structural changes connected to the so-called first-order technology will be exceptionally demanding on the development of a components and materials base, a research and development base and understandably also our own acquisition of a production capability. The first steps to the realization of these structural changes have already been taken. A number of microelectronic components and applications are already being produced; international agreements concerning mutual deliveries and cooperation have been concluded; and an appropriate target program has been formulated.

3) For other production sectors, and especially for items that are mass produced or produced in large lots, where the optimal scale of production exceeds possibilities and resources, it will be necessary to seek a solution in a deeper integration into the international division of labor, particularly in the form of interdependent and component specialization and cooperation with socialist countries.

These three groups of possible structural changes, focused on priority development, innovation and the utilization of scientific and technical progress, would be difficult to implement under the conditions of the current breadth of the product mix. It seems essential to take steps to reduce the role of, or to liquidate, sectors with a low level of productivity and efficiency, thereby freeing capital assets, energy, raw materials and labor. The liquidation of obsolete, inefficient production facilities will clearly not be easy. On more than one occasion we have set this task for ourselves but it has never been fully carried out. Now, however, it will not be possible to give ground to local interests and various obstacles. The logic of the harsh economic reality of the 1980's makes this necessary.

The engineering industry will remain a key branch that will have a decisive influence on the formation of the national economic structure and within the framework of which the role of the electrotechnical industry, the production of equipment for automation, robotization and information processing, will increase. The dominant position of engineering in the structure of the national economy is characteristic for all industrially advanced countries.

Role of External Relations and Socialist Economic Integration The fundamental significance of international exchange for our economy is indisputable. In

particular, the development of cooperation with socialist countries within the framework of socialist economic integration is one of the important factors in the intensification of our ecanomy. International exchange, its structure and developmental trends are likewise to a significant degree a measure of the effective functioning of our economy, because it provides us with objective information concerning the effectiveness of "national" social labor and an international comparison of how we value the resources expended on production. External economic relations, then, are a mirror of the performance of our economy, of the achieved level of scientific and technical progress and of the degree of optimality of the production structure. Confrontation with the world market is, for our economy, on the one hand a criterion of structural optimality but on the other hand also influences structural changes in the direction of optimality.

Our experiences in recent years have shown that the degree of our integration into the international division of labor is high; the openness of our national economy is increasing but nevertheless does not completely correspond to the achieved level of national economic development. This is evident above all in the qualitative criteria of this integration. A change in external conditions, consisting for our economy in a more rapid increase in the price of imports than for exports, has penalized our economy very heavily and has become evident in worsening exchange relations in foreign trade. The only solution is greater technical sophistication and economic efficiency for our exports.

The position of Czechoslovakia in world markets has developed over the past 10 to 15 years in such a way that we are represented above all as an exporter of products with generally available technology, therefore produced in many countries (in many cases under better economic conditions) without great demands on skilled labor. This is, understandably, a consequence of gaps in the production structure.

The value of the objects has significantly increased as a result of world price developments, but the export of products, of the most progressive components of our industry (the engineering industry) has not made a substantial contribution to covering the situation. A substantial weakening in the payment capability of engineering industry production has occurred and, basically, is continuing. The task of generating resources for payments is being shifted to such products as ferrous metal, building products, wood and consumer industry products. This is for the most part a question of sectors that are relatively demanding of imported raw materials, have high electrical energy consumption, and are relatively labor intensive. Primarily here the consumer durable goods group is fulfilling the task that should be filled by the engineering industry. This solution, which is clearly essential in certain situations, cannot form the basic concept of our export policy. We are not concerned here with a prospective solution but with a temporary one. It disrupts the balance of the domestic economy, complicates necessary incentives for the human factor and could deform the course of the entire production process.

The cooperation of socialist countries within the CEMA framework has quite basic importance for our economic development. The effective integration of

all branches into international socialist integration is, in addition to science and technology, the most important factor in intensification. In particular, international specialization and production cooperation and the construction of joint production facilities assist in overcoming a certain restrictiveness in the structure of the economies of the member countries and exerts an effective joint influence on the crettion of the optimal structure for branches, industry as a whole nnd the structure of the overall national economy.

It has been convincingly shown that CEMA is the most dynamic economic community in the world. In the past decade, CEMA member countries have outpaced the developed capitalist countries by a factor of almost two in the rate of growth of industrial production and national income; in numerous types of production they have, on a per capita basis, achieved dominance over EEC countries, even though they were significantly behind them at the beginning of the 1970's.

CEMA's growing economic potential as a whole exerts a reverse influence on the economies of the individual member states, as a dynamo growth factor contributing to greater national economic efficiency.

Of the multilateral forms of mutual cooperation, international specialization and production cooperation will be the most important in the 1980's. Even though the volume of mutual foreign trade will continue to grow, CEMA activity is being still more sharply shifted directly to production. International specialization and cooperation will permit the achievement at a faster rate, even in small countries, of rational mass production and thereby greater production efficiency.

In the development of international specialization and cooperation, we are not, understandably, at the start of development. Results attest to the economic advantages of this. Specialization has proven itself in such products as selected electrical equipment, as well as batteries and small computer technology in Bulgaria; the production of buses and of certain automotive parts in Hungary; ships, machinery for the chemical and textile industries and passenger cars in the GDR; equipment for crude oil extraction and freight cars in Romania; and a number of groups of unique equipment in the USSR. Our engineering industry is also gaining an important reputation within CEMA. It is concentrating on the production of nuclear reactors, trucks, chemical equipment and the like. Specialization and cooperation are already contributing significantly to the growth of mutual deliveries of equipment. Such exchange amounted to 27 billion rubles in the 1966-1970 period, whole from 1976 to 1980 it already amounted to 90 billion rubles.

Despite this rapid development, however, the possibilities for international specialization and cooperation have been far from exhausted. On the contrary, in the 1980's they will become the main form of, and an instrument for, restructuring the national economic structures of CEMA countries. The intentions and objectives of this restructuring are expressed in long-term target programs of cooperation in the key branches of the national economy.

These programs represent a qualitatively new form of CEMA work and encompass the areas of energy and raw materials, engineering, the consumer goods industry, agriculture and the food industry, and transportation. More than 120 agreements have been signed to formulate and assure the implementation of the adopted long-range target programs. These programs are tied into bilateral programs of specialization and cooperation that have been signed up to 1990 between the USSR and the other socialist countries and among the socialist countries themselves.

At the 35th CEMA Session in 1981, a plan of multilateral integrational measures was agreed upon for the 1981-1985 period that, among other things, presupposes the joint construction of a number of production facilities. This is a further form of socialist integration, which will contribute to forming an optimal production structure. Several of these joint construction projects have already been realized and are contributing significant economic results to the member countries.

Additional joint facilities are nearing completion or still under construction, such as a metallurgical combine for the extraction and processing of nonferrous metals at Norilsk, a combine for the mining and preparation of nickel in Cuba and a combine for the preparation of cupro-molybdenum ores in Mongolia. Designs are being prepared for chemical nuclear powerplants with a capacity of 4 million kilowatts.

Integrational facilities resulting from the development of the international specialization and cooperation of the socialist countries have a fundamental significance for improving the economic structures of CEMA countries and are a prospective form of socialist economic integration.

The need for structural changes even now is far from a concern of only a single country but of all socialist countries. Revolutionary development is leading to a situation where the structure of individual socialist countries, which is historically generated and limited by natural influences, may be overcome by changes that will influence CEMA's structure as an economic complex.

The complexity of the structural problems and of the paths to overcoming them will require greater cooperation between science and practice, an increase in the role of analysis and prediction, of long-range plans, of economic laws and the entire planning system, even on the scale of socialist economic integration. Intensive development and structural changes are not only, however, a concern of managerial employees. In this area as well, an irreplaceable position is occupied by worker initiative, socialist competition, improved movements and everything else that will create an atmosphere favorable for the wider application of scientific progress in all aspects of our economic life.

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## METAL PRODUCTION REDUCED ACCORDING TO PLAN

Prague HOSPODARSKE NOVINY in Czech 11 Jun 82 p 1

[Article by Prof Engr Zdenek Prusa, DrCs, deputy minister of metallurgy and heavy engineering of the CSSR]

[Text] State Target Program 3, which the CSSR Government approved by its Resolution No 347 dated 6 November 1980, has become a specific tool for making the use of materials made of metal more effective. The coordination of this program was delegated to the Federal Ministry of Metallurgy and Heavy Engineering [FMHTS].

This program is directly related to the main trends of economic and social development of the CSSR planned for 1981-85 and for the period up to 1990. It is assumed that the production of metals will not continue to increase but that first of all the use of metals will improve substantially in all sectors of the national economy so that their relative savings reaches 4.5 to 5 percent annually during the Seventh Five-Year Plan. Our duty is to strive to create more appropriate economic conditions and a more favorable social climate tending to increase rationalization activities. These measures should at the same time eliminate the barriers obstructing the desirable development of efforts to achieve savings. These barriers manifest themselves as unwillingness to carry out, or lack of understanding for, new , progressive programs designed to solve the problems or as prolonged and complicated discussions of more adequate solutions that in principle have been previously adopted.

Program 3 deals with the most important intensification factors in the production and consumption of metals. It determines their gradual application, above all through the plan and primarily with regard to specific actions. It affects practically all key production spheres and the use of metals. The program was drafted as an open one. Therefore, it allows subsequent detailing in more precise terms the actions included in the program and including additional specific actions, which during the Seventh Five-Year Plan will ensue from the application of research and development and from the work of innovators and inventors.

The program determines for individual departments and Kraj national committees the relative savings of metals to be achieved during each year of the Seventh Five-Year Plan. In the case of key departments, it was necessary to define the minimum parameters of savings in the plan allocation. This minimum limit

corresponds practically to the level of actions provided for by the plan. This procedure was selected since the present provisions for programmed actions under the plan up to 1985 do not completely cover the overall task. We consider it necessary to seek further ways in the executory plans to implement gradually the specified actions not provided for as yet under the plan. We must also consider the present facilities in formulating more precisely certain actions or measures still in the nature of design. Much savings depends on looking for, enforcing and introducing new, effective forms of initiative of the working people, on a more consistent orientation of the movement of innovators and inventors in the direction of obtaining savings of metals.

The department of metallurgy and heavy engineering is both the producer and the biggest consumer of materials made of metal. Consequently, a more efficient and more economical use of metals in the enterprises of this department is exceptionally important for the national economy. The main rationalization trends in this area are reductions of irreversible losses in the metallurgical production process, increases of the effectiveness of those processes, decreases of losses in the manufacture of metallurgical products and secondary products, introduction of new types of materials or improvements of the physical, mechanical, dimensional and chemical properties of the existing materials. In the area of machinebuilding by the department, this involves savings of material by reducing the weight of the machinery and installations, by replacing metals with plastics and by introducing progressive technologies, above all in forming, precision casting and purposeful expansion of welding.

The applicability of the program as a tool for the orientation of rationalization activities in the department of metallurgy and heavy engineering was tested in 1981. However, we are aware that measures that must continue to be applied in the entire national economy in order to provide for high and lasting rationalization yields, are often of a long-term nature. That is why it is necessary to consider the possibility that in the forthcoming years it will not be easy to achieve such favorable results as last year. Enterprises must strive unceasingly to find new sources of savings. In any material decisionmaking, the management workers must keep in mind ways of achieving savings of materials and energies.

State Target Program 3--Rationalization of the Consumption of Metals for 1981--is being implemented favorably. Altogether, the planned savings of ferrous metals amounting to 328,660 tons was overfulfilled at 135 percent (actual amount, 444,888 tons), the planned savings of nonferrous metals of 8,549 tons was overfulfilled at 164 percent (actual amount, 14,064 tons). The FMHTS department contributed 220,905 tons for the planned [savings of] 174,230 tons of ferrous metals (127 percent) and 5,275 tons of nonferrous metals for the planned savings of 3,474 tons (151 percent). General engineering enterprises saved 108,153 tons (137 percent of the plan) of ferrous metals and 4,850 tons (176 percent) of nonferrous metals. In the electrotechnical industry, the savings of ferrous metals of 7,681 tons is seemingly small. Nevertheless, the plan was overfulfilled for ferrous metals at 110 percent and in the case of nonferrous metals at 135 percent by the amount of 2,198 tons as compared to the planned 1,630 tons in those productions operating with relatively small amounts of material, although material increasing in value considerably. Very substantial contributions came from the Department of Transportation (26,243 tons of ferrous and 31 tons of

nonferrous metals), FMPE [Federal Ministry of Power Industry ?, expansion unknown] (27,555 tons of ferrous metals and 211 tons of nonferrous metals) and from branches managed territorially by the by the CSR and SSR Governments and by okres national committees, which altogether showed substantial overfulfillment of the planned tasks.

Forty-eight specific actions were handled in 1981 within the FMHTS jurisdiction. Of this total, 32 actions were oriented to savings of ferrous metals, 5 actions to savings of nonferrous metals and 11 actions to concurrent savings of both ferrous and nonferrous metals. Predominantly, specific actions--64 percent--were oriented to machine building, namely, to improved designing, construction and technology. Major savings of metals was achieved by using progressive technical trends in construction and technology. That is a favorable phenomenon, because the goal of this program is not to "save at all costs."

In metallurigcal production of metals and their processing, a number of specific actions did not start until 1981 and the final level of savings will be reached only after the corresponding production processes have been put fully in operation. Decisive results will be obtained by carrying out certain state and departmental tasks of the planned development of science and technology. Among these, 17 specific actions began in 1981; these resulted in significant savings of metals in the first year, when the production was initiated. These actions include increases of the sets of continuous casting units at the SONP [United Steel Works, National Enterprise] in Kladno, utilization of pig iron in the slag processing plant in Vitkovice, savings of ingotmold material at the NHKG [Klement Gottwald New Metallurgical Works (in Ostrava Kuncice)], reduction of the balance weight of preform and heavy rolling mills in Vitkovice and rolling with minus tolerances at the TZ VRSR [Trinec Ironworks of the Great October Socialist Revolution].

In the area of machine building of the Federal Ministry of Metallurgy and Heavy Engineering, the state target program assumed that operations would begin in 33 specific actions. Savings of metals was achieved particularly by production innovations and by introduction of progressive technologies. By improving construction--for example, by using lighter profiles, by reducing overall weight and by cumulating the production and storage of material of the same kind--the SKODA Kraj Enterprise saved additionally in 1981 approximately 1,356 tons of ferrous metals; an additional 1,000 tons of ferrous metals was saved by rationalization measures in technology, for example, by switching from free forging to die casting, and other technological changes. Another example of successful rationalization actions was the unification of types of plunger pumps in the SIGMA concern. Their weight was reduced by innovation; a new series also solved the probelm of disunity and technological fragmentation of the production process.

Other departments shared in the implementation of the specific actions of State Target Program 3. One can mention the following as tangible examples:

--Modernization of UR-1 tractors with a savings of 7,860 tons of ferrous metals, and production of bearings made of argon steel with a savings of 1,880 tons of ferrous metals under the jurisdiction of the FMVS [expansion unknown].

--regeneration of rails produced under the jurisdiction of the Ministry of Transportation, with a savings of 24,392 tons of ferrous metals;

--innovation in microelectronics at the TESLA Kraj Enterprise in Roznov under the jurisdiction of the Federal Ministry of Electrotechnical Industry, with a savings of 112 tons of ferrous metals and 33 tons of nonferrous metals;

--in the area of fuels and power, the production of a new flexible air pipe at the OKD [Ostrava Karvinna Mines] in Ostrava, with a savings of 1,274 tons of ferrous metals;

--savings of 845 tons of ferrous metals by replacing them with thermoplastics in the area of the SSR Ministry of Construction; and

--introduction of the production of metal furniture of a new type at the Kovona National Enterprise, with a savings of 329 tons of ferrous metals and a half ton of nonferrous metals.

Investments in reconstruction and modernization, which are directly related to this program, show a relatively good return. In enterprises under the FNHTS jurisdiction, 16 specific actions, including 2 in metallurgy, required investment in 1981. This level is minimal; in the following years an increase is expected in the number of specific actions and the effects derived from them. The ratio of specific actions planned to secure savings of metals in individual departments varies considerably, from zero to 98 percent (in FMD) [expansion unknown, Federal Ministry of Transportation ?]. Big differences between individual jurisdictions must lead to a detailed analysis of the causes and to an exchange of experience. The biggest savings can be achieved in most cases only by selected, centrally controlled and well-prepared actions.

The implementation of the tasks of Rationalization Program 3 was influenced very positively by socialist competition. That is why it is necessary to continue considering the activities of the working people as an inseparable part of this state target program. In addition to this activity, it is also necessary to seek other actions involving the use of incentives and competition at the level of general directorates, enterprises and manufacturing establishments, in krajes and okreses, with the goal of promoting fast implementation of all progressive proposals. It is not a question of one-time actions. More economical use of metals is part of the daily struggle for higher efficiency of every industrial activity.

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CSO: 2400/308

## CENTRAL VILLAGE NATIONAL COMMITTEES DEFINED IN LAW

Prague SBIRKA ZAKONU in Czech No 10, 11 May 82 pp 185-190

[Text] Czech National Council Law No 49, dated 27 April 1982, by which the law concerning national committees is altered and supplemented and the authority of local national committees in central villages is modified.

The Czech National Council has adopted the following law:

Article I

Law No 69/1967 of the Laws of the CSSR, concerning national committees, in the version of the latest laws (the full version, No 28/1972 of the Laws of the CSSR), is changed and supplemented as follows:

1. Section 9 reads:

"(1) In a village, which on the reccomendation of an okres national committee is designated as a central village by a kraj national committee (hereafter referred to as a central village), the local national committee functions with expanded authority.

(2) With citizen agreement, a single local national committee can be established for several villages; the okres national committee makes the decision concerning this measure upon recommendation of local national committees.

(3) The kraj national committee may, on the recommendation of the okres national committee, designate that a local national committee for several villages have the authority of a local national committee in a central village."

2. In section 13, regulation a reads:

"a) a local national committee should have at least

9 delegates in villages of up to 300 inhabitants,
11 delegates in villages of up to 600 inhabitants,
17 delegates in villages of up to 1,500 inhabitants,
25 delegates in villages of up to 5,000 inhabitants,
40 delegates in villages with over 5,000 inhabitants"

Following a is inserted a new regulation, b, which reads

"b) a local national committee in a central village, or a town national committee, should have at least

25 delegates in villages of up to 1,500 inhabitants,
30 delegates in villages of up to 2,500 inhabitants,
35 delegates in villages of up to 5,000 inhabitants,
50 delegates in villages of up to 10,000 inhabitants,
60 delegates in villages of up to 20,000 inhabitants,
80 delegates in villages of up to 50,000 inhabitants,
85 delegates in villages of over 50,000 inhabitants"

Current regulations b, c, d and e are to be marked as regulations c, d, e and f.

3. The title of section 25, "The Local National Committee," is placed before the numerical designation of this section, and its paragraph 2 c reads:

"c) authorizes the relocation of sales outlets, establishes business hours and takes measures to assure the proper supplying of the population"

4. Following section 25 is inserted section 25a, which reads:

"Section 25a

The local national committee in a central village, in addition to the authority appropriate to it under Section 5

a) establishes, administers and liquidates small operations and, depending on the conditions, also service enterprises providing basic citizen services and the equipment or organization for the administration and maintenance of household property, if this is effective given the amount of this property;

b) expresses itself on proposed designs for okres development, on proposed medium-range and implementational economic plans and the budget of the okres national committee; the okres national committee being responsible for negotiating these proposals with the local national committees in the central villages and informing them concerning the adopted designs, economic plans and budget, and their fulfillment;

c) in relation to national committees managed by higher level national committees

1. it may request reports concerning their activity, insofar as it affects the living conditions of the village population and the tasks of the local national committee in the development of its territory;

2. it may request of organizations the negotiation of adjustments upon the determination of shortcomings in their activities, to the extent that this has led to a disruption of socialist legality or societywide interests and thereby threatening the justifiable needs or living conditions of the village population; these organizations are required to inform the national committee, within the

time allotted, how and when it will assure the elimination of the shortcomings;

3. it may request the imposing of disciplinary measures or another penalty on an employee responsible for shortcomings that were not eliminated within the time stated by the organization to the national committee;

4. it may authorize the siting and the initiation of activities for new operations or service facilities, and the expansion, limitation or elimination of services; following negotiations with organizations and with the appropriate organ of the Revolutionary Trade Union Movement, it may establish hours of operation for providing service to citizens;

5. it may express itself on proposals for the appointment and termination of managers of operations and facilities; in cases of serious or repeated shortcomings in the activities of the operation or facility, it may recommend the termination of its managers from their positions;

d) in relation to centrally managed economic, cooperative and other organizations:

1. it has the rights cited in regulation c 1,2,3 and 4;

2. it may recommend to the okres national committee the cessation of the performance of a resolution or other measure of a united agricultural cooperative that may be in conflict with the legal regulations or statutes of the united agricultural cooperative, with the agreement concerning cooperation or concerning the establishment of a joint agricultural enterprise;

3. it may express itself concerning the issuance of a permit to a united agricultural cooperative for the conduct of cooperative production on the territory of a central village;

4. it may recommend to the okres national committee that it request the convening of a special member meeting (of the committee of representatives) of a united agricultural cooperative to discuss serious matters relating to the interests of a central village."

5. In section 26, following paragraph 2 is a new paragraph 3, which reads:

"(3) The town national committee also performs the functions that fall to the local national committee in a central village (section 25a)."

Current paragraphs 3,4 and 5 are to be designated as paragraphs 4, 5 and 6, respectively.

6. Section 64, paragraph 1, reads:

"(1) City national committees, along with obvod national committees as well as local national committees in central villages, establish citizen committees. Local national committees in other villages may establish citizen committees, if this is required by the size of the territory or by special conditions of

economic and cultural development. Citizens elects members of citizen committees at public assemblies for a period of 5 years."

Article II

Czech National Council Law No 130/1974 of the Laws of the CSSR, concerning state administration in water management, is changed and supplemented as follows:

1. In section 3, paragraph 2, the introductory sentence reads:

"(2) Local national committees in central villages, and town national committees, if it is not a question of border streams."

2. In section 3, after paragraph 2 is a new paragraph 3, which reads:

"(3) Local national committees in other villages may discharge the function cited in paragraph 2, only on the basis of authorization by the kraj national committee, issued after discussions with the appropriate okres national committee in instances with the necessary conditions."

3. In Section 3, the current paragraph 3 is designated as paragraph 4.

Article III

Czech National Council Law No 129/1975 of the Laws of the CSSR, concerning the authority of the CSSR social security organs, is changed and supplemented as follows:

1. In section 5, paragraph 1, a sentence is added at the end that reads: "Local national committees in central villages and town national committees may, as administrative commissions, establish commissions for the care of families and children."

2. Regulation section 14 is designated as paragraph 1 and supplemented with a new paragraph 2, which reads:

"(2) The local national committee in a central village and a town national committee, through its commission for the care of families and children, provided the commission was established by the national committee,

a) makes decisions

1. concerning rebukes of a minor, his parents and citizens who disrupt his proper upbringing;

2. concerning the establishment of supervision over a minor,

3. concerning the assignment of limitations to a minor to prevent harmful influences on his upbringing,

b) performs tasks in the coordination of the activities of organs active in the care of families and children."

Article IV

Czech National Council Law No 77/1978 of the Laws of the CSSR, concerning state administration in education, is changed and supplemented as follows:

1. Section 5 is supplemented by paragraph 4, which reads:

"(4) The local national committee in a central village, in addition to the functions cited in paragraphs 1-3, with the agreement of the okres national committee also

a) establishes and terminates the elementary school,

b) sets up the school department and school apparatus, which it then administers."

2. Section 6, paragraph 1, reads:

"(1) The town national committee performs, in addition to the functions that belong to the local national committee in a central village (section 5, paragraph 4), the functions that according to section 10, paragraph 1, otherwise belong to the okres national committee."

3. In section 7, in paragraph 1 b, after the words "elementary school" are inserted the words "insofar as section 5, paragraph 4 does not imply something different," and in paragraph 3 a the citation in parentheses to "(section 5, paragraph 1)" is replaced with a citation to "(section 5, paragraphs 1 and 4)."

4. Section 8 is supplemented at the end with these words: "insofar as section 5, paragraph 4, does not imply something different."

Article V

Law No 60/1961 of the Laws of the CSSR, concerning the tasks of national committees in the assurance of social order, is changed as follows in the latest versions of the laws:

Section 20, paragraph 4, reads:

"(4) A crime is handled by that organ of a national committee responsible for the area where the crime occurred. Kraj national committees, okres national committees, town national committees and obvod national committees, as well as local national committees in central villages may, as an administrative commission, establish a commission for the handling of all or of several crimes. The members of these commissions are elected by the national committee from the ranks of its delegates and other citizens, above all those who have been recommended to it by social organizations. The chairman of the commission is a delegate of the national committee. The commission deliberates and decides in a three-member body; the majority rules."

Article VI

The functions of okres national committees, as cited in the supplement to this law, are transferred to the local national committees in central villages.

Article VII

This law takes effect 1 July 1982.

Kempny (signature)

Korcak (signature)

Supplement to Czech National Council Law No 49/1982, Laws of the CSSR, by which the law concerning national committees is changed and supplemented and the authority of local national committees in central villages is modified

The following functions belonging to okres national committees, here listed by item number and sector of state administration, are being transferred under this law to local national committees in central villages, according to the listed regulations and sections.

Item: 1

Sector: agriculture

Authority: Czech National Council Law (CNR Law) No 77/1976, section 3, paragraph 1 b

Function: identifying parcels of land in a village that should be declared a part of the agricultural land fund, the proclamation of parcels as parts of this fund, and the realization of measures toward their use for agricultural production

Item: 2

Sector: agriculture

Authority: Decree No 310/1951, Official Gazette of the CSSR (U.1.), section 1, paragraph 3

Function: issuance of permits to establish bee-pollinating stations

Item: 3

Sector: agriculture

Authority: U.1. Decree No 310/1951, section 2

Function: granting exceptions for the raising of other bee colonies in the protected obvod of a pollinating station

Item: 4

Sector: agriculture

Authority: Law No 102/1963, Laws of CSSR; Decree No 103/1963, Laws of CSSR, section 9, paragraph 4; section 9, paragraphs 1, 2

Function: approval of the fishing manager and his representative for a fishing ground and the issuance of passes to the fishing manager and his representative, the receipt of reports from the fishing manager concerning defects in fishery management

Item: 5

Sector: agriculture

Authority: Law No 102/1963, Laws of CSSR; Decree No 103/1963, Laws of CSSR, section 18; section 49, paragraph 2; section 50, paragraphs 2 and 3; section 51, paragraph 3; section 52

Function: approval of a fishing warden, who will take an oath before the committee, the issuance of certificates of approval of a fishing warden and of the taking of the oath; keeping a directory of fish wardens, issuance of the service pin of a fish warden, the collection of certificates and service pins of fish wardens who have ceased to perform protective service and the acceptance of announcements from organizations concerning the cancellation of this function

Item: 6

Sector: agriculture

Authority: Law No 61/1964, Laws of the CSSR; Decree No 62/1964, Laws of CSSR, section 25, paragraph 2; section 36, paragraph 3

Function: organizing of the performance of effective mass measures against dangerous outbreaks of plant pests or because of a justified fear of their dangerous spread

Item: 7

Sector: management of apartment and nonapartment spaces

Authority: Law No 41/1964, Laws of CSSR, section 57, paragraph 1

Function: issuance of approval for the exceptional subdivision of an apartment into two or more separate apartments

Item: 8

Sector: management of apartment and nonapartment spaces

Authority: Law No 41/1964, Laws of CSSR, section 57, paragraph 2

Function: issuance of approval for the use of an apartment or part of an apartment for other purposes than habitation

Item: 9

Sector: management of apartment and nonapartment spaces

Authority: Law No 41/1964, Laws of CSSR, section 67, paragraph 3

Function: decision concerning whether a certain apartment is of the nature of the nature of an ancillary apartment

Item: 10

Sector: management of apartment and nonapartment spaces

Authority: guidelines published in U.l. issue 42/1958, part I, point 2

Function: decisions concerning the allocation of nonapartment rooms to organs or organizations active in a central village, if in a single instance their floor area does not exceed 500 square meters

Item: 11

Sector: transportation

Authority: Law No 68/1979, Laws of CSSR; Decree No 100/1975, Laws of CSSR, section 29, paragraph 2a, section 33, paragraph 1

Function: granting permission to transport more than six individuals in the seating area of a motor vehicle designed for the transport of freight, if the transportation is not to extend beyond the area of authority of the okres national committee, and if it is not a question of the transport of dangerous materials

Item: 12

Sector: transportation

Authority: Law No 68/1979, Laws of CSSR, section 29, paragraph 2b

Function: granting permission for the operation of highway transport with nonmotorized vehicles

Item: 13

Sector: social security

Authority: CNR Law No 129/1975, Laws of CSSR, section 8a (8)

Function: decisions concerning support with the birth of a child to a pensioness, wife or other family member of a nonworking pensioner

Item: 14

Sector: social security

Authority: CNR Law No 129/1975, section 8a (9)

Function: decisions concerning contributions for the recreation of children of a nonworking pensioneer

Item: 15

Sector: social security

Authority: CNR Law No 129/1975, Laws of CSSR, section 8a (10)

Function: decisions concerning funeral payments on the death of a nonworking pensioner or a member of his family

Item: 16

Sector: social security

Authority: CNR Law No 129/1975, Laws of CSSR, section 8a (11)

Function: decisions concerning funeral payments on the death of an independent farmer, a cooperating member of his family or a family member

Item: 17

Sector: social security

Authority: CNR Law No 129/1975, Laws of CSSR; Decree No 130/1975, Laws of CSSR, section 15a (3), section 23, section 24

Function: decisions concerning the providing of monetary contributions and material assistance in the care of a family and children

Item: 18

Sector: social security

Authority: CNR Law No 129/1975, Laws of CSSR; Decree No 130/1975, Laws of CSSR, section 15c, section 18, paragraph 3

Function: performance of established supervision of children

Item: 19

Sector: social security

Authority: CNR Law No 129/1975, Laws of CSSR; Decree No 130/1975, Laws of CSSR, section 18a, (3), section 18, paragraphs 1,2

Function: decisions concerning the assignment of restrictions to a minor that will prevent harmful influences on his upbringing

Item: 20

Sector: social security

Authority: CNR Law No 129/1975, Laws of CSSR; Decree No 130/1975, Laws of CSSR, section 18b, section 14, paragraph 1

Function: fulfillment of tasks in the coordination of the activities of organs active in the care of families and children in a central village

Item: 21

Sector: social security

Authority: CNR Law No 129/1975, Laws of CSSR, section 32

Function: the provision of material assistance and monetary contributions to citizens who, due to extraordinary events, find themselves in especially difficult circumstances they cannot overcome by their own efforts or with the help of their families

Item: 22

Sector: social security

Authority: CNR Law No 129/1975, Laws of CSSR; Decree No 130/1975, Laws of CSSR, section 33; section 48, paragraphs 1,2; section 49, paragraph 1; section 51, paragraphs 1,2

Function: the provision of educational care, advisory services and, according to need, also material assistance and monetary contributions to citizens who are living in extraordinarily difficult conditions and therefore require the assistance of society to overcome the consequences and habits stemming from a different way of life in the past

Item: 23

Sector: fire protection

Authority: Law No 18/1958, Laws of CSSR, section 7

Function: decisions concerning the removal from use of things that due to their shortcomings threaten the fire safety of people or of property, in facilities in which these committees are authorized to carry out antifire inspections

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## REPORT ON FIRST HALF 1982 ECONOMIC PLAN FULFILLMENT PUBLISHED

East Berlin NEUES DEUTSCHLAND in German 16 Jul 82 pp 3-5

[Official text of "Report by the State Central Administration for Statistics on the Implementation of the 1982 Economic Plan in the First Half Year"]

[Text] In the first half of 1982 the GDR working people have achieved outstanding working results in further universally strengthening our socialist worker-peasant state. This expresses the unshakable confidence of the working people in the policy of the party of the workers class and the government. The decisions of the 10th SED Congress are being successfully implemented by the creativity, the numerous activities and the diligence of the workers, the cooperative peasants, the intelligentsia and the other working people. In this connection it is of great political and economic importance that the stable and dynamic development of the GDR economy is being maintained even under the unfavorable changes of the foreign economic conditions. On this basis the tested course of the main task in its unity of economic and social policy will be continued.

Great stimuli for successfully fulfilling the 10th party congress resolutions in all fields of social life have emanated from the tasks set by Comrade Erich Honecker, SED Central Committee general secretary, at the third plenum of the SED Central Committee and the conference of the Central Committee secretariat with the first secretaries of the kreis leaderships. They are reflected in increased economic achievements. The achievement of a considerable growth in performance and efficiency is evidence of the consistent application of the economic strategy of the 10th SED Congress.

In the socialist competition organized by the trade unions under the slogan "High performance growth by increasing labor productivity, efficiency and quality--everything for the benefit of the people and peace!" Many new ideas and initiatives have been implemented in preparing and evaluating the 10th FDGB Congress. The socialist competition experienced another upswing. Here the workers class has once again proved to be the leading force of socialist society. Thanks to the manifold initiatives of the working people of all fields of the GDR economy a significant lead in the plan was achieved in important fields. Industrial products amounting to M1.3 billion above the

plan targets have been made available for the supply of the people and the economy as well as for export. The industrial combines achieved a plan lead of 0.8 of a day of output in industrial goods production. This overfulfillment was achieved above all through making better use of domestic raw materials and with lower energy, raw material and industrial material funds than last year. Of particular importance is the fact that numerous enterprises and combines returned to the state part of the funds of raw materials, materials and financial resources that had been allocated to them under the 1982 plan.

Of great importance for continuing to strengthen the GDR economy's performance strength are the commitments of the working people as expressed in the letter of the general director and Central Committee party organizers from all centrally-managed combines of industry, construction, transportation and communications and from the bezirk-managed combines addressed from the Central Committee's Leipzig seminar to Comrade Erich Honecker, general secretary of the SED Central Committee. The commitments undertaken there are based on the unflinching will to implement with utmost consistency the 10th Party Congress resolutions aimed at the benefit of the people and to make use of the existing possibilities in every combine by mobilizing the combine's own forces. The cooperative peasants and the workers have made great efforts to secure supplies of foodstuffs for the people and raw materials for industry. In evaluating the 12th Farmers Congress the working people in agriculture concentrated, above all, on guaranteeing the growth of the yields in the field and in the stables with the planned assets and on improving the ratio of expanditures to results.

To increase the performance capacity of the GDR's economy it is of decisive importance that the qualitative factors of economic growth were increasingly used for the socialist intensification and rationalization. The economic performance growth was almost exclusively reached by increasing labor productivity. The ratio of expenditures to results was further improved. It is of decisive importance that the socialist planned economy is consistently adjusted to the requirements of the intensive development of the economy and that it reacts swiftly and flexibly to qualitatively new demands. Under the more complicated conditions, in particular, it has clearly proved its superiority.

The main path for solving the tasks of intensification of the social reproduction process is the purposeful use and the increased economic effectiveness of science and technology. New modern technologies, processes and products have been introduced into production by creative independent solutions of scientists and engineers. The higher refinement and processing of the available energy resources, raw materials and materials contributed considerably toward increasing the distributable finished product and toward reducing the production consumption.

The development of the material-technical base was done, above all, by modernization and renewal. Here microelectronics and robot technology were increasingly used for modernizing the existing technology and for the automation of entire

technological processes. At the same time this contributed to further improving the labor and living conditions. At present already 16,500 robots are being used in the economy.

The close cooperation with the USSR and the other fraternal countries in CEMA is a firm basis for implementing our economic political aims.

In implementing the program of specialization and cooperation of production between the GDR and the USSR through 1990, 16 further agreements on deepening cooperation were concluded in the first half of 1982, in particular in fields that determine scientific-technological progress. Thus at present there are 160 governmental and ministerial agreements between the GDR and the USSR on economic and scientific-technological cooperation. There is also successful cooperation with the other CEMA countries to implement agreements on specialization and cooperation in science technology and production.

Thanks to the working people's strenuous work our sociopolitical program was continued successfully despite disruptions and impairments from outside. Thus in the first half of 1982 alone, housing conditions were improved for 267,000 citizens. In line with the increased performances the net monetary income of the people have increased by over 3 percent since the beginning of the year. For the great social payments M1.7 billion more were made available from the state's social funds than during the same period last year.

The tasks of national defense and internal security and order were economically guaranteed as integral parts of the national economic plan.

The youth, with their high readiness for performance, their great creativity and social sense of responsibility in the mass movement "FDJ Assignment 10th Party Congress" have made an important contribution to the good economic development. In the performance comparison of the over 40,000 youth brigades under the slogan "Every Day With Good Results" the youth stood their test in the struggle for best performance and for opening up great reserves. Millions of citizens achieved significant results in the socialist competition of the GDR national front "Beautify Our Cities and Communities--Join in!"

In implementing the economic plan for the first half of 1982 the following main results were achieved (note 1: preliminary figures):

--Produced national income increased 3 percent. Industry, with an increase of the net product of 4 percent, accounted for the biggest share in the increase of national income. The increased use of the qualitative factors of economic growth on the path of socialist intensification and rationalization was of decisive importance for the continuous development of the produced national income. Over 90 percent of the growth of the national income was achieved by increasing labor productivity. The ratio between production consumption and produced national income was further improved.

--In the sphere of the industrial ministries production volume increased by 4 percent in the first half of 1982 compared with 1981 and in the national economy by 3 percent. The half-year plan for industrial goods production of the economy was fulfilled 100.7 percent and in the field of the industrial ministries 100.6 percent. The combines in the sphere of the industrial ministries produced M1.1 billion worth of goods above the plan. This plan lead was mainly achieved by making better use of domestic raw materials and the economical use of existing energy, raw material and industrial material resources as well as by increasing labor productivity.

--The further improvement of the expenditure-result ratio was of particular importance for increasing industrial performance capacity. This is reflected in the 2.1 percent overfulfillment of the targets for net production for the first half of 1982. The specific consumption of energy resources, raw materials and industrial materials which are of importance for the national economy was reduced by 6 percent. The basic material costs per M100 goods production were reduced to a greater extent than provided by the plan.

--Labor productivity increased in industry by 3.4 percent. The growth in production achieved results mainly from the increased labor productivity. In 18 combines the increase of the industrial goods production was achieved exclusively by increasing labor productivity.

--The tasks of the state plan and the enterprise plans as regards science and technology were fulfilled. The implementation time of many research and development tasks, including introducing them into production, was shortened. With application of scientific-technological results 245 million hours of working time were saved. This equals the working capacity of over 266,000 working people in this period.

--The level of quality of industrial production has been increased. Some M30 billion worth of industrial products with the "Q" quality label was produced. The use value and the operational convenience of a number of new products was increased.

--In the economy M22 billion was invested to improve the material-technological base in accordance with the plan and to continue the social policy. The investment activity was directed to a greater extent than in the past years toward the swift economic utilization of scientific-technological progress. Rationalization investments were increasingly carried out to modernize the existing basic funds and to increase their efficiency. The number of newly started investment projects has further decreased. This made it possible to shorten the implementation period and to reduce investment expenditure.

--Compared to the first half of 1981 production in the construction sector increased by 3.1 percent. The plan was implemented 100.7 percent. Here production consumption was reduced in absolute terms. The efforts of the working people to improve the expenditure-result ratio resulted in an overfulfillment of the net production plan by 4 percent. The planned basic material costs per M100 production in the construction sector were lower than provided in the plan.

--Altogether 89,217 apartments were built or modernized. The plan was overfulfilled by 3,342 apartments. In the centers of the workers class there was an above-average increase in the construction of apartments.

--Agriculture overfulfilled the state procurement plan for products of livestock farming in the first half of 1982 for poultry and eggs. For cattle and hogs for slaughter as well as for milk the planned procurement was not fully achieved. The spring sowing was in accordance with plan and was of a high quality.

--The working people of the transportation sector achieved further progress in shifting transport from roads to the railroad and inland navigation and in more rationally shaping the delivery and transportation relations. This resulted in an improvement of the transportation economy and a reduction of fuel consumption. The share of the railroad and inland navigation in the transportation of goods in inland transportation increased from 72 to 77 percent. The specific expenditure on transportation in the economy was reduced by 9 percent.

--As a result of the working people's great achievements in the production and foreign trade enterprises the GDR's exports rose by 10 percent. A considerable increase in the foreign trade turnover and favorable trade balance were achieved with the socialist countries. With a share of 39 percent, the GDR's foreign trade with the USSR was the most important part. Exports to the USSR increased by 11 percent. As a result of high growth rates in the exports to the developing countries and to the capitalist industrialized countries an increasingly positive trade balance was achieved with this economic area.

--The contribution of the state from social funds to improving the material and cultural living conditions of the population amounted to M31.1 billion. Thus compared with the first half of 1981, 5.8 percent more was spent for housing, for maintaining stable rents, for guaranteeing stable consumer prices, for basic goods and tariffs and for satisfying the growing health, social and intellectual-cultural needs of the population.

The net monetary incomes of the people increased by about M2 billion, that is, over 3 percent. The share of blue-collar and white-collar workers' earned incomes in the monetary income of the people has risen further.

--Retail trade turnover increased by M650 million to M49.5 billion. Services and repairs for the people increased by M130 million.

--In public education the quality and effectiveness of education were increased. The material and personnel conditions for the general education of children and youth were further improved. Altogether 755 classrooms and 9,993 places in kindergartens were made available.

--In the health and social services sector significant results were achieved in improving medical and social care. With the opening of the newly built Charite surgical center in Berlin new possibilities were created for complicated surgical procedures and for the treatment of acute illnesses and high-risk patients.

For outpatient treatment 159 places for physicians and dentists have been set up. Altogether 5,012 places in day nurseries and 1,835 places in old people's and nursing homes were created. A total of 180,000 adults and children were sent to a health resort.

--Physical culture and sports were universally promoted. Their mass character has further developed in all fields, in particular as regards children's and youth sports and leisure and recreational sports.

--The intellectual-cultural life has become richer and more varied. The artists and cultural workers have contributed toward further developing the socialist way of life with new works of literature and art.

The GDR capital Berlin will be further developed, with the strength of the republic, as the political, economic and intellectual-cultural center of the socialist GDR. The 14,000 youths delegated to the central youth project "FDJ Initiative Berlin" have a great share in this.

I. Industry

The planned stable and continuous development of industry continued as a result of the great initiatives and industriousness of the working people. The production volume in the sphere of the industrial ministries rose 4 percent in the first half of 1982 compared to 1981 and net production increased by more than 5 percent. The share of industry in the production of the national income and of the final economic product has further increased. The plan for industrial commodity production was overfulfilled in each month of the first half of 1982.

The state targets for industrial commodity output were fulfilled by 100.6 percent in the sphere of the industrial ministries. Thus M1.1 billion worth of products in excess of plan were supplied to the population, the national economy and for exports. This is equivalent to the production output of 0.8 days. This lead over the plan was achieved without fully exhausting the planned quantities of power, raw materials and materials.

The plan targets have been exceeded in all industrial sectors.

The plan tasks for industrial commodity output were not fulfilled by such centrally managed combines as the Magdeburg Karl Liebknecht Heavy Machine-building enterprise, the Leipzig Orsta Hydraulics Works and the Neustadt "Fortschritt" Agricultural Machinery Works.

| Enterprises subordinated to the following ministries: | Fulfillment of the state plan tasks for industrial commodity output for the first half of 1982 in percentages |
|---|---|
| Coal and energy | 100.7 |
| Ore mining, metallurgy and potash | 100.5 |
| Chemical industry | 100.8 |
| Electrical engineering and electronics | 100.8 |
| Heavy machine and installation construction | 100.2 |
| Machine tool and processing machinery building | 101.0 |
| General engineering, agricultural machinery and vehicle building | 100.2 |
| Light industry | 100.6 |
| Glass and ceramics industry | 100.3 |
| Geology | 103.0 |
| Bezirk-managed industry and foodstuffs industry | 100.8 |

The working people's efforts to improve decisively the ratio between expenditures and results are reflected in the overfulfillment of the plan targets for net production. In this context it is particularly important that basic material costs per M100 worth of commodity production were reduced in excess of the plan. Basic materials costing 99 percent of the planned figure were used for a savings of M650. With an increase in both industrial commodity production and net production 10 percent or more, combines such as the Schwedt Petrochemical Combine, the Carl Zeiss Jena Works, the Berlin Automation Equipment Building Combine, the Erfurt Microelectronics Works and the Leipzig Werner Lamberz Polygraph Works have a great share in developing the capacity of the national economy.

The planned industrial commodity output was fulfilled by 100.7 percent in the sphere of the bezirk economic councils. All economic councils of the bezirks have fulfilled or overfulfilled the plan for industrial commodity production. Some bezirk-administered combines such as the Stollberg Radio and Household Appliances Combine, the Magdeburg Koenigshuette Foundry and Stovebuilding Combine, and the Dresden Metal Goods Works have not fully fulfilled their plans. The planned sales of finished products to the population have been overfulfilled by M140 million.

In the first half of 1982 the range of consumer goods was broadened by new products which are distinguished by higher use value, easier operation and better design. Those combines which predominantly manufacture means of production have significantly contributed to all this by expanding their production of finished goods for the population and by exceeding their tasks for supplying component parts to consumer goods producers.

The working people in the coal and power industry have ensured a continuous supply of fuel and power to the population and economy with their great achievements. As a result of the intensification of the output in the opencast mines and of the opening of new capacities, the extraction of raw brown

coal was stepped up to 137 million tons, which is 3 percent more than in the first half of 1981. The plan targets for raw brown coal were exceeded by 1.6 million tons and those for sifted coal by 0.2 million tons. The overfulfillment of production plans for brown coal briquets totaled 112,000 tons, for low-temperature tar 5,300 tons and for pulverized brown coal fuel 19,900 tons. In the opencast pits raw brown coal has been stripped in excess of the plan to ensure stable supplies. The available powerplants output was safeguarded in keeping with the plan. The output of city gas rose 13 percent compared with the same 1981 period. The plan was exceeded, with 55 million cubic meters produced. It was possible with high achievements within the shortest time possible to overcome the effects of the breakdown at the gas purification plants of the VEB Schwarze Pumpe Gas Combine.

The working people of the geological industry have explored the planned increase in deposits to ensure supplies of domestic mineral raw materials and ground water. The natural gas extraction from GDR sources increased 5.1 percent. This is 248 million cubic meters gas more than in the same 1981 period.

The production plans for most of the important raw materials and subcontractor products were fulfilled or overfulfilled. Above-average high-increase rates were achieved, among other products, for high-pressure polyethylene, steel pipes, industrial transmission gears, devices and installations for monitoring regulation and control, and special technological equipment for the manufacture of electronic and electrical engineering products. The plan targets for microelectronics products were exceeded. The output of microelectronic products rose by 30 percent, including a 36-percent increase in the manufacture of monolithic integrated circuits. Additional prerequisites for a broad application of microelectronics in the economy were created through a dynamic production development in that area. More robot technology products than planned have been manufactured. Robot production doubled compared to the first half of 1981.

Labor productivity in industry rose 3.4 percent. The achieved production increase results predominantly from the increased labor productivity. A number of combines have achieved an increase in productivity of 8 or more percent. These include the following combines:

Berlin Automation Plant Building Combine, Carl Zeiss Jena Works, Erfurt Herbert Warnke Transformer Works, Leipzig Werner Lamberz Polygraph Combine and the Schwedt Petrochemical Combine.

A total of 28 combines have stepped up the growth rate of labor productivity compared to 1981.

The quality level of industrial production was further enhanced. Industrial products with the "Q" quality sign valued at M30 billion were manufactured. Numerous products newly introduced into production are helping to meet the advanced international standard with their use value, cost, lifespan, dependability and design. The 547 enterprises which bear the title of

Development of the Production of Major Products in the First Half of 1982 Compared With the First Half of 1981

| Product | Percentage |
|---|---|
| Electric power | 104.3 |
| Raw brown coal | 103.1 |
| City gas | 112.7 |
| Abs [thermaplastic resins] | 114.6 |
| Synthetic silks | 108.2 |
| Synthetic fibers | 102.4 |
| High-pressure polyethylene | 124.1 |
| Steel pipe | 105.1 |
| Cast steel products | 104.9 |
| Pumps | 104.8 |
| Industrial transmission gears | 108.7 |
| Fittings | 102.1 |
| Roller bearings | 106.0 |
| Appliances and installations for monitoring, regulation and control | 110.2 |
| Conveyor belts with textile insets | 108.4 |
| Cutting machine tools | 108.3 |
| Cold forming machine tools | 116.9 |
| Processing machines for plastic and elastic materials | 113.0 |
| Special technological equipment for the manufacture of electronic and electrical engineering products | 106.0 |
| Machinery and equipment for the textile, outerwear and leather industries | 100.8 |
| Color film for cameras and motion pictures | 110.4 |
| Household washing machines | 101.8 |
| Household refrigerators | 107.2 |
| Including household freezers | 119.3 |
| Small motorcycles up to 50 cubic cm | 106.4 |
| Color television sets | 116.9 |
| Textile flooring | 102.9 |
| Shoes | 102.2 |
| Hosiery | 102.9 |
| Household and hotel china | 106.9 |

"enterprises of excellent quality work" play a decisive role in the increase in quality. Costs for rejects, retouching work and warranty work per unit of commodity production were below plan. The capacities of the enterprises' own manufacture of rationalization means were expanded particularly through the employment of additional competent skilled workers, design engineers and technologists. The plans for the enterprise manufacture of rationalization means were exceeded in the industrial combines. Important prerequisites for a more rapid introduction of new scientific findings while using the enterprises' own forces have been created with a further development of the

enterprises' own manufacture of rationalization means. The industrial enterprises' own building departments are increasingly contributing to rationalization and to the preservation of assets.

Additional progress in a higher refinement of raw materials and materials have effectively contributed to improving the economical use of power and materials. Thus the increase in the output of products for supplies to the population, for the economy and for exports was achieved through a higher refinement with lower quantities, in absolute terms, of energy sources, raw materials and materials. Good results in manufacturing high-quality products and in cutting production expenditures have, above all, been achieved in the metallurgical and chemical industries. In the metallurgical industry 62 percent of the rolled steel produced was manufactured in the form of highly refined product varieties.

Multifaceted initiatives of the working people in the socialist competition and a tight management have helped to better comply with the further considerably increased requirements for a more rational use of power, raw materials and materials, and to reduce consumption. The specific consumption of economically important energy sources, raw materials and materials was cut by 6 percent compared with the 1981 period. This was decisively helped by the intensified application of material-saving techniques and technologies as well as by the multishift operation of modern equipment. The metal-processing industry has reduced the specific rolled steel consumption by more than 6 percent and consumed some 2 percent less rolled steel than in the first half of 1981, while at the same time increasing its output. The consumption of nonferrous metals, cast products and plastic materials was also reduced. The economic enterprises and installations have succeeded, through purposeful savings and an intensified replacement of imported energy sources with domestic ones, in reducing the consumption of fuel oil by 16 percent, of gasoline by 21 percent, of diesel fuel by 12 percent and of hard coal coke by 8 percent.

Good results have also been achieved in collecting and using secondary raw materials. The share of used secondary raw materials in the overall raw material consumption has been further increased. Increases of 17 and 19 percent in collecting zinc and aluminium, respectively, were achieved compared with the same 1981 period.

All this has been to a growing extent supported by the initiatives of the population. The quantities collected by the population amounted to roughly one-fourth of the scrap aluminium, more than 40 percent of the waste paper, 95 percent of the bottles and glass and more than one-half of textile waste of the overall quantity procured. The results in collecting secondary raw materials still vary in the sectors and branches of the national economy. In the "economic use of materials" drive, the members of the FDJ and of the Ernst Thaelmann Pioneer organization are making a considerable contribution to an intensified collection of secondary raw materials.

The utilization of production equipment in terms of time totaled an average of 15.1 hours per calendar day in industry. Better utilization results than 1981 were scored particularly with the new machines and plants in the

metal-processing industry. The number of combines and enterprises where the production equipment is being used in three full shifts has further increased in that sector. An increase in the utilization level was particularly noted at the Leipzig Werner Lamberz Polygraph Combine, the Leipzig TAKRAF Heavy Machinery Combine, the Karl-Marx-Stadt Fritz Heckert Machine Tool Combine and at the Hermsdorf Ceramics Works.

It is possible to develop considerable reserves by transferring the experiences of these combines which are performing exemplary work in the time utilization of production equipment.

The results in the saving of materials, power and human labor are reflected in a reduction of costs. The overall prime costs per M100 of commodity production were further reduced compared with the first half of 1981. Most combines have undercut the planned overall prime production costs per M100 of commodity production and have obtained cost savings totaling more than M700 million. Playing a special role in this are the Riesa Pipe Combine. The Wolfen Photochemical Combine, the Erfurt Microelectronics Combine, the Magdeburg Gear and Clutch Building Combine, the Karl-Marx-Stadt Household Appliances Combine and the Weisswasser Lausitzer Glass Combine.

Some combines such as the Schkupau Buna Chemical Works, the Suhl IFA Two-Wheel Vehicle Building Combine and the Heidenau Cellulose and Paper Combine impaired the overall good results by exceeding costs. The working people of water management ensured supplies of drinking water for the population and of industrial water for all sectors of the national economy.

The planned measures for improving water supplies and the treatment of waste water as well as for ensuring the apartment building program have been carried out. Through planned investments and achievements by the people more than 13,000 households were hooked up to central drinking water systems. The alert forces of water management, in collaboration with the forces of civil and defense and the national Peoples Army [NVA] and with voluntary helpers, performed great exploits in warding off the icy floods of the Oder River early this year. Flood protection for the population and the national economy was guaranteed.

## II. Science and Technology

During the first half of 1982 the economic effectiveness of science and technology for solving national economic tasks was enhanced. Through an examination of the objectives of all scientific-technical tasks the research and development potential was more strongly focused on the economically urgent tasks, the targets related to the development and production of top products, to the replacement of economically ineffective imports, and to the improvement of the thrifty use of material and power, in addition to shortening the time period for implementing research and development tasks and introducing them into production. Two-thirds of the research and development tasks now have implementation deadlines totaling 2 years or less.

The output of top products for the economy's own use and for exports increased by 13 percent compared with the same 1981 period and thus grew more rapidly than commodity production as a whole. As a result it was possible to further improve the effectiveness of the production and export structure, particularly through higher-grade refinement.

A total of 245 million work hours were saved in the economy through the application of scientific-technical findings. This is the equivalent of the labor potential of 266,000 working people in that period. This was also helped by the use of industrial robots and microelectronic control devices within the framework of the technological transformation of production and manufacturing. Thus the increase in productivity was in essence brought about by the utilization of the findings of science and technology.

As a result of the remodeling and new fashions of 114,000 work places on the basis of the findings of the scientific labor organization [WAO], easier working conditions went into effect concurrently with increases in productivity. Difficult physical working conditions and unhealthy conditions have been eliminated for another 11,000 working people.

The application of scientific-technical findings to save power resulted in a reduction of specific energy consumption totaling 6.7 million tons of raw brown coal. At the same time solutions were found to replace fuel oil and imported solid fuels with pulverized brown coal dust, brown coal high-temperature coke and raw brown coal, and a start was made in using them productively.

Through an improvement of the expenditure-result ratio, the application of norms for materials consumption which meet advanced scientific-technical standards, the introduction of microelectronics and the employment of more highly refined varieties of materials, we obtained a reduction in the consumption of rolled steel by 210 kilotons, and savings of cast products by 25 kilotons, of aluminium by 5 kilotons, and of cement by more than 200 kilotons.

The economic efficiency level of science and technology was further enhanced through the purposeful elaboration and broader utilization of scientific-technical findings in order to improve the economical use of power and materials, combined with a reduction in the consumption of imported materials and raw materials whose prices are increasing.

The tasks of the state plan for science and technology as well as the combines' plans for science and technology beyond the state plan were fulfilled. A total of 929 tasks of the state plan for science and technology were fulfilled in keeping with the plan and another 43 tasks were fulfilled ahead of schedule. This is 41 percent of the tasks planned for this year.

The proper prerequisites were created, with the research and development findings introduced into production in the first half of 1982, for an annual production volume of new top quality products for supplies to domestic consumers and for exports with a total value of M12 billion.

The required level--compared with world standards--has not yet been achieved everywhere with respect to introducing new production. In many cases too much time still elapses between the start of research and development work and the full impact of the findings on production. The conditions required to produce new products on the scale required for the economy and for effective exports and supplies are often not created purposefully enough.

Some combines have failed to fulfill the plans for science and technology by the end of the first half of the year. This particularly concerns the Dresden Pharmaceutical Combine, the Berlin "7 October" Machine Tool Building Combine, and the Karl-Marx-Stadt Household Appliances Combine.

The economically important findings of science and technology introduced in the first 6 months of 1982 include the following:

--more highly refined metallurgical products, including precision pipe, new varieties of steel rods, superfine copper wire for the electronics industry as well as spring band steel;

--the process for the floating method for pulling of large-diameter silicon crystals, the introduction of new microelectronic circuits and the broadening of the range of passive components in keeping with the requirements for the use of microelectronics;

--expanding the use of industrial robots in integrated production sections of the metal-processing industry, for rationalizing the manufacture of machinery for chemical plant construction, in maintenance work and spare parts manufacture, in the production of drawn parts, and in welding processes in the production of gas appliances;

--processes for reducing heating-fuel consumption in generating electric power and introducing energy- and water-saving refining processes in the textile industry.

Newly developed color TV sets, high-quality clocks and watches, highly refined materials for fashionable clothing, new living room and upholstered furniture, and home tools helped to expand the supply of consumer goods.

The findings of practice-oriented basic and applied research at the GDR Academy of Sciences and at universities and colleges have created a lead in economically important areas for the future development of performance and effectiveness. This particularly applies to work on developing new solutions for robots, processes and elements of microelectronics, as well as for using domestic raw materials and for replacing specific materials of which sufficient quantities are not available. The academy of sciences, universities and colleges have worked out 33 top results within the framework of the state plan for science and technology and have handed them over to combines for utilization.

Cooperation with the USSR and the other CEMA member countries greatly helped to solve the tasks of science and technology. The targets defined by government and ministerial agreements were reached and cooperation with the USSR was

further developed, particularly in the fields of microelectronics, robot technology and energy and material-saving techniques. This cooperation contributes significantly to accelerating scientific-technical progress in the GDR.

A further increase in patent registration is an expression of the higher technical level of research findings. The number of inventions registered for patents increased by 14 percent compared with the same 1981 period.

The scientific-technical creative activity of youth was more intensely focused on solving demanding tasks from the plans for science and technology through the movement of the Fair of the Masters of Tomorrow and the FDJ initiatives "Economical Use of Materials," "Microelectronics" and "Industrial Robots." The centrally assigned youth projects of the state plan for science and technology were undertaken according to plan in the first half of 1982.

More than one million working people participated in the innovators' movement in the national economy. An annual benefit of M2.6 billion will be achieved with the innovations put into practice in the first half of 1982.

III. Investments

A total of M22 billion were invested in the national economy to perfect the material-technical base according to plan, particularly for its modernization and to carry on social policy. The available investment means were employed with greater national-economic effectiveness.

Investment activity was aimed more than in the preceding years at a quick economic utilization of scientific-technical progress. For such sectors as microelectronics, robot technology and the refinement of raw materials 15 percent of industrial investments were used. Thus important prerequisites were created for improving the technical and technological level of production, especially by the automation of entire production processes, as well as improving the expenditure-result ratio. In the first half of 1982 the number of robots used in the economy increased to 16,500.

More rationalization investments were carried out to modernize the existing basic assets and to increase their effectiveness. Their share in the total investments of the producing sectors was 41 percent. This was effectively supported mainly by a substantial increase in the enterprises' own production of rationalization means. Twenty percent of the equipment investments in the industry ministries' sector are the result of production of rationalization means within the enterprise. This has helped raise numerous existing plants to a completely new production level and further improve the ratio between the saving of existing jobs and the creation of new jobs.

In machine building and in the bezirk managed and foodstuffs industries, more jobs have been saved than were newly created.

With the increasing emphasis on modernizing existing basic assets and on the intensified application of modern construction-technological solutions, it was possible to reduce the share of construction in investments.

Investment activity focused on the speedier completion of projects already under construction. The number of newly started projects was further reduced. This made it possible to shorten the periods of implementation and to reduce the investment expenditures.

A large number of units were put into operation ahead of schedule and had a positive effect on increased output. The technical-economic goals have been overfulfilled at a number of projects and the earmarked start-up times were shortened.

The planned increase in goods production from centrally planned investment projects was achieved. It amounted in the first half of 1982 to M1.9 billion. One hundred and forty-five units from centrally-planned investment projects went into permanent operation; 19 were completed ahead of schedule. The putting into operation of 22 microelectronics units and 8 refinement units is of great importance for a high economic effectiveness.

The facilities put into operation in the first half of 1982 include:

--mining facilities for safeguarding the energy and raw materials production for crude brown coal at the Delitzsch-Southwest and Cottbus-North open pit mines, units for producing rock salt at the Stassfurt VEB "Saale" Potash and Rock Salt Works, as well as for producing chlorine and soda lye at the Bitterfeld VEB Chemical Combine;

--facilities for the higher refinement of energy resources, raw materials and materials, such as the Konti Wire Rod Mill at the VEB Brandenburg Steel and Rolling Mill Works; units for the production of aluminized strip steel at the VEB Bad Salzungen Cold-Rolling Mill Works; of higher-quality motor gasoline at the "Walter Ulbricht" Luena Works; of chemical fiber cellulose at the VEB Pirna Associated Chemical Pulp Works; and spinnable chips for polyester fine silk at the VEB "Herbert Warnke" Chemical Fiber Works in Guben;

--units for manufacturing microelectronics and electrical engineering products such as solid-state circuits and chips at the VEB Erfurt Funkwerk (Radio Works); silicon diodes at the VEB "Wilhelm Pieck" Microelectronics Works in Muehlhausen; silicon transistors and solid-state circuits at the VEB Frankfurt/Oder Halbleiterwerk (Semiconductor Works); integrated circuits at the VEB Hermsdorf Center for Microelectronics Research and Technology;

--facilities for subcontractor products such as electric motors at the VEB Wernigoerode Electric Motor Works; high-performance cables at the VEB Nord Cable Works at Schwerin; roller bearings at the VEB "Willy Saegebrecht" Roller Bearings Works at Luckenwalde; ballbearing slewing rims at the VEB Eberswalde Crane Building Works, and controls at the VEB Erfurt Power Plant Construction Enterprise;

--facilities for capital goods such as cutting machine tools at the VEB Aschersleben Machine Tool Factory, shaping machine tools at the VEB Zeulenroda Machine Tool Factory, modern crushing machines at the VEB Ernst Thaelmann Heavy Machine Building Combine in Magdeburg, and packing machines at the VEB Magdeburg Beverage Machine Building Enterprise;

--units for consumer goods, such as for the production of quartz watches and clocks at the VEB Ruhla Clock Works, household refrigerators at the VEB Scharfenstein DKK, color TV sets at the VEB Friedrich Engels Television Works in Stassfurt, functional and ornamental lamps at the VEB "Rosa Luxemburg" NARVA Combine in Berlin, men's shoes at the VEB Meissner Shoe Factory, and household and ornamental chinaware at the VEB "Weimar-Porzellan" Porcelain Works.

In the Herman Matern Strip Steel Combine in Eisenhuettenstadt, the Wolfen Photochemical Combine, and Buna Chemical Works some units were not put into operation on schedule.

The investments for housing construction, education, public health and social services, culture, recreation, physical culture and sports amounted to M6 billion. The newly constructed facilities that were put into operation included 31 secondary schools and 1,500 work, seminar and lecture hall places. With the Charite surgery center, 1,156 beds, 24 operating theaters, diagnostic stations and research laboratories were put into operation. Thanks to the newly-built bezirk hospital in Karl-Marx-Stadt with 776 beds, treatment and diagnostic facilities, the medical care in this workers' center was tangibly improved. Numerous central pioneer camps were reconstructed. Thus better conditions were created for organizing holidays.

The reconstruction measures at the Platz der Akademie and the new construction of the Friedrichstadt Palace in the capital city Berlin, and reconstruction of the Semper Opera in Dresden, were continued according to plan. The building of an Inter-Hotel in Dresden has begun.

IV. Construction

The working people in the construction sector overfulfilled the plan targets every month.

Building production increased 3.1 percent compared with the first half of 1981. The plan was fulfilled 100.7 percent. The accomplished lead in plan fulfillment is equivalent to 0.8 percent of daily output. At the same time it was possible to reduce the absolute production input.

High increases in production and good results in plan fulfillment were achieved by: the Sued Building and Assembling Combine in Leipzig, the Halle Chemistry Building and Assembling Combine, and the Gera and Suhl Housing construction combines.

In industrial production the share of construction work in rationalization and reconstruction projects has further increased. The building volume of industrial enterprises having construction departments of their own went up 6 percent compared with the first half of 1981.

The plan targets of the production of building materials and products of the prefabrication industry were fulfilled 100.9 percent.

The performance and production increase has been accomplished primarily through better utilization of the qualitative factors of economic growth. The endeavors of the working people to raise effectiveness, and to improve the ratio of expenditures to results led to an overfulfillment of the net production plan by 4 percent. Here it is of great importance that the basic material costs per M100 worth of production in the construction sector were kept below the target figures.

The labor productivity plan targets in the construction sector were overfulfilled in the first half of 1982. An important factor in this was the fact that 253 pilot projects of the science and technology state plan and enterprise plans were introduced into production. The introduced measures resulted in a reduction of the specific construction expenditures and a shortening of building times as well as the implementation of energy-saving construction. The use of rolled steel was reduced by 4 percent, that of timber by 3 percent and that of cement by 3 percent.

A total of 89,217 apartments were newly built or modernized. The plan was overfulfilled by 3,342 apartments: 58,909 housing units have been newly built, including 7,830 privately-owned houses, and 30,300 apartments were modernized. The plan targets for the construction of new housing units have been fulfilled or overfulfilled in all bezirks except Dresden.

The following community facilities were newly built: 5,012 nursery places, 9,993 kindergarten places, 755 classrooms and 48 gymnasiums at general-education secondary schools. For old citizens 1,835 places in old-age and nursing homes and 1,628 places in rooming houses have been completed. Thus the plan targets for the construction of new community facilities were overfulfilled. In some kreises the plan targets have not been completely fulfilled, or target requirements for specific locations have not been completely met.

The volume of repairs of apartment buildings went up 7 percent compared with the corresponding period of 1981. The plan was overfulfilled. The people contributed with endeavors of their own, within the framework of the "join in" competition, toward improving housing conditions. Thus 60,000 apartments were modernized for old and handicapped citizens.

In the capital city Berlin 9,217 apartments have been newly built or modernized. The overall building volume plan targets of the building enterprises of the GDR bezirks for the capital were overfulfilled on the whole. An important contribution to this was made by the young building workers in the "FDJ Initiative Berlin."

## V. Agriculture, Forestry and Foodstuffs Industry

The cooperative peasants and workers in agriculture, forestry and the foodstuffs industry have made great efforts to ensure the supply of the people with foodstuffs and of industry with raw materials. In preparation for, and evaluation of, the 12th Farmers Congress, many activities and new initiatives have been launched by the working people in agriculture, which are mainly aimed at ensuring the fulfillment of higher yield targets in the fields and stables with the planned assets, and at improving the expenditure-result ratio. Exemplary for this are the experiences that have been gathered in the LPG's of Demmin Kreis. By utilizing such experience and by performance comparison between enterprises, large reserves can be tapped for increasing production and effectiveness, and unjustified differences can be overcome.

At a great number of cooperatives and state farms high performances and a high effectivity was achieved.

In the first half of 1982 the state procurement plan for animal products was overfulfilled for poultry and eggs. Regarding cattle and hogs for slaughter and regarding milk the planned procurement figures were not fully reached.

| | Fulfillment of the half-year state procurement plan 1982 | |
|---|---|---|
| | Kilotons | Fercent |
| Animals for slaughter, total | 1,162 | 98.1 |
| Including: Poultry | 84 | 106.5 |
| Milk | 3,717 | 95.1 |
| Eggs (in millions) | 2,689 | 105.4 |

On 30 April 1982 the following livestock was in existence:

| | Number of animals in millions |
|---|---|
| Cattle, total | 5.8 |
| including: Cows | 2.1 |
| Hogs | 11.4 |
| Sheep | 2.5 |
| Egg-laying hens | 27.8 |

An important contribution toward improving the people's supply with fruit, vegetables, eggs, honey and white meat, and of industry with wool, hides, and feathers, was made by the cooperative peasants and workers working private plots, and by the more than 1.1 million small gardeners, settlers and small livestock breeders and other small producers.

The spring sowing was in accordance with plan and of a high quality. Summer grain was sown on 953,000 hectares. This includes 299,000 hectares which due to winter damage had to be resown anew. Thus 2.5 million hectares are sown with

grain in accordance with the plan. In accordance with the targets, 505,000 hectares were planted with potatoes, 258,000 hectares with sugarbeets and 367,000 hectares were sown with green corn and corn for silage.

As a result of amelioration work the water regulation was improved on 32,000 hectares of agricultural land and thus the yield was increased.

In the production within the cooperatives of rationalization means an increase to 112 percent was achieved in the fields of agriculture, forestry and foodstuffs.

The working people of the foodstuffs industry implemented the plan of the industrial goods production 100.5 percent.

Forestry made available 4.8 million cubic meters of raw timber for the national economy. It fulfilled the annual plan 51 percent. As a result of the great efforts of the working people in forestry, of the FDJ action "healthy forest" and of the support of cooperative peasants and of additional forces, enterprises and institutions and of voluntary work by the population, the targets for eliminating snow and wind break damage were fulfilled in the first half year with 1.4 million cubic meters of the 2.6 million cubic meters of raw timber planned for 1982.

The necessary measures for the protection of the forests against forest pests were successfully implemented.

VI. Transportation, Postal Affairs and Telecommunications

The working people of the transportation sector achieved further successes in shifting transport from the roads to railways and inland navigation and in more rationally shaping the delivery and transportation relations. This resulted in improving the transportation economy and in reducing fuel consumption.

Compared with the first half of 1981 the amount of transported goods was reduced by 52 million tons to 475 million tons of goods altogether. The share of the railroads and inland navigation in the goods transportation performance in domestic transportation increased from 72 to 77 percent. The specific transportation expenditure of the national economy was reduced by 9 percent.

The railroad transported 158 million tons of goods. Altogether 3 percent more goods were loaded than in the first half of 1981. A number of freight stations and branch lines were reopened to further reduce the fuel-intensive road traffic. Thus a significant number of enterprises with transportation intensive production were connected to the railroad network. In the first 6 months, 93 kilometers of the railroad network were electrified. With the electrification of the Seddin freight station, one of the most efficient switching yards for GDR freight transportation and for the transit traffic has been included in the electrified network. The share of transportation carried out with the electric locomotives rose from 21 to 25 percent. The increased use of electric locomotives resulted in a saving of diesel fuel.

Reserves for a further increase in the performance of the railroad lie above all in the higher utilization of the freight cars and in particular in the acceleration of the freight car turnover by keeping to the schedules for loading and unloading the freight cars.

Altogether 8 million tons of goods were transported by inland navigation. A considerable increase in performance was achieved in the second quarter of 1982.

In road transportation it was possible to reduce the amount of goods transported by over 50 million tons. The demands of the economy were met by the public transportation. Enterprise transportation was--in accordance with its tasks--mainly used in the local traffic.

In the GDR harbors 7 percent more goods were loaded than in the first half of 1981. The planned loading time was undercut.

Public transportation services carried on average 11 million people per day. In commuter and local traffic the quality of service was raised by an improved division of labor among the means of transportation in particular in the cities and densely populated areas, with priority being given to rail transportation.

Altogether 160 streetcars and 137 coaches were included into the network. New residential areas were developed for transportation.

The contributions of the postal and telecommunications sector increased by 4.8 percent. Thus the plan targets were overfulfilled. In the teletype and telephone sectors the contributions rose by 6 percent. About 18,000 main telephone connections, including 4,000 in the GDR capital, were installed.

Television transmitted 89 percent of its program hours per week in color and radio transmitted 407 hours in stereophonic sound.

## VII. Foreign Trade

As a result of the high achievements of the working people of the combines, enterprises and foreign trade enterprises, GDR exports rose by 10 percent. A considerable increase of the foreign trade turnover and a favorable trade balance was achieved with the socialist countries.

Foreign trade with the USSR and the other CEMA member countries formed the firm basis for the economic development of the GDR. The biggest trade partner of the GDR is the USSR with a share of 39 percent in the foreign trade turnover. Exports to the USSR increased by 11 percent. The plan for exports to the USSR was fulfilled 101.4 percent.

With the purposeful implementation of the program of specialization and cooperation of the production between the GDR and the USSR through 1990 the qualitative level and the rate of growth of the mutual deliveries are increasingly determined by the research and production cooperation on the basis of agreed plans.

Within the framework of socialist economic integration further measures went into effect for securing the raw material and energy base on a long-term basis for the supply of the population with consumer goods, for the development of the economic and scientific cooperation as well as of the specialization and cooperation of production.

Work on the "natural gas pipeline" central youth project in the Soviet Union was started.

Cooperation with the developing countries in the economic and scientific technological fields was further developed on the basis of equal rights and mutual advantage.

High growth rates were achieved in exports to the developing countries and to the capitalist industrialized countries. Thus a favorable trade balance of over 1 billion valuta marks was achieved with these countries.

Not everywhere was production sufficiently oriented toward products that are qualified for the world market and are profitable in foreign exchange terms in order to meet the demanding market requirements.

VIII. Development of the Material and Cultural Living Standard of the People

Thanks to the strenuous work of the working people our sociopolitical program was successfully continued despite interference and impairment from outside.

With the continuation of the housing program the living conditions for 267,000 citizens, in particular in the workers class centers, were improved. The newly built or modernized apartments were, above all, given to workers, young couples and families with many children.

In the first half of 1982, 120,824 children were born.

Payments by the state from the social funds for improving the material and cultural living conditions of the people amounted to M31.2 billion, that is, 5.8 percent more than in the same 1981 period. All in all M5.1 billion was made available for the housing sector and to maintain stable rents, M9.7 billion to guarantee stable consumer prices for essential goods and tariffs and M16.3 billion to satisfy the growing health, social and intellectual-cultural demands of the people. The expenditures for kindergartens and day nurseries amounted to M1 billion and for school meals, to M425 million.

Net monetary incomes of the people increased by M2 billion, that is, over 3 percent. The share of earned income of the workers and employees in monetary income of the population was further increased. In the centrally managed enterprises of the industrial ministries an average end of the year bonus of M832 was paid per worker and employee for 1981.

Retail trade turnover rose by M650 million to M49.5 billion. The supply of the people with basic foodstuffs was guaranteed according to plan.

Quantitative Procurement of Goods for Essential and Nonessential Food and Beverages in the First Half of 1982 Compared to the First Half of 1981

| | In percent |
|---|---|
| Meat, meats and sausages | 101 |
| Fresh vegetables | 105 |
| Fresh fruit | 100 |
| Sugar | 113 |
| Fish and fish products | 101 |
| Fat cheese | 101 |
| Eggs | 104 |
| Whole milk | 101 |
| Alcoholic beverages | 104 |
| Wine and sparkling wine | 100 |
| Roasted coffee | 104 |

In close cooperation with the trade enterprises the industrial combines have further improved the supply of the people with industrial consumer goods. Numerous new products were made available for the people, products which are marked by solid production quality, durability, high efficiency, low repair expenditure and attractive design.

For a number of products the planned growth rates were surpassed.

Quantitative Procurement of Goods From the Domestic Production and Imports in the First Half of 1982 Comared with the First Half of 1981

| | In percent |
|---|---|
| Color television sets | 102 |
| Motorcycles | 123 |
| Household freezers | 118 |
| Washing machines | 103 |
| Electric stoves | 104 |
| Bicycles | 105 |
| Tires for bicycles | 105 |
| Gasoline | 109 |
| Wallpaper | 104 |
| Knitted underwear for babies | 106 |
| Diapers | 105 |
| Cellulose diapers | 130 |
| Ladies shoes | 100 |

In accordance with the differentiated development of demand, goods in all price groups have been made available. Here the products of the medium-price groups with a solid standard quality formed the main part of the goods supply.

Services and repairs for the people were carried out to the value of M2.7 billion. This equals an increase by M130 million, that is, 5 percent. The enterprises of the cooperative and private small business increased their services and repair work for the people by 5.1 percent and the state-owned service enterprises by 4.7 percent. About two-thirds of all services and repair work for the people were carried out by artisan enterprises.

Repair services, in particular of technical consumer goods, increased to 103.4 percent; of these, electrical household appliances repair increased to 106.4 percent. Automobile repairs for the people increased to 102 percent. The demand of the people for textile cleaning services was covered with short delivery times.

In popular education the quality and effectiveness of education and training has been increased. The polytechnical nature of the secondary schools was further developed. The material and personal conditions for the general education and training of children and teenagers have improved. A total of 755 classrooms, 48 school gymnasiums, 90 boarding school places and 9,993 kindergarten places were newly established.

School meals and milk supply were ensured at all schools. Three-fourths of the pupils and students participated in the school meals program, and two-thirds in the milk program.

The polytechnical training of the students has been further improved.

The students of the 7th to 10th grade were taught by 9,445 full-time and 26,400 part-time teachers.

In the field of vocational training good results were achieved through a variety of initiatives by teachers and instructors in training fully qualified young people for all sectors of the economy. For everyone who leaves school an apprenticeship or study place is available. Eighty-seven percent of the students who start a vocational training have completed the 10th grade of secondary school. Training for apprentices is provided in 290 vocations. To perfect the material-technical conditions in vocational training, 46 classrooms and 2 gymnasiums as well as 832 places in apprentice homes have been newly provided. One-fourth of the apprentices live in apprentices homes.

In higher and technical schools effective work has been done to ensure the training and communist education of the students and the young generation of scientists at a high professional level.

Through more precisely specified teaching programs and teaching subjects, education was improved and the level of specialized education was raised. The universities and higher schools contributed toward putting important

research results more quickly to practical use, thus accelerating the scientific lead. The cooperation, based on the principle of division of labor, with the practical sphere, especially with the combines, was intensified on the basis of comprehensive contracts.

The advanced training of university and technical school cadres was specifically developed and focused on national economic key points. This applies especially to the acquiring of knowledge in the field of microelectronics. The working, study and living conditions at the higher and technical schools were further improved; 1,500 work, seminar and lecture hall places were newly provided.

In the health and social services sector the quality and effectiveness of medical care for the people has been further improved. The improvement of medical care was focused primarily on basic medical care in the big cities and industrial centers. By putting into operation the Charite surgical center in Berlin, new opportunities were provided for further developing the specialized and highly specialized medical care, as well as for raising the level of teaching and research. In the Charite the number of annual operations increased from 13,000 to 18,000 and the treatment of intensive-care patients from 2,000 to 7,000.

In outpatient medical care, further progress has been made through raising the number of physicians especially in the specialties of general medicine, pediatrics, neurology, psychiatry and stomatology. At numerous health institutions the early morning, late afternoon and Saturday consultation hours were extended. Ninety-six outpatient facilities for physicians and 63 for dentists were newly provided. At the 3,000 enterprise health clinics 6 million working people are given medical care, that is, over two-thirds of all working people.

Some 180,000 adults and children were sent to health resorts, mostly shift workers and working women.

Special social care was given to working mothers and their children. A total of 5,012 places at nurseries were newly established.

Further progress was made in care for mentally and physically handicapped persons. Special supportive treatment was provided at appropriate institutions for 13,500 mentally handicapped children and teenagers. About 35,000 seriously and extremely seriously handicapped citizens are working in protected workshops and enterprise departments, or at protected individual working places, including 30,500 at production enterprises.

The housing and living conditions of citizens of retirement age have been further improved. For elderly citizens and citizens in need of care, 1,835 places in old-age and nursing homes have been provided, as well as 1,628 places in rooming houses.

Physical culture and sports have been generally promoted. Their mass character has been further developed in all sectors, especially in children's and youth sports as well as in leisure-time and recreational sports. More than 4 million

people participated in manifold ways in sports activities. The GDR German Gymnastics and Sports Federation (DTSB) increased its societal effectiveness especially by the establishment of new sports communities, sections and sports groups. Nearly all children and teenagers participated in the 18th Kreis Spartacus Games in a great variety of sports.

In world and European championships the GDR athletes won a total of 14 gold, 19 silver and 13 bronze medals.

The intellectual-cultural life has become higher and more multifaceted. With new works of literature and art, the artists and cultural workers have contributed toward the further specific development of the socialist way of life.

The 19th Workers Festival and the cultural festivals of the working people in socialist agriculture in Neubrandenburg Bezirk were an impressive display of achievements, a popular celebration and exchange of experience of the culturally creative forces and artistic talents of the workers class, cooperative peasants and especially the youth of the GDR. The 425 events with more than 10,000 people'sand professional artists were a convincing manifestation of the affinity of the people with arts in socialism.

A visible expression of the further raising of the cultural level of the working class and of the increased interest in cultural and artistic works of the people were the Berlin days of people's art at the Palace of the Republic. Some 4,000 performed from 178 people's arts collectives gave pleasure to 150,000 Berliners and guests.

Festivals of friendship in 138 kreises of the GDR convincingly documented the unbreakable alliance of the GDR and the USSR in the struggle for the preservation and safeguarding of peace and the well-being of the peoples. The 10th congress of the GDR Cultural League clearly demonstrated that the cultural league has succeeded in substantially expanding its influence on the intellectual-cultural life in town and countryside.

A great effect on the masses was produced by cultural events such as the 12th Festival of Political Songs in Berlin, and the Fifth GDR Music Days, the Sixth Competition of Entertainment Art Performers, and the Second National Motion Pictures Festival of the GDR in Karl-Marx-Stadt.

The GDR book trade offered 2,800 books with a total of 68 million copies, as well as more than 9 million records and music cassettes, which contributed toward better meeting the growing cultural demand.

The opportunities for high-level recreational activities of the young people were expanded through new youth club institutions in the residential areas.

The cultural cooperation with the fraternal socialist countries was deepened and consolidated. Numerous artists and ensembles of the GDR gave guest performances in the Soviet Union and other fraternal socialist countries. Renowned GDR theater ensembles and orchestras also performed in other countries. Successful tours abroad were made by the Dresden Staatskapelle Orchestra to Austria and to Switzerland, by the Gewandhausorchester to Great Britain--which marked its seventh concert tour to this country, and by the German State Opera Ballet to Italy.

Through the participation of publishers, artists and organizations from 82 countries of all continents, the 1982 International Book Art exhibition (IBA) was another confirmation of the international importance of book art in the worldwide struggle for the preservation of peace and the strengthening of socialism. The exhibition was attended by some 60,000 visitors, including experts from 34 countries.

An important part was played by the fostering of the humanist cultural heritage. The commemoration by the SED Central Committee and the GDR Council of Ministers of the 150th anniversary of Johann Wolfgang Goethe's death was the high point of multifarious commemorative festivities. Further commemorative festivities were held on the occasion of the 300th anniversary of the birth of Johann Friedrich Boettger, the 250th anniversary of the birth of Joseph Haydn, the 150th anniversary of the birth of Wilhelm Busch and the 200th anniversary of the birth of Friedrich Froebel.

The Whitsun meeting of youth in all GDR bezirks constituted an impassioned pledge of the GDR's young generation for peace, disarmament and socialism. The 3,000 events, including 170 mass rallies, were attended by over 4 million FDJ members, young pioneers, and other working people. In Magdeburg Bezirk the days of friendship between the GDR and the CSSR youth were held, with 250,000 participants.

The outstanding working results achieved by the working people in the first half of 1982 supply evidence of the fact that the 10th SED Congress decisions are supported by the entire people. Through the further strengthening of the performance capacity of the GDR national economy good prerequisites have been established for the fulfillment and purposeful overfulfillment of the ambitious 1982 plan tasks, as well as for the preparations for the 1983 national economic plan.

The consistent implementation of the strategy adopted at the 10th Party Congress requires an even closer linking of the advantages of the socialist planned economy with the initiatives of the working people and with scientific-technical progress, so as to carry on successfully the main task in its unity of economic and social policy for the benefit of the workers class and of the entire people.

The resolutions of the Fourth Plenum of the SED Central Committee make it clear that continued performance increase in the national economy will be determined by the stronger utilization of the qualitative factors of economic growth. It is necessary everywhere to ensure universally the intensively expanded reproduction, to turn out more and qualitatively better products with less expenditure, to better utilize our own opportunities, and to make do with what we have. This makes it necessary to reach an essentially higher level of labor productivity and effectiveness, to wage still more resolutely the struggle to reduce costs and thus to further reduce the expenditure of human and material labor. The cardinal and pivotal point of this is to still more effectively link the advantages of socialism with the achievements of the scientific-technical revolution.

In the management activity of the state and economic organs it is essential to promote the creative initiatives of the working people and to develop the performance comparison, so as to ensure the fulfillment of the ambitious targets of the economic plan month by month, week by week, day by day, as well as to carry out the pledges made by the working people in socialist competition. This requires that in all combines, enterprises, institutions and cooperatives, the experiences of the best be made the yardstick of one's own performances and the principles of socialist management and socialist thrift be consistently applied so as to make a high contribution to the development of the national income and fundamentally to improve the ratio of expenditures to results.

With a high zest for achievement and outstanding work feats, the working people have devoted all their energy to the universal strengthening of our socialist fatherland and thus have made their most important contribution toward the safeguarding of peace.

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## HUNGARY'S PRICE MECHANISM CRITICALLY ANALYZED

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[Article by Dr Sandor Fulop, economic director of the Cotton Printing Industry Enterprise: "The Most Important Experience With the Change of the Price Mechanism"]

[Excerpts] Introduction of the "competitive price system" (to use the expression by which it is most often mentioned) as of 1 January 1980 has unquestionably been economic management's most significant measure, and the most comprehensive in terms of its impact, since the start of the economic reform in 1968. Many regard this step, and justifiably so, as an important stage in making more complete the process begun 14 years ago.

As any significant change affecting the operation of enterprises, introduction of the new price system and price mechanism was accompanied by debates in which many arguments and counterarguments were presented. Now, two years after introduction, the debates have not ended, although their nature has changed considerably. Attention now is focused not on the basic concept, rather on how the system functions, on its action mechanism, on the possibilities of perfecting it, etc. The issues raised in the extensive debate include questions of fundamental importance, as well as questions pertaining to an analysis of the price mechanism's "technical system" and of related areas. The contributors to the debate include, besides scientists and staff members of the managing organs, also very many executives from the different levels of enterprise management. Articles by enterprise experts were the first to raise, and to formulate most clearly, some very important questions such as, for example, incentives to expand the export volume.

The objective of this study is rather limited: it strives to investigate the relationship between enterprise operation on the one hand, and the new price system and price mechanism on the other, primarily in the light of the enterprises' experience, basically--pursuant to National Material and Price Office Regulation No 6/1979--"of the manufacturing enterprises included in the circle of pricing geared to export prices (so-called leading enterprises)." (We will completely disregard the questions of the price mechanism employed in ruble-denominated export.)

Enterprise operations, their profitability and changing profit are influenced by very many factors; moreover, the extent of their influence varies considerably. The price mechanism, too, exerts its influence within the entire system of economic management. When making their business decisions, the enterprises must take into

consideration the entire system of economic regulators, besides the objective environmental factors and internal conditions. Likewise the effects of the price mechanism can be interpreted and explained only jointly with the influence of the other elements of regulation.

The price system's effects on enterprise operations are in the focus of our investigation, but we cannot dispense with a brief review of how the objectives of the new price mechanism's introduction have been fulfilled so far. In the course of such an analysis we must investigate--although again only very superficially--two further questions: on the one hand, to what extent have the objective factors of the entire Hungarian price system and price mechanism, the Hungarian economy's relevant international economic (and political) environment, differed from the assumptions made at the time of planning the new price system and price mechanism; and on the other hand, how have the differences between the assumed (planned) and the real processes of the Hungarian economy affected the functioning of the price mechanism.

General Evaluation of the New Price Mechanism's Effects

Speaking in very broad outline, it can definitely be said that the new price mechanism has produced profound changes in the business actions (business policies) of the enterprises concerned and, more importantly, in their business outlook and methods.

These changes reflect the fact that under the new price system the enterprises' cost structure has undergone radical change, and that the costs of energy and materials are based essentially on the level of the world-market prices and follow the movement of these prices; furthermore, that in domestic pricing the production-cost principle has been replaced with adjustment, in some way or another, to the world-market prices.

The specific effects on enterprise operations are as follows:

a. Greater cost- and market-sensitivity;

b. A strong incentive to raise the level of export prices, to improve the commodity structure, and to select the most favorable customers (markets);

c. Cost reductions, and the uncovering of internal reserves.

The indications of a change in business outlook are as follows:

a. Continual spreading of the investigation of product and market profitability among the enterprises (increasing application of breakeven point analysis, the classification of products by profitability, etc.);

b. Growing interest in marketing-oriented enterprise management and in its technical tools.

The effects designated as "specific" can be readily identified also in the short term (and most of them can also be quantified). But the results of the changing business outlook will be long-term results, and even then they will be realized in the "specific" effects. In the long run, however, the changing business outlook could produce the greater and more lasting results.

In their trend these changes are favorable in many respects, and the enterprises have been able to achieve them as follows:

--The requirements of a flexible price mechanism and of price stability have essentially been met simultaneously (at least in 1980, but even in 1981);

--Within the area of the comptetitive price system's application (except in a few sectors) the level of domestic prices did not exceed the level defined by the export prices;

--The prices of finished products rose by less than what the raw material prices would have warranted; and this occurred without official intervention, something unprecedented before 1980.

At the same time the new price mechanism revealed more sharply also the weaknesses that are widely characteristic of enterprise management. For example:

--Slowness in recognizing market situations and in reacting to them;

--A general absence of the ability and willingness, respectively of the structural and capital conditions, that are a prerequisite for faster adjustment; the inadequate spreading of marketing-oriented management;

--Delays in the process of transforming the product structure, in developing marketable products and in bringing them to market, as compared with competitors.

Improvement of the Profitability of Export and Development of the Export Volume

The very significant improvement during the past two years in the profitability of earning foreign exchange through export was not accompanied by the planned increase of the export volume, and in many sectors the value of export even declined. In order to improve the profitability of their export and to raise the price level of their exports--and in conjunction with this, to improve their domestic profitability and domestic price level--very many enterprises were selective in their export markets, discontinuing or sharply curtailing the export of their uneconomical products. In itself the selection of export markets can be considered as a natural reaction. Very often, however, the enterprises were unsuccessful in finding new markets for the discontinued markets and products, or in bringing to market products more favorable than the discontinued ones.

Here I merely wish to mention that also in the course of the 1975 price adjustment an attempt was made to assert the international price ratios domestically, but continual adjustment to these price ratios was lacking, because the price mechanism remained unchanged. Analyses indicate that the reasons for this included the following:

--Because demand exceeded supply, the pressure to sell was not strong enough in the economy;

--Profitability, as measured by international standards, did not become a criterion of successful management.

In their interaction, the weaknesses of the economy and the system of institutions --including also the price system and price mechanism--prevented quick adjustment to international changes.

From the viewpoint of enterprise operations that are motivated by the profit incentive, the competitive price system's basic determinant is the profitability level of nonruble-denominated export, which induces such a volume of sales and, within the limits of market sales, such a division by principal destinations, that will ensure at least a "satisfactory" profit volume for the enterprise (for wage increases and the development fund).

Thus we have here, on the one hand, the entire volume of sales; and on the other hand, the division by principal destinations. In general, an increase of the profitability of export by a reduction that affects the total volume of sales is not feasible or is barely feasible, except when the total market shrinks. For the specific rise of fixed costs can reduce the profitability of nonruble-denominated export as well. In the interest of increasing the profitability, however, the possibility of reducing export sales through a selection of products and markets exists also temporarily, provided the other markets are able to absorb the redirected quantities. Thus a simultaneous improvement of export profitability and expansion of the export volume depend on the extent to which the enterprises are forced to market their nonruble-denominated export; in other words, on the following:

--What other marketing opportunities exist, especially domestically;

--How sensitive is the enterprise's production cost to changes in the production (marketing) volume.

The higher the proportion of fixed costs within the total cost, the greater is the cost pressure to maintain or expand the sales volume. When the proportion of variable costs is high, this pressure is considerably smaller. For this very reason, metallurgy would have been better able to tolerate a slight decline of prices if this had not been accompanied by a significant reduction of the sales volume; just as the clothing industry is less able to tolerate lower prices than a possible decline of the sales volume.

If price-sensitive producers have an opportunity to improve the profitability of their export parallel with a reduction of their export volume, and if they simultaneously are able to redirect a proportion of their export sales to the domestic market, then the price mechanism can indeed counter the other effects aimed at an expansion of nonruble-denominated export.

The effect of the modifying regulations that are intended to promote expansion of the export volume likewise depends on how much idle capacity is available for export production, respectively on how much convertible capacity within the enterprises' total capacity can be used to expand capitalist export, and on the extent to which the market conditions for an expansion of export are given. Suspension of the obligation to observe the limit of the export-price level or to calculate the export price index--in case of a specified expansion of the export volume--must lead to a significant reduction of the contradiction between the incentive to improve the profitability of export and the incentive to expand the export volume.

A frequently cited problem is that the enterprises—in the wake of product and market selection--very often discontinued also exports that fell below some lower limit of profitability only at the given enterprise but were still profitable from the viewpoint of the entire economy, because another enterprise exported also products whose index of hard-currency earnings was lower, but still better than that of other products exported by this other enterprise. One cause of this situation is identified as the temporary variable production-modernization subsidy that many of the enterprises receive, enabling them to export profitably at a different level of the index of hard-currency earnings. This argument is valid only if the products of the two compared enterprises are mutually competitive on export markets. In the absence of this condition we have two sovereign decisions based on enterprise profitability. Such competitive situations rarely occur in practice.

Today it is still doubtful that different amounts of production-modernization subsidy affect the situation of the enterprises, but at the start of the new price system the profit included in the domestic prices was determined in inverse proportion to the amount of production-modernization subsidy that was deemed necessary. Assuming that the starting prices were set correctly, the same rate of increase in the profitability of export (i.e., of the index of hard-currency earnings) can mean only the same percentage points of increase in domestic profitability, but not the attainment of the same level.

Since the various temporary special subsidies will be phased out by the end of 1984, this issue will become a hot one.

The more detailed a regulation to provide guidance in advance for specific cases, the more unregulated specific cases arise, necessitating a further expansion of the regulations. Until finally only the legislators will be able to find their way in the maze of regulations that must be applied by thousands of employees at several hundred industrial and commercial enterprises in the course of their everyday work. Such over-regulation is true especially in conjunction with the export price index limits.

We would not recommend in any case a further proliferation of guidelines on the computation of the export price index, to provide answers for more specific cases. In our opinion, the present three limits should be reduced to two: to monitoring the profitability of export, and to applying the import price limit to custom production. Two-thirds of industrial export is profitable already now under the normative tax rebate, and the present regulations call for phasing out by the end of 1984 the temporary production-modernization subsidies. Therefore it would be more expedient to essentially let the entire competitive price mechanism be controlled already now on the basis of export profitability, and to exclude from control the computation of the export price index that poses a considerable administrative burden and cannot be regulated unambiguously for the different groups of enterprises.

To emphasize the importance of treating the profitability of export preferentially, we present some ideas borrowed from an interview with Rezso Nyers.

"From our present difficult situation, which has been created by external conditions, we can extricate ourselves only by improving the international competitiveness of our production. First of all because the changes in the world economy have indirectly

weakened the competitive position of our export. And secondly because the manipulation of import is only a passive defensive weapon; an active weapon can only be export and its improvement. Expansion of the domestic market is naturally of decisive importance for the economy's development, but in our given situation a significant increase in domestic consumption is feasible only if our ability to compete internationally improves. Central management of the economy can contribute to all this not by the preferential treatment and stimulation of export, but by asserting even more broadly the principle of economic effectiveness, and within it the principle of profitability. The task of central regulation to achieve our objective is really twofold: to gradually raise the requirements of effectiveness, and simultaneously to broaden entrepreneurial freedom to engage in profitable businesses, the opportunities for practical activity, and to dismantle the perhaps open, but mostly concealed, barriers to entrepreneurship."

In the interest of ensuring equal conditions it appears necessary to make more favorable the competitive situation of the enterprises that market a larger share of their production in a wider assortment, in comparison with the enterprises that export only one or a few products that account for only a small proportion of their total production.

A frequently voiced complaint agains the pre-1980 price system and system or regulation was that the situation of the enterprises whose exports were significant was the least certain, often less favorable than the situation of the nonexporting enterprises. Prominent among the factors that hampered the operations of such enterprises was the continuous cascading of increases in the prices of the semifinished products, supplies, parts, etc. purchased from nonexporting enterprises; this greatly increased the costs of the exporting enterprises, without any possibility of recovering these higher costs on the export markets. This situation has changed only partially. Since pricing based on production cost is employed very widely among the producers of the mentioned products in particular, the one-sided passing on of costs unalterably remains a real threat.

The 6-percent limit on the profits of producers in the noncompetitive sphere (and 9 percent in the service industries)--incidentally, numerous exemptions from these limits are possible--can prevent passing on only profits higher than these limits; but in view of the fact that the profits are based on costs, the pressure to reduce costs remains far less than at the enterprises employing competitive prices. The profitability of the exporting enterprises is influenced to a large extent by good or bad cost control at the suppliers that provide the purchased semifinished products, parts, etc. at a high degree of fabrication.

The new price system and price mechanism have again focused attention on the question of organizing the enterprises' foreign-market relations in those areas where foreign trade is the right and task of specialized enterprises. Since enterprise profitability depends on the profitability of nonruble-denominated export, the production enterprises' demands have increased considerably regarding foreign-trade work in general, and pricing on foreign markets in particular. That there were considerable reserves in this area was widely demonstrated by the 1980 eport price indices. But the production enterprises' economc interest in raising the export-price level remained high in 1981 and can be expected to remain so also in the coming years. By taking all the factors into consideration, the production enterprises are able to

determine fairly easily, for example, how much change in the export-price level (calculated in forints) they need to maintain their profitability or to increase it (so as to raise wages), at a certain (planned) volume of sales and its planned breakdown by destinations.

Some Relationships Between the Other Elements of the Price Mechanism and System of Regulation

The enterprises' operations are influenced simultaneously, jointly and in interaction, by:
--The price system and system of regulation (including exchange-rate policy);
--The domestic and foreign market conditions; and
--Changes in the situation of the markets.

Through profit or the funds that can be formed from profit, prices as a central economic category are very closely linked to practically every important area of enterprise decisions. However, this relationship often functions inversely: in many instances prices and enterprise price policy are expected to solve problems that the price system and the price mechanism are neither qualified nor able to solve.

Because the rise of personal incomes is tied to profit (to the wage development indicator) in its present base-approach form, there is strong economic interest in increasing enterprise profit. Among the possible sources of increasing profit (raising the volume, changing the product structure, transforming the market structure, reduction of personnel, cost reductions, improvement of quality, etc.), raising prices generally is regarded as the most obvious. The more meager the prospects of success in other areas, the greater the pressure within the enterprise to increase profit by raising prices.

On the other hand there is the formulation that on the world market the price mechanism imports inflation despite the profitability and price-level limits, if the enterprise succeeds in achieving at least a price increase to compensate for the rate of inflation. It is fortunate that this formulation adds the qualification: disregarding the effects of exchange-rate policy. It is not permissible to disregard this effect, because to do so would assign to the price mechanism a task in curbing inflation that cannot be solved solely within the framework of the price mechanism. If we consider that since the mid-1970's the increases in the prices of raw materials and sources of energy significantly exceeded the rise in the price level of most industrial finished products, then it is more probable that the compensation of the inflationary rise in the prices of materials (without disregarding the effects of exchange-rate policy) is not an easy "automatism" in the case of most finished products.

According to the latest regulations to stimulate an increase of the export volume, the enterprises may retain their properly achieved domestic profitability and price level, even if the profitability and price level of nonruble-denominated export decline. Since according to the basic regulations the profitability of domestic sales generally cannot be higher than the profitability of nonruble-denominated export, from the new regulations it follows that the profitability of the expansion of export can be lower than what the enterprise achieved on average during the past period. In some instances also the expansion of export motivated in this manner will

require investment. Credit policy, too, should support these export-expansion intentions of the enterprises. But the profitability requirements of the credit policy directives appear to be in conflict with such support.

The new profitability requirement in the case of investment credit is generally 15 percent. Preference is given to the investments that are recovered autonomously, from the development fund generated by the investments, during the term of the credit.

Exceptions

When considering the two-year experience with the mixed price system and price mechanism, there are three things we must not overlook.

1. The price system and price mechanism that we employ are not functioning under conditions of real competition. Instead, they are functioning in an economic environment in which the export prices we attain on international markets, respectively the level of profitability realized in these prices, represent the conditions of competition, and official regulations determine the mode of the mandatory simulation of enterprise behavior. This includes the fact that temporarily the regulations are not equal for every sector or enterprise, because we are aware of our products' limited competitiveness on world markets.

2. We cannot overlook the fact that the introduction of a price system geared to foreign-trade prices occurred in a period that is not favorable from the viewpoint of international trade. The general recession characteristic of most industrially developed countries and of the majority of the developing world, and particularly the sharp decline in certain commodity groups on international markets are external conditions which mean that the principles of the new price system are being tested under generally unexpected extreme conditions.

3. At the time of the new price system's introduction and since then, it has become necessary on several occasions to apply special rules, partially to certain groups of enterprises (for example, to the clothing industry at the time of introduction, to engineering enterprises in 1980, to metallurgy in 1981, etc.), and partially to certain commodity groups (for example, to the pricing of spare parts). The question arises whether these exceptions do not constitute a return to the previous mechanisms' practice of specific intervention (subsidization and taxation). Although it is still too early to form a final opinion regarding the direction of development, the fact nevertheless remains that after 1 January 1980 many of the enterprises would have been unable to stand their ground, without serious losses, on the altered international markets, with only the normal, average tools and under the normal conditions of business activity; and that temporarily only some exception (subsidy) enabled these enterprises to avoid business difficulties that would have stemmed from a rigid interpretation of the new mechanism's rules. (In a substantial proportion of the sectors granted exceptions, international competitors in other countries also are relying on aid from their governments.)

In spite of all this, we believe that special corrections--whether they apply directly to the price mechanism or allow corrections in other areas (for example, in wage increases) because of the price mechanism--will undermine the entire price mechanism if they become standard practice. We fully agree with the findings of

Katalin T. Forgach: ". . . it is to be feared that manufacturing enterprises will attempt to alleviate in some way the contradiction between the worsening profitability of the products they export on the one hand, and the 'expectations' arriving through formal and informal channels and urging a dynamic expansion of hard-currency export, on the other hand. In other words, manufacturing enterprises will attempt to 'explain'--before the forums available to them--why the export of some of their products is uneconomic. In the interest of maintaining export, they will apply for special consideration, and thereby they will inevitably further undermine the regulation system's so frequently voiced principle of normativity."

A prerequisite for the distortion-free functioning of the basic principles of the new system for managing the economy that was introduced in 1968, of the enterprises' profit incentive, is that profitability reflect the levels and differences of economic effectiveness. This requires a price system that is able to fulfill the role of market control and resolve the differences between supply and demand, without special government intervention. Temporarily this role can be filled also by the present simulation mechanism. However, a grave danger of every such mechanism is that it provides wide room for interventions that "merely represent a change of the regulations" but does not exclude also real interventions (subsidies and taxes). The increasing number and extent of such interventions indicate that it is absolutely essential to convert the present simulated mechanism into real market conditions, by expanding import competition. The development of the product structure, the increased production of more valuable commodities, likewise cannot be imagined under the present system of participation in the international division of labor that in many areas gives domestic producers a monopoly to produce, and assigns them the obligation to supply the population with, many products whose importation could free capacities for export production. All this of course requires time, but there is not so much time available that we should not start now.

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## CAUSES, REMEDIES OF POLISH FOREIGN TRADE PROBLEMS DISCUSSED

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[Text] The serious economic strains that Poland has suffered during the past decade have had their sociopolitical consequences. The crisis manifests itself in our economic life in various ways. It is expressed in structural disproportions, in the market imbalance of the means of production and consumption, in the decline in labor productivity and in the ineffective system of labor organization and economic management. The use of our economic relations with foreign countries is an important tool for easing economic tensions. If our foreign trade is well developed, it can significantly help to resolve our basic economic difficulties. To a certain extent, the resolution of our economic problems in 1971 is an example of this. The question is, in our present economic situation, Why is foreign trade increasing some tensions and complicating relative stability?

At the beginning of the 1970's, the foundation of Poland's economic strategy was both the broadening of economic ties with other socialist states and, given the improved political climate in Europe, the opening up of the economy to the markets of developed capitalist countries and Third World countries to a greater degree than in the 1960's. The primary motive of this approach was the desire to modernize parts of the production apparatus and to strengthen Poland's position on the international goods market (an increase in export to the markets of developed capitalist countries was indispensable for an increase in investment import and in modern technology). Consequently, Poland's current strategy of economic development is not that foreign trade will supplement the needs of the economy but that it will function as an active sector, operating to increase the national income, functioning in proportion to the development of the economy and maintaining its own assortment of specializations within the framework of the international division of labor.[1]

### Some Experiences From the 1970's

In the economic strategy of the 1970's, foreign trade was rightly treated as another sector of the economy. Its potential for stimulating an increase in

national income and for restructuring the economy was recognized. It was correctly assumed that economic self-sufficiency and forcing substitutions for imports are irreconciable with the rationalization of management when an economy has reached a certain level of development. Under a centralized system of management, economic self-sufficiency is justified in the initial periods of industrialization and when external conditions are unfavorable. However, when the production structure is more developed, modern technology is introduced and the need to specialize arises, it is detrimental to the development of an economy to abandon its specific role in the international division of labor. The tensions in Poland's economy and the reduced growth rate of the national income at the end of the 1970's are concrete evidence of this.

The basis of the new concept of foreign trade was the assumption that the intensification of export as an indispensable source of foreign-exchange resources to cover growing import needs (primarily investment means and modern technology) is a necessary condition of the significant revitalization of economic ties with developed capitalist countries, In order to fill the temporary gap between a rapid export rate and our still more rapidly increasing import needs (to rebuild our production apparatus), we have taken advantage of the favorable trade situation on the international capital market to negotiate for credit.

Although this was basically a sound assumption, it had two weak points, which were not sufficiently attended to in the first half of the 1970's. First, it was tacitly assumed (on some unknown basis) that the trade situation on the international commodities market in developed and developing capitalist countries would be very favorable (as in the first half of the 1960's and at the beginning of the 1970's). Second, it was taken for granted that adopting the principle of self-payment for investments implemented on the basis of foreign credit would automatically solve the problem of indebtedness. These matters are closely associated with one another. Many mistakes made in domestic economic policy have led to the crisis in our country. Th y include the excessive push given to investment and the simultaneous increase in consumption (while labor productivity declined), the inappropriate structure of investment and production and the related importing of technologies, and the lack of development of production designated for export as a fundamental condition of a rational policy for incurring credit. When the economic situation in the West declined, it became difficult for us to place our commodities on this market, not only so-called salable items but also self-payment commodities. Some goods were harder to place than others. However, the concept of the self-payment of investment programs fails not only because they are improperly implemented (long delays in the implementation of investments, failure to achieve full production capacity, and improper raw and other materials supply and the like).

It was stressed many times during the 1970's that the Polish economy should take a pro-export turn. Investment programs based on self-payment were to serve this purpose. In practice, the opposite decisions were made during the 1970's. The changes in the growth of fixed production assets in our economy and in the export rate, generally confirm this statement. If we

adopt the year 1970 as a base, the increase in fixed production assets in constant prices in 1975 was 146.7 and in 1978, 191.9. The corresponding indexes for the increase in export were 166.4 and 198.2. However, using 1975 as a base, we arrive at an index of 130.8 for the increase in fixed production assets in 1978 and an index of only 119.1 for the increase in export. The average yearly changes in the growth rate of fixed production assets from 1975 to 1978 ranged from 109.8 to 108.6, while for the same period the index of the export rate fluctuated between 108.3 and 105.7. During the second half of the 1970's, there was a departure from the emphasis on export in our economy. Hence, from 1966 to 1970, for every 1 percent increase in domestic production, export increased from 1 percent to 1.5 percent. From 1970 to 1975, the export index averaged 1.03 percent; arom 1976 to 1979 it was less than 0.95 percent. In other words, during these 4 years, the rate of production increase, although slight, was greater than the rate of export growth.

The energy crisis and the economic decline in the West between 1974 to 1975 should have been a sign for us to make some changes in our foreign trade policy regarding developed capitalist states and developing countries. Such a step ought to have led to the broader use of export incentives together with the rationalization of import. Meanwhile, decision makers reacted by returning to a centralistic system of management, which is an easy step but unsuccessful and inefficient in the long term. The so-called WOGs [Large Economic Organizations] were deprived of a whole series of prerogatives in the actual management of production. Changes were made in its structure, and the freedom of the WOGs to operate on the foreign market was restricted. The centralization of decisionmaking in the operation of small- and intermediate-scale industry deprived large-scale industry of an important coproducer, the domestic market--suppliers of goods and indispensable for daily living--and it also deprived foreign trade of one of its important sources of mass goods for export. Unfortunately, the statistics do not separate the share of small- and intermediate-scale industry in our export structure. However, without a doubt, their share in total export is a great deal smaller than their potential both directly and indirectly, as subcontractors in the coproduction system.

In our economic practice, especially during the second half of the 1970's, we have been forced to rationalize imports when we failed to fulfill export tasks on the scale of the entire national economy and have suffered the financial consequences of too large a gap in our annual balance of payments. At the same time, decisions about import restrictions (which were really decisions about import rationalization) were most often centrally made. They did not take into account all of the export conditions and consequences for particular ministries, associations and large factories. Such "rationalization" has a very negative impact for several reasons. It limits the possibilities of more fully utilizing the production capacity of plants that operate partly on the basis of imported raw materials and import spare parts and details for finished products earmarked for export. It makes it difficult for us to discharge our foreign trade obligations. It also makes it impossible for us to meet quickly the foreign demand that our industry would otherwise be in a position to cover. It becomes a vicious circle;

import restrictions reduce the supply of goods for export and this in turn has an impact on the total export implemented for the given year. As a result, the gap in the trade and payments balance was not diminished at the expected rate. Only in 1978 and 1979 did the rate of increase in import clearly fall behind the rate of increase in export. This does not take into account the negative impact of such a plicy on the effectiveness of foreign trade or the increase in social costs of domestic production.

The rationalization of import in a socialized economy is not a one-time measure but a definite process in economic policy with a multidirectional impact. Properly understood, the rationalization of import is a function of a country's program of production specialization and of the degree of its coproduction ties with foreign countries, both in intrasubsector and intersubsector terms.

Can our economy afford now to implement this sort of import rationalization? In the past decade, certain phenomena have begun to occur in the development of the Polish economy, greatly complicating the consistent rationalization of import, sometimes making it impossible. One of the properties of industrial development in our country (in branch and subsector terms) is its so-called packaging; that is, the tendency toward the development of entire industrial branches in order to produce everything possible within the given branch or subsector regardless of the related production costs, the shortage of raw materials and the lack of experience or of the domestic potential regarding the investment means indispensable for production of specific items. For example, as the chemical industry developed, it produced not only those chemical agents for which it had the experience and the raw materials (at most, importing the modern technology) but also highly energy-intensive agents for which the raw materials were lacking and for which most of the production equipment had to be imported. "Packaging" in excess of our economic potential and the constant expansion of the assortment structure of production within a given branch or subsector have a negative impact upon the structure of Polish foreign trade, especially in the import field.

Thus, it is not strange that the import of material and nonmaterial technology, primarily from developed capitalist states, had a negative impact on import instead of fostering export, contrary to the strategic assumptions of the early 1970's. Of 108 licenses brought into our machine industry, only 38 may be considered pro-export licenses. In 1978, 65.4 percent of the production in the chemical industry based on Western licenses was of an anti-import character. Most production based on licenses from developed capitalist countries in terms of the value of export produced under license in 1978 was 51.6 percent in the machinery industry, 75.9 percent in the heavy and agricultural machinery industry and still higher in the chemical industry.[2]

Such an industrial policy appears to be a specific form of return to economic self-sufficiency or a so-called policy of autonomous development. Given our current economic potential, this is inefficient and even detrimental. Foreign trade loses its active role and is subordinated to goals from a policy of industrial development based on the packaging principle. On the

other hand, import rationalization gives foreign trade an active role and operates toward increasing specialization in the structure of production and developed industrial coproduction.

The growing import-intensiveness of production and the national income is an example of irrationality in our import policy during the past 5 or 6 years, which confirms the policy of packaging in Polish industrial development. The import-intensiveness of the national income declined from 34.8 percent in 1976 to 31 percent in 1978 but is still too high to be considered satisfactory. The index of import-intensiveness in final production is an example. From 1979 to 1976, it increased from 17.7 percent to 22.4 percent; at the same time, the growth rate of import was the highest for the entire postwar period. In 1979, this index remained at its 1976 level despite a marked decline in the import rate toward the end of the 1970's.

Supply import, which increased systematically despite import restrictions after 1975, plays a decisive role in this field. In 1977 it represented 64 percent of our total import. The next year this rose to 67 percent; in 1979 it exceeded 70 percent. Import restrictions mainly affected market goods and investment import, but supply import could not be restricted since the proper functioning of modern plants, most of which based production on imported supplies, depended on it.

As a result, supply import in recent years amounted to 74 percent of our total annual export and it equaled 100 percent of our export to capitalist countries. Meanwhile, the structure of export to developed capitalist states continues to be unfavorable, since raw materials and semifinished goods predominate. If we consider that restrictions on our investment imports (especially from the payments II area) were reduced from 21 percent of our total import in 1978 to 18 percent in 1979, then scarcely 11 to 12 percent of our total import remained for the import of market goods indispensable to domestic market equilibrium. Thus, the possibilities are very limited for the emergency supplementing of the goods supply on the domestic market with imports.

Thus, the Polish economy feels the effect of import more than other countries with the same economic potential. Failures in the implementation of investment programs based on the principle of self-payment and the irrational import structure have placed a relatively great burden on the payments balance (especially regarding the payments II area), already out of kilter for some time. However, since a significant part of our export production is based on imported materials supply, there is obviously pressure on increasing import.

Our trade balance deficit and consequently our payments balance increase from year to year. We have tried to cover this by an active credit policy on the Western capital market. By incurring credit, in the first half of the 1970's we were able to achieve relatively favorable access to this market along with a fairly reasonable interest rate. It made sense to take advantage of this opportunity, but in a rational manner and according to our ability to pay. Our first failures in self-payment investments, our inability to

increase export radically and the great fluctuations in the economic situation of Western states should have made us cautious about incurring further indebtedness. Such decisions at the end of the 1970's were insignificant to our economic activity since our lack of other sources meant that we had to incur new credit to make our installment and interest payments on credit extended earlier. In this way, Poland's indebtedness to the Western capital market, now running more than $24 billion, is a sort of inherited voluntaristic economic and credit policy. In addition, because of the decline in economic activity and the limited possibilities for export growth, Poland is doomed to further indebtedness during the next few years.

In the 1970's, in order to cover part of the growing burdens emanating from debt and from a long-standing trade balance, more than once the central authorities took the relatively easiest step, with negative social consequences. Those goods with a demand abroad were removed from the domestic market. This had to be done since we had no other way of discharging our foreign obligations. It is not an entirely negative phenomenon when the domestic market has adequate reserves and when supply and demand on this market are balanced (this means partial, not total, equilibrium). However, such moves have a negative impact, primarily in a social sense, when the balance of particular goods or groups of goods on the market is very tenuous or when there is a shortage of them. In such a situation, removing even 5 percent of the goods from the market seems to create a much more severe shortage than it actually represents because of such psychological and speculative factors as irrational buying and selling under the table. Such situations create social tension, dissatisfaction and the depreciation of real economic achievements.

Apart from this, it is hard to understand why there is still the irrational belief in economic practice that the economic effects of the domestic market are less significant than the foreign market. While the intensive industrialization and modernization of the economy demands on enormous amount of foreign-exchange means, a poorly operating domestic market has a crucial impact both on the increase in social tensions and on the decline in labor productivity, work discipline and the like. While it is not the sole factor, it is a vital one.

Indeed, there is no contradiction between the role of the domestic market and export market in the developmental process. Domestic market stability and enrichment (finished products, raw materials, spare parts, semifinished goods) are contingent upon a pro-export economy. If our import capability is based on our export volume, then a more rational international division of labor, the fuller utilization of production capacities (in the investment goods industry, for example) and the stimulation of a higher degree of goods processing for export will certainly increase this capability. Moreover, a strong position in the export field will create more favorable conditions for Poland on the international credit market in import activity.

Problems of Foreign Trade Effectiveness

The effectiveness of foreign trade is, to an equal degree, the result of a properly formulated import-export structure and of the implementation of

valid assumptions in foreign economic policy. An irrational import policy and the limited export potential of the Polish economy in terms of material structure have made our foreign trade much less economically effective than anticipated.

The methods used in Poland to calculate this effectiveness are faulty because of no real basis for comparing the prices of exported and imported goods and because of the shortcomings of the existing system of foreign trade organization and management. Thus, we can only estimate the effectiveness of this sector and define its tendencies but we cannot calculate its effectiveness accurately.

The profitability of Polish export as a basis factor of the effectiveness of foreign trade has worsened.[3] Many factors caused this, especially during 1979. They include a relatively higher share of unprofitable commodities in export (about 20 percent on the markets of socialist countries and 35 percent on the markets of capitalist countries in 1979), the more rapid increase in the price of imported goods over exported goods (especially the price of imported supply goods), the unfavorable changes in the subsector and assortment structure of export, especially to the payments II area and the increase in domestic production costs (the increase in wages and depreciation). Export profitability computations for recent years show that the export of products of the electromachinery, chemical and fuel industries is profitable, while the export of products of the metallurgical, light and food industries and farm export are unprofitable. However, within the framework of this second group of industries there is a whole series of goods, even groups of commodities, whose export is highly profitable. This confirms the thesis stated earlier that our foreign trade policy was not selective enough regarding the development of the proper export structure.

It has been emphasized that certain institutional factors have a great impact on the effectiveness of Polish foreign trade. These include the foreign trade apparatus, the extent of its ties with the manufacturer and its activity on the international market, with which the system of foreign trade organization and management is associated. While it is generally accepted that the centralization of foreign trade as a function of the state monopoly in this field is not an inherent property of the socialist system, this is not always implemented in practice. Both the Yugoslavian experience and the Hungarian experience of the past decade confirm this. The degree of centralization in decisionmaking is a function of the degree of centralization or decentralization of the socialist economic model.

At the same time, the Polish economy has ties with two different types of markets. For this reason, the decentralization of decisionmaking in foreign trade should overtake the degree of decentralization implemented through the entire economy. This emanates from the very essence of the activity of the foreign trade apparatus as a middleman between the domestic producer and the foreign market. This apparatus must be very efficient and adaptable to changes in the international market. It should also have the skill to gauge supply and demand, world market trends and marketing accurately. It must also have the freedom to influence domestic producers to manufacture

goods in a volume that will move on the international market and to base their import policy on rational premises. A trade apparatus functioning in this way makes it possible to approximate the scope of the efficiency and effectiveness of its operation. When the functions of the foreign trade apparatus are properly defined, it is possible to determine the degree to which it is responsible for successes or failures in foreign trade and the degree to which this responsibility falls on the producer.

The results of Polish foreign trade in 1979 are significant in this regard, although 1979 is atypical. Despite the unfavorable world economic situation that year, total world export increased an estimated 25 percent. Assuming that 18 percent of this increase was the result of a price increase, real growth was 7 percent. In the case of Poland, export increased 12 percent in 1979, of which 10 percent represented the increased prices and less than 2 percent, real growth. To what degree was the foreign trade apparatus responsible for this situation (accurate gauging of the market, properly negotiated prices and partly the commodities structure of export) and to what degree does the responsibility fall upon the producer who sometimes failed to supply the proper assortment of goods for export or provided an insufficient quantity or inferior quality of goods? The foreign trade apparatus announced that there was a shortage of bulk goods salable on the international commodities market. However, it did not counteract the export of unprofitable goods.

The forms of foreign trade organization are also significant. For many years there has been the mistaken idea that the foundation of effective foreign trade operation is a universal foreign trade schema. In the extreme this becomes the assertion that the foreign trade apparatus should be highly centralized in order to secure the effectiveness of its operation or, in the views of others, that it should be maximally decentralized. It is easy to prove that both positions are in error and that they do not take into account the real needs and situation of the international commodities market:

--Only those economic organizations large enough to bear a significant part of the marketing costs and to have available enough variety in their structure of goods to compete with foreign firms can operate effectively on the international market.

--An economic organization must be set up to be adaptable to a changing international market, to influence a producer both to produce the right bulk goods for export and to reduce the import-intensiveness and the energy-intensiveness of production and to help a producer select profitable export products.

--There must be a series of incentives for export production so that a producer goes into production of certain items not via a system of commands from the central authorities and not because it has been coerced by the foreign trade organization but because such production would benefits the producer in his ongoing activity. The issue here is to set up the economic principles of a system of motivation for export production and the rationalization of import supply.

--In the field of mutual relations between the foreign trade organization and the domestic producer, it is not a question of both economic organisms having the same organization or system of management but of both types of units

ministering to a community of interests. Only then may we speak of real partnership and cooperation between the domestic producer and the foreign trade apparatus.

--The common interest and partnership of the foreign trade organization and the producer demand that the latter participate to a greater degree all phases of import-export decisionmaking. This will have a crucial impact on the changes made in the current structure of production and on the directions of development taken by the production plant, on technological innovations and the like. At the same time, it requires that plants producing for export have at their disposal the appropriate specialists to aid import-export decisionmaking (although the level of these decisions rests upon many factors).

On the basis of the preceding assumptions alone (and there are others), we may conclude that no universal solution in the organization and operation of foreign trade can be an effective instrument for its efficient operation. Enterprises operating on the international market in bulk goods trade, especially raw materials, should have a different system of organization than enterprises specializing in trade with a high degree of individualization (single items or shout series of items); still a third form of organization is appropriate for foreign trade enterprises dealing in the export of small- and intermediate-scale production and the like. The diversification of organizational structures is also suggested by such factors as the properties of goods involved in international trade, the degree of dispersal of producers and the share of product labor in exported and imported goods.

State efforts at the beginning of the 1970's toward some degree of decentralization in import-export decisionmaking and toward the structural diversification of our foreign trade apparatus were suddenly halted after 1974 somewhat irrationally. Instead of adapting foreign trade policy to the changing conditions on the international commodities and capital market, primarily in the direction of a more rational import policy, authorities returned to centralistic decisionmaking in import-export policy (which hamstrung the trade apparatus and the manufacturer) while continuing to be liberal--at the central level--especially in import policy. Meanwhile, the incentives for increasing export production (which functioned until the present) did not play the expected motivating role; liberalism in import was accompanied by an overly slow growth rate in export.

Direction of Change in Foreign Trade

At present, it is difficult to make unequivocal proposals for changing the role and operation of Polish foreign trade. We are aiming at a marked improvement in the effectiveness of our foreign trade. This will have a fundamental impact on the restoration of economic equilibrium, especially market equilibrium and the kind of development of specialization, that will in turn improve Poland's economic position in the international division of labor. At the same time we must realize that all changes in our import-export policy or in the organization of our foreign trade apparatus must be made. They must take into account all the abnormalities and tensions in the economy, and especially in foreign trade. This is why we speak of the directions to be taken by the economic apparatus toward the better utilization of the

foreign sector in the development of our economy and toward the restoration of domestic equilibrium. On the basis of what we have said, we can point to the following directions of activity:

1) In the economic strategy of the 1980's, a more active role should be restored to our foreign trade. This emanates both from the level and the differentiated structure thus far attained by the Polish economy and from the degree of its modernity. Domestically, the active role of foreign trade must be expressed in terms of the selectivity and increased specialization of production, the more rational selection of the production structure for export, the more rapid utilization of imported technology and well-chosen incentives to encourage manufacturers to undertake export production. On the international plane, our foreign trade apparatus must operate most efficiently, rapidly adapt to changing conditions and needs of the international market and transmit international market incentives quickly back to the manufacturer.

2) Given the critical situation in our balance of payments, especially with developed capitalist countries, as well as our needs in the area of supply imports, we should step up the development of export, using all available means. In view of the lack of equilibrium and the tensions on the domestic market, this pro-export stance is really very difficult but not impossible. To date we have not exhausted all the export potential within investments in the machine industry, the electromachinery industry, the transportation industry, the construction machinery industry, certain subsectors of the chemical and textile industries and small-scale and intermediate-scale production. Nor can we escape the necessity of incurring new credits earmarked exclusively for export production. We should also set up the indispensable legal conditions for cooperation with the enterprises of other socialist states and with interested firms from capitalist states in the management of some investments already under way, and of imported machinery and equipment, a large part of the production from which can be earmarked for export.

3) We must aim to eliminate failures emanating from the investment program based on the self-payment principle. The concept itself was valid; the failures were the result of improper programming, a certain voluntarism in the selection of investment projects (the failure to consider the domestic potential of our economy), a lack of production discipline and the repayment of our obligations on this account from other sources (nearly 50 percent).

4) One of the main problems requiring immediate solution in our foreign trade policy is marked reduction in the import-intensiveness index of production (the national income). This index is too high; consequently, it limits the potential of foreign trade as an instrument for eliminating the tensions in our economy that arise in the process of economic growth. Since the import-intensiveness of production is largely expressed in terms of the major share of supply import, every reduction in the growth rate of import must have a negative impact on investment import and the import of market goods. The solution to this problem is not a one-time action. It requires the revision of the investment programs be implemented in the first half of the 1980's as well as the gradual shift of now operative production plants to material- and energy-conserving production (particularly those plants producing on the basis of imported raw materials).

5) The effectiveness of foreign trade is too low in relation to Poland's economic potential. This is the result of an improperly structured system of import and export prices (e.g., the method of calculating them and the price of raw materials and finished products), the lack of uniform selling and purchasing prices (comparable to prices on the international market) and certain improprieties in the functioning of the foreign trade apparatus and its ties with the manufacturer. The economic system of foreign trade should be based on real principles; that is, it must function on the basis of cost-effectiveness, whose fundamental parameters are prices (producer and selling prices adapted to international market conditions), a real currency rate of exchange, interest rates on fixed assets and credits, wages, tax schedules, duties and compensatory charges and the like.[4] However, this kind of change cannot be made in isolation from basic reforms throughout the entire economy. They must be an immanent component of this reform. Other limiting factors in this field, at least at present, are allotments of foreign-exchange funds for subsectors producing for export as well the distribution of most imported raw materials and the lack of indispensable hard currency reserves to ensure the functioning of a real rate of exchange for the zloty. This is why partial solutions, consistently leading to ultimate solutions, are particularly significant. These solutions concern price reform in foreign trade, the scope of central control of the economy in conjunction with the greater autonomy of producers-exporters and foreign trade enterprises, the preservation of the command system regarding basic raw materials in import and export, the preservation of certain differences in the trade mechanism on the markets of socialist and capitalist countries and the expassion of the freedom of larger economic organizations to take direct action in the foreign market and the like.

6) In the evaluation of the effectiveness of Polish foreign trade, vital importance will be attached to efforts to improve the management of foreign trade, together with the system of evaluating its activity, and to the preparation of the appropriate measures for evaluating the activities of production enterprises, particularly where export production and the utilization of imported goods by these enterprises are concerned. Not only will this make it possible to tie in the producer's interest with the foreign trade apparatus more effectively but also it will create the possibility for determining the degree of responsibility of the parties for failures in foreign trade. Ministerial particularism dominated the previous system of foreign trade organization, especially decisionmaking. Basically, it bogged down with hastily considered investments and with the purchase of licenses not fully in harmony with comestic economic conditions and potential. The current changes in foreign trade should move toward concentrating all basic decision making in the Ministry of Foreign Trade as the primary coordinator of Poland's economic relations with foreign countries. However, such a solution presumes the rebuilding of this ministry's apparatus to enable it to operate more efficiently and flexibly on the foreign market with the aid of its units, on the one hand, and to effect closer ties with enterprises producing for export, on the other. These ties include the clear flow of information to the producer, relative to export and import conditions; the quick reaction to changes in supply and demand on the international market; coproduction possibilities with the firms of other states, especially in a third market; help in the selection of a coproducer; and the like. At the

same time, foreign trade enterprises must have a certain freedom to act at their own risk to purchase goods and services and to select a foreign contractor. For a producer-exporter, effective economic incentives and information relative to a producer's possibilities for exporting his products, received with some advance notice, will have basic significance in decision-making.

*

* *

The 1980's will be difficult for Polish foreign trade. This is due to the uncertain economic situation on the international market, the increase in raw material prices, the abandonment by many important enterprises of production based on a major share of raw materials and energy, the growing protectionist policy of many states, the unstable monetary system and the like.

The improvement in Polish foreign trade will depend not only on the available ability in our economy of goods with the required technical-utilitarian parameters but also on the appropriate structure to adapt to changes in demand on the international market. In import policy, the problem is not only one of purchasing at the lowest price (although this is an important factor) but more importantly the question of the rational utilization of imported goods.

Increasing and varying bulk goods for export likewise depends upon the degree to which the production of small- and intermediate-scale industry is utilized. However, this means changing both the organization and management of these industries. Not only could small- and intermediate-scale industries carry on export activity themselves (with the help of intermediary organizations) but, by fully entering into the system of coproduction ties, they could indirectly help to stimulate export implemented by large economic organizations [WOGs].

FOOTNOTES

1. See J. Soldaczuk, "Foreign Trade and the Policy of Intensified Growth," SPRAWY MIEDZYNARODOWE, 1980, No 12, p 25.

2. "Licencje w latach 1970-1978," [Licenses from 1970 to 1978], Warsaw, 1980.

3. At the same time it should be pointed out that the calculation of the profitability of export is partly conditioned by the use of the hard currency conversion factor, which changed twice in the 1970's. This had some effect upon the accuracy of calculations.

4. A very interesting and sound position on this matter was taken by a team directed by Prof J. Soldaczuk, who has prepared proposals for reforming foreign trade (see RYNKI ZAGRANICZNE, 1981, Nos 1-2).

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11 August 1982

# East Europe Report

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2303

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# EAST EUROPE REPORT

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2303

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POLISH-EAST GERMAN COAL MINING PLAN CALLS FOR SHIFTING RIVER BED

Warsaw RZECZPOSPOLITA in Polish 23 Jun 82 p 4

[Article by Krzysztof Szczesniak]

[Text] This subject matter applies to the brown coal in the vicinity of the Zylawa pocket, otherwise referred to as Turoszów. One of the veins already exploited there extends to the vicinity of ZITTAU-NORD which is located in East Germany. Its path intersects the Neisse River which represents the natural boundary between the two countries. A geological survey conducted on the Polish side revealed that near the river the coal deposits are relatively shallow and are readily available for exploitation.

If this was not border land the river bed could be shifted. The safety pillars of coal could be removed and the vein could be further exploited.

In such a case, however, the details of the entire operation must be agreed upon by both countries. A shifting of the Neisse on Polish territory is impossible because of the lack of space in the Turoszów pocket; lack of indispensable facilities for coal exploitation such as: power lines, conveyor belts, water removal equipment and the such. However, over 120 million tons of brown coal are at stake.

In 1977 the then existing Ministry of Mining, Electricity and Atomic Energy turned to the East German Ministry of Coal and Energy for help in solving the dilemma. The proposition was accepted, a mixed steering committee was summoned from Poland and East Germany. Four years of continuous discussions have also led to practically a complete arrangement of the details.

The Neisse River Plan of Action

East Germany at the outset expressed agreement to shift the river bed of the Neisse River onto its territory; thereby, making available to us (naturally with adequate compensation) 67 million tons of brown coal located in the East German pillars. In the order of priorities, plans for hydrotechnical works will be first. These should commence as soon as possible, this year or next. They will continue for at least 3-5 years.

During this period of time, a 12 km stretch of the Neisse River, from the Sieniawka area to Biedrzychowic, would be moved about 4.5 km onto the East

German territory; thereby, unveiling 2.27 sq km of land which will be ready for strip-mining. Following the removal of water, the extraction of coal is foreseen to commence in 1988 and ending in the year 2003. In the year 2010, the reshifting of the Neisse to its original river bed would begin, and our neighbors beyond the Western borders having an open vein to the North from Zittau could begin its further exploitation. The Polish counterpart is prepared to provide basic and transport machines in return.

Such were the plans. How do they appear in reality? In conjunction with Poland's political and economical situation during the past year, as well as the reorganization of the ministries, the scheduled discussions were not undertaken. Our partners concluded, frankly, that we withdrew from this plan. However, it was not and is not so. In March of this year, a document was directed to the Minister of Coal and Energy of East Germany, W. Mitzinger, by the Minister of Mining and Power Engineering in Poland, the Divisional General, Czeslaw Piotrowski, proposing the reactivation of the work of the steering committee; and in May it culminated in the meeting of both Ministers in Berlin. Meetings involving the steering committees were planned. Hence, there is hope that even this year the agreement will be finalized, which will make possible the beginning of work. Time plays a tremendous role in this case.

Constructing a Power Plant in Zatonie?

If the negotiations were successfully concluded, it would enhance the possibilities for the erection of another power plant next to Turoszów using brown coal at Zatonie with an output of 75 MW. For the moment it is only a project whose reality depends upon an accurate and detailed evaluation of the resources in the Toroszów pocket. Access through East Germany to the coal locked up in the pillars will confer upon this project a reality, and permit the profitability of eventual investment.

In this situation, the sooner the construction of Zatonie is undertaken, the better will be the cost effectiveness; to say nothing of the additional amount of electrical energy and support to the aging, year by year, Turoszów power facility. Actually all hinges on our economic situation; on whether the money will be available for such a rather admittedly expensive investment.

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## DIFFICULTIES IN OPERATING, MAINTAINING FARM EQUIPMENT OUTLINED

Sofia ANTENI in Bulgarian 30 Jun 82 pp 1, 4-5

[Article by Tanya Yoncheva: "Iron Has a Soul Too"]

[Text] People and equipment in the mud of machine yards in Mikhaylovgrad and Vratsa Okrugs

On this day the combines in Byala Slatina were supposed to be in full readiness for the campaign. Instead we saw in all the repair yards dismantled axles and other parts which were untouched and only 12 of the 62 combines of the complex were more or less in good shape as if the crop harvest days were far away, although those machines covered with mud and weeds would decide the fate of the campaign.

And then rivers of grain will begin to flow, some in the direction of the warehouses and others...down the mowed rows, dozens and hundreds of tons of grain! And just as much will be wasted this year as well by the combines of the APK (Agroindustrial complex) in Byala Slatina and the fields and ruts in most complexes in Vratsa, Mikhaylovgrad, Vidin, Pazardzhik and other okrugs. This will be another reminder that the people always need bread and that it is the winter and the spring that provide the year-round food!

All of this is well known and one could hardly find a farm specialist and manager who would disagree with us. But that will be all. This is where the understanding of the problems and the specific aid in funds for the construction of centers for the protection and repair of equipment stop. That is why this year again machinery worth millions of leva was left to spend the winter helter-skelter on the barren meadows, in snow, mud and weeds. And it was there again, almost at the last minute before the harvest that it had to be repaired. How, is the question? If this could be accomplished with a magic wand we could say as in the reports — ready for the campaign. Otherwise one can only guess at the state of readiness of the combines, even those which were able to pass the technical tests. The reason is that in May neither spare parts can be found nor the machinery dismantled totally, as stipulated, regulated and tested. Even if testing stands were available, where could they be set up? In the mud? In Vratsa Okrug only 15 of 79 brigade bases have permanent roofing; 19 have repair shops (half of them unsuitable for work) and 23 are in sheds.

In 93 of the 117 bases in Mikhaylovgrad Okrug the machinery is in the mud. In Vidin Okrug 102 of 113 bases have no hard flooring and only 19 have enclosed repair areas. All in all, 68 percent of all machinery yards in the country have no roofing, more than half have no repair workshops of any kind, two-thirds have no sheds and 72 percent have no work premises. With the exception of Tolbukhin and the other okrugs in Notheastern Bulgaria, there are bases everywhere which sink into impassable mud the moment the rain starts falling. As to the machinery, all we can do is (somehow) pray that parts will not be stolen and that it will not rot in the snow and the rain... Well, some may say, iron has no soul. This is the truth.

What About the People?

Now we come to the most important part. The main trouble is not that very expensive equipment becomes unusable in 2-3 years in neglected farm yards. Machinery can be purchased and the funds to purchase it can always be found, but it is difficult to make the people return to the mechanizer brigades. Skilled workers will not remain to work in the mud, in former stables and crumbling workshops which lack even most basic working conditions. This the problem. We are falling increasingly short of combine operators, mechanics and engineers. In Mikhaylovo Village, Vratsa Okrug, we were told that "No new workers are coming and those who remain are almost all elderly. They too will leave in 2-3 years. What do we do then?"

Grigor Trifonov, Mikhaylovgrad Okrug BCP committee secretary for agricultural affairs: "Equipment utilization in the okrug is dropping because of shortage of mechanizers. We are also short of skilled repair workers."

Ivan Yonin, chief of the workshop in Vulchedrum, Mikhaylovgrad Okrug: "We have a high turnover. Recently 12 people left us."

Mladen Mladenov, chief of the workshop in Yakimovo Village, Mikhaylovgrad Okrug: "Our third class workers earn some 100 leva monthly. How can we keep the young? Three left last year and the others are looking at the outside. It looks as though only the retired will remain."

The situation has become so bad that machinery and electronic systems are being entrusted to ignorant people, who wreck them in the course of a single season. The combines are wasting grain because they are not regulated and run properly. But who is there to regulate them and with what? Only 9.4 percent of Vratsa Okrug mechanizers have a first class rating and 13 percent have a second class one, and 20 percent of all tractor and machine operators are over 50 years old; 48 of the 90 specialists in engineering jobs have no higher training. In Mikhaylovgrad Okrug there are 11.85 conventional tractors per repair worker, compared with the national average of 9.5. One can see how "hard" both okrugs have been thinking about how to retain the people in the brigades. Otherwise, they would have hardly needed to rely on machine yards built 10-15 years ago.

"No, 23 years ago," I was corrected by the mechanizers in Gabrovnitsa Village, Mikhaylovgrad Okrug. "We moved to this "workshop" in 1959. Before that it had been a cow barn. We simply led the animals out and brought the

machines in. Repairing the building? We are lucky that the roof has not caved in."

Spare Parts in the...Manger

Such was the picture we saw in the darkness. A flimsy building, classified as the repair workshop of the APK. It has a dirt floor on which the people lay planks when they slide under the tractors undergoing repairs. There is no draining and one feels uncomfortable to even ask about ventilation or most simple tools. The shop is too small for combines.

"The trouble with our workshop is that its ceiling is very high," the combine operators in Turnak Village, Vratsa Okrug, told us, pointing at the sky. The "ceiling" is indeed high... As to other features, we have seen mud elsewhere as well. Yet demands are modest: first of all a roof, so that the people can repair the machinery in a dry premise in the winter.

If even a single suitable work premise had been made available to the brigade in Komarevo Village of the Byala Slatina APK, other than the stable which has been considered a workshop for the last 22 years, useless as it is, the combines would have been readied, the mechanizers would have found the time to do double-shift work and the young people from the village would have remained at the base.

But let us see what is under construction in Mikhaylovgrad and Vratsa Okrugs to shelter mechanizers and equipment. Angel Stoyanov, chairman of the Mikhaylovgrad APK: "It is not excluded that some funds may become available next year. We have none for the time being."

Borislav Dimitrov, deputy chairman of the Mikhaylovgrad Okrug Agroindustrial Union (OAPS): "This year we have been granted funds only for the base in Lom, but even for that the bank will not release funds since the APK has no funds of its own."

Engineer Ivan Ivanov, chief specialist in charge of mechanization at the Vratsa OAPS: "This year the okrug agricultural organizations must provide 250,000 leva for paving machine yards."

Engineer Dimitur Stanev, chief specialist in charge of repairs of the National Agroindustrial Union: "We shall be forced to ask the State Committee for Planning for additional funds for the construction of bases. The funds we are being currently allocated are extremely inadequate. If we continue this way the problems will not be resolved even 10 years from now."

Give the Bases Priority!

For many years the material and technical mechanization facilities in the okrugs we mentioned have been developed only with leftover APK funds. This has led to severe cadre difficulties. Obviously something is wrong with the allocation of capital investments. We ask: Is it more advantageous to spend millions of leva every year on new equipment instead of a lot less on creating normal conditions for storing and repairing usable equipment?

We also ask who will replace the retirees who have remained at work in the repair shops? Who will handle the new highly efficient tractors and combines? Is it accidental that machine efficiency is declining year after year while outlays for repairs, fuel and lubricants and costs per conventional decare plowing and machine idling are rising? In Vratsa Okrug alone tractor idling in 1981 was the equivalent of the year-round idling of 390 machine units! We also ask by what means will agricultural mechanization attract young specialists and workers?

It is high time to sound the alarm on this subject, so that everyone can realize that the buildinj of technical service bases brooks no delay. Over the next few years less funds should be spent on livestock premises, perennials, basic herds and machines so that some money could be left for machine yards! Reserves exist in all okrugs,and APK. They have been discovered not only in okrugs such as Tolbukhin, Varna, etc., but in individual complexes in Vratsa and Mikhaylovgrad Okrugs as well, such as Knezha, Khayredin and Dulgodeltsi.

Having underestimated mechanization requirements for so many years, let us finally put them on the agenda!

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## PROBLEMS OF ECONOMIC GROWTH UNDER NEW CONDITIONS DISCUSSED

### West German Commentary

Bonn IWE-WIRTSCHAFTSDIENST in German Vol 23 No 10, 4 Mar 82 p 1

[Unattributed report: "Against Economic Growth at Any Price"]

[Text] Prof Klaus Steinitz, director of the Central Institute for Economics, GDR Academy of Sciences, has come out against economic growth at any price. A high growth rate was no "end in itself," but the key question was how and on what basis economic growth was achieved. Economic growth relying on too high an investment of extra resources and energy, labor and funds led to excessive strain and disproportions in economic development. Under such conditions, the expenditures for production growth were too high. Disturbances arose which negatively affected efficiency improvements and, ultimately, the benefit growth should lend to improving the public supply situation and solving the foreign economy problems. Only if one succeeded in significantly reducing specific raw material consumption and, moreover, labor and certain raw materials and energy sources in absolute terms, could a high growth rate help strengthen the economy.

### Economist Urges Further Study

East Berlin WIRTSCHAFTSWISSENSCHAFT in German Vol 30 No 2, Feb 82 (signed to press 15 Dec 81) pp 178-197

[Article by Prof Dr Klaus Steinitz, economist, deputy director, Central Institute for Economics, GDR Academy of Sciences: "On Some Problems of Economic Growth Under the Conditions of Intensively Expanded Reproduction"]

[Text] The tasks of ensuring a high and stable rate of economic growth and the conditions connected with them occupy a central place in the economic and social policy of the working class party in all phases of the development of communist society. In the SED Central Committee report to the 10th party congress, it is stated: "The Central Committee has always treated the strengthening of our material-technical base, economic growth and the improving of our labor productivity as central tasks in the shaping of the developed socialist society. Stable economic growth is indispensable for socialism because men's needs and our socialist society's requirements keep developing, and we can only distribute what was produced beforehand."[1]

This description of economic growth holds true for all phases of socialist development, the building of the foundations and the all-inclusive construction of socialism, as much as for the period ahead in which the developed socialist society is shaped further and the basic prerequisite are hence created for the gradual transition to communism. Now there are considerable differences among the various phases of socialist development regarding the specific requirements and concrete content of economic growth and its connection with other social processes, such as scientific-technical progress and the perfecting of the production structure as well as of the growth conditions. We shall look somewhat closer in this article at the specifics of economic growth under the conditions of the intensively expanded reproduction of the 1980's.

As elements of the economic strategy, the 10th SED Congress described the requirements for the growth of social production and intensively expanded reproduction.

"In our economic strategy for the 1980's, high dynamics in social production and the national income go hand in hand. This strategy is based on, and encourages, production growth. Our standpoint on the growth of social production by no means comes down to slighting the objective changes in the preconditions for it. Still, the answer cannot be to do without high growth rates. In conformity with our concept, they rather have to be achieved still more consistently by means of qualitative growth factors.[2] Socialist intensification increasingly becomes a critical characteristic of our planned economy. Management, planning and stimulation, each step toward fashioning production conditions, and every project in the combines, enterprises and cooperatives must conform to this main trend in our economic growth as much as must the further development of our territories."[3]

Economic growth and intensively expanded reproduction stand out in our economic strategy. They encapsule the effects and results of all other major points in our economic strategy. Economic growth and intensification are going to be linked ever more inseparably and more closely during the 1980's in the GDR. Based on socialist production relations, the successes in enforcing our intensively expanded reproduction must crystallize in a high rate of economic growth to satisfy men's expanding needs. Intensively expanded reproduction with no or only a small economic growth, as typical of longer periods in capitalist countries, would contradict the basic economic law of socialism, the unity of economic and social policy. At the same time it holds true under the reproduction conditions of the 1980's that dynamic and stable economic growth can come about only by way of intensification. A highly dynamic national income will be inconceivable in the future without significant advances in enforcing an intensively expanded reproduction.

National income growth rates dropped in recent years in several socialist countries. The 1981-1985 five-year plans also anticipate lower growth rates than the average of the 1970's (cf Table 1).

Despite this drop in growth rates in some socialist countries, the rate of growth in national income was circa twice that of the OECD countries in the CEMA countries in the 1970's. Also the growth rates anticipated for the 1981-1985 period far exceed even the most optimistic forecasts for the capitalist industrial countries.

Table 1: Annual Average National Income Growth Rates (in percent)

| | 1971/75 | 1976/78 | 1979/80 | 1981/85 |
|---|---|---|---|---|
| Bulgaria | 7.9 | 6.0 | 6.3 | 4.6-5.4 |
| GDR | 5.4 | 4.2 | 3.8 | 5.1-5.4 |
| Poland | 9.7 | 5.1 | | |
| Romania | 11.3 | 8.9 | 4.3 | 6.7-7.4 |
| CSSR | 5.5 | 4.2 | 2.8 | 3.0-3.2 |
| USSR | 5.7 | 5.1 | 3.2 | 3.4-3.7 |
| Hungary | 6.5 | 5.4 | 1.4 | 2.7-3.2 |

(Source: Computed from "Statistisches Jahrbuch der DDR 1981," Staatsverlag der DDR, Berlin, 1981, p 4*; for 1981-1985: "More Economic Strength in the CEMA Countries," DIE WIRTSCHAFT, No 10, 1981, p 29).

In connection with these manifestations and the more complicated domestic and foreign reproduction conditions in the 1980's, among economists in the socialist countries there has been a resurgence in the discussion recently about the importance of the rate of growth and the trend of declining growth rates. To assist in an objective and constructive examination by Marxist economic scientists of the various issues connected with it, it is imperative clearly to define the theoretical points of departure for the conception on economic growth. That is to be served, among other things, by the following considerations.

1. Economic growth--and this applies to the real growth process as much as to its being reflected in theoretical and ideological debate--is an integral part of overall economic and social development in the economy of the socialist states and, with it, encapsulates some important aspects of that development. The real processes and the problems of economic growth reflect basic tendencies, interconnections and contradictions in the social and economic development of socialism. In that sense, growth is embedded in the social and economic development of the socialist countries as a component, the result and, at once, one of its most active and formative elements. Economic growth is a component of expanded reproduction. It is merely a different term for decisive results of expanded reproduction. Exploring new conditions and effects of economic growth thus essentially calls for an analysis and disclosure of the new internal and external reproduction conditions and their repercussions for the expanded reproduction of production results.

2. Some new or modified aspects mark economic growth in the current developmental phase of the European socialist states determined, essentially, by the transition to the type of intensively expanded reproduction and penetrating changes in the internal and external reproduction conditions. They relate to the growth conditions and factors and to the content and the effects of the growth process. In this context the demand is sometimes made for changing over to a new type of economic growth. This essentially amounts to the transition to a new type of expanded socialist reproduction, an intensive type of reproduction. Only derived from it and, actually, embedded in it, not along with it or as a special set of problems, does it make sense to speak of a new type of economic growth. It means that only to the extent that the transition is made to an intensively expanded reproduction can one also realize the new economic growth requirements. But it also means that under the changed reproduction conditions of the 1980's, the development of the factors, content and results of economic growth reflects important processes and aspects in the transition toward intensively expanded reproduction.

Our economic growth rate concept for intensively expanded reproduction conditions has to be spelled out more specifically, especially in terms of the following complex issues: Perfecting the relations between economic growth and the goal in socialist production; the changed conditions for economic growth, especially in consequence of the accelerated scientific-technical progress and the more complicated conditions for resource reproduction; and the modification of the substance of economic growth and of its sources and results.

Relations Between Economic Growth and Goal Implementation

Fast economic growth must not be considered an end in itself. Rather, economic growth is a means and tool for implementing the goals of socialism and resolving problems and contradictions in socioeconomic development. That connection is given with the nature of socialist property. During the various phases in socialist development, it appears in specific and always different forms.

With the continued shaping of the developed socialist society in the GDR, certain changes occur in the position of economic growth within socialism's system of goals. The connections between economic growth and social development, in terms of the upward development of the totality of the productive forces and production relations, and of progress in all domains of public life, become closer, more direct and more inclusive.

Developed socialism calls for economic growth aimed at continually and stably satisfying men's developing needs and productive needs. This, in particular, raises the following objective demands for economic growth in the 1980's.

First: a stronger sociopolitical effect by growth on men's all-round development with a higher degree of satisfying their material and intellectual-cultural needs. That brings more to the fore such matters as closely combining higher achievements with improved working conditions and improving the qualities and properties of products and services meant for satisfying public demands. That also provides more favorable preconditions for shaping the causal chain from economic growth to an improved satisfaction of demands to the development of motivation and dedication by the working people to more efficient production and to the further improvement in economic growth, developing productive forces and socialist production relations as objective requirements and opportunities permit.

Second: a closer intertwining between economic growth and the upward development of socialism's material-technical base. Growth must be combined with the kind of dynamic change in the proportions and structure of production and with the kind of improving product quality, that the technical-economic level of the material-technical base can be raised in conformity with the requirements of the scientific-technical revolution. Economic growth thus will have to be judged increasingly by how it contributes to bringing the results of scientific-technical progress to bear, not just point by point but comprehensively and in a complex fashion, on our material-technical base and to further developing in an integrated manner all fields of production and of the nonproducing sphere. This raises objective higher demands for perfecting the structure and proportionality not only of production growth but of all production, and for the quality of all tools and labor items that will satisfy production needs. With it, there also arise higher demands from

such economic growth for the material-technical base. Modernization, renovation and the proportionate development of the material-technical base must be raised onto such a high scientific-technical, economic and organizational level and carried out with so much complexity that the conditions for long-term stable and effective economic growth are ensured. That means, for one thing, developing the infrastructure that is needed for a smooth running of the reproduction process and ensuring the conditions for preserving and reproducing the natural environment.

Third: a still more consistent and intensive entwining of economic growth and efficiency improvements with an all-round intensively expanded reproduction. Under developed socialism, economic growth must mainly be analyzed and rated in terms of the expenditures in embodied labor, energy, raw materials, materials and basic assets invested. The contribution to the development of the economic end product and to socioeconomic progress as such differs with respect to a given production growth, depending on whether it came from extra or unaltered resources, or even in spite of resources returned. The smaller the resource consumption per unit of output, the larger will be, other conditions remaining equal, the possible contribution by any given production growth to improved demand satisfaction and to ensuring long-term growth conditions. Improving the effectiveness of the reproduction process, constantly improving the ratio between resource utilization and end product, increasingly is becoming the basic question in dynamic and stable economic development. This interconnection applies not only to the economy per se but to all partial systems as well, to the combines, enterprises and cooperatives.

Under the conditions of intensive reproduction, the relations between growth and efficiency are much closer and diversified than under strongly extensive economic development. Efficiency improvements, including the constant improvement of qualities and output, must increasingly become the main source of economic growth. A highly speeded up economic development is possible, today and in the future, only by way of an intensively expanded reproduction which more definitely taps all the potentials of the qualitative growth factors and of efficiency improvement. The high demands made on economic growth, resulting from socialism's internal development conditions as well as from various external conditions, in their core amount to higher demands on increased efficiency.

There still is another aspect to the unity between growth and efficiency in socialism: the possibilities arising from efficiency improvements must fully be brought to bear on high stable economic growth. Only then can the possibilities that inhere in higher efficiency be applied to a better and more comprehensive implementation of the socialist production goal. Precisely in this unity between production and efficiency growth, between steady growth and improving the working people's standard of living, lies one of the basic advantages socialism has over capitalism. And precisely in recent years, capitalism's fundamental inability, due to the nature of its property relations, in converting the accelerated scientific-technical progress into stable economic growth has been confirmed. So as to still more comprehensively implementing the superior socialist mode of production in practice, very great importance attaches to further perfecting this dialectical unity between efficiency growth and the satisfaction of demands in the 1980's. The economic strategy of the 10th SED Congress is aimed at still better combining a stable and fast economic growth, of annual national income growth rates of 5.1 percent, with a higher efficiency and sociopolitical effectiveness of such growth.

A basic task is to apply still more effectively the social impulses and the mode of planning in economic development to accelerating the scientific-technical progress and enhancing its economic and social results. The components in the national income that are set aside for improving the population's material and cultural standard of living must not solely be found in the results of economic growth and the elements of final disposition. What matters especially is to use the potentials for a stronger motivation and performance willingness on the part of the working people they contain, for future efficiency improvements and dynamic economic growth.

Proceeding from these higher demands made on economic growth, as they relate in particular to its effectiveness in demand satisfaction and to perfecting the material-technical base, and to efficiency improvements as a basis for long-term stable economic dynamics, there then also arises the need to specify the criteria and parameters of economic growth. The economic aggregates, national income or economic end product, continue to be the most important general growth categories. But they are not enough for a differentiated and discriminating analysis and rating of growth. That is also particularly true with respect to international growth rate comparisons.

For a greater precision for the criteria and parameters of economic growth, one ought to take account of the following requirements:

1. Criteria and parameters with respect to improving the production structure and the products' intrinsic value level. Of importance to that is an improved comprehension mainly of the following interconnections and processes: the renewal rate in production (the proportion of newly developed products in the overall production volume); the higher intrinsic value level of the newly developed products; the dynamics and production shares of products (materials, components and finished products) that determine scientific-technical progress; and a higher degree of production refinement.

2. Criteria parameters with respect to the effectiveness of growth for the population's satisfaction of vital material and cultural needs. That also includes processes that are important for men's all-round development not expressed in terms of growth, such as the improvements of working conditions, the extension of leisure-time, or the development of nonproductive achievements.

3. Criteria and parameters expressing the effectiveness of growth to renewing and strengthening the material-technical base and the reproduction and preservation of natural resources.

4. Criteria and parameters reflecting the effectiveness of growth in a more efficient handling of foreign economy relations, especially in boosting export capacity and effectiveness.

5. Criteria and parameters defining the effectiveness of economic growth, especially the relations between the growth of resources and the production results. Of special importance are the relations between the growth in effectiveness of the production factors or resources and the growth in production results and the relations based on them between the saving and expansion of the resources of the social labor capacity, the energy and raw material potential and the basic assets. This

involves a differentiated analysis and evaluation of the conditions and possibilities for increasing the effectiveness of various production factors or resources as well as the assessing and rating of overall effectiveness and is a task that could up to now not be solved.

The problem with all these criteria and parameters is that they but more or less accurately reflect certain aspects of growth. For the most part they are important economic growth indicators and can evaluate economic growth in a more penetrating and differentiated manner. What they cannot do is express uniformly and in summary fashion economic growth as result of intensively expanded reproduction directly.

Changed Conditions in Economic Growth

The changed conditions for economic growth are identical with the changed reproduction conditions. They are based on a contradictory unity between harder, worse, and more favorable conditions. To arrive at a real assessment of future economic growth possibilities, both aspects and directions in the effects from changed reproduction conditions have to be taken into account.

As to the harder conditions for economic growth in the 1980's, the various and highly differentiated processes and interconnections may be summarized in the following three ways:

First: A dynamic economic growth with annual growth rates for the national income and for industrial commodity production of more than 5 percent has to be ensured while the resources in manpower, energy and raw materials in principle remain the same or increase but slightly.

For the economically most important energy sources, raw materials and material, the ratio between the two sources of production growth--increased production and reduced specific consumption--has to be reversed from circa two to one in the 1960-1975 period to circa one to nine in the 1980's.

The necessary turnabout also becomes apparent in that the extremely high rates in cutting back jobs and reducing specific energy and raw material consumption, which have to be maintained over the long run, cannot be accomplished, on the economic scale, by using more investments and basic assets but have to go hand in hand with a reduced investment and basic assets intensity.

Whereas the basic assets quota (national income per unit of basic assets) dropped in the 1970's, the current five-year plan aims at raising it by circa 5 percent, from M 350 per M 1,000 in basic assets in 1980 to M 368 in 1985. Investment growth will also be much lower in the current five-year plan than in the previous one, when it came to 30 percent.

Such a reversal of the previous trend in the development of the basic assets quota and investment effectiveness, while higher demands are being made on the substitution effects of investments through saving labor, energy and raw materials, can be achieved only through a higher qualitative level in the investment process and in basic assets reproduction. The emphasis is placed on a close and effective connection between the investment process and scientific-technical progress, on a

faster application of scientific-technical data to existing basic assets by way of their modernization and on a higher full-capacity use of productive modern basic assets. The shaping of still closer relations between the investment process and scientific-technical progress mainly involves two aspects crucial for economic growth: for one thing, a still stronger concentration of the investment potential on implementing innovator processes at higher speed and greater spread; and then, the elaboration and implementation of all investment projects on the basis of the most up-to-date and effficient results of science and technology. Only if investments are aimed at the materialization of the scientific and technical achievements most effective under the GDR's conditions, can they contribute at their full potential range to the intensification of the reproduction process and, hence, to economic growth. Investment lagging technically behind international standards give rise to extensive tendencies and cause disproportions. Thereby they also affect economic growth negatively.

The longer duration in the use of important production equipment prescribed by the 1981-1985 Five-Year Plan directive, from 15 hours per day in 1980 to 16 or 17 hours in 1985 has a twofold effect on economic growth. Not only is it tantamount to enlarging the basic assets in question to from 7 to 13 percent in the course of 5 years and to saving investments that would otherwise be necessary for it, it also means that the structure of the basic assets used can be shifted toward possibly higher savings and growth effects.

The changed reproduction conditions increase the need to realize an all-round intensive expanded reproduction, based on the unity of the types of expanded reproduction that save labor, material and energy and basic assets. Table 2 shows the reversal of the trend to be achieved in the current five-year plan.

Table 2: Growth Rates of the National Income or Industrial Commodity Production in Relation to the Growth Rates for Important Production Elements

| | 1971/75 | 1981/85 |
|---|---|---|
| Growth Rate of Industrial Commodity Production: Growth Rate of Economically Important Energy Sources, Raw Materials and Material | 1:0.6 | 1:0.1 |
| Growth Rate of National Income: Growth Rate of Basic Assets | 1:1.1 | 1:0.8 |
| Growth Rate of Industrial Commodity Production: Growth Rate in Workers and Employees | 1:0.2 | 1:0.1 |

(Source: Computed from "Statistisches Jahrbuch der DDR 1980," Staatsverlag der DDR, Berlin, 1980, pp 13, 14, 115, 124; E. Honecker, "Bericht des Zentralkomitees der Sozialistischen Einheitspartei Deutschlands an den X. Parteitag der SED," Dietz publishing house, Berlin, 1981, p 54).

In coping with these new requirements, the GDR can rely on important advances, especially in recent years. While the specific consumption of economically important energy sources, raw materials and material did drop by 3 percent annually between 1976 and 1978, the two final years of the last five-year plan accomplished a drop by an average of 5 percent.

Job cutback and savings in important raw materials, energy sources and basic assets are becoming ever more imperative for progressive structural changes and for enhancing production flexibility in conformity with the scientific-technical progress requirements and demand trends.

Second: There is a rising trend in the specific allocations for the reproduction of important elements and conditions of the reproduction process, mainly due to the increasing resource shortages. That is particularly true of energy sources and raw materials and environmental protection, but of some aspects of the social labor capacity as well. Altogether, the more expensive factors will much increase in the 1980's as compared with developments in the mid-1970's.

The worsening of the terms of trade (ratio between export and import prices), due to a relatively higher price level for imported energy sources and raw materials, compels us to use more of our national income for importing an equal volume of energy and raw material. As the extraction of domestic raw materials becomes more expensive, even a hardly increased energy and raw material production will demand an increasing part of our labor in absolute and relative terms.

Increasing allocations from public funds that ensure stable prices and tariffs for the public reflect the greater efforts needed to ensure that standard of living we have reached. They rose from M 11.2 billion in 1975 to M 16.8 billion in 1980. Rising by an annual average of M 675 million from 1972 to 1975, and by M 1 billion from 1976 to 1978, they came to circa M 1.3 billion in 1979 and 1980.[4] An important social development requirement lies in further improving the conditions for that the growing public allocations for social security and promoting assimilation processes in satisfying basic needs will release more social impulses for efficiency improvements and economic growth.

Third: Competition on international markets has become much stiffer in recent years and will become stiffer still in the years ahead. That is mainly due to the fact that practically all countries with a net import in petroleum and other energy sources and raw materials, for the sake of their payment balance, have to export more and these greater export efforts coincide with trends of crisis and stagnation in the capitalist world and with the appearance of new exporters from the developing countries. The need faced by the GDR economy to pay for energy and raw material prices by more exports and greater export efficiency thus calls for extraordinary efforts toward enhancing export competitiveness, mainly through better qualities and structures in export and further improvements in sales organization and customer service.

The chance to achieve economic growth with stable, relatively high growth rates in spite of the tougher conditions mainly comes from that, on the one hand, the scientific-technical progress is being accelerated worldwide and the economic efficiency potential of such main trends as microelectronics, robot technology and biotechnology are going to be greatly boosted in the 1980 and that, on the other hand, important prerequisites have been created for tapping more extensively and effectively the efficiency and growth reserves inherent in the socialist economy.

Among these prerequisites and more favorable conditions, among other things, are the great scientific-technical potentials created in decisive fields and the closer linkage between science and technology and investments, the high educational level and qualifications of the working people and their greater willingness for performance, the significant advances in creating an efficient material-technical base in the economy, the higher level in production and labor socialization based on the formation and consolidation of the combines, the results of the deepening of socialist economic integration, and the international socialist cooperation with the USSR and the other CEMA countries. Conditions have matured for using the great intellectual-creative potential, the qualifications, the skills and experiences of the working people more effectively than before for improving efficiency and enhancing achievements.

The changed reproduction conditions also make for changes in the relations between scientific-technical, economic and sociopolitical progress. Scientific-technical progress is still more becoming the actual fulcrum and most important basis for development in all fields of society. As to the objectively higher demands made on science and technology, it must be kept in mind that an acceleration of scientific-technical progress and the improvement of its economic and social effectiveness are needed to maintain our speed of growth. Before science and technology take an effect on enlarging the available national income, as it were, they must make up for the higher expenses in important areas by extra savings and a reduced growth in resources through comprehensive and rational job cutback and substitution effects. Imperative for it are the close linkage of science and technology with the development and comprehensive use of the working people's intellectual-creative potential, the renovation and modernization of the material-technical base, and the improvement of our production and export structure. The emphasis is placed on shortening R&D time frames and the production process, improving the level of scientific-technical achievements and their technological application, a greater economic breadth of application and a greater speed in spreading innovator processes in areas crucial for the GDR's development.

The tougher and the more favorable conditions cannot simply be equated with negative or positive influences respectively on long-term economic growth. Rather, the stiffer competition on international markets or the more complicated conditions for securing raw materials also stimulate a greater use made of the scientific-technical progress, e.g., to obtain great savings and rapidly improve the quality and structure of outputs. This means that the tougher conditions also produce certain needs and impulses which, in combination with the new possibilities of the productive forces and with socialsit production relations, further the transition to an intensively expanded reproduction, which helps confine the negative effects on economic growth. In turn, favorable conditions do not automatically have a positive effect on economic growth. What they mainly contain are opportunities which must be used consciously through further perfecting management, planning and stimulation.

The 10th SED Congress resolutions, especially the economic strategy for the 1980's as set down in the Central Committee report, clearly indicate that the changed reproduction conditions have to be understood mainly as new requirements for the 1980's, which place new and higher demands on truly tapping the advantages and

impulses of socialism. They present a challenge to the capability of socialist society of still better and more extensively bringing to realization the potentials of the scientific-technical revolution based on the advantages of socialism.

The following implications for economic growth result from the changed reproduction conditions, mainly with respect to the resources:

1. The profoundly changed relations between the growth of resources and of our output, which also affect all important resources in live and embodied labor, lead to objectively higher demands on the shaping of substitution relations among production factors. Substitution measures, mainly the investments, must be based on higher targets as to volumes (e.g., a greater reduction in working hours per unit of unique expenditure) and as to the complexity of their efficiency effects (e.g., more use of technology aimed, at the same time, at saving live labor, energy and raw materials). Then there also result objective requirements for more of an assimilation in efficiency development for the various production factors. Whereas for developments up to the mid-1970's in the GDR, labor productivity growth rates were circa twice that of the reduction rates for specific raw material and energy consumption and the basic assets quota fell until 1980, in the 1980's the reduction rates for specific raw material and energy consumption in industry as well as the labor productivity growth rate are to come to circa 5 percent, and the basic assets quota is to rise.

2. The new and redistribution of social labor, an important aspect in the type of economic growth that relies on scientific-technical progress and high dynamics in the production structure, also requires a preparatory release of resources. The higher objective criteria for such release and the differentiated relations between the release and the full or partial reuse of resources (partial, if particular resources were diminished in absolute terms) become the basic problems in long-range economic growth. That also changes the ways and means for constantly readjusting the proportionality between supply and demand. The emphasis is shifting from expanding supplies to saving and releasing resources and the effect that causes on demands. The releasing of resources is closely linked with the innovator processes. On the one side, the implementation of innovator processes in their early stages normally calls for extra resources that by and large can only come from a redistribution of resources released from other parts of the economy. That is clearly seen, e.g., in the development of microelectronics and robot technology. On the other side, particularly the innovator processes also provide new possibilities for releasing resources. Reducing the time frame between resorting to and releasing resources is among the most important requirements and criteria in launching innovator processes.

3. The changed reproduction conditions greatly affect the relations between simple and expanded reproduction. Their links become closer but also more varied and contradictory. Economic growth here is determined mainly by two opposite processes that are closely entwined and affect each other.

One of these processes is the acceleration of the scientific-technical progress and the stronger integration of science and technology in the reproduction process. The higher the speed of scientific-technical progress and the more extensively its

data are applied in the reproduction process, especially in perfecting the extant material-technical base, the stronger and more varied are the links and reciprocal penetration between simple and expanded reproduction. The qualitative upward development of the production elements, the basic assets as well as the objects of labor, increasingly proceeds within the scope of the cycle of the substitution funds. That gives rise to many possibilities to carry out essential processes in efficiency and performance improvement, i.e., the expanded reproduction of output or economic growth, within the framework of a qualitatively simple reproduction of production elements. The higher criteria that have to be applied to this are disclosed in the guidelines of the 1981-1985 Five-Year Plan directive issued by the 10th party congress. To assess the reproduction effect correctly, we cannot stop with the expanded reproduction of output. The important question is which effects such output produces in carrying on the reproduction process by turning it again into production conditions (higher effectiveness of renewed working tools and subjects of labor), enhancing the satisfaction of public demands or improving export efficiency.

The other process lies in the long-term trend, already referred to, in increasing reproduction expenditures for ensuring the economy's energy and raw material base. There the material reproduction of important substitution fund elements--the raw material and energy base--can no longer be assured fully within the scope of the given size of expenditures from the substitution funds. As far as current expenses are concerned, inflation brings it about that some of the social labor, that in one reproduction period was used for realizing the net product (national income), must be used in the subsequent reproduction period for elements of the substitution funds (production consumption). As far as rising specific investments are concerned, the excess expenditure brings it about that some of the acumulation or of the productive net investments will assume the economic function of substitution investments. That can lead to negative effects on expanded reproduction or economic growth. The greater requirements made on investment activity and basic assets reproduction as such are also indicated by that, despite these effects of larger reproduction expenditures in various economic areas, investment efficiency and the basic assets quota are to be increased in the 1981-1985 Five-Year Plan. In contradistinction to earlier periods, the trends of increasing reproduction expenditures in the current phase of development are comprehensive and long-range, even when one takes account of those factors that will counteract higher expenditures.

It follows from all these differentiated processes that the redistribution of social labor will increasingly apply not only to expanded but also to simple reproduction. That holds true for the innovator processes and structural modifications, which have to proceed more and more within the scope of simple reproduction of the production elements on their economic level. It also applies, however, to the simple reproduction of the raw material and energy base which, e.g., needs more basic assets in absolute terms for producing the same amount of energy and raw materials and allocations in larger export equivalents for importing no more than the same amount of energy sources.

4. In connection with increasing reproduction expenditures for important production elements and the enhanced refining of production, a higher place value attaches, in analyzing and planning economic growth, to considering the disparate

development of production conditions and production results in terms of volumes (the physical volume), qualities (levels of intrinsic value) and value. E.g. in the 1976-1980 period, when the volume of economically important raw materials, energy sources and materials was greatly reduced by unit of industrial output (measured against comparable prices)--a reduction in specific consumption by circa 20 percent--the use in terms of value of the same raw materials, energy sources and materials rose significantly per unity of industrial output (measured against prices that effectively reflected the higher expenditures). Output and production growth are going to shift further toward quality improvements. That holds true for the growth of economic aggregates such as national income, economic end products, and industrial commodity production, as well as for increasing the output of economic units and most commodity groups and commodities.

The Substance of Economic Growth, Changes in Its Sources and Results

The substance of economic growth is based on important changes relating to the sources as well as the results of growth. The changes in the sources of economic growth are not only found in that economic growth is increasingly determined mainly by qualitative growth factors but also in that the reciprocal relations between qualitative and quantitative processes and their unity keep improving.

Qualitative and quantitative processes normally have in common that they lead to production expansion, the effect of quantitative processes being generally confined to that, whereas the qualitative factors or processes are increasingly aimed at improving the quality of output and the efficiency of production. What is specific in qualitative processes, among other things, is that their effect on the quantity of output, especially on the size of the produced national income and of the available economic end product, is brought about by efficiency improvements. That the distinctions between qualitative and quantitative processes are only of a relative meaning, that in the real process they always exist side by side and condition each other, and that quantitative changes can leap into a new quality, is seen, for one thing, in the qualitative improvement of the material-technical base that is greatly dependent on the breadth (the quantity) in the application of new technologies and working tools--such as ADP installations, digitally controlled machine tools and processing machinery, or robot technology. The effectiveness of scientific and technological top-standard achievements in their economic effectiveness, demand satisfaction and exportability is determined mainly by the speed in their applicability, which itself again combines qualitative with quantitative criteria.

The economic strategy of the 10th party congress regards a greater economic range of application and a higher speed in the applicability of new technology as very important. The directive, among other things, states: "The number of top products must be further increased. Economical use has to be made of them at great breadth and without loss in time."[5] The task was posed to improve product qualities at the whole range of the economy and thereby increase the output of "Q" quality seal top products to circa M 100 billion by 1985.[6] The production of commodities with the "Q" quality seal is to increase between 1981 and 1985 three to four times as fast as industrial commodity production on the whole.

The changed relations between qualitative and quantitative processes pertain not only to factors and sources of economic growth but also to its results. With the further shaping of intensively expanded reproduction an improved qualitative level of the output increasingly becomes the basis and decisive content of economic growth. There is a direct correlation between the degree of reproduction process intensification and the proportion of qualitative improvement in economic growth.

Growth will continue to be dependent on the unity between quantiative and qualitative development of output, the unity between volumes and quality. In this dialectical unity, however, the weight is shifting more and more to quality in output. That is becoming increasingly important in production growth. In the 1980's, compared with the 1970's, a much larger part of economic growth will be due to quality improvements.

Proceeding from the tasks assigned in the 1981-1985 Five-Year Plan directive on enhancing raw material refinement and output qualities, on perfecting the production structure and the possible development of the raw material and energy base, it follows that in the branches of the chemical industry, metallurgy, machine construction and electrical engineering and electronics most of the production growth has to come from improving intrinsic values. The Central Committee report to the 10th SED Congress says about the tasks in the chemical industry and in metallurgy: "This way of qualitative advances must become the guideline for the raw materials economy of the GDR all-around." E.g., the production of refined rolled stock, through a relatively small addition of the total volume of rolled stock of circa 4.3 million tons in 1980 is to increase to circa 7.4 million tons (170 percent) in 1985, whereby it will come to 80 percent of a share in the total rolled stock volume.[7]

Enhanced production refinement is increasingly becoming an indispensable prerequisite and a crucial basic feature of economic growth in the 1980's. This is the most important way to produce a greater economic end product per unit of raw material and energy to satisfy consumption and production demands and our exports. Without decisive advances in the degree of product refinement, a dynamic 5-percent annual economic growth would be unthinkable for the future. This also is a main trend in more strongly applying the intellectual-creative potential of live labor to improving economic efficiency and performance.

What is wanted is a qualification and technology-intensive refinement that will maximally contribute to improving economic efficiency. For fully tapping the efficiency potentials in higher refinement and apply them effectively to economic growth, we must especially cope with the following processes and relations:

--It is not enough to insert between raw materials and final products new or extra processing levels. The efficiency effect we want can be obtained only if with every new processing level an improved intrinsic value is ensured that conforms with international top standards. In other words, it is always a matter of combining refinement with better qualities.

--We must ensure the conditions for that the higher degree of refinement, which is reflected in intrinsic value improvements per unit of raw material, increases much faster than the outlay in live labor, energy and basic assets needed for it. Enhanced refinement must go hand in hand with the use of more rational technologies and a modern, efficient production organization.

--Enhanced refinement cannot be made dependent simply on using more live labor and basic assets. It must be based on a stronger and more comprehensive utilization of skilled labor in R&D, design, technology and production itself.

Paying attention to all these requirements will help tap the growth potentials in refinement more extensively, especially through efficiency improvements in the manufacture and application of more highly refined products. That also is necessary so that the labor invested in processed commodities is recognized more on the international markets as socially necessary labor and the revenue from exports gets better.

A theoretically and practically significant question for determining economic growth is whether the improved qualitative level of output is a component of growth and to what extent qualitative improvements are reflected in production growth rates. One can still find the views, widespread, that qualitative improvements are not part of growth but act as an additional factor of demand satisfaction. So it is stated in the book, "Die Wirtschaft des entwickelten Sozialismus": "Under the conditions of developed socialism, a different and new approach is needed to assessing the tempo of development and the proportions. The new dimensions in production, with a relatively reduced speed of growth and, at the same time, better product qualities, make possible satisfying public demands ever more completely."[8] A direct inclusion of quality improvements or of higher intrinsic values in growth, in indicating the magnitude of the tempo of growth, is a consequence, it seems to me, which follows from conceiving of economic growth, not as a quantitative enlargement of output as such, but as an enlargement of production results meant for demand satisfaction as a unity of volumes and qualities. It follows from the actual purpose of economic growth in socialism, an improved demand satisfaction. Placing a higher value on improved intrinsic values is important to reflect the real growth process under the conditions of an intensively expanded reproduction. From that it also follows that a much reduced growth in natural resources, raw materials and energy sources is not bound to lead to reduced production growth rates but must effect a change of the meaning of growth in terms of the relations between larger quantities and better qualities of output. This gives mainly also rise to higher demands for quality labor and for the development and actual use of the working people's intellectual-creative potential.

With all these processes in quality development of output, it must be observed that only economically feasible quality improvements can be considered components of economic growth. Improved quality parameters for a product leading to no kind of positive economic or social results constitute no real improvement of use value and can therefore not be considered components of economic growth.

In summary one may say that quality improvements have a twofold role to play in economic growth. They are a direct growth component of the national income available or the economic end product that is actually used for the satisfaction of production or consumption demands, which finds expression in these economic magnitudes, e.g., by applying the cost/benefit ratio. At the same time, quality improvements, through the use of better working tools and objects of labor, significantly affect the growth in subsequent reproduction periods.

Crucial reserves for effective economic growth in the 1980's are found in perfecting the unity between qualitative and quantitative production results.

On the one side, the qualitative growth must make itself felt mainly by such working tools, objects of labor and consumer goods representing a high quality level or showing a high degree of innovation, measured against international standards. Best quality products—provided there is a proper demand for them—must become more and more the chief components also of quantitative production development. The 1981-1985 Five-Year Plan directive assigns an especially high growth rate to the production of commodity groups and branches that show highly enhanced refinement degrees and are of great importance to technical progress and the satisfaction of new demands. Through raising industrial commodity production under the industrial ministries by 131 to 135 percent, there is expected to be an above-average rate of growth in the following branches and commodity groups: medicines for human consumption and in veterinary medicine by 148 to 150 percent, chemical installations 165 to 170 percent, granular and grained potash fertilizer 200 to 250 percent, electrical engineering and electronics 156 to 158 percent, metal-cutting machine tools 160 to 165 percent, cold-forming machine tools 158 to 162 percent, packing installations 200 to 210 percent, refrigerators 220 to 250 percent, and gas ranges 130 to 150 percent.

On the other side, for products amounting to a large production and export volume and showing high dynamics due to the long-term development of domestic and export demands, particularly high efforts are needed for quality improvements.

A big role is assigned in the discussions of economists of socialist countries about the problems of economic growth to the relations between the speed of growth and such requirements for the transition to intensively expanded reproduction as an improved balancing of economic development, acceleration of innovation processes, a greater reliance on international competitions, and the structural adjustments to the changed conditions in the 1980's.

The basic issue is how and on what premises economic growth is achieved. Economic growth relying on too high an investment of extra resources and energy, labor and funds, leads to excessive strain and disproportions and infringes the balancing requirements for expanded reproduction. Under such conditions, the expenditures for production growth are too high. Disturbances arise which negatively affect efficiency improvements and, ultimately, the benefit growth should lend to improving the public supply situation and solving the foreign economy problems. If one succeeds in significantly reducing the use of extra resources per unit of production growth and, in addition, in releasing labor and certain raw materials and energy sources in absolute terms, a high growth rate can help better balance expanded reproduction. Then the effectiveness of growth also accrues to the satisfaction of demands and to the solution of our foreign economy problems.

These relations between the speed of economic growth, on the one side, and the dynamics in innovation processes and structural changes, on the other, are extremely intricate. A high tempo of innovation and rapid structural change do not automatically, per se, lead to a high tempo in growth. That is shown by the results of economic development in the capitalist states of Western Europe and North America.

This involves still two other aspects, however, that are of special importance to the transition toward intensification in the socialist countries: one concerns a more resolute realization of the efficiency potentials in economic innovation processes through establishing and applying the new technology. The other one has to do with the actual effect of structural changes in production derived from scientific-technical progress and enhanced refinement in perfecting our export structure and improving the marketability and lucrativeness of the exports.

The effects economic growth has on innovation and structural development cannot be deduced from the magnitude of growth rates. Neither practically nor theoretically can it be proven that a high speed of growth must block scientific-technical progress or that slowing down affects it positively. That is shown in the capitalist world system by the examples in the development of Japan and Great Britain. In Japan, the speed of production growth, extremely high for capitalist countries, goes hand in hand with penetrating processes of innovation and structural changes. Without them, the high speed of economic development in Japan would be unthinkable. In turn, in Great Britain in the 1970's extremely low production growth rates went together with its lagging behind in innovation and structural adjustments.

The positive connection between speed of growth, innovation and structural change is clearly seen in the differentiated development of the combines in the GDR. Combines leading in scientific-technical development, in the speed in which they renew their production profiles, and also in their export development, like Carl Zeiss Jena, the Herbert Warncke Forming Equipment Combine in Erfurt, and the Fritz Heckert tool machine combine in Karl-Marx-Stadt, have shown above-average growth rates in production for years.

What matters is to perfect management, planning and economic stimulation in such a way that scientific-technical progress, an improved production structure, a higher efficiency, and the release of resources become indispensable prerequisites for and the main roads to high speed in growth. To that end it is of special importance that structural changes and production renewal not only much enhance the economic end product but also positively affect, through a highly efficient use of new means of production and a favorable development of export effectiveness, long-range economic growth rates and an improved satisfaction of public demands.

FOOTNOTES

1. Comrade Erich Honecker, "Bericht des Zentralkomitees der Sozialistischen Einheitspartei Deutschlands an den X. Parteitag der SED" (SED Central Committee Report to the 10th SED Congress), Dietz publishing house, Berlin, 1981, p 34.

2. Ibid., p 59.

3. Ibid., p 60.

4. Computed on the basis of data from the "Statistisches Jahrbuch der DDR 1981," Staatsverlag der DDR, Berlin, 1981, p 251.

5. "Direktive des X. Parteitages der SED zum Fuenfjahrplan fuer die Entwicklung der Volkswirtschaft der DDR in den Jahren 1981 bis 1985," Dietz publishing house, Berlin, 1981, p 18.

6. Ibid., p 19.

7. Comrade Erich Honecker, op. cit., p 64.

8. Authors' Collective, "The Economy of Developed Socialism--Main Criteria and Inevitabilities," Dietz publishing house, Berlin, 1979, p 361.

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## RECENT MEASURES FOR TIGHTER ECONOMIC CONTROLS ANALYZED

### Review of New Laws

West Berlin DIW-WOCHENBERICHT in German Vol 49 No 21, 27 May 82 pp 267-271

/Article by Doris Cornelsen and Angela Scherzinger, German Institute for Economic Research (DIW), West Berlin: "GDR Economic System: Control Mechanisms Again Tightened." Translations of the article by the GDR State Planning Commission's Harald Rost cited in footnote 1 and of the decree on economic accounting cited in footnote 3 are both published under the heading, "Decree Expands Rewards, Penalties for Economic Performance," in JPRS 80360, 17 Mar 82, No 2246 of this series, pp 9-30. A translation of the article by Kurt Erdmann cited in footnote 3 follows this review/

/Text/ The speed-up of economic growth, reductions of foreign trade deficits and the further steady improvement in living standards are the GDR's ambitious goals for the first half of the 1980's. The generally more difficult growth conditions are to be countered by a new conception. The "economic strategy for the 1980's" mentions in particular intensification of production, improvement of productivity, improvement in the cost/profit ratio and, last not least, a higher standard for the application of scientific-technological advances.

By now the programmatic guidelines of this economic strategy have resulted in two important Politburo decisions. Like almost all Politburo decisions these have not been published but were mentioned in the GDR's economic press.[1] They concern the improvement of economic accounting and the raising of standards in the management and planning of science and technology. The decisions have had factual consequences in a multitude of laws and decrees enacted since the start of 1982.

### Materials Conservation

"Thriftiness as a principle of socialist management" has long been an established slogan. Extensive calculations demonstrate the reserves of additional output to be made available by the more careful use of materials and show that the specific consumption of important raw materials and energy sources is unduly high, and that the volume-performance ratio needs to be improved. Now these appeals have gained a new urgency. While, for example, an annual 3 percent rate was the target for lowering the specific consumption of important raw materials in the 1976-1980 Five-Year Plan, the 1981-1985 Five-Year Plan provides for doubling this rate to 6 percent. Economic growth, therefore, is to be achieved while the use of raw materials needs slightly to decline.

In the sector "planning as relating to goods and services" these targets are served by changes in performance criteria and the further organization of materials balancing. Since the spring of 1980 the basic indices of planning and the criteria have included "net production" and "basic materials costs per M100 goods production" in addition to "industrial goods production." At the end of 1981 and in early 1982 the GDR Council of Ministers also adopted decisions on the improvement of balancing.[2] Goods important in national terms are recorded at every stage of production with the respective balances and allocated with the aid of norms and normatives. The decision on important balances is even more emphatically a matter for the Council of Ministers and the State Planning Commission.

All new features are aimed at more securely implanting the planning regulations within the profit and loss acounts of enterprises or--in the language of the GDR--meshing all planning relating to goods and services with monetary planning. This is to reduce the enterprises opportunities for evasion, link enterprise funds more closely with cost and profit accounting and cause enterprises, in their own interest, to take seriously the state plans in the field of materials conservation.

At the center of these regulations is the "Decree on the Further Perfection of Economic Accounting on the Basis of the Plan."[3] "Economic accounting" is a basic classification of "socialist management" and intended by its operation and postulates to render effective the laws of socialism at enterprise level. It transcends enterprise cost accounting and includes many GDR specific regulations (earmarked and stimulating enterprise funds).

The new decree has five major sections:

-- Cost planning,
-- Scientific-technological progress and investments,
-- Profit transfer, fund establishment, borrowing and interest rates,
-- Industrial prices,
-- Foreign trade.

The most important measures are aimed at improving cost planning. The mandatory effect of the cost plan is to be raised; the index figure costs per M100 goods production, set in the annual plan, becomes the definite cost limit for the enterprise. In contrast to former practice, enterprises will no longer be able to automatically correct this cost limit upward by changing the assortment; this is expressly forbidden by the new regulations. Should the cost limit be exceeded, the enterprises right of disposal of certain enterprise funds is blocked. Moreover, the causes of the excess costs and the possibilities for their removal must be explained in cost reports to the respective superior organ. Detailed regulations are devoted to the improvement of cost analyses, types of cost, cost item and cost unit accounting.

In the planning sector science and technology goals and criteria must be exactly spelled out and observed. All tasks to be accomplished must be documented in detail (audit book). Within the plan the costs must be set against the expected earnings and profit. Financing of research and development must relate to specific tasks. For investments also indices and normatives must be fixed. The condition of investments is a decision in principle by the central authority.[4] The State Bank and the State Audit Office exercise supervision.

A radically new regulation insists that enterprises must maintain the planned profit transfer to the state budget even if the net profit achieved falls below the plan target. The enterprises will thus be compelled to dip into their own funds or even borrow money. To be strengthened at the same time is the link between the funds and the cost development of enterprises. If costs are additionally lowered and thus make for higher profits, there will be more opportunities to assign the latter to the premium and performance funds. The enterprises financial elbow room is to be further restricted: Transfers to the various funds on special bank accounts must be made in equal monthly amounts, so that the enterprises will no longer have any opportunity to use temporarily free resources for equalizing plan imbalances. Many regulations are designed to secure that circulating assets and stocks of materials and products do not exceed the absolutely necessary volume.

The fixing of industrial prices is intended more greatly to interest the enterprises in raising the degree of refinement of products. This is to be done by permitting surcharges on the industrial price of highly refined products and imposing discounts for insufficiently refined goods.

In the field of foreign trade significant organizational changes were carried out earlier, at the time of combine establishment.[5] The regulations now enacted provide for additional premiums to be granted for eminent export achievements. Moreover, in addition to the foreign trade targets assigned them at an earlier stage, the combines will now be responsible also for the planned foreign exchange earnings arising from exports to the nonsocialist monetary area. From 1982 these foreign exchange earnings are state plan indices. Unfortunately no explanation is offered for the origin and use of the "foreign exchange fund of combines" mentioned in this context. Export results are to be included in the standardized enterprise result. As regards imports, it is decreed that the approval of the banks is required for most important transactions.

Science and Technology

The decisive promise of the conservation of energy and materials is held out by the rapid utilization of the results of science and technology. Moreover, the opportunities offered by modern technology are to be used to speed up economic growth and increase export successes. Rationalization, the introduction of microelectronics and robot technology as well as the greatest possible refinement of products have become synonymous with further economic development.

Mentioned at the Third SED Central Committee Plenum in November last was the fundamental Politburo decision on the further improvement of the management and planning of science and technology. The remarks in the Politburo report and the report by the Minister for Science and Technology indicate that the economic leadership is intent on getting more rights of intervention and control in this area also. On the other hand it seems that--despite the important role of research and development within the framework of the economic strategy for the 1980's--capacities are not to be expanded.[6] It appears that here too the improvement of efficiency of existing resources is to receive priority treatment.

As is clear from the respective section of the "Decree on the Perfection of Economic Accounting on the Basis of the Plan," enterprises must exactly quantify the cost-profit ratios in the field of science and technology. Other requirements concern

-- The exact derivation of targets from the plan quotas, in other words here too the meshing of state tasks with enterprise projects,

-- Cutting the processing and transfer delays,

-- Raising the importance of state purchasing orders,

-- Performance and efficiency proofs from the enterprises, accompanied by strictly assignment related financing of all projects, and

-- Stimulating the best possible performance by assignment related performance bonuses and target premiums.

The greater importance of the planning of science and technology and the increased influence of the economic leadership in this sphere emerge from a supplement to the planning order:[7]

-- Plan drafts for science and technology must be drawn up and submitted before the other sections of the economic plan,

-- To strengthen the central authorities right of intervention vis-a-vis the combines the latter will receive "additional orientation" for research and development together with the plan targets of the five-year plan, aimed mainly at the "improvement of export efficiency." From 1984 on they will be issued by the superior organs for 3 years ahead.

-- The plan drafts of directly subordinated combines must be discussed with the minister personally. As for many years past, priority resource assignment is emphasized.

Furthermore the role of the "state assignments science and technology" is to be given more weight. State assignments will be issued for all research projects considered particularly important by the central economic authorities, for example in connection with microelectronics and robot technology but also for certain economic structural changes. This plan technical tool has existed for some considerable time; it has now been defined by a special decision.[8]

Legislative Regulations

In the first 4 months of 1982 many laws and decrees were amended on the basis of the new decisions, especially with regard to the detailed adoption in the special laws of the principles established by the decree on the perfection of economic accounting (Economic Accounting VO). A brief survey must suffice here. It is based on the sequence of publication in the GESETZBLATT DER DDR and indicates the veritable flood tide of revised versions:

-- The decree on the duty book for assignments of research and development. Duty books have existed for more than 5 years, but their significance for scientific-technological work has now been increased. Financing may not begin without a confirmed duty book. This expansion also applies to targets and preparation (consultation of users and commerce, information for all involved and for superior organs);

-- The financing directive for state industry. The changes are in line with the principles established in the Economic Accounting VO (net profit transfers to the state even if the planned profit is not achieved, consistent earmarking and establishment of all enterprise funds);

-- The second decree on the production fund tax. The amendments state (see Economic Accounting VO) that an increased production fund tax is payable at the expense of profits if investment projects are taken into service later than envisaged or stocks are excessively large. Conversely no production fund tax is charged until the planned date if projects become operational ahead of time;

-- The decree on loans and the banks supervision of the socialist economy--credit decree. A particular aspect emerges in the extension of bank supervision. The banks are obligated to check enterprise operations; they actively affect the drawing up of plan drafts and the preparation of investments;

-- The science and technology finance order. This makes mandatory the exclusively assignment-related use of financial resources;

-- The order on the skeleton directive for the ascertainment, planning, supervision and reporting on the efficiency of measures of scientific-technological progress. This regulates the process of efficiency ascertainment and documentation in greater detail;

-- The order on the planning, establishment and use of the performance fund. This proceeds in accordance with the provisions of the Economic Accounting VO to the effect that materials conservation (especially energy conservation) is to become the main source of transfers to the performance fund;

-- The law on the constract system in the socialist economy. This revised version, though, far extends beyond the changes topical at the present time and is based on long standing discussions in the GDR;[9]

-- Order No 3 on the supplementation of the 1981-1985 Order of Planning for the GDR Economy and order No 3 on the skeleton directive for planning in combines and enterprises of industry and construction--skeleton directive. Here also cost planning is more precisely defined, proposals from the combines required for the improvement of normatives and efficiency criteria established for projects of science and technology.

Summary

If we inquire about the purpose of these new regulations, the following important points should be mentioned: Tightening of central controls, improvement in the efficacy of controlling goods and monetary disposal for ensuring the implementation of central targets, and also the attempt to reveal and mobilize reserves.

There is some difficulty in judging the extent to which the planned new measures will operate in practical terms. Up to now all efforts by the central authorities to obtain more clarity have failed to have any really convincing success. We must also ask ourselves whether the formal right to consultation (as in the case of

science and technology) or the supervisory rights (by the banks, for example) do not far exceed the practical realities, because the actual observance of these rights presumes large personnel resources--and of highly quality personnel at that--in the central agencies.

There is no doubt, though, that the central state organs are to obtain increasing powers. The more precise definition of cost planning, cost controls and cost reporting is to make enterprise operations clearer to the central authorities and provide an opportunity to compare the performances of enterprises and combines and, therefore, apply more stringent standards and normatives. The increased influence of central control organs--audit, balance sheet inspection, banks--aims in the same direction.

A loss of elbow room for enterprises and combines is clearly indicated. They are generally confronted with greater challenges but, at the same time, will be increasingly subjected to central influences in all important enterprise decisions--for instance with respect to investments and the targets for science and technology. Stricter regulations also apply to the enterprise establishment and use of funds. Though larger transfers to the performance fund are envisaged if materials are conserved, that fund is not necessarily a source of motivation for the labor force because it does not provide cash bonuses. The use of this fund continues to be restricted to rationalization projects and spending on the improvement of working and living conditions. Increased premiums are stipulated for outstanding achievements in exports and also as target premiums for research and development departments. However, according to the regulations now in effect the amount of the premium fund is limited; no revised version has yet been submitted.

In general the flow of legislative regulations seems to indicate that the growth of the combines economic powers is now to be restricted by the use of more stringent control mechanisms. In the short run stricter central controls may well contribute to the improvement of performance, but they will assuredly inject increasing bureaucratization into the system and collide with the goals of flexibility and the willingness to hazard innovations.

FOOTNOTE

1. See Harald Rost (deputy chairman, State Planning Commission): "On the Perfection of Economic Accounting," DIE WIRTSCHAFT, No 2/1982, pp 8f, and Fritz Haberland (Central Institute for Socialist Management, SED Central Committee): "Demands on the Management and Planning of Science and Technology," DIE WIRTSCHAFT, No 3/1982, pp 5f.

2. See Harald Rost, "On the Perfection of Material Balancing," DIE WIRTSCHAFT, No 4/1982, p 17.

3. GBl DER DDR, Part I/1982, pp 85ff. See also Kurt Erdmann; "New Basic Regulations for Enterprise Management," DEUTSCHLAND ARCHIV, No 4/1982, pp 401 ff.

4. Decree on the Preparation of Investments, GBl DER DDR, Part I/1978, pp 251 ff.

5. See Hannsjoerg Buck: "Improvement in the GDR's Foreign Trade Efficiency by Enterprise Cooperation Between East and West and the Remodeling of the Foreign Trade Organization? On the Crisis of the GDR's Foreign Trade, its Causes and the Ways of Coping with Them," published by the All-German Institute--Federal Institute for All-German Tasks, Bonn, July 1979; also Maria Haendcke-Hoppe: "The Remodeling of the GDR Foreign Trade Apparatus," DEUTSCHLAND ARCHIV No 4/1971, pp 378 ff.

6. In the years 1950-1980 the percentage of national income spent on science and technology rose from 0.5 percent to 4.3 percent and, according to Harry Nick, is not to exceed the 5 percent limit "in the foreseeable future" (see WIRTSCHAFTSWISSENSCHAFT, No 10/1980, p 1198).

7. Order No 2 on the supplementation of the Order on the Planning of the GDR Economy 1981-1985, GBl DER DDR, Part I/1982, pp 109f..

8. Decision on the "Order for the Work with the State Assignments Science and Technology"--Excerpt--, GBl DER DDR, Part I/1982, pp 181ff.

9. As regards this discussion, see Klemens Pleyer: "The Economic Contract in the GDR. Development, Current Problems, Reform," ARCHIV FUER DIE CIVILISTISCHE PRAXIS, No 6/1981, pp 459ff.

## 'Economic Accounting' Decree Analyzed

Cologne DEUTSCHLAND ARCHIV in German Vol 15 No 4, Apr 82 (signed to press 19 Mar 82) pp 401-405

/'Analyses and Reports' feature article by Kurt Erdmann, consultant, Research Office for All-German Economic and Social Questions, West Berlin: "New Basic Regulations for Enterprise Management"/

/Text/ The basic regulation "Decree on the Further Perfection of Economic Accounting on the Basis of the Plan,"[1] published on 5 February 1982, and the subsequent regulations issued are intended by the GDR to close an important gap in its reform conception of the 1970's and 1980's.

Soon after Honecker took over the party leadership from Ulbricht in early 1971, renewed efforts took off at reforming the economic system. However, the SED renounced any detailed programs of reform with "coherent regulatory systems." The directive stated that a "new economic mechanism requires extensive testing for several years," and that this includes "certain corrections" and the "constant consideration of new findings."[2] In view of the increasing economic difficulties experienced, this principle was later substantially amended. Under Honecker the term "economic reform" was rejected.[3] The talk now concerns merely the "perfection of management, planning and economic stimulation ." Lately "balancing" has joined these synonyms for reforms. The term "perfection" obviates any compelling need to succeed, and so does the renunciation of the publication of detailed and timed programs of reform.

The changes in planning were followed in the mid-1970's by the thorough remodeling of the organizational structure of the economic units. The VVB's /associations of

state enterprises[7] were dissolved; almost all of the thousands of VEB's were merged into combines. According to SOZIALISTISCHE FINANZWIRTSCHAFT No 8/1981 there were 133 centrally managed industrial combines and 28 centrally managed construction combines at the end of 1981. Another stage, at the beginning of the 1980's, brought the remodeling or establishment of 93 comparatively much smaller combines (excluding service combines) of district managed industry (some 1,100 combine enterprises with about 180,000 employees).

The economic leadership expected "new enterprise management standards" (Trauer) as the result of this structural change as well as an increase in the mobilization of performance.[5]

However, the system of economic accounting and, therefore, the entire set of managerial tools of control and stimulation is subject to different conditions in the new type of combine than was the case within the structure of the former VVB's. A crucial point was the change in the status of the enterprises. Lacking now is the coordinated and comprehensive amendment and adjustment of management within the combine--something quite vital for any improvement in productivity. Despite various minor corrections, this gap in the reforms has up to now proved a definite weakness in the economic system.[6] An appropriate basic regulation was thus overdue.

The title of the new decree defines its meaning, function and politico-economic status. "Further perfection" signifies efforts at reform. "Economic accounting" stands for the system of all components, means, methods and procedures of socialist management for generating the maximum net profit in the combine. "On the basis of the plan" stands for strict central state direction. Consequently any possible recourse to the reform elements of the 1960's does not necessary carry the same connotation.

Uniform Legal Provision

The starting gun sounded relatively late: The basic regulations were not decided by the Politburo until 3 November 1981,[7] and no details were made public at the Third SED Central Committee Plenum in the second half of November.

Almost simultaneous with the decree on economic accounting DIE WIRTSCHAFT published a commentary by Harald Rost, one of the State Planning Commission's deputy chairmen. This stresses that the decree is a "uniform, complete and comprehensive legal regulation...summarizing the requirements, tasks and measures for the perfection of economic accounting."[8] "The various earlier detailed provisions will be revised or complemented" on its basis. Rost cites several examples, among others a financing directive, the loan decree and the establishment of the uniform enterprise result. The new provisions or supplements with respect to some of these headings have come to hand since.

The preamble to the decree on economic accounting of 28 January 1982 lists topical economic needs such as reductions in costs, improved foreign trade operations or science and technology.[9] The scope (article 1) includes combines and enterprises operating in accordance with economic accounting, central and local state organs[10] and banks.

## Costs

The consequent regulations so far published either correct or generally revise some sections. They are based largely on the guidelines of the decree. I propose to list these without detailed explanations or any claims to completeness, simply in their factual associations.

One of the vital points is main part II. It includes 11 of the total of 37 articles (articles 2-11). It deals primarily with cost accounting, cost reductions, cost discipline and cost awareness as well as more stringent supervision. Selected financial resources will be automatically blocked if costs are exceeded, a graduated system of "formal cost reports" is made mandatory. The commentary and the decree itself reveal something about the defects of cost accounting and the opportunities existing for manipulating costs in actual management practice. Article 12, for example, explicitly requires "guarantees" that such matters of course in major enterprises as accounting by way of cost categories, cost centers and cost units "are organized and used as effective management and control tools in the struggle to lower expenditure."

## Technological Progress

Issue of technological progress are another important section of part III (articles 13-18). The greatest emphasis here is on the rigid observance of the duty book decree, shortly before published in a revised version,[11] strict regulations for investment financing and control as well as certain changes in the use of the production fund tax. The improvement of technological progress has an important place in consequent regulations with respect to "Order No 2 on the Supplementation of the Order of Planning of the GDR Economy 1981-1985"[12] and complementing provisions to the production fund tax (PFA).[13] From the 1983 economic plan on, the "plan draft science and technology" of centrally managed combines must be discussed "under the personal guidance of the minister."[14]

## Enterprise Financial Management

Changes in financial management as per part IV (articles 20-24) are explained in detail in consequent regulations. The lack of coordination between materials and financial planning is known to have been only one of the main topics of earlier objections. Profit earning and profit distribution are made more difficult. Since 1976 the economic leadership had largely renounced any insistence on the repayment of debts incurred by the failure to pay any or all net profit taxes to the state budget in the case of enterprise losses, provided such taxes were paid as per plan in subsequent years. That concession has been withdrawn: "Combines and enterprises must meet their financial obligations to the state budget in every case, even if the planned net income has not been earned."

A new "Order on the Financing Directive for the State Economy"[15] no longer distinguishes between centrally and district managed economy. It regulates financial matters in detail, among others--and especially so--fund management in combines and the tighter (including financial) grip on foreign trade enterprises.

A new loan decree[16] including stricter "bank control" complements the financial section and intensifies "controls by the mark." Higher "punitive interest rates" are to contribute to greater business efficiency.

Various critical expressions in the GESETZBLATT DER DDR, such as "enterprises...temporarily unable to pay," "losses," "production of goods threatened with sales difficulties," or "restoration of plan appropriateness" lend themselves to the assumption that these are not exceptional phenomena. Chapter V, "Tasks in the Field of Industrial Prices" (articles 25-29), underlines a system-typical deficiency--the inadequacies of the existing pricing system--without, though, signaling any really significant improvements. At any rate Rost does confirm the decisive factor in his commentary: "The efficacy of economic accounting" and, therefore, the entire new system, "will be largely determined by industrial prices."

Foreign Trade

The "greater responsibility of combines and enterprises for foreign trade operations" stressed in part VI (articles 30-34) including the corresponding change in the uniform enterprise result does indeed burden the general director with more duties but, at this stage, fails to indicate any increase in the rights needed to ensure the "planned foreign exchange earnings." A brief concluding chapter VII, "Increase in the Responsibility of the Chief Bookkeeper" (article 35) strengthens that personage's dual function. At the same time it confirms the basic line: The establishment of an extensive mechanism reinforced by administrative controls and sanctions running like a continuous thread through all the new regulations. As on several occasions in the past, the SED is careful to harness the general directors of combines to a double if not triple central "control leash."

Evaluation

This concept to hand since early 1982 regarding the "further perfection of economic accounting" does indeed close a gap in the reforms. Though it indicates variants of the reform efforts of the 1960's, it does not really reveal any genuine innovations.

The preliminary sum total of the new decree, including the consequent regulations published up to early March 1982, seems to be this: A stricter economic regime for combines and enterprises, aimed at resolute reorganization. Much here is reminiscent of crisis management in Western enterprises. Admittedly, even stronger is the impression of a system of incentives, controls and sanctions governed more by bureaucratic than economic considerations. This, coupled with existing pricing problems, is bound to arouse justified skepticism in the chances of success and the extent of the mobilization of performance aimed at for the combines. Already at the end of the 1970's Honecker documented his general "reform principles" by tightening state investment controls. It is too early to hazard a fundamental appraisal of the value of the reforms initiated by the new regulations on economic accounting. Still, we may certainly claim right now that the primacy of ideology is bound to obstruct the abolition of many system-related defects in favor of economic reason.

FOOTNOTES

1. See GBl I 1982, No 3, pp 83-92.

2. G. Friedrich and others (editor), "Leitung der Sozialistischen Wirtschaft" /Management of the Socialist Economy/, second revised edition, East Berlin 1979, p 95.

3. "As economic reform is not a once-only measure but a steady necessity for improving management, planning and economic stimulation, the term economic reform is less often used these days." Heading "economic reform in the USSR" in "Oekonomisches Lexikon" /Dictionary of Economics/, Vol Q-Z, East Berlin 1980, p 666. The fourth revised edition of the "Woerterbuch der Oekonomie-Sozialismus" /Dictionary of Economics-Socialism/, East Berlin 1979, makes no mention at all of this term, although it was extensively defined in the third edition. See as above, third edition, East Berlin 1973, pp 1013-1017 (heading: Economic Reform in the USSR).

4. See "Goods in Demand for Our Daily Lives," TRIBUENE, 21 January 1982.

5. On the remodeling of combines see K. Erdmann, M. Melzer: "The New Combine Decree," parts 1 and 2, DEUTSCHLAND ARCHIV, No 9/1980, pp 929-942 and No 10/1980, pp 1046-1062.

6. See K. Erdmann: "Efficiency Problems in GDR Industry Without Appropriate Reform Proposals," in F. Haffner, K. Erdmann, M. Haendcke-Hoppe, E. Lieser-Tribnigg: "Theory and Practice of GDR Reforming Efforts," sixth symposium of the Research Agency, reports on 21 November 1980, pp 64f.

7. See Harald Rost: "On the Perfection of Economic Accounting," DIE WIRTSCHAFT, No 2/1982, p 8.

8. Ibid.

9. See GBl I 1982, No 3, p 85.

10. As a rule these operate in accordance with the budget principle, not that of economic accounting.

11. "Decree on the Duty Book for Tasks of Research and Development--Duty Book Decree --," GBl I 1982, pp 105.

12. GBl I 1982, No 5, pp 109-112.

13. "Second Decree on the Production Fund Tax," GBl I 1982, No 6, p 126, and "Fourth Implementing Order to the Decree on the Production Fund Tax," ibid.

14. Order No 2 (note 12), as before, p 110.

15. GBl I 1982, No 5, pp 113-124.

16. "Decree on Loans and Bank Control of the Socialist Economy--Loan Decree," GBl I 1982, No 6, pp 126-113, and two implementing regulations applying in particular to agricultural and crafts (ibid, pp 113-134).

## 1981 BUDGET ACCOUNTING PRESENTED TO PEOPLE'S CHAMBER

### Finance Minister Delivers Report

East Berlin NEUES DEUTSCHLAND in German 3-4 Jul 82 pp 3-4

[Address by Ernst Hoefner, minister of finance, to Fifth Session of People's Chamber, 2 July 1982: "The Great Efforts Have Borne Good Fruits"]

[Text] At the beginning of his statements, Minister Hoefner commented on the Fourth Central Commission session, at which Erich Honecker, secretary general of the SED Central Committee, presented the tasks in implementing the economic strategy for the 1980's issued by the 10th SED Congress.

This fundamental requirement, the minister of finance went on to say, starts from the proposition that the policy of the main task was the proper course for steadily reinforcing the stability of the GDR as a cornerstone of socialism and peace in Europe. It keeps proving a strong engine for the working people's desire for accomplishment and creative conduct. Our country's economic growth has been advanced dynamically. With it, proven as indispensable for this steady development has been our ever closer cooperation with the Soviet Union and the other socialist states as well as the deepening of socialist economic integration.

The great efforts of the working people in our country have borne good fruits in 1981. The produced national income in 1981 thus came to M 196 billion. That was M 8.9 billion more than in 1980, by which the thus far highest absolute increase was attained. Some 92 percent of the increased national income in 1981 was due to the increase in labor productivity, and this increase in labor productivity was accomplished by more than 95 percent through scientific-technical progress. Specific use of important energy sources, raw materials and material dropped to 5 percent below last year's figures.

### Higher Demands Made on the Cost/Benefit Ratio

The budget accounting for 1981, as presented by the GDR Council of Ministers, also reflected the advances made in the use of the qualitative factors of economic growth. In implementation of the law on the state budget plan for 1981, as issued by the GDR People's Chamber, a revenue of M 167.5 billion was produced, which fulfilled the plan by 101.8 percent. In that framework it was possible to spend M 167.2 billion. As an expression of the improvement of the cost/benefit ratio in 1981,

budget revenues exceeded expenditures by more than M 300 million. In conformity with the resolutions from the Fourth SED Central Committee session, still much higher demands have to be made, today and in the future, on the cost/benefit ratio in all economic areas.

A balanced and stable state budget has been among the advantages of our socialist planned economy as long as the GDR has been in existence, the minister emphasized.

An Essential Share Goes to the Combines

More than 75 percent of the state budget revenue last year came from the net income produced as the result of creative labor in the combines and enterprises of industry, construction, agriculture and the foods industry, transportation, communication and trade. There, state budget revenue exceeded the plan. The crucial share of it came from the state-owned industrial combines, most of which succeeded in reducing production consumption and costs below the plan and producing extra revenue.

Experiences in the implementation of the 1981 state budget plan teach us that efficiency largely depends on how well we succeed in combining science and production still more effectively and developing the production profile accordingly. As one can tell from the material at hand, in 1981, by roughly M 8 billion, again considerable funds were used to fund the tasks in the science and technology plan. Decisive is to translate this effort in creative capacity, with high benefits for the economy, into export boosts and public supplies.

Large funds were also used in 1981 for financing investments. Altogether it was a total of M 57 billion, of which M 6.6 billion came from the state budget, by which we were able further to improve the effectiveness of the economic reproduction process. The proportion of rationalization investments to overall investments was further increased and the proportion of construction was further reduced. All economic areas face the task to ask the question before investments are placed how what is available can still more effectively be used. That approach is borne by the economic consideration that the least expensive source for production growth lies in the efforts of making available basic assets more effective economically, through technical improvements and higher shift-capacity utilization.

The experience exchange and performance comparison, as conducted at the Leipzig seminar for the combines in industry, construction, transportation and communication, led to concrete commitments and measures to improve the performance contribution further by way of higher labor productivity and reduced costs. That is also served by the further improvements in economic cost accounting. That points the way to the implementation of the ambitious goals in the 1982 plan, the speaker said.

Citizens Received M 58.3 Billion From Public Funds

Economic and social policy continued to work in solid unity throughout 1981. Good work done on behalf of society is worthwhile for all individuals. With pride we may state: The strength inherent in socialism has made it possible to meet the measures set down in the 1981 plan for ensuring and gradually improving the working people's working and living conditions and all of the citizens' legal demands on performance.

Our workers and farmers state in 1981 allocated 58.3 billion from public funds for the population. That, as it was asserted at the Fourth SED Central Committee session, was the second wage envelope containing free benefits for the citizens while not coming free of charge for society. In terms of a family of four, that comes to an average of M 883 per month, from which the citizens benefit over and above their working income. Added must be another M 3.6 billion which, in conformity with the performance of our combines and enterprises, comes out of their cultural and social-welfare funds for the working people's cultural and social welfare.

Highest Results in Housing Construction

Increased state budgetary allocations to 110.6 percent over 1980 disclose how generally accepted social security is in our republic because the people's well-being is the supreme precept in the policy of the workers and farmers power.

Thehousing construction program, the centerpiece of our social policy, led to the highest results thus far. Another 550,000 citizens found their housing conditions improved through the new construction and modernization of apartments. Including the maintenance and operation of the housing we have and the maintaining of low rentals, the state in 1981 allocated for it M 8.2 billion from public funds. If one then still adds the credits granted and the funds of the workers housing co-operatives, the total of means allocated comes to M 18 billion.

The Growing Generation Gets All Support

Of great political and social weight also are the growing benefits for the population in ensuring stable consumer prices for goods of daily need and for tariffs in transportation and services. M 20.3 billion was allocated for that from public funds in 1981, a figure of circa M 1,185 per capita. That is an increase of M 195 over 1980.

People measure the solicitude extended by our socialist state, not last, by what is done for the children. Special attention is always paid to the education and training of the growing generation on behalf of the all-round strengthening of the GDR. That includes the care and custody of our infants in kindergartens but also tasteful meals in schools and for children, smooth transportation for pupils and much else that serves the benefit of children and adolescents. For the socialist educational system, our state spent M 9.9 billion last year. For feeding pupils and children, as much as M 854 million was spent.

It is among the basic values of real socialism that every young person learns a trade and can become a class-conscious and highly qualified specialist. For that, our state also allocated copious funds in 1981.

Care for the Personal Well-Being and Happiness of the Citizens

Looked at in terms of the year's average, the state budget allocated M 861 per apprentice attending a vocational school. If the young person lived in an apprentice dormitory, he got another M 2,662 for his lodging, food and care. If we add what the combines and enterprises pay for practical vocational training, circa M 6,000 was on the average spent last year for the training of an apprentice in the GDR.

Health care and social welfare directly express our socialist society's concern for people's well-being and personal happiness. The M 10 billion spent on that in 1981 mainly served to ensure and perfect the medical and social care for the citizens. Housing and living conditions for the veterans of labor also were further improved in 1981. For each resident in a state old-age or foster home our state spends far more than four times as much as the citizen spends out of his own pocket.

With M 29.6 billion, social insurance achieved a great deal in 1981, mainly for pensions and sick-leave money, and in pregnancy and maternity-leave benefits.

In order fully to ensure the working people's rights and demands, in 1981, in conformity with the sociopolitical goals of socialist society, M 13.9 billion was allocated from public funds of the state as social insurance subsidies. It characterizes the solicitude of our society for the well-being of its citizens that we can now say that more than three-fourths of all social insurance payments are financed from state funds and by the combines and enterprises. Some 23 percent of the benefits is covered by dues from the working people.

Means for Sports and Recreation

In 1981, M 2.4 billion were allocated from budgetary funds for the further development of a rich and diversified intellectual-cultural life, for recreation and for a broad spread of physical culture and sports.

In view of this overall positive balance-sheet, as also reflected in the budget accounting, the Council of Minister urges to improve the cost/benefit ratio in all fields noticeably as well as the quality and efficiency of labor.

The GDR government, in its alliance with the Warsaw Pact states, acknowledges that world peace has not since World War II been threatened as severely as at present. The planned funds of M 10.1 billion for national defense in 1981 were allocated from the state budget and used for measures for the protection of socialism and the safeguarding of peace.

Our republic will always act in accordance with the principle that the struggle for peace is inseparable from the protection of our socialist fatherland.

After having been conscientiously checked for its accuracy in annual accounting, the 1981 budget accounting is now available in the state-owned combines and enterprises, all state and economic management organs, and in the monetary and credit institutions.

With enthusiasm the deputies accepted the concluding request from Minister Hoefner to adopt the 1981 budget accounting and credit the government for it.

Budget Accounting Report

East Berlin NEUES DEUTSCHLAND in German 3-4 Jul 82 p 3

[Official text of "Budget Accounting for the Year 1981--Important Revenues and Expenditures of the State Budget"]

| [Text] I. Revenues | in M million |
|---|---|
| Total Revenues | 167,465.8 |
| of which: | |
| Revenues from State-Owned Combines and Enterprises | |
| from production and trade funds | 19,769.4 |
| from net profits | 42,082.4 |
| from product-related output | 37,702.2 |
| from banks | 6,752.3 |
| from agriculture | 1,213.3 |
| from agricultural establishments, mainly state veterinary service | 450.9 |
| Real estate dues | 244.5 |
| from water use and other income of the water managements | 387.1 |
| Income from crafts production cooperatives and other socialist cooperatives | 3,344.3 |
| Private craftsmen and tradesmen | 3,172.5 |
| Wage tax for workers and employees | 7,217.2 |
| Income from research of Academy of Sciences and universities | 499.1 |
| Rental income of the communal housing administrations | 243.1 |
| Income from state institutions in education, especially for maintenance, lodging and participants' dues | 695.6 |
| of which: | |
| Public education | 373.4 |
| University and technical school education | 278.7 |
| Vocational training | 7.5 |
| Adult education | 36.0 |
| Income from state institutions in public health | 6,699.4 |
| of which: | |
| Social insurance reimbursement for public health services | 5,327.0 |
| Income of pharmacies and orthopedic workshops | 864.8 |
| Other income such as from laundries, parents' contributions to day nurseries and cost contributions to old-age and foster homes | 507.6 |
| Social insurance income | 15,669.7 |
| of which: | |
| from the portions contributed by enterprises, state organs and institutions and cooperatives | 8,918.0 |
| from the working people's dues | 6,751.7 |
| Income from state institutions in culture and recreation, sports and youth facilities | 816.2 |
| of which: | |
| Culture | 477.1 |
| Recreation and sports arenas | 190.5 |
| Youth facilities | 148.6 |
| Income from broadcasting | 122.9 |
| Income from television | 404.3 |
| Income from communal measures and services | 131.2 |
| Dues and other administrative income of the state apparatus and economic management organs | 295.7 |
| Community tax | 526.2 |

| II. Expenditures | in M million |
|---|---|
| Total Expenditures | 167,159.4 |
| of which: | |
| Budgetary funds for science and technology and research institutions | 2,602.2 |
| of which: | |
| Means for science and technology in the enterprises and combines of the state-owned economy | 1,197.7 |
| Means for science and technology in agriculture and forestry | 347.7 |
| Means for R&D in state institutions and facilities | 1,056.8 |
| of which, research expenses | |
| of the Academy of Sciences | 524.8 |
| of universities and technical schools | 423.4 |
| Budgetary funds for social science research | 168.1 |
| Budgetary funds for financing investments | 6,623.6 |
| Maintenance and repair expenditures for traffic routes (roads, waterways, railroad lines, maritime and inland ports and airports) | 3,139.5 |
| Production-related price support for raw and basic materials | 6,868.4 |
| Price equalization funds for temporarily balancing the effects of planned industrial price changes | 657.9 |
| Expenditure on amelioration, investment subsidies, production-specific price increases and other production-enhancing measures in agriculture | 2,229.7 |
| Product-specific price support for means of production in agricultural enterprises | 6,366.4 |
| State commissions to agriculture and forestry for veterinary projects, herbicide protection, special schools and exhibitions | 675.1 |
| Expenditures for recultivation measures | 19.2 |
| Tasks in water management | 621.9 |
| Expenditure on housing construction | 8,406.4 |
| of which: | |
| Expenditure on new housing construction including new construction of public institutions | 2,348.1 |
| Modernization of apartments | 310.0 |
| Building repairs | 1,356.3 |
| Housing management | 2,028.0 |
| Remittance of credits granted to young married couples and remittance of interests for credits | 230.8 |
| Interest and repayment of investment loans for housing construction | 2,133.2 |
| Subsidies for ensuring stable prices for staple goods and tariffs | 20,296.0 |
| of which: | |
| Foods | 11,155.7 |
| Industrial goods on public demand | 5,416.6 |
| Fares in passenger and communter traffic | 2,890.9 |
| Drinking water and sewage treatment dues | 533.4 |
| Repairs and services | 299.4 |

| | |
|---|---|
| Expenditures for small price adjustments and seasonal measures | 170.0 |
| Expenditures for public education system | 10,604.7 |
| of which: | |
| for public education | 7,463.6 |
| of which: | |
| for general education schools | 3,720.5 |
| for teaching and study aids and toys | 177.0 |
| for pupils' promotion | 139.8 |
| for public education institutions caring for and educating preschool children | 1,099.1 |
| Expenditures for children's and youth homes and special homes for children | 321.4 |
| Expenditures for feeding pupils and children | 854.0 |
| Expenditures for pioneer houses and pioneer stations | 101.9 |
| Expenses in fashioning the pupils' vacations | 62.5 |
| Expenses for people's colleges | 35.5 |
| Expenditures for universities, colleges and technical schools | 2,202.7 |
| of which: | |
| Expenses for universities and colleges | 958.6 |
| for engineering and technical schools | 334.6 |
| for scholarships | 530.0 |
| for boarding schools | 136.4 |
| for feeding students in dining rooms | 134.9 |
| Expenditures for vocational training | 837.7 |
| of which: | |
| Subsidies for enterprise vocational schools and their apprentice dormitories | 544.2 |
| Expenditures for communal vocational schools and apprentice dormitories | 201.1 |
| Expenditures for practical vocational training in agriculture | 41.2 |
| Adult education | 100.7 |
| Health and social services | 10,019.7 |
| of which: | |
| Expenditures on hospitals | 3,648.2 |
| Expenditures for polyclinics, out-patient clinics and physicians in practice | 1,958.3 |
| Expenditures for health care facilities in infant care | 903.2 |
| Expenditures for first-aid and ambulance service | 146.9 |
| Expenditures for hygiene inspection and inoculations | 125.2 |
| State child-money and obstetrics | 1,301.6 |
| Expenditures for old-age and foster homes | 595.0 |
| Expenditures for household maintenance and feeding of senior citizens | 168.9 |
| Extra subsidies for large families | 62.7 |
| National insurance | 29,612.2 |
| of which: | |
| Pensions | 15,738.0 |
| Free medical care | 5,327.0 |
| Medicines, remedies and other health care expenditures | 3,194.8 |
| Sick-leave, pregnancy and maternity monies | 742.4 |
| Post-natal paid leave subsidies (baby year) | 297.8 |

| | |
|---|---|
| Expenditures for youth facilities including those of youth tourism | 282.5 |
| of which: | |
| Expenditures for youth tourism, especially for journeys and youth hostels | 229.8 |
| Expenditures for central pioneer camps and youth homes | 44.8 |
| Culture | 1,717.8 |
| of which: | |
| for theaters, places of performance, movie houses and orchestras | 619.6 |
| for houses of culture and clubs and popular art | 320.9 |
| for museums and visual arts institutes | 206.8 |
| for state libraries | 143.3 |
| for music schools | 40.6 |
| for monument preservation | 51.4 |
| Sports | 376.6 |
| of which: | |
| Expenditures for maintaining sports installations and public swimming pools | 239.2 |
| Recreation and holiday services | 403.7 |
| of which: | |
| State contributions subsidizing the FDGB's holiday services | 222.5 |
| Allocations for local recreational facilities like tent sites, free bathing | 139.2 |
| Subsidies for tourism abroad | 255.0 |
| Communal measures and services including street lighting, refuse collection, and the care for gardens and meadows | 814.0 |
| Radio | 210.6 |
| Television | 500.0 |
| State administration and economic bodies | 3,768.8 |
| Civil defense and fire protection | 123.1 |
| National defense | 10,144.9 |
| Public security, administration of justice and securing the state border | 3,900.4 |

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CSO: 2300/343

## WEST GERMAN INSTITUTE ANALYZES GDR AGRICULTURAL PROBLEMS

West Berlin DIW-WOCHENBERICHT in German Vol 49 No 26, 1 Jul 82 pp 345-352

/Article by Horst Lambrecht, German Institute for Economic Research (DIW), West Berlin: "GDR Agriculture: Productivity Lag in Livestock Farming." A translation of the author's article cited in footnote 1 is published under the heading, "SED Plenum Focuses on Improving Agricultural Production," in JPRS 80163, 23 Feb 82, No 2234 of this series, pp 2-29. Translations of materials from the 11th Congress of the Democratic Peasant Party (DBD)--cited in footnotes 16, 20, 22 and 23--and from the 12th GDR Farmers Congress--cited in footnote 17--both held in May 1982, will appear in separate JPRS issues of this series/

/Text/ Though, by international criteria, GDR agriculture produces at a high level and guarantees the public supply of the most important foodstuffs at a standard quite comparable to Western countries, the GDR has tended of late to cast a more critical eye at the results achieved: Farming output is too expensive, and the large-scale specialized enterprises have failed to meet the expectations of lower cost production at least up to now. By contrast to former times when farm policy was lightheartedly conducted by the slogan "the bigger and more specialized, the better," some uncertainty seems to prevail now regarding future approaches. No longer emphasized is the process of industrializing agriculture, pursued for more than 10 years. At the same time a return to the farm constitution of the 1960's is highly unlikely, if for no other reason than the credibility of the political leadership that trumpeted the claim to superiority of its farming model for decades past. Neither the latest SED plenums, the 11th Congress of the Democratic Farmers Party (May 1982) nor the 12th Farmers Congress (mid-May 1982) indicated any way out of the dilemma. By contrast to earlier days there is no longer any clear SED directive for farm policy.

### Industrial Livestock Farming on the Rise

SED farm policy takes at its model the socialized and industrialized large-scale enterprise: "Livestock from the assembly line," "agricultural factories,"--these are the goal. This resulted, among others, in the organizational and production technical separation of crop and livestock farming. Industrialization in crop farming has gone very far already,[1] in livestock farming it is still in its infancy:

No more than 20 percent of livestock is kept in so-called industrialized facilities. In the GDR these are production shops of the following dimensions:

| | |
|---|---|
| Dairy cattle | From 800 head |
| Calves and heifers/bullocks | From 1,000 head |
| Meat cattle | From 2,000 head |
| Pig rearing | From 600 head |
| Meat pigs | From 3,000 head.[2] |

When, on the other hand, we consider the sheer numbers of enterprises, the process of concentration has advanced a good deal in livestock farming. In 1981 total livestock farming was combined in fewer than 3,500 enterprises; they kept an average stock of some 1,500 live weight units of cattle (GVE).[3]

Disregarding private holdings,[4] GDR livestock farming was carried on by four types of operation in 1981:

-- 2,870 specialized agricultural producer cooperatives of livestock farming, the LPG (T);
-- 320 state farms, the VEG (T);
-- 270 intercooperative and interenterprise facilities, the ZGE/ZBE[5];
-- 30 "industrial fattening combines" (KIM).

LPG's (T) and VEG's (T) are cooperative and state enterprises still having a relatively general--at least multifaceted--production program within the framework of livestock farming. They are, so to speak, the "rump enterprises" of the LPG's and VEG's of the 1950's and 1960's, after the removal of crop farming. By contrast the ZGE/ZBE's and, especially, the KIM's represent giant enterprises handling only one type, or even only one aspect of a type, of production. Frequently they are of the nature of model enterprises. In the words of the former minister of agriculture, they indicate the future image of industrialized agriculture.

While the ZGE/ZBE's began life more or less as offshoots of the rump LPG's and VEG's, the KIM's represent state enterprises exclusively.[6] Most of these enterprises are concerned with the production of poultry and eggs, a few with that of pork and beef.

Examples of mammoth enterprises are:

-- Three pig rearing and fattening combines; the largest of them (in Hassleben) counts 150,000 head, the other two have 80,000 head (in Eberswalde) and 50,000 head (in Neustadt/Orla) respectively;

-- A bull fattening and rearing facility (in Ferdinandshof) that started operations in 1969 with 13,000 head and has now reached a capacity of 30,000 head;

-- Two poultry combines near Berlin, one of which (in Koenigs Wusterhausen) produces 140 million eggs and 6,500 tons poultry meat per annum, the other (in Bernau) keeps almost 500,000 layers and produces some 120 million eggs and, in addition, rears 230,000 chickens;

-- A dairy cattle facility with 5,000 cows (near Potsdam, another one with 3,800 cows (in Dedelow) and some other facilities with 2,000 head.

While there are thus ultra modern facilities capable of handling a large volume of livestock,[7] most livestock farming LPG's still need to use the barns of the 1950's and 1960's, some even those of former private farmers.[8] LPG livestock farming generally comprises several types of livestock: Barns tend to be strewn around several villages,[9] and manual labor still looms large with regard to feeding and cleaning.[10] Men and women farmers working there, especially the latter, continue to complain about the prevailing system of manual operations--pitchfork, wheelbarrow, back basket--the so-called FKK principle.

Livestock Holdings and the Output of Animal Products

GDR farming is largely devoted to refinement. Crops are not primarily intended for human nutrition; they are preproducts for livestock farming. Almost two thirds of all crops--including grain--now serve as feed.

Calculated in GVE's, livestock holdings have risen from 5.1 million in the average of 1956-1960 to almost 5.9 million in 1976-1980. Though to a different extent, the holdings of pigs, poultry and beef have increased, those of sheep, goats and horses decreased.

Sheep stocks have declined only slightly; stocks of horses and goats have shrunk to the bare minimum. This is in part due to the mechanization of farming but certainly also a reflection of increasing prosperity: The goat, "the cow of the little man," is obviously no longer needed. In the case of horses, stocks have in fact slightly risen since 1978; that also appears to be the effect of greater prosperity (riding horses). Just lately the use of horses on the farm has been pushed in the GDR, the aim being energy conservation. Since the early 1970's sheep stocks in the GDR have tended to rise again; a substantial expansion is planned through 1985.

In general livestock holdings as related to agricultural area are very high in the GDR. In the average of 1976-1980 they amounted to 936 GV per 1,000 hectares of agricultural area, an 18 percent increase compared with the second half of the 1950's. In the last 5 years they achieved 86 percent of the level of West German agriculture (see table 1). Related to the average population, livestock holdings (livestock density) are actually larger than in the FRG (1976-1980 by about 50 percent).

As in the FRG, the density of livestock holdings in the GDR means that more feed is needed for livestock farming than domestic crop farming is able to make available. In the GDR this problem is made more serious by two factors: Specific feed consumption in livestock farming is too great, and crop farming suffers from output lags. At least 20 percent of the production of animal-based food products in the GDR depends on imported feed.[11] This dependence is particularly marked for feed grains and protein concentrates, that is fortified feed.[12]

When we convert animal products into grain units (GE)[13], we note that, at 3 percent per annum, this output has increased significantly more in the period under consideration than did crop yields (1.3 percent). At the same time here also the 1970's witnessed a decline in growth by comparison with the preceding decade; that decline, though, was less than in crop farming.

Distinguishing between various types of livestock and farming trends, the growth of livestock performance yields the following table:

Percentage Addition 1980 Compared with 1956/1960

| | Total | Annual Average |
|---|---|---|
| Slaughter cattle | 95 | 3.4 |
| Pigs | 84 | 3.1 |
| Beef cattle | 145 | 4.6 |
| Poultry | 302 | 7.6 |
| Other slaughter cattle | - 61 | - 4.6 |
| Milk | 51 | 2.1 |
| Eggs | 86 | 3.2 |

A slightly above proportionate expansion of output volume is recorded for slaughter cattle (which accounts for more than half of livestock farming). However, developments varied substantially with respect to types of slaughter cattle. An exception was the development registered for "other slaughter cattle" (calves, sheep, goats), due mainly to the radical drop in slaughter calves. Compared with the late 1950's, their output declined to one sixth.

Pork, milk and beef, with a third to a fourth respectively, took the lion's share in the growth of livestock output (by 10.5 million tons GE). These three headings account for 85 percent of the additional output.

When we try to dissect the rise in production into its components--growth of stocks and rise in performance per livestock unit--, a rather varied image is revealed with respect to types of livestock and production trends. The rise in milk and egg output is due exclusively to better performances per animal; in the case of slaughter pigs the rise is largely due to an increase in pig stocks. Both these elements contributed to the increase in production of slaughter beef cattle. As for the total of livestock output, it is true to claim that improvements are to be ascribed to one third to changes in livestock holdings, to two thirds to rising performances per livestock unit.

Productivity Lag Despite Advanced Supply Performance

In the past 20 years the productivity of livestock farming, arising from the performance of livestock farming related to livestock holdings, has risen by an average of 2 percent per annum. While this is a respectable showing, the standard is not quite satisfactory. In the second half of the 1970's livestock farming's performance in the GDR was almost 20 percent below that in the FRG. Compared with the era before total collectivization (1960) the gap has narrowed somewhat in terms of percentages; in absolute terms it has remained constant at 9 decitons (dt) per GVE.

The difference in the productivity of livestock farming is demonstrable equally by individual performance. In 1980 milk yields per cow, at 3,923 kg, were 21 percent lower than in the FRG; egg output per chicken, at 205 eggs, 20 percent lower. Pork production clearly indicates an unduly large specific feed consumption. In the FRG

The ratio of slaughtered animals in the average stock has long been about 150 percent; in the GDR the 100 percent mark was not achieved until the mid-1970's. Expressed in a different way: In the FRG a pig is slaughtered on the average at the age of 7.6 months (1980), in the GDR at 11.3 months. True, the final fattened weights in the GDR exceed those in West German farming by 14 kg or 13 percent per slaughtered animal, but this difference is far less than the slaughter/stock ratio. The specific feed requirement is therefore decidedly greater. Moreover we must take into account the fact that a higher final fattened weight implies a larger proportion of fat, signifying greater costs of fattening.[14]

Per capita livestock output in the second half of the 1970's shows a GDR standard higher by 25 percent than in the FRG. In that period 27 percent more slaughter cattle were produced per capita than in the FRG; in the case of milk the figure is 17 percent. This greater output is explained by the fact that the GDR has more agricultural area available per resident, and that more livestock is kep.

The GDR boasts a high degree of autonomy in foodstuffs: 85-90 percent of essential foods are home produced.[15] At the same time the supply level is high even now, judged by international standards, and total per capita consumption of important foods has risen substantially since complete collectivization. Average per capita consumption amounted to:

| | 1960 | 1981 |
|---|---|---|
| Meat and meat products (kg) | 55.0 | 90.5 |
| Pork (kg) | 33.3 | 58.0 |
| Milk (liters, at 2.5 percent butter fat) | 94.5 | 99.0 |
| Edible fats (kg fat value) | 27.4 | 25.8 |
| Butter (kg) | 10.4 | 10.9 |
| Full cream and skim milk cheese (kg) | 3.6 | 7.7 |
| Eggs (each) | 197 | 290 |

Despite the good showing, bottlenecks in food supplies keep recurring--lately they have become more frequent. Many deficiencies in supply result from the circumstance that the wholesale and retail trade, due mainly to its poor equipment, is often unable to get the farm products to the consumer without loss and as fresh produce at good quality and product range, nor able to get them to the consumer steadily and regionally balanced. That applies especially to such sensitive products as fruit and vegetables but also to others. On the other hand the current supply bottlenecks with regard to fresh meat are probably due mainly to increased exports to Western countries.

Factors Obstructing Productivity

The productivity lag in GDR livestock farming has various causes; some of them are being discussed in the country itself. Many deficiencies are obviously due to management and organizational problems; they in turn result at least in part from the size and specialization of the enterprises. The separation of crop and livestock farming, in particular, has inflicted additional hardships. Rediscovered lately has been the "uniform reproduction process in crop and livestock farming."[16] However,

the SED does not seem inclined at the present time to contemplate a merger of crop and livestock farming. Instead it aims, by way of cooperation councils, to achieve a "closer get-together of crop and livestock farming." These councils are to "exert lasting influence on the drafting of enterprise plans" and establish "common financial funds" so as to restore the all-round interest in smooth running farm operations. Also recommended are LPG "sections with their own plan, their own equipment and their own funds." Whether such organizational forms will be able to get the better of existing management problems must be a matter of doubt; they will more likely complicate matters even more.

An appreciable part of the management and organizational defects doubtlessly arises from the fact that enterprise managers are often simply overloaded. It is true that GDR farm enterprises now employ many university and technical school graduates[18] who have sound and sometimes even excellent qualifications--though tending to be overspecialized. However, management skills are often well below par. So far there has been no official acknowledgment that GDR farming all too often lacks enterprise managers who are gifted for handling people or trained to be profit conscious.[19] We may, however, conclude that there is such a lack because complaints have lately been heard that "the principles of socialist management tend to be disregarded,"[20] or demands raised "more strongly to stimulate economic thinking and here to follow on from the tested farming tradition of measuring, weighing and calculating, as is done by the best."[21] The sheer importance of reducing the high level of costs in farming may be seen from the fact that the "improvement of the cost/profit ratio" has been made a key target in the new five-year plan. The lowering of transportation costs is considered particularly urgent.

When contemplating the management inadequacies of present-day GDR farm enterprises we must remember, though, that external influences often prevent the appropriate and rational behavior of enterprise managements, and that to this day those subservient to the party are frequently preferred over better qualified management staffs.

Another important aspect is the so-called subjective factor, that is the attitude of people in and toward the production process. Nowadays this tends to be characterized by disinterest if not outright lack of responsibility. This becomes obvious when the call goes out for "better care for livestock, greater neatness and cleanliness in the barns"[22] or when complaints are voiced that "offenses against order, cleanliness and discipline are tolerated."[22] Though the lack of work ethic is not confined to agriculture, the effects of such attitudes are far more serious in this sector than in others, because varied and delicate living creatures need to be cared for in livestock farming.

Future Aspects

In the coming years the cost and profit situation in livestock farming is to be improved mainly by better feed management, improved raising, a reduction in losses of livestock and a longer working life of cows. Farm scientists have been called upon to contribute by breeding more productive livestock and submit "new results for a higher standard of feed management."

According to the minister of agriculture's words at the 12th Farmers Congress the reduction of "unwarranted differences in performance" between enterprises provides one of the "major performance reserves."

Slight increases in the volume produced are envisaged by the end of the current five-year plan. They are to be achieved mainly by better output per animal. The most important goal is that of obviating grain imports and guarantee the nutrition of the livestock from domestic feed production. To this purpose every conceivable feed reserve is to be developed, for example in meadow management, hay harvesting and pasture cultivation. All remaining areas are to be used for private livestock keeping. Specific feed consumption is to be reduced by 0.5-0.6 percent per annum. High quality coarse feed is to replace concentrates. The greatest possible feed conservation was declared the key, and it was pointed out that it would require "enormous efforts to keep livestock farming through 1985 largely at the same level."

A limitation of feed imports is quite understandable in view of the GDR's difficulties in economic relations with the West. It is, however, justified only if domestic feed output is expanded at the same time. In the present condition of the land it will be very difficult indeed to raise crop yields sufficiently and, most of all, fast enough. Furthermore, up to now various defects in livestock farming have tended to be covered up by increased feeding of concentrate. A lack of concentrate--already not exactly abundant in GDR farming--would have long lasting and serious consequences for livestock farming.

At the farmers congress the Politburo member competent for agriculture stated that the tasks represent challenges "that cannot be measured by the criteria of the past."

The absence of the expected productivity and yield gains and the generally more difficult economic situation have resulted in the fact that the industrialization of GDR farming is not advancing any further at this time. That means there will be no greater concentration of enterprises or specialization of farming in the near future. The SED has thus granted some breathing space to agriculture in the process of transformation--which had lasted for decades. At the same time no return to the production conditions of the 1960's is contemplated,[23] nor any yielding of the eventual target of industrialized production. Until recently GDR agricultural policy could have been summarized as "let us advance to new shores." Now the slogan has changed to "maintaining our achievements."

Table 1--Data on the Livestock Holdings of the GDR

| | 1956 1960 1) | 1961 1965 1) | 1966 1970 1) | 1971 1975 1) | 1976 1980 1) | 1979 | 1980 | 1981 2) |
|---|---|---|---|---|---|---|---|---|
| | | | | (1) in 1 000 Stück | | | | |
| (2) Rinder | 4 150 | 4 623 | 5 085 | 5 454 | 5 582 | 5 596 | 5 723 | 5 749 |
| (3) darunter: Kühe | 2 139 | 2 133 | 2 176 | 2 164 | 2 141 | 2 125 | 2 138 | 2 122 |
| (4) Schweine | 8 137 | 8 767 | 9 402 | 10 845 | 11 957 | 12 132 | 12 871 | 12 869 |
| (5) Geflügel | 33 755 | 37 457 | 39 889 | 45 465 | 50 000 | 51 444 | 51 611 | 54 392 |
| (6) darunter: Legehennen | 26 449 | 23 503 | 25 271 | 25 286 | 26 465 | 26 500 | 26 844 | 26 025 |
| (7) Schafe | 2 031 | 1 911 | 1 767 | 1 747 | 1 956 | 1 979 | 2 038 | 2 169 |
| (8) Ziegen | 614 | 377 | 202 | 81 | 31 | 25 | 24 | 20 |
| (9) Pferde | 576 | 338 | 186 | 85 | 67 | 66 | 70 | 70 |
| | | | | (10) in 1000 Großvieheinheiten (GV) 3) | | | | |
| (11) Viehbestand, insgesamt 4) | 5 131 | 5 196 | 5 376 | 5 671 | 5 879 | 5 906 | 6 079 | 6 114 |
| | | | | (12) (Anteile der Tierarten in vH) | | | | |
| (2) Rinder | 62,6 | 66,5 | 69,3 | 69,1 | 67,7 | 67,4 | 66,7 | 66,5 |
| (3) darunter: Kühe | 41,6 | 41,1 | 40,5 | 38,2 | 36,4 | 36,0 | 35,2 | 34,7 |
| (4) Schweine | 19,0 | 20,2 | 21,0 | 22,9 | 24,4 | 24,6 | 25,4 | 25,3 |
| (5) Geflügel | 2,6 | 2,9 | 3,0 | 3,2 | 3,4 | 3,5 | 3,4 | 3,3 |
| (13) Sonstiges Vieh 5) | 15,8 | 10,4 | 6,7 | 4,8 | 4,5 | 4,5 | 4,5 | 4,9 |
| | | | | (14) GV je 1000 ha LN/LF 6) | | | | |
| (15) DDR | 795 | 814 | 851 | 902 | 936 | 940 | 970 | 976 |
| (16) Bundesrepublik | 860 | 908 | 967 | 996 | 1 092 | 1 152 | 1 162 | 1 154 |
| (17) DDR in vH der Bundesrepublik | 92 | 90 | 88 | 91 | 86 | 82 | 83 | 85 |
| | | | | (18) GV je 1000 Einwohner 7) | | | | |
| (15) DDR | 294 | 304 | 315 | 334 | 351 | 353 | 363 | 365 |
| (16) Bundesrepublik | 238 | 227 | 222 | 216 | 228 | 231 | 231 | 229 |
| (17) DDR in vH der Bundesrepublik | 124 | 134 | 142 | 155 | 154 | 153 | 157 | 160 |
| | | | | (19) Persönliche Viehhaltung in LPG | | | | |
| (20) 1 000 GV | 758 | 2 013 | 1 383 | 602 | 311 | 311 | 325 | . |
| (21) in vH aller Viehbestände | 14,8 | 38,5 | 25,6 | 10,6 | 5,3 | 5,3 | 5,4 | . |

(22) 1)Fünfjahresdurchschnitte; DDR: November-Zählung, Bundesrepublik: Dezember-Zählung.-2)Vorläufige Angaben; Rinder, Kühe, Schweine und Schafe: Stand 31.10.1981; übrige Tierarten, LN sowie Einwohner geschätzt.-3)Durchschnittswerte in Anlehnung an den GV-Schlüssel der DDR.-4)Summe der ausgewiesenen sechs Tierarten.-5)Schafe, Ziegen und Pferde.-6)Landwirtschaftliche Nutzfläche (DDR) bzw. landwirtschaftlich genutzte Fläche (Bundesrepublik).-7)Einwohner im Jahresdurchschnitt.

(23) Quellen: Statistische Jahrbücher der DDR; Statistisches Taschenbuch der DDR 1982; Statistische Jahrbücher über Ernährung, Landwirtschaft und Forsten; Wirtschaft und Statistik, Heft 5/1982; Berechnungen und Schätzungen des DIW.

Key:

1. 1,000's
2. Beef cattle
3. Cows
4. Pigs
5. Poultry
6. Layers
7. Sheep
8. Goats
9. Horses
10. 1,000 GV
11. Total livestock kept
12. Percentages of types of livestock
13. Other livestock
14. GV per 1,000 hectares agricultural area
15. GDR
16. FRG

/Key continued on following page/

17. GDR as percentage of the FRG
18. GV per 1,000 residents
19. Private livestock holding in LPG's
20. 1,000 GV's
21. As a percentage of all livestock holdings
22. 1) Five year averages: GDR: November census, FRG: December census.--
    2) Preliminary data; Beef cattle, cows, pigs and sheep: Status on 31 October 1981; other types of livestock, agricultural area and population estimated.
    3) Average values using the GV key of the GDR.
    4) Sum total of the six types of livestock reported.
    5) Sheep, goats and horses.
    6) Agricultural area (GDR) and agriculturally used area (FRG).
    7) Residents in the annual average.
23. Sources: GDR Statistical Yearbooks;"Statistisches Taschenbuch der DDR 1982" /GDR Statistical Manual 1982/, Statistical yearbooks on Nutrition, Agriculture and Forestry; WIRTSCHAFT UND STATISTIK, No 5/1982; DIW calculations and estimates.

Table 2--Yield of Livestock Farming in the GDR

| (1) Fünfjahresdurchschnitte | (2) Erzeugnisse, insgesamt 1) | (3) Schlachtvieh, Lebendgewicht | | | | | (9) Kuhmilch 5) | (10) Hühnereier | (11) Schafwolle 6) |
|---|---|---|---|---|---|---|---|---|---|
| | | (4) gesamt | davon (5) Schlachtschweine | (6) Schlachtrinder 2) | (7) Schlachtgeflügel 3) | (8) sonstiges Schlachtvieh 4) | | | |
| | | (12) Tierische Erzeugung in 1000 t Naturalwert 7) | | | | | | | |
| 1956/60 | | 1 276 | 847 | 265 | 57 | 107 | 5 497 | 2 961 | . |
| 1961/65 | . | 1 410 | 852 | 387 | 103 | 68 | 6 006 | 3 517 | 3 786 |
| 1966/70 | . | 1 763 | 1 060 | 531 | 124 | 48 | 7 036 | 4 114 | 3 709 |
| 1971/75 | | 2 124 | 1 258 | 635 | 191 | 40 | 7 715 | 4 691 | 4 108 |
| 1976/80 | | 2 388 | 1 452 | 673 | 220 | 43 | 8 155 | 5 287 | 5 355 |
| | | (13) Tierische Erzeugung in 1000 t GE 8) | | | | | | | |
| 1956/60 | 13 046 | 6 808 | 4 236 | 1 590 | 340 | 642 | 5 497 | 741 | |
| 1961/65 | 14 569 | 7 607 | 4 262 | 2 323 | 621 | 401 | 5 704 | 879 | 379 |
| 1966/70 | 17 952 | 9 516 | 5 302 | 3 183 | 745 | 286 | 7 036 | 1 029 | 371 |
| 1971/75 | 20 783 | 11 484 | 6 289 | 3 807 | 1 146 | 242 | 7 715 | 1 173 | 411 |
| 1976/80 | 22 887 | 12 875 | 7 261 | 4 041 | 1 320 | 253 | 8 155 | 1 322 | 535 |
| | | (14) Struktur der tierischen Erzeugung in vH 9) | | | | | | | |
| 1956/60 | 100,0 | 52,2 | 32,5 | 12,2 | 2,6 | 4,9 | 42,1 | 5,2 | . |
| 1961/65 | 100,0 | 52,2 | 29,2 | 15,9 | 4,3 | 2,8 | 39,2 | 6,0 | 2,6 |
| 1966/70 | 100,0 | 53,0 | 29,5 | 17,7 | 4,2 | 2,1 | 39,2 | 5,7 | 2,1 |
| 1971/75 | 100,0 | 55,3 | 30,3 | 18,3 | 5,5 | 1,2 | 37,1 | 5,6 | 2,0 |
| 1975/80 | 100,0 | 56,3 | 31,7 | 17,7 | 5,8 | 1,1 | 35,6 | 5,8 | 2,3 |
| | | (15) Staatliches Aufkommen 10) in vH der tierischen Erzeugung | | | | | | | |
| 1956/60 | 74,2 | 75,6 | 78,4 | 78,3 11) | 22,6 | . | 75,1 | 55,8 | . |
| 1961/65 | 84,9 | 83,6 | 84,6 | 98,4 | 42,6 | 50,0 | 88,7 | 69,3 | 92,5 |
| 1966/70 | 89,5 | 90,0 | 89,6 | 99,9 | 58,3 | 69,4 | 90,5 | 76,0 | 95,6 |
| 1971/75 | 92,9 | 93,3 | 93,5 | 99,7 | 71,7 | 89,3 | 93,5 | 83,5 | 99,1 |
| 1975/80 | 94,6 | 95,1 | 95,8 | 99,9 | 76,5 | 95,2 | 95,0 | 85,1 | 99,1 |

(16) 1)Summe der hier ausgewiesenen Positionen, d.h. ohne Honig, Ziegenmilch und Viehbestandsänderungen sowie (bis 1960) auch ohne Schafwolle.-2)Ohne Kälber.-3)Ab 1961 einschließlich Kaninchen.-4)Kälber, Schafe, Ziegen sowie (bis 1960) auch Kaninchen.-5)3,5% Fettgehalt.-6)Gewaschen.-7)Hühnereier in Mill. Stück; Schafwolle in Tonnen.-8)In Anlehnung an den Getreide-Einheiten-Schlüssel der DDR.-9)Tierische Erzeugung in GE.-10)Die von der Verarbeitungsindustrie bzw. vom Handel aufgekauften Landwirtschaftlichen Erzeugnisse, d.h. Erzeugung ./. Eigenverbrauch und Ab-Hof-Verkäufe.-11)Einschließlich"Sonstiges Schlachtvieh".

(17) Quellen: Statistische Jahrbücher der DDR; Berechnungen des DIW.

Key:

1. 5-year averages
2. Total products
3. Slaughter cattle, live weight
4. Total
5. Slaughter pigs
6. Slaughter beef cattle
7. Table poultry
8. Other slaughter livestock
9. Cow milk
10. Chicken eggs
11. Sheep's wool
12. Livestock production in 1,000 tons of value in kind
13. Livestock production in 1,000 tons GE
14. Structure of livestock production in percent
15. State yield as a percentage of livestock production
16. 1) Sum total of the items recorded here, that is excluding honey, goats milk and changes in livestock holdings as well as (up to 1960) excluding sheep's wool.
    2) Excluding calves.
    3) From 1961 including rabbits.
    4) Calves, sheep, goats and (up to 1960) rabbits.
    5) 3.5 percent butter fat.
    6) Washed.
    7) Hen's eggs in millions; sheep's wool in tons.
    8) Using the GE key of the GDR.
    9) Livestock production in GE.
    10) Agricultural products purchased by the processing industry and the wholesale/retail trade, in other words production ./. own consumption and direct from farm sales.
    11) Including "other slaughter livestock."
17. Sources: GDR Statistical Yearbooks; DIW calculations.

Table 3--Data on the Productivity and Supply Performance of Livestock Farming in the GDR

| | (1) Einheit | 1956-1960 1) | 1961-1965 1) | 1966-1970 1) | 1971-1975 1) | 1976-1980 1) | 1978 | 1979 | 1980 |
|---|---|---|---|---|---|---|---|---|---|
| | (29) | Tierische Erzeugung, insgesamt 2) je Großvieheinheit | | | | | | | |
| (3) DDR | dt GE | 25,4 | 28,0 | 33,4 | 36,6 | 38,9 | 39,1 | 38,8 | 38,8 |
| (4) Bundesrepublik 3) | dt GE | 34,2 | 40,0 | 43,7 | 45,2 | 47,3 4) | 47,8 | 48,3 | . |
| (5) DDR in vH der Bundesrepublik | . | 74,0 | 70,0 | 76,4 | 81,0 | 82,5 4) | 81,8 | 80,3 | . |
| | (6) | Durchschnittsleistungen nach Tierarten | | | | | | | |
| (7) RINDER | | | | | | | | | |
| (8) Milchertrag je Kuh 5) | kg | 2 585 | 2 675 | 3 255 | 3 607 | 3 832 | 3 853 | 3 873 | 3 923 |
| (9) Fleischleistung 6) je Rind 7) | kg*) | 76 | 90 | 110 | 120 | 123 | 124 | 120 | 117 |
| (10) Lebendgewicht je geschlachtetes Rind 8) | kg*) | 341 | 324 | 382 | 410 | 413 | 408 | 405 | 411 |
| (11) Lebendgewicht je geschlachtetes Kalb 8) | kg*) | 59 | 66 | 89 | 103 | 92 | 95 | 92 | 92 |
| (12) Rinderhaltung, insgesamt 9) | kg GE | 1 808 | 1 774 | 2 057 | 2 144 | 2 205 | 2 226 | 2 191 | 2 170 |
| (13) SCHWEINE | | | | | | | | | |
| (14) Fleischleistung 6) je Schwein | kg*) | 103 | 98 | 114 | 118 | 123 | 122 | 122 | 125 |
| (15) Lebendgewicht je geschlachtetes Schwein 8) | (30) *) | 122 | 117 | 116 | 120 | 119 | 118 | 119 | 121 |
| (16) Schlachtumtrieb 10) | vH | 84 | 83 | 98 | 98 | 103 | 104 | 103 | 103 |
| (17) HÜHNER | (31) | | | | | | | | |
| (18) Eierleistung je Henne | Stück | 130 | 134 | 158 | 184 | 200 | 199 | 197 | 205 |
| | (19) | Tierische Erzeugung, insgesamt 2) je Einwohner | | | | | | | |
| (3) DDR | kg GE | 749 | 853 | 1 052 | 1 225 | 1 366 | 1 365 | 1 368 | 1 409 |
| (4) Bundesrepublik | kg GE | 818 | 910 | 974 | 978 | 076 4) | 1 105 | 1 116 | . |
| (5) DDR in vH der Bundesrepublik | . | 92 | 94 | 108 | 125 | 126 4) | 124 | 123 | . |
| | (20) | Tierische Erzeugnisse je Einwohner (absolut) | | | | | | | |
| (21) Schlachtvieh, insgesamt | kg*) | 73,2 | 80,9 | 103,3 | 125,1 | 142,5 | 141,7 | 142,5 | 148,0 |
| (22) dar.: Schlachtschweine | kg*) | 48,6 | 48,9 | 62,1 | 74,1 | 86,6 | 85,6 | 87,2 | 93,1 |
| (23) Schlachtrinder | kg*) | 15,2 | 22,2 | 31,1 | 37,4 | 40,2 | 40,6 | 39,5 | 38,8 |
| (24) Kuhmilch 5) | kg | 315 | 345 | 412 | 455 | 487 | 491 | 490 | 497 |
| (25) Hühnereier | Stück | 170 | 206 | 241 | 276 | 315 | 311 | 312 | 329 |
| | (31) | Tierische Erzeugnisse je Einwohner (in vH der Bundesrepublik) | | | | | | | |
| (21) Schlachtvieh, insgesamt | (30) vH | 94 | 95 | 109 | 128 | 127 4) | 123 | 123 | . |
| (22) dar.: Schlachtschweine | vH | 113 | 103 | 120 | 137 | 140 4) | 135 | 138 | . |
| (23) Schlachtrinder | vH | 47 | 64 | 82 | 104 | 99 4) | 96 | 93 | . |
| (24) Kuhmilch 5) | vH | 88 | 94 | 111 | 119 | 117 | 118 | 115 | 112 |
| (25) Hühnereier | vH | 125 | 110 | 100 | 111 | 136 4) | 138 | 142 | . |

(27) 1)Fünfjahresdurchschnitte.-2)Summe aus Schlachtvieh, Milch, Eiern und Wolle.-3)Überwiegend Wirtschaftsjahre.-4)Vierjahresdurchschnitt; DDR: 1976-1979; Bundesrepublik 1976/77-1979/80.-5)Einheitlicher Fettwert von 3,5%.-6)Schlachtviehmenge in Lebendgewicht bezogen auf den durchschnittlichen Tierbestand.-7)Einschließlich Kälber.-8)Schlachtviehmenge bezogen auf die Anzahl der Schlachtungen.-9)Summe aus Lebendgewicht von Schlachtrindern, -kälbern und Kuhmilch (jeweils bewertet in GE) bezogen auf den durchschnittlichen Rinderbestand.-10)Schlachtungen in vH des durchschnittlichen Schweinebestandes.

*)Lebendgewicht

(28) Quellen: Statistische Jahrbücher der DDR; Statistische Jahrbücher über Ernährung, Landwirtschaft und Forsten; Berechnungen und Schätzungen des DIW.

/Key on following page/

Key:

1. Unit
2. Livestock Production, total per GVE
3. GDR
4. FRG
5. GDR as a percentage of the FRG
6. Average yield by types of livestock
7, Beef cattle
8. Milk yield per cow
9. Meat yield per beef cattle
10. Live weight per slaughtered beef cattle
11. Live weight per slaughtered calf
12. Total beef farming
13. Pigs
14. Meat yield per pig
15. Live weight per slaughtered pig
16. Ratio of slaughtered pig to stock
17. Chickens
18. Egg yield per hen
19. Livestock production, total, per capita
20. Livestock production per capita (absolute)
21. Total slaughter cattle
22. Slaughter pigs
23. Slaughter beef cattle
24. Cow's milk
25. Hen's eggs
26. Livestock production per capita (as a percentage of the FRG)
27. 1) 5-year averages.-- 2) Sum total of slaughter cattle, milk, eggs and wool.--3) Largely business years.--4) 4-year average; GDR: 1976-1979; FRG 1976/7701979/80).-- 5) Uniform 3.5 butterfat content.-- 6) Volume of slaughter cattle as live weight related to the average stock held.-- 7) Including calves.-- 8) Volume of slaughter cattle related to the numbers slaughtered.-- 9) Sum total of live weight of slaughter cattle, calves and cow's milk (all appraised in GE), related to the average stock of beef cattle.-- 10) Slaughters as a percentage of the average pig stocks.-- *) Live weight
28. Sources: Statistical Yearbooks of the GDR; Statistical yearbooks on nutrition, agriculture and forestry; DIW calculations and estimates
29. Decitons GE
30. Percent
31. Each

FOOTNOTES

1. See "GDR Agriculture: Compelling Need to Raise Yields in Crop Farming," edited by Horst Lambrecht, DIW WOCHENBERICHT No 48/1981.

2. See "Die Landwirtschaft der DDR" /GDR Agriculture/, collective of authors headed by Kurt Groschoff and Richard Heinrich, East Berlin 1980, p 332.

3. Common denominator for measuring stocks of the various types of livestock; 1 GV equals 500 kg live weight.

4. In 1980 private livestock keeping held only a 5.3 percent share. Since complete collectivization this rate has steadily declined. In 1970 it still amounted to 18.2 percent, by 1975 only 6.6 percent. As private livestock keeping has lately become not only acceptable to the authorities but is actually encouraged, the absolute stock rose again in the second half of the 1970's. The importance of such private holdings differs for the various types of livestock: In the case of cows and other beef cattle the 1980 proportion (1.4 percent and 4.1 percent of total livestock holdings) was slight, for pigs it amounted to almost 8 percent, for sheep to 14 percent, poultry 23 percent and horses 31 percent.

5. In intercooperative facilities the enterprises involved are cooperatives exclusively; in ZBE's VEG's are involved as well as LPG's.

6. In 1978 the "combines for industrial fattening" held the following proportions of total hields: 37 percent for eggs, 37 percent for table poultry, 4 percent for slaughter cattle and 2 percent for slaughter pigs; see E. Anders, "The Development of Industrialized Livestock Farming. Result of Successful Farm Policy in 30 Years GDR," TIERZUCHT, No 10/1979, p 444.

7. In 1980 livestock farming enterprises managed some 900 industrialized facilities, 19,000 facilities dating back to the 1950's and 1960's as well as 49,000 single barns. See Richard Heinrich and others: "Perfection of Production Conditions in Livestock Farming by Rationalization and Reconstruction," WIRTSCHAFTSWISSENSCHAFT No 11/1980, p 1331. Industrialized livestock farming shows different developments for the various types of livestock: In 1978 the percentage of stalls in industrialized facilities amounted to 12 percent for cows, 16 percent for calves, 21 percent for heifers, 28 percent for fattened pigs. A third of dairy cows are still held in barns with less than 90 stalls. In 1980 the average stocks per single barn and facility amounted to 128 for beef cattle and 532 for pigs. Industrialized farming has gone farthest in poultry keeping; In 1978 50 percent of the state yield of eggs came from industrialized facilities. See Kurt Groschoff, as before, pp 332 ff.

8. According to the report by the minister for agriculture, 25 percent of all livestock is still held in barns built before 1950 and insufficiently mechanized.

9. Half of all enterprises in 1978 still had more than six varieties of livestock or production stages and roughly 10 percent of livestock farming enterprises were then oriented to the production of one type of animal or production stage. In the average of the GDR, livestock farming at that time managed 34 barns per enterprise. See Karl Hohmann, Andreas Kurjo, Konrad Merkel, Heribert Schmitt and Herbert Schneider: "GDR: Industrially Operated Animal Farming," series of reports issued by the federal minister for food, agriculture and forestry, series A--Applied Science, No 241, Muenster-Hiltrup 1980, p VI.

10. In 1977 just about half the total livestock was fed mechanically and a little more than half the barns cleaned mechanically. In 1978 dairy production the extent of mechanization was 58 percent for feeding and 64 percent for cleaning.

The corresponding rates for beef fattening were 34 percent and 40 percent respectively. In 1978 26 percent of the stock of breeding sows were fed mechanically and 33 percent cleaned mechanically; for fattened pigs mechanization achieved 40 percent and 44 percent respectively.

11. Calculations by Konrad Merkel (Technical University, Berlin). The "imported agricultural area" in the total of foodstuffs production amounts to between 14 and 20 percent.

12. Despite considerable annual fluctuations, imports show a definitely rising trend: For grain they amounted in the average of the 1960's to 1.85 million tons, in the average of the 1970's 3.24 million tons. In relation to the domestic yield, on the other hand, the need for imports did not rise as strongly: While the percentage of of imports in domestic production amounted to 23 percent in the 1960's, it rose to an average of 27 percent in the 1970's. Imports of extraction ground corn and pressed cake rose from at least 400,000 tons in the average of the years 1967/1970 to more than 850,000 tons in the 1970's. See Doris Cornelsen, Horst Lambrecht, Manfred Melzer and Cord Schwartau: "The Meaning of Inner-German Trade for the GDR Economy--an Analysis by the Example of Selected FRG Deliveries and Purchases. Expert Opinion by the DIW, commissioned by the Federal Minister for Economics," Berlin 1982 (xeroxed manuscript).

13. The various farming performances are summarized in GE; crop and animal products are valued by a fixed key. This is based on the starch content of the products or the feed needed to obtain it.

14. Horst Lambrecht and Konrad Merkel with the collaboration of Wolfgang Steinbeck: "Consumption and Production of Farm Products in the GDR--Analysis and Projection," published by the federal ministery for food, agriculture and forestry in the series of reports agriculture--applied science (No 240) with the heading "GDR Agrarian Policy," Muenster-Hiltrup 1980, p 74.

15. See Kurt Groschoff and others: "Aspects of the Further Intensification of Farming from the Aspect of the Tenth SED Congress Resolutions," WIRTSCHAFTSWISSENSCHAFT, No 11/1981, p 1299, and Werner Lindner and Horst Regling: "Agriculture—Region--Transportation," DDR-VERKEHR, No 10/1981, p 328.

16. See the "Draft Resolution for the 12th Farmers Congress," Berlin 1982. Xeroxed manuscript, p 16. See also Ernst Mecklenburg, chairman, Farmers Party, who explained in his capacity as reporter of the party executive: "It is obvious and confirmed in practice many thousands of times: Crop and livestock farming belong together and need one another more than ever." "Party Executive Report to the 11th Congress of the Democratic Farmers Party of Germany," BAUERNECHO, 6 May 1982, supplement, p 4.

17. Heinz Kuhrig, minister for agriculture, forestry and the food industry, at the 12th Farmers Congress, NEUES DEUTSCHLAND, 14 May 1982, p 4.

18. In 1980 16,400 university graduates and 45,500 technical school graduates were employed in socialist agriculture; they accounted for 2.1 percent and 5.8 percent respectively of permanent staffs. Working in livestock and crop farming are 3.3 university and 9.1 technical school graduates per average enterprise.

19. With a total of 400,000 workers in livestock farming, the average of personnel employed per enterprise is around 110.

20. See BAUERNECHO, 6 May 1982, supplement, p 22.

21. See Bruno Lietz, lately head of the agriculture department, SED Central Committee: "Realize the Resolutions in the Spirit of the Congress," NEUER WEG, No 11/1982, pp 404f. The party executive report to the 11th Congress of the Farmers Party states: "Measuring, calculating and weighing--that must play a greater part once more in order in all LPG"S to produce more, better and cheaper." BAUERNECHO, 6 May 1982, p 25.

22. "Party Executive Report to the 11th Congress of the Farmers Party," BAUERNECHO, 6 May 1982, supplement, pp 20 and 22.

23.

23. The chairman of the Farmers Party added this comment: "Relatively independent regional production units with their own funds and their own plan within the framework of the total LPG plan best respond to our present experiences. That does not mean we should break down the current about 4,000 LPG's into 8,000 or 10,000. That is not the issue. There have only been a few cases where it was necessary to divide a few LPG's that had grown too big, thereby lowering the rational use of the labor capacity and equipment and causing greater costs and transport expenditures and thus make these LPG's more easily governable and manageable," BAUERNECHO, 21 December 1981, supplement, p 19.

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## ENTERPRISE MANAGEMENT, INTERNAL ORGANIZATION MEASURES DESCRIBED

Budapest FIGYELO in Hungarian No 28, 15 Jul 82 p 11

[Article by Istvan Garamvolgyi: "From Management to Internal Organization"]

[Text] Within the branch of foreign trade one has been able to observe in recent years continuous efforts whose combined effect, as reflected in the introduced changes, is intended to enhance the modernization of foreign-trade activity or, viewed from a different angle, foreign trade's adjustment to the altered and still changing requirements of the foreign markets.

Since in our country almost every economic organization is involved, directly or indirectly, in foreign-trade activity, within this manifold process the most interest and attention have focused on the expansion of the right to conduct foreign trade, on the relaxation of the foreign-trade enterprises' specialization and price monopoly, on the institutionalization and expansion of parallel export rights, and on the founding and emergence of small foreign-trade enterprises freed of specialization restrictions. And although all this is merely one direction or dimension of modernization, public interest is warranted primarily because what we observe is not a one-shot sudden burst of activity, rather the consistent and continuous application of a principle that has been laid down also in the Foreign Trade Law: any enterprise can acquire the right to export if thereby it can improve its export performance.

Consistent and continuous application is guaranteed by the fact that the minister of foreign trade has specified and published the conditions for obtaining the right to export, and to this right he has added obligations whose fulfillment can be controled. Incidentally, the right to conduct foreign trade was granted to 20 enterprises in 1980, to the same number in 1981, and to 4 in the first half of this year. Nor has the process ceased under which small and intermediate domestic enterprises are founding and operating small but agile and flexible foreign-trade organizations to ensure more favorable opportunities for their exports.

The changes extend also to the contractual relations of the partners--i.e., the foreign-trade and the domestic enterprises. Mandatory contracting has been replaced by the freedom to contract, and the administrative restrictions on conducting foreign trade for one's own account have been abolished. Foreign-trade partnerships have had a favorable effect on the relations between partners: on the conditions of cooperation, on the mode of adopting decisions, and to a lesser extent also on the sharing of the risk. By the end of last year, 172 production enterprises and the specialized foreign-trade enterprises formed 91 foreign-trade partnerships, with independent organizations of their own in many instances.

More Enterprises, Unified Management

To the legal, organizational and contractual changes in this process of renewal there has been added this spring also the modernization of the organization and work methods for managing foreign trade. The organizational structure that the Ministry of Foreign Trade employed until late March of this year was introduced in 1968, when every ministry that exercised economic and functional management was reorganized. In place of one-channel management prior to 1968, the Ministry of Foreign Trade was reorganized in accordance with the requirements of multichannel management that conforms to the economic reform and to the principles of modern public administration. Simultaneously also the methods of branch management, supervision and control were changed. Many general and specific reasons can be cited for the present organizational and related operational changes, and these reasons have been included in the objectives to be achieved by reorganization.

The organizational changes outlined above, the sweeping decentralization of the right to engage in foreign trade and of foreign-trade activity (up to now 165 enterprises have been granted this right, and only 40 of them are specialized foreign-trade enterprises under the supervision of the Ministry of Foreign Trade), and the several hundred ad hoc authorizations have increased considerably the enterprise structure of the branch, and this trend can be expected to continue. Even before the latest reorganization, the ministry as branch manager provided guidance and management for all enterprises engaged in foreign trade, regardless of their ministerial affiliation. But now, in its new organizational structure, the ministry is placing emphasis primarily on this function, on unified branch management, which it itends to strengthen.

The Main Department of Enterprise Supervision and Control (Vallalatfelugyeleti es Ellenorzesi Foosztaly) has been established for the unified branch management of all enterprises engaged in foreign trade, but its operation will not mean a return to pre-1968 one-channel management. The new main department will first of all coordinate the direct managing activity of the other professional main departments, screening out if possible the duplications and contradictions. Of course, the decision-making authority of branch management, previously vested in the various professional main departments, has been transferred to the new main department (for example, granting the right to engage in foreign trade, authorization of parallel export rights, etc.).

Simultaneously with strengthening unified branch management, the ministry's new organizational structure has also concentrated supervisory management and control and has assigned the related tasks (for example, financial and labor problems, audits) also to the Main Department of Enterprise Supervision and Control.

The reorganization has taken into account the recent changes in the management of the economy and the management of industry. The former Light and Chemical Industry Main Department, the Metallurgy and Engineering Main Department and the Cooperation Department have been merged into a single Industrial Main Department (Ipari Foosztaly) with an Energy and Chemical Industry Main Group (Energia es Vegyipari Focsoport). The Agriculture and Food Industry Main Department has been retained. These subdivisions of the ministry are concerned with the development of production and consumption in accordance with the tasks of foreign trade, but primarily with questions related to ensuring stocks of goods for export (development, international specialization, and cooperation).

## New Organization and Regulations

The essence of the ministry's reorganization lies in a clear definition of functions and duties, rather than in the organizational changes. This effort is reflected also in the ministry's economic work: the questions and tasks related to economic regulation affecting foreign trade have been assigned to the Price and Financial Main Department; the tasks related to statistical reporting and information, to the Main Department of Economic Planning. The latter directs also the operational groups that continuously monitor the trade turnover of individual commodities,i.e., the fulfillment of the planned turnover. One objective of the reorganization, of special importance in our time, has been an improvement of the state management of marketing work, and the reinforcement of trade-policy and intergovernmental activity. This effort has not modified the organizational structure and is partially reflected in the redefinition of functions and duties, in the ministry's new organizational and operating regulations. These regulations are an integral part of the ministry's reorganization also in the sense that they, too, serve to enhance the realization of the objectives. In particular, the regulations decentralize administration and decision making (in general they enhance the role of administrators), accurately define the functions and duties of the various levels within the ministry's organization, the mode of cooperation among the main departments, the operational forms of the conferences and discussions, the mechanism that can filter out any duplication in requests for information from the enterprises, etc. This very significant modification of the ministry's organization and regulations is not an experiment, although the top officials of the ministry will evaluate later this year the practical impact and effectiveness of the changes in the ministry's organization and regulations.

## Guidelines for Developint the Foreign-Trade Enterprises' Organization

When speaking of the efforts to streamline the foreign-trade branch and foreign-trade activity, mention must be made also of a less known effort whose purpose is to adapt the specialized foreign-trade enterprises' organizational forms to the present requirements. Most of the specialized foreign-trade enterprises were formed decades ago, under foreign and domestic economic conditions radically different from the present ones (for example, under a rigid interpretation of the state monopoly of foreign trade), and their rigid organizational forms have barely changed, thereby coming into conflict with the severalfold increase in the trade turnover, with the expanded forms of contractual relations, and with the requirements of the foreign markets. Last year, therefore, the Ministry of Foreign Trade instructed the specialized foreign-trade enterprises to review their enterprise organization, and to submit by the middle of this year plans for the long-range development of their organization. The ministry issued guidelines for this work and has made organizational schemes available to the specialized foreign-trade enterprises and also to the large industrial enterprises that export their products independently. The organizational guidelines, which have prompted the specialized foreign-trade enterprises to undergo self-examination and to survey their future organization and activities, outline first of all the concept of organizational development. It is essential that the guidelines recommend the review and modernization of the foreign-trade enterprises' organization not merely in a projection to their headquarters, but in terms of their entire activity and interrelations, including also their domestic and foreign-market relations. The proposed solutions for modernizing the foreign-trade enterprises'

organization are: a holding company that controls units with separate balance sheets; conversion of the commodity main sections into subsidiaries; and in the case of foreign-trade enterprises operating on commodity markets, a concern-type large enterprise. The recommended solutions for developing the foreign-trade enterprises' operations on foreign markets are as follows: the establishment of joint foreign-market organizations and joint enterprises that simultaneously serve several domestic small, intermediate and large enterprises; the reorganization of some of the existing foreign-market organizations in this manner; the founding and operation of joint or Hungarian trading houses; agency and professional services provided by one foreign-trade enterprise for other such enterprises; and in general, cooperation among the foreign-trade enterprises on foreign markets. The guidelines for organizational development anticipate that the foreign-trade enterprises' organization must be capable of contracting production, warehousing and distribution also at home, and of providing initiative and assuming risk. Consequently, some of the specialized foreign-trade enterprises could be converted into trading houses operating in Hungary. In the case of import, for example, this could shorten distribution and marketing.

The foreign-trade enterprises will decide within their own competence how to form and develop their organization. They just completed recently their five-year organizational development plans, and a comprehensive picture of what these plans contain is not available as yet. But it is indisputable that the organizational guidelines compelled the foreign-trade enterprises to undergo self-examination, to think about how they should be organized, and therefore we will soon be witnessing changes and development also in the organizational forms that influence to a large extent the effectiveness of foreign-trade activity.

1014
CSO: 2500/323

## CHAIRMAN OF ECONOMIC CONSULTATIVE COUNCIL INTERVIEWED

Warsaw ZYCIE GOSPODARCZE in Polish No 25, 11 Jul 82 p 5

[Interview with Prof Czeslaw Bobrowski, chairman of the Economic Consultative Council [KRG] by Karol Szwarc; date and place not specified]

[Text] [Question] Karol Szwarc: Mr Professor, in the current issue we are publishing a warning forecast, the second of the documents prepared by the Economic Consultative Council. However, the first report on the economy and economic policy from August 1980 to the end of 1981 has not yet been made available to the public. There are even rumors circulating that its publication has been withheld by censorship. Is this true?

[Answer] Czeslaw Bobrowski: Publication of the first report has been held up by the Council itself.

We are a country of rumors, so it does not surprise me that in this matter also, rumors arose. Rumors originate from lack of information. In this case it may be said that I contributed to the origination of these rumors, but I could not do otherwise until the plenary meeting of the Council was held. The second cause of rumors is general suspicion. I see no reason why the Council, based on some kind of exception, should be free from this.

[Question] But why has the first report not been published?

[Answer] This report is a rather long document. To publish it in its entirety would be unthinkable. I considered the possibility of a summary. It was called to my attention that certain shades of differences developed through long discussions would, in a summary, simply disappear. I readily accepted this reasoning.

However, I was, and, as a matter of fact would be, if it were not for the passage of time, in favor of publishing the report, for I attach a great deal of importance to one of the Council's tasks, which is the effect of economic matters on social awareness. And whether or not this report is good or bad, it would have a certain influence on this.

But I think that the report writer's intentions were too bold.

[Question] What, in that case, did it contain?

[Answer] The first chapter is primarily an enumeration of nine problems which faced economic policy as early as 1980, beginning with reform by way of the matter of balance of payments and ending with agricultural policy. It contained nothing revelational. This was simply a listing, a grouping, of these problems.

The second part of this chapter was a consideration of reasons as to why a very small portion of these problems were solved during 1981. Dotting the "i"'s, the opinion was expressed in this part as to what was the government's role, society's role, and "Solidarity"'s role in delaying these solutions. It seems to me that we found the wording to be rather forced. It is a fact that only two members of the Council felt that this wording is onesided. But it is one thing to deny and another to be satisfied. There were more than two who were dissatisfied with the wording. That means that a certain compromise was made. But as with every compromise, someone has to concede. Some corrections were not taken into account and actually only one voice was of a formal separate-vote type. But with this very difficult subject, some Council members really faced a rather delicate situation: there is a certain agreed-upon text but it does not fully suit them.

[Question] Were there other objections also?

[Answer] Another source of objections was the viewpoint that the report did not really bring out anything sensational. And here I must mention the following parts of the report. The second part is a description of the commodities-monetary balance, the situation in foreign trade and the balance of payments, the conversion of investment, production and employment.

The final portion is the summary, in which we list what was almost solved and what still remains to be solved. The list of solved matters was quite meager. This refers to such matters as the creation--and even this is incomplete--of the legal bases for reform, the regulation of the status of private farms and a new system in the State Farms (PGR), new principles of functioning of small-scale industry, important progress on prices of food, energy and heat and producer prices. Other problems remain unsolved. In the report we ascertained only these facts and we did not formulate programs of activity.

[Question] Why did this happen?

[Answer] We answer that question in the report. It happened first of all because there were great uncertainties and also because of the differentiation of the situation within the framework of traditional aggregates, e.g., such as the subsectors. Until this is examined more thoroughly, the picture is too global, too simplified.

[Question] Does the warning forecast differ from the first report.

[Answer] Yes, it differs very basically. Although it does not cover many problems, although it does not fulfill all of the intentions that we would like, nevertheless it contains proposals for a number of actiions on the issues of external imbalance and internal imbalance. But we have still omitted many problems which remain unclear.

The first report, however, was descriptive. And thus the second argument against publishing it appeared. A number of Council members felt that from the standpoint of increasing the public's economic awareness, dissemination of this report may play a role exactly opposite of that which is intended. Ascertainment without proposals for action may evoke the feeling of insufficiency.

[Question] Do you feel that this argument is convincing?

[Answer] I do not know who is right. Furthermore, I do not know whether the majority was in favor of publishing the report, or the minority. And I deliberately do not know this. I did not propose that a vote be taken at the Council meeting. I only proposed that information be obtained as to who is for and who is against. I did not count the hands. I saw only that there was some kind of a majority and some kind of minority that could not be ignored. And because democracy is based on not only on respect for the rights of the majority but also on respect for the rights of the minority, I agreed, with a pure heart, that this report not be published.

The first report had as its aim the creation of a basis for further work, agreed upon by Council members. And this was achieved. An assemblage of 30 persons became clearer to the government and clearer to itself. I think it contributed to more idyllic relations inside the Council itself and we found a form for better cooperation of the individual Council members.

And returning to the first question, we have nothing to hide. Furthermore, when some quiet opposition as to dissemination of the warning forecast arose--I do not know myself where and by whom, and I have no intention at all to find out--then very clearly the premier and vice-premier announced that nothing is standing in the way of publication if the Council intends to make this report available to the public.

For my part, I know how these things are. A ban on publication would be a nail in the Economic Council's coffin. I have not forgotten this. Just as I have not forgotten that one of the maladies of the professional reports of the Gierek days was precisely the fact that the opinions of the advisors were not disseminated.

And, in addition, there was not the slightest doubt among the Council members that the warning forecast should be published.

[Question] The warning forecast was the subject of discussion during the meeting of the Council of Ministers' Economic Committee. Does this mean that the Council is being heard? Was use made of the attached proposals? Has a procedure for the cooperation of the Council and the government been established?

[Answer] The procedure for cooperation had already been established earlier. The standards act on appointing the KRG provides that the ministries are obliged to inform the Council of their plans in advance.

Because my youth was during the days of Pilsudski, I have remembered his saying that in Poland the individual always means more than the institution. Or, speaking in today's language, human relations are more important than regulations. In view of this, I began the Council's activities by making a call on most of the chiefs of the ministries, who designated the vice-ministers responsible for contacts with KRG.

[Question] How is this working out?

[Answer] Just as always in life. In most cases well or not too bad and in some cases still not too well. During our meeting with the Economic Commitee we came to the conclusion that this form of cooperation will get better, because only when comments are forwarded while decisions are being made can it be truly useful.

We have examples of different situations among the proposals contained in the warning forecast. In the matter of a compulsory loan from enterprises, we forwarded strongly critical comments immediately after the government proposals were submitted to the Sejm. We were late, so at the same time we sent them on to the Sejm. For our part, we proposed a voluntary loan to the Sejm. The Sejm, however, as we know, took a third position. It replaced the draft loan with a stabilization tax. On the surface, the solution proposed by the Sejm differs from ours. But only on the surface. In actuality, and this is what we were concerned with, the sum of the liabilities falling to the enterprises was decreased, and the danger of administrative options was eliminated. In a word, the goals that we postulated were achieved in another way.

[Question] Are you convinced that this was the doing of the Council?

[Answer] Yes and no. For our opinion in this matter was not the only one. I believe that the mass opposition of the enterprises probably had a greater influence than the vote of the Council. But certainly we contributed to this change in some way.

[Question] And how about other matters? After all, the Council has been functioning only three months.

[Answer] In other matters we have been able to make suggestions mainly at the last minute. The formation of the Council coincided with the period of tremendous government activity. And that is why I say that the activity of KRG thus far was like getting on a train that is already moving. Sometimes we were too late, sometimes we were able to get on. And it turned out that sometimes there was a great deal of concurrence between the projects that are developing inside the government and those to which our Council would like to aim, about which the government, in turn, did not know. Sometimes it was even better: we submitted our suggestions early enough so that the government was able to know our position at the time it made its decision, on its own, of course. It happens, therefore, that we get on the train before it reaches its final stop.

[Question] Can you give us an example of this?

[Answer] For example, we proposed that the scope of foreign-exchange allowances be extended to co-producers. It turns out that the Ministry of Foreign Trade, the government's plenipotentiary for reform, and we in the Council, all thought the same. On other matters of foreign trade, we are further ahead with the proposals than the administration.

On the matter of the struggle with inflation, everyone thinks the same insofar as

as the basic problems are concerned. Inflationary tensions have eased, but are still dangerous. The results of the price operations partially alleviated these tensions, but the burden of these operations fell, and it could not be otherwise, in a way that cannot always be in agreement with sociopolitical preferences.

The Council took a clear position on this question. Activity in behalf of the protected groups on the inflation path would have been ostensible activity. Balance should be restored at the same time by a gradual, mild, extension of a stream of money for the benefit of the protected groups, and also by a redistribution of incomes which would be borne by other groups.

Various proposals appear here. We believe that the only quick and effective operation, with a certain qualitative load, is a burden in the form of an indirect stabilization tax. In this way the desired redistribution should be achieved without intensifying inflation, and perhaps even--through balance--weakening the imbalance.

[Question] The opponents of this solution say that this will dull the incentive system.

[Answer] I find the discussion on an incentive system very valuable. But when I take part in it I say that no incentive system will work when the shelves are empty.

But to return to the subject. The French say that there are not 36 ways of settling a matter--there is some limited number. If given serious thought, if interests are not at play, the same conclusions are reached. And we have probably cooperated in developing decisions that are already made at the moment we are talking. This pertains, for example, to price operations regarding vodka. I hope that the government will continue along this line. At the same time, I am happy that the announced increase in fares in city transportation will not take place. These are, after all, services of a universal nature.

Another example of cooperation with the government is the question of grain procurement. Our work was the result of previous considerations by the Food Economy Council and the Ministry of Agriculture. Thus, there was cooperation from the beginning. But in the final phase of the work differences of opinion arose.

[Question] What are these differences?

[Answer] I do not know, for we do not yet have the government's final decisions. I think that differences in positions are a proper phenomenon. I would be disturbed if the government would agree with all our proposals, for this would mean that we are not bringing in anything new. The government should sometimes disagree with something, and also sometimes change its own position.

[Question] The published warning forecast pertains to two threats: external imbalance and commodities-monetary imbalance. There are more such threats, as appears from at least the first of the government's reports. Will KRG concern itself with these issues?

[Answer] These two threats, in our opinion, are of leading importance. That is why we have given them all of our attention first.

Now we will first give our attention to the matter which arose during the course of the deliberations of the Council of Ministers' Economic Committee, the "settling" of the enterprises at a certain level of production, with no effort to go beyond that level. We are studying this problem. We have a questionnaire on this subject and are collecting our own and others' thoughts, and also those of the representatives of the particular ministries.

[Question] This matter is related to reform.

[Answer] True. I believe that it will not be easy for us to catch up with the initiative of the government's plenipotentiary for reform affairs. More often, therefore, we will be entering into this issue as into a train that is moving.

[Question] And other matters?

[Answer] We will primarily be following the results of possible moves on price matters for progress in the area of balance. Three large subjects await us in the immediate future: cooperation in preparing a system for wages for next year, in constructing a three-year plan, and in formulating a housing construction program. In all three of these issues we have been participating from the beginning of the entire conception process.

[Question] Mr Professor, are you satisfied after three months of Council work?

[Answer] How does one say this? I do not ask myself this question.

[Question] But perhaps?

[Answer] Since you insist... I am satisfied that a good method of Council functioning has been found. I believe that the small shortcomings of cooperation with the ministries can be eliminated. And most important, that we are being heard. So from that standpoint I am completely satisfied. From the personal standpoint, not completely, because I have stopped writing and appearing on television, which was very important to me. But I have hopes that sometime in the future even this will be possible, although I feel very tired. I am only two years short of 80.

[Question] I hope that you remain in good health for a long time, Mr Professor. Thank you for the interview.

9295
CSO: 2600/789

## INDUSTRIAL PRODUCTION SHOWS SLOWING OF DECLINE

Warsaw ZYCIE GOSPODARCZE in Polish No 24, 4 Jul 82 p 9

[Article by Ch.M. from Main Office of Statistics (GUS) materials]

[Text] The production of certain products, centrally reported in standard units, was the same or higher in May than in April and in previous months of this year. In May, 15.8 million tons of hard coal were mined, i.e., almost as much as in April (15.8 million tons) [sic]. This is an increase of 23.3 percent in comparison with last year, and a drop of 27.7 percent in relation to May 1980, and 8.5 percent in relation to May 1979.

In comparison with April this year, there was a slight increase in brown coal output. In May, 2.8 million tons were mined, as compared with 2.9 million tons in April, 3.2 million tons in March, 3.1 million tons in February, and 3.3 million tons in January of this year. In comparison with May of last year, brown coal output increased 1.5 percent.

Electric energy. In May, 8.86 billion kilowatt-hours was produced, which means an increase of 0.2 percent in relation to May of last year. The decrease over five months was 0.2 percent.

However, crude oil refining increased significantly in May in comparison with April and preceding months of this year. It amounted to 1.2 million tons in May, as against 1.1 million tons in April; 1.1 million tons in March; 0.9 million tons in February; and 1.0 million tons in May of last year.

As a result, 22.8 percent more fuel for gasoline engines was produced in May in comparison with May of last year; fuel for diesel engines increased 38.1 percent, and heating oils by 10.4 percent.

Production of electrolytic copper remained at the level of April of last year--30.0 thousand tons, an increase of 11.9 percent over May of last year. In previous years monthly production of electrolytic copper amounted to 32.0-33.0 thousand tons.

The processing industry continues to be represented modestly in this group of products, whose production did not drop (or dropped slightly) in comparison with last year.

Thus we can list farm tractors here, of which 4,500 were produced in May, against 4,600 in April, 5,300 in [March], 4,400 in February, and the same in January of this year [as published]. Last year the production of these tractors fell in May to 3,200 from 4,500 in April. In previous years the monthly production of tractors was at the 4,500-5,500 level.

Soaps and detergents. In May, 25,300 tons; in April, 24,400 tons. In May of last year, 10 percent less. In previous years, approximately 25,000 tons monthly was produced.

About 19 percent more soda ash was produced in comparison with May of last year, 27 percent more polyethylene, and 11.7 percent more polystyrene and copolymers. As a result, production of these chemical raw materials during the first five months reached a level somewhat higher than that of the same period last year.

Fiberboard. In May, 10.9 million square meters; in April, 9.9 million square meters; in comparison with May of last year, 48 percent more, and for the first five-month period 1.6 percent less in comparison with five months in 1981.

Products from slaughter of butcher animals. In May, 157,000 tons. This meant an increase of 23.6 percent in comparison with April of this year and 13.2 percent in relation to May of last year. Signals of declining tendencies in farm-animal raising continue to appear, which may reflect unfavorably on this production in the following quarters.

Butter. In May, 18,300 tons, compared with 12,600 tons in April. In comparison with May of last year, this was 6.6 percent less. But for a five-month period, a growth of 4.3 percent is still recorded.

In the group of items with a production higher than last year are also cigarettes, of which 7.1 billion were produced in May, i.e., the same as in April and 10.1 percent more than in May of last year and 6.1 percent more than in April of last year. For the five-month period, cigarette production was 3.7 percent greater in comparison with five months in 1981.

In the production of most manufactured goods, the production level in May did not approach that of last year. But the number of products whose production over a five-month period did not drop more than 10 percent in comparison with the same period last year increased.

Coke from hard coal. In May, 1.5 million tons; 6 percent less than in May of last year. A drop of 5.1 percent for five months.

Sulfur. In May, 0.4 million tons. A decrease of 8.8 percent in relation of May of last year. A drop of 5.1 percent over five months..

Nitrogen fertilizers in terms of $N_2$. In May, 101,500 tons. A drop of 11.6 percent from May of last year, and 6.5 percent over five months.

Phosphatic fertilizers in terms of $P_2O_5$. In May, 67,900 tons; 1.1 percent less than in May of last year, and 4.9 percent less over five months.

Plastics. In May, 42,900 tons. This indicated a considerable improvement in relation to April of this year (approximately 10 percent) and in comparison with May of last year (a 4.2 percent production increase). Over a period of five months, plastics production was 8.7 percent lower in comparison with last year.

Cement. Production in May, 1,5 million tons; in April, 1.3 million tons. A decrease in production in May of 2.3 percent in relation to May of last year. Over five months, 1.5 percent decrease.

Lumber as a whole. May, 0.48 million cubic meters. In April, 0.47 million cubic meters. A drop of 8.8 percent in production in May in comparison with May of last year. Over five months, a drop of 9.8 percent.

Including coniferous lumber. In May, 0.42 million cubic meters. In April, 0.40 million cubic meters. A 2.9 percent drop in production in comparison with May of last year; 10.6 percent over five months.

Paper. In May, 85,000 tons. In April, 79,000 tons. An increase in May of this year over May of last year of 5.5 percent. Over five months a production drop of 6.8 percent.

Cardboard. In May, 19,500 tons--the level of May of last year. In April of this year, 18,000 tons. Over a period of five months, a production decrease of 9.5 percent.

Consumer vegetable fats. In May, 20,300 tons. In April there was 21,300 tons. A decrease of 10.6 percent in relation to May of last year, and 5.2 percent over five months.

Unfortunately, the number of items whose production during a five-month period was lower in comparison with last year by over 10 percent continues to be large. In extreme cases, the drop is several score percent. In May, in comparison with April and previous months of this year, there were considerable changes also in the production level of this group of products.

Rolled products. May production, 919,000 tons. In April, 858,000 tons. A decrease in production in comparison with May of last year of 11.4 percent, and over five months, 21.1 percent.

Steel tubing. In May, 19,000 kilometers; in April, 19,500 kilometers. A 15.7 percent drop in production in May of this year in relation to May of last year, and 22.9 percent over five months.

Aluminum. In May, 4,100 tons; in April, 3,900 tons. A drop of 24.2 percent in relation to May of last year. Over a five-month period, a 40.9 percent decrease.

Electrical washers and dryers. Continue to be very bad. In May, 35,200 were produced; in April, 35,400. Production decline in comparison with May of last year, 44.9 percent. Over a five-month period, production dropped 27.4 percent.

However, a distinct improvement took place in the production of refrigerators and freezers. In May, 51,500 were produced, in April only 38,900. In comparison with May of last year, production grew 10.9 percent. But the production decline over a five-month period is still 24.3 percent (over a four-month period it was 31.9 percent).

Railroad freight cars. In May a further decrease in their production took place, to 566, in comparison with 608 in April. In relation to May of last year, the drop in production of railroad freight cars amounted to 33.2 percent, and over a five-month period, 41.1 percent. It is worth recalling here that in previous months monthly production of freight cars reached 1,400.

Passenger cars. In May, 19,700 were produced; in April, 18,900. A 13 percent decrease in comparison with May of last year, and 33.5 percent over five months. In comparison with 1980, the decline in automobile production was even greater, since that year monthly production was over 33,000.

Trucks and road tractors. In May, 2,800, the same as in April and 17.9 percent less than in May of last year.A decrease of 23.3 percent over five months. In 1980, monthly production reached 4,600.

The production of electromagnetic cable is rising from the bottom. In May, 1,700 kilometers were manufactured. In April, 1,500 kilometers. In relation to May the production drop amounts to 18,7 percent, and 46.5 percent over a period of five months.

The production of radio sets continued to be low. In May, 143,000; in April, 147,000. A 21.6 percent drop in comparison with May of last year, and 21.4 percent over five months.

But the production of television sets increased a little. In May, 55,500 were produced; in April, 47,000. The drop in production in relation to May of last year amounted to 14.7 percent, and for a five-month period, 34.2 percent. It is worth adding that in 1980 monthly production of television sets amounted to 90,000.

In the production of many products of the chemical industry the decline in production over a five-month period (in comparison with last year) exceeded 20 and 30 percent.

Synthetic rubber. In May, 7,800 tons, in April, 7,300 tons. An 18.6 percent drop in production in comparison with May of last year; over a five-month period, 21.7 percent.

Chemical fiber. May production, 18,100 tons. In April, 14,300 tons. A 5.1 percent drop in production in comparison with May of last year, and 23 percent over a five-month period.

Polyvinyl chloride. In May production amounted to 5,400 tons and was below that of April (6,100 tons). The drop in production in relation to May of last year was 34.2 percent, and 27.4 percent for the five-month period.

Tires. In May, 0.47 million were produced, and 0.48 million in April. In comparison with May of last year the drop was 14.7 percent, and over five months, it was 24.9 percent.

The production of cotton and cottonlike cloth also declined in May. In that month 60 million meters were manufactured. In April, 57.6 million meters. The decline in production in comparison with May of last year was 11.2 percent, and 16.3 percent over five months. In 1980, monthly production of these fabrics reached 80 million meters.

The production of wool and woollike cloth in May totaled 7.5 million meters and was somethwat lower than in May of last year. The drop in this production over a five-month period and in relation to May of last year amounted to 18 percent.

Total amount of footwear produced in May was more or less the same as in April--approximately 9.9 million pairs. The decline in production in comparison with May of last year amounted to 11.4 percent, and over the five-month period, 15.8 percent.

Deep-sea fish products. In May, a drop in production occurred, to 49,000 tons from 56,500 tons in April. In comparison with May of last year, the decrease amounted to 14.1 percent; for the five-month period, a decrease of 23.4 percent.

Commercial fodder mixtures. In May, 0.5 million tons. In April, 0.4 million tons. The drop in production in comparison with May of last year was 40.3 percent. For a five-month period, 33 percent.

The largest decrease was in the production of butcher poultry. In May it amounted to 5,100 tons, in April, 4,900 tons. The drop in relation to May of last year--82.6 percent. During a period of five months, poultry production declined 55.6 percent in comparison with last year.

9295
CSO: 2600/755

MINISTER DISCUSSES CURRENT AGRICULTURAL, FOOD SITUATION

Katowice TRYBUNA ROBOTNICZA in Polish 29 Jun 82 p 3

[Interview with Jerzy Wojtecki, minister of agriculture and food economy, by TRYBUNA ROBOTNICZA staff writer Wieslaw Wesolowski; date and place not specified]

[Text] [Question] Comrade Minister, there have been reports in the press about the negative influence of drought, followed by frost, on the forthcoming crops. Readers are very sensitive to such signals. Please, tell us whether we should expect bad crops.

[Answer] Spring has not been very good for agriculture. This is a fact, not a rationalization of future failures, as some might think. For there is a tendency to believe that when things don't turn out right in agriculture we blame drought or too much rain. In fact, unfortunately, this year's April has been dry and in May the rainfall was 30 percent less than normal; there were heavy frosts in June with temperatures as low as -7°C in some regions--this has taken its toll. Thus, how can we evaluate the situation? In spite of everything, it is not too bad when it comes to crops although we will not have the spectacular successes we had hoped for, because of the aforementioned climatic conditions as well as because of lower deliveries of mineral fertilizers--10 kgs of pure ingredients less per hectare than last year and also because the amount of available pesticides was lower. The crops could reach average levels as measured over a number of years. It will not be a bad harvest even though 4,000 hectares of tomatoes, 4,000 hectares of cucumbers, and greenbeans were destroyed by frost; tobacco plants and other plants sensitive to frost at this time of the year have suffered. In the Biala Pdlaska and Bialystok regions potatoes were also killed by frost. In these parts, we have to expect a decline in the yields of some 30 to 40 quintals per hectare. Nevertheless, I repeat once more, that despite these unfortunate occurrences, we are viewing this year's crops with guarded optimism. I believe that the grain harvest should not be much worse than last year. But please keep in mind that as recently as 2 months ago we thought that they would be higher than last year. The crops of hay are not bad, particularly as concerns quality. Other fodder crops also look good, including corn. Thus, nothing indicates a bad harvest.

## We Have Built Up Meat Reserves

[Question] When purchase of livestock was minimal, it had a terribly bad effect on supplies in the stores. The present increase in purchase--boneless beef is being sold without ration cards--is deemed to be a threat to cattle raising in the long run. How to explain that?

[Answer] In the fall and winter, livestock procurement was so low that we had to resort to imports. The situation has changed in the first months of the year because of higher prices and limitations on free selling. Overall, procurement is the same as in the same months last year. But we are procuring more "red" meat--beef and pork--and much less poultry, for well-known reasons. In April and May, procurement was even 10 to 12 percent higher than predicted. At the same time, not all of the meat was sold to coupon holders which allowed us to send between 10,000 and 20,000 tons to refrigerated storage each month. Because the capacity of our refrigerated storage is not large, after a few weeks, they were full. At present, the meat reserves are the same as in any other self-respecting country, enough for a few weeks. In order to make room in the cold storage we would have to lower the prices of some 15,000 tons of food products, demand for which has fallen considerably. I know that journalists and consumers criticize us for postponing the decision to lower prices by 30 percent. I would like to point out that, under the new financial arrangement, the producer could not do that because there are no funds to cover the loss. We had to obtain subsidies of over 100 million zloty. That was the reason for the delay. But even at reduced prices, the sales of the frozen foods have not increased significantly. For this reason, it was decided to sell, without ration cards, during the summer vacation period, about 14,000 tons of beef and 10,000 tons of poultry (geese, ducks and turkeys, as there are no chickens). The government also decided to send 100 million eggs to vacation centers, kindergartens and nurseries at 4 zloty each. In this case, the government subsidy amounts to several hundred million zloty. Doubtless, improved supplies in the market and greater ease of purchase also improve the situation in the cold storage.

## There Will Be No Ration Cards for Bread

[Question] What is in store for us in the next months? Will we survive the winter without bread ration cards and without limiting further the already skimpy meat allowance? What about oil and sugar?

[Answer] With the reserves we have and prospects of purchases, we should be able to totally cover the needs of the ration card system. What will happen early next year, it is hard to tell. We have submitted some suggestions to the Economic Committee of the Council of Ministers. It would involve buying abroad a quantity of high-protein fodder, fodder grain, much less, of course, than in previous years. It would allow us to offer to exchange 60 kg of fodder for 100 kg of cereal. I am convinced that as a result of this exchange there would be a realistic possibility of obtaining, from our own production, about 5 million tons of cereals. There is still no decision in this matter, it requires foreign currency. We propose to cover part of this import of cereal and fodder with meat export. I have touched upon this in a conversation with the representative of the TRYBUNA ROBOTNICZA, so that its readers

would be aware of this concept because lack of information often leads to misconceptions of the kind: "They are exporting meat again instead of selling it to the citizens." We want to export only enough to partially pay for the import of cereal and fodder. This export, then, is advantageous because for a kilo of meat sold abroad we can buy enough fodder to obtain 2 kg of meat, without mentioning meat by-products, which stay in the country.

So I think that there won't be bread rationing and that we will be able to avoid cutting the meager meat rations. But oil will have to be imported. About 100,000 hectares of rape were frozen and what remains is not of the best quality. Foreseeing having to import oil, we also keep in cold storage regularly, more lard than needed, as a reserve in case we cannot buy oil. As for sugar, it is too soon to forecast the harvest. So far, the beets are good and if the weather is favorable we might have a repetition of last year, when good harvests allowed an increase in the sugar rations.

Finally, the Production of Simple Tools Is Starting

[Question] Can one notice the influence of the reform on the relationship between agriculture and industry? Are we threatened with the return to the scythe and to sowing from a piece of cloth tied around the farmer's waist?

[Answer] At this moment, we cannot yet state that the reform has changed the attitude of the producers. If I said anything else, the farmers reading TRYBUNA ROBOTNICZA would reproach me. Unfortunately, this year, like last year, there is still a shortage of not only large equipment but also of simple tools. This, I can say without exaggeration, is a shameful situation. The farmer cannot understand why he cannot buy buckets or pitchforks. At the same time, what he sees today indicates that tomorrow things should be better. I believe that industry, as early as next year, will solve a lot of problems which now make the farmer's life difficult. There should not be a shortage of simple tools or instruments, so necessary in agriculture.

There will also be more machines. I am sure of it after the recent conversations at the fairs. But I wish to call attention to the fact that in order to hasten this process, we will have to give the producers additional material incentives. I think that taxes should be lowered on factories undertaking production of farm implements. We should not be faced with sowing from a cloth but rather with abandoning this "technology" because right now it is still in use here and there. Much further removed and complicated is the matter of filling the need of agriculture for chemical products, because of the outlays and time involved. As recently as 3 weeks ago, preliminary plans called for the chemical industry to ensure, in 1985, 214 kg of pure mineral fertilizers per hectare. Today, there is talk about the possibility of lowering that allotment by 10 kg. This does not provide grounds for optimism. But these are only preliminary discussions of the future.

[Question] Thank you for talking with us and for allaying our fears about the immediate future.

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## BRIEFS

SMALL BUSINESS IN KOSOVO--There are big plans to open artisan shops, service businesses, workshops, and small farms; it is said that small-scale business will no longer be of secondary importance in 5 years. Kosovo recently got the right to use $4 million in credits from the International Corporation in Washington to develop small business, and experts from this bank were recently in Kosovo. From the Fund of the Federation the artisan sector in Kosovo will get 1.2 billion dinars, most of which will be used to build new artisan facilities in both the socialized and private sectors. According to available data, about 26,000 workers from Kosovo are working in Western Europe, but about 6,000 are expected to return very soon. In a survey of those who want to return in 1982 or 1983, most want to open their own artisan shop or unite with some contract organization. Interest in the artisan sector is reviving not only among returnees but also among the rest of the Kosovo population. There are now about 6,000 artisan shops in Kosovo, employing 6,600 workers. Since the law permits the employment of five workers in a [private] artisan shop, if each shop employed only one more worker, this would mean 6,000 new jobs. However, there are still quite a few instances of various bureaucratic barriers and distrust. For instance, in Prizren someone interested in opening an artisan shop waited a full 6 months for an opinion from the local community, after which the secretary of the local community rejected his request. There are also examples of the inspection organs closing pastry shops or other eating places for no reason, so it is believed that certain opstinas implement the policy [on small business] in their own way. [Excerpt] [Belgrade PRIVREDNI PREGLED in Serbo-Croatian 7-8 Jul 82 p 2]

LAND REDISTRIBUTION IN BOSNIA--The Republic Assembly of Bosnia-Hercegovina has signed a social agreement on financing the costs of redistributing [komasacija--joining smaller parcels into a larger whole] agricultural land, the first redistribution of this kind in the republic. The redistribution will be carried out on over 60,000 hectares during the 1981-85 period, permitting the development of agricultural production on larger parcels using modern technical methods. In some communes this work has already begun and the results are very good. Average per-hectare wheat production in the republic is only 2,192 kg but with better land distribution one could normally expect a per-hectare yield of 4,000 kg or more and with much lower costs. After redistribution in Bosnia-Hercegovina total wheat production is expected to increase from the present 160,000 to 300,000 tons. [Excerpt] [Sarajevo OSLOBODJENJE in Serbo-Croatian 2 Jul 82 p 1]

CROATIAN FOREIGN EXCHANGE, TRADE--For every $100 of foreign exchange earned in Croatia $20.9 is used to pay off debts, while for the Federation this amount is $15.9. In addition, $17 of the $100 earned in Croatia is used to purchase oil, $5 is used to meet obligations to the Federation, and $18 is used to import consumer goods. Thus, only $23.2 of the $100 is left for exporters [to import raw materials]. Domestic and imported raw material reserves at the beginning of June were at a critical limit; there is a lack of fuel, coking coal, paints and lacquers, rubber and special steels, raw materials for the chemical industry, wool and cotton, pig iron, iron for reinforced concrete, paper, and various kinds of spare parts. Most producer goods which can still be purchased are of poorer quality. More than one-half of the economic organizations have had to stop production for several days sometime this year. But despite all difficulties, payments on foreign loans have been made on time, with rare exceptions when they have been slightly late. In 1981 Croatia's exports accounted for 22.1 percent of all Yugoslav exports; they accounted for 22.7 percent of exports to the convertible-currency area and 21.2 percent of exports to the clearing account area. In the same year Croatia accounted for 25.2 percent of Yugoslav imports (25.5 percent to the convertible-currency area and 24.4 percent to the clearing-account area). [Excerpt] [Zagreb DANAS in Serbo-Croatian 15 Jun 82 pp 5-7]

CROATIAN ECONOMY--In the first 6 months of this year industrial production declined by 0.3 percent compared to the same 1981 period, largely because of reduced imports of raw materials and semifinished goods. Considerably lower production was noted in 20 industrial branches in the republic. Nevertheless, exports increased, amounting in January and February to $136 million (thanks to exports of ships). For the first 6 months exports were 9.3 percent higher and 11.9 percent higher to the convertible-currency area than last year. Imports were 18.5 percent lower. [Excerpt] [Zagreb VJESNIK in Serbo-Croatian 23 Jul 82 p 4]

RETURNEES TO MACEDONIA--With the help of the agricultural bank in Skopje 1,400 workers who will return from work abroad will be employed by the end of the year; about 1,000 will get jobs in Skopje, and the remaining 400 in Tetovo and other Macedonian cities. All will be employed if they deposit between 200,000 and 400,000 dinars in foreign exchange bank accounts for which they will receive 7.5 percent interest over 5 years. Thus, 110 returnees have already been employed in several Skopje enterprises which have agreements with the bank on employing returnees on the basis of foreign exchange deposits. The agricultural bank in Skopje is the only organization of this kind in the country and has a special section dealing with returnees. Three years ago it set up special plan to employ returnees which calls for the building and sale of housing for them, providing sites for artisan shops, granting credits for cultivating fruit and vegetables, building poultry and livestock farms, and purchasing agricultural machinery. [Text] [Zagreb VJESNIK in Serbo-Croatian 15 Jul 82 p 4]

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# East Europe Report

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2304

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# EAST EUROPE REPORT

## ECONOMIC AND INDUSTRIAL AFFAIRS

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# SIGNIFICANCE, FUTURE OF EAST-WEST ECONOMIC RELATIONS WEIGHED

Budapest VALOSAG in Hungarian No 6, Jun 82 pp 1-8

[Article by Jozsef Bognar, director of MTA Research Institute of World Economy: "The Importance and Future of East-West Economic Relations"]

[Text] We can approach the situation, importance and trends in East-West economic relations from differing points of view. In this study we prefer the global approach: that is, we do not primarily deal with the inner dynamics and development of relations changing in time but with their placement, importance and effects in the system of world economic processes. Another characteristic of our method of approach is represented by its multidisciplinarity because we do not regard the economic relations only as factors determined by economic interests but as a phenomenon of the modern world which has a close reciprocal effect with the political-security (military) relations among states. A third characteristic of our method of approach and analysis is that we devote particular attention to the transformation (which has started already) in the process of the "Eastern value systems." In forecasting the future, not only the necessity but also the justification of this approach is obvious since these changes influence to a decisive extent the policy pursued during the development of relations as well as the content and forms of the relationships. Moreover, it is also obvious that essential interests of various countries and economic circles of the world (the international community) and of the European socialist countries themselves are linked to seeing that these changes are interpreted correctly by their partners of today and tomorrow (potential partners).

East-West relations--including the Soviet-American relation--represent the most decisive component in current world political power and balance relations. It is well known that the "bipolar balance relations which derived from international political relations that developed after World War II are under gradual transformation in our times. Indeed, new economic centers are in process of development, and in addition the developing countries--related to the population explosion--play an increasingly important role in world politics. Undoubtedly, however, the greatest military technological, economic and scientific potentials are still to be found in the East-West sphere. The Soviet Union and the United States are global powers, and as a consequence their relations in various regions of the world are influenced by the changes and developments that are taking place, and

indeed these can have an effect on the balance relations that have developed. It is obvious that these developments and changes give rise primarily to local problems and conflicts--given that there are 180 nation states including the existence and birth of many new states, and yet most of these local conflicts also have East-West aspects. Theoretically it can happen that one of the global powers will overestimate the East-West projection of a problem in question, and will not sufficiently take into account its moving springs. For example, Ariel Sharon, the Israeli defense minister, criticizes the Middle East policy of the United States as follows: "The Americans do not understand what is happening in the Middle East and Africa. Like blind men in a chimney, they make war against Soviet expansion."

The competition between the global powers and a lack of confidence has started a serious arms competition which not only causes grave damage to East and West at the time of a deep and longlasting economic crisis but also pushes some of the developing countries into great armament expenditures.

These factors and interrelationships of international political relations do not promote economic relations, in fact they frequently hold them back and restrain them.

It must also be noted that--unlike in the past--the present leading (global) powers have very great internal economic resources and potential; therefore they are not subordinate to international economic relations like most of the countries. Given also their enormous energy sources they are more easily able to bear those losses which the temporary suspension of some kinds of relations (commodity exchange) might give rise to. Thus the attitude of the leading powers is not foreign economic centric, and in fact in the case of the United States it also frequently happens that it will forbid or obstruct potential economic relations in the interest of increasing political pressure under the assumption that this measure will cause more economic harm to the other party than the loss of profit to itself.

In the case of such and similar measures, however, the initiating party (the United States) does not take into account that an embargo does not have an unfavorable effect only on those economies against whom they are directed but also on the entire system and "the climate" of world economic and world commercial relations. In the present world economic and world commercial relations there are hardly any materials and commodities which can be supplied by only one economy, and therefore it is "necessary" to put economic or political pressure on potential suppliers whether these may be neutral or allied in the political sense; that is, the economic force used on the political adversary is extended. It is also obvious that economic relations based on the principle of mutual advantages--which is harshly damaged by the embargo--requires continuity, particularly in the present world economy in which a significant part of the advantages derive from task distribution. It is dangerous in and for itself if foreign economic relations are mechanically put in the service of foreign political and security considerations in government policy. We must consider the differing nature of international political and economic cycles which derives from the fact that foreign policy is a strongly centralized activity, while foreign economic relations gradually

and slowly become parts of the value system of national economies. The time requirement for changes derives from this difference. A political change of behavior can be rapidly carried out since it derives from several central (government) decisions, while the building of economic relations goes slowly because the interested parties must not only find each other but also that constellation suited to their own capabilities and to the world market demands which assure the advantages latent in cooperation. We must realize a change in structure, perhaps investments, we must find the potential buyers on a third market, we must assure the necessary services, and so forth; that is, the material advantages latent in cooperation become embodied only after years. Meanwhile, if the political cycle changes and no longer favors cooperation, the parties may drop their concrete material gain, become cautious (perhaps refrain) in working out similar possibilities in the future. It should also be pointed out that on the basis of political-security arguments economic relations may be interrupted at a point of time when economic growth is becoming more and more sensitive to foreign economy, and the mutual dependence of the economies is realized more and more strongly. The foreign economic sensitivity of growth, however, does not refer only to the importing countries but also to the exporting ones, for the dynamics of world trade has plunged downward since the crisis.

Particularly dangerous is the "subordination" of international economic relations to political-security considerations since the unfolding of the crisis.

(I will note only in parentheses that in this respect I am speaking of a world economic change of era—most of the Hungarian economists have accepted and used this terminology--since I ascribe the crisis which exploded with the oil crunch to the influence of factors of such fundamental importance as bring to a head a new economic era and a new economic way of thinking.)

Since the crisis (the change of era) the scarcity of natural resources (renewable or nonrenewable) has appeared with dramatic force. We are not speaking of scarcity simply in the sense of Ricardo-Malthus-Jevons, etc.,--which otherwise represents one basis of economic thinking--and not merely of the fact that the needs of 6 billion people (in the year 2,000) and then of 12 to 15 billion people will assume a much greater need in the way of natural resources than 700 to 800 million, but rather of the "scarcity" in mankind's natural environment and living conditions which has come about, and which requires an entirely different kind of action program. In response to the demographic revolution and other factors, a striking contradiction has arisen between the distribution of population and the allocation of modern economic activity. For the first time in the history of development, mankind has come in possession of a technology with which he can destroy himself and the conditions of his existence. Technology, therefore, is no longer only a "blessing" and one of the bases of progress but also the source of a constant danger.

Negative phenomena, however, have broken to the surface in the economies which make the possibilities for economic development more difficult, or put a question mark on them. A revolution of cost and price has started from

energy sources to health services. The increase by leaps and bounds in costs has made many economic activities which were formerly profitable a losing matter. Inflation appears which can be kept in one-digit figures only with stagnation. An alarming extent of unemployment has appeared in the developed capitalist countries, and the conditions for overcoming it--particularly in event of a further increase in expenditures for arms--are not assured. Serious economic imbalances are arising (particularly in the payments balances and budgets) everywhere including the socialist countries. The international financial system is in great danger. As a consequence of the economic crisis, the social structures developed over the past decades have started to disintegrate. The international political relations and structures that have developed are not suited to promoting the cooperation that is economically necessary. Armament is drawing more and more material means from the economy and is becoming a developing enclave in particular circumstances which hardly has a positive effect on the development of the civil economy.

Thus far we have sought with out analyses, which refer on one hand to East-West relations and on the other hand to the consequences of the world economic changes of era, to substantiate three propositions.

1) In the economic sense, too, the East-West relation defines that international climate in the framework of which the nation states develop their relations. From another approach, in the event of bad (half hostile) East-West relations (including economic relations) the political and economic problems of the world at present (including the Third World) cannot be solved.

2) During a world economic change of era (crisis), such serious and longlasting phenomena have come to the surface which seriously endanger the civilized system as it has developed, or its supporting pillars.

3) The grave, collapse-threatening crisis (partial crises) which is appearing in the world economy and in the national economies can be overcome only with the help of economic cooperation and political collaboration of a kind that is without example in the history of this or the preceding century.

In the following I should like to speak about the transformation of the foreign economic interest system of the European socialist countries, the driving forces of the transformation, and the effects which the changes can express on the system of East-West economic relations.

A deeper analysis and better overview of these questions assumes a brief characterization of the present world economic positions of the CEMA countries. Their share in world trade is around 10 to 11 percent. Their share of world production may be put at around 25 to 30 percent. Their relatively low share in trade stems from various factors:

a) The strongest member state of the integration, the Soviet Union, is a country with immense natural resources and a great internal market (together with integration possibilities), in the national economy of which foreign economic activity plays a relatively limited role.

b) At the time of its transformation, the Soviet Union had to struggle with a blockade, and after World War II the European socialist countries with an embargo. At that time, the embargo extended to 50 percent of the usual commodities in world trade. In the possession of adequate economic resources and capabilities it is possible to avert the embargo and to defend against its consequences, but in the course of the defensive measures an economy will be created in which survival is decisive, while cost relations and required rates of return play a secondary role. On the other hand, the production structure which comes about under such conditions will be broader than rational (justified) since it cannot be counted on that imports will organically correct the differences between the production and consumption structure.

Since the end of the Cold War and the embargo, great efforts have been made to develop relations between CEMA countries and other participants in the world economy. These efforts have led to considerable results inasmuch as the share of the external world (non-CEMA countries) has increased strongly in the foreign trade of the CEMA countries (at least around 50 percent), and there have been periods in which East-West trade was the most dynamic sector of world trade. It is undoubtedly clear, however, that on one hand the import needs of the CEMA countries increased more rapidly than their export capabilities and on the other hand the political tensions that arose from time to time made it impossible to meet needs with security (on a basis of continuity). Therefore, the brief periods of rapid development were replaced time and time again by regressions and uncertainties.

Nor did those efforts lead to results which attempted regulation by fairly taking into account the interests of both sides in the principles and practice of commercial-economic relations between the CEMA countries and other economic blocs (for example, the Common Market) or countries (for example, the United States). Such contracts and agreements have very great importance at times when on one hand the practice of international trade is undergoing substantial changes and on the other hand the extent of the preferences granted or denied to each other strongly influences the positions of the individual countries and enterprises in the developing export competition.

In recent decades the economic activities conducted by CEMA countries with the outside world have developed such characteristics as differ substantially from foreign trade systems preferred or accepted by other participants in world trade. Foreign experts and supporters of conservative concepts within socialism conceive of a concrete foreign economic system in a given period as if every component of it could derive directly from the political system (or from ideology). This is a mistaken concept, however, for on one hand socialism itself is a developing system which changes its characteristics during its progress, and on the other hand the characteristics of an operating system in the foreign economy are influenced by the concrete situation, the environment, and extent of the state of development, the development of foreign economic capabilities and the internal management system of the economy.

Factors of the foreign trade system, for example, like the role of the state or the planning of foreign economic relations, derive in reality from the socialist system. The concrete phenomenal forms of these "system characteristics," however, depend on how the state role and function is conceived in a given period of development, or how the link between planning and economic policy is assured, and to what extent the world economic processes are seen as predictable, etc.

Other characteristics, however, derive not from the system but, for example, from the hostile nature of the external economic environment. A hostile external environment creates a closed economy whose priorities, efforts, interest relations, and so forth are of necessity isolated from the world market. Naturally, the system deriving from the fact of a closed economy also has its own internal logic, and this also creates a certain economic way of thinking and evaluation system, and this system on one hand "becomes frozen" (rigid) and on the other hand merges with those outside characteristics and criteria which derive from ideological-political factors.

A further characteristic of the foreign economic and in general the economic system was the extensive type of development, which means that rapid economic development was achieved primarily by establishing new work places. Under such circumstances every economic activity appears to be profitable which serves the structural transformation of the economy, promotes full employment, and meets the needs of the internal market. One of the characteristics of the extensive economic growth type is that from an earnings point of view the driving force of the growth is represented by the internal market, which appears natural in case of a deep-going social transformation, for we have to devote special attention to improving the situation of sub-classes that were economically depressed in the past.

In response to the above-mentioned factors, characteristics developed (that is, not primarily on the basis of system characteristics) in the foreign economic model of the socialist countries like the strong separation of the external and internal management system, the range of relations being created with the external world as determined by needs, the absence of convertibility, and moderate and passive participation in international economic organizations.

It is obvious that this foreign economic model must be transformed if changes are realized in the situation, in the intensity and effects of factors influencing and promoting the development of the model.

Toward the end of the 1960's, extensive reserves were exhausted in the economic development of the socialist countries. As a consequence of the slowing down and then the stagnation of population growth, it is no longer possible to assure available manpower for industry. It is necessary under such circumstances to open other sources for economic growth. Under the new circumstances of growth and development, the new driving forces are represented by structural transformation, innovation, technical development, reduction of cost, the introduction of modern economic organization principles, and the exploitation of advantages latent in international work

distribution. Their release, however, requires a deep-going and interrelated reform of the economic policy, management structure and institutional structure. The introduction of such reforms requires a certain amount of gradualism for the necessary changes also mean the revision of development priorities, decision rights, and the authority-influence zones being built on these rights. All this cannot be implemented in such a form that in the new situation everyone will receive the necessary authority in such a way that the old influence-authority zones will remain unaffected. Thus the transformation is paired with substantial social tensions: gradualism, however, assures exactly that the tensions being created should not overturn the overall socio-political equilibrium, which means the basis of the existence and survival of the system.

Among the new driving forces of growth and development, the foreign economic factors play an entirely special role. This new interrelationship derives from the combined effect of various factors.

a) In the new situation the foreign economic activity has become a growth (development) promotion factor. As a consequence, the foreign economic sensitivity of the socialist economy has increased substantially.

b) The import needs of the socialist economies have increased by leaps and bounds, which in the case of a closed (more exactly, half-closed) growth model of the socialist economies would lead to a foreign trade and payments deficit, since pole (carrier) export sub-branches were not created.

c) Also in the CEMA (economic collaboration among socialist countries) sphere, changes have occurred which make the member states dependent to an increasing degree on the world market.

I would like to mention four of these changes.

a) The new policy introduced for the natural resources (primarily energy and industrial raw materials) problems, which counts on world economic possibilities to an increasing extent both in exports and imports; and in respect to prices it regards world market developments as standard.
A rational corollary of this new policy is that surplus countries export to the capitalist world market, while those with shortages import. (To put it another way: CEMA does not follow a "self-supply" policy).

b) Import replacement methods are questionable in such a period, while quality, technical state of development and cost relations represent growth-development driving forces. To use another approach: it is no longer enough to meet demand if during the replacement process the rate of return does not improve, the cost level in the international sense does not decline, or quality in the international sense lags behind world market norms.

c) International work distribution in CEMA--which in recent years has assumed the form of the Complex Program--can become truly profitable only if the external market is also taken into account.

d) Besides the above-mentioned factors, the indebtedness of certain member states and the economic crisis (Poland) has also created a situation which can be bridged only by the dynamic development of the export sectors.

The above-listed and briefly described foreign economic factors indicate that the export capability of the socialist economies must be vigorously developed; that is, we must link up with the world economy also on the export side. The link-up through the import side--which as already occurred in the past two decades--represents a relatively simpler task because it does not require the linking of production, technology, innovation, investment policy (the priorities), price and value relations to the world market situations and requirements. On one hand the new adjustment assumes the modernization of mechanisms, institutions and organizational forms related to the foreign economy, and on the other hand a greater extent of interdependence by the "internal operation" of the economy with the world economic situations and requirements.

Every European socialist country has taken steps in this respect since the second half of the 1960's. It must be indicated however, that the current problems of the socialist economy are not exclusively (primarily) foreign economic in nature. The outward operation and functioning of a given economy is inseparable from its "internal" operation and renovation capability. It is obvious that the solution of internal and external problems, disequilibrium and difficulties, mutually determine and assume one another.

In a period of intensive economic development, there is need for a well-considered and related further development of commodity-money-market relations. But these relations not only embody an interdependence system influencing the operation of the whole economy but also express a strong effect on the socio-political and cultural structure that can be developed.

In this respect, the economic political concepts of the various socialist countries still show considerable differences. These conceptual differences stem from different situations and experiences; but in the coming years it may be assumed that they will decline as a consequence of the world economic effects and situations.

In summary, we may say on the basis of an analysis of the socialist countries' economic political situation, that the necessity of the foreign economic changes (the opening) in inevitable, and the conditions will gradually come about at different points of time and by way of the development of different forms.

However, it must be emphatically stressed--as I have already indicated in the foregoing--that a vigorous adjustment of the socialist countries to the world economy on the export side can be realized only in a relatively favorable international economic and political climate. To put it another way: the strongest participants in world trade should help further this process (maximum requirement) or they should not make it more difficult (minimum requirement). It is possible that in the present tense world

atmosphere this requirement may be absurd. But a short reflection of the world economic situation will lead us to the conclusion that the present situation and the present action reflexes represent the absurd, because in an era of mutual dependences, determinations, and global problems the natural thing which would serve everyone's interests would be if the participants in the world economy would help one another in the solution of such problems.

In the West, two essentially divergent concepts are expressed in this respect in political and economic life.

Both in the United States and in Western Europe there are power factors which desire the reduction of tensions, the ending of arms competition (or its reduction), and the pursuit of economic cooperation. These circles see in economic relations a factor which will promote the convergence of interests on part of the different countries, and through the network of mutual economic interests will reduce the possibility for political adventurism and surprises. Of course, time is necessary for developing and consolidating the mutual economic interests, and therefore the economic convergence cannot be linked to an idea or demand for immediate political changes. These circles are stronger and more influential in Western Europe than in the United States, which is obviously related to the fact that West European policy is of necessity more foreign economic centric, for economic growth and development are closely dependent on foreign economic possibilities.

The representative of the opposing concept also embody a substantial and, in recent times, strengthening trend in Western policy. In several countries (particularly the United States and Great Britain) the trends have risen to the level of government policy. In international policy this has three particularly negative distinctive features and efforts. The first is old-fashioned anti-Sovietism.

The second distinctive feature is the escalation of conflicts; on one hand, in such a way that the political conflict is automatically extended to the economy and thereby disturbs international economic relations, and on the other hand in the sense that it immediately transfers the smaller regional conflicts into the global system, which on one hand is already burdened with the effects of living or unsolved conflicts and on the other hand "heats up" tensions.

The third characteristic is the whipping up of armaments competition in a period of economic crisis when the economy is not able to solve the existing serious problems (payments balance and budgetary deficits, unemployment, inflation).

The political supporters of this anti-Soviet, escalation, and armaments policy within the economy espouse a characteristic economic political order which by emphasizing the principles of classical capitalist liberalism endeavor to liquidate the results and achievements of the welfare state. In order to popularize economic policy they proclaim goals which in fact exclude one another. (For example, tax rebates, that is, the reduction of

state revenues, increased armament expenditures and the restoration of a balanced budget within several years.) Moreover, they proceed from the assumption that the capitalists will in times of economic crisis completely invest, etc., their surplus income deriving from tax reductions. It may be assumed that the bankruptcy of this domestic economic policy will become obvious within 2 to 3 years' and this may lead to the weakening of these trends and concepts.

After reviewing the Western political trends from the viewpoint of the expected development in the international economic climate, I would like to indicate that the likely Western behavior will have an effect also on the economic political orders of the socialist countries. Obviously, the supporters of an anti-Soviet, escalation-embargo policy and the armaments competition will objectively strengthen the situation in the socialist countries of those who under the present international conditions hold themselves aloof from a more vigorous adjustment to the world economy, and thereby from accepting the idea of dependence. In the case of normal international circumstances, these concerns cannot counterbalance the elementary desire of the leadership and broad masses to develop a well-functioning socialist economy. In the case of constantly deteriorating international relations, the regular escalation of conflicts, embargo, and strengthening armaments competition, however, an emergency situation may develop in which the rational mode of thinking indispensable for understanding and dealing with economic problems is forced into the background.

Summarizing the foregoing, I see in our days a great opportunity for revising and developing East-West economic relations in a comprehensive way. The revision of East-West economic relations in a new and cooperative spirit would open the way for gradually solving the problems of the Third World, and the global economic problems. There would be particularly great need for this in a period when the world is confronted not only with a growth crisis in the internal economies but also with the stagnation of international commerce. A comprehensive revision and development of East-West economic relations would create a network of interests and dependences which in the future would be one of the components in the solution of various political-security problems and on the other hand would represent one of the limits to the contrary process.

Obviously, it is not possible to jump from one condition into another (even though it were more desirable). Therefore, this development also may only be gradual, but it cannot proceed by itself; that is, at decisive points it is not possible to do without the courageous and responsible decisions of responsible politicians, statesmen, and economic specialists.

Three developments could give a positive turn to the international political and economic situation, which otherwise (without the developments)will become more and more ungovernable: establishment of a military balance at a low level (a comprehensive arms limitation agreement); a rational restraining and reduction of the inevitable conflicts; proclamation of the continuity of economic relations which would mean that the countries adhering to the proclamation would guarantee the continuity of economic relations even if tensions or smaller conflicts would occur among the countries in question.

6691
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SHORTCOMINGS IN FIELD OF COMMUNAL SERVICES CITED

Tirana ZERI I POPULLIT in Albanian 21 Jul 82 p 1

[Editorial: "Let Us Expand and Improve Communal Services"]

[Excerpts] Under the attention of the party, communal services have been improved and developed. They include housing, water, light, clothing services, recreation and entertainment, which play an important role in improving the material and cultural well being of the masses of workers. In order to achieve the level desired by the party in communal services and repairs, there must be the highest level of organization and discipline at all times and everywhere. However, what has come to light during some inspections made in Tirana, Kruje, Berat and Lushnje districts? Even though there has been an increase in services and new activities have been added, in many cases, the needs of the people have not been satisfied on time with good quality work. Among other things, this has happened because the needs have not been studied scientifically and the studies on some services have been partial and have not gone to the depth of the problems. For example, this has happened in regard to the extension of household service. The directors of some communal enterprises have conceived of this type of service in a narrow sense, as if it were concerned only with the repair of television sets, radios and washing machines. As a result, only the first steps have been taken to extend this very important service to the repair of other household articles made of wood, metal, etc.

There have been cases where cooperative members go into the city for communal services and repairs which could be done and should be done in the village. Why does this happen? The investigations which have been made reveal that sometimes there is a lack of cooperation among the Ministry of the Communal Economy, the Ministry of Agriculture, and the executive committees of the peoples councils of the districts in supplying the units with materials. Time after time, the units are short of materials produced in the country. Thus, there is a need for a more organized work of training specialist and for the renovation of shops in order to place the study of consumer needs on more scientific bases.

Imaginative work, with initiative, for raising the level of communal services is needed not only from workers of communal enterprises but also from other sectors of the economy. For example, the quality of shoe repair work cannot be improved unless measures are taken to ensure that good quality leathers

and other materials are supplied on a regular basis. In some cases, apartment repair work is of poor quality because good quality lime, bricks, and tiles are not produced. The responsible ministries should take all necessary measures and stregthen control over the economic enterprises so they will satisfy the needs for raw materials and other materials, tools, equipment and machinery.

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## CPCZ CC MEMBERS URGE INCREASE IN EXPORT CAPABILITY

Prague HOSPODARSKE NOVINY in Czech 18 Jun 82 pp 1, 4

[Article by Jiri Hlidek and Josef Pasek, responsible functionaries of the CPCZ Central Committee: "The World Will Not Wait for Us; Increasing the Effectiveness of External Economic Relations."]

[Text] The proceedings of the Sixteenth CPCZ Congress and of the Fourth and Fifth Sessions of the CPCZ Central Committee have emphasized that the implementation of a long term economic strategy based on high production efficiency and the quality of all work demands a shifting of the economy to a path of intensive development, the realization of effective structural changes in the economy, the rational utilization of production potential, the achievement of a high level of utilization and valuation of all resources, the improvement of management, the development of worker initiative and a more profound integration of our national economy into the international division of labor, and especially into socialist economic integration. This requires a thorough subordination of the structure and dynamic of production to the development needs of the national economy, and the priority assurance of the maximum possible increase in deliveries for export. Concurrently with this increase in export performance, there must also be a reduction in the import intensiveness of the economy. The increase in the efficiency and quality of all work must be assured through a more rapid practical implementation of scientific and technical progress.

To fulfill the demanding tasks of this year it is essential to implement more assertively an increase in national economic efficiency. This is likewise essential so that we can raise substantially the efficiency of external economic relations.

### We Must Look Only to Ourselves

Foreign trade tasks for this year stipulate that there be an increase of more than 8 percent (measured in fob prices) in exports to the socialist countries, and of 7.5 percent in relation to the nonsocialist countries. At the same time, the dynamic of machinery exports is to increase by more than 16 percent in comparison with 1981. These tasks which have been outlined for foreign economic relations are demanding for a number of reasons, among them in particular the reality that imports of basic raw materials will be lower than requested by the production sectors. Moreover, the composition of certain raw materials will

differ from that of past years. This demands that we manage our raw materials well, that we introduce new technologies and techniques which require fewer outlays of raw material, fuel and energy resources. We cannot assume that increased raw materials imports may be covered by imports from the capitalist countries, because our foreign currency reserves are limited.

A further difficulty in the plan for foreign trade is that we will not be able favorably to sell petrochemical products to the same extent as in the past, because we are limited by lower import levels of basic raw materials. We must substitute other export merchandise for these exports.

A third significant factor which is having an unfavorable influence on our potential sales is the stagnation of the capitalist economy, which is bringing with it, among other things, high unemployment, a decline in investment activity, and high interest rates. This crisis development of the capitalist economy is being reflected in a decline in the demand for goods, including a decline in interest in Czechoslovak products. In addition to declining marketing opportunities, attempts are becoming stronger on the part of capitalist countries to discriminate against our products, such attempts even at times assuming the character of a boycott of trade with our country.

In spite of all the difficulties and complexities of domestic and international conditions, it cannot be said that our economy has an absolute shortage of raw material, fuel and energy inputs, that we extract too few investment resources from our national income, that we have an absolute shortage of labor, etc. On the contrary. Calculations comparing our material, raw material, investment and labor intensiveness with world standards indicate that the Czechoslovak economy is not characterized by low inputs into the production process, but rather by the fact that the assets and resources which are expended are not valued efficiently, at the requisite qualitative and technical level.

The basis for achieving results from international exchange lies within our economy, in an efficient valuation of raw material, fuel, energy and other inputs which is reflected in the production of use values which correspond to the needs of foreign customers, as well as to those of the domestic customer. The foreign trade objectives of this year, and of future years as well, may be effectively carried out only by exporting high quality goods and with highly sophisticated commercial work.

To Supply Those Things Which are Demanded

This is a matter, then, of our being better than the competition not only in the quality and technical sophistication of exported products, but also in our commercial ability, preparedness, shrewdness, in short in our overall commercial work. A good merchant is capable truly of a lot, but he must sell what someone needs, something which corresponds in its use values to the conceptions of the customer.

It is not merely a matter of producing a certain product, but of producing a product which, at acceptable and competitive social costs, will provide reliable, trouble free operation, savings of expensive materials, raw materials and energy, which will make work easier and safer, which will contribute to environmental protection and which will be accompanied by faultless presale and postsale service.

Quality and high technical sophistication of products, as well as quality commercial work do not arise in and of themselves or automatically. Rather, it is necessary to orient production and foreign trade organizations towards them through an economic mechanism. This means rewarding substantially quality work, and penalizing strictly low quality work.

In particular, an economic mechanism must create a sufficiently rigorous economic climate so that economic production units perceive that the primary path to an increase in their production efficiency lies in the rapid practical implementation of scientific and technical progress, and in the foreign trade sphere in a much higher commercial valuation than heretofore of the results of our work.

Scientific and technical progress is becoming the determining factor in national income formation and the efficiency of the entire production process. As Gustav Husak stated at the congress... "the implementation of the scientific and technical revolution is the truly revolutionary task of our entire society. It is necessary to focus the major portion of our attention, abilities and strengths, material and financial resources on the fulfillment of this task."

In our country we also have some enterprises which are proving able to implement scientific and technical progress in production and to achieve a level of quality and technical sophistication which bears comparison to foreign competition. However, in the application of science and technology in the national economy generally a number of shortcomings continue to be evident which weaken our potential and slow down our progress in fulfilling the line of the intensification of our economy. It is therefore essential to further develop those instruments within the management system which will aid in the rapid application of scientific results in the activities of our economic units.

The Unrelenting Battle with Time

Throughout the world an unrelenting battle with time is going on which it is impossible not to notice. Those who prove themselves capable of rapid adaptation gain clear advantages from this struggle with time. The slow introduction of scientific and technical progress is quickly turned into substantial losses in the efficiency of the national economy, including foreign trade.

Rapid and efficient adaptation to changing conditions in the external environment requires that external economic conditions exert a sufficiently strong influence on our production and foreign trade organizations, including an influence on thier khozraschot management, especially in the area of material incentives.

As Lubomir Strougal announced in his report on the fulfillment of the government's program declaration... "It is a matter of thinking about and of gradually implementing a mechanism which will assure the incorporation of the influence of the economic performance of foreign trade operations into the economic performance both of production organizations and of foreign trade organizations. It is a matter of both of these partners having a joint interest in optimal results from foreign exchange."

An adequate influence of external economic conditions on the decision-making process of our production and commercial spheres is an important precondition for increasing the pressure on the effective functioning of production and of foreign trade. The achievement of an adequate incorporation of the influences of external economic conditions depends upon the implementation of certain measures in the area of planning, prices, financial and currency instruments, and in the area of material incentives. In the first place, this requires that indicators expressing the efficiency of foreign commercial transactions become the focus of plan indicators.

The basic planning indicator of export efficiency is a differential indicator expressing the ratio between fob prices and domestic wholesale prices. This differential indicator is an important instrument for evaluating the impact of foreign trade and for evaluating the activities of enterprise production collectives and foreign trade organizations. The descriptive ability of the differential indicator is, however, often hampered by the established level of wholesale prices, which in a number of cases is the result of "necessary enterprise" costs and does not respect, to the necessary extent, the socially necessary costs recognized by world trade.

It is not only that the descriptive ability of the differential indicator is distorted in this manner, but above all that the efficiency of foreign trade is substantially reduced. Achieving production profitability by increasing wholesale prices in a way which does not correspond to an actual increase in the technico-economic parameters of the products in comparison with world standards will not lead our production to a situation in which it will perceive the main resources for increasing the efficiency of its own production to lie in higher order innovations.

An Increasing Pro-Export Orientation

Our country, which must objectively deepen its integration into the international division of labor, has no other realistic possibility than to compare, on a permanent basis, its socially necessary work with world standards. Any kind of evaluative criteria of socially necessary work which rest only on the viewpoints of the CSSR cannot bring a fundamental break from the past and turnaround in increasing the efficiency of our national economy.

It is, however, important that we use international criteria to measure not only that portion of products which is designated for export, but that we employ them as well to judge all of our work. If the cirteria for valuing goods for domestic consumption are less rigorous than the cirteria of world trade, then it is only with great difficulty that the export component of production can be made to correspond to international criteria.

Our integration into the international division of labor and socialist economic integration has found its expression in the fact that today more than one third of the national income which is generated is transformed, prior to use, by means of international trade. In spite of this, the current level of integration of the Czechoslovak economy into the international division of labor does not correspond to current needs.

The Czechoslovak share of world trade continues to decline. While it amounted to about 1.5 percent of the total in 1965, today it has declined to 0.8 percent of the total. We would be hard pressed to find a similarly steep decline in world trade. Our country has reduced its percentage not only within the framework of world trade. Its share of the trade turnover among the CEMA member countries has also declined since 1965, when it amounted to 13 percent of the total, to the current figure, which fluctuates around 9 percent.

When, for instance, one compares per capita foreign trade turnover, one finds that in 1965 the CSSR was in first place in per capita turnover among the CEMA member countries. By 1980 we had declined to fourth place, behind the GDR, the People's Republic of Hungary, and the People's Republic of Bulgaria. In per capita foreign trade turnover our country compares rather to economies which are much larger and more complex than that of Czechoslovakia. In comparison, however, with economies which are comparable to ours, our foreign trade turnover is 4-6 times lower.

World economic development shows that despite all its complexity, efforts are increasing on the part of individual countries to achieve a pro-exporting orientation for their economies, a strengthening of the export capability of the national economy. Calculations indicate that export oriented production is as much as three times less investment intensive as the startup of production facilities destined above all for the coverage of domestic requirements. It is therefore essential that our investment policy be conducted so as to channel resources to those enterprises and factories which significantly and efficiently participate in the assurance of export objectives. An increase in export capability in conjunction with the highly efficient management of expensive raw material and fuel resources will make it possible to deal effectively with the demanding tasks facing our economy on the threshold of the final two decades of the twentieth century.

The future development of the Czechoslovak economy will be the more effective, the more intensive will be our participation in the international division of labor, socialist economic integration, cooperation and production specialization, and the more use we make of information concerning anticipated trends in world economic development for decision making concerning the development of our economy. Life has shown us that the world will not adapt to us, but rather that we must rapidly and effectively come to terms with its demands. From scientific technical progress through production and investment, in the entire economy we must regard export capability as a top national economic priority, because only by so doing will it be possible to fulfill the demanding tasks established by the Sixteenth CPCZ Congress for foreign trade and production in foreign economic relations.

9276
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MAY 1982 ECONOMIC RESULTS SUMMARIZED

Prague HOSPODARSKE NOVINY in Czech 25 Jun 82 p 2

[Article by Dr Eng Vaclav Cap, ScC, Federal Bureau of Statistics: "May 1982"]

[Text] This year's trend in economic development is characterized mainly by reduced growth rates in energy-intensive branches and in departments dependent on agricultural raw materials, and by relatively higher dynamism in other industrial branches. Higher increments in May (as compared with May 1981) were influenced by one additional work day.

The results of the fulfillment of the plan in our industry, construction as well as in other production and nonproduction branches of our national economy in May indicate that the shortcomings have not been removed everywhere and with the due emphasis, and that the unused resources existing in our enterprises and organizations are not being fully exploited and mobilized.

The volume of industrial production was 3.7 percent higher in May and since the beginning of the year 1.3 percent higher than in the same period of 1981. With the projection of the effect in continuous operations average daily production declined by 0.01 percent in May and since the beginning of the year increased 0.6 percent. The state plan for the current year stipulates an 0.4 percent annual increment of the production. Although economic plans were slightly exceeded in May as well as cumulatively since the beginning of the year, the plan continues to be fulfilled unevenly, which seriously jeopardizes, particularly in supplier-consumer relations, smooth operation of our economy and also undermines good stewardship in many enterprises. Roughly 29 percent of our industrial enterprises failed to meet their production plan in the January-May period. In the first four months almost half of our enterprises failed to fulfill the plan in indicators stipulated as mandatory control of the fulfillment of the plan.

Enforcement of scientific and technological advances in the production affects above all dependable marketing of our products in foreign markets and earning of adequate prices for technically sophisticated and innovative products. This year's results have indicated thus far that we still have here considerable untapped resources. In the first quarter the share of technically advanced products represented 40.7 percent of the production; most of them were goods of first quality which amounted to 31.8 percent of

the total volume of the production, while products with high technical standards amounted to only 8.9 percent of the production. In the 5-month period sales of industrial enterprises increased 2.1 percent over the same period of 1981, while in domestic trade they stagnated; exports to socialist countries were up 7.3 percent and to nonsocialist countries up 5.9 percent. Although in view of the lower volume of accumulation this year's plan does not envisage any increase in deliveries of machinery and equipment for capital investment, such deliveries were up 5.2 percent. Deliveries for consumption in the production and operations were 1.2 percent higher than in the first five months of 1981.

In April unused resources in industrial production capacities made possible a relatively rapid growth of supplies of unfinished as well as finished products, however, this is proof that the structure of the line of goods fails to meet the needs of our economy. At the end of the first quarter research of supplies of the production with deliveries and subdeliveries and of its marketing for this year demonstrated at the same time--with regards to the problems of structure--that demands predominate in general over offers. Nevertheless, in certain branches the concluded agreements did not cover sales of their products. A conceptual solution of the contents of the production program and concurrently, a flexible and prompt reaction to the changing demand, mainly in foreign markets, must become a constant and fundamental factor in the management of organizations of production.

The relatively rapid growth of machine engineering production continued in May. As compared with the same period of 1981, the volume of heavy engineering production in the Federal Ministry of Metallurgy and Heavy Engineering was up 7.0 percent, in the Federal Ministry of General Engineering up 5.3 percent, and in the Federal Ministry of Electrotechnical Industry up 9.3 percent.

According to the objectives of the plan, the production of the wood-processing industry, which began to improve, increased by 6.5 percent. Nonetheless, as compared with the plan, it still owes our national economy a considerable volume of products. Light industry as a whole is one of the reliably operating sectors of our economy--in terms of the fulfillment of the volume of its production. In May its production was up 5.2 percent and from the beginning of the year up 2.5 percent. The demands of high standards and top quality, sophisticated processing of raw materials, innovation, fashion and a broad selection of products, however, remain below the standard of our tradition and potential.

The construction industry improved the fulfillment of its plan in May, however, more than seven tenths of construction enterprises failed to meet their plans for the volume of construction projects since the beginning of the year. Nevertheless, enterprises of the Ministry of Construction of the CSR, the Highway and Roadway contruction enterprises, and construction workers in the enterprises of the Federal Ministry of Metallurgy and Heavy Engineering fulfilled their economic plans for construction works in general. Gradual adaptation of our construction capacities to the needs of modernization and reconstruction of our economy, and efficiency of construction production are still of utmost importance.

In our agriculture the unusually dry weather in May affected the development of the crops. Preparations for the harvest and harvesting of all crops are of absolute necessity. In the five-month period the time-table for the procurement of slaughter animals has been met, while the plan for the procurement of milk and eggs has not been fulfilled. As compared with the first five months of 1981, the procurement of slaughter animals and poultry was down 44,000 tons, of milk down 44 million litres, and of eggs down 12 million eggs.

The results of the past months prove that we cannot be satisfied with the process of the development of efficiency. The successful fulfillment of quality indicators in financial management of our industry over the four-month period has been negated by the development in other centrally managed economic organizations. Thus far it cannot be said about any major organizations unit in our economy that the managing links in their operation are fully and efficiently exploiting their work forces, that the reward system fully reflects the performance of individuals and teams, that the operational costs and nonproductive work have been reduced as much as possible, and that the achievements of sciences and technology are being expeditiously introduced for practical application.

In foreign trade the declining trend in our trade with nonsocialist countries continued in May. Exports to those countries were down 11.5 percent and since the beginning of the year 1.8 percent, as compared with the same period of 1981, which is necessarily reflected also in the process of greater rationalization of imports and their decline by 21.7 percent over the five months. The decelerating effect on trade stems from the continuous fluctuations and crises in the economy of certain capitalist states as well as from their discriminatory policies aimed against the socialist countries. Our trade with the socialist countries developed basically in accordance with the planned objectives. Over the five-month period exports were up 11.9 percent and imports up 11.0 percent over the same period of 1981.

In our major commercial system retail turnover in current prices follows a gradual ascending trend. In May it was up 4.9 percent and thus, up 3.7 percent from the beginning of the year. In May it was affected primarily by higher purchases of clothing, footwear, household needs as well as by continuous higher retail sales of food products. After the adjustment of meat prices in late January the consumers became more interested in purchasing substitutes, particularly dairy products. The growth rate of the population's cash incomes continued to accelerate. Deposits by our population amounted to Kcs 172.2 billion at the end of May. Money supply was up Kcs 2.6 billion in one year at a total of Kcs 47.8 billion at the end of May.

Basic Indicators of National Economy's Development in May 1982
Increases Over Comparable 1981 Period (in percent)

| | May | January - May | State Plan[1] |
|---|---|---|---|
| Deliveries of the Centrally Administered Industries for | | | |
| --investments at wholesale prices | - | 5.2 | -5.4 |
| --domestic market | | | |
| at wholesale prices | - | 0.0 | -1.6 |
| at retail prices | - | -1.2 | 0.7 |
| --export to socialist countries | | | |
| at wholesale prices | - | 7.3 | -0.8 |
| at FOB prices | - | 9.6 | |
| --export to non-socialist countries | | | |
| at wholesale prices | - | 5.9 | 2.4 |
| at FOB prices | - | -1.9 | 3.4 |
| --other sales for industrial production and operations at wholesale prices | - | 1.2 | - |
| volume of production | 3.7 | 1.3 | 0.4 |
| average number of employees | 0.8 | 0.7 | 0.3[2] |
| labor productivity based on industrial production | 2.9 | 0.6 | 0.3[2] |
| Construction | | | |
| construction work performed with internal labor resources | -2.2 | -0.6 | -4.2 |
| average number of employees | -0.6 | -0.7 | -0.8 |
| labor productivity based on construction work | -1.6 | -5.3 | -3.5 |
| housing units delivered by contracting enterprises | 4.4 | 46.9 | 11.1 |
| Procurement of | | | |
| --slaughter animals | -5.4 | -5.8 | -9.5 |
| --milk | -3.5 | -2.2 | 0.2 |
| --eggs | -0.8 | -1.1 | -0.2 |
| Retail Turnover of the main trade systems | 4.9 | 3.7 | 4.2[3] |
| Foreign Trade[4] | | | |
| --export to socialist countries | 4.3 | 11.9 | 5.0 |
| --export to non-socialist countries | -11.5 | -1.8 | 7.5 |
| --import from social countries | -2.5 | 11.0 | 11.9 |
| --import from non-socialist countries | -16.4 | -21.7 | 4.2 |
| Personal Earnings[5] | 6.1 | 3.4 | 4.1[6] |
| of which: income from wages[5] | 5.9 | 2.4 | 3.2 |
| Actual cash expenditures | 3.8 | 2.7 | 4.3 |

FOOTNOTES:

1. Increases compared to actual 1981 results.
2. Increases compared to expected 1981 results.
3. All trade systems.
4. Data on actual results refer to actual transactions and the state plan (in contrast to overall actual results) does not include unplanned actions within the framework of cooperation, unplanned reexports trade, exchanges and conditional trade transactions, etc.
5. Including estimated interest on loans.
6. Data based on treasury plan of the SBCS (Czechoslovak State Bank).

9004
CSO: 2400/315

## ELECTRONIC INDUSTRY FIRST QUARTER 1982 RESULTS SUMMARIZED

Prague HOSPODARSKE NOVINY in Czech 11 Jun 82 p 2

[Article by Jindrich Masa, CPCZ Central Committee Functionary: "Electrotechnical Industry"]

[Text] The comprehensive conception of electrotechnical industry, approved by the government of the CSSR in 1980, demands this year again that dynamism be increased in all decisive indicators more than in branches of machine engineering. The focus is particularly on efficiency in the production and marketing.

The achievements in the first quarter of 1982 have shown that the positive development of 1981 continues. Nevertheless, enterprises and economic production units must step up their efforts in certain areas in order to fulfill the plan for the entire year.

During the first quarter the Federal Ministry of Electrotechnical Industry exceeded its planned tasks in the consumption of production (with the exception of deliveries for exports to the nonsocialist countries), however, its share in the fulfillment of its plan for the year was below a desirable level, except for the deliveries for our domestic market, which were up by Kcs 100 million in retail prices, with a very satisfactory share (28.1 percent). It is advantageous that all our VHJ [economic production units] contributed toward this achievement and thus, helped improve supplies of consumer goods for our domestic market.

This ministry exceeded exports to the socialist countries by Kcs 200 million in prices quoted as "all charges paid" and achieved a 23.5 percent share in the plan for the year. The fulfillment of that share was influenced mainly by the Heavy Current Electrical Works in Prague, Tesla-Consumer Electrical Engineering in Bratislava, and Tesla-ELTOS. Higher achievements were noted in exports to the USSR which were far more dynamic than in the same period of 1981 (116.7 percent). Planned deliveries were surpassed by Kcs 113 million in prices quoted as "all charges paid."

The ministry completely failed in the fulfillment of exports to the nonsocialist countries and a desirable turnover had not been achieved over the 1981 results. Planned tasks were fulfilled in prices quoted as "all charges paid" only at 93 percent for the quarter, and the share in the plan for the year amounted to no more than 12.4 percent. The low share was influenced mainly by the Automation and Computer Technology Works in Prague (8.2 percent), Tesla-Electronic Compon-

ents in Roznov (11.6 percent), Tesla-Investment Electronics in Prague (11.5 percent), Tesla-Measuring and Laboratory Equipment in Brno (13.4 percent) and Heavy Current Electrotechnical Works in Prague (14.8 percent). Only 2 VHJ, namely, Chirana in Stara Tura and Tesla-Electronic Appliances in Bratislava, achieved approximately 22 percent of the share of the plan for the year.

Deliveries for investments were up by Kcs 112 million (the share of the plan for the year was 24 percent). The objective is to reduce the deliveries for investments in favor of other sales. The VHJ Tesla-Electronic Components in Roznov was the only one to fail in the fulfillment of its planned tasks.

The production of goods was overfulfilled by Kcs 33 million and the share in the plan for the year amounted to 24.8 percent. The only one to fail to meet the plan was VHJ Tesla-Electronic Components in Roznov. VHJ Tesla-Investment Electronics in Prague reduced the share (21.8 percent) due to the distribution of deliveries according to the concluded agreements.

The decisive factor for the fulfillment of the tasks for 1982 is the fulfillment of indicators in the area of efficiency where good results have been achieved mainly by surpassing the planned volume of adjusted value added by Kcs 112 million and where the share in the plan for the year amounted to 24.8 percent. The achieved increase was equal to 108.2 percent as compared with 1981. The lowest partial fulfillment was reported in Tesla-Electronic Components in Roznov (23.3 percent), Tesla-Investment Electronics in Prague (23.5 percent) and High Current Electrotechnical Works in Prague (23.6 percent).

Planned profit-making was distinctly higher, namely, by Kcs 117 million, and the fulfillment of the share in the plan for the year was favorable (25.8 percent). At the same time, the costs, particularly of materials, were reduced, in which effort all VHJ of the ministry participated.

The development of supplies marked certain improvements over 1981 and the planned situation of overall and regulated supplies has been maintained. Nevertheless, the measures adopted last year must be implemented with the objective to maintain the situation of the first quarter. The Heavy Current Electrotechnical Works in Prague must meet the highest tasks.

The results achieved by the Ministry of Electrotechnical Industry in most indicators guarantee the fulfillment of the tasks over the entire 6-month period. However, certain VHJ must step up their efforts. In exports to the socialist countries this concerns primarily Tesla-Electronic Appliances in Bratislava, Tesla-ELTOS in Prague and Heavy Current Electrotechnical Works in Prague. In exports to nonsocialist countries Automation and Computer Technology Works in Prague, Tesla-Electronic Components in Roznov, Tesla-Investment Electronic in Prague, Heavy Current Electrotechnical Works in Prague, and Tesla-Measuring and Laboratory Equipment in Brno must fulfill 50 percent of their tasks for the year in the first 6 months. In terms of efficiency indicators, the dynamism in adjusted value added and profits must be maintained and the performance must be upgraded, particularly in the Heavy Current Electrotechnical Works.

The entire Ministry of Electrotechnical Industry must concentrate on the fulfillment of the plan and thus, further increase the share of electrical engineering industry in the entire industrial production, fulfill the deliveries for our domestic market and meet the required selection in production. An important task calls for continuous acceleration of innovations of products for consumer goods funds and for exports. Moreover, increased activity of the VHJ in exports to the nonsocialist states, with the cooperation of foreign trade enterprises, is a categorical requirement of our time.

For the fulfillment of their tasks in 1981 enterprises of the Ministry of Electrotechnical Industry were granted 3 Red Banners of the CSSR Governemnt and URO [Central Council of Trade Unions] and 5 Red Banners of the ministry and of the central committee of the Trade Union Associations of Workers in Metal Industry. Six other organizations received honorable mention of the CSSR government and of the URO. Their examples must be followed for further development of workers' initiative and socialist competition.

9004
CSO: 2400/307

## EXCESS INVENTORY BUILDUP IN ELECTRONIC INDUSTRY CRITICIZED

Prague HOSPODARSKE NOVINY in Czech 11 Jun 82 p 7

[Article by Eng Bohumir Dolak, High-Voltage Engineering Plants Concern, Prague: "Production Without Utility--Values Squandered in Unused Inventory"]

[Text] From the societal viewpoint, inventory represents values tied to the process of economic renewal. Meeting of planned quotas or accelerating turnover of inventories releases the tiedup resources for their ultimate utilization. Thus, it is only logical to assume that the planned state and the time needed for turnover of inventory in days are important indices in economic organizations and that the Set of Measures contains rules for attaining their desirable development. The author deals in this article with the causes of unsatisfactory development of inventories in the High-Voltage Engineering Plants Concern.

The nature of operations in the VHJ [economic production unit] High-Voltage Engineering Plants (ZSE) is primarily final assembly and work depends to a considerable degree on availability of a wide assortment of materials and components from many subcontractors, including foreign companies. Plant assembly projects depend moreover on schedules deadlines for delivery of technological systems and on timely completion of construction projects. This makes it obvious that there are many factors which affect the individual phases of the production process. Also, all deviations from the comprehensive plan adversely affect both economic indicators and inventories. The point is that the extent of these deviations in their totality exceeds the potential for keeping backup resources contained in the standard and, consequently, the planned state of inventory.

### Deliveries--Inaccuracies--Supplements

In spite of a number of measures, our concern does not manage to maintain the planned state of inventory and the terms for its turnover. Toward the end of 1981 inventory on hand in excess of the plan amounted to Kcs 342 million (excess by 6.45 percent) and its turnover time was longer by 7.3 days (i.e., 6.68 percent) than called for by the plan. Material constitutes 75 percent of this excess. Inventory accumulates mostly due to lack of rhythm in deliveries, production and invoicing.

Exceeding inventory levels is due to the most varied causes. For example, determination of the correct extent of production tasks is of decisive importance to procurement of materials and raw materials. At the same time, last year our tasks were projected so that in some sectors they exceeded our possibilities, in others our possibilities exceeded the interest of customers. This led to tense relations in deliveries of budgeted basic materials, sheet metals for dynamos, conductive nonferrous metals and insulation materials. Thus, it was not until 30 September 1981 that the ministry lowered for our concern the plan for production of goods by Kcs 0.5 billion, having previously reduced that of the Electroassembly Plants by Kcs 65 million. As materials had been procured for the original volume of production, it was impossible to cancel orders in the last quarter. Thus, part of the materials and raw materials remained in storage even though we actually did manage to postpone some deliveries.

Increases in inventory are also due to the fact that for several years now deliveries from our partners have not been continuous and in the required assortment. This involves primarily these VHJ: Tesla--Electronic Parts, Plants for Automation and Computer Technology, CKD Prague and others that supply us with components needed for production of switchboards. There was no improvement in supply and demand relations even in 1981, which is directly related to inventory management. This situation is also compounded by delayed deliveries from abroad, e.g., fectraloy for production in the Moravian Electrotechnical Plants in Postrelmov. As a result, last year the latter enterprise had a higher volume of unfinished production in progress, which tied up additional supplies and, in the end, it exceeded its planned inventory by Kcs 17 million.

Other significant factors adversely affecting inventory levels are inaccuracies in making projections, supplementary demands made by control organs, changes in priority deliveries, delayed supply of structural parts and installations which then electrotechnical personnel must make up for during plant assembly, etc. These irregularities to a considerable degree adversely affect not only ZSE in continuity of operations of assembly organizations, but also production plants. This interferes then with their operational plans, causes failure to utilize capacities and delays in consumption of materials.

Elimination of emergencies in installations of industrial organizations also has the same effects. Analogous negative effects on inventory are caused by extraordinary demands of our partners for shortening deadlines for delivery. Thus, e.g., elimination of emergencies by only four of our organizations, coupled with insertion of supplementary orders into their production plans caused in their case an increase in inventory by Kcs 52 million, lowering of profits by 17 million and adjusted value added by 15 million and necessitated additional expenditures amounting to Kcs 14 million. While this increase in inventory is temporary, part of it could not be put to use for the rest of last year.

Lead Time--Deadlines--Approaches

Certain factors affect inventory only temporarily, e.g., due to low demand, power cables were produced with a time lead--organizations worked on orders for future quarters and finished products remained temporarily in storage. However, this approach made it possible to utilize the capacities until production will

have become adjusted to the new situation on the market. While it is true that Kcs 73 million, the amount by which inventory level increased for that reason, is of no great consequence from the viewpoint of cable production, it is, nevertheless, one of the factors that caused exceeding the planned inventory level.

In assembly enterprises, due to chronic delays and lack of preparedness of investment projects for installation of electric assemblies, there is an understandable tendency to procure materials for a higher volume of operations than called for by the quota for the year. This is occasioned by the need to employ assemblers elsewhere when orders cannot be carried out according to work schedules because of shortages. This results in placing on a producer, particularly of control panels, demands that exceed the potential of his capacities.

A classical case of uncoordinated deliveries and unmet deadlines occurred in overhaul of conveyor-belt transport in the North Bohemian Lignite Basin. While the Electroassembly Plants Prague made sure that importation of special towing ropes and cables took place in the specified deadline, because of the investor there was a delay in start of assembly. There was a considerable shortfall in time and the products, imported for Kcs 58 million, are still lying in the assembly warehouse; their assembly will be delayed for approximately a year. While it involves inventory not subject to regulation, at any rate it translates into temporary wasting of resources. The list of the indicated examples is far from being exhaustive, but they are fundamental in their essence.

Returns--Profit--Assets

Some causes for inventory increases in excess of the plan can be eliminated by enterprises. However, in the complex economic renewal process it is impossible to clearly differentiate between subjective and objective causes of undesirable development. After the situation improved, on 26 March 1981 the management of our concern issued detailed guidelines for orienting the development of inventories toward meeting the provisions of the plan by the end of the year. Organizations chose different approaches to these guidelines. Initiative was shown in the approach of Electrotechnical Plants of Julius Fucik Brno, Moravian Electrotechnical Plants in Nachod and in Brno. The situation is just the opposite in the Bratislava Electrotechnical Plant.

The Set of Measures implies, on the one hand, direct, on the other hand, indirect rules for orienting the development of inventories. From among the indirect rules, the indicator of return on capital assets ratio appears primarily as not being overly effective in regards to inventory. The return on capital assets ratio is expressed in percentages from the fraction: profit from internal activity/total of average amounts of capital assets and investments + average levels of inventory. According to ministerial directives for computation of this indicator, increment in capital assets and investments is introduced into the fraction in its planned and not in its actual amount. Only profit and inventory are introduced in their actual amounts. As the denominator shows a manifold increase over the numerator, an identical result is obtained mathematically at a great increase in the denominator by merely a small increase in the numerator.

In our case, this is the specific situation: we exceeded inventory by Kcs 342 million, return on production assets ratio amounts to 11.41 percent. If we increase profit by 342:2.11.41:100, i.e., by Kcs 19.5 million, this excess then covers the inventory held in excess at the end of the year. To achieve the planned return on production assets ratio with simultaneously exceeding the planned level of inventory by Kcs 342 million, all that need be done is to increase profit by 1.2 percent of the annual plan.

Much more effective appears to be direct pressure on inventories by transfer of resources from the development fund into the revolving fund to cover inventories that are permanently in excess of the plan in keeping with Federal Ministry of Finance Decree No 164/1980 of the Codex regarding financing of working capital, Para 9. According to this rule, two of our enterprises will be afflicted for the year 1981 by a total amount of Kcs 27.7 million. However, should this actually materialize, it would mean a considerable loss for the concern, because that amount represents 41 percent of the planned generation for the development fund in the current year.

Interest--Credit--Relations

A bank influences inventory development (and other unmet indicators) by means of interest rates and interest penalties, one-quarter of which is generated from wages payable. These measures were already used in the past, but without much success. Our experience from last year confirms it once again. The point is that enterprises include expenses for higher interest rates and penalties into their plan for the current year on the basis of the preceding year. Thus, the measure becomes a sort of an automatic procedure and loses its punitive nature. It is envisioned that effectiveness of this procedure will improve in the course of the current year when interest rates will increase by as much as 2 percent according to the development of inventories in 1980 and 1981.

A measure that prevented banks from giving credit to enterprises for inventories proved more effective. This adversely affected the organizations' ability to pay. In our VHJ, insolvency in 1981 ranged about Kcs 0.5 billion monthly and its consequence--penalty for nonpayment--directly affected adjusted value added as a basis for computation of the usable amount of wages payable. Most effective among the measures for desirable development of inventories are those which directly affect the individual wage incentives of the personnel concerned.

It follows from the nature of these causes that it is possible, if not entirely, then at least partly, to prevent undesirable development of inventories by better management and by exerting systematic pressure on partner organizations. On the other hand, there are effects which are due to decisions of other organs or of the external system--shortcomings in planning, budgeting, discipline in supply-demand relations, etc.

Our concern can lower the level of inventories and accelerate their turnover if the enterprises will:

--adhere to the specified limits for procurement of materials and raw materials tied to the production plan;

--plan mutual deliveries between the concern's organizations, which account for approximately 30 percent of deliveries, on a monthly basis which would considerably accelerate turnover in inventories;

--follow in inventory management the provisions of the decree of the State Planning Commission and State Arbitration of CSSR No 49/1981 of the Codex, regarding management of unused inventories;

--require ordering organizations to cover additional expenses for ordered deliveries outside of schedules deadlines. This will create pressure on meeting of deadlines and bring order into production as well as inventories;

--determine the key types of supplies which, due to their volume, are of decisive importance, examine norms and standards and comply with their provisions;

--in all technical sectors, to include technical managers in the general management and in plants that control the development of inventories, use the indicator of inventory turnover or maintenance of planned levels as a decisive factor for granting premiums and annual bonuses;

--make wider use of computer technology.

However, to achieve this goal, the general management together with superior organs will have to solve the problems attendant to the plan early enough so that decisionmaking can take place before the latter part of the year; weigh and implement direct interventions in production during the course of the year also from the viewpoint of their economic consequences; assess adopted measures not only by how and to what extent they were implemented, but also by the achieved results.

Experience gathered and results obtained in development of inventories in VHJ ZSE point up persisting general shortcomings in the efforts and management of organizations, but also their specific causes in electrotechnical sectors. It will be up to all the participants to derive from all findings correct and effective measures with the objective of achieving a decisive turnover in this area.

8204
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## AGRICULTURAL PROGRESS VIEWED

Bratislava EKONOMIKA POLNOHOSPODARSTVA in Czech No 6 Jun 81 pp 244-246

[Article by Eng Vaclav Strasil, Office of the Presidium of the CSSR government: "Review of the Results of the Party's Agricultural Policy"]

[Text] One of the greatest and most significant achievements in the building of socialism in our country is without any doubt the actual eradication of the differences in the socioeconomic level of both national republics as well as between individual areas within the Czech and Slovak Socialist Republics. The extent of that achievement, the advantage of our socialist system, the principled program of the system, the principled policies of the CPCZ based on the unity of words and deeds as well as the inner strength and potential of our socialist state distinctly emerge when we compare the development of the agricultural production in the Czech lands and in Slovakia during the bourgeois republic with the results achieved under the CPCZ leadership in the liberated republic (Table 1).

Table 1. Index of the Development of Per Hectare Yields of Main Agricultural Crops

Tabulka 1

**Index vývoje hektarových výnosů hlavních zemědělských plodin**

| 1. Ukazatel | 1936/1920 | | 2. Ø let 1974—1978 / 3. Ø let 1934—1938 | |
|---|---|---|---|---|
| | CSR | SSR | CSR | SSR |
| 4. Pšenice | 152,4 | 125,5 | 200,0 | 293,9 |
| 5. Žito | 160,0 | 124,4 | 180,7 | 237,9 |
| 6. Ječmen | 154,0 | 114.0 | 187,6 | 262,1 |
| 7. Oves | 152,6 | 119,3 | — | — |
| 8. Brambory | 214,8 | 108,8 | 123,8 | 121,8 |
| 9. Cukrovka | 139,2 | 110,9 | 118,0 | 134,5 |

Key:

1. Indicator
2. Average for 1974-1978
3. Average for 1934-1938
4. Wheat
5. Rye
6. Barley
7. Oats
8. Potatoes
9. Sugar Beets

## Situation of Agriculture in the Bourgeois Republic

The era of the bourgeois republic was characterized in general by a distinctly slower rate of intensification of Slovakia's livestock production as compared with the Czech lands. This lag stemmed from a complex socio-economic situation in conjunction with opportunities for investing in the production. In view of the overall problems facing the farmers in marketing and sales of their products in the entire state, the free market encouraged very harsh exploitation of the economically depressed areas. Before the implementation of governmental interventions adjusting the trade with grain, flour, mill products and certain fodders in 1935 the differences in prices between Prague and Kosice amounted, for example in wheat, up to Kcs 30 per 100 kg.

The above-mentioned development substantially intensified the lag of Slovak agriculture behind the Czech lands. While for instance in wheat the difference in standard per hectare yields in 1920 amounted to 0.22 ton per hectare in Slovakia's disfavor, in 1936 it reached already 0.61 ton per hectare. The difference in another vital crop--barley--rose from 0.19 ton per hectare in 1920 to 0.72 ton per hectare in 1936. In potatoes the difference on 2.71 tons per hectare in Slovakia's favor in 1920 turned in 1936 to 4.85 tons per hectare in favor of the Czech lands. In sugar beets the difference in per hectare yields in 1920 was 1.85 ton per hectare in Slovakia's disfavor and in 1936 it amounted to 8.59 tons per hectare.

## Agricultural Development in the Post-War Period

A completely different development is typical for the entire period of the building of socialism. Uniform, firm prices, guaranteed marketing of products, uniform economic policies of our state recognizing the effects of differences in profits, the planned process of distribution of intensification funds and above all, the systematic concern of our party and state authorities about the comprehensive socio-economic development have eradicated the causes of the lag, which is also fully reflected in the results of production. The SSR is characterized by generally distinct, more dynamic growth of per hectare yields. Due to this development the proportions between the intensity of vegetable production expressed by per hectare yields in the CSR and the SSR changed fundamentally (Table 2).

Table 2. Per Hectare Yields of Main Crops ($t.ha^{-1}$)

Tabulka 2

**Hektarové výnosy hlavních plodin [$t.ha^{-1}$]**

| 1. Plodina | CSR | | | SSR | | |
|---|---|---|---|---|---|---|
| | 2. Ø let 1974-1978 | 1979 | 1980 | 3. Ø let 1974-1978 | 1979 | 1980 |
| 4. Obiloviny celkem | 3,60 | 3,43 | 3,92 | 4,05 | 3,58 | 4,28 |
| Pšenice 5. | 3.78 | 3,41 | 4,42 | 4,35 | 3,44 | 4,68 |
| Žito 6. | 3,09 | 3,03 | 3,26 | 2,95 | 2,70 | 3,08 |
| Ječmen 7. | 3.64 | 3,62 | 3.86 | 3.67 | 3,36 | 4,10 |
| Brambory 8. | 18,26 | 18,87 | 16,13 | 12,85 | 15,01 | 12,25 |
| Cukrovka 9. | 34,62 | 37,52 | 31,70 | 33,50 | 33,96 | 34,30 |

Key: [Table 2.]

1. Crop
2. Average for 1974-1978
3. Average for 1974-1978
4. Grain crops - total
5. Wheat
6. Rye
7. Barley
8. Potatoes
9. Sugar Beets

A review demonstrates that in a multiannual cross section substantially higher per hectare yields of grain crops have been achieved in the SSR in recent years. On the whole, the difference in the intensity of sugar beet production is insignificant and, in terms of more distinct fluctuations in the CSR, inconclusive. Only the difference in per hectare yields of potatoes increased to the detriment of the SSR.

Analogical trends in the development may also be observed in livestock production. The density of the livestock, which is the basic criterion of the intensity of livestock production, developed over the years in cross section of both national republics as in Table 3.

Table 3. Situation of Livestock (Horses, Horned Cattle, Cows per 100 Hectares of Agricultural Lands; Hogs, Poultry, Hens per 100 Hectares of Arable Lands)

Tabulka 3

**Stavy hospodářských zvířat** (koně, skot, krávy na 100 ha z. p., prasata, drůbež, slepice na 100 ha o. p.)

| 1 Ukazatel | 2 Rep. | 1920 | 1936 | 3 Index 36/20 | 1970 | 1975 | 1980 | 4 Index 80/36 |
|---|---|---|---|---|---|---|---|---|
| Koně 5 | 1 | 7,6 | 8,1 | 106,9 | 1,5 | 0,7 | 0,6 | 7,4 |
| | 2 | 6,1 | 9,4 | 154,1 | 2,5 | 1,3 | 0,9 | 9,6 |
| | 3 | —1,5 | +1,3 | | +1,0 | +0,6 | +0,3 | |
| Skot 6 | 1 | 59,7 | 66,1 | 110,7 | 67,0 | 73,0 | 79,0 | 119,5 |
| | 2 | 37,0 | 39,0 | 105,4 | 50,9 | 53,0 | 59,6 | 152,8 |
| | 3 | —22,7 | —27,1 | | —16,1 | —20,0 | —19,4 | |
| Z toho krávy 7 | 1 | 28,0 | 36,2 | 129,3 | 29,5 | 30,1 | 30,2 | 83,4 |
| | 2 | 16,8 | 19,4 | 115,5 | 22,1 | 22,8 | 23,3 | 120,1 |
| | 3 | —11,2 | —16,8 | | —7,4 | —7.3 | —6,9 | |
| Ovce 8 | 1 | 4,2 | 0,9 | 21,4 | 6,4 | 5,8 | 7,1 | 788,9 |
| | 2 | 22,3 | 16,0 | 71,7 | 26,7 | 21.6 | 23,4 | 146,2 |
| | 3 | +17,9 | +15,1 | | +20,3 | +15,8 | +16,3 | |
| Prasata 9 | 1 | 37,5 | 64,2 | 171,2 | 103,4 | 129.3 | 152,0 | 236,8 |
| | 2 | 30,3 | 39.5 | 130,4 | 125.4 | 151.6 | 179.4 | 454,2 |
| | 3 | —7,2 | —24,7 | | +22,0 | +22,3 | +27,4 | |
| Drůbež 10 | 1 | — | — | — | 785,5 | 800,6 | 1000,6 | |
| | 2 | — | — | — | 785,7 | 859,8 | 1037,9 | |
| | 3 | — | — | — | +0,2 | +59,2 | +37,2 | |
| Z toho slepice 11 | 1 | — | 373,6 | — | 471,7 | 420,2 | 454,8 | 121,9 |
| | 2 | — | 186,0 | — | 421,1 | 441,1 | 467.6 | 257,4 |
| | 3 | — | —187.0 | — | —50.6 | +20,9 | +12,8 | |

12 1 = ČSR; 2 = SSR; 3 = rozdíl (ČSR — SSR)

Key: [Table 3.]

1. Indicator
2. Republic
3. Index 36/20
4. Index 80/36
5. Horses
6. Horned Cattle
7. of which cows
8. Sheep
9. Hogs
10. Poultry
11. of which hens
12. 1 = CSR; 2 = SSR; 3 = difference (CSR - SSR)

With similar trends of development as in vegetable production (distinctly less dynamic development of the primary branches of the livestock production in Slovakia during the bourgeois republic and conversely, generally substantial acceleration of the rate of development of Slovakia after the war), the extent to which the structure and intensity of livestock production are balanced has been affected by the great differences in the original base and by specific conditions and traditions of production.

In the beginning of Czechoslovakia's statehood the intensity of production in vital branches of livestock production, such as horned cattle, hogs and hens, had been very low and that lag was further intensified by the bourgeois republic. The numbers of livestock per 100 hectares of land in 1936 amounted in cattle to 59 percent, cows 53.6 percent, hogs 61.5 percent and hens 49.9 percent of the level achieved in the Czech lands.

In the liberated republic social considerations as well as the interests of economical enterprise in the development of livestock production led to an extraordinarily rapid development of hog- and poultry-raising in Slovakia, i.e., of branches with rapid reproduction and with planned mass production technology based on grain and industrial fodders. The dynamism of the development in those branches not only considerably exceeded the growth rate in the CSR but moreover, placed the SSR ahead of the CSR also in the level of intensity of production in those branches. In 1980 the number of hogs per 100 hectares of arable lands was 18.3 percent, of poultry 3.7 percent and of hens 2.8 percent above that in the CSR.

In the SSR the density of horned cattle amounted to 75.4 percent of the CSR level and the difference in absolute values remains very fundamental without a tendency toward a balance. In cows the difference has been essentially reduced in comparison with 1936 and the density in the SSR reached 77.1 percent of the CSR level. However, this convergence is affected not only by the rate of intensification of the SSR production but also by the declining intensity of cow-raising in the post-war period in the CSR, particularly in the areas near its borders (the number of cows per 100 hectares of agricultural land in the CSR amounted in 1980 to only 83.4 percent of the 1936 level).

In the post-war development of the SSR the qualitative indicators of livestock production also followed a more progressive ascending trend. While in the CSR the pre-war level of milk production had not been achieved until 1966-1967, it reached its pre-war level in the SSR already in about 1960. The difference

of 425 litres in average milk production in Slovakia's disfavor was reduced in 1980 to 80.61 litres at a volume of 3,100 litres in the CSR and 3,020 litres in the SSR; with a volume of 2,511 litres in 1970 the SSR came slightly ahead of the CSR by about 35 litres.

Even in the past the differences in egg production between the CSR and the SSR had not been significant (in 1936 it was 106.6 eggs per hen in the Czech lands and 107.4 eggs per hen in Slovakia). Both republics more than doubled their pre-war production in 1980 (234 eggs in the CSR and 216 eggs in the SSR).

Growth of Agricultural Production in Both Republics

The comparisons in Table 4 summarize the past dynamism of agricultural production in individual republics, the situation of its financing and the process of convergence. While in the CSR the pre-war level of agricultural production had not been reached until the second half of the 1960's and in vegetable production not until the 1970's, the SSR reached its pre-war level already in late 1940's and in vegetable production in the 1950's.

The distinctly more accelerated growth rate in the SSR during the entire post-war development helped substantially in balancing the level of intensity of the agricultural production in both national republics. In comparison with the level achieved in 1936 in the Czech lands, Slovakia achieved 53.7 percent of the value of gross agricultural production per hectare of agricultural land. This ratio changed in 1980 to 84.8 percent, having previously reached the value of 83.7 percent in 1975. In view of the distinctly rising level of production during the period under observation, however, the difference in absolute values of gross agricultural production per hectare of agricultural lands remains considerable; from Kcs 3,928 in 1936 it dropped to Kcs 2,430 in 1980, although in previous years it had declined even further (it amounted to Kcs 1,885 in 1975).

Comparisons of the value of gross agricultural production per citizen demonstrate that the differences between both national republics are quite significant and that their level and progress are basically identical, with slight fluctuations in both directions in individual years.

Distortions stemming from a substantially lower share of arable lands in Slovakia (61.8 percent as compared with 75.3 percent in the CSR) as well as differences in the presentation of individual areas of production should be considered when assessing the absolute value of the level of agricultural production per hectare of agricultural lands.

By the same token, mutual comparisons of the developments in individual national republics indicate that in the process of balancing the level of intensity of production the growth rates are also converging and becoming more investment-intensive.

Despite some inaccuracies stemming from the high rate of random comparisons of results for individual years, the above-mentioned may be deduced in general from the fact that, with insignificant differences in the level of fertilizer consumption and investments, the differences between both national

republics in the rate of growth of vegetable production (which determines the proportional development of agricultural production) have been reduced from 17.4 points in favor of the SSR in the 1950's to 11.4 points in the 1960's and to 9.3 points in the 8 years of the 1970's. Comparisons of 1978 with 1975 reveal a higher dynamism in vegetable production in the CSR in the second half of the 1970's (5.1 in the above-mentioned period).

An analogical comparison of the growth rate of livestock production also demonstrates trends toward balancing the differences in the growth rate of both republics, namely from 43.5 points in the 1950's to 30.7 points in the 1960's and 26.9 points in the 1970's. Nevertheless, from the above-mentioned values it follows that this reduction proceeds considerably more slowly than in vegetable production. This means in essence that the discrepancy between the development in vegetable and livestock productions appears more glaring in the SSR than in the CSR, with negative consequences for the profitability of the vegetable production in favor of the share of fodders.

In its next issue our publication will present the conclusion of this article which will discuss current problems of our agriculture.

Table 4. Dynamism of the Growth of Agricultural Production

**Dynamika růstu zemědělské výroby** **Tabulka 4**

| 1 Ukazatel | | 1950 | 1975 | 1978 | 1936 | 1970 | 1960 |
|---|---|---|---|---|---|---|---|
| 2 Hrubá zemědělská produkce | ČSR | 100 | 81,8 | 88,8 | 107,8 | 121,5 | 133,6 |
| 3 (ceny r. 1967; 1936 = 100) | SSR | 100 | 101,0 | 135.8 | 171,3 | 197,1 | 212,7 |
| 4 v tom: rostlinná produkce | ČSR | 100 | 79,6 | 87,8 | 94,4 | 102,9 | 117,4 |
| živočišná produkce | SSR | 100 | 87,2 | 112,8 | 130,0 | 153,6 | 163,1 |
| | ČSR | 100 | 84,2 | 89,8 | 121,7 | 141,1 | 150,5 |
| | SSR | 100 | 122,4 | 171,5 | 234,1 | 264,8 | 289,8 |
| 5 Spotřeba průmyslových hnojiv na 1 ha z. p. [kg] | ČSR | — | 31,1 | 70,5 | 186.7 | 246,3 | |
| | SSR | — | 23,3 | 64,6 | 175,1 | 236,9 | 251,0 |
| 6 Provedené investice a dodávky na 1 ha z. p. [Kčs] | ČSR | — | 171 | 1318 | 1 333 | 2 183 | 2 211 |
| | SSR | — | 230 | 1181 | 1 089 | 2 132 | 2 461 |
| 7 Hrubá zemědělská produkce na 1 ha z. p. [Kčs] | ČSR | 8479 | 7399 | 8214 | 10 213 | 11 570 | 12 810 |
| | SSR | 4551 | 4492 | 6203 | 8 198 | 9 685 | 10 534 |
| 8 Hrubá zemědělská produkce na 1 obyvatele [Kčs] | ČSR | — | 3879 | 3880 | 4 650 | 5 109 | 5 516 |
| | SSR | — | 3667 | 4277 | 4 756 | 5 232 | 5 471 |

Key:

1. Indicator
2. Gross agricultural production
3. (1967 prices; 1936 = 100)
4. of which: vegetable production
   livestock production
5. Consumption of fertilizers per hectare of agricultural lands (kg)
6. Investments and deliveries made per hectare of agricultural lands (Kcs)
7. Gross agricultural production per hectare of agricultural lands (Kcs)
8. Gross agricultural production per citizen (Kcs)

9004
CSO: 2400/255

## GDR FOREIGN TRADE CHAMBER ACTIVITIES FOR 1980'S OUTLINED

East Berlin AW--DDR-AUSSENWIRTSCHAFT in German Vol 10 No 23, 2 Jun 82 p 5

['AW Economic Policy Information' report by Information and Public Relations Department, GDR Ministry for Foreign Trade: "Regular Membership Meeting in Leipzig: Varied Activities of GDR Chamber for Foreign Trade (KfA)"]

[Text] The GDR Chamber for Foreign Trade (KfA) is today--in its 30th year of existence--an organization for industry and foreign trade which has played an important role during the expansion and solidifcation of GDR foreign trade relations. At the present time it has 878 members; among them are 89 industrial combines, 721 industrial plants, 56 foreign trade enterprises and 12 businesses or institutions from the fields of transportation, banking and insuracne. They amount to approximately 95 percent of industrial production and represent almost 100 percent of GDR exports and imports.

Participants at the regular membership meeting of the GDR Foreign Trade Chamber, which took place on 4 May 1982 in Leipzig, confirmed unanimously that they want to satisfy the demands of the 1980's and solve the increasingly difficult tasks as effectively as possible.

In his speech to the membership meeting, Dr Eduard Schwierz, deputy minister for foreign trade, praised the accomplishments of the Chamber for Foreign Trade during the report period. He emphasized the fact that the econo-political measures which had been carried out in the GDR, placing state combines in the center of economic and foreign trade processes, are leading to new and greater tasks. An important aspect in the work of the Chamber for Foreign Trade is the advisory activity toward member enterprises. The extent of these activities is reflected, among other things, in approximately 7,500 separate conferences in the area of customs and incidental import duties or special seminars that were conducted in preparation for the 1982 spring fair in Leipzig; these seminars were conducted in eight GDR districts and more than 300 people from combines and enterprises participated.

In support of combines and foreign trade enterprises, publications were issued by the Chamber for Foreign Trade which proved to be practical and effective working tools.

The Chamber for Foreign Trade has accumulated many years of experience. It has at its disposal a great variety of contacts which are used in the process

furthering the development of exonomic and trade relations between the GDR and other countries.

The report of the Chamber for Foreign Trade presidium to the membership meeting, which was delivered by President Dr Otto Weitkus, demonstrated the variety of the chamber activities performed in past years.

A comprehensive way of transmitting special information about regions is the arrangement of regional meetings by the Chamber for Foreign Trade. Between 1978 and 1980, 50 meetings of this kind were conducted, and each one of them was attended by as many as 100 participants. During the discussion, for instance, Peter Rost, manager of the Agroconsult Dresden VEB, underlined the good experiences of his enterprise with regional meetings.

The current goal is to continue the qualification of regional meetings and make them the most crucial factor of the complex advisory activities. Long-term preparations and participation by experienced foreign cadres of the GDR as well as a more select circle of participants are to contribute to the attainment of the goal. The report indicated that the expansion and consolidation of GDR foreign trade relations has led to a steady increase in inquiries by combines.

Another crucial point in the Chamber for Foreign Trade profile is the promotion of trade. An analysis of the activities of past years led to the preparation of a basic outline for Chamber for Foreign Trade work methods which--according to Dr Weitkus--consist of using the work done by the chamber for member enterprises and cooperating with member enterprises. In recent months the work by the Chamber for Foreign Trade has already been strengthened in this direction.

"Technical Days of the GDR," which are conducted in foreign countries by the Chamber for Foreign Trade, contributed to the documentation of the capabilities of the GDR economy and selected combines and to familiarizing experts in foreign countries with current findings and applied results of technical research.

The fact that the Technical Days are gaining significance in the work of combines and that their continuation is therefore to be guaranteed on a higher level was expressed by the leaders of the discussion, among them Manfred Oemler, deputy manager of the Carl Zeiss Jena foreign trade enterprise. He discussed experiences that had been gathered to date and suggested concrete forms and methods for the preparation and implementation of Technical Days to turn these events into more and more effective measures for the purpose of promoting trade.

The Chamber for Foreign Trade strengthened the public relations work--according to Dr Weitkus' report--published 10 issues annually of the DDR WIRTSCHAFT_SDIENST for foreign countries and looked after 935 foreign journalists during the report period. Since 1982 the DDR WIRTSCHAFTSINFORMATIONEN have been published as monthly informational materials in five languages. In his contribution to the discussion, Klaus Uhlig, manager of the TAKRAF Heavy-Machine

Construction combine, confirmed the importance of public relations work for the combine, and in the process he underlined the appropriateness of projects in this area and particularly the usefulness of a central news and photographic service at the Chamber for Foreign Trade.

The statements contained in the presidium report concerning the work performed by the Chamber for Foreign Trade in the areas of consular legalization, certification and arbitration as well as other tasks in this area completed the picture of a successful work period.

By accepting the report, the membership meeting confirmed the work profile of the Chamber for Foreign Trade for the coming years. Among the results are the tasks and demands directed also at the highest leadership organ between the membership meetings, the presidium of the Chamber for Foreign Trade, for the support of the fulfillment of those tasks that are assigned to the member enterprises involved in export and import.

The close cooperation between the Chamber for Foreign Trade and the member enterprises is also apparent in the newly elected presidium of the Chamber for Foreign Trade. Among the members are well-known representatives of the economic life in the GDR, managers of combines and foreign trade enterprises as well as leading personalities in the fields of banking and transportation as well as other economic institutions.

In his final statement, Dr Otto Weitkus, reelected president of the Chamber for Foreign Trade, emphasized the following:

"In the name of all elected functionaries of the Chamber for Foreign Trade I am giving the assurance that we will meet the demands of the 1980's by performing the work that is necessary for the Chamber for Foreign Trade to make a concrete contribution to the support of combines and foreign trade enterprises in their effort to fulfill their foreign-trade tasks and thus strengthen the ties that bind the nations and consolidate international trade relations.

8991
CSO: 2300/331

FIRST HALF-YEAR ECONOMIC RESULTS VIEWED

Budapest PARTELET in Hungarian No 7, Jul 82 pp 3-7

[Article by Miklos Nemeth, chief of subsection of the Central Committee: "The First Half Year of the National Economy." Passages enclosed in slantlines printed in italics.]

[Text] The Central Committee--according to its established practice--in its last session overviewed the experiences to date in carrying out the 1982 National Economic Plan, and considered the remaining tasks for the year.

This balancing of the books and projections are given special importance by the fact that this year's plan has a significant role respective to the realization of the Sixth Five-Year Plan as a whole. Not only because in 1981 and in this past period of 1982 we had to accomplish the plan's main objectives and tasks while the external situation gradually worsened, and resulting in more difficult internal conditions, but also because the most suitable and effective methods of conforming to the changing world economic conditions--despite the undoubtedly existing successes--still need to be formulated, and strengthened in certain areas. Precisely for this reason, the experiences gained along the way can in many ways help to better understand the conditions and possibilities for adaptation and to formulate concepts of the future.

Nevertheless, there is also another reason for us responsibly considering the plan's fulfillment to date. It is well known that our present, medium-term plan differs in many ways from the previous ones. It could already be seen during its preparation, that during the 1980's our national economy will have to cope with tasks the likes of which it has never encountered. So, in selecting the goals and the means, it was also necessary to deviate in several respects from solutions of previous medium-term plans. The most essential: the plan provides for the execution primarily an economic policy guidance, and accordingly, it emphasizes the quality factors of progress, the improvement of effectiveness and profitability.

This is novel in that the medium-term plan is /more open and flexible/ than previous ones. This characteristic was manifest above all, that it could contain concrete decisions only for the first two years of the plan period. Moreover--at least in its main outlines--it formulated economic policy

adjustment for the event the economic progress or its conditions would shape contrary to the plan. For this reason, it is of great importance to /continually and realistically evaluate/ tendencies found in main areas of economic progress.

We hardly had a plan which either during, or at the conclusion of the annual or five-year cycle did not provide positive and negative lessons. This cannot be otherwise: even the most realistically considered plan has an even more realistic control; practical, everyday life which shapes and forms our intentions. So, when we compare our planned objectives to the facts, simultaneous light is shed on the connection between our economic policy and practice.

What have we set for ourselves this year? The main objectives agree with the aims set forth in the Sixth Five-Year Plan: improving the equilibrium of the national economy, preserving the present standard of living. In this sense, the objectives of the two plans are identical. However, there is substantial difference concerning the external and internal conditions that were considered earlier for the realization of these objectives.

The past year's economic processes and results created generally favorable conditions to realize the objectives of this year's national economic plan: the foreign trade balance last year developed close to the plan's requirements. The standard of living increased by a small degree, contrary to keeping level as planned.

In evaluating this year's economic results, aside from these favorable conditions, we must consider that international political and foreign economic conditions, which fundamentally influence our progress, worsened more than presumed in the plan:

1. In the capitalist countries the recession continues and is worse than was presumed--mainly metallurgical, light industrial and certain chemical products--therefore marketability potential for several of our export products is limited. It is worrysome also, that the price of large volume food-industry exports are decreasing.

2. The uncertainties of social commodity trade further increased, in case of a few products we can figure on less than agreed upon imports and not on a timely delivery.

In other words, the economic conditions are substantially more difficult now, and as a result, the demands are higher than planned.

Weighing all these, the experiences of last year indicate that in the economic processes coexist the favorable incidents, which are in tune with our current objectives, and also the unfavorable influences of fundamentally external limiting factors that are independent from us. Besides these, and could be said simultaneously, more and more perceptible are the few shortcomings of enterprise management, especially in the area of adaptability. Of course, the obtained results cannot be denied, but we must see this clearly also,

that while these are rather significant compared to yesterday, but not to the requirements of today.

The question can be risked: why is there from one side urging, stimulation for faster progress, and certain excuse making from the other. One reason could be guessed among others, that not everywhere was the standard adjusted to the demands. Still, it is worth mentioning, that despite the continually worsening conditions there are favorable results: the productivity increases are approaching the planned. On the whole supply of materials and energy has been continuous. The terms of agricultural production are adequate and the total supply of consumer goods is satisfactory, etc.

Therefore, we can rate the situation as basically good, but in several areas unfavorable symptoms appear repeatedly. What deserves special attention among these is that non-ruble accounting export this year so far have not reached the level of the same period last year; contrary to the planned reductions, enterprise investments are increasing, people's income and private retail trade are growing faster than planned. We could hardly hide it under a bushel basket, that these occurrences can be serious trouble spots with respect to our future progress.

Thus, how could the more important tendencies of the national economy for this year be summarized?

So far this year, industrial production has expanded close to the planned, and it continues to diversify.

In about one third of industry (in metallurgy, bauxite mining, canning and meat packing industries) production more or less decreased; in one fifth (for example, in machinery and furniture manufacturing, communication- and vacuum-technology, pharmaceutical, synthetic processing, as well as poultry and egg processing industry) it grew by more than 5 percent.

The direction of sales deviated unfavorably from the plan: domestic sales increased, non-ruble accounting export decreased. Although there are signs indicative of increasing exports (for example, iron-smelting, machine industry), but still the economic pressure stimulating hard currency non-ruble accounting export is not strong enough, the reorganization of productive structure is slow.

/The construction industry's performance/--as planned--fell behind last year's. Production of the large enterprises decreased more than the average; with few expections, they have difficulty following the change in demand. But it seems the smaller organizations adapt better to changes that occurred in the demand composition. Despite a several year decrease in production, the number of rejected contracts relative to last year--especially in the capital--increased.

What is the cause of this seemingly contradictory situation? We must consider that in the past years a substantial shift in the composition of construction requirements has taken place. The increase in the ratio of more labor intensive work has continued to increase which forces the construction

industry to change its pace. At the same time, state enterprises perform a decisive share of work with set ceiling prices, for example, targeted housing construction, where restructuring enterprise capacity is more difficult. In important areas of the state construction industry there is increasing lack of capacity; on occasions this can only be remedied by employing more expensive labor from abroad. All these hinder the timely fulfillment of basic construction tasks, and also cause territorial tensions.

/In agriculture/, the area sown to fall cereals is 74,000 hectares larger than planned. Total grain-crop planting area is shaping up as planned, the conditions of the crops are good. Fertilizer and pesiticide supplies--aside from smaller problems in selection--are adequate, but there is still a shortfall in the supply of spare parts for machinery. It is advantageous that the spring animal stocks are large and fodder needs are assured.

The volume of /foreign trade turnover has not reached/ last year, the terms of trade worsened somewhat more than planned.

Monies paid for /investments/ in the socialist sector are somewhat more than for the corresponding period last year. To date, less was paid out for state investments than was estimated for the year as a whole. Productive capability of major investments scheduled for completion in 1982 will presumably be ready, but their appropriate utilization in bauxite mining and in the aluminum industry--because of the unfavorable foreign market situation--does not appear probable, The targeted investment programs' financial performance--mainly because of the lag in central housing construction--at the beginning of the year was even much lower than usual. With other state investments--due to measures taken in previous years to limit start-ups--a concentration of monetary means and an increase in the level of preparation can be seen. Enterprise investment expenses, instead of the planned slowdown, were speeding up in the present period and increased by 8.5 percent. The declining trend since 1978 in the number of investments under way stopped in 1981, but because of last year's start-ups, the number of investments being carried out increased greatly.

The excess demand which had earlier characterized the national economic /manpower situation/ had further subsided. The numbers of employer- and employee-initiated terminations increased. However, regionally and trade-wise, both manpower shortage (like in Budapest in construction and in some light industrial sectors) and surplus (for example, in Szabolcs-Szatmar) existed.

The population's income from central sources is exceeding the scheduled pace for the whole year. Wage expenses are larger than planned. Average wages grew especially rapidly in industry and in the construction trades, which to a certain extent was caused by manpower decreases in these two sectors, but the wage fund paid out is exceeding the planned estimate. In agricultural cooperatives total wages and salaries increased vigorously as a result, first of all, of the dynamic expansion in supplementary activities. Social transfer payments grew faster than planned; because of this year's pension clauses, larger outlays can be expected for the whole year. Retail trade volume was larger than last year's and also larger than

planned. Retail price levels are 5.5-5.6 percent higher than last year, within this, about 3 percent is the effect of last year's central price provisions stretching into this year.

On the basis of summarizing attained results and trends in the more important areas of national economic development, it has been mentioned, that the trade balance of the national economy could become more disadvantageous than we expected. Because of this, and in the interest of preventing the utilization of excess domestic purchasing power, government authorities have taken measures to restrain domestic consumer purchasing power. These are aimed fundamentally at the simultaneous enforcement of two main requirements:

--influencing production to significantly improve the foreign trade balance;

--restraining the level of domestic consumption in tune with growth in national income, suitable to the requirements of equilibrium.

To protect our fundamental econo-political objectives, it is in our interest that on the basis of continuous evaluation of economic processes, external and internal conditions, we take those steps, in time as far as possible, which will prevent the development of unfavorable conditions, their possible amplification, and will moderate effects of worsening external conditions.

This is especially important, because the experiences of our economic practice a few years back warns us, that if foreign economic conditions change in a precisely not foreseeable manner and degree, then the management of the whole national economy must be helped to adapt resiliently to meet the demands resulting from changed conditions. We have learned also, that there are times when the state's intervention based on proprietary rights--and suitable for the directing regime--becomes unavoidable.

In the current situation it is our fundamental interest, that the Hungarian economy respond faster to world economic requirements. Therefore we must accept again this year the measures implemented en route, the modifications of the directives, despite their possible unfavorable effects.

The measures are multi-tiered, they effect taxation of profits, the formation of enterprise and cooperative funds; besides improving the trade balance situation, they help the economical energy usage, and the utilization of secondary raw materials. They keep the investment process within appropriate limits in a way that establishes possibilities for further development.

There is no doubt, changes in the directives render the enterprises' position more difficult, and the drawing off of surplus income checks to a certain degree the emergence of more diversified development.

But also it must be seen, that modification of singular elements of the directive system does not mean arbitrarily determined limits, but its purpose is that the interests of enterprises, cooperatives and individuals can be realized only by such performance, actions and conduct, which are in harmony

with the continually increasing requirements of the whole national economy, with the interest of society, and can promote further improvement of the economic equilibrium and the preservation of the standard of living. Only by this route can we assure uninterrupted economic development, and create the technical-economic base for our further development.

The mobilization for the solution of economic problems, the activity, the realistic evaluations of results, the realistic revealing of shortcomings, in other words, the open and honest exchange of ideas contributed considerably to the fact, that the country's population not only approves, but supports the efforts for better solution on the econo-political objectives. Indicative of this also, that the nation's domestic political situation--despite the worse than expected foreign and domestic situation--is ready for action, creation and is harmoniously balanced.

The priceless significance of all these is that one of the not to be belittled moving forces of both correct decisions and profitable work is the standpoint of the workers--or in an even broader sense--the population, and their attitude toward accomplishing the tasks.

9918
CSO: 2500/312

## ROLE OF BUSINESS ASSOCIATIONS IN ECONOMY DISCUSSED

Budapest FIGYELO in Hungarian 8 Jul 82 p 5

[Article by Ferenc Fabian: "Business Associations in Our System of Institutions"]

[Text] In some form or other, every business association has two principal functions: coordination, and entrepreneurship (for the primary purpose of coordination within an association is to promote the participants' entrepreneurship). We distinguish the basic types of the forms of association specifically on the basis of the relative weights of these two functions.

### Legislation Dates Back to 1875

At the time of the economic reform's introduction the most simple solution was to use the forms of association already available. In this way the enterprises were able to form civil-law partnerships that fall under the provisions of the Civil Code. This is a form of association that is not a legal entity and requires a pooling of assets. For joint enterprises, statutory regulation revived two institutions of bourgeois commercial law: the corporation, and the limited liability company. (Corporations fall under the Commercial Code, enacted in 1875.) As a new form of coordinating association that is not a legal entity, statutory regulation introduced the syndicate but failed to provide detailed substantive provisions for it.

The result of such hasty statutory regulation was that of the two principal functions intended for associations--i.e., coordination, and entrepreneurship--only joint entrepreneurship became possible. For most forms of association require a pooling of assets, and coordination asserts itself only through the pooling of assets. Admittedly, syndicates were created specifically for the purpose of coordination. But most syndicates were formed from the former trusts, and in their operations they preserved many characteristics of the trusts' activity. (In this respect the new syndicates received support from the ministries.) As a result, the syndicates are too weak to be trusts, and too strong to be associations.

Characteristic of the syndicates' uncertain status are the changes in the organizational structure of the coal industry. In 1968, the trust was converted into a syndicate, but soon thereafter the managing organ of the coal industry was again vested with the authority of a trust. As of 1981, the trust again ceased and its activity has been taken over by the Coordinating Center of the Coal Industry.

## Comprehensive Regulation in 1978

Since 1968 we have gone through several stages in the statutory regulation of associations. Our present association law consists of statutory provisions enacted in 1978 to regulate associations on several levels. Statutory regulation starts with the Civil Code that contains provisions regulating the civil-law aspects of associations. The second level of regulation is the law decree, which is already comprehensive regulation because it regulates also the financial, public-administration and labor questions of associations.

Thus its comprehensiveness can be cited as one of the merits of the new statutory regulation. Another important achievement of the new statutory regulation is that it abolished, after lengthy debate, the separate regulation of cooperative associations and has created a uniform body of association law that is applicable to all economic organs, i.e., to cooperatives as well as state enterprises. Thirdly, the new body of association law consistently distinguishes between coordinating associations and associations of an economic nature, within every form of association. It permits the forming of associations that are separate legal entities, as well as of ones that are not. For example, the business association, a form of association that is not a separate legal entity, can be established according to two basic schemes. On the one hand, as a traditional asset-pooling association whose participants agree to pursue a common economic objective, and to place at the association's disposal the assets necessary for this purpose. On the other hand, the participants can agree on forming a business association to promote their common economic interests, in which case the pooling of assets is not a requirement. (For example, a foreign-trade association or research and development association.)

Interesting forms of the coordinating business association that is not a separate legal entity are the megye and regional associations within the construction industry. The members of such associations are those (state, local-council or cooperative) organizations in the given megye or region whose principal activity is construction. The purpose of their cooperation is to manage construction capacity, to manage and supply materials, to manage, rent and repair machinery, and to manage and train manpower.

Among the forms of association that are separate legal entities, the association is basically a coordinating organization established to promote the participants' economic interests, and to coordinate their joint activity for that purpose. The association may have separate assets of its own, and the participants are liable as guarantors for its debts. Each participant has an equal vote. The association is not a profit-oriented form . Its revenues or losses reduce or increase the operating costs borne by the participants.

## Variations on a Theme

The activity in which associations specialize can be varied. For example, book publishers and printing plants have established an association for general coordination, while in the clothing industry the association performs quality-control tasks. (Besides the typical associations, on the basis of special legislation Hungary now has also so-called agroindustrial associations, as an experiment.)

The joint enterprise is a secondary enterprise formed specifically for business activity, and its assets are provided by the founding economic organs. The enterprise's

profits and losses are distributed among the founders commensurately with their shares, and they are liable as guarantors for the enterprise's debts. This liability is the feature that distinguishes the joint enterprise from the limited partnership, which also may essentially be regarded as a secondary enterprise. The partners of a limited partnership are liable for the partnership's debts only to the extent of their own investments. The differences in the construction of liability result in differences in the statutory regulation of the two forms' starting capital. While the starting capital of the joint enterprise must be sufficient to ensure a full year of undisturbed operation, the amount of the starting capital for a limited partnership is determined by the financial authorities on a case by case basis.

Most public-administration regulations concerning associations apply primarily to the forms of association that are separate legal entities. Because of their contractual nature, business associations are not subject to licensing procedures, and they do not require special state supervision. (Business work partnerships formed by individuals as associations are an exception. Associations as legal forms can thus serve as vehicles also for the small ventures and work partnerships of private individuals.)

Licensing procedures are the public-administration activity pertaining to associations. Two systems of licensing associations have evolved: the normative system, and the charter system. In the first case the administrative authority merely examines whether all the requirements prescribed by law have been met; in the second case it also examines, on a case by case basis, whether the association's activity is economically desirable. In principle Hungarian law has adopted the charter system, but approval of the contract can be denied only if it is against the law or violates the interests of the national economy. A contract is regarded as detrimental to the interests of the national economy if the activity stated in it is in conflict with the objectives of the national economic plan, if it restricts competition in a manner detrimental to the interests of others, or if the association's capital will foreseeably be insufficient to ensure the association's operation in accordance with its intended purpose.

Of basic importance in the financial regulation of associations is to determine what resources the economic organs are using for their participation in an association, and under what conditions. However, special financial regulations have not been necessary so far. The profit and loss of both the business association and association modify the participants' profit and loss, and the general financial regulations apply to the participants. The same provisions apply to the finances of the joint enterprise as to the finances of a state enterprise conducting the same activity.

Nearly four years have elapsed since the new statutory regulation of associations. From the accumulated experience it can be established that primarily the coordinating associations have spread, because they do not require a pooling of assets, and the developmental resources available to the economic organs are limited. In order to avoid administrative restrictions, moreover, founders prefer those versions of these forms of association that are not separate legal entities and hence are far more flexible. Lately the founding of coordinating business associations has been noticeable primarily in the construction industry.

A shortcoming of the present statutory regulation is that the detailed provisions for business associations essentially can be applied only to associations of the economic type, and--except for their definition--there is hardly anything applicable to coordinating associations. This explains the paucity of experience with the functioning of such associations.

CONSUMER WELFARE PROTECTION MEASURES DESCRIBED

Budapest FIGYELO in Hungarian No 28, 15 Jul 82 pp 1, 9

[Article by Dr Tamas Schagrin; "Consumer Protection"]

[Excerpt] Extent of the Superiority

Consumers need protection for their interest also in the socialist economy against the production and trade enterprises which have a superiority of strength.

Similarly to the other socialist countries, the protection of consumers in this country was for a long time considered to be basically the job of the authorities. Before the 1968 reform of economic management we tried to protect the consumers in Hungary primarily by rules and measures issued by the authorities. After the reform the area of regulations by the authorities decreased, and the legal elements of consumer protection built into the system of the merchandising relationships gained ground. But by itself even the proper legal regulation is insufficient. A basic requirement to protect the consumer interests is that the consumer be able to make his injured rights prevail inexpensively, quickly, and simply.

In Hungary the legal regulation of consumer protection has high standards. The regulations dealing with it try to prevent with several measures that any products endangering consumer safety be placed on the market. Thus, many products may be sold only if the quality control institution--the KERMI [Quality Control Institute of Trade]--designated for this job, has examined it and found that its sale will not endanger the life and health of the buyers. The KERMI as well as the trade control organs are also regularly examine the quality of the products being sold.

The magazine NAGYITO [Magnifying Glass] has done and can do much in the interest of the consumers by testing certain products on the market. Many buyers are probably making their decisions on the basis of this. And we may also assume that comparisons made within the same merchandise group are also not without effect on the domestic manufacturers and on the foreign trade.

The buyer without adequate knowledge, primarily without technical information, can choose among the products offered on the market only if he can receive adequate information acbut the product's origin, technical characteristics, and

the method of its use and operation. Knowing the price of the merchandise or service offered is also important to making the buyer's or consumer's decision.

To Buy Or To Sue?

Informing the consumer begins with the advertising of the product or service. Misleading the consumer with promotion or advertising is prohibited. Also, a product or service of which there is no sufficient quantity or capacity must not be advertised.

An important regulation is that products not furnished with adequate information must not be released for sale. The release for sale may also be prohibited by the KERMI or by other trade authorities.

In connection with the prices, the information is not the only basic consumer requirement. The way the prices are determined is also not immaterial from the consumer's viewpoint. In the area of controlled prices this is the task of the governmental organs. However, we must take notice of the fact that the so-called open price means in practice that the economic operating organ has the authority to determine it. Organized social control may also be significant in this area.

Important regulations protect the buyer when the merchandise is purchased. The domestic trade law states that merchandise in the store on the sales floor, in the display window, or even in the warehouse must be sold upon the buyer's demand. Thus, with respect to existing merchandise, the seller has a contract making obligation to the buyer. The buyer also decides the weight or size of the merchandise he wishes to purchase. Sale of the merchandise cannot be made dependent on the purchase of other merchandise (sale tie-in).

When making purchases--let's call this the contract--, the buyer's interest may be endangered primarily if the contract's freedom makes it possible for the stores, repair or service organizations, or enterpirses, to implement their interests not authorized by the legal regulations, with dictated contract conditions against the buyer.

For example, in the past we saw specifications aimed at limiting or excluding the responsibility for quality. This is the very reason why the regulation in the domestic trade laws was significant, according to which the economic operating organization is not permitted to deviate from the rights belonging to the buyer, either unilaterally or by contract, that would disadvantage the buyer.

Thus the rights afforded by statute to the buyer represent the minimum of the consumer's rights. However, the possibility exists for the enterprises to provide the consumers with more favorable conditions than specified in the statute.

The statute makes it possible to attack in court the conditions of a contract that validates unjustifiably unilateral advantages not only by the damaged party but also by governmental and social organs designated for this purpose. However, until now, because there has been no social organization professionally handling the protection of consumers, it is no wonder that there are very few suits before the courts filed seeking to change contractual conditions that disadvantageously affect the consumer.

Consumers Council

From the viewpoint of the consumer or purchaser the rules of responsibility for the quality of goods and services are of basic significance. However, the consumers of services are often hindered in the implementation of their rights when the enterprise providing the service rejects the complaint. In such cases they only have the courts to turn to. But the court procedure is complicated, lengthy, and also quite costly in comparison with the claims of only a few hundred forints in some cases. Therefore the consumer in many cases abandons the implementation of his rightful claim. The situation is better in commerce because in professional questions related to quality the KERMI renders a professional opinion in a few days and it is binding on the commercial entities, and if the enterprise does not handle the buyer's complaint in accordance with the rules, the commerce control authority may also levy a fine against it for rule violation.

Legal regulation and the organizational system of consumer protection has developed best in the area of commerce. The situation is less satisfactory in the area of noncommercial services. The legal positions of the person ordering them are not organized to the extent as those of the purchaser's are.

The KERMI or the organ exercising the sphere of authority of supervising commerce is missing from the area of services, and these organizations have no authority at all to control services which are so important from the viewpoint of protecting the consumer's interests.

International experience also shows that an appropriate social organization for protecting the interest of consumers is now an indispensible requirement. Therefore, based on the analysis of the domestic situation and on evaluating the international experience, the decision of the Presidium of the Patriotic People's Front about creating the National Council of Consumers is to be applauded.

Creating the council does not increase the number of the state's supervisory organs, but rather, an organization was formed which during the course of creating laws that affect the consumers can be a partner to the state's organs, or to the economic operating organizations which are in monopolistic situations or have significantly excessive economic power in developing the conditions of contracts. Following the council's creation, consumer information will presumably improve. Increased attention will be paid to services which represent a significant percentage in consumption. The council will keep an eye on, and evaluate how well the rights of consumers prevail, and will render its opinion about the statutes affecting the broad spectrum of consumption. It will also aid and influence the activities of the governmental organs and of the economic operating organizations affecting the consumers, with its recommendations, initiatives, and observations.

Finally there will be a social organ that can take the initiative for investigation, measures to be taken, and parties to be held responsible when the rights of consumers are violated. The Council of Ministers has also authorized the council to attack the contractual conditions that harm consumers before the courts, or to propose that economic fines be levied in cases of indecent business behavior against the consumers. In the case of a complaint in the public

interest, it may also handle the consumer's representation before the economic operating organizations, the governmental organs, or even the courts.

Thus, what has been created is not merely a new organization but a new type of organization. Its creation signals recognition of the citizen's consumer interests and the protection of his consumer's rights. That is, the development of legal control and an institutional system appropriate to the level of our economic development is also an important requirement of our continued economic growth.

8584
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## HUNGARY'S INVESTMENT SYSTEM NOT WHAT REFORM ENVISAGED

Budapest FIGYELO in Hungarian 1 Jul 82 p 7

[Article by Gabor Halmai: "Investment Mechanism: How To Proceed?"]

[Text] Many regard investments as the "veterinarian's horse," upon which one can study the deficiencies of economic guidance. Not only those which derive from the investment system but also those which appear in the course of making developmental decisions, financing or realization. One debated question of the analyses is the extent to which the functioning of the investment mechanism can be regarded as a realization of economic guidance reform thinking. There are those who feel that the concrete functioning of the investment decision system has left the path of the reform. According to others it never even got on that path but remained fundamentally in the framework of direct guidance.

The hardly debatable common core of the two positions is that in many respects our present investment system is similar to that prior to 1968.

In reality there were real changes in the investment system in three respects with the introduction of the reform: There was a significant increase in the independence of the enterprises, primarily in the realization of smaller investments; by abolishing the investment allocation figures there was an increase in the role of money in allocation; and a limited investment market did develop to a certain extent.

At the same time, it must be noted that development was influenced not only by adjustments made in the meantime but also by the conceptual uncertainties of the reform itself.

The system of economic guidance after 1968 did not make a consistent separation between national economic and enterprise decisions. The goal pertaining to this separation--which figured among the basic principles--could not be perfectly realized because the institutional system of the economy remained essentially unchanged in regard to both enterprises and the organizational structure of economic guidance. The fact that the institutional structure remained unchanged made possible the restoration of interest relationships characteristic of the earlier guidance system. The branch guidance organs and the enterprises continued to exert pressure on the central functional organs

to win investments (state investments, investment supports and investment credits). If we add to all this that even in the new mechanism the need for economicalness did not essentially limit the desire for investments then we have before us the chief causes for the survival of the earlier mechanism after 1968.

In essence the decisions pertaining to an expansion of fixed assets remained in the central sphere, and in practice this meant that even the so-called maintenance of level required outside money.

Decentralizing the Decisions

The chief characteristic of the decision-making system is that the great majority of investments involve "mixed decisions"--disregarding a narrow upper band of developments belonging exclusively to the central decision-making sphere and an equally narrow lower band belonging exclusively in the enterprise sphere.

In addition to the legally regulated decentralization of decision-making spheres there remained a centralization which gradually shared in the legal regulation also. The influence of central economic guidance increased even formally in this mixed system (even in the period after 1976-1977) and this process was only strengthened by the exercise of influence by informal means. As a consequence of the mixed decision-making system the investment categories used in the regulations do not, in general, have any real economic content. With slight exaggeration we can say that it is quite fortuitous into which category a development goes and, as a consequence of this, according to which rules it is prepared and carried out. Since the content of the categories is not clear the intervention of the economic guidance organs and the tools of influence are contingent also. All this created the possibility of frequent deviation from the general rules and, in general, a relaxation of the requirements attaching to investment and of responsibility for the decisions.

Thus, in making investment decisions and winning resources, the most important selecting factor is not economicalness but rather the "promise" pertaining to the profitability of the planned goal. This even led to the theory that the investment system cannot even be regarded as an organic part of the mechanism.

What are the alternative solutions for a transformation of the present decision-making system?

Decentralization is a condition for improving the investment decision-making system and for an unambiguous determination of spheres of authority therein. The great majority of the investments of the competitive producing sphere might belong exclusively to the enterprise decision-making sphere. The assets of the enterprises themselves might constitute the source for these developments, assents which could be supplemented by credit offered primarily by the banks--on the basis of business considerations.

The independence of the enterprises in developmental decisions is also an indispensable condition for the unfolding of enterprising spirit, now mentioned

so frequently, and for responsible management. Naturally, the decentralization of investment decisions presumes, on the one hand, the ability of the enterprises to finance themselves and, on the other hand, an end to bureaucratic state administrative control. In any case, the latter would be a palliative within present frameworks also (for example, by putting an end to having the supervisory organ give an opinion on enterprise investment documentation considered to be significant).

All this, however, cannot mean the complete withdrawal of the state from the area of developments.

A number of solutions can be imagined for establishing the sphere of investments outside the enterprise decision sphere also. I believe that state decisions should be concentrated on non-producing infrastructural investments significant to the national economy. The state and the enterprise might decide jointly concerning productive infrastructural developments requiring significant investment which pay off slowly and thus exceed the burden-bearing ability or interest of the enterprises, and financing might be joint also. The granting of credit would be the tool for realizing state influence; the state preference would be expressed in interest and pay-off time concessions. Naturally, this mixed system, which could be regarded as a compromise, would extend to only a small proportion of the developments.

Referring to the state decision sphere those non-productive investments of smaller volume, of a health, educational, cultural or environmental character directly interdependent with the living conditions of the populace, is not so simple. One alternative would be realization of developments guided by the councils with state decisions from centralized resources. At the same time, it was observed in the course of a study of property forms that the financial and decision-making independence of the councils, which has been stressed since the 1971 council's law but which has hardly been realized thus far, might be extended by virtue of a sort of self-government (town, city, etc.) property. Thus these developments might be removed from the state decision-making sphere; that is, a new category of investments should be developed.

We might limit the sphere of mixed decisions, determining the present investment system, if we moderated the participation of central economic guidance in developments which are not basic to the national economy. The management organs themselves would decide about investments, or the majority of them, and not the state administrative organs primarily on the basis of quantitative interests. If we count on an increase of competitive areas in production then, in the longer run, this will not tolerate the weighing of developmental goals on quantitative bases.

Changes in Financing

The decision-making and the financing systems cannot be separated from one another clearly. Because of the relatively large degree of income centralization and the withdrawal of amortization the level of decentralized developmental monies is not sufficient for the complete financing of any

considerable investment. Sometimes central resources are needed even simply to maintain the level, and developments involve a longer term commitment from the enterprises. The uncertainty of enterprise sources has created a mixed financing mechanism, in addition to a mixed decision-making system.

The problems of the financing system are closely interdependent with the functional difficulties of the capital allocation mechanism of the national economy also.

The system of central awards and withdrawals still determines in a fundamental way the developmental activity of the management organizations. Experience shows that the budget is not capable of realizing a profitability-centered flow of assets.

The budget sources are considered soft, partly as a result of the price system and partly as a result of the supports system. Two basic types of supports are used: those offered automatically in the event of conditions in the regulations, called normative, and those of a non-normative character, which can be given on the basis of deliberation. It is primarily the latter which cause the softness of the resources. In this case, in general, the weak are supported to the detriment of the goal of economicalness, which is to say there is capital movement in the opposite direction of the desired regrouping of assets.

By using a capital withdrawal mechanism fitting into the entire system, instead of ad hoc decisions, one might reduce uneconomical production. The basic principle of this mechanism would be that the generation of resources--including the resources needed to replace fixed assets--would depend on profitability. To do this would require a change in the present system of generating developmental funds, primarily the amortization system, so that the burdens and sources of assets supplementation and expansion were uniform. (See FIGYELO, No 22, 1982, "Profitability and Development.")

In addition to the necessary hardening of resources another important requirement for improving the financing system (and this is closely interdependent with the direction in which the decision-making system is transformed) is to further reduce the ratio of budgetary awards--at least outside the sphere of the state infrastructure. In its place it would be useful to increase the role of the enterprises's own resources and of bank credit, the ability of the enterprises to finance themselves. I am not thinking of total enterprise self-financing, this is not realized in any investment system. But a significant increase in the self-financing ability is a financial condition for the enterprises to be more independent in developmental decisions, and thus for the unfolding of the entrepreneurial spirit.

In addition to self-financing, the credit offered via the banks should be made a chief form of capital flow. And it is a condition for this that credit should function not as a direct tool for carrying out the quantitative plans but rather as a real element of the indirect, financial sphere.

A well functioning bank credit system supplemented by the introduction of certain forms of a securities market (stocks and bonds) and extending the ways in which developmental funds can be transferred between enterprises would make possible, to a more significant degree than at present, the realization of capital regrouping within the enterprise-market frameworks. The forms of state capital award could supplement--in a narrow sphere--these forms, when the state awards capital, in return for a dividend, for developments by dynamically developing management organizations conducting profitable activity.

More Effective Implementation

The survival of the pre-1968 investment realization system remained characteristic of the system for implementing investments. Despite the moderation in investment purchasing power which took place in the past 3 years and despite the efforts made to create new forms of undertakings the investors, those having construction done, are still not in a favorable position.

An implementation system operating on an entrepreneurial foundation requires putting an end to the assignment system, putting an end to the contract signing obligation burdening the assigned contractors. Assignment might be replaced by a legally regulated competition system.

In connection with investments recommended for referral to an exclusive state decision sphere--a small number of investments--it might be possible to have implementation carried out by state means. In order to have the price of creating the installation develop in accordance with the market one would need certain legal limitations, an expansion of planning and contracting authority and an end to price control costs.

8984
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TENDENCIES IN RETAIL TRADE NETWORK DESCRIBED

Budapest FIGYELO in Hungarian No 28, 15 Jul 82 p 2

[Article by Tibor Pinter: "Old and New Tendencies"]

[Text] The retail network plays an important role among the factors that influence the population's living conditions. On 31 December 1981, socialist retail trade had 54,860 retail outlets (36,356 stores and 18,504 catering outlets). In addition, 13,400 private merchants ensured the population's supply.

The trend noticeable for more than 10 years is that there is hardly any increase in the number of socialist retail outlets, but the floor space per outlet is increasing rapidly. During the past decade, the trade enterprises and cooperatives have been striving to open mostly stores of large floor space that offer a wide assortment of merchandise. As a result, the number of ABC supermarkets has more than trebled, the number of department stores has nearly doubled, and the number of restaurants and cafeterias is 70 percent higher than in 1970. Department stores and ABC supermarkets account for more than 50 percent of the increase in the retail network's total floor space.

With reference to the interests of foreign tourism, often unjustifiably, also in public catering the objective was to establish outlets of large floor space. The increase in the floor space of restaurants and cafeterias was greater than the increase in public catering as a whole, because a significant proportion of the pubs have been closed.

Despite all this, the structure of the retail network has not changed significantly. Most retail outlets are small, with few workers, and this continues to be characteristic of socialist trade.

The justification of small retail outlets has been debated for years. Many small retail outlets were able to operate only at a loss, especially in Budapest, and the smooth operation of such outlets was hampered also by manpower problems. The opening of large outlets tied down a large share of the enterprises' development funds, and not enough resources were available for renovation and regular maintenance of the small outlets. As a result, the state of the small retail outlets has deteriorated considerably. The enterprises closed more and more retail outlets that were uneconomic to operate, regardless of how this affected the population's supply.

Especially the number of food stores that supply the population's daily necessities declined. In 1980, for example, the number of such stores was lower by 1,100 than

five years earlier. The closures affected mostly the stores selling vegetables, fruit, meat, dairy products, bread and rolls. But it became increasingly evident that closures, for reasons other than demolition of buildings, had to be stopped. This is one of the reasons why the system of operating stores through leasing or under contract was introduced in 1981.

At the end of 1981, 2054 retail outlets were operating under contract, and 133 outlets were leased to private merchants during the year. The system of operation under contract spread particularly in the catering industry, and 79 percent of the retail outlets operating in this manner are restaurants and cafeterias. This system spread very slowly within the network of retail stores, and on 31 December 1981 there were only 432 stores operating under contract, most of them food stores. Among the stores selling industrial consumer goods, introduction of the new system is still at its very beginning. In the first quarter of 1982, the number of businesses operating under contract again increased, and 323 stores and 534 restaurants and cafeterias changed over to the new system.

The spreading of the system of operation under contract is characteristic primarily of the retail outlets managed by local councils; the consumer cooperatives, with their much larger network, have only taken initial steps in this direction. At the end of 1981, four megyes--Bekes, Nograd, Tolna and Vas--did not have a single retail outlet operating under the contracting system, and four other megyes had only one outlet each operating in this manner.

It is noteworthy that the introduction of new modes of operation has not reduced the number of closures. In 1981, disregarding the demolitions to make way for new construction, essentially the same number of retail outlets were closed as the preceding year; in other words, 1109 stores and 631 restaurants and cafeterias, or a total of 1740 retail outlets. Thus the number of newly opened establishments did not represent any net gain in comparison with the number of outlets the state enterprises and the cooperatives had the preceding year. At the same time, the number of private merchants more than doubled (but only 133 of them are selling in outlets leased from socialist enterprises). In one year, then, the number of retail outlets serving the population increased by 2165.

The network of department stores and supermarkets, each with a large floor space and offering a wide assortment of merchandise, developed more slowly in comparison with the previous year, due to the limited investment possibilities. Another new phenomenon is that the establishment has begun of a network of discount stores that operate permanently or temporarily, mostly by utilizing existing buildings.

The retail network's business hours have changed as a result of the introduction of the five-day workweek effective 1 January 1982. While the "shopping Thursdays" introduced earlier have been retained, store hours on Fridays have been increased slightly, but store hours on Saturdays have been shortened considerably. Stores selling industrial consumer goods close at 1 pm [on Saturadys], and most food stores close at 2 pm. (Designated ABC supermarkets close at 4 or 5 pm, and a few open at 8 am.) A proportion of the stores that sell industrial consumer goods and have a staff of one to three persons are not open on Satudays, and many are closed on Mondays. The five-day workweek has raised numerous problems regarding store hours, and the resolution of these problems is a task for the immediate future.

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## BRIEFS

RABA, PRODUCTION SYSTEMS CONTRACT--The contract recently signed between the Raba Railroad Car and Machine Factory of Gyor and the four largest agricultural production systems: IKR of Babolna, KITE of Nadudvar, BKR of Baja, and KSZE of Szekszard is intended to improve machine sales and repairs. Under its terms, direct relations will be established between the factory and the systems in regard to machine sales and supply of parts. Raba will set up outlets at the systems and market its machinery and components through them. Parts and components of imported machinery will also be marketed through said outlets, and sales will not be restricted to members of the agricultural production systems. Participants in the cooperation expect this simplification of dealings to result in m re rapid, precise and professionally acceptable supplies and service. The contracts will become effective on the first of January 1983. [Text] [Budapest MAGYAR MEZOGAZDASAG in Hungarian 7 Jul 82 p 3]

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REPORT BY ECONOMIC CONSULTATIVE COUNCIL PUBLISHED

Warsaw ZYCIE GOSPODARCZE in Polish No 25, 11 Jul 82 pp 1, 4

[Editorial version of Economic Consultative Council [KRG] report: "Warning Forecast"]

[Text] The Economic Consultative Council prepared a report entitled "Warning Forecast on Important Elements of the Economic Situation in 1982 Together With Proposals for the Most Urgent Activities". It is a supplementation and expansion of the preliminary report pertaining to the economy and economic policy during the past 18 months, constituting a starting point for mapping out the Council's work. The following is a slightly abbreviated and editorially supplemented version of the warning forecast. The Council prepared five extensive annexes to this forecast. Three of them pertain to matters relating to external and internal imbalance, but go far beyond the subject. The remaining two, after abbreviation, are included in the published text. Changes have also been made in the part pertaining to the inflationary curve, replacing it with text based on more current data.

Despite the reformatory and stabilization measures that have been taken and the results which they bring in reconstructing the systems-type bases for the functioning of the economy and in real improvement of the situation in some spheres, a very serious threat that the economic situation will deteriorate in its two extremely important elements continues to exist. These elements are:

--the payments situation and import potentialities,

--imbalance on the domestic market, including commodities-monetary ties between the city and the countryside.

The purpose of this document is to point out these threats, show their nature (sources, scale, probable consequences) and also to formulate the immediate conclusions that ensue from them.

I. Foreign Trade and Balance of Payments

1. After many years of weakness in export to capitalist countries, the main factors now determining how long the economic crisis will last are the difficulties in obtaining raw materials, materials for production, and co-production elements imported from

these countries. These difficulties are closely related to the very large burden of servicing the debt in the capitalist countries. In limiting the production potential, this has a negative effect on employment efficiency, degree of utilization of production capacity, and internal balance. In reducing the potentiality of the growth of export production, it has a negative effect--on the feedback principle--also on external balance. Under these circumstances, the matter of reducing the burden of debt-servicing in the capitalist countries is one of the main uncertainties in the program for overcoming the crisis, and the clarification of this matter is of utmost importance in solving other crucial economic problems. The Planning Commission has prepared a report on the matter of solving the problem of our indebtedness in the capitalist countries. The basic conclusions contained in this report were analyzed in the KRG Foreign Trade and Balance of Payments Team.

2. An analysis of different variants for reducing debt-servicing in the capitalist countries contained in the above-mentioned report leads to the conclusion that none of them ensures the possibility of maintaining imports from these countries at the level now considered to be minimal. It is estimated that this year imports from capitalist countries will amount of 2.5 billion dollars at the most. The possibility of a significant increase in the next two years is not foreseen. This places two matters on the agenda: minimization of losses resulting from reduction of imports from capitalist countries, and acceleration of growth of exports in order to increase the size of imports.

3. Minimization of losses resulting from reduction of imports from capitalist countries is possible primarily through actions aimed at replacing these imports with domestic production, imports from socialist countries and from Third World countries. The potentials of this substitution have not been fully utilized. It must be stated clearly, however, that this would only partially amortize the losses resulting from the decline in imports from capitalist countries. The substitution, therefore, would not eliminate the necessity of making a very difficult choice, that of redistributing lesser means for imports from capitalist countries.

The main elements of the structure of imports from capitalist countries, calculated in current prices, were as follows in 1981: capital-goods imports, 9.8 percent; supply imports (not including grain and fodder), 47.7 percent; grain and fodder imports, 28.1 percent; market imports, 12.8 percent.

It appears from this structure that the above-mentioned choice--in view of the already made further reduction in imports of capital goods--comes down to the question: Should the reduction in imports apply mainly to grain and fodder and market imports, or also to supply imports.

But this question, to a large degree, is rhetorical. With the large reduction in imports from capitalist countries, they cannot continue to fulfill the role of the factor that supports consumption, as was the case in 1980 and 1981. This is evident also by the fact that the credit restrictions introduced this year by most of the economically developed capitalist countries principally pertain to the ability to purchase grain and fodder. Reduction of these imports will make it necessary: to ensure that supplies of bread and grain products are available principally through deliveries from domestic procurement, to reconcile ourselves to the decline in animal husbandry and meat consumption, but at the same time to strive to minimize this decline.

Recognition that a reduction in imports from capitalist countries will take place primarily at the expense of imports of market goods and grain and fodder will not, however, make it possible to increase imports of raw materials and materials for production, and co-production elements from capitalist countries. It is protection only against a greater deterioration in industrial supplies and what that brings with it, and it counteracts a further reduction in the utilization of production capacity and employment efficiency. This means that it is necessary to make another difficult choice, that is, introducing important changes in the area of distribution of means for supply imports from capitalist countries, so as to reduce the total size of these imports in such a way as to produce the least losses. This requires proper planning, and after the plans have been executed, also a revision of the past system of distributing means for supply imports from capitalist countries, including a reduction in the scope of operational programs.

The Council's proposal pertains to only one, although very important, part of this work, that is the exclusion of exports from the operational programs, a change in the principles of obtaining means for supply imports from capitalist countries for the needs of export production to these countries, while at the same time, strengthening export incentives.

4. The system of obtaining means for supply imports from capitalist countries should be both a method of distributing supply imports from capitalist countries and a basic means of stimulating the growth of exports to these countries.

The present system in the form of foreign-exchange allowances cannot be regarded as an ultimate solution if only because the size of these allowances is dependent upon the import-intensiveness of exports and that it only takes the final phase of production into account. But in the present situation, foreign-exchange allowances must be regarded as the main element in the system of stimulating the growth of profitable exports. In order to increase their incentive influence, but at the same time their disciplinary influence, it is proposed that:

--the foreign-exchange allowances be made the basic source of supply from imports for exports production, eliminating the operational program for exports, a program that is unjustified in covering specified, actually indispensable social needs;

--the basis for financing the allowances be expanded by the ability of the exporters to directly obtain anticipated credits abroad, tied to the specific export transactions;

--the procedure for granting foreign-exchange allowances be formalized, establishing it in such a way that the allowance would be granted successively to those producers who give evidence of the highest indicators of export profitability;

--interest be assessed on foreign-exchange means obtained on the basis of allowances, in order to induce the exporting enterprises to make improvements in management with the means that have been earned;

--it be made possible for all enterprises to obtain allowances, that is, those also who thus far have not been exporters or whose exports were lower than the minimum now in effect;

--the foreign-exchange needs of the co-producers be taken into account in the size of the allowances, particularly in the export of complete facilities, and that in the future consideration also be given to the possibility of contractually reselling the earned foreign-exchange means to co-producers and other exporters.

5. In order to make it possible to accelerate the growth of profitable export, at the same time as the above-mentioned change in foreign-exchange allowances is made, immediate consideration should be given to the following matters:

--restoring the principle in accordance with which the producers of processed goods sell them not at domestic (cost) prices, but at transaction prices (foreign-exchange prices multiplied by the currency conversion factor);

--introducing additional incentives for exports, e.g., in the form of:

a) assurance that the tax on the wage fund, charged to the prime costs of the exported products, will be refunded;

b) authorization to industrial enterprises to reduce the amount of the amortization allowances in effect by that portion which is charged to the prime costs of the products supplied for export (proportionally reducing the amount remitted to the budget for this);

c) an exemption for industrial enterprises supplying products for export from the applicable portion of interest on bank credits drawn in the past on already completed investments and a freeze on the proportional portion of the yearly repayments of these credits.

The above proposals of exemptions and debt reductions pertain to the financial items included in the prime costs of production. Their acceptance would thus mean a reduction in the minimal prime costs of the products exported, contributing to a corresponding increase in the profits of their producers.

There is also a proposal to exempt or ease the increasing charges for the Vocational Activization Fund [FAZ[ in relation to basic wages paid for export production, where they can be isolated. The savings in subsidies should make it possible to offset, out of the budget, the lower receipts from the Polish National Bank (NBP) and the FAZ.

6. Simultaneously with the above-mentioned measures, which can be introduced quickly for they require no substantial preparations, work should be undertaken on establishing a comprehensive system of stimulating the growth of profitable export. This work should take the following problems into account:

--the level of currency exchange rates, the bases on which they are established and verified;

--the elimination of the disparity between the pricing of basic raw materials and materials for production, and the pricing of remaining goods imported from capitalist countries;

--after establishing, or systematizing the parameters of cost effectiveness in foreign trade, a system of stimulating growth of profitable export can be implemented on the basis of the total result of the activity of economic units (as is foreseen in the assumptions of reform) or on the basis of the separated profit from export;

--the preparation of a comprehensive system of stimulating the growth of profitable export based on uniform principles of cost effectiveness and a uniform criterion.

These problems will be the subject of the Council's work.

II. Balance on the Domestic Market

7. In the preliminary assessments of the results of the price-income operations conducted during the first quarter of this year, the positive effects on the balance were underscored. These effects were due to:

--successful implementation of price increases on food, energy and heating fuel, which, despite the fact that compensation according to the estimate of the State Price Commission exceeded the scale of the price increase by approximately 70 billion zlotys, should bring improvements in purchasing, more economical consumption of food, energy and heating fuel, reduction of excess stocks for some consumers, a cessation in the feeding of livestock with food, etc.

--application of new principles for establishment of prices, which should bring about, over a year, an approximate growth of the population's expenditures amounting to 600 billion zlotys;

--a drop in the real value of the inflationary gap, as a result of price changes as well as the necessity to increase the "emergency fund" (transactional money) of the people.

A reduction in the increase of the population's money reserves in May to 3.2 percent of the total income is seen as a sign of improvement in domestic balance. This is a considerable reduction in comparison with the first quarter of this year (when the corresponding ratio amounted to 18 percent) or with the situation in 1981 (14 percent). If, however, we go back to the earlier years, e.g., 1977-1980, then it turns out that the ratio of the money remaining at the population's disposal without coverage to incomes will over the year be worse than several years ago (at that time it did not exceed 6 percent), and we know that the market situation was already worsening at that time.

Furthermore, this year a serious threat that the balance will get worse is becoming apparent. On the one hand, a further decline in total supply of market goods and services may take place, which is related to:

--the threat of a further drop in supply and consumer-type import, resulting from an unsettled payments situation, the need to develop a surplus of export over import, and the possibility of a deterioration in terms of trade;

--the necessity to rebuild stocks in trade;

--the assignment of a portion of the goods to fulfill past commitments (for which money has already been received).

On the other hand, an additional growth in the population's incomes may occur due to: reform of the universal retirement system and the social security system for farmers, compensation for the growth in living costs, implementation of demands in the area of wage reform and new subsector charters. In addition, there are fears that the system of self-financing of wages, provided in the reform, will not produce the expected results.

8. The total scale of all threats to balance is considerably greater than the possible counteracting measures that are now being considered. It is difficult to foresee how production potentials will finally develop and what kind of wage and social decisions will be made to the end of the year.

Nevertheless it appears to be essential to use some kind of quantified forecast pertaining to the sizes of the inflationary gap and curve this year. Naturally, such a forecast can only be an approximate estimate. The NBP estimated the curve at the end of 1981 at approximately 320 billion zlotys, but other estimates, less convincing, used larger amounts. On the basis of NBP estimates and the course of the first half of this year, the curve at this moment can be estimated at approximately 300 billion zlotys. This is a nominal size, not much lower than at the end of last year, but actually, considering the decline in the purchasing power of the zloty, it is much lower. In relation to last year's population's net income, the curve amounts to approximately 16 percent. If it were to remain at this level until the end of the year, the corresponding amount would drop to below 10 percent. This would be a very important reduction in the inflationary surplus, although of course it would not be completely eliminated. It should be added that the above figures take into account the reduction in the curve as a result of the growth in the amount of transactional money (due to price increases) and the hypothetical transformation of a small portion of savings forced by lack of goods into authentic savings.

The forecast of the level of curve at the end of the current year does not allow us, without a serious risk of error, to estimate the relative size. However, it may be regarded as certain that without the specified anti-inflation measures it will not be possible to maintain the present level of curve. This would require that: a) the amount of remuneration during the second half-year be maintained at the level of the first half-year, which seems to be impossible and would probably be unwarranted, b) the assumed level of production of consumer-type goods and services be exceeded, which is a controversial hypothesis, or that if it is not exceeded, reserve stocks will have to be dipped into. Drawing from reserve stocks appears to be impossible in view of their reduced level and in view of their structure. This would mean that the continuity of deliveries of many articles would be disrupted. If appropriate anti-inflationary measures are not instituted, the curve at the end of the year will increase--not reaching last year's level--to 12-13 percent of the population's net monetary receipts.

The effects of current decisions on the following years must also be taken into account, when conditions for improvement of balance will not be clearly more favorable either from the standpoint of the external situation (debt-payment requirements) or from the standpoint of the domestic situation (the necessity to rebuild stocks in trade to restore continuity in sales, the automatic growth in population's incomes due to wage and social systems already in effect, and the effects of revalorization of deposits).

9. The following effects of the extreme inflationary pressures are particularly unfavorable for overcoming the crisis:

--the reduction in the field of activity of economic reform because of the need to expand the range of official and regulated prices, to establish protected areas in production, to maintain state control of both means of production and of consumption, the necessity of subsidizing production in short supply, tied sales, etc.,

--the weakening of the economically warranted bases for cost effectiveness in enterprises,

--the disruption in the incentive system through lack of market balance and the considerable growth in share of social services (although, of course, there are other weighty reasons for their increase), and compensation in the populace's total income at the expense of work's share in income,

--the weakening of commodities-monetary ties between the city and the countryside,

--the formation of a base for occurrences of speculation and corruption.

Therefore, it is postulated that all new decisions which entail financial effects be first thoroughly examined from the standpoint of their influence on balance. In order to do this, it is necessary to eliminate the dangerous decisionmaking procedure at the central level which is responsible for that fact that all kinds of decisions affecting balance and inflation are made without adequate coordination and are directed more at satisfying the demands and desires of particular social groups than at concern for the overall economic situation. The struggle with inflationary trends should be given first priority in the government's economic policy.

10. When there is serious market imbalance, the traditionally applied methods of calculating the populace's real incomes do not hold up. Thus the new methods of calculating the changes in these incomes, developed by the Main Statistical Office (GUS), which take into account the formation of incomes which have no real coverage in market bidding, appear to be advisable.

In view of the large changes in incomes and prices, it is essential that the current analyses of changes in incomes, living costs and savings in a cross-section of the principle social and income groups of the population be expanded. If good information is not available on this field of income policy, there is the danger that extreme extravance will occur or that some social groups that are in an especially difficult situation will be overlooked.

11. The permanent factors which endanger the restoration of balance include the development of all types of indexing: farm incomes, procurement prices, annuities and pensions and other social services, etc. At the present time the factor that does most to increase the adverse effects of indexing is the threat of a further drop in production. However, even when production is already growing, indexing that is too developed will be a threat to balance, for other factors which adversely affect internal balance must be taken into account, such as:

a) transformation of the demographic structure in the direction of an increase in the pre- and post-producing age groups, and

b) the necessity of allocating a large part of the increase in export production to service the foreign debt.

The experience of many western countries who adopted this method before Poland did, points to the dangerous effects of excessive indexing.

In the immediate future the range and functioning of indexing must, therefore, be restricted solely to the protection of the economically weakest groups and the basic needs of the people.

12. Under these conditions, a short- and long-range program of anti-inflationary measures must be prepared. One of the first steps in this direction should be the submission to the Sejm of a law on a stabilization tax on goods which are of secondary importance.

In consideration of society's income situation, this tax should apply only to those goods and services that are obtained mainly by the more affluent groups, e.g., automobiles, gasoline, furs, crystals, jewelry products, color television sets, freezers, hi-fi stereophonic equipment, trips abroad, etc. The application of this tax, in addition to replenishing the budget, would have certain positive results for the less-affluent consumers: By reducing speculative purchases and tying up a part of the affluent populace's incomes, there would be less pressure from them on the food market and on other items of daily necessity. Such a tax, therefore, would be favorable to balance on the food and basic necessities market without the need for recourse to further price increases on these items or greater extension of state control. This tax would also give a social sense of justice, because the prices on some items that it would cover that are of a luxury nature today (e.g., on gasoline), have grown more slowly than prices of food, while an automobile obtained at the price in effect in socialized trade continues to fulfill the function of a profitable capital deposit for the more affluent persons who were lucky in the lottery or to whom vouchers were available.

This tax should be collected in trade and sent directly to the budget, without affecting the profits of production enterprises or the size of turnovers of trade enterprises. This solution would make it possible to avoid undesirable shifts in the structure of production and sales.

The Sejm, within the framework of the budget law, should revise the list of goods covered by the stabilization tax each year. The amount of the tax should be established flexibly at a level which will ensure market balance by the authorized minister.

For persons who made prepayments on automobiles, credit could be granted for the stabilization tax. The credit would be repaid after the automobile is received, in the same monthly instalments as the prepayments had been made.

Revenues from this tax would serve to cover the budget deficit, with particular note of the need to cover the growth of expenditures from the budget to finance social-cultural services, and also for the indispensable reform of the universal annuity-pension system, including elimination of the "old file".

In addition, consideration should be given to applying a stabilization tax to similar goods (plus alcohol and cigarettes) sold in PEWEX. Such a tax would be collected in zlotys.

A deflationary effect could also be obtained by an ordinary increase in the applicable prices or by an emergency increase in selected turnover tax rates. However, a stabilization tax appears to be better, both from the standpoint of social acceptance as well as greater flexibility.

The Council believes that the basic element of the anti-inflationary program is the creation of conditions by which the supply of goods and services will grow, by modifying the incentive system so that production will grow and that there will be savings in materials and a reduction in production costs. First of all, consideration should be given to alleviating the overly progressive burden of the increase in average remuneration and prizes from profits in enterprises, in order to increase the incentive for materials savings and production growth.

13. In relation to the current draft laws on universal pensions and social security for farmers and their families, it is proposed that they be thoroughly examined in order to reduce the financial effects which would result from them, primarily because of their long-term distribution. These drafts, in their current version, envisage that ultimate model solutions will be applied in a short time. Under the present circumstances, they should be regarded as being unrealistic.

14. Revisions to the ration-card system should be aimed at increasing the availability of goods, and in some cases, also at obtaining deflationary effects.

It appears from daily observations that at the end of each month flour and grain products are bought out in order to increase home stocks. In view of the known difficulties with the balance of grain, this is an extremely unfavorable occurrence. Therefore it is proposed that either state control in this area be removed entirely, or that at the least the rule be made that ration cards for flour and grain products not have an expiration date (that they be valid indefinitely).

It is proposed that insofar as possible state control over sweets be reduced.

Ultimately, attempts should be made to remove state control over alcohol and cigarettes, and that a bold price policy be applied. However, both for economic as well as social reasons, it seems best to remove controls over these items gradually. It is proposed that state control over cigarettes be limited to retaining ration cards and present prices only on the lowest quality assortments, and that the remaining grades be sold without rationing at balance prices. It is proposed that state control over

alcohol be reduced, retaining ration cards and present prices only on one bottle per month. Larger amounts would be sold at balance prices.

The problem of footwear and clothing (particularly children's) has become so severe that the temptation to apply state controls is very strong. Technically speaking, this problem is so difficult that without taking this aspect into account there is no way that specific proposals can be formulated as to the method and scope of possible state control. But absolutely, the feasibility of applying some form of state control in relation to these items should be examined in detail--where such control should be most efficient, particularly as regards footwear for children.

15. Changes in the state's credit policy are indispensable, changes aimed at universally applying the principle that interest on credits must be higher than interest on savings deposits. The only exception to this principle should be credits for housing construction. In all other cases, the interest on credit must give the purchaser a real choice: to pay cash or draw a loan.

III. A Summary of the Annexes

... pertaining to the draft compulsory loan from socialized enterprises and the problems of grain procurement.

A. The KRG took a critical position in relation to the first of these matters, stating that:

--the enterprises may take the compulsory loan to be a decision that conflicts with the spirit of reform and a return to the technique of freezing part of the profits,

--the assigned sum of the receipts from the loan and the principles under which it is drawn may, in many enterprises, make modernization impossible, or perhaps even maintenance of assets,

--in some cases to compensate for the obligation placed on the enterprises, they may resort to pressures on banks, which would mean that the budget deficit would change, to a certain degree, into a deficit of the credit plan.

The Sejm has been familiarized with the Council's comments as to the draft compulsory loan, which, independent of this, met with the deputies' decided opposition. The draft loan was replaced by a stabilization tax in an amount reduced by at least one-third, and assessment methods that were more satisfactory. Thus the first and third charges were eliminated and the second charge has been, in any case, minimized.

B. On the matter of grain procurement in the 198/1983 economic year, there is no complete conformity of opinions yet between the agricultural team and the KRG presidium. However, the discussion at the Council's plenary meeting has not yet dealt with this problem. Therefore, both the commission's theses as well as an assessment of these theses have been presented to the government.

The starting point of the problems of grain procurement in 1982/1983 is the conflict bweeen import potentials and the demand for fodder and grain for animal-raising

purposes, resulting from the fixing of excessively high prices on slaughter-animal procurement in relation to grain procurement prices. A series of joint conclusions of the agricultural team and the presidium were drawn from this:

--Next year, of course, first priority should be given to bread supplies over meat supplies.

--At the same time, however, we must take care that the basic herds are not reduced to a degree which would cause difficulties in the subsequent years.

--Administrative measures to increase the supplies of grain should not be anticipated, since they would not be effective and at the same time they would undermine the feeling of permanence of agricultural policy.

--Economic measures for stimulating procurement anticipated by both the team and the presidium can, and even must, turn out to be inadequate if the domestic ratios of procurement were to be maintained at a level which does not encourage producers to sell to the state, but to fatten the livestock. Should these ratios change, prices of fertilizers would have to be considered.

The divergence between the team and the presidium pertained to:

--The proposal that ration cards for meat be abolished shortly and that meat prices be raised to the balance level (the presidium does not concur with this suggestion).

--The export of meat as a means of additionally supplying agriculture with imported fodder. Considering the level of foreign prices and the current possibility of selling the assortments of meat that could be allocated for export, the presidium is of the opinion that this action would not be very effective, if not totally deceptive.

The discussionson the problems of procurement are not yet closed and while they are going on proposals are being submitted on economic measures that are somewhat modified in relation to the initial proposals.

9295
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PARLIAMENT VOTES APPROVAL OF AMENDED BUDGET

Warsaw TRYBUNA LUDU in Polish 7 Jul 82 p 1

[Article by Ryszard Bilski: "Vote of Approval for the Budget"]

[Text] Parliament gave the government a unanimous vote of approval of last year's budget. Unanimously, but after a comprehensive analysis.

The budget debate was drawn out. Ending it could not be managed in the first half of the year. It followed a rather unusual course, at times an even sensational one, when the Chief Board of Supervision [NIK] questioned the amount of last year's deficit (124.5 million zlotys), claiming that the deficity was several times larger. Differences of opinion in the evaluation of the budget deficit arose from a different interpretation of the so-called capital deposits accumulated in the bank, which in the opinion of the NIK, the NBP [National Bank of Poland], and many deputies were nothing more than an asset locked up in poorly managed investments.

The evaluation of the 1981 plan and budget realization converged with a discussion of the assumptions and drafts of these documents for the present year. Not only formally, but in substance. When weak points in last year's budget were found, they were immediately sought out in the draft for 1982. The subsidies were attacked. But the aim of the attack was different than in past years. For rather than suggestions about what else should be subsidized, there was discussion about what should no longer be subsidized! For in the making was the budget of a state whose economy has entered onto the road of reform. The legal foundations and guarantees of these reforms--let us remember--were also coming into being given the large participation of the deputies, but the main legal acts gained standing as parliamentary statutes.

An already evident effect of the budget debate is the reduction of subsidies by tens of billions of zlotys, but an expected effect should be a further decrease in additional financing for production. For it was announced that all the parliamentary commissions will soon undertake a very penetrating analysis of the whole system, mechanism, and criteria for granting subsidies. A notation was found in the budget statute obligating the finance minister and the minister of price affairs to increase supervision of the form which costs take in enterprises, with special consideration to those which enjoy budget subsidies.

For the first time on a large scale a team of parliamentary advisers joined in work on the budget. Critical observations, proposals, propositions submitted by the deputies, and also controversial questions with the ministries were immediately analyzed and evaluated by experts, and the most advantageous solutions were suggested, thanks to which each consecutive session of the Commission for the Economic Plan, Budget, and Finances and the Commission for Legislative Work, with the participation of the chairmen of the remaining parliamentary commissions, brought the end of this important debate closer. Oh, at least in the case of an extremely important question--supplying the state budget with part of the profit made by the enterprises. The deputies rejected the idea of an obligatory loan, claiming that the state's economic situation would not guarantee repayment in the immediate future. They proposed a nonrecurring stabilization tax which in the opinion of parliamentary experts is also a proper, more realistic solution.

It was precisely that realistic evaluation of the situation, needs, and possibilities which was especially evident during this year's debate. From the first day it was well known that the budget would not be based, even in the slightest degree, on good intentions and hopes but on realities, and that no one would propose or agree with the planning of expenditures which we cannot afford and which would increase inflation.

A budget resulted which on the one hand respects the difficult economic realities, and on the other perceives and resolves fundamental social problems, and above all it protects people with the lowest incomes.

9451
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PROBLEM OF FOREIGN DEBT DISCUSSED

Warsaw TRYBUNA LUDU in Polish 17-18 Jul 82 p 9

[Article by Wlodzimierz Zralek: "The Politicians and the Financiers -- a Point of View"]

[Text] At the beginning of July, careful readers pointed out a note which provided the information that talks were being held in Vienna between representatives of groups of Western banks and the Polish Commercial Bank concerning the resolution of the payments problem which we are facing in 1982, owing to the negotiated credit and interest. It is a question of what is called refinancing, a term which means deferring part of the repayment, whereby the sums not repaid on time are treated as new credit, with a higher corresponding rate of interest, of course.

This sort of financial operation was already employed in relation to the Polish debt repayment which fell due last year, and in previous years it was used for a number of debtor countries. In our case, it has a negative side in that even under conditions where each year we would get out fron under part of the debt, because of the growing backlog of interest, for many years we shall not be able to reduce the debt at all, but on the contrary it is bound to increase. The experts project that the long-range growth of our debt curve will rise from its present level of about 25.5 billion dollars until the year 1990. The trend was to have been turned around along with Poland's mastery of the current economic problems and particularly with the assurance of proper ratios between the sizes of our exports and imports.

It is easy to see that the refinancing method creates a complicated situation for both the debtor and the creditors, but it is only by using it that Poland can achieve an equilibrium in payments and that the West can get its capital out. It is this very understanding of this fact which made the western banks' representatives decide to enter into the above-mentioned talks in Vienna. As might be imagined, they were motivated not by love for Poland, especially its socialist system, but by their own well-understood interests.

Our experts who took part in the talks are not ruling out the possibility of reaching an agreement, but it is not just the complexity of the financial problems being considered which is making this difficult. The thing is that the western banks -- and there are about 500 of them altogether -- are representing only one of the creditor sides. The other side consists of the governments of the western countries, which guaranteed a substantial portion of the credit granted to Poland.

While the bankers are inclined to be guided mainly if not entirely by financial considerations, the governments' stand is determined mainly by political motives. This differentiated approach is not a new phenomenon. It appeared back in January of 1980. In this period the spokesmen of the financial circles disturbed about the capital in Poland presented in a decisive manner a number of postulates concerning the mastery of the economic chaos in Poland, the insuring of an undisturbed production rate, and the holding down of wage increases not justified by real economic possibilities and, thereby, inflation. Fundamentally different was the position of the governments, which, in undertaking talks on the postponement of repayment long before the banks, did not enter agreements which had any relationship to the expectations formulated by the banks.

Following the declaration of martial law in Poland, the roles were reversed: the western banks were anxious to enter into talks, while the governments suspended them, treating their decision as one of the economic sanctions against Poland. So why do we not enter into agreements at least with the banks? As has been said, this is theoretically possible, but the necessary directness of the talks is limited by the fact that Poland cannot assess its payments possibilities under the conditions where it does not know what sort of intentions will be imposed by the other group of creditors, that is, the western governments.

Because of the accumulation of the current and previously postponed repayment, this year we face a total indebtedness exceeding 10 billion dollars with respect to the western governments and banks. It is obvious that this exceed many times over the payment possibilities of Poland. Therefore it is becoming essential to seek solutions in talks.

It might occur to somebody that the western governments' suspension [of talks] could be treated as some sort of "antisanction," given the fact that without any agreements Polish payments would be sort of automatically deferred, but this is only an apparent advantage, because this plus would be related to numerous negative results which would undercut the advantage.

It is not a question here solely of meeting Poland's ambitions. Poland has consistently declared its intention to meet its obligations. The other thing is that the western governments' creation of a "nonagreement situation" undermines trust in Poland as a partner in trade, makes it difficult for Poland to obtain imports on credit even where there is a

guarantee of a repayment of the credit through corresponding export income, and, what is most important, it places over our heads the threat that at any moment creditors may announce that Poland is insolvent. This would mean not only that we would be deprived of any sort of credit -- and after all we have become a country which is tremendously dependent on western deliveries essential to the normal functioning of our economy -- but also that we would find blocked our bank accounts which have funds due us for current exports or would have Polish property abroad confiscated, including our ships and airplanes.

This is what the political maneuvering of the western governments involves. I think that people in our country have adopted the stereotype of thinking in which the creditors' hard line could be dictated solely by the desire to withdraw the loans made, such a desire being treated as obvious and natural. We can see how simplistic this view is by looking at the deliberations on this subject in the pages of the WASHINGTON POST and the statements published there by R. McNamara, assistant secretary of the treasury. He is not just a spokesman for one of the creditor countries but of the government departments directly interested in financial affairs. His reasoning is not a consideration of how best to exact the return of American loans but only a consideration of how to place the maximum political pressure on our country by linking the suspension of talks to a constant threat of announcing that Poland is insolvent.

What sort of long-range prospects are there? I think that they are going to be determined by the result of the meeting of political and economic circumstances. Without overlooking and ruling out decisions which may be the most disadvantageous for Poland, we can place some hope in the weight of the problem being created. Ultimately the declaration that Poland is insolvent would not only have an impact on the whole structure of political and economic relations between East and West but would also mean the beginning of a method of operating against numerous over-indebted countries that could bring about a common breakdown of the international market.

But the most important element of the predictions consists of the long-range prospects for our economy in Poland. We are not among the most indebted countries of the world. Such countries as Hungary and Yugoslavia have a greater level of per capita indebtedness than we do, but nobody is saying that they are bankrupt, because they have a per capita export index that is twice what ours is.

To put it another way: the fate of our country is not being determined in the capitals of the West, where deliberations are going on concerning extremely important problems of debt, but mainly right here, in Poland.

10790
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CURRENT ECONOMIC TRENDS REPORTED

## Progress On Three-Year Plan

Warsaw TRYBUNA LUDU in Polish 2 Jul 82 p 2

[Text] The Deputy Chairman of the Planning Commission, Andrzej Karpinski, was interviewed by a Polish Press Agency [PAP] journalist, Janusz Kotarski. The conversation touched upon problems related to the preparation of the plan for 1983-85. The preliminary, working version of the plan's targets was recently presented at a session of the Economic Advisory Council. In the conversation, A. Karpinski said, among other things:

--The project will be ready only at the end of the year. In conformity with the law on planning, several variants of the plan's targets are being prepared; extensive consultations will be held concerning them.

Answering the question to what extent the implementation of the [economic] reform and the difficult [economic] crisis situation necessitate a change in the methods of planning, A. Karpinski stated, among other things:

--Severe restrictions with which our economy is coping make us pay much more attention to the very identification of our needs. As is evident from our work so far, providing for our needs will require essential changes in the structure of our economy and of the allocation of outlays for its development (supply, imports, investments). These changes must be initiated as of now. Hence we propose to call this plan a 3-year plan for rebuilding the structure of our economy.

Speaking subsequently about the conditions for the structuring of the plan, A. Karpinski paid particular attention to the situation in foreign trade. --We have prepared, in the form of variants, three scenarios, depending on the range of the possibilities of increasing exports and, as a consequence, imports. This is directly related to schemes for repayment of our foreign debt. Settlements in this area will have a basic influence on our payment capabilities, our changes of importing raw materials and, by the same token, on the macro-proportions of our economy.

(...) The variants of this plan merely facilitate preparing it in a way which will enable us to adapt rapidly, and in the best possible manner, to a concrete situation. Simultaneously we propose to make basic modifications in the entire structure of our foreign trade with the aim of increasing the share of the COMECON [RWPG] countries in its turnover, though we realize that not in every

case is there a possibility of completely substituting imports from the first payment area [socialist countries] for those from the second payment area [capitalist countries].

* A particularly important problem is: will the plan for 1983-85 guarantee the implementation of social objectives?

--This is related--A. Karpinski said--directly to the choice of a variant of the distribution of the national income between consumption and accumulation. This choice if a difficult one, because excessively strong preference for consumption could represent a real threat of depreciation of fixed assets in some areas. We have a choice of three solutions: restoration, as rapidly as possible, of consumption per one inhabitant to the level at which it was before the crisis, implemented partly at the cost of a further reduction in investments; maintaining the 1982 share of investments in the distribution of the national income but at the cost of a slower restoration of the level of consumption; finally, increasing the share of net investments to an amount which would eliminate the threat of depreciation of assets, which, however, would have to be accomplished through lengthening the period of maintaining the present level of consumption.

We declare ourselves strongly in favor of the variant of protection of the level of consumption. However, we have to take into consideration that, even with a favorable development of the situation, repayments of a portion of our foreign debt will fall due during the 1990's. Our production capability, among other things, will determine our ability to meet these payments. Thus, we cannot afford the risk of too big a depreciation of our fixed assets. The matter requires serious consideration and a long-range approach.

## Evaluation of Economic Situation

Warsaw TRYBUNA LUDU in Polish 2 Jul 82 p 2

[Text] With the participation of the Chairman of the Economic Advisory Council, Prof Czeslaw Bobrowski, and the members of the Council's presidium, a session of the presidium of the Economic Committee of the Council of Ministers took place on the first of this month. The debate was chaired by Vice Premier Janusz Obodowski. The subject of a lively and penetrating discussion were the most important problems of our present economic situation, prognoses for its development, and the directions of the most urgent government actions.

Considerable attention was given to the assessment of the market situation and to the methods and means of restoring balance in this area. This is an extremely difficult task, because, on the one hand, we have to take into account a gradual increase in the money income of our population, and, on the other hand, this is not accompanied by a sufficient increase in market goods production. In this context, we should regard as disquieting the possibility of setting low production levels by some enterprises while the cost of production remains high and its effectiveness remains low. This should be counter-acted by the economic and financial mechanisms of the economic reform. Attention was drawn to the fact that some enterprises use their newly-gained independence in creating

prices for the purpose of concealing in their exorbitant prices their own uneconomic management and their failure to make efforts to increase production. This phenomenon requires, in the near future, a detailed analysis as well as a possible modification of the principles of determining prices. The functioning of economic mechanisms must stimulate an increase in production. This concerns particularly those enterprises which have appropriate supplies of materials and raw materials.

In the course of the discussion, much attention was given to the assessment of the functioning of the new incentive mechanisms. The discussants emphasized that the main purpose of these mechanisms must be to relate increase in pay to increase in production. The need to prevent the winding up of the inflation spiral requires maintenance of strict discipline as regards increasing the expenditures for social services. The utilization of resources for the implementation of these objectives must be as effective socially as possible; thus, these resources should be earmarked for groups whose living conditions and financial situation are truly critical.

The consensus was that the key problems in the improvement of our economic situation are the balance of payments and the import possibilities.

The problem of the structure of foreign-exchange expenditures for imports is of primary importance from a social standpoint. In this context, the discussants emphasized that the maintenance, with the aid of imports, of a consumption level which does not reflect the real capabilities of our economy is possible only at the cost of reducing the level of industrial production. The protection of the present consumption, particularly of meat, requires in this situation--as the discussants emphasized--an increase in the self-sufficiency of our agriculture. Of extreme importance will be also good preparation and implementation of the procurement of grains from this year's harvest.

Vice Premier Dr Janusz Obodowski, summing up the debate, stated that the exchange of views at the first joint session of the members of the Economic Committee of the Council of Ministers and of the Economic Advisory Council had been extremely useful. The actions initiated by the government coincide, to a large extent, with the directions of solutions suggested by the Advisory Council. A number of problems which were raised will be also dealt with in the future work of the Economic Committee of the Council of Ministers.

As the next point on the agenda, the Economic Committee examined the problems of construction industry exports. New organizational, economic, and financial solutions were adopted, which should facilitate increasing these exports in the next few years.

(Polish Press Agency) [PAP]

## Break Up The Monopolies

Warsaw SLOWO POWSZECHNE in Polish 2, 3, 4 Jul 82 p 9

[Interview by Marek Matusiak, with Dr Czeslaw Uhma, Chairman of the Warsaw Branch of the Polish Economics Society]

[Text]--Let us clarify this at the very outset: Are you in favor of the reform?

--What reform are you speaking about?

--I mean, of course, the new principles which have been implanted in our economic practice since 1 January of this year.

--If I had to define my views as tersely as possible, I would say that I favor the reform--on condition that my acceptance allows some room for growth.

--That means?

--We have to take notice of the fact that at present we are dealing only with an outline of the general picture of the reform, because only a part of the necessary documents and conclusions has been applied to everyday practice. It is true, the Sejm has already passed 11 laws of fundamental importance to the reform--from the law on state enterprises and employee self-government to the law on eligibility to conduct foreign trade operations--but, first, approximately thirty executive acts are still lacking in this package, and thus it is difficult to speak about their final form; and, second, the Office of the Government Plenipotentiary for Matters of Economic Reform is still awaiting--as far as I know--the issuance of some ten to twenty legal acts with the rank of Sejm laws.

So, I favor the reform which in its final shape will be only formulated--I expect this to occur during the current year. And, besides, I am also aware of the fact--which, too, in my opinion, is of fundamental importance--that the reform will have to be constantly modified, made more effective, and improved.

In other words, the reform must take shape not only as a result of the Sejm laws but also of the subsequent economic practice.

--We are speaking about the future, however near it may be. What do you see as lacking in the reform, however, as of today?

--Three problems merit particular attention here, which, however, does not at all mean that the gap in the new principles of management is limited to them.

A serious error is lack of a worked-out incentive system, for which, as we know, we have been waiting--but probably too long. Second, we must not forget the fact that so far we have not solved or, at any rate, not regulated our entire monetary system; we have not yet succeeded in creating so-called good money. Third and final, I see a lack of other guarantees of the reform, including, above all, an anti-monopoly law which would be an answer to an excessive, in my opinion, regeneration of vertical structures.

--Perhaps we should concentrate on this last problem. Why is it so important?

--Because the regeneration of hierarchic structures of management, in the form of associations of enterprises, arouses probably the most serious concern at present. For, as most recent experience has indicated, these associations are adopting the whole core of bureaucratic organizations which the branch associations used to be.

--But, indeed, joining an association is voluntary.

--Yes, but so far we have not recorded cases of founding of associations which did not have equivalents in the form of associations which were active before.

--So, let us return to the subject of the anti-monopoly law itself.

--To me, its approval seems inevitable. At issue is the fact that at present there exists a problem concerning the manner in which the enterprises will attempt to lower their prices--obviously, by gradually lowering their prime costs of production--as a market for their products is created. In a situation in which we give the enterprises the right, on a broad scale, to shuffle contract prices, while there is a simultaneous market shortage of a number of articles to which these prices apply--there is, in principle, no incentive to lower the production costs and thus also the prices. In this connection, a number of enterprises even regard increases in production as unprofitable.

Thus, our efforts have not produced, in this area, any instrument of protection. For me, indeed, such an instrument should be the creation of competition between at least two groups of enterprises manufacturing the same product. On the other hand, there must be no situation in which one branch association is created which, of course, carries out a common price policy for all the enterprises--because this association--by virtue of a concept which is being implemented at present--simply does not have competition which would compel it to try to lower costs and to achieve greater management efficiency.

Hence, precisely, our need for said anti-monopoly law--on condition that I personally would rather call it pro-competition law. For, if we have already agreed to the concept of contract prices which are indeed a conspicuous element of the market game, then we need a law which would provide for the creation of competitive endeavor in our market.

--What should this law include?

--I cannot comment on the legal details because I am not a lawyer. It seems to me--generally speaking--that this law should reflect a principle making it impossible to form associations which include the total, or almost the total, of a given product line. Because otherwise all the factories which form a part of such an association would agree on the prices and they would have a comfortable existence.

On the other hand, if we said that in such a case the formation of associations would be permitted only if opportunities for competition were preserved--e.g., so that at least two associations would be formed (even if one would represent

40 percent of total production, and the other would represent another 40 percent, and the remainder would be represented by the existing two to four larger enterprises which would not have to be associated)--then such a situation would never arise.

--As far as I know, a draft anti-monopoly law already exists.

--Yes, but it is a draft which, so far as I know, places too much faith in the operation of legal instruments. It is, to a large extent, patterned after analogous laws of developed Western countries; thus, quite naturally, it accepts the interventionist role of an anti-monopoly law, as is the case there. This means that in the event that an appropriate authority determines that a given enterprise has begun to take advantage of its monopolist position, intervening or punitive action is taken with regard to the dishonest manufacturer.

Indeed, such an arrangement would be appropriate only if a competitive market existed in our country. But, in view of the fact that a monopolistic market exists in Poland (I speak, of course, about industrial products and about construction industry), and with our horrendous shortages of goods, this type of legal guarantees will not be, in my opinion, fully effective. Such guarantees can be effective only in connection with created principles of competition.

--But how can this be done?

--It is possible--to give you an example--to create better conditions, even though reduction in income taxes, for those [enterprises] which start lowering the prime costs of production.

--The law is not needed for this.

--I agree; but, on the other hand, appropriate state action is necessary.

--Hence, a conclusion can be drawn that, in order to counteract monopolistic tendencies, we need laws and regulations which would make it impossible to form monopolies; on the other hand, we need a conscious state policy, which means consistent introduction of protective economic mechanisms.

--Precisely!

## Debate Over Budget Reported

Warsaw SLOWO POWSZECHNE in Polish 28 Jun 82 p 1

[Private information] [Text] The joint Sejm Commissions for Economic Plan, Budget and Finance, and Legislative Work, met for the last time before the plenary [Sejm] debate, pronouncing their final opinion regarding the government reports on the implementation of the [economic] plan and the state budget for last year as well as on the draft budget for this year.

After the reading of the draft law concerning the matter of approving the reports and the vote that the government accounts for 1981 be regarded as closed, [some of the] representatives expressed their reservations.

--The classical formula for closing government accounts is insufficient--Genowefa Rejman stated. We should be concerned about effective utilization of our supplies and employee qualifications.

--The law says nothing about the complexity of the implementation of last year's plan and about its actually not having been implemented--T. Haladai observed.

After some editorial changes, the law was passed unanimously.

The consecutive version of the draft budget law for 1982, presented to the [Sejm] representatives, produced more serious reservations. In conformity with the recommendations of the Sejm commissions, the Ministry of Finance presented proposals aimed at decreasing the planned budget deficit.

It is anticipated that this will be achieved through the introduction of a non-recurring stabilization tax on enterprises with high net profitability (i.e., after deductions for income taxes and installments of investment credit), which should produce 100 billion zlotys; a stabilization loan, proposed before, was to yield 140 billion zlotys.

In addition, the government intends to obtain 50 billion zlotys "through active stimulation of the development of market and export production, improvement of management efficiency, proper utilization of instruments of our economic and financial system, and through other actions," 43.5 billion zlotys from an increase in social insurance premiums, and 20 billion from a reduction in subsidies to enterprises. Together, the presented proposals for changes are tantamount to a decrease in the deficit from approximately 368 billion zlotys in a previous version to approximately 155 billion zlotys at present. A proposal was also made to include in the budget the 100 billion zlotys from a surplus in the State Vocational Activation Fund.

During the debate, Vice Minister of Finance [Mr] Gabjan stated that the idea of voluntary loans from enterprises, put forth by the Economic Advisory Council as an alternative proposal, is unacceptable (non-real income, lack of decision-makers--after all, the self-government of enterprises is non-operative), but, on the other hand, consideration will be given to a proposal to introduce a tax on "assets which meet further needs."

--We are returning to our point of departure, that is, to the command system--G. Rejman said. --Is this proper from an economic standpoint? By so doing, will we not deal a death blow, through this tax, to the most thriving enterprises? Amendments [to the draft budget law] have been penciled in and have nothing to do with the merits of the case. I have considerable reservations about the entire budget law.

--Whom are you concerned about?--retorted Vice Minister Gabjan. --In practice, this tax will apply only to those enterprises which made large profits as a result of a shift in prices.

Some of the representatives, including the chairman of the Commission on Economic Plan, Budget and Finance, Prof Z. Gertych, as well as the chairman of the Commission on Legislative Work, Prof Zakrzewski, shared the view that at present

some enterprises exist at our society's expense; others concurred with Prof Rejman's view that the state is attempting to transfer its budget deficits to enterprises. Representative Z. Malicki emphasized that uneconomical management is encouraged, to a large extent, through unjustified subsidies to enterprises--and this is what we have to take a look at--rather than through unjustified profits.

--The draft probably needs to be reworked--he stated in his conclusion.

Minister Krzak observed that the amount of the subsidies does not equal the deficit and, in general, he declared himself as being against subsidies; however, he added that we are dealing with "material resistance": at present we are unable to increase, for example, the prices of milk or of construction materials, which are subsidized by the state. --There is no possibility of proposing to liquidate the deficit--he said.

The representatives instructed the Minister of Finances and the Minister in charge of Prices to direct particular attention to enterprises receiving subsidies. They also approved a request to the Planning Commission and to the Minister of Finance concerning the elimination of instances of uneconomical management of enterprises.

The deputy chairman of the group of Sejm counselors, Henryk Kisiel, expressed his approbation for the draft budget as introduced by the government. --Complete elimination of the deficit is unrealistic. The formulated proposals are acceptable. We are proceeding in the right direction--he stated.

After a one-hour session, with one abstaining vote (G. Rejman), the commission approved the draft budget law. Z. Gertych was appointed recording representative.

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OFFICIAL INTERVIEW ON SHAPING PRICE STRUCTURE PUBLISHED

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[Interview with Antoni Gryniewicz, vice chairman of the State Price Comission, by Jerzy Borowiecki: "Shaping of the Correct Price Structure".]

[Text] The reform of producer prices and retail prices initiated the putting in order of our economy's entire price system. The price changes introduced and in effect now and now are based not only on price increases--which is obvious--but also on the fact that these changes have established a new relationship between prices, which is less evident but no less important. This is particularly a question of the new price ratios between prices on food and nonfood (manufactured) goods as well as between prices within these groups of goods. Ratios between these prices had been, until now, decidedly irregular having a negative effect on management, on the market balance and on national income distribution processes. The course of many economic and social processes depends to a large degree on price ratios; for example, they can promote expansion of production or they can hinder it; its structure can influence the better adaptation to the neds of the people or can impede the fulfillment of these needs; they can rationalize the demand structure for various manufactured and consumer goods or increase the disparity with the realistic capabilities of the economy.

Many current issues are related shaping a proper price structure. We turned to the vice chairman of the State Price Commission, Antoni Gryniewicz to explain these issues.

[Question] Perhaps we should first explain on what the existing irregularities in the level and structure of prices were based?

[Answer] The greatest irregularity was the outright drastic-unheard-of anywhere in the world-scale of detachment of prices from the cost of production. This applied to producer prices on raw and other materials as well as to semi-finished products and commodity and market service prices. The

aforementioned "detachment" expressed itself in a price structure which was much lower than the cost of production.

The largest price disparity from the cost of production occurred within the scope of nearly every basic food product, thus for example, that of: sugar, meat and its products, milk and dairy products and fish. The retail prices of these products constituted barely one-fourth to one-third of their procurement prices or production costs. For example, recently the average procurement price of slaughter livestock amounted to 110 zlotys per kilogram. If we take into account the so-called yield from slaighter livestock; i.e., that 75 to 80 percent of edible products may be obtained from it, then the procurement price converted to meat was to considerably more, reaching about 140 zlotys per kilogram. Meanwhile, the retail price of meat products amounted to about 50 zlotys per kilogram. Ratios between procurement prices and retail prices of basic food products were similar in structure.

[Question] Therefore, a nearly total breakdown between retail food prices and procurement prices of agricultural products and their production costs took place. What sort of repercussions did this have?

[Answer] The purchase price of these products in stores was less than farm production costs. One of the consequences of such system of prices and costs had to necessarily result in a complete lack of interest on the part of farmers to produce goods for a so-called self-supply. In recent years, about one million of our country's small farms stopped producing various products for their own needs. This is understandable under conditions in which, for example, the procurement price of one liter of milk came to 15 zlotys while its retail price was 2.90 zlotys. A profitable price on milk (containing two percent milkfat)--if, in addition, we were to take into account transportation costs, portioning costs, etc.--should come to about 18 zlotys.

The maintenance of such low prices on goods in relation to the cost production costs causes the producers to receive incorrect information, in the particular phases of production and the consumers as well, about what really is expensive or inexpensive. As a result, for example, the cost effectiveness becomes deformed leading to the wastefulness of raw materials and finished products in processing as well as in consumption.

A further negative consequence is the necessity of developing the complicated mechanism of budgetary subsidies to produce or turnover of "unprofitable" goods a well as the mechanism of obtaining the means for this purpose from other goods, primarily manufactured goods. For example, subsidies for food production in 1981 amounted to approximately 360 billion zlotys which exceeded two to three times the total value of their market deliveries. These surcharges have increased over 20-gold as compared to 1970. In addition, in 1981, as a result of considerable wage increases along with a concurrent decline in the work output, the costs of producing manufactured goods increased significantly. The surpluses over costs obtained from the prices on these products decreased to such an extent that they became insufficient to balance out the losses arising from the production of food

goods. Industry as a whole became unremunerative and brought on a deficit to the state budget which required the issuing of currency.

The use of subsidies is not well accepted by manufacturers since, for example, every increase of production requires new subsidies. Under such conditions, cost effectiveness does not work within the context of shaping the dimensions of production and its structure; the cost effectiveness of export is also unrealiable (the price indicates that a given product has a low value while the cost indicates that it has a high value).

Another basic flaw of the detachment of prices from the costs of production is that it has a negative influence on the state of market equilibrium. Under the influence of this factor and also as a result of increasing demand caused by the public's rising income, the market is disorganized and does not function like a normal market. Every product which appears in stores is immediately bought out; lines become longer; goods cannot be bought for the money in one's possession and the commodity link between the city and rural areas becomes weaker. All of this weakens incentives for better work and higher wages.

[Question] On what were the irregularities of the price system in the food production groups based?

[Answer] A good illustration of these irregularities are the ratios between vegetable and fruit prices and prices on meat and meat products as well as milk and dairy products. As a result, the ratios developed in such a way that vegetable and fruit prices rose gradually while meat prices became "frozen". As a result, for example, a kilogram of apples cost 60-80 zlotys, that of vegetables--about 20 zlotys whereas a kilogram of beef--about 40 zlotys and of plain sausage--44 zlotys. When the ratios between prices are not rational, then the demand rises for goods which are relatively inexpensive but produced at the cost of larger outlays and decreases in relation to goods whose prices are closer to production costs.

[Question] Significant irregularities have also appeared in the group of market manufactured goods.

[Answer] Prices on most of these goods produced from natural raw materials (cotton and wool for example) were relatively lower than prices on goods made from chemical fibers (for example from stylon [Polish trade name] and nylon). Such a price system was irrational mainly because the production costs and prices of natural raw materials rose more rapidly than production costs and prices of raw materials of industrial origin. As a result, the demand was higher for products whose supply was more limited and, therefore, expensive. On the other hand, the demand was lower for products made from more accessible and relatively less expensive raw materials.

Improper price ratios within the group of food products and the group of manufactured products caused serious negative consequences. For example, demand grew mainly for products whose production costs were high and in

turn, this weighed the economy down with excessive outlays; production could not meet such consumer demands and market imbalance increased. Consequently, neither could the economy function normally nor was society capable of fulfilling its own needs.

[Question] How did it come to be that there was a very large surplus of currency at the public's disposal as opposed to the value of the supply of market commodities. Are not the roots of this phenomenon perhaps back in the 1970's?

[Answer] This phenomenon had already outlined itself clearly, although on a relatively smaller scale, at the end of the past decade. Estimates show that the surplus in the public's income beyond the value of the supply of commodities and services at the end of 1980 amounted to approximately 80 to 100 billion zlotys; the following year, it rose at an unusually rapid pace reaching the sum of about 400 to 500 billion zlotys. This surplus came about mainly as a result of a sudden increase in wages, social service outlays and in the income of farmers in a situation where shortages of goods on the market worsened and became increasingly more serious. It is a known fact that the rapid increase of the public's monetary income was forced to a large extent by strikes and protest actions, etc. In 1981, the nominal wages for workers in the state-controlled economy rose about 25 percent; the general wage fund increased by about 240 billion zlotys. Monetary public services (pension, annuity increases and those of other services) rose at a faster rate (about 33 percent), altogether by about 70 billion zlotys. The income of farmers--as a result of increased procurement prices for agricultural products--rose by about 100 billion zlotys.

The economic sense of the implemented increases of the public's income--or rather the lack of this sense--clearly results from the comparison of these increases with negative trends in the area of material production. In the year of "large increases" in the public's income, a further decline of about 13 percent took place in the national income as well as in industrial production; building-installation production decreased about 20 percent; supplies for the market of goods and services at current prices rose about 4 percent but according to fixed prices, they were about 11 percent lower as compared to the previous year; meat and poultry supplies including their products decreased about 18 percent.

[Question] It is, therefore, evident from falling trends in the area of material production that the worsening situation of the market would have to take place even if there had not been such a large increase in the public's income.

[Answer] Undoubtedly, yes. However, this worsening would not have had to be so grave and so intense; it would not have had to cause the occurence of the mass buying out of goods, the so-called empty shelves, wide-scale regulation of commodities and the breaking of the economic bond between the city and rural areas, etc. And finally, the degree of retail price increases which have now become indispensable for, among other things, the restoration of market balance, would not have been so high.

[Question] Similar irregularities occurred in the system of producer prices. The reform of these prices also turned out to be necessary.

[Answer] Indeed, there is a certain similarity here but the scale of the said irregularities is relatively smaller. These irregularities were eliminated as a result of increasing producer prices starting from 1 January 1982. Namely, prices of coal, electric power, gas, metallurgical products, wood, crude oil and construction materials were concretized. The concretization of these prices is based primarily on bringing them closer to manufacturing costs or to the level of world market prices. As a result of the reform, the general level of the selling prices of these raw materials and of other materials and semi-finished products made from them increased about 100 percent.

The effects of price increases on producer goods influenced in varying degrees increases of the manufacturing costs of final products (food and industrial) as well as increases of the cost of transport and communal-living services. These cost increases do not have to cause an increase in the prices of final products if the accumulation implemented within them is high enough since it may be lowered accordingly to the increase of production costs. And yet, an actually implemented accumulation proved to be greatly inadequate for the absorption of production cost increases stemming from raised producer prices on raw and other materials. As a result, after 1 January 1982, most final products became unprofitable. During the period preceding this reform, the production of many of these products was also unprofitable but to a significantly smaller degree. The significant changes initiated at the beginning of this year [1982] in the economic mechanism and particularly the basing of enterprise activity on principles of independence and self-financing require the setting of market prices on manufactured goods at a level which would assure their profitability for manufacturers.

[Question] Let us yet return to the issue of producer price increases and their effect on the level of retail prices.

[Answer] The effect will be quite significant since the new prices on these goods must assure the reimbursement of increased costs as well as a minimum of production profitability. Prices on manufactured goods, depending on the branch, will on the average be 60 to 100 percent higher whereby a large number of them will have to increase even more, as much as two and threefold. This will apply especially to those goods whose production has already been unprofitable before and to raw-material-intensive and energy-intensive goods.

The goal of the reform of producer and retail prices is not only to assure the profitability of production and the restoration of market balance but also to bring about an improvement in the price structure. This will express itself particularly in the improvement of ratios between food prices and prices on industrial products as well as price ratios within these groups of products. For example, when food prices increased 240 percent on the average, while heating and energy costs rose 170 percent, then prices on manufactured goods rose from 60 to 100 percent. The irregularities existing until now in this area were based on the fact that food prices were relatively

low in comparison to prices on manufactured goods. This was not conducive to the adjustment of the structure of demand (the needs of the public for food and manufactured goods) to economic capabilities, thus, to the ability to satisfy the need, especially in the area of food goods. In connection with this, it was necessary to carry out a considerably higher increase of food prices than that of manufactured goods. What matters here is that manufactured goods be made relatively less expensive than food, as is the case in every developed country.

[Question] Could such an effect not have been achieved by considerably lowering prices on manufactured goods while maintaining the prevailing prices on food products?

[Answer] If we were not to take into account the level of production costs, then it would be possible to consider the different variants of price regulation. But after all, the low food prices which were maintained for many years in our country did not stem from the fact that agriculture produced high work output or that it had mechanized basic production processes, etc. Retail food prices were, in principle, "frozen" and only procurement prices were raised so that, under conditions of constantly increasing production costs, the profitability of agriculture production could be assured. For example, during the years 1967-82, procurement prices on agricultural products increased as follows: 1 kg of hogs--from 18 zlotys to 110 zlotys and that of live-stock--from 11.5 zlotys to 72 zlotys; 1 liter of milk increased from 2162 zlotys to 14.5 zlotys; 1 quintal of sugar beets--from 60 zlotys to 260 zlotys and 1 quintal of rape--from 800 zlotys to 2,500 zlotys.

Prices on food products did not follow the trend of procurement price increases on the above mentioned goods which make up a major part of the costs in the food industry. Food prices were not raised between 1967-82, if we do not to take into account the price increase carried out in 1978 on certain grades of meat and its products (the introduction of so-called, commercial prices) and in 1981--price increases on baked goods.

In the existing situation; i.e., when costs considerably exceed retail prices on food, it was first necessary to adjust these prices to the level of costs or, in other words, to raise them and also to raise prices on manufactured goods also as a result of the increased costs of their production. What matters, however, is that these increases should also serve the restoration of correct price proportions whereby in the long run both society and the economy will profit. And this is what happened since there occurred a relatively higher price increase on food products than on manufactured goods. The differentiation in the scale of price increases on these groups of goods did not occur under the influence of some sort of in advance accepted concept of rationalizing the price system but as a result of the fact that food production costs increased. A solution based on "freezing" prices on manufactured goods while raising food prices according to the cost of their production would, in such a case, still be lower than production costs, thus, requiring the use of subsidies. The means for these subsidies would, in turn, weigh down on food prices. Therefore, this would not be a better solution than the hitherto existing one.

[Question] Does the incorrect price structure limit the practice of rational priorities including social ones?

[Answer] From the point of view of producers' interests, prices should correspond to the real costs of production since it is then that they [producers] are equally interested in production for which there is a demand. In a socialist economy, there exist both specific needs and possibilities of allowing for various priorities within price ratios. This pertains, for example, to the protection of the living standard of economically weaker families; to certain needs of children and youth; to the needs of young married couples; the protection of health, education, science and culture. The implementation of these priorities requires the use of conscious price deviations from the costs--"up" as well as "down". This refers, for example, to products made for children, medication, school textbooks whose prices are set even below production costs with the concurrent assurance of subsidies for this production. There also exists the need for setting prices on certain products well above their production costs. For example, in the interest of the public's health protection and the combatting of alcoholism and smoking--the production of alcohol and tobacco products is encumbered with a high tax. This tax serves, among other things, the financing of subsidies for the production of products considered as priorities for social reasons.

There also exists a group of nonstandard products considered to be luxury goods and acquired by those with a very high income. These include, for example, expensive natural furs, crystal, highly decorative porcelain, better class cars, high quality cosmetics. Within the scope of these articles as well as that of certain services, there is no justification for maintaining low prices. The high accumulation of allowances made within the prices on these goods is, among other things, the source of means for these subsidies.

[Question] Every subsidy for production creates anti-incentives for its expansion, the lowering of prime costs, etc. and at the same time, subsidies are considered to be essential tools of social policies. Can such a conflict be solved?

[Answer] The problem is, indeed, complex. There are various concepts of how to solve this conflict. For example, the freeing of price from a social function is suggested. This would indicate the setting of prices on all market goods on the basis of costs. According to this concept, important social objectives should be attained through nonprice means, for example, by means of a system of grants-in-aid differentiated according to the amount of income per family member or through other forms of aid for economically poor families; through credit policies and grants-in-aid for young married couples. An advantage of this concept is, undoubtedly, the fact that social welfare is strictly directed at those who need it whereas everyone profits when relatively lower prices are maintained--thus, people with low income and those who are more affluent.

In the economic reform presently being introduced, the development of the policy of using direct forms of social aid directed at specific population

groups is given preferential treatment. However, it is not possible to abandon all forms of subsidizing overnight. It seems that things will go in the direction of the freeing of prices on selected products from taxes and gradually limiting the range and amount of subsidies.

[Question] On what is the significance based of correct price ratios for the functioning of a reformed economy? In what in particular, will their positive influence on management be expressed?

[Answer] Price is becoming one of the basic tools of management--an important factor in the shaping of the decisions made by enterprises and consumers. What matters, in particular, is that ratios between prices should reflect the difference of production conditions (production costs), market conditions between supply and demand as well as rational social priorities. Such price ratios will, among other things, be conducive to the shaping of the structure of market demand in accordance with the objective capabilities of the economy and they will also be conducive to the undertaking by independent enterprises of production decisions which will conform to public needs.

[Question] Recently, there appeared a new classification of price types which distinguishes official, regulated, contract and free prices. What sort of prices are these and do they apply to all food, manufactured and producer goods?

[Answer] The names of these types of categories of prices--official, regulated, contract or free-express roughly the division of authority for determining them. Official prices are determined by the Council of Ministers or by the State Price Commission [PKC] according to the guidelines of the Council of Ministers; regulated prices are determined by enterprises (manufacturers or sellers) according to the principles specified by PKC; contract prices are determined between the supplier and the buyer by way of agreement and free prices are set by the seller. The proportions of the particular groups of goods, for which these prices are determined according to estimate calculations, are arranged as follows: goods with official prices encompass about 35 percent of total commodity turnover; goods with regulated prices take in about 25 percent and those with contract or free prices--about 40 percent.

Official prices include: the means of consumption and services which have a fundamental meaning for living costs or for the protection of public health (for example, bread, meat, milk, sugar, pharmaceutical remedies--12 groups of goods altogether); the means of production and services which have a fundamental meaning for production costs (for example, hard coal, crude oil, gas, electric energy, metal ores, grain and fodder--19 commodity groups altogether); basic agricultural products purchased by socialized economy units; alcoholic beverages, tobacco products, salt, ethyl gasoline, diesel oil, gold and precious metals and postal-communications services.

Regulated prices are determined for goods and services whose production or fulfillment are subsidized by the state (except for those included in official

prices); certain materials and imported means of production; basic means of production for agriculture; the means of standard consumption (those not included in the list of official prices--40 groups of products altogether).

Contract and free prices include goods and services which are not encompassed by regulations pertaining to official and regulated prices.

[Question] We are planning to publish more extensive information on the subject of price controls, however, we have the opportunity here to present some of the issues.

[Answer] Significant changes within the sphere of determining prices coincided with the introduction beginning on 1 January 1982 of price reforms on producer-capital goods which causes increases in production costs and the necessity for changes of nearly all functioning prices on producer and market goods. Consequently, this has given rise to the need for a considerable expansion of control of regulated, contract and free prices set by manufacturers. Its goal is to limit excessive and unfounded price increases and thereby to ensure the protection of public and state interests. In recent decisions made by producers regarding price increases, there appeared undesirable trends. From the preliminary evaluation of these decisions, it appears that newly set prices on a large number of market goods are 100 to 200 percent higher than the prices which existed until now. Besides intensifying the control activity of the State Price Commission, the essential tasks in this area have been entrusted to the newly appointed Price Inspectorate, the Interministerial Team for Research Coordination on the Methodology of Price Creation as well as to organs of financial, ministerial and social control including social price commissions. The main task of the Price Inspectorate is to assure greater reliability in calculating costs and prices which will limit the possibilities of shifting by enterprises of the effects of their own mismanagement on society.

Such harmful practices are also being counteracted with increasing effectiveness by special plant teams called upon in accordance with the directive of the Secretariat of the PZPR Central Committee of 2 February 1981. Their supervisory activity in the area of shaping production costs and prices as well as their activity of initiating organizational-technical undertakings which influence the lowering of production costs and the improvement of its quality, contribute to the implementation of economical management and to the harmonious union of individual and group interests with the interests of society and the state.

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FIRST STAGE OF WAGE REFORM PROGRAM REPORTED

Warsaw TRYBUNA LUDU in Polish 30 Jun 82 p 1

[Article by Andrzej Leszczynski: "About the New Wage system"]

[Text] On 28 June of this year [1982], the Council of Ministers accepted a resolution on adapting the principles of paying state enterprise workers to the assumptions of economic reform. This is not as yet a total wage reform but only its first stage--the first step on the road to putting order into the muddled pay system. Further, more profound changes are to be introduced at the beginning of the new year. On what is this undertaking based? What can be expected from the implemented and projected changes?

In 1967, the average wages in Poland surpassed the two thousand sloty ceiling and it was more or less at this time that the popular "slogan" sprang up: "whether standing or lying down [on the job] two thousand zlotys are due you [as pay]." During the following 15 years, together with increased wages, the amounts in the saying changed but the first part of the slogan remained the same.

However, the rigid systems of basic wages did not loosen up, thus, preventing better pay for more productive and valuable workers and limiting the opportunities for so-called horizontal promotions which attest to the attainment of successive ranks of professional know-how.

Wages were enveloped in various supplements which in most labor groups were not tied to work efforts. At one of the labor meetings, someone said, "It suffices to punch a time card to get paid." Wages were paid not infrequently for presence alone at work.

In the jungle of all types of wage supplements paid out for various reasons, the meaning of basic wages became obliterated. With a dozen or so elements often going into the structure of wages, a worker would lose track of what and how much he was being paid for. The pay system ceased to be legible and comprehensible and together with this it began to lose its incentive power.

The lack of a link between wages and the real effects of work gave rise to a considerable span in the wage scale, particularly under conditions of freedom in economic policy. The famed wage "smokestacks" did not rise up there where they could possible have been justified.

The reform of the wage system which is currently being implemented is geared towards the correction of these irregularities and pathologies which had been accumulating for years; towards making the pay system more flexible and tying it to the effects of labor. In accordance with economic reform, enterprises are acquiring a far-reaching independence in the shaping of their own plant wage policies.

Such thought-out wage reform constitutes an unusually complex undertaking. It requires time for a sensible reconstruction of principles and criteria as well as for the breaking of certain generally accepted rules. It would undoubtedly be impossible to carry this out on the basis of a single decision. This is the reason for the concept of spreading out the reform into two stages of which the first stage has already been introduced while the second will begin on 1 January 1983.

In this first stage, already at the beginning of the year [1982] and along with the introduction of economic reform, enterprises obtained the possibility of the independent accumulation of funds intended for the payment of wages within their own financial means. They also gained freedom in determining the criteria for the paying of bonuses and rewarding workers.

Now, they are gaining freedom in the independent shaping of plant wage policies contained within the framework of the general pay policy outlined by the government and also in accordance with the principles of the labor code and collective agreements.

The system of labor rate scales has been expanded. Two higher classifications have been added to the nine existing categories of classifications. They have been set aside for workers with the highest professional qualifications. Work difficulty was treated in a much more differentiated manner. Four existing categories were introduced in place of the two existing ones.

Enterprises gained the right of determining their own wage tables in which pay rates are to be contained within limits specified by general wage rates which are, in any case, considerably higher than the previously existing ones.

Thus, something budged; the tight corset of principles and regulations which up to now had restricted enterprises--became looser. The road was opened to the implementation of the principle that wages ought to reflect the quality of the work performed. However, this is only the first step to complete reform--the first stage in the evolution of the system.

It is time now (at least 3-4 months) for more profound reflection together with the work forces on its [reform] ultimate, general form--one which will correspond to the scale of every plant.

Problems in this regard are not lacking. For example, in the first stage, it has been provisionally assumed that the pay scale established in a plant should be confined to a generally specified range (in the lowest, first category of classification, the pay should be 15.7 zlotys per hour and 45 zlotys per hour in the highest, eleventh class). Should these limits actually be maintained?

Perhaps complete freedom should be given to enterprises in determining pay rates limited only by their financial capabilities? However, would this perhaps not lead to the excessive differentiation of wages? In turn, imposing of functional diagrams would threaten with the renewed stiffening of wage policy.

How then can the mosaic of various wage elements, in which the average person becomes lost, be eliminated? What should ultimately find itself on the payroll so that it [payroll] will be clear and comprehensible?

The Ministry of Labor, Wages and Social Issues proposes that besides basic pay, differentiated according to the class category and the effects of labor, the following should be taken into account:

--functional allowances,

--piecework bonuses or bonuses for current, quality economical, etc tasks,

--awards and bonuses obtained from a portion of the profit and intended for distribution among the work force as well as

--additional payments for overtime work, for work experience, etc--thus, four to five elements instead of a dozen or so.

It is the intention of the ministry to bring out into relief in basic pay, the incorporation into wages of compensation and certain other supplemental payments. This is supposed to create a stronger incentive for conscientious, productive work while assuring on the part of the government, social protection for economically weaker families.

A more general problem is how to contain the socially accepted wage scale? It is recorded in the resolution on the Ninth Congress that the lowest wages should be equal to average wages while the highest wages should not exceed the average by more than three and a half times. These proportions are an expression of social expectations. How can these expectations be fulfilled?

The shaping of a just, rational wage system which creates realistic work incentives requires profound social reflection. For working people, this is an issue which is no less important than, for example, the system of compensation which was discussed several months ago. This is also a vital issue for the proper development of the economy.

The Party cannot remain indifferent on this very vital issue. The Party active must listen intently to the voice of the people; it must take notice of the developing trends and moods of the labor class. It is on this basis that it should formulate the party position which should coincide with the feelings of working people and be compatible with the exigencies of economic development.

9853
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ROMANIA

POPULATION DISTRIBUTION OF INDIVIDUAL FARMS IN MOUNTAINS

Bucharest ERA SOCIALISTA in Romanian No 6, 20 Mar 82 pp 15-18

/Article by Prof Dr Vladimir Trebici: "The Hill and Mountain Zone and Some Demographic Problems," in reference to Dr Eng N. Brasoveanu's article "The Hill and Mountain Zone As an Agricultural Food Potential with Great Prospects for Exploitation," ERA SOCIALISTA No 23, 1981/

/Text/ The hill and mountain zone is expected to play an important part in the strategy of the new agrarian revolution, wherein the problem of exploiting all agricultural resources is critical. Eng N. Brasoveanu's study has the merit of presenting a general picture of this zone, calling attention to the problems it presents, and outlining a number of realistic and competent proposals that could help to better exploit its agricultural food potential.

In analyzing the hill and mountain zone we must bear in mind at least four factors, namely the economic, social, demographic and ecological, and that requires from the start an interdisciplinary approach and a systemic point of view in studying it. The ethnographic and traditional aspects are also highly important because the most important ethnic centers preserving Romanian folk culture are located in this zone.

We shall concern ourselves solely with the population, labor force and demographic phenomena in this article, in keeping with the idea consistently stressed in Nicolae Ceausescu's works that the population is the chief productive force as well as the beneficiary of the results of all the efforts society makes. And so the solution of the general problems presented by the hill and mountain zone must begin with those of the population and the labor force, from the quantitative and qualitative standpoints. Unfortunately those problems have not been adequately treated in the Romanian literature.

Some qualifications are necessary for a proper understanding of the demographic aspect and to prevent misinterpretations (1). Economically speaking we distinguish among "private farms," which include CAP members' personal farms and the individual farms (farms of individual peasants and those of personnel in enterprises and institutions, small individual artisans and other population groups). As we shall see below, the activity of these farms is by no means negligible and adds to the activity of the socialist agricultural units.

From the social viewpoint, namely that of the social structure (2), the "peasants with individual farms" are a definite social category as to both total population and active population. In the census of the population and dwellings of 5 January 1977, peasants with individual farms numbered 818,150 persons in total population (3.8 percent of the Romanian population) and 633,371 persons in active population (5.9 percent of Romania's active population). Since the individual farms are generally speaking in the hill and mountain zone (3), we shall refer hence forth to the counties on both slopes of the Southern Carpathians, Eastern Carpathians and Western Carpathians. Specifically, we are confining ourselves to 15 counties (4) (Maramures, Vilcea, Bistrita-Nasaud, Arges, Alba, Caras-Severin, Suceava, Vrancea, Gorj, Bihor, Hunedoara, Neamt, Dimbovita, Mehedinti and Prahova), wherein the active population of the category of peasants with individual farms amounts to 484,672 persons (about 77 percent of the total peasants with individual farms), or 33.2 percent (ranging from 17 to 55 percent) of the active agricultural population of the respective counties.

Table 1. Some Economic Indicators for Individual Farms (1980)

| | Cifre absolute 15 | In % din agricultura României 16 |
|---|---|---|
| 1. Populația activă * | 633 371 | 16,1 |
| 2. Suprafața arabilă (ha) | 473 523 | 4,8 |
| 3. Pășuni (ha) | 236 548 | 7,8 |
| 4. Fânețe (ha) | 636 991 | 44,8 |
| 5. Livezi și pepiniere pomicole (ha) | 56 165 | 15,8 |
| 6. Bovine | 970 600 | 15,0 |
| 7. Ovine | 2 186 300 | 13,8 |
| 8. Carne bovine (t) | 134 000 | 21,9 |
| 9. Lapte (hl) | 11 989 000 | 22,6 |
| 10. Lână (t) | 5 097 | 13,6 |
| 11. Prune (t) | 175 100 | 28,2 |
| 12. Mere (t) | 61 100 | 14,8 |
| 13. Ovăz (t) | 18 000 | 38,3 |
| 14. Cartofi (t) | 824 400 | 20,4 |

1. Active Population
2. Arable area (hectares)
3. Pastures (hectares)
4. Hayfields (hectares)
5. Orchards and nurseries (hectares)
6. Cattle
7. Sheep
8. Beef (tons)
9. Milk (hectoliters)
10. Wool (tons)
11. Plums (tons
12. Apples (tons)
13. Oats (tons)
14. Potatoes (tons)
15. Absolute figures
16. Percentage of Romania's agriculture

*According to the 1977 census.

Let us review some economic aspects of the individual farms. For a better account of them, it is appropriate to point out that in 1980 the private farms occupied 15.6 percent of the nation's agricultural land, 47.2 percent of the area

in hayfields, 33 percent of the area in vineyards and vine nurseries, 22 percent of the area in orchards and fruit-tree nurseries, 38.5 percent of the number of cattle, 43.1 percent of the number of sheep, and 27.8 percent of the total hogs. As for production, the private farms produce 52.2 percent of the beef, 33.4 percent of the pork, 56.6 percent of the milk output, 42.6 percent of the wool output, about 36 percent of the output of grapes, over 75 percent of the output of plums, 34.5 percent of the output of apples, and 91 percent of the output of sweet and sour cherries.

What is the economic picture of the individual farms? We shall refer only to the indicators that have a particular bearing on the problem under consideration (See Table 1).

One-sixth of the active population in Romania's agriculture works individual farms, holding about half the area in hayfields, more than one-sixth of the number of cattle, and one-seventh of the number of sheep. As for the individual farms' contribution to the national agricultural output, it is particularly important in the case of beef (about one-fifth) and the outputs of milk and fruits and surprisingly large in the case of the outputs of oats and potatoes.

The main occupation of the hill and mountain zone is zootechnology, a sector of exceptional importance to Romania, and especially cattle and sheep raising and cultivation of fruit trees (especially plum trees) and some crops suited to the climatic and soil conditions (potatoes and oats).

The question is whether this zone's contribution to the national agricultural output is commensurate with the productive forces it has, and the specialists' (agricultural experts, economists etc.) answer is no.

The many causes of it have been examined in the last few years, especially since the First Congress of the Management Councils of the Socialist Agricultural Units and the Entire Peasantry (1977), and land deterioration, insufficient effort to improve livestock breeds, and inadequate mechanization were found, among other things. Fewer references were made to the labor force and its quality, and only to certain demographic imbalances caused by the village-city migration, which has been very intensive in the last two or three decades.

Paradoxical as it seems, from the systemic point of view analysis of the overall problems of agriculture and of the hill and mountain zone especially must include the problems of industrialization and the related problems of urbanization and internal migration.

If it is to make realistic and effective suggestions, the analysis must compare the causes and effects.

Let us begin with the active population in the social category "peasants with individual farms," with emphasis upon its structure according to age groups and sex. As I said, we are confining ourselves to the 15 counties, grouping them under the historical provinces (5). This supplementary procedure will be of some help to us in determining the influence of some regional cultural submodels reflected in attitudes toward migration, reproduction and the family. And in the last analysis it is necessary to bring out the effect of the demographic situation upon the number and structure of the active agricultural population (See Table 2).

Table 2. Distribution of Active Population in Social Category 'Peasants with Individual Farms' According to Age and Sex (1977)

| | Ambele sexe 1 | Masculin 2 | Feminin 3 | Femei la 100 bărbaţi 4 |
|---|---|---|---|---|
| Populaţia în vîrstă de 5 15 ani şi peste | 480 235 | 135 934 | 344 301 | 253 |
| 15–19 ani 6 | 21 462 | 6 671 | 14 691 | 217 |
| 20–24 „ | 32 501 | 8 036 | 24 465 | 304 |
| 25–29 „ | 34 442 | 7 070 | 27 372 | 387 |
| 30–34 „ | 34 339 | 7 458 | 26 881 | 360 |
| 35–39 „ | 43 835 | 9 542 | 34 293 | 359 |
| 40–44 „ | 48 857 | 12 090 | 36 767 | 304 |
| 45–49 „ | 52 378 | 13 865 | 38 513 | 278 |
| 50–54 „ | 51 963 | 15 052 | 36 861 | 245 |
| 55–59 „ | 35 050 | 9 913 | 25 137 | 254 |
| 60–64 „ | 38 923 | 11 835 | 27 088 | 229 |
| 65–69 „ | 38 363 | 14 169 | 24 194 | 171 |
| 70–74 „ | 28 770 | 11 865 | 16 905 | 142 |
| 75 ani şi peste 7 | 19 402 | 8 268 | 11 134 | 135 |
| Vîrsta medie (ani) 8 | 47,5 | 50,5 | 46,4 | |

1. Both sexes
2. Male
3. Female
4. Women per 100 men
5. Population aged 15 years and over
6. Years
7. 75 years and over
8. Average age (years)

In order to bring out the significance of the figures in the table more clearly, let us express them as an age-group pyramid (See graph below).

The first conclusion is that the active population of peasants with individual farms is in an advanced stage of aging, the average age being 47.5 years. By way of comparison we note that the average age of the active population in industry was 33.5 years (34.6 years for men and 31.4 years for women) in the 1977 census, and that of the "workers" category was 34.6 years, so that peasants with individual farms are 14 years older than their fellows in the active population in industry (16 years for men and 15 years for women).

The second conclusion we can draw from the figures in Table 2 is that self-reproduction (6) of the social category "peasants with individual farms" is not assured. If we take the ratio between the age groups of 30-39 years and those of 40-59 years as the index of self-reproduction, from the standpoint of replacement of the older age groups by the younger ones, it follows that the value of the index is 63 percent for men and 82 percent for women. In other words, simple reproduction (as an approximate term) is not assured. A qualification should be made concerning this problem. In view of the growing productivity of agricultural labor, the same output volume will be obtained with less expenditure of time in the foreseeable future, which means in other words that objectively speaking, the number of the active population in agriculture as well as its proportion in the national economy will be steadily reduced. In some advanced countries the

proportion of the population in the first sector (agriculture) is from 3 to 20 percent of the total active population, whereas in Romania it is about 30 percent. But the problem is a qualitative one, a matter of the optimal distribution according to age and sex and the educational stock with which the active agricultural population should be provided.

Active Population of Peasants with Individual Farms in 1977 (in 15 Counties)

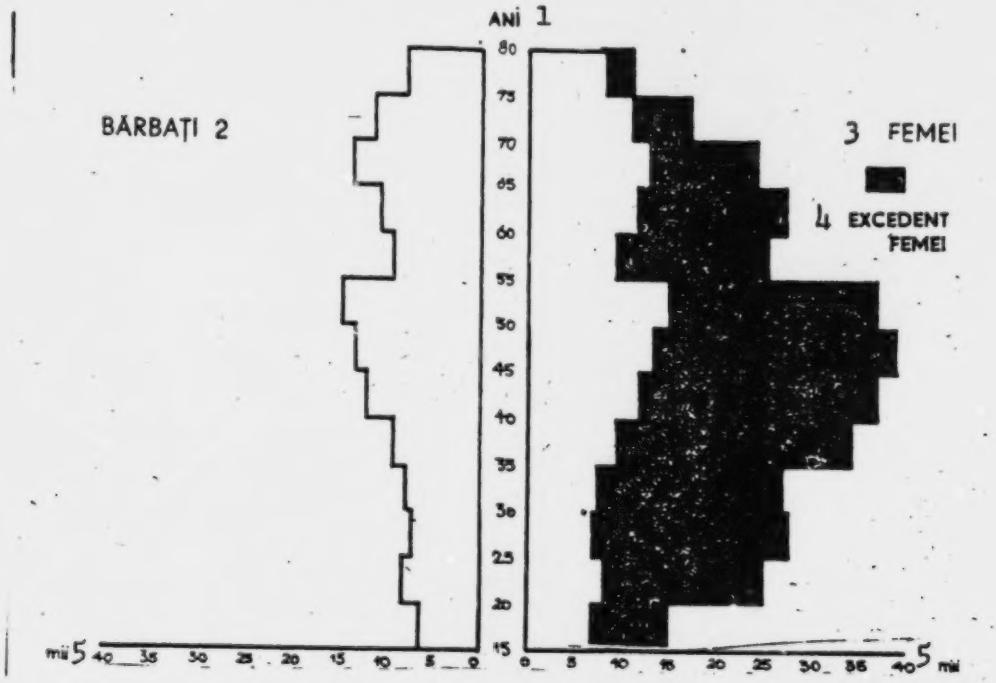


1. Years
2. Men
3. Women
4. Overplus of women
5. Thousands

The third conclusion is that the active population of peasants with individual farms is heavily feminized. There are 253 women for every 100 men, but the variation according to age is very great. In the most productive groups, from 20 to 39 years, there are 352 women per 100 men, while in the groups from 40 to 59 years there are 270 women. Of course the problem would merit examination from the ergonomic standpoint and that of labor productivity in order to bring out the difference between men and women in those respects. But for the demographer it is important to point out the effect of the extent of women's employment in economic activity upon fertility, or more precisely upon the necessity of reconciling the maternal function with the economic function.

It is clear from the foregoing summary that the peasantry in the hill and mountain zone is characterized by demographic imbalances. The demographic aging and feminization of that population and, in general, of the active agricultural and

rural populations are not mere metaphors, to say nothing of another negative process, namely disqualification or loss of educational stock, which we will take up a little later. But what is the economic significance of these imbalances? For a long time demography has pointed out that age is a very important economic variable. For example, labor productivity increases up to a certain age and then declines, while ceteris paribus an aged population is less favorable for labor productivity and consequently for production and its receptiveness to technical progress and innovations is much less. It could be argued that its experience is richer, but only youth can exploit it. Moreover a feminized active population, especially with less educational stock, is less effective in economic activity, and a modern agriculture with a high productivity and in step with technical progress cannot be achieved with a population wherein old men and women predominate, with a limited educational stock.

The above-mentioned characteristics of the individual peasantry vary from one county and one historical province to another. The average age of the men in the social category of "peasants with individual farms" is 47.4 in Crisana-Maramures, 48.5 in Moldavia, 50.6 in Transylvania, 51.2 in the Banat, 53.2 in Oltenia and about 55 in Wallachia. The lowest values of the average age of women are recorded in the Crisana-Maramures area (44.4), Moldavia (45.3), and Transylvania (46.2), and the highest ones are characteristic of Wallachia (47.4) and Oltenia (48.4). Accordingly the aging of the active population of individual farms is much more advanced in Oltenia and Wallachia than in Crisana-Maramures and Moldavia. Feminization is the most advanced in Wallachia (414 women per 100 men) and lowest in Crisana-Maramures (190 women per 100 men). Note also that in Wallachia for example there are 793 women to 100 men in the age groups from 20 to 39, while there are 236 in Crisana-Maramures.

If we take Bistrita-Nasaud and Maramures counties, where the number of peasants with individual farms is one-sixth of their number in Romania and their proportion in the active agricultural population is about one-half, interesting conclusions can be drawn. The men's average age is 45.8 and the women's is 43.7. There are 181 women to 100 men, and about 210 in the most productive age groups (20-39 years). Aging and feminization of the adult population are relatively less advanced in these counties.

Unfortunately we do not have statistics on the educational stock of the active population of individual farms except on the levels of the national rural population and the rural population by counties, but those figures give us an indirect indication. In the 1977 population census the educational stock of the urban population was 8.3 times greater than that of the rural one, and the average urban educational stock was about 5 times greater than the rural one (computed as a proportion of each of the two populations).

The foregoing points give rise to the natural question, what are the causes of the said processes and what measures could be devised to improve the situation and consequently create the conditions essential to exploitation of the agricultural food potential of the hill and mountain zone on a new level?

There are no easy answers to those questions. Among the causes of the said demographic imbalances we shall distinguish a direct cause, namely the residential, occupational and social mobility of the population, the most dynamic of which is

the residential one (from village to city). The migration is selective, its flows involving youth especially. The migrants' level of instruction is above that of the populations in the areas they leave. Women predominate in the migration in the younger age groups and men in the more productive ones. This regularity observed in the village-city migration also requires explanation. The theories and models of the migration duly emphasize the "attraction" of the localities reached (in this case the cities) and the "rejection" of the localities left (the villages), while the spatial mobility is accompanied by the occupational and social ones, although those two also occur without physical movement from village to city. Thus we come to the explanation of the act of mobility. According to some sociologists (D. Sandu) the general explanation is the difference in quality of life between village and city, between the occupation of farmer and the nonagricultural occupations, and between the social status of a peasant (cooperative and individual) and the status lent by the other social classes and categories. As we know, socialist industrialization was the chief reason for social and spatial mobility. The constructive nature of the village-city migration cannot be questioned. But it must be said in all responsibility that the migration was not socially and economically rational in all cases, just as urbanization, a constructive process, was not free of some bad effects either, such as some tendencies toward excessive concentration, lagging of small and medium cities, some discrepancies in urbanization among counties, etc. And so we come to industrialization, which as interpreted absolutely in a certain period without regard for the problems of agriculture. At the Second Congress of Management Councils of the Socialist Agricultural Units and the Entire Peasantry (February 1981) Nicolae Ceausescu said, "In the light of experience with socialist construction in Romania, it is now very evident that the principle of priority industrialization to the detriment of agricultural development and modernization actually led to neglect of the importance of increased agricultural production."

A more general and less apparent cause of the demographic imbalances affecting the rural population including the individual peasantry is the long-term decline in the birth rate as a general trend from which the rural population was not exempt. We are not examining that process now, but we should mention that Romania's whole demographic policy emphasizes stimulation of the birth rate and consolidation of the family as the basic nucleus of society, and the rural population of the hill and mountain zone was long characterized by a birth rate much higher than in other areas of Romania, a profound affection for the family, and the practice of extended families. The heavy village-city migration and the penetration of urban influences that were not always good seriously eroded the peasant cultural pattern. In recent years the statistics show us a birth rate of the rural population lower than that of the urban one. But it is significant that a higher birth rate is still found in Bistrita-Nasaud, Maramures, Neamt, Suceava and Vrancea counties, which have a relatively high proportion of individual peasants and are noted ethnic and traditional regions preserving the major folk culture.

The demographic aspects of the peasantry of the hill and mountain zone are combined with the economic and social ones, which have been brought out in various studies and articles. It clearly follows that the complex problems presented by agriculture and the peasantry can be solved only by a strategy that will completely integrate all the sectorial policies, from industry and agriculture to

regional planning and the demographic policy. Stopping the village-city migration by economic and educational means and causing some flows from cities to villages involve only one phase and one aspect of the problem. Motivations must be created for such a radical change in a trend that has been going on for several decades.

To be sure the suggestions that have been made to develop small industry and handicrafts in villages, to intensify the tourist function of the hill and mountain zone, and even to start model ethnic villages are well advised. The measures recently begun concerning the system of prices encouraging contracting and purchases in order to stimulate the growth of agricultural production and peasants' incomes will prove to be of major importance. There are sufficient levers that can be set in motion to solve a problem of national significance.

For my part, I would point out the necessity of composite studies with interdisciplinary participation to scientifically substantiate the measures that will be taken. I think it would be useful to resume the tradition of the monograph teams to study village life with affection and understanding, presenting a true picture of the villages' problems. In that way due importance would be attached to the study of the population and labor force and of the migration and demographic phenomena.

FOOTNOTES

1. The methodological information and statistics are taken from "Census of the Population and Dwellings As of 5 January 1977," Vol I; "Population: Demographic Structure," Vol II; "Population: Socioeconomic Structure," Central Directorate of Statistics, 1980; and "Statistical Yearbook of Romania, 1981," Central Directorate of Statistics, 1981.

2. The population census and the current statistics use the following classification of the social categories: a. workers (including workers in material production); b. cooperative members c. intellectuals and office workers (including civil servants); d. cooperative artisans; e. peasants with individual farms; f. private artisans; and g. professionals and others.

3. The number of peasants with individual farms in the plains area is very small. The counties have the following active populations: Botosani 850, Braila 604, Constanta 527, Dolj 1,676, Galati 1,068, Ialomita 673, Iasi 1,508, Olt 738, Teleorman 1,574, Tulcea 1,004 and Vaslui 1,293. In other words, their proportions are absolutely negligible.

4. Unfortunately we have no statistics on the communes in the hill and mountain zone, the number of which is 601 according to N. Brasoveanu, and therefore we are obliged to refer to counties.

5. The historical provinces are Oltenia (Gorj, Mehedinti and Vilcea counties), Wallachia (Arges, Dimbovita and Prahova counties), Moldavia (Neamt, Suceava and Vrancea counties), the Banat (Caras-Severin county), Transylvania (Alba, Bistrita-Nasaud and Hunedoara counties), and Crisana-Maramures (Bihor and Maramures counties).

6. A concept well known in sociology and in theory of social structures meaning the extent to which a social class or category reproduces itself in the absence of mobility between or within generations and consequently with no influx from other social classes and categories and solely by its own demographic mechanism.

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END

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17 August 1982

# East Europe Report

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2305

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17 August 1982

# EAST EUROPE REPORT

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2305

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## BRIEFS

POTAC RETURNS FROM MOSCOW--Svatopluk Potac, CSSR deputy premier and chairman of the State Planning Commission, returned from the Soviet Union on 23 July. In Moscow he had talks with Nikolay Baybakov, deputy chairman of the USSR Council of Ministers and chairman of the State Planning Committee, on current questions concerning the further intensification of economic cooperation between the CSSR and the USSR. [Prague RUDE PRAVO in Czech 24 Jul 82 p 2 AU]

CUBAN GUEST WORKERS--A festive meeting marking the 29th anniversary of the Cuban Revolution was held in the Tatra enterprise in Koprivnice on 23 July. The enterprise employs some 400 Cuban citizens. [Prague RUDE PRAVO in Czech 24 Jul 82 p 2 AU]

CSO: 2400/337

PROGRAM FOR STRUCTURAL CHANGES IN NATIONAL ECONOMY PRESENTED

Warsaw ZYCIE GOSPODARCZE in Polish 23, 30 May, 6 Jun 82

[Article by Jacek Moscicki and Alfred Musial; passages enclosed in slantlines printed in boldface]

[23 May 82 pp 1, 4]

> [Text] A characteristic of the current period is the strong pressure of present needs and social expectations for a rapid improvement in the economic situation. Hence the concepts of "postcrisis" development receive less attention than these issues, but at the same time there exists a fairly common public awareness that a permanent surmounting of the crisis and restoration of growth tendencies to the economy is not possible unless the major structural disproportions standing behind the crisis are leveled. Even now it is time to program the future accordingly.

/In the program for surmounting the crisis, the conception of the situation that can be regarded as "emergence from the crisis" is not clearly defined, to be sure, but even so it can be concluded that the public would regard it as a situation consisting in the reattainment of the level of consumption and degree of utilization of productive capacities prior to the period of collapse, i.e., in the 1977-1978 years./

Attention is being focused on expecting a tangible improvement in the level of production and organizational and technological discipline as well as on coping with factors producing the keenest and most adverse effect on the living conditions of the population. This is natural, since these are precisely the social priorities. But what matters is that these activities should from the outset be subordinated to some long-range concept of assuring productive capability in the long run. Essentially, the restructuring program represents precisely an attempt to formulate a picture of an economic structure that would assure such a capability as well as ways of economic restructuring oriented in that direction and instruments for controlling that restructuring. /The concept of the long-range restructuring should thus provide the broad strategic background for the program for surmounting the crisis, existing in a close logical relationship with that program./

Let us draw attention to the unique opportunities inherent in the present situation. /What seems difficult to implement during the normal functioning of any mechanism/--including the economic mechanism--because it entails disturbances in that mechanism and, like any change, is risky compared with what already works (though not so well), /appears easier in a situation when several elements of a mechanism cease functioning/. The natural inclination, then, is not to reconstruct the mechanism in its previous form but to take advantage of its stoppage, which is now a fact, by markedly improving it even if this costs more. History shows that many economic mechanisms had their structure successfully transformed and gained potential for growth precisely because they faced the breakdown or a deep disorganization of their previous structures. (As most recently exemplified by the changes forced upon the economies of the highly industrialized countries owing to the oil crisis.) This may sound paradoxical, but, /in a way, this represents a "positive" aspect of the crisis which is worth perceiving/.

By restructuring we mean a set of simultaneous comprehensive measures to alter the economic macro- and microproportions in the sphere of production, consumption, investments, employment and foreign trade. In this sense, the concept of restructuring markedly transcends the traditionally interpreted domain of structural changes in production and in the commitment of production factors, and it comprises all the basic activities making up the economy. By restructuring actions we mean /a set of measures taken in the material, informational and regulational sphere to implement the planned changes/ in a close relation to the evalution of the operating system of the economy. Here it is worth noting that the functions of restructuring processes differ depending on whether the macro- or microeconomic sphere is concerned.

Structural changes in the macroeconomic sphere mean changes in the shares of discrete branches and subsectors in the generation of national income and commitment of manpower and production resources as well as changes in the structure of the distribution of the principal elements of the division of national income: consumption and investments, and also changes in the structure of foreign trade. The principal subject of the microstructural system, on the other hand, is production organizations and discrete products composing the concept of variety of output.

The manipulation of macrostructure hinges to a large extent on the effective influencing of structural transformations at the unit of production organizations. /The traditional policy of structural changes proved to be, as a rule, much more effective as regards the formation of macroproportions, being accompanied by a definite lag in the sphere of the microstructure. (This is a feature observable in all socialist countries.)/

In our present situation the process of restructuring would take place under changed system conditions necessitating the adaptation of methods for its implementation to the operating principles of enterprises. Restructuring under these conditions will be, generally speaking, effective and consonant with the assumptions of the state's economic policy only to the extent to which it is shaped in that direction by centrally exercised instruments for influencing the enterprises.

We believe that, provided the instruments and parameters of centralized guidance are properly selected and the approach to the new system is flexible in the sense that the "spirit of the reform" is adhered to in lieu of adherence to the once formulated economic-legal system--the new operating principles of the economy harbor the promise that the maneuver of structural transformation will be more effective than ever. An effective transmission of the goals of the central level to the enterprise decisionmaking level represents the basic implementation dilemma of the restructuring process and, essentially, of the entire system of planning and management in the coming years.

/The attempt to formulate a concept of long-range transformations must proceed from a diagnosis of the principal weaknesses of the current structure, whose basic disproportions are manifested in:/

--the formation of a huge foreign indebtedness along with a shortage of export capabilities;

--deep disproportions in productive capacities, especially between the fuel-energy industry and the other branches of industry, as well as among the coproducing plants of various subsectors;

--overinvestment, i.e., the impossibility of utilizing the completed productive capacities owing to lack of raw materials and coproduction elements;

--the rise of excess purchasing power, greater than the supply of goods and services, which weakens the effect of incentive systems and the economic mechanism in enterprises;

--insufficient capability of agriculture, due to the failure to adapt the supply of means of production to the needs of agriculture, as well as owing to faulty agricultural policies;

--the divergences between employment in many industrial subsectors and the actual manpower demand in the presence of limited production possibilities.

None of the above-mentioned principal structural disproportions could be effectively countered in the economic practice of recent months. This is due to both the sociopolitical realities of 1981 and the economic policy adopted in August 1981 and still being continued.

A definite accomplishment of the recent period has been the halting--intially by organizational measures and subsequently to an increasing extent by means of material incentives--of the trends toward a decline in the extractive industries, followed by an increase in extraction. This has resulted in a marked improvement in the energy supply of industry--irrespective of the decline in the damand for coal owing to industrial stoppages. Another accomplishment was the implementation of the reform of retail prices, which is a basic step forward in the direction of restoring normality on the domestic market. However, /the economic policy of the last few months has primarily been--despite certain attempts at active intervention--a

defensive policy/ intended primarily to cushion the consequences of the decline in consumption and halt further regression of the economy by means of emergency organizational measures.

/Let us consider the principal problem areas:/

/The efforts to postpone the repayment of [foreign] loans/ did, to be sure, result in a partial refinancing of the obligations for 1981, but the burden of debt servicing, which has long since exceeded the ability of the Polish economy, remains an acute problem. Even in the event that successive postponements of the payment of principal and interest are negotiated on terms close to those of last year's, this would mean a burden of about $4-4.5 billion on the national economy and shifting the "wall of indebtedness" still further forward, into the second half of the 1980s. It is extremely doubtful, considering the stranglehold of indebtedness being tightened around the Polish economy, whether that economy will be able to start normal servicing of the indebtedness (augmented by additional interest, along with high payment requirements), even after the period of the postponement of payments elapses.

/The considerable decline in exports to the capitalist countries/ in 1980 and 1981 in the context of the existing situation has resulted in a curtailments of the volume of supply imports from these states for Polish industry --a decline of about 50 percent compared with 1979. Despite aid from the USSR and other socialist countries, industrial output during the first quarter of this year declined 10.8 percent. A process of downward slide along the spiral of the interdependence of exports and supply imports has been put into motion and is now difficult to halt, since this would require a fundamental increase in supply imports--which is not to be expected considering the current payments situation and the West's policy of economic restrictions. It is rather to be expected that there will be further restrictions on supply imports, along with a continuation of the disproportions and an imbalance between productive capacities and stages of processing, hobbling the increase in industrial output and exports.

To be sure, /attempts to break out of the vicious circle of the import-export interdependence by curtaining investment outlays/ have led to a radical reduction in the number of investment projects being implemented, but no solution as yet has been found for the problem of the considerable productive capacities of the sectors generating capital goods (with many of them, being unamenable to a sufficiently rapid "deceleration," still producing substantial output in 1981).

/The reform of retail prices provided the opportunities for a partial filling of the inflationary gap, but did not, because it could not, activate mechanisms for an increase in production./ Hence also the higher personal income of the population--owing to compensation payments [offsetting the price increases]--will contribute to the characteristic features of inflationary processes (hoarding, low personal savings). As the market supply gradually improves, the growing stream of manufactured consumer goods sold at new prices will gradually absorb the surplus purchasing power, while at

the same time exerting greater pressure on increases in wages and compensation payments. This threatens to bring about growth of the inflationary spiral, with all the consequences ensuing therefrom to the market situation and the function of incentive pay. That latter function has already been markedly weakened recently owing to the steady expansion of the rationing system and the dangerous blowup of the proportions between the remuneration of labor and the payments of compensation owing to the increase in living costs. The effect of the increase in retail prices is being diluted by the growing scope of the paternalist functions of the state (early old-age pensioning, social employment, etc.) which stand in a growing disproportion to the country's general economic situation. There exists a grave danger that such a policy of alleviating the consequences of the regulation of the economic system will maintain inflationary pressures and, as a corollary of the entire chain of consequences of these pressures, nullify the positive effects of the regulation.

/It must thus be stated that the economic policies so far have contributed only minimally to the elimination of the basic disproportions from which the Polish crisis had originated./ The depth of the deformations with which we are dealing suggest, on the other hand, that a genuine and permanent surmounting of the crisis is not possible unless deep structural changes based on the recognition of absolute economic necessities are undertaken. The statement can even be hazarded that/ such a restructuring must be implemented even at the cost of a temporary slowing of the growth rate and postponement of other tasks./

It is also worth noting that in some cases actions serving to meet the most essential needs of the current period may postpone or even obstruct processes of a long-range nature. In the present situation, the priority of current needs must be recognized as inevitable. But there is inherent rise in attempts to extend intervention at the central level--in the form of operational programs--to an increasingly broader range of needs with a longer implementation period. This threatens the perpetuation of a new and increasingly more institutionalized system of goals and the attendant menace --in the event of an excessively prolonged use of this instrument--of the drift of the entire economic system under the pressure of current needs, newly arising special-interest groups, and bargaining mechanisms for the acquisition of funds.

To avoid this, it should be assumed that, /following the 1982-1983 interim period, economic actions at the central level should be focused on implementing a 3-year plan whose heart is to be precisely a strategy for transforming the economic structure./ This means both a change in goals and a fundamental change in methods of action.

/The particularly acute nature of the conflict between current needs and the requirements of the future necessitates, given the present sociopolitical conditions, dividing the program for restructuring the economy into three stages:/

--emergency measures, comprising the 1982 period;

--medium-range measures, comprising the years 1983-1985;

--long-range measures.

These periods will differ both in the scope of the structural measures undertaken and the nature of the instruments applied centrally to implement them. In our discussion of the aims of the structural maneuver and the instruments for directing the structural changes, in the second part of this article, we shall refer to the above division into stages.

[30 May 82, p 9]

> [Text] The restructuring of the economy is intended to pursue two basic goals:
>
> --enhancing the country's economic self-sufficiency and
>
> --improvements in effectiveness.
>
> The implementation of the first goal should be structurally reflected chiefly in an export-oriented readjustment of the economy and the attainment of Poland's self-sufficiency in the field of food. The implementation of the second goal should be reflected in the meshing of productive capacities through, among other things, a broader utilization of domestic raw materials and those imported from the socialist countries and developing countries, as well as in structural changes resulting in a decrease in the material-intensiveness and energy-intensiveness of production.

We will now describe the nature and course of restructuring processes intended to accomplish the above goals: an increase in exports, the assurance of self-sufficiency in food, the meshing of capacities, and the reduction of the material-intensiveness and inergy-intensiveness of production.*

Development of Exports

We assume that in the present situation the development of exports is the principal link in the chain of economic dependences, because it affects the country's payments ability and hence also the level of imports and the settlement of debt obligations. These last two factors will, in their turn, decide the level of production and hence also of exports.

Increasing supply imports represents a kind of "flywheel" for the entire

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*The present article incorporates the findings of a team of experts from the Planning Commission under the Council of Ministers regarding the concept of a long-range transformation of the country's economic structure.

economic mechanism. For we proceed from the premise that /the fundamental flaw in our economy is not so much its considerable import-intensiveness as the lack of adequate export capabilities/.

Polish per capita imports are less than half as high as in the other socialist countries. In 1980, Poland's imports amounted to $537 per capita compared with $1,038 in Bulgaria, $967 in Czechoslovakia, and $1,171 in the GDR.

Making an export-oriented readjustment of the economy one of the basic goals of economic restructuring is of deeper significance than a mere securing of funds to finance the needed imports ensuing from the balance-sheet conditions of the economy. Namely, this concerns /fashioning exports into an instrument for making the economic structure more flexible/--in the sense of the possibility of a rapid adaptation of supply to demand by means of imports--as well as into a factor stimulating production and improving its quality and up-to-dateness.

The export-oriented readjustment of the economy would be accomplished by:

--/concentration of sizable funds on selected fields/ interpreted more narrowly than the traditional "exports specialization," namely in particular plants and products. These would act as "locomotives" pulling improvements in the quality and technological level of production at coproducing plants. The relatively limited investment funds that will be available at the central level in the near future would be chiefly allotted to precisely these sectors of production. In the selection of specializations, priority should be given to promoting the fields which already have proved their worth in exports. The task of each branch should be to specify the groups of products that should be included in export specialization and outline the paths of their development, as well as to concentrate and intensify the work of R&D facilities on precisely these sectors;

--/intensive use of economic instruments to stimulate the exporting motivation/ of enterprises; such instruments include foreign-exchange allowances, tax relief, loan terms, rate-of-exchange policies, etc. Considerable hopes as regards stimulating a proexport orientation of enterprises are associated with foreign-exchange allowances for enterprises engaging in exports. These allowances will play a fundamental role in activating the aforementioned "locomotive effect," serving as a source of foreign-exchange income to enterprises coproducing for producers specializing in exports.

This, however, raises a number of questions:

--/The problem of stimulating exports to the CEMA countries/ remains unsolved, since these exports lose competitive ability compared with exports to free-foreign-exchange countries which provide a source of the enterprises' own income in convertible currencies;

--The method of crediting foreign-exchange allowances is controversial: an allowance that is averaged for all enterprises does not allow for the specific features of discrete fields of production and conditions of

implementation of imports, but on the other hand, the crediting of differentiated allowances to individual enterprises involves considerable red tape in the manipulation of this instrument;

--There exist justified fears that the system of foreign-exchange allowances for exports would seriously curtail or even completely obstruct access to foreign exchange for small enterprises providing important products for the system of producer and market supplies.

To some extent these questions would be resolved by introducing--initially on a limited scale--cash sales of foreign currencies at a rate that would balance demand with supply; in the event that these currencies are used for export purposes, the difference between the market quotations and official rate of exchange of the foreign currencies would be refundable.

The development of effective export instruments in this field for the present period and future years is not only a basic requirement for transforming the production microstructure but also an effective means of opposing inflationary pressures.

It is difficult to forecast the volume of exports during the period until 1990 in view of the many unknowns, but it appears to be a minimum task that exports on the scale of $1,000-1,100 per capita should be attained by the year 1990, that is, the current per capita level in such countries as the GDR (in 1980, $1,068 in the GDR, $963 in Czechoslovakia, or $1,125 in Bulgaria) should be attained by then. To our country this, however, would mean doubling our 1980 export level.

Food Self-Sufficiency

The implementation of the idea of food self-sufficiency for this country means, during the first stage, the attainment of a stable equilibrium of foreign trade in agricultural and food products. During the second stage, this would mean eliminating all dependence on imports.

But while this second goal is regarded as a long-range one, a stable equilibrium of the foreign-trade balance of agricultural and food items should be achieved fairly rapidly. This ensues from the country's difficult payments situation as well as from the possibility of procuring grain and fodder on foreign markets.

To accomplish these goals, /decisive action is needed in two spheres/:

--the structural policy toward agriculture itself and the general policy of the state toward that sector;

--the structural policy in industry, oriented toward meeting the demand for industrial means of production for agriculture and food management.

The policy of structural changes in agriculture must be oriented toward restoring the proper proportions between the development of crop and

livestock production. This requires a marked acceleration of the growth of crop production, especially of grain for meeting consumption and fodder needs, and the adaptation of the scale and structure of livestock production to the domestic fodder resources.

The main effort should, however, be focused on improving the effectiveness of the management of the entire potential committed to processes of the production and processing of food. This is /a task for the state's agricultural policy/, which should, in our opinion, pursue the following aims:

--providing every sector of agriculture with equal development conditions;

--assuring the viability of private farming and treating it as a permanent element of the socialist economy (as already reflected in extensive legislation), while at the same time providing convenient terms for turnover of land, increase in the concentration of production, and improvement in the structure of cultivation on private farms;

--improvements in the forms of contractual procurements of farm products, as a form of planned influencing of the development of agriculture, especially of private agriculture;

--assuring the complete profitability of agricultural production and maintaining parity between incomes of agricultural and onagricultural population.

Effective influencing by the state of the development of agricultural production and adaptation of its structure to the needs of the national economy will require a full exploitation of economic instruments, particularly as regards price, loan and tax policies. In our opinion, the production-fiscal function of land tax should be restored. Raising the land-tax rates according to the level of farm income would, on the one hand, stimulate a better utilization of land and other means of agricultural production and, on the other, serve to regulate incomes and equalize the differences for farmers tending lands with poorer soils. The level of state-fixed /procurement prices/ should be linked to the cost of agricultural production and the retail prices of food, this being a fundamental prerequisite for maintaining the equilibrium of the food market.

Another basis requirement for achieving the country's food self-sufficiency is structural changes in the macroeconomic system to increase industrial production for agriculture. These changes include primarily:

--increasing the supply of mineral fertilizers, crop protectants, chemical feed additives, and fodder-silaging facilities;

--increasing the supply of tractors, machinery and equipment assuring a comprehensive mechanization of discrete production processes, and increasing the output of spare parts and tires;

--expanding the operating capacities of the contractor enterprises engaging in land reclamation;

--expanding and modernizing the processing, storage and warehousing capacities of the entire agricultural and food complex.

The increase in the supply of means of production should be accompanied by their improved adaptation to the needs of individual sectors of agriculture. It is also necessary to expand production services, perform changes in the distribution of resources and in organizational forms, and utilize technical means of production in agriculture.

The implementation of these tasks should result in curtailing the most greatly needed imports, namely, the imports of grain, to about 1 million tons during the years 1985-1990, which is needed owing to technical considerations. In this way, the degree of grain self-sufficiency of our country would increase from about 72 percent in 1980 to 95-96 percent during the years 1985-1990.

Harmonization of the Economy

This goal, in the sphere of restructuring, can be reduced to the solution of two fundamental problems:

--the filling of structural gaps due to the absence of meshing among different stages of processing;

--reducing the dependence on imports from the developed capitalist countries.

The measures to be taken in these directions should be chiefly focused on the elements of the production chain whose growth may produce multiple effects for the entire economy. In view of the limited investment possibilities, the filling of structural gaps and the substitution of imports must be achieved primarily through modernization and adaptation, as well as through the activization of small-scale industry. The aim also should be to complete the construction projects initiated in previous years--in accordance with the adopted directions of the restructuring of industry, and especially to utilize the machinery and equipment that have been accumulated for these projects. This will entail resorting to resolute and often drastic measures in the management of manpower resources and fixed assets.

The effects that can thus be achieved are by their very nature limited; hence it should be realized that in the long run the implementation of the intended structural changes does not appear feasible unless the share of investments in national income is increased. But the purposes on which the increased fund of central investment monies are to be spent must be closely meshed with the assumptions of the restructuring program and serve the fields regarded as being of special importance to the state's economic policy, e.g. the development of private housing construction. Effective central-level influencing of the restructuring processes taking place through the mediation of the investments made by enterprises is of fundamental importance.

The differences in the scale of maneuver during the next few years and at the end of the 1980s determine the nature of the tasks in both periods. In view of the extremely limited short- and medium-range investment possibilities of

the economy, the harmonization of productive capacities will occur chiefly within the industrial subsectors through the adaptation of the level of product types and assortment to the level of the available supply as well as by means of streamlining measures imposed centrally and ensuing from the economic reform. The meshing of productive capacities within the intersubsector system, which is chiefly to be accomplished during the second half of the 1980s, will be chiefly aimed at equalizing the structural disproportions that have existed for the last few years.

The situation in industry is a consequence of the development priorities adopted in the 1970s. The rapid development of the electrical-machinery, extracting, and metallurgical industries has not been accompanied by a correspondingly rapid development of branches of the heavy chemical industry, while the development of the electrical-machinery industry, light chemical industry, and light industry has been largely based on imports of semifinished products. To equalize these disproportions in the 1980s it will be necessary to realign the allocation of resources so as to develop the processing industry while at the same time reducing its dependence on imports. Other changes in structure should be carried out depending on the effects of measures to promote exports and to increase the output of products needed by agriculture and food management.

Essentially the harmonization or meshing of productive capacities means following the principle of the complementariness of development. This may occur even at the expense of a temporary suspension of the expansion of the productive capacities of heavy-industry branches, especially until the qualitative and structural problems associated with the full utilization of the already existing potential are solved.

It is imperative to reduce within the next few years the dependence on imports from the capitalist countries. This is an objective necessity and not some calculated strategy for withdrawal from participation in the international division of labor. Afterward, in the long run, an increase in imports seems feasible, provided that a definite improvement is achieved in expanding exports--this last being regarded by us as one of the fundamental strategic objectives of the 1980s. This will not be powsible, however, given the acute curtailment of imports, unless we explore ways of replacing the swindling flow of import deliveries with other supply sources. This should be accomplished chiefly by:

--/implementing the concept of food self-sufficiency/ by converting industry to produce for agriculture and pursuing an effective agricultural policy while at the same time gradually eliminating imports of grain and feeds;

--an active program for putting into operation substitute production to supplant the hitherto imported materials, components and assemblies, while at the same time meeting the requirements of economic rationality; a decisive orientation of R&D facilities toward work on technological and organizational innovations; an effective utilization of domestic raw materials; and the activation of imports-replacing domestic production;

--/reorientation/, insofar as possible, of the acquisitions of supplies and capital goods /toward the socialist countries and the developing countries/, basing trade with the latter on barter terms.

In the present period, it is particularly necessary to develop such forms of cooperation as processing services with regard to entrusted raw and other materials which would make it possible to exploit the unutilized--owing to the halting of supply imports from the capitalist countries--production capacities of the Polish processing industry, and especially of the light and chemical industries (utilized about 60-65 percent during 1981), as well as participation by partners in completing the temporarily suspended investment projects. At the same time it is necessary to continue the development of industrial specialization and coproduction, especially in the electrical-machinery industry (automotive industry, shipbuilding, etc.). Loan, price and tax preferences as well as other forms of stimulating the process of supplanting the materials and components hitherto imported from the capitalist countries with their counterparts produced by the CEMA countries should be provided.

Reducing Material- and Energy-Intensiveness

The structural measures in this direction should be aimed at:

--intersubsector changes in the form of reducing the share of the subsectors with highly material-intensive technological processes (metallurgical, metal, machine-building industries, means of transportation, and others) in the structure of industry;

--intrasubsector and intrabranch changes through giving preference to production facilities characterized by low unit consumption of raw and other materials and energy.

Investment activities must follow the principle of priority for investments that produce savings in the consumption of raw materials--priority over investments that result in an increase in their extraction.

The principal ways of restructuring the economy so as to reduce material- and energy-intensiveness are:

--withdrawal from operation of facilities and entire plants consuming excessive amounts of materials and energy, and the supplanting of material- and energy-intensive technologies with their more economical counterparts, especially those based on domestic solutions and equipment, e.g., gradual abandonment of large-slab technology in construction and the expansion of the scope of plastic working of metals in lieu of their machining [metal cutting], etc.;

--expanded use of regenerative technologies which produce considerable savings of materials--especially the regeneration of spare parts of machinery and vehicles, the reprocessing of worn oils and lubricants, multiple reuse of packagings, etc.;

--expanded use of production and postconsumption wastes, oriented both toward increasing the recovery and utilization of the wastes already being utilized (scrap, waste paper) and toward the recovery of previously unutilized wastes (e.g., granite rubble, rare metals present in the wastes of nonferrous ore, etc.);

--reduction of the share of gasoline in the consumption of fuels for transport purposes by increasing the share of motor oil; transfer of shipments from automotive to rail transport; development of greater use of electric locomotive and reduced use of diesel locomotives; withdrawal of the least utilized merchant-fleet ships which result in a negative foreign-exchange balance, and sales of the most wornout ships abroad;

--restructuring of the automotive industry with the object of gradually converting it to the production of vehicles meeting the needs of the national economy, especially as regards economical fuel consumption;

--development of the production of insulating materials for construction, etc.

These measures should result in a marked reduction in the currently highly energy- and material-intensiveness of industrial production and national income, considering that it is estimated that at present energy consumption per unit of national income in Poland is greater by a factor of 2-3 than in such countries as France of the FRG. A similar situation exists a regards the consumption of steel, cement and other materials.

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The implementation of the above measures should cause the Polish economy in the years 1985 and 1990 to display the following estimated indicators:

Forecast of Structural Changes in the Polish Economy During the 1981-1990 Period

| Subject | 1981 | 1985 | 1990 |
|---|---|---|---|
| Structure of national income, in %: | | | |
| Industry | 57.2 | 58.0 | 59-59.5 |
| Agriculture | 9.3 | 9.4-9.5 | 8.5-9.0 |
| Structure of industrial output, in %: | | | |
| Extractive industry | 6.9 | 6.7 | 5.6 |
| Processing industry | 93.1 | 93.3 | 94.4 |
| Structure of agricultural production, in %: | | | |
| Crop production | 57.6 | 58.8-59.0 | 61-63 |
| Animal production | 42.4 | 31-21.2 | 37-39 |
| Material-intensiveness of national income, indicator of consumption in tons per million zlotyz of national income: | | | |
| Coal | 36.8 | 34.0 | 25-27 |
| Steel | 3.5 | 3.2 | 2.5-2.8 |

Instruments for Control

We assume that the meshing of the measures applied with the aims of the economic policy is predicated on incorporating all the instruments for guiding the economic processes in the central annual plans and subsequently in a 3-year socioeconomic plan. This poses extremely high requirements to the center, which shoulders the burden of assuring the adequacy of control instruments to the aims of economic policy and the internal coordination of the system of parameters applied.

The choice of control instruments for directing the structural changes as well as the specific requirements for them will change with the development of the country's economic situation. Generally speaking, two periods may be distinguished here: the interim period for the years 1982-1983 and the ultimate period that would, if conditions warrant, commence in 1984.

--/The 1982-1983 period./ During this period the role of economic instruments must of necessity be limited, for the basic prerequisite for their effective utilization will not yet have been met--meaning the operation of an economic mechanism substructed on the principles of the economic reform. The operation of that mechanism will during this period be limited by the absence of a market equilibrium and the attendant necessity for far-reaching intervention of the state into the sphere of functioning of the enterprises. That is, during this period, instruments of a direct nature will chiefly be used. They will include, in addition to the fundamental decisions as regards the proportions for the division of national income, foreign trade, strategic investments, etc., the following essential instruments:

--/decisions made in operational program / regarding the assurance of the basic conditions of subsistence of the population and the functioning of the state;

--/orders and prohibitions of a more or less general nature such as the prohibition against the manufacturing of products/ having an energy-intensiveness that exceeds a certain standard; orders to discontinue the types of production that are of secondary importance to the economy, etc., as well as direct supervision of the flow of raw and other materials to preferred branches of industry, and of the flow of products and directions of sales (e.g., exports or spare parts).
To some extent the application of the above instruments will also be needed after the mechanism of the economic reform is fully operative, since they often represent in this system the sole means of protecting the consumer or forcing technological progress in monopoly fields.

The system of administrative measures will during this period be accompanied by an increase in the scope of utilization of instruments of the economic mechanism, and chiefly of incentives of a positive nature. The branch ministries, in particular, are expected to influence the related decisions of enterprises by means of:

--/tax relief/ for measures consonant with the concept of restructuring the economy, such as: the supplanting of imported raw materials with their

domestic counterparts; the substitution of scarce raw materials; the manufacturing of new products on the basis of the existing raw materials base; and the provision of specific services or other measures unrelated to the traditional product type and assortment;

--/bank-loan preferences/ for enterprises which adopt modernization and adaptation measures consonant with the restructuring principles;

--/application of a degressive income tax scale/ once a specified level of output is exceeded by the extractive enterprises;

--/profit-tax exemptions/ for reduction in unit consumption of scarce raw materials (imported and domestic) and fuels and electric energy;

--/the introduction of the clearing of accounts for exports to the socialist countries/ on the basis of domestic prices (an export bonus of, e.g., 5 percent) upon the application of compensatory accounting in foreign-trade enterprises.

The above-mentioned instruments for direct influencing and elements of the economic mechanism could be utilized within the above scope during the first stage of structural transformations of the economy. But the chief burden of restructuring processes coincides with the period in which the economic mechanism will already have been operative.

--/The period after 1984./ It is to be assumed that, beginning with that year, the utilization of economic parameters in directing the processes of economic restructuring will become fundamentally important. Thus, the preceding years should be a period of the final formulation and consolidation of the economic-financial system and the elaboration of a system of economic parameters to be applied during the years 1984-1985. To assure continuity of planning in enterprises, it is also necessary to prepare a forecast of these parameters during the 1986-1990 five-year plan period.

If this will be an internally coherent system, it can be expected that the decisions to be made under its influence by the organizational units [enterprises] will constitute a process close to the intentions of the program for economic restructuring. In practice, the attainment of complete consonance in this respect is hardly likely even if there is an extremely high efficiency of the transmission of the center's intention to the sphere of decisions by the enterprises. In this connection, an essential role must be played by the system of continuous monitoring of real processes, serving to activate correcting instruments depending on the real situation that arises. These instruments will derive from the same arsenal that is to be chiefly used for directing the structural processes during the years 1982-1983. After 1984, their function will reduce to that of intervention and the principal factor in shaping the restructuring changes will be the economic-financial mechanism. At the same time, the employment of orders, prohibitions, and preferences of an administrative nature will be deeply curtailed: during that period their role will be reduced primarily to counteracting instances in which an enterprise may exploit its monopoly position.

[6 Jun 82, p 9]

> [Text] The paramount objective of the structural changes in the economy whose concept and instruments for implementation were presented in the previous parts of this article is a decisive break with the process of the decline in the development capabilities of the economy, to be followed by the reconstruction and consolidation of these capabilities. Clearly, this objective cannot be accomplished solely by means of the structural changes in the sense described above. It can be accomplished, in our opinion, by means of an aggressive and internally coherent complex whole of simultaneous radical measures in the sphere of the structure as well as in the sphere of the functioning of the economy--measures oriented toward an absolute implementation of the needs ensuing from cost effectiveness.

The nature of these measures should be reflected in the priority of qualitative changes consisting in the ordering and scheduling of the economy and streamlining of the utilization of its resources--that is, in giving them priority over objectives of a quantitative nature. This requires, on the one hand, far-reaching changes in the commitment of resources and, on the other, strengthening the motivational power of economic mechanisms and, if the need arises, verifying the various solutions contained in the economic reform.

We believe that, when so interpreted, the purpose of the strategy of structural changes has a realistic chance only if bold and consistent steps are taken in the economic policy for the next few years, and particularly in four of its areas: the payments situation, the structure of production and distribution, employment and social policies.

The Payments Situation

Poland's indebtedness to the countries belonging in the so-called second payments area [capitalist countries] at the end of 1981 was $24.3 billion (long- and medium-term credits). The burden of this debt on the Polish economy is characterized by the following three features:

--the so-called "requirement," i.e., the size of payments of the payments of principal and interest due in a given year amounts to about $11 billion for this year, and 90 percent of payments obligations are due within the next 3 years;

--the ratio of payments due in 1982 to the annual foreign-exchange revenues from exports of goods and services will be about 180 percent;

--given the present level of imports and the general state of the economy, the ability of the economy to improve the balance of trade turnover with countries of the free foreign-exchange area is limited.

The size and features of the foreign indebtedness necessitate exploring new solutions as regards terms of payment. The concepts so far in this field amount to solving this problem by means of the simultaneous refinancing and restructuring of the indebtedness. Even under favorable circumstances, that is, when obtaining through negotiations the same terms as in 1981, /these concepts will not result in the solution of the balance of payments with the capitalist countries in the next few years/.

Given the present level of supply and coproduction imports, the economy's ability to increase exports markedly is extremely limited. The present level of imports is accompanied by a marked decrease in both the exporting ability of the economy and the exportability of production. This is confirmed by preliminary estimates of the anticipated turnover with the capitalist countries in 1982. As for the possibilities for increasing supply imports, given the burden of debt repayments and recently also the west's economic restrictions, they are extremely low.

Postponing part of the debt repayment until the second half of the 1980s will result in the perpetuation of the problem of the balance of payments in its present form until at least the end of the decade. For it is difficult to expect that in the second half of the 1980s exporting ability would be sufficiently high to offset the increased installment payments of the debt, given the continuing greatly restricted possibilities for increasing supply imports.

The concepts advanced so far presuppose, moreover, the retention of a definite uncertainty factor in the sphere of the balance of payments depending on the attitude of the creditors. The maintenance of an extremely narrow field for maneuver in restoring economic growth does not provide the possibilities for a rapid increase in exports. Such a scenario of payments results in practice in a further tightening of the stranglehold of indebtedness.

Resolving the payments situation and emerging from the "trap of indebtedness" require effectuating /a change in the terms of debt servicing, such as would assure/:

--fixing the payments at a level corresponding to the capability of the Polish economy in the 1980s, i.e., providing for the possibility of its restarting and for an increase in exports;

--total debt moratorium (eventually with some exceptions) for several years in order to provide the Polish economy with a chance for ordering and regrouping its resources and activating the mechanisms of the new economic-financial system.

In the general context of political and financial conditions, as well as from the standpoint of the interests of the creditors themselves, such a solution appears realistic.

Production and Distribution

The implementation of structural changes on the proposed scale requires, in our opinion, a much more active approach to the problems of production and distribution in the economy.

/First, a fundamental issue is a deliberate reduction of the import pressure/ in industry through changes in the structure of imports, consisting in a marked reduction of the imports of grain and feeds and consequently also in a deliberate reduction in food consumption to the level ensuing from the criterion of the foreign-exchange self-sufficiency of the food economy.

/Second, it appears necessary to exert strong economic and social pressures in order to improve the performance/ of the work force and enterprises through a consistent implementation of the principle of making income dependent on performance regardless of the starting conditions of the enterprises. It is necessary to create an economic obligation of labor while at the same time limiting employment in enterprises to an economically justified level and breaking with the practice of social employment [i.e., overemployment].

/Third, it is necessary to strengthen and give preference to the economically strong enterprises//having the potential for the development of profitable production and exports, while at the same time depriving of the chance for survival the weak enterprises which produce below a specific level of effectiveness of the utilization of production factors.

/Fourth, finally, it is necessary to provide the material conditions for the development of private housing construction/ and promote the tendencies of the public to channel its own funds and labor into that sphere. There should be a definite increase in the share of private construction of single- or multiple-family housing meeting a lower standard and based on the utilization of local raw materials and manpower. The program for the development of private housing construction has a chance for becoming an essential factor in the program for surmounting the crisis.

The acceptance of these assumptions would necessitate:

--the introduction of a genuine labor market as well as of economic pressures stimulating concern for one's job;

--linkage of remuneration to actual contribution and results of work;

--modifications of wage structure to differentiate real income as a function of performance (departure from the tendency toward egalitarianism of wages);

--counteracting the attempts to introduce different forms of distribution of industrial goods, such as products of the light industry, of the electrical machinery industry, etc.; the aim should be to apply equilibrium prices on the broadest scale possible;

--fixing real--based on actual cost--housing rents, which should provide an economic incentive for private housing construction.

Employment

The structural changes in the economy will inevitably result in substantial shifts of manpower resources. There arises, on the one hand, the problem of an effective adaptation of the level, forms and structure of employment in production organizations to economic rationality and, on the other, the problem of providing the conditions for the utilization of the manpower released as a result of these processes.

The recently taken measures to streamline employment are primarily based on leaving to the enterprises the freedom to select the structure, forms, and level of employment according to their production needs, as well as the freedom to determine their own wage fund according to their financial situation. As regards the utilization of surplus manpower, the chief instrument applied was earlier retirement of older workers as well as an increase in upbringing allowances which was to provide a material incentive for working mothers to withdraw from gainful employment. Also broadened were the scope and forms of the utilization of activity funds allotted for, among other things, financing the vocational training of jobless persons and persons changing their vocational careers, payment of equalization allowances, organization of emergency work programs, etc.

These measures appear to be insufficient from the standpoint of the scale of the problem. Some of them, such as lowering the age of retiremnnt, produce marked negative side effects in the subsectors in which there is an employment shortage, while at the same time withdrawing the most experienced workers from vocational and professional activity. To strengthen the effectiveness with which the labor market is directed, in our opinion, a broader application of economic instruments is indispensable.

This concerns, above all, the control exercised by the financial and banking apparatus over the granting of loans, subsidies and tax relief, which need not be granted to enterprises operating at a loss, as well as over the monitoring of the correctness of cost-effective accounting in order to eliminate instances of increases in product prices to offset the costs of overemployment. In addition, wages should be made more attractive in enterprises at which growth in output is obstructed by a continuing shortage of manpower.

As regards the "absorption" of the thus relieved surplus manpower, it appears indispensable, above all, /to identify the needs for skilled personnel during the coming decade and, on this, basis to readjust the orientations of vocational training/. At the same time, it also appears indispensable to increase the outlays on the expansion of the material facilities for the development of the handicrafts industry, trade and services, as well as to radically revise the system of legal regulations impeding the development of private enterprise (some of which, characteristically, derive from as far back as the era of fedualism). Finally, an active approach is needed toward the problem of the /employment of Polish citizens abroad in the form of trips by organized teams of experts/; the expansion of the scope of export of construction services; employment in neighboring countries in so-called

border traffic; and, to a specified extent, individual trips abroad for purposes of gainful employment.

The above directions of action should contribute to restoring the structural equilibrium of employment. But they will not totally eliminate the employment surpluses in industry and construction. Hence, it would be necessary to decide /to adopt more radical solutions as well, in the form of the creation of the so-called passive employment/. This would mean setting up contingency groups formed through signing labor contracts with the least skilled workers and those with low labor discipline or who work in "surplus" trades and do not avail themselves of the possibilities for retraining. Such persons could be utilized in growth enterprises that are expanding their profitable production, in private housing construction, and in specific projects such as land reclamation work, municipal sanitation, maintenance and repair of railroad tracks, etc.

Social Policies

The traditional model of social policies, consisting of meeting existing needs, has been encountering major implementation problems. These ensue from the general incapability of the economic organism--the decline in national income and in the consumption fund. /The social policies and scope of the guardian functions of the state cannot continue to exist in an explicit conflict with the results achieved in material production and the country's economic possibilities./

The adaptation of the model of social policies to the existing economic base means the necessity of curtailing the guardian functions of the state, with the exception of the most pressing social needs. It is necessary to reanalyze this model from the standpoint of the concentration of the state's efforts on selected fields. This means in particular:

--consideration of the problem of the social minimum [guaranteed subsistence level] under the present critical conditions from the standpoint of relating it more realistically to the reduced level of real personal income;

--the consideration of the scope and forms of certain nonreimbursable social services from the standpoint of their partial "commercialization." Here a major factor is the problem of the low quality of these services in relation to social expectations, and the lack of opportunities for effective improvement of this situation through increasing the outlays from the state budget. While partial protection of certain segments of society should be retained, the "economization" of certain social services in return for a major improvement in their quality could meet with public approval.

The changes in the social policies should also be oriented toward curtailing the direct distributive functions of the state as regards the distribution of income from labor, and strengthening the indirect functions (e.g., income tax, indirect taxes) as well as preserving the principle of protection for individuals and families whose survival is the most threatened.

Summing up briefly the theses presented above, we can state that our purpose was to demonstrate /the necessity of settling the problem of foreign indebtedness on terms providing a chance for restarting the economic mechanism/, increasing the exporting capability, and commencing the process of debt reduction. We further stated that the activation of this process requires an increase in supply imports at the expense of grain and feed imports, along with the concomittant far-reaching "economization" and rationalization in the sphere of production and distribution. In practice, this would mean a significant decline in the food-consumption level during the initial period (2-3 years) along with a tangible increase in exports and in the market supply of manufactured consumer goods owing to the fruitful effects of the increased supply imports, as well as owing to the reallocation of means of production and manpower resources and the absolute implementation of the requirements of cost-effectiveness analysis.

The proposed version may be reproached for ignoring the current socioeconomic realities in this country. /Yet essentially it stems from the recognition of drastic economic realities as the crucial factor in the long-range development of the situation, and it is intended to counter them with measures commensurate with the depth of the consequences of the crisis./ For we must conclude that any further maintenance of the state's protective "umbrella" over the level of the consumption of goods and services in the traditional structure will result in--as indicated by simulation-model calculations--a systematic decline in per capita national income or, in the best case, the reconstruction of the level of income prevailing in the late 1979s, toward the end of the current decade. The social consequences of such a development would probably, even within a few years, necessitate suspending the repayment of the foreign debt and transition to a path close to that proposed in the program presented there. This would mean further delays in overcoming the crisis and attaining the stage of economic growth.

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# CURRENT SITUATION IN MATERIALS INDUSTRY ASSESSED

## Effect of Enterprises' Reform

Warsaw GOSPODARKA MATERIALOWA in Polish No 5-6, Mar 82 pp 81-90

[Article by Czeslaw Skowronek: "Opererating Principles for Enterprises in 1982 and Their Impact on Materials Management"]

[Text] From the beginning of 1982 the state enterprises started to operate under new principles. A process of inculcating the economic reform began. Its basic solutions were included in the "Directions of the Economic Reform" accepted by the Ninth Party Congress and adopted by the Polish Sejm. This document was the basis for the initiation of the process of preparations for the next legislative developments. Thus, on 25 September 1981, after lengthy preparations the Sejm passed two laws of fundamental significance to the whole shape of the reform, that is, the law on state enterprises (DZIENNIK USTAW No 24, Item 122) and the law on the state enterprise's worker self-government (DZIENNIK USTAW No 24, Item 123).

In December the government sent the Sejm a package of eight draft laws to regulate the basic principles of the national economy's operation. Before the laws were passed*, the economy could not operate in a "systems void."** Therefore the principles of the economy's operation needed to be established back at the beginning of 1982. To this end, on 30 November the Council of Ministers passed Resolution No 243 on the principles of operation of the state enterprises in 1982 (MONITOR POLSKI No 32, Item 287). This resolution regulates in a comprehensive way the mechanism of the national economy's operation. The basic solutions in the resolution come from the draft laws referred to the Sejm. Hence, we can say that the principles set down

*These laws were passed by the Sejm at sessions on 26-27 February of this year.

**The provisions of Council of Ministers Resolution No 118 of 1980 on the principles of operation of the economy expired as of 31 December 1981.

in the resolution begin the process of inculcating the economic reform. The decisions in the resolution take into account the particular conditions in which the economy finds itself, especially the deep economic imbalance in many fundamental segments of the economy's operation, that is, in material supply, in foreign trade, and on the domestic market. In this state of affairs, some systems decisions implemented by the resolution are a departure from the ultimate solutions and are transitional in nature. As the national economy achieves equilibrium, they will be eliminated. Certain solutions for the interim period related in particular to distribution and state control of means of production and consumption were provided for back in the middle of 1981 in the basic reform document, "The Directions of the Economic Reform."

The introduction of martial law into the country and the economy last December did not stop the work related to the economic reform. The basic decisions of the Council of Ministers resolution on the principles of operation of the enterprises in 1982 are still timely. Certain changes were introduced by Council of Ministers Resolution No 278, dated 30 December 1981, on the operation of the economy under martial law (MONITOR POLSKI, No 1, Item 1).

Our future deliberations will be based on the decisions in the two abovementioned Council of Ministers resolutions.

We are presenting the basic solutions of the mechanism of the economy's operating, making an assessment of the extent of their impact on the materials management of the enterprises, particularly in two major segments of it:

1) the operation of supply functions,

2) effective materials management in the enterprise.

Economic Planning

In a fundamental way the provisions of the resolution change the course of the planning of economic activity at both the central and enterprise levels. There is no direct relationship or arithmetic consistency between the central plan and the plans of the enterprises. Here it is only a question of directional consistency, which should be shaped by economic instruments. The central plan does not directly set tasks for the enterprises or indicate the means for accomplishing them.

The enterprises independently plan their own economic activity and are directed by the following circumstances:

1) knowledge of the possibility of selling their own production and services for export and the domestic market; it is also a matter of contracts, customer orders, and also a realistic forecast of demand,

2) knowledge of the possibilities of obtaining supplies of raw and other materials, fuel, and power, and of the assurance of essential facilitations through contracts with suppliers, as well as obtaining necessary allocations of items included in official distribution plans,

3) operating production potential and the possibility of expanding it,

4) the set of instruments, norms, and standards (especially financial ones) contained in the solutions of the economic system of the enterprises,

5) the collection of information from the Central Annual Plan.

In 1982 the basic element determining the dimensions of the enterprises' production activity is the availability of raw and other materials, fuel, and power.

The sizes of the supply of these factors of production will have an impact in most cases on the size of the production program of the enterprises in the processing subsectors of industry, construction, and other sectors of the national economy.

The restricted supply capabilities also have an impact on concrete decisions in the planning sphere at the central level. It is anticipated that an annual plan and quarterly plans will be drafted.

The realization of priority socioeconomic goals will be assured by what are called operating programs. The enterprises carrying out these programs will receive priority in supplies of materials and in obtaining import funds. Fourteen operating programs have been listed altogether. Here are examples of what they include:

Deliveries and management of fertilizers and pesticides,

Supplying agriculture and the food industry with machinery, equipment, fehicles, spare parts, tires, and batteries,

Production of fuel and power,

Production and supply of protective and workmen's clothing,

Exports to countries of first payments area [socialist countries] and second payments area [capitalist countries],

Production and supply of meat and fats,

Management and processing of milk,

Production for the country's defense preparedness.

Special plenipotentiaries of the various ministers have been entrusted with coordinating the execution of these programs.

The provisions of the resolution envisage that the coproduction contracts previously entered into will be maintained. They can be dissolved only with the consent of both parties or as the result of the handing down of a decision by the arbitration commission.

The new planning mechanism can be summed up concisely as follows:

1) the central plan will not directly set the tasks for the enterprises or the means of carrying them out,

2) the enterprises' plans are autonomous, completely independent programs of their operation,

3) the central plan lists particularly important priority goals which are included in what are called operational programs.

From the viewpoint of the materials economy, the planning principles in effect in 1982 will have the following consequences:

1) priority in the supply of raw and other materials, fuel, and power will be given to those enterprises which are producing the goods and services included in the operational programs,

2) the sizes of the enterprises' economic activity will depend on materials-power factors of production, and therefore the enterprise's own understanding of the supply possibilities must be the basis for constructing its plan,

3) the prohibition against unilateral breaking of coproduction contracts is aimed largely at maintaining conditions for completing production.

Decisions in the sphere of economic planning have an impact on future solutions for the mechanism of the functioning of the economy. This particularly applies to the supply system, which we will develop somewhat, owing to the subject's importance to the economic reform as a whole.

Principles of Material-Technical Supply

During the transition period of the economic reform, the mechanism of the functioning of material supply will be of particular significance. This significance stems from the extreme imbalance in this segment of the national economy. For this reason special solutions must be applied which differ from the ultimate shape of the reform. These solutions were pro-

posed by Group VII of the Economic Reform Commission and with some modifications were included in the provisions of the Council of Ministers' Resolution dated 30 February 1981.

Especially the following points are of particular significance:

1) increase in the role of contracts in supply proceses,

2) new way of balancing materials,

3) altered sphere and manner of distribution,

4) new role and function of the supply turnover organizations.

Even in 1982 a fundamental proportion of technical-material supply should be based on sales contracts (for deliveries) freely entered into by suppliers and customers. It is estimated that about three-quarters of all supply will be accomplished this way. As suppliers the enterprises will be entirely free in their selection of channels and forms of sales (direct, intermediary, to enterprises trading in the means of production).

Next, the enterprises which appear on the market as customers will have the full right to choose their sources of supply: the producer, wholesalers, retail. Except for restrictions implied by distribution and turnover monopolies, which we will discuss later, there will be no administrative restrictions operating here, but it must be clearly emphasized that here there are many problems arising out of the grave developmental imbalance, import restrictions, and the like. There will probably be difficulties in buying items not covered by the distribution system. As the result of the difficulties in covering their needs, many enterprises will have to limit the size of their production, but it should be anticipated that the enterprises' material interest in increasing production will occur, particularly where there are no materials barriers.

Economic pressure should liberate initiative and the enterprises' interest in increasing production and saving materials, which should turn into an additional supply of production and services.

Despite these difficulties, the basic direction of the reform -- this is the horizontal production-supply relationships and contracts as instruments for guiding production, supply, and the sales of independent economic units, the enterprises -- should be accomplished to a great extent even in 1982.

The basic instrument for providing equilibrium in supply should be materials balance-sheets. The principles envisage 88 central materials balance-sheets to be drawn up at the central level in 1982, with 73 of these being drafted by the Council of Ministers Planning Commission and 15 by the Office of Materials Management.

The central materials balance-sheets include the basic raw and other materials, fuels, and also secondary raw materials. The balance-sheets are an instrument of internal coordination of the central plan and principle of material supply policy. If a given item on the balance-sheet is not part of the distribution system, then the balance-sheet is solely informational, and no distribution decisions come out of it. This clear definition of the role and functions of balance-sheets and distribution is important throughout the mechanism of the economy's functioning in the future. As an instrument for insuring balance, the balance-sheets are a fixed component of the mechanism of the functioning of the economy.

As a method of making resources available, the distribution system, on the other hand, should be temporary in nature and stem only from the lack of balance on the means of production market.

The further process of inculcating the economic reform should lead to the inculcation and development of the modern methods of balancing materials. The balance-sheets should become a real instrument to even out the economy. On the other hand, the distribution system should be a disappearing method for allocating material resources.

The serious imbalance on the means of production market is making necessary the temporary continuation of the distribution of the means of production, but the way it works under the reform is completely altered and remote from the previous vertical ministry-branch management systems.

In 1982 the distribution system includes 16 groups of items of fundamental significance to the functioning of the national economy. These are: hard coal, coke, liquid fuels, products of ferrous metallurgy, products made out of noble metals, electric cables, batteries, plastics, rubber, tires, cement, softwood lumber, chipboard, paper and cardboard, and raw hides. It must also be added that limits have been placed on the consumption of electric power as well as natural gas and coking gas.

At the central level the Council Of Ministers handles distribution on the basis of the proposals presented by the Chairman of the Planning Commission and the Minister of Materials Management. This distribution encompasses only the basic directions of domestic consumption and export. On the other hand the detailed distribution is handled by designated supply turnover organizations, such as the Coal Sales Center for coal, the Metallurgy Supply Center for coke, CENTROSTAL for products of ferrous and steel metallurgy, and the Cement Sales Office for cement.

The individual supply turnover organizations may use various methods of distribution, that is:

1) registered allocations for all customers,

2) registered allocations for the largest customers, while using the principle of free sales for the rest,

3) limited sales for certain groups of customers, while using the principle of free sales for the rest.

Thus the customer-enterprises receive allocations from the supply turnover units, not, as in the past, from superior units. In receiving materials allocations, priority will be given to those enterprises that are carrying out production of priority goods and services included in the operational programs.

A proportion of the enterprises will not be able to obtain an adequate supply of materials to fit their production capacities. There will probably be a need temporarily to limit or suspend production. These are extremely difficult but necessary decisions, when we take into account the severe imbalance on the means of production market and the drastic import restrictions.

Within the whole structure of the supply system, the supply turnover organizations have a special role to play. There will be several characteristic changes from their previous operation.

The supply turnover organizations are becoming a major link in the distribution of items included in the distribution system. They will determine the precise directions of distribution, being directed by priority goals included in the operational programs and also the sales guidelines formulated by the central bodies. The organizations engaged in the distribution of items will receive the right to exclusive turnover of these items. This means that the enterprises producing distributed items will not be able to dispose freely of the production entrusted to them. The directions and forms of its sales will be determined by the supply turnover organizations. This exclusive right does not apply to items which do not meet the established quality and utility requirements or improper reserves subject to a different sort of management.

The enterprises which handle the sales of items covered by exclusive right of turnover without a corresponding decision by the turnover unit are subject to grave financial sanctions. They are obliged to turn over to the budget a sum corresponding to 50 percent of the value of the items sold. Alongside items included in the distribution system, exclusivity (monopoly) in turnovers has been also applied with regard to several other areas, that is: electrodes and zinc-lead binding agents, protective clothing and personnel protection equipment, fire-fighting equipment and extinguishing agents, cotton and wool, asbestos, chemical reagents, phosphorites, and apatites. Altogether exclusive turnover rights are held by 20 supply turnover organizations.

The use of the above-mentioned solution is aimed at expanding the extent of control using the supply processes during the transitional stage of the economic reform. Undoubtedly this will limit the enterprises' independence both in terms of sales and in terms of supply. It will create

in a sort of official way a turnover monopoly, thereby facilitating the operation of the turnover enterprises. We should watch carefully the correct functioning of this point of the reform. As supply and demand come into balance in the various groups of items, we should withdraw the right of exclusivity, because it is in essence contrary to the ultimate structure of the reformed supply system.

Another new element in the operation of the turnover organizations is the creation, in the material turnover units conducting the system of materials distribution, of special oversight groups. These groups include representatives of the Planning Commission, Office of Materials Management, Minister of National Defense, and other interested ministries and central offices. It is the task of these groups to exercise general oversight over the distribution of materials and to review appeals concerning allocations.

We have presented in the most concise way the basic principles of the operation of the technical-material supply system. The following consequences stem from them for the production enterprises:

1. A fundamental share of technical-material supply, even during the initial phase of the inculcation of the economic reform, will function on the principle of horizontal production-supply relationships established by way of contracts. Therefore the enterprises must independently concern themselves with insuring adequate supply as well as with selling their own production.

2. In many enterprises the supply possibilities will determine the sizes and structure of production. I think that during the initial stage of the reform, there will not be any great problems with selling their production.

3. The manner and principles of distribution will change drastically. The production enterprises will enter into cooperation in these affairs with appropriate turnover organization. This also concerns those enterprises in which certain functions in the supply sphere have been entrusted to associations of enterprises.

4. For 21 supply turnover organizations the introduction of exclusive right of turnover for specific groups of items will lead for certain enterprises to restrictions in the realm of selling their production and will also narrow the field of choice of sources of supply.

Principles of Import

Because of the very difficult situation in the country in the realm of the balance of payments (large debts reaching nearly the value of 4 years' exports) and trade (continued great drop in exports and a level of imports which exceeds the level of exports), during the initial phase of the inculcation of the economic reform, there will be great import restrictions. Import restrictions are still worse under martial law, because certain

capitalist countries are imposing specific export-import restrictions, which is making it more difficulty for enterprises to gain access to imports.

In general we can indicate that there will be two basic sources of foreign exchange funds:

1) foreign exchange allowances from revenue gained from export,

2) allocations of funds by central bodies for precisely specified purposes.

Foreign-exchange allowances represent a source of import financing for the purpose of carrying out export production. They will be obtained by those enterprises which export goods to countries of the second payments area [capitalist countries]. The level of the rate of foreign-exchange allowances is set as a ratio of the value of deliveries for export production from coproduction and supply imports to the exports accomplished in convertible currency. This ratio is based on the actual data for 1980 or, in the event of significant changes in this ratio, taking into account the assumptions of imports and exports in 1982.

The maximum value of the allowance rate cannot exceed 50 percent of export income. The particular way of setting the allowance rate is set by the Minister of Foreign Trade in cooperation with the Minister of Finance. It should be emphasized that part of the foreign-exchange funds gained as a result of the allowances may be passed on by the enterprise to its coproduction partners. This should enhance their interest in undertaking coproduction for the purposes of export.

At the central level, the Chairman of the Planning Commission has created an interministry team to guide imports. This group will allocate cash foreign-exchange funds for the following purposes:

1) carrying out operational programs, for the appropriate ministers, who oversee the execution of these programs,

2) importation of raw and other materials on the central balance-sheets, for the Minister of Foreign Trade (it is with regard to items on the centrally produced balance-sheets drawn up by the Planning Commission and the Office of Materials Management),

3) imports for needs of the domestic market, for the Minister of Domestic Trade and Services,

4) needs of the nonproduction sphere, for directors of appropriate offices and institutions,

5) imports for central investments, for the appropriate investors,

6) imports designated to create state reserves.

On the other hand, it should be stated that funds for imports will be very limited, and to this extent the needs will not be met.

A concrete production enterprise may obtain these funds from various sources, that is, from other enterprises, from a central allocation, which will depend on its concrete situation.

Producer Prices

The principles for creating and using the prices which will be in effect in 1982, unlike other segments of the functioning of the national economy, to a great extent have an ultimate nature which will be defined in the price law. These principles are of fundamental significance in the sphere of materials management, because they create the conditions for an economic choice in buying materials and will serve as an incentive to save materials. The force of this impact, however, will depend on a number of factors and circumstances, which we shall try to point out.

In the realm of the means of production we can define three basic price categories: 1) official prices, 2) regulated prices, and 3) contract prices.

Official prices are set by the Council of Ministers or at its authorization by an appropriate body of the central administration. These prices cover three basic groups of items:

1) means of consumption and services of fundamental significance to the cost of living and the protection of the population's health,

2) means of production and services of fundamental significance to the enterprises' production costs,

3) basic farm products procured by units of the socialized economy: grain, slaughter cattle, slaughter hogs, chickens, milk, sugar beets, rape, tobacco; these products in most cases are a means of production in the manufacture of consumer goods.

Official prices apply to the following means of production:

1. Hard coal, brown coal, and coke
2. Crude oil and fuel oil
3. Piped and bottled gas
4. Electric power
5. Ores and scrap metal
6. Ferrous and steel products
7. Nonferrous metal products
8. Timber and sawn lumber
9. Cement
10. Cellulose
11. Cotton and wool
12. Chemical fibers
13. Raw hides
14. Rubber
15. Apatites and phosphorites
16. Sulfur and sulfuric acid
17. Chemical fertilizers, fertilizer lime
18. Grain, commercial fodder, and fodder additives
19. Domestic shipments of goods by rail, truck, or water transport

The prices of the means of production of fundamental significance to enterprises' manufacturing costs are set at the level of prices paid or obtaining in foreign trade with free foreign-exchange countries. If there are differences between the price set and the average price in free foreign-exchange turnovers and these differences exceed 10 percent, then the official price should change correspondingly. If there is no possibility of setting prices at the level of foreign trade prices, then the official price is set at the level of mean production costs, with attention given to the profit surcharge necessary for the enterprise's self-financing.

Regulated prices are set by the enterprise in its own area on the basis of the costs of production and selling goods and services plus the profit surcharge. The profit surcharge is established as a percentage of the amount representing 8 percent of the value of the direct fund financing fixed assets, material and legal values, and working capital as of 1 January 1982 up to a total of the processing costs the previous year.

The minimum surcharge for profit amounts to 10 percent of processing costs. Processing costs are calculated according to the following principles: the total prime cost is reduced by the direct materials costs along with purchase costs, the costs of outside processing, and also the guarantee costs and losses for defects.

We can present as follows a simplified example of the calculation of the profit surcharge:

| | |
|---|---|
| 1. Statutory fund financing fixed assets and nonmaterial and legal costs | -100 million zlotys |
| 2. Statutory fund in working capital | - 20 million zlotys |
| 3. Total | 120 million zlotys |
| 4. Total prime cost | 150 million zlotys |
| Breakdown: | |
| Direct material consumption costs | -85 million zlotys |
| Purchase costs | - 5 million zlotys |
| Outside processing costs | - 3 million zlotys |
| Defect and guarantee costs | -10 million zlotys |
| Total | 103 million zlotys |
| 5. Processing costs | 47 million zlotys |

Thence the percentage index of the profit surcharge amounts to

$$\frac{0.08 \times 120}{47} = \frac{9.6}{47} = 20.4 \text{ percent}$$

Thus in our example the average profit surcharge on processing costs amounts to 20.4 percent, or is higher than the lower projected limit by 10 percent. This is the way it should be in the concrete example in calculating the prices of goods.

Regulated prices are set on the following groups of products and services:

1) commodities and services whose production or rendering is subsidized by the state,

2) materials, if their delivery is based on distribution schedules or is included under the obligatory intermediary system and there are no official prices established for them,

3) imported means of production, if their import takes place within the framework of allocated foreign-exchange funds and they have no official prices established for them,

4) basic means of production for agriculture: farm equipment and machinery, tractors, and pesticides,

5) foodstuffs of a standard nature specified in Appendix 4 to Resolution No 243.

Contract prices encompass goods and services not covered by official or regulated prices. They are set by contract between suppliers and customers.

We have presented the most general principles for the creation and application of prices. There are certain general comments which come up against this background, and certain consequences also follow therefrom concerning the way the enterprise proceeds and concerning the influence on the sphere of materials management.

The fact that the prices of basic raw and other materials are based on foreign trade prices is of great significance to the whole shape of the economy. It creates conditions for realizing the foreign trade profitability prices. It makes rational cost effectiveness possible. By carrying over the prices of basic raw and other materials to the production costs of the final products, the general level of costs is made realistic and the circumstances are created for assessing the real profitability of foreign trade.

The principles established for constructing regulated prices will give the priority to those enterprises which have production assets of high value at their disposal, regardless of the extent to which they are utilized. There can also be further consequences in the realm concretely of the ratios of processing costs, the level of production assets. This would require separate treatment.

On the one hand, contract prices should incline the enterprise to undertake additional profitable production, and on the other side, the deep imbalance in many segments of the means of production market can create an excessive inclination to increased prices.

All these issues will need to be carefully followed, and appropriate regulatory action will have to be undertaken.

Two basic problems are related to the establishment and application of prices in the sphere of materials management:

1) the incentive nature of prices in the sphere of management effectiveness,

2) practical action of supply services under the conditions of applying the new price-setting principles.

A basic question arises as to whether the new principles of setting prices are creating sufficient conditions for increasing the effectiveness of materials management, and especially for reducing the materials-intensiveness of production. I think an answer to this question would be premature. We do know many of the elements of the enterprises' behavior under the conditions of the reform. Undoubtedly there are many solutions which should be inducements to improving management effectiveness, but it is not certain whether they are fully operative. This depends on the effectiveness of all the basic solutions of the economic reform. The state of equilibrium on the means of production market will also exert substantial influence here.

The new price-setting principles are creating new phenomena never before encountered in the work of the supply services. These services must become fully cognizant of the principles for calculating prices, in order to be fully prepared to carry on the proper price negotiations, know the proper levels, properly calculate the components, and so on.

Each transaction in the realm of contract prices can be different in terms of the level of prices paid. This requires new decisions concerning the listing of materials, the use of fixed contract list prices, and the clearing of discrepancies.

General indices for clearing discrepancies will probably not work, because they can distort costs. The prices will have a direct influence on costs. Therefore the following and monitoring of their levels and the taking of measures to reduce them are new tasks for the supply services.

Related to prices is the system of profit margins in trade. It is anticipated that for commodities bound by official and regulated prices, margins set according to the same principles will be used. In the other cases, contract commission fees and margins will be used. The principles for setting margins will also make it possible to select sources of supply. The supply services must calculate which sort of purchase is the most profitable: the producer, wholesale, or retail trade.

Thus the new principles for setting and applying prices are creating new phenomena in the activity of the enterprises. The skillful use of the

positive elements of the changes can lead to increased management effectiveness of the enterprise. The lack of knowledge of opportunities for improving the economics by having an impact on prices may cause the enterprise to suffer adverse financial results.

The Incentive System

A particularly important component of the new mechanism of the economy's operation is the incentive system, or, to put it another way, the principles of financing remuneration. The principles introduced in Resolution No 243 drastically differ from those systems solutions which were previously in effect. The size of the funds for wages and remuneration is not directly related to any standard of measure of the enterprise's activity.

There are three basic sources of increasing remuneration:

1) increase in remuneration that is a component of prime production costs,

2) increase in remuneration from profit distribution,

3) price increase adjustments set centrally by state bodies.

In addition, as in the past, the annual bonus fund, called the thirteenth paycheck, is calculated into costs.

We shall discuss the sources of remuneration increases and at the same time show the possibilities for using them as an incentive to increased effectiveness in materials management.

The enterprise independently sets the size of the funds for remuneration in keeping with financial possibilities and the needs of its activity. Remuneration encompasses all sorts of cash expenditures and the value of services in kind [fringe benefits] (or their cash equivalent), which the enterprise pays directly for the benefit of physical parties for the work they perform. Expenditures of this type are charged directly as costs of the enterprise's operation.

The enterprise independently distributes funds for remuneration among its various components, being guided by the wage-skill pay scale tables in effect. It also sets independently the principles for awarding bonuses, setting aside a specific share of the wage funds for bonuses.

Obviously the enterprise cannot arbitrarily or unrestrictedly increase the cash funds designated for remuneration. The limitations which occur are entirely economic and not administrative in nature. They are shaped on the basis of certain parameters. The mechanism of regulating funds for remuneration, generally speaking, is based on the liabilities of increase in mean pay in relation to the previous year per employee. These liabilities are paid out of the profit for distribution minus the deduction for the reserve fund according to the following scale:

| Item No | Percentage Increase in Mean Remuneration | Rate of Liabilities in Percentage of Amount of Increase in Mean Remuneration |
|---|---|---|
| 1 | up to 3 percent | 0 |
| 2 | over 3 percent up to 4 percent | 25 |
| 3 | over 4 percent up to 5 percent | 50 |
| 4 | over 5 percent up to 6 percent | 75 |
| 5 | over 6 percent up to 7 percent | 100 |
| 6 | over 7 percent up to 8 percent | 200 |
| 7 | over 8 percent | 400 |

Table 1. Encumbrance for Various Sections and Total Encumbrance Calculated as the Product of the Encumbrance of Increase in Mean Remuneration and Mean Employment

| (a) Lp. | (b) Przyrost przeciętny w % | (c) Liczba pkt | (d) Wart. pkt | (e) Staw. obciążenia w % | (f) Zatrudnienie w rok. bad. | (g) Kwota obciążenia | |
|---|---|---|---|---|---|---|---|
| | | | | | | (h) w poszczególnym przedziale | (j) narastająco |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
| 1 | do 3% | 3 | 3 174 | 0 | 196 | — | — |
| 2 | ponad 3 do 4% | 1 | 1 058 | 25 | 196 | 51 842 | 51 842 |
| 3 | ponad 4 do 5% | 1 | 1 058 | 50 | 196 | 103 684 | 155 526 |
| 4 | ponad 5 do 6% | 1 | 1 058 | 75 | 196 | 155 526 | 311 052 |
| 5 | ponad 6 do 7% | 1 | 1 058 | 100 | 196 | 207 368 | 518 420 |
| 6 | ponad 7 do 9% | 1 | 1 058 | 200 | 196 | 414 736 | 933 156 |
| 7 | ponad 8 do 9% | 1 | 1 058 | 400 | 196 | 829 472 | 1762 628 |
| 8 | ponad 9% | 2,38 | 2 518 | 400 | 196 | 1974 112 | 3736 740 |
| 9 | Razem | 11,38 | 12 040 | × | × | 3736 740 | × |

[Key]:

(a) Item number
(b) Average percentage growth
(c) Number of points
(d) Value of points
(e) Rate of encumbrance in percent
(f) Employment in year examined
(g) Amount of encumbrance
(h) In the particular interval
(j) Compounded

(1) up to 3 percent
(2) over 3 percent up to 4 percent
(3) over 4 percent up to 5 percent
(4) over 5 percent up to 6 percent
(5) over 6 percent up to 7 percent
(6) over 7 percent up to 8 percent
(7) over 8 percent up to 9 percent
(8) over 9 percent
(9) total

The amount of the liabilities is calculated using a compound method, separately for each interval of increase in remuneration. The mechanism of liability of increase in mean remuneration contains no elements which would prove an incentive for rationalizing employment. The increase in employment, especially in the lower remuneration groups, will have a favor-impact on the level of increase in average remuneration. In this connection provision has been made for a liabilities correction mechanism, by taking into account the changes in the level of employment. Now, the percentage of increase in average remuneration is reduced by the percentage decline in employment compared to a similar period the previous year, but not by more than 5 percent.

The whole mechanism for calculating the liability is presented below, in the following simplified example:

| | | |
|---|---|---|
| 1. Employment: | a) in the base year | 200 persons |
| | b) in the year examined | 196 persons |
| | c) level, percent of employment in year examined in relation to previous year | 98 percent |
| 2. Remuneration: | a) in base year | 18 million zlotys |
| | b) in the year examined | 20 million zlotys |
| | c) index (percent) | 111.1 percent |
| 3. Mean annual remuneration per employee: | | |
| | a) in base year | 90,000 zlotys |
| | b) in the year examined | 102,040 zlotys |
| | c) index in percent | 113.38 percent |

Taking these data into account, that is, the decline of 2 percent in employment and the 13.38-percent increase in mean remuneration, we adopt for the calculation an increase of 11.38 percent in mean remuneration, or 1 percent of the increase in mean remuneration corresponds to the sum:

12,040 zlotys: 11.38 percent = 1,058 zlotys.

The calculations made in our example show that a large 13.38 percent increase in mean remuneration, even with a 2-percent decline in employment creates a very great increase in liabilities as a result of the progression, particularly where the rise in remuneration exceeds 8 percent.

Following are comparisons. Accepting the assumptions in our example, the amount of liabilities is 3,736,700 zlotys, while the increase in remuneration amounts to 2 million zlotys. Such a great increase in mean remuneration is unprofitable for the enterprise in any case. The liabilities sum paid out of profits is 1.7 times greater than the amount of the increase in remuneration. The enterprise should choose that interval in which the increase in mean remuneration is profitable for it. An increase of up to 9 percent in mean remuneration creates liabilities which do not exceed the increase in the amount of remuneration.

For the various intervals of liabilities we can establish their ratio to the amount of increase in remuneration. In our example, these sizes will be as follows:

| Interval of Increase in Mean Remuneration | Amount of Liabilities Increasing | Percent for Increase in Total Remuneration (2 million zlotys) |
|---|---|---|
| up to 3 percent | --- | --- |
| up to 4 percent | 51,824 | 2.6 |
| up to 5 percent | 155,526 | 7.8 |
| up to 6 percent | 311,052 | 15.6 |
| up to 7 percent | 518,420 | 25.9 |
| up to 8 percent | 933,156 | 46.7 |
| up to 9 percent | 1,762,628 | 88.1 |
| up to 10 percent | 2,592,100 | 129.6 |
| up to 11 percent | 3,421,572 | 171.1 |
| up to 11.38 percent | 3,736,740 | 186.8 |

The data show that the increase in mean remuneration up to 7 percent does not create a great rise in liabilities, but any further increase, especially above 8 percent, drastically increases the liabilities. In individual enterprises the ratios may be somewhat different, but the basic ratios correspond to the example presented.

Another source of increase in remuneration consists of bonuses out of the profit for distribution. A rise in this remuneration amounting to 7 percent of the mean remuneration obtained in 1981 is not taxed (liabilities for the vocational activation fund). Any further increase is taxed, and a great deal: the liability is 200 percent between 7 and 8 percent and 400 percent over 8 percent. This should combat excessive allocation of profits for bonuses.

Generally we can sum up the following remuneration increase ratios: an increase in remuneration of less than 10 percent is not taxed, and increase up to 14 percent are taxed to an inconsequential extent. It would seem that the ratios adopted should create an effective mechanism for increasing management effectiveness. We shall return again to this matter and sdiscuss the principles of the enterprises' financial management.

What then are the consequences of the principles of structuring remuneration in terms of the materials economy? We can point out the following aspects of this problem:

1. The enterprise is free to set aside part of its wage funds and part of its profits designated for bonuses to serve as an incentive for improved effectiveness in materials management, to gain savings of materials, for the rationalization of reserves, to reduce supply costs, and so on.

2. Increases in remuneration will come mainly out of improved effectiveness expressed in a growth of profits. Thus, there should be strong pressure to improve materials management.

3. Incentives for increasing the effectiveness of materials management through certain motivational solutions should be plugged into the whole mechanism of the enterprise's internal economic accounting of cost effectiveness. This is an extremely important matter, if we want effectively to bring about an improvement in management efficiency and an increase in remuneration.

Elements of Financial Management

The principles of financial management are a parallel segment of the whole mechanism of the enterprises' economic functioning. In this connection we shall discuss only certain elements which are most closely related to materials management. The basic component of financial management is the structuring of income and profit and its distribution, along with the utilization of corresponding funds created as the result of the distribution of profit.

The financial result in the form of profit has been recognized as the basic standard by which to assess the enterprise's activity. The financial result is the difference between income from sales along with the appropriate product [goods and services] subsidies and the prime costs of these sales, less the turnover tax corrected in terms of the compensatory clearing of accounts from foreign trade and the balance of extraordinary profits and losses.

To clarify the picture we can take the creation and distribution of the financial result in the following scheme:

Income from Sales
↓
\+ Product Subsidies
↓
\- Turnover Tax
↓
± Compensatory Clearings of Accounts in Foreign Trade
↓
± Balance of Extraordinary Profits and Losses
↓
\- Prime Cost of Sales
↓
Financial Result
↓
\- Income Tax
↓

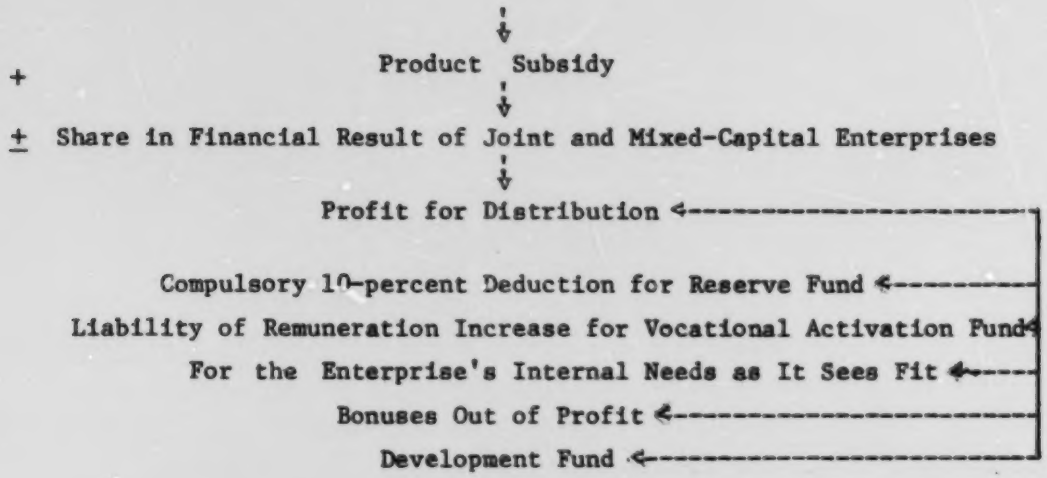


The impact of materials management exists in many elements of the creation and distribution of the financial result. On the principle of feedback, in turn, many of these elements can be used as incentives for an increase in the effectiveness of materials management.

We shall discuss a few selected elements:

1) the structuring of income from sales,

2) the structuring of the level of prime costs,

3) the distribution of profit and utilization of incentive funds.

Materials management has a multilateral impact on the size of income from sales. Income from sales includes sales on the domestic and foreign market of goods, work, and services of commodities and materials. The value of sales in turn depends on the amount of goods sold and the prices obtained. In the initial phase of the inculcation of the economic reform, the amount of goods sold will be determined by access to material supply. The savings of material will make it possible not only to reduce costs but also to create material reserves to increase the amount of production and sales. Therefore the actions in favor of effectiveness have at least a dual positive effect.

Another component of income is the income from the sales of materials. Here we can point out three basic directions of the sales of materials:

1) sales of production wastes which cannot be processed within the enterprise's own area,

2) sales of materials coming from excessive stocks,

3) sales of other materials, for example, within the framework of what is called neighborly assistance.

The sale of wastes can be a significant source of income, if the enterprise properly organizes their collection and also their secondary processing. It is generally a matter of getting the highest possible prices and not the greatest amount of waste. Here too there are many elements of economic selection, such as whether it pays to process the wastes (if they have already occurred) or whether they should be sold, under what conditions processing is profitable, and so on.

The sales of excess stock generally does not produce beneficial financial effects. Therefore it is a question of minimizing the possible adverse financial effects of the management of these reserves.

Finally the remaining sales of materials should not bring about adverse financial results. The enterprise should get those prices and costs which were connected to the purchase of the materials.

The next component which shapes the financial result is the balance of extraordinary profits and losses. Many of them are directly related to materials management. In most cases, however, these are extraordinary losses and not profits. Among the most important items of these losses are the following:

Losses from warehouse shortages,

Contract fines for late deliveries or defective quality which can be traced to materials management,

Losses from the depreciation and scrapping of actual stocks: materials, unfinished production, finished products,

Penalty interest on bank credit resulting from faulty management of stocks,

Fines for holding up outside vehicles and other.

All these sorts of losses should be minimized. Extraordinary profits, in turn, for example, from contract penalties, can be maximized, that is, contract fines should be collected from suppliers for failure to carry out supply contracts, to return packaging, and so on.

The basic plane for materials management's impact on the financial result consists of material costs taken to be:

Materials consumption costs,

Costs of maintaining reserves,

Costs of the supply and flow of materials in the enterprise.

We shall not expand on this great problem further. The basic direction of action here should be to minimize all the costs related to materials management, both material costs and nonmaterial ones. They should be closely aligned with the system of cost accounting and internal clearings

of accounts. Here we should emphasize the ratio of the costs of materials and profit. A change in prices, duties, or wages causes a change in the structure of prime costs, but the costs of materials will be a decisive share of prime costs. This means that their impact on profits will be significant. For example, we can give this account. If the level of profit is 10 percent of sales and material costs are 70 percent of the value of sales, then a 2-percent reduction in the costs of materials, which is possible in just about any enterprise, will increase profit by 14 percent. This is the scale and the ratios. They stem from the large share of direct production costs contributed by the costs of materials. People responsible for materials management should be fully aware of this fact.

In a concise manner we have discussed one feedback element, that of the management of materials ⟶ the financial result. We can generally say that this sphere of the enterprise's economics has a decisive impact on the structuring of the financial results. There is also another feedback element, that of the financial result ⟶ materials management. This relationship lies in the distribution of the financial result and the utilization of incentive funds created out of profits.

Generally, as we presented in the diagram, profit is divided into two parts:

1) that part contributed to the budget in the form of income tax and the vocational activation fund liability from the increase in remuneration,

2) that remaining in the enterprise.

We explained the liabilities mechanism before, but we will present the calculation of the income tax as the next point. Here let us start with using that part of the profit which remains in the enterprise. Now, 10 percent of the profit designated for distribution must be set aside for the reserve fund. This deduction can be increased by the enterprise independently. The rest is divided up into bonuses out of profit and the development fund. As we have already explained, the setting aside of up to 7 percent of the increase in mean remuneration and its allocation for bonuses is not taxed. Therefore, the enterprise should make the proper choice. One should anticipate the possibility of using this fund as an incentive for increasing the effectiveness of materials management. Here is where we see the second feedback element: the financial result ⟶ materials management.

The development fund will play an important incentive role in the operation of the enterprise. It is created out of profits and part of amortization allowances. The utilization of the development fund is as follows:

Repayment of investment credit incurred, first of all,

Financing of reserves,

Financing of investments,

Supplementary participation in the financing of technological progress.

After the repayment of the investment credit installments that are due, the enterprise should allocate the development fund for those purposes which are the most effective. Hence, here it might be the financing of stocks, of investments directed to saving materials, or of material-saving technical progress undertakings. These are all measures aimed at increasing the effectiveness of materials management. This is also the second feedback element: financial result → materials management.

Cost effectiveness should be fully used in distribution of the development fund.

The principles of financial management introduce far-reaching flexibility in financing working capital, including reserves. They can be fully financed out of the enterprise's own funds in circulation and also partly with bank credit. It should be imagined that the economic mechanism of allocating financial reserves on the basis of the criteria of effectiveness will come into full play.

We have tried to present the most important elements of the principles of financial management and their impact on materials management. The system of mutual relationships here is rather comprehensive. At this moment it is difficult to see now, at the beginning of the reform's inculcation, all the possible variants of the enterprises' behavior or the resulting effectiveness of the solutions introduced. Economic practice will show it, and we shall not know before then. We might anticipate that alongside certain general laws, there will be many separate, distinct cases in the various enterprises. This will require continual observation of the development of the phenomena and processes.

Taxation of Enterprises

It may seem that the taxation of enterprises does not have much in common with materials management. Actually, the previous tax system was not directly related to materials management. The new principles introduce new provisions into this realm of the operation of the enterprises too. It will be the natural tendency of the enterprise to strive to minimize the imposition of taxes. Certain possibilities in this regard are created by rational management of materials. We will point out certain possibilities in this regard, although the list is not exhaustive.

The enterprise will pay into the budget:

1) turnover tax,
2) payroll fund tax,
3) income tax,
4) real estate tax,
5) land tax.

The turnover tax is not directly connected to materials management, although the enterprise taxation law envisages exemption from taxes or some relief in the case of the production of goods which are made out of certain raw materials, especially local ones, and also those like gravel, rock, diatomaceous earth, demolished construction [rubble], slag, torf, bulrushes, chestnuts, acorns, pine cones, straw, and the like. I think that the list of these raw materials should be expended to include certain secondary raw materials, like broken glass, secondary mineral raw materials, rubber scrap, disposed plastic waste, and so on. This would incline the enterprise to use these raw materials.

The payroll fund tax has no direct relationship to materials management, although the number of materials management and supply services and their payroll funds have an impact on the sizes of the tax.

An important instrument in the whole economic impact on the economy of the enterprises is the income tax paid out of profit. The basic issue is the scale of the tax and the resulting extent to which the enterprise is motivated to increase its profit. The tax rates depend on the level of profitability, which is expressed as a percentage ratio of profits to processing costs. For the purpose of calculating the income tax, the costs of processing are calculated by subtracting the costs of materials and perishable items, power, and outside processing from the prime costs of sales of goods, work, and services. The income tax rate for the various intervals of profitability is as follows:

| | |
|---|---|
| up to 5 percent | 0 |
| over 5 percent up to 10 percent | 40 percent |
| over 10 percent up to 15 percent | 50 percent |
| over 15 percent up to 20 percent | 60 percent |
| over 20 percent up to 25 percent | 70 percent |
| over 25 percent up to 30 percent | 80 percent |
| over 30 percent | 90 percent |

The tax is calculated by a compounding method separately for each interval of profitability, in a manner that is similar to the one we presented for calculating the liability for an increase in remuneration for the vocational activation fund.

The level of the income tax depends on the level of profitability. In the intervals mentioned, we can calculate the share of profit devoted to tax.

Given the corresponding profitability rate, the share of profit devoted to tax will be as follows:

| | |
|---|---|
| at 10 percent | 20 percent of profit |
| at 15 percent | 30 percent of profit |
| at 20 percent | 37.5 percent of profit |
| at 25 percent | 44 percent of profit |
| at 30 percent | 50 percent of profit. |

The attainment of the above profitability percentages changes the share of profit contributed to taxes in each profitability interval, which means that in each enterprise the share of the amount of profit accounted for by income tax will be different, according to the level of profitability.

On the basis of these data can we assess how keenly the income tax is felt? There is no such complete possibility. The progressive rate of the tax changes its share of profits according to the level of profitability. We should also point out the great differences in profitability among the enterprises, as well as the varying share of processing costs as a percentage of total costs. A large processing-costs share creates for the enterprise a more favorable opportunity in terms of the size of the income tax and conversely. Hence, in those enterprises where the material costs are a large share of prime costs, then the burdensomeness of the income tax liability will be greater, even given the same level of prime costs. I think that this can exert a certain pressure to reduce materials costs.

The basis for taxation (profit after verification) can be increased by unjustified losses and costs. The Council of Ministers is to specify the sorts of them in a separate manner.

The Minister of Finances may use income tax exemptions and facilitations for the allocation of profit to developmental purposes (development fund), cultural and educational purposes, and environmental protection and occupational health and safety. Hence, facilitations will be possible in carrying out investments which produce materials savings directed to the management of secondary raw materials or to the protection of the environment. It should be demanded that certain preferential conditions be applied to the application of tax facilitations for carrying out investments which increase the effectiveness of materials management.

Hence, the income tax may become a sensitive, effective instrument for bringing about an increase in the effectiveness of materials management. This also depends on the enterprises' initiative (tax facilitations) and proper use of this instrument of economic influence.

The other taxes have no close relationship to materials management, unless the enterprise can let go of part of the land used for its storage site, which will bring about a single-time relief in the land tax.

Equalizing the Starting Conditions

During the discussion on the targets of the reform, the enterprise representatives raised the issue of equalizing the starting point from which the inculcation of the reform was to begin. Hence, it was a question of leveling excessive differences in the share of ones own funds in financing reserves, exemption from the repayment of investment credit, particularly for interrupted or abandoned investments. These questions were resolved to a great extent. Appendix No 12 to Council of Ministers Resolu-

tion No 243, dated 30 November 1981 described the principles for the clearing of resources and funds at the end of 1981 and the beginning of 1982 and introduced a number of facilitations. Of course this does not signify entirely equal starts for all enterprises, because this is simply impossible.

From the viewpoint of our interests, there are two important solutions for equalizing the start of the reform. The first concerns the results of management of unnecessary stocks, while the other reassesses stocks from the viewpoint of the 1 January 1982 price increase and calculates their results.

The enterprises have been authorized to encumber, by 30 June 1982, the statutory fund, partly financing working capital, through the losses incurred during the first half of 1982 on account of managing stocks of unnecessary working capital regardless of the method by which they are managed, that is, either through consumption for the enterprise's wown needs, or through sales, or scrapping them. A very important task for the enterprise follows from this. It is a question of analyzing the stock in detailed fashion, turning up the unnecessary stock, and then using it carefully. Because of this the enterprises will avoid having to report the results, usually adverse ones, of managing unnecessary stock and including them as part of the financial results. This is a sort of amnesty for enterprises in the realm of managing reserve stock. Failure to take advantage of this opportunity will later have an adverse effect on the level of profit.

Another important question is the reassessment of stock on the basis of the 1 January 1982 price change. The stock reassessment is in turn related to the equalization of the share of the financing of stocks out of the statutory fund.

By 30 June 1982 the enterprises will draw up appropriate tables for reassessing stock and will make the following calculations. If, as the result of the increased value of the stock, the statutory fund's share, as of 31 December 1981, of the financing of current, seasonal, and reserve stock and of total financing using bank credit is below 30 percent of the value of the reassessed stock, then the enterprise will keep for itself that share of the reassessment results necessary to maintain 30 percent stock coverage out of its own funds. Any surplus though is paid into a centralized account. If in turn in the enterprise even the maintaining of the full effect of the reassessment does not provide for 30 percent of the value of the reassessed stock as a share of the statutory funds, then it may ask the bank to grant it a subsidy in the amount of the shortfall, taking this amount out of the centralized account. In the event such equalization out of the centralized account is not possible, the bank may grant special credit with 5 percent annual interest, which the enterprise must repay out of its development fund by the end of 1985.

The above principles show that the equalization of the share of the statutory fund in financing stock (regardless of their economic category) will occur on a level of 30 percent of the reassessed value of stock.

For some enterprises, this will be a decline in the previous share of their own funds, and for others it will be an increase. Some will have a negative reaction to this solution, and others will have a positive one. The actual situation will be revealed only by the concrete calculations of the reassessments and the calculation of the results. This will permit a fuller evaluation of the results of this solution.

These are the most important elements of equalizing the start in connection with materials management. Other compensatory elements, for example, in the realm of investment financing, have no direct connection to materials management and therefore will not be discussed here.

I have presented the basic principles of enterprise operation in 1982. They are fundamentally changing the previous economic mechanism of the entire economy. Therefore the reform has started. Its full implementation and the achievement of the ultimate shape would seem to be a rather lengthy process fraught with many difficulties, rooted in the great imbalance in the economy in many of its fundamental segments. It is probable not all the solutions applied will prove correct and entirely effective. They will require certain corrrections and changes. These should be with full consideration and on the basis of lasting practical experience. We cannot expect too much of the reform, especially during its initial phase. We should wait for the concrete results. We must all learn to use the instruments of it.

Generally, we can say that the basic mechanisms of the reform should evoke strong economic pressure to increase effectiveness, including in materials management, but we cannot assume ahead of time that all the tools and instruments which the reform will bring will be entirely effective. They will be tested by economic practice. Thus the need to monitor continuously the effectiveness of the solutions introduced, in the sphere of materials management too. I think that we shall return to these issues many times, and this will also be in the pages of GOSPODARKA MATERIALOWA.

## Materials Balancing, Distribution

Warsaw GOSPODARKA MATERIALOWA in Polish No 5-6, Mar 82 pp 91-96

[Article by Mieczyslaw Jaskowski: "Balancing and Distribution"]

[Text] The balancing of fuels and raw and other materials is essential in every system of management, but the nature of material balance-sheets and the way they are drawn up basically depends on the system being used to manage the economy. In the previous system of management, material balance-sheets, regardless of the level at which they were drawn up, were turned into formal or informal distribution lists, partly because nearly every balance-sheet was drawn up addressed to and was accepted by the Council of Ministers, its Planning Commission, or the ministries involved, and even by the industrial associations.

The introduction of the new principles of enterprise operation in 1982 does not eliminate the drawing up of materials balance-sheets. The basic change in this realm is the introduction of the principle that materials balance-sheets are informational in nature, regardless of the level at which they are prepared, and not directive. If the central material balance-sheet pertains to a material which has been included among the distribution-list items (Appendix 2), then certain elements of this balance-sheet are compulsory, but only for the means-of-production turnover unit which has distribution authorization.

The question arises as to why only certain elements of the central materials balance-sheet are binding on the turnover unit, despite the fact that it applies to a distribution-list item.

The answer to this question stems from the enterprise operation system which has been adopted. If the enterprise sets its own production tasks and has no directive-type tasks in the production realm, then the projected influx of the distribution-list material on the central materials balance-sheet cannot be compulsory.

If the receipt of the material is not compulsory, then automatically the outflow side cannot be entirely compulsory either. Only certain elements of it can.

In keeping with Council of Ministers* Resolution No 243, the Council of Ministers Planning Commission and the Office of Materials Management were charged in 1982 to draw up 89 central materials balance-sheets. The list of these balance-sheets is represented in Appendix 1, which includes 99 detailed balance-sheet or joint balance-sheets fitting within the framework of the above-mentioned 88 central materials balance-sheets.

These balance-sheets have been prepared as a part of the Central Socioeconomic Plan**. The 46 balance-sheets for materials on the distribution list have been approved by the Council of Ministers, and the rest have been approved appropriately by the Council of Ministers Planning Commission or the Office of Materials Management. The materials balance-sheets compiled for 1982 are economic in nature and not addressed to anyone. This means that neither the influx nor the outflow is divided up yet by ministry. They have only the basic purposes, that is, export sales, domestic consumption for production needs, sales for the population, deliveries to small-scale industry, and so on. Furthermore, these balance-sheets include the projected consumption for the needs associated with carrying out the various operational programs. It should be mentioned that the materials needs in the balance-sheets for carrying out the various operational programs very

*Council of Ministers Resolution No 243 dated 30 November 1981 on the principles of operation of state enterprises in 1982. MONITOR POLSKI 32, Item 287.
**Council of Ministers Resolution No 258 dated 11 December 1981 on the Annual Socioeconomic Plan for 1982

Appendix 1. List of Annual Central Materials Balance-Sheets for 1982

| (a) Lp. | (b) Wyszczególnienie | (c) Jedn. miary | (d) Rozchód na zaopatrzenie kraju 1981 | 1982 | 5:4 |
|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 |
| 1 | Węgiel kamienny i brykiety z węgla kamiennego | (e) tys. ton | 149.230,0 | 151.500,0 | 101,5 |
| 2 | Węgiel brunatny | tys. ton | 35.200,0 | 36.700,0 | 104,3 |
| 3 | Koks i półkoks | tys. ton | 17.275,0 | 16.980,0 | 98,3 |
| 4 | Gaz z koksowni i gazokoksowni | (f) mln m³ | 6.960,0 | 6.670,0 | 96,0 |
| 5 | Gaz ziemny wysokometanowy | (g) mln m³ | 8.890,0 | 8.930,0 | 100,4 |
| 6 | Gaz ziemny zaazotowany | (g) mln m³ | 3.696,0 | 3.520,0 | 95,2 |
| 7 | Ropa naftowa | (e) tys. ton | 13.700,0 | 12.450,0 | 90,9 |
| 8 | Paliwa i półprodukty paliw do silników z zapłonami iskrowymi | tys. ton | 3.207,0 | 2.510,0 | 78,3 |
| 9 | Paliwa do silników z zapłonem samoczynnym | tys. ton | 5.082,0 | 5.037,0 | 99,1 |
| 10 | Olej opałowy | tys. ton | 3.413,0 | 3.130,0 | 91,7 |
| 11 | Energia elektryczna | (h) mln kWh | 114.000,0 | 116.000,0 | 101,8 |
| 12 | Rudy żelaza i odpady żelazodajne (w przeliczeniu na FE) | (e) tys. ton | 9.172,0 | 8.595,0 | 93,7 |
| 13 | Wyroby walcowane gotowe | tys. ton | 10.027,0 | 9.031,0 | 90,1 |
| 14 | Rury stalowe | (i) tys. km | 278,9 | 278,1 | 99,7 |
| 15 | Blachy stalowe walcowane na zimno | (e) tys. ton | 1.534,0 | 1.451,0 | 94,6 |
| 16 | Wyroby przetwórstwa hutniczego | tys. ton | 892,8 | 860,9 | 96,4 |
| 17 | Tlenek glinu | tys. ton | 245,2 | 192,0 | 78,3 |
| 18 | Miedź elektrolityczna | (j) tony | 155.100,0 | 130.200,0 | 83,9 |
| 19 | Cynk | tony | 142.000,0 | 131.700,0 | 92,7 |
| 20 | Ołów | tony | 73.600,0 | 80.800,0 | 109,8 |
| 21 | Cyna | tony | 3.710,0 | 3.715,0 | 100,1 |
| 22 | Nikiel | tony | 11.691,0 | 11.965,0 | 102,3 |
| 23 | Aluminium | tony | 181.420,0 | 179.000,0 | 98,7 |
| 24 | Srebro | tony | 245,5 | 222,5 | 90,6 |
| 25 | Wyroby z miedzi i stopów miedzi | tony | 65.576,0 | 57.900,0 | 88,3 |
| 26 | Wyroby z aluminium i stopów aluminiowych | tony | 66.300,0 | 58.400,0 | 88,1 |
| 27 | Kable elektroenergetyczne | tony | 15.640,0 | 11.400,0 | 72,9 |
| 28 | Akumulatory elektryczne kwasowe do pojazdów samochodowych | (k) km | 1 570,0 | 1 785,0 | 113,7 |
| 29 | Siarka | (l) tys szt. | 1.085,0 | 1.085,0 | 100,0 |
| 30 | Surowce fosforowe | (e) tys. ton | 987,0 | 1.075,0 | 108,9 |
| 31 | Soda bezwodna i ciężka | tys. ton | 556,0 | 570,0 | 102,5 |
| 32 | Soda kaustyczna | tys. ton | 319,0 | 330,0 | 103,4 |
| 33 | Nawozy azotowe (lata kalendarzowe) | tys. ton | 1.314,0 | 1.375,0 | 104,6 |
| 34 | Nawozy fosforowe (lata kalendarzowe) | tys. ton | 883,0 | 1.015,0 | 114,9 |
| 35 | Nawozy potasowe (lata kalendarzowe) | tys. ton | 1.520,0 | 1.200,0 | 78,9 |
| 36 | Polietylen | (j) tony | 91.600,0 | 90.500,0 | 98,8 |
| 37 | Polipropylen i kopolimery styl.-propyl. | tony | 49.500,0 | 52.500,0 | 106,1 |
| 38 | Polichlorek winylu i kopol. winylowych | tony | 120.400,0 | 135.[illegible]00,0 | 112,7 |
| 39 | Polistyren i kopolim. styrenu | tony | 38.100,0 | 39.[illegible]00,0 | 100,5 |

[continued]

| | | | | | | |
|---|---|---|---|---|---|---|
| 40 | Kauczuk naturalny | | tony | 38.100,0 | 47.300,0 | 124,1 |
| 41 | Kauczuk syntetyczny | | tony | 113.350,0 | 120.800,0 | 106,6 |
| 42 | Włókna chemiczne | | tony | 255.300,0 | 256.500,0 | 100,5 |
| 43 | Azbest | | tony | 62.250,0 | 71.585,0 | 115,0 |
| 44 | Cement | (e) | tys. ton | 13.735,0 | 15.223,0 | 110,9 |
| 45 | Tarcica igiasta | (n) | tys. m³ (m) | 4.798,0 | 4.691,0 | 97,9 |
| 46 | Płyty wiórowe | | tys. km² | 1.037,0 | 1.093,0 | 105,4 |
| 47 | Kopalniaki i połowice | (e) | tys. m³ (m) | 1.490,0 | 1.550,0 | 104,0 |
| 48 | Celuloza papiernicza | | tys. ton | 543,3 | 598,3 | 110,1 |
| 49 | Celuloza wiskozowa | | tys. ton | 79,9 | 85,8 | 107,4 |
| 50 | Papier | | tys. ton | 1.001,5 | 1.044,6 | 104,3 |
| 51 | Tektura | | tys. ton | 233,7 | 240,7 | 103,3 |
| 52 | Bawełna | (j) | tony | 151.500,0 | 161.900,0 | 106,9 |
| 53 | Przędza bawełniana i przędzopodobna | | tony | 192.800,0 | 197.540,0 | 102,5 |
| 54 | Tkaniny, dzianiny i wyroby nietkane bawełniane i bawełnopodobne | | tony | 694,1 | 629,0 | 90,6 |
| 55 | Wełna | | tony | 23.000,0 | 21.500,0 | 93,5 |
| 56 | Przędza wełniana i wełnopodobna czesankowa | | tony | 47.500,0 | 42.600,0 | 89,7 |
| 57 | Tkaniny, dzianiny i wyroby nietkane wełniane i wełnopodobne | | tony | 91,4 | 72,8 | 79,6 |
| 58 | Tkaniny lniane i konopne | | tony | 98,9 | 97,7 | 98,8 |
| 59 | Tkaniny, dzianiny jedwabne i jedwabnopodobne | | tony | 153,5 | 131,6 | 85,7 |
| 60 | Skóry gotowe miękkie | (s) | tys. m² | 28.070,0 | 27,850,0 | 99,2 |
| 61 | Masa mięsno-tłuszczowa i drób | (e) | tys. ton | 1.970,0 | 1.686,0 | 85,6 |
| 62 | Skóry surowe zakonserw. dla przem. garb. (łącznie z białoskórnictwem) | (o) | tony ZW | 135.000,0 | 138.700,0 | 102,7 |
| 63 | Masło | (e) | tys. ton | 272,8 | 247,0 | 90,5 |
| 64 | Cukier | | tys. ton | 1.274,0 | 1.412,0 | 110,9 |
| 65 | Tytoń przemysłowy | | tys. ton | 76.843,0 | 78.938,0 | 102,7 |
| 66 | Pasze treściwe (w lat. kalend.) | | tys. ton | 6.570,0 | 5,000,0 | 76,1 |
| 67 | Ziarno zbóż podst. konsump., pastew. i siew. (lata kalend.) | (m) | tys. ton | 10.454,0 | 8.110,0 | 77,6 |
| 68 | Drewno tartaczne igiasta | (l) | tys. m³ | 9.195,0 | 9.150,0 | 99,5 |
| 69 | Opony do pojazdów samoch. osobowych | | tys. szt. | 2.580,0 | 2.530,0 | 98,1 |
| 70 | Opony do pojazdów samoch. ciężarowych maszyn i urządzeń (bez r[illegible]ych) | | tys. szt. | 1,812,0 | 2.080,0 | 114,8 |
| 71 | Opony ciągnikowe | | tys. szt. | 730,0 | 860,0 | 117,8 |
| 72 | Opony do maszyn i urządzeń rolniczych | | tys. szt. | 600,0 | 600,0 | 100,0 |
| 73 | Aparaty powietrzne i tlenowe | | tys. szt. | 3,0 | 3,5 | 116,7 |
| 74 | Sprzęt ochronny półmasek przeciwpyłowych | (p) | szt. | 1.140.000,0 | 3.251.182,0 | 285,2 |
| 75 | Tarcze spawalnicze | (l) | tys. szt. | 252,0 | 270,0 | 107,1 |
| 76 | Osłony z metapleksu | | tys. szt. | 82,0 | 33,4 | 40,7 |
| 77 | Syreny do pojazdów uprzywilejowanych | | tys. szt. | 2,3 | 2,3 | 100,0 |
| 78 | Węże ssawne do motopomp pożarniczych | | tys. szt. | 5,0 | 36,0 | 720,0 |
| 79 | Węże tłoczne pożarnicze | (q) | mln mb | 1.863,4 | 2.114,3 | 113,8 |
| 80 | Półmaska PP-2 | (l) | tys. szt. | 125,0 | 145,0 | 115,2 |
| 81 | Szybki — filtry zielone do okularów i tarcz spawalniczych | (j) | tys. szt. | 3.000,0 | 1.670,0 | 55,7 |
| 82 | Środki gaśnicze | | tony | 5.276,2 | 7.140,5 | 135,3 |
| 83 | Taśmy transporterowe z tworzyw sztucznych taśm przenośnikowych gumowych | (r) | km (k) | 3.135,7 | 3.673,0 | 117,1 |
| 84 | Rękawice ochronne | | tys. par | 48.940,0 | 40.056,0 | 81,8 |
| 85 | Obuwie ochronne | (s) | tys. par | 9.000,0 | 7.015,0 | 77,9 |
| 86 | Tkaniny transportowe | | tys. m² (k) | 11.500,0 | 13.200,0 | 114,8 |
| 87 | Tkaniny oponowe | (l) | km | 24.088,0 | 31.400,0 | 130,3 |
| 88 | Odzież ochronna | | tys. szt. | 818,8 | 929,0 | 113,4 |
| 89 | Tłuszcze tech. topione | (e) | Mg | 57.325,0 | 76.000,0 | 132,6 |
| 90 | Złom stalowy | | tys. ton | 9.582,0 | 8.922,0 | 93,1 |
| 91 | Złom żeliwny | | tys. ton | 1.700,0 | 1.848,0 | 108,7 |
| 92 | Złom miedziionośny | | tys. ton | 155,1 | 130,2 | 83,9 |
| 93 | Złom cynowy | | tys. ton | 3,710 | 3,715 | 100,1 |
| 94 | Złom cynku | | tys. ton | 142,0 | 131,7 | 92,7 |
| 95 | Złom ołowiu | | tys. ton | 73,6 | 80,8 | 109,8 |
| 96 | Złom aluminiionośny | | tys. ton | 180,6 | 177,5 | 98,4 |
| 97 | Odpady z tworzyw sztucznych termoplastycznych | | Mg | 17.800,0 | 20.040,0 | 112,6 |
| 98 | Makulatura | (e) | tys. ton | 411,1 | 444,0 | 108,0 |
| 99 | Włókiennicze surowce wtórne | | tys. ton | 118,6 | 118,0 | 99,5 |

Appendix 1. List of Annual Central Materials Balance-Sheets for 1982

[Key]

(a) Item number
(b) Description
(c) Unit of measure
(d) Outflow to supply country
(e) Thousands of tons
(f) Millions of meters
(g) Millions of square meters
(h) Millions of kilowatthours
(i) Thousands of kilometers
(j) Tons
(k) Kilometers
(l) Thousands
(m) Thousands of cubic meters
(n) Thousands of cubic kilometers
(o) Tons of ZW
(p) Units
(q) Millions of running meters
(r) Thousands of pairs
(s) Thousands of square meters

[item numbers]

(1) Hard coal and hard-coal briquets
(2) Lignite
(3) Coke and semicoke
(4) Cokery and gas-cokery plant gas
(5) High-methane natural gas
(6) Nitrided natural gas
(7) Crude oil
(8) Fuels and partly finished products of fuels for spark-ignition engines
(9) Fuels for compression-ignition engines
(10) Furnace oil
(11) Electric power
(12) Iron ores and ferrous wastes (calculated in terms of Fe)
(13) Finished rolled products
(14) Steel pipe
(15) Cold-rolled steel sheetmetal
(16) Metallurgical processed products
(17) Alumina
(18) Electrolytic copper
(19) Zinc
(20) Lead
(21) Tin
(22) Nickel
(23) Aluminum
(24) Silver
(25) Products made from copper and copper alloys
(26) Products made from aluminum and aluminum alloys
(27) Electric-power cables
(28) Electric automotive acid storage batteries
(29) Sulfur
(30) Phosphorous raw materials
(31) Soda ash and heavy soda ash
(32) Caustic soda
(33) Nitrogen fertilizers (calendar years)

(34) Phosphrous fertilizers (calendar years)
(35) Potassium fertilizers (calendar years)
(36) Polyethylene
(37) Polyprophylene and ethyl prophylene copolymers
(38) Polyvinylchloride and vinyl copolymers
(39) Polyestyrene and styrene copolymers
(40) Natural rubber
(41) Synthetic rubber
(42) Chemical fibers
(43) Asbestos
(44) Cement
(45) Coniferous lumber
(46) Chipboard
(47) Mining timber and crossbeams
(48) Paper cellulose
(49) Viscose cellulose
(50) Paper
(51) Cardboard
(52) Cotton
(53) Cotton yarn and yarnlike product
(54) Cotton and cotton-like fabrics, knits, and stockingcloth products
(55) Wool
(56) Wool yarn and wool-like worsted
(57) Wool and wool-like fabrics, knits,land stockingcloth products
(58) Flax and hemp fabrics
(59) Silk and silk-like fabrics, knits
(60) Soft prepared hides
(61) Bulk fat-meat and poultry
(62) Rawhides treated for tanning industry (including fine leather industry)
(63) Butter
(64) Sugar
(65) Industrial tobacco
(66) Concentrated fodder (calendar years)
(67) Basic grain seed for consumption, fodder, and sowing (calendar years)
(68) Coniferous sawmill lumber
(69) Tires for automobiles
(70) Tires for trucks, machinery and equipment (nonagricultural)
(71) Tractor tires
(72) Tires for farm equipment and machines
(73) Air and oxygen apparatus
(74) Dust respirator equipment
(75) Welders' face shields
(76) "Metaplex" shields
(77) Sirens for authorized vehicles
(78) Fire-engine hoses
(79) Fire hoses
(80) PP-2 respirators

(81) Rapid green filters for welders' face shields and glasses
(82) Fire extinguishers
(83) Plastic-rubber conveyor belts
(84) Protective gloves
(85) Protective footwear
(86) Transport-equipment fabric
(87) Tire fabric
(88) Protective clothing
(89) Melted grease
(90) Steel scrap
(91) Cast-iron scrap
(92) Scrap containing copper
(93) Tin scrap
(94) Zinc scrap
(95) Lead scrap
(96) Scrap containing aluminum
(97) Thermoplastic waste
(98) Wastepaper
(99) Textile secondary raw materials

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often include only part of the needs (alongside the inaccuracies), that is, for direct consumption without taking coproduction into account, for use without production, for export sales of the product without including the materials needs related to export production, and so on.

In this situation the central materials balance-sheets are primarily an instrument of the internal coordination of the Central Socioeconomic Plan and represent guidelines for materials supply policy.

The distribution units should respect the provisions in the central materials balance-sheets concerning materials distributed in the realm of the sizes envisaged for:

Outflow for small-scale industry,
Export sales,
Sales to the population,
Consumption by special customers,
Allocations for state reserves.

Nonetheless, in the event that the outflow really falls to pieces, these sizes too can change. A material's inclusion on the central balance-sheet means that this material is automatically included in central imports out of the funds at the disposal of the Ministry of Foreign Trade to the extent of the size provided in the central balance-sheet.

Another new element is the fully open nature of the central materials balance-sheets, which simultaneously represent an important source of information for the enterprises when they are drawing up their own plans.

Appendix 2. List of Authorized Turnover Units and Materials Distributed in 1982 and Those for Which an Intermediary (Broker) Is Required

| Lp. | Nazwa uprawnionej jednostki obrotu | Nazwa materiału rozdzielanego i objętego obowiązkowym pośrednictwem | Nazwa materiału objętego tylko obowiązkowym pośrednictwem | Jednostki terenowe uprawnione do podziału w województwie i prowadzenia obrotu |
|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 |
| 1 | Centrala Zbytu Węgla | węgiel kamienny i brykiety z węgla kamiennego | — | terenowe jednostki Centralnego Związku Spółdzielni Rolniczych „Samopomoc Chłopska" |
| 2 | Centrala Zaopatrzenia Hutnictwa | koks i koksik, import, węgiel marki „K" | — | — |
| 3 | Centrala Produktów Naftowych | ropa naftowa, paliwa płynne do silników, olej opałowy | — | Okręgowe Przedsiębiorstwa Obrotu Produktami Naftowymi |
| 4 | Centrala Zbytu Stali „Centrostal" | wyroby hutnictwa żelaza i stali | — | oddziały rejonowe Centrali Zbytu Stali |
| 5 | Centrala Handlowa Metali Nieżelaznych | wyroby przemysłu metali nieżelaznych | tlenek glinu | terenowe jednostki Centralnego Związku Spółdzielni Rolniczych „Samopomoc Chłopska" |
| 6 | Mennica Państwowa | wyroby z metali szlachetnych | — | — |
| 7 | P.P. Polskie Odczynniki Chemiczne | — | odczynniki chemiczne | Okręgowe Przedsiębiorstwa Handlu Chemikaliami „Chemia" |
| 8 | Biuro Sprzedaży Kabli i Przewodów „Centrokabel" | kable elektroenergetyczne | kable i przewody | Przedsiębiorstwa Handlu Artykułami Technicznymi „Elmet" |
| 9 | Centrala Techniczno-Handlowa Maszyn i Aparatów Elektrycznych „Ema-Zbyt" | akumulatory elektryczne kwasowe | — | — dla potrzeb rolnictwa: okręgowe przedsiębiorstwa „Agroma"<br>— dla pozostałych odbiorców: okręgowe przedsiębiorstwa „Polmosbyt" |
| 10 | Przedsiębiorstwo Obrotu Towarowego Przemysłu Tworzyw i Farb „Chemipiast" | tworzywa sztuczne | — | Okręgowe Przedsiębiorstwo Handlu Chemikaliami „Chemia" |
| 11 | Przedsiębiorstwo Obrotu Artykułami Przemysłu Gumowego „Stomil" | kauczuki (bez lateksów) opony do pojazdów samochodowych, ciągników i maszyn rolniczych | — | Kauczuki — Okręgowe Przedsiębiorstwa Handlu Chemikaliami „Chemia"<br>opony dla potrzeb rolnictwa — okręgowe przedsiębiorstwa „Agroma"<br>opony do pojazdów osobowych i ciężarowych — okręgowe przedsiębiorstwa „Polmosbyt" |
| 12 | Składnica Surowców Fosforowych | — | fosforyty i apatyty | — |
| 13 | Przedsiębiorstwo Zbytu Nawozów Mineralnych i Chemikaliów „Agrochem" | — | nawozy sztuczne | terenowe jednostki Centralnego Związku Spółdzielni Rolniczych „Samopomoc Chłopska" |
| 14 | Biuro Zbytu Materiałów Izolacji Budowlanej | — | azbest, maty i płyty z wełny mineralnej | Centrala Materiałów Budowlanych |
| 15 | Biuro Zbytu Cementu | cement | — | — drobni odbiorcy gospodarki uspołecznionej: Centrala Materiałów Budowlanych<br>— odbiorcy indywidualni: terenowe jednostki Centralnego Związku Spółdzielni Rolniczych „Samopomoc Chłopska" |
| 16 | Centrala Obrotu Drewnem | tarcica iglasta | — | Przedsiębiorstwa Przemysłu Drzewnego |
| 17 | Biuro Zbytu Płyt i Skrzyń „Prytonbyt" | płyty wiórowe | płyty drewnopochodne | Centrala Materiałów Budowlanych |
| 18 | Biuro Obrotu Papierem* | papier, tektura | celuloza papiernicza | Przedsiębiorstwa Handlu Artykułami Technicznymi „Elmet" |
| 19 | Centrala Surowców Włóknistych i Skórzanych | skóry surowe | bawełna, wełna | — |
| 20 | Centrala Handlowo-Techniczna Sprzętu Pożarniczego i Ochronnego „Supon" | — | odzież ochronna i sprzęt ochrony osobistej, sprzęt przeciwpożarowy i środki gaśnicze | Przedsiębiorstwa Handlu Artykułami Technicznymi „Elmet" |
| 21 | Centrala Zbytu Wyrobów Metalowych „Metalzbyt" | — | elektrody i spoiwa cynowo-ołowiowe | oddziały terenowe Centrali Zbytu Wyrobów Metalowych „Metalzbyt" |

* wymaga utworzenia na bazie pionu zbytu Zjednoczenia Przemysłu Papierniczego.

Appendix 2. List of Authorized Turnover Units and Materials Distributed in 1982 and Those for Which an Intermediary Is Required

[Key]

Column 1. Item number

Column 2. Names of Authorized Turnover Units [by item number]

1. Coal Sales Center
2. Metallurgy Supply Center
3. Petroleum Products Center
4. CENTROSTAL Steel Sales Center
5. Nonferrous Metals Trade Center
6. State Mint
7. Polish Chemical Reagents State Enterprise
8. CENTRALKABEL Sire and Cable Sales Office
9. EMA-ZBYT Electrical Machinery and Equipment Technical Trade Center
10. CHEMIPLAST Commodity Turnover Enterprise of the Dye and Plastics Industry
11. STOMIL Goods Turnover Enterprise of the Rubber Industry
12. Phosphorous Raw Materials Depot
13. AGROCHEM Mineral Fertilizers and Chemicals Sales Enterprise
14. Construction Insulation Materials Sales Office
15. Cement Sales Office
16. Lumber Turnover Center
17. PLYTOZBYT Panel and Plywood Sales Office
18. Paper Turnover Office* (*must be created on the basis of sales echelon of Paper Industry Assoc.)
19. Textile and Leather Raw Materials Center
20. SUPON Fire-fighting and Protective Equipment Technical Trade Center
21. METALZBYT Metal Products Sales Center

Column 3. Name of Material Distributed for Which a Broker Is Required [by item number, column 1]

1. Hard coal and hard-coal briquets
2. Imported "K"-brand coal, coke, and partly-processed coke
3. Crude oil, liquid fuels for engines, furnace oil
4. Products of ferrous and steel metallurgy
5. Products of nonferrous metals industry
6. Products of noble metals
7. --
8. Electric-power cables
9. Acid storage batteries
10. Plastics
11. Rubber (except latex), tires for motor vehicles, tractors, and farm machinery
12. --
13. --
14. --

15. Cement
16. Coniferous lumber
17. Chipboard
18. Paper, cardboard
19. Rawhides
20. --
21. --

Column 4. Name of Material Included Only in Materials for Which a Broker Is Required [by item number, column 1]

5. Alumina
6. Chemical reagents
8. Cables and conduits
12. Phosphorites and apatites
13. Artificial fertilizers
14. Asbestos, mineral wool panels and mats
17. Panels of wood origin
18. Paper cellulose
19. Cotton, wool
20. Protective clothing and protective equipment for personnel, fire-fighting equipment, and extinguishing agents
21. Zinc-lead binders and electrodes

Column 5. Local Units Authorized to Handle Voivodship Distribution and Turnover [by item number, column 1]

1. Local units of SAMOPOMOC CHLOPSKA Central Union of Farming Cooperatives
3. District Enterprises for Petroleum Product Turnover
4. Regional departments of Steel Sales Center
5. Local units of SAMOPOMOC CHLOPSKA Central Union of Farming Cooperatives
6. CHEMIA District Chemical Trade Enterprises
8. ELMET Enterprises for Trade in Technical Items
9. For the needs of agriculture: AGROMA district enterprises
   For other customers: POMOZBYT district enterprises
10. CHEMIA District Chemical Trade Enterprises
11. Rubber: CHEMIA District Chemical Trade Enterprises
    Tires for agricultural needs: AGROMA district enterprises
    Tires for trucks and automobiles: POMOZBYT district enterprises
13. Local units of SAMOPOMOC CHLOPSKA Central Union of Farming Cooperatives
14. Building Materials Center
15. Small socialized-economy customers: Building Materials Center
    Private customers: Local units of SAMOPOMOC CHLOPSKA Central Union of Farming Cooperatives
16. Timber Industry Enterprise
17. Building Materials Center
18., 20. ELMET Enterprise for Trade in Technical Items
21. Local units of METALZBYT Metal Products Sales Center

[end of key]

If the central materials balance-sheet shows that there will be a great increase in the production of a given material, then the enterprises can plan to develop production further on the basis of that material. On the other hand a "tight" materials balance-sheet should indicate to the enterprises that they cannot count on expanding production based on that raw material , unless some substitute is introduced or the consumption standard per unit product is reduced.

In connection with the imposition of martial law, the Council of Ministers introduced by means of a resolution dated 30 December 1981, the compulsory preparation of quarterly central plans (during the period of martial law).

On the basis of the above-mentioned Council of Ministers resolution, the chairman of the Council of Ministers Planning Commission has established the scope of the compilation of central materials balance-sheets for the various quarters.

The central quarterly balance-sheets encompass a far narrower range of raw and other materials in the Central Socioeconomic Plan for the first quarter of 1982. The balance-sheets are merely informational in nature and should be used as an aid in assigning specific quarterly allocations within the framework of the annual allocations made. Owing too to the import difficulties which occur, the quarterly materials balance-sheets represent guidelines for the size and ordering of central importation. The drafting of the central materials balance-sheets during the first quarter of 1982 in the system which takes into account the various ministries' consumption is very often interpreted as a return to central distribution by the ministries. Now, this is a misunderstanding, because this balance-sheet is merely informational, and there is no possibility of using it for the distribution made at the enterprise level.

These central materials balance-sheets, both the annual and quarterly ones, of course are not the only materials balance-sheets drawn up in 1982.

The producers or turnover units, as appropriate, should prepare a far larger number of materials balance-sheets. Obviously the enterprises do not have to draw up these balance-sheets, but it is difficult to imagine any real work by a producer or corresponding unit responsible for selling a given product without drawing up at least a very concise materials balance-sheet including the influx and basic directions of outflow at the very least. Such a balance-sheet should be an integral part of the enterprise's plan.

In order to avoid market disruptions, the Office of Materials Management has asked the enterprises to send it certain materials balance-sheets. These balance-sheets will be used only in the form of information about the anticipated situation in a given sector of materials supply, in order to take possible action to relieve anticipated disruptions, for

example, by announcing the decision to change customs tariffs, by causing imports to be increased, by promulgating a new price decision, and the like.

The past system of distributing resources and funds ran in a horizontal system. That is, the Planning Commission of the Council of Ministers divided resources up among the government departments, and the ministries did the same in relation to the industrial associations, which in turn distributed the resources received to the enterprises. Allocations of resources were related to directive-type tasks handed down by the central level through the intermediate levels of management.

The change in the system of management and the related elimination of the industrial associations along with the setting of directive-type tasks are bound to be related to a change in the system of resources distribution. It is not possible to handle distribution the old way, because there is no application (tasks), and it is technically impossible without the mechanism of the industrial associations. Up until now several 1,000 people in the industrial associations handled distribution.

The means-of-production distribution system inculcated in 1982 is being carried out horizontally, that is, running between the enterprises, going around the bodies of the economic and state administration.

Distribution will be accomplished on behalf of the customer-enterprises by units trading in the means of production. A departure from this principle is the maintaining of vertical distribution for units of the Ministry of National Defense, the Ministry of Internal Affairs, the Central Board of Penal Institutions under the Ministry of Justice, and small-scale manufacturing units. Customers can authorize an association or other organization to approach the distribution units of their behalf.

Authorization to represent the enterprises may not be given by bodies of the administration, such as a minister or plenipotentiary. Only the enterprise itself can provide this authorization.

The items distributed in 1982 include 16 groups or macrogroups of materials, which are mentioned in rubric 3 of appendix no 2 and encompass about 25-30 percent of the materials used. All the distributed materials are covered by the requirement that there be an intermediary, a unit trading in the means of production, which unit has simultaneously been authorized to carry on distribution. This means that producers of distributed materials cannot sell them by going around the units authorized to trade in the means of production.

In addition, export sales of an item covered by the distribution system can take place only in cooperation with the proper tunover unit. Any sort of agreement which the producer of distributed means of production makes without applying these principles is legally invalid, and in the event of a sale conducted outside these principles, the producers of the mater-

ials and goods subject to the distribution system are required to turn over to the budget an additional payment amounting to 50 percent of the value of the items sold.

Alongside the materials covered by the distribution system, compulsory brokerage of turnover units also applies to the items mentioned in column 4 of appendix no 2. Although they need not be distributed in the official manner, these items have nonetheless been covered by the requirement that authorized turnover units be used as agents, owing to the danger of a worsening of market difficulties, if free turnover is permitted in this realm.

The intermediary of turnover units for the materials mentioned in columns 3 and 4 of appendix no 2 is not required if:

The sale of the material stems from the management of improper stock,

The sale applies to objects with characteristics which do not meet the quality, dimensional, or utilitarian or other parameters established for them.

The Minister of Materials Economy has been authorized to give his agreement for the producer of a material covered by compulsory intermediary to conduct free sales.

It is to be anticipated that such agreement will be given to producers, but after they have signed contracts for the delivery to a turnover unit authorized to act as a required intermediary, for an amount insuring the influx level set in the central materials balance-sheet.

The Minister of Materials Management is also authorized to consent to wholesale trade of the items listed in appendix no 2, by other units trading in the means of production.

This authorization has been utilized to a great extent, because appendix no 2 of the guidelines* authorizes certain units to conduct wholesale trade of materials for which an intermediary is required. It is to be anticipated that in the course of describing in detail the new system of supply, this list will be further expanded. The scope of authorizations currently granted to wholesale trade is presented in column 5 of appendix no 2.

The units trading in the means of production with distribution or required intermediary authorization (mentioned in appendix no 2) divide up the bulk of commodities on the basis of the following:

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*Guidelines of the Minster of Materials Management dated 29 December 1981 on the principles for distribution of fuels, and raw and other materials for which an intermediary is required in 1982.

Central materials balance-sheets (annual and quarterly),

Operational programs, especially those based on product lists included in these programs,

Coordinating instructions of the Office of Materials Management,

Their own analyses of sales and consumption in previous periods,

Customers' needs and information.

In the event of doubt, the turnover unit is authorized to demand, and the customer is obliged to present, an appropriate agreement made in the realm of deliveries of goods included in the operational programs or components of these products.

The items covered by the distribution system or for which an intermediary is required are distributed in three basic systems:

For customers of the Ministery of National Defense, the Ministry of Internal Affairs, and small-scale industry, according to a vertical framework encompassing collective allocation ,

Itemized for the various major customers,

By the local units trading in the means of production, for the various voivodships, for sales.

In this distribution the turnover units should be guided by certain priorities, that is, first of all to insure appropriate supply for parties implementing operational programs and producers of materials subject to the distribution system, if they are major consumers.

The remaining implementers of the operational programs will also avail themselves of these privileges, but the local turnover unit will divide up the bulk of the commodities. Very often the concept of major consumer was equated with allocation privilege. The new system of supply is to insure better supply for the small-scale and smallest customers at the cost of reducing deliveries to major consumers.

On the other hand, it is worth noting that nearly all the materials that are covered by the distribution system are primarily used by a very small number of customers.

Research conducted by the Main Statistical Office [GUS] on the concentration of the consumption of major materials in 1979 showed that 75 percent of the bulk of the commodities is consumed by:

297 enterprises in metallurgical products,
6 enterprises in copper,
31 enterprises in bronze rolled goods,

13 enterprises in telephone calbes,
50 enterprises in hardwood lumber,
37 enterprises in paper.

The examples given show the great concentration of materials consumption. It should be mentioned too that very often the same enterprise will be a major customer for one material and a minor customer for the rest of the distributed materials. Even small delivery restrictions for major consumers can create a substantial improvement in supply to the rest. In addition, the major consumers can very often provide for their supply from other sources. For example, the Automobile Factory [FSO] can buy imported batteries within the framework of the funds gained from the export of automobiles, but small consumers very often do not have such possibilities.

The general division prepared for materials is presented by authorized turnover units for agreement by oversight bodies which approve the way the division is to be made or call for certain corrections.

The oversight bodies have been created by separate decisions of the Minister of Materials Management for all the turnover units specified in appendix no 8 to Council of Ministers Resolution No 243, that is, those with authorization to act as required intermediaries. The oversight bodies include the following representatives:

Office of Materials Management,
Planning Commission of the Council of Ministers,
Interested ministries and central unions,
Turnover units and production enterprises.

A major task of these groups is supervision to see that the commodity mass is divided up properly and to review allocation appeals. In addition these groups should make periodic forecast-assessments in a given market sector and present appropriate conclusions and proposals. These oversight groups created by the Minister of Materials Economy oversee only the discussed general division, that is, for the major consumers and for the various voivodships and units included in centralized distribution, that is, the Ministry of National Defense, the Ministry of Internal Affairs, and so on.

On the other hand, in the field, a similar role to that of the oversight groups is filled by the WZGMs [Voivodship Materials Management Groups], which will oversee the division of the commodity bulk allocation in a voivodship for a specific local turnover unit. For example, the POLMOZBYT State Enterprise in Kielce, which receives a designated number of automotive tires for the Kielce Voivodship, is required to prepare to divide up these tires and secure agreement on it with the WZGM in Kielce. As conditions arise, WZGM may permit the local turnover unit to conduct free sales of the distribution-system material allocated for the given voivodship (in toto or in part).

In the event that the scope of operation of a given turnover organization encompasses several voivodships, each of the voivodships receives a separate allocation, which is distributed in conjunction with the given voivodship's WZGM, in keeping with the instructions given above.

The WZGMs operate in the various voivodships on the basis of Decision No 5 of the Chairman of the Council of Ministers dated 15 February 1975 on the creation of the WZGMs. This does not mean that the new tasks envisaged for the WZGMs do not need appropriate alterations in the activity of these groups, but this matter belongs to the jurisdiction of the voivodship presidents and governors.

The major customers which have received listed allocations in sales offices should be taken into account in the dividing up of this same material in the local turnover unit. This does not mean that the execution of deliveries for these customers cannot take place through the intermediary of the local turnover units within the framework of the limits which the sales offices cedes. It should be mentioned that the same enterprise can be a major customer for one item assortment and a minor customer for the rest of the materials. For example, the Ursus Mechanical Plants are certain to be a major customer for tractor tires at Stomil and receive transit deliveries directly from the tire producer, but for automobile tires they will be a minor customer supplied by POLMOZBYT State Enterprise.

The system for the distribution of coal, coke, and liquid fuels coincides with the overall assumptions. On the other hand the allotment of electric power and gas fuels is handled by the Office of Materials Management through the intermediary [words missing] ... established by the Chief Inspectorate of Power Management, and

Electric power consumers using up to 5 gigawatthours and natural gas customers using up to 200 cubic meterhours and coking gas customers using up to 400 cubic meterhours are not included in the limits,

For the 157 major electric power customers and for the 48 major gas network customers the Chief Inspectorate of Power Management will set the allotments,

For the rest of the customers included in the allotment program, the allotments are set by the District Power Management Inspectorates.

On the basis of the allotments made, the enterprises have the right to enter into agreements with the District Power Plants for the delivery of electric power. These agreements should specify the rest of the principles for cooperation in this area.

In discussing the distribution system in effect in 1982, we should also mention the differences in the distribution of paper for publishing.

Consistent with the provisions of the Council of Ministers, the Minister of Culture and Art has been granted the authority to divide up the paper designated for publishing purposes. In this situation the turnover unit, that is, the Paper Turnover Office (currently still an industrial association) will turn over the entire amount of paper for publishing purposes for disposal by the Minister of Culture and Art and divide up the rest of the paper in keeping with the principles generally in effect.

Unclear aspects related to the system of supplying construction are often brought up in connection with the voivodship governors' assuming oversight over many construction enterprises. The specific nature of the construction process including the fact that the means of production here are mobile but the product created in this area is not, justifies the need for review of a different supply organization and not the need for a separate distribution method. The shift of distribution from the ministries to the voivodship governors would mean merely changing the distribution agent and would not be changing the nature of the distribution system, which is essential under reform conditions. This issue has been explained in a separate circular* whose text appears in the current number of GOSPODARKA MATERIALOWA.

In the previous distribution system, most of the enterprises appealed the resource allocations, referring to the tasks received by directive. At the present time, when directive-type tasks are disappearing, there is less basis for appealing the allocation decisions, which does not mean that with such a difficult supply situation there are not a large number of enterprises which are dissatisfied with the sizes of the allocations. These units can appeal to those units handling the turnover of the means of production which issued the authorization to buy the distributed material.

Appeals denied by the turnover unit are subject respectively to review by the oversight bodies or the voivodship materials management groups.

It should be explained that the oversight units and WZGMs do not intervene in the economic activity of the turnover units which are also enterprises but only represent a certain form of socialization of the distribution process. As we know, distribution authorizations are a form of authority which the state has delegated by introducing mandatory intermediation and could be exploited by the authorized turnover units for their own benefit.

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*Circular No 2 of the Minister of Materials Management dated 23 February 1982 on the principles of material supply for construction enterprises, with consideration given to enterprises supervised by governors of voivodships and to cooperation between voivodship governors and enterprises handling the turnover of distributed materials.

## Materials Management Guidelines

Warsaw GOSPODARKA MATERIALOWA in Polish No 5-6, Mar 82 pp 96-101

[Official guidelines: "Guidelines of the Minister of Materials Management Dated 29 December 1981, on the Principles for the 1982 Distribution of Fuels and Raw and Other Materials Included in Mandatory Agency (Middleman) Service"]

[Text] On the basis of Council of Ministers Resolution No 243 dated 30 November 1981 on the principles of operation of the state enterprises in 1982 and the Council of Ministers resolution dated 28 December 1981 on the functioning of the economy under martial law, the following course is established for the distribution of fuels and basic raw and other materials hereinafter called materials for the year 1982 along with the course of review of appeals.

### I. General Principles

1. Office of Materials Management [UGM] will give to the turnover units entrusted with the turnover of the means of production in 1982 on the basis of direct agency in the turnover of specific groups of materials:

Central materials balance-sheets,

Operational programs, lists of products included in these programs, and lists of producers carrying out these programs together with their major coproduction partners,

UGM coordination instruction.

2. The means-of-production turnover units are preparing the parcelling out of materials to provide first of all for supplying the various operational programs, the country's defense needs, and state reserves.

3. The authorized turnover units disseminate the materials and apply other distribution methods discussed in §18, Point 4 of the resolution mentioned at the beginning, on the basis of the following:

Central materials balance-sheets,

Operational programs mentioned in Point 1,

Their own analyses of the sales and consumption in prior periods,

Information and demands of consumers (including the level of stock),

UGM coordination instructions.

At the command of the supply-trade units the consumers are required to submit corresponding contracts made in the realm of deliveries of goods included in the operational programs

4. In the course of conducting the dissemination process, the trade units that are exclusive agents come to an agreement with the producers of the distributed materials concerning the size and assortment envisaged for deliveries on a level at least equal to that set down in the central balance-sheet.

5. Within the framework of the overall apportionment of materials, the turnover units should allocate the amount of materials:

For the disposal of the Ministry of National Defense, the Ministry of Internal Affairs, and the Ministry of Justice -- the Central Administration of Penal Institutions and the MARKO Foreign Trade Enterprise,

Allocated for state reserves,

For the disposal of the individual bodies that coordinate the activity of small-scale manufacturing units mentioned in Point 10,

For the various major customers,

For the various voivodships for sale by local units trading in the means of production,

For distribution at a later date.

It is recommended that the essential limit on deliveries first of all encompass the largest customers (those registered for allocation), so that the amount of materials for sales to smaller customers may thereby be increased.

6. The authorized turnover units present the general materials apportionment they have prepared for approval by supervisory teams created by the Minister of Materials Management according to the principles given in Appendix No 1 to these guidelines.

7. The general materials apportionment approved by the supervisory team is sent by the turnover unit to the Office of Materials Management [UGM].

8. In the event it is determined that the general materials apportionment:

Does not meet the requirements implied in these guidelines or does not insure proper priority to general social purposes, the Minister of Materials Management will call for an appropriate correction in the apportionment.

9. The detailed apportionment of materials allocated for the disposal of the Ministry of National Defense, the Ministry of Internal Affairs, the Ministry of Justice -- the Central Administration of Penal Institutions, and MARKO Foreign Trade Enterprise and the determination by the units trading in the means of production that accomplish these deliveries are accomplished in a separate manner established by the appropriate ministries in agreement with the Minister of Materials Management.

10. The registry of materials allocations for small-scale industry lists the following:

Central Union of Crafts and Trades [CZR],

Central Union of Work Cooperatives [CZSP],

Central Union of Invalids Cooperatives [CZSI],

Central Union of Cooperatives for the Blind [CZSN],

CEPELIA Central Union of Cooperatives for Folk and Artistic Handicrafts [CZSRLiA],

National Commission for the Coordination of the Economic Activity of Social Organizations,

Voivodship organizations of state local industry in Warsaw, Katowice, Kielce, Lodz, and Szczecin.

The registered allocations for various sections of small-scale manufacturing is handled by the Council of Ministers Planning Commission within the framework of the total size established in the central materials balance-sheets.

The apportionment of the materials allocated for disposal by the various sections of small-scale industry is handled by appropriate units as indicated by the directors of the organizations that coordinate the activity of these units.

11. The materials allocated for a given voivodship for sales by the corresponding local unit trading in the means of production should be sold on the basis of free sales or apportioned in agreement with the Voivodship Materials Management Team.

12. Consistent with the principles presented in Point 5, the authorized turnover unit should leave part of the materials for apportionment at a later time. This amount should provide for the possibility of additional allocations (deliveries) during the year for these pruposes:

Purposes related to break-downs and other accidents of fate,

Awarding of additional allocations in the event of a positive decision following the review of appeals and complaints.

It is recommended that part of the undistributed amount, insofar as possible, not less than 5 percent of the total amount being disposed of, be put to one side.

13. The following schedule for the work is established:

Instructions for the turnover units be transmitted by 31 December 1981,

The central materials-balance-sheets and operational programs and UGM coordinating instructions is transmitted by 10 January 1982,

The general apportionment of materials is accomplished and presented to UGM by 31 January 1982.

14. Deliveries of electric power and gas fuels are allotted in keeping with the principles specified in a separate directive of the Minister of Materials Management issued in cooperation with the Minister of Mining and Power Industry.

15. By the time of the apportionment of the materials in keeping with these instructions, the following should be accomplished:

Deliveries of materials for the first quarter should be carried out to the extent of the sizes allotted by the industrial associations, according to the previous organizational status,

Distributed materials supplied during the first quarter of 1982 should be considered as an installment of the annual allotment which will be recalculated after the dissemination according to the new principles has been accomplished,

Demands (orders) should be accepted for distributed materials by all the enterprises authorized to handle trade of the means of production according to the previous organizational status. This also applies to the wholesale enterprises mentioned in Appendix No 2 of these instructions. These enterprises are not designated in the Council of Minsiters resolution of 30 November 1981 to conduct distribution, but they will conduct this activity in accordance with §21, Paragraph 6 of the above-mentioned resolution and on the basis of agreements made with sales organizations. At the same time the principle should be adopted that during the first quarter of 1982 the enterprises trading in the means of production will supply customers with about 20 percent of the annual deliveries made in 1981.

II. Principles for Reviewing Allocations Appeals

1. Consumers of a distributed material or one included in the compulsory agency system can file an appeal concerning the amount and item assortment of materials allocated to a unit which has transmitted authorization to buy this material or has refused sales within the framework of free sales.

2. A turnover unit which has received an appeal is required to review it and to handle it in a positive manner within the framework of its reserves and to transmit the appeal along with its opinion to the supervisory team or voivodship materials management team which issued an opinion (accepted and approved) the allotment of the material.

3. The sueprvisory team or voivodship materials management team reviews at its periodic meetings the appeals filed and awards additional allocations out of the reserves at the team's disposal or determines that the initial allocation will remain in force.

4. Decisions of the supervisory teams are compulsory and binding, and they can only be grieved with complaints for the decisions filed with the UGM, which will make an administrative examination of the propriety of the review and handling of the appeals.

Appendices:

1. Principles for creating supervisory teams of turnover units in 1982.
2. Supplementary guidelines for various materials branches.

Minister Jan Antosik

Appendix No 1 to the Guidelines of the Minister of Materials Management Dated 29 December 1981, on the Principles for the 1982 Distribution of Fuels and Raw and Other Materials Included in Mandatory Agency (Middleman) Service

Principles of Creating Supervisory Teams of Turnover Units in 1982

In order to insure the proper allotment of materials included in mandatory agency service, the Minister of Materials Management is creating the following supervisory teams for the units handling the commodity turnover of the means of production:

1. Team for Hard Coal and Briquettes Made Out of Hard Coal

Chairman: Representative of the Ministry of Mining and Power Industry

Membership: Representatives of:

Office of Materials Management
Council of Ministers Planning Commission
Ministry of National Defense
Ministry of Construction and Building Materials Industry
Ministry of Administration, Local Economy, and Environmental Protection
SAMOPOMOC CHLOPSKA Central Union of Agricultural Cooperatives
Coal Sales Center
Center for the Supply of Metallurgical Products
Center for the Supply and Transport of Mining and Power Industry

2. Team for Coke and Semicoke and Brand "K" Imported Coal

Chairman: Representative of the Ministry of Metallurgy and Engineering Industry

Membership: Representatives of:

Office of Materials Management
Council of Ministers Planning Commission
Ministry of National Defense
Ministry of Mining and Power Industry
Ministry of Administration, Local Economy, and Environmental Protection
SAMOPOMOC CHLOPSKA Central Union of Agricultural Cooperatives
Center for the Supply of Metallurgical Porudcts
Center for the Supply and Transport of Mining and Power Industry
Local Economy Supply Enterprise

3. Team for Liquid Fuels and Intermediate Products

Chairman: Representative of Office of Materials Management

Membership: Representatives of:

Council of Ministers Planning Commission
Ministry of National Defense
Ministry of Chemical and Light Industry
Ministry of Construction and Building Materials Industry
Ministry of Transport
Ministry of Administration, Local Economy, and Environmental Protection
Ministry of Domestic Trade and Services
SAMOPOMOC CHLOPSKA Central Union of Agricultural Cooperatives
Petroleum Products Center, CPN [Petroleum Industry Center]
Center for the Supply and Transport of Mining and Power Industry
Marine Supply Center
State Motor Transport Association

4. Team for Ferrous Metal Products

Chairman: Director of CENTROSTAL Steel Sales Center

Membership: Representatives of:

Council of Ministers Planning Commission
Office of Materials Management
Ministry of National Defense
Ministry of Metallurgy and Engineering Industry
Ministry of Construction and Building Materials Industry

5. Team for Products of Nonferrous Metals Industry

Chairman: Representative of Office of Materials Management

Membership: Representatives of:

Council of Ministers Planning Commission
Ministry of National Defense

Ministry of Metallurgy and Engineering Industry
Central Union of Crafts and Trades
CEPELIA Central Union of Folk and Artistic Handicrafts Cooperatives
Nonferrous Metals Trade Center

6. Team for Precious Metals Products

Chairman: Representative of Ministry of Finance

Membership: Representatives of:

Office of Materials Management
Council of Ministers Planning Commission
Ministry of National Defense
Ministry of Metallurgy and Engineering Industry
Polish National Bank
Central Union of Crafts and Trades
State Mint

7. Team for Cables and Conduits

Chairman: Representative of Ministry of Mining and Power Industry

Membership: Representatives of:

Office of Materials Management
Council of Ministers Planning Commission
Ministry of National Defense
Ministry of Metallurgy and Engineering Industry
Ministry of Construction and Building Materials Industry
Ministry of Communications
CENTROKABEL Cable and Conduit Sales Office
Center for the Supply of Mining and Power Industry

8. Team for Acid Storage Batteries

Chairman: Representative of Ministry of Transport

Membership: Representatives of:

Office of Materials Management
Council of Ministers Planning Commission
Ministry of National Defense
Ministry of Metallurgy and Engineering Industry
Plenipotentiary of Minister of Metallurgy and Engineering Industry for distribution supply operational program
CEMA-ZBYT Electric Machinery and Apparatus Technical-Trade Center
Association of the State Automotive Commission
AGROMA Agricultural Equipment Trade Enterprise in Warsaw-Zabki or associations of farm equipment trade enterprises
POLMOZBYT Enterprise for the Turnover of Motor Vehicles and Spare Parts in Lublin or associations of POLMOZBYT enterprises for the turnover of motor vehicles and spare parts

9. Team for Plastics

Chairman: Representative of the Ministry of Chemical and Light Industry

Membership: Representatives of:

Office of Materials Management
Council of Ministers Planning Commission
Ministry of National Defense
Ministry of Metallurgy and Engineering Industry
Ministry of Agriculture and Food Economy
Chemical Plants in Oswiecim
CHEMIPLAST Enterprise for Commodity Turnover of the Plastics and Dyes Industry

10. Team for Rubber

Chairman: Representative of the Ministry of Chemical and Light Industry

Membership: Representatives of:

Office of Materials Management
Council of Ministers Planning Commission
Ministry of National Defense
Ministry of Foreign Trade
STOMIL Rubber Industry Institute in Piastow
STOMIL Enterprise for the Turnover of Rubber Industry Articles

11. Tires Team

Chairman: Representative of Ministry of Transport

Membership: Representatives of:

Office of Materials Management
Council of Ministers Planning Commission
Ministry of National Defense
Ministry of Chemical and Light Industry
Ministry of Administration, Local Economy, and Environmental Protection
STOMIL Enterprise for the Turnover of Rubber Industry Articles
AGROMA Agricultural Equipment Trade Enterprise in Lodz or associations of farm equipment trade enterprises
POLMOZBYT Enterprise for the Turnover of Motor Vehicles and Spare Parts in Starachowice or associations of POLMOZBYT enterprises for the turnover of motor vehicles and spare parts

12. Team for Cement

Chairman: Director of the Cement Sales Office

Membership: Representatives of:

Council of Ministers Planning Commission
Office of Materials Management
Ministry of National Defense
Ministry of Mining and Power Industry
Ministry of Construction and Building Materials Industry
Ministry of Agriculture and Food Economy
Ministry of Transport
Central Union of Housing Construction Cooperatives
Center for the Supply and Transport of Mining and Power Industry

13. Team for Lumber

Chairman: Director of the Wood Turnover Center

Membership: Representatives of:

Council of Ministers Planning Commission
Office of Materials Management
Ministry of National Defense
Ministry of Mining and Power Industry
Ministry of Construction and Building Materials Industry
Ministry of Transport
Ministry of Forestry and Timber Industry
Central Union of Crafts and Trades

14. Team for Wood-Product Panels

Chairman: Director of PLYTOZBYT Panel and Veneer Sales Office

Membership: Representatives of:

Council of Ministers Planning Commission
Office of Materials Management
Ministry of National Defense
Ministry of Construction and Building Materials Industry
Ministry of Forestry and Timber Industry
Central Union of Work Cooperatives
Central Union of Crafts and Trades

15. Team for Paper and Cardboard

Chairman: Representative of the Government Plenipotentiary for Paper Management

Membership: Representatives of:

Office of Materials Management
Council of Ministers Planning Commission
Ministry of National Defense

Ministry of Forestry and Timber Industry
Ministry of Culture and Art
"Prasa-Ksiazka-Ruch" Workers Cooperative Publishing House
[missing word(s)] Association of Paper Industry
Paper Turnover Office
Job Printshops in Warsaw [Wydawnictwa Akcydensowe]

16. Team for Rawhides, Wool, and Cotton

Chairman: Director of the Textile and Leather Raw Materials Center

Membership: Representatives of:

Office of Materials Management
Ministry of National Defense
Council of Ministers Planning Commission
Ministry of Chemical and Light Industry
Plenipotentiary of Minister of Chemical and Light Industry for operational program on footwear and clothing for children and youngsters
Ministry of Foreign Trade
Central Union of Work Cooperatives
Central Union of Invalids Cooperatives
Central Union of Crafts and Trades
CEPELIA Central Union of Folk and Artistic Handicrafts Cooperatives
Association of Producers of Workers Clothing and Uniforms
Association of Producers of Workmen's Gloves

17. Team for Chemical Reagents

Chairman: Representative of Ministry of Chemical and Light Industry

Membership: Representatives of:

Office of Materials Management
Council of Ministers Planning Commission
Ministry of National Defense
Ministry of Metallurgy and Engineering Industry
Ministry of Health and Social Welfare
"Polish Chemical Reagents" Industrial and Trade Enterprise

18. Team for Phosphorites and Apatites

Chairman: Representative of Ministry of Chemical and Light Industry

Membership: Representatives of:

Office of Materials Management
Council of Ministers Planning Commission
Ministry of National Defense
Ministry of Agriculture and Food Economy

Ministry of Foreign Trade
Phosphorous Raw Materials Depot

19. Team for Artificial Fertilizers

Chairman: Representative of Ministry of Agriculture and Food Economy

Membership: Representatives of:

Office of Materials Management
Council of Ministers Planning Commission
Ministry of Chemical and Light Industry
SAMOPOMOC CHLOPSKA Central Union of Agricultural Cooperative

20. Team for Asbestos, Mineral Wool Mats and Panels

Chairman: Representative of Ministry of Construction and Building Materials Industry

Membership: Representatives of:

Office of Materials Management
Council of Ministers Planning Commission
Ministry of National Defense
Ministry of Chemical and Light Industry
Construction Insulation Materials Sales Office

21. Team for Protective Clothing and Personal Protection Equipment, Fire-Fighting Equipment and Smothering Agents

Chairman: Representative of Office of Materials Management

Membership: Representatives of:

Council of Ministers Planning Commission
Ministry of National Defense
Ministry of Mining and Power Industry
Ministry of Metallurgy and Engineering Industry
Ministry of Construction and Building Materials Industry
Ministry of Forestry and Timber Industry
Central Union of Work Cooperatives
Central Union of Invalids Cooperatives
SAMOPOMOC CHLOPSKA Central Union of Agricultural Cooperatives
SUPON Fire and Protective Equipment Technical-Trade Center
Association of Protective Clothing Producers

22. Team for Zinc-Lead Binders and Electrodes

Chairman: Director of METALZBYT Metal Products Sales Center

Membership: Representatives of:

Office of Materials Management
Council of Ministers Planning Commission
Ministry of National Defense
Ministry of Metallurgy and Engineering Industry
OPAKOMET Light Sheet Packaging Complex

Appendix No 2 to the Guidelines of the Minister of Materials Management Dated 29 December 1981, on the Principle for the 1982 Distribution of Fuels and Raw and Other Materials Included in Mandatory Agency (Middleman) Service

Supplementary Guidelines for Various Materials Branches

1. Hard coal and hard-coal briquettes, as well as coke and semicoke

The Coal Sales Center will establish a list of consumers which it will supply directly. The coal allotment for the rest of the consumers is set in each voivodship by the local units of SAMOPOMOC CHLOPSKA Central Union of Agricultural Cooperatives, which are also authorized to carry on the turnover of these materials.

2. Crude oil, liquid fuels for engines, furnace oil. The Petroleum Products Center will establish a list of customers which it will supply directly. The allotment of liquid fuels for the rest of the customers is made in each voivodship by the District Petroleum Products Turnover Enterprise, which is also authorized to carry on the turnover of these materials.

3. Iron and steel metal products. The CENTROSTAL Steel Sales Center will establish a list of consumers which it will supply directly. For the rest of the customers, in each voivodship the district departments of the Steel Sales Center, which is also authorized to conduct the turnover of these materials, makes the allotments of metallurgical products.

4. Products of nonferrous metals industry. The Nonferrous Metals Trade Center will establish a list of customers which it will supply directly. The allotment of goods for the rest of the customers is made in each voivodship by the local units of the SAMOPOMOC CHLOPSKA Central Union of Agricultural Cooperatives, which are also authorized to carry on turnovers of these materials.

5. Chemical reagents. The Polish Chemical Reagents State Enterprise will establish a list of customers which it will supply directly. The allotment for the rest of the customers will be made in each voivodship by the CHEMIA District Chemical Trade Enterprise, which is also authorized to carry on the turnover of these materials.

6. Cables and conduits. The CENTROKABEL Cables and Conduits Sales Office will establish a list of customers which it will supply directly. The allotment of cables and conduits for the rest of the customers will be made in each voivodship by the ELMET District Enterprise for Trade in Technical Articles, which is also authorized to carry on turnovers of these materials.

7. Acid storage batteries. The EMA-ZBYT Electric Machine and Apparatus Technical-Trade Center will establish a list of customers which it will supply directly. The allotment of batteries for the rest of the customers will be made in each voivodship by the AGROMA district enterprise, which is also authorized to conduct the turnover of these materials.

8. Plastics. The CHEMIPLAST Enterprise for Commodity Turnover of the Plastics and Dyes Industry will establish a list of customers which it will supply directly. The allotment of plastics for the remaining customers is made in each voivodship by the CHEMIA District Chemical Trade Enterprises, which are also authorized to carry on the turnover of these materials.

9. Rubber. The STOMIL Enterprise for the Turnover of Rubber Industry Articles will establish a list of customers which it will supply directly. The allotment of rubber for the remaining customers is made in each voivodship by the CHEMIA District Chemical Trade Enterprises, which are also authorized to carry on the turnover of these materials.

10. Tires for motor vehicles, tractors, and farm machinery. The STOMIL Enterprise for the Turnover of Rubber Industry Articles will establish a list of customers which it will supply directly. The allotment of tires in each voivodship is made by the AGROMA district enterprises in the realm of tires for the needs of socialized agriculture, and by POLMOZBYT district enterprises in the realm of tires for automobiles and trucks, and these enterprises are also authorized to carry on the turnover of these materials.

11. Artificial fertilizers. The AGROCHEM Enterprise for the Sales of Mineral and Chemical Fertilizers will establish a list of customers which it will supply directly. The allotment of artificial fertilizers for the remaining customers is made in each voivodship by the local units of the SAMOPOMOC CHLOPSKA Central Union of Agricultural Cooperatives, which are also authorized to carry on the turnover of these materials.

12. The Cement Sales Office will establish a list of customers which it will supply directly. The allotment of cement is made in each enterprise by the Building Materials Centers for small consumers of the socialized and local economy, and by units of the SAMOPOMOC CHLOPSKA Central Union of Agricultural Cooperatives for private customers, and these centers and units are authorized also to carry on turnovers of these materials.

13. Mineral wool mats and panels. The Office of Building Insulation Materials Sales will establish a list of customers which it will supply directly. The allotment for the remaining customers is made in each voivodship by the Building Materials Centers, which are also authorized to carry on the turnover of these materials.

14. Softwood lumber. The Wood Turnover Center will establish a list of customers which it will supply directly. The allotment of timber for the remaining customers will be made in each voivodship by the Timber Industry Enterprises, which are also authorized to carry on turnovers of these materials.

15. Wood-derived panels. The Office of Panels and Veneer Sales, PLYTOZBYT, will establish a list of customers which it will supply directly. The allotment of panels for the remaining customers will be made in each voivodship by the Building Materials Centers, which are also authorized to carry on the turnover of these materials.

16. Paper cellulose, paper, and cardboard. The Minister of Culture and Art sets the allotment of all paper for publishing purposes.

The Paper Turnover Office will establish a list of customers which it will supply directly. The allotment of paper and cardboard for the remaining customers can be made by the district ELMET enterprises on the basis of a contract with the Paper Turnover Office.

17. Protective clothing and personal protection equipment, fire-fighting equipment, and smothering agents. The local ELMET Enterprise for Trade in Technical Articles are authorized to conduct retail sales on the basis of agreements made with the SUPON Fire and Protective Equipment Technical Sales Center.

## Materials Supply Principles

Warsaw GOSPODARKA MATERIALOWA in Polish No 5-6, Mar 82 p 101

[Circular: "Minister of Materials Management Circular No 2, Dated 23 February 1982 on the Principles of Material Supply to Construction Enterprises With Consideration Given to Enterprises Supervised by Voivodship Governors and on Voivodship Governors' Cooperating With Enterprises Handling Turnover of Distributed Materials"]

[Text] On the basis of Council of Ministers Resolution No 243, dated 30 November 1981 on the principles of the operation of state enterprises in 1982 and in keeping with the decisions of the Council of Ministers Economic Committee of 28 January 1982, the following principles are established for supplying materials to construction enterprises and for cooperation between voivodship governors and enterprises handling the turnover of distributed materials.

1. Distributed materials used in construction, that is, cement, electric power cables, metal goods, lumber, panels of wood origin are included in the technical material supply system established:

by Council of Ministers Resolution No 243, dated 30 November 1981 on the principles of the operation of state enterprises in 1982 (MONITOR POLSKI No 32),

by Minister of Materials Management guidelines, dated 29 December 1981 on the principles for the distribution in 1982 of fuels and raw and other materials included in compulsory intermediary (agency) service, with the supplements given in Points 3-6.

2. The other materials used in construction production

in keeping with Council of Ministers Resolution No 243 mentioned in Point 1, are not part of the distribution system or compulsory agency service, and in relation to them free contract turnover applies.

3. Units handling the turnover of the means of production authorized to distribute (Appendix No 6 to Council of Ministers Resolution No 243) perform the allotment of materials for registered customers, and the remaining amount of materials is distributed to the various voivodships. The allotments of materials for a voivodship will apply not only to the needs of construction but also to general consumption besides the registered consumers mentioned by the distributing units. (The manner of allotment for units of the Ministry of National Defense, the Ministry of Internal Affairs, and small-scale industry is established separately.)

In keeping with the guidelines of the Minister of Materials Management dated 29 December 1981 on the principles of distribution in 1982 of fuels, and raw and other materials included in compulsory agency service, the allotment of materials for the voivodship must be arranged by the turnover units in agreement with the corresponding supervisory team.

4. The turnover units should transmit to the voivodship governors a list of the major (registered) customers from the given voivodship that obtained registered allocations for distributed materials. The enterprises not on this list are supplied with distributed materials within the framework of the allotments for the given voivodship.

5. Allocations of materials for local allotment in the voivodship are received by the corresponding local turnover units mentioned in Appendix No 2 to the Minister of Materials Management's guidelines dated 29 December 1981. These units prepare the allotment of materials, including those for construction enterprises, assigning them first of all to those carrying out operational programs. They come to an agreement on the proposed allotment with the Voivodship Materials Management Group [WZGM]. If the materials supply situation is good, the WZGM may call for free sales without registered distribution.

6. Local materials turnover units are required to do the following at the request of the voivodship governor, in agreement with the WZGM:

apportion distributed materials for construction enterprises supervised by the voivodship governor and present for the governor's information a distribution list for these enterprises,

apportion distributed materials for construction enterprises supervised by the voivodship governor, leaving to the governor the distribution of these materials to the enterprises, except that the enterprises receive allocations from the materials turnover units.

7. In keeping with Decision No 8 of the Council of Ministers Economic Committee, dated 29 January 1982, on the intensification of local production of building materials, it is necessary

first of all in the allotment of distributed materials by the local units handling the trade of the means of production (allotment in the voivodship), to take into account the state enterprises undertaking the production of local building materials,

to the extent possible, to award additional allocations of distributed materials to units of small-scale industry undertaking local production of construction materials; the small-scale manufacturing units obtain basic allocations in keeping with the principles in force through the intermediary of the bodies coordinating their activity.

8. On the basis of Decision No 5 of the Chairman of the Council of Ministers dated 15 February 1975 on the creation of the Voivodship Materials Management Groups [WZGM], the voivodship governors may adapt the composition of these teams to the expanded tasks implied by the above-mentioned guidelines of the Minister of Materials Management, dated 29 December 1981.

9. In consideration of the specific nature of the construction process and of experience gained in the experimental inculcation of comprehensive active supply, it is recommended that efforts be undertaken to organize comprehensive construction site supply which bypasses the warehouses of the construction enterprises, regardless of the ministry to which they belong.

The construction supply functions in the voivodship should be entrusted to a specialized unit handling the comprehensive supply to construction and remodelling enterprises, building materials industry enterprises, single-family housing construction, and other consumers using building materials.

Minister, Dr Jan Antosik

## Materials Supply Problems

Warsaw GOSPODARKA MATERIALOWA in Polish No 5-6, Mar 82 pp 102-104

[Article by Tadeusz Wojciechowski: "Problems of Supplying Articles Not Encompassed in the Distribution Program During the Period of Inculcation of the Reform"]

[Text] Nearly 70 percent of the total turnover of products, that is, raw and other materials and co-produced components is taking place under the conditions of the reform, at least theoretically, through sales and delivery contracts freely entered into, without the distribution system or compulsory participation in the middleman service system. Is this really the way it is, and what sort of laws govern this segment of the means-of-production market?

Always -- not just as the result of the reform -- a substantial share of supply turnover in Poland has been based on agreements freely made. This share of turnovers, for example, included all industrial co-production.

Nonetheless, in various branch systems, the individual components at the central and middle management levels used what is called "informal distribution," which consists of setting priorities and precisely allotting the bulk of commodities according to very differentiated criteria, often simply intended to protect the supply for their "own" -- this means intra-branch or intraministerial -- interests.

In the present scheme, one thing for certain has changed. The indirect level of management (industrial associations) during the period of their dissolution cannot perform the informal distribution of certain materials, but the ministries have far less impact on the possible execution of such recommendations (if they issue them) by either the units engaged in the turnover of the means of production or the producers.

This does not mean that such attempts and trends are not occurring, especially in view of the fact of the creation in 1982 (I hope that it will be temporary) of what are called branch plenipotentiaries, to replace in part the former industrial associations. On the other hand, there is increasing force in the development of a new informal distribution link, that is, the supply trade unit, which distributes articles which are not formally included in the distribution system but are in short supply.

Of necessity, they select their customers. They meet the needs of some in full, while limiting deliveries to others to varying degrees. They are generally guided by the criteria adopted for distributed items. Hence, for example, in 1982 first of all the needs related to carrying out what are called the operational programs are met, especially since the Office of Materials Management has issued appropriate instructions in this matter. Outside of this, however, in practice one sees that in the various elements of these units, particularly in wholesale trade, there is a mutual exchange

along with various sorts of protectionism. These units are enterprises, and from a formal point of view they can establish their sales policy entirely independently in this realm, unless the Council of Ministers or government body operating under its authority issues specific guidelines or voluntary recommendations in this area, as in the case of the operational programs.

In the segment of the means-of-production market encompassing items not in the distribution system, there are several new phenomena in 1982 that are of great significance to the course of the supply processes and the behavior of the various organizational units [plant and equipment].

1. A substantial number of enterprises that are producers of materials which they distribute through the intermediary of various trade agencies (mainly the so-called sales offices) refuse to avail themselves of their services and will try to handle sales independently or make some use of the services of freely selected wholesale trade organizations. This is entirely consistent with the principles of the reform and is limited only by the establishment (at least in 1982) of a small number of turnover organizations as trade middlemen who have been granted the monopoly to act as middlemen for a period of time*. These tendencies sometimes meet with favorable acceptance on the part of some customers.

Alongside the question of the maintaining or the restriction or limitation of certain intermediaries, there is the question of the information about sources of purchase and the new system of market relations and ties in this segment of the market. During the initial period of their formation, it will be difficult to become oriented as to the potential sources of supply and the system of sales performed by them. These difficulties are occurring even during the first half of 1982, and I think that it will be essential as quickly as possible to publish a new edition of the Polish Economics Press [PWE] "Informator Paopatrzeniowca" [Suppliers' Information Manual].

2. Against the backdrop of this phenomenon there will temporarily arise serious problems concerning the coordination of production and supply of certain items in territorial terms. So long as there is a shortage and therefore the possibility of a free choice of customers, the natural tendency of independent producers will be to give priority to customers located nearby or involved in mutual services. Hence, for example, it may happen that a metal basin producer will sell them (in the form of a delivery agreement for the entire year's production) to trade enterprises in the southern regions, leaving the rest of the country without any source of supply.

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*Appendix No 8 to the Council of Ministers Resolution dated 30 November 1981 on the matter of the principles of operation of the state enterprises in 1982.

Given the fact that the economic administration has no formal grounds to question such an agreement, it is possible only to count of the "operation" of the market mechanism, that is, the selling of a portion of the basins (at a higher price plus profit margin) to other trade enterprises, but this mechanism will not work in the event of a very severe shortage.

I think that during the transition these tendencies can only be counteracted by the periodic issuance of monopoly authorization for trade agency (middleman) service to a given trade unit, which is charged with distributing the commodity volume at its disposal in the most objective way (this is to apply to certain types of products), while maintaining the priorities established on the national scale for a given period.

On the other hand, the extension of monopolies must be very moderately and carefully handled, and must be limited to those instances which are truly essential.

3. There are free prices for a substantial number of items not covered by the distribution system, especially throughout industrial coproduction. Therefore we cannot preclude the possibility that certain producers, especially those with monopolies (of a technological nature), will take advantage of the situation to rise prices to a higher level than what used to be called "Merchant solidarity" in prewar nomenclature, or firm solidarity, and was related to the concept of a decent profit.

Of course an excessive increase in the prices of coproduced components will have a direct impact on the price of the finished product, regardless of whether this is the above-mentioned component, a piece of machinery, or an item of mass consumption.

In the sphere of the functioning of supply, this phenomenon can carry along with it (I would say that it will surely carry along with it) the "natural" elimination of certain customers, who are simply unable to bear the price from the viewpoint of the profitability of their production. Against this backdrop there will be a periodic rise in intervention and disputes, but if the market mechanism is to be a fixed instrument in the future, then this problem must be approached with reserve. Gradually certain consumers of a given product will substitute others for it, reducing demand and lowering the price.

4. Against this background we will also be dealing with a problem which is occurring on a large scale, that of the real technological monopolists, the firms producing items not covered by the distribution system, in quantities inadequate for the country owing to objective causes, such as glue from the PRONIT Plastics and Dyes Plants in Pionki, which the whole footwear industry needs along with many other plants. Even without raising the price -- perhaps even more so because of not raising the price -- the independent, self-governing producer faces the necessity of choosing the customers to whom he sells his product. We shall therefore be dealing here too with the phenomenon of informal distribution, similar to that guided by the supervising ministry. I think that this is the weakest point in the system

of supply, permitting the formation of numerous improprieties, for example, against the backdrop of a subjective assessment of customer needs, but at this stage it is difficult to propose anything sensible to combat this phenomenon effectively.

During a later period, perhaps even during the second quarter of this year, the Minister of Domestic Trade and the Minister of Materials Management are to draft and present to the Sejm a draft law on commodity turnover. According to the initial assumptions, it is to contain elements of antimonopolistic regulations as well and to establish the permissible scope and circumstances for the state administration's restricting freedom of commodity exchange. These regulations should at least partially limit the danger that producers will abuse their monopolistic position, although I am afraid that it will be difficult to make it concrete enough, because usually in world legal experience [such regulations] apply to the creation of monopolistic ties aimed at achieving additional profits and not a monopoly stemming from technical conditions, even if a similar result is produced as a consequence.

The above-mentioned basic phenomena which are occurring (and which have partly already occurred) in 1982 in the turnover of undistributed items of technical-material supply are not an exhaustive list of the problems related to this realm of turnover.

Commodity turnover of undistributed materials, and therefore strictly speaking the turnover in a free-market assumption, should be based largely on the system of contracts freely entered into. The legal basis of sales and delivery contracts is the Civil Code and the Council of Ministers resolutions which regulate in more detail the principles for entering into contracts, especially the so-called general contract conditions, but under the conditions of the current reform, after the package of laws went into effect this February, a substantial portion of these regulations -- if not de jure then at least de facto -- ceased to fit. Some of the legal specialists feel that they should be nullified altogether, to leave the Civil Code as the sole legal basis of contracts. I share the view, but the issue needs more careful examination and elaboration. On the other hand, the Code must regulate a number of issues, such as the distributed items' supplier's duty to sign contracts. It may be that this can be settled in the above-mentioned draft law on commodity turnover. Of course, this would really make it possible to avoid the regulation of this problem outside the framework of a law.

An important and partly separate problem is industrial coproduction (here we are talking about both legal and organizational regulations). In Poland coproduction has always formally represented part of free commodity turnover, encumbered by the previously mentioned problems above, despite the lesser degree of independence in establishing a production plan. For this reason there have always been attempts by supervising bodies to coordinate it. On two occasions there have been special regu-

lations* issued in the attempt to treat coproduction agreements as a special sort of agreement, more lasting and certain in execution. These regulations have not been formally invalidated, but in the light of the 1981 law on the enterprise, the enterprise may be obliged to sign a contract only in a few situations, and coproduction relationships were not included among them (this also applies to the distribution system). I am only mentioning this subject, because I intend to take it up in a separate article, but it must be clearly stated that in the light of the legal situation in 1982 coproduction ties** must not be uprooted, this is true, but on the other hand there is no obligation to enter into new relationships either, if they are considered improper from the viewpoint of economic interests. Of course this does not mean that the various levels of the administration are not trying and will not try to assist in the forming and bolstering of coproduction ties between enterprises, especially since certain possibilities still exist for the so-called founding bodies to bring pressure to bear.

Finally, the turnover of materials which are excessive stock is the last of the problems of turnover of undistributed items (and in this case, this also includes distributed items) which we need to discuss. This turnover is entirely free. Material which represents stock considered under the previous nomenclature to be unnecessary or excessive may be sold to any civil or legal party. It is true that the haste in issuing the regulations concerning the principles of the functioning of the economy in 1982 meant that some lawyers interpret the compulsory agency service of commercial units mentioned in Appendix No 8 of the Council of Ministers resolution dated 30 November 1981 for material supply as also applying to improper stock, but this interpretation is incorrect.

The Minister of Materials Management confirmed in an official explanation the complete freedom for the "secondary" turnover of materials derived from improper reserves, except for precious and nonferrous metals, without compulsory use of the services of intermediaries. Of course, if the enterprise considers it useful, it is free to avail itself of middlemen.

On the other hand, what is disturbing is the fact that, as we can see from a great deal of information obtained from the units of small-scale industry, the sales of these materials from enterprises of key industry is still not going right, and even during the first quarter of 1982, it slowed somewhat. This is perhaps the result of maintaining the hope of using the material in their own factories, the fear of a growing shortage, or -- this would be less desirable -- there is still a reluctance to sell materials to small-scale industry, especially the crafts and trades.

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*Last resolution of the Council of Ministers No 96, dated 23 October 1980 (MONITOR POLSKI No 25/80) on industrial coproduction.
**In the above-mentioned Council of Ministers resolution of 30 November 1981 on the principles of the 1982 operation of state enterprises, this was established in Chapter I, §4.

I have tried to present the major problems and phenomena which will occur on the market of the means of production not included in the distribution system during 1982 and surely in 1983. The reader is likely to ask himself how the enterprise should behave under the conditions and what sort of behavior I would suggest for both the consumer and the supplier.

Here are a few suggestions I can make for consumers:

One should not rely on anyone's really effective help in resolving the problems of supply for items not covered by the distribution system. It is really necessary to overcome all sorts of difficulties independently.

A comprehensive analysis can be made of the previous ties with suppliers of undistributed materials and coproduction components also and even mainly from the viewpoint of the prices offered, fees for commercial services, and possibilities for reducing transport.distances. It may be that despite the absence or existence of only slight competition, it is worthwhile to change the direction of emphasis to making contracts, to use the services of a different commercial agent, or to buy a certain material directly from the producer.

In the normal way it is necessary to try to "renew" contracts and agrewments with those suppliers whom we consider appropriate under the new system. Of course new prices and delivery conditions should be negotiated.

There will still be a certain number of item assortments of undistributed materials for which we are not going to find a supplier or the supplier found or even a permanent one will not agree to sign a contract, or he cannot insure deliveries of the required amounts of the items or guarantee that other delivery conditions will be met.

Realistically we have only the following possibilities:

Continue to negotiate with this supplier, overing him even a higher price, if we can afford it,

Keep a look out also for other suppliers, using advertisements in the press, but this is not always possible under the conditions of a substantial technological monopoly of industrial production,

Conduct a technical analysis of the product (for example, using the value analysis method) to seek solutions consisting of the use of another component or material which is more readily available, making it in one's own plant, or simply eliminating it.

Despite what people think, the answer to the question: "but perhaps production is possible without it," according to Japanese research, 4 percent of the time the answer is in the affirmative, so this possibility must not be underestimated. I am alone in this view, but I think that it may be that intervention within industrial associations of enterprises and by various sorts of plenipotentiaries will produce only sporadic results. It may produce a beneficial result when we are carrying out production which is considered to be one of the so-called operational programs, but this is a solution which has been adopted for 1982, and I am not at all certain that it will be extended in this form.

In relation to enterprises of suppliers who for the moment will continue to be in a better situation (although everyone is simultaneously a consumer and supplier), I have only one suggestion, owing to the market situation. I have written about this many times in recent years, but I think that this is presently becoming a primary issue. The supplier of an undistributed item must start conducting a genuine systematic analysis of the demand on the section of the market in which he is operating. He cannot wage his own sales policy and pricing policy, without any ongoing orientation about fluctuations in demand, the appearance or development of competition, the appearance of substitute products on the market, and so on. This after all is also related to the position of what are called materials turnover units, that is, sales offices, wholesale enterprises, and so on, under the new conditions and market relations. I have already mentioned that the existence of some of these units, especially the agencies and organizers of sales of undistributed items is actually in danger. The supplier -- producer and consumer -- will in many instances think that the intermediary only extends the path for making a transaction and increases his sales costs or supply costs.

Unless the intermediary units can prove the meaning of his existence, for example, through a greater familiarity with the market or the introduction of facilitations for customers which they consider worth paying extra for, then it will gradually lose customers and will have to face the danger of economic self-sufficiency. This applies to a lesser degree to wholesaling enterprises, if they decide to expand their assortment of items or their forms of sales, for example, retail for small-scale manufacturing. But here too, especially during the period where shortages exist, we should count on difficulties in adequately "filling" warehouses with commodity volume. It is therefore essential many times over for these enterprises to build genuine business efficiency and to a great extent to change their traditional position and forms of operation in the turnover of the means of production. I am convinced that here too phenomena of real competition will most often emerge.

I think that in keeping with the targets of the economic reform, we are entering in the sphere of turnover of undistributed items of technical-material supply in a period where so-called "wolfish" market laws operate where the one who is better prepared and more flexible wins. I think that all enterprises must gradually develop protective and adaptive mechanisms

which will permit them to increase their possibility of winning in the role of both supplier and consumer.

## Small-Scale Industry Supply

Warsaw GOSPODARKA MATERIALOWA in Polish No 5-6, Mar 82 pp 105-108

[Article by Andrzej Zawalski: "Principles of Technical-Materials Supply to Units of Small-scale Industry"]

[Text] The economic activity of units of small-scale industry is playing an important role in meeting social needs in both the production and services areas. It takes on particular significance in the period when economic difficulties are appearing. It is expressed in the capacity for rapid placement of the production program and flexible reaction to the changes taking place in terms of both the ability to obtain raw and other materials and the demand for finished products, and this in turn eases the effects of the crisis and accelerates our getting out of the economic difficulties.

An expression of this role of small-scale industry in our economic life is Council of Ministers Resolution No 112/81, which creates convenient organizational-economic conditions for its development. Among these conditions, technical-materials supply is of fundamental significance.

The concept of "small-scale industry" is rather broad and includes economic units which sometimes vary considerably among themselves.

In keeping with Council of Ministers Resolution No 112/81, small-scale industry includes the following:

Cooperative units,
State enterprises of local industry, and also some enterprises of key industry,
Crafts and trades,
Units carrying on economic activity within the framework of social organizations,
Companies formed between state and cooperative or crafts economic units,

Small-scale manufacturing is organizationally divided up into a number of "sectors" with separate coordinating mechanisms.

Among them are the following:

a) Cooperative Units:

Central Union of Workers Cooperatives,
Central Union of Invalid Cooperatives,
Central Union of Cooperatives of the Blind,
CEPELIA Central Union of Cooperatives of Folk and Artistic Handicrafts,

b) at the level of state enterprises of local industry -- appropriate voivodship organizations of these enterprises (for example, the industrial associations),

c) at the level of the crafts and trades -- Central Union of Crafts and Trades,

d) at the level of the enterprises and plants carrying on economic activity within the framework of social organizations -- National Commission for the Coordination of the Economic Activity of Social Organizations.

The units of small-scale industry differ in the scope of their activity (production, services) and usually have a small economic potential. When supply difficulties occur, it is just these units which may find themselves in a particularly disadvantageous situation. On the other hand the functioning of many areas of importance depends on their activity, areas of importance owing either to the fact that they meet the needs of the population (for example, services which have an impact on living conditions, the production of commonly used items) or to coproduction relationships with enterprises of key industry. Sometimes these units are sole specialized producers of certain goods (for example, protective clothing).

For this reason it is extremely important to create for this group of economic units the most favorable possible solutions in the system of technical-material supply.

Systems Solutions in the Organizations of the Process of Supply for Small-Scale Industry

The systems solutions introduced are by no means equivalent to insuring a surfeit of raw and other materials for units of small-scale industry.

Some of these solutions consist of eliminating barriers which hamper these units' access to various sources of supply for raw and other materials, while others create certain forms of priority in supplying them with technical materials.

The basic principles of supply for small-scale industry stem from the general solutions in Council of Ministers Resolution No 243/81. These solutions have been presented in detail in other articles. We are concentrating here solely on those among them in which the specific nature of small-scale industry has been accentuated.

It has been assumed that the needs of small-scale industry would be taken into account back at the stage when the balance-sheet of raw and other materials and equipment which are included in the central balance-sheet is drawn up. This list encompasses 89 raw and other materials and 10 groups of machinery and equipment.

On the outflow side of each of these balance-sheets estimates have been made for the sizes of deliveries taken as an overall total for small-scale manufacturing. These sizes are tentative in nature and are binding for the turnover units handling distribution only in the case of items covered by the distribution system (those mentioned in Appendices Nos 6 and 7).

Allotments for the various sectors of small-scale industry are set by the Council of Ministers Planning Commission.

This means that the total sizes of deliveries for small-scale industry set down in the balance-sheets for distributed articles determine the possibilities for allotment to its various sectors.

The bodies which coordinate the activity of the units of small-scale industry in the various sectors should therefore pay particular attention to the stage of formulation of the balance-sheets for materials and machinery, because it is at that very time that decisions are made about the size of the "pool" of distributed articles to which small-scale manufacturing will have access. The turnover units for which the delivery sizes set down in the balance-sheets for this group of consumers are obligatory are not basically in a posistion to change anything, except the listing of the specific items in the assortment.

As for the items on the central balance-sheets that are not included in the distribution system, the delivery sizes established for small-scale industry are merely tentative and cannot be treated as certainties.

Here the service which supplies small-scale industry plays a special role and in the course of its efficient actions it should try to "extract" these sizes of deliveries from the suppliers.

Nonetheless, the services supplying small-scale industry must remember that both the allocations of distributed items and the tentative delivery sizes of the rest of the items on the central balance-sheets give consumers no absolute assurances that they can buy the amount of these items which such an allocation or listing on the balance-sheet implies. This follows from the fact that, consistent with §16 of Paragraph 3 of Council of Ministers Resolution No 243/81, certain regulations of Council of Ministers Resolution No 192/73 on delivery contracts, which provided the obligation for a goods delivery contract to be signed between the supplier and receiver, was cancelled. Hence, because of the cancellation of §8 of Resolution No 192/73, the obligation for the signing of a contract between the supplier and the consumer disappeared, in the case where the consumer had an allocation for an item included in the official distribution system.

Eliminated too was the possibility of founding bodies' intervening in the process of the signing of contracts between suppliers and consumers, owing to the cancellation of §6, 7, 9, and 14 of Council of Ministers Resolution No 192/73. From this it follows that currently the allocation of an item

included in the distribution system should be treated by consumers only as a possibility of signing a contract with a supplier, which in turn may not sell those consumers more than the allocation implies, but the supplier can make a contract with such a consumer for a quantity smaller than implied by the allocation, if the actual production (or import) influx does not meet the demand of consumers with allocations and those without them (that is, those purchasing on the basis of contracts freely made with suppliers). Therefore, the consumers' receiving of the amount of the allocations -- and this applies as well to small-scale manufacturing consumers -- will depend on the following:

-- the carrying out of the balance-sheet upon which the dissemination of a given item was based,

-- the real course of production processes at the producers', the structuring of import deliveries (if they are on a given balance-sheet),

-- the effectiveness of coordination functions executed by the unit handling distribution in the realm of the turnover of a distributed item (for example, effective market analysis, cooperation with consumers and suppliers, the organization of proper sales channels, and so on).

The systems solutions adopted envisage that the allocations of items included in the distribution system will be established for the bodies which coordinate the activity of the various sectors of small-scale industry (they have been mentioned above).

These bodies in turn, or the units they indicate, make a further allotment to the various units of small-scale industry.

Practically, then, two solutions may be proposed:

a) the body which coordinates a specific sector of small-scale industry can directly allot the items included in the distribution system through an appropriate organizational group,

b) the coordinating body can authorize one organizational unit to make the detailed allotments on its behalf.

In the Central Union of Workers Cooperatives, for example, the latter solution has been adopted, as well as in the Central Union of Invalids Cooperatives, where there are in operation for this purpose separate enterprises (plants) which handle setting up the process of supplying units of small-scale industry in a given sector.

The localization of the supply function in small-scale industry is undoubtedly a solution which is favorable for the various economic units under the conditions where there are severe shortages of raw and other materials. Such services handle not only the organization of supply of

items covered by the distribution system or that of many items which are not covered by the distribution system but arehard to obtain. We can assume that the role and tasks of these centralized supply services will increase under the conditions of the new principles of supply, because these services should first of all in the course of their operations try to reach the point where they sign contracts with suppliers for deliveries of distributed items for the amounts implied by the allocations and also strive to make agreements with suppliers for items which are not covered by the distribution system but are listed on central balance-sheets.

They can also work more effectively to get suppliers to deliver other items which are not on the central balance-sheets but are conditions to the conducting of economic activity by the various units of small-scale industry (for example, adhesives, dyes and lacquers, thread, metal products, sanitation equipment, and so on).

These items, like the materials which are not covered by the distribution system but are on the central balance-sheets, are acquired in keeping with Council of Ministers Resolution No 243/81's provisions for contracts freely made. Under the conditions where there is a great shortage, the various units of small-scale industry could have great difficulties in obtaining the raw and other materials they need. The centralization of supply in small-scale industry may also facilitate the purchase of imported items both through improved cooperation with the various foreign trade enterprises and through the combining of agreements, the possibility of establishing more convenient delivery terms, and so on.

The operations of the units which handle centralized supply to small-scale industry should be based on trade contracts or agreements made with customers for whom they perform these services. These contracts should contain a specification of the mutual rights and duties of the parties, including the assortment range of items to be supplied by the intermediary, the scope of the supply organizer's responsibility to the customer, the amount of remuneration for the service, and so on.

Basic Sources of Technical-Material Supply for Small-Scale Industry

The small-scale manufacturing units make purchases of the materials they need and of other means of production, using various sources. The basic suppliers are the producers and the units handling the turnover of the means of production. The main determinants of the possibilities of buying from these sources are the balances and the particular supply-demand situation. It is possible to count on deliveries consistent with the allocations (with reservation, as has been done before) only in the cases of items covered by the distribution system. In relation to the needs, deliveries of materials from ongoing production for the benefit of small-scale industry have usually been inadequate. According to balance-sheet targets, in 1982 the situation will not improve either, but owing to the general economic difficulties one should count on a further decline in deliveries in relation to the sizes adopted on the balance-sheets.

In many units of small-scale industry, as in enterprises of key industry, serious shortages of materials and raw materials may occur as the result of the reduction in deliveries from previously normal sources of purchase. Only those units which are taking part in carrying out the operational programs are in a relatively favorable situation, because in keeping with Council of Ministers Resolution No 243/81, these consumers have priority in buying both distributed and nondistributed materials. This priority, however, is not equivalent to a supplier's obligation to sign a contract with such a consumer. It only provides a more favorable situation in a given consumer's efforts to sign such a contract or in the possible course of an appeal concerning a decision unfavorable to the consumer made by suppliers and, particularly, turnover units acting as required intermediaries (middlemen) (Appendix No 8 to Council of Ministers Resolution No 243/81).

Units of small-scale industry which perform services are in a particularly difficult supply situation, or can be. This problem has long been regulated in such a way that the units performing services to the population can purchase the materials they need in the general system of shops. This is regulated by Council of Ministers Resolution No 306/73, published in MONITOR POLSKI No 1, 1974. Nonetheless, the market situation in 1982 does not insure the possibility of covering small-scale industry's demand from this source.

Against this backdrop the next source of technical-material supply for small-scale industry, that is, unneeded stock and secondary and waste raw materials occurring in the national economy, takes on added significance.

In keeping with the provisions of Council of Ministers Resolution No 112/81, all barriers which up until now have hampered small-scale industry's direct access to these resources have been removed. Hence, it is to be anticipated that these reserves can be more rapidly administered and directed to the sphere of consumption.

In amended Council of Ministers Resolution No 164/71 on state organizational units' management and distribution of certain movable assets (consolidated text was published in MONITOR POLSKI No 24, 25 September 1981), important changes were introduced to bring substantial simplification to the course of buying up materials or machinery which represent reserves which a given enterprise does not need.

Here are the major changes:

The holder of improper reserves has complete freedom to choose a buyer who has expressed the desire to buy this sort of item. At the same time all categories of buyers are insured identical possibilities for purchase, that is, both units of the socialized economy and those of the nonsocialized economy, as well as physical parties.

The authority of supervising units have been cancelled regarding their reserving to themselves the management of the stock of certain particularly scarce items. In this connection the enterprise with stock it does not need can dispose of it at any moment without the obligation of asking for anyone's opinion or approval (all sorts of internal directives of industrial associations or ministries issued in this matter prior to 6 July 1981, that is, before the amendment of Council of Ministers Resolution No 164/71, automatically are void).

The obligation to list excessive stocks of certain materials or machinery with specialized units handling their clearance (such as BOMIS Center, PONAR-REMO Complex) has been revoked.

For small-scale manufacturing units acting as buyers this means the possibility of making direct purchases of materials and machinery that are improper reserves right from the holders of them without the need to incur additional costs for an intermediary (middleman).

Secondary raw materials and waste raw materials can represent an important source of supply for the units of small-scale manufacturing.

Council of Ministers Resolution No 184/81, which amends the resolution on the management of secondary metal raw materials (published in MONITOR POLSKI No 21, 1981) is making it possible for socialized and unsocialized buyers and physical parties to purchase directly what is called utility scrap iron from the economic units in which this scrap is produced. Hence the requirement of using the intermediary of units which handle the procurement of scrap iron (CENTROZLOM, for example) has been eliminated.

Following Council of Ministers Resolution No 184/81, an amendment was introduced in the Minister of Materials Management directive regulating this area (this directive, dated 30 August 1981, was published in MONITOR POLSKI No 23).

Broad facilitations were also introduced in the realm of the management of nonmetal secondary raw materials.

Following are provisions included in Minister of Materials Management Directive dated 30 August 1981 on the principles of setting up procurement of nonmetal secondary raw materials (as published in MONITOR POLSKI, No 23):

a) it is possible for buyers to purchase secondary raw materials directly from the units in which these raw materials are created; therefore the requirement to sell these raw materials first of all to units which handle their procurement is eliminated;

b) the authorized units' "monopoly" on the procurement of secondary raw materials has been eliminated, which means that the procurement of these raw materials may be performed by other economic units with appropriate

conditions for this, and this also includes units of the unsocialized economy.

The changes introduced in the principles of managing improper reserves and secondary raw materials may represent an important source of supply, especially for units of small-scale manufacturing. The large number of these units and the varying scale of their needs means that the purchase of the stock appearing in the enterprises may to a great extent alleviate the scale of the shortage of materials, but this will require great efficiency and initiative on the part of the sources of supply for the various units of small-scale industry.

Despite the commonly-held opinion about supply difficulties, improper reserves of materials continue to exhibit a high level, which fact is often related to a shortage of other complementary, related item assortments. On the other hand, the changes introduced in the production programs of key industry are also one of the reasons for the appearance of improper reserves.

The intensive penetration of these sources of supply, as represented by improper reserves and secondary and waste raw materials, should be undertaken by both the supply service of every economic unit and by the enterprises (plants) handling centralized supply in a given sector of small-scale manufacturing, but one should count on acess to these resources being increasingly difficult, owing to the competition among the various buyers and the resulting shortage of other materials which will force key industry to avail itself increasingly of secondary raw materials and waste raw materials in particular.

Finally, the last source of technical-material supply may be import. From the side of overall systems solutions, central imports from the countries of II payments area [capitalist countries] will include only the raw and other materials subject to central balance-sheet preparation. In other cases the consumer must provide for the foreign currency to buy imported materials. This foreign-exchange currency can come either from allowances from one's own export income or from foreign-exchange credit or other sources.

The solutions presented in this article show that, consistent with the targets of the economic reform, the units of small-scale industry must consider the consequences of the principle of basing every independent enterprise's economic operations on contracts freely made with contract partners. In the sphere of material supply this means that all the administrative means of influencing the relationships between suppliers and customers are ineffective. The extension of effective assistance in this area to the various units of small-scale industry by their founding bodies may therefore be limited in scope.

In the existing supply situation, the centralized course adopted for establishing allocations for distributed items under small-scale manufacturing conditions can facilitate the search for those items, but it cannot relieve the supply services of the various units of small-scale industry of the need for initiative and active striving to sign contracts with suppliers of distributed items. The change, which from the legal viewpoint concerns the nature and rank of "allocation authority" (that is, relieving suppliers of the legal obligation to sign contracts with the consumers with this "authority") charges all customers, including the units of small-scale industry, with the obligation to arrange more careful cooperation with suppliers.

The differentiated scope of operation of the small-scale manufacturing units and the resulting demand for various sorts of materials (usually in limited amounts), given the existing shortage of materials, calls for the creation of joint supply services or the entrusting of these functions to designated enterprises or plants specializing in setting up and arranging for supply.

Such a solution is possible only in the case of voluntary agreements among units of small-scale industry and the signing of appropriate trade contracts. The introduction of such solutions in the administrative channels would run contrary to the targets of the economic reform.

In connection with the absence of an adequate amount of many materials (distributed and nondistributed), there is the need for small-scale manufacturing to make more intensive use of all sources of supply, especially excessive reserves and secondary raw materials occurring in the national economy above all.

The facilitations contained in the legal regulations for management of these resources by both units of the socialized economy and by units of the nonsocialized economy create favorable conditions the utilization of which will depend to a great extent on the efficiency of the units of small-scale industry.

## Producer Prices Reform

Warsaw GOSPODARKA MATERIALOWA in Polish No 5-6, Mar 82 pp 108-113

[Article by Jerzy Chabros: "Producer Prices and the Principles for Setting Prices"]

[Text] As of 1 January 1982 the producer price reform went into effect. The basis for the implementation of this reform was Council of Ministers Resolution No 133 on the principles for the establishment and reform of sales prices for raw and other materials and other means of production, as well as charges for energy and power and for transportation of goods. The above-mentioned resolution defined on the one hand the new principles for setting producer prices, which were in the future to insure that they would be continually updated and prevent the degeneration of the system

of the prices on the means of production, and on the other hand contained decisions on the reform of these prices once and for all as of 1 January 1982, in order to create initial conditions for the further operation of the new principles of sale prices.

Based on the provisions of the resolution and the indices set down in it for the increase in the sale prices of basic raw and other materials, the appropriate price-list groups (operating mainly in the industrial associations) drew up detailed price lists, which were then approved by the State Price Commission. After publication, these price lists were sent for dissemination. We are including a list of the above-mentioned price lists and the units which distribute them in an appendix to this article.

As practice has shown during all previous price reforms, it takes a longer period of time to draw up price lists, because we are dealing with industrial and investment production which goes through many phases, and as a result the changes in raw and other materials prices are shifted to successive stages of manufacturing up to and including the final product, and feedback occurs here. For this reason, it was necessary to use a simplified manner of transition to the new price level in the price-lists of goods produced in processing industries.

In keeping with the State Price Commission guidelines dated 19 January 1981 (and the supplement to these guidelines dated 30 September 1981), the teams drawing up the price lists have defined only the conversion factors (coefficients) for commodity groups within the framework of a given price list or for whole price lists. These indices were approved by State Price Commission decisions (more than 140 decisions were issued altogether) and in keeping with the regulations of Resolution No 133/81 were to be used, beginning 1 January 1982, in the conversion of the prices which had previously on the old price lists to the new price level. The use of these conversion factors for invoicing and clearing purposes were treated as temporary solutions to be used until proper price lists were introduced.

Principles for Drafting Prices for Material-Supply Goods

The course presented for drafting and introducing the new producer prices was changed in connection with Council of Ministers Resolution No 243, dated 30 November 1981 on the principles of operation of the state enterprises in 1982 (MONITOR POLSKI No 32, Item 287), because this resolution introduces new price categories and principles for establishing them.

Consistent with the regulations of this resolution (§5, Paragraph 1), in turnovers the enterprises use official prices, regulated prices, and contract prices or free prices.

Official prices are set by the Council of Ministers or the proper body of the state administration according to its guidelines (in the realm of

prices on the means of production this body is the State Price Commission with the exception of charges for domestic freight transport by rail, or by motor or water transport, which the Minister of Transportation sets).

In the realm concerning the sphere of producer prices, official prices are set on the means of production and on services which are of fundamental significance for manuracturing costs. The list of these means of production and services included in Appendix No 3 to Resolution No 243 of 30 November 1981 includes: hard coal, lignite and coke, crude oil and furnace oil, piped and bottled gas, electric power, metal ores and scrap, products of ferrous and steel metallurgy, nonferrous metals products, timber and sawn lumber, cement, cellulose, cotton and wool, chemical fibers, rawhide, rubber, apatites and phosphorites, sulfur and sulfuric acid, chemical fertilizers and fertilizer lime, grain, industrially produced fodder and fodder additives, domestic rail transportation of freight, and motor and water transport. Official prices are also set for salts, spirits, ethyl gasoline, and diesel oil, gold, and other precious metals.

Official prices on the means of production with a basic impact on manufacturing costs, including in particular the prices of raw and other materials, are set on the basis of prices in free foreign-exchange turnovers in foreign trade. Practically speaking, these are the prices which occur in turnovers with the countries included in II payments area [capitalist countries], but in relation to raw and other materials which are imported, the basis used is the prices paid for imports last year (and in particularly justified instances, during the last 2 quarters) with consideration given to the prices resulting from the contracts already made for future deliveries. The same way is used to create prices on raw and other materials which are partially imported and partially supplied from domestic sources.

On the other hand, with regard to the sale prices of domestic raw and other materials which are exports (for example, coal, sulfur) the level used is that implied by the average prices obtained for exports of the product (with attention given to the contracts already made for future deliveries). Finally the sale prices of raw and other domestic materials which are neither imported nor exported but appear in international turnovers are established in keeping with expected prices formulated on the basis of postings on commodity exchanges or other reliable sources of information.

It should be added that although in the past corrections in sales prices have been made every 5 years on the average, or even less frequently, the changes in the sale prices of basic raw and other materials now will be monitored each year and corrected in cases where the difference between the official price and the mean price in international free foreign-exchange turnovers in foreign trade is more than 10 percent. It is envisaged that such changes will basically be introduced as of 1 January, but in the event of great changes in the foreign trade price level, the changes may be also introduced during the calendar year.

The level of the rate of exchange adopted for foreign currency is very important in setting domestic sale prices based on the prices being used in foreign trade. In the past this rate of exchange was set at a level close to the average cost of obtaining the foreign currency unit ($) in export. These exchange rates are currently being set at a higher level. To set new sale prices on the basic raw and other materials in effect beginning 1 January 1982, the currency exchange rate adopted was 50 zlotys on the dollar (at the moment the decision was made the mean cost of obtaining a dollar in export amounted to about 37 zlotys).

Back during the latter half of 1981 the dollar exchange rate was increased to 55 zlotys, and as of 1 January 1982 it was raised to 80 zlotys. The adoption of a rate of exchange at a submarginal level is to insure the 80-85 percent profitability of Polish exports (it therefore represents a form of export promotion), limiting the scope of budget subsidies used, but the consequence of this is the disruption of the uniformity of the producer price reform, because the prices of basic raw and other materials are presently based on the exchange rate of 50 zlotys on the dollar, while the prices of other imported means of production are based at the rate of 80 zlotys on the dollar. This changes too the export picture calculated at the higher rate (80 zlotys on the dollar), but, on the other hand, a substantial share of the goods exported (basic raw and other materials) are based on a lower rate of exchange.

It is not always possible to base domestic sale prices on the prices being used in foreign trade. If there are no conditions to set prices on domestically produced means or production or services on the basis of foreign trade, these prices are based on mean production costs incurred in the manufacture of the given commodities or the rendering of the services, with consideration given to the profit necessary to insure that the enterprises which produce these goods or render these services can maintain their self-financing.

In justified instances the official prices on the means of production (services) may be set at a level lower than that implied by the costs of their production. In that case the enterprises may be given an appropriate budget subsidy.

It should be added that in the event of great differences between the production costs incurred by the various enterprises manufacturing a uniform product for which official prices have been set, the Minister of Finance, at the request of the ministries concerned, may establish the appropriate principles for compensatory accounting (§11 of Resolution No 278, dated 30 December 1981 -- MONITOR POLSKI No 1, 1982, Item 1). Such principles have already been introduced, for example, in the coal and cement industries.

The regulated prices are set by the enterprise-producers (sellers). These prices are established for the following:

1) materials the delivery of which is based on distribution lists or which is covered by the requirement of using an intermediary agency (middleman), but which have no official price lists established for them (Appendix No 6 is a list of distributed materials, and Appendix No 8 is a list of the materials for which an intermediary (middleman) is required, both appendices to Resolution No 243, dated 30 November 1981),

2) imported means of production the import of which occurs within the framework of foreign-exchange funds designated for the purpose and which are not on an official price list,

3) basic means of production for agriculture: farm equipment and machinery, farm tractors, and pesticides.

The general formula for the producers' setting of regulated prices (those of the sellers) is described in the regulation of §8, Paragraph 1-3 of Resolution No 243 dated 30 November 1981. More detailed principles for setting them have been set down in the State Price Commission guidelines of 22 December 1981, which were transmitted to the enterprises by way of the industrial associations back in December 1981.

In keeping with these guidelines, regulated prices for domestically-produced commodities are established at the level derived from calculating the enterprise's prime production costs, taking the following into account:

1) profit surcharge calculated on the processing cost according to the rate in effect,

2) turnover tax or subsidy in the amount specified by the Minister of Finance,

3) trade margins calculated according to the rates in effect.

As for the calculation of the prime cost, in figuring it the previous regulations of Directive No 21/80 of the Chairman of the State Price Commission, dated 11 July 1 80 (DZIENNIK URZ CEN No 20, Item 157) should be used. In this calculation the enterprises should take the following into account in particular:

--prices of raw and other materials as well as those of other means of production in effect in 1982,

--changes in wages introduced on the basis of government decisions,

--changes in the principles for financing remuneration and social expenditures, principles of financial administration, and the clearing of accounts with the state budget (Resolution No 243 of 30 November 1981).

The profit surcharge recognized in the price of the product is set by the enterprise which produces the given item. This surcharge is determined according to the following formula:

$$N = \frac{8\% \ F \cdot wl}{Kp} \times 100$$

where:

N is the profit surcharge expressed as a percentage of processing costs (processing costs are taken to be the total direct (prime) cost minus direct materials costs along with the purchase costs accompanying them, the costs of outside processing, and the costs of insurance and losses from defects),

F wl is the [firm's] own fund financing fixed assets, nonmaterial and legal values, and working capital,

Kp is the total sum of processing costs (for the previous year).

If the profit surcharge resulting from this calculation turns out to be less than 10 percent, the enterprise may use profit amounting to 10 percent of processing costs in calculating the prices of its products.

The rates of profit margins, sales commissions, and supply surcharges in the turnover of the means of production for which regulated prices are established (and also official prices) should be adopted at the level set by the State Price Commission.

If the product has earned a quality hallmark, its price can be increased:

by 5 percent for quality "1"
by 10 percent for quality "Q"

Taking into account the fact that regulated prices created by the enterprises during the first few months of 1982 will come into being under conditions where there is incomplete and inaccurate information concerning the various cost elements (for example, the price calculated on the basis of group indicators for the rise in prices of the means of production, which may later prove to be inconsistent with contract prices for the various means of production), these prices should be monitored no later than 6 months from the date they are set. This verification should consist of the enterprises' making appropriate corrections in the calculation of the cost used as the basis for setting prices for those items for which they were calculated on the basis of erroneous assumptions.

Contract prices are set in turnovers between economic units for the goods and services not included in the regulations on official and regulated prices. These prices are set by the supplier with the customer, and the price level agreed upon must be confirmed in writing by both parties to the contract.

Free prices do not differ in essence from contract prices. They occur in market turnovers, and their level is established by the producer (seller). The acceptance of these prices (agreement) by the buyer (consumer) takes place by virtue of the very decision to buy the commodity or order the service. For this reason the draft law on prices does not include free prices any more as a separate price category but treats them as contract prices.

Application of Prices

The principle of independent setting of free and contract prices by the sellers must not mean that they are entirely arbitrary. This particularly applies to the situation in 1982. Consistent with the guidelines of the Chairman of the Council of Ministers Economic Committee dated 30 December 1981 (published in TRYBUNA LUDU on 2-3 January 1982), the authorization to set and increase prices should be used with moderation. This means that the prices of various items in 1982 should not basically exceed the level calculated from production costs, the turnover tax rate in effect, and necessary profit. This principle should apply not only to the prices of market items but also to contract prices of producer goods, which have a decisive impact on the level of the final product.

In the setting of prices, a reliable calculation of prime costs and the undertaking of action favoring their reduction are essential.

The Presidium of the Council of Ministers Economic Committee issued to the appropriate bodies of the Ministry of Finance and the State Price Commission the recommendation that they monitor the manner in which producers set prices and introduce the necessary sanctions in the event their monopolistic position is used to obtain excessive profits and also in the event that prime costs are not calculated in a straightforward manner.

In order to counteract the adverse phenomena appearing in the realm of the setting and application of prices, a Price Inspectorate was established (Resolution No 23 of the Council of Ministers, dated 27 January 1982), whose tasks include the following:

Monitoring the propriety of the calculation of official and regulated prices, especially costs, profit, turnover tax, product [goods and services] subsidies, and profit margins,

Monitoring the extent to which principles concerning the setting of regulated prices are respected,

Monitoring the level of contract and free prices as well as the costs and profitability of goods and services for which prices are set.

As we can see from this, both in the realm of contract and free prices, the Price Inspectorate will occupy itself with assessing their level in the

context of the structuring of costs and profitability, except that in the event the excessively high costs are discovered, the regulation concerning the possibility of imposing the obligation to turn over to the state budget a sum amounting to 150 percent of the improper profit obtained will not apply here (sanctions of this type can occur only for official and regulated prices); there will only be the possibility of:

introducing the obligation of using regulated prices instead of free or official prices,

asking the appropriate minister to apply service sanctions against the director of the economic unit in which the prices established glaringly violated the principles in effect or the social interest.

The introduction of new price categories and new principles for setting them in a manner different from those principles previously in effect had an impact on changing the course of the producer price reform. In particular this is related to substantial expansion of the scope of application of contract prices which are estimated to encompass 70-80 percent of the total value of production of the means of production in the turnover of the means of production. In this situation, the price lists for certain raw and other materials elaborated and issued prior to Resolution No 243, dated 30 November 1981 can partially encompass items which since 1982 have fallen within the scope of official prices and partly to the sphere of regulated and contract prices. In this latter case the prices given on the price lists have no binding force, and they can be treated as tentative prices, but the appropriate economic unit may set regulated prices on the basis of the authority it has obtained or may set contract prices in agreement with its contract partners. The same also applies to price conversion indices, which can be replaced by regulated prices or contract prices. Until regulated or contract prices are established, prices contained in the price lists previously in effect, with consideration given to the conversion indices (coefficients) approved by the State Price Commission should be used in turnovers between enterprises of the socialized economy and in pricing the outflow. Decisions approving the indices have been transferred to the appropriate ministries and industrial associations by the State Price Commission.

Reassessment of Reserve Supplies

In connection with the reform of producer prices unprecedented in previous reforms insofar as the scope, scale, and results are concerned, there has arisen the need to reassess reserve stock and to clear the result with the state budget. This matter should be presented more comprehensively. Appendix No 12 to Resolution 243 of 30 November 1981 contains provisions concerning giving enterprises their own working capital, insuring that they will be covered at least to the extent of 30 percent. The enterprise must obtain the shortfall in working capital in other ways, mainly by using bank credit, which of course creates additional burdens for them, owing to the cost of this credit, but for obvious reasons the budget cannot provide them with any greater financial resources of their own.

To provide for this minimum, it therefore proved necessary to take exceptional steps, that is, by introducing the obligation to reassess reserve supplies according to the level as of 1 January of this year and to turn over to the budget the difference in their values, which difference was used to bolster the units needing it. It was only in market trade that somewhat different principles were applied (in certain instances the budget took only 70 percent of the difference in value).

The current reassessment differs from those made in the past in one other respect. In previous years it brought the value of reserve supplies to the level of future purchase prices, and was therefore at the same time a measure which stabilized the enterprise's cost level from the first moment that the new prices were in effect. For the present reassessment this can be said only of items for which there are official prices, but they represent a small percentage of all materials produced and consumed, so in many enterprises their consumption is of no decisive significance for the level of operating costs. The prices of the rest of the items for which there are regulated prices can and will in the near future exhibit substantial fluctuations. In addition the basis for the reassessment is largely the conversion indices, and they are not close enough to make the level of future prices realistic. The results of the present reassessment can therefore in a very limited realm be considered to be a measure of the actual level of the enterprises' operating costs this year.

The "guidelines" of the Chairman of the State Price Commission and the Minister of Finance, dated 4 February 1982, on reassessing reserve supplies of producer-capital goods were sent to the enterprises by way of the ministries, and they were also published in the DZIENNIK URZEDOWY [Official Gazette] of the Minister of Finance. They are binding on all units except market trade enterprises, and they contain provisions intended to produce the desired financial effect (putting the necessary amount of funds at the disposal of the budget) while restricting those technical-computation operations related to reassessment which are labor-intensive and therefore extremely burdensome for the enterprises.

The reassessment is based on:

Price lists of the State Price Commission (41 price lists for raw and other materials),

Conversion indices approved through State Price Commission decisions (133 decisions for certain item-assortment groups),

Prices for coproduction deliveries, if they were agreed to in contracts for this year made before the end of this past January,

Index of 1.5 in relation to the previous value of materials bought last year at fixed or uniform periodic prices,

Index of 2.0 in relation to previous values for cases not included in the fundamentals previously mentioned.

The reassessment has been limited to those reserve stocks of truly great significance. A number of exclusions from the assessment have also been introduced with regard to reserve stocks of materials. The components of reserve stocks subject to exclusion are listed below. These exclusions should be adopted even if there is a conversion index or price approved by the State Price Commission for the given component of the reserve stock of materials. Subject to exclusion are:

Spare parts designated for use in the course of remodelling and maintenance of one's own fixed assets and the enterprise's own nondurable objects. In this way a very numerous and diverse group of reserve supplies which represent a relatively small share of the total value of material supplies has been excluded from the reassessment requirement.

Materials solely or mainly for general economic purposes (except for solid and liquid fuels). The determining factor making it possible to single them out is the way they relate to operating costs. Their consumption is part of the enterprise's overall costs, such as general plant costs and department costs in industry or commercial costs in trade.

Materials derived through coproduction, if contracts for new prices for them have not been arranged by the end of January. If there are no such prices, index reassessments would be too remote from reality.

Imported materials bought last year at transaction prices. Reserves of them are considerably lower than in prior years. In addition, up until last year a large share of imports were calculated in periodic uniform or constant prices, and such reserve supplies are subject to reassessment.

Unnecessary [surplus] reserve supplies, in the terms of the regulations of the Minister of Finance's directive dated 2 March 1979, turned up before the end of last year. There is no meritorical justification for reassessing them.

Reserve supplies of employee cafeterias, as an item of entirely marginal significance.

For unfinished production (production in progress, partly-finished products) and finished products, the subject of reassessment, as in previous years, has been narrowed to the direct materials used to make them. Here an indicator may be used, for the total consumption of direct materials. The conversion index should be applied in relation to the value of reserve supplies reassessed in terms of their value in last year's prices. This is exceptionally important as a simplification for very complicated products, which usually make it impossible to set an exact production cost for each part or subassembly.

As is usual in such cases, the "guidelines" could not provide a binding solution for every possible atypical situation. For this reason they provide for the possibility of the appropriate minister's expanding or narrowing the scope of reassessment, provided that the decision is approved by the Minister of Finance.

Appendix. List of Producer Price Lists for Means of Production and Services of Basic Significance to Manufacturing Costs (Included in Official Prices) Together With the Units Which Distribute These Price Lists

1. Hard coal, lignite, and coke

Number and name of price list:

1-Z/82 -- Hard and brown coal
21-Z/02 -- Coke and semi-coke

Price-list distributors:

1) Division of Job Publishers, ul Warszawska 5, 81-969 Gdynia
   telephone: 20-88-49

2) Division of Job Publishers, ul Warynskiego 12, 85-950 Bydgoszcz
   telephone: 22-57-15

3) Division of Job Publishers, ul Lagiewnicka 39, 30-959 Krakow
   telephone: 653-39

4) Dom Ksiazki Book Store
   ul Nowotki 12, 00-201 Warsaw
   telephone: 31-14-17

2. Crude oil and furnace oil, fuel oil, ethylene

Name and number of price list:

116-Z/82 Crude oil

Price-list distributor:

Ministry of Chemical and Light Industry, ul Wspolna 4, 00-201 Warsaw
telephone: 28-30-59

Name and number of price list:

135-Z/82 -- Petroleum products and synthetic liquid fuels (official prices for furnace oil and prices in effect since 22 November for fuel oil and ethylene)

Price-list distributors:

CPN [Petroleum Products Center]
Enterprise for Petroleum Products Turnover in the 17 former voivodships

3. Bottled and piped gas

Number and name of price list:

5-Z/82 -- Gas from coking plants and gas-coking plants

Price-list distributor:

Ministry of Mining and Power Industry, ul Krucza 36, 00-921 Warsaw
telephone: 28-22-71

Number and name of price list:

6-Z/82 -- Gas fuels for distribution (list distributed by source given in point 1.)

4. Electric power

Number and name of price list:

7-Z/82 -- Electric power (list distributed by source given in point 1.)

8-Z/82 -- Electric power (supplied by industrial electric plants for state power industry [utilities] network). List is distributed as in point 3. (supplied to economic units involved, without the placement of orders)

5. Metal scrap and ore
6. Products of ferrous and steel metallurgy
7. Nonferrous metals products

Number and name of price list for 5.-7.:

indices in effect as approved by the State Price Commission

Price list distributors for 5.-7.:

Ministry of Metallurgy and Engineering Industry, ul Krucza 38/42, Warsaw
telephone: 211-011, extension 567

State Price Commission, ul Swietokrzyska 12, 00-916 Warsaw
telephone: 27-48-49

8. Timber and sawn lumber

Number and name of price list:

251-Z/82 -- Wood (official prices only for sawmill lumber)
252-Z/82 Boards and partly-finished sawmill products (official prices only only for board lumber

Distributed as in point 1.

9. Cement

Number and name of price list:

154-Z/82 -- Cement, industrial and construction lime, plaster binders (official prices only for cement)

Distributed as in point 1.

10. Cellulose

Number and name of price list:

258-Z/82 -- Woodpulp, semichemical bulk, cellulose (official prices only for cellulose)

Price list distributor:

Industrial Association for the Paper Industry, ul Wieckowski 33, 90-934 Lodz
telephone: 265-71

11. Cotton and wool

Number and name of price lists and their distributors

201-Z/82 -- Cotton, distributed by Association of the Cotton Industry, ul Sienkiewicza 3/5, 90-950 Lodz, telephone: 252-80

204-Z/82 -- Unwashed wool, distributed by Polnoc [North] Association of Wool Enterprises, Al Kosciuszki 3, 90-418 Lodz, telephone 254-80

12. Chemical fibers

Name and number of price list:

111-Z/82 -- Chemical fibers

Distributed as in point 1.

13. Raw hides

Number and name of price list:

219-Z82 -- Preserved rawhides (purchase prices)
220-Z/82 -- Preserved rawhides (sales prices)

Both lists distributed by:

Center for Textile and Leather Raw Materials, ul Piotrkowska 148/151
90-063 Lodz, telephone: 638-33

14. Rubber

Number and name of price list:

122-Z/82 -- Natural and synthetic rubbers

Distributed as in point 1.

15. Apatites and phosphorites

Number and name of price list:

126-Z/82 -- Phosphorites and apatites

Distributed as in point 2.

16. a) Sulfur

Number and name of price list:

101-Z/82 -- Mined chemicals (official prices only for salts and sulfur)

Distributed as in point 1.

b) Sulfuric acid

Number and name of price list:

State Price Commission decision No DL-Z-221/81, dated 31 December 1981, distributed to interested economic units by the State Price Commission

17. Chemical fertilizers and fertilizer lime
18. Grain, industrially-produced fodder, and fodder additives

Number and name of price lists for 17.-18.:

Were not covered by the producer price reform introduced as of 1 January 1982
Retail prices change 15 February 1982 for chemical fertilizers and fodder

19. Domestic transport of freight by rail, motor transport, and water transport

Number and name of price lists, with distributors:

Polish State Railroads fee schedule for freight, distributed by the Publications Storehouse, Direction of District State Railroads

Fee schedule for forwarding and motor transport of freight, distributed by the State Motor Transport enterprise divisions (in the 17 former voivodships)

Fee schedule for transport of shipments in large containers by the PSK [Domestic Dispatching Enterprise], distributed by the Divisions and forwarding services of PSKs

Fee schedule for PKS transport of shipments, distributed by PSK divisions and forwarding services

Fee schedule for inland freight transportation, distributed by the following offices of the PPZ [State Shipping Enterprise]:
1) ul Grodzka 17, Bydgoszcz
2) ul Wojska Polskiego 8, Gizycko
3) ul Krowoderska 5, Krakow
4) ul Zomojskiego 2, Warsaw
5) ul Klaczkowska 50, Wroclaw

The above list shows that producer price lists may be categorized in two groups. The first group consists of general-use price lists for items consumed by broad groups of buyers. These price lists are distributed by the Job Printers in Bydgoszcz, Gdynia, and Krakow and by the Dom Ksiazki book store in Warsaw.

The second group consists of price lists of interest to a narrow range of buyers, because they apply to the enterprises of a given ministry. These price lists are distributed by the ministries mentioned or by units of them.

It is noted that ministry price lists are needed by a restricted group of customers, for example, the wool and cotton price list by the yarn-works of the wool and cotton industry (these price lists contain only the prices of wool and cotton fibers; the prices of cotton and wool yarn have the nature of contract prices), the rawhide price list by tanneries, the prices of crude oil by the petrochemical plants.

The Ministry of Transportation publishes transport fee lists. Their distribution is handled by the units of the Ministry of Transport listed above.

At the same time, it should be mentioned that because the first edition is out of print, there has been another printing of the price lists, which will then be sent for sale in the sales points designated.

## Steel Industry Supply Principles

Warsaw GOSPODARKA MATERIALOWA in Polish No 5-6, Mar 82 pp 114-116

[Article by Stanislaw Mrowiec, Deputy Director of the CENTROSTAL Steel Sales Center: "Principles for Supplying the Country With Products of the Iron and Steel Industry in 1982"]

[Text] The implementation of the economic reform is making it necessary to introduce changes in the realm of the supply of technical materials. These issues are regulated in a basic way by Council of Ministers Resolution No 243, dated 30 November 1981, on the principles for the operation of state enterprises in 1982 along with attachments and appendices (MONITOR POLSKI No 32, dated 30 December 1981, Item 287). Chapter 3 of that resolution translates into concrete terms the general principles of technical-material supply and defines the jurisdiction of the Council of Ministers Planning Commission, the Office of Materials Management, and the various turnover units in the realm of the balancing and distribution of 16 groups of scarce materials of particular importance to the national economy.

The products of steel and ferrous metallurgy have been included in the goods balanced by the Council of Ministers Planning Commission and distributed by the CENTROSTAL Steel Sales Center in Katowice.

The basic changes in this realm apply to the following:

Relinquishment of the balancing of the country's needs in the ministerial scheme while simultaenously protecting certain directions of economic activity through operational programs established in Appendix No 1 to Council of Minister Resolution No 278, dated 30 December 1981 (MONITOR POLSKI No 1, dated 15 January 1982).

The elimination in the distribution system of past intermediary structures, that is, that of the ministries and industrial associations, and the introduction of distribution to registered allotted customers with allocations and other consumers supplied by CENTROSTAL regional branches.

In order to systematize the new balancing and distribution principles for metallurgical products and for the placement and execution of orders in 1982, CENTROSTAL has developed a suitable manner of proceeding. We are presenting its major points below.

### Metallurgical Products Supply Process for 1982

#### A. First Half of 1982

Owing to the compulsory lead time for the placement of orders for domestically-produced metallurgical products as well as for imported ones, it

has become necessary to issue allocation authorizations earlier. In the meantime, however, there has been no precise review concerning balance-sheet methods and forms of distribution. At the same time it became necessary to satisfy the needs of customers and provide steel-mill/suppliers with a suitable portfolio of orders. Hence, CENTROSTAL was forced to issue allocation authorizations the old way for economic-type ministries which previously were listed on the balance-sheets, using initial projections of the sizes of production and imports as the basis, as set by the Council of Ministers Planning Commission.

Authorization was issued this way:

for delivers from domestic production for the first two quarters of 1982,

for deliveries of imports from second payments area [capitalist countries] for the first half of 1982, except for item assortments with a long lead time, for which authorization was already issued for all of 1982.

B. Second Half of 1982

1. General Principles

In order to normalize the matter of distribution, metallurgical products customers were divided up into two groups:

those which will receive registered allocation authorizations from CENTROSTAL in Katowice,

those which will not receive registered allocation authorizations, whose orders will be handled out of the allocation pool of the appropriate local CENTROSTAL regional divisions.

In establishing the list of limited registered customers, the criterion of size of previous consumption of metallurgical products was used. The list of these customers includes about 350 enterprises and is in press, to be made available in the very near future to all interested parties.

2. Announced Demand

To establish the demand of registered limited customers and provide them with appropriate allocations during the latter half of 1982, it was necessary for these units to sent CENTROSTAL the appropriate information in this realm.

Therefore the enterprises involved were approached with the request that they express their needs by the deadline by assortment segregation with a breakdown by the operational programs they are carrying out. Most of the registered customers met the established deadline, 15 February 1982, and gave their needs by then. These materials are now being reviewed in

order that the appropriate decisions may be prepared in the realm of allocations.

The rest of the consumers are relieved of filing their needs with CENTROSTAL in Katowice, but they should contact the CENTROSTAL regional divisions in their areas to discuss initially the principles for carrying out their needs during the latter half of 1982.

3. Allocations Authorizations

The new way, as we have mentioned, provides for two groups of customers, that is:

a) Registered alloted consumers. On the basis of the demands expressed and the amount of balance-sheet inflow, CENTROSTAL will issue registered allocation for the third and fourth quarters of 1982 in keeping with the list of deadlines for issuing authorizations.

b) The rest of the customers. In the light of the targets for limiting registered distribution, an allocations pool will be set aside for the rest of the customers, which will not be required to follow the principle of announcing their needs. The quarterly allocations pool for these customers will be sent to the CENTROSTAL regional divisions.

4. Placement of Orders

The following principles have been established for placing orders:

a) Orders by registered allotted consumers: On the basis of allocations received from CENTROSTAL, registered allotted consumers draft orders the old way (designating the symbol according to the technical-materials code) on the PuGM 225 forms in use. Depending on the amount ordered, the orders are filed:

directly with the branch CENTROSTAL Sales Offices for the amounts listed below or above these minimums. [see table on next page]

in the appropriate local CENTROSTAL regional divisions for amounts smaller than those listed in the table. The previous regional range of operation will remain unchanged for the regional divisions of CENTROSTAL.

Orders to both CENTROSTAL and to the regional divisions should be made using "Order Lists" according to the old model of the PuGm 236 with three copies, on which the unit director will show his approval to the orders being made with the allocation received.

Copies of the list of orders which registered consumers have filed with the regional divisions are sent by them back to the CENTROSTAL Sales Offices appropriate for the branch for the purpose of clearing of accounts.

Minimum Amounts of Goods Qualifying Orders for Filing With Branch Sales Offices of CENTROSTAL Steel Sales Center (applies to registered allotted consumers)

| | (a) Nazwa wyrobu | (b) Symbol branżowego Biura Zbytu właściwego do przyjmowania zamówień opiewających w każdym asortymencie na następujące ilości i powyżej | | | |
|---|---|---|---|---|---|
| | | 6Mg | 10Mg | 24Mh | 55—56Mh |
| | 1 | 2 | 3 | 4 | 5 |
| (c) | 1. Wyroby walcowni bruzdowych ze stali klasy 1—3, w tym: | | | ZZ | |
| (d) | — szyny normalnotorowe i tramwajowe | | | | ZZ |
| (e) | — kształtowniki z produkcji Huty Katowice | | | | ZZ |
| (f) | 2. Wyroby ze stali klasy 4—9 walcowane na gorąco i zimno | | ZS | | |
| (g) | 3. Wyroby walcowni blach ze stali klasy 1—3, w tym: | | | ZB | |
| (h) | — blachy walcowane na gorąco i na zimno | | | ZB | |
| (j) | — blachy ocynkowane, ołowiowane, ocynowane, lakierowane i pokryte tworzywami | | | ZB | |
| (k) | 4. Rury stalowe, w tym: | | | | |
| (m) | — rury bez szwu ø508—273,1 mm w tym: | | ZR | | |
| (n) | — rury kołnierzowe | ZR | | | |
| (o) | — rury bez szwu ø273,0 mm i poniżej | | | ZR | |
| (p) | — rury ze szwem ø168,1 mm i powyżej w każdej ilości do Biura ZR | | | | |
| (q) | — rury ze szwem poniżej ø168,1 mm | | | ZR | |
| (r) | 5. Taśma walcowana na zimno klasy 1—9, w tym: | | ZP | | |
| (s) | — taśmy bezkrzemowe i w gatunku BS15P | | | ZS | |
| (t) | 6. Pręty ciągnione i łuszczone klasy 1—9 | | ZP | | |
| (u) | 7. Profile gięte na zimno | | | ZP | |
| (v) | 8. Bednarka ocynkowana | | | ZP | |
| (w) | 9. Akcesoria kolejowe | | | ZP | |
| (x) | 10. Koła obręcze i pierścienie kuto-walcowane — każda ilość w Biurze ZO | | | | |

[Key]

(a) Name of product
(b) Symbol of branch sales office appropriate to accept orders in each item assortment for the following amounts or more
(c) Grooving rolling mills of steel grades 1-3:
  (d) streetcar and standard-guage tracks
  (e) sections produced at the Katowice Mill
(f) Products of hot- and cold-rolled steel, grades 4-9
(g) Sheet-metal products of steel grades 1-3:
  (h) hot- and cold-rolled sheet metal
  (j) galvanized, lead- and tin-plated, painted, and plastic-covered sheet metal
(k) Steel pipe:
  (m) seamless pipe Ø508-273.1 millimeters:
    (n) flanged pipe

(o) seamless pipe Ø 273.0 millimeters and below
(p) pipe with seam Ø168.1 millimeters and up in any amount to ZR office
(q) pipe with seam under Ø168.1 millimeters

(r) Cold-rolled strip grades 1-9:
(s) non-silicon strips and that in category BS15P
(t) Drawn and peeled bars grades 1-9
(u) Cold-rolled pliable sections
(v) Banding steel
(w) Forged-rolled hoop and ring steel -- any amount at ZO Office

Designations of letter symbols in colums 2-5:

ZZ -- Ordinary Steel Sales Office
ZS -- High-grade Steel Sales Office
ZB -- Sheet-metal Sales Office
ZR -- Pipe Sales Office
ZP -- Metallurgical Processing Sales Office
ZO -- Forged Products Sales Office

b) By other consumers. Registered unallotted-allocations consumers file all orders, regardless of the amounts of goods ordered, with the ENTROSTAL regional divisions appropriate for their area, by the deadlines previously in effect. In view of the scarcity of metallurgical products, the materials pool for the group of the rest of the registered unallotted consumers is limited and will be designated first of all to provide for economic purposes related to the operational programs.

c) General remarks. Orders for metallurgical products:

Designated as input for pipe and rod drawing mills,
Designated for the construction and renovation of steam boilers of high and intermediate pressure and high-pressure containers,
Boiler pipe of grades 2 and 3 requirements,
Pipe of allocation groups 6210, 6220, and 6230,
Drilling pipe,
ZETOM and RPW-received pipe,

should be placed with the CENTROSTAL sales office appropriate for the branch, regardless of the amount ordered, and registered customers cover these orders with the allocations received in keeping with the provisions given above in point 3a.

In certain selected item assortments of metallurgical goods the system of what is called "direct relationships" is introduced. It consists of issuing authorization to customers with the supplier-mill indicated. Customers who receive such authorization sent orders for full amounts directly to the supplier-mills indicated, in order to make contracts bypassing CENTROSTAL Steel Sales Center.

Separate regulations and principles will be used for the supply of consumers working in the realm of services on behalf of the country's defense and security.

5. Carrying Out Orders

a) Orders placed directly with the CENTROSTAL Branch Sales Offices will be sent, as in the past, to the suppliers for execution, that is, to the country's steel mills, foreign trade enterprises, or, in the case of deliveries from imported reserves, to the CENTROSTAL regional division. Suppliers make contracts for deliveries directly with the ordering parties.

b) Orders placed with the CENTROSTAL regional divisions may be executed from one of the following sources, depending on the amount being ordered:

Domestic production,
Reserve supplies of the regional divisions' warehouses,
Through organized transit.

The regional division signs contracts for delivery with the ordering parties.

6. Import Deliveries From Payments Area II [Capitalist Countries]

Authorization for import deliveries from the second payments area [capitalist countries] were issued for the first half of the year or else for the entire year 1982. Orders placed on the basis of this authorization and orders which are carry-overs from 1981 basically exhaust the annual import capabilities. Any possible supplement must each time be approved by the appropriate CENTROSTAL Sales Offices.

We are also pointing out that §8 of the above-mentioned Council of Ministers Resolution No 278, dated 30 December 1981, regulates the issues related to imports from payments area II.

7. Steel Castings and Forging

In the realm of the method of distribution, the placement of orders, and the production of freely forged forgings, CENTROSTAL is issuing separate instructions.

At the same time, we are taking this opportunity to provide the information that as of 15 March 1982 CENTROSTAL will cease to be a steel castings balancing and distribution unit or to act as an intermediary in the placement of orders.

Direct ties between the customer and the producer are the sole form of supply of steel castings to customers.

In transmitting the above major items of information to all users of metallurgical products, CENTROSTAL is asking people to please apply precisely the method given above for the supply of metallurgical products to the country, particularly with regard to the deadlines for expressing needs and placing orders.

Adherence to the method established will make it possible to supply the country more effectively with metallurgical products using the new forms of operation, but it should be emphasized that in exceptional cases CENTROSTAL will reserve to itself the right to introduce appropriate supplements or changes, and consumers will immediately be notified in this event.

We are also providing the information that, in keeping with the regulations in effect, a supervisory group on metallurgical affairs has been created for CENTROSTAL in Katowice, in order to resolve possible disputes in the realm of distribution. The scope of this group's tasks is specified in the Minister of Materials Management's decision no 6 of 21 January 1982. The manner of expressing needs, balancing, distribution, and wholesale and retail sales in 1983 will immediately be conveyed to consumers after the appropriate decisions on these matters have been made.

In closing, we wish to say that all information, explanations, and supplementary data on the matters presented above are provided by the Office of Materials Management and the branch sales office of CENTROSTAL Steel Sales Center in Katowice at 7 Wit Stwosz Street.

10790
CSO: 2600/746 END

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18 August 1982

# East Europe Report

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2306

FBIS FOREIGN BROADCAST INFORMATION SERVICE

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18 August 1982

# EAST EUROPE REPORT

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2306

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## CEMA ECONOMIC PROJECTS IN DEVELOPING COUNTRIES OUTLINED

East Berlin AW--DDR-AUSSENWIRTSCHAFT in German Vol 10 No 22, 26 May 82 pp 1-2

[Report by Information and Public Relations Department, GDR Ministry for Foreign Trade: "Cooperation With CEMA Countries Promotes Socioeconomic Progress of Developing Countries"]

[Text] During their 35th meeting, CEMA countries confirmed their efforts to expand and solidify equal, mutually advantageous cooperation with the developing countries. Over the last 10 years the number of developing countries with which CEMA countries cooperated economically and technically grew from 62 to 90.

### Long-Term Agreements With 80 Countries

Collaboration promotes socioeconomic progress of developing countries and simultaneously strengthens their economic independence. The cooperation is increasingly taking on larger dimensions and long-term significance. Government agreements exist with approximately 80 developing countries (1980 figures); they represent various forms of collaboration and cover periods extending from 5 to 15 years or more. On the basis of such agreements, trade and economic relations are developing between the following countries, among others.

--the People's Republic of Bulgaria and Argentina, Iran, Nicaragua and Panama,

--the Hungarian People's Republic and India and Nigeria,

--the GDR and India, Algeria, Libya, Nigeria, Nicaragua and the Philippines,

--the Socialist Republic of Romania and India, Algeria, Angola, Bangladesh, Libya, Mexico and Mozambique,

--the USSR and India, Algeria, Argentina, Afghanistan, Iran, Libya, Morocco, Peru and Syria as well as

--the CSSR and India, the People's Democratic Republic of Yemen, Nigeria and Panama.

Major Areas of Economic and Technical Support

An important component of the economic relations is the economic and technical support supplied by CEMA countries to the developing countries. Approximately 80 percent of the total of this support goes to industry and energy, about 5 percent each to agriculture, to transportation and communications, to geological exploration and development and to education, health care, culture and municipal utilities.

Consequently, the cooperation is concentrated on areas which promote the development of national industries and the diversification of the economy and raise the level of economic and cultural development. Energy is of special importance and its development is an indispensable prerequisite for socio-economic progress in the developing countries. Of 4,918 construction projects that have been or are in the process of being completed with economic and technical assistance by CEMA countries (status: 1 January 1981), 1,696 are energy-producing projects; 1,131 of them are in Asian, 502 in African and 63 in Latin American states. Other industries involved are:

--food industry, 663,

--light manufacturing, 239,

--machine construction and metal processing, 193,

--building-material industry, 172,

--chemical industry, 161,

--petroleum and petroleum-processing industry, 103,

--ferrous and nonferrous metallurgy, 96,

--agriculture, 344,

--transportation and telecommunications, 335 as well as

--social services (health care, education and others), 641.

With the help of the People's Republic of Bulgaria more than 50 projects have to date been completed or expanded, among them are plants for building tractors, chemical and light manufacturing plants as well as the airports in Bagdad and Tripoli. During the last 10 years the GDR gave economic and technical assistance for the construction of more than 650 facilities. To date the People's Republic of Poland has supplied equipment and facilities for more than 200 industrial plants, among them are sugar, chemical, textile as well as power plants. The Socialist Republic of Romania is participating in the completion of 80 development projects. In accordance with existing agreements providing economic and technical cooperation for more than 60 countries, the USSR is helping developing countries with the construction of 1,150 different projects, of which 640 are already in operation. The annual capacity of completed projects in the energy-producing industry, for instance, is 7.37 million kilowatts,

in the iron and steel industry it amounts to 10.8 million tons of pig iron, 9.7 million tons of steel and 7.5 million tons of rolled products and in the building and building-material industry it comes to 700,000 tons of concrete and slabs for 450,000 square meters of floor space. The CSSR, which maintains trade and economic relations with more than 90 developing countries, delivered, above all, all materials required for the complete equipment and installation of plants in the metal-processing industry, for power plants, sugar-, cement-, textile- and leather-processing factories.

Table 1 Capacities That Have Been or Are Being Established with CEMA-Country Support in Developing Countries

| Industry | Unit of Quantity | Total of Projects Provide by Agreements | Of That Total Number in Operation |
|---|---|---|---|
| Electric energy (installed capacity) | million kilowatts | 23 | 11 |
| Steel | million tons | 30 | 10 |
| Iron ore | million tons | 14 | 11 |
| Coal | million tons | 33 | 3 |
| Petroleum (production) | million tons | 67 | 63 |
| Petroleum products | million tons | 50 | 30 |
| Bauxite | million tons | 2.5 | 2.5 |
| Clay | million tons | 300 | 300 |
| Fertilizer | million tons | 200 | 200 |
| Cement | million tons | 7 | 5 |
| Storage facilities (capacity) | million tons | 1.5 | 1.0 |
| Slabs for housing construction | million square meters | 3.5 | 0.5 |
| Irrigation and soil exploration | 1,000 hectares | 3 | - |
| Railway lines | 1,000 kilometers | 3 | 2 |
| Streets | 1,000 kilometers | 2.7 | 1.8 |

From: INFORMATION BULLETIN, "Economic Cooperation of CEMA member countries," January 1982.

A number of projects are erected on a barter basis.

As specialization and cooperation in production between CEMA countries becomes more and more intricate, the division of labor which marks the collaboration in equipping industrial plants in developing countries is gaining more and more significance. At the present time more than 190 projects are being completed in this manner.

Developing countries are settling their accounts for services provided by CEMA countries by shipping products and goods that are typical for their countries and produced by national industries. The latter take on special significance, because they promote the development of national industries in the developing countries and foreign trade.

Dynamic Development of Reciprocal Exchange of Goods

The expansion and consolidation of economic relations within the last few years is also reflected in the development of foreign trade between CEMA countries and the developing countries. Over the last 20 years foreign trade increased from 1.7 billion rubles (1960) to 26 billion rubles (1980). At 14.6 percent, the average annual growth during this period is one of the most dynamic indicators in world trade. Simultaneously the share of the developing countries in the foreign trade of CEMA countries increased from 6.9 to 11.6 percent.

Machinery, plant equipment and transportation equipment as well as other manufactured goods, such as chemical products, fertilizer and building materials, play a major role in exports to the developing countries. During the 1970's more than one-third of all exports consisted of machinery, plant equipment and transportation equipment. In 1980 these shipments amounted to more than 4 billion rubles, for the USSR alone it came to 1.7 billion rubles. Of particular importance are the deliveries of machine tools, electrotechnical equipment, agricultural machinery and transportation equipment. The export of complete plants--including all industrial equipment--is increasing within the framework of the programs of economic and technical assistance. By 1979, shipments of this kind, when compared to 1960, had increased 14-fold. In 1979, they amounted to approximately 1.5 billion rubles, the share of the USSR was 800 million rubles.

Table 2. Trade of Select CEMA Countries with Developing Countries

| Country | In Million Rubles 1960 | In Million Rubles 1980 | Share of Foreign Trade by Percentage 1960 | Share of Foreign Trade by Percentage 1980 |
|---|---|---|---|---|
| People's Republic of Bulgaria | 31 | 1,186 | 2.9 | 8.8 |
| Hungarian People's Republic | 90 | 2,128 | 5.5 | 10.3 |
| GDR | 163 | 1,716 | 4.1 | 6.7 |
| Republic of Cuba | 99 | 196 | 9.2 | 3.0 |
| People's Republic of Poland | 181 | 2,374 | 7.1 | 9.5 |
| Socialist Republic of Romania | 58 | 4,522 | 4.7 | 26.5 |
| USSR | 785 | 11,962 | 7.8 | 12.7 |
| CSSR | 352 | 1,434 | 10.4 | 7.1 |

From: INFORMATION BULLETIN, "Economic Cooperation of CEMA Member Countries", January 1982.

At the present time, raw materials make up approximately half of the exports by developing countries to CEMA countries and a large part of them consists of tropical and subtropical products--citrus fruit, coffee, cocoa, bananas, N-caoutchouc, cotton. Although the export of these goods increased six-fold between 1960 and the end of the 1970's, their proportion of total imports from developing countries declined somewhat during the last few years. Because of the expansion in the exports of fuels, mineral raw materials and metals, the structure of imports from developing countries changed significantly. At the end of the 1970's these goods already represented 40 percent. Of increasing importance is the sale of finished products and semifinished products to CEMA countries.

Cadre Training--Important Component of Cooperation

The assistance in the training of national cadres is an item of high priority in economic relations between CEMA countries and developing countries. The procedures are:

--training of skilled workers and medium-level technical personnel during the construction and operation of projects,

--training of cadres and skilled workers in engineering technology at colleges and technical schools as well as vocational schools which have been or are being built in developing countries with the help of CEMA countries,

--initial and advanced training of specialists and workers from developing countries in production techniques in CEMA--country plants as well as

--training at colleges and technical schools in CEMA countries.

Until the beginning of 1980, 1 million citizens from developing countries were trained and qualified in this manner, 600,000 of them during the construction and operation of projects, 300,000 in educational institutions that were built and equipped in developing countries with the help of CEMA countries as well as 100,000 at colleges and technical schools and other educational institutions and plants in CEMA countries.

To date 56 colleges and technical a schools as well as 158 vocational training centers have been built and equipped with the assistance of CEMA countries. More than 70 different educational institutions are currently under construction or are to be built according to agreements.

At the 26th CEMA meeting (1973) the decision was made to establish a scholarship fund, which has been in effect since the academic year of 1974/1975. First it only applied to college education, since 1976/1977, however, it has been expanded to include also postgraduate studies and vocational training. Because of it the number of scholarship recipients increased significantly. Since the funds was established, approximately 3,500 citizens from 50 countries in Asia, Africa and Latin American have studied at educational instituations in CEMA countries.

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# PROSPECTS OF CORN PRODUCTION SYSTEMS WEIGHED

## New Technology

Budapest MAGYAR MEZOGAZDASAG in Hungarian No 25, 23 Jun 82 pp 4, 5

[Article by Dr Istvan Kiss, branch chief: "IKR, Babolna; With New Technology, More Artificial Fertilizer"]

[Text] This year we delivered a new corn production technology to our member farms. Our goal was an adaptation of our soil cultivation technology by realizing procedures constituting the basis for a system stretching over several years which saves energy and conserves water. With good quality fall plowing and soil sealing done in time the farms prepared seedbeds more favorable than ever before. Especially favorable results were achieved by using zone smoothers supplemented with a rod drum.

Depending on nutrient conditions we recommended use of 6.6 kilograms for production of 100 kilograms of yield, an average of 450 kilograms of assorted effective material. This is 16 kilograms more than last year.

There was increased demand, compared to last year, for BHF biological yield increasing materials, primarily on the basis of the experiences of the GFP farms. Our member farms used the BHF-21 soil conditioning preparation on 32,000 hectares.

Our goal with types technology was to make fullest use of the ecological potential of the producing area. In the technological system we developed a breeding season structure differentiated by genotype, determining planting time, planting depth and growing area according to the type.

This year we planted 23 hybrids, the genetic potential of which exceeds that of last year by 300 kilograms. Thus the genetic potential of our operational types structure is 14,060 kilograms. On our GFP farms this figure is 14,590 kilograms per hectare. We changed the growing season structure of the hybrids in accordance with our plans also. We increased the ratio of FAO 400 hybrids, because of the use of the damp storage technology.

Despite the change in the trading system our seed supply ended successfully. A transitional character could be experienced in the pace of deliveries;

despite this more than 90 percent of the seed reached our farms in time. The hybrids coming from import did not arrive in time. Of the seed delivered to our member farms, 87 percent was first class. Despite this there were many quality complaints at planting time. Some batches were not homogeneous, which presented problems for the uniformity of planting. This is a deficiency of hybrid preparation.

The cold test for 90 percent of our seed was over 80 percent, but it should be noted that we do not consider the 10 degrees Celsius cold germination used during quality tests to be strict enough, because this does not show the real resistance to cold.

The greatest progress in production conditions was in crop protection despite the fact that there were supply problems in Komarom Megye for one preparation (Maloran 50 WP).

Our technical supply is still bothered by the shortage of running gear and distributor parts for the Raba-Steiger tractors. By planting time we were able to solve the running gear problems but not the shortage of distributors. The late arrival of planting parts caused a problem, as did the fact that we were able to get our new planting machines from 17 to 21 April.

Our member farms have 498 planting machines to plant 218,000 hectares of commodity corn. Considering the machine capacity this meant that planting could be completed in 7 days. The long cold snap in April did not make possible the timely beginning we got used to in earlier years. In the course of the adaptation and on the occasion of talks with the economic leaders we deliberately delayed the start of planting, knowing the planting capacity. Our farms began with full capacity on 26 April. The actual planting performance averaged 14,000 hectares per day. The peak was 19,000 hectares on 1 May, when the soil temperature reached the desired level in all areas. We completed planting on 8 May.

We looked over about 250,000-300,000 hectares of corn and cereal grain area in the 109 member farms in our eight production organization units. We evaluated the spring work at meetings on our member farms. Naturally, we also got a picture of the development of sunflower, sugar beets and fodder plantings. We found that, compared to previous years, technological discipline improved substantially on our member farms. The average amount of effective material actually used came to 455 kilograms per hectare. This is 21 kilograms more than last year. The territorial ratio for starter artificial fertilizer use increased also. The amount of seed originally determined increased by 2-4 percent at the time of planting, due to the severe cold. Under the influence of the strong warming after the completion of planting every seed sprouted, and as a result the present number of stalks is 69,874 per hectare, well set and of even development. At the same time last year this number was 65,816.

## Seed Supply

Budapest MAGYAR MEZOGAZDASAG in Hungarian No 25, 23 Jun 82 pp 4, 5

[Article by Emil Bodnar, branch chief: "KITE, Nadudvar; Good Seed, Even Stock"]

[Text] The role of the hybrid, as the biological base, is the determining factor for the yield of corn. The stalk number and interval, which belong to the given hybrid, is one of the conditions--about equally determining from the biological side--for successful production. When planting corn we had to concentrate on getting the necessary number of plants into the given area with the seed and technology available.

In seed supply what was determining in regard to variety was having the seed production guide numbers in harmony with the actual needs on the KITE farms. There was a minor shortage, about 5 percent, of the Pioneer hybrid 3901 SC seed, which could be made up with hybrids within the growing season. The 10-percent shortage of Pioneer hybrid 3732 SC seed caused a bigger problem. As is well known this hybrid performed poorly in seed production; there were many batches consisting of large round seeds, with only 2,000-2,500 seeds per kilogram. We were able to completely make up the shortage here with the Pioneer hybrid 3709 MSC seed, which belongs to the same genetic sphere. Seed was available in good quality. It has been the practice in the KITE for years to give the cold test values in addition to the data on the Seed Classification Certificate; this serves as a basis for estimating germination in the soil of seed under the given conditions, and serves as a basis for correcting the necessary germination and planting times.

Beginning in 1982 the National Seed and Propagation Materials Directorate (OVSZF) has done such tests also and this appears, for information purposes, on the Classification Certificate or the extract thereof.

It should be noted that this year the KITE did the cold test in parallel and by and large the results agreed with the test values of the OVSZF. The seeds sold fell in the following cold test categories: 1.1 percent of the seed batches were 75 percent, 1.1 percent fell between 75 and 80 percent, 0.7 percent fell between 80 and 85 percent, 8.9 percent fell between 85 and 90 percent, 29.8 percent fell between 90 and 95 percent and 58.4 percent of the seed batches fell between 95 and 100 percent.

In addition to fall 1981 having been very favorable for the ripening of corn, a role was played in the development of the good test results by the fact that every batch of seed was dressed with Buvishild K, which contains a material improving the cold test value. The April cold weather delayed the beginning of planting. Soil temperatures of 10-12 degrees developed only in the first 10 days of the month, too early to start planting. Following this, due to the cold snap, the soil temperature stayed below 10 degrees Celsius. It was our opinion in the KITE to wait until 25 April for the soil to warm up and have the farms do the planting as a function of this, after that to go full steam ahead regardless of soil temperature. Corn was planted on the corn area included in the 224,000 hectare system as follows:

1.5 percent in the first 10 days of April, 9.5 percent in the second 10 days of April, 39 percent in the third 10 days of April, 40 percent in the first 10 days of May, and 10 percent in the second 10 days of May.

The figures show that it was possible to wait until 20 April to begin large scale planting and the farms did wait, planting with full capacity thereafter. Our partners have 523 large capacity planting machines (320 IHC and 203 Becker). This makes it possible to plant the commodity corn in 10 days. Further expansion of the planting capacity with large capacity planting machines is needed because of the 100,000 hectares of silage and household area also.

We had no problem with import parts for the planting machines--if the parts were ordered. Late delivery, stretching into the planting time, of our domestically made parts for the IH planting machines did cause difficulty.

The sprouting results are favorable, reflecting that we used good seed and that the fall and spring soil work was good. We watched and evaluated the planting done at different times. There was no poor sprouting requiring replanting in our area. We found that sprout death was 20-25 percent in the early April planting and around 5 percent in the end of April planting. The corn sprouted well in the May planting also, due to the fast warming.

In sum, the picture is favorable; in the May-June heat the corn "made up" about 10 days of the 10-14 day delay in planting. The rain at the end of May and beginning of June came at a good time. We are justly hopeful!

## Progress in Corn Production

Budagpest MAGYAR MEZOGAZDASAG in Hungarian No 25, 23 Jun 82 p 5

[Article by Attila Rozsas, branch chief: "KSZE, Szekszard; Let's Not Base Things on the SPC-6!"]

[Text] "The most trouble in the practice of agriculture comes from not finding the optimum. Perhaps one can compare this practice to target shooting, in which the marksmen are trying to hit the target in the dark. Sometimes they succeed, due to chance, and they they get really nice results. But how many times one has to shoot into the dark to get one good hit."

In many respects this saying of Professor Mandy was true 10-12 years ago, but in the present practice of corn production the saying can be only more or less true because in the contrary case Hungary would not have reached the outstanding second to fourth place in the ranks of countries producing on an area larger than one million hectares. On the basis of innumerable experiments and the experience of the large farms we have expanded our knowledge of corn production, although there are cases where--lacking knowledge of objective factors--it looks like shooting in the dark. In the technology of corn production it may appear this way most sharply in the three-way interdependence of type, planting time and stalk number.

When compiling the 1982 type assortment on the basis of experience we studied the significance and needs of high germination types requiring warmth and increasingly sensitive to shell damage and we made changes in the assortment to improve yield security and the usefulness ratio.

We judged this year's supply of seeds to be good in regard to both variety and quality. Of the seeds going to the member farms of the production system 94 percent had a cold test value above 90 percent, and a large percentage of it was metal sealed in the hybrid plants of the Dalmad State Farm, the Mezofalu Agricultural Combine and the Boly Agricultural Combine.

In 1982 the member farms of the KSZE planted corn on 182,000 hectares. Because of the extraordinarily unfavorable weather our farms began planting on 23 April and had finished on 97 percent of the area by 6 May.

Of the yield limiting factors on the farms belonging to the system the most significant are lack of precipitation and the low stalk number. The lack of precipitation counts as a given but we can mitigate its effect by accomodating to the weather, primarily by choosing a proper planting time. Changes in stalk number can be planned within certain limits depending on circumstances and the change which can be realized should be made.

A study of the relationship between the previous crop and yield provided two important lessons.

In those areas where there were significant variations in soil temperature during the planting period (for example, Veszprem, Vas and Somogy) corn produced after wheat gave a smaller yield than corn planted after corn. One reason for the drop in yield was the small stalk number. The phenomenon has a relationship to fungicide side effects of the herbicides used in controlling weeds in wheat or corn. Because of the prolonged germination and sprouting in low soil temperatures the fungi living in the soil, which destroy seeds and sprouts, do more damage.

It was shown in the course of experiments that Dikonirt and Dikotex are completely ineffective against the Fusarium graminearum and Fusarium culmorum attacking from the soil while propachlor, linuron, Aktinit PK and chlorobromuron, among the effective materials studied which are used to control weeds in corn, hindered the spread of fungi almost 100 percent. So, on the basis of experience, we recommended planting at the end of the planting season on difficult to warm fields after a previous crop of wheat. A dressing is needed which offers adequate protection to the seed under various soil conditions, which does not prolong sprouting, that is which does not delay the rate of sprouting, and which contains a broad spectrum of fundgicide.

Of the technical conditions for planting the most important role goes to the planting machines. This year also our partner farms bought many SPC-6 planting machines and replaced even the worn out John Deere 1280 planting machines with these. The following figures suggest the level of the planting machine park: in 1982 our member farms operated the following types of

planting machines to plant corn--133 Beckers, 111 JD 1280's, 118 Cyro 400's and 585 SPC-6'es.

Despite the fact that the SPC-6 is the cheapest to buy we do not think extensive use of this planting machine is useful, because of the unsolved nature of starter artificial fertilizer use and soil decontamination and because of its small area performance.

## Results, Goals Summarized

Budapest MAGYAR MEZOGAZDASAG in Hungarian No 25, 23 Jun 82 p 5

[Article by Sandor Sztrikinacz, technological department chief: "BKR, Baja; The Result of Better Preparation"]

[Text] In the area of the Baja Corn Production System (BKR) the natural conditions favor primarily the production of cereal grains, in the realization of the grain program, so the area sown in wheat increased significantly in the fall. After the spring planting we could establish that the area in corn was, unfortunately, less than the average of preceding years. We attribute the reduction in area to economic and natural conditions.

Evaluating the experience of preceding years, we posted as the primary goal an improvement in the quality of planting. We could establish that there was no problem on our partner farms with the fall plowing, acquisition of chemicals (artificial fertilizer and crop protection materials) or preparation of the seedbed. The soil work was done in time and in the proper quality.

The biological background is an essential element for increasing average yields. Good quality seed is an indispensable condition. The best quality seeds of recent years were at our disposal, so there were no basic supply difficulties. With the exception of the Pioneer 3732 hybrid we were able to satisfy practically all the needs.

Despite the improving supply, there are still deficiencies, unfortunately, in the preparation of seed at some seed plants. The farms justly expect that they will not get for their money broken kernels, pieces of cob or even dressed detritus. Luckily this is not the general thing, we met with it only exceptionally, but we mention it so there will be even fewer such claims in the future.

Our partner farms prepared for corn planting better than in preceding years. One condition for planting is favorable weather. This year we found out how definitive this can be for agricultural work. The cold April delayed the work and planting did not begin because of the low soil temperature. The farms got started only at the end of April, independent of temperature. Seed got into 50 percent of the area in April and into the other 50 percent in the first week of May. Our partner farms completed planting corn between 10 and 12 May. The earlier plantings germinated with difficulty and just lay for several weeks.

The cold test results gave good service in determining the sequence of planting. The corn fields were equalized, but we saw a lag in development compared to the average. The lag was greater where there was no or only very little precipitation.

One condition for quality planting is good corn planting machines satisfying the requirements for large yields on the basis of the conditions defined in the plan. Our partner farms planted with Cyclo 400 and SPC-6 machines.

We studied and tested the Nodet planting machines in operation last year. On the basis of stalk evenness and depth of planting it gave better results than the machines now used. According to our plans--supported by the needs of the partner farms--we wanted to use this planting machine this year. Unfortunately we could get only as far as the plans...

It is no new finding that an even stalk number increases yields. We must latch onto every form of increasing yields and so in the future also we think it would be useful to use this planting machine.

Further development of production technology is important in the area of corn production also. We have as a goal the attaining of large yields (over 10 tons) on a large scale (on 2,500 hectares) as an experiment. Our primary goal, in addition to the yield results, is to increase profit per unit area.

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## HUNGARIAN-PURINA COLLABORATION

Budapest MAGYAR MEZOGAZDASAG in Hungarian No 24, 16 Jun 82 p 4

[Text] After 6 months preparatory work, a cooperation and license purchase contract was signed at the end of last month--through the mediation of the Agrimpex Foreign Trade Enterprise--between the Hajudag Agricultural-Industrial Association (HAGE) and the American Purina firm. According to the terms of the contract the enterprise, which is one of the largest grain trading and feed supplement manufacturing firms in the United States, one which is well known here also, will hand over to the Hungarian partner its hog feed and raising technology.

In the first phase of the contract, which covers a 5-year period, the HAGE will buy this year and in the first half of next year, using funds available, about 8,000 tons of preconcentrates (so-called supplements): baby and prestarter piglet supplements and preconcentrates for young pigs, porkers and sows. In the second phase, using formulas made available by Purina--with the exception of the baby piglet supplement--the HAGE will manufacture the abovementioned hog feeds. The cooperation also extends to joint trading of certain products, and Purina will undertake to buy the preparations of the HAGE and of HAGE-Biogal also.

Experiments in Hungary prove that mortality decreases and rough fodder can be saved with hogs fed with the Purina method. For example, the quantity of soy meal in the feed can be reduced by almost 10 percent.

Feeding is an important element in fattening hogs, but in addition a number of genetic, raising technology and animal health factors must be in harmony for profitable production. For this reason experts from Purina are doing a detailed survey before starting broad use of the new feeding program to see if the sites meet the requirements. Another essential factor is the quality of the primary materials and the technical condition of the mixes; these must be strictly controlled. In the interest of appropriate practical experience the cooperation will include professional training also.

According to the terms of the contract, after domestic manufacturing begins, the Purina line will be fed to about 1.5 million hogs being raised in large operations. The feeds will be sold primarily among the partner farms of the HAGE and KA-HYB pork production system.

The cooperation and license purchase contract was signed--in the presence of Istvan Szabo, president of the HAGE--by Dr D. A. Mefford, chief of the European office of Purina, Dr Ivan Novobaczky, director of the HAGE, and Karoly Samu, director general of Agrimpex.

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# OVERVIEW OF POLISH AIRCRAFT INDUSTRY

## Present Outlook

Warsaw TECHNIKA LOTNICZA i AUSTRONAUTYCZNA in English No 3, Jun 82 pp 1-9

[Article by Mgr inz. ANDRZEJ GLASS M. Sc. Eng.: "Current Situation in Polish Aircraft Industry"]

[Text]

Many branches of industry pass through difficulties because of shortages in raw materials and energy supply. Therefore the answer to the question, whether the crisis significantly affected activity of the Polish aircraft industry, is very interesting.

The best answer may be obtained when we analyse the factors which could limit industrial activity and when we discuss production results. No essential reasons to impede work progress occurred in the field of design, building and testing of prototypes, hence in 1981 and 1982 new airplanes of the Kruk or Dromader families or Jantar gliders have been arising; development works at helicopters, in particular at the Sokół are also carried on.

The Polish aircraft production is based mainly on supplies of materials and semi-finished products from the Soviet Union, and afterwards on domestic goods, therefore the restrictions imposed to imports from the dollar zone have not become essential for production size. The limitations in energy supply were not severe either for the aircraft industry. The production was affected to some extent by intermittent drops in productivity last year. The number of machine tools being repaired increased in same factories because of difficulties in obtaining spare parts for them and the necessity to perform the repair works in one's own capacity. As a result of the above situation and owing to the fact that the Polish aircraft industry is quite full of vitality, well equipped and modern one, the difficulties connected with the crisis did not decrease very much production possibilities of this branch of industry. Therefore, manufacturing of none of the aircraft industry products has been stopped because of the crisis, and at present all the orders having been obtained by that industry are being realized. Of course the effects depend not only on production possibilities but also, to the same extent, on customers' orders. The Polish aircraft industry has got orders for its main products for several years in advance. This does not mean, however, that its production possibilities are fully used up. Therefore, the Polish aircraft industry submits its export offer to all possible markets in the field of airplanes, helicopters, gliders, aircraft engines and equipment. The aircraft industry production and the more important development works in individual aircraft categories are presented below.

## Agricultural Airplanes

The PZL Works in Warsaw and in Mielec manufacture agricultural airplanes, from the lightest to the heaviest ones. They include: Wilga, Kruk, An-2 and Dromader. The Wilga and the An-2 are multipurpose airplanes, built as well in the agricultural version, while the Kruk and Dromader are especially designed for agricultural works. The **PZL-104 Wilga** with a hopper for 300 kg of liquid chemicals serves for low volume spraying (ULV). It is planned to develop an improved version of the Wilga ag-plane with load capacity of 350 kg of liquid chemicals.

At present the **PZL-106 Kruk** denotes already a family of airplanes instead of one type. Since 1976, the Kruk A with the PZL-3S engine without a reduction gear, with load capacity of 1000 kg of chemicals, has been manufactured. This type is equipped with spraying and dusting equipment. In 1981, prototypes of Kruk with new power plants were tested, they were equipped with the ASz-62IR piston engine and the PT6-A34 turbo-propeller engine. The PZL-106B prototype with new wing of reduced drag was also tested in 1981. The PZL-3SR engine with reduction gear was tested on the Kruk even earlier. All those development works allowed in 1982 to start up production of the PZL-106B aircraft, after having built more than 130 PZL-106A airplanes. The Kruk B is manufactured in the following versions: PZL-106BR with the PZL-3SR engine with a reduction gear, PZL-106BS with the ASz--62IR engine, and it is planned to make the turbo-propeller version PZL-106BT Turbo Kruk with engine PT6 or similar (e.g. M-601). The new wing of the Kruk B and the new power plant improved economy of this aircraft by more than 25%. The version with the ASz-62IR engine is designed for countries in the tropical climate zone. The load capacity of the Kruk BR is 1050 kg of chemicals, that figure for the Kruk BS amounts to 1200 kg and for the Turbo Kruk it reaches 1300 kg. The Kruk A airplanes are used in Poland, Africa and the GDR. Several countries, e.g. Czechoslovakia, are interested in the Kruk B.

The **PZL An-2**, having been built in Poland since 1960 but continuously improved, has load capacity of 1350 kg of chemicals in its agricultural version designed for dusting or spraying works. 5500 An-2 airplanes in this version have been built in Poland and they are still being manufactured.

The **PZL M18 Dromader** is the first aircraft of the Dromader family. 100 Dromaders were built from 1978 till March 1982. The PZL-M18 is driven by the ASz-62IR engine and its load capacity amounts to 1500 kg of chemicals (in the overloaded version — 1850 kg). In 1982, a prototype of the PZL-M21 Mini-Dromader, driven by the PZL-3SR engine, was built. Its load capacity is about 1000 kg of chemicals. The largest airplane of the Dromader family will be the PZL-M24 Dromader Super, the prototype of which is planned to fly in 1983, and the production of which is to be started in 1987. Being driven by the same engine as the PZL M18, it will be larger in size and its hopper will have 2700 l cubic capacity and 1800 kg of chemicals load capacity (in the overloaded version — 2300 kg). The fourth version will be the PZL-M24 Dromader Super Turbo with a turbo-propeller engine of power rating similar to that of the ASz-62 engine — it is planned to be launched in 1985. The smallest aircraft of this family is to be the Dromader Mikro, with the AI-14 or the PZL--Franklin engine, of 500 kg of chemicals load capacity. The airplanes of this family are to have many common components which will lower their production costs, will make their use easier and will reduce costs of their operation.

The PZL-M15 Belphegor has not been manufactured since 1981 because after receiving of 120 airplanes the

customer recognized that this type did not achieve the expected economic parameters.

**Multipurpose Airplanes**

The PZL Works manufacture two multipurpose airplanes: Wilgę and An-2.

The **PZL-104 Wilga** was manufactured from 1968 in the Wilga 35 version, and in 1979 a new version, named Wilga 80, meeting requirements of American regulations FAR, was created. The latter version has been manufactured since 1980. More than 660 airplanes of the entire Wilga family have been made up to now. The PZL-104 Wilga is a multipurpose aeroclub airplane, designed for towing gliders, parachute jumps, navigation flights etc. A floatplane version of the Wilga is used in Canada.

In 1982, a prototype of the new version of this aircraft designated PZL-104 Wilga 80/1400, was built. In this version is applied trapezoidal wing tips increasing the wing span and the wing area. The take-off mass of this aircraft is increased to 1400 kg, and it is driven by the PZL AI-14RD engine of power rating increased to 206 kW (280 hp).

The **PZL An-2** is a multipurpose aircraft for local transport services, built since 1960 in versions: cargo, cargo--passenger, passenger, for parachute jumping, for geophysical survey, photogrammetry, ambulance etc. More than 9200 An-2 airplanes in all their versions (including ag-planes) have been built in Poland.

**Transport (Passenger) Airplanes**

Beside of the production of the An-2 aircraft mentioned above, the PZL-Mielec Factory prepare production of a turbo-propeller airplane for local communication service, the **An-28**. Moreover the Polish aircraft industry participates in production of the **Il-86** airbus, manufacturing tail units, engine outriggers, flaps, screw mechanisms etc. for that aircraft, which makes totally about 12% of the final product. Moreover, the **PZL-M20 Mewa** is used for executive flights, and this type of airplane is also to serve as ambulance.

**Training Airplanes**

The following training airplanes are manufactured in Poland: PZL-110 Kolibber, PZL-M20 Mewa and PZL TS-11 Iskra. The **Kolibber** (licence of Rallye) is a 2 to 3 seat training and sport aircraft with a piston engine.

The **Mewa** (licence of the Piper Seneca II) serves for training on twin-engined airplanes. Both these airplanes are driven by engines PZL-Franklin made in Poland. The jet aircraft **Iskra**, having been manufactured for twenty years, is a training airplane for military aviation. All these three airplanes are continuously improved, e.g. the Iskra has been recently furnished with an engine of thrust increased to 1080 daN.

**Helicopters**

The main product of the PZL-Świdnik manufacturing plant is the **PZL Mi-2**, an 8-seat multipurpose helicopter, made in 25 versions, including training, passenger, transport, agricultural, ambulance, rescue, photogrammetric and many military versions for fighting tanks and ground targets.

More than 3500 Mi-2 helicopters have been built at PZL-Swidnik since 1965. Apart from continuous modification of the Mi-2 helicopter, the factory have developed its version **PZL-Kania** with Allison 250 engines. The most recent design of the factory is a 12-seat multipurpose

helicopter **PZL-Sokół**, which is now being tested.

More than 5000 helicopters have been built in Poland since 1965.

**Gliders**

The basic product of the PZL-Bielsko plant is the **SZD-48 Jantar Standard 2** glider. 400 gliders of this type, including its previous version Jantar Std, have been manufactured. In 1980, a new version of this glider with improved performance, the SZD-52 Jantar 15S, was built. A new aerofoil section was applied to this glider. Another version of this glider, the SZD-52 Jantar 15 with wing flaps, counted among the 15 m — FAI class, was also first flown in 1981.

The open-class glider **SZD-42-2 Jantar 2B** is in the world forefront, yielding in performance to the other gliders of 20.5 m wing span. 130 open-class Jantars have been made till now. In 1980, a new version of this glider, with a sigle-piece cockpit canopy, was built. Another version of the Jantar, of 22 m wing span, is being developed at present. The total number of all Jantars manufactured till now exceeds 500.

A laminate glider **SZD-51 Junior**, planned to be a successor of the SZD-30 Pirat glider, is now being tested (776 Pirats have been built up to now).

A double seat training and high performance glider, the **SZD-50-3 Puchacz**, is now being manufactured. It follows the **SZD-9 Bocian**, the production of which has reached 645 gliders.

The SZD gliders are used in 40 countries throughout the world. Since 1946 the Polish aircraft industry has manufactured more than 4300 gliders.

## Aircraft Engines

The Polish aircraft industry, represented in this field by the PZL-Rzeszów and the PZL-Kalisz plants, manufactures engines for all airplanes and helicopters in Poland.

The horizontally opposed 4-cylinder piston engines **PZL--Franklin 4A** of 93 kW (126 hp) power rating are used for the PZL-110 Koliber aircraft and the 6-cylinder engines **PZL-Franklin 6A** of 164 kW (220 hp) power rating — for the PZL-M20 Mewa airplane.

Three radial engines of the piston type are being manufactured. The **PZL AI-14RA**, of 194 kW (260 hp) power rating, drives the PZL-104 Wilga airplane. A new version of this engine, the **PZL AI-14RD** with power rating increased to 206 kW (280 hp), which may be equipped with electric or air-operated starter, has been built recently. This engine distinguishes itself with a low noise level. The **PZL-3S** engine of 441 kW (600 hp) power rating, designed for agricultural airplanes, is used for the PZL--106A Kruk and is exported to Romania for the IAR-827A aircraft and to the USA for the Ag-Cat and Thrush airplanes. Its version with a reduction gear, the **PZL-3SR**, is used to the PZL-106B Kruk aircraft. The **ASz-62IR** engine of 736 kW (1000 hp) power rating is used for the PZL An-2, PZL-M18 Dromader and PZL-106BS Kruk airplanes. More than 14 000 engines of this type have already been made.

The least turbo-prop engine is the **PZL GTD-350** one. It is built in two versions of 295 kW (400 hp) and 330 kW (450 hp) power rating and is used to drive the Mi-2 helicopter. More than 8000 engines of this type have already been manufactured. At present the PZL-10 TWD-10 engine, built in the propeller version **PZL-10S** of 707 kW (960 hp) power rating for the PZL An-28 airplane and in the helicopter version **PZL-10W** of 736 kW (1000 hp) power rating for the PZL-Sokół, is being introduced to lot production.

A turbo-jet engine, the **PZL-SO-1W**, of 1080 daN thrust, is manufactured for the TS-11 Iskra aircraft.

After the World War II the Polish aircraft industry has manufactured about 40 000 aircraft engines.

## Agricultural Air Services

The Polish aircraft industry includes two agricultural air service enterprises: an airplane enterprise ZUA in Warsaw and a helicopter enterprise ZEUS in Świdnik. Apart from works carried on in Poland, more than 110 airplanes and helicopters belonging to these enterprises perform agricultural air works in North Africa (in majority in Sudan) and in Middle East countries.

Wytwórnia Sprzętu Komunikacyjnego
Transport Equipment Manufacturing Centre

# PZL Warszawa – Okęcie

Adres/Address: Al. Krakowska 110/114 02-256 Warszawa-Okęcie, Poland.
tel. 46-00-31, 46-11-73 telex: 814649

Naczelny Dyrektor/General Manager: inż. Jerzy Milczarek

Założone w / Founded in 1928

Liczba samolotów zbudowanych po 1945 r. / Total of aircraft built since 1945: 2500

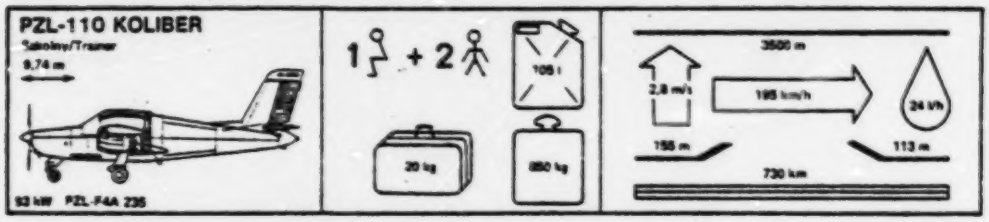


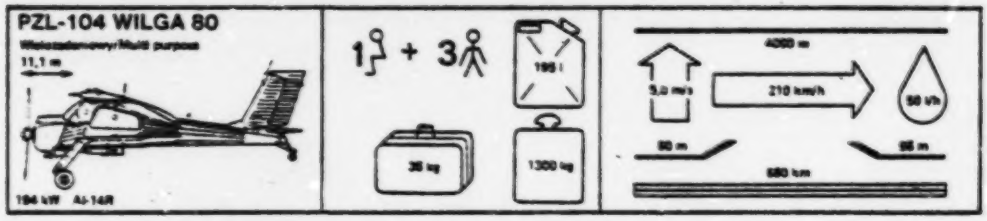


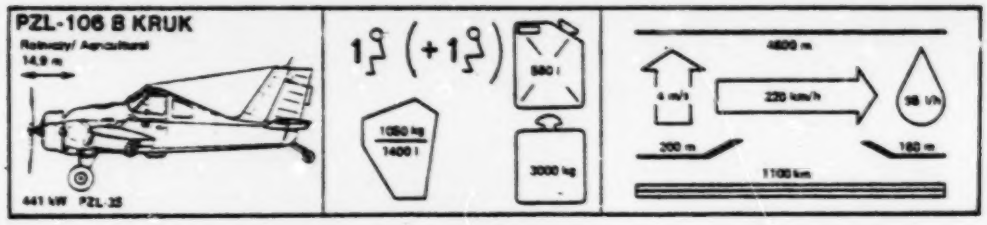


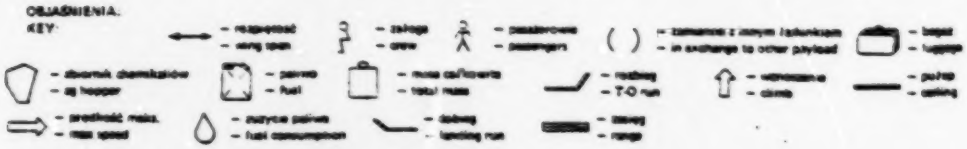

Wytwórnia Sprzętu Komunikacyjnego
Transport Equipment Manufacturing Centre

# PZL–Mielec

Adres/Address: ul. Ludowego Wojska Polskiego 3,
39-301 Mielec, Poland tel. 70, telex: 83293
Naczelny Dyrektor/General Manager: mgr inż. Tadeusz Ryczaj

Liczba samolotów zbudowanych po 1945 r.
Total of aircraft built since 1945: **11000**

MIELEC

Założone w
Founded in **1938**

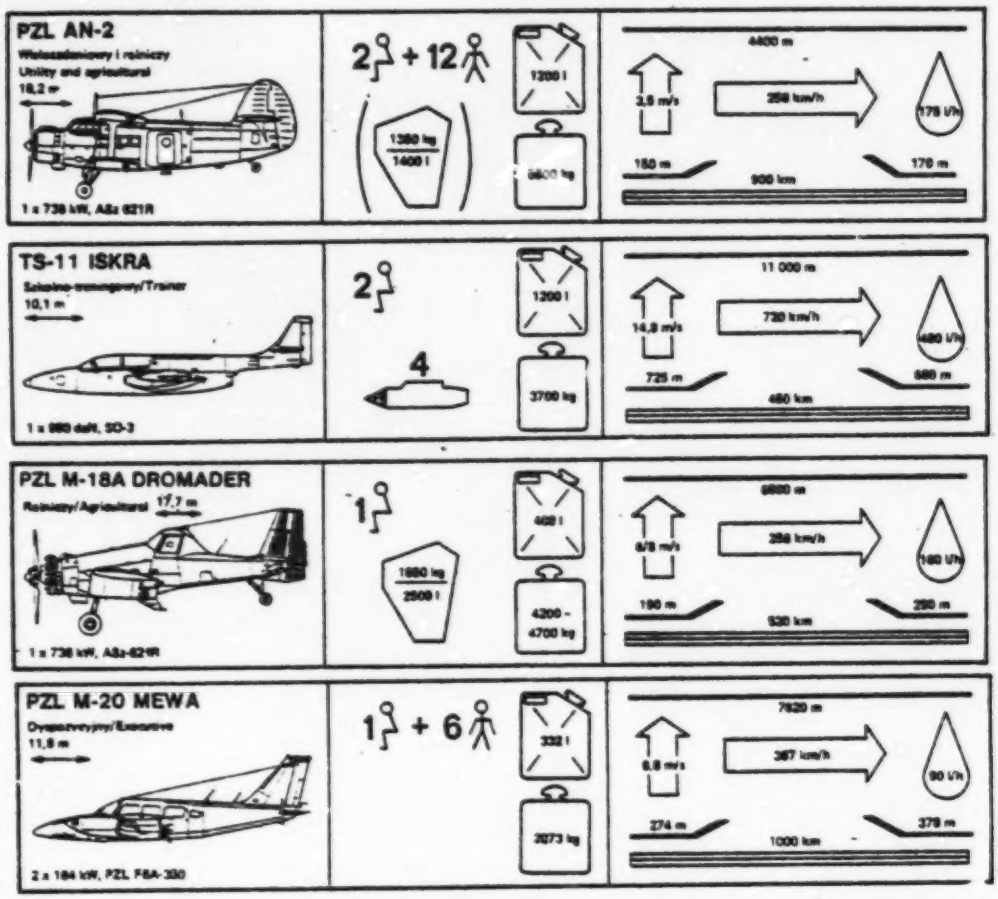

Wytwórnia Sprzętu Komunikacyjnego im. Zygmunta Puławskiego
Transport Equipment Manufacturing Centre

# PZL–Świdnik

Adres/Address: 21-040 Świdnik, Poland
tel. 120-61, 120-71, telex: 84212, 84302

Założone w
Founded in 1951

Liczba śmigłowców zbudowanych po 1951 r.
Total of helicopters built since 1951: 5000

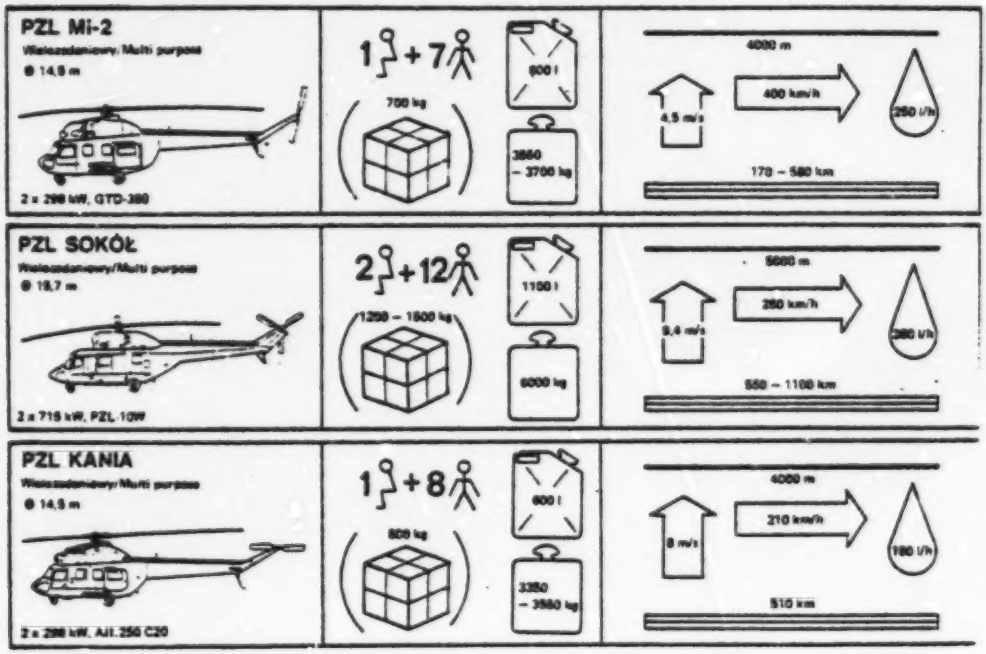


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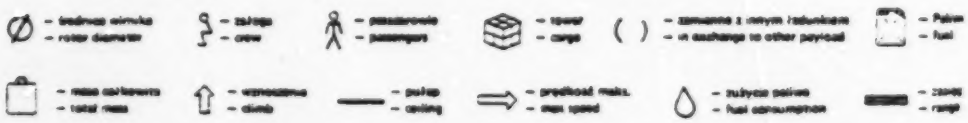

**Przedsiębiorstwo Doświadczalno-Produkcyjne Szybownictwa**
**Experimental and Production Concern for Gliders**

# PZL–Bielsko

**Adres/Address: ul. Cieszyńska 325, 43-300 Bielsko-Biała, Poland**
**tel. 250-21, telex: 035259**

**Naczelny Dyrektor/General Manager: inż. Jerzy Cieśla**

**Liczba szybowców zbudowanych po 1946 r.**
**Total of gliders built since 1946: 4300**

**Założone w**
**Founded in 1946**

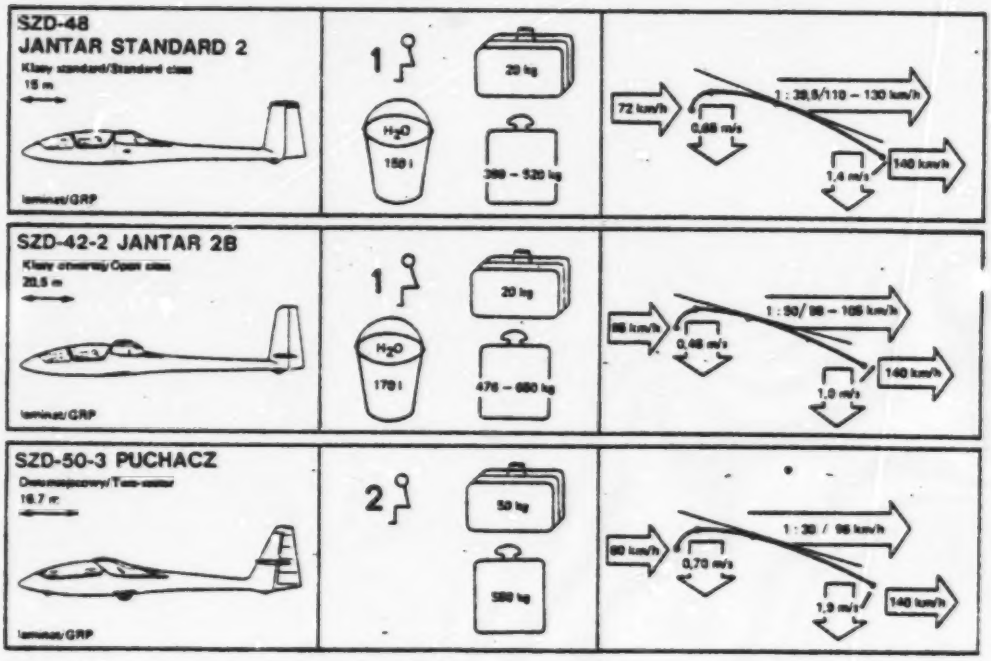


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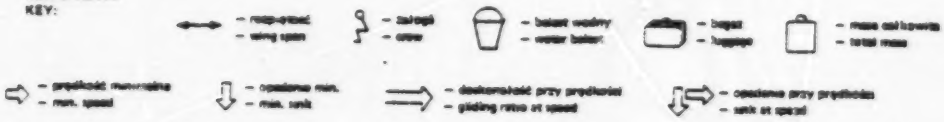

# Agricultural Aircraft

Warsaw TECHNIKA LOTNICZA i AUSTRONAUTYCZNA in English No 3, Jun 82 pp 31-34

[Article by Mgr inz. ANDRZEJ FRYDRYCHEWICZ M. Sc. Eng. and Inz. ZDZISLAW GLAZER B.Sc. Eng.: "Agricultural Aircraft Manufactured at PZL-Okecie in 1982"]

[Text]

The Transport Equipment Manufacturing Centre PZL--Warszawa-Okęcie, a Polish aircraft production plant, being solicitous to best satisfy requirements of their customers, are continuously modernizing their products. This activity may be evidenced by starting up, from 1982, lot production of new range of agricultural aircraft PZL-106B, developed from the PZL-106A airplanes, and an agricultural version of the PZL-104 Wilga, the latter being a complementary aircraft for agricultural air enterprises and for private users.

On the ground of experience gathered up to now from the use of the PZL-106A aircraft (more than 140 airplanes) in different climates and by diverse users it has been found that:

— As regards the pilot's safety, both the „active" and the „passive" one, the PZL-106A is on the level of the best world designs, and even is predominant over many of them.

— As regards quality of agricultural operations (width of the swath at required uniformity, penetration of chemicals deep into plants practical efficiency of an operation etc.), this aircraft is predominant over known classic designs.

— As regards productivity, this aircraft is predominant over other designs in the some class of up to 1000 kg of chemicals load capacity.

— As regards operation economy, this aircraft used over small fields and at low discharge rates (plant protection) is on the level of the best airplanes but when operated over large fields and at high discharge rates (fertilization) it is interior to them.

The above considerations have shown that the development should aim at increasing the operation economy through reduction of fuel consumption, namely, first of all, through improvement in the lift/drag ratio and in reduction of the specific fuel consumption of the propulsion systems applied to this aircraft (the use of engines with reduction gears).

The advantages, having already been proved, justified profitability of the undertaking which should make the aircraft competitive in the field of economy as well, regardless the type of agricultural operations and the size of fields.

With this purpose, a new type of aircraft, the PZL-106B, furnished with new wings of higher lift/drag ratio, has been developed. The lift/drag ratio has been increased by better geometry of the slot, better finish of the wing surface and the use of shorter struts supporting the wings on the fuselage. The geometry of the new wing has been chosen from among three investigated models, with utilization of experience gathered from the PZL-104 Wilga aircraft as well.

The new wing has allowed to reduce the fuel consumption by approx. 30% which, combined with more economical versions of the propulsion systems (more efficient propellers and engines with reduction gears), yields a very good result amounting to 95 l/hr during the working flight.

At the same time, it has proved to be possible to maintain unchanged all the other characteristics of the aircraft within the scope of:

— pilot's safety (unchanged aerodynamic idea, structural system and basic airplane assemblies, e.g. very reliable landing gear);

— productivity (short take-off and landing, wide operational swath, short time of working turn and short time of refuelling and chemicals loading);

— other essential operational features (mechanic's seat, a possibility to transport a complete set of agricultural equipment, a possibility to convert each airplane into the double-control training version, quick installation and exchange of agricultural equipment, board scales etc.).

The flight characteristics (stability, manoeuvrability and the properties before, during and after stalling) as well as performance of the aircraft have been improved. The improvement in performance, combined with reinforced structure of the new wing, at slight increase in the specific mass, has allowed to increase the mass of chemicals by 150 kg, i.e. the mass of chemicals amounting to 1000 kg in the non-overloaded version has been exceeded. The reduction in fuel consumption has made it possible to increase the productivity by raising the recommended working speed. All these factors have substantially improved the economy of ag-aviation works.

In order to best satisfy requirements of different users, the PZL-106B aircraft is manufactured in three versions, depending on the propulsion system used.

— The basic version, being the most economical one, is the **PZL-106BR** airplane with the PZL-3SR engine (441 kW, with a reduction gear). It ensures inexpensive and safe performing of all works typical for an agricultural airplane.

— Another version, developed especially as a complementary airplane for users of the An-2 aircraft (unified propulsion system, is the **PZL-106BS** version furnished with the ASz-62IR motor with a reduction gear (721 kW). Owing to high surplus power, this aircraft is particularly suitable for operation in difficult terrain conditions, in mountains and in tropics, ensuring exceptionally high flight safety at high economy of operation.

— The highest hour productivity is achieved by the **PZL-106BT** aircraft equipped with the Pratt-Whitney PT6A-34AG turbine engine (566 kW). This is the version of the highest chemicals load capacity because of low mass of the power plant. The slender shape of its fuselage nose decreases its aerodynamic drag and improves the propeller efficiency. The surplus power and a possibility to brake by the propeller allow to shorten the time of all components of a working flight, i.e. take-off, flight to the operation area, working flight over the field, working turns and landing. The application of a turbo-propeller engine makes it possible to unify the fuel with that used for transport airplanes and to use automobile diesel oil. Low fuel price and very small amount of necessary maintenance works affect low operational costs.

Development in plant protection methods (ULV spraying) has created demand for an aircraft of lower mass and load capacity, with low fuel consumption. Such requirements are perfectly met by the PZL-104 Wilga 35 airplane in its agricultural version, which complements the range of the PZL-106B agricultural airplanes. It has been recognized that the so low load capacity of such an aircraft limits its use to liquid chemicals and low discharge rates. This aircraft is designed mainly for ULV spraying with

| | PZL-106BR | PZL-106BS | PZL-106BT | PZL-104 Wilga 35R |
|---|---|---|---|---|
| Take-off mass | 3000 | 3600 | 2000 | 1300 kg |
| Mass of chemicals | 1050 | 1200 | 1300 | 230 kg*) |
| Maximum speed | 229 | 260 | 247 | 195 km/h |
| Maximum speed with agricultural equipment | 203 | 230 | 219 | 170 km/h |
| Minimum speed | 90 | 99 | 90 | 95 km/h |
| Working speed | 150÷160 | 160 | 150÷160 | 140 km/h |
| Rate of climb with agricultural equipment | 3,8 | 6,2 | 6,0 | 2,5 m/s |
| Take-off run | 290 | 120 | 160 | 127 m |
| Landing run | 160 | 160 | 120 | 100 m |
| Range (without additional fuel tank) | 1100 | 1000 | 750 | 740 km |
| Time of working turn | 30 | 30 | 28 | 30 s |
| Fuel consumption during working flight | 95 | 105 | 160 | 43 l/h |
| Range of discharge rates of liquid chemicals | 0,1÷150 | 0,1÷150 | 0,1÷150 | 0,1÷100 l/ha |
| Range of discharge rates of solid chemicals | 15÷350 | 15÷350 | 15÷350 kg/ha | — |
| Width of working wath: | | | | |
| — for atomizers*) | 45 | 45 | 45 | 30 m |
| — for spraying nozzles**) | 35 | 35 | 35 | 20 m |
| — for tunnel dispersal unit***) | 25 | 25 | 25 m | — |

*) — with fuel for 1 hr 15 min flight; **) — for lateral non-uniformity S ≤ 25%; ***) — for lateral non-uniformity S ≤ 20%

discharge rates from 0.1 to 12 l/ha and, additionally, for conventional spraying with discharge rates from 5 to 100 l/ha. This, in turn, reduces the aircraft working time per year. For this reason, it has been recognized to be a better solution to utilize for this application a multipurpose aircraft, tested as regards its pilotage and economy, instead of construction of a new small specialistic agricultural airplane. The PZL-104 Wilga 35 aircraft in its agricultural version is equipped with a laminate hopper of 300 l capacity, with an emergency dump system, suspended under the fuselage. Such a location of the hopper, in the wake of the lower engine part, does not cause increase in the aerodynamic drag and, therefore, allows to use the airplane for transport of passengers and small cargo and for inspection of fields and forests without the need to remove the hoppers.

A fan-driven pumping unit (identical as in the PZL-106 airplane) is situated on the landing gear. Pipes with atomizers or spraying nozzles are suspended under the wings. Low mass of the aircraft and, connected to this, low engine power rating necessary to working flights, which result in low fuel consumption, ensure very good operational economy.

The agricultural equipment may be installed on each PZL-104 airplane manufactured since 1975. The possibility to install the agricultural equipment on airplanes belonging to aeroclubs expands the potential fleet of agricultural airplanes in cases of especially high demand for ULV spraying.

In order to increase productivity and economy of agricultural operations with high chemicals discharge rates, it is necessary to build an aircraft of as high chemicals load capacity as possible. A new, enlarged version of the Kruk, unified to significant extent with the PZL-106BS airplane, is now being designed. This will be an aircraft belonging to the class of 2000 kg of chemicals load capacity and its second basic application will be fire fighting.

Apart from manufacturing of agricultural airplanes and desing works at their new versions, the WSK-Okecie factory carry on as well studies on a specialistic agricultural aircraft of 1990's.

CSO: 2020/51

SPECIAL CURRENCY EXCHANGE RATES PUBLISHED

Warsaw TRYBUNA LUDU in Polish 2 Aug 82 p 7

[Text] Announcement of Exchange Rates Table No 31/82, effective 2 August 1982, by Stanislaw Majewski, president, Polish National Bank, on 2 August 1982.

I. Foreign-currency exchange rates in zlotys for countries of the second [as published] [should be first, as published in RZECZYWISTOSC 2 Aug 82 p 4] payments area [socialist countries] for commercial and noncommercial payments remain unchanged.

In purchases of travelers' checks for rubles, issued by the USSR Foreign Trade Bank and payable outside the USSR in the currency of the country where cashed, an exchange rate of 11,731.90 zlotys per 100 rubles is applied.

II. Foreign-Currency Exchange Rates in Zlotys for Countries of the Second Payments Area [Capitalist Countries]

[Table on following page]

Exchange Rates Table No 31/82

| Country | Curr Symb | Currency | Foreign Exchange Purchase 4 | Foreign Exchange Sales 5 | Money Purchase 1 | Money Sales 2 | Average 6 |
|---|---|---|---|---|---|---|---|
| Saudi Arabia | 771 | 1 rial*** | 24.71 | 24.95 | -- | -- | 24.83 |
| Australia | 781 | 1 Aust.dollar | 85.53 | 86.39 | 84.24 | 87.68 | 85.96 |
| Austria | 786 | 100 schillings | 498.99 | 504.01 | 491.47 | 511.53 | 501.50 |
| Belgium | 791 | 100 francs | 183.88 | 185.72 | 181.10 | 188.50 | 184.80 |
| Denmark | 792 | 1 kroner | 10.11 | 10.21 | 9.96 | 10.36 | 10.16 |
| Finland | 780 | 1 markka | 18.18 | 18.36 | 17.90 | 18.64 | 18.27 |
| France | 793 | 1 franc | 12.61 | 12.73 | 12.42 | 12.92 | 12.67 |
| Greece | 724 | 100 drachmas | 124.24 | 125.48 | 107.68 | 127.36 | 124.86 |
| Spain | 785 | 100 pesetas | 77.08 | 77.86 | 75.92 | 79.02 | 77.47 |
| Holland | 794 | 1 florin | 31.72 | 32.04 | 31.24 | 32.52 | 31.88 |
| India | 543 | 100 rupees*** | 893.57 | 902.55 | -- | -- | 898.06 |
| Ireland | 782 | 1 pound*** | 120.53 | 121.75 | -- | -- | 121.14 |
| Japan | 784 | 100 yen | 33.79 | 34.13 | 33.28 | 34.64 | 33.96 |
| Yugoslavia | 718 | 100 dinars | 175.21 | 176.97 | 151.86 | 179.61 | 176.09 |
| Canada | 788 | 1 Canad.dollar | 67.22 | 67.90 | 66.21 | 68.91 | 67.56 |
| Kuwait | 770 | 1 dinar*** | 297.03 | 300.01 | -- | -- | 298.52 |
| Lebanon | 752 | 1 pound | 16.70 | 16.86 | 16.44 | 17.12 | 16.78 |
| Libya | 651 | 1 dinar*** | 287.00 | 289.88 | -- | -- | 288.44 |
| Luxembourg | 790 | 100 francs | 183.88 | 185.72 | 181.10 | 188.50 | 184.80 |
| Norway | 796 | 1 kroner | 13.48 | 13.62 | 13.28 | 13.82 | 13.55 |
| Portugal | 779 | 100 escudos | 102.02 | 103.04 | 88.42 | 104.58 | 102.53 |
| FRG | 795 | 1 mark | 35.08 | 35.44 | 34.55 | 35.97 | 35.26 |
| United States | 787 | 1 dollar* | 84.98 | 85.84 | 83.70 | 87.12 | 85.41 |
| Switzerland | 797 | 1 franc | 41.63 | 42.05 | 41.00 | 42.68 | 41.84 |
| Sweden | 798 | 1 kroner | 14.08 | 14.22 | 13.87 | 14.43 | 14.15 |
| Turkey | 627 | 100 pounds | 52.14 | 52.66 | 45.19 | 53.45 | 52.40 |
| Great Britain | 789 | 1 pound** | 149.27 | 150.77 | 147.02 | 153.02 | 150.02 |
| Italy | 799 | 100 lira | 6.26 | 6.32 | 5.42 | 6.42 | 6.29 |

* Valid also in clearing accounts with the following countries: Bangladesh, Brazil, Ecuador, Greece, Iceland, Kampuchea, Colombia, Lebanon, Pakistan, Peru and Turkey.

** Valid also in clearing accounts with the following countries: Nepal and Pakistan.

*** The Polish National Bank does not purchase money in these currencies.

CSO: 2600/826

## OFFICIALS INTERVIEWED ON FOREIGN DEBT SITUATION

### Finance Adviser Interviewed

Warsaw POLITYKA in Polish No 18, 19 Jun 82 p 19

[Interview with Jan Boniuk, adviser to the minister of finance by Mieczyslaw Komuda; date and place not given]

[Text] [Question] In the West they are saying with contempt that it was harder for them to borrow $100 from their own banks than to lend us half a million dollars.

[Answer] That is an anecdote.

After the war, for many years, it was believed that Poland was sincere about paying its debts. Despite social reforms and the nationalization of foreign property, we were one of the first socialist countries to conclude indemnification agreements with all Western partners. According to these agreements, we would repay approximately 40 percent of the value of property seized from foreigners, including war damages.

We fulfilled our obligations. We paid and are still paying for debts incurred or guaranteed by the prewar government. Moreover, we paid all our credits and obligations contracted abroad. Everyone knew that lending us money was a sound investment. What's more, our policy restricting industrial investments in the 1960's and our restraint in asking for credit meant that many associations and banks viewed Poland as an interesting future market for investing their capital.

[Question] Did we make any political concessions when we acquired credit?

[Answer] As an observer in these matters, I did not note any such concessions. Our experiences have shown that as debtors we always paid our debts, thus there was not reason to force us to make added guarantees. Of course, both the political atmosphere--the beginning of the 1970's was a period of the growth of detente--and the fact that Poland had good relations with many countries had an impact on the degree to which we could use credit and the extent of the development of our economic ties with the West and with the whole world. Maintaining good relations meant that we had to take certain steps, but these were in no way political concessions.

To be precise we should add that our domestic policy in the 1970's helped us to enter into contacts on the economic plane. However, in speaking of the policy of the first half of the 1970's, if someone were to perceive a clear connection between political concessions and the possibilities of making use of Western credits, it would be a tremendous oversimplification. The use of credit and the nature of import implemented during the previous period are another matter.

[Question] When did the West really begin worrying about its money?

[Answer] The date that is given is 26 March 1981. However, it was really earlier than this, since our systematic utilization of credit on the Eurodollar market has had an impact on the attitude toward Poland since 1976. This was also the year that the level of debt really began to reach critical proportions and we began to fall into the so-called indebtedness trap. We also had trouble amassing the sums that we intended to borrow from American banks, for example. The Japanese were also very restrained in extending credit to us. In Western financial spheres, since 1979 there has been the attitude (and not without reason) that the level of Poland's indebtedness definitely exceeds the country's payment possibilities. This is how it was in reality and in 1979 we began the process of refinancing our debts, first in the form of separate agreements on financial credits.

[Question] Why the 26 March 1981 date?

[Answer] Payments made after this date were discussed for many years regarding the comprehensive refinancing and restructuring of our indebtedness.

[Question] Did we break our former agreements?

[Answer] We stopped repaying credit according to the previously established schedule, but this was done with the tacit agreement of the other party, with whom we had been conducting multilateral discussions on refinancing since August 1980. In the spring of 1980, refinancing assumptions were concluded with the other governments, and at the end of 1980/beginning of 1981 discussions with banks were initiated.

We conducted talks with all of our creditors. Some say that these discussions did not begin soon enough. However, it must be noted that the first refinancing discussions with France began in 1979, and that our economy broke down under conditions of our import markedly exceeding our export. It is also important that opening more extensive discussions in a situation where it was still possible for us to acquire new credit to finance our payment needs basically signified the ruling out of these opportunities as well. One does not grant credit to someone who admits that he is insolvent.

[Question] In spite of this, 1981 was a good year, at least compared with what we have now.

[Answer] It was a year of difficult discussions, which were nonetheless concluded rapidly and positively. A refinancing schedule was adopted and

coordinated with the governments of the most interested States. Ninety percent of the credits and interest owed to banks that governments had given guarantees was deferred. However, the fact that we entered into discussions with governments and banks, telling them honestly that we had nothing with which to pay--and to be honest, we did not--caused creditors to be favorably inclined toward us. It was of key significance that we were ready to present a specific program and method making it possible for both sides to resolve the matter.

[Question] What was the role of political arguments?

[Answer] Governments and banks are partners in discussions. While governments are guided by political considerations, they must also take into account economic interest. Regarding banks, I would not overestimate the role of political arguments. The direct link between external political even events and financial demands is rather difficult to define under normal conditions. Without a doubt, the political situation and political ties are a vital factor of credibility. On the other hand, when one uses direct political arguments in discussing finances, the results are limited. In discussion with banks, the issue of our political situation was mentioned only where it directly affected our payment situation. On the other hand, banks did not and could not create conditions equating the fulfillment of specific political demands with the resolution of our payment difficulties. This was clear in our conversations with banks. But let us not forget that a primary goal of banks is to make money. Calm in the debtor State serves this goal better than confusion. Even if political sympathies sometimes lie with those who are fostering the confusion, money is the most important thing, and it is easier to get money from someone who is able to control the situation.

[Question] Does this mean that 13 December [1981] helped us?

[Answer] Although it has not been recognized officially, in earlier talks it was clearly indicated that we must take decisive action not only in the economic sphere. Creditors have noted a marked improvement in raw materials industries this year (in 1981 they attached much importance to this), but an increase in all of industrial production, especially export, is of crucial importance.

[Question] Let us return to the facts. We were still able to save ourselves in 1981.

[Answer] Yes. With the approval of our bank creditors, beginning 26 March 1981, we deferred the capital payments that fell due that year.

[Question] How much money was this?

[Answer] It was $2.2 billion of capital payments alone that was due to banks. Together with the credits guaranteed by governments, we deferred repayment of more than $5 billion in 1981. However, we were obliged to pay the banks interest. Thus, 100 percent of our capital debts was deferred,

but 5 percent of these debts was to be paid in 1982. We had terrible difficulties paying the banks the interest, and did not pay it until the end of March 1982.

[Question] This was the condition...

[Answer] It was the condition of the refinancing agreements we signed in 1981.

[Question] Did you participate in these talks?

[Answer] Yes. The agreement was constructive in that after it was signed, two main debtors arose, the Polish People's Republic [PRL] and the Trade Bank S. A. [Company Ltd.] in Warsaw. The banks claimed that the Polish National Bank [NBP] was also a debtor, but ultimately it was a guarantor. According to the agreement, all foreign trade central offices and other Polish organizational units that had concrete debts were debtors. The responsibility of the latter is limited to their own debts. Practically speaking, they did not assume any new obligations, and their old obligations were reduced, since after the day of restructurization, i.e., the day on which the original obligations falling due in 1981 become frozen and the new obligations under refinancing replace them, the Trade Bank S. A. in Warsaw and the PRL become the debtors. In effect, the state has assumed a series of obligations.

[Question] Was this the only change? Was the Trade Bank formerly the major debtor or guarantor?

[Answer] Many agreements had a Polish guarantee, especially the largest agreements, i.e. those agreements in which we had many partners and that involved more significant amounts of money; the PRL, not the Polish government was the guarantor. This is a common practice in international relations, although I know that people find if incomprehensible.

Thus, had we not resolved our 1981 indebtedness and officially declared our insolvency, Poland as a state would have been responsible for these debts and a series of undesirable actions could have been initiated against us.

[Question] We signed an agreement with 505 banks. Are all of these our creditors?

[Answer] Yes. They are all our 1981 creditors. We would not have been able to sign such an agreement, had we not assured all of our creditors that they would be treated equally. This means that we may not repay our debts to someone else on better terms than those in effect with regard to these banks.

[Question] Is there the danger that one of our creditors will declare Poland's insolvency?

[Answer] Since March 1981, such a danger does exist. No bank who signed the recent agreement is permitted to declare the insolvency of the PRL by virtue of our 1981 obligations, however, they may declare our insolvency regarding 1982 obligations, a situation that has not yet been resolved. We are convinced that they will recognize this year as well that it is much more beneficial for them to resolve these problems in understandings made with Poland than by initiating an all-out campaign against Poland.

Nonetheless, such a campaign is always possible. Of course, if the majority of our creditors realizes that it is senseless to undertake such a campaign, and one or several banks decide to start it, the banking company itself will find it advantageous to dissuade the bank(s) from this idea. By pushing its claims, the bank company would restrict our payment possibilities, and thus would threaten the interests of the other banks to some degree.

[Question] We may have different creditors in 1982 than those from the group of 505 banks.

[Answer] There will certainly be some changes, but they will mainly involve secondary banks.

[Question] Then is the agreement on debt refinancing a battle won?

[Answer] We have taken a very important first step, but we have not resolved anything finally. If we do not manage to resolve our problems regarding our 1982, 1983 and post-1983 obligations and above all, if we do not solve our domestic economic problems and increase our export capabilities, the agreement will have been fruitless.

[Question] How will we be treated then?

[Answer] First, Poland's insolvency may be declared. Such an announcement would be effective if it were universal, that is, if it were done not by one country or bank, but by the majority of the international financial community. In practice, this would mean a sudden decline in export income. Payment of all sums due our account would be stopped. We would have to suspend our foreign trade and export to the West or restrict it drastically, at least for a time. Under no circumstances could we implement import, even at current levels. We could not ask for credit. Of course, there would be attempts to secure claims on Polish property located abroad--and on ships and planes as well. There is a precedent for this in international relations.

[Question] What will happen in your opinion?

[Answer] The discussions will continue. Any other solutions affords us nothing. For example, if we ourselves suspended payments explaining that Poland of the 1980's is not Poland of the 1970's, and that we do not intend to pay our obligations incurred during those years (for a lot of money has been made on us at that), we would force our creditors to take action to protect the international financial market. This market cannot function when debtors can decide that they do not have to return the money they have borrowed because, for example, they have been tricked.

The political repercussions of a possible declaration of Poland's insolvency would also be very important. It would have the effect of thoroughly freezing East-West relations. This is a convenient fact for all who are interested in increasing international tension.

[Question] Can we still pursue a policy in this field?

[Answer] One can pursue a policy as long as he is still a partner in international relations. We have a narrow, but yet existent field of strategy.

[Interviewer] Thank you for the interview.

International Department Head Interviewed

Warsaw POLITYKA in Polish No 18, 19 Jun 82 p 19

[Interview with Zoigniew Karcz, head of the foreign department, Ministry of Finance, by Zygmunt Szeliga; date and place not specified]

[Question] Director, we are to discuss the opportunities, prospects and conditions for extricating ourselves from the "noose of indebtedness," and especially our survival this year, which looks especially gloomy in this regard. Perhaps you will tell me authoritatively how much we are supposed to pay this year, since I am aware of 10 different figures. While they are all in the range of $10 billion, the difference between the lowest figure and the highest figure is $1 billion, or considerably more than we are bringing in this year for exporting coal.

[Answer] Unfortunately, I cannot clarify this for you.

[Question] Do you not know either? Who does know?

[Answer] It is not a question of knowledge, but of the mechanism of the world capital market. If you were to insist, we could calculate the state of this year's obligations for this date, 10 June 1982, down to the last dollar. But the day after tomorrow, this figure would be different, even if the dollar had not dropped or increased in value.

[Question] By what magic?

[Answer] No magic. Two objective factors determine this variability. The first is the changeability of Western currency-exchange rates. We hold obligations in practically all of the major Western currencies. But today, for example, a billion FRG marks is equivalent to $435 billion. If in a week the dollar increases in value to 2.20 marks, this same 1 billion marks will cost us $455 billion. The same is the case with other currencies. The second factor concerns only interest, which is usually calculated according to the so-called floating rate. This means that we pay interest at the rate that is in effect on the day of repayment. A few months ago, we estimated that our annual interest would average 13.5 percent. This 0.5 percent

difference in the interest rate, applied to our total indebtedness, amounts to $130 million. In reality however, the differences in the interest rate may be considerably greater--to our advantage or our disadvantage. Theoretically, then, we are supposed to repay $10.5 billion this year. Of this, approximately 30 percent is interest, and 70 percent, the repayment of capital.

[Question] At any rate, it is over $10 billion. It seems to me that this must be reduced in some way, since it is unrealistic for us to pay it all. What is the current state of negotiations?

[Answer] Your question covers two matters. Let us begin with the unfortunate $10 billion. I used the word theoretically advisedly. Both we and our creditors know that we cannot repay everything according to the previously established deadlines. Hence our actions taken to restructure our debt, which have generally met the approval of our creditors. However, we are a nation that loves extremes. Several years ago we said that debt is a threat to no one. Now we try to scare ourselves, saying that we owe $27 billion, instead of less than $25 billion, the actual figure. It is the same with repayment. If we can repay about 40 percent of the amount due, there is the real possibility that we will be able to defer paying the remainder if we work it out with our creditors. Even so, it is a huge sum. It causes us big problems, but let us not scare ourselves with amounts that are gross exaggerations of the real situation.

Let us make note of two points. First: we initiated the refinancing procedure some time ago, in 1978, when it first became impossible for us to discharge our annual obligations in full. At that time we were still considered to be reliable in repaying our debts. Initially this involved relatively small sums; last year it reached major proportions. Second: we have obligations to several hundred banks, but generally they are divided into two parts. The first group includes our debts that are guaranteed by the governments of 15 Western States, which we must discuss primarily with governments. The second group includes our unguaranteed debts, let us call them our private debts, which we are discussing with banks directly.

We initiated talks with government representatives on the topic of a payment agreement for 1982 in September 1981. They were suspended in January 1982. After setting in order the matter of the rest of our 1981 interest, we signed an agreement with the banks for 1981. We paid the interest at the end of March and 6 April 1982 we concluded an agreement with a group representing these banks. Our first meetings with them about an agreement for 1982 were held 28 and 29 April 1982. Currently the situation of private banks is more flexible, but an effective solution to the problems of refinancing must include both kinds of obligations. The governments have halted all refinancing negotiations for extraeconomic reasons. The Reagan administrative policy plays a major role here.

[Question] Hence the impasse on guaranteed credits, which also affects negotiations on unguaranteed credits.

[Answer] Yes, it is an impasse, but no door has been slammed shut. We have made numerous announcements of our readiness to talk, our credit needs, possibilities for cooperation and export and the like. There is still only silence from the other side, the governments of the NATO States.

[Question] Perhaps we should forget the governments for the time being and conduct negotiations with the private banks. Last year we reached agreements with the governments first, and this opened the way to finalizing the matter of unguaranteed debts. Should we reverse the order this year?

[Answer] In principle this is possible, but there is a problem in that we have one treasury for everything: export, import, repayment and the need for new credit. Without a preliminary understanding with the governments, particularly regarding import, export and indispensable new credits, we will not really be able to tell private banks what we expect and what possibilities we have. These discussions must be very concrete; there is no room here for promises and circular language. Precise figures and facts are important. We must also deal with the overly sensitive attitude of banks in their distrust of Poland.

[Question] If you were a Western banker with $500 million in Poland, how would you act?

[Answer] You are trying to rattle me, but I will not fall for it. We are attempting to empathize with their situation and way of thinking and we suggest that they do the same. The fact is that the two sides have conflicting interests. Common ground must be found.

[Question] In my opinion, this common ground is clearly Poland in the phase of development with its growing export and payment potential.

[Answer] We believe that this is also the viewpoint of our financial and economic partners. But there are two or three basic problems. The first is economic: the severe recession in the Western economy. This engenders skepticism concerning our potential to expand export on these markets. The second problem is political: the sanctions and restrictions imposed by the governments of the NATO States. The third is once again economic and pragmatic: bankers often say to us: you have received extensive credit and you have promised to use it to modernize the economy and to ensure its growth and export. Instead you have a crisis of catastrophic proportions. What is the guarantee that further doses of credit will allow you to stand on you feet? Perhaps the same thing will be repeated.

[Question] Let us now drop the subject of debts and credit and move on to purely domestic matters--the mechanism of the functioning of the economy, guaranteeing its effectiveness and rate of growth.

[Answer] Exactly. Last year, the factor outweighing all others in refinancing talks was programs of reform and economic recovery. Now the consistent execution of these programs and gradual, visible improvement are of key significance.

[Question] Meanwhile, one sees no improvement, mainly due to a shortage of funds for import. Does it not seem that we are moving in a vicious circle?

[Answer] There is improvement in several important areas (coal export, reduced farm imports), but it is a spiral of sorts. However, this spiral movement is disadvantageous both to us and to our creditors. It is a simple deduction: a lack of imports means decreased production, which means less export, reduced payment potential and the like.

[Question] What can help us?

[Answer] First, we should eliminate unnecessary imports, and there are many of these. Second, we must export on a large scale. This is unrealistic given our current domestic needs and the general disinclination of society to export. Third, we must reorient, i.e., step up our economic relations with socialist countries significantly and increase our economic supply from this source. However, the possibilities here, especially the short-term possibilities, are also limited for objective reasons. Fourth, further commodities credits from the West. We must make use of all these four sources together to resolve our problems. Of course, we must also improve management and efficiency at home as well.

[Question] Let us presume that the three first conditions are fulfilled, on such a scale as is possible, and that efficiency increases. What then may be expected from our creditors?

[Answer] Unfortunately, what we may expect is rather pessimistic. First, let me note last year's refinancing conditions. Regarding guaranteed credits, we had repayment of 90 percent of last year's obligations deferred. This includes capital and interest. Regarding our unguaranteed credits, 95 percent of our debt was deferred. This includes only capital, and we had to pay the interest. Let us assume that we will have the same or similar refinancing conditions this year. Under such conditions, and realistically evaluating our export potential and the effects of reorientation, we will be short approximately $3.5 billion in our balance of payments for 1982. Of this we should obtain $2 billion to $2.5 billion in new credit to enable the economy to bounce back and begin to increase our export capabilities.

[Question] How much credit do we have?

[Answer] About $1 billion. These are not new credits; they are holdovers from former agreements. While in principle these agreements are continuing some countries have reevaluated our program under the impact of U.S. sanctions and have refused us certain credit deliveries. However, the biggest problem is the failure to renew credit agreements. Formerly we had a number of such agreements, that were more or less automatically renewed from year to year.

[Question] Where refinancing is concerned, is our situation a singular phenomenon worldwide?

[Answer] Only in that we are not a member of the International Currency Fund [MFW]. I believe that this is the first time that a country that does not belong to the MFW has obtained refinancing on a large scale. Refinancing itself is not unusual; on the contrary, it is the bread and butter of the world financial system. Last year alone, there were at least 20 different refinancing operations in the world economy. A number of countries must resort to this measure. Of course, our refinancing program last year was the largest.

[Question] My final question concerns your feeling after reading the "table of confidence" of Western banks, in which Poland place 95th worldwide.

[Answer] What bothers me is not the table itself, but the reality it represents. Various added circumstances have had an impact on our drastic decline: the general political atmosphere in the world, sanctions and restrictions that can affect our payment potential and the like. But the determining factor is the reality that is readily measurable in terms of indexes of production decline, the decline in national income and a reduction in export. On the other hand I know that it is always possible to regain one's place on such tables. I believe that we can get the economy moving again. We will then be able to recover our payment potential fairly quickly, as well as the credibility and confidence of creditors. We need understanding from our creditors and, above all, consistency in our own actions.

[Interviewer] Thank you for the interview.

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20 August 1982

# East Europe Report

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2307

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# EAST EUROPE REPORT

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## BOOK ON CEMA AGRICULTURAL-INDUSTRIAL INTEGRATION REVIEWED

Warsaw SPRAWY MIEDZYNARODOWE in Polish No 12, Dec 81 pp 143-144

[Review by a.z. of book ROLNICZO-PRZEMYSLOWA INTEGRACJA KRAJOW RWPG [THE AGRICULTURAL-INDUSTRIAL INTEGRATION OF CEMA COUNTRIES], Polish Agricultural Publishers [PWR], Warsaw, 1981, 193 pages]

[Text] This work, prepared by a team of Soviet authors representing the various fields of study connected with the individual spheres of the agricultural-industrial complex, constitutes an attempt to generalize the experiences of CEMA countries in the area of intra country and international agricultural-industrial integration. It contains considerations and postulates which are interesting from a theoretical point of view.

The authors discuss the basic problems connected with the formation of the agricultural-industrial complex within individual CEMA countries and within the framework of the entire community. These problems are grouped into three chapters, covering: the material base for agricultural-industrial cooperation and integration, as well as its development; agricultural-industrial cooperation in CEMA countries; international socialist agricultural-industrial integration. They pointed out general regularities in this field and they extracted characteristic features for the development of these processes. The work shows that agricultural-industrial cooperation is developing in all CEMA countries, although the level, tempo, and forms of this process are different in the individual countries. On the other hand, international socialist agricultural-industrial integration is proceeding at a significantly weaker pace than are integration processes in industry. The authors assert, however, that this integration cannot be artificially "pushed along" but should develop according to the ripening of the appropriate conditions.

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SIGNIFICANCE OF PRICING IN INTENSIFICATION OF ECONOMY VIEWED

Prague NOVA MYSL in Czech No 5, 1982 pp 23-33

[Article by Michal Sabolcik: "Price Policy in the Process of the Intensification of the Economy"]

[Text] The fundamental strategy of the current building of a developed socialist society in the CSSR is efficiency and quality of economic development achieved through an intensification of the economy. A thorough and rapid shift to the intensification of the economy is a directive, the level of urgency of which was strongly emphasized by the 16th CPCZ Congress.

The 16th CPCZ Congress pointed out that this process is socially and economically necessary because:

--the extensive growth of production inputs cannot be assured from either internal or external sources. Imports of raw materials, other inputs, and energy during the Seventh Five-Year Plan will basically remain at the level reached in 1980, and may even be lower. Population development does not make it feasible to expect any significant increase in the labor force. By increasing productivity we must free up labor for those branches where labor capitalization is proceeding, for objective reasons, more slowly. Possibilities for the formation and distribution of national income do not permit any increase in capital investments;

--our economy has both short-term and long-term internal underutilized capacities which must be mobilized; these result, among other things, from a low valuation of inputs, from an unsatisfactory implementation of research and development and of our production potential, high level of waste, and from deficient management and planning practices.

At the 26th CPSU Congress and at the 16th CPCZ Congress the necessity of speeding up intensification was emphasized, and the basic principles of a program for the purposeful restructuring of the management mechanism, aimed at a systematic strengthening of the effects of intensive factors in the development of the economy we've adopted. This intention, in conjunction with the economic policy, must be supported by the price policy which is an inseparable component.

We must recognize that there is a mutual, dialectic link between individual price systems. An increase in wholesale prices generates pressure on an increase in procurement prices, retail prices, rates and the cost of services.

Each cost increase, each inefficiency exerts a decisive influence on wholesale price levels. Return on investment is reduced, profit levels are influenced negatively and, as a result, so are enterprise and individual economic incentives. The intensification process is a required path to reduction in costs per util [a hypothetical unit of utility]. And this is what we are after in the entire intensification process.

In this article, we will be mainly concerned with the influence of wholesale prices on intensification; these prices being one of the critical areas of our price system in view of the importance of our industry in national income formation. We are also aware of the importance of the remaining price systems, especially retail prices and their relationship to the critical role of the plan in assuring a balance of production and consumption, disposable income and the supply of consumer goods.

The Role and Place of Price in the Process of Economic Intensification

Before pointing out the role and place of price, we wish to define intensification processes, as described by Comrade L.I. Brezhnev at the 26th CPSU Congress: "The intensification of the economy and an increase in its efficiency in practice means, above all, that production rises faster than costs of production and that the greatest possible production output be achieved with relatively fewer resources." (26th CPSU Congress. Documents and Materials. Prague, Svoboda, 1981 p 42)

Prices influence this process within the framework of economic policy. Their role through their function is not only to reflect objectively, but also actively to influence the cost relationships in the national economy. Therefore, it is our main objective that prices act as an objective measure of the expenditure of socially necessary costs. This is also the source of their critical and active effect on the planned, effective development of the national economy. In this way they act on objectivity in management, planning and decisionmaking.

The price mechanism must also respect the principles of economic policy, actively influencing the meeting of objectives of individual stages of development of a socialist society. On the other hand, it acts as a standard in economic processes, a motivator of intensification, of a high level of input valuation and of the increase achieved in public efficiency and quality. And this is true of all price systems; wholesale, procurement, foreign-trade tariffs and retail prices, and the cost of labor and services.

In respect to the intensification processes, prices play a major role in the following areas:

--they fulfill the function of an objective criterion for production resources and turnover and exert a positive influence on economic development consistent with the goals of intensification, while providing for a continual reinforcement in the area of federal price controls;

--they act to balance and keep current wholesale prices relative to actual expenditures for domestic production and imports while exerting systematic pressure for enhancement and more efficient utilization of fuels, energy and raw materials in consumption;

--in the improvement of price incentives, they act to increase technical sophistication, quality and marketability of new products in both the domestic and the international markets. This demands more precise criteria for quality goods markup and penalty, price reduction for producers of low-quality products;

--they stimulate increased export performance, above all in obtaining higher foreign prices, and by exerting an active influence on producers to improve their product quality criteria, etc.;

--in influencing, through pricing, the demand production and consumption price structures;

--in the area of retail prices, they ensure the necessary correspondence among price, wage and social policy.

From the above price policy objectives in the fulfillment of the guidelines of the 16th CPCZ Congress, it follows that we are primarily interested in the implementation of more rigorous criteria and greater objectivity of our prices. Equally important is a more flexible price reaction tied to the plan, to changing economic conditions especially in foreign-trade relations, always, however, maintaining strict central price controls. It is understandable that benefiting from a more efficient price development planning and price formation to achieve smooth functioning of the price structure and a more precise criterial relationship between domestic and foreign prices is not a one-shot project, but a gradual and continuing process. Meeting the demanding objectives of price policy requires thorough utilization of all mechanisms of the state price-control system and, to a substantial extent, the assurance of conditions for meeting the objectives in the other areas of planned management. The foundation of greater price efficiency is formed by pertinent economic measures.

The very enumeration of these objectives clearly demonstrates that this is a broad spectrum of problems with a number of relations and circumstances bearing on the efficiency and quality. At the same time, these relations are complex and multifaceted. However, a more profound comprehension of these relations is necessary for planned selection and application of the most efficient factors to achieve the planned goals of intensification.

The efficiency of public activity, aside from its social (socioeconomic), temporal, spatial and other aspects, also has a price effect. After all, what may appear from a narrow economic viewpoint to be highly efficient may be far from efficient from the viewpoint of society as a whole, viewed in terms of the near or far future or vice versa. Prices can make a substantial contribution to an understanding of these problems. This is particularly pressing in a time of rapid technological changes, when the pace of progress is picking up; when socioeconomic changes are occurring more rapidly; and when social consciousness and existence is developing within the growing complexity of contemporary conditions.

Price System Modification--Achieving a Balance Between Prices and Socially Justified Costs

The purpose of the price system modification is principally to achieve a "rationality" of prices; i.e., that prices should correspond to socially

necessary costs of production. This relates both to price levels and to changes in price relationships.

The rationality of prices, their ability to reflect objectively the socially necessary costs of labor, ensures the correctness of the expressed valuation process--planned and actual. The quality of planning and the plans themselves greatly influence the socially necessary costs and the dynamic of creation of resources and use in the expanding replacement process; that is, as the basis of price development.

An inseparable component of the content of the price system modification are the principles, forms and methods of the direct effect of prices on the development of the national economy based on the developments of conditions in production, in turnover, and in the management system, etc. The process of aligning prices with the socially necessary costs, is proceeding from the past and the present toward the future. The optimal methods are being sought to achieve higher objectives.

This is to ensure that the costs of production be fully covered by prices. In this way, prices support the objectives of both the state plan and the entire management system: speeding up the intensification processes.

Thus, the modification of the price system is based on decisions which effect future levels of efficiency. It is directly tied to the improvements of regulatory, management and planning principles, forms and methods by which society influences and controls this system which, ultimately, concerns the state price-management system.

The state price controls include all areas of the price modification system. It involves, above all, planning of price developments, pricing of new products, price analyses and controls, the price-information system, etc. Within the framework of the plan, both one-time price changes and routinely planned price changes are implemented. These planned changes form the basis for price formation for new products.

Great demands are being placed on these processes. We must be aware that the development of socially necessary costs, which are the basis for price formation, is continuous and currently has been accelerating. It is influenced by such factors as the rapid modernization process in connection with the scientific and technical revolution; the increases in prices and shortages of imported raw materials; the need to reallocate labor to meet the requirements of changes in the dynamic and structure of production resulting from essential application of incentives; the level of utilization of production capacity; substitution and optimalization of consumption and investments, etc. Given relatively stable prices, any changes in these conditions over time leading to changes in socially necessary costs could outstrip the development of prices and disrupt certain aspects of the rationality of prices.

And this raises a number of pressing questions. How to solve the problem? Which set of economic conditions is it socially desirable to have prices reflect? To what extent should nonprice management be utilized? How can we

speed up the reaction to changes in socially necessary costs? The path to a solution has been indicated by the 16th CPCZ Congress, which calls for "a smooth updating of wholesale prices tied to a realistic development of purchasing costs for imports and domestic production, while exerting systematic pressure for enhancement and more effective utilization of fuels, energy and raw materials in consumption." (16th CPCZ Congress. Prague, Svoboda, 1981. p 408)

The requirement of adjusting the price system primarily to a smooth introduction of realistic wholesale prices, follows from the practical need for a substantial improvement in the rationality of wholesale prices. The current updating of wholesale prices, implemented through one-time, basically across-the-board restructurings of wholesale prices, usually at 5-year intervals, has led to increasing difficulty in assuring a balance between individual wholesale prices and their cost base. The difficulties have been growing in direct proportion to the increasing pace of changes in socially necessary costs within the framework of a 5-year period and additional requirements for price rationalization as, for instance, for the utilization of prices to stimulate greater efficiency, etc. [Today's] prices are changing more quickly. This reduces their function as a criterion and weakens their effectiveness. We make decisions on the basis of assessments. Good decisionmaking requires objective prices as a starting point. We must, then, gradually reach a situation in which the price system, in the area of inputs into the replacement process, reflects the objective costs of individual factors of production, be they raw materials, other inputs or production assets, while developing, in accordance with the plan and other economic tools the requisite economic pressure for their maximum conservation, utilization and enhancement.

As far as outputs from the production process are concerned, the price system must objectively assign value to the production from the aspect of socially necessary production costs, based on social utility, among other things, also on the basis of export efficiency for exacting foreign markets. In this case, the price system, in conjunction with the plan, must lead the way, provide motivation and price incentives for increased technological sophistication and quality of production, cost efficiency and acceleration of the pace of effective innovation; that is, ensure the maximization of the replacement process.

From the above basic demands placed on the price system, its implementation according to the directives of the 16th CPCZ Congress requires the use of all tools of the state price administration to ensure its effectiveness. The process of smooth price-policy implementation must proceed systematically according to the state plan as to its specific focus and methodological procedures. This continuity and coupling must flow in both directions. Price perspectives are important for plan development. Planned price measures being implemented must support the plan objectives and, likewise, the specific plan provisions must reinforce the price effects. Such a comprehensive, mutually reinforcing concept of planning and prices is the basis for smooth implementation of price policy. It is also the starting point for the desired price effects on the entire system of economic management of the national economy.

A price can fulfill its role, and effect the market through fluctuation in support of the planned objectives only if the conditions for it are maintained and its effects are limited to a rational level.

This requires ensuring planned, centralized management of the price system based on a systematic balanced expansion of the socialist asset-replacement system, supported by the entire management system through the utilization of all forms, mechanisms and tools of the system. Concurrently with this planned balance in the development of resources and needs of the economy, an appropriate base is to be developed for price movements at the level of socially necessary labor costs and conditions created so that the individual prices, through their planned fluctuation, support the development and introduction of new technology, new high-quality products, desirable changes in product mix, raw material and energy conservation, and further development of specialization and cooperation, etc.

It is necessary to plan and control prices in a socialist economy not haphazardly but systematically and following specific objectives to reach those goals more rapidly; to support them not in isolation from other management tools but in consonance with them and for their mutual support.

It is important that the pressure of wholesale prices find an echo in a more effective and economical utilization rate of our productive resources and that they be reflected not only into short-term economic measures, but that [they motivate] enterprises to adopt long-range rationalization measures in the form of plan forecasting with the objective of increasing efficiency.

It is also necessary to intensify and improve price relations, especially in developing sectors, and to assure the compatibility of price effects and the goals and directives of the national economic plan. And this must be true in relation to both domestic and foreign economic relations, especially in the innovation processes.

Innovation Processes and Pricing of New Products

Scientific and technological developments are the main factors in an increase in the efficiency of production and its development. For these reasons, the importance of planned innovation processes has been emphasized many times in documents adopted by the highest party and state authorities.

In the 1980's, the world will demand not only many more new products and services, but higher innovational ability, flexibility and greater specific adaptability of individual professions, sectors and the entire national economy. The increase in the standard of living will depend more and more on our ability to satisfy the new demands.

The intensification of innovative ability requires a systematic creation of conditions for development of socially desirable inventions which would have an impact not only on producers, but also on users and the entire society.

Of increasing importance for the continued development of production is an improvement in the social productivity of labor. The primary factors in increasing social productivity are new assets and new technology, but also new raw materials, new forms of energy, greater capacity utilization, etc. Everything makes its contribution. Based on the evaluation, we have to estimate the

impact per util in approving prices for new products. With this process the socialist state has in its hands the opportunity not only of evaluating the potential gross effect but also to plan ahead for a purposeful approach.

The extent to which we are successful in having prices reflect objectively the development of socially necessary labor costs stemming from the process of innovation will depend on the pricing of new products. It is at the time of the approval of proposed prices for new products that we must, as objectively as possible, judge the novelty of the product and thereby the effectiveness of the innovation from the viewpoint of societywide needs and possibilities.

The result of product innovation must be new, high-quality, high-performance machinery and equipment designed for further production and for export; equipment with specifications and production capabilities leading to an increase in user labor productivity which would make it possible to make the product less material-, energy- and import-intensive and thus increase efficiency.

Current pricing practice assures that:

a) prices of new products are based on pricing methods which assure the maintenance of existing price levels even during a decline in new product utility, especially in machinery and equipment;

b) price changes are basically carried out by a uniformly established procedure and in conjunction with the methodology of plan development.

Thus, socially necessary costs are reflected in the prices of new products tied to the price levels set by the plan or an accomplished restructuring of prices.

Here, too, arises the problem of the objectivity of the initial pricing basis for new products. Price must act as a rational planning instrument and, therefore, it must remain stable over a period of time. Nevertheless, the dynamic of economic development also demands that prices effect the mutual relationship between production and consumption.

Once socially normal production conditions change significantly, which can happen due to contingencies in overall economic development over time, the base for the price formation becomes obsolete and, as a result, it effects the evaluation of the innovation process. Sooner or later, it becomes essential to change the base price. Otherwise, this price ceases to reflect actual labor costs and no longer helps meet the economic policy goals in a given period.

A price change establishes a new foundation, against which we can again measure individual cost reductions per unit of production. The standard against which individual production costs are reduced changes gradually in the course of time and creates pressures for increasing the efficiency of the replacement process.

But the price base can only be caused by changes in the normal social conditions of production and by changes in average costs which, naturally, change much more slowly than individual costs. They impart, then, a certain price

stability and, thereby, a certain guarantee of economic preferences for those enterprises which reduce production costs faster than the social norm does.

For price formation, this implies that in the future it will not be possible to passively select the initial pricing base, but always to have to judge to what extent a given base corresponds to new conditions for which the price of the new product is being proposed.

Yet, this may not lead to the inclusion of all individual costs in prices. For this reason, price formation and price planning must maintain a uniformity in their basic content which is expressed by a rational price reflecting socially necessary costs. This does not preclude taking into consideration, to a socially necessary extent, the conditions and results arising in the consumption process, particularly in related production processes and, in the case of exports, the foreign prices which have been achieved.

But we must also realize that price changes carried out by the pricing policy have the character of routine modifications. They have a more immediate and effective influence. They do not require rigorous procedures associated with the accounting and with the balancing of the state plan which necessarily result from one-time price alterations of larger magnitude which are meant to balance the accumulated differences between the old and new socially necessary costs of production which have often been building up for a number of years.

This, of course, requires the priority determination of a method of pricing which would objectively reflect producer costs of new production as an aspect of a socially essential level. In addition to developing a more reliable method of price formation which would meet the specifications of individual sectors (or production groups), it is necessary to improve the approaches for achieving savings and an effective interchange of materials in terms of prices, methods of calculation and the allocation of economic consequences among producers and consumers resulting from the use of new products, methods of mutual effects of production quantities and delivery deadlines and, particularly, the normative base.

The significance of a thoroughgoing implementation of the standards was emphasized at the Fourth Plenum of the CPCZ Central Committee in 1981. In the words of Comrade Strougal, "Without the systematic verification of performance and material standards, it is impossible to plan and to manage effectively." (Fourth Plenum of the CPCZ Central Committee, 28-29 October 1981. On Current Tasks in the Development of Agriculture and Food. Prague, Svoboda, 1981, p 55) Defining the standards more precisely will create the conditions for achieving labor savings and is the basis for greater price efficiency. The same applies to an everyday objectivization of preliminary, planned and operating estimates, overhead budgets, etc.

It follows then that in the area of planned new product price formation, the meeting of the goals of the 16th CPCZ Congress concerning a more balanced, wholesale price formation is a pressing issue.

Management, planning and decisionmaking concerning the intensification objectives and their implementation must occur in advance of actual production, whenever there arises a social demand for research development, and capital investment for a new product, for advanced production technologies, for more efficient and higher quality production and marketing and the questions as to the capacity of the structure.

We are attempting to use prices in this fashion, even during the period when we are making a decision on how we will determine a greater future efficiency and quality, and which factors we will use. This objective is being met by the limits on the wholesale prices for future products and cost limits of the production technology under development. This will make the decisionmaking concerning prices an inseparable component of a comprehensive evaluation of the management and planning of applicable measures with a mutual effect in future outcomes.

The price limits define the maximum authorized future prices with a lead time which approaches the time span of a medium-term price development plan. This conditions the extent of their use in the state plan for evaluating the price aspect of contributions to the economy and for intensification in the planning of the production structure.

For the Seventh Five-Year Plan, we are expanding the application of price limits to new products produced under new or altered standards. The formulation of this pricing policy has been assigned by the state, department or sector standardization plan. This will reinforce the effectiveness of price limits and also support the entire process of updating the normative base.

Price limits are now also being established for large-volume nonstandard items for construction projects. This will ensure that the initial design cost estimate be more realistic.

The quality of price and cost limits is crucial to their effectiveness. Several measures have been adopted to increase this effectiveness. Among them a more consistent utilization of foreign price relationships, a comparison to foreign producer parameters, etc. All such measures have the goal of supporting high-level and technological innovation processes as they exist or are developing worldwide.

In establishing the price limits and prices for new products, we are making an effort to have the price of a new product reflect "a program for the future," to have it mobilize resources for greater efficiency. This requires a planned "incorporation" of substantive policy which will encourage intensification and positive structural and cost-price relation changes which will stimulate only truly modernizing innovation processes with the technological advances directly reflected in the economic results.

Price Incentives

Price policy has the task of improving and developing the stimulative function assigned to it by the directives approved by the 16th CPCZ Congress as follows:

"An effective increase in technical sophistication, quality and marketability of new products on the domestic and foreign markets is to be achieved through price incentives. They are to stimulate growth in exports and achieve higher foreign prices in particular. The criteria for granting quality goods markups and requiring subquality goods discounts from producers are to be more strict. A systematic comparative evaluation of our export prices with the prices of comparable goods on foreign markets must be ensured." (16th CPCZ Congress. Prague, Svoboda, 1981, p 408)

Improving price incentives must lead to a more pronounced differentiation in prices and returns relative to their technical sophistication and quality.

We provide for premium pricing of technically advanced products of up to 25 percent of their base price. We also stimulate an increase in the quality of our products. For instance, a product classified as being in the prime quality price group is authorized a markup of up to 25 percent of its base price.

Up to now, the principle that substitutions of materials in products, even those which have brought about savings in materials costs, have been reflected in the price levels in that they resulted in price reductions.

Now, if a producer succeeds in effectively substituting (saving) materials while the product parameters remain substantially the same, then this saving may be retained by the producer.

Letting the producer benefit from such substitution provides him with an incentive to search for additional ways to achieve savings in material.

At the same time, it is necessary to be careful that this practice not lead to a speculative reduction in quality which would be in conflict with public interests.

Incentives in the area of new fashions and luxury products are also adjusting themselves, over the long term, to greater effectiveness primarily to meet the quality requirements of our market.

The effectiveness of price incentives in the area of new fashions must support the requirements laid by the party directives which mandate the satisfaction of consumer needs through the supply of products in demand. It is, therefore, necessary to orient the incentives according to the development of conditions in production, imports and consumption.

At the same time, we are requiring price discounts for obsolete products and products assigned to the third-quality price group. Thus, for instance, given repeated classification of a product in the third-quality category, the required price discounts may reach as much as 30 percent of the base price. Regarding the effectiveness of these measures, it is possible to state that a certain amount of progress has been achieved in the area of incentives. The results so far have been less satisfactory in the area of subquality goods discounting.

Recently, we have gradually begun to provide export incentives. This means that upon the achievement of higher actual prices [through quality], an enterprise is authorized preferential pricing. However, production enterprises must be

aware, to a greater extent than previously, of the cost that the state has to pay for basic raw materials and other inputs from imports. Unjustified sheltering from the impact of the actual costs of imports would weaken the influence of prices on greater efficiency and conservation in consumption.

We want to and must assure a price policy which is aimed at achieving greater social effectiveness. This must be measured, among others, by the improvements of the Czechoslovak economy relative to the world standard. In particular, we must take advantage of world prices for advanced technology and equipment as one of the criteria in our demands on producers and the incentive criteria.

When using price incentives we should not forget that this has its own objective justification given by the greater impact which it gains for society through production and utilization of more advanced, high-quality machinery, products, or from a higher sale price obtained abroad. There also exist some other incentive measures which follow from the degree of utilization and from the growth of factors of production in inputs and in the process of manufacture. Therefore, the incentives must be based on a balanced plan; even though we are aware that incentive can in turn effect the balancing of the plan. It cannot, however, substitute for the balanced nature of a plan.

9276
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## ENERGY-SAVING MEASURES IN AGRICULTURE NOTED

Prague HOSPODARSKE NOVINY in Czech 25 Jun 82 p 6

[Article by Eng Vladimir Dufek, Federal Ministry of Agriculture and Nutrition: "Where to Look for Savings--More Efficient Utilization of Fuels and Energy in Agriculture"]

> [Text] The new conditions of greater austerity in the economic management of fuels and energy require that we utilize resources much more economically and mobilize all the reserves available in agriculture and in the food-processing industry. They also require that we check on production technologies from the viewpoint of their requirements of energy and utilize more efficiently waste heat coming from industrial enterprises and electric power plants as well as nontraditional sources of energy.

The share of our agriculture in the overall consumption of fuels and energy in the CSSR is 5.5 percent, that of the food processing industry 5.2 percent. In contrast, the industrial complex affects significantly the fuel and energy balance account of the CSSR, because its share of consumption of crude oil for example in 1980 was 27 percent, and its consumption of light heating oil was 34 percent. This also indicates that it is necessary to pay more attention to the use of Diesel oil and heating oils in agriculture. In addition, we are forced to do that because of the fact that in comparison with 1980 the limits of allocations of crude oil to the departments of agriculture and nutrition have been reduced about 18 percent, and those of heating oils 20 percent. At the same time, crude oil is the basic type of energy on which further development of vegetable production depends. For this reason, the new allocations of the reduced amount of crude oil within an agricultural enterprise must respect the requirement that priority must be given to take care of agrotechnical operations which directly affect the level of crop yields.

### Dry Kilns, Haylofts

It is true that the share of crude oil in the overall consumption of energy in agriculture in the last years has been declining (from 51 percent in 1960 to 49 percent in 1980), but the absolute consumption keeps increasing. If we

take in consideration the fact that the tasks of agriculture will continue to grow, then it is obvious that their fulfillment can be ensured only if we utilize fuels and energy rationally. Indeed, the present situation will not make it possible to continue the current trend of increasing consumption. As a matter of fact, the total consumption of energy in agriculture increased from 1,188,000 tons of measurable fuels in 1960 to 3,551,000 tons of measurable fuels in 1978. In comparison with the consumption growth in our entire national economy of about 79 percent, the consumption in agriculture increased 198 percent.

This comparison shows clearly how much energy was needed in the process of compensating for manpower losses by using machinery, and later on also in the actual process of concentration and specialization of agricultural production. At the same time, agriculture is a branch of economy in which the energy input is highly effective, because agriculture not only consumes energy but also produces it and multiplies it.

The consumption of heating oils has been influenced by rapid development of dry-kiln operations (approximately 35 percent in the CSR), by the need for temperature control of large capacity stables (about 56 percent), and by the production of fodder mixtures. Therefore, it is necessary to look for sources of savings in these areas. Although dry-kiln operations in agriculture are some of the most demanding operations in terms of energy, they were prerequisites for the development of large-scale production technologies in animal production. Conservation of fodder by drying at the present time influences the fodder base by reducing substantially the losses of nutritive substances as compared to the drying of fodder on the ground. It simplifies considerably the storage, mechanized rationing, and giving fodder to livestock. We cannot manage without fodder dried in hot air in view of the present large-scale production technologies. It appears that it will be possible to reduce the volume of such fodder in the CSSR to 600,000 tons, if it is supplemented by hay and by fodder dried at low temperatures. We also pay great attention to the efforts to decrease the specific consumption of fuels in dry kilns by reducing the initial humidity of the substance and utilizing waste heat coming from dry kilns, and to the long-range prospects of automatic control of the drying process. Low-temperature dry kilns are being developed at an accelerated rate of speed. They will operate by using waste heat coming from the compressor stations of the transit gas pipeline, and possibly from nuclear power plants. Savings of about 50 percent of energy are based on the assumption that the substance which is to be dried will contain more than 30 percent of dry residue. In order to do that, it will be necessary to dehydrate fodder crops by squeezing and possibly by compressing.

Large-scale technologies for treatment of hay are in the center of interest today. Conditions are being created to make sure that agricultural enterprises are able to build suitable hayloft s. It is expected that the drying process and storage will be accelerated by additional drying of hay with preheated air. Air-operated sun heat collectors will be introduced gradually to preheat the air, and that will again save energy. If these are built in the form of serial production, and the matter is under discussion right now, the collectors would basically form the roof of a hayloft. Air-operated sun heat collectors will also be gradually used in other facilities. They are expected to be used in the nearest future in haylofts.

Tractors, Transportation Means

In the case of mobile sources of energy, the fleet of tractors has been gradually supplemented with self-propelled machines and trucks. The share of tractors of higher efficiency categories has kept increasing at the same time. These measures had the influence on efficient use of fuels. The problem which continues to remain today is a shortage of trailer-type machinery and equipment. This type of equipment would make it possible to make full use of the loading capacity and application of tractors. However, we have gradually discontinued deliveries to agriculture of tractors of lower capacity categories (RS-09, Z-3011, Z-4011), which are indispensable for cultivation work, finishing operations with plows, internal transportation in enterprises, transportation of hop stems, and other operations.

Another reserve in the consumption of fuels is available, if we use motors with lower specific consumption of fuel in mobile mechanization means, that is, motors with the value of about 200 gkWh as compared to currently delivered motors with 256 gkWh. Motors with an output of more than 110-120 kilowatts reach the required values. Their use will also lead to a decrease of the use of live labor. There are also opportunities which ensue from the use of low-pressure radial tires on mobile mechanization means. These tires have a lower rolling resistance, higher slipping-through efficiency, which in turn make it possible to reduce consumption of fuel by an additional 3 to 6 percent. The reduction of slipping also results in less damage to plants, particularly fodder crops, and consequently in increased biological yield during subsequent harvests.

A considerable reserve for saving fuel exists in agricultural transportation. The structure of this transportation will necessarily change as a result of measures designed to save fuel. Priority will be given to technological transportation facilities. From the viewpoint of reducing the consumption of fuels, it is necessary to pay more attention to the selection of the given means of transportation. This is also indicated by the following example: If we select for the transportation of 1,000 tkm [ton/kilometers] a tractor with a trailer load of 8 tons, we will consume about 76 liters of Diesel oil, if we use a 5-ton truck we will consume 90 liters, with an 11-ton truck 68 liters, and with a hauler used for a trailer load of 18 to 21 tons only 43 liters. Therefore, transportation by tractor is advantageous only for transportation at short distances (approximately up to 4 kilometers).

These facts were also the main reason why even during the previous five-year plan agriculture called for the development and deliveries of trailer traction of 18-21 tons and of a truck/tractor container system of 11 tons. In addition, this system takes care of another significant requirement, namely separation of transportation in the fields and transportation by road. It reduces litter on roads, especially during harvesting, and is also very important because of the fact that it reduces damage caused to the soil structure by a heavy vehicle. In addition, a tractor carrier of containers used for manipulating containers in the field can be equipped with low-pressure tires.

Difficulties continue to exist in efforts to provide for serial production of these progressive means of transportation. Containerized motor carriers were manufactured last year by Praga National Enterprise on the basis of an

obligation it had assumed. The enterprise delivered to our agriculture 28 motor carriers and 300 containers, which should demonstrate their assumed advantages in agricultural operation, just as it was done previously in testing a functional model at the JZD [Unified Agricultural Cooperative] in Gottwaldov.

The Repa Research Institute for Agricultural Machinery, which was particularly successful in dealing with these problems during the previous five-year plan, has established cooperation with the Sumava State Farms Branch Enterprise, where they want to solve one of their big problems by using the container system, namely the problem of removing manure from stables. Estimates show that when the system is fully applied in the entire enterprise in 1983, annually the enterprise will save 6,400 tractor shifts, Kcs 2 million in costs, and also at least 35 percent of fuels used up to now in this type of operations, in addition to increasing the quality of stable manure (which also has an effect on the savings of energy in fertilizers). The Sumava State Farms Branch Enterprise is engaged in drafting and implementing the largest project of an agricultural containerized system built so far in the CSSR. At the same time, it is expected that the system will be expanded to include other activities of the enterprise.

Additional Inputs of Energy

The requirement to increase vegetable production makes it necessary to create additional energy inputs which are evaluated as an intensification factor. Direct consumption of energy provides for meliorations, irrigations, warming of soil over large areas, and so on. However, the process of increasing the efficiency of natural stations depends on higher indirect consumption of energy in the form of industrial fertilizers, chemical protective substances, new machinery and so on. At the same time, additional inputs of energy reach high values. In order to produce 1 kilogram of industrial fertilizers, the chemical industry uses as much as 86 MJ [kilojoules], about 100 MJ, for the production of 1 kilogram of herbicides and the machine building industry uses over 100 MJ per kilogram of weight of agricultural machines. At the same time, the share of additional energy used to increase the yield is as much as about 33 percent. Other inputs, particularly fuels and energy used in the production of machinery, are basically made in production for the purpose of compensating for the decrease of human labor. Therefore, the problem of energy effectiveness of vegetable production can be solved especially by reducing the share of additional energy and by reducing losses during harvesting and postharvest processing and utilitzation of products or foods.

Problems of genetic and biochemical regulation of photosynthesis are covered by research and studied carefully from the viewpoint of increasing the efficiency of sun radiation. The efficiency of energy of industrial fertilizers applied in soil is reduced by farmers because of certain shortcomings of the storage and application of these fertilizers, as well as--and especially--by manufacturers of industrial fertilizers because of their lower quality (low percentage of granulated fertilizers, shortcomings due to inadequate degree of looseness of the fertilizers and their inadequate suitability for storing), and also by the suppliers of machines for spreading of industrial fertilizers.

Uneven spreading by the delivered machinery, which exceeds the permissible limit of 15 percent, and the spreading range adjustable for 200 to 500 kilograms per hectare do not enable farmers to apply exact amounts as prescribed. Broad research conducted by the Research Institute for Agricultural Engineering in Repy indicates that losses caused by uneven spreading of industrial fertilizers in the case of grains represent about 405,000 tons of grains, and in the case of sugar beet as much as 573,000 tons of tuberous crops.

A significant task which remains is the task of eliminating disharmony between the application of organic and industrial fertilizers in the soil. Energy would be saved by using lower amounts of industrial fertilizers, by making a better use of these amounts thanks to the effect of organic fertilizers, and would improve the fertility of the soil. Savings of substances containing nitrogen are also demonstrably increased by using larger amounts of leguminous plants as green manure. To be specific, in the case of clover crops there are savings of 20 to 30 percent of the total amount of nitrogen used for the crop output in the entire sowing process. The given examples indicate that it is possible to eliminate the shortcomings in the application of industrial fertilizers within the framework of the agroindustrial complex.

Treatment and Preparation of Soil

Treatment and preparation of soil is a demanding area in terms of energy. Search for reserves and their use must face the fact that treatment and preparation of soil create conditions which determine the amount of production. It is generally known that the condition of arable land is not good at present, and therefore agricultural enterprises are correctly concentrating their attention on agrotechnical improvements. The goal of rationalization of fuel consumption in this area should be to give high-quality treatment to the soil while reducing energy inputs. One should take advantage of those facilities which do not show unfavorable effects on soil fertility. One can include the following among these structural technological improvements of machinery and equipment used in the treatment and preparation of soil: biological treatment of soil, particularly treatment involving the use of organic substances, and combining the operations by using aggregate substances or combined machinery. In addition to saving fuels, such measures can also have a favorable effect on the soil structure, because the machines run over the fields less frequently. Biological treatment (by which we mean maintaining and increasing the share of organic substances in soil, which make the soil easier to treat because of their physical and chemical properties) has an indirect effect on savings of energy, because soil treated biologically is less resistant.

Minimized methods of soil treament and the technology of sowing crops in untreated soil offer the highest potential savings. By using these economical technologies on approximately 800,000 hectares in the CSSR, we expect that savings of Diesel oil will amount to 17,000 tons annually. However, when these technologies are used, it is necessary to satisfy a number of conditions specified by the Basic Agrotechnical Research Institute in Hrusovany, which has been testing and has evaluated the technologies within the framework of its research assignment.

The Multitiller combine is an example of machines which combine operations necessary for the preparation of heavy soils. Tests conducted by the Institute for Scientific Management System in the CSR under unfavorable conditions in an arid area in 1980 have shown that by using this machine it is possible to reduce the consumption of fuels as much as 48 percent, reduce labor consumption as much as 62 percent, and increase producitivity by combining the operations to 262 percent. However, this machine is not being produced in our country as yet.

Another measure which essentially increases the natural production of the soil is irrigation of plants. Substantially higher yields are obtained through interaction with industrial fertilizers. When we deduct the consumption of energy in the form of fertilizers and irrigation ($446.6 \times 10^6 kJ \times ha^{-1}$), the net production in the case of sugar beet is as high as $560 \times 10^6 kJ \times ha^{-1}$ annually. In the long run, we expect to use waste water for irrigation purposes, for warming soil, in combination with the use of small hydroelectric power plants and solar energy to activate the pumps.

But There Are Also Other Problems

A significant task of research institutes and particularly agricultural enterprises is to adapt the existing production technologies (which are tributary to the process of industrialization of agricultural production) to the new situation in the area of energetics. The construction of large-capacity facilities, disproportionate expanding of agricultural enterprises, and, within the enterprises, the growing acreage of individual pieces of land, combined with adequate increase of efficiency of the machinery and equipment, were a major factor which caused a sharp increase of fuel consumption in agriculture. Agricultural practices gradually had to shift from technolonies using easily available energy sources to those better suitable for small-scale forms of agriculture. This sudden change was also reflected in increased demands in terms of organization and management of labor in agricultural organizations. Efforts to handle these demands were not always entirely successful. That was the reason why the effectiveness of energy inputs has decreased in the case of certain technologies.

Maximum attention is paid at present to this area. Agricultural enterprises have worked out their energy programs based on the opportunities determined by the limits of fuels and energy. With regard to agricultural machinery, an increasingly larger number of agricultural enterprises are switching to managing it and using it in basic and supplementary mechanization centers. The goal is to make sure that agricultural machinery is operational by improving its technical condition, to make the use of fuels more economical, and to reduce substantially the operational costs of energy-producing means, machines and equipment.

A number of problems arise in connection with the application of more rigid rules in the management of energy in agricultural enterprises. Tractors are taken out of service after several major overhauls, if further repairs would not be feasible because of excessive consumption. Obsolete trucks are being taken out of operation, and more trucks are put aside to be used only during harvesting. The problem is where to assign their drivers temporarily,

especially in the case of these latter trucks. Agricultural enterprises more and more frequently take advantage of their experience in repairing vehicles (or are giving them an opportunity to increase their qualifications) and use them to expand their own repair facilities. Another problem arises in this connection today, namely inadequate specialization in storing spare parts, which makes it necessary to move the vehicles as far as several hundred kilometers. Restrictions on transportation at greater distances in agricultural enterprises conflict with specialization of both the warehouses keeping spare parts as well as of the general repairs centers. Similar problems arise between agricultural enterprises and customer organizations, which are obligated to provide for transportation of products and animals from agricultural organizations.

As shown clearly by the examples given above, rationalization of the consumption of fuels and energy in the agroindustrial complex makes it necessary to concentrate the efforts within the meaning of the system of planned management of agriculture on searching for ways to increase agricultural production by reducing investment and energy requirements. The department of machine building and industry can also exercise great influence on the future development of the consumption of fuels and energy in agriculture by applying the parameter of lower energy requirements as one of the major parameters of the development of new products and innovation of existing products. With such help, agriculture is able to carry out the demanding tasks of the present and of the future, tasks which are designed to increase self-sufficiency in food production with lower investment and energy inputs. In order to do that, it is necessary to utilize all the reserves which exist in the agroindustrial complex.

5668
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## PARTY SECRETARY VIEWS AGRICULTURAL PROBLEMS

Prague ZEMEDELSKE NOVINY in Czech 15 Jun 82 pp 1,3

[Article: "Strategic Goal: Greater Self-Sufficiency"--M. Jakes and F. Pitra Address a Meeting on the Agricultural-Industrial Complex"]

[Text] A conference of management workers of the participating departments dealt yesterday with measures designed to work out and provide for the targets of the Seventh Five-Year Plan in 1983-1985.

Present at the meeting were Milos Jakes, member of the Presidium and secretary of the CPCZ Central Committee; Frantisek Pitra, secretary of the CPCZ Central Committee; and Rudolf Rohlicek, vice chairman of the CSSR Government. Comrade F. Pitra presented a report on the question under discussion.

Comrade Milos Jakes made the closing speech. He stated, among other things, that the primary task for this year will be the task of mobilizing the entire society for the harvest, particularly harvesting of grains, sugar beet and potatoes. Any loss incurred during the harvesting of the crops would increase the need for importing foods. In the interest of getting good crops, it is necessary at the present time to utilize all intensification factors, and so on.

However, it is unthinkable that we could produce agricultural products without the assistance of the other nonagricultural departments. In order to do that, it is essential to create organizational prerequisites at all management levels for the Seventh Five-Year Plan to provide for the nutrition of the population. As emphasized by Comrade Jakes, it is necessary in the continued development of the agricultural and industrial complex to start also on the basis of the experience gained by other socialist states, above all, by the Soviet Union.

Address by F. Pitra

The development of agricultural production and provisions for the nutrition of the people are primary questions of the program targets in the economic development of our entire socialist community. All fraternal countries are making increased efforts to deal with a number of problems which should have a positive effect on the development of food production. The latest sessions

of CEMA and negotiations designed to deal with questions of cooperation in the handling of the food problem at the next session of the CEMA Council are proof of this. The conclusions of the recent session of the CPSU Central Committee, the speech of Comrade Brezhnev, and the adopted food program provide us with an inspiring stimulus.

Under the conditions which exist in our country, where there are only 43 acres of agricultural land per capita and no opportunities for the land's further expansion, the only way to reach this goal of increasing agricultural production is to intensify it, industrialize it, utilize the findings of science and technology, increase the value of all production in the processing branches of the economy and in the sphere of distribution and consumption.

This demanding task cannot be taken care of without clear participation of all branches which by their deliveries participate in providing for food production. Scientific progress in agriculture and in the food-processing industry cannot be brought about without the participation of the machine building, chemical, power, pharmaceutical, transportation and other industries.

Intensification of collective division of labor, growing importance of intensification factors of agricultural production, all this tends to expand considerably the cooperative and integrating relations with other branches of the national economy and to form gradually the agricultural and industrial complex as an objective law of the present stage of the development of the production forces and production relationships.

And so, not only have there been created conditions at the present development stage of our economy for the formation of an agricultural and industrial complex, but its creation and planned development are becoming a categoric necessity.

Frantisek Pitra continued by saying that, therefore, the concept of this complex does not represent merely a logical construction in the generally theoretical sense. Its classification as a specific sphere of the national economy is very important in terms of complex planning, balanced accounting of resources between individual sectors and securing their proportional development.

The purpose of creating an agricultural-industrial complex is to secure its optimal structure and function needed to provide for the complex agricultural requirements. This purpose must be served also gradually by closer economic production relations between individual components of the complex and by the corresponding coordination of their activities. The urgency of this solution is indicated by the findings of Soviet comrades and by the measures adopted at the May plenum of the CPSU Central Committee.

Under the conditions which exist in our country, the principles of the improved system of planning and management, which were approved at the Fourth Plenum of the Central Committee, have been adopted in the interest of more effective planning and production of foods in all branches which take care of

it and influence it. In harmony with the committee's conclusions, the plan of the agricultural-industrial complex has been approved as an organic component of the five-year plan.

The plan for the development of the branches of the economy which provide for the nutrition of the people under the Seventh Five-Year Plan has been worked out on the basis of rules of the improved system of agricultural management. And so practically for the first time the five-year plan was conceived, drafted, and provided for jointly by individual departments in terms of broader and more complex mutual relations of all the interested departments.

Under the exceptionally complex conditions of the processing of the five-year plan, successful efforts have been made to determine in a more complex way the material proportions between individual branches, proportions which are demanding with regard to all branches and all elements of the entire agricultural-industrial complex.

The plan of the agricultural-industrial complex is based on the conclusions of the 16th Congress and on its strategic goal of "gradually achieving self-sufficiency in the production of grains, and continuously increasing the overall self-sufficiency in the production of foods." That is the line of the congress, formulated in terms of the targets of the agricultural production dynamics as outlined in the "Main Trends." The results of 1981, above all the failure to fulfill the plan of gross agricultural production by 5.7 percent, including its deficit of as much as almost 14 percent in vegetable production, indicated serious deviations from that line. Together with new internal and external economic relations, where deficits could no longer be compensated for by imports from capitalist states, imports which are demanding in terms of foreign exchange, these results have created qualitatively new conditions for further development of agriculture.

That is why it was emphasized at the Fourth Plenum of the CPCZ Central Committee in October 1981 "that in order to provide for food consumption, we cannot keep increasing imports, but instead must strive energetically to develop our own agricultural production." That is why emphasis was placed again on the task of "developing animal production in harmony with actual fodder resources."

The plan for 1982, that is, the second year of the five-year plan, is based on several new facts. First of all, it is based on the fact that the growth of effectiveness and intensification of the economy started to lag behind the directives of the congress. Poor crops in agriculture, disproportions between animal and vegetable production, and the necessity to reduce imports of grains required that measures be taken in the production plan. A decrease of imports of fine fuels and energies, especially crude oil and some other raw materials, has forced us to deal much more drastically with the question of how to use them more economically. Conditions have deteriorated considerably for our exports to Western markets, and the same applies to the conditions of credit and payments.

Comrade Pitra also stated that in agriculture one can unquestionably make a positive evaluation of the exceptional effort and initiative of the people as well as of the high requirements by party, state, and economic management organs in handling the exceptionally complex situation. One must appreciate the work carried out in handling the tasks in the area of animal production since the beginning of the regulatory measures all the way to the present stage. The same applies to the high-quality implementation of work done in the spring and to the results achieved so far in the implementation of the demanding tasks of fuel savings.

Much work has been done to enforce the demanding line of the Fourth Plenum of the CPCZ Central Committee. But not everything was done successfully. We have many problems concerning this year's plan in the entire economy, and particularly in agriculture. The causes of many of them are of an objective nature, but some are also of a subjective character. In agriculture itself, bad weather only multiplies even the slightest failure at the level of organizational and management work.

The tasks of the agricultural-industrial complex during the Seventh Five-Year Plan ensue from the results obtained in 1981 and from the plan for this year. In contrast to the previous five-year plan period, gross agricultural production is to increase 5.2 percent, including 10.8 percent for vegetable production and 1.2 percent for animal production. The given production dynamics will make it possible to reach in the target year of 1985 a level of meat consumption per capita population amounting to 80.5 kilograms, which means basically the level of this year's plan. It will make it possible to increase roughly by 6 kilograms the consumption of milk and dairy products, to increase by one-half kilogram the consumption of butter, by 11 kilograms the consumption of vegetables, and also to increase somewhat the consumption of other types of foods.

He mentioned also that the key question is how to handle the disproportion between vegetable and animal production. That is unquestionably an exceptionally demanding task. The principal way of solving the problem is to give priority to the growth of all vegetable production and its stabilization. That is the only way we can replace the heavily reduced imports of fodder by domestic production and help to carry out other measures against imports, such as reducing imports of oleaginous crops, vegetables, and fruits, and strengthening our resources for exports of our traditional agricultural and food products.

The Production of Grains Is of Key Importance

From the viewpoint of substantive targets of the Seventh Five-Year Plan, the key task is to safeguard the production of grains. It is very important for the entire national economy to carry out the grain production plans. The prices of wheat on the foreign markets have increased from $55 per ton in 1970 to $170 and as much as $180 this year. At the same time, the conditions of grain imports are deteriorating continuously.

The five-year plan counts on an annual production of 11 million tons, which is 9.3 percent more than the actual figures of the previous five-year period.

The handling of the problem of grains is closely related to the demand of increasing the production of bulk fodder to 15 million tons computed in terms of hay. That is roughly one-third more than the average achieved during the Sixth Five-Year Plan. Since opportunities are limited for expanding the acreage of fodder plants on arable land, the intensity of their production must increase significantly, including the production intensity of grass.

Obviously, volume is not the only issue in the production of fodders. It is essential to increase the quality of the produced fodder. A significant reserve is represented by losses of weight and quality, which amount to 30-40 percent in the case of silage. Comrade Pitra also said that for that reason we must carry out those measures which would reduce such losses to an acceptable level. Agriculture, and the machine building and chemical industries must solve this problem. We expect the machine building industry to deliver to us the necessary amount of high-quality machinery, including machinery for work on slopes.

The chemical industry determines the degree to which the production losses of fodder will be minimized by fully taking care of the needs of agriculture in terms of preservation means.

Investment means in agriculture must also concentrate on the production of bulk fodder. With regard to the allocated means, one must give priority particularly to the construction of mechanical haylofts and silo space.

What is of great significance in the national economy, particularly in relation to the foreign-trade balance, is the handling of the planned tasks concerning technical crops, particularly sugar beet, which is also an important fodder crop. Its annual production should reach 7.8 million tons. That is roughly 10 percent more than in the Sixth Five-Year Plan period. It is also expected that we shall achieve a relatively high sugar content of 15 percent, which we believe to be particularly important.

Pitra pointed out that in order to achieve the planned results, farmers must first of all make full use of the biological potential of the existing stock of cattle. For both objective as well as subjective reasons, this stock is being utilized so far roughly at two-thirds. It is also necessary to increase the level of agrotechny and particularly nutrition, and to base it on a really scientific approach. One must be on the offensive in the struggle for reduction of losses. It is also necessary to intensify cooperation between sugar refineries and the growers of sugar beet. Sugar refineries must in their own interest help agricultural enterprises through their agronomic service to deal with professional and material problems related to the cultivation of sugar beet.

In harmony with nutritional programs and measures designed to reduce imports, it is expected that we will face demanding tasks with regard to vegetables and

fruits. In addition to the development of large-scale production, it is desirable that we safeguard effective use of small farmers' production. We must lead commercial organizations and the food-processing industry to become fully responsible for purchasing all crops, processing them economically, or delivering them fresh to the consumers as fast as possible.

Soil care is playing an irreplaceable role in the effort to bring about dynamic development and stability of vegetable production. In order to protect the soil more effectively, several significant measures have been adopted, including law amendments. We will strictly require that everyone observes the laws. However, it is not merely a question of soil, but a question of an entire complex of measures designed to increase the fertility of the soil.

We must certainly agree that it is necessary to keep increasing investments in the soil, to increase the extent of melioration work and irrigation. But we cannot be satisfied with a situation in which we would increase the fertility of the soil only by meliorations of the water system and of the agronomy. By doing this, we deal with a problem which affects tens of thousand hectares of land. But we must realize first of all that it is both possible and indispensable to maintain the fertility of the soil and to keep increasing it systematically on the remaining acreage, which amounts to more than 90 percent of agricultural land. This is precisely the area to which we have to orient the entire capacity of management personnel, in order to be able to achieve the maximum results with limited means. This means in practice that we must expand and increase the quality of recultivation work, return temporarily unused soil to agricultural use in a planned manner, apply well-conceived agrotechnical measures, and increase the percentage of soil on which organic fertilizers are used. However, we also need the help of the suppliers. In addition to deliveries of machinery for the treatment of soil, increases of the level of tools used for the toiling of soil, we are also concerned with the possibility of reducing the weight of the machinery which compresses the soil excessively and thereby deteriorates its structure. The rubber industry must also help to make improvements in this direction by producing tires which reduce the specific pressure on the soil.

Attention is Paid to Bulk Fodder

Comrade Pitra also paid attention to animal production. Its development during the Seventh Five-Year Plan is based on the objectives of maintaining meat consumption per capita at the level of the plan for this year and slightly increasing the consumption of milk, dairy products and eggs, while reducing the import of fodders to the minimum.

The basic prerequisite is to bring about a change in the structure of animal production in favor of raising horned cattle. Of course, this raising of horned cattle has to be developed first of all on the basis of bulk fodder. Economic use of concentrated fodder requires that we intensify further the regime of rational economic management of this type of fodder and utilize every opportunity to replace it with other sources of fodder supply. The quality of fodder mixtures must play a significant role in that respect. The Agricultural Supply and Bulk Buying VHJ [Economic Production Unit] has to

provide for their optimal composition within the framework of the given raw-material base. But the chemical and pharmaceutical industries are playing an irreplaceable role in that respect by delivering fodder supplements and providing biological factors.

In view of the key importance of the raising of horned cattle for the overall development of animal production, main attention must be paid to intensification of this branch of economy. In particular, we cannot be satisfied with the present level of increases of horned cattle in the fattening process. Of course, the growing trend of these increases cannot be based on increases of the portions of concentrated fodders, but on the use of high-quality fodder crops and on highly professional management of nutrition. In raising young horned cattle, one must utilize to an even greater extent organized grazing of pastures and expand cooperation between lowlands and mountainous areas. In this way, it will be possible to save feed in favor of milk production and raising of slaughter cattle, particularly in areas growing sugar beet and corn.

In the sector of animal production, it is also necessary to intensify the struggle against losses, which still continue to represent great reserves. Each time a farm animal dies or has to be killed, we must realize how much labor has been wasted and fodder used uselessly.

Active Approach of the Processing Plant Managers

When the priority task is to secure the nutrition of the people, one cannot fail to see that agriculture is an important supplier of raw material to certain branches of the consumer goods industry, branches which cannot operate without getting such supplies. For example, 56,500 tons of hides from cattle are to be delivered in 1985. The tasks in the area of deliveries of pigskin and furs are also significant. For the pharmaceutical industry, the matter of primary importance is procurement of deliveries of poppy seeds and extraction of glands of slaughter animals. For the textile industry, deliveries of 4,600 tons of sheep wool and good-quality flax stalk are indispensable.

Agricultural and processing enterprises must pay more attention than before to all these tasks, because measures designed to take care of them are important protective measures against imports and consequently are significant for the entire society. On the other hand, consumer branches of the economy cannot depend on an administrative allocation of the deliveries, but must themselves participate actively in obtaining these supplies through direct negotiations and signing of contracts with agricultural and food-processing enterprises.

The tasks outlined in the Seventh Five-Year Plan for the food processing industry are a continuation of measures designed to ensure the raw-material base in agriculture, and their implementation will depend to a great extent on the results of agricultural production, because one cannot count on special imports of raw materials outside of the plan. This puts an even greater emphasis on the mutual close relationship of both basic branches of the

agricultural and food-processing complex. It makes their cooperation even more necessary, and in particular it makes it necessary for the processing industry to participate directly in procurement of raw materials.

Important Role of Food Producers

Frantisek Pitra dedicated a large part of his speech to questions concerning food production. The plan instructs the food-processing industry to increase its production by 1985 to Kcs 103 billion, that is, 6.5 percent as compared to 1980. Deliveries to the marketing funds at retail prices are to increase to Kcs 122.6 billion, which represents a 7.8 percent increase during the five-year plan. This task can be taken care of, on condition that the material and financial value of raw materials contained in food products is increased substantially.

In the first place, in order to increase the value of raw materials and take better care of consumer demands, and in the interest of avoiding waste of foods, it will be necessary to innovate the assortment, increase the quality, prolong the durability of food products and rationalize the way in which food reaches the consumers so as to avoid losses in the handling, storage and distribution of foods. This requires new measures, starting with a test of raw-material consumption norms, utilization of the sources of raw material and search for new technological production processes in the food industry, and a clear improvement of the care for foods in the distribution network. And so this applies not only to the processing establishments, but also to commerce, consumer cooperatives and national committees.

Of course, some of these measures cannot be taken without active participation of the suppliers of the agricultural and industrial complex. The fact is that so far the process of innovating food products has been taking place at lower innovation levels. It is true that programs for the manufacture of some progressive products have been prepared, but their implementation encounters serious problems in the technological and material technical areas.

Science Helping To Increase Intensity of Food Production

As emphasized by Comrade Pitra, the scientific research base, which represents a considerable force, holds an irreplaceable place in safeguarding the development of food production and nutrition during the Seventh Five-Year Plan. Within the framework of the agricultural and food-processing complex, 17,000 workers are engaged in scientific research, and during the five-year plan the scientific research organizations will have at their disposal noninvestment means amounting to Kcs 2.6 billion. The idea is to make sure that these forces and means help to the maximum extent to bring about further transition from extensive to intensive production of foods, to make better use of all production facilities in agriculture, to make rational use of all the resources, to bring about desirable changes in the production structure and in product innovation, to minimize investment requirements, especially to reduce imports from nonsocialist countries, and to bring about an overall growth of efficiency and quality of labor in the agricultural-industrial complex.

In a situation when most of the invested resources come to agriculture from other branches of the agricultural-industrial complex, the application of scientific and technical findings in this branch is objectively a matter of concern for the entire society. Science is penetrating agriculture through all the material elements of the production forces. It is becoming an inseparable component of increasingly more advanced machines, industrial products and chemicals. This means great collective responsibility of industry in the entire food-production process. It also means responsibility of its research and development base.

While demanding tasks are being taken care of in agriculture, requirements in terms of organization of services are increasing systematically. Their scope has expanded considerably in the last years. Their production base has become stronger, and research institutes have been integrated in certain service organizations.

In spite of that, there have been some complaints, especially concerning the quality of, and charges for, the given services. The criticism concerns the fact that in some cases the service organizations place the interests of their own enterprises above the viewpoints of the entire society and the needs of agricultural enterprises. One of the reasons for it is the fact that in the management, specialization and activities of individual services there has been no appropriate reaction thus far to the changed tasks of agriculture and to the internal and external economic conditions.

Close Relationship With Primary Production

We consider it indispensable that the enterprises of biological, technical and economic services, acting jointly with ministries, should make a critical evaluation of their previous activities in relation to the results of agricultural production and food processing in which they take part. It is absolutely necessary to bring about a close relationship of services with primary production. The way to do it is to make service organizations and their workers directly interested in the results of primary production, to introduce guarantees for the quality and timely rendering of services.

Service organizations in the sector of vegetable production have been assigned particularly demanding tasks. The Oseva and Slovosivo organizations must provide an adequate amount of seeds and seedlings of the necessary quality and of the most progressive varieties.

The cattle-breeding and veterinary service must concentrate on keeping animals in good health and on controlling their reproduction process more purposefully and in a more conceptual way. It must help more effectively in dealing with problems in this sector of our agricultural practice.

Machine and tractor stations, the Central Enterprise for Agricultural Engineering, and Agrotechnika will have to reevaluate the narrow specialization of repair shops and trade centers. Under the present conditions of fuel management, we must react to these problems promptly and practically.

We require that the Agricultural Procurement and Bulk Buying branch enterprise, acting in cooperation with the Mills and Bakeries and Breweries and Malthouses specialized service organizations, organize each year harvesting of selected crops of grains for use by the food-processing industry, and that they provide for their differenciated care and separate storage based on quality analyses. They will have to pay more attention to the control of storage and treatment of all harvested grains in the warehouses of the Agricultural Procurement and Bulk Buying of agricultural enterprises.

Contribution of Other Branches

Frantisek Pitra stated that the process of intensification of proportionality of relations between individual branches, of the technical level and quality of the delivered production means, is the basic prerequisite for further continued increase of food production. To use the words of L. I. Breshnev at the recent session of the CPSU Central Committee, this requires "more fundamental orientation of all branches of the national economy to the handling of problems related to the further development of agricultural production and the development of the entire agricultural-industrial complex."

One cannot take care of the demanding tasks of the contemporary stage without close cooperation of all participating partners. At the same time, we are aware that there exist many shortcomings in the mutual cooperation of this economic production system, shortcomings which have to be promptly eliminated in the interest of a harmonious development of branches which provide for the nutrition of the people.

If we take into consideration the fact that agriculture is greatly dependent on natural and climatic conditions, the biological character of its production related to seasonal changes, it is necessary that all branches of the complex function in the rhythm required by agriculture, and that they satisfy its needs to the maximum.

Machine building departments are among the most important partners of the economic branch of agriculture and nutrition. The intensity and effectiveness of the development of agriculture depend on the deliveries of technological equipment, transportation means, their volume, and their technical and quality level.

Machinery in Enterprises Has To Be Reconditioned

An analysis of the structure of mechanization means indicates that the average age of machinery and tractors has increased to more than 8.5 years. This results in increasingly higher consumption of spare parts and inefficient use of machine building and repair facilities, and at the same time in increasing costs per unit of agricultural production.

In order to improve the situation in this sector, it will be absolutely necessary that the procurement branches pay more attention to determining standards for the service life of machinery and technically justified norms

for the consumption of spare parts, fuels and energies, in addition to taking care of the increase of quantity, quality and improvement of the desirable structure of investments in machinery. This will unquestionably help to improve the control of the reproduction rate of the machinery, reduce the consumption of spare parts and, last but not least, also save fuels.

The technical and production base of the food-processing industry is also unsatisfactory. The continuous increase of food production in the past years resulted in an overloading of production facilities, which had a negative effect not only on the quality of the products, but also on the effectiveness of the production process, including considerable losses of raw materials.

The overall mutual relations between the department of agriculture and nutrition and the department of general engineering are taken care of by the Seventh Five-Year Plan in the sector of investment deliveries in terms of the total volumes of deliveries and balance accounts of key transportation means, tractors and some other mechanisms, and after that by specific deliveries of machinery and equipment arranged by agreements between individual departments.

We appreciate the fact that in harmony with the 13th Plenum, there will be a certain improvement in the deliveries of machinery during the remaining years of the Seventh Five-Year Plan, particularly machinery used for the tilling of soil and sowing, and for the production of fodder. Deliveries of plows, sowing machines for grains and sugar beet, fodder heaping and turning machines should gradually take care of our needs. We expect the machine building industry to take steps to make sure that the Czechoslovak agriculture speedily obtain machinery for the tilling of soil and sowing which corresponds to the needs and growing requirements in terms of quality of these operations and the contemporary technology in the world. Steps have been taken to take care of the need for 10,000 special-purpose agricultural motor vehicles, even though not according to the originally required structure. On the other hand, one must say openly that we did not succeed entirely to include in the plan all the programs prescribed by the 13th Plenum of the CPCZ Central Committee in this sector.

The quality and the technical economic level of the deliveries of production means and other production factors to the agricultural and food-processing complex also depend on the level of scientific technical development in the procurement branches of the economy. Our industry has a sufficiently large and advanced scientific research base to deal successfully with both accumulated and newly obtained scientific technical discoveries. The same applies to agriculture and the food-processing industry. In terms of effectiveness of the work of this scientific research base, there exist reserves in closer cooperation in dealing with current tasks and development assignments.

Cooperation With CEMA Countries Should Be Expanded

The department of metallurgy and heavy engineering is a significant supplier of machinery and technological equipment for the agricultural and food-processing complex. It provides roughly one-quarter of the machinery and

technological sets for the food-processing industry. The Federal Ministry of General Engineering provides the remainder from imports and within the framework of machine building production of the Ministry of Agriculture and Food. It is certain that we cannot produce domestically almost 7,000 different types of machinery and equipment. Nor can we keep importing them from nonsocialist countries. That is why it is necessary to evaluate possible ways of increasing domestic production and to reach an agreement on expanding the production of food-processing machinery within the framework of the CEMA countries. In this respect, we welcome the initiative of the Blanicke Machine Works in Vlasim to expand the production of packing machines (even though, on the other hand, we must state that these machine works have taken care of roughly one-quarter of the requirements during the Sixth Five-Year Plan). During the forthcoming period, comrades from other enterprises and economic production units could also make similar efforts to expand production.

For the forthcoming years, units under the jurisdiction of the Federal Ministry of Metallurgy and Heavy Engineering are taking care of important tasks of the state plan in the area of building selected manufacturing establishments of the food-processing industry, technological installations for the development of grain-processing facilities and plants for the production of fodder mixtures, postharvest production lines, and certain constructions under the protein production program. We consider it particularly important to provide in every respect for the tasks of the irrigation program. Since the program has been reduced as compared to the original proposal, we must not allow the program to fail for any reason.

If the situation is to be improved in the sector of material used for containers, it is necessary first of all to increase in the forthcoming period the production capacity of hard PVC foils, paper and container glass. Also, we have to solve the problem of inadequate production capacity of aluminum foils within the framework of cooperation of CEMA member states, and also deal with the problem of small-tonnage chemical industry within the framework of CEMA specialization.

Chemical Preparations for Nutrition

The chemical and pharmaceutical industries hold an important place in the development of agricultural production. Their products form the basis of the intensification programs of agricultural enterprises. This concerns particularly industrial fertilizers, agricultural chemicals, conservation means, drugs, biological factors, fodder additives, artificial sweeteners in the food-processing industry, and other products. The demand is not satisfied in any of these areas, either in terms of quantity or assortment.

In the case of industrial fertilizers, it is indispensable from the viewpoint of the forthcoming period that we primarily concentrate our efforts on increasing the share of saltpeter.

Chemical protection of agriculture in the CSSR is provided to a great extent by importing pesticides, mostly from nonsocialist countries, and at the same

time the requirements of agriculture are covered 70 percent at present. And so the urgent task of the chemical industry is to develop its own production of pesticides and to bring about a division of labor within the framework of the CEMA countries.

Larger deliveries coming from the chemical industry to protect plants would make it possible to increase the production and quality of agricultural products. If we succeeded, for example, in preventing the spreading of weeds affecting grain crops and diseases caused by pests, the volume of the grain harvest would increase 1.3 million tons annually. Optimal use of means delivered to agriculture must also be combined with a high level of the work done by our agrochemical enterprises and enterprises run by other services.

In the interest of the present and future development of animal production, it is absolutely necessary to use preparations of a biochemical and chemical nature, in addition to providing basic components used in fodder mixtures. These preparations are specific substances used for animal nutrition in the form of supplements of biological factors, medicated fodder preparations, and veterinary medications.

The conditions of socialist large-scale animal production, high concentrations of animals also make increased demands, among other things, in terms of health protection of the animals. In addition to the actual veterinary service, there is the additional factor of the manufacture of drugs, veterinary biological preparations, aids for testing and treatment, and other needs. Comrade Pitra also said that if we take into consideration the fact that care for the health of farm animals also provides conditions for the production of good-quality foods and raw material and at the same time has a positive effect on the health of the people, there is a significant increase of the social significance of the function of industrial branches manufacturing drugs, biological preparations, and other necessary products.

Cooperative Relations With Industry

He also noted that just as we require that the procurement branches have an active attitude to the handling of the tasks of agriculture and the food-processing industry and that they consider themselves jointly responsible for the implementation of their tasks, the organizations of the agricultural and food-processing complex must also find a new attitude toward the enterprises of other departments which participate in providing nutrition. The present relations, which are basically only relations between suppliers and buyers, must develop into mutual cooperation. It is necessary to purposefully create mutual cooperative relations in the process of securing production means, particularly between agriculture and the machine building industry. In addition to STS [machine tractor stations], it is necessary to include also in this cooperation the associated production of the JZD [united agricultural cooperatives]. It is also realistic to consider greater assistance to industrial branches by agriculture, which can provide labor force during the period of vegetative rest in agriculture.

Finally, a new attitude of agricultural and food-processing enterprises to their partners in the agricultural-industrial complex must also manifest itself in rational economic management of all material technical means. These enterprises shall utilize them and increase their value to a high level.

Efforts to deal with problems of nutrition and to increase our self-sufficiency in the production of foods, as stipulated by the 16th CPCZ Congress and worked out at the Fourth Plenum of the CPCZ Central Committee, require not only that agriculture and the food-processing industry be gradually converted internally and adapted to the socioeconomic requirements of the present stage, but that all the branches which participate in the production of foods and agricultural raw materials concentrate on this task in a coordinated manner. The preparation and adoption of the joint state plan for the development of those branches of the economy which provide for the nutrition of the people during the Seventh Five-Year Plan are merely the first steps in that direction. The question now is how to apply the new approaches in practice.

The framework for the gradual creation of the agricultural-industrial complex has been created by accepting the improved system of the planned management of agriculture, which basically also contains the principles of planning of the agricultural-industrial complex as an integrated system tending to intensify the system of balance accounts between individual branches in the preparation of the national economic plan in this area. That will make it possible to uncover and deal more consistently with bottlenecks in the entire reproduction process of the production of foods and agricultural raw materials, bottlenecks which continue to exist in the relations between individual branches.

Target Program Control

It is necessary to study very carefully the Soviet ways of approaching the process of taking care of the reproduction process of the manufacture of foods and of people's nutrition, particularly after the recent session of the CPSU Central Committee. These ways are based on qualitatively higher methods of approach to prognostication of the scientific-technical and economic development and to the midterm planning and operational planning in the area of relations between individual branches and to the process of enforcing the necessary rates of speed of intensification and innovation programs. One of the most significant reserves in the area of improvements of food production management is complex systemic handling of individual problems of the development of agricultural production in reference to their harmonization and combination in time and space. Target program control is precisely what is becoming a tool of this improvement process. In harmony with long-term development trends, it makes it possible to control in a planned manner complex interdisciplinary problems between individual professional fields and problems between individual branches of the economy concerning the development of food production through unity of the technical factors of production, economic and sociopolitical factors.

Work has already started on applying the target program control of food production and on the ways to provide for rational nutrition under the conditions of production and economy which exist in our country. Responsible central management organs of agriculture and nutrition, acting jointly with procurement branches and the scientific front, will have to work out speedily the substantive and content framework, the inner structure, and the timing of the target program of food production on the scale of the entire society. We will have to pay great attention and give careful thought to the inner structure of this target program and its subprograms. I do not want to speak before specific proposals are made, but the present trends and conditions, as well as the expected innovating facilities, and also our shortcomings, have made it possible to indicate the basic structure of these programs. They will unquestionably include problems of intensive utilization and complex fertilization of the soil. A coordinating program of "biologization" and chemization of the agricultural and food-processing complex, including biotechnological innovations, a program of complex mechanical and technical, technological safeguarding of food production, a rationalization program of the consumption and utilization of fuels and energy. In the same way, it is necessary to work out target programs of intensive development of the main production branches of vegetable and animal production.

In closing his statment, Frantisek Pitra pointed out that the agricultural and food-processing complex represents a system of mutually interrelated branches of our national economy, a system which has the target function of taking care of the needs of people's nutrition and of the needs for agricultural raw materials. When the plan of the agricultural-industrial complex is approved, this system becomes the objective of planned socialist control. The Central Committee expects that in particular the management workers of the entire complex of branches handling people's nutrition in the national economy will provide for harmonious functioning in the entire complex in a demanding manner, consistently, and with the sense of awareness of its exceptional political priority, so as to take full care of the prescribed tasks of the five-year plan.

The exceptionally demanding nature of their task, coupled with the categoric requirement to carry out the tasks planned for this year and thereby create the basic prerequisites for a renewal of agricultural production dynamics, combined with the limitations of material inputs, merely emphasizes the role of the human factor. We must strengthen this role by using all the instruments of management work. The use of khozraschet accounting within enterprises and the counterplanning method must play a particularly significant role in this respect. It is necessary to intensify in all elements of the agricultural-industrial complex the political work and economic propaganda conducted on a mass scale, the purpose of which is to make the working people understand the tasks we are dealing with as well as their place and responsibility in the process of taking care of the collective goal, that is, of the needs of the people's nutrition.

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## AGRICULTURAL AUTOMATION PROGRAM OUTLINED FOR 1981-1985

Bratislava EKONOMIKA POLNOHOSPODARSTVA in Slovak No 5, 1982 pp 195-198

[Article by Dr Pavol Kubas, CSc, Sectoral Enterprise for Rationalization of Management in Agriculture and Food: "Program of Management Rationalization in the SSR Sector of Agriculture and Food During the Seventh Five-Year Plan"]

[Text] In accordance with the main directions of economic and social development of our society during the 1981-1985 period, which were approved by the 16th CPCZ Congress and CPSL Congress, special attention must be paid [words missing] to substantially more efficiency of our economy. Attention must be primarily focused on planning, analyses and application of the intraenterprise khozraschot. Management must be made more effective by the reduction of paper work, application of appropriate econo-mathematical and statistical methods, and use of available computers, transmission equipment and organizational techniques.

The Program of Management Rationalization in the SSR Sector of Agriculture and Food during 1981-1985 has been designed accordingly. This program is based on practical application and results of research on automated control systems (ASR) in the agriculture and food industry during the Sixth Five-Year Plan.

In accordance with this program, management should be made more effective at individual organizational levels of the management hierarchy in agriculture as well as in individual VHJ [economic production units] in the area of services and processing industry.

The rationalization goals in agricultural primary production enterprises in 1982 are listed in Table 1.

The first stage of the project for the automated system of management of the agricultural enterprise was completed during the Sixth Five-Year Plan. The project contains 15 interlinked subsystems (capital assets; labor force; supplies; animals; accounting and production; plan of plant nutrition; plans of plant protection; biological control of products; plans of feeding; production-financial plan; analyses; planning of seasonal work by means of CPM [expansion unknown] method; data bank on norms and okres dispatching). The first five subsystems (capital assets; labor force; supplies; animals;

Table 1. Plan of Application in Agricultural Primary Production Enterprises for 1982

| Kraj | (5) Počet JRD/ŠM | (6) Základné prostriedky | | (7) Zvieratá | | (8) Zásoby | | (9) Pracovné sily | | (10) Účtovníctvo a výroba | | (11) Rozbory zo SEI | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | S | P | S | P | S | P | S | P | S | P | S | P |
| (1) Západoslovenský | 247/26 | 246/26 | 247/26 | 159/12 | 197/18 | 159/12 | 197/18 | 129/11 | 184/15 | 150/11 | 165/13 | 90/5 | 165/13 |
| (2) Stredoslovenský | 178/20 | 176/20 | 178/20 | 77/11 | 105/13 | 77/11 | 105/13 | 64/12 | 105/13 | 64/10 | 65/10 | — | 48/5 |
| (3) Východoslovenský | 211/18 | 211/18 | 211/18 | 127/18 | 139/13 | 90/9 | 117/14 | 56/7 | 117/13 | 36/6 | 75/9 | — | 18/2 |
| (4) Spolu v SSR | 636/64 | 633/64 | 636/64 | 363/41 | 441/44 | 326/32 | 419/45 | 249/30 | 406/41 | 250/27 | 305/32 | 90/5 | 231/20 |

(20) Pokračuvanie tabuľky 1

| Kraj | (5) Počet JRD/ŠM | (12) Plán výživy rastlín | | (13) Operatívne riadenie výroby obilnín | | (14) Bilancia krmív | | (15) Plán výživy zvierat | | (16) Plánovanie poľnohospodárskych prác metódou CPM | | (17) Optimalizácia plánu poľnohospodárskej výroby (S II. A) | | (18) Výpočet štruktúry strojového a traktorového parku | | (19) Denné, mesačné využitie traktorov a samohybných strojov | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | S | P | S | P | S | P | S | P | S | P | S | P | S | P | S | P |
| (1) Západoslovenský | 247/26 | 204/21 | 247/26 | 18 | 38 | — | — | 35/4 | 104/12 | — | 36/4 | 22/3 | 41/2 | — | 51/1 | — | 71/3 |
| (2) Stredoslovenský | 178/20 | 145/15 | 178/20 | 1/1 | 12 | — | — | 27/3 | 103/15 | 11/1 | 30/1 | 28/3 | 28/3 | — | 18/2 | — | 48/5 |
| (3) Východoslovenský | 211/18 | 211/18 | 211/18 | — | 18 | 28/3 | 31/4 | — | 86/9 | — | 17/2 | — | — | — | 18/2 | — | 35/4 |
| (4) Spolu v SSR | 636/64 | 560/54 | 636/64 | 19/1 | 68 | 28/3 | 31/4 | 62/7 | 293/36 | 11/1 | 83/7 | 50/6 | 69/5 | — | 87/5 | — | 154/12 |

Explanation: S = reality as of 1 November 1981 P = plan for 1982

Key:

1. West Slovakia
2. Central Slovakia
3. East Slovakia
4. SSR, Total
5. Number of
6. Capital assets
7. Animals
8. Supplies
9. Labor force
10. Accounting and production
11. Analyses from state power inspectorate
12. Plan of plant nutrition
13. Operative management of grain production
14. Fodder supply
15. Plan of animal nutrition
16. Planning of agricultural work by CPM method
17. Optimization of plan of agricultural production (S II A)
18. Calculation of structure of machinery and tractor fleet
19. Daily, monthly use of tractors and self-propelled machinery
20. Continuation of Table 1

accounting and production) together with the application of a suitable form of financial incentives make possible the introduction of the complete intra-enterprise khozraschot.

It is presumed that, in cooperation with the okres agricultural administrations and agricultural enterprises, it will be possible to extend automated socioeconomic data processing over a larger area during the 1982-1985 period as the basis for the application and introduction of intraenterprise khozraschet. The sectoral enterprise for management rationalization has a realistic possibility of creating technical conditions by 1985 for introduction of intraenterprise khozraschet in all unified agricultural cooperatives (JRD) and state farms (SM) of the West Slovakia kraj and in the overwhelming majority of agricultural enterprises of the Central Slovakia and East Slovakia krajs. In processing socioeconomic data we shall attempt to process results for individual okreses comprehensively--that is, for all enterprises--so that these can serve as the basis for compiling sets of data for the need of OPS [okres agricultural administrations] management particularly in regard to rational control of inventories, capital assets, labor force and so on.

The effect of automated data processing in the sector will become apparent only when we succeed in integrating the processing among individual levels of the management hierarchy. For this reason, further development of socioeconomic data will call for the establishment of so-called multilevel automated systems of management. The central idea of multilevel ASR is the formation of the uniform system with the common data bank, which contains information extracted from the original records of the agricultural enterprises. Through selection, aggregation and derivation it is possible to set up information systems for individual management levels.

The first such area is the completion of the ASR subsystem capital assets from agricultural enterprises all the way up to the ministry. This subsystem is based on the original records of agricultural enterprises and provides exhaustive information for control over investment policy at all management levels. Apart from a substantial reduction of paper work, it provides more extensive information on capital assets than the existing records.

In addition to the more comprehensive and intensive processing of socioeconomic data of agricultural enterprises during the Seventh Five-Year Plan, the main emphasis will be the application of additional ASR subsystems on agricultural enterprises. Attention will focus on the optimization of plans for fertilization, feed allowances, use of tractors and machinery, application of norms of energy consumption, material and wage costs and so on. We shall concentrate on the optimization or minimization of production resources ensuring a satisfactory fulfillment of tasks set by the state plan for the 1982-1985 period.

The simultaneous solution and processing of partial ASR subsystems of the agricultural enterprises anticipate providing information at monthly intervals. Agricultural workers, however, demand information at shorter intervals in order to be able to use it in operation. This demand will be met during the second stage of ASR of the agricultural enterprise, which is the subject

of research during the Seventh Five-Year Plan. Partial results from this will be applied already during the 1984-1985 period.

In connection with the demands for the design and use of computers in the operation of agricultural enterprises, we anticipate the verification of potential use of small automatic computers, which could be located in cooperative associations, big agricultural enterprises, agrochemical enterprises and so on. Small computers in the enterprises will particularly solve optimization in the decisionmaking process, processing small sets of data on the daily basis or at 10-day intervals, breeding control, communication with the okres or kraj computers, including the preparation and organization of data transmission. The manufacture of small computers, however, has been considerably delayed; consequently the development of necessary programs is postponed. Their practical application and use in agricultural enterprises cannot be expected before 1984 or 1985.

In the organs of agricultural administration (OPS [okres agricultural administration], KPS [kraj agricultural administration], MPV SSR [SSR Ministry of Agriculture and Food]), the rationalization of management will focus on more effective planning and analyses as well as on the necessary integration of information systems in the sector.

Table 2 lists the tasks in management rationalization at the level of okres and kraj agricultural administrations for 1982. Future goals will be more accurately defined in accordance with results from practical application and in the development of new projects and programs.

The development of new projects and innovation with existing projects will aim at reducing paper work, providing more comprehensive information, eliminating duplication of records and shortening the deadlines for data processing because the present information system in the sector is already extensive. It no longer meets the requirement for effective management of the sector because it was essentially developed 20 years ago, when the increases in agricultural production were achieved primarily by the use of extensive growth factors. Moreover, fundamental changes took place in the organization of the material-technical basis, and the organizational and economic conditions under which the reproduction process in the sector occurs have changed.

Individual departments of MPV SSR will undoubtedly play the key role in the rationalization of management and innovation of the information system in the sector. During 1982 and subsequently, the work will continue on the processing of sectoral records and analyses; evaluation of JRD and SM, which have been lagging over a long period; calculation of the renewal of the herd and beef and pork production; processing of records on consumption of grain fodder; providing information from the central data bank; and so on.

The development of new projects for the needs of the center will concentrate on intensification and standardization of analyses of the course of the reproduction process, utilization of individual types of energy, follow-up of the trend in efficiency of agricultural production, simplification and

Table 2. Plan of Application of Automated Systems at Okres and Kraj Agricultural Administrations for 1982

| Automated Systems | Number of okreses in West Slovakia Krajs | | Central Slovakia Krajs | | East Slovakia Krajs | | SSR Total | |
|---|---|---|---|---|---|---|---|---|
| | S | P | S | P | S | P | S | P |
| Summation of accounting records and analyses | 11 | 11 | 2 | 13 | 12 | 12 | 25 | 36 |
| Optimization of planned agricultural production (S II A) | 2 | 11 | 2 | 13 | -- | 12 | 4 | 36 |
| Fodder supply | -- | 3 | -- | 2 | -- | 2 | -- | 7 |
| Analysis of grain fodder consumption | -- | 11 | -- | 13 | 12 | 12 | 12 | 36 |
| Evaluation of standards of agricultural enterprises' management | -- | 11 | -- | 13 | 12 | 12 | 12 | 36 |
| Check on the fulfillment of ZV [animal production] plan | 9 | 11 | 13 | 13 | 12 | 12 | 34 | 36 |
| Check of tractors' use | 3 | 7 | 3 | 3 | 12 | 12 | 18 | 22 |
| Use and cost of drying plants | -- | -- | -- | -- | 12 | 12 | 12 | 12 |
| Analysis of capital assets | 11 | 11 | 13 | 13 | 12 | 12 | 36 | 36 |
| Management of transfers of harvesting equipment | 3 | 5 | 2 | 2 | 4 | 4 | 9 | 11 |
| Check on compliance with financial indicators | -- | -- | -- | -- | 12 | 12 | 12 | 12 |
| Biological inventory of grain crops | 5 | 11 | -- | -- | -- | -- | 5 | 11 |
| Dispatching of seasonal field work | 2 | 4 | -- | 1 | -- | 1 | 2 | 6 |
| Calculation of structure of machinery and tractor fleet | -- | 2 | -- | 1 | -- | 1 | -- | 4 |
| Planning of agricultural work by means of CPM method | -- | 2 | 1 | 2 | -- | 1 | 1 | 5 |

Explanation: S = reality as of 1 November 1981 P = plan for 1982

standardization of records and analyses, shortening of the deadlines for data processing, achieving a higher degree of interlinking and integration in the information system while following the fundamental goal--to reduce the amount of paper work connected with the management of the reproduction process in the agricultural and food sector.

Special attention must be paid to the improvement of the planning mechanism in order to make it more efficient. Planning must become a continuous process at individual management levels. An integral part of this work should become a more intensive use of appropriate economic-mathematical models and computers. This will enable obtaining, at frequent intervals, the calculations of several plan variants even if initial prerequisites of material procurement and requirements of the state plan change. Part of the planning activity must also be the formulation and verification of suitable standards as the basic prerequisite for objectification of the plan and its material implementation.

The use of models allows applying, on a much larger scale, the principles of counterplanning along the entire management hierarchy, for which substantially more room has been provided by the introduction of new rules for improvement of planning in agriculture. The principles of counterplanning, their proper organization and application in the drawing of the plan--primarily in the enterprises of primary agricultural production--will significantly mobilize enterprise production resources.

In the economic production units of service organizations, the program for management rationalization in the SSR agricultural and food sector for the 1981-1985 period assumes processing socioeconomic data on a larger scale; this should form the basis for the application of principles of intraenterprise khozraschot. These organizations pay special attention to the construction of automated information systems for their specific operations.

In the food industry, attention will focus on further extension of those ASR subsystems on which research was completed during the Sixth Five-Year Plan. They provide primarily socioeconomic information on sales, production and procurement, management of capital assets and so on. Research and development during the 1982-1985 period will focus on operational problems of food production with the use of small computers of the SMEP series.

The implementation of the program for management rationalization in the SSR agricultural and food sector during the 1981-1985 period will affect the work of entire management personnel--from the warehouse managers, foremen, agronomists, zoo technicians, mechanizers, economists, chairmen and managers of agricultural enterprises to the heads of intermediate levels of management and individual departments of the central organ--because we must teach the management apparatus to use computers rationally and to use the potential of mathematical methods and model techniques. We must arrive at the situation where the management apparatus will see in the innovation elements of management not criticism of their existing method of work but the logical outcome of the present scientific-technological revolution, which unquestionably affects the process of management.

The accomplishment of tasks set by the program of rationalization of management in the SSR agricultural and food sector during the 1981-1985 period also requires considerable investment. If these investments are to be recovered rapidly, it will be necessary, apart from cutting paper work in management by means of computers, to emphasize their use also in uncovering reserves in production, on optimum utilization of production resources and on more efficient production. For these reasons, computers must be used primarily in these areas during the Seventh Five-Year Plan. This will require considerable organization and training at all levels of management. The measure of success in meeting this fundamental requirement will answer the question whether modern and rather expensive computer equipment fulfills the basic mission in management that our society expects of it.

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## DEMOCRATIC PEASANT PARTY PUBLISHES 11TH CONGRESS MATERIALS

### Mecklenburg Delivers Report

East Berlin BAUERN-ECHO in German 6 May 82 supplement pp 1-40

[Central Executive Committee report delivered by Ernst Mecklenburg, newly elected chairman, to 11th Congress of Democratic Peasant Party of Germany (DBD), held in Suhl, 5-7 May 82. Omitted portion of report deals with international affairs]

[Excerpts] Dear Colleagues! Honored Guests!

The 5 years since our 10th party congress have been years of successful, creative work for socialism and peace.

Those have been years in which our socialist fatherland, the GDR, grew stronger in every way along the SED's tried and tested course. And every citizen perceives we have made good headway.

Guided by unshakable trust in the SED's prudent and circumspect domestic and foreign policy, our members have helped, with rich initiatives, make our country, a firm component of the socialist community of states, steadily gain in efficiency so it could stabilize its position as a solid cornerstone of peace in Europe.

These were years in which the international balance of power changed further in favor of real socialism and peace.

Our party, the DBD, through the great diligence and prudent ideas of its members, has made an important contribution to the continued shaping of the developed socialist society in our country.

We have every good reason to state, not without pride, at our 11th party congress: The DBD has in honors lived up to its shared social responsibility to the all-round strengthening of our socialist fatherland. For their indefatigable efforts and creativeness on behalf of the noble cause of socialism and peace, we express our most sincerely gratitude to all our members from this rostrum of our party's highest forum.

Our 11th party congress is taking place at a time that is marked by a millionfold initiative and the driven resolution by the working people in town and countryside to fulfil the historic resolutions of the 10th SED Congress. In this effort, the DBD members, alongside and under the leadership of our country's communists, also stand in the forefront.

Ever since it came into being, the DBD has recognized the leadership role of the workers class and its Marxist-Leninist party.

The DBD has beeen able to fulfil its duty in the 34 years since its founding because it firmly accepted the hand the Marxist-Leninist working class party had stretched out to it.

Our party turned into a respected social force which in every phase has made its creative contribution to the development of our workers and farmers state. We shall always be loyal to this unshakable principle of our policy.

The DBD is a political force that acts under, and helps shape, socialism and which, proceeding from its overall social coresponsibility, makes a contribution of its own, through the efforts of its members, to strengthening the positions of real socialism and peace.

The DBD, in alliance with the workers class and under the leadership of its party, and together with all forces united in the Democratic Block and the National Front of the GDR, will be a responsible coshaper of the developed socialist society in our country and in the struggle for the safeguarding of peace.

In view of the threat to peace by the most aggressive imperialist circles, we will do what we can for the secure protection of our socialist accomplishments.

We shall more broadly still spread the potentials of our membership so that the resolutions of the 12th Peasant Congress of the GDR will be implemented rapidly and comprehensively.

In these days this year, when progressive mankind is celebrating the 65th anniversary of the Great Socialist October Revolution and the 60th anniversary of the founding of the USSR, the advantages of real socialism have become most pronounced.

The crimes and ills of imperialism also are becoming more apparent than ever. Never has world peace been threatened as seriously as today, due to the most aggressive circles of imperialism, especially the United States and its NATO allies.

A few days prior to the 37th anniversary of our people's liberation from Hitler fascism by the glorious Soviet Army, we have a special need to sincerely thank once again the Soviet Union, the strongest force of socialism and of peace, for its great act of liberation and for the steady selfless all-round aid Lenin's land has been giving our socialist homeland.

We shall always remember the 20 million sacrificed by the Soviet Union, which also led to our liberation.

Nor will the coming generations forget the heroic deeds of the Red Army fighters who, with ths symbols of peaceful labor imprinted on their banners, brought our people the start of a new era.

Friendship with the Soviet Union will always speak to the heart of DBD members. It conforms with their longtime experience: He who is allied with the Soviet Union, belongs among the victors in history.

The 10th SED Congress was truly of historic importance to the life of our people, a new milestone on the successful tracks of socialism/communism.

The report submitted by Comrade Erich Honecker, secretary general of the SED Central Committee, explains with theoretical vision and relevance the tasks and goals in the struggle for the continued all-round strengthening of our socialist fatherland, the well-being and happiness of the people and the safeguarding of peace.

Our party chairman, colleague Ernst Goldenbaum, announced at the 11th session of our central executive committee: "Also for all DBD members, the resolutions of the 10th SED Congress are the campaign program for the 1980's."

The SED, the conscious and organized vanguard of the workers class, equipped with the invincible world-transforming doctrine of Marxism-Leninism, lends direction and purpose to the creativeness of our people. It fosters and awakens its initiative and energy for the continued shaping of the developed socialist society and for taking part in solving the vital problems of humanity.

Through the 10th party congress resolutions, the leading force in our socialist society carries on smoothly the tried and tested policy of the eighth and ninth party congresses under the new requirements of the 1980's. This means more impressive evidence for how the SED creatively applies the inevitabilities of the socialist revolution and of socialist construction to the concrete conditions in the GDR.

Today, on 5 May, the greatest son of the German people, the ingenious founder of scientific communism and the outstanding leader of the German and the international workers class, Karl Marx, has his 164th birthday. Each of us can attest to how the doctrine of Marx, Engels and Lenin works as a reliable compass for revolutionary change in the world.

Comrade Erich Honecker, at the 10th SED Congress and at the most recent SED Central Committee conference with the kreis first secretaries, described the parties that are friendly with the SED as responsible fellow-combatants. He asserted this cooperation would stand up with long-range prospects.

Comradely discussions between Comrade Erich Honecker and the chairmen of friendly parties and the president of the National Council of the National Front of the GDR, and confident talks between the leading functionaries of the SED and of the friendly parties in the Democratic Block and the National Front of the GDR in the bezirks, kreises and communities, where all important domestic and foreign policy problems come under discussion, characterize this higher level of our political cooperation.

We know in the further course of the socialist revolution the leadership role of the workers class and its revolutionary party is objectively going to grow in all domains of public life, it being the most significant inevitability in socialist and communist construction.

We know this also places higher demands on the shared social responsibility of the DBD.

Our members highly appreciate the support our party receives on all levels from the SED. Such confident fellowship gives us strength and inspiration for our work.

In the name of all DBD members, we are conveying from our 11th party congress our most cordial greetings and are expressing our deepest thanks to the SED, its Central Committee and its secretary general, chairman of the GDR State Council, our highly esteemed friend Comrade Erich Honecker.

It also gives our members pride and joy that the SED and our socialist workers and farmers state are headed by a representative who since his earliest youth has been a model in political steadfastness and stubbornness against the class enemy.

II. Consolidating the GDR's Economic Strength--A Mission Binding on Each Party Member

DBD members are rightly proud of having actively helped in bringing to realization what the Eighth and Ninth SED Congress declared as the main task in its unity of economic and social policy in the 1970's. Targets were not only met but even surpassed in important positions. Despite enormous foreign economy burdens, the workers, cooperative farmers, the intellectuals and the other working people, under SED leadership, gave evidence through their diligent work, in an outstanding fashion, to the efficiency of our economy and the stability, continuity and dynamics of our development.

Mighty impulses for performance improvements came from socialist emulation. A visible expression of it came from the preprations for the 30th GDR anniversary and the 10th SED Congress.

Through their creativeness and initiative, our members have had a good share in that the years between 1976 and 1980 became another period of peaceful, intensive and creative work for the benefit of the people and that of the highest economic achievement thus far in a five-year plan period.

Our country's national income rose in that period by 25.4 percent. Industrial commodity production rose by 32.2 percent, to more than M 1.6 trillion. The by far largest portion of it came from the workers class. The GDR has been maintaining its place among the ten most important industrial countries in the world. Agricultural workers produced 20.1 percent more foodstuffs for the population and agricultural raw materials for industry. Public supplies in high-grade foodstuffs were ensured, with per capita consumption increasing.

The profound effects of the main task policy on the life of the people are found above all in the housing construction program, the centerpiece of the sociopolitical program. In the 1976-1980 five-year plan period, 813,000 dwelling units were newly built or modernized, which fundamentally improved housing conditions for 2.4 million citizens. The population's net income rose by M 20 billion, the retail trade, while keeping prices for goods and services stable, by M 18 billion. Likewise, the performance in health and social welfare, education, culture and sports improved considerably.

Relying on the people's creativeness, the working class party once again kept what it had promised. The unity of economic and social policy has proven and is proving itself a strong impulse for dynamic economic growth.

In Karl Marx' and Friedrich Engels' homeland, in the first German workers and farmers state, where peace has a permanent home, the work of the founders of scientific socialism is being brought to realization. Here the ideas of a Thomas Muentzer were turned into reality. Here our people, with its industrious work, is making socialism more and more habitable and beautiful.

On the basis of a strong material-technical base in the economy, the grown education and dedication of the working people, and the results in the acceleration of scientific-technical progress, the 10th SED Congress was able to decide to extend the main task policy throughout the 1980's even though foreign economy conditions have changed. That decision met with the full agreement of our country's working people, which also included our members.

The working people have responded to that decision by a broad spread of their creativeness and initiatives and in 1981 accomplished the biggest annual economic achievements thus far. In the efforts on behalf of a great performance and efficiency improvement, the firm alliance of the workers class with the class of the cooperative farmers, the socialist intelligentsia and all working people proved itself once again. Emphatic evidence was provided for this: The fraternal cooperation of our GDR with the land of Lenin and the other states in the socialist community is an indispensable prerequisite for our successful advances.

A national income increased by M 9 billion is the thus far highest annual performance increase. By 90 percent this growth comes from increased labor productivity. With an industrial commodity production that was by M 18 billion higher than last year, the workers class once again in 1981 bore the main share in the overall economic performance, and that with 5 percent less of a specific access to important energy sources, raw materials and material.

Cooperative farmers and the workers in agriculture, forestry and the foodstuffs industry made an essential contribution to our country's fine balance-sheet in 1981. Except for oleiferous and fresh fruit, socialist agriculture fulfilled its plans. With 2.5 million tons of fat stock and 4.88 billion eggs, the thus far highest state quota was achieved in the history of our workers and farmers state.

The material and cultural standard of living of our republic's citizens was further improved according to plan.

Economic Strategy--The Road to Further Performance Improvement

The focal point of domestic policy work lies in continued economic performance improvements, as the 10th SED Congress explained emphatically. The leadership of the working class party analyzed in good time the new internal and external conditions and showed through the economic strategy issued by the 10th SED Congress how in view of the changed situation its proven policy, aimed at the good of the people, the further strengthening of socialism, and the safeguarding of peace, can continue to be implemented throughout the 1980's. Therein lies a great scientific achievement of the SED leadership and a contribution by the secretary general of the SED Central Committee that cannot be overrated.

In his Politburo report to the Third SED Central Committee session, Comrade Erich Honecker issued the strategic orientation for the continued implementation of the 10th party congress resolutions under the more complicated conditions.

Our party will resolutely implement the SED economic strategy in implementation of our 11th party congress and 12th GDR Peasant Congress resolutions. All our work for boosting the GDR's economic performance growth takes place amidst international class conflict, is indeed an important contribution to our winning this conflict with imperialism. In his speech before the kreis first secretaries of the SED, Comrade Erich Honecker pointed out that the international situation had noticeably been exacerbated. "In this situation," he said, we consider it our task, together with the Soviet Union and the other fraternal countries, to pit against the course of exacerbating the international situation in which mainly the U.S. administration is engaged the cohesiveness of the states in the socialist community. Decisive for making the peaceful coexistence policy, detente, mutually advantageous cooperation and honest constructive dialogue come into their own is an effective coordination of activities in the world arena with due respect and consideration given to the legitimate interests of all sides." The time in which we live and help perfect our developed socialist society is giving us the new criteria. The higher requirements are derived from the needs for an intensively expanded reproduction as well as from the intensified class struggle in a world in which socialism keeps advancing and the imperialists do not want to surrender a foot of ground voluntarily. They in turn do all they can to roll back the influence of socialism and peace. The new requirements, furthermore, also result from the general shortages and higher costs of raw materials and the higher costs in our extracting our own raw material resources. Between 1970 and 1980, the raw material price level, above all in energy sources, rose by 680 percent on the capitalist markets.

Higher demands on our economy undoubtedly also arise from imperialism's high interest and boycott policy and capitalism's currency manipulations, reflecting the deep crisis in those countries. We must also take into account that world market competition has become much stiffer. That calls for salable products of high-grade technical design. Nor must we fail to mention that the international situation, heated up by imperialism, forces us into larger defense expenditures so that we can reliably protect the accomplishments of socialism.

The GDR economy passed important fitness tests last year. It gave new evidence to the advantages of the socialist planned economy. It reacted flexibly to new conditions. Many important changes were needed in the fabric of our economy. Not that they came about without friction, yet serious economic upsets were not experienced.

The economic strategy as issued by the 10th SED Congress applies to all branches of the economy, and thus also to agriculture, forestry and the foodstuffs industry. What matters now is that our party members also in all they think and do focus still more than they were used to on achieving a high performance and efficiency increase in their fields of activity and solving the tasks assigned in the economic plan by means of the funds allocated according to plan. Greater efforts are certainly still needed for that, but our members, we are sure, will advance faster than they used to in taking the pace of the 1980's.

An honored DBD tradition is that the members prepare for our party congresses by fine achievements.

The 13th party executive session, as one knows, has issued a basic guideline on what is expected of our colleagues in preparation for the 11th party congress. The task is to create an atmosphere of political struggle on every executive committee and in each local group, help with all one's strength prepare well the 12th Peasant Congress of the GDR, and thus help implement our socialist state's policy aimed at the well-being of the people and the preservation of peace.

Five-Year Plan Targets on Stable Foundations

The 1981-1985 Five-Year Plan summarizes the 10th SED Congress resolutions in terms of concrete accountable tasks for the various branches and collectives in our economy. The centerpiece is the continued performance and efficiency improvement of our economy. That the success of the entire five-year plan depends on it is obvious. Many important requirements pile up this year. As in no previous year, high growth rates are based on high labor efficiency, i.e., increasing labor productivity, more of a materials economy, a great improvement in the cost/benefit ratio, and better qualities.

It surely is not going to be easy to carry on the unity of economic and social policy as resolutely as the 10th SED Congress decided, under the vastly more intricate conditions of the 1980's.

The 1985 goal is to increase the national income to 128 percent, industrial commodity production to 131 percent, and labor productivity to 129 percent.

Some 940,000 apartments are being newly built or modernized. The population's net earnings are to increase by 20 percent. Retail trade is growing at the same rate. All children get a secondary school education. Upon their graduation, they are all entitled to skilled technical training. Health care is being vastly extended. For 1982 alone, our state has allocated M 21.2 billion for ensuring stable prices for staple goods, rentals and services.

The five-year plan targets rest on stable foundations. Our workers and farmers power is stronger than ever. The advantages of the socialist planned economy, our country's considerable economic and scientific-technical potential, our ever closer socialist economic integration with the Soviet Union and the other CEMA countries, our working people's high educational level and their industry and great dedication are making themselves ever better felt.

We thus have every good reason to be optimistic and mobilize all our capacities for the continued shaping of the developed socialist society in the GDR. And yet we still know the stability and dynamics of our socialist economy have to be fought for through hard work every day anew. What matters now is to continue the improvements in economic efficiency attained in 1981 through 1982 and subsequent years, step by step, following the examples of the best collectives in industry, construction, agriculture and other fields.

To make a still more efficient use of funds available is most urgent. The value of basic assets in the economy rose beyond M 500 billion. Greater efforts are needed in extracting domestic raw materials, substituting softcoal for imported liquid energy sources and pitcoal, and generally handle energy, especially heating oil, diesel fuel and gasoline, with the greatest economy. That holds true also, of course, for handling softcoal and other raw materials.

In saving only one percent of the raw materials, energy and material used at the current consumption level of our economy we could earn circa M 3 billion more of national income.

A fast and consistent improvement of the cost/benefit ratio implies a still more effective combination of science with production. Especially in science and technology our people possesses great traditions. There, no doubt, important predecisions are made on further economic growth. It is necessary to make more from what we have through intensification and rationalization and ensure a dynamic growth of our national income.

Wholly focused on coping with these requirements we find our socialist emulation for the fulfilment and targeted overfulfilment of the 1982 national economic plan. The 10th FDGB Congress most impressively confirmed the working people's great achievements and initiatives in socialist emulation under the slogan, "High performance growth through increasing labor productivity, efficiency and quality--All for the Good of the people and for peace!"

The resolve with which the workers class faces up to these higher requirements deserves the highest respect and also sets an example for our members. More than 3 million working people in the combines committed themselves to surpassing the ambitious targets of the 1982 plan by an output of at least 2 full days, returning raw materials, energy and material to the state amounting to at least M 1 billion, and reducing prime costs by M 500 million in excess of the plan.

Socialist economic integration with the Soviet Union and the other CEMA countries, and the deepening of our fraternal cooperation with the land of the Red October, is and remains the foundation for the stability and dynamics of the GDR economy.

The specialization and cooperation program up to 1990 with its objective of making our economies more efficient is of fundamental political and economic importance for continuing advances in our two friendly countries. With a mutual trade valued at 275 billion valuta Marks within the 1981-1985 Five-Year Plan, the Soviet Union is the GDR's main trade partner. Our state, in turn, is the largest trade partner of the USSR.

Deliveries in energy sources and raw materials agreed on from the Soviet Union are vital to our republic. They are under long-range contracts, and their prices are more favorable than they are on the capitalist world market.

It is not only an infamous lie but downright ludicrous for the enemies of socialism to keep insisting that only the strong Soviet Union gains advantages from these close comradely relations in the economic field.

The truth is that the GDR's participation in setting up objects in the raw material sector in the USSR pays off well day after day.

That is true of the GDR section of the Soyuz natural gas pipeline and of the joint production projects in petroleum, nickel, iron ore, aluminum, cellulose, asbestos and titanic oxide in the Soviet Union and other CEMA countries and Yugoslavia. The most recent example is the GDR's participation in the "design of the century," the "Friendship" natural gas pipeline of 5,000 km, a section of it having been assigned to the FDJ as a central youth project.

Our economy will greatly benefit from these investments in the 1980's and beyond.

Especially in science cooperation with the USSR, a mutual give-and-take has developed that moves both countries ahead faster. There are right now 144 governmental and ministerial agreements in effect on economic and scientific-technical cooperation in which important tasks of state contracts are anchored.

CEMA has stood up as the most dynamic, stable and progressive economic region in the world. Whereas in CEMA between 1970 and 1980 national income rose to 166 percent and industrial output to 184, the EEC countries only showed 28 and 26 percent respectively. The CEMA countries get almost all the important raw materials they need out of their own resources.

Therefore it is wishful thinking for imperialist opinion molders to keep saying, in total self-delusion, the socialist countries were at the mercy of the capitalist industrial countries and could be forced to their knees by them through embargoes and ever higher interest rates. Never yet could imperialist blackmail designs stop the triumphant march of socialism. Eventually, embargoes and boycotts have always boomeranged against their originators. The imperialists hoped to choke socialism, when still in its cradle, with boycott, intervention and war. How things came out is well enough known. Neither ox nor ass can stop socialism in motion, as August Bebel already pointed out.

LPG Vitality Proven to the Alliance for 30 Years

Proceeding from the resolutions of our 10th party congress and our grown coresponsibility for the commonwealth, our party's active involvement in the implementation of the SED's tried and tested alliance and agricultural policy has occupied a key position.

The working class alliance with the class of the cooperative farmers, the intelligentsia and all working people is a principle of the GDR Constitution. The working class alliance with the class of the cooperative farmers is our socialist state's political foundation and has borne rich fruits, as all can see.

The 30-year socialist rural development emphatically confirms the working class alliance with the class of the cooperative farmers and that the farm policy course of the GDR has been correct. That was also vividly demonstrated during our party elections when our colleagues with pride and gratification referred to the development in the territories of the LPG's and villages.

They are proud of what they helped create. They are proud of having helped write this very successful chapter in the history of our socialist fatherland.

The peasants were freed from exploitation and suppression. Political and social discord in the village was brought to an end. For the first time in history the peasant is actively engaged in the exercise of political power. The fetters of ignorance were broken, and the peasant allied himself closely with science. His future is secure, his prospects as a peasant are clear. Subsistence worries and social insecurity are alien to him. Out of small crop producers in peasant holdings evolved the unified socialist class of the cooperative farmers.

Through all stages of history together, never have such achievements been attained for the peasants as under the workers and farmers power. They are above all the outcome of the SED's prudent and consistent policy which creatively applied the Leninist cooperatives' plan to the conditions in our country. This was a policy that implemented each step in rural social development with the peasants, through the peasants, for the peasants. This is a policy that is manifested once again in the draft resolutions for the 12th Peasant Congress of the GDR, reflected in the preparations for this important event, and going to find its visible expression once more during the sessions of that congress.

This alliance policy with the peasants is successful because the SED, as Comrade Werner Felfe, Politburo member and secretary of the SED Central Committee, emphasized, "always studies the doctrines of Marx, Engels and Lenin in harmony with the rich experiences of the KPD struggling for the alliance between the workers and peasants and applies them creatively in our farm and alliance policy."

That policy made it possible to fashion the new socialist village, create the LPG's as the effective basic form of agricultural production, provide the peasants with fine political and technical education, make their intellectual-cultural life blossom, and change fundamentally the working and living conditions in the villages.

The Second SED Conference 30 years ago through its historic resolutions pointed out to the peasants what it meant to proceed from a perception of the singular I to the plural we. Among the pioneers for those innovations were quite a few members of our party, too. They included party delegates present here: August Brenneisen, Kurt Burkhardt, Else and Dr Helmut Merke, Willy Schaefer and Else Schmidt.

We feel a sincere need to express from the rostrum of our party congress to them and to all other party pioneers for socialist development in agriculture, members of our party, our cordial gratitude. Easy surely it was not to lay the foundations for socialist construction in view of the then existing open borders with the capitalist German state and West Berlin.

We well remember the furious assaults by the class enemy against the young LPG's and their members. The enemies of socialism would prophesy the GDR a famine and not shy away from sabotage, terror and murder.

In retrospect we may say: Socialist progress could not be stopped. The ideas of Marx, Engels and Lenin triumphed among us. The SED alliance policy triumphed. The agricultural policy of the working class party triumphed.

The 30-year development of our LPG's impressively proves that successful socialist construction entails firm socialist production relations in the countryside.

What the class of the cooperative farmers, supported by the working class and in alliance with science, is capable of has been shown by the ever improving results in supplying the population with foodstuffs and industry with raw materials throughout the last 30 years. In that period, crop and animal production went up as never before, grain 1.65 times, fat stock 4.6 times, milk 3.4 times, and eggs 9.5 times.

The picture of our villages has fundamentally improved. Growing prosperity in peasant families can be felt everywhere. That prosperity finds its sources in the workers' and farmers' power under SED leadership, in the cooperative ownership in the means of production, in our fine education, good cooperative work and the proverbial peasant industriousness. To use this cooperative property more effectively still to increase production and augment it steadily through increased accumulation is in the very own interest of all members of the cooperatives and the LPG workers and their cooperative facilities.

At the 10th party congress and the Third Central Committee session, Comrade Erich Honecker stressed that the socialist production relations in GDR agriculture gave much room for a long time to cooperatively organized productive forces and to cooperative property with its appropriate production organization.

Sure enough, the class of the cooperative farmers is going to develop further. Its capacities and capabilities will assert themselves still more strongly.

That calls, of course, for paying greater attention to the reproduction of the class of the cooperative farmers and of cooperative property.

At election meetings and kreis and bezirk delegates conferences, many colleagues have spoken about the great coresponsibility our party has for the reproduction of the class of the cooperative farmers out of its own ranks. We agree with our young colleague Dagmar Werkmeister of the LPG Bueden in Burg Kreis who said: "I cannot imagine working in a different occupation. To be a farmer with zest and zeal is a tradition in my family." Dagmar is one of four children of our colleague Ilse Schellin, member of our party kreis executive in Burg. Two of her siblings also work in agriculture, and one of her brothers is an NVA officer.

Peasant honor, pride in what has been achieved and responsibility to the subsequent generations of the cooperative farmers' class make it incumbent on all our party members to induce more strongly their own and other children to work in agriculture and acquire LPG membership. It furthermore stands a party member in good stead if he helps through his example and indoctrination in having his own children reach the decision to become also members of the DPD. We also are of the opinion there are still many unused opportunities for promoting youth in agriculture and for challenging young people as well and make them settle in the village.

Undeniable and highly appreciated are the distinctions of the women among our farmers gained in forming and consolidating agricultural production cooperatives and in developing new rural life. The toil and trouble of single female working peasants of the past are virtually gone. Today the female cooperative farmers occupy a highly respected position in their LPG's and villages. Full of energy, they take part in running the cooperatives, their cooperative facilities and public life. Undoubtedly, for the women in farming an entirely new page opened up in their lives with the step toward cooperative production.

The female cooperative farmers are socialist personalities, and they are beautiful, charming, self-assured, politically committed and highly educated. One out of every 18 women in our GDR's socialist agriculture is a technical school or college graduate, and one out of six exercises management functions. Their diligence, conscientiousness and prudence are downright proverbial. And as far as thrifty socialist economizing is concerned--many a man could learn a thing or two from them in that.

What matters now more than ever, of course, is to provide still better preconditions for the farming women, especially under the conditions and with the opportunities in socialist agricultural cooperative production, so they might still bring better to bear their knowledge and initiatives on fine cooperative labor and management. All our colleagues in management always again ought to ask themselves whether enough is done in his area of responsibility to take care of this important concern. One simply cannot let it rest, for example, with there being a shortage of mechanizers in crop production yet our colleagues in management often fail to assign the women of the cooperative farms to modern equipment. Not always do these management functionaries take into account that these farming women usually also are mothers and have greater family obligations to meet than men. Necessary surely is that the management cadre in animal production attach greater importance to the questions of rationalization, to ease the labor of the farming women.

We are proud that among the socialist personalities there also are tens of thousands of farming women accomplishing high achievements every day in production and public life to strengthen our republic. Cordial regards to these colleagues of ours from our party congress; we wish them good health and speed and new successes in their responsible activities.

None of the extremely ambitious plans could have found a response and could have been realized by the peasants, male and female, had they not themselves developed, in this process of socialist transformation, into new types of people. These 30 years of LPG history are the living proof for the correctness of Marx' remark in his issue-taking with Feuerbach 137 years ago, that men are indeed products of circumstances and education but that the circumstances would have to be changed by the people themselves. Today, the LPG's are proving themselves as political-social communities.

The identity of basic interests between the workers class and the class of the co-operative farmers determines the social, political and mental process of life. Subsistence worry, ill-will and family hostility, often inherited over generations, have long been replaced by comradely fellowship in the great cause of socialism, by mutual regard and mutual help. Our party has been actively involved in shaping this process; our members have grown politically while so engaged.

Hustle and Bustle in Preparation for the 12th Peasant Congress of the GDR

In Berlin, capital of our GDR, the elected delegates to the 12th Peasant Congress of the GDR will convene in a few days. Among them will be 400 members of our party. They will confer on and decide the tasks arising for the cooperative farmers and workers in socialist agriculture from the economic strategy for high performance and efficiency improvements. This 12th Peasant Congress is going to become an important milestone toward the implementation of the 10th SED Congress resolutions.

The preparations for our 11th party congress, as already pointed out, also greatly served the fine preparations for the 12th Peasant Congress. The tasks set down in the draft resolution have enjoyed a high place value in our party work. And more than that: The draft resolution and the intensive democratic debate of it have helped prepare our 11th party congress well politically and ideologically. Many thousand party members took the floor in local groups, at kreis and bezirk party delegates conferences, at the annual top LPG meetings and at kreis peasant conferences, or they expressed themselves in the press, on the radio and on television. BAUERN-ECHO alone has thus far published 860 letters to the editor commenting on the draft documents for the 12th Peasant Congress. Imbued with a great sense of political responsibility, many party members took part in the debate by making concrete references, suggestions and recommendations. The most important thing, however, is that our members took these documents for concrete action guidelines and are about to put them into action. Our members' activities in socialist emulation have noticeably increased so as to produce more, better and more cheaply.

As you know, the chairman of the preparatory committee for the 12th Peasant Congress of the GDR, our friend Comrade Werner Felfe, received a party executive delegation headed by our party chairman. In a most cordial and confident discussion, we had the occasion to report on our party's participation in preparing the Peasant Congress and submit our party proposals for the draft documents.

Comrade Werner Felfe's basic statements on the continued implementation of the 10th SED Congress resolutions under the new conditions, as elaborated by the Third SED Central Committee session, especially on extending the tried and tested alliance and agricultural policy throughout the 1980's, and his recommendations and good counsel were of much help to us in further preparing for our 11th party congress and beyond.

Foodstuffs and agricultural raw materials enjoy a very high place value for politically and economically strengthening the GDR. Our republic's agriculture and forestry furnish the GDR with more than half its primary raw materials. In the production of biological substance lies a raw material source which, in contrast with others, can and must be extended through reproduction.

More and more, foodstuffs and agricultural raw materials play a growing role in the class conflict between socialism and imperialism. There is nothing new in imperialism's using them as a weapon and means for political blackmail, even against socialist countries. Such designs and operations do of course not have the success intended. That has turned out to be a boomerang.

The high political rank of our socialist agriculture as an important economic branch is becoming ever more apparent. The main job of socialist agriculture, forestry and the foodstuffs industry is to ensure stably public food and industrial raw material supplies at increasing levels. From that aspect there also follows the need to convert animal production fully, and as fast as possible, to providing its own fodder. At the same time it is important, through saving material, energy and other funds, through reducing expenditures altogether and through more efficient management, to raise the contribution agriculture makes to the national income by at least M 1.1 billion from 1980 to 1985.

In conformity with the objectives in the five-year plan law, in crop production, the total yield by 1985 must be raised to from 43.7 to 44.2 dt (1 dt = 100 kg) of grain units per hectare of agricultural area, the hectare yields for grain to 39.5 dt, for potatoes to 220 dt and for sugar beets to 330 dt. For vegetable, the point is to ensure better supplies throughout the year and expand varieties.

Self-supply in the villages calls for still greater attention.

The state fresh fruit quota is to rise further. Not insignificant is the intent of horticulturists to give joy through broad supplies in flowers and ornamental plants.

In animal production, the five-year plan has scheduled for 1985 a state quota of 2,400,000 tons of fat stock, 6,930,000 tons of milk with a 4-percent fat content, 4.72 billion eggs, and 7,000 tons of wool.

The foodstuffs industry was assigned the task by the five-year plan to process agricultural raw materials effectively, with small losses and at high qualities. Internal waterway fishermen are expected to come up with a much larger catch.

In solving the five-year plan tasks we may take it for granted that agricultural development is and remains an overall economic concern.

Forestry workers have the mission to improve the production and yield reliability of the forestry sector further, enhance the ecological effects of woods, and increase the lumber production of the economy to 10.2 million cubic meters of trunk timber by 1985. Scrap and damaged timber processing is of great importance here. In the gathering of dead timber, thousands of members of our party have helped and done great things. E.g. the 20 members of the local group of Wasungen, Meiningen Kreis, had processed 465 cubic meters of defective and broken timber by 25 April 1982.

In water management it is a matter of ensuring stable drinking water supplies at proper qualities and making available utility water with ever greater efficiency.

Emulation Initiatives for All-Round Plan Fulfilment

The main purpose of all our party work is to enable our members who work in socialist agriculture, forestry and the foodstuffs industry to make a constantly growing contribution to the fulfilment and targeted overfulfilment of the economic plan. We know it takes the efforts of all to solve these tasks which certainly are not always easy. The fact is that in some animal production LPG's there are problems with livestock feed supply. That demands of every stable collective to make optimum use of the fodder and tap all fodder reserves. Where there is enough of it--and there are such LPG's--mutual assistance for the neighbor should be given the rank that has always to be typical of socialist producers. We then also have to ensure the reproduction of our cattle stocks according to plan. Hog reproduction through extra breeding calls for special attention.

Many good initiatives by our members in preparation for our 11th party congress and the 12th Peasant Congress attest to strenuous work toward the 1982 plan fulfilment or in catching up with backlogs that have occurred.

As an example of many others, we refer here to the collective in the Hardenberg LPG, Templin Kreis, where our colleague Monika Boettcher has been the chairperson since the LPG's main annual meeting. Arrears in plans coming to 41 dt of milk late in February induced the 31 members of our two local groups to hold constructive discussions on how our colleagues, under SED organization leadership, could still more effectively help conduct the effort toward plan fulfilment. They submitted proposals and assumed obligations.

Through rearrangements in livestock feed supply, through an understanding between crop and animal production, through rigorous capacity feeding, through daily comparisons between projected stock and stock on hand, material and moral stimuli, and still more order, cleanliness and discipline in the stalls, they succeeded within 2 months in getting rid of their milk debts to the workers and farmers state without any increased livestock feed and achieve a planning plus of circa 220 dt. Similar fine achievements have come from the collective of the Rossow LPG in Pasewalk Kreis, which by the end of February still was in plan arrears for slaughtering pigs at a level of 56 dt. Through the active involvement of 61 colleagues they managed to located livestock feed reserves in the foodstuffs industry at short range and ensure a higher fodder economy. Our members have kept their word: At the time of our party congress they achieved in their collectives a plan lead of 58 dt of fat stock.

Such campaign positions and acts of emulation have to be reinforced further. They now must assume a mass character. Vividly conducted socialist emulation by Leninist principles is more apt than any other management method to awaken creativeness and dedication, better utilize the farmers' words and experiences, more strongly draw on science, and promote optimum solutions and results.

Emulation among the brigades is becoming more important too. We also advocate remunerating executive cadre still more resolutely with regard to material and financial plan fulfilment.

While preparing for our 11th party congress and the 12th Peasant Congress of the GDR, circa 74,000 colleagues assumed obligations and party assignments to improve production, labor productivity and efficiency. There are now two and a half times as many members than at our last party congress who, in their brigades, are contesting for the title, "Collective of Socialist Work." One of every five DBD members now belongs to a "German-Soviet Friendship Collective," while in 1977, still only one out of ten. Some 30,000 colleagues successfully competed in their collectives for the distinction of "area of exemplary order and security." These are initiatives the executives will have to foster still more definitely and purposefully, qualitatively and quantitatively, in accordance with the new conditions.

Deeper Cooperation as Objective Requirement

Something new in socialist emulation has been demonstrated by the cooperative farmers and workers of Kerpsleben. Crop and animal producers assume their responsibility jointly. In conformity with natural interactions, the emulation program is worked out and coordinated in such a way that the partners develop proportionately and a high effectiveness of the unified reproduction process is ensured according to plan. This joint emulation points to the key position of the cooperation council, headed in Kerpsleben by our party colleague Dr Harry Woehlert and led by the party group of the SED.

The deeper kind cooperation ensures an effective organization and control over the agricultural reproduction process. Cooperation in our agriculture is an objective requirement for further consolidating socialist production relations and also a source of strength for our intensification.

It is obvious and confirmed in practice thousandfold: crop and animal production belong together and need each other more than ever.

Cooperation allows tapping many reserves still fallow. The further deepening of cooperation significantly depends on the work of the crop and animal production cooperation councils. They have proven themselves. They are democratic organs for the management and organization of cooperation relations.

The soil-crop-animal-soil cycle requires that the cooperation council assumes its responsibility everywhere, as in Kerpsleben. That also makes a high demand on our more than 4,500 colleagues on cooperation councils. They must still more effectively help enforce the principles for the work of cooperation councils which--this we wish to make explicit--leave much space for authoritative efforts by these democratic bodies of the cooperative farmers and workers.

Pursuant to the proven principle as contained in the draft resolution for the 12th Peasant Congress of the GDR, the cooperative farmers in their plenary meetings decide, in conformity with the given status of cooperative development, the authorizations with which they invest the cooperation council.

Great is the coresponsibility our members have in the cooperate facilities of the LPG's, such as the intercooperative and interplant facilities in crop and animal production, the agro-chemical centers, intercooperative construction organizations and the melioration cooperatives. We think that, with all the good work done, members in the kreis enterprises for agricultural equipment, the enterprises for technical agricultural equipment, and the melioration enterprises should still do a better job.

We urge our colleagues on the associative and producer advisory boards to work still more effectively together with the processing industries and commerce.

Grain and Fodder Production a First-Rate Political Task

What is most important now is to carry on a deliberate political struggle toward highest and stable yields in all farm cultures. All our party members realize that grain and fodder production is a political task of the first rank.

The Third SED Central Committee session pointed out emphatically that the grain problem was fully as severe as the oil problem. We cannot use more oil than we have available. The volume of concentrate agriculture can consume greatly depends on how much of it we can produce ourselves.

Increasing grain yields and expanded grain acreages must make it possible that we produce by 1985 at least 10.5 million tons of grain domestically. To substitute other fodders for grain and expand grain cultivation, optimum yields and grades of fodder are necessary all-around. That applies to all farm cultures and especially to field fodder, hay, potatoes and sugar beets. We must pay the greatest attention to the production of field-scale fodder. Every party member working in crop production must resolutely struggle for not only meeting crop gross production plans but for surpassing them by at least 0.7 dt grain units per hectare.

In the local and residential area groups, political-ideological work must be concentrated on a maximum production of fodder of their own, improving soil fertility, improved husbandry, and more order and cleanliness in the pens. Concrete stipulations for it ought to be made in the campaign programs taking their clues from the 11th party congress. The boards of our local groups ought to review regularly how our members assist in putting the principles of sound cooperative labor into effect.

No doubt, some LPG's must improve their treatment of the soil. The soil is agriculture's primary means of production. One must love and nurture and foster it. Not one square meter of soil must remain unused. No one must disregard that our soil is the basis for nutrition, an inextinguishable source of raw material, and a significant environmental factor.

Frankly, there is still a large field of activity here for our members. Some colleagues think there is not much to just one unused square meter of soil while they forget that square meters will soon add up to hectares. Local groups should better come to grips with such mistaken cavalier attitude.

We favor a still more resolute implementation of the soil utilization decree our government has issued.

It also is a fact that, considering what the socialist society is putting up for intensifying crop production, the area output is not high enough in some LPG's for which our party has a great shared responsibility. That affects not only livestock feed production in the territory but also the costs.

The old peasant wisdom still holds true: He who helps the soil, gets help from the soil. He who enriches the soil in crop rotation with much organic substance and supplies regular kennel manure with organic substance so that soil fertility is enhanced, he who breaks up the soil instead of compacting it by unnecessarily traversing it or also by using less than full-capacity equipment, and he who otherwise carries out every possible soil protection measure and creates optimum growth conditions for the crops, he will reap high stable yields even in years with poor weather conditions.

That this realization is correct has for years been impressively proven in the Trebra LPG, Sondershausen Kreis, which is run by our colleague Franz Tiedemann: In 1981, the cooperative farmers were able to record a grain unit capacity of 68.6 dt per hectare of agricultural area. That was computed from yields of 53.2 dt per hectare in grain, 321.4 dt per hectare in potatoes, and 420.6 dt per hectare in sugar beets. These yields are expected to be still surpassed in 1982 through socialist emulation, in the grain unit capacity by 1.4 dt per hectare of agricultural area and by 1.8 dt per hectare for the grain. By such results and quotas, the Trebra LPG sets standards for many other enterprises under equivalent conditions.

The Gorlosen LPG, Ludwigslust Kreis, chaired by our colleague Erwin Wegener, has also demonstrated what can be achieved with the right attitude toward the soil, a good admixture of organic substance, the use of the farmers' scientific knowledge and best experiences, and a strict respect for all rules of agronomic discipline, even when acreages are not so very good. On soils with a 21 average, the cooperative raised its output in 9 years from 20.5 to 38.4 dt of grain units per hectare. There the net product per full employment unit rose to 174 percent but the production consumption, by 30 percent only. Today, the accumulation is 5 times what it was 9 years ago, coming to M 5,180 per full employment unit.

That only works, of course, if crop and animal production work together closely. This is a key to improving soil fertility permanently.

Every partner must exercise his responsibility to the fullest, including the melioration enterprises, e.g. keeping drainage installations functional, and the agro-chemical centers for effective agro-chemical measures; in which it has been found useful to attach agro-chemical collectives to the crop production collectives on a regular basis. It should be taken for an accepted fact that everything in crop production is done hand in hand with the cooperative farmers and workers.

Scientifically sound crop rotation, meeting agro-technical deadlines--even when they fall on weekends--and optimum crop densities, to mention only a few things, must everywhere be part of the alpha and omega of a good farmer.

Of science it is expected that the complex measures for an expanded reproduction of soil fertility that have been worked out and are still to be refined further will be more rapidly applied in cooperation with the cooperative farmers.

The work with maximum yield conceptions and the constant improvement and resolute implementation of the long-term programs for efficient soil utilization in combination with the livestock feed programs in the cooperatives must rely on the joint efforts of all partners involved.

We agree with the colleagues in LPG crop production that, where necessary, well delineated units have to be set up with regular production collectives. But that can only be decided in accordance with the conditions that exist with regard to highest yields and maximum efficiency, on the spot. Experience has shown that normally the use of territorial production and labor organization, perhaps in combination with other proven elements of organization, makes for favorable solutions. Not the size of acreage but its yield capacity controls the collective's contribution to feeding the population.

Our party colleague Dr Dieter Muehlbach, chairman of the Seyda Agricultural Producer Cooperative (Crop Production), Jessen Kreis, reported at a bezirk delegates conference in Cottbus, e.g., how his collective, which includes 45 DBD members, under SED organization leadership, takes care of the advice contained in the draft resolution for the 12th Peasant Congress, carefully to examine "what gets us ahead the fastest way and what no longer works under the changed conditions." In following up the Third SED Central Committee session, the crop rotation plan was revised once again to conform better to the energy saving requirement and the soil-crop-animal-soil cycle. The emphasis is now placed on the most efficient cultivation of the soil including rationally supplying the kennels with solid and liquid manure, optimizing transports with regard to the location of kennels and forage silos, and improved full-capacity use of the social labor capacities in the territory, and other important factors. The first results of this reevaluation process: Catch crop can be harvested, solid and liquid manure find their path to the acre reduced, and the forage, its path to the kennels, production units are clearly defined for both partners, the farmers' bonds with their soil are closer, and production has become more efficient all-around.

The Gademow Agricultural Producer Cooperative (Crop Production) on Ruegen, where our party colleague Dr Christian Schnitzer is on the management board and other colleagues also bear responsibilities, has also been working more in line with the territorial principle. The economic bottom line was that agro-technical deadlines could be better complied with. Shipment efforts in livestock feed transports dropped by 23 percent, compared with 1980. In personnel transport alone, 11,000 liter of diesel fuel were saved. The average intra-plant transportation distance was reduced from 8 to 4 kilometers.

This is a logical inference drawn from the requirements facing our entire economy. The examples surely cannot count as recipes for all. Stereotypes could only be harmful here. Yet all members should learn from them and help in their LPG's, with regard to their concrete situation, find the most efficient, if not always the most comfortable, solutions, with the speed of changes having to be accelerated all-around.

What with all the good advances we have made, we do not ignore--and that is something our party executives should always be mindful of--that in coping with the new and higher requirements we are still only at the beginning of the road. The higher standards are not yet being met everywhere. So we must increase our efforts. General rules must be drawn from the good experiences more purposefully and faster.

In this, the results and stipulations of the 12th Peasant Congress must be given central attention in our party work. The resolutions of that congress are the guideline for all members of our party engaged in agriculture, forestry and the foodstuffs industry, a campaign mission of their conduct.

We appreciate the work done in spring cultivation highly. Now we must concentrate all our strength on the upkeep, on harvesting the winter catch crop, and the first grassland cut and draw the appropriate conclusions from that for our harvest.

We expect of our members, regardless of where their responsibilities lie, that they make an especially fine showing in the 1982 harvest and help crown all their great achievements on the fields thus far by high and highest yields.

High Fodder Economy and Tapping All Reserves

To keep animal production on level, for all intents and purposes, till 1985 requires the greatest efforts. We pay tribute at our 11th party congress to the achievements of our members in animal production during the first 4 months of this year.

Yet we do not ignore the still unused reserves thus far for achieving more through the same efforts. All colleagues must now attend to these reserves and their being used, with the executive personnel bearing an especially high responsibility for that.

Lagging behind in production often is due to faulty management activity when, e.g., intensification factors are not fully applied, the farmers' science knowledge and best experiences are not sufficiently taken into account, principles of socialist inudstrial management are in part ignored, or infractions against order, cleanliness and discipline are tolerated.

We are also addressing the veterinarians and veterinary engineers among our colleagues: As trustees of the cooperative farmers and respected authorities in the field of animal health, they should greatly increase their political and specialized influence and do all they can to meet the ambitious tasks in animal production.

The direction pointed out for coping with the demanding tasks in animal production by the cooperative farmers themselves, in the draft resolution for the 12th Peasant Congress, enjoys our party's full support.

What are the things that are especially important here?

To ensure public supplies through our own feedingstuffs due to further curbs on feedingstuff imports, we must first of all, while proceeding from a clear political position on our economic strategy, increase concentrate and field-scale fodder crops so that the performance potential of cattle herds is fully exhausted even with less concentrate. The main attention here must go to high-yield and energy-rich cultures such as alfalfa, clover, leguminous mixtures, silage maize and forage root crops. It would also conform with recommendations made by many of our members if in the future potatoes and sugar beets, after taking take of state quotas, were made fully available as fodder in animal production.

Our members in crop and animal production should see to it that, principally, more hay and feed straw at high quality are produced and pasturage is much expanded.

Secondly, it is important greatly to reduce fodder and quality losses from the field to the pen. E.g., the great eonomic allocations for the silo construction program must still much more highly be reflected in improved grades of ensilage.

All these are subjective factors that are also responsive to our efforts. The LPG's also have to help in tapping all fodder reserves, including kitchen offal.

Thirdly, it comes down to reducing specific fodder expenditures by at least from 0.5 to 1 percent annually. That is a realistic objective in view of the large differences within and among enterprises.

Best results are achieved where crop and animal production jointly use the fodder rating system in a complex fashion. That entails close cooperation in annual fodder planning and balancing, regular contracts on fodder deliveries in terms of dry substance, energy and protein content, the purchase and sale in graded quality categories and at grade-quality related prices, and other things like that. It is important to make more of a use of high-grade bulk forage instead of concentrate, as peasants always did in the past, in hog keeping and breeding, young cattle breeding and milk production. Still too little milk is produced with bulk fodder, as many examples show. Cows are fed concentrate whose performance does not justify that in any way. That patently wastes concentrate. What counts is to produce more milk without more fodder.

The planned reproduction of animal stocks, increased cattle breeding, larger sheep flocks, and the gradual conversion of large-scale animal production installations to the use of bulk fodder are consequences that necessarily arise from reduced grain imports.

Fourth, fodder is saved by improving breeding results and reducing animal losses and by extending the cows' utility to four or five milking periods. Resolute measures against animal illnesses are called for, especially those that are subjective in nature.

Using all these possibilities in their whole variety is in the interest of the economy and, hence, of all cooperative farmers and workers in socialist agriculture. We expect of our party members engaged in animal production that they set models so we make faster headway. Special attention should be given to improving the political and technical qualifications of the animal handlers, above all the milkers.

## High Economic Advantages With Funds Available

The principal way for continued dynamic performance improvements in crop and animal production is rigorous production intensification and rationalization based on science and technology and an ever better use made of the great development potentials in socialist agriculture.

The intensification of crop production holds the absolute priority in this because it establishes the preconditions for higher agricultural yields all-around.

Crucial is a high economic advantage measured against increasing production and labor productivity and a reduced production consumption and lower costs.

More than ever is it necessary to apply in a complex manner the crucial factors of socialist intensification--training and advanced training, mechanization, chemical treatment, amelioration, breeding, storage and canning--and always to proceed in all measures from the unity of natural, technical-technological, economic and social processes.

More than ever is it necessary to use for optimum advantage every Mark of investments in the rank and sequence set down by the 10th SED Congress--improving soil fertility, setting up storage capacities, mainly for fodder, converting to heat production installations on the basis of rough brown coal, creating storage sheds for farm equipment, rationalization and reconstruction of kennels and in the foodstuffs industry.

More than ever must a high basic assets economy be ensured. Our agriculture has received an increasing allotment of basic assets by more than 180 percent between 1970 and 1980. Much of it is modern equipment. These valuable assets have to be better cared for, maintained and preserved with the aim of raising their working life, reducing their maintenance costs and improving their usability.

At the average, each worker in socialist agricultural enterprises and their cooperative facilities can count on basic assets at the clip of M 87,000 today.

The constructive debate in preparation for our party congress and for the 12th Peasant Congress has clearly established that the personal responsibility of each for the valuable basic assets entrusted to him and for their optimum maintenance and capacity use must be raised a great deal and receive better material and moral incentives. More simple storage and maintenance sheds are needed. Joint workshops between crop and animal producers also have been found suitable. Of the kreis enterprises for agricultural equipment, a higher grade of repair work is expected, of industry in cooperation with capacities belonging to agriculture itself, a better spare part distribution.

Socialist management means thrifty management. A new way of thinking, a search for highest effectiveness, is needed among many of our party members with regard to the use of energy. Frankly, ideologically we have to catch up here in many regards so as to achieve a maximum output through a minimum of energy.

Standards for the rational use of energy sources are set by such cooperatives as the Eckartsberg LPG (crop production), Zittau Kreis, run by the chairman of our party's kreis executive committee, colleague Gerhard Anton. There in 1981, the grain unit was produced with a diesel fuel consumption one liter below that in comparable enterprises. That was accomplished chiefly through better work with the people, the use of norms, and management bonuses tied to the reduction in specific energy consumption. The brigades' own responsibility was raised. All deliveries and performances among the crop and animal producers in the territory were sensibly organized on a contractual basis. The sites for fodder silos also were prudently selected.

Finally, it is more necessary than ever to combine socialist intensification most closely with rationalization. That applies in particular to the stables built at the start of our socialist transformation and the many that formerly belonged to individual farmers, where still 80 percent of the herds is kept. In them, precisely the women among our cooperative farmers often perform outstandingly under tough conditions. Kennel machinery, fodder distribution waggons and other means of rationalization ought to be made available according to plan. Building means of rationalization for agriculture is not only up to other branches of the economy but is primarily a responsibility of agriculture itself.

Closer Ties Between Science and Production

A still closer combination between the advantages of socialism and the achievements of the scientific-technical revolution is the main path to the required performance improvements in agriculture too.

All our party members, led by the SED organizations, and especially our colleagues among the executive cadre and the 700 scientists among our colleagues share the great responsibility for an all-inclusive application of scientific-technical progress.

The scientists among our colleagues often do outstanding research work. And we highly appreciate the instruction and production direction they give. Many of them enjoy a high reputation in the GDR and beyond our national borders.

Now our members also find themselves confronted with new and greater demands in the science institutions, colleges and universities. The focus of their creative work has to be their support of the more rigorous effort toward the further intensification of research, the close connection between science and production, and the deepening of socialist international science cooperation. The agronomists also must create more of a scientific lead.

We were gratified to learn during our party elections from our scientists that they, aware of their great political responsibility, are increasingly willing to gage the targets and results of their own work, resolutely, against international standards. They proceed more in their work from economic requirements and needs and seek top achievements, in creating far-reaching scientific leads as in introducing rapidly results of mature practicability promising high economic effectiveness. Both, the cooperative farmers expect from science more than ever to cope with the intricate tasks of the 1980's. In all decisions concerning the LPG's, more allowance must be made in the future for what the farmers and scientists have to say.

In all this we do not overlook that mediocrity is not done away with everywhere, a critical assessment of one's own position and work is not everywhere yet the norm, and the atmosphere of high dedication is not yet equally developed in all places. Some colleagues still are not seeking maximum economic results through their science performance to the necessary extent. Here our party executives have the job to lend more political-ideological assistance.

It is the task of our colleagues in the LPG's, mainly of the executive cadre, to turn scientific-technical progress into a political concern of the first rank for all collectives and members in socialist emulation toward high performance and efficiency improvements. For that one must principally have a critical attitude toward one's own work.

Science and technology plans must become more substantial throughout and truly include the main reserves for improving production, labor productivity and efficiency. On the implementation of that, our managerial colleagues should present status reports to the collectives on a regular basis. We also think those party members of ours have been right who proposed to assist more strongly in the preparation and implementation of those plans by state organs and science institutions.

We pay high tribute to the work of the 8,100 innovators and rationalizers who belong to our party. They continue to deserve the encouragement and support from all executives. With the continued shaping of the developed socialist society, the subjective factor is becoming increasingly important.

It follows from that and from the tasks for our intensively expanded reproduction that education and training have become a major factor in intensification. A diploma once acquired is not enought for the rest of one's life. Above all one must acquire sound scientific and sufficiently applicable knowledge. To put it plainly: Some people must learn to rethink what they know in line with current conditions.

The "schools of cooperative work" are a valuable political aid the workers class gives the class of the cooperative farmers. More than 83 percent of the colleagues working in the LPG's, GPG's and their cooperative facilities is involved in them. Circa 5,500 members of our party have appeared as discussion leaders there.

All in all, however, the participation of our members, mainly our managerial colleagues, in advanced occupational training measures is not what it should be. That has to change. To assist in making full use of the social labor capacity in agriculture and enhance the versatility of labor, we direct our members to get training for temporary activity in a secondary occupation, be it from their own LPG or from a cooperation partner.

It also would be fully in line with proposals from many colleagues that vocational, technical and college training again provide more basic knowledge about agriculture as such and that more thought were given in this direction about a higher grade of polytechnical instruction.

Cooperative Democracy Helps More Rapidly Enforce the Best Experiences

To cope with the tasks of the 1980's it is necessary to develop cooperative democracy further with purpose and practice it more completely. The new model statutes and the new LPG Law offer the best opportunities for that. Lenin's remark that a state is strong "when the masses know everything, can judge everything and do everything consciously," also applies, figuratively, to each LPG. No LPG executive and manager must refrain from using that power potential.

The preparation for the Peasant Congress once again expresses the vitality of socialist democracy. At the kreis peasants' conferences, the cooperative farmers elected the councils for agriculture and the foodstuffs industry. In these advisory organs for the kreis councils our 1,664 members also bear a great shared responsibility for the further molding of political campaign positions, the broad spread of all creative capacities and a rapid generalization of best experiences.

Our members are called upon to do what they can in their LPG's for further deepening cooperative democracy. This is of great importance for the all-round consolidation of the LPG', GPG's and their cooperative facilities. We must still get better involved in the work, the planning and the administration.

In preparing for the Peasant Congress, our party members have thoroughly studied and debated the new LPG Law. They consider the draft a very sound basis for the whole further development of our agriculture and cooperative democracy.

Not often enough can we point out the need to bring to bear all principles of socialist industrial management in their complexity. Many of our delegates know from their own experience how large the reserves are that can still be tapped there.

Measuring, computing and weighing must play a greater role again so that all LPG's produce more, better and more cheaply.

We welcome the 10th SED Congress resolution on a farm price reform. Some economic rules in agriculture do indeed call for revision. All cooperatives ought to have fairly equal favorable conditions for their expanded reproduction and be given still more effective material incentives for a high increase in efficiency and performance.

Managerial deficiencies, however, cannot be eliminated even by the best farm price reform. The best benefits will accrue to those LPG's that know how to use their natural and economic conditions prudently for high performance and efficiency improvements, produce at reduced costs, and maintain order, cleanliness and great discipline.

In the rigorous reduction of unjustifiable disparities on the performance level within crop and animal production enterprises, and among them, continues to be found an extremely great production and efficiency reserve. This has much to do with indoctrination and sound cooperative work. Measures to be introduced on the basis of performance comparisons must be complex in character, must concern the cadre, the labor and the equipment, industrial management solutions and the improvement in working and living conditions.

Mainly since the 11th party executive conference, good advances have been made in the active involvement of our executives and members, but they still are very uneven and not, on the whole, sufficient. Since our 10th party congress, a total of 287 managerial cadres of ours have been delegated to economically still weak LPG's where, working with the collectives, they have partly already achieved remarkable results. There are 101 members of our party to whom the chairmanships of such cooperatives were entrusted. The mobilizing effect of our party elections and kreis peasants conferences can be seen in the fact that only since February this year 19 colleagues have assumed such responsibilities.

More than 2,000 party members, circa half of them since the 11th party executive conference, assumed sponsorships over collectives or management functions in collectives of their cooperative that did not yet reach the level of those that are ahead.

They all prove themselves fighters and exemplary socialist management personalities and feel as responsible for the work of their neighbors as for their own work, and they also bring personal sacrifices for it.

Our gratitude goes to all these colleagues, not a few of them being party congress delegates. The party will continue to exercise fully its responsibility for actively and politically supporting these cadre. We wish to reiterate that complex measures are required, it seems to us, to assist those cadre.

All kreis executives are called upon, in line with the stipulations from the kreis peasants conferences, to consider and decide concrete measures on how our party could help more effectively in more rapidly surmounting unjustified performance disparities in the kreis.

We can see ever more clearly that coping with the tasks of the 1980's greatly depends on the management activity level, on good work done with the people. This we say in full awareness of the great shared responsibility we bear as a party in this field. More than 9,400 members work on the executive boards of the LPG's and GPG's and 18,700, as management cadre in socialist agriculture, forestry and the foodstuffs industry.

Each party member exercising a management function, i.e., directing a collective, shares in the responsibility for the people's consciousness development. Of him, the collective expects not only political decisions in general but also information and explanations that explain the profound political meaning of our tasks. So it is a matter of making the collectives aware of the political character of our tasks. A manager becomes effective through his personal example. His conduct, attitude, stance always in a sense set standards, provide the collective with an orientation.

Also through his organizational activity will a good manager affect consciousness development in that he creates in his area of responsibility favorable conditions for the development of socialist personalities. Creating favorable conditions is socialist democracy in action. That requires that a manager confers with his collective on important decisions.

Thus a manager asserts himself not only through what he says but, especially, through what he does. He not only explains to his collective social reality or the tasks, but he also makes changes together with the collective and fulfils the requirements assigned. That makes the kind of personality of him that excels as a socialist leader.

To lead people, each party member needs a sound knowledge of the working class ideology. He has to have a firm character, a clear personal position on events in life, and high moral abilities. That turns our party's indoctrination into far more than the dispensation of knowledge. It implies permanent further training and necessary education for the educators. It requires a critical and comradely atmosphere in all our executive committees. To that our party executives have to conform to a higher degree in their work with the cadre.

Since our 10th party congress, 24 percent of all managers, directors and chairmen who are party members graduated from 5-month courses at our central educational institution. That raises the proportion of managers with an extended party school attendance to 45 percent. Of our middle-management colleagues, 31 percent in that period got more training in 3-week courses under the bezirk or kreis executive boards or at our central educational institution. This is how we must keep going, and some bezirk associations have to do more to get ahead faster.

Our members in LPG's with private plots are doing a lot to help supply the population. We are all for tapping still more extensively reserves not yet used this way in line with sound cooperative work and in conformity with the statute and industrial regulations.

We also fully support our colleagues' participation in the Association of Allotment Gardeners and Small-scale Animal Breeders who produce for public supplies, above and beyond their own needs, mainly fresh fruit and vegetables, honey, rabbits, eggs, geese, skins and other products.

The further preparations for the fifth general conference of that Association and its analysis offer our members another field for political mass activity toward rich initiatives for using every square meter of soil, meaningful leisure time activities and active recreation.

For tapping all the reserves we must also involve all small producers above and beyond the Association.

Our members who work as functionaries in the Peasants Mutual Aid Association (Peasants Trade Cooperative) should purposefully assist in further improving the supplies in small equipment, work clothing and other production accessories for house and garden for the rural population and in making building materials available.

An Active Part in the National Front Citizens' Initiative

The picture of socialist agriculture is framed primarily by successfully operating LPG's in beautiful and modern villages where citizens feel at home.

From 1977 to 1981 alone, circa 56,000 new or modernized apartments were created in the villages out of their own agricultural construction capacities. Some 157,000 households, with circa 470,000 citizens, got extensions connecting them with the central fresh water network, mainly on the initiative of the rural population itself. Kindergartens and day nurseries were expanded, and so were facilities in social welfare and health.

Best results are achieved wherever LPG's and other enterprises work closely together with communal representations and commissions of the National Front of the GDR and where, through targeted political mass activity, the rural population gets drawn into it. Through joint efforts for the good of all, new modes of thinking and conduct develop, mainly with respect to public property, the respect for the work of others, and the shared responsibility for the commonweal. New interests and needs are awakened which are, in turn, satisfied within the community.

For instance, the "Join-in!" competition helps develop the mode of life that is characteristic of socialism in the residential areas and villages and foster the formation of socialist personalities.

The targets of the citizens' initiative in the contest for "more beautiful towns and communities--join-in!" issued by the National Council of the National Front of the GDR make up a long-term action program till 1985. To this there will also apply in the future more than ever the principle of utmost efficiency, i.e., what we have intended to do must be brought about by means of the funds we have.

All members, especially our colleagues in the National Front commissions and in the people's representations, find broad space here for political activity. For that they need more support from the boards of their local and residential area groups. From there should come more than in the past creative impulses toward territorial rationalization and the improvement of working and living conditions.

We must help actively in newly building or modernizing 55,000 rural apartments, whereby further to improve the housing conditions. The primary concern lies in more maintenance and timely repair of apartment buildings and in renovating and modernizing the apartments.

The collection and use of secondary raw materials and kitchen offal deserves special attention.

Our members have every good reason to attach growing importance to the tasks in rural planning and environmental protection. With great initiative and dedication, they are concentrating on a more effective utilization of the soil, on water protection and purification, the maintaining and augmenting of beauty in our landscape, and a more rational utilization of industrial and agricultural by-products. We deem it utterly important that our bezirk and kreis executives actively assist our members on the boards, working teams and interest circles of the Association for Nature and Environment, Monument Maintenance and Local History of the Culture League of the GDR and delegate other members of our party to executive bodies.

Each member must see to it that everything is preserved, fostered and furthered that makes life in the socialist village still more worthwhile and helps strengthen the love for our home.

## High-Grade Culture and Education

"The center of the SED's social policy is our economy," says the Central Committee report to the 10th party congress, "our people's great efforts for a high economic performance improvement. Here all the decisions are made on further advances in the shaping of developed socialism. In turn, the blossoming of all social domains increasing affects the tempo of our production growth."

From this social context, we, the DBD, derive as an indispensable side of our alliance obligation the task to help more purposefully still, especially in the villages, on further improving the intellectual-cultural preconditions for high economic performance growth, and mold in every way the culture and mode of life of the developed socialist society in the countryside.

With every good reason it may be maintained that our socialist national culture is undergoing a successful development. It is marked decisively by the goals and ideals of the workers class and has become a culture of all the people in our GDR. It finds its roots in the most progressive cultural traditions of our people and of all mankind. It is closely linked with the cultures of the Soviet Union and of the other countries in the socialist community of states.

Working with the young generation is very important. The party has a high opinion of the 2,000 teachers, educators and teaching instructors among its members. It is a responsible obligation to form young socialist citizens, which they do in confident togetherness with the parents. This is accomplished all the better, the more intimate a cooperation there is with the Ernst Thaelmann pioneer organization and the FDJ.

In this sense we support the FDJ in implementing the resolutions of its 11th Parliament and preparing the Seventh Pioneer Meeting that is going to be held on the occasion of the 30th anniversary of the day when the name Ernst Thaelmann was bestowed.

The objective is a high quality of culture and, above all, of communist education for the young generation. At school and in the family, in polytechnical instruction and in vocational training, we have to help form personalities brought up in class consciousness who excel in their high, soundly scientific general education, their loyalty to the workers and farmers power and their political steadfastness.

The family has the decisive influence on the development of the children's and adolescents' personalities and the molding of their character. Especially within the family those bases are laid for the children's physical, mental and moral development that normally control them for the rest of their lives.

Educating one's own children so they will with all their hearts, great knowledge and sound understanding continue the socialist/communist effort that got started and always act as socialist patriots and internationalists, is an important party mission for all our members.

It is a permanent task for all executive committees to help all colleagues working as pedagogues in their striving for higher effectiveness and better quality in their work, in consistently and sympathetically working with youth, and in putting still more of a political motivation into their work.

Our members have a great responsibility, especially those in management positions, for polytechnical and vocational training and, as was already mentioned, for attracting new blood to agriculture. He who wants to do great things, with love and high knowledge, for socialism, will find in socialist agriculture broad and fertile testing grounds in the literal sense of the word.

Man the Measure of All Efforts in Cultural Policy

Man, his becoming a socialist personality, is the measure of all our members' cultural policy efforts in the collectives and villages, boroughs and residential areas, village clubs and the clubs for the working people.

The propitious work of these members helps elevate the cultural standard of living of the cooperative farmers, in harmony with the material, and make country life more attractive. Many inducements for that came from the experience exchange by the secretariat of the party executive on our party's participation in promoting an intellectual-cultural life.

The experiences conveyed there should be used with still more purpose by all executive committees, so that everywhere an active contribution is encouraged by our party members toward developing a rich intellectual-cultural life and surmounting there too unjustified differences in levels. The deputies to local people's organizations who are party members bear a special responsibility for it.

Through solving the tasks for economic performance improvements in towns and in the countryside, the role of socialist working culture is enhanced. It is a profoundly political concern for our party members actively to see to it that the progress-promoting and humanistic character of science and technology is shaped everywhere so that they help strengthen the GDR's economic capacity and raise the working people's cultural level.

What we want are cultured working conditions and the fashioning of socialist interhuman relations in every work collective, every LPG, every enterprise. Socialist working culture plays as much a key role in developing socialist personalities as for all rural cultural development. To live up to that everywhere also is a part of solving the main task.

That implies fostering fellowship, community and collectivity in the socialist sense, enhancing cultural standards, creativeness and dedication, and dispensing the joy of living.

We direct the attention, mainly, of our management cadre at broadly spreading intellectual-cultural life in the work collectives, especially through the "work, study and live socialistically" movement. A greater influence from them is needed to combine high emulation obligations deliberately with promoting the members' practical and intellectual capabilities.

The culture and education plans have proven themselves well as management tools for shaping socialist relations, a creative working climate, and the socialist mode of culture and life.

Our members are making their most effective contribution to the development of socialist culture and art where the boards of the local groups derive their concrete tasks from the communal representations' cultural policy leads contained in the annual culture plan.

We also have to take part in seeing to it that in the villages and boroughs the intellectual-cultural life is further improved by means of opportunities available there. That has to do with the requirement gradually to assimilate the urban and rural working and living conditions and implies a stronger involvement of the artists and creators of culture.

To help enhance the ideological content and massive effectiveness of our intellectual-cultural life comes down to core issues of our activity in this important field. That is why we suggested particularly to improve the work of the village clubs in every village. All members are called upon to make a fine contribution to the preparation of the workers festivals and culture holidays of socialist agriculture. We actively support the Culture League of the GDR and the cultural projects of the youth association and of the Association of Allotment Gardeners and Small-scale Animal Breeders. And finally it also is a matter of helping the people's solidarity in offering senior citizens the opportunity to have a cultured and meaningful life to the end of their days.

It is a matter of helping shape the kind of intellectual life which, in the sense of the GDR's cultural policy, informs about the intellectual issues in our time. It is meant to help encourage economic thought, pride in one's trade, versatility of knowledge as much as socialist festivals, celebrations and sociability, the enjoyment of art and popular culture.

Today it is important that in the struggle for the preservation of peace the words and works of the artists and creators of culture increasingly gain in weight.

We must more use and promote still the indispensable and irreplaceable contribution literature and art can make to the development of socialist personalities and the enriching of their thoughts and sentiments. That means we should know all that mankind has created in the struggle for social progress while under the yoke of the exploiter societies and all that the peoples created, especially the USSR, with the construction of socialism. That helps, as much as knowing the history and tradition of one's own village, in deliberately coshaping our socialist present and communist future.

We feel deeply committed in our cultural policy work and in the ideological class conflict to the entire humanistic cultural and intellectual legacy, the rich and fruitful traditions within which the socialist national culture of the GDR as well as its Sorbian culture with its own place, are firmly rooted.

This includes the outstanding personalities of the early bourgeois revolution in Germany like Thomas Muentzer and Martin Luther, the great creators of culture and works of the mind like Goethe, Schiller, Lessing, Heine and many others.

We belong among the heirs to the Communist Manifesto. The 100th anniversary of the death of Karl Marx next year will give us the occasion to honor the greatest personality in German history.

To enrich the socialist culture of the workers class and the entire people also is the business of the artists and creators of culture among our membership. We pay tribute to their responsible efforts.

Popular art and culture have much of a share in the intellectual-cultural life in the villages.

To help shape it with purpose in its entire range and offer more and more talents broad developmental opportunities is something we wish to encourage and ask our members to do. The exhibition, "Party Members Exhibit," at our party congress impressively exemplifies the cultural creativeness of our members.

We pay high tribute to the thousands of sports functionaries and top athletes who belong to our party. They have contributed to the continued blossoming of our socialist sports movement in the countryside, and that has included such traditional kinds of sports as horseback riding, bowling, soccer and motorized sports.

We should get more and more members to engage in sports regularly. We need a higher level and broader range in the further development of physical culture and sports.

All party executive committees are called upon to devote more attention and support to defense education, the premilitary training for youths in the GST, and interesting and diversified defense sports activity.

## III. The Consolidation of our Workers and Farmers Power Is and Remains Our Party's Basic Concern

The DBD, in implementation of the 10th party congress resolutions, has been actively involved in consolidating our socialist state power all-around.

The DBD members hold firmly to their workers and farmers state. It is the achievement of the conscious, creative work of the workers class, the cooperative farmers, the intelligentsia and millions of citizens in our country. So it also is our achievement.

All basic rights and freedoms in socialism depend on the political power of the workers class. The enemies of socialism aim their most frenetic attacks against the leadership role of the workers class and its Marxist-Leninist party, the SED, and against our workers and farmers power. That is neither new nor unique. Our people has done well under SED leadership.

All our successes are based on the SED's scientific leadership activity. Never have our enemies been able to drive a wedge between the SED and the people. Nor will they be able to do it in the future.

Attacks against the working class party also are attacks against our party. With full resolve and without any compromise, we are turning back any attacks by the class enemy against the SED. And we shall continue and do all we can to strengthen further and defend our workers and farmers power.

The accomplishments of the socialist countries vividly demonstrate the close objective connection between political working class power and the working people's freedom and human dignity. Here they have the right to and the freedom of the exercise of power. Here in socialism they share in the work, the planning and the government. These are basic values of socialism, indeed they are the crucial impulse in the creative efforts in shaping the socialist society.

As GDR development proves, our socialist state and its legal order are politically stable. As a workers and farmers state, the GDR not only proclaims the citizens' basic rights and duties, it also brings them to realization. It is the guarantor of the people's freedom to shape worthy human living conditions for all working people.

It belongs among the permanent political-ideological tasks of the executive boards further to deepen the realization among our members that the political power of the workers class and its firm alliance with the class of the cooperative farmers, the intelligentsia and the other working people are the decisive prerequisites for implementing throughout the 1980's the policy that is aimed at the well-being of the people and the safeguarding of peace.

We expect of all our members that they will more thoroughly still think along with us, feel responsible for the whole, share our work in awareness and maintain exemplary state discipline. The further perfecting of socialist democracy will continue to be the main thrust in the development of socialist state power.

The workers and farmers power is deeply anchored within the GDR people. That was also persuasively confirmed by the elections for the people's representations on 20 May 1979 and 14 June 1981. They were an overwhelming loyalty demonstration by the citizens of our socialist fatherland for socialism and peace and the policy of the leading force in our socialist society. They once again demonstrated the steadily consolidating political-moral unity of our people.

Delegates--Deputies of Their Voters

The more than 21,000 members of our party in the people's representations and their organs do a tremendous amount of work with great personal dedication as their voters' deputies to justify fully the trust placed in them. They help ensure the people's representations as ever more effective corporate bodies in their exercising the unity of decision-making, implementation and control over their resolutions. As elected deputies, they take a direct part in the exercise of power. Their most important party mission is to help enforce the state policy in the 1980's.

We should like to register our expectation that the executives will pay still more attention to the work of these members in the people's representations. They must be given more effective political-ideological support and assistance than they have received. Above all they should be better skilled in carrying on relevant and persuasive work that is linked with the masses. Their respect and authority can come only from exemplary work done, especially in their occupational work, a people-related working style, and an attitude of attention toward any recommendations and petitions from the citizens. Mainly through their personal attitudes in the enterprise, their election district and residential area, and their active participation in the work of standing commissions is their relationship of trust with their voters determined and authority gained.

Of great importance to a confident cooperation with the citizens is the development of public life, especially the safeguarding of state order, down to every borough.

Crucial is and remains a high political effectiveness of the people's representations and their councils. Our executives and members should in every way promote the close cooperation between the councils and the LPG boards so that territorial reserves are still better be made use of for high performance improvements.

In all this, a great political responsibility is assigned to the 462 members who are mayors and the 700 who are deputy mayors. It must remain an important concern of our executives to help such members politically so that they can always live up to their responsibilities as agents of socialist state power. Through a confident rapport with the citizens, dedication and active participation must be further encouraged.

By far most of our members exercising managerial functions in the state or economic management organs, or working as associates in them, are doing fine work.

We expect they will continue their responsible, idea-rich and creative work to meet fully the growing demands made on state executive activity. All boards should have to pay greater attention to the development and further training of these cadre. Other party members are to be prepared on a long-term basis for taking over such functions.

The further development of the socialist legal order is an inseparable element of strengthening our socialist state. A visible, timely, expression of it is the new LPG draft law. It should help consolidate our accomplishments and create more favorable conditions for the development of the productive forces and the socialist production relations in the countryside and for creative action on the part of the cooperative farmers.

The main thing is to use in the future still more effectively the Leninist principles of voluntariness, of the LPG's own responsibility, of the development of manifold cooperation relations, and the LPG's and their members' material incentives with respect to outputs for further developing good cooperative labor.

The law on the social courts in the GDR ought to improve their effectiveness and benefit the voluntary activity of the members of the conflict and arbitration commissions. We must become much more intolerant to violations of our legal order.

In this connection, it is necessary to provide more political support for those members who work as lay judges and in public jurisprudential organs. The law on the contract system in the socialist economy serves the solution of economic tasks in the 1980's.

Socialist law--an expression of overall state interests--protects the people's accomplishments. It helps form truly socialist interhuman relations. The executives should make more of law education and law propaganda in their work. Our members' sense of responsibility to exercising their civic rights and duties should be further developed. That includes their resolute advocacy of law and legality in enterprises and territories.

That also entails a greater concern for their shared responsibility for high political vigilance and a high level of order, discipline and security in solving their tasks on the basis of municipal and communal regulations. So we are involved in seeing to it that the rules for socialist communal life become more and more habitual in people's lives and thoughts, as precepts of socialist morality, to be respected deliberately and voluntarily.

Experiences have shown that the more responsibly legal duties toward society are obeyed, the more honesty is fostered, comfort created and high dedication stimulated.

Peace Requires the Reliable Protection of Socialism

We pay high tribute to the exemplary efforts by more than 35,000 members who are consciously fulfilling their patriotic and internationalist obligation to defend our fatherland, socialism and peace. They perform recognized accomplishments for the protection of our socialist achievements in the ranks of the NVA, in the reserve collectives, as assistants to the border troops and the People's Police, in the working class militia, in the organs of civil defense, in the GST and other organs. All executives must maintain permanent close ties with members who are doing their honorable service in the NVA. They must feel the party cares about them even at that time.

Our executives should do what they can to enhance our contribution to militarily reinforcing our socialist workers and farmers state. This aim was served by an experience exchange conducted by the party executive presidium, where Comrade Col Gen Herbert Scheibe, member of the SED Central Committee, spoke about military policy matters.

Very important for our political-ideological work further was the visit by the party executive presidium and the bezirk executive chairmen to the civil defense institute of the GDR in Beeskow. Bezirk and kreis executives conducted other similar conferences.

Peace, security and the reliable protection of socialism belong inseparably together. To that also conform, as already mentioned, the military service law and the border law the GDR People's Chamber ratified. Through military service our workers and farmers state assures its citizens of exercising their right and the fulfillment of their honorable duty to protect peace and the socialist fatherland and its accomplishments.

What is new in the border law which, in conformity with the Constitution and the recognized principles of international law, was ratified by the GDR People's Chamber, is that it settles in a complex manner the matters of the GDR's sovereign territory and national borders. It contains all basic stipulations for maintaining high order and security in the border area and thereby creates fine conditions for the peaceful work and life of the people.

We are convinced all our members will make their contribution, in line with the military service law, to preserving and consolidating peace and strengthening socialist state power and securely protecting socialism from any enemy attack.

And we pledge our word: DPD members will continue always help actively implement all military and security policy measures of our socialist state.

National Front--Proven People's Movement for Peace

All successes and accomplishments of our socialist workers and farmers state are the result of the joint efforts of the workers class that leads our society and its firm alliance with the class of the cooperative farmers, the intelligentsia and the other working people. This proven alliance manifests our people's strong political-moral unity.

Under the battle-tested leadership of the SED, that alliance finds its visible expression in the joint operations by the parties and mass organizations in the Democratic Block and all the forces of the National Front of the GDR on behalf of the policy that is aimed at the well-being of the people and the safeguarding of peace. The most recent session of the National Council of the National Front of the GDR proved its vitality once again.

New standards were set for the work of the National Front in the 1980's. What matters is to carry our socialist state's policy into every family. Our members should always actively contribute to having the National Front of the GDR prove itself a truly socialist people's movement, a National Front for peace.

In some urban residential areas and communities, however, greater efforts still have to be made to overcome unsatisfactory results in political mass activity. It is the task of our executives to help create everywhere politically functioning National Front commissions. That is also true, especially, for the boroughs.

To make better use for this of the still available reserves everywhere in the bezirk and kreis associations of our party conforms with the coresponsibility DBD members bear in our socialist people's movement.

Right now, nearly 23,000 members, more than 1,100 of them as chairmen of National Front commissions, are exercising an active influence on the political climate in the urban residential areas and villages. That makes it over 3,600 members more than at the time of our 10th party congress. Especially good results were achieved in the bezirk associations of Gera and Berlin.

Another 4,500 members do distinctly responsible work in the housing community leadership and the street communities. Our party's increased effectiveness also is reflected by so much more our members are now doing in the social mass organizations.

We appreciate our members' active participation in the Democratic Women's League of Germany, the FDJ, the Peasants Mutual Aid Association (Peasants Trade Cooperative), the Association of Allotment Gardeners and Small-scale Animal Breeders, the German Gymnastics and Sports Federation, the Culture League of the GDR and many other public organizations. Through various initiatives our party members in socialist women's organizations help in putting into effect the tasks decided on by the 11th congress of the Democratic Women's League. Our members who belong to the socialist youth association support with youthful elan the fulfilment of the campaign mission of the 11th FDJ Parliament.

IV. Ideological-Political Work--Centerpiece of Our Party's Leadership Activity

Our 10th party congress gave us the task to make all our party work more expedient and equip all members politically and ideologically so that they will always do their best for the all-round strengthening of our socialist fatherland and the safeguarding of peace. Our assessment today may be this: our party has proven its ability to implement successfully the goals and tasks with which the 10th party congress charged it.

And indeed: our party's greater fighting strength is due to the higher level of our party work. The 35,000 members of all the executive committees, the full-time functionaries and the deputies have had an outstanding share in it. Our heartfelt thanks to them.

The election meetings in the local and residential area groups and the kreis and bezirk delegates conferences in preparation for our 11th party congress have reflected our work's improved quality. They informed us about our members' activities and the great authority and activity of their party collectives.

The party elections have shown that our members' knowledge of their personal responsibility to the commonwealth reflects their grown socialist and internationalist consciousness.

Above all the party elections brought out our members' declared intention to make politics through higher economic achievements, to strengthen the socialist state, to improve life further and to contribute to the preservation of peace. They manifested our members' firm determination to counter the aggressive policy of the U.S. administration and NATO's arms-buildup course, not only in words but through constructive efforts on behalf of socialism, and to do all they can for a secure protection of our socialist fatherland. These advances were due to the improvements in our executive committees' leadership activity. They sought to make more highly qualified political-ideological work the focus of their efforts, and that did pay off.

Our party executive held regular meetings. It assessed the status of implementation of the resolutions of our 10th party congress and has kept issuing further tasks for their implementation.

The party executive has been mainly concerned with constantly improving party work so that our party can meet its growing coresponsibility better all the time. The party executive and its presidium drew conclusions from the resolutions of the SED Central Committee, the People's Chamber and the Council of Ministers, the Central Democratic Block and the National Council of the National Front of the GDR and took a stand on all important events in the GDR and on the international level.

The thorough analysis of the historic resolutions taken at the 10th SED Congress was of outstanding importance to our party work. At the conference of functionaries in Neubrandenburg in May 1981, thought also was given to how our party should help implement the historic resolutions of the 10th SED Congress with the strength of all members behind it. No doubt, that conference released important impulses for our membership's participation in the fulfilment and targeted overfulfilment of the 1981 national economic plan. Our members have also done much more in other public domains, especially in the National Front of the GDR. Last but not least, the creative analysis of the 10th SED Congress resolutions directly served the preparation of our own 11th party congress.

The central conferences sponsored by the party executive in the reporting period, the organized study of "Agra" and "Iga," and the periodic reports by bezirk and kreis secretariats to the presidium and the secretariat did a lot to improve our political-ideological work.

Constantly Strengthening Operational Activity

Colloquies, problem discussions, and distinct conferences and experience exchanges proved equally valuable. Such activities involved executive members of all levels, party functionaries, party members in agriculture, forestry and the foodstuffs industry, scientists, pedagogues, deputies, state functionaries, members of National Front commissions and members who had gained distinction in the protection of our socialist accomplishments and the spreading of intellectual-cultural life. These working methods have stood up well; they ought to be continued. Much altogether did we attain, but what we did attain is not yet all that is attainable. Still we have not overcome the tendency for a full-time party apparatus or another to be far too much concerned with itself. Operational activity thus has to be strengthened in every way.

This is what we may report to the 11th party congress today: Our DBD has grown further, politically, ideologically, organizationally. Since our 10th party congress, thousands of men, women and youths, especially also children of party members, have found their way into our DBD. Right now, 103,000 members are organized in 6,300 local and residential area groups. Some 72 percent of our membership, as one would expect, works in socialist agriculture. Women make up 30 percent of the membership. It is necessary for all executive committees to keep paying the necessary attention to the political-organizational consolidation of our party.

We know how closely our senior party members are linked with the party and in how much public activity they engage. No executive committee can do without their rich store of experience.

Through their efforts, full of sacrifice, they have helped laying the foundations on which our DBD became a strong and respected political force in our socialist society which, under SED leadership, fulfils its alliance obligation in honors and which also receives attention beyond the borders of our socialist fatherland. We thank those members cordially for what they have done and are doing.

The exchange of membership cards, as decided at the fourth party executive session, was of great political importance to further consolidating the unity and cohesion of our party. The party came out of it stronger, politically, ideologically, organizationally. Personal conversations have impressively confirmed that our members ever more consciously exercise their duties and rights in accordance with the party statute.

The party executive can report to the party congress that it has paid the necessary attention to improving cadre qualifications.

Our members and functionaries now have a higher cultural level. One-third of our membership has attended a party school. More than 92 percent has had technical training; 20 years ago, only eight.

Since our 10th party congress, the proportion of executive members in local and residential area groups having attended a party school has risen from 40 to 60 percent. Of the kreis executive members, 90 percent, and of the bezirk executive members, 95 percent have attended a party school.

Everyone knows how much responsible work there is for kreis first secretaries. And much does depend on how they organize and direct the work. We have a tried and tested collective of kreis first secretaries. Almost all of them are college or technical school graduates. They have attended lengthy courses at the party school and are seeking further skills in the process of daily work. They thus have all it takes to meet the new demands, together with the executive collectives and the political associates, that our 11th party congress is going to assign. And, as life has shown, they are successful in their work. Of course, they must continue to endeavor meeting the higher criteria in their leadership activity.

Our central educational institution in Borkheide and the others in Leipzig and Bad Kleinen have done well. Some 1,700 cadre graduated form them in the reporting period. The 10th party congress mission has been taken care of: Basics in the working class world-outlook were still more impressively conveyed, and the inevitabilities in social development, the GDR's farm policy and the lessons from history were treated more substantially and centrally.

Advances were mainly due to an ever more effective combination between a streamlined direction of the process of political training and advanced training and a consistent work in party education.

Higher qualitative criteria for the political training and advanced training of our cadre at the central educational institution now demand that the scientific world-outlook of the workers class, the SED's and our socialist state's policy, and the advantages, values and impulses of real socialism be still more soundly and relevantly propagated. Sure enough, the resolutions of our 11th party congress and of the 12th Peasant Congress will have to be analyzed on a higher plain in all the courses of our cultural and educational work.

We also consider it indispensable for the history of the DBD to be included in the curriculum. Thereby we shall enhance the pride in what the party has done and is doing.

The 3-week courses of the bezirk and kreis executive committees have turned out to be an effective form of training and advanced training, especially for the volunteer executive cadre in the kreis and local executive groups. This way we have trained 12,550 members since our 10th party congress. This is quite something for our kreis executives to have accomplished. We thank all those who took part in it and assisted in it.

General rules in this respect, we think, should be drawn from the experiences of the Rostock Bezirk executive committee. We must, no doubt, constantly seek to raise the theoretical-ideological level of lessons, seminars and self-study.

The unity of knowledge, conviction and creative deeds must still be strengthened among the attendants. We agree with the view of kreis executive committees that they should get more theoretical-ideological support from the party executive committee.

Cadre selection should become more consistent and conform more with the kreis executive committees' cadre development programs. More attention should be given to women and youths in our membership and, of course, the kreis and local group executive committees must help our women more than they have done so far.

Our party organ, BAUERN-ECHO, has met well the demands made on a socialist press organ as a collective propagandist, agitator and organizer.

We think our members on the editorial board of BAUERN-ECHO should see to it that the quality of their reports and arguments is improved. There must be a more effective way of popularizing our socialist accomplishments. Also, more full-time party functionaries and farmer-correspondents should express themselves in the BAUERN-ECHO.

We agree with all members who expect the BAUERN-ECHO to come out regularly. We shall seek to make the proper changes about this.

DER PFLUEGER is a valuable adviser on party work. It helps in generalizing good experiences and good advances made in conveying sound knowledge to our functionaries. The editorial board ought to work systematically on further raising the theoretical level of our organ for functionaries.

More Rapidly Generalizing the Experiences of the Best

Bezirk executive committees are collectives of skilled functionaries. There is now a higher collectivity and personal responsibility, as an indispensable condition for management activity, for a realistic and objective approach to the implementation of tasks. They are trying harder to implement in a complex manner the tasks assigned by the party executive in their unity of politics, ideology, economics and culture. The best results in this have been achieved by the bezirk executive committees of Halle, Erfurt, Frankfurt/Oder and Schwerin.

The conceptual and analytical work of the bezirk executive committees and their secretariats was further improved. We should like to direct their attention at more systematically still helping those kreis executive committees whose leadership activity is not yet up to par.

All kreis executive committees have made headway in their work, if not with identically good results. They are more realistic and constructive in the manner in which they approach their objectively higher tasks. The kreis executive committees are having ever better success in making political-ideological work the focus of their activity.

We do of course not overlook the disparities, which actually are not necessary. We must more rapidly generalize and enforce the experiences of the best. Many kreis executive committees take it for granted by now that each member assumes a concrete mission and assists on a priority basis in the local and residential area groups. The kreis executive committees have to take further steps ahead in providing an improved accountability for their leadership activity. That also makes for a higher level of analytical work they do.

By far most kreis executive committees also regularly assess the situation in their areas of responsibility. They know the opinions of their members and so can politically react faster to topical events. They attach sufficient importance to the development of intra-party democracy. They practice comradely criticism and self-criticism. In their collective they help resolve tasks still unsettled in the territory. They seek to overcome more rapidly the still existing disparities among local and residential area groups. They want the kreis association to be up to its tasks.

A collective approach to the implementation of party resolutions conforms with the norms of party life. Such a management style, not last, also conforms with the members' greater intellectual demands. Executive committees should always keep in mind: Our members are politically and technically highly educated who consciously share in the shaping of their socialist life. That is why work always has to be organized in such a way that this fact is always taken account of and all members are drawn into active party work. Thereby we keep in mind the complexity of our shared responsibility for the commonwealth. We ourselves feel politically responsible for the high achievements of the more than 70,000 members working in socialist agriculture. But among the tasks our executive committees have also is to concern themselves more with the members who are working for the further consolidation of the GDR in forestry and the foodstuffs industry, in inland fisheries, in water management, in state and economic management organs, in science institutions outside of agriculture, and in the fields of commerce and of the crafts and in other domains of public life.

Further Shaping a Militant Stance

It counts now more than ever in our political-ideological work to deepen our members' knowledge of the inevitabilities and interconnections in our country's development and in the class conflict with imperialism.

What matters is to bring fully into their own our socialist patriotism and internationalism as an irrevocable basic stance and essential impulse for selfless work and high achievements for the strengthening of real socialism and of peace.

What matters is to enable every member so he will help create in his work collective the kind of political climate in which initiative, creative contest and great dedication can flourish.

The content and effectiveness of ideologial work thus must be aimed at further developing in the members such features as a militant stance, firmness of principle under any conditions, and the personal readiness to contribute to a high economic performance increase.

The party school year holds a high rank in our political-ideological work. It gained in theoretical profundity and relevance to life and encouraged the initiatives and activities of the members in production and in other public domains. Much headway was made especially in the bezirk associations of Dresden and Neubrandenburg. We think highly of the share the 6,000 seminar leaders, kreis training activists and training leaders have had in it.

We are sure the volunteer training cadre will help still more purposefully in surmounting still existing disparities in the political-ideological levels of local group training and in the members' involvement. It also is important further to improve the quality of kreis seminars and raise the responsibility the local group executive boards themselves have for well prepared training and all members' participation.

In our training we must increase a frank, constructive and interesting exchange of thoughts and views about the basic social issues of our time. All members must still more be politically and ideologically focused on the requirements of the 1980's under which the continued shaping of the developed socialist society in the GDR takes place while the class conflict is intensifying.

Resolute Implementation of Party Resolutions

We are gratified to report to the 11th party congress that our party has a large collective of well trained, politically tested and experienced functionaries. They are doing responsible, idea-rich and unselfish work. Their purposeful political-ideological efforts, their combative and expert activity, and their effects as models set the tone for great dedication, activity and initiative on the part of the membership.

The cadre are the greatest treasure of our party which must continue to be carefully guarded and fostered with attention in the future.

What with all our accomplishments, we still must further shape among our cadre, mainly, such traits as an unshakeable class standpoint, richness in ideas and initiative, expertise and relevance to practical matters. That also includes the willingness to take care of party missions where social requirements make that necessary. The measure for the work of each functionary is how and with which results he translates party resolutions into action.

With greatest care and foresight, all executive committees have to set down the requisite measures for our members' training and advanced training. We must consider more than we have done delegating some to the colleges.

Not all bezirk executive committees have fully met their responsibility in cadre training. Opportunities open to us for studies must be made use of more consistently.

Here also women and young party members must receive more attention. In this connection, the bezirk executive committees must not lose sight of systematically training new full-time functionaries and training members for other executive functions.

Many young party members have in recent years excelled in their efforts at implementing the party resolutions. The executive committees should always keep their systematic promotion, training and education in mind. Certainly, working with our young members requires patience, the strength of conviction and a truly comradely relationship. Certainly, one's own example and the needed consistency of senior colleagues are of inestimable importance. We should more courageously start entrusting bigger tasks in the party and other social domains to young party members, though.

In short: In the cadre work of the executive committees, starting with the central executive, more systematic planning, continuity and foresight are needed. Vivid and target-directed work with the cadre, a prescient training for new capable functionaries, is no doubt a main concern in the executive committees' management activity.

Ambitious Tasks Challenge and Shape Each Member

The work each member does in the local and residential area groups determines the success in the implementation of the party resolutions. By and large the kind of combative atmosphere has been created that mobilizes all members for high dedication.

A higher level is found now of political-ideological education in the monthly membership meetings. A thorough explanation of the party resolutions and a frank debate on the most effective ways of implementing them have become regular procedure in almost all local and residential area groups. In the membership meetings members engage in an open and frank exchange about all matters that concern them. Here they get advice, and here they ensure unified actions taken by the whole collective of their local group. Yet we do not ignore the fact that some local and residential area groups must still pay more attention to this formative and mobilizing value of party education.

The presidium has come out with a resolution that advises the local and urban residential area groups on how they can still better meet their overall social co-responsibility in urban residential areas. Here also applies the following: Ambitious and accountable tasks challenge and shape each member. In principle it has also been found confirmed in the urban groups--and more than 20 percent of the membership belongs to urban groups, after all--that the quality of intra-party life greatly depends on the involvement of all party members.

## Working With Party Commissions--An Effective Management Method

As our party work has confirmed in practice, accountable assignments and a systematic control of them in each membership meeting greatly affect political results. We think it is right for the executive committees to present status reports to membership meetings regularly.

Assigning party commissions is becoming ever more the rule in our party work. In the outcome of the party elections, more than 30 percent of the membership received party commissions. They are increasingly concentrated on focal points serving the enforcement of the economic strategy for a high economic performance growth and help improve party work.

Working with party commissions should become more and more of a regular procedure in the work of the executive committees' management, as is already the case, mainly, in the bezirk associations of Suhl, Potsdam and Leipzig. A target-directed work with party commissions, which also takes into account the members' personal interests and inclinations, turns out to be a very effective method to implement party resolutions.

An essential prerequisite for further elevating our party's fighting strength is a greater refinement of the work done by the local and residential area group executive boards. Their members are politically and technical skilled party-conscious colleagues. Most of them have attended a party school, and all of them are skilled specialists, 31 percent women, 7 percent young people.

Party work in the local and residential area groups by and large depends on the knowledge and skill of the chairmen. Their effect as models and their ability to develop collective leadership activity purposefully and systematically are essential for local groups to fulfil the party resolutions.

The work of those chairmen must still be looked at more carefully by the bezirk and kreis executive committees, in conformity with the great attention the central executive pays to these members. With that have to conform the uniform monthly political briefings by the kreis first secretaries, as was emphatically demanded at the kreis delegates conference in Sangerhausen by colleague Ernst Goldenbaum. Particularly good advances have been made in this by the bezirk associations of Karl-Marx-Stadt, Cottbus and Magdeburg.

Relying on our experiences thus far, we must still pay more attention to combining sensibly skilled political direction with advanced training. So the briefings by the secretariats must be conceptualized in the collective in good time and politically be more thoroughly prepared. We welcome the step taken by some kreis executive committees that started scheduling such a briefing for a definite day during each month.

## Attacking Great Targets With Fighting Spirit

The high requirements for the 1980's demand steadily elevating the level of party work.

Good party work calls for creatively implementing with the strength of all members the party resolutions in their unity of politics, ideology, economics and organization, concretely related to the territory.

Good party work is well directed and aggressively conducted political-ideological work, oriented to priorities, to enable the members to solve the ambitious tasks in the continued shaping of the developed socialist society in the GDR.

Each member must still be made more aware of the weight of his own efforts for improving the GDR's economic efficiency and of the fact that his contribution serves to strengthen socialism and, hence, to secure peace.

A political management priority for the executive committees is to explain to all members the new conditions under which the political, economic and social targets of the five-year plan and of the 12th Peasant Congress have to be met.

Establishing and resolutely accounting for ambitious targets instills great activity and discipline into the membership. That strengthens collectivity, promotes criticism and self-criticism, and raises the members' personal responsibility in the efforts at enforcing resolutions taken. The work with party commissions, as already stated, plays an important role in this.

An atmosphere of creative activity and high dedication is brought about if the colleagues' collective debate on ambitious yet realistic goals bring out attentive responses to suggestions and criticism and honesty and sympathy for personal problems in the party life of local and residential area groups.

The more concretely and frankly things are done in the meetings and the contribution by a member to the implementation of the resolutions is judged, the more will our party meet its coresponsibility. That will also help, no doubt, in overcoming unjustified disparities among levels in party work.

Good party work means more deeply still implanting in our membership an irrevocable friendship with the Soviet Union, and the spirit of socialist patriotism and internationalism in thoughts and actions, engaging without compromise in the confrontation with imperialist ideology, especially with anticommunism and anti-Sovietism, and exercising active solidarity with all peoples fighting for social progress.

Good party work calls for constantly elevating the level of education and training and for persuasively and profoundly presenting the values and advantages of socialism.

Good party work is high-level intra-party life in the local and residential area groups that has a strong social impact, particularly in terms of an active political participation in the work of the National Front of the GDR and in other public domains.

All experiences in successful party work indicate that consolidating our party's fighting strength and each member's active political participation greatly depend on how the local and residential area groups implement the central executive committee resolutions and adopt the statute as the norm for party life.

Membership meetings have the strongest influence on intra-party life. The highest organ of the local and residential area groups, they are the chief channels for the members' education, information and culture. They are forums for exchange of opinions and debate. Here they collectively confer, decide and control the transformation of the central executive committee resolutions into action.

A DBD member distinguishes himself by incessantly contributing to the consolidation of socialist state power and to the defense and protection of our socialist GDR.

To be a member of the DBD means to be politically steadfast in any situation, attacking lofty goals with fighting spirit, passionately advocating the new, resolutely overcoming obstacles, and acting honestly, modestly, with self-assurance and sensitivity.

We DBD members are proud of our socialist GDR, which we helped build, and in which the people own what their own hands have created.

We are proud of our socialist fatherland, linked forever and inseparably with the first workers and farmers power in the world, the Soviet Union, and deeply anchored in the socialist community of states.

We DBD members are proud of taking part in the shaping of the developed socialist society under the leadership of the workers class and its Marxist-Leninist party, the SED, whereby to create fundamental prerequisites for the gradual transition to communism.

At our 11th party congress, we are looking ahead. But a few days separate us from the 12th Peasant Congress of the GDR. That great democratic forum, our party being one of its buttresses, will be an important milestone on the path of the further implementation of the 10th SED Congress resolutions.

From the rostrum of our 11th party congress we confirm, with the DBD members pledging their word to it: "The workers class and its Marxist-Leninist party and our people always can rely on us."

Our DBD will prove by deeds a reliable companion and fellow-combatant of the SED in solving the ambitious tasks of the 1980's.

Ahead to new successes in the struggle for the noble cause of socialism and peace!

Long live the leading force of our socialist society, the SED!

Long live our socialist fatherland, the GDR!

Long live our DBD!

## Congress Resolution

East Berlin BAUERN-ECHO in German 12 May 82 p 9

[Official text of "Resolution of the 11th Congress of the Democratic Peasant Party of Germany"]

[Text] The 11th Congress of the Democratic Peasant Party of Germany (DBD) approves the report of the Central Executive Committee delivered to the Congress and declares the tasks and conclusions contained therein the binding basis for the work of all executive committees and members.

The DBD, a force acting under socialism and coshaping socialism, will, through the work of all members, continue in the future, while proceeding from its overall social coresponsibility, its independent contribution to the all-round strengthening of the GDR, the positions of real socialism, and peace.

The highest forum of our party confirms: The important resolutions of the historic 10th SED Congress are the campaign program for the 1980's to all DBD members. They will champion their implementation every day by word and deed and struggle with rich ideas and high dedication as responsible fellow-combatants. We shall more broadly spread still all available potentials in helping to instil life in the resolutions of the 12th Peasant Congress of the GDR, rapidly and extensively. They too will mark the center of our further political efforts.

DBD members will under all conditions face the challenges of our time and always prove reliable companions and fellow-combatants of the leading force of our socialist fatherland, the SED.

I

The DBD's political work will continue to be marked by the unshakeable trust of all its members in SED policy, aimed at the well-being of the people and the safeguarding of peace, and in our socialist workers and farmers state. The DBD declares its firm resolve to be a responsible coshaper of the developed socialist society in our country, in alliance with the workers class and under the leadership of its party, and united with all forces in the Democratic Block and the National Front of the GDR.

It is and remains a compelling mission for each DBD member always to dedicate himself to the deepening of the GDR's indestructible fraternal alliance with the Soviet Union and to firmly anchoring our republic within the socialist community.

In our political-ideological work, the friendship with the Soviet people is to be deepened further, and the historic achievements of the Soviet Union as our people's liberator from Hitler fascism, and as the banner carrier for peace and social progress, have to be taught extensively and relevantly. That also applies to the very many different things we have in common and their importance and benefit for our peoples and for the progress of humanity.

The DBD without reservation endorses the peace policy of our workers and farmers state. In view of the boundless arms-buildup and confrontation policy of the most aggressive NATO, particularly U.S., circles, it reiterates its firm resolve to aid as best it can the rigorous struggle by the GDR and the other countries of real socialism for peace, for enforcing the peaceful coexistence policy, for detente and disarmament, on the basis of the peace program of the 26th CPSU Congress, the subsequent initiatives from L. I. Brezhnev, secretary general of the CPSU Central Committee and chairman of the presidium of the Supreme Soviet of the USSR, and the peace concept of the 10th SED Congress. We demand a definite end to NATO's missile plans and to threatening the peoples by imperialist arms-buildup and confrontation.

Our coresponsibility to the preservation of peace demands of us to turn back with all determination any attempts by the most aggressive NATO circles further to exacerbate the international situation by threats and violence, instigations and slander, boycott and blackmail. We are taking issue, aggressively and without compromise, with the anti-human policy and ideology of imperialism, mainly with anticommunism and anti-Sovietism, with its ills and crimes against mankind and peace.

The DBD emphatically endorses the standpoint of the GDR that GDR-FRG relations first and foremost have to be ruled by their joint responsibility for the safeguarding of peace and the unconditional respect for the principles of international law. The words of Erich Honecker, secretary general of the SED Central Committee and chairman of the GDR State Council, not to permit that war will ever again emanate from German soil, are a compelling mission to us.

We always resolutely oppose any illusory notions about special relations between the FRG and the GDR, which mean to cloak the survival of revanchist ambitions in the FRG. It remains an important concern of political-ideological work to unmask implacably the dangerous intrigues of the most aggressive FRG circles. We have to uncover the contradiction existing between quite some high-sounding phrases from FRG politicians and their actions against peace.

The 11th party congress orients all executive committees to the further molding of the party members' thoughts and actions in the spirit of socialist patriotism, internationalism and solidarity. This basic attitude must be brought fully to bear as an important impulse for selfless work and high achievements for strengthening real socialism and peace.

The DBD will continue to promote the fraternal relations between the GDR people and all peoples in the socialist community and the process of their continuing rapprochement. It will develop further its contacts with peasant parties and organizations that hold peace and security dear.

Our solidarity and support go to the liberated African, Asian and Latin American states struggling against imperialism, neocolonialism and racism and to all fighters for national and social liberation.

II

The DBD considers it its most important political concern to contribute to the further political, economic, cultural and military consolidation of our socialist workers and farmers state through developing our members' creative initiatives and capacities.

Incessantly we are seeing to it that the universal inevitabilities of the socialist revolution and of the construction of the new society, and the values, advantages and achievements of real socialism more and more govern the awareness and conduct of each party member.

The political power of the workers class and of the class of the cooperative farmers that is allied with it, of the socialist intelligentsia and the other working people

is and remains the most important, the cardinal issue of the socialist revolution. We always let ourselves be guided by that the objectively growing leadership role of the workers class and its party, the SED, is the basic condition for a continued smooth social development in our country. We shall always preserve, reinforce and further develop these cornerstones of socialism and help defend them against any assault.

The 11th DBD Congress fully supports the 10th SED Congress decision to carry on the political course of the main task in its unity of economic and social policy, even under the changed conditions, with all determination. All members are called upon to regard the economic strategy for the 1980's--pointing the way to high economic performance increases and an unprecedented growth of efficiency--as a political task of the first rank, and to use it as a yardstick for what they do. That is a critical testing ground for our continued active participation in the implementation of the SED's alliance and farm policy.

As a cosponsor of the 12th Peasant Congress of the GDR, our party is duty bound to making the resolutions from it its own business and help implement them through our members' exemplary achievements, initiatives and creativness, in order stably to supply our population with foodstuffs and our industry with raw materials at an ever increasing rate, reduce grain and livestock feed imports, and increase its contribution to the national income. Furthermore, we have to give our best through socialist emulation, under the slogan, "High economic growth through rising productivity, efficiency and labor quality--All for the good of the people and for peace." The party members are called upon to create an atmosphere of political struggle for it that conforms to the high criteria of the 1980's.

All effort is to be concentrated on the fulfilment and targeted overfulfilment of the 1982 national economic plan and the 1981-1985 Five-Year Plan. To produce more, better and more cheaply, and to accomplish more with what we have--that must be the leitmotif of all party members' daily work. Of decisive importance is the struggle for highest yields from farmland and grassland in all cultures, mainly an utmost production increase in grain and fodder. We are seeking greater achievements in the pens with an altogether greater efficiency and better qualities in agricultural production.

The 11th party congress counts on an energetic participation by all members in the all-round consolidation of socialist production relations and for improving the effectiveness of the cooperation councils. Fully using and bringing into their own the advantages of cooperation demands that all partners fully exercise their responsibility. We must also tap all reserves in our social labor capacity, fully apply the principles of socialist industrial management in their complexity, and spread cooperative democracy wide.

In conformity with the interacting chain of soil-crop-animal-soil, we have to see to it more definitely that the crop and animal producers work still more closely together in their unified reproduction process and that territorial aspects play a greater role in production and labor organization.

Foodstuffs and agricultural raw materials are gaining a higher place value than ever in strengthening the GDR and in the international class conflict. We therefore appeal to all colleagues in the LPG's and GPG's and their cooperative facilities and other enterprises in agriculture, forestry and the foodstuffs industry, and to those who work in agronomy, to help with rich initiatives and creatively in implementing socialist intensification and rationalization at a new quality, as the chief means for successful performance improvements in agriculture, and in more closely still combining the advantages of socialism with the accomplishments of the scientific-technical revolution.

Scientific-technical progress has to be a first-rate political concern in the struggle for high performance and efficiency improvements.

Best experiences must be broadly applied and unjustified disparities in performance and efficiency levels, rapidly overcome. Each must feel personally responsible for that the soil, the basic assets and all funds are used still better, specific expenditure per commodity unit is reduced and costs are brought down. Losses must be counteracted without compromise, and fodder and energy sources must be used rationally.

The 11th party congress directs the attention of all executive committees and members at the all-round fashioning of the developed socialist society's culture and way of life. Greater importance must still be attached to the communist education of the young generation.

The "work, study and live socialistically" movement, popular art, and the development of physical culture and sports in the collectives and villages have to be further encouraged, mainly through funds and means of one's own.

We advise all executive committees to lend still more effective political-ideological aid and assistance to members working in the people's representations and their organs, the commissions of the National Front of the GDR, and other social organizations.

The civic responsibility each DBD member has to the commonwealth demands that he think along still more thoroughly, work along deliberately and exercise exemplary state discipline, in feeling personally responsible for the spreading of socialist democracy and advocating more consistently law and legality, order, security and political vigilance in the enterprises and territories.

The 11th party congress calls upon the executive committees to do what they can in boosting the DBD's contribution to the military strengthening of our socialist workers and farmers state and in always actively supporting its measures in military and security policy.

All members have the patriotic and internationalist duty always to fulfil in honors the tasks for the protection and defense of the socialist fatherland, particularly also in the civil defense organs.

In implementation of the action program of the National Front of the GDR up to 1985, it is the task of our executive committees and members always actively to

help the National Front of the GDR prove itself a truly socialist people's movement, a National Front for Peace. We must help create politically functional National Front commissions everywhere and increase our participation in them.

Through the contest, "More beautiful towns and communities--Join-in!" we aim our activities on a priority basis at tapping local reserves for further improving the housing conditions and beautifying the environment. We help maintain, foster and augment everything that makes village life more beautiful and substantial.

III

The 11th DBD Congress assigns all executive committees the task further to improve all party work through better management activity and to equip all members politically and ideologically so they do their best for the all-round strengthening of our socialist fatherland and the safeguarding of peace and thereby further strengthen the fighting capacity of the local and residential area groups.

Through raising the level of political-ideological work, the ideals of the working class must still be more deeply and purposefully implanted in our party members, their socialist and internationalist consciousness and their class pride thereby being further developed. It is important further to consolidate the political-ideological and the political-organizational unity and cohesion of the party.

Through a consistent application of the norms of party life, vivid and interesting party work is to be developed that involves all members in all local and residential area groups. Special attention is warranted for the political-ideological, open and constructive, exchange of views and opinions in all membership meetings and training courses. The experiences of the best must still be more comprehensively and compellingly generalized. Personal talks and the work with party commissions have to become regular procedure in management activity everywhere. We have to struggle tenaciously for the complex implementation of the party resolutions in their unity of politics, ideology, economics and culture.

Work with the cadre, their precautionary formation and steady training, is a key problem for successful political activities of our party. Mainly such traits are to be further developed in the cadre as an unshakable class standpoint, revolutionary fighting spirit and the power of conviction, a constant striving for more education, richness in ideas, initiative, expertise and practical relevance. It is expected of them that they fulfil the party assignments wherever social requirements make them necessary.

That calls for steadily raising the theoretical-ideological level of the party's cultural and educational work, making it more effective and exhausting all inherent opportunities. The values and advantages of socialism have to be presented convincingly and profoundly.

From the rostrum of our 11th party congress we announce:

The working class party and the people of the GDR can rely on the DBD members at all times, in every situation. Also in solving the ambitious tasks of the 1980's, they will prove reliable and close companions and fellow-combatants of the SED and do their best for the all-round strengthening of the GDR, for the noble cause of socialism and of peace.

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CSO: 2300/338

## FURTHER DEVELOPMENT OF COAL ENRICHMENT PROGRAM OUTLINED

Leipzig ENERGIETECHNIK in German Vol 32 No 5, May 82 (manuscript received 11 Jan 82) pp 161-167

[Lecture by Wolfgang Mitzinger, economist, engineer, GDR minister for coal and energy, given at the 22d Briquetting Technology Colloquium of the Brown Coal Briquetting Department, Scientific-Technical Society for Energy Management, in conjunction with Freiberg Mining Academy and the Karl-Marx-Stadt Bezirk Executive Board of the Chamber of Technology (KDT), on the occasion of the 80th birthday of Prof Dr Erich Rammler, engineer: "The Further Development of Coal Enrichment in the GDR on the Basis of the Resolutions of the 10th SED Congress." A translation of the East Berlin EINHEIT article by Dr Horst Wambutt, SED Central Committee economist, cited in Footnote 3, is published as part of a series of related items under the heading, "Industry, Agriculture to Focus on 'Enhanced Refinement,'" in JPRS 79045, 23 Sep 81, No 2178 of this series, pp 67-90 (subheaded 'Domestic Raw Materials,' pp 73-81). With regard to Footnote 7, citing the SED CC's seminar for combine general directors and party organizers, held in Leipzig, 27-30 April 1981, translations of two East Berlin EINHEIT articles are published under the following quoted headings in JPRS 78885, 1 Sep 81, No 2167 of this series: "Mittag Urges Combines to Economize, Raise Production" (pp 64-76), by Guenter Mittag, the party's economics chief; and "Combine Directors, Party Organizers Discuss Economic Strategy" (pp 77-83), by Professors Gerhard Friedrich and Willi Land of the SED CC's Central Institute for Economic Management. Also available is a translation of excerpts from Mittag's concluding address to this year's seminar (8 April 1982), likewise held in Leipzig, published under the heading, "Mittag Addresses Combine Directors on Management Tasks," in JPRS 81339, 22 Jun 82, No 2296 of this series, pp 7-24]

[Text] Conferences on briquetting technique have a long tradition and always were the high points in scientific activities at the Freiberg Mining Academy. They have become the meeting points of experts from at home and abroad where experiences and results of the latest scientific works in many fields of the coal and energy industry are being exchanged and where tasks of coming development phases are the object of discussion. We combine the 22nd Conference on briquetting technique with a further analysis of the resolutions of the tenth SED Party Congress on the tasks of the energy industry during the 1980's and we are happy that we can do that in the presence of the highly meritorious

mentor of coal refining in the GDR, Prof em, Dr-Eng, Dr-Eng h.c. Erich Rammler whose 80th birthday we were able to celebrate with him on 9 July 1981.

In the statements on the development of coal refining in the GDR and the tasks connected with this, we might point out that the energy industry's complex tasks were spelled out after the Tenth Congress of the SED on the occasion of the 1981 mining and smelter conference.

1. The National Economy's Refining Strategy

In the economic strategy for the 1980's, as adopted by the Tenth SED Congress, the increased refining of raw materials and fuels assumes a central position. It is increasingly becoming the very focus of the output increase that is required for the further accomplishment of the primary mission in its unity of economic and social policies. This national economic output increase must be achieved with only slightly increasing, steady, or even declining assets and resources of individual raw materials and fuels. By increasing our refining effort, we can best meet the requirements arising from the more severe foreign trade conditions and from altered natural conditions at home.

In the SED Central Committee Report to the Tenth Party Congress, Comrade Erich Honecker, secretary general of the party's Central Committee, observes the following in this connection: "Our attitude on the growth of social production does not mean that we disregard the objective changes of its prerequisites. But the response cannot be a renunciation of growth rates. In line with our concept, they must instead be achieved more consistently with the help of qualitative growth factors."

In this sense, the maximum possible refining of the output is a national economic program which in all branches, combines, and enterprises must lead to increased new value formation through improved work. No matter how significant the technological changes of the work object may be from one refining stage to the next, the decisive criterion for increased refining is the increase in the new value to meet the requirements of the national economy and the population through the more intensive utilization of the scientific-technical and educational potential of our country (3). Increased refining includes the development of qualitatively new and high-grade products with small material and energy utilization as well as the introduction of new technologies and the most economical possible use of all material assets. Increased refining is not an end in itself; its criterion is the attainable economic result, the increase in the performance in commodity and net production and the reduction in specific material consumption. This must also be expressed in the export effectiveness of the products. The main criterion in refining is the general national economic benefit which springs from the expenditure calculation and which also determines the most effective refining stage.

The main goal of the refining strategy is the complete and effective utilization of domestic raw material and energy resources. The refining of brown coal and efficient energy use assume a priority position here among the processes that determine the structure of the national economy because they create

prerequisites for increased refining in important branches of the national economy, for example, in the chemical industry, and they constitute an economical alternative to the abruptly rising expenditure increases connected with raw material imports.

Raw materials account for 55 percent of the national economy's import volume. These huge raw material imports must be accomplished under steadily declining foreign trade conditions. The export price index of the capitalist countries rose to a total of about 500 percent in 1979 as compared to 1970 for raw materials and it went up an average of as much as 800 percent for mineral raw materials. The corresponding indicators for raw materials that are most important in the energy industry amount to 1,600 percent for petroleum, 560 percent for coke, and 330 percent for hard coal.

As we know, we import these raw materials according to the CEMA price formation principles still in a more favorable fashion but in the case of imported natural gas, hard coal, and hard-coal coke, we must between 1980 and 1985 assume rising prices in keeping with these principles.

In line with the observations of the Tenth Party Congress, we are thus dealing here with objective changes in the conditions for national economic growth in the case of imported energy sources and in the case of our own resources.

As we know, brown coal deposits in the GDR are already being mined with a minimum effort in terms of opening the mines and extracting the coal. Increasing mining depths, constantly deteriorating AR:K [Work: Power?] ratios, rising water volumes, and additional surface area requirements during the 1981-1985 five-year plan alone will call for additional expenditures amounting to about M 2 billion.

These foreign and domestic factors had to be considered to the fullest extent in determining the basic direction of the coal and energy industry's refining strategy.

2. Coal and Energy Industry's Refining Strategy

The refining of products, the intensification of the production process, and the more efficient development of technologies must enable us to achieve the more effective utilization of energy sources coupled with a simultaneous essential improvement in the expenditure-benefit ratio in the production and supply processes and that is something that applies also to the GDR.

On that basis we face the following requirements for the coal and energy industry's refining concept; these requirements are available in detail for the 1981-1985 five-year plan and form the point of departure for a long-term refining strategy up to the year 2000 on which we must continue to work together with the scientists and the practical operators.

1. Through the consistent implementation of efficient energy use as the main way to cover rising energy needs, we must guarantee national economic growth and the full supply of the population with an available increase in primary energy and utility energy amounting to less than 1 percent.

To implement this line, it is necessary, between 1981 and 1985, to make savings effects totaling 150-160 million t of raw brown coal equivalent useful in the entire national economy and to more than double the 1985 energy savings compared to 1980. For this purpose we must above all make comprehensive use of the reserves in waste heat and yield energy utilization as well as heat pump employment and we must introduce production processes as well as products on a high energy-saving level. By using strict, scientifically justified energy source quotas for the combines and enterprises, we must continue to support the most economical possible and the most efficient possible energy use.

2. The tempo of procuring and using our own resources, especially raw brown coal, must be stepped up.

The annual extraction increase must be adjusted with at least 2.4 percent to a multiple compared to the rise in the primary energy yield. Along with this, we must increase raw brown coal extraction, according to current calculations, to about 295 million t by 1985 and thus beyond the goals spelled out in the directive of the Tenth Party Congress, as a result of which the share of raw brown coal out of the primary energy yield will rise to about 70 percent.

As the second way to expand the primary energy base, we must increase the nuclear energy share of electric energy generation to 12-14 percent by 1985.

3. By replacing imported energy sources with domestic raw brown coal, we must make a significant contribution to relieving our foreign trade balance. Through the comprehensive substitution of imported energy sources we must decisvely reduce the domestic consumption volume between 1981 and 1985 and we must also relieve the balance of payments. We must stop the import of energy sources for energy purposes.

4. To guarantee the above-mentioned requirements, it is necessary further to increase the output of highly-refined brown coal products.

By 1985, plans call for brown coal briquette production to rise to more than 50 million t while the output of brown coal burning dust, especially for heating oil substitution, must be almost doubled compared to the 1980 level. Gas generation from brown coal briquettes and dry coal must be increased by about 10 percent and the production of BHT [brown coal high-temperature coke] must be raised by about 8 percent above all to replace imported hard coal coke.

The chemical industry's material management base must be further developed and strengthened on the basis of domestic raw materials through a growing supply of products of thermal brown coal refining, such as brown coal coke for synthesis gas generation, tar, light oil, phenols, and aromatic substances. The use of brown coal products for the materials economy must be increased from 7 million t petroleum equivalent in 1980 to 8 million t in 1985 and 11 million t after 1990. This last goal already contains a contribution from the synthesis gas generation method which is to be newly developed on the basis of dust.

5. The overall energy efficiency must continue to be kept on a level of 58 percent through a further reduction in specific energy consumption connected

with the energy conversion processes in spite of the negative influence deriving from the above-average rise in electric energy generation which, with a figure of 33 percent, shows the lowest conversion efficiency.

In the main processes of energy conversion, the specific charge coefficients must be reduced as least as follows by 1985 as compared to 1980:

| | |
|---|---|
| For electric energy generation to | 97.8% |
| For heat generation in thermal plants to | 97.9% |
| For city gas generation in pressure generators to | 97.5%. |

6. The brown coal industry's exports, especially to NSW [non-socialist monetary area], must be increased rapidly through a growing share of refined energy sources out of the export volume. By improving ways in which the products are offered for sale, the brown coal industry must also make a growing contribution to the improvement of the foreign trade balance.

Overall, all measures of the refining concept, all scientific tasks, must be aimed at an essential improvement in all economic indexes. Our industry branch likewise very seriously faces the task of producing more effectively and with a lesser expenditure and achieving a greater end product by reducing the production consumption.

3. On the Further Development of the Coal Refining in the GDR

In the context of the general strategy for the implementation of the refining idea in the coal and energy industry, the important thing was, in drafting the national strategy for coal refining in the GDR, to meet at least the following requirements:

1. Consistent orientation toward national economic requirements and maximum effects.

2. Orientation toward fast solutions coupled with correct evaluation of future requirements.

3. Consideration of objectively available resources of raw materials (that is to say, brown coal) in the individual territories, as well as resources in the form of scientific-technical potential and investment power.

4. Full utilization of available experiences with conventional technologies of coal refining and their optimum use in the drawing up the long-range concept.

5. Maximum inclusion of existing plants and buildings in the development concept and combination of the further development of the main processes with all surrounding process stages.

Considering these premises, we drafted the tasks involved in the further development of coal refining in terms of:

Gas generation and refining,

Generation and use of solid fuels and raw materials,

Liquid product production and utilization,

Carbide production and utilization.

The use of national economic refining strategy in coal processing leads to the implementation of the following refining principles:

In-depth development of refining through the generation of energy sources, organic raw materials and miscellaneous mineral oil products with higher utility value properties for a steady domestic supply, for the substitution of high-grade imported energy sources and raw materials, and for the attainment of high export earnings.

Improvement of energy efficiency or the raw material utilization degree for the energy industry and material-industry process chains from coal extraction all the way to the use of the refining products.

Output increase in the coal refining plants through intensification with the goal of attaining a fast production increase in conjunction with the maximum use of available assets.

One thing that is very decisive in confirming the tasks involved in the further development of coal refining along these main lines is their national economic effectiveness.

The comparison of the expenditures necessary for coal refining with those necessary for the import of energy sources shows that--under the more severe foreign-trade conditions in terms of the development of energy and raw material prices as well as capital goods prices-- it becomes quite clear that the coal base is more economical in long-range terms than the use of imported energy sources and raw materials or the increase in imports of corresponding finished products. Although the numerical values still show a certain spread for objective reasons due to numerous necessary further statistical refining procedures, they are nevertheless suitable for the economic justification and selection of the main lines required for the further development of coal refining in the GDR.

Looking at gas generation, the refining of solid fuels, and the generation and use of liquid products, we are dealing directly with essential fields of activity of Professor Rammler in which he worked successfully from theoretical investigations all the way to large-scale industrial implementation. In using the attained scientific-technical progress level for the further development of coal refining it becomes very clear that we owe our honored Professor Rammler some trail-blazing achievements and at the same time a generation of experts who continue his work in a goal-oriented manner against the background of rising national economic requirements.

His scientific findings and experiences were an important prerequisite in enabling us to have an efficient GDR coal refining industry today; we can build on the development level of that industry and we can organize our work there.

The development of city gas generation and use is of priority significance in the national economy. At the Schwarze Pumpe gas combine, there are two technologies which form the basis of basic gas generation which, through the decisive contribution made by Professor Rammler, also helped promote the international reputation of GDR coal refining, along with oxygen-packet-bed pressure gasification and high-temperature coking of brown coal briquettes.

This task--assuming generator output increases of up to 50 percent--is a very demanding target. It can be accomplished because the planned output increase and the further development of pressure gasification are based on the following:

Concentrated research work--from basic research all the way to large-scale industrial testing;

Systematic expansion of the field of investigation and discovery through the inclusion of the most varied scientific disciplines;

Comprehensive team work with the Freiberg Mining Academy, the AdW [Academy of Sciences], coupled with the broad involvement of all production teams; and

Systematic transposition of results in conjunction with general repairs and reconstruction work.

Our scientists and engineers in the Schwarze Pumpe gas combine, the parent enterprise in this effort, and the Freiberg Fuel Institute have always been in the lead in this development process; they did not shirk any discussion, any difficulties, and they gained the confidence of the production teams through practical results on experimental generators. These production teams today have made the thoroughly complete implementation of all available results into their very own cause.

We expect the same commitment on the part of our scientists and engineers in connection with the accomplishment of the next stage in the further development of pressure gasification, that is to say, the direct use [direct charging] of freshly-mined or dried brown coal lumps in the generators. In implementing this idea, we can skip an entire process stage, in this case, briquetting. Work in this field must be continued briskly in 1982. In this way we are establishing criteria for work in the entire field of coal refining because skipping a process stage always guarantees the attainment of a higher refining stage along with declining production consumption. This is why we face the task of thinking through the entire concept worked out so far concerning the further development of coal refining in terms of discovering additional possibilities in that direction.

The development of a dust gasification method for the production of synthesis gas as a charge material in the chemical industry or as basis for the expansion of city gas production on the foundation of domestic brown coal, especially salt coal, is of great importance to the national economy. Here the attainable tempo in the further testing of the method will quite definitely decide on the general national economic possibilities for the increase in the production of chemical raw materials and refining products. The concentration of research personnel and investment funds so far establishes criteria for the conduct of research work during the 1980's. Only specifically goal-oriented manpower and fund concentrations, such as the very successful cooperation with many partners at home and abroad and a well-motivated fighting position for our research teams all the way to the construction and assembly teams at the construction sites for the erection of the experimental or pilot plant will be a guarantee for implementing the economic strategy of the Tenth Party Congress in the field of coal refining at a fast tempo and with good results.

The production and use of solid coal refining products form the second main line for the further development of coal refining. Their implementation is a national economic prerequisite for mastering the substitution of heating oil, natural gas, hard coal, and hard-coal coke. The increase in the output and the improvement in the quality, coupled with the optimization of the demand structure in the energy industry, in metallurgy, and in the chemical industry is considered a general objective in the solid fuel sector.

The broad range of implementation of refining technologies for solid fuels is very ambitious. It extends from the production of filter [screen] coal, fuel dust, and activated coal all the way to the further development of briquetting, of BHT coking, and of low-temperature carbonization technique.

The output of filter coal must be increased by one-half between 1980 and 1985 and the supply of fuel dust is to be almost doubled during the same period of time.

The increase in the briquetting capacity is of special importance. The reliable supply of the population, the replacement of imported energy sources, and the backup support for the necessary export tasks will depend on that. In this connection, the proven method of output increase in the existing briquette factories must be continued through reconstruction and modernization as the primary method. A qualitatively new level of briquetting must be achieved through the construction of the South Briquetting Plant in the Schwarze Pumpe gas combine which is to start production in 1985 according to the directive of the Tenth Party Congress. Here it must be possible to combine all of the research results worked out in recent years by our experts in processing technique, in drying, cooling, and pressing technique with the latest discoveries from measurement and regulator technique to achieve a new quality in a briquette plant.

The task is, through the implementation of these discoveries, to develop the labor productivity from the current level of 3-4 t/man.h to 10 t/man.h in this briquette plant.

The South Briquette Plant of the GSP [Schwarze Pumpe gas combine] thus must be an example for the way in which the productivity and also the effectiveness levels are raised fundamentally through complex implementation of scientific findings. In such cases it is also possible during the 1980's to make an investment which represents an extensive expansion of the field of production if a significant intensification is achieved parallel to that!

The production of pyrolysis-resistant briquettes for the production of high-strength lump coke, for the replacement of hard coal coke in the chemical industry and in metallurgy, assumes similar significance in the further development of briquetting and in the entire coal refining effort. In his interview(4)on the occasion of his 80th birthday, Professor Rammler stressed the following: "Brown coal contains more than we have so far been able to get out of it in technical terms. It will of course be necessary to penetrate more deeply into its molecular structures, the way my successors are doing now."

This observation is a specific example of the way in which new findings in basic research for the further development of tested technologies and methods with the goal of increased refinement of the end product can lead to considerable utility value improvements.

The erection of large-scale industrial pilot plants is provided for in the current five-year plan and must be carried out. In this way we can take another, decisive step toward the more effective development of BHT coking--a method which in recent years has already been further developed with good success. The implementation of this step must create new possibilities for the replacement of hard coal coke in the smelter and carbide process.

The development of BHT coking and carbide-acetylene refining, as a further main line in coal refining, are closely connected with each other.

Carbide-acetylene refining is a coal refining direction which has priority within the national economy and where so far only about 20 percent of the carbon charged, that is, BHT coke, come from domestic raw brown coal, if we do not consider the electric energy used in this case. Imported hard coal coke, used mainly as carbon source, represents a significant substitution potential for higher-quality BHT coke.

Along the lines of comprehensive higher refining in the entire process chain, GDR carbide production will be increased in long-range terms, imported hard coal coke will be replaced with BHT coke to the maximum degree, and the structure of carbide utilization for more highly refined chemical products will be altered.

To guarantee the process of substituting BHT coke for hard coal coke, it will be necessary to conduct scientific-technical cooperation in the GSP with the carbide industry with the objective of meeting the maximum carbon requirement for carbide production on a brown coal basis on short notice.

The procurement and utilization of liquid carbon byproducts from thermal coal refining constitutes a national economic task of the first order because of the possibility of direct substitution in place of petroleum products. The solution of this problem is an important prerequisite in securing the chemical industry's raw material base under constantly more acute economic-policy conditions in petroleum procurement. The entire process of liquid product production and utilization must be further developed in depth along the lines of the national economy's refining strategy in that high-grade chemical products must be turned out to a greater degree than has been the case so far.

In addition to the production of electrode coke, paraffins, lubricating oils, fuel components and plastics, this also involves the procurement of chemical raw materials from coal in small quantities; these are chemical raw materials which so far had been obtained only from petroleum. In accomplishing this highly demanding task, the emphasis is on liquid products production in the available technology of carbonization involving gas recirculation.

The production of tar from low-temperature carbonization is to be increased by 1985 at a faster rate than so far through the stabilization, reconstruction, and expansion of the low-temperature carbonization plants at Espenhain, Boehlen, and Deuben.

The scientific-technical measures must here be concentrated on all of the process stages which take place before and after the low-temperature carbonization plants in order completely to recover the coal byproducts contained in coal and to supply them for further chemical processing on a high-quality level.

The use of modern condensation and distillation methods all the way to process computer control in the coal refining plants, especially at the GSP, is to be implemented by guaranteeing a higher coal byproduct yield.

4. On Research and Investment Strategy for the Further Development of Coal Refining

The entire development line for coal refining, illustrated here, will take place in an intensive manner. In the area of the coal and energy industry, the implementation of the main lines of coal refining must become an example for the way in which the "intensification of existing technologies and methods is made the main route for increasing the social output to the required extent in terms of volume and character"(5).

All of these considerations on intensively expanded reproduction start with the idea that the following premises must be observed:

1. The amount of M 70 billion in capital assets in the coal and energy industry and the experiences of 248,000 mining industry and energy industry workers constitute a huge asset whose maximum and constantly more effective utilization remains a foundation of the economic strategy of our industry branch during the 1980's.

2. During the 1981-1985 five-year plan, no qualitatively new methods for energy source procurement and conversion will essentially be available on a large-scale industrial basis so that the entire output increase during that interval of time will have to be provided through the constant improvement, intensification, and rationalization of existing methods and plants, which means that this way is of decisive significance here.

3. We will not be able to tolerate any investments which merely retain the current level of production forces. Investments instead must open the way to high productivity and effectiveness for the future. "Investments must be the moving force of scientific-technical progress" and "they must rapidly make valuable scientific discoveries effective" (6).

That this way is correct and that, under the reproduction conditions of the coal and energy industry during the 1980's, it is the only possible one is proved by the results and experiences deriving from great intensification tasks in such plants as:

The Sonne, Beuna, and Schwarze Pumpe briquetting plants with output increases between 15 and 30 percent in recent years;

The intensification of the Schwarze Pumpe coking plant where output increases between 50 and 60 percent were carried out in accordance with the plan;

The mobilization of additional work output during the peak load times in our big power plants amounting to more than 5 percent; and

Output increase through reconstruction and remodeling on conveyor bridges and strip-mining equipment accomplished under the responsibility of the Brown Coal Plant Construction Combine.

The intensification results achieved and the additional planned lines of coal refining development are the result of a comprehensive and in-depth approach to existing technologies and methods. This effort must be continued. It is the key to the correct consideration of the above-mentioned premises and to the accomplishment of the tasks assigned by the Tenth Party Congress. There is a series of experiences and conclusions here deriving from work done so far which in the next several months must be made the basis of the way in which we tackle this effort.

I would like to address myself to the following three essential points:

1. Demanding intensification efforts cannot be achieved without specifically goal-oriented research work. Wherever goal-oriented research work was done in recent years, for example, in the fields of coal drying in the rotary drier, process research in the BHT coking process, the more in-depth theoretical understanding of the gasification process, it was possible--through scientific work and its consistent application via rationalization investments--to achieve definite output increases from these methods.

The lessons learned here tell us that it is necessary to do systematic and specifically goal-oriented detail work on our methods because all known processes of coal refining have been figured out to such an extent that output reserves can no longer be achieved on the first try. But detail work cannot be equated with minor, that is to say, low-level objectives in the scientific development of our methods.

To secure the necessary dynamic development of the national economy, we need particularly high targets in research work in the field of coal refining; we need creativity, ambition, the drive to pursue research, and a certain tempo in the modernization and effectiveness of our technologies. This means that our research teams must make great efforts. This is where genuinely creative work is necessary and this is where all new possibilities, given us by microelectronics, by mathematical modeling of processes, and other new elements, must be fully utilized.

The proven cooperation by various institutes of the Mining Academy with combines in the energy industry must be continued in this connection and the research objectives must be constantly updated, they must be restated, and they must be spelled out in more complex terms. Rationalization research and the simultaneous search for new action principles, the increase in the degree of automation with the goal of achieving and above-average labor productivity rise, improvement in efficiencies, environmental protection, as well as working and living conditions in plants designed for efficient maintenance--that is the true framework for the further development of conventional and new coal refining methods during the 1980's.

Through the government assignment for coal refining we are creating for ourselves a management instrument for the concentration of research and development work on the decisive tasks. Here we find to an ever greater degree that the concentration of research manpower on the one hand and the utilization of all possibilities of socialist team work on the other hand are decisive prerequisites for the attainment of the necessary tempo in research and development.

We have good experiences especially in the field of coal refining through the concentration of the scientific installation of the gas combine, the Freiberg Fuel Institute, on just a few system-determining tasks. Enterprise rationalization research with specific objectives is being stepped up in individual combine enterprises, above all in the parent enterprise, with in-house personnel, making extensive use of socialist team work with innovators and rationalization teams.

The experiences of other combines in the national economy show that such forms or organization and performance are practicable management methods for research and development so that their implementation in all combines of the coal and energy industry is on the agenda. The expansion of the material base for research, both through national and international cooperation, and through the systematic buildup of pilot plants, assumes equal importance.

The construction of pilot plants must more consistently than so far become the standard for in-depth research work. The requirement for the 1980's does not involve large-format studies and a flood of reports--mostly without any proven economic value--but rather demonstrably introduction-ready and transfer-ready results deriving from a solid material basis for research. The construction of pilot plants must be guaranteed in a consistent manner in material and financial terms through the coordination of the science-technology and investment plans.

2. Along with the further in-depth development of intensification, the role of technology as the science of production keeps growing objectively. In general, any scientific-technical progress becomes effective in production and in general terms only through technology and the level it has achieved. The implementation of intensively-expanded reproduction along the entire spectrum calls for profound technological penetration of current processes, the party-oriented approach to the level of all process stages, all interconnected primary, auxiliary, and secondary processes. The output increases achieved in many refining plants confirm this in a lasting fashion. Voluminous process analyses, very complicated task assignments for the reconstruction and implementation of rationalization on a high technological level along with the complete introduction of research results--these were the key to success; that is true of the briquette factories in Sonne, in Beuna, and at the gas combine's parent enterprise.

These factors gain in importance to the extent that the "measures for the development of higher stages of refining are taken strictly through intensification." The requirement to accomplish the tasks of the 1980's does not call for large-scale new structures but rather "changes in the technological processes and methods in existing buildings"(7). Absolute priority must be assigned to the renewal, modernization, and reconstruction of existing buildings(7)--as it says in the directive of the Tenth Party Congress on the 1981-1985 five-year plan--because after all the important thing is:

(a) To work out a thorough understanding of that which exists on a high technological level;

(b) To assign greater weight to concept work needed for planning the rationalization and renewal process at least during the five-year plan intervals;

(c) To plan the proportional development of all subsystems in a combine through optimum technological variations in such a manner that maximum effects can be guaranteed in the development of productivity and effectiveness.

All of these tasks are rooted causally in the main technology of our combines. Their accomplishment demands detailed process knowledge on the part of our technologists; it calls for subject knowledge on the development of the most important production cooperation partners in the construction industry, in machine-building, and in electrotechnology in order to be able completely to apply scientific-technical progress in these branches during reconstruction and to be able to influence their scientific-technical development and that of our own industry branch through task assignments from our main technologies

to a greater extent than has been the case so far. This means that the planned and goal-oriented advanced training of our technologists also assumes greater significance; this is one aspect of adult advanced education which we must still emphasize much more in our combines in the coal and energy industry. In the course of the basic and advanced training given to our technologists--but certainly also our comrades and colleagues in research and developments, our economists and other specialists--we must from the theoretical and practical viewpoints create clarity on such facts so that simple and intensively expanded reproduction will become closely intertwined. Simple reproduction is never the mere preservation of that which exists and "simple reproduction basically includes elements of expanded reproduction" (7).

On the other hand, the level of intensively expanded reproduction, in other words, the measure and level of effectiveness and production improvements, of output increase and the increase in the technical safety of plants, processes, and process stages through construction and intensification are quite decisively determined by the level of technological work and the way it influences scientific-technical work, the way it influences the drafting of investment documents, variations, and projects.

The level and complexity of the technological variations and their implementation clearly determine the economic results and thus, in the final analysis, the ultimate target function of socialist rationalization and intensification.

Summarizing, I would like to say that the production-preparing side, in which our technologies assume the most important position, will increasingly be decided through the complex implementation of all ten points in the economic strategy charted by the Tenth Party Congress for the 1980's.

3. The basic principles explained so far concerning technological work and work with our assets must be clearly reflected in the investment policy of our combines. The entire development of coal refining must take place on a priority basis along the road of intensively expanded reproduction as charted by the Tenth Party Congress. That is our mission! This means that rationalization and reconstruction investments with the very highest technical parameters, favorable expenditure benefit ratios, and the shortest practical implementation times must become the dominant element in investment policy in general and in the field of coal refining in particular.

I was able to observe here that this way has already been pursued on some points by the GSP and during the reconstruction of the briquette factories through our brown coal combine. The requirements for the economy of the 1980's are becoming stiffer. This is why we must basically start with the idea:

a) That the scientific discoveries worked out in connection with each reconstruction effort must rapidly be transposed into everyday practice;

b) That innovator work and other forms of socialist team work must be applied in a broader form in order to find the technologically most favorable and most effective solution through the employment of all capacities of our workers, engineers, and economists;

c) That the existing building inventory will continue to be used to the maximum degree; and

d) That high growth rates in final production, in labor productivity, in work station rationalization, and on environmental and safety questions, combined with the improvement of working and living conditions, will be worked into the projects in a considerably better way.

These tasks so far were solved best during the reconstruction of the coking plant at Schwarze Pumpe and in some briquette factories. Correctly carrying out the party resolutions in the field of investments however means penetrating considerably more deeply into the problem complex at least on two issues:

(a) The effectiveness of the investment funds used toward increasing commodity output, reducing costs, and making manpower available must basically be increased further.

The decisive criterion is the attainment of an investment rate of M 400-600 increase of commodity output per M 1,000 investments for refining investments. Attaining them and topping them is the necessary contribution of our industry branch to guaranteeing the entire national economic growth rate in commodity production from investments.

(b) The social standard of 2 years of construction time, which was spelled out by the Tenth Party Congress, must be made the yardstick of our work in the coal and energy industry. On that issue after all we are concerned with the rapid economic effectiveness of the national income that has been advanced for investment implementation and we are thus also concerned with fundamental problems involved in the further strengthening of our economic output capacity. This leads to the following tasks for the coal and energy industry:

Projects with a total value of up to M 20 million must basically be completed in 1 year and the other projects must be completed in 2 years.

Longer construction times must be requested separately and must constitute the exception to the rule.

Phases which are really ready for use must be placed in operation for production purposes as projects connected with major investments to a greater extent than has been the case so far. Their rapid implementation must be made the criterion of investment implementation.

The entire investment preparation process, scientific-technical work, the work of the planners, technologists, and construction managers must more effectively be aimed at this goal.

In the Central Committee report to the Tenth Party Congress, Comrade Erich Honecker spelled out our party's economic strategy in ten points. It is the scientifically justified concept for the development of the GDR national economy during the 1980's and thus of socialist society in our country.

The viewpoint of our economic strategy which dominates the entire scene in summary consists of the fact that we must achieve economic effectiveness in all fields through maximum scientific results and that we must thus provide a constructive response to the altered requirements of the 1980's along with a continual pursuit of the primary mission in terms of its unity of science and social policy.

While the 22nd Conference on briquetting technique discusses the tasks and contributions of coal refining to the implementation of this strategy, we place this conference fully in the service of this great and common cause.

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NEW LAW ON LPG'S PASSED BY PEOPLE'S CHAMBER

West German Commentary

Frankfurt/Main FRANKFURTER ALLGEMEINE in German 3 Jul 82 p 5

/Article signed "Gz." datelined Berlin, 2 July 1982: "GDR People's Chamber Passes New Law on Cooperatives--Principles for Cooperation in Agriculture--'Rights and Duties of the Cooperative Farmers.'" A translation of the text of the new LPG law discussed below follows this commentary/

/Text/ Before leaving for the summer recess, the GDR People's Chamber enacted the new law on agricultural production cooperatives, the "LPG law." The draft, published last December, had been discussed in recent months by innumerable bodies, and some textual amendments emerged. It is doubtful whether the law will be of any real help in improving the current difficulties in GDR farming and food supplies for the public. The law is important for agriculture because it legitimizes a status that will not be corrected, although the emphases of GDR farm policy have lately had to be shifted.

The new LPG law replaces the 1959 law that became obsolete as a result of the GDR's farm policies of the past 20 years. The earlier law had been enacted at the end of the stage of forcible collectivization, begun in 1952. The new legislation, far more detailed than its predecessor, has in particular a special section regarding "LPG cooperation relations, principles." The 1959 law merely mentioned that several cooperatives may "merge into one LPG so as to encourage large-scale socialist production and further improve the living conditions of their members." Following the transition to "industrialized" farm production, "cooperation" is now described as "a basic prerequisite for the further political, economic and social development of every LPG and for the exploitation of the entire potential of cooperative property." The types of "voluntary" cooperation are regulated, and so are the operations of joint organs, especially the "cooperation councils." Added to the original text was the sentence: "All partners are equal in the cooperation councils, decisions are adopted unanimously." The work of the cooperation councils will determine whether the serious dislocations caused in GDR farming by the rigid specialization of cooperatives on either crop or livestock farming can yet be corrected.

The section "cooperative property" uses lawyer's language to regulate the participation of cooperative farmers in the profits of cooperative operations. According to the provisions, cooperatives are authorized, upon resolution by the general meeting, to set year's end remunerations and premiums consonant with profits and in different proportions for brigades or sections. A newcomer is a section concerning the

"rights and duties of cooperative farmers." The cooperatives, described in article 1 of the draft law as "voluntary associations of farmers," are obligated in detail to set out the rights and duties of cooperative farmers in statutes and inner structures. This provision aims, among others, "to shape socialist producers and personalities" by setting out the working conditions, working hours and rhythm of the work day. The law also regulates the issue of the inheritance of property rights in the cooperatively farmed land that is still vested in the cooperative farmers.

## Text of Law

East Berlin GESETZBLATT DER DEUTSCHEN DEMOKRATISCHEN REPUBLIK in German Part I No 25, 12 Jul 82 pp 443-452

/Official text of "Law on the Agricultural Producer Cooperatives--LPG Law--of 2 July 1982," signed by Erich Honecker, chairman, GDR State Council/

/Text/ Agricultural producer cooperatives hold a tremendous responsibility for the stable food supply of the public and for staple supplies of raw materials to industry. By successfully discharging this responsible task, cooperative farmers observe their duties in the alliance and contribute to the planned improvement of the people's material and cultural standard of living and, thereby, to the accomplishment of the main task in its unity of economic and social policy. The work of agricultural producer cooperatives is supported and promoted all-round by the socialist state in the pursuit of the tried and tested policy of the working class and its Marxist-Leninist party. The People's Chamber therefore enacts the following law:

### Section 1--The LPG's Status in Society and the State

#### Principles

#### Article 1

(1) Agricultural producer cooperatives (hereinafter described as LPG's) are voluntary associations of farmers, market gardeners and other citizens for common socialist production, the steadily better satisfaction of their material and cultural needs and the steady improvement of the public's supply of foodstuffs and of industry's supply of raw materials. They ensure a substantial rise in performance and the greatest possible efficiency of agricultural production by steadily improving the cost-yield ratio.

(2) Consonant with the principles of cooperative democracy and socialist management, cooperating women and men farmers (hereinafter described as cooperative farmers) organize in LPG's their common working and social relations in accordance with the principles of equality, comradely cooperation and mutual aid, commonly dispose of cooperative property and, in accordance with cooperative distribution principles, share in the profits of their LPG's.

(3) LPG's accomplish their tasks on their own responsibility, based on decisions adopted by the Socialist Unity Party of Germany and on legal regulations.

(4) LPG's ensure the comprehensive political, professional and intellectual-cultural development of cooperative farmers as socialist personalities, creatively and with a high sense of individual responsibility involved in cooperative work as well as the management and planning of their LPG's. They encourage the active cooperation of cooperative farmers in the management and planning of social development.

Article 2

The development and strengthening of LPG's and their cooperative relations reinforces and consolidates the class of cooperative farmers who, as allies of the working class, are involved in the exercise of political power in the GDR. Growing at the same time is the extent of their organization and conscious commitment to the accomplishment of the political, economic, social and cultural tasks of the socialist society. The natural generation change in the class of cooperative farmers is guaranteed by the recruitment of young members for the LPG's, especially from among the children of cooperative farmers and village residents in general, who are already closely linked with cooperative work in the village and with working and living conditions on the farm.

Article 3

(1) LPG's are an indivisible element of the developed socialist society. Together with the state farms they shape the nature of socialist agriculture in the GDR. Their consolidation and development is crucial for the further perfection of socialist production conditions in rural areas, the further improvement of working and living conditions in the villages and the gradual abolition of all significant differences between cities and rural regions.

(2) The socialist state encourages the political, economic, social and cultural development of LPG's. It protects cooperative property and guards the interests of LPG's consonant with the socialist legal order. By it work it generally ensures and consolidates the alliance between the working class and the class of cooperative farmers.

Article 4

(1) As socialist farm enterprises the LPG's are elements of the uniform socialist national economy. They organize their economic operations on the basis of state confirmed plans and by the conclusion of the necessary business contracts with the aim substantially to raise output and its efficiency by way of intensification, especially the steady improvement of soil fertility and the performance of livestock farming, increases in the extent of use and the useful life of capital equipment as well as the lowering of production consumption. In their operations they take into account environmental needs and make their social contribution to the maintenance of the natural environment for present and future generations as the basis of life and production, and use it on a scientific basis.

(2) In their economic operations the LPG's ensure the comprehensive linkage between the benefits of socialism and the achievements of the scientific-technological revolution in order, as planned and efficiently, to use cooperative property. For the

steady improvement of their political, economic and social efficacy they deepen cooperative collaboration with other LPG's, state farms, other socialist enterprises of agriculture, forestry and the foodstuffs industry, socialist trade enterprises and other socialist enterprises and facilities.

(3) To carry out economic and local political tasks, local people's representations and their organs in cities and communities will organize close cooperation with LPG's as well as with their brigades and sections for crop and livestock farming, with the aim of using all local resources to develop more reserves for raising the output and efficiency of LPG's and improving working and living conditions for cooperative farmers. As per plan, the LPG's will contribute to the political, economic, social and intellectual-cultural developments as well as sports in the villages. To that end city and community councils will organize the common deployment of resources and capacities jointly with LPG's, other enterprises and facilities as well as all social forces in the village for further regional rationalization and the further improvement of working and living conditions.

Article 5

(1) Cooperative farmers manage their LPG's in common, consonant with the principles of socialist democracy.

(2) The highest organ in the LPG is the general meeting. At the general meeting cooperative farmers discuss and decide all basic issues of LPG work and development as well as the organization of cooperation relations. The general meeting's decisions are mandatory on all management organs and cooperative farmers. The general meeting elects the LPG executive board and chairman; they are accountable to the general meeting.

(3) The LPG management organs encourage the collective shaping of opinions and wishes in the preparation, adoption and implementation of cooperative decisions. They ensure the equal involvement of all cooperative farmers in the LPG's management by the broad-based development of internal cooperative life, especially the purposeful organization of the socialist competition and the regular conduct of general, brigade and section meetings, the work of committees and other bodies.

(4) The general meeting elects an audit committee as its supervisory organ for checking up on the management of the enterprise and the observance of legal regulations, statutes and inner structure in the LPG. The audit committee must in particular exercise supervision of the complete utilization of the LPG's entire land fund as well as the most careful handling of cooperative property. It is accountable to the general meeting.

Article 6--Organization of LPG Social Relations

(1) LPG social relations are shaped by the firm alliance between the working class and the class of cooperative farmers and the comprehensive aid and support of the socialist state for LPG's operating on this basis. The organization of LPG social relations is based on Lenin's cooperative plan in accordance with the requirements of cooperative property and cooperative democracy and consonant with the principles

of voluntarism, the LPG's own responsibility, the gradual transition to higher forms of cooperative work, the development of diverse cooperation relations and the utilization of the material interestedness of LPG's and their members in the results of their economic operations as per the principles of cooperative distribution.

(2) On the basis of the GDR Constitution LPG social relations are regulated by this law, by model statutes and model inner structures as well as other legal regulations.

(3) Cooperative farmers are actively involved in the organization of the social relations of their LPG's and socialist development in rural areas, especially by their cooperative work, participation in the management of their LPG's and their cooperation relations, by collaboration in elected organs of the state power, their committees and activist groups as well as the councils for agriculture and the foodstuffs industry and by the attendance of their delegates at farmers congresses and farmers conferences.

Article 7--Model Statutes and Model Inner Structures

(1) The model statutes and model inner structures confirmed by the GDR Council of Ministers on the suggestion of farmers congresses or farmers conferences are generally mandatory legal standards and represent the legal basis for drafting the statute and inner structure of every LPG.

(2) If, on the suggestion of farmers congresses or farmers conferences, the GDR Council of Ministers amends model statutes or model inner structures, LPG's must adapt their statutes or inner structures to the new provisions. The competent state organs are obligated to assist the LPG's in the revision of their statutes and inner structures.

(3) To guide and assist LPG's in the organization of their cooperative relations on the basis of model statutes and model inner structures as well as other legal regulations, state organs will submit in particular state recommendations that convey progressive practical experiences and scientific findings. LPG executive boards must use state recommendations for organizing the implementation of the measures recommended consonant with actual LPG conditions and cause the necessary decisions to be adopted by the LPG's management organs.

Article 8--LPG Statute

(1) Cooperative farmers decide the statute for their LPG on the basis of the model statute. Together with this law and other legal regulations the statute is the legal basis for the LPG's operation and the organization of cooperative conditions as well as cooperative relations. Decisions with regard to the statute are the exclusive province of the LPG general meeting.

(2) The statute of the LPG and any amendments to the statute are effective upon registration by the kreis council.

Article 9--The LPG's Capability of Acting as a Legal Entity

(1) Upon registraction of the LPG and its statute, the LPG becomes capable of acting as a legal entity and body corporate.

(2) In the case of a merger of LPG's or other types of LPG re-establishment, the capability of acting as a legal entity arises upon registration of the new LPG and its statute. Upon registration all rights and duties of the LPG's involved are transferred to the new LPG.

Section 2--LPG Cooperation Relations

Principles

Article 10

(1) Cooperation is a basic prerequisite for the further political, economic and social development of every LPG and for the exploitation of all potentials of cooperative property. It constantly opens up new opportunities for socialist farming to produce more, better and more cheaply, organize the uniform agricultural reproduction process as planned and with the greatest possible profit for the LPG and society, gradually continue with the introduction of industrialized methods of farm production and in general actively promote social development in rural areas.

(2) The LPG's carry a heavy responsibility for the planned development and deepening of their cooperation relations. They are entitled to join with other LPG's, state farms, other socialist enterprises of agriculture, forestry and the foodstuffs industry, with socialist trade enterprises and other socialist enterprises and facilities (hereinafter described as cooperation partners) in order gradually and consonant with actual conditions to enter into long-term and stable relations for the common accomplishment of economic and social tasks and for that purpose to create cooperation councils, organize cooperations and cooperative facilities, participate in cooperation associations and federations as well as develop further types of cooperation.

(3) Within the framework of their assignments state organs and facilities are to generally encourage the establishment and development of effective LPG cooperation relations and base their management and planning operations on these relations.

Article 11

(1) LPG's and their cooperation partners organize cooperation voluntarily and on the principle of equality and mutual benefit for all cooperation partners. Cooperative farmers decide on the organization of the LPG's cooperation relations at their general meetings. In all types of cooperation LPG's retain their economic and legal independence. Cooperative farmers delegated by their LPG to work in other LPG's, state farms and cooperative facilities or in other socialist enterprises of agriculture, forestry and the foodstuffs industry are guaranteed all rights arising from membership in their LPG unless these rights are assumed by the LPG's, state farms, cooperative facilities or other socialist enterprises of agriculture, forestry and the food industry, where the delegated cooperative farmers are employed.

(2) LPG's and their cooperation partners set up common organs for the management and planning of cooperation and delegate authorized persons to these bodies. Decisions regarding the tasks, rights and duties of these organs require the assent of

all cooperation partners. Authorized delegates must regularly report to the general meeting of their LPG's with regard to the conduct of cooperative work and the development of cooperative relations and give an account of their own work. The executive boards of the LPG's organize the implementation of jointly discussed and decided measures in the LPG's or, if the cooperation agreement so provides, submit them to the general meeting for decision.

Article 12--Cooperation Councils

(1) LPG's are entitled and obligated by active work in the cooperation councils to ensure the efficient collaboration in the uniform reproduction process of all cooperation partners, including their brigades and sections for crop and livestock farming. Their cooperations must jointly observe the responsibility for crop and livestock farming and their planning and balancing must be coordinated in the region. By the operation of the cooperation councils they ensure the comprehensive socialist intensification of farm production, continuity in the economic development of all cooperative partners, the steadily better utilization of the labor capacity in the cooperation as well as close collaboration in the joint deployment of resources and capacities for the pursuit of scientific-technological advances and for joint measures with respect to rationalization and reconstruction.

(2) The cooperation councils are elected democratic organs composed of representatives of the cooperating LPG's, state farms and other socialist farm enterprises. They involve more cooperative farmers and workers in their work by way of committees. All partners enjoy full equality in the cooperation council. Decisions are adopted unanimously.

(3) LPG's, state farms and other socialist agricultural enterprises may transfer to the cooperation councils some rights and duties for the independent implementation of joint measures regarding the management and planning of the uniform reproduction process in the cooperations as well as the exploitation of common funds. Cooperation councils are accountable to the LPG's, state farms and other socialist farm enterprises for the appropriate exercise of these rights and duties.

Article 13--Cooperative Facilities

(1) Cooperative facilities are joint enterprises or facilities organized by LPG's and their cooperation partners in order jointly to accomplish certain production assignments and improve working and living conditions for cooperative farmers. LPG's and their cooperation partners share the responsibility for the operation of cooperative facilities including the material and financial prerequisites required for that purpose. The funds and labor capacity of cooperative facilities are to be deployed consonant with the statutes of the cooperative facilities for the accomplishment of joint production assignments as well as for coping with operational peaks in agricultural production. The use of funds and the labor capacity of cooperative facilities for other purposes is permissible only if the cooperative facilities have fulfilled their plan targets for agriculture and the improvement of working and living conditions in rural areas, and if the meetings of authorized delegates approve such use.

(2) Cooperative facilities are jointly managed by the LPG and its cooperation partners. They therefore set up meetings of authorized delegates who decide the plan of the cooperative facility and other developmental issues. The meetings of authorized delegates elect their executive organs.

(3) The cooperative facility becomes capable of acting as a legal entity and body corporate upon the registration of the cooperative facility and its statute by the kreis council.

(4) Cooperative facilities may also be established as joint facilities of the LPG and its cooperation partners without acquiring the rights of a legal entity. The rights and duties of such cooperative facilities and their relations with the LPG's and their cooperation partners are settled by cooperation agreements requiring confirmation by the kreis council.

Article 14--Cooperation Associations

(1) LPG's and their cooperation partners may establish cooperation associations in order to deepen the cooperation for the planned and appropriate public supply at the level of production stages.

(2) The cooperation association is jointly managed by the LPG's and their cooperation partners. In it LPG's and their cooperation partners coordinate their production on the basis of the cooperation agreement and business contracts. The cooperation agreement requires confirmation by the bezirk council. Cooperation associations carrying out joint production, storage and marketing tasks may, exceptionally, obtain the capability of acting as a legal entity by the registration of the cooperation association and a statute with the bezirk council.

Article 15--Federations

(1) In the presence of the appropriate social conditions LPG's and their cooperation partners may establish federations in order more effectively to organize production among themselves or with subsequent stages of further processing, more closely to link production and science and thereby increase the output of appropriate ranges and achieve the greatest possible supply efficiency.

(2) In federations LPG's together with state farms and other socialist farm enterprises, enterprises of the foodstuffs industry and other sectors of the economy as well as scientific facilities, manage and plan--consonant with standard principles --the political, economic and social development of the enterprises and facilities involved as well as their interrelations in the various stages of the foodstuffs industry. They therefore set up the appropriate management organs for the federation. In accordance with their economic and legal independence LPG's independently manage and plan their enterprise reproduction process within the scope of the total development of the federation. The work of the federation is to be regulated by a statute. The federation becomes capable of acting as a legal entity and body corporate upon registration of the federation and its statute with the bezirk council.

(3) Decisions by the LPG general meeting with regard to participation in federations require confirmation by the bezirk council.

Article 16--Regulation of Cooperation Relations

(1) Cooperation relations between LPG's and their cooperation partners must be regulated by statutes, cooperation agreements and business contracts.

(2) To be established by cooperation agreements or statutes are:

a) The goals of cooperative collaboration;

b) The rights and duties of the LPG's and their cooperation partners;

c) The types of management of the cooperation, the powers of the organs and representation in legal matters;

d) The principles of cooperative collaboration.

(3) All cooperation agreements and business contracts concluded by LPG's and their cooperation partners within the scope of permanent cooperative collaboration among themselves and their cooperative facilities or within the scope of cooperation associations and federations, must be organized on the basis of this law and in observance of the principles of the contract law. Unless LPG's and their cooperation partners agree otherwise, the provisions of the contract law apply.

(4) If, due to social requirements within the scope of state management and planning, an amendment of long-term and stable cooperation relations is required, the competent state and economy managing organs must coordinate specific measures with the LPG's and their cooperation partners and, jointly with them, arrive at dispositions for the avoidance of adverse economic effects.

Section 3--Cooperative Land Use

Article 17--The LPG's Responsibility for Land Use

(1) The land is one of the most precious natural resources of the GDR. Socialist land use makes it possible to develop all land usable for farming and forestry with steadily greater efficacy for the production of foodstuffs and agricultural raw materials. By the common utilization of the land LPG's therefore accomplish a great social task in the interest of the rapid growth of the economy and the prosperity of the people. It is up to them by good cooperative work, careful soil cultivation and the rational use of social resources on the basis of modern science and technology to help determine the highest standard of yields achievable in comparable natural conditions.

(2) LPG's are obligated to cultivate their land for the maximum output and accompanied by a steady increase in soil fertility, to develop more land for agricultural use, ensure the steadily greater and stable output per unit of land and, at the same time, ensure protection for all waters and pursue environmental tasks.

(3) LPG's must ensure the orderly recording of their land fund and its utilization consonant with the land use documentation. They organize supervision of the comprehensive and efficient use of the land.

Article 18--Right to Comprehsnsive Land Use

(1) The LPG's hold a comprehensive and permanent right to use the land brought in by their cooperative farmers or allocated them by the state for free use or transferred to them by other socialist enterprises for unlimited use.

(2) In the exercise of its usufruct the LPG may, within the scope of legal regulations

a) Change the type of use and the crops cultivated,

b) Carry out improvements,

c) Change the network of paths and ditches

d) Erect new buildings and carry out structural changes including major repairs and demolition,

e) Extract mineral raw materials (that are not state property as per the mining laws_ within the scope of state confirmed plans,

f) As per the provisions of the statute make available land for personal farming or gardening use and for the construction of homes,

g) Make available land for carrying out joint assignments within the framework of cooperation,

h) Transfer land to state organs, socialist enterprises and facilities for their use.

In coordination with city and municipal councils the LPG may make available for temporary use to branches of the Union of Small Gardeners, Settlers and Small Livestock Breeders or to other users of some small areas temporarily not cultivated by the LPG. These areas are to be cultivated for the type of use and the crops stipulated and by an agreed method.

(3) If, within the framework of this law or the model statutes and model inner structures, LPG's transfer land to other LPG's or other socialist enterprises of agriculture, forestry and the foodstuffs industry for their use, the new users obtain the usufruct within the scope of their economic assignments.

(4) The cooperative usufruct of the land is not affected by sale or inheritance. In case a sale occurs in connection with the withdrawal of cooperatively used land as per article 21 paragraph 2, the end of cooperative land use is to be agreed separately by the LPG and the buyer.

Article 19--The Cooperative Farmers Ownership of the Land

(1) The land contributed to the LPG remains the property of the cooperative farmers. The use of this property is determined by the requirements arising from the development of intensive socialist agriculture.

(2) The provisions of the GDR civil code on personal property apply to the exercise of property rights with respect to the real estate remaining for the personal use of the cooperative farmers, excepting farm buildings and facilities required for cooperative use. The same applies mutatis mutandi to the individual ownership of buildings. In the case of the sale of real estate and buildings not contributed to the LPG to enterprises, facilities or citizens who are neither members nor employees of the LPG, the LPG is entitled to apply to the kreis council for permission to exercise the right of public domain and for the financial resources required for such purchase if the real estate or buildings are needed for cooperative production or for utilization within the scope of individual households.

(3) The rights and duties concerning the land made available by the LPG for individual farm use follow the statute and inner structure of the LPG.

(4) A change in the ownership of land reform real estate is regulated by special legal provisions.

Article 20--Exchange of Usufruct

In order to provide more favorable operational conditions LPG's may exchange cooperatively used land with the land of other owners or legal entities. The exchange of usufruct proceeds on a voluntary basis by means of a written contract and must be entered in the land utilization documentation. Property rights are not affected by this exchange. If exchanged land is sold, the new owner assumes the rights and duties of the contract. That applies mutatis mutandi if, for the purpose of providing more favorable operational conditions, land is contractually assigned for use to other socialist enterprises or facilities without a formal exchange.

Article 21--Protection of Cooperative Land Utilization

(1) The comprehensive and permanent cooperative land use is protected by the socialist state.

(2) LPG land may be permanently or temporarily taken away or its use restricted only on the basis of laws or decrees, and compensation must be paid.

Section 4--Cooperative Property

Article 22--Principles

(1) Together with the state property used by the LPG's, cooperative property and the land made available for utilization and other means of production represent the economic basis for the consolidation and development of the LPG and the rising prosperity of the cooperative farmers.

(2) Cooperative property is generated by cooperative work, the contribution of inventory and other means of production consonant with the statute, by purchase and other means of acquiring property.

(3) Within the scope of their statutes and legal regulations LPG's dispose of and decide on their own responsibility about their property and the means of production

allocated them for use as well as about the use of their profits. They must utilize cooperative property with the greatest possible social efficacy and so use their profits as to ensure the intensification of production as well as the best possible quality and efficiency of cooperative operations.

Article 23--Participation of Cooperative Farmers in the Profits of Cooperative Management

(1) Consonant with the principles of cooperative property and the performance principle, cooperative farmers share in the profits of the LPG.

(2) Cooperative farmers are remunerated in accordance with the profits achieved by the LPG, the share of the respective brigade or section and the quantity and quality of the work performed.

(3) Upon resolution by the general meeting and depending on the fulfillment and overfulfillment of brigade or section plans as well as the lowering of costs, LPG's are entitled to make differentiated year end payments to brigades, sections and other independently operating production units or pay differentiated premiums tied to rising output or lower production consumption.

Protection of Cooperative Property

Article 24

(1) Cooperative property is untouchable. It enjoys the particular protection of the socialist state. The means of production and other assets allocated for use to LPG's are to be efficiently used, carefully handled and protected just as cooperative property.

(2) The protection of cooperative property is the duty of all cooperative farmers and LPG management organs. The LPG executive board organizes the protection of cooperative property and, in all sectors of the LPG, ensures the responsible observance of socialist legality, exemplary order, discipline and safety.

Article 25

(1) LPG's are obligated with the greatest possible efficiency to use cooperative funds, especially to lower production consumption and, depending on their profits, ensure the expanded reproduction of cooperative property. By proper servicing and preventive maintenance of farm machines and other means of production they must improve their efficiency and lengthen their useful life.

(2) LPG's must ensure the efficient utilization of cooperative livestock and its reproduction, in particular by the best possible breeding, the most rational possible use of feed as well as good livestock health; by the rationalization and reconstruction of their facilities for livestock farming they must guarantee the improvement of livestock productivity.

(3) LPG means of production are not attachable. Any distraint upon the monetary resources of cooperative funds is permissible only with respect to claims to be met

from the resources of these funds as per their designation. Moreover, distraint may be carried out only with respect to monetary resources and items that are not basic to the LPG's economic operation.

Article 26--Joint Utilization of Cooperative Property

(1) For the accomplishment of cooperative tasks LPG's are entitled, together with their cooperation partners, jointly to use cooperative property or to establish community property including joint financial funds for mutual aid and support for investment, rationalization and reconstruction projects or reserve funds for dealing with financial losses in crop or livestock farming that are not due to negligence. The joint utilization proceeds in the interest of the cooperation partners involved for the purposes established by them in the statute or the cooperation agreement.

(2) The cooperation partners themselves, on the basis of legal regulations, decide the joint utilization of the cooperation partners property and the utilization of community property as well as the use of the profits achieved by joint operations.

(3) When joint property is established, the contributions to be made by the cooperation partners must be agreed and published. State property must be recorded separately. If the property of one cooperation partner is used by other cooperation partners it is protected as the property of the cooperation partner using it.

Article 27--Independent Ownership of Buildings, Facilities and Plantings

The buildings and facilities constructed on land used by the LPG's as well as plantings on such land are the property of the LPG, regardless of the ownership of the land. Independent ownership, independent of the ownership of the land, also applies to buildings and facilities constructed within the framework of cooperation and to plantings as well as means of production contributed and definitely tied to the land.

Article 28--Provision of Housing

(1) For the satisfaction of the housing needs of cooperative farmers and workers as well as for the establishment of permanent relations between young people and the LPG and village, LPG's are entitled to participate in housing construction projects in the rural area, create cooperatively owned living quarters, purchase residential buildings and construct homes for future use by cooperative farmers and workers. They assist all initiatives of cooperative farmers and workers for providing additional housing or construct homes by the remodeling and reconstruction of residential or farm buildings.

(2) The legal regulations on works housing apply to cooperative living quarters, apartments in cooperatively used buildings and housing units made available to the LPG.

(3) Upon the sale of a home constructed by the LPG and assigned to cooperative farmers and workers to citizens who are neither LPG members nor employees, the LPG has the right of preemption. The provisions of the GDR civil code apply to the exercise of the right of preemption. The state right of preemption is not affected thereby. Article 19 paragraph 2 applies mutatis mutandi to all other sales.

Section 5--The Rights and Duties of Cooperative Farmers

Principles

Article 29

Guaranteed to cooperative farmers is the right to work, to participate in the management and planning of the LPG, to remuneration by the quantity and quality of the work performed depending on the profit achieved by cooperative production, to education, leisure and recreation, to the protection of health and fitness for work, to social welfare in old age and disability as well as to material security in the case of sickness and accident. Cooperative farmers responsibly observe the tasks and duties arising from these rights.

Article 30

(1) With the extensive assistance of the state, cooperative farmers create in their LPG's such working and living conditions as will secure for them the full exercise of their rights and duties as socialist producers and personalities. In particular they organize the socialist competition as the most comprehensive expression of their creativity in cooperative production as well as the observance of their responsibility toward the socialist society and are actively involved in the innovator movement. The initiatives of young people in the movement "fair of the masters of tomorrow" must be extensively encouraged.

(2) LPG's so organize their working conditions, working hours and the rhythm of the work day as to enable them to carry out all the necessary work on their own, including the labor capacity made available to them within the framework of cooperation and by cities and communities, and at the time appropriate to the requirements of crop and livestock farming.

(3) On the basis of the model statutes, model inner structures and other legal regulations LPG's are obligated in their statutes and inner structures to arrange in detail the rights and duties of cooperative farmers and must guarantee their realization.

Article 13--Involvement in Cooperative Operations

(1) Each cooperative farmer is obligated and entitled, in accordance with his skills and knowledge and in conformity with cooperative needs in the LPG and for the accomplishment of his assignments, conscientiously to work within the framework of cooperation, comradely to collaborate with the other cooperative farmers and contribute his efforts for raising cooperative production and steadily improving its efficiency.

(2) By their purposeful deployment and the further improvement of working and living conditions LPG's encourage the extensive involvement of women cooperative farmers in cooperative operations and cooperative life. They ensure that the willingness, knowledge and ability of women cooperative farmers is fully effective for the best possible yields and performances in crop and livestock farming. Responsible tasks in production and LPG management must be assigned the women cooperative farmers. Consonant with the specific needs of women cooperative farmers, LPG's must provide

more prerequisites, especially by the appropriate organization of work and the easing of working conditions, to allow women cooperative farmers increasingly better to reconcile the observance of their rights and duties in the LPG with their tasks as wives and mothers.

(3) In collaboration with the Free German Youth the LPG's discharge their responsibility for the communist education of young cooperative farmers. They devote particular attention to their preparation for the defense of socialism. By allocating them responsible tasks in production, training them to be able to handle science and technology, management and planning as well as strengthening and establishing youth brigades and handing over youth projects, LPG's must purposefully inspire efficiency, initiative, creativity and liking for the farming profession among all young cooperative farmers and generally encourage their loyalty to the LPG and their close ties with the village. The performances of young cooperative farmers within the scope of the FDJ's economic initiatives must be rewarded consonant with the legal regulations governing the work with the "account for young socialists."

(4) LPG's ensure the greatest possible efficiency of cooperative operations by the simple and intelligible organization of working and production processes, directed to the fullest utilization of natural and economic production conditions and based on the findings of scientific labor organization. They must also ensure that cooperative farmers have the skills and knowledge required for their work, including knowledge of the provisions of health care and accident prevention as well as fire safety.

Article 32--Training and Further Education

(1) Every cooperative farmer is entitled and obligated to acquire the political and technical knowledge required for the exercise of his profession and the development of his personality.

(2) By a planned political and technical training LPG's must create the conditions necessary to enable cooperative farmers to cope with their challenging social tasks. The training and further education of women cooperative farmers and young cooperative farmers must be specially encouraged.

(3) LPG's are responsible for recruiting young people and for the professional instruction of young cooperative farmers. By close cooperation with city and community councils, the Free German Youth and its Pioneer organization "Ernst Thaelmann," the schools (especially with regard to the organization and conduct of polytechnical instruction) as well as the vocational counseling centers, the LPG's ensure primarily the recruitment of apprentices from the villages in the vicinity. Initiatives by apprentices in the socialist professional competition must be assisted at all times.

Article 33--Social Security

(1) The LPG's guarantee the full observation of the sociopolitical rights set down for cooperative farmers in the model statutes, model inner structures and other legal regulations. They safeguard health and fitness, the right to leisure, recreation and vacations, the right to leave from work for the observation of civic rights and duties, for training and further education and to medical care as well as to the

organization of socialist family relations, the right to assistance in the case of sickness, any temporary lowering of fitness to work, to the necessary measures for preventive health care and in old age as well as the right to special support and encouragement of women cooperative farmers and young cooperative farmers.

(2) The LPG's organize the further improvement of working and living conditions of cooperative farmers, a varied intellectual-cultural life and support the development of physical culture and sports. In cooperation with city and community councils, enterprises, facilities and social organizations in the region they encourage, in particular, the supply of goods in the LPG, child care, the development of repair and other services, health care, cultural and social facilities, sports and vacation and leisure pursuits. The LPG's assist the FDJ initiatives for the maintenance, reconstruction, modernization and new construction of facilities for cultural-sporting leisure pursuits as well as military sports activities of young people in the villages.

(3) Cooperative farmers are covered by social security insurance in accordance with legal regulations. In the case of sickness, accidents at work, occupational diseases, disability and in old age as well as in other cases recorded in legal regulations, they will receive the services of the social insurance system of the GDR State Insurance.

Article 34--Private Farming

(1) Cooperative farmers are guaranteed the right to conduct private farming within the scope of the LPG statute and inner structure. The LPG assists the cultivation of the land made available for private use and encourages private livestock farming.

(2) Delegated cooperative farmers who, on behalf of their LPG, are working for other LPG's, state farms and cooperative facilities or other socialist enterprises of agriculture, forestry and the foodstuffs industry, are granted by their LPG the right to carry on private farming. This is done by their LPG making available to the delegated cooperative farmer the land earmarked for private use or the produce so earmarked within the scope of it's statute, assisting the cultivation of the land and encouraging private livestock farming. With the consent of the delegated cooperative farmer these duties of his LPG may be transferred entirely or in part to the LPG, state farm, cooperative facility or other socialist enterprise of agriculture, forestry and the food industry where the delegated cooperative farmer is working.

(3) The regulations on protection from distraint with regard to cooperative property apply mutatis mutandi to the ownership of real estate, residential and farm buildings as well as breeding livestock and feed needed by the cooperative farmer for the observance of his cooperative rights and duties or for the conduct of private farming.

(4) The conduct of private farming within the scope of the LPG statute and inner structure is guaranteed also to manual and clerical workers employed by the LPG. The provisions of paragraph 3 apply mutatis mutandi.

Article 35--Manual and Clerical Workers in the LPG

(1) The rights and duties of manual and clerical workers employed in the LPG are regulated by the labor code of the German Democratic Republic and its provisions as well as by the regulations on collective contracts, model statutes and model inner structures.

(2) The LPG's ensure the observance of labor union rights consonant with the bylaws and resolutions of the Free German Labor Federation and, in close cooperative with the trade union organs, ensure the equal participation of manual and clerical workers in the management and planning of the LPG.

Article 36--Cooperative Farmers Claims for Compensation for Accidents at Work and Occupational Disease

(1) In case of an accident at work arising from the cooperative labor process or of an occupational disease incurred, cooperative farmers have a claim to compensation for the damage suffered. A claim for compensation in the case of an accident at work does not lie if, despite due training, instruction and supervision, the cooperative farmer deliberately violates his duties with respect to health and safety regulations, the accident is caused thereby, and the LPG is not at fault in the matter.

(2) The claim to compensation includes

a) Earnings lost and continuing to be lost, including the reduction in pension claims.

b) The necessary additional expenses incurred, especially for the restoration of health and fitness to work and for the resumption of participation in the labor process and social life,

c) Material damage.

Deducted from the cooperative farmer's claim to compensation from the LPG are social insurance and other welfare benefits received by the cooperative farmer as a result of the damage suffered. The same applies to earnings received by the cooperative farmer for work he is able to do or omits to do despite being capable of performing the work. Payments made to the cooperative farmer or his widow and/or orphans by the GDR State Insurance on the basis of voluntary life and accident policies do not affect the total amount of the claim.

(3) If the death of a cooperative farmer results from an accident at work or an occupational disease, the LPG is obligated to compensate the widow and/or orphans for the damage suffered by the loss of their legal claim to maintenance and must pay the costs of the funeral. The provisions of paragraphs 1 and 2 apply mutatis mutandi.

Article 37--Other Claims for Compensation for Cooperative Farmers

(1) If the LPG neglects its duties toward a cooperative farmer as arising from the cooperative labor relationship, and he suffers damage thereby, the LPG must compensate the cooperative farmer. The obligation to compensation falls away if the LPG

was unable to avoid the circumstances resulting in the damage, respite utilization of all possibilities offered by socialist production conditions. The provisions of article 36 paragraphs 2 and 3 apply mutatis mutandi to the amount of the claim for compensation.

(2) If, inspired by social responsibility, a cooperative farmer exerts himself in the interest of the LPG to prevent or reduce damage or fight off dangers, he has a claim in the LPG for compensation of any costs incurred and that he could logically consider necessary; he is also entitled to be compensated for any adverse effects suffered.

(3) If, with the permission of the LPG, a cooperative farmer uses his private property to accomplish an assignment, the LPG must compensate him if his private property is damaged or destroyed in the process. No claim to compensation exists if the cooperative farmer is materially responsible as per the provisions of articles 39 and 40.

Article 38--Payment of Compensation

(1) LPG's are entitled to take out insurance with the GDR State Insurance in order to be able to pay compensation as per article 36 and article 37 paragraph 1, in connection with injuries to persons or material damage.

(2) Insofar the LPG pays compensation, all claims for compensation on third parties are transferred from the cooperative farmer to the LPG. Other civil claims of the cooperative farmer on the party causing the damage are not affected thereby.

Material Responsibility of Cooperative Farmers

Article 39

(1) Cooperative farmers culpably damaging cooperative property or, by serious negligence of their cooperative duties, culpably causing substantial loss of output, must compensate the LPG for the damage suffered. In less serious cases the executive board may adopt disciplinary measures for the retraining of the cooperative farmer.

(2) The amount of the compensation to be paid depends on the extent of direct damage. The limitation to direct damage falls away if the damage is deliberately caused.

(3) If the damage is caused by negligence in the course of cooperative work, the extent of the compensation payable is limited to the amount of 1 month's earnings. In the case of the loss of objects allocated for exclusive use and against written confirmation as well as of monetary and material values entrusted for safe keeping, the LPG is entitled to claim compensation up to 3 months' earnings, provided it had fulfilled all conditions required for the observance of the duty to defend these property values. The calculation of monthly earnings is based on one twelfth of the earnings of the 12 months preceding the occurrence, including the planned value of the proportionate year end payment. This limitation of the claim to compensation falls away if the damage is due to a violation of work duty committed under the influence of drink and the offender is criminally prosecuted as a result.

Article 40

(1) To be considered with regard to the decision on material responsibility is the totality of all circumstances, in particular the method of causing the damage, its social consequences, the amount of the damage and its economic effects, the kind and seriousness of guilt as well as the general behavior of the person responsible before and after the damage occurred.

(2) In every case of a cooperative farmer being liable for compensation for damage caused by him, the LPG executive board is obligated promptly to take the measures required to ascertain the damage and the person causing it and for the discovery and removal of the causes and conditions favoring it, as well as to adopt measures for preventing future damage. The executive deals with the guilty party and, after discussion in the brigade or section meeting, decides whether and in what amount to claim compensation. The executive board is obligated to inform the general meeting of the incident and to justify its decision. If the chairman or a member of the board has caused the damage, the audit committee is entitled to submit to the executive board applications with respect to material responsibility. If these are not acted upon, it may request a decision by the general meeting.

(3) In principle compensation is to be paid in money. The executive board may require payment in kind or other services to make good the loss of property; the method and kind of the services to be rendered are to be agreed.

(4) In the case of compensation claims up to M300, the LPG may, upon decision by the executive board, withhold the respective amount from advances on salary. In that case the cooperative farmer must be left with at least 50 percent of the advance on salary.

(5) The above provisions do not exclude an appeal to the courts.

Section 6--Special Regulations

Article 41--Statute of Limitations

(1) LPG claims on members and members claims on the LPG arising from cooperative legal relationships are limited to 2 years. Claims for compensation on the LPG are limited to 3 years. If damage to cooperative property is prosecuted as a crime, material responsibility may be claimed within another year from the conclusive decision of the appropriate organ.

(2) Members claims on the LPG for repayment of the additional inventory contribution are limited to 5 years from the date settled for repayment of the respective amount by the general meeting.

(3) The statute of limitation begins to operate on the first day of the month following the day the claim becomes due.

Article 42--Court Jurisdiction

(1) The executive board and the member must responsibly collaborate to settle disputes between the LPG and the member arising from the cooperative legal relationship

and they must strive for an amicable settlement. The member is entitled to state his claim to the executive board or the general meeting for decision.

(2) If no amicable settlement is achieved, the courts have jurisdiction to decide disputes between the LPG's and their members in regard to property rights, unless legal regulations assign the ultimate decision to the LPG management organs or local councils. The courts also have jurisdiction in the case of other disputes between LPG's and their members if that is stipulated in legal regulations.

Article 43--Representation of the LPG

(1) The chairman or his deputy and another member of the executive represents the LPG in legal transactions. In the case of legal transactions not exceeding a value of M1,000, the chairman alone may represent the LPG. The consent of the general meeting is required for the conclusion of legal transactions involving land and buildings.

(2) The LPG executive board may assign power of attorney to the chairman, the heads of brigades, sections and other work collectives as well as other persons, either for single or recurring legal transactions arising within the scope of their production tasks. In these cases the holders of the power of attorney must regularly account to the executive board regarding the exercise of these powers.

(3) The representation of the LPG may be exercised only within the framework of the legal regulations, statute and plans of the LPG.

Article 44--Mortgages and Equalized Claims

(1) Mortgages payable to state credit institutes are on principle waived or deferred for cooperative farmers as per legal regulations.[1] If interest and repayment payments due with respect to liabilities in connection with contributed real property cause difficulties as a result of extraordinary circumstances, the courts may, after examination of the pecuniary circumstances of creditor and debtor, order the claim to be deferred with or without interest charges, order interest payments to be deferred or decide other measures.

(2) If cooperative use of contractually used buildings and facilities is ended by agreement between the LPG and cooperative farmers, a reciprocal settlement takes place as per the agreements concluded on cooperative use. A claim for compensation lies for any loss of value due to the neglect of agreed maintenance as well as for any increase in value by expansion and maintenance measures.

(3) If the value of real property, buildings and facilities has substantially increased during cooperative use, due to significant extensions and repairs, and unless some agreement is arrived at regarding payment for the increase in value, the LPG is entitled to ask for a mortgage on the respective real property in the amount

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1. In effect at the present time are:
The Law of 17 February 1954 on the Debt Clearance of Small and Medium Farmers upon Accession to Agricultural Producer Cooperatives (GB1 No 23 p 224) and its implementing regulations.

of the claim for compensation arising from the increase in value, provided the owner is able to realize the increase in value by further utilization. If the owner is not able to realize the increase in value by further utilization, the LPG may claim the right, in case of sale, to receive that part of the purchase price, which corresponds to the increase in value realized. So as to safeguard this right a notation to that effect may be entered in the land register. If the entry of the mortgage or notation cannot be agreed upon, the kreis council may order such an entry to be made upon the request of the LPG.

Article 45--Death of a Testator

(1) Upon the death of a cooperative farmer the LPG must, within 1 month from the confirmation of the final annual statement of accounts for the business year in which the death occurred, carry out a reciprocal settlement with the heirs.

(2) In the case of the death of a testator, the property right in cooperatively used land is transferred to his heirs as per the provisions of the inheritance law.

(3) If the heir is or is going to be a member of the LPG, he holds the same rights as the testator with regard to the land contributed by the testator. The same applies mutatis mutandi to members who are common heirs. It also applies to the family members of heirs who are or are going to be LPG members unless the heirs themsleves are not nor will be members.

(4) If an estate is held in common by LPG members and citizens who are not LPG members, the heirs should agree to transfer the land to the ownership of the members or maintain the estate in common with respect to the land. If no agreement is achieved, the transfer of the landed property proceeds as per the regulations on inheritance at the time the estate is distributed. The land contributed to the LPG is disregarded when evaluating the shares of the co-heirs. For the time of its utilization the land is not subject to any liabilities on the estate. If the estate includes residential and farm buildings needed by one heir to observe his cooperative rights and duties, that heir has the right of first refusal for the respective real property or residential and farm buildings.

(5) The provisions of paragraph 4 apply mutatis mutandi to the division of community property of spouses.

Section 7--Scope

Article 46

The provisions of this law apply to LPG's and cooperative farmers as well as to the LPG's cooperation relations as per articles 10-16. They apply as appropriate to horticultural producer cooperatives, producer cooperatives of inland fishermen and other producer cooperatives in the sphere of agriculture and their cooperation relations as well as to their members.

Section 8--Concluding Regulations

Article 47--Implementing Decrees

The GDR Council of Ministers will issue the legal regulations required for the implementation of this law.

Article 48--Taking Effect

(1) This law takes effect upon publication.

(2) Losing effect at the same time are:

-- The Law of 3 June 1959 on Agricultural Producer Cooperatives (GBl I No 36 p 577) in the version of article 12 No 4 of the Introductory Law of 19 June 1975 to the GDR Civil Code (GBl I No 27 p 517);

-- First Implementing Regulation of 27 November 1959 to the Law on Agricultural Producer Cooperatives (GBl I No 70 p 905);

-- Second Implementing Regulation of 11 February 1960 to the Law on Agricultural Producer Cooperatives--Registration of Statutes--(GBl I No 14 p 135);

-- No 15 of the appendix to the Decree of 24 June 1971 on the New Version of Regulations on Appeal Against Decisions by State Organs (GBl II No 54 p 465).

Article 49--Regulation of Application

(1) Section III of the appendix to the GDR Council of Ministers resolution of 1 November 1972 on the model statute for cooperative facilities of LPG's, VEG's /state farms/, GPG's /horticultural producer cooperatives/ and socialist enterprises of the foodstuffs industry and trade (GBl II No 68 p 781) is to be applied as per the provisions of article 13 paragraph 2 of this law.

(2) No 48 and No 61 paragraph 2 letter f of appendices 1 and 2 to the GDR Council of Ministers resolution of 28 July 1977 on the model statutes and model inner structures of LPG crop and livestock farming (special issue No 937 of the GBl) are to be applied as per the provisions of article 40 of this law.

(3) No 41 and No 51 paragraph 2 letter f of the appendix to the GDR Council of Ministers resolution of 1 October 1981 on the model statute of producer cooperatives of inland fishermen (special issue No 1075 GBl) are to be applied as per the provisions of article 40 of this law.

Implementing Resolution

East Berlin GESETZBLATT DER DEUTSCHEN DEMOKRATISCHEN REPUBLIK in German Part I No 25, 12 Jul 82 pp 453-454

[Official text of "First Implementing Decree, 2 July 1982, to the LPG Law--Registration of LPG's, Cooperative, Establishments, and Cooperation Associations and Their

Statutes," signed by Willi Stoph, chairman, GDR Council of Ministers, and Heinz Kuhrig, minister for agriculture, forestry, and foodstuffs/

/Text/ The following is decreed on the basis of article 47 of the law of 2 July 1982 on Agricultural Producer Cooperatives--LPG Law--(GBl I No 25 p 443):

Article 1

(1) To ensure order and safety in legal relationships, the LPG's are obligated to get themselves entered in the LPG register (hereinafter described as register).. To be submitted for the purpose of registration to the kreis council, department agriculture and foodstuffs industry, where the LPG is domiciled, is the foundation protocol, the statute and the list of names of legal representatives (chairman, deputy chairman and members of the executive board) in duplicate and within 3 days from the adoption of the resolution on the establishment of the LPG.

(2) Paragraph 1 applies mutatis mutandi to cooperative establishments, cooperation associations and federations that are independent legal entities (hereinafter described as cooperative establishments, cooperation associations and federations).

(3) Insofar as legal regulations provide for the bezirk council to be the competent organ for registration, the kreis council, department agriculture and foodstuffs industry, must promptly forward the documents for registration.

(4) Paragraphs 1-3 apply mutatis mutandi to any amendments of the statute, applications for ending the capacity of acting as a legal entity of the LPG,cooperative establishment, cooperation association or federation and any other applications regarding the amendment or supplementation of the register.

Article 2

(1) The register is kept by the kreis council, department agriculture and foodstuffs industry or, in cases stipulated by legal regulations, by the bezirk council, department agriculture and foodstuffs industry.

(2) The ministry for agriculture, forestry and foodstuffs must ensure the direction and supervision of the state organs competent for registration as well as the uniformity of register keeping.

Article 3

(1) New establishments or mergers of LPG's, the transfer to or acceptance of economic units of other LPG's or cooperative establishments as well as the establishment or amendment of the assignments of cooperative facilities, cooperation associations and federations must be prepared by LPG executive boards, cooperation councils, management organs of the cooperative establishments, cooperation associations or federations together with the state organ competent for registration.

(2) The state organ competent for registration ensures the discussion of the measures provided as per paragraph 1 by the kreis councils for agriculture and foodstuffs industry.

Article 4

(1) Registration must take place within 14 days from receipt of the documents, provided the establishment of the LPG, the cooperative establishment, the cooperation association or the federation as well as the statute or the amendments to the statute accord with the requirements stated in legal regulations.

(2) If the documents submitted do not accord with the requirements stated in legal regulations, the state organs competent for registration must give aid and assistance to the executive boards of the LPG's or the management organs of the cooperative establishments, cooperation associations and federations in the revision of the statutes submitted or the amendments to the statutes as well as in the preparation of the necessary decisions by the general meetings or executive boards of the LPG's or the management organs of cooperative establishments, cooperation associations and federations.

(3) The entries in the register take effect at the time of registration. They serve as evidence of the facts recorded.

(4) LPG's, cooperative establishments, cooperation associations and federations receive a copy of the statute submitted, carrying a notation of the registration.

Article 5

(1) Registers must be kept for LPG's, cooperative establishments, cooperation associations and federations as per the appendix.

(2) A separate register page must be assigned to each LPG. The register pages are to be numbered consecutively. Subsequent amendments must be added to the register page. Cancellations are recorded by red underlinings.

(3) The documents and registry documentation for each LPG must be kept in a subfolder to go with each register page.

(4) The provisions of paragraphs 2 and 3 apply mutatis mutandi to cooperative establishments, cooperative associations and federations.

Article 6

(1) To carry out the tasks involved in keeping the registers by kreis councils, departments agriculture and foodstuffs industry, or bezirk councils, departments agriculture and foodstuffs industry, authorized agents are to be appointed to keep the registers.

(2) The authorized agent appointed to keep the register examines applications with respect to completeness and the observance of legal regulations; he decides about registration.

(3) The registration must be signed and dated by the authorized agent appointed to keep the register.

(4) The LPG, cooperative establishment, cooperation association or federation receives notification of the registration. The registration is not published.

(5) The authorized agent appointed to keep the register decides about any application to view the entry or to obtain written information, provided this is stated in the implementing decree.

Article 7

(1) In addition to supplying regular excerpts or copies, the authorized agent appointed to keep the register is entitled to notarize excerpts and copies from the register.

(2) Notarization is provided by a notation set below the excerpt or copy, documenting its agreement with the entry in the register. The notarization notation must include the place and date of issue and must be signed and sealed by the authorized agent appointed to keep the register.

Article 8

(1) In addition to the legal and authorized representatives of the registered LPG's, cooperative establisyments, cooperation associations and federations, the following are entitled to inspect the register or statutes deposited:

a) Legal or authorized representatives of socialist enterprises maintaining economic relations with the LPG, cooperative establishment, cooperation association or federation,

b) Managers or authorized representatives of state organs or state establishments,

c) Authorized agents of state credit institutions.

(2) Other persons may inspect the register or obtain written information if able to prove justified interest.

(3) Regular or notarized excerpts or copies of register entries may be obtained only by the registered LPG's, cooperative establishments, cooperation associations and federations as well as authorized persons as per paragraph 1 letters a-c.

Article 9

(1) Decisions by the authorized agents appointed to keep the registers may be appealed. The appeal must be submitted in writing within 2 weeks from the issue of the decision

a) To the deputy chairman of the kreis council for agriculture and foodstuffs industry in the case of decisions by the authorized agent appointed to keep the register at the kreis council,

b) To the deputy chairman of the bezirk council for agriculture, forestry and foodstuffs industry in the case of decisions by the authorized agent appointed to keep the register at the bezirk council.

(2) The deputy chairman of the kreis council for agriculture and foodstuffs industry or deputy chairman of the bezirk council for agriculture, forestry and foodstuffs industry must issue a final decision about the appeal within 2 weeks. The decision about the appeal must be given in writing.

Article 10

This decree takes effect upon publication.

Appendix to the Preceding First Implementing Decree

Register
of the LPG's of Kreis.....[1] Register No .....

| Serial No of the Entry | Name and Head Office | a) Name of the Chairman<br>b) Name of the Deputy Chairman<br>c) Name of the Executive Board Members[2] | a) Facts to be Entered<br>b) Date of Registration | Remarks on Documents and Entry Documentation |
|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 |
| Example: | | | | |
| 1. | LPG Crop Farming Head Office... | a) Meier, Walter<br>b) ....<br>c) .... | a) Registration of the LPG and its statute of 2 May 1982 N.N.[3] | See Subfolder page ... |
| 2. | | | a) Amendments of 10 October 1982 of the statute<br>b) 24 October 1982 N.N.[3] | See Subfolder page ... |
| 3. | | a) Schulze, Alfred | a) Change of man<br>b) 7 December 1982 N.N.[3] | See Subfolder |

1. Mutatis mutandi also for kreis cooperative establishments, bezirk cooperation associations and federations.
2. In the case of cooperative facilities, cooperation associations and federations the names of the persons authorized as per the statute to represent them in legal transactions.
3. Signature of the authorized agent appointed to keep the register.

## CHANGES ENHANCE EFFICIENCY AT AUTO COMPONENT WORKS

Budapest PARTELET in Hungarian No 7, Jul 82 pp 63-67

[Article by Tibor Moravetz, secretary of party committee in the Bakony Works: "Structure Change and Organization in the Bakony Works"]

[Text] Investigating what a production enterprise has done in approximately a decade in the interest of the continued development of plant and labor organization is not an easy task. It is not easy partly because this topic is extremely manifold, and partly because there are no unambiguous measuring methods available to us. It was not without reason that the Central Committee resolution has pointed out that the system of requirements of organization and the system of reporting suitable for evaluation must be worked out. It is characteristic for the complicated nature of this topic area that based on the resolution the Central Statistical Office [KSH] has developed an evaluation system composed of 408 indices, which even so is still not free of a certain amount of subjectivity.

Because of all this, the article dealing with implementation of the Central Committee resolution tries to summarize the experiences deemed most important. Or more precisely: It wished to report on those efforts of our enterprise which contribute to the improvement of organization and to increasing the standards of economic operation. Simultaneously with the 1968 reform of the economic management system, our enterprise was also facing fundamental changes. For example, the Hungarian-Soviet automobile industrial cooperation was signed that year, and we also joined the passenger car cooperation. Preparation of the profile change at that time required significant organizing and development work. In practice, an internal mechanism had to be developed in the enterprise which was more suitable than the previous one for handling higher level economic tasks and for implementing the market's effects.

The Bakony Works embarked on the local implementation of the Central Committee's 1 December 1971 resolution in possession of new technologies and production experience close to the worldwide standards. Participation in the Lada cooperation, and after 1973 in the FIAT P-126 cooperation, demanded from management and from the workers' collectives that they direct their main efforts on producing component parts for cars and to get rid of quite a few products which by then had become unprofitable and obsolete; in 1970 the

enterprise had 46 main product groups, which decreased to 37 by 1980. Of course, the collective product structure modification consisted not only of decreasing the number of the product groups, but it also meant that about half of our products were replaced [by others].

New Profile, More Complex Tasks

In addition to significant modification of the profice, other things also took place: the number of production units increased, and the roles they play in production also changed. Production was on the increase, and even though the improvement of productivity provided more than 60 percent of the increase in production value, it became necessary for us to search for other manpower sources instead of the manpower available in Veszprem, which had dried up. The megye's party leadership and government recognized the problems of the Bakony Works and included the enterprise's interests in the megye's employment and industry-settlement concepts. As a result of this, in a few years the enterprise built four large plants away from Veszprem, which became the basic conditions for further production increases. This process continued in the mid-1970's, so that in 1977, in addition to the home plant, production was in progress in seven satellite plant locations employing about one-third of the total manpower. This industrial development was implemented differently from the usual industry settlements since the organization of the plant locations, besides being forced to implement extensive developments, was also based on rational labor sharing, on specialization, and on cooperation which at the same time also resulted in significant productivity increases. We can credit the success we achieved in this area primarily to the fact that from the very beginning the home plant treated the satellite plants as equal partners. The existing modern machinery and equipment were placed in these locations. The partnership of the creative man wishing to work efficiently, and of modern technology produced results; the enterprise which between 1963 and 1965 was still a small one with a hodge-podge profile (at that time it produced small household machines, metal packaging equipment, steel braces, locks, tools, spare parts for the volume metal products industry, and who knows how many other small products), by the mid-1970's grew into an automotive electrical specialty enterprise employing nearly 6,000 people.

The Central Committee's resolution was born at the time when the Bakony Works was already working on implementing the cooperation deriving from the opportunity of the "business deal of the century." Production reached full scale in 3 years: in 1970 we sent 35,000 sets; in 1971, 165,000 sets; and in 1972, 300,000 sets of windshield wipers, ignition switches and twin horns to the Togliatti Automobile Factory. It was at that time equivalent to the "production" of 5,800 Lada cars per year.

Such a high rate of production increase made the enterprise's technical and economic experts, as well as the political and social organizations, face extremely large tasks. Organizational work as well as shaping the public's mood came into the focus of attention at about that time, as did the creation of the correct relationship with the new economic tasks. No matter how formal this may seem, the department of organization had to be created as the

first step with the task that it should fit the organizational activity of the various level economic units to the central intentions of the enterprise. Besides developing the organization, we also paid much attention to reinforcing the idea that organizing is not just the task of one organization but of every organization of the enterprise, and of the managers at every level. The production increase became possible only by solving the plant and labor organization tasks coupled with modern thinking. This process was made more difficult by the fact that the product structure continued to change. The Lada program was joined between 1972 and 1975 by products such as the small circuit-breakers manufactured on the basis of the Schrank license, the P-126 product family with an annual volume of 150,000 units, or the installation-technology equipment made according to the Bosch license. Parallel with the introduction of the new products, the advanced development of the traditional constructions also began.

In order to be able to form a realistic picture about the growth of the Bakony Works, we must by all means also mention the advantages and disadvantages of contracts based on closed construction cooperation. Subcontracting for automobile manufacturing has fundamentally and for the long range insured the employment of manpower with a relatively high technological level, and created the basis for the enterprise's continued growth. At the same time, in the second half of the 1970's the pricing and profitability problems of closed cooperation developed; namely, what was involved was that the production conditions of the agreement made in 1968 have changed during the years, and as a result of this the profit decreased by about 230 million forints between 1978 and 1980.

Even though overhead costs steadily decreased, due to the material and energy cost increases, the commercial exchange rate decreases, and moderation of the state subsidies, sufficient enterprise funds were not formed to finance continued technological growth. These types of difficulties forced the enterprise's collective--recognizing the stumbling blocks of economic operations--to take even better advantage of the available means. The efforts aimed at optimizing the product structure, increasing the amount and quality of production, greatly increasing the nonruble accounted export, and a whole seried of organizational and economy measures highlighted the implemented measures.

As I have already mentioned, improvements and changes in plant and work organization are not easy to describe even if the numerical data characterizing the enterprise's growth are available. Our organizational experts developed those indices in 1980 according to the KSH's evaluation system, indices which are best suited to express the level of the enterprise's organization. Based on this evaluation, the organization of Bakony Works was placed at about 60 percent, which--according to the comparative data available to us--is judged to be somewhat better than the nationwide average. Let's look at some characteristic facts: compared to 480 million forints in 1970, last year's production value was 1.4 billion forints. Even though this is a huge increase, it would not say much by itself if we did not know that quality changes accompanied the quantitative increase. In 1979, for example, the per capita production value for the year was 113,000 forints, while last

year--at comparable prices--it was 261,000 forints. The productivity increase is even higher in the passenger car cooperation. In addition to this, the number of shifts increased by an average of 40 percent in 10 years, and earnings more than doubled. The per capita annual earning is 46,000 forints now, and this is better than the average in this industrial branch. The increase of efficiency and higher level of production is also indicated by the fact that at the end of the 1960's the enterprise had only a few modern, high-performance machines, while today there are almost 300 of them in operation. An important task of the economic operating units operating the machines is to exploit the capacities of the machines near the optimum. The management of the enterprise assembles annual plans for this with the involvement of the factory units. This year, for example, the expensive presses must be used at 90 percent capacity, the metal-removing machines [e.g. lathes, milling machines shapers] at 70 percent, the surface-finishers lines at 80 percent, and the casting machines (due to their rather deteriorated conditions) at 65 to 70 percent. It is also a proof of growth that in 1970 there were 40 professionals with college-level education working in the Bakony Works, while there are 240 now--and even this is not enough!

The introduction of the new product group different from the automotive electrical profile lent further speed to modernizing the plant and work organization. It served the enterprise's competitiveness, flexibility, and "being able to stand on several legs" which even now is a very timely requirement. We are talking about the manufacturing of the installation technological equipment for Bosch, for which we bought the license with the aid of the machine industrial portfolio and of the OMFB [National Technical Development Committee]. Since the mid-seventies this business has not only created new markets and greater profitability but also increased the technological culture. This is because we ourselves also applied these modern tools of installation [assembly] development, and through this the assembly employment which is very significant in our profile, achieved a 40 percent productivity increase. We can state practically without exaggaration that the product group developed on the basis of the work method known by the name 3-M (motion analysis, job study, and workplace development), and the comprehensive design-production and startup process revolutionized the assembly work that had very low standards and high demand for live labor, in the most varied areas of the national economy. It also increased the efficiency of the new technology here, which basically requires trained labor, by the fact that we applied it together with group wages which provide incentives. It is characteristic for the interest in these products that in addition to the assembly lines we built for ourselves, we have started up almost 30 assembly lines and complete assembly facilities for various enterprises and institutions.

Improving the Directing and Interest

The efforts of the enterprise's management aimed at further developing the internal directing system are also aimed at increasing the efficiency of work. The unique directing system of Bakony Works is characterized by:
--the concept of the production units producing product independently;
--centralization of the decisive portion of spare-parts production;
--cooperation among the factory units.

The production of independent products is justified not only by the decreased transportation distances and costs, but also by that natural human need that we like to see the concrete product of our work. And inexpensive operation of the costly and high-performance-capacity machines can be insured only if we tool up simultaneously the component parts of several products on the same machine. Of course, this manufacturing format requires greater attention and good coordination. Together with this, the independent production of products and a high degree of internal cooperation fit in with each other very well. The industry settlements and investments serving the enterprise's growth justified that in addition to production and development we should also create a chief engineering organization which coordinates the activity mentioned also at a higher level. This organization justified its right to exist especially in organizing the large-scale investments of recent years.

In the interest of implementing the modern information and decisionmaking system, the enterprise embarked on building a production-management and business-management system using a large computer. We trust that the computer replacing the small machines will in the future insure more efficient and more modern operation of the internal management. Gradual expansion of the independence and sphere of authority of the factory units, improvement of function of price and cost management, and the modification of the technical development and quality assurance organizations are in progress.

Significant progress has been made in developing and using a wage system with better incentives. The question of the wages and appreciation of foremen and technical and economic experts is on the agenda again. In this respect, we have already succeeded in taking some concrete measures which better appreciate technical and economic knowledge.

The party committee of Bakony Works has been placing on its agenda the control of modernizing the enterprise's plant and work organization at least once a year since the Central Committee resolution was issued. One of the most important tasks has been that the workers as well as the managers should understand the importance of that change in ideology which absolutely has to take place--in the interest of raising the standard of living--in economic operation, production and technological life. The basic party organizations as well as the economic-policy working committee have accepted very significant parts in solving this task. Observations and criticisms have been presented in a number of cases in the forums of the party and mass organizations, which--perhaps not even always consciously at the moment they were being defined--were aimed at improving the plant and work organization.

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From the nature of production, it follows that the question which represents the foundation of all organization, that is, how the various products could be produced with less lost time, greater accuracy, better quality and smaller material investments, must be kept in the forefront at all times. In the interest of this, the goals defined by the Central Committee over 10 years ago continue to play a role in the medium- and long-range plans of the Bakony Works. Our major investments in progress at the present time, such as, for

example, spark plug manufacturing on the basis of the Smith license from England, and the reconstructions of the production of automotive electrical products or even of the production of carbon dioxide cartridges for soda water, are done on the basis of the requirements of modern plant and work organizations. Good quality, production with material and energy savings, and appropriate profitability continued to remain the basic requirements. The effort of the Bakony Works to implement all this with the financial and moral appreciation of the workers collective and under continuously improving social and working conditions, joins these technical and economic requirements.

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## LONG-RANGE FUEL, ENERGY DEVELOPMENT ASSESSED

### Polish Science Academy's Analysis

Warsaw RZECZPOSPOLITA in Polish 22 Jun 82 pp 1, 3

[Article by Tadeusz Podwysocki: "Without Energy There Will Be No Bread, Meat or Housing. A Penetrating Professional Report on the Country's Fuel-Power Industry Management. The Causes and Way Out of the Impasse".]

> [Text] The professional report on Poland's fuel-power industry management during the time of crisis is the newest, highly penetrating and comprehensive study conducted within the framework of the PAN [Polish Academy of Sciences] Committee for Problems of the Power Industry by Prof dr Kazimierz Kopecki. This study is intended for the executive party-government authorities and for the needs of institutions and scientific committees. What does this document contain?

One of the conclusions of the report reads as follows: in order to prescribe a medication, the causes and the nature of the illness must be recognized. That is the reason for the thorough analysis of the causes for the crisis and its effects on the power industry and fuel management. Disproportions appeared in the development of the energy-intensive industry in relation to the fuel-power industry base. There was never a long-term plan for the power industry. We had and still have an incorrect, obsolete structure of obtaining primary energy. The proper, long-range development of the nuclear power industry was not secured as a result of the conscious activity of the authorities.

The development of a turbine factory in Elblag was not secured as was not the expansion of pump, fan as well as electrotechnical apparatus factories. The construction of hydroelectric power stations and of other hydropower installations in Solina, Czorsztyn, Zydowo, Porabka-Zar and Zarnowiec exemplified incompetence.

The adage about the shoemaker going without shoes applies very well to the power industry. Thus, the efficiency with which electric energy was produced in electric power plants worsened systematically. This affected 500 Mw power units as compared to 200 Mw power units. The losses are extensive in the electric and heat distribution mains.

The professional report indicates that the constantly increasing energy-intensiveness (as compared to production) of industry resulted from false investment assumptions and the use of improper production technology. For this reason, the per unit use of primary energy in our country is very high and deviates considerably from that of other industrialized countries.

And this is where we reach the essential conclusions of the professional report. The report warns against...making substitutions, at any cost, with domestic raw materials and semifinished products which had been imported until now! Why? Because raw materials from poor, low-grade deposits require more energy which, after all, is highly unremunerative.

Thus, the conclusion: that in reaching out for native raw materials, it is first necessary to conduct a thorough cost effectiveness and to honestly answer the question; what is more advantageous: reducing the export of coal, a drop in labor productivity or the mining of an energy-intensive raw material?

Above all, the report disperses the myth that noninvestment improvements of efficiency have been, in practice, introduced and the possibilities of economizing in this way are minimal. In other words, improved energy use requires investment and modernizing outlays. Prof K. Kopecki states point-blank: "Unfortunately, long-standing energy wastefulness is not easily eliminated--this requires considerable means and time."

Everything is worthwhile after all if during 10 years of consistent activity of improving energy use, it is possible to save from 25 to 30 million tons of standard fuel annually. This is a huge amount.

The future--what does it hold for us? How can we emerge from the crisis? The author of the professional report declares: "No one is able to describe with a sufficient degree of probability what the trend of coal mining will be or that of obtaining natural gas or crude oil of the development of the energy-intensive industry." However, Prof K. Kopecki adds that one future trend which is capable of being specified is the line of demographic development which is of great significance to the outlining of a vision of the power industry. Despite all the reservations, the professional report provides information about the near and distant future of the country's fuel-power industry management which is capable of being predicted.

The state of progress on the construction of new electric power plants does not reveal chances of accelerating the investment. That is why, between 1981-1985, the increase of operational output will probably only amount to 4.8-7.3 GW [gigawatts] and during the 1986-1990 period, it will be from 7.1 to 9.6 GW. It should be added here that during this entire 10-year period, there will be a concurrent discontinuance of worn-out installations with an output of 1.2 GW. And this leads to yet another conclusion of the professional report: that serious shortages of electric energy should be expected until 1990 and even later.

However, there is a way out of the situation. The said deficit can be decreased if work on the development of the nuclear power industry slated to extend beyond 1990 is already begun now. Prof Kopecki assures us that only the nuclear power industry can save the country from a lengthy recession continuing beyond this century.

The professional report explicitly indicates the need for as large a development as possible, under Polish circumstances, of the nuclear power industry. In any case, it will be necessary to obtain 0.9 GW of power from the nuclear power plants and as much as 4.8 to 5.8 GW in 1995 and 11.8 to 14.8 GW in the year 2000.

The crux of the matter is that a 1-percent reduction in supplies of energy for industry automatically causes as much as a 2-percent drop in production. During the period before the crisis, a shortage of energy would bring in losses reaching 100-200 billion zlotys annually. Today, shut-downs and restrictions in the flow of electric energy to industrial plants cause outright immeasurable losses. The report states that a shortage of energy in industry can produce losses even 100 times greater than the commercial value of the nonsupplied energy. The conclusion? In the program of a way out of the crisis, the power industry must occupy first place, because without energy there will be no bread, no meat and no housing. Energy is indispensable for all production processes both in rural areas and in the city.

The report attacks the muth that a change in the structure of the economy will reduce the need for energy and it contains a reminder about democraphic growth and socioeconomic needs. Thus, it should be expected that the need for primary energy in the year 2000 will amount to 260-280 million tons of standard fuel. Until 1990, the share borne by solid fuels (hard and brown coal) will remain at the 1980 level. At the same time, not much will increase in terms of quantity. On the other hand, the share of hydrocarbons will hold at the present level (however, the demand for petroleum products will increase). The demand for petroleum products is predicted to be 19.6 million tons in 1985 and as much as 25 million tons in 1990. Despite the economic crisis, the quantity of the means of transport and of industrial machinery is increasing. If there were 618,000 tractors in 1980, then in 1985 we are to have 770,000 tractors in the country. Again, another inference made in the report: the demand for liquid fuels will increase, despite a reduction in the economy's general growth rate.

The procurement of a larger amount of crude oil from domestic sources is not to be expected. However, the production of natural gas requires quick and radical undertakings because we are producing increasingly less gas. These are the consequences of erroneous economic policies. Wihtout additional investment outlays, barely 3,180 million cubic meters of gas can be obtained in 1985 and 5 years later, not more than 1,620 million cubic meters. This crisis can be suppressed in advance. There still exist realistic possibilities of increasing production until 1985 and of obtaining 5,000 million cubic meters of natural gas annually.

If it impossible to present all the topics of the extensive professional report. It encompasses not only the possibilities of obtaining energy from new, unconventional sources but it also assesses the capabilities of the coking industry; it presents the problems of the power industry and of the construction of installations; it discusses the organization and structure of the fuel and energy industry and also stresses the role and significance of scientific-research work. We will, without a doubt, return to many issues touched upon in this professional report in this newspaper's columns.

## Development Estimates, Outlays

Warsaw RZECZPOSPOLITA in Polish 23 Jun 82 p 1, 2

[Article by Witold Blachowicz: "In Search of a Program for the Development of the Polish Power Industry. Session of PAN Presidium".]

[Text] (Own information) On the 22nd of this month, a session of the Presidium of the Polish Academy of Sciences was held in Warsaw under the chairmanship of the president of the academy, Prof Aleksander Gieysztor. The session was devoted to a discussion of the professional report, "The Power Industry in the Time of Crisis" which was prepared and presented by Prof Kazimierz Kopecki.

A comprehensive discussion of this interesting, thorough and extensive report dealing with extremely important issues for the life of our country and that of our national economy was presented in yesterday's issue RZECZPOSPOLITA ("Without Energy, There Will Be No Bread, Meat or Housing"). Today, we are presenting some elements of the discussion on this professional report.

All those who voiced an opinion--members of the PAN Presidium and invited experts from other institutions--unanimously recognized the professional report as extremely comprehehsive and valuable. Indeed, the problems of the power industry have been presented in this report on the basis of the enitre scope of the country's economic and management issues without whose regulation it will be impossible to improve the state of the Polish power industry. From the presented opinions, it appears that, for example, a decided majority--it was even said that all--of our investments cannot be considered as efficient because they are materials-intensive and extremely energy-intensive.

On the whole, a great shortcoming of the hitherto existing developmental concepts in the country was basing the concept of the national economy on coal as basically the only and major source of energy. Other or new sources were not developed.

According to the opinion of experts, in the year 2000 an increase of energy will be possible within a 10- to 15-percent range and not, as is often proclaimed, within a 20- to 30-percent range. This last amount should be considered unrealistic. In order for our economy to develop even if only to the degree necessary, we must set aside no less than 5 percent of the national income for the development of the so-called fuel-energy complex. The development of the nuclear power industry and the construction of nuclear power plants takes on an important significance in the light of future needs.

Many of those who participated in the discussion agreed that a point of departure for the plan of the country's development and for surmounting the crisis must be the outlining of a solid program for the development of the power industry and its capabilities within the scope of providing for future energy needs. It is only on this basis that plans for the development of many individual domains may be built.

An issue of extreme importance is the wastefulness of energy and fuels and particularly of coal. During the 1971-1978 period, for every 2 tons of coal mined, 1 ton was wasted. For this reason, an improvement in the use and exploitation of energy is of great importance. Its shortage results in great losses. For example, until 1985, we will be forced to reduce the production of nitrogen fertilizers by about 30 percent due to a shortage of gas (hydrocarbons). It is not necessary to prove the kinds of consequences this will have on agriculture and on the amount of crop yields.

The issue of constant and undisturbed supplies of electric energy takes on great importance from the point of view of the battle with wastefulness. By way of example only, in the area of poultry farming, the shutting off of current for 1 minute leads to a 100-percent loss of poultry on industrial breeding farms.

It is difficult to enumerate here all the issues which found themselves in this hihgly valuable professional report. It should only be stated that without thorough knowledge of these issues, it is difficult to envision the proper management of the economy and the making of correct decisions. Therefore, it is all the more surprising that many managers of economic-type ministries did not come to the session of the PAN Presidium despite invitations which were sent out to them.

In the final part of the session, the members of the PAN Presidium accepted the activities report of the Academy for 1981.

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CSO: 2600/773

## FOREIGN TRADE IN LIGHT OF ECONOMIC REFORM DISCUSSED

Investments, Foreign Trade

Warsaw HANDEL ZAGRANICZNY in Polish No 3, 1982 pp 8-11

[Article by Jozef Wierzbolowski: "Investments and Foreign Trade in Light of Reform"]

[Text] The thesis that the scale and results of investment activities determine in substance the economic relations of a given country with the world economy and the structure of foreign trade requires no proof. Thus, for economic reform in the sphere of foreign trade and economic cooperation with other countries to influence the intensiveness and structural alterations of our exchanges, it is necessary to correlate the proposed solutions in this area with the appropriate solutions in the sphere of investment processes. The present lack of such correlation, as judged from available documents, represents a conspicuous gap in economic reform efforts.[1] This leaves a key problem unresolved: How can the proper implementation of the postulate of Team VIII for Economic Reform be assured? This postulate states "Above all the pro-export orientation of the economy requires the creation of conditions to increase outlays for investments associated with the expansion of exports" (Point 3).

### The Assumptions of the Investment System Reform

In accordance with the assumptions presented by Team V, "...in a multiyear system, the base for shaping investment activities should be multiyear programs for developing the country--in principle, a 10-year period, developed by the progressive method..." (Chapter I, Point 3), and "...the central control of development relations should take place mainly through a system of incentives prompting the selection of investment projects that are preferred from the viewpoint of realizing the goals of socioeconomic development" (as above).

The relationship between investment classification and the division of decision authority that was developed by Team V is especially important. Accordingly, the following basic investment categories are differentiated:

--investments that are determined centrally;
--investments of economic organizations;
--investments of local authorities;
--investments in human resources (Chapter I, Point 8).

It is assumed here that an economic organization's own investments should constitute the major part of its investment activities.

Central investments are understood to be those investments that the Government decides to undertake (Chapter III, Point 1). For central investments, every investment undertaken by name should be preceded by at least two independent opinions evaluating its advisability and effectiveness along with an analysis of expected effects, including longterm effects, on balancing the internal balance of payments and on harmonizing the economy (Chapter III, Point 2). The total extent of outlays for central investments must be approved by the Sejm and cannot be changed without its agreement (Chapter III, Point 3). Specified sources for financing central investments are budget subsidies, budget loans or bank credit--in part or whole (Chapter III, Point 6); these sources should be designated when the decision is made to make the investment. To avoid pertubations in implementing central investments, it expected that a central investment reserve will be created which can be initiated by the Sejm at the suggestion of the Government (Chapter III, Point 3). It is assumed that the goal is that the value of central investments will not exceed 20-25 percent of the total value of planned investment outlays (Chapter X, Point II).

In accordance with the proposals of Team V, investments of economic organizations, state as well as cooperative, include all production-type investments (except those undertaken centrally) as well as associated investments and tasks in the social infrastructure area (Chapter IV, Point 1). In a goal-oriented system, these investments are supposed to represent the object of the independent decisions of these organizations (Chapter IV, Point 2). Economic organizations can finance their investments via their own resources that are based on depreciation charges and profit allowances or via bank credits (Chapter LV, Point 3). Replacement-modernization investments will be financed only via their own resources (with eventual use of anticipated bank credit), but development projects will be financed via interest-bearing and repayable bank credit along with their own resources (Chapter IV, Points 8 and 9).

The banking apparatus has very important tasks relative to development projects. This apparatus will decide the allocation of credit on the basis of detailed evaluations and analyses concerning the general economic-financial situation of a given economic organization, on the degree of fixed assets utilization, and--what is especially important--the economic effectiveness and advisability of a given investment which should take into account the assumptions and investment policy directions designated in the investment plan (Chapter IV, Point 10). In accordance with the Team V proposal, the bank should assure the controlability of investment processes in accordance with the requirements of the central investment plan, the economic effectiveness of the undertaken investments and the rationality of investment progress (Chapter IV, Point 14).

In accordance with the assumptions, the central authorities designate the basic interest rate as well as the overall extent of investment credit and its direction on the basis of the credit plan (Chapter IV, Point 10).

Team V's proposal also mentions the possibility of "investment-production cooperation encompassing collaboration with CEMA country economic organizations and joint ventures with other countries" (Chapter IV, Point 13), but no proposals were specified in this area except the reference to other regulations which eventually will be issued.

Local investments are those investments determined by all levels of people's councils and their executive organs. In particular, they encompass the technical infrastructure (urban transportation and communications), water pipelines and so forth as well as the social infrastructure, such as housing, health care, education and so forth (Chapter V, Point 1). It is assumed here that the local authorities at the voivodship level must develop the coordination function relative to all investments realized in their areas, including central investments and investments of economic organizations (Chapter V, Point 3).

According to the Team V paper, the central five-year plan will designate:

--the total amount of investment;

--the distribution of total outlays between the material production sphere and social consumption with a precise designation of the dimensions and the internal preferences of these spheres and with reserves singled out;

--the distribution of outlays for centrally determined investments including the most important investments specified by name, investments of economic organizations and investments of local authorities (Chapter II, Point 2).

In addition, the five-year plan of investment should also designate the disposition of outlays to realize the most important program such as feeding the nation, the housing program and others. A program to expand exports was not included among the programs specified in the Team V paper.

The Central five-year investment plan is of a dual nature: obligatory for the Government and informative-postulative for economic organizations when it concerns the outlay limits for central investments and the investment share in the national income (Chapter II, Point 4). Thus, the central plan explicitly (a) designates the directions of development which should be the object of special concern to the Government, (b) designates the guidelines for the parameter(s) of the economic calculation of the investment and (c) establishes the guidelines which the bank should follow in its credit and controlling activities (Chapter II, Point 5).

In its paper Team V clearly stipulated that the central investment plan does not designate directional investment tasks for economic organizations; for these organizations the plan assumptions only represent recommendations and information, including especially the directions of investment preferred by

the center. This plan is also supposed to include estimates of the anticipated maximum amounts of investment outlays associated with the above mentioned directions and an estimated prognosis of economic organization own anticipated resources designated for investment and the extent of bank credit (Chapter II, Points 5 and 6).

The annual central investment plans are supposed to be of a implementating nature relative to the five-year plan (Chapter II, Point 9). The conceivable limitations in the annual plans of total investment cutlays relative to the assumptions of the five-year plan should concern only investment areas not yet initiated in order to assure continuity of realization and financing of continuing investments. A deviation from the five-year plan requires approval in accordance with the procedures stipulated for five-year planning.

The solutions that can be applied during the transitional period, during which the reduction in the investment program is supposed to take place, are listed separately in the Team V proposals. Despite the retention of some centralized type solutions (for example, during this period the share of central investments vis-a-vis the existing investment structure in Poland will be higher than planned), the Team V assumptions anticipate the implementation of the new solutions in 1982, especially those concerning economic organization investments and the role of the banking apparatus. As a starting point, it is assumed that in 1982 the classification of investments should be in accordance with the division of decision authority stipulated in the target program (Chapter X, Point 10). This means that the 1982 investment plan should be based on a new system, along with the consequences resulting therefrom. Central investments, after their list of projects projected to be continued has been established, will continue to be decided by the government, and their raw material and material needs will be provided for by way of control (Chapter X, Point 11). But in the sphere of the investments decided exclusively by the economic organizations, there will be two basic groups of tasks:

--those tasks outside the pool of central investments designated for continuation in the 1982 Investment Plan and accepted by economic organizations on the basis of unconstrained acceptance (included here are the smaller investment tasks from the soOcalled food complex and investments of a pro-export nature and investments ensuring market production;

--replacement-modernization investments.

The development funds of economic organizations, aided by depreciation, profits and anticipated bank credit, are supposed to be a source of financing the investments of these organizations. The method of using these funds remains the exclusive decision of economic organizations (Chapter V, Point 12). It also is assumed that in 1982 most basic feeder-supervision functions in managing investment processes would be taken over by the banking apparatus (Chapter V, Point 13).

According to Team V, the efficient execution of the investment reduction program should be acknowledged as an especially important problem during the transitional period (Chapter V, Point 2). This verification should be

conducted by taking into account existing and proposed cooperative links within Poland as well as international links (Chapter X, Point 4), which in the entire paper is the only reflection of the specialization ties that link Polish industry with the industries of other countries--a presently unappreciated fact, especially the CEMA countries. To consider the possibility of obtaining foreign contractors for the probably continuation of investments that are scheduled to be delayed or dropped, probably on the basis of joint ventures (the Team V paper does not make this clear), in the framework of the planned reduction also appears to be advisable.

The proposals of Teams V of the Commission for Economic Reform presented above have a very serious implication for Polish foreign trade.[2] In the light of these proposals and those of the Team VIII paper cited above, the resolution of the following problems is necessary:

--the principles having an impact investment decisions from the viewpoint of needs and restrictions resulting from the trade balance and the conscious assumption of economic cooperation with other countries;

--taking into consideration in the system of bank credits the problems associated with foreign exchange lending, which in light of the Team V proposal is one of the primary resources impacting economic organization investments;

--the links between the central five-year investment plan and the analogous foreign trade plan.

Let us dwell briefly on each of the named problems. In the case of impacting investment processes, we must distinguish between three different decision spheres: central investments, economic organization investments financed entirely or partly by bank credits and investments of economic organizations financed solely by their own resources.[3] From the technical point of view, the impacting of central investments is the simplest. In as much as the totality of a decision remains in the hands of a single decision center, the whole problem resolves itself into a methodologically correct formulation of problems in the investment calculation that are associated with foreign trade on the basis of which these decisions will be made. The development of such a calculation is a separate matter that is outside the framework of this article.

Much more complicated is ensuring that investments of economic organizations will be impacted; these organizations are supposed to assume the greater part of total investment outlays. With regard to investments entirely or partly financed by bank credits, the bank can be the direct impact link, giving consent to distributing credit in accordance with criteria in which the foreign trade problem can also be built in . But with regard to investments by economic organizations financed by their own resources, such means of action are not even available. This means that to alter the presently centralized techniques for controlling investment processes to assure their pro-export nature, the entire system of means of direct impact should be introduced, which affect the behaviour or economic organizations two ways: economic and by stabilizing the activities of these organizations from the viewpoint of links with the world market.

Such mechanism as higher profits from export sales assured by an exchange rate, a suitable tax policy, the refund of tariffs on imported machinery and equipment in case an investment is acknowledged as pro-export, more advantageous rates of depreciation and others should be included among the economic resources.[4] Among resources stabilizing the activities of economic organizations from the viewpoint of links with the world market, one should consider among other things granting guarantees for issuing licenses for the import of supplies in those cases in which an economic organization undertakes an investment acknowledged as pro-export, providing it is linked with an assumed specialization or industrial cooperation with a foreign country. The withholding of a license can be a kind of punitive action in case an economic organization fails to fulfill undertaken obligations which would determine if an investment is treated as pro-export (for example, the nonachievement of a specified export level or exceeding the established share of imports relative to the achieved exports).

The creation of conditions stabilizing the activities of economic organizations from the viewpoint of their links with the world market also requires changes in the technique of planning foreign trade turnovers when compared with current practice as well as with the proposals presented in the above cited Team VIII paper. It appears that in starting to construct indifferently a plan for foreign trade turnovers, either a five-year or annual plan, it would be necessary above all to specify exactly that portion of turnovers resulting from the obligations of economic organizations already assumed relative to foreign partners that are designated in concluded specialization and cooperation agreements.[5] This part of the plan should include--as determined ahead of time--those turnovers resulting from guarantees that were coordinated at the time the decision to initiate a pro-export investment was made regarding imports of supplies, and the obligations of economic organizations regarding the level of exports resulting from these investments. Then the remaining portion of turnovers can be treated as variable depending on the central planners, linking in its activities the overall interests on a macroscale with the necessity of taking into consideration in the plan of turnovers the conditions resulting from the requirements for rational activity at the economic organization level. Among other things, however, this would mean profiting fully from the consequences of departing from the hierarchial concept of economic management in the framework of which the interests of economic organizations in the final analysis would be dedicated to macroeconomic goals established in a separate procedure outside these organizations. With the proposed approach, assuring goals on a macroscale would have to be accomplished by creating conditions for the rational activity of organizational units in the realistic sphere.

Without underestimating the significance of the above comments, it should be assumed that the form of economic organization investment, at least for the immediate future, will be based on bank decisions concerning crediting specific investments. In discussing banks in general, the Team V paper does not mention the kinds of banks, does not differentiate between investment credits in domestic currency (zlotys) and foreign exchange credit which is an inseparable element of the investment process on a large scale. The Team VIII paper also does not discuss these problems, in general leaving investment problems on the sidelines.

In case of investment credits granted for purchases in Poland by the NBP [Polish National Bank] and the BGZ [Food Management Board] or eventually by other banks, the basic problem leads to the development of such a calculation for the effectiveness of an investment and/or other criteria concerning bank decisions that they would take into account foreign trade interests in such a manner that it would make sense to the banks as well as to the economic organizations. In my opinion, Team VIII of the Commission for Economic Reform should develop suitable proposals to supplement their presented proposals.

Foreign exchange credits are a more complicated situation. Initially it should be determined ahead of time if economic organizations will be able to make use only of bank credits or government credits or will be able themselves to negotiate foreign exchange credits (for example, by concluding cooperative agreements with foreign partners). In the first case, in making a decision about the willingness to accept investments for crediting granted on the basis of independently conducted calculations of effectiveness or a license from the Ministry of Foreign Trade or from the Ministry of Finance, the NBP and BGZ additionally should exercise control over banker's acceptances servicing the foreign exchange turnover.[6] In the second case--requiring a substantial change in the entire foreign exchange legislation--in my opinion economic organizations should obtain beforehand properly issued licenses from the Ministry of Finance with the approval of the Ministry of Foreign Trade.

Regardless of the solutions accepted, and even in this case the expansion of Team VIII's work to date appears to be advisable, which would provide an additional advantage in that this Team will not only be involved with problems associated with current foreign exchange turnovers but also will be involved with economic cooperation with foreign countries.

The problems presented above would be incomplete without drawing attention to two still unresolved problems.

First, the links between the pro-export policy in the field of investments proposed by Team VIII and the officially formulate social goals, such as assuring the means of production for agriculture, health care and so forth, have not thus far been clearly outlined. Under conditions of limited investment funds, these are goals that are difficult to reconcile simultaneously, especially with the public's negative attitude toward attempts to improve directly the economic situation by activating exports. Secondly, irrespective of the solutions finally accepted, they will require the development of very complex information systems linking data derived from the foreign trade apparatus, the banking apparatus, tarrif offices, from investors and the like.

Unfortunately, both Teams of the Commission for Economic Reform took a common position on this very point; in their cited papers they devoted almost no attention to this problem.

FOOTNOTES

L. The paper of Team V of the Commission for Economic Reform entitled "Directions of Investment System Reforms," Warsaw, 30 September 1981, (typewritten, duplicated) and the paper of Team VIII of the Commission entitled "The Goals and Assumptions of Organization Reforms and the Functioning of Polish Foreign Trade," TYNKI ZAGRANICZNE 13 October 1981. Unless otherwise noted, all references in the text refer to these two papers.

2. The theses contained in the discussed paper were accepted at the 23 September 1981 meeting of the Secretariat of the Commission for Economic Reform with the Team chairmen and became the fundamental basis for the 1982 central investment plan.

3. To simplify matters, investments of local authorities are not considered here.

4. Criteria for such decision recognition should be the subject of diligent work by the IP [Planning Institute] and the IKiCHZ [Institute of Trends and Prices fo Foreign Trade].

5. I wrote more extensively on this subject in the article "Industrial Cooperation With Foreign Countries in the Practice of Internationalizing Production Processes in Poland," HANDEL ZAGRANICZNY, No 8-9, 1974; Unfortunately the comments made over 7 years ago are still relevant.

6. See: J. Wierbolowski; "Foreign Trade Monopolies Under Conditions of Economic Reform," HANDEL ZAGRANICZNY No 1-2, 1982.

## Helplessness in Foreign Trade Organizations

Warsaw HANDEL ZAGRANICZNY in Polish No 3, 1982 p 12

[Article by Przemyslaw Gajdeczka: "Exchange Rate Risk, Profit and Organization in Foreign Trade Enterprises"]

[Text] It is not my intention to continue the discussion on exchange rate risk in as much as most arguments put forth by my polemeist in essence do not concern the theses forwarded by me.[1] However, I concur with the viewpoint that the reasons for the helplessness of foreign trade enterprises regarding the changeability of foreign exchange rates lies in essense in the foreign trade management system; it is worthwile to return to this subject in view of the economic reform assumptions in this sphere.[2] The concern here is especially about where risk arises and responsibility for exchange rate risk.

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1. P. Gajdeczka: "One More Time About Exchange Rate Risk," HANDEL ZAGRANICZNY No 5, 1981; K. Kalicki: "Exchange Rate Risk. Another Way of Thinking," HANDEL ZAGRANICZNY No 6, 1981

2. HANDEL ZAGRANICZNY No 10, 1981.

It should be remembered here that the current approach to exchange rate risk was formed under directed annual plan conditions, principles of foreign trade monopoly (implemented in the form of a foreign trade enterprise) and the reorganization of the foreign trade apparatus in conjunction with the introduction of new principles for clearing import and export accounts. Several important consequences resulted from this; above all the role of foreign trade enterprise profit was weakened by reducing it to a secondary category by virtue of the directives of the turnovers plan; in the export-import rights of a given branch, the position of the foreign trade enterprise was monopolistic; account settlements based on suppliers' accounts (quasi commission) increase in conjunction with including some foreign trade enterprises in industrial associations.[3] In the existing system, foreign trade transactions were executed from the Polish side among monopolies, and decisions concerning the volume and structure of turnovers for the most part were made at the central level. Each side in justifying its reasons, denied responsibility for the eventual losses, realizing the greatest advantages.

Thus the view, as represented by K. Kalicki and others, on the need to transfer exchange rate differences to production enterprises is not surprising. In the meantime the serious problem was not the concern of the foreign trade enterprises, and Polish contractors, not having a greater impact on contracts, would have no other choice than to accept the entire risk resulting from participating in exchanges with foreign countries. In accepting such a solution, among other things, it interferes with the currently obligatory principle for promptly settling accounts among domestic contractors. If such a proposal was implemented and the entire risk of exchanges with foreign countries was transferred to domestic contractors then the question arises: What role will the foreign trade enterprise play which, of course, with their specialized cadres was formed to achieve the best results under risk conditions on world markets?

I would like to present a different proposal which goes beyond the problem of exchange rate risk. It appears that it would be worthwhile to examine the proposal to breakup the monopoly of foreign trade enterprises and to mkae profit the most important criterion for units participating in exchanges with foreign countries. The economic and organizational links between foreign trade units and domestic producers and the associated construction of their balance results will be of great significance for constructing the entire system.

In establishing the principles for settling export and import accounts, one must consider organization forms in industry, the specifid of the branches and intrabranch links, production assortment and the like. It is important to establish general principals and criteria and to permit domestic partners the freedom to choose appropriate forms of organization and accounts settling. Four basic types of foreign trade enterprises can be differentiated. The

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3. These problems are discussed more extensively in the article "The Functioning of the Finance System of Foreign Trade Enterprises," STUDIA FINANSOWE, No 32.

first would appear in the frameworks of concern-type associations, in combines and large enterprises having large share of their production for export; in this system a foreign trade enterprise would have the characteristic of a foreign markets sales unit. The second would appear in associations of enterprises or large enterprises having a small share of thei production for export; here a foreign trade enterprise would appear as a commission agent based on existing principles. The third type would appear in relations with the remaining production enterprises (among which small producers, cooperatives and crafts would predominate); in this system a foreign trade enterprise would appear as a buyer on its own account. Finally, the fourth type would be a foreign trade enterprise executing turnovers of exchange type commodities; individual solutions adapted to the specific commodity and requirements of a given market should be obligatory here.

Among these four types of foreign trade enterprises, only one--the first--would be completely integrated with a producer, and only in such a system would the eventual exchange rate differences debit or credit the producer's balance result. Among the remaining three types, responsibility for exchange rate risk would be the burden of a specialized foreign trade enterprise.

Concerning methods of ensuring against exchange rate risks, the initiation of terminal transactions at the Bank Handlowy (Commercial Bank) appears to be indispensable. Irrespective of this, it will be necessary to form special cells in the bank or the WARTA insurance enterprise regarding the creation of a separate institution concerned with counseling in the areas of exchange rate risks, financial techniques and methods of closing contracts. All of these undertakings can become ways of realizing the principle that an enterprise participates in international exchange to make money.

## Marketing in Reformed Foreign Trade Enterprises

Warsaw HANDEL ZAGRANICZNY in Polish No 3, 1982 pp 13-16

[Article by Krzysztof Kielbratowski and Andrzej Szanjder: "Marketing in a Reformed Foreign Trade Enterprise, a Discussion Article]

[Text] The purpose of this article is to present the possibility and methods of using marketing methods in a foreign trade enterprise. The subject considers the situation of the target assumptions of the economic reform as well as the transitional period. To date there is no complete agreement regarding the features of a reformed economy. The main part of the article is preceded by the general characteristics of the projected conditions for enterprise operations, which the authors treat as an objective.

A reformed foreign trade enterprise is an autonomous economic system. The autonomy of each enterprise will be reinforced above all by a favorable legal reulations system. From this viewpoint, the autonomy of an enterprise means that it has the status of a distinct legal person.

The state's influence over an autonomous enterprise is of an internal nature, that is it does not eliminate those features which determine the district legal status of basic economic systems. A shift in the gravity point occurs

in centrally managed economic organizations from instruments associated with a command-distribution system to an instrument compatible with a goods-money relationship.[1]

The primary aim of a foreign trade enterprise is to provide commercial services in exchanges with foreign countries. It operates as a separate system when it executes trade functions with foreign countries with sufficient competence when compared to competition with other foreign trade enterprises (existing enterprises or those that will be created in the future) and vertical echelons in production enterprises. The primary trump card of an autonomous foreign trade enterprise is the knowledge and know-how of its workers to solve general problems concerning participation in international exchange (for example, transporting goods to foreign countries and the use of other means of financing that differ from those used in domestic turnovers) and specific questions associated with the activities in particular foreign sales and supply markets.

The independent selection of geographical areas in which a enterprise operates and the services which can be rendered to other economic systems, executed on the basis of economic calculations, determine the commodities it will handle. The initiative of undertaking decisions supported by a suitable motivation system impels continuous ascertainment of the executed selection and searching for new opportunities.

A foreign trade enterprise can limit itself to the role of agent which is the only technical element in the exchange of goods and services process. If an enterprise has at its disposal the requisite resources (mainly domestic money and foreign exchange), it can undertake independently or in cooperation with a domestic and/or foreign partner under conditions of an agreement the manufacture of products for which there is a foreign market.

A foreign trade enterprise can also profitably fulfill an advisory function vis-a-vis other economic subjects in the area of detailed data information and analyses of particular markets as well as different ways of operating in these markets. Advisor and expert services can also be provided for foreign principal orderers interested in trade with Poland or another socialist country.

Because administratively guaranteed divisions of commodity, geographical and functional specializations will no longer exist, and the state will see to it that such divisions will not be imposed by the strongest economic systems, a foreign trade enterprise will be forced to compete with other foreign trade enterprises and the vertical echelons of production foreign trade enterprises.

A enterprise operating in the domestic and/or foreign market can use various means of operating, differing with regard to the starting point of the undertaken economic decision and the regulstions for preparing and conducting

1. "Economic Reform: Main Directions and Methods of Implementation," PTE [Polish Economic Society], Warsaw, 1980 (a report by the team headed by L. Balcerowicz) p 21.

market operations. There are at least three such possibilities, namely the so-called production orientation (the starting-point of market operations is the manufacturing process and product), the sales orientation (distribution) characterized by the growing role of operations associated with the sale of goods, and the marketing orientation (the starting-point of enterprise operations is the buyer's needs.).

For a foreign trade enterprise the marketing method of operation is the most effective method of operation in foreign markets. It permits greater elasticity of operation and reduces risk. The substance of a foreign trade enterprise using the marketing method of operation is based on the following external (foreign) conditions:

--the great uncertainty and risk of operating in the international market which has been especially so since the beginning of the 1970s; there is no indication that this trend will not continue;

--the weakening of the world's economic situation which deters international trade, limits importers' purchasing capabilities and heightens competition among various suppliers; under such conditions exporters' operations must be elastic to adapt to and shape the market and to export goods that are not as susceptible to poor business conditions;

--the rationalization of purchase decisions and the striving of buyers to operate effectively which increases demand for goods that are of high quality, more reliable and less material intensive;

--maintaining the significance of competition not based on price (product quality, service, distribution and promotion) which requires a more differentiated operation from a supplier;

--the development of new forms of international trade and expanding its scope to all marketing operations;

--the specialization of operations and differentiation of consumer groups as well as the rise of new market segments which will make it necessary to research them and take them into consideration in market operations.

The scope of marketing activities conducted by a foreign trade enterprise depends on the methods of linking this enterprise with domestic suppliers and buyers of the sold goods. Let us assume that this enterprise can operate either as a direct sales element functioning between a domestic producer and a foreign buyer or as a trade enterprise organizing supplies for export in accordance with the needs of foreign buyers.

In the first case a foreign trade enterprise is treated as an economic subject cooperating with a producer to implement its marketing goals. The exporter has at its disposal a specific commodity offered to him by a producer and undertakes marketing operations enabling this good to be conveyed to foreign buyers.

The second situation means that the foreign trade enterprise initiates marketing operations, conducts research to determine requirements of foreign demand, initiates action to shape a product to meet a likely need, and makes price, distribution and promotion decisions. It also seeks out domestic producers capable of producing a desirable good. It thus realizes its marketing goals and has a much greater influence on the required product quality as well as the extent and depth of the assortment of sold goods. In both cases an appropriate agreement regulating their rights and obligations should be concluded between the foreign trade enterprise and producer.

In the case when the foreign trade enterprise fulfills only the function of an intermediate sales element, the area of research is established in an appropriate agreement. But a reformed autonomous foreign trade enterprise could also provide consluting services. This could happen, for example, if a production enterprise was interested in direct export or was not itself able to obtain the necessary information. A foreign trade enterprise can be one source where they can procure consluting services. Of course, the existence in the target model of specialized consluting enterprises is assumed. Under conditions of a foreign trade management system that permits an enterprise to make a decision based on an economic calculation, the operation of consluting firms will be indispensible and demand for their services appropriately large.

In turn, let us try to thoroughly analyze the influence of a foreign trade enterprise on shaping a produce relative to its specific elements in the marketing sense, that is quality, trademark, packaging, guarantees and technical service.

Among other things, offering an assortment of goods is a sales decision object. In the case when a foreign trade enterprise functions as an agent, this influence is small. But when it acts as an initiator of marketing operations, the scope of its decision is relative to shaping the product is much more extensive. It determines the product features that are required to satisfy the demands of foreign buyers, seeks out manufactueres and organizes production. In undertaking this latter operation, a foreign trade enterprise can also provide help to a producer in the form of financial and material help (also from imports and foreign exchange) necessary to initiate and/or continue desirable production. Foreign trade enterprises can also cooperate with a producer in the area of research-development work required to manufacture specific goods. It could lead to the creation by both parties of a company concerned with the production and sales of goods operating in accordance with marketing orientation principles. A foreign trade enterprise could also perform a function in the psychological area of differentiating goods by imparting its trademark on them on principles established in conjunction with a production enterprise. Similar cooperation could concern packaging, technical service and guarantees. A foreign trade enterprise can involve itself with supplying packaging material (also from imports) to a producer if the producer has difficulty in this regard or to meet specific requirements of foreign contractors. Producers could also commission an exporter to provide technical services which the exporter could perform himslef or

commission to a specialized firm in the importing country to do it. The producer usually gives quality guarantees, but in this area a foreign trade enterprise, acting as a buyer on its own account, could give customers a guarantee for a longer period than that given by a producer and thus assume part of the risk but also obtain possibly a higher price. This type of activity by an exporter could be justified for exports to particularly demanding markets.

A second group of marketing activities of an enterprise is the shaping of export prices. A foreign trade enterprise plays a fundamental role in negotiating prices with foreign contractors, especially when acting as a buyer on its own account. When it acts as an agent, in effect it attempts to obtain prices establsihed by the producer. In certain situations, that is when its role depends exclusively on contracting both partners (for example, when its acts as a commercial agent for precisely such tasks), its influence on prices is minimal or nil. To establish prices based on the conditions of a given market, a foreign trade enterprise should provide appropriate information on this subject to the producer. Operating on the basis of autonomy, a foreign trade enterprise will also be able to finance goods producers and/or buyers. As a result a foreign trade enterprise would receive a specified compensation (interest rate). This differs from the present situation wherein a foreign trade enterprise, acting as a commission agent, finances a domestic supplier, paying him ready cash for goods obtained by a foreign contractor on credit. A foreign trade enterprise could also operate del credere, undertaking the responsibility for the insolvency of a foreign customer.

Activities in the area of creating and expanding channels of distribution for exported goods can be divided into two spheres: domestic and foreign. It is assumed that in the domestic sphere a foreign trade enterprise does not have a monopoly in the export (import) of specified goods, that it can select a buyer, and that the producer can also choose among different trade enterprises. The latter--using economic resources--can influence suppliers in various ways to obtain a desired product (for example, by the amount of margin or commission, distribution of risk, and granting of credits). In this situation undoubtedly, a market of middlemen will appear, and they will have to compete among one another with regard to quality of provided services. Concerning the organization of the distribution of goods in the foreign sphere, then the basic task of a foreign trade enterprise is to ensure elasticity of supplies of exported goods and/or spare parts and a selection of optimal sales channels from the viewpoint of achieving the targeted market segment. To this end, the enterprise can use its own or foreign networks. It also can form commercial and production-trade companies with a capital share from the Polish side; the Polish participants can also be production enterprises interested in exporting their products. Some socialist countries use such a solution (for example, the STEMATEX company formed by a Czechoslovak firm in France). The distribution network organized by a foreign trade enterprise would also be involved with the transmittal of appropriate information on sales markets for market research and provide technical services for exported products.

The area of activities in the export promotions field (affecting the market) depends, as in the previous case, on an agreement with the producer. The promotion of exports depends on transmitting information to selected addressees to increase their knowledge about exporting enterprises and the products offered by them in order to offer them choices among potential or current foreign buyers. In this case, where a foreign trade enterprise acts as a promoter of export supplies and initiator of marketing activities, the promotional activities will also be directed toward the producers of export goods, banks, consumer organizations and, if necessary, governments.

If it is assumed that manufactueres will be able to choose among foreign trade enterprises, then these foreign trade enterprises will have to cater to the manufacturers so that in order to assume the middleman role in exports, it can as a result obtain a margin (provisions). The banks will also be important targets of operational activities since their credit decisions certainly will depend on the evaluation of the enterprise, its position in the market and financial standing. Along with this, it is assumed that the functions of banks in Poland will change, and they will be transformed into enterprises whose operations will be determined by economic calculation. Public relations will also be of significance in affecting domestic and foreign consumer organizations. The necessity of affecting domestic organizations is especially important because of the public's overwhelming negative attitude regarding the advisability of expanding exports. Changing the public's unfavorable attitude will require a long time.

Finally, the competition for commission (orders) to realize some transactions realized on the basis of intrastate agreements (for example, with other CEMA countries) can be the justification for promotional activities directed toward the state administration.

Under conditions of a reformed system, it is obvious that foreign trade enterprises should decide independently the directions, forms and costs (zloty and foreign exchange) of promotional activities.

In general, making foreign trade enterprises autonomous makes it necessary to devote greater attention to promotional activities in order to shape demand and to achieve greater revenues and profits from exports (assuming proper elasticity of product supplies for export).

The presented directions do not exhaust the list of marketing activities. We believe that the preparation of such a list is not necessary. In making a decision based on economic calculation criteria, foreign trade enterprises are in the best position to designate the most advantageous activities for a given economic system under specific conditions.

The presented marketing activities concern the target situation of implementing reforms. An evaluation of the possibility of using these methods during the transitional period is difficult. To date the executive resolutions, specifying the regulations of the law on state enterprises and their self-government, have not been issued.[2] However, assuming that the published

2. The article was written in October 1981.

"Directions of Economic Reform in the Foreign Trade Field" will be the basis for the "development by organs of the central administration of drafts of appropriate legal acts," then attention can be devoted to several problems.[3]

According to Article 46 of the law on state enterprises, a enterprise operates on the basis of its own plan "based on the results of a calculation of effectiveness" (Point 7 of "Directions of Economic Reform in the Sphere of Foreign Trade"). During the "achievement of a rational debt," the autonomy of foreign trade enterprises will be limited mainly by "the decisions of the central authorities concerning the turnover of centrally balanced goods" and the resolutions "resulting from obligatory international agreements" (Point 51). In conjunction with this a problem arises concerning evaluating the dependence between limiting the freedom to make a decision and the use by a foreign trade enterprise of principles of marketing in domestic and foreign operations.

If intervention by the central economic administration assumes the form of a nominal order to realize the export or import of controlled goods, then the monopolistic position of many foreign trade enterprises will be maintained. Among other things, the elimination of competition will mean that the enterprises obtaining the major portion of profits from brokering trade in such goods in general will not have to worry about its position in the domestic market for foreign trade services. Of course this does not preclude the possibility of using marketing methods in foreign markets. However, practical experience indicates that a monopolistic position of enterprises in combination with the lack of a proper system for motivating its workers markedly limits the use of marketing principles. In addition, taking into consideration the market specific of controlled goods (mainly basic raw materials and other materials) and the limitations of foreign exchange resources which could be used for marketing activities, one can anticipate that the area in which marketing methods can be applied relative to most controlled products will be small.

It is a general principle that producers will be able to obtain the right to conduct foreign trade autonomously (Point 7) and to select an importer or exporter "among foreign trade enterprises having a compentently unlimited area of activity" (Point 12). The acceptance of such a solution threatens the existing monopolistic position of particular foreign trade enterprises. Initially, as shown in practice, the right of producers to conduct foreign trade autonomously is perceived by these foreign trade enterprises as a primary danger. In the very near future foreign trade enterprises will also start to compete with one another. Under the newly-created conditions, at least some of them perceive not only elements of a threat but also the possibility of self-expansion by tradint in other than presently traded goods and by initiating new "kinds of activities (manufacturing goods, complementation, providing transport and other services and so on)" (Point 46). From the viewpoint of economic management, increasing competition in the domestic market for foreign trade services will depend in practice on whether, and in what area, the possibility of differentiating activities

3. RYNKI ZAGRANICZNE, No 122, 13 Oct 1981.

(as opposed to the existing manufacturing and functional competence) will be allowed in the acts concerning the creation of foreign trade enterprises and how they will be implemented under conditions where many goods are controlled.

One can anticipate that the potential threat from producers and other trade organizations will force foreign trade enterprises to analyze the domestic market for services associated with economic exchanges with foreign countries. From the foreign trade sphere (irrespective of how they will be oragnized), producers will expect supplies of import goods that are essential from the viewpoint of utilized manufacturing techniques. In addition to controlled goods and "materials, parts, components for production earmarked for domestic customers or for export to socialist countries" (Point 29), imported purchases for producers could be financed only in part by their revenues from the export of goods and services. Thus, an economically autonomous producer will strive to obtain the greatest foreign exchange proceeds. After the possibility of increasing the volume of exports is quickly exhausted (limited production capability and demand pressure of the domestic market), a producer's attention will focus on realized prices. This will force a intermediary foreign trade enterprise to seek ways of increasing prices for exported goods or lowering costs of imported products for a given producer by using marketing methods. At the same time it will be possible for a foreign trade enterprise to influence improvements in the quality of a producer's export offering *under present conditions, at least with respect to quality of manufacturing and scheduling of deliveries). The more a given producer is dependent on imported goods and services the greater the force of this influence.

Resolving producers' import problems does not have to mean only that the cheapest sources of supplies in free-currency-exchange countries must be sought or that means of financing imports by future exports must be uncovered. For example, a foreign trade enterprise can strive to assure more enduring contractual contacts between the producer country and foreign contractors or to seek profitable ways of obtaining supplies in the socialist countries. In the very near future an important source of profits for foreign trade enterprises can also be the organization of outwork turnovers for producers having excess manufacturing capacity. The extent to which marketing methods will be used in the domestic market will depend--as emphasized--on strengthening competition and the motivation system, encouraging foreign trade enterprise workers not only to be more efficient in their existing activities but above all to use their creative capacity to seek new ways of resolving problems as they arise.

In accordance with the "Directions for Economic Reform in the Foreign Trade Sphere," the "pool of foreign exchange for investments of pro-export significance that produces profits quickly "(Point 29) will stand alone. A foreign trade enterprise can make use of its marketing knowledge and know-how during the process of planning, realizing and exploiting such investments. The preparation of an investment plan requires, among other things, an evaluation of the net worth of future foreign exchange revenues which will depend on anticipated proceeds as well as costs. To evaluate

the flow of future proceeds, it will be necessary to select potential sales markets and to prepare prognoses of their needs for the projected good. The demand analysis stage in planning an investment will require knowledge of foreign sales markets. As a rule existing knowledge will turn out to be inadequate, and a foreign trade enterprise will conduct special market research. A foreign trade enterprise could also take over commercial service to realize an investment and to conduct export of manufactured goods after its implementation (along with essential supplies from exports). In accordance with the cited (Point 46) "Direction os Reform..."a foreign trade enterprise could also initiate independent exploitation of a realized investment (or become the producer of the good that it exports). In addition this would increase interest in the proper preparation of an investment project, which would be one of the important factors considerably lowering waste of foreign exchange rescurces and domestic investment outlays.

11899
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SPECTER OF BANKRUPTCIES IN ENTERPRISES REPORTED

Warsaw KURIER POLSKI in Polish 3 Jun 82 p 3

[Article by Andrej Kolpak]

[Text] On 1 April the mechanism for self-financing by enterprises officially began to function. It was joked about then that this date was selected not without cause, because under the current conditions of bankruptcy by the socialized economic units, it was indeed April Fools' Day! However, it was quickly shown that the economy does not understand jokes. Barely 2 months had passed, and already approximately 60 enterprises faced a completely real threat of bankruptcy. And this was only the beginning . . .

It used to be said that an enterprise never had to worry about money. When there were insufficient means to finance activity, a letter was sent to wherever necessary, and the national treasury came up with the cash. For those persons accustomed for many years to having the banking faucet turned on for any request, the current change in the rules is a genuine shock. It has been suddenly shown that the principle of self-financing is a double-edged sword. On the one hand, there is a hard economic principle: in the area of economic life, only those firms survive which achieve profits or maintain fundamental hopes in that direction. The remainder must pull in their sails.

A Difficult Dilemma

For an enterprise, a key issue today has become the possession of so-called credit ability. The condition for using credit is the demonstration of a reliable guarantee of profitability. There are now intensive negotiations going on between plants and banks with regard to the new conditions for obtaining credit, and because the deadline for completing negotiations is 20 June, it is already obvious that some firms will not escape bankruptcy.

Among the enterprises to which the Polish National Bank refused to grant credit, the most numerous were units dependent upon the Ministry of Construction and the Construction Materials Industry. An example is STOLBUD of Ciechanow, which for a long time has been kept solvent only through state subsidies, and which did not obtain credit because it could not guarantee that it would be able to repay its loans to the bank, as its orders covered

barely 10 percent of its production. Many other enterprises and building combines find themselves in a similar situation.

Among the potentially bankrupt companies are also firms from many other branches, and even such powers as POLAR of Wroclaw and the Polish Baltic Shipping Company [PZB]. The bank faces a very difficult dilemma because if only the enterprises' economic and financial situations are taken into consideration, the basic goal of their existence becomes a question mark. Social aspects also remain. For example, should Warsaw's BUDOPOL, which has a deficit, be dissolved when it has several assets, including hospitals? Can PZB be eliminated just like that and then sell the ferries? Resolution of these questions is not a simple matter.

On the other hand, this cannot impair the basic principle of reform, self-financing or the profitability of economic activity. Advocates of draconian resolutions feel that it would be better to allow the group of weak enterprises to go bankrupt for the benefit of a healthy economy rather than to revert to the old ways of supporting inferior enterprises to the detriment of the entire economy. Let us admit that this is not a simple alternative. It cannot be dismissed, however, that under current social considerations, the state simply cannot play the role of a generous uncle.

Polish Bankruptcy

When the legal changes for reform were announced, there were not ony particular regulations concerning the issue of behavior in the case of enterprise insolvency. Only now is such a regulation coming forward; a plan was presented not long ago to the Commission for Economic Reform. And after all, it was obvious from the beginning that the possibility of bankruptcy is a simple consequence of the principle of self-financing, and many enterprises cannot prevent it. Why then was there such procrastination in establishing legal regulations for this issue?

This does not mean that either the initiators of economic reform or anyone else want to see hundreds or thousands of enterprises forced to declare bankruptcy. On the contrary, such finality must be treated as entreme. In the draft law, the necessity for actions having the purpose or strengthening the business elimate among threatened enterprises is accented. If a firm has some hope for improvement, the founding organ (ministry, voivodship bureau) can withdraw from liquidation and agree to try to raise the enterprise either independently or through the commissioners' board. If this step does not show results, then the final decision will come . . .

Because the term "bankruptcy" up to now has not existed formally in our economic policy, it is an interesting issue as to how bankruptcy is supposed to be carried out. The draft law establishes that the conduct of this sad affair belongs to the voivod court. The result is declared by the founding organ, bank, commission manager or the director of the enterprise. The court, after evaluating the insolvency, appoints a legal advisor who notifies the creditors as to the liquidation of the enterprise's property. An agreement with the creditors is sought, but if an understanding is not achieved,

then the enterprise can be sold to another social economic unit, but for an amount less than the debt service. If such a transaction cannot be completed (e.g., for lack of buyer), then the legal advisor pursued the liquidation of the bankrupted enterprise's remaining property.

Sensitive Issue

Another sensitive question remains: What happens to the work force? The laws of economics everywhere are universally brutal, but we take pride in the different approach toward workers' issues practiced here over that the capitalist countries. Thus, it is necessary to adopt other solutions than those employed in the West. The draft law then states that from the instant of declared bankruptcy, either the enterprise's director or the commissioners' board is required to settle all labor agreements within an acceptable time frame. People will have to look for a new job, but they will not be left out in the cold.

The responsibilities of the director and members of the workers councils are also established. It will be a very bitter pill for them, because it is stated clearly that the director of an enterprise that has a commissioners' board or has declared bankruptcy cannot hold an administrative function in the socialized economy for 5 years. Members of the workers council are denied their voting rights in the employee self-government organs for a comparable period. Introduction of these penalties for incompetence will guarantee the halting of the "position carousel," which has provoked a great deal of justifiable protest. Whoever fails the examination must resign from the director's chair or seat on the workers' council.

Thus, for the first time in our postwar economic history, enterprises will no longer be led by the hand, and now must worry about not ending as failures. This is learning to swim in a stormy sea, which is certainly not easy, and some will have to hold on by their fingernails just to stay above water. Behavior by the banks indicates that they intend to adhere to the rules of play and not make any concessions. Those enterprises which used to believe in the possibility of aid in the most drastic circumstances are now living through a sorrowful shock.

But because the threat of declared bankruptcy hangs over many plants, a genuine need to refurbish the work of the self-governments has taken place. More than ever before, the fate of the enterprise rests in the hands of the work force. Its representatives must become actively involved in actions that will decide whether the enterprise succeeds or fails. Without genuine self-government, it will be difficult to gather strength and to ward off the specter of bankruptcy.

9807
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## EXPORTS IN LIGHT OF HALTED INVESTMENTS DISCUSSED

Warsaw HANDEL ZAGRANICZNY in Polish No 3, 1982 pp 5-8

[Article by Zbigniew Gorski: "To Lose or Share? (A Discussion Article)"]

[Text] One of the signs of the economic crisis is a considerable limitation on investment processes, which has compelled the halting of many installations that had been begun. Among other things, this is making it necessary to dismiss some workers, frequently highly skilled ones, or to bear the costs of retraining them, and of the lower than anticipated production of certain products.* Other consequences are the "aging" of equipment and technology, for which the following are (or could be) responsible: the halted investments, the loss of guarantees for the importation of machinery and technology from abroad, and finally, the physical deterioration of the halted investments. The question thus arises of whether we can minimize the enormous losses that our economy will have to suffer.

One way to avoid at least some of the negative consequences of the halting of many investments in Poland is to increase the funds for continuing the installations that have been begun. In connection with this, the next question arises: from what sources can one hope to obtain outlays for this purpose?

At present, it is obviously not possible to increase the share of investment in the national income, since this would result in a further reduction in society's standard of living, an intensification of the market imbalance and an increase in the level of inflation, decreased exports, and increased import needs.

An alternative source, instead of domestic capital formation, may be obtaining the essential funds from abroad. Poland's situation as a borrower for investment purposes, however, is exceptionally difficult. The country's high level of indebtedness, and the under-utilization of past investment credits, cannot put potential lenders in an optimistic mood. It is well known that one of the conditions for a more active credit policy with respect to Poland is that the economic reform be put into effect. This will undoubtedly be a long-term process, as is emphasized by the creators of the reform themselves. If only

*L Brajter: "Perhaps It Can Be Done Differently," ZYCIE GOSPODARCZE No 4, 1981.

for this reason, a longer period of time will be required to consolidate the country's position as a fully solvent debtor. It is precisely the influence of time, however, that is increasing the losses due to the investments that have been begun and halted. As is well known, there are various forms in which foreign funds are utilized for investment purposes: from banks credits paid in cash, to the implementation and completion of the installation by the investor. There are also intermediate forms between these two extremes. It is thus possible to examine several variants, from the point of view of the potential possibilities for applying them in our situation.

First of all, however, we should undertake to answer the question of whether all of the investment installations that have been begun should be completed. An assessment of the investment policy of the 1970's, and especially the exposure of many incorrect decisions, appear to indicate that it is highly dubious whether there is any sense in continuing any of the installations, especially in the form they have thus far taken. Before making a decision on using foreign funds to finish a given investment, we should therefore determine whether it will be useful and profitable for our economy. In connection with this, we should ascertain how much the completion of this installation will cost, how large and profitable its production will be, and--in regard to this--what the prospects are for the given field of production in the world economy.

In searching for correct answers to these questions, we should settle the key issue, namely who is to resolve them. The materials published to date and the statements by representatives of the ministries and industries do not indicate any recognition of the fundamental error in their past activity. Where then can we look for more objective assessments? It seems that for this purpose we should utilize the Planning Commission, the Ministry of Finances, the banks, and specialists from academic circles.* In special cases, especially when the planned production is based on a purchased license, the expert evaluation can be entrusted to a foreign consulting firm (the principal does not have to be a ministry, however) or to specialists from other countries.

The next question is determining whether all of the investments acknowledged to be "good ones" can be carried out and operated by a foreign firm or in close cooperation with one. It appears that two groups of investments should be singled out: strategic installations of key significance for the economy (this does not require any justification), and installations producing goods primarily intended for the domestic market. The second restriction is weaker, and in certain justified cases it could be renounced. Thus, entrusting the completion of a given investment to a foreign firm would be advisable in principle only if this caused the initiation of export production in other enterprises.

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*In accordance with the "Principles of the Activity of State Enterprises in 1982" adopted by the Council of Ministers on 30 November 1981, the Chairman of the Planning Commission is to decide on the distribution of investments (among "agencies" and "state enterprises") and on their retention or cancellation (editorial footnote).

In considerating the possibility of using foreign capital to complete the investments that have been begun, we may take into account both cooperation with the socialist countries, and with international capital. The formulas of the arrangements in both of these cases differ fundamentally. We should therefore accept certain assumptions for internal consistency in the course of our discussion. In view of the fact that many investments have been undertaken on the basis of Western licenses and technology, the possibilities for completing them will be presented here under the assumption of cooperation with international capital.

Examples of Arrangements

In selecting the various arrangements for the utilization of foreign funds, we should put a great deal of emphasis on the guaranteed return of the outlays invested, which would be received by the foreign investor. For example, the following formulas for the completion of the investments could come into play:

1) "turnkey" construction and repayment by means of the products;

2) the creation of a mixed company in which Polish and foreign capital would share;

3) the lease of the production installation to a foreign investor for a specific period.

Although there could obviously be more such formulas, it is nevertheless likely that these three basic ones will suffice to indicate the main problems associated with such a form of economic cooperation.

The completion of an installation on the basis of the turnkey construction formula gives a foreign firm the assurance that the credit will not be used in a different manner than the one specified. The firm's guarantees essentially end with this, however. It does not have any assurance that the installation completed by it or entrusted to it will achieve the planned production capacity, that the products will meet the specified quality standards, that a supply of raw materials and energy will be ensured, etc. As a result of this, repayments in the form of products may be delayed or not made at all. In such a case the repayment would have to be made in cash, thus increasing our debt and creating complications with the foreign investor, as a result of the Polish side's not abiding by the contract. In order to minimize this possibility, these forms should be utilized only in the case of installations that are not very large, in industries in which we have a reputation in world markets and in which production is based on domestic raw materials, which are relatively easy to obtain. On the other hand, the advantage of this solution for the foreign contracting party seems to be the fact that after the completion of the investment he does not have to worry about current production problems, but is rather ensured regular deliveries of the desired products.

A mixed company with two or more sides participating is a formula that closely links the participants in the enterprise. The Polish side's contribution would be primarily the capital frozen in the investment that had been begun. In

addition to this, the Polish side can and should take care of hiring the work force, supplying energy and raw materials available in Poland, organizing transport, and possibly supplying construction equipment during the phase of the implementation of the investment. The foreign participants would be responsible for providing the funds necessary to finalize the investment; they would secure raw and other materials unavailable in Poland, and organize the promotion of the export of part or all of the production.

In such companies, the dominant share generally belongs to the country in which the enterprise is located. In the case of the implementation of the investments that have been begun, the situation may be different. It will undoubtedly be affected by the state to which the investment has progressed at the moment when the negotiations begin, the Polish side's ability to participate in further implementation of the undertakings, and the degree of the foreign firm's interest in this undertaking. It is likely that one cannot rule out a situation in which a condition for signing the contract will be conceding to the contracting party an equal or even greater share, and the key positions in the management of the enterprise. It [the foreign side] can justify such a demand by the need for a guaranteed return of the outlays invested. Such a condition could, in principle, be accepted. Even if it were dominated by foreign capital, the company would nevertheless operate on Polish territory, its entire property would be located here, and it would have to abide by the regulations in effect in our country. These conditions seem to secure our interests to a sufficient degree, even if foreign capital dominates the company.

A mixed company gives the foreign investor more assurance of the return of his outlays (along with a certain profit) than "turnkey" construction. The firm has influence over the current activity of the undertaking, its size, and the structure of the production, and can thus adapt it more easily to its own needs or its customers. The Polish side, on the other hand, bears less of a financial risk than in the "turnkey" variant for completion of the investment. A possible failure of the enterprise would not substantially increase our indebtedness with respect to abroad. Cooperation with foreign specialists in completing the installation will make it possible to acquire new technological and managerial expertise.

On the other hand, financial settlements are a major complication for this solution, as a result of the nonconvertibility of our currency. Putting aside the question of shares in the investment outlays, since this can be negotiated [separately] for each occasion, the problem of current settlements remains. It is well known that part of the expenditures and revenues will be in foreign exchange (imports and exports), and part in the domestic currency (the wages of the work force, and supplies of energy and the basic raw materials). Since it is not possible to negotiate on each item of the expenditures or receipts individually, precise rules have to be created for reducing amounts expressed in different currencies to a common denominator.

The formula of leasing the installation would make the foreign firm entirely responsible for the completion of the investment. It would be obligated to contribute enough to the installation for production activity to begin. Revenues from the operation of the installation would compensate it for its outlays. Two variants are possible regarding this.

The first one would depend on establishing in advance the period in which the investor would have the right to operate the production plant. After the expiration of this time, the installation would be transferred to the Polish side. A relatively large risk for both sides is associated with this variant. If too short a period for self-payment is established, the foreign firm may suffer losses; if the period is too long, the firm may obtain benefits considerably exceeding its contribution to the enterprise.

In the second variant, the period of operation would not be specified in advance. It would last until the foreign investor's contribution had been completely repaid from the profits obtained. Individual arrangements may differ. For example, it would be agreed that 50 percent of the profits would be set aside to repay the firm's contribution, and 25 percent for its share in the profits; the rest would be the leasing fee. The first two parts (75 percent) would be subject to transfer outside the borders of Poland. This variant requires a detailed definition of the principles for calculating profits, and in connection with this, the adoption of special, detailed bookkeeping. Under this arrangement, the distribution of the profits would not take place in accordance with the share in the capital; the contribution of the foreign firm would be the only one subject to reimbursement. Thus, if the cost for completing the installation are acknowledged by the Polish side to be too high, the offer may be rejected during the negotiation phase.

A failure to set a price on the Polish contribution (the investment that has been begun) makes it impossible to calculate the amortization rates. Under the proposed arrangement, however, this is not necessary. Amortization rates would simply not be included in the production costs. In order to simplify the arrangements further, the rate of the taxes and other fees would also not be counted (except for the ZUS [Social Insurance Institution] fee). Thus, the gross revenues will be reduced by the costs of materials, cooperative deliveries, and foreign services, and the costs of the labor force, while the amount constituting the difference will be set aside for distribution in accordance with specific terms (e.g. those proposed above). This should limit complications in the area of settlements to a minimum.

The next problem is selecting the currency in which the enterprise's bookkeeping will be conducted. In principle, we have two possibilities--zloty or foreign exchange accounting.

If accounting in zlotys is chosen, the bookkeeping on expenditures for wages and purchases of raw materials and semimanufactured products in Poland does not present any difficulties. Difficulties arise with purchases made abroad and the calculation of the "profits." Since supplies to be paid for in foreign currency have to be converted into zlotys, the problem of adopting an exchange rate arises. As a result of excessively complicated exchange rate manipulations, it is possible to lose price comparability between domestic and foreign offers for supplies of materials, semimanufactured products, and services. This arrangement thus entails several complications.

Conducting the bookkeeping in foreign exchange appears to be simpler. At the same time, there are no problems with payments for foreign purchases. Paying for Polish supplies does not present any difficulty if one assumes

that they are paid for in foreign exchange. The price of the supplies is established on an individual basis between the firm and the supplier. Payments for water and energy supplies would also be made in foreign exchange at rates established before the signing of the contract. Payments for energy should be regulated in accordance with changes in world prices. With foreign exchange accounting, there are likewise no problems with the distribution of the surplus among the interested parties. In order to maintain the internal consistency of the above arrangement, it should be assumed that the production lots that we will want to bring to our own market will be paid for in foreign exchange. It is therefore important for as large as possible a portion of the production to be exported.

In this variant, a risk exists that the foreign firm forced to share the surplus earned will attempt to reduce the surplus through artificial increases in cost or reductions in revenues. One may imagine a situation in which the firm supplies itself at high prices from its branches or from enterprises in which it has shares, or else sells the finished products to them at reduced prices. A part of the surplus that is no longer subject to distribution is transferred to them in this manner. In order to prevent this, one may include in the contract the right of [the host country's] priority in supplies (whenever the price offered by the foreign producer is lower, the firm would be free to obtain supplies from it), and the right of priority in purchasing the final product. In addition to this, one may negotiate a condition that after the expiration of a specific period of time, the installation will be transferred to Polish ownership, regardless of whether the investor's contribution has already been repaid from the profits. The firm may possibly take back the machines and equipment installed by it, if this repays it.

Such cooperation can be beneficial to us, however, even in the extreme case that the enterprise does not provide direct revenues (e.g., as a result of a manipulation of costs and prices by the corporation), since the firm has to buy zlotys from the bank for wages for the work force; a transfer of technology to Poland will take place; the leased enterprises will be organizational models for other economic units; and additional export possibilities will be created for our industry.

The lease variant, consisting of the repayment of the foreign firm's contribution from the surplus earned, appears to be the most advantageous for the foreign contracting party--it gives it the relatively greatest guarantee of a return of its capital; but it is also advantageous for the Polish side. There is no need for concern about an infiltration of the economy by foreign capital, since the installation formally remain Polish property for the entire period, and actually do become Polish property after a certain period of time. Obviously, if we adopt this type of attempt to utilize foreign capital, we may expect several new arrangements to be worked out, and the above examples should therefore be treated as models.

Benefits for the Polish Economy

The fundamental question is precisely how to avoid at least part of the negative consequences of halting many investments--the results cited in the first part of this article.

In addition to avoiding the negative consequences, positive elements also emerge. One of these is the fact that all of the variants promote the development of exports. The forms and directions of these exports differ. Depending on the arrangement adopted, these can be exports that are entirely paid for by the credits obtained ("turnkey" construction), exports carried out in cooperation with foreign firms (through a company), or exports in the form of supplies for the firm leading the installation. Each form will make it possible to intensify commercial ties with foreign countries and increase foreign exchange receipts. Another source of foreign exchange would also be the wages of our workers, since the zlotys paid to them would have to be purchased in a Polish bank with foreign exchange.

The "increased closeness" of foreign exchange markets to our producers deserves particular emphasis. To date, more or less complicated procedures have been associated with exports: obtaining an export license, the intervention of foreign trade agencies, the conversion and distribution of the foreign exchange receipts, etc. If the last of the proposed variants is adopted--i.e., the leasing firm would operate under conditions approximating a so-called foreign exchange enclave--whenever a foreign exchange operation is conducted, a telephone call has to be made and an invoice has to be presented. At the same time, the enterprises will be compelled to undertake a competitive struggle among themselves and with foreign firms.

Cooperation with foreign firms does not only make it possible to complete some investments, but also to undertake the current modernization of the installations. Foreign exchange funds in the form of repayment of the foreign investor's contribution can either be exported, or re-invested in the installation on the basis of the contract. This will thus create conditions favoring a continual modernization of the product and the manufacturing technology. As is well known, a characteristic of international capital is the ease with which modern equipment and technology can also be transferred to countries at a lower level of development than the countries possessing the most modern industry. The possibility of close cooperation with foreign firms on Polish territory (through companies and leases of installations) would promote the creation and consolidation of such habits as thrift, economy, punctuality, etc.

Cooperation with international capital also entails several complications. On one hand, they are a result of the disadvantages of international capital (for the economies in which it operates), and on the other hand, they are a result of the contact of two different political and economic systems.

A possibility consequently exists that major conflicts may appear between the interests of the international corporation, and the interests of the country in which a branch of the firm is located. The firm will probably attempt to minimize the taxes it pays (e.g., through an artificial reduction of the profits in the branch in question). Great possibilities for manipulating prices and production costs are associated with this. In addition to this, a foreign firm can partially or completely shut down individual production plants, depending on the production capacity it possesses and the state of the market for the given product. A corporation with virtually unlimited funds available

for wages can "drain" the best specialists out of the economy by offering extremely attractive working conditions. The contact of two different systems with different operating mechanisms can set off many economic and social conflicts.

Economic conflicts can be eliminated or alleviated by adopting specific formulas for cooperation (e.g., leasing an installation on the basis of the principles of an enclave in a foreign environment). Extensive consultations should be carried out, presenting the shortcomings and advantages of the proposed arrangements, in order to prevent social difficulties.

The Benefits for the Foreign Contracting Parties

The previous arrangements would be pointless if the foreign firms were not interested in such an activity. We should therefore raise the following question: what benefits will be obtained by a foreign investor who participates in starting up a production installation in Poland?

First of all, there should be relatively high profitability, and a comparatively rapid return of the outlays for such an enterprise. Investments that have already been begun are more profitable, since some of the outlays have already been made. In considering the alternatives, whether to build a given production installation from the ground up at home, or else to allocate a considerably smaller amount of funds for completing an investment in Poland, cost effectiveness points to the second possibility.

Operating costs will probably also be lower in an installation built in Poland. This is a result of the relatively low level of wages, lower costs for basic raw materials, and greater flexibility in the rates of taxation and fees.

In this article, we have outlined proposals for arrangements that would allow eliminating at least part of the losses resulting from the reduction of the share of domestic investments in the national income. It also appears that the variants proposed make it possible for us to improve our situation in the world market. Admittedly, the arrangements given are not a novelty either in our economy or in other socialist economies; the present economic situation, especially in the field of investments, nevertheless gives them special significance.

9909
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## TRADE TURNOVER IN FIRST TWO MONTHS OF 1982 DISCUSSED

Warsaw HANDEL ZAGRANICZNY in Polish No 3, 1982 p 4, 8

[Article by M. D.: "After Two Months--Indications and Dangers"]

[Text] The statistical data on the turnover in Polish foreign trade in the first 2 months of 1982 do not provide a basis for optimistic assessments. Admittedly, a period of 2 months is too short to provide a basis for formulating predictions for the entire year; nevertheless, the unfavorable trends that were previously indicated* are apparent in this period. If they are not reversed or at least checked in the next few months, they will have a negative effect on the creation and distribution of the national income. For the present, however, let us dwell on the facts.

As is apparent from the data from the Main Statistical Office [GUS], our total exports, which in the first 2 months of 1982 reached a level of 86.1 billion zlotys (negotiable ones--we will be using this unit from now on, accordance with the principles in force), was nearly 15 percent lower than a year before. Exports to the countries of payment area I [the socialist countries] did better, since they were only 3.7 percent lower than last year. On the other hand, the results in exports to the countries of payment area II [the capitalist countries] were considerably worse; these exports were over 24 percent lower than a year before.

Next, total imports (fob) during the first 2 months of 1982 reached a level of nearly 88.5 billion zlotys (thus, evidently only slightly greater than exports). In comparison with the analogues period last year, imports declined more sharply than exports, i.e., by close to 29 percent, including a 9.3 percent decrease in imports from the countries of payment area I, and as much as 46.4 percent in imports from the countries of area II. On one hand, such a sharp reduction in imports is an obvious reflection of our payment difficulties in relations with the capiitalist countries (the burdening of our foreign exchange receipts by "fixed" liabilities, and the virtual lack of new credits). On the other hand, it is the main reason for the under-utilization of manufacturing capacity and the decline in exports. We will return to this problem later; here we will continue to examine the formation of the turnover in Polish foreign trade in terms of the basic aggregates.

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*Cf., among others, the series entitled "Critical Points in Polish Foreign Trade," HANDEL ZAGRANICZNY Nos. 1-2 1982. [See JPRS -81081, 18 June 1982 pp 79-92, and JPRS-81124, 24 June 1982 pp 53-61.]

The decline in exports of the products of the electrical machinery industry and of other commodities (including raw materials) was approximately equivalent. With the countries of payment area II, on the other hand, this decline affected exports of machinery and equipment more seriously (by about 32 percent) than the other commodities (24 percent). As one may judge, an important role in regard to this was played by hard coal, exports of which increased drastically in the first 2 months of 1982. Our ability to increase coal exports considerably above last year's level also resulted in our maintaining total exports of the so-called other commodities to the socialist countries at last year's level. As is apparent from this, coal is the main growth commodity in our exports, just as during the period immediately following the war. Without downplaying the positive consequences of this fact, we should remember that the growth possibilities of this export are limited by both supply and demand factors. At the same time, the present level of development of the Polish economy, and the scale and structure of its ties with the world economy, are so substantial and varied that coal exports cannot have the same effect on development processes as in the 1940's. This thesis is confirmed by the decline in both the production and export of manufactured products, especially the products of the electrical machinery industry, which is one of the branches of industrial production most dependent upon imports (after the chemical industry). During the period in question, almost none of the commodity groups included in our exports of machinery and equipment reached last year's level (except for railroad rolling stock).

More pronounced structural changes occurred in imports during the period we are analyzing: imports of machinery and equipment declined more sharply (by about 39 percent) than imports of other commodities (about 25 percent). This latter group consisted primarily of raw and other materials, and market commodities. Thus the scarce funds available for imports were earmarked to a great extent for purchases of the latter commodities, which had a direct effect on current supplies for production, as well as for the consumer market. The curtailment of imports of machinery and equipment was particularly pronounced in trade with the countries of payment area II: during the first 2 months of 1982, imports of equipment from this area were about 63 percent lower than a year before. This is partially a consequence of the curtailment of the implementation of many investment projects, but also, at the same time, a result of drastically limited payment possibilities. The machinery and equipment group does not include only investment goods, but also cooperative elements required for current supplies for production.

Thus, the basic reason why there is still a declining trend in industrial production and exports is the shortage of resources for imports. We will examine this phenomenon in light of the balances of the commodity turnover in Polish foreign trade, as they appear after 2 months. Thus, the overall slight negative balance (about -8.3 billion zlotys) includes a high negative balance (-13.5 billion zlotys) in trade with the area I countries, and a positive balance (+5.2 billion zlotys) in trade with the area II countries. This means that this year our economy is already being supplied from abroad from only one direction; in regard to this, it is worth emphasizing that virtually the only country from this area causing the negative balance is the Soviet Union (we even obtained a slight positive balance with the other area I countries).

The positive balance in trade with the area II countries means that the "fixed" payments of our obligations exceed the imports financed by credits (mostly as a direct result of the restrictions that have been imposed). The resulting settlement of the Polish economy's debts can only be maintained for a short period under the present conditions, and thus cannot be viewed favorably in the context of the anticrisis measures.

Among these measures, those leading to our overcoming our previous fixed dependence upon imports, as well as those inducing producers to develop exports, should be considered the most important. In order for those measures to be effective, they must also be supported by access to the credit market, making it possible to import supplies on a scale allowing efficient utilization of the manufacturing apparatus.

In view of the realities, fulfillment of these conditions appears to be excessively difficult. Admittedly, one may consider the overcoming of our economy's high import-intensiveness, which has been particularly apparent during the past decade, to be already under way in some sectors, although this process is too slow. It also has specific limits, and we will require time and outlays to go beyond them. It is therefore of fundamental importance for the resources designated for imports, which for the most part still remain at the disposition of the [foreign trade] agencies, to be allocated as sensibly as possible. Thus, the channeling of even small resources to those branches of industry and enterprises in which large stocks of unfinished products have appeared (i.e., due to a shortage of elements or materials that are indispensable, even though they may be small ones) can cause at least one-time multiplier effects, in the form of an increase in production and exports. Such effects may also be expected as foreign exchange deductions are granted and later on put into effect. A stimulation of export production should also occur in fields that are not very (or partially) dependent upon imports, side by side with the institution of the mechanisms of the reform and a correspondingly rapid correction of those elements that turn out to be insufficiently effective. This should take place as rapidly as possible, in order to reverse the trends which have already become apparent from the first 2 months of this year, and which may cause a further drastic decline in material production and consumption.

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SPECIAL CURRENCY EXCHANGE RATES PUBLISHED

Warsaw TRYBUNA LUDU in Polish 26 Jul 82 p 7

[Text] Announcement of Exchange Rates Table No 30/82, effective 26 July 1982, by Stanislaw Nieckarz, for the president, Polish National Bank, on 26 July 1982.

I. Foreign-currency exchange rates in zlotys for countries of the first payments area [socialist countries] for commercial and noncommercial payments remain unchanged.

In purchases of travelers' checks for rubles, issued by the USSR Foreign Trade Bank and payable outside the USSR in the currency of the country where cashed, an exchange rate of 11,713.90 zlotys per 100 rubles is applied.

II. Foreign-Currency Exchange Rates in Zlotys for Countries of the Second Payments Area [Capitalist Countries]

Exchange Rates Table No 30/82

| Country | Curr Symb | Currency | Foreign Exchange Purchase 3 | Foreign Exchange Sales 5 | Money Purchase 1 | Money Sales 2 | Average 6 |
|---|---|---|---|---|---|---|---|
| Saudi Arabia | 771 | 1 rial*** | 24.91 | 25.17 | -- | -- | 25.04 |
| Australia | 781 | 1 Aust.dollar | 86.80 | 87.68 | 85.50 | 88.98 | 87.24 |
| Austria | 786 | 100 schillings | 494.35 | 499.31 | 486.89 | 506.77 | 496.83 |
| Belgium | 791 | 100 francs | 182.53 | 184.37 | 179.78 | 187.12 | 183.45 |
| Denmark | 792 | 1 kroner | 10.04 | 10.14 | 9.89 | 10.29 | 10.09 |
| Finland | 780 | 1 markka | 18.13 | 18.31 | 17.86 | 18.58 | 18.22 |
| France | 793 | 1 franc | 12.49 | 12.61 | 12.30 | 12.80 | 12.55 |
| Greece | 724 | 100 drachmas | 123.35 | 124.59 | 106.91 | 126.45 | 123.97 |
| Spain | 785 | 100 pesetas | 77.00 | 77.78 | 75.84 | 78.94 | 77.39 |
| Holland | 794 | 1 florin | 31.52 | 31.84 | 31.05 | 32.31 | 31.68 |
| India | 543 | 100 rupees*** | 899.89 | 908.93 | -- | -- | 904.41 |
| Ireland | 782 | 1 pound*** | 119.84 | 121.04 | -- | -- | 120.44 |
| Japan | 784 | 100 yen | 33.77 | 34.11 | 33.26 | 34.62 | 33.94 |
| Yugoslavia | 718 | 100 dinars | 171.34 | 173.06 | 148.51 | 175.64 | 172.20 |
| Canada | 708 | 1 Canad.dollar | 68.00 | 68.68 | 66.97 | 69.71 | 68.34 |
| Kuwait | 770 | 1 dinar*** | 298.66 | 301.66 | -- | -- | 300.16 |
| Lebanon | 752 | 1 pound | 16.48 | 16.64 | 16.23 | 16.89 | 16.56 |
| Libya | 651 | 1 dinar*** | 289.33 | 292.23 | -- | -- | 290.78 |
| Luxembourg | 790 | 100 francs | 182.53 | 184.37 | 179.78 | 187.12 | 183.45 |
| Norway | 796 | 1 kroner | 13.54 | 13.68 | 13.34 | 13.88 | 13.61 |
| Portugal | 779 | 100 escudos | 100.73 | 101.75 | 87.31 | 103.26 | 101.24 |
| FRG | 795 | 1 mark | 34.78 | 35.12 | 34.25 | 35.65 | 34.95 |
| United States | 787 | 1 dollar* | 85.67 | 86.53 | 84.38 | 87.82 | 86.10 |
| Switzerland | 797 | 1 franc | 40.85 | 41.27 | 40.24 | 41.88 | 41.06 |
| Sweden | 798 | 1 kroner | 14.03 | 14.17 | 13.82 | 14.38 | 14.10 |
| Turkey | 627 | 100 pounds | 52.24 | 52.76 | 45.28 | 53.55 | 52.50 |
| Great Britain | 789 | 1 pound** | 149.07 | 150.57 | 146.82 | 152.82 | 149.82 |
| Italy | 799 | 100 lira | 6.22 | 6.28 | 5.39 | 6.38 | 6.25 |

* Valid also in clearing accounts with the following countries: Bangladesh, Brazil, Ecuador, Greece, Iceland, Kampuchea, Colombia, Lebanon, Pakistan, Peru and Turkey.

** Valid also in clearing accounts with the following countries: Nepal and Pakistan

*** The Polish National Bank does not purchase money in these currencies.

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## FINANCIAL RESPONSIBILITY SOUGHT IN FOREIGN TRADE ACTIVITY

Bucharest REVISTA ECONOMICA in Romanian Nos 24, 25, 18, 25 Jun 82

[Article by C. Roman, minister of finance]

[No 24, 18 Jun 82 pp 10-11]

[Text] Under the conditions of the persistent crisis phenomena in world economies, Romania's commercial relations and those of international economic cooperation have continued to develop at relatively fast rates. In 1981 the volume of exports rose 11.3 percent compared with 1980, together with a 7.4-percent reduction in imports, which insured a surplus commercial balance of more than $300 million, with a positive effect on the foreign debt.

In the first quarter this year, together with an increase in production, the total volume of exports was greater than in the same period last year, while imports were nearly 13 percent less, in this way achieving an active commercial balance. The results recorded in this five-year plan, despite the fact that they express the foreign progress of our economy, are below the level of plan tasks. A qualitative leap in needed in carrying out foreign commercial relations, one which insures fulfillment of the tasks drawn by the party for Romania's development with our own forces , without resorting to credits (primarily investment credits), that is, insuring a complete commercial and payments balance.

Strengthening of financial-currency discipline at all the participating links in foreign trade activity has great importance for balancing foreign payments of the state: the production enterprises for export and import beneficiaries, the foreign trade ministries, the banks, ministries and other organs of the national economy, primarily the State Planning Committee and the Ministry of Finance. Clearly, foreign trade activity does not concern just the enterprises specializing in foreign trade and the corresponding factors in the ministries who are holding them; on the other hand, within the units and organs with foreign trade duties the problem of financial-currency discipline does not concern the financial-accounting discipline exclusively. Providing strict respect for financial-currency discipline and continually strengthening it are a primordial task of all workers in the ministries, central organs, banks, enterprises, whose activity takes place in the area of foreign commercial relations.

Referring to certain shortcomings which have been demonstrated in good management of financial resources at a broader level in the national economy,

Comrade Nicolae Ceausescu stressed at the March 1982 party plenum that it is necessary "for us to bring order and complete discipline, to follow and check on how each leu is being spent! We must proceed from the fact that each one, in his area of activity, bears responsibility for the way in which the resources entrusted by the people are administered and are spent. Each collective has a portion of the people's wealth in its management and responsibility and it must give an account to the people and to the state as the people's representative about the way it is managing it."

Strict respect and strengthening of financial-currency discipline mean primarily the steadfast application of the principles of the new economic-financial mechanism in the area of foreign trade relations, as stipulated by the Law on Strengthening Worker Self-Leadership and Economic-Financial and Currency Self-Management in Foreign Trade Activity. Basically these provisions of the law seek to stimulate exports, to increase the competitiveness of Romanian products on the world market and to develop all foreign trade activity and activity of international economic cooperation, to have efficient adaptation of production to the requirements of the foreign market and have rational management of Romania's currency resources.

Together with introduction of the unified commercial rate, starting on 1 January 1981, the new foreign trade law establishes that all activity of foreign trade and international economic cooperation is organized and takes place in accordance with the principle of economic-financial and currency self-management, with the results of this activity being reflected in overall results both of the production unitsfor exports and beneficiaries of imports as well as of the specialized foreign trade enterprises. In this direction the provisions of particular importance are the ones according to which the units concerned are required to take all measures (in production and in the process of commercialization on the f reign markets) so that the currency receipts provide not only coverage of expenses in hard currency and repayment of credits received in hard currency on schedule but also an appropriate currency contribution intended to increase the state's currency reserves and to create supplementary currency resources for imports and to establish special funds for material incentives for the worker personnel participating in carrying out the exports.

Self-Management Operates Only Under Conditions of Competitiveness

Self-management is the basic principle of the new economic-financial mechanism which cannot be conceived of without profitable activity in all sectors of economic activity. The application of this principle in the area of foreign commercial relations has led to better utilization of Romanian products on the foreign market. Despite this, even last year our export still was encountering products which, due to certain diverse reasons (lack of respect for contract conditions, delivery delays, poor commercialization activity), are being sold on the foreign markets at foreign prices which include an insufficient currency contribution. The actual results are even more unfavorable when the expenses are saddled with the payment of penalties for failure to respect the conditions provided in the payment documents, while the receipts are reduced by discounts.

The negative effects on the balance of current foreign payments also are brought by failure of the foreign clients to pay for the export documents on schedule and are favored in some cases by the lack of complete assuring measures from the foreign trade enterprises. So, the deliveries made by certain foreign trade enterprises without guaranteeing payment from the particular foreign partners have proven particularly harmful, which in some cases has led to failure to make receipt of the appropriate rights in currency or to prolonged blockages in the roll of resources, particularly negative phenomena at the current level of interest on international credit markets.

Another basic principle of the new economic-financial mechanism as provided in the Law on Foreign Trade lies in the utilization of commercial balances and annual plans for receipts and currency payments for our own foreign trade activity and international economic cooperation in the ministries, centrals and enterprises which produce products for export or benefit from imports. The currency surplus, in the form of balance of currency plan, is a minimum contribution to the state's centralized currency fund. In order to achieve this surplus, the law provides that planned imports can be carried out only to the extent to which the receipts and deposits established by the plan are achieved quarterly or proof of the existence of firm export contracts is given, which insures the necessary currency resources. If these resources cannot be provided, the ministries, centrals or enterprises concerned are required to make an appropriate reduction in imports, fitting into the planned currency balance.

This important principle of the new mechanism was not implemented with all firmness in the first year the law was app ied, that is, 1981. In his speech to the joint working meeting of the RCP CC and the Supreme Council for Economic and Social Development on 9 February 1982, Comrade Nicolae Ceausescu pointed out that, due to certain shortcomings in the activity of organization and leadership of economic activity and to special weather conditions in agriculture and influences of the aggravated world economic crisis, a production equal to around 25 billion lei was not obtained, nearly entirely for export, which brought us a lack in surplus commercial balance in free currency of nearly$1 billion. At the same time, despite all the measures taken by the party and state leadership to reduce imports, they did not fall to the proper level in order to insure the necessary currency balance. On the contrary, in some cases, even supplementary imports were called for.

In order to eliminate the shortcomings mentioned and to have strict inclusion in financial-currency discipline, with a view to balancing our foreign payments balance and creating supplementary currency resources which would be used for the country's social-economic development, it is necessary to have efficient use of the commercial export-import balance in all enterprises, centrals and ministries--as a means of current leadership--with a view to mobilizing all forces for our foreign trade development according to the principles of the new economic-financial mechanism. In the spirit of the law the development of those units and sectors with competitive export activity must be stimulated, the ones which really can close their commercial balance with currency surpluses, can finance themselves, ones which use exclusvely indigenous raw materials, such as agriculture, some subbranches of the chemical-pharmaceutical industry, international tourism.

The export plan, whose tasks should be considered minimal, under the current conditions of the world crisis, is the most important problem of the Romanian economy, since fulfillment is a condition of the economy's being supplied from the world market with numerous scarce raw materials, with equipment intended to insure technical progress in the economy, which cannot be or still cannot be produced in Romania.

Each Enterprise Contributes to Romania's Commercial and Currency Balance

According to the new foreign trade law, the enterprises, centrals, ministries and other organs with foreign trade tasks are required to provide for permanent growth and diversification of production for export, and to insure that competitive products are obtained at a high technical level through superior utilization of raw materials, fuels and energy, to insure efficient adaptation of production to the requirements of the foreign market, to insure judicious use of imports, promotion of mutually advantageous exchanges and some new, efficient forms of foreign trade and international cooperation.

In order to fulfill these tasks, the production enterprises for export are required to concentrate their attention to a greater extent on filling all the foreign orders, recovering lags in this direction and to take decisive measures in quality improvement, the products' technical parameters as well as presentation conditions so that high prices are obtained on the foreign market, so that timely delivery is insured according to the contracts for the goods in order to avoid application of penalties as a result of the delays or giving discounts as a result of the destruction of perishable goods. Higher concern must be shown for reducing manufacturing expenses, particularly of energy consumption, raw materials and imported materials, actions which, along with increasing the degree of efficiency of the particular products for export, relieves the state's foreign payments balance, reducing the currency expenses borne by the state to supply iron, steel, coke, bauxite, cotton and so forth.

As has been pointed out in numerous party documents, it is necessary for the ministries, centrals and supplying enterprises to analyze the problem of the efficiency of export of each product separately with maximum responsibility and to move decisively to eliminate products with low currency contribution from exports, replacing them with other goods for which appropriate efficiency indicators can be obtained. In the future we no longer should tolerate the delivery of those products for which the manufacturing and commercialization expenses are not covered in their entirety through the foreign price, whose export actually expresses removing a portion of the national income from Romania. Responsibilities just as big rest with the economic and financial planning system for correct and real evaluation of the efficiency of foreign commercial operations.

It also is necessary to continue taking action to solve certain problems connected with providing materials, various subassemblies and spare parts which we build in Romania in order to reduce the imports of these products in this way through our own research-design. Careless treatment of this problem and appealing to imports without a serious analysis of the domestic reserves for creation and production have negative effects with regard both to not bringing to good account our material and human possibilities as well as balancing the balance of payments, increasing the currency reserves needed for economic development and consolidation of the national wealth.

[No 25, 25 Jun 82 pp 10-11]

[Text] A leading role in balancing the foreign payments balance and in forming currency surpluses belongs to the specialized foreign trade enterprises. All their activity should occur without any deviation from the financial-currency discipline instituted by the new economic-financial mechanism and from the legal standards in effect. Through their specific nature of work, the foreign trade enterprises are directly in the center of the problems of Romania's commercial relations and relations of international economic cooperation and, as such, disfunctions in the contractual mechanism and flow directly affect the efficiency of these relations and their influence on the national economy as a whole.

Active Aid and Control From the Foreign Trade Enterprises

In conformity with the provisions of the single national plan for economic-social development, the foreign trade enterprises are required to provide for the sale of Romanian goods on foreign markets, supply of the national economy with needed goods through imports and carrying out of actions of international economic cooperation under conditions of high economic efficiency. These tasks provided in the foreign trade law cannot be fulfilled without systematic activity of prospecting the foreign markets, without making competent analyses of the situation of goods and currencies on the markets at the time, without careful knowledge of the business partners of the standards of international law and specific legal standards in the other countries and methods of commercial and banking transactions for the operations of deliveries and sales of goods. Here we have the need for all worker personnel in the foreign trade enterprises, particularly the operating personnel, to have a high level of professional training, for the preservation of which uninterrupted efforts must be made. At the same time, in order to prevent the appearance of negative phenomena linked with the quality of the goods delivered by the producers, delays in delivery and so forth, which could lead to a reduction in currency receipts, the foreign trade enterprises, in accordance with the law, are required to exercise permanent control in the production units over putting the export goods into production, building them in time and having them be of good quality a to take measures to achieve the export contracts under optimum conditions together with the production units. Only through superior demandingness in the receipt of goods for export from the producer can the foreign trade enterprises have the guarantee of efficient commercialization of the particular goods on the foreign market. Implementing this legal obligation, however, is being delayed in some foreign trade enterprises. Special concern must be shown by the foreign trade enterprises to move deliveries according to the contract conditions, guarantee letters without delays, requests for extensions, renegotiations with support of supplementary banking expenses. Also in no way can we justify the delay in compiling the payment documents which, in the best case, has the effect to delaying the receipt of the currency due the state. Financial-currency discipline places on the foreign trade enterprises not only the task of carrying out exports under advantageous conditions for Romania but also

having as fast a receipt as possible of their rights in currency, a necessary condition for being able to pay off our payment obligations abroad (imports, loan payments, credit interest) without the delays linked with supplementary

The foreign trade enterprises have broad opportunities to contribute to balancing the foreign balance of payments of Romania and to creating currency surpluses by carrying out commercial operations to obtain the currency contribution. By introducing the new economic-financial mechanism, the foreign trade enterprises have been given the right to carry out these kinds of operations with any type of good and foreign currency. These operations offer a series of advantages, primarily that large profits in currency can be obtained in certain cases without production and delivery efforts from the national economy. Of course, carrying out such operations means great flexibility of action, professionalism, initiative, good information, with the necessary framework being provided by the law of negotiating departments, but only partially implemented so that a great number of enterprises are not fulfilling their annual tasks as drawn by the Ministry of Foreign Trade and International Economic Cooperation, achieving a modest volume from these kinds of operations. As a result, it is necessary for the foreign trade enterprises to be organized more decisively to extend and diversify the commercial operations of currency contribution.

The Financial-Banking System Involved in Increasing Foreign Trade Efficiency

The banking units have special tasks in strengthening financial-currency discipline, particularly the Romanian Bank for Foreign Trade, which supervises execution of the foreign payments balance and, along with the Ministry of Finance, the Ministry of Foreign Trade and International Economic Cooperation, the State Planning Committee, is responsible for achieving it. Moving from operations of follow-up and record-keeping to more complex operations of optimizing the operations of giving and receiving foreign credits and of optimizing the investment of reserves on account, can lead to large currency contribution operations of the banks in collaboration with the foreign trade enterprises. The operations for domestic discounting of exported goods or those imported take place through the Romanian Bank for Foreign Trade, with its having the duty to control and insure inclusion in the planned rates of return.

In order to aid steadfast respect for and continued strengthening of financial-currency discipline in foreign trade activity, the Ministry of Finance, together with the Ministry of Foreign Trade, have the duty of providing permanent and systematic control over all production and commercialization activity on foreign markets, to give aid and permanently guide the production enterprises for export and import beneficiaries and the foreign trade enterprises for complete fulfillment of the foreign trade plan under conditions of implementing the principles of the new economic-financial mechanism. The basic concern of the overall organs, of the other holding organs and of the banks should be directed toward fulfilling the efficiency indicators, toward achieving the currency balance established by the new economic-financial mechanism, insuring the balance of payments and creating supplementary currency resources and respecting socialist legality.

In consolidating the new economic-financial mechanism in foreign trade activity it is necessary for the Ministry of Finance, in collaboration with the Ministry

of Foreign Trade, other organs, banks, ministries with foreign trade tasks, with consultation with the production enterprises and foreign trade enterprises, to continue activity to improve the normative acts in effect in accordance with the practical experience obtained following entry of the new foreign trade law into effect, and particularly the methodological standards for applying this law. So, practice has shown that the current mechanism for internal discounting is particularly complicated, requiring a large volume of financial-accounting and banking jobs which are not justified by the resultant effect. For that reason, in our opinion, some measures would be needed to simplify it in the general spirit of the new economic-financial mechanism, measures which would be carried out by reducing the number of groups of goods for which rates of return are established by the plan as well as determining them on more realistic bases.

Steadfast application and continued consolidation of the economic-financial mechanism and the principles of worker self-leadership and economic-financial self-management in foreign trade activity place before all worker collectives and the collective leadership organs in all economic units with production or import-export activity and in the ministries and banks the tasksof respecting financial-currency discipline and the principles and requirements of the new economic mechanism in each operation and transaction. Any deviation or violation of financial-currency discipline has sometimes serious negative repercussions not only on foreign trade actions but even on Romania's overall social-economic development and on the opportunities for raising the people's material and cultural standard of living.

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25 August 1982

# East Europe Report

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2308

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25 August 1982

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No. 2308

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ERRATUM: In JPRS 81225 of 7 July 1982, No 2291 of this series, in the article entitled "Support for Unprofitable Agricultural Establishments Outlined" on page 22, the beginning of line four of paragraph two should read "...no more than 0.09 and 1.58 percent, respectively", supplying the missing word "percent."

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WESTERN ECONOMISTS DISCUSS CHANCES FOR BLOC ECONOMIC REFORM

Duesseldorf HANDELSBLATT in German 11-12 Jun 82 p 22

[Article by Ulrich Jacoby: "Outlook for the Planned Economies of the East; Political Caste Clips Wings of Reformers"]

[Text] A few days after the Western economic summit, the Council for Economic Mutual Assistance of the Eastern bloc (COMECON) was scheduled to hold its annual session. At the center of the economic deliberations of the member states, are the evolution of internal trade, foreign debts, and the harmonization of the countries' five-year plans. Since defense expenditures have been rising steadily, cuts must be made in the areas of civil investment. There is also little room for an increase in private consumption. In what direction are the columns of the planners moving? The following analysis is based on the results of an economic colloquy at NATO headquarters in Brussels.

As far as economic growth was concerned, the COMECON countries could look back upon quite positive development in the last decade. Except for Bulgaria and the USSR, the growth rates remained at the high level of the 1960's and declined slightly only toward the end of the 1970's. This trend strongly contrasts with the outlook in this decade. A detailed prognosis predicts a further decline in growth rates in virtually every sector of the economies of the USSR and the other six European COMECON nations. In case of continued negative developments in agriculture and lower increases in industrail production, the Soviet economy is going to grow only at an average of 2.5 percent annually till 1985.

Growth for all of East Europe should at best reach 2 percent, and that will happen only if it succeeds in ensuring sufficient inexpensive energy imports (primarily oil) and enough Western credits. Reduced growth rates in the labor pool, lower investment rates, superannuated stock, increasing problems in production, and a high percentage (in the USSR between 12 and 14) of the gross national product being allocated for military budgets were stated to be the principal reasons for a further decline in economic growth in the next few years in the COMECON countries.

In contrast to the West, however, where according to a forecast of the OECD more than 30 million will be unemployed this year, the growing economic problems in the planned economies of the Eastern block were not causing obvious unemployment. Rather, there is a paradox: the shortage of labor despite overemployment. The economic price is insufficient productivity.

Forecasts of indebtedness
by country
(in billions of dollars)

| | 1980 | 1985 |
|---|---|---|
| Poland | 22.3 | 23.5 |
| GDR | 11.7 | 16.1 |
| Czechoslovakia | 3.4 | 4.6 |
| Hungary | 6.7 | 7.7 |
| Rumania | 9.4 | 13.5 |
| Bulgaria | 2.6 | 1.8 |
| USSR | 9.4 | 20.4 |

As regards inflation, the goal of keeping the cost of living stable, which used to be considered almost a dogma, could not be attained either. Everywhere there have been undisguised price hikes. It was in Poland that prices rose the most, with Hungary, Rumania, Bulgaria, and Czechoslovakia far behind. The evolution of foreign trade, according to Dr Hermann Clement (East European Institute in Munich) was negative for most of the countries. When in the 1970's especially Poland opened up to the West to acquire technology, the communist countries had to accept the disadvantage of a negative balance of trade, not in the least because they hoped for domestic growth impulses from an efficient and competitive export industry. The increases in the prices of energy and raw materials and the decreases in opportunities to export (because of stronger portectionism and recession in the West) brought about large foreign trade deficits which, in combination with high indebtedness to the West- had the effect of limiting growth and, in Poland, finally led to an outright crisis. Changes in COMECON--an internal price mechanism in favor of the USSR--further worsened the terms of trade for the East European countries which had few raw materials of their own.

Dr Daniel L. Bond of Wharton Econometric Forecasting Associates demonstrated on the basis of a study of his institute how the Eastern bloc countries would probably develop until 1985 and what factols would influence them. The economic trends of the Eastern bloc were and would be influenced mainly by the following factors:

The continuous rise in the cost of central planning and management, which can be reduced only by radical restructuring;

Generally lower productivity, which, when combined with a lower rate of increase in the labor force, necessitates the transformation of extensive growth;

The lack of opportunity to consume, despite higher disposable income, inhibits the cash flow. The resulting absence of incentives might also have a negative effect on productivity;

Increased productivity in agriculture and dependence on poor harvests caused by unfavorable climatic conditions (USSR);

Dependence on exports for hard currency needed to acquire technology and, as a result, being tied to economic trends in the West;

The division of national income among defense, investments, and consumption as determined by political, military, social, and economic conditions.

Since Soviet defense expenditures have been rising steadily at an average rate of 4 percent annually in real terms, not only have cuts in civil investments had to be made, but there is also little room for increasing private consumption. However, the other COMECON countries are expected to improve slightly their rate of consumption and productivity. The reason: the rising pressure of depressing economic trends will sooner or later demand economic reforms. The latter at present tend to go in the direction of a "centralized pluralism," which permits firms to operate more or less as autonomous units.

An example of this sort of phenomenon is the fact that some companies are allowed to determine their own prices and wages. The decision of how to dispose of profits is left entirely up to management, which pays varying wages and bonuses depending on the quality of the work performed. It is especially in the GDR that experiments of this kind are being conducted and where a number of Japanese management techniques have been adopted. Hungary, on the other hand, has created a general economic framework that offers special incentives for small companies headed by individuals. This is partly a result of extensive agreements on cooperation with Western nations.

The principal resistance against a continuation and expansion of reforms still comes from the party political elite of the respective countries and from the distrustful and unfavorable attitude of the Soviet Union. However, the USSR is expected to permit the East European states more freedom to experiment with reforms since the costs of retaining the inflexible Soviet system are so high.

Numbers Reflect the Problems

Between 1976-80 Moscow was especially able to improve her position in East-West trade. Whereas imports from the West rose from $18.5 billion in 1976 to $32.1 billion in 1980--an increase of only 74 percent--Soviet exports went up by 127 percent--from $15.4 billion to $35.1. Net indebtedness in 1980--$9.4 billion--was only slightly higher than the 1976 figure of $9.1 billion. In this period the value of the oil exported to the West increased from 44 percent to 55 percent of all goods exported to Western countries, although the quantity of this oil was down 20 percent.

The corresponding figures for the other six COMECON countries are as follows: exports to the West rose by 90 percent from $16.4 to $31.1 billion, whereas imports went up 55 percent from $22.4 to $34.8 billion. The result was a rise in net indebtedness from $27.4 to $56.0 billion in 1980. The projection

of future indebtedness is based upon the prospect that even if the Polish question is resolved and there are no long-term comprehensive trade sanctions, the Eastern bloc will not be able to afford any more large trade deficits. The combined debts of the six COMDCON countries will increase from $56.1 to $67.5 billion--a reduction in real terms of 20 percent.

Credits granted to Poland will probably not exceed the amounts required to create a basis for repayment of old debts. The steep percentagewise rise in Rumanian debts, on the other hand, is based above all on the credits expected from the Internatioal Monetary Fund and the World Bank. It was suggested in Brussels that the West apply a greater measure of "conditionality" in granting loans to the East.

Soviet debts are expected to rise from $13.8 billion in 1981 to approximately $20 billion in 1985--a real increase of about 40 percent--as a result of the gas pipeline deal. For this reason, the share of imports from the West will make up about 15 percent more of all of Moscow's imports, while Western imports will comprise about 30 percent less of all imports of the other six COMECON countries.

Due to lower growth rates in the production of oil, the Soviet Union a rather long time ago shifted to replacing oil with natural gas both in domestic consumption and in exports to the other COMECON countries; this permits Moscow to continue to sell quite large quantities of oil on world markets. Since, however, the USSR is hardly likely to be able to maintain its current level of oil exports in the longer term, natural gas is also going to replace oil as the Kremlin's primary source of hard currency in trade with the West.

The future of energy-poor East Europe is quite gloomy. Lower economic growth rates and increased austerity, it is true, will result in a small increase in the demand for energy, but this rise will have to be paid for to a greater extent on the world market with expensive hard currency. At the same time, if the COMECON price system currently in effect is maintained, Soviet oil is going to cost more and more--it will go up 25 to 30 percent in the next 2 to 3 years. By 1985 Soviet oil and coal shipments to East Europe will fall below the figures for 1982. The additional deliveries of gas will compensate for only two-thirds of this loss, and in the end East Europe will have to procure 25 percent of its oil and gas from non-Soviet sources.

Trade and Debt Forecasts (in billions of dollars)

| | 1979 | 1981 | 1983 | 1985 | |
|---|---|---|---|---|---|
| Exports | 28.7 | 35.5 | 40.9 | 56.5 | USSR |
| to the West | 25.1 | 30.2 | 36.3 | 46.8 | COMECON*-USSR |
| Imports | 25.1 | 38.9 | 45.0 | 53.0 | USSR |
| from the West | 30.1 | 30.4 | 36.6 | 45.1 | COMECON-USSR |
| Net | 10.4 | 13.8 | 23.1 | 20.4 | USSR |
| indebtedness | 50.4 | 58.1 | 66.0 | 67.7 | COMECON-USSR |

Source: Bond, Daniel L.: CEMA Growth Projections for 1981-85 and the Implications of Restricted Western Credits. Paper given at the NATO Economic Colloquium.

*European COMECON members.

In light of the already precarious situation of some East European countries, the traditional Eastern trade should stagnate. The USSR will be an exception. The East Europeans will become more active in the oil-producing nations of the Third World; the former will endeavor to meet at least a portionof their energy needs by barter deals and trade and cooperation agreements. The question arises to what degree Moscow is willing to continue to aid East Europe economically despite the fact that the Soviet standard of living is considerably below the East European average. Strong Western trade sanctions and credit restrictions might, at least in the opinion of some participants, soon exhaust the ability of the USSR to assist its allies.

In this connection, two American speakers--Dr D. L. Bond of Wharton Econometric Forecasting Associates, Inc., and Dr John Hardt of the Library of Congress--criticized especially severely the position of a small but influential minority in the United States which favors declaring Poland insolvent and thus reducing Western credits and East-West trade to a minimum. In the opinion of this minority, the USSR and eventually the entire Warsaw Pact would be so overburdened that there would remain only little room for increasing military budgets.

Both speakers rejected such policy as short-signted and dangerous. First of all, they said, it was foolish to imagine that the Eastern bloc could not survive without Western aid. Second, credit restrictions and reduced trade with the West would only drive the East Europeans closer to Moscow, and third, communist leaders would be given a perfect excuse for the economic mess that they themselves were responsible for and, by pleading the "economic warfare" of the West, they could demand even greater sacrifices from their own populations.

The distribution of economic liabilities and aid in the Eastern bloc is a very complex affair. Whereas Western credits to East Europe amounted to $58 billion in 1981, Soviet loans over the period 1971-80 seem relatively modest. The USSR, however, sold COMECON countries oil and raw materials below world prices and purchased machines and consumer goods above world prices. In this manner, about $80 billion moved from the USSR to the other COMECON member states in the last 10 years.

Nevertheless, what the USSR gives, it also takes away. The example of the industrial-military complex furnishes exceptionally good evidence of how the Soviet Union distributes the economic burden of armaments according to existing, dictated states of dependence.

The Military Set the Tone

"The United States has a military-industrial complex; the Soviet Union is a military-industrial complex." This sentence characterizes the situation well. Dr Michael Checinski, a leading party functionary in Poland until his defection to the West and today active in research on East Europe, gave an insight into these relationships.

Military planning has absolute priority in the Eastern bloc. It is carried out centrally by the military-industrail commission in collaboration with the Supreme Headquarters of the Warsaw Pact and the national central planning commissions. The individual projects are classified according to urgency and significance; this is followed by the selection of the projects to be realized. Only then are there consultations about financing these plans.

The projects are distributed among all the COMECON members depending on the economic capabilities of the individual countries--a king of "division of labor." The plans concerning equipment and weaponry cannot be modified without the consent of the Supreme Commander of the Warsaw Pact, which in the end means that the USSR determines what happens. Therefore, national priorities are reflected only in Soviet defense expenditures, whereas the other pact members have to reconcile their own political, economic, and societal needs and pressure from Moscow.

The USSR takes advantage of its monopoly in armaments and the total dependence of most countries in this area. The Kremlin raises the prices of weapons and dictates the deadlines by which the products and materials are to be delivered as it believes best. In the apportionment of production plans, the COMECON countries are usually assigned the economically and/or technologically uninteresting items.

This military-economic collaboration may have played a part in precipitating the Polish crisis. There has been a report of a case in which Poland was forced to produce goods that required the imports of raw materials and technology obtainable only for hard currency. Since the USSR paid Poland in rubles, the price did not cover the actual input and Poland lost millions of dollars.

On the other hand, Poland is again an example of how the other members of the pact must bear the defense share of an economically weak partner. Since arms are an absolute priority in economic planning, the construction of machines and heavy industry enjoy the position of favorites at the expense of consumer goods and agriculture. The higher defense expenditures rise, the more has to be saved in production factors in other areas.

This, of course, involves the danger of social unrest if the population has not already been psychologically prepared to make sacrifices in conumption in favor of defense. In the field of military and technological progress, great difficulties arise repeatedly, since new weapons systems become technologically obsolete more and more rapidly and modernization proves more and more costly. There is increased danger of poor planning and development, a problem that is especially acute in planned economies.

In the meantime, it seems to be generally understood that an even greater shift from quantitative to sophisticated weapons is the only long-term way to keep up in the arms race. Thus the Eastern bloc has introduced comprehensive research programs which have generally been modeled after advanced Western technologies in order at least not to miss the direction of future trends.

But the difficulties in research, development, and the introduction of new technologies are not restricted to military matters; they are a problem of the entire Eastern economic system.

An essential element of these institution-related troubles is the administrative separation of research and development on the one hand and production on the other. Top-class research and development on the one hand and production on the other. Top-class research and technical perfectionism in highly specialized institutes oppose managers who are compelled by the economic system to plan conservatively and increase output by going down old beaten paths.

The problem is often aggravated by the wretched cooperation among the ministries. The attempt to innovate brings about enormous red type which causes additional confusion due to unclear division of power. Since most Soviet firms do not need to be concerned with their clients, there is little incentive to introduce new products; on the contrary, an expanded range of goods could reduce profitability. Why should one bet on uncertain short-term changes if premiums are far easier to obtain with the present supply?

The fact that in the long run the USSR will not be able to avoid basic reforms of its institutions is also demonstrated by the rising importance of the shadow economy. As economic difficulties grow, the shadow economy assumes certain functions of the planned economy or supplements them. This legal and illegal private work is usually cheaper, better, and above all faster. Bribes play a major role here to close the eyes and ears of state offices and authorities.

Further ways of acquiring necessary materials are connections, barter, and the black market. It is especially in the construction industry that entire crews have formed that in the 2 to 3 summer months have earned the equivalent of an average annual salary in addition to their normal pay by using almost solely construction materials obtained illegally. In the agricultural areas of Western Siberia, 80 percent of all buildings on the collective farms were constructed in this manner. This means that four-fifths of all construction materials came from outside the state plan. Soviet firms have adjusted their acquisition of materials to the existing scarcity. In the official economy these companies attempt to secure as many material assets and hoard them for barter deals.

Bribes Correct Prices

Bribes correct official prices by raising them to the point where they reflect the scarcity of the goods. Corruption takes the place of reforms that are not carried out, so that the official channels in need of change are

circumvented. The execution of the deputy minister for fisheries a few weeks ago for exporting caviar in herring cans shows the extent of the shadow economy (with its chiefly illegal activities).

The caviar enterprise, which involved an enormous number of accessories, was discovered only by accident. The cost of combating such activities and the determination with which the Soviet regime reacts to them also permit one to draw certain conclusions. The problem of shadow economies is not limited to the USSR but is found in the entire Eastern bloc.

In many areas the shadow economy undermines the official one and causes the latter to function worse than it might otherwise. In other cases the shadow economy cancels out errors and mistakes of the planned economy and leads to a redistribution of income. The administrationhas begun to legalize some aspects of the shadow economy, e.g., the exchanges of goods between companies. The legalization stops, however, where the substance of centralization is touched. The present shadow economy constitutes a modus vivendi between the forces of centralization and decentralization. Nevertheless, the longer needed reforms are postponed, the greater will become the importance of the shadow economy.

9873
CSO: 2300/318

## YUGOSLAVIA TO BUILD COMPRESSOR STATIONS FOR SOVIET PIPELINE

Zagreb VJESNIK in Serbo-Croatian 5 Aug 82 p 4

[Excerpt] After signing a contract to build two compressor stations on the trans-European gas pipeline, construction of which recently started in the USSR, the business association of INGRA [Industrial, Civil Engineering and Construction Export Association] in Zagreb is preparing to sign contracts to build three more such stations. Thus, work at INGRA is now proceeding on two tracks: Preparations are being made to build the first two stations, the Kongurskaja and the Donja Zavodskaja, to which site equipment and people have already been sent; and contracts are being made for further work on this huge capital investment undertaking.

Yugoslav builders expect that they will conclude contracts with the Soviets on building about 20 compressor stations at 5 points on the pipeline. It is now almost certain that Yugoslav enterprises will undertake the construction of three more compressor stations at the same site, according to Mirko Hlupic, assistant director of INGRA, and Cedo Vidovic, manager of the section for construction. What is most important is that an entire construction work organization from engineers to assistant workers can be employed on the Soviet construction site, because these are the contract conditions.

The work on the first two stations, i.e., the first stage, is valued at $46 million. It will be carried out by the Zagreb "Montmontaza," ATM, "Grijanje," and "Industrogradnja" enterprises. The "Hidroelektra" of Zagreb and "Djuro Djakovic" of Slavonski Brod will be included in construction of the three additional stations.

In addition, our builders are to construct a camp to house the pipeline workers; these camps will later serve as settlements in which the maintenance staff will be housed. In addition to housing, accompanying facilities for future settlements will also be built.

When all work is considered (completion of the first station in 1983 and of the two other ones in the spring of 1984), about 800 builders and installation workers will be involved at the height of the work on only one station.

CSO: 2800/438

FULFILLMENT OF 1982 SEMI-ANNUAL ECONOMIC PLAN

Sofia RABOTNICHESKO DELO in Bulgarian 21 Jul 82 p 2

[Announcement of the Committee for the Unified Social Information System on the implementation of the Unified Plan for the Socioeconomic Development of the Bulgarian People's Republic During the First Half of 1982: "The Party Resolutions Are Being Implemented"]

[Text] During the past 6 months the country's labor collectives in enterprises and economic organizations were mobilized for the further full implementation of the 12th BCP Congress' decisions, comprehensive intensification of production and nonproduction activities, higher work efficiency and quality, as stipulated by the October 1981 national conference, Bulgaria's increasingly active participation in the international division of labor and the further growth of the people's living standards, based of the systematic application of the principles of the new economic approach and its mechanism.

As a result of party-political and organizational work within the national economic complex, the semi-annual state plans were fulfilled and overfulfilled. The net output and social labor productivity resulting from the overall activities of economic organizations and enterprises (excluding those in agriculture) were substantially above the corresponding 1981 period. The proper ratio between the growth of social labor productivity and the average wage was maintained.

During the semester the scientific research units and application organizations worked on 15,066 scientific and technical topics and problems; 2,161 completed scientific and technical projects were applied. A series of industrial robots, memory magnetic tape and disquettes, a plow with a 1.6 m work span and many new items in the textile, clothing, knitwear and shoe industries, etc. were introduced. Five relay centralizing systems and 14 km of automated block-systems, new-design freightcars and others were applied in the railroad system.

I. Industry

As a whole, the economic organizations and enterprises in industry overfulfilled their production and marketing assignments. Above-plan industrial output totalled 578 million leva. The volume of commodity output was [figure illegible] percent higher than during the first half of 1981.

The production growth rates sustained by the basic ministries and departments was the following:

| | 1st half of 1982 in % of 1st half of 1981 |
|---|---|
| Ministry of Power Supply | 107.4 |
| Ministry of Chemical Industry | 98.0 |
| Ministry of Machine Building and Electronics | 107.7 |
| Ministry of Light Industry | 104.8 |
| National Agroindustrial Union | 105.6 |
| Ministry of Construction and Architecture | 101.9 |
| Ministry of Metallurgy and Mineral Resources | 105.2 |
| Ministry of Transportation | 104.8 |
| Ministry of Forests and Forest Industry | 105.1 |
| Ministry of Internal Trade and Public Services | 104.7 |
| Ministry of Communications | 99.2 |
| Sofia City People's Council | 104.6 |
| Central Cooperative Union | 108.3 |

The output of many basic industrial commodities increased, as a result of which the country acquired greater quantities of important capital goods and items for domestic consumption and export.

Production of Some Basic Industrial Commodities

| | 1st half of 1982 | 1st half of '82 in % of 1st half of 1981 |
|---|---|---|
| Electric power, million kw/h | 20,109 | 108.0 |
| Coal, thousand tons | 17,360 | 110.9 |
| Rolled ferrous metals, thousand tons | 1,703 | 105.1 |
| Electric hoists, thousands | 65 | 103.1 |
| Gas operated lift trucks, thousands | 11 | 110.0 |
| Power transformers, thousands | 4.3 | 104.7 |
| Calcinated soda, thousand tons | 571 | 104.1 |
| Chemical fibers and fabrics, 1000 t | 52 | 100.3 |
| Nitrogen fertilizers, thousand tons | 396 | 103.7 |
| Cement, thousand tons | 2,742 | 103.0 |
| Paper, thousand tons | 174 | 103.1 |
| Furniture, million leva | 211 | 107.5 |
| Cotton & cotton-type fabrics, million m | 182 | 103.0 |
| Woolen & woolen-type fabrics, million m | 20 | 105.5 |
| Shoes (excluding rubber shoes and slippers), million pairs | 10.4 | 102.5 |
| Meat, thousand tons | 227 | 106.5 |
| Meat products, thousand tons | 46 | 102.3 |
| Cheese, thousand tons | 58 | 102.7 |
| Kashkaval cheese, thousand tons | 14.6 | 110.0 |
| Butter, thousand tons | 11.6 | 108.6 |

The semi-annual plan for the production of cast iron for treatment, ingot steel, rolled ferrous metals, cold-rolled steel sheets, steel pipes, cement, industrial robots, raw cattle hides, polyvinylchloride, phosphorous fertilizers, high-pressure polyethylene, canned fruits, nonalcoholic beverages and meat and vegetable foods for children remained underfulfilled.

The marketing process was accelerated considerably ; 99.1 of the produced commodities produced were sold before the end of June.

II. Agriculture

A series of organizational and agrotechnical measures was carried out during the semester to ensure the planned development of agricultural production on the basis of its further intensification. As a whole, the autumn crops withstood the winter season well. The area which the agricultural organizations put in wheat and barley exceeded the planned figures. The agricultural organizations fulfilled their counterplan for sowing the basic spring crops. Compared with 1981 areas under corn, sunflower, sojbean and others was somewhat reduced.

During the better part of the year the weather conditions were not conducive to farm work and crop development. The cold weather during April delayed the ripening of early vegetables and damaged fruit crops in many parts of the country. May and June precipitations were considerably below normal, which required large-scale high-quality care for the crops and plants and faster deliveries of fertilizers, chemicals and herbicides. A total of 505,000 tons of chemical fertilizers were procured. Most agricultural organizations carried out the necessary measures in accordance with the requirements of more modern technologies and within stipulated deadlines. Nearly one half of the corn was planted in hydrophobic high-grade hybrid seeds and almost 90 percent of it during the most favorable season. The crops were intensively irrigated because of the drought, particularly in June, but many areas failed to do everything necessary to make full use of the irrigated areas and the equipment. Some APK were late with inter-row cultivation.

The machine fleet, work areas, vehicles and warehouses were readied at the proper time for the wheat and barley harvest.

Farming organizations and enterprises had the following livestock:

| | 1 July 1982 | 1 July 1982 in % of 1 July 1981 |
|---|---|---|
| Cattle, thousands ..... | 1,438 | 99.5 |
| Including cows, thousands..... | 493 | 101.2 |
| Sheep, thousands..... | 7,877 | 102.5 |
| Hogs, thousands..... | 2,703 | 96.2 |
| Poultry, thousands..... | 24,828 | 86.0 |

The number of hogs increased in the agricultural organizations in Burgas, Varna, Stara Zagora, Khaskovo and Pazardzhik. The number of poultry increased in Vratsa, Plovdiv and Sofia City and other okrugs.

Efforts are under way to replenish the number of hogs and poultry.

Average milk production per cow reached 1,566 liters or 4.9 percent more than last year. In the first 6 months of the year milk production (with a 3.6 percent fat content) increased by 33 million liters or 3.9 percent. However, egg production declined by 21 million, or 3.8 percent less than last year.

Compared with the first half of 1981 the higher purchases from all category farms totalled 15,400 tons of cattle and poultry meat (in slaughtered weight) and 60 million litters of milk, but almost 36 million eggs less. Lesser quantities of cattle and poultry were purchased in Vidin, Razgrad and other okrugs; , milk in Shumen, Tolbukhin, Razgrad, Pazardzhik and Mikhaylovgrad Okrugs; and eggs in Pleven, Vratsa, Veliko Turnovo and other okrugs.

III. Construction

The construction and installation organizations, in their capacity as main contractors, completed projects worth 1.7 billion leva, or 1.5 percent more than during the same period in 1981. The semi-annual plan was overfulfilled by 0.6 percent.

The subunits of the Ministry of Construction and Architecture overfulfilled their overall plan by 3.0 percent; the overfulfillment of the plan by the main units, such as the Industrial Construction DSO [State Economic Trust], the Assemblies DSO and the GUSV [Main Administration of Construction Troops] was higher than the ministry's average.

Units under the Ministry of Power Supply, Sofia City People's Council, Ministry of Forests and Forest Industry and the construction and installation combines as a whole finished the semester with underfulfilled plans.

Productive capital worth 2,072,200,000 leva was installed. Important national economic projects were commissioned, such as the fourth reactor at the Kozloduy Nuclear Power Plant, the second electrosteel production furnace at the Lenin Economic Metallurgical Combine, the new capacities at the Neftokhim Economic Combine in Burgas, the vacuum distillation system with thermal cracking, catalytic cracking, ethylene oxide and ethylene glycol facilities.

The commissioning of capital assets in enterprises for the production of consumer goods is behind schedule.

IV. Transportation and Communications

The plan for the haulage of a supervised variety of goods was fulfilled by 108.5 percent. Compared with the first half of 1981, the railroad transportation system hauled more than 1.6 million tons of additional freight. Passenger transportation increased by 1.5 percent.

A number of technical and economic indicators improved. Freightcar turnover time declined by nearly 3 hours. Locomotive engine productivity increased by 2.8 percent and the average gross weight per freight train increased by 16

tons. Trucking runs improved by 0.2 percent but the duration of truck working time declined by 1.9 percent.

The plan for income from communications services was overfulfilled by 0.5 percent. Compared with the first half of 1981 income from such services was 6.4 percent higher.

The postal network was widened as a result of the opening of 11 new postal, telegraph and telephone stations, nine of which in villages. A total of 61,541 new telephone sets were installed, 48,877 of which for home use. Another 121 telex stations were opened. Eighteen radio relay stations and 28 television retranslators were commissioned.

V. Foreign Economic Relations

The durable positive trends in foreign trade and other forms of Bulgarian participation in the international division of labor and mainly in socialist economic integration were developed and improved further during the semester.

Overall trade was 6.4 percent higher compared with the first half of 1981. Exports increased by 9.3 percent and imports by 3.7 percent. Foreign trade with the USSR and the other members of CEMA is developing particularly successfully.

VI. Population Living Standard

Positive results in improving the living standard of the people were achieved during the semester.

The average wage of workers and employees in economic organizations (excluding agriculture) reached 202 leva or was 2.3 percent higher than during the first half of 1981.

A number of steps were taken to improve comprehensive population services. The commercial network in town and country was expanded by opening new stores and public catering institutions. Efforts were made to improve the organization of retail sales and the working time in commercial establishments. Various stores and booths were opened in many enterprises and organizations engaged in material production and the nonproduction area. Here the working people can shop at their place of work.

The production of a variety of goods for the domestic market continued to increase. Compared with the first half of 1981 the volume of locally produced goods reaching the market increased by 6.2 percent.

Compared with the first half of 1981 domestic production increased as follows: meat, 7.2 percent; cheese, 1.7 percent; kashkaval cheese, 16 percent; milk, 2.1 percent; butter, 3.4 percent; confectionary goods, 3.4 percent; cotton and cotton-type fabrics, 2 percent; woolen and woolen-type fabrics, 5 percent; shoes, 2 percent; hose, 5.8 percent; television sets, total, 24.3 percent, including color sets by a factor of 3.4; electric

washing machines, total, 46.8 percent, including automatic washing machines, 32.4 percent; household refrigerators, 9.9 percent, and others.

The greater amounts of goods offered on the domestic market made it possible to satisfy the growing needs of the population better and more rhythmically.

The overall retail trade plan was fulfilled 101.4 percent as follows: Retail trade, 102.0 percent; public catering, 99.2 percent.

Retail sales, including public catering, totalled 6,255,000,000 leva or 4.7 percent more than during the first half of 1981.

Demand for some items was not met entirely because of the faster increase in requirements. Many production enterprises did not deliver on time agreed-upon items in terms of volume and variety.

Consumer services continued to expand. The network of reception centers and service workshops was enlarged, including in enterprises and organizations in industry and the nonproduction area. The semi-annual plan for consumer services was overfulfilled. Compared with the first 6 months in 1981 the volume of consumer services increased by a total of 8.2 percent; maintenance and repairs of household equipment, 12.3 percent; maintenance and repairs of radios and televisions, 7.2 percent; car maintenance and repairs, 14.7 percent; sewing services, 4.1 percent, etc. However, major weaknesses in the quality and length of services were allowed to occur in many areas. Shortcomings exist in the procurement of materials and spare parts, which delays the maintenance and repair of various consumer appliances and installations. The quality of services in many workshops remains substandard.

A total of 15,345 housing units were completed and delivered for use during the semester.

The results achieved during the first half of the year are a good foundation for the fulfillment and overfulfillment of the annual state plans and the counterplans (BTA).

5003
CSO: 2200/128

## STRUCTURAL CHANGES IN INDUSTRY STRESSED

Prague HOSPODARSKE NOVINY in Czech 25 Jun 82 p 3

[Article by Eng Vaclav Hruba, Technoeconomical Institute of Heavy Machine Building, Prague: "Cutbacks Condition Development"]

[Text] From the viewpoint of today's--and the more tomorrow's--technical and economic conditions, the Czechoslovak machine building and even the entire national economy has too wide a spectrum of production sectors. Nevertheless, efforts at curtailment of productions that hold little promise for the future fail to be implemented in the requisite scope with simultaneous reinforcement of the development of programs with high demand on invention. The author ponders in his article the causes for slow structural changes in production of the machine building sector.

As widely developed a structure of production sectors as is now found in our machine building cannot be found in any other country of comparable size anywhere in the world. It is the consequence of historically exceptional social and economic conditions marking the development of our socialist industry with the objective of expediently providing lasting job security, reducing economic dependence on capitalist countries and overcome the one-time embargo on selected machinery and instruments.

In our conditions, with exhausted manpower sources, it is impossible to attain an adequate concentration of the scientific research and production base for the development of viable production programs without simultaneous elimination or curbing of other programs that hold less promise for the future. Of course, this is no new discovery and some of the conversions that had already been implemented (grain harvesting machinery, railroad passenger cars) are sufficiently known. But for the time being, in our practical approach, we are still far from having a theoretical concept in regard to an effectively sustainable breadth of the prospective structure of our machine building and electrotechnical engineering.

Ministerial departments and VHJ [economic production units] were assigned at the time of the Sixth Five-Year Plan the task of working out a program of

cutbacks in production with little future potential. However, experience once more confirmed that it is much easier to decide what to develop, rather than what to curb.

For example, in 1976 through 1979 no successful solution could be found to negotiations of over 50 thematic proposals for transfer of selected production capacities and manpower into the VHJ Machine Technology Plants to reinforce the above-average efficiency of sectors engaged in production of machine tools and forming machines, tools and measuring instrumentation, particularly by transfer of some plants engaged in metallurgical production and in production of conventional consumer goods. However, from among all the VHJ engaged in machining, the total of actually implemented cutbacks in the Sixth Five-Year Plan amounted in the end to less than 2 percent of the total production volume which, as could be expected, failed to solve the problem of more effective concentration of efforts on viable sectors.

The need for such structural changes is also pointed up by the large differences in economic effectiveness of exports in various production sectors. For example, of limited effectiveness have been exports of rough-machined metallurgical products, simple industrial fittings and mountings, freight cars, metal kitchen utensils, household refrigerators, alarm clocks, radio and television receivers, passenger automobiles; in these sectors, to earn a dollar we must spend Kcs 20 to 40 in production costs, or around Kcs 20 to earn a ruble. On the other hand, there are sectors, such as turbo-blowers, leather-working and shoe-making machinery, precision machine tools, automated measuring systems, where we obtain a dollar for less than Kcs 20 and a ruble for less than Kcs 13 of production costs. Skilled technical services can produce a dollar for even less than Kcs 5.

At the contemporary stage of development of machining, the most pronounced effects on its effectiveness due to these and other factors, is the effect of the technological level of products or--more precisely--the natural ability of various groups of products to absorb the results of new scientific and technical findings. For that reason it is also referred to as the inventive level of products which in various branches of endeavor leads gradually to a varying composition of skills of their personnel. For example, there is naturally and objectively a great difference in regard to inventive level between production of bicycles and of laboratory instrumentation. Significant stochastic dependencies have been found to apply to the effectiveness of Czechoslovak exports in relation to the average skill structure of personnel in corresponding sectors of machining worldwide.

The area of sectors with a limited future potential represents tens of billions in fixed assets and hundreds of thousands in manpower with relatively high qualifications, traditional skills, technical and artistic acuity, who unnecessarily perform less skillful tasks that are also less profitable from the viewpoint of exports.

Which factors are currently retarding structural changes in the national economy? Documentation of the Federal Ministry of Machine Building from 1978 literally stated that efforts to express the economic advantages and

consequences of liquidation or curbing of one set of programs and growth of developmental programs have been failing. That was a direct challenge to economic research. The then introduced set of 11 indicators (without specifying their hierarchical significance) factually did not promote objective decisionmaking. It was just a series of partial views (sometimes even contradictory) regarding the probable prospective effectiveness which did not suffice for objective dealing with the conflicting situations they generated.

Practical advance must follow the path of discovery and computation of the most effective variants for effecting structural changes in comparison with all the demands and effects that condition them. That means preparing for approval comprehensive project documentation for structural reorganization, as is prescribed by directives of the FMTIR [Federal Ministry for Technical and Investment Development] for all large-scale investment actions. Of course, assessment of the effectiveness of structural reorganizations with their complex domestic and foreign interrelationships is so demanding that it will call for direct and responsible participation of the technoeconomical and foreign-trade research apparatus. At the same time, potential economic effects achieved through sale of technical documentation of a liquidated production, or even sale of the requisite technological equipment, which may be of high quality but is too narrowly specialized, must also not be omitted.

For the time being, experience shows that economic pressures on more effective enterprising and implementation of viable structural changes are too weak, both in the area of production for exports and for the domestic market.

Differences in effectiveness of exports are still to a considerable degree being obscured by the system of rebates and surcharges to foreign prices. For example, levies on the exportation of machine tools and farming machinery, which are above average in their effectiveness, are much higher than the means expended by the state for supporting research in these potentially effective sectors. A more clearcut reflection of worldwide price relations is to be provided by gradual implementation of the provisions of the Set of Measures.

For example, 2 years ago there appeared a social need for expedient development of a new sector for measurement and control of heat consumption in residential units in keeping with the state goal-oriented program for improved efficiency in the consumption of fuels and energy. It will be a highly effective sector, because steep increases in the price of energy also permit charging higher prices for the devices designed to save that energy--actually a pricing policy based on the effects on the consumer. An enterprise which will avail itself of this opportunity could easily bring about, shall we say, only two-thirds of its new output (particularly if it will apply to savings in imported high-grade fuels) sufficing to cover the foreign currency resources required for permanent supplementary importation for its formerly liquidated production; the remaining third will be a gain for both the enterprise and the state.

Additional difficulties are generated by the fact that structural changes interfere with a uniform trend of annual increments in planned output. What this needs is: to objectively differentiate in the plan the temporary

decrease in output during the period of structural reorganization; at the same time to correctly plan ahead for the coming years an accelerated rate of growth after completion of structural changes; follow this up correctly with a system of remuneration; that will be a very demanding task for the planning units in both VHJ and in central authorities. Even in the largest enterprises of heavy machine building big problems in implementation of the program for development of power-engineering machinery are now cropping up. However, if the theory of potential effectiveness of inventively demanding and simultaneously high-quality products has objective validity, then we should succeed in making their exports reach above-average effectiveness in the future.

The question often arises as to whether structural changes could interfere with job and social security. These are serious apprehensions, to be sure, but nothing that organization could not handle.

After all, it is in the nature of socialist ownership to facilitate planned organized change in such a manner so as not to adversely affect job security. Already in preliminary assessment of the demands and effectiveness of a project, the one-time incentive costs must be made to include considerable supplementary wage payments for retraining of workers and turn-up of new production, possibly for a number of years and generate to that end the requisite surplus wage funds also for future higher average wages for more demanding and skilled work. Later economic effects of a correctly selected variant for structural changes will provide a manifold increase over these conditioning surplus costs, otherwise it would not be an effective and acceptable variant.

After many specialized discussions over the past 2 years proposals for state tasks in economic research for the Seventh Five-Year Plan were prepared. The problem of structural changes is covered mainly by the task Development of Machine Building and Electrotechnical Engineering in the Eighth Five-Year Plan and Until 2000. The outline for this task stipulated that problems of curbing some types of production will receive at least as much attention as development of production. The indispensable followups to other tasks have also already been pointed out, e.g. in regard to effectiveness of foreign trade. It would appear that the tasks are clear at the present and that there is no need to discuss them. However, in my opinion, there are several questions that need clarification.

Making the form of expressing (measuring) the inventive level more precise. If the inventive (or technical, technological or artistic) level looms in the foreground among all the lasting causes for different effectiveness, then this criterion deserves the greatest amount of attention. We must first of all attempt to update the long-term development of indicators of the share of expenditures for research and development in all production costs in various sectors of worldwide machine building, or to express this share by analyzing the structure of personnel qualifications.

Specify more precisely the relation of the terms quality and effectiveness. Not even the top-quality grade of a new product offers any warranty that its

production and exportation will be effective, particularly if it involves a conventional undemanding production program which the technically more advanced countries are already abandoning with long-term orientation on permanent importing from industrially less advanced countries and with an obvious endeavor gradually to push down prices for those products on the world market. Exportation of such products would saddle us with a lasting disadvantage.

Improving the methodology and objective assessment of prospective effectiveness of importation from socialist and developing countries. If liquidation of production is in practice more difficult than development, then the help rendered by research to practical economy in optimum selection of a lasting orientation of imports (as a prerequisite for effective liquidation of production) is even more pressing than the help rendered in selection of most effective orientation of exports. However, practically nothing has been published about the effectiveness of imports as yet.

Scientific justification of whether or not there will be a long-term need for transition to intersectoral structural changes. Historical changes in the hierarchy of key causes for varied effectiveness will probably also be reflected in the nature of optimum structural changes in the production and technical base. While in the fifties and sixties effectiveness of production was affected by the varying availability of similar types, it was still possible to make do with intrasectoral structural changes designed to narrow down the assortment of products within individual sectors. It was enough to reach an agreement, e.g. in regard to international division of labor according to type dimensions (e.g. electric motors) or expansion of commercial trading to improve the assortment of consumer goods.

However, as soon as in the eighties (and, obviously, in the coming decades) the prevalent cause of varying effectiveness will be different inventional level of products, then intrasectoral structural changes will not suffice any more and recourse will have to be made to a more systematic implementation of intersectoral division. Otherwise, small socialist countries would not stand a real chance for adequate specialization and concentration of the resources of their scientific research bases and investments for some selected highly effective sectors highly demanding on investments. With long-term specialization the Czechoslovak research and development base will then be able to prepare truly prospective innovations of a higher order in selected sectors without being formally forced to come with a prescribed quota of small innovations of little effectiveness in certain time intervals in all sectors.

Thus, the social need for planned creation of improved basic conditions for scientific and technical development then objectively becomes the key factor in future-oriented formation of its optimum sectoral structure. This thesis is still a subject of contention and, in the meantime, practice takes the easier route of intrasectoral instead of intersectoral division.

In the theory of management clarify the objective need for increasing the jurisdiction and responsibility of higher levels of management. The widely

based interrelationships of problems in decisionmaking involving liquidation will probably call for a higher level of management than was needed in making decisions about development. It will not be possible to merely require enterprises to present proposals for liquidation or curtailing some areas of their activities--such proposals of a wider scope do not come from the bottom up.

We often say that there is no such thing as objective shortcomings, that there are only personal, subjective shortcomings. Nevertheless, there do exist some objective causes for a permanently differing effectiveness. Our subjective shortcoming is when in the face of these already discovered objective causes and laws we fail to adapt our actions and decisionmaking in time.

Dealing with common specific tasks of science and practice in probing into all cases of continuously sub-average effectiveness cannot be postponed any more. For example, it is known from the reports of the Research Institute of Foreign Trade that in a number of enterprises effectiveness of their exports has been remaining for more than 10 years 30 percent below the nationwide average. Each such finding ought to be dealt with and solved within a certain specified term by a specific project and a decision to either:

--implement key realistic measures to increase effectiveness within a specific deadline with no changes in structure, or

--implement a comprehensive project for structural change (be it intra- or intersectoral) with all internal and external impacts, to include economic assessment of such a change, and specify an optimum deadline for its implementation either in the seventh, eighth or even a subsequent five-year plan.

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## CSSR CIVILIAN AIRLINE TRANSPORTATION IN SEVENTH FIVE-YEAR PLAN DISCUSSED

Prague LETECKY OBZOR in Czech No 3, 1982 pp 70-72

[Article by Eng Jiri Nulicek, director of the civilian air transportation department of the Federal Ministry of Transportation: "Czechoslovak Civilian Air Transportation in the Seventh Five-Year Plan"]

[Text] The 16th CPCZ Congress laid down the observation of utmost economy, highest efficiency and quality of all work together with the consistent intensification in all sectors as the fundamental and key condition of further development of the Czechoslavak society and national economy, as the only possible way of overcoming the difficulties and obstacles brought about by the substantially changed conditions of external economic relations, energy inputs and depletion of domestic resources of extensive development.

This basic orientation of the Czechoslovak economy underlies also the orientation of development of our civilian air transportation which was discussed and approved by the CSSR government resolution No 29 on 28 January 1982 on the basis of the report on the further development of Czechoslovak civilian air transportation during the period up to 1985. Air transportation is to meet the transportation needs of the society and of the Czechoslovak national economy most reliably, at the highest quality and as effectively as possible. The limited quantity of airplane fuel must be used in the best possible way in order to satisfy in the first place those Czechoslovak transportation needs which cannot be met by other types of transportation consuming less energy and in which air transportation is irreplaceable.

One of the main tasks is the creation of prerequisites and conditions for effective development of Czechoslovak international air transportation in accordance with the position and mission of air transportation in the Czechoslovak transportation system, and preparedness of our international airports and air transportation routes for further development of international air transportation particularly of CEMA member states including the introduction of the new generation of large capacity airplanes.

The government approved the orientation of further development of Czechoslovak civilian air transportation, including a specific rationalization program, and assigned specific tasks.

In domestic transportation, it tentatively provided for reducing the number of domestic airports, on which air transportation will be carried out, to

Prague, Bratislava, Ostrava, Sliac, Kosice, Poprad-Tatry. According to the results of operation in 1982 which is regarded as a test or verification the possibilities will be evaluated and the decision will be made on whether and in what form and scope transportation will be continued at the Karlovy Vary and Piestany airports. The principal criterion for the decision must be the evaluation of the benefit for the entire society resulting from maintaining air transportation on the routes to these two spas.

The government further ordered to maintain a regular night postal service on the Prague-Bratislava-Kosice route for transportation of daily press and mail.

In accordance with the basic orientation of further development of Czechoslovak civilian air transportation, the CSSR government ordered to ensure in the new conditions by active measures in commercial and transportation activity an effective development of Czechoslovak international air transportation in order to cover the Czechoslovak transportation needs, improve foreign exchange and economic effectiveness while observing the limits set for consumption of airplane kerosene [? Editor: it should be, I think, fuel] and to achieve at least a 10 percent increase in the transportation service by 1985 over the 1980 level. In this context, the government ordered to initiatively strive for purposeful cooperation with the CEMA member states in the integration of air transportation.

In accordance with these principles laid down by the government it is assumed that domestic air transportation will be carried out within the basic network of airports specified by the government during the remaining years of the Seventh Five-Year Plan. The frequency and scope of service on the domestic routes, including the evaluation of the possibility of maintaining an independent route between Prague and Bratislava, and of the scope of service on the routes to Karlovy Vary and Piestany spas will be decided for the plan for 1983 and subsequent years on the basis of the evaluation of the 1982 results and of the possibilities given by the limited airplane fuel supply and scope of tasks in international transportation. As of now it is assumed that domestic air transportation will carry approximately 250,000 passengers a year with the total transportation output of 11 million tonkilometers (tkm).

International regular air transportation will be carried out at the Prague and Bratislava airports on the present routes. The 1982 plan anticipates the transportation output of 143.7 million tkm which represents a 3.7 percent increase in comparison with 1981. In particular the plan provides for an increase in the number of flights on the Prague-Hanoi route in order to ensure Czechoslovak transportation for the Vietnam owrkers, apprentices and students to the CSSR in accordance with the intergovernment agreement on employment and training of Vietnam workers in the CSSR. On other scheduled international routes an increase in transportation volume is anticipated primarily through more effective use of transportation capacity or through increasing it by the use of bigger airplanes.

No substantial changes are anticipated in the routes or in frequency of flights on regular international routes during the 1983-1985 period of the

Seventh Five-Year Plan. The overall transportation volume will increase at least to 144.8 million tkm by 1985 at virtually the same frequency of flights as in 1982. The effort of all units of Czechoslovak civilian aviation, particularly of CSA [Czechoslovak Airlines] enterprise, however, must be directed to achieving a higher performance in accordance with the basic tasks set by the government resolution No 29/1982.

Unscheduled international air transportation will be carried out at the Prague, Bratislava, Brno and Ostrava airports. As in the past, it will primarily provide transportation for Czechoslovak passengers travelling in organized groups to the recreational areas along the Black and Adriatic seas, and other areas of tourism both in the socialist and nonsocialist countries. Special charter flights originating in Czechoslovakia will carry approximately 200,000 passengers a year in addition to tens of thousands of Czechoslovak tourists transported by the charters sponsored by the carriers in the socialist countries. The 1982 plan anticipates the total transportation volume of 22 million tkm on unscheduled international flights which represents a 3.0 percent increase over 1981. In the subsequent years of the Seventh Five-Year Plan, the volume of unscheduled international transportation should slightly decrease in favor of scheduled transportation particularly on the routes with a small number of tourists in order to reduce consumption of airplane fuel.

The development of Czechoslovak international air transportation during the Seventh Five-Year Plan and tentatively up to 1990 is based on the more effective use of the existing network of routes and improvement of economic and foreign exchange results. Operative and conceptual measures will aim at the improvement of quality of transportation and services, more intensive cooperation with the Czechoslovak tourist organizations and with air carriers of socialist countries on the foreign markets.

CSA will expand cooperation with the travel agencies, particularly Cedok, Balnea and Slovakoterma in accordance with the measures adopted by the Government Committee for International Tourism. CSA representations abroad will more effectively participate in the promotion of Czechoslovak tourism and Cedok representations abroad will put substantially greater emphasis on the use of routes operated by CSA. To promote group tourism particularly with the nonsocialist states, use will be made of the so-called government tariffs and so-called part charter tariffs with the mutual hard currency incentives for CSA and travel agencies.

In connection with the interstate agreements tourism signed with Turkey and Malta in 1981, Malta will be used as a stopover on some of CSA regular routes beginning 1983. In 1982 organized groups of Czechoslovak tourists are transported by special chartered flights. The possibilities and commercial operating prerequisites are being comprehensively explored for including Istanbul in the CSA network by extending some of the present routes to the Balkans. By revision of routes to Near East and in cooperation with the organizations of the Czechoslovak State Spas CSA will focus on increasing transportation of passengers from that area as guests of Czechoslovak spas.

Tenative plans are being drawn for further intensification of cooperation with foreign air carriers in the socialist and nonsocialist states and particularly for the forms of joint operation on regular routes between the CSSR and USSR, Scandinavia, but also to the third countries.

The implementation of these measures which are being worked out in detail by the ministries and enterprises aim at increasing the pace of development of Czechoslovak international air transportation above the targets set by the plan.

In connection with the measures adopted for the implementation of the rationalization program in air transportation and particularly for reducing the scope of domestic traffic, the CSSR government by its resolution of 28 January 1982 ordered the adjustment of the number of airplanes in the CSA fleet to the actual needs. Material supplies must be maintained accordingly. This applies particularly to the airplanes used exclusively in intrastate transportation. After their amortization, L-410 planes whose number exceeds the needs of intrastate transportation now will be offered for sale through appropriate foreign trade organization including spare components, parts and material.

The trainer for JAK-40 has already been turned over to the Advanced School of Transportation and Communications, Zilina, for instruction of students at the department of air transportation where it will be used also for training of CSA pilots and pilots of other sectors.

The three remaining IL-18 planes will be put out of service in 1983 and the beginning will be made for the gradual elimination of other types after completion of their technical and economic life. The elimination of IL-62 and TU-134A will begin prior to the end of the Seventh Five-Year Plan. The gradual elimination of these types will continue during the Eighth Five-Year Plan. The airplane fleet will be renovated in order to maintain the planned transportation volume and simultaneously modernized in order to promote further development of Czechoslovak air transportation.

One possible replacement of IL-18 and TU-134A is JAK-42 which represents the most progressive type manufactured by the Soviet aviation industry at the present time and which from the standpoint of transportation is comparable to the products manufactured by other world airplane producers. JAK-42 has 108-120 seats, maximum carrying capacity 14.5 tons, cargo space twice as large as in TU-134A and is equipped for transportation of goods in the internationally usable containers. The maximum range with a full load of 14.5 tons (108 passengers with luggage plus 4.2 tons of goods) including the necessary navigation reserve of airplane fuel is 710 km. With the total load of 9.5 tons, that is 100 passengers with luggage and necessary navigation reserve of airplane fuel the maximum range is 2,100 km. The noise level conforms to the international standard which according to the recommendation of the 23rd general assembly of ICAO [International Civil Aviation Organization] will be fully enforced beginning 1988. The TU-134A and IL-62 planes do not comply with this norm (IL-62M does).

For this reason it is proposed to gradually replace the CSA fleet for medium-range and short routes in the course of the Seventh and Eighth Five-Year Plans. The operation of JAK-42 under the CSA conditions is to be verified by its lease from the Soviet Aeroflot.

At the present time, CEMA SKCL [Special Commission for Civil Aviation] works on the project of joint integrated operation of IL-86 planes. Since the CSA possess enough IL-62 for the period of the Seventh Five-Year Plan, attention of the Czechoslovak partner is focused on the period of the Eighth Five-Year Plan, when the IL-62 fleet will have to be gradually replaced.

The condition of the ground base of Czechoslovak civilian air transportation, particularly of the international Prague and Bratislava airports is regarded as unsatisfactory in some respects already now and even more so in the foreseeable future. With the existing condition of its facilities and equipment in the terminal buildings, the Prague airport is neither ready nor capable of receiving large capacity airplanes for transportation of 300 or more passengers which the foreign air carriers have already put into operation and whose further use is motivated primarily by the economic reasons and reduced consumption of fuel per unit of transportation output. The existing terminal building as well as buildings and facilities for providing passengers with meals and beverages are obsolete and do not meet present requirements. Another shortcomings must be seen in the condition of the systems supplying fuel and other energies which will become in not so distant future limiting factors for further development of air transportation.

The cause must be seen in the stagnation of the capital investment during the Fifth and Sixth Five-Year Plans, when Kcs 226 million were invested in the construction projects at the Prague and Bratislava airports, but primarily in the operational buildings and equipment, in the insufficient preparedness of construction projects and particularly in the shortage of suppliers' capacities combined with the incapability to obtain these capacities in order to meet the needs of civil aviation.

In accordance with the resolution of the presidium of the CSSR government No 250/79, the system of runways at the Prague airport is being reconstructed by the repair of 13/31 strip for taking off and landing (VPD) which was completed in the length of 2,950 meters in August 1981 and has been in operation in full length of 3,250 meters since 3 December 1981. In addition, the work started on the reconstruction and extension of VPD 07/25 at the budget cost of Kcs 224.9 million with the completion deadline 31 December 1983.

In 1981 the reconstruction of the system of runways started also at the Bratislava airport by the reconstruction and extension of VPD 13/31 at the budget cost of Kcs 210.7 million with the completion deadline 31 October 1984.

To remedy the existing situation, the CSSR government by its resolution of 28 January 1982 assigned specific tasks. It ordered to start with the construction of the embarking system and of additional facilities for the domestic traffic at the Prague airport during the Seventh Five-Year Plan. By

these construction projects, the capacity of the terminal building will be increased and adapted to the needs of increasing traffic and particularly to the employment of the new generation of large capacity airplanes.

In this connection the government simultaneously ordered to make a decision on the ways and means of supplying airplanes with fuel and on the manner of clearing of airplanes for takeoff at the Prague airport. The necessary funds for this purpose will have to be provided during the Seventh Five-Year Plan. Preparations must be made within the same deadline for starting the construction of the building at the Prague airport with facilities for providing service during the flight.

In finalizing the draft of the Seventh Five-Year Plan, the government ordered to include the construction of buildings and facilities designed to modernize the supply system for fuel and other energies at the Prague and Bratislave airports in the mandatory construction projects of the state plan. The government instructed the appropriate ministries to assign a big contractor for construction work and suppliers of technologies, and to specify supply systems which will represent the most rational method of construction, including the construction of buildings with the facilities for handling of large capacity planes, and the construction of the building for services during the flight.

At the same time, it is imperative to supplement the CSA technical basis with necessary mechanisms and means of transportation such as heavy duty towing vehicles for airplanes, big airport buses, big tank trucks for airplane fuel, new vehicles with a lifting platform for airplane supplies, equipment for handling and loading of planes and so on. It is anticipated that the clearance procedure will be based on the computerized equipment.

In connection with the general rationalization process in air transportation, the government ordered also to enact necessary rationalization measures in organization, to gradually reduce the labor force in cooperation with the central committee of trade union association of transportation workers and to regulate the funds available to the organization of civil aviation already during the individual stages of the planning process in such a way as to solve all problems, including the new organizational arrangement and introduction of consistent intraenterprise economic management of the CSA enterprise during 1983.

In accordance with the adopted rationalization measures in passenger and freight transportation and other activities of the enterprise, another partial intraenterprise reorganization of the CSA is being planned effective 1 January 1983 in order to improve and simplify management and reduce the number of workers of the management and administrative apparatus.

This reorganization aims at improving and simplifying the system of management and its standard, and reducing the management and administrative apparatus.

Rationalization and economy does not concern the CSA enterprise only, but also other organizations of Czechoslovak civil aviation, particularly the

second largest organization--Air Traffic Control. Although the scope of activity of this organization is not substantially affected by the number of airports which will be operated by air transportation, particularly in the area management and in interest of safety of operation on the flight routes it will be necessary to rationalize equipment particularly in the terminal areas of airports where the traffic is substantially revised.

In discussions of the report on Czechoslovak civil air transportation, great attention was paid to the problems of the comprehensive program of socialist economic integration which must be regarded as one of the basic conditions of further effective and dynamic development of civil air transportation.

In order to implement the CSSR government resolution No 29 of 28 January 1982 and to promote further development of Czechoslovak civil air transportation during the Seventh Five-Year Plan, the federal Ministry of Transportation issued a comprehensive document containing the measures of the minister of transportation which assigned to the appropriate deputy ministers and heads of respective departments specific tasks with deadlines securing the implementation of individual tasks set by the government and of other tasks indispensable for achieving the anticipated development. Closely linked to the measure of the minister of transportation is the measure of the deputy minister of transportation for nonrailroad types of transportation which assigns specific tasks to the organization of civil aviation. The tasks are further detailed for specific responsible workers in the organizations who are listed by name.

In addition to providing for the implementation of measures in the area of economic management, the Ninth department of the CPCZ Central Committee adopted its own measures for their political backing through the party organs and organizations. Moreover, the problems involved were discussed by the deputy minister of transportation with the all-trade union and association organs of ROH [Revolutionary Trade Union Movement]. The appropriate ministries and political and state organs in krajs are informed of the adopted tasks and measures.

The adopted resolutions and measures lay down the fundamental line of development of Czechoslovak civil air transportation and create the necessary prerequisites for it. Their implementation depends upon the organizations of civil aviation, on the active attitude of responsible workers at all levels of management, their close cooperation with the organs of political and mass organizations and above all on the participation and full commitment of the entire large collective of workers in the sector.

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UTILIZATION OF FALLOW LAND BY PRIVATE GROWERS, BREEDERS

Bratislava EKONOMIKA POLNOHOSPODARSTVA in Czech No 7, 1982 pp 330-331

[Article by Dr Jiri Josifko, Central Control and Research Institute of Agriculture: "Protection of Land in Practice"]

[Text] In issue no. 6/82 of EKONOMIKA POLNOHOSPODARSTVA we reported that a number of measures designed to enhance the protection of land resources are currently becoming effective. We emphasized that the work of agricultural organizations must be increasingly focused on problems of future organization of land reserves, in other words, problems of territorial planning.

This was preceded in recent years by an inventory of available land, with all consequences arising from it. One of the decisions based on the inventory and measures adopted toward more intensive utilization of land, was the transfer of land which cannot be used for mass production operations to social organizations, employees of agricultural organizations, and other citizens for their use. This is a very timely problem, since we can anticipate that most of the discussions on the land transfers will take place during the first half of 1982.

In order to reach correct conclusions on this problem, we must begin with the fact that in decades past there occurred a considerable loss of farm land in the construction of recreational cottages. Consequently, the amended version of law no 53/1966 on the protection of agricultural land resources, in the final language of law no. 124/1967, decreed in paragraph 7, section 4, the following: "Agricultural land must not be removed from agricultural production operations for the construction of recreational cottages and other recreational facilities."

The only exception in this strict law is contained in paragraph 29, section 1, which allows the use of land in the vicinity of previously-built cottages, provided such use is in accord with the objectives of territorial planning, and only under conditions stipulated in the law.

We emphasize this ban on the construction of recreational cottages because in all discussions in organs and organizations on the transfer of land to social organizations, employees of agricultural organizations, and to individual citizens, we must consistently adhere to the following specifications:

--land which lies fallow or which is only partially used because it is unsuitable for mass production operations, has priority in the transfer to social organizations, especially the Czechoslovak Small Plot Holders, the Czechoslovak Hunters Union, and the Czechoslovak Breeders Union.

The CSR Government directive no. 81 of 9 March 1977 included the requirement that all land unsuitable for mass production use be transferred on a priority basis to local organizations of the Small Plot Holders Union for temporary or long-term use in the production of fruits and vegetables, possibly for the establishment of communal orchards, as part of the plan calling for more greenery in towns and villages;

--it is however also necessary to emphasize another principle, namely, that the establishment of orchards on the land transferred must not lead to evasion of the law on construction of recreational cottages on agricultural land.

The above-mentioned CSR Government decree was prompted by the fact that in many instances the socialist agricultural organizations hold lots which cannot be tilled effectively due to their dispersal, hilly conditions, remote location, inaccessability, etc.

The basic principles of transferring land unsuitable for mass production operations were set forth in the following binding directives:

1. CSR Ministry of Agriculture and Food directive no. 1274/1978-3 of 7 June 1978 on the transfer to social organizations of land which cannot be economically and effectively used for socialist agricultural mass production.
2. Directives nos. 1/1979 and FM 015-900/1978 of the Federal Ministry of Agriculture and Food of 22 November 1978 on standardized procedures in the withdrawal of farm land from agricultural production in cottage and orchard areas (CSR Ministry of Agriculture and Food Bulletin 1/1979).
3. Directive FM 015-880/1981 issued by the ministers of agriculture and food on the protection of farm land in socialist organizations.

The resolution of this matter was again dealt with by the CSSR Government in its resolution no. 292/1981, and the CSR Government in resolution no. 28/1982. These two documents extend such utilization of land to those small and dispersed lots within the community or enterprise which are not being used by agricultural organizations.

The above-mentioned documents direct that agricultural organizations transfer the lots as follows:
--on a priority basis to those social organizations which use them for the production of fruits, vegetables, grain, fodder, etc.;
--to members and employees of Unified Agricultural Cooperatives, and employees of state agricultural organizations;
--in certain cases, to other citizens as well.

Transfer of Lots to Employees of Agricultural Organizations and other Citizens

The basic method of land transfer to employees of agricultural organizations is contained in section 7 of directive FM 015-880/1981. Article 13 of the directive outlines the terms of the contract on the temporary use of the land which a given agricultural organization must execute with its employee, possibly another citizen. The contract must specify the type of use the land will be put to during the period of temporary usage. So much for the directive on methodology. In legal and practical terms, the following should be added:

a) the contract on the temporary use of the land with an employee of an agricultural organization or another citizen is a contract on transfer of real estate for temporary usage, which is executed in accordance with paragraphs 397 and 398 of the civil code;

b) the authority of the agricultural organization to close such a contract derives from the following:

--paragraph 9 of notice no. 156/1975 on management of national property for lots considered such property and administered by a state socialist organization;

b) the authority of the agricultural organization to close such a contract derives from the following:

--paragraph 9 of notice no. 156/1975 on management of national property for lots considered such property and administered by a state socialist organization;

--paragraph 40, section 'c' of law no. 122/1975 on agricultural cooperatives for lots integrated in Unified Agricultural Cooperatives;

--paragraph 9 of law no. 123/1975 for lots where an agricultural organization has the right of usage.

In all the above cases, contracts may cover temporary usage only. This precludes contracts for an indefinite period, while not excluding the possibility of automatic renewal for a specific period as long as the contract is valid and had not been terminated. So much for the legal aspects. In practical terms, the following should be added with respect to the closing of these contracts:

1. As regards the type of utilization of the land, the contract should stipulate whether or not the new contractor (or subcontractor) is authorized to plant tall fruit trees. In this respect, consideration must be given to whether such trees would be affected by chemical treatment of neighboring farm land belonging to the agricultural organization.

2. Consideration should also be given to the question whether or not, given the type of neighboring crop, breeding of small farm animals should be authorized.

3. The contract should stipulate in all cases the mode of access to the lot (possibly by motor vehicle), and how the problem of irrigation would be handled.

4. The question of construction on these lots will be the subject of a separate study in which this problem will be dealt with in more detail.

5. Of great significance are the regulations pertaining to the termination of the leasing contract, especially the user's obligation to return the land to the condition in which he had taken it over, unless otherwise stipulated in the contract.

Land Transfer for Small Plot Holders Settlements

The process of transferring unused plots to the Czech Small Plot Holders Union is legally considerable more complicated and we need to become acquainted with certain technical terms.

A small plot holders settlement may arise as an aggregate of farm lots (gardens) without any construction whatever. As long as such plots have no paved areas or any construction on them, their establishment will be a relatively simple affair in which, aside from general provisions in the contract, the only problems will be the access road and the source of water.

In many cases, however, small plot holders settlements will require authorization for some type of construction. This will include construction of reinforced roads, communal facilities for processing the crop (e.g., fruit juices), storage areas for machinery and tools, hygienic facilities and, of course, housing for each member, i.e., small plot holders cottages.

A "small plot holders cottage" is a technical term defined in paragraph 58 of notice no. 83/1976. Such a cottage can only be built in a small plot holders settlement. From this it follows that an edifice which in all respects meets the requirements of a small plot holders cottage but is not located in a small plot holders settlement, cannot be authorized as such. It is perhaps redundant to emphasize that a small plot holders settlement is established only on the basis of a territorial decision, and any construction must be preceded by valid approval under paragraph 13 and law no. 124/1975 on the protection of farm lands.

The following are the limitations in the construction of small plot holders cottages as contained in notice no. 83/1976: "The size of small plot holders cottages, including porches, entrances and cellars, must not exceed 16 square meters. They may have cellars and one floor above ground, but no garrets."

As regards the protection of farm lands, the following legal principles apply in the establishment of small plot holders settlements:

--a small plot holders settlement with permanent structures may be established only where the land has been transferred from national real estate to the Small Plot Holders Union for permanent free use under paragraph 10 of notice no. 156/1975;
--such a settlement with permanent structures may also be established where the land is the property of the Small Plot Holders Union;
--in all cases of land transfer from an agricultural organization where the latter's right to collective or other utilization of the land has been retained, only temporary construction may be authorized in the small plot holders settlement, and only for the period specified in the contract between the agricultural organization and the Small Plot Holders Union on the temporary use of the land. Construction permits may not be issued in such cases for permanent structures.

Another legal point should be mentioned, namely, in any construction authorization process on land in the small plot holders settlements not owned by the union, the original user or administrator (Unified Agricultural Cooperative, state farm, national committee, etc.) participates in the proceedings. Any claim by the original user or administrator that the land was transferred to the union for temporary use only, must be respected by the approving authority, since to do otherwise would constitute a breach of the building code in that a permit would be issued where no right of construction existed.

The decision whether or not construction on the small plot holders land would be considered at all and to what extent, rests entirely with the agricultural organization (or national committee) which transferred the land. This means that the extent of construction must be specified in the contract with the union, including provisions for liquidating any such construction when the term of temporary usage expires.

Withdrawal of Farm Land from Agricultural Production to Small Plot Holders

The procedure for such withdrawal is covered in paragraph 9 and following paragraphs of the Federal Ministry of Agriculture and Food directive no. 015/900/1978 of 22 November 1978 (CSR Ministry of Agriculture and Food Bulletin 1/1979) as follows:

a) a small plot holders cottage is not considered a recreational cottage in the sense of paragraph 47, section 2, but rather a cottage for individual recreation, the construction of which (provided it is duly authorized) is in the public interest. Under paragraph 10 of the above ministry directive, the only area withdrawn from agricultural production is that which is to be built on, reinforced, or which is to serve as common accomodation for motor vehicles. By reinforced ground we understand areas covered with asphalt, concrete, road panels, paving blocks or gravel;

b) the request for withdrawal of farm land from agricultural production (as well as prior application) must be submitted by the Small Plot Holders Union. Individual members, even those who intend to build cottages, do not participate in the approval process, nor does the original owner of the collectivized property. In contrast, the agricultural organization which is ceding the land to the union, always participates;

c) should the advantages of the legislation on the establishment of small plot holders settlements be misused in the sense that, instead of a small plot holders settlement there appears one consisting of recreational cottages, appropriate action under existing legislation will be taken against each builder. Retroactive authorization for the construction of a recreational cottage cannot, under law no. 124/1976, be granted, since the construction was not in the public interest; consequently, the building authority must order its demolition;

d) As regards arable soil and the sub-soil stratum in areas which will be reinforced in the small plot holders settlements, the obligation of stripping applies, and the district national committee will make the determination of how the soil acquired in this process will be used.

9496
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## HOG PRODUCTION TRENDS OUTLINED

Bratislava EKONOMIKA POLNOHOSPODARSTVA in Slovak (and Czech) No 7, 1982 pp 318-320

[Article in Czech by Engr Frantisek Plocek, CSc, Research Institute for Hog Raising in Kostelec n. Orlici: "Reflections on Prospects of Slaughter Hog Production in the CSR"]

[Text] The hog production branch plays a significant role in the agroindustrial complex and in its continued development. The most significant aspect of hog raising is the fact that it provides for a portion of pork in the total consumption of meat per capita population, and also in the fact that it provides for a certain portion of fats (lard) for consumption purposes and also for processing in the food processing industry and in the production of fodder mixtures. From the viewpoint of the national economy, by-products are also important (pigskin rawhide, bristle, glands with internal secretion, blood, bones). The share of slaughter hogs in the overall marketing production of slaughter animals is about 56.4 percent. Their share of the gross agricultural production reaches about 14 percent.

### Production and Consumption

As clearly indicated in Table 1, marketing production of slaughter hogs increased substantially in 1970-1980: In the CSSR from 508,800 tons to 902,400 tons (index 177.4); in the CSR from 358,500 tons to 612,400 tons (index 170.8); in the SSR from 150,300 tons to 290,000 tons (index 193). The number of hogs and sows also kept increasing at the same time: the index of increase of the number of hogs in the CSSR reached the figure of 142.8, CSR 149.2, SSR 132.4. With regard to the number of sows, CSSR 130, CSR 133.3, SSR 124.4 (Table 2). At the same time, while the volume of marketing production of slaughter hogs kept increasing, the production of home production kept decreasing. The number of hogs slaughtered at home in the CSSR decreased from 1,146,193 heads in 1970 to 672,263 heads in 1976 (a decrease of 41.4 percent). For example, in the CSR in 1972-1980 the consumption of pork [hogs slaughtered by farmers for their own use] decreased significantly from 61,800 tons to 32,700 tons (a decrease of 47.1 percent).

Table 1. Development of Marketing Production of Slaughter Hogs (in 1,000 tons of live weight)

| (a) Rok | ČSSR | ČSR | SSR |
|---|---|---|---|
| 1970 | 508,8 | 358,5 | 150,3 |
| 1971 | 551,1 | 379,8 | 171,3 |
| 1972 | 618,1 | 425,2 | 192,9 |
| 1973 | 629,9 | 444,1 | 185,8 |
| 1974 | 674,1 | 471,5 | 203,2 |
| [illegible] | 737,1 | 508,3 | 228,8 |
| 1976 | 744,6 | 511,8 | 232,8 |
| 1977 | 812,4 | 550,0 | 262,4 |
| 1978 | 878,8 | 597,5 | 281,3 |
| 1979 | 888,8 | 602,9 | 285,9 |
| 1980 | 902,4 | 612,4 | 290,0 |

Key:

a. Year

Table 2. Development of the Number of Hogs and Sows as of 1 January (in 1,000 heads)

| (a) Rok | (b) Prasat celkem | | | (c) Z toho prasnic | | |
|---|---|---|---|---|---|---|
| | ČSSR | ČSR | SSR | ČSSR | ČSR | SSR |
| 1970 | 5036,6 | 3168,7 | 1867,9 | 394,8 | 247,6 | 147,2 |
| 1971 | 5529,6 | 3423,0 | 2106,6 | 439,6 | 275,9 | 163,7 |
| 1972 | 5935,4 | 3724,5 | 2210,9 | 460,5 | 292,9 | 167,6 |
| 1973 | 6093,1 | 3939,9 | 2153,2 | 471,3 | 303,7 | 168,1 |
| 1974 | 6265,7 | 4067,6 | 2198,1 | 479,6 | 312,4 | 167,2 |
| 1975 | 6719,4 | 4306,8 | 2412,6 | 508,1 | 326,7 | 181,4 |
| 1976 | 6683,3 | 4276,4 | 2406,9 | 508,6 | 325,0 | 183,6 |
| 1977 | 6820,1 | 4295,2 | 2524,9 | 525,6 | 338,4 | 187,2 |
| 1978 | 7510,0 | 4767,7 | 2742,3 | 547,7 | 352,6 | 195,1 |
| 1979 | 7601,2 | 4858,1 | 2743,1 | 555,2 | 357,4 | 197,8 |
| 1980 | 7588,2 | 4796,9 | 2791,3 | 565,1 | 384,6 | 200,5 |

Key:

a. Year
b. Total number of hogs
c. Including number of sows

The CSSR holds one of the foremost places in meat consumption not only in Europe but also in the world. According to some data published at the beginning of 1982 (HOSPODARSKE NOVINY No 1), Czechoslovakia ranks among the first 20 nations in the world and among the first 10 nations in Europe in terms of meat consumption per capita. The development of meat consumption per capita in the CSSR in 1970 to 1980 is given in Table 3. In 1980, we reached a total meat consumption per capita of 85.6 kilograms, that is, 13.7 kilograms more (index 119.1) per capita as compared with 1970 (71.9 kilograms). The share

of pork in total [meat] consumption increased from 47.8 percent to 50.6 percent, while at the same time the relative share of beef decreased from 32.4 percent to 30.1 percent.

In order to compare meat consumption in the CSSR, I am giving the figures on meat consumption in certain advanced European capitalist states: Italy 70 kilograms, Great Britain 76 kilograms, Netherlands 79 kilograms, Denmark 80 kilograms, Austria 87 kilograms, Federal Republic of Germany 90 kilograms.

Table 3. Development of Annual Meat Consumption Per Capita and in the CSSR (in kilograms)

| Type of Consumption | | 1970 | 1975 | 1976 | 1977 | 1978 | 1979 | 1980 |
|---|---|---|---|---|---|---|---|---|
| Meat, total* | | 71.9 | 81.1 | 81.0 | 81.4 | 83.2 | 84.3 | 85.6 |
| Including: | pork | 34.4 | 40.0 | 40.0 | 40.9 | 43.0 | 43.0 | 43.3 |
| | beef | 23.3 | 26.1 | 26.4 | 25.9 | 25.3 | 25.8 | 26.4 |
| | veal | 1.7 | 1.2 | 1.0 | 0.9 | 0.8 | 0.8 | 0.7 |
| | poultry | 8.2 | 10.0 | 10.5 | 10.7 | 11.1 | 11.5 | 12.1 |

*Total meat includes beef, veal, pork, lamb, goat, horse, and rabbit meat, poultry, and venison, expressed in terms of the value of meat with bone in, including intestines.

Table 4. FAO Data on Consumption of Individual Types of Meat Per Capita Population (in kilograms)

| Type of Meat | Beef | Pork | Poultry | Pork & Poultry |
|---|---|---|---|---|
| Average for EEC countries | 25.4 | 34.0 | 12.5 | 46.5 |
| including Federal Republic of Germany | 23.7 | 52.6 | 9.2 | 61.8 |

Table 5. Conversion of Nutritive Substances in Individual Types of Animals (efficiency in percent)

| Type of Animals | Nitrogenous Material | Energy |
|---|---|---|
| Broiler chickens | 23 | 11 |
| Turkey | 22 | 9 |
| Hog | 14 | 14 |
| Beef Cattle | 4 | 3 |

The high production level of slaughter hogs, particularly during the Sixth Five-Year Plan, was secured, while the requirements increased in terms of consumption of concentrated fodders. The share of imports of concentrated fodders in their consumption in animal production kept increasing gradually during the Sixth Five-Year Plan: it amounted to 18.3 percent in 1975, 18.9

in 1978, and as much as 35.4 percent in 1979. This included shares of imports from advanced capitalist states, which increased from 4.7 percent to 8.9 percent in 1978, and to 19.5 in 1979. According to calculations, the CSSR produced 346,000 tons of slaughter hogs (35.43 percent) by using imported fodders.

Grains used as fodder have literally become a strategic raw material in the last few years. The main exporter is the United States, which accounts for almost 70 percent of world exports [as published]. The prices of this product keep increasing. For example, the price of corn increased almost 12 percent in 1980 as compared to 1978, and the prices of barley and soy beans showed similar increases.

Due to a lower domestic grain harvest in 1981 and considerable limitations of opportunities for importing fodder proteins from foreign countries in excess of the prescribed plan, the CSSR proceeded in the second half of last year to reevaluate the present development and structure of animal production. The number of sows and slaughter hogs was reduced to such an extent that the total number of hogs at the end of 1981 was 591,000 heads lower than in 1980. The given measure was naturally reflected also in an adjustment of the plan of production and purchasing of slaughter hogs in 1982, and consequently also in a reevaluation of the consumption of meat per capita, including a certain structural change of that index.

As to the structure of meat consumption, the relationship between the consumption of pork and beef remains an open question. In spite of the fact that in a number of party documents and prognostic types of studies as well as observations and recommendations made by physicians, the emphasis was placed on how to achieve a higher share of beef to the detriment of the share of pork, and there has been no major significant change so far. When the optimum ratio is determined for the nearest future, it will be necessary to take also in consideration our consumer habits and traditions, and furthermore it will also be necessary to consider a change in the type of hogs raised which has been brought about by the implementation of a program of hybridization.

Beef does not typically make up a large share in the total consumption in West-European and Central European countries, as indicated clearly when we compare FAO data concerning the consumption of individual types of meat in kilograms per capita in 1977 (Table 4).

It is interesting to note that the overall consumption of meat in the Federal Republic of Germany has decreased somewhat in the last 2 years: In 1980 it amounted to 91.1 kilograms (including 50.2 kilograms of pork, 21.5 kilograms of beef, 9.8 kilograms of poultry. In 1981, it reached 90.1 kilograms (comparable figures are 49.7 kilograms, 21.4 kilograms, and 9.5 kilograms). A certain exception in the composition of consumption is represented by France, where the share of the overall consumption of beef is about 38 percent, and pork 40 percent.

In order to determine the optimal ratio between the three basic types of meats from the viewpoint of their representation in the overall meat consumption, it is also necessary to compare the percentual effectiveness of the

conversion of the nutritive substances of fodder on meat production (Table 5: data according to a computation of the VUZV [Research Institute for Animal Production] in Uhrineves).

The overall level of meat consumption in the forthcoming years will depend first of all on the opportunities of our own sources of fodder and on the planned imports of fodders. Therefore, we do not expect that meat consumption per capita will increase. In the last few years it has basically reached a limit which is biologically feasible. The total increase of the volume of meat consumption will be influenced by a natural population increase.

The raising of hogs will also be of irreplaceable value in future years, not only from the viewpoint of its principal mission, but also from the viewpoint of ensuring the planned volumes of secondary products mentioned in the introduction.

Development Prospects of Hog Raising

The main organizational measure providing for a continuous process of increasing the utility value is the hybridization program. The results achieved in the implementation of the program have basically confirmed that the prescribed principles of the program are correct, that is, we should improve those types of hogs which provide the maximum amount of meat and in the process accumulate the smallest possible amount of fat, and which retain this capacity during fattening until they reach the average weight of 115 to 120 kilograms.

The CSSR is producing at present 66 percent of slaughter hogs of the meaty type of final hybrids (the task determined at the 15th Congress of the CPCZ was to produce 50 percent of hybrid hogs by 1980 in the total marketing production of slaughter hogs). A comparison of the program of hybridization in the CSSR with the results of certain programs in the world, such as for example the Dutch "hypor" program, has demonstrated that in our program it is possible to achieve equivalent indices, above all in the reproduction utility value and in the fattening capacity.

There is no need to make any basic change in the selection and use of breeding stocks for individual items of the hybridization program, even when we comply with the requirement of providing for the production of the necessary amount of lard, the production of which can be streamlined by the weight of the hogs at the time of slaughtering, or by a suitable combination of the breeding stock.

Since the sources of concentrated fodders are limited, it will be necessary to use to the maximum all suitable and economically efficient feeding systems. In the case of fattening of hogs, for example, it means using waste products which can be fed to hogs and which come from organized collection in homes, public catering establishments, factory cafeterias, and so on. In doing that, one must act on the basis of experience gained in the collection and processing of kitchen waste in the USSR and GDR, where the system has been used successfully for some time. Another possibility is to utilize

waste material from the food processing industry which can be used as feed (waste products from dairies, bakeries, poultry processing, slaughterhouses, and so on), and from other nontraditional sources of feed for animals.

Very good experience has been gained in using these waste products as fodder for example by the Collective Agricultural Enterprise for Animal Production in Rovinka near Bratislava. In the fattening unit with a capacity of 10,652 hogs, the average daily increase in 1977 to 1980 was as much as over 520 grams, with a consumption of 2.44 kilograms of fodder mixtures and 7.6-9.8 kilograms of mash fodder per kilogram of increased weight.

The trend of developing pigsties during the Fifth Five-Year Plan (1971-1975) was to creating conditions for the buildup of a material base for industrial production of slaughter hogs in the course of 15 to 20 years. For example, in 1971-1975 the CSR built 110,000 new and rebuilt pigsties for sows and 806,000 pigsties for other hogs. During the Sixth Five-Year Plan, the extent of investment construction decreased substantially (only 60,000 pigsties were built for sows and 542,000 pigsties for other hogs).

A reduction of the volume of investments for development and modernization, especially during the Sixth Five-Year Plan, resulted in the use of less adequate temporary facilities, such as the so-called safaris, and so on, in which the results obtained were not commensurate with the relatively high consumption of concentrated fodder.

During the present five-year plan, investment construction will concentrate above all on modernization of stables and finishing of modern farms, where it is necessary to create conditions for shift operations. During the following period, new constructions should be concentrated above all in specialized agricultural enterprises, which today provide for more than 25 percent of the total production of slaughter hogs, and which achieve the best results in terms of increases of production and consumption of fodder as compared to the other sectors participating in the production of pork.

With regard to the majority of modernizations and new constructions, it is expected that technological systems which make it possible to use humidified fodder will be expanded. Technological systems will be used in newly built specialized establishments, which will utilize dry fodder mixtures that can be humidified later on, or mobile systems will be used to provide rations of humidified fodder mixtures. The mobile systems will also be used in enterprises with smaller facilities for the raising of hogs, in which farm fodder will also be used (root crops, green fodder), mainly for sows and for raising of brood hogs. The condition for a more extensive use of the given technical systems is that we expand the production of mobile equipment for the preparation, distribution, and rationing of fodder, provide for the production of boiling columns, boiling tubs, slicing machines for root crops, and so on. The same applies to reconstruction of the internal arrangement of stables (expansion of the passages in stables, construction of units for the treatment of fodder, adjustment of troughs).

Hog excrements will be used mostly in the form of liquid manure for vegetable production. In establishments where hogs are kept in high concentrations, one can use cleaning plants for the processing of dregs (anaerobic method of cleaning). Waste waters will be used mainly for irrigation in vegetable production. This technology is relatively costly, and consequently it is expected that it will be used only on a small scale.

5668
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FURTHER DEVELOPMENT OF ECONOMIC REFORM URGED

Budapest FIGYELO in Hungarian 22 Jul 82 p 3

[Article by Peter Medgyessy: "Development of Financial Regulation"]

[Text] The 23 June 1982 session of the Central Committee of the MSZMP gave birth to resolutions for the further development of economic reform. The various professional and scientific collectives are now working out what is to be done. At present this work is still in the stage of working out and debating various concepts and methods. So in this article I will outline one or two ideas connected with financial regulation.

Mobilizing Social Capital

Export-oriented economic development makes necessary much greater mobility of social capital than heretofore. A key question for modernizing financial regulation is how to encourage the flow of assets between enterprises in order to have the available resources flow from less efficient enterprises to more efficient ones. Encouraging this movement is a condition for the enrichment of national property. In the interest of this we must reduce the various limitations holding back the flow of assets, must decrease the rigidity of the sectoral boundaries. From this viewpoint it is especially true that the value of proposals is defined not primarily by the radical novelty of them but rather by the reality of their realization, by their favorable effect on swift development.

It would be justified to increase the interest of the enterprises in handing over assets (issuing enterprise bonds) but at the same time greater pressure should be exerted to make weak, bad enterprises give up their assets, sites, factory units or superfluous manpower more easily. The frameworks of this mechanism must be developed on a continuing basis, because changes cannot be achieved at one blow or by sleight of hand. The process of change must be started as soon as possible, because the national economic need is urgent and delay will result in a further piling up of lost profit.

The owner and the manager are not separate in the socialist economy. The enterprise director is at one time the manager and the person responsible for the usufruct of the property. The state exercises both functions at one time; indeed, it also acts as the organization laying claim to the

income (the fiscal state function). The task is to have the conflict of these functions make an appearance but to be resolved in such a way that in the process social assets are used most profitably. When developing the economic mechanism over the longer run we must develop a modern system for the exercise of the ownership functions, so that he who acts as owner will think as owner too. I have found, in the debates and in the columns of the professional press, three proposals concerning this which are worth considering: a competition system for leaders, a new function for the director's council or the creation of a new type of supervisory committee. Some of these could be used, in my opinion in the near future.

A full automatism of assets flow cannot be realized in the socialist economy, such market mechanisms cannot function. Thus we must continue to calculate that withdrawing assets will remain largely a state task. This is especially difficult in those cases where what is involved is low profit but not yet deficit activity and where rationality would justify assets withdrawal. What is required is, on the one hand, that regulation not conceal the truth and, on the other hand, that there be forms of assets withdrawal which force more effective work with, perhaps, a narrower sphere of activity. It is important that the "command" mechanisms of the developing conflicts be capable of functioning also. In the first place, manpower movement may represent a problem. An institutional network has developed in the recent past to serve as an intermediary for manpower which is becoming superfluous. Salary payment should be continued--temporarily--until a suitable position is found. Possible retraining is a separate task which must be solved in some way at the burden of the state.

The chief trend of assets flow must be maintained in some form in which interest and the increased quality and profitability requirements are realized better than at present. Among other things this will require a modernization of the amortization system.

In the interest of an ever more rational placement of social capital there should be a study of the developmental possibilities of the obligatory contribution fund system, expanding the sphere of fund contributions. In place of the fixed contribution one might create the possibility of payment which is partly fixed and partly varying on the basis of effectiveness. It should be possible for the enterprises to issue bonds while creating the appropriate incentive. We should look into the possibility of transforming supports into developmental support. Much more severe rules than at present should be used against indebted and weakly managing enterprises.

Price and Exchange Rate

It is an important requirement for the further development of the price system that it better reflect the efficiency differences of the economic units. An attempt must be made to greatly reduce the supports and skimming which distort the price system.

In regard to a further development of the price system it appears that as long as we cannot create real market competition in the national economy the only

possible solution will be competitive price formation, burdened with contradictions. This is better than a production cost price but it is less efficient than a market price realizing broad import competition. Since the possibility for imports is limited (and it probably will not be otherwise in 1984-85), we should try to apply cooperative price formation in a broader sphere and with suitable flexibility, thus gradually approaching a real competitive price.

Exchange rate policy is linked to the price system also. It has the important task of helping to create an economic balance and contributing to a defense of the stability of the forint. It is a requirement in connection with the development of the exchange rate system that it help import regulation and encourage export in such a way that the rate of exchange will provide a background for export economicalness. Although we have achieved significant results in exchange rate policy in recent years a further development of economic regulation prompts us to rethink the effects produced by the exchange rate.

In exchange rate policy a behavior is justified which increasingly takes into consideration our interest in making imports more expensive, using economic tools, in the interest of improving the external economic balance.

Export interest should be increased especially where this greatly improves the net foreign exchange profit of the national economy. The present exchange rate level should be re-examined, and possibly the parity of the forint should be modified in several steps. The recently executed exchange rate changes served this.

In connection with the price system there should be a re-examination of the implementability of the market organizing role of the state and of various possible methods for this, because use of competitive prices places new tasks on market supervision—in addition to adhering to the game rules of supply and demand.

Withdrawal and Support

The chief direction for the development of our financial system is to increase profit interest. An important condition for this is increased costs sensitivity of the enterprises. We must strive to realize in the national economy a mechanism which makes it possible that the market should not accept prices which are too high. This makes necessary a comprehensive re-examination and modernization of the decision making system, including the withdrawal and support system. In the course of this we must analyze the operational experiences of the budget and credit system.

In connection with this emphasis must be given to the necessity of increasing withdrawals proportional to wages. State expenditures in connection with reproduction of the labor force are constantly increasing. This goal could be realized with various methods: it could be realized via the consumer prices (this would help make consumer price ratios more realistic) or by building it directly into enterprise costs. Increasing the role of net income

proportional to wages is indispensable for more costs sensitive management, and thus for developing intensive interest. In addition a drastic reduction in supports is desirable also, although we must continue the policy of constant recentralization, with its well known faults.

It appears that taxation in the form of an added value turnover tax also merits attention. This tax should not pile up, should not actually burden the producer's price and should be realized with only a few tax keys, thus directly linking consumer's and producer's prices. This might produce a better conditions system (together with an accelerated amortization system) for a state preference policy and for a realistic valuation of foreign currency even at an unchanged exchange rate level.

Changing the income control system is unavoidable. The base view, increment type wage regulation system must be replaced with regulation which is linked to the profitability level, combining with this the possibility of wage increases (linked to the ability to bear the tax). Certainly it must be made possible for the enterprises to choose between so-called central wage regulation and wage regulation tied to profitability. Personnel savings should be encouraged more rationally than at present with financial tools. There is need for progress in leader interest and in liberalizing enterprise categorization.

Operative Measures

There may be many viewpoints for changing regulation. One could justify the need to increase the internal logic (its inconsistency) of the system, to increase selectivity, to accelerate effects and in addition, or in combination with these, to keep buying power within rational limits. In the middle of this year--as is well known--it became necessary to modify a few of the regulators. The justification for these changes is basically that there was a need, as a result of the deterioration in foreign financing conditions, for selective measures to restrict buying power and for accelerating the changes. This was supported by internal processes also, because internal use was not developing in accordance with our intentions and enterprise reaction was slower than was required by the deterioration in external conditions.

Our economic tasks today make it indispensable that there be an expansion of measures of an operative character, in addition to the general process regulation. From the viewpoint of our further development these measures cannot be postponed. But we must avoid mistaking these measures for steps deriving from a longer term strategy and imagining that the two take the place of each other. We are talking about supplementary steps. In the given situation it would be a fatal error to neglect the operative measures, but to make a law out of the sum of them would be a misunderstanding and the source of no small problems.

8984
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AGRICULTURAL PROSPECTS FOR 2000 VIEWED

Budapest NEPSZABADSAG in Hungarian 29 Jun 82 p 4

[Interview with Istvan Lang, deputy secretary general of the Hungarian Academy of Sciences (MTA), by Istvan Almasi: "Our Agriculture in (the year) 2000"]

> [Text] How much can agricultural production be increased? Considering our natural conditions, how much can agricultural production progress in this country by 2000, the turn of the millennium? These are not questions without interest in a country that can conduct agricultural production on a large percentage of its land area, even by international standards. And they are not without interest in a world in which even today food is valued highly--and according to predications food will be valued even more highly in the coming years.
>
> These questions were also placed on the agenda of the MTA's general meeting held in May 1978. It was decided that members will try to define the answer with scientific methods. How did they proceed in this work, how far did they proceed and what are they doing in this area? This was the topic of the conversation of our reporter with Istvan Lang, deputy secretary general of the Hungarian Academy of Sciences [MTA].

[Question] Perhaps it could be defined a little more precisely what the researchers and scientists undertook?

[Answer] Since the natural factors play a significant role in agricultural production, we have undertaken primarily to evaluate these or, in other words, to measure the agroecological potential. We studied the agriculture's natural environment, the given conditions of the soil, hydrology and water management, temperature and amount of sunshine. We divided the country into 35 regions, in order to determine theoretically how large a crop is made possible by the given natural and agroecological conditions.

The given genetic characteristics of the crops also had to be evaluated, and to what extent breeding can improve the producing ability of crops on the

basis of what we know today, without any particular methods involving new and revolutionary changes. Summarizing the production experiences of the individual economic crops was also indispensable in order to measure the production increases expected by 2000--that is, in about 20 years--using the methods of system analysis for the final results.

[Question] Where are you, how far did you get?

[Answer] The collective evaluation, in which five other national institutions joined, has been concluded. A total of 400 researchers and experts--who directly participated in the work--evaluated the possibilities and made their prognoses. Following this, hundreds of experts working in production debated the topic in six regions.

[Question] What conclusions can be drawn from the studies and debates?

[Answer] The study of the agroecological potential and of the given natural conditions clearly indicates that there are large reserves in agriculture as well as in forestry. Our country's climatological conditions offer the opportunity to increase agricultural production. Among the natural factors, the yields of crop production will be determined primarily by soil and the water supply. Rational soil and water management have very great significance. Among the more important climatological factors, primarily the distribution of precipitation and its unfavorable fluctuation from agriculture's viewpoint most endanger the reliability of production. The modern production technologies, soil improvement, water management--that is, the improvements that increase the soil's producing ability--can do much in the interest of increasing the climate tolerance of plants and improving their regenerating or renewing abilities.

[Question] The given natural conditions do not occur automatically. What is needed to make use of these for the country's benefit?

[Answer] Naturally, as in the past, many things will be needed. Dozens of very important conditions can be listed, from the proper agricultural policy to the professional knowledge of people, from their more industrious work to creating the right economic and technological conditions. If these are missing, yields will not increase.

[Question] If everything develops favorably, how large a crop will our agricultural operations be able to harvest at the turn of the millennium?

[Answer] According to the evaluation, the country's given natural conditions would make it theoretically possible to increase crop production, or more precisely the total plant yield--including the forests--by 80 percent. Naturally, this is an average number. There are very large differences between the so-called standing crops (grape, fruits, forests), the plowfield crops and the horticultural crops.

[Question] The success of domestic crop production is quite well defined by plowfield crop production. How large are the yields expected in this branch by the turn of the millennium?

[Answer] In addition to those already mentioned, a whole series of factors must be considered in order to prognosticate the expected yield of individual plowfield crops with sufficient accuracy. If we more or less keep the present planting structure, we can expect a nationwide average of 5.3 tons per hectare by the turn of the millennium, with the present natural conditions of the production locations. If we improve significant areas, then the yield could be 6.1 tons per hectare; with full improvements and by using our irrigation opportunities it could even be 7 tons per hectare. The expected average yield of corn per hectare--in the same three variations listed for wheat--are 6.5, 7.5 and 9.3 tons, respectively.

Detailed evaluations have been prepared for 13 plowfield crops. The subjects of the analyses were our most important plowfield crops--wheat, corn--and other including the sunflower, sugar beet, potato and some protein crops, such as peas, alfalfa, red clover and soya. For sugar beet--depending on how the circumstances develop in the growing locations--we can expect yields between 43 and 57 tons per hectare. Nationwide average yields of 26 to 38 tons can be expected for potatoes, 2.7 to 3.3 for sunflower and 2.5 to 3.6 tons for soya.

[Question] Whether we are talking about expected yields or expected total harvest, many variables were considered during the studies. These variables indicate very large differences in yields, depending on the extent of improvements by the turn of the millennium. Why are these large differences?

[Answer] They occur because the quality of the growing soil and water management--that is, the conditions at the growing site--are very definitive in crop production. If--according to one calculation--we spend 14 billion forints by 2000 on improving the growing site conditions, on amelioration, we can expect significantly smaller production increases than if we spent 42 billion forints. At least these larger yields and additional production, which can occur under better conditions at the growing site, vigorously direct the attention to the significance of amelioration. The evaluation showed the natural and biological possibilities. The implementation of economic growth is a very complex task. If we can or plan to provide fewer of the conditions, the crop increase will also be smaller.

[Question] Another collective evaluation began last May--in which several central institutions are participating--to examine the long-range possibilities of exploiting the materials of biological origin, the so-called biomass. Half of the planned 2-year period has passed. How far along are they with this evaluation?

[Answer] Twenty working committees were formed to solve the problem. The investigation is being concluded. What is left is working out the most favorable methods and variations of utilization. According to the statistics of the main agricultural department of KSH [Central Statistical Office], a total of 54 million tons (converted to absolute dry weight) of vegetable material--or biomass--was formed in 1980 in agriculture and in forestry. The proper utilization of this huge value justifiably occupies domestic and international research.

At present we use approximately one-half of the biomass created on our producing land. This is the more valuable and more easily utilized half of the plants. The big task for science is to uncover the possibilities of economically utilizing the byproducts in addition to the main crops. This mass of vegetable byproducts contains roughly 20 million tons of absolute dry material, the same amount that we produce each year in our coal mines.

[Question] Biotechnological research is mentioned more and more often. What does this concept denote, and how far along are we in this area?

[Answer] With the combined use of biochemistry, microbiology and the technical sciences, science is working on building the microorganisms, the cells produced in tissue, or some parts of them, into the production technologies, thus making use of them. In practice, by the end of this year one research study must be completed, it deals with the improvement of biotechnological processes in agriculture and industry. Enzyme treatment of the various yield-improving materials and cellulose-containing byproducts--and one could go on and on listing the possibilities that the biotechnological research projects and their results may provide--may in many respects revolutionize certain areas of agricultural production.

[Question] How far have we progressed with these research projects on an international comparison?

[Answer] All over the world nore attention is being paid to increasing the amount of biomass, to making its production more economical, to finding the best methods of using it, and to biotechnological research. Results have been achieved in Europe, particularly in France, and in other parts of the world--in Japan and in the United States. We observed this in time and are following the leaders without major lags. This is also the obligation of the Hungarian scientific life. The research of those interrelationships to the domestic agricultural production are useful because they can be easily built into long-range development plans of our economy. They will increase the safety of the path of growth and help in the more complete utilization of the opportunities of this important branch of the national economy.

8584
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FLUCTUATING EXCHANGE RATES CAUSE PROBLEMS FOR ENTERPRISES

Budapest FIGYELO in Hungarian 22 Jul 82 p 2

[Article by Janos Loblin: "The Exchange Rate and the Enterprise"]

[Text] Watching the exchange rates and building them into plans and calculations is causing difficulty for the enterprises. The uncertainty is partly the result of objective factors--market changes. But they must get used to the idea that the calculations must be regularly modernized.

Present methods of enterprise planning are not suitable for including the effect of price and exchange rate changes in the plans in time, or even in calculations based on short term forecasts (for example, in calculating the economicalness of investments). According to a number of surveys the reliability of enterprise plans can be questioned primarily from the viewpoint of value processes, planning with results in view. When preparing their 1981-82 plans the enterprises did not consider, or hardly considered, even those monetary changes which could have been foreseen already or which took place during plan preparation. The information was not unavailable to the enterprises, especially in the case of exchange rate changes which had taken place already. The magnitude and direction of expected changes in exchange rates could have been predicted on the basis of the link of the regulator system with external market price changes also. But such forecasts are still rare. The lack of them is shown also by the fact that indexes calculated, in the plans, in forints and foreign exchange differ little from one another while the actual indexes differ from one another greatly. From the viewpoint of considering the direction of exchange rate changes what is important is not the deviation from the plan figures but rather the fact that the deviation of the forint and foreign exchange data from one another is very significant compared to what was planned.

Not only the magnitude of the change but even a recognition of the expected direction of the change is not reflected sufficiently in the plans (for example, in light industry). At the same time, a number of cases show that where the plans are prepared not with annual "plan breakdowns" but rather with actualization corresponding to changes which took place in the meantime they approximate the actually occurring situation much more realistically (for example, in some metallurgical, vehicle manufacturing, instrument and pharmaceutical industry enterprises).

This is reflected as follows in combined data:

Difference in the Indexes for Capitalist Export Growth Measured in Forints and in Dollars (in percentage points for the forint index-dollar index)

| Branch | 1981/1980 Plan | 1981/1980 Actual |
|---|---|---|
| Mining | 1.0 | 5.1 |
| Metallurgy | - 2.0 | 5.1 |
| Machine industry | - 1.0 | 6.4 |
| Chemical industry | - 2.2 | 16.6 |
| Light industry | 12.6 | 5.7 |
| Total | 0.5 | 6.1 |

The enterprises more affected by export and carrying out convertible export took into consideration better and forecast more precisely, at the time of planning, the changes in the value ratio of foreign currencies, including changes in the forint exchange rate, than did the others. At the time of planning the values measured in forints regularly fell considerably below the data expressed in foreign exchange.

Naturally, changes in market conditions have a stronger effect on those enterprises which, feeling the effect of obviously more unfavorable foreign currency ratio changes or because of their contractual obligations or the nature of their products, were unable to change or expand their markets in time or were unable to modify their contract conditions to protect themselves against the reduction in profits to be expected.

Although planning methods have become more modern, taking into consideration the foreign exchange structure does not adequately orient market selection. Even at a time of constantly worsening marketing conditions the enterprises do not turn adequate attention to the value or financial aspects of management, to stabilizing the level of their receipts and to actions which might improve their foreign exchange structure. This effort hardly motivates their market orientation.

The rate differences for export growth predicted for 1982 suggest that the enterprises continue to expect a relatively significant part of the forints receipts increment from the devaluation of the forint while basing the profit improving effect on their price work on the very questionable average market price indexes.

Although according to some evaluations the enterprise plans reflect cautious developmental behavior, the facts show that the enterprise investment

intentions did not develop in accordance with economic realities in 1981, and the 1982 plans projected this forward.

From the viewpoint of the treatment of rates of exchange the significance of this is that developmental thinking is frequently based on possibilities which have been overestimated on the basis of untenable price and market forecasts. A role is played in this by the fact that they expect incentive to come, to an exaggerated degree, from the rate of exchange. This is a danger that in this way the enterprises will become isolated from external market price (demand) and exchange rate changes.

If production is profitable in forints they do not pay sufficient attention to the development of external market prices, or to the forint exchange rate of the currencies of potential customer countries. In addition to export receipts lower than what would be possible there is also the disadvantage that the advantage given in the price will make the demand level of the given market appear to be permanent. This prompts the enterprises to make investments after the fact or to create capacity to satisfy new demand which may appear. If the uncalculated exchange rate changes finally eliminate the apparent advantages, or a part thereof, part of the capacity of the enterprise becomes superfluous, because demand sinks to the normal level as a result of price increasing attempts or a market recession developing in the meantime.

The same result might be achieved--even without investment--with good price work and by using appropriately actualized calculations of exchange rate changes. (Naturally, very many other factors also influence the development of market conditions and one cannot ignore the need for technical development either, even in the case of investments to "maintain the level," but at the same time it would be a deficiency to ignore the viewpoints mentioned above.)

The enterprises have a number of other possibilities to moderate prices and exchange rate risk in addition to the already mentioned "actualization." (For deals in process this goal is now served by exchange rate insurance.) In the course of forecasting special attention must be turned to, for example, the development of interest rates on the money market and to the so-called time limit exchange rates of certain foreign currencies. Use of time limit exchange rate quotations in the calculation of short and longer term deals could help moderate the risk of the enterprises. Technically, appropriate information about the development of interest rates and exchange rates could be gotten to the enterprises easily and from the methodological viewpoint interest rate differences can be transformed relatively simply in the course of calculations into price or exchange rate differences.

In the place of stable calculative interest rates it would be more rational to use dynamic calculation methods based on differences in interest rates than in calculating the economicalness of investments.

Because of the narrowness of the resources which can be turned to development, the minimum requirement for economicalness should be that the profit from the development at least reach the magnitude of the prevailing money market interest rate. Knowing the present market and interest rate conditions this will require significant extra performance from the enterprises and will require high profitability from the investments to be realized.

SMALL BUSINESSES IN SERVICE SECTOR NEED MORE HELP

Budapest NEPSZABADSAG in Hungarian 20 Jul 82 p 3

[Article by Miklos Siman, director of the Central Service Development Research Institute: "Small Service Businesses"]

[Text] The development of services for the population has been very spectacular in the past 10 to 15 years with the value of certain activities--for example, vehicle repair--having doubled. Today we may say that we can generally satisfy overall mass consumer demands.

Despite this, the situation is not satisfactory. A number of services--for example, construction improvement--have lagged quantitatively and are even less able to carry out special tasks; complaints are widespread about services in the broad sense of the term, including deadlines, reliability, and so forth.

As is evident, the problems are primarily qualitative and not quantitative in nature. There are several reasons for this.

The rise in living standards in the past decade and the improvement in living conditions have put new requirements on services with which they are unable to keep up.

Formerly, the regulatory system in a given sphere promoted the quality development of services with many subsidies. But since this support did not adequately advance a quality change, and in this area, too, it is more and more the normative regulators that are being implemented, we must seek for other ways to meet the higher level demands that are presenting themselves in wide scope.

The fulfillment of these quality demands depends to a large extent on the organizational and interest system. Services must be made available in a decentralized way in places close to the population, and in many small units. At the same time, the general centralization process of recent decades has been realized also in the case of service, but the many small units have been brought together into a relatively few large organizations. In addition to the fact that the central management of scattered units represents more administration and more costs, these large organizations are less able to adjust to

the frequently changing needs of the customers. Experience at the same time shows that demand always finds its method of supply, and as a consequence "the second economy trade" and often illegally performed work play a great role in the area of services.

That is why in the field of services also we are looking with greater expectations to the new, variable organizational forms which become available for use at the beginning of this year. Hopefully, this possibility will also stimulate individual initiatives, and thus in the end services will improve both in quantity and quality, and competition will become more lively.

Initiators

Experiences show that for the time being initiative is taken by those desiring to do business rather than the service organizations. Although until now we can speak mostly of interest, a number of small organizations have also been founded, chiefly in areas where the demand for capital is relatively small and primarily intellectual and physical work is needed. It should also be noted that those undertaking such services frequently do not give up their main place of work, but continue there along with their business activity. With this they reduce their risks and maintain their existence security.

A role is also played in this by the fact that calculations frequently show that in addition to the new organization and regulational conditions (taxes and so forth) there is less available for personal income from the same amount of revenue than before.

Actually, for the small service businesses and small cooperatives the new regulation represents a greater tax burden, that is, less remains for the business proprietor. In high wage-ratio services, the withholding share may be one-third less than before. According to our calculations, about 40 forints may be paid for 100 forints' worth of material-free sales. If we see, on the other hand, that the new regulation--in addition to the above-mentioned tax charge--does not set limits to the growth of personal incomes, it becomes evident that under the new conditions it is possible to increase trade and thus personal incomes in certain areas relatively fast with intensive work and better satisfaction of the consumers' requirements. It is, of course, difficult to measure beforehand the extent of this increase.

It can also be seen that the businessmen are frequently frightened away by such difficult procedures preceding a small business like this. Many papers have to be filled out, and special knowledge is needed for entering the formalities. All this is very tedious, and both the new entrants and the departees must repeat the whole procedure.

Certain initiatives are also evident by the socialist economic organs, enterprises and cooperatives. These are primarily directed at creating within the enterprises various kinds of small organizations for the purpose of expanding their own activity--and increasing the workers' income. Among these, however, there are relatively very few organizations that work outside the enterprises and extend services to the population.

## The Large Organizations Are Waiting

Only a few careful, initial motions are perceptible at enterprises and cooperatives that offer services. Among these, too, there are a fair number, particularly in the wage-intensive activities--where they have calculated it is more advantageous to operate under the existing conditions rather than choose the small coop form--primarily because of the high tax charges.

It is our experience that there are relatively many subjective obstacles to "miniaturizing" socialist organization. This is understandable for what economic organization will initiate the reduction of its activities, the breaking down or elimination of the enterprise or cooperative? In the case of state enterprises, to be sure, the managing organs can order decentralization, but this process is difficult to start, and the opposition is understandably great.

The enterprises and cooperatives seek to show that the existing management form is the most successful, and it is to be feared that under a decentralized form they will be able to meet demands to a lesser degree. (What is weak about this argument is that, on the other hand, they frequently apply for support because of large costs, while their mention of competition from small industry shows that the activity can also be conducted economically.) The managing organs--in case of service enterprises the councils--should show that this solution is more efficient, which is difficult to do, of course, without experiences to point to. At the same time it should be pointed out that decentralization causes additional work for the councils given the present management methods. Therefore, it is necessary to seek also in this area for less "direct" or indirect management methods.

It would help to increase the number of small socialist organizations more appropriate to the nature of service activity if the workers and members of the larger service enterprises and cooperatives would initiate the establishment of small coops and specialized coop groups, and the expansion of the scope of business operation by contract.

For the time being, however, people will accept a more comfortable and secure situation with a larger unit.

## More Assistance

We still have little experience with the effect of the new regulation system. However, we can state this much that it weighs particularly heavily on the wage-intensive service lines. Therefore, it would be sorthwhile to consider whether it would not be correct at the time of their formation to support the small organizations with various methods, initial tax rebates, for example. This solution is already used in small industry, and therefore it would only be a matter of creating the same conditions. The lost tax receipts would be only an apparent loss to the central budget, for the budget would be surrendering a revenue which might not even exist in the case of a high tax charge.

On the basis of a half-year experience we cannot as yet comprehensively evaluate a significant new initiative like this, but it already seems that the new organizational forms offer promising possibilities. But there is a need for more central assistance, at least in the form that the necessary positions in open questions see the light of day as soon as possible and the administrative difficulties represent the least possible obstruction. Finally, it would be important that the background institutions which are indispensable for the economic operation of small businesses--for example, those promoting material supply--should be established and put into operation as soon as possible. It will also be necessary that under the new conditions we should investigate and modernize the solutions that protect the interests of the customers.

6691
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ORGANIZATIONAL, ECONOMIC REFORMS INSTITUTED IN AGRICULTURE

Warsaw RADA NARODOWA GOSPODARKA ADMINISTRACJA in Polish No 10, 14 Jun 82 pp 35-39

[Article by Edward Karwowski: "The Implementation of Economic Reform in the Ministry of Agriculture and Food Economy"; passages in slantlines printed in boldface]

[Text] / The economic reform in the Ministry of Agriculture and Food Economy was initiated with the decision on merging the Ministry of Agriculture and the Ministry of Food Industry and Procurement into a single ministry effective 1 July 1981. Due to this, agriculture, technical services and agricultural construction were integrated with the entire apparatus of procurement as well as with the manufacturing and processing branches of the food economy. The newly established Ministry of Agriculture and Food Economy was given the status of both a sector-subsector type ministry and a functional ministry. At the same time, a new organizational structure of the new ministry in the transitional period emerged, with an almost 40 percent reduction in employment compared to the two former ministerial organizations. /

After the merger of the two ministries into one apparatus, intensive work on new organization of activities was started, in conformity with the prime minister's ordinance No 36 of 28 August 1981 on preparations for economic reform in economic reform in economic units and organs of state administration. A ministerial Working Group on Economic Reform was set up. In its initial period of activity, this group drew up a concept of the organizational structure of the ministry with plans for liquidating associations. This new organizational structure of the ministry was adopted in early October 1981, after consultations with the economic and self-governing aktiv.

The adoption of the law on state enterprises and the law on workers' self-government by the parliament was the first step in the work on the [economic] reform within enterprises. In the fourth quarter of 1981, workers' self-government bodies were formed. However, this process was not completed in any branch.

Enterprises and self-governing bodies of work forces immediately embarked on preparing draft enterprise statutes. Employee councils were elected, founding agreements of voluntary enterprise associations were prepared. At the same

time, trade union activities and the complex socioeconomic and political situation in the country caused the implementation of a large number of reform concepts to remain in the draft stage as late as 12 December 1981.

The situation under the conditions of martial law was clarified by the provisions of Council of Ministers Resolution No 278 of 30 December 1981 on the functioning of the economy under martial law, which upheld the validity of the provisions of the Council of Ministers Resolution No 242 of 30 December 1981 regarding the liquidation of associations.

Organizational Changes in the Ministry

In accordance with government decrees, all associations, central boards and centers of the Ministry of Agriculture and Food Economy were declared liquidated, except the Center of the Meat Packing Industry, the Association of Potato Processing, the Sugar Industry Association, the Agricultural and Garden Seeds Association. In three cases, their liquidation was scheduled for 30 June 1982, and in the case of the Sugar Industry Association--for 31 March 1982. On the basis of the Council of Ministers Resolution No 278 of 30 December 1981, two plenipotentiaries for operational programs and 21 plenipotentiaries for supervision and coordination of operations and enterprises in individual branches were nominated.

Plenipotentiaries are supported in their activities by the apparatus of associations or departments. Intensive consultations have been carried out with directors of centers, boards, and associations and before 13 December--also with trade union aktiv of enterprises, on the modes of grouping and organizing individual enterprises in branches.

Consultations were resumed after the resolutions of the Council of Ministers Economic Committee of 12 March 1982 were published. These resolutions acknowledged the necessity for continuing the process of setting up voluntary associations and concluding agreements to that effect, in the name of enterprises by enterprise managers enjoying the rights of employee self-government while the latter is suspended.

Very positive phenomena in the process of setting up voluntary associations have resulted from the resolutions of the Council of Ministers Economic Committee. Structures of associations have been worked out, as well as codes for the activity of their [central] offices. Work on the founding documents of associations is in progress. In principle, the process of setting up voluntary associations is coming to an end. Court registration of associations is the slowest link. Despite this, several associations were registered as early as late March - early April, and embarked on statutory activities. After a positive response by the Parliamentary Commission of Agriculture and Food Industry, the Council of Ministers adopted on 10 May of this year resolutions on the obligatory establishment of 10 mandatory associations in our ministry. Intensive work is under way on setting up the associations.

/ The following are established as mandatory associations:
- Enterprises of the Meat-Packing Industry;
- Enterprises of the Grain and Milling Industry;
- Enterprises of the Sugar Industry;
- Enterprises of the Refrigerated Goods Industry;
- Enterprises of Industry and Veterinary-Zootechnical Supply;
- Animal Husbandry and Cattle Turnover Enterprises;
- Gardening, Garden Seeds and Nursery Enterprises;
- Plant Cultivation and Seed Enterprises;
- the Tobacco Industry;
- the Fodder and Waste-Recovery Enterprises BACUTIL. /

It can be expected that the target organizational structure of the Ministry of Agriculture and Food Economy will comprise between 26 and 30 branch associations at the national level (including 10 mandatory associations until 1985 with a view to implementing their separate functions and tasks) and about 85 voluntary associations at the district level (or, in part, voivodship level, for example, associations of state agricultural enterprises). District voluntary associations are being set up in branches such as agricultural construction, water and land reclamation, technical services and state agricultural enterprises and state farms. / The following will remain in the immediate jurisdiction of the minister of agriculture and food economy: /

/ Enterprise of Material-Technical Supply, Agricultural Research and Development Enterprise, Agricultural Construction Research and Development Center, Center of Water and Land Reclamation Technology, the Polmos Alcohol Industry Enterprise, the Opakomet Enterprise of Light Tin Containers, the Pest Control Enterprise. /

/ It is also envisaged that 14 units of the research and development infrastructure will remain in the immediate jurisdiction of the minister (research institutes, the Center for Cultivated Plants Research, the Central Station for Animal Husbandry and ministerial centers of the Organization and Standardization of Labor, and of Research and Development in Information Science, within the framework of the Institute of Economics, as well as the Central Agricultural Library, the Center for Cadre Improvement and Agricultural Progress and two state inspectorates (Technical Inspectorate of Agricultural, and Food Procurement and Processing) Central Inspectorate of Seeds and five district water management directorates. /

Decentralization of Management

In conjunction with the implementation of tasks ensuing from the Council of Ministers and the Council of State [joint] resolution of 28 November 1980 on the main avenues for broadening the jurisdiction of the local organs of authority and state administration:

/ The Ministry of Agriculture and Food Economy transferred 541 state agricultural enterprises to the governors' jurisdiction out of the 1,769 enterprises of the ministry employing 1,077,000 persons. These enterprises will probably set up 35 voluntary provincial associations (or interprovincial associations in central and eastern Poland). /

/ The ministry will gradually, until the end of this year at the latest, transfer to the jurisdiction of provincial economy 222 agricultural construction enterprises, 92 water and land-reclamation construction enterprises and 370 technical-service enterprises. The enterprises of these branches are in the process of organizing about 50 voluntary district associations. /

The minister of agriculture and food economy in his capacity as the founding authority of the above enterprises is gradually transmitting enterprise rosters to governors who will be the founding authority of the latter.

At the same time, work on refining new forms and modes of ministry activities in a reformed economy is well advanced. This work is concentrated on, among other things:

/ --specific scope of activity of the ministry in implementing the economic reform; /
/ --defining the forms and modes, as well as the scope of activity in the framework of particular managment functions in agriculture and the food industry; /
/ -- adjusting the organizational structure of the ministry to the array of the responsibilities discharged by it; /
/ --means and mechanisms of influencing organizational units [plant and equipment]; /

/ --a system for evaluating the functioning of the ministry in the environment of economic reform. /

Implementation of New Economic-Financial Systems

The entire socialized agriculture and food-processing industry, as well as the technical services to agriculture, agricultural construction, water and land reclamation, agricultural producer cooperatives and cooperatives of agricultural circles have adopted new concepts of economic-financial systems within the framework of the economic reform.

--State agricultural enterprises and state farms became self-financing in accordance with Council of Ministers Resolution No 114 of 17 June 1981 by 1 July 1981, being the first in the country, along with small-scale industry.

--Agricultural producer cooperatives became self-financed on 1 January 1982 on the basis of Council of Ministers Resolution 208 of 12 October 1981.

--Economic units of agricultural circles became self-financed on 1 January 1982, on the basis of Council of Ministers Resolution No 214 of 14 October 1981 and Ordinance No 6 of the Minister of Finance of 28 January 1982 and CzKiOR [Central Union of Agricultural Circles and Organizations] Board Resolution No 32 of 3 March 1982.

--Enterprises of the food-processing and fodder industry, enterprises of agricultural construction, water and land reclamation and of some other branches became self-financed on 1 January 1982 on the basis of Council of Minister Resolution No 243 of 30 November 1981.

--Enterprises of technical services to agriculture became self-financed on 1 January 1982 (90 percent of them on the basis of Council of Ministers Resolution No 112 of 8 June 1981 and the remainder on the basis of Council of Ministers Resolution No 243 of 30 November 1981).

--Enterprises of contractation and procurement and of processing and turnover in seeds and nursery materials became self-financed on 1 July 1981, on the basis of Ordinance No 41 of the Minister of Agriculture and Food Economy of 26 October 1981.

--Enterprises of turnover in cattle became self-financed on 1 July 1981 on the basis of Ordinance No 42 of the Minister of Agriculture and Food Economy of 26 October 1981.

Draft implementation regulations for the law on financial conduct of state enterprises are being prepared in conjunction with the law of 26 February 1982 on financial conduct of state enterprises, passed by the parliament, and other related legislation announced in DZIENNIK USTAW 1982 No 7, and also in conjunction with the legal recommendation on adapting the heretofore different concepts of various economic-financial systems in effect in various branches. This legislation adapts the economic-financial systems which have been effective so far to the comprehensive concepts of the system as formulated by the law. At the same time, this legislation should take into account the peculiarities and environment of agricultural food-processing and fodder enterprises, of technical infrastructure, agricultural construction and other units such as RSP [Agricultural Producer Cooperatives], SKR [Agricultural Circles' Cooperatives] etc.

It would seem that preferential systemic solutions taking into account the peculiarities of agriculture would provide a fairly equal start for enterprises in the reformed economy. This, however, is not the case. Besides matters ultimately settled and resolved, there is an array of factors which impact negatively on the functioning of systemic solutions in the reformed enterprise economy. Specifically, considerably different climatic and soil conditions and resultant length of vegetation period (for example, in Zielona Gora, Opole and Suwalki voivodships) as well as soil quality grade and situation (in mountainous or flat areas) are such factors in state agricultural enterprises and state farms.

Inadequate or considerably different levels of production assets and of agricultural equipment which cause incomplete utilization of production capacity of enterprises and increases in specific costs of their operation, also influence the introduction of new solutions. Shortages of some machines and implements, of mineral fertilizers and pesticides, and recently of concentrated fodder due to import restrictions on grains are especially painful. Shortages of raw materials for concentrated fodder production, are causing a decline in slaughter animals and milk production. In the longer run, it can even lead to an increase in cattle diseases and a decline in agricultural production.

High costs of fixed-assets amortization, for example, buildings of large industrial-type farms which cannot be fully utilized on the eve of the reform, and the lack of a full set of cattle due to the shortage of concentrated fodder are

also delaying the introduction of new economic-financial systems. Varied levels of employment in relation to needs, level of social and living conditions and professional skills of work forces are a factor too.

Cancellation of subsidies for plant cultivation and animal husbandry in all enterprises, despite a tremendous differentiation of conditions at the outset of the self-financing system and different initial levels of particular agricultural sectors, also requires much thought.

The implementation of reform in agricultural producer cooperatives is being hampered by the lack of implementation provisions for Council of Ministers Resolution No 208 of 12 October 1981. This impedes the introduction of the new economic-financial system. Also, the situation with supplies to cooperatives of the necessary means of production is unclear, compensation payments for families of cooperative members are lacking. The problem of upbringing bonuses for women rearing small children has not been solved either.

In economic units of agricultural circles, the following factors hamper the introduction of economic reform:

/ --delays in publishing standard regulatory acts regarding writing off investment credits and suspension of repayment of turnover credit, as well as transitional financing of losses; /

/ --the still unresolved issue of covering losses in the amount of 13.4 billion zlotys incurred in 1977 through 1981 and the unsettled problem of writing off credits for cattle-farm construction amounting to 3 billion zlotys. These issues can cause insolvency for a considerable number of cooperatives. /

Failure to solve problems of a financial nature in SKRs causes tremendous payments difficulties and influences to a considerable degree the increase in current production costs. Despite satisfactory solutions in the economic-financial system, this failure also delays stabilization and subsequent development of production and service operations of these units.

Restrictions on production caused by shortages of raw and other materials to enterprises are such a factor in industrial enterprises and, in part, in agricultural construction and land reclamation. Due to this, production capacity will not be fully utilized in 64 enterprises, with a mere 50 percent utilization in as many as 40 enterprises. It is expected that potential production capacity of 10 enterprises will be utilized only 30 percent, as, for example, in the poultry industry where broiler slaughter lines will be stopped in the second quarter due to the lack of fodder.

The brewing industry will most probably reduce its production to 50 percent due to the shortage of barley and coca-cola concentrate. This will also be the case in the fodder industry due to the restricted imports of grains and other ingredients of concentrated fodder. The fruit and vegetable industry will restrict its production due to insufficient quantities of containers needed to manufacture canned goods and bottle imported wines. The lack of oleiferous seeds will cause the stoppage of oil production throughout the second quarter of 1982.

There also is a problem presented by the considerable differentiation in operating costs among enterprises within a given branch. For example, the following cost differentials were registered in some enterprises of the food industry.
/ --in the sugar industry enterprises, the cost of producing 1 ton of sugar amounts to:/
/ --the lowest, 17,560 zlotys; /
/ --the highest, 44,500 zlotys; /
/ --in the vegetable oil industry enterprises, the cost of producing 1 ton of vegetable oil amounts to: /
/ --the lowest, 28,570 zlotys; /
/ --the highest, 32,560 zlotys. /

In both industries, certain factors occur which cause such appreciable differentiation regardless of the diligence and efficiency of operation. Specifically, the following factors are important: varying quality of raw materials (content of the active ingredient) which is not reflected in procurement prices of sugar beets, potatoes, rape as well as differing levels of equipment and ensuing brackets of amortization which are a burden on the costs of operation. Investment projects completed over the last 10 years place a double burden on the costs of operation with high amortization costs and interest on investment credits during repayment period which often exceed principal installments proper. The difference in the costs of transportation and distribution is also appreciable. It results from state control of supplies often allocated for very remote regions.

Frequently, official prices of finished goods are set at a level well below the cost of production, for example, in the meat-packing, milling and grain, poultry, fodder, vegetable oil and sugar industries. Therefore, subsidies from the [state] budget are required to support costs of operation in these industries. Due to this, the enterprise has only a limited influence on the profit, which, in turn, restricts the influence of the mechanisms of reform on economic efficiency.

Official prices of raw and other materials for the meat-packing, milling and grain, fodder, vegetable oil, alcohol and tobacco industry considerably restrict the opportunity to work out profit independently and improve economic efficiency. The impact of the incentive system is also impaired in this way.

High progressive income tax and other taxes, levies and other fees on profit, and also fixing the rate of profitability as the ratio of profit to the cost of processing (rather than the cost of production, as before) prevent the enterprises from setting off adequate development funds from profits. The development fund created from amortization writeoffs is also considerably restricted due to the transfer of an appreciable share of these writeoffs to the [state] budget by all enterprises operating in the economic-financial system established by Council of Ministers Resolution No 243. This resolution applies in the entire food-processing industry, in the fodder industry, agricultural construction and some other enterprises.

Probably the enterprises will be reluctant to obtain otherwise available investment credits due to the expected difficulties with repayment from the future small income of the development fund, and due to the high interest on credit which will place a burden on operating costs during the recoupment period. Interest payments in the first years of repayment will exceed principal installments.

The Influence of External Conditions on Enterprise Operations

The level and structure of supply of production assets is the basic external factor influencing the proper action of systemic reform mechanisms. The implementation of economic reform in the Ministry of Agriculture and Food Economy is proceeding in an environment of acute shortages of raw and other materials. Under these circumstances, the actions of the enterprises and the ministry are aimed at adjusting the mechanism of reform to the actual conditions in which enterprises operate.

It became necessary to limit production in some enterprises of the food-processing industry due to short supplies of basic raw materials. According to estimates, production will be limited in 64 enterprise, especially in the poultry, fodder, brewing, fruit and vegetable, oil and tin-container industries.

Smooth operation of production and investment service units, of underwriting banks and local administration is a significant external factor of enterprise functioning. The operation of these units under new conditions has not yet been fully studied.

/ However, so far no essential changes have occurred in the activity of local administration related to agriculture. Local organs of administration are still burdening the enterprises with additional paperwork, demanding free services or, in the case of provincial offices, considerably limiting the freedom of decision of enterprises by interference, often unwarranted, in matters of level and structure of production at the planning and sales stage. /

Direction of Changes in Enterprise Production

The introduction of new economic-financial systems and freedom in setting production plans associated with it took place in July 1981 in state agricultural enterprises and state farms and in other branches in January of this year. It caused an increasing adjustment of production plans to the opportunities of enterprises.

/ In PGR [state farms], where the reform was introduced half a year earlier than elsewhere, the following effects were registered: /
/ --adjustment of crop mixes to the soil and climatic conditions; /
/ --an increase in the share of grains in crop mixes; /
/ --restriction of cultivation of fodder crops (especially, corn for silage); /
/ --restriction of young feeder-cattle breeding and hog breeding on industrial-type farms; /
/ --adjustment of the size of herds in particular enterprises to their own fodder resources and ensuing reductions of hog breeding and of milk production on industrial-type farms. /

In general, crop production became more profitable in PGRs than animal husbandry. In order to improve profitability of animal husbandry and overall operations, an appreciable number of PGRs intend to introduce breeding of young cattle for their own farms, breeding of small farm animals, seed production, greenhouses and food processing. Maintaining coproduction links with private farms is considered unfeasible due to low profitability.

Progress of changes in production patterns in PGRs is still not satisfactory due to frequent changes in prices of the means of production and of agricultural products and also due to some solutions of the economic-financial system of PPGR, [State Farm Enterprise] and PGR which have not yet been ultimately settled.

In sectors of agriculture other than RSPs where the situation is similar to that of PGRs we are having to do with unused production capacity rather than with changes in production patterns. Failure to fully utilize production capacities is due to the commonly known difficulties with supplies of raw and other materials and procurement of construction services.

Despite these difficulties, it can be stated that the general change of production patterns is in keeping with the current goals of economic policy, because they lead to rational utilization of the potential of particular enterprises.

Utilization of the Means of Production and Land

The process of improving economic efficiency in the environment of economic reform must be accompanied by a more complete utilization of the factors of production than before. This primarily applies to labor and fixed assets.

Labor is not fully utilized due to temporary shortages of raw materials and spare parts, and due to the weak impact of the incentive system. Lack of confidence in the future of some enterprises does not encourage good work, either.

Labor must be increasingly better utilized along with standardization of prices, enterprise profit formation, the improvement of the wage system and organizational stabilization of enterprises.

A perceptible improvement in land-use intensification has occurred in agricultural enterprises. An increase in yields and a more intensive crop mix (larger shares of sugar and beets and rape in the crop mix), soil improvement (land reclamation and use) should be viewed as indicators of this improvement.

At the same time, a phenomenon has been observed whereby enterprises dispose of land with a low soil-quality grade or of lots situated further away from the economic center. The costs of farming such land are high, whereas production and financial returns are low. Therefore, autonomous and self-financing enterprises are undertaking measures to get rid of these areas. In all such cases, the land is transferred to the State Land Fund.

However, in many enterprises the degree of fixed-assets utilization has deteriorated. This applies primarily to livestock buildings in PGRs. The reasons for this state of affairs are found in unprofitable breeding (calves past the veaner stage) and the lack of manufactured concentrated fodder, hampering hog and poultry breeding and milk production.

Shifts in the structure of production brought about a limited utilization of some specialized machinery, equipment and transportation vehicles. Fodder mixing and drying installations have also been used to a limited degree. Surpluses of production assets are accompanied by simultaneous shortages of equipment in some enterprises, especially with regard to large capacity tractors, root crop and silage harvesters, sowing, cultivation and plant-protection equipment, garages, warehouses, and residential buildings.

Operation of the Incentive System

The incentive system of enterprises under the introduced economic reform is based on profits attained or on the improvement of financial returns of enterprises operating in the red. The adopted mechanisms must promote a stronger interest of employees in economic efficiency and a more equitable remuneration of labor.

The incentive system is called upon to fulfill multifaceted goals: it must effect a shift to more profitable production patterns, to rational employment levels and a rise in labor productivity.

Along with the process of adaptation to the changed economic situation in the country, the incentive system in agriculture has been a strong influence on shifts in structure and patterns of production in particular enterprises. Due to this, the share of grains and sugar beets in the crop mixture has increased at the expense of feeder crops. Cattle and hog breeding in industrial-type farms has been reduced due to low profitability. The size of herds has been limited to the fodder resources of enterprises. However, so far these actions have been promoted by enterprise management with little work force involvement.

Production of grains, rape, milk, sugar beets and hog breeding will be given preference in agricultural production under the prices and incentive systems currently in effect.

A look at labor-force utilization reveals a lack of substantial changes in the total strength of the work force. This is not to say that the structure of employment has not changed, since in some enterprises, the number of employees in administration and service units has been reduced primarily by transferring some labor to production units.

At the same time, no perceptible changes have occurred in specific labor productivity. Moreover, a decrease in productivity can be observed due to work stoppages caused by shortages of raw materials, spare parts, etc. The registered improvement in labor discipline is attributable to the situation under martial law rather than better motivation.

Increased autonomy of enterprises brought about a growth of initiative among management cadres. However, incentives for better work by blue-collar employees are still lacking. With regard to this group, the system of remuneration is seen as a basic drawback, because the share of funds not immediately linked to quantity and quality of labor is too high in employee wages.

As far as the bonus fund goes, the time lapse between doing a job and obtaining bonuses for its quantity and quality is seen as too long. The differential in wages between management personnel and executives is viewed negatively, because low remuneration of the former accompanied by considerable responsibilities reduces their interest in the job.

Changes in Organization and Enterprise Management

The economic reforms provided opportunities for changes in both enterprise organization and system of management. In agriculture, freedom in shaping organizational structures primarily brought about a dissolution of some large production units such as agricultural combines. The combines set up after 1975 in many cases were organized artificially in order to increase so-called [institutional] clout. They increased only the organizational indisposition of the sector, while not bringing any evident benefits to basic production units.

On top of changes at intermediate management levels (liquidation of associations and most combine directorates), changes within enterprises have also taken place. The number of divisions within the framework of existing enterprises has increased considerably. A segment of divisions began operation as separate enterprises in 1981. Another segment has adjusted its scope of operations to local conditions. This process has not yet been completed. It is expected that enterprises can be split further and repair shop and social services divisions can be liquidated.

Increased autonomy of basic production units causes a trend toward dissolution of some construction and production service units and the taking over of their activities by divisions. Similarly, in production units of industry a strong tendency can be ascertained to split enterprises into autonomous divisions, especially in the sugar, fruit and vegetable and the container industries. However, due to the supply situation and state control, the ministry has tried to counteract this tendency to a degree. As a result, eight new enterprises have been set up by separating them out of existing multidivision enterprises.

The level of decisionmaking shifted when, in accordance with reform concepts, the directive-type management system was abandoned. This changed the responsibilities and functions of enterprise management. In the present situation, enterprise management discharges coordination functions in current and long-range planning; it organizes investment and supervision activities. Supply of the means of production and repair activities are organized at the enterprise level.

The concepts of the economic-financial system in agriculture and the food economy must not only render assistance to enterprises in overcoming short-term difficulties, but also bring tangible effects in the growth of agricultural production for the market in a continuous and stable way. All further actions of the Ministry of Agriculture and Food Economy will be directed toward the goal.

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# LAW ON SOCIOECONOMIC PLANNING PUBLISHED

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[Text] Chapter 1: General Regulations

Article 1

The economy of the Polish People's Republic is a planned economy based on a socialist economic system. The functioning and development of the economy are regulated by the system defined in this law for socioeconomic plans actively structuring economic development using the market mechanism.

Article 2

1. The socioeconomic plan represents an instrument for increasing the material and cultural level and quality of the population's life, the proportioned development of the economy, for increasing the social effectiveness of management, and for expanding and bolstering the economic foundations of the socialist system.

2. Socioeconomic plans are prepared with consideration given to the experience and contributions of science and culture.

Article 3

The social nature of planning is expressed in the active participation of representative bodies at all levels and of social organizations in the drafting of the plans and in supervising their implementation, particularly in the realm of shaping the population's living and health conditions, the protection of the natural environment, and the development of culture and education. The principles and methods of preparing the plans create conditions for participation in planning by the party and political parties, trade unions, social organizations, the scientific and creative communities, and also public opinion.

## Chapter 2: Basic Types of Plans

### Article 4

These are the basic types of plans:

1) Central plans
2) Regional plans (voivodship, city, and gmina [parish] plans)
3) Plans of enterprises and other units of the socialized economy
4) Plans of budget-financed units and other state organizational units

### Article 5

The central and regional plans charge the state administrative bodies with the obligation of using the means granted them by law to have an impact on the enterprises and other economic units, in order to provide for the implementation of the tasks specified in these plans.

### Article 6

The actions of the economic units are made to coincide in terms of direction with specific goals as specified in the central and regional plans in these ways:

1) Contracts which bodies of the state adminstration or their designated organizational units make with units of the socialized economy and contracts made between enterprises and other economic organizations,

2) Application of economic instruments by bodies of the state administration and by banks, on the basis of legal authorization,

3) Mutual exchange of information in the course of drawing up plans,

4) The possibility of charging state enterprises with the obligation to carrying out tasks in keeping with the regulations of the law on state enterprises.

## Chapter 3: Central Planning

### Article 7

The central plans define the state's socioeconomic policy, that is, the goals, ratios, and means of development of the economy, the basic social and economic tasks, and the means of carrying them out.

### Article 8

The central plans are drawn up to cover the following periods:

1) a decade or longer (long-range plans),
2) five-year plans (national socioeconomic plans),
3) plans for a single year (annual central plans).

Article 9

1. Long-range plans are step-wise in nature, that is, the period for which the plan is prepared is extended every 5 years to include the next five-year period.

2. The long-range plans define:

1) projected structuring of social and economic needs and the possibilities for meeting them,

2) major directions and ratios of development of the national economy as needed to maintain the continuity of the development processes in plans with a shorter time-frame and to continue economic undertakings which extend beyond the period of the intermediate-range plan,

3) major directions for international specialization and adaptation of the economy to anticipated changes in external conditions.

3. The following issues in particular are taken into consideration in the long-range plan:

1) satisfaction of the society's material and cultural needs,
2) protection of the natural environment,
3) power-raw materials management,
4) development of the social and technical infrastructure of the country,
5) trends in the realm of foreign trade and foreign cooperation, with particular attention to the development of socialist integration,
6) development of science and technology, as well as progress in the realm of the quality of goods and services,
7) regional development of the country,
8) provision for the defense and security of the state.

4. Long-range plans are drawn up in relation to the whole national economy, and also with regional breakdowns.

Article 10

1. The national socioeconomic plans are the basis for directing the development of the national economy. There are precise determinations of the targets of the long-range plan and an expansion of the problematics of the planning included in the national socioeconomic plan.

2. These aspects are differentiated in the national socioeconomic plan:

1) basic conditions for economic development and targets of social policy as they apply to the nation as a whole,

2) points of the plan,
3) means of implementing socioeconomic policy,
4) information for local bodies, enterprises, and other units of the national economy.

3. In the part discussed in Paragraph 2, Point 1, the national socioeconomic plan encompasses the following:

1) Forecast of the generation and distribution of national income and the rate of development and extent of satisfaction of social needs,

2) Basic directions and ratios of socioeconomic development and targets pertaining to the directions of the economy's structural transformations, particularly in terms of region and of branches and subsectors, foreign economic cooperation and technical progress, and, in particular, economic cooperation with the Council of Mutual Economic Assistance [CEMA],

3) Targets of the policy for the development of education, science, culture, public health, and the meeting of other nonmaterial needs,

4) Targets of the policy for the development of consumption, with particular attention to the ratios between private consumption and collective consumption,

5) Targets of the policy for employment, income, and wages, as well as social services,

6) Targets of the policy of protection and development of the natural environment,

7) Targets of the programs for implementing goals in the various areas of socioeconomic policy as the basis for undertaking the points of the plan (Paragraph 2, Point 2) and setting other means of implementation in motion (Paragraph 2, Point 3),

8) Changes in the branch-subsector structure of supply and demand,

9) Balance-sheets for basic products,

10) Targets of investment policy,

11) Targets of pricing policy,

12) Financing methods for undertakings contained in the plan.

4. In the part discussed in Paragraph 2, Point 2, the national socioeconomic plan encompasses the following:

1) investment undertakings with longer implementation cycles, and in particular, the major energy-raw materials investments, transportation investments, and investments in the realm of social consumption and environmental protection, and other investments of strategic importance to the national economy,

2) scientific research programs and research and development projects,

3) tasks implied by international agreements and coordination agreements under the auspices of the Council for Mutual Economic Assistance,

4) definition of financial resources for carrying out social programs and multiyear projects,

5) tasks related to the defense and security of the state.

5. In the part discussed in Paragraph 2, Point 3, the national socioeconomic plan encompasses the following:

1) the principles of operation and economic instruments which help to insure economic balance and the coordination of the plan,

2) other economic instruments discussed in Article 6.

6. In the part discussed in Paragraph 2, Point 4, the national socioeconomic plan encompasses information and forecasts relating to the following:

1) structuring of the supply of fuel and power, and the supply of raw and other materials to the economy,

2) changes in the conditions of supply and demand and the prices on foreign markets,

3) targets of price changes in the domestic market,

4) major changes in the realm of technology,

5) the situation in the realm of employment with a breakdown by region and vocation-subsector,

6) other issues which need to be addressed in the planning process,

7) probable threats to the implementation of the plan and possible directions to combat them.

7. The action of the nonsocialized economy, especially private farming and crafts, is presented in the plans only in terms of estimates.

Article 11

1. The annual central plan contains precise determinations of the targets resulting from the national socioeconomic plan in the light of a more exact knowledge of economic conditions. It contains a specification of the basic ratios for the annual period and its social policy measures serving the attainment of long-range and ongoing social goals.

2. No change in the goals or directions of socioeconomic policy as specified in the national socioeconomic plan can be made through the annual central plan. This can only be accomplished by changing the national socioeconomic plan.

Article 12.

1. The financial plans are an integral part of the planning system.

2. Financial plans like the state financial balance, the state budget, the credit plan, the balance-sheet of the population's cash income and expenditures, and the balance of payments are mutually tied in with the national socioeconomic plans and the annual central plans, in order to insure realism in planning, through the adaptation of actual plan tasks to the state's financial capabilities.

3. The central financial plans help insure internal monetary balance and the balance of payments of the country, financial monitoring, and the coordination of actual economic processes, along with the shaping of monetary-credit policy consistent with financial capabilities and planning directions, and also the ratios of economic development.

4. The central financial plans are described by the regulations of separate laws.

Chapter 4: Regional Planning in the Voivodships, Towns, and Parishes

Article 13

The regional plans at the voivodship level and basic level define the purposes, directions, and tasks of local socioeconomic development, and in particular the satisfaction of the population's needs.

1. Voivodship level regional plans are drafted in terms of the following periods:

1) Five-year periods (for voivodship socioeconomic plans),
2) Annual periods (for annual voivodship plans).

2. The voivodship plan specifies management conditions and social and economic tasks of general voivodship significance, including employment policy and the use of local resources, along with the means for carrying out the plan.

3. In addition, the voivodship plan specifies

1) the directions for development of enterprise activity, for those enterprises for which the founding body is the local body of the state administration at the voivodship level,

2) the conditions for locating investments and tasks in the realm of environmental protection, in relation to all enterprises and units operating in the voivodship,

3) directions of cooperation with enterprises located in the voivodship in matters relating to changes in employment, joint investment ventures, production services and nonproduction services rendered on behalf of enterprises and enterprises' services rendered on behalf of the voivodship.

4. The steering of the development of the voivodship is based on the voivodship socioeconomic plans.

5. The voivodship people's council ratifies the voivodship socioeconomic plan and defines independently the directions and targets for voivodship development, while taking into account the targets of state socioeconomic policy as expressed in the central plans and the targets of the plans of basic-level units in the realm of the jurisdiction assigned them and in keeping with their resources. The scope and content of the voivodship socioeconomic plan are determined by the voivodship people's council to fit the needs of the region.

6. The voivodship budgets, which are approved by the voivodship people's council, are the basis of the voivodship's financial management.

7. The voivodship people's council may make a decision to prepare a ten-year long-range plan covering the problematics of the voivodship's social, economic, and regional development or other plans not mentioned in Paragraph 1.

Article 15

1. Regional plans at the basic level are drawn up for the following periods:

1) Five-year periods (town (parish [gmina]) socioeconomic plans),

2) Annual (town (parish [gmina] annual plans) periods.

2. The town people's council may also approve a ten-year long-range plan.

3. Town and parish [gmina] plans independently approved by the town and parish people's councils include the following, in particular:

1) organizational and economic ventures favoring the activation or upgraded effectiveness of agriculture, food processing, small-scale industry, crafts and trades, commerce and services,

2) provisions concerning the development of the social infrastructure,

3) directions of development of the activity of enterprises for which the body of the state administration at the basic level is the founding body,

4) production and service tasks of the town or parish units of the municipal economy;

5) provisions concerning the location of investments and tasks in the realm of protection of the natural environment on matters falling under the jurisdiction of the town and parish people's councils.

4. The budgets of the towns and parishes as ratified by the town and parish people's councils are the basis of the financial economy of the towns and parishes.

5. The town and parish plans discussed in Paragraph 1 are related to the financial plans taking into account both direct income and subsidies or shares of the voivodship budget income. The town and parish plans are directed mainly to meeting the local needs of the population. These plans take into account the guidelines of the voivodship socioeconomic plan and the voivodship annual plan within the realm discussed in Article 14, Paragraphs 2 and 3.

Article 16

The voivodship, town, and parish plans should take into consideration the joint ventures undertaken by two or more administrative units and units of the socialized economy.

Chapter 5: Planning in the Enterprises and Other Units of the Socialized Economy

Article 17

1. Enterprises and other units of the socialized economy draw up plans independently in keeping with their own needs, appropriately taking into account the principles specified in the law on state enterprises or in the law on cooperatives and their unions. These units draw up annual plans and development forecasts or plans. The scope and level of detail of these plans or forecasts they determine independently, giving consideration to the technical and economic conditions of their operation.

2. The Council of Ministers may require the preparation of five-year or long-range plans from units of the socialized economy of particular significance to:

1) supplying the economy with raw and other materials,
2) carrying out multiyear international agreements,
3) developing and protecting the natural environment.

Article 18

1. The plan of the unit of the socialized economy defines the directions of its activity and development on the basis of cost-effectiveness and full financial responsibility for the outcome of operations, consistent with the principles of self-financing.

2. In drawing up the plans, the units of the socialized economy are directed by the following, among other things:

1) the results of supply and demand research in the country and abroad,
2) agreements with suppliers and consumers, and with other units, or preliminary agreements in this area,
3) information stemming from the targets of the central and regional plans,
4) principles in effect and economic instruments defined in Article 6,
5) state standards specifying quality and operating requirements.

Article 19

Units of the socialized economy make the basic information contained in their plans available to top and local bodies of the state administration and to banks and financial control bodies upon their request.

Article 20

The regulations of the law concerning the enterprises also apply to enterprise associations in the realm in which their statutes provide for them to assume the planning functions necessary for them to carry out their tasks.

Chapter 6: Principles of Planning and the Manner of Social Consultation

Article 21

1. Socioeconomic planning is based upon:

1) an analysis of the condition and development of the economies of the enterprises, parishes, towns and cities, voivodships, and the national economy as a whole,

2) analysis of financial capabilities,

3) forecasts of external conditions of development,

4) analysis of the social needs and the possibilities of meeting them,

5) knowledge concerning the anticipated directions of the development of the national economy, the voivodships, the towns and cities, and the parishes, enterprises of the socialized economy, and the directions of the development of the nonsocialized economy.

2. In order that there be fuller awareness of the conditions and possibilities of development, the planning bodies, in cooperation with the scientific research institutions, conduct preplanning studies which compare, using internally cohesive variants, the social goals and the available means for accomplishing them, and then they select the draft of the most effective variant.

3. The organs planning the development of services and social benefits conduct work consisting of the following:

1) familiarizing themselves with the individual and collective needs of the society, giving consideration to the differences between them in terms of structure, type, organizational unit [plant and equipment], and region, and, to this end, using standards of measurement and indices of the extent to which needs are met, including the sizes of their desired minimum. These sizes should be discussed with the trade unions,

2) defining the possibilities for meeting social needs within the limits of the available financial resources, to this end, using analyses and calculations of alternative costs of supply of the goods and services to help meet various sorts of needs.

4. The drafts of variant solutions concerning basic issues are put to the public for discussion. The planning bodies are also obliged to inform political and social organizations, trade unions, and interested scientific and artistic groups about the directions of the solutions proposed in the plans.

Article 22

1. Long-range planning comes after studies on the major problems of social and economic life and the programs for resolving these problems over longer periods of time, as well as long-range forecasts of external conditions to which the country's economy is going to have to adjust. In the course of this work an effort is made to learn the views of the scientific communities and the scientific-technical and socioprofessional associations.

2. Sejm commissions are consulted on variant drafts of the long-range central plan, and the appropriate trade union bodies are also involved in the part concerning the working and living conditions of the population.

3. The press and other mass media should present the basic problems and the proposed directions for resolving them. The planning body is required to present the Sejm and the society the results of social consultation conducted on the long-range central plan and the ways in which comments have been taken into account.

Article 23

1. There are two stages to the drafting of the national socioeconomic plan, that is:

1) variant concepts of the national socioeconomic plan,
2) the draft of the national socioeconomic plan.

2. The variant concepts of the national socioeconomic plan should be based on the provisions of the long-range plan, a diagnosis of the condition of the economy and the conditions underlying it, and also on the projected development of socioeconomic processes and anticipated changes in external conditions. These variants should present the targets concerning the basic social goals and the ways they are to be achieved under various circumstances.

3. Variant concepts of the national socioeconomic plan should be the subject of the consultation discussed in the principles defined in Article 22, Paragraphs 2 and 3.

4. The Sejm selects the variant of the national socioeconomic plan.

5. The following should be given particular attention in the work on the draft of the national socioeconomic plan:

1) the Sejm's opinions and recommendations concerning the variant of the national socioeconomic plan, as discussed in Paragraph 4,

2) the results of the work done as described in Paragraph 2,

3) information about the targets of the multiyear plans of the voivodships and certain enterprises,

4) the results of social consultation,

5) coordination agreements concerning the plans of the CEMA member countries and other international agreements,

6) information concerning major initial contractual agreements among enterprises.

6. The national socioeconomic plan should be worked out in such a way and timeframe for the Sejm to be able to ratify the plan before the onset of the period of its implementation.

Article 24

1. The preparation of the annual central plan includes:

1) preparation of variant targets of the annual central plan,

2) preparation of the draft of the annual central plan.

2. The targets of the annual central plan should take into account the provisions of the national esocioeconomic plan for the given year, an assessment of the ccondition of the national economy and the conditions underlying it, anticipated results of the current year, and projected external conditions during the plan year. On the basis of these assumptions the variant proposals concerning the methods for best accomplishing the goals designated in the national socioeconomic plan should be presented.

3. The targets of the annual central plan are the informational basis for work on drawing up the annual plans for the voivodships, cities and towns, parishes, and enterprises and for conducting consultations and entering into preliminary economic agreements. The draft annual central plan is the subject of consultation with appropriate trade union bodies, insofar as the part related to the policy of pay, prices, and living conditions of the population and working conditions is concerned.

4. The draft annual central plan is based on socioeconomic forecasts and analyses, with consideration given to the requirements of Sejm commissions and suggestions made in social discussions.

Article 25

The necessary reserves of production factors to carry out key socioeconomic tasks under economic conditions more difficult than anticipated should be maintained in the national socioeconomic plan and the annual central plan.

Chapter 7: Jurisdiction in the Realm of Planning

Article 26

The Sejm does the following:

1) defines the problems which need to be worked out in the long-range plans,

2) reviews the long-range plan drafts and the concepts of long-range governmental policy in the areas of strategic significance for the national economy,

3) reviews the targets and means of implementation of the national socioeconomic plan, and on this basis selects a variant of the targets of that plan,

4) ratifies the national socioeconomic plan, establishing the maximum level of expenditures for central investments and the ratios defining permissible foreign debt,

5) reviews the targets for the annual central plan as developed in keeping with Article 24, Paragraph 2,

6) ratifies: the state budget, the credit plan, and balance of payments, and receives the report on the execution of the state budget,

7) at annual intervals, evaluates the course of fulfillment of the national socioeconomic plan as well as the way the balance of payments and credit plan are being implemented,

8) reviews reports on the implementation of the national socioeconomic plan.

Article 27

1. The Council of Ministers presents to the Sejm:

1) long-range plan drafts,

2) variant targets and assumptions for drawing up the national socioeconomic plan, the draft of that plan, the targets of the annual central plan, and drafts of: the state budget, the state financial balance-sheet, and the balance of payments,

3) annual reports on the way the national socioeconomic plan implementation is going,

4) ratified annual central plans, together with the draft budget.

2. The Council of Ministers does the following:

1) ratifies the annual central plan,

2) organizes the implementation of tasks established in the national socioeconomic plan and the annual central plan,

3) assesses the course of implementation of the national socioeconomic plan and the annual central plan in various areas and the course of the economic processes in the enterprises of the socialized economy and in the nonsocialized economy, and makes the necessary decisions for the achievement of the plan goals.

3. The chairman of the Polish National Bank, after ratification by the Council of Ministers, presents the Sejm with the draft credit plan along with the balance-sheet of the population's cash income and expenditures and the targets of the state's monetary-credit policy.

Article 28

1. The Council of Ministers Planning Commission is the supreme body of the state administration in matters of socioeconomic planning.

2. Separate laws specify the roles of the Minister of Finance and the Chairman of the Polish National Bank.

Article 29

1. One of the tasks of the Council of Ministers Planning Commission is the preparation of drafts and analyses of the implementation of long-range plans, national scioeconomic plans, and annual central plans. The ministers, the central cooperative unions, and the voivodship governors cooperate and work in concert with the Council of Ministers Planning Commission in this area.

2. The chairman of the Council of Ministers Planning Commission does the following:

1) sets up the work on long-range studies, programs, and forecasts as described in Article 22, Paragraph 1,

2) at Council of Ministers meetings brings up long-range plan drafts, variant national socioeconomic plan targets and annual central plan targets, as well as drafts of national socioeconomic plans and annual central plans,

3) analyzes the way the plan implementation is going and informs the Council of Ministers of the findings, if need be, making proposals concerning the action which needs to be taken to insure that the plans are accomplished and making proposals concerning changes in the national socioeconomic plan and the annual central plan,

4) presents the Council of Ministers with reports on the execution of the plans discussed in Paragraph 1,

5) establishes the course and methodology of drawing up the national socioeconomic plan and the annual central plan.

Article 30

1. According to the scope of their operation, the ministers compile analyses of economic processes and forecasts of development, present proposals for drawing up drafts of the national socioeconomic plan and the annual central plan, giving particular attention to the directions of structural changes, directions of scientific and technical policy, and foreign cooperation; present proposals concerning the application of economic instruments, take part in international coordination of plans, and monitor the implementation of decisions of state bodies.

2. In cooperation with the Minister of Finance and the chairman of the Polish National Bank, the chairman of the Council of Ministers sees to it that the national socioeconomic plan and the annual central plan are mutually consistent with the financial plans.

3. The Council of Ministers coordinates activity and resolves divergences in the planning process.

Article 31

1. The voivodship epeople's councils do the following:

1) review long-range plan drafts in the instances mentioned in Article 14, Paragraph 7,

2) review targets of plans and also ratify voivodship socioeconomic plans, voivodship annual plans, and voivodship budgets,

3) evaluate the execution of voivodship plans and voivodship budgets.

2. The regulations of Paragraph 1 apply correspondingly to the town and city people's council and to the parish people's councils.

3. Voivodship governors do the following:

1) present variants of assumptions and targets of voivodship annual and socioeconomic plans as well as drafts of long-range voivodship plans to the voivodship people's councils for discussion,

2) present the voivodship people's council s with drafts of voivodship socioeconomic and annual plans and voivodship budgets,

3) undertake action to carry out these plans,

4) present reports on their implementation at sessions of the voivodship people's councils.

4. The regulation of Paragraph 3 applies to the presidents of cities, towns, and parishes, as appropriate.

Article 32

Jurisdiction in planning matters in the state enterprises and other units of the socialized economy is determined as appropriate by the laws on state enterprises, the worker self-government of state enterprises, and cooperatives and their unions.

Chapter 8: Temporary and Final Regulations

Article 33

For the period of the inculcation of the economic reform, but not beyond the end of 1983, the Council of Ministers is authorized to do the following:

1) use state control of turnover of raw and other materials, products, and foreign exchange funds,

2) draw up a national socioeconomic plan for a period shorter than 5 years.

Article 34

In the law, wherever there is mention of:

1) supreme bodies of the state administration or ministries, this also means central bodies of the state administration and their directors,

2) voivodship people's councils or voivodship governors, this also means the people's councils of cities with the rank of voivodship and the presidents of these cities,

3) parish or town people's councils or the directors of mayors of towns and parishes, this also means joint people's councils for towns and parishes, heads of towns and parishes [mayors], and mayors of towns at the basic level,

4) town and parish plans, this also means joint plans for towns and parishes.

Article 35

The decree on the planned national economy, dated 1 October 1947 (DZIENNIK USTAW No 64, Item 373) is void.

Article 36

The law goes into effect as of 1 July 1982

Chairman of the Council of State: H. Jablonski
Secretary of the Council of State: E. Duda

10790
CSO: 2600/822

POSITION ON INTERNATIONAL RAW MATERIALS AGREEMENTS URGED

Warsaw HANDEL ZAGRANICZNY in Polish No 3, 1982 pp 17-20

[Article by Henryk Wojciechowski: "An Integrated Raw Materials Program Or Unfulfilled Expectations?"]

[Text] In May 1974, a special session of the United Nations General Assembly, assuming a role of a realistic platform for a dialogue between the group of developed countries and the group of countries of the Third World, has adopted a declaration describing a need to establish a new international economic order, and added to this a Program of Action. Based on this declaration, and within the framework of UNCTAD which was entrusted with its further direction a (so-called) Integrated Raw Materials Program has been conceptually proposed.

In June 1977, the ministers from 24 OECD states (representing the principal raw materials purchasers) expressed their support for the Program and the stabilizing fund which was to be an integral part of it. The draft of the Program stressed the need for a global approach to an international raw materials policy, a reconstruction of the international raw materials market and for the introduction of new action mechanisms to this market. This was to take place by way of:

-- stabilization and maintenance of basic raw materials prices (taking into account inflationary tendencies) on a level which would be profitable to the producers and consumers alike,

-- limitation of excessive price fluctuations and size of the international raw materials traffic which--until now--was the cause of most troubles for the exporting countries for whom, very frequently, exports were the principal means of financing their own economic needs,

-- insuring for the exporting countries an access to the selling market which would be based on the principles of partnership,

-- a guarantee for the importing countries of raw materials deliveries which would be stabilized in their size and prices.

The Joint Fund for Raw Materials Price Stabilization became the cornerstone element of the Program. The fund is meant to assist in purchasing of

appropriate amounts of raw materials in order to create buffer stocks which would ensure the producers of receiving proper prices. The understanding respective to the creation of the Fund was signed by 101 countries participating in the regular session of UNCTAD in Geneva on 30 June 1980.

The fundamental purpose of the Integrated Raw Materials Program is the attainment of such [raw materials] price structure which would insure for the principal exporting countries (i.e. mostly countries of the Third World) an improvement in their terms of trade and an increase in their real income from exports, and thus effect an acceleration of their economic development.

The Integrated Raw Materials Program represents only a general framework which should be filled with the texts of separately negotiated, and so far principally independently achieved, international understandings on raw materials, which at this junction will be cooperating with the Integrated Raw Materials Program in accordance with the principles of associations.

The objective extent of the Program was initially limited to 18 raw materials which have an important impact on the world economy. These are:

-- from the food raw materials group: sugar, coffee, cocoa, tea, bananas and beef.

-- from the industrial raw materials group: cotton and cotton yarn, sissal, jute and jute products, natural rubber, copper, tin, bauxite, ores of iron, ores of manganese, phosphates, tropical lumber, oleaginous seeds and vegetable oils.

The actual significance of the regulation of the world raw materials market, taken as a whole, lies in the raw materials understandings which are conducted for each of them. By virtue of standardization of the principles of their activity, those understandings (with a financial assistance) will achieve the goals and tasks which were generally presented in the Integrated Raw Materials Program. Meanwhile, the basic tool for the implementation of these goals becomes the Joint Fund of the Integrated Raw Materials Program. In accordance with the assumptions this Fund is to become the financing [crediting] means of the activities tied to the Integrated Raw Materials Program as international raw materials understandings. This will occur mainly by virtue of creating buffer stocks [of raw materials] which will maintain, for a specific period of time, [a given level of] international prices for the specific raw materials. A parallel aim of this Fund is to assist in the development of raw materials economy of the Third World countries (i.e. development of extraction, production and processing bases) as well as a development of market demand for a particular raw material.

In accordance with these assumptions the Joint Integrated Raw Materials Program's Fund was divided into two separate accounts (referred to as "windows") in order to finance the needs of both groups. For both accounts (whose capital has been apporportioned into shares with a nominal value of 1 million dollars each) were projected separate sources of funds.

Fund I is to be made up from mandatory assessments paid in directly by the member states and from monies transferred by particular international raw materials understandings--for a total of 400 million dollars. The member states share for this understanding are to be as follows:

| | |
|---|---|
| Developing countries [Group of 77] ..... | 10.4 percent |
| Developed, capitalist countries ..... | 70.8 percent |
| Socialist countries ..... | 12.7 percent |
| China [People's Republic of] ..... | 4.8 percent |
| Other countries ..... | 1.3 percent |

The amount of shares (as deposits) of the particular raw materials understandings was projected at one-third of the forseeable maximum financial requirements for their buffer stocks. The amount of monies deposited by these understandings will, in the future, determine the amount of credit they may obtain for the maintenance of their stocks. It has been assumed that out of Fund I intermediate-term credits will be granted for the financing of international or internationally controlled buffer stocks which would be at the disposal of the international raw materials understandings, for the amount equal to twice the value of the deposits and paid against the presentation of stocks holdings documentation.

The credits obtained, thanks to a low interest rate, will be cheaper than credits which can be obtained on the international financial markets. The crediting of stocks through the Integrated Raw Materials Program will be subject to the following conditions:

-- they can be obtained by those understandings which include a decisive majority of the producer and consumer countries for a given raw material,

-- Their statutes must provide for equality of maintenance of buffer stocks by the producers and the consumers,

-- the states which are party to a given understanding should also be members of the Integrated Raw Materials Program.

Fund II is made up of voluntary payments by the governments of states participating in the Integrated Program as well as monies received from other sources (for example from international associations or organizations). The total of monies to be assembled in this account will amount to 350 million dollars. On the recommendation of the special consultative committee, the monies from this fund could be used for an improvement of the status of the weakly developed raw material [supplier] states, for the development of a raw material base, an increase of productive efficiency, raw material processing, marketing, etc. This is supposed to result in a revitalization of the sales of a given raw material, within reasonable limits, that would parallel the growth of developing needs.

Safeguards have been instituted into the Joint Fund handling system to insure the right of decision in its distribution to the developing countries. Although it is the developed countries which are the principal contributors of

the capital (51 percent of total contributions including 70.8 percent to Fund I), they have only 42 percent of the vote, while the developing countries, who contribute only 32 percent of the capital, have preserved for themselves 47 percent of the vote. It is worth noting that such relationships between the amounts contributed and the voting rights have resulted in many reservations, even during the preliminary negotiations. In particular the United States, Great Britain, France and Japan were afraid that the Fund would be transformed into yet another version of an organization of the countries of the Third World, which would make decisions regarding many important raw materials (even if regarded from a strategic point of view), and in the same fashion like the [petroleum] OPEC. Under these circumstances a certain shifting of the payment due dates has taken place [in payments to the Fund]. This fact, in view of the clause that the Fund will not come to life until after ratification by the parliaments of 90 member states (which constitute two-thirds of the contributions of the agreed capital), threatened a cancellation, or at least a postponement of the final signing of the accords.

The highest benefits from the implementation of the Integrated Raw Materials Program were to fall on the countries of the Third World. One of the heretofore occuring shortcomings of the world raw materials market, which had negatively influenced formation of national incomes of this group of countries, were the short term variations in the raw materials prices and consequently their revenues from exports. This made it impossible to make any long-range plans for economic development in those countries where, quite often, the only sizeable position in total exports was attributable to the raw materials. The process of formulation of price relationships between supply and demand were often distorted by stock market speculations. This speculation became, for many raw materials, the only price indicator on a global scale, therefore, all the weaker and dependent countries had to, as a rule, conform to it. Thus, by undertaking cooperation between the producers and consumers, who have to cooperate in order to adjust the production to the needs, they found themselves in a position to jointly determine the process, on this basis, thus attempting to obtain a dampening effect on price variations and a simultaneous price stabilization on a level which would be relatively profitable to both sides. An increase in revenues from export of raw materials should, in turn, allow the particular producers to further develop their economies, and under favorable conditions to develop processing and improvement facilities for their raw materials.

Even the developed countries--chief consumers of these raw materials--were interested in undertaking a comprehensive attempt at an international regulation of the raw materials turnover. Under the conditions of scattered occurrence of raw material sources, there was always a danger of a stoppage of extraction, lowering of production or a conspiracy of several producers to halt deliveries to specified customers. A drastic example of the above can be had from the experiences with OPEC countries actions during 1973-1974 and later. This danger could be avoided if all the raw materials, which were of interest to all participating states, were included under a comprehensive agreement. Joining the Integrated Raw Materials Program would, therefore, benefit even the importing countries. Although their influence on the flawless functioning

of the integrated market was lessened by an unfavorable, for them, vote allocation, which also influenced their right of decision concerning the division of funds, it has been recognized that even under the conditions of a big divergence between the countries of the Third World, the 42 percent of the vote held by the developed countries will form a satisfactory guarantee on maintaining an adequate influence on the activities of the Program and the disbursement of funds. At the same time it has been acknowledged that the integration of assistance in one joint fund is, in itself, its most economical form. A concentration of all the assistance capital at the disposal of one single Fund will permit a concentration of assistance loans for those raw materials whose prices continue to form themselves in an unfavorable manner, or which would require a renewal of intensification in the extraction or marketing phases. Under the conditions of a large Fund flotation and a prompt repayment of granted credits (loaned on intermediate terms) the needs of the Fund will not be so high as those of the [reported until now] separately contracted raw materials agreements.

At the moment of signing of the Integrated Raw Materials Program it has to be assumed that--with the achievement of concurrence of 101 member states--there are no obstructions to its implementation. However, what really will happen in the future, that depends on the assumptions.

One of the basic purposes of the Integrated Program was to consolidate international raw materials understandings which were, heretofore, independently operating and pursued according to their own programs. Nevertheless, up to the moment of signing of the Integrated Raw Materials Program, out of the 18 raw materials specified within, such understandings existed only with respect to 4 raw materials. These included sugar, cocoa, coffee and tin. Some of those agreements were in effect for a long time (beginnings of the Sugar Agreement go back to the end of the 19th century), mostly they date back to the interim between World War I and World War II, or as far back as the last three decades. All those agreements have until now served the particular interests of their signatories and, although their aims are identical, the majority of them have to be renegotiated before they can become part of the Integrated Program and jointly serve their common goals. The situation with respect to the remaining raw materials is as follows:

The International Rubber Understanding was signed in 1979. It will become legally valid at the time of ratification by those countries which represent 80 percent of the world's natural rubber turnover. During the same year a new understanding pertaining to olive oil [from olives] was signed. It is to be renegotiated every 5 years, however, it only has a consultative character and does not contain any provisions relative to prices or buffer stocks. Several other understandings are in the preliminary stages of negotiations, those are the understandings pertaining to tea, copper, cotton, jute, hard fibers (sissal), tropical lumber and beef. There is, so far, lack of any progress in preparations for those understandings which pertain to the other raw materials listed in the Program.

Meanwhile, self-financing from the monies accumulated in the Joint Fund will exert its influence on maintaining any given price level on the world's raw

materials markets, but only then when there shall be a sufficiently wide screen of understandings concentrated under the banner of the Integrated Raw Materials Program (and which would have paid their deposits into the Fund). At the present time there are 4 understandings (with respect to coffee, cocoa, sugar and tin) which, according to the Integrated Raw Materials Program rules are obligated to pay to the Fund a deposit, in the amount of one-third of the forecasted maximum financial needs for their buffer stocks. Nevertheless, the impact of the integrated Raw Materials Program and its Fund, as exerted on the world's markets, will be effective only then when--based on calculations--at least ten branch [raw material item] understandings will have paid their deposits. Failing this, it will become indispensable to raise the initial capital by issuing debentures on the international financial markets, which in turn will result in a considerably more expensive credit.

There are, concurrently, understandings with respect to other raw materials which are not included on the list of the 18, worldwide, most important materials of the Integrated Program. Listed among those is, first of all, wheat. This is controlled by the International Wheat Council which includes representatives from about 70 countries, and an agreement--in its final stages of negotiations--on matters of feed grains trade (barley, corn, oats and sorghum). Although the Integrated Raw Materials Program maintains that the 18 listed raw materials do not represent a closed list, meaning that this list may be expanded and in the future, and may include other raw materials, other international understandings may be added to the Program (under the conditions that the understandings pertaining to the most important raw materials were still not regulated), this, however, appears not to be a crucial matter to the organizers of the Program, and a matter not in the immediate future.

Another question arises: what will happen if other understandings, of the type that is now being organized under the auspices of the Integrated Raw Materials Program, should be concluded by the developed countries? Will such understandings be equally capable of taking advantage of general rules and credits which would support their buffer stocks, stabilize prices, etc? An example of such understanding lies in the International Dairy Agreement which was concluded in 1979. Its purpose is the regulation of market conditions for milk and its products by way of fixing of minimum prices and amelioration of customs barriers. At the disposal of the International Dairy Agreement are considerable intervening reserves of butter and powdered milk which actually are burdening the finances of the producing countries.

Already in the course of the pre-understanding preliminary talks reservations have been made by socialist countries stating that the transactions concluded within the scope of the understandings should be exempt from the controls and calculations of the Joint Fund. This was being justified, among others, in the way which maintained that the international raw materials understandings pertain to the "free market" and, as such, they may not include those regulations of transactions which are being executed on the force of agreed understandings.

In order to make the Program effective it should include the maximum possible number of international raw materials understandings, and unite the maximum possible number of states, both importing and exporting, because only when both those conditions were satisfied there would be a guarantee of effectiveness and permanency of its activity. At the basis of every raw materials understanding lies the desire to maintain respectively high and stabilized prices for the raw materials which are the subject of its interests and demands. However, as it happens often, political events or sudden drastic changes in supply (the demand for raw materials is relatively stable) result in limitations to the effective course of agreements, leading sometimes to a serious undermining of their meanings or even to a breath [of agreements]. Under these conditions the events occuring within the sphere of one of the raw materials understandings, included in the Integrated Raw Materials Program, will influence all the relationships in raw materials transactions in the world. In any case, the goals which influence the actions of a participant in one international understanding may be contrary to those of other international understandings or even to those of the Integrated Raw Materials Program itself. The list of the 18 raw materials includes those which may, under the current worldwide economic conditions, occur in a complementing manner, nevertheless, the Integrated Program does not exclude the possibility of adding to it other raw materials to include those which, by increasing their worldwide turnover, could do so only at the expense of decreasing the turnover of other raw materials. Tied to this is the problem of substitutes of given raw materials. The latter, on the other hand, are primarily produced and exported by the developed countries (for example natural rubber and synthetic rubber). A question arises here: Under such circumstances, what will be the reaction of the industrialized countries which, on the one hand, participate financially in the development, extraction and production of a given raw material in the countries of the Third World, while, on the other hand, they limit for themselves the possibilities of production of its substitutes. A clear example of this can be seen in the behavior of OPEC in the area of oil extraction and the supply of oil to the world markets. An intensive oil extraction--aided by the financial assistance of the industrialized states--was, at the onset of the 1970's and following the nationalization of holdings, and following a takeover of the initiative in world oil marketing activities [by OPEC], severely curtailed consequently placing the industrialized countries in the unfamiliar position of a petitioner, dependent on the decisions of the [raw material] owners.

A danger of a repetition of such a situation in the field of other raw materials exists, above all, where a small number of countries concentrate the holdings of supplies which play a significant role in world trade. Although the consumer countries, being dependent to a great degree on the supply of these raw materials, are attempting to introduce various safeguards for their interests, in the form of subordinating the production to international bodies which in turn are steered by the [consumer] countries' governments, or in the form of a development of a substitute material production--concrete examples show that such insurances are either not enough or that they are impossible to implement. Thus they often choose another approach--nonparticipation in understandings, but with a financial support to these understandings' activities. A classicial example can be seen in the policies of

the United States or the countries of the European Common Market. These countries insure their influence on the shaping of the policies and actions of the various understandings by manipulating [financial] grants and by financing their activities. At the same time these countries reserve for themselves the freedom of action respective to any given raw material market by regulating its purchases in accordance with their own interests.

During the time which has passed since the signing of the Integrated Raw Materials Program agreement a silence appeared to fall on that subject. Officially it is being said that everything depends on the rate of making the international understandings respective to other raw materials--first of all those that were included on the Integrated Raw Materials Program list--and to adapt the existing agreements which are in process of negotiation, or have already been completed, to the demands of the Integrated Raw Materials Program. As was outlined above--this appears to be a long way off. Standing in the way will be not only those, heretofore existing, antagonistic processes within the Third World, but also those that form in relations of other countries in that group and the developed countries, as well as multinational special interests of individual states or groups of states or countries.

The participation of socialist countries, including Poland, has been provided for in the Integrated Raw Materials Program. The socialist countries have been assessed a total of 12.7 percent of monies due in at "Window I" of the Fund, i.e. about 50 million dollars. It is also well known that the socialist countries are not a member of any of the raw materials understandings which will become part of the Integrated Raw Materials Program. In this connection a question is asked: What benefits will be derived by Poland from its participation in the Program? Out of the 18 listed raw materials only a handful are of interest to us. On the export side there are sugar and copper; on the import side are cotton, rubber, iron ore and phosphates. With respect to the exported goods, Poland favors their free sale through transactions on the exchange, with respect to the imports we try, first of all, to use our connections with the socialist countries, mainly those with the Soviet Union. Therefore, our possibilities for sales and satisfaction of needs, respective to the raw materials listed by the Integrated Raw Materials Program, do not justify our permanent participation in the respective raw materials understandings. However, will we be able to insure for ourselves a degree of profitability and an assured continued opportunity to purchase or sale of these goods at the most advantageous prices if we limit ourselves to trade on the free market? Unfortunately, we do not always profit from our activities on the exchange, we are often forced, by unforeseen circumstances, to make our purchases under acute inflationary price conditions.

Thus, our rather neutral posture towards the international raw materials understandings should be looked at and reconsidered. We are not in a position to pursue politics (such as those conducted by the industrial powers like the United States, the European Common Market or Japan) by financially supporting the understandings on one hand, and withholding our acceptance of obligations dictated by those understandings--on the other hand. Membership in these understandings does represent a definite asset which is so important from our point of view: it does guarantee for us the possibilities of effecting a sale

or obtaining supplies of raw materials in the amounts and at prices determined by these understandings. This will be, without a doubt, an important asset to our national economy.

The economic system reform in our country, the necessity to pay off huge debts, the need to reorganize the exports side of our foreign trade--they all point to a need to revise our relationships with the worldwide economic changes and the movements towards a new economic order in the world. We have, until now, left those factors outside our sphere of interests. This also calls for a need, by us, to examine the forming of many international understandings, inclusive of raw materials understandings, and where we need to participate actively therein.

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CSO: 2600/760

ISSUE OF LEASING IN FOREIGN TRADE DISCUSSED

Warsaw HANDEL ZAGRANICZNY in Polish No 3, 1982 pp 25-26

[Article by Jerzy Poczobut: "Leasing Agreement in International Trade"]

[Text] The application of leasing--as a specific form of utilization of investment objects and durable consumer goods, as well as a convenient form of financing--is again emerging as pertinent under the circumstances in Poland. It serves to reduce the extent of damages caused by mismanagement of investment objects from imports and for revitalization of Polish specialized exports of machinery and equipment.[1]

From an economist's point of view, leasing represents a specific form of material credit based on a periodic opportunity to obtain gains from payments for use of certain material goods. With respect to the investment goods, this is achieved by a temporary inclusion in the inventory[2] of a means of production of an enterprise of the user, this could be defined as "borrowing" of fixed capital. The user, acquiring by means of leasing permanent [type] means needed for his industrial activity, avoids payment of his own outlays following the "pay as you go" rule. This is possible because he makes leasing payments [rent] out of his current income derived from the use of the machinery and equipment made available to him by leasing. The leasing of durable consumer goods satisfies the consumer's credit, consequently the consumer is able to use the needed goods.

Experiences of the last few years have demonstrated that the leasing may become an independent economic activity, or, it may become one of the elements in a chain of specific activities within the framework of an extensive, cooperating industrial enterprise.

The growth of the economic significance of the practice of leasing resulted in a need for its lawful regulation on the national and international scale. Leasing is currently regulated on a national scale, for example, in France (decree of 2 July 1966, pertaining to enterprises which engage in leasing, and decree of 4 July 1972, pertaining to the overt disclosure of chattel goods leasing), in the Federal Republic of Germany (decree of the minister of finance of 19 April 1971, pertaining to taxation of income derived from leasing of chattel goods), in Brazil (act of 12 October 1972, pertaining to leasing), in the German Democratic Republic (maritime codex of 5 February 1976,

as it pertains to ship lease agreements) and in Spain (Royal Decree of 25 February 1977, pertaining to public taxation, financing and investment means). There are also attempts being made to regulate leasing on an international scale. A group of experts, acting under the auspices of the International Institute of Civil Law Unification [UNIDROIT] adopted, in March 1981, an initial draft of a convention on uniform international principles in leasing transactions.

Recognizing the importance of leasing transactions in international trade and foreseeing the possibility of their wider application in Polish foreign trade, a Commission of Experts in International Trade Code (Later renamed Commission for the Matter of a Statute on Civil Law Relationships in International Trade) which was called to life by the minister of foreign trade and maritime commerce in May 1977, included the problematics of the leasing agreements in their work program. From the actual version of the Draft of the Statute prepared by this Commission (this project is in a process of legislative preparation during this year [1982]), leasing agreements are regulated by Articles 136-148. The specifics of leasing agreements and the possibilities of application of leasing transactions in our foreign trade transactions justify the purposefulness of a more detailed preparation of assumptions and solution details applied by the Commission of Experts with respect to this subject, especially as the work of this Commission may prove to be useful in the current contractual practices of foreign trade enterprises.

In discussing repeatedly different aspects of the leasing problematics, the above-cited Commission of Experts had finally selected the fundamental position which is actually predominant in the West European science and practice.[3] According to this position, out of all the transactions which are currently referred to as leasing, one must isolate the function of leasing within the strictest meaning of the term. Only the practice of "finance equipment leasing" has been recognized as a legal "novum," it can be distinguished by a specific test and application of laws and by specific responsibilities of both parties. Among the basic characteristic of this group of leasing agreements are:

-- duration of several years, corresponding to the useful life of the object of lease,

-- a lack--in principle--of possibilities for termination of the agreement prior to the expiration of the term for which contracted,

-- assignment to the lessee [user] of the maintenance costs of the object of lease,

--assumption, by the lessee, of the risks and burdens connected with the object of lease,

-- property rights to the object of lease remaining with the lessor [one who leases out] enterprise for the duration of the lease,

-- awarding to the lessee a purchase option right, to the object of lease.

In this type of transaction the main obligation of the lessor is to hand over, to the other party, the object of lease for purposes of its utilization. The main obligation of the lessee is to make timely payments for the right of using the object of lease. The objective sought by both sides, when entering into a "finance equipment leasing" contract is to make it possible, for the lessee, to use the object of lease in a specific manner, and during a fixed period of time which, normally, approximates the useful life span of the object of lease, while the lessee renders lease payments which ordinarily are in excess of the value of the object of lease.

In Polish lay literature such an agreement was being recognized as a new type of agreement, or it was simply categorized as a new type of unspecified[4] agreement which was isolated in practice. The Commission of Experts, based on a detailed analysis of this practice, decided to regulate equipment leasing in the form of a specific contract, descriptively called: "Contract for a Period of Use of an Item," which was defined as follows: "By the contract for the period of use of an item (leasing) the lessor agrees to deliver the item for use by the lessee, for an indicated period of time, the lessee agrees to pay the lessor a periodic payment calculated to cover the value of the leased item over the period of the duration of the lease. The lessee, at the conclusion of the agreement, has a right to demand that the title to the leased item be transferred to him. If the parties to the lease do not agree on the [final] price, this will be determined by a court of law or a court of arbitration, considering the value of the leased item at the time of the conclusion of the agreement" (Art. 136 of the draft).[5]

The basic difference between leasing and a classic type of contract [for hire], under the Polish Civil Code (1964), is that a complete exploitation of the period of economic usefulness of the leased item is taking place within the framework of a legal relationship between the lessee and the lessor, i.e., a rent paid over the period of the lease is, therefore, compared (as to its function) to the price of purchase. However, leasing cannot be compared to a variation of an installation purchase because the transfer of title to the lessee is only an eventuality and, additionally, it would pertain to an item which is--in principle--economically used up.[6]

The principal obligation of the lessor is to make the object of lease available to the lessee. Because objects of lease are, as a rule, specific investment goods which are often made to order, the Commission saw fit to underline that: "The lessor should deliver the object of lease in a condition suitable for the intended use" (Article 138 of the draft), also: "If the object delivered to the lessee contains faults, appropriate regulations are to be applied respective to the seller's responsibilities for faults in the object of sale. The lessee is obligated to inform the lessor of any investigation, by a third person, regarding any claims respective of the object of lease" (Article 140 of the draft).

Demanding particular attention was the matter of the delivery of the object of lease by means of (so-called) intermediary lease. Intermediary lease is

based on the fact that there is a third person (a leasing enterprise) between the producer of the object of lease and the lessee. Here, the leasing enterprise procures an item [for leasing] from the producer (item of machinery or equipment) and subsequently delivers it for use to its client, for a period of time based on the leasing agreement.[7] In order to protect the due interests of the lessee which result from a distribution of risks and costs connected with the object of lease, that are very unfavorable to him, [the Commission] adopted this motion: "If the lessor obtains the object of lease from a third person and obligates them to deliver the said object to the lessee, and excludes within the contents of the agreement himself from the responsibility of accomplishing that obligation [delivery] by the seller (intermediary leasing), all claims to the seller of the object of lease relative to non-execution or improper execution of the terms of sale will be vested equally in the lessor and the lessee. If the seller does not deliver the object of lease in conformance with the agreement, before the end of the last day indicated by the lessee, the lessee is then entitled to cancel the lease agreement" (Article 139 of the draft).

The basic duty of the lessee is to make payments. Questions relevant to the payments were regulated by the Commission as follows: "The lessee is obligated to make payments on the agreed terms. If the agreement does not specify the terms of payment, then the payments should be rendered monthly, in advance, before the tenth day of each month." (Article 143 of the draft). And further: "If the lessee is late with the payment by at least two full payment periods, the lessor may abrogate the agreement and demand the return of the object of lease" (Article 144 of the draft). If the object of lease should become confiscated [seized] as a result of an impoundment action against the lessee, or if the lessee should lose the legal possession of the object of lease, the lessor may demand payment in full of the balance of payments due for the entire period of the lease. The party obligated to pay is entitled, however, to deduct from the payment the sum gained (by the lessor) which would result from the early pre-payment" (Article 145 of the draft).

The solutions characteristic of the "finance equipment leasing" are those adopted in the last two articles, those form a basis on which the lessee may abrogate the lease and for the sanction specific to this type of leasing--obligation to render the payment in full for the entire period of the lease.

Following accepted practice it was adopted that: "the lessee may not, without the consent of the lessor, pass the object of lease to a third person, make any alterations to the object or change the location of the object of lease which would be contrary to the terms of the agreement" (Article 141 of the draft). The lessee is also obligated to maintain the object of lease and to afford the lessor access to the object. He is also bound to return the object of lease to the lessor at the conclusion of the term of the agreement. "The lessee assumes all the costs and expenses connected with the object of lease" (Article 141 of the draft). "The lessor may demand access to the object of lease in order to determine that it is being used in accordance with the terms of the lease" (Article 146 of the draft). "Should the lessee, at the conclusion of the lease, not elect the option of acquiring the title to the

object of lease, he is then obligated to return it to the lessor in a condition that is not worse than it would be expected of normal wear and tear" (Article 148 of the draft).

In the question of division of risks between the partners to a lease, the Commission adopted the following as conforming to the accepted practice: "Accidental damage to, or a loss of the object of lease does not release the lessee from the obligation of rendering payments for the full period of the lease, such action becoming due immediately. The lessee may deduct from this payment a sum of money which would be gained by the lessor as a result of early prepayment" and "The lessee should inform the lessor of any damage to, or loss of the object of lease" (Article 137 of the draft).

The intention of the Commission to balance the legal relationship of both parties to a lease can be seen (among others) in awarding a claim (relative to Article 678 and 679 Civil Code) protecting the lessee in the event that the lessor sells the object of lease, without a legal participation of the lessee. It awards to the lessee the right of a lien on the object of lease for the purpose of securing of claims for damages from the lessor. This problem is regulated by Article 147 of the draft, as follows: "The lessor may sell the object of lease, without the consent of the lessee, only then when he can simultaneously assign to the purchaser all his rights and obligations under the leasing agreement. In the event that the lessor should violate this provision, the lessee has the right of lien on the object of lease for the purpurpose of securing claims for damages. Until the time of settlement of payment for damages, the lessee may continue to use the object of lease in accordance with the terms of the contract."

The above-mentioned draft of rules for regulation of leasing agreements is tied by manifold conditions to other regulations which are part of a greater legal entity forming the draft of a statute on civil law relationships in international trade.

FOOTNOTES

1. See, for example, J. Bekas, K. Witaszak: "Leasing Instead of Rust" POLITYKA-EXPORT-IMPORT Nr 3/1981; Z. Szymanski: "It Is Better To Lease To Buy" ZYCIE WARSZAWY 27 July 1979.

2. The term: "Utilization" [uzytkowanie] as used in Polish publications on economics appears to be misunderstood, from a civil law viewpoint, because the objects of lease as a rule, do not give natural gains and the obtainment of any civil gains is precluded by a respective clause of the agreement.

3. The period of use is this time during which the object of lease maintains its capability to satisfy the needs of the user. This period is contingent on the rate of physical and technical ("moral") consumption of the object of lease.

4. Compare: Z. Radwanski: "Leasing--A New Kind of Agreement" [extract] "Works from the Realm of Civil Law and Law on Non-Material Goods" from: 1, WARSZAWA-KRAKOW 1973, pp 101-113; also J. Poczobut: "From the Problematics of Leasing Agreements" STUDIA PRAWNICZE Nr 3/1976, pp 189-211.

5. On the subject of legal definitions on leasing in other countries see: J. Marciniak: "Leasing--New Method To Obtain Material Capital" RUCH PRAWNICZY, EKONOMICZNY I SOCIOLOGICZNY Nr 1/1978 pp 139-159.

6. Compare: "Statute on Civil Law Relationships in International Trade--Draft Version V" Warsaw 1981, typewritten multilith, p 126.

7. In direct leasing the lessor is also the producer of the object of lease.

9511
CSO: 2600/760

RESOURCES, AIMS FOR 1982 TRANSPORTATION OPERATIONAL PLAN REVIEWED

Warsaw PRZEGLAD KOMUNIKACYONY No 2, May 82 pp 33-36

[Article by Stefan Pozniak: "Operational Transportation Program - Aims and Resources"]

[Text] Railway and highway transportation has become the subject of one of 14 government operational programs. These programs outline basic aims and material resources for selected sectors seen as the most vital for meeting social and economic needs in 1982, in this time of continuing crisis, and for overcoming this crisis. The main goal of the transportation program is to provide, under the current circumstances, a transportation capacity which will meet basic needs in moving people and commodities, and also to prepare transportation for smooth work in the time of projected economic recovery and, especially, increase in production.

The program devotes special attention to the problem of commodity transportation.

Perliminary assumptions for the 1982 plan as to the volume of industrial and agricultural production, construction projects and foreign trade turnover served as a point of departure for drawing up operational programs. However, a wide array of unknowns made it impossible to specify more precisely actual transportation needs of the economy over the span of an entire year: such as production of many industrial sub-sectors, volume, commodity structure and destination of exports and imports as well as the influence of the economic reform and new, higher commodity tariffs on the geography, physical composition and volume of transport. Opportunities for surprise events and deviations from the plan should be reckoned with even in quarter plans. It was not possible to set specific transport tasks for this sector. A more flexible formula was substituted for them in the program, namely, a binding obligation of railroads, public and enterprise motor transport to provide specific transportation capacity in each quarter. This capacity is regarded as a mandatory minimum.

This minimum for the first quarter of this year was set at 99 million tons of cargo for standard-guage railroads, at 37 million tons for PKS [Polish Motor Transport], at 1.9 million tons for transportation cooperatives and at 130 million tons for branch enterprises of motor transport combined. Actual

transport volumes in the first quarter were lower than those required by the operational program and provided by transportation - by about 4.5 million tons for PKP I Polish State Railroads I, 9 million tons for PKS and 37 million tons for enterprise motor transport. All requests filed for transportation services were met.

Incomplete utilization of transportation capacity is primarily due to the further appreciable decrease in production in the first quarter compared to the same period in 1981, with the exception of the mining and cement industry. Due to this, for example, PKP transported in January, February and March of this year 4.6 million tons less than a year ago. However, a slowdown in the rate of further decrease in total railroad transportation has been considerable. Let us bear in mind that in the first quarter of 1981 railroads carried 20 million tons less of cargo than in the same period of 1980. Coal transportation made the difference. In the first quarter of this year, railroads carried about 40 million tons of coal, or 7.4 million tons more than a year ago. Mining on Saturdays, resumed in 1982, and record-breaking mining output on weekdays were a major influence. PKP met the resulting transportation needs fully and smoothly.

The transportation operational plan for the second quarter sets higher requirements as to transport-volume in view of the budding gradual economic recovery and increase in output. These volumes were set at 102 million tons for standard-guage railroads, at 34 million tons for PKS, at 2.2 million tons for transportation cooperatives and at 139 million tons for enterprise transportation. Projections for the second half-year,are, respectively, 219, 74, 4.9 and 313 million tons of cargo. The sum of cargo transported in the first quarter, plans for the second quarter and forecasts for the second half year suggest transport volumes of 415 million tons for PKP and 136 million tons for PKS over the entire year. (I leave out transportation cooperatives due to their small scale of operations and also enterprise motor transport. As for the latter, forecasts are still tentative and not yet studied precisely). The two above statistics are lower than those for PKP and PKS in the 1982 Central Socio-Economic Plan; by 5 and 29 million tons respectively. However, compared to the 1981 fulfillment, this would mean considerable growth for PKP - by about 21 million tons, whereas PKS would register a further decrease in transport volume by about 20 million tons.

This comparison mirrors the essense of current assumptions in transportation policy from which the operational program for 1982 proceeded, possible significant changes in the following quarters notwithstanding. These assumptions, based on a realistic assessment of the fuel and energy situation in the country, give a conscious and express preference to railroad transportation to the necessary minimum. Given existing very modest opportunities of liquid fuel imports, there is no other way out.

In practice, this means that the railroad will take over some hauls, especially long-distance ones, of the motor transport. Service to some stations and sidings cancelled years ago will be resumed, cars will be delivered to a greater number of loading and unloading points. In a word, transportation policy of PKP, organization and technology of transportation will be

subordinated to new conditions and requirements. Much has been done along these lines in recent years by introducing more flexible regulations and policies and by canceling many bans and restrictions imposed on customers in an administrative fashion. From the beginning of 1982, many of these regulations were replaced by a new system of incentives and disincentives.

Assuming the wide "opening up" of PKP to cargo, we must, however, reckon with a situation where the PKP rolling stock will at times be insufficient to meet the needs of all customers simultaneously. First difficulties of this kind have already occurred, in March, and not only with boxcars which have been in short supply for years due to discontinuation of their production. The situation with coal cars was similar, while there had been a certain slack in the supply of them for months. Increased demand for coal transportation, including export deliveries over land, was a decisive factor in the deterioration of the car situation. Due to exports over land, the number of coal cars staying abroad increased. In anticipation of such situations, the operational plan had provided a year-long priority for transporting coal and liquid fuels, basic raw and other materials for key industrial enterprises and housing construction, food cargoes and import, export and transit deliveries.

In a different field, the aims of railroad transportation are associated with locomotive service. The main concept of this service is further rapid development of electric traction, limiting as far as possible, the use of diesel locomotives and maintaining the now small share of steam locomotives. The structure of this year's delivery of locomotive rolling stock corresponds to this concept.

In motor transport, the full situation forces a reduction to the minimum of dispersed economic organization-operated transport, which has the lowest truck utilization factor. The economic reform must facilitate this. It will certainly compel many smaller enterprises and divisions to give up their own costly transportation and charter public use vehicles for hauling. It should also be expected that the reform will promote an intensive search for closer sources of raw and other materials and markets, which should facilitate the shortening of hauls. Transportation performance of enterprise fleets will probably decrease in comparison with 1981, especially as a result of reduced construction efforts. Within the framework of reduced transportation requirements, PKS will emphasize service to the agricultural and food production sphere, in other words, deliveries of the means of production to rural areas and of produce to cities. Developing local hauls while restricting hauls on long routes is the basic directive for PKS.

The main avenues of transportation policy outlined above apply also to passenger transportation. The capacity of PKP and PKS with regard to passenger transportation will be restricted by allocations of fuel, energy and new rolling stock as well as by the technical condition of stock already in operation. Forecasts for those are not optimistic. It is envisaged that passenger railroad traffic will remain at more or less the level of last year - about 1.1 billion passengers. However, the transportation potential of PKS, which carried about 2.3 billion passengers on its buses in 1981, will

be decreased this year due to limited deliveries of new vehicles and their unfavorable seating capacity structure (PKS is receiving almost exclusively small buses this year) and also due to the immobilization of a large number of vehicles because of an inadequate supply of spare parts, storage batteries, tires and limited fuel allocations.

Under these circumstances, interurban bus traffic, which was suspended altogether in December 1981, was restored to only a minor degree. Number of bus runs decreased even on many medium-distance routes under 150 kilometers and on shorter, typically local routes, especially in off-peak hours and on stretches paralleling railways. PKS has been concentrating its efforts on as smooth as possible service for mass commuting to work and schools. However, even in this priority area certain discomfort could not be avoided. For example, some local PKS units restricted sales of monthly bus passes to inhabitants of localities which have both PKS stops and reasonably convenient train connections. A certain number of passengers had to switch form buses to trains, often at the cost of convenience and a longer way from the house to the stop. The railroad in its turn, had to make new commitments and assume new responsibilities, despite problems such as the shortage of rolling stock, overloading on many routes, difficulties with repairs and maintenance of rolling stock and tracks. However, a fuller utilization of PKP capacity was the only realistic approach to cushioning the impact of the crisis PKS has been going through.

While setting detailed requirements for the transport volume of railroad and motor transportation, the operational plan also specifies supplies for these branches of rolling stock, electricity and fuels, rolled products, steel pipes, cable, cement, lumber, asphalt, batteries, truck tires, machine-tools for repair facilities and so on. The volume of deliveries detailed for each quarter is a compromise between the actual needs of transportation and the current capability of the economy. For example, deliveries of new rolling stock, especially of railroad passenger and freight cars, buses, high and medium-capacity trucks, are very considerably reduced in comparison with 1981. Unlike these, deliveries of some other items should increase somewhat, as among other things, deliveries of switches, wood ties, cement, batteries, tires, machine tools. Allotments of foreign-exchange funds are reduced, which provides less opportunity to purchase spare parts for imported rolling stock.

In the first months of this year, difficulties occured, and deliveries of some items specified in the operational plan fell short, especially deliveries of fuel for gasoline engines, of some rolled products, switches, coniferous lumber, tires and batteries. Efforts were made to alleviate these difficulties by means of operational co-operation with relevant units in charge of production turnover and units balancing certain commodity groups. In early March, the Board of the Council of Ministers' Planning Commission adopted a resolution aimed at guaranteeing deliveries of centrally distributed goods to transportation at a level enabling the sector to perform planned repair tasks. Needs by far exceed volume of deliveries specified in the plan for some groups of articles, for example, rolled goods, lumber or electric cables. Deliveries of these materials to transportation should be increased over initial allocations as their production gradually grows. This would make it

possible to broaden the scope of PKP rolling stock repairs and modernize traffic control devices. These actions would have an immediate impact on transportation capacity.

Units of the ministry of transportation are vigorously appealing for necessary supplies of goods not distributed centrally to particular producers, but with mixed results.

Experience of the first half year allows us to arrive at the conclusion that an absolute and tangible priority in the sphere of material-technical supply should be accorded to public transportation due to its significance and role in serving the society and economy, and also to enterprises of economic organization-operated transport which serve the food economy. Other subsectors of transportation must be considered second priority in the current situation of fuel and materials shortages.

The operational plan in principle does not touch on investment activities in transportation because of new guidelines of investment financing adopted this year and the broadening of enterprise autonomy. Let us note in passing that opportunities of the ministry of transportation in this sphere are very modest this year. Only in railroad electrification will there be an appreciable acceleration - to more than 300 kilometers of track a year, whereas in recent years electrification has not exceeded 200 kilometers a year. Besides this, investment activities are in principle restricted to the continuation of construction and modernization of service and repair facilities (at a rate and on a scale far removed from actual pressing needs) and the implementation of a limited housing and social facilities construction program for the needs of employees. There are no prerequisites for starting new investment projects with the exception of a certain number of so-called minor investments undertaken by the railroad within the framework of the new authority of district managers. Moreover, construction of many projects already started had to be halted out of necessity, for example, laying of new railway track and doubling up of tracks, expansion of several key switching yards, construction of many two-level crossings, highway by-passes around many cities, new stretches of expressways etc. Therefore, 1982 is going to be a very poor year for transportation as far as commissioning of new projects goes, except for railroad electrification.

In the face of very limited development opportunities for transportation this year, maximum effort should be made in repairs and current maintenance of rolling stock, trucks, track, railroad equipment, bridges and highways. Transport volume, which the operational plan requires and which the economy needs while overcoming the crisis and increasing production and turnover of goods - this transport volume can only be ensured through maintaining existing equipment in operating condition and its better utilization.

Reducing the number of "sick" cars (in bad condition, and out of circulation for repairs) which on the average exceeds 50,000 daily, is the most difficult and also the most important task of that kind facing the railroad. To this end, ZNTK I Rolling Stock Repair Enterprises I, railroad car repair shops and railroad customers obligated by government decision, must repair more cars

this year than last year. Different measures are undertaken to improve repair capabilities of railroad facilities such as possibly better technical equipment for shops, a search for buildings which can be inexpensively converted for car repair needs with relative ease, various modernization measures, often carried out by work forces themselves and with small outlays, improvement in organization of repairs and labor environment. However, two issues are all-important, namely, a substantial improvement in supply of needed materials and spare parts, and appreciable growth of employment in rolling stock repair facilities. Meeting this year's transport volume by PKP is directly contingent upon the results of these measures. Similar measures are undertaken in order to improve the repair of locomotives, especially diesel locomotives. A large share of the latter are out of operation, mainly due to the shortage of needed spare parts.

Reducing the number of inoperable buses and trucks is no less a problem. Service and repair facilities of motor transportation are facing difficulties and tasks similar to those of railroad facilities.

While expansion of railway and highway networks is halted, the ministry of transportation is increasing labor costs of routine maintenance and maintenance of existing transportation networks in order to prevent their depreciation. In this field, implementation of plans depends primarily on increases in employment and deliveries of basic materials.

Reorienting efforts and funds away from development and investment activities, and towards repairs and routine maintenance of facilities, rolling stock and vehicles already in operation, is among the main tasks of railroad and motor transportation in 1982.

9761
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CURRENT STATE AND FUTURE OF AIR TRANSPORT ANALYZED

Warsaw ZYCIE GOSPODARCZE in Polish No 26, 18 Jul 82 p 3

[Article: "What the Enterprises Are Thinking About LOT--Going Lower"]

[Text] The new spread: first, PLL LOT [Polish Air Lines] is selling airplanes and that it is transporting cows because it lacks passengers. In association with these rumors, one wonders to whom LOT can still sell its airplanes and how much beef will cost if it is transported in this manner. In the shadow of these considerations, a question remains about the status of Poland's civil aviation industry and the prospects for its functioning and survival.

Reality has not been especially kind to LOT. In the mid-1970's, when Okecie International Airport was placed into operation, it was generally thought that its capacity would keep pace with future passenger traffic needs. Three years later, whoever could bypass Warsaw in order not to go through that nightmare at Okecie Airport did so, and as a result the carrier took a drubbing. Now LOT has an excess of transport capacity. And the carrier's entire good fortune is based on the fact that it has aircraft that cost 7 million rubles and not $40 million each. The amortization charges for the former and latter are incomparable. If it came to delivering Airbuses to the enterprise, bankruptcy would be inevitable, but, as they say at the CZLC [Central Administration of Civil Aviation], somehow the enterprise manages and a total catastrophy does not exist. The fact that the equipment is not new (that is in accordance with the rules of the international association of air carriers) and that it turned out to be helpful in aiding LOT's financial balance is of dubious good fortune; but as had been stated, the ins and outs that this type of transport experiences in Poland are beyond all forecasts.

At LOT one can attempt to improve spirits with the fact that airlines all over the world are also having a hard time. For at least the past 2 years overcapacity has prevailed in the international air transport market, that is, there has been a significant preponderance of supply of transportation services over demand. While operating costs have been increasing (especially fuel costs), a number of airlines, including the giants, have not been able to cover outlays with revenues. Losses were incurred by Sabena, SAS, Alitalia and British Airways. One of the largest American domestic airlines, Braniff, closed the 1980 fiscal year with a deficit of $118.1 million. It is expected that 1982 will be just as difficult for the airlines as the two preceeding years. Interest on investment

credits is high. The airlines do not have the cash to buy new airplanes, and banks are not too anxious to loan money for this purpose. One small consolation: others also do not know fully what to do, and one must share very carefully because the lack of passengers and cargo means the battle for them will intensify. It is another thing to cut our throat's. We are not and we will not be a competitor for the big world airlines. Polonia has gravitated toward LOT, and for these transports to be successful it would pay to restimulate and expand them in future years.

To date LOT's non-domestic activities have not been profitable. In 1980 LOT's revenues form foreign traffic services was almost 3 billion zlotys. With a deficit on the order of 200 million zlotys on domestic routes, the enterprise was able to contribute over 2.7 billion zlotys to the state budget. To be sure, this profit did not come about without the use of a salient conversion factor (80 and not 30 zlotys to the dollar); in any case, they were revenues. The creation of a network of international flight connections (disrupted by the martial law decision) is thus a sine qua non condition for self-financing by the enterprise. According to CULC [Central Office of Civil Aviation] data, foreign flight connections by LOT and its partners were resumed during the first months of this year to the following cities: Algiers, Amsterdam, Athens, Beirut, Belgrade, Berlin, Brussels, Budapest, Damascus, Frankfurt, Geneva, Zurich, Istanbul, Cairo, Moscow, Kiev (Aeroflot only), Copenhagen,London, Paris, Lyons, Madrid, Rome, Milan, Montreal, Prague, Sofia, Stockholm, Tripoli, Tunis and Vienna. Next year it is anticipated that flights will be resumed to the Far East (Damascus, Dubai, Bombay and Bangkok). The flight to New York was terminated unilaterally. (LOT requested arbitrage here. The formal arguments here favor the Polish side, which is not tantamount to the possibility of implementing an arbitration judgement.) The CULC also provided data on passenger traffic during the first 4 months of this year (see Table below).

| Passengers | January | February | March | April |
|---|---|---|---|---|
| Total passengers | 17,532 | 24,386 | 35,718 | 55,225 |
| --Domestic | 6,987 | 9,718 | 15,855 | 29,738 |
| --Foreign | 10,545 | 15,168 | 19,858 | 25,487 |

This is a little over 40 percent of the passenger traffic during this same period last year.

The fact that LOT was able to operate on most foreign lines it has served to date does not mean that flights are occurring at the same frequencies as in the pre-December period. For example, LOT flies to Frankfurt, one of the most difficult routes to date, once a week instead of daily. The CZLC says that in practice we are starting at the beginning, and now we are climbing up with difficulty.

Along with the efforts to recreate the network, attempts are being made to develop new financing bases for foreign traffic service. Beginning in 1980, the transport of Poles on our own LOT lines started to increase, decreasing the transport of foreign-exchange passengers. As a result, funds received for transporting passengers and cargoes payable in foreign exchange ceased to be sufficient to cover outlays for transporting Polish goods and passengers (for

which LOT gets paid in zlotys). Significant foreign exchange outlays associated with the transport of Polish travelers and goods on foreign airlines were spent. The Ministry of Finance has resigned itself up to now on balancing this deficit and about $40 million was budgeted for this purpose in the annual economic plan. This year the Ministry of Finance also promised a similar amount on condition that the socioeconomic plan is realized. If the plan is not realized, the Bank of Commerce (Bank Handlowy) will not be able to guarantee payment of LOT's debts. In this situation, the Polish carrier will not be able to become involved in any debts with foreign airlines. The Polish carrier proposed that the State guarantee the enterprise $40 million in its account at the Bank, and $15 million to cover current payments due this year for transporting Polish passengers and cargoes on foreign air routes. On the other hand, the enterprise would remit to the State a portion of the surplus (the principle of distributions to be established) to transport foreign passengers and cargoes. For example, if it costs $100 to fly a Polish passenger to London and $200 to fly a foreigner from England to Poland, then the difference in outlays and revenues is actually the surplus from which the enterprise desires to create a fund to cover foreign line operations.

In the opinion of the airline authorities, LOT's management of foreign exchange surpluses should be handled in such a way. With regard to financing foreign exchange outlays for transporting domestic passengers and cargoes, the airline authorities (headquartered on Chalubski Street) propose that LOT obtain equivalence in its foreign exchange courts.

The general understanding form which these financing proposals arose can be summarized as follows.

LOT flies on foreign routes and, in association with this, bears foreign exchange costs for fuel, landing fees, services and so forth. To function, it must have funds to cover these costs. But neither LOT nor the airline authorities can demand payments in foreign exchange from Polish customers; it is a matter of State policy as established by the principles in this area. For the carrier it is not important who remits money to its account: the bank, the institution delegating the worker or the customer it transports. The only thing that matters is that the money be in the account. Outlays are diminished when we use our own lines and increased when the services of foreign carriers are used. With regard to this, enterprises, institutions and private customers should interest themselves in the services of the Polish carrier.

Financing the operation of the domestic lines creates problems of another nature. LOT covers 80 percent of its domestic line costs. Revenues would equal outlays if, along with unchanged tariffs, traffic increased 3 to 4-fold. The fixed costs to maintain the domestic network represent a large burden (regular flights have been resumed to Gdansk, Koszalin, Slupsk, Szczecin, Poznan, Zielona Gora, Wroclaw, Katowice, Krakow and Rzeszow; the Bydgoszcz airport has been closed.) The CZLC takes the position that the general policy in the area of goods tariffs will have a significant effect on the future of LOT's domestic routes. Simply speaking, the significant increase in the cost of rail traffic and PKS [State Motor Transport] tickets and the prices of gasoline has increased to demand for

airline services. One should be aware of the fact that the railroad and PKS now cover barely 20 percent of their costs, which means that increased charges for transportation via these means of transportation should be expected (predicted, incidentally) and in effect increase demand for air transport. Among the opinions concerning the possibility of financing costs incurred by LOT's domestic routes, I also heard that instead of limiting expensive fuel it would be more rational to increase prices. Of course, this would make it necessary to increase tariffs. Would there be any customers then? I heard that it is not necessary to expand the airlines at all costs. Tariffs should be determined by the market. On the other hand, discrimination against the carrier should not be allowed. LOT cannot compete with the railroad or PKS.

One can agree or disagree with this viewpoint. The ease with which it is accepted that the citizen's pocketbook can carry any burden placed on it is surprising. Even if it is accepted that "we love to travel" it is well known that we still attach no weight to public transport overlays.

Healing the economy of civil aviation must also be accomplished by improving relations between the carrier and its associated enterprises, such as flight control and airports. LOT's profitability depends on, among other things, such services as airport charges. Airports and flight control are budget items, and thus living on subsidies. The carrier was not concerned up to that time about the small sums of money spent on the infrastructure. Its prerogative, as the one who contributes a share to the State's budget, would be to require that the airport met transport needs. The goal is now to change this status. It is assumed that the carrier will bear the airport service charges, such as is done in many countries of the world. Its profits decrease, but budget subsidies are also reduced. This would initiate an internal clearing of accounts among civil aviation units.

Along with all these more or less advanced attempts to reform the economy of civil aviation, the carrier is pressured by an unfavorable economic situation, and as a consequence the enterprise's potential is limited, including the cadre of specialists who are an important component. Training a competent person to pilot an aircraft on long flights not only costs millions for training but also needs time to accumulate flight hours (an average of 3000 hrs.) before one can fly an airplane over the Atlantic. Very few people know that a pilot who does not fly for a couple of weeks must train before getting behind an airplane's controls again. Thus one must handle this cadre as one does the proverbial egg. None of these concerned economies, even the primitive ones, causes personnel of these airlines to be wasted.

11899
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## FINANCIAL PLIGHT OF POLISH OCEAN LINES REPORTED

Warsaw ZYCIE GOSPODARCZE in Polish No 21, 13 Jun 82 pp 1, 4

[Article by Jerzy Dzieciolowski]

[Text] The Polish Ocean Lines [PLO] is in financial trouble. In relation to this, some newspapers have hastened to report the firm's bankruptcy, ignoring the consequences for trade of such announcements and refusing to take the trouble to explain the reason for this bankruptcy.

The trend is to inform the public that the H. Cegielski Metal Industry Plants are bankrupt, that the STALOWA WOLA Steel Plant is on the verge, that at the POLAR Metal Plants they are packing their bags and that, for the reform to be real, several large enterprises will have to be consumed by it.

Despite all the PLO's troubles, the ships have not suddenly disappeared into the depths of the sea. Ten thousand employees are still working (more or less); those workers who are "going bananas" somewhere at sea are trying to keep the enterprise operating the best they can. I shall try to establish the real operational state of the Gdynia shipowner, to show the origin of the "shocking discoveries" of the state of PLO finances and to point out where the enterprise is to blame and where things are out of its hands.

### An Outline

Let me briefly explain the situation. There are 167 ships sailing under the PLO colors, including 4 container ships that are the joint property of a Polish-French shipping company. The ships that are the property of the PLO have a combined cargo capacity of over 1.1 million tons. Last year, the liner fleet transported nearly 5 million tons of cargo, netting the shipowner 27.5 billion zlotys in freight income.

The four Polish-French company ships in use by the PLO (which are con-ro ships with a horizontal and vertical system of loading, each ship having a cargo capacity of 22,600 tons) are among the largest and most modern ships in the Polish liner fleet. They serve the North American line.

The MS INOWROCLAW is a ship for guests and Sejm deputies from the Commission for the Maritime Economy and Shipping, to show them how things should be.

The INOWROCLAW, a ro-ro ship, is the first ship in the Polish liner fleet; that is, as the description states, "fully adapted to the modern high-production technologies of transporting and transferring cargo, as well as the requirements of the European short-range liner shipping market." This ship, which has a cargo capacity of 7,203 tons, transported nearly 200,000 tons of cargo in 100 voyages (it made its hundredth voyage at the beginning of May). It also carried 2,000 passengers, which is something of a record, considering that this ship has 12 places for passengers. Not even martial law disrupted the use of the passenger places.

However, most of the PLO fleet is very old and uses conventional methods of loading and unloading goods. Consequently, various methods are used to meet the requirements of an increasingly important container ship market in international transport services. For example, semicontainer ships have been sent to the ports of East Africa and the Red Sea, where containerization as a method of goods transport is in its initial stages.

How This Works

Industry in-process is indispensable for the Gdynia shipowner. In other words, the PLO depends on transporting Polish foreign-trade cargoes that are the product of processing industries. The growing decline in industrial production has caused a basic problem for the PLO--how to survive the coming years with a limited mass of phz [Polish foreign trade] cargoes and how to fall as little as possible from its place on the international transport market.

The strategy adopted by the PLO last year consisted, on the one hand, of acquiring for transport enough cargoes of foreign clients to cover all the foreign-exchange costs of the enterprise and, on the other, of limiting costs. Three-fourths of the general costs of the enterprise (the ships' water and fuel supplies, canal fees, port charges and the like) occur abroad and must be paid in convertible currencies. The possibility has also been cut off for drawing against the Trade Bank account (PLO's agent for dealing with foreign contractors). The bank has informed the shipowner that the domestic payments situation is such that it must manage without the assets in its account.

Efforts have been stepped up for finding cargoes for PLO ships to transport between foreign ports. Due to the especially great decline in the number of cargoes on European lines (and because of the short distances, one cannot count on foreign cargoes here), these lines have been transformed into delivery services of the ocean lines, which has rationalized foreign-exchange outlays. The four ships have been used on a permanent basis to transfer cargoes between Valencia (largely thanks to the efforts of the PLO trade representative in Valencia) and Libyan ports, as well as between Hamburg and Amsterdam and between Monrovia and Lagos. Some ships and some container ships not currently in use have been leased to foreign carriers. The opening of semicontainer ship services to the ports of the Persian Gulf and to the Red Sea not only has enabled us to rely awhile on these lines to compete with the more modern ships of other carriers but also, by replacing old ships with new ones, has created opportunities for greater profits from freight. In order to save money, service to the American Great Lakes has been suspended.

Likewise to cut costs, the conventional Szczecin-Hamburg line has been suspended. Seven of the most outmoded, least cost-effective ships have been sold or cut up for scrap.

All these endeavors that have somehow enabled the PLO to survive the year 1981, afford no guarantee that it will balance its income with its outlays this year. This is due to several reasons.

What Has Changed?

A real revolution has occurred in producer and services costs. For example, repair shipyards ask 100 percent more from the shipowner for repairs. In 1981, the cost of repairing PLO ships was approximately 900 million zlotys. This year, it is expected that costs will exceed 2 billion zlotys for the same scale of repairs (34 capital repairs, 115 average repairs). The cost of port charges, energy, engineering materials, agency costs and the like have increased similarly. The share of phz cargoes in general transport is declining. This reduces income, since the average freight rates for these cargoes are higher than for other cargoes.

The conversion of PLO income at an exchange rate of 80 zlotys per dollar (in the payments II area) has affected its finances especially severely. The cost increase on this score over last year is more than 10 billion zlotys.

A conversion factor within the range of 100 zlotys per dollar would have eliminated the problem of balancing the budget and acquiring the funds for indispensable needs, according to the enterprise. A dollar in exchange for 100 zlotys is not a bad result. This year the enterprise will incur 75.8 percent of its costs outside the country. We must bear these costs, however high. We do not stop going through the Kiel and the Suez Canals because of increased canal costs. We must pay whatever the going rate is for loading and unloading, for the wharf, for pilotage and for the tugboat. There is no discussion here--the rates must be paid.

The shipowner has no impact on an increase in these costs. When the rate is established at which the shipping enterprise is paid for the dollars that it earns, this fact cannot be taken into consideration.

The situation on the international shipping market has changed radically for the worse. It is hard to get cargoes (and especially hard for Polish shipowners for political reasons and because of the suspension of all types of credit for Polish purchases by many countries). Freight rates are not the best and prices for used tonnage are so low that they prevent the sale of ships designated for removal from service. It is not so simple to compensate for higher costs with income from the transfer of cargoes between foreign ports. Aside from everything else, this may dry up as a source of foreign-exchange. Others like to make money too. The world of carriers, like every other world, is divided into spheres of influence. One does not take on a cargo in any amount. There are certain binding principles that it usually does not pay to transgress, since no respected stevedore will work with a

"pirate." It is the same with freight charges. One cannot reduce them below the limit, because this is punishable. This had to be clarified, since on the domestic market we have the complete freedom to establish prices for services without any sort of connection with real costs. The PLO cannot pass on these costs on the international market, which somehow escapes the attention of the creators of our financial principles.

The modern ships brought into the North American line are a major source of costs in the PLO budget. When they have cargoes, they bring in profits, but when they do not transport the amount of goods they are designed to carry, their maintenance is costly.

The group of costs on which a shipowner can have an impact centers around the efficiency of the ships. However, there are no reserves to allow a reduction in these costs. The loading of containers onto old ships with the use of a floating crane, which happens due to the lack of other possibilities, is not the most economical method. These are the consequences of having an aging fleet and of not adapting conventional ships to the requirements of modern trade imposed by the technically developed rich Western countries, which try to save on expensive labor costs. Concentration is such a universal method of transporting cargo that attempts are even being made to carry coffee in containers; not long ago this was considered a joke. As a consequence, even ports in Africa and India that we thought we could serve with conventional ships for a long time because they would not be ready for containerization have built or are building container bases. Today Bombay reloads more containers than Gdynia. Carriers who do not transport goods in containers are being dropped because the goods require additional handling, thus reducing the carrier's income. Besides this, the goods are subject to damage.

Both domestic and international conditions of our liner fleet's operation are more difficult than formerly. This has engendered doubts about whether we can afford large shippings enterprises, since the prospects for the future are so discouraging.

What Can We Afford?

This is a question that goes beyond the makeup and the developmental potential of the liner fleet and the tramp fleet. In essence it asks whether we can exist economically without maritime export. If we can fund such a developmental model, there is no issue. We can sell what we can, take back what we cannot sell, leave a few "corpses" and direct our transport shipping to Hamburg and Amsterdam. However, if we recognize that in order to live we must export, then let us follow through.

State-owned shipping enterprises save the state nearly $1 billion annually. It uses this economic knowledge most frequently to note the benefits tied in with having its own fleet. Theoretically, we would have to pay this much to foreign shipowners to transport all of our export from consignees. This is the simple accounting. In practice, the protective function that shipping enterprises play for domestic Polish foreign trade is much more significant.

Our goods are packaged in various ways. While a foreign carrier may want to drop us, a domestic one may give a promotion. By comparison with Amsterdam and Hamburg, Gdynia and even Szczecin are poorly situated. Without membership in shipping conferences, we would have to pay an added fee for the delivery of cargoes to more poorly situated ports. Now we bring in freight charges for long trips as a consignee of cargoes in Hamburg. The fact that the PLO serves 31 regular lines also has an impact upon the rate of freight charges of the international market.

Not only are shipping enterprises the suppliers of foreign-exchange and an instrument for protecting the national balance of payments. They are spokesmen for Polish foreign trade. Its developmental potential and the opinion of trade partners are created both by goods manufacturers and their carriers. For a shipowner to operate normally, he must have the potential for turning around the foreign-exchange that he earns. One cannot treat an enterprise that operates par excellance [sic] on the international market like the PKS [State Motor Transport] or a shoe factory (I mean nothing by this). If a bus slips off the line, it does not make people happy but they continue to ride the bus. A shipowner cannot tell a stevedore that he will be late with the delivery of a cargo because he lacks the foreign-exchange for bunkers. He will not be given any more cargoes.

One cannot be selective about foreign-exchange costs when three-fourths of these costs to the enterprise are borne abroad. Using the same foreign-exchange allowance principle for shoe factories and shipowners is a typically bureaucratic operation. Cutting 30 percent of the personnel of all canvassing agencies demonstrates a lack of understanding. Let the shipowner, and his foreign representative all the more, worry about making money for themselves. Shortening the time that a ship is in port by 2 days enables the payment of one-half the annual costs of the ship's agent abroad. When the trade transport situation is unfavorable, a well-known shipowner invests first in canvassing aggressively, since these costs are minimal compared with the potential benefits.

Since 1979, the PLO has been waiting for permission to purchase a computer to count containers. The PLO already has more than 20,000 containers, dispersed worldwide, some in ports, others on ships and others in repair. An abacus is used to keep a record of them. A computer is available on credit, payable through cargo transfer. Apart from the credit, this establishes contacts on the new transport market. The containers accumulate, it is more and more difficult to keep track of them, and there is still no permission to purchase the computer.

I do not suggest that the shipowner should be excused from general directives. They are of little use if they are not adapted to the reality of maritime shipping activity.

Maritime shipping is big business, regardless of our shipping situation. Conducting big business requires imagination and inspiration. This imagination is lacking. The degree to which the realities of the operation of shipping enterprises are taken into consideration in economic practice will be on its own way a turning point, indicating what we can afford to do to transform the entire economy.

8536
CSO: 2600/707

INCREASED WAGES, COST OF LIVING REPORTED

Warsaw ZYCIE GOSPODARCZE in Polish No 24, 4 Jul 82 p 10

[Article by Ch. M.: "From the Materials of GUS--Living Costs and Wages"]

[Text] According to the GUS [Central Office of Statistics] information on the country's economic situation in May 1982, in April this year, as compared with April past year, the cost of living of workers' families has risen 108.9 percent (in the households of workers employed in the socialized sector, 109 percent); farmers' families, 110.7 percent; pensioners and annuitants, 126 percent. The sharpest rises affected food costs; they rose in the particular groups: 161, 178.4 and 164.2 percent.

The same GUS source informs us that the average wage in the four basic sectors of the material sphere (in industry, construction, transport and communication, and commerce), including compensations for family members, in May this year was 10.625 zlotys. The average wage in industry was 11.336 zlotys, in construction 10.762 zlotys, in transport and communication 9.944 zlotys, and in commerce 8.240 zlotys.

We can also find in the BIULETYN STATYSTYCZNY detailed data on the above wages for the past months and years. Based on this source we have prepared the enclosed table which shows how the industrial nominal wages fluctuated in the period between December 1981-May 1982 and between December 1980-May 1981.

In the table as well as on the graph we have shown the relation of wages to living costs in January this year, in the corresponding months of the past year, and in January 1981.

Incidentally, we would like to stress that we are intentionally avoiding the term "real wage." This problem, among others, we have raised in the article entitled "How to compute real wages" (ZYCIE GOSPODARCZE, No 4, 1982), where we have attempted to prove that real wage factors are not reliable for the purpose of evaluation of people's living conditions, if one is aware that goods and services sought for are not available at the officially enforced prices. The real wages factors computed in a traditional way under these conditions reflect only the relationship of nominal wages to the formally enforced prices; however, they do not characterize the influence of changes

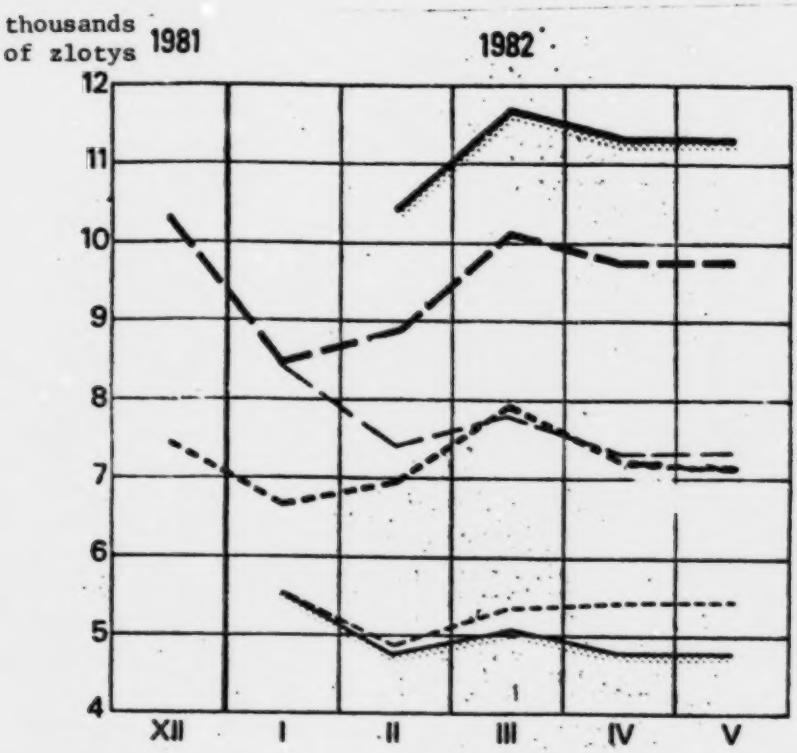


wages with compensations

compared with January 1981 living costs

compared with January 1982 living costs

compared with living costs of corresponding 1981 months

wages without compensations

1981 wages

in the availability of goods and services on living costs. When the market is relatively balanced, this problem does not exist.

A similar reservation is also made in relation to the living costs index, understood as not only an "index of prices" but more broadly, as a measure of people's living conditions. We can, therefore, also analyze two interpretations of the living costs index: a more general one that takes into consideration the availability of goods on the market, and one that is more narrow, that treats the living costs index in a traditional way as an "index of prices," regardless of the supply situation. In the further part of this study, the second, i.e., the traditional living costs index formula will be utilized for computation of the ratio of wages to living costs.

Granted all these reservations, we consider it very important to inform our readers about the ratio of nominal wages to prices.

The ratio of the April 1982 average nominal wage to the May 1981 living costs was computed by dividing that nominal wage by the living costs factor mentioned at the beginning of this study, that is 209 percent. Similarly, the ratios of the average nominal wages for the period January to May this year were computed; the particular average monthly wages were divided by the corresponding living costs factors: 153.4 percent in January, 214.8 percent in February, 219.3 percent in March. Since we do not know yet the living costs growth factor for the period May 1981 to May 1982, for the purpose of computing the ratio of May 1982 wages to the living costs in May 1981 we have used the analogous April factor, that is 209 percent.

The ratios of wages to living costs in the particular months of the past year can raise some questions because those ratios are influenced by the growth of living costs during the past year. For example, the April 1981 rise of the prices of alcohol will add several points to the ratio of April 1982 wages to April 1981 living costs, when compared with the analogous figures for the month of March.

| Specification | | 1981 Dec | 1982 Jan | Feb | Mar | Apr | May |
|---|---|---|---|---|---|---|---|
| Factors of living costs growth | to Jan 1982 | -- | 100.0 | 140.9 | 150.0 | 154.8 | 159.6 |
| | to analogous 1981 months | -- | 153.4 | 214.8 | 219.3 | 209.0 | 209.0 |
| | to Jan 1981 | -- | 153.4 | 216.1 | 230.1 | 237.1 | 244.2 |
| Ratio of wages in specific 1982 months (with compensations for employees) to living costs | Jan 1982 wages | -- | 8,468 | 7,398 | 7,784 | 7,320 | 7,103 |
| | analogous 1981 months wages | -- | 5,520 | 4,854 | 5,324 | 5,422 | 5,422 |
| | Jan 1981 wages | -- | 5,520 | 4,824 | 5,077 | 4,779 | 4,642 |

In order to eliminate this factor we have also made a comparison of monthly wages in the particular months of this year to the living costs in January of last year. We have applied the following factors of growth of these costs: 153.4 percent for January 1982--January 1981; 216.1 percent for February 1982--January 1981; 230.1 percent for March 1982--January 1981; 237.5 percent for April, and 244.2 percent for May.

In both the table and the graph, the ratio of wages in the particular months of the current year to the January current year living costs is also presented. The following factors of living costs growth were applied: 140.9 percent for February--January 1982; 150 percent for March--January 1982; 154.8 percent for April--January 1982; and 159.6 percent for May--January 1982.

The table and graph illustrate the level of average wages in the socialized industry as a whole. They do not show, therefore, the differences in those wages in the particular subsectors and branches of industry, as well as in various regions, to say nothing about the professions and positions.

In the subsectors and branches where wages were higher, generally they decreased in relation to the living costs to a lesser degree than in those subsectors and branches where they were lower.

An exception is only the construction materials industry with a wage of more than 10,000 zlotys and a decrease of the ratio of wages to living costs by over 30 percent. All the remaining subsectors in which the ratio of wages to prices decreased by more than 30 percent had wages below the 10,000-zloty level.

The ranges between wages in various voivodships have also increased. For example, nominal average wages in socialized industry during the first 5 months, in comparison with the analogous period of the previous year, have risen most sharply: in Katowice Voivodship by 50.8 percent (without compensations) and in Walbrzych Voivodship by 33.4 percent. Less than 20 percent rise occurred in 13 voivodships: Sieradz, Gdansk, Slupsk, Zielona Gora, Lodz, Nowy Sacz, Warsaw Capital Voivodship, Czestochowa, Krakow Metropolitan Voivodship, Ciechanow, Skierniewice, Szczecin, Gorzow, Chelm.

The above differences to some extent result from the subsector structure of industry in the particular voivodships. The growth of average wages in Katowice Voivodship, to give an example, was influenced primarily by the growth of miners' wages.

However, symptoms of reverse interdependence can be noticed too. For example, the average monthly wages in the construction and assembly enterprises during the first 5 months of this year, in comparison with the analogous period of the previous year, have also most sharply risen in Katowice (28 percent) and Walbrzych (31.5 percent) voivodships. The rise of these wages in Piotrkow, Lublin, and Biala Podlaska voivodships was in the 16 to 19 percent range. In the remaining 44 voivodships, wages of workers of the construction and assembly enterprises did not rise more than by 13 percent, in 24 voivodships they rose less than 10 percent.

We would like to analyze these problems more broadly in a separate publication.

9644
CSO: 2600/756

LAW ON COMPENSATION FOR LABOR IN AGRICULTURAL COOPERATIVE UNITS

Bucharest BULETINUL OFICIAL in Romanian Part I No 36, 6 Apr 82 pp 1-16

/Law No 1 of 1 April 1982 on the Payment for Labor in the Cooperative Agricultural Units/

/Text/ Socialist Republic of Romania

On the basis of Article 57 of the Constitution of the Socialist Republic of Romania, we sign and order to be published in BULETINUL OFICIAL AL REPUBLICII SOCIALISTE ROMANIA Law No 1 of 1 April 1982 on the Payment for Labor in the Cooperative Agricultural Units.

Nicolae Ceausescu,
Chairman
of the Socialist Republic of Romania

Bucharest, 6 April 1982.

Law
on the Payment for Labor in the Cooperative Agricultural Units

The Program of the Romanian Communist Party for Forging the Multilaterally Developed Socialist Society and Advancing Romania Toward Communism establishes as a central objective of the party's agrarian policy the achievement of modern, intensive, highly productive agriculture that uses the newest gains of science and technology. The accomplishment of the new agrarian revolution, the strong growth of the technical-material base and the continual improvement of the production relations in agriculture must provide for the obtaining of higher and higher outputs and, on this basis, in conformity with the principles of territorial self-supply and self-management, the meeting of the consumption requirements of the population and other needs of the national economy.

The cooperative agricultural units, which have the main percentage in our socialist agriculture, have the duty to provide for the continual growth of vegetable and animal production through efficient use of the land and the other means of production, all the material resources and the work force that they have.

The continual raising of the standard of living of those who work in the cooperative agricultural units is directly conditioned by the labor of each cooperator and is achieved in proportion to the growth of agricultural production and the development of public property.

The payment of the cooperators and the other workers in cooperative agriculture must be done in direct connection with the quantity and quality of the labor performed, the output and the incomes achieved and the results obtained in reducing the production costs and in raising the efficiency of the activity in all sectors of the unit, in accordance with its development and economic possibilities.

The principle of socialist equity must be applied steadily in each agricultural cooperative, with a fair ratio between the minimum incomes and the maximum ones being provided.

No one can be paid without performing useful labor that contributes to the achievement of production in the cooperative agricultural unit.

In conformity with the principles of self-management and self-administration, the agricultural production cooperatives have the obligation to provide for the rational management of all material and financial resources, the better organization of production and labor, the reduction of production costs, the continual growth of efficiency and the obtaining of profits that lead to the self-financing of the entire activity.

In planning and carrying out the entire economic and financial activity, the cooperative agricultural units are obligated to provide a continual balance between incomes and expenses, so that each unit may cover its expenses from its own incomes, may obtain profits and may form the development fund and the other statutory funds as well as the means needed for paying the cooperators in accordance with the provisions of the present law.

Payment at the level stipulated in the unit's production plan and income and expense budget is provided to the cooperators, formed into crews, within the farms, brigades and sectors, who fulfill all the tasks that devolve upon them, do the work properly and attain the pledged output without exceeding the expenses connected with it.

The state gives material and organizational help to the cooperative agricultural units so that in each of these units steady action is taken to increase production and labor productivity and continually reduce production costs through full use of the technical-material base and the work force.

At the same time, the payment for the labor of the workers in cooperative agriculture must be done on the basis of the principles and regulations with a general character, applicable to all categories of working people.

With a view to the implementation, in the cooperative agricultural units, of the policy of the party and the state in the field of payment for labor, the Grand National Assembly of the Socialist Republic of Romania adopts the present law.

## Chapter I
## The General Principles of the System of Payment for Labor in the Cooperative Agricultural Units

Article 1. (1) The continual raising of the standard of living of the cooperators and all those who work in the cooperative agricultural units is directly conditioned by the results of the labor of each one and is achieved in proportion to the growth

of agricultural production and public property and the development of the whole national economy.

(2) The payment for labor in the cooperative agricultural units is done on the basis of the socialist principle of distribution according to the quantity, quality and social importance of the labor performed and in relation to the results obtained by each particular unit in fulfilling the plan for physical output and the income and expense budget.

(3) The payment for the labor of the cooperators is provided, in relation to the fulfillment of the production plan and the incomes stipulated in the income and expense budget, from each unit's own funds obtained by it on the basis of steadily applying the principles of self-management, economic self-administration and self-financing.

Article 2. (1) The consistent and regorous application of the socialist principle of distribution must provide for the material encouragement of the cooperators to increase production and labor productivity and to properly manage and develop public property and the strengthening of the spirit of responsibility and the discipline in labor.

(2) Payment at the level stipulated in the unit's production plan and income and expense budget is provided to the cooperators who fulfill all the tasks that devolve upon them, do the work properly and achieve the pledged output without exceeding the expenses connected with it.

(3) The cooperators cannot be paid without performing useful labor that contributes to the achievement of production in the cooperative agricultural unit.

Article 3. (1) In drawing up the production plan according to crops, the cooperative agricultural units are obligated to provide the areas needed in order to secure the quantities of grain, potatoes, beans and other produce for reaching the targets for delivery to the state supply and meeting the food consumption of the cooperators and the fodder need and for forming the food and fodder reserve fund and the other funds provided by law.

(2) Each cooperative agricultural unit draws up its production plan and income and expense budget, by means of which it determines both the incomes that are to be achieved from vegetable and animal production, small-scale industry and other activities and the material and labor expenditures and other connected expenses, so as to provide for the financing of the production activity from its own resources, the pay fund in relation to the level of output and incomes, the complete recovery of the expenses from the incomes obtained and a suitable profit, from which the economic development fund, the reserve fund, the other statutory funds and the profit-sharing fund are to be formed.

(3) In forming the fund for paying the cooperators in relation to the volume of labor needed for doing the work and to the rates set, the agricultural production cooperatives are also obligated to provide in the income and expense budget a reserve of up to 15 percent in money and in kind.

Article 4. In order to provide the means of payment needed for making the material expenditures and for paying for labor, the cooperative agricultural units are

obligated to completely achieve their planned physical output and to contract for vegetable and animal agricultural products, for delivery to the state supply, at least at the level set by means of the plan for development of agriculture and the food industry in territorial form.

Article 5. (1) The cooperative agricultural units must ensure participation in labor by the cooperators and all the other inhabitants fit for work in the villages and communes, including those who work in other sectors of activity.

(2) With a view to reducing the expenses and sensibly using the pay fund, the cooperative agricultural units will take steps to reduce to the bare minimum the personnel who do not work directly in production.

Article 6. (1) In the allotment of the pay fund, the providing of a fair ratio between the minimum incomes and the maximum ones will be pursued in each unit, with the principle of socialist equity being firmly followed.

(2) The maximum base pay that a cooperator can receive for reaching the plan targets cannot exceed the income of the similar positions or occupations in the state agricultural enterprises with the same volume of activity, under the same working conditions and with the same results.

Article 7. (1) The elements of the system of payment for the labor of the members of the agricultural production cooperative are:

a) The base pay, in money or in money and kind, established on the basis of rates per labor quota, per unit of product or per 1,000 lei of value of the physical output, which constitutes the main part of the total pay of the cooperators;

b) The pay in the form of profit sharing, in money or in money and kind, for achieving the planned output;

c) The additional pay in the form of profit sharing, in money or in money and kind, for the output achieved above the plan.

(2) An increase for continuous service in the same unit and the same sector of activity can be awarded under the conditions provided by law.

(3) The level of the base pay in the cooperative agricultural units can be set varyingly according to activities, depending on their importance in the economic and financial development and consolidation of the cooperative, in accordance with the decision of the general assembly.

(4) Within the activities, the pay varies according to categories or groups of work, in correspondence with the degree of complexity of the labor and in relation to the level of training, the degree of responsibility and the length of service.

Article 8. In addition to the pay for the labor performed and the results obtained, the members of the agricultural production cooperative also benefit from the state's consumption fund for education, health care and culture, from pensions, material insurance in case of a temporary work disability and childbirth, and aid for families with children, and from the other social rights, under the conditions set by law and

by the Statute of the Agricultural Production Cooperative. They also benefit from suitable labor-protection conditions, in accordance with the law.

## Chapter II
## The Organization of Production and Labor in the Agricultural Production Cooperatives

Article 9. (1) The activity in the agricultural production cooperative is achieved through the labor of its members.

(2) With a view to completely using the land, increasing the agricultural production and raising the incomes of all the members, the agricultural production cooperatives have the obligation to ensure participation in labor by all the members and their family members, so that at least 60-65 percent of the total population connected with the activity of each cooperative constitutes an active work force and participates in performing all agricultural work in time and properly.

Article 10. (1) With a view to the performance of the agricultural work in optimum periods, the combined state and cooperative agroindustrial councils and the management councils of the agricultural production cooperatives, together with the executive committees or bureaus of the people's councils, will draw up and discuss in the general assemblies work programs that provide for full use of the existing work force, through the participation of all the cooperators in labor, including the pensioners fit for work and the young people. The pensioners who cannot participate in the performance of all agricultural work and the pupils of the schools in the communes will be trained, in relation to age, to perform work such as the tending of crops, the harvesting of vegetables, fruit and grapes and of medicinal plants, in sericulture, services and other such activities.

(2) In the period of carrying out the agricultural campaigns, all the inhabitants fit for work in the villages and communes, including those who work in industry, construction, trade and other activities, the specialists of any type and their family members are obligated to participate in hoeing and other work of tending the crops and harvesting, transporting and storing the products, irrigation and drainage work, the elimination of excess moisture, the clearing and improvement of natural pastures and meadows and other such actions, in accordance with the approved work programs.

(3) The persons mentioned in Paragraph 2 will perform the labor in crews and will be paid on piecework terms, in relation to the volume of work done.

Article 11. (1) Each cooperator has the obligation to do work of quality, in the indicated places and in the stipulated optimum periods of time, to achieve the number of workdays and the corresponding volume of labor approved by the general assembly of the agricultural production cooperative, and to follow the assigned work program.

(2) The chairmen of the agricultural production cooperatives, the other management personnel, the technical, economic and administrative personnel, and those who work in the cooperatives in the activities of small-scale industry, construction and services will participate directly in the performance of the agricultural work in the peak periods of the agricultural campaigns.

Article 12. (1) In order to ensure participation in labor throughout the year by as large a number of cooperators as possible and gradual growth of the degree of

employment of them up to 300 days per year, the management councils of the agricultural cooperatives are obligated to develop, besides the agricultural activity, the activities of small-scale industry, construction, services and other such, utilizing fully the resources of raw material that each unit has.

(2) In the agricultural production cooperatives in which manpower is available, the management councils are obligated to organize, with the help of the executive committees or bureaus of the people's councils, brigades and crews that may work in other cooperative and state agricultural units, on construction sites, in forest operations and in other activities.

(3) The units in which the cooperators work in accordance with the provisions of Paragraph 2 are obligated to transfer monthly to the agricultural production cooperatives from which they come the pay rights, the associated tax and contribution for social insurance, the share of the common and general expenses, and a share of profit calculated in relation to the sum total of these expenses.

Article 13. The management councils of the agricultural production cooperatives will include in the production plans and the income and expense budgets all work that is done under the conditions of articles 9-12.

Article 14. (1) For rationally using the work force, achieving the agricultural output and raising the labor productivity, in the agricultural production cooperatives production subunits are organized and, within them, work formations are set up.

(2) The production subunits in the agricultural production cooperatives are: the farm, the brigade and the sector, which have their own production plan or, as the case may be, also an income and expense plan, which are an integral part of the production plan and the income and expense budget of the agricultural production unit.

(3) The management council of the agricultural production cooperative allots to each farm, brigade and sector, depending on the type of production, the areas of crops, the vine- and fruitgrowing plantations, the stocks of animals, the tractors and agricultural machines, the other inventory, the quantities of fertilizer, herbicide, fodder, materials and supplies, and the work force needed for achieving the output set.

Article 15. (1) The basic formation in the organization of labor within the production subunits is the mixed crew of cooperators and farm machinery operators, the crew of farm machinery operators or the crew of cooperators.

(2) The organization of labor according to crews has as a purpose the strengthening of the spirit of collective labor and the discipline and the growth of the responsibility of the whole crew and each member of it for fully using the technical-material base, performing in time and with quality the volume of labor set for the entire area or the entire stock of animals and obtaining the stipulated production levels.

(3) In the farms, brigades and sectors in which the production technologies and the degree of mechanization permit the reduction of the work force, the cooperators and farm machinery operators who work directly in production in these subunits are formed into a single crew.

Article 16. (1) The crew is organized with a permanent character, according to fields, strips and animal species and categories, at least for the duration of a

production cycle or calendar year. A "production cycle" means, in vegetable production, the period from the preparation of the ground for sowing or planting to the harvesting, delivery and storage of the output and, in zootechny, the period of production, growth or fattening corresponding to each animal species or category.

(2) The crew's composition and size are set by the assembly of the farm, brigade or sector, respectively, with the approval of the unit's management council, depending on the crop structure, the animal species and categories, the degree of mechanization of the work, the dispersal of the pieces of land, the area of the parcels, the system of exploitation and other such criteria. The crew's size must fit within the limits set by the Ministry of Agriculture and the Food Industry

(3) Areas of crops, vine and fruit-tree plantations, stocks of animals, means of production and materials needed are allotted to the crew, in accordance with the provisions of the production plan of the farm, brigade or sector, and the outputs that must be obtained and the volume of labor that must be performed in accordance with the technologies used are assigned to it.

(4) In vegetable production, the crew has the obligation to do in time and properly the work needed for obtaining the planned output: the preparation of the ground, the sowing, the providing of the plant density throughout the growth cycle, the filling in of bare ground, the tending of the crops, the harvesting, transportation and storage of the whole output achieved and the removal of byproducts from the land. For irrigated crops, the crew has the task of also doing the work of watering and of maintenance and exploitation of the areas set up and the irrigation equipment, for which purpose a permanent group of cooperators can be organized within the crew.

(5) In zootechny, the crew has the obligation to tend and exploit the animals and to obtain the number of offspring and the animal outputs planned. The crew provides for fodder preparation, transportation and administration, manure removal, disinfection and deratization.

Article 17. (1) The crew is run by a crew chief, who actually works in production, appointed by the agricultural unit's management council from the best farm machinery operators in the respective crew or from the cooperators with the most experience and with aptitudes in the organization of labor who have prestige and authority among the members of the crew.

(2) The crew chief has the obligation to ensure the strict observance of order and discipline in production, to verify daily the volume of labor performed by the cooperators and farm machinery operators and the quality of the work done, and to prepare the timesheet for each member of the crew.

(3) The responsibility for doing in time and with quality the entire volume of work stipulated by the technologies and recorded in the work estimates devolves upon the whole crew. In the case in which some members of the crew cannot perform the stipulated volume of labor in the period set, the work will be done, through the good offices of the crew chief, by the other members. The volume of labor performed will be credited to those members of the crew who did the respective work.

Article 18. (1) The obligations that devolve upon the units for providing the technical-material conditions needed for achieving the outputs set, the responsibilities

of the cooperators, farm machinery operators and specialists for doing the entire volume of work in time and following the technologies, and the pay rights are recorded in a pledge concluded by the crew chief with the farm, brigade or sector chief. The farm, brigade or sector chief, together with the chief of the mechanization section, concludes pledges with the cooperative's management. The pledges are approved by the management council of the agricultural production cooperative.

(2) The areas of crops, the animal species and categories allotted, the outputs that must be obtained, the volume of labor, the periods of time when the work is to be done and the pay rights will be stipulated in the pledge. The pledge will be signed by all members of the crew.

(3) For strengthening the responsibility of all members of the crew in the fulfillment and overfulfillment of the outputs stated in the pledge, the management councils and the farm, brigade and sector chiefs have the obligation to verify continually the way in which the work stipulated in the estimates is done, the depth and uniformity of the plowing, the achievement of the plant density per unit of area, the filling in of bare ground, the performance of the amount of hoeing and of the other work of mai maintenance and disease and pest control, the performance of the work of removing water from land and crops, the harvesting of the entire output on schedule and without losses, and the clearing of the land.

(4) In zootechny, the management councils and the farm and brigade chiefs have the obligation to verify continually the activity done for tending the animals, the process of reproduction and selection and of fodder preservation, preparation and administration, and the way in which the sanitary and veterinary measures are followed, in order to ensure the fulfillment and overfulfillment of the outputs and the populations stipulated in the pledges concluded by each crew.

Article 19. (1) The level of the labor consumption and material expenditures needed for achieving the planned outputs in cooperative agriculture is set annually by means of the sole national plan for economic and social development.

(2) The Ministry of Agriculture and the Food Industry allots according to counties the indicators regarding the labor consumption, the maximum need for personnel according to structure, and the material expenditures, in a manner varying according to technologies for the main crops and animal species and categories, depending on the soil and climatic conditions, within the level set in accordance with Paragraph 1.

(3) In addition, the Ministry of Agriculture and the Food Industry will take steps regarding the improvement of the technologies according to crops and animal species and categories and regarding the periodic revision of the labor and consumption quotas, with a view to reducing the labor expenditures and the material, energy and fuel expenditures and raising the labor productivity and economic efficiency in the cooperative agricultural units.

(4) The general directorate for agriculture and the food industry allots the indicators regarding the labor consumption and the material expenditures, for agricultural production cooperatives and, aggregately, for the combined state and cooperative agroindustrial council, depending on the concrete conditions in each unit, in a manner varying according to technologies for the main crops and animal species and categories, without exceeding the total level set for the county.

Article 20. (1) In the agricultural production cooperative, the setting of the quotas for the labor performed is done on the basis of the labor quotas devised by the Ministry of Agriculture and the Food Industry together with the National Union of Agricultural Production Cooperatives, in accordance with the criteria and within the limits set by law.

(2) Depending on the nature of the activity, the labor quotas can be set in the form of time quotas, production quotas, concrete tasks with specification of the zones for carrying out the activity, official duties or other types of quotas corresponding to the respective labor.

(3) In the setting of the volume of labor for the work that is done in the agricultural production cooperatives, it will be ensured that many work operations stipulated in the technologies are included in the same quota, so that each cooperator may do as wide a range of work as possible in the sector to which he has been assigned and can work effectively throughout the year in order to obtain constant incomes and ones at a higher and higher level, in relation to the quantity and quality of the labor.

## Chapter III
## The Payment for Labor in the Agricultural Production Cooperatives

### 1. The Forms of Payment for Labor

Article 21. (1) The main form of payment for labor in the agricultural production cooperatives is the overall contract system, with a rate per unit of product or per 1,000 lei of value of the physical output obtained or of the services performed, respectively.

(2) Within the form of payment under the overall contract system, a crew, farm, brigade or sector assumes the obligation to achieve a certain output of grain, technical crops, vegetables, fruit, meat, milk, eggs or wool or another output set in physical units, for which the pay due is set overall, in money or in money and kind, and is provided in proportion to the physical output achieved and the compliance with the expenses, the schedules and the other conditions stipulated in the pledge, without being limited.

(3) The form of payment under the overall contract system provides for the strengthening of the responsibility for the achievement of the planned outputs and profits, the continual growth of labor productivity, the reduction of the material and labor expenditures per unit of product and, on this basis, the growth of the incomes of the cooperative and the cooperators.

Article 22. (1) In the agricultural production cooperative, it is also possible to use, under the conditions of the present law, the following forms of payment:

a) On direct piecework terms;

b) Out of overhead;

c) On the basis of percentage quotas of the output or its value for some crops.

(2) The payment on direct piecework terms is done on the basis of a rate per unit of product, per job or per 1,000 lei of value of the output, in proportion to the

quantity of products, jobs or other physical units achieved, and is applied to the work that, due to the specific conditions in which it is done, cannot be brought under the overall contract system, such as some activities of small-scale industry and services, some agricultural work in the peak periods and other activities in which the measurement of the labor is done individually on the basis of quotas.

(3) The payment out of overhead is applied only in the cases provided by law, on the condition of the complete fulfillment of the official duties in a certain unit of time.

(4) The payment on the basis of percentage quotas of the output or its value can be applied only in exceptional cases, when conditions for payment on piecework terms do not exist, for natural and sown meadows, beans, pumpkins, melons, vegetables and other products in companion crops, including in fruit-tree and vine plantations, the cutting and gathering of stalks, sugar-beet root necks, straw, runners and fodder from double crops, depending on the specific character of each cooperative. The percentage quotas and the conditions for awarding the pay are set by the Ministry of Agriculture and the Food Industry, together with the National Union of Agricultural Production Cooperatives.

Article 23. (1) The forms of payment for labor are approved by the general assembly of the agricultural production cooperative, at the proposal of the management council, depending on the specific conditions of each unit and sector of activity, there being provided the correlation of the pay fund with the level of the output and the incomes stipulated in the production plans and the income and expense budgets.

(2) The form of payment on the basis of percentage quotas is approved by the cooperative's general assembly, with the advice of the general directorate for agriculture and the food industry, at the proposal of the combined state and cooperative agroindustrial council.

Article 24. (1) The agricultural production cooperatives that have isolated, hard-to-reach pieces of land that cannot be combined and worked by machine can allot this land, for cultivation, to the cooperators for a period of 3-5 years. In this case, the payment for labor is done in kind, in a proportion of 50 percent of the output obtained, on the condition of the complete recovery of the expenditures made by the cooperative and of the achievement of a profit of at least 5 percent.

(2) The land that can be allotted in accordance with Paragraph 1 and the level of the pay in kind are established by the general assembly, with the approval of the general directorate for agriculture and the food industry and the county union of agricultural production cooperatives, at the proposal of the combined state and cooperative agroindustrial council.

## 2. The Rates of Pay per Labor Quota

Article 25. (1) The labor performed in the cooperative agricultural units is remunerated with rates per labor quota, varying according to four groups of complexity and production sectors, as follows:

| Production Sector | (lei per labor quota) Group of Complexity of the Work I | II | III | IV |
|---|---|---|---|---|
| Vegetable production | 40 | 48 | 46 | 65 |
| Animal production | 50 | 60 | 70 | 80 |

(2) The agricultural cooperatives that attain high outputs and incomes can apply the rates provided for all four categories of work.

(3) The agricultural production cooperatives that do not have conditions for completely forming the necessary pay fund will apply the rates provided for groups I and II, with the rates corresponding to groups III and IV also coming to be applied in proportion to the growth of their economic power, the outputs and the incomes.

Article 26. (1) In the course of doing the work, the rates of pay per labor quota provided in the production plan and the income and expense budget can be raised or lowered, as follows:

a) In vegetable production, in relation to the providing and maintenance of the standardized plant density up to harvesting, with the obligation to fill in bare ground, do the amount of hoeing and the other work of maintenance and disease and pest control, apply the watering on irrigated areas and do the work of removing water from crops, and harvest and clear the land on the dates set;

b) In zootechny, in relation to the compliance with the animal-tending standards, the achievement of the populations, the birth rates and the outputs planned, and the preservation of the health of the animals.

(2) The raising of the rates beyond the limits indicated in Article 25 can be done by the cooperatives that obtain high outputs and incomes, but without exceeding the level of the rates set for the state agricultural enterprises.

Article 27. In the agricultural production cooperatives, the cooperators or other worker personnel who work permanently and directly in zootechny, achieve the prescribed volume of work in accordance with the labor quotas for the state agricultural enterprises, tend the same number of animals or poultry, provide for the feeding and tending of the animals and the preservation of their health without departing from the zooveterinary standards, and obtain the outputs of milk, meat, eggs, wool, offspring and other animal products stipulated by the plan can have the pay levels set by law, under similar working conditions, for the personnel of the state agricultural enterprises.

3. The Payment for the Labor of the Cooperators Who Work in Agricultural Production

Article 28. (1) The payment for the labor of the cooperators who work in agricultural production is done, in a generalized fashion, under the overall contract system.

(2) The rates of piecework pay per unit of product or per 1,000 lei of value of the physical output are set by the general assembly of the agricultural production cooperative, on the basis of the volume of labor in the work estimates for each crop,

animal species or category and other activities, of the rates of pay per labor quota and of the output or its value expected to be achieved, within the limit of the planned pay fund.

Article 29. (1) The pay is given to the cooperators on the basis of the rates, in proportion to the volume of labor actually performed, the output obtained by the whole crew and the material expenditures allotted, on the condition of performing in the prescribed periods all the work stipulated in the technologies and the entire volume of labor recorded in the work estimates, as well as other work required by the natural conditions.

(2) For the crop or the animal category for which the output stipulated in the pledge, under the overall contract system, has been reached or exceeded by the whole crew, the rights due the members of the crew are awarded in accordance with the results obtained for the respective crop or animal category.

(3) Within the crew, the payment for labor can also be done varyingly according to the cooperators who make up the work formation, for each crop or animal category, on the condition of doing all the work in time and with quality and achieving the output pledged by the whole crew.

(4) The payment of the farm machinery operators in the crews of farm machinery operators and in the mixed crews of cooperators and farm machinery operators and of the personnel in the machine sector, employed at the agricultural mechanization station, is provided from this unit's pay fund, and that of the cooperators is provided from the pay fund of the agricultural production cooperative.

(5) The provisions of paragraphs 2 and 3 are also applied accordingly for the payment of the cooperators who work in farms, brigades and sectors who are formed into a single crew.

Article 30. The cooperators trained in the occupations of chauffeur, truck-tractor driver, fitter, welder, electrician and others can be paid on piecework terms or out of overhead, with the approval of the general assembly, up to the level of the pay set for the similar occupations in the state units, on the condition of doing work of the same volume and complexity, without exceeding--in the case of payment out of overhead--the pay of the position of chairman.

### 4. The Payment for the Labor of the Cooperators Who Work in the Activities of Small-Scale Industry, Construction and Services

Article 31. The payment for the labor of the cooperators who work in the activities of small-scale industry, construction and services is done under the overall contract system or on direct piecework terms, with a rate per job, per unit of product or per 1,000 lei of value of the output, rates that are determined on the basis of the standards devised in accordance with the law.

Article 32. (1) The cooperators who work in the activities of small-scale industry, construction and services can be paid, under the conditions of Article 189 of Law No 57/1974, on the basis of the rate systems in the state or local-industry units of a similar type and complexity.

(2) The inclusion in the rate systems and the level of the pay that can be given to the cooperators in accordance with Paragraph 1 are approved by the general assembly of the agricultural production cooperative, with the advice of the general directorate for agriculture and the food industry.

5. The Payment of the Cooperators Who Hold Technical, Economic and Other Specialized Leadership and Operational, Administrative, Service and Watch Positions

Article 33. The base pay for the cooperators who hold the position of chairman is set at a level representing at most up to 2.5 times the average income achieved by the cooperators who work directly in production and perform the volume of labor approved by the general assembly and in relation to the value of the physical output planned and the size and complexity of the unit, in accordance with Appendix 1.

Article 34. The level of the base pay for the other technical, economic and other specialized leadership and operational, administrative, service and watch positions is set in relation to the average annual income achieved by the cooperators who work directly in production and perform the volume of labor approved by the general assembly and in relation to the value of the physical output planned and the size and complexity of the unit, without exceeding the limits set for the base pay calculated for the position of chairman, in accordance with Appendix 2.

Article 35. The payment of the cooperators who hold technical, economic and other specialized leadership and operational, and administrative positions is done under the overall contract system, with a rate per 1,000 lei of value of the physical output, both for the personnel with duties at the level of the agricultural cooperative and for those with duties at the level of the farm, brigade and sector.

Article 36. In the case of overfulfillment of the physical output pledged under the overall contract system, the overall-contract-system increase due the chairman, the chief engineer, the chief accountant and the farm chief, paid by the state, is awarded by the agricultural production cooperative.

Article 37. The cooperators who hold the positions of watchman or watchman-attendant are paid out of overhead.

Article 38. The pay rights for the personnel who hold technical, economic and other specialized leadership and operational, administrative, service and watch positions are awarded on the condition that they do, in relation to the unit's size and complexity, agricultural work representing 25-50 percent of the volume of labor set for the cooperators who work directly in production, in accordance with the decision of the general assembly, without receiving for this work separate pay from that due for the position held.

Article 39. (1) For holding the position of chairman, vice chairman gotten from production, farm chief or brigade chief, the cooperative members who are not paid by the state receive from the state a monthly allowance of:

420-520 lei for production;

210-260 lei for the other positions.

(2) The amount of the allowances is set by the general directorate for agriculture and the food industry and the county union of agricultural production cooperatives, taking into account the responsibility that they have in properly organizing production and labor, doing the agricultural work at a suitable level, applying the agricultural and zootechnical measures, in order to increase vegetable and animal production, and fulfilling the obligations to the state supply, and the unit's grade of organization.

(3) The allowance is awarded only for the time actually worked.

(4) In the case of nonfulfillment of the targets set monthly, the bodies mentioned in Paragraph 2 can decide to reduce the allowance.

### 6. The Manner of and Conditions for Awarding the Pay

#### A. The Formation of the Pay Fund and the Profit-Sharing Fund

Article 40. The payment for labor in the agricultural production cooperatives can be done in money or in money and kind.

Article 41. With a view to awarding the pay, the agricultural production cooperatives form the pay fund and the profit-sharing fund, in money or in money and kind.

Article 42. (1) The total pay fund for the cooperative, in money and in kind, is set annually on the basis of the output and the incomes expected to be achieved, without exceeding the material expenditures set, so as to provide for the level of the stipulated pay rates and a reserve of up to 15 percent.

(2) The total pay fund, in money and in kind, is allotted according to farms, brigades and sectors and, within them, according to crews, depending on the structure of the crops and of the animal species and categories and on the volume of labor and of material expenditures stipulated in the work estimates, in accordance with the technologies established.

Article 43. The part in kind of the base pay and of the share of profits within the plan is set within the limit of the quantities of grain--wheat and corn--that are to be given to the cooperators and their family members, for food consumption, in accordance with the territorial self-supply program, and of the quantities of corn for feeding the animals and poultry on the personal farm, set by means of the present law.

Article 44. (1) For determining the pay fund, the aid fund and the fund for sharing the planned profit, in kind, the planned physical output is allotted in the following order:

a) The payment in kind for the work done by the agricultural mechanization stations;

b) The repayment of the loans received in kind;

c) The formation of the seed supply;

d) The delivery of the contracted quantities to the state supply;

e) The formation of the fund for payment in kind;

f) The formation of the fodder supply, in the stipulated quantities, both for the zootechnical complexes and for the household farms, while complying with the planned deliveries to the feed mills;

g) The formation of the reserve fund for food consumption and for fodder;

h) The formation of the fund for aid in kind, for pensioners and other persons unfit for work;

i) The formation of the fund for sharing profits in kind.

(2) At the same time, in drawing up the plan and allotting the planned output in kind, the agricultural production cooperatives have the obligation to provide, in relation to the number and species of animals and the consumption quotas set, the bulk fodder required both for their own needs and for the cooperators who have animals, as well as a reserve that amounts to 25-30 percent of the annual consumption need.

Article 45. (1) The profit in money and in kind stipulated in the income and expense budget of the agricultural cooperative is allotted for:

a) The economic development fund, at least 70 percent, which represents 18 percent of the net output;

b) The fund of circulating funds, up to 5 percent;

c) The sociocultural and sports fund, up to 1 percent;

d) The food and fodder reserve fund, in grain, up to 7 percent;

e) The intercooperative mutual-aid fund, up to 2 percent;

f) The fund for sharing profits with the cooperators and the other working people, up to 15 percent.

(2) The fund for sharing profits for the social part of the monetary deposits of the cooperators, farm machinery operators and specialists in the fund for economic development of the cooperative is also formed from the profit obtained by the agricultural production cooperative. The formation and utilization of this fund are done in accordance with the law and the Statute of the Agricultural Production Cooperative.

(3) The cooperative's management bodies and all the cooperators have the duty to completely and efficiently use the means of production, to sensibly manage the material and financial resources, to obtain the optimum financial results and to completely cover the expenses from their own incomes, providing for the performance of a profitable activity that permits suitable sums to be allotted each year, mandatorily, to the economic development fund from the profit obtained, with a view to resuming the production process on a wide scale.

Article 46. The profit that is achieved by the agricultural production cooperative above that set by means of the plan, in money and in kind, is allotted for:

a) The economic development fund, 25 percent;

b) The supplementation of the fund for sharing profits with the cooperators and the other working people, 50 percent;

c) The food and fodder reserve fund, in grain, potatoes and other products, 22 percent;

d) The sociocultural and sports fund, 3 percent.

Article 47. (1) The physical output obtained above the plan for wheat, corn, potatoes and bean seeds is allotted in a proportion of 30-35 percent for delivery to the state supply, 15-20 percent for the food and fodder reserve fund and 45-55 percent for additional payment in kind for the cooperators and the other working people, in the form of sharing the profits obtained above the plan.

(2) Up to 60 percent of the physical output obtained above the plan for barley is allotted for additional payment in kind for the cooperators and the other working people, in the form of sharing the profits obtained above the plan.

B. The Awarding of the Pay in Money

Article 48. (1) During the year, the agricultural production cooperative gives monthly to the cooperators advances from the pay in money approved by means of the production plan and the income and expense budget, as follows:

a) In vegetable production, the advance is 80 percent and is awarded only on the condition of doing in time and with quality all the work stipulated in the technologies and recorded in the estimates, providing the optimum plant density per unit of area, doing the amount of hoeing and the other work of maintenance and disease and pest control, doing the work of removing water from crops and the watering on irrigated areas, harvesting and clearing the land on the dates set. The advance is calculated in proportion to the number of labor quotas filled. In the case in which, during the year, the general directorate for agriculture and the food industry, together with the contracting enterprise, the branch of the Bank for Agriculture and the Food Industry and the cooperative's management, finds that the state of growth of the crops does not ensure the achievement of the output stipulated in the pledge, the advance is reduced below 80 percent and is to be awarded in proportion to the foreseeable degree of achievement of it;

b) For the cooperators who work in zootechny, for the animal species and categories for which the fulfillment of the production plan is known monthly--cow's and ewe's milk, eggs, offspring and stocks of animals--the advance is 90 percent of the rate of pay set, in proportion to the output or the value of the output achieved in the respective month and to the number of days worked;

c) For the cooperators who work in zootechny, for the animal species and categories for which the output or its value is known at the end of the production cycle, the advance is 90 percent and is awarded on the condition of doing the tending work, achieving the populations and preserving the health of the animals. The advance is calculated in proportion to the number of quotas filled. If during the production cycle the general directorate for agriculture and the food industry, together with

the contracting enterprise, the branch of the Bank for Agriculture and the Food Industry and the cooperative's management, finds that the output pledged under the overall contract system will not be completely attained, the advance is reduced below 90 percent and is to be awarded in proportion to the foreseeable level of attainment of the output;

d) For the cooperators who work in the activities of small-scale industry, construction and services, the advance is 80 percent and is awarded in proportion to the number of labor quotas filled or days worked, respectively, and to the fulfillment of the production targets for the respective month. In the case in which, during the production cycle, it is found that the pledged output will not be completely attained, the advance is reduced below 80 percent and is to be awarded in proportion to the foreseeable level of fulfillment of the plan;

e) To the cooperators who hold technical, economic and other specialized leadership and operational, administrative, service and watch positions, with duties in the whole cooperative or in a farm, brigade and sector, advances of up to 80 percent of the pay due for the period in which they have worked are awarded, in relation to the attainment of the output, the compliance with the planned production costs, the making of the deliveries to the state supply and the fulfillment of the other plan targets set for the respective month.

(2) The cooperators who serve certain production sectors receive monthly advances in relation to the number of days or labor quotas actually achieved, respectively, under the same conditions as the cooperators in the respective sector.

### C. The Awarding of the Pay in Kind

Article 49. During the year, after the harvesting of the products, advances of 50 percent of the pay rights due in kind are given to the cooperators.

Article 50. The quantities of grain--wheat and corn--for food consumption, at the level stipulated in the self-supply program, are provided on the condition of participating in labor, performing the tasks set by the general assembly and achieving the outputs set. These quantities will be reduced proportionally, down to zero, for the persons who do not do the work established by means of the work programs.

Article 51. (1) Under the conditions of the attainment of the planned output, it is possible to allot the following quantities of wheat and corn:

a) Some 180 kg of grain per person for food consumption, to the cooperators who work in the agricultural production cooperative and to each family member supported by them, from the pay fund and from the fund for sharing profits within the plan. Within the 180 kg of grain, the ratio between the quantities of wheat and corn is set in each agricultural production cooperative, with the agreement of the cooperative members.

In the case of nonfulfillment of the production plan, the quantities of grain are reduced proportionally, but not below 160 kg per person, on the condition of having performed the volume of labor set by the general assembly.

The pensioners who do the work stipulated in the approved work program receive, from the pay fund and as profit sharing, the quantities of grain for food consumption under the conditions set for the other cooperators.

The pensioners and other cooperators unfit for work and the orphan children receive grain for food consumption from the aid fund, within the limit of the quantities approved by the general assembly for this fund, with the difference up to the food consumption set being provided at cost;

b) Up to 300 kg of corn per person for fodder, to the cooperators who work and achieve the volume of labor set by the general assembly, and up to 100 kg of corn for each family member supported by them, from the pay fund and the fund for sharing profits within the plan.

The pensioners who do the work stipulated in the approved program receive, from the pay fund and as profit sharing, up to 100 kg of corn for the feeding of animals.

The pensioners and other cooperators unfit for work and the orphan children receive up to 50 kg of corn per person for the feeding of animals, from the aid fund, and up to 50 kg of corn per person at cost.

(2) For exceeding the planned grain output, the agricultural production cooperatives award completely, as additional pay from the fund for sharing profits above the plan, tc the cooperators who have achieved the volume of labor set by the general assembly, the quantities of wheat, corn and barley from the funds for additional payment in kind, formed in accordance with Article 47.

Article 52. The quantities of grain achieved over the plan that are to be distributed as additional pay in the form of profit sharing can be utilized by the cooperative, with the approval of the general assembly, for the state supply. The sums thus obtained will be distributed totally to the cooperators.

Article 53. (1) The pay in kind is awarded from each agricultural cooperative's own output.

(2) The agricultural cooperatives that do not grow grain or cannot provide from the planned output the quantities of grain due the cooperators who work, the family members supported by them, and the other persons provided by law, will receive from the state supply the quantities needed for the food consumption set by means of the self-supply program, on the condition of turning over other products--potatoes, beans, fruit, meant, milk and so on--through an equivalent exchange or, in exceptional cases, for payment in money, from the pay rights, on the condition that the unit delivers to the state supply the contracted products that it achieves in accordance with the specific character.

(3) In special situations, when, due to natural disasters, some agricultural cooperatives cannot cover, from the grain output obtained, the food consumption needs set in accordance with the self-supply program, they will receive from the state supply the difference in necessary products, through an equivalent exchange with other products on in the form of a loan that is to be repaid from the next year's harvest.

Article 54. (1) The agricultural production cooperatives can sell grain only to the state.

(2) The agricultural production cooperatives can provide, at cost, the quantities of grain mentioned in Article 51 for pensioners and other persons unfit for work and for the cooperators who work in the units that apply the payment for labor only in money, for the unit as a whole or for certain sectors.

D. The Awarding of the Pay Rights at the End of the Year

a) The base pay

Article 55. (1) The total pay fund is determined at the end of the year, after the completion of the balance sheet, on the basis of the physical output and the profit achieved by the cooperative as a whole.

(2) The difference between the advances received during the year and the total pay rights is awarded from the pay fund achieved.

(3) For the cooperators who work in production, the total pay rights are calculated according to crews, brigades, farms and sectors, depending on the level of the output attained, without exceeding the connected production costs, by each particular subunit or work formation.

(4) For the cooperators who hold technical, economic and other specialized leadership and operational, administrative, service and watch positions, with duties in the whole cooperative or in a farm, brigade and sector, the total pay rights are calculated in accordance with the achievement of the value of the physical output and the profits planned, of the deliveries to the state supply and of the other plan targets set for the respective year, for the entire unit or for a subunit, as the case may be.

Article 56. (1) For the cooperators in the crews that have reached or exceeded the planned output, the total pay rights are established on the basis of the rates put in the pledge.

(2) For the cooperators in the crews that have not achieved the planned output, the total pay rights are established on the basis of the recalculated rates, depending on the pay fund achieved, less the sums given to the cooperators mentioned in Paragraph 1.

Article 57. In the case in which the agricultural production cooperative cannot provide completely the part in kind of a rate, for other products than those established for food consumption, the difference, calculated at the contract price for the respective vegetable products, is awarded in money.

b) Profit sharing

Article 58. The fund for sharing the profits obtained within the plan and above the plan is awarded completely to the cooperators and the other working people on the condition of achieving the value of the physical output and the deliveries to the state supply. In the case of nonfulfillment of these indicators, the total profit-sharing fund is reduced by 1 percent for each percent of nonfulfillment of the plan for each of these indicators, but not by more than 25 percent in all.

Article 59. The cooperators and the other working people in the agricultural production cooperative share the profits obtained within the plan, in proportion to the contribution made to achieving the output and the profits.

Article 60. (1) The cooperators and the other working people in the work formations that have exceeded the outputs set by means of the pledges and have stayed within the level of the connected expenses receive for each crop and animal species additional pay in the form of sharing the profits above the plan.

(2) The cooperators and the other working people who hold technical, economic and other specialized leadership and operational, administrative, service and watch positions can receive additional pay in the form of sharing the profits obtained above the plan, in the unit as a whole, on the condition of the fulfillment and overfulfillment of the physical outputs for the main agricultural crops and animal species, set at the start of the year by the general directorate for agriculture and the food industry, depending on the specific conditions in each unit.

Article 61. (1) The individual rights due the cooperators and the other working people from the fund for sharing the profits obtained within the plan and over the plan are established by the management council, in relation to the contribution made to achieving the output and the profits and developing the agricultural production cooperative, and are approved by the general assembly.

(2) The individual rights in the form of profit sharing due the cooperators and the other working people who work directly in production are not limited. For the persons mentioned in Article 60, Paragraph 2, these rights cannot exceed 2.5 times the average individual rights due the cooperators who work directly in production.

(3) The general assembly can reduce or not award the profit-sharing quota for the cooperators and the other working people who, during the year, had deficiencies in the activity or committed disciplinary infractions.

## Chapter IV
## The Organization of Production and Labor and the Payment in the Intercooperative Economic Associations

Article 62. (1) The activity in the intercooperative economic associations is achieved through the labor of the members of the associated agricultural production cooperatives.

(2) The production subunits in the intercooperative economic association are the farm and the sector.

(3) On the production farms and in the sectors of activity in the intercooperative economic associations the labor is organized according to crews of cooperators and agricultural mechanics or only of cooperators, formed for the period of at least a production cycle or calendar year.

(4) The crew is run by a crew chief appointed by the working people's council of the intercooperative economic association.

(5) The crew gets from the farm chief an area of land or, as the case may be, stocks of animals, with the shelters and the other means needed for doing the work and achieving the output.

Article 63. (1) The crew's size is set by the working people's council, depending on its type of activity and the specific conditions in which it works. The crew's size must fit within the limits set by the Ministry of Agriculture and the Food Industry.

(2) The main obligations and the responsibilities that devolve upon the crew, farm and sector are recorded in a pledge concluded between the farm or sector chief, respectively, and the crew chief and are approved by the working people's council of the association. The pledge is signed by all members of the crew.

Article 64. (1) The payment for labor in the intercooperative economic associations is done in accordance with the output obtained and the incomes and profits achieved, so that self-management and self-financing are provided in each unit.

(2) The pay rights in the intercooperative economic associations are established on the basis of the pay and the rates, in money or in money and kind, under the conditions provided for the agricultural production cooperatives.

(3) The rights in kind are awarded by the associated cooperatives, within the limits and under the conditions set for cooperators.

Article 65. (1) The pay rights of the cooperators in the intercooperative economic associations of an agricultural and zootechnical type that do the same volume of work and achieve the same outputs as those stipulated for the state agricultural enterprises are established in accordance with the provisions of Law No 57/1974, applicable to these enterprises of a similar grade and type.

(2) The pay rights of the cooperators in the intercooperative economic associations of another type than the agricultural and zootechnical one are established in accordance with the provisions of Law No 57/1974, applicable to the artisan-cooperative or state economic units of a similar grade and type, if they do the same volume of work and achieve the same outputs.

Article 66. The profit stipulated in the income and expense budget of the intercooperative economic associations is allotted for:

a) Shares due the associated cooperatives, in proportion to the social part of each one, at least 65 percent for:

The repayment of investment loans;

The supplementation of the own incomes of the cooperatives;

b) The association's economic development fund, at least 20 percent;

c) The association's fund of circulating funds, up to 5 percent;

d) The association's sociocultural and sports fund, up to 1 percent;

e) The association's reserve fund, up to 2 percent;

f) The intercooperative mutual-aid fund, up to 2 percent;

g) The fund for sharing profits with the cooperators and the other working people in the association, up to 5 percent.

Article 67. The profit that is achieved by the intercooperative economic association above that set by means of the plan is allotted for:

a) Shares due the associated cooperatives, for supplementing their incomes in money, 45 percent;

b) The association's economic development fund, 20 percent;

c) The association's fund of circulating funds, 7 percent;

d) The supplementation of the fund for sharing profits with the cooperators and the other working people in the association, 25 percent;

e) The association's sociocultural and sports fund, 3 percent.

Article 68. The manner of and conditions for establishing the fund for sharing profits within the plan and over the plan, and the individual rights that are due the cooperators and the other working people in the intercooperative economic association, are those provided for the agricultural production cooperatives.

## Chapter V
## The Guaranteed Income

Article 69. (1) The pay is given to the cooperators in money or in money and kind, in proportion to the physical output and the profits achieved.

(2) The base pay and the share of profits stipulated in the plan are guaranteed to the cooperators in the farms, brigades, sectors and crews that fulfill all the tasks that devolve upon them, do the work properly and achieve the pledged physical output without exceeding the expenses connected with it.

(3) The farm, brigade, sector or crew chief receives pay in relation to the results obtained by the entire formation that he runs and to the average incomes of its members.

(4) In the case of overfulfillment of the planned output, without exceeding the connected expenses, besides the pay due in accordance with Paragraph 1, additional pay in the form of sharing the profits obtained above the plan is guaranteed to the cooperators.

(5) In the case of nonfulfillment of the planned output and the profits, the pay is reduced accordingly.

Article 70. During the year, advances in money, in the quotas stipulated by the present law, and 50 percent of the pay rights due in kind, after the harvesting of the products, are provided to the cooperators.

Article 71. The assignment of a plot for use, from the land owned by the agricultural cooperative, under the conditions provided by statute, is guaranteed to the cooperators who participate in labor and achieve the volume of labor approved by the general assembly.

Article 72. Continuous service is credited to the cooperators who work permanently, throughout the year, in the sectors stipulated by the present law, in the same unit and in the same sector of activity, and the awarding of the increase for length of service is guaranteed to them.

Article 73. The agricultural production cooperatives and the intercooperative economic associations are obligated to achieve completely the physical output and the profits planned, to provide the balance between incomes and expenses and, in this way, to form the funds needed for paying and sharing profits with the cooperators, at least at the level stipulated in the production plan and the income and expense budget.

## Chapter VI
## Other Pay Rights

Article 74. (1) The cooperators who perform their activity in zootechny, vegetable growing, viticulture and pomiculture, those who are trained and who work in the agricultural cooperative in the occupations of chauffeur, truck-tractor driver, fitter, electrician and others, and those who hold technical, economic and other specialized leadership and operational, administrative and service positions, who work throughout the year, permanently, fulfill the tasks that devolve upon them, are paid by the cooperative and have continuous service in the same unit and in the same sector of activity receive from each unit's pay fund an increase for continuous service.

(2) The period in which the cooperators mentioned in Paragraph 1 work temporarily in other sectors of production activity, for the use of the worktime and the performance of work required by the production process, also enters into the calculation of the continuous service in the same sector.

(3) The cooperators who work in the same unit can also benefit from the awarding of the increase for length of service when they change their labor sector, with the general assembly's approval, as a result of the acquisition of other training or the limitation of the activity in the sector from which they are transferred, due to the growth of the degree of mechanization or the changing of the type of production. In addition, the cooperators who go from one cooperative agricultural unit to another cooperative agricultural unit, with the general assembly's approval, retain the increase for length of service.

(4) The continuous service in the same unit, for the period before the present law's entry into force, is established in accordance with Paragraph 1.

(5) The increase is calculated in relation to the base pay, as follows:

| Brackets of Continuous Service in the Same Unit and the Same Sector | Quotas of the Base Pay |
|---|---|
| between 5-10 years | 2 percent |
| from 10-15 years | 4 percent |
| from 15-20 years | 6 percent |
| over 20 years | 8 percent |

(6) The cooperators mentioned in Paragraph 1 will receive the increase for continuous service in the same unit or the same sector if they have graduated from the courses for mass agricultural and zootechnical education or other forms of professional training and improvement to which they are sent by the agricultural production cooperative.

(7) Those who have, during a month, one or more unexcused absences lose the increase for continuous service for that month.

Article 75. (1) For the savings in the consumption of supplies, fuel and energy in relation to the quotas set, the cooperators in the work formations can receive bonuses during the year, in accordance with the law.

(2) The cooperators can also receive, under the conditions of Law No 57/1974, bonuses during the year for savings of manpower to the obtaining of which they contributed directly.

Article 76. The cooperators appointed by the general assembly to hold the positions of chairman, vice chairman gotten from production, farm chief or brigade chief, for the time that the occupants paid by the agricultural production cooperative take courses for the improvement of professional training or are on active duty, have a temporary work disability or are on maternity leave or on leave to take care of sick children, receive from the state the monthly allowance due the occupant in accordance with Article 39, with the exception of the vice chairman gotten from production who substitutes for the chairman. The allowance is awarded only if this period exceeds 30 calendar days.

Article 77. The cooperators who hold technical, economic and other specialized leadership and operational positions, for the period that they take professional training courses, receive from the cooperative pay set in accordance with Appendix 2.

Article 78. (1) For the contribution made to fulfilling the production plan, the agricultural cooperative gives to the chief engineer, the chief accountant and the farm chiefs, paid by the state, pay representing up to 15 percent of the pay due the position of chairman, in relation to the fulfillment of the plan for physical output.

(2) The agricultural specialists paid by the state, selected for the position of chairman, who also perform the duties of chief engineer receive pay of up to 25 percent of the pay due for the position of chairman, in relation to the achievement of the physical output.

(3) The agricultural specialists paid by the state, selected for the position of chairman, who do not also perform the duties of chief engineer, and the maechanization-section chiefs paid by the agricultural mechanization stations, selected for the

position of chairman, receive from the agricultural cooperative pay of up to 20 percent of the pay due the position of chairman.

(4) The pay mentioned in paragraphs 1-3 is approved by the general assembly of the agricultural production cooperative.

(5) The agricultural specialists and the chief accountant in the agricultural production cooperatives, paid by the state, share the profits achieved within the plan and above the plan, under the conditions set for cooperators.

Article 79. The cooperators, and the agricultural mechanics employed at the agricultural mechanization station, who, in addition to the activity performed in production, run a crew, receive from the cooperative an increase of up to 10 percent of the base pay or basic wage, respectively.

## Chapter VII
## Final Provisions

Article 80. (1) The assignment of the agricultural production cooperatives and the intercooperative economic associations to grades of organization is done, on founding, by means of a decree of the State Council, at the proposal of the Ministry of Agriculture and the Food Industry, the National Union of Agricultural Production Cooperatives and the executive committees of the county people's councils and that of the municipality of Bucharest.

(2) The assignment of the farms and sectors to grades of organization is done, on founding, by the Ministry of Agriculture and the Food Industry, at the proposal of the general directorate for agriculture and the food industry, on the basis of the criteria provided in the regulations in force.

(3) The changing of the grade of organization of the units and subunits mentioned in paragraphs 1 and 2 will be able to be done in the same way, where this is necessary, along with the approval of the sole national plan for economic and social development.

Article 81. (1) The management bodies of the cooperative agricultural units will take steps to ensure the performance of all work in the cooperative units by the cooperators, to fully use the worktime of the farm machinery operators and to train in the necessary occupations a suitable number of members of the cooperative.

(2) The agricultural mechanics in the agricultural mechanization sections, allotted to cooperatives, will be used first for the occupations of chauffeur, fitter, welder, electrician and others.

(3) In the case in which some work that requires training cannot be done completely by cooperators or farm machinery operators, by way of exception, with the approval of the general directorate for agriculture and the food industry, a limited number of persons trained in the occupations of chauffeur, fitter, welder, electrician and others, who will work directly in production, can be employed, with a work contract, in the agricultural production cooperatives and the intercooperative economic associations, on the basis of the standards drawn up by the Ministry of Agriculture and the Food Industry and the National Union of Agricultural Production Cooperatives, until cooperators are trained in these occupations.

(4) The cooperative agricultural units can employ shepherds, with a work contract, with the approval of the general directorate for agriculture and the food industry and within the limit of the standards mentioned in Paragraph 2.

(5) In addition, in the cooperative agricultural units, persons with technical, economic, financial and other specialized training and, in the intercooperative economic associations for utilization of agricultural products, operational personnel also can be employed with a work contract, within the limit of the structural standards approved by law.

(6) The payment of the personnel employed with a work contract by the agricultural production cooperative and the intercooperative economic association is done in accordance with the provisions of Law No 57/1974, on the condition of doing work of a volume and complexity similar to that established for the personnel of the state units of the same type and grade of organization, without exceeding the level of the pay of the respective positions or occupations in the artisan-cooperative or state units or the total monthly pay due the chairman of the agricultural production cooperative or the director of the intercooperative economic association, respectively.

(7) The appeals of the personnel employed with a work contract in connection with payment for labor are resolved in accordance with the provisions of Law No 57/1974.

Article 82. (1) The agricultural cooperatives that have big areas of land and do not have enough manpower to do the work in time and properly can get, as members of the cooperative, persons from other areas of the country where there is surplus manpower, if they establish their legal residence in the locality in which the cooperative has its headquarters.

(2) By way of exception, with the approval of the Ministry of Agriculture and the Food Industry and the National Union of Agricultural Production Cooperatives, at the proposal of the general directorates for agriculture and the food industry and the county unions of agricultural production cooperatives, the cooperative agricultural units can use workers employed with a work contract for the period of a production cycle or calendar year, who will work directly in production, in vegetable agricultural work or in zootechny.

(3) The pay of the workers who work for the period of a production cycle or calendar year will be set at the level of the pay of the cooperators in the same sector of activity who do similar work. The workers who work for the period of a calendar year receive grain for food consumption and for fodder, under the conditions set for cooperators.

Article 83. The forms of payment and the conditions for awarding the pay for the personnel employed with a work contract, in accordance with articles 81 and 82, are approved by the general assembly of each cooperative agricultural unit, in accordance with the present law.

Article 84. (1) The cooperators who work permanently and directly in the zootechnical sectors of the cooperative agricultural units, achieve the volume of work in accordance with the labor quotas that are applied in the state agricultural enterprises, and have a length of service of at least 20 years in the same unit can receive pensions in the amount of 80 percent of the level of the pensions set, in accordance with the law, for the workers in the state agricultural units.

(2) At the same time, under the conditions provided by law and by statute, the pensioners mentioned in Paragraph 1 receive a plot for use, the quantities of grain for food consumption and animal feed, and the other rights and advantages that are given the cooperators.

(3) For the persons who work in the agricultural mechanization stations, in enterprises or in other cooperative or state socialist units and who go to the zootechnical sectors of the cooperative agricultural units, the time worked in the units from which they come is also credited as length of service for setting the pension.

(4) For forming the resources needed for awarding the pensions in accordance with paragraphs 1 and 3, the contribution of the agricultural production cooperatives to the pension and social-insurance fund is set at 9.5 percent of the value of the gross output, and the contribution of the intercooperative economic associations is set at 4.5 percent of the value of the gross output.

Article 85. (1) The payment for the labor performed by other persons who, on the basis of the general assembly's decision, are used, by way of exception, to do agricultural work for which the cooperative does not have enough manpower is done on direct piecework terms with a rate per labor quota.

(2) In the case of a temporary work disability caused by a work accident in the cooperative, the persons indicated in Paragraph 1 receive aid under the conditions provided for cooperators.

Article 86. The payment for the labor of the persons who work under the conditions of articles 81, 82 and 85 will be provided by the cooperative agricultural units from their own pay fund.

Article 87. By way of exception, up to the start of the second half of 1982, the attendants for milk cows who completely fulfill the tasks that devolve upon them, but do not obtain the planned output, will receive the pay rights in relation to the output achieved, but not less than 80 percent of the rate of pay per labor quota, in accordance with the complexity of the work. The pay given under these conditions will be recovered from the pay rights due in relation to the output actually achieved, up to the end of 1982.

Article 88. (1) The violation of the provisions of the present law entails disciplinary, material, civil, contraventional or penal responsibility, as the case may be.

(2) For the failure to participate in labor, the failure to perform the work in time and with quality, the failure to use the equipment at full capacity, the poor management of public property or the violation of other norms of labor discipline, the following disciplinary sanctions can be applied, in accordance with the statute, to the members of the agricultural production cooperative:

a) The redoing of work of unsuitable quality without pay, or the payment of damages, under the conditions of the law, in the case in which the work cannot be redone;

b) The withholding of up to at most 10 percent of the pay due for the labor performed;

c) The loss of the right to additional payment in the respective year;

d) The loss, for a limited time, of the right to obtain a plot for personal use, or the revocation of it during the year, in the case of the failure to participate in labor and to do the work.

(3) The establishment and application of the disciplinary sanctions and the resolution of the protests against them are done under the conditions and with the procedure provided in the cooperative's statute and the regulation on internal order.

Article 89. The Ministry of Agriculture and the Food Industry, the National Union of Agricultural Production Cooperatives, the general directorates for agriculture and the food industry and the county unions of agricultural production cooperatives, the combined state and cooperative agroindustrial councils, and the managements of the cooperative agricultural units are responsible for the compliance with the legal provisions established in the field of payment for labor, organize the permanent supervision of the manner of application of the elements of the system of payment in cooperative agriculture and take steps regarding the efficient utilization of them, with a view to continually increasing the vegetable and animal agricultural production, raising the labor productivity, reducing the production costs and increasing the contribution of all the units to the formation of the state supply of agricultural products.

Article 90. Appendices 1 and 2 are an integral part of the present law.

Article 91. On the date of the present law's entry into force, Law No 27/1976 on the Payment for Labor in the Cooperative Agricultural Units, with the later amendments, and any other contrary provisions are repealed.

This law was adopted by the Grand National Assembly in the session of 1 April 1982.

Chairman
of the Grand National Assembly,
Nicolae Giosan

Bucharest, 1 April 1982.
No 1.

Appendix 1.

The Base Pay for the Cooperators Who Hold the Position of Chairman of the Agricultural Production Cooperative

The base pay for the cooperators who hold the position of chairman is established as follows:

1. At most up to 2.5 times the average annual income of the cooperators who work directly in production and perform the minimum volume of labor set by the general assembly, which represents 70 percent of the computational basis of the pay of the position of chairman.

2. To the pay calculated in accordance with the provisions in Point 1 is added pay established by awarding a number of labor quotas depending on the value of the physical output and on the unit's size and complexity, as follows:

a) Depending on the value of the physical output:

| The Value of the Physical Output (lei) | The Number of Labor Quotas Taken into Calculation Annually |
|---|---|
| up to 6,000,000 | 85 |
| 6,000,001-9,000,000 | 90 |
| 9,000,001-12,000,000 | 95 |
| 12,000,001-15,000,000 | 100 |
| 15,000,001-20,000,000 | 105 |
| 20,000,001-25,000,000 | 110 |
| 25,000,001-30,000,000 | 115 |
| over 30,000,000 | 120 |

b) Depending on the unit's size and complexity expressed by means of the number of conventional units of production:

| The Unit's Size and Complexity Expressed by Means of the Number of Conventional Units of Production | The Number of Labor Quotas Taken into Calculation Annually |
|---|---|
| up to 2,000 | 45 |
| 2,001-3,000 | 50 |
| 3,001-4,000 | 55 |
| 4,001-5,000 | 60 |
| 5,001-6,000 | 65 |
| over 6,000 | 70 |

The chairman's annual base pay, due in accordance with the provisions in Point 2, is determined by multiplying the labor quotas awarded depending on the value of the physical output and on the unit's size and complexity by the rate per labor quota taken into calculation in establishing the average income per cooperator mentioned in Point 1.

The number of conventional units of production is determined by equating the areas, according to categories of use and crops, the animal categories or activities in the cooperative with 1 hectare of wheat crops, on the basis of the coefficients established by means of the regulations in force.

The persons coming from other sectors of activity--industry, mass and public organizations, party and state activists--who hold the position of chairman, being employed with a work contract and paid by the cooperative, retain for a period of 2 years after the date of selection the pay had in the case when it is greater than that calculated for the position of chairman.

The monthly base pay calculated for the position of chairman in the agricultural production cooperatives whose annual value of the physical output exceeds 30 million lei will not be able to exceed the monthly basic wage of the position of director in the state agricultural enterprises of special grade.

Appendix 2.

The Level of Payment for the Cooperators Who Hold the Other Technical, Economic and Other Specialized Leadership and Operational, Administrative, Service and Watch Positions in the Agricultural Production Cooperative

I. The base pay of the cooperators who hold the other technical, economic and other specialized leadership and operational, administrative and service positions is established in relation to the average annual income of the cooperators who work directly in production and perform the minimum volume of labor set by the general assembly--representing 70 percent of the computational basis of the pay for these positions--and in relation to the value of the physical output and the unit's size and complexity, without being able to exceed a certain proportion of the base pay of the position of chairman, as follows:

| Positions Remunerated by the Agricultural Production Cooperative | Pay Calculated in Relation to the Average Annual Income of the Cooperators | Maximum Percentage of the Base Pay of the Chairman |
|---|---|---|
| Vice chairman gotten from production | at most 2.3 times | up to 90 percent |
| Chief accountant: | | |
| with higher economic education | at most 2.2 times | up to 90 percent |
| with secondary economic education | at most 2.1 times | up to 85 percent |
| with commercial gymnasium | at most 2.0 times | up to 80 percent |
| with general school | at most 1.9 times | up to 75 percent |
| Farm chief: | | |
| on farms of grade I | at most 2.2 times | up to 90 percent |
| on farms of grade II | at most 2.1 times | up to 85 percent |
| on farms of grade III | at most 2.0 times | up to 80 percent |
| Brigade chief, sector chief | at most 2.0 times | up to 80 percent |
| Hydrotechnical-amelioration technician | at most 2.1 times | up to 85 percent |
| Economist with higher education | at most 2.0 times | up to 75 percent |
| Accountant, planner: | | |
| with secondary education or commercial gymnasium | at most 1.8 times | up to 70 percent |
| with general school | at most 1.6 times | up to 65 percent |
| Farm accountant with secondary education: | | |
| on farms of grade I | at most 1.7 times | up to 70 percent |
| on farms of grade II | at most 1.6 times | up to 65 percent |
| on farms of grade III | at most 1.5 times | up to 60 percent |
| Farm accountant with general school: | | |
| on farms of grade I | at most 1.6 times | up to 65 percent |
| on farms of grade II | at most 1.5 times | up to 60 percent |
| on farms of grade III | at most 1.4 times | up to 55 percent |
| Commodity-science expert, stockkeeper: | | |
| with secondary education | at most 1.8 times | up to 75 percent |
| with general school | at most 1.6 times | up to 65 percent |
| Buyer, cashier | at most 1.3 times | up to 50 percent |
| Secretary-typist | at most 1.2 times | up to 50 percent |

The pay of the farm, brigade and sector chiefs who have technical or specialized technical secondary training can be raised by up to 5 percent.

The pay of the agricultural technicians who hold the position of farm chief, employed by the agricultural production cooperative with a work contract, will be two pay grades below that set for the position of farm chief with higher education, paid by the state, without exceeding the rights due the chairman of the cooperative, resulting from the base pay and the allowance given by the state.

II. The watchman and the watchman-attendant are paid for each day worked at the rate per labor quota applied by the agricultural production cooperative for the work in group I of complexity in vegetable production.

III. The Establishment of the Pay of the Cooperators Who Take the Courses for Qualification and Improvement of Professional Training

The members of the agricultural production cooperatives with technical, economic and other specialized leadership positions will be paid with the base pay during the qualification and improvement courses with a duration of up to 1 month.

For the qualification and training courses that exceed the duration of 30 days, they will receive from the agricultural cooperative, for the period of schooling, a monthly pay equal to the average monthly income achieved in the last 12 months, and the aid for children. The allowance from the state is also included in the average monthly income.

The cooperators who take instruction, qualification and improvement courses will receive from the cooperative, for each day, including the test sessions, the rate of a quota in group I of complexity in vegetable production. During the practical training in production, the payment will be done in relation to the labor performed in production, in accordance with the decision of the general assembly of the agricultural production cooperative.

12105
CSO: 2700/304

CAPITAL INVESTMENT PROJECTS UNDER CONSTRUCTION IN KOSOVO

Pristina RILINDJA in Albanian 8 Jul 82 p 7

[Text]

(In Million Dinars)

| Economic Area | No. | Original Value | Cost Overrun | Total |
|---|---|---|---|---|
| Industry | 53 | 30,127 | 12,391 | 42,518 |
| Agriculture | 32 | 4,803 | 407 | 5,210 |
| Water management | 2 | 3,680 | 7,465 | 11,145 |
| Construction | 7 | 657 | 4 | 661 |
| Roads, Transport System | 5 | 1,242 | 147 | 1,389 |
| Commerce | 2 | 95 | 24 | 118 |
| Hotel, tourist sector | 4 | 437 | 219 | 656 |
| Artisan and small business sector | 1 | 127 | 77 | 204 |
| TOTAL | 156 | 41,168 | 20,733 | 61,901 |

The major source of capital investment funds is the Federal Fund [for Financing the Faster Development of the Underdeveloped Republics and the Province of Kosovo], namely, it provided 55.7 percent of the funds [for Kosovo] in the last 5-year plan period. It is expected that capital investments available this year will amount to over 25.7 billion dinars, including 12.3 billion dinars in credits from the Federal Fund and 6.2 billion dinars not used through pooling of labor and funds from last year. The remaining funds will come from other sources, largely from World Bank credits.

CSO: 2100/80

END

JPRS 81633

26 August 1982

# East Europe Report

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2309

FBIS FOREIGN BROADCAST INFORMATION SERVICE

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26 August 1982

# EAST EUROPE REPORT

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2309

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CEMA GOALS TO FOSTER COMPETITION

Budapest FIGYELO in Hungarian 8 Jul 82 pp 1, 4

[Article by Antal Stark: "Development Alternatives"]

[Text] The creating or approximating a foreign trade balance, and the economic policy oriented to forcibly moderate growth is becoming evident everywhere in the 1981-1985 development plan of the European socialist countries. Central tasks without exception are decreasing imports, primarily the capitalist ones while at the same time increasing exports to a maximum. As preconditions for this, cutting back domestic consumption and the intention of significant structural transformation are universal features.

Avoiding unnecessary competition, and maximum utilization of the market opportunities make it necessary to analyze in detail the development policies of the other socialist countries and to draw conclusions from this for a practical domestic production expansion strategy. According to our research in this direction conducted at the Karl Marx University of Economic Sciences [MKKE] the practical main development directions for our processing industry can be summarized as follows.

During the 1980's within the processing industry each country wants to develop its machine industry at a more vigorous rate, and thus, with the exception of the Soviet Union, in every European socialist country more machine industrial products will be produced than needed for domestic consumption. Partly because of this, and partly because the machine industry embodies the high degree of processing, materialization of intellectual creation, and lower energy and financial requirements, it is obvious that we can expect lively economic competition in this area.

Within the machine industry particularly great attention is paid to the development of electronic (microelectronic) equipment. This, without exception, is a basic industrial policy goal everywhere. Since development means opening the gate to technical progress, it is a direction to be followed in this country also, but we must not set up for parallel capacity development. Our realistic goal can be to expand production cooperation, and first of all to expand the application of microelectronics.

With the goal of selling to the capitalist countries, theoretically three development directions can be defined, but their realization must be left mainly up to the market's selection. Joint manufacturing development based on cooperative contracts, and joint sales must be given the greatest promotion. This appears to be possible primarily in the areas of the vehicle industry, electrical machine industry and communication technology industry, and the agricultural and food industrial machines, but the green light should be assured for all areas where minimal profitability can be achieved. The second large group is composed of those products which we have been able to develop to a competitive level; such are, for example, certain energetics equipment, medical instruments, some complete machinery installations, etc. The production of those products can be listed in the third group the life curve of which is already declining, but there is still some demand for them. (For example, certain types of machine tools, communication technology items, instruments, etc.)

The major share of the machine industry's export can be sold in the future also in the CEMA countries. Even though each of the socialist countries are planning import limiting machine industrial developments, it is still obvious that, for example, the Soviet Union and Poland will continue to import chemical industrial equipment; the Soviet Union and Bulgaria, forging and pressing equipment; the Soviet Union and Czechoslovakia, various types of instruments; Czechoslovakia, Poland and the Soviet Union, geological and mining equipment; Bulgaria, energetics equipment; the Soviet Union, electrotechnical equipment; the Soviet Union and Poland, agricultural and food industrial machinery; and the list of these examples could go on and on. But the basic direction of our machine industrial development must be designated mainly in those areas, and supported with conscious development and an international trade policy, where we have the prospects of an offensive sales policy.

The first one is production of energetics machinery and equipment. Here, as a consequence of the development concepts of recent years, we did not join in the production of equipment for nuclear power plants to the extent corresponding to our traditions in energetics. Simultaneously with the elimination of this lag, it would be practical to also develop the export oriented production of traditional power plant equipment, mobilizing the intellectual background we have in this area.

The other large area is machinery and equipment manufactured for the production of food. Domestic development could be directed towards fulfilling the needs of the production systems for complete machinery lines in cooperation, and producing specialty equipment for the small scale producers which are expanding everywhere.

It would be worth our while to thoroughly consider the creation of capitalist industrial cooperation on a larger scale, partly for the purpose of selling to the socialist world, but even more so for reasons of export orientation to the capitalist countries. This could be directed at assemblies as well as at the production of communication technology, computer technology, etc., products. This would be undoubtedly successful also because it would force

our industry to install really modern technologies and could open the way to higher orders of dimensions of the international enterprising formats.

The earlier fast growth of the chemical industry will slow down everywhere in the coming years. The structure of the chemical industry will also be reevaluated. It is typical that the desire everywhere is to develop the specialty chemicals industry, the paint industry, and the pharmaceutical industry, which are based on small capacities. Most socialist countries wish to achieve a level of self sufficiency in the latter, which will unquestionably affect the Hungarian development policy.

Our pharmaceutical industry should be converted to a greater extent to capitalist sales, the probable condition for which would be direct association with one or two of the world's leading firms. Without this we will continue to remain on the peripheries, or the gradual dissipation of our decade of intellectual stock may even occur. We also must not feed illusions with respect to the production of plastics and manmade fibers, and significant opportunities cannot be expected in the export oriented expansion of the paint industry either. In spite of the parallel developments we can have some hope in cosmetics chemistry where our existing acceptance can be exploited.

International cooperation may develop in chemical industrial production related to agriculture. Thus obviously the import sources of our potassium and phosphorous chemical fertilizer requirements will remain. However, we should strive for much stronger results than the present in our export of plant protection chemicals, possibly in cooperation with the GDR. The realistic possibility of developing our lignite chemistry would also be practical to investigate within the framework of international cooperation.

Practically all socialist countries have significant exports in the clothing industry. Preliminary indications on the western market are extremely poor. The economic softening, which promises to be a lasting one, also limits the demand which can pay for the goods, and in addition to their own producers the presence of the other CEMA countries and of the developing countries on the market also create strong competition. (The industrially developed capitalist countries have agreed to allow textile imports from the developing countries to increase by at least 6 percent per year.)

Under such circumstances the development of the clothing industry is determined by two markets, the domestic one and that of the Soviet Union. This latter may be considered an expanding market until the turn of the millenium, but its exploitation is hindered by the limitations placed on material and energy source deliveries which are used to pay for them, and the occasional problems with the prices used in accounting for them. Considering the high capitalist import content of these products, only the absolutely necessary maintenance of the production volumes at existing levels is justified.

Are our conclusions correct, and are the outlined development directions realistic? We would be glad to receive opinions, and the FIGYELO would also provide space for them [publish them].

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## CEMA'S REACTION TO ENERGY CRISIS FAULTED

Budapest HETI VILAGGAZDASAG in Hungarian 10 Jul 82 pp 46, 47

[Interview with Istvan Dobozi, staff member of the International Economic Research Institute]

[Text] The situation of energy in the world has dramatically changed in 10 years and has radically altered the conditions for making economic policy in general. The consequences were further exacerbated by several erroneous economic decisions, lengthening the necessary reaction time. What is the outlook of our chances in the future in assuring our energy needs? How does Dobozi Istvan, aged 33, co-worker of the World Economy Research Institute see the role of oil about to be deprived of its throne? Recently, he gave a lecture at the Hungarian Academy of Sciences entitled "Comparative Energy Policy: the Reaction of East Europe and West Europe to the Energy Crisis."

HVG: For years we have been hearing about energy savings programs, regulating the economy and therefore we would be inclined to believe that the two oil price increases or rather what followed them was convincing to everybody. Hereupon, it was a surprise to me to hear not long ago from the mouth of a native expert that our greatest energy consumers are not yet interested in reducing their "hunger" to a desirable level of consumption.

Dobozi: In the 1970's at the time of the first oil price explosion of the majority of CEMA countries gave the wrong response to the acceleration of energy difficulties. After 1973-74 in the four most highly developed CEMA countries the rate of energy demand has increased instead of the logically expected slowing down. Hence, they reacted just the opposite way than they should have while the West European countries have significantly decreased their energy consumption as a result of the oil price explosion. The CEMA countries began with the formation of an all-out strategy to restrain the energy demand only as a result of the second large increase of oil prices which took place towards the end of the 1970's. One of the reasons is that the energy supply originating from CEMA countries cannot be increased to accommodate on previous levels growing import needs of individual socialist countries. For that reason it became necessary to open up internal energy sources to the countries at a maximal pace, or alternatively one has to make arrangements to maintain the level of consumption, or just to moderate

it. Should this fail, the situation could be pushed to such extremes that the energy supply problem could seriously curb economic growth.

HVG: This is readily recognized by the consumers, but hestily added: in this matter goodwill shown on their part is not sufficient if the technology they have at their disposition is exceedingly energy demanding. They also say that switching to more up-to-date production puts more of a burden on the economy than the increased prices of energy.

Dobozi: This is only partially true. Had CEMA countries taken seriously the oil price explosion already at the beginning of the seventies they would have to fight fewer worries today. Namely, at the time prices of internal energy had increased only slightly as compared to the prices on the world market. The consumers were not sufficiently stimulated for savings, they were not made sufficiently interested to decrease the expenses, and the Soviet stabilization loans blunted also the effect of the high oil prices on the world market. All this led to such conflicts in accommodation on the level of national economy and that of the enterprises, that as a result the problems due to higher energy prices appeared mainly on the level of national economy. From this tension which developed on a "macro" level, the enterprises felt very little for a long time. The governments isolated the consumers from the world market with their assistance. It is very characteristic, that five years after the first price explosion the consumers acted practically is if there had been no oil problem within CEMA.

HVG: After the second oil price explosion the energy consumption has dropped in Hungary. In these economic steps considered to be necessary, the slowing of economic growth has played a major role, and within that the declining demand of branches with high energy requirement like iron smelting decreasing their production. In this breathtaking pause we can at least ask ourselves the question of what extent is the energy consumption of CEMA countries influenced by the structure of trade and its technical level?

Dobozi: In CEMA the problem of energy is at the same time the problem of structure shaping policy, the economic regulating system and of technical development. It can be ascertained that relative to our level of economic development—in my opinion—we have spent abnormally much for energy which bears upon the fact that in the majority of the countries of the area the energy consuming equipment is technically outdated. It can be proved today that the socialist countries made many erroneous decisions concering their trade with the West in the 70's. Namely, the energy crisis has also significantly modified the earlier formulated concept of modern technique. Nevertheless, the CEMA countries were importing in massive amounts such technologies which were typical of the pre-energy crisis technics.

HVG: The picture you drew is rather dark. Can one imagine altogether, under the circumstances made known by you, an economic regulatory system which is suitable for rational stimulation?

Dobozi: In the plan-directed socialist economy in which the enterprises were interested in the gross production value, it was a better choice to use more,

and more expensive energy. This old attitude is working here and there even today because the regulatory system doesn't create a tremendous interest among the enterprises to economize with energy. In such a situation the enterprise can shift increased energy prices to its consumers. The increased price of energy influences only the cost-sensitive enterprise. Unfortunately, for the time being we cannot claim that our enterprises are sufficiently cost-sensitive.

HVG: It is therefore, unambiguously incorrect to protect the enterprises and individual consumers with prices kept low?

Dobozi: Like the CEMA countries, the West European governments made also an effort at the beginning, to protect the consumers and households with an adequate price policy. This way they prevented a sudden rise of inflation, they didn't allow domestic prices to rise to the level of world market prices. This way they tried to preserve the competitiveness of their industry on the world market. Under the influence of the repeated price explosion in 1979 in the majority of developed capitalist countries domestic prices were guided by world market oil prices even more so than earlier. Mind you, since 1980 the Hungarian energy policy took a similar direction.

HVG: Simultaneously with the energy economizing measures the question arises in the CEMA countries whether they can count on a sufficient amount of energy supply from the Soviet Union and mostly at what price?

Dobozi: The Soviet oil economy came into a new developmental phase in the 1980's. Undoubtedly it has lost of its earlier impetus. To be sure, in the current 5-year plan in accordance with the goals of the plan, the yearly increase of oil production is less than 1 percent as opposed to 5 percent until now. Many economists from there emphasize that the decrease in Soviet oil production is connected with the problem of oil reserves, since lately the opening of new vast oil fields became a lesser priority. In the eighties they are able to increase the production only at a moderate pace, and this means that the Soviet oil export could be increased only at the expense of domestic consumption. According to the estimate of the European Economic Committee, the Soviet oil export will not be higher in 1990 than it is in the 80's. And although with the completion of the Soviet gas pipeline to West Europe the Soviet Union can be expected to decrease its oil export to the western part of Europe, the CEMA countries still have to reckon with stiffening conditions of Soviet oil export. Therefore, it is probable that if the amount of oil bought from the Soviet Union will increase, the price of the excess [above the agreed upon quantities to be purchases] will be comparable to that of the world market.

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## NEW PRINCIPLES OF ECONOMIC, ADMINISTRATIVE CONTROLS EXPLAINED

Prague HOSPODARSKE NOVINY in Czech 4 Jun 82 pp 1, 5

[Article by Engr Jan Roubal, deputy chairman of the CSSR Committee of People's Control: "Control—Tool and Support of Management"]

[Text] By its resolution No 108, the CSSR Government on 14 April 1982 approved the principles of controls in the national economy and state administration. They were concurrently approved by the CSR and SSR Governments. The fundamental principles of 2 July 1981 for improving the control system in the national economy and state administration were thus implemented along the state and economic line and supported by the directives of the government. These measures were published in HOSPODARSKE NOVINY No 38, 18 September 1981.

The attainment of demanding goals of economic and social development under the present domestic and particularly complex external conditions requires that the organs of management and supervisory personnel as well as all workers under the leadership of the CPCZ successfully fulfill the planned tasks while achieving high efficiency and overall quality maximizing domestic resources. There must be a fundamental turnabout also in controls exercised along the management line according to the principle "he who manages controls"; that is, control activity by supervisory personnel.

Only solid knowledge of the progress toward fulfilling tasks and particularly objective information on the steps taken for their implementation, on understanding and approaches of supervisory personnel at the lower levels of management, and on creation of necessary material and other conditions can assure the organs of management and supervisory personnel that more serious obstacles will not be encountered during realization or can show them where problems arise, where it is necessary to intervene and effect development.

### Main Direction of Activity

The principles of controls in the national economy and state administration set the tasks in four main directions:

--they unambiguously regulate the role of control as a function of management as its integral part;

--they constitute it as a tool of state management of the national economy and of protection of societywide needs;

--they make big demands on its quality and effectiveness; and

--they define the main features of units of the control system in the area of state and economic management, stress the requirements of coordinating their activities and establish criteria for their successful work.

Controls must help consolidate management and, in accordance with the principle of a single manager, strengthen the authority of supervisory personnel, above all of heads of organizations. All control activity can be characterized as active support and concrete assistance to the organs of management and to the entire management sphere. The principles thus bind the organs of external control and all control other units along the line of management as direct and indirect tools in the full scope of the management process.

In addition to the duties assigned to the supervisory personnel, all other measures referred to in the principles of control, designed to strengthen internal control, aim at the control and technical departments' providing supervisory personnel with objective documentation for solving specific problems, for eliminating negative phenomena and for improving management in general.

In particular, the control organs and departments must insist that the tools of the management system in effect since 1981 be correctly applied, actively used and translated into the reality; they must determine and signal the deviations from the net course of action. By their weight, they should contribute to a climate of critical attitude toward management practice and quality of work in production, to commit themselves to the full realization of an important principle of the improved management system--remuneration according to the contribution to the results achieved--and, last but not least, to exert active pressure on efficiency of production, distribution, exports, domestic trade and services.

The principles assign a qualitatively new role to controls in the area of direct management, concrete decisionmaking on specific issues. Previously, the control organs in most instances acted after the fact: they checked how the specified tasks were fulfilled, what deviations from set goals occurred and whether and what irregularities or damage arose. This was not useless insofar as such checks contributed to a permanent remedy.

An important change, however, is now effected in this area: control is to be exercised in all stages of the management process. During decisionmaking, organs of management or supervisory personnel should be provided information on the findings of control organs--that in order to decide new goals and tasks on the basis of more detailed, objective findings by control organs on the past development and present situation, on the subjective factors in irregularities, on existing reserves and conditions of their utilization.

During organizational implementation of an adopted decision or set task, it is necessary to check, particularly at the lower levels of management, whether material, financial and capacity conditions have been created for their fulfillment and to provide for the elimination of existing shortcomings on the spot. At the same time, the control organ must inform the organ of management or the supervisors who have set the tasks, where the problems arise, where there is a hitch so that they can remedy the situation within their jurisdiction.

Such participation of control in all stages of management will render substantially greater assistance to the organs of management and heads of organizations in their demanding and complex work and will enhance prevention at the same time. The principles of control require that prevention must be effected not only in controls along the line of management but also in all control organs and control departments according to their function and work conditions.

Effective Tool of Management

The principles of control in the national economy and state administration attach particular importance to internal control as the effective management tool by the head of the organization. The biggest problems in inadequate use of controls as a tool of management frequently existed precisely in this area regardless of whether the cause was underestimation by the head of the organization or the low-quality work of control organs, which did not produce any objective findings or initiative suggestions.

The principles of control instruct the head of organizations to organize internal control as the rationally arranged, uniformly directed system that meets the needs of management and covers the main problems. This system consists of controls exercised by the head of the organization and supervisory personnel, by the control department directed by the chief controller, and by the technical department. By its nature, technical control of product quality is part of it.

This system should ensure objectivity and effectiveness of control and result in the consistent fulfillment of tasks and elimination of shortcomings without delay. The head of the organization must define the rights and duties of supervisory personnel according to the specified division of labor and must create necessary personnel and material conditions for highly effective internal control.

The head of the organization decides on the direction of work of all internal control and directly supervises the chief controller who heads the control department. The subordination of the chief controller to the head of the organization is logically based on the principle of a single manager and strengthens his authority.

The chief controller plays the role in internal control. He must affect the quality of management and of internal control. He has the necessary authority

to do so. He not only ensures rational work of the control department but also must influence controls exercised by other supervisory personnel and control departments as well as control in the subordinate organizations. The supervisory personnel must cooperate with him in developing the internal control system and must share in the formulation of the fundamental line of control and in the fulfillment of control tasks. In particular, they must actively respond to the suggestions of the chief controller concerning both specific questions and improvement of controls in their area.

The status of the chief controller in the system of division of activity, along with his lack of direct responsibility for solving specific problems and fulfilling set tasks, creates important prerequisites for the objectivity of internal control neither in its findings nor in the evaluation of shortcomings does this objectivity depend on those directly responsible for their cause and the fulfillment of tasks. This is not an end in itself nor should control be made superior to management. On the contrary, the unerlying idea is that the effectiveness of assistance from the chief controller to the head of the organization unquestionably depends upon meeting the requirement that the findings by control be irreversible and the evaluation, objective. The chief controller cannot be dependent upon other supervisory personnel of the organization and must be directly subordinated to the head of the organization.

The head of the organization directs the work of the control department, supervisory personnel and technical departments to the key tasks of the organization and to other important measures. This provision of the principles of control is of considerable significance for strengthening management. In contrast to the present practice, whereby internal control, particularly its most important units—control departments--often focused on unsubstantial, marginal, not infrequently partial problems whose solution could not even be dealt with by the head of the organization, this is a fundamental change. If the internal control system is to assist the head of the organization effectively, assistance must come in the basic area for which he is undoubtedly responsible.

The principal tool of correct orientation of internal control will be the plan of key control tasks, which is drafted by the chief controller in cooperation with other supervisory personnel and submitted by him to the head of the organization for approval. This ensures that every fundamental control task is decided by the manager.

A significant feature of the adopted principles of control is that control must be an integral part of state management of the national economy and its effective tools not only in the center but also at all management levels. Its fundamental task is to protect state interests and to enunciate the needs of the entire society. Every control organ should contribute to strengthening uniform state policy in all important areas.

This important obligation must also be discharged by every unit of internal control. Control exercises as part of the ministerial, sectoral and enterprise management must also promote the fulfillment of tasks set by the state

plan, laws and other generally binding regulations, governments and supervisory organs.

Under no circumstances, however, must it undermine management by the head of the organization or cause disagreements between him and the chief controller. The general managers of economic production units as well as enterprise managers are representatives of the state. They are appointed by state organs or organs of economic management. In the organs and organizations that they manage, they must consistently implement economic and social policy of the party and of the state, promote the tasks of the state plan as well as the tasks set by the supervisory organs, and look after the observance of laws and enforcement of state discipline. Internal control must fully support them in this respect.

Quality and Effectiveness

The principles of control in the national economy emphatically stress the importance of quality and effectiveness of control. All control organs are required to ascertain, truthfully and demonstrably, not only the actual situation and deviations from the set tasks but also the basic causes of shortcomings, their harmful consequences as well as the persons responsible for them, and their duration. They must evaluate the findings and use them in their recommendation for adopting specific measures or for calling the responsible persons to account. The ultimate goal of control, however, must be the remedy and promotion of a positive development.

These principles fully apply also to all units of internal control. Among the duties of the chief controller is to ensure that internal control reaches the desired quality. The principles require him to examine the causes of inadequate work of the control department and of control exercised by technical departments and to carry out or recommend measures for improvement. Likewise he must evaluate and use the findings of internal control, including technical control for submitting proposals for the solution of specific poblems. He should discuss the findings with the management personnel of subordinate organizations and turn to the head of the organization if his recommendations are not complied with or if there are fundamental problems.

The principles of control generally formulate the prerequisites for expedient and effective control. The supervisory personnel in the controlled organs and organizations are instructed to render all possible assistance to the control organs and particularly submit requested documents and give them requested information. In addition, they must explain their personal attitude toward discovered shortcomings, actively cooperate with the control organs and enact corrective measures.

Similar prerequisites for effective internal control must be created by the heads of the organizations within their jurisdiction along the horizontal and vertical line. They must make big demands on the quality of controls exercised by the control department, technical departments and supervisory personnel. The quality and effectiveness of this control are the indispensable prerequisites if the control findings are to be used successfully for

fulfilling set tasks, improving their own management work, enforcing discipline and evaluating results of subordinate workers, departments and organizations as they are asked to do by the principles.

The principles of control contain important measures for rendering technical control more effective particularly because they redefine its duties, provide for its objectivity, require the appropriate adjustment of financial incentives and create technical prerequisites. Technical control must actively react to the cause of shortcomings in the quality of production and quality of products, bring them to the attention of workers in charge of production and its preparation all the way up to the head of the organization and demand their elimination without delay. The supervisory personnel must deal responsible with the comments of technical control organs.

In contrast to current common practice, input control (vstupni kontrola) must not allow inferior raw and industrial materials and components to be used in the production process. With technically complex products in which the customer himself cannot discover, all potential defects, the manufacturer must make it possible for the customer to verify production quality.

Technological discipline must be uncompromisingly and consistently enforced in the production process. Although inferior production may be caused by the technical design or condition of production equipment, the findings indicate that in most instances it is caused by the nonfulfillment of basic work duties and frequently by the violation of technological discipline. The principles therefore contain the provision that interoperational control must not permit defective intermediate products to be processed further.

The principles of control could not fail to emphasize the great societywide responsibility of output quality control (vystupni kontrola). They must prevent industrial plants from releasing products not meeting requirements and in justified instances also stop shipments of products whose quality does not conform to technical standards, the conditions of delivery agreed upon or the approved samples, until the defects are corrected.

In order to achieve higher objectivity of work and particularly not to expose it to daily pressure of operational and production problems, the principles of control provide for the subordination of input and interoperational controls to the head of the organization or to the department of quality control. Output control should be organizationally incorporated in the superior organization as its detached workplace in the production plant or, in justified instances, in the general directorate of the economic production unit.

To ensure objectivity and consistency of work, the heads of organizations and their supervisory organs are instructed to link personal financial incentives for the workers in the input control departments to the reduction of inferior production and rejects caused by the defects in material and components. Interoperational control should concentrate on minimizing complaints of control workplaces involved; output control, on preventing shipments of defective products.

The principles of control make it possible to apply these fundamental provisions in a differentiated way, depending upon the conditions and nature of production. Nevertheless, they must be applied consistently in order to ensure full objectivity and effectiveness of technical control. All prerequisites are thus given for eventually reducing substantially the number of complaints by the customers and the production losses, which are by no means negligible. Systematic technical control will also prevent inferior work from being equally remunerated as good work and will contribute to the replacement of occasional benevolence in evaluating work results with the uncompromising application of the principle of remuneration according to the amount and quality of work performed.

System of People's Control

Although this article concentrates on internal control, the principles set demanding tasks for improving the work of all external control organs. They assign an important role in the entire control system to the system of the people's control; that is, committees and factory commissions of the people's control.

In addition to the significant intensification and improvement of their control activity, the committees of the people's control must perform the unifying function in the control system; that is, above all affect the orientation of activity of other units of the control system and improve their work. Of all units of the control system they possess the best prerequisites for successfully discharging this function. They are directed by the highest executive organs of state administration--governments--or territorial representative organs--national committees. Their systematic activity in almost all areas of the national economy including the nonproduction sphere enables them to gain profound knowledge of the basic problems of development of the national economy, of the economic relations between its sectors, of where the fulfillment of tasks encounters difficulties and of where the control organs should intervene.

The principles of control call also for increasing the effectiveness of the work of factory commissions of the people's control. Their good work will represent significant support to the head of the organization. Although the factory commissions are part of the system of the people's control and are constituted by the committees of the people's control, which direct their activity and render them necessary assistance, they primarily serve the party organizations and enterprise management.

According to the principles, factory commissions should concentrate on the fulfillment of important tasks of the organization, particularly on the plan fulfillment, uncovering of reserves, rational utilization of funds, economy and protection of property in the socialist ownership. They present the results of their work to the supervisory personnel for application in management and to the party organization for utilization in political work.

The publication of principles of control represented another important step toward rendering the work of the entire control system more effective. The organs of management, the heads of organizations as well as the heads of control organs and departments, face the task of translating them into reality, of applying them in everyday practice. The results of control will depend not only on the thorough organizational work for the implementation of principles, on setting specific tasks and revisions of organizational regulations, but above all on correct personnel policy. Its urgency comes to the fore in internal control. In particular, those workers appointed chief controllers must have not only necessary technical knowledge and practice, but above all experience in political work and management in the given area.

10501
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## JAKES JOINS PUSH FOR INDUSTRIAL INTENSIFICATION

Prague RUDE PRAVO in Czech 24 Jun 82 p 3

[Interview with C. Milos Jakes, member of the presidium and secretary of the CPCZ Central Committee by Bohus Travnicek, chief editor of PRAVDA, Zdenek Horeni, deputy editor of RUDE PRAVO and Arnost Bake, deputy editor of PRAVDA; date and place not specified]

> [Text] Fulfillment of the planned tasks in the Seventh Five-Year Plan is a very demanding objective. There is no shortage of problems, particularly in the area of fuels and energy, but also as regards raw and processed materials. Voices calling for softening of conservation measures often make themselves heard. Yet, we all know that not only for the present, but a-so for the future, there is only one solution--a comprehensive maximization of outputs, be it in quantity, quality or overall efficiency--with a simultaneous and unequivocal minimization of all inputs. Requirements for an intensive development of the national economy, in an entire complex of tasks, call for extraordinary exertion and their implementation without delay. The direction this effort is to take in the current 5-year plan is outlined in the resolution of the 16th CPCZ Congress. However, the rate of transition of our economy to intensive development and the systematic increase in labor efficiency and quality are not meeting these requirements. How to proceed and what to do to make our efforts more effective, as well as other questions, were answered by member of the presidium and secretary of CPCZ Central Committee C. Milos Jakes in an interview with comrades Bohus Travnicek, chief editor of PRAVDA, Zdenek Horeni, deputy editor of RUDE PRAVO, and Arnost Bake, deputy editor of PRAVDA.

[Question] The current stage of development of our national economy is marked by conditions and tasks that are extraordinarily complex and demanding. As an introductory part of this interview, could you briefly outline their specific features and indicate the basic directions, ways, and methods for dealing with them?

[Answer] The party line adopted by the 16th CPCZ Congress will be implemented under conditions that are even more complicated than they were at the time when it was promulgated by the Congress. Another unusual aspect is the fact that after very low rates of growth in 1981 and 1982, we are to renew, in the third year of the Seventh Five-Year Plan, the dynamic development of the economy and growth in the national income. However, I want to emphasize that all basic directions and trends pointed out in the resolutions of the 16th Party Congress not only retain their validity, but that their implementation is becoming even more urgent. And that means primarily that we have to fight more systematically for the implementation of the party line to move the CSSR economy onto a path of intensive development while providing a comprehensive push to improve the efficiency of gross production and quality of work. It must also be pointed out that only in following this route in our development, as was emphasized by the 16th Congress of our party, will the systematic application of research and development, as well as our purposeful and active participation in the process of socialist economic integration, particularly with the Soviet Union be able to accomplish its unique and irreplaceable function. Of no lesser importance is the mobilization of the people, of their creative efforts to attain the goals of the 16th Party Congress and the promotion of conservation everywhere, at every place of work.

And speaking of being unique, it rests in the fact that, in contrast to earlier years, fuel, energy, raw and processed material base for 1982 and subsequent years remained essentially at last year's levels; fuel consumption is even being reduced. This was brought about primarily by the unavoidable requirement to make our production more cost effective by making it less energy and raw material intensive; a fact of which the party's Central Committee has systematically and with increasing emphasis been reminding us in the last few years.

The attainment of the intent of the Congress, with its prime goal of maintenance of the standards of living, a balance in foreign [trade?] relations and a gradual reduction of indebtedness, which will consume the entire national income increment in the seventh Five-Year Plan, it became necessary to adjust the national income composition, primarily by increasing the share of consumer goods and reducing gross investment. Simply put, implementation of more balanced foreign trade relations and accommodation of greater consumer goods consumption could not be done without reducing the volume of investments and deciding on an uncompromising requirement for substantially more cost effective use of resources in the national economy. From this we can see that enforcing the considerable cuts in the consumption of fuels, energy, raw and processed materials; ensuring that the high requirements and savings in imports are met; reinforcing self-sufficiency in food production based on continued development of agricultural production; streamlining all types of transportation; and economizing everywhere; are the social priorities on which we must concentrate. Great care must be devoted to deliveries for the domestic market and development of consumer services; to a balance between buying power and availability of consumer goods to include the so-called shortage items, fashion goods and novelties. Successful solution to this multitude and other unnamed problems under even more difficult conditions calls for improved management: the implementation of the improved system of

planned management of the national economy and promotion of high standards of performance and personal responsibility. We must cope expediently with problems, eliminate shortcomings and develop and utilize the public initiative. We are justified in emphasizing that the way we work today is the way we shall live tomorrow. However, to that we must add that in order for us to live tomorrow the way we live today, we will have to work more effectively and manage our resources better.

[Question] What would you say to those who ask for more raw and processed materials, energy and labor to meet the goals?

[Answer] If we make a comparison with leading capitalist countries, but in some respects also with socialist countries, we find that there is no reason for us to maintain that we have too few resources for the development of our national economy. We must overcome the misconception that development of the economy and a growth of national income can be achieved only if we have more raw materials, energy, investments and labor. It is no secret that substantially better results are obtained with the same amount of raw materials and energy abroad than in our country. We actually have considerable resources but we must concentrate our efforts on their [efficient] utilization. It must be admitted that the discrepancy between fuel resources and consumption and raw materials and labor and investments is not caused by their absolute shortage, but through inefficient utilization. We are placing heavy emphasis on improved efficiency in the consumption of fuels and metals, as has been reflected in the state goal-oriented program being implemented. In view of the strain in energy resources, we must regard the specified goals as minimums and strive to meet the goals, adopted at the 10th All-Union Congress, to achieve a 2.5-percent saving in fuels while we look for possible ways of exceeding it.

However, our requirement, based essentially on intensification of the national economy, is that the growth in production be not just commensurate with, but that it exceed the increases in consumption of resources. In other words, that we achieve a higher production of high-quality consumer and capital products with reduced direct and past labor inputs. Thus, when we talk of improving the efficiency and quality of our efforts, we have in mind both making them less labor, energy and material intensive as well as improving the utility of products, their quality and reliability. Attainment of such goals calls for more effective and efficient research and development effort and an accelerated widely distributed implementation of the results in production availing ourselves of the great potential of scientific and technical cooperation, particularly with the USSR.

[Question] Many resolutions were adopted in this area and their correctness was confirmed by experience. However, the results obtained in production are not commensurate to the expended effort or resources.

[Answer] There are a number of reasons for our failure to obtain better results, but the main one is that the research and development progress has not as yet become the basis of industrial activities of enterprise and VHJ [economic production units] management, or at the ministerial levels. The requirement

of the Congress directives that planning of research and development become the starting and the central point of our plans is not being achieved. That is one more reason why we must insist on the implementation of the directives of the 16th Party Congress--to continue improving planning and management, promote development and application of the creative talents of our people, and link the often onesided departmental interests between both the technological and scientific bases as well as production. Linkage of research and production and their motivation in dealing with problems important to society and in implementing the economic plans became the main concern. That is why efforts are underway to improve research and development planning and management and their practical application down to production levels.

Scientific and technological progress represents great wealth and its effective use increases in direct proportion to the recognition of the latest findings in research and development and their realization in useful applications. It is in the interest of us all that there should be a broad participation by the working public in using the results of research and development. This provides a great opportunity for our young people in particular.

[Question] In connection with the requirement that research become a direct productive force, emphasis has been on the necessity you mentioned earlier of linking the research with production. What is the current situation in our country and which direction should we follow?

[Answer] From the formal viewpoint, the linkage of the industrial technology and research and development bases with production, construction, and the agriculture and foodstuff industries is more pronounced here than in other socialist countries. Roughly 90 percent of the research and development potential in our industry is under the jurisdiction of VHJ. This process commended in our country in the sixties and made considerable advances in the Fifth and Sixth Five-Year Plans. The enterprise sphere of our industry today is widely equipped with research and development facilities, which is an important prerequisite for close relations between industrial technology and the research and development bases. The question is whether our VHJ will manage to use their research and development potential effectively. Presently, the linkage of research and development and production does not exist in many a VHJ and this problem will have to be dealt with much more systematically and more conceptually, taking into consideration the Soviet Union and the GDR experiences, so that the relations and objectives of research and development, design and production in one VHJ or in the framework of a ministry be fused by a common interest--the end result.

[Question] How could research and development respond immediately in order to bring about the expected economic results beneficial to our society in given situation?

[Answer] You will certainly agree with me that this can be achieved primarily by improving the quality and efficiency in the reproduction stages, when new machines and products for which engineers develop materials, technical and work processes take shape in the minds of designers and planners, following efforts of research institutes as well as a worldwide pool of information. It is at

this stage that most of the decisions regarding the quality, utility, production costs and the production or product efficacy are made. In my opinion, mobilization of personnel engaged in preproduction stages provides the key to accelerated utilization of the findings in the research and development in each enterprise and VHJ in the interest of increasing the effectiveness of social production and work quality.

Personnel engaged in preproduction stages--designers, technologists, planners, personnel preparing material for production and others--should keep their finger on the pulse of worldwide technological developments in theif field and react faster to these new developments: they should not insist on following their own course at any cost, but take what is good in the world and apply it in our country. And, I would say, they should do so today, not wait for tomorrow. It is very important to motivate the preproduction teams to creative efforts.

Based on our concept of a more systematic integration of research and development and production efforts in our VHJ, it appears inevitable that suitable conditions and an economic atmosphere would have to be created for stimulating literally a "hunger" for rapid and wide application of technological progress, particularly for improving quality and technological levels of production. And, in this respect, without a determined khozraschet [cost accounting system] and the socialist principle of pay according to merit we cannot make much headway. Very desirable, for instance, is assignment of [specific] tasks to our designers and project developers. The point is to establish objectives specifying the required technical and economic parameters. We must definitely come to terms with the situations where an order is actually formulated by those required to execute it not infrequently, even while, they are mired in the backwaters of the development. Literarily, the push for efficiency in the research and development must receive greater emphasis. We must insist on conservation in all areas and remunerate employees not according to where they sit, but according to how much they contributed to the solution of problems for the good of the society. Of importance is also close cooperation of designers, technicians and technologists with production work teams. We must use this cooperation to uncover our large unused capacity and, in the interest of its accelerated utilization, expand considerably the use of the expeditor teams. We must also support and make greater use of the efforts of scientific and technical societies, inventors and innovators. In the interest of accelerated application of research and development in practice, it is imperative to establish expeditor shops (as part of maintenance) which would facilitate accelerated production of new product samples, realization of proposals made by the inventors and innovators: produce machine prototypes, and accelerate introduction of advanced technologies.

[Question] What could you tell us about the conditions for pay according to merit and the suitability of introducing in our country the brigade type work organization and compensation based on actual work results?

[Answer] If we want to be just in compensations, we must establish standard criteria. To save material, we must know how much material can be used, there must be standards, norms, a just and technically justified performance, and

material use-norms. In order that the production teams assume decision-making in these politically important problems, it will be necessary to use the brigade type work organization and compensation through introduction of brigade khozraschet. In other words, we must get away from the existing egalitarian approach to compensation and apply a more systematic socialist justice--each according to his capabilities, to each according to his accomplishments.

What Comrade L. I. Brezhnev stated at the 26th CPSU Congress applies to us as well--"provide abundant support for conscientious workers. Leave no stone unturned where shirkers and those who produce rejects may hide and lead a good life while turning out shoddy work. He wants to live better, must work more and better."

That applies to workers, designers, engineers and management personnel. I am of the opinion that we must fully avail ourselves of the possibilities provided by the improved system of planned management and gradually start emphasizing the role of variable wage components, systematically oriented to efficiency and quality which results from well-organized work, people's initiative, high cost consciousness and application of the research and development results.

[Question] You spoke on the importance of intensification of the economic, scientific and technological cooperation with socialist countries and the necessity of making better use of their experiences, particularly that of the Soviet Union. What directions and methods shall we follow in the interest of implementing resolutions of the 16th Party Congress in the area of economic, technical and social policy?

[Answer] Countries of the socialist community have at their disposal a tremendous economic potential. And could we increase it even more if we join our efforts, not only in crisis management, but for long-term goals of economic and social development. In this context I think primarily of fuels, energy, foodstuffs, and the achievement of the developed world parameters in construction and production, particularly in engineering. Practical experience shows convincingly that the task involving transition of the economy to intensive development is becoming ever more complicated.

In this context, our joint communique, during a visit of our delegation led by C. G. Husak to the Soviet Union, said that the socialist community, due to its powerful economy, a developed research and development potential, a highly qualified core of workers and rich natural resources, has the full potential necessary for coping with any complex social and economic tasks. A consultation on economic problems at the highest levels of CEMA member countries, now under preparation, is to contribute to maximum utilization of that potential in our common interest. Our party pays great attention to preparations for this meeting. It wants that its recommendations contribute to coordination and development of a common economic policy, a more uniform management and improvement in the effectiveness of the CEMA efforts to deal more expediently and more responsibily with the problems of cooperation, specialization and, further, to achieve coordinated development in the production of equipment which most countries of the community are importing from advanced capitalist countries. The point is, that the concerted economic pressure exerted by the USA leadership, which seeks to slow down the development of the economy of

socialist countries and to prevent our solutions to socioeconomic problems, be faced by a solidly united and coordinated economic policy of CEMA based on coordinated economic plans.

We consider the planned development of mutually beneficial cooperation with the Soviet Union, the possibility of combining material and intellectual resources for creation of large production complexes, extracting and efficient utilization of natural resources as emphasized during the visit of our party and government delegation in the USSR to be crucial elements of success. To this end the long-term program for development of specialization and cooperation which is in effect until 1990, includes, for example, the nuclear program and offers new possibilities in further promotion of the division of labor, joint development and implementation of advanced scientific, technological and production improvements, direct contacts among ministries, associations, enterprises and the establishment of joint companies. Joint efforts are to concentrate on areas with optimum potential in determining the current technological developments, such as production of energy-saving equipment and technology, electronics, particularly microprocessors, industrial robots, numerically controlled machine tools, and increasing CSSR participation in modernization and expansion of Soviet foodstuff and light industries, trade and public services. Such cooperation opens up great possibilities for gradual structural changes in our industry to making them less material and energy intensive. Thus, in addition to products of a high technological levels that can also be sold in foreign markets, we shall concentrate more on development of precision engineering, small batch chemicals production, biotechnology and chemical additives for agriculture.

During the negotiations by our party and government delegation, it was also pointed out that in the course of intensive development of both economies it will be necessary to strengthen the cooperation in dealing with such problems as continued improvement of the economic mechanism on the basis of economic laws of socialism, mutual sharing of collective experience and of all the best that is available in the practice of socialist economy. In this respect there still is a great deal of unused potential.

First of all, we must familiarize ourselves with progressive Soviet experiences, such as, the Zlobin contract team-work method; or the Rostov workers' movement characterized by the slogan 'Not a single laggard on the team,' which was expanded into workshops, enterprises and cities; and the movement for the right to have one's own stamp of [approval of the] highest quality.

Equally great possibilities are offered by a closer bond between our and Soviet scientists because with our own resources we are not capable of providing for adequate research and development which are a necessary requirement for continued improvement in production efficiency, quality and labor productivity. It is to our detriment when, for example, we are tackling problems that already had been solved in the Soviet Union or elsewhere. In so doing we are not only wasting the time in trying to find a solution, but we are also wasting our effort and resources.

Soviet science and technology as well as the developments in the Soviet industrial production to an ever-increasing degree effect the worldwide economic and cultural developments. Our goal is to continue to establish ever more new forms of close, integrative cooperation between Soviet and our scientific institutes, design and development centers and production plants. Very much will depend on our active approach to further intensification of economic integration which is a great advantage offered by our system and is becoming an important condition for our continued comprehensive development.

[Question] What is the role of our party organizations and communists in the struggle for intensive development of the national economy?

[Answer] What is involved, first of all, is that the policy of the 16th Congress and its implementation under the current complex conditions be correctly understood by every communist and that he actively contribute toward its implementation. But that is not enough. The goals of the 16th CPCZ Congress and of the 7th Five-Year Plan can be met only with active participation of an absolute majority of all working people. This makes it necessary that party organizations and its members provide, in cooperation with the Revolutionary Trade-Union Movement, the Socialist Youth Association, national committees, the Society for Science and Technology, and other organizations of the National Front, for a uniform course of action in complying with the resolutions, that they ensure that everybody knows his tasks and that management create the conditions for accomplishment of those goals. Therefore, the efforts for accomplishing the goals of the plan for 1982 and focusing of the workers' initiative, full support for counterproposal planning, participation of people in the management, just remuneration, use of the best experiences, and a timely overcoming of obstacles and shortcomings must stand in the forefront of the party organizations' effort. They must take care that problem solving be approached from society's viewpoint and that discipline be enforced at work and nationwide; that the improved system for planned management of the national economy be systematically implemented; that full use is made of khozraschet; that no production of poor quality merchandise be tolerated and, that goals in technological developments and innovation be met in time. From this viewpoint we must pay more attention to improvement of the quality of the work of the party, trade unions and the socialist youth associations in preproduction phases where efficiency, quality, and the level of utilization of raw materials and energy are decided.

Attainment of the objectives of the Seventh Five-Year Plan cannot be accomplished without the exercise of party controls in order to effect a systematic implementation of policy under local conditions, or without the improvement of the cadre work, to include dealing with any weak spots. All this requires a broad development of ideological education and political mass activities. Party organizations should carefully, and on time, pay attention to the opinions and needs of workers, respond to them and wage a struggle against anything that interferes with implementation of party policy, they must support development of criticism and self-criticism as the most effective way toward rectification of shortcomings and not back away from confrontation with those who would damage the interests of the party, the state of the workers.

In short, there is a need for reinforcing the militancy of the party organisations, stepping up the effectiveness of party work with the attained results, the active support of party policy by the working public as the sole criterion. There is also a need for facing effectively attempts of the class enemies to create doubts about the correctness of our path which, even though some snags and obstacles may develop, follows the most important objective under the current complex conditions--the maintenance of the standard of living and social security of our people together with the countries of the socialist community and forces of social progress for the consolidation of peace in the world.

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## MACHINE TOOL INDUSTRY STRUCTURE, PRODUCTION OUTLINED

West Gerlin DIW-WOCHENBERICHT in German Vol 49 No 29, 22 Jul 82 pp 384-390

[Article by Cord Schwartau, German Institute for Economic Research (DIW), West Berlin: "Machine Tool Construction in the GDR." Translations of articles cited in footnotes are published under quoted headings in the following JPRS issues of this series: Footnote 8--"West German Study Evaluates GDR Electronics Industry," by Cord Schwartau, 79570, 2 Dec 81, No 2206, pp 39-49; Footnote 17--"West German Analysis of First Half 1981 Economic Performance," by Doris Cornelsen, DIW, 79108, 1 Oct 81, No 2181, pp 35-41; Footnote 18--"Mittag Addresses Combine Directors on Management Tasks," by Guenter Mittag, 81339, 22 Jul 82, No 2296, pp 7-24]

[Text] Machine-tool-building in the GDR--which turns out products at the historical sites in Berlin, Saxony, and Thuringia, especially in the area around Chemnitz (Karl-Marx-Stadt)[1]--is considered the "very heart of rationalization and automation" in industry. Over the past 10 years it has been pushed on an above-average basis primarily to accomplish export tasks. Two-digit annual growth rates were also specified in the 1981-1985 Five-Year Plan.

Exports have been expanded constantly at the expense of supplying the domestic national economy. During the 1950's already, the machine-tool-building industry achieved export quotas amounting to definitely more than 50 percent. During the 1960's they rose to the vicinity of 70 percent; during the 1970's they moved toward 80 percent and they would seem to be even higher today. Due to the heavy dependence on exports, the success or failure of this industry branch is due above all to its international competitive capability. It is of course questionable whether the share left for domestic use is enough to attain the ambitious modernization and growth targets of GDR industry during the 1980's.

### On the Present-Day Structure

The four combines of the GDR machine-tool-industry were formed in 1969-1970 from the enterprises of what was then the Machine-Tool-Building VVB (Association of State Enterprises) and they are now under the Ministry of Machine-Tool and Processing Machine-Building (see Table 1). They set the example for the founding of combines in 1979-1981 throughout all of GDR industry. Organizational changes in the area of the Ministry of Machine-Tool and Processing

Machine-Building however have still been made until very recently: The Ruhla Watch Combine was switched to the Ministry of Electrotechnology and Electronics; the Textima Combine was founded in 1979; the Shaping Technology Combine was expanded by the addition of the enterprises of plastics and elastic machine-building (machine-building for the plastics-processing industry); the Erfurt High-Intensity Current System Construction VEB (state enterprise) was likewise assigned to this combine.

Table 1. Combines Directly under the Ministry for Construction of Machine Tools and Processing Machinery (as of 1981)

| 4 Kombinat | 5 Gründungs-datum | 6 VEB im Kombinat | 7 Beschäftigte | 8 Industrielle Waren-produktion in Mrd. Mark | 9 Export-quote in vH | 10 Produktionsprogramm |
|---|---|---|---|---|---|---|
| Werkzeugmaschinenbaukombinat "Fritz Heckert" Karl-Marx-Stadt 11 | 1.1.1970 | 19 | 27 000 | 1,75 | rd. 80 | Fräs-, Bohr- und Sondermaschinen, Schleifmaschinen zur Bearbeitung prismatischer Werkstücke 19 |
| Werkzeugmaschinenbaukombinat "7. Oktober", Berlin 12 | 1.1.1969 | 12 | 20 000 | 1,60 | 75 1) | Dreh- und Verzahnmaschinen Schleifmaschinen zur Bearbeitung rotationssymmetrischer Werkstücke 20 |
| Kombinat Umformtechnik "Herbert Warnke", Erfurt 13 | 1.1.1970 | 16 | 20 000 | 1,50 | 90 | Scheren und Pressen für die Metallverarbeitung, Maschinen für die Kunststoffverarbeitung 21 |
| Werkzeugkombinat, Schmalkalden 14 | 1.1.1969 | 18 | 14 000 | 1,15 | . 2) | Werkzeuge aller Art, Werkzeug- und Werkstückhalter, handgeführte Werkzeugmaschinen, Hartmetalle 22 |
| WERKZEUGMASCHINENBAU insgesamt 15 | | 65 | 81 000 | 6,00 | über 70 | |
| nachrichtlich: 16 | | | | | | |
| Polygraph, Kombinat für polygraphische Maschinen, Leipzig 17 | 1.1.1969 | 14 | 15 500 | 0,75 | 90 | Druck- und Buchbindereimaschinen 23 |
| Kombinat Textima, Karl-Marx-Stadt 18 | 1.1.1979 | 43 | 33 000 | 2,10 | 3) | Maschinen für die Textilindustrie, Haushaltsnähmaschinen, Fahrräder 24 |

Key: (1) 1979; (2) No longer measurable because of large share of indirect exports; (3) Unknown; 4--Combine; 5--Date founded; 6--Number of VEB in combine; 7--Number of employees; 8--Industrial commodity output in billions of M; 9--Export share in percent; 10--Production program; 11--Fritz Heckert Machine-Tool Construction Combine, Karl-Marx-Stadt; 12--7 October Machine-Tool Construction Combine, Berlin; 13--Herbert Warnke Forming Machinery Combine, Erfurt; 14--Schmalkalden Machine-Tool Combine; 15--Machine-tool-building, total; 16--For information; 17--Polygraph Combine, Leipzig; 18--Textima Combine, Karl-Marx-Stadt; 19--Milling, drilling, and special machinery, grinding machines for processing prismatic work pieces; 20--Lathes and gear-cutting machines, grinding machines for processing rotation-symmetry work pieces; 21--Shears and presses for metalworking, machines for plastics processing; 22--Tools of all kinds, machine-tool and work-piece holders, hand-controlled machine-tools, hard metals; 23--Printing and book-binding machines; 24--Machines for the textile industry, household sewing machines, bicycles. Sources: Calculations by the DIW [German Institute for Economic Research] based on official GDR press publications.

The Fritz Heckert (Karl-Marx-Stadt) and Umformtechnik [shaping technology] (Erfurt) combines have in recent years been singled out for praise in almost all plan fulfillment reports. By 1985, their real industrial commodity output is to be increased by more than half, compared to 1980 (Fritz Heckert, 69.5 percent; Umformtechnik, 60 percent); the increase thus is definitely above the plan targets for the entire machine-building industry (41 percent). The general managers and the leading staff members of both of these combines play an outstanding role during the conferences of the combines, during congresses, and in numerous publications on combine development.

In 1969-1970, the combines in the machine-tool-building industry were formed according to the product principle, that is to say, in the GDR and partly also in the CEMA, they are the sole producers of certain types of machines, for example, the 7 October Machine-Tool Combine (Berlin) does cutting, rotation-symmetry processing; the Fritz Heckert Combine does the cutting processing of prismatic work pieces; the Umformtechnik combine above all does the pressing for shaping metal working. The technical development of material-saving methods--more precise shaping techniques (casting and rolling), improved shaping methods, microelectronics, and robot technique--has a varying effect on the growth of the individual combines.

The number of employees almost doubled after the founding of the combines; the number of enterprises on the other hand was reduced due to mergers. Important supplier capacities were integrated into the combines. Thus they have their own foundries, for example, the Fritz Heckert Combine has a foundry in Meuselwitz, the 7 October Combine has one in Karl-Marx-Stadt, which reportedly are among the biggest and most modern enterprises of their kind in Europe. Another important example is the build-up of capacities for the development of modern non-numerical controls. The inclusion of research facilities in the combines is also of great importance; for example, the Machine-Tool-Building Research Institute in Karl-Marx-Stadt (1,600 employees) was integrated into the Fritz Heckert Combine and the Shaping Process Research Institute in Zwickau (300 employees) was integrated into the Umformtechnik Combine. Finally, the foreign trade enterprise responsible for the entire industry branch has been under the 7 October Combine (Berlin) since 1970.

The parent enterprises, which perform management functions within the combines, have been given very much greater weight than they ever had in terms of the number of employees and the investments. This applies particularly to the Fritz Heckert Works in Karl-Marx-Stadt (formerly the Wanderer Machine-Tool Works) and the parent enterprise of the Umformtechnik Combine in Erfurt (formerly Henry Pels). These enterprises today have 4,000 or 5,000 employees.

In a comparison with the machine-tool-building industry in the FRG, there are some special aspects in statistical processing which must be considered. Machine-tool-building, based in the DGR mostly in the Schmalkalden Machine-Tool Combine, is listed under machine-tool-building in the FRG. This also applies to plastics and elastic machine-building (1979, 9,500 employees, barely DM0.5 billion industrial commodity output) which in the GDR has been under the Umformtechnik Combine since 1979. The technical community for

machine-tool-building in the VDMA [Association of German Machine-Building Institutions] in the FRG essentially includes enterprises which make machine-tools for cutting shaping (commodity class 3211) and machine-tools for non-cutting shaping (commodity class 3212) (see Table 2).

Table 2. Machine-Tool-Building in the GDR and the FRG According to FRG Criteria

| | | DDR | Bundesrepublik Deutschland (12) |
|---|---|---|---|
| 1 | Zahl der Beschäftigten | 57 000 | 99 000 |
| 2 | Industrielle Warenproduktion bzw. Produktion | (13) rd. 4 Mrd. M | 9,9 Mrd. DM |
| 3 | davon: spanabhebende Masch. | 77 vH | 69 vH |
| | umformende Masch. | 23 vH | 31 vH |
| 4 | Zahl der Betriebe | (14) 40 (in 3 Kombinaten) | 440 |
| 5 | Exportquote (15) | über 80 vH | 63 vH |
| 6 | davon: spanabhebende Masch. | (13) rd. 80 vH | 58 vH |
| | umformende Masch. | 90 vH | 74 vH |
| 7 | Anteil des Werkzeugmaschinenbaus | | |
| 8 | an der Industrie | | |
| 9 | nach Beschäftigten | (13) 1,7 vH | 1,3 vH |
| 10 | nach industr. Warenproduktion bzw. Umsatz | rd. 1,0 vH | 1,0 vH |
| 11 | am Gesamtexport | 5,6 vH | 1,8 vH |

Key: 1--Number of employees; 2--Industrial commodity output or production; 3--Including: Cutting machines; 4--Shaping machines; 5--Number of enterprises; 6--Export share; 7--Share of machine-tool-building; 8--Out of industry; 9--According to number of employees; 10--According to industrial commodity output or sales; 11--Out of total exports; 12--FRG; 13--About; 14--In three combines; 15--More than; Mrd--Billion; DDR--GDR; vH--Percent. Sources: "Wichtige Zahlen des deutschen Werkzeugmaschinenbaus 1980" [Important Statistics of German Machine-Tool-Building, 1980], Association of German Machine-Tool Factories (publisher); DIW estimates and calculations.

The concentration of production on a few big enterprises is an essential characteristic of GDR machine-tool-building. The export share is high in both countries, while, judging by the total export, the weight of GDR machine-tool exports of course is about three times as high as in the FRG.

International Competitiveness

The share of GDR machine-tool-building out of world output and world exports was greatly overestimated during the 1970's. Today, the generally recognized technical journal AMERICAN MACHINIST only assigns it ninth place (fifth place until 1976) and it gets sixth place for world exports (second place until 1976). This downgrading is accepted in numerous GDR publications.[2] Of course, the lower rating also has something to do with losses of international competitiveness in the meantime. There are two weighty factors which may have contributed to that:

Until now, the CEMA partners have been the main customers of GDR machine-tool-building but they have now expanded their production of standard machinery so far that they depend less on imports. With the exception of the Soviet Union, they simply do not have the money to buy expensive special machines.

Only top-level technologies can be sold in the Western countries. When it comes to the application of microelectronics, particularly in the development of numerical controls, the GDR seems to have failed to catch up with Western technological developments.

Using the example of GDR exports of cutting machine-tools (1980 volume almost 2 billion valuta marks), we can clearly see the one-sided orientation of machine-tool exports to the Soviet Union and to the other European CEMA partners (see Table 3).

Table 3. The Most Important Customer Countries for Cutting Machine-Tools from the GDR
Export Share in Percent

| | | 1960 | 1965 | 1971 bis 1975 1) | 1976 bis 1980 1) | 1980 |
|---|---|---|---|---|---|---|
| 2 | Sowjetunion | 33,7 | 38,7 | 43,0 | 43,7 | 42,3 |
| 3 | Rumänien | 7,4 | 3,3 | 9,9 | 12,9 | 12,0 |
| 4 | Tschechoslowakei | 13,3 | 11,3 | 8,0 | 10,3 | 8,1 |
| 5 | Bulgarien | 2,0 | 2,2 | 3,7 | 5,0 | 6,5 |
| 6 | Polen | 5,1 | 16,4 | 9,1 | 8,4 | 4,0 |
| 7 | Jugoslawien | 1,3 | 1,2 | 2,1 | 2,3 | 2,3 |
| 8 | Bundesrepublik Deutschland | 9,8 | 5,6 | 3,7 | 2,1 | 2,3 |
| 9 | Frankreich | 0,6 | 1,4 | 1,4 | 0,9 | 1,6 |
| 10 | Italien | 0,5 | 0,0 | 0,9 | 1,0 | 1,6 |
| 11 | Ungarn | 6,9 | 3,6 | 2,1 | 2,0 | 1,4 |
| 12 | Großbritannien | 0,8 | 0,9 | 1,6 | 1,2 | 0,9 |
| 13 | Österreich | 1,3 | 0,9 | 0,5 | 0,5 | 0,8 |
| 14 | Summe der ausgewiesenen Länder | 82,7 | 85,5 | 86,0 | 90,3 | 83,8 |
| 15 | dar.: 6 RGW-Länder | 68,4 | 75,5 | 75,8 | 82,3 | 74,3 |
| 16 | 5 westliche Industrieländer | 13,0 | 8,8 | 8,1 | 5,7 | 7,2 |

Key: (1) 5-year average; 2--Soviet Union; 3--Romania; 4--Czechoslovakia; 5--Bulgaria; 6--Poland; 7--Yugoslavia; 8--FRG; 9--France; 10--Italy; 11--Hungary; 12--Great Britain; 13--Austria; 14--Sum of countries shown; 15--Including six CEMA countries; 16--Five western industrial countries; bis--To. Sources: Statistical yearbooks of the GDR.

Almost every other exported machine-tool--cutting machine-tools and shaping equipment together--was shipped to the Soviet Union in 1980. The European CEMA partners took 74 percent of GDR machine-tool exports (1980). In contrast to the FRG, the GDR now produces only about 40-45 percent of the international machine-tool assortment. Its own imports of cutting machine-tools in 1980 came to 620 million valuta marks; that was about one quarter of its output and barely one third of its exports. Imports were also concentrated on the

CEMA partners with 70 percent. Bulgaria, Poland, Romania, the Soviet Union, Czechoslovakia, and Hungary increased their machine-tool output in 1960-1980 from 267,000 to 410,000 units; they are obviously in a position to supply the GDR with standard machines. Among the Western industrial countries, the FRG with a figure 11.4 percent of the total GDR machine-tool imports (calculated according GDR statistics), took a very much larger share than in the case of the documented export figures (2.3 percent)[3].

In 1980, the GDR shared in CEMA machine-tool output with 5 percent of the cutting machine-tools and 7 percent of the shaping machine-tools. Since 1970, the number of cutting standard machines produced in the GDR has gone down constantly whereas the number of special machines--which as a rule command higher prices--has constantly gone up. This is shown particularly clearly by the increase in milling machines (1980 as compared to 1970, 52 percent) (see Table 4).

Table 4. Development of Machine-Tool-Building Production in the GDR and the CEMA[1], 1970-1980

| | 1970 | 1975 | 1978 | 1979 | 1980 |
|---|---|---|---|---|---|
| | A. Spanabhebende Werkzeugmaschinen in 1 000 Stück | | | | |
| DDR | 22,2 | 19,7 | 19,3 | 16,8 | 17,5 |
| RGW | 331,6 | 371,0 | 377,5 | 368,5 | 354,6 |
| | 2 in vH des RGW | | | | |
| DDR | 6,7 | 5,3 | 5,1 | 4,6 | 4,9 |
| | 3 dar.: Fräsmaschinen in Stück | | | | |
| DDR | 2 211 | 2 970 | 3 163 | 3 066 | 3 360 |
| RGW | 31 528 | 35 331 | 34 496 | 33 248 | 32 211 |
| | 2 in vH des RGW | | | | |
| DDR | 7,0 | 8,4 | 9,2 | 9,2 | 10,4 |
| | 4 dar.: Schleifmaschinen in Stück | | | | |
| DDR | 5 208 | 4 553 | 3 325 | 3 425 | 3 439 |
| RGW | 29 429 | 31 610 | 24 636 | 22 859 | 22 381 |
| | 2 in vH des RGW | | | | |
| DDR | 17,7 | 14,4 | 13,5 | 15,0 | 15,4 |
| | B Umformmaschinen (Schmiedemaschinen und Pressen) in Stück | | | | |
| DDR | 5 436 | 5 308 | 5 649 | 5 979 | 6 008 |
| RGW | 66 809 | 76 511 | 81 414 | 82 072 | 83 091 |
| | 2 in vH des RGW | | | | |
| DDR | 8,1 | 6,9 | 6,9 | 7,3 | 7,2 |

Key: (1) Bulgaria, GDR, Poland, Romania, Soviet Union, Czechoslovakia, Hungary; A--Cutting machine-tools, 1,000 units; B--Shaping machines (forging machines and presses), units; 2--Percent of CEMA; 3--Including milling machines, units; 4--Including grinding machines, units; DDR--GDR; RGW--CEMA. Source: RGW-Jahrbuch [1981 CEMA Yearbook], Moscow, 1981.

Exports to the important CEMA countries (Poland, Czechoslovakia, and Hungary) have been declining since 1980; the growth and foreign-trade difficulties of these countries will presumably continue. Machine-tool exports to Western countries at this time account for less than 15 percent. Because of economic troubles in the Western countries they could be expanded hardly by cutting the price but rather only through high technological levels.

Back in 1964, the Fritz Heckert Works produced the first three numerically-controlled machine-tools (NC machines). With an export rate of 80 percent, the GDR in 1970 exported just as many NC machines as the FRG; in 1976, the figure would seem to have been more than 80 percent. The draft of the 1976-1980 Five-Year Plan Directive[4] called for a further increase in the output of highly-productive NC machines. In 1981, the GDR--measured against FRG exports--however exported only one quarter in the form of NC machines. In the meantime, computer-integrated, storage-programmed numerical machine-tools have come to predominate in the FRG (CNC machine, FRG 1981 output share: 94.3 percent)[5]; in the GDR on the other hand the permanently-wired, connection-programmed numerical machine-tool predominates. In the autumn of 1976, the GDR decided to produce its own CNC controls and even reduced the originally planned development time by 2 years; it came out with the first prototype on schedule on the occasion of the 30th anniversary of the GDR (1979). The GDR began with the zero series by the time the FRG had already turned out more than 10,000 CNC controls. Series production was started during 1981 (see Table 5).

Table 5. Output of Numerically Controlled Machine-Tools in the GDR and in the FRG

| | | 1970 | 1975 | 1976 | 1977 | 1978 | 1979 | 1980 | 1981 |
|---|---|---|---|---|---|---|---|---|---|
| | | numerische Steuerungen (Werte) 4 | | | | | | | |
| 6 | DDR in Mill. Mark[1] | 28,0 | 67,6 | 76,2 | 98,5 | 123,4 | 142,9 | 166,5 | 233,3[2] |
| 7 | Bundesrepublik in Mill. DM | 88,0 | 95,7 | 120,9 | 147,7 | 182,6 | 208,0 | 288,5 | 312,9 |
| | | numerisch gesteuerte Werkzeugmaschinen (Mengen) 5 | | | | | | | |
| 8 | Stückzahl DDR | 339 | 581 | 655 | 680 | 690 | 720 | 742 | 862 |
| 9 | dar.: CNC-Maschinen in vH[3] | - | - | - | - | - | 1 | 3 | 5 |
| 10 | Stückzahl Bundesrepublik | 762 | 1 085 | 1 289 | 1 979 | 2 451 | 3 258 | 4 743 | 5 672 |
| 9 | dar.: CNC-Maschinen in vH | . | . | . | 32,9 | 73,8 | 87,4 | 87,1 | 94,3 |

Key: (1) Values at constant 1975 plan prices; (2) According to 1981 national economic plan; (3) DIW estimates; 4--Numerical control systems (values); 5--Numerically-controlled machine-tools (quantities); 6--GDR, million M (1); 7--FRG, million DM; 8--Number of units, GDR; 9--Including: CNC machines in percent (3); 10--Number of units, FRG. Sources: STATISTISCHES TASCHENBUCH DER DDR 1982 [1982 GDR Statistical Pocketbook]; statistical yearbooks and other publications of the GDR; machine-tool statistics from the Machine-Tool Technical Group in the VDMA; DIW calculations.

Price formation in the GDR is a special problem and this price formation process completely disregards the tendencies of Western markets. While prices for numerical controls over the past 12 years were cut in half in the FRG (1970 average: DM115,000; 1981: DM55,200), the already high prices in the GDR seem to have risen further. Machine-tool-building must pay such high prices for controls to its suppliers that the export profitability of the finished products suffers from that. This emerges clearly from the repeated remarks by the general managers of the machine-tool-building industry to the effect that the suppliers would have to "reduce their costs in keeping with international comparison prices."[6] One way out would be "for technically decisive supplier shipments to build up or expand their own development and production capacities, for example, for control systems, as well as for power and safety equipment."[7]

In the FRG, there are 51 companies that offer numerical control system, including 20 foreign companies. In the GDR on the other hand there is only one manufacturer, VEB Numerik (Karl-Marx-Stadt) of the Automation Systems Building Combine with 2,500 employees.[8] This enterprise is to quadruple its output by 1985, compared to 1980,[9] in other words, an increase which is still somewhat greater than during the period between 1976 and 1980. The enterprise however also has plan requirements for the manufacture of robot controls and modern non-numerical controls for milling machines[10] so that the supply of machine-tool-production with CNC controls for the future likewise would not seem to correspond to the international level. This is true especially since VEB Numerik in turn depends on supplier shipments, specifically, from the Robotron Combine in Dresden. In recent years, this combine obviously was not able to make microcomputers available for CNC controls; the scope of future small-computer production likewise would have to be judged rather skeptically.

The prevailing small and medium series or individual model production system (75 percent) in the GDR 10 years ago led to the development of processing centers and flexible finishing systems. Western observers some time ago noted that the GDR together with Japan and the United States reached a technological level which is still above the level of the FRG. In the meantime however there has been confirmation of the assumption expressed at that time to the effect that the GDR was unable to exploit this lead. Once again there was the break between research and transfer into production which is so typical of planned economies. The Machine-Tool Institute (1,600 employees) achieved considerable research results with the help of government financing but these results again came to naught because of problems connected with transfer to production and in connection with sales likewise.[11] They did not get beyond the production of prototypes. Processing centers are only now beginning to play a role in GDR foreign trade. Flexible finishing systems were obviously planned and set up exclusively for domestic industry since 1972-1973.

According to GDR data, 50-70 percent of the capacity of cutting machine tools are based on the type and quality of the cutting material. Because the Schmalkalden Machine-Tool Combine--also in the opinion of the economic management--is very much less efficient than the machine-tool enterprises, the GDR is able to maintain the international competitiveness of its machines only by importing tools.

There is another situation which also impairs the international competitiveness of GDR machine-tool-building. The machines on the average are too heavy; to some extent they still are "overweight" by as much as 50 percent.[12] The car body presses of the Umformtechnik Combine which are produced on the basis of Western patents and which are made with the modern box construction method, would seem to be most likely to meet international demand. But only very few of these machines are available for domestic production; more than 90 percent of them are exported and they are in use along the Kama [River], in the Moskvich Plant, at Skoda and Dacia, and at VW and Citroen.

## Significance of Machine-Tool-Building for Domestic Industry

It has been demanded for a long time in the GDR that processing requiring intensive cutting be reduced and that shaping processes be expanded. On an international average, shaping machine-tools and cutting machine-tools are produced at a ratio of 1:2. In GDR machine-tool-building this ratio--judging by the output value--is 1:3; moreover, the output from shaping processes is intended mostly (90 percent) for export. In the GDR, the ratio between shaping and cutting--measured in terms of the time expenditure--is still 1:5.[13] The metalworking industry uses about 280,000 cutting machine-tools and 18,500 presses,[14] including 2,000 numerically controlled machine-tools (FRG: 25,000). By 1985, this machine-tool-building effort will be able to make only very few machines available to the national economy; this is why the existing machine-tool inventory is to be modernized by supplying specific structural components, subsystems, and controls.[15] Moreover, machine-tool-building is to support the manufacture of rationalization equipment in the enterprises of the metalworking industry[16] and for this purpose it is to deliver robot and handling equipment on a large scale. In contrast to the narrower definition in Western industrial countries, industrial robot equipment according to the GDR categorization criteria encompasses all automation aids which are used for independent handling of work pieces, tools, and materials[17] (see Table 6).

Table 6. GDR Industrial Robot and Handling Equipment Inventory, Units

| | | 1980 | 1981 | 1985 |
|---|---|---|---|---|
| 4 | Bestand | 3 000 | 13 000 | 45 000 |
| 5 | dar.: Eigenbau der Kombinate | 2 700 | 12 300 | 37 500 |
| 6 | dar.: Schweißroboter[1] | . | . | 5 000 |
| 7 | Gelenkroboter[2] | 100 | 500 | 3 500 |
| 8 | Handhabungstechnik aus dem Werkzeugmaschinenbau | 40 | 540 | 8 000[3] |

Key: (1) To be included in in-house production because the manufacturer (Central Institute for Welding Technology, Halle) delivers assembly building block sets; (2) Manufacturer: Central Institute of Metallurgy (1985: 2,000), Robotron (1985: 500), and Marzahn Machine-Tool Factory (1985: 1,000); (3) Including 3,500 to be counted under the heading of in-house construction because they are used in the machine-tool-building process itself; 4--Inventory; 5--Including in-house construction by combines; 6--Including welding robots (1); 7--Articulated robots (2); 8--Handling equipment from the machine-tool-building sector. Sources: GDR publications; DIW calculations and estimates.

Guenter Mittag recently spelled out the new investment policy course: "We thus have good reason to put an end to all of the remnants of an ideology which starts with the idea that any progress in productivity requires new investments and at the same time calls for taking so-called obsolete capital goods out of the inventory. Such an ideology opens the gates wide for wasting national assets...Automation...is increasingly taking place through the integration of old machines and equipment into complex automation by adding corresponding control, automation, and feeder equipment."[18]

In the practice of machine-tool-building, the ideology, thus reprimanded, however seems to be present not only in "remnants." The GDR machine-tool industry considers the modernization of existing equipment at best to be an emergency solution. At the spring 1982 Leipzig International Metalworking Congress, engineers and leading scientists even doubted the success of such "piggyback" solutions: "We know from the lessons learned since the introduction of NC equipment about a decade and a half ago that a subsequent adaptation and equipment of existing machines cannot achieve working solutions."[19]

The following arguments were presented, among others:

Old machines reveal differences in operation which are due to the design and those differences are by far too great; they therefore cannot be automated;

Conventional machines are not really suitable for charging with material and for the removal of used material; the operating spaces do not permit the use of robots for safety-engineering reasons;

The way the machines are set up as a rule does not make it possible for one robot to supply several machines; the profitability of robat utilization

declines; besides, there is no room for transportation systems and for the feeding of the required work pieces.

From the viewpoint of the machine-building industry, one must also add the demands being placed on production and research capacities. The emphasis here is clearly on complex machine systems and processing centers.

The conflict between these arguments and the interests of engineers and managers, on the one hand, and the goals of the economic leadership, on the other hand, is certainly based on the natural dispute between engineers and economists: the technically best solution is not always economically justifiable for reasons of cost. In the case of the GDR, we must add the fact that the economic leadership is currently forced to view further planning more than ever before from the angle of limited resources. This is obviously not yet the case with the enterprises. In this situation, the GDR machine-tool-building industry faces the question as to whether it could not close a gap in the market by building equipment for subsequent addition to existing machines, that is, modern control systems and handling apparatus. This of course presupposes that the transfer of modern technical control concepts into production can be achieved successfully in medium-range terms at justifiable prices and in adequate quantities. Sales possibilities for such products can be recognized at least in the CEMA countries and in developing countries with little capital.

FOOTNOTES

1. See J. Roesler, "Machine-Tool-Building and Socialist Industrialization in the GDR," JAHRBUCH FUER WIRTSCHAFTSGESCHICHTE [Economic History Yearbook], IV, 1980, pp 7 ff.

2. See, for example, R. Greuner, "Tendencies in Machine-Tool-Building," DIE WIRTSCHAFT [The Economy], 10 November 1977, p 25; "Welt-Werkzeugmaschinenstatistik 1981" [International Machine-Tool Statistics, 1981], Association of German Machine-Tool Factories, Incorporated (publisher); machine-tool branch report in "Presse-Informationen zur Leipziger Fruehjahrsmesse 1982" [Press Information on the 1982 Leipzig Spring Fair], p 3; "GDR Industry Demonstrates its Increased Capacity," NEUES DEUTSCHLAND [New Germany], 15 March 1982, p 3.

3. If we measure inner-German trade by the foreign trade of the FRG, then the deliveries of the FRG in 1980 would amount to about 1.6 percent of the exports and the purchases would amount to about 2.8 percent of the imports of machine-tools.

4. See DIE WIRTSCHAFT, Supplement 1, 16 January 1976, p 20.

5. "Statistische Zahlen aus dem Werkzeugmaschinenbau 1980 und 1981" [Statistical Date from Machine-Tool-Building, 1980 and 1981], Machine-Tool Technical Group in the VDMA, publisher, in print.

6. See H. Kroker, "What Does It Mean to Use Technical Progress Economically?" NEUES DEUTSCHALND, 5 February 1980, p 3.

7. Id., "Effectiveness Gain Through High Product Level," EINHEIT, No 4, 1982, p 381, and M. Wenzel, "On the Political-Ideological Management of Scientific-Technical Progress," WIRTSCHAFTSWISSENSCHAFT [Economics], No 6, 1982, pp 911 ff.

8. See also in this connection and in connection with the following subject matter: "The Electrotechnical Industry in the GDR," edited by Cord Schwartau, WOCHENBERICHT DES DIW, No 42, 1981, especially p 478.

9. See the Law on the Five-Year Plan for the Development of the GDR National Economy, 1981-1985, dated 3 December 1981, GBL. DER DDR [Legal Gazette of the GDR], Part I, 1981, p 411.

10. Monthly output: 140 units; see M. Pohl, "For Us, This Is a Matter of Honor: We Consistently Pursue the Highest Standards," FREIE PRESSE, 3 November 1981, p 3.

11. See, for example, "Flexible Finishing Systems, a Challenge to Industry," DIEBOLD MANAGEMENT REPORT, August-September 1980, pp 1 ff.

12. J. Eckert, "Little Bulk--High Output," TRIBUENE, 21 June 1982, p 3.

13. See F. Neuberger, "Three Decades in the Service of Shaping Technology," FERTIGUNGSTECHNIK UND BETRIEB [Finishing Technique and Plant], No 10, 1979, p 586.

14. W. Simon, "Intensification of Cutting Methods--A Main Factor in the Output Increase in Parts Manufacture," FERTIGUNGSTECHNIK UND BETRIEB, No 3, 1981, p 134.

15. For example, 4,500 presses are to be equipped with microelectronic controls and robot accessories. See W. Florath, "Invest How Much and What For?" WELTBUEHNE [World Stage], No 13, 1982, pp 39 ff.

16. "Rationalization Workshop--Minister Dr. Rudi Georgi Answers Questions on the Plan," BERLINER ZEITUNG, 10 January 1982. The increase in rationalization equipment construction and the use of prefabricated structural components and subsystems was demanded already by Walter Ulbricht: "This is why enterprises should be designated for the industry branches which will responsibly take over the development and production of specific branch-oriented automation equipment, using standardized structural components and subsystems. In-house development and production of specific branch-oriented automation equipment must be organized in the combines and product groups." Walter Ulbricht, "Social Development in the GDR Up to the Completion of Socialism," NEUES DEUTSCHLAND, 18 April 1967, pp 7 ff.

17. See also "The Not Entirely Successful Start of the New Five-Year Plan," edited by Doris Cornelsen, WOCHENBERICHTE DES DIW, No 31, 1981, p 365,

and G. Spur, editor, "Industrieroboter" [Industrial Robots], Munich, especially pp 16 ff.

18. G. Mittag, "Great Output Increase for the Further Strengthening of our Republic," EINHEIT, No 5, 1982, p 474.

19. See A. Russig, R. Piegert, H. Wilke, "Lessons Learned and Ways for Finishing Processes Requiring Little Attendance and Surveillance," lecture at the March 1982 Leipzig International Metal Working Congress, reproduced as manuscript.

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## TREND OF EXTERNAL ECONOMIC RELATIONS, DEVELOPMENT TASKS NOTED

Budapest TARSADALMI SZEMLE in Hungarian No 7 Jul 82 pp 3-11

[Article by Bela Szikszay: "Development of External Relations, Development Tasks"*]

[Text] For the second time in 5 years the Central Committee of our party has put on the agenda the main problems of our external relations. At its 23 June session, it analyzed the development and problems of our international economic relations, the situation that developed in the 1970's, and it decided on the tasks for its development and its main directions for the coming years. It passed an earlier resolution in October 1977 entitled "Long-term Foreign Economic Policy and the Development of the Production Structure." This durable document which defined the long-term directions of action complexly evaluated the situation of the economy, and emphasized the quality requirements of economic development and management on the basis of the well-known conditions, as forecast, of our economic development at that time. It was a direct antecedent, pointing in a long-term perspective, of the economic political direction decided on in December 1978, affirmed by the 12th Congress, and implemented since 1979.

Long-term resolutions, however, must be faced from time to time with practical experience and must be amended by tasks required by new developments which have come into being in the meantime, or which are expected. All this represents the necessary bases for an action program over the shorter run and for working out the tasks in greater detail. This role is fulfilled by the most recent resolution of the Central Committee.

The 20 October 1977 resolution of the Central Committee reflected our knowledge at the time about world economic processes, the effects they exercized on our economic development, and the main tasks of our adjustment to the altered circumstances. In respect to several problems, however, (for example, the rate of economic growth and the creation of a financial balance), it had more optimistic assumptions than were justified in the light of subsequent world economic developments. It did not count, and it could not, on a number of

*Prepared on basis of the 23 June 1982 resolution of the MSZMP Central Committee and the talk by Ferenc Havasi.

changes which occurred in recent years, and their effects (for example, the standstill in the detente process, the second oil-price explosion and its consequences). All in all, it may be said that the world economic background of our development has changed considerably and placed on us substantially stricter conditions and higher requirements. At the same time, our adaptation to the external economy and to market relations determines our economic development more than ever before. All this requires that we analyze the development of our external economic relations, draw the appropriate lessons and rethink our situation and tasks.

Our External Economic Relations Between 1970 and 1981

In the 1970's, our foreign trade developed dynamically and rose by about 3.5 times. Over a 10-year average, the volume of Hungarian foreign trade expanded annually on an average by 6.8 percent, surpassing the development rate of world trade. This included a more rapid (8.6 percent) rate of growth in exports and a slower (5.6 percent) rate in imports. Our exports make up about 40 percent of the gross domestic product (in 1970 this was 32 percent), and in this respect our country is one of the most "open" economies in Europe. Foreign trade per inhabitant comes at present to more than $1,500; this is considerably less than, for example Austria, where this ratio exceeds $4,000; but it is more than that in many countries with a similar state of development, including most of the socialist countries.

The development in trade according to main categories of countries changed somewhat over the decade. The share of the socialist countries in our exports and imports decreased by several percent (the ratio of decline in socialist imports was somewhat greater than exports in that trade relation), but it continues to have a determining role in our international economic relations. The share of foreign trade with the Soviet Union in socialist trade as a whole approximates 60 percent, and one-third in total trade.

Despite our intensive linking into international work distribution, our share in world trade does not come to 1 percent; it is true that our share in the world's population and in world production is even smaller (one-fourth and one-half percent respectively). We have a much greater share, however, of the world trade in certain products than average. We sell 2.4 percent of the world's meat exports, 6 percent of its apple exports, and we also have an important place in high technology industrial items in world trade: 3 percent in the world export of pharmaceuticals, and more than 10 percent in the export of buses. Our exports of agricultural machinery, medical equipment, communication and vacuum technology means, aluminum industry products and shoes make up more than 1 percent of world trade. Almost one-fourth of industrial production, including machine industry production, is sold on foreign markets. All this indicates that in the course of socialist development, centers of gravity essentially developed, or could be developed, and product groups became prominent with which we can successfully link into international work distribution. Exports are of decisive importance in shaping production structure.

It follows from all this that for us participation in international work distribution is not a supplement but one of the determinants and driving forces of economic development. This is particularly obvious in the present situation when the rate of economic growth depends primarily on export expansion, the foreign-exchange earnings capability of our economy, and through this a possible expansion of imports.

The subbranch structure of our production is reflected in our ruble-account exports; in this trade relation, the industrial share is high, including machine industry products. At the same time, dollar-account exports still do not adequately reflect the ratios of production: materials for further processing and for semifinished products share in 30 to 40 percent of our exports, items of agricultural origin in one-third, but the ratio of machinery and investment goods scarcely comes to 15 percent (in fact machine exports to developed capitalist countries are only between 11 to 12 percent). Most of our exports to nonsocialist markets are in the medium range of quality categories, and a significant share are low processing-state, material-type products that are very vulnerable to cyclical fluctuations.

World Economic Changes and Our Economic Political Reaction

Our economy developed dynamically in the beginning of the 1970's and approximately in a balanced way. On an annual average, national income increased 6 percent, it approximated the average economic growth rate of the CEMA countries, and exceeded that of the developed capitalist countries. The dynamic economic development--amid consolidated foreign market relations--was accompanied by an expansion of foreign trade considerably exceeding economic growth.

We conducted the greater part of our foreign trade with socialist, chiefly CEMA, countries. The necessary materials and energy could be acquired from CEMA countries in adequate volume and at favorable prices, and the countries of the socialist community represented a large and stable market for our processing industry and agricultural products. The role of the capitalist countries grew rapidly in our foreign trade, chiefly in the import of machinery for production modernization, materials and semifinished products. In both trade relations, export and import was in essential balance. The ratio of exports exceeds 30 percent of final consumption.

In response to the economic management reform, favorable external and internal circumstances, encouraging signs and in fact initial successes were evident: it seemed that the conversion to dynamic economic growth and to intensive development could be realized together.

But starting in 1973-1974, radical, recurrent and rapid changes occurred in the world economy. The price ratios for basic materials and finished products changed substantially in world trade; processing industry items satisfying average demand were depreciated while products representing a developed technological level became, or remained, sought after even at high prices, as well as means and equipment resulting in rational energy consumption. A large-scale fluctuation in supply and demand become constant; a large-scale

fluctuation of prices accompanied the average price-level increase. The financial difficulties of the capitalist world were intensified, the interest level rose strongly, and in recent years the number of countries struggling with liquidity problems, indebtedness or that were forced into refinancing credit payments increased significantly. The role of international financial organs was strengthened greatly in meeting credit demands.

All these things substantially altered the conditions of economic development for certain countries and regions, reevaluated the economic achievements of certain national economies--including ours--and stimulated governments and enterprises to action. Our reaction in economic polity and economic management to changes in the world economic situation differed substantially in the period 1979-1981 as against the period 1974-1976.

a) Between 1974 and 1975 we recognized only partly the enormous influence on our economy of the altered world economic situation and the economic policy tasks deriving from these. Our economic policy reflected, to be sure, the assumption that for us the more unfavorable foreign economic conditions would continue to exist, but it also reckoned that the extent of the deterioration in the terms of trade was temporary, and that losses would not increase but decrease. It was on this that the economic policy goal was founded that we must adjust to the altered circumstances along with the same or similar rapid growth as had occurred thus far, and that we must raise living standards to the extent formerly planned. Given the developed organization of production and the level of economic efficiency that was attained, this goal could not be realized, and led to significant deterioration in our foreign economic equilibrium situation.

The Fifth Five-Year Plan called for a relatively high economic rate of growth, and at the same time set as a goal a significant improvement in the quality factors of development, that is to say, the fulfillment of stepped-up economic policy requirements (increased economic efficiency, improvement of the production structure, cutting back of domestic consumption, and the creation of an equilibrium). But between 1976 and 1978 all these things were not consistently realized. A role was played in this by the fact that enterprise management practice assured to an unjustifiable extent the stability of enterprise management, operated with excessively individual means and also used plan directive elements. Increased economic efficiency, therefore, and the transformation of the production structure developed considerably more slowly than expected. The deliberately maintained and relatively fast rate of economic growth, the dynamic increase in domestic consumption (chiefly investments) led to a rapid increase in imports (primarily capitalist imports), and with this the development of export capability was not able to keep pace. By the end of 1978, the external balance of the economy had become so unfavorable that it was endangering a smooth process of development. Instead of a gradual reduction of the planned consumption of foreign sources, there was an accumulation of indebtedness to capitalist sources that increased steadily.

b) From the economic policy point of view, the 1979-1981 period differs substantially from the earlier period. In harmony with the stability of the

main political lines and the basic principles of the MSZMP, the long-term goals of our economic policy did not change. The substantial change in the foreign economic conditions, however, modified the priorities of our economic policy. The main goal of economic policy became the restoration of the foreign economic balance and the protection of living standards for the population. The main means for the attainment of the goals continued to be increased economic efficiency and the improvement of the production structure and export capability. The essential change is that our economic policy realizes in practice, too, an economic growth and domestic consumption depending on the development of these quality factors (in general, at a lower rate and more differentiated than formerly), and places great emphasis on the operation of an economic management which effectively promotes the attainment of economic-political goals.

The realization of the economic-policy line of direction worked out for the present development phase and approved by the 12th Congress is proceeding successfully. In the nonruble-account foreign trade for 1981-1982 a situation close to equilibrium has developed despite external conditions that keep deteriorating steadily and are worse than anticipated. The economic-policy goal for protecting living standards has also been realized. However, we have attained a reduction in the rate of indebtedness to capitalist sources by strongly limiting domestic consumption.

The basic principles of economic reform are being realized more and more strongly in our economic management practice. The national economic plans are more realistic and more flexible. Their role in raising the requirement of the price and regulator system and in mediating international changes by incentive and compulsion has become stronger. Central economic management is more active and consistent, and the enterprises have become more sensitive to the modification of economic conditions. The organization systems of management, production and foreign trade have developed.

The foreign economic situation of the Hungarian economy is complicated and difficult despite the substantial improvement in the external equilibrium. Our country's dependence on international work distribution and at the same time the dependence of our economic development on world economic processes have objectively increased in the past decade. At the same time, world economic conditions have changed radically and are continuously deteriorating. In this situation, we need a substantial increase in economic achievements, and improvement in the ability to compete internationally in order to maintain distribution levels.

Overall, our practical adaptation to world economic conditions has been late. We recognized relatively in time the permanence of the change in foreign economic conditions, but we underestimated the weight of the change and the further deterioration of conditions. We were not late in recognizing the direction of the tasks, but we were late in carrying these out consistently and on time. We overestimated adapation capability: we assumed that the discovery of our reserves latent in management and the advantageous change of the production structure would be easier to carry out than actually proved to be the case. We were also late in drawing practical deductions about

distribution relations. Consumption and accumulation continued to rise (even more than production in a given year) when the world market was significantly devaluing our achievements, or we were suffering price losses, and the achievement, material bases were lacking for the growth of domestic consumption. The discovery of these matters and the analysis of the causes are of great practical importance. It forms and provides lessons for our future behavior.

We cannot count on a happy turn in the external conditions of our economic development in the coming years. The requirements are not declining in a single important trade relation, in fact we have to prepare ourselves for their being made more strict. From the development of our foreign economic relations, the evaluation of our reactions and our situation, and the expected development of world economic conditions, we can expect several important economic-political consequences for the future.

--Our economic growth, the development of living standards, and our whole economic development, mainly its quality, depends in the decade facing us on how we can increase the adaptability of our economy to international circumstances and requirements, and to what extent we can increase exports by adjusting to profitable, foreign-market demands. We must put our economic policy and our management system more consistently than heretofore in the service of fulfilling this requirement.

--The creation and consolidation of a foreign economic equilibrium remains an outstandingly important goal for our economic policy over the long run, but particularly in the coming years.

--We must make great and effective efforts at stabilizing our international economic positions and strengthening our place in the world economy. We must conduct policy in which the size, composition and changes in production will clearly be guided by demand, including adaptation to foreign-market demands.

--In order to create and stabilize an economic equilibrium, we must in the near future see to it that the center of gravity of our efforts is transposed from the sphere of distribution to production, and management and their substantial improvement. An important lesson of our analyses of the past decade is that the disequilibrium in the Hungarian economy was caused in the end by the combined effect of two factors: we are using an unjustifiably great amount of materials, means, work and imports for production and creation of the national income (which at the same time means than even if we were able to do otherwise, acceleration of growth under the present structure would merely increase the disequilibrium); we do not have an adequate, profitable, competitive export capacity to satisfy the import demands of a dynamic development. The consequences of these things have been eased by the compulsory moderation of economic growth. We must know, however, that by creating an equilibrium like this we have achieved only a temporary and relative success. A permanent and stable equilibrium can be brought about only by the elimination of the causes of the disequilibrium. In fact, for the stabilization of the living standard we need greater achievement, more disciplined work, better quality products, and much better use of materials, energy and working time.

To develop our foreign economic relations, we have many tasks to accomplish. Among these, it is of outstanding importance that we exactly define our efforts and our economic management system in a complex way.

Our Efforts in the Main Foreign Economic Relations

In our foreign economic strategy, according to our economic interests and political obligations, a determining role is played by our economic relations with the socialist countries and our membership in CEMA. The community of socialist countries has been adversely affected by world economic changes, and the rate of development for our economic cooperation has slowed down. It is our basic interest, joint and individual, to stop this trend with our united efforts and to raise cooperation to a higher level. Despite the situation that has developed, our economic cooperation has played a stabilizing role in our economic development, and without it our losses deriving from the world economic changes would have been much greater. The cooperation of the socialist countries is a factor of increasing importance in our economic development.

It is an important interest of ours, and we are striving for this to the limits of our possibilities, that the cooperation of the CEMA countries--on the basis of mutual advantages and interest and by taking into account the endowments of the individual countries and their economic possibilities--should promote the balanced and proportional development of the member countries, the increased efficiency of management; and should discover additional resources for economic growth, the speeding up of technical progress, the modernization of the production structure, and thereby an improvement in the world-market situation of our countries and their marketing possibilities. Moreover, we must devote special attention to Hungarian-Soviet economic cooperation. Under conditions that are growing more difficult, the Soviet Union remains the most important base for acquiring many important materials and products and the main market for placing the goods of our processing industry.

In developing bilateral and multilateral cooperation with the CEMA countries, it is an especially important task for the 1980's to arrive at a long-term solution for a secure supply of fuels, energy and raw materials.

On the basis of mutual interests, cooperation in the processing industry must serve more successfully than up to now the modernization of the production structure. The further broadening of production cooperation requires the more integrated union of producer enterprises and associations. In various processing industry subbranches, it is necessary to move ahead in the field of coordinating the called-for developments, the harmonization of license, know-how and equipment purchases, and the mutual expansion of spare-parts supplies.

In the food economy, our main effort is to develop permanent cooperation relations over the long run. The growth of the means intensiveness of agricultural production and the necessity of increasing deliveries among one another not only makes the expansion of production necessary but also requires

the development of a conditions system, price and value relations giving better incentive to CEMA relation exports.

The smooth conduct of international deliveries makes it necessary that we coordinate with our CEMA partners the expansion of supply capacities, and the mutual development of border stations and the reloading and pass-through capability of the connecting trunk lines. To keep raliroads from being overburdened requires the development of water transportation, and as a part of this the increased use of the harbors of the socialist countries.

With the domestic development of scientific research and management, we also wish to help, with the improvement of international coordination, the CEMA countries to rely more than up to now on their scientific-technical potential and to make it possible for this enormous research base to concentrate its work better on the strategically more important areas of technical development. We can and must improve and speed up the mutual flow of information on technical results, and place research, license and know-how transfer on an interest basis.

In accordance with the goals set in the Complex Program, we must move ahead in improving the major elements of the international mechanism for economic cooperation. We regard consultation in the future also as the characteristic form of economic political coordination. It is advisable, however, to coordinate certain elements--primarily those influencing our economic cooperation--of economic policy more closely and for the interested countries to develop a common position in mutually coordinated questions. It is necessary to organize systematic information and experience exchange about the economic mechanisms in a way that will promote an understanding of economic management and managing methods, and solutions which have proved successful in certain socialist countries.

A more intensive exploitation of the reserves latent in the initiatives of economic organizations makes it necessary to expand direct relations between the producer cooperatives and the research and development institutes.

Strengthening of delivery discipline requires the working out and introduction of such new regulations as will penalize contract violations more strictly than before and in addition will assure full indemnity for damages caused by unfulfilled deliveries.

In respect to the foreign-trade price system, it is in our interest to make practical use of foreign-trade price formation that is based on the capitalist world market price base and moderates monopolistic and other distortions, guarding the unity of the price principle and its consistent realization.

The developing countries are increasingly important partners of ours. We are striving to deepen our relations on the basis of mutual advantages. Since the situation of the developing countries is considerably different, it is an important requirement that the development of our economic relations should be shaped according to commercial policy guidelines differentiated according to the more important groups of countries, and in totality should result in a considerable balance surplus.

After this, too, we are striving to expand relations with the developed capitalist countries, maintaining respect for the principle of mutual advantages and economic sovereignty. We must use all the possibilities latent in economic and international relations to moderate or eliminate the economic competitive disadvantages deriving from protectionist and discriminatory differentiation. We must develop our relations in such a way that a situation close to equilibrium will develop permanently in foreign trade.

Development of Economic Management

An increase in the achievement capability of our economy and the continuous improvement of our ability to compete internationally will make necessary the functioning of such driving forces as are capable of increasing the revenue-producing capability of our economy. The main way of doing this continues to be the expansion of exports and an increasingly more intensive participation in the processes of the world economy. However, this can be a driving impulse, a tractive force, of our entire economic development only if the requirements of the domestic market (the production structure in the field of management) approaches international market conditions and we place economic management in the service of increasing our ability to compete internationally in a more complex, coordinated and more successful way than up to now.

For the modernization of the planning system--protecting its basic principles and main features--we must work out alternatives and changes that are of wider scope and better considered. We must make the methods and index numbers used in the framework of analysis and planning more suitable for expressing the quality characteristics and differentiations of development.

We must assure that in respect to the changes in the means of regulation and their extent the state attitude can be predicted and calculated by the enterprises, and can be deduced from the change in economic-market conditions. We must strengthen the characteristic features of the price system and economic regulation so that the revenue positions of the managers will reflect actual efficiency differences, and the rate of return therefrom can be judged. From the viewpoint of the development of our foreign economic relations it is an essential condition that price should also place a high efficiency requirement on those areas where the rules of competitive price formation are not directly realized.

It is necessary to operate an auxiliary mechanism system which in the case of permanent and explosive foreign market cyclical processes assures both operational capability and the possibilities for effective solutions.

In the further development of revenue regulation, we are striving to eliminate and reduce the effect of those factors which make adjustment to market changes more difficult. It is necessary to reduce the extent and balancing effect of revenue redistribution being realized through supports. Subsidies which of necessity remain must be used to give incentive to the fulfillment of our more important economic policy goals.

The general improvement of export orientation requires a large degree of social mobility for all important factors of production. It is necessary that those enterprises which attain higher profit by more flexible adjustment to conditions and by efficient management should be able to develop more dynamically even at the cost of enterprises operating at a loss or at low efficiency. To do this, an appropriate capital flow and development system must be worked out and operated, consciously reducing the still existing sectorial limits that restrain its development. We must strengthen the nature of enterprise entrepreneur work in the whole area of the economy. The conditions for doing this (enterprise independence and internal sources) must be worked out and created.

Several Political Tasks

In the coming years, the political support for the development of foreign economic relations will be an outstandingly important area for assistance and control activity in the economic work of party organizations. Together with the social organizations, above all the trade unions and the youth federations, we must work to have all the people understand and make it their own that the rate of our development and economic growth and its substance depends decisively on the extent to which our entire economy is able to adjust in production and management to the frequently rapidly changing foreign economic conditions and to increased competitive exports adjusting to foreign market demands. Our party and social organizations must organize active support to this end.

It is the task of our party organizations to create political conditions and a constructive atmosphere everywhere so that responsible enterprise entrepreneurial activity may develop which is oriented to foreign economy and in adjustment to demand. We must also support politically the work of managers suitable for carrying out these tasks and to reward them materially and morally. We must generalize the requirement for disciplined, good-quality work and the exact fulfillment of obligations that are undertaken. Progressive initiatives, attained results and undertakings that are successful by international standards should be given appropriate publicity and recognition. We must make personnel conscious that adaptation to foreign economic conditions is accompanied not only by advantages but also by risks and perhaps by conflicts, but these must be undertaken for the sake of the cause. Humane solutions, which do not yield in meeting requirements, are economic tasks which must be supported by political means.

The tasks are also multidirectional in agitation and propaganda work. It is important that we give a picture of world economic processes that are true to reality, of the power relations concealed in the background, of the political and economic aggressiveness of imperialism, of the increasing strength of the socialist world order and progressive movements. We must also be able to show realistically to the world our socialist goals and our efforts and intentions to serve social progress.

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## LABOR PRODUCTIVITY, MIGRATION, EMPLOYMENT PROBLEMS ANALYZED

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[Article by Mrs Sandor Berenyi, PhD: "On the 1981 Development of labor Related Processes"]

[Text] The goal of the national economy's 1981 plan--in harmony with the goals of the Sixth 5-Year Plan--with respect to the labor processes is to simultaneously insure full and efficient employment, increase the efficiency of labor management and labor productivity, as well as to preserve the population's standard of living and within the framework of this, to insure last year's level of the real wages.

During the course of the year the labor related processes developed mostly according to the plan's guidelines. In labor management the favorable trends begun in previous years (for example: decrease of manpower demand, internal regrouping in accordance with changes in the product structure, efforts for more efficient utilization of manpower within the enterprise) continued also in 1981, but did not gain strength to the desired extent. As a consequence of the moderation of demand for manpower, the employment equilibrium has improved in spite of the shortage of manpower in some professions and job areas--mainly in the capital city. In general the lack of manpower caused no significant problems in the performance of production, sales and service activities. No employment difficulties of nationwide scope occurred.

For economic operating units working on the three or more shift schedule, the changeover to the 5-day work week began in the second half of 1981 and has for the most part been completed by the end of the year, implemented in accordance with the requirements contained in the resolution of the Council of Ministers.

The amount of wages paid out, and the average wage and average income increased more than had been planned, due to the combined effect of several factors--while the rise in consumer prices did in essence correspond with the plan's goals--, and thus the real wages increased by about 1.5 percent instead of the projections corresponding to last year's level.

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The Way Employment and Productivity Developed

The 1981 annual national economic plan expected a 0.4 percent (20,000 persons) decrease in employment in the socialist sector. Within this it projected a 0.8 percent (30,000 persons) decrease in the material branches, and a 1 percent increase (about 10,000 persons) in the nonmaterial branches.

In the material branches the number of persons employed decreased by the amount corresponding to the plans, in comparison with the previous year. Within this, in some branches and subbranches of the national economy the development of employment deviated from the plan to a greater or lesser extent, in some cases even in direction.

Thus, employment in the socialist industry decreased by 2.1 percent, significantly in excess of the plan. In transportation-communication in contrast with the expected 0.5 percent increase there was a 1.1 percent decrease, while in agriculture instead of a small decrease in employment there was a 2.6 percent increase (within this, a 3.5 percent increase in cooperative agriculture). In commerce, instead of a moderate increase the number of people employed remained stagnant. Corresponding closely with the plan, employment decreased in the socialist construction industry (by 3.7 percent) and increased in water management (by 0.5 percent).

However, in general these deviations are within the error limits of the calculations, and the greater differences essentially correspond to our economic management, employment, and productivity goals. Thus, industry's smaller employment than was planned is to a large extent justified by its output [also] falling short of the plan. The increase in the number of people employed in agriculture is related to the continued expansion of supplementary and sideline business activity, as well as to the increase of personnel requirements in the basic activity--due to placing emphasis on labor-intensive crops and to the unfavorable weather.

In industry the decrease of manpower is characterized by a near agreement between the decrease in the number of people employed full time and the average of the total number employed; the decrease in the number of people working less than full time is greater than that (because of the 4.2 percent decrease in the number of people doing subcontracted work at home), while the decrease in the number of retired people working is smaller. This differs from 1980 when the major portion of the decrease of employment was implemented by decreasing the number of people doing subcontract work at home, and of retired working people. (The number of their decrease was well over that of the full timers.) In 1981 this tendency was valid only for the home workers, but even here the decrease is smaller than in 1980. The decrease in the number of home workers can be traced back to the enterprises endeavoring to provide work primarily to their full time employees--in connection with the smaller than planned production increase--, and were under the given circumstances unable to supply suitable work performed in this manner, to many workers.

Similarly to 1980, it was characteristic also for 1981 that the number of nonphysical employees decreased (by 1.3 percent), though at a lesser rate than that of people doing physical work. The resolution by the Council of Ministers concerning the decrease in employment in the trusts and enterprise headquarters, as well as implementation of the regulations aimed at improving manpower management of the supervisory organs have contributed to this latter item.

In accordance with the plan, the number of employees in the nonmaterial branches increased by 10,000 persons (0.9 percent).

Overall employment in the national economy's social sector decreased by 19,500 people (0.4 percent) approximately as planned. Part of the reason for this is that there is less population within the working age limits (losses by retirement and death have exceeded the number of young people entering the work force), and fewer people keep on working past retirement age; and also, in 1981 the number of people conducting independent activities and the number employed by them continued to increase in 1981.

In accordance with our economic policy goals, restructuring continued in 1981 within the socialist sector, the number and ratio of employees in the material branches decreased to the gain of the nonmaterial ones.

The change in manpower structure favorably affected the efficiency of manpower utilization. Productivity measured on the basis of gross production value (at unchanged prices) per employee increased as planned by 4.5 percent in the socialist industry--after stagnation in 1980--, in spite of the fact that the increase in production (2.3 percent) did not reach the planned extent.

Employment decreased in all branches of industry, but there are significant differences between the branches in its extent. Except for mining and metallurgy, production exceeded the 1980 level in all industrial branches.

The larger than planned employment decrease is in harmony in most branches with the way production developed (production does not reach the projected level, and the decrease in employment also exceeds the plan). The employment situation in the area of operation had a significant effect on the way employment developed in the individual branches (what manpower resources are available in the region where the enterprises operate), as did the wage regulation format in effect for the given branch (the wage mass regulation creates an interest for not replacing employees who quit, or at least some of them).

In the actual construction industry the decrease of production (2.6 percent) is significantly greater than had been planned (0.4 percent), and thus productivity--lagging behind the value in the calculation material of the national economic plan--exceeded the previous year's value only slightly (by 1.1 percent). The fact that the demands on the construction industry have changed as a consequence of the investment cutbacks (primarily by the state), plays a role in this; modification of the structure of their

activity has begun, in accordance with the expectations. The ratio of maintenance, renewal and expansion projects increased in conformance with the changed needs (even though this does not yet reach the desired level). Parallel with this, the job locations have become geographically more scattered, and are located far from each other; the jobs are of shorter duration necessitating more frequent moves. All this makes the activity more labor intensive and has an unfavorable effect on the way the productivity index develops.

At the same time several technical and technological developments have taken place recently in the construction industry (for example, introduction of the application of modern construction technologies; investments were made in construction industrial machinery; modernization of transportation and material handling; etc), which decreased the activity's live labor requirements and thus made it possible to make additional manpower available [elsewhere].

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Manpower Migration

Manpower migration has gained momentum in 1981--after the decrease seen in the previous year. These factors affected the increased migration of manpower: lifting the requirement of mandatory use of the placement service and lifting the ban on advertising; elimination of the 3-year minimum on the first job for people in their first jobs; creation of new economic organizations--primarily units operated under contract; increase in the number of people conducting independent activities; implementation of the resolution by the Council of Ministers concerning decreasing the nonphysical employment (in trusts and enterprise headquarters), and the reorganizations implemented in connection with modernizing the national government; and also increased employment in the auxiliary and side business branches of the cooperatives. An important change is that employers have become more demanding about the quality of manpower. This is proven by the fact that undisciplined employees found it increasingly difficult to get a job. More and more enterprises are refusing to hire those who often change jobs, generally even if they would need the manpower, and it is also an increasingly universal phenomenon that they try to get rid of undisciplined workers already on the payroll (the number of employment relationships terminated at the initiative of the enterprise is continuously increasing), even if they can not immediately replace them with suitable new personnel. Under these circumstances the workers also give more thought to their intention to quit. Besides this, the enterprises are also trying to give more financial and moral recognition to good quality manpower--who play important roles in their basic activities--, which increases the incentive for these workers to stay on the job.

The manpower structure suitable for the purposes of the national economy, or one approximating it, was implemented primarily by the relocation and regrouping of the workers based on their individual initiatives, and by

demographic exchange (natural manpower migration). The planned release of manpower in harmony with the changed (decreased) tasks, and its regrouping among the enterprises continued on in not becoming a significant factor of manpower migration because modification of the production structure in such a direction and to such an extent which would have made this necessary, did not occur.

The enterprises made an effort to secure the manpower needed to handle the new tasks resulting from the modification of their product structures, primarily by reassigning the existing work force, by retraining and advanced training as necessary, rather than from external sources. In many cases they also supplied from internal regrouping the manpower needed to operate new facilities, by implementing manpower saving organizational measures or by shutting down unprofitably operating units (in some areas they were forced to do this because this was the only way to secure the manpower needed to operate the new investment; they could not obtain it from other--external--sources).

In past years, changing employers was much more frequent among trained workers and helpers than among tradesmen. But recently--primarily in industry and in the construction industry--the ratio of tradesmen increased among those who quit; some of them accept work in agriculture. This is because the increasing use of modern techniques, increased mechanization and the use of chemicals, and also the expansion of those--in many cases auxiliary--activities the goal of which is further processing of the product, the production of packaging materials and spare parts for this requires more and more industrial and construction industrial tradesmen.

When changing employment, in many cases the primary viewpoint is not the higher wage obtainable but rather that a significant part of the people leaving industry and the construction industry accept jobs closer to home, thus avoiding the need to commute, and to work far away from home (fewer and fewer workers are willing to do this). In addition to this the character of agricultural work and the working conditions have also changed, the ratio of mechanized jobs requiring trade training has increased, which is also attractive to the young people and if they can find suitable work near home, they would rather accept this job than commute.

In 1981, in the interest of promoting more rational manpower management while conforming to the changing manpower situation, it is no longer mandatory to use the employment referral service--apart from certain exceptions (the councils may tie the filling of certain jobs to mandatory use of the referral service--for example, in the interest of protecting those with impaired working ability [i.e., the handicapped] even in the future. The employers as well as the workers were glad to accept this measure. Due to its effect the administrative work load has decreased at the referral organs, and the number of workers coming to their offices has greatly decreased (it was less than 50 percent of the previous year's figure). This is the result of the fact that a significant portion of the people changing employers and of those joining the work force for the first time came to the referral organs in the past only because they were required to do so. The number of

vacant jobs reported by employers to the referral organs has also decreased, but only to a smaller extent than of the number of workers reporting to the offices. Employers asked the referral organs primarily for referrals of physical workers, and to a lesser extent administrative and management employees. In general, they did not look to the referral organs for employees with high level education, and workers with such education also reported to their offices in only very small numbers. The reason for this is that people with high level education seeking jobs prefer to locate through direct contacts, and the employers also prefer the personal recommendation.

With the elimination of mandatory job referral, basically the new referral methods have not developed yet--partly because of the shortness of the elapsed time. But the significant decrease in the number of people coming in for jobs has made it possible to work more closely with them, and the development of a service-type referral system has begun.

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The Manpower Situation, Employment

The demand for manpower continued to decrease in 1981, which in essence is the consequence of the processes which began to develop in the late 1970's. The decisive factor is that the rate of economic growth continues to be moderate. In addition to this, the increased demands placed on the enterprises, the use of wage mass regulation as the basic format, and the measures of the directing organs all affect the modification of manpower demand. The mandated work force cutback in nonproductive areas, making employment at the expense of free time more flexible, working out supplemental methodologies to serve the determination of manpower requirements, or having these worked out, the suggestions made to measure lost time, as well as increased control of manpower management all urged frugal manpower management. Changing the conditions of employment was also accompanied by the retreat of the shortage psychosis which artificially increases the manpower requirements, and this manifested itself as an additional moderating factor.

With the decrease of demand for manpower it is becoming increasingly obvious that the trade and geographic structure of manpower differs from the needs deriving from the production and service tasks. There is a shortage of people in some trades and work areas as well as in certain regions, while there is surplus in other trades and locations. There is a shortage, for example, in miners, spinners, weavers, machinists, heavy laborers, and people who work under unpleasant conditions, while it is increasingly difficult to find jobs for the handicapped, unskilled women, highschool graduates, people who have changed their trades, and some employees with college level education. In some locations--primarily in the capital city--even the overall employment demand exceeds the number of people available, while in the less industrialized regions--first of all in Szabolcs-Szatmar megye--it is difficult to place those unwilling to commute. Even this list of examples illustrates that the shortages and surpluses do not counterbalance each other.

The manpower shortage of the capital city is increased by the fact that with the industrialization of the region and within this, of the agriculture, the number of active wage earners migrating or commuting to the capital city is decreasing. But Budapest's population is getting older, and it is increasingly difficult to secure replacement for the retirees.

The problem is discussed often that the syphoning effect of the auxiliary and sideline businesses of the TSZs [producer cooperatives]--primarily in the agglomeration around Budapest--increases the manpower problems of industry and of the construction industry.

It was necessary to expand the activities performed in the auxiliary and sideline businesses--due to reasons deriving from the shortcomings of our economy's organizational system and due to employment policy considerations. When this process started we expected that cooperative agriculture will attract manpower (including well trained tradesmen) from the other branches. In spite of this, the opinion was that this will cause a lesser conflict than would be caused by the unfilled needs, or by placing the manpower freed up in connection with the more moderate production increases.

The majority of these units do useful work and thus they are necessary in the interest of improving the population's supply and decreasing the number of shortage items. But in order to do this they also need manpower which they obtain primarily from industry and from the construction industry (providing employment in many cases to manpower freed from there).

However, this process became reality with contradictions--which can be traced back to several reasons. There have been examples that some workers have also migrated to agriculture who can be employed more effectively in other branches. It is a frequent occurrence in the capital city that the workers are doing the same job, only for another employer (for the TSZ) and for higher wages. There have also been examples where certain units--taking advantage of their monopoly situation--realized profits out of proportion with their performances. But because of its proportions the number employed in this manner cannot fundamentally endanger the positions of industry and construction industry. (According to one KSH [Central Statistical Office] analysis, in 1980 agriculture's industrial tasks employed a work force equivalent to about 8 percent of the physical workers employed in industrial organizations; of this /of the 8 percent/ 2 percentage points are in actually foreign profiles, the rest in food and lumber processing and in services of industrial character). But the effect of the unfavorable phenomena is significantly greater because it also questions the favorable tendencies as bases of reference.

The economic operating organs resolve a significant part of the tensions deriving from the manpower shortage by having some of the work done in subcontracting or in cooperation, and also Budapest's industrial enterprises in many cases place the production of some--primarily of the labor intensive--products into the districts. Construction industrial implementation organizations headquartered in Budapest have insured the completion of investments--primarily the housing construction and miantenance jobs--by

regrouping the manpower capacities of organizations in the districts into the capital city, and by imported manpower. In addition to this, the enterprises are trying to decrease the tensions resulting from manpower shortage by organizational measures, overtime, and by employing their own workers within the framework of part time jobs.

The problems in shortage trades and in some areas with manpower shortages have been eased also by lifting the employment restrictions on the retired. The 1981 practice of this is characterized by the fact that the number of exemptions did not change, but the composition modified: the ratio has shifted towards the higher number of hours that can be worked (over 1,260 hours), and towards higher total earnings (for nonphysical workers).

Practically all branches of the national economy, not only the ones that lost most employees, that is, industry and the construction industry, are struggling with manpower supply problems--primarily in the capital city--extending over more or fewer trades. But at the present time the employment situation is not critical even in these two branches of the national economy--in spite of the significant loss of manpower. Except for individual cases, the manpower shortage did not hinder the fulfillment of requirements. The decrease of manpower which occurred, was possible to counteract by the measures already mentioned.

Moderation of the demand for manpower did not cause economy-wide employment difficulties. However, there were smaller localized tensions, primarily in the economically less developed regions of the districts.

Naturally, the development of the manpower situation has also influenced the employment of youth. Moderation of the manpower demand in the material production branches, and in the nonproducing areas the centrally mandated manpower cutbacks have also limited the employment opportunities of young people completing their studies.

For the majority of graduates the smaller demand--compared to previous years--meant only a smaller number of job offers, but to a greater or lesser extent these exceeded the number of graduates. The problem in this area was caused by the fact that the ideas of the young people differ significantly from the needs of the employers. This is present primarily with respect to certain fields, and affects mostly the teachers, economic trade school graduates, typists and shorthand takers, as well as health care personnel with secondary and college level training. And a large number of high school graduates can find employment only in physical job areas.

In a narrow spectrum, primarily for graduates of certain faculties of the top level educational institutions, central measures were necessary to provide jobs (for highway and bridge construction engineers, chemists, physicists, mathematicians, biologists, psychologists, and nonteaching liberal arts graduates).

As a result of the differences appearing in regional and trade structures, some of the young people found employment in so-called related areas or in

jobs with requirements differing from their training. Besides this, "finding" the suitable or satisfactory job requires more time.

In accordance with the resolution of the Council of Ministers, the change-over to the 5-day work week has begun as of 1 July 1981 in economic operating units working continuously, and the ones working in three or more shifts.

The decisive majority of economic operating organs entitled to make the change have introduced the shorter work week by the end of the year, and by doing so the working hours of about 470,000 workers became more advantageous. The affected workers were pleased to accept the changes.

The decisive majority of the economic operating organs prepared their programs to insure the smooth changeover in time, thoroughly, and with appropriate circumspection. The hours lost due to the shorter work weeks were generally made up for by improving the organization of the working processes, modernizing technology, internal regrouping of the manpower, and by cutting down idle time losses.

There have been no significant difficulties thus far in the process of the changeover, but minor problems have come up already even during the course of the preparatory work--due to increasing the daily number of hours of presence at the job site (by eliminating paid lunch times), because of the differences between interests of the workers, and because of the changed work schedules. The overwhelming majority of these were resolved within the enterprise. But there have been cases where they turned to the higher organs with observations and complaints even when measures had to be taken locally, and that delayed their resolution.

The change over to the 5-day work week began on 1 January 1982 in all areas of the national economy, and by the end of the year--with the exception of agriculture--the employed people will be working shorter work weeks.

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Wage Management

For 1981 the national economic plan projected a wage fund increase of 4.5 percent for the socialist sector as a whole (without the agricultural producer cooperatives)--calculated without the wage preferences--within this the projected wage fund increase is 4 percent in the material branches, and 6.1 percent in the nonmaterial branches. According to the plan the wage fund increase of the producer cooperatives is 3.8 percent.

According to the preliminary data available to us, in the national economy's socialist sector (without the agricultural producer cooperatives) 5.7 percent more was paid out for wages for labor (within this, about 5.2 percent more in the material branches) than during the same time period of the previous year.

In the agricultural producer cooperatives the amount of labor charges and wages paid out for work was 11.5 percent higher than in 1980.

The wage fund spent in excess of the plan in the national economy's socialist sector--without the agricultural producer cooperatives--is of a technical nature in part. As a consequence of accounting for the planned wage preferences and for the value of protective food as wages, about 0.5 percent more wage mass was spent than had been included as the basis of comparison in the plan's calculation material. If we subtract this--in the sphere under discussion--the wage mass paid out over the plan corresponds to an excess spending of about 0.7 percent.

The increase in excess of the projection derives for the most part from the larger than calculated rise of the wage improvement index and from the use of a portion of the wage reserves from earlier years. The higher than planned increase in the wage improvement index is caused mostly by the profit increases out of proportion with the performances. While the performances (national income, GDP [Gross Domestic Production]) fell short of the projection, the development of profits, especially in the wage fund regulation formats tied to performance, exceeded it. Thus the profit growth and therefore the payment of wages--since it is mostly a function of the way profits develop--are not in harmony with the performances.

The increase in the average monthly wages also exceeded the plan. Calculated without the wage preferences, the 1981 annual plan projected 4.9 percent increase for the national economy as a whole, and within this, 4.7 percent in the material branches and 5.3 percent in the nonmaterial branches. In contrast with this, in the socialist sector (without the agricultural cooperatives) the average wages increased by 6.7 percent and average earnings by 6.8 percent. Within this in the material branches the average wage as well as the average earning increased by 6.8 percent.

The higher than planned increase of the average wage--discounting the abovementioned technical factors--resulted to a decisive extent from the fact that the wage fund paid out was larger than planned, while employment--in the areas that fall under the wage fund regulation--did not reach the value used in the plan's calculations. The dynamics of average monthly wages and average earnings by the national economy's branches shows only a small amount of variation, but the extent of growth everywhere surpasses the calculations.

Average wage increases exceeding the national economy's average by one-half of a percentage point or more occurred in the socialist industry, and in transportation-communication (7.2 percent each), in foreign trade (7.5 percent), and in miscellaneous industry (7.8 percent), and in the construction industry which did not reach that level (6 percent), as well as in the state operated agriculture (5.6 percent).

In agriculture's cooperative sector with the dynamic growth of the wage fund the increase of average wages (7.7 percent) and of the average earnings (7.9 percent) also significantly exceeded the plan.

In the nonmaterial branches the average wages increased by an extent around 6.5 percent.

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The larger than expected decrease in employment and the increased profits increased primarily the wage increase opportunities of branches and subbranches operating under the wage fund regulation format tied to performance (and also its extent was the largest here). (For example, petroleum and natural gas production realized an average wage increase of 9.4 percent, the machine industry 7.5 percent, and the pharmaceutical industry, 9.7 percent). Below average increase in the average wage occurred in coal mining, 5.9 percent (where in addition to the centrally assured extent, the wage preference also served as the source of the realized wage improvement), and in the baking and dough industry: 4.9 percent (where central wage level regulation is in effect and employment remained unchanged).

The industrial enterprises implemented wage improvements between 3 and 10 percent in a differentiated manner. They used most of the wage improvements available to them (60 to 90 percent of it, in a differentiated manner) to raise the base wages, and the rest to introduce the more modern wage payment formats, and for bonuses. In the interest of improving the correlation between wages and performances, several economic operating units modernized their internal interest systems. Greater emphasis was also placed on differentiating the individual earnings in proportion with the work done.

According to the experience gathered by the enterprises and in accordance with our wage policy goals, a significant portion of the economic operating organs paid higher than average wages to people working under unpleasant working conditions, to those doing heavy physical labor, to practitioners of the shortage trades, and to employees playing outstanding roles in the activity of the enterprise. Because of labor discipline reasons and consistently lower performances than required, a significant portion of the workers received no wage increases.

But in addition to this, there were also some negative tendencies. In the practice of the enterprises, financial and moral recognition in proportion with the performances, with the quantity and quality of work done and its importance within the enterprise do not always prevail; instead of this in many cases mechanical schemes are preferred. For example, the wages of certain workers in nonphysical jobs are not raised sufficiently because they have set such rigid limitations for themselves that the wages of the nonphysicals can not climb faster than those of the physical workers. This often results in misunderstanding of the central guidelines, and in some cases reaches back for a longer time. For example, when the requirement for 1973 was that the wages of employees were to rise no faster than those of the workers, were also unjustifiably implemented in the wage improvements in later years.

Improvement in the efficiency of economic operation and in the standards of intellectual work in the future requires that, for the purpose of better exploiting their abilities, the workers with basic roles should receive increased material and moral appreciation. In all cases the enterprise must decide, considering the tasks and goals it has, who belongs--which job groups or workers--in this area.

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In summary it can be concluded that the direction of the 1981 manpower processes is a favorable one, but the extent of the change is not yet satisfactory.

It has already become evident on the basis of knowing and analyzing the factual numbers for the first half year and of the projection of the expectable tendencies, that on the annual level the 1981 income of, and wages paid by, the enterprises will be higher than planned. In order to counteract this, several profit reducing (income withdrawing) measures were already taken in the fourth quarter of 1981, and the system of wage and income regulations was made more strict as of 1 January 1982. The primary purpose of these measures is to insure that the wages paid in 1982 are kept within the planned limits.

The changes made in the economic regulatory system for 1982 will presumably favorably affect the way the labor processes develop in 1982, and will lodge increased demands against the economic operating units, which is expected to provide the incentive for more efficient employment of the work force.

If the implementation of the resolutions passed earlier concerning the relocation of industry away from Budapest were accelerated, it would decrease the tensions in the manpower situation in the capital city.

The 1981 increase in earnings, and the uncertainty of the 1982 income processes make it necessary for the economic operating units to conduct considered and careful wage management in 1982, thus insuring that wage payments correspond to what is calculated in the Sixth 5-Year Plan, and insuring improvement in the correlation between performance and earnings. Watching over these processes continues to be the task of the supervisory and functional organs.

A comprehensive analyais of the manpower situation and manpower management, as well as of the wage system, will take place in the first half of 1982; the tasks of continued development will be defined. And beyond this, an analysis and evaluation of the activities of the side business branches of the TSZs is under way, and a proposal will be worked out for measures which may possibly become necessary.

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# FIRST EXPERIENCES WITH SMALL BUSINESS REFORM IN INDUSTRY REVEAL PROBLEMS

## Uncertainty, Bureaucracy a Hindrance

Budapest NEPSZABADSAG in Hungarian 6 Jul 82 p 6

[Article: "In Bureaucracy's Clutches"]

[Text] Late last year regulations were published, one after the other, about new enterprise opportunities. Since then, about 2,200 small business organizations have been formed in this country, with the participation of more than 13,000 persons.

In our series of articles we will seek the answer to how well the large entrepreneurs--that is, the enterprises--took advantage of the new opportunities. The experiences of our efforts are only beginning. The overwhelming majority did not grasp the opportunities offered. Those who did start small undertakings are still at the very beginnings of them. But, some very important things have already come to light: the published regulations did not provide sufficient guidance to organizing small enterprises, case handling is slow, there are many unanswered questions, the income differences that have developed are causing tensions. The initial successes of the small enterprises spotlight with even greater clarity several weaknesses of enterprise operation and of labor productivity, many errors in organization, lack of sufficient interest in doing good work and the fear of taking risks.

### Criticizing the Management

In the working cooperatives of the enterprises, the plant's workers can earn additional income, and a pretty good one at that, for voluntarily doing additional work. The enterprise also benefits because it can harness the enterprising desire of its workers to implement its own goals. It can improve the use of production capacities, decrease problems related to the supporting industry and ease tensions caused by the manpower shortage.

Since many enterprises are constantly complaining about the lack of capacity, weaknesses of the support industry, shortage of manpower, and the way that the wage and income regulatory system ties their hands in providing incentives for better work, it could be reasonably expected that they would grab the small-scale enterprises with both hands. This has not happened. The majority of the

enterprises gave a cold shoulder to the new opportunities. (There are a number of formats for the small enterprises. Business associations with corporation rights, subsidiaries, small cooperatives, specialized cooperative groups and business work partnerships have been formed. The enterprises favor the business work partnerships, especially that alternative of this format connected most closely to the plant's work. This is called an enterprise business work partnership--or vgm. It is formed by the enterprise's own workers and primarily uses the tools of the business; the enterprise is responsible also for meeting its obligations.)

According to the data of the capital city council, 783 business work partnerships have been formed in Budapest by the end of May. Of these, 196 were vgm's and only 33 were engaged in production activity. Even the majority of these were formed at budget-supported institutions, construction industrial enterprises and service enterprises. With the addition of new partnerships the data were changing practically every day, but the ratios are characteristic: about one-fourth of the total number of partnerships are formed at the enterprises, and few of these do production work. Industry--it seems--is slow to wake up.

The capital city council's workers attempted to find the reason for this reserved behavior, which is even more strange because for years the manpower shortage has been worst in the capital city, with much production equipment idle due to this. In addition, the enterprises also complain much and very loudly that they can not pay for additional performance because of the faults of the wage regulatory system. Financing the work partnerships is not done at the expense of the limited wage budget but of the more ample--and because of this, unfortunately, often spent without accounting--expense budget. Yet they take no advantage of it.

Management has brought up two major reasons against establishing work partnerships: the legal regulation is excessively complicated and incomprehensable (it indeed is complicated but no more so than the other small-scale enterprises) and, in practice, it is difficult to control whether the workers are working during their regular working hours and at its expense, on the work of the small partnership. (This reason, by the way, is a goal scored against themselves, because at the same time it is also a severe criticism of the management of the workplace. That is, in a place where they cannot even control this, there are fundamental problems with management, organization and working discipline.) It can also be seen clearly from these apprehensions that these places never really considered the idea of forming small businesses. Had they done so, they could have listed many more reservations, concerns and problems with creating the work partnerships.

Convenience, Apathy

Why are there so few enterprise work cooperatives? This is what Gyula Fonyodi, the deputy director in charge of business at the Office Machine Technical Enterprise, said about the real reasons:

"Some of the managers are simply unaware of the opportunities. Then there are those who are suspicious, who do not believe that the government, seriously proposed these new enterprising formats. But the mojority prefer convenience. They have become accustomed to the state helping that the poorly operating ones survive. They really have nothing to exert themselves for and to seek out the new opportunities. Then again, the small businesses make sense where there is a real shortage of manpower and where capacity is tight. In most places, as soon as they start to set up the work cooperatives, they find out that they can not give them work to make sense."

This is the opinion of Sandor Szmicsek, chief engineer of the Danubian Iron Works in charge of production, about this same question:

"The economic managers must take on much additional work for the results produced by the work cooperatives. The associations must be organized and someone also must see to it that they have work, material, machinery and spare parts--and not to just any standards. These people stay in the plant after work, they want to earn money, so that they immediately protest if the working conditions are not right. During regular working hours they are much more forgiving toward the shortcomings of work organization. In addition, the business manager must expect tension in the plant's atmosphere due to increased differences of income. The members of the small businesses earn two to four times as much during the extra working hours as during the regular working time. Public opinion tolerates such income differences poorly. When there are arguments, the manager's job is also more difficult. What does he get in return for all these problems? His plant will perhaps be able to fulfill its plan, and he will receive a bonus of a few hundred or a few thousand forints."

In spite of all this, several enterprises still embarked on small businesses. The Business Machine Technical Enterprise did it because--due to mistakes in wage management--the wage level is low; this is how it tries to let its workers earn extra income. The work partnerships are supported in the Ganz-MAVAG [Hungarian State Iron, Steel and Machine Factories] because of the manpower shortage and in the Danubia, because of lack of capacity. The Danubian Iron Works is trying to make up for metallurgy's losses due to the business recession by increasing the production of profitable products.

Thus they have started to organize, but they did not have an easy job.

The Precise Office

The complaints poured from Lajos Darabos, the legal counsel of Danubia:

"The Council of Ministers has sent us on our way with only a brief paragraph, in which it clarified only the most basic questions of creating vgm's. The new regulation contradicts a series of statutes in effect for a long time. We did not receive much help from the organs and main authorities responsible for implementing the regulations. We heard nothing but what we did wrong and why and that the steps that we have taken so far violate which valid statutes. But they cannot answer this: if this is no good, how should we do it properly? It is extremely important for the work cooperatives to start producing as soon as possible. Due to lack of capacity we can accept orders for tools only with a 3-year deadline."

The reporter asked, "Would you give an example of an unanswered question?"

Darabos replied, "I can give as many as you wish. For example, we have forbidden the work cooperatives from making tools and hydraulic equipment for customers other than the enterprise. The reason is terribly simple: they are producing in our shops, with our machinery and equipment, and the Danubia also accepts the responsibility for their work. But this prohibition is against the rules, because it violates a law on the books since 1875. We do not know what price we can offer them and what price the associations can accept. According to the positions, the limit here is a decent profit. But who will say in this case what a decent profit is? Further, it is incompatible for the business manager to be a member of the work cooperative. Other places are not so strict. Who is right?"

Of the 30 work associations set up in one half-year in the Ganz-MAVAG, only 3 were able to fight their ways past the official formalities.

Ferenc Stahl, the enterprise's legal council said:

"A more complicated legal procedure than setting up vgm's probably does not exist. Various organs--for example, some councils--top this off by demanding additional proofs and documentation that would not be necessary according to the original regulations. The official organs are extremely slow. In a good case, if there is no particular problem, it requires 4 to 6 months before the last official stamp is imprinted on the association's contract. The administration, record keeping and accounting systems of the work associations are too complicated. The higher organs have already made their appearances, asking for various statistical data in various breakdowns from the work associations. Who will be able to handle this paperwork?"

All these complaints indicate thot even the authorities, the official organs themselves are uncertain in evaluating the small businesses. One typical example is that obtaining the permits takes 2 to 3 days in [Budapest's] 14 district council but often 2 to 3 months in other districts. The people in D naujvaros have also seen that the paperwork comes through the official process in Fejer Megye in half the time needed in the capital city.

What problems does a precise office have? Councils require the signboards of the new work cooperatives to be nailed on the factory's gate next to the enterprise's name. This causes some problems where there are 50 or 60 work cooperatives; the gate is not big enough. In one city the OTP [National Savings Bank] will open an account for the associations without any problem, while in others--for example, in the capital city--it has been refusing to do so for months. Because of this, many work associations that have been formed and registered--for example, in Danubia--are unable to begin their activities.

What should we say about some lawyer's work associations that want to get rich on the small businesses? They told us in the iron works in Dunaujvaros that some lawyers want as much as 10,000 to 20,000 forints for advice and for drawing up the necessary papers, thus scaring away the workers with little money.

The decision must be very ripe for an association to undertake the dragged-out and costly procedure, with its uncertain outcome, that accompanies establishing a small business. It is no wonder that the majority just wait for the time being.

## Tensions Rampant, Unused Resources Discovered

Budapest NEPSZABADSAG in Hungarian 7 Jul 82 p 6

[Article: "Split Personality From 2 to 6"]

[Text] Creating the small businesses in large enterprises had a hesitating and stumbling start. The general experience is that those are the furthest along where the management of the enterprise not only gave the "green light" to organizing but also actively supports and helps set up these associations. It draws up the cooperative contracts with the help of its legal staff and with its prestige it endeavors to shorten the rather lengthy time of bureaucratic case-handling by the authorities.

### The First Step

Perhaps the first step was the most difficult one. A price had to be stated--a price that would make it worthwhile for the workers to remain after work.

The enterprises started from the point that the worker should receive the free market wages for work done in the small business. The free market's hourly wage is between 50 and 70 forints. The enterprises made out the contracts in such a way with the work cooperatives that after the various deductions--overhead, taxes, SZTK [Trade Union Social Insurance Center] contributions, etc.--each worker should clear an amount equivalent to an hourly wage of 50 to 80 forints.

In some shops the machinery, spare parts, energy, in a word everything needed for production is available at no cost to the work associations. They determine the number of standard hours needed to do the specified work and pay according to that. In other places--where the workers may greatly influence the use of materials and the profitable operation of machinery and equipment with the quality of their work--a portion of the overhead is also calculated into the price in such a way that both parties profit. The work cooperative may pocket what it saves on material and energy consumption; the enterprise's profit is the result derived from the improved efficiency of work.

All this is very logical but those who can see into the future have discovered a contradiction in it. Gyula Simon, head of one of the maintenance work cooperatives at the Danubian Iron Works, said:

"In paying wages, our enterprise also starts from the free market price of manpower. But, there are those who want to earn money and drive themselves more than others. Over the long range they don't come out ahead because if they once receive an outstandingly high income, next time the enterprise will determine the prices--that is, decrease them--in such a way that the workers will not earn more than 60 to 70 forints per hour. Care must be taken not to let the same type of egomania develop in the small businesses as fashionable during regular working hours."

"This is still the music of the future," countered the production chief engineer Sandor Szmicsek. "Anyway, our goal is that the market for small businesses should be created by setting up additional work cooperatives. The work cooperatives should compete for those who can do the work for less. The prices will then no longer be set by the enterprise but will be determined by the laws of supply and demand, resting on realistic foundations."

Performance Several Times Higher

The experiences of the 56 business work associations set up thus far in the Danubian Iron Works have led to results that point far beyond the small businesses and are shocking to many people. In the small businesses the productivity of work averages one-and-a-half times as high, and in some cases three times as high as during regular working hours.

Among the reasons are some very obvious ones. The first work cooperatives were created by the best workers, the ones with the greatest desire to work. The cooperatives were very choosy about whom they accept into the team. In order to support the small businesses, extreme care is being taken everywhere that the work cooperatives are not without materials, machinery and tools. (The cooperative's members also demand this for themselves.) The higher income is also a driving force.

Gyula Simon, who otherwise is a maintenance foreman but does physical labor in the small business, said:

"It would be worth filming once the way people move during regular working hours and the way they do for the small business. You could not even recognize them. How does the worker work during the main working hours? I came in, I am here, give me directions, blueprints, tools, material. If something goes wrong, I stop, report a problem and wait for the bosses to take steps for me. But in the small business every minute affects the pocket. We organized our own jobs. We know who can be given what kind of an assignment. We are constantly thinking about how the job could be done more simply and faster. In a word, we use our heads. But in regular working time we have accustomed to others thinking for us; we only carry out the directions. The largest part of the increase of productivity results from working with our brains."

Another example from the enterprise illustrates this. One of the workers of the hot roller mill works--Barna Szabo--submitted an innovation last year for rejuvenating worn million tool bits. He guaranteed that with his process the tools can be returned to their original quality. His idea was rejected. Now Szabo is rather glad about this: he can make big money from his innovation. He set up a small business to implement his idea. With his fellow workers he reworks for 58 forints the tools originally costing 290 forints. One of the managers of the enterprise noted this with some malice:

"You can see that if someone not only comes up with the idea but also implements his innovation, and by doing so he makes millions for the enterprise, then we will support him. We are not our own enemies to such an extent that we would refuse even such a profit, offered to us on a platter."

## Many Are Envious

In addition, the experiences of the small businesses have shown very clearly where the largest productivity reserves are. For example, the milling work cooperatives even with very great efforts can achieve only about 20 percent more production in a small business. But for maintenance people the performance increase is sometimes tripled. This spotlights the known fact that there are huge performance differentials behind the roughly comparable wages.

To plod along from 6 in the morning until 2, then to drive hard and earn 3 times as much from 2 to 6, for the same man, in the same plant--this is a typical case of split personality. Actually what has happened is what the new regulations wanted to achieve, among other things, to create the opportunity for proportionate pay for higher performance.

Generally, the plant's public opinion finds it hard to tolerate such large differences in income--which, by the way, are probably covered by the additional performance. The small business members said in the Danubia, in the Ganz-MAVAG, as well as in the Danubian Iron Works, that they all feel the envy around them. The problems began as early as the selection of the members for the work cooperative. Many people took offense that they were not selected for the business undertaking. Some complained about this to the enterprise's management and to the party organization.

A portion of the complaints could be fended off relatively easily: whoever was not selected for the team may also set up a small business. However, there are some jobs and work areas where a work cooperative cannot be set up. For others--for example, for the plant's management, material-purchasing agents, production services, quality controllers--serving the small businesses, organizing and controlling their work often means much additional work--whether during regular working hours or on overtime. But, they receive only their usual wages for this, while those in the small business get several times that. This tension, for the time being, cannot be resolved. The bonus and overtime budget of the enterprise is usually insufficient to pay those who also service the small business. Because of this the secondary distribution of incomes obtained from these businesses has already begun, right at the outset. Sometimes members of the working cooperative also give a greater or lesser part of their earnings to those on whom the success of their business largely depends. These monies come and go uncontrollably, which may also have harmful effects in this not yet fully developed system--primarily for the small businesses but also for the general business system.

## High Voltage

Sandor Szmicsek, the chief production engineer of the Iron Works, illustrated the situation of the small businesses with an interesting comparison:

"The large enterprise is a piece of equipment that operates at a voltage of 24 volts. This is not enough for large performances but suitable so as not to jolt anyone. In this equipment some islands--the small businesses--came into existence and their voltage is several hundred volts. Naturally at those points where the large enterprise and the small business come into contact with each other--because it is impossible to insulate them from each other--everything is throwing off sparks."

The reporter commented, "Such a difference in voltages cannot be tolerated over the long range."

Szmicsek replied, "Right, it cannot. The big question is this very thing: will the small businesses lose their high voltages and blend into the comfortable medium of the environment or will they h ve so much strength that they can get the majority to follow them and they will contribute to increasing the productivity also in regular working hours? What is needed for this is that we in the daily production work should make use of the favorable experiences of the small businesses."

On the basis of the experiences of the small businesses, which are limited but very good warnings that should be heeded, those in the iron works are beginning to entertain ideas that for many perhaps seem as heresy. If the enterprising spirit is able to liberate such gigantic amounts of energy, it is worth extending it also for regular working time. The at-times seemingly unbearable duality of regular working time and the small business could be eliminated. The performance during regular working time--which determines the fate of the enterprise--could be increased significantly--in the opinion of more and more people in the iron works--if they would also learn the format of providing incentives for significantly higher performance.

Encouraged by successes so far, they are considering the matter. For the time being, they have proceeded only as far as outlining the theoretical foundations of this experiment--to be held only in a limited area in the beginning. It will still take a long time before we find out if the idea is viable at all. One thing is certain: the enterprising spirit is out of the bottle, it has shown how much power it has and also, that in its absence, large performance reserves remain unexploited. In the next part of this series we will deal with the future and with its opportunities.

## Attitudes Remain Cautious, Confused

Budapest NEPSZABADSAG in Hungarian 8 Jul 82 p 6

[Article: "Troubling Matters"]

[Text] A number of questions still are not clarified in connection with the small businesses; this is also true for the enterprise business work partnerships [vgm's]. The legal experts, when they sought the methods and opportunities, started out with a reasonoble mind. They tried to draw up contracts on a legal basis to ensure that work done in the small business could really create value and that the enterprises as well as the enterprising workers could benefit. The

association contracts undoubtedly contain some elements that violate existing statutes and also ones not yet regulated by statutes. The legislature will use the experiences of the developed practice to work out rules and restrictions that future small businesses will be able to use as guides.

But, will there be any more of them?

Without Risk?

The overwhelming majority of enterprises is not urging itself into action very hard but primarily voices reservations. The majority of workers also prefer to wait curiously, to see what will develop. The spirit of enterprise is still a novelty in the plants and is gaining ground with difficulty. Few people are willing to accept even that minimal risk accompanying the establishment of the business work associations.

Even if there are many obstacles, the risk itself is very small. In the majority of the existing work cooperatives the enterprise furnishes the orders, the material, the tools, the machinery--in one word, everything. The members accept responsibility for the work done only to the extent of their financial contributions (this runs generally between 100 and 2,000 forints per person) and to the extent of the incomes earned. If the damage is greater than this, the enterprise pays. There is practically no risk, or only that if they ruin a job, they don't get the money for it.

If they accepted greater risks, they could earn more. For example, the Danubian Iron Works offered to organize a work cooperative to recover the usable materials on the slag dumpers. It would have leased the necessary equipment to the workers. This would have involved no small risk for the entrepreneurs; if they did not succeed in solving the efficient utilization of the equipment, they could have lost much money--hundreds of thousands [of forints]. But, if they succeeded, they could have profited--even more hundreds of thousands. The risk was too great; nobody accepted it. (By the way, the iron works did not give up on the idea. It formed a business partnership with the megye's VOLAN [Motor Transport Enterprise], which will direct and coordinate the work of the two work cooperatives to be formed at the two enterprises and also accepts the decisive majority of the financial responsibility. By interjecting such insurance, they found takers for the small business.)

In most of the work cooperatives formed, the money is divided not in proportion to the work done but equally; they also require that everyone work at full capacity. I talked with the representatives of 10 new work cooperatives at various enterprises. There was only 1 (in the galvanizing plant of the Danubian Iron Works) where the money earned is distributed among the workers in a differentiated manner, on the basis of multiplication factors and in proportion to the responsibility that they have accepted. Their business manager gets 1.5 times the wages of a member; the person managing the assigned work, 1.25 times. On the other hand, the service personnel (those who provide the materials, energy, water, compressed air, etc.) get 0.75 of the average. The majority of the work cooperatives does not recognize the additional work and additional responsibility connected with organizing, directing and administering the work. This is untenable over the long range.

And the Trade Union?

This malicious slogan is circulating among the workers in the Danubia: "8 hours of work, 8 hours of sleep, 8 hours of small business!" That fact--food for thought--is behind the saying that the participants of the business work cooperatives formed so far at the enterprise have each pledged 1,000 hours of extra work per year in the cooperative contract. In practice this means that they add 4 hours of extra work to each day.

Karoly Khrpati, the head of one work cooperative, said that this cannot be kept up over the long range. The people will get tired after 2 or 3 years. In one of the small businesses of the Danubian Iron Works--the one in the galvanizing plant--they were able to sustain the initial, and excessive, rate for 3 or 4 months, after which they could not get people; they declared that they are resting until fall.

Also, this particular small business was formed in a plant harmful to health, where even earlier the work-week was reduced to 40 hours. However, when the small business started, the workers worked an average of 64 hours per week. A representative of the iron workers' trade union who visited the site, suggested that the trade union examine whether it will authorize any small businesses at all in this and similar plants. Some workers countered:

"The small business is none of the business of the trade union. Its job is to represent the interest of the workers during the 8 hours of daily work but it should not interfere with who does what, who tries to earn money and how, after regular working hours."

The trade unions support the small businesses. However, they have not taken a position in connection with certain specific cases and problems. As the preceeding example illustrates, it is high time to do so. It is also an open question of what type of organ represents the interests of the small entrepreneurs. The members of cooperatives, small craftsmen, small retailers--all have their interest protection and interest representation organs. The small entrepreneurs do not yet have that.

It is necessary to mention these questions because of concern for the future of the small businesses. Some questions call for measures to be taken, while time will put the others in order. If normal relationships are successfully developed between regular working hours and the small businesses, the unclarified questions will for the most part be resolved on the basis of the reasonable mind--just as they were in the case of the household plot operations.

Dual Morale

The complaint voiced most frequently against the vgm's is that the work done there is done at the expense of activity performed during regular working hours. Dual interests, and through this a dual morale, develop in the plants: the double to quadruple income differential encourages the workers to save their

strength for the small business. (At the time, this was also the most frequently voiced reasoning against the household plot operations. But time, the practice that developed on the basis of reasonability, and mainly the performance demanded at the place of the main job disproved the worriers). It can also happen--and does--that the workers lay aside the materials and spare parts in short supply during regular working hours and use them in the small business.

The enterprises endeavored to build various guarantees into the contracts made so far. (It is not certain that their specifications fully comply with the letter of the law but they absolutely comply with reason.) In the Danubian Iron Works, if the plant does not fulfill its plan, the value of the shortfall is deducted from the performance of the small business. Even though this is probably illegal, through this, for example, the steel structure plant--where several small businesses are operating and where in the past they often produced less than the plan--now regularly fulfills its program. Workers must drive themselves also during regular working hours in order to receive the money for the small business.

One other very important thing must be mentioned: profitability. Considering only the wages for work, the average cost of 1 hour of work to the enterprise is about 30 forints. Overtime costs 50 forints; work done in the work cooperative, 60 to 80 forints. This appears to be high but if an outside firm were to do the same work--to standards that are lower than those of the small business--1 hour costs 100 to 120 forints; if done by foreign workers, then 180 forints. This is how the Danubian Iron Works calculates it. The activity of the work cooperatives is among the less expensive solutions. In addition--and this is not evident from the calculations but it also plays a big role--the small business is financed by the costs and not by the wage budget.

Reserves Are Big

There are still many unanswered questions, or troublesome matters, about the vgm's. But this much can be stated on the basis of the slight experience gathered so far: by the fact that it is able to free energies hidden previously, it may contribute within its limitations to the solution of our economic problems. Even now the limitations can already be seen well: work cooperatives simply cannot be organized for many types of jobs and activities, the large majority of the workers do not want to and cannot work in them and those who are willing, have no unlimited performance capabilities. The interest of the small businesses, and even more so of the large enterprises, demands that the sources of friction between them be minimized. The smaller one must have as little bad effect and as much good effect as possible on the large enterprise.

It has been proven that through the work cooperatives the enterprises can obtain additional performance with which they can profitably satisfy the realistic market demands and open new resources of increased performance.

One of the most important experiences so far is that there still are huge reserves in the work of the enterprises. The most exciting question of the enterprises also derives from this: if it can be done during the fractional working hours, then why cannot these reserves be mobilized during regular working hours?

This last question sounds rather naive. A business manager worth his salt could list dozens of obstacles that undoubtedly exist, reasoning primarily with the shortcomings of the economic regulatory system. But the small businesses have also helped prove that very often incompetence or laziness is hiding behind these reasons and excuses. In any case the slow gain in popularity of the small businesses and the lack of interest in them show that the majority of our enterprises do not even accept the opportunities served to them on a platter. This is a big problem.

Epilogue

On reading this series of articles and the examples in them, there may be some who frown, saying on what level do these plants conduct their economic operations where there are reserves of such magnitude in regular working hours? They ought not frown. In the majority of our plants the situation is just this, or perhaps even worse. The Danubian Iron Works, the Danubia and the others differ from the average not in that the problems are bigger but, to the contrary, that by relying on their own strength, they tried to identify and eliminate the weaknesses of their work.

This is why they take on these initiatives; this is also how they use the experiences of their undertakings. As the first step, they honestly looked the shortcomings of their economic operat ons in the eye. And--something that is, unfortunately decreasingly typical these days--they did not hide their birth pains and problems under a bushel and away from the public eye, thinking that perhaps others will also learn from them. This is why we--even though we know that this is not customary--take this opportunity to thank them.

8584
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WAYS OF MAKING CORN GROWING PROFITABLE SEEN

Budapest FIGYELO in Hungarian 8 Jul 82 p 13

[Article by Marton Lovas: "It Can Also Be Done Profitably"]

[Text] The Babolna IKR [Industry-type Corn Production System]--a joint enterprise of 48 state farms and 180 TSZs [producer cooperatives]--systematically fights to decrease costs. Almost one-fifth of the corn is produced by the 228 IKR member farms, and its costs are typical for the cost and income relationships of the country's corn production.

A 19 member economic committee is operating in addition to the IKR's directorate; it develops the guide principles for the enterprise's productivity, and determines its specific production tasks.

Farms Held by the Hand

The IKR's experts, together with the appropriate experts of the member farms, developed the specific technological plans of the planted fields in a timely manner. They determined the times for the various operations, the types to be planted, the depth of planting, the germination factor, the kind of sowing machinery to be used, the chemical fertilizer dosage, the planting speed, etc. The plan contains 12 technological tasks with respect to each field. Since as many as 3 to 5 fields may be worked in each member farm (corn, wheat, sugar beet and sunflower), agrotechnologically based plans have been worked out with such detail for over 1,000 fields. The development of planting plans is one of the specific elements of the economic and agronomic work of the enterprise.

The experience of many years proves that as long as the IKR's member farm carries out the accepted technological plan, it can safely expect production results to exceed the national average--and previous yields.

It is well known that during the time period of the Sixth Five Year Plan everyone has to operate under "stricter conditions". The expression "stricter conditions" means primarily that each agricultural producer has to pay much more for machinery, energy, chemical fertilizer, and plant protection chemicals than before, but will hardly receive more for its finished products. By 1981 the costs of producing corn increased by 65 percent in the IKR

compared to the 1971-1975 average, but producer's prices increased by only 26 percent. This unfavorable effect can be fended off only by decreasing costs and increasing yields. Implementing this task requires great efforts from the manager of enterprises.

For example, in Pest megye the Felsobabad State Farm produced 5.3 tons of corn per hectare in the value of 14,500 forints, at a cost of 25,800 forints. The loss of corn production was more than 10,100 forints per hectare! The Kiskunsag State Farm produced 5.3 tons of corn per hectare, at a cost of 26,000 forints. Its value was 17,000 forints. The loss per hectare here: 9,600 forints.

What Will Produce More Meat?

Not everyone operated the same way in Pest megye as did the two state farms mentioned. For example, the Jozsef Attila TSZ in Abony harvested 7.1 tons of corn per hectare, on 753 hectares. Production costs were 15,200 forints, the production value 22,800 forints [per hectare]. On each hectare of corn there was a profit of 7,598 forints.

The Arpad TSZ in Jaszkarajeno harvested 4.7 tons per hectare, while the Petofi TSZ in Kiskunlachaza had 7.9 tons per hectare. Yet in Jaszkarajeno, one hectare of corn produced a profit of 4,575 forints, but in Kiskunlachaza there was a loss of 1,196 forints [per hectare].

What is the reason for below average yield producing a profit, while an above average yield produced a loss? The fact that corn was produced in Jaszkarajeno for a cost of 10,690 forints, but in Kiskunlachaza for 26,636 forints per hectare!

The moral is that the industrial products used (machinery, energy, cheimcal fertilizer, plant protection chemicals, etc.)--that is, the frugal use of these--determine the profitability of corn production.

Corn was planted on 1.4 million hectares in 1975, on 1.164 million hectares in 1981, and on less area in 1982, probably because of the rise in the price of industrial goods. But much more corn is needed!

Perhaps it needs to be explained why more corn is needed when the world market price of wheat--as well as the income of the enterprise [producing it]--are more favorable than those of corn.

The 1981 production results provide the answer to this question. One hectare of plowfield produced 4 tons of wheat and [or] 5.9 tons of corn. Corn's yield was almost 50 percent more than that of the wheat. (On about 20 farms of the country more than 10 tons of kernel corn were produced per hectare.)

Hungary is a grain exporting country, but we export most of our surplus grain in the form of meat, fed [to livestock] as feed. It needs no proof that 5.9 tons of corn produces much more meat than 4 tons of wheat.

The main reason for decreasing corn production acreage is low income--as proven by the cost analysis of the IKR member farms. In 1981, corn produced 15.4 forints of profit per 100 forints of cost, wheat produced 16.6 forints in spite of a poor wheat crop in 1981. Real income per 100 forints of cost was 39.2 forints for sugar beet and 48.7 forints for sunflower. And these data characterize the crop production of the whole country.

There Is No Recipe

There are two passable paths for increasing income. One is to increase the producer price, the other is to decrease production costs.

Some of the agricultural experts, knowing the economic factors and world market prices, feel that producer prices are too low. (At the moment the world market price is higher than the domestic producer price, yet increasing the wholesale buy-up price cannot be recommended. That is, as a result of this fodder prices would go up, the feed costs would increase, and with this the cost of meat would go up which would decrease the competitiveness of meat on the world market.)

The other path: decreasing production costs is the desirable one.

The Petofi TSZ in Zamoly, Fejer megye, is an excellent example for profitable corn production: with a yield of 7.1 tons per hectare, they had a profit of 10,045 [as published] forints.

More than 10 tons of corn were produced per hectare in the Lenin TSZ of Pusztafoldvar, Bekes megye, and with this they had a profit of 12,613 forints per hectare. Corn selling for 320 forints per 100 kilograms was produced in Pusztafoldvar at a cost of 168 forints. In the Mizohegyes State Farm--which grew corn on 2,415 hectares--the yield was 11.3 tons, and profit per hectare, 11,415 forints [as published].

However, there is no universal recipe for decreasing costs. Each farm must concretely analyze how it can cut the production cost of corn under its own given natural conditions. The known methods of this are: eliminating the cost of crying (by way of wet storage, etc.), more efficient use of chemical fertilizers and plant protection chemicals, etc. Studying the methods of profitable corn production may reveal several sources for cost cutting.

8584
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## LONG-RANGE POLISH-U.S. INDUSTRIAL COOPERATION ASSESSED

Warsaw PREGLAD TECHNICZNY in Polish No 1, 13 Jun 82 pp 28-29

[Interview with Docent (doctor habilitatus) Eugeniusz Tabaczynski, affiliated with the Institute of Foreign Trade Trends and Prices, Warsaw, and co-editor with Prof Paul Marer, of the United States, of a joint Polish-American work published Autumn 1981 by the University of Indiana Press: "Polish-U.S. Industrial Cooperation in the 1980's; Findings of a Joint Research Project." The interview was conducted by Marek Rostocki.]

[Text] [Question] The book is wonderful but frustrating. Why? Because you show that if today the political solution of the Polish question permitted renewed intensive technical and economic contacts with the West, we would again lose this opportunity, inasmuch as you gentlemen name so many conditions for Polish industry's parallel cooperation with the West that there can be but one conclusion: today like 10 years ago we are unprepared for such an opening conceptually, intellectually, and psychologically.

[Answer] It is good that you talk about "parallel cooperation." Of course the principles in international cooperation must be partners on the same level. This means that they represent more or less the same technical level, have a similar sense of responsibility for the obligations they assume, and have about the same discipline in carrying out what has been agreed to jointly. A master craftsman must work in cooperation with a master craftsman and not with an apprentice.

[Question] You are confirming my misgivings.

[Answer] Wait just a moment. I would share those misgivings if it were not for the economic reform going on in the country. The economic significance of the reform should boil down to a basic rebuilding of the mentality of our managers, to changes in the minds of people responsible for the economy on all levels. This is the opportunity.

[Question] I can agree that the reform should change the way of thinking about economic issues and therefore also about our industrial cooperation with foreign countries. At best we cannot expect this new style for several years. The reform is not an act of creation but a process.

[Answer] The experience of the 1980's shows that we can become masters quickly. This was the way it was in the branches in which there were people with the hobby of good work and competitive production. The unfortunate thing is that these were hobbyists, but the economy cannot base its development on hobbyists.

[Question] In which branches do you know such people?

[Answer] For example, in the construction machine industry. Cooperation between Bumar and Harvester, presented in the book as a case study, was well organized in every respect. This efficient operation in an inefficient environment was possible because of the ambition of the individual people. Now we are going into a time where this environment is being changed and the economic system is being expanded. If we were not able to do this, then broad industrial cooperation with the West would not be really useful. I think that we can.

[Question] How come?

[Answer] We have marvelous people in industry, people who are innovative educated, and learn quickly. There are no objective barriers, except for systems barriers, to our being masters. Perhaps not right away, but fast enough.

[Question] What is the center of gravity?

[Answer] The enterprise is the heart of the problem. Growth and expansion are its raison d'etre. Without these characteristics the enterprise has nothing to look for on the world market. The philosophical stone of change in the Polish economic system must be an efficient enterprise which has no rationale but the economic one. Only such a producer can think seriously about international cooperation.

[Question] There are no such enterprises in Poland, and there are justifiable doubts that there ever will be. After all, we can all see that the reform is floundering.

[Answer] Some people believe that if the sign under which industry is working changes, the work itself changes, but it is not enough to write "antilope" on the hide of an elephant for it to become more sensitive to stimuli and to touch, for it to react to the flight of flies. I think we have all the necessary components for Polish enterprises to really become antilope-like, for them to be flexible, react quickly, and also be competitive on the world market, but it is necessary to change the economic system to insure enterprise independence and competitiveness, at home and in international contacts. The entrepreneur must simply

be an entrepreneur. Until this threshold is crossed, serious talk about our enterprises' industrial cooperation with the West makes no sense.

[Question] Today things are the way they are, and everyone can see how they are, so perhaps the people are right who say that in economic contacts with the West we need time for remodelling and in the meantime should limit the contacts to a minimum.

[Answer] You are trying to upset me, aren't you? After all, today Poland is closely linked economically with the West and the East, and any artificial cutting of these ties would be life-threatening for the Polish economic organism. The situation is like that of a patient following a serious operation, with someone wanting to hook him up to different equipment as an experiment. What for?

In the economy there can be no decisions "on principle." There is no such principle that Polish industry must cooperate with the East or with the West. There is one abiding principle in economics: economic profitability. The enterprise should work in cooperation with that partner who insures him a higher level of effectiveness and greater profits. Period.

[Question] I think that is only the beginning...

[Answer] In the 1970's, we should note, there were also the views that through industrial cooperation we can take care of many other matters. Production cooperation with the West was treated as an alternative of cheap credit, which, on the other hand, is not the essence of coproduction. But today many people think, for example, that industrial cooperation with the West is mainly a channel for the transfer of technology. To a certain extent, of course, it is, but that is not the most important thing. Japan achieved its impressive technical level without industrial cooperation, simply through rational purchasing of foreign engineering and organizational thought (more than 11,000 licenses). Foreign industrial cooperation must be considered mainly as a factor to rationalize the production process, a factor of joint creation of new technical and economic quality. There is no industrial cooperation instead of credit, instead of imported technology, licenses, and so on. And if there is, usually it is poor cooperation.

[Question] The essence of the so-called reorientation of the Polish economy, forced among other things by the Planning Commission, is a proposal for a radical change of our industry's coproduction partners, and hence production cooperation with foreign partners no longer even instead of credit or technology. What do you think of that?

[Answer] As I said, there can be no decision "on principle" in economics. If today some plant in the Ukraine, Bielorussia, Czechoslovakia, or Bulgaria offers a Polish enterprise cooperation which is economically more effective than a West-German or French partner, then in that instance the reorientation makes sense, but only in that instance.

[Question] Polish industry -- maybe I am using a worn-out term -- is bleeding. Are we an attractive industrial partner at all for a Western economy?

[Answer] There must be some sort of period to mature to this partnership. Both sides must be aware of this, and I have the sense that they are. As for the Polish side, we must say loudly and clearly that industrial coproduction with the West for us is not something instead of credit, instead of new organization, instead of licenses, or instead of technology. We must not lose sight of the essence, the sense of this coproduction. It is standardizing technical language, creating new technical qualities, rationalizing production, reducing unit costs, increasing research effectiveness, inculcating technical progress [development], and optimizing the channels of sales and supply.

[Question] But what are things like with this partnership of Polish industry's? It was not able to become any real coproduction partner in the years of relative prosperity, the influx of credit, a different political atmosphere in the country, and completely different political and economic East-West relations. How is it to do it now?!

[Answer] Let us ask why it did not work before. Out of the nearly 100 active coproduction agreements we have now with the West, I would call only 15-20 of them real coproduction agreements. The rest are barely preparation for coproduction. What is more, among these approximately 100 agreements, most are agreements which the ministries, industrial associations, and high-level foreign meetings have thrust on the enterprises. This runs counter to the nature of coproduction, which is a horizontal relationship by its very nature.

[Question] So we should give the enterprises complete freedom to make coproduction ties with foreign enterprises and they will manage?

[Answer] They will. It is enough to introduce real economic life, without posed attitudes, pretended losses and pretended profits. A guy in industry must really live with what he is doing, live off of what he has done. His career, social status, income, prosperity, all this must depend on him himself, and he must feel this. And we have people in our industry who are second to nobody, the best Western trade people and engineers. This is not just my opinion but also that of my colleagues who deal in East-West economic relations.

[Question] So then there is no need to force the introduction of restrictions in economic contacts with the West.

[Answer] This would be the worst possible solution. For the Polish economy this would be suicidal. Whether we are or will be economically more open to the East or to the West will depend on cost effectiveness, the profitability of coproduction relationships, production sizes, and sales markets.

[Question] Then they did not dismiss us with a wave of the hand?

[Answer] This year, by May, there had already been four international seminars on the subject of East-West economic cooperation, to my knowledge. Two were in Austria, where, for example, chancellor Kreisky gave a very interesting address, and then there was one in Bulgaria, attended by Todor Zhivkov, and another in West Berlin.

[Question] At the same time, on 11 May a seminar on a similar subject was not held in Warsaw, because U.N. specialists from Geneva called off their trip at the last moment.

[Answer] But this was not because they denied the advisability of East-West cooperation. You know, I know, that that was not the reason. I suppose they were frightened by the overall political atmosphere in Poland, and maybe the everyday difficulties. You have to make a distinction here between that and the long-range intentions of Western industry. That industry -- and I have talked about this many times with its representatives at international seminars and conferences -- sees the socialist countries as tremendous possibilities for mutually beneficial cooperation and enormous long-range markets of sale. You are interested in the fact that the managers of Western industry for years have held in unchanging high estimation the skills and abilities of the Polish world of technology, Polish engineers. In short, they see on our side people whom they consider to know well what modern industry is. The problem is cooperation discipline, but this can be corrected. You know that despite everything, that is Europe. A shared civilization, shared tradition, shared technical language. And this great trust in the skill of Polish engineers and workers of course is under normal conditions. For this reason I am personally deeply convinced that the West wants to continue economic cooperation with both Poland and other socialist countries.

[Question] All this pertains mainly to West European industry. The book, the point of departure for this interview, was written at the University of Indiana in the United States. The position of President Reagan's administration concerning the events in Poland is well known, and the American economic sanctions are noticeable. After these several visits in connection with the writing of the book and the many talks, both formal and off the record, how do you see East-West economic cooperation from the perspective of Washington?

[Answer] For small- and medium-sized American firms, the U.S. market is entirely sufficient. The corporations, the great producers, get beyond the borders. An example is International Harvester and its coproduction with Stalowa Wola Steelworks. America is simply too small, too crowded for five giants producing construction machinery. At the same time the U.S.'s adverse balance of foreign trade forced even the administration of President Carter to activate American exports. For example, a special government agency was created to help small- and medium-sized firms with their export operations. It is a question of credit and government guarantees, and so on. These are the trends.

Getting back to the book, it is not an expression of a fad, the momentary interest or hobby of a single American scholar or group of them. Prof Marer, who has been concerned with Poland and other socialist countries (including those outside CEMA), is one of the American Congressional experts on the socialist countries, has regular meetings with members of the Senate in connection with preparation of concrete political decisions, and because of this can be considered a man representative of the thinking of important circles of American business. This is long-range thinking free of the politics of the moment. American corporations have their companies all over Western Europe. Because of this, our industry's contacts with American industry is made very much easier. If the truth be known, when we are talking about Polish-American economic cooperation, we are thinking mainly about these companies, and they are too!

[Question] I still cannot shake deep doubts as to whether Polish industry today has a comprehensive long-range conceptualization of cooperation, coproduction with Western industry. If tomorrow a credit line of let's say 10 billion dollars were opened up for us, for investments, would we spend that money in a sensible way?

[Answer] There are two issues. One is what is bought, from whom and for whom. The other is that of the world of the sort of economics in which the enterprise which takes over imported technology to master operates. I once said in the spring of 1980 in the columns of PRZEGLAD TECHNICZNY that the Polish is economy is like the theater, in which paper bullets are fired. If the theater is to continue, there is nothing to talk about. Then the most ingenious, sophisticated, best developed strategies for foreign industrial cooperation will come to nothing. Also, in the future there should not be excessive reliance on credit lines backed by governments, too accessible to business; the basis instead should be direct credit relationships between partners and possibly banks.

[Question] Nonetheless, there is the problem of technical policy. The banks, government agencies, and so on, through tax or credit policy, without directly interfering in the economics of the enterprises, can promote certain areas of technology, like microelectronics. This is the way the governments of all the highly developed capitalist countries operate. Does Poland have a technical policy geared to international coproduction and production cooperation?

[Answer] The question is very broad. The view from where I sit is that attempts are being made to draw up a program for the export-oriented development of Polish industry, but it is no easy matter. Part of the problem stems from our habits. Others are systems-related, and still others have to do with inadequate familiarity with the trends in world technical progress, for example. On the other hand, the truth of the matter is that in the world today there are no proexport branches. In each one there are goods of excellent quality which can be sold everywhere and also goods of low quality. One cannot exclude ahead of time the chances of any branch, although perhaps certain ones should be given priority. The Japanese, who are masters in selecting branches which are

good export candidates, are always on the move: yesterday ships, today electronics, tomorrow robots, the day after? Who knows?

[Question] And us today?

[Answer] Twenty years ago, when the Japanese appeared on the American market with their automobiles, you could hear laughter in Europe. Today nobody is laughing. On the contrary. And us? That depends on us. We have to choose products that we are producing on a high level, and roll with the punches.

[Question] How is this Polish industry which is emaciated and reeling on its feet going to roll with the punches? What can it do?

[Answer] It can do a lot. Fifty percent of Polish industrial potential is on a good world level. We have marvelous people in industry. We have traditions of international cooperation. Why is it so bad when it is so good? Because all this does not create an operating whole. The Polish economy is like a watch without a mainspring. Everything is there: machinery, raw materials, and people, because this is after all a rich country! So why then are we poor in a land of riches? Because that mainspring is missing. In capitalism there are the market and profits. But what is there here? What does "socialist enterprise" mean? Under socialism, what does "market" mean? Why are the rates of exchange one way and not another? A consistent economic reform must provide answers to these questions.

[Question] But if it does not answer?

[Answer] The enterprise, the market, and foreign-exchange currency can be that mainspring. Let everything start to turn, so that finally we will be able to say: "Nonetheless, it works!"

10790
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DEBATE ON BUDGET PROBLEMS REPORTED

Warsaw ZYCIE GOSPODARCZE in Polish No 23, 27 Jun 82 pp 1,2

[Article by Irena Dryll]

[Text] Sejm representatives have not been very happy with the 1982 budget, the first since the economic reform began. Consequently, the budget debate has been longer than expected.

On 26 May 1982, the government submitted to the Sejm a budget report for 1981 and a draft 1982 budget. These documents passed all Sejm committees and subcommittees except the Planning, Budget and Finance Committee and the Legislative Committee, which met Friday, 18 June. The draft budget could not pass the two committees not because they asked for more money, as had happened previously. This time, with the exception of the Culture and Arts Committee, no one asked for more. However, the representatives refused to approve a budget deficit in the draft or methods to deal with the deficit.

A budget is only one of the elements of a state's financial structure, which includes loans, enterprises' accounting, and insurance premiums. This year's balance of our financial structure is off by hundreds of billions of zlotys and the budget is off by 368.3 billion zlotys. Representative Krystyna Jandy-Jendorska, chairperson of the State Budget Committee, asked at the meeting, "Can we approve such a deficit? What would be its consequences?" She also reminded everyone that we have not had a balanced budget for years, since there has been a discrepancy between production plans and budget plans, and intentions have been divorced from reality on what we can afford. In previous years, the deficit was covered by foreign loans. We neither want nor are able to continue those policies.

The serious gaps between projected budget expenditures for this year and state revenues have various reasons. First of all, the state social programs cost more than the state can afford but they cannot be abandoned. On the other hand, production has decreased and thus state revenues have been lower. For obvious reasons, budget expenditures can be curbed but they cannot be altogether eliminated. Revenues from the production sector are the basis for the budget and its only significant source. Revenues from the private sector and from the taxpayers are down 2 percent.

At the meeting, experts who serve as advisors to the Sejm's Planning and Budget Committee said that, because of the large deficit, the budget is extremely inflationary and thus threatens to produce an inflation that could not be absorbed by the state or the public.

"The proposed budget deficit means a further economic imbalance and a passive budgetary policy out-of-tune with the needs of the present crisis." The advisors believe that behind the budget is strong pressure from particular interest groups at the expense of society. The experts also believe that "society's overall demands can be met only through an active budgetary policy."

The minister of finance, Marian Krzak, replied that the experts' statement about the passive budgetary policy is vague and harmful, in his opinion, much has been done to have a balanced budget. He cited the price reform but this example drew disapproval from the participants in the meeting. This incident shows that the discussion on a seemingly specialized topic--that is, the budget--was heated and polarized. (The most severe clash occurred between Minister Krzak on the one hand and a representative of the Chief Board of Supervision [NIK], J. Nowicki, and the chairman of the Polish National Bank [NBP], Stanislaw Majewski, on the other, over the assessment of last year's deficit. This controversy requires a separate article.) The minister also reminded everyone that the draft budget shows a deficit as well as methods to lower it from approximately 370 billion zlotys to at least 170 billion zlotys. The Ministry of Finance sees additional sources of revenue in a stabilization loan from enterprises in the amount of 30 percent of the profits, a takeover of part of the Vocational Activization Fund [FAZ], an increase in insurance premiums and a tax reform that would affect the private sector and individual taxpayers.

The possible stabilization loan has been the most controversial issue. The advisors agree that the nature of the enforced surtax in the amount of 30 percent of profits, even if merely a loan, is contrary to the principles of self-government and self-financing of enterprises. The Budget Committee proposed to change the formula, relying on the experts' opinion and comments from many Sejm committees as well as its own conviction that there are no guarantees that Minister Krzak would ever be able to repay such a loan. Instead of the loan, the committee has recommended an extraordinary stabilization tax on enterprises, imposed only once or possibly over a period of 2 years. It would be a selective tax that would not affect every enterprise. Representative Jandy-Jendroska proposed that the tax be imposed on profits lacking an economic justification, which are obtained through high contract prices or high profit margins. It would be necessary to verify profits and to determine criteria for assessing economically unjustifiable profits. This is a difficult procedure but not an impossible one.

Marian Krzak admitted that he supported the stabilization tax from the very beginning. He, as the minister of finance, prefers this solution because he will not have to repay anything. There is only one condition: the tax must be so effective that it would produce as much revenues as the proposed loan; that is, 140 billion zlotys. Moreover, the tax cannot be labeled a tax

on excessive profits, for this kind of profit is already taxed 150 percent. The problem of contract prices and profit margins remains to be considered. During the next week, the ministry is to prepare a new draft on this issue.

Representatives Zbigniew Zielinski and Stanislaw Rostworowski expressed their reservations about both projects. Representative Rostworowski pointed out that no matter whether the tax or the loan is introduced, enterprises would not feel that they are in control of the profits. "There are fears that we will shift the whole burden of responsibility for the crisis to the enterprises," he said. "Enterprises are supposed to be independent, self-governing, self-financing, and always ready to pay, while the ministry spends the revenues from the enterprises any way it sees fit. It we accept this thinking, financiers will get used to the fact that the enterprises' cash is always at their disposal." Representative Rostworowski also said that there are too many unknowns concerning the structure of the state revenue during the second half of 1982. He suggested that the bank grant investment loans very frugally, holding onto the 140 billion reserve until the end of the year. When the situation becomes more definite, the Sejm will make the final decision whether it is necessary to tax the enterprises and by how much.

Both the possible loan and the tax have one basic flaw; that is, they both undermine the principles of economic reform. The guidelines for financial management of enterprises and their transactions with the state budget have been clearly described in Law 243. It can be superseded by the budget law but frequent changes may make enterprises doubt whether it is worthwhile to go out of one's way to secure profits and profitability. "There is danger that the new tax will be imposed on profitable enterprises and we will cripple them financially. Those enterprises that are managed poorly will not contribute anything to the budget anyway, because they have nothing to contribute."

The representatives also criticized the proposed takeover of the FAZ surplus. The concern is with a special-purpose nonbudget fund. This fund is supplemented from the budget as a result of the state's commitment to employment but the fund should not be used to supplement the budget. Since the financial situation is difficult and the FAZ fund has not been exhausted, the representatives have suggested that a loan be taken from the fund to supplement the budget. It has been recommended that all other changes be resolved within the proposed FAZ bill. The Ministry of Finance has expressed the following opinion in this matter: the fund surplus should be used to supplement the budget because the budget activates employment. The government's proposal is a temporary measure to be implemented only this year. The rest will be determined by the budget law.

I support neither proposal, since they are within the experts' sphere of competence. The surplus in the FAZ fund is largely a result of a policy of employment offices, which play it safe when making allocations from the fund. But the job market is so uncertain that one can hardly be surprised by such policies. The administrators are tightwads and they have little experience in a flexible use of the FAZ fund. One is afraid that before they can gain that experience, the resources will be drained.

The government's other proposals, concerning a revenue increase through an increase in insurance rates by 33 percent of the payroll funds (the insurance rates have already gone up since March 1982) or a more realistic tax on the private sector, have been unanimously accepted. On the other hand, a considerable controversy was provoked by the proposed expenditures included in the draft budget, especially the amount of and the justification for individual subsidies.

The representatives from the Foreign Trade Committee, chaired by Representative Longin Cegielski, supported the elimination of unprofitable export. The minister of finance assured everyone that on the whole the export and foreign trade are profitable but it is hard not to believe those who have proposed a new, careful analysis of budgetary expenditures in connection with foreign trade.

The representatives from the Budget Committee supported a consistent limitation of organizational unit [plant and equipment] subsidies. They also proposed a bill that would spell out liquidation or bankrupcy procedures for state enterprises.

While discussing the subsidies, Representative Zbigniew Malicki presented the problem in the following way: will the submitted draft budget law activate all mechanisms necessary to improve management and to decrease cost? In his opinion, the answer is negative. The draft budget approves the present situation. As an example, he cited A. Chmielewski's article in ZYCIE GOSPODARCZE (No 16, 1982), dealing with the cement industry.

According to the new draft budget, the cement industry is to receive 5 billion zlotys in subsidies. The underlying principle was to lower cement production in all cement plants by approximately the same amount. If the unprofitable cement plants were closed, while the others increased their production, would subsidies be unnecessary?

A similar situation occurs in glassworks where production has been limited. Using the "egalitarian" principle, every plant is to manufacture less glass, whether sensible or not. If every plant is analyzed separately, the subsidies seem justified. The senselessness of the subsidies can be noticed only when the glass industry is seen in its entirety. This does not concern all subsidized plants.

The minister of finance generally accepted the criticism from the representatives. It was emphasized, however, that in absolute figures the subsidies will approximately be the same as a year ago; that is, 845 billion zlotys. Actually, they are two or three times lower. This year they comprise about 43 percent of the entire budget, while last year they comprised 63 percent of the budget. A further cut in the subsidies may be socially dangerous.

Drawing on examples cited by Representative Malicki and others, Representative Zbigniew Gertych, chairman of the Planning, Budget and Finance Committee, summed up the discussion. He suggested that the subsidies be lowered by at

least 50 billion zlotys and the entire budget deficit be cut by approximately 200 billion zlotys. Similar amounts have been quoted by the Ministry of Finance. The differences concern only the form and methods of implementing the cuts as well as the areas of the economy where one should economize. Before the next Sejm session, the draft budget will be considered once again by the committee on 28 June.

The Friday meeting lasted 10 hours. Apart from those mentioned in the article, the following representatives also took part in the discussion: Jozef Kijowski (Investment Committee), Jan Kaminski (Food Supply Committee), Lubasz Balcer (Social Policies Committee), as well as Szczepan Styranowski, Boleslaw Struzek, Genowefa Rejman, Krystyna Marszalek-Mlunczak, Waldemar Michna and Janina Banasik.

9852
CSO: 2600/752

FIRST EFFECTS OF ECONOMIC REFORM REVIEWED

Warsaw RADA NARODOWA GOSPODARKA ADMINISTRACJI in Polish No 11, 28 Jun 82 p 10

[Article by P.K.: "What Pleases Us? What Worries Us?"]

[Text] Economic reform, applied out of stern necessity gradually and with certain restrictions due to the present economic situation, is a chance at gradual improvement of this situation, but it is also a cause for worry. The worry stems not only from the fear as to whether reform will succeed at all, but primarily from the fact that such a large-scale economic operation creates socioeconomic problems which, during the preparation of reform principles, simply could not be foreseen.

In addition to the first, positive effects of reform, a good number of such unforeseen, negative phenomena were pointed out during the evaluation of the first stage of this application, in mid-May of this year at the Commission for Economic Reform meeting, chaired by Prof Wladyslaw Baka.

1. The evaluation of the first months of the application of economic reform is not unequivocal. It should not be forgotten that the economic situation is far from clear and that it is burdened with difficulties that accumulated in past months and years, which, obviously, affects the size and extent of the crisis situation.

The application of a new economic mechanism in the first quarter of this year, however, produced some initial results and positive assessments, but it also showed the main zones of dangers and difficulties. One thing is sure: the government, with full determination, will continue the further application of reform, eliminating all kinds of negative phenomena and the traditional method of thinking and acting in all fields of the national economy. The second certainty is that the workplaces are already beginning to think in terms of cost-effectiveness and to compare outlays with achieved results.

Of the negative phenomena, four matters which constitute a specific type of obstacle on the road to reform deserve special attention:

--the relatively modest, despite reform, growth in production, particularly that which is most needed,

--the insufficient improvement in labor productivity,

--the weak technical improvements in employment,

--the restricted development of export production.

In addition to these, there is still one more phenomenon, which is extremely threatening to economic and social results. It is the unjustified increase in prices by production and service enterprises which in this, the easiest of ways, strive to make a profit on the plant's books. This applies particularly to the enterprises that have a monopoly on the domestic market and who know that the customers will buy their products or services anyway (because they must).

But this kind of activity cannot go on over the long term. In those places where control offices work effectively (e.g., those under the State Price Commission, the Price Inspectorate, or the Social Price Inspectorate, under the Consumers' Federation) excessive and unjustified prices are detected quite rapidly, and the enterprise must bear the specified consequences.

A somewhat different kind of consequence is being suffered now by the frozen-food producers who, wanting to make a bit too much, held the frozen food in the coolers instead of putting it on the market at the turn of the year. Today, when it is possible to purchase fresh vegetables, there are no buyers, despite a price reduction, for frozen foods. And so for the first time in years the law of supply and demand prevailed on the market as a result of economic reform. The frozen-food producers must bear the losses for their extreme greed, which, maybe, will teach them to be flexible in their calculations and not to maintain a monopoly on the market at any price.

During the exchange of experience accumulated during the first quarter's application of economic reform, it was emphasized that the work on applying organizational and management structures to this reform must be accelerated. A definition of the functions and principles of the work of the general-type ministries and their connection and interdependencies with the so-called production ministries, is especially urgent.

The application of economic reform in agriculture and the food economy is particularly important. A positive sign here is the deepening, from month to month, integration of agriculture with procurement and with the team from the food economy production and processing subsectors. This facilitates increasingly effective application of economic mechanisms in controlling farm production and food processing. This does not mean, however, that in agriculture, procurement and the food economy everything is already proceeding in accordance with assumptions and anticipations. Trade and procurement, especially, still react and operate "the old way". An example of this is the recent "disaster" of the overproduction of eggs, the overprocurement of meat, and the first appearance of strawberries on the market.

All of these are cases which irritate the public, reveal the incompetence of the people who direct the particular segments of the agricultural economy, who, because they could not make effective decisions and lacked the skills to apply cost-effectiveness, will have to leave the often high positions that they occupied. Over the long term they will not be able to cope with the new requirements stemming from economic reform, and they will clash with the efficiently working members of the workforce of the home enterprise, who will not want to work "in the red". Reform requires economical management, otherwise nothing will protect the plant from liquidation.

2. The problem of the possibility of bankruptcy, extremely painful from the social standpoint, was also widely discussed at the Commission's meeting. A draft law on reorganizing the management of the enterprises and on their insolvency had to finally be laid down. The general principle has been accepted that where economic losses occur, in accordance, after all, with the consequence stemming from the self-financing principle, the founding organ puts the enterprise into liquidation. It is also possible, if the founding organ so decides, to bring in a board of commissioners.

Theses pertaining to the directions of reform of the principles of remuneration, submitted by the Ministry of Labor, Wages and Social Affairs, turned out to be an extremely important matter. The fact alone that they aroused a long and, it may be said "hot" discussion, shows that this is not and will not be, in the immediate future, a simple undertaking. On the one hand, we must contend with the expectations of the workforces, and on the other hand, we must remember that the state of the economy does not permit a reformation of the system of remuneration. No one, however, denied the need to introduce an effective incentive system, which would help in strengthening the principles of the three "S"s [self-government, self-dependence, self-financing] in the workplaces, in restoring market balance, and in increasing the export of products for which there is no shortage of buyers abroad. The draft of a change in the system of remunerations will be studied by the government and submitted for public discussion.

The many difficulties, resistances and inadequacies that have been pointed out do not overshadow the fact that the economic reform applied is meshing more and more with the current and future goals of the country's economic policy. It has been emphasized that the local organs of state administration, who should continue to watch over and evaluate the development of reform in their areas, deserve a great deal of credit for this.

9295
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UNIT STATISTICS OF INDUSTRIAL PRODUCTION REPORTED

Warsaw ZYCIE GOSPODARCZE in Polish No 28, 1 Aug 82 p 2

[Article by Ch. M.: "In Standard Units; From Main Statistical Office Materials"]

[Text] Data on industrial production in standard units are a relatively good measure of the growth rate of this production, because the effect of price changes is decidedly avoided here. Have any further displacements--and what kind--occurred in the sizes of production of important products, on which records are centrally maintained, in June of this year, in comparison with the same periods last year? The answer to this question may be a useful verifier in the diagnosis of production trends at the end of the first half of this year and the beginning of the second half.

In the group of products in which during the entire first half of this year production in standards units grew relatively strongly, the end of the six months brought a certain weakening in the rate of production. Hard coal mining (15.7 million tons) in June of this year, and also in May of this year (15.8 million tons), did not exceed the April, this year, level (15.8 million tons). This meant that in June, as compared with the same period last year, there was a continued considerable increase of 18.7 percent, although it was something smaller in comparison with May of this year (the corresponding index in May of this year was 22.3 percent).

Similarly, in each of the three months in the second quarter, brown coal mining amounted to approximately 2.8-2.9 million tons.

Crude oil refining, which in April and May of this year showed an upward trend (1.1 million tons in April and 1.2 million tons in May), dropped to the February (this year) level in June--0.9 million tons.

Electrical energy production declined in June of the current year to 8.3 billion kilowatt-hours, compared to 8.9 billion kilowatt-hours in May of this year and 9.6 billion in April.

In all three months of the second quarter, production of electrolytic copper amounted to approximately 30,000 tons.

The processing industry was represented modestly in that group of products whose production did not decrease (or decreased slightly) in comparison with last year.

Here we can list farm tractors: in June of this year, 4,400 were produced, in May, 4,500, compared with 4,600 in April, 5,300 in March, 4,400 in February and the same in January of this year. Last year tractor production dropped in May and June to approximately 3,200, from 4,500 in April. In previous years, tractor production amounted to 4,500 to 5,500 monthly.

Fiberboard. In June, 11 million cubic meters; in May, 10.9 million square meters [as published]; in April, 9.9 million square meters. In June of this year, as compared with June of last year, 28 percent more, and 3 percent more for the first half of this year than for the first half of 1981.

Slaughter animal products. In June the same as in May, 157,000 [tons]: a 29.7 percent increase in relation to June of last year (June and July of last year were exceptionally poor).

Butter. In June, 25,800 tons, in May, 18,300 tons, and 12,600 tons in April. In comparison with June of last year, this was 2.6 percent more. For the first half-year an increase of 3.9 percent was recorded.

Cigarettes. In June, 7 billion, in May 7.1 billion, and the same in April; in June of this year, 8.4 percent more than in June of last year. In the first half-year, cigarette production was 4.5 percent higher than in the first half of 1981.

In the remaining products of the processing industry, by June of this year the level of production approximating that of the past year had not been achieved. There was also a slight change, compared with this May, in the list of products whose production in relation to last year declined no more than 10 percent.

Coke from hard coal. In June, 1.4 million tons; in May, 1.5 million tons; in June of this year, 5.5 percent less than in June of last year. In May of this year, a 6 percent drop. A decline of 5.1 percent for the first half-year.

Sulfur. In June, this year, 0.44 million tons; in May, 0.41 million tons. A drop of 0.7 percent compared with June of last year, and a drop of 8.8 percent compared with May. In the first half-year, a drop of 4.3 percent.

Nitrogen fertilizer in terms of $N_2$. In June of this year, 94,500 tons, in May, 101,500 tons. A drop of 4.9 percent in relation to June of last year, 11.6 percent for May, and 3.9 percent for the first half-year.

Phosphorous fertilizers in terms of $P_2O_5$. In June, 69,200 tons, in May, 67,900 tons; in comparison with last year, 1.4 percent less in June, 1.1 percent less in May of this year, and 4.4 percent less for the first half-year.

Plastics. In June of this year, 42,400 tons, in May, 42,900. This was a considerable improvement over April of this year (about 10 percent) and the same period last year (a production growth of 15.2 percent in June of this year, and 4.2 percent in May). In the first half-year, plastics production was 5.3 percent lower in comparison with last year.

Cement. June production the same as in May, 1.5 million tons. In April, 1.3 million tons. A 2.1 percent decline in production compared with June of last year. In the first six months, 1.6 percent.

Sawn timber. June, 0.5 million cubic meters, May, 0.48 million cubic meters. In April, 0.47 million cubic meters. A production drop in June of 0.6 percent compared with last June. In the first six months, 8.4 percent.

Paper. In June, 83,000 tons, in May, 85,000 tons. In April, 79,000 tons. An increase of 14.3 percent in June of this year over June of last year. A production decline of 3.1 percent for the first half-year.

Cardboard. In June, 17,700 tons, in May 19,500 tons--the May 1981 level. In April of this year, 18,000 tons. For the first six months, 7.4 percent less.

In the list of products mentioned, consumption vegetable fats did very badly. In June of this year, 13,600 tons, in May 20,300 tons. In April, 21,300 tons; a drop in June of this year in relation to June of last year amounting to 36.2 percent, and for the first six months, 11.7 percent.

Unfortunately, the group of articles whose production in the first six months was over 10 percent lower in comparison with last year continued to be large. In June of this year, in comparison with May of this year and previous months, some changes in the production amounts of this group of articles also took place.

Rolled products. Production in June of this year, 887,000 tons; in May, 919,000 tons. In April, 858,000 tons. A drop of 9.2 percent in production this June as compared with June last year, and a drop of 18.4 percent in the first six months.

Steel pipe. In June and in May, 19,000 kilometers; in April, 19,500 kilometers. A production drop of 14.5 percent in June of this year compared with June of last year, and 11.6 percent for the first six months.

Aluminum. In June, 3,500 tons; in May, 4,100 tons; in April, 3,900 tons. A decrease in June of this year in relation to June of last year amounting to 30.3 percent. For the first half-year, a drop of 39.5 percent.

Household washing machines and rotary water-extractors (electrical). In June of this year there was an improvement. Five thousand [as published (?)] were produced; in May, 35,200, in April, 35,400. Production in June of this year dropped 11.2 percent in comparison with June of last year. In the first six months, production was 24.8 percent less in relation to 1981.

Refrigerators and freezers. In June, 46,700, in May, 51,500, in April only 36,900. In June of this year, as compared with June of last year, production was 1.1 percent less. In the first six months, production dropped 20.8 percent in relation to 1981.

Railroad freight cars. In June, production dropped still further, to 502. In May, 566, as compared with 608 in April. In relation to June of last year, the decline in production of freight cars amounted to 39.1 percent, and for six months, 41.8 percent.

Passenger vehicles. A relative improvement in June--20,200 were produced. In May, 19,700, and in April, 18,900. In comparison with June of last year, production increased 0.5 percent, and in the first six months, a very large drop in production continues (28.9 percent).

Trucks and road tractors. In June, 3,300, in May, 2,800--the same as in April. A decline of 8.7 percent in comparison with June of last year. In the first half-year, a decline of 21.1 percent.

The production of electromagnetic cable shows large fluctuations from month to month. In June, 1,300 kilometers. In May of this year, 1,700 kilometers, and in April, 1,500 kilometers. In relation to June of last year, production declined 17.6 percent in June of this year, and in the first six months, 43.1 percent.

The production of radios continues to be low and falling: In June of this year, 130,000, in May, 143,000, and in April, 147,000. A decline of 32.8 percent in June, this year, over June of last year, and 23.4 percent for the first half-year.

The production of television sets is also fluctuating unfavorably. In June, 45,600 sets were produced, in May, 55,500, and in April, 47,000. The drop in production in June of this year in relation to June of last year amounted to 23.3 percent, and in the first six months, 32.7 percent.

In the production of many products of the chemical industry, the decline in production in the first half-year (compared with last year) reached and exceeded 20 percent.

Synthetic rubber. In June of this year, 6,100 tons, in May, 7,800 tons, and in April, 7,300 tons. Production declined 7.1 percent in comparison with June of last year, and 19.9 percent for the half-year.

Chemical fiber. Production in June, 17,800 tons, in May, 18,100 tons, and in April, 14,300 tons. In June of this year, in comparison with June of last year, there was a growth of 13.9 percent (in June of last year, chemical fiber production was exceptionally low). In the first half of this year in relation to the first half of last year, production dropped 17.9 percent.

Tires. In June, 0.45 million tires were produced; in May, 0.47 million; in April, 0.48 million. A decline of 14.8 percent in June of this year compared with June of last year, and 22.6 percent for the first six months.

Cotton and cottonlike fabrics. In June, 58 million meters were produced; in May, 60 million meters, and in April 57.6 million meters. The drop in production in June of this year compared with June of last year amounted to 14.1 percent, and 16 percent for the first half-year.

The production of wool and woollike fabrics amounted to 7.4 million meters in June, 7.5 million in May, and was 19.8 percent lower in June of this year over June of last year. The drop in this production in the first half of this year compared to the first half of last year amounted to 18 percent.

Salt-water fish products. In June of this year, just as in May, 49,300 [tons], as against 56,500 tons in April. In comparison with June of last year (just as in the

case of chemical fibers, June of last year in this subsector was very poor), a growth of 15.9 percent. In the first six months of this year, in comparison with the first half of last year, a decline of 18.5 percent, and in relation to 1979, a decline of 31 percent.

Commercial feed mixtures. In June of this year, 0.4 million tons, in May, 0.5 million tons. In April, 0.4 million tons. A decline of 47.3 percent in comparison with June of last year, and 37.9 percent in the first six months compared to 1981, and a drop of 41.4 percent compared to 1979.

The production of slaughter poultry declined the most. In June of this year, it amounted to 4,900 tons, in May, 5,100 tons, and in April, 4,900 tons. The drop in relation to June of last year was 81.3 percent. In the first half of this year, poultry production dropped 59.3 percent in comparison with last year.

9295
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REORGANIZATION OF SHIPPING INDUSTRY ANALYZED

Warsaw ZYCIE GOSPODARCZE in Polish No 24, 4 Jul 82 p 6

[Article by J.D.]

[Text] I am following with interest the efforts of our merchant marine, which refuses to submit to economic decline and looks for ways to resist adverse economic situation whose symptoms are, among other things, the want of goods of the Polish foreign trade and the inability of Polish fleet to compete, caused by ignoring for years and years a need for its modernization.

Availing of opportunities afforded by the law on state enterprises (of 25 Sep 81), three new joint-stock shipping companies were formed on the Seacost.

In Gydnia, there came into being Polskie Towarzystwo Okretowe SA [the Polish Ship Company SA] [Joint-Stock Company], which purchased from the (PLO) [Polish Ocean Lines] 155 ships worth 12.4 billion zlotys. As shareholders of the company are also the WARTA Insurance and Reinsurance Company and Polish Security Bank SA [Joint-Stock Company]. The company has acquired ships on bare-boat charter basis. This means that the Polish Ship Company purchased ships without crews and equipment, and charted them to the Polish Ocean Lines (PLO). PLO retained ownership of ships mortgaged and acquired in leasing. Thus, the Polish Ship Company SA became the owner of considerable majority of PLO assets, whereas their exploitation remains without change in the hands of the heretofore ship operator in Gdynia. The functions of the chairman of the board were assumed by Tadeusz Grembowicz, who at the same time retained the position of the director general of the Polish Ocean Lines.

In Szczecin, there was formed the Zegluga Polska Spolka Akcyjna (ZP) [Polish Shipping Joint-Stock Company], whose shareholders became: PZM Maritime Agency and POL-FRACHT [Shipbroking and Chartering Company]. The company purchased from PZM 99 ships worth 11.5 billion zlotys, that is all the ships which had been totally owned by the Polish Merchant Marine. The position of the chairman of the board was assumed by Ryszard Karger who at the same time will remain director general of PZM.

In Szczecin was likewise registered Spolka Akcyna Chlodnicze Przewozy Morskie [the Joint-Stock Company-Maritime Refrigerated Transport], which purchased 9 ships from the "Transocean."

A question arises--whether all these changes are only formal in character, whose only effect will be the expansion of the bureaucratic machine. For the state enterprises--PLO, PZM, Transocean do not cease to exist because the three new shipping organizations were formed. Directors Grembowicz and Karger present the following arguments for the organization of companies:

A company is a universal form in the shipping business. It will be easier therefore to conclude agreements of a similar nature in the international arena. One should realize that our fleet--because it lacks Polish foreign trade freight--it is becoming more and more an earner's fleet, and therefore it makes a difference whether the enterprise is legally and organizationally adapted to market requirements. The state enterprise in the shipping world willy-nilly arouses suspicion that its operations are supported by the state. Now that the proper legal framework has been provided there is no reason to maintain the less effective organizational structure. Likewise one cannot be indifferent to the fact that shipowners while renewing tonnage are placing their orders in foreign shipyards. Purchases of PLO in France and Spain of units of the con-ro and ro-ro type amount together with interest to half a billion dollars. To a company it will be easier to bear the risk of these purchases. At this moment the shares of the companies are in the hands of the founders. But these shares are bearer shares and as such can be accessible to everyone. If the investment policy of the company will require the selling of its shares, in order, for example, to increase stock capital or vested capital, then such a sale may take place. There is also a possibility of attracting to the founded companies the foreign or Polonia capital. In the present situation the Polish shipowners will have to think themselves about organizing means for the investments. For this the company affords greater possibilities.

The fact that the owner of the fleet is the company, and it is being managed by someone else, is not an unusual but a common practice in world's shipping usage. The separation of property from the function of management permits, as is shown by practice, the concentration of the operating units on the canvassing activities. And that's after all the point--to have freight. The misgivings that the number of employees will increase are unfounded. The personnel of shipping enterprises remains unchanged. Moreover, Director Karger has assured us that even though he fills three positions but he is being paid for only one.

Suspicions that the formal measures are being taken to avoid a seizure of ships in the event of declaration of the insolvency of Poland are without legal substantiation. The precedents, as for example, debts of the tsarist Russia, prove that there is no foundation for punishing an enterprise for debts of the state. On the other hand, the indebtedness of a shipowner for ship's mortgage is not to be considered, for it amounts to about $11 million. There is, therefore, no danger of the seizure of ships, and this also removes allegations that only a "change of skin" was intended.

The company, as a form of operation, is among the traditions of the Polish shipping. The newly formed companies refer to their prewar names. "Zegluga Polska SA Gdynia" [Polish Shipping Joint Stock Company Gdynia] was formed in November 1926. In 1939, it operated 10 regular lines. Polsko-Brytyjskie

Towarzystwo Okretowe SA Gdynia [The Polish-British Shipping Joint Stock Company Gdynia] was founded in 1928. These names are being remembered in the shipping world. However, apart from the reference to the accomplishments in the past and a desire of using the very best of them, recently, the operations of the Polish merchant marine were carried out also in the company form on a limited scale, which nonetheless permitted the accumulation of experiences. There was formed the Polish-British Company with a participation of PZM to finance (on mortgage, plus foreign credits) the purchase of 14 ships for the Szczecin shipowner, built in British shipyards. Likewise a French-Polish company with the participation of PLO is in operation, which exploits four ships of the con-ro [container-roll-on], built in France. Also in the CEMA countries the shipping company is not a new form. For example, of the same character, and that on international scale, is the Czechoslovak fleet.

The authors of changes in the merchant marine are being also reproahced that until now the state enterprises--PLO and PZM--were considered to be good, and now all of a sudden they have become bad, and that in general the shipping state enterprises have greater period of practice in our country than the prewar companies, and therefore there is no reason to carry out organizational changes. The fact is--stated in this connection Director Karger--that the shipowners had operated according to a financial-economic system that exceeded the resources of our economy, and which at present ceases to be adequate for our fleet, for the external conditions of work of the fleet are changing. Suffice it to mention that almost a half of freight carried by our fleet is foreign freight. It will be easier for a company to carry out day-to-day operation, especially within the scope of the current international exchange payments. it will be also easier to obtain the investment credits for its own account and risk, since the state warranty would not be necessary.

The weakness of the maritime agency has born out until now by the fact that until now its integration with the rest of our economy has not yielded results in the form of concrete profits of enterprises, departments, men. The effects of cooperation have been lost in the general economic results of enterprises. The company form of ownership in shipping may depart in this practice, for there is a chance to link durably the interest of the shareholders with the results of the shipping.

1015
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## GREATER COORDINATION NEEDED IN EXPORT PRODUCTION RESEARCH

Bucharest REVISTA ECONOMICA in Romanian No 26 2 Jul 82 pp 12-13

[Unsigned article: "Shortening the 'Idea-New Product-Export' Cycle"]

[Text] On the occasion of the Third National Conference On Electrical Actuation, held between 28 and 30 May 1982 in Brasov, REVISTA ECONOMICA organized a roundtable on the subject of the role of technical-scientific creative work in promoting exports.

Personalities from the realm of specialized scientific research participated in the roundtable: professor Dr N. V. Botan, honorary president of the conference, from the "Gh. Asachi" Institute in Iasi; professor engineer Dr C. Saal, president of the Conference Organizing Committee, from the University of Brasov; professor engineer Dr A. Kelemen of the Cluj-Napoca Polytechnical Institute; professor engineer Dr E. Seracin of the "Traian Vuia" Polytechnical Institute in Timisoara; professor engineer P. Degeratu of the University of Craiova; professor engineer Dr W. Szabo of the University of Brasov, lecturer engineer Dr I. Matlac of the University of Brasov; lecturer engineer Dr D. Calueanu of the University of Galati; and on behalf of REVISTA ECONOMICA, Dr I. Georgescu.

In analyzing the direct correlation existing between competitiveness on the foreign markets and the rate of updating goods that are exported, the secretary general of the party, comrade Nicolae Ceausescu, pointed out way back at the Conference Regarding Foreign Trade Activities in 1971 that: "It is necessary for the problem of updating products, of developing our own research and introducing its results into production to be resolved according to the requirements of the technical-scientific revolution of today. In other countries, research usually takes a year or at the most two, and after its completion the respective product is put into production within several months. At the same time, research is continued for the purpose of updating and improving the product."

Since the current stage of the intensive growth of the economy raises ever more acutely the problem of the rapid introduction of the results of our own research into production as a condition for maintaining the rate of economic growth and for efficiently participating in the international divisions of labor, in our discussions we attempted to identify those factors capable of accelerating this process.

How We Can Reach "Critical Mass" in R and D

Beginning with the characteristics of the research-development (R and D) activities in the electrotechny industry and assuming the concentration of certain significant forces (researchers, a technical base, material funds), the participants stressed the importance of coordination of research efforts towards converging objectives at the different university centers in the country, and eventually together with the departmental institutes, thus generating a research and development potential that is competitive on the international level. Within the framework of this process of cooperation, a decisive factor is the quality of the technological forecasting which efficiently directs research subjects, without costly zig-zags, towards the specific objectives of the producer and Romanian exports, within the context of the international evolution of technology and the specialized markets.

The role of technological forecasting can be compared with one of Mendeleev's tables which identifies the position of "new elements," elements that have not even been discovered, within the structure of the picture of world technology and on this basis research and development strategies are formulated for the discovery and description of new products. It is naturally, therefore, for the industrial user (an industrial central, an economic ministry) to systematically communicate in an organized manner its options to the specialized departments of higher education, also eventually organizing multilateral cooperation between them, including cooperation with the scientific research institutes and the specialized technological engineering institutes.

The latest technical fairs and expositions in our country have shown the existence of certain types of research carried out in parallel by different centers in the country, having the same end result, without any reciprocal exchange of information regarding the efforts and the solutions that were obtained.

Certainly, we do not have to negate the need for certain alternative technical solutions (in the cases where they are not identical) for different practical requirements. What, however, may be damaging could be the "regular" selection of the ICSIT's solutions when there are also other valuable or even more valuable solutions.

The industrial user's option is many times influenced by the practical, specific and immediate needs for those products and technologies needed for the technical-material supply of the units in the country. But, in such cases we lose sight of the criterion introduced over a decade ago in the strategy of developing our foreign trade: the specialization of export production. As the secretary general of the party pointed out: "It is necessary to give greater attention to the specialization of export production, putting an end to the practice of exporting a little of everything, which has a negative influence upon the efficiency of our foreign trade." The fact that this modern, decisive concept for the efficiency of foreign trade still has not

also been appropriately applied in the export of intelligence is proved by the following example: 6 years ago, the "Gh. Asachi" Polytechnical Institute in Iasi produced, at the request of the "Azo-mures" Enterprise, a high technology device for maintaining synchronization in synchronized motors in the event of a short-term loss of electrical power, losses of power that can cause millions of lei in damage to the economy. To this end, the institute succeeded in producing an original device incorporating eight invention patents which, when put into operation, behaved very well both under simulated conditions and in actual use.

Although the evaluation was general and unanimous, there being promises to start production of the device in a specialized enterprise of the machine building industry, it has remained in the project stage right up to today. As a result, the entire process of offering the device for export was stopped although there were export orders from both the socialist countries and the West. But, nothing more simple, such as extending the device's use throughout our country for similar working conditions, was done, which, certainly, is another loss for the national economy. Another device that was not appropriately put into use was the "automatic temperature regulator," a device built by the Iasi Polytechnical Institute, at the request of the Iasi Fabric Enterprise where it successfully replaced a similar device that had been imported. Such a device could have been further produced through microproduction runs, if it had been known and ordered. But, the spread of the device is, for its part, tied to official approval, the approval is tied to finding a user that will produce it... and so forth.

What is significant for this evolution also is the fact that the Ministry of Education still does not have a sector that is involved in the coordination of university research. And, the departmental institutes many times propose themes for the university researchers that they consider unprofitable or too difficult for their activities.

A Stimulating Normal Framework

We believe that the improvement of the normal framework of technical creative activities during the "Decade of Science and Technology, Efficiency and Quality," must begin with... the beginning, that is, with documentation. Actually, it is a significant hard currency effort for each university center to carry out technical documentation, but this is a specific raw material having the ability to astronomically increase its value - as a result of passing the scientific information through the filter of creative intelligence. One means for the Iasi Polytechnical Institute of maintaining ties with the international scientific community has been, up to recently, the exchange of the "Iasi Polytechnical Institute Bulletin" with approximately 2,000 other specialized magazines throughout the world, which truly represented an important source of documentation and a cultural act of national prestige. In recent years, through a reduction in the number of issues, appearing only twice each year, and the number of pages, the amount of information transmitted has fallen to only 20 percent and, as a result, likewise for the exchanges.

It seems that overall we are not talking about a savings (in paper), but a loss, both with regards to the well-established prestige of this Iasi technical publication and with regards to the documentation of the research in this university center.

The struggle against the bureaucratic, office-work spirit in scientific research could start by promoting to the positions of sector chief, section chief, project chief and director only specialists in the research field who have, through their own research, obtained the title of doctor in their specialty. Only on the basis of such experience can one competently exercise the tasks of coordinating research activities and understand the requirements and exigencies of this work, a process that is normal in the entire world.

The promotion of the export of technology during the decade of science and technology can also be accomplished by the adequate regulation of the reporting of inventions to the State Office for Inventions and Trademarks. We are surprised to find that in recent times for the services of examining, publishing and maintaining protection over patents covering inventions a charge is levied which, in cases where there is no enterprise that will take the invention, must be paid by the inventor. Moving through the above-mentioned stages, which is frequently a long and costly process, at the same time influences the publicity and scientific activities of the invention's author in our country and abroad through the prism of protecting intellectual property, factors which, when accumulated, tend to discourage some authors from starting this "battle."

There are, we believe, several arguments which speak out for one or more specialized enterprises of the kind that exist in other socialist countries accepting the complex development tasks for certain inventions up to the patenting stage, and then also becoming involved in its industrial use, either in-country or in the export of the invention. One possible solution would be the inclusion of these activities under the Romanian Institute of Consulting and Rominvent.

If we were to refer to the activities of technical-scientific creation carried out within the framework of the most recent edition of the "Song of Romania" National Festival, concluded with the registry of approximately 25,000 inventions and innovations, we would see that objective speaking they cannot all be applied to our own production given the investment costs that would be involved. The result is that this portfolio can be partially also used in export activities. At the same time, the domestic development of certain inventions is not always incompatible with the issuing of licenses to certain foreign producers. But, unfortunately, in this area there must be a great deal of effectiveness, professionalism in sales or otherwise time imperceptibly, but surely erodes the value of these products of intelligence.

Another aspect revealed within the framework of the discussions deals with the organization of university research bases, since the universities suffer

from a shortage of auxiliary personnel which means that administrative activities must be carried out by the research personnel. A portion of the current difficulties of Romanian university research - with its rich traditions and resulting worldwide prestige - is due to the failure to appropriately apply in practice the integration of education-research-production. The existing resources in this area can be illustrated with the achievements both in our country and in international practice. For example, the fruitful cooperation between the University of Brasov and the Self-Powered Vehicle Industry, between the "Traian Vuia" Polytechnical Institute in Timisoara and "Electromotor" Timisoara, and between research and production units that are even located in different places, such as the Cluj-Napoca Polytechnical Institute and the Bucharest Electronic Computer Enterprise which have good cooperation. In international practice, it has become a frequent practice to have the development of certain small-scale industrial units for the purpose of using the invention of a professor or even a student (for example, in microelectronics). Among the participants at this discussion were the producers of the first Romanian linear motor and the first step-by-step motor, which, in their times, placed us among the first countries in the world in the field of these types of electrical machines. Unfortunately, today we do not know why these technical priorities were not used in specialized production units for export, including as substitutes for imports. During the current five year plan, as comrade Nicolae Ceausescu pointed out at the Plenary Session of the RCP Central Committee on 1-2 June: "We will have to ensure the more powerful growth of science as a stimulating factor of economic-social progress," a sector considered to go together with the development of the energy and raw material base and agriculture as decisive for the creation of a multilaterally developed socialist society in our country. That is why we must take pains in a constructive sense to take energetic measures for ensuring a climate of promotion and use in production and export of Romanian technical creations. Following the discussion in REVISTA ECONOMICA of a series of aspects regarding "the Use of Comparative Advantages in the Field of Technical Innovation" as a means of increasing efficiency in foreign trade activities, we received other proposals of a similar nature at the editorial staff from engineer Dr Vlad Doicaru, a collective chief at the Bucharest Computer Enterprise, regarding the development of another field of top-level technology, "optical telematics." We will continue with the letter that was received.

A Point of View Regarding Romanian Optical Telematics

The implementation of informational systems using optical telematics, dealt with in REVISTA ECONOMICA No 9/1982, requires: experience in the applied field of computer systems (mini-micro) and the capability of accomplishing data communications lines in an industrial environment having electromagnetic disturbances or powerful acid environments, requiring the use of optical telematic equipment (a field born on the frontier of data telecommunications and which uses optical carriers as a channel for transmitting information).

In Romania, this field that is also new on the worldwide level has experience accumulated over a long period of time, but in a disparate manner (in different

places and for different purposes this research developed around certain enthusiasts in the Bucharest Polytechnical Institute, the Electronic Computer Enterprise, the Design Institute for Automation and the Central Institute for Electrotechnical Research). Begun with experimental assemblies and prototypes that proved to be good construction solutions after testing, the Romanian optical telematic equipment successfully confronted similar products from certain renown companies at several international fairs and expositions: in Hanover, Vienna, Barcelona, Leipzig, Moscow and so forth. A portion of these systems contained not only original Romanian technology but also indigenous opto-electronic components (photo-diodes and PIN built at the Research Institute for Electronic Components). These products were ordered by different foreign partners, and thus we recorded the export of Fellas systems produced by the Bucharest Computer Enterprise outside of the export plan to Switzerland, the United States, the Soviet Union, the People's Republic of China. We can mention that in 1979 for the first time in our country by using a Fellas system of domestic design we produced the first optical data path using glass fibers between two computers in Bucharest. In 1980, we successfully tested a link using the Fellas system through the atmosphere between two units of the Industrial Central for Electronics and Computer Technology, while in 1981, the leadership of the Ministry of the Machine Building Industry was presented with a combined link for transmitting data through optical fibers and microwaves using the Fellas system and Interfelix. We can also note that the transmission stations for sending the information through the atmosphere were powered by the Solas system which continuously follows the position of the sun and provides power from solar batteries, built in cooperation with Bucharest Polytechnical Institute, in the department of professor M. Draganescu.

The bringing together of the experience in the field of building equipment with the experience in the field of implementing optical telematic applications has permitted the specialization in our country of certain young engineers (automation specialists, information specialists, physicists) in this new field so that currently they can respond to certain foreign demands regarding the production and installation of medium distance systems. At the same time, telematics can be considered an extension on a higher level of export activities in the area of computer technology through applications of the "delivery-to-the-dock" type.

All these achievements cause us, at the same time, to recognize that under the conditions of a better coordination and orientation in this new field these accomplishments could be even more significant. The fact that to date a body has not been named that will give direction to the unified research, design and experimentation of these opto-electronic systems results in the qualitative accumulations made by the different collectives that are carrying out research in this field not receiving the appropriate international affirmation, with significant efforts being wasted in the production of prototypes having similar performance.

The lack of coordination and guidance in this new field also has repercussions with regards to the optimum allocation of resources: people, technology and finances. Like in any new field, the responsibility for coordination involves some risks, but only by our assuming the responsibilities and the risks can we efficiently develop the new field in our country. Countries that started after Romania in the study and applications of this new field through the use of exact and systematic programs have succeeded in some applications of reaching or even surpassing our experience level.

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CSO: 2700

## SARAJEVO BANK OUTLINES PLANS TO IMPROVE LIQUIDITY

Sarajevo OSLOBODJENJE in Serbo-Croatian 24 Jul 82 p 4

[Excerpt] At yesterday's meeting of the assembly of the PBS [Economic Bank of Sarajevo]-Associated Bank attention was given to improving foreign exchange liquidity to the end of this year and the tasks of this bank which follow from the Law on Temporarily Prohibiting the Granting of Guarantees and Credits to Finance Investments. This year the bank plans to collect about 50 million dollars from foreign exchange remittances from workers abroad; in the first 5 months of this year one-half of this plan was met. With additional efforts which the bank is making in this sector, this inflow of foreign exchange should exceed the plan by about 1 million dollars. The action of basic banks in this is exceptionally important. Buying up foreign excahnge from citizens should be programmed according to specific foundations and outlines. Thus, one should continue to grant credits on the basis of foreign exchange sold for unspecified purposes. Also, one should continue to grant credits for building family houses and for purchasing housing according to current regulations, in so doing one should avoid granting credits on the basis of a down-payment, one-third of which consists of dinars which had been purchased with hard currency, instead of on the basis of hard currency deposits. All basic banks which have not done so up to now, should begin with this form of financing.

It is also necessary to increase and improve offers to our workers abroad which will motivate them to transfer more hard currency to this country. Basic banks should make important preparations to this end; namely, every basic bank, in cooperation with opstina governments, should establish in its area a certain number of locations for family houses, apartments, and business space to be sold to returnees for hard currency. In cooperation with agricultural combines a study should be made of the suitability of investments in certain agricultural production, specifying the amount of investments, the kind of contract relations with specific combines, and the work status of returnees who would decide to work in this vocation. The same preparations should be made in regard to the pooling of labor and funds of our workers abroad with manufacturing industries [in Yugoslavia].

The bank has decided, in cooperation with appropriate republic structures, to expand the group of goods which could be sold for dinars which have been

purchased with hard currency; this would amount to granting credits for goods traditionally popular, such as cars, television sets, carpets, and construction materials.

The assembly of the bank elected Obrad Piljak as president of the business council of the PBS-Associated Bank.

CSO: 2800/435

PRODUCTION, PURCHASE OF WHEAT IN 1981, 1982

Belgrade BORBA in Serbo-Croatian 31 Jul 82 p 4

[Text]

**Кретање производње и откупа пшенице у 1981. и 1982. години**

(13) 000 тона — (14)

| СР и САП (1) | 1981. (2) Произв. | 1981. (3) Откуп | 1981. % | 1982 (процена) Произв. | 1982 (процена) Откуп | 1982 % |
|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| Босна и Херцегов. (4) | 277 | 63 | 22,7 | 356 | 86 | 22,5 |
| Црна Гора (5) | 7 | — | — | 6 | — | — |
| Хрватска (6) | 876 | 419 | 47,8 | 1.146 | 634 | 55,3 |
| Македонија (7) | 275 | 116 | 42,2 | 281 | 145 | 51,6 |
| Словенија (8) | 140 | 14 | 10,0 | 152 | 47 | 29,0 |
| Србија (9) | 2.894 | 1.590 | 55,1 | 3.204 | 1.810 | 56,5 |
| Тер. Србије без тер. САП | 1.190 | 268 | 22,5 | 1.407 | 320 | 22,8 |
| САП Косово (10) | 219 | 47 | 21,5 | 227 | 60 | 26,4 |
| САП Војводина (11) | 1.475 | 1.260 | 85,4 | 1.570 | 1.490 | 94,7 |
| СФРЈ (12) | 4.453 | 2.268 | 49,2 | 5.195 | 2.716 | 52,7 |

Key:

1. Republics, Provinces
2. Production
3. Purchase
4. Bosnia-Hercegovina
5. Montenegro
6. Croatia
7. Macedonia
8. Slovenia
9. Serbia
   Serbia proper
10. Kosovo
11. Vojvodina
12. SFRY
13. in 1,000 tons
14. (estimated)

CSO: 2800/435

## BRIEFS

INCREASED FOREIGN EXCHANGE SAVINGS--In the first half of this year our citizens deposited $2.5 billion in foreign exchange accounts, or almost 50 percent of the planned foreign exchange inflow on this basis. Nikola Mrkic, vice governor of the Yugoslav National Bank, stressed that results are considerably more favorable than for the same period last year, when the annual foreign exchange savings plan was about 30 percent met. In June there was over $430 million in foreign exchange accounts. [Text] [Sarajevo OSLOBODJENJE in Serbo-Croatian 24 Jul 82 p 16]

GERMAN-SARAJEVO BANK CREDIT--On 30 July 1982 an agreement was signed between the Deutsche Bank in Frankfurt and the Economic Bank of Sarajevo [PBS] following extended business cooperation between the two banks, granting 100 million DM credit to the PBS-Associated Bank to finance programs of the FAMOS [Fabrika Motora Sarajevo] and other organizations of associated work. [Excerpt] [Sarajevo OSLOBODOJENJE in Serbo-Croatian 31 Jul 82 p 12]

SAVINGS ACCOUNTS--At the beginning of June total savings deposits (both dinar and foreign exchange) amounted to 577.4 billion dinars (193.9 billion in dinars and 357 billion in foreign exchange. ...Calculating foreign exchange in dollars, based on the medium rate of exchange formed at the inter-bank meeting of 15 July, the above savings would amount to 7,435,000,000 dollars, including the accrued interest. Although dinar savings have nominally increased 13.6 percent since the beginning of the year, in real terms they were lower than on 31 December 1981 due to inflation; whereas foreign exchange deposits increased 11.6 percent compared to the last of this year. The ratio between dinar and foreign exchange savings has steadily changed to the disadvantage of dinars, so that the ratio is almost 3:1 now, i.e., about 62 percent of all savings consists of foreign exchange. It can be freely said that some dinar savings have been changed into foreign exchange where it is protected from inflation. A recent FEC (Federal Executive Council ) decision has granted new benefits for foreign exchange savers; it calls for expanding the list of products which can be purchased for dinars bought with foreign exchange, as well as exempting [buyers with foreign exchange] from paying the basic sales tax, granting discounts for purchases made with foreign exchange, etc. [Excerpts] [Belgrade BORBA in Serbo-Croatian 25 Jul 82 p 4]

CSO: 2800/435

END

JPRS 81670

31 August 1982

# East Europe Report

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2310

FBIS FOREIGN BROADCAST INFORMATION SERVICE

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31 August 1982

# EAST EUROPE REPORT

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2310

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POLISH CONSTRUCTION OF SOVIET OFFSHORE DRILLING PLATFORM DESCRIBED

Warsaw EXPRESS WIECZORNY in Polish 6 July 82 pp 1, 2

[Article by Andrzej Kiszkis, "The Industrious 'Maja' Is Bustling about Feverishly"]

[Text] We are constructing a drilling platform on the Soviet continental shelf.

The floating drilling platform of Petrobaltic, a joint organization of oil exploration in the Baltic, is already in its third working season.

There is crude oil at the bottom of the Baltic. That was gradually ascertained by seismic research conducted by the ship "Kopernik." At that time the structure of the substratum and the places where there should be conditions for the existence of oil pools were established. That is one matter.

A second, no less complicated, matter is the question of extracting this oil, in other words, of reaching below the bottom of the sea, for the pools located at a depth of several thousand meters. This is expensive (several times more than with land drilling), technically complicated, but...necessary.

The world energy crisis is forcing various states to search for their own fuel resources, although the expenses incurred for this are immense. Sometimes they exceed the possibilities of one partner--and then companies are established just like the Petrobaltic. Financial outlays for the exploration are borne jointly, and in the case of participation in exploitation, the principle is adopted that the owner of the continental shelf takes half of the profit and the remaining two partners, 25 percent each.

Petrobaltic's floating exploratory platform executed one borehole in the first year of service and in 1981 made four on our continental shelf--and it was then that crude oil was found.

On 3 May a core filled with crude oil was penetrated at the bottom of the sea for the first time. At that time experimental exploitation of the pool was carried out for four days in order to gain an understanding of its resources,

value, and conditions for extraction. Then these boreholes were plugged; studies of the samples obtained are going on, and, furthermore, the extraction of crude oil on the open sea far from land is neither a simple nor an inexpensive undertaking. For that we must still wait.

In the meantime Petrobaltic is already building a stationary, so-called shallow-water drilling platform on the Soviet continental shelf in the vicinity of Baltiysk, 6 miles from shore. The work began in June of last year, and the Soviet side wants to start drilling already in this year.

Employed at the construction site are, among others, units of the Polish Ship Salvage Service [PRO]--the floating crane "Maja" and the "Perkun," which is basically an icebreaker but also a ship able to perform a number of other functions; now it protects the "Maja," assures towing services for it, and in addition has aboard a team of divers, for whom there is no lack of work. By the way, the "Perkun" is the first ice breaker in history to sail to the Amazon: this was during one of the great oceanic towing operations often carried out by PRO ships.

I am sailing to the construction site of the extraction platform on the salvage tugboat "Rosomak" under Captain Witold Tomalak and First Officer Stanislaw Sanocki. On the boat is also Krzysztof Kowalski, the manager from PRO headquarters, who was selected for discussions with Soviet contracting parties responsible for the carrying out of scheduled and warranty repairs of the "Maja" (the Sevastopol' shipyards built the crane in 1980) without docking.

The platform is of Soviet design. The designers of the whole mechanism are from Baku. Similar platforms have been built on the Black and Caspian Seas for 10 years. The decks between them sometimes stretch for several kilometers, so that whole towns have arisen on the sea there. The task of the "Maja," whose maximum lifting capacity exceeds 300 tons, is to transport 170-180-ton elements of towers, from Klaipeda so-called stools (obviously in appearance they remind one somewhat of that piece of furniture) and to set up stationary structures on the ocean bottom, the depth of which there is over 27.5 meters. The height of the "stool" exceeds 40 meters, and with pile-drivers steel pipes filled with concrete are driven 50 meters deeper into its "legs" resting on the bottom. Anchors on guy wires assure the stability of the tower. It is the task of Polish divers to penetrate the bottom under the tower and in the place where the anchors are put. The Petrobaltic drilling ship the "Barrakuda," among others, is employed at the construction site for this purpose.

The industrious "Maja" has already carried from Klaipeda, which is 74 nautical miles away, and put in place 6 such stools, and there are 2 more to be transported. Living accommodations for the crew and a helicopter pad will be about 50 meters from the main body of the platform. One of these "stools" can be found close by, at the bottom of the sea: this is the result of storms, which makes the construction workers' lives miserable.

The best testimony to this is that on the day when I was on the platform, the "Maja" was just having its 34th day of effective work in the course of 10 months. And such a busy bee is much more effectively used here than usual.

The contract of the PRO crew foresees work until 25 September; after the platform is mounted, the drilling tower itself will be built by personnel from Kaliningrad. They will lay the pipeline from the tower to the shore of the sandbar and then under the Vistula Bay to land.

As I already mentioned, the first crude oil should be flowing already in this year. A new stage will begin in Petrobaltic's history: the exploitation of deep sea crude oil...

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CSO: 2600/805

## AGRICULTURAL MACHINERY STATUS IN CSR ASSESSED

Prague PLANOVANE HOSPODARSTVI in Czech No 5, 82 pp 56-70

[Article by Eng Michal Pavluv, Czech Bureau of Statistics: "The Technological Base of CSR Agriculture in the Sixth Five-Year Plan"]

[Text] The development of agricultural production, one of the most essential factors in the development of socialist society, has been constantly in the forefront of attention of our party and governmental authorities, as confirmed by the 13th Plenum of the CPCZ Central Committee in March 1979 and by the Fourth Plenum of the CPCZ Central Committee held in October 1981 and focused on current tasks in the development of agriculture and nutrition.

The 13th Plenum of the CPCZ Central Committee stipulated the strategic task of gradually achieving self-sufficiency in grain production and of further upgrading the standard of overall self-sufficiency in our food production. To fulfill this challenging goal, we must gradually create preconditions in our agriculture for comprehenisve socialist rationalization in production, labor and management of scientific-technological development and further develop the material-technical base and its essential factor, refurbishing the technical base with efficient modern machinery.

In comparison with 1975, when the value of machinery and equipment in the CSR agriculture represented Kcs 26.6 billion in comparable 1977 prices, i.e., 25.8 percent of all capital assets, toward the end of 1980 it amounted to as much as Kcs 39 billion and its share of capital assets increased to 28 percent. If the share of funds for purchases of new machinery and equipment amounted in 1970 to 39 percent of the total volume of investment work and deliveries, in 1980 it was actually 45 percent, even though the plan for deliveries of certain types of machinery had not been fulfilled. Expressed in financial terms, it represented Kcs 4.1 billion in comparable 1977 prices. During the Sixth Five-Year Plan, the volume of investments in basic machine production funds in the socialist sector of CSR agriculture amounted to Kcs 20.8 billion as compared with the actual situation of the Fifth Five-Year Plan amounting to Kcs 14.4 billion (in comparable 1977 prices).

Although other branches have achieved numerous positive results in the fulfillment of their obligations to our agriculture, the task which remains extremely urgent is to equip it with appropriate technology, as the Fourth

Plenum of the CPCZ Central Committee underlined. This primarily concerns gradual replacement of the outdated tractor fleet with new machinery, requisition of sufficient numbers and selections of trailers for tractors, root crop harvesters, machinery for fodder production, particularly in hillside and mountain areas, machinery for harvesting vegetables and special crops, specially adapted trucks, and also spare parts.

As the general secretary, Comrade Husak, and the secretary of the CPCZ Central Committee, Comrade Pitra, emphasized at the Fourth Plenum of the CPCZ Central Committee, in order to deal with these problems we must mobilize our internal resources, starting with research and development in machine engineering and ending with off-season maintenance of the machinery. There still exist ample opportunities to improve the operation of our agricultural enterprises by cooperating in the use of efficient technology, by avoiding unnecessary transfers of technology, by efficiently combining individual operations, by upgrading the quality of the maintenance and repairs of agricultural technology, and by more rational management of consumption in production (materials for maintenance and repairs, consumption of propellants and lubricants, etc).

This measure is a part of the comprehensive socialist rationalization program on which our enterprises, management and control authorities must focus maximum attention for the very reason that the projection of material and technical deliveries for the Seventh Five-Year Plan envisages only deliveries which are the most essential for the fulfillment of the decisions of the 13th Plenum of the CPCZ Central Committee.

In the following segments of our contribution, we shall offer basic data on the current equipment of our agricultural enterprises in the CSR with the main types of machinery which are vital for agricultural production, and present the structure and placement of the agricultural machinery fleet, the degree to which such machinery is utilized as well as the fundamental factors determining an efficient use of essential types of mechanization.

Tractors

Tractors furnish most power traction in our agriculture and will continue to furnish it in the future. As of 1 January 1981, CSR agriculture owned 101,465 registered tractors. Until the end of the Fifth Five-Year Plan their numbers were increasing. Their inventory reached a peak on 1 January 1976 with 103,307 tractors, after which their numbers began declining during the Sixth Five-Year Plan. While in the Fourth Five-Year Plan the average annual increment of tractors was 2,235 and 858 tractors in the Fifth Five-Year Plan, during the Sixth Five-Year Plan the absolute reduction was 1,842 tractors, i.e., a average of 368 vehicles annually, due to the elimination of outdated models and to lower deliveries of new machinery than stipulated by the state plan for operations for individual year of the Sixth Five-Year Plan.

Although the renewal of the tractor fleet failed to progress to our satisfaction--with an 8-year service life of tractors (proceeding from the ratio of the number of new machines purchased in a current year to one eighth of the

inventory) the achieved degree of replacement was only 35.8 percent in 1;80--the share of tractors with more power and of greater efficiency in total deliveries increased, which was reflected by higher power saturation expressed by installed capacity of motors of the tractor fleet. Early in the Seventh Five-Year Plan it amounted to 4,574,700 kW, which is 14.6 percent higher than in 1975 and more than 50 percent higher than in 1970. Average installed capacity per physical tractor went up from 38.6 kW in 1975 to 45.1 kW in 1980.

Development of the Tractor Fleet in CSR Agriculture During the Sixth Five-Year Plan According to the Situation as of 1 January

| | | 9 celkem | | 10 z toho | 11 | Index |
|---|---|---|---|---|---|---|
| | | 1976 | 1981 | JZD | st. statky | 1981/1976 |
| 1 | Traktory celkem ks | 103 307 | 101 465 | 65 798 | 20 069 | 98,2 |
| 2 | z toho kolové | 93 846 | 94 222 | 61 304 | 18 675 | 100,4 |
| 3 | pásové | 9 461 | 7 243 | 4 492 | 1 394 | 76,6 |
| 4 | Podíl kolových traktorů z celkového počtu v % | 90,8 | 92,9 | 93,2 | 93,1 | — |
| 5 | Podíl traktorů s výk. 58,9 kW a více z celk. počtu v % | 16,5 | 25,8 | 20,5 | 31,2 | — |
| 6 | Instalovaný výkon motorů trakt. parku v tis. kW | 3 990,2 | 4 574,7 | 2 930,3 | 964,4 | 114,6 |
| 7 | Ø inst. výkon na 1. fyz. traktor | 38,6 | 45,1 | 44,5 | 48,1 | 116,8 |
| 8 | z toho na kolový traktor | 37,3 | 43,9 | 43,4 | 47,0 | 117,7 |

Key:

1. Tractors - total
2. of which wheeled
3. caterpillar
4. Share of wheeled tractors in the total, in percent
5. Share of tractors with capacity of 58.9 kW or more in the total in percent
6. Installed capacity of motors in the tractor fleet in thousand kW
7. Average installed capacity per physical tractor
8. of which per wheeled tractor
9. Total
10. of which
11. state farms

The Capacity Structure of Tractor Fleet

By increasing the share of heavy-duty tractors in total deliveries, the structure of the tractor fleet was changed. In the Sixth Five-Year Plan, 25,541 new tractors were purchased for CSR agriculture, including the State Tractor Stations [STS] (statistical data Zem S2-01) and 21.7 percent of them were models ZT 300 and 303 made in the GDR, Zetors with 120 and more HP capacity, and ST-180 and K-700 made in the USSR.

If in 1970 the machinery of the lowest capacities, i.e., under 29.4 kW (40 HP), amounted to almost 43 percent of all tractors, their share declined to 24.9

percent before the end of 1975 and to 16.9 percent during the Sixth Five-Year Plan. During the Sixth Five-Year Plan the highest increase appeared in the 52.2-73.6 kW (71-100 HP) category of tractors, 57.4 percent of which are represented by model Zetor 8011 tractors, including their modifications, 16.9 percent by GDR-made tractors, models ZT 300 and 303, and 25.7 percent by caterpillar tractors imported from the USSR.

Representation of Efficiency Categories of Tractors in CSR Agriculture According to the Situation as of 1 January

| | | 4 celkem | | 5 z toho | | 7 Rozdíl proti r. 1976 |
|---|---|---|---|---|---|---|
| | | 1976 | 1981 | JZD | 6 st. statky | v bodech |
| 1 | Traktory celkem (ks) | 103 307 | 101 465 | 65 796 | 20 069 | — |
| 2 | Zastoupení tříd v %: do 29,4 kW | 24,9 | 18,7 | 17,4 | 11,0 | — 8,2 |
| | 30,2— 51,5 kW | 58,5 | 57,5 | 58,7 | 57,7 | — 1,0 |
| | 52,2— 73,6 kW | 15,3 | 20,0 | 18,1 | 24,5 | + 4,7 |
| | 74,3—117,8 kW | — | 2,1 | 2,1 | 2,3 | + 2,1 |
| 3 | nad 117,8 kW | 1,3 | 3,7 | 3,7 | 4,5 | + 2,4 |

Key:

1. Tractors—total
2. Share of categories in percent: under 29.4 kW
3. over 117.8 kW
4. Total
5. of which
6. state farms
7. Difference in comparison with 1976, in points

On the republicwide scale, state farms have a more efficient capacity structure in their tractor fleet. If the share of tractors in the 52.2-73.6 kW category amounted for JZD [unified agricultural cooperatives] to 18.1 percent as of 1 January 1981, the share of state farms was 6.4 percent higher. The largest share of efficient heavy-duty tractors (52.2 kW and higher) is in North Moravia Kraj, 29.7 percent of the total, and the lowest in the capital city of Prague, 18.3 percent. However, the further development of the efficiency structure of tractors will also be affected in all probability by the growing interest of agricultural enterprises in categories of less efficient tractors as a result of the current needs to conserve propellants.

Wheeled and caterpillar tractors of lower capacities (i.e., under 51.5 kW) are extensively represented mainly because of the obsolete, "defunct" models of tractors, such as Zetor Super 50. As recently as on 1 January 1981 the agricultural inventory in the CSR included, and in most cases also operated, more than 8,600 of them, i.e., almost one-tenth of wheeled tractors.

Efficiency Structure of Tractors According to Krajs in CSR Agriculture as of 1 January 1981

| | | 11 Invent. počet v ks | 12 Zastoupení výkon. tříd v % | | | | |
|---|---|---|---|---|---|---|---|
| | | | 13 do 29,4 kW | 30,2— 51,5 kW | 52,2— 73,6 kW | 74,3— 117,8 kW | 14 nad 117,8 kW |
| 1 | Hl. m. Praha | 766 | 39,8 | 41,9 | [illegible] | 0,7 | 3,3 |
| 2 | Středočeský | 17 888 | 18,4 | 56,7 | 18,9 | 1,7 | 4,3 |
| 3 | Jihočeský | 12 612 | 15,5 | 59,3 | 19,4 | 2,0 | 3,8 |
| 4 | Západočeský | 10 838 | 15,1 | 55,3 | 22,7 | 2,1 | 4,8 |
| 5 | Severočeský | 9 484 | 15,1 | 56,7 | 21,7 | 1,8 | 4,7 |
| 6 | Východočeský | 17 215 | 17,7 | 59,6 | 17,4 | 1,7 | 3,6 |
| 7 | Jihomoravský | 21 299 | 16,4 | 57,1 | 19,5 | 3,5 | 3,5 |
| 8 | Severomoravský | 11 363 | 9,1 | 61,2 | 23,2 | 2,5 | 4,0 |
| 9 | CSR | 101 465 | 16,7 | 57,5 | 20,0 | 2,1 | 3,7 |
| 10 | SSR (pro srovnání) | 35 198 | 6,7 | 53,6 | 30,7 | 3,7 | 5,3 |

Key:

1. Capital City of Prague
2. Central Bohemia
3. South Bohemia
4. West Bohemia
5. North Bohemia
6. East Bohemia
7. South Moravia
8. North Moravia
9. CSR
10. SSR (for comparison)
11. Inventory in units
12. Representation of efficiency categories in percent
13. under 29.4 kW
14. over 117.8 kW

Renewal of the Tractor Fleet

Early in the Seventh Five-Year Plan, CSR agriculture had at its disposal 94,200 wheeled and 7,200 caterpillar tractors. The degree of the renewal of the tractor fleet in general, which is calculated by the ratio of the number of new tractors purchased in 1980 to one eighth of the inventory as of 1 January 1981, amounted in the CSR agriculture in 1980 to only 35.8 percent in comparison with 40.8 percent in 1979 and to 50 percent of all tractors, amounted to 32.6 percent and in state farms to 43.2 percent in 1980.

Calculation of the degree of the renewal from total inventory is distorted to some extent because heavy-duty tractors which were increasingly more represented in the deliveries can substitute for the capacity of 2, 3 or more tractors of lesser capacity. We shall obtain a more objective picture of the problems in question if we consider the overall installed capacity of the motors in the tractor fleet as of 1 January 1981, one eighth of which should be renewed by simple replacement with installed capacity of motors of machinery purchased in 1980. Even this comparison, however, indicates that on the republicwide scale the degree of the renewal in 1980 had not met even one-half of the requirements of simple replacement. In the agriculture of the CSR it amounted to 47.6 percent, in the JZD to 45.5 percent, and in state farms to 57.2 percent.

## Age Structure of the Tractor Fleet

The unsatisfactory situation in the renewal of the tractor fleet stems, next to the nonfulfillment of the planned deliveries of new machinery, also from the particularly high share of their deterioration and obsolescence. This has been confirmed by the latest one-time selective study of the age structure and utilization of agricultural technology conducted on 1 January 1979 by provincial authorities of the Czech Bureau of Statistics in all state farms and in a selected system of JZD representing roughly one fourth of all JZD operating in the CSR. Fully 55.7 percent of the inspected tractors were vehicles of the highest age categories, i.e., over 8 years old. In comparison with the results of the first study of 1 January 1974, in the course of 5 years their share in the entire system increased by 4.1 points and in the selected system of JZD by as much as 5.5 points. As of 1 January 1979, tractors under 5 years of age represented only 27.3 percent and their share was up only 1.1 point over the actual situation in 1973. Moreover, the age structure of tractors in individual krajs of the CSR failed to develop satisfactorily.

**Development of Age Structure of Tractors in the System Under Study in CSR Agriculture**

| | | 10 Podíl traktorů z inventár. počtu k 1. 1. 1979 | | 13 Rozdíl proti stavu k 1. 1. 1974 v bodech | |
|---|---|---|---|---|---|
| | | 11 starších než 8 let | 12 do 5 let | 11 starších než 8 let | 12 do 5 let |
| 1 | Středočeský | 59,0 | 25,2 | + 5,1 | + 2,1 |
| 2 | Jihočeský | 53,0 | 29,5 | + 3,0 | + 0,8 |
| 3 | Západočeský | 55,1 | 27,0 | + 0,6 | + 1,4 |
| 4 | Severočeský | 50,9 | 30,9 | + 5,8 | + 0,8 |
| 5 | Východočeský | 61,0 | 25,3 | + 8,0 | + 1,8 |
| 6 | Jihomoravský | 55,7 | 25,1 | + 3,2 | — 0,1 |
| 7 | Severomoravský | 48,7 | 30,4 | — 0,8 | + 2,0 |
| 8 | ČSR | 55,7 | 27,3 | + 4,1 | + 1,1 |
| 9 | SSR (pro srovnání) | 32,5 | 42,1 | — 15,5 | + 16,0 |

14 Poznámka: šetření za hl. m. Praha se neprovádělo.

Key:

1. Central Bohemia kraj
2. South Bohemia kraj
3. West Bohemia kraj
4. North Bohemia kraj
5. East Bohemia kraj
6. South Moravia kraj
7. North Moravia kraj
8. CSR
9. SSR (for comparison)
10. Share of tractors in inventory as of 1 January 1979
11. over 8 years of age
12. under 5 years of age
13. Difference as compared with the situation as of 1 January 1974 in points
14. Note: Study did not include the capital city of Prague

Tractor models Zetor 3011, 4011, Zetor Super 50, Zetor 5511, small tractors, RS-09, GT 123, 124, etc. appear most frequently among the oldest types of wheeled tractors. In the system under study, the share of this machinery in the highest age category represented 8 .4 percent as of 1 January 1979 and the above-mentioned models still amounted to almost 60 percent of all 94,200 wheeled tractors listed in the Zem S2-01 bulletin as of 1 January 1981. These two examples signal the need for faster replacement of the existing tractor fleet.

Equipment of Agriculture with Tractors in Conversion to Unit of Production Area

Although in recent years the renewal of the tractor fleet progressed less than satisfactorily, during the period of the building of mass production in agriculture it marked great changes. While in 1955, for instance, there were only 5.4 tractors per 1,000 hectares of agricultural lands, in the next decade their number increased to 19.7 units. In the beginning of the Sixth Five-Year Plan it amounted to 23.5 vehicles and this situation remained stable all through that five-year plan period. As of 1 January 1981 the capital city of Prague and Central Bohemia Kraj operated the highest, and North Moravia Karj the lowest number of tractors in conversion to 1,000 hectares of agricultural lands. The high number of tractors in the capital city of Prague was due to the fact that as of 1 January 1981 almost 40 percent of a total of 766 tractors belonged in the low-capacity categories under 29.5 kW.

The differences among individual krajs in the degree of their equipment with tractors in conversion per unit of production area may be demonstrated also by the following calculation: if we multiply 26.5 tractors, which is the share per 1,000 hectares of agricultural land in Central Bohemia Kraj (which has the next highest equipment to that of the capital city of Prague) by the acreage of agricultural lands of each kraj, we obtain the number of tractors corresponding to the level of equipment in the best equipped kraj. If we compare this information with the actual equipment in individual krajs as of 1 January 1981, we obtain the differences in the number of tractors against the best-equipped kraj. The following table presents the actual situation at the beginning of the Seventh Five-Year Plan, including an evaluation of installed capacity of the motor of tractors per 1,000 hectares of agricultural lands.

Differences in Equipment with Tractors, Total, in Units and Installed Capacity in kW in Conversion to 1000 Hectares of Agricultural Lands as Compared with the Best-Equipped Kraj of Central Bohemia, Situation as of 1 January 1981

| | | 11 Počet traktorů na 1000 ha z. p. | | 12 Rozdíl v ks proti Středoč. kraji | 13 Počet kW instal. výkonu na 1000 ha z. p. 1981 | 14 Podíl krajů na výměře zem. půdy 1981 v % |
|---|---|---|---|---|---|---|
| | | 1981 | Index 1981/76 | | | |
| 1 | Středočeský | 26,5 | 102,3 | — | 1176 | 17,6 |
| 2 | Hl. m. Praha | 46,1 | 98,4 | + 327 | 1616 | 0,8 |
| 3 | Východočeský | 25,6 | 103,2 | — 589 | 1117 | 17,0 |
| 4 | Severočeský | 24,3 | 102,1 | — 853 | 1124 | 9,3 |
| 5 | Jihomoravský | 23,6 | 96,3 | — 2652 | 1060 | 21,0 |
| 6 | Západočeský | 21,0 | 99,5 | — 2653 | 983 | 10,7 |
| 7 | Jihočeský | 21,6 | 101,4 | — 2889 | 959 | 12,4 |
| 8 | Severomoravský | 20,7 | 97,6 | — 3215 | 979 | 11,2 |
| 9 | ČSR | 23,5 | 100,0 | — | 1062 | 100,0 |
| 10 | SSR (pro srovnání) | 14,3 | 94,1 | — | 760 | — |

Key:

1. Central Bohemia
2. Capital city of Prague
3. East Bohemia
4. North Bohemia
5. South Moravia
6. West Bohemia
7. South Bohemia
8. North Moravia
9. CSR
10. SSR (for comparison)
11. No of tractors per 1000 hectares of agricultural land
12. Difference in No of units as compared with Central Bohemia kraj
13. No of kW of installed capacity per 1,000 hectares of agricultural lands
14. Share of kraje in the acreage of agricultural land in 1981 in percent

The Use of Tractors

The utilization of the basic means of mechanization has already been the subject of two one-time investigations conducted by provincial statisticians for the years of 1973 and 1978 in all state farms and in selected JZD representing approximately 25 percent of the JZD operating in the CSR (a third investigation will be conducted by provincial statisticians in 1985). In 1978, tractors operated an average of 173 days; in comparison with the first investigation, utilization of tractors was down 4.9 percent (tractors were used 182 days in 1973). Among the wheeled models, medium-capacity tractors, model Zetor 6711 and its modifications, were the most frequently operated in conversion per machine, namely, 231 days as compared with 260 days of the calendar fund in 1978. Among the tractors operating more than 200 days were models Zetor 8011 and its modifications (219 days), Zetor

12011 and its modifications (218 days) and Zetor 5511 through 5718 (209 days). The shortage of tractors in primary agricultural production is obvious also from the fact that tractors Zetor Super 50, whose average age was more than double the stipulated service life and which composed almost 13 percent of the inventory of wheeled tractors as of 1 January 1979, operated on the average 172 days in conversion per machine. As concerns the most efficient wheeled tractors, models ST-180 and K-700, which are decisive for meeting the agrotechnical program for work in fields, the number of days of each vehicle's operation increased; in 1978 it was 169 in JZD, and 176 in state farms, for ST-180 (for K-700 it was 163 per JZD and 185 for state farm), however, at the same time their work shift was reduced from 12.6 hours in 1973 to 11.2 hours in 1978 in conversion per tractor.

As demonstrated by the results of the latest investigation, numerous agricultural enterprises failed to pay due attention to the utilization of heavy-duty tractors in cooperative assistance programs, although that is one of the methods for greater utilization and rationalization of their operation. In 1978, the total days of operation of the most efficient wheeled tractors in cooperative arrangements were only in the 5 to 7 percent range.

Main Factors Determining the Degree of Utilization of Tractors

In the system under study, idle time of tractors (day-long idling and days when the tractors did not operate at all) amounted to 52.5 percent of the entire calendar fund in 1978. The share of day-long idle time in total unproductive time was almost 95 percent.

Most day-long idling was caused by the "interseason rest, including holiday rest." In all tractors in the system under study such idling, which is more or less an immutable indicator, represented in 1978 fully 68.6 percent, i.e., 4,508,700 calendar days of all idle time. If we deduct them from the day-long idle time, in first place, with 32.9 percent, is idle time caused by a shortage of drivers; in second place, with 31.8 percent, by shortages of spare parts and unplanned repairs, and only in third place, with 29.7 percent, is idling due to planned repairs.

The disappointing situation in the age structure of the tractor fleet, the shortage of drivers and the chronic difficulties with the supplies of spare parts are directly reducing the share of productive time. In the 1973-1978 period, when the one-time inspection of the utilization of agricultural technology was under way, productive time declined in state farms and particularly in the selected JZD system, and the share of day-long idling increased.

Along with professional training of operators of efficient technology, the main precondition for agricultural production is to maintain its operational potential. As the secretary of the CPCZ Central Committee, Comrade Pitra, noted in his keynote speech and as participants in the discussion at the Fourth Plenum of the CPCZ Central Committee emphasized, the current situation in this sector is below a desirable level in many agricultural enterprises, and our agriculture has untapped assets precisely here. For instance, if

we could reduce by 10 percent all idling caused by shortages of spare parts, including emergency repairs and shortage of drivers, we would gain within the system under study alone 770 additional tractors which could operate year-round in our agriculture. On the republicwide scale, such a reduction for all tractors would means savings of more than 2,000 tractors, i.e., almost 45 percent of new machinery purchased in 1980.

Grain Harvesters

During the Sixth Five-Year Plan the acreage of grain crops, including winter and spring rape, was reduced by 58,675 hectares, i.e., 3 percent. As compared with 1,943,700 hectares of cereal crops cultivated in 1975, the actual situation in 1980 was 1,885,000 hectares, and their share in total acreage of cultivation declined from 58 to 56.8 percent. The acreage on which grain crops, including winter rape and turnip rape are cultivated, represented 1,874,800 hectares as of 31 May 1981. In 1980 with an average yield of 4.03 tons per hectare of grain crops in the socialist sector, 6,779,200 tons were harvested in the CSR as compared with 5,697,200 tons in 1975. Until 1975, the inventory of harvester combines in the CSR agriculture was increasing. As of 1 January 1976, 13,900 combine harvesters were registered. During the Sixth Five-Year Plan their number declined to 12,337 units, i.e., by 1,563 units (11.2 percent). For comparison: in the Fourth Five-Year Plan the increment of machinery inventory amounted to 3,506 units (42.0 percent) and in the Fifth Five-Year Plan to 2,055 units (17.3 percent). During the Sixth Five-Year Plan agricultural enterprises in the CSR purchased 5,415 combine harvesters (statistical data Zem S2-01), of which JZD 58 percent, state farms 21.5 percent, and STS 10.2 percent. During the Sixth Five-Year Plan, the reduction of the inventories of combine harvesters in CSR agriculture by 1,563 units was accompanied by improvements in their structure. Today more than 62 percent of them consist of model E-512 imported from the GDR. The most efficient harvester, model E-516, made in the GDR has 10 kg.s [Newton Seconds Permeter] capacity and skilled combine operators achieved with it top seasonal outputs up to 1,300 hectares; 1,077 units of this model are expected to operate during the 1981 harvest. More than 43 percent are already in the ownership of the STS which guarantee that this top technology will be fully utilized.

As of 1 January 1981, 60.9 percent of a total of 12,337 combine harvesters have been operating in the JZD, 20.8 percent in state farms, 6.9 percent in the STS, and the remaining 11.4 percent belong to the SPZ [State Labor Reserves] and centrally managed organizations.

The degree of equipment with combine harvesters may be demonstrated, among other things, also by calculating the acreage cultivated with cereal crops per combine harvester. In comparison with 1975 when the per combine load in the CSR agriculture represented 139.8 hectares, the actual situation in the last year of the Sixth Five-Year Plan was 152.8 hectares, i.e., up 13 hectares per machine (the inventory lists also combine harvesters owned by the STS). During the same period, the load per central machine increased up to 18.6 hectares, reaching 165.3 hectares in 1980, while in the same year in state farms it amounted to 163.7 hectares, which is 15 hectares less than in 1975.

Development of Inventories of Combine Harvesters, Structure of Models, and Equipment with Combine Harvesters in Conversion per Unit of Production Area in CSR Agriculture

| | | 8 Stav k 1. 1. | | | Index | |
|---|---|---|---|---|---|---|
| | | 1976 | 1980 | 1981 | 1981/1976 | 1981/1980 |
| 1 | Sklízecí obilní mlátičky celkem (ks) | 13 900 | 12 851 | 12 337 | 88,8 | 97,5 |
| 2 | z toho: JZD | 8 476 | 7 524 | 7 511 | 88,6 | 98,0 |
| 3 | státní statky | 2 828 | 2 521 | 2 568 | 90,8 | 99,4 |
| 4 | STS | 1 190 | 852 | 853 | 71,7 | 100,1 |
| 5 | Počet strojů na 1000 ha zrnin[1] — kmen. stav | | | | | |
| 6 | — zemědělství ČSR | 7,1 | 6,8 | 6,5 | 91,8 | 98,5 |
| 7 | — zemědělství SSR (pro srovnání) | 6,3 | 6,0 | 5,7 | 90,5 | 95,0 |
| 9 | [1] Plocha osevu zrnin včetně ozimé řepky a řepice k 31. 5. | | | | | |

Key:

1. Combine harvesters--total (units)
2. of which: JZD
3. state farms
4. STS
5. No of machinery per 1,000 eectares of grain crops[1]- basic situation
6. --CSR agriculture
7. --SSR agriculture (for comparison)
8. Situation as of 1 January
9. [1]Area of grain crop cultivation, including winter rape and turnip rape as of 31 May.

The JZD in the West Bohemia, North Bohemia and Central Bohemia krajs are the best equipped with combine harvesters. In 1980, the differences between the highest and the lowest acreage of cereal crops in conversion per central machine in individual krajs were 45 hectares in JZD and 57.6 hectares in state farms.

Age Structure, Degree of Renewal and Utilization of Combine Harvesters

The latest study conducted in 1978 investigated the age structure in 35.7 percent of all combine harvesters. The age structure of the under-5-year-old group marked distinct improvements. As compared with 1973 when the share of combine harvesters in this group was 35.4 percent, their representation increased to 59.2 percent as of 1 January 1979. The share of the oldest combine harvesters (over 12 years) increased from 3.9 percent as of 1 January 1974 to 7.2 percent as of 1 January 1979. During the Sixth Five-Year Plan, the renewal of the combine harvester fleet deteriorated due to declining purchases of new machinery. If with the delivery of 1,440 units for CSR agriculture in 1976 the degree of the renewal of combine harvesters with 12-year service life reached 124.8 percent (128.6 percent in JZD, 151.5 percent in state farms), it dropped to 75.2 percent (in JZD to 59.3 percent, in state farms to 65 percent, and in the STS it rose to 236.6 percent) because the number of machines purchased in 1980 declined to 773.

In the last year of the Sixth Five-Year Plan, all forms of widely developed cooperation and also the method of comprehensive streamlined grain harvesting more extensively applied contributed to steady progress of the grain harvest. In 1980, combines harvested 1,635,400 hectares of grain crops in the CSR, i.e., 99.7 percent of the planned area. In addition, they harvested 60,400 hectares of legumes and 62,100 hectares of rape. The average load per combine harvester without cooperation was 132.3 hectares as compared with 125.3 hectares in 1976. In 1980, all forms of assistance (cooperation between enterprises in the okres, between okreses and krajs and between the CSR and the SSR) involved a total of 9,251 units of combine harvesters, i.e., 74.8 percent of the central inventory of the krajs and organizations under direct management of the CSR MZVz. As compared with the actual situation of 1979 (64.9 percent involved in cooperation programs), the number of combine harvesters used in cooperation increased by 842.

In programs of cooperation, combine harvesters of the CSR harvested 478,000 hectares within the CSSR, of which 100,700 hectares was in the SSR. However, only 57,600 hectares were harvested in the CSR with machinery from the SSR by mutual cooperation. The extent of all types of cooperative assistance increased 12.4 percent over 1979. All forms of cooperation reduced the average load per combine harvester in agricultural enterprises from the initial 132.3 hectares to 97 hectares. The volume of 141.7 hectares planned for 1981 includes 98.8 hectares to be serviced by combine harvesters used in cooperation. Despite positive achievements in the program of cooperation, further opportunities for its improvement must be sought. In 1980 alone the acreage of grain crops harvested by cooperation saved 3,619 combine harvesters in the CSR. In concluding agreements on cooperation, however, maximum attention must be focused on the most economical transport of the combines in order to conserve propellants.

Potato Cultivators and Harvesters

With the exception of 1970, the acreage cultivated with potatoes has been steadily declining over the past 15 years. In the 1976-1980 period alone the acreage of potatoes in the total CSR agriculture dropped from 158,800 hectares to 130,000 hectares, i.e., nearly 29,000 hectares.

While the operations connected with the cultivation and harvesting of grain crops have been fully mechanized, the situation is less than satisfactory as concerns potatoes (mainly their harvest, postharvest treatment and storage). Although in 1980 more than 80 percent of the harvested areas in two of the three most productive krajs, East Bohemia and South Moravia, were mechanically harvested, the 71.1 percent statewide average is still below the standard stipulated by the directives of the Sixth Five-Year Plan (to use harvesters in 75 percent of the harvest of potatoes, with the exception of early varieties). As compared with 1976, the amount of potatoes harvested mechanically increased to 10.7 percent, which represents an average semiannual increment of 2.1 percent.

In 1980, the socialist sector of agriculture operated 3,662 potato harvesters for the total potato-growing acreage (113,200 hectares), in other words, the

average per registered harvester was 30.9 hectares (in the SSR 44.3 hectares) as compared with 41.1 hectares in 1975. During the Sixth Five-Year Plan, agricultural enterprises in the CSR purchased 1,951 single-to triple-row potato harvesters; nevertheless, during the same period their inventory increased by no more than 26 units. This fact in itself calls attention to the relatively high physical deterioration and obsolescence of the harvester fleet (particularly of model E-665). In the Sixth Five-Year Plan, their number remained practically unchanged, except in the krajs of Central and South Bohemia; agriculturists in North Bohemia Kraj reported the steepest decline.

The fact that in 1980 the share of mechanized potato harvest operations amounted to only 71.1 percent was largely the result of the current unsatisfactory conditions of our harvesting technology in terms of the units and structure of potato harvesters.

Type Structure of Harvesters and Its Development in the Sixth Five-Year Plan

| | | 9 Zeměd. ČSR k 1. 1. 81 | 10 z toho JZD | 11 z toho státní statky | Index 1981/1976 | Index 1981/1980 |
|---|---|---|---|---|---|---|
| 1 | Sklízeče brambor 2ř. | 3166 | 2464 | 491 | 95,2 | 94,6 |
| 2 | Sklízeče brambor ost. | 494 | 384 | 72 | 160,9 | 107,6 |
| 3 | Sklízeče brambor celkem | 3662 | 2848 | 563 | 100,7 | 96,1 |
| 4 | Zastoupení typů v %: | | | | | |
| 5 | E-684 (3ř.) | 4,7 | 4,0 | 8,9 | — | — |
| 6 | E-676 (2ř.) | 31,2 | 32,3 | 24,9 | — | — |
| 7 | E-671, 667 (2ř.) | 52,0 | 51,2 | 58,3 | — | — |
| 8 | Ost. typy (1ř. a ost.) | 12,1 | 12,5 | 8,3 | — | — |

Key:

1. Potato harvesters - double row
2. Other potato harvesters
3. Total potato harvesters
4. Representation of models in percent
5. E-684 (triple-row)
6. E-676 (double-row)
7. E-671, 667 (double-row)
8. Other models
9. CSR agriculture as of 1 January 1981
10. of which
11. state farms

In order to better furnish our agricultural enterprises with potato harvesters, several measures have been adopted so as to equip their fleet with efficient new machinery. In 1976, 434 units of single- to triple-row harvesters were purchased as compared to only 211 units in 1980. A total of 1,951 machines was purchased during the Sixth Five-Year Plan for CSR agriculture, of which JZD received 1,472 units, state farms 370 units, enterprises under direct management of the CSR MZVz 98 units, SZP [State Agricultural Enterprises] 9 units and STS 2 units.

The declining deliveries of new machinery are reflected in the deteriorating age structure of the potato-harvester fleet. Harvesters under 5 years of age made up 65.5 percent of a total of 1,268 inspected harvesters (36.7 percent of the total of double-row harvesters as of 1 January 1979), as compared with the actual situation of 78.4 percent in 1973.

The decline in the number of new harvesters purchased in the Sixth Five-Year Plan was also reflected in the extent of their renewal. As compared with 1976 when with a 12-year service life of potato harvesters it represented 139.2 percent (134.3 percent in JZD and 180 percent in state farms), the extent of their renewal declined to 69.2 percent in 1980 (in JZD to 64.1 percent and in state farms to 108.7 percent).

Utilization of Potato Harvesters

The share of mechanized potato harvest in 1980 was 71.1 percent due to the shortage of harvesters suitable for our environment and particularly due to inclement weather during the harvest and to the extent to which the harvesters were deployed. The unsatisfactory situation in the use of harvesters stems, among other things, also from frequent machinery breakdowns in heavy and stony soils, from insufficient supplies of the necessary selection of spare parts, and last but not least, from the standard of organization itself. If we consider, for instance, the causes of day-long idle time, as it appears from the recent study (reduced by idling due to off-season rest, holidays and planned repairs), then almost 30 percent of idling stems from shortages of spare parts and from emergency repairs, and 11 percent from shortages of drivers (combine operators).

Very few harvesters are involved in cooperation programs. As the MZVz of the CSR reports in its documentation, 190 harvesters, i.e., 5.6 percent of the central base, which were included in cooperation programs in 1980 harvested 936 hectares. As compared with the actual situation of 1979, this form of cooperation did not expand so as to involve more machinery. Problems with spare parts continued in 1980 as well; specifically, rotor disks, chains, shakeout pulleys, etc., were lacking. In 1980, the average output achieved for the season amounted to 21 hectares, which was 3.7 hectares down from 1979. The volume of mechanized harvesting did not increase in 1980 in any kraj. On the contrary, the West Bohemia, South Bohemia, South Moravia and Central Bohemia krajs reported the steepest decline.

In order to better utilize potato harvesters, we must focus attention especially on supplementing their fleet with new, efficient machinery, on selecting suitable areas for mechanized harvesting, on the maintenance of weed-free crops during the period of their growth, and on the cultivation of new varieties resistant to mechanical damage. With the increasing reduction of work forces, the above-mentioned objectives must be achieved without delay if we wish to harvest potatoes mechanically with a minimum of volunteer labor. During the potato harvest in 1980 alone, the MZVz of the CSR needed such assistance of teams of volunteers from the Ministry of Education who worked almost 330,000 hours.

## Beet Cultivators and Harvesters

In comparison with the acreage cultivated with potatoes, which declined during the Sixth Five-Year Plan by almost 29,000 hectares, the acreage of sugar beets increased during the same period by 1,086 hectares; as of 31 May 1980, it amounted to 158,100 hectares, representing 4.8 percent of all areas of cultivation. Although this share in the total area of cultivation is not significant (for comparison: grain crops total 54.9 percent, potatoes 3.9 percent), the thinning, hoeing and harvesting operations still require a great many work forces. In 1980, 2,348 beet-leaf toppers and 3,547 harvesters for divided beet harvest were available for the entire area of sugar beet cultivation. In the Sixth Five-Year Plan, the numbers of conventional triple-row beet toppers and harvesters declined by more than one-third, but the numbers of 6-row self-propelled units increased almost 6 times. As of 1 January 1981 this type of efficient technology amounted to less than 30 percent of all of harvesting machinery in CSR agriculture, nevertheless, it has a vital part in the fulfillment of the planned level of mechanized beet harvesting.

As in potatoes, state farms are better equipped than JZD with beet-harvesting technology. In 1980, state farms operated 15.4 units of toppers and JZD 14 units per 1,000 hectares of sugar beets, of which 5.1 and 4.4, respectively, were 6-row machines; this difference is even more conspicuous in harvesters--16.9 units per 1,000 hectares of beet crops in state farms as compared with 15.1 units in JZD, and in 6-row harvesters, which is 5.2 and 4.1 units, respectively.

## The Level of Renewal and Age Structure of Beet Harvesters

Of the 933 new harvesters for divided beet harvesting purchased during the Sixth Five-Year Plan, 558 were 6-row self-propelled machines; however, their inventory declined 6.7 percent as of 1 January 1981, as compared with 1 January 1976. This development was greatly affected by the physical deterioration of the machinery which had to be discarded frequently even before the expiration of its stipulated service life. In the Sixth Five-Year Plan, 938 beet toppers were purchased, of which 656 were the 6-row models; thus, their inventory declined 16.3 percent. In 1980, the level of renewal of harvesters in general, with 12-year service life, was 81.6 percent (of which 193.8 percent was in 6-row models) as compared with 108.9 percent in 1976. The level of renewal of all beet toppers increased from 78 percent in 1976 to 104.7 percent in 1980, of which for 6-row machines it was 228.5 percent. According to the results of inspection of a selected system of JZD as of 1 January 1979, 41.8 percent of the listed 3-row harvesters were under 5 years of age and 3.4 percent older than 12 years; the situation in state farms was 42.5 and 3.8 percent, respectively. The share of 6-row harvesters less than 5 years old exceeded 95 percent of the inspected machinery in both sectors.

## Use of Beet Harvesters

In comparison with the average seasonal output of 3-row harvesters in CSR agriculture which in 1980 amounted to 44 hectares, the actual situation of

6-row harvesters was 138 hectares. The highest output for the season in 3-row harvesters was achieved in the East Bohemia Kraj, 50 hectares, and with 6-row harvesters in North Moravia Kraj, 165 hectares. The JZD in Kylesice in Opava Okres achieved the absolutely highest output for the season with 3-row harvesters, 133 hectares, and the JZD in Rostenice, Vyskov Okres, with 6-row harvesters, 233 hectares.

The standard of utilization is directly determined by the fail-safe operation of the harvesters, by sufficient assortments of spare parts, by expert service, by weed-free crops, and in the case of 6-row harvesters, particularly by sufficient numbers of vehicles of 8-10 ton capacity for crop removal and by the organization of their deployment. A serious problem stems from the fact that in view of work force shortages the operation of self-propelling machinery in certain agricultural enterprises has often been entrusted to volunteers who lack adequate practical experience, and this has affected the quality of work. Integrity of beet plants is an important factor which affects the use of technology as well as the schedule of harvest operations. According to the materials of the CSR MZVz, in 1980 the fields of manually untended beet crops were overrun by weeds, which was detrimental to their yield, increased the losses, and threatened to prolong the harvest until early winter.

Fodder Harvesters

During the Sixth Five-Year Plan, the acreage of fodders on arable lands, permanent meadows and pastures increased from 1,710,300 hectares to 1,783,300 hectares, i.e., 72,900 hectares. Immediately after grain crops (54.9 percent), the acreage of fodders has the highest share of arable areas (30.7 percent). The precondition for harvesting such extensive areas according to agrotechnical schedules is the accessibility of adequate numbers of efficient equipment.

Despite higher deliveries of trailers and self-propelling harvesters, legitimate requirements have not been fully covered to this day especially as concerns machinery for harvesting fodder on hillsides, swath turners and side-delivery rakes, automatic collectors and other machinery. For instance, agricultural enterprises in hillside and mountainous areas had at their disposal as of 1 January 1981 only 1,212 motor mowers for mountain areas, i.e., 717 machines less than at the beginning of the Sixth Five-Year Plan. Fewer than 30 percent of all motor mowers are the self-propelled models Reform and TK-225-U, however, due to their physical deterioration the inventory of these models declined as much as 50 percent during the Sixth Five-Year Plan. In 1980, the fleet of motor mowers for mountainous areas increased by only 15 new machines, which cannot by far satisfy actual needs. The situation with swath turners and side-delivery rakes is also disappointing; over the past 5 years their numbers have dropped considerably. In comparison with 15,100 units at the beginning of the Sixth Five-Year Plan, their inventory declined to 11,400 units, i.e., by 24.5 percent, as of 1 January 1981. In 1980 agricultural enterprises purchased only 280 such machines. Among other machinery, automatic fodder harvesters, collectors

and feeders are very much in demand. Hauling trucks amount at present to 66 percent of all 27,400 tractors with single-axle trailers and haulers. In comparison with 1979, however, their number declined by 320 units, although more than 1,500 units were purchased in 1980. Those data in themselves signal the deterioration of the fleet of haulers and automatic feeders. To meet our demanding tasks in livestock production, the current situation must be resolved expeditiously, especially by the machine engineering industry. The method of producing "home-made" turners, side-delivery rakes and other machinery in cooperative shops certainly does not offer an appropriate solution.

A significant contribution to automation of agricultural operations is seen in the model ZTRS 310 multipurpose vehicle designed for cultivation, fertilization, treatment and harvesting of fodder crops in hillside and mountainous areas. Among other so-called small machines, manual power mowers of our domestic manufacture, made by Agrostroj in Jicin, will be available for harvesting of fodder crops on hillsides; mass production of those mowers and of the multipurpose model ZTRS 310 is not planned until the second half of the Seventh Five-Year Plan.

Among other agricultural machinery with a significant share in agricultural production are tillers and drills. During the Sixth Five-Year Plan, the situation of tractor plows developed unfavorably. On the average, no more than 1,031 new plows were purchased each year, as compared with average losses of 2,550 units annually. For instance, during the Sixth Five-Year Plan the inventory of 5-blade plows declined from 8,572 to 6,331 units, i.e., 26.1 percent. At the beginning of the Seventh Five-Year Plan only 4,489 plows with six and more blades were available for 5,900 heavy-duty wheeled tractors and for 4,500 caterpillar tractors, while in the Sixth Five-Year Plan their inventory increased by less than one-third, the inventory of heavy-duty tractors had doubled. A similar situation is evident in the case of trailers for cultivators.

As of 1 January 1981,the inventories of grain-drill tractor equipment amounted to 9,632 units, almost 30 percent lower than at the beginning of the Sixth Five-Year Plan, however, new machinery had not fully replaced the high losses caused by physical deterioration. During the Sixth Five-Year Plan 2,842 units were purchased, 875 units in 1976 and only 494 units in 1980. As concerns drills for grain crops, the situation was further aggravated by short supplies of spare parts, particularly drill cases and seed boxes. For that reason, in many instances it was impossible to achieve uniform sowing; moreover, the consumption of seed grain increased up to 30 kg per hectare.

Transport Vehicles

Tractor transport still supplies more than three-fifths of agricultural transportation at present; during the Sixth Five-Year Plan the total number of container transport (double-axle trailers and single-axle semitrailers) declined 16.3 percent (23,700 units) to 120,600 units as of 1 January 1981, at which date CSR agriculture had at its disposal 93,250 trailers as compared

with 111,045 units at the beginning of the Sixth Five-Year Plan. The highest share--44.5 percent--belongs to trailers with 4.1 to 6-ton capacity; 34.1 percent in the group were over 6 tons and the remaining 21.4 percent were trailers under 4 tons.

Although in 1980, 3,827 1- and 2-axle container vehicles had been purchased, their inventories declined 3.6 percent as compared with 1979. Almost 62 percent of the purchased trailers were container transporters with more than 6-ton capacity, nevertheless, the currently available tractor transporters with 4.1-ton or higher capacity cannot cover the needs of our agriculture. While, for example, in 1976 5,007 units had been delivered, the situation declined to 1,651 units in 1980.

The situation of single-axle trailers is more encouraging. In 1980, 1,813 new trailers were purchased, almost one-third more than in 1976. Despite that increase, needs have not been covered, mainly for haulers and automatic feeders. During the Sixth Five-Year Plan their share was up from 51.2 percent to 65.7 percent of all single-axle trailers, and as of 1 January 1981 CSR agriculture owned almost 18,00 hauling and automatic wagons, however, the transition to the conventional method of production of dry fodder, due to decreasing supplies of fodder dried by hot air, demanded that additional new technology be added to hauling wagons.

The truck fleet owned by agricultural organizations in the CSR, with the exception of ZZN [Agricultural Supply and Procurement] and food industry, expanded during the Sixth Five-Year Plan from 14,007 to 25,885 units, i.e., on the average by 2,376 units annually (847 units during the Fifth Five-Year Plan). However, cars with a capacity of over 5 tons, which predominate in the structure of trucks, amounted to 74,7 percent of all trucks as of 1 January 1981. Furthermore, as demonstrated by the one-time inspection in 1979, they represented full 47.3 percent of cars of the oldest age category (8 years and older) registered by state farms and JZD as of 1 January 1979.

During the Sixth Five-Year Plan, the truck fleet increased 84.8 percent, however, this was due largely to the purchases of second-hand trucks from construction and other organizations. Their age structure further affects their inventories and has directly reduced the technical preparedness of trucks and increased the need for spare parts. As demonstrated by the recent study of the use of agricultural technology, day-long idle time caused by emergency repairs and by shortages of spare parts represented, for example, in trucks model Tatra 11-148 almost 55 percent of all idling for those vehicles. Our agriculturists are compelled to buy second-hand trucks of higher capacity because thus far model Tatra 815 farm truck with a bulk of 10-12 tons has not been delivered in planned numbers. CSR agriculture has at present fewer than 50 such trucks as compared with 24 in the beginning of the Sixth Five-Year Plan. The Liaz national enterprise undertook the task of designing a truck for agricultural purposes. A KRB [comprehensive rationalization brigade] operating in that enterprise included also representatives of the JZD in Knezmost, of the Agrostroj in Pelhrimov, of the VUZT [Research Institute of Agricultural Technology] in Prague, the STS in Tabor

and of the Institute of Highway Transport. Its specific achievement is that as soon as in 1977, i.e., 1 year after the organization of the KRB, a model of an agricultural automobile designated as MTSP 27 Agro was delivered to the experts in the JZD in Knezmost. According to the results of the tests conducted by the VUZT in Prague, it is the best vehicle operating in our agriculture. This model of farm trucks may bridge the gap that had developed between the completion of development and the start of production of the model Agro-Tatra automobiles. Tne first 21 automobiles had been delivered to our agriculture as long ago as in 1978 and the 329 units delivered in 1980 raised the inventories of this efficient technology in CSR agriculture to 557 units. Joint Agricultural Enterprises own most (186) of those vehicles.

Differences in the Number of Trucks in Conversion to 1,000 Hectares of Agricultural Land as Compared with the Best Equipped Kraj of North Bohemia, as of 1 January 1981

| | 13 Podíl krajů na celkové výměře z. p. v % | 14 Počet nákl. aut. na 1000 ha z. p. v ks | Index 1981/1976 | 15 Rozdíl proti Sč. kraji v ks | 16 % zornění |
|---|---|---|---|---|---|
| 1. Severočeský | 9,0 | 6,7 | 186,1 | — | 70,8 |
| 2. Hl. m. Praha | 0,4 | 25,1 | 140,2 | + 305 | 77,7 |
| 3. Jihomoravský | 21,0 | 6,4 | 173,0 | — 253 | 82,1 |
| 4. Středočeský | 15,7 | 6,1 | 184,5 | — 383 | 84,8 |
| 5. Východočeský | 15,8 | 5,9 | 196,7 | — 521 | 73,5 |
| 6. Severomoravský | 12,8 | 5,8 | 175,8 | — 482 | 74,7 |
| 7. Západočeský | 12,0 | 5,8 | 186,7 | — 581 | 70,1 |
| 8. Jihočeský | 13,5 | 4,9 | 257,9 | — 1057 | 71,1 |
| 9. ČSR | 100,0 | 6,0 | 187,5 | — | 78,7 |
| 10. z toho: JZD | 60,9 | 4,9 | 175,0 | — | 82,0 |
| 11. st. st. | 23,2 | 4,9 | 188,5 | — | 73,3 |
| 12. SSR (pro srovnání) | — | 5,3 | 171,0 | — | 61,6 |

Key:

1. North Bohemia
2. Capital City of Prague
3. South Moravia
4. Central Bohemia
5. East Bohemia
6. North Moravia
7. West Bohemia
8. South Bohemia
9. CSR
10. of which: JZD
11. state farms
12. SSR (for comparison)
13. Share of krajs in total acreage of agricultural land in percent
14. No of trucks per 1,000 hectares of agricultural land in units.
15. Difference against North Bohemia kraj
16. Arability--in percent

The volume of agricultural transport is expanding along with our growing agricultural production, and, therefore, agricultural automobile transportation must be given the utmost attention and the decision of the 16th CPCZ Congress must be fully implemented. According to specifications of the decisions, 4,000 trucks of 7-ton or more capacity, specially designed for agriculture, will be delivered to the branches of the CSR MZVz during the 1981-1985 period.

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In order to create preconditions for the fulfillment of a challenging goal set before our agriculture by the 16th CPCZ Congress, the sector of the technological base must implement several measures articulated in the reports to the October session of the CPCZ Central Committee. Decisions issued by that session stressed the enormous responsibility of the supplier branches for meeting the needs planned in our agriculture. In the Seventh Five-year Plan, the deliveries of new machinery and equipment will amount to Kcs 21 billion. In terms of essential machinery this represents, for example, 22,000 tractors, 4,000 combine harvesters, 2,600 self-propelling cutters, 4,300 loaders and many other machines. The planned volume of funds for machinery and equipment for CSR agriculture in the Seventh Five-Year Plan is about 6 percent higher than the actual situation in the Sixth Five-Year Plan however, higher prices of many machines are keeping physical deliveries on the same level and even reducing deliveries of certain models.

The tasks facing the manufacturers and suppliers of agricultural technology and spare parts are not negligible. The capacities of our machine engineering industry thus far failed to cover our needs; many machines are also manufactured in other branches. As Comrade Pitra underlines in his report to the October session of the CPCZ Central Committee, a new VHJ [economic production unit] organized for this purpose in 1982 will help improve the diffused production of agricultural machinery and unify the management system of its manufacture and marketing. Because at the present time our production capacities cannot be expanded to any considerable extent, we must seek new methods for the production of agricultural machinery and spare parts, as, for example, international cooperation and specialization in agricultural machine engineering industries within the CEMA. While 127 machinery items were produced in such agreements during the Sixth Five-Year Plan, as many as 237 items, or as the case may be, 262 models of machinery will be manufactured during the Seventh Five-Year Plan. The CSSR will specialize in the production of 84 designs. Mass production cuts costs, which is the basic precondition for more efficiency in agricultural machine engineering.

It is encouraging that agricultural machinery contracted on the branch level has increased from 32 to 48 items whose volume represents almost 75 percent of all deliveries. Nonetheless, the situation remains unsatisfactory as concerns the distribution of other machinery and equipment, which remains on the level of supplier-consumer relations between appropriate VHJ. The distribution of machinery on the middle level still suffers from considerable arbitrariness which may be remedied, for instance, by standardized machinery requirements prepared for the Seventh Five-Year Plan by the Institute for Agricultural Technology in Prague.

Manufacturers and suppliers must further increase deliveries of efficient machinery and technological equipment and in addition, more attention must be focused on the utilization of the existing technology in our agriculture, on better organization and management in the operation of agricultural technology, on maintaining technological discipline, on upgrading the expertise of the personnel operating such technology, and last but not least, on improving preventive and expert care for their maintenance and repair which are the main preconditions for higher output of the operation and for extension of the service life of all machinery in operation.

9004
CSO: 2400/311

## KEY ELEMENTS OF TRANSPORTATION RESEARCH OUTLINED

East Berlin DDR-VERKEHR in German Vol 15 No 6, Jun 82 (signed to press 13 Apr 82) pp 184-186

[Article by Dr Werner Lindner, economist, director, Central Research Institute of the GDR Transportation System: "Transportation System Tasks--Challenge for Transportation Research." A translation of the article by Transportation Minister Otto Arndt cited in footnote 5 is published under the heading, "Ways to Raise Efficiency in Transportation System Pointed Out," in JPRS 78885, 1 Sep 81, No 2167 of this series, pp 94-101. For other related information see a series of items translated under the heading, "New Measures to Curb Demand for Transportation Services Analyzed," in JPRS 80301, 11 Mar 82, No 2244 of this series, pp 21-101]

[Text] The tasks that will have to be accomplished by transportation in order to implement the resolutions of the 10th party congress of the Socialist Unity Party of Germany (SED) place demands on the effectiveness of transportation research of greatest economic, transportation (especially energy-economic), technical-technological and material-economic complexity. The seminar with leading cadres of the transportation system for the evaluation of the third convention of the Central Committee of the SED(2) established the priority of making more effective use of the possibilities inherent in the relationship between the benefits of socialism(4) and the scientific-technological revolution by concentrating research potential even more on the main issues of the scientific-technological main directions(3) so as to exploit all the reserves of socialist intensification and enhancement of efficiency of the entire transportation system. That requires a higher level of cooperation between science-technology-investment-territory and transportation. Taking the advantages of socialism[1] as a basis and directed

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[1]Advantages of socialism for utilization of modern science and technology:
--the scientific-technological revolution solely serves the best interests of the entire population and the entire labor force;
--the purposeful, planned development of the economy and of society;
--scientific-technological progress is inextricably bound to social progress and solves the social problems in the best interests of the working class;
--a high level of popular education is called for and supported--education being a potent social factor;
--socialist integration is inextricably tied to scientific-technological progress and serves to hasten it.

toward the goals of socialistic transportation policy[5], all possibilities, methods and elements of scientific-technical progress are to be used in order

--to shorten processing time by concentration and cooperation as well as broad interdisciplinary work,
--to speed up the tempo of practical implementation and to increase the effectiveness, where the socialistic cooperative work is enhanced by the design engineers, innovators, and users,
--to firmly integrate science and technology into management,
--to increase scientific pioneering as well as to appoint politically responsible research personalities with a critical and progressive mind.

This is what the Minister for Transportation, Otto Arndt, pointed out at the seminar with the leading cadres in Gotha [2], and this is what the action program of the basic organizations of the SED in the Central Research Institute of Transportation of the GDR (ZFIV) is aimed at.

In 1982, complex scientific activity will lead to more progress, and influence will be exercised on the reduction of transportation demand and transportation costs. The following activities serve the more effective realization of an economical transportation in the extensive socialistic rationalization in all sectors of the economy, Combines, companies and territories:

--Scientific colloquium of the Central Institute for the socialistic management of economy at the Central Committee of the SED in order to cut down on the specific transportation costs and fuel consumption by optimizing transport utilization.[6]

--Guidelines to be developed by the Scientific Council for scientific research at the Academy of the Sciences of the GDR which factor reduction of transportation costs into reduction of production costs of industrial combines.

--Planning papers and discussions on economic and transportation-economic as well as basic technical-technological transportation problems at a conference of the subsection "basic problems of transportation" of the GDR research council.

--Development of a general scheme of site distribution of the productive forces along with development of goals and bases of optimum site development and territorial rationalization the Scientific Council for questions of site distribution of the productive forces.

--Scientific conference for the reduction of transportation and energy costs of the University for Transportation "Friedrich List" Dresden.

--Chamber of Technology (KDT) conference on "rationalization of transportation, transshipment, and storage (TUL) processes in agriculture" with an extensive exchange of experiences concerning the methods and results of the implementation of central resolutions for the reduction of transportation

costs and energy demand in agriculture, forestry, and the food industry.

--Development of further rationalization measures of the in-company TUL processes by the 2d National TUL conference.

--Development of efficient transportation solutions for the growth of the cities of the GDR in the 80's by the fourth city transport symposium.

These scientific activities make it clear that transportation research is complying more and more with the demands of the functional character of transportation in the societal process of reproduction and the multi-leveled interweaving of scientific-technical progress and that it simultaneously adds to the formation of this character of transportation in the GDR and its integration into the economic strategy.

The monograph "Reproduction and Transportation"(7) is a new work concerning the application of the marxist theory of reproduction. By expanding on and summarizing existing studies in transportation science, it presents data on the function of change of site of transportation in the process of reproduction under the specific conditions of socialism and the successful realization of the main task as part of a consolidated economic and social policy. The effects of site change on the process of reproduction and the securing of the living functions of man are examined. From this, numerous findings and clues are developed that contribute to the formulation of transportation, to its further socialization, its proportionality and optimization, to Combine development as well as the determination of its role in the process of management and planning of the entire state economy and the territory. This monograph, a joint effort of political economists, branch economists, and technicians of the University for Transportation is also an expression of the new dimension and complexity of transportation science.

The selected activities and results are an indication of a positive increase of performance in scientific-technical work which, as measures against the guidelines of the third convention of the Central Committee of the SED and the goals of the 1982 plan year as well as the 1981-1985 five year plan will have to be accelerated, deepened, and broadened.

Integration, Practice of Transportation, and Transportation Research

To increase efficiency and step up scientific-technical progress it will be necessary for science and the practitioners to work closely together. The research collectives of the ZFIV resolve all their tasks in close collaboration with factory and combine workers as well as management. Proof of this is given by the work of almost 100 coordination groups and their coordination concepts and by the close cooperation with over 130 cooperative partners and the nine completed complex agreements.

Based on an overall agreement supplemented by task- and object-related agreements and economic contracts, close socialistic cooperation has been

achieved in /one particular/ sector between the transport and communications system (TuN dept.) of the Magistrate of Berlin, the transport combines, factories and facilities, the State Railroad Directorate, Berlin (Rbd, Berlin) and the ZFIV. The goal and result of this combined effort is to increase the effectiveness of science and technology so that improved solutions are found for passenger and freight traffic. In order to do this:

--suggestions for efficient freight traffic will be worked out with the goal of reducing the total traffic, optimizing division of labor and traffic implementation.

--TuN and Rbd Berlin will get active support from ZFIV to ensure efficient public transportation (OePNV), including the elevated trains, street traffic and parking facilities in various parts of the city, giving special consideration to the apartment construction program.

--the most recent findings on traffic management and city traffic planning will be used.

--transport technologies will be worked out for the railroad, especially drive trains for electric vehicles.

A second focus is on improvement of quality and reliability of the transport of freight and passenger traffic by the use of advanced transport equipment, especially by the use of microelectronics. In order to do this:

--TuN will be supported by ZFIV in preparing for the use of new technical systems to control road traffic,

--scientific-technical principles will be worked out for the introduction of energy-optimal elevated train and subway service through the use of on-board computers and radio,

--scientific-technical prerequisites will be worked out for extensive use of buses within the existing KOM network and in newly built-up areas.

--scientific-technical provisions will be made for testing and introduction of modern engines, especially for the subway and elevated trains

--modern production and service equipment will be developed by OPNV based on microelectronics

--socialistic rationalization of passenger transport, especially through the extensive application of microelectronics, will be developed and implemented by stages

--scientific-technical prerequisites will be created for the electrification of the railroad

--scientific-technical solution will be introduced to improve track and marshalling yard performance.

The third focus will be on long-range development of traffic in the capital. This joint effort will include the preparation of studies, expert opinions and suggested solutions. Basic materials and suggested decisions will be prepared by groups of experts.

For short-term practical application of R&D results, transport facilities and special technical facilities for research and test purposes of the ZFIV will be made available to the dept. TuN and the Rbd, Berlin.

The training of cadre in the fundamentals of agreed and coordinated conceptions, especially for training of personnel in the use of scientific-technical findings, the targeted qualification and promotion of young cadre and partners, and the time-limited cadre exchange of workers and directors, are likewise part of this cooperative venture.

It took almost 10 years for this broad area of cooperation between the capital city of Berlin and the ZFIV to develop. The magistrate's conference for the transport rationalization on 26 Jan 1982 shed light on a number of other aspects.

The example of the partnership between the Rbd Erfurt and the ZFIV also shows what results can be achieved in the economic and social effectiveness of science and technology. In a 10-year cooperative venture, great success was achieved in socialistic rationalization and effectiveness through scientific-technical progress. Contributing to this was modern switching equipment for branch lines from the USSR, modern trace diagram signal boxes, remote data transmission, broad application of optimization models in train assembly and/or transportation technology, the rebuilding of the Erfurt Gbf marshalling yard as the starting point for the mechanization of other facilities at the yard and the use of microelectronics.

In 1980 alone, 16 measures were implemented as a result of R&D work; in 1982, there were 31.(8) The improvement of implementation of goals of the economic strategy attained by these scientific-technical actions was made possible by a concentrated management effort, by great commitment on the part of railroad personnel and the systematic application of new technology based on long-term conceptions. Through the domestic production of rationalization equipment, the formation of scientific-technical production complexes and through close linkage of all members in the chain of Science, Technology, Investments, Territory and Production, an economical and technical-technologically broad application of research results was achieved. The Science Council (WR) of the Central Research Institute of Transportation (ZFIV) had a hand in this development and drew important conclusions for future work from this.(9) For the first time, the German State Railroad has instituted a "rationalization equipment section for microelectronics" (RAME) at the Meiningen signal and communications depot, as a result of close cooperation between practitioners and transport science.

This scientific and productive capacity for microelectronics capability was developed since all necessary conditions were created jointly by the Suhl and Erfurt districts, by the Rbd Erfurt, by the influence of the party organs of the SED and by the responsible managers of the Robotron Combine.

The RAME performs the following tasks:

--Production of assemblies and final products of microcomputer-controlled equipment
--cooperation in R&D tasks of the ZFIV
--Preparatory work and maintenance and repair of equipment used by the Erfurt Rbd district and cooperation in the qualification and instruction of cadre in the service centers.

These work results prove that capable partners have been found for transportation practice by the formation of the Institute for Complex Transport Problems (KIT), the Institute of Rail Transport (IfE), the Center for Process Automation (ZPA) and the Center for Material and Energy Economics (AME).

Territorial (Regional) Structure and Optimal Transport

The function of transport which is to make possible movement from place to place in societal reproduction and to achieve optimum utility in the sense of economic strategy leads to the necessity and--in a socialist planned economy--to the possibility of integrating the territorial aspect into the optimum utilization of transport and, conversely, of integrating transport into the utilization of territorial structure.(10) As we know, all work and consumption processes have their particular location which is to say they are fixed locally and/or territorially. These processes will function properly only if the labor force, its equipment and tools and consumers are united with their consumer goods by changing their location by means of transport. The goals of economic strategy require of economic practice and transportation science to see to it that both the need for transportation on the part of the economy and transport volume within the territory of the GDR and its regional units (districts, cities, Kreises and communities) are reduced to the greatest extent possible.

In transportation science, complex transportation processes and necessary and possible territorial rationalization that goes with them constitute a unified whole which finds clear expression in a number of findings and in the state of work already attained.(11) Further work to be done by transportation research and the practitioners should concentrate on the following:

--territorial (regional) reduction of transportation needs
--thoroughgoing territorial (regional) rationalization of goods transport according to the Kreis Glauchau model
--reform of the territorial (regional) transport system in accordance with the Kreis Sondershausen model
--joint and integrated measures by central administration (council of ministers, ministry of transportation, central transportation authority) and

the district councils to fulfill 1982 transportation and shipment tasks by ensuring the supply of planned quantities of Diesel and carburetor fuels in all districts
--qualifying guidelines for the central and territorial as well as the integrated administration, planning, accounting, settlement and minimization of transportation.

Among the 250 findings by the ZFIV in 1980 and 1981 there were 50 transportation-organizational and technological solutions; 52 economic and administration-organizational proposals in addition to 28 studies, expert opinions and long-range development plans which contributed to an improvement of territorial efficiency by means of more favorable transport relations. All transportation science research should be aimed even more than heretofore at optimizing branch and territorial programs. Transport optimization will help them succeed, if we manage to overcome the barriers of district borders while observing the existing supply networks. These possibilities show that it will be necessary in the future to make even fuller use of the need for optimal branch-territorial organization and integration on the basis of the potential inherent in the societal reproduction process so as to achieve economic optimization of the transportation system. The "proposals for implementing the 10 priorities in the economic strategy of the economy" worked out by the ZFIV in May 1981 indicate together with the transportation-political goals and guidelines for guaranteeing a sharp rise in the performance of the economy that the optimization of the transport system must be based even more than heretofore on territorial rationalization. The activities of the leadership cadres of the central transportation administration (MfV), of the districts and the transportation conferences in all districts have made a major contribution to the preparation and implementation of more effective means of reducing transportation needs and rational transport systems in all branches, areas, combines, factories and territorial units (Kreis, city, community, cooperative associations). Scientific-technical findings were utilized to achieve these goals. The sum total consisting of efficiency and optimization of the reproduction process, of transportation within the territory and its regional units and of transportation rationalization all contribute to optimal economic efficiency.

In the collectives of the ZFIV, all efforts are based on the action program of the SED basis organizations and socialist competition and are being concentrated on developing initiatives and ideas that will assure the fulfillment of transportation tasks at the lowest possible cost.

FOOTNOTES

1. Documentation on SED Economic Policy. Proceedings of 10th Party Congress:
   --Economic strategy, pp 143-148
   --Main directions of scientific-technical work. Goals and tasks for science and technology pp 174-190
   --Tasks of transportation and communication pp 242-245

2. "The Tasks of the Transportation System in 1982," DDR-VERKEHR 15 (1982) 4, pp 112-114

3. W. Lindner, "Main Directions of Transportation Research of the ZFIV of the GDR," DDR-VERKEHR 4 (1981) 1, pp 9-11

4. O. Reinhold, "Advantages of Our Society--Driving Forces of Scientific-Technological Progress," EINHEIT 36 (1981) 12, pp 1190-1198

5. O. Arndt, "The Tasks of the GDR Transportation System during the 1981-1985 Five-Year Plan," DDR-VERKEHR 14 (1981) 6, pp 185-188

   H. Egemann, "The Transportation System of the GDR as a Factor of Productivity and Growth of the Economy," DDR-VERKEHR 14 (1981) 6, pp 189-192

6. "Transport Optimization," DIE WIRTSCHAFT No 2/1982

7. This study was presented in connection with the following articles appearing in DDR-VERKEHR 4/1981, pp 126-131; 9/1981, pp 303-307; 11/1981, pp 368-371 and 11/1981, pp 42-47

8. "To Succeed Is an Obligation," EISENBAHNPRAXIS, 6/1981 pp 274-278

9. H. Hoffmann, "Effective Partnership between Rbd Erfurt and ZFIV," in FAHRT FREI 10/1981

10. E. Heinz, "Territorial Rationalization as a Growth Factor," DIE WIRTSCHAFT 1/1981

11. Authors Collective, "Integrated Transport Development throughout the Territory--Experiences, Examples and Tasks," transpress, VEB Publishing House for Transportation, Berlin, 1979

    W. Lindner, "Integrated Transport Development and Territorial Rationaliztion," DDR-VERKEHR 13 (1980) 3, pp 76-79

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## LONG-TERM MARKET PLANNING NECESSARY TO MEET COMPETITION

East Berlin TECHNISCHE GEMEINSCHAFT in German Vol 30 No 6, Jun 82 (signed to press 3 May 82) pp 19-20

['Market Research' feature article by Prof Dr M. Winkler: "The Competition of Innovations." The SED Central Committee Seminar for combine general directors, referred to below, was held in Leipzig, 8 April 1982]

> [Text] In their exchange of experience on the occasion of the Central Committee seminar in Leipzig, the general directors of the combines and enterprises agreed that only strict and objective criteria can be made the standard for scientific-technical tasks. Under conditions of the most intense competition, the structure of production and export is to be shaped in such a way that highest foreign exchange earnings are attainable. This includes, among other things, the consideration of foreign market requirements already during product development.

In the national economy of the GDR the foreign trade effectiveness of innovation processes plays a special role because of the high intensity of foreign trade: Approximately 30 percent of the national income, 20 percent of the production of industrial goods, and 47 percent of the distributable end product are exported and are made capable of reproduction via import.

The high export growth envisaged for the period 1981 to 1985 is possible, under the complicated conditions prevailing on the foreign markets, not only through the expansion of the export volume, but above all through an improvement of the export structure in favor of high-quality goods that are in conformity with scientific-technical progress and profitable with respect to foreign exchange earnings.

### Variants Improve Market Chances

The growing exchange of new products has at the same time become an inherent component of the development in international commodity markets and has changed the factors of competition in the capitalist markets: From price competition to competition of innovations. And thus in trade with the capitalist countries new products have become a factor in the stability and continuity of export.

The products, therefore, must meet market requirements and must be introduced in the markets at the right moment. The market requirements result from the needs of clients based on the application of the most recent findings of science and technology. However, they are very different depending upon the different production and reproduction conditions of the users (for capital goods) and the differentiated development of individual needs (for consumer goods).

Frequently these requirements stand in opposition to a rational production. The development of one or more basic variants and different supplemental variants for individual products and a further standardization of components and building units, as well as the specialization of production on a national and CEMA scale is a way of solving this contradiction.

When product development is directed only towards a case of application and a special construction is envisaged afterwards, this not only causes increased costs, but also entails losses of efficiency in export. The reconstruction requires time, which the competition uses to its advantage.

Client Structure Requires Attention

For the research and market spheres that means, first of all, determining the long-term goals, the strategy of product development and client structure of export. Both must take place in close reciprocal action, as it was done in the 7th October Machine Tool Combine for a new series of machines, whose development concept was tested on the basis of the probable demand of the main clients abroad, with the marketing organs abroad being included.

However, it must also be taken into consideration that product development also changes client structure or vice versa: Requirements which concentrate the client structure of export influence product development in a certain direction.

This problem becomes clear when high-performance machines and machine systems must be developed which, not only because of their output capacity, but also in regard to the necessary investment funds, can most of the time be used only by a certain group of purchasers (e.g., heavy industry). Prior to beginning such development plans, therefore, the absorption capacity of the existing clients, the possibilities of changing the client structure, as well as the competitive conditions prevailing in the markets must be subjected to precise examination.

Smaller clients for the most part are only prepared to recognize and pay for the part of the use value of a product which they can utilize in their sphere of application.

Product and market strategy must be planned on a long-term basis. This does not counter the demand for flexible adaptation to changing market requirements. However, precisely this flexibility is possible in unity with efficiency only on the basis of a stable product assortment. Unfortunately, one repeatedly notices in economic practice that flexibility is confused with

operativeness, which is always connected with efficiency losses in production and marketing.

If the product assortment is determined strategically, the point of departure must be that the future product as a whole must conform to the market requirements. That includes its individual components and frequently also necessary accessories. What must be demanded, therefore--in regard to the supply industry and other cooperating partners--is that the development and future production of the product be secured on the inside as well. The experiences in cooperation with the cooperating partners are varied in this regard.

For the export of furniture, for which, for example, the hardware items play an important role, the Unterschoenau VEB Green Heart, with its imaginative research and development, proves to be a stable cooperating partner. In other cases and with other products, price losses in the export business must be tolerated because of insufficient long-term cooperation with the supply industry and lack of initiative there.

Take Into Account the Time Factor

The highest prices can be attained in the foreign markets as long as the product is ahead of the competition. Its prompt introduction in the market, moreover, assures stable sales over the long term, whereby it is possible not only to cover the expended costs for research, development, production and entrance into the market, but also to attain the necessary profit.

Market analyses show that in combines and enterprises of the GDR large efforts are being mounted to organize product development and transition to production in such a way that the new product has an economically realizable advantage over the competition.

To be sure, there have also been cases where it was ascertained that new products were offered to foreign clients occasionally 3 to 4 years too late. With a marketing period at present of 5 to 6 years in many cases, the goods reach the market at a time when the period of market growth has already been passed and the demand is stagnating or declining.

And thus the products--although they are new for the GDR--become mass products on the foreign market and encounter a broad competition. They no longer command top prices and the costs of entering the market are high.

It is the task of foreign trade enterprises and the market spheres of the combines to accompany each innovation process from its conceptual phase through the defense of the duty books to the transition into production, to test the development constantly against market requirements, and, if necessary, to change the development process. In some combines--for example, in the Jena Carl Zeiss VEB Combine--it is already customary for no product development to be undertaken without the consent of the foreign trade enterprise.

As a prerequisite for product development a very precise knowledge must be gained concerning the potential users abroad and their concrete production and investment problems or their requirements. Market research must determine the moment for the product to be on the markets.

Among the market data there is an increase in the share of scientific-technical and technical-technological or such data which influence the scientific-technical solution which is right for the users. The best results are obtained where technical and economic cadres jointly carry out the market investigations.

Market research fulfills its tasks most effectively if it occupies the appropriate position in the administrative process. In so doing it is insignificant whether the responsibility for market research lies with the foreign trade enterprise, the combine administration, or the research center.

What is decisive is the fact that a rational division of labor takes place under uniform direction whenever market information is collected and the information is secured in a purposeful manner as the basis for administrative decisions. The processing of the information, the working out of analyses, studies and proposals submitted to the administration should take place centrally in an appropriately attached structural unit of market research.

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ROLE OF ENTERPRISE 'SUPERVISORY COMMITTEES' DISCUSSED

Budapest FIGYELO in Hungarian 15 July 82 p 5

[Report on a Roundtable Discussion Organized by FIGYELO by Dr Gyorgy Varga: "Enterprise Supervisory Committees"]

> [Excerpts] Modernization of inter-enterprise relationships and a supervisory agency practicing proprietary rights are on the agenda of efforts to renew the enterprise organizational structure. Another part of this "package plan" is renewal of the activity of enterprise supervisory committees [SC].
>
> The editorial staff of FIGYELO organized a round-table meeting to evaluate the current work of the SC's and to discuss future tasks...

To begin: the theme brought about animated debate among the participants, and the opinions on a few questions were quite diverse. The SC's are a regulation regarding state enterprises, but also arose as a topic of debate in connection with the organizational preparations of the Ministry of Industry; this indicates that we are dealing with a topic of concern. The debate is also understandable in the sense that many are wary of increasing supervision which is already excessive. The representative of one medium-sized enterprise said that for example, in 1981, there were 113 supervisory days at his business and he was forced to expend his best efforts in writing reports. He also noted that annually, two or three agencies will examine the same subject, without knowing the results of each others' studies.

The importance of this subject is indicated by the existence of 65 SC's in the Ministry of Industry alone, with 522 members, 316 of whom are members of directional agencies. Differences of opinion were even apparent in analysis of the SC's' work to date. The majority felt that the committees have been helpful in uncovering management insufficiencies; they have regularly examined enterprise economic and development activities and their effectiveness; in general, the SC performs a good service, because its ideas and forward-looking suggestions aid the enterprise in its management, or even in its development. The SC also performs an important role for the supervising ministry, if only because the functionally separated divisions of the

ministry cannot be familiar with the enterprise in a broad comprehensive way. Only the SC can perform a thorough evaluation.

Diverse Judgements

Others hold that the SC is not familiar with the production structure of the enterprise, its products, and even less, it markets: it performs few on-the-spot inspections, and never goes farther than the central plant; the SC meets quarterly or whenever it must make a report; the bulk of the report consists of the summary that the enterprise provides; the SC is rarely able to make suggestions that the enterprise can implement, since they usually call attention to the general goals of the economy or are speculative in nature.

It was pointed out in the debate that what kind of SC and enterprise "gets", in terms of its individual makeup and suitability, is also a matter of chance. Thus we must seek and utilize those guarantees and institutional safeguards which minimize the chance factor.

Similarly diverse opinions were expressed regarding the future activity of the SC's. Some suggested that the SC should be assigned official or quasi-official authority; it should participate in planning the enterprise strategy or at least offer an opinion on it; it should debate enterprise conceptions of organizational changes and present a viewpoint in questions regarding the development of the enterprise's internal mechanism; it should also present an opinion and exercise the veto power in appointments, discharges, and in the evaluation of directors; primarily, the SC should supervise the effectiveness of investments.

In these remarks, advice from directors (who make strategic decisions, participate in them, and operate as agents of the enterprise and a part of its management) and the basically supervisory tasks of the SC's actually combined.

Some suggested that a requirement for effective operation of the SC is that it be a body of the enterprise and a part of its work, as in business partnerships and cooperatives. Conflict between the SC and the enterprise (or its possibility) can only be resolved in this way, they said.

A few were concerned that the situation of the SC cannot be separated from the economic planning system: in itself, it cannot be modernized. The institution of the SC is inseparable from comprehensive modernization of the organizational system of proprietary institutions and the method of practice of the stockholding function.

In the course of the discussion, a consensus was finally reached: we can count on modernization of the proprietary system--as a long-range prospect. Yet even in the present framework of economic management there is a possibility for development of the SC institution, in particular, so that it will be in accord with the direction of anticipated broader modernization.

Non-enterprise Agency

The SC operates on authority from the supervisory body, and thus is its agent, and not an agent of the enterprise. In practical experience, this does not cause conflict between the enterprise and the SC, because their relationship is regulated by law. In addition, this circumstance permits the creation of a board of directors: the functions of the two bodies are well separated, and one does not preclude the operation of the other.

The SC performs supervisory and evaluative functions under authority from the supervising organization, which sets its expectations of the committee in directives.

The activity of the SC should primarily be extended to comprehensive economic supervision. In general, this means that the legal regulations in effect from 1968 to the end of 1977 should again be adopted. At present, the supervisory economic inspections, permitted at most every 5 years, fall outside of the SC's range of authority. It is suggested that this comprehensive inspection and evaluation be added to the authority of the SC. In other words, we are not speaking of an increase in the number of inspections or multiplication of parallel inspections; we mean that the SC should perform this work for and instead of the ministry. The SC would fill the inspecting function of the founding agency.

It follows that the SC should not perform any functions which could reduce the authority or the independence of the enterprise director. In addition, it was mentioned that the supervising agency (its director) cannot make binding decisions for the enterprise on the basis of the SC's reports. However, the agency can make recommendations on the basis of information contained in the SC report; it can call the enterprise director's attention to weighing that information in his decisions; and the SC, in the course of its work, can evaluate if the director corrected the economic mistakes that were pointed out to him.

Thus, protection of the enterprise's independence requires that the SC's authority not be broadened past the right of counsel. Potential rights of decision or veto would threaten the autonomy and power of the enterprise director as well as the objectivity of the SC in its inspections. Also for this reason, the participants in the debate dismissed the suggestion that the president and vice-president of the SC be given personal economic interest in the medium-range activity and managerial success of the enterprise.

The SC, as the agent of supervision, should form its forward-looking opinion of the enterprise and the work of the directors on the basis of its experience in inspection; however, it should not give a direct opinion on the enterprise strategy or plans for development. The SC would do this without accepting responsibility or risk, and thus would bring itself under obligation just like the supervising agency which announces its "expectations". At the same time, expansion of the SC's activity to economic supervision can provide a better means of performing forward-looking and comprehensive analyses and evaluations of longer time periods.

It is useful to expand the SC's function to activity which approaches supervision, but does not interfere in its objectivity. For instance, this can be analyzing the work of the directors of the enterprise; offering recommendations for their complex remuneration, premiums, or perhaps their basic wage; even advising in the discharge and appointment of the SC directors. It is possible that with time, some proprietary functions can be transferred to the SC.

As a consequence, the SC should direct attention to the main areas of enterprise activity and direction and the sensitive issues of any given time, and not examine useless details. It should not concentrate on examination of operative policy.

In the debate, a question arose: can more than one enterprise share one SC? The majority of the participants dismissed the question. The notion that the representative of a rival company or even of a contractually related enterprise should sit on the SC aroused especially sharp objection. It is hardly conceivable that one SC could offer high-quality supervision of more than one enterprise, since the available experts would become overburdened. In opposition to this argument, it was pointed out that the one SC many enterprises principle is at work in the trusts. In addition, all nine coal-mining enterprises are supervised by one SC, because comparison among them is only possible in this way. It was also argued that due to the shortage of specialists capable of SC work, the possibility that one individual could participate in more than one SC is unavoidable.

Reluctant Banks

Concerning the individual makeup of the SC's, the participants primarily emphasized that only those specialists whom both the enterprise and the supervising agency trust should be selected. This opinion also contradicts the possibility that an SC could be shared among enterprises.

The effectiveness of the SC's work largely depends on the ability of its president to offer an opinion on potential members, and in some cases even employ the right of veto. This does not imply that the SC president decides the membership of the committee; the decision belongs in the authority of the supervising agency.

The membership of the SC largely reflects the nature of the enterprise. It is generally proper that financial, price and technical specialists with some enterprise experience should participate. Representation of supervisory and functionary ministries can be accomplished in the SC even by specialists who are not their employees. Because of the present membership situation at the ministries, such representation will be a necessity.

The debate participants did not find the reluctance of banks to deal with the SC's understandable. They felt that cooperation can be mutually useful to the banks and SC's, especially when the financial vulnerability of enterprises and survival of bankruptcy becomes an issue.

In past experience, the participation of the representative of the enterprise trade union has been required; it would be more useful to have the industrial trade union represented in the SC.

The participants agreed that highly experienced, retired but work-capable specialists should be included in the SC. At present, 64 retirees belong to the SC's of the industrial ministry.

The members of the SC presently receive a nominal salary, but under present circumstances equal pay is not desirable. It was suggested that the president of the SC should divide the available honorarium in proportion to the amount of work performed by each member.

Finally, the prestige of the SC was discussed. It became apparent in the debate that its prestige cannot be increased by decree. However, the SC will become more respected when it performs economic supervision and its opinion is sought in evaluation, appointment and discharge of enterprise directors. This objectively strengthens the SC's prestige. Everything else depends on the appointed individuals, their planned and specialized work, and their interaction with enterprise directors.

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FURTHER DEREGULATION OF INVESTMENT ACTIVITIES BEGINNING 1983

Budapest FIGYELO in Hungarian 29 July 82 p 5

[Article by Dr Ferenc Nemeth: "Greater Independence, Greater Responsibilities"]

[Text] Recently, the Council of Ministers and the State Planning Commission took up the question of updating the statutory provisions governing our system of investments and decided on a series of important--and since the promulgation of the decree in 1974 perhaps the most far-reaching--changes.

The goal of these changes was to help allow existing spheres of decision-making and the responsibilities connected with them to more clearly assert themselves, to enhance the strengthening of the business-like aspects of investment activities and to help simplify procedural rules.

Obviously, the success of these general requirements does not depend on statutory provisions alone. In order to achieve these goals, i.e., to more effectively assert them, we also need a comprehensive program for making further improvements in the national economic planning of our investments and in their decision-making and financial system, which is in accordance with the other elements of our economic mechanism. Even before this, however, it is both possible and necessary to carry out certain legislative changes which within the existing system of investments will make its operation simpler and more effective.

Some of the more significant principles, i.e., reasons behind the changes that are to be put into effect starting 1 January 1983 are as follows:

Decision Making and Decision Preparation

Our experiences have shown that the mandatory work-programs prepared for large-scale investments (and also for more significant targeted and other types of state investment programs to be implemented according to the same regulations) have been ineffective in helping us organize and simplify our preparatory work. Therefore, all mandatory regulations pertaining to preparatory work programs have been eliminated. The task of planning and organizing the decision-preparatory phase of large-scale investments has been turned over--without any restrictions--to the investing enterprise.

There has also been a change in the rules for submitting investment recommendations. The submission of development goals requiring economic policy decisions for approval will continue to fall within the domain of the overseeing agencies. At the same time, in the case of large-scale productive investments it is the investing enterprise which draws up (or has somebody else draw up) the investment proposals containing the specifics of implementation, and it is the one which coordinates and submits them to the State Planning Commission. The head of the over-seeing agency also issues an impact report on the investment proposal from the point of view of national economic and branch policy relationships.

This report is sent before the State Planning Commission together with the investment proposal. In case there is a difference of opinion between the enterprise submitting the investment proposal and the ministry, this conflict is decided by the State Planning Commission.

The system for large-scale non-productive investments--in view of their intra- and inter-branch relationships--is the same; the responsibility for such investments belongs to the overseeing agency throughout the entire period of preparation, approval and execution.

Regulations regarding the coordination of investment proposals have been simplified. Earlier rules allowed many questions to reach the control agency level which typically belonged with the realm of enterprise relationships or which required action by the investor. (These included such things, for example, as ensuring the necessary building capacities for implementing a given investment project, providing the necessary work force to operate that project, determining the marketability of the product it intends to produce, preparing price-forecasts, etc.) According to the changes, these will fall within the competence of the enterprises.

At the same time--pursuant to the practice that has evolved over the past two years--our circle of advisory agencies have been expanded to include the National Committee for Technical Development and the Hungarian Academy of Sciences. The idea behind this was to use the expert opinion of these agencies hopefully to strengthen the scientific basis of investment decisions.

In the case of enterprise investments it is the investment charter which helps to insure that the factors considered in the course of preparing and making a decision are properly founded and that significant data decided upon in the course of decision-making (such as investment costs, financial resources, etc.) are properly recorded. This will remain unchanged also in the future. In order to increase enterprise independence, however, changes have been made in the rules for coordinating and reporting on investment charters. According to the statutory provision, it is the enterprise manager (or in the case of cooperatives, the appropriate corporate organ) who is responsible for the preparation of investments, for investment decisions, for working out the necessary conditions for implementing and operating the project as well as for continuous supervision over the investment project.

In the past, this principle could not come into full display in the case of investments which required preparation of a charter (and practically every development that was of any significance fell into this category), because--in order to allow them to report on it--the control agency and the executive committee of the local council also had to be sent a copy of the charter's draft. According to the regulation, the main question on which the control agency was expected to take a stand based on the information obtained from the charter's data was whether or not the completion of a given investment project served the goals of our national economic and branch-development policy.

Although the statutory provision did not require the control agency's opinion to be taken into account, in practice there were not many cases in which an enterprise proceeded to go ahead with an investment project which in the judgment of the ministry did not serve our national economic and branch-development policy goals. In order for enterprise independence and the responsibilities connected with it to more clearly assert themselves, the ministries' right to make an impact report in such matters has been practically eliminated. According to the new regulations, the rule which requires enterprises to send charter drafts to the control agency for a preliminary opinion applies only to a part of the investments constituting our central development programs, i.e., to those which exceed the 500 million forint level in estimated total expenditures.

What this change in the statutory provision means basically, is that in the future state influence on enterprise investment activities will have to be exercised mainly through the means of national economic planning and regulation. Starting 1 January 1983, therefore, we will have to build up and more consistently use our state subsidy system to insure that the general goals of our investment policy, our central development and other state-sponsored programs and development projects connected with the fulfillment of our international obligations are more efficiently realized than before.

Strengthening Business

According to last year's resolution of the State Planning Commission, investment projects should be implemented by strengthening their business-like aspects, i.e., by making the system of "contracting" and competition more universal.

Obviously, in the process of implementing an investment project it takes a while for these various business forms to become universal. For business and competition to develop--while trying to permanently reduce overheated investment activities--a broad range of legal, incentive-promoting and organizational measures are needed, together with a lifting of a whole line of restrictions presently in effect. Efforts to achieve this goal are already under way, and just recently several--mostly legally oriented--decrees have been issued to the same effect.

In addition to all this, it had to be ensured that these business development-promoting changes and simplifications are also asserted in the various

statutory provisions pertaining to our system of investments. This was necessary because some of the regulations put forth in these decrees were not in harmony and even markedly hindered the assertion of business principles.

We had to moderate our strict regulations regarding the starting conditions for investments. This was necessary because these restrictions were hindering business development, the reorganization of tasks related to its implementation and essentially all efforts to get our contractors and investors to assume as great a share as possible in completing a given investment project and to reassign certain tasks from the investors and planners to the contractors.

Some of the regulations that were rescinded made the establishment of the starting conditions virtually exclusively a task of the investor. Obviously, this was not in harmony with the spirit of business, although it would be desirable if a part of these tasks were turned over to the investors by way of business contracts. For example, the task of preparing (having somebody else prepare) the net-plan of implementation--process organization--and the work program of investment projects could be given to the contractor instead of the investor; and the task of obtaining official permits for the implementation and starting-up phases should fall not only on the investor but also on the contractor, etc.

In the future, investors will--by prearrangement--have to give planning and potential building (i.e., technical assembly) enterprises an increasingly greater say in their decision-making if they want to base their investment decisions on more solid foundations.

As business principles have become increasingly more narrowly defined, contractual constraints, i.e., the number of tasks to be performed by appointment, have also continued to narrow. General contractual constraints pertaining to large-scale investments, in other words to significant targeted and other state-sponsored investment programs will be eliminated. Starting 1 January 1983 these types of measures could only be considered in an extremely limited number of cases, i.e., in the case of a few development projects determined by the Council of Ministers.

Simplifying the Rules of Procedure

Some of the changes expounded above will also bring with them a simplification of the procedural rules. (Eliminating the preparatory work program, restricting the process of mandatory reporting, relaxing the starting conditions, etc.) In addition to all this, in the interest of simplification it was also necessary to review the supplements and specimen sheets attached to the statutory provision and to eliminate regulations which do not fully contribute to strengthening the basis of investment decisions. The changes and simplifications affecting the financing of investment projects were also made primarily with this goal in mind. The restrictions regarding the financing of state investments will be slackened in the future and the mandatory requirement to show sufficient financial reserves will be eliminated. The reason for this latter move is that this matter can be taken care of

partly among the enterprises themselves and partly between the banks and the enterprises.

The announced legislative changes have been aimed at those basic decrees which regulate our system of investments. In accordance with these changes, in the near future we will also have to review the investment systems of our agricultural and forest economic organizations as well as the investment rules (regulations) of our ministries and our megye (capital city) councils. In the case of these latter, it would be expedient to rescind those statutory provisions which cannot be rescinded, justified changes and innovations should be implemented in such a way so that their effects on the preparation and execution of investment projects can be flet as early as 1983.

9379
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## OFFICIAL ANALYZES PROBLEMS OF SUPPORT INDUSTRY

Budapest FIGYELO in Hungarian 22 Jul 82 pp 1, 7

[Article by Adam Juhasz, state secretary of industry: "The Situation of Our Support Industry"]

[Text] Much is being said nowadays about the situation of the domestic support industry*, about its relative backwardness, as a factor that limits the performance of industry manufacturing the end product.

But sometimes many people look for this as the fault even in cases of other shortcomings that exist at production units: lack of organization, unsatisfactory inventory management, etc., even though it is undoubtedly true that our support industry falls significantly short of the demands of the user industry.

### Large Enterprises--Short Production Runs

Thus, a complex question is involved here, and if we interpret the concept of support industry a little more generally, then a rather broad circle of the industry's activity must be listed here since it can also be said of most so-called end products that they serve as the technical support for the social processes and within this for industrial production processes. This background regenerated for itself by industry as a whole leaves quite a few things to be desired.

The stabilized character of the worldwide growth of specialization and work distribution further expands the circle of industrial support activity. This is how, for example, the earlier Raba railroad car and vehicle factory became a typical support enterprise for the vehicle industry.

Interpreting the multidirectional movements, it becomes immediately obvious that industry cannot be rigidly divided into a capitalized "Industry" that is,

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* Based on the author's presentation to initiate the debate, prepared for the Industrial Scientific Conference to be held in Szeged on 22-23 July 1982 by the Csongrad megye chapter of the MTESZ [Federation of Technical and Scientific Associations] and by the Southern Hungarian Coordinating Committee of the Hungarian Chamber of Commerce.

so to speak, potentially capable of the appropriate performances, and to a "Support Industry" that keeps holding it back at every step, forming sort of a shadow or mean ghost of it.

What is involved, then, when we speak of the backwardness of the support industry? The inappropriate structure of industrial production, which presents itself on two separate levels.

One, it is a well-known fact that the product structure of Hungarian industry--and especially of the machine industry--is too broad as reflected by the volume it produces. As a consequence, a significant portion of the many kinds of component parts and subassembly units needed for it must often run at far below the level of profitable production. This structural problem deriving from earlier excessive efforts aimed toward an end product orientation and autarky, in addition to breaking up the length of production runs and losing the advantages of assembly-line and mass production, and retarding technological levels, also hinders the development of specialized component parts manufacturing, and puts its stamp on the low level of involvement of our industrial support production in international trade.

Two, is inadequate enterprise structure. The industrial activity of the developed industrial countries is characterized by the sharply divided, pyramidlike construction of the enterprise structure.

In these structures, the activity of the relatively small number of large enterprises and trusts located at the peak of the pyramid is served by or supplemented by the large number of small- and medium-sized enterprises located in the middle of the field and specializing in narrow areas of the multitude of component parts, subassemblies and semifinished industrial products, while these latter, in turn, are also relying on the contributing activities and services of innumerable small and midget enterprises. This production structure with its high degree of flexibility provides the appropriate profitability and therefore a very good background for industrial production, even if production runs are shorter.

Unfortunately our production structure is not characterized by such deep articulation and this has also hindered the development of the support industry.

This was also joined by the fact that parallel with the development of the industrial branches producing end products, which received strong incentives, the development of industrial support branches necessary for these did not receive the needed emphasis and assistance. Two more factors are also worth mentioning which, through the sphere of sales, exerted their negative effects and to a large extent still exert negative effects today:

--the present formats of commerce do not satisfy the requirements of effective inventory management and sales;

--we do not have an information system and relay network capable of adequately relaying unsatisfied demand toward available capacities, and vice versa.

Beyond the support industry, a problem of the national economy is reflected in the situation that while production is stagnant or decreasing at many enterprises and while unused capacities are increasing due to the effect of developments, the behavior of the enterprises on the domestic market has not changed at all, the seller continues to be in command. Many producers, including those in the support industry with mostly free market prices, are able to achieve increasing profits even with stagnant production. Here the force of economic necessity is not functioning effectively.

Unfulfilled Needs--Available Capacities

This is how the present situation of our support industry has developed, which can be characterized by the following:

--preliminary products, for example, rolled products, castings, wrought and stamped products are made generally in poor quality, with large allowances and without precision;

--our enterprises specializing in the production of component parts, subassemblies, and fastener elements are unable to completely fill demand either in quantity or quality. For example, this year's value of the screw orders placed for import is more than $10 million...

--specialized tool production can satisfy only about two-thirds of demand, and thus our capitalist tool imports reached $40 million in 1980, which amounted to almost 45 percent of the output of the specialized manufacturing enterprises.

But a large share of the imported products could also be made in this country since the level of exploiting the support industry's capacities built into the verticals is low, very often it does not even reach one shift, and thus unfulfilled needs and available capacities are present simultaneously on a lasting basis, which in addition to replacing the imports, could also provide a way for profitable exports.

In September 1980 the Council of Ministers passed a resolution, and following that the GB [Economic Committee] prescribed concrete tasks for the Ministry of Industry and its associate organs for developing the support industry. The Ministry of Industry and the associate organs have taken a series of important measures in order to implement these tasks. I will mention here only the following ones from among these:

To develop the support industry, the financial organs in accordance with loan policy guiding principles have thus far awarded about 1.5 billion forints in loans and 400 million forints in repayable basic state grants. However, it must be emphasized that in the present economic situation there will be no way of making state subsidies for the development of the support industry, and financial organs will be able to make loans even to industrial support enterprises only under the general competitive conditions prevailing on the loan market.

The Ministry of Industry can support only those enterprise efforts which do not require major investments and which are aimed at exploiting existing capacities and eliminating narrow bottlenecks. (The exploitation of reserves that exist in the cooperative industry and at agricultural facilities, and which can be opened up by expanding cooperation between the socialist countries, are also included in this.) Besides this, it is also necessary to enlist small enterprises in the interest of fulfilling the needs of the support industry.

The industrial support coordinating committee created in the Ministry of Industry is keeping this in mind in its operation.

An agreement has been reached between the Hungarian Railroad Car and Machine Factory [MVG] and the Screw Manufacturing Enterprise [CSIV], according to which the MVG agrees to produce for the CSIV about 800 tons of highly tempered screw thread fastener products (valued at $1.2 million) in long production runs, by including in the production the screw thread fasteners producing capacities built into the vertical but previously overloaded by many small internally needed items. In exchange for this, the CSIV--using its TEK [Full Supply Capability] function--will fill the MGV's needs for the many types of small-volume items by import.

The Ozd Metallurgical Works submitted their bid to the financial organs to introduce the domestic manufacture of springs that hold down the railroad's tracks. They were successful, and thus will replace annually about 100 million forints' worth of capitalist imports.

A Feasible Path

We have developed an information network in the interest of replacing capitalist imports and better fulfilling domestic needs. In addition to the Support Industry Information Organization Office, a small enterprise that has split off out of the NIMIGUSZI [Ministry of Heavy Industry Institute of Industrial Economics and Systems Analysis] and the capacity exchange established with similar functions in the MHE [Hungarian Shipping Association] Computing Technology Center, the referral enterprises and organizations built into this network, which also perform brokerage activities, have accepted very serious roles.

Based on the specific unfulfilled needs identified in the various trade groups of the support industry--with the cooperation of this very referral network--significant initiatives have already been taken to involve the cooperative industry by providing it with technology and machinery.

The manifold nature of the cooperative forms and the variety are well illustrated by two examples:

--Under the joint management of IPM [Ministry of Industry] and the OAAH [National Material and Price Office], an organization needed to improve capitalist import components parts by stacked [felrako] welding, was established at the FERROGLOBUS [Iron and Steel Production Equipment Trading

Enterprise] with the collaboration of three agricultural producer cooperatives. This will render unnecessary the import of significant quantities of component parts;

--under the management of the IPM and the OKISZ National Federation of Artisan Cooperatives, an association has been created with the participation of the Danuvia, Ferroglobus, and the Kobanya Tool Manufacturing Cooperative to divide the manufacturing of forming-die housings, and to inventory and sell them.

There are now very many examples to prove that more than just the theoretical possibility exists for more vigorously involving existing capacities and the cooperative industry, the agricultural producer cooperatives, and the small enterprises in industrial support production. This is a path that is possible also in practice, on which more and more enterprises are embarking with our cooperation, urging, at times even nagging, but more and more often even by their own initiatives. I could word it this way: there has been some movement in this area, the technological and business thinking of the enterprises has accepted and is beginning to become friends with these new formats and methods, and the initial practical steps are encouraging.

8584
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SPECIALISTS DISCUSS IMPLEMENTATION OF AGRICULTURAL POLICY

Warsaw ZYCIE GOSPODARCZE in Polish No 20, 6 Jun 82 pp 1, 6, 7

[Roundtable discussion organized by ZYCIE GOSPODARCZE: "As the Economy Goes, So Goes Agriculture"]

[Text] A roundtable took place concerning the problems and conditions of the agricultural policies in the near term and in the more distant perspective. Participating were: Dr Mieczyslaw Bojarczyk, vice chairman of the Provincial Administration of the Rural Youth Union [ZW-ZMW] in Lublin; Michal Losiak, farmer, Jaktorow, Warsaw Capital province of Warsaw; Prof Dr Ryszard Manteuffel, Central School of Rural Agriculture-Agricultural Academy [SGGW-AR], Warsaw; lecturing Dr Zbigniew Mikolajczyk-Institute of Finance; Eng Adolf Swies, Strzykuly, State Farm [PGR] director; Dr Jozef Zuk, Central School of Rural Agriculture-Agricultural Academy [SGGW-AR], Warsaw, and representing the press: Marcin Makowiecki and Karol Szwarc.

Press: Regarding the first plan, a question arises regarding the present state and changes in the agrarian structure of agriculture, and in this mose desirable model of private enterprise, today and in the future.

J. Olejnik: I propose, however, that we begin by testing the evaluation of our present situation. For this will reflect upon the character of our discussion. Let us establish specifics.

Press: And so let us commence with an evaluation of the situation.

J. Olejnik: Various opinions are in circulation regarding the actual status. Generally, everyone refers to the Central Bureau of Statistics [GUS] data. It discloses, for example, that in the private sector, there are 16-17 million hogs, but the shelves in the meat shops are bare. If there were 17 million hogs in Poland, we should not have any problems with the meat supply. The quantity of grain from harvests of past years is estimated at 20 million tons. If we were to take into account the fodder supply emanating from this, a riddle arises--together with potatoes, we have practically the same amount of fodder designated for the hogs as does the FRG, but a much smaller production of meat. And so, where is this fodder lost? We do not really have that much of it, or we have it and ruin it, waste it.

M. Losiak: Only 1 month ago, I was one of the largest private producers of hogs. Today I am not--there is no fodder. In the market place there are many disturbing phenomena. I am concerned about the free market price of grain, piglets, shoats, slaughter hogs. Recently it was quite evident that the price of piglets fell sharply during a period when it should be rising. Invariably prespring prices for piglets rose; the farmers having bought them up to fatten. It is not so today, For example, in the voivodship of Siedlce or Biala Podlaska, a pair already sells for 2,000-2,500 zlotys; an excessive supply, or a lack of interest in breeding? It is similar with potatoes--there are none, even in the barrows. The same applies to grain. Among other things, it was for this reason that the grain loan was not retired.

In agriculture, there can be observed a clear declining tendency. And this is not the result of a crisis in the nonagricultural sector; shortage of machines, manure, or also unprofitable prices. Last year I could produce 4,000-5,000 hogs. At this moment, I have empty pig pens because of the lack of fodder. Production in highly marketable commodities, formerly called specialties, is diminishing. Giving witness to this are the results from the voivodships of Poznan, Leszno, Bydgoszcz--traditionally strong agricultural regions.

A. Swies: I agree that we lack full perception of the situation regarding production. I shall give one more example: poultry. In January, February, we recall, there was rumbling, fear, that there would be no eggs. This appeared to be a prologue to the increase to 16 zlotys in price per egg. I considered, and consider today, that this price was unfounded. And what is the situation today? There is tremendous overproduction. The price dropped to 8 zlotys, the lowest being 4 zlotys. Therefore, most likely, there is no real evaluation of the situation regarding production, for whence in the course of not quite 2 months have we arrived at overproduction from a tremendous deficit? And now let us observe what the consequences will be. From the point of view of our industry --we have an egg-laying chicken farm--at this moment I see the necessity to withdraw from production.

I noticed that other producers are also begining to curtail animal production, because a comparison of the cost of procurement of crops, together with its conversion into meat, clearly negates any profit on the latter.

J. Zuk: At present, when we began the agricultural reform, problems arise, because those farms which for various reasons previously enjoyed very profitable conditions of production, are presently undergoing a period where those conditions have ceased to work. This pertains, among others, to the farm of Mr Losiak. There were few such farms in Poland, but they were taken into account, because of their high production. We provided them with the means of production, primarily fodder; the investments were substantial. They realized huge incomes from this--a half million or more for one so engaged. Today, they are in a difficult situation.

W. Michna: The fundamental sizes of production were called into question. Do we have 20 million tons of grain; do we have 40 million tons of potatoes, etc. Extreme estimates abounded that we have one-half or perhaps one-third less. And I have doubts whether the estimates drawn up by GUS are accurate, but it

would be difficult to acknowledge that the grain yields were so extremely low, to warrant an erroneous estimate by one-third. The same pertains to potatoes. Perhaps there is a mistake in the method of listing areawise--here larger errors are possible, however, I cannot admit to the possibility that we could have erred by 20 or 15 million tons of potatoes.

M. Losiak: Satellite photos indicate that we could have a grain harvest approximating 20-21 million tons. But how much of it was delivered to the warehouse? This is really the difference.

W. Michna: It is important to note when the crop is estimated. Is this a biological harvest or a warehouse harvest? Our method of estimating the grain harvest is oriented toward the "golden mean"--between the cutting and transportation to the barn. It is not, however, to be precluded that the losses can be somewhat greater than we believe. On the other hand, we do not include, with complete certitude, the silage losses in the total supply. Analyses conducted by various investigative sources state, for example, that 30 to 40 percent of the food value is lost at the time of its withdrawal from the silo. However, the supply most frequently fails to reflect this loss. This difference can be substantial. Nevertheless, however, taking all into consideration, the actual state of production is close to that reflected in the GUS estimates.

Press: Let us, however, return to the question posed at the beginning. Messrs Losiak and Olejnik manage farms whose production is large--specialized. A goodly number of similar enterprises sprang up in recent years, and were even for a certain time cited as models. There could even be heard opinions that the classical peasant farm--family farm as it is called--is a body of a temporary character; for many reasons, above all, socially and technologically, productive. Recent Sejm decisions clearly defined the continuity of private farms. But the problem remains, again--on this level, which was accepted by the Sejm--discussion is required on what the nature of the enterprise will be. And the second matter: How will intersector relations be arranged?

J. Zuk: Economic practice dictates the acceptance of a thesis which has been bandied about for a very long time, regarding equal treatment for all the socioeconomic sectors in farming. This thesis is already officially accepted, but for practical purposes we do not yet know how to execute it, because some continuously regard the private family farm as a temporary structure.

R. Manteuffel: It was not today that I encountered the thesis regarding necessary structural changes in farming. From the moment of the acceptance by the Sejm of the fundamentals of continuity of private enterprise, such a thesis cannot be officially advanced. If it can be encountered in some announcements, I regard this as the personal view of the individuals who are advancing it. I understand the Sejm resolution as having but one meaning: equal laws exist, and there also exists the stability of both sectors, the socialized and private. I cannot argue as to the greater effectiveness, as such, of the collective form as compared with the private form of production. The collective form gives results when a considerably greater scale of production gives greater effects, subject to the condition that collectivism will render a reasonable division of work.

J. Zuk: I agree that the changes introduced in the civil code concerning the continuity and stability of private enterprises do not require discussion from the point of view of structure. The family enterprise is also a socialistic enterprise. It does not involve a hired working force; it has all the possibilities of conducting expanded reproduction and introducing technological progress; it is fully and completely bound to the market of the state. It lends itself easily to inclusion in a planned enterprise; it is predisposed to internal incentives of every kind and it can easily change direction and intensify production. In conjunction with this, however, it will be necessary in the future, to caution the family-type enterprise, not to invest excessively in the premises in order to avoid a reversal at any given moment. Today a million, or rather, practically 2 million farms are not, for practical purposes, regular work facilities. Most of them are overinvested. Machinery is limited to a small area. Because of this, other forms, not bureaucratic, of socialized agriculture are also necessary; and hence, coproduction cooperation, common useage of machines, common animal production. We have discussed this for years; however, unfortunately, it was not done because of varied reasons.

M. Losiak: Deriving benefit from the presence of the PGR director, I wish to say, that recently, one can observe a combination of attacks on the PGR in an attempt to destroy the highly marketable commodities of large private farms. I an not concerned with the large, expansive farms, but only the highly productive ones. The type of enterprise I represent was included in the index. If now someone tells me that the attack on highly marketable commodities is a step toward collectivism, I will be in a position to understand this and not discuss it. But if there is talk of legal, lasting regulations concerning the status of private enterprise, then such proceedings are to me, to say the least, incomprehensible.

W. Michna: I would like to question what was stated by Mr Losiak, that we make life difficult for enterprises such as his. If at this moment specialized farms are not receiving fodder, it is not because the government wishes to drive them into collective enterprises; there is no such intention--we simply do not have fodder. We can question some inclinations, representing a bad remainder of the past, but let us argue from a position of good faith toward the agricultural policy of the nation.

M. Losiak: At the time when the farms, referred to as specialized, arose, we had no legal guarantee as to their continuity. Since I could invest money, in a measure preponderant to that of the state, into something bearing no guarantee; then now, even more so, such guarantees are not needed by me to achieve prosperity. Second, even if there be a constitutional registration concerning the continuity of the peasant farm, then likewise, someday the Sejm could enact a change.

W. Michna: In our past agrarian policy, the family farm was always regarded as the basis for employment and the upkeep of the entire family, without hired help. On the other hand, peasant worker farms employing half a person or one and one-half persons on the farm, although they are the mutual property of the family, they do not represent family enterprises. The concept of family enterprise is not a legal concept, but rather one of production. Whenever I speak of

the family farm, I think of it as representing the basis of full employment for the entire family. We have relatively few such farms. Furthermore, these numbers will not multiply rapidly. During the course of the next several years, little thought will be devoted to basic changes in the agrarian structure. Our wish and endeavor is to enlarge average farm facilities, but during the entire period of the crisis there will be few land-selling candidates. A substantial portion of the population returns to the village, and the working peasant will not sell his land because it represents the best capital investment; and in addition to that, it solves the food problem.

You ask here what is the ideal size of a farm? I would be fearful of inventing some sort of model and saying: "We shall strive to achieve this ideal," because in the foreseeable future, we must simultaneously increase production on both the peasant worker farm consisting of 1 or 4 hectares and on all larger family farms, because the possibilities for changes in the agrarian structure, as I stated, will be limited.

M. Bojarczyk: There are as many problems as there are farms. And in addition to this are regional differences. The present-day state of farming--the magnitude of its end product--is the result of the level of investment in this sphere of production, the intellectual level of the producer, which must, however, be reduced by the cost of errors committed and ineffective investment. At present, there has appeared a blockage against the development of productive forces in farming. Productivity of labor in industry is so low that it does not keep pace with the needs of the village. And industrial supplies will determine the production possibilities of farming. Moreso than the changes in agrarian structures which we are discussing here today. It is true that the laws of the market should decide the changes in the agrarian structure, but simultaneously, taking into consideration the social aspects which cannot be overlooked, we must reply to the question: Who will assure the people leaving the village of a place to work in the city? Furthermore, we will create an excessive army of officials.

M. Losiak: In my opinion, the only sensible criterion is the profitability of production. Can we think of anything more intelligent? Let us assume that today I can sign an agreement with some party from abroad for the sale of meat; and what is peculiar, in spite of the fact that I import fodder for dollars, it will, nevertheless, be profitable for me. Can you explain to me why, in such a case, my farm is to remain empty?

L. Olejnik: Because we lose this fodder somewhere else. Now the farms with directed, specialized production, derive the greatest benefit from the fodder. An enterprise of this type has at its disposal a building which maintains moisture, temperature, and, most importantly, the breeder knows what proportions of albumen to the unit of oats are required in the fodder. He benefits from this fodder in a most profitable manner, whereas the average producer does not. Although it is often said that he produces cheaply, it is not so. He consumes and misuses the fodder supply of the country. It is hence possible to agree that we produce so much grain and potatoes, but they are not effectively disposed of.

It matters that the owner of an 8-hectare farm should not have to produce a few hogs, but could for example, produce seeds for vegetables or sugar beets. Because he possesses the possibilities of obtaining top production with such facilities. On the other hand, the one who like myself has a large farm, should produce fodder. However, I have empty pig pens. I possess fodder, but I must sell it to the individual socialized farms, in order to pay my bank note. The Food Management Bank [BGZ] deducts my production. I do not want something for nothing from the bank. I wish to repay the money borrowed, but please give it to me without setting conditions. The bank, if it grants so-called working capital credit, sets such conditions that nothing can be purchased privately from a farmer, because there must be an immediate bill issued for this. But not everyone wishes to grant one. My production should speak for my creditability.

M. Losiak: Agriculture, according to the theories of some gentlemen, must produce without agrarian changes. My question is: What prices should the small farms receive as an incentive to produce? I agree with Professor Manteuffel that it is not necessary to discuss structural changes. But if we are to talk about what is to be done in the near future, in order to guarantee the nation a satisfactory quantity of food, then I regard this as worthy of discussion. In my real activity, after my transition to agriculture, I know this, that the model of the so-called family farm in general has not been proven. I am downright practical. With me production speaks. Up to mid-April of this year, I sold my production for 16 million zlotys to the state sector--130,000 kilograms of meat. This grants me the authority to take part in this discussion and to state what I think.

M. Bojarczyk: I concur that Mr Losiak's farm is the farm of the future. But, as one deriving benefit from a small farm, (my mother and mother-in-law reside in the country), I would like to emphasize, however, that it is the prevailing model for farms, and in the approaching years it will determine the level of food for society.

R. Manteuffel: In Poland, so long as the domestic production of food is required, the chief goal will be the intensification of the net end product of the individual facility. Should this necessity decline today--I do not visualize when this could happen--and the number of people on the farm were to be reduced in a basic manner, at that point it would be necessary to maximize the production of the individual worker.

The expansion of farm facilities, considering conditions and the lack of the means of production, lies in the interest of the farmers, who, by curtailing production and farm income per hectare, can in this manner increase the family farm income. However, so that the expansion of the farming facility would not react unfavorably on the social interests and not curtail the agricultural production of the country, which would eventually even be increased in size, there must be the possibility of full substitution of the diminishing amount of direct labor per hectare (labor force) by so-called indirect labor, or sources of production of industrial origin. This is a required condition, and until this takes place, only those enterprises can expand their facilities whose potential is higher than the need for this small facility; (they have a surplus of direct labor or sources of production which are not fully profitable).

In further perspective, when the market becomes saturated with the centers of production for farming, and the number of those gainfully employed in farming decreases responsively, we will acknowledge as proper the extensive polarization of farms. This signifies the rise of farming enterprises offering full employment to the farm family; and likewise the rise of small farms for dual occupation (farmer-worker), and allotted plots adjoining homes, where members of the family can benefit from marginal work. This will serve to help the family to provide articles of food for itself, as well as relaxation for those members of the family who desire this: an analogy with the allotted plots.

Under present-day circumstances, in conjunction with the need to increase farm production in the country, it is likewise necessary to promote the smaller farms of approximately 2-7 hectares in size which produce high yield per hectare, and which can increase their facilities by purchasing a couple--a few--hectares, if their potential for work and the means of production warrant it.

W. Michna: I suspect that my statement was interpreted as meaning that I question the rationale of a specialized or large enterprise. Absolutely not. I am convinced that the specialized farms benefited the best and generally considering, better than the medium and small, and furthermore, better than the socialized, from the fodder supplies, the manure, the means of preservation, etc., etc. If, on the other hand I referred sceptically to the possibilities of substantial changes in the agrarian structure, it is because I do not now see in the course of the next 10 years the possible application of such economic proceedings which would compel the small enterprises to sell land to the larger. This is a social matter. Let us not repeat what has occurred in Western Europe. The Western countries, on the basis of the economic screw, compelled small farmers to abandon the land. Shall we--espousing the unity of economic and political goals--can we permit ourselves to adopt such a "rational luxury" and apply restrictions regarding small enterprises?

M. Losiak: These are not restrictions, it is the introduction of the mechanism of the market.

W. Michna: Let us then use different terminology--such market conditions which compel the small farms to liquidate. It is not only an economic question, but also social and political. As a social agent, I must consider whether I could establish such market conditions feasible, for example, for a million or one-half million farming enterprises to sell land. Not from the aspect of model economics, because according to the criterion of the possibility of achieving high labor productivity, when is something worth striving for, but rather from the social aspect. Besides, it is always necessary to consider that small farms benefit well from the marginal labor force.

M. Losiak raised an interesting matter. He states: I have the capability to produce, why not supply me with fodder for dollars, so that I can sell meat for dollars through the department of foreign trade. For a given period, a solution of this type could become a reality. It is estimated--by a staff of foreign trade experts--that the export of meat can be increased by approximately 100,000 to 150,000 tons. It would be sensible to import fodder in order to increase the export of meat, subject to the condition, however, that the consumption of this

meat not take place in this country. In this instance the operation would lead to implication in a "debt trap." At this moment, the ratios of fodder to meat are very advantageous. It is confirmed even, that with the consignment of imported fodder to the specialized farms, whose use of it is especially effective, real benefits can be achieved. In the event of an improvement in the international situation, such an idea could become a reality.

J. Zuk: The chief concern with farming is the investment into that which provides good productive effects. In many instances during the past period, we have made irrational investments in developing--for example, the farm of Mr Losiak--this direction of production which was practical over the short run under Polish conditions. And while on the basis of comparative prices, he could function very well economically when he contracted 10 to 14 ares [an are is 1/100 of a hectare] for fodder in the United States or Canada. It represented a ballast, or a rope around the neck for the national enterprise over the longer term. We did not develop grain production in Poland only because we could buy. We established the policy in this manner: with the aid of a cheap labor force, we shall produce relatively cheap fodder [as published] in Poland--this at the beginning of the 70's--we shall export meat and maintain employment and profits simultaneously. Please let us focus on what happened--the price ratios changed violently; grain went up in the world markets, the price of our end product--especially beef--went down and we allowed ourselves to be led down a blind alley...

J. Olejnik: And my case?

J. Zuk: You made an investment, the enterprise invested, the buildings stand empty; we lose assets which produce no results.

M. Losiak: Immediately, immediately. Why did it not work out here? Because we consumed this meat. From a political point of view. In no country must one eat ham daily. In order to invest, I was forced to save.

R. Manteuffel: I agree with Mr Losiak that the fundamental error in the concepts of the years 1975-80 was not the import of fodder, but the consumption of meat produced from that fodder, instead of exporting that meat. On the one hand, this was a sign of megalomania (Poland must equal the West, and the economic level of the country is measured not by the size of the national income per person but by the quantity of meat consumed per person); on the other hand, fear society's dissatisfaction. The ancient Roman basis of government: bread and circuses.

J. Zuk: For this reason, I stated that the economy has been identified with philanthropy... Considering the matter generally, every country must insure the so-called food minimum. For example, the FRG and Sweden assure that 80-90 percent of the nation's biological needs be covered by domestic production. Regardless of whether it costs 10 to 20 percent more, or whether it would be easier to purchase it abroad.

M. Losiak: Why do we not do this?

M. Mikolajczyk: It was proposed at the outset to adhere firmly to basic realities. An attempt was made to consider fodder supplies, but it is obvious that

we became embroiled in structural and general matters. Why? Because this also belongs to those realities whose magnitude ought to be precisely defined. So, in spite of the assertion of Mr Losiak that he needs no guarantees, the Sejm decision can also be repealed. In view of this, he asserts that production and profit decide economic conditions. Justifiably so, however, these conditions, following his trend of thought, can also be changed, destroyed. Nothing is so certain as to last a lifetime, whether it be a capital or professional investment. However, it is certain that people wish to remain alive, and to accomplish this, they must first eat. But the thesis which rejects the exaggerated meaning of the so-called guarantee of the development of our agricultural production has me convinced. In speaking with farmers during the 70's--none truly like Mr Losiak--I never got the impression that the private farmer, a familiar figure to us, produces badly, and does not apply himself, because he is threatened with expulsion from his heritage. In the discussion, there were always too many complaints about the supply of production centers, while there were none regarding points of procurement beyond that of delay.

Thus, whence came the problem of guarantee and its career during the course of the past 2 years? Most generally, it is one of the results of the farm policy of the last decade. Economic expansion in its beginnings radically revealed all the weaknesses of the economic structure of agriculture, as well as the negativism of politics toward farming, which went unnoticed while the consumption of meat remained uncomplicated. (Marginally, demanding a respect for realities, we cannot capriciously speak of the unbridled consumption of meat in the 70's, because the increase in its price detonated the events of December, 1970).

Agriculture likewise yielded to expansion, principally in income and prices, because in the beginning the growth in production was high--as everywhere--in conjunction with the large imports. As soon as the sources of imported support were exhausted, agriculture found itself in difficult straits, being additionally hard driven by the family industry which abandoned it. Hard economic laws begin to approach the point of legislation; the time of examination arrived for agricultural productivity, as well as for the entire economy. The producers of highly marketably commodities, such as Mr Losiak, found themselves confronted with a fodder deficit which could have been effectively transformed into meat. The typical private producer, being less productive, felt even more threatened. Although it was easier for him to balance production, to survive, he began to perceive his weakness in the economic market and felt more strongly the uncertainty associated with the fate of the small farm in the framework of the general policy. And so was born--in my opinion--the problem of guarantee, the movement of self-defense, which as our discussion divulges, internally combined various currents in the village and beyond.

M. Losiak: I agree with you. These guarantees actually provide self-defense for those producers who produce little or badly, and for whom the mechanics of the market do not work, because for practical purposes it would be necessary to pay them in gold in order to make it profitable for them. We continue to repeat in a circle--crisis. And we do nothing. This reminds me of a refrain from a cabaret song: "The orchestra played while the Titanic sank." Why not create an opportunity for the young farmers?

Because we represent the ZMW, we would like to raise this matter. In addition to the obsolete agrarian structure, the problem of old age also appears in the village. An old person will never invest, because he has no reason to. I once had a discussion on television in which I demonstrated that the so-called hog crisis does not have to exist at all, (and I continue to uphold this). Repercussions to this program were dreadful. Great numbers of young farmers began to assemble and stated thus: listen, we wish to accomplish what you did. We wish to have farms; we wish to live like human beings; we wish to build new buildings. I could not provide them with a formula. Why? The youth has no chances in dealing with the bank, the municipality, the newspaper, the neighbor, because the truth is never told. And there is one truth--old people will not produce food in Poland...

M. Bojarczyk: But the young people do not want to stay on the farm. And it is characteristic that the larger the family is, the more difficult to find a successor. It is customary for the one remaining on the farm to pay off the family. In spite of the fact that the law knows no such practice. After paying off the family, the one remaining now has few funds left for new investments and begins to vegetate.

M. Losiak: But no one can understand one basic truth--to have something, one must invest; and who will make this possible, who has the financial resources? And here, please, is such a ledger, which I took along--figures. This is a frightening thing. This is the sentence of death for the chances of young farmers. All this material was purchased without any allotment. Go to the bank and tell them that it is necessary to give them money. They will say it is impossible because there is no security, and this money will aggravate the situation.

J. Zuk: Even if you have money, a situation will arise where you can paper the walls with it.

What you propose is a very good solution, but only for a short period. Likewise, it is not the solution for everyone.

M. Losiak: What you say in turn has been dragged around for more than 36 years. Therefore, let us not say that I operate for the near term. You know why I will never have money. The peasant will have it, but I will not. Because I continuously invest.

J. Zuk: You view these matters from the point of view of personal interests. If, on the other hand, if we look through a prism, at the entire economy, we can say that the actual state is the result of a wrong approach to agriculture for the last 20 or more years. We accepted, as dogma, that socialized farming in the sense of nationalization, is the future. It has been proven that in our circumstances the effectiveness of this sector is very low. On the way, we committed a series of various errors: abortive investments, giantism and other similar errors. If we fail today to construct a program of changes in the agricultural structure, then in a few years our agriculture will be on the gray end, and not only in Europe.

In the 1970's a small group of private farmers and rather large group of cooperative enterprises received support...

J. Olejnik: And what was the form of this support?

J. Zuk: I inherited a farm from my father which I transferred to my brother. We could invest the state's money and subsequently take amortization.

J. Olejnik: But others could not.

J. Zuk: Everyone could.

J. Olejnik: Hence, do not say that there were only a few.

J. Zuk: Theoretically everyone could, but it was not sufficient for all. He who began to apply combinations received credit. It came to this, that more than half of the 37,000 registered specialized farms have nothing in common with the agricultural economy. These are primarily farms of the expensive and conversion type, producing on the basis of imported fodder. This is impossible, but subject to one condition, that money should be available to all, including those whose farm production is related to the land. For the land is the basis for animal production, but not the buildings. In the PGR we built many calf and hog farms. But this had nothing in common with farming. And they were set up to derive benefit from a market condition which created the chances of making some money for an unusual group of people.

To me, an enterprise logically organized, is one which benefits fully from the land and produces basic fodder. The United States is no example for Europe, because there 2.25 of a hectare is designated per person. In our country we make use of 0.4-0.45 per inhabitant, and so it is clear that we concentrate on the intensification of production. Based, however, not on the building of inventory but on a hectare of land. We can expand our animal production only on the basis of domestic fodder.

Please look at the prices for animal products on the world market. Up to that time when the socialistic countries did not invest big money into animal production, the price ratios of fodder to meat were beneficial to meat. Today the ratios have changed.

J. Olejnik: The law of supply and demand.

J. Zuk: This can be explained by supply and demand. However, primarily the change in the ratio of prices was a political drought. Certainly the U.S. Secretary of Agriculture did not state idly that food will become the defense of the 21st century.

J. Olejnik: A very intelligent man.

J. Zuk: I also agree with this. And, more or less, from that point--though not only for that reason--we lost. The dollar sold in certain of our products cost us a frightful lot. Enterprises like that of Mr Losiak, were, are, and

will be. Only this is not the direction of progress. You can contract for fodder with another farmer actually specializing in its production. And you can visualize such a prototype. But it is capable of expansion, if the nonfarming population agrees to such an agrarian reconstruction and supplies the money for it. Why belabor the point, this is a leap by one generation. This must, however, cost. Gentlemen, you are already...

M. Losiak: ...the coordinators of the 21st century.

J. Zuk: No, just people who try to leap over. Only you do this without basis, without any backing.

J. Olejnik: I have my own fodder. This does concern me.

J. Zuk: Gentlemen, you exploited the opportunity created for you by an erroneous system arising from reconstruction of the agrarian structure. For, if you built a pig pen for 1,200 units during the closed cycle, and in addition expanded your own fodder production, you would not be waiting for fodder or money from the bank.

J. Olejnik: We are so far ahead that we have empty shelves.

J. Zuk: We have empty shelves because 10 years ago we crawled into a tunnel and conducted ourselves there as if intoxicated. Truly, even in 1973 it was obvious that we had adopted an improper course in the development of farming. We liquidated, among other things, about 6-8 million hogs on the small farms; and, as long as it was possible to import fodder, it was also possible to push this erroneous course of farm development.

Now, again, we are confronted with the necessity of preparing the reconstruction of the agrarian structure as our next step.

J. Olejnik: You stated that we lost 6-8 million units. But those 8 million hogs feeding unreasonably were consuming our fodder supply. Do not expect the peasant to chase one hog behind the barn, and attempt to fill the store shelves with rearing of this nature.

M. Losiak: There is only one point of view, and a tritely direct solution. If in the West there is an abundance of food being produced by highly marketable enterprises, then we likewise have no other solution.

J. Zuk: I agree. Only please remember that those highly marketable commodity enterprises have been forming for the past 100 years.

M. Losiak: And we have no time. We lose on many fronts. We impoverish the nation biologically. Do you comprehend?

J. Zuk: Only who, at this moment, will provide us with the means...

M. Losiak: Simply stated, a return to work is required. Immediately following this discussion, I shall return home and get to work producing food.

J. Zuk: However, will you find many who might have facilities for production such as yours? Are they so inclined?

M. Losiak: Of course, and many are young people. If only they had the ability to secure credit. Nothing more is necessary.

J. Zuk: Not money, only...

J. Olejnik, M. Losiak: Money, really. Nothing more.

J. Zuk: I know, for example, at this moment that you can go to the cement factory and pay 40 percent more and buy cement. But in this manner nothing will change in the economy.

M. Losiak: Obviously this is your logic. The cement factories stand because they have warehouses filled with cement, but there are no buyers. The circle has closed. We stand immobile.

J. Zuk: A thousand or two can produce as you do. The remainder cannot manage.

M. Losiak: A hundred thousand can manage, and hence why any more, when the 100,000 will feed the whole country.

J. Zuk: But your farm stands empty. Even several years ago I knew that it would be so.

J. Olejnik: And did you know also that mine would be empty?

J. Zuk: No, not that. But you committed one error. You built too many facilities in relation to your personal capabilities.

J. Olejnik: I had everything, my own fodder and my own funds.

J. Zuk: Then in this instance it is the error of the person who serviced you, in that he limited production capabilities.

R. Manteuffel: The multigeneration family institution can facilitate the start and later the management for young farmers, subject to the condition that the elderly and young maintain separate dwellings (or homes), and that the division of work be firmly fixed. Either the elderly conduct some phase of the farming or substitute for the young in everything, when they must or desire to leave (for a day or a month). This is possible only on larger farms, where the needs as well as the capabilities equally exist.

For the young with initiative and the desire for productive work, an attractive solution could be a farm settlement (on an abandoned facility, or by investing from basics). In this instance, there is likewise the need for financial aid in the form of convenient credit, and aid in the securing of building materials and farm utensils.

The multigeneration family institution enjoys popularity in the West; it solves the basic problem: the Friday and holiday farm ties, especially those connected with the production of animals.

A. Swies: I observe, perhaps contrary to intentions, that our discussion is revolving rather around the political sphere, but to a lesser degree to economic problems; and already completely omits production issues. Perhaps, then, I shall raise more earthy problems. For example, we estimated that an average slaughter hog yields about 80 kg in meat-fat mass. Now let us take the retail price--the value of the slaughter-hog covers 50 percent of this meat mass. If we sell ham, the chops cover the value of this slaughter hog. This is located somewhere, someone intercepts the producer's profit. Another example: the price of vegetables. My place of business is located not fully 20 km from Warsaw. For 1 kg of vegetables delivered to the garden cooperative, the difference in price which I receive and that obtained in Warsaw amounts to 6-8 and sometimes more zlotys which means about 30 percent and more. It seems to me that we have too many middlemen.

The next matter. In the long run, industrial products are preferred; they are priced higher than farm products, and as long as there is not true ratio here, it will be difficult to speak of improvement. Someone made an estimate which I did not confirm that 1 kg of a ploughshare costs more than 1 kg of a Fiat, and thus statements and words provide little.

M. Bojarczyk: I would like to warn against the creation of the myth that all will be solved by an increase in the supply of the means of production alone. Recently it was stated that the consumption of fertilizer will increase. However, an increase of fertilizer is not now as effective as before. We have arrived at a certain barrier. The natural land yield in our country approximates 12-13 quintals per hectare. It is actually an expense to increase this yield. Every additional quintal must be paid for. If we wish to achieve a yield approximating 30-40 quintals per hectare, we must use fungicides in addition to greater quantities of fertilizer. But we do not even have herbicides on our market. Conditions are such in Poland that the soil is poor in microelements. In the West these problems do not exist because their soil is different. They may have the same experience in 10 or more years. And so? Are we to wait until they invent this and then import it? The microelement problem is solved. Several patents are in existence, but production is at a standstill. On the average, Polish soil can yield 3-4 quintals more per hectare when enriched with microelements.

I am astonished as to why we do not produce any so-called fancy farm goods. For example, we import linen fiber, but the cultivation of this plant is constantly curtailed here. For example, we do not cultivate sufficient hops or tobacco in the Lublin area. And, after all, the ratio of prices is such that the return on the tobacco yield per hectare equals that of 10 hectares of wheat. All these are labor-consuming cultivations. But actually we should develop these in our present economic situation. This applies especially to small farms, because on the large farms, which are mechanized to a high degree, the cultivation of grain in more preferable.

R. Manteuffel: In order to maintain the consumption of meat on a level which can be guaranteed by the national production of fodder, (on the basis of present-day capabilities it would approximate 50 kg per inhabitant); it is necessary at any price to maintain the availability of farmers and likewise the dual-occupation and rural nonagricultural population to develop animal production. This availability is an immense achievement which would have been practically unthinkable prior to 1980. After all, the defense against a threat of departure from animal production by a majority of the farmers was to be the specialized farms. Primarily a high level of milk production should be maintained. Proportionately, the high cost of animal foodstuff should motivate the farmers to fully capitalize on all fodder regardless of whether it is, among others, of stable green commodity, table scraps or a byproduct of the farmer-consumer industry. The high prices for milk can indirectly motivate farmers to increase the production of sugar beets, as a source, among other things, of fodder (leaves and squeezings).

There exists also the possibility, in order not to suppress this tendency to increase animal production, to simultaneously have an assurance of grain for consumption and allow grain use for food (without limitation), and the export of surplus meat in exchange for grain.

Press: The production goals which you gentlemen present concerning the various spheres of farming must be effectively supported by a viable economic system and technological equipment and service. What are the possibilities for the better performance of this system?

W. Michna: The primary concern is for greater industrial production for the benefit of agriculture. Industry, outside of limited exceptions, does not appear to provide service to agriculture. The rules of the game constituting a comprehension of the economic reform, lack the mechanics to restrain industry from its reluctance to serve agriculture. The situation is such that the minister of agriculture and perhaps 500 other persons, induce industry to convert to serving agriculture; and a million employed in industry ask: Will it be worth it. In the meantime, there is no system to assure the profitability of conversion.

The second matter is the question of the rise in the retail price of food. An increase in prices must follow. It is already necessary to notify the people that food must become more expensive. Then the occupants of even small farms, and even of small allotted farm parcels will be interested in exploiting the land. Currently--even after the increase in prices--about 220 billion zlotys have been added to the food economy. It is always more economical to buy milk than it is to produce it.

Regarding questions of preferential investments, there are certain investments in farming which must be supported either by a policy of taxation or by a system of subsidized budgeting. Such investments include, for example, improvements. We have about 18.9 million hectares in farm facilities, and of this amount 5-6 million hectares require improvements.

Taxation, in order to qualify as a system, must be established on the basis of 10 percent of income. The present tax appears to be about 1 percent.

Finally, and this is a very important issue--the systems for insuring the profitability of farm production. This is the most complex question. However, it can be stated that the present state of profitability is correct and should be retained, being corrected only by creeping prices. But the law of supply and demand can also be applied. In concurrence with this, allow prices to rise unitl they reach market parity. Unfortunately, in our economic situation--with its large inflationary fissure--the law of supply and demand cannot regulate prices. A third solution could be income parity--the average income in socialized farming amounts to about 10,500 zlotys and, hence, those engaged in private farming should be assured more or less the same earnings.

Likewise attention could be drawn to the ratio of prices between the sources of production for agriculture and the agricultural products on the European market or a given country; and then apply this to our situation. For example, a tractor in France costs about 40 tons of wheat. Unfortunately, we do not have a complete working philosophy of the profitability of agricultural production. The predominant conviction of society is that even now the farmer has a large income.

A certain freedom in the market is indispensable to the farmer. This means that the farmer, as was stated by Mr Olejnik, must not be compelled to render a complete account to the bank. The farmer who supplies products cannot have so-called conditional credit. I am thinking likewise about the freedom of farmers as partners in the turnover of farm products. Why, for instance, should there be a national monopoly in the sale of potatoes? Why not grant permission to the farmers to supply the cities with potatoes?

R. Manteuffel: It is necessary to observe rigorously the principles of agricultural reform, and not desire to avoid temporary difficulties or problems, and resign from the application of these principles. Aid, if such appears necessary, can be applied to farming independently of the sector. It would be unfair, and in the long run prove to be unprofitable for the privileged sector, if the aid is applied only to one sector. The authenticity of this observation can be witnessed by the results of "aid" imparted to socialized sectors after 1974: production fell drastically, with a final net of no production.

A. Swies: There is sometimes discussion on unwanted investments; for example, there are many calves, farm broilers and others. The private sector was not bound by directives, however, the national sector was. Today, in spite of these investments, production is not profitable and money must be sought in other areas of production in order to offset the cost of the unwanted investment. And because of this, it is in such land-related matters that the possibilities for a solution to the problem are imbedded, not in big words. Why not try to find a solution to the issue of investments in the form of cooperatives, resale, renting to people who wish to exploit and produce. The difficulty stems from the fact that there is no security in the land, but if at the same time the turnover in land were facilitated without any additional outlay of investments, production could come from parcels of property already in being.

M. Bojarczyk: An important issue which cannot be overlooked is the modernization of at least the fundamental work in agriculture. The farm associations do not pass the examination, because they are consumed by the inordinately reconstructed administration and disorganization. Some other forms of agricultural service must arise; for example, cooperatives for private farmers, the utilizers of machines, or related points.

M. Losiak: In good agriculture it is not only the market mechanics that work. There is also a factor at work to which we have thus far attached little attention, the financial factor, not in the form of prices, but in the form of active financial policy. There should be at least two or three banks serving agriculture. The BGZ is only a name, nothing more. If I wish to obtain credit, the director can always refuse me and bear no responsibility because the administration stands behind him. And the administration consists of mostly retired teachers and farmers socially communicating, who, however, are not in a position to understand either the new technology or the financial needs of the times. There should be a bank in which experts could review the soundness of issuing credit even at a higher rate of interest. At present it is humorously low. But after credit has been issued, I am responsible to pay it by my management. There should be no control over the appropriateness of its disbursement.

If we are to institute the development of highly marketable commodities in private agriculture, then it must be intimately bound to social agriculture. I mean that if I can discharge my obligations by providing a flock of hogs, then likewise, the other party must discharge the obligations it has assumed. After all, while I am engaged in the breeding of 5,000 hogs, I will not chase around the market place and arrange for their sale.

Finally, the issue of the practicality of the works of our scientists. Truly the hair on one's head bristles from all these theories and pseudoscientific concepts. Let us take, for instance, the issue of hog genetics. At one time, there were germination colonies on the small farms where very good hogs were genetically reproduced. This has all gone to seed.

A. Swies: That is correct. During the past few or more years the task of breeding was confined to cattle and other type of animals. At one time, we had world famous bacon and hogs for general consumption and others; our cattle was exported.

Our scientists do not occupy themselves with what is really necessary, for example, research concerning cultivation of the lupine plant. But, actually, our forefathers already knew how to cultivate lupine. Meanwhile, lupine is planted and harvested manually in experimental plots, and it has been determined that such and such crops can be raised in third-rate soil.

From a scientific standpoint, there is no effective support of agriculture. Science must finally go into the field, to the producer. No scientific title, whether that of master or doctor, should be granted for purely statistical works, but only for specific effects demonstrated in production.

M. Losiak: Friend Bojarczyk perhaps has a reason for his desire to create folklore--that the village is happy, the village is tranquil. Gentlemen, let us forget folklore when we discuss production. It is necessary to approach the entire issue technocratically--there must be food. If so, then how much, for how much and in what manner?

A. Swies: I would still like to raise the issue of food subsidies. After all, these subsidies are received by the consumer industry and not the farm. I stated previously--a kilogram of vegetables costs 20 zlotys but in Warsaw it costs 32. The same pertains to milk. Agriculture receives no increase here.

J. Olejnik: This explains where the money goes...

A. Swies: And society, the working class is told that we add so many billions of zlotys to agriculture. It creates a bad climate surrounding agriculture; that it consumes resources and applies them ineffectively. Agriculture accepts subsidies for services only in the private sector. But, for example, the PGR does not take any subsidies.

Dr Michna stated that the cost of food must rise. I believe that because food prices have now risen, and violently at that, there should be no new increase for a long time. Wholesale prices are much lower than retail. And, therefore, the elimination of the very costly middleman between agriculture and the consumer, or a decrease in the cost of operation of these middlemen, would make possible an increase in whole sale prices without any change in the retail price of food.

Press: In our discussion we concentrated on issues related to private farms, such as family farms, highly marketable commodity farms, those run by young farmers and those similar--and in conjunction with this, on the changes of the agricultural structure within that sector. We did no discuss the problems of agriculture in its total structure. Only the issue of the intersector connections was noted. There was no broader discussion on the internal problems of the socialized sector which plays, as is known, a significant role in feeding the country.

The answers clearly outlined the differences in the views on a subject in which highly marketable commodity farms, family farms, and perhaps all such types, are or should play the dominant role. Our model of farming provides--in spite of immediate difficulties, today mainly with fodder supply--the possibilities of development for various types of farms.

The discussion panel sees chances for improvement in the agricultural situation by granting the possibilities of advancement and development to young farmers and by improving the entire sphere of farm service, including deliveries from industry. On this question, there were no basic differences of opinion, although there was no lack of criticism.

The issue of cooperation among private farms was also undertaken. Various forms of combining the activities of several farms which were emphasized must lead to organizational changes in the division of work.

The greatest controversies arose around the problem as to what is more important: yield based on one laborer or on farming, or yield per hectare. The improvement in the degree of providing food domestically is a fundamental issue. Both of these tendencies should be settled. The entire body guiding agriculture should, hence, provide that the growth in agricultural productivity be, above all, the result of augmenting the productivity of the land.

Thank you for your participation in the discussion

[Discussion edited by Marcin Makowiecki]

9951
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NEED FOR FULL USE OF ALL AGRICULTURAL LAND STRESSED

Warsaw SLOWO POWSZECHNE in Polish 4-5-6 Jun 82 p 9

[Interview by Miroslaw Prawdzic with Boguslaw Zukowski, a main specialist in the Department of Land Management and Agricultural Equipment of the Ministry of Agriculture and Food Economy: "Every Hectare Must Produce"]

[Text] [Question] Recent inspections have revealed a great deal of underdeveloped land. What should be done to improve this situation and to have every hectare produce?

[Answer] In Poland we have to deal with agricultural land of very different suitability for production. Here we must clearly differentiate land which is not developed, but should be so immediately, and land which requires pertinent measures, usually land reclamation, before it can be developed. At the moment the major problem is the first one. In my opinion initiation of production depends mainly on guaranteeing profitability of production and implementation of socially accepted methods of procedure when glaring neglignece is found in meeting the legal obligation of the agricultural utilization of farm land by the owners.

A great deal has already been done in the matter of guaranteeing production profitability, but, as we all know, this is still not enough. At the present time work is in progress on a new system of contracting for crops. The Ministry of Agriculture and Food Economy has prepared a draft directive concerning prices and conditions of sale of State land that is adapted to the current socioeconomic situation. This creates further possibilities for increasing sales of land from the State Land Fund to farmers.

Another matter has been solved recently, on 26 March of this year. The Sejm passed a law for the protection of agricultural and forest land. It provides for very heavy fines for the deliberate exclusion of land from production and the possibility of conducting necessary cultivation measures at the cost of the owner. There are methods conforming both to the various new regulations in the law reinforcing land ownership on private farms and to the conditions created by the economic reform introduced.

Within the framework of checking on preparations for spring agricultural work that was carried out on 23-27 March of this year in 1,940 gminas [parishes],

more than 90 percent of their entire number, a threat of the possibility of fallowness or insufficient agricultural utilization on an area of approximately 233,000 hectares of arable land was found, i.e., approximately 1.6 percent of their entire area. Let me stress that only a threat was found, and not the fact of fallowness or insufficient utilization. By 15 May of this year the gmina leaders had to initiate activity aimed at guaranteeing proper utilization of at least a decided majority of this land, if not all of it, since some of it requires adequate specialized measures, and since it will be difficult to find people willing to manage some of it, the least attractive land.

[Question] It is well-known that socialized farms have appropriated land which they were not able to properly develop later. Now these lands are being returned. Are the quotas assigned for their development also being returned?

[Answer] Subsidies are always a form of State aid, in this case increasing the possibility of rapidly putting the acquired land into production. State aid has gone mainly to purchase tractors and other machinery and equipment for livestock-building and housing construction and for the costs of direct cultivation measures to prepare land for the needs of plant production. It has been distributed in accord with the concrete needs of the receiving farm, often for only some of the purposes mentioned.

Therefore, after years of management, we cannot generally speak today of a return of subsidies allotted, especially if they were used to improve soil, to expand fixed assets, and so forth. The problem must be individualized and reduced to obvious measurable cases.

On the other hand the possible question of accounting for the deliberate and improper use of subsidies, not in accord with their allocation, is completely obvious.

[Question] In addition to the regions in which a land deficit is found (for example, Kujawy), there are some which have a surplus. For instance, is there a program to develop Bieszczadow, where there is an exceptional amount of land?

[Answer] If I understand correctly, this is a matter of the ratio between the amount of agricultural land in individual regions of the country and the labor force existing in agriculture, with particular reference to this question in the Bieszczadow area. With this understanding the surplus of land usually occurs in the northeastern regions and applies in general to the poorest soil, where production results do not balance the outlays of work and money invested. Investment in such land, in the so-called agricultural infrastructure, is very costly and the anticipated period for the return on outlays is long and often only a return is possible. This refers to both socialized and private farms.

On the other hand the Bieszczadow area has comparatively good soil, and we cannot speak of a "surplus" of this land. All of the agricultural land offered for sale by the State is bought up almost immediately by local farmers. In this region the State farms also generally possess too little land in proportion to their existing facilities and, under the reform conditions, they already are and will continue to be forced to undertake recultivation work, brush removal and so forth to expand the area of co cultivated land for their own needs.

Therefore, if we speak of a "surplus" of land in Bieszczadow, it is mostly of the land which would require very expensive recultivation measures to be returned to agriculture. Since your question had the word "program," I would like to say that there have been quite a few of them in connection with Bieszczadow. We know what they have produced. Now we need regular, sensible and economically justified management of the land which is owned.

[Question] A subject which is arousing a great deal of controversy in the country is land integration. After such operations the peasants do not always get the land which has been made available for integration. Often they are the worst hectares. How do you view this problem?

[Answer] In 1968-1981 integration work embraced an area of about 3.8 million hectares included in more than 600,000 private farms. At this time approximately 18,000 complaints have affected decisions associated with integration progress, that corresponds to a little less than 3 percent of the total number of integration participants. Of these only some of the complaints have been considered and acknowledged as proper, but never more than one quarter of them in individual years. as we can thus perceive, omitting obvious errors which occur in all such mass operations, the scale of the phenomenon is not great. Returning to the matter of the "worst hectares," let me explain that the integration of land is based on the combination of a greater number of small or excessively elongated, irregular or even scattered plots into a smaller number of larger plots.

This system uses a relative evaluation of land based, among other things, on the fact that the better land located closer to farms is judged to be "more expensive," and the worse and more distant as "cheap." Every participant in integration should attain in the new land situation a value such as he had in the so-called old situation within a 3 percent limit, and in case it is exceeded, surcharges and monetary clearing of accounts are used.

[Question] One more question, proper land management includes land reclamation. What is being done in this respect?

[Answer] Land reclamation is simply improving it and adapting it to management. You are obviously thinking of water reclamation. This is based mainly on regulating the water-air ratio in the soil. Current production possibilities of water reclamation enterprises are modest, not only with respect to what is needed, but also in comparison to the condition several years ago. At present these capabilities should simply be expanded rapidly and, at the same time, be applied to constantly improve the quality of execution.

[Question] A great deal has been said on the subject of the need for making a constitutional regulation on the right of peasants to own property. Here there is a fear that, after the regulation has been approved, many farms may prove to be unproductive. What possibilities will the State then have of repurchasing such land?

[Answer] On the strength of changes recently made in the Civil Code, the State has confirmed guarantees of inviolable ownership of private farms. However, this does not mean that our legal system has now become more helpless with repect to cases of especially glaring neglect of the obligation of the proper utilization of agricultural land. This law levies on every owner of agricultural land the obligation of using it properly. When fallowness is found to be the fault of the owner, he will be saddled by heavy fines which, if he is insolvent, may be the basis for an appearance in court about a lien on property.

On the other hand, if the fallowness is confirmed on land where the owners have not lived for at least 2 years, it may be taken by the State Treasury without compensation.

However, the State is not so interested in taking land from farmers as in creating economic and organizational conditions encouraging intensive soil cultivation. The sanctions have only the purpose of providing for possible intervention in extreme situations, where there is no longer any chance of expecting improvement in the existing unacceptable state.

6806
CSO: 2600/785

EXPENDITURES OF FARM FAMILIES PROBED

Warsaw TRYBUNA LUDU in Polish 4 Jun 82 p 3

[Interview with Dr. Bozena Gulbicka of the Agricultural Accounting Center of the Institute of Agricultural Economics in Warsaw by Wanda Zawaga; date and place not given]

[Text] [Question] Let us discuss initially rural accounting and the results of your research into this area.

[Answer] Rural cccounting comprises every bit of information about the economics of the rural economy and its organization. Basically, these include all aspects of the rural economy in every region of Poland and the structure of production on small and large farms.

Data used in our research are especially useful for long-term analysis, as they give us a picture of tendencies for changes appearing in the economy of the private farms. The data show a clear picture not only of the production and socio-economic situations but also of the various types of farms. During the analysis, however, it is necessary to remember that the results of our research cannot justify transferred to the average farm in the country, when the fact is that the introduction of an accounting book by the farmer has contributed to an improvement both in farm organization and economic results.

[Question] What period do your most recent data cover?

[Answer] The year 1980. Now we are studying the accounting books from 1981.

[Question] For what purpose did the farmers appropriate their income?

[Answer] First for stipulation: income from the farm comes from the farm itself and also from income generated by members of the family in areas other than agriculture, as well as from social services like pensions or student scholarships. After paying all of the necessary services to the state and third parties, as well as production costs, the net income remains, which is the subject of our research. The farmer must earmark a portion of the net income for consumption and a portion for capital accumulation.

[Question] How much then was earmarked for consumption and how much was invested in the farm?

[Answer] In 1980, approximately 75 percent of the income was earmarked for consumption and 25 percent for capital accumulation. But capital accumulation is not just the increase of specific means of production, but it also includes expenditures for non-production means (e.g., home construction) or increased cash flow. The larger the farm, the higher the percentage earmarked for capital accumulation. For larger farms, it stands at 35 percent or even higher. However, analyzing long-term data and comparing the structure to that of previous years, it is easy to see that this was not a profitable year for agriculture, and the percentage share of means earmarked for capital accumulation was reduced. This was a reflection of the situation in the country: it has been difficult to obtain machinery, agricultural implements and construction materials, and at the same time agricultural results have not been the best. Thus, farm income either equaled that of previous years or was lower.

[Question] One can also conclude from these data that cash flow began to rise in the rural areas.

[Answer] Gradually from 1980, there have been several price increases in the procurement of agricultural products, the goal of which was to increase production. At the same time, farmers have begun to sell more and more of their products on the free market for higher prices. Governmental prices for the means of production, even those that were accessible, did not increase. In the accounting books from 1981, which we are analyzing now, we have noticed a significant purchase of consumer goods (clothes, shoes and also luxury goods). However, a good deal of cash remained. It could not be earmarked for the means of production, as there was not enough; thus, cash remained.

[Question] Not too long ago this year, a decision was made to raise prices for means of production in agriculture. On the basis of your data, can you predict its results?

[Answer] The price increase for the means of production and services came about from the principles of the price reform. I think, however, that the cost of procurement should appear sooner with the previous price increases. In order to guarantee the farmer profitability in production, both types of increases should appear not only together but also gradually.

We attempted to calculate profitability in production in several of our researched farms. We took into consideration the actual procurement prices and the prices for the means of production. I recall that it was difficult to generalize those data for all the farms in the country. According to our calculations, the relationship of prices for sold goods to those for acquired goods among the researched farms worsened considerably. If we recall that both in 1981 and 1982, farms sold and bought the same amount of goods, it appears that, for example, at a 7 hectare farm in Tarnobrzeg voivodeship, income from sales (as a result of the price increase for procurement) increased by 96 percent, while expenditures (as a result of price increases) rose by 158 percent. On this particular farm, profitablilty for production fell considerably.

[Question] Does this change the structure of expenditures?

[Answer] This farm purchased a lot of feed. Because of current prices and a shortage of feed, it will have to change its production technology. This farmer now has to produce his own feed, but certainly this will have repercussions on the amount of sold products.

[Question] What is the current relationship between the prices for procurement of agricultural products and the prices for the means of production and services?

[Answer] The prices for procurement have risen on the average of 20 to 35 percent, while the means of production have increased two to three times. Here is a provision: the means of production include machinery and implements that the farmer uses once for a certain time period, and services, feed and fertilizer needed every year. When analyzing a farm budget, it is also necessary to take into consideration that since February 1982 the cost of living has risen, as is the case in the city.

[Question] According to your forecasts, then, how and by how much will the situation for farms change this year?

[Answer] One can forsee that the financial situation for the majority of farms as compared to last year will get worse. However, this will not be the case with money, as there is an apparent abundance here, but what can be purchased with the money? Many farms continue to earmark free cash, despite the increasing cost of living, to the purchase of machinery and agricultural implements. Thus, how a farmer spends his money depends primarily on industry.

9807
CSO: 2600/783

DEMOGRAPHIC INFLUENCE ON SOCIOECONOMIC PROCESSES ANALYZED

Warsaw RADA NARODOWA GOSPODARKA ADMINISTRACJA in Polish No 10, 14 Jun 82 pp 25, 26

[Article by Jerzy Keczen: "Demographic Determinants of the Socioeconomic Processes, 1981-1985"]

[Text] The occurence of demographic fluctuations created by the demographic peaks and valleys (periods of highest and lowest birth rates) reflects a periodic difference in the age structure of the population; producing essential sociceconomic consequences. In each age group of the population there are to be found specific sociovital needs, and a varied participation in the creation of the national income. Consequently, age changes in the population's framework introduce definite transformations in the framework of social requirements and influence the economic prospects of the nation in their attainment.

The demographic situation from 1981-1985 will differ significantly from the circumstances surrounding the 5-year period under consideration. This will become evident from the basic changes in the proportionate increase in population in three principal age groups: the preproductive, the productive and the postproductive in both periods.

The implicit increase in Poland's population from 1981-1985 will approximate that of the past 5-year period, amounting to about 1.6 million people. This indicates that the number of people in Poland will grow from 35.7 million people in 1980 to 37.3 million people in 1985. The growth rate of the population from 1981-1985 will carry an average annual increase of about 0.9 percent and it will be somewhat lower than during that of the 1976-1980 years. This is determined by the anticipation of a lower birth rate in the present 5-year span, and a considerable increase in the number of deaths that took place in the past 5 years.

However, the fundamental differences deal with the structure of the population's growth according to age in both 5-year periods. They are so great that one can speak of the different strategies of the socioeconomic development of the country resulting from demographic determinants.

In the years 1976-1980, over 80 percent of the general increase in the population of the country was determined by people in the productive age category. This required adequate orientation in the socioeconomic policies of the labor market; guaranteeing those arriving at the age of productivity and their successors in the demographic explosion adequate facilities for employment, education and occupational preparation.

In the years 1981-1985 the situation, in this respect, will undergo a basic change.

The growth in population of those in the productive age bracket will be twice as small, and its share in the general increase of the country's population will not exceed 42 percent.

The most dramatic growth rate will occur in the number of people in the preproductive age bracket, because it is four times as large as that of the past 5 years. Their share in the general population growth of the country will increase from 10 percent during the years 1976-1980 to over 42 percent in the 1981-1985 period. Such a sizeable growth in population in the preproductive age produces specific demographic determinants for the present 5-year period. Consequently, it signals what new problems, and their scope, that are related to the needs of the population in the preproductive bracket, are to be solved by the socioeconomic policies of the years 1981-1985.

At the same time, during the course of the current 5-year period, there will take place a 1.5 times greater increase in the population growth in the postproductive age bracket than took place in the past 5-year period. In the general growth of the nation's population, the share of the population in the postproductive age category will increase from 10 percent during the years 1976-1980, to 16 percent during the 1981-1985 period.

The consequence of changes in the framework of the population's growth, on the basis of age, in the current 5-year period, will be an increase in the growth of the burden on the population in the productive age bracket caused by the remaining population. The number of persons in the preproductive and postproductive age brackets will rise from 68 persons in 1980 to more than 70 persons in 1985 for every 100 persons in the productive age category. This signifies the necessity of expanding the social services to satisfy the needs of both nonproductive population groups, as well as improving administrative processes so that the population in the productive age bracket, being actively engaged in the labor process, would be able to produce an adequate supply of goods necessary to satisfy the needs of all population groups. This requires adequate growth in labor productivity and an increase in the size of the national income through the contribution of everyone employed in the national economy in the sphere of material production.

The proportionate changes as outlined generally in the framework of the population's growth, according to age, in the current 5-year period, do not encompass all the complexities of the demographic determinants of the years 1981-1985. An analysis of the phenomena occuring in basic socioeconomic groups of the population in our country, reflects them in greater detail.

INFANT CHILDREN (0-2 years of age)

The size of this child population will be significantly smaller in the passing years of the present 5-year period. A determinant is the anticipated decrease in the number of births in the approaching years. If these expectations are realized, the number of infant children after peaking out at 2,016,000 in 1981, will gradually recede and total 1,946,000 in 1985. During the entire 5-year period, the number of children in the infant bracket will be decreased by 41,000 persons. This will not substantially minimize the future need of basic material facilities for infants. The declining trend in the number of infant children will be a relatively constant tendency in coming years.

CHILDREN OF PRESCHOOL AGE (3-6 years of age)

The number of children of preschool age will grow in the passing years of the current 5-year period from 2,505,000 in 1980 to 2,668,000 in 1985. During the entire 5-year period this group of children will reach 163,000 individuals which is a 7 percent increase. At the same time the increase in the number of 6 year olds by 11 percent is especially dynamic, and this group should be provided with oomplete preschool care. The number of 6-year olds will reach 670,000 in 1985. As a result of the above determinants, the 1981-1985 period will give rise to a futher growth in the need for preschool care, and hence, it is necessary to develop additional preschool facitilies over the possible longer term.

CHILDREN OF ELEMENTARY SCHOOL AGE (7-14 years of age)

The population of children pursuing a compulsory course of studies in the elementary schools will, during the current 5-year period, represent the greatest growth rate of all socioeconomic groups. This group will grow to 4,817,000 children in 1985 as compared with 4,210,000 in 1980. This indicates that the number of children of elementary school age increased by 607,000 during the 1981-1985 period, or 14 percent. This gives a picture of the scope of the problems which education must solve in the pproaching years. These problems are singularly the most important to evolve from the demographic determinants in the current 5-year period. They are related to such matters as: the creation of facilities to receive an increased number of students into the elementary school; an assurance of adequate paper supply for increased outlays of school textbooks; the preparation of an adequate number of school aids and the like; but above all, the assurance of a qualified educational staff.

YOUTH FROM AGES 15-17

This is the young population pursuing studies in elementary and various types of secondary schools, and the youth learning a trade. During the current 5-year period there will be a down trend in the number of young people in this group from 1,590,000 persons in 1980, to 1,528,000 in 1985, representing a decrease of 62,000 persons for the entire 5-year term. As a consequence, the flow of postelementary school graduates into the labor market will be reduced, especially qualified workers.

YOUTH IN THE 18-19 YEAR BRACKET

This is the age at which young people complete postelementary school, obtain the secondary school certificate and begin to study at higher schools of learning. The size of this group of young people will be characterized by a down trend during the entire 5-year period, falling from 1,131,000 individuals in 1980 to 993,000 in 1985, a decrease of 138,000 persons. At the same time, the number of youths attaining age 19, representing the source of recruitment for schools of higher learning, will drop from 574,000 persons in 1980 to 501,000 persons in 1985, a decrease of 73,000 persons. From the point of view of demographic implementation, the reduction in the number of students accepted for the first years of study by the higher institutions of learning will be radical in the current 5-year period.

POPULATION IN THE 20-29 YEAR BRACKET

This is the population group of marrying age, the creators of new homesteads. It bears an influence on the formation of the current needs for housing the people, as well as the demand for household goods, home furnishings and the like. The number of people in this group will be diminished by 701,000 persons in the current 5-year period, declining from 6,672,000 persons in 1980 to 5,971,000 persons in 1985. Considering the huge housing backlog from past years, the demographic tendencies outlined will not serve to ease the housing shortage in the present 5-year period.

POPULATION IN THE PRODUCTIVE YEARS (18-59 years of age, females; 18-64 years of age, males)

This age group of the population is actively engaged in work. Changes in the state and demopraphic structure of this population group have a direct influence on the formation of the size of the labor resources in the national economy. During the 1981-1985 period, the population in the productive age will increase, however, its year to year growth will fall from 213,000 persons in 1981 to 52,000 persons in 1985.

The total population in the productive age will rise from 21,229,000 persons in 1980 to 21,882,000 persons in 1985; this means an increase of 653,000 during the entire 5-year period. As for the years 1976-1980, the growth will be twice as small, which means, that the present 5-year period possesses significantly altered determinants in the economics of labor resources. This will enforce the need to conduct a more logical and active policy in the utilization of these resources. During the present 5-year period, more than 0.5 million fewer persons will enter the labor market than in the previous 5-year period.

Typical of the current 5-year period is likewise the framework of the population growth of those in the productive age bracket according to sex. In the general estimated growth of 653,000--513,000 are males, while only 140,000 are females. This signifies that in the general population growth, women in the productive age account for hardly 21 percent in the current 5-year period, while their participation in the past 5-year period accounted for more than 50 percent of the general growth.

POSTPRODUCTIVE POPULATION (60 years of age and over, females; 65 years of age and over, males)

This category of the population will reflect solid growth in the present 5-year period. It numbered 4,238,000 persons in 1980, and will grow to 4,493,000 persons in 1985; that is an increase of 255,000 persons in the entire 5-year period. This warranted the necessity to expand services for the retired and other social services which the elderly are entitled to. The approaching years will require greater concentration on the needs of this population group in our society, which slowly but surely succumbs to the aging process. The population in the postproductive age will represent about 12 percent of the total population of our country in the current 5-year period.

The problems presented in the general, national framework are not all inclusive of the total complexity of the demographic determinants of the socioeconomic processes of the 1981-1985 period. These determinants will reflect significant distinctions, on a broad plane, in connection with the discriminatory course of demographic processes in the individual provinces, cities and districts. Because of this, it is advisable to analyze the whole of the problem more carefully in particular units of the administrative division of the country in compliance with their specific demographic determinants. This will permit a genuine ascertainment of the scope and peculiarity of the individual problems; and the location of adequate methods to solve them; which in effect will permit a more rational utilization of our resources both on a national, as well as a local scale.

POPULATION GROWTH ON THE BASIS OF GROUP AGES FOR THE YEARS 1976-1980 and 1981-1985

| Specifications | Population Growth in thousands of persons | | Growth Structure | | Growth Rate 1976-1980 = 100 |
|---|---|---|---|---|---|
| | 1976-1980 | 1981-1985 | 1976-1980 | 1981-1985 | |
| Total Population | 1,574 | 1,575 | 100.0 | 100.0 | 100.1 |
| Preproductive age<br>0-17 years of age | 160 | 667 | 10.2 | 42.3 | 416.9 |
| Productive age<br>18-59 years of age (female)<br>18-64 years of age (male) | 1,266 | 653 | 80.4 | 41.5 | 51.6 |
| Postproductive age<br>60 years of age and older (female)<br>65 years of age and older (male) | 148 | 255 | 9.4 | 16.2 | 172.3 |

Source: Demographic Year Book, 1976, and migrant prognosis of population development during the years 1980-1985, Main Statistical Dept., [GUS], 1980.

RADIO, TV PUBLIC POLL CONDUCTED

Warsaw ANTENA in Polish 4 Jul 82 pp 1,3

[Article by Stefan Szostkiewicz, Deputy Director of Public Opinion Research and Program Studies: "How We Were Watched and Rated?"]

> [Text] The Center for Public Opinion Research and Program Studies [OBOPISP] conducts systematic surveys on the popularity of radio and television programs. Today we are presenting an analysis of a detailed questionnaire survey conducted by the Deputy Director of OBOPISP, Dr Stefan Szostkiewicz. This survey applies to May [1982].

May is a month of a somewhat reduced television popularity, especially so because the length of the day and the beautiful, warm weather encourage people to spend more time outdoors in the fresh air than in front of a TV set. This does not mean, however, that a truly attractive information or entertainment program has no chance of drawing a record large viewing audience. May of 1982, was one of the "average" months, without any particularly popular programs, but also without any significant drops in the size of the viewing audience or in the evaluations with respect to fixed, regular programs.

The viewers of TV News (DTV)--in particular the main and the evening DTV programs--were represented in somewhat larger numbers in May, as compared to the averages for April (average share of the audience for the main DTV was about 55 percent, for the evening DTV it was about 10 percent), and were evaluated similarly to those in April.

Equally, one does not observe any difference in May--as compared to other months--in the share of the viewing audience, and their evaluations, of such programs as "Impulsy" [Impulses], "Interstudio" [inter Studio], "Wszystko o reformie" [All About the Reform] and "Monitor Rzadowy" [Government Monitor].

It is worth noting that the last mentioned program attracted in May an audience which was identical in size (33 percent) to those attracted in March and April, when on Friday evenings it preceeded directly a true "bestseller": "Szpital na peryferiach" [Hospital in Suburbia]. This bears witness to the

fact that the "Government Monitor" gas gained a group of steady, interested viewers who watch it without regard to the program that follows.

In May, as always, we presented programs and reports on the course of the "Race for Peace" bicycle race. This year we [Poland] did not do too well in the race, therefore, the size of the viewing audiences was rather modest (average per broadcast from final stages--29 percent, the evaluations were also modest: 19 percent of "very good" evaluations. These indicators were somewhat better than those from the preceeding year, but much worse than in 1976, the best year on record. At that time the final stages of the race drew 46 percent of the audience and 44 percent of "very good" evaluations. We had a reason to be proud of our Polish bikers in that year.

The past May was considerably rich in TV serials. The, certainly not a peak achievement of the Italian television, "Zbuntowana" [Woman Who Rebelled--original Italian title not given], describing the fate of an unlucky feminist at the turn of the century, was accepted initially by the Polish viewers with a dose of mistrust (audience share 60 percent--19 percent of "very good" evaluations), however, the succeeding episodes gained both in popularity and in evaluations. Average audience share for the entire series--68 percent, 32 percent of "very good" evaluations. The last episode brought in 46 percent of the highest evaluations. The TV viewers had grown to like the sad, beautiful heroine.

Also in May we saw the start of a Czech serial: "Dom na Sojczym Wzgorzu" [The Hospital in Suburbia." Here is a small comparison: the last episode of the "Hospital" received a 70 percent share of the audience and the percentage of "5's" [top evaluation] was 50; the figures for the "House..." were: 55 percent audience share and 18 percent of "very good" evaluations. The "Hospital" was undoubtedly a programming "blockbuster" while the "House on Jay Hill" received a rather cool reception. We will see how it progresses as the action develops, however, judging by the first five episodes which were aired in May it will surely not reach the level of indicators achieved by the "Hospital in Suburbia."

Better prospect for a higher evaluation has an English serial about the ups and downs of an English landowner living at the onset of the century: "Tamte lata, tamta dolina" [Other Years, Other Valley]. Although the audience shares for episodes aired in May did not exceed 60 percent, nevertheless, the evaluations certainly climbed: first episode--25 percent "very goods" and the third episode had already reached 39 percent of "very goods." If this sympathetic heir does not offend the Polish viewers, this program has a chance of reaching very high evaluations.

A compatriot of the young Englishman: Charles Darwin, the world renown scientist, registered far less success with the viewing public. Unfortunately, a famous name, an exotic sea voyage and aboundant set decor do not alone make a successful recipe for a program's popularity. The serial, which is aired on Saturday afternoons, did not get a chance for a larger share of the audience since it follows the main edition of the news. On average "Charles

Darwin" gained an 18 percent share of the viewing audience. The evaluations were faring no better: they grew from the first through the third episodes (from 22 to 36 percent of "very good") only to decline in the succeeding ones down to 24 percent of "very good." This is an indication of disappointment.

Finally, the re-run of a Polish high adventure serial: "S.O.S." which was aired as a Saturday Night Movie. The editor, Kostron, had a difficult task to defend his position in a viewing slot which was earlier held by such programs as: "Sierzant Anderson" [Police Woman], not to speak of "Aniolki Charliego" [Charlie's Angels]. All the same he did defend himself successfully with a sizeable, and subsequently growing share of the viewing audience (program's average share was 40 percent, this is considered a success at this late time of the day). However, the evaluations for particular episodes were rather modest (average of 26 percent of high evaluations). What is worse, as it was in the "Darwin" case, the evaluations were initially growing and then begun to shrink. This program did not catch on in the same manner as the, shown two months earlier, triumphal afternoon re-run of: "Stawka wieksza niz zycie" [Stakes Higher Than Life Itself].

If it is of interest to anyone, as to what may be regarded as May's most successful "bestseller," we would answer without hesitation: "Przygody Sindbada" [Adventures of Sindbad], aired on sunny Sunday afternoons--47 percent of audience viewing share and 43 percent of "very good" evaluations growing to 54 and 57 percent respectively. The Japanese have found Polish fans--especially children.

The Monday's Television Theater did not achieve any particular distinction in May. The largest share of the audience went to "Lekkomyslna Siostra" [Frivolous Sister], aired on 10 May, with a 54 percent share of the viewing audience and 22 percent of the "very good evaluations.

Among the movies, the great success of "Swiat komedii Harolda Lloyda" [The Comedy World of Harold Lloyd] deserves attention. Aired in a bad television programming slot--Sunday, 16 May at 10:30--it reached 40 percent of the viewing audience and gained 47 percent of the highest evaluations. A large audience was also assembled to view, following the main TV news, a two-part movie: "Abelard i Heloiza" [Abelard and Heloise]--67 percent share. The evaluations were tempered--22 percent of "very good." This could explain the reason why the second installment was viewed by a 56 percent share of the audience and received the same in evaluations.

Notes on a famous, and long awaited on our small screen, movie "Easy Rider" should be of interest. This movie, screened on Thursday, 13 May, after the news, attained an absolute record of audience share for May--69 percent. However, only 14 percent of the viewers gave the program a "very good" evaluation. It did not appeal to the majority of the public, the divergence between the numbers for the viewing public and the credits was very apparent. Perhaps it was not right to air this movie on a Thursday. This was, for several years, reserved for criminal drama shows. Perhaps the movie needed

an introduction. In any case, the low percentage of the highest evaluations can be regarded as a complete disappointment.

Since we are already talking about the, so called, Thursday's movies, it should be worth noting that the best received movie in May was an old Polish drama: "Spotkanie ze szpiegiem" [Meeting With a Spy], aired on 10 May. It received a 63 percent of the viewing audience's share and 22 percent of "very good" evaluations.

From among the programs aired in May on II TP [Second Program of Polish Television], some of them could be distinguished by somewhat higher viewing audience shares and evaluations. For instance, the re-run of "Wlasnie leci kabarecik" [There Goes the Cabaret], the Muppet Show and the light music concerts: "Hallo, tu orkiestra i balet telewizji czechoslowackiej" [Hello, Here Are the Orchestra and Ballet of the Czech Television] were such programs.

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## POLISH EXPORT OF LICENSES DISCUSSED

Warsaw SPRAWY MIEDZYNARODOWE in Polish No 12, Dec 81 (signed to press March 1982) pp 81-90

[Article by Jan Maciejewicz, senior teaching assistant at the Institute for International Economic Relations of the Main School of Planning and Statistics: "Polish Export of Licenses"]

[Text] Export of licenses is often regarded as one of the measures of an economy's modernness. This conviction has rational premises in international economic relations, for the organizational units selling technical ideas in the form of licenses are most frequently the American, Swiss, British and West German firms. At present, approximately 80 percent of licensing revenues accrue to the highly developed capitalist countries and the remaining portion is divided evenly between the developing and socialist countries.

The socialist countries obtain a minimal amount of income from the sales of licenses, which only to a small degree covers their expenditures for this purpose. Poland, too, has a constant deficit in its licensing exchange with other countries. During the postwar period, revenues obtained from sales of Polish licenses have been sufficient to purchase only about three percent of the foreign licenses.

Rarely, in international economic relations, is transfer of technology not connected with the export of investment and supply-co-production goods. Technical ideas, as a rule, act as a stimulator for the exchange of goods. It is important, therefore, that the sales of licenses be followed by the largest and most effective export of bulk goods possible. A study of the impact of the export of licenses on an increase in export of goods under Polish conditions is, unfortunately, impossible due to lack of pertinent and complete statistical information. It is, however, possible to make an analysis of export of licenses which gives a certain picture of the indirect impact of the sales of technical ideas on Poland's export growth potential in the area of both goods as well as technical services.

### Development of Export of Licenses

The first, after World War II, licensing agreement, pertaining to a single-phase electricity meter, was concluded by Poland with India in 1958. The next license was sold in 1963. Since that time, this export is a constant item in our foreign

turnovers, while the number of agreements concluded each year fluctuates from one to 18. Overall, during 1958-1980, Poland concluded 144 licensing contracts for 110.5 million foreign-exchange zlotys.

The largest increase in sales of Polish scientific-technical achievements took place in the second half of the 1970's, and especially during 1977-1979 when a total of 48 licenses for 45 million foreign-exchange zlotys were exported. These three years, therefore, accounted for one-third of the licenses exported, or over 40 percent of their value. In 1980, this strong growth tendency came to a halt. Consequently, during the entire postwar period there was no long and stable period of growth in sales of licenses. This attests to an absence of consistent licensing policy. This export is, in fact, accidental, for it has no bases in long-range strategy in this field.

The number 144 licenses does not mean that Poland sold exactly that many scientific and technical achiements. In the postwar years, 97 technical solutions were made available to foreign contracting parties. On the basis of the agreements that were analyzed, it may be said that Polish export of licenses rests on scarcely several original, innovative from the technical standpoint, solutions, which as a rule have not yet been applied in production on an industrial scale. It is difficult, therefore, to talk about licensing policy.

The T. Rut method of forging crankshafts is foremost among the export licenses. The secret of the success of this technology is due primarily to the strong involvement of the method's inventor, who is constantly improving it, thus making further sales possible.

The following technical solutions met with the highest demand abroad during the period mentioned:

--the T. Rut method - sold 17 times (Ministry of Machine Engineering Industry);

--the repair of cracked blocks and machinery and equipment housings, the Metalock method - 6 times (Ministry of Metallurgy);

--wire-drawing pressure dies - 5 times (Ministry of Metallurgy);

--a technology for producing aluminum oxide and cement - 4 times (Ministry of Chemical Industry);

--a technology for granulating sulphur - 4 times (Ministry of Chemical Industry);

--a quick-hardening core- and molding-sand mixture and the hardening method, the Syncor process - (Ministry of Metallurgy).

Altogether, Poland granted 40 licenses for over 30 million foreign-exchange zlotys for the technical solutions mentioned, which is 27.8 percent of the number and 27.3 percent of the value, of the total contracts concluded by our country. The Ministry of Metallurgy was the most frequent seller of the same technical solution.

Table

Polish Export of Licenses by Ministries and Groups of Countries During 1958-1980

| Details | Number of agreements | Percent total | Value of agreements in millions of foreign-exchange zlotys | Percent total |
|---|---|---|---|---|
| Total | 144 | 100.0 | 110.5 | 100.0 |
| including: | | | | |
| until 1970 | 40 | 27.8 | 23.0 | 20.8 |
| 1971-1975 | 44 | 30.6 | 22.8 | 20.6 |
| 1976-1980 | 60 | 41.6 | 64.7 | 68.6 |
| Ministry: | | | | |
| Machine Engineering Industry | 35 | 24.3 | 18.7 | 16.9 |
| Metallurgy | 39 | 20.1 | 8.6 | 7.8 |
| Chemical Industry | 21 | 14.6 | 33.3 | 30.1 |
| Science, Higher Schools and Technology | 13 | 9.0 | 4.0 | 3.6 |
| Remaining ministries | 46 | 32.0 | 45.9 | 41.6 |
| Socialist countries | 48 | 33.3 | 44.0 | 39.8 |
| including: | | | | |
| GDR | 13 | 9.0 | 13.7 | 12.4 |
| CSSR | 12 | 8.3 | 12.1 | 11.0 |
| Remaining socialist countries | 23 | 16.0 | 18.2 | 16.4 |
| Developed capitalist countries | 80 | 55.6 | 34.0 | 30.7 |
| including: | | | | |
| FRG | 21 | 14.6 | 8.2 | 7.4 |
| United States | 10 | 7.0 | 3.3 | 3.0 |
| Great Britain | 9 | 6.2 | 4.9 | 4.4 |
| Remaining developed capitalist countries | 40 | 27.8 | 17.6 | 15.9 |
| Developing countries | 16 | 11.1 | 32.6 | 29.5 |

Source: The author's computations based on data of the Central License Register of the Foreign Trade and Maritime Economy Information Center.

Attention should also be called to the growing interest in the license for the technology of granulating sulphur. Total revenues from the sale of this license amounted to 8.3 million foreign-exchange zlotys, or almost the same as the income from the sale of the license for the T. Rut method.

Polish export of licenses is connected with the export of goods to a very small degree. The meager statistical information does not permit an accurate study of the problem, but from the data available it appears that of the 144 licenses sold, only several were the direct cause of the export of machinery, equipment, and materials for production. It can be presumed, with a great deal of probability, that export accompanying the sales of scientific and technical achievements does

not exceed the total revenues from license payments, and probably is much lower. The normal situation in world trade is for the value of income from accompanying export to be several times higher than the amount of licensing revenues.

Also, the prices negotiated in concluding licensing agreements are relatively low. For one exported license, Poland obtained an average of 0.8 million foreign-exchange zlotys during the period studied, while over 4 million foreign-exchange zlotys were paid to western licensors.[1] During 1958-1980, in order to purchase one foreign license, five of our own had to be sold.

The main reason for this state of affairs is the fact that the ministries are selling mostly the so-called "green" innovations[2], i.e., those not yet applied in domestic production, and thus carrying with them a great element of risk, both technical and trade. Hence also, despite the originality of the solutions offerred, they are not of standard value, which is reflected in the prices obtained.

At this point we should also call attention to another element which determines the size of the export of licenses, that is, the range of patent protection on Polish inventions made available on the basis of licensing agreements. Of the 144 licenses sold, 56, i.e., 38.9 percent, were patent licenses. In the basic ministries exporting scientific-technical achievements, the share of this type of license is close to the national average. The exception is the Ministry of Construction, in which this type of license is used much less frequently. In the particular ministries, patent licenses made up the following shares in the total number of agreements concluded by them:

--Ministry of Machine Engineering Industry - 38.5 percent,

--Ministry of Metallurgy - 34.5 percent,

--Ministry of Chemical Industry - 38.1 percent,

--Ministry of Construction - 11.1 percent,

--Ministry of Heavy and Agricultural Machine Industry - 33.3 percent,

--remaining ministries - 54.8 percent.

The high percentage of patent licenses in the remaining industries was due mainly to their large share of private patent owners in export (without intervention of any ministry), which amounted to 85.7 percent.

In the export of licenses there is considerable less, in comparison with import, concentration both geographically and by branch. Over 60 percent of the licenses purchased by Poland after the war were purchased from four countries (FRG, Great Britain, the United States, and France). However, on the export side, our four

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[1] Calculated on the basis of J. Cieslik and R. Rapacki: "Restrictive Clauses in Agreements for the Purchase of Licenses in Developed Capitalist Countries". Warsaw, 1980 (typescript).

[2] See R. Rapacki: "Polish Export of Licenses", ZYCIE GOSPODARCZE, 25 May 1980.

largest licensees (FRG, GDR, CSSR and the United States) accounted for not quite 40 percent of the number and value of agreements. In total, during 1958-1980, Poland exported licenses to 31 countries, of which seven were socialist countries, 15 developed capitalist countries, and nine developing countries. There are large differences between the shares of the particular groups of countries in numbers of licenses imported from Poland and their value. The smallest difference appears in the case of the socialist countries. However, the export of Polish licenses to the developed capitalist countries and to the developing countries shows large differences in this regard. On this basis, we can formulate the following conclusion: Licenses sold by Poland to developed capitalist countries are either smaller in dimension (pertain to less-important technical solutions, or are sold cheaply in comparison with licenses placed on the markets of developing countries. Thus the thesis can be advanced, one that is raised quite often in the literature on this subject, that the natural and most profitable direction for export of licenses by a country which is at the average level of economic development, and Poland is such a country, are the less-developed countries.[3] This thesis should be considered in formulating strategy of development in this field.

Also, an analysis of the structure of license sales in the branch system leads to the conclusion that the concentration of purchases exceeds the concentration of exports. Three ministries (machine engineering industry, heavy and agricultural machine industry and chemical industry) account for over 80 percent of the number and over 90 percent of the value of licenses purchased, and the three largest ministries selling Polish licenses (machine engineering industry, metallurgy, and chemical industry), account for 59 percent and 55 percent, respectively. This considerable difference stems from the relatively low share that the Ministry of Machine Engineering Industry has in the export of licenses, and which also holds a dominating position among Polish licensees.

However, a much greater concentration of sales occurs if we take into account the structure of export by foreign-trade enterprises. POLSERVICE accounts for 73.6 percent of the number and 57.8 percent of the value of licensing agreements concluded. CIECH is in second place, with 7.6 percent and 13 percent, respectively. In recent years there has been pressure in Poland for the foreign-trade branch enterprises to take over the export of licenses, along with a reduction of the actual primacy of the POLSERVICE enterprise in this field. It is contended that since they are closest to the owner of the technical solutions being sold, and know the branch the best, they are naturally most validated to implement the licensing agreements.

The low level of Polish export of licenses during the period studied is due also to the weak innovativeness of industry, thus the barely perceptible influence of the production sphere on the research and development sphere. As a result, the largest part of the agreements concluded for the sales of licenses pertains to technical solutions that are not used in production. Indirectly, because of lack

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[3] See, for example, J. Maciejewicz: "Licenses for Export", FOREIGN MARKETS, 11 October 1980.

pertinent data, this is shown by the fact that of 97 technical solutions sold, 62 (64 percent) pertained to constructions which as a rule are not applied on a full production scale.[4] The technologies, of which 24 (24.7 percent) were sold, were similar in nature. However, licenses of the know-how type, i.e., those that pertain to specific production experience obtained by the licensors during the manufacturing process, make up the smallest portion of the available licenses--only 11 (11.3 percent).

Based on an analysis it may be said that the structure of Polish export of licenses underwent systematic improvement during the period studied. The share of licenses for construction dropped from 60 percent during 1958-1970 to 40 percent during 1976-1980, and also, in recent years, all licenses of the know-how type were sold. However, licensing agreements pertaining to technologies showed a strong shrinking tendency.

The above conclusions are also confirmed by information pertaining to sources of origin of the exported technical solutions. Of 144 licenses sold by Poland, 86, i.e., 59.7 percent, are in scientific-research facilities: the basic portion of exporters in this sphere come from scientific-research and development institutes, and 14 percent of export supply can be ascribed to the higher schools. Industry accounts for 40.3 percent of export. The structure of export of licenses in particular subperiods was as follows: to 1970, both these spheres participated in equal amounts in the export of licenses; during 1971-1975, the research and development sphere increased its share to approximately three-fourths of export, while during 1976-1980, the scientific-research facilities exported 60 percent of the licenses, and industry, 40 percent.

Impact of the Export of Licenses on the Export of Goods

Available statistical data do not precisely state the specific value of the export of goods, which, indirectly, may be initiated by an earlier conclusion of licensing agreements with foreign contracting parties. The contract conditions, under which Poland sells licenses, may, however, pave the way for the export of goods.[5]

One of the restrictions frequently used in licensing agreements are clauses which control the export rights of foreign licensees. Various degrees of restrictions can be applied here, from a ban on exports to the right to sell, by license, in sales markets indicated by the owner of the technical solution. In defining the scope of the operation of restrictions, the licensor is guided by his own interests and considers the possible losses and benefits that would result from the signing of a licensing agreement. In a situation where the seller of a technology exports, or intends to export (on the basis of a certain technical solution) products on a specific sales market, it is understandable that he will try to restrict the licensee's export abilities, unless he is not able to himself satisfy the demand for a given product.

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[4]See R. Rapacki: op cit.

[5]The reference point are the contract conditions in importing licenses into Poland. See J. Cieslik and R. Rapacki: op cit.

Analysis of the licensing agreements concluded shows that Poland applies restrictions pertaining to export of licensed production on a much wider scale than do the western partners of Polish licensees. While in the import of licenses into Poland a total ban on exports occurred in 11.5 percent of the number and 3.8 percent of the value of the agreements, in the export of licenses, Polish enterprises concluded clauses banning the sale of licensed products outside the borders of the country-licensee in 53.5 percent, by number, and 39.5 percent, by value, of the contracts. These types of rectrictions were especially prevalent during the first half of the 1970's, whereupon towards the end of the past decade, there were fewer of them. Also, the number and value of the licenses exported without any restrictions increased regularly during the 1970's. It should be emphasized that a strong restrictive policy in the area of transfer of technology from countries that are not traditional exporters of this technology, is normal in international economic relations.

Where, however, a partial restriction of the right to export is concerned, the principle of not granting the right to export to markets of socialist countries in selling technical ideas to licensees of these countries, is clearly taking shape, and similarly, restricting the exporting rights of western firms in relation to markets of the capitalist countries. Poland's western partners apply this same principle in selling us licenses: they guard the western sales markets against Polish export to a larger degree than the eastern markets.

It should be added, however, that protection of the licensor's interests through use of export restricting clauses in the agreements is not only a reflection of the licensor's policy in this area, but is also the result of the type and importance of the technical solution offerred, the partners' negotiating strength, etc.

Polish enterprises sell mainly pure licenses, i.e., those that are not accompanied by additional export of goods. Hence the large number of restrictions in the export of licenses appears to be without purpose. For if goods produced on the basis of the technical solutions possessed are not being exported, then why restrict the possibility of their sales by Polish contractors? The only explanation may be that such export is being anticipated by our enterprises, but for various reasons it cannot be done.

Another, in addition to exporting restrictions, element of licensing agreements used to protect the licensor's interests, is that of specifying the length of the validity period of the licensing agreement. During this period, the exporter of the license is legally insured against the licensee's non-compliance with the agreements concluded. This element, at least under Polish conditions, should be examined together with the contract clauses pertaining to export restrictions. If Polish enterprises are greatly curtailing the right of the contracting parties to export licensed products, with the idea that in the future they will sell these products, then they should insure themselves against competition from the licensees by correspondingly setting the period that the agreement is to be in effect. A study as to whether this period has been established correctly in practice, is possible only in relation to specific licenses. The average period of validity of agreements concluded by Poland was 6.3 years during 1958-1980.

In the case of clauses restricting sales in Polish export and import of licenses, a diametrically different situation occurred. An analysis of clauses pertaining to

the right to use the licensor's trademark gives a similar picture. Polish importers of western licenses were authorized to use trademarks in 73.7 percent, by number, and 65.1 percent, by value, of the contracts. However, in selling Polish technical solutions, 29.2 percent of the number and 32.7 percent of the value of the licenses gave their purchasers the right to use the licensor's trademark. The trademark, as a form of promoting export, is still not being used in our country on a large scale, although some of the enterprises are held in high regard by foreign customers. The small share of licenses sold together with the trademark of the Polish licensor is, therefore, the result of weak promotional activity in this field and stems more from an unwillingness to obtain the right to use it by the foreign contracting parties, than from restrictions on its availability by our enterprises.

The next element in contract conditions which have an indirect impact on an increase in exports from Poland are clauses restricting the right of the licensees to grant sublicenses abroad, thus restricting the dissemination of the licensed technology outside the country that purchased the license. In applying this type of restriction, the licensor obtains control over use of his technical solution, and by so doing he can control the size of the supply of licensed products, adapting it to anticipated demand.

Polish licensors, just as western in relation to our country, take advantage of these restrictions on a broad scale in granting sublicenses by foreign licensees. This is shown by the following data: total or partial (in relation to selected countries) restrictions apply to 87.5 percent, by number, and 89.3 percent, by value, of the agreements concluded for the sale of licenses. Poland conducts the most liberal policy in this area in relation to developing countries, and the most restrictive, in relation to developed capitalist countries.

It is well also to call attention to the fact that restrictions of this type are relatively easy to circumvent, particularly by firms that have a strong research and development base. The basis of the licensing policy of such firms is energetic post-licensing activity, which, unfortunately, cannot be said about Polish enterprises. As a result of this activity, the object of the license can be improved enough so that it represents a technical solution that fundamentally differs from that purchased in the form of a license, and under these circumstances, there is nothing standing in the way of granting a new license on it. Hence the conclusion that a licensor should thoroughly investigate the advisability of selling the technical solutions that he possesses and himself conduct the development work on them.

The next factor indirectly influencing the competitive position of Polish export on the world market is the nature of the licensing agreements concluded. Particularly important here is the division into exclusive and non-exclusive licenses.[6]

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[6] "An exclusive license is granted when the licensor binds himself in the licensing agreement that during the period that this agreement is in effect he will not grant this same--as to scope--license to anyone else. By the terms of a non-exclusive licensing agreement, however, the licensee obtains permission to make use of the solution on which the licensor either has already granted, or will grant, licenses to other partners." Citation from F. Kulpa: "Economic Problems in Obtaining Foreign Licenses." Warsaw, 1980, p 24.

In agreements for the purchase of foreign licenses by Poland, non-exclusive licenses are in the majority, constituting 62.5 percent of their total number and 50 percent of their aggregate value. It is the same in international licensing operations--non-exclusive licenses decisively predominate. However, their share in the total number and value of licenses exported by Poland is somewhat less than the share in import, amounting to 54.4 percent and 41.7 percent, respectively. In addition, there are considerable differences here in the subsector and geographic distribution, but only as to number. Polish enterprises, therefore, are conducting a correct policy in establishing the nature of the licenses sold, insofar as they have an actual influence on this. The correctness of the above conclusion may be proven by the fact that agreements with the largest purchasers of our technical solutions are for the most part non-exclusive, thus Poland is maintaining a strong competitive position on these markets. However, exclusive licenses are sold mainly to countries which are importers of a small number of technologies, and primarily those that the basic purchasers from the developed capitalist countries would not buy from us anyway.

Finally, an element of licensing contracts that has an impact mainly on the export of Polish technology are the restrictions on the rights of the licensees to use the licenses in specified organizational units. The licensor may restrict the dissemination of the technology that he is selling only to an enterprise specified in the agreement, thus inhibiting the possibility of a diffusion of the licensed solution in the importing country. Potential licensees who want to make use of a given technical solution must therefore buy a new license from the Polish exporter, giving him an opportunity to increase his sales. In restricting the diffusion of licensed solutions in the importing country, the licensor also improves his competitive position in the export of licensed products.

Most of the licenses granted by Poland during 1958-1980 restrict the use by the purchaser of the offerred solutions to a specified production plant. Quantitatively, these restrictions apply to 59 percent of the agreements, but in value, to 66.1 percent. It should be emphasized that Polish enterprises--exporters of technical ideas, apply this type of restriction on a wider scale than do western sellers of licenses to Poland. It appears that this is due mainly to the fact that in the opinion of the exporters of licenses to Poland, the possibilities of diffusion in our country are limited, and in view of the high monopolization of production, restrictions in this area do not have to be applied.

The least restrictive policy in this field is conducted by Poland in relation to developed capitalist countries, while the largest number of restrictions appears in contacts with developing countries. The particularly privileged countries are Great Britain and the FRG.

The Sale of Licenses and the Technical Development of Polish Exporters

The sale of licenses can be looked upon as a kind of verifier of the technical level of a national economy. Countries which are highly innovative also lead in the export of technical ideas. Poland, at least thus far, is not a world leader in this field.

One method of raising the country's technological level may be post-license cooperation, consisting of an exchange of improvements on the product of the license between

the seller and the importer. This exchange may be binding on both contracting parties or on only one of them, and the transmission of improvements may take place on payment principles or free. Post-license cooperation is, as a rule, very important for countries that are at an average or low stage of economic development, creating for them the applicable conditions for narrowing the technological gap in relation to the most developed states. Raising the technical level has a direct impact on the competitive position in export and the place of the given country in the international division of labor. Post-license cooperation, based on pertinent clauses in the licensing agreements, may thus have far-reaching implications for the partners in a licensing exchange. Furthermore, a correctly implemented mutual exchange of improvements in the licensed products may as a result lead to broad co-production cooperation by the partners.

Statistical data on post-license cooperation also point to the partners' negotiating strength, stemming from their actual ability to make improvements in the licensed technology. They say nothing, however, about the real side of this problem. Only the willingness of the partners to cooperate emerges from them, and not its final result.

In total, in the postwar years purchasers of Polish technology in license form were obliged to an exchange of improvements in 41.6 percent of the number and 55.7 percent of the value of agreements; however, Polish exporters of licenses, 50 percent of the number and 65.3 percent of the value of agreements. Analysis shows that in the particular subperiods, post-license cooperation between Polish licensors and foreign purchasers of our technical solutions weakened at a rapid rate. Up to 1970, licensees were bound by the terms of the contract to transmit improvements in 62.5 percent of the number and 90.4 percent of the value of the agreements, but in 1976-1980, these shares dropped to 41.7 percent and 50.7 percent, respectively. One reason for this state of affirs may be the fact that in the final years of the past decade Poland concluded many agreements with developing countries, which as a rule do not have a suitable scientific base for establishing post-license cooperation, and as a result, Polish licensors also rarely committed themselves to the transmission of improvements.

The willingness for post-license cooperation during the period studied also weakened systematically on the part of the Polish licensors. While, up to 1970, exporters of technical ideas from Poland were obliged to transmit improvements in 67.5 percent of the number of agreements and 91.3 percent of their value, during 1976-1980, the figures were 53.3 percent and 66.4 percent, respectively. This phenomenon is difficult to interpret unequivocally, since on the one hand, the technical monopoly of the Polish licensors was strengthened, yet on the other hand, the benefits stemming from comprehensive cooperation with foreign enterprises decreased.

Insofar as the subsector structure of this cooperation is concerned, the Ministry of Chemical Industry and the Ministry of Science, Higher Schooling and Technology, obtained the most information on improvements in licensed technology during the period studied. In turn, of Polish licensors, those who showed the most inclination towards post-license cooperation were the Ministries of Machine Engineering Industry; Science, Higher Schooling and Technology; and Chemical Industry. Least inclined were the Ministries of Construction and Metallurgy.

However, by geography, from the standpoint of post-license cooperation, the most profitable contacts were with countries such as France, Great Britain and the United States, and relatively the least profitable were contacts with the socialist countries.

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Recapitulating the above observations, the following conclusions may be formulated. An empirical examination of Polish export of licenses shows that it did not achieve large dimensions during 1958-1980. One of the reasons for our country's weak position in this field is the lack of a consistent and long-range licensing policy. This assertion applies also to the import of licenses, which may have a considerable impact on their export potential. The direction of research which should be undertaken in this field is the advisability of selling pure licenses, without accompanying export. The preparation of a statement of the losses and profits resulting from the implementation of this export should form the basis for a licensing policy in this area.

The fundamental weakness of the export of technical ideas from Poland is its minimal connection with the sale of machines, equipment and materials for licensed production. The geographic structure of our export should be deemed to be incorrect, because the developing countries, which should be the main sales market for Polish technical ideas, have too low a share in it.

An analysis of the individual elements of the licensing agreements shows that Polish enterprises-exporters apply restrictive clauses on a wider scale than do western suppliers of licenses to our country. This applies particularly to restrictions on export of licensed products and restrictions on using licensed technology in a specified production plant in the country-licensee. It should be said that from the standpoint of the national economy restrictive clauses do a good job in safeguarding the interests of Polish firms both in the area of their competitive position in export as well as in maintaining a technical monopoly on the solutions possessed.

Contract terms, therefore, are not the reason for the low level of the export of Polish technology, but neither are they suitable protection for technical development of Polish exporters of licenses, based on post-license cooperation with exchange partners. A similar situation appears in the import of licenses. This has an adverse influence on increasing the potential of the export of technology from Poland and on following the direction of scientific-technical progress in the countries that are leaders in this respect. It thus widens the technological gap between them and our country.

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TRADE WITH DEVELOPING COUNTRIES IN FOREIGN TRADE STRUCTURE

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 21 Jul 82 p 3

[Article by Andja Petrovic: "Long-Standing Goals Are Being Achieved"]

[Text] The goals of Yugoslav foreign trade are to increase the export of products in a higher stage of manufacture for convertible currencies and to confine imports to what is necessary. These goals have mainly been achieved in economic relations with the developing countries. Recently the results have been improving still more and offering hope that the ambitious programs set forth will in fact be carried out.

Status of Exports and Imports up to 21 June 1982, in thousands of dollars

| | Exports | | | Imports | | |
|---|---|---|---|---|---|---|
| Region | 1981 | 1982 | Index | 1981 | 1982 | Index |
| Developing countries | 781.7 | 925.0 | 118 | 1,272.4 | 1,003.3 | 79 |
| Advanced Western countries | 1,180.4 | 1,348.8 | 114 | 3,529.8 | 3,249.9 | 92 |
| Socialist countries | 2,354.0 | 2,368.0 | 101 | 2,344.4 | 1,944.9 | 83 |
| Total | 4,316.2 | 4,641.8 | 108 | 7,146.6 | 6,198.2 | 87 |

Still more recent figures show the status as of 8 July. The index number of the growth of exports of the Yugoslav economy was 109 at that time, that of imports 89; exports to the developing countries 122, and imports 83; exports to the advanced countries of the West 113, and imports 95; and exports to the socialist countries 102, and imports 84.

Arab Countries: Very Near the Balance of Trade

In Yugoslavia's total foreign trade trade with the developing countries has risen appreciably--to about 20 percent, which has been a long-standing goal and commitment. It is still more significant that imports and exports have almost come into balance--exports have covered 95 percent of imports. The leaders in Yugoslav exports are machinebuilding and power machinebuilding, and they show a tendency to stay in first place for the next 5 or 10 years at least. Nor has work on capital investment projects and services been included in all this.

For 1982 the Yugoslav economy plans exports to the developing countries in the amount of $2,518 million. Only 36 percent of this had been achieved by 21 June. The growth of exports planned was 25 percent over 1981. In value terms $1.34 billion of exports were destined for the Arab countries, $490 million for the Asian countries, $533 million for the tropical countries of Africa and $150 million for Latin American countries. In the first half of the year the overall lag was about 7 percent behind the export plan.

Business has been best with the Arab countries--exports have risen 27 percent: 86 percent with Iraq, 8-10 percent with Egypt, 400 with the United Arab Emirates, 46 with Saudi Arabia, 48 with Kuwait and 900 percent with Qatar. There have been snags in trade with Libya and Algeria: a few months ago those countries asked for work on capital investment projects to be paid for with deliveries of petroleum, but the mechanisms for this have not been set up in our country. It is assumed that by the end of 1982 the 20-percent delay with Libya and 30-percent delay with Algeria will be made up.

Asian Countries: Unless Certain Conditions Are Met

The principal feature in exports to the Asian countries has been Iran, with which trade has been conducted with the help of an interbank arrangement over which there have been quite a few disagreements between our bankers and exporters. A large portion of the lag will be made up, since by the end of June letters of credit have been opened for $120 million, but that is not enough. Exports to the Asian countries amounting to $34.3 million in the first quarter and about $100 million for the first two quarters are insufficient. Sizable transactions are expected in the second half of this year primarily with Iran, Malaysia and Pakistan. The firms involved are Energoinvest, Iskra and Intertrade. India can satisfy expectations this year if an arrangement is made for cooperation in the manufacture of tractors and if there is an adequate supply of our goods, and also if our statutes and certain attitudes of the National Bank can be reconciled.

Tropical Africa: Desires Greater Than Achievement

The countries of tropical Africa are still a desirable market to a large extent: this market is as unresearched as it is large, and is therefore uncertain. The economic situation in those countries is deteriorating for the well-known reasons of the general business crisis, which is by all appearances hitting them worst, since they are the most dependent upon exports of their raw materials and on imports of food, petroleum and industrial equipment. Yugoslav exports to those countries in the first quarter were rather slender--$12.3 million, or half of the same figure for last year. In the months to come four ships will be delivered to Liberia for $101 million, and $25 million worth of current goods have been sold in the first half of the year, so that exports will be twice as large as last year. However, the plan called for $269 million. New deliveries of ships for $233 million and goods for $45 million will bring it up to about $410 million in the second half of the year, which is considerably more than in all of 1981 (by $160 million), but this would still be about $120 million short of the plan. There have been difficulties, especially with deliveries of goods to Nigeria and Angola because of the difficulties those countries have been having making payments.

Latin America: After All Another Step Forward

Latin America and the Caribbean remain the weakest point of our commodity trade with the developing countries. The delivery of a ship to Barbados worth $30 million and current goods worth about $10 million will substantially improve the situation in the first half of the year, but because the delivery of two ships to Panama and Ecuador have been canceled (the hard currency is lacking to purchase their bananas), the planning of target of $150 million--very modest--will be missed by about $35 million, or 23 percent. This will still be 45 percent over exports for last year, when they amounted to only $69 million. What can be done by the end of 1982 is to be done by Energoinvest with Mexico and Cuba--$30 million, Ingra with Brazil and Argentina--$5 million, Iskra with Ecuador, Mexico and Colombia--$10 million, Astra, Slovenijales and Zastava with Colombia, Chile, Venezuela and Uruguay--$7 million, and Prvomajska with Mexico--$3 million.

This Year's Lesson

Our businessmen have several major arrangements in the stage of negotiation and expect to conclude contracts for work on capital investment projects in Ecuador and Peru in the amount of $250 million over 5 years. Deliveries of railroad cars to Brazil in the amount of $300 million would--if the contract is concluded--offset imports for several years to come.

This year's experience of Yugoslavia's foreign trade with the developing countries is very instructive: the realistic rate of exchange of the dollar and the credit financing of exports of equipment and ships have brought quite a few results. The more vigorous commitment of our economy, pressed by the necessity to look upon economic cooperation with the developing countries as their lasting commitment and a way out of many troubles, has also obviously contributed to the success. The awareness of this is crystallizing; it needs to be firmed up still more and spread more widely. Along with the discovery of new forms of cooperation, of course, aside from conventional trade with commodities for cash, which has been the predominant form up to now.

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SEMIANNUAL FOREIGN TRADE DATA FOR REPUBLICS

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 4 Aug 82 p 2

[Article by M. Urosevic: "Total Deficit Is Decreasing"]

[Text] Viewed separately from the other economic developments in the country, foreign trade in the first 6 months of this year can be regarded as not only satisfactory, but even encouraging. Exports reached 204.7 billion dinars, while imports fell to 277.4 billion. Thus the coverage of imports by exports is now 73.8 percent, which is the second highest value since 1966, when 77.80 dinars were derived from exports for every 100 dinars paid for imports.

However, it is almost a rule that relations like those in foreign trade result in lower growth and indeed even stagnation of the physical volume of industrial output and other adverse phenomena, which indeed have been pronounced this year. Moreover, one cannot overlook the fact that what has been achieved was mostly the result of efforts of organizations of associated labor, but also of administrative guidance and of the linkage of imports to exports. There are also other specific features and defects which we will be discussing after a survey of the share of the various sociopolitical communities in the results achieved.

We do not see here the percentual increases of exports or imports which have to some extent become familiar for the simple reason that they are less essential elements than the coverage of exports by imports. If commodity trade were at least in approximate balance, then the growth of imports would not signify any burden at all, since exports would also grow. These two elements together represent an indicator of the country's share in the international division of labor, and its growth is the goal of any country's economy.

This indicator, the coverage of imports by exports--overall and also individually for each republic and province--indicates the intolerable nature of the situation in distribution of the "burden" of larger imports in which each of the eight sociopolitical communities is striving to show the smallest possible share for itself. This is achieved thanks to the fastest possible growth of the value of imports of articles indispensable to the country's entire population, articles whose import cannot be postponed, and the endless attempts to reach agreements on this. Although the Federation has nothing to export and thereby to cover its imports, except certain products of the arms industry, a

large portion of imports is attributed to it, and all of this naturally represents a deficit. The ultimate effect, however, as the table shows, is that the Federation has a share of only 0.2 percent in exports, a share of 3.7 percent in imports, and a share of 13.5 percent in the deficit (the third highest value after Croatia's 32.3 percent and the 16.7 percent of Serbia proper).

Results for the Period January-June 1982

| Socio-political Community | In Millions of Dinars | | | Coverage of Exports by Imports, % | Share of Total, % | | |
|---|---|---|---|---|---|---|---|
| | Exports | Imports | Deficit | | Exports | Imports | Deficit |
| SFRY | 204,698 | 277,354 | 72,656 | 73.8 | 100.0 | 100.0 | 100.0 |
| Bosnia-Hercegovina | 30,210 | 38,107 | 7,897 | 79.3 | 14.8 | 13.7 | 10.9 |
| Montenegro | 3,775 | 6,153 | 2,378 | 61.4 | 1.8 | 2.2 | 3.3 |
| Croatia | 46,112 | 69,916 | 23,804 | 66.0 | 22.5 | 25.2 | 32.3 |
| Macedonia | 10,526 | 16,060 | 5,534 | 65.5 | 5.1 | 5.8 | 7.6 |
| Slovenia | 38,867 | 46,171 | 7,304 | 84.1 | 19.0 | 16.7 | 10.0 |
| Serbia proper | 54,014 | 66,168 | 12,154 | 81.6 | 26.4 | 23.9 | 16.7 |
| Vojvodina | 16,889 | 20,596 | 3,707 | 82.0 | 8.2 | 7.4 | 5.1 |
| Kovoso | 3,896 | 3,967 | 71 | 98.2 | 1.9 | 1.4 | 0.1 |
| The Federation | 411 | 10,216 | 9,805 | 4.0 | 0.2 | 3.7 | 13.5 |

Were it not for anomalies of this kind, the deficit of each republic and province in absolute amounts and in percentages would be greater and together would represent the average value indicated for the entire country.

This way, given the present situation and relations, the semiannual foreign trade deficit has been reduced to 72.656 billion dinars, as against 123.993 billion at the same time last year, which means a reduction of 41.4 percent. The share of the various republics and provinces varies greatly. For example, Bosnia-Hercegovina is showing an ever smaller percentual share of exports as the first indicator, through imports as the second, and all the way to the deficit as the third. The specific figures are 14.8 percent, 13.7 percent and 10.9 percent, respectively. Slovenia, Serbia proper, Vojvodina and Kosovo also have this kind of descending series. Montenegro, Macedonia and Croatia, the share of the latter representing virtually one-third of the total, and, as we have already said, the Federation, have the opposite, ascending series of percentages.

Until these disproportions and anomalies are corrected, until every republic and province assumes its respective obligations, and not just its rights, which is, incidentally, being constantly insisted on, until the Federation is freed of the role of "debtor" without having a share in creating the debt, relations in foreign trade will not be more straightforward.

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1 September 1982

# East Europe Report

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2311

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1 September 1982

# EAST EUROPE REPORT

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2311

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# INVESTMENTS IN CAPITAL ASSETS UNDER SET OF MEASURES VIEWED

Prague PLANOVANE HOSPODARSTVI in Czech No 5, 82 pp 25-33

[Article by Eng Olga Rechtackova, Federal Ministry of Finance: "Investment Policy and Capital-Asset Replacement Under the Set of Measures;" portions within slanting in bold face]

[Text] Improving the effectiveness of capital investment is one of the important tasks of current economic policy. A number of measures have been adopted in the interest of assuring this, among which an active role for finance has been accorded a significant place. This follows in particular from the fact that the current system for financing capital-asset replacement is designed, above all, to assure the implementation of those investments contained in the state plan for national economic development. In this sense, finance represents an important component of the planned management system.

The assurance of the state capital investment plan, however, is only one of the tasks fulfilled by finance in the area of capital-asset replacement. Its second important role is to exert economic pressure and a stimulative effect on the decisionmaking process in capital investment and their implementation, on an increase in effectiveness and efficiency, both during the period of plan preparation and during its fulfillment.

With Resolution No 23, the federal government approved in 1979 a special set of measures for the planning and management of capital-asset replacement, a portion of which was incorporated in the Set of Measures for Improving the Planned Management System of the National Economy After 1980. Some of these were implemented during 1979 and 1980, for instance in FMTIR [Federal Ministry of Technical and Investment Development] Directive No 8/1979 concerning management at times of increases in budgeted costs for incomplete construction projects and during a shift in deadlines for delivering facilities for testing and for the completion of construction projects, and in FMF [Federal Ministry of Finance] Decree No 3/1980, Laws of the CSSR, updating Decree No 22/1967 concerning the financing and payment for deliveries for capital investment and deliveries of geological tasks, etc.

The applicable provision of Decree No 22/1967, Laws of the CSSR, concerning the possibility of stopping payments by the consumer if a contractor is more than one calendar quarter in arrears of the progress of work or of deliveries

due to circumstances which impinge exclusively on the contractor, has been supplemented by Decree No 3/1980, Laws of the CSSR, which established a penalty for contractors who do not fulfill planned deadlines for construction projects designated as binding tasks of the state plan and for centrally evaluated construction projects. For these construction projects (according to the planning methodology of the Sixth Five-Year Plan) for which the CSSR Government has established a deadline for delivering the facility for testing or for completion of construction as a binding task of the state plan, this decree prohibits the investor from providing payments if a shift in deadlines become necessary. In this case, the investor may not provide payments for the time following the planned deadline for the delivery of the facility for testing or for the completion of construction until such time as the CSSR Government decides on a new deadline or until the actual delivery of a facility for testing or the actual completion of construction if the government approves alternative deadlines. In this case, there is no renewal of payments for practical purposes, because following the completion of deliveries there arises the right to invoice. A renewal of payments is the issue at those times when the government decides on a new deadline. This, however, is a matter of an exceptional case, because a new deadline is established only when delays in construction were not caused by any of the participants in the project or by their supervisory organs. The prohibition on giving payment stubs to a contractor applies to the objective reality that a construction project established as a binding task of the state plan has not been finished by the planned deadline; thus, which of the participants in the project caused the delay is not critical in order to invoke the decree. The contractor then is forced to locate financial resources for himself in the form of credits from the Czechoslovak State Bank, at a significantly higher interest rate. To the extent that he did not bring upon himself the damage represented by this higher interest, he has the right under the commercial code to petition for its return from the organization which caused the damage by not fulfilling its obligation.

From the above, then, it is clear that by the end of the Sixth Five-Year Plan a number of concrete measures had been implemented in the area of capital-asset replacement, which were intended to achieve the following:

--/increased quality of investor and design preparation for construction projects;

--/stability in the decisionmaking process;

--/an improvement in direct management;

--/the thorough fulfillment of state plan tasks and of obligations contained in economic agreements;

--/the timely completion of construction projects and startup of facilities;

--/adherence to construction schedules and the budgeted costs of projects./

The measures which have been adopted have been directed primarily at strengthening capital-asset replacement, particularly by stressing an increase in quality from the view of content, feasibility, links with other parts of the plan and strengthening its managerial function within the overall national economy. By improving the function of state experts and increasing accountability, the conditions are being created for an increase in the quality of concrete management and decisionmaking at all levels. In this way, the preconditions have also been created, with some lead time, for the implementation of tasks stemming from the Set of Measures for Improving the Planned Management System of the National Economy After 1980 in the area of capital-asset replacement.

Assuring the Intentions of the Set of Measures in the Financing of Capital-Asset Replacement

According to a resolution of the 16th CPCZ Congress, the objective of investment policy after 1980 is to achieve a significant increase in the efficiency of capital investment. This intention is to be achieved especially through greater utilization of existing facilities, the implementation of scientific and technical development, the priority implementation of progressive, effective reconditioning and modernizing investments with a rapid payback period, the rapid completion of incomplete construction projects, the startup of production facilities in accordance with their design parameters, a reduction in incomplete construction projects, a shortening in construction schedules, adherence to budgeted costs and the technical-economic parameters of the construction project.

Measures which have been adopted so far, a number of which are contained in legal regulations (for instance CSSR Government Ordinance No 161/1980, Laws of the CSSR, concerning financial management, Decree No 162/1980, Laws of the CSSR, concerning the financing of capital-asset replacement, and the new decree concerning construction documentation, valid as of 1 January 1982), and planning methodology are, then, oriented both to an improvement in the preparation and planning of investments and also the influence of khozraschet principles and instruments in the overall process of capital-asset replacement.

/Since 1980, the financial system is supposed to have contributed to an increase in the efficiency of the entire process of capital-asset replacement. A fundamental criterion for strengthening the role of financial-economic instruments is, especially, the application of the VHJ [Economic Production Unit] khozraschet principle. Both responsibility and economic incentives are oriented in this direction. Tasks directed at activating the influence of financial-economic instruments are being formulated in such a way that they strengthen the khozraschet accountability of a VHJ for optimal efficiency within the plan, create economic pressure for rational economic decisionmaking in the generation and utilization of financial resources for investment and in the event of deviations from the plan caused by a lack of financial resources. The efficiency of the financial system and its influence on the effectiveness of capital-asset replacement will be based to a large extent on the relationship between the formation of financial resources and their

effective utilization. Thus, through the medium of the financial plan and financial and credit instruments, pressure is to be created on the efficiency and effectiveness of capital investment when formulating the plan for capital-asset replacement, when choosing investment projects, and during plan fulfillment. At the same time, preference is to be given to the modernization and reconstruction of capital assets over new construction./

Most noteworthy in the area of financing is the fact that, in comparison with the preceding period, most VHJ and enterprise investments are being financed with their own financial resources (mainly profit) and with bank investment credits. On the other hand, the percentage of subsidies from the state budget for investment projects has been reduced, and these are granted only in exceptional instances and according to principles approved by the CSSR Government. There has thus arisen the desired planned khozraschet connection between the arrangement of a portion of investments and the economic performance of the VHJ or the enterprise in question. This mutual connection between the need for financial resources for investment and economic performance, when incorporated in five-year and annual plans, is intended to exert an influence within VHJ and enterprises in two basic directions: on the one hand, in the direction of financial resource formation, above all, for the achievement and even the exceeding of planned profit levels, and, on the other hand, in the direction of the effective and efficient expenditure of financial resources to achieve the maximum return for the enterprise.

The following fundamental documents assure the implementation of the Set of Measures and of the preceding demanding tasks for the financial system in the area of capital-asset replacement:

--FMF and chairman of the State Bank of the CSSR Decree No 162/1980, Laws of the CSSR, concerning the financing of capital-asset replacement;

--General Principles for the Granting of State Budget Subsidies for Capital Investment, approved by CSSR Government resolution No 402/1980, and the implementational guidelines of the FMF and Czechoslovak State Bank for the securing of, drawing on, and control of investment subsidies (published in the Financial Report, No 1/1981);

--Principles of Domestic and Foreign Bank Currency Policy After 1980, approved by the CSSR Government, No 400/1980, and by Decree No 157/1975, Laws of the CSSR, of the chairman of the Czechoslovak State Bank concerning the granting of credits;

--FMF Decree No 151/1978, Laws of the CSSR, concerning the merging of resources of socialist organizations;

--FMF Decree No 153/1980, Laws of the CSSR, concerning fines for the delayed startup of machinery, accessories, equipment, transportation assets and imported investment projects.

The decree concerning the financing of capital-asset replacement implements a basic administrative change in this area, i.e., a definite orientation of the

investment process toward the economic performance of VHJ and enterprises. This has been especially evident in the new technique for financing investment from two funds: the capital-formation fund and the development fund, with the development fund conceived of as an economic incentive fund.

The /capital-formation fund/ is the fund which assures the financing of planned investment requirements. The capital-formation fund is the financing source for critical investment projects, especially binding tasks, centralized construction projects and other construction projects of over Kcs 2 million in budgeted costs. This is a matter, predominately, of investment projects specifically designated in the state plan or in economic plans.

The sources of financing for these investments are, above all, profits and depreciation, subsidies from centralized sources, bank credits for projects with a short payback period and, in exceptional instances, state budget subsidies and other resources (for instance, from the liquidation of capital assets).

The fundamental criteria for the financing of investments from the capital formation fund are their planned and projected technical-economic parameters. If these parameters are not met, it is in principle impossible to finance these investments either with credits or with state budget subsidies; the financial requirements stemming from shortcomings which arise during the carrying out of investments financed from the capital-formation fund (failure to meet construction schedules, exceeding of budgeted costs), will be covered principally from the development fund. It is necessary to perceive in this provision substantial pressure to increase the quality of planning of capital investment even at the level of financial management.

The /development fund/ is a new fund of economic incentives which has proven itself over a period of 3 years in the comprehensive experiment of efficiency and quality management. Its purpose is to influence both financial-resource formation and the effective expenditure of these resources in the area of capital-asset replacement.

The development fund is formed in industrial and selected construction organizations, as a rule, by allocations from profits and from capital-asset depreciation, with the allocation from profits being tied to the fulfillment of a return on the operating-assets indicator and the sales-structure indicator.

Certain other resources may also be allocated to the development fund, which the VHJ or enterprise obtains, according to regulations, by providing incentives for technical sophistication and quality, or in some cases for the level of fashionability of its products (a quality-goods markup), from economic incentives for exports, and for undertaking a greater profit than established as the objective for the formulation of the implementation plan.

The development fund is utilized primarily for the financing of construction projects of up to Kcs 2 million in budgeted costs of machinery and equipment

not included in the construction budget, including the design documentation and payments on the investment credits for this investment. Bank credit is also used for the financing of these investments.

The possibilities for carrying out investment projects to be financed from the development fund are determined primarily by internal resources formation. Through the development fund, a significant portion of VHJ and enterprise investments (about 40 percent in industry and up to 80 percent in certain VHJ) come into direct contact, both in the plan and in reality, with economic performance, with the resultant positive and negative consequences for the magnitude of these investments. This is not, of course, a matter of unplanned investment. The state plan establishes a not-to-exceed limit for the overall volume of these investments for central branch organs. These organs must, therefore, when breaking down investment projects for their subordinate VHJ, also create the necessary reserves so that those VHJ which generate, through better management, more resources in the development fund can also carry out these investments. For those VHJ where the managerial performance is such that the necessary financial resources are not generated for the development fund, measures will have to be taken to consolidate management.

Drawing on resources from the development fund is conditioned not only by internal resource information, but also by the fulfillment of previously established criteria for investment effectiveness which have been issued by the FMTIR.

/The above principles, then, place substantially greater demands on the sophistication and rationality of economic decisionmaking. They directly require higher quality and an intensification of the planned character of the entire process of capital-asset replacement, and represent a significant deepening of khozraschet relations, and in particular of economic accountability and incentives, a substantially more intensive integration of the plan and khozraschet and, on this basis, a more active and effective influence for the financial plan, financial-economic instruments and financial relations in their most extensive manifestations./

One of the main problems is the /means of financing repairs, modernization and reconditioning/ of capital assets. In this area, the principle continues to apply that for the realization of repair, modernization and reconditioning projects which fulfill certain conditions established by decree there is no need for a material investment limit, or for resources in the development fund because such projects may be financed from operational, noninvestment resources. In view of the general tautness in capital-asset replacement plans, organizations are often motivated to attempt to shift investment projects to the repair category, that is, to place them outside the capital-asset replacement plan. This attempt is often supported by the substantial difficulties involved in determining the nature of the project and, based on this, the means for its planning and financing.

It is generally acknowledged that in addition to the physical wearing out of capital assets there is also an obsolescence factor. This means that capital

assets may, to be sure, be in a physically usable condition but that their further use is economically ineffective, meaning that it would be more efficient to remove them from the production process (they consume more labor value added than is socially necessary in the given conditions, and pass on to the product more necessary work and higher costs).

Obsolescence comes about through increases in labor productivity in the production of capital assets and through technical development. Capital-asset obsolescence consists, on the one hand, in the fact that through depreciation more past work is being passed through to products than for newer capital assets, and, on the other hand, is evident through technical development, i.e., primarily through an increase in performance of new capital assets. Organizations using obsolete capital assets, then, are at a disadvantage because their production costs are higher than the social costs expressed in prices, which means lower profitability for them.

/Modernization, as it is defined by the decree on the financing of capital-asset replacement, should then contribute to a prolonging of the useful life of capital assets and moderate the effects of their obsolescence. One of the most important objectives of modernization is to improve the technical parameters of capital assets to the extent that they assure production comparable to that of the newest machinery and equipment, and products with the lowest possible production costs. The efficiency of modernization is measured as a rule by the absolute contribution expressed as the level of net production, labor values added, profit and the reduction of unit costs./

Reconditioning marks the most extensive intervention into the technical and structural components of a capital asset; it changes its technical paramenters, and in some instances its function of purpose. As a rule, reconditioning results in a complete renovation of the capital asset.

Modernization and reconditioning are by their nature components of the category of investments; costs incurred for them raise the base cost of the capital-asset. As an independent project, modernization and reconditioning are financed from investment resources within the framework of the capital-asset replacement plan either by means of the capital-formation fund or the development fund. Certain reconditioning and modernization carried out at the same time as capital-asset repairs, which is the most efficient approach, may be financed, given the fulfillment of conditions established by decree (the maximum amount of budgeted cost for modernization or reconditioning), within the framework of repair costs, i.e., from operating, noninvestment resources.

Capital-asset repairs, on the other hand, are an independent category of capital-asset replacement; their objective is to eliminate partial physical wear of damage, to bring the capital asset to an operational condition which is in accordance with current requirements of scientific and technical development and work safety.

Capital-assets, you see, lose their original use values during use, and this is connected with a reduction in their general value. In practice, this is

primarily manifested by a decline in performance, a gradual loss of working ability from the viewpoint of product quality, increased energy consumption and, last but not least, increased costs for maintenance and repair (in many cases to an extent which renders further operation uneconomical). Wear and tear on capital-assets is also often caused by a poor environment (dust, humidity and the like) and nonprofessional handling (neglect of maintenance, etc.). The losses which result from this physical wear and tear on capital assets are substantial and represent billions of korunas of value annually for the national economy.

In contrast to wear and tear, which may be limited by repairs and maintenance, obsolescence may be eliminated principally by modernization. At certain times, both forms of wear and tear may be operative simultaneously, meaning that in eliminating them, the use of all of the above remedies in unison often leads to greater efficiency. This reality is taken into account by the decree which provides incentives for the modernization and reconditioning of capital assets-carried out simultaneously with their repair, on the condition that the budgeted cost (after excluding repair costs from the total budgeted cost of the project) amounts to a maximum of Kcs 5 million. For capital-assets whose purchase cost does not exceed Kcs 10 million, the budgeted cost may amount to no more than 50 percent of the purchase price. Preferential treatment for these joint projects lies, above all, in the financing and planning methods; they are financed from operating (noninvestment) resources as repairs and are planned for within the framework of repair costs. The condition for the utilization of this possibility for financing and planning is the specification of costs for repair and for modernization or reconditioning in an aggregate budget, and an increase in the base price of the capital-asset by the amount of the costs expended on reconditioning or modernization.

/The Set of Measures mandated, in the interest of greater effectiveness, a deepening efficiency by the financial system in the area of capital-asset replacement, above all by increasing the percentage of internal VHJ and enterprise resources and reducing the role of the state budget in investment financing, the incorporation of shortcomings in investment implementation into the results of financial management and also, to an established extent, into economic incentives. The conditions were created for this by modifying taxes on profits for the state budget (by reducing taxes on profits), at the same time that a single relationship between organizations and the state budget was established in principle, i.e., a tax on profits without subsidies for investment. This serves to strengthen khozraschet management and limit the reallocation of resources through the state budget to a minimal level, thereby implementing at the same time the fundamental principle established by the Set of Measures for subsidy policy, i.e., state budget subsidies are to be applied as a completely exceptional source for the financing of capital-investment in cases where the coverage of planned investments may not be assured over the long term with internal financial resources./

This principle is reflected in the principles of capital-investment subsidy policy is established by the CSSR Government, which likewise assure another of the basic principles of the Set of Measures; the efficiency of resources

expended by the state budget and the adherence to the design parameters of construction projects. These principles are expressed in the basic conditions for the granting of investment subsidies. Exceeding the budgeted costs established in the aggregate budget of the project, failure to meet the completion schedule or the technical-economic indicators of the subsidized construction project will be consistently incorporated into the internal financial resources of the investor. Financial requirements which arise in this way will be financed from the development fund of the investor (exceptionally, in the absence of a development fund, from the capital-formation fund).

As has already been stated, investment subsidies are granted from the state budget, in exceptional cases, to branches established by the CSSR Government in accordance with the objectives and intentions of the state plan for investment projects financed from the capital-formation fund. Investment subsidies may not be granted for projects to be financed from the development fund. Basically, investment subsidies may be awarded to state economic and social organizations for budgetary plan investments, civil defense, military science and technology, for the construction of apprenticeship facilities, and also to state economic organizations whose relationship to the state budget is determined by the financial plan in line with CSSR Government Ordinance No 161/1980, Laws of the CSSR, invalid production cooperatives, and for investment by JZD and joint agricultural cooperative enterprises. Subsidies may be granted to other economic organizations, but only in branches established by the CSSR Government (at the present time, for instance, the fuel and energy branch).

In implementing the principles of subsidy policy, we must base our actions on the fact that the principles for granting subsidies establish conditions which the investor must meet in order to receive a subsidy from the state budget. These principles do not, however, establish the responsibility of the state to grant investors a subsidy in all cases, even when the established conditions have been fulfilled. There is no legal right to investment subsidies, and they are awarded based on the actual possibilities of the state budget. In view of this principle, it is necessary to consider investment subsidies as provisional up until the final technical-economic evaluation of the construction project (especially according to the decree concerning construction-project documentation). A subsidy will be definitely honored on the basis of the results of this evaluation and on the conditon that all the conditions established at the time of its being awarded prior to the beginning of construction have not been met, the subsidy will not be honored, or will be reduced and the investor must return the amount provided to it from the state budget for the construction.

/The influence of the financial system and its instruments on the effectiveness of capital-asset replacement does not rest only in the area of investment financing. It has a very substantial influence especially on the utilization of capital-assets through application of the return on the capital-assets indicator, which is a binding indicator of the financial plan and a conditioning indicator for incentive-fund formation./

Greater effectiveness and efficiency in the area of capital-asset replacement is also assured with the assistance of certain penalty measures. Their application is supposed to lead to maximal efficiency and rationality in the utilization of foreign-currency resources together with a progressive determination of the design capacities of machinery and the quality of planned production, as factors making possible structural economic changes, the satisfaction of internal needs, and a more rapid adaptation of the economy in relation to foreign markets.

The effective utilization of imported technology means the elimination of ineffective demands for foreign machinery, the warehousing of imported technology and the stretching out, or putting off of assembly and integrative jobs.

The intention of the decree concerning fines for the delayed startup of imported machinery, accessories, equipment, transportation assets and investment units is to foster a speeding up of this process and the maximum utilization of modern technology. The decree is also designed to cause an increase in the rigorouseness and responsibility of organizations and individual employees in the negotiation of requirements for machinery imports, and the definition of personal accountability for the preparation and implementation of imports. As a penalty measure it also has an influence on limiting the kinds of foreign-currency requests for which there have been neither construction preparations, nor arrangements made for deliveries of related materials, etc.

Fines are established for the delayed startup, or utilization, of imported machines. This applies to all state socialist organizations which have such a machine in their operative administration, meaning that they order a machine, sign documents that they have received it, depreciate it, etc. Indirectly, however, a fine can punish other organizations as well, whether they be cooperative, social, foreign, trade, or others, to the extent that through their obligations they are responsible for creating jointly the conditions for the timely installation and startup of foreign machinery at the workplace of the organization-investor and they fail to fulfill these obligations or disrupt them. In such instances, they are responsible, according to the commercial code, for damages that arise and share in the rectification of the damages which arose with the payment of a fine by the organization-investor.

Imported machines may in this country represent a component of a construction project, a component of a set of equipment, an independent capital-asset, or may be used for repairs through replacement, and in some cases it is a matter of a machine destined for the needs of the Czechoslovak scientific research base. Their acquisition may then be financed both according to Decree No 162/1980, Laws of the CSSR, concerning the financing of capital-asset replacement, and also according to Decree No 164/1980, concerning the financing of working capital.

The decree thus penalizes the delayed startup of all machinery for which an organization has freed up foreign-currency resources, even if this has been

through its supervisory central or other specific foreign-trade organizations. It is not critical whether these machines were procured abroad for foreign-currency credit, or whether the organization which has or will have the machine in its operation has been directly involved in contractual relations with a foreign-trade organization or with another organization through which it pushed through its request for the import of the machinery (for instance a coordinating project manager for imports, a higher supplier). The decree exempts from this fine only imported machinery which has been designated as reserve capital assets or as inventory earmarked for use after accidents. For this machinery, however, it is necessary to declare its purpose beforehand and to negotiate with this intention (for instance, in the annual procurement plan within the framework of foreign-currency regulation or in a request for the freeing up of foreign-currency coverage).

Implementation of Set of Measures in Area of Capital Asset Replacement

At present, an evaluation is being conducted of the first stage of the implementation of the Set of Measures or Improving the Planned Management System of the National Economy After 1980. This evaluation has indicated that in the area of investments a trend towards centralized financing is becoming generally evident, although decisions concerning investments are not always being centralized to the same extent. At enterprises, a capital formation fund is generally in existence, but it is often formed, in contradiction to the intentions of Decree No 162/1980, Laws of the CSSR, by allocations from the sectorial capital-formation fund according to the decision of the VHJ, while it should be formed by allocations from enterprise profits and depreciation. Regarding the development fund, most VHJ are proceeding according to the relevant regulation, i.e., an organization forms the development fund by a standard allocation from a share of depreciation and from profits. Likewise, the breakdown of parts of the planned formation of the development fund by subordinate enterprises is conducted by the VHJ in a differentiated manner according to the needs of the enterprises and in accordance with the intentions of the Set of Measures. There do exist, however, VHJ which have not established a standard allocation from profits for some enterprises, and which apply the standards for formation only for the VHJ development fund. Allocations to enterprise funds are thus realized, basically, only by transfers from the sectorial development fund, which reduces the khozraschet interest of enterprises in profits. Such an approach, which runs counter to the objectives outlined by the Set of Measures, should be an exception. For development-fund formation in excess of the standard, a centralized technique is predominately applied (allocations in excess of the standard are not distributed to the enterprises), which means that allocations to their development funds from quality-goods markups and from allocations from the fund for economic incentives for exports are as a rule not entered in their financial plans.

Applications of new financial regulations are influencing, in certain cases, problems which have been difficult to solve. In certain VHJ, the formulation is only now taking place of the management organization, of the general directorate in concern-type management, of the VHJ statutes, and of the system of organization and management of concern enterprises and specialized

organizations. The published rules for internal enterprise management, however, are being gradually deepened in most VHJ and the VHJ are preparing comprehensive aggregate rules.

/In spite of its short period of practical application, it is evident that the modification of the means of financing, and thereby of the planning process for modernization and reconditioning in connection with the carrying out of repairs on capital assets, has proved itself and expanded to a certain extent the possibilities for capital-asset replacement. Basically it may be said that the new measures are, to be sure, being implemented at a slower pace than expected, but that some of them are already in effect. An evaluation has also pointed to certain problems which must be dealt with from the viewpoint of the degree of centralization of management in individual VHJ, both in relation to the assurance of the khozraschet incentives and the accountability of the enterprises. These problems rest above all in an efficient degree of management centralization, both in its material aspects and in financial management, and further in its often uncoordinated and disjointed actions, in the extent of centralization and the forms of economic incentives in those areas left to the jurisdiction of the VHJ, and in the intensity of the influence of certain economic instruments.

9276
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## ADVANTAGES OF KHOZRASCHET WITHIN SET OF MEASURES DISCUSSED

Prague RUDE PRAVO in Czech 15 Jul 82 p 1

[Article by Eva Sadilkova: "What Does Khozraschet Bring"?]

[Text] Sfinx at Ceske Budejovice is our principal manufacturer of enamel and aluminum cooking utensils. The various colored enameled pots, casseroles, pans, and kettles with the enamel finish are known to the domestic consumers and customers in many foreign countries. In addition to the cooking utensils, Sfinx produces palets, metal containers and industrial labels. The total value of goods produced annually amounts to Kcs 543 million at wholesale prices. Naturally, innovations are primarily carried out in kitchen utensils. On the average approximately one-third of the assortment is revised every year.

As the achieved results indicate, the workers here were able to perform work according to the more strict principles of the "Set of Measures" already in the first year of the Seventh Five-Year Plan. In 1981, the adjusted value added was met 101 percent, profit 102.3 percent, return on production assets 102.1 percent--all this despite the 2.1 percent reduction of raw and industrail materials consumption in comparison with 1980.

### Khozraschet in Plants

The workers at Sfinx applied the khozraschet methods in their work already in the previous seven-year plan and even before that. "Nevertheless, the Set of Measures provided also us with the stimulus to improve all our work," we learned from Jan Frimmel, deputy economic manager. "Khozraschet in the plants was extended to include planning and computation of adjusted value added and of return on production assets. We are now making a survey on the utilization of capital assets. The collectives in the plants are interested both in increasing the output and reducing material costs as well as in bigger return on production assets, while effectively utilizing all capital assets and economically utilizing raw materials."

"The results which we achieved last year," adds Jiri Drvota, head of the labor economics, "became the basis for adopting a counterplan for this year. It is anticipated that its fulfillment will increase the adjusted value added

"by Kcs 1.8 million this year. For the enterprise this means a 1.1 percent wage increase which certainly is not negligible."

Management by Centers

The basis of all operations at Sfinx is management of individual centers which was introduced here already in 1966. The consistently applied khozraschet whose integral part naturally are the regular reviews of all--material and efficiency--norms and also checks on the observation of all principles has brought good results. For example production overhead per Kcs 100 of goods manufactured declined from Kcs 23.01 in 1979 to Kcs 21.02 last year. Administrative overhead declined from Kcs 10.30 to Kcs 9.78.

Sfinx thoroughly reviewed the material norms last year and on the basis of this review is now reexamining all technological procedures and efficiency norms. They also want to reduce the number of supervisors and to assign them to piece work. Closely related to the review of technologies are the measures designed to improve the management of individual production operations. They have already observed similar principles before. During the previous five-year plan for example Sfinx began to experience problems with the number of shifts worked: it declined. They therefore worked out a long-term program which defined with more precision preferential wages for workers engaged in multishift operations. The program is still in effect. What was achieved? While the number of shifts worked in Sfinx was 1.2 in 1977, it was almost 1.4 last year.

500 More Stampings

The mainstay of the Ceske Budejovice plant of Sfinx enterprise is the progress press. It is an impressive piece of equipment which produces a considerable part of semifinished products, which after further processing change into beautiful and purposeful kitchen utensils. The stamping press works continuously. Working in shifts is a matter of course for its three crews. "It seemed that the unchangeable average output of the press was 9,700 semifinished products in 24 hours, that is in three shifts," says Jan Bartyzal, foreman in the stamping shop. "However, new, more efficient equipment was installed in the enameling shop at the beginning of last year which could handle more stampings. It was necessary to increase the daily output of the press to at least 10,200 stampings. And so we checked, examined, verified and reverified in order to determine, where was some time lost."

"It was not actually that simple" says in this connection Josef Ambruzek, presser and fitter. "The shortening of the operation time could be achieved only by the replacement of press parts which took as long as 12 hours. The operation speed of the machine cannot be increased, its impulses are regular and preset. During the first months of last year, the enterprise management presented three press crews a proposal, to give them more incentives in the work performed. It was left up to them to decide, how they could produce more stampings and where time could be saved. If they succeed and make 10,200 stampings in three shifts, every member of the crews operating the press will receive, in addition to the standard efficiency premium, also an

"incentive premium. This should amount to Kcs 3.0 for each hour worked. And if the average output exceeds 10,500, they will receive another Kcs 5.0 for every hour worked. This indeed is an attractive incentive proposal. On the other hand, if we do not achieve the pledged output, a proportionate amount will be deducted from wages."

Maintenance Carried Out in Free Time

"We began to hold regular production meetings at which we discussed how to attack the problem," we learned from Vladislav Sindelar, crane operator, who has worked at Sfinx for 37 years." And believe me, it turned out that many things could be improved. For example, we ordered substitute tools so that the stamping press would not have to remain idle in case of a breakdown and not have to wait until the necessary mold is made. All crews see to it that maintenance is done on time and regularly. Most of the major repairs of the stamping press are done on free days, and then the best maintenance men from the entire plant help us."

"The team around Paust as we nickname the press must be well-matched and really is," joins in Jan Bartyzal. "Every member of the crew knows the work performed by the other to be able to replace him. Thus, the toolmaker is also a repairman, a crane operator also press operator and so on. It takes crews only 4 to 8 hours to replace the tools."

The progress press has already been producing more than 10,000 semifinished products during a 24-hour period for a year. All crews can handle the job very well. Nevertheless, not each of them always succeeded in earning the appropriate incentive premium. In other words, they also, as we learned from them, ahd to improve further.

Fewer Defective Products

All departments of Sfinx are mutually dependent on the results achieved by the others and on the quantity and quality of products. Control is strict, but it brough about, for example, the reduction of defective products from 0.93 percent in 1980 to 0.75 percent in 1981. There was also a significant decline in the number of complaints from the customers. The proportion of Sfinx products of high technical standard is on the increase. Their value amounted to Kcs 41.7 million in 1980, Kcs 50.9 million in 1981 and should reach Kcs 65 million this year.

All this is the result of the consistent application of khozraschet methods of management. The prompt introduction of rationalization measures is also part of them. The reduction of the labor force by 50, the reduction of many kW of energy consumption and many tons of material resulted in savings of more than Kcs 6 million. The most important measure was the enameling line in the Vrato department which was constructed by the collective headed by the foreman Rudolf Kubicek with the help of the designer Eng Eduard Krolupper. Among other improvement were the enameling lines, kettle stampings and kettle covers which were installed in the main plant at Ceske Budejovice.

The workers at Sfinx in Ceske Budejovice have realized that the solution of many problems and the possibilities of better and bigger results of all work lie primarily in good management, implementation of all necessary measures and in systematic control. They observe these principles which are the key indicators of khzoraschet.

10501
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## WAGES, RETURN ON PRODUCTION ASSETS DISCUSSED

Prague PRACE A MZDA in Czech No 7, 1982 pp 19-23

[Article by Eng Milan Ptacek, SBCS [Czechoslovak State Bank], Main Office for the CSR, Prague: "Return on Production Assets and Wages"]

[Text] Return on production assets (RVF) has been one of the key indicators of the management system since 1 January 1981. In a synthetic form, it expresses the efficiency of the reproduction process. As the share of profit in the volume of capital assets and inventories, it provides information on the efficiency and utilization of production assets in the reproduction process, on the trend in expenditures on customary economic activity. This indicator was specified in the "Set of Measures" as one of the key indicators for regulation of wages payable. The so-called incentive wage component, that is, approximately 15-20 percent of the total amount of wages, is linked to it. It is also one of the indicators for the routine evaluation of plan fulfillment and one of the general criteria of effective utilization of bank credit.

The significance and effect of RVF on enterprise financial incentives was verified by SBCS through the analysis of basic factors in the RVF fulfillment and its effect on the amount of potentially payable wages at the CSR Ministry of Industry. It supplemented the total data by the results of analysis of selected VHJ [economic production units] and enterprises of the CSR Ministry of Industry and Construction (9 VHJ and 24 enterprises). The analysis was based on the results as of 30 September 1981.

### Effect of RFV on Wages Payable

The organizations of industry directed by the CSR Government (henceforth: "organizations") achieved a substantially more favorable RVF as of the end of the third quarter of 1981 than not only the operations plan, but also the annual plan had anticipated. The RVF operations plan to which the regulation of the incentive wage component is linked was surpassed by 6.9 percent and the annual plan by 3.4 percent.

Because of the surpassing of the RVF plan, the organization could theoretically increase (through the recalculation of the incentive component) the planned volume of wages payable by Kcs 65.7 million at the end of the

third quarter. In fact, however, the plan of the incentive wage component was increased by only Kcs 40.4 million because some VHJ, despite surpassing the RVF plan, failed to comply with the indicators on which the calculation was based.

The actual increase in the wages payable plan resulting from the surpassing of planned RVF as of 30 September 1981 in the sectors managed by the CSR Government is clear from the following summary:

Difference from the plan (in percent)

| | | Effect of surpassing of RVF on the increase in planned volume | |
|---|---|---|---|
| | Surpassing of RVF | of incentive component | wages payable, total |
| CSR Ministry of Industry including: | +6,4 | +1,6 | +0,3 |
| chemical industry | +7,8 | +3,1 | +0,6 |
| light industry | +6,4 | +1,5 | +0,3 |
| woodworking industry | +4,2 | +0,6 | +0,1 |
| Building materials industry | +6,2 | +1,2 | +0,2 |

Only VHJ of the chemical industry made full use of the possibility given by the rules regulating the increase in the amount of the incentive wage component. VHJ in other sector deprived themselves of this partial increase because they failed to comply with the qualifying indicators. The incentive wage component was only insignificantly (0.1 percent) increased in the construction organizations which use the RVF indicator or its modified form for wage regulation.

The fulfillment of the RVF plan considerably varied in the group surveyed both between VHJ and between enterprises of the same VHJ (from -22.6 percent to +59.6 percent).

The Union for Chemical and Metallurgical Production in Unichem VHJ Pardubice, for example, exceeded RVF by 6.8 percent and Urx Plants by 2.4 percent, while Paints and Lacquers underfulfilled the plan 5.3 percent. In the Paper and Wood Pulp Industry VHJ, the Krkonose Paper Mills surpassed the RVF plan by 7.1 percent, South Bohemian Paper Mills by 2.8 percent, while the North Bohemian Paper Mills registered a big underfulfillment (22.6 percent).

Fully 25 percent of the enterprises surveyed did not fulfill the RVF plan.

The different degree of the RVF plan fulfillment also exerted a varying influence on wages payable. In accordance with the rules of wage regulation,

the effect of sanctions imposed for failure to fulfill the RVF plan are much more intensive than the advantages resulting from surpassing the plan.

The incentive wage component was increased by Kcs 14.1 million for exceeding the RVF plan in the group of VHJ surveyed. Its recalculation was not permitted in the Cotton Industry and Industrial Construction Projects Brno VHJ. Due to the noncompliance with the qualifying indicators, these VHJ thus forfeited Kcs 5.7 million in the potential wages payable increase.

With the exception of Jablonec Custom Jewelry Industry, the increase in the wages payable for exceeding RVF did not represent a significant amount. In the sectors in which the conditions for preferential pricing due to high quality and fashionable design exist, its effect was smaller than the effect of increases resulting from preferential pricing.

In the CSR industry sector, for example, the incentive wage component increase for exceeding RVF amounted to Kcs 40.4 million (0.3 percent of the planned volume of wages payable), while the additional increases resulting from preferential pricing were approximately twice that amount (0.6 percent of the plan). The preferential pricing was applied because of the high quality of products and services in the chemical and woodworking industries, and because of the fashionable innovations and luxury products in light industry. The preferential pricing above the plan increase the RVF fulfillment at the same time.

In the Cotton Industry VHJ, the increase in the wages payable plan due to the surpassing of RVF amounted to Kcs 540,000 (including Kcs 60,000 due to the preferential pricing above the plan), while the increase due to the fashionable and luxury products and high quality amounted to Kcs 9,904,000. Because the modified RVF was surpassed by 3.6 percent in the Cement and Lime Works VHJ, the plan of wages payable was increased Kcs 639,000 and the item addable for preferential pricing of products in the first-quality class amounted to Kcs 3,580,000.

In the set of selected enterprises, the reduction of the incentive wage component for the nonfulfillment of RVF amounted to Kcs 34.4 million in 25 percent of enterprises, while the wage increases for surpassing RVF by 75 percent of enterprises amounted to Kcs 7.2 million only (of this amount Kcs 1.7 million was realized because of the noncompliance with the qualifying indicators).

This confirms the obviously restrictive effect of the nonfulfillment of the RVF plan in comparison with the advantages resulting from surpassing it.

In order to make financial incentives for quality production more effective, apart from other measures, the actual RVF rate used for regulation of wages payable is reduced by the losses caused by inferior production. Our analysis has revealed that according to the present method the effect of losses caused by inferior production on RVF and the incentive wage component is negligible in most organizations and is not proportionate to the complexity of its calculation.

The losses caused by interior production did not affect RVF at all in 66 percent of selected VHJ and 50 percent of enterprises, while they reduced RVF on the average by 0.1 percent in others. Their effect was more noticeable at Mostlana Brno where the losses caused by inferior production reduced RVF by 0.6 percent. Even this effect was rather insignificant since the plan was surpassed 12.3 percent.

From this standpoint, the losses caused by inferior production exert greater influence only if the RVF plan is substantially unfulfilled.

Factors Affecting RVF Plan Fulfillment

In the system of financial incentives, the RVF indicator affects both the reduction of costs of the reproduction process and more effective utilization of invested funds.

In accordance with the specified principles, RVF is calculated as the share in profit (excluding the influence of foreign trade and extra incomes) from the average value of production assets (that is, capital assets at the purchase price and inventories; in construction organizations, also the facilities on the building site). The average values of production assets are computed at the beginning of the year and on the last day of the period in question. In order to stimulate interest in putting capacities into operation on time, even those capacities are included in the capital assets which were not completed within the specified deadline.

The analysis of factors affecting the RVF plan fulfillment made it clear that the development of RVF is much more affected by deviations from the profit indicator than from the indicator of production assets.

In the industry supervised by the CSR Government, a 1 percent increase in RVF as of 30 September 1981 would necessitate increasing profit by Kcs 176 million. In view of the Kcs 984 million suplus plan as of that date, this was not too difficult a task. An identical RVF increase could be achieved by reducing production assets by Kcs 3 billion, that is 1.4 percent of fixed assets or 5.3 percent of inventories. In fact, the average value of production assets was Kcs 1.6 billion (0.6 percent) below the operations plan--of capital assets Kcs 1.2 billion (0.5 percent) and inventories Kcs 0.4 billion (0.7 percent).

It is, therefore, easier for the enterprise sphere to fulfill the RVF plan through profit. The surplus profit in 1981 resulted primarily from the relative reduction of material and other expenditures, from service of immaterial nature and partly also from lower wage costs output including output above the plan. On the other hand, these results were depreciated by the higher financial costs.

Yet, the results of the fulfillment of RVF operations plans during the year as well as the positive effect of reduction of costs above the plan were relatively more favorable than by the end of the year. The reason for it frequently is the more favorable detailing of the plan in the course of the year.

Thus in the CSR industrial sector, for example, which is not of a seasonal nature the RVF plan last year was surpassed 10.5 percent in the first quarter, 8.6 percent in the first half, 6.4 percent in the first three quarters, but only 2.9 percent at the end of the year.

The overvaluation of plans in the course of the year stems from the factors affecting the RVF plan fulfillment as of 30 September and at the end of 1981 as is clear from the following table:

Difference in points

| CSR Ministry of Industry | In comparison with the plan | |
|---|---|---|
| | as of 30 Sept. 1981 | for 1981 |
| Total RVF increase | +0,53 | +0,20 |
| including influence of: | | |
| utilization of capital assets | +0,07 | +0,07 |
| utilization of inventories | +0,02 | -0,06 |
| surplus profit from relative reduction of costs | +0,44 | +0,21 |
| including: material | +0,35 | +0,21 |
| wage | +0,12 | +0,04 |
| financial | -0,08 | -0,08 |

Positive (+), negative (-)

The surpassing of planned RVF as of 30 September 1981 was affected 83 percent by the relative reduction of costs, primarily material costs, and only 17 percent by the more effective utilization of capital assets and inventories. By the end of 1981, the utilization of inventories below the plan neutralized the influence of capital assets and RVF was surpassed exclusively due to the reduction of material costs which, however, amounted to approximately 50 percent in comparison with the plan fulfillment as of 30 September. Advantages resulting from the detailing of plans during the year or uneven distribution of tasks in individual quarters leads to the lower stability of economic plans and thus renders the RVF indicator in the system of wage regulation less effective. Several adjustments were made in most enterprises surveyed by lowering the plan targets in the fourth quarter.

The results of the analysis of factors affecting the RVF plan fulfillment by the selected VHJ and enterprises as of 30 September 1981 and the findings of the bank branches financing them may be summed up as follows:

-- with a few exceptions, surpassing of failing to fulfill the RVF plan was affected by surpassing or failing to fulfill the profit plan (excluding the influence of foreign trade and extra incomes). Higher profits and lower proportion of production costs resulted in a number of instances from preferential pricing above the plan because of higher quality and fashionable and luxury products.

In the Wool Industry VHJ, for example, the preferential pricing above the plan (primarily applying to the fashionable and luxury products) amounted approximately to Kcs 0.5 billion, that is 4.5 percent of profit above the plan;

-- the effect of RVF indicator on the management of capital assets was generally small.

In the group of selected organizations the planned volume of capital assets was exceeded by 10 enterprises as of 30 September 1981 (more significantly by four of them: Union for Chemical and Metallurgical Production and Jitex by 1.9 percent, Highway and Railroad Construction by 0.8 percent, North Bohemian Brick Factories by 4.8 percent) and by one VHJ (Paper and Wood Pulp Industry by 1.1 percent). Only the North Bohemian Brick Factories did not fulfill the RVF plan because of the higher volume of capital assets. In all others it was offset by the reduction of material cost or higher outputs (Jitex).

The improvement of capital assets in some enterprises was due to the failure to fulfill the capital-investment plan (insofar as they did not include the projects unfinished within the specified deadline in the capital assets). In most instances, capacities not put into operation on time were taken into account only when RVF was calculated as of 31 December 1981. The RVF fulfillment was thus more favorable during the year.

This procedure was noticed, for example, in Unichem VHJ, where the Union for Chemical and Metallurgical Production increased RVF by 1.7 percent. The Urx Plants reported a 0.3 percent reduction in the volume of capital assets and a 1.4 percent increase in output.

-- in its present form, the RVF indicator does not stimulate the economic sphere to the more effective utilization of inventories. The primary reason for this is the small proportion of inventories in the total volume of production assets and thus also the small weight of inventories in the RVF formula. For this reason, fluctuations in inventories do not substantially affect the RVF level and the negative effect of bigger inventories can be canceled by profit above the plan.

For this reason, the surpassing of the planned volume of inventories by the selected organizations only exceptionally resulted in failure to fulfill the RVF plan.

The planned inventory volumes were exceeded as of 30 September 1981 by 10 enterprises and 5 VHJ--more significantly in approximately 50 percent of instances. The Moravian Fireclay and Schistous Clay Plants did so by 9.6 percent, but their RVF plan fulfillment fell only 0.7 percent short of the goal. The Candelabras Kamenicky Senov enterprise exceeded the inventory volume by 8.1 percent, but because of its participation in the experiment designed to increase income from foreign trade it increased its RVF by 59.4 percent. The Wool Industry VHJ exceeded its planned inventory volume by 4.3 percent and Cement and Lime Plants VHJ by 6.9 percent. Nevertheless both VHJ achieved more favorable RVF than anticipated by the plan.

The interest in inventory control through RVF could be substantially increased by the calculation of average inventory volume on the basis of monthly records instead of the present method of calculation based on inventory volume at the beginning and end of the period. The calculation based on the average of individual periods would thus also record the fluctuations within the period surveyed and would reduce RVF more noticeably. On the other hand, the calculation would be more time-and labor-consuming and would require objective planning of justified fluctuations during the year.

In the CSR industrial sector, for example, the average inventory volume as of 30 September, computed on the basis of monthly records, was higher by Kcs 0.5 billion (1.4 percent) than the average computed on the basis of the records at the beginning and end of the period. Yet, it would reduce the RVF level by only 0.2 percent. For the Cotton Industry VHJ, for example, the inventory volume calculated on the basis of monthly records would reduce RVF by 1.7 percent and wages payable by Kcs 1 million. In the Furrier and Fur Garment Industry VHJ and RVF indicator would register a 1.0 percent decline and reduce wages payable by Kcs 306,000. In view of surpassing the RVF plan by 0.66 points and reduction of wages payable from the overall limit of Kcs 13.3 million, VHJ would not feel the application of stricter criteria at all.

To achieve higher RVF, construction VHJ and enterprises make use of facilities installed in the building site (they are included in production assets) which are overvalued in the plans.

Due to the changes in the accounting and reporting method, only finished projects can be included in the facilities on the construction site. This may lead to the situation that the enterprises will not transfer the projects finished on time to the account of the construction site, and by failure to fulfill the plan of their completion can improve the RVF indicator and cancel the unfavorable results in inventories and capital assets.

The investigations and findings of the bank confirmed the validity of advantages of counterplanning according to the general rules. At the same time, the analyses of RVF pointed to some aspects of evaluation of the RVF plan fulfillment. They revealed for example that it is not enough to be satisfied with the general evaluation of this synthetic indicator, but that its economically satisfactory fulfillment must be analyzed both during the formulation of the plan and its routine evaluation. The bank will also help achieve this goal by its analyses in the future and will link granting of credits to compliance with the factors affecting RVF.

10501
CSO: 2400/320

GREATER MANPOWER MOBILITY NOTED

Budapest NEPSZABADSAG in Hungarian 14 Jul 82 p 10

[Excerpts from a study by Mrs Sandor Berenyi of the National Wage and Labor Office, published in MUNKAUGYI SZEMLE [Labor Review]: "Manpower Mobility"]

[Text] After a decline seen in the previous year, manpower mobility increased again in 1981. The factors influencing the increase in manpower mobility were: elimination of mandatory referrals and lifting the ban on help-wanted advertising; eliminating the 3-year minimum for those in the first jobs of their careers; creation of the new business organizations--primarily the units operated under contract; increase in the number of people doing independent activity, implementation of the resolution by the Council of Ministers concerning the decrease of nonphysical employment (in the case of trusts and enterprise headquarters), as well as the reorganizations implemented in connection with modernizing the national administration, and the increase in the number of people employed by the auxiliary and side business branches of cooperatives. One important change is that employers place higher requirements on the quality of manpower. This is proven by the fact that undisciplined employees find it more and more difficult to get hired. More and more enterprises are refusing to hire those who frequently change jobs, generally even if they need the manpower.

The manpower structure corresponding to the national economy's goals, or approximating it, became reality primarily on the basis of initiatives taken by the individual employees, and through demographic exchange (natural manpower mobility). The planned release of manpower in harmony with the change (decrease) of tasks, and its regrouping among the enterprises has still not become a significant factor in manpower mobility.

The enterprises made efforts to ensure the manpower needed to perform the new jobs resulting from the modification of their production structures primarily by redeploying their extisting employees, by retraining them if necessary, and by their advanced training, rather than from outside sources.

In earlier years, changing employment was significantly more frequent among trained workers and helpers than among journeymen. But recently--primarily in industry and in the construction industry--the ratio of journeymen increased among those resigning, and many of them are accepting jobs in

agriculture. The reason is that the spread of using modern technology here, increased mechanization and use of chemicals, and the expansion of those--in many cases auxiliary--activities whose purpose is to further process the products, and the production of packaging materials and spare parts for this require more and more industrial and construction industrial journeymen.

When they change jobs, in many cases the primary viewpoint is not the higher wage that can be had, but rather that a significant number of people leaving industry and the construction industry find jobs closer to home, thus avoiding the need to commute and work far from home (workers are increasingly reluctant to do this). Besides this, the nature of agricultural work and its working conditions have also changed, the ratio of mechanized jobs requiring trade training has increased, and it is also attractive to the young people. If they can find suitable work near home, they prefer to accept this job rather than commute.

In the interest of promoting more rational manpower management--while conforming to the changing manpower situation--apart from certain exceptions, the mandatory use of referrals was eliminated in 1981 (the councils may still mandate the use of referrals to fill certain job categories in the future, for example, in the interest of protecting the handicapped). Both employers and employees welcomed this change. Under its effect the administrative work load of referral organs decreased greatly (to less than 50 percent of the 1980 figure). This results from the fact that many people changing jobs, and many of those joining the work force for the first time, came to the referral services in the past only because they were required to do so.

8584
CSO: 2500/332

## CHANGING GOALS OF PETROLEUM INDUSTRY OUTLINED

Budapest NEPSZABADSAG in Hungarian 14 Jul 82 p 10

[Article by Dr Istvan Sokorai, deputy director general of Danubian Petroleum Industrial Enterprise, in charge of technology: "New Tasks for Our Petroleum Industry"]

[Text] It is obvious today to economic experts that together with the 1970's the era of cheap petroleum and cheap energy has permanently ended. The process that began with sharp price increases in 1973 is called an oil crisis by many. But the world economic changes affected not only petroleum but also all areas of economic life. Yet, we are justified in attaching these economic phenomena to petroleum because, of the most important raw materials and energy sources, the price of this one changed the most.

In the era of cheap petroleum, we made vigorous efforts to modernize our energy structure, which until the mid-1970's meant that we systematically increased the ratio of oil in consumption, while coal was cut back. The development of domestic motorization, the mass spread of automobiles, and introduction of mechanization and of industry-type, energy-insentive production systems into agriculture took place during this time period. Together with the rise in the standard of living, the population's demand for modern and comfortable heating fuels that can be used with a high degree of efficiency, the use of peebee [propane-butane] gas heating oil increased.

The use of heating oil and electrical energy produced from heating oil played a significant role in the vigorous increase in the productivity of industrial work. The dieselization program promoted the efficiency of mass transportation and freight transportation. And last but not least, it must be mentioned that our petroleum chemistry and plastics industries were also built on the basis of petroleum. Today a whole series of plant-protection chemicals, plastics, pharmaceuticals derived from petroleum serve the producers and the population.

By the middle of the last decade, the Hungarian petroleum industry was built up well, the 360 kgs of petroleum product consumption per person in 1965 increased to 1,150 kgs in 1978. Even though we did not break into the line of world leaders with this, we occupied a rather elegant position in the midfield.

## Reevaluation of Modernity

We can produce not quite one-fifth of our petroleum needs from our domestic fields. Imports, therefore, are a must in our consumption. Before the price explosion, several tons of oil could be purchased for 1 ton of wheat, but today we must pay nearly 2 tons of wheat for 1 ton of oil. This changed world market price system also caused us losses because we were unable to increase the efficiency of our use of oil in our economy at a rate corresponding to the price increase. But the developed capitalist countries were not able to do it, either.

Modernization of the energy structure is on the agenda again today, but with a significantly different content. It is more correct to talk about energy management and a new energy policy rather than about modernizing the energy structure, because our tasks in this area are more difficult and more complicated than just modifying the ration of energy sources.

Nowadays, the price of a unit quantity of energy is highest on the world market if, among the energy sources, it is in the form of petroleum. In the present situation of our national economy, it is not permissible to increase imports of the most expensive energy source--even though undoubtedly it is the most convenient one to use--if it involves economic losses. On the contrary, it is a direct national economic interest to use other energy sources instead of oil products in all areas of consumption where this can be done advantageously.

## Successful Substitution

We have often read and heard that clever craftsmen convert their cars to operate on gas, electric power, hydrogen or alcohol. Well-known institutions and researchers publish releases on, for example, heating by solar batteries, coal-based fuel production, biogas utilization and other attempts. But the practical significance of these is still quite small today in the energy supply, only their scientific value points toward the future.

The present realistic opportunities for successfully replacing petroleum products are quite different today. Converting the millions of automobiles and hundreds of thousands of trucks and buses to other fuels and organizing the new fuel supply is an unsolvable task for all national economies. It is also extremely difficult to convert the large petrochemical plants and plastic factories to a coal or natural gas basis, while in air transportation there is no suitable material yet today to replace the petroleum products.

In the developed industrial countries and also in this country, several million tons of heating oil are burned in power plants to produce electrical energy, and in industrial furnaces for the purpose of supplying heat. But these high-consumption industrial facilities could also be heated by coal or natural gas, and electrical energy can also be produced in nuclear power plants. If we use these types of energy, large quantities of heating oil will be saved which can serve as the raw material for gasoline and diesel oil production and even for petrochemical products. Some industrial furnaces will

be converted to use natural gas, and some to use domestic coal, obtained from the implementation of the Eocene program. By the end of the Sixth Five-Year Plan, significant quantities of heating oil will be freed also in this area.

Catalytic Cracking

The experts have known for a long time that light products are produced from the heavier parts of petroleum when it is heated with the exclusion of air. In the plain language, if the viscous, thick, black heating oil is heated to a sufficiently high temperature, then--among other things--gasoline and diesel fuel are made from it, and a bitumen-like material remains behind as residue. The job of the petroleum industry is to produce fuels from the heating oil saved in the power plants and industrial furnaces.

Special materials--catalysts--are used in the modern cracking processes (the decomposition performed at high temperatures is called cracking) to guide and promote the thermal decomposition. The appropriately prepared heating oil is mixed with the hot catalyst, and breaking up of the molecules of the base material takes place at temperatures around 700 degrees Celcius. This results in production of about 15 percent crack gas excellently suited for chemical processing, 45 percent gasoline and 20 percent diesel fuel. Coke, which deposits on the catalyst during the process, is removed by continuous burning. Heavy heating oil remains behind during preparation of the raw material for cracking and during the cracking itself.

After the proper treatment and purification, the light products formed in the cracking reactor can be used as motor fuels. The modern cracking plant is extremely energy-efficient because it uses the energy derived from burning off the coke deposited on the catalyst's surface during the cracking, to supply the heat requirements of the process.

This country's first catalytic cracking plant is being built in Szazhalombatta for the Danubian Petroleum Industrial Enterprise. A French engineering firm designed the plant with the most advanced technologies, and French firms will also supply its main equipment. This plant is the largest investment of our chemical industry in the Sixth Five-Year Plan. A dozen domestic enterprises are also cooperating in creating it. The 6.5 billion-forint investment is financed by bank loans, from the credit fund for improving the balance of payments. In spite of its high cost, the profitability of the investment is outstanding, and it will pay for itself in a short time.

The short construction time, unusual in this country's experience, presents special problems. By complying with the construction time planned for 42 months, the plant's trial run will take place in July 1984. It is noteworthy that the capitalist firms that submitted bids would not have accepted a shorter deadline than this even if we bought the entire plant from them on a "turnkey" basis.

The domestic industry's participation in the investment is also significant. Items delivered to us from abroad do not even amount to one-half of the costs. Our construction and installation enterprises contracted for this big job

according to new requirements. In order to meet the deadline, construction work must go on every day--that is, even on Saturdays and Sundays--and in addition, even in two shifts in the advanced stages of the investment. The experience gained in building the nuclear power plant can be put to good use in developing the working system.

The catalytic cracking plant will process 1 million tons of heating oil per year. It will produce as much gasoline from this as can now be obtained from about 2.5 million tons of petroleum. This amount of gasoline covers the annual consumption of 700,000 to 800,000 passenger cars. In addition to this, so much heating oil will be generated that it will be sufficient to supply the annual requirements of 200,000 to 300,000 families with oil heat. The amount of liquified gases produced in the cracking plant is not negligible either. Part of this is high purity propylene which can be used to make the well-known plastic, polypropylene. Another part of it can be made available to the public as industrial heating gas or as PB [propylene-butylene] gas, but with proper processing it can also be converted to gasoline.

The oil crisis presented our young domestic oil industry with a new situation. The decreased processing causes significant economic difficulties. But new ways which ensure radical modernization of the product structure of this industrial branch were discovered. Implementation of the oil industry's development goals will, over the long range, help the smooth supply and moderation of the import burden.

8584
CSO: 2500/332

## COST ALLOWANCE SYSTEM TO EASE CONTROL OF RETAIL OUTLETS

Budapest MAGYAR HIRLAP in Hungarian 5 Aug 82 p 7

[Article by Lenke Elek: "Pay Out of Your Pocket. On the Cost Allowance System--How Can a Business Be Profitable"?]

[Excerpts] Our goal is to simplify the administration of businesses operating on a tight profit margin and of our enterprise centers, to increase management responsibility and to prevent unjustified expenditures.

### With Less Bureaucracy

The main idea behind this system is not to increase material incentives, but rather to reduce bureaucracy and to establish an optimal level of expenditures. Under the cost allowance system someone from the staff of the business--usually its owner--receives a lump sum at the beginning of the month. This lump sum is a kind of business activity-related monetary compensation covering miscellaneous general costs which is given to the representative based on a separate agreement and without obligation to show proof of payment.

A business in this case means a restaurant, shop, warehouse, business quarters or store department employing not more than 15 people. The term separate agreement implies that the use of this allowance system is not mandatory, and that depending on the joint decision by the collective and the manager of the business, they may sign an agreement with the enterprise for 1 to 5 years. What kind of costs would fall under this? The basic principle is that this would apply to costs which the employees of the business have control over, in other words, which involves care, effective work and rational savings on their part. These expenditures may include material costs, such as public utility fees, fuel, certain packaging materials, cleaning and shipping costs, mail, telephone, telex, travel, plumbing repairs, lock repairs, smaller renovations--calcimine and paint--replacing more common spare parts and expendable supplies including glasses, plates and tableware.

Not included among these costs are wages, rates and taxes, labor and property safety expenses, devaluation deductions, maintenance work in excess of 1,000 forints in the case of expendable supplies and over 5,000 forints per item

in the case of fixed assets, standardized deficits, losses due to waste, risk funds and assumed central costs.

The allowance, or monthly lump sum may be based on the itemized factual figures of previous years.

Without Receipt

How does all this look in practice? Until now if someone needed a box of VIM scouring powder to clean up, he had to ask the store for a receipt. If someone was sent to the store in the evening with the daily earnings, even his one forint round-trip train ticket had to be attached to the account statement. Now they will not need a receipt for everything; the most significant change in this regard is the phrase, "without the obligation to show proof of payment." In other words, they leave it up to the manager how he spends his lump sum, or what he chooses to pay greater attention to. Let us say, for example, that he always turns of the lights in his office, allows less private conversations by his employees, but likes to change the tablecloths more frequently. Whatever he saves from his lump sum he may keep. However, if he exceeds that amount he must cover the difference from his own pocket.

In this case saving is not in the interest of the enterprise, but in the interest of the person entrusted with managing the money. The money he saves he may use anyway he pleases. If he feels it is the thing to do, he might even give a bonus to the dishwasher who broke the least amount of glasses or plates.

What if this economizing is carried too far? Are we going to have cold restaurants, even less frequent tablecloth changes--see cleaning fees--will we have to put up with half-lit dining rooms where we cannot even see the color of our coffee?--I may ask.

The cost allowance system must not lead to shortchanging the consumer, or to a reduction in the culture of the surroundings; hygenic requirements and standards must be adhered to just as strictly as before. Those in charge must see to this.

In order to ensure compliance, the new policy has established certain norms, such as the temperature level that must be maintained in dining areas and coat-check rooms. What is more, from now on greater attention will have to be paid to service, to adherence to professional requirements, and last but not least, to providing normal working conditions for the employees.

Let us say, that at the beginning of the month the manager receives 10,000 forints, 3,000 of this for miscellaneous expenses and 7,000 to cover public utility fees. But the bill is not due until the end of the month or the beginning of the following month. Can he use those 7,000 forints without interest?

Yes, but it is not practical. The proper methods must develop in practice. It would seem more sensible to use this cost allowance to cover expenses pertaining directly to the business and to make the costs covered by the enterprise a part of material incentives. This would seem expedient all the more since the firm would also have an interest in savings-minded management because the premium would not be nearly so much as the full amount saved.

If Operating At a Loss

What if the business is operating at a loss? For there are also many examples of these, yet sometimes for objective reasons—such as inadequate clientele and slow customer traffice—the shop cannot be closed down because of supply policy consideration.

In the case of businesses operating at a loss the manager must be made interested in cutting his losses. Similar incentives could be set up for the managers of businesses which produce only marginal results, but in their case the primary stress should not be on premiums tied to turnover.

Also these are merely formulas, and their viability can only be tested in practice. But in any case, it is a good thing that henceforth rentability will appeal not only to contractors, renters of businesses and private operators, but also to employees of shops and restaurants operating on tight profit margins.

9379
CSO: 2500/348

## NEW CLASSIFICATION OF ENTERPRISES, COOPERATIVES IN HUNGARY

Budapest MAGYAR HIRLAP in Hungarian 5 Aug 82 p 5

[Interview with Laszlo Harsanyi, Head of Department, KSH (Central Statistical Office) by Andras Banki: "Small Businesses in Place. What Should I Call You"?]

[Text] Social policy and economic management cannot function without a statistical and computerized registry of economic organizations. This registry provides information about the number and--in terms of categories based on various criteria--quality composition of economic organizations. Thus, for example, about their branch and control status, sphere of activity and regional location.

### A New Registry

Effective 1 January 1982, the president of the Central Statistical Office announced the introduction of a new classification system for economic organizations to be based on those organizations' form of ownership and management, while simultaneously rescinding the earlier "sector codes" used to numerically codify forms of ownership and organization.--What was the reason for this change?--I asked Laszlo Harsanyi, head of department of the KSH.

[Answer] There were two basic reasons for introducing this new registration system: one had to do with methodological problems and the other with the changes that have occurred in the organizational system of our national economy. Our economic organizations outgrew the sector codes, we ran out of numerical codes and on occasions they were already getting mixed up, making differentiation difficult if not impossible. The nomenclature itself was, therefore, due for a review. This process was accelerated and diverted in a new direction with the introduction of new enterprise and business forms. There was good reason, therefore, for retaining differentiation according to forms of ownership, but our classification system had to be refined to better reflect reality. At the same time--and this was an important change--differentiation based on organizational forms was replaced by differentiation according to economic forms which was very important from the point of view of maintaining normative control over our economic organizations. Instead of the earlier numerical codes, the two categories were given letter codes which from the point of view of registration has made

differentiation more refined. The reason for this is that while in the numerical system we were only able to use nine digits, in the ABC system we have a choice of 30 letters to select from.

The three main categories defined according to their forms of ownership are: the socialist sector, the private sector and the foreign economic organizations. Let us examine these definitions according to their content. The socialist sector is that category within the classification of economic organizations according to their forms of ownership, which includes economic organizations belonging to the various forms of the state and the cooperative sectors or to the auxiliary farms employed by them.

The Socialist Household Plot

The state and cooperative forms of ownership, I believe, need no further explanation, and here I would only add that in the case of economic associations among enterprises and cooperatives their status is determined by whether the state enterprises or the cooperatives receives a greater share of the capital stock--said Laszlo Harsanyi. Also included in the cooperative sector are the agricultural activities of members of agricultural and other types of cooperatives which they perform on household plots and in specialized coop groups. These are considered parts of the cooperative since the plant cultivation and animal husbandry done here are an integral part of collective farming. Also belonging to the socialist sector are the auxiliary farms of those employed. These include, on the one hand, the agricultural auxiliary farms of the employed and of non-agricultural coop members, and on the other, activities performed by the population for its own benefit as well as enterprise and financial business work partnerships and forest economic specialized coop groups. Included under this definition are the economic activities of people who in addition to their chief occupation are producing material goods primarily to directly supplement their own personal needs, or who in return for remuneration are providing non-professional but legally permitted services.

[Question] If I understand you correctly then, of the new business forms the enterprise business work partnerships, the specialized coop and state farm groups and the household plots are parts of the socialist sector. Who make up the private sector?

[Answer] Those legal persons who have a trade license or a permit to engage in private business, or who are professionally involved in producing goods or providing services for their own benefit in some other legally sanctioned manner. Included among these, therefore, are private farms, independent private artisans, haulers, retailers, home-workers, independent white-collar professionals, the various common law partnerships, legal, educational and economic business work partnerships, and other private organizations such as the churches.

As I have already pointed out--continued Laszlo Harsanyi--the introduction of these various business forms has made it especially important to have a classification system which categorizes economic organizations from the

point of view of the characteristic system of incentives the state uses to regulate them, the nature of their organizational framework, economic isolation and independence and the extent of state participation in their process of economic management.

Already This Year

[Question] How were the new business forms classified?

[Answer] We thought it would be irrational to list small companies, operating companies, subsidiaries operating as small companies and small coops under economic organizations which operate according to the enterprise system. The new economic forms to be included among the complementary activities are: the enterprise business work partnerships, the specialized state farm groups, the specialized coop groups and the various organizations of the population's auxiliary activities, which in terms of their form of ownership have been defined as auxiliary farms of employed persons. Included among the economic organizations of independent operators are private businesses, business work partnerships and other collective business forms.

Information about this year's activities of our economic organizations will have to be reported already according to the new nomencalature.

THE NUMBER AND DISTRIBUTION OF ECONOMIC ORGANIZATIONS ACCORDING TO THEIR FORMS OF OWNERSHIP

| | | |
|---|---|---|
| State Sector | | |
| (A) | Ministry-established--budgetary--economic organizations | 55 |
| (B) | Ministry-established--non-budgetary--economic organizations | 1,075 |
| (D) | Council-established--budgetary--economic organizations | 568 |
| (F) | Economic organizations established by social organizations | 34 |
| (G) | Association form of state ownership | 53 |
| (H) | Mixed form of state-foreign ownership | 11 |
| Cooperative Sector | | |
| (J) | Cooperative form of ownership | 4,319 |
| (K) | Association form of cooperative ownership | 763 |

ACCORDING TO THEIR FORM OF MANAGEMENT
Economic Organizations Operating According to the Enterprise System

| | | |
|---|---|---|
| (A) | Enterprises | 1,708 |
| (C) | Operating companies | 5 |
| (D) | Subsidiaries operating as small companies | 2 |
| (E) | Trusts | 15 |
| (F) | Joint enterprises | 205 |
| (G) | Mergers | 41 |
| (H) | Joint stock companies | 15 |
| (I) | Agricultural cooperatives | 1,313 |

| | | |
|---|---|---|
| (J) | Fishing cooperatives | 16 |
| (K) | Agricultural specialized coops | 61 |
| (L) | Other coops | 2,753 |
| (M) | Small coops | 80 |
| (N) | Water-management associations | 564 |

Organizations Operating According to the Budgetary System

| | | |
|---|---|---|
| (S) | Economic units operating on state budget with incentives tied to savings | 65 |
| (T) | Economic units operating on state budget with profit incentives | 55 |

Our data reflect the situation as it existed 30 June 1982. Our chart--due to a lack of data--is incomplete, especially in the area of new small business forms. Their number is growing practically from day to day. According to estimates, by the end of the year they will reach almost 5 percent of the total number of economic organizations.

9379
CSO: 2500/346

DEVELOPMENT OF BUDAPEST METRO SYSTEM DESCRIBED

Budapest KOZLEKEDESTUDOMANYI SZEMLE in Hungarian Jun 82 pp 237-241

[Article by Dr Rudolf Nagy and Andras Derzsi: "Development of Budapest Metro Network"]

[Text] The most important basic principle of transportation development in the capital is to ensure the priority of mass transit. This is justified by urban policy, transportation development and economic considerations alike. Creating an integrated network of public transportation accessible to everyone is a priority goal in our society.

Urban policy reasons argue that, following concentrated housing construction, high capacity and swift mass transit must be developed in such a way that the traditional urban structure, the historic picture of the city and the environs not lose their value as a result of it. No housing area can be regarded as having full value until the inhabitants of it have the possibility of fast transporation. Managing the road surface, the most economical use of the ever more valuable areas of the city, the ability to organize transportation. Managing the road surface, the most economical use of the ever more valuable areas of the city, the ability to organize transportation and satisfying the requirement for speed all encourage the development of the metro.

The finished parts of the metro network have fundamentally changed the internal structure of mass transit passenger traffic. The 25.3 kilometers of line of the metro network in operation by the end of 1981 constitute 2 percent of the mass transit newwork of the capital. But their share in passenger traffic surpasses this ratio in order of magnitude.

According to passenger census data the Millenium Underground carries 120,000 passengers per day, the East-West metro line carries about 538,000, and the section of the North-South line operating between the Kobanya-Kispest rail station and Elmunkas Square carries 770,000 passengers. Thus, today, the share of the metro network of mass transit trips reaches 31 percent.

In addition to the outstanding network role of the metro this significant quantitative share is justified by the better than average quality characteristics of the trips.

The North-South Metro Line

The north-south number three metro line will be the longest and largest passenger traffic metro line in Budapest, with 23 stations. The full line can be expected to handle 1.2 million trips per day, nearly one quarter of the Budapest mass transit trips.

The metro line has been or is being built in five main sections. The first 3.7 kilometer section (Deak Aquare-Nagyvarad Square) was handed over for traffic in 1976; the 4.7 kilometer II/A section was handed over in 1980. The line was expanded with three new stations in December 1981, reaching a full length of 10.8 kilometers. The next most important date in construction is 1984. The Elmunkas Square-Arpad Bridge section will be placed in operation then, in coordination with reconstruction of the Arpad Bridge and Karoly Robert Boulevard. Construction will not stop then; by 1987-1988 the line--with full construction of about 20 kilometers--must serve the several tens of thousands of inhabitants of Ujpest and Kaposztasmegyer.

The II/B section of the metro line, now handed over, and its stations--taking into consideration the operating experiences of earlier sections--have been enriched with a number of modern characteristics. The passenger areas are more comfortable, the airconditioning has been improved and the reliability of operating equipment has increased.

The first station of the section was built at Janos Arany Street. Three escalators lead from the deep station to the surface hall, which is attached to a terminal for trolley buses. The square surrounding the station has been turned into an esthetic park by landscaping.

Marx Square is one of the most striking junction systems of the entire line, in regard to both function and architecture. The deep station has two exits, with four escalators to the central underpass at Marx Square and three branches connecting to the Jozsef Katona Street pedestrian underpass. The combined area of the two--interconnecting--underpasses exceeds 5,000 square meters. These pedestraan underpasses will be built further, in connection with reconstruction of the Western Rail Station, and in the course of this a direct connection will be made, in 1983, with the underpass already built under the platform system of the rail station. The pedestrian underpass system beneath the square will connect as a terrace to the new group of buildings, forming a square, of the Skala Department Store.

In the course of surface adjustment of the square a reinforced concrete bridge was built in the line of Bajcsy-Zsilinszky Road and Vaci Road to carry this important traffic across the junction at a different level. As a result of coordinated architectural and traffic planning the square, after completion, will be one of the urban architecture assets of the capital.

The station at Elmunkas Square has two levels; there is a gallery level above the passenger hall of the station, from which we can get to the pedestrian underpasses of Victor Hugo Street and Ipoly Street. In the course of the adjustment a new pedestrian underpass was built at Csanady Street also.

In the course of surface adjustments the traffic of the streetcars moving parallel with the metro was ended, and this made it possible for Bajcsy-Zsilinszky Road and Vaci Road to receive the increased highway traffic with a modern new path of 2 x 3 lanes.

The metro is being built further toward the Arpad Bridge from the surface--with the so-called cut-wall method. This section of the north-south line will link two important transportation junctions, the crossing of Caci Road and Gyorgy Dozsa Road and the Pest bridgehead of the Arpad Bridge, to the express train network. The Arpad Bridge station will be one of the most important transfer junctions, and one of the most heavily trafficked, of the line.

The metro tunnel goes under Vaci Road at a depth of about 8 meters from Elmunkas Square toward the Arpad Bridge. The Gyorgy Dozsa Road station of the metro is being built at the crossing of Vaci Road and Gyorgy Dozsa Road. From the platform of the two level station stairs lead to a primary area metro hall of about 2,000 square meters, through which we come to the underpass. There will be room for commercial establishments in the underpass in addition to the transportation area.

The Arpad Bridge metro station will be under the crossing of Vaci Road and Koroly Robert Boulevard; it also has an outside platform arrangement. An exit from each of the platforms leads to a pedestrian underpass on the same level as the platform. The metro track divides the underpass into two parts. Escalators in two places under the station provide a link between the two parts of the underpass. This arrangement makes possible the most economical realization of the extensive underpass system and provides the shortest walking distance and level difference in the main directions.

In addition to the 2,000 square meter transportation area in the pedestrian underpasses there will be a number of commercial installations. Any part of the junction will be accessible through the exits of the underpass. One each stairway leads to the express trolley stop and the northwest and southeast parts of the crossing. In the latter two places ramps beside the stairways facilitate the movement of pedestrians also. Two stairways lead to the Volan autobus terminal planned in the future for the area defined by Vaci Road, Arboc Street and the Arpad Bridge ramp. The underpass may connect directly to the square to be opened before the Skala Department Store being built in the future.

The metro station forms a uniform structure with the Vaci Road highway overpass. The pillars of the bridge also support the roofing of the constructions to be placed beneath them, a modern structural solution making possible simultaneous construction.

Two other very significant transportation investments of the Sixth 5-Year Plan are being realized in harmony with the construction of the metro line to the Arpa Bridge--reconstruction of the Arpad Bridge and rebuilding the Karoly Robert Boulevard-Hungaria Boulevard between Vaci Road and the M3 highway lead-in.

Chief Directions of Metro Construction and The Link to Urban Development

In 1978 the Executive Committee of the Budapest Capital Council worked out a conception called "Proposal for a Plan for Budapest Housing Construction and Management up to 1990" which, after broad coordination, was approved in 1979 by the Capital Council, with the title "A 15 Year Housing Construction and Settlement Plan Conception for the Capital," and which was then adopted by the Council of Ministers. The program is supplemented by a 15 year transportation and public works development conception.

The 15 year housing construction plan designated areas suitable for large scale settlement. In the period covered by the metro development plan large scale housing construction may be economical in Kaposztasmegyer, Ujpalota and the free southern areas of Csepel. Because of mutual dependence these areas require the construction of significant new mass transit lines, thus designating the chief direction for development of the express train network.

Within the framework of urban development--in addition to building new residential areas--it became necessary to begin reconstruction of the internal areas also. Mass transit in the Inner City, struggling with well known difficulties, can be improved only be developing the metro network.

Housing construction in North Post puts two definite requirements before mass transit:

--quantitative satisfaction of the extra travel demand arising in accordance with the pace of housing construction; and

--linking the areas of new housing construction into the mass transit network in such a way that the time spent by the populace on travel will be of an acceptable magnitude.

Our calculations and studies show that these requirements can be met, separately and together, only by further construction of the north-south metro line.

During the Sixth 5-Year Plan we must count on the construction of roughly 23,000 new dwellings in the area studied, of which 5,600 will be built in Kapostasmegyer. By 1987-1988, another 2,000 dwellings will be built in the latter area.

The combined travel requirement of the existing and new housing and of the workers in the large plants in Angyalfold and Ujpest will reach a value of 20,000 man-routes in peak hours. Such a travel demand cannot be satisfied with any traditional mass transit tools. In theory, the transit needs of only 8,000-12,000 new dwellings can be satisfied by surface mass transit tools from this area and even then the travel time of about 1 hour would cause serious tensions. Thus, it is necessary to satisfy the travel needs of the area by extending section III by one station, up to the Szilas-patak station.

In the seventh and eighth 5-year plans an additional 17,000 dwellings will be built in Kaposztasmegyer, which may make necessary further construction of the line to the north (section IV).

Relieving the burden on the city center, expanding the crossability of the Danube, practically exhausted, and the transportation needs of the existing Ujpalota residential area and its planned expansion make it urgent to prepare for construction of the South Buda-Rakospalota line.

Construction of the first section of the line (Bocskay Road-Baross Square) will make possible:

--the creation of a mass transit crossing capacity equivalent in magnitude to construction af a new Danube bridge (120,000 passenger-routes per day);

--reconstruction of junctions which are already in a serious traffic condition and prone to accidents (Zsigmond Moricz Square, Gellert Sqaare);

--taking trams off Bela Bartok Road, the Szabadsag Bridge and the Small Boulevard, thus expanding the capacity of these routes by one lane each; and

--significant moderation of individual trips in the direction of the Inner City, thus easing the critical parking situation in the Inner City.

Development of the Metro Network Up To the Year 2000

Surface work on Section II of the North-South metro line will be completed in 1982. Section II/A (Elmunkas Square-Arpad Bridge) will go into operation in 1984, section II/B (Arpad Bridge-Szilas-patak) in 1987-1988, and final completion of construction is possible in 1988-1989 according to present plans.

Thus the north-south metro line will be carrying traffic between the Kobanya-Kispest-Szilas-patak stations, ensuring adjustment of surface transportation also.

Construction of section IV will take place by 1992-1993, adjusted to the pace of housing construction in Kaposzatasmegyer.

The South Buda-Rakospalota line is the other determining element of the metro network. This will provide a final solution to the mass transit system of the Inner City, provide new Danube crossing capacity, and satisfy the mass transit needs of the existing Ujpalota residential area; and it will make possible an expansion of the residential area. We plan to build the first section of this line, between Bocskay Road in District XI and Baross Square in District VIII, beginning in 1986 with completion in 1994. The 10,000 dwellings to be built in this area by that time will be served under tolerable conditions, partly by use of the north-south line and partly by the aid of surface mass transit tools.

The section between Bocskay Road and Kalvin Square could be ready in 1992; this is of key importance from the viewpoint of expanding the restricted Danube crossing capacity. It would ensure the creation of a transportation network for the Inner City which could be regarded as final for a long time and it would ensure an increase in highway capacity--thanks to the elimination of tram lines paralleling the metro line.

Related to this is the second section between Baross Square in District VIII and Bosnyak Square in District XIV, with completion planned for 1998-1999.

It will be necessary to build a Kalvin Square lead-in for the Csepel express train (the Kalvin Square junction) with completion imagined in 1994-1997--due to the technical interdependence with the first section of the South Buda-Rakospalota line. (See figure.)

Financial possibilities make construction of the chief installation possible in the Eighth 5-Year Plan. In the Ninth 5-Year Plan the network will be expanded further with construction of Section III of the line (Bosnyak Square-Ujpalota) and the fifth feeder line, in the direction of Obuda-Kelenfold.

Other Transportation Links for Development of the Metro Network

The surface mass transit system will be constantly modified in harmony with realization of the metro network.

The Vorosvari Road-Hungaria Boulevard express tram will be built to ensure a metro link for travellers from Obuda at the Arpad Bridge and, depending on further construction, to provide a direct metro link at Kerepesi Road and Ulloi Road.

Other important transfer points for tram-metro connections will be built at Bocskay Road in District XI (in the direction of Fehervari Road), at Zsigmond Moricz Square (toward Villanyi Road), at Baross Square (toward Thokoly Road), at Elmunkas Square (toward inner Angyalfold-Ujpest) and at the Rakospalota-Ujpest rail station (toward Rakospalota).

There will also be a change in the role of the autobuses in areas served by the metro network; their task will become primarily one of a carry-on character.

The constant development of links between suburban railways and the metro network will serve realization of a uniform express rail network. An HEV (Budapest Suburban Railway) link to metro was built in 1970 at Ors Vezer Square and in 1972 at Batthyany Square; direct transfer points will be developed at Kalvin Square by extending the Csepel express train by 1.3 kilometers and between the stations of the north-south and the South Buda-Rakospalota metro line.

Links between MAV (Hungarian State Railways) stations and the metro have been established already at several points and are constantly being built further. In the course of development there will be direct metro links at the Western Rail Station, the Ujpest stop and the Rakospalota-Ujpest rail station, and the South Buda-Rakospalota metro line will further extend the metro link at the Eastern Rail Station. A second exit will be built at the Baross Square station of the east-west line also.

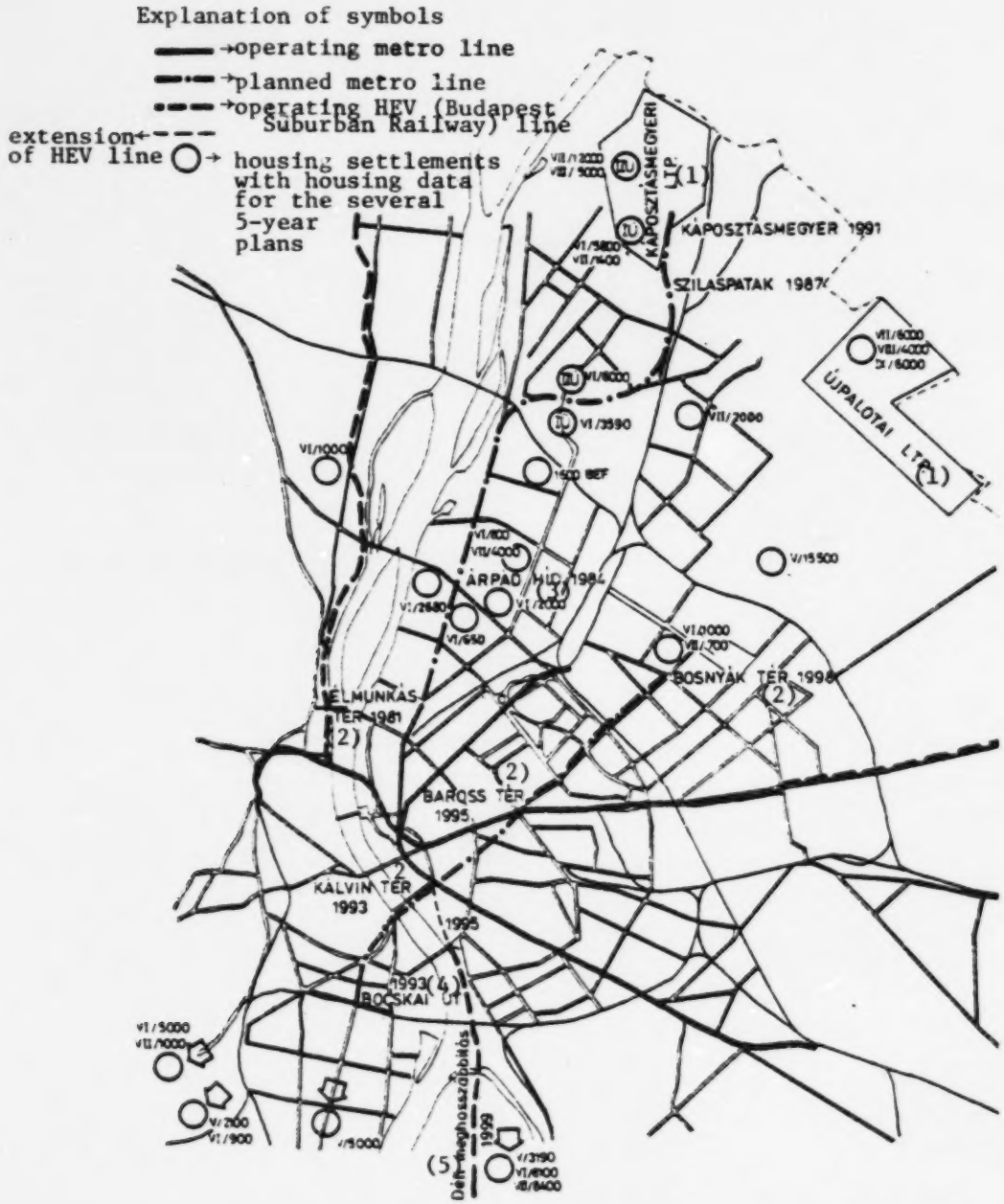


Figure 1. The Metro Network and Concentrated Housing Settlements Planned in Its Zone of Attraction

Key:

(1) housing settlement
(2) square
(3) bridge
(4) road
(5) southern extension

A new Volan autobus station will be built at the Kaman Konyves Boulevard and Arpad Bridge stops of the north-south line and at the People's Stadium stop of the east-west line.

The capital highway network is being developed in harmony with metro construction. Eliminating the trams will make it possible to modernize important routes (Vaci Road, Arpad Road, the Small Boulevard, inner Bela Bartok Road) and to rebuild Zsigmond Moricz Square and Gelert Square.

Construction of P and R parking lots will continue in conjunction with the metro stations. We plan construction of about 9,000 spaces by 1990; a detailed study of available areas is now under way.

Highways will be expanded by one lane each for a length of about 30 kilometers thank to the tram transportaion which can be eliminated. This means that for the roads affected the capacity will increase by about 1,000 vehicles per direction per hour.

Economicalness

Expansion of the metro network will bring significant results from the viewpoint of manpower and energy use, in addition to satisfying basic transportation needs and raising the level of travel.

A study of the manpower needs of metro and surface mass transit will show that transportation output per vehicle driver is about 50 times greater with the metro than it is for similar surface transportation output.

By expanding the network the metro's share in handling mass transit travel will increase and this will improve the efficiency of passenger transportation.

Specific energy use is similarly favorable; the metro uses half as much energy per passenger kilometer as a tram and one quarter as much as autobus transportation.

Development of the metro network will improve the average travel speed of mass transit by more than 20 percent and will decrease the time spent in travel.

Thus far, Budapest metro construction has shared in the investment moneys of the national economy in accordance with its transportation significance; more than one percent of all investments being realized in each 5-year plan, 2-2.5 billion forints per year, could be turned to the development of the metro network in the capital.

Throughout the world metro construction represents the front line of deep construction technology and its vehicles and equipment represent the most developed generation of the vehicle industry, electronics and automation; in the course of planning it makes use of the results of the most recent transportation science research and construction methods.

8984
CSO. 2500/326

PROBLEMS OF WAGES, EMPLOYMENT CONSIDERED

Warsaw ZYCIE WARSZAWY in Polish 30 Jul 82 p 3

[Article by Henryk Chadzynski: "After the Midyear--What Pulls Us Down?"]

[Text] Nobody has any illusions that the way out of the crisis, resumed economic development, and an improvement in satisfying the social needs can result only from the productive and well organized work. There are different conditions on which such productivity depends, beginning with the supply of materials, including the motivational factors, and concluding with the individual attitudes. As the situation in the first half of this year indicates, we do not see a willingness for work, the opposite is true--the escape from work. A threat of unemployment was feared at the beginning of the year. The estimates presented by experts indicated an army of 500,000 to a million individuals would be looking for employment. Meanwhile, instead of the shortage of jobs we are facing an unprecedented shortage of people in the majority of the categories of employment. The employment level in industry, construction, transport and domestic commerce was 5 percent, i.e., by 460,000 individuals lower in the first half of this year as compared with the corresponding period last year, although this drop results to a considerable degree from the early retirement and educational leaves of part of the workforce.

At the end of June this year the number of requests for an earlier retirement has reached the figure of 556,000. Positive decisions were made in 477,000 cases. For a comparison let us present the figure for the past year: only 168,000 individuals chose early retirement, while in 1980--20,000 individuals died. We are witnessing here an unprecedented downward trend in the area of professional activization. One has to be aware that it causes an instant outflow of experienced craftsmen, a situation in which it was not possible to train young cadre able to fill very highly specialized slots.

This outflow of employees, coupled with the decrease of labor productivity in the industry for the third year in a row, is responsible for the enterprises' increased demand for labor. For this reason, in the first half of the current year, instead of the forecasted unemployment, we are witnessing doubling of the number of unfilled job openings, as well as cutting by half the number of people looking for employment. Labor shortages are encountered even in the branches of industry which have scaled down their activity. It

can be explained by their failure to conduct a necessary reduction of personnel, or to transfer their employees to slots where they could be better employed.

Thus, for example, in construction the labor productivity was 21 percent lower in the first half of this year than immediately before the 1979 [sic] crisis. Therefore if we are witnessing a labor shortage at a time of declined industrial activity it is obviously an unhealthy situation. A conclusion follows that the mechanisms of the economic reform that are supposed to adjust the level of employment to the level of production should be introduced more quickly. If people do not start to support themselves, if the society does not cease to subsidize unproductive workforce, then we will never overcome the crisis. We will burden those enclaves in which we do start to operate in a healthy way and pull down the total effects.

Let us look therefore at the mutual relationship between the production and the employment in industry. In the first half of this year, as we have reported in the previous article, output has declined by 7.8 percent, compared with the results of the first half of the last year, while employment during the same period declined by only 5.2 percent. Assuming that labor productivity in industry remained at the last year's level (although we are aware that it was unsatisfactory), then given the recorded drop in output, the level of employment should have declined by some 370,000 individuals. Applying the same ratios to construction, the employment should have declined by some 90,000 individuals. Thus, we can see considerable labor reserves in comparison with the volume of output at the enterprises. At the same time there are no effective impulses to transfer the superfluous people to other plants or to different slots.

At a time of low labor productivity and output we are registering a 23 percent rise in average wages for the first half of this year as compared with the same period last year. The average wage in the socialized economy has risen to 8,420 zlotys [per month]. Industrial wages rose the most. That branch's wage is 9,465 zlotys (a 30 percent increase), and if the compensations are included--10,950 zlotys. Naturally, those are averages, not all the branches of industry experienced such increases.

The average increase was influenced by the level of wages in the mining industry. Because, their average wage has jumped by 60 percent there; it has reached 19,700 zlotys [per month], while with the compensations—21,300 zlotys. In the manufacturing industry the average wage without compensations rose to 8,100 zlotys, that with the compensations to 9,500 zlotys.

Naturally, we are dealing here with nominal wages, because the preliminary data on the living costs indicate that real value of the average current income of the industrial workers is some 30 percent lower than a year ago. The households of retirees and pensioners were more adversely affected, since a considerably larger proportion of their budget is spent for food, which, as we know, is substantially more expensive.

With this background, it is worthwhile to have a look at the market situation. Beginning with March we have observed a trend of population's expenditures are growing faster than incomes. In the 2d quarter, each percent of the population's income was followed by a 1.5 percent increase of expenditures for goods. However, in the globally compared the population's purchasing power is not fully balanced with the volume of goods and services. The market equilibrium is now governed mostly by supply. It is sufficient, and the only escape from this blind alley is to increase the supply of goods, primarily in the manufacturing industry. Such a restructuring of industry in view of market and expert needs is still insufficient.

After the February price increases a certain kind of normalization of the food market occurred. We have attained a guaranteed availability of the basic assortment of rationed articles, and rationed goods are now being delivered in a more orderly manner. Naturally, it is still a long way to [achieving] normal market, but the rationing system has become more bearable. We were able to make extra allotments of sugar. Children have been assured a supply of whole milk. Finally it was symptomatic that the black market prices of meat have dropped to retail price levels of rationed meat.

The situation on the industrial goods market has deteriorated. In spite of the higher prices, such goods are immediately sold out. The only area where an improvement is visible is in the area of providing the rural markets with coal and cement. Under the operational programs the supply of clothing and shoes for children and youth has been increased. However, it is not being felt, in the retail trade, and the supply of these articles for the adults has become critical. The retail stocks have decreased by half. They are too low to ensure continuous sales. Thus, in addition to the current demand, in order to assure normal sales, stocks of over 400 billion zlotys have to be rebuilt.

The key to solving this situation is to supply industry everything that is limiting the deliveries of the most needed articles to the market. It can be done if we activate exports so that it will be able to ensure foreign currency to increase the minimum requirement levels of imported industrial raw materials and semifinished goods. As we know, the raw materials industry plays the kingpin role. The possibility of exporting services can be also utilized to a much higher degree. It is understandable that everything should be done to stimulate the concern for the export production, particularly where the domestic raw materials and semifinished goods are utilized. Imports would permit the activation of industry that is affected by supply shortages. Consequently, a more effective effort to increase the labor productivity can be undertaken. The conditions for a wider application of the mechanisms of the economic reform would be realized.

At the same time we should restrict the influence, and more consistently of everything that hinders us. The production of non-priority items, in spite of the opposition of the involved workforces, should be simply stopped. This is particularly true of production that does not meet the needs of the domestic market or export, does not serve to keep running such

branches of the nation's economy as transport or the power industry, which are indispensable for the functioning of the country.

We cannot afford to subsidize inefficiently manufactured products, even though sometimes the existence of a several thousand strong workforce depends on such a production. Maybe a resolute threat that such production would not be subsidized would finally induce an effort to restructure the production lines of the enterprises concerned. In most cases the machines can be used to make products that are in demand, particularly to provide agricultural needs.

Most probably it will be a transition period, later on we will be again able to consider more ambitious programs. Are such ambitions not aimed in a wrong direction? It is worthwhile, therefore, to pause and think now, to evaluate the hitherto prevailing strategic premises guiding the enterprises, since the best conceived ambitions and the basic concern of the producer is to manufacture what is needed and what ensures profits. The aim of the economic reform is a situation where the social needs will replace the dictatorial position of the producer. Thus, should we exercise too much mercy toward those who for different reasons do not manufacture what is most needed, and do it in a profitable way, then such a mercy will hurt us all. The dictatorial role of the producer and industrial pressure groups will be maintained. An unhealthy situation will last, and it will take more time to overcome the crisis. The effects of the first half of the current year are in this respect very symptomatic.

9644
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SPECIAL CURRENCY EXCHANGE RATE TABLE PUBLISHED

Warsaw TRYBUNA LUDU in Polish 16 Aug 82 p 7

[Text] Announcement of Exchange Rates Table No 33/82, effective 16 August 1982, by Stanlislaw Majewski, president, Polish National Bank, on 16 August 1982.

I. Foreign-currency exchange rates in zlotys for countries of the first payments area [socialist countries] for commercial and noncommercial payments remain unchanged.

In purchases of travelers' checks for rubles, issued by the USSR Foreign Trade Bank and payable outside the USSR in the currency of the country where cashed, an exchange rate of 11,925.82 zlotys per 100 rubles is applied.

II. Foreign-Currency Exchange Rates in Zlotys for Countries of the Second Payments Area [capitalist countries]

[Table on following page]

Exchange Rates Table No 33/82

| Country | Curr Symb | | Currency | Foreign Exchange Purchase 3 | Foreign Exchange Sales 5 | Money Purchase 1 | Money Sales 2 | Average 6 |
|---|---|---|---|---|---|---|---|---|
| Saudi Arabia | 771 | 1 | rial*** | 25.11 | 25.37 | -- | -- | 25.24 |
| Australia | 781 | 1 | Austral.dollar | 88.08 | 88.96 | 86.75 | 90.29 | 88.52 |
| Austria | 786 | 100 | schillings | 490.83 | 495.77 | 483.43 | 503.17 | 493.30 |
| Belgium | 791 | 100 | francs | 180.27 | 182.09 | 177.56 | 184.80 | 181.18 |
| Denmark | 792 | 1 | kroner | 9.90 | 10.00 | 9.75 | 10.15 | 9.95 |
| Finland | 780 | 1 | markka | 18.02 | 18.20 | 17.75 | 18.47 | 18.11 |
| France | 793 | 1 | franc | 12.38 | 12.50 | 12.19 | 12.69 | 12.44 |
| Greece | 724 | 100 | drachmas | 122.62 | 123.86 | 106.29 | 125.70 | 123.24 |
| Spain | 785 | 100 | pesetas | 76.10 | 76.86 | 74.95 | 78.01 | 76.48 |
| Holland | 794 | 1 | florin | 31.30 | 31.62 | 30.83 | 32.09 | 31.46 |
| India | 543 | 100 | rupees*** | 898.92 | 907.96 | -- | -- | 903.44 |
| Ireland | 782 | 1 | pound*** | 118.36 | 119.54 | -- | -- | 118.95 |
| Japan | 784 | 100 | yen | 33.01 | 33.35 | 32.52 | 33.84 | 33.18 |
| Yugoslavia | 718 | 100 | dinars | 178.11 | 179.91 | 154.38 | 182.59 | 179.01 |
| Canada | 788 | 1 | Canad.dollar | 69.02 | 69.72 | 67.98 | 70.76 | 69.37 |
| Kuwait | 770 | 1 | dinar*** | 297.73 | 300.73 | -- | -- | 299.23 |
| Lebanon | 752 | 1 | pound | 16.93 | 17.11 | 16.68 | 17.36 | 17.02 |
| Libya | 651 | 1 | dinar*** | 291.74 | 294.68 | -- | -- | 293.21 |
| Luxembourg | 790 | 100 | francs | 180.27 | 182.09 | 177.56 | 184.80 | 181.18 |
| Norway | 796 | 1 | kroner | 12.78 | 12.90 | 12.58 | 13.10 | 12.84 |
| Portugal | 779 | 100 | escudos | 100.45 | 101.45 | 87.06 | 120.97 | 100.95 |
| FRG | 795 | 1 | mark | 34.50 | 34.84 | 33.93 | 35.36 | 34.67 |
| United States | 787 | 1 | dollar* | 86.39 | 87.25 | 85.08 | 88.56 | 86.82 |
| Switzerland | 797 | 1 | franc | 40.43 | 40.83 | 39.82 | 41.44 | 40.63 |
| Sweden | 798 | 1 | kroner | [illegible] | 14.08 | 13.73 | 14.29 | 14.01 |
| Turkey | 627 | 100 | pounds | 52.83 | 53.37 | 45.80 | 54.16 | 53.10 |
| Great Britain | 789 | 1 | pound** | 147.12 | 148.60 | 144.90 | 150.82 | 147.86 |
| Italy | 799 | 100 | lira | 6.17 | 6.23 | 5.35 | 6.32 | 6.20 |

* Valid also in clearing accounts with the following countries: Bangladesh, Brazil, Ecuador, Greece, Iceland, Kampuchea, Colombia, Lebanon, Pakistan, Peru and Turkey.

** Valid also in clearing accounts with the following countries: Nepal and Pakistan.

*** The Polish National Bank does not purchase money in these currencies.

CSO: 2600/856

REGULATION COVERING FOREIGN-TRADE ARBITRATION BOARD

Belgrade SLUZBENI LIST SFRJ in Serbo-Croation No 70, 25 Dec 81 pp 1801-1806

[Text of Regulation Establishing a Foreign-Trade Arbitration Board]

[Text] On the basis of sections 37 and 39 of the Law on the Association of Organizations of Associated Labor into General Associations and the Economic Chamber of Yogoslavia (SLUZBENI LIST SFRJ No 54/76), and Section 142 of the Statute of the Economic Chamber of Yogoslavia (SLUZBENI LIST SFRJ No 14/78), the Assembly of the Economic Chamber of Yugoslavia is adopting:

A Regulation on a Foreign-Trade Arbitration Board Under the Economic Chamber of Yogoslavia

I. General Povisions

Section 1.

A Foreign-Trade Arbitration Board (hereinafter the "Arbitration Board") is to exist under the Economic Chamber of Yogoslavia as a permanent select court, with its headquarters in Belgrade, for the following purposes:

1) for resolving disputes in business relations that arise in foreign-trade turnover between Yogoslav organizations of associated labor, or other self-managing organizations and communities, and foreign physical and legal persons, and for resolving these disputes between foreign physical and legal persons;

2) for settling matters in disputes relating to ships and navigation on the sea and internal waterways, and in disputes to which maritime law applies, if at least one of the parties is a foreign physical or legal person.

The Arbitration Board can also mediate in these matters, at the request of one or both sides, in order to bring about a reconcilation.

The Arbitration Board is an autonomous institution under the Economic Chamber of Yugolsavia and is independent in its operation.

Section 2.

The Arbitration Board performs its functions through a presidency, a

a secretariat, arbitration councils, and individual arbitrators.

Section 3.

The presidency of the Arbitration Board is composed of a president, a vice president, a secretary of the Arbitration Board, and eight members (the presidency in its expanded composition). The president, vice president, and secretary of the Arbitration Board consitute the narrower composition of the presidency.

The president, vice president, and members of the presidency of the Arbitration Board are elected for 4 years and discharged by the Assembly of the Economic Chamber of Yugoslavia, and can be reelected.

In its expanded composition, the presidency supervises the application of this regulation, and performs other business for which it is responsible according to this regulation.

In its narrower composition, the presidency establishes in advance whether the parties have concluded a written contract in regard to the Arbitration Board; it assists in making a decision on the jurisdiction of the Arbitration Board, and performs other business for which it is responsible according to this regulation.

The president, and in his absence the vice president of the Arbitration Board, represents the Arbitration Board and organizes its work, chairs the meetings of the presidency, appoints the chairman of a commission for reconciliation, appoints arbitrators and chairmen of arbitration councils in cases provided for by this regulation, and performs other work provided for by this regulation.

If the president and vice president of the Arbitration Board are prevented from performing their duties for a fairly long period of time, the Presidency of the Arbitration Board, in its expanded composition, will designate one of its members as a deputy president or vice president for such time as the unavailability lasts.

In its narrower composition, the presidency is authorized in urgent cases to carry out certain business within the purview of the presidency in its expanded composition, but it is obliged to inform the latter of this at the next meeting.

Section 4.

The secretariat of the Arbitration Board carries out the technical and administrative work of the Arbitration Board.

The secretariat is headed by the secretary of the Arbitration board.

The secretary of the Arbitration Board is appointed and discharged by the Executive Committee of the Economic Chamber of Yugoslavia in accordance with a

proposal from the presidency of the Arbitration Board in its expanded composition. The secretary directs the work of the secretariat and signs the current correspondence of the Arbitration Board. He is assisted by the necessary number of colleagues. If the secretary is unavailable, the president of the Arbitration Board determines who will replace him.

The secretary and his colleagues of the Arbitration Board have the status of associated workers in the working community of the Economic Chamber of Yugoslavia.

Section 5.

The arbitrators are selected from a list of arbitrators confirmed by the Assembly of the Economic Chamber of Yugoslavia, in accordance with a proposal from the presidency of the Arbitration Board in its expanded composition.

A list of arbitrators is confirmed every 4 years, and the arbitrators on the list can be reselected.

A foreign party can select as an arbitrator a foreign citizen who is not on the list of arbitrators.

A foreign party which has selected a foreign citizen as an arbitrator is obliged to send the Arbitration Board his name and address, and his written consent to perform the functions of an arbitrator.

The travel and other expenses of an arbitrator are to be borne by the party that has selected him.

An arbitrator who is a foreign citizen is to receive compensation in accordance with the rates of compensation for arbitrators.

The members of the presidency of the Arbitration Board in its narrower composition cannot be appointed as arbitrators. The members of the narrower presidency are added to the list of arbitrators after the expiration of their term of office.

Section 6.

The Economic Chamber of Yugoslavia carries out general supervision of the administrative and financial activities of the Arbitration Board, and provides the financial resources necessary for the Arbitration Board to carry out its activities.

II. Procedure for Reconciliation

Section 7.

In cases in which the Arbitration Board may have jurisdiction over the resolution of disputes, each side, regardless of whether the Arbitration Board's jurisdiction has been agreed upon, can turn to the Arbitration Board

for mediation aimed at a reconciliation, in accordance with the provisions of this regulation.

The procedure for reconciliation is not dependent upon the arbitration procedure, and if the procedure for reconciliation is unsuccessful, none of what has been done or stated in the course of the reconciliation procedure is binding upon the parties.

Consent to the reconciliation procedure does not mean consent to the Arbitration Board's jurisdiction in case of a failure of the reconciliation procedure.

Section 8.

A proposal for initiating a reconciliation procedure is submitted in writing to the secretariat of the Arbitration Board.

The proposal can be submitted by one side alone or by both sides together. The proposal will state the facts regarding the state of affairs, and all necessary documents relating to the dispute will be attached.

Joint submission of a proposal, or submission of a proposal by one party and its subsequent acceptance by the other party, is considered to mean that the parties have accepted the provisions of the regulation regarding the reconciliation procedure.

Each party may drop the reconciliation procedure at any time.

The parties can participate in the reconciliation procedure in person or through officially authorized representatives.

Section 9.

If a proposal for initiating a reconciliation procedure has been submitted by one party, the secretariat of the Arbitration Board will notify the opposing party of this, and call upon him to state within a specified period whether he accepts the proposal for the procedure; if he accepts it, to state the facts of the matter in writing within the same period, along with his views; and to submit all of the necessary documents.

If the other party does not respond within the specified period or does not accept the proposal, the secretariat of the Arbitration Board will notify the proposer that the reconciliation procedure cannot be carried out.

Section 10.

If the other party has accepted the proposal, or if the proposal was submitted by both parties jointly, a Reconciliation Commission will be established; the commission is to be composed of one representative designated by each of the parties, and a chairman from the list of arbitrators, who is designated by the president of the Arbitration Board unless the parties themselves have agreed to appoint one.

Before the procedure begins, the secretary of the Arbitration Board will provide the Reconciliation Commission with an advance for the reconciliation expenses, which are to be paid by both parties in equal parts.

If the parties do not name their representatives in the proposal for initiating the reconciliation procedure or in the reply accepting the proposal, the secretariat of the Arbitration Board will request that they do this subsequently.

A foreign party can also name a foreign citizen as its representative.

The parties can agree that the reconciliation procedure is to be carried out by the president of the Arbitration Board himself, any other member of the presidency, or a mediator appointed by the president of the Arbitration Board from the list of arbitrators.

Section 11.

The Reconciliation Commission will examine the proposals that have been made and study the documents submitted, and will also gather all necessary information. If necessary and if possible, it may also give a hearing to the parties. On the basis of the documentation that it has studied, it will present to the parties its proposal for resolving the dispute.

The parties are not obligated to accept the proposal presented.

The results of the reconciliation procedure are stated in a memorandum signed by the members of the Reconciliation Commission and the parties.

The reconciliation expenses are distributed by the Reconciliation Commission if the parties have not reached an agreement on their share of the expenses; this is to be stated in the memorandum.

An agreement is concluded when the parties have signed the memorandum in which it is stated that they have come to an agreement, after this memorandum is read. The agreement reached in this manner does not have the force of an authoritative decision by the Arbitration Board, but rather the force of an agreement reached outside the Arbitration Board.

The members of the Reconciliation Commission or the mediator cannot be named as arbitrators or participate in a hearing when a dispute on which agreement was not reached is being resolved before the Arbitration Board.

III. Jurisdiction of the Arbitration Board

Section 12.

The Arbitration Board's jurisdiction can be based only upon an agreement (an arbitration contract) signed between the parties. This agreement can be concluded both in regard to a specific dispute, and in regard to future disputes that may arise from a specific legal relationship.

Agreements on the Arbitration Board's jurisdiction that are concluded by an exchange of letters, telegrams, or teleprinter messages are considered to be written agreements, along with oral statements by the parties in an oral hearing that are entered into a memorandum.

An arbitration contract is also legally concluded when a provision establishing the jurisdiction of the Arbitration Board is contained in the general conditions, if they are an integral part of the main legal business.

Parties that have concluded a contract on the Arbitration Board's jurisdiction have thereby accepted all of the provisions of this regulation.

Section 13.

If the defendant disputes the existence of the arbitration contract or does not respond to the complain, the matter will be presented to the presidency in its narrower composition, in order to establish whether the documents submitted by the plaintiff contain an agreement establishing the Arbitration Board's jurisdiction.

If the presidency in its narrower composition determines that the documents submitted by the plaintiff contain an agreement establishing the Arbitration Board's jurisdiction, the procedure will be continued even if the other party refuses to participate in it.

A decision by the presidency in its narrower composition on the basis of Para 2 of this section does not prejudice the final decision on the existence and legality of the arbitration contract.

Section 14.

If there is no arbitration contract between the parties, the secretariat of the Arbitration Board will call upon the defendant to state whether it accepts the Arbitration Board's jurisdiction, within 30 days after receiving this request. If the defendant does not respond or refuses to accept jurisdiction, the secretariat of the Arbitration Board will notify the plaintiff that arbitration cannot take place.

Section 15.

The Arbitration Board can renounce its jurisdiction even when it has been established by contract, if the arbitration contract contains privisions that are not in accordance with the functions of the Arbitration Board and the principles on which this regulation is based.

The decision to renounce jurisdiction before an arbitration council is established is made by the presidency in its narrower composition; after the arbitration council is established, the decision is made by the expanded council in accordance with Section 18 of this regulation.

Section 16.

It is the official duty of the arbitration council and of individual arbitrators to bear in mind the jurisdiction of the Arbitration Board.

The parties can dispute the jurisdiction of the Arbitration Board, until they enter into a discussion of the subject of the dispute, by means of written notifications (the response to the complaint, and others); if they do not do this in written notifications, they can dispute jurisdiction at the hearing, before entering into a discussion of the subject of the dispute.

Section 17.

The issue of jurisdiction is to be discussed by the expanded council, which consists of five members. In addition to the members of the arbitration council, it also includes the president and the vice president of the Arbitration Board. If the dispute is conducted before an individual arbitrator, the expanded council consists of three members: the individual arbitrator, the president, and the vice president of the Arbitration Board.

If the president or vice president of the Arbitration Board is unavailable, the president of the Arbitration Board appoints a deputy from among the members of the presidency.

Section 18.

If an objection to the Arbitration Board's jurisdiction is made in the response to the complaint or in any submission prior to the discussion, a discussion of the issue of jurisdiction will be held before the expanded council (Section 17).

If the objection to the Arbitration Board's jurisdiction is made during an oral hearing, the arbitration council will conduct the necessary investigations, and after the conclusion of the discussion it will present the issue of jurisdiction at a closed meeting of the expanded council.

In the case described in Para 2 of this section, the arbitration council may at the same time decide to link the issue of the Arbitration Board's jurisdiction to the subject of the dispute. If such a decision is made, the issue of jurisdiction will be resolved first at a closed meeting of the expanded arbitration council, and if the Arbitration Board is declared to have jurisdiction, the arbitration council, in its regular composition, will proceed to reach a decision on the subject of the dispute.

Section 19.

The existence of an arbitration contract concerning the Arbitration Board's jurisdiction does not affect the right of the parties to turn to a competent regular court for the adoption of measures to secure [their interests]. The interested parties are to inform without delay the secretariat of the Arbitration Board about such requests, as well as the measures taken on the basis of them.

## IV. Initiation of the Arbitration Procedure

Section 20.

The parties who wish to make use of the services of the Arbitration Board are to send the Arbitration Board's secretariat a written complaint, in five copies, which should contain the following information:

1) the name, occupation, and permanent residence, or title, type of business, and headquarters, of both parties;

2) evidence of the existence of an arbitration contract on which the Arbitration Board's jurisdiction is to be based;

3) the subject of the dispute, the facts of the matter, the requests made regarding the complaint, the evidence and all documents related to the subject of the dispute, in the original or in a copy certified by the party himself;

4) the names of the arbitrators.

In order to facilitate the procedure, the secretariat of the Arbitration Board may request that the plaintiff send the complaint and the enclosures in a translation into a foreign language.

If there are several defendants in a dispute, the secretariat will request that it be sent a corresponding number of copies of the complaint and the enclosures.

The secretariat is to send the complaint and the enclosures to the defendant for a response, and is to designate the number of copies of the response and enclosures that should be submitted.

Section 21.

The arbitration procedure can begin without a prior reconciliation procedure.

Section 22.

The deadline for sending a response to the complaint is 30 days after the complaint is received.

In its response, the defendant will state its position on the requests made in the complaint, and will present its defense along with the corresponding documents.

The secretariat will send the plaintiff one copy of the response to the complaint.

Section 23.

The defendant can submit a countercomplaint before the conclusion of the main hearing, if the request for the countercomplaint originates in the same legal relationship.

The countercomplaint is sent to the other side, which can send its response in a period of 30 days from the day on which the countercomplaint is received.

Section 24.

If the parties have submitted several complaints against each other before this arbitration board, arising from different legal relationships, the secretariat of the Arbitration Board will attempt to combine the procedure regarding these complaints and to have the same arbitration council decide on them, for the sake of greater economy in the procedure.

Section 25.

During the procedure, summons and other documents are sent to the parties through the mail, by registered letter, with confirmation of its receipt being returned.

If the sides have appointed representatives, all summons and documents are sent to the representatives.

If an officially summoned defendant does not respond to the complaint or summons and refuses to participate in the arbitration procedure, the arbitration procedure is to continue in accordance with the provisions of this regulation.

V. Selection of an Individual Arbitrator and the Establishment of an Arbitration Council

Section 26.

The dispute can be presented before an individual arbitrator or an arbitration council composed of three members.

Section 27.

Before the defendant reports the name of its arbitrator, in accordance with Section 29 of the regulation, both sides may by agreement inform the Arbitration Board in writing of the name of an individual arbitrator, from the list of arbitrators, to whom they are entrusting the resolution of the dispute.

The parties may transfer their right to designate an individual arbitrator to the president of the Arbitration Board, during the period and in the manner specified in Para 1 of this section.

All of the provisions regarding the procedure are equally applicable to individual arbitrators and to arbitration councils.

Section 28.

Unless the parties explicitly agree otherwise, disputes over an amount not exceeding 200,000 dinars in the current accounts are to be resolved by an individual arbitrator.

In the cases specified in Para 1 of this section, immediately after receiving a complaint, the secretariat of the Arbitration Board will call upon the parties to make a joint selection of an individual arbitrator.

If the parties do not agree on the selection of an individual arbitrator within a period of 30 days after the day on which this summons is received, he will be named by the president of the Arbitration Board.

Section 29.

In disputes that are brought before an arbitration council, the plaintiff names his arbitrator when he submits the complaint, and the defendant names his afterward, within the designated period for responding to the complaint.

If one party or both parties do not designate their arbitrators within the periods specified in Para 1 of this section, or if the designation is left to the Arbitration Board, the arbitrators are named by the president of the Arbitration Board; the parties and the arbitrators named are informed of this.

Within 30 days from the day on which they receive the notification of their appointment, the arbitrators of the parties select a third arbitrator from the list of arbitrators as the chairman of the council. If they do not select one within this period, the chairman of the council is appointed by the president of the Arbitration Board.

Section 30.

If several parties appear in a given dispute as plaintiffs or as defendants, they will first agree on the selection of a joint arbitrator. If the parties cannot come to an agreement within the periods established by this regulation, the arbitrator will be named by the president of the Arbitration Board.

Section 31.

If an arbitrator is prevented from carrying out his functions during his term of office, the party that appointed him will appoint another arbitrator within a maximum of 15 days after receiving the Arbitration Board's summons to appoint an arbitrator.

If the arbitrator who has been prevented from carrying out his functions was appointed by the president of the Arbitration Board, the president of the Arbitration Board will appoint another arbitrator in his place.

Section 32.

The parties may request the exclusion of an arbitrator in accordance with Section 477 of the Law on Litigation Procedure (SLUZBENI LIST SFRJ, No 4/77), in which case the provisions of Section 71 of the law must be applied by analogy.

A decision on a request for the exclusion of an arbitrator is to be made by the presidency of the Arbitration Board in its narrower composition.

VI. Arbitration Procedure

Section 33.

The chairman of the arbitration council, or the individual arbitrator, begins to examine the evidence that has been gathered, and takes all necessary steps to supplement the presentation of evidence.

The parties may use subsequent submissions to supplement the assertions that they have made in the complaint or in the response to the complaint, as well as the evidence.

After the collected evidence has been studied and if necessary supplemented, the chairman of the arbitration council or the individual arbitrator schedules an oral hearing.

If the arbitrators establish that the written submissions and the evidence are sufficient for a decision without an oral hearing, they will not schedule an oral hearing, but will instead notify the parties that the decision will be made on the basis of the written evidence that has been submitted, unless one of them requests that an oral hearing be held.

If neither of the parties requests an oral hearing within 15 days of receiving this notification, the arbitrators will make a decision without a hearing on the basis of the evidence submitted.

A proposal to have the decision made without holding an oral hearing can also be submitted by the parties, if they agree on this.

Section 34.

The deadlines specified by this regulation can be extended at the request of the parties, in justifiable cases.

The council or the individual arbitrator will take into account the need to avoid drawing out the proceedings.

Section 35.

As a rule, oral hearings are held at the headquarters of the Arbitration Board, but at the proposal of the parties, the arbitration council, or the individual arbitrator, the president of the Arbitration Board may decide to have the hearing held at some other location.

As a rule, oral hearings on maritime disputes are to be held in Rijeka.

The hearings are not to be public unless the parties have agreed otherwise.

The parties are to attend the hearing in person or through their authorized representatives. A party's representative can also be a foreign citizen if the party has its headquarters outside the territory of the SFRJ.

The parties can be assisted by their advisors during the hearing.

If one party or both parties do not come to the oral hearing, even though they have been officially summoned, the arbitrators can begin to discuss the dispute as if the parties were present, after they have established that the parties were officially summoned to the oral hearing and that there are no justifiable reasons for their absence.

Section 36.

The arbitrators decide on the presentation of evidence on the basis of proposals from the parties or at their own initiative. They can order the presentation of evidence throughout the entire procedure.

The arbitrators assess the validity of the evidence presented as they see fit.

The parties are obligated to assist in the presentation of evidence and to do everything requested of them for this purpose. Their refusal or failure is to be noted in the record.

Section 37.

In order to supplement the presentation of evidence, the arbitrators can summon witnesses and appoint experts.

The arbitrators can order the parties to bring witnesses, or send a summons directly to the witnesses.

As a rule, the witnesses and experts are heard before the arbitration council. If necessary, the arbitration council can decide to have this testimony presented in writing to the chairman of the arbitration council.

The arbitrators can request regular courts to hear some evidence that they cannot hear themselves.

Section 38.

During the procedure, the arbitration councils and the individual arbitrator can adopt conclusions on procedural actions that they consider necessary, such as: providing advances for the expenses of the experts and witnesses, securing evidence, combining the subjects [of litigation], and also other conclusions regarding the conduct of the procedure.

If the party that has proposed evidence does not provide an advance, it will not be able to present the evidence.

During the procedure, the arbitration council and the individual arbitrator can order the parties to undertake certain actions or to refrain from specific actions related to the subject of the dispute.

Section 39.

The provisions of this regulation apply to procedures before the Arbitration Board. If it does not have the necessary provisions and if the parties have not agreed upon something else, the provisions of the Law on Litigation Procedure are applicable, if they are appropriate to the nature of the procedure before the selected court.

Section 40.

The parties can agree that the rules on arbitration of the UN Commission on International Trade Law (UNCITRAL) will apply to a procedure before this arbitration board.

If appropriate provisions do not exist in the UNCITRAL rules on arbitration, the provisions of this regulation will be applied.

VII. Reaching a Decision

Section 41.

When the presentation of evidence is concluded, the arbitrators make a decision.

The arbitration council and an individual arbitrator are obligated to apply the law that the parties have designated as the material law and the one that will apply to their contractual relationship.

If the parties have not specified this, the arbitration council or the individual arbitrator will apply the law indicated by the conflicting [kolizione] standards whose application is considered by the arbitration council or the individual arbitrator to be most relevant in this case.

In all cases, the arbitration council or the individual arbitrator is obliged to make a decision in accordance with the provisions of the contract, and to take into account the commercial customs that may apply to this affair.

The decision should be factually and legally explained, and formulated in such a way that it can be executed in the countries in which its execution will be sought.

The arbitrators can make a decision on the exclusive basis of the principle of fairness only if the parties have authorized them to do so.

The decision must be made within a maximum of 60 days from the last oral hearing or from the day on which the closed meeting of the arbitration council was held.

Section 42.

The arbitration council makes a decision by a majority of votes.

The decision should be in written form, and should contain the date and place in which it was made, the name of the arbitrators or individual arbitrator, the names or titles of the parties, the subject of the dispute, the facts of the matter in the dispute and an explanation, the declaration, and the period within which the decision has to be carried out. The arbitration council is to specify the length of this period in accordance with the circumstances of the case.

The decision should also discuss the question of the expenses of the procedure and specify which side will bear them and to what extent.

The decision does not have to be factually and legally explained if the parties have stated that they do not require this (Section 481 of the Law on Litigation Procedure).

The decision can be made public only with the consent of the parties.

Section 43.

The presidency of the Arbitration Board in its narrower composition is authorized to examine the decision before it is signed. It can point out to the arbitration council or the individual arbitrator the need to change the form of the decision.

Section 44.

The arbitration decision is final and a complaint cannot be made against it. It has the force of a legal verdict by a regular court (Section 483 of the Law on Litigation Procedure).

By accepting the Arbitration Board's jurisdiction, the parties obligate themselves to carry out its decision.

Within 30 days of receiving the decision, the parties can request that the arbitration council or individual arbitrator correct any arithmetic, typographical, or other errors in the writing [of the decision], or any similar errors. Within the same period, the arbitration council or individual arbitrator, at his own intiative, can make such corrections.

The corrections are provided in written form in accordance with the provisions of Section 42 of this regulation.

Section 45.

The original decision and all of the copies are signed by all members of the arbitration council or by the individual arbitrator.

The decision is also valid when one of the arbitrators has been prevented from signing, if the decision has been signed by a majority of the members of the arbitration council and the unavailability of the signature has been noted on the decision.

The original decision is preserved by the secretariat of the Arbitration Board with the other records of the dispute.

The parties are sent copies of the decision that have been signed by the members of the arbitration council or by the individual arbitrator.

The secretariat of the Arbitration Board sends a confirmation of the implementation of the decision (Section 483 of the Law on Litigation Procedure).

The parties may at any time obtain additional copies of the decision certified by the secretary of the Arbitration Board, but such copies cannot be issued to third parties.

Section 46.

If the parties reach an agreement before the arbitration council or before the individual arbitrator, the agreement is entered into the record, which is signed by the parties and the arbitrator, and is considered to be a form of decision, without any explanation.

An agreement is concluded when the parties sign the record, after the record of the agreement is read.

The agreement concluded has the force of a decision by the Arbitration Board (Section 44 of this regulation).

VIII. Expenses of the Arbitration Board

Section 47.

The rates for the expenses of the Arbitration Board are set by the Executive Committee of the Economic Chamber of Yugoslavia.

When submitting a complaint or countercomplaint, the plaintiff is obliged to provide the secretariat of the Arbitration Board with an amount to be used for expenses, as specified by the president of the Arbitration Board within the limits of the set rates.

If it becomes apparent during the subsequent course of the proceedings that the originally specified amount is insufficient, the president of the Arbitration

Board will make a decision on subsequent amounts that need to be provided, within the limits of the rates.

If the plaintiff or counterplaintiff does not pay the expenses within a period of 3 months after the summons, the complaint or countercomplaint will be considered to have been withdrawn.

Section 48.

For expenses that arise as a result of a proposal by one of the parties, in connection with the performance of some procedural actions, an appropriate amount will be provided in advance by the party whose proposal will give rise to the expenses. The amount to be provided is determined by a decision from the arbitration council or the individual arbitrator.

For expenses caused by procedural actions ordered by the arbitration council or the individual arbitrator at his own initiative, a decision by the council or the individual arbitrator will specify which party is to provide the required amount.

Section 49.

If the arbitration council or the individual arbitrator holds a meeting outside the permanent headquarters of the Arbitration Board, the president of the Arbitration Board specifies the supplemental amount from which the expenses for holding this meeting will be covered.

If a meeting outside of the permanent headquarters of the Arbitration Board is held at the proposal of one of the parties, the supplemental amount is to be provided by the party which submitted the proposal. If the meeting is held by joint agreement between the parties, each party will provide half of the supplemental amount.

Section 50.

If the plaintiff withdraws the complaint, he must be returned the following amounts from the advance that he has deposited in accordance with Section 47:

1) if he withdraws the complaint before the scheduled oral discussion--80 percent;

2) if he withdraws the complaint after the scheduled discussion is scheduled but before the oral discussion is held--40 percent.

Section 51.

The compensation for the president, vice president, secretary, and members of the presidency of the Arbitration Board is determined by the Executive Committee of the Economic Chamber of Yugoslavia.

Section 52.

The presidency, in its narrower composition, determines the rates of compensation for the arbitrators and clerks and the reimbursement for their travel expenses.

After a decision is made, an agreement is concluded, or further proceedings are halted, the president of the Arbitration Board determines the amounts of the compensation for the arbitrators and clerks.

IX. Executive Provisions

Section 53.

On the day on which this regulation becomes effective, the Regulation on the Foreign-Trade Arbitration Board of the Federal Foreign-Trade Chamber (SLUZBENI LIST FNRJ, No 28/58) will cease to be in effect.

All disputes begun before the day on which this regulation becomes effective must be heard in accordance with this regulation.

Section 54.

This regulation becomes effective on the eighth day after the day of its publication in SLUZBENI LIST SFRJ.

No 143/81-1

Belgrade, 5 November 1981.

[Signed] the president of the presidency of the Economic Chamber of Yugoslavia, Jon Srbovan.

9909
CSOP 2800/425

END

JPRS 81703

3 September 1982

# East Europe Report

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2312

FBIS FOREIGN BROADCAST INFORMATION SERVICE

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3 September 1982

# EAST EUROPE REPORT

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No. 2312

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GERMAN DEMOCRATIC REPUBLIC

EFFICIENT USE OF ENERGY IN TRANSPORTATION, HEATING URGED

East Berlin PRESSE-INFORMATIONEN in German No 82, 15 Jul 82 supplement pp I-III

[Excerpt from speech by Wolfgang Rauchfuss, deputy chairman, Council of Ministers, and chief of the Council's Central Energy Commission: "Use Energy Efficiently Everywhere--Great Demand on Energy-Efficient Work"; presented at the Council of Ministers' Eighth Seminar on "Efficient Use of Energy" in June 1982]

[Text] The Council of Ministers' Eighth Seminar on "Efficient Use of Energy" was held in June 1982. Approximately 600 state and economic functionaries from ministries, combines and local councils in an extensive exchange of experiences discussed the further tasks of our energy economy. The following are excerpts from the speech.

With great continuity and purpose, all party and government resolutions on our energy policy have since 1971 been proceeding both from developing an energy base through a maximum use of our own fuel resources and in close collaboration with the USSR and from the thriftiest and most efficient use of energy. We have done remarkably well in the implementation of this policy, especially since the 10th SED Congress.

In the last 8 years, primary energy consumption per unit of national income was reduced annually by an average of 2.9 percent. In 1980 and 1981, economic development was kept dynamic without any increased use of primary energy and with public supplies remaining stable. That rates all the more as, simultaneously, the thus far most significant changes in the energy structure took place.

Our combines bear a great responsibility in all tasks for the thriftiest energy use; their performance must be increased with less energy in absolute terms. As Guenter Mittag pointed out at the Central Committee seminar in Leipzig, this is a matter not of a relative but of an absolute reduction of consumption of energy, as well as of base and working material. For that reason, to enforce the highest standards for the efficient use of energy, energy use contingent management and planning have to be further refined, which means in particular that the elaboration and application of sound technical-economic energy consumption norms have to continue consistently and precepts and proscriptions for energy use have to be enforced without any compromise.

## Conducting Performance Comparisons

The situation demands enforcing the criteria of utter thriftiness everywhere, radically cutting down on the use of all imported liquid, gaseous and solid energy sources, especially on heating oil, and ensuring an extensive and efficient use and refining of raw lignite. It is imperative for all combines, enterprises and facilities to engage in a resolute effort to eliminate all avoidable energy losses.

Energy performance comparisons among the combines in our economy become exceptionally important in this regard for the management, planning and control of energy-efficient processes. What is wanted is a visible and measurable comparison in the energy development of our large efficient combines. The yardstick is to reduce energy consumption while our performance increases.

The necessary pace is set by such combines with high reduction rates in energy-intensity as the VEB Walter Ulbricht Leuna Works, the VEB Hermann Matern Band Steel Combine, the VEB Herbert Warnke Robotron, Ship Bulding, Forming Equipment Combine, the Fritz Heckert Machine Tool Combine, and the Ball Bearing and Standard Parts and Textile Combine, Cottbus. We systematically extend the performance comparison, which has become regular procedure in the Central Energy Commission conferences; it has to be organized among the enterprises in each combine to provide all enterprises with the best results and experiences without any delay.

The criterion for sound energy-efficient work in each combine principally is to reduce energy consumption in absolute terms. Achieving economic performance goals with less energy does, however, not only apply to the combines in our economy. Experiences in such cities as Rostock and Cottbus have demonstrated it is possible to tap significant energy reserves also in the non-producing areas, the cities and communities, without detriment to public supply requirements.

## Further Reducing Transportation Expenditures

Reducing transportation expenditures turns out to be a central issue. Still in 1982 we have to reduce that by at least 20 percent. So we must mainly check the division of labor and cooperation relations in all economic branches to reduce transportation expenses and exchange cooperation performances on a territorial basis, which includes making use of favorably located raw material and material resources.

Other measures to save fuel are shifting more shipments from roads to railroads and waterways; the railroad is to get more electrification to that end, and all combines and enterprises have to make a significant contribution to it by accurately scheduled loading and unloading activities and by handling freight cars with care.

Perfecting the planning and balancing of transportation requirements and strict management, accountability and control of transportation processes are indispensable for meeting this task, which is of the greatest economic significance.

For agriculture, forestry and the foodstuffs industry, we have to make a general rule of the experiences in Nebra Kreis with reducing transportation and saving fuel. To reduce diesel fuel consumption in stationary facilities we must speed up measures for using electrical engines.

Reducing specific energy consumption in 1982 by at least a 65 million ton raw brown coal equivalent, compared with 1980, makes high demands on science and technology. More than 80 percent of the savings must come from scientific-technical measures. To maintain top positions, a crucial contribution has to come from R&D, for the energy efficiency of the technological processes in our economy as well as for the development of our products and procedures with top international energy consumption values.

What do we have to concentrate on? Roughly one-third of the potential saved has to come from energy conversion and distribution processes. The main reserves are found in electrical energy and heat production, for which more than 60 percent of the raw brown coal mined in the GDR is used. More than ever must now all combines and enterprises in the economy place on their agenda the improving of the intra-plant heat production. Important tasks are to be solved in the technological energy application processes. From there has to come more than one-third of the overall savings anticipated in the five-year plan. First and foremost, we must cut out all waste in dealing with energy.

The Workers and Farmers' Inspectorate and the Energy Inspectorate have indicated that faulty or nonexistent insulation and packing, inadequate maintenance and repair of the available measuring, control and regulating technology, lack of mastery over energy process transactions, and faults in the work with technically and economically sound energy consumption norms cause losses of nearly 10 percent of the energy used. So we mainly must improve technological discipline, for which the elaboration and application of technically and economically sound energy consumption norms play a key role. On that basis it is possible to assign leads for demanding objectives to the brigades and collectives in socialist emulation.

The VEB high-grade steel combine enterprises are setting standards for it. In the whole combine, a high proportion of energy consumption complies with technically and economically sound energy consumption norms. Those norms form the basis for the socialist emulation among the smelters. They show up in proficiency-related wages and salaries and serve to ascertain the best workers. This procedure ought to become the norm everywhere.

Experiences with energy-intensive production processes teach us that by means of microelectronic process computer technology optimal structural procedures become possible which give rise to significant energy savings and productivity boosts. Thus is was possible in the VEB Schwarze Pumpe Gas Combine to fashion the complicated process of the group control of four pressure gas producers by means of microelectronics in such a way that the performance improved by 25 percent with significant savings in steam. By applying microelectronics to controlling the process, important effects in efficiency also were realized for foundry smelting furnaces, paper production, and transportation.

## Secondary Energy--Cheap and Safe

Secondary energy constitutes a considerable energy potential; it can be put to use again in the form of waste heat and gas, fumes, solid heat, waste fuel and so forth.

As to the current state of technology, our economy can use an equivalent of circa 60 million tons of raw brown coal as secondary energy, but thus far only half of it is being used. Secondary energy now is for us the cheapest and safest energy alternative.

So we can do without high-grade energy sources. Prime costs are greatly reduced. For using it, our economy on the average gets along on from one-fifth to one-sixth of the expenditure that would be needed for making primary energy available. Economic reason alone demands tapping that on a priority basis.

Considerable efforts have been made in the last 2 years to produce the equipment needed for that. That entailed recuperators and regenerators, waste heat boilers, heat pumps and heat tubing.

Standards for this kind of work have been set by such combines as the Walter Ulbricht Leuna Works and the Fritz Heckert machine tool construction combine. Complex solutions for using waste heat were obtained through the cooperation between the Brandenburg steel and rolling mill and the Riesa tube combine with the energy combines and the municipal councils.

Also in commerce and public supply areas, public health and culture, the steps already taken toward using secondary energy must resolutely be carried on. Recycling waste heat in shopping malls, e.g., makes possible a saving of more than 50 percent of heating needed there. This is a principle that has to be enforced in all 1,100 shopping malls by 1985.

## Less Expansive Heating and Lighting

Advances were made in 1981 in the implementation of the 10th party congress task to reduce energy consumption for heating new and reconstructed buildings by 40 percent in 1985 compared with 1980.

Thus far, more than 80,000 dwelling units were built with improved energy-efficiency solutions of the housing building series 70 plus slab construction, and specific heat requirements were reduced between 12 and 16 gigajoule per housing unit and year. Through the use of further developed house terminals and the gradual introduction of zonal and thermostat controls, and more of a reduction of room temperatures at night, energy savings between 10 and 15 percent came into effect.

In view of the high goals for energy-efficient construction, which will increase in the years ahead, infringements of technological discipline cut into the positive results already achieved and burden our country's energy balance. So we must mainly organize the effort for top quality on the building sites and in the slab plants, because it is not the value of projects but the heat consumption values attained in practice that turn energy efficiency to our advantage.

At the same time, it is a matter of improving a coordinated cooperation of the energy combines with official corporate bodies, communal housing administrations and and workers' housing construction cooperatives, making janitors more efficient in their service tasks in heat transfer stations, and enhancing the control and regulation of heat supply systems. The time also has come to carry over more rapidly to enterprise vacation homes the experiences gathered in dividing heat cycles in the field of public education.

In industrial construction experiences have shown that radiator heating can save 20 percent and more compared with conventional air heating systems. Even so, this efficient heating system is still not enough used either in new construction or in reconstruction.

For lighting, the saving of electrical energy is of special importance. Right now, we use circa 12.5 percent of our electrical energy consumption for it. Since mid-1981 regulations have been in force to reduce electrical energy consumption for lighting by at least 20 percent compared with 1980, while maintaining the necessary lighting level.

On a basis of priority all those measures have to be undertaken that call for less material expenditure, such as the normal lighting load for general lighting and more of a use of illuminating the place of work, more of a use of fluorescent lamps and, primarily, sodium vapor high-pressure lamps instead of ordinary incandescent lamps, line interruptions and the use of electronic dimming switches.

The use of dimmers in the VEB Fortschritt Agricultural Machine Combine, Singwitz enterprise, brought energy savings of M 100,000 per year, with expenditures returned in only 4 weeks. The requisite measures according to the new TGL (GDR norms) must be carried out at once and without delay in all enterprises in order to enforce the 20 percent electrical energy saving in new construction and in operating available installations without detriment to the working people.

The reduction of electrical energy consumption is greatly affected by efficiency electronics. Reserves up to 30 percent of electrical energy used are to be tapped mainly in regulating electrical propulsion devices in rolling mills, open-pit mining installations, power plants and chemical installations, in inductive heating and smelting of metals, in providing pumps, compressors, fans, and blowers with electronic speed-control levers, especially in housing, the water management and agriculture, by converting current supply installations in mining, for tracked vehicles and for welding apparatuses.

The Local Councils' High Responsibility

No less important is energy efficiency in towns, kreises and communities. Almost half of our total energy consumption goes to the population and the communal area.

Recently the Council of Ministers dealt with these matters when the city council of Cottbus reported on experiences and results of efficient energy use. The work done in Cottbus sets standards for territorial energy efficiency. Considerable energy reserves become available if, under local council management, all combines, enterprises and facilities work together in using energy efficiently, advantage is taken of territorial rationalization, and the citizens get involved actively in this process.

Territories can gain a distinction only if at least two-thirds of the territorial combines, enterprises, socialist cooperatives and facilities with an annual energy consumption of at least 30 terajoule already gained the title or 75 percent of the energy consumption by the enterprises and facilities is represented by enterprises awarded distinctions. State contingents for energy sources have to be abided by, and very much use has to be made of secondary energy.

Rising Number of Exemplary Enterprises

Following the example of Dresden Bezirk, a highly energy-efficient and exemplary enterprise should be turned into a consultation base in each kreis available to all interested enterprises and facilities in the territory--regardless of their type of ownership and accountability status.

The development of exemplary enterprises that are highly energy-efficient has stood up well for 10 years already. More than 940 enterprises and institutions, several combines and the city of Rostock have thus far been given distinctions for their exemplary energy efficiency. Pursuant to the 10th party congress resolutions, the rules were revised for awarding distinctions for exemplary energy efficiency and the standards were raised in line with the requirements for the 1980's.

First and foremost comes abiding by state contingents. Exemplary energy efficiency means more than ever ensuring a high level of energy efficiency through extensively working with sound technical-economic norms, a high level of use made of secondary energy and high-grade products in the energy field as well. That is why in the enterprises already distinguished as well as in the enterprises and faciilities engaged in the contest for the title, the situation should be carefully analyzed and--in view of the higher requirements--all forces should be mobilized to meet these goals in conformity with objective conditions.

High Demands for Training and Advanced Training

We have made good headway in recent years in training and advanced training. Thousands of cadres in energy got training and advanced training at colleges and technical schools.

The Chamber of Technology has done a lot to aid in this process in that it, e.g., has conducted courses for energy technicians in small and medium-size enterprises, for stokers and service personnel for heat conduction installations. Thereby, some 14,000 cadre will have been trained by the end of 1982 in the energy field. As requirements have risen, training measures must be further pushed. Combines like the VEB Werner Lamberz Polygraph Combine, Leipzig, or the VEB Concrete Works, Dresden, are organizing the advanced training for their college and technical school cadre systematically and are ensuring their attending courses.

Training and advanced training are critical for implementing the high goals in efficient energy use because the knowledge of political connections and great technical knowledge alone make conscious activities possible. For that reason, the combines and enterprises have to make full use of all training and advanced

training opportunities at the colleges and technical schools on behalf of solving our energy efficiency tasks. We still must more effectively organize the training, mainly, of stokers and boiler attendants, industrial furnace operators and service personnel for the heat connection stations, and this through cooperating with the Chamber of Technology, the energy combines and the bezirk energy inspectorates.

Carrying on our successful policy in implementation of the 10th party congress resolutions makes the highest demands on science and technology and the capacity of our combines and calls for energetic participation by all. Thanks to the purposeful political-ideological work under party leadership, we can rely on a broad mass basis and many new initiatives for coping with our greater tasks. In this, an important place value in socialist emulation attaches to such obligations as surpassing the plan tasks by a 2-day output without any extra energy and material allocations.

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GERMAN DEMOCRATIC REPUBLIC

## INEFFICIENCIES IN USE OF LABOR, MACHINERY CRITICIZED

East Berlin EINHEIT in German Vol 37 No 6, Jun 82 (signed to press 7 May 82) pp 601-607

[Article by Wolfgang Beyreuther, social scientist, member, SED Central Committee; state secretary for labor and wages: "Utilizing Society's Labor Capacities Efficiently"]

[Text] A qualitative development of society's labor capacities and utilizing them most effectively are imperative for consistent economic growth. How must scientific-technical progress be focused on it? How is the great educational potential to be used? What are the tasks of the local state organs in developing the labor capacities? About that, the article conveys extensive experiences in successful management activity.

Advances in socialist intensification, especially greater speed in making scientific-technical progress prevail for the sake of better qualities and production efficiency, are more and more dependent on how well we succeed in making the fullest use of the working people's knowledge, skills and experiences. Particularly their great intellectual-creative potential has to be systematically elevated and increasingly utilized in conformity with the requirements for our social development.

Critically boosting labor productivity this way and enhancing the effect of live labor, especially by way of consistent socialist rationalization, is a basic trait of our party's economic strategy for the 1980's that serves our continuing the course of the main task in its unity of economic and social policy and is aimed at strengthening our republic. Changing demographic conditions and the tense manpower situation make this need still greater but are by no means the most important, let alone the only, reason why we have to keep looking for new ways to employ the growing labor capacities with greater effectiveness. Any other assessment and other approach ultimately distracts us from our rationalization, leads to a call for more manpower, and impinges on our tapping our own reserves more extensively, properly cutting back jobs and gaining manpower.

Naturally we must keep in mind that there is a limit to the volume of manpower reserves in the GDR. The employment rate of our population at working age has already reached a high level, with nearly 93 percent, and the further manpower growth in the current five-year plan will provide circa 100,000 fewer persons than in the last five-year plan period. The producing area as such will have to manage virtually without any growth in manpower in the period up to 1985.* For the second half of the 1980's we even have to expect an absolute reduction in the volume of manpower. Because the necessary further development of our raw material and energy base, the development of the most up-to-date industrial branches and transportation, and certain welfare and supply areas must not suffer from that, other enterprises must all the more get ready for coping with the performance development they need with a reduced labor force.

These are problems which we certainly will be able to cope with on the basis of purposeful and far-sighted management activity in line with the resolutions on our economic strategy taken at the 10th party congress. The guarantee for it greatly lies in that a better use made of the qualitative potential releases reserves which will do more than just do away with certain quantitative limits. Often rather, higher, and surpassing, economic effects can then be attained. At the same time, consistent management activity, political-ideological work, especially in the work collectives, must create better prerequisites for a higher capacity use of working hours, reduce downtime, and thereby tap available quantitative reserves.

Of greatest importance for a more effective use of our labor capacities is the utilization of all reserves accessible to socialist rationalization and--closely linked with that--a higher effectiveness from the available intellectual-creative potential. Many combines and enterprises have already demonstrated that needed manpower can be gained by way of consistent socialist rationalization. Proceeding that way with all determination throughout our entire economy is not only facilitated but even impelled by the potential of highly qualified manpower, created with the help of our socialist educational policy, as it can still much more effectively be employed. More than 80 percent of the people working today are fully trained specialists, foremen, college and technical school graduates. That gives our republic a top position in the world; it provides it with fine opportunities to accelerate the scientific-technical progress and place its results ever more effectively at the service of the people.

A constant improvement of the qualification level and forming a highly effective manpower structure in line with the needs of the economy, and the employment, that meets those needs, of the growing potential, are gaining increasing importance for a smooth economic performance growth. There lie the most important, virtually inexhaustible, reserves of our labor force potential. Tapping them demands of our party and economic functionaries great insights into our economic strategy as it is correlated with our party's social policy. In the development of our manpower structure long range, our society's basic economic interests intersect with the objectives of our educational and cultural policy and each individual's claim to the development of his abilities and talents and to some vocational training for the benefit both of society and of the development of his own personality.

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*Cf. Comrade Erich Honecker, "Bericht des Zentralkomitees der Sozialistischen Einheitspartei Deutschlands an den X. Parteitag der SED" (SED Central Committee Report to the 10th SED Congress), Dietz publishing house, Berlin, 1981, p 60.

A high sense of political responsibility and economic foresight are as much needed to solve such problems as confident political-ideological work with the working people that clarifies matters, showing and explaining to them the ways through which social labor has to become more effective. And more than that: Ideological work also means explaining to them the objectives and consequences of rationalization in capitalism, where the achievements of the scientific-technical progress more and more oppose the people themselves, so that millions of workers are "rationalized away" and pushed into social insecurity. The host of unemployed, which in the developed industrial capitalist countries has by now nearly reached the 30-million mark, clearly reflects the antihuman nature of capitalist society, which pitilessly throws men out on the street if profit calls for it and then defames them as idlers or loafers.

Picking up the experience of the working people in our country, that an individual benefits from a person's full dedication to socialist society, we must make visible that both the personal interest and the good of society require in harmony that one's own developmental opportunities are fully brought to bear on the scientific-technical progress, economic requirements are taken account of, and a total commitment is made to economic performance growth and the strengthening of socialism. The will of the individual is critical for the degree of effectiveness of his work, based on sound education and high skill--appropriate objective labor conditions provided. All this confirms how important it is for each manager to let himself always be guided by that society's labor capacities--be it in the combine, in the enterprise or in the brigade--become all the more effective, the more socialist consciousness, fine education, ripening experience and skill fuse.

Targeted Use of Scientific-Technical Progress

The development processes in science and technology which form the centerpiece of our party's long-range economic strategy exercise an emphatic effect on the efficiency of society's labor capacities. This involves mainly an accelerated development and application of microelectronics, the use of industrial robots, the development of metallurgical and coal refining, more machinery with electronic controls and more of a use of electronic computer technology, including the rationalization of administrative work.

Through the measures connected with that and the further socialization of production in connection with the development of efficient combines, today and in years ahead the conditions will greatly change for the efficient use and social effectiveness of our labor capacities. Scientific-technical progress creates new effective conditions for live labor, especially by highly productive working tools. This growing material potential has to be combined with the labor capacities in such a way that optimum economic and social effects are achieved. Labor capacities become fully effective only when the possibilities of greater efficiency are realized through a maximum capacity utilization of the highly productive basic assets. From that vantage point it is necessary to gain the necessary manpower, through rationalization measures, for operating the new installations, train the working people in good time in their new labor tasks so they can fully master and use the new technology and as soon as possible feel at home in their new field of responsibility, and enforce the kind of labor organization that will provide steady and multi-shift full capacity utilization especially of such highly productive technology.

Were we to use the basic assets which at present are being used in industry for 15 hours per calender day only 10 minutes longer each day, we could produce M 4.5 billion more in industrial commodities.* And through eliminating unjustified disparities in the use of machinery and installations, still far larger reserves could be tapped. That holds true especially for the use of modern robot technology, which must help still much more in eliminating heavy physical, burdensome, routine, monotonous and hazardous working conditions in the interest of the working people and implement with greater consistency all aims connected with the use of robots in cutting back jobs.

A higher benefit for society's labor capacities over the whole economic range also arises from a higher materials economy and a higher degree of refinement of raw materials and energy sources. Each ton of coal or steel not used saves working hours. Considering that those areas that primarily produce or transport materials, raw material and energy tie up more than half of our manpower in material production, avail themselves of circa two-thirds of all basic production funds and production investments, and induce circa three-fourths of all freight shipments, it becomes clear that each percent of saving also carries with it a considerable economic gain in material and financial funds and a sigficant saving in live labor. Using the labor capacities saved in the progressive industrial branches that are directly linked up with the scientific-technical progress aids the forming of an efficient production structure and ultimately renders live labor more efficient on the overall economic scale.

Progressive Structure for Labor Contents

The scientific-technical progress makes for important changes in the content of labor. Through increasing intricacies and complexities of the production process, the demands are growing, especially, that are made on the working people's knowledge of theory and responsible operations, on the technological mastery over production, and on the level of production and labor organization. That has to be kept in mind always in the development of society's labor capacities.

Special importance attaches to the structuring of progressive labor contents. "If we reflect on efficiency measures, our maxim must be: dealing most sensibly with the most valuable--human labor capacity. We can afford less and less to let man's unique capability, his creativeness, lie fallow in routine work in production or in administration."**

The significant economic and social weight of that orientation is corroborated by the fact that at present there are in industry still circa 600,000 production workers who mainly perform manual or simple service activities, and that there are circa 300,000 working people of relatively low productivity and, partly, under heavy physical stress, working in auxiliary or subsidiary processes.

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*Cf. "SED Central Committee Secretariat Conference with Kreis First Secretaries, Comrade Erich Honecker's Speech," NEUES DEUTSCHLAND, 13/14 February 1982, p 2.

**Comrade Guenter Mittag's concluding speech, "Mit der Kraft der Kombinate fuer weiteren hohen Leistungsanstieg" (With the Force of the Combines for Continued High Performance Growth), Dietz publishing house, Berlin, 1980, pp 46-47.

There are important reserves here for gaining manpower for productive and more substantive tasks, to be provided by way of socialist rationalization. Identical effects for improving the effectiveness of society's labor capacities can be achieved through rationalization investments where manpower requirements are optimized through scientific labor penetration and the labor tasks are structured in such a way that the working people's high skill level is fully used, heavy physical labor is reduced and health protection and labor safety are ensured from the outset.

In the past, investments normally created three to four times as many new jobs as they cut down. Today, that ratio has already beeen reversed in a number of combines. That includes the EAW Friedrich Ebert Combine, Berlin, Communication Electronics, Leipzig, Textima, Karl-Marx-Stadt, Gisag, Leipzig, the Herbert Warnke Forming Equipment, Erfurt, and Rostock's Fish Combine. After already in 1980, in the areas of the ministries for machine tools and processing machinery and general machine construction, agricultural machine and vehicle construction more jobs were cut back than newly set up, this positive result was also achieved in 1981 in all of heavy machine and plant construction and in the centrally managed combines of the ministry for the bezirk-managed and foodstuffs industry.

An important reserve for enhancing the efficacy of live labor lies in target-directed training and advanced traininig and in assigning the working people in line with their proper occupational and training qualifications. That implies several tasks.

For one thing, it is necessary to handle the whole development of new blood in such a way that the training of young specialists and the assignment of new college and technical school graduates better conform, in terms of quantity, quality and time, with the future needs of our economy and the basic trends of scientific-technical progress.

Second, the new requirements call for target-directed training and advanced training for the working people so that they can still better handle any given labor tasks and in good time can get ready for new assignments.

Third, qualitative new tasks have to be coped with in channeling manpower into new priority enterprise and economic projects.

The aim of all these measures is to develop society's labor capacities in full harmony with changing production conditions and tap performance reserves thus far unused through assigning working people in line with their occupational and training qualifications. Identical survey results from more than 100 centrally managed industrial combines indicate we clearly have an educational lead which must to a much larger extent be used for speeding up the rate of growth in labor productivity. There are not a few college and technical school graduates and foremen at present who could, because of their level of training, do more skilled work, and there are too many specialists not working in the trade they have learned or one similar to it. It means available labor capacities lie fallow or are not fully used because assignments are alien to the learned trade. In other cases, however, there is a need to catch up in training because more than 60 percent of the unskilled workers are now assigned to tasks that would require at least partial training, often even specialists' certifications.

Using Successful Management Activity Experiences Everywhere

The massive rationalization of production and labor processes aiming at making the working people's labor capacities economically much more effective places higher demands on management activity. That is shown, e.g., by experiences of the party organizations in the VEB Schwedt Petrochemical Combine, the Mansfeld Combine and other combines.

First, we must deepen the insight that the manpower needed for new production installations, for boosting the construction of means of rationalization and for multi-shift capacity use of basic assets can only be gained through broad rationalization and must, in a target-directed manner, be trained for the new tasks. Party acvitiscs conferences on the bezirk and kreis level as well as in combines and enterprises, discussions about that the needed performance growth has to come about by means of the available labor capacities and that demands for additional manpower are misguided have significantly helped in tapping intra-enterprise and territorial manpower reserves.

Second, it is crucial for the speed and efficacy of socialist rationalization that all working people are drawn into an active participation in the solution of these tasks. The high criteria for rationalization "at new dimensions" can indeed only be achieved if the concrete targets and tasks are set down for each work collective and deliberated on together with the working people. That implies thoroughly explaining the basic rationalization trends and informing the working people properly ahead of time about the new jobs for which they are needed and what conditions and requirements they will have to expect for the future. On that basis their willingness also develops to get involved in this rationalization and prepare themselves for the new jobs.

The third basic condition is a long-range strategy for socialist rationalization that combines the most advanced science and technology data with the working people's best work experiences and wealth of ideas. The measure for it is a complex and streamlined rationalization of the entire reproduction process, the most efficient handling of production auxiliary and subsidiary processes and of the management and administration while the latest technologies and a more efficient handling of the overall process are instituted.

And here it has been found useful, in the Wilhelm Pieck Combine in Mansfeld, e.g., that on the basis of such long-range rationalization strategies at the same time long-range "complex programs for the most efficient use of society's labor capacities" were elaborated. These documents rely on a precise analysis of the labor capacities available and their use, and they make possible realizing the future production, the recruiting of manpower for new tasks, and the systematic distribution and full utilization of the labor capacities in accordance with the requirements of the reproduction process and the most effective structure for the "industrial all-around worker."

A fourth experience indicates that scientific labor organization significantly marks the nature of socialist rationalization, being an indispensable element of scientific-technical progress. Only the application of scientific labor organization makes high efficiency possible in the use of new techniques and

the latest technologies. Thereby the whole division of labor and cooperation, all working areas and jobs and the coordination of the main, auxiliary and subsidiary processes are reorganized and the kind of working conditions are created which further shape the creative character of labor, free labor from burdens, and afford the working people the opportunity to make the fullest use of their skills.

Decisive here is the experience that the whole process of socialist rationalization, following the example of Schwedt, is marked by a close connection between scientific labor organization and mass initiative. According to the party resolutions, scientific labor organization in the years after the ninth party congress turned into a veritable mass movement for the socialist rationalization of jobs and labor processes. That is clearly attested to by the permanent active involvement of more than 300,000 working people in the volunteer scientific labor organization collectives.

Systematic Coordination Between Branch and Territorial Tasks

The efficacy of labor capacities greatly depends on how men's living conditions, the opportunities for recreation and care, communter traffic, educational institutions and other factors in working and living conditions are organized within the territory. That in turn calls for deepening the cooperation between local state organs and the managements of the combines, enterprises and cooperatives. Through mutual agreements the kind of measures have to be set down that ensure such a complex organization of working and living conditions while they also help tap all local manpower reserves. As experiences gained under the Zwickau Kreis SED management show, such coordinated procedures can also encourage territorial rationalization, workers' welfare, and the cultural and social care for shift-workers with good effect.

It is characteristic of the concerted efforts of enterprises and local state organs in Stassfurt Kreis that the enterprises' long-range rationalization and manpower conceptions are accommodated to territorial conditions and opportunities. That is necessary to establish the manpower requirements in the enterprises precisely and enhance the realism of the manpower plans. It has also been found useful here that the local state organs, from the vantage point of territorial requirements, bring an influence to bear on the rationalization projects in the enterprises and agree on the recruiting, effective reemployment or hiring of manpower.

It conforms with the joint responsibility of the enterprises and the territorial managements that the enterprise manpower conceptions are turned into a uniform conception on the effective use of labor capacities in the territory. Such cooperative work helps determine long-range the proper distribution and channeling of labor capacities available in terms of branches and areas and shore up economic requirements. Agreement on real manpower requirements and on the time when they arise, and also with regard to their quantitative and qualitative structure, is extremely important for the solution of these tasks. Also the training of new workers proper as to occupations and qualifications and the planned recruiting of manpower for major economic tasking areas, to come from the rationalization process, and the measures derived therefrom for the training and advanced training of working people call for long-term preparations and

accords. The elaboration of long-term conceptions for the development and full use of society's labor capacities responds to the demands of the 10th SED Congress better to control the linkage of the complex processes in the economy and in science, and in the social and cultural field, and to make management activity still much more prescient. Experience shows it brings us many benefits. It fosters management and efficiency development in the enterprises and combines and lends new impulses to territorial rationalization, and it helps further improve the working and living conditions.

5885
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ORDER ENACTED ON CONTROL OF LIQUID ENERGY SOURCES

East Berlin GESETZBLATT DER DEUTSCHEN DEMOCRATISCHEN REPUBLIC in German Part I No 10, 24 Mar 82 pp 192-195

[Official text of "Order of 9 February 1982 on Planning, Balancing and Delivery as well as Accounting and Control of Liquid Energy Consumption --Supply Order for Liquid Energy Sources," signed by Minister for Chemical Industry Wyschofsky, effective 1 April 1982]

[Text] To guarantee the most economical use of liquid energy sources, managers of the appropriate central state organs have come to an agreement based on the energy order of 30 October 1980 (GESETZBLATT I, No 33, p 321) and the balancing order of 15 November 1979 (GESETZBLATT I, 1980, No 1, p 1), resulting in the following order:

Article I: Scope

1. This order applies to the supply to consumers of gasoline, diesel fuel, heating oil as well as liquid gas and fuel D (subsequently called liquid energy sources), it applies to capital sources and supply areas as well as to the producers and suppliers of liquid energy sources.

2. This order does not apply to the supply to citizens of liquid energy sources, it does not apply to consumers who purchase liquid energy sources against convertible currencies, vouchers of the Forum GmbH or international refuel vouchers or to consumers who are not subject to the quota system.

3. The regulations of this order apply to the supply of the demand of the supply areas 7710 and 770 as well as to similar demands established through central rulings, according to regulations issued by the appropriate ministers and directors of other central state organs.

Article 2: Definition of Terms

Within the context of this order, suppliers are:

--Producers
--competent specialized foreign trade enterprises
--enterprises dealing in manufactured products

Article 3: Planning and Balancing

1. Planning the demand for liquid energy sources is to take place in accordance with the legal directives on planning. Planning is to be based on supply areas and state tasks for the preparation of plans dealing with:

--quota systems for the consumption of liquid energy sources,
--tasks for lowering the specific consumption of liquid energy sources,
--norms of energy consumption and storage,
--state tasks for the development of production, meeting demands as well as providing services for transporting people and goods,
--objective and concrete tasks for the substitution of liquid energy sources, particularly heating oil,
--tasks for shifting transportation from the street to the rails and inland waterways.

2. The managers of the supply areas explain their state tasks to the capital planners and the managers of capital sources to the customers. Planning the demand is to take place in accordance with the principles of strict conservation. Specific energy consumption is to be lowered systematically. Measures are to be prepared and identified to lower consumption and to guarantee the usability characteristics of liquid energy sources and also regular maintenance and care of installations and vehicles. The goals for the most economic use of liquid energy sources as well as the application of progressive norms and characteristics of energy consumption are to be included in socialist competition.

3. The demand for liquid energy sources is to be planned within the respective supply areas by the customers and capital source planners. The respective supply areas pass along their demands for supplies simultaneously to:

--the balancing organ
--the ministry responsible for maintaining the balance
--the balance-keeping organ

in accordance with the legal regulations on planning[1] and the balancing schedule.[2]

4. The demand for liquid energy sources for conversion and user installations that started operations after 31 December 1969 may only be planned for the maximum amount established in the decision on energy use.[3] The use for operating other installations is not permitted.

5. Conversion and user installations that started operations before 31 December 1969 may only be planned with the amount that was used in 1979, unless another central decision was made.

6. Direct buyers of gasoline and diesel fuel are required to inform the balance-keeping organ about the planned amount needed for direct purchases.

Article 4

1. State plan figures that are handed over to supply areas are:

--Quotas for liquid energy sources for the year and for quarter years,
--norms of energy consumption and storage,
--objective and concrete measures for the substitution of liquid energy sources.

2. The quotas for gasoline and diesel fuel include the consumption for services for the transportation of people and of goods that are carried out with transportation capacities owned by combines, enterprises and establishments as well as the consumption for production purposes and other services listed in the appendix, for remaining services and for trips by car.

3. The managers of the supply areas and the capital planners are to explain state plan figures in accordance with section one to capital planners and customers under their jurisdiction and to pass them on to them. The respective managers are to guarantee the observance of state plan figures, particularly with respect to applicable quotas, within their area of responsibility.

4. With respect to the use of capacities of other areas of the economy by transportation organs, the minister for transportation is establishing a disposition fund for diesel fuel.

Article 5

The supply areas or capital planners are to inform the balance-keeping organ and the VEB Combine Minol within 10 days after receiving quarterly quotas about the proposed use, listed according to months and divided into Minol and direct purchases. With respect to heating oil quotas, listings are to be subdivided according to type of product and customers. In cases of violations of the information requirement, the balance-keeping organ is entitled to issue temporary delivery directions for heating oil, which represent the binding contractual basis until the expiration of 5 working days following the actual receipt of the information. For the purchase of liquid energy sources from the VEB Combine Minol an agreement is to be made between the balance-keeping organ and the VEB Combine Minol.

Article 6

1. Quarterly quotas are the binding basis for the order, the conclusion of the contract and the purchase of liquid energy sources between the supplier and the customer. With respect to the purchase of heating oil, delivery terms are to be agreed upon contractually between the managers of capital sources as well as the manager of the balance-keeping organ.

2. For diesel fuel, customers receive allocation papers and/or diesel-fuel limit-certificates from the issuing agency for diesel fuel assigned to their area, representing the VEB Combine Kraftverkehr or the VEB Verkehrs Combine, against presentation of proof of the quota assigned to them by capital planners.

3. At the end of the quarter, quarterly quotas become invalid.

Article 7

1. The allocated quarterly quotas for liquid energy sources must agree with state plan figures and they are the upper limits which must not be exceeded. The quotas of "consumption" of liquid energy sources which are not needed, due to changed conditions, must be returned immediately by the enterprise to the capital planner. The capital planner has the right to carry out justified redistributions while maintaining his quota to guarantee the tasks of production, supply and transportation. With respect to heating oil, reductions in consumption can be undertaken to increase inventories, if the balance-keeping organ does not make a change in the quota of "purchases." The increase in inventories does not justify an amount that exceeds the quota of "consumption." Inventories are to be considered when quotas are established for the subsequent period.

2. The managers of capital sources have the right to carry out redistributions of quotas within the framework of applicable central agreements if annual amounts are maintained. The managers of the supply areas have the right to carry out redistributions between combines and economic management organs under their jurisdiction. The affected combines, enterprises and customers are to be furnished with new quotas. Resulting changes in the purchase of heating oil are to be agreed upon with the balance-keeping organ before the 10th of the preceding month.

Article 8: Purchase of Liquid Energy Sources

1. Gasoline is to be bought on the basis of allocated quotas by direct purchases and/or from filling stations or fuel distribution facilities of the VEB Combine Minol or from facilities for personal consumption that are authorized to sell fuel to the public.

2. Diesel fuel is to be bought on the basis of allocated quotas by direct purchases and/or from fuel distribution facilities of the VEB Combine Minol with allocation certificates or from filling stations and facilities for personal consumption authorized to sell fuel to the public against diesel-fuel limit-certificates. When diesel fuel is bought by using the refuel certificate procedure,[4] diesel-fuel limit-certificates are to be affixed to the back of the refuel certificate and to be handed to the station attendant. Customers who do not participate in the refuel certificate procedure are to affix the diesel-fuel limit-certificate to the back of the receipt which remains with the filling station. The diesel-fuel limit-certificates are to be invalidated following the fill-up.

3. Heating oil is to be purchased on the basis of allocated quotas by direct purchases, through heating-oil carrying distribution facilities of the VEB Combine Minol or from the appropriate foreign trade enterprise. The VEB Combine Minol is to be informed by the balance-keeping organ about the amount of the quarterly quotas of its customers.

Article 9: Basic Principles of Contract Terms

1. Delivery contracts for liquid energy sources are to be concluded as quarterly agreements.

2. Deliveries that exceed the amount agreed-upon on the basis of quarterly quotas are to be considered as early deliveries for subsequent periods.

3. To build inventories in the interest of the state economy, suppliers of heating oil have the right to make deliveries in excess of the agreed-upon amount until the maximum storage capacity has been reached. These quantities are blocked inventories and the customer cannot use them without the express permission of the balance-keeping organ or the VEB Combine Minol. These blocked inventories are to be listed separately on statements.

4. When reduced shipments are caused by the producer or the supplier, subsequent deliveries are to be made at the request of the customer within the plan year until the agreed-upon amount is reached, if the planned inventory was not attained by the end of the quarter.

Article 10: Accounting

1. As far as accounting procedures for suppliers and customers are concerned, the provisions contained in the balance schedule and in the regulations of the State Central Administration for Statistics apply.

2. The consumption of diesel fuel (subdivided according to transportation and shipping services as well as production needs) and gasoline is to be computed by selected supply areas on a monthly basis before the 20th working day of the following month and to be submitted to the Ministry for Chemical Industry.

3. Selected customers are to report daily on the inventory of heating oil according to types of products and submit the report to the balance-keeping organ.

Article 11: Exceptions to the Regulations

In unusual situations the minister for chemical industry decides on the operative measures to be applied concerning the supply of liquid energy sources within the framework of the state plan characteristics, or he will make the necessary decisions in agreement with the managers of the affected central state organs. The decisions intervene in existing agreements and are binding for all contractants. For heating oil the stepwise program confirmed by the Council of Ministers is in effect.

Article 12: Control

The managers of the supply areas are required to guarantee the most economical use of liquid energy sources within the framework of allocated quotas. They have to make sure that:

--the internal accounting and control of the enterprise lists the exact amount of consumption,
--a constant control is carried out in combines, enterprises and establishments within the sphere of their responsibilities and that legal regulations are followed and norms and material stimulation of conserving liquid energy sources and emission control standards are maintained.

Article 13

1. The energy inspection of the Central Energy Commission of the Council of Ministers, bezirk energy inspections, the state traffic inspection and the balance-keeping organ for liquid energy sources have the right to carry out controls at the site of customers who are supplied with quotas and the site of their capital planners. The controls extend to the adherence to the directives of this order and the implementation of the legal regulations which influence the consumption of liquid energy sources. The results of the controls are to be made available to the balance-keeping organ.

2. If controls yield information that:
(1) the allocated quota of liquid energy sources is used for purposes other than those established by the directives of this order or
(2) the legal regulations for the most economic use of liquid energy sources has been violated or
(3) unjustified demands were submitted by the customer,

the controlling organs are required, in accordance with section 1, to issue instructions for the adherence to the provisions of this order and whenever item (1) and (2) apply, they have the right to propose economic sanctions in accordance with article 17, section 1, item 2 of the order of 26 January 1978 for the guarantee of uniformity between agreement and plan at the time of conclusion and fulfillment of economic contracts (GESETZBLATT I, No 6, p 85) or, whenever item (3) applies, they have the right to impose economic sanctions in accordance with article 34 of the balancing order of 15 November 1979 (GESETZBLATT I, 1980, No 1, p 1).

3. When violations have been established according to section 2, customers are obligated to compensate for any resulting overconsumption during the subsequent months of the plan year.

Article 14: Final Regulations

1. This order will go into effect on 1 April 1982.

2. The order of 3 June 1980 on planning, balancing and delivery as well as accounting and control of liquid energy consumption--supply order for liquid energy sources--(GESETZBLATT I, No 19, p 180) will expire simultaneously.

Appendix to Above Order

List of vehicles, aggregates and special services, the need of which for liquid energy sources is to be planned for production purposes and other uses:

--Diesel locomotives
--ships of high seas and inland waterway transportation
--ships for high seas, coast and inland waterway fishing
--fixed installations
--mobile and portable aggregates
--agricultural machinery, tractors and trucks used in agriculture
--construction machinery including dump trucks as well as vehicles with concrete mixers and drums
--crane installations including autocranes and mobile cranes
--loading equipment for bulk goods
--fork lifts
--utility vehicles of the Dieselameise type, including the multicar type
--utility vehicles with special equipment[5]
--fire trucks and equipment
--ambulances
--vehicles for health care with special equipment and facilities
--specialized vehicles for community service (for instance, garbage and waste collection trucks, street-cleaning machinery, sewage trucks)
--maintenance trucks and repair vehicles with special equipment
--tow and salvage trucks
--construction gang trucks
--customer service vehicles and service vehicles with special equipment and facilities
--vehicles equipped with recording and reproduction technology (for instance, cars equipped with loudspeakers and filming equipment)
--hearses
--vehicles for the removal of animals
--vehicles with spraying attachments for artificial fertilizers
--vehicles and engines for trial and test runs as well as services for the plan of science and technology
--laboratory and measuring vehicles
--vehicles and tractors for transporting persons working in strip mines
--vehicles and tractors that are steadily or primarily used in underground mines and mine shafts
--vehicles and tractors that are steadily or primarily used on company grounds (for instance, in quarries, gravel and sand pits)
--vehicles that are used to supply workers.

FOOTNOTES

1. At present the order of 28 November 1979 on the order of planning the GDR economy between 1981 and 1985 (GESETZBLATT, Special edition, No 1020 a-r) as well as the order of 30 April 1981 on the amendment to the order of planning the GDR economy between 1981 and 1985 (GESETZBLATT I, No 14, p 140) are in effect.

2. At present the order of 30 March 1980 on the nomenclature for the planning balancing and accounting of material equipment and consumer goods for the preparation and implementation of the annual economic plans--balance schedule--(GESETZBLATT, Special edition, No 688/11) as well as modifications and amendments to the above are in effect.

3. At present the energy order of 30 October 1980 (GESETZBLATT I, No 33, p 321) as well as the third implementing regulation to the energy order of 10 September 1976(GESETZBLATT I, No 38, p 456) in the version of the order No 2 of 12 March 1979 (GESETZBLATT I, No 8, p 76) and order No 3 of 10 November 1980 on the change of the third implementing regulation to the energy order--energy consumption/energy equipment--(GESETZBLATT I, No 33, p 335) are in effect.

4. At present the order of 6 September 1978 on the use of refuel certificates for the purchase of gasoline and diesel fuel by social customers (GESETZBLATT I, No 31, p 347) and the order of 11 September 1978 on the conditions for the purchase of fuels and motor oils through the refuel certificate procedure of the VEB Combine Minol (GESETZBLATT I, No 31, p 348) are in effect.

5. Special equipment of this kind consists of structures that are permanently attached to vehicles, which eliminates their use as vehicles for the transportation of people and goods.

8991
CSO: 2300/360

## FOREIGN TRADE ENTERPRISES' 1981 RESULTS VIEWED

Budapest FIGYELO in Hungarian No 25, 23 Jun 82 p 9

[Article by Erzsebet Alpari: "A Profits of Foreign Trade Enterprises"]

[Text] Foreign trade profits in 1981 rose only moderately, by 3 percent compared to last year. At the same time, the profit structure points to positive changes in contractual relations. Last year--due also to the influence of price changes initiated during the year--the level of rates charged in the distribution of commodities became more moderate and, simultaneously, revenues from revenue-sharing with producing enterprises grew.

For the most part, the goals of the price and finance measures implemented in 1980 were realized: namely, that foreign trade enterprises' profits should be primarily dependent upon market prices, cooperation with domestic partner enterprises, and the effectiveness of this cooperation; and only secondarily upon the volume of commodity trade.

Preceding the 1980 price and finance measures, foreign trade enterprises paid a substantial amount of turnover tax into the State's budget. This tax on trade primarily encouraged the growth of trade and profit volume, while repressing effectiveness at times, often serving as cause for arguments between foreign trade and producing companies and hindering the spread of cooperation formats based on joint risk-taking. During the 1980 price adjustments, the export-import commissions, overhead, and price markups have dropped markedly [approximately by 60 percent] while the turnover tax was simultaneously terminated for prime export contractor enterprises.

During the initial year of the price adjustments, uncertainties regarding commissions, but mostly the utilization of overhead, showed at several companies and, finally, the level of commissions dropped less than had been estimated. In 1981, there was a further reduction in commissions. Last year, the majority of foreign trade enterprises realized commission revenues and profits in accordance with price regulations. There were a few companies which embarked on price and revenue policies divergent from financial regulations. These policies compensated for the decline of prescribed commissions and overhead with the increase of other commission-type revenues, for example, brokerage fees.

## Increasing Dispersion

Cooperation between producer and foreign trade enterprises based on a joint consideration of world market prices, even in domestic price negotiations, serving the national economy, and concurrently, the number and ratio of consignment and partnership contracts utilizing hard currency calculations and aimed at hard currency profits are all characterized by an upward trend.

Thirty-eight percent [1980] and 49 percent [1981] of the rubel-calculated export, and 66 percent [in the years 1980 and 1981] of the non-rubel-calculated export was cleared through profit-sharing consignment or partnership contracts. concerning imports, the share of these contracts in the transactions was smaller. Nine percent [1980], 10 percent [1981] of the rubel-calculated import, and 33 percent [1980], 32 percent (1981] of the non-rubel-calculated import was transacted through profit-sharing consignment contract or through business partnerships. Profits from importation, the foreign trade companies' drawings from profit-sharing have an upward trend. In 1981, profits from imports lagged behind similar type export profits by only 14 percent as opposed to 44 percent in 1979.

The equalization of profits gained from export and import and the equalization of profits through profit sharing points to the fact that the price- and market-information of the producer (user) enterprises, as well as their interests, are primarily tied to exportation, while importation is forced into the background. The competitive price principle, enterprise interests regarding the development of export's economic efficiency vigorously encourage enterprises producing for export to follow the price trends of foreign markets. This is not as characteristic of import, thus foreign trade enterprises can increase their share of gain, the amount of enterprise profits from the reduction of import prices.

Next to the producer enterprises' growth of interest in export, a growth of the foreign trade enterprises' direct, so-called "own account" export can be detected: in 1981, the rubel-calculated export increased by 6 percent while the non-rubel-calculated export grew by 22 percent.

The incentives of foreign trade enterprises developed satisfactorily. Out of the 2.5 billion forints increase of enterprise funds, 1.7 billion forints were allocated to development funds. On the basis of the 1980-1981 annual average, [foreign trade] enterprises developed proportionally with producing enterprises. The dispersion of enterprise profits increased in accordance with explanations.

## The Example of Interinvest

Joint development efforts represent an important aspect of the cooperation between foreign trade and producing enterprises. This is aided by Interinvest, formed in 1980, a developmental association of the foreign trade enterprises.

Foreign trade enterprises are entitled to a 5 percent break in profit taxes [the latter are higher than the general profit taxes paid by producing enterprises], if they buy shares, invest capital from their development fund in Interinvest. The developmental association aids the growth of export capacity and import substitution through the placement and investment of [the subscribed] development capital. The experiences are favorable concerning the activities of this association: the temporary placement of development funds is being replaced more and more by participation in the development efforts of producing enterprises and by joint capital ventures with the same. Primarily producing enterprises in agriculture and food processing and those connected with prime export contractors display a need for cooperation with Interinvest, while enterprises in certain technical fields such as the engineering industry, show only a moderate interest in the association.

The formation of a well-balanced cooperation between foreign trade and producing enterprises taking the interests of each other into consideration is not only a financial matter. Several foreign trade enterprises are intensely involved in the examination and modernization of the marketing system--commissioned and permanent enterprise representatives, agents, mixed enterprises. These measures bear importance from the standpoint of cost reduction as well as that of improving the efficiency of foreign trade.

12191
COS: 2500/297

COMPLEX PROBLEMS OF ECONOMY REVIEWED

Warsaw ZYCIE GOSPODARCZE in Polish No 27, 25 Jul 82 p 8

[Article by Ch.M.: "Complex Trends"]

[Text] Economic trends in June of this year [1982] did not differ very much from those occurring in May of this year. The level of industrial production was similar except that again the occurrence of a somewhat greater drop in production took place by comparison with the same period last year. The sold production [produkcja sprzedana] of socialized industry was 4 percent lower in June of this year than that of a year ago; in May of this year, it was 6.3 percent lower; in March 6.4 percent lower; in February of this year--10.7 percent lower and in January of this year, it was 13.8 percent lower than 1 year ago. After a period of a particularly serious drop in this production in January and February, it was possible to observe a certain waning of some negative trends in the period from March to May of this year.

Increased participation of the extraction industry in this production as well as a drop in the production of the processing industry were among the more important features of the structure of socialized industry in the past half-year. If by comparison with the first half of last year, the sold production of the socialized industry was 7.8 percent lower, then this was the result of an 8.9 percent decline in the production of the processing industry and a 9.5 increase in the production of the extraction industry.

Also, a 4.0 percent decrease in the socialized industry's production in June of this year as compared to June of last year resulted from, above all, a 4.8 percent drop in the production of the processing industry and an 8.3 percent increase in the extraction industry's production. Analogous indexes in May of this year amounted to 2.7 percent, 4.8 percent and 14.3 percent.

A drop in production in June and in the first half of 1982 occurred in most of the subsectors of the processing industry: in the iron and steel subsector, production fell 12.1 percent in June of this year and 14.2 percent in the first half of the year; in the metallurgical subsector, production fell 8.1 percent in the first instance and 13.6 in the second; in the transportaion means subsector, it fell 5.1 percent and 10.8 percent; in electrotechnology and electronics--2.2 percent and 10.0 percent; in the chemical subsector--4.0 percent and 11.6 percent; in the wood subsector--3.0 percent and 9.6 percent;

in the sector of building materials--8.5 percent and 9.0 percent; in the textile subsector--16.1 percent and 15.2 percent; leather--6.0 percent and 6.9 percent; in the food subsector--4.0 percent and 3.8 percent and in the fodder and waste recovery subsector of the processing industry, production fell 49.8 percent and 40.3 percent.

The determining growth factor in the extraction industry was the mining of hard coal which in June as well as in the first half of this year was 15 percent higher in comparison with an analogous period last year. Besides the coal industry, a rather substantial production increase was attained in the power industy (in June--an increase of 1.5 percent and for the first half of the year year--an increase of 3.9 percent); in whiteware (an increase of 2.9 percent in June of this year and 2.7 percent increase for the first half of the year); in the garment industry (an increase of 4.3 percent and a 1.1 percent increase respectively) as well as in small industry (a 3.2 percent increase and an increase of 1.1 percent).

In June of this year as compared to May of this year, the sold production of socialized industry was 0.4 percent lower during the actual period and 0.2 percent higher during the comparable period.

It is also worth noting that the 0.4 percent decrease in industrial production in June of this year as compared to May also resulted from, among other things, the decrease of approximately 3 percent in the extraction industry's production.

Problems similar to those occurring in industry also took place in the remaining sectors of materials production with the exception of agriculture.

In building-assembly enterprises, the decline of basic production in the first half of this year as compared to the first half of last year amounted to 16.9 percent including an 11 percent drop in June of this year as compared to June of last year.

This was the result of, among other things, the further limiting of investments. It is estimated that during the period January-May, investment outlays generally decreased by 29.7 percent in comparison with the same period last year in-including a 23.3 percent decrease of outlays in building-assembly work. During this time, investment building tasks were turned over for use with a total cost-estimate value of 32.3 billion zlotys which constituted 52.6 percent of the tasks projected for completion during this period. At the same time, the implementation of new tasks with a cost-estimate value of 35.5 billion zlotys was begun.

Housing construction also declined. In June of this year, 14.2 thousand housing units were turned over for occupancy in the sector of socialized housing, i.e., 19.8 percent less by comparison with June of last year. In the first half of this year, 48.1 thousand housing units (164.6 thousand rooms) with a usable floor space of 2.5 million square meters were turned over for use. As compared to the first half of last year, 23.0 thousand (32.4 percent) less housing units were turned over for occupancy; 81.1 thousand (33 percent) less rooms and 1.2 million square meters (32.4 percent) less of usable floor space.

Employment in the four basic sectors of the socialized economy (industry, construction, transportation, communication and commerce) amounted to 7.7 million persons in June of this year and in comparison with June of last year, it was lower by 0.41 million persons, i.e., by 5.1 percent. In socialized industry, employment decreased by 0.27 million persosn, i.e., by 5.8 percent; in the building-construction sector, employment fell by 0.09 million persons, i.e., by 7.4 percent; in transportation, there were 0.04 million or 2.4 percent less persons employed and in commerce, employment fell by 0.02 million persons or 2.4 percent. It is estimated that in the entire socialized economy, average employment in the first half of the current year amounted to 11.6 persons and this was lower than a year ago by 0.44 million persons, i.e., by 3.6 percent.

Work establishments are at the same time reporting a large number of vacant positions in need of being filled which indirectly points to substantial irregularities in economic mechanisms. In June of this year, a further significant increase was noted on the job market in the number of openings for new workers. There were 0.28 million job openings at the end of June (in June of last year, there were 0.17 million job openings while in May of this year, therewere 0.25 million openings). On the other hand, the number of people seeking jobs through employment agencies amounted to 20,000 persons at the end of June of this year.

Weather conditions were less favorable for agriculture in June than in May of this year. There is still not enough adequate basis for the making of this year's harvest forecasts.

The procurement of butcher livestock in post-slaughter [poubojowej] weight as converted to meat amounted to 165.1 thousand tons and was 1.3 percent higher in comparision with May of this year and 4.4 percent higher than in June of last year. During the entire first half-year period, this procurement amounted to slightly more than 1 million tons with 0.3 million tons of this amount from state-controlled agriculture and 0.7 million tons from non-socialized agriculture.

By comparison with the first half of last year, the procurement of slaughter livestock from agriculture as a whole and as converted to meat was 7.8 percent lower including approximately 30 percent lower from state-controlled agriculture while it was approximately 5.8 percent higher from non-socialized agriculture. The decline in the procurement of butcher livestock from agriculture as a whole in the first half of this year is mainly the result of a serious drop in the procurement of slaughter poultry which in the first half of this year came to 103.1 thousand tons as compared to 253.7 thousand tons in the first half of last year, thus, indicating a decrease of about 60 percent.

The procurement of milk in June of this year amounted to 1.1 billion liters and was 27.3 percent higher as compared to May of this year and 1.4 percent higher than in June of last year. The procurement of milk during the first half of the year [1982] amounted to 4.2 billion liters and as compared to the first half of last year, it was 0.8 percent higher. The procurement of eggs in June of this year amounted to 251.2 million units and was 29.4 percent

lower in comparison with May of this year and 23.3 percent lower than in June of last year. The procurement of eggs in the first half of this year amounted to 1.95 billion units and was 7.7 percent lower by comparison with the first half of last year.

The total procurement of grain from the 1981 harvest from the beginning of the campaign until the end of June of this year came to more than 2.3 million tons and was approximately 14 percent lower than the procurement carried out from the 1980 harvest. The sale of concentrated fodder amounted to 2.7 million tons and was 32.1 percent lower by comparison with the same time last year. The sale of chemical fertilizers (pure in composition) [w czystym skladniku] without the PGRs [state farms] from July 1981 to June 1982 amounted to 2.37 million tons and was 0.6 million tons (23 percent) lower in comparison with the same period of the previous year. There was no improvement in the supply of replacement parts for agriculture.

The situation with animal husbandry is cause for concern. Signals which indicate trends of decreasing herds have been mounting from March of this year. Also in June of this year, the following were noted in the group of factors which determine growth of farm animal raising:

--the further growth of free-market prices for grain and potatoes,

--a progressive drop of free-market prices for farm animals by comparison with prices in May of this year,

--a pronounced worsening of the falling trend in the breeding of gilts at breeding points,

--an increasing supply of gilts at procurement points.

A certain decline in animal breeding was, of course, already expected for a long time in view of the drop in grain imports and that of milling products. During the first half of this year, this import amounted to 2.36 million tons and was 2.20 million tons or 48 percent lower by comparison with the import effected in the first half of last year; the import of concentrated fodder also decreased by 235 thousand tons. The results obtained from farm animal count taken in June of this year will enable a closer evaluation of the situation regarding animal breeding. After summing up the results of this count, we will make an effort to return to these problems again shortly.

We will also not describe here more extensively the occurring changes in the money-market situation. We wrote about this situation recently in the article entitled, "Market for Nudists" (ZYCIE GOSPODARCZE, No 25, 1982) and the results from June confirmed rather clearly that among factors which mold this situation, therefore, prices and living costs, the public's financial income and the physical dimensions of sales--this last factor has the most limiting effect.

In June of this year, the public's financial expenses reached a level of 202.4 billion zlotys and increased 73.8 percent in comparison with June of last year. For the first half-year, analagous data amounted to 1,096.8 billion zlotys and 66.6 percent.

The main factor which limited expenses were physically reduced sales dimensions. After an estimate elimination of the effect of increased prices, retail sales in June of this year were approximately 26 percent lower than in June of last year.

In comparison with the state of things at the end of June of last year, the value of supplies of nonfood goods following an estimate elimination of the effects of price changes was 50 percent lower than a year ago.

In the first half of this year, the smallest increase of funds occurred in May at a level of 6.5 billion zlotys of which 2 billion zlotys were made up of cash funds. In June of this year, the increase in the populations' funds amounted to 21.2 billion zlotys of which 12.4 billion zlotys was in cash funds. As a result, the total amount of the population's funds at the end of the first half of this year came to 1,248 billion zlotys including 474 billion zlotys in cash funds.

The export of goods according to current prices to countries of the first payments area [socialist countries] increased 11.5 percent during the first half of the year as compared to the same period last year while imports from these countries increased 0.8 percent with a drop (23.5 percent) in the import of products from the electromachinery industry. The import of fuel and energy from countries of the first payments area according to current prices rose 21.5 percent.

Export to countries of the second payments are [capitalist countries] according to current prices fill 7.5 percent while import from these countries fell 40.1 percent.

The results obtained in June reveal that the process of breaking falling trends in production is very complex because next to the elimination or lessening of negative factors, there appear new threats and difficulties. This reconfirms the necessity for carrying out very active and flexible economic policies and particularly the efficient use of economic and financial tools contained in the economic reform which is being introduced.

9853
CSO: 2600/816

## KIRO GLIGOROV DISCUSSES ECONOMIC POLICY

Zagreb DANAS in Serbo-Croatian 22 Jun 82 pp 9-13

[Interview of Kiro Gligorov, member of the LCY Central Committee and of the Council of the Federation, by DANAS correspondent Jelena Lovric: "Kiro Gligorov Talks of Crisis Features, Economic Principles and Yugoslavia's Chances to Overcome Its Problems"; date and place not given]

[Text] It seems that Kiro Gligorov has always been in the places where something important is happening. At the joint sesssion of all economic committees of the Federal Assembly in 1965, the then Federal Finance Secretary Gligorov explained the program of changes that were about to occur in the economy, which later became known as the Yugoslav economic reform. Toward the end of 1976 Gligorov, then president of Yugoslav Assembly, presented the introductory address at the time of the adoption of the Law on Associated Labor. In the past 18 months in the commission for stabilization of the federal councils, know to the public as of "Kraigher commission," Kiro Gligorov, now as a member of the LCY Central Committee and a member of the Council of the Federation, has been directing one of the three groups whose work recently resulted in the publication of "Points of Departure for a Long-Term Economic Stabilization Program." Judging from all we know about them, these proposals do not fall among those stabilization programs, two or three of which we have seen in the past 10 years, whose goal is "only to patch things up a bit, to put the water that has leaked out back into the trough." These days the commission is sending the public, one after another, an anti-inflation program and a document concerned with Yugoslav relations with foreign countries, employment and the housing and communal economy, so that by the time of the LCY Congress and right after it at least some "neuralgic points" will have been treated. This great task of making projections for our future has brought together in the commission a wide circle of collaborators. For example, the sociologists had not gotten together for fully 10 years, but now it is already apparent that his spark ignited inspiration in their work.

The first question is reserved for seeking the roots of our current woes: When and how did we go wrong? Gligorov is among those sociopolitical workers who see the causes of the present economic difficulties not only in the economy. Recently, he has spoken several times about causes in the ideology, which for the League of Communists are no less important than those that

should be sought in operating mechanisms and economic policy.

[Gligorov] The causes for our present situation, which has the features of a crisis, must be sought broader and deeper in the existing practice of the systems, both the sociopolitical and the economic systems, and also in economic policy that in the past period has in good measure been based on willfulness. By itself that does not say anything at time, but in its essence that economic willfulness is tied to a type of bureaucratic idealism which believes that it is in a situation where all social factors, or at least the most significant riches of this land, are in public hands. In such a situation all things are possible, and those that really are not possible can function outside of actual circumstances. It is possible without economic consequences to plan and establish goals that have no direct connections with either the existing situation or with material realities.

In such circumstances, on the one side, the system and its prospects are idealized, and spoken of in superlatives, while, on the other side, everything that is happening around us in underestimated. We are neither an island nor an oasis, and that affects the manifestations that we most frequently cite as the causes of our present difficulties, such as autarchy. It is as if all that happens outside, beyond our borders, can storm down upon us, but we do not have to consider it, for we are a self-management socialist society of a special quality. Precisely because of such delusions, the advantages of a socialist society are not utilized, those internal strengths and dynamics about which there is no doubt are not used.

[Question] How do you explain that lack of interest for the real trends of life?

[Answer] It is one of the features of those statist-technocratic mentalities that do not expect much from an analysis of life, from study of the true causes of certain manifestations. Such people usually think that in isolation, using their own minds alone, their own vision of the world and its problems, they can build edificies that by their goals can be very noble, there is no contradiction between these notions, but their results are another matter. Even the road to hell is paved with good intentions. If we do not know what is happening in the basic trends of economy and society, decisions and resolutions can easily be made on a idealized conception of society, and, if so, then it is little wonder that they are in error.

[Question] Has a consciousness of the true present state of affairs finally reached those who have the most influence on decisions in this society?

[Answer] We have long coddled ourselves with the conviction that the dynamic development of the economy and the rather forced and partially unrealistic increase in the living standard and the quality of life result from our actual efforts and capabilities, our productivity. This was not correct. Our development has been dynamic, but we have paid dearly for that. It came at the very high price of enormous indebtedness, which only now has become generally known, and at the price of reducing the quality of economic operations, very poor utilization of public capital and wealth. I am not thinking here only of factories and machinery, but of everything that constitutes public wealth.

The blow of the oil crisis could have been more for us than just a serious signal for caution; it should have sobered us up completely. However, in that self-satisfaction with our progress, we did not monitor international economic events in the right way, we did not draw the proper conclusions soon enough, so that we lost valuable time. If I may digress for a moment, it is interesting that we were the ones who, when the oil crisis struck, undertook action among the nonaligned to warn that the situation would affect more than just petroleum, it would have very serious consequences. We advocated reliance on our own strengths, general social mobilization and cooperation among the nonaligned countries. Yet in our own economy, at home, we did not think that way. On the contrary, it was typical that at just that time we were conducting public debate with pronounced criticism of those who underestimated our results, who spoke of economic difficulties and predicated a deep crisis, while supposedly we were enjoying great developmental dynamics even though there was a crisis in the West and development was slowing in the East. Every year we employed more than 200,000 new workers. After that position evolved somewhat to the oversimplified political conclusion that (once again) the political situation was very good, but that things were not the best in the economy. We saw what happened in Kosovo, and later concluded that we have serious problems in the political sphere as well. Naturally, it is extremely subjective, not to say unmaterialistic, to consider that the political situation is excellent when the economic one is bad. That can happen for a short time, or in exceptional situations such as, for example, wartime or certain extraordinary circumstances, but that has its limits, both in time and in other ways. Since we were late in perceiving, and even later in admitting, the situation we were in, now it is harder for us than objectively it should have been. The solution now requires more time, effort and other sacrifices than should have been necessary.

At the beginning you asked about the ideological causes of our problems. I think that we should in fact begin with them. Although that already sounds like mere phrases, because it is being repeated everywhere, still it is basic that we have established economic principles that every society should respect, for they provide a framework in which one can see what is really happening in and what can be done in a society. That is not a mathematical formula and it does not answer all the questions, but it does provide a point of departure from where, evaluating all of society's other prospects, both intellectual and material, one can build true projections of development and conduct practical politics. In recent years we have forgotten what we wrote down in the Party Program: economic principles are not a hindrance to the development of self-management, but are essential conditions and unavoidable prerequisites for its successful development.

[Question] Why did we later forget what we already knew then?

[Answer] I think that is connected with the fact that economic principles hinder and restrict those who wish to control the income and labor productivity of others in grand dimensions. Economic principles have a fundamental impact on the course of a democratic society, for they do not permit usurpation of income and added value, nor permit manipulation or transfer of resources. Only if certain economic principles, including market laws, are negated, can

power be usurped and the regulation of all sorts of relationships, beginning with economic ones, begin. Later other relationships are also regulated. In this there is a parallelism between economic willfulness and simultaneous strengthening of technical bureaucratic and technical managerial trends in society. I can freely say that that is an ideological trend which has significant consequences. Without that it is hard to understand how, without sufficient economic analysis, we were able to enter into major projects that failed (and we have them in all republics), and why those decisions were then woven into the fabric of national programs.

Even though we have taken very significant steps toward revaluation in the last year or so, regarding certain suppositions of the LCY, which three decades ago opened the way to self-management and later brought construction of the total concept of self-management socialist development, we are still faced with a serious ideological struggle if we are to succeed in our stabilization program. We should not delude ourselves: in the past decade (and the roots go back even farther), there has been a broad indoctrination of personnel who replaced economic criteria with some other criteria that have no direct connection with the economy, but which are related to power and decisionmaking. Until that ideological struggle is won, it is difficult to expect that any sort of stabilization program will be implemented.

[Question] Are there some problems among the workers as well?

[Answer] Of course.

[Question] Such as apathy and indifference?

[Answer] People behave according to the conditions in which they find themselves. That also holds for the criticism that is often expressed about basic organizations of associated labor that operate poorly and do not increase their productivity. They are constantly studying what should be done . That is not an education process, it is a question of the production value, and it has its own principles. Under other circumstances, these basic economic subjects would be attacked severely for their productivity with no retreat. From extremely simple moaning, as a working class it does not perceive what we are all fighting for. It is deafened by our just demands for better work, and the accusations that the producers and workers are to blame for the present weighty situation are not far behind. That is also one of the ideological burdens. And from our economic history in the past 30 years or so it is clearly apparent that the advance and growth of production, just as stagnation and production declines, depend on a combination of overall social and economic measures and circumstances in a given time period.

[Question] It is said that there is little that is new in the Starting Bases of the Stabilization Program, that they are a reaffirmation of some of our basic determinations.

[Answer] That is basically true...

[Question] Yes, basically. You recently said that that document confirms some old determinations that in several situations had been placed in doubt, or that

they constitute a trend "toward the well-known goal, after several years of stagnation." Thus we have had those basic positions previously, but they were not implemented. Under the current distribution of strengths, how now can we assure an essentially different way of behaving, for it is certain that the bureaucratic-technocratic structures, those that have come to control power, will not just let that power go?

[Answer] The Starting Bases say in that regard that people must be in a situation where they can behave differently, they must be forced to do so economically. That coercion does not have the character of political coercion and force, for it is created out of economic necessity. In it, conditions for economic operations are established that objectively demand proper performance from everyone, whether or not it pleases someone or not, whether or not someone wants to do something or not. That is the economic coercion that we had already forgotten. That cannot be attained by appeal or by some general concensus of everyone and all, by negotiations and agreement processes that otherwise are among the irreplaceable institutions of our system. Yet as soon as in actual practice we reached the point where negotiations and agreements exceeded economic necessity, they became worthless paper. The degree to which we are conscious of the fact that negotiations and agreements can be accomplished only on the bases of economic realities, will be the degree to which we have greater freedom and democracy in making decisions. Otherwise we will have some sort of generalized possiblity and an absolute freedom to make agreements about anything and everything, but those agreements will not work.

[Question] The Long-Term Program for Economic Stabilization that you are working on will have great economic and social consequences. What will these two types of consequences be like?

[Answer] When so many various circumstances that could be called irregular have accumulated, then the escape from such a situation cannot be either easy, or simple, or relatively quick. Everything cannot stay in its place, including economic, social and political factors. Nothing can happen without someone getting hurt. We must all change our behavior, but we must also be concerned that the therapy that we select is bearable. Thus we should initiate interests and motivations so that in the stabilization program, everyone can see his own best interests, and that of his family, his organization, his future prospects. Then in the name of those values he can be asked to make certain sacrifices and changes. Thus it is good that this contrasts to certain attempts that were made after 1965 when we wanted to solve complex questions that require economic, social, political and other considerations, by using various packages of incomplete measures. Now the stabilization program is being created in a continuity: as understanding matures, we test and confirm the basic concept of the Starting Bases. Everything that is already known to the public cannot be perceived only as material for debate. Even though such overall undertakings require at least 6 months for organizational and other preparations, now we are not in a position to devote that much time to it. Thus this period, while we are building the concept, should be used for ideological purification, but also for practical enterprise. We should not await the time when measures

approved by the Yugoslav Assembly and the Federal Executive Council will start functioning, and only then begin recalculation and restructuring. Independent of the fact that we still do not have a complete stabilization program, I think the changes can begin to take place, and I think it is clear today to every person that the present situation must be changed. Perhaps the greatest contribution to that maturing of consciousness about our situation came from our foreign debt, for it was seen that there are some firm, objective factors that cannot be affected by willful measures. When one's back is against the wall, he looks differently at everything that happened previously.

[Question] In the employment program it is asserted that, next to foreign debt, our greatest problem is unemployment.

[Answer] Seen objectively, that is perhaps a heavier problem than liquidity difficulties.

In a few years of effective measures, we can bring our debts into reasonable limits, but dealing with unemployment will take much longer. The weight of this problem grows, however, when we know that it is not only economic, since most of the unemployed are young people. That affects the mood of the generation that is being prepared to assure responsibility in this country. I think that we have clearly pointed to the difficulties, but not to the realistic prospects: We must do our maximum, but solutions take time, and unemployment will be with us right to the end of the century, although naturally with lessening intensity. Perhaps with certain favorable circumstances, the situation can be changed fundamentally in a decade.

The unemployed, however, currently form only a part of the problem. We have a rather significant technological surplus of workers, whose size is variously assessed but which is certainly not below 10 to 15 percent.

[Question] There is an estimate that every third worker is surplus.

[Answer] It is hard to find a job, and by that very fact a job becomes a privilege. This is not only the basis of existence, but here in Yugoslavia all resources are socially owned, and those who are unemployed are objectively excluded from managing those resources. Thus in a self-management socialist society, a certain number of people are separated from the possibility of self-management, and for them that is a social injustice and the source of social differences. Yet the unemployment problem is so essential for the whole of the stabilization program and its successful implementation.

[Question] A respected sociologist says that unemployment compromises the self-management socialist society.

[Answer] There is some truth in that, but full employment, as we know from the example of some other countries, when it is based on extensive economic operations, has its price. That does not mean that we would not have that problem in a much milder form if we had developed differently and if we had a different attitude toward so-called small business, which we have restricted

and which we have feared, as if socialism would be destroyed if there were more tradesmen and services. I think that just the opposite would occur: If there were many more of them, among them there would be such competition and a struggle for income and survival that the state would have to give special help to such small organizations, because they are essential for satisfying certain human needs, which no large industrial undertakings can provide.

[Question] There is a prevailing opinion that we dropped the 1965 economic reform because of the high number of unemployed and the great social differentiation that was occurring. Now, as we enter this reform called a stabilization program, both those negative factors are already present at the start. There is a very acute form of unemployment, and probably our social differences have never been greater.

[Answer] I think that we still have not made a proper in-depth, scientifically based analysis about the reasons for dropping that economic reform....

[Question] You should know more about that than others.

[Answer] I have a definite opinion about that, but naturally, as a participant in that action I can be subjective. We did not give up the economic reform because it increased the number of unemployed. The departure for abroad began before that, and people did not go at first because they did not have jobs, but primarily because they could solve the problems of daily existence incomparably quicker abroad. Naturally, later they went abroad because the dynamics of economic development had slowed, but even then there was no doubt in the working class, it knew very well that we had no other course.

[Question] Does that mean that someone else dropped the economic reform?

[Answer] Truly, the problem emerged because of somewhat increased social differences. No matter how necessary they were (naturally I am not thinking about excesses), they were a part of a program that was striving to see that those who achieved better results received better rewards. Yet they still provoked certain sensitivities: we had just emerged from a period of great leveling, and at that time a wave of that type was engulfing all of Europe, particularly the young people. Another point is that at that time we were still a society which had not endured a single major jolt (if we exclude 1948, which really brought us together). The removal of that halo of absolute stability of the socialist society, accompanied by the intensification of contradictions and social shocks, was not easy to accept for many people. Later it turned out that the student events of those days were a tempest in a teapot. Uncertainties ensued, followed by demands for retreats, and then the reform was gradually forgotten. All of that proves that we still did not have complete conviction that that was our solution. That was a shame, for at that time we had already begun to emerge from economic difficulties: production, income, and agriculture were stabilized, and inflation was markedly reduced, so that by current measures it was negligible. New jobs were beginning to appear.

[Question] How can we be sure that we do not repeat that mistake? How can we assure ourselves that we will not leave a job incomplete as soon as things turn somewhat the better for us?

[Answer] In a certain way, things are worse for us now than then: there are international circumstances, a world crisis, our indebtedness because of which we cannot count on additional foreign resources as we could once--all of that does not help. Yet we also have some advantages: today the economy is incomparably stronger and more powerful than in 1965, and the training of the labor force is much better. The essential prerequisites have been put into a system that enables us to deal with resolving economic and social problems. This time has its risks, but basically the leading forces of society are fully involved in implementing the stabilization program. The path is not strewn with flowers, we will encounter many uncertainties, many of which cannot be foreseen today, but for that reason we should constantly monitor everything that is happening, become involved more quickly and not surrender our determined objectives at the first difficulties. The 12th LCY Congress can do much to create the kind of atmosphere that is urgently needed, but that great task will be ours for the next 4 years. Therefore, I think since they are of no use to us, we should avoid all sorts of deviations and inventions of problems, such as historical ones, that currently are preoccupying people.

[Question] Aren't such distractions perhaps made on purpose?

[Answer] I don't know if that is the case, or to what degree that tactic is found, but various recollections distract attention from the society's actual problems. By this, I am not at all underestimating the meaning of history, but these times today call for different approaches and other main themes, and we will leave it to scholarship to clear up things. As soon as those questions, which are not at the heart of matters, are put in the first place and politicized, it means that something is happening in society which is the fruit of either an insufficient ideological orientation or, I don't know what all can be found there, but I know it isn't good.

Another thing is that we cannot be concerned for too long with just our current economic difficulties; rather, we must resolve them in a relatively short time, let's say in 3 years, give or take a year, that isn't crucial. It is important that things begin to change. Our perceptions of the future dare not stop at the stabilization policy, for we do not want it to happen that, while for those few years we are occupied with solving the accumulated problems, we should drop even farther behind the world, for in today's world, particularly in the realm of technology, changes are occurring that are hard to comprehend, and which will have consequences that are as yet unseen.

12131
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GOODS TURNOVER IN MARITIME PORTS, 1972-1982

Belgrade TRANSPORT in Serbo-Croatian No 5, May 82 pp 19-20

[Article by Atanasije Spasic: "Cargo Traffic in Yugoslav Seaports in 1981"]

[Text] 1. Total Cargo Traffic

Total cargo traffic in 1981 in all of Yugoslavia's seaports amounted to 33.9 million tons, which is at the level achieved in the previous year, when a high jump in traffic of 9 percent was accomplished. This stagnation of port traffic in 1981 is a normal consequence of the restrictive measures on imports (decline in imports of petroleum through seaports) and also of the dropping off of exports.

The trend of total port traffic has been as follows over the last 10 years:

| | | | |
|---|---|---|---|
| 1972 | 19.5 million tons | 1977 | 26.1 million tons |
| 1973 | 20.9 million tons | 1978 | 27.1 million tons |
| 1974 | 23.8 million tons | 1979 | 30.1 million tons |
| 1975 | 22.4 million tons | 1980 | 33.8 million tons |
| 1976 | 25.1 million tons | 1981 | 33.9 million tons |

One notes in the series presented that the growth rate of annual traffic was relatively slow up until 1978, when that rate speeded up, and especially in 1980, after the oil pipeline at Omisalj was put on stream. However, in 1981 a symptom of renewed stagnation of total seaport traffic is already appearing.

2. Distribution of Total Port Traffic Among the Principal Types of Cargo

In all of Yugoslavia's ports the following distribution of cargo among the principal types was achieved in 1980 and 1981 (in thousands of tons):

| Type | 1980 | 1981 |
|---|---|---|
| Total traffic | 33,943 | 33,899 |
| Coasting | 5,541 | 5,364 |
| Export | 3,500 | 3,383 |
| Import | 18,885 | 19,264 |
| Transit | 6,017 | 5,888 |

When expressed in percentages of total port traffic, this distribution has remained unchanged from the previous year, as can be seen from the table below (in percentages):

| Type | 1980 | 1981 |
|---|---|---|
| Total traffic | 100 | 100 |
| Coasting | 16 | 16 |
| Export | 10 | 10 |
| Import | 56 | 56 |
| Transit | 18 | 18 |

The figures show that the imports of goods through our seaports continue to dominate other types of cargo traffic and confirm once again that Yugoslav seaports are primarily import ports.

3. Total Cargo Traffic in the Main Ports

According to the methodology of the Federal Bureau of Statistics used as the basis for working up the figures used in this section of the analysis, the following are still regarded as the main Yugoslav seaports: Koper, Rijeka, Sibenik, Split, Kardeljevo, Dubrovnik and Bar. The port of Zadar, which for 3 years now has exceeded the port of Dubrovnik in its volume of traffic, has still not been included in the group of main seaports, so that unfortunately once again this year we cannot include it in this survey.

Actual cargo traffic in the main seaports was as follows in 1980 and 1981 (in thousands of tons):

| Main Ports | Cargo Traffic 1980 | Cargo Traffic 1981 | Index 1981/1980 |
|---|---|---|---|
| Koper | 2,536 | 2,350 | 93 |
| Rijeka | 15,197 | 14,934 | 98 |
| Sibenik | 965 | 951 | 99 |
| Split | 2,269 | 2,530 | 112 |
| Kardeljevo | 3,514 | 3,330 | 95 |
| Dubrovnik | 329 | 225 | 68 |
| Bar | 1,514 | 1,616 | 107 |

As is evident from the figures, for most of the main ports, Dubrovnik especially, there was a drop of traffic in 1981 as compared to the previous year. Only Split and Bar achieved a growth of traffic, but this was a relatively large growth.

Over the last 10 years total cargo traffic in Yugoslavia's main seaports has been as follows (in thousands of tons):

| Year | Koper | Rijeka | Sibenik | Split | Kardeljevo | Dubrovnik | Bar |
|---|---|---|---|---|---|---|---|
| 1972 | 1,944 | 9,941 | 700 | 1,632 | 2,025 | 332 | 837 |
| 1973 | 1,861 | 10,483 | 935 | 2,040 | 2,452 | 246 | 902 |
| 1974 | 1,981 | 12,663 | 931 | 2,516 | 2,476 | 314 | 921 |
| 1975 | 1,867 | 12,029 | 899 | 2,181 | 2,210 | 216 | 950 |
| 1976 | 2,102 | 13,997 | 815 | 2,335 | 2,926 | 250 | 1,068 |
| 1977 | 1,903 | 14,135 | 824 | 2,464 | 2,971 | 276 | 1,145 |
| 1978 | 2,115 | 14,733 | 845 | 2,624 | 3,247 | 244 | 1,280 |
| 1979 | 2,367 | 16,419 | 791 | 3,087 | 3,760 | 382 | 1,634 |
| 1980 | 2,536 | 15,197 | 965 | 2,269 | 3,514 | 329 | 1,514 |
| 1981 | 2,350 | 14,934 | 951 | 2,530 | 3,330 | 225 | 1,616 |

It would be superfluous to comment on this 10-year comparative survey, since it would only repeat the evaluations and observations contained in the annual analyses worked out by the Grouping of Seaports for 1979 and 1980.

4. Container Traffic in Yugoslav Seaports

Container traffic in Yugoslav seaports, which began to develop with a rather long lag behind the advanced European and world seaports because of the technical backwardness of our ports, has been developing at a very rapid pace in recent years. Four of our seaports already have technological conditions for receiving and shipping containers: Koper, Rijeka, Bar and Kardeljevo.

The most advanced port for container traffic is Koper, though the ports of Rijeka and Bar already have their own modern container terminals.

The volume of cargo traffic in containers in our seaports has been as follows over the last 4 years:

| Year | Indicator | Grouping as a Whole | Koper | Rijeka | Kardeljevo | Bar |
|---|---|---|---|---|---|---|
| 1978 | Number of containers converted to 20-foot containers | 30,832 | 19,574 | 10,895 | 79 | 194 |
| | Volume of cargo in tons | 226,834 | 142,119 | 81,905 | 410 | 2,400 |
| 1979 | Number of containers converted to 20-foot containers | 45,453 | 31,023 | 13,975 | 143 | 313 |
| | Volume of cargo in tons | 364,343 | 239,948 | 119,995 | 2,100 | 2,300 |
| 1980 | Number of containers converted to 20-foot containers | 55,921 | 37,831 | 17,177 | 350 | 563 |
| | Volume of cargo in tons | 491,286 | 320,990 | 164,305 | 2,391 | 3,600 |
| 1981 | Number of containers converted to 20-foot containers | 74,605 | 49,023 | 19,738 | 1,020 | 4,824 |
| | Volume of cargo in tons | 588,810 | 403,223 | 156,670 | 5,717 | 23,200 |

It can be seen from the comparative survey above that container traffic in Yugoslav seaports has increased 2.5-fold over the last 4 years and that in 1981 nearly 600,000 tons of general cargo carried through our seaports was containerized. Moreover, it is evident from the survey that more than half of the container traffic passes through the port of Koper.

The share of the various ports in total container traffic (based on the number of containers) has been as follows over the last 2 years (in percentages):

| Ports | 1980 | 1981 |
|---|---|---|
| Total container traffic | 100 | 100 |
| Breakdown by ports: | | |
| Koper | 67 | 65 |
| Rijeka | 30 | 26 |
| Kardeljevo | 1 | 3 |
| Bar | 2 | 6 |

It is very encouraging that the transit of containers has the highest share in total container traffic through all Yugoslavia's seaports. This is evident from the survey given below. The share of various types of traffic in total seaport container traffic has been as follows, in percentage, based on the number of containers:

| Type | 1980 | 1981 |
|---|---|---|
| Total seaport container traffic | 100 | 100 |
| Exports | 39 | 37 |
| Imports | 19 | 16 |
| Transit | 42 | 47 |

Container traffic, as one of the forms of integrated transport on whose development and debugging intensive work has been done in our transportation sector in recent years, has been developing at the fastest pace. However, there is a relatively large lack of conformity from one branch to another in transportation as to the level which they have achieved in equipping themselves to receive and transport containers, and this is slowing down the rate of introduction of this technological process in integrated transportation. That is, whereas the seaports and maritime shipping are already well equipped with facilities to handle container traffic (container terminals and container carriers), rail and highway transportation are lagging considerably behind in this respect, and that especially applies to rail transportation.

7045
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## AGRICULTURAL-FOOD PRODUCTION PLANS TO 1985

Belgrade GLASNIK POLJOPRIVREDNE PROIZVODNJE, PRERADE I PLASMANA in Serbo-Croatian No 6-7, Jun-Jul 82 pp 23-27

[Article by Dr Dusan Katic, M.A.: "Drawing up Balances of the Principal Farm Products and Foodstuffs"]

[Excerpt] Table 1 (in thousands of tons)

| Product | 1980 | 1985 | |
|---|---|---|---|
| 1. Wheat | 5,100 | 6,000 | (at the least) |
| 2. Corn | 9,300 | 12,000 | (at the least) |
| 3. Sugar beets | 5,400 | 8,720 | |
| a) Sugar | 680 | 1,100 | |
| 4. Oilseed | | | |
| a) Sunflower | 303 | 750 | |
| b) Soya | 34 | 120 | |
| c) Rapeseed | 67 | 110 | |
| Edible oil | 230 | 380 | |
| 5. Polished rice | 36 | 48 | |
| 6. Tobacco | 56 | 75 | |
| 7. Meat | 1,260 | 1,500 | |
| 8. Milk (billions of liters) | 4.3 | 5.0 | |
| 9. Wool | 10 | 12 | |

### Relation Between Supply of and Demand for Farm Products

In agriculture's development to date a pronounced disproportion has been created between the demand on the domestic market (feeding the population and the industry for processing agricultural products) and exports on the one hand and the production capability (land and other resources and techniques mastered and production technology) on the other. Inadequate investments in primary agricultural production, especially in the production of grain and industrial crops, and the forced construction of processing facilities in the food manufacturing industry, have made it necessary to import grain (wheat and corn) to meet the needs of animal husbandry, while processing capacity has been underutilized. Investment was made when accumulative and reproductive capacity were low and when indebtedness on the basis of repayment of credit was high.

That is why accomplishment of a substantial portion of investment activity in the sector of agriculture is being carried over from the period 1976-1980 to the period 1981-1985.

That kind of situation is also reflected in the pattern of use of farmland both by categories and also by ownership sectors (Table 2). In agriculture as a whole we note a high share in the category of pastures and a drop in the share of plowland and gardens. This adverse trend in the pattern of farmland use is especially manifested within the socialized sector of agriculture, where, though the share of plowland and gardens is dropping, the high share of pastures is still maintained. In the current medium-term period these adverse trends need to be halted, above all by the declining trend for the area of plowland and gardens (robberies for so-called urban development needs), but within the socialized sector, aside from expanding the area of plowland by purchasing land from private farms, new areas need to be developed more intensively through reclamation (hydraulic engineering and other forms).

Table 2. Pattern of Use of Farmland (in thousands)

| Use | 1974 | 1975 | Average 1974-75 | Structure, % |
|---|---|---|---|---|
| Agriculture as a whole | | | | |
| Plowland and gardens | 7,355 | 7,321 | 7,338 | 73.4 |
| Orchards | 464 | 466 | 465 | 4.6 |
| Vineyards | 247 | 247 | 247 | 2.5 |
| Meadows | 1,941 | 1,967 | 1,954 | 19.5 |
| Arable land | 10,007 | 10,001 | 10,004 | 100.0 |
| Pastures, fish ponds, and land covered with water and reeds | 2,893 | 2,868 | 2,881 | 65.4 |
| Total farmland | 4,402 | 4,403 | 4,404 | 100.0 |
| Private sector | | | | |
| Plowland and gardens | 6,087 | 6,044 | 6,065 | 71.5 |
| Orchards | 424 | 427 | 425 | 5.0 |
| Vineyards | 217 | 215 | 216 | 2.5 |
| Meadows | 1,770 | 1,780 | 1,775 | 20.9 |
| Arable land | 8,498 | 8,466 | 8,481 | 100.0 |
| Pastures, fish ponds, and land covered with water and reeds | 1,602 | 1,601 | 1,601 | 15.9 |
| Total farmland | 10,100 | 10,067 | 10,082 | 100.0 |

| | 1979 | 1980 | Average 1979-80 | Structure, % | Plan 1985 |
|---|---|---|---|---|---|
| Agriculture as a whole | | | | | |
| Plowland and gardens | 7,172 | 7,153 | 7,163 | 72.3 | 7,000 |
| Orchards | 478 | 484 | 481 | 4.9 | 510 |
| Vineyards | 246 | 247 | 247 | 2.5 | 250 |
| Meadows | 2,020 | 2,026 | 2,023 | 20.3 | 2,000 |
| Arable land | 9,917 | 9,910 | 9,914 | 100.0 | 9,760 |

Table 2 (continued)

| Use | 1979 | 1980 | Average 1979-80 | Structure, % | Plan 1985 |
|---|---|---|---|---|---|
| Pastures, fish ponds, and land covered with water and reeds | 2,844 | 2,836 | 2,840 | 63.8 | 2,800 |
| Total farmland | 4,436 | 4,451 | 4,445 | 100.0 | 4,655 |
| Private sector | | | | | |
| Plowland and gardens | 5,864 | 5,831 | 5,847 | 70.4 | 5,440 |
| Orchards | 437 | 441 | 439 | 5.3 | 460 |
| Vineyards | 208 | 206 | 207 | 2.5 | 205 |
| Meadows | 1,816 | 1,817 | 1,816 | 21.8 | 1,800 |
| Arable land | 8,325 | 8,295 | 8,309 | 100.0 | 7,905 |
| Pastures, fish ponds, and land covered with water and reeds | 1,567 | 1,577 | 1,572 | 15.9 | 1,500 |
| Total farmland | 9,892 | 9,872 | 9,881 | 100.0 | 9,455 |

Source: Statistical publications SGJ--1980 [Statistical Yearbook of Yugoslavia for 1980] and statistical bulletins on "Field Crop Production" for 1979, as well as documentary material of the Federal Bureau for Social Planning.

The change in the pattern of planting in the 1981-1985 period has been toward an increase in the share of area planted to industrial crops and plants for livestock feed. These changes can be achieved for agriculture by reducing the area of plowland left fallow and uncultivated and also by halting the rate at which this land is taken over for nonfarm purposes (Table 3).

Table 3. Planting Pattern, Agriculture as a Whole

| Use | 1974-75 Average | | 1976-80 Average | | 1985 Plan | |
|---|---|---|---|---|---|---|
| | Thousands of Hectares | Structure | Thousands of Hectares | Structure | Thousands of Hectares | Structure |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| Plowland and gardens | 7,338 | -- | 7,210 | -- | 7,000 | -- |
| Total area planted | 6,737 | 100.0 | 6,540 | 100.0 | 6,630 | 100.0 |
| Grain | 4,778 | 70.9 | 4,483 | 68.5 | 4,500 | 67.8 |
| Wheat | 1,732 | 25.7 | 1,619 | 24.8 | 1,600 | 24.1 |
| Corn | 2,326 | 34.5 | 2,263 | 34.6 | 2,300 | 34.6 |
| Other grains | 720 | 10.7 | 601 | 9.2 | 600 | 9.0 |
| Industrial crops | 427 | 6.3 | 492 | 7.5 | 640 | 9.6 |
| Sugar beets | 107 | 1.6 | 126 | 1.9 | 190 | 2.9 |
| Sunflowers | 201 | 3.0 | 215 | 3.3 | 280 | 4.3 |
| Soybeans | 12 | 0.2 | 28 | 0.4 | 50 | 0.8 |
| Rapeseed grown for oil | 6 | 0.0 | 30 | 0.4 | 40 | 0.6 |

Table 3 (continued)

| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
|---|---|---|---|---|---|---|
| Tobacco | 59 | 0.9 | 62 | 0.9 | 60 | 0.9 |
| Other industrial crops | | | | | | |
| Vegetables | 655 | 9.7 | 653 | 10.0 | 670 | 9.8 |
| Potatoes | 318 | 4.7 | 301 | 4.6 | 380 | 4.6 |
| Other vegetables | 337 | 5.0 | 352 | 5.4 | 340 | 5.2 |
| Fodder crops | 877 | 13.0 | 912 | 13.9 | 820 | 12.2 |
| Alfalfa | 379 | 5.6 | 363 | 5.6 | 460 | 5.5 |
| Clover | 282 | 4.2 | 285 | 4.4 | 250 | 3.8 |
| Other fodder crops | 216 | 3.2 | 264 | 4.0 | 110 | 1.9 |
| Nurseries | 2.7 | 0.0 | 5.0 | 0.0 | 5.0 | 0.0 |
| Uncultivated plowland | 599 | 8.9 | 665 | 10.2 | 360 | 5.4 |

Source: SGJ-80, p 227, and documentation of the Federal Bureau for Social Planning concerning the future period.

The pattern of planting in the socialized sector will adapt in the coming period to the needs of satisfying the needs of the processing industry and production of the principal grains for the market--wheat and corn (Table 4). In the previous planning period the socialized sector of agriculture had a share of about 17 percent in the total area planted and furnished about 50 percent of market surpluses of farm products and foodstuffs. In the coming planning period, if the socialized sector's share of 22 percent of the area planted is achieved, it is realistic to expect that it will produce 70 percent of the surpluses for the market (Table 5).

Table 4. Planting Pattern in the Socialized Sector

| Use | 1974-75 Average | | 1976-80 Average | | 1985 Plan | |
|---|---|---|---|---|---|---|
| | Thousands of Hectares | Structure | Thousands of Hectares | Structure | Thousands of Hectares | Structure |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| Plowland and gardens | 1,222 | -- | 1,286 | -- | 1,560 | -- |
| Total area planted | 1,100 | 100.0 | 1,131 | 100.0 | 1,496 | 100.0 |
| Grain | 322 | 74.2 | 777 | 68.7 | 930 | 62.2 |
| Wheat | 467 | 42.0 | 444 | 39.3 | 480 | 38.8 |
| Corn | 249 | 22.0 | 242 | 21.4 | 310 | 22.7 |
| Other grains | 106 | 10.0 | 91 | 8.0 | 140 | 6.6 |
| Industrial crops | 188 | 16.0 | 261 | 23.1 | 436 | 29.0 |
| Sugar beets | 66 | 6.0 | 90 | 8.0 | 130 | 9.6 |
| Sunflowers | 92 | 8.0 | 107 | 9.5 | 180 | 13.3 |
| Soybeans | 9 | 0.8 | 25 | 2.2 | 45 | 3.3 |
| Rapeseed grown for oil | 6 | 0.5 | 27 | 2.3 | 30 | 2.2 |

Table 4 (continued)

| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
|---|---|---|---|---|---|---|
| Tobacco | 1 | 0.1 | 2 | 0.1 | 3 | 0.0 |
| Other industrial crops | 14 | 0.0 | 10 | 0.0 | 48 | 0.0 |
| Vegetables | 17 | 1.5 | 18 | 1.6 | 30 | 2.0 |
| Potatoes | 3 | 0.3 | 2 | 0.2 | 5 | 0.4 |
| Other vegetables | 14 | 1.2 | 16 | 1.4 | 25 | 1.2 |
| Fodder crops | 84 | 7.6 | 75 | 6.6 | 100 | 6.7 |
| Alfalfa | 44 | 4.0 | 35 | 3.1 | 65 | 3.6 |
| Clover | 3 | 0.3 | 2 | 0.1 | 10 | 0.7 |
| Other fodder crops | 37 | 3.3 | 38 | 3.4 | 25 | 1.7 |
| Nurseries | 2 | 0.0 | 3 | 0.0 | 4 | 0.0 |
| Uncultivated plowland | 111 | 10.0 | 152 | 13.4 | 60 | 4.0 |

Source: SGJ-80, p 246; statistical bulletins entitled "Field Cropping, Fruit-growing and Grapegrowing"; and documentation of the Federal Bureau for Social Planning concerning the future period.

Table 5. Area Planted, Yields and Production in Field Cropping in 1985 (aggregates based on a 4.5-percent growth rate)

| Product | 1976-80 Average | 1979-80 Average | | |
|---|---|---|---|---|
| | Yields, in quintals per hectare | Area, in thousands of hectares | Yields, in quintals per hectare | Output, in thousands of tons |
| 1 | 2 | 3 | 4 | 5 |
| Agriculture as a whole | | 6,540 | | |
| Wheat | 32.8 | 1,520 | 31.6 | 4,802 |
| Corn | 40.7 | 2,226 | 43.5 | 9,687 |
| Sugar beets | 421.4 | 134 | 414.9 | 5,561 |
| Sunflowers | 20.2 | 219 | 18.9 | 414 |
| Soybeans | 19.2 | 24 | 21.0 | 50 |
| Tobacco | 10.3 | 54 | 10.8 | 58 |
| Potatoes | 89.7 | 282 | 90.1 | 2,538 |
| Other products | | 1,941 | | |
| Socialized sector | | 1,130 | | |
| Wheat | 46.0 | 410 | 45.0 | 1,845 |
| Corn | 61.6 | 247 | 63.2 | 1,560 |
| Sugar beets | 450.1 | 108 | 462.0 | 4,990 |
| Sunflowers | 21.3 | 128 | 24.2 | 310 |
| Soybeans | 20.1 | 20 | 20.4 | 42 |
| Tobacco | 11.5 | 2 | 11.5 | 2 |
| Potatoes | 164.0 | 3 | 165.2 | 50 |
| Other products | | 203 | | |

Table 5 (continued)

| 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|
| Private sector | | 5,410 | | |
| Wheat | 27.8 | 1,110 | 27.1 | 2,957 |
| Corn | 38.3 | 1,979 | 39.0 | 8,127 |
| Sugar beets | 369.7 | 26 | 272.4 | 571 |
| Sunflowers | 19.1 | 91 | 20.9 | 104 |
| Soybeans | 18.0 | 4 | 18.2 | 8 |
| Tobacco | 10.0 | 52 | 10.7 | 56 |
| Potatoes | 86.4 | 279 | 89.2 | 2,488 |
| Other products | | 1,737 | | |

| | 1985 Plan | | |
|---|---|---|---|
| | Area, in thousands of hectares | Yields, in quintals per hectare | Output, in thousands of tons |
| | 6 | 7 | 8 |
| Agriculture as a whole | 6,630 | | |
| Wheat | 1,600 | 39.0 | 6,300 |
| Corn | 2,300 | 51.0 | 12,000 |
| Sugar beets | 190 | 450.0 | 8,720 |
| Sunflowers | 280 | 26.8 | 750 |
| Soybeans | 50 | 23.5 | 120 |
| Tobacco | 60 | 12.0 | 75 |
| Potatoes | 300 | 100.0 | 3,000 |
| Other products | 1,850 | | |
| Socialized sector | 1,496 | | |
| Wheat | 480 | 55.0 | 2,500 |
| Corn | 310 | 72.0 | 2,200 |
| Sugar beets | 130 | 500.0 | 6,500 |
| Sunflowers | 180 | 26.0 | 500 |
| Soybeans | 45 | 25.0 | 110 |
| Tobacco | 3 | 15.0 | 5 |
| Potatoes | 5 | 200.0 | 100 |
| Other products | 343 | | |
| Private sector | 5,134 | | |
| Wheat | 1,150 | 33.0 | 3,800 |
| Corn | 2,000 | 48.0 | 9,800 |
| Sugar beets | 60 | 370.0 | 2,220 |
| Sunflowers | 100 | 25.0 | 250 |
| Soybeans | 5 | 22.0 | 10 |
| Tobacco | 57 | 11.5 | 70 |
| Potatoes | 295 | 100.0 | 2,900 |
| Other products | 1,457 | | |

Source: Federal Bureau of Statistics for the past and Federal Bureau for Social Planning for the future.

## Balances of Farm Products and Foodstuffs

In order to examine the development of agriculture, the food manufacturing industry and the tobacco industry over the period from 1981 to 1985 it is especially important to draw up physical balances of the principal farm products and foodstuffs. The purpose of compiling physical balances of these products is to simplify the effort of sociopolitical communities and self-managing organizations to meet within their jurisdiction the needs of the public for food and to furnish raw materials for processing, build up human and livestock food reserves and increase production for export. On the basis of mutually reconciled development plans of self-managing organizations and communities in the sectors of food production and other interested self-managing organizations and communities the balances are drawn up showing the needs and consumption and the capability for our own production, import and export, as well as the need for reserves of farm products and foodstuffs.

Pursuant to the Agreement on the Bases of the Yugoslav Social Plan Covering the Period From 1981 to 1985 concerning reconciliation and guidance of flows in social reproduction, provision has been made to draft physical balances for the following farm products and foodstuffs: wheat, rice, corn, tobacco, sugar beets and sugar, oilseed and edible oil, cattle and beef, hogs and pork, sheep and mutton, and wool. The share of these products in the physical volume of total agricultural production ranges about 76 percent, about 70 percent in field crop production and about 80 percent in animal husbandry.

### Wheat

The long-standing commitment emphasized in almost all planning documents of meeting domestic needs for consumption with our own production of wheat has not been achieved, and therefore a sizable portion of commodity production is met through imports (Tables 6 and 7). In the last year of this past medium-term plan 1.6 million tons of wheat were imported, or 50 percent of total commercial consumption. At the same time a portion of production is going for livestock feed, which tends to cut back on purchases, which range between 46 and 48 percent of total output. In order to increase the area planted to wheat in the fall planting of 1980 the purchase prices were set in good time for the 1981 harvest, and in certain republics bonuses were also furnished; however, private farmers cut back on the area planted to this crop, which raises the problem of sufficient production of wheat in 1981 as well.

Table 6. Wheat* (in thousands of tons)

| | 1975 | 1979 | 1980 | 1981 | 1985 |
|---|---|---|---|---|---|
| I. 1. Production | 4,502 | 4,512 | 5,078 | 5,100 | 6,300 |
| 2. Imports | 4 | 417 | 1,600 | 124 | -- |
| 3. Available (1+2) | 4,506 | 4,929 | 6,678 | 5,224 | 6,300 |
| II. 1. Consumption | 5,303 | 5,948 | 5,890 | 5,570 | 5,800 |
| a) Livestock feed | 630 | 1,260 | 1,200 | 820 | 900 |
| b) Seed | 423 | 423 | 430 | 490 | 490 |
| c) Industrial processing | -- | -- | -- | -- | -- |

Table 6 (continued)

| | 1975 | 1979 | 1980 | 1981 | 1985 |
|---|---|---|---|---|---|
| d) Losses | 150 | 190 | 160 | 160 | 200 |
| e) Human consumption | 4,100 | 4,070 | 4,100 | 4,100 | 4,210 |
| 2. Exports | 3 | 11 | 10 | 10 | 500 |
| 3. Changes in inventory (+, -) | -800 | -1,030 | +778 | -346 | -- |

* In view of the strategic importance of wheat production and the large difference between the balance of total production, production for the market and consumption, the commercial balance of wheat is also given.

Table 7. Wheat--Commercial Balance (in thousands of tons)

| | 1979 | 1980 | 1981 | 1985 |
|---|---|---|---|---|
| I. 1. Production--purchases | 1,682* | 2,400** | 3,200 | 3,900 |
| 2. Imports | 417 | 1,600 | 124 | -- |
| 3. Available (1+2) | 2,099 | 4,000 | 3,324 | 3,900 |
| II. 1. Consumption | 3,250 | 3,200 | 3,300 | 3,400 |
| a) Livestock feed | -- | -- | -- | -- |
| b) Seed | -- | -- | -- | -- |
| c) Industrial processing | -- | -- | -- | -- |
| d) Losses | -- | -- | -- | -- |
| e) Human consumption | 3,250 | 3,200 | 3,300 | 3,400 |
| 2. Exports | 7 | 10 | 10 | 500 |
| 3. Changes in inventory (+, -) | 1,158 | +790 | +14 | -- |

* Figures of the Federal Bureau of Statistics.
** Figures of the Federal Directorate for Reserves of Foodstuffs gathered from grain milling organizations, which as a rule are higher than the data gathered by the official statistical service.

In the period from 1981 to 1985 it is envisaged that wheat production will reach about 6.3 million tons and purchases more than 3.5 million tons, which should make it possible to halt the importation of wheat and to build up appropriate inventories of this product. Performance of this task, along with other measures, will depend greatly on success in expanding the area of plowland in the socialized sector of agriculture and in forming associations, that is, in the socialized organization of production on private farms.

Corn

In spite of the significant results achieved in the production of corn, this production has not been stabilized, which, along with the shortage of social corn reserves, is bringing about a discrepancy between supply and demand and in large measure is causing cyclical developments in livestock production (Table 8). Corn has a dominant place in the country's livestock feed balance, but its consumption is inefficient, since other sources of livestock feed have to a large extent been neglected. Under those conditions it was not possible

to achieve the planned exports of corn. As a matter of fact, because of the lower harvest in 1978, corn was imported in 1979 in the amount of 1,094,000 tons. After the record harvest in 1979, there was another drop of production in 1980, which was mostly the consequence of bad weather conditions from the planting to the harvest of the corn crop.

Table 8. Corn (in thousands of tons)

| | 1975 | 1979 | 1980 | 1981 | 1985 |
|---|---|---|---|---|---|
| I. 1. Production | 9,389 | 10,084 | 9,300 | 9,700 | 12,000 |
| 2. Imports | 37 | 1,094 | -- | -- | -- |
| 3. Available (1+2) | 9,426 | 11,178 | 9,300 | 9,700 | 12,000 |
| II. 1. Consumption | 7,923 | 9,469 | 9,593 | 9,748 | 10,955 |
| a) Livestock feed | 7,070 | 7,700 | 7,800 | 8,000 | 9,000 |
| b) Seed | 123 | 106 | 108 | 108 | 115 |
| c) Industrial processing | 180 | 240 | 250 | 250 | 350 |
| d) Losses | | 891 | 900 | 850 | 950 |
| e) Human consumption | 550 | 532 | 535 | 540 | 540 |
| 2. Exports | 52 | 20 | 280 | 280 | 1,045 |
| 3. Changes in inventory (+, -) | 1,414 | +1,689 | -573 | -328 | -- |

In the next medium-term period corn production is expected to increase to at least 12 million tons in 1985, which would be enough not only to cover domestic consumption and build up adequate reserves, but also to export about 1 million tons. Reserves for increasing yields on private farms have to be taken advantage of to increase the production of corn.

Rice

In spite of the sizable growth of rice production in SR [Socialist Republic] Macedonia, some domestic consumption is met through imports (Table 9). In the coming period a further growth of production is envisaged, so that in 1985 output might reach about 35 million tons. The share of domestic production in meeting domestic consumption would increase from 55 percent in 1980 to 70 percent in 1985.

Table 9. Rice (polished) (in thousands of tons)

| | 1975 | 1979 | 1980 | 1981 | 1985 |
|---|---|---|---|---|---|
| I. 1. Production | 22 | 22 | 26 | 26 | 30 |
| 2. Imports | 5 | 8 | 20 | 4 | 15 |
| 3. Available (1+2) | 27 | 30 | 45 | 29 | 45 |
| II. 1. Consumption | 43 | 31 | 50 | 45 | 55 |
| a) Livestock feed | -- | -- | -- | -- | -- |
| b) Seed | 2 | 2 | 2 | 2 | 3 |
| c) Industrial processing | -- | -- | -- | -- | -- |
| d) Losses | -- | -- | -- | -- | -- |
| e) Human consumption | 41 | 29 | 42 | 43 | 52 |
| 2. Exports | -- | -- | -- | -- | -- |
| 3. Changes in inventory (+, -) | -16 | -1 | -15 | 16 | -10 |

Tobacco

Tobacco production has been unstable; yields have been low, and the farmers' income has been scanty (Table 10). Tobacco consumption in Yugoslavia has mainly been staying at the same level, but difficulties have been arising with exports, and there has been keen competition from other exporting countries. Annual tobacco exports range between 25,000 and 28,000 tons and between $80 and $85 million. In the period up to 1985 tobacco production is expected to reach about 75,000 tons, which is about 20 percent more than the 1979-1980 average. Since more and more tobacco has been exported in the leaf in recent years, in the coming period, in view of the available facilities, the tendency should be toward increasing exports of finished products (fermented tobacco, cigarettes and the like).

Table 10. Tobacco (in the leaf) (in thousands of tons)

| | 1975 | 1979 | 1980 | 1981 | 1985 |
|---|---|---|---|---|---|
| I. 1. Production | 70 | 67 | 56 | 60 | 75 |
| 2. Imports | -- | 4 | 6 | 4 | 5 |
| 3. Available (1+2) | 70 | 71 | 62 | 64 | 80 |
| II. 1. Consumption | 46 | 51 | 51 | 51 | 52 |
| 2. Exports | 28 | 28 | 25 | 25 | 28 |
| 3. Changes in inventory (+, -) | -4 | -8 | -14 | -12 | -- |

Sugar Beets and Sugar

In past years there has been a substantial increase in the production of sugar beets and sugar, which since 1978 has made it possible for us to give up imports of sugar (Table 11). In 1979 there was a record sugar production of 783,000 tons, so that aside from covering domestic consumption, it was also possible to increase export of sugar. However, in 1980 there was a drop in the area planted to sugar beets, and that resulted in a smaller output of sugar (about 680,000 tons). At the same time in 1980 there was an appreciable increase in sugar sales, which is explained by a certain increase in household inventories and larger use of sugar in production of alcoholic beverages. The tendency of a high demand for sugar also carried over into 1981, and it is estimated that certain amounts of sugar will have to be imported (80,000 tons). Sugar prices on the domestic market are relatively low and at the same time appreciably lower than prices at which the imported sugar could be obtained.

Table 11. Sugar Beets and Sugar (in thousands of tons)

| | 1975 | 1979 | 1980 | 1981 | 1985 |
|---|---|---|---|---|---|
| A. Sugar beet production | -- | 5,924 | 5,405 | 6,500 | 8,720 |
| B. Sugar balance | | | | | |
| I. 1. Production | 527 | 783 | 680 | 800 | 1,100 |
| 2. Imports | 111 | -- | -- | 80 | -- |
| 3. Available (1+2) | 638 | 783 | 680 | 880 | 1,100 |

Table 11 (continued)

| | 1975 | 1979 | 1980 | 1981 | 1985 |
|---|---|---|---|---|---|
| II. 1. Consumption | 662 | 653 | 769 | 790 | 825 |
| 2. Exports | 2 | 65 | 289 | -- | 275 |
| 3. Changes of inventory (+, -) | -26 | +65 | -378 | +90 | -- |

Sugar beet production is expected to reach 8.72 million tons in 1985, which means sugar production of about 1.1 million tons, and this would not only meet domestic consumption (about 36 kg per year on a per capita basis), but would also make it possible to build up adequate reserves and export sugar. The existing sugar mills can process the planned volume of production of sugar beets within the appropriate time period, so that in the period up to 1985 there is no need to build new processing facilities.

Oilseed and Edible Oil

The production of oilseed, especially of sunflower seed and rapeseed used for oil, has shown a tendency toward substantial growth, so that in 1979 an output of 294,000 tons of raw oil was achieved (including about 34,000 tons obtained from imported soybeans). This output has covered the need for domestic consumption and at the same time has increased inventories and exports (Table 12). In 1980 there was a substantial drop in the production of all oilseed, which brought about a large reduction in the production of oil. At the same time there was a drop in the offering of oil on the market, and more intensive and excessive purchasing for household inventories. In order to overcome the difficulties in the supply of oil imports were increased in 1980, and imports are also planned in 1981. However, in spite of the imports, a shortage of edible oil is still felt on the market.

Table 12. Oilseed and Edible Oil (in thousands of tons)

| | 1975 | 1979 | 1980 | 1981 | 1985 |
|---|---|---|---|---|---|
| A. Oilseed production | | 685 | 429 | 680 | 980 |
| a) Sunflower seed | | 525 | 306 | 530 | 750 |
| b) Rapeseed | | 93 | 68 | 85 | 110 |
| c) Soybeans | | 67 | 55 | 65 | 120 |
| B. Balance of edible (raw) oil | | | | | |
| I. 1. Production | 140 | 294 | 231 | 170 | 380 |
| 2. Imports | 128 | 11 | 94 | 90 | -- |
| 3. Available (1+2) | 268 | 305 | 325 | 260 | 380 |
| II. 1. Consumption | 253 | 261 | 292 | 275 | 300 |
| 2. Exports | -- | 41 | 15 | -- | 80 |
| 3. Changes of inventory (+, -) | +15 | +23 | +18 | -15 | -- |

In the period up to 1985 an appreciable increase in the production of oilseed is envisaged so as to make it possible to produce about 380,000 tons of oil. If that production is achieved, it would not only cover domestic consumption but would also make it possible to build up adequate inventories and increase

exports of oil. In the oil industry, aside from updating, no construction of new capacity is planned, and the increased production of oilseed would make it possible to use this capability much more efficiently.

Meat

Total meat production will increase about 290,000 tons between 1981 and 1985 (an average annual increase of about 58,000 tons), which will make it possible to increase consumption (about 59 kg on a per capita basis), to substantially boost exports and to put an end to imports (Table 13).

Table 13. Meat--Total (beef, pork, mutton, poultry meat, horsemeat and edible offals) (in thousands of tons)

| | 1975 | 1979 | 1980 | 1981 | 1985 |
|---|---|---|---|---|---|
| I. 1. Production | 1,052 | 1,256 | 1,260 | 1,300 | 1,550 |
| 2. Imports | 8 | 58 | 63 | 53 | -- |
| 3. Available (1+2) | 1,060 | 1,314 | 1,323 | 1,383 | 1,550 |
| II. 1. Consumption | 973 | 1,209 | 1,202 | 1,230 | 1,380 |
| 2. Exports | 120 | 97 | 108 | 116 | 170 |
| 3. Changes of inventory (+, -) | -33 | +8 | +13 | +37 | -- |

In the period from 1981 to 1985 a somewhat more dynamic growth of production of beef is envisaged (an annual average growth rate of about 3.5 percent), which should make it possible not only to cover domestic consumption, but also to halt imports and increase exports. It is envisaged that net exports of beef in 1985 could amount to about 80,000 tons, as against 20,000 tons in 1980. More stable development of cattleraising presupposes conclusion of production contracts over longer periods of time in line with the production process, and in this income-sharing arrangements between livestock raisers and the meat industry have particular importance.

It is envisaged that in the period up to 1985 it would be possible to achieve and stabilize a level of pork production that would meet domestic consumption and at the same time increase exports. This would at the same time make it possible to make fuller use of capacity in the meat industry and also to increase exports of processed meat products. The conclusion of contracts on the basis of shared income in this production-technological cycle--from the raising of hogs, the slaughterhouse industry, the livestock feed industry to the organizations we have mentioned, is an essential condition for achieving the planned targets in this production.

Sheepraising

The socioeconomic changes that have occurred have attempted to reduce sheepraising where capital formation is low, and its share in animal husbandry has dropped considerably. The share of mutton in total meat production is only about 5 percent.

In the coming period it is assumed that the adverse trends in sheepraising will be overcome and at the same time there will be an increase in the production of mutton and better-quality wool (Table 14). The pace of this process will depend on joint measures, which must be synchronized and programmed on a more long-term basis.

Table 14. Sheepraising (in thousands of tons)

| | 1975 | 1979 | 1980 | 1981 | 1985 |
|---|---|---|---|---|---|
| A. Sheep for slaughter (live weight) | | 117 | 120 | 124 | 148 |
| B. Mutton | | | | | |
| I. 1. Production | | 63 | 64 | 65 | 80 |
| 2. Imports | | -- | -- | -- | -- |
| 3. Available (1+2) | | 63 | 64 | 65 | 80 |
| II. 1. Consumption | | 58 | 59 | 60 | 74 |
| 2. Exports | | 3 | 3 | 3 | 6 |
| 3. Changes of inventory (+, -) | | +2 | +2 | +2 | -- |
| C. Wool | | | | | |
| I. 1. Production | | 10 | 10 | 10 | 12 |
| 2. Imports* | | 25 | 21 | 23 | 25 |
| 3. Available (1+2) | | 35 | 31 | 33 | 37 |
| II. 1. Consumption | | 33 | 30 | 32 | 36 |
| 2. Exports* | | 2 | 1 | 1 | 1 |
| 3. Changes of inventory (+, -) | | -- | -- | -- | -- |

* Scoured wool.

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CSO: 2800/434

END

JPRS 81721

8 September 1982

# East Europe Report

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2313

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8 September 1982

# EAST EUROPE REPORT

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2313

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**on p 29, para 3 change to "language of law no 124/1967"...not 127**
**on p 31, para 2 under b) change to "--paragraph 40"...not 24**

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PLAN PREPARATIONS FOR 1983 OUTLINED

Prague RUDE PRAVO in Czech 14 Jul 82 p 1

[Text] Intensive preparation of next year's plan is taking place, even though it is vacation time. It is being based on the previously adopted Seventh Five-Year Plan. Individual organizations are expected to present their proposals before 23 July, intermediate control bodies before 18 August and central administrative bodies before 15 September. Even though time is short, plan preparation must be done as carefully as possible, all alternatives and unused resources must be evaluated and, especially, the most important tasks must be identified.

Of these, foreign trade planning must be given priority so as to balance external economic realtions by consistently supplying sufficient amounts of such goods to significantly increase the effectiveness of foreign exchange. In preparing and conducting next year's trade negotiations with socialist countries the intentions of the 1983 directive must be consistently observed. It is particularly necessary to strive for complete fulfillment of the obligations resulting from plan coordination and long-term trade agreements. Notably, we must prevent further deterioration in the imbalance between exports and imports of machine industry products and seek to improve this area.

At first glance it would seem that central administrative agencies should be responsible for securing these tasks and commercial activity should be planned by the appropriate trade administration. However, all the prerequisites for successfully fulfilling the objectives described above must be developed by the manufacturing area. We cannot assume good results can be obtained simply through negotiations. Negotiations must be based on offering products which exceed the standards of items previously available, namely in terms of technological and economical parameters, quality, delivery terms and post-purchase service. The development, design and project institutions as well as enterprises responsible for all stages preceding manufacture and the manufacture itself must consistently create conditions necessary to achieve this goal.

Manufacturing must strive to produce products able to find effective application in any area and to successfully compete with foreign products on every market. This goal must be taken as the basis in supplying non-socialist markets. The foreign trade area objectives proposed in the directive must be

considered as a minimum. It must become a matter of honor for all our manufacturing enterprises participating directly or indirectly to fulfill export objectives, to exceed all requirements, especially in terms of quality. Therefore, it is necessary to plan, to contorl and to organize the production process in such a way that the invested raw and processed materials, fuel, energy and manpower are transformed into signficantly higher values.

A second important task for next year is to change the situation in developing surface coal mining to comply with the expectations of the coal production plan. For these purposes all available means should be used, included technical, economic, organizational and cadre measures. Efforts must be made throughout the entire fuel and energy area to further increase the effectiveness of the manufacturing process, making it reliable for securing the needs of both industry and population. The consumer goods areas must not exceed the consumption limits and must succeed in saving fuel, energy and raw and processed materials. These efforts must aim to consistently create conditions and prerequisites for the "One Day From Saved Material, Fuel and Energy" program in as many enterprises as possible in response to the appeal of the 10th Trade Union Congress which called for increasing fuel and energy savings by a half percent.

While preparing the plan for next year, it is necessary to consistently observe and apply the principles of the Set of Measures for Improving the Planned Management System of National Economy. This primarily applies to the area of scientific and technical development, which is the main focus of the plan, and where the objectives of the Seventh Five-Year Plan require higher priority and more consistent attention. New knowledge from science, research and technology must be more readily applied especially to principal tasks. Even in this context it is still necessary to remember that the main effort must be directed to creation of significantly better conditions for introduction of our goods into foreign markets, to the solution of the fuel and energy situation and to a well-planned decrease in consumption of imported raw and processed materials.

Ensuring sufficient and convenient supplies of goods for the domestic market will require exceptional attention in drafting the next year plan. In this context it is necessary to significantly improve the supplier-purchaser relations between retail and manufacturer, to test the present distribution system according to store types and residential area sizes, to improve supplies from manufacture directly to stores, to improve the area distribution system of the food industry supplies, to improve the methods of selling and ordering furniture and to improve clothing merchandise and shoe size structure.

In order to improve the structure and assortments of goods in the domestic market, it is desirable to break down the complementary consumer goods manufacture program for those organizations which have never manufactured consumer goods but which have good conditions, the necessary equipment, and, especially, unused stocks of material, which exceeds the standard inventory, waste material and manufacturing rationalization, which can be used for such manufacture. In these organizations, a goal of producing consumer goods--especially those in short supply--should be set equal to at least one percent of gross production.

While drafting the 1983 plan proposal for the agriculture/food complex, it is necessary to begin with priority tasks determined by the Seventh Five-Year Plan; however, it is necessary to secure primarily fodder and grain production and to continue to change the structure of animal production to improve cattle raising. In production of processed food it is necessary to improve efficiency, the degree of use of processed raw materials and the product quality.

In drafting the plan for next year it is also necessary to apply the implementation counter planning method to the greatest possible extent and in this way to create economic incentives both for organizations and individuals. It is required that the Five-Year Plan year objectives in the proposal are not only fulfilled but exceeded. In doing so, it is necessary to consider conditions and the normative relations determined by the Five-Year Plan directing the initiative for increasing adjusted value added, decreasing the number of workers, increasing profits and production assets and returns, and achieving growing and profitable exports.

As priority objectives, the yearly economic plan determines also decisively important subsupplies needed for the fulfillment of state goal-oriented program priority tasks from organizations managed by other central agencies, priority objectives in the exports of complete industrial plants, priority tasks in technological development state plan, priority constructions and priority assignments of the development work plans, priority supplies for heat generation and distribution to housing complex construction. These subsupplies have the same priority as the priority tasks which are secured by them and, therefore, they must be designated as such in the plan's lower level breakdowns.

Application of scientific and technical development and intensification of the national economy must penetrate the entire proposal for the next year plan. It is necessary to bear in mind that these are the conditions for further development of society and the realization of its goals.

9814
CSO: 2400/331

## AGRICULTURE MINISTER KUHRIG ADDRESSES 12TH GDR FARMERS CONGRESS

East Berlin NEUES DEUTSCHLAND in German 14 May 82 pp 3-4, 5

/Excerpts from address by Heinz Kuhrig, minister for agriculture, forestry and foodstuffs, to 12th GDR Farmers Congress in East Berlin, 13-14 May 1982: "With Fighting Spirit and Optimism To Achieve Everywhere the Output of the Best"/

/Text/ Dear Delegates! Dear Comrades and Friends!

The 12th Farmers Congress of the German Democratic Republic is an event to be noted as an important milestone of socialist democracy.

Toward the end of 1981 the committee in charge of preparations submitted the drafts of the resolution and the LPG law. Barely 24 hours later we saw the emergence of a fiery, creative discussion distinguished by many initiatives and involving every village and every agricultural production cooperative. The district farmers conferences were the culmination of this magnificent interaction.

Resolutions Bear the Handwriting of Many

I am able to report that, up to now, 11,441 amendments and proposals have been submitted with reference to these documents, and they are now available for your inspection.

As you will see: The drafts of the resolution and of the LPG law bear the handwriting of thousands and tens of thousands of farmers and workers, the imprint of the district farmers conference, of the parties allied with the Socialist Unity Party of Germany. All of them contributed to the text by a series of constructive thoughts. And you will agree with my remark that the entire great debate, all recommendations and suggestions are distinguished by a common feature: Fighting spirit, optimism and creative force, the resolute and unanimous resolve on the basis of the Tenth SED Congress resolutions to arrive at another and lasting rise in performance.

All those who were involved deserve our profound gratitude. (Loud applause)

We may well claim that GDR cooperative farmers are guided by the words pronounced here a year ago, at the Tenth SED Congress, by Erich Honecker, general secretary of the SED Central Committee and chairman of the GDR Council of State.

He said: "Our Tenth SED Congress points a clear Marxist-Leninist direction for the coming years. They will be a time for new initiatives and creative work, a time for the GDR to further gain strength and prosperity.

The tasks to which we are committed are challenging and beautiful but not easy.

Life in socialism is to further improve for all. Our social security is to be maintained and increased for all.

And let there be peace in future also!"

Let Us Respect Grain as Much as Oil

Cooperative farmers are well aware of farming's great responsibility for a stable food supply to the public and of raw material supplies for industry.

They know that the continuing successful implementation of the main task and its core, the unity of economic and social policy, depends on their efforts also.

They are further aware that the economic strategy resolved by the Tenth SED Congress for the 1980's is the exact guideline for their successful work.

For that reason the following issues received serious attention in the preparation of our congress:

-- The struggle for higher yields in fields and barns,
-- The rise in grain production,
-- The better organization of the feed base,
-- The improvement of the cost/result ratio,
-- The comprehensive use of science and technology,
-- The application of the experiences of the best.

Farmers have well appreciated Comrade Erich Honecker's remark that the current grain problem truly ranks with the oil problem.

That is why they are proceeding gradually to cut down on grain imports.

Respect for grain has been a farming tradition for centuries.

As a result many villages echo the words of our general secretary: Let us respect grain as much as we respect oil, and let us respect oil as much as we respect grain.

Therefore, delegates, our cooperative farmers are turning out in the current stage of our advance to be yet again loyal and reliable allies of the leading working class.

Milestones of Three Decades of Cooperative Development

These initiatives appropriately continue 30 years of successful socialist advances in our agriculture. They were initiated by the Second SED Congress in 1952.

Since the time that working farmers from Worin, Alt-Tucheband, Merxleben, Fienstedt and many other villages appealed to the Central Committee of the SED for support in establishing agricultural production cooperatives, progress has been made as never before in centuries past. In order to refresh the memory, permit me to mention a few of the salient landmarks of these mere 30 years:

Production has increased many times over, with a [simultaneous] decrease in the labor force by more than half. Production technology was thoroughly revised. Available land funds increased fourfold, work productivity five-fold.

Almost 90 percent of farmers have completed some professional training; 7.4 percent graduated from special or advanced schools. I may add here that 30 years ago so few farmers had any professional training as to make it impossible to cite a percentage.

Marxism-Leninism has moved into the villages. The exploitation of man by man has been abolished, and a village community of truly equals has developed.

Important bases were created for removing significant differences between city and village life.

We witnessed the development of the class of cooperative farmers. This has achieved tremendous successes and, by this congress, plans and initiates further successes for the benefit of our socialist republic.

In view of all these results, unprecedented in German farming history, it is hardly necessary to point out once more tha appropriateness of the voluntary decision to establish agricultural production cooperatives.

Nor is it necessary to emphasize the truth of the principle that socialist production conditions in the village are part and parcel of a socialist country.

The fact that more than 50,000 from their ranks are acting as representatives in the people's representations is evidence of the depth and efficacy of our socialist democracy and the maturity of the class of cooperative farmers.

The district farmers conferences have just elected new councils for agriculture and the foodstuffs industry; 11,406 cooperative farmers and workers in agriculture, forestry and the foodstuffs industry are involved.

The cooperation councils for crop and animal production are governed by 18,830 committed and knowledgeable elected representatives.

Ten percent of the deputies in our People's Chamber are cooperative farmers.

It is instructive to remember that a handful of large farmers and landholders in capitalist countries to this day defeat rather than represent the interests of farmers in general, all the more because these people usually also hold fat portfolios in banks and industry.

Our achievements in social affairs are highly significant. The SED sociopolitical program includes the imprint of our farmers, and its vital core--the housing construction program--equally benefits farmers.

Each farming family receives the same services from social funds as all other citiO zens of our state. They equaled M10,800 in 1980 for each household.

Housing conditions improved for some 100,000 farming families since 1970 alone.

On top of all this, comrades, there are issues which are no longer discussed because they are taken for granted as if they had always existed: The same education for

farm children as for city children, the same opportunity to enter a university, the clinics or medical centers in the village, the kindergarden and the nursery school.

This wonderful development is due to the steady consolidation of the alliance between the leading working class and the class of cooperative farmers. We rightfully describe this alliance as the political base of our society. With the tried and tested leadership of the SED Lenin's cooperative plan was creatively implemented in the GDR. As the result our society achieved an outstanding success in its rural areas and did so within a period to be reckoned very brief indeed in terms of history. (Loud applause)

Comrade Erich Honecker, we feel a sincere need from the rostrum of this congress to thank the SED Central Committee and you personally for the prudent policies aimed at securing and maintaining peace, strengthening socialism and benefiting the prosperity of the people. (Long lasting fervent applause, cheers for the Central Committee and its general secretary)

We promise to continue everything in our power to enable the Tenth SED Congress resolutions to be fully implemented. (Frantic applause)

We Feel as One With the Soviet Union and Its Unflagging Peace Policy

Our profession of faith and our deeds for socialism, the further consolidation of our state are founded on the awareness that bread for our people may flourish only in peace.

The same awareness tells us that peace is the more secure the stronger socialism waxes. That is why all our energy and strength must be devoted to the strengthening of our state.

This applies especially at a time when the most aggressive forces of imperialism let no day pass without threatening peace.

We watch in disgust and sorrow the arms race fueled by imperialism,
The evident danger of a third and nuclear war,
The slogan--as dangerous as it is stupid--according to which it is necessary to rearm in order later to disarm,
The indescribable fattening up of the NATO countries arms budget,
The merciless slashing of social spending, and
The abuse of food for the purpose of blackmail.

Here, at their 12th Farmers Congress, the GDR farmers proclaim that they see nothing to equal the importance of peace! (Frantic applause)

In view of imperialist rearmament we will do everything that may serve to strengthen the GDR and, therefore, peace.

We feel as one with the working class and its leading party.

We will therefore do everything possible to strengthen the defense preparedness of the first socialist state on German soil.

We also feel as one with the Soviet Union and its unflagging peace policy.

We welcome the peace program enunciated by the Twenth-sixth CPSU Congress and the disarmament proposals submitted at the 17th Soviet Labor Union Congress by our friend Leonid I. Brezhnev, general secretary of the CPSU and chairman of the Presidium of the USSR Supreme Soviet.

The alliance with Lenin's country, our full agreement with its peace policy imbues us farmers too with optimism and a feeling of strength.

We know that we stand side by side with those who not only have the will for peace but also the strength to defend it.

We know that this peace policy is as old as the Soviet Union itself.

Even though a new generation of farmers has grown up since, we still remember the tune of the "Thousand Tractors." This awareness has entered the permanent treasury of GDR farmers experiences.

We are happy to see that just now more and more people in capitalist countries are recognizing where to find the friends and enemies of peace.

The increasingly include farmers who, year by year, see less future in capitalism. Their entire lives are lived in fear of bankruptcy, of lower incomes and concern about sales. And all this although millions of people go hungry.

These millions must find out that we farmers stand by them, that we have established more than 4,500 solidarity committees in our cooperatives and enterprises--in order to be able to help them.

Properly and Prudently to Use the Great Potential

A great economic potential is in the hands of cooperative farmers.

They dispose of

87.5 percent of agricultural area,
89 percent of livestock, and
80 percent of all basic assets in farming.

The preparations for the Farmers Congress, the great discussion and the many letters addressed by farmers to General Secretary Comrade Erich Honecker and the leadership of our party leave no doubt that this potential will be appropriately and prudently used to strengthen socialism in our country and thereby strengthen peace.

Cooperative farmers have developed the same great creativity as the workers on state farms, combines for industrial fattening, state enterprises for agricultural equipment, rural construction and soil improvement, forestry and the food industry. All of them have a respected place in our society. Their efforts at all times reflect their readiness to achieve outstanding performances even in the changed conditions of the 1980's.

One basic thought ran through all discussions, motions, proposals and suggestions regarding the draft resolution and draft law: By the extensive use of scientific-technological advances to continue ensuring stable food supplies to the public and raw materials to industry--at the right time and in the appropriate assortment.

Nowadays the GDR is among the countries with the highest per capita consumption of all important foods.

Better Results from Every Hectare

I do not need to cite examples. You are all familiar with them. It will now be necessary, in consideration of the changed international situation, to consolidate our earlier gains and further expand our achievements. Here the continuing advance of grain cultivation assumes great significance.

At the Tenth SED Congress Comrade Honecker said: "As you all know, food is increasingly important in the international class conflict between socialism and imperialism.

It is therefore all the more necessary further to raise domestic output by way of intensification."

Cooperative farmers and workers in socialist agriculture are well aware that their work goes far to decide how the main task will be implemented in the 1980's. They are therefore making increasing efforts reliable to realize their obligations to the alliance. We have everything required to do so.

We have the proven alliance between farmers and the working class. We have wise and well educated cooperative farmers. And we have yet another important asset: The benefits of the socialist planned economy and its ability flexibly to react to new needs.

In just that spirit we will even more consistently concentrate management and planning on raising the output of crops and livestock per hectare, beginning with the Ministry for Agriculture, Forestry and the Food Industry, going on to bezirk and kreis councils through to combines, LPG's, VEG's /state farms/ and cooperative facilities.

To ensure stable food supplies to the public and raw material supplies for industry we are setting ourselves the goal to achieve by 1985 at least 43.7-44.2 decitons of grain units (dt GE) per hectare of agricultural area (LN).

The total obligations assumed at the district farmers conferences amount to an excess of the yield targets by 0.7 dt GE per annum, beginning this year.

We agree with the cooperative farmers who hold that iw ill now become necessary persistently in our daily labors to translate into action the challenging obligations assumed. That goes for every agricultural production cooperative, state farm, cooperative facility, brigade and section.

As for livestock production, the task here will be to make available annually by 1985 2.4 million tons of slaughter cattle, 6,930,000 tons of milk, 4,720 million eggs and 7,000 tons of wool, and to do so with less feed concentrate.

These achievements will ensure a stable level of supplies for our people.

As you know agriculture and forestry supply more than half the primary raw material yield of our economy. It thus has a great deal of responsibility in this field also, especially when we consider that, in contrast to other raw material sources, this one lends itself to steadily expanding reproduction.

Karl Marx already stressed the basic advantages of land insofar as it may be steadily improved by correct treatment and utilization.

It is up to us fully to develop and use this advantage.

In recognition of this fact we must consider extensive land improvement a central task of agriculture.

That offers a large field of action to every cooperative and enterprise as well as to farm science! A field of action in the best farming tradition!

Yields and Costs to Be Measured Against the Highest International Standards

As regards our efforts to improve yields, we too must measure ourselves against the highest international yields.

Involved here are not only yields but also their cost.

Only thus will we be able successfully to realize the economic strategy.

Our best LPG's and VEG's can hold their own in the international comparison. They include the Albersroda LPG, Kreis Querfurt, at 58 dt grain per hectare in the average of 1978-1981 and on 83 fields as well as the Lindenberg VEG at 33.7 dt per hectare on 28 fields on the sandy soil of Mark Brandenburg.

In the case of sugar beets we have the Hassenhausen LPG, Kreis Naumburg, at 504 dt/ha, Gamstedt, Kreis Erfurt-Land, at 474 dt/ha, Langenweddingen, Kreis Wanzleben, at 475 dt/ha and Striegnitz, Kreis Meissen, at 468 dt/ha.

As for potato production we may boast of a growing number of LPG's and VEG's that have been achieving excellent yields at good quality for many years, for example the Oehna LPG, Kreis Jueterbog, at 344 dt/ha, Rothenschirmbach, Kreis Querfurt, at 320 dt/ha and Seyda LPG, Kreis Jessen, at 302 dt/ha.

I would like to make particular mention of the Goehlen LPG, Kreis Ludwigslust. This achieved 300 dt/ha on only 19 fields.

It is our aim in the 1980's to conduct many enterprises to this level, at the same time improving the cost/result ratio.

This represents quite a challenge to our agricultural scientists. It is the way to accomplish the greater tasks in grain output.

It is vitally necessary for our republic to raise the hectare yields of, especially, grain and all other feed concentrate crops with the aim gradually to decrease grain imports and ultimately cease such imports altogether.

This is an issue of basic importance in the international class conflict.

For the same reason it is a very serious obligation toward our allies.

In their letters to the SED Central Committee general secretary the cooperative farmers tend to start from the premise that it will be necessary this year already to advance significantly in this field by raising yields and increasing the area of cultivation.

By cultivating more than 2.5 million hectares of grain in 1982 the grain area was expanded by 46,300 hectares compared with 1981.

A Simple Truth and the Experience of the Best

It is a truly remarkable fact that the thoughts and actions of many farmers are determined by a simple truth: As we are unable to choose the weather, we are totally committed to using every favorable hour, regardless whether it occurs during working hours or at the weekend, whether during the day or at night, so as to observe the agrobiologically and agrotechnically most favorable dates and time spans.

We certainly agree with that attitude and merely add the promise that we will everywhere act according to this truth.

The most successful collectives are primarily distinguished by the fact that they fully utilize the potential of the various fields and settle all necessary measures in a highest yield conception that also represents the basis of their daily labors in the socialist competition.

This should inspire all LPG's and VEG's in the entire cycle of vegetation to ensure strict output control and supervision of the various tilled fields, including stable plant protection, and quickly deal with all issues in the interest oc achieving the highest possible yields.

The key to the solution of the grain problem is the assurance of high yields and quality for all crops, especially feed. We will thus gradually free areas for expanded grain cultivation. By 1985 this is to be increased by at least 120,000 hectares to 2.675 million hectares.

When we consult international results, our greatest efforts are needed in the sphere of sugar beet yields.

This requires basic conclusions in order to strive for yields of 400 decitons and more per hectare in the main beet districts through 1985.

With the assistance of our scientists we will generalize the experiences of LPG's and VEG's that have already achieved this standard.

In the case of potatoes also it is urgently necessary further to raise yields so that all over our republic we may reliably harvest more than 200 decitons per hectare.

This is essential in order to supply good quality potatoes to the public, fulfill the plan tasks for the production of potato starch and seed potatoes and, in addition, make available at least 4.5 million tons of feed potatoes.

At the 11th Farmers Congress Comrade Erich Honecker admonished us about the blue spots on potatoes and thereby drew our attention to the fact that quality counts for just as much as quantity.

I am happy to report that we have resolutely labored to progress in both these fields. Complaints about poor quality have substantially decreased.

And yet we must admit that there are still some blue patches, and we certainly have no ground for complacency.

By raising the yields of our most important feed concentrate crops we have directed our efforts to the further intensification of coarse feed production. This accounts for about half the demand for feed energy, and this percentage will have to increase even more. For that reason the ongoing intensification of pastures and feed crops is a crucial task in the competition program.

From this aspect the pastures in the GDR will be expanded from 540,000 hectares to 666,000 hectares. The basis of the improvement of work in this field is the "Complex Feed Program for the Period Through 1985" that is in the hands of all delegates.

We are glad to note that, in preparation of our 12th Farmers Congress, many suggestions have been submitted for the development of vegetable and fruit production. They are directed in particular to the appropriate year round supply to the public. Better rural supplies of vegetables and fruit in the villages call for the even more efficient development of the potential available everywhere.

Vegetables and fruit will then reach the consumer fresh and without losses. Moreover there will be savings with regard to transportation costs.

Land Is and Remains Our Greatest Treasure

The further intensification of crop production has absolute priority, because upon it depends the dynamic development of the entire agriculture and food industry.

The close relationship of farmers to the land is a productivity factor that cannot be overestimated.

Our children and grandchildren will still live by our main means of production--the land.

It is one of our greates resources and stated to be such in the GDR Constitution. The same principle was confirmed by the land use decree.

It is truly a good and honorable task to maintain it with all energy, defend it against any inroads and raise its fertility.

Intensification focuses on the complete utilization of every square meter of land and the rapid improvement of its fertility. Involved here is mainly the application of organic substances. Crop farmers and livestock raisers together set out to gain more and better manure and other organic substances as well as apply them to the best advantage. The manufacture of field composts such as the utilization of low moor turf, sea mud, material excavated from ditches, activated sludge and other waste products is of growing importance. Cooperative farmers with foresight have called for land to be permanently assigned to sections and brigades and, with the help of scientific centers and other scientific facilities, for work everywhere to proceed in accordance with stable crop sequences by 1983/1984.

By way of contrast capitalist countries are adopting extensive measures to prevent farmers from producing. The Reagan Administration, for instance, has enacted an entire program aiming at the discontinuation of crop cultivation on large tracts of land.

Nothing more clearly characterizes the inhumanity of the capitalist social system than such a prevention of food production at a time when millions go hungry; such a social order pronounces its judgment on itself.

Feed Production in the Regions Never More Important

We assert that the connection between the further rise in livestock production and our own feed yields has never been more necessary, important and significant.

We are ready to confront the challenges arising therefrom. Many collectives have set themselves the target of organizing greater feed production in their regions in order to safeguard the planned rise in performance of animal husbandry, to make available domestic feed supplies the year round, steadily and at good quality. They intend by 1985 to conserve at least 500,000 tons of grain units, thereby contributing to the lowering of grain imports. The slogan "anything we produce we need not import" assumes more validity in the 1980's. The obligations assumed in this context serve as an example how to realize the economic strategy of our party.

The utilization of all internal reserves, the purposeful abolition of unjustified differences in the performances of barn collectives and brigades, LPG's, VEG's and their cooperative facilities is one of our most important projects in order to achieve the results of the best.

Here we still have large reserves, and it is the proven principle of our work morally and materially to encourage and reward the commitment of livestock handlers to their full development.

In order to conserve grain many LPG's have proceeded more largely to feed vegetables and high quality coarse feed to pigs.

Such initiatives must be combined with performance specific feed regimes. This results in further feed conservation, something of great importance also for the industrialized facilities of livestock production. It will be necessary to increase the use of coarse feed for beef fattening and sow rearing so as to diminish deliveries of feed concentrates from the state feed fund.

Together with the LPG's and VEG's these facilities must provide the prerequisites for having available feed produced in the home enterprise.

Healthy Animals by Tender Loving Care

Very important indeed is the recovery and utilization of all local feed reserves, especially kitchen wastes. Despite all the advances achieved here we still meet unduly differences among cities, kreises and bezirks--differences that must be overcome by closer cooperation among all responsible state, economy managing and social organs.

Large, stable and healthy livestock holdings represent a significant part of our national wealth. Its reproduction, especially in these weeks and months, must be considered an important contribution to the assurance of supplies to the public in the years to come.

We will therefore do everything in our power so to guide this process that the stock necessary for livestock production in 1983 will be achieved by steady plan fulfillment in 1982. The best possible results of livestock raising and the lowest losses have always been important items for prudent farmers.

Well trained milkers and handlers who look after the animals entrusted to them with tender loving care exert a good deal of influence on the development of performance.

Discipline, neatness and cleanliness are old but never obsolete principles of stable animal husbandry. Just as the protection of animals against epidemics, these are social demands that allow nobody to be exempted. State organs, veterinarians, LPG's, VEG's and cooperative facilities must at all times join to ensure the effective protection of our livestock and treat any negligence with due severity.

Cattle production is correctly described as the core of our economy, because it provides meat, milk, important raw materials for industry, and because it is also the outstanding supplier of barn manure.

At the same time beef cattle lives mainly off coarse feed. Here also we dispose of large reserves.

We will utilize them better than ever by increasing the useful life of cows, improve the quality of heifers and more effectively use selective breeding.

This represents a simultaneous challenge to our cattle breeders and scientists.

Increased milk production deserves the same resolution. The highest profits will be achieved by those herds where output is still considerably below average.

In this instance remarkable growth may be achieved by coarse feed.

The Tenth SED Congress suggested that cooperative farmers and workers, members of the Union of Small Gardeners, Settlers and Small Livestock Breeders and other small producers should even better utilize all reserves for the production of plant and animal products. Everyone who contributes to this development merits and obtains support and recognition.

Such initiatives as "only a productive garden is a beautiful garden," "harvest at least 100 kg vegetables and fruit per 100 square meters," or "every small garden has one more bed of early vegetables" are eminently suitable for well preparing the Fifth Union Congress of the Union of Small Gardeners, Settlers and Small Livestock Breeders.

In this connection we also express our appreciation to the DFD /Democratic Women's League of Germany/ initiative with the slovan "our village is self-sufficient," as pronounced by the 11th DFD Congress.

LPG's, GPG's /horticultural production cooperatives/ and VEG's will provide even more assistance to individual production by supplying seedlings and young livestock.

We consider it appropriate, together with the retail trade and the Union of Small Gardeners, Settlers and Small Livestock Breeders, to make sure in every district that the network of purchasing centers is expended, receiving hours are better adapted to local conditions, and the shortest distances and best possibly supply efficacy are achieved everywhere.

We will support the justified wishes of individual producers for the easier acquisition of small mechanical aids, appliances, construction materials, and so on. The initiatives developed in this field by the VdgB-BHG /Peasants Mutual Aid Association (Peasants Trade Cooperative)/ are greatly appreciated.

The Motivation of a Young Brigade Leader

It is very advantageous for the socialist competition to be increasingly conducted by the example of the Kerspleben Cooperation by collectives of crop and animal production working together. Closer cooperation has served to develop further performance reserves.

We see emerging more and more initiatives by brigades and section collectives of crop and animal production on the basis of joint competition programs to organize the utilization of all reserves by mutual assistance with manpower and equipment.

This comradely cooperation also opens up new opportunities for the rapid abolition of unjustified differences in standards. As you know these are sometimes rather substantial and must be considered one of our prime performance reserves.

As in all cases we derive the greatest benefit here from Lenin's principles regarding the competition, such as publicity, comparability of results, repetition of the best achievements on a massive scale as well as material and moral recognition.

This was most aptly expressed by youth brigade leader Harald Behrens, "Wilhelm Pieck" LPG (Hamersleben), who sits as a delegate here among us. He said: "At the

present time and in view of the more difficult conditions we may no longer be satisfied with the goals we set ourselves just after the Tenth SED Congress.

The situation on the world market compels us to supply the public primarily with the yields from our own fields.

We have the potential for doing so. The results of the best show that our achievements are not yet at the standard of which it is possible to achieve. The performance of the best must be our criterion."

We are daily able to sense that the increasing initiative and readiness to serve of our farmers represents a greater challenge to all managers.

Here also we have outstanding experiences. Such excellent cooperative farmers as Fritz Dallmann, Frieda Sternberg, Dr Helmut Merke, Ernst Stege--whom I mention as some among thousands of others--are heading their LPG's since the days of their establishment in 1952. Year by year they continue to produce outstanding performances with their collectives in the fulfillment of plans and the improvement of yields.

We would like to express to them our heartfelt thanks--including to those who were in at the beginning of our socialist development, such as Comrade Bernhard Gruenrt, even though, either by reason of age or ill health, they are now no longer able to directly collaborate with us. They were the pioneers of cooperative construction. (Loud applause)

Science the Main Reserve for Improved Performance

As in all sectors of the economy, agriculture, forestry and the food industry too concentrate on the extensive use of science and technology for the accomplishment of the tasks assigned us.

That is our main reserve for the growth of output and greater efficiency.

We have capable research collectives who, in cooperation with their colleagues at the GDR Academy of Sciences, the universities and advanced schools, are able to carry out complex tasks.

In response to the resolutions adopted by the Tenth SED Congress and in preparation of our farmers congress we have reviewed our research projects and set more challenging targets combined with shorter research and development delays.

The numbers of project top performances were substantially raised.

Envisaged for animal production are results aiming to improve the weight gain of beef cattle and pigs, the increase in resistance to disease, and new animal nutrition regimes. They are to be better adjusted to a lowering of the volume of concentrate fed. Among others the output of wilted silage and hay is to be further developed and perfected.

The innovator and rationalizer movement has gained in size and quality.

We may claim the same for the MMM movement /movement of the fair of the masters of tomorrow/. Every third young person in agriculture, forestry and the food industry is involved. Almost two thirds of all MMM measures concern tasks arising from the plans science and technology. That speaks for the fighting spirit and creativity of the FDJ in rural areas also.

We need constant and severe international comparisons and a healthy readiness to take risks in all spheres of farm research.

This requires a critical attitude toward our own achievements and the firm will so to apply our knowledge and skills as to more rapidly and extensively accomplish top performances consonant with practical needs.

Basic research is of increasing significance because it supplies the crucial impetus for the speed-up of scientific-technological advances. We will therefore further expand cooperation with the GDR Academy of Sciences and the scientists of the USSR and other socialist fraternal countries.

As concerns the transfer of scientific-technological results we have found it useful with the help of the GDR Society for Farm Sciences, regional scientific-technological centers, enterprise counseling services and scientists from the Academy of Agricultural Sciences to carry out user seminars and discussions.

Forestry workers and cooperative farmers have consistently made available more raw materials from the forests. In accordance with the Tenth SED Congress resolutions forestry workers consider the most pertinent object of their work the growth of raw materials output and the improved cultivation and neatness of forests.

The diligent working people in our country rightly expect to be able to find rest and refreshment in our forests and to draw strength there for coping with their increasing work load.

Our people's attitude to its forests was demonstrated once again in the help given the removal of the damage caused by natural disasters in the Ore Mountains and the Thuringia Woods. These social initiatives enabled us to limit further damage by bark beetles, utilize fallen branches and quickly restore the potential and yield of these regions.

Many Suggestions for Energy Conservation

It is an absolute priority, an obligation and thanksgiving to our allied class most rationally and efficiently to utilize the great achievements made available by the working class for the intensification of farm production and the improvement of working and living conditions in our villages.

The present situation requires us, other than hitherto, to practice paterials and energy conservation. We must definitely make do with lower quantities in such important spheres as fuels, energy and other raw materials and substances.

We realize that we are still at the beginning, and that inventive cooperative farmers and workers are bound to think up hundreds of suggestions for fundamental change. Let me mention only a few vital issues such as rational transport organization, the utilization of transport space, the shift of freight to the rails and the complete utilization of the traction powers of tractors, the use of waste heat and wood gas.

Checks have shown us that fuel consumption may be lowered by some 1.5 percent by the correct setting of injection pumps.

This reserve also must be consistently exploited, because the implementation of our strategy depends on large as well as small savings, on every liter of motor fuel, every kilogram of coal and every kilowatt hour.

We bear most of the responsibility for lowering the consumption of heating oil by the rational operation of the facilities and for quickly replacing it by raw brown coal.

Another important task is the extensive development and utilization of alternative and waste energy.

Just as much importance must be assigned the most efficient use of all other materials. That applies in particular to chemical products such as nitrogen and phosphate fertilizers, insecticides and herbicides, plastic products and tires. As you know, their manufacture costs our economy substantial quantities of important raw materials and energy.

Careful Maintenance of Equipment Extends its Useful Life

A key issue of crucial economic significance is the most efficient use of our basic assets. They have more than doubled in the past 10 years.

The careful maintenance, servicing and storage of equipment has always been imperative for agriculture. After all, farming does operate in the open air.

Those LPG's are acting appropriately, that set up and cooperatively use maintenance depots and workshops for the operational removal of damage. This makes it possible to carry out many processes more rationally and cheaply. Together with the bezirk and kreis councils as well as with the LPG's and VEG's we are working on setting up the still missing 1.9 million square meters of simple shelter, giving this task the priority it deserves and calling mainly on local reserves.

Many suggestions deal with the lowering of repair costs.

We support any motions directed to that point and aimed at further improving the quality of repair work, on repairing or replacing only that which is really damaged and on carrying out repairs in those locations that are both close by and efficient. Kreis enterprises for agricultural equipment will thus continue to fulfill their function as strongholds of the working class in rural areas.

As regards supplies of spare parts, cooperative farmers and workers will endeavor further to lower consumption.

Moreover, we will raise the reprocessing of spare parts in agriculture to M1.1 billion by 1985, a 60 percent increase. We will then meet about 40 percent of our spare part requirements.

At the same time cooperative farmers expect the workers in the farm machinery construction industry to continue to raise their efforts in this field. Joint endeavors will then guarantee the constant operability and performance of equipment.

In the period through 1985 the material-technical base will be further perfected. The main approaches here are rationalization and modernization so as to improve the efficiency of all live and objectified labor.

As regards the use of the investments available, LPG's and VEG's will act correctly by concentrating on measures for the intensification of crop production, the improvement of soil fertility and the lowering of losses as well as the best possible useful effect of investments and the curtailing of realization delays.

In order most rationally to carry out the assignments included in the draft resolution with regard to the establishment of storage capacities for liquid and solid manure, we have handed the bezirk councils tested procedures and projects. The same applies to the construction of air conditioned storage facilities for high quality hay.

We have also concluded that it is imperative for more to be done with reference to simple drainage on meadows, drainage procedures on tilled fields, the prevention of soil compacting and erosion.

Farm machinery and tractor construction will continue to concentrate on making available important prime machines. These will be complemented by our own rationalization aid construction.

Many questions concerned the mechanization of feed production. In addition to swath and chaff cutters of various types it was therefore decided to make available tractor drawn tedders, harvester attachments for the MTS 50 and GT 124 tractors for depositing feed and large volume loaders for hay and straw.

Rewarding Task for Innovators and Rationalizers

ZT 305 slope tractors and the required braked meadow rollers, slope fertilizer spreaders and sprayers as well as milling drills will be produced to help mechanize sloping fields for the cultivation of feed.

As for animal production, in addition to the importation of light tractors for the mechanization of barn work, agriculture and industry are developing our own barn machine, the HT 140. It will be made gradually available by the farm machine construction industry through 1985.

Still, our efforts in research, development, design and construction must be further raised in order constantly to make available for arable farming and livestock raising such machines and devices as will be lighter, less liable to breakdowns, more efficient and using less energy--better to meet the conditions of our age.

This includes the perfection of existing equipment. In animal production we are concentrating on the further development and use of mechanized feeding, cleaning and milking procedures. This will provide the conditions for rising output and the conservation of working hours, for better working conditions.

We want to provide every prerequisite--in particular by making available designs and devices from our own rationalization aid construction--for ensuring that by 1985 some 2 million beef cattle stalls, about 3 million pig stalls and roughly 0.5 million sheep stalls are modernized. That is also the most effective approach to a substantial lowering of construction costs and a cut in building delays by a third or even a half.

Intercooperative construction organizations and land improvement cooperatives must be so developed that they themselves may carry out rationalization and maintenance in their central enterprises and villages with the greatest possible efficiency and the shortest construction delays.

That is why they were set up by the LPG's and VEG's, and it continues to be their chief purpose.

The target of doubling the output of rationalization aids by 1985 has had a significant response.

Here we have a rewarding field of operation for our 200,000 innovators and rationalizers, for fitters, foremen, engineers and scientists. We confidently expect the continuing support of our socialist engineers organization, the chamber of technology.

Many of the various 300 products we are now manufacturing ourselves go back to innovator ideas.

By 1985 we will expand the range to 450 products and thereby close the mechanization gap. Embarking on this great task of doubling the output of rationalization aids we call upon industry effectively to assist us by the delivery of subassemblies and components.

The masterful application of socialist management is a basic prerequisite for the implementation of the Tenth SED Congress resolution. Much depends on the success of appropriately and scientifically arranging the enterprise and working organization in accordance with prevailing local conditions.

Regional conditions, the location of villages and production shops as well as traffic conditions must be more closely observed. It will be useful definitely to assign the sections or brigades a fixed area of land, the appropriate livestock and the necessary capital equipment as well as clearly holding them responsible for their proper use.

By way of the plan the brigades will receive clear production and reproduction tasks as well as targets for any costs they may be able to affect. The cost/profit concept is to be encouraged by, for example, the use of the log book and personal accounts.

At the same time we oppose any rigidity in the work of sections and brigades.

Thorough calculations everywhere should establish the most useful organization in the respective location.

Performance and distribution are united in socialism. That is an economic law that may not be disregarded by anyone. The consistent observance of the performance principle requires most of all that the managers set a good example to their collectives, and that their remuneration be at all times linked to the progress of the cooperative.

It is an expression of cooperative democracy if--consonant with the charters--appropriate resolutions are adopted so as to guarantee the implementation of the performance principle for all senior cadres.

Therefore: Quality and efficiency must enter more into material interestedness.

Regarding the use of socialist management principles, a particularly great responsibility lies with the chief bookkeepers. We have therefore a new "order on the responsibility and position as well as the tasks, rights and duties of chief bookkeepers in LPG's and their cooperative facilities," enacted to take effect on 5 January 1982.

This order aims greatly to elevate the role of the chief bookkeeper in the comprehensive application of the principles of socialist management as well as further to improve order and discipline in the handling of socialist property.

As you know, the Tenth SED Congress set us the task of preparing a reform of farm prices. We are strenuously working on this. It will serve the further consolidation of the alliance between the working class and cooperative farmers and aims even better to utilize the economic laws of socialism.

Greater Efficiency of Economic Accounting

By the adoption of industrial prices for raw materials, other materials, energy and equipment, the actual costs to the economy and the actual economic performance of agriculture will be demonstrated.

These new prices meet the costs and guarantee the expanded reproduction of cooperative property. The efficiency of economic accounting is raised.

Farm price reform therefore encourages material interestedness in a significant rise in performance and an equally significant reduction in production consumption. Prerequisites will be created for all LPG's and VEG's profitably to produce by the exploitation of their natural and economic production conditions.

More than hitherto will rises in yield and performance improve the economic results of LPG's.

On the other hand yield reductions, losses and unwarranted spending will also have greater effects. This will require management fully to take heed of the new cost and earnings conditions and to increase efforts for the improvement of the cost/profit ratio.

Some transitional measures in this direction have already taken effect this year.

Much support is given the introduction of a premium for the growth in crop and animal production cooperatives of market production not requiring outside purchases.

Up to 30 percent of this premium may be paid into the enterprise premium fund over and above the normal.

In creative application of Lenin's cooperative plan the SED Program characterizes cooperation as an essential feature of the party's farm policy.

That applies especially to the collaboration of crop and animal production cooperations and has been generalized in the "principles for the work of cooperation councils in socialist farming" of February 1980.

The greatest progress is achieved wherever the cooperation councils concentrate on such basic tasks as are emphasized in the draft resolution. Actually they aim at the largest possible market production not requiring any additional outlay, coupled with the greatest possible productivity and the lowest possible costs for each partner in the cooperation.

Socialist Conditions Imprint the Image of the Village

In this context many letters to the congress proposed that the cooperation councils should exercise a more lasting influence on the drafting of enterprise plans in order to produce balanced proportions of crop growing and animal husbandry as well as the agreement of interests as early as the planning process.

The establishment and use of common financial funds increases the responsibility of the cooperation partners for the unified reproduction process and balanced economic relations within the cooperation.

With the permission of their superior organs VEG's may participate in the establishment of the common reserve fund.

Workers, foremen and engineers, including many women and youths, in enterprises and combines of the foodstuffs industry provide a responsible contribution by processing agricultural raw materials with the greatest possible profit and at best quality and making available valuable raw materials for the food, light and chemical industries.

They deserve our recognition and sincere thanks.

Rapid advances in materials management, the preprocessing and processing of agricultural raw materials are particularly important for our economy.

It is imperative completely to process and increasingly refine agricultural raw materials.

The best possible materials management in the foodstuffs industry presumes close comradely collaboration in production, purchasing, transportation, storage, preprocessing, processing and selling. Cooperation associations have turned out to be very museful.

Cooperative farmers consider it an expression of solid confidence for Comrade Erich Honecker, general secretary of the SED Central Committee, in the Central Committee report to the Tenth SED Congress to have emphasized the following: "Our farm policy continues as set out in the SED Program to aim at perfecting socialist production conditions and consolidating the alliance between the working class and the class of cooperative farmers. We therefore intend increasingly well to utilize all the potential of cooperative property and further to strengthen the class of cooperative farmers."

This characterizes the class of cooperative farmers as having a firm place at the side of the leading working class in the further organization of the developed socialist society.

Now and in future their LPG's will imprint the image of the socialist village.

Good cooperative work and socially conscious action will raise the performances of the 3,969 LPG's in our country, perfect socialist production conditions, improve working and living conditions and gradually overcome any significant differences between the city and rural areas.

The LPG Law and Our Democracy

The new LPG law reflects the historical process of cooperative development. It documents the fact that in the GDR the glass of cooperative farmers, the LPG's and cooperative property are an indispensable part of the socialist society.

That is truly Marxist-Leninist alliance politics!

The new LPG law will be an effective guide and aid for the all-round application of all the proven principles of cooperative management consonant with the social and economic stage of development already achieved, and to constantly further perfect it, to make life and work in the villages better and more attractive.

Cooperative farmers are increasingly aware that their respected place in society, their prosperity and secure future is the firm base of our workers and farmers state.

From the rostrum of this congress we renew our affirmation of the firm resolve further and all-round to strengthen this our state at the side of the leading working class, and to protect and defend it against all imperialist plots. (Fervent applause)

This profoundly corresponds to our humanist vital interests and is our honorable civic duty. At no other time in history were farmers as a whole able to so completely back a German state.

We may do so because it is the first workers and farmers state.

Our words and deeds carry a great weight in this country.

We are prepared at all times to protect and defend our present and future achievements, given the leadership of the Marxist-Leninist party and at the side of the working class. (Long and fervent applause)

We farmers are not impractical dreamers. We know that the arms policy of U.S.imperialism and its NATO allies threatens peace as never before.

Our contribution to the steady strengthening of defense powers consists in good cooperative work just as in the further improvement of defense preparedness and the utmost vigilance in all sectors of social life. All that is a matter of honor for all cooperative farmers.

We have every prerequisite for steadily more effectively organizing cooperative democracy and--as proclaimed in the new draft LPG law--comprehensively developing the collective formation of opinion and resolve for the preparation, adoption and implementation of cooperative decisions.

Farmers are extremely responsible people and themselves organize their cooperative relations. They also work in the elected organs of our state power, in the councils for agriculture and foodstuffs industry as well as in the groups and committees of the people's representation and are actively involved in the management and planning of social development as a whole.

As Comrade Erich Honecker stressed at the Third Central Committee Plenum, the class of cooperative farmers has a great future, indivisibly linked to the education and training of young cooperative farmers.

It remains a fact that children's professional ambitions are largely affected by the educational influence of their parents. Every LPG must do its best to help here.

In close cooperation with parents, the schools, the FDJ and the Pioneer Organization Ernst Thaelmann, many LPG's do quite early on try to interest the children of cooperative farmers in choosing a farming profession, have them trained by experienced cooperative farmers and recruit them as members while they are still apprentices.

As always in the past 30 years our Free German Youth is a powerful force for keeping the LPG's young and having young people themselves develop initiatives for the all-round strengthening of LPG's.

Field of Action for the Energy of Women

The personalities of modern women farmers go far to illustrate the great revolutionary changes in our farming.

We are proud to say this: Many women farmers in crop and animal production are among the best in the socialist competition, are successful innovators and achieve much for all-round plan fulfillment. (Loud applause) They are therefore highly respected and merit our heartfelt thanks. (Long and loud applause) It is in the interest of every LPG to maintain and, if possible, increase the proportion of women working in crop and animal production.

As for crop production, our women farmers are increasingly useful in handling equipment. That serves the better utilization of their training and is also a precondition for the effective utilization of equipment and the completion of all work at the most favorable agrotechnical time.

The results achieved in animal production are not to be thought of without the diligent and responsible work of our women farmers, because one in two animal husbandry personnel is a woman. This must be valued all the more highly because working conditions here still tend to be hard and difficult. By way of rationalization we will resolutely create better working conditions for women farmers.

The greater role and status of women also means that even more female university and technical school cadres must be entrusted with management functions. Many women farmers, including 115 chairpersons of LPG's and directors of VEG's, constantly demonstrate their ability intelligently and prudently to manage collectives.

Just as the Tenth SED Congress said, women intend to contribute more than just hard work and skilled hands.

We consider it our obligation to deploy our extensive educational potential even more consciously for scientific-technical progress, the further rise in performance, effective politico-ideological work, a full and cultured life.

At the same time it will be necessary further to improve the "schools of cooperative labor," that have stood their first test in preparation of our congress.

It is imperative to encourage the abilities and skills needed for the unified reproduction process in crop and animal production.

Apprentices and students will therefore in future receive a comprehensive and relevant education in basic management and techniques. Only after that--if required--will they specialize.

The further education of management cadres and job-related training will be directed to the basic need to handle the unified reproduction process.

In this context we would like to praise our instructors, educationists and teachers in all educational facilities. We are certain that they will pass on their wealth of experience in order to teach even better craft skills in the course of theoretical and practical instruction.

Villages Where People Like to Live

It is part and parcel of all this that a young cooperative farmer who has learned to handle modern equipment should equally be able to handle a scythe and milk a cow manually, that he be able resolutely to put his hand wherever it is needed. (Loud applause(

Daily life in rural areas convincingly demonstrates how living conditions are changing in the course of the implementation of the main task along with the increase in output. Even more important: Cooperative farmers now enjoy social security.

That is the magnificent achievement of the triumph of Marxism-Leninism in the villages also.

The village is at once work place and residence.

Neat, properly cultivated fields and high quality livestock are just as much a part of that as nice houses, productive gardens and households, social, cultural and service facilities and decent stores. All this must be present to make what we call a "nice village."

It is among the great social achievements of our party that the sociopolitical program is fully effective for cooperative farmers too.

The new construction and remodeling of 55,000 housing units by 1985 will serve to improve living conditions for another tens of thousands of cooperative farmers and workers.

Our LPG's, VEG's and other enterprises of socialist farming spend more than M1 billion per annum--a notable sum--to improve working and living conditions. They could be even more effectively deployed in the interest of all villagers if the partners in cooperation were more fully to synchronize their efforts with those of the communal representations and all social forces in the village.

No villages or parts of them anywhere must be allowed to remain backward. The GDR is a densely populated country with highly intensive production in all areas. It has no superfluous villages or settlements.

Close cooperation with the local organs must serve to achieve further advances in health care, the utilization of creches and kindergartens, children's vacation facilities, the expansion of services and facilities for intellectual-cultural and sporting life.

We set great store by the cultural activities carried on in the more than 10,000 popular art collectives. They are particularly valuable for the development of personalities and the total climate in the village.

We welcome the continuing growth of the group of artists who nurture steady contacts with work collectives in LPG's and VEG's. This is having outstanding results in, among others, literature, fine art and music.

We are also glad that, for the first time now, before the congress, an agreement was signed by the Ministry for Agriculture on the one hand and the League of Graphic Artists in Germany on the other. We are looking forward to the Ninth GDR Art Exhibition with the highest expectations.

We are also convinced that the imminent cultural festival of socialist agriculture will inspire new impetus. It will be held on the occasion of the 19th Workers Festival in Neubrandenburg.

From the rostrum of our 12th Farmers Congress we may thus assert that the most significant differences between the city and rural areas will be gradually abolished in the GDR, consonant with the targets of the agrarian policies of the party of the working class. That is a magnificent achievement. (Loud applause)

All Together With the Farmers

We have remained faithful to the tried and tested principle of Marxist-Leninist agrarian policies--to discuss and carry out everything together with the farmers. Our farmers congress was prepared on a broad democratic basis. In the course of this many new initiatives and actions emerged.

In this period of time, led by the SED, the close cooperation of all those parties and mass organizations united in the National Front has proven its worth once again. Many reserves were developed, and this will in future too represent a powerful force for our march forward.

It is an impressive sign of the maturity of our socialist democracy that almost 850,000 cooperative farmers and workers (including many citizens not directly employed in farming) participated in the 6 months of public discussion of the draft resolution and the LPG law.

More than 34,000 cooperative farmers and workers attended and spoke at annual general meetings, district farmers conferences, labor union elections and many other public events.

The oral and written suggestions regarding the drafts of the 12th Farmers Congress documents resulted in additions to the draft resolution of the farmers congress and the draft LPG law.

We may therefore honestly claim that cooperative farmers and workers themselves helped write the drafts submitted to our congress. This also demonstrates the nature of our socialist democracy.

The course of this public discussion was a persuasive reflection of the approval and confidence of cooperative farmers in the successful policies of the SED and our socialist state.

All those actively involved in this discussion are hereby thanked by the committee preparing the 12th Farmers Congress. We are grateful for the many suggestions and proposals. (Loud applause)

At this our congress we are discussing the tasks and targets for the continuing successful implementation of the Tenth SED Congress resolutions in agriculture, forestry and the food industry. We are thereby confronting a great challenge.

We wish to promise Comrade Erich Honecker, general secretary of our party, the leadership of our party and our state that we will tackle this work with confidence and optimism, because we have all the necessary prerequisites for accomplishing our growing tasks in the 1980's too.

And the best guarantee, dear cooperative farmers, is offered by the unswerving alliance with the working class in our country, the powerful party of the working class, our SED. (Long and fervent applause. All rise from their seats. Cheers for the party and state leadership)

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## CEMA'S PROBLEMS, FUTURE IN WORLD ECONOMY ANALYZED

Budapest VALOSAG in Hungarian No 7, 1982 pp 1-14

[Article by Laszlo Csaba: "The Place of CEMA in the World Economy"]

[Excerpts] Since CEMA integration basically determines Hungary's external economic environment, of fundamental importance to Hungarian economic policy and foreign policy in making the basic strategic decisions for the 1980's is the question of what the position of CEMA integration will be in the world economy during this period. Will the economic policy of the CEMA community and of its member nations be characterized by a continuation or even intensification of the process of opening up to the world economy that began in the 1970's, or on the contrary will it be characterized by economic isolation, by a policy of increased "reliance on own resources"?

The answer is not unambiguous. In the economic literature it may be regarded as proven that an even more consistent continuation than in the 1970's of the process of opening up the CEMA countries' economies to the world economy, and--inseparably linked to this policy--the implementation of comprehensive economic reforms to create an economic and institutional environment adequate for such a policy, are the one and only sensible altrernative. In spite of this there appear from time to time in the political and ideological literature, and occasionally even in the economic literature, writings that recommend "closure," a reduction of the degree of "dependence on the West" that is regarded as excessive. Will not the slowdown of the process of detente and the worsening of relations between the superpowers--which can be expected to coincide, at least in the intermediate term, with a stagnation of East-West trade (as a result of the world economy's structural rearrangement)--make it necessary, desirable, or at least the inevitable consequence of a "necessary evil," for the CEMA countries to turn inward? This frequently asked question warrants that we inverstigate not only from the viewpoint of "what is desirable," but also in terms of a possibly objective and impartial forecast, the relationship between East European regional and wordlwide cooperation and its feasible extent, and that we outline--accepting also the possibility of error--the factors supporting the different external economic alternatives. The often barely perceptible differences between the possible and the real, the desirable and the probable, make this forecasting task exciting.

Interdependent Nature of Regional and Worldwide Integration Within CEMA

Hungarian economic research in the 1970's--both general theoretical research of the world economy, and specific research of CEMA--demonstrated that the processes of regional integration and of worldwide integration are parallel; i.e., that regional cooperation, which earlier seemed to be turning inward, has in a sense turned outward. This applies partially in a descriptive sense and partially in a normative sense. In a descriptive sense, to the extent that the intensification of the exchange of activities between the two world markets has increased, which is evident--among other things--in the rising dollar content of ruble-denominated export, and in the rising ruble content of caspitalist export that is due also to the material-intensive structure of this export. And in a normative sense, this turning outward has been formulated as a requirement of integration into the world economy from the side of export, in criticism of the one-sidedness of the CEMA countries' participation in the international division of labor. It has likewise been pointed out in the CEMA countries that the geographic transformation of the international division of labor, the characteristics of the key industries, a certain separation of the processes of microintegration from institutional integration, and finally the conditions for the successful "refinement" of the structure of foreign trade relatively diminish the role of the geographic and historical conditions, and relatively enhance the role of the market-specific and branch-specific factors in the international division of labor. As a result, regional cooperation can be interpreted only as an instrument of global world-market competitiveness.

Actually there was no question of regional isolation in the 1970's, although the objectives set in certain documents, and some statements by certain prominent authors could have created the impression that CEMA was aiming for isolation from the world economy as a whole, and that it was a hothouse offering protection from the shocks of the beginning of a new eara in the world economy.

This notion has nothing in common with the real economic processes, nor with the objectives jointly formulated by the CEMA countries and raised to the status of an international agreement. Under the present conditions of technical development and of the revolution in science and technology, no country, not even the largest one, can plan for complete technological self-sufficiency, not to mention smaller countries and hence the majority of CEMA members. As O. T. Bogomolov points out: "Trade between CEMA countries mutually accounts for only 6 percent of world trade, and therefore relations between CEMA countries are not as universal as relations on the world market. The well-known rules of pricing do not seperate this market from the world market to such an extent that a separate regional value (differing from the value on the world market) is created." Thus the prices that develop in commodity trade that constitutes 94 percent of world trade are the only realistic basis on which the CEMA countries can adjust the prices of their mutual trade, the more so because the CEMA countries trade not only between themselves mutually, but also with the developed capitalist countries and the developing countries. In other words this means that economic cooperation among the CEMA countries develops with due consideration for the world-economic (global) division of labor. In practice this means not only trade with non-CEMA countries, but also the application of the world market's instreuments and forms to relations within CEMA.

Today, in contrast with the situation four or five years ago, it is hardly necessary to prove that the processes of rearrangement in the world economy are of

significance also for the smaller European CEMA countries. The new relative prices, the worlwide structural oversupply of the products of many sectors due to the worlwide relocation of industries and to the maturing industrialization of the developing countries, the slow economic growth and "job-protecting" measures in the countries of Western Europe have created a new situation that cannot be regarded simply as another crisis in the business cycle (an hence capitalism's "internal affair"), because this situation directly (and unfavorably) affects also the CEMA countries. The 1981-1985 national economic plans that intentionally curb economic growth because of the external economic disequilibrium already indicate that this realization has become economic practice. The only exception is the GDR where the 1981-1985 economic plan calls for even faster growth than the impressive rise in national income and industrial output achieved in 1976-1980 (the new plan essentially repreats the original objectives for 1976-1980). It is not the purpose of this study to clarify the many questions and misunderstandings in conjunction with this. In the literature, however, the view is still maintained that for the Soviet Union that constitutes the core of CEMA, and unlike in the case of small countries, economic relations with the West (or foreign-trade relations in general) are of so marginal significance that they can be dispensed with and liquidated anytime a "need" (i.e., political decision) arises to do so. This argument, and the Soviet Union's size are usually cited to explain the disproportions between the CEMA countries' share of world output and their share of world trade.

An indication of unutilized opportunities for participation in the international division of labor in the case of the Soviet economy is the fact that the lower ratio of foreign trade to gross domestic product stems not only from the country's size, but also from the direction of economic development. In spite of this, the Soviet Union's external economic relations serve the realization of central objectives in conjunction with the development of the Soviet economy, including--among other things--the acquisition of additional capital necessary for the development of Siberia and the Far East. For this way it is possible to shorten even by one or two five-year periods (!) the realization of certain national economic tasks. The importance of foreign trade is increasing also in supplying the Soviet population with food and consumer goods.

An analysis of imports shows also that in the 1970's import played a significant role in the development of the Soviet chemical industry, transport and metallurgy. In 1976-1980, 15 percent of all new equipment installed in the Soviet Union originated from import, but in some important branches this proportion was between 16 and 50 percent. Noteworthy is the 20-percent Soviet import ratio of various fuels, raw materials and supplies; this included primarily special castings obtained by exporting standard castings, and also imports of large-diameter pipes used mostly by the petroleum and natural gas industry. Nor can we overlook the fact that farm and food-industry products and industrial consumer goods account for more than one-third of Soviet import (the proportion of imported industrial consumer goods on the market is 11.5 percent, higher than the 8 to 9 percent in Czechoslovakia, for example). Finally, also relevant is a relationship of Soviet economic history: in the Soviet Union, similarly as in other developing countries, technology transfer was an important factor during reconstruction as well as in the first phase of industrialization, and subsequently during World War II.

For the sake of a parallel, it will be interesting to note that although the wave of traditional isolationism has been periodically intensifying in the United States for decades, it has never led to actual American withdrawal from the world economy, for various considerations of domestic and foreign policy and perhaps even of ideology. The long-term decline of the United States' share of world trade (calculated from 1945 or 1950) merely reflects the abnormalitry of the base period. In the familiar manner and for well-known reasons, the volume of world trade reached its 1913 level only be 1963, and thus the data for 1945 or 1950, viewed in the light of a destroyed Europe and disorganized wrold trade, merely give a "distorted picture" of a United States mightier than it actually was. In spite of the domestic political efforts (to protect American jobs), it can be demostrated empirically that American import policy in the 1970's was more liberal than the much publicized import policy of Western Europe. To a large extent this explains why the United States remained the principal export market of the developing countries, despite the rising share of Western Europe. (In 1977, the United States absorbed 42 percent of the developing countries' industrial export to OECD countries.) In spite of the ideological indecision and the turning inward of the 1970's, the United States launched at that time its world-economic and world-political counteroffensive whose results now make de Gaulle's efforts to convert the European Economic Community into the third superpower seem almost unbelievable. And finally it is significant from the viewpoint of the relationship between foreign policy and the economy that the Reagan Administration, under the pressure of the farm lobby, lifted the grain embargo in the very midst of its ideological, foreign-policy and (again ideological or becoming so) military-policy offensive; it also rescheduled Poland's debt (on more favorable conditions and sooner than the American private banks) and concluded another long-term grain agreement with the Soviet Union. We believe that it would be unnecessary to prove here that the countries of Western Europe, particularly the Federal Republic of Germany, Austria and Finland are interested in "trading with the East."

Thus we must regard as entirely unsubstantiated the views appearing from time to time even today, in the Western press as well as in the press of the socialist countries, and attempting to present the system of East-West economic relations simply as a "slice of foreign policy" or rather as a secondary or dependent variable that clearly follows from the relationship between the "superpowers," even for the smaller or intermediate countries of Europe. Better substantiated, in both the descriptive and the normative sense, appear to be the sound assessments according to which "even if we assume that both the Warsaw Pact and NATO remain strong and pursue their original objectives also in the 1980's, this in itself will not determine the situation of economic relations between their members." In other words, "The cooling of relations between the Soviet Union and the United States does not have to overshadow the economic and political interests of the European countries to such an extent that they will be unable to assert these interests at all," and of course we can agree also with the assessment that it is necessary to develop a system of multilateral agreements as well, in addition to the bilateral relations. This is fully in accord with the efforts of CEMA and its member nations. The joint communique issued after the 1981 CEMA session held in Sofia, the April 1982 resolution of the MSZMP Central Committee, as well as the CPSU Central Committee's published assessment of the August 1981 summit conference in Crimea confirmed that the CEMA countries are striving for a

negotiated solution of the system of East-West relations, and that their interest is not of a short-term nature. Their set objective is not isolation from the world economy, rather an increase of the community's share of world trade, the increased comptetiveness on the world market of the products produced in the member nations, and consequently the member nations' further and increased participation in the system of global trade and economic relations. Today in practice this means--points out Willy Kunz, a GDR economists--that in decisions affecting East-West relations it is necessary to take into consideration the developed structure of the socialist countries' cooperation within CEMA, just as the decisions concerning CEMA integration are influenced by the individual member nations' developed relations with Western countries, and by the member nations' interests associated with these relations.

Then what alternatives are there for CEMA integration into the world economy in the 1980's? It can hardly be doubted that in every alteranative there will be a system of regional relations and one of global relations. The specific situation that has developed in East Europe at the turn of the 1970's into the 1980's can be summed up in the paradox that while the real economic factors act in the direction of turning outward, the institutional factors act in the direction of turning inward. On the basis of the experience of the 1970's, it is hardlly possible to answer this question as simply as the reform literature did in the 1960's, because the changes in the productive forces (the real sphere) unambiguously determine the given direction of change in the production conditions (institutional sphere).

This presupposes the necessity of adjusting to, and meeting the competition on, the world market. Besides the world-economic examples of uneven development's lagging branch (the United Kingdom and Argentina in this century, and China and India earlier), there is now also under socialist conditions the experience that specific and strong group resistance to institutional and personnel changes--if the group is able to assert its interests effectively--can successfully bar the abstract (valid only in historical persepctive) necessity of reconciling the productive forces and production conditions. Among the causes of the economic crisis in Poland, in addition to the excessive indebtedness (at a minimal return), overinvestment, and an arbitrary agricultural policy that discriminated against private farmers, the 9th Extraordinary Congress of the Polish United Workers Party identified as the most important cause the conservation of the traditional and rigid command-directed economic mechanism that is unable to utilize the modern productive forces. In other words, the former [sic] "reacted" here independently on the "basis," i.e., on the real processes. The economic mechanism--established the Polish party congress--formed economic policy in its own image.

Thus also practical reasons warrant the investigation of the mentioned paradox because the possibility of growing regionalization cannot be excluded, especially not if the process of detente breaks down drastically. But at the same time it should be borne in mind that no regional bloc has ever broken off relations with the world economy, not even during the years of cold war. At that time the umbelical cord to the world economy was preserved as a life-giving element, although significantly distorted and restricted to a fraction of the economically warranted level. Thus we do not have to anticipate the severing of this umbelical cord, not even in the case of a variant that calls for turning inward. Let us review the possible "points of linkup" between CEMA and the world economy, for both principal variants.

CEMA Turning Inward (Motives and Points of Linkup)

This alternative could occur in either of two cases: If drastic international political or military actions are taken that result in upsetting in international relations the system of formal and informal treaties, agreements, customs and communmication that has evolved since the 20th CPSU Congress and can best be characterized as peaceful coexistence. Or if, for a variety of reasons, the system of managing the economy in the overwhelming majority of the CEMA countries changes also in the 1980's only within the traditional limits, and hence the qualitative characteristics of the mechanism of integration remain unchanged. Here it is important to call attention to the fact that the traditional centralized system of managing the economy, when "left to itself," reproduces autarchic tendencies.

It will be remembered that the command-directed system of economic planning and management was created to serve the economic-development strategy of a large country, with extensive resources, striving for self-sufficiency. This too contributes to the partially conscious and partially reflex-like preference for solutions that lend themselves to planning and can easily be implented through directives, which leads to a tendency to minimize the "unplannable" and "spontaneous" effects of foreign markets. Considerations of plannability (which often equate with the administrative-technical considerations of accountability in physical units and of the "identifiability" of the responsible institution) and of the security of supply unquestionably have preference in decision-making over any cost-benefit analysis, regardless of what dimensions and indicators are used to approximate the latter. This is made possible by the absence of feedback between the foreign market and domestic market, and by the subordination of the price system (and of money relations in general) to the plan's objectives in physical units. This follows from the entire mechanism's concept, specifically from attempting to transform the socioeconomic structure not by adjusting to the requirements of the market, but by deliberately rejecting the solutions induced by the requirements of the market, solely in accordance with the formulated objectives and considerations. An unavoidable concomitant of the given macroeconomic solution is that the absence of a price system capable of accurately reflecting the criteria of microeconomic efficiency and the shortages, and of helping the enteprises to adjust to the demand, also means the absence of a yardstick (measuring system) that could ensure the perspicuity and objectivity of the central decisions. This explains why the mentioned physical considerations (plannability and security of supply) decisively persist even after the "perfection" of the traditional system of economic planning and management, when management of the economy assigns an active role to monetary categories (the extent of this active role differs by variants). A good example of this is the intensification in 1974-1981 of the efforts in every small European CEMA country to build an uneconomic but domestic energy base for considerations of the security of supply; and also the continuing preferential import-substituting development of the basic materials industries, which likewise proceeded in parallel during the mentioned period, despite the different levels of economic development and the different comparative advantages in the individual countries of Eastern Europe.

The system of national economic balances, which unalterably remains the basic tool of national economic planning in the individual CEMA countries and is unavoidably

import-oriented due to its construction and techniques, likewise tends toward "internal" solutions. And finally the worsening balance-of-payments problems, the widening gap between the rising cost of import (be it technology, individual parts or special materials) and the material-intensive export that often consists of standard mass-produced goods and is uneconomical or has a declining economic efficiency due to oversupply and competition, will in the short term raise the idea of import restrictions in every country of the world, because this seems to be the most simple and most effective solution. And if within the community the frequency of shortfalls in internal trade in hard commodities increases, due to the parallel shortages of production capacity and parallel balance-of-payments deficits, and despite the introduced stricter conditions and sanctions, then this--in the case of raw materials and supplies, as well as of parts--will unavoidably lead to the practice of import substitution also in the socialist countries (or has already led to this practice in 1976-1980). This manifested itself at the state level in the already mentioned uneconomical and environment-destroying development of coal mining, and at the enterprise level in the intensification of autarchic efforts to "integrate" the parts producers, coproducers and manpower, i.e., to ensure supply through organizational measures. Most CEMA countries officially supported this process, through mergers and the establishment or reorganization of the intermediate managing organs. In Hungary, contrary to the intentions of the government and to the logic and principles of the economic mechanism, this process took place for similar reasons but "spontaneously," i.e., on initiative from below. Therefore it is not surprising that in the economic literature, as a reflection of the mentioned processes, there have again surfaced notions that regard the CEMA countries' economies as "excessively open." These notions of course do not have much in common with the real processes, as evident from the following data:

| Country | Share of export in output of engineering industry | Share of import in supplying production needs of engineering industry |
|---|---|---|
| Czechoslovakia | 28.4 | 22.3 |
| Belgium | 66.5 | 70.9 |
| Netherlands | 58.0 | 64.9 |
| Sweden | 51.4 | 42.1 |
| Austria | 48.5 | 61.5 |

Those who speak of "excessive openness" usually do not have the above international proportions in mind (Karel Zeman, the Czechoslovak economist, presents numerous other international comparisons in his cited excellent analysis, rather their starting point is the (given) economic potential of the CEMA countries and their limited ability to adapt. They point out the difficult situation of the world economy, the slow economic growth of the countries of Western Europe, and the intensification of competition for the slowly expanding markets. Prominent authors who did not participate in the debate likewise predict for the first half or second third of the 1980's a continuation of the crisis phenomena, a prolonged recession, a rise in the relative prices of fuels, a perpetuation of the monetary uncertainties, and a further growth of regionalization (regional isolation). And if we accept the two premises regarding adaptability and prospects, then the European CEMA countries will have no place in the international market (even if we disregard the possibility of an

intensification of the international situation), especially not if for ideological reasons we rule out the paths of development that are based on transnational or other direct import of working capital.

Although nobody expects East-West relaticns to break off, two possible directions of economic development are taking shape:

1. If we view with exceptional optimism the future possibilities of the division of labor within CEMA, we do so because the demand for changes (or the compulsion to change) makes a real breakthrough in the forms and possibilities of cooperation not only desirable but also probable in the first half of the 1980's. This change, the details of which will not be discussed, would be the basis for the Soviet Union's continuing to supply the bulk of the small CEMA countries' energy needs, i.e., for maintaining regional energy self-sufficiency. In exchange, Hungary and several other countries with favorable conditions could help to accelerate the integration of agriculture within CEMA. The agricultures of these countries would specialize primarily to supply the needs of the Soviet Union and of the other partner countries, and they could help to eliminate the unsolved agricultural and supply problemns of certain member nations also by specializing in the production of light-industry products and industrial consumer goods. It should be noted that not only socialist but also Western authors have regarded as likely that the Soviet Union, for political reasons, might increase its export of petroleum and other fuels to Eastern Europe, although an analysis of the real processes does not support this possibility.

2. If we extrapolate the present situation, or in other words the difficult situation of both world markets, then under the present conditions a "gradual devaluation of national labor," due to the differences between the structures of export and import, appears unavoidable in both principal destinations. In this case a reduction of the volume of foreign trade and the optimization (meaning a genereal restriction) of the openness of the economy would seem the only feasible solution in practice.

A certain disillusionment with economic reforms supports the alternative of turning inward. This is usually illustrated with the fact that the effects of a change in the system of economic management are statistically less conspicuous at first glance (there was hardly any significant difference in the growth of national income in the GDR between 1966-1970 and 1971-1975, and in Hungary between 1966-1970 and 1971-1975). It is contended that "there is no statistical evidence to prove that one or the other practice of economic management has resulted in a conspicuously faster economic growth or a smaller balance-of-payments deficit." Aside from identifying one system of economic management as the Czechoslovak system and the other one as the Hungarian system, generally no attempt is made to analyze the essence of the two systems and the differences between them. The conclusion is frequently drawn that the individual new solutions for economic management must first be subjected to experimental verification, and that primarily structural policy and economic strategy are suitable for overcoming the shortcomings that are hampering the effects of the economic mechanism. It is common knowledge that in the case of CEMA we cannot speak of an absolute shortage of fuels and raw materials. The key problem of the CEMA countries' long-term supply with the most important fuels and raw materials is not the paucity of mineral resources, and thus from the "real economic" viewpoint the regional solution is feasible if we disregard the economic effectiveness of extracting the

mineral resources, the need to advance the huge capital necessary for this purpose, and the availability or absence of the technology required under the conditions in Siberia.

It is likewise common knowledge that the CEMA countries' enterprises know very little about one another. Among other things, the sorry state of the flow of documentation and information explains why the technical development sections of the enterprises know relatively very little about the technical achievements in the other countries and the Soviet Union in particular, and why even today they are planning and developing on the basis of the traditional Western (mostly German) standards and technical advances. This, among other things, explains the still existing significant difference in the results of Soviet basic research and applied research. According to certain analyses, the Soviet Union's technical potential could be the basis for borrowing the most advanced technical results, for the modernization of industry in Hungary or in the small CEMA countries in general. Furthermore, since a widespread view holds that the reasons for procuring capital goods from the West are often only snobism, an official trip to the West or personal payments by the Western vendor companies, there are great possibilities to substitue socialist cooperation for unwarranted capitalist import, by stepping up socialist market research and tightening civic discipline. (This question, incidentally, is being investigated by several work groups, in the individual member nations and at the CEMA level.) There are untapped latent reserves in developing complementary territorial structures; in the elaboration of international regional programs; in developing the integration of transportation with due consideration for the potential developmental opportunities of the Soviet Union's individual eastern economic regions; in the closer inclusion of Kazakhstan, the Trans-Caucasus, Western and Eastern Siberia and of the Far East economic regions in the socialist international division of labor, etc. The fairly widespread view that the development of external and internal disequilibrium is not conducive to economic reform in the CEMA countries tends in this direction. In the opinion of many, it is not in the Soviet Union's interest to join the International Monetary Fund and the World Bank, nor can the small CEMA countries gain much by doing so. Currency convertibility, the long-term objective demanded by the IMF, is a monetary change that in itself will produce very meager results at immense cost in the social and economic spheres; and it also presupposes upsetting the entire system of economic management developed to date, as well as the "subordination" of the objectives of economic development to the demand of the capitalist world market. Instead of pondering how to gain access to new sources of credit, we have to reduce our excessive dependence on capitalist credits. In the 1970's Western banks rated the CEMA countries as better credit risks than the developing countries, specifically because the CEMA countries' direct control of the economy enabled them "to implement quickly and decisively the unpopular measures necessary" for adjustment (meaning the repayment of the loans). Prior to the developments in Poland, then, this appeared as an advantage of the traditional system for managing the economy, one that could play a significant role in fulfilling the principal task of the early 1980's, the rapid restoration of external economic equilibrium. In 1979-1980, for example, the CEMA countries were able specifically for this reason to curb import by such methods, and to improve the export-import ratio of their foreign trade. (This latter statement applies also to Poland through November 1980: the export-import ratio rose from 77.6 percent in 1978 to 84.6 percent in 1979 and 93.4 percent in November 1980.) And finally, the alternative of turning

inward seems to be supported also by an assessment of the world political situation which holds that the socialist community "overextended" itself in supporting the national liberation movements, and that consistent restoration of economic equilibrium requires a reduction of such commitments. In this case, however, the interest of the CEMA countries in the international (global) forums discussing the North-South problems will be reduced to a minimum, because their resources are more limited than previously.

CEMA's Turning Outward

This alternative differs from the preceding one in that the possibilities and facts are linked together in a different ratio, in addition to the ratio of the world-economic to the regional processes. When speaking in general of this alternative, it must again be admitted that the possibilities and factors discussed above could indeed contribute to an intensification of regional cooperation, raising numerous new possibilities of such cooperation. But the actual realization of these possibilities would necessitate the same changes in the CEMA countries' systems for managing their national economies, and in the mechanism of economic integration, as have been formulated since the mid-1960's in several CEMA countries by many authors but actually are not yet in place. The starting point is the assumption that, for a variety of reasons, a comprehensive reform of CEMA cooperation will not be realistically feasible through the mid-1980's, and that simultaneously the system of East-West relations will be characterized by conditions of peaceful coexistence, even though we will not be able to speak of a policy of detente (especially not in the original sense of this word). This alternative fits in with an intensification of the elements of military and ideological competition between the two world systems, but it presupposes reecognition of the system of mutual interdependence and mutual interests and, consequently, also that all interested parties will refrain from any military or political action that could lead to a break in the system of international relations that developed during the past quarter century. Furthermore this alternative also presupposes that the economic sphere will remain relatively independent, and that the bilateral and multilateral relations made possible by the individual countries' interests will not be subordinated automatically to "intersystem" conflicts and instead will exist as stabiliizing elements of the system of international relations. In this case we can expect a continuation and intensification of the processes begun in 1975-1980, and optimally (in the normative sense) even a slight modification of these processes. From the economic viewpoint this would mean that, unlike under the previous alternative, not the process of closure into the region would continue, but the trend of "import substitution" in the opposite direction, i.e., the member nations would obtain from outside the community the commodities (for example, raw materials, fuels and grain) that previously they procured from CEMA partners. This ties in with the fact that further expansion of the production of raw materials and fuels in the Soviet Union has objective limits, and thus Soviet deliveries to the smaller CEMA countries will not increase but periodically will even decline, or shortfalls from the mutually reconciled level will continue; this is something we must definitely reckon with.

The targets of the Soviet Union's five-year plan for 1981-1985 essentially allow for the stagnation or minimal growth of petroleum and coal production. Therefore some Soviet forecasts anticipate that while the small CEMA countries' energy

consumption was 580 million tons of standard fuel equivalent in 1975, of which 70 percent was from within the community, and 780 million tons in 1980, including 60 percent from within the community, their demand in 1990 will foreseeably be 1.0 billion tons, but only 50 percent of this will be produced domestically or imported from other CEMA countries. On this basis O. T. Bogomolov states: "The problem of raw materials and fuels must be solved not by itself, but by taking into consideration the development of other sectors, particularly the input/output ratios of the machine industry, and by investigating the feasibility of cooperation with developing countries."

Soviet economists have been emphasizing for years that the European CEMA countries can solve their energy problem only through cooperation with developing countries. If in addition to this we take into consideration also the fact that the Soviet Union's proven reserves of petroleum are estimated at 11 percent of the world total but its share of the world output of petroleum is 18 percent, furthermore that in the European CEMA countries there are not many fuel deposits that can be developed at low cost (and the ones that do exist can be extracted only under worsening conditions and at rising costs), and that the further expansion of production seriously threatens the ecological balance in several CEMA countries, then there truly appears to be no solution other than to increase the proportion of fuel procurement from countries outside the community. But at this point we must separate the entire question into two parts: the question of energy, and the East-South question.

So far as the energy intensity of the national economy is concerned, this obviously is not something determined by the given natural and technical conditions. International comparisons show that the CEMA countries' energy demand (aside from the fact that it increased by 30 percent in the 1973-1978 period, while the energy demand of the OECD countries stagnated) exceeds the energy demand of Western Europe. The energy intensity of economic growth in the CEMA countries in 1978 was mostly higher than in the notoriously energy-devouring and wasteful American economy, and several times higher than in Switzerland, representing the comparable small countries. This can be attributed to two factors. First, to the high proportion of energy-intensive sectors in the international comparisons (which, incidentally, is not in accord with the comparative advantages of smaller countries). And secondly, to the use of gross indicators in the system of economic incentives, which unavoidably leads to material-intensive and energy-intensive production.

Consequently the energy intensity of the national economy can be reduced considerably through the instruments of structural policy and economic regulation. This is confirmed, among other things, by the development in Hungary in 1979-1980. At that time the prices of fuels and raw materials were set more or less at the cost level of their most expensive import, and in two years energy consumption dropped by 6 and 4 percent respectively (of course the stagnation of national income in 1980 also must be taken into consideration). If energy conservation becomes a definite policy in the CEMA countries in the 1980's, then--in combination with the slower economic growth and with modernization as well--there probably will not even be any need for the fuels and raw materials (or for the bulk of their volume) that were to have been imported from developing countries. However, energy conservation requires installations and technologies obtainable for the most part only in the West.

Concerning the relations established with developing countries, these relations could hardly be directed predominantly toward the procurement of raw materials and fuels. The most important new feature of these countries' economic development during the past 15 years has been their increasing participation in the international division of labor in industry. The newly industrializing countries have repudiated in practice the old doctrine that it is not possible to overcome backwardness, especially not under the conditions of dependence on the capitalist world economic system. Because this view agreed with some interpretations of Marxian political economy, for years the CEMA countries barely took notice of the developing countries' successes in industrialization. In Hungary, as late as 1981, some authors essentially denied the existence of newly industrialized countries and their obvious export successes. Thus in their economic policies the CEMA countries viewed the entire East-South problem merely as a question of aid, or of supplementary sources for the procurement of raw materials.

In their relations with developing countries, then, the CEMA countries have to make up for past omissions primarily within the framework of the international division of labor in industry. Since most CEMA countries have exhausted their manpower reserves, the effectiveness of their national economies could be increased by joining the process of the international relocation of industries, and by procuring regularly and long term from developing countries the labor-intensive commodities, and also the material-intensive semifinished products that developing countries are able to produce with a comparative advantage. This of course will require a trade policy in which the up to now dominant ideological considerations are replaced at least partially by considerations of economic dynamism. This cannot be regarded as a political concession, because it would enable the CEMA countries to participate in the North-South dialogue with initiative, matching their words also with deeds. All this, however, will remain desirable rather than probable in the first half of the 1980's.

Credit is the sphere in which CEMA is linked spectacularly with the outside world. One can agree with the American prediction that credit will remain a permanent and important area of contact between East Europe and the world economy in the 1980's, even if attempts to solve Poland's indebtedness drag on without success. It is very important to note that the 88 billion dollars of gross debt that the CEMA countries piled up by the end of 1980 cannot be regarded as excessive internationally because that year the combined debt of Brazil and South Korea, for example, matched that amount. At the regional level the mentioned total is not excessive, especially in view of the fact that the community includes the world's largest producer of petroleum and gold. The problem is rather that the CEMA countries seem to have used a substantial proportion of the external credit resources not to modernize their economies and to organize the production and marketing of goods that can be sold on the world market, but to maintain in 1973-1978 their inward-turning economic growth, to offset their balance-of-payments and budgetary deficits, and to finance maintenance of the level of consumption and the terms-of-trade losses. This is why the servicing of their foreign debt has already caused problems for some CEMA countries and could cause similar problems for other CEMA countries in the future. Primarily Romania's situation has become difficult: that country's debt of 10 billion dollars could increase to 16 billion in 1982, and this necessitated in March 1982 a rescheduling of Romania's debt in the same way as in the case of Poland. According to Western estimates, the German Democratic Republic has to repay more than 4.0 billion dollars in 1982, which likewise seems a very difficult task.

Over and above this, the measures that the CEMA countries introduced in 1978-1981 to arrest the growth of their indebtedness have up to now been mostly of a defensive nature; i.e., the improvement of their balance of trade stemmed predominantly from curbing the growth of their import, or from its absolute reduction. Czechoslovakia, the GDR and Poland at their party congresses in 1981, and Romania at the Communist Party Central Committee's economic work aktiv (in July 1981) formulated strict import-curbing plans through 1985. Similarly in Hungary, one explanation of the modest targets for economic growth in 1981-1985 is economization on imports, because at a slower rate of economic growth the import elasticity of economic growth is substantially lower. It is a known fact that up to now in Hungary the principal factor in the spectacular improvement of external economic equilibrium has been the growth-slowing limitation of import, and an improvement of the production structure has been a factor to a lesser extent. However, some comments can already be made regarding the short-term emergency measures introduced so far:

1. The CEMA countries, despite their tight domestic energy situation, were able to increase in 1977-1980 primarily their export of sources of energy (in export to Common Market countries, the share of sources of energy doubled while the share of machinery dropped from 13 to 10.4 percent in the export of small CEMA countries, and from 2.6 to 2 percent in Soviet export). A further increase of this share in 1981-1985 will hardly be possible, in the absence of adequate export allocations.

2. Even the traditional agricultural exporting countries (Bulgaria and Poland) found it difficult to expand agricultural export in 1981. With the Southern European countries joining the Common Market, in the intermediate term these marketing difficulties will increase.

3. The CEMA countries' export of industrial goods is concentrated mostly in the "sensitive" or crisis industries (textiles, metallurgy, shipbuilding, and automotive industry) where protectionist measures can be expected because of oversupply.

4. Due to changes in the terms of trade within CEMA and the Soviet Union's increasing efforts to balance trade, more diversions will not be possible from the allocations for export within CEMA.

All these factors will probably mean a further increase in borrowing. Finance Minister Krzak predicts that Poland's foreign indebtedness will be 33 billion dollars in 1985. Especially a structure-changing offensive adjustment policy cannot be imagined without further borrowing. Therefore the estimate that the CEMA countries' total indebtedness of 70 billion dollars at the end of 1979 could even double during the 1980's provides food for thought. However, this is not merely a mechanical projection; it presupposes that the system of economic, domestic- and foreign-policy conditions for the outward-turning, export-oriented alternative will be ensured by both East and West.

In conjunction with the process of foreign indebtedness, it is often suggested that the CEMA countries become members of the international monetary organizations. The comment seems justified that so far the multilateral international organizations such as GATT and UNCTAD, for example, have been able to fulfill the CEMA countries' expectations only to a small extent. But from this it would be

hasty to conclude that, in addition to Hungary's recent accession, they are unlikely to join the IMF and the World Bank. In the CEMA countries there is growing awareness that the extent to which they are "at the mercy" of private banks is no less, but the conditions for borrowing or a possible extension are much stiffer than when dealing with multilateral international monetary institutions.

The consideration also arises that political blame for unpopular restrictive measures can be shiften on the IMF. Membership in the World Bank would simultaneously enable the CEMA countries to expand their export of infrastructural, agricultural and educational systems to developing countries where there is an effective demand for such systems. Finally, a loan from the INF in a difficult situation can enable a country to avoid the lengthy wrangling that keep it on the brink of technical bankruptcy, as in the case of the negotiations between Poloand and its 460 private creditors that lasted until February 1981 and partially even until April 1982. (Usually not even the ominous American banks "review" the conditions set by the IMF, as they did in the case of the loans made to Poland.) Therefore several CEMA countries are considering the idea of a truly global international monetary system. The aspirations and considerations raised in the professional press more than 15 years ago, the many reforms won by developing countries within the international monetary organs, their active credit policy, and also the latest experience with adjustment into the world economy as outlined above--all this led to where Hungary and Poland applied for membership in the IMF and the World Bank in December 1981, following in the footsteps of Romania, Laos, Vietnam, Cuba, China and Yugoslavia. This long overdue step contributed toward making the international monetary system universal, and toward the formulation of also the CEMA countries' interests within the newly forming system. In the long run also the Soviet Union's membership would be desirable in principle, because without the Soviet Union's participation the international monetary system would not be truly universal. At the same time, however, the question of the Soviet Union's membership carries different weight than the membership of the small CEMA countries, and even America recognizes that the Soviet Union's world position must be respected as a precondition for Soviet participation.

Finally, the question of currency convertibility also belongs in the circle of problems concerning a truly global international monetary system and CEMA's participation in it. The monetary chapter of the CEMA Complex Program raised the question of transferability and convertibility in relation to both the national currencies of the CEMA countries and the transferable ruble. Extremely different views developed on this question. In the opinion of some authors, the CEMA countries' common currency is already a real instrument of multilateral clearing and fulfills all functions that can be expected of it. Others point out that the currency nature of the transferable ruble is perefunctory and limited, which necessarily follows from the bilateral barter agreements and from the separation of the foreign and domestic markets. Regarding its future prospects, many ideas have been formulated, ranging from a convertible ruble that has a real Euroruble market, to the view that even 10 years after the adoption of the CEMA Complex Program still regards transferability within the community as an "interesting long-range question."

Because of the interrelations discussed elsewhere, I personally believe that the establishment of convertibility, or even of real transferability, would not be

timely in the first two-thirds of the 1980's. Convertible-currency trade within this framework ensures truly multilateral trade within CEMA and a direct link to the world market only to a limited extent (for ad hoc transactions) and partially (only to the extent of the credit balance not offset by the end of the fiscal year). However, limited external convertibility of individual national currencies might be achieved in the 1980's. Romania's official efforts in this direction are an obligation imposed by IMF membership. For these efforts to gain real substance and for the uniform exchange rate introduced as of 1981 to acquire an economic function, however, different and more profound changes in economic management are necessary than the "new economic and financial mechanism" introduced in 1978 and the changes (in themselves warranted) as of January 1982 in the price system for farm products and consumer goods. In Poland, if the political situation permits a comprehensive economic reform, the controlled-market system will make possible also the realization of the resolution that the 9th Congress of the Polish United Workers Party adopted for making the zloty convertible (although it will be more like the Latin American convertible currencies than the convertible currencies of Western Europe). Hungary introduced a uniform exchange rate in 1981 and will declare the forint convertible in 1982.

In its advanced form, the convertibility of national currency is a monetary category that summarily reflect the changes in economic policy, system of economic management and institutions that constitute the basic content of economic reform. The economic mechanism's decentralization, or more accurately the replacement of a system of management that at present is still based more on the plan or on the administrative hierarchy, on relationships of direct dependence between the enterprises and state administration, with a system based on the independence of ventures. In other words, from the viewpoint of the domestic economy it express a monetary integration that replaces the economy's hierarchic integration. And from the viewpoint of the extrenal economy, convertibility in its advanced form would reflect the integration of the individual CEMA countries' economies into the world econmy.

Since 1929, only a few countries that are the strongest participants in the world economy have been able to achieve absolute (complete) convertibility of their national currencies. For other countries with convertible currencies, only a lower level of convertibility--burdened with numerous restrictions--proved feasible, and even this they were able to achieve only gradually. For the CEMA countries, therefore, convertibility is primarily a macroeconomic orientation point, a compass for the further development of economic management. For Hungary, declaration of the forint's convertibility, limited for the time being, is feasible: the Hungarian National Bank will convert into any desired foreign currency the credit balances of exchange foreigners against any item of the balance of payments, if the exchange foreigners do not wish to spend their credit balances on any merchandise of their choice in Hungary. Since 95 percent of Hungary's import denominated in convertible currencies is paid for in cash, in this first step toward the forint's convertibility one must take into consideration that de facto convertibility already exists for Western businessmen as well as tourists, because they can spend their credit balances in the same way as exchange nationals, respectively they can be paid for their services in convertible currencies. Further substantive expansion of currency convertibility beyond this limited convertibility in the future will require two different sets of measures:

a. In the short term, sweeping relaxation or liberalization of the exchange controls that apply to citizens and are outdated to a large extent, and whose maintenance is no longer warranted. This is not an essential element of convertibility in the sense of financial procedures, but it is in a political sense, so that wide population strata can associate the declaration of the forint's convertibility with tangible advantages for themselves, and also that this sound economic-policy effort may gain public support.

b. In the intermediate and long term, realization of measures that will develop the economic content of convertibility as summarized above, and which will reinforce the economy's monetary integration. The most essential of these measures--raised in the economic literature some time ago or more recently, and still being studied by the state adminmistrative organs as abstract possibilities--are as follows: (1) Introduction of a value-added tax. (2) Development of a system of institutions for the flow of capital. (3) Further significant decentralization of enterprise organization and of the organization of enterprise supervision. (4) Further development or reform of the present simulated "competitive price system" into a market price system that is based on linking the domestic prices to the real prices on the world market, and on domestic and import competition. (5) Changes in the wage system that are related to the price system and the system of taxation, primarily the introduction of gross wages. (6) Raising the present below-average level of the exchange rate to a marginal exchange-rate level determined by the enterprises exporting under the least favorable conditions (approximately a 10-percent band). (7) Limiting the state budget's investment activity to the nonproductive infrastructure. (8) Institutionalization of such economic-policy behavior on the part of the government that is willing to adopt also effective measures for the discontinuation of unprofitable production, thereby making adjustment to the market the "norm" for enterprise behavior.

From the preceding it obviously follows that these measures--similarly as the declaration of the forint's convertibility--make sense only in context with the realization of CEMA's outward-turning strategic alternative that develops organic links with the world economy. Turning inward--as this can be demonstrated in economic history as well as logically--presupposes and leads to economic-management solutions of the command-directed type or to their gaining further ground. (In the 1970's, when these forms persisted and partially because of them, the CEMA countries were unable to integrate into the world economy from the export side.) If the interests associated with maintaining the developed structures and institutions unchanged gain the upper hand, or if foreign-policy or military-policy actions occur that do not take the economic interrelations adequately into account, then CEMA could adopt the alternative that has been characterized as turning inward. But it should be clearly realized that this type of development in the 1980's can be only a temporary detour; its occurrence would lead to a greater lag behind the world economy and to an intensification of social tensions.

If the CEMA countries are able to withstand the competition in the world economy and to successfully adjust to it, then integration into the world economy will proceed parallel with regional integration. The CEMA countries can join in the international division of labor from the side of export if regional integration becomes an instrument of export orientation. Then joint solutions to improve the

competitive factors other than pricing, and the development of joint marketing and sales networks will shift to the forefront of attention. The alternative of turning outward presupposes certain changes in the systems of economic management: then credit relations, the establishment of a division of labor in industry with the developing countries, and--partially as the realization of specialization agreements within the framework of long-range target programs--the importation from the advanced capitalist countries of technical and commercial results, and of parts and special materials that cannot be procured economically within the region, as well as the accession of additional CEMA countries to the international monetary organizations will constitute the points of linkup with the world economy as a whole. But if the economic mechanism's traditional system survives nationally or internationally, or if international political relations take a drastic turn, an inward-turning alternative also could develop. In this case relations with the world economy would be maintained out of necessity or to wind up previous relations, and they would consist primarily of imports of strategic raw materials, feed, grain, and--in a roundabout way--technology, particularly from Western Europe.

It should be pointed out that the alternative of turning inward is nothing new; it would merely mean an extension of the economic policy of import substitution that the CEMA countries have been pursuing for three decades. The contention is entirely untenable that a course of this type acts in the direction of "reducing our dependence" on the capitalist world economy, and especially that it actually can produce this result. One must not forget that the arguments in favor of this alternative mostly assume the existence or future occurrence of conditions that actually do not exist, without being able to justify such assumptions. And finally we must bear in mind also the social and economic tensions that would be unavoidable in the case of a defensive solution. Even at the cost of great sacrifices, then, this alternative does not show a realistic, dynamic, appealing and truly socialist perspective within which the productivity competition with capitalism could actually be won.

I personally find it hard to disagree with B. Averchenko's standpoint when he expounds that the socialist countries are not isolated from the events occurring on the rest of the globe, and that they cannot be indifferent to the fate of entire mankind. In "intersystem" relations, therefore, mutual accusations must be replaced by efforts to find practical solutions for the most pressing problems. This foreign-policy approach can create for the CEMA countries the environment for an offensive economic strategy. Without it, an inward-turning and lagging CEMA community's growing influence on world trade would be difficult to imagine, yet such growing influence is essential to substantiate an offensive foreign policy.

Besides the social and economic tensions, also the hopelessness of turning inward provides food for thought. But a CEMA organically integrated into the world economy could be an important guaranty of creating a new economic world order.

1014
CSO: 2500/333

ENTERPRISES DEVELOP NEW EXPORT PRODUCTS

Budapest MAGYAR HIRLAP in Hungarian 3 Aug 82 p 8

[Text] Amid foreign marketing conditions which are even more difficult than before, our industrial enterprises are making an effort to develop new products for which there is a brisk demand abroad. They are endeavoring to make more rapid use of research results, to perform more intensive market research work, and to improve the organization of overall production conditions.

The most successful product of the machine tool factory of the Csepel Works is now the Yashda processing center. When they decided at the factory to manufacture a precision machine tool complex with microcomputer automation, they opted for a Japanese license among the many foreign offers. They rapidly adapted the manufacturing technology, sent specialists to Japan for training, and made the prototype, which was soon successful. At last year's EMO [expansion unknown] machine tool exhibit in Hanover, and at the recently concluded biennial in Paris, foreigners spoke with praise of the new Hungarian product, which meanwhile received the annual spring BNV [Budapest International Fair] grand prise. The first purchaser of the Yashda equipment was a French firm, and since then they have given their order to Technoimpex for a third processing center.

The Labor Equipment Industry Works, which also has independent export-import rights, has for long been delivering for export various kinds of laboratories for institutions of higher education. This equipment is well known in the Soviet Union, Peru, Brazil and Mexico. But now for the first time the Esztergom factory has received an order for export of complete technical schools to Nigeria. In the sense of the contract it will send to the African country in the next 2 years nine schools giving secondary-level technical knowledge and all the laboratory and workshop equipment in assembled or planned condition. In these laboratories the students can acquire mainly natural science knowledge, and therefore a great part of the equipment is for instruction in physics, chemistry and biology. In order to deliver the order, which is worth 11 million dollars, in good quality and on time, other industrial enterprises were entrusted with the manufacture of many different kinds of tools and apparatuses.

The Hodmezovasarhely Agricultural Machine Manufacture Enterprise is seeking to find new buyers for its products by organizing on site machine and production demonstrations. With these, they want to deomonstrate the equipment level. They first signed an agreement like this with a Near East firm, and recently on a 50 hectare area, during the working day, they introduced their tomato and potato cultivator production line. The prospective purchasers could try out

the equipment for preparing the soil, sowing, preparing the seed beds, and for using rotary weeders and sprinklers. The trial period proved successful, and the partners have already sent in their purchase orders. Within several weeks they will also start a new series at Hodmezovasarhely in order that they may provide equipment also at a large-operational level.

Another agricultural machine manufacturing enterprise, the Redkard located in Gyor, also appeared on the market this year with new products: in less than 3 months on the basis of a commission from an FRG firm they were ready with the construction of the structural element of a silo-cutter-lifter. By the end of the month they shipped the first order, and by the end of the year they will export another half million dollars' worth of this equipment. On the basis of a contract with an Austrian firm, they prepared a special variable-speed gear transmission, and the Austrian buyer is now examining the prototype. The enterprise doubled its dollar revenues this year with the export of new products.

This year for the first time the Reanal Fine Chemicals Factory is exporting Redentin brand rodent poison. This extremely effective and important chemical protects produce from damage by field mice, and domestically numerous state farms and producer cooperatives are using it successfully. Because of foreign interest, new machine lines are being set into operation, and thus by year's end 10,000 tons will be marketed mostly in Romania and Bulgaria, but they are also negotiating with capitalist firms.

A number of light industry enterprises are trying to expand their circle of buyers by a more flexible adjustment to trends in style. For example, the Salgotarjan Clothing Factory is manufacturing 800,000 units of clothing, small coat and skirt ensembles, blouses, trousers, skirts and children's clothing, and 35 percent of these are for capitalist markets. Its products are no longer unfamiliar on FRG and Swedish markets. Finland has also entered on its list of buyers. At the request of a Finnish firm, the Budaprint Cotton Printing Enterprise is putting together 40,000 units of clothes and skirts of 100 percent pure cotton. The models were designed by the buyer. The Gyor Knit Glove Factory recently sent sample collections of stocking slippers and ten kinds of woven neckties to West European countries.

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# East Europe Report

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2314

FBIS FOREIGN BROADCAST INFORMATION SERVICE

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# EAST EUROPE REPORT

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Frankfurt/Main FRANKFURTER ALLGEMEINE in German 3 Jul 82 p 5

/Article signed "Ws." datelined Berlin, 2 July: "New Water Law of the GDR Is To Apply to West Berlin As Well--Agreement of 1951 Guarantees Allied Sovereignty and Grants East Berlin Only Operational Rights." Translations of the official text of the water law and its implementing decrees follow this commentary/

/Text/ On Friday last, 2 July 1982, the GDR People's Chamber passed a new water law regulating the management use and protection of water and waters, the upkeep and dredging of waters and flood protection. The law provides that the waterways in West Berlin are also waters in the meaning of this GDR law, in other words that the law is to apply to West Berlin too. Article 6 states: "As regards Berlin (West), the ministry for transportation (of the GDR) is competent for all issues affecting waterways, including the state water control."

This new legislative provision of the GDR does not correspond to the actual legal situation arising from the Berlin Four-Power Status and Allied legal rules. In accordance with the 1951 agreement between the British and Soviet occupying powers, the main waterways agency in East Berlin--now part of the GDR ministry for transportation, main administration of waterways and inland navigation--is entitled only to the technical operation of the locks located in Berlin (West), because the operation of locks must proceed as per superordinated aspects in consideration of the water needs of the Brandenburg waterways network. As in the case of the railroads, the GDR therefore has no more than operational rights with regard to waterways in West Berlin. Consonant with the 1957 water budget law and the 1960 Berlin water legislation, state water control of waterways in West Berlin is assigned to the Berlin senator for construction and housing as the competent water authority, not to the GDR ministry for transportation.

Ever since the end of World War II, the respective Allied sector commander has been the holder of sovereign rights regarding West Berlin waterways. This was most recently pointed out by the Allied Military Command in Berlin in November 1981, on the occasion of the reopening of the Teltow Canal: "The sovereignty of the U.S.commander with regard to the Teltow Canal and the status of the canal are not affected." By Allied decrees dating back to 1949, the entire control and administration of all property, personnel and traffic on West Berlin waterways was subordinated to the authority of the city administration. In this respect also the GDR holds no powers

affecting West Berlin waterways. The GDR's only authority relating to West Berlin waterways refers to "the limited operational functions of the main waterways agency" (stated in an order issued with the force of law by the Allied Military Command). The new GDR water law is certainly not able to change anything respecting the sovereignty of the competent Allied sector commander relating to waterways in his sector and the established responsibilities of the Berlin senate.

In addition to the water law and the law on agricultural producer cooperatives (LPG law), the People's Chamber last Friday, 2 July 1982, approved the treaty on friendship and cooperation between the GDR and Afghanistan as well as consular agreements with Afghanistan, Cuba and the Caribbean island republic of Grenada. In replacement of 83-year old Ernst Goldenbaum who recently resigned from the chairmanship of the Democratic Peasants Party of Germany and was now also relieved of his seat in the Council of State, the People's Chamber elected Ernst Mecklenburg, the new chairman of the Peasants Party, as member of the Council of State and one of the deputies to Honecker in his capacity as chairman of the Council of State. Also appointed to the Council of State was Prof Ernst Kolditz, since last fall unaffiliated president of the National Council of the GDR National Front.

## Text of Water Law

East Berlin GESETZBLATT DER DEUTSCHEN DEMOKRATISCHEN REPUBLIK in German Part I No 26, 21 Jul 82 pp 467-476

/Official text of "Water Law of 2 July 1982," signed by Erich Honecker, chairman, GDR State Council/

/Text/ The organization of the developed socialist society in the German Democratic Republic represents a growing challenge to the rational use and protection of waters in all spheres of society and to the planned reproduction of water resources.

Our efforts must be directed to the stable and good quality public supply of potable water, the availability of industrial water to ensure the dynamic growth of industrial production and the intensification of agricultural production, the intensive use of waters for fishing and the assurance of navigation with the greatest possible economic efficiency.

Rational water use is the main approach to the accomplishment of these assignments.

The availability of the water supply and the capacity of waterworks facilities must be improved by complex socialist intensification, especially the use of science and technology. To meet water needs in all circumstances, lower investment costs, conserve energy and improve efficiency, water users must conduct a determined struggle for rational water use, the reduction of water losses and the lowering of the demand for water.

To be ensured for the preservation of the usefulness of waters are upkeep and dredging, the orderly treatment of sewage and protection against water pollutants and other harmful affects. Flood control and cost defense must be guaranteed to protect the lives of citizens, social production and socialist and personal property against flood waters and dangers arising from ice.

Opportunities for sport and recreation at our waters must be preserved.

The nationally decisive water-related tasks must be centrally managed and planned.

The rational utilization and the protection of waters are the duty of all state organs, combines and enterprises as well as the concern of all citizens and their social organizations.

The People's Chamber therefore enacts the following law:

Section I--Scope

Article 1

(1) This law applies to

-- State organs,

-- State combines and enterprises, economy managing organs, cooperatives, enterprises of other types of ownership, facilities and social organizations (hereinafter described as enterprises). Also deemed to be enterprises are military formations and administrative offices of the armed organs,

-- Owners and usufruct holders of real property,

-- Citizens.

(2) This law regulates the management, utilization and protection of water and waters, the upkeep and dredging of waters and flood control.

(3) Waters in the meaning of this law are the inland waters, inland seas, territorial waters and the waterways in Berlin (West) listed in the appendix as well as ground water. Article 6 relates to the application of this law with respect to waterways in Berlin (West).

Section II--Principles for the Management, Planning and Execution of Water Supply Tasks

Article 2--Principles

(1) Water is an irreplaceable basis of life and the social reproduction process. Its natural supply cannot be multiplied. Its availability must be increased as planned by way of intensification. Water must be used rationally in all spheres. The waste of water must be prevented.

(2) Water and waters must be protected against anything adversely affecting their usefulness or liable to result in threats to the life and health of citizens, damage to the economy, the fauna and flora, or to have other adverse consequences.

(3) Ground water must at all times be reserved for the supply of potable water. Industrial water supplies to industry and agriculture must be derived mainly from surface waters.

(4) The rational supply and the protection of waters, water supplies, sewage treatment, flood control and coast defense must be taken into account when locations are chosen for industrial and agricultural production facilities, traffic equipment, housing construction and recreational facilities.

(5) Water management measures must be managed, planned and carried out in conformity with the needs of national defense, internal security and order.

Article 3--Water Management-Related Tasks

(1) The management, planning and execution of water supply-related tasks must be directed to

a) The public supply of potable water and industrial water supplies for all other users in the volume and quality required as well as the satisfaction of water needs of the armed organs, civil defense and the fire service;

b) The upkeep and dredging of waters in order to regulate water flow and maintain their usefulness and environmental functions;

c) The improvement of the availability of the water supply and its rational management by river catchment areas, the enforcement of rational water use and the effective utilization of water supply-related capital equipment by all branches of the economy and social spheres;

d) The preservation of the usefulness of waters by sewage treatment and protection against water pollutants and other adverse influences as the indispensable condition for repeated use, for fishing, for the assurance of health, recreation and sports, and for the avoidance of economic damage;

e) Control of flood waters, storm floods and ice as well as flood control to avoid danger to the life and health of citizens, social production, socialist and personal property.

(2) Citizens are to be involved in the execution of water supply tasks and their initiatives encouraged. The collaboration of citizens as voluntary helpers and on volunteer bodies must be ensured.

Responsibility

Article 4

(1) The Ministry for Environmental Protection and Water Management is the Council of Ministers organ for the central management and planning of the water supply. On the basis of legal regulations it orders the management and use of water and waters consonant with social needs and the available water supplies. By steady and long-range conceptual work it provides the bases for the development and rational ise of the water supply available and, therefore, the proportional development of water management so as to ensure the social reproduction process. Subordinated to it as organs are the water management directorates organized by river catchment areas and regions as well as combines, enterprises and facilities.

(2) The Ministry for Environmental Protection and Water Management is responsible for handling the following assignments:

-- The satisfaction of water needs by the rational management of the water available, both in volume and quality;

-- Balancing the water available with water needs in water balances based on the analysis of water management conditions by river catchment areas, the implementation of measures for equalizing the water balances, and the establishment of state normatives;

-- The stable public supply of potable water by volume and quality as well as the diversion and treatment of municipal sewage by public facilities of water management;

-- The improvement of the availability of the water supply by the use of scientific-technological results in complex socialist intensification and by hydro-geological exploration;

-- The enforcement of rational water use in all branches of the economy and social spheres;

-- The coordination and control of water management measures in all branches of the economy;

-- The upkeep and dredging of waters of special importance for water management and the regulation of drainage;

-- The assurance of social flood control and coast defense.

(3) In the river catchment areas and regions the water management directorates must

-- On the basis of the constant analysis of water supply conditions draft long-term conceptions for the development of water management by river catchment areas, coupled with the enforcement of the efficient use of water supply-related capital equipment in all branches of the economy and social spheres;

-- Ascertain the need for and the availability of water and draft water balances;

-- Ensure the rational management and the improvement of the availability of water supplies, the enforcement of rational water use and the protection of waters;

-- Keep up and dredge waters and maintain the relevant water management installations as well as construct, maintain and operate installations of the social flood control and coast defense.

Article 5

(1) The state water control is the state organ for the regulation of the use of waters and for the supervision of the observance of legal regulations relating to the use and the protection of water and waters, the upkeep of waters and water

management facilities as well as flood control and coast defense. It may issue instructions for the implementation of legal duties with respect to the use of water, the use, protection and upkeep of waters and flood control. It issues water balance decisions, permits and approvals and fixes state normatives for the use and consumption of industrial water as well as for the recovery of byproducts.

(2) The Ministry for Environmental Protection and Water Management is responsible for the state water control unless otherwise provided in paragraph 3 and article 6.

(3) Within the scope of the armed organs the agencies authorized by the competent minister attend to the tasks and powers of the state water control as set out in this law.

Article 6

(1) The Ministry for Transportation is responsible for the upkeep and dredging as well as the operation of the waterways listed in the appendix and for the duties of the state water control as per article 17 paragraph 2 related to these waterways.

(2) With regard to Berlin (West), the Ministry for Transportation is competent for all issues involving waterways including the functions of the state water control.

Article 7

By adopting management decisions, state organs, combines and economy managing organs must ensure the required water management measures in enterprises. In this connection scientific-technological advances, the best possible efficiency of capital equipment management as well as the best possibly energy and materials management must be enforced for the rational use and the protection of water and waters.

Article 8

Enterprises must prepare and carry out all measures necessary for their operations and involving water supplies and sewage treatment as well as enterprise protection against floods and other water damage. To be ensured at the same time is rational water use, the protection of waters and the recovery of byproducts. Enterprises must appropriately maintain and operate their water supply facilities.

Article 9

(1) Local people's representations and their councils coordinate and control water management measures, especially the public supply of potable water, rational water use in enterprises as well as sewage treatment and flood control in the region. They decide water protection and reserve areas.

(2) Local councils set up control area committees to protect potable water supplies and flood danger areas as well as chart committees and dam advisory boards.

Article 10--Authorized Agents for Water

To help the managers carry out their water management duties, central state organs and enterprises must generally appoint authorized agents for water.

Section III--Use of Water and Waters

Article 11--Principles

Water and waters must be so used as to safeguard water supplies for the public, the branches of the economy and social spheres as well as the recreation of citizens, while largely avoiding adverse effects on the water budget, the land and buildings, navigation, fishery and agriculture.

Article 12--Rational Water Use

(1) Enterprises are obligated to rationally use water, reduce water demand, lower water losses, ensure sewage treatment and the recovery of byproducts, and avoid damage to waters.

(2) In order rationally to use water, enterprises must give priority to the following:

-- By comprehensive socialist intensification, especially the application of science and technology, to raise the capacity of water management installations,

-- To avoid any waste of water and lower water losses,

-- To reduce specific and absolute water needs, develop and introduce water conserving or waterless production processes,

-- To utilize every opportunity for multiple use and the circulation of water, with the aim of creating closed circulation systems,

-- To apply water need standards and further develop them consonant with scientific-technological advances,

-- To reduce the industrial use of potable water from public waterworks,

-- To develop all opportunities for feeding potable water from enterprise waterworks into the public water supply network,

-- To lower the incidence of sewage by sewage treatment and the recovery of byproducts consonant with the highest scientific-technological standards,

-- To avoid damage to waters, especially by pollutants.

(3) When developing products and processes, central state organs and enterprises must ensure that the requirements of rational water use are met.

Article 13--Joint Use of Facilities and Waters

(1) Waterworks must be constructed and extended as community facilities if this is required for the efficient use of capital equipment.

(2) Waters and capital equipment relating to the water supply must be used in common if this serves to raise economic efficiency.

Sewage Treatment

Article 14

When planning and preparing production capacities, new production processes or the construction, remodeling or modernization of residential districts involving an increase in the volume of sewage or sewage byproducts, state organs and enterprises must ensure that the facilities needed for sewage treatment are provided. The operation of factories or settlement of residential districts is permitted only if sewage treatment is guaranteed at the same time.

Article 15

(1) State organs and enterprises must make sure that the volume of sewage and the concentration of sewage byproducts is reduced. Enterprise sewage is to be so treated as to satisfy the requirements of hygiene and, upon discharge into waters, the limits of water quality and sewage byproducts are not exceeded.

(2) Representatives of legal entities, owners and usufruct holders of residential, recreational and other real property not connected to public sewage plants must so treat or remove their sewage as to satisfy the requirements of hygiene and avoid damage to waters.

Article 16--Water Balance Decisions

(1) Water balance decisions must be made on the basis of water balances and state normatives. They are the prerequisites for the issue, amendment or cancellation of permits for water use or for the conclusion, amendment or cancellation of water supply and sewage discharge contracts. Water balance decisions will settle whether it is efficient in terms of the economy for water supplies or sewage discharge and treatment to be handled by enterprise plants or by public waterworks or sewage treatment plants, whether communal plants are to be constructed, waters or facilities to be used in common.

(2) Water balance decisions may be issued for specific periods and coupled with instructions.

(3) Article 18 paragraphs 1 and 2 apply mutatis mutandi to the amendment and cancellation of water balance decisions.

Water Use Permits and Legislative Provisions Concerning Water

Article 17

(1) A permit is required for the use of waters by the removal of water, the discharge of water or sewage, other measures affecting the quality of the water as well as the increase or decrease of the water level, by other use of waters damaging to the health and recreation of the citizens, the fertility of agricultural and forest areas or the flora and fauna, or substantially altering the water level, the water flow or the condition of the water. Also deemed to be use requiring a permit are the diversion, construction, removal or casing of surface waters.

(2) A permit is needed for the construction, alteration or removal of buildings and structural facilities at, in, below or above surface waters.

(3) Permits and approvals may be issued on specific terms and for specific periods and coupled with instructions. If required to avoid hazards to the life or health of the public or to meet economic requirements, other instructions may be issued subsequent to the permits and approvals.

(4) The special legal regulations applying to fishing, navigation and water sports are not affected.

Article 18

(1) Permits must be amended or canceled if so required by state normatives.

(2) Permits or approvals may be amended or canceled if

a) This is required in the interest of the economy or by other social interests,

b) Conditions or instructions are not observed, despite requests to that effect,

c) The user of the waters gives up such use,

d) The user of the waters does not exercise this right for more than 3 years, with the exception of the removal of water for the irrigation of agricultural and forest land,

e) The user of the waters does not exercise his rights in accordance with regulations.

(3) In the case of a change in the person of the legal representative or owner of buildings or structural facilities serving water use, or for which a water use permit was issued, the permit or approval is transferred to the new legal representative or owner.

Article 19--Limitation of Water Use

(1) In the case of natural emergencies or accidents likely to damage waters and their use, the heads of the state water control are authorized temporarily to alter, restrict or ban the use of waters, taking into consideration the economic effects and with the consent of the local councils.

(2) In the case of water pollution likely to result in a threat to the public, the heads of the competent state water control must promptly forbid the discharge of sewage, taking into account the economic effect. The decision requires confirmation by the superior head of the state water control.

Article 20--Charges

Payments are charged for the use of waters on the basis of legal regulations.

Section IV--Water Supply and Sewage Discharge and Treatment in Cities and Communities

Article 21--Public Water Supply and Sewage Treatment

In their capacity as public utilities and on the basis of legal regulations, the legal representatives of public water supply and sewage plants are responsible for

-- The public supply of potable water and the discharge and treatment of sewage,

-- Supplies of potable and industrial water for other customers and the discharge and treatment of sewage insofar as this is prescribed in legal regulations,

-- The enforcement of rational water use,

-- The construction, operation and extension of public waterworks and sewage plants,

-- The protection of the sources of potable water.

Article 22--Water Supply in Special Conditions

(1) In emergencies the chairmen of local councils are responsible for emergency water supplies.

(2) In the case of disasters or breakdowns of waterworks, the chairmen of local councils are authorized to make sure of water supplies by assignments, measures for the restriction or bans of water procurement and to compel the legal representatives of non-public potable waterworks to supply water.

Section V--Protection of Water and Waters

Article 23--Principle

The protection of water and waters is a social duty of state organs, enterprises and citizens.

Article 24--Protection Requirements

Solids, liquids or gases are to be so transported, transshipped, unloaded, stored, used and removed as to make it impossible for water in waterworks and waters to be adversely affected.

Control of Pollutants

Article 25

(1) Water pollutants must never be discharged into waters or public sewage plants. Enterprises must ensure the harmless handling of pollutants, construct the facilities required for that purpose, adopt the necessary safety precautions in accordance with the toxicity of the substances, and prevent the accidental discharge of pollutants.

(2) Enterprises must regularly check plants where water pollutants are handled, combat accidental discharge and remove its consequences.

Article 26

(1) Insofar as this is provided in legal regulations, the state water control must be advised of any handling of water pollutants.

(2) If such notification shows that protective measures are needed, the state water control may issue the appropriate instructions. Such instructions may restric, impose time limits on or entirely ban the action initially advised.

Article 27--Protection Against Damage by Sewage

(1) To protect waters against damage by sewage, limits are to be fixed for water quality and the content of sewage. The discharge of sewage will be permitted only within the limits fixed. Sewage and its byproducts are to be utilized as per economic requirements and technical possibilities.

(2) The limits for water quality are to be variously fixed by the state water control for river catchment areas, parts of river catchment areas or sections of waters, taking into account social conditions and requirements on the usefulness of the waters consonant with water supply development conceptions.

(3) The limits of sewage components are to be fixed as maximum limits by the state water control when issuing permits as per article 17 paragraph 1 and on the basis of the limits for water quality. Enterprises must treat their sewage consonant with the highest scientific-technological standards and use every possibility for keeping below the limits for sewage components.

Article 28--Protection Against Other Pollutants

(1) Insofar as this is provided by legal regulations, the state water control must be notified of measures likely to pollute waters and for which there is no permit or approval requirement. The provisions of article 26 paragraph 2 apply.

(2) The use of land for agricultural and forestry production must proceed in such a manner as to largely exclude water pollution, especially by organic wastes, biocides and fertilizers.

Article 29--Potal Water Protection Areas and Potable Water Reserve Areas

(1) Areas serving the production of potable water must be protected against pollution and other adverse effects on water that may involve the lowering of quality or unwarranted costs for the recovery and processing of potable water or a lowering of yields.

(2) Kreis or bezirk assemblies must by resolution establish potable water protection areas for areas serving the production of potable water and potable water reserve areas for areas earmarked for the production of potable water within the framework of long-range conceptions. Bans or restrictions on use are in effect for such areas. Kreis or bezirk councils may issue the necessary instructions.

Article 30--Protection of Water in Plants Supplying Potable Water

Potable water and plants sypplying potable water must be protected against pollutants. Legal representatives, owners or users of plants supplying potable water must therefore regularly check their installations and maintain them in a condition meeting the requirements of hygiene. The state hygiene inspectorate must carry on the hygiene supervision of plants supplying potable water.

Section VI--Upkeep and Dredging of Waters and Enlargement of Waterworks

Article 31--Principle

Surface waters and the waterworks pertaining thereto are to be maintained and enlarged for the regulation of the water flow, the preservation of restoration of their usefulness and the upkeep of the state border in border waters so as to meet requirements.

Article 32--Responsibility for Upkeep and Enlargement

(1) The responsibility for the upkeep and enlargement of waters and the waterworks facilities pertaining thereto is held by

a) The water management directorates for the waters assigned them,

b) The GDR waterways control agency for inland waterways and the GDR navigation agency for the ocean waterways listed in the appendix,

c) The kreis councils for the agricultural waters assigned them.

(2) The legal representatives or owners or users of the waters hold the responsibility for the upkeep and enlargement of other waters and the waterworks, drainage and irrigation installations pertaining thereto.

(3) The legal representatives or owners or users of the waters are responsible for the upkeep of buildings, walls and other installations forming banks, projecting into the bed of the water, crossing it above or below, and of superstructures.

(4) If necessary, the state water control decides the upkeep duty as per paragraphs 2 or 3.

Article 33--Planning and Execution of Upkeep and Dredging

(1) The parties responsible for the upkeep and dredging of waters must coordinate upkeep and dredging for the purpose of planning, preparation and implementation. They are entitled to undertake the measures required in and at the waters and on bordering real property for upkeep and dredging as well as cope with natural counter emergencies. Any damage to the bordering real property and the use of waters must be avoided as far as possible.

(2) Bordering real property is so to be used and maintained that the bed and banks of the waters are not endangered nor the regulated water flow and the upkeep of the

obstructed. Kreis councils may, by resolution, decide the width of strips of banks required for maintenance. They may issue bans and use restrictions as well as the instructions required.

(2) The users of the waters are obligated, at the request of the party responsible for upkeep, temporarily altogether or in part to cease the exercise of their usufruct if that is necessary for carrying out the maintenance and dredging measures.

Section VII--Flood Control and Coast Defense

Article 34--Principle

Flood control and coast defense are tasks of state organs and enterprises to be accomplished with the involvement of the citizens and their social organizations. These tasks are primarily concerned with prevention. The flood water reporting service is to be carried out by the Ministry for Environmental Protection and Water Management.

Article 35--Responsibility for Flood Control and Coast Defense Installations

(1) The construction, upkeep and operation of installations serving social flood control and coast defense are in the competence of the water management directorates.

(2) The construction, upkeep and operation of installations exclusively serving the protection of various enterprise buildings or facilities against floods, storm floods, ice or the effects of violent downpours (enterprise flood control and coast defense) are in the competence of the legal representatives or owners of the buildings or installations to be protected.

(3) Flood control and coast defense installations, especially dikes with their forelands and dunes, may not be damaged or used inappropriately.

Article 36--Flood Areas and Dike Protection Strips

(1) Bezirk councils must, by resolution, establish as flood areas the areas between the waterway and dike or high bank as well as other areas often inundated or used for flood relief and flood retention, and dikes.

(2) Bezirk councils may, by resolution, establish dike protection strips for the upkeep of dikes and for flood control.

(3) Bans and restrictions on use apply to flood areas and dike protection strips. Bezirk councils may issue the necessary instructions.

Article 37--Coast Defense Areas

(1) Bezirk councils must, by resolution, establish coast defense areas for those coastal regions that are threatened by the incursion of the sea. To be included in coast defense areas are the forebeach, the beach, dunes and steep banks, including a strip in the back, sea dikes and coast defense forests.

(2) Bans and restrictions on use apply to coast defense areas. Bezirk councils may issue the necessary instructions.

Article 38--Protection Against Water Damage

(1) The legal representative, owner or holder of the usufruct of land and real property must carry out suitable measures against soil erosion caused by water.

(2) The natural above ground waterflow outside a body of water may be altered only if this does not damage state interests nor disadvantages other legal representatives, owners and holders of the usufruct of land and real property or users of the waters. Included therein are measures that might result in an increase of flood discharge, especially in foothill and mountain areas.

Section VIII--Use of Real Property and Installations for Water Management Measures and Compensation

Article 39--Water Reserve Areas

To safeguard the future locations of dams, reservoirs, flood control installations and long-distance water pipelines, bezirk councils must, by resolution, establish water reserve areas. They may issue bans and restrictions on use as well as the necessary instructions.

Article 40--The Use and Utilization of Real Property

(1) The observance of terms of use, the grant of temporary or permanent co-use or the right to co-use, the temporary or permanent withdrawal, the transfer of ownership rights or the change in legal representatives of real property, waters, buildings and installations (hereinafter described as change in utilization) may be demanded by

a) Kreis and bezirk councils to establish potable water control areas, potable watee reserve areas, strips of river banks, flood areas, dike protection strips, coast defense areas and water management reserve areas,

b) Water management directorates, the GDR waterways control agency, the GDR shipping office or the kreis councils for the implementation of the upkeep and dredging of waters consonant with their responsibilities as per article 32 paragraph 1, and the water management directorates for measures of flood control and coast defense as per article 35 paragraph 1,

c) Public utilities for the construction, operation and maintenance of public water supply and sewage installations

Changes in utilization must be contractually established between the parties concerned and, unless otherwise prescribed in legal regulations, the appropriate charges paid.

(2) Conditions for the utilization of areas as per paragraph 1 letter a do not require agreement. The provisions for the protection of agricultural and forest land and the assurance of socialist land use are not affected.[1]

(3) The charge for changes in utilization also includes compensation for economic disadvantages. This compensation must always be paid in money. Capacity compensation or compensation in kind may be admitted, provided this is included in legal regulations[2] or agreed among the parties concerned.

(4) If no contract as per paragraph 1 is concluded, the competent state organs may restrict or withdraw the rights of users, owners or usufruct holders in real property, waters, buildings and installations.

(5) The provisions of the mining law[3] are to apply mutatis mutando for the ascertainment of economic disadvantage as per paragraph 3 and for restriction or withdrawal as per paragraph 4.

Article 41--Non-Recurring Compensation

(1) If economic disadvantages arise for enterprises, owners or usufruct holders of real property or for citizens in connection with the issue, amendment or cancellation of permits or approvals as per article 18 paragraph 2, these are to be made good by a non-recurring compensation unless the provisions on consequent investments[4] apply.

(2) Obligated to pay compensation is anyone who was issued a permit or approval, whose permit or approval was amended or canceled, or whose measures caused economic damage.

(3) The compensation must be agreed between the parties concerned. If no agreement is reached, the court or the contract court will decide the issue.

Section IX--Responsibility and Administrative Measures

Article 42--Administrative Penalty Regulations

(1) A reprimand or administrative penalty ranging from M10-M500 may be pronounced on someone who, deliberately or negligently

a) Uses waters without the permit or approval required as per article 17,

b) Fails to observe the instructions and terms issued with the permits or approvals as per article 17 or instructions as per articles 5 paragraph 1 and 26 paragraph 2,

c) Fails to observe the duty to notify as per article 28 paragraph 1,

d) Fails to meet the provisions and obligations imposed by the chairmen of bezirk or kreis councils for the assurance of water supplies as per article 22 paragraph 2,

e) In contravention of article 24 adversely affects water in water supply installations or waters by solids, liquids or gases, or in contravention of article 25 introduces water pollutants in waters or public sewage installations, or fails to deal with accidents involving pollutants,

f) Neglects the duty to keep up waters and water supply installations,

g) Damages the bed of a river, river banks, facilities for flood control and coast defense or other water management installations,

h) Without authorization enters or operates installations for flood control or coast defense or other water management installations,

i) Fails to comply with bans, use restrictions or instructions in reserve and protection areas as per article 29 paragraph 2, article 33 paragraph 2, article 36 paragraph 3, article 37 paragraph 2 and article 39.

(2) An administrative penalty of up to M1,000 may be imposed if a deliberate violation as per paragraph 1

1. Causes or could cause major damage,

2. Social interests have been grossly disregarded,

3. State or public order and security are adversely affected, or

4. If a deliberate violation is committed for selfish advantage or repeatedly within 2 years and punished by administrative penalty.

(3) Anyone deliberately or negligently polluting water in water supply installations or waters by disease causing bacteria or, to a considerable extent, by water pollutants, or causing substantial damage to the usefulness of the waters may be punished by an administrative penalty of up to M10,000.

(4) The handling of the administrative penalty procedure is up to the managers of the state water control, the chairmen of local councils, the directors of the GDR waterways inspectorate and the GDR shipping office within the scope of their authority.

(5) In the case of minor violations as per paragraph 1, the competent staffs of the water management directorates, local councils, the GDR waterways inspectorate and the GDR shipping office are authorized to issue a reprimand and impose an administrative fine ranging from M1-M20.

(6) The law of 12 January 1968 on combating misdemeanors--OWG--(GBl I No 3 p 101) applies to the conduct of administrative penalty proceedings and the imposition of administrative penalties.

Article 43--Financial Penalties

In the case of violations of legal duties relating to rational water use and the protection of waters, financial penalties may be imposed on the basis of legal regulations.'

Article 44--Administrative Fines

(1) To enforce instructions as per article 5 paragraph 1, article 17 paragraph 3, article 26 paragraph 2, the managers of the state water control may levy administrative fines, and so may the chairmen of kreis councils to enforce instructions as per

article 29 paragraph 2, article 33 paragraph 2, article 36 paragraph 3, article 27 paragraph 2, article 39, and the directors of the GDR waterways inspectorate and the GDR shipping office to enforce instructions as per article 17 paragraph 3. Administrative fines may be levied on

a) Enterprises in amounts up to M50,000,

b) Citizens in amounts up to M5,000.

(2) The amount of the administrative fine is to be fixed in consideration of the importance of the observance of the instruction and the seriousness of the neglect of duty, and in the case of enterprises also in consideration of the effect on funds.

(4) Warning of the possibility of a levy of administrative fines must be given in writing. The warning must include

-- The exact description of the action, implementation of which is to be enforced,

-- The term within which the action is to be carried out,

-- The amount of the threatened administrative fine.

(4) Administrative fines may be repeatedly levied for the same neglect of duty. Paragraphs 103 apply mutatis mutandi.

(4) Administrative fines are enforceable. The enforcement action against debtors in the sphere of the socialist economy proceeds upon the application of the parties authorized to levy the administrative fine as per paragraph 1 at the offending party's bank by debiting the claim from the account of the debtor. The enforcement action against debtors outside the sphere of the socialist economy is guided by the legal regulations applicable in the respective case.[5]

Section X--Appeal Provisions

Article 45

(1) Decisions as per article 5 paragraph 1, articles 16-19, article 26 paragraph 2, article 32 paragraph 4 and article 44 paragraph 1 must be given in writing and include information concerning the right of appeal. The party concerned must be informed by handing over or mailing the written decision.

(2) The decisions listed in paragraph 1 may be appealed. Appeals must be submitted to the decisionmaking organ within 4 weeks from notification of the decision and include the reasons for the appeal. The appeal must be decided within 4 weeks of receipt. If the appeal is not or not fully allowed, it must be sent on within this period to the decisionmaking authority as per paragraph 5. The appellant must be so informed. The decisionmaking authority must issue a final decision within another 4 weeks.

(3) If, exceptionally, it is not possible to arrive at a decision within the set period, an interim notice must be issued in good time, giving the reason for the delay and the likely date of conclusion.

(4) The appeal does not have a suspensory effect. The persons authorized to decide the appeal may suspend the implementation of the measures until the final decision.

(5) Authorized to decide appeals are the following:

a) The heads of the superior state water control decide appeals against decision by the state water control,

b) The minister decides appeals against decisions of the state water control at the Ministry for Environmental Protection and Water Management,

c) The chairmen of bezirk councils decide appeals against decisions by the chairmen of kreis councils,

d) The chief of the waterways and inland navigation department or the chief of the shipping department at the Ministry for Transportation decide appeals against decisions by the directors of the GDR waterways inspectorate and the GDR shipping office.

(6) Decisions on appeals must be given in writing, the reasons for the decision must be stated, and the decisions handed over or mailed to the appellant.

Section XI--Transitional and Concluding Regulations

Article 46--Transitional Regulations

Decisions issued as per earlier provisions of the water law retain their validity. Water use established before this law takes effect is subject to the provisions of this law.

Concluding Regulations

Article 47

(1) The Council of Ministers and the Minister for Environmental Protection and Water Management issue the legal regulations required for the implementation of this law.

(2) The Council of Ministers may change the competence, established in article 6, for the upkeep, dredging and operation of the waterways listed in the appendix.

(3) If general state needs, disasters or other danger situations require special measures, the Council of Ministers may issue the necessary legal regulations or assign these powers to other state organs.

Article 48

(1) This law takes effect on 1 October 1982.

(2) Losing effect at the same time are:

a) The law of 17 April 1963 on the protection, use and upkeep of waters and on flood control--water law--(GBl I No 5 p 77) in the version of the amending law of 11 June 1968 (GBl I No 11 p 242), the environmental control law of 14 May 1970 (GBl I No 12 p 67) and the second penal amendment law of 7 April 1977 (GBl I No 10 p 100),

b) The first implementing decree of 17 April 1963 to the law on the protection, use and upkeep of waters and on flood control--water law--(GBl II No 43 p 281) in the version of the decree of 24 June 1971 on the new version of regulations on appeals against decisions by state organs (GBl II No 54 p 465),

c) The second implementing decree of 16 December 1970 to the water law--the use of economic provisions for keeping waters clean and for rationally using ground water and surface water--(GBl II 1971 No 3 p 25),

d) The decree of 15 December 1980 on the amendment of the second implementing decree to the water law--the use of economic provisions for keeping waters clean and for rationally using ground water and surface water--(GBl I 1981 No 7 p 85),

e) The order of 5 March 1968 on the admission and work of voluntary helpers of the state water control (GBl II No 28 p 133),

f) Article 1, last sentence, and article 3 of the order of 22 May 1969 on the preparation, construction, operation and maintenance as well as the shut-down of industrial removing plants (GBl II No 47 p 297),

g) The decree of 11 July 1974 on establishing protection areas for water withdrawal from ground water and surface water to obtain potable water (GBl I No 37 p 349),

h) Article 3 of the order of 1 December 1976 on ensuring economical water use and rewarding enterprises handling water in an exemplary manner--(GBl I 1977 No 4 p 22),

i) Decree of 15 December 1977 on handling water pollutants--water pollutant decree--(GBl I 1978 No 3 p 50),

j) Decree of 15 December 1977 on the state water control (GBl I 1978 No 3 p 52).

(3) Article 28 of the law of 14 Mah 1970 on the planned organization of socialist environmental control in the German Democratic Republic--environmental control law --(GBl I No 12 p 67) is given the following version:

"Article 28

To ensure potable water supplies, water recovery areas must be protected against pollution and any reduction in their yield. Kreis or bezirk assemblies must, therefore, by resolution establish potable water protection areas for regions serving potable water production and draw up conceptions on potable water reserve areas for regions earmarked for potable water production within the framework of long-range conceptions. In these areas bans or restrictions on use will apply. Kreis or bezirk councils may issue the instructions required to that effect."

FOOTNOTES

1. In effect at this time is the decree of 26 February 1981 on the protection of agricultural and forestry land and on the assurance of socialist land use--land use decree--(GBl No 10 p 105).

2. In effect at this time are the compensation law of 25 April 1960 (GBl I No 26 p 257) in the version of the law of 14 December 1970 on the award of usufruct rights in state real property (GBl I No 24 p 372) and the introductory law of 19 June 1975 to the GDR civil code (GBl I No 27 p 517) and the decree of 13 July 1978 on the planning, preparation and implementation of subsequent investments (GBl I No 23 p 257).

3. In effect at this time are the first implementing decree of 12 May 1969 to the mining law of the German Democratic Republic (GBl II No 40 p 247) and the second implementing regulation of 18 December 1969 to the mining law of the German Democratic Republic--compensation of economic disadvantages--(GBl II 1970 No 13 p 65).

4. In effect at this time is the decree of 13 July 1978 on the planning preparation and implementation of subsequent investments (GBl I No 23 p 257).

5. In effect at this time is the decree of 6 December 1968 on the enforcement of money claims by state organs and state facilities (GBl II 1969 No 6 p 61).

Appendix to Article 6 of the Preceding Law

1. Inland Waterways

   Elbe

   Saale

   Mittelland Canal including descent from Buchhorst to junction with the Elbe

   Elbe-Havel Canal including old canals

   Parey connecting canal

   Lower Havel waterway including arms, lakes and the Greater Wannsee

   Potsdam Havel including Schwielow and Glindow Lakes

   Havel Canal

   Upper Havel Waterway including Malz Canal, Voss Canal and arms

   Mueritz-Havel Waterway including Rheinsberg waters

   Mueritz-Elde Waterway

Stoer Waterway

Peene River

Spree-Oder Waterway including lakes, branch culverts, harbors and Old Spree, Ruhleben old arm, Lazy Spree, Spree Canal, Muggelspree and Gosen Moat

Ruedersdorfer Water including Loecknitz

Teltow Canal and Britz branch canal including Glienick Pond, Griebnitz Lake and Griebnitz Canal and also including harbors and branch culverts

Berlin-Spandau shipping canal with access to the western harbor, Old Branch including harbors, Western Harbor Canal

Charlottenburg connecting canal

Landwehr Canal

Spandau Havel including Tegel Lake, Muehlen Moat (Spandau) and Citadel Moat (Spandau)

Dahme Waterway

Oder-Havel Waterway including arms and branch culverts as well as Finow Canal

Oder

Western Oder

Hohensaaten-Friedrichsthal Waterway including Schwedt crossing

Also assigned are waste gates, winter and works harbors, old arms, diversion channels, coupling and berthing docks, locks and lock canals

2. Shipping Lanes

Navigable channels and roadsteads with the exception of sections of waters ceded to other legal entities for their use, in the sector of the

"Bay of Wismar" shipping lane

"Warnow" shipping lane

"Waters around Ruegen and Bodden Water" shipping lane

"Peenestrom and Oderhaff" shipping lane.

The preceding law, enacted by the GDR People's Chamber on 2 July 1982, is hereby published.

First Implementing Decree

East Berlin GESETZBLATT DER DEUTSCHEN DEMOKRATISCHEN REPUBLIK in German Part I No 26, 21 Jul 82 pp 477-485

/Official text of "First Implementing Decree of 2 July 1982 to the Water Law," signed by Werner Krolikowski, first deputy chairman, GDR Council of Ministers, and Dr Hans Reichelt, minister for environmental protection and water management/

/Text/ The following is ordered as per article 47 paragraph 1 of the water law of 2 July 1982 (GBl I No 26 p 467):

To Article 1 of the Water Law:

Article 1

(1) Inland waters are surface waters and their beds. Surface waters are waters flowing or standing permanently or temporarily in natural or manmade beds. This includes sources, underground stretches and closed raceways insofar as they are part or continuations of surface waters, and also water holes left behind by strip mining operations.

(2) Ground water is the water connectively filling cavities in the earth's crust and subject only to gravity. This also includes bank filtrates and ground water generated by infiltration.

(3) The bank's edge is the border between the surface waters and the bank and, if no well defined bank's edge is present, defined by the medium water level.

To Article 4 of the Water Law:

Article 2

(1) In the process of smooth long-range conceptual work, water management directorates, in cooperation with bezirk councils, must draft comprehensive water management development conceptions for river catchment areas; the Ministry for Environmental Protection and Water Management, in cooperation with the State Planning Commission, ministries and other central state organs, must draft such conceptions for the sovereign territory of the republic.

(2) Water supplies must be weighed against the socially warranted water demand and measures prescribed to arrive at water balances. In the process of planning, therefore, water management directorates must set state normatives for the use and consumption of industrial water and, if necessary, raise the availability of water supplies.

To Article 5 Paragraph 1 of the Water Law

Article 3

The functions of the state water control are exercised by the state water control at the Ministry for Environmental Protection and Water Management, the water management directorates and their superior river boards.

Article 4

(1) The state water control keeps a water use register and checks the observance of its decisions. In cooperation with enterprises and local councils it enforces rational water use, exerts its influence to ensure the full utilization and intensification of water supply basic assets in all branches of the economy and social spheres. It checks the observance of the provisions of the water law and other legal regulations.

(2) The state water control checks the preservation of clean waters and the discharge of sewage into waters, consonant with the requirements of the use of these waters.

(3) Procedures for analyses to determine the substances contained in water and sewage are established by the state water control in accordance with legal regulations.

(4) As per legal regulations fees are charged for the work of the state water control.

Article 5

Insofar as this is needed to enable them to carry out their functions, the managers and staffs of the state water control enter land and enterprise installations, inspect documents, request temporary possession of such documents as well as information and opinions, without prior notification take water and sewage samples or request samples to be submitted. They may secure evidence and obtain personal information by inspection of identity papers. Managers and staffs of the state water control must present the identity card furnished by the state water control.

Article 6

The managers of the state water control are empowered to carry out the functions and exercise the powers of subordinate state water control as well as cancel decisions by subordinated state water control if they conflict with legality.

Article 7

The state water control closely cooperates with state organs, enterprises, the state hygiene inspectorate, public utilities, persons authorized to deal with water, the voluntary helpers of the state water control, chart committees, dam advisory boards, citizens and their social organizations.

Article 8

(1) Upon application and completion of their 18th year, a citizen may be appointed a voluntary helper of the state water control. The manager of the state water control at the water management directorate decides about the application.

(2) Voluntary helpers of the state water control exercise their supervisory functions with the guidance of the state water control at the water management directorate.

(3) Voluntary helpers of the state water control must request the prompt cessation of irregularities that pollute or are likely to lead to the pollution of waters. They must explain the proper steps to the offenders and induce measures for the protection of the waters. If water pollution is likely to result in major damage, the voluntary helpers must promptly notify the state water control at the water management directorate. They should be involved in the ascertainment of the causes of such water pollution.

(4) Voluntary helpers of the state water control are authorized

a) To enter land and enterprise installations in order to take water or sewage samples,

b) To obtain personal information by inspection of identity papers if this is required for carrying out further measures,

c) To secure evidence.

(5) Voluntary helpers of the state water control are obligated to show their identity cards when carrying out their functions and to keep confidential vis-a-vis unauthorized persons any facts they happen to learn in the course of their work.

To Article 6 of the Water Law:

Article 9

(1) The tasks of the state water control as per article 6 paragraph 1 of the water law are to be handled by the GDR waterways inspectorate and the GDR shipping office.

(2) Assignments as per article 6 paragraph 2 of the water law are to be handled by the Berlin main waterways office.

To Article 9 Paragraph 2 of the Water Law

Article 10

(1) To chart all waters and the installations pertaining thereto in their region, and independent of any responsibility for upkeep and dredging, local councils must establish local chart committees.

(2) Kreis councils must set up kreis chart committees for major waters and the pertinent water management installations of importance for water management beyond the area of the local authority as well as for flood control and coast defense areas.

(3) Bezirk councils must set up bezirk chart committees for danger areas transcending the territory of a kreis.

(4) The Minister for Environmental Protection and Water Management must prescribe the functions, composition and operating methods of chart committees. The competent local councils must issue chart orders on that basis.

Article 11

(1) Bezirk and kreis councils must set up dam advisory boards. These will coordinate the raising and lowering of water levels within the framework of the limits of reservoirs approved by the state water control as well as coordinate their operation.

(2) The Minister for Environmental Protection and Water Management must prescribe the functions, composition and operating methods of the dam advisory committees. The competent local councils must issue the relevant orders on this basis.

To Article 10 of the Water Law

Article 12

(1) The person authorized to deal with water issues is always subordinated to the manager of the state organ or enterprise. He must cooperate with the state water control and the public utilities.

(2) Institutions of popular education and culture do not require the appointment of a person authorized to deal with water issues.

(3) In justified instances and with the approval of the manager of the state water control at the water management directorate, the appointment of a person authorized to deal with water issues may be omitted.

Article 13

In central state organs, combines and economy managing organs the person authorized to deal with water issues must, in particular,

-- Cooperate in the drafting of conceptions for rational water use and in the coordination of long-range planning for water management installations,

-- Cooperate in enterprise analyses on enterprise water management and ensure their utilization,

-- Cooperate in the ascertainment of scientifically established indices and normatives of rational water use and ensure their enforcement,

-- Cooperate in the drafting of five-year and annual economic plans relating to water management measures,

-- At the time that assignments are drafted for product and process development ensure that water demand is lowered and water conserving or waterless production processes are introduced so as to lower consumption consonant with the highest scientific-technological standards,

-- Consonant with the highest scientific-technological standards ensure the lowering of the sewage load and the recovery and utilization of byproducts from enterprise sewage,

-- Instruct the persons authorized to deal with water issues in enterprises.

Article 14

In enterprises the person authorized to deal with water issues must, in particular,

-- Coordinate the drafting and implementation of conceptions and regularly carry out analyses of enterprise water management,

-- Cooperate in the drafting of long-range enterprise development concepts and five-year and annual economic plans to ensure the inclusion of water management measures,

-- Cooperate in the preparation of investment, intensification and rationalization measures, especially the setting up of common installations,

-- Check rational water use, the lowering of water demand, the reduction of the sewage load as well as supervise the measurements and assessments required for that purpose,

-- Cooperate in and theck the control of the operability of water supply and sewage treatment plants and check that operating and servicing instructions are observed in all enterprise water installations,

-- Check the proper handling of water pollutants,

-- Take notes of all events affecting water use and sewage treatment and, upon request, submit them for inspection to the state water control or public utility,

-- Cooperate in the drafting of documents to secure water supplies and prevent and deal with accidents,

-- Promptly inform the enterprise manager of any irregularities in water use likely to adversely affect others, of violations of the provisions of the water law, decisions by the state water control or water supply and sewage discharge contracts,

-- Coordinate water management supervision within the enterprise,

-- Encourage the initiatives of working people to ensure rational water use within the framework of the socialist competition and promote the movement for the distinction as "enterprise working on exemplary water management principles,"

-- Cooperate in the instruction of the working people in the field of water management and the water law.

Article 15

To be able to carry out his assignments, the person authorized to deal with water issues is empowered:

-- To enter buildings, rooms and installations in the enterprise,

-- Request information from enterprise staffs and inspect documents,

-- Submit suggestions for the distinction of staff members for exemplary achievements in the field of enterprise water management,

-- Propose disciplinary measures in the case of violations of provisions of the water law,

-- Institute prompt emergency measures in the case of breakdowns or accidents likely to result in damage to waters or their utilization.

Article 16

The managers of the state water control at water management directorates and superior river boards may assign to the person authorized to deal with enterprise water issues the water control functions applying only within the enterprise. The assignments must be agreed in writing with the enterprise manager.

To Article 12 of the Water Law:

Article 17

(1) At the time of five-year plan drafting, enterprises must draft conceptions on rational water use; these must be defended to the water management directorates. They are to be based on process analyses and the state normatives for industrial water use and consumption, byproduct recovery and the limits for sewage content.

(2) Conceptions on rational water use must include, in particular:

a) The development of water needs and consumption as well as the volume of sewage,

b) Measures for lowering water needs and consumption and for rational water use including the profit to be achieved,

c) Measures for sewage treatment and byproduct recovery,

d) Proof of the efficient use of basic assets relating to water management for the enterprise water supply and sewage treatment on the basis of comprehensive basic asset management studies,

e) Planned research and development work on rational water use and byproduct recovery.

(3) The conceptions on rational water use must be given concrete shape each year by the adoption of plans of operation, coordinated with the bezirk councils and water management directorates and confirmed together with the plan documents by the managers of central state organs.

To Article 13 of the Water Law

Article 18

(1) In cooperation with the parties involved and in agreement with the council or bezirk council the state water control decides the construction of water-related

installations as mutual installations as well as the common use of waters and the water management installations pertaining thereto.

(2) The parties liable must contractually settle their rights and duties. If no agreement is achieved, the state contract court decides for enterprises subject to the scope of the contract law, the courts for all other entities.

To Article 16 of the Water Law:

Article 19

(1) The user of waters must apply to the state water control for water balance decisions in good time, so that they are to hand for the confirmation of the targets involved in the preparation of an investment. If no investment is needed, the water balance decision must be applied for no later than 6 months before the intended use or change in use of the waters, or before the conclusion, amendment or cancellation of water supply or sewage discharge contracts. The state water control may issue water balance decisions even without application.

(2) The application must include the following data:

a) The intended location of use,

b) The intended volume of water to be removed, the volume of any sewage involved, the time and the purpose or the intended damming or release,

c) Possible effects of the use,

d) The intended technology of the enterprise water management, taking into account the observation of water need standards, the capacity utilization and efficient deployment of existing and planned basic assets relating to water management as well as the intended treatment or utilization of sewage including byproduct recovery, the utilization or deposit of waste products.

The state water control may request additional data.

(3) Before the decision is made, the public utility must be consulted. The state organs, enterprise and citizens must be given a hearing insofar as this is required to prevent or compensate adverse effects.

(4) Water balance decisions are generally in effect for a period of 2 years, unless otherwise stated in the decision.

Article 20

(1) The water balance decision includes:

a) Users of the waters or public utilities and customers,

b) The geographical location of the utilization,

c) Permitted volumes of withdrawal, delivery, discharge and loss as well as the purpose of the use,

d) Decisions on the construction of enterprise or mutual installations, the common use of waters or installations or the utilization of public waterworks or sewage plants,

e) Instructions,

f) Regulations on compensation for utilization involved within the framework of the water balance,

g) Dates when the measures requested are to take effect,

h) Explanations, if required.

(2) Should the state water control find that no water balance decision is required, due to the volume or the effects of the utilization of waters, a permit is to be issued, amended or canceled in accordance with the application.

To Article 17 of the Water Law:

Article 21

(1) Applications for permits or approvals must be submitted to the state water control at the stage of investment preparation. In the case of water utilization, buildings or structures not requiring investments, the permits or approvals must be applied for no later than 6 months before use begins. Permits or approvals may be issued even without application.

(2) The state water control must inform the state organs, enterprises and citizens concerned of the permit or approval applied for. If it is not possible to trace all interested parties, the application for permit or approval must be published locally consonant with local customs and, if required, discussed with the interested parties at a local hearing.

(3) Objections to a permit or approval applied for must be raised at the local hearing or within 6 weeks from publication; they must be explained. The state water control decides about the objections before issueing the permit or approval.

Article 22

Water uses subject to the issue of permits are, in particular:

a) The removal of water from surface waters or from ground water for the purpose of

-- Water supplies for residential buildings and districts by public or mutual waterworks as well as individual supply facilities,

-- Enterprise water supplies,

-- Energy production by heat pumps,

-- Irrigation of agricultural or forestry or horticultural land,

-- Lowering of the ground water level, especially by mining operations and measures;

b) Water and sewage discharges into surface waters or ground water from

-- Enterprises,

-- Public or mutual sewage treatment plants for residential districts,

-- Residential buildings,

-- Heat pumps,

-- The lowering of the ground water level;

c) Measures affecting water quality by

--Utilization as intensive waters with additional feeding, excluding the use of drainable fish ponds for the purposes of the inland fishing industry,

-- Water fowl breeding;

d) Raising or lowering the water level by

-- Keeping back water in surface waters or ground water,

-- Land improvement, excepti ng the temporary diversion of rainwater or accumulated moisture from agricultural and forestry land,

-- Water retentions.

Article 23

(1) The application for the issue of a permit must include the data listed in article 19 paragraph 2. The state water control may request additional data.

(2) If the use of waters involves the construction of buildings and structures at waterways as per article 6 paragraph 1 of the water law, the approval of the GDR waterways inspectorate or the GDR shipping office is to be obtained by the state water control.

Article 24

(1) The permit records

a) The users of the waters,

b) The geographical location of the use,

c) The kind and purpose of the use,

d) The extent of water use, such as maximum volumes of withdrawal, discharge and loss, the upper and lower limit of damming or release,

e) Terms and instructions, possibly time limits.

(2) Terms and instructions may involve, in particular

a) Measures of rational water use, such as the application of water need standards and the provision of enterprise water circulation,

b) The kind of sewage treatment and byproduct recovery,

c) Limits for the components of sewage,

d) The prevention of adverse effects,

e) The construction, operation and maintenance of water management installations,

f) Time limits for taking the installations into service,

g) Obligations to check the observance of limits and instructions and of the operation of measuring instruments,

h) Regulations of the periodic release from reservoirs,

i) Obligations regarding the construction, operation and maintenance of mutual installations,

j) Obligations regarding the notification of the completion of installations to be conveyed to the state water control.

Article 25

(1) The application for the issue of an approval must include:

a) Survey or layout plan coupled with information about the local siting of structural installations,

b) If flowing waters cross traffic, supply and information facilities, section and cross section of the waters in the bordering area,

c) Data on possible effects of the structural installations, for example hydraulic computations.

The state water control may request additional data.

(2) In the case of waters as per article 6 paragraph 1 of the water law the application must be submitted to the GDR waterways inspectorate or the GDR shipping office.

(3) No approval is needed if a decision on buildings and building installations is issued in connection with the use of water.

Article 26

(1) The approval lists:

a) Legal representatives or owners,

b) The geographical location of the building structures and installations,

c) Terms and instructions, possibly time limits. With respect to terms and instructions article 24 paragraph 2 letters d, e, f, h, i and j apply mutatis mutandi. Instructions may extend to the maintenance of the building structure and installations.

(2) The approval is a part of the documentation accompaying an application for the issue of a decision by the state construction control for the construction, alteration or removal of building structures and installations.

To Article 18 of the Water Law:

Article 27

(1) Articles 21 and 23-26 apply mutatis mutandi for the amendment and cancellation of permits and approvals.

(2) A decision on cancellation must include instructions for the removal of the building structures or installations, the creation of an orderly situation or the future maintenance of the building structures or installations. To be obligated to ensure maintenance may be the party responsible for the upkeep of the waters or the party in whose interest these building structures or installations must be retained. The respective party must be issued a permit or approval.

(3) Information about a change in legal representatives or owners as per article 18 paragraph 3 of the water law must be promptly conveyed to the state water control at the water management directorate by the new legal representatives or owners.

To Article 21 of the Water Law

Article 28

Enterprises are obligated to appropriately pre-treat before discharge in public sewage facilities any sewage likely to endanger the life and health of citizens, damage or disrupt the operation of sewage works.

To Article 24 of the Water Law:

Article 29

Residential garbage and wastes may not be discharged into waters. Anyone causing obstructions to water flow or shipping may be obligated to remove such obstructions by instructions issued by the state water control at the water management directorates, the GDR waterways inspectorate or the GDR shipping office.

Article 30

Enterprises must immediately notify the state water control, public utility, kreis council and state hygiene inspectorate of any accidents and breakdowns in their sphere of responsibility, likely to damage waters or public waterworks or sewage works. Citizens must notify an organ or water supply enterprise, a German People's Police precinct or local council of any observations regarding the above.

To Article 25 of the Water Law

Article 31

(1) Water pollutants in the meaning of the provisions of the water law are solid, liquid or gaseous substances or their combinations, that might endanger or adversely affect waters or their use.[3] These include toxins[2] and the substances listed in the register of pollutants.

(2) Handling of water pollutants in the meaning of the provisions of the water law is exploration, extraction, processing, manufacture, stockpiling, storage, use, turning out, transshipment, transportation and removal of water pollutants and the materials used to package them.

(3) Water pollutant accidents in the meaning of the provisions of the water law are occurrences in the course of which water pollutants may enter waters or public sewage plants and may, therefore, result in hazards to the health and life of citizens, damage to the potable and industrial water supply, to flora and fauna or in other economic damage.

Article 32

State organs and enterprises must

a) Regularly check installations for handling water pollutants with regard to their orderly use, operability and operational safety;

b) For the prevention of and to cope with accidents involving water pollutants and their consequences, draw up deployment documents and submit them to the state water control at the water management directorate;

c) As per plan make available and constantly keep ready for use special devices and means as well as create the prerequisites for the prompt deployment of manpower for fighting accidents involving water pollutants, and also regularly organize safety training. Records of such training must be kept;

d) Regularly instruct working people handling water pollutants about the orderly handling of water pollutants and their effects on waters. Records of such instruction must be kept;

e) Adopt all measures necessary to prevent and promptly counteract any accident involving water pollutants as well as remove any consequences arising therefrom.

Article 33

In their sphere of responsibility central state organs, combines and economy managing organs must provide the scientific-technological preparation for safely handling water pollutants and coping with accidents involving water pollutans, and also provide the standards required.

Article 34

(1) Design and development institutions, manufacturers and suppliers of plant, devices and means for handling water pollutants as well as of processes using or generating water pollutants must bring evidence that the legal requirements for protection against water pollutants are observed.

(2) Instructions for operation, procedures in the case of accidents and breakdowns and information about the utilization or harmless removal of water pollutants and the materials used for packaging them must be handed over upon the delivery of plant, devices and means as per paragraph 1.

(3) Manufacturers and suppliers of water pollutants must provide data on the harmfulness of the substances and on harmless handling; this information must be given in instructions to users and printed on the packaging.

Article 35

(1) Accidents involving water pollutants must be dealt with by the consumer. If the author is unable to deal with the accident involving water pollutants, it must be dealt with at the expense of the author in order to remove hazards or prevent further damage. This must be done, where necessary in coordination with the local councils, by

a) The organs or enterprises of the Ministry for Environmental Protection and Water Management in waters, unless otherwise prescribed in letter b or other legal regulations, and in public waterworks and sewage plants,

b) The organs and enterprises of the Ministry for Transportation on motorways, the land belonging to the GDR Railroad, on waterways as per article 6 paragraph 1 of the water law, in harbors and roadsteads,

c) Locally managed enterprises and facilities of the road system on the roads in their competence,

(2) The fire services will carry out operational emergency measures in their respective area to prevent and remove common dangers.

(3) The parties listed in paragraph 1 must set up bases in order to improve readiness for dealing with accidents involving water pollutants, emplace the necessary equipment and means, and train personnel. The bezirk councils must coordinate the establishment of such bases.

Article 36

When accidents involving water pollutants have to be dealt with, the state water control, the state hygiene inspectorate and the departments for geology at the bezirk councils must give technical advice to the parties responsible.

To Article 26 of the Water Law:

Article 37

(1) To be reported are

-- The storage of the following water pollutants if the quantity exceeds

| | | |
|---|---|---|
| 100 kg or | 100 l | for section 1 toxins[4] |
| 1,000 kg or | 1,000 l | for section 2 toxins[4] |
| 1,000 kg or | 1,000 l | for mineral oils and their products; |

-- The construction of pipelines for the transportation of water pollutants.

(2) The report must include the description of the water pollutant, its volume, the location and type of storage. The report must be accompanied by evidence showing that the legal obligations for the harmless handling of water pollutants are being observed. The state water control may request additional data.

(3) Reports must be submitted no later than the stage of investment preparation, in all other cases 8 weeks before the beginning of storage. If the report shows that no instructions are required, the informant must be so advised.

(4) The repeated storage of water pollutants of the same kind and in the same storage place does not need to be reported if the volumes earlier reported are not ex ceeded. The storage of water pollutants does not require a report if it was approved as per earlier provisions of the water law.

To Article 27 of the Water Law:

Article 38

(1) Limits for the components of sewage are fixed according to concentration and load factor.

(2) If the user of the waters has no sewage treatment plant or if such plant is inadequate, temporary limits consonant with the givens are set so as to exclude hazards to the life and health of citizens, prevent major economic damage, counteract another increase in the load of sewage and optimally use sewage treatment capacities. They must aim at the gradual lowering of the sewage load and must be coupled with set dates for the implementation of the measures required. The temporary limits must be reassessed each year in connection with the requirements on

water availability in the catchment area and the necessary measures restated at the sage of plan drafting and confirmation.

(3) Limits may be temporarily amended or issued for the period of planned repairs to installations affecting the quality of sewage. Applications must be submitted no later than 8 weeks before the beginning of such repair work.

(4) Limits may be amended if the social demand on the usefulness of waters or the scientific-technological or economic conditions vital for the establishment of limits have been changed.

To Article 28 of the Water Law

Article 39

(1) Measures subject to obligatory reporting are:

-- The construction, alteration or shut-down of industrial removal plants,

-- Drillings and the earth removal involved.

(2) Article 37 paragraphs 2 and 3 apply mutatis mutandi to these reports.

To Article 31 of the Water Law:

Article 40

(1) Upkeep includes measures for the preservation or restoration of the operability of waters, especially the assurance of regulated and harmless drainage.

(2) In the case of waterways, upkeep also includes the maintenance of navigability. The maintenance of navigability refers only to the maintenance of the channel serving shipping and to safety markers.

(3) Also included in upkeep is the control of pests damaging the riverbed and the installations pertaining thereto. The water management directorates must control musk rats in all waters.

(4) The dredging of waters includes alterations to water exceeding upkeep, the construction of new waters including the construction of water management installations pertaining thereto.

(5) In the course of upkeep and dredging of waters, such constructions are generally to be used as fit with the surrounding scenery and follow engineering-biological principles, taking into account hydraulic measuring and load criteria.

To Article 32 of the Water Law

Article 41

(1) The Ministry for Environmental Protection and Water Management in coordination with the bezirk councils must record in a register all waters to be maintained and dredged by water management directorates.

(2) Waterways, old arms and diversion channels to be kept up and dredged by the GDR waterways inspectorate or the GDR shipping office are to be recorded in a register detailed by kilometer markings at the Ministry for Transportation in coordination with the Ministry for Environmental Protection and Water Management. This is done in supplementation of the appendix to the water law.

(3) Kreis councils, departments agriculture and foodstuffs industry, in coordination with the water management directorates, will keep a register of waters to be maintained and dredged by the kreis councils.

Article 42

The legal representative or owner of bridges, culverts, superstructures and casings must keep them free of flotsam and ice obstructing the water flow; the users of the waters are responsible for doing this work in the case of reservoirs.

Article 43

Before a decision as per article 32 paragraph 4 of the water law, the state water control must grant a hearing to the kreis council and interested parties.

To Article 33 Paragraph 1 of the Water Law:

Article 44

Authorization includes

a) Personnel and authorized agents of the party responsible for upkeep entering bordering land on foot or by vehicle,

b) The scarping, felling, reinforcement and planting on banks and changes in the riverbed needed to safeguard unobstructed water flow,

c) The transportation and removal as well as temporary storage of building materials and equipment,

d) The temporary deposit of excavated materials and the leveling of excavated materials not damaging to growth, if the use of the land permits,

e) The removal of islands and alluvial land, the blocking off of bank demolitions and the removal of materials from the riverbed for the purposes of maintenance,

f) The setting of water deptch gauges, shipping markers, bench marks and other markers,

g) The temporary alteration of the water level.

Article 45

(1) Borderers of waters may, in agreement with the party responsible for upkeep, carry out work to make the bank safe.

(2) The removal of sand, gravel or other materials from waters requires the approval of the party responsible for upkeep.

Article 46

Borderers of waters must, in particular,

a) Keep the bordering land free of trees, shrubs, fences and other objects insofar as this is required for unobstructed upkeep and bankfull runoff, and flood control regulations do not include further provisions,

b) Carry out the work required at the edge of the bank so as to prevent crumbling,

c) Level the cultivable excavated material deposited on bordering land in the course of weeding and earth removal.

Article 47

(1) Upkeep and dredging measures must be discussed with the borderers and users of the waters. Possible adverse effects must be reported at that time.

(2) The beginning and duration of repair and dredging operations must be reported to the parties affected early enough to allow them to carry out measures for preventing or minimizing economic disadvantages.

Article 48

Insofar as this is required to protect the riverbed and the bank, borderers of waters must construct and maintain the appropriate facilities such as cattle fences, cattle troughs, fords, footbridges and steps.

To Article 34 of the Water Law:

Article 49

(1) Included among preventive measures are, especially, the care of woods and copses, the agricultural use and management of the land appropriate to the location, the afforestation of land threatened by erosion, the upkeep and dredging of surface waters, the construction, operation and maintenance of laying-up basins, barrages and reservoirs, diversion channels, flood polders and dikes.

(2) Enterprises are obligated to adopt the measures necessary to protect their plants against floods and other water damage in order to avoid disruptions of output and damage.

To Article 35 of the Water Law

Article 50

The social flood control and coast defense includes the construction, upkeep and operation of barrages, reservoirs, laying-up basins, dikes and other flood control

installations as required for the comprehensive protection of the lives and personal property of citizens, socialist property, social production and cultural heritage appropriate to the frequency of flooding and the extent of the danger.

Article 51

(1) The construction, alteration or removal of flood control and coast defense installations require the approval of the state water control at the water management directorates. Article 17 paragraph 3 of the water law as well as articles 21 paragraph 1, 25 paragraph 1 and 26 of this implementing decree apply mutatis mutandi.

(2) Article 44 letters a-c and g and article 47 apply mutatis mutandi to the construction, operation and upkeep of flood control installations.

Article 52

(1) Forbidden on dikes and the protective strips on either side of them are

-- Any planting of trees and shrubs,
-- Removal of the top soil,
-- The construction of structures and fences,
-- The setting of masts, border markers and other markers,
-- Poultry keeping,
-- Any pasturing of cattle with the exception of sheep.

Unavoidable exceptions, such as ditch digging and other digging in the proximity of dikes, the erection of crossing structures and dike ramps, the construction of flyovers and line laying, require the consent of the state water control at the water management directorate. Article 17 paragraph 3 of the water law applies mutatis mutandi.

(2) The storage of materials and objects on or at the dike proper is forbidden unless they are required for maintenance measures.

(3) Walking, driving, riding and cattle driving on dikes are forbidden. Exceptions are admissible only where the dike is built up as a public path.

(4) Flyovers and undercrossings of dikes must be appropriately reinforced by the party responsible for the upkeep of the access roads and must be maintained in this condition. High-exposure points must be reinforced and equipped with removable protective barriers.

(5) The topsoil of dikes must be regularly cultivated by the party responsible for upkeep.

(6) Paragraphs 1-5 apply mutatis mutandi to coast defense installations, especially dunes and sea dikes.

To Article 36 of the Water Law

Article 53

(1) Forbidden in areas subject to flooding are

-- The storage of water pollutants and substances liable to be rinsed away,
-- The cultivation of special farm crops,
-- The construction of silos, stationary milking facilities and storage halls.

(2) Additionally forbidden in those parts of areas subject to flooding that may be traversed by floods (flood water drainage areas) are

-- The construction and alteration of structures and buildings unless they serve flood control or shipping,
-- The plowing of meadows and the cultivation of farm crops,
-- Line laying and road construction,
-- The erection of fences,
-- The construction of tent and trailer camps,
-- Changes of the earth surface such as permanent excavations or fills,
-- The storage of materials and objects of any kind,
-- The emplacement of stationery equipment.

(3) Unavoidable exceptions for the alteration or removal of structures, line and road laying, the construction of mobile fencing, the temporary deposit of materials likely to be rinsed away and the temporary emplacement of stationary equipment require the approval of the state water control at the water management directorate.

(4) Permitted in flood areas outside of flood water drainage areas are

-- The construction of tent camps,
-- Changes in the earth surface such as permanent excavations or fills,
-- The plowing of meadows and the cultivation of farm crops

if the state water control at the water management directorate gives its approval.

Article 17 paragraph 3 of the water law applies mutatis mutandi to such approval.

To Article 37 of the Water Law

Article 54

(1) To be incorporated in the coast defense area is a 200 meter wide strip at the outside coast, a 100 meter wide strip at the Bodden coast.

(2) The strip of the coast defense area begins

-- At the outside coast in the case of bluffs and steep banks at the upper edge of the cliff and in the case of a flat coast line at the medium water line.

-- At the Bodden coast including the Haff and Sund coast at the medium water line.

If flat coast lines are protected by sea dikes against storm floods, the strip extends inland to the inland tow of the dike or dike protection strip.

Article 55

(1) Banned in coast defense areas are the construction and alteration of structures and buildings unless they serve the defense of the coast.

(2) In coast defense areas

-- Land improvement works,
-- Forestry management measures,
-- Changes in the earth surface such as permanent excavations or fills,
-- The setting of water depth gauges, shipping markers, bench marks and other markers

require the approval of the state water control at the water management directorate.

(3) Unavoidable exceptions for the construction, alteration or removal of structures and buildings for economic purposes require the approval of the state water control at the water management directorate.

(4) Article 17 paragraph 3 of the water law applies mutatis mutandi for such approvals.

Article 56

Among the measures against washing out effects are the orderly cultivation and regular utilization of the land as well as the implementation of agrotechnical measures for erosion control.

To Article 45 of the Water Law:

Article 57

(1) Decisions by the state water control as per articles 18 paragraph 1, 21 paragraph 3, 38 paragraph 3, 51 paragraph 1, 53 paragraphs 3 and 4 and 55 paragraphs 2 and 3 must be given in writing and include information concerning the right to appeal. They must be handed or mailed to the party concerned.

(2) Article 45 paragraphs 2-6 of the water law apply to appeals.

Article 58

This implementing decree takes effect on 1 October 1982.

FOOTNOTES

1. In effect at this time for common investments is the directive of 26 September 1972 on common investments (GBl II No 59 p 642).

2. In effect at this time is the second implementing order of 13 February 1980 to the toxin law--registry of classified toxins--(GBl I No 9 p 73).

3. In effect at this time is the order of 20 February 1981 on the effective date of the list of pollutants (special issue No 1059 of the GESETZBLATT).

4. See footnote 2.

Second Implementing Decree

East Berlin GESETZBLATT DER DEUTSCHEN DEMOKRATISCHEN REPUBLIK in German Part I No 26, 21 Jul 82 pp 485-487

/Official text of "Second Implementing Decree of 2 July 1982 to the Water Law--Waste Water Fines and Water Usage Fees," signed by Werner Krolikowski, first deputy chairman, GDR Council of Ministers, and Dr Hans Reichelt, minister for environmental protection and water management/

/Text/ In accordance with article 47 paragraph 1 of the water law of 2 July 1982 (GBl I No 46 p 467), the following is decreed:

Waste Water Fines

Article 1

(1) In the case of violations of article 17 paragraph 1 of the water law and the excess of limits as per article 27 paragraph 3 of the water law, the state water control at the water management directorate will impose waste water fines on the user of the waters. In the case of violations of article 24 of the water law, the state water control will impose waste water fines on the violator. Such fines will be imposed for every violation. Claims for compensation are not affected by waste water fines.

(2) If a plant is used in common, waste water fines will be collected by the legal representative or owner of the plant. The legal representative or owner is authorized to continue collecting waste water fines from the co-user if the latter caused the violation.

(3) Waste water fines may not be planned or calculated and must be included in factory costs.

(4) No waste water fines are imposed on citizens.

Article 2

(1) Waste water fines are imposed for the inadmissible waste water load and, on principle, for at least 1 day or for the volume of pollutants unlawfully discharged into the waters.

(2) Waste water fines are to be computed on the basis of the index table (appendix). It is not permissible to attach a double value to a component substance.

(3) If the state water control notes violations or excesses of limits listed in article 1 paragraph 1, the author must be promptly informed.

(4) The water user may apply to the state water control at the water management directorate for a check of the observance of legal regulations and limits. This check must be carried out within 2 weeks. If the check confirms the observance of legal regulations and limits, the payments may be omitted from the date of the application.

(5) Waste water fines may be doubled if the obligation to notify as per article 30 of the first implementing decree of 2 July 1982 to the water law (GBl I No 26 p 477) is violated and, as a result, greater damage occurs or the investigation is hampered.

Article 3

If the author is able to prove that the legal violations listed in article 1 paragraph 1 could not be avoided despite utilization of all opportunities offered by socialist production conditions, he will be dispensed from payment of waste water fines following the approval of the bezirk council.

Water Usage Fees

Article 4

(1) Water usage fees must be paid for the use of waters by water withdrawal that is subject to a permit as per article 17 paragraph 1 of the water law. Computation of the water usage fee follows legal regulations.[1]

(2) In the case of unauthorized water withdrawal, the excess of the permitted volume of withdrawal or loss, a penalty in the amount of 50 percent of the water usage fee is imposed for the unauthorized volume by assessment notice issued by the state water control. The penalty may not be planned or calculated and must be included in prime costs.

(3) The payment of the water usage fee does not establish a claim to the permitted volume or specific quality of the water withdrawn.

Article 5

(1) Water users must measure the volume of water withdrawn and the volume of waste water discharged, compute water losses and record the results in a manner allowing for checks. If, in exceptional and justified instances, the water user is not yet able to carry out the necessary measurements, the volumes are ascertained on the basis of technical documentations.

(2) The water user's notes are the basis of calculation of the water usage fee. They must be submitted at the request of the state water control at the water management directorate that is authorized to inspect the water user's data for up to 2 years retrospectively.

(3) The water user must himself calculate the water usage fee to be paid. No later than 31 January of any calendar year, and without being requested to do so, the water user must submit a statement[2] in duplicate to the state water control at the water management directorate. The basis of computation is the volume withdrawn in the previous calendar year.

(4) The water usage fee is to be paid by 31 March of the current calendar year. If the water usage fee for a water user exceeds M50,000 per annum, he must--in his statement--fix quarterly instalment payments. Such payments are due on the 15th day of the second month of the quarter.

(5) Is the statement by a water user wrong or no statement is submitted, the amount to be paid will be fixed by notice of assessment, issued by the state water control at the water management directorate. The provision of paragraph 4 on instalment payments is to be applied.

(6) The duty to pay the water usage fee ends upon cancellation of the permit for water withdrawal as per article 18 of the water law.

Maturity, Enforcement, Statute of Limitation

Article 6

(1) Waste water fines, water usage fees and penalties as per article 4 paragraph 2 represent financial obligations vis-a-vis the state budget.

(2) The amount fixed in a notice of assessment as per article 1 paragraph 2, article 4 paragraph 2 or article 5 paragraph 5 must be paid within 4 weeks from receipt of the assessment notice or final decision of an appeal. In the case of default the legal regulations[3] on surcharges on payments to the state budget must be applied mutatis mutandi.

Article 7

Waste water fines, water usage fees and penalties as per article 4 paragraph 2 are enforceable. The enforcement on debtors in the sphere of the socialist economy is to be carried out upon request by the water management directorate by debiting the account of the debtor. Enforcement on debtors outside the sphere of the socialist economy follows the legal regulations in force for such cases.[4]

Article 8

Claims to waste water fines, water usage fees and penalties as per article 4 paragraph 2 are limited to 1 year. The statute of limitation begins to operate on the first day of the month following the day the statement was received by the state water control at the water management directorate or the assessment notice issued.

Article 9--Appeal Regulations

(1) Assessment notices as per article 1 paragraph 1, article 4 paragraph 2 and article 5 paragraph 5 must be given in writing and include information concerning the right to appeal. They must be handed or mailed to the party concerned.

(2) Appeals may be submitted against the assessment notices listed in paragraph 1. The appeal has suspensory effect. The appeals procedure is governed by article 45 paragraphs 2, 3, 5 and 6 of the water law.

Concluding Regulations

Article 10

Special regulations apply to the payment of waste water fines and water usage fees in the sphere of the Ministry for National Defense.

Article 11

This implementing decree takes effect on 1 October 1982.

FOOTNOTES

1. In effect at this time is order No Pr 344 of 8 May 1980 on water usage fees for surface and ground water (special issue No 1052 of the GESETZBLATT).

2. Forms are to be requested from the appropriate model form printing house.

3. In effect at this time is the decree of 19 January 1961 on the collection of surcharges and interest charges on deferred payments of taxes, excise duties, contributions to compulsory social insurance and other payments--surcharge decree--(GBl II No 9 p 39).

4. In effect at this time is the decree of 6 December 1968 on the enforcement of money claims by state organs and state institutions (GBl II 1969 No 6 p 61).

Appendix to Article 2 Paragraph 2 of the Preceding Implementing Decree

Index Table for Waste Water Fines

| Valuation Criteria | Waste Water Fine |
|---|---|
| 1. Substances suitable for filtration | M0.30 per kg |
| 2. a) $BSB_5$ | M0.75 per kg $O_2$ |
| b) $CSV_{Cr}$ | M0.75 per kg $O_2$ |
| c) $CSV_{Mn}$ | M0.75 per kg $O_2$ |
| 3. Total salt excluding salt causing hardness | M0.03 per kg |
| 4. Salt causing hardness calculated as CaO | M0.09 per kg |
| 5. Acid consumption | M60.00 per Kval |
| 6. Base consumption | M6.00 per Kval |

| | | |
|---|---|---|
| 7. Iron | M6.80 | per kg Fe |
| 8. Heavy metals excluding irons and toxins | M13.60 | per kg |
| 9. Oil, fat and materials suitable for extraction | M5.00 | per kg |
| 10. Upon conducting/introducing oil, fat and materials suitable for extraction into GDR territorial and inland sea waters | M50.00 | per kg |
| 11. Nitrogen | M5.00 | per kg N |
| 12. Phosphorus | M13.50 | per kg P |
| 13. Toxins and other water pollutants | M150.00 | per kg cyanide equivalent[1] |
| 14. Temperature | M0.001 | per cubic meter and degree centigrade |
| 15. Waste products (such as ashes, garbage, building debris) | M200.00 | per cubic meter |
| 16. Agricultural waste products (solid and liquid manure) | M100.00 | per cubic meter |

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1. 1 kg cyanide equivalent is the volume of a toxin or other water pollutant exercising the same toxic effect on test organism as 1 kg cyanide. The ascertain- of the cyanide equivalent proceeds on the basis of the water pollutant catalogue issued by the Institute for Water Management.

## Third Implementing Decree

East Berlin GESETZBLATT DER DEUTSCHEN DEMOKRATISCHEN REPUBLIK in German Part I No 26, 21 Jul 82 pp 487-490

/Official text of "Third Implementing Decree of 2 July 1982 to the Water Law--Protected Areas and Reserved Areas," signed by Werner Krolikowski, first deputy chairman, GDR Council of Ministers, and Dr Hans Reichelt, minister for environmental protection and water management/

/Text/ The following is decreed in accordance with article 47 paragraph 1 of the water law of 2 July 1982 (GBl I No 26 p 467):

Article 1--Responsibility for Preparation

(1) The bezirk councils are responsible for the preparation of decisions on areas as per articles 36, 37 and 39 of the water law.

(2) The kreis councils are responsible for the preparation of decisions on areas as per article 29 paragraph 2 and article 33 paragraph 2 of the water law. If an area extends across the territories of several kreises, the kreis councils concerned must coordinate the preparation. If the area is important for the bezirk, the bezirk council is responsible for the preparation of the decision.

Article 2--Applications

(1) Applications for decisions must be submitted to the technical organ for environmental protection and water management at the bezirk or kreis council.

(2) Applicants must ensure the acquisition and production of all documents required for the decision.

Article 3--Process of Preparation

The technical organ for environmental protection and water management at the local council must report the application to the state organs, enterprises and citizens concerned and, if necessary, discuss it with them as well as request the opinion of the appropriate bezirk recruiting and induction headquarters. The applicant is obligated to cooperate in explanations and discussions.

Article 4--Decisionmaking

(1) The decision on the definition of an area as per article 1 must include:

-- The designation of the area,

-- The location, subdivision and size of the area including the pertinent maps,

-- Use restrictions and bans, in the case of potable water reserve areas and water management reserve areas the beginning date of the various use restrictions and bans.

(2) The bezirk or kreis council will decide the assignments required to enforce the use restrictions and bans by way of a plan of operations.

Article 5--Publication

(1) The bezirk or kreis council must publish the essential features of the decision on the designation of an area as per article 1.

(2) The bezirk or kreis council must forward one copy each of the decision, including the pertinent maps, to the local councils. Upon evidence of justified interest, local councils may allow inspection of these documents.

(3) The bezirk or kreis council must forward copies of the decision, including the pertinent maps, to the office for regional planning, the real property service, the kreis and bezirk planning commission, the department agriculture and forestry, the department geology, the state water control, the state hygiene inspectorate and the applicant.

(4) The bezirk or kreis council must forward extracts from the plan of operations to the party concerned.

Article 6--Supervision

The observance of the decisions must be supervised by the local councils, the state water control and the state hygiene inspectorate within the framework of their responsibility.

Potable Water Protected Areas

Article 7

Potable water protected areas must always be subdivided into the holding zone, the narrower protected zone and wider protected zones.

Article 8

(1) The following bans are in effect in potable water protected areas:

a) In the holding zone

-- The handling of water pollutants and radioactive materials,

-- Fertilization by liquid manure and sewage,

-- The introduction or throughput of sewage,

-- Dumps,

-- Burials,

-- The construction of above and below ground buildings,

-- Road building, drillings and permanent excavations unless they serve the potable water supply,

-- Livestock farming, crop cultivation, large silos and underground silos,

-- Tent camps,

-- Bathing,

-- Boating and shipping with the exception of service vessels belonging to state organs;

b) In the narrower protected zone

-- The handling of radioactive materials,

-- The introduction of sewage and water pollutants,

-- The construction of above and below ground buildings,

-- Dumps,

-- Burials,

-- Permanent excavations,

-- Underground silos and livestock farming facilities with large concentrations of livestock,

-- Tent camps;

c) In the wider protected zones

-- The handling of radioactive materials,

-- The introduction and sinking of sewage and water pollutants.

(2) Additional bans may be decided on the basis of standards.[1]

(3) Unavoidable exceptions to bans require the decision by the kreis or bezirk council after comments from the protected zone commission--unless they arise from standards.

Article 9

(1) Use restrictions must be decided on the basis of standards. Only the use restrictions needed to protect potable water are to be established and farm production as well as other types of use taking into account.

(2) If use restrictions do not permit farming use in the holding zone, use for forestry purposes is to be aimed for. If neither farming nor forestry use is possible in the holding zone, the legal entity of the water extraction facility must purchase these areas.

Article 10

(1) Applications for the designation of potable water protected areas must be submitted by the legal entity or the investment principal of the water extraction plant. The necessary documents are listed in appendix 1. The application must be submitted early enough for the decision to be made no later than the preparation of the decision in principle.

(2) The appropriate organs, enterprises and facilities must forward to the legal entity or investment principal the expert opinions, comments and data required as per appendix 1 within 6 weeks from the request by the local councils.

Article 11

(1) Kreis and bezirk councils set up protected zone commissions for the preparation and supervision of the observance of decisions. The management of the protected zone commission is the function of the kreis or bezirk council member competent for environmental protection and water management.

(2) The members of the protected zone commission are appointed by the council member competent for environmental protection and water management in coordination with the managers of the technical organs of kreis and bezirk councils and the managers of enterprises and facilities. To be preferentially appointed members of

the protected zone commissions are representatives of the following technical organs of kreis and bezirk councils and the following enterprises and institutions:

-- State hygiene inspectorate

-- Technical organ for geology

-- Technical organ for finances and prices,

-- Technical organ for agriculture and forestry,

-- The person authorized to handle nature conservancy,

-- The office for regional planning,

-- State forestry enterprises,

-- State water control,

-- VEB Waterworks and Sewage Treatment.

Depending on requirements, representatives of additional enterprises with water extraction plant may also be appointed.

(3) Legal entities or investment principals of the water extraction plant are to be consulted when their applications are considered.

(4) The members of the protected zone commission collaborate in the discussions of the protected area proposal and in the explanation of the intended measures as well as in checks on their enforcement.

Article 12

(1) In the case of use restrictions on agricultural land in potable water protected areas, the economic disadvantages arising must be compensated on the basis of the land use decree.[2]

(2) No compensation is paid for restrictions on use in potable water protected areas established in accordance with earlier water legislation or observed in the cultivation of the land.

(3) If a potable water protected area is decided on for existing potable water extracting plants, compensation is to be paid by kreis or bezirk councils. The money required must be earmarked in the budget plans.

Potable Water Reserved Areas

Article 13

(1) The following bans apply in potable water reserved areas:

-- The installation and extension of dumps,

-- Burials,

-- Permanent excavations,

-- The construction of new tank storages for water pollutants,

-- The sinking of sewage and water pollutants.

(2) Article 8 paragraphs 2 and 3 and article 9 paragraph 1 apply.

Article 14

(1) Water management directorates must apply for the designation of potable water reserve areas upon conclusion of hydrogeological investigations. Potable water reserve areas must be designated for long periods and generally at the time of the preparation of water management development conceptions as well as conceptions on the development of complex housing construction and energy management. The necessary documets are listed in appendix 2.

(2) Article 11 applies.

Article 15--Flood Areas, Coast Defense Areas, Bank Strips and Dike Protection Strips

Applications for the designation of flood areas and coast defense areas must be submitted by the appropriate water management directorates. To be taken into account in this context are the frequency of flooding and the extent of the danger. Applications for the designation of bank strips and dike protection strips must be submitted by the parties obligated to keep up the waters or dikes. The necessary documents are listed in appendix 3.

Article 16--Water Management Reserved Areas

(1) Applications for the designation of water management reserved areas must be submitted by water management directorates, with respect to water pipelines by the public utilities.

Article 17--Taking Effect

This implementing decree takes effect on 1 October 1982.

FOOTNOTES

1. In effect at this time is GDR standard TGL /GDR norm/24348/01-03, potable water protected areas.

2. In effect at this time is the decree of 26 February 1981 on the protection of agricultural and forestry land and on the assurance of socialist land use--land use decree--(GBl I No 10 p 105).

Appendix 1 to Article 10 of the Preceding Implementing Decree

Section I--General Documents

The following general documents are required for the designation of a potable water protected area:

1.1 Description of the potable water extraction plant

1.2 Size of the supply area as well as present and future importance

1.3 Hydrogeological expert opinion as well as claims and proposals for the potable water protected area arising from hydrogeological exploration

1.4 Use permit for the withdrawal of water

1.5 Data on existing industrial, agricultural and forestry as well as mining use, traffic conditions, the type of settlement, recreational use, location of incidence and dumps of waste products in the catchment area, planned use such as railroad tracks, site developments, buildings

1.6 Intended division and demarcation of the protected zones and the reasons for the demarcations

1.7 Comments by the state water control, taking into account the documents listed in Nos.1.1-1.6

1.8 Comments by the state hygiene inspectorate, taking into account the documents listed in Nos 1.1-1.7

1.9 Ownership and usage situation with regard to the real property in the holding zone

1.10 Exposition of the injuries and claims for compensation to be expected to arise from the protected area proposal with respect to content and extent

1.11 Documents of the agricultural and forestry enterprises on the measures to be carried out and the compensation for economic hardship as per the land use decree

1.12 Application for approval consonant with the land use decree

1.13 Exposition of the consequent investments required on the basis of the protected area proposal

1.14 Maps

-- Topographical map 1 : 25 000

-- Map to 1 : 5 000

showing the location of the holding plants and the intended division and demarcation of the protected zones consonant with ground water dynamism and the geological conditions

-- Sections giving the water levels as well as the heights of structures and terrain in the extraction plant.

The kreis or bezirk council may request additional documents or data.

Section II--Additional Documents for Potable Water Protected Areas for Ground Water

In addition to the documents as per section I the following are required for the designation of a potable water protected area for the withdrawal from ground water (including bank filtrate):

2.1 Method of extraction

2.2 Capacity of the plant and extraction volume in cubic meters per annum, cubic meters per day, cubit meters per hour

2.3 Numbers, types, depths, improvements, still water level, lowered water level of wells, isohypose plan, quantities extracted from individual wells and the distances of wells from each other

2.4 Extreme yield values for well ascertainment

2.5 Ground water observation posts and their data of measurement available in the catchment area

2.6 Raw water analyses with evaluation by the state hygiene inspectorate

2.7 Processing method.

Section III--Additional Documents for Potable Water Protected Areas for Surface Water

In addition to the documents listed in section I, the following are required for the designation of a potable water protected area for the extraction from surface water:

3.1 Type of the extraction structure

3.2 Capacity of the plant and extraction volume in cubic meters per annum, cubic meters per day, cubic meters per hour

3.3 Hydrological and hydrographic data

3.4 Hydrochemical data

3.5 Hydrobiological data

3.6 Management plan for barrages

3.7 Raw water analyses and evaluation by the state hygiene inspectorate

3.8 Processing method

3.9 Study of the regional classification of the potable water protected area

Appendix 2 to Article 14 of the Preceding Implementing Decree

The following documents, in particular, are required for the designation of a potable water reserve area:

1. Designation of the potable water reserve area

2. Size and demarcation of the potable water reserve with maps

3. Description of hydrological, geological and hydrographical conditions

4. Explanation

5. Data on the current use of the area

6. Proposals for bans, restrictions on use and instructions

The kreis or bezirk council may request additional documents or data.

Appendix 3 to Article 15 of the Preceding Implementing Decree

The following documents, in particular, are required for the designation of flood areas, coast defense areas, bank strips and dike protection strips:

1. Designation of the waters, water section or dike

2. Size, demarcation and intended subdivision of the flood areas, such as flood drainage areas, areas for $HQ_2$, $HQ_{10}$ and HHQ, coast defense areas and dike protection strips or bank strips

3. Maps

   -- Topographical map 1 : 25 000 to 1 : 10 000

   -- Maps 1 : 5 000, especially in the sphere of settlement areas

4. Explanation with brief description of the effects of floods or storm floods or the demarcation intended for dike protection strips or bank strips

5. Data on current and planned uses in the areas or strips intended for designation

6. Ownership and usage conditions of the land

7. Proposal for bans, restrictions on use and instructions

8. Subject and extent of the injuries and claims for compensation to be expected

9. Documents of agricultural and forestry enterprises on the measures to be carried out and on compensation

10. Application for approval as per land use decree

The kreis or bezirk council may request additional documents or data

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## COMMUNICATIONS FACTORY STRUGGLES TO ADJUST TO MARKET DEMAND

Budapest NEPSZABADSAG in Hungarian 11 Aug 82 p 10

[Article by Frigyes Berecz, director, BHG Telecommunications Enterprise: "Adjusting to the Requirements of Foreign Market"]

[Text] The series of restrictions introduced in the economic regulatory system demand a larger output from all industrial enterprises. The BHG Telecommunications Enterprise--still more commonly known as "Beloiannisz"--must adjust to additional pressures.

We have made a significant reconstruction investment during the Fifth Five-Year Plan period; most of the 717 million forints used for this purpose must be paid off during the Sixth Five-Year Plan.

In the meantime, it became clear that our present products, telephone exchanges using crossbar technology, are in decreasing demand on the market; demand for them is replaced by fully electronic, stored program controlled, time division multiplexed systems which can only be supplied by radically changing technologies developed through decades and replacing a technical generation. This could only be accomplished by a development requiring hundreds of millions, which is not possible because of the difficult conditions.

### Between Two Fires

The effect of these two difficulties is further increased by the world phenomenon observed in the industry, according to which--in contrast to the steady price increases characteristic to most products--prices in this product line are not increasing but are actually dropping.

This is a consequence of the revolutionary development of microelectronics. The miniaturization of elemental components, their integration into a single component exceeded all expectations in our era. Thus the specific price of a circuit component is rapidly decreasing and this compensates for other material and labor cost increases; via a mass utilization of microelectronic components the price can even decrease. But this is only possible if the modern--and ever growing--microelectronics parts selection and all of the technical tools needed for their application are available to the manufacturers of the end products. Concurrently in our country this is only true to a small degree, and thus com-

ponent manufacturers in the electronics industry have been placed in a cross-fire: their development funds needed to follow the swift generation change became more modest; the average price of the domestically available materials and components became more expensive, which increases production costs; in the meantime the world market price of electronics products is not increasing, but rather it is decreasing.

Under these difficult circumstances, a company is placed in a tough position. There are, however, numerous other differences between us and the companies leading the competition. The most conspicuous one is the difference in productivity and efficiency (double or triple). Analyzing the reasons for this, we find five or six coefficients that can be traced back to company or industrial structure professional training defficiencies.

Since such reserves can be found within BHG, we can plan on a 10-12 percent annual production increase exceeding the industrial average, even higher profit increases and a change in our marketing structure allowing--even taking into account the modest size of BHG--to favorably influence the balance of the peoples economy.

The timely repayment of our loans, our budgetary obligations and the wage and social benefit increases of our workers had been considered fundamental during the development of the plan. In addition to these, in smaller steps, the creation of funds necessary for the development of the company by the acquisition of short-term credits. It is clear that during the sixth five-year plan period a development based on a single, large credit is not possible, but the generation change must be started in spite of this.

Reserves

We took a close look at the outside influences on our company, analyzed the possibilities of taking advantage of reserves internal to our organization and those limitations which cannot be overcome with a company effort alone.

We reevaluated our market potentials and together with the management of Budavox Rt. practicing our export rights decided to examine several market demands hitherto considered minor or infeasible. We judged the opinion according to which our products can only be sold for large systems. We confronted the view according to which small business is no business. Today we thoroughly weigh all offers and refuse them only if their economical implementation is proven to be hopeless in advance.

The first achievements of our new marketing policy have already been registered. In 1980, we achieved 1.4 million and in 1981 4.9 million dollars of sales revenues in non-socialist markets. This year, we are planning on 10.5 million dollars, and a further increase appears to be well founded also in 1983. The main components of the achievement:

--We undertook new activities in our enterprise: the establishment of city telephone networks requiring a high level of technical design and valuable labor in implementation. We received a great deal of help in this project from other Hungarian institutions and companies, above all the Hungarian Post Office;

--through smaller investments, we have made our telephone subcenters once again sellable and thus prolonged their market life cycle;

--we have developed, in a very short time, a fully electronic subcenter family and introduced it to the market.

We realize that in spite of the improvements our success on non-socialist markets is still modest in the absolute sense and will be short-lived unless further steps are taken. There are many prerequisites for the increase and maintenance of this success; the most important one demands that all equipment families of the system be most modern in the area of telephony. This can only be achieved through the purchase of new licences; having thoroughly examined several offers in this area, we prepared a proposal and submitted it to the appropriate state organs.

Unfortunately, our achievements have an aesthetic shortcoming. We are missing--according to our hopes and aspirations only temporarily--from the markets of advanced capitalist countries. We can return only with the most modern yet inexpensive products.

In spite of the difficulties in obtaining parts and materials, an effort has been made to limit nonsocialist imports. As a result of this effort, for the first time this year, the company foreign currency balance will be positive.

Our success was achieved without sacrificing socialist exports or neglecting domestic obligations. Sales revenues from exports to socialist countries were 39.3 million rubels in 1980 and 49.4 million in 1981; 62.3 million rubels are projected for this year. Domestically, corresponding to the requirements of economic policies and in accordance with consumer demands, our sales output leveled off at 1.2 billion forints. In 1982, this is merely 36.3 percent of our total sales output.

Let me present only our most important step in the area of cost reduction: the introduction of the factory self-accounting and individual involvement system.

Between 1967 and 1978 BHG developed from a single factory into a multisite enterprise; six factories and a research and development institute--as self-accounting units--are in operation under the direction of central management. In these, there are a total of 9000 people employed. A force of this size cannot be managed from a single center by instructions covering all of the details. Thus the development of self-accounting system got under way as early as 1979. As a first step, the rights and tasks of wage fund control have been partially and in 1981 fully turned over to the self-accounting units. Starting 1982, a part of the wage increases and the bonus funds have been linked to those factors of the factory plan which can only be influenced from the factories. In 1983, the factory management indexes and the wage funds influenced by them will be increased. Our goal is to separate company bonuses by factories. (Considering that only BHG factories can serve as a market for BHG factories--i.e., we have not direct connection with the consumers--this requires very complicated computations.)

## Direct Impetus

Using the factory self-accounting and individual involvement system, we make the effects of the external economy on the enterprise felt by the individual factories; furthermore, those influences which can be reacted upon most expeditiously and effectively--such as labor demands, material use, energy consumption, scrap production, reduction of wasted time, increase in the utilization of production tools--by them can provide a direct and immediate impetus, and thus the funds produced by above average work can be retained.

The initial results showed after the first three years already; especially in our four rural factories that were characterized by labor shortages; today they are balanced out and by 1983 will require an increase in labor supply. Parallel to this process, salary differences between Budapest and country plants have been significantly reduced and are disappearing for identical trades. Our goal is to make the effectiveness and productivity of our factories approximate those of factories operating in developed industrial nations and related in regard to the index of technical preparedness.

The foregoing statements prove that the economic output of factories can be improved in spite of continuously increasing demands and ever stricter regulators. This is also verified by the profit increase of BHG, which was 7 percent in 1980, 13.7 in 1981 and is expected to be 16.2 in 1982 and 17.5 in 1983 in proportion to the fixed tool and wage fund.

We know that a few companies show even better and numerous similar growth rates in industry today; their combined achievement proves sufficiently that stricter demands spur every manager with a sound outlook to achieve a higher output.

## External Conditions

The view according to which the achievement of a particular company can only be improved by state decisions and regulations is just as distorted as the one that maintains that every cause hindering the more intensive development of the peoples economy is company related and all possible measures must be taken within the company. Studies also point to industrial structural disproportions. Today most of the Hungarian companies are characterized by large amounts of working inventories and steady supply troubles; technical development is hindered by the unavailability of quality materials and parts, or their import is an extra financial burden.

The reason for this phenomenon: the qualitative, technical and quantitative backwardness of the domestic basic material and parts manufacturing relative to the processing industry. If the production of base materials, intermediate products and parts grew more rapidly, in a few years the equilibrium of the branches would be reestablished. The beneficial effects of this would also turn up in supply reliability, an ending of the dependence and a rhythmical production based on steady supply. If we calculated the amount of resources--developmental fund type--made available by keeping 2-3 weeks working inventory instead of 4-6 months, we would discover a deeply hidden source. Such a small inventory, however, can only be kept if supplies are fully guaranteed and if the suppliers are competing. The fact that this is not an unrealistic idea is

proven by the leading industrial countries where continuous production is achieved with only a few days of working inventory.

If not only the quantity of base material production increased but its technical characteristics and quality rose to the world level, this could give wings to technical development. Beside the present development level of technology, developers depend more and more on the "science" of materials and parts. Since the goal is to reach the world level and keep up with competition, the creation of "extra pressure" on supply industry to increase quantity and quality must be an immediate step in industrial policy. Without this, companies operating in the processing industry can achieve only relative success.

Today world economy is equally characterized by newer and newer records of the technical revolution which are nearly impossible to keep up with and, at the same time, a slow down in economic development, which takes crisis proportions in certain areas. All of those companies which must achieve most of their result on the world market can only survive if they accept the competition resulting from a rapid development of market demands; i.e., catch up and keep up with technical development and explore and mobilize their reserves, since the market judges the competition not only by the technical level, but also by prices, deadlines and many other factors. Like any other Hungarian export enterprise, the BHG Telecommunications Enterprise, too has no other choice but to accept this challenge.

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## HIGH COSTS OF INVESTMENT CAPITAL RAISE CONTROVERSIES

Budapest NEPSZAVA in Hungarian 30 Jul 82 p 3

[Article by Patricia Molnar: "In the Crossfire of Controversies"]

[Text] New factory. Shop more modern than old one. Bigger, taller new building. Automatic production line. We could cite these and hundreds of similar headlines for economic news items in the daily press. But even without a more thorough analysis of the contents of the reports and articles, we know of course that our economic development has been investment-centered. Although investment will remain the main driving force of development also in the future, the contributions to the debate among economic experts indicate that the time may be ripe for a change in the investment-centered approach. Economists formulate this succinctly as follows: quality, profitability and effectiveness must play a greater role also in development policy.

### New Situation

What is this all about? Actually this is nothing new. After all our investment policy has for years been a target for the experts, on the principle that it is like the proverbial veterinarian's horse on which the shortcomings, ailments and sores can best be demonstrated. Even the investment blacklist is nothing new to the layman.

The list of shortcomings in investment policy reads as follows: chronic disequilibrium on the investment market; dissipation of investment resources; cyclical slumps and peaks that respectively depress prices and cause them to soar; long lead time; large volume of unfinished investments; investors at the mercy of monopolistic contractors, resulting in undisciplined, late deliveries that do not confrom to specifications, and in disorganized construction and capital investment processes.

Thus even this criminal record is nothing new. But what is new is the present situation which leaves fewer forints available for investment, as a proportion of national income. External and internal conditions have created a new situation also in the sense that our foreign indebtedness, too, has drained our accumulation resources, while the structure of our economy is doubly ripe for changes that again will require forints: first, because the growth reserves stemming from the rearrangement of the various branches and sectors of our econ-

omy, and from shifts in their relative weights, have become exhausted; and secondly, because the so-called microstructure has become even more vulnerable--a no small proportion of its products is obsolete by international standards.

From the preceding it would seem that an increase in investment is warranted more than before, even if we do feel the pinch. But if we line up the arguments of the other side in this debate, this conclusion becomes more ambiguous. The other side contends that even though the accumulation rate in 1968-1981, ranging from 18 to 32 percent, was better than the other important economic indicators, a curtailment of investment is nevertheless warranted because investment, on average over a longer period of time, was above the optimum. It is an altogether different matter that this optimum is based on estimates, rather than on thorough economic analyses. But the "above the optimum" label attached to investment is acceptable if we regard as true (and on the basis of the latest experience we can do so) that the enterprises and the entire economy are suffering from an internal fever, an unsatiable hunger for investment.

An appetite for investment in itself is of course no fault. But it is a fault that the "feeders" have not always been able to discriminate, or to properly distribute the manna of investment subsidies, between the chronically "obese omnivours" and those who wanted nourishment merely to maintain and strengthen their condition.

Easy Money

On the basis of their underlying motives, demands for investment can be divided into two groups. In the first group belong the demands for investment worthy of consideration, motivated by a desire to enhance technical and economic values and to narrow the lag. In the other group belong mostly investment demands that obtained developmental resources because of the softness of the investments and a desire to obtain money easily. If we consider this other group, the views are not unfounded that now regard as excessive the earlier rates of investment. One harmful effect of the investment fever is the swelling volume of unfinished investments and the simultaneous lengthening of the construction time. According to experts, for these two reasons the national economy is incurring a loss of 10 billion forints a year. For the long construction time involves additional costs; the delay means a dropout of profit; if the payoff period is longer, the enterprise and the national economy recover the invested forints later; during the slowdown the competitors catch up and the chances of marketing worsen, etc.

Considering the mentioned argument, the curbing of investment can be justified economically. But the fact remains that economic necessity, rather than economic expediency, continues to hold the reins. To maintain the customary growth rates would require such imports of energy and raw materials that would lead to excessive indebtedness. Furthermore, even the maintenance of the present living standard can be imagined only by tapping our accumulation resources.

But to what extent can we tap these resources? So far as our present rate of investment is concerned, many are of the opinion that it cannot be any lower, because that would jeopardize our future ability to earn income. This again would have an unfavorable effect on the livinig standard, exports, external economic and domestic equilibrium, and our growth possibilities.

Investment Reins

Then what is the solution? Among other things, the often mentioned selectivity, such that it will become harder to obtain forints for investment. Well, if we consider only the measures adopted recently, both investment policy and credit policy have become stricter. Investments started after 1 June are subject to a 25-percent tax if their construction and installation costs exceed 500,000 forints. The decree raising (retroactively) by one percentage point the interest rates on intermediate- and long-term credits provided for economic organizations was promulgated one month later, on 1 July.

Experts contend, however, that making investments more expensive actually does not make developmental resources harder to get. The higher cost can be passed on, and thus the cumulative inflation burdens the entire economy. But now the enterprises are able to pass on only partially in their prices the higher interest rates as an increase in their costs.

Investment decisions are burdened not only with debates. Far more serious are the conflicts of interest that exist between the momentary and the long-term objectives. To mention only a few among them: the equilbirium here and now, the need for technical development, enhancement of our ability to export, structural change and the requirements of proportionality, etc. But in the final outcome the investments at any given time leave a profound, long-lasting and permanent impression on the economy. Thus in deciding the questions of "where" and "how much," these long-range considerations must be given priority, even if occasionally they may be risky.

1014
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MODERNIZATION OF MARITIME FLEET REPORTED

Warsaw ZYCIE GOSPODARCZE in Polish No 28, 1 Aug 82 p 10

[Article by j.d.: "Ships for Polish Shipowners"]

[Text] Nowhere is depreciation of property more evident than on a ship. It is not merely a question of a ship's external appearance; rusted, unmaintained hulls have always been characteristic of ships sailing under the Greek flag. The term "Greek" in sailor's jargon was synonymous with a neglected ship. Unfortunately, in recent years this pejorative designation has also come to be used with regard to Polish ships. However, the aging of the fleet is apparent mainly in the level of its technology, in its loading and unloading possibilities, in the number of crew members needed to serve a ship, the speed of ships and the like. Consequently, this decides the fleet's competitiveness, the opportunities for taking on cargo, the amount of freight and the possibilities of putting in at different ports.

Thus, a flexible investment policy, or more precisely, continuing wise investment is one of the basic conditions if we are to maintain our position on the worldwide maritime freight market. Our shipowners have not had the best experiences in this regard. They were not the favorites of domestic shipyards. However, the hardships of recent times have endeared the shipowners, and the shipyards now view the offerings of native shipowners more kindly.

Not long ago, at the Adolf Warski Szczecin Shipyard, a contract was signed for the construction of five modern bulk carriers for the Polish Steamship Company [PZM] weighing 33,000 dwt each. The contract was based on real prices. It contained a clause stating that the PZM is obliged to earmark the sum of $3 million for each ship for the purpose of making the indispensible foreign-exchange purchases. These five ships, which the PZM is to receive in 1984-1985, continue the so-called "combatant" series. The new ships will be modified. Together with the recently launched "Powstaniec Warszawski," the Szczecin shipowner now has 15 ships from this series in use.

The new bulk carriers will have five holds which are adapted to the dimensions of containers. They will normally be used to transport coal, grain, ores and phosphorites. They have an advantage over ships of this series that are already being used in that they will consume 10 tons of fuel less per day. The Warski Shipyard is also preparing to build six ships for the PZM weighing 9,500 dwt each and six ships weighing 3,000 tons each.

The PZM will receive eight universal bulk carriers from Argentinian shipyards. Six of these will weigh 26,000 dwt each, with a draft of 9.35 meters, a length of 180 meters and a breadth of 23.5 meters, each with five holds. They will be equipped with engines produced by the Burmeister firm with an output 7,050 kilometers that will be able to reach a speed of 14 knots. The first of these is to be put into operation in November 1983: another four will be ready by 1984, and the rest, in January 1985. The other two ships from Argentina are large, "panamax"-size ships, weighing 61,000 dwt each, and having a length of 224.5 meters and a breadth of 32.2 meters. They are to be put into operation in 1985. They are being built on the basis of 100 percent Argentinian credit.

When asked whether the Falkland crisis will have a bearing on the implemention of this contract, Minister Jerzy Korzonek stated that so far work is proceeding according to the contract.

At the shipyard in Warnia, three ships weighing 38,500 dwt each are being built. These ships, which are part of the so-called "general's" series, represent a new generation of bulk carriers, both in terms of engineering-operational realization and social facilities for the crew. The first of these will be launched by the PZM next year.

The PZM fleet, now a partner in the Polish Joint Stock Shipping Company, would thus add 17 new ships by 1985. This would enable it to remove the following bulk-general cargo ships, weighing 14,000 dwt each, from service: the "Gornik," the "Energetyk," and the "Hutnik" as well as the "Ziemia Szczecinska" and the "Ziemia Lubuska" that were built in 1966. "Manifest Lipcowy," which was built in 1970 and weighs 55,000 dwt, would also go for scrap.

The Polish Ocean Lines [PLO] has ordered three chambered container ships with a deadweight capacity of 22,800 tons and a carrying capacity of 1,200 TEU [expansion unknown], from the Lenin Shipyard in Gdansk. These are designated for the Far East line. The PLO has also signed a contract with the Paris Commune Shipyard in Gdynia for a delivery of eight semi-container ships with a deadweight capacity of 14,000 tons each. These ships will be put into service from 1985 to 1987 on the South American line. Currently, the PLO is negotiating with this same shipyard for a delivery of five ro-ro ships with a deadweight capacity of 7,000 tons each for the Mediterranean line. The reasons that the scheduled delivery dates for these are later than for the ships contracted from the Warski shipyard are the backlog of orders and the above-mentioned lack of interest of domestic shipyards in serving the needs of Polish shipowners.

What the Gdynia shipowner receives in the next few years will have been purchased from abroad. By the end of July 1982, the first of four ro-ro ships built by the Spanish Astilleros Espanoles Joint Stock Company Shipyard in Porto Real near Cadiz is to be delivered to the PLO. The second Spanish ship is to be launched most likely in September, and the remaining two will be put into service at the end of 1982.

These will be the largest and the most modern Polish liners (currently there are only 118 ocean ro-ro ships [overseas carriers] in service worldwide that have a deadweight capacity of more than 10,000 tons). Thus, it is worthwhile to cite several characteristics of these ships in detail. They have a length of

199 meters meters and a breadth of 31 meters; they are 20 meters high at the upper deck and they have a draft of 9.5 meters. The ships have four decks onto which cargo is loaded by means of a permanent, two-way stern loading platform 50 meters long and a system of internal permanent ramps. Cargo is transported in containers or on special container pallets. The ships are powered by Sulzer engines with an output of 23,450 kilometers, enabling an operational speed of 20 knots.

The liners will be able to transport a maximum of 1,200 20-foot containers each (TEU). They will also be able to carry 150 regrigerated containers. One hundred private cars will be able to fit in the bow of the ship. Four cargo holders will also make possible the transport of approximately 1,000 cubic meters of cooking oil and other liquid cargo that must be heated to 60° C. The liners will also have a gymnasium, a reading room, a library, video recorders and colored televisions. All crew members will have private cabins with their own sanitary facilities.

Technologically, the ships will be equipped to simplify the work of the crew. They will have stream rudders at the bow and stern, stabilizers to prevent listing, a fully automatic power plant with a central cooling system, a mini-computer and a system of navigation and satellite communication.

The ships have been named the "Poznan," "Katowice II," "Gdansk II" and the "Wroclaw." They will be put into service on the Australian line in place of the semi-container ships of the "Jozef Conrad Korzeniowski" and "Jacek Malczewski" type. Due to the shortening of transshipping operations in Australian ports, the round-trip traveling time will be reduced from 120 days to 90 days. The reduction in the ship's cost of cargo transfer also affords considerable savings; the ro-ro ships will carry 2-2.5 times more cargo than the semi-containers now in service on the Australian line.

The shipowner hopes that the new tonnage will bring him many cargoes that could not be transported formerly due to the limited transport possibilities of semi-containers (containers plus conventional general cargo). Such loads, which are traditionally transported from Europe to Australia, include automobiles (private cars and trucks), busses, tractors, construction machinery, luxury vehicles [drogowe jachty] and large elements of complete industrial installations. Cellulose, lumber and sheep come in the other direction. The PLO expects these ships to enable it to expand its contacts with the Scandanavian and Central European markets, as well as with several European socialist countries which have been using the services of Western carriers to transport wool and leather imported from Australia and New Zealand.

The engineering-operational parameters of the PLO liners demonstrate that these ships will be able to compete tonnage-wise with the liners of foreign shipowners operating on this shipping route, which is the route most saturated with tonnage today after the North Atlantic route.

Let us bear in mind that the modernization of the Polish liner fleet began only 2 years ago with the launching of the "Inowroclaw" ro-ro ship, which is a joint venture ("Polanglia") with the British United Baltic Corporation. The second step was the introduction of four con-ro container-type ships into the PLO North

American line. These are the property of the Polish-French Joint Stock Shipping Company. They are the ships: "Tadeusz Kosciuszko," "Kazimierz Pulaski," "Wladyslaw Sikorski," and "Stefan Starzynski." These ships normally make a round trip voyage in 28 days (i.e., they leave a new port every week). They travel between Rotterdam, Halifax, New York, Baltimore, Wilmington or Le Havre, and again to Rotterdam, Bremerhaven and Gdynia.

8536
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SPECIAL CURRENCY EXCHANGE RATES PUBLISHED

Warsaw TRYBUNA LUDU in Polish 23 Aug 82 p 7

[Text] Announcement of Exchange Rates Table No 34/82, effective 23 August 1982, by Stanislaw Majewski, president, Polish National Bank, on 23 August 1982.

I. Foreign-currency exchange rates in zlotys for countries of the first payments area [socialist countries] for commercial and noncommercial payments remain unchanged.

In purchases of travelers' checks for rubles, issued by the USSR Foreign Trade Bank and payable outside the USSR in the currency of the country where cashed, an exchange rate of 11,773.80 zlotys per 100 rubles is applied.

II. Foreign-Currency Exchange Rates in Zlotys for Countries of the Second Payments Area [Capitalist Countries].

[Table on following page]

Exchange Rates Table No 34/82

| Country | Curr Symb | Currency | Foreign Exchange Purchase 4 | Foreign Exchange Sales 5 | Money Purchase 1 | Money Sales 2 | Average 6 |
|---|---|---|---|---|---|---|---|
| Saudi Arabia | 771 | 1 rial*** | 25.20 | 25.46 | --- | --- | 25.33 |
| Australia | 781 | 1 Aust.dollar | 89.41 | 90.31 | 88.06 | 91.66 | 89.86 |
| Austria | 786 | 100 schillings | 488.70 | 493.62 | 481.34 | 500.98 | 491.16 |
| Belgium | 791 | 100 francs | 179.63 | 181.43 | 176.92 | 184.14 | 180.53 |
| Denmark | 792 | 1 kroner | 19.87 | 9.97 | 9.72 | 10.12 | 9.92 |
| Finland | 780 | 1 markka | 18.01 | 18.19 | 17.74 | 18.46 | 18.10 |
| France | 793 | 1 franc | 12.35 | 12.47 | 12.16 | 12.66 | 12.41 |
| Greece | 724 | 100 drachmas | 121.85 | 123.07 | 105.61 | 124.91 | 122.46 |
| Spain | 785 | 100 pesetas | 76.42 | 77.18 | 75.26 | 78.34 | 76.80 |
| Holland | 794 | 1 florin | 31.17 | 31.49 | 30.70 | 31.96 | 31.33 |
| India | 543 | 100 rupees*** | 904.02 | 913.10 | --- | --- | 908.56 |
| Ireland | 782 | 1 pound*** | 118.22 | 119.40 | --- | --- | 118.81 |
| Japan | 784 | 100 yen | 32.69 | 33.01 | 32.19 | 33.51 | 32.85 |
| Yugoslavia | 718 | 100 dinars | 178.75 | 180.55 | 154.93 | 183.24 | 179.65 |
| Canada | 788 | 1 Canad.dollar | 69.50 | 70.20 | 68.45 | 71.25 | 69.85 |
| Kuwait | 770 | 1 dinar*** | 298.08 | 301.08 | --- | --- | 299.58 |
| Lebanon | 752 | 1 pound | 17.00 | 17.18 | 16.75 | 17.43 | 17.09 |
| Libya | 651 | 1 dinar*** | 292.79 | 295.73 | --- | --- | 294.26 |
| Luxembourg | 790 | 100 francs | 179.63 | 181.43 | 176.92 | 184.14 | 180.53 |
| Norway | 796 | 1 kroner | 12.72 | 12.84 | 12.52 | 13.04 | 12.78 |
| Portugal | 779 | 100 escudos | 100.06 | 101.06 | 86.72 | 102.57 | 100.56 |
| FRG | 795 | 1 mark | 34.34 | 34.68 | 33.82 | 35.20 | 34.51 |
| United States | 787 | 1 dollar* | 86.69 | 87.57 | 85.39 | 88.87 | 87.13 |
| Switzerland | 797 | 1 franc | 40.06 | 40.46 | 39.45 | 41.07 | 40.26 |
| Sweden | 798 | 1 kroner | 13.94 | 14.08 | 13.73 | 14.29 | 14.01 |
| Turkey | 627 | 100 pounds | 53.02 | 53.56 | 45.95 | 54.36 | 53.29 |
| Great Britain | 789 | 1 pound** | 147.17 | 148.65 | 144.95 | 150.87 | 147.91 |
| Italy | 799 | 100 lira | 6.15 | 6.21 | 5.33 | 6.30 | 6.18 |

* Valid also in clearing accounts with the following countries: Bangladesh, Brazil, Ecuador, Greece, Iceland, Kampuchea, Colombia, Lebanon, Pakistan Peru and Turkey

** Valid also in clearing accounts with the following countries: Nepal and Pakistan.

*** The Polish National Bank does not purchase money in these currencies.

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END

JPRS 81757

13 September 1982

# East Europe Report

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2315

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13 September 1982

# EAST EUROPE REPORT

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2315

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# CSSR PLAN FULFILLMENT IN FIRST HALF OF 1982 REPORTED

## Combined Results Reported

Prague RUDE PRAVO in Czech 28 Jul 82 pp 1, 2 and 29 Jul 82 p 2

[Unsigned articles]

> [Text] In harmony with the conclusions of the 16th CPCZ Congress and with the law on the 7th Five-Year Plan, the state plan for 1982 orients economic activities to develop the economy and maintain the present living standard and social benefits of the population. The tasks of the plan are based on the need to improve further the foreign economic balance and to deal with the consequences of last year's decreased fuels, energy resources and other raw materials and poor harvest, which could not be fully covered by imports of grains.

As production volume dynamics has slowed, the state plan has concentrated on strengthening the balanced development of the national economy and improving its structure; increasing effectiveness and quality; enforcing economical operations; increasing the processing value of the sources of fuels, energy, raw and other materials; and achieving substantial savings in their consumption.

Party, state, economic and trade union organs and social organizations have concentrated their efforts on these tasks. Application of the principles of the "Set of Measures to Improve the System of Planned Management of the National Economy after 1980" also helped gradually to strengthen the economy.

The activities and initiative of the working people and their development in connection with the 10th All-Union Congress had a positive effect on the implementation of the economic and social development program.

Economic development basically corresponded to the intentions of the plan. Industry, in which desirable structural changes are being brought about gradually, had a particularly important share in this development. Trends to decrease material consumption per production unit continued. There also appears to be a trend to reduce transportation demands. The process of supplying fuels and energy to the national economy was generally continuous. The trade balance was strengthened, even with regard to nonsocialist states, although obstacled increased in foreign trade due to intensifying economic crises in those countries and discriminatory measures of advanced capitalist states against socialist countries.

Certain shortcomings continued. Efforts to overcome them failed. This applies especially to the need for a broader application of scientific, technical progress in the national economy, greater utilization of fixed assets and reserves in the entire production process, faster completion of construction work and provisions for continuously putting new facilities in operation. The need for highly economical operations was not respected fully in some cases in the production and nonproduction spheres.

In spite of the problems necessary to be overcome in the development of the national economy, positive elements of the development appeared in the economic area. We succeeded in implementing the basic direction of the plan; namely, maintaining the achieved high living standard of the population.

Application of Scientific Technical Progress in the National Economy

Research and development studies concentrated on increasing the value and savings of fuels and energy, metals, raw materials and other materials; accelerating the development of electronics and microelectronics; gradually increasing the utilith value; and accelerating modification of products while their technical and economic parameters are growing.

Of the research and development tasks of the state plan for scientific, technical development, 95.4 percent were fulfilled with planned output at 92.9 percent. In comparison with the first half of 1981, the rate of output was higher. On this basis, the production of circuits, for example, was introduced for microcomputer systems with a microprocessor, the same applies to the production of transmission housing with an output of 1,000 kilowatts for transportation systems in mines; production of all plastic cables involving the use of new insulating materials, including fittings; construction of lightweight production halls for industry and agriculture; new sanitation methods for grain storage facilities; and production of multilevel cages for use in pigsties with fully mechaniczed servicing.

The results of scientific, technical development, licenses, inventions, and melioration proposals carried out in the first half year, combined with the initiative of the workers, have created conditions for significant savings. On the basis of these measures, industrial enterprises expect savings for the entire year of 1982 of roughly 14 million gigajoules (that is, roughly one-half million tons of measurable fuels) of fuels and energy, savings of raw materials and other materials amounting to more than 2 billion korunas and relative manpower savings of almost 11,000 workers.

The share of new products in the total value of industrial products increased by 0.3 percentage points, reaching 15.4 percent. The production volume of products of a high technical economic level has increased; that share in the total value of products of industrial branches is 11 percent, 1.3 percentage points more than the same period last year.

The improvement was achieved in certain technical economic indexes. For example, the measurable fuel consumption in steam electric powerplants was reduced to 11,820 [?] GJ/MWh (2,646 million kilocalories), which is 1.7 percent less in comparison with the same period of last year.

Positive trends showed in the work of inventors and innovators. The number of registered inventions and improvement proposals increased 3 percent compared to the first half of last year. However, shortcomings continue in the accelerated application of the accepted inventions and improvements proposals.

Scientific, technical cooperation with the USSR and other CEMA countries was intensified further. Cooperation with the USSR concentrated on economical utilization of fuels and energy resources, construction of nuclear electric powerplants, electronics, production of automatic manipulators with program control, chemicals and biochemicals for agricultural production, protection of the living environment, and rational utilization of natural resources. The scope of license agreements between the USSR and other socialist countries increased.

Results in scientific, technical development, the speed and extent of their introduction do not correspond to our opportunities or to the development needs of the national economy. Reserves continue to exist, particularly in the management of scientific, technical development at all levels, especially in the faster concentration of research facilities on key tasks.

Investment Construction

In harmony with the intentions of the plan, and in the interest of balancing the national economy, the extent of investment work and deliveries decreased compared to last year. Investment work and deliveries were carried out (not including Project Z [community self-improvement program] and projects carried out by the people) in the amount of 56.8 billion korunas, including construction work for 32.4 billion korunas and machinery and installations for 24.4 billion korunas. In comparison with the same period of 1981, the volume of investment work and deliveries was 2.4 percent lower, including a 6.7 percent lower volume of construction work and 4.2 percent higher volume of deliveries of machinery and installations.

The following operations were gradually completed and put in operation during the first half year: East Slovakia Ironworks in Kosice for continuous casting of slabs; coking battery No 14 in the TZ [Trinec Ironworks of the Great October Socialist Revolution] in Trinec; turbogenerator No 5 of 110 megawatts at the Cierny Vah transformer hydroelectric powerplant; Kosice II Thermal Powerplant; Roller Bearing Works in Bytca for production of bearings; glazed and decorated tiles in Chlumcany; expansion of the extraction of gypsum at Koberice; resetting of railroad line at Usti and Labem; South Bohemia Paper Mill at Vetrni; meat combine Prague-North in Cakovice; and Telephone Exchange in Hradec Kralove.

More plan fulfillment was achieved in obligatory construction. However, in spite of relatively better fulfillment of volume indexes for some construction, progress did not match construction development, which resulted in delays in putting some facilities into operation. Of the planned 39 facilities designated as obligatory tasks to be operational in the first half year, 23 facilities were.

The budget outlays of newly initiated construction was reduced as planned. This had a favorable effect, as reflected in a decreased volume of unfinished construction work. The remaining budget outlay for unfinished construction was reduced 5 percent.

Development of Industry

The plan for 1982 assumes that even though energy, fuels and other raw material resources will be decreased, industry will provide for the development of production by mobilizing internal reserves. These planned programs were generally not carried out.

The production in centrally controlled industries increased 1.4 percent in the first half year as compared to the same period last year. The state plan for the entire year of 1982 assumes a 0.4 percent increase. Production dynamics higher than planned was achieved even when recomputed to the comparable number of workdays. Average daily production increased 0.8 percent.

The annual state plan of gross production was fulfilled in the first half year at the rate of 50.3 percent. The plan for the first half year was fulfilled at 101.0 percent. The plan was exceeded by 3 billion korunas; at the same time almost one-fifth of the enterprises failed to fulfill the plan by 1.5 billion korunas.

Production development in individual industrial branches was differentiated in conjunction with implementation of the planned structural changes. A faster increase of production was achieved in branches of the processing industry, particularly in the machine-building and electrotechnical industries. In branches that are more raw-material and energy-consuming and are primarily dependent on imported raw material, production growth was lower, in harmony with the plan. Continuing structural changes in the national economy were also taken care of by the implementation of the state target programs.

Overall deliveries of products in centrally controlled industries increased 1.3 percent in terms of wholesale prices as compared to the same period last year. The volume of deliveries for export to socialist countries increased 6.5 percent, (54.0 percent of the annual plan) and to nonsocialist countries, 4.7 percent (48.2 percent of the annual plan). The volume of deliveries of machinery and installations for investment construction increased 4.5 percent; that is, 50.1 percent of the annual plan.

Efforts of some of the industrial enterprises failed to cope fully with the more demanding assortment of production processes. This disrupted the implementation of the planned marketing structure and affected the continuity of relations between suppliers and buyers.

In harmony with the adopted measures, more attention was paid to the quality of production in industrial enterprises. Losses caused by poor quality of production were reduced 8.3 percent as compared to the first half of last year. The greatest reduction was achieved in the metallurgy of iron--52.3 percent--and in general engineering--8.8 percent.

Increased interest of enterprises in the development of qualitative indexes and rationalization measures designed to obtain savings showed favorable effects on the economy. The volume of adjusted domestic output increased 4.7 percent in the first half year and the plan was exceeded by 3.1 billion korunas. The overall output costs showed a relative decrease of 0.5 percent as compared to

the first half of last year. In terms of individual types of outlays, the largest reduction was achieved in material costs (not including depreciation), which amounted to 1.6 percent, while wage and finance outlays showed a moderate growth. The share of material consumption in output (53.58 percent) was more favorable than prescribed by the plan (54.41 percent). Profitability of outlays and profitability of production funds were higher in the first half year than projected in the annual plan.

The effectiveness of investment means was influenced favorably by the growth of profit, while the exploitation of fixed assets and reserves did not show a gradual improvement. The volume of reserves continued growing faster than assumed under the plan; their turnover slowed by 1.4 days.

Employment in centrally planned industry increased in the first half year by 18,000 persons--that is, 0.7 percent--and reached 2,642,000 persons; that is, roughly 10,000 persons more than assumed in the plan. The relationship between the development of average wages and labor productivity continued developing according to the plan targets.

The available fund of manhours in industry was roughly the same as in the first half of last year (91.3 percent), while overtime was reduced. The shift coefficient for manual workers increased from 1.325 in the first half of last year to 1.329 this year.

The following results were obtained in individual branches of industry in the first half year. In the first half year, the fuel industry extracted a total of 61,325,000 tons of coal and lignite, which included extraction of 14,113,000 tons of hard coal and 47,212,000 tons of brown coal and lignite. The total mining plan for the first half year was fulfilled at 98.7 percent. There was a shortfall of the planned extraction in the case of SHD [North Bohemian Brown Coal Mine] in Most, which fulfilled 96.8 percent of the plan. Other coal-mining districts exceeded the semiannual plan. This applies especially to HDB [Brown Coal Mines and Briquette Plants] in Sokolov, with overfulfillment at 2.2 percent. In terms of strip-mining, 95.2 percent of the semiannual plan was fulfilled, including 93.3 percent fulfillment at SHD in Most.

The production of electric power reached 37,282 million kilowatt hours, 0.9 percent higher than in the first half of last year. An increase of electric power production was recorded above all at the nuclear electric powerplant (a 15.1 percent increase). Its share of total production reached 9.3 percent. The production of electric power at the nuclear electric powerplant in Jaslovske Bohunice in the first half year represents a total of 3.2 million tons of fuel coal. The production plan in hydroelectric powerplants was exceeded by 7.6 percent.

Thanks to the concentration of efforts and means and to the dedication of workers in the mining industry, necessary deliveries of heat and electricity were provided for the national economy and households. Organizations in the nonproduction sphere and the population consumed more electricity than projected in the plan.

In the metallurgical industry, total production was reduced by 0.8 percent according to the intentions of the plan, while the requirements of the national economy in terms of metals were being generally satisfied. This includes a 2.5 percent decrease of production in the metallurgy of nonferrous metals and a 0.6 percent decrease of production in the metallurgy of ferrous metals. Production in the extraction and treatment of ores increased 0.3 percent. According to the intentions of the plan, emphasis was placed on quality and improvements of the assortment structure of the rolled material. Production of rolled material made of refined steels increased 6.0 percent, production of thick metal sheets (3 millimeters thick and over) increased 10.6 percent, coarse refined profile steel increased 7.4 percent. The production of copper pipes increased 4.0 percent; technically pure aluminum, 5.6 percent.

In the machine-building industry, production increased 4.4 percent; that is, 2.1 points more than specified in the annual state plan. Changes anticipated according to the plan in the overall production structure were reflected in differentiated production growth in individual production fields and in end products. Fields being reinforced above all were modern, progressive fields in the electrotechnical and engineering industries and production with good marketing opportunities. The highest growth (6.5 percent) was in the electrotechnical engineering industry, which, due to the development of electronics, is creating conditions for accelerated growth of the technical level of the machine-building production and at the same time is the least demanding branch of the machine-building industry in terms of metal consumption. Within the framework of this branch, the most rapid development was registered in the production of progressive electronic parts, with an increase of 19.8 percent. The production of heavy current electronics, which is demanding in terms of material, increased only 0.4 percent, according to the plan.

Production in the heavy engineering industry increased 3.8 percent, including an increase of more than 17 percent for passenger railraod cars and 9.6 percent for pneumatic installations. The production of freightcars was reduced 4.6 percent, on the basis of the plan.

Production growth in the general engineering industry reached 4.0 percent. Production of agricultural machinery in particular showed rapid growth, more than 12 percent; production of roller bearings increased 6.9 percent.

In the chemical indsutry, production increased 0.6 percent, while the annual state plan assumes that it would decrease 1.0 percent, corresponding to a smaller amount of processed crude oil. Production in the rubber and asbestos industry increased 1.8 percent; production in crude oil chemistry and processing increased 0.4 percent. Production of plastics increased 11.7 percent and that of chemical fibers, 7.6 percent.

In the lumber industry, production increased 3.0 percent, including a 2.6 percent increase in wood processing itself and 3.6 percent in the cellulose and paper industry. The annual plan provides for an overall production increase of 5.7 percent. Nonfulfillment of the planned production tasks in the first half year was influenced above all by enterprises of the lumber industry and furniture industry in the SSR because of delays in the reconstruction of some production facilities.

Light industry achieved an overall production increase of 2.4 percent, which means 0.6 percentage points above the annual state plan. Higher increases were achieved in the following industries: clothing, 3.5 percent; glass, porcelain and ceramics, 3.0 percent; and printing, 2.7 percent. Production increased 2.1 percent in the leather and footwear industry and 2.2 percent in the textile industry.

In the construction materials industry, production in the first half year decreased 0.8 percent, in connection with the planned reduction of investment construction. The decrease was reflected particularly in the production of construction material, which is demanding in terms of energy, with, for example, a 0.3 percent decrease in the production of cement, 5.2 percent in the production of lime and 9.5 percent in the production of prefabricates. The production of glazed roofing increased 8.3 percent and ceramic tiles, 4.2 percent.

Building Industry

Programs under the plan for 1982 assume that the building industry will concentrate on finishing construction work and reducing the volume of unfinished construction according to the tasks of the investment construction plan. The plan is also based on the necessity to obtain in the building industry significant savings of fuels, energy, motor oils and basic construction materials. That is why the volume of construction work by workers of the building industry itself is planned for 4.3 percent below last year's level.

During the first half of this year, the building industry did not entirely fulfill the planned tasks. On the whole, construction enterprises handled work with 38.9 billion korunas during the first half year by using their own workers; this is, 5.4 percent less in comparison with the same period last year. The annual state plan was fulfilled in the first half year at the rate of 47.3 percent.

Nonfulifllment of the planned tasks was shown especially during the first months of the year. In spite of increased efforts, an attempt made during the second quarter to fulfill the plan was not entirely successful. A drop in construction work representing 151 billion korunas, and 119 billion korunas in terms of adjusted outputs of the building industry itself, increases the tasks for the second half year.

There was considerable unevenness between individual construction enterprises in the fulfillment of the planned tasks. Enterprises controlled by the CSR Ministry of Construction Industry exceeded the planned volume of construction work by 191 million korunas (plan fulfillment at 101.2 percent) and the plan of their own adjusted output by 32 million korunas.

Enterprises controlled by the SSR Ministry of Construction fulfilled the plan of the volume of construction work at 99.6 percent. They did not fulfill building production tasks representing 37 billion korunas or, in their own adjusted output, 100 million korunas.

The drop in the fulfillment of the planned tasks was concentrated in the local construction industry. The nonfulfillment of volume of construction work represents 337 million korunas. Okres construction enterprises in the CSR fulfilled 94.5 percent of the plan; those in the SSR, 95.8 percent. Nor is the plan of their own adjusted output being fulfilled.

Efforts in the construction industry have failed to reduce costs, increase profitability of building production and bring about a planned relationship between the development of average wages and the growth of labor productivity. Implementation of the planned tasks in the construction industry was hampered by shortcomings in the investment, project and contract preparation of construction and their harmonious coordination, as well as deliveries of technological and finishing installations. Construction facilities continue their scattered activities involving a large number of unfinished constructions.

The Presidium of the CPCZ Central Committee determined the tasks designed to create complex conditions for an overall increase of the output and effectiveness of the construction industry during the Seventh Five-Year Plan. So did the CSSR Government in June in the "Position concerning the Situation in the Construction Industry and its Pressing Tasks in the Process of Fulfillment of the Seventh Five-Year Plan."

Development of the Agricultural and Food-Processing Complex

Efforts concentrated on increasing the overall self-sufficiency and maintaining proportionality between the growth of vegetable and animal production. Deteriorating weather conditions in autumn and spring hampered efforts to complete work in the field on time. In spring they made it necessary to plow under a larger volume of grains, rape and perennial fodder plants as compared to previous years and they slowed the vegetative development of a number of agricultural products. Drops in the fulfillment of the sowing plan of the majority of key crops were reduced successfully by sowing supplementary crops on time.

In spite of a number of good results in some agricultural establsihments, statewide indexes of utility value remained mostly below the level of last year because of a shortage and poor quality of fodders. One of the favorable factors is the fact that the number of the heads horned cattle was increased and the number of hogs was decreased in the socialist sector of agriculture, as required by the state plan.

NUMBER OF HEADS OF FARM ANIMALS AS OF 1 JULY IN THOUSANDS

(in the entire agriculture)

| | 1981 | 1982 | Index 1982/81 |
|---|---|---|---|
| Horned cattle, total | 5,131 | 5,166 | 100.7 |
| including cows | 1,878 | 1,873 | 99.7 |
| Hogs, total | 7,871 | 7,106 | 90.3 |
| including sows | 548 | 490 | 89.4 |
| Poultry, total | 60,088 | 64,850 | 106.3 |
| Sheep, total | 1,159 | 1,215 | 104.8 |

Due to a lower average milk yield, total milk production was lower than the first half of last year. In egg production, the lower average laying of eggs was compensated by a larger number of hens.

Bulk buying of animal products proceeded generally according to the schedule plan allocations, except for milk and slaughter poultry. By the end of the half year, purchases amounted to 863 thousand tons of live weight of slaughter animals, including poultry--that is, 51.5 percent of the annual task prescribed by the plan--2,483 million liters of milk--that is, 47.9 percent of the annual task (the drop represents 37 million liters of milk)--and 1.4 billion eggs--that is, 50.6 percent of the annual task. To a certain extent, the development of contractual fattening of farm animals by individual farmers was also a contributing factor tending to increase the level of bulk buying. Purchases made from these farmers during the first half year amounted to 17,500 slaughter animals (slaughter horned cattle, hogs, sheep and goats) and 13 million eggs. Measures adopted in bulk buying of fruits and vegetables from small growers are also beginning to show their positive effects.

Due to the effect of a smaller volume of bulk buying of certain agricultural products, overall production of food-processing industry declined 2.7 percent in the first half year. The semiannual plan was fulfilled at 102.1 percent.

Meat production decreased as planned in comparison with the first half of last year; the volume of slaughtered poultry decreased 3.2 percent. Production of pasteurized milk remained at the last year's level, production of butter in dairies increased 4.9 percent and production of cheeses increased 6.1 percent. This result was achieved while the production of certain dairy products was restricted. Beer production increased 2.9 percent; production of nonalcoholic beverages increased 7.0 percent.

Forestry

From the annual plan of lumber extraction (18.4 million cubic meters of lumber), the amount extracted in the first half of this year was 53.8 percent; that is, 9.9 million cubic meters. Deliveries of utility wood amounted to 8.8 million cubic meters; that is, 50.9 percent of the annual task. A total of 3.2 million cubic meters of wood was processed from lumber within the framework of overall extraction by using lumber obtained from natural disasters. Reforestation covered 4,000 hectares of land, substantially more than previous averages.

Water Utilization

The production of drinking water reached 817 million cubic meters; that is, 27 million cubic meters more than in the comparable period last year. The ratio of the population getting water from public water distribution networks increased from 70.9 percent to 72.7 percent as compared to the first half of the previous year. The ratio of the population residing in buildings connected to the public sewage system increased from 57.9 percent to 59.3 percent.

Transportation and Communications

As a result of structural changes and rationalization measures, efforts to reduce transportation demands on the national economy were successful. Transportation of goods is being shifted gradually to less energy-consuming transportation.

Public freight transportation was used in the first half of 1982 to transport 0.1 percent less of goods than in the same period last year. According to the intention of economic policy, transportation of goods by factory transportation was reduced 5.0 percent as compared to the first half last year. The share of public transportation in total transportation was 43.7 percent, including railroad transportation, 19.2 percent, and CSAD [Czechoslovak State Automobile Transportation], 23.8 percent.

Railroads handled 141.0 million tons of goods, which means 1.2 percent less than in the first half of 1981. Railroad loading services handled 118.8 million tons of freight. However, attempts failed to reduce the circulation period of a freightcar as planned. Absolute and relative savings of electric power and diesel oil were achieved in the consumption of fuels on individual railroad tracks. There was a shortage of the number of workers in key operational occupations in railroad transportation.

The volume of freight transportation by the CSAD services increased 0.8 percent as compared to the first half last year. A positive phenomenon was an absolute decrease of fuel consumption, which represents a 7.0 percent decrease as compared to the first half last year.

River transportation handled 1.3 percent more cargo than last year. The greatest contributing factor was the growth of transportation of energy coal for the electric powerplant in Chvaletice. The plan of energy coal transportation was fulfilled at 102.3 percent since the beginning of the year.

Public passenger transportation services transported 1,326 million persons; the total of passengers increased by 26 million persons. CSAD transportation services transported 1,117 million persons, railraod transportation services of the CSD [Czechoslovak State Railways] transported 208 million persons. In harmony with the intentions of the plan, there was a shift of passengers to railroad transportation. The Prague Metro in the first half year transported 131.7 million persons, 2.1 percent more than in the same period last year.

The number of telephones increased by 40 thousand. The density of telephone stations reached 21 per 100 population.

External Economic Relations

The intention of the plan to keep exports ahead of imports was accomplished. Balanced trade was achieved in trade with socialist states and the planned assets were obtained in trade with nonsocialist states.

The integration of the Czechoslovak economy in the international socialist division of labor was increased through participation in the implementation of integration programs of CEMA countries. Economic cooperation with socialist countries, particularly with the Soviet Union, continued on the basis of the "Complex Program of Socialist Economic Integration." Barter with CEMA member countries increased 14.9 percent as compared to the first half of 1981, including a 20.1 percent increase of commodity exchange with the Soviet Union.

In total Czechoslovak foreign trade, the share of socialist countries amounted to 75.2 percent. Long-term commercial agreements with CEMA member states took care of the predominant part of our needs in raw materials and energy.

With regard to nonsocialist countries, overall trade decreased 5.6 percent. This was partly due to discriminatory measures of advanced capitalist states.

Living Standard

Successful efforts were made in the first half of 1982 to maintain a high living standard. Collective consumption of the population also increased. Total monetary income of the population reached 182.4 billion korunas. In comparison with the first half last year, it increased by 6.1 billion; that is, 3.4 percent. Income from wages increased 2.4 percent. Average monthly wages of workers in the socialist sector of the national economy (not including JDZ [Unified Agricultural Cooperatives]) increased 2 percent to 2,680 korunas, as compared to the first half last year. Average monthly wages of workers in industry reached the figure of 2,837 korunas, an increase of 2.7 percent as compared to the first half last year. They reached 2,904 korunas in the construction industry, a 1.5 percent increase. Total monetary reserves of the population reached the level of 217.2 billion korunas, including 172.2 billion korunas in savings.

Social welfare measures in connection with price adjustments as of 30 January 1982 had a clear impact on the growth of social security benefits. Total benefits increased by 1.9 billion korunas--that is, 5.5 percent--as compared to the first half last year, reaching 36.4 billion korunas. This figure includes payments of 23 billion korunas of retirement benefits, 3.7 billion korunas of health insurance benefits and 7.1 billion korunas of additional allowances for children.

Retail trade for foods increased 6.4 percent. In comparison with the first half last year, sales of sugar increased more than 38 percent; milk, almost 2 percent; eggs, more than 4 percent; and vegetable fats, more than 10 percent. Although the demand for foods was generally covered, there were some shortcomings in the process of supplying foods to the population because the food-processing industry failed to deliver the necessary variety of foods. Deliveries of milk and dairy products were affected because the bulk milk-buying program in agriculture was not fulfilled. Certain oscillations in supply were also brought about by unjustified increases in purchases by the population.

The total number of children placed in kindergartens in the 1981-1982 school year amounted to 707,000 children, about 85 percent of children of that age group. During the previous school year, 695,000 children were in kindergartens.

The total number of apprentices was 405 thousand including almost 50 thousand in fields involving maturita [high school graduation]. Secondary day schools are attended by 393 thousand pupils; 156 thousand students study at advanced schools.

The capacity of health service facilities reached 190,300 beds, including 120,600 hospital beds. In comparison with the comparable period last year, the overall capacity of beds increased by 1,300; in hospitals, by 1,700. There were 300 persons for every physician. There are 116,300 places in nurseries, one-quarter of them in factory nurseries, including JZD's [Unified Agricultural Cooperatives].

In housing construction, the total of finished apartments was 32,200; that is, 6,600 apartments more than in the same period last year. With finished apartments, communal construction accounted for 5,500 apartments; cooperative construction, 14,200 apartments; enterprise construction, 2,800 apartments; and individual construction, 36,300 apartments.

The total volume of work and services for the benefit of the population and organizations in enterprises of the local economy and in production cooperatives increased 1.7 percent as compared to the first half last year. Receipts from the population for services increased 2.2 percent. Planned deliveries from these enterprises to the domestic market were exceeded by 3.4 percent.

The number of workers in the socialist sector of the national economy (not including JZD's) was 0.6 percent higher in the first half of 1982 than the same period last year, which means an increase of 39,000 persons. It amounted to 6,665,000 persons. The fastest growth of employment was recorded in centrally planned industries communications, domestic trade, health services and education.

The number of inhabitants increased by 24,000 in the first half of 1982. There were 52,000 new marriages in that period and 16,000 divorces. A total of 120,000 children were born. As of 30 June 1982, the population of the CSSR was 15,369,000.

The results show that in the second half of 1982 it is necessary to pay increased attention to further intensification of economic development, greater efficiency and economizing as the main ways of fulfilling the tasks of the annual state development plan. First of all, we must utilize to a greater extent the results of sicentific, technical progress; increase the quality of production and services; improve substantially the level of management; and, along with that, provide for a broad development of the initiative of the workers.

## CSR Results

Prague RUDE PRAVO in Czech 29 July 82 p 2

[Excerpt from the report of the Czech Statistical Office]

[Text] The economic development of the CSR in the first half year corresponded essentially to the basic intentions of the plan. However, problems continue, to which we must pay more attention in the second half year. This concerns above all increased application of the results of scientific, technical development, greater exporting capacity, measures to provide for the planned tasks in the construction industry and greater utilization of reserves.

On the basis of the state plan for technical development, organizations within the CSR territory in the first half year handled 258 research and development tasks, 96.1 percent of which carried out within the planned time limits and technical, economic parameters.

In industry, the share of new products in the total value of industrial products increased from 15.4 percent in the first half of last year to 17 percent. The share of technically progressive products of the first-quality in the total production of commodities of tested quality increased from 22.6 percent to 28 percent.

In the area of planned investment construction (excluding Project Z and private construction), investment work and deliveries amounted to 20.8 billion korunas--that is, 43.5 percent--and deliveries of machinery and installations for 16 billion korunas--that is, 40.2 percent of the annual plan.

The plan of industrial production in centrally controlled industry was exceeded by 0.7 percent, and 50.5 percent of the annual plan was fulfilled. Priority was given to the development of those industrial branches based on the idea of increasing the value added to the domestic raw material base.

In the chemical industry, production increased 2.3 percent. The annual state plan provides for a production increase of 0.2 percent. The production increase was brought about mainly by the development of the production of plastics and small tonnage chemistry. Production of plastics increased 16.4 percent and production of chemical fibers increased 5.1 percent.

Production in the lumber industry increased 2.8 percent, while planned growth was 2.9 percent. Production in the wood-processing industry increased 3.1 percent and in the cellulose and paper industry, 2.3 percent.

Production in light industry increased 2.3 percent, while planned growth was 1.7 percent. The fastest development was in the glass, porcelain and ceramics industry, where production increased 3.1 percent. Production in the textile industry increased 2.4 percent; in the clothing industry, 2.3 percent; and in the leather, footwear, and fur industries, 1.4 percent.

Construction enterprises in the CSR did 25.3 billion korunas worth of construction work by using their own workers; that is, 0.5 percent less than prescribed in the semiannual plan. Nonfulfillment of the plan centered in okres construction enterprises, which lagged 6.4 percent behind the semiannual plan.

In agriculture, attention was directed mainly to priority development of vegetable production. Harvesting of the first crop of perennial fodders proceeded under favorable weather conditions and was completed by the end of June. The volume of the harvesting of the first crop is estimated to be lower than last year but the quality of the fodder has improved.

Bulk buying of slaughter horned cattle increased 5.5 percent as compared to the first half last year. On the other hand, bulk buying of slaughter hogs was 14.3 percent lower, according to the plan. Bulk buying of slaughter poultry was 1.7 percent lower; milk, 2 percent lower; and eggs, 4.3 percent lower.

In forestry, 6,864,000 cubic meters [of lumber] were extracted in the first half year; that is, 54.1 percent of the annual plan. Extraction increased 0.4 percent as compared to the first half last year.

In water utilization, production of drinking water reached 558 million cubic meters, 3.7 percent more than in the first half last year. The share of the population getting water from the public water supply network increased from 74.8 percent in the first half of 1981 to 76.5 percent. Railroad freight loading in the CSR territory decreased 0.3 percent as compared to the first half of 1981; the semiannual plan missed fulfillment by 2 percent.

Monetary receipts of the population increased by 4.2 billion korunas compared to the first half last year; that is, 3.4 percent. Receipts from wages increased 2.5 percent. Social security receipts increased 7.1 percent in connection with certain social security measures carried out concurrently with the adjustment of prices 30 January 1982.

Total social security benefits increased by 1.3 billion korunas; that is, 5.3 percent, as compared to the first half year in 1981. The amount paid in retirement benefit was 18.8 billion korunas; medical insurance benefits, 8.8 billion korunas. Allowances for children were 4.5 billion korunas; that is, 4.7 percent more as compared to the first half last year.

Retail trade in all systems reached 85.5 billion korunas in current prices, including 42.1 billion korunas for food. It increased 2.2 percent as compared to the first half last year, including a 6.3 percent increase of foods, while trade of industrial commodities declined 1.5 percent, due to inadeauate product innovation.

In housing construction, the number of completed apartments was 17,400, including 16,700 apartments built under the plan of the national committees; that is, 27.1 percent of the annual plan. This is roughly the same ratio as last year. Of the total, 2,300 apartments were completed under the communal construction development program; 6,800, under the cooperative construction development program; and 6,000, in individual construction of family homes. Construction of 22,000 apartments was initiated recently; that is, 43.5 percent of the annual plan.

## SSR Results

Prague RUDE PRAVO in Czech 29 July 82 p 2

[Excerpt from a report of the Slovak Statistical Office]

[Text] Research and development activities in the SSR concentrated on basic tasks of development of the natural economy. They particularly concern improvements of value added and savings of raw materials, fuels and energy; innovations with qualitatively higher technical economic parameters; and final consequences in terms of labor productivity increases and improvements of the competitive capacity of our products on foreign markets.

The state plan of technical development includes 113 tasks. Problems in implementation continue. Provisions have been made to carry out 90 percent of the application tasks.

The number and value of new products have increased. The value of the increase reached 14 percent of the total production of goods. This share is not commensurate with the requirements of the domestic trade and foreign trade; not all products reached and required high technical economic level and utility features. Most industrial production is being innovated in qualitatively lower innovation areas; that does not satisfy customers' requirements.

In investment construction, work and deliveries completed within the scope of the planned annual volume represented a value of 20 million korunas, which means 42.2 percent (not including Project Z and housing construction by individuals). The completed construction volume reached 43 percent of the annual plan. Deliveries of construction work and technological installations lagged, particularly in major construction with budget outlays of more than 2 million korunas.

Production development in individual industrial branches was differentiated according to the state plan, giving priority to the development of progressive production fields. In this context, higher production growth was achieved in machine-building, cellulose and paper, health service and light industries.

Industrial production increased 0.4 percent as compared to the first half last year. This corresponded to the state plan. Production volume of the chemical industry declined 1.8 percent. In the rubber industry, production increased 2.3 percent. In the actual chemical production and processing of crude oil, volume declined 2.4 percent. In the lumber industry, production increased 3.2 percent, including a 1.2 percent increase in the wood-processing industry and 6.2 percent in cellulose and paper industry. Problems remain with starting production in new facilities of the cellulose and paper industry and in reconstructing some facilities of the lumber and furniture industries.

Production in light industry increased 2.5 percent, a higher growth than determined by the annual state plan. The increase in the clothing industry was 5.3 percent; in the printing industry, 5.2 percent; and in the leather and footwear industry, 3 percent. Production increased 2.2 percent in the glass industry and 0.6 percent in the textile industry.

Construction enterprises completed construction worth 13.5 billion korunas by using their own workers, thereby fulfilling 99 percent of the plan. The planned volume of work based on contract agreements was fulfilled at 99.8 percent (45.9 percent of the annual plan), including investment construction at 98.5 percent.

Agricultural crops were sown on 1,531,000 hectares of land. A total of 3,500 hectares remains unsown and unplanted. More land was sown than planned with the following crops: wheat, rye, oats, sugar beet and vegetables. Lesser acreage was sown with barley, grain corn, leguminous plants, potatoes, oleaginous plants and perennial fodders on arable land.

Purchases were made of 215,600 tons of slaughter animals, including 96,000 tons of slaughter horned cattle; the plan was exceeded by 3,600 tons. The amount of

eggs bought for consumption was 9 million higher; the plan was fulfilled at 102.2 percent. The volume of purchased slaughter poultry was 449 tons smaller than planned; the volume of milk bought was 16.3 million liters less.

In forestry, extraction of lumber amounted to more than 3 million cubic meters, including 705,000 cubic meters of lumber resulting from natural disasters.

In water utilization, the production of drinking water reached 259 million cubic meters. The share of the population receiving water from the public water distribution network increased to 64.9 percent.

In railroad freight transportation, the amount of transported goods was 60 million tons; 97.2 percent of the plan was fulfilled.

Monetary receipts of the population of the SSR increased 3.5 percent as compared to the same period of last year, reaching 55.1 billion korunas. Income from work increased 2.2 percent. Total social security benefits increased 8.5 percent as compared to the first half last year, amounting to more than 11 billion korunas.

Retail trade in the principal commercial systems reached 33.2 billion korunas. The time plan was fulfilled at 100.4 percent, an increase of 4.2 percent compared to last year.

With regard to food products, satisfying consumer demand was influenced by periodic and local deviations in the supply of milk and dairy products. With regard to industrial goods, the supply improved in certain types of products that had been in short supply, even though there still were no adequate improvement in the variety.

A total of 14,800 apartments was completed in all forms of housing construction, representing 36.1 percent of the annual plan. Contracting organizations completed 11,000 apartments, 39.4 percent of the annual plan.

The people completed 3,800 apartments through self-help construction of family homes and cooperative buildings. The program started with the construction of 14,300 apartments, including 9,400 by contracting organizations and 4,900 apartments by self-help.

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## PRODUCTION, EXPORT OF HOPS VIEWED

Prague MEZINARODNI ZEMEDELSKY CASOPIS in Czech No 2 82 pp 26-29

[Article by Eng O. Paul, director of the Chmelarstvi [Hops Cultivation] branch enterprise in Zatec: "Czechoslovak Hops"]

[Text] Hops are a commodity in demand on the world market. The production of beer is increasing on the average 2.5 percent each year, and as early as in 1980 it reached a volume of 930 million hectoliters. The consumption of this popular beverage keeps increasing much faster in socialist countries than in nonsocialist countries. As the living standard in countries of the third world keeps rising, one can expect that the beer-brewing industry will keep developing in those countries in the future. That is why there is a marketing guarantee for hops as a raw material even in the future.

Hops are cultivated nowadays in 25 states on an overall area of 88,000 hectares. The biggest growers are the United States, the FRG, the USSR and the CSSR. The annual production of dry hops amounted to 117,000 tons in 1980. All CEMA states except Cuba grow hops. The share of these countries in the world production is 23 percent, the share of the CSSR in 1980 was 8.6 percent. The production of hops in CEMA countries does not cover their consumption, and consequently a considerable amount of hops is imported each year.

The CSSR is the only CEMA country which exports hops. It exports two-thirds of its production, and next to the United States and the FRG, it is the biggest exporter. Its share in world exports is 17 to 20 percent.

Hops growing is of considerable economic significance for the Czechoslovak national economy. First of all, it makes it possible to take care of the production of beer by using the country's own resources. That is a demanding task, because beer consumption per capita population in Czechoslovakia is the highest in the world (160 liters). Foreign-exchange receipts from imports multiply the intensity of the yields of agricultural enterprises. In exchange for hops produced on 1 hectare of land, it is possible, for example, to import 30 to 35 tons of wheat. It would be necessary to use as much as 10 hectares of land to produce that amount of wheat.

Hops growing in the CSSR has a tradition of 1,000 years standing. Hops were exported as early as in the 10th century to the Hanseatic cities. Hops were cultivated originally all over the country, on large estates owned by the aristocracy and bourgeoisie, also owned breweries. However, since the 18th century hops growing was gradually concentrated in the highest quality areas. Hops grown in the area of Zatec in particular became world famous because of their mildness, aroma, purity, and durability. These hops are considered as having reached the highest standard and also have the highest monetary value.

These hops still encounter some objections because of a lower content of bitter acids, which is a typical characteristic of the Zatec variety called "cervenak" (red hops). In spite of that, this type is in demand and imported even by those countries which have a surplus of other hops, and especially where the market is saturated with beer and the quality of a given trademark product determines whether the beer can be sold. For reasons of economy, breweries are using coarse hops or extracts in the first two doses of hops, but they use Zatec hops for the last dose, after which the beer retains its typical aroma and pleasant bitter taste. Attempts to grow hops of the same quality from Zatec seedlings in other areas have failed.

The quality of the Zatec hops is determined by the sum total effect of a number of factors, and the variety itself is only one of them. Other factors are natural conditions related both to soil and climate. The quality of the hops is also influenced by the tradition of hops growing over many years, by expert knowledge of the growers, and by their honest and conscientious work.

There are 120 agricultural enterprises in the CSSR which grow hops. The average acreage of this product amounts to almost 100 hectares, but there are enterprises where the acreage of hops is in excess of 600 hectares, such as for example the JZD [Unified Agricultural Cooperative] in Tuchorice, JZD in Blsany, the Horesedly State Farm. And so there is clear specialization in these enterprises, where the receipts from selling hops exceed 50 percent of the total marketing production derived from all crops.

The concentration of the areas is less pronounced for the time being. This is due to the fact that hops gardens last for many years, more than 20 years in the same place, and that it depends on the manpower, sty manure, and so on. However, blocs of hops gardens today reach the size of 50 to 100 hectares and even more, and they make it possible to take advantage of large-scale mechanization, including the use of airplanes and helicopters. Specialized hops production units are formed within the enterprises, which have their own administration, their own labor force, allocations of mechanized equipment, and khozrashchet method of economic management. The branch enterprise CHMELARSTVI (HOPS CULTIVATION) plays a significant role in the development of this branch. In addition to purchasing and processing

hops, which is its monopoly, it also shares in production planning, preparation of long-term concepts, economic analyses of the results. It provides professional and technical services for the enterprises, consultation services, and additional training of professional personnel. It is a general supplier of investment machinery and constructions used for hops, provides for designing and building of constructions for hops growing, installation of Czechoslovak machinery, and handles repairs and servicing. It supplies agricultural enterprises with necessities for hops growing, tools, spare parts, and hops seedlings.

Within the framework of the Set of Measures designed to improve the planning and management of the national economy, the responsibility of the enterprise is increasing for the entire branch of the economy and for its development and implementation of progressive modern methods and production intensification.

The Hop Cultivation Research Institute, which is the largest in the world, is integrated in the economic branch of hops growing.

The newly built facilities of this institute include modern laboratories, greenhouses, 90 hectares of hops gardens. The institute is divided into departments of genetics and cultivation, agrotechnics and mechanization, nutrition and protection, economics of hop growing.

New findings obtained through research and also through leading innovators in practice are tested on the Steknik specialized farm, and the most rational methods of cultivation are exhibited for the benefit of agronomists of agricultural establishments on the so-called days of new technology.

Also, the periodical CHMELARSTVI [HOP CULTIVATION] is published in the CSSR. In addition to providing information about new findings in science and technology, it provides for exchange of experience of leading hops growers and production innovators, and informs its readers about world novelties in the field.

Experts from JZDs and state farms receive finishing training each year at regular weekly gatherings in order to maintain and increase their professional level. The Medium Agricultural Technical School in Zatec specializes in training young experts, and a 2-year postgraduate study in the field of hops cultivation is organized for graduates in engineering at the Advanced School of Agriculture in Prague.

All measures are designed to reach the goals outlined by the 15th CPCZ Congress and approved again at the 16th Congress: to bring about maximum intensification of agricultural production, provide for the continuously increasing food requirements through domestic production, and achieve a high degree of efficiency in the economy for the benefit of the development of the entire society.

Hops growing in the CSSR is concentrated in four areas. The largest one, the region of Zatec, with subregions of Podlesi, Zlaty potok, Rakovnicko, and Poohri, covers two-thirds of the hops acreage in the CSSR. Ustice-Roudnice oblest holds second place. That is the region where the so-called "Semes" hops come from. This variety has become the foundation of all the present clones of the Zatec red hops. The smallest region is Trsice Oblast in Moravia. Hops growing started in Slovakia in the postwar years in the area of Piestany and Topolcany, and this oblast is being developed successfully.

The areas of hops growing in the CSSR are strictly determined by a decree of the CSSR Ministry of Agriculture and Nutrition, and hops cannot be grown outside of them. The law also provides for obligatory destruction of wild hops to prevent undesirable growth of seeds in cultivated areas.

One can cultivate only those varieties and clones which have been derived and perfected from the semiearly Zatec red hops and approved by the CSSR State Crop Variety Commission. The most widespread varieties are the so-called Oswald clones, named after K. Oswald, an important grower and founder of Czechoslovak hops cultivation research. Among new clones produced by the Hops Cultivation Research Institute in Zatec, those which are being used now on an increasingly wider scale are the varieties called Aromat, Sirem and Zlatan. These are more resistant to diseases, have a higher yield and adequate content of substances which are valuable to breweries, and at the same time they retain all the typical characteristics of the Zatech hops.

Renewal of hops gardens is carried out every year approximately on 5 percent of the areas. Hops used for planting are first of all potted hops cultivated from seedlings grown in the so-called recognized maternal areas. Potted hops are cultivated by a large-scale production method on so-called seedling farms. The largest ones of these are the JZD Stankovice, the VUCH [Hops Research Institute] in Steknik, JZD Hostka, JZD Cista, and others.

An important problem of Czechoslovak hops production, which has an impact on production expansion and on the yield per hectare, is the manpower requirement in cultivating hops, because there is a shortage of manpower in agricultural enterprises. Springtime work in particular, wiring and planting of hops, suffers from the fact that labor brigades are insufficiently qualified, and this type of work is often delayed.

Another disadvantage of hops growing is the risk involved and oscillations of the yields in individual years, because hops react very sensitively to heat, drought and agrotechnical interventions. The largest acreage of hops in the CSSR (7,000 hectares) is located in the rain shade of the Doupa Hills and Krusne Mountains, where the average precipitations in the last 50 years were less than 450 millimeters, and in addition the precipitations are distributed inconveniently during the vegetative period. Water shortage is,

for the time being, an obstacle to expanded irrigation which would stabilize the yields. In spite of that, it is now possible to irrigate about 1,200 hectares of the land.

Hops are very demanding in terms of chemical protection against diseases and pests. The quality and timeliness of these operations affect not only the yields but also the quality of the crops. Even though the climatic conditions and the protective forest belts in the Zatec region reduce diseases as compared to other areas, four to five protective chemical sprays are used (as compared to 10 to 15 in foreign countries). These operations are carried out by experts and experienced workers of agricultural enterprises under the supervision of the Hops Protection Commission, which is composed of representatives of the Hops Cultivation Research Institute, the CSR Ministry of Agriculture and Nutrition, and okres agricultural administrations.

The Slovair enterprise provides for chemical spraying by airplanes, which is used as a supplementary method. Protective means manufactured in the CSSR and imported from foreign countries are subject to strict control by the VUCH in terms of health protection at work, prevention of the formation of residues in the heads of hops, and also in terms of protection of the natural environment. Agrochemical enterprises will gradually take over the controlled protection of hops on the basis of precise technologies worked out by the VUCH. They will intensify even more the scientific nature of these interventions, utilize prognoses of the occurrence of diseases, and the operational signalization system.

The harvesting of hops in the CSSR is entirely mechanized. Manual harvesting is used only in young hops gardens producing crops for the first time (4 to 5 percent of the acreage). There are 550 combing machines available. Most of these and drying machines are in Czechoslovakia. Although the harvesting is fully mechanized, the help of labor brigades, representing about 17,000 workers over 18 years old, is needed to handle the machinery, and approximately the same number of workers to do auxiliary work.

One LCCH-1 combing machine (manufactured by Agrostroj, National Enterprise in Prostejos) harvests daily more than 1 hectare of hops gardens in two shifts and the harvesting is usually completed in 15 to 18 days. Traditional hops harvesting celebrations are organized during the harvesting in the center of the Czechoslovak hops cultivation, namely in Zatec.

One single organization, the Hops Cultivation branch enterprise in Zatec, buys and processes dried hops in the CSSR. This enterprise has packing plants in Zatec, Chlumcany, Roudnice, Ustek, in Trsice and Bojna, where hops are cleaned, freed of admixtures, sterilized, and homogenized in uniform portions of the same content. Depending on the customers' wishes, the hops are compressed in packs or processed in granulated or powder form. Two-thirds of the Czechoslovak production is exported, one-third is kept for use in Czechoslovak breweries.

Hops are exported to about 70 countries on 4 continents. Zatec hops are also purchased by all CEMA countries, even though additional purchases of a certain amount of cheaper hops are made on capitalist markets.

Czechoslovak hops growers actively support the development of hops cultivation in socialist countries, because they cannot take care of their increasing consumption. The growing living standard in these countries, the development of their tourism, and the tendency to reduce the consumption of alcoholic beverages containing a high percentage of alcohol are bringing about a rapid growth of the beer-brewing industry and of its demands for raw materials, which will have to be covered first of all from domestic resources.

Cooperation of Czechoslovak hops growers with Soviet hops growers has continued for many years and is specific. Long-term development tasks are handled jointly with the Zitomer hops growing region on the basis of CEMA agreements in the sector of construction of facilities for hops cultivation and in the raising of new clones. The CSSR provides methodological assistance for a young but rapidly developing hops growing region in the Chuvash Autonomous Republic, which offers good prospects for the future.

Cooperation has been established also with scientific and technical workers in the field of hops cultivation in the GDR, in dealing with problems of technology and mechanization, and in research concerning agrotechnical methods.

The VUCH in Zatec is visited regularly for long-term stays and consultations by hops growers from Hungary, Bulgaria, Romania and Poland. Machines for harvesting and postharvest processing of hops, manufactured in Czechoslovakia, are being delivered to all these socialist countries. Mutual assistance and cooperation are also developing in the sector of breweries.

In spite of these good results of mutual cooperation, it would be appropriate to establish even closer and longer relations and provide for specific division of labor not only in dealing with research and cultivation tasks, but also in manufacture of machinery and equipment produced in small series, which both the CSSR and other states find difficult to handle, and which they get mostly through imports. Coordination of the purchases of hops on capitalist markets would also be beneficial. CEMA countries will always buy a certain amount of Czechoslovak hops because of the growing demands for high-quality beer, but in addition they will continue buying cheaper coarse hops for many years to come.

The task in the development of hops production in CEM' member countries is to reduce dependence on imports from nonsocialist countries.

Czechoslovak hops cultivation was given a clear prospect for the forthcoming years. The main directives for economic and social development approved

at the 16th CPCZ Congress determine that the production requirements during the Seventh Five-Year Plan will be increased by fully one-fifth as compared to the previous period of 1976 to 1980. They way to implement this task is primarily to intensify production. That calls for agricultural machinery of high quality used on time, the full number of hops stems in hops gardens, correct nutrition, use of irrigation, timely renewal of hops gardens which are too old, and so on.

The state stimulated greater interest in hops growing by fixing new prices which became effective in 1981, and also by a policy of subsidies of the development of hops garden constructions and by increasing investments, particularly machinery investments.

A new Czechoslovak purchase norm will also help to increase the quality further. It is substantially more demanding in terms of the content of bitter acids, cleanliness of combing, and health condition of the crops.

Exceptionally high requirements will be set in the Seventh Five-Year Plan for the work of the VUCH. Rationalization and intensification of hops production require first of all a complex development of new scientific technical and technical methods and their introduction into practice, particularly from the viewpoint of reducing the need for manual labor, health protection at work, and savings of energy, fuels, and other outlays. Science, research and technical development will have the last word in that respect.

The Hops Cultivation National Enterprise will use mechanized equipment of the highest world parameters even during postharvest processing of hops. It is expected that the production and quality of granulated hops will be increased substantially. Thanks to this type of hops, breweries are getting on the average 15 percent savings of hops, and also much more suitable storage facilities, long-term storage, and easier manipulation. New methods of hops processing are being tested.

The decisive factor in influencing results is man, his work, his approach to the implementation of tasks. In order to carry out the conclusions of the 16th Congress, movements of brigades of socialist labor, movements based on competition and assumed obligations are developing in hops-growing establishments. The competition movement called "Export without Complaints" exercises considerable influence on the Hops Cultivation National Enterprise. Comprehensive efficiency brigades, composed of leading experts in practice and research, are being organized to deal with special problems.

Czechoslovak hops cultivation has all the political and economic prerequisites for a continuous advance, for taking care of the planned tasks, and for carrying out its mission within the framework of CEMA.

5668
CSO: 2400/324

## LIVESTOCK PRODUCTION REVIEWED

Prague NAS CHOV in Czech No 5, 82, pp 183-186

[Article by Eng Dr Josef Krecek, deputy director of the agricultural production department, Federal Ministry of Agriculture and Food, Prague: "Evaluation of 1981 Results in Animal Production"]

[Text] The plan for the first year of the Seventh Five-Year Plan called for a decrease of 13,000 tons or 0.8 percent in the purchase of slaughter animals as compared with 1980. The plan target for slaughter pigs was 28,500 tons below and the plan target for slaughter cattle 16,100 above the reality of the last year of the Sixth Five-Year Plan. Likewise, the target for marketable production of slaughter poultry was 13,100 tons lower or 5.4 percent, and the target for egg procurement was lowered to 23.2 million or by 0.9 percent.

The lower rates were thus set by the plan primarily in those sectors which are directly dependent on the grain fodder resources. We faced demanding tasks in view of the limited fodder supply. The analysis of the results achieved in the first year of the Seventh Five-Year Plan reveals that it was precisely grain fodder whose limited supply profoundly affected the fulfillment of tasks listed in the plan.

While gross animal production declined 0.7 percent in comparison with the last year of the Sixth Five-Year Plan, animal production for the market reached the same level as in 1980.

With the exception of milk, the state plan for procurement of main animal products was fulfilled to the following extent: slaughter animals 101.6 percent, slaughter poultry 103.8 percent, eggs 101.7 percent and milk 99.4 percent.

The 1980 procurement level was surpassed by more than 22,400 tons of slaughter animals excluding poultry, 5.9 million liters of milk and 21.9 million eggs. On the other hand, the purchase of slaughter poultry was 4,400 tons below the reality of the last year of the Sixth Five-Year Plan.

Table 1 contains a summary of the plan fulfillment for purchase of animal products in individual republics in 1981.

Table 1. Plan fulfillment for procurement of animal products in individual sectors in 1981

| Indicator | | Plan target 1981 | Reality as of 31 Dec 81 | Difference from 1981 plan |
|---|---|---|---|---|
| Slaughter animals, total | CSSR | 1 586,- | 1 611,3 | +25,3 |
| (excluding poultry) | CSR | 1 104,- | 1 126,8 | +22,8 |
| in 1000 tons | SSR | 482,- | 484,5 | + 2,5 |
| Including: | CSSR | 685,- | 650,2 | -34,8 |
| slaughter cattle | CSR | 498,- | 468,2 | -29,8 |
| in 1000 tons | SSR | 187,- | 182,- | - 5,- |
| slaughter calves | CSSR | 17,- | 12,4 | - 4,6 |
| in 1000 tons | CSR | 12,- | 8,6 | - 3,4 |
| | SSR | 5,- | 3,8 | - 1,2 |
| slaughter pigs | CSSR | 874,- | 936,9 | +62,9 |
| in 1000 tons | CSR | 591,- | 645,4 | +54,4 |
| | SSR | 283,- | 291,5 | + 8,5 |
| slaughter sheep and goats | CSSR | 10,- | 11,7 | + 1,7 |
| in 1000 tons | CSR | 3,- | 4,5 | + 1,5 |
| | SSR | 7,- | 7,2 | + 8,2 |
| Slaughter poultry | CSSR | 231,5 | 240,3 | + 8,8 |
| in 1000 tons | CSR | 151,- | 159,4 | + 8,4 |
| | SSR | 80,5 | 80,9 | + 0,4 |
| Milk | CSSR | 5 200,- | 5 168,8 | -31,2 |
| in million liters | CSR | 5 730,6 | 3 730,6 | -19,4 |
| | SSR | 1 450,- | 1 438,2 | -11,8 |
| Eggs | CSSR | 2 660,- | 2 705,1 | +45,1 |
| in million each | CSR | 1 870,- | 1 922,5 | +52,5 |
| | SSR | 790,- | 782,6 | - 7,4 |

Among the krajs the best procurement results were achieved by the South Moravia, North Moravia, West Bohemia and West Slovakia krajs which met all indicators of market animal production. The North Bohemia, Central Bohemia, East Bohemia, South Bohemia and Central Slovakia krajs did not meet the target set for the purchase of milk. In addition to milk, the East Bohemia kraj failed to fulfill also the plan for procurement of slaughter poultry and eggs.

Several krajs finished 1981 with a considerable deficit in the procurement of milk: the deficit was 12.6 million liters in the North Bohemia kraj, and 9.8 million liters in the East Slovakia and Central Bohemia krajs.

A critical analysis reveals, however, that the general seemingly favorable fulfillment of tasks particularly in the procurement of slaughter animals excluding poultry was achieved not by higher annual production, but primarily by reducing the existing stock of pigs and slaughter cattle as a result of the adopted regulatory measures.

This is graphically illustrated in Table 2 from which it is evident that in comparison with 1980 the average milk production per cow increased by 2 liters, egg production per hen by 2 and the number of suckling pigs per sow by 0.5.

Table 2. Utility of domestic animals in 1981 in comparison with 1979 and 1980

| Indicator | Unit and year | | CSSR | CSR | SSR |
|---|---|---|---|---|---|
| Average milk production per cow for all sectors from the beginning of the year | l | 1981 | 3 086 | 3 105 | 3 044 |
| | | 1980 | 3 084 | 3 119 | 3 003 |
| | | 1979 | 2 951 | 2 949 | 2 956 |
| Average milk production per cow in socialist sector from the beginning of the year | l | 1981 | 3 103 | 3 103 | 3 103 |
| | | 1980 | 3 104 | 3 104 | 3 117 |
| | | 1979 | 2 970 | 2 942 | 3 039 |
| Breeding of calves per 100 cows | each | 1981 | 98,15 | 100,08 | 93,40 |
| | | 1980 | 98,48 | 100,46 | 93,58 |
| | | 1979 | 97,41 | 98,98 | 93,46 |
| Breeding of suckling pigs per sow | each | 1981 | 17,21 | 17,66 | 16,30 |
| | | 1980 | 16,71 | 16,97 | 16,18 |
| | | 1979 | 16,32 | 16,33 | 16,29 |
| Average egg production per hen all sectors | each | 1981 | 230 | 237 | 215 |
| | | 1980 | 228 | 235 | 214 |
| | | 1979 | 224 | 229 | 215 |
| Average daily gain of pigs in fattening | g | 1981 | 498 | 503 | 487 |
| | | 1980 | 516 | 523 | 502 |
| | | 1979 | 505 | 507 | 502 |
| Average weight of slaughtered cattle | kg | 1981 | 462 | 464 | 458 |
| | | 1980 | 473 | 476 | 465 |
| | | 1979 | 466 | 466 | 467 |
| Average weight of slaughtered calves | kg | 1981 | 70 | 67 | 78 |
| | | 1980 | 87 | 88 | 85 |
| | | 1979 | 86 | 86 | 88 |
| Average weight of slaughtered pigs | kg | 1981 | 105 | 106 | 104 |
| | | 1980 | 110 | 109 | 110 |
| | | 1979 | 110 | 109 | 112 |
| Average daily gain of cattle in fattening | kg | 1981 | 0,68 | 0,66 | 0,73 |
| | | 1980 | 0,72 | 0,71 | 0,74 |
| | | 1979 | 0,71 | 0,69 | 0,77 |

On the other hand, the number of calves bred per 100 cows declined by 0.3 each. There was an unfavorable trend in weight gain for fattened cattle and pigs. The average daily weight gain of cattle declined 40 grams and of pigs 18 grams (including prefattening) during 1981 in comparison with the last year of the Sixth Five-Year Plan. The actual gains of fattened cattle and pigs were the lowest since 1968.

The average weight of slaughtered cattle, including cows, declined 11 kg from 1980 and that of slaughtered cattle excluding cows 8 kg. The weight of slaughtered calves declined 17 kg. The principal reason for the smaller weight of slaughtered calves was the imposing of limits on milk feeding of calves designed for slaughter in the CSR because of the shortage of fat substances used in the production of fodder compounds. In comparison with the reality of 1980, only 47,600 calves or 57.4 percent of calves were milk fed. The weight of slaughtered pigs declined 5 kg during the same period.

In contrast to the negative tendencies in utility prevailing in 1981, the losses caused by the death of domestic animals were reduced. The mortality of newborn calves declined from 5.4 percent to 4.9 percent, and that of suckling pigs from 6.9 percent to 6.2 percent. The losses caused by death in other categories of cattle declined from 1.7 percent to 1.65 percent and among pigs from 6.9 percent to 6.8 percent.

The summary in Table 3 confirms the unfavorable trend in utility in most krajs. A favorable increase in milk production per cow for example was achieved only in the West Slovakia and West Bohemia krajs. On the other hand, milk production per cow declined considerably in the North Moravia, East Bohemia and Central Bohemia krajs.

With the exception of the South Moravia, West Slovakia and Central Bohemia krajs, the number of calves bred per 100 cows declined in all other krajs. On the other hand, breeding of suckling pigs and egg production continued to show a favorable trend in all krajs.

A completely unfavorable situation manifested itself in the daily weight gains of pigs and cattle. The principal cause of this undesirable development was the necessary reduction in the grain fodder supply particularly during the post-harvest period which could not be offset. As a result, in comparison with the gains during the first three quarters, the average daily gain of cattle declined from 0.70 kg to 0.63 kg and of pigs from 0.502 to 0.487 kg during the fourth quarter.

The projection of these figures into production reveals that every head of cattle gained 6.5 kilograms less and every pig 1.5 kilograms less during the fourth quarter than was the average gain during the preceding three quarters of 1981.

Table 3 Summary of indicators of utility of domestic animals in 1980 and 1981 by krajs

| Kraj | Average milk production per cow and year (liter) | | Number of calves bred per 100 cows (each) | | Number of suckling pigs per sow(each) | | Aver. daily gain of cattle in fattening (kg) | | Aver. daily gain in fattening and prefattening of pigs (kg) | | Aver. annual egg production per hen (each) | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1980 | 1981 | 1980 | 1981 | 1980 | 1981 | 1980 | 1981 | 1980 | 1981 | 1980 | 1981 |
| Central Bohemia | 3033 | 2996 | 95,88 | 96,08 | 16,39 | 16,75 | 0,65 | 0,61 | 0,535 | 0,512 | 227 | 227 |
| South Bohemia | 2935 | 2949 | 103,95 | 102,94 | 17,51 | 18,07 | 0,75 | 0,70 | 0,528 | 0,506 | 225 | 230 |
| West Bohemia | 2965 | 3018 | 99,43 | 97,89 | 17,76 | 18,18 | 0,71 | 0,68 | 0,525 | 0,527 | 228 | 228 |
| North Bohemia | 2970 | 2871 | 98,72 | 97,55 | 16,29 | 16,79 | 0,63 | 0,60 | 0,518 | 0,492 | 235 | 239 |
| East Bohemia | 3249 | 3224 | 103,51 | 102,63 | 17,10 | 18,06 | 0,68 | 0,63 | 0,532 | 0,521 | 237 | 240 |
| South Moravia | 3311 | 3315 | 99,51 | 102,02 | 17,09 | 18,02 | 0,77 | 0,72 | 0,515 | 0,490 | 244 | 246 |
| North Moravia | 3154 | 3116 | 102,06 | 99,31 | 16,64 | 17,46 | 0,71 | 0,63 | 0,507 | 0,478 | 243 | 249 |
| West Slovakia | 3487 | 3549 | 96,22 | 97,12 | 16,65 | 16,70 | 0,79 | 0,77 | 0,512 | 0,491 | 225 | 228 |
| Central Slovakia | 2821 | 2827 | 90,86 | 90,76 | 15,09 | 15,20 | 0,70 | 0,69 | 0,492 | 0,484 | 216 | 217 |
| East Slovakia | 2616 | 2632 | 91,88 | 89,83 | 15,80 | 16,17 | 0,68 | 0,69 | 0,477 | 0,474 | 194 | 190 |

## Fodder Consumption Trends

An analysis of the trends in fodder consumption and supply based on the statistical data has revealed that to meet the animal production targets set for 1981 8,357,000 tons of grain fodder and 5,966,300 tons of starch units of bulk fodder were consumed in the socialist sector. This means a reduction of 317,000 tons of grain fodder and 53,700 starch units of bulk fodder.

Fodder compounds account for 89.4 percent and grain directly fed for 9.2 percent of the total consumption of grain godders in the agricultural enterprises. In comparison with 1980, consumption of fodder compounds was reduced by 284,300 tons and of directly fed grain by 31,300 tons in agricultural enterprises in 1981.

The overall reduction of grain fodder consumption in comparison with 1981 was primarily due to the regulation of swine stocks during the fourth quarter and partly also to the measures designed to save fodder in accordance with CSSR PV resolution No 170/81.

Positive results in this sense were achieved particularly through the stricter system of administration of fodder compounds, transition of some agricultural enterprises from dry fodder to damp fodder feeding of pigs, more effective utilization of waste potatoes for feeding pigs, putting into operation of new cattle centers with regulated feeding and so on.

The effect of these measures is clear for example from the reduced consumption of grain fodder per kilogram of live weight of pigs from 3.77 kg to 3.70 kg in comparison with 1980, per one liter of milk from 0.27 kg to 0.25 kg and per kilogram of live weight of cattle from 2.48 kg to 2.35 as Table 4 illustrates.

This reduction of the annual consumption of grain fodder in comparison with 1980, which was necessitated by the shortage of grain fodder mainly during the period preceding the new harvest, was, however, reflected in the unfavorable reduction of weight gains in all categories of cattle and pigs particularly toward the end of the third and during the fourth quarter.

Within the general restriction of grain fodder resources which could not be offset, the lower effectiveness of nutrients in fodder compounds was the main reason for lower intensity particularly of slaughter cattle and slaughter pigs. In comparison with the first 9 months of the year, the share of grains in all fodder compounds on the average declined from 71.2 percent to 68.6 percent during the fourth quarter. This was unfavorable reflected in the lower energy value of fodder compounds.

## Trends in Herds of Domestic Animals

In comparison with the situation on 1 January 1981, the numbers of all basic types of domestic animals--with the exception of pigs and horses--increased as of 1 January 1982. The number of head of cattle increased 101,700, while the number of cows increased 3,100.

Of this increase, beef cattle accounted for 46.3 percent, heifers more than one year old for 32.3 percent, other cattle for 18.4 percent and cows for 3 percent.

Table 4. Grain fodder consumption per unit of animal production during the 1979-1981 period by krajs and republics (in kg)

| Krajs, republics | Per liter of milk | | | Per kg of slaughter cattle | | | Per kg of slaughter pigs | | | Per egg | | | Per kg of broiler | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1979 | 1980 | 1981 | 1979 | 1980 | 1981 | 1979 | 1980 | 1981 | 1979 | 1980 | 1981 | 1979 | 1980 | 1981 |
| Central Bohemia | 0,29 | 0.27 | 0,25 | 2,80 | 2,54 | 2,42 | 3,83 | 3,71 | 3,66 | 0,17 | 0,16 | 0,16 | 2,67 | 2,72 | 2,66 |
| South Bohemia | 0,27 | 0,26 | 0,23 | 2,89 | 2,83 | 2,70 | 3,71 | 3,62 | 3,58 | 0,16 | 0,15 | 0,15 | 2,53 | 2,59 | 2,59 |
| West Bohemia | 0,29 | 0,27 | 0,25 | 3,13 | 2,87 | 2,70 | 3,69 | 3,63 | 3,56 | 0,17 | 0,16 | 0,16 | 2,49 | 2,50 | 2,48 |
| North Bohemia | 0,31 | 0,29 | 0,27 | 3,26 | 2,63 | 2,72 | 3,80 | 3,61 | 3,62 | 0,18 | 0,17 | 0,17 | 2,62 | 2,56 | 2,67 |
| East Bohemia | 0,30 | 0,28 | 0,27 | 3,03 | 2,69 | 2,25 | 3,71 | 3,62 | 3,54 | 0,17 | 0,17 | 0,17 | 2,57 | 2,56 | 2,55 |
| South Moravia | 0,29 | 0,26 | 0,24 | 2,55 | 2,24 | 1,97 | 3,79 | 3,68 | 3,56 | 0,17 | 0,17 | 0,16 | 2,59 | 2,59 | 2,51 |
| North Moravia | 0,30 | 0,27 | 0.25 | 2,68 | 2,50 | 2,24 | 3,81 | 3,74 | 3,65 | 0,17 | 0,17 | 0,16 | 2,43 | 2,53 | 2,50 |
| West Slovakia | 0,29 | 0,26 | 0,26 | 2,30 | 2,06 | 2,03 | 3,98 | 3,94 | 3,89 | 8,18 | 0,18 | 0,18 | 2,73 | 2,75 | 2,72 |
| Central Slovakia | 0,31 | 0,29 | 0,28 | 2,78 | 2,47 | 2,36 | 4,10 | 4,00 | 3,93 | 0,18 | 0,18 | 0,18 | 2,98 | 2,86 | 2,81 |
| East Slovakia | 0.29 | 0.27 | 0.27 | 2,66 | 2,50 | 2,53 | 4,28 | 4,14 | 4,11 | 0.18 | 0,18 | 0,18 | 2,92 | 2,83 | 2,85 |
| CSSR | 0.29 | 0.27 | 0.25 | 2,73 | 2,48 | 2,35 | 3,87 | 3,77 | 3,70 | 0,17 | 0,17 | 0,17 | 2,67 | 2,66 | 2,64 |
| CSR | 0.29 | 0.27 | 0.25 | 2,83 | 2,57 | 2,40 | 3,77 | 3,67 | 3,59 | 0,17 | 0,17 | 0,16 | 2,57 | 2,58 | 2,57 |
| SSR | 0.29 | 0.27 | 0.27 | 2,51 | 2,27 | 2,23 | 4,06 | 3,99 | 3,93 | 0,18 | 0,18 | 0,18 | 2,84 | 2,80 | 2,78 |

The number of sheep increased 49,700, of poultry 105,000 including [??!!!] hens 175,200.

The number of pigs declined by 591,500 including sows by 63,900 which was in harmony with the decisions adopted in view of the potential fodder supply.

Table 5 lists the numbers of domestic animals in the republics in the last 3 years.

Table 5 Summary of numbers of domestic animals during the 1980-1982 period

| Indicator | | Situation as 1 January 1982 | 1981 | 1980 | Index 1981 = 100 |
|---|---|---|---|---|---|
| Cattle, total | ČSSR | 5 103,3 | 5 001,6 | 4 914,8 | 102,0 |
| | ČSR | 3 556,1 | 3 498,8 | 3 429,0 | 101,6 |
| | SSR | 1 547,2 | 1 502,8 | 1 485,8 | 103,0 |
| including cows | ČSSR | 1 904,8 | 1 901,7 | 1 903,3 | 100,2 |
| | ČSR | 1 316,6 | 1 317,1 | 1 318,9 | 100,0 |
| | SSR | 588,2 | 584,6 | 584,4 | 100,6 |
| Pigs, total | ČSSR | 7 302,3 | 7 893,6 | 7 588,2 | 92,5 |
| | ČSR | 4 724,6 | 5 105,5 | 4 796,9 | 92,5 |
| | SSR | 2 577,7 | 2 788,1 | 2 791,3 | 92,5 |
| including sows | ČSSR | 508,2 | 572,1 | 565,1 | 88,8 |
| | ČSR | 319,8 | 368,4 | 364,6 | 86,8 |
| | SSR | 188,4 | 203,7 | 200,5 | 92,5 |
| Sheep total | ČSSR | 959,4 | 909,7 | 875,4 | 105,5 |
| | ČSR | 327,4 | 307,8 | 290,1 | 106,4 |
| | SSR | 632,0 | 601,9 | 585,3 | 105,0 |
| includ. ewes | ČSSR | 453,8 | 432,8 | 409,9 | 104,9 |
| | ČSR | 121,2 | 112,4 | 104,7 | 107,8 |
| | SSR | 332,6 | 320,4 | 305,2 | 103,8 |
| Poultry total | ČSSR | 47 387,9 | 47 282,9 | 48 350,8 | 100,2 |
| | ČSR | 31 408,4 | 31 472,0 | 31 926,1 | 99,8 |
| | SSR | 15 979,5 | 15 810,9 | 16 424,7 | 101,1 |
| includ. hens | ČSSR | 22 558,3 | 22 383,1 | 21 845,7 | 100,8 |
| | ČSR | 14 809,1 | 14 925,6 | 14 590,7 | 99,2 |
| | SSR | 7 749,2 | 7 457,5 | 7 255,0 | 103,9 |
| Horses | ČSSR | 43,8 | 44,9 | 46,8 | 97,6 |
| | ČSR | 24,1 | 24,4 | 24,8 | 98,8 |
| | SSR | 19,7 | 20,5 | 22,0 | 96,1 |

1982 Tasks for Market Production of Principal Animal Products

In comparison with the reality achieved in 1981, the plan targets for purchase of slaughter animals excluding poultry are by 169,600 or 10.3 percent lower for this year. The key position in this overall reduction of procurement of slaughter animals is occupied by the slaughter pigs whose number was reduced by 154,200 tons or 16.5 percent. The targets of this year's market production of poultry were reduced by 7,300 tons or 3 percent, and for egg procurement by 5.3 million or 0.2 percent.

On the other hand, the 1982 state operations plan calls for an increase in the procurement of milk by 11.3 million liters or 0.2 percent in comparison with 1981.

A superficial glance at this year's tasks could lead to the assumption that the tasks are not demanding. An analysis of all basic inputs anticipated for agriculture and animal production in 1982, however, shows that this year's tasks are unprecedented in recent years.

This obliges us to regard the plan tasks as tasks for every day, and to systematically search for all possible ways of achieving them and to make full use of them. At the same time, the present favorable numbers of domestic animals are promising and should be taken into account.

10501
CSO: 2400/336

## PROBLEMS IN SWITCHING TO LOW-CAL COALS DISCUSSED

Prague HOSPODARSKE NOVINY in Czech 2 Jul 82 p 7

[Article by Eng VaclavSkrbek, Cesko-Moravska Kolben Danek, national enterprise: "Modernisation is not the Only Answer; A More Effective Utilization of Our Fuel Base is Lacking"]

> [Text] This is another in the series of articles on heat and power generation performance. Previous articles have been published in Nos. 13, 15, 17, 19, 22, and 24 of HOSPIDARSKE NOVINY in 1982.

Over decades, the generation of energy has had a significant effect of fuel consumption, the numbers of operating personnel and consumption of supplementary products and materials, in addition to effecting our transportation system and some other areas. It has had an impact on the environment and ecology to the extent that the consequences will continue to be borne by future generations.

### Undesirable Development

In the area of industrial energy generation, sources of central heat and heating plants installation, the key to a rational, long range solution is the formulation and adherence to a long range concept of fuel base development in CSSR particularly with respect to solid fuels. This requirement is appropriate because the construction of universal equipment for utilization of fuels with a broad range of qualitative features for energy generation is technically complicated and, from the viewpoint of consumption, fuel intensive and costly. The subsequent modernization of such technology is sometimes totally impossible because changes in the fuel base cannot be made and, in other instances, it is connected with excessive coats and operational and installation problems. Moreover, heating plant technology has a life span of several decades so that improperly designed equipment carries with it years of uneconomical operations and wasted labor.

The formulation, and especially the adherence to a long range plans of fuel base development and the related development of heating plant technology in CSSR has traditionally been fraught with serious shortcomings. Some of these are evident from a simple chronological overview:

--The first half of the sixties was marked by the need for new technology and heating plants modernization for practically all types of fuel then available;

--The second half of the sixties brought about a wide application of fuel oils in the heating plants;

--The first half of the seventies emphasized the importance of the environment, even to point of using industrial and urban waste for energy generation, and saw a significant expansion of the use of natural gas;

--The second half of the seventies has been characterized by a spread in the use of the low calorie brown coal;

--The first half of the eighties is requiring the rapid substitution of natural gas and low calorie brown coal for heavy oil, and the utilization of nontraditional forms of fuels and energy for the operation of heating plants and other sources of heat.

In other words, every five years a fundamental change occured in the demand for the production and delivery of heating plant technology. The preparation for and implementation of these changes was connected with a significant demand on developmental, construction and design facilities and high costs in the power generation engineering. Even though technical and production tasks have been successfully mastered, this development has had its unwelcome effects, for instance, in the areas of return on investment and capacity for product standardization, design typification, the technical and commercial distribution of machinery and equipment, the utilization of foreign licenses and the like.

The fuel allowance, according to regulations applicable to construction certification in the CSSR (currently Federal Ministry of Technical and Investment Development decree No 105/1981, Laws of the CSSR), is the basis for the preparation and negotiation of the preliminary and design specifications for heating plants. A fact which has so far not been properly appreciated is that the solid fuel allowances are, in reality, quite imprecise; that is a number of new heating plants receives at its very opening of its operation different quality coal than specified in the fuel allowance. The actual operations over the years then are not consistant with those projected by the design specifications. According to the experience of the CSR State Energy Inspectorate this means, for instance, a reduction of the average output of stoking furnace boilers to 60-70 percent, and a reduction of about 10 percent in their average operating efficiency.

New Equipment

Available information usually reflect past development of the fuel bases and, on occasion, selected qualitative characteristics of the fuels. And even if studies of the past are not without interest, the fundamental requirement of producers and suppliers of machinery and power plant equipment is the initiation of a long term development of qualitative fuel characteristics; ideally, over the period of the physical life of boilers. A general outline of one or of several qualitative characteristics, as is often done, is useless because,

for instance, the heat value of low calorie coal can be increased during a certain period even given an increased ratio of ash to fuel. Nevertheless, from the viewpoint of combustion, transport and emissions, such instances cause less favorable operating conditions than with the use of a lower heat value coal and a different composition of byproducts. The technical and economic justification of the above requirement is supported, for example, by the results of measurements taken by the Ceske Energeticke Zavody [Czech Electric and Power Enterprises], in 1980 at selected electric plants which determined the following deviations of actual operations, based on project specifications given average ash content: at the Tisova II power plant, +48 percent; at the Chvaletice powerplant, +36 percent; at the Melnik II powerplant, +36 percent; at the Tusimice II powerplant, +23 percent; at the Detmarovice powerplant, +18 percent; at the Pocerady II powerplant, +15 percent, etc.

A fundamental solution to this problem calls for the formulation and implementation of a comprehensive quality control system for brown and bituminous coal, recognizing that in the area of low calorie brown coal this is an exceptionally urgent task.

The dynamics and result of the changes in the CSSR energy bases in recent years are not without interest. Resolution of the Presidium of the CSSR Government No 145, dated 17 May 1974, and entitled Concerning the Resolution of the Basic Problems of the CSSR Fuel and Energy Statilization to 1980, has been a document of fundamental significance. So far, newly constructed and modernized oil and natural gas heating plants have occupied a notable share of the energy base. However, at the time of the publication of the above Resolution of the CSSR Government, hardly anyone was aware of its consequences for the construction and operation of energy generating equipment. Perhaps the simplest concept was that of savings in operating costs in utilization of low calorie brown coal instead of heating oil resulting from the price difference between these two types of fuels.

It has been frequently suggested that low calorie brown coal could be burned in existing stoking and slag furnace boilers. Actually, this is quite a complicated problem, because coal with such unfavorable and, in particular, such variable qualitative characteristics is not being used over extended periods of time, anywhere in the world, under existing environmental or ecological constraints. For this reason, solving this problem through foreign licenses has not been practical. A solution to the problem of the use of low calorie brown coal for energy generation thus depends on domestic developments both in the area of furnaces and technological support for transportation, processing and preparation of the solid waste fuel for combustion and the transportation of solid refuse after combustion.

According to combustion and operational testing, which has taken place in both the CSSR and the GDR, it is economically not feasible to burn and transport low calorie brown coal over a long period of time without extensive modifications to existing equipment. Therefore, the development of new type furnaces, which is under way, is expected to have them operational before the end of the Seventh Five Year Plan.

Despite relatively extensive publicity, there is still a surprisingly small number of actual prospects interested in this new equipment. Clearly, this is because of the prices which are higher than for the standard technology. The less favorable price is a result of the greater weight of the boiler systems using the new type combustion equipment and, in many instances, the necessity of using higher quality component parts and workmanship. For instance, the weight of a steam boiler system with retractable grate and a rated capacity of 16 tons per hour is 100 percent more, and its wholesale price 154 percent greater than the extant boilers of the same capacity. Today's investment constraints, in more than one instance are proving to be the limiting factor in the construction of new heating plants. But a significant effect is also being exercised by the cautious attitude of certain investors, regarding the introduction of new technology, especially when it concerns the use of operationally unproven machinery and equipment.

A High Price to be Paid

Greater investment costs for construction, increased spare parts consumption over the long term, greater numbers of operating employees, greater operational efficiency of boilers, less favorable internal electrical energy consumption, greater operational costs, greater demands on storage facilities, more complex effects on the environment and on ecology, are all part of a price to be paid for the use of low calorie brown coal for energy generation. An extreme deterioration of conditions occurs in heating plants equipped with steam boiler systems with a rated capacity of under 16 tons per hour and in heating plants with hot water boilers and a rated capacity of under 11.6 megawatts. It is, therefore, desirable to provide brown coal of good quality of these operations.

The reconditioning of boiler system and the modernization of heating plants necessitated by a change in the fuel bases is rather costly and difficult to organize and to implement. Consequently, from the viewpoint of the economical utilization of low calorie brown coal for energy generation, slag furnace boilers merit special attention. Even though there are relatively few of them, they have a significant total and unit capacity, and by modifying them and the supporting technology, we can create conditions for economical burning of low calorie brown coal. The design, production and contracting aspects of these modifications may be handled within the framework of our power generation engineering industry.

The basic question in the reconditioning of boiler systems and the modernization of heating plants is the physical condition of the equipment, primarily of furnaces and transportation equipment. The conversion of heating plants from burning heating oils and natural gas to low calorie or other types of coal is usually quite impossible from the viewpoint of the demands made on the technological and structural parts of the heating plants.

The effectiveness and potential of reconditiong stoking-furnace boilers and the modernization of these heating plants must be evaluated, both technically and economically, on an individual basis. Given that there are about 5,500 stoking furnace boilers in the CSR with an average capacity of 3.2 megawatts or 4.4 tons per hour and with different combustion equipment it is, for practical purposes,

not feasible to consider the reconditioning of a majority of these boiler systems and their transportation equipment and to depend on obtaining thermal energy for production and communal uses in this manner. A possible alternative is the construction of central heating plants, a combined complete or partial conversion of existing heating plants to gas and a conversion of heating plants to handle the burning of multiple fuels, and the like. Usually the costs of reconditioning stoking furnace boilers and the modernization of heating plants are, in the end, greater than for construction of new energy generation complexes.

Heating plants using heavy oils may be converted relatively easily to burning natural gas or, although with considerably more difficulty and only after a careful consideration of the technical and economic interrelationships, to electric furnaces. Ceskomoravska Kolben Danek DUKLA, national enterprise, produces and supplies for these purposes electric resistance furnaces with a capacity of 100-630 kilowatts, as well as other machinery and equipment. This solution satisfies even the most demanding environmental and ecological requirements.

Slow Progress

It is possible to agree with the view that fluidized bed combustion technology is not a panacea, though this can naturally be said of every machine and every technology as far as an optimal solution from any economic viewpoint is desired. Boilers with Duklafluid combustion equipment make possible generation of thermal energy by the burning of uneconomical brown and bituminous coal with unfavorable qualitative characteristics produced in excess of demand for that type of coal which falls below the current standard fuel rating. Moreover, fluidized bed combustion technology is the only one which creates the conditions for the operationally usable desulphurization of waste gases. Its most rapid development requires broader production and supplier cooperation within the framework of the organizations of the Federal Ministry of Metallurgy and Heavy Engineering, especially in the area of machinery and equipment for the transportation and processing of combustion fuels from the concern enterprises Prvni Brnenska Strojirna [First Brno Power Generating Equipment Plant] in Brno and the Prerov Stojirny [Heavy Machine Plant] in Prerov.

A more immediate solution to the problem of low calorie coal as well as the use of other special fuels usage for energy generation requires the immediate construction of an experimental base, preferrably on the sites of skilled suppliers. Such facilities are not yet available at the requisite level of sophistication at any one Czechoslovak furnace plant. The process of testing new machinery and equipment at the job order site and in heating and central heating plant operations with their own objectives, plans, and task is a slow one even for the simplest machinery, and often is not even in accordance with the potential and interest of the investors and operators. Without creating conditions for the testing of new machinery and equipment at testing centers, it is not possible, while observing the applicable regulations concerning a technological discipline, to fulfill the social requirement for the rapid and broad introduction of new machinery and equipment into our operations.

The services provided by the producers and suppliers of energy generating machinery and equipment would be to the advantage of many heating plant users and the national economy both today and in the future. By repairing, modifying and adjusting, it is possible to achieve fuel savings of about 10 percent, according to the experiences gained by the CSR State Energy Inspectorate. The plan breakdown for the power plant engineering industry and the applicable system of price regulations, however, do not allow for the possibility of broader development of service capabilities in these organizations, because these services would work to the detriment of the plan of distributed production tasks and would have an undesirable effect on the economic section of the plan.

In summary, the time which has passed since the publication of Resolution No 145 of the Presidium of the CSSR Government, dated 17 May 1974, and entitled on the Resolution of the Basic Problems of the CSSR Fuel and Energy Balance to 1980, has not been wasted. Even from this concise information, it is clear that much has been accomplished, but that not a few difficult tasks still await our machinists and our energy generating industry. The improved utilization of fuel bases founded on a long term view and, mainly, adherence to this outlook, represents a significant source of underutilized capacity in our national economy.

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## POLITBURO SETS GUIDELINES FOR URBAN CONSTRUCTION, ARCHITECTURE

West German Commentary

Bonn INFORMATIONEN in German No 12, Jun 82 pp 10-12

['Background' report by FRG Ministry for Innter-German Ralations: "Party and State Leadership in the GDR Decide on Guidelines for Urban Construction and Architecture." A translation of the official text of the SED Politburo decision, discussed below, follows this commentary]

> [Text] The SED Politburo and the GDR Council of Ministers have jointly issued "Principles for the Socialist Development of Urban Construction and Architecture in the GDR." The SED organ NEUES DEUTSCHLAND published them on 29 May 1982. The principles rate as guidelines for "urban and architectural construction in the 1980's." The point is made in these principles that the "socialist development of urban and architectural construction" essentially depends on the "implementation of the housing construction program." That program envisages solving the housing problem in the GDR by 1990 by building, rebuilding and expanding between 2.8 and 3 million apartments. Furthermore, the party and government decision keeps reiterating that saving material and energy is imperative in all construction in the GDR.

The preface to the eight points of principle states that it is "mainly" important "to achieve urban and architectural construction that attests to the superiority of socialism and brings benefits to people and honor to its creators."

The preface furthermore outlines the preeminence of social aspects in urban construction which, moreover, should have to conform to the emotional preference of the GDR inhabitants and to "national components." Literally it says: "In the future also the development of urban construction and architecture in our society will be governed by social objectives. That absolutely implies achieving a favorable cost/benefit ratio for each planned construction project. With it,

the kind of solid urban and architectural construction design is indispensable which, through the emotional effect it has on the citizens in our republic, fosters the joy of living, the feeling for beauty, public activity and performance dedication and helps deepen the citizens' bonds with their socialist homeland. Looked at it that way, urban construction and architecture are a component of our thriving socialist national culture."

The first point of the principles mainly deals with the GDR housing construction program that lent "urban and communal development a stable and long-range foundation" and the implementation of which assumed "qualitatively new traits in the 1980's." The "intensive development of the cities, combined with an effective use and maintenance of extant construction units" was becoming increasingly prominent, through which construction in the inner city was increasing as was the "proportion of reconstruction and modernization projects." At the same time "new housing construction in the kreis and medium-size and smaller towns" would be increasing and the "desire to improve housing conditions in the villages continued to develop with purpose."

"Maintaining Agricultural Acreages"

It was part of the "basic principle of socialist urban construction that the city has to be designed according to plan as a whole with culture and economy." Furthermore, "the cities' spread has to be sensibly confined," which would much help "preserve agricultural acreage and recreational areas." These demands on city planners and architects, contained in point 2 of the principles, are complemented by the remark that "increasingly greater socioeconomic and cultural-political importance" attached to a "harmonious combination of newly arising structures with valuable extant buildings."

That, along with a "loving care for city centers with their ensembles and historic buildings," included a "well functioning infrastructure" and an increased "efficiency and attractiveness of public communter transporation." The authors of the principles are putting it this way: "Urban development oriented to the requirements of intensification is an important prerequisite for saving energy for heating, steet lighting and transporation."

The third point of the principles deals with the "selection of building sites," which "significantly affects the cost/benefit ratio." This section generally pleads for using intra-city building sites because they offered "often considerable advantages over peripheral sites." Thereby one could in many cases do without new installations and municipal transportation networks, energy and heating supply systems, irrigation and drainage. It also was especially important in deciding on building sites "to cut down the travel time between one's residence and place of work."

"Projected Building Sites Are Extremely Valuable"

To be sure, for "futher noticeably improving housing conditions," it would be necessary also to build new apartment house complexes on the periphery in the years ahead. Doing so, the GDR city planners always ought to be mindful of this: "Everywhere one should remember that projected building sites are extremely valuable. Handling them sparingly and prudently is a precept of economic reason."

Detailed suggestions for providing "good residential areas" are contained in point 4, which states that such areas should, among other things, excel "by functional utility while using constructional and given landscape features." Presumably, the "best results in urban construction" in GDR cities had demonstrated "that engaging urban construction areas can be created mainly by an interesting variation between streets and squares, cohesive structures and parks and attractive color design."

"The extant trees and parks, water surfaces and terrain features are to be used prudently for creating a beautiful, hygienic and health-promoting residential environment." That also applied to the "use of earth excavated on sites" whereby also the expenditures for excavating and hauling loads of dirt could be significantly reduced.

High-rise Buildings Only in Exceptional Cases

As to the height of buildings, they recommend "preferably the use of multistory apartment buildings" which had been found "especially beneficial for people's comfort and for reduced construction and projection expenditures." Such advantages appear no longer to apply to "buildings with very many floors or high-rise buildings" which had partly been preferred in the last couple of years. In the future, they are going to be "the exception even in big cities."

Explicitly confirmed is in point 4 that the "construction of private homes" is to remain a regular component of "complex housing construction."

However, for the sake of "better building site utilization" and for reasons of "saving material and energy," the recommendation now is to orient private home construction in the future more to "constructing row houses."

The point of the fifth principle deals with the "designing of places of work," by which "important prerequisites are to be laid for high production efficiency and quality under favorable working conditions." There they demand "a rapid application of science data in production and realizing projects within the briefest time frames and through low construction expenditures," which controlled "to a large measure the benefit of investments."

Furthermore, one had clearly found that "the reconstruction of extant industrial installations or expansion measures for existing sites facilitated significant reductions in the construction part of investments and saved much time." Therefore one should rather build new structures on new terrain.

The last three points in the catalogue of principles mainly are devoted to the work of the architects in urban and communal construction. Point 6 shows the title "Fine artistic construction quality calls for creativeness and mastery over the inevitabilities of architectural design." Artistic and aesthetic mastery over construction, it is said, was "as much an objective necessity of social progress as an efficient economy."

"Careful Preservation of What There Is"

Architects in the GDR work almost exclusively in kreis, city and bezirk planning and project planning bureaus and in the construction enterprises and combines. It is said of them that they had "the obligation to preserve carefully what there is and, simultaneously, make high demands on the quality of what is new and what increasingly shapes the construction environment."

The seventh point states that the "quality of urban construction and architecture" greatly "depends on the development of effective construction solutions and designs and efficient construction procedures." To that end, e.g., it was "indispensable further to perfect the large prefabricated slab construction method" that prevails in the GDR and to "develop and introduce other efficient construction methods supplementing it suitably."

The eighth and last point finally talks about the "social appreciation" the work of urban planners and architects enjoys in the GDR, which acted as a spur to "their energy." Thereby they came to realize more profoundly "that they have to assume a great responsibility for making the most efficient use of a considerable portion of the national income and, hence, for successfully carrying on the unity of economic and social policy."

Text of SED Politburo Decision

East Berlin NEUES DEUTSCHLAND in German 29-30 May 82 pp 9-10

[Official text of the "Decision of the SED Central Committee Politburo and the GDR Council of Ministers: Principles for the Socialist Development of Urban Construction and Architecture in the German Democratic Republic"]

[Text] Socialism, for the first time in history, has provided the development of urban construction and architecture with the prospect to serve the well-being of the people, unhampered by antagonistic class interests. This humanistic concern is increasingly being implemented in the GDR, the first workers and farmers state on German soil. It is part and parcel of the program target to shape with success the developed socialist society, under SED leadership and in confident alliance with all classes and strata of the people, and so to create fundamental prerequisites for the gradual transition to communism.

In this sense, the guideline decisions of the 10th SED Congress provide another clear and inspiring orientation for construction, and thus for architectural work, in our country. It relies on the assurance that our socialist state, in its unbreakable fraternal alliance with the Soviet Union and the other countries in the socialist community, does everything to safeguard peace as the fateful problem of our era. Urban planning and architecture in the 1980's is also marked by the need to carry on the tried and tested course of the main task in its unity of economic and social policy even under the changed external conditions, resolutely on the basis of the economic strategy that has been issued.

This policy, aimed at the well-being of the people and the happiness of men, lends mighty new impulses to the creative work of the architects and urban

planners and all involved in construction. Through their achievements they significantly contribute to the formation of a socialist way of life, an ever better satisfaction of the people's material and cultural needs, and the strengthening of our country's economic capacity.

Based on the decisions of the working class party, particularly since the Eighth SED Congress, a widely apparent upswing in building activity has taken place in our country that led to the thus far most successful period of urban and architectural construction. Especially the implementation of the long-range housing construction program, the centerpiece of our social policy, has enriched the picture of our towns and communities and fostered the socialist way of life of their inhabitants. That is most impressively seen in the design of the capital of our socialist country, Berlin.

The development of urban construction and architecture in our society will continue to be governed primarily by social objectives. That definitely includes that each planned construction project must satisfy the most favorable cost/benefit ratio. For that, a solid urban construction and architectural design is indispensable which, through the emotional effect on the citizens in our country, fosters the joy of living, the feeling for beauty, public activity and performance dedication and helps deepen the citizens' bonds with their socialist homeland. Looked at it that way, urban construction and architecture are a component of our thriving socialist national culture. When our architecture ever more persuasively expresses the advantages of socialism, it will also gain increasing weight in the international class conflict.

As in the advances already made, the working class party's assured indoctrination of the architects and urban planners will stand up well also in the future, so as to further mold their political commitment, creativeness and technical skills on behalf of the construction jobs to be undertaken. Important in this connection is the work of the Architects Association and the resolute support given to architectural work by the people's representations and their state organs.

Practice has made unequivocally clear that it decisively helps the search for efficient construction of a solid urban planning and architectural quality, as much as further advances in the industrialization of construction, if insightful and skilled management keeps using ever more efficiently the advantages of directly combining research, project planning and production in the construction combines. That implies providing well organized socialist cooperative work, beginning with the assigning of contracts, among urban planners, architects, visual artists, landscape artists and color designers, so that artistic building design flourishes.

The socialist development of urban construction and architecture is in our society the outcome of the work of a large collective. Each has his place, his special job and his responsibility: the public contractor, the urban planner and the architect, the construction workers on the construction sites and in prefabrication plants, as much as the working people in ancillary industries. They all are expected to contribute to a good architectural quality of building by all they know and can do.

All in all, it is mainly important to achieve urban and architectural construction that attests to the superiority of socialism and brings benefits to people and honor to its creators. That is to be served by the following principles:

1. The Socialist Development of Urban Construction and Architecture Is Governed Mainly by the Implementation of the Housing Construction Program

Building in our republic greatly affects the people's material and intellectual-cultural standard of living and reaches far into the communist future. That applies in particular to the implementation of the housing construction program, by which a fundamental goal of the revolutionary workers movement, resolving the housing problem as a social program, is being implemented step by step in our republic till 1990.

The housing construction problem is intimately tied up with such penetrating social processes as the gradual rapprochement among classes and strata and therefore conforms with fundamental inevitabilities in the continued shaping of the developed socialist society. By creating good housing conditions for all and providing the residential areas with communal facilities, essential prerequisites are created for happy family life, the women's equitable participation in public life, youth education and training, and care for senior and disabled citizens.

The housing construction program provides urban and communal development with a stable and long-term foundation. Its implementation assumes qualitatively new features in the 1980's. Intensive urban development, combined with the most efficient use and maintenance of extant structures, is becoming more and more prominent. That increases construction in the inner cities. The proportion of reconstruction and modernization projects is increasing. At the same time, new housing construction in the kreis and medium-size and smaller towns will be increasing, and the desire to improve housing conditions in the villages will be developing with purpose.

Everywhere it is a matter of making full use of the opportunities provided by combining new construction and modernization with maintaining extant construction units for the sake of high social effectiveness in construction, reducing expenditures, and an interesting and diversified urban construction and architectural design. It is and remains crucial to create with the funds of the plan good housing conditions for as many citizens as possible, especially for working families, large families and young couples. Urban construction planning and project planning should therefore focus more consistently on strictly abiding by governmental allocation standards in working out the economically most favorable solutions for complex housing construction. Together with it, we must also purposefully enhance the functionality, aesthetic design and social effectiveness of our towns and residential areas.

So housing construction takes an active influence on overcoming step by step the unsatisfactory housing conditions capitalism left behind and shaping ever more clearly the typically socialist features of our towns. Most impressively that is meant to come into evidence also in the further development of our capital Berlin as the political, economic and intellectual-cultural center of the GDR.

From what has been achieved and from the tasks for the future it becomes apparent that the implementation of our long-term housing construction program will make possible more than ever further improving and renovating our towns and communities in line with the fundamental goals of socialism. That also gives us realistic social conditions for achieving the ideas of progressive architects and city planners. We must make good use of this chance.

2. Designing the City According to Plan as a Whole With Culture and Economy Is a Basic Principle of Socialist Urban Construction

In the GDR, cities are developed according to plan and in accordance with the requirements for overall social development, especially also with regard to the location of the productive forces. This is a great advantage of socialism of which increasingly better use has to be made in determining a harmonious development and close linkage among all important municipal functions predictively and implementing them step by step as our economic possibilities allow. That includes in particular creating good conditions for working and housing, education, culture and recreation. It is an important concern in socialist urban construction to see to it that the most efficient solution of present construction tasks always coincides with looking ahead at the city as a whole.

In the years ahead, urban construction will increasingly be marked by sensibly confining the spread of the city areas, due to the intensively expanded reproduction in all fields, which also includes the basic assets in construction. That greatly helps preserve agricultural acreage and recreational areas and orient construction projects planned more and more to a high social and design quality for the historically grown centers of cities and other areas.

That gives the harmonious combination of newly arising structures with valuable extant buildings increasingly greater socioeconomic and cultural-political importance. A loving care for city centers with their ensembles and historic buildings and the streets and squares with which the citizens are familiar deserves special attention in this.

The well-being of the inhabitants, the ensuring of hygienic regulations, and the development of economic activity in the city crucially depend on a well functioning infrastructure. That presupposes intensively using, reconstructing and, if need be, extending municipal utility installations and networks and increasing the efficiency and attractiveness of public communter transportation. Urban development oriented to the requirements of intensification is an important prerequisite for saving energy for heating, street lighting and transportation.

The specifics of the city and its functions within a populated area call for coordinated regional development. That takes account of the manifold relations between the city and the landscape surrounding it and is meant to serve also the requirements of socialist environmental culture.

It is a priority task for state management activity, in proceeding from the economic strategy for the 1980's, further to improve the level of urban construction planning in conformity with long-range national economic planning, the

territorial planning and the planning for transportation, and to reach an adequate lead time in these areas.

Skillful work with general construction and transportation plans has proven itself here, starting in the capital and in the bezirk cities and other large towns. This should more be aimed at creating sound bases for decisions which during the preparation and implementation of planned construction measures can have important economic effects and improve the functional and design qualities of the cities. In smaller towns and communities more simplified work with local design conceptions is recommended in this regard.

General construction and transportation plans and local design conceptions are important tools for state management for determining the most favorable solutions for construction measures under five-year plans and annual national economic plans even at the time those plans are drawn up.

Urban construction in socialism must mainly serve the well-being of the people. So it is an important task for the people's representations and the councils responsibly to assume their role as consignors for the social, economic and design development of the towns and communities. Bezirk, kreis and municipal architects and the collectives in the urban construction bureaus have to make a significant contribution to it.

3. The Selection of Building Sites Significantly Affects the Cost/Benefit Ratio

A properly timed selection and determination of the most favorable construction sites for residential areas, production installations and public facilities greatly affect the economic efficiency and social effectiveness of construction and investment activity and also the urban architectural construction quality of what is built. All results and experiences thus far prove how important it is to take account of this requirement even while the bids come in for space utilization in the general construction plans or local design conceptions.

Often it is a much greater advantage to build within a city than on its periphery. Then one can in many cases do without new installations and municipal transportation networks, energy and heating supply systems, irrigation and drainage.

For continued noticeable improvements in housing conditions, it will doubtless also be important in the years ahead to increase housing by building new housing complexes, according to plan, at the outskirts of cities. That is true especially of our capital Berlin and other centers of our economic development. This also creates an important premise for carrying out housing construction tasks in the inner city by higher criteria and for addressing more and more an intensive urban development in implementing the housing construction program in the 1980's. This gives the architects and all involved the ambitious task to cope through creative cooperation with the new technical, economic and building design problems in downtown construction.

When choosing sites for further new housing, one should consider building inside the city or right next to existing residential areas. That helps improve the city's functionality and enriches the city image. When new neighborhoods are

integrated in the city core, new residents benefit from the very beginning from the community facilities located there. When deciding on sites one should also keep in mind the importance of cutting down the travel time between the residence and the place of work.

Everywhere one should remember that projected building sites are extremely valuable. Handling them sparingly and prudently is a precept of economic reason. That also applies to absolutely having to keep road alinements and other spots vacant for the benefit of future construction. Looked at it that way, building gaps or unsuitably used areas often are important reserves. An efficient use of building sites, not last, helps keep down as much as possible the running expenditures for maintaining and operating installations and infrastructure networks.

In the process of selecting and deciding on building sites, important efficiency reserves can be tapped. There it is of benefit if the bezirk or kreis planning commissions ensure from the outset coordinated cooperation with the construction bureaus, the energy and water management organs, post and telecommunications and public transportation.

4. Good Residential Areas Excel in Interesting Urban Construction and Architectural Design and Functional Utility While Using Constructional and Given Landscape Features

Through the implementation of the housing construction program, many new residential areas have been created in our republic; existing ones are being preserved or modernized. The scope of housing construction and the need to hold it more strongly to what there already is more and more determine the functional organization and the urban construction and space design of the residential areas themselves.

The principal measuring rod for the quality of residential areas is how by planned means, in the sense of developing the socialist way of life, the most favorable preconditions are created for a fine housing milieu and a diversified and interesting public life.

New residential areas should harmoniously fit, and enrich, the existing urban structure or its further development according to plan. Its appearance depends especially on the mass construction and composition of urban areas and structures and a vivid relationship with the city and its landscape. This just as much contributes to lending each residential area its specific design and look as does the inclusion of extant structures and natural conditions.

The best experiences in urban construction in many cities in our republic indicate that significant urban construction areas can be created mainly by an interesting variation between strees and squares, cohesive structures and parks, and attractive color design. Public facilities like playgrounds and facilities for children, schools and youth clubs, commercial buildings and restaurants, or social and medical care facilities are of special importance to the conviviality of people in their residential area. A considerate design and location of them also says much about the urban and architectural construction quality of an entire residential area.

Open spaces offering fine opportunities to children to play without risk and for sports and recreation to inhabitants in all age-groups are becoming increasingly important for a beautiful, hygienic and health-promoting residential environment. Prudent use to be made of that with the extant trees and parks, water surfaces and terrain features. That also applies to the use of earth excavated on sites. Thereby also can the expenditures for excavating and hauling loads of dirt be significantly reduced. Even during urban construction planning for new residential areas one must see to it that a functional completion of complete residential areas is ensured so that one precludes as much as possible any mutual interference between building and living. Below-surface and utility line construction therefore has to be carried out way ahead of time.

To build as many good apartments as possible with the funds available calls for thorough, complex preparations and the use of efficient construction methods and building designs while abiding by state allocation standards and contributing to a high urban and architectural construction quality for buildings and aggregates. Preferably the use of multi-story apartment buildings is found especially beneficial for people's comfort and for reduced construction and projection expenditures. Buildings with very many floors or high-rise buildings should be the exception, even in big cities. In closing building gaps and in smaller towns and in the countryside, one should take account of the buildings in place when rules are made on how tall buildings may be.

The construction of private homes is and remains a regular component of complex housing construction. For the sake of better building site utilization and for reasons of saving material and energy, it is recommended to orient more to a cohesive urban construction effect and construct more row houses.

Cultivated living areas demand great concern for matters the people experience personally every day. That includes the building's entry hall, playgrounds for the children close-by, a place the rest near the house, the pedestrian walkways and the stops for public transportation. Here architects and designers should develop useful and beautiful design elements for industrial mass production. More and more citizens love to design and cultivate the areas around their buildings, especially lawns and gardens. That has to be taken into account even during the planning and project planning for residential areas.

Making residential areas suit people's needs is one of the intellectually most ambitious tasks assigned to the architects. Therefore it is a good idea to assign highly skilled architects with artistic gifts over the whole project, directing the whole process responsibly from the conception to the completion.

5. With the Design of Places of Work Important Prerequisites are to Be Laid for High Production Efficiency and Quality Under Favorable Working Conditions

The economic strategy for the 1980's applies new measuring rods to all investment projects in the economy, and thus also to the rationalization and design of places of work. The focal point of the work of architects in industrial construction lies in investments acting as an engine of scientific-technical progress, rapidly produce the highest production efficiency and quality and also

help improve working conditions. Rapidly applying scientific-technical data in production and realizing projects within the briefest time frames and through lowest expenditures controls to a large measure the benefits of investments.

It has clearly been found that the reconstruction of extant industrial installations or expansion measures for existing sites facilitate significant reductions in the construction part of investments and save much time. At the same time, the latest technologies for refining raw material, energy production and material conversion, the development of microelectronics and robot technology, and the reduction of energy consumption make higher demands on the construction and design of industrial plants.

In line with the fundamental importance productive activity has for forming socialist personalities and their public relations, the architects and urban planners should help create a working environment that encourages the readiness for achievement. High productivity and order and safety on the job are affected, not by a mean degree, by ergonomic and aesthetic design and a functionally suitable construction design of industrial plants in accordance with technological requirements and the data of scientific labor organization.

All that by and large enhances the working people's contentment on the job and strengthens their ties with their socialist enterprise.

The industrial architects, closely working together with the consignors, scientists, technicians, designers and painters, find a broad field here for fruitful activity. High investment efficiency and sophisticated industrial architectural quality should alway go hand in hand there.

Important economic effects are mainly to be obtained in the early phases of investment preparation through favorable site selection and efficient urban planning integration, a preferential use and reconstruction of extant structures and the minimizing of cubic measures and areas. The yardstick for an optimum project solution are the reduction of the one-time expenditures and a high economy in using and maintaining structures and installations. Tapping all possibilities for energy-saving construction, heat recycling and using waste heat even for heating adjoining structures deserve increasing attention.

For solving these tasks, the industrial planning groups of construction and assembly combines have proven excellent partners of industry. For the extremely useful work of such collectives one should find more experienced architects with special qualifications for conceptual work, studies and comparing alternatives.

Industry and science critically determine the development and shape of cities, much as the socialist mode of production in the countryside shapes the new look of villages. Even while projecting urban construction planning, alternatives for solutions have to be indicated to bring planned construction projects for industry and science to realization with the highest economic efficiency. That concerns in particular the intensive development of available plants and a cooperative utilization of technical supply installations and social welfare facilities in the sense of territorial rationalization all the way to reducing

the costs for setting up construction facilities. The same applies to the maintenance, sensible utilization and reconstruction of workshops in residential areas, as long as they do not interfere with anything, which enrich the life in the cities and offer many advantages to the working people, especially to the women who work there.

Altogether it is a matter of tying up more and more the places of work, functionally and in terms of design, with the overall development of the city and the territory. This way, teritorial and urban planners and architects can make a significant contribution to strengthening our republic's economic efficiency and to the development of the city as a whole.

6. Fine Artistic Construction Quality Calls for Creativeness and Mastery over the Inevitabilities of Architectural Design

The focal point of urban and architectural construction is giving ever improving satisfaction to men's material and intellectual-cultural needs. Artistic and aesthetic mastery over construction is as much an objective necessity of social progress as an efficient economy.

To the citizens, the towns and communities in which they live are more than just a place of residence and place of work. They are their immediate home as part of their socialist fatherland to which they feel most closely tied. From that arises for all who bear responsibility for our country's architectural countenance the obligation to preserve carefully what there is and, simultaneously, make high demands on the quality of what is new and what increasingly shapes the construction environment.

The GDR's urban planners and architects are committed in their work to our progressive humanistic cultural legacy, to the work of the great German master builders who contributed great things to world culture. Many of our cities owe their beauty and diversified panorama to the harmonious combination of the new with the old. This way, the cultural values generated throughout history are preserved, new progressive features in the structure and shape of the city are formed, and ever more favorable conditions are created for the development of the socialist way of life.

The industrialization of construction with its new technologies and the application of modern building materials is and remains an important condition for satisfying faster and more efficiently the demands society makes on construction. With it, modern building techniques offer the architects new design opportunities. Aesthetically coping with industrial construction and its technological conditions, gaining aesthetic mastery over it, means more than ever a crucial challenge to the living generation of architects and all involved in construction besides.

The uniqueness and expressive strength of urban and architectural construction solutions crucially depend on the composition and proportion of urban areas. The harmony among the various elements in the design and their effective interaction are essential. That necessitates special attention to such questions as the plasticity of structures, the differentiation of stories, the use of various materials and colors, the control over architectural detail and the placing of construction-related works of the visual arts.

There is an intimate interaction between the external and internal design in buildings. A cultured, solid and suitable interior architecture and room decor are essential for people to feel comfortable. Architectural work therefore should pay appropriate attention to these matters. The more cultured way of living to which the housing construction program aspires requires diversified supplies, in tune with one another, of suitable and nicely designed furniture, wall paper, tapestry and other accessories that will give the citizens the opportunity for tasteful living. Skilled decorator advice can make an important contribution to that. In communal facilities and other public structures one should always seek a well balanced design and decor of the rooms, the outlay for which should always be commensurate with the function of the buildings and combine beauty and suitability with permanence.

A well timed and permanent promotion of cooperative efforts among architects, interior designers, landscape artists, painters and design engineers deserves the greatest attention for making a complete and sensible use of the variety of artistic means in designing composites, structures and rooms that have inspiring and pleasant effects on men. Such cooperation should start even while urban construction conceptions are drawn up, in design seminars and competitions, so that the best ideas come to the fore. Also on urban design advisory councils, architects, visual artists and other creators of culture can do a lot of good through constructive cooperative efforts.

Working out the inevitabilities of architectural design in their interaction with social progress is one of the priority tasks of socialist architectural theory. Conveying sound insights, analyzing contemporary architectural work and appropriating the legacy of artistic construction from the standpoint of historical materialism is gaining increasing importance for the training and advanced training of the urban planners and architects, as far as their sound scientific approach to the practical tasks to be dealt with is concerned.

7. The Development of Efficient Construction Solutions and Designs and Efficient Construction Methods Greatly Determine the Quality of Urban Construction and Architecture

The crucial task of the 1980's is to improve the architectural and functional quality of project solutions, expand the supply of products in construction in conformity with changing construction tasks and construction site conditions, and make much greater progress in the preservation and modernization of extant structures. This development also has to be connected, for the sake of strictly abiding by state allocation standards, with the rationalization of construction processes and the implementation of a high materials and energy economy. Within the scope of making the reproduction process most efficient, the construction combines, from R&D and project planning all the way to the end products proper in quality, bear a great responsibility for it.

We always find confirmed again: Good architecture and high-grade building can be achieved only in places where the whole collective of a combine, beginning with the managers, faces such tasks in a committed and open-minded manner.

The course we have been on, to use the efficient production base we have for industrial construction more effectively still for implementing the planned construction tasks, should be purposefully continued. For that, it is indispensable further to perfect the large prefabricated slab construction method to conform with newly arising concerns for its use, especially in inner city construction. Along with it, we have to develop and introduce other efficient construction methods supplementing it suitably. Here the application of favorable energy-saving solutions for frames and construction units and appurtenances is becoming socially ever more valuable. And when products are being developed, along with the one-time expense, one must pay much more attention to the running costs for use and maintenance.

Particular attention is warranted for variable project solutions which, on the basis of uniform basic designs with supplementary elements, and through designing segments that can be added or taken off, suit a variety of demands put on the function, suitability and form of buildings. That mainly means using the ground efficiently and applies to efficient construction in the inner city, on small locations, especially in filling gaps between existing structures, or on slopes, or to the use of basements of apartment buildings as communal facilities. Whatever is efficient in the mass production of elements should be standardized. Buildings should be put to variable use.

Preparing good blueprints greatly improves the quality of dwelling units. Here one should pay more attention to an improved adaptability to future requirements and create specific types of apartments for senior and disabled citizens.

To treat the maintenance and modernization of existing buildings as equivalent in rank with new construction is highly important for the convenience of the citizens, the upkeep of the city image and, not last, for economic reasons. The main point here is to keep the roofs and facades of buildings in good repair, ensure well functioning heating systems and dehumidifiers and improve the health-related aspects and electrical wiring in apartments. Greater advances in that direction have to be made, especially in urban apartment buildings with several floors, by applying the latest technologies. Most suitable here is a cautious approach to the repair of facades that would preserve the familiar look of streets and squares and enhance their value through renovation.

A creative and responsible work of the urban planners and architects in our republic for shaping an expressive construction environment will satisfy the needs of the people in socialism. And that absolutely calls for high-grade construction in the comprehensive sense, beginning with urban planning, projection and construction planning, to a solid mode of construction work and the most suitable use of materials in accordance with the recognized construction rules, all the way to a careful preservation and maintenance of the constructed values. And that means, of course, that the future socialist development of urban construction and architecture in our country depends on the joint efforts of the construction engineers and all who are involved in construction.

## 8. The GDR Architects Responsibly Face the Demands and Tasks of the 1980's

The GDR urban planners and architects are ready to make their necessarily greater contribution to the most efficient solution of the construction tasks the 10th SED Congress has assigned to them. The public appreciation for their work and the trust the working class party has placed in them act as a spur to their energy. Thus they come to realize more profoundly that they have to assume a great responsibility for making the most efficient use of a considerable portion of the national income and, hence, for successfully carrying on the unity of economic and social policy.

Our time needs architects who are deeply rooted in the life of our socialist society and committed, with their whole personality, to social progress. Working successfully in those terms as an architect calls for a fine education, creativeness and accomplishments in the arts. That should be combined with the ability to comprehend the various social, functional, economic and aesthetic demands society makes on both newly built and modernized buildings and complexes and to find optimum architectural solutions for them. The architect thus gains authority and respect from what he accomplishes and from how he assumes his responsibility.

It is part of successful work in the planning and project planning collectives to develop a creative atmosphere marked by a search for the most favorable cost/benefit ratio for every construction project to be handled, by surmounting difficulties that arise, and by comradely cooperation and confidence. On that should particularly be focused, under party organization leadership, the efforts of the managers in the construction combines, in the city planning bureaus and in all project planning institutions, together with the bezirk and enterprise groups of the Socialist Architects Association.

A basic concern of the Architects Association is to foster the creative process of the architects' work by contests, design seminars, studies and the comparison of alternatives and to develop further the constructive criticism of architecture and the exchange of expert opinions. One should never lose sight of that skilled architects who as chiefs of collectives come up with impressive achievements in urban construction and architecture give prominence to their personality development. In this connection it is more worthwhile than ever to propagate the best work results, draw general rules from the progressive experiences of successful project planning collectives, and improve the advanced training level of architects. All such endeavors aimed at high-grade architecture ought to be still more effectively supported by the journal ARCHITEKTUR DER DDR.

The GDR Building Academy, as the science center for construction, bears a great responsibility for providing the development of urban construction and architecture with a sound scientific orientation through substantial theoretical basic research and practically relevant research results, consultation on important projects and direct participation in important urban construction model planning. For that purpose, the most advanced insights, especially from the research cooperation with partner institutes in the Soviet Union, are to be suitably applied and conveyed.

Advancing in architectural work successfully is inseparable from solid student training in this field and from purposefully furthering the young architects in practice. The greatest care is warranted therefore in providing them with the extensive knowledge and abilities they absolutely need for their profession, challenging their skills by systematically leading them into responsible tasks, and turning them into active fighters for the cause of socialism. Academic instructors and experienced architects in the practical field should continue to devote responsible efforts, as a creditable concern, to the solution of these demanding tasks. That would ultimately also be helped by still more effectively conducting contests for students and young architects and having college and FDJ enterprise groups work together with the Architects Association.

Building for the people implies ever closer vital relations between the social consignors, the architects and the citizens. It is in conformity with the nature of socialist democracy to inform the population about contests, plans and projects in urban construction and carefully analyze and pay attention to recommendations and criticism from the population for the sake of high efficiency and quality in construction. With regard to this, the architects should support through rich initiatives the project consultations with the citizens on the commissions and task forces in the people's representations and on the National Front commissions. All that helps in providing the citizens with increasing interest in the development of urban construction and architecture, while it gives them valuable suggestions for playing an energetic part in the shaping, preservation and maintenance of their residential areas through the contest, "More Beautiful Towns and Communities--Join-in!"

Building in our country is everbody's business. Where the people has become the master builder of its future, architecture and urban construction have clear and far-reaching prospects as well. The work of the GDR architects will continue to be governed by the sentiment of the 10th SED Congress resolutions, to do everything for the well-being of the people and the safeguarding of peace.

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## SMALL FARMERS ENCOURAGED TO EXPAND PRODUCTION

### West German Commentary

Bonn IWE-TAGESDIENST in German No 114, 28 Jul 82 pp 1, 2

[Report from Berlin: "GDR Wants To Improve Fruit and Vegetable Supply--Market Advantages for Small Producers"]

[Text] To improve supplies in fruit, vegetables and flowers for the GDR population, the so-called small producers (small gardeners, garden owners) are being wooed more. They may of late sell their "wares" on produce markets themselves, for instance, even the smallest amounts, and charge prices up to 10 percent above retail prices in effect. Furthermore, commerce has set up many purchasing outlets which also are inclined to accept all the small gardeners have to offer. This way, "not even the smallest bunch of parsley or chives is to be lost to public supply." In Dresden, for instance, there are over 12 wholesale outlets, 184 retail outlets and the vegetable markets that transact this kind of business.

Fruit and vegetable supplies have again caused sharper criticism in the GDR for some time. Because it lacks hard currency, East Berlin, despite a poor supply situation, has experienced a drop of imports in fruit and vegetables. Between 1975 and 1980, the import of vegetables and tropical fruit dropped by 36 percent, that of fresh fruit, even by 52 percent. A rise in imports is not to be expected for the foreseeable future. Therefore all "reserves" are to be tapped for fruit and vegetable production and made "supply-effective."

### Data on Membership, Production

East Berlin TRIBUENE in German 4 Jun 82 p 11

["Facts and Figures" on VKSK (Association of Small Gardeners, Settlers and Small Livestock Breeders)]

[Text] VKSK has 1,170,649 members. Of 16,591 members among them, there were, on 31 December 1981, as many as 8,985 small gardeners, 1,197 settlers, 5,390 small livestock breeders and 1,019 beekeepers.

Since the Fourth VKSK Congress, which means within the last 5 years, the number of small gardeners has risen by 133,300 and that of small gardens, by 76,414.

They take care of 685,778 small gardens and 83,298 allotment holdings.

They keep sheep (15,509 breed animals); goats (3,578 breed animals); chickens (83,384 breeders); rabbits (39,289 breeders); geese (9,005 breeders); ducks (10,215 breeders); 476,990 bees; nutria (2,542 breeders); pigeons (50,475 breeders); and exotic animals (51,632 breeders).

VKSK members and other small producers in 1981 sold above and beyond their own needs: 105,619 tons of fruit; 140,006 tons of vegetable, of which 37,213 tons were spring produce; 3,106 tons of honey; and 7,212,600 pieces of rabbit hide; 144,425 nutria skins; 49,816 pieces of mink; 1,523 tons of goose meat; 13,600 tons of rabbit meat; and 1,877.6 million eggs.

The share of VKSK members and other small producers in the state quota for 1981 was 50.7 percent for fruit; 28.8 percent for vegetables; 98 percent for bee's honey; 99.8 percent for rabbit meat; 38.6 percent for eggs; and 26.3 percent for wool.

## VKSK Congress Report

East Berlin BAUERN-ECHO in German 5-6 Jun 82 pp 1, 2

[Report on Fifth VKSK Congress held 4-5 June 1982 in Karl-Marx-Stadt: "Fifth VKSK Congress--Activities of Small Gardeners, Settlers, and Small Livestock Breeders the Focus of Discussion by the 1,180 Delegates"]

[Text] The Fifth VKSK Congress opened yesterday in the Karl-Marx-Stadt city hall. The 1,180 delegates from all bezirk organizations in the republic and many domestic and foreign guests enthusiastically greeted the head of the agriculture department of the SED Central Committee, Bruno Lietz, the minister for agriculture, forestry and the foodstuffs industry, Heinz Kuhrig, and the first secretary of the Karl-Marx-Stadt Bezirk Management, Siegfried Lorenz. Among the cordially welcomed guests of the congress furthermore were the member of the presidium and party executive secretary, colleague Michael Koplanski, the chairman of the People's Chamber commission for agriculture, forestry and the foodstuffs industry, party executive department chief, colleague Wolfgang Meissner, the member of the presidium and secretariat of the National Council of the National Front of the GDR, colleague Herbert Eichhorn, and member of the party executive presidium and president of the Academy of Agricultural Science of the GDR, Erich Ruebensam.

There are also guests from fraternal socialist countries attending, among them delegations from the Bulgarian Beekeepers' Association, from the Polish Association of Small Gardeners, from the Romanian Poultry and Small Livestock Breeders Association, the president of the Hungarian Small Gardeners Association in the Patriotic People's Front, the chairman of the CSSR Association of Small Livestock Breeders, and the chairman of the central commission of the Slovak Small Gardeners Association.

The delegates cordially applauded a welcoming address from the SED Central Committee to the Fifth VKSK Congress.

In the VKSK Central Executive Committee report, Erwin Wegner, first central executive committee secretary, underscored that the 1.17 VKSK members were solidly behind the 10th SED Congress decisions and the working class party policy, aimed at the well-being of the people and at peace. The high esteem for VKSK members of all specialties was once again underscored at the 12th Peasant Congress.

A respectable contribution by the friends of the Association, a social force in the National Front of the GDR, is made especially through the "Join-in!" competition and through making foodstuffs and raw materials available to the economy.

Under the slogan, "A beautiful garden also is a productive garden," especially the small gardeners met their competition objective of producing 100 kg of fruit and vegetable per 100 square meters of garden area. The balance sheet since the fourth congress is underscored, among other things, by facts like these: 76,414 gardens were newly started, 685,778 families use a small garden in VKSK, 1,315 small garden areas became officially recognized neighborhood recreation areas. For vegetable, the average annual purchasing volume came to 126,653 tons, for rabbit meat, to 13,600 tons, and for goose meat, to 1,523 tons, and for eggs, to 1.8 billion. In 939 villages, new sections of the association were founded, and the intellectual-cultural life in the sections has been improved qualitatively.

In the afternoon, the delegates continued their discussions during which Heinz Kuhrig, minister for agriculture, forestry and the foodstuffs industry, took the floor.

## Association Secretary Explains Incentives

East Berlin TRIBUENE in German 4 Jun 82 p 11

[Interview with Lothar Faeth, member of the presidium and secretary of the central executive committee of the VKSK (Association of Small Gardeners, Settlers and Small Livestock Breeders), by Herbert Bluhm and Manfred Strzeletz; date and place not given: "Delights From the Small Gardens Enjoy Great Favor Everywhere--The Fifth VKSK Congress Starts Its Discussions Today in Karl-Marx-Stadt"]

> [Text] Biographical Data on Lothar Faeth:
> Lothar Faeth was born in 1963, grew up in Belzig and learned the machinist's trade. Later he held various FDJ functions. Between 1965 and 1971, he was head of the rural youth department under the FDJ Central Council. Soon after his studies and having earned a social science degree, he was elected to his current function in VKSK.

[Question] May it be assumed you are working a small garden yourself?

[Answer] You may. I am one of the over 60,000 small gardeners in our capital. The fine departmental collective in Koepenick and gardening mean a lot to me. I am especially interested in growing fruit, in large varieties, in my own garden, high-quality fruit, of course.

[Question] How do you become a small gardener?

[Answer] You can become a VKSK small gardener if you apply to the executive board of a small gardening branch for a small garden and for VKSK membership. It is the membership meeting that discusses and decides the admission of new members.

[Question] Does that require an examination?

[Answer] No. But applicants should be familiar with the VKSK statute, the small gardening regulations and the small gardening contract, because a small garden grants not only rights but also imposes duties. We expect small gardeners to feel responsible, beyond their fence, for all the affairs of the community and take an active part in the life of their branch.

[Question] Is it modern to be a small gardener today?

[Answer] It is more modern today in the GDR than ever. Among small gardeners we find construction workers as much as NVA officers or university professors.

[Question] Where does this far-flung interest come from?

[Answer] The demands made on the working people at work and during the day are great. Many of them look for themselves and their families for some interesting, civilized diversion. Gardening suits the bill especially. These are socialist needs conforming with working class tradition.

[Question] Thousands every year receive a small garden through official measures. Many others are on the waiting list. How long does it generally take for someone to become a proud "plantation owner"?

[Answer] This year we expect to set up, jointly with the local state organs and the people's-owned enterprises, 17,550 new small gardens. But the availability of suitable gardening areas is not unlimited. So we must mainly find unusued residual and broken lots. We still have more than 70,000 applications for small gardens. Most of the interest comes from large cities and industrial centers. But there, unfortunately, suitable acreages are especially rare. Waiting periods differ greatly from place to place. Primarily rural areas often get what they apply for. While the Karl-Marx-Stadt Bezirk has to consider 12,000 applications, in Neubrandenburg Bezirk the number is only slightly above 2,000.

[Question] By what guidelines are gardens allocated?

[Answer] Normally, first-come-fist-serve. Applicants are expected to take an active part in the life of their branch, even if they have no garden as yet. When people do a great deal for the community, the boards of the branches often decide to allocate gardens to such active members. Working and large families and workers under tough working conditions or on shift labor get a priority.

[Question] Who knows all the details about that accurately?

[Answer] Many of our kreis managements work closely together with the FDGB kreis executive committees and the plant labor union executive boards in the enterprises. There they decide on allocating gardens to members of the enterprise. Also, enterprises, as they can, lend financial, material, organizational and cultural aid to setting up and working small gardens. We regard our systematically setting up new small gardens as a piece of social policy in terms of the 10th party congress decisions.

[Question] Can one inherit a small garden?

[Answer] In principle, not. After all, a small garden is no personal property. To pass one on is something about which the branch executive board decides. When a usufructuary dies, usufruct ends if the surviving spouse at that time has no usufructuary rights. If he or she becomes a member of the Association, a new usufructuary relationship can be established. If not, the board can arrange for a preferential usufructuary contract with one of the children.

[Question] The Association also includes the settlers. What is behind that?

[Answer] Settlers differ from small gardeners in that they own a cottage or a one-family home on surrounding real estate. That kind of a garden for settlers usually is larger than a small garden, by circa 1,000 square meters. The house and the real estate are the settlers' personal property. Living on such real estate, they have an easy chance to grow fruit and vegetables and breed and keep small livestock.

[Question] How large can a small garden be?

[Answer] Normally they are between 250 and 400 square meters. A garden between 300 and 400 square meters is enough for supplying a family of 3 or 4 with fruit and vegetables. And then it offers fine chances for recreation and relaxation. And then there also are some larger gardens created through parceling. They are mainly offered to large families and members who keep small livestock.

[Question] Summer-house or bungalow--is that still the principal question in some small garden branches?

[Answer] Indeed, especially for newly established small gardens. Association specialists have developed many types of summer-houses, and also the people's-owned construction material supply offers extensive assortments of prefabricated summer-houses. Unfortunately, there are not yet enough available of the types that are most wanted, and so, waiting periods have become inevitable.

[Question] What are the mandatory sizes for them?

[Answer] At a maximum, 25 square meters of enclosed space, for large families, 30 at the most. Small garden plots, after all, are not to lead to second homes. We favor suitable and cheap recreational structures. Here also, one has to apply economic reason.

[Question] How does the Association assist new untutored gardeners in setting up their garden?

[Answer] The Association has an extensive training system. That starts with specialists counseling the branches, technical lectures, practical exercises, inspections of gardens, and advanced training courses are part of it too. The central executive committee publishes copious technical literature. Instructional notebooks and practical information are very popular. Our association paper, GARTEN UND KLEINTIERZUCHT, also provides valuable information.

[Question] And what advantages does the member get above and beyond that?

[Answer] Along with the many cultural and social events, there are of advantage, for example, the communal orders for fertilizer, seeds, leaf mold, construction materials and seedlings. For small livestock breeders and keepers we sponsor exhibitions, and the Association makes livestock feed available to them. VKSK even signs special insurance contracts for its members.

[Question] "All's well that harvests well" is a paraphrased proverb among the small gardeners. What is the objective there?

[Answer] More than 100 kilogram of fruit and vegetables per 100 square meters of garden acreage. That is a realistic goal; very many small gardeners and settlers have already reached and even surpassed that goal. Many small gardeners, entire branches in fact, have assigned far higher goals to themselves for 1982. It was the Fourth VKSK Congress which coined the motto, "A beautiful garden is a productive garden, too!"

[Question] A garden has fruit trees and bushes. Can tree nurseries sufficiently satisfy the demands on quantity and quality?

[Answer] Cultivation and commercial enterprises try as best they can to meet demands. For some cultures and varieties, that works out all right, for instance in apples. In pitted and berried fruit they do not always manage it as yet.

[Question] Would it not be appropriate to grow in small gardens mainly the kind of vegetables that are too complicated or too labor-intensive for large-scale cultivation and therefore do not get on the counter often enough?

[Answer] We use the valuable garden land mainly for growing fruit and vegetable cultures that can supplement the LPG and horticultural enterprise assortments. Mainly delicate and early produce, berried fruit, strawberries, medicinal herbs and condiments, and especially also garlic.

[Question] Can the open trade altogether cope with what the small gardeners and small livestock breeders have to offer?

[Answer[ In general, they can. Yet we are not always satisfied with the purchasing organizations, especially not in rural communities.

[Question] What size is the largest livestock the small livestock breeders take care of?

[Answer] The largest are the East Fresian milk sheep, the smallest, the bees. The breeders furthermore take care of pure-bred poultry in 394 species and 1,357 colorations, rabbits, fine fur-bearing animals like bog beavers, minks, foxes and Karakul sheep, ornamental birds, exotic animals and canaries, pure-bred dogs and cats, and goats.

[Question] Dogs, cats, ornamental birds--all are beautiful to be sure. But chickens, rabbits and bees are useful to boot. Should things not be reconsidered to a certain extent among small livestock breeders as much as among the small gardeners, though?

[Answer] That has been done quite thoroughly in recent years. There is an ever stronger desire to combine beauty and performance on a high level. So those who breed pure-bred rabbits are competing for getting an average of three litters per year from a doe hare and raising at least 15 young animals. Especially much is done to breed and keep rabbits, geese, turkeys, bog beavers and sheep.

[Question[ Which is the smallest or, perhaps, most peculiar branch?

[Answer] The smallest group is that of the fox or Karakul sheep breeders. In all breeding trends there also are relative rarities, such as, for instance, that of bare-necked chickens among pure-bred birds.

[Question] There is talk about financial incentives for economically important branches. How is that being handled?

[Answer] The government extensively encourages VKSK and the initiatives of its members. That includes financial incentives. For example, a bonus of M 2.50 per kilogram on top of the base price of M 6 is paid between February and July for rabbits raised for consumption. Since 1 April 1982, larger rabbits have been getting more feed. Goose meat production is also being pushed. Last year, the purchase prices for rabbit skins, fine furs and the products of bee-farming also were raised.

[Question] Does the Association also conduct championships?

[Answer] Yes, they are important performance comparisons. Exhibitions are held for that on all levels, in 1981, for instance, at "Agra," the first small livestock winners' exhibition of the GDR, the annual GDR greyhound races and the voice contests for singing canaries. There also are international comparisons for the breeders from socialist countries, "Intertau" and "Interkanin" and "Interkanaria."

[Question] Are distinctions awarded for it?

[Answer] At international exhibitions of the socialist countries, there are the "International Championships." At the GDR winners exhibit, state prizes are awarded, the "Great Award of the Central Executive Committee" and the title, "GDR Winner." At kreis and bezirk exhibits, central executive committee awards are also given.

[Question] At harvesting time one sometimes sees snapshots of emormous pumpkins and monster carrots. Are records recorded on them too, as fishermen do?

[Answer] Not quite. Yet it has already become a tradition for the small gardeners and settlers to compete at the exhibits for the best and largest crops and to be happy to exhibit rare specimens.

[Question] Which were the hits last year?

[Answer] At "IGA" in the VKSK booth there was a serpentine cucumber 123 centimeter in length and a pumpkin weighing 50 kilogram, at the Berlin small gardeners show, a giant kohlrabi weighing more than 20 kilogram.

[Question] Apart from quantities, have the small gardeners and breeders also been successful with regard to qualities?

[Answer] The crowning achievement in breeding no doubt lies in raising entirely new species or colorations. That is a lengthy and complicated matter that calls for great skill. In 1981, a new species of rabbits, the "Mecklenburg Piebald," was certified. The breeders of pure-bred birds came out with a new chicken species, "Zwerg-Gelbsperber" [Dwarfed Yellow Sparrow] and the pigeon species "Rostocker Tuemmler" [Rostock Tumbler].

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## PERSONAL INCOME, SPENDING IN HUNGARY REPORTED

Budapest FIGYELO in Hungarian 12 Aug 82 p 5

[Article by FIGYELO staff reported Csaba Vertes: "How Much of What"]

> [Text] Like a household budget, on a large scale. The Central Bureau of Statistics recently published its report on household statistics that contains the most important characteristics of the population's financial situation, of its income and expenditure.

The first significant finding is that per capita real income more than doubled between 1960 and 1980, increasing at an average rate of 3.8 percent a year. Per capita total income, including income in kind, increased 2.2-fold in 20 years, and this trend--due specifically to social benefits--did not cease even in 1979-1980 when personal real income essentially was already stagnating.

(Incidentally, the average annual growth rate of per capita personal nominal income between 1960 and 1980 was 5.4 percent, while that of the consumer price level was merely 0.6 percent. In the early 1970's, nominal income rose at an average rate of 7.6 percent a year, while the consumer price level still rose by only 2.8 percent. Thus while in the 1960's rising consumer prices neutralized only one-tenth of the rise of nominal income, between 1971 and 1975 they neutralized already one-third, and approximately four-fifths in the second half of the 1970's. In 1979 and 1980, moreover, the consumer price index rose a few tenths of a percentage point faster than per capita personal nominal income.)

### Equalization

In 20 years the volume of the population's personal consumption--again on a per capita basis--rose at an average annual rate of 3.5 percent and in the final outcome it doubled during the mentioned period. Essentially until 1978, the population's consumption followed the changes in the growth rate of real income, but its growth rate was slightly lower. But in the next two years--parallel with a decline of savings--the volume of personal consumption rose: by 2.2 percent in 1979 and another 0.5 percent in 1980.

Let us examine the details, and first of all how the personal spending of the basic classes and strata developed between 1960 and 1980. Even without detailed statistics it is obvious that spending on personal consumption by blue-collar workers is gradually approximating the spending of other strata. Secondly, the cooperative peasantry's consumption expenditures rose at a significantly faster rate than those of members of working class (as defined in a statistical sense); consequently, by 1980 the personal consumption expenditures of these two basic classes were about equal. Thirdly--as a result of all this--the rural population's expenditures gradually approximated the expenditures of the urban population.

Examining the structure of expenditures, we are able to identify the characteristics of two distinctly separate periods. From the beginning of the 1960's until as late as 1975, persons of work age--in every class and stratum--spent a smaller proportion of their incomes than previously on food and clothing; the proportion of expenditure on gustatory products, durable consumer goods, other industrial goods, housing construction and purchasing of real estate, and also on services, increased. Between 1976 and 1980, however, the changes in the structure of consumption slowed down or ceased.

Do We Prefer to Eat?

During this period the proportion of expenditures on food did not decline. In 1979, this proportion was even slightly higher than in 1975, despite (or perhaps as a consequence of?) much higher price increases than the previous average. Expenditures on clothing and other industrial consumer goods remained more or less unchanged. Between 1976 and 1980, the proportion of expenditures on durable consumer goods with high price tags, and on housing construction and purchases of real estate, did not increase at all. If we take into consideration the decline of the propensity to save, we may say--with considerable simplification, but still summing up the common characteristics of the essential changes--that today purchases of food and gustatory products are far more decisive than previously in the population's consumption.

But at this point it will be worthwhile to consider further details. During the investigated period--between 1960 and 1980--the proportion of the consumption of home-grown foods changed considerably. In the case of certain items (for example, flour, bread and sugar) self-sufficient consumption has become practically insignificant; in other items (milk and dairy products) such consumption has dropped considerably; but in certain other food products (lard, bacon, pork, poultry, fruit, vegetables and potatoes), the proportion of self-sufficient consumption remains unalterably high.

Incidentally, it is interesting to note that within the structure of food consumption between 1960 and 1975, in all strata but especially among the peasantry and in dual-income households, the consumption of home-grown food declined; after 1975 through 1980, however, such consumption increased only slightly among the peasantry and in dual-income households, but sharply among blue-collar workers and intellectuals.

After the July 1979 price increases, the volume of food consumption declined by 2 or 3 percent in the various strata, but the consumption of gustatory products increased.

Within total consumption, expenditures on clothing show a declining trend, and at a certain level of economic development this trend is valid also internationally. In Hungary, however, the decline of this proportion is much greater than what could be expected. The underlying reasons are: a slower growth of incomes, a rise of the price level, unsuitable supply and, last but by no means least, a change in the population's age structure.

A brief comment regarding gustatory products: between 1975 and 1980 the growth rate of their consumption volume was twice higher than that of durable consumer goods. Between 1960 and 1975, spending on durable consumer goods rose at a much faster rate than total personal spending, but in the last five years of the investigated period a relative rise of more than 1 percentage point was observed only in the case of intellectuals. The reasons--besides the less favorable development of real incomes--were again the unsatisfactory supply, the market's relative saturation in the case of certain products, and certain problems of attitude as evident from the comparison with gustatory products.

Spending on services showed the sharpest rise in peasant and dual-income households that spend the least on services; otherwise in each of the five-year periods within the investigated 20 years the growth rate of spending on services was always higher than the growth rate of total personal spending. In every social stratum, spending on motor vehicle-related services rose at the fastest rate, followed by spending on services for other durable consumer goods.

Structure of Income and Spending

Parallel with the rising amount of per capita personal income, spending by the principal categories of consumption becomes increasingly higher, in every social stratum. The relative difference between low-income and high-income households' per capita spending was the smallest in the case of food, because food accounts for 35 to 40 percent of total spending in low-income households, and for 25 to 30 percent in high-income households.

Statisticians find it surprising that the proportion of spending on gustatory products is similar in all social strata. However, in low-income households there is a high proportion of children whose consumption at least of these products is minimal. (Incidentally, the same kind of similarity of proportions can be observed also in the expenditures for clothing.)

But it is hardly surprising that spending as a function of the income situation shows wide dispersion in the case of durable consumer goods with high price tags and "other" industrial goods, and especially of services. In comparison with low-income households, the medium- and especially the high-income households spend more on everything, not only in absolute amounts but also relatively, i.e., as a proportion of their total personal spending. The differences determined by income level are the most pronounced here. For example, intellectuals with high incomes spend nearly as much on services as on food, while low-income intellectuals' spending on services is barely one-third of their food bill. Viewed from a different angle: the per capita food bill of low-income intellectuals is about 60 percent of what high-income intellectuals spend on food, but in the case of spending on services this ratio is merely 2 [sic] percent.

Ownership of durable consumer goods regarded as "basic" (radios, TV sets, washing machines and refrigerators) is relatively balanced, but there are essential qualitative differences in favor of high-income individuals. And there are great quantitative differences in the ownership of motor vehicles. It should be noted, however, that ownership of durable consumer goods is not determined by the momentary or annual income. For example, persons whose income is low at present could have acquired durable consumer goods when they were in a better financial situation (say, when they did not yet have children). But a bachelor with a relatively high income who rents a furnished room likewise is unable to buy, say, an automatic washing machine.

Aside from all this, it is obvious that the households, depending on the amount of their income, are able to satisfy their basic needs on an ever higher level; they are able to spend an ever larger share of their income on goods and services not attainable to low-income households. Basic needs account for the bulk of the low-income households' spending. The priorities in buying goods and services over and above basic needs are determined not only by what the low-income households can afford, but also by views, attitudes and the way of life.

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## WORLD PRICE FLUCTUATIONS CREATE NEED FOR REGULATIONS

Budapest FIGYELO in Hungarian 29 Jul 82 p 7

[Article by Dr Mrs Ervin Fiala: "The crisis and the domestic prices"]

[Text] The competitive price system has been in operation since 1 January 1980. Since then, significant changes have ensued on the world market. While during the preparation and beginning of the price reform the management of rising raw material and energy prices have caused concern, since the second half of 1980 the following of shrinking prices of these same products has been the problem.

The price theory, the rules of the price mechanism are unambiguous, and not so much the interpretation, but rather the consequences of application cause difficulties. Price fluctuations in our national economy are unusual: until now, the price increases were typical. Neither the price board, nor the producers are as yet able to conform to the rhythm of the relatively rapid price fluctuations. And delays can—and have done so in the past 2 years--cause significant tensions. Thus we are facing new challenges in adapting practices.

The world economic recession has caused significant price decline of raw materials products. The drop in prices directly affects the domestic producers of raw materials. The export of certain raw materials is relatively large--therefore the domestic prices of these raw materials follows export prices (e.g. iron- and aluminum-smelting industries); with other products, on the other hand, the price of the product follows the import price (e.g., PVC). It is logical, that the reduction in export prices reduces income and the profits of raw material producing enterprises. And in the case of products following the import price, this effect manifests itself because of the obligatory price reduction.

The economic position of certain enterprises in commerce is worsening, because of the sustained losses, and they must add to this--as a result of the price theories--in effect income deficiencies which have resulted from domestic price reductions. This, understandably, is opposed by the enterprises involved, but occasionally--from the producer's viewpoint, it is successful (for example, in iron-smelting).

Pulling through the recession is difficult even under capitalist economic conditions, and it demands considerable sacrifices. The owners, and occasionally--in part--the government bear these sacrifices. (Social consequences of the recession fall outside the confines of this treatise.) The capitalist entrepreneur reacts to losses relatively quickly, reduces production, changes to part time operation, or lays off a portion of the workers; he looks for, and generally finds possibilities for restructuring, or minimizing losses, and in one word, survival.

In the socialist society, the enterprise affected by recession turns to the owner--the state--and asks for help. He does this, because he is used to budgetary support to help him through economic troubles, and because his independence is circumscribed. (Especially with respect to employment constraints.)

Solid Price Theories--Flexible Finances

The substance of the competitive price system introduced in 1980 is that it transmits, and allows the influence of world market prices to prevail, and through this, it not only stimulates more profitable production and better export work, but it also forces the development of sensible productive- and sales structures. If they subdue the influence of world market prices, then the very excess-stimulus, that made the introduction of the new price system justified, will not succeed. Nevertheless, a strong effort to neutralize the influence of world market prices can be observed. They want those enterprises struggling with difficulties to enjoy price-preferences.

Our price-policy theories and the price mechanism based on these regulate the enterprises' price-policies, at the same time they give directions relative to price changes. These theories, these rules must be enforced. Of course, obeying the rules does not mean, however, that rules cannot be changed. Sensible, justified changes must also be effected in price controls. However, change by giving up price theories is dangerous, because the real problems cannot surface, and because of [price] preferences they appear more profitable than they really are. This at the same time hinders the validation of world market forces. It increases the differences between world market and domestic prices. These conditions put the domestic consumers in a disadvantageous position, contrary to world market tendencies; worsen their export sales-, and respectively their profitability potential. The unjustified domestic price increases and the omission of justified prices reductions have the effect of driving up prices for the whole national economy.

The Role Of Supports

This does not mean that so-called crisis-industries should be left on their own. But the help cannot be rash, conceptionless or the kind which in practice extracts the above mentioned areas from the general influence world market, and exempts the enterprise from the economic consequences of the crisis situation. Namely, by this, the government itself renders the search for the way out more difficult, and weakens the pressures for renewal. There are valid directives to deal with losing and undercapitalized

enterprises. Inasmuch as the problems of enterprises struggling under recession caused financial troubles cannot be solved within the framework of these directives, and there is a need for immediate intervention, then--in justified cases--this should be done not in pricing, but within the framework of financial system. The operative monetary system should be adjusted to the price system, not vice versa. It is true that in a given case, budgetary help or preferential financing cannot be avoided, nevertheless, this is still more expedient than offering discounts or preferences in domestic prices.

Financial intervention has several relative advantages versus discounts in the price system:

--The supports, or even the granting of credit can be discontinued at any time.

--The supports in itself is pejorative in character. (Price increases are not!)

--If the supports must be repaid, then the recipient--without any other incentives--is interested in utilizing the least support possible.

Though the [government's] central organs have already dealt with recession caused financial problems, this was not followed by such an uniform procedural system as occurred--as mentioned previously--relative to losing, respectively, undercapitalized enterprises. However, there would be a need for also regulating corporate behavior in this respect. That is, the lack of this [regulation] increases the enterprise's uncertainty and does not make possible the success of the regulatory mechanism's conforming mode, and so it results in individual judgments and measures.

Because of lack of regulation in problem cases--in iron-smelting, PVC manufacturing--after lengthy, "multiple" upper level debates, finally, individual decisions are born. These decisions at times come too late and result in price arrangements unlike the original price concepts. In some cases it happens, that by the time the decision is made, world market price tendencies have changed.

It is possible to have a situation, when even financial measures are not enough. In such--but only in such--cases can individual decisions be called upon, but from social considerations; in all other cases automation should operate.

The preparation of concrete financial controls is urgent. That is, with us, the implementation time of regulations is rather long. We need not worry that by the time financial controls of a crisis situation see daylight, the tension has ended, but that for lack of financial controls the raised domestic prices will not be reduced even after the crisis had passed.
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## HIGH COSTS FORCE ECONOMIZATION IN OZD METALLURGICAL WORKS

Budapest NEPSZAVA in Hungarian 28 Jul 82 p 4

[Article by Miklos Monus: "Instead of Accumulating Tons"]

[Text] The price of coke needed to produce pig iron is increasing year by year, and it is now 170 dollars per metric ton. On average Hungarian ferrous metallurgy uses 30 percent more coke to produce a ton of pig iron than do similar enterprises in more developed countries. The underlying reason for this high specific consumption is not waste, rather the relatively obsolete production technologies and the inadequate initial processing of the basic materials. Besides the other enterprises, the OKU (Ozd Metallurgical Works), one of the largest enterprises in this sector, is devoting a substantial proportrion of its brainpower and material resources to reducing material consumption, parallel with solving its production tasks.

The first step is improvement of the quality of the basic materials required for production. The Ozd Metallurgical Works receives its so-called sinter from BEM (Borsod Ore Dressing Plant). The dust content of this sinter, due to the gradual wear of the already obsolete equipment, has increased in recent years and now amounts to between 15 and 20 percent. Theoretical computations and practical examples prove that the amount of coke needed to produce a ton of pig iron can be reduced by 35 to 40 kilograms if the dust content of the sinter is reduced to one-third.

Modernization of the Borsod Ore Dressing Plant, to be completed by the end of 1984, will cost about 1.0 billion forints. The bulk of this amount will be provided from the credit limit for energy conservation, but the balance is still too much for the Ozd Metallurgical Works because of the large volume of its debts for its production-expansion investments in years past. The LKM (Lenin Metallurgical Works), the sector's other large enterprise in Borsod Megye, is contributing to the costs of modernization. The costs of this development project, beneficial to both parties and hence also to the national economy, will be recovered within a few years, from the savings in coke consumption.

### Step by Step

The enterprise will be using 12,000 to 13,000 tons less coke per year with the help of a fairly obvious solution that involves the modernization of certain

auxiliary installations and the introduction of so-called desulfurization outside the blast furnace. The necessary auxiliaries will cost 89 million forints and, according to the plan, should be operational by 1 January 1984. By reducing coke consumption, this will save more than 1.0 million dollars a year. At today's exchange rate!

Beginning with the first day of the next five-year plan, the Ozd Metallurgical Works will reduce its coke consumption by 36,000 tons a year merely by modernizing its hot-blast stoves and increasing by 150 degrees Centigrade the blast temperature, from 950 degrees Centigrade at present. This investment is already in progress and its total cost will be 600 million forints, but the savings that can be achieved in this manner will exceed 6.0 million dollars at the present prices.

On hearing about these hundreds and millions of forints and tens and thousands of tons, a person wonders why the production installations of the Ozd Metallurgical Works were not built more economically to begin with, and why are they being modernized only now.

Different Approach

Because the enterprise's earlier and continuous investments, similarly as those of other enterprises both inside and outside the ferrous metallurgy sector, conformed to the national economic approach at the given time, just as the present investments conform to the present national economic approach. And the previous approach called for an increase of output year by year, and not for cost reductions.

Consider the following example: In the early 1970's, the Hungarian construction industry imported on average 100,000 tons of reinforcement for housing construction. This import was expensive. Therefore the Ozd Metallurgical Works was assigned the task to prepare for the production of these 100,000 tons of reinforcement a year under the Fifth Five-Year Plan.

The enterprise completed the necessary preparations and is producing reinforcement. But this and other essential capacity-expanding investment projects exhausted the enterprise's resources, leaving it no money to introduce more economical methods of pig iron production. But such methods at that time were not truly important because it was possible to obtain coke, among other things, cheaply.

Under the Sixth Five-Year Plan, in accordance with the change in central approach, no one at the Ozd Metallurgical Works would even dream of merely increasing the tonnage produced. Their objectives are to improve the quality of their products, to develop a product structure more modern than the present one, and first of all to economize on basic materials and sources of energy so as to cut production costs and reduce import that is becoming increasingly more expensive.

A Practically Free Ore Mine

Curtailment of import led the Ozd Metallurgical Works to the discovery that it had an "iron-ore mine" of its own. Working this mine does not directly reduce

the production cost, but indirectly it does because this saves iron-ore and coke imports.

The mine is the 35 to 40 million tons of blast-furnace and open-hearth slag that accumulated on land belonging to the enterprise, from pig iron and steel production during the past decades.

The iron content of the slag heaps is estimated at 15 percent. Annually 240,000 tons of pure iron ore can be extracted from them. Since the ore is pure, moreover, its processing in all requires 30,000 tons less coke as compared with the processing of actually mined and concentrated ore. It cost 2.0 billion forints to develop this "mine," but as of 1984 it will produce a profit by saving ore and coke imports.

The question arises as to why the workers in Ozd are willing to undertake numerous efforts, each of which produces only a relatively small profit. Why do they not realize all their economization concepts at one go, in the same way as the Lenin Metallurgical Works and the Danube Iron Works have done, for example. These enterprises produce the bulk of their steel in converters that do not require external sources of energy, unlike the energy-wasteful Siemens-Martin process. Well, because the price of a converter steel plant is 10 billion forints. Present economic conditions do not permit the construction of a third converter steel plant, in addition to the mentioned two plants.

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SOLUTION TO HOUSING PROBLEMS ASSESSED

Warsaw ZYCIE GOSPODARCZE in Polish No 26, 18 Jul 82 p 5

[Prof Juliusz Gorynski, member of the Economic Consultative Committee, interviewed by Andrzej Chmielewski; date and place not given]

[Text] [Question] Guidelines for the housing industry until 1980 were published and became the topic for public debate. The Economic Consultative Committee has submitted its own comments. What issues have been addressed in those comments?

[Answer] Differences boil down to four basic problems. We included them in a brief, four-page statement which has been presented to the Council of Ministers and the Ministry of Administration, Local Economy and Environmental Protection.

The first problem has to do with opposing views on the role of housing in the national economy. By housing, I mean not only the very process of building new apartments, but also housing policies including construction of new buildings and utilization of old and new buildings. I also mean a whole range of issues which have to do with state fiscal policies in relation to the housing industry and the role of housing cooperatives.

Unfortunately, the traditional approach has dominated our economic practice. Verbally, the importance of the housing industry is always emphasized and frequently spelled out in official documents. In reality, we encounter the so-called residual approach. I use this term because a similar phenomenon has occurred in many other countries. The final recommendations of the famous UN Habitat conference, which took place in Vancouver in 1976, included statements questioning the so-called residual or leftover approach. According to this approach, in economic development plans consumers' needs are taken into consideration only after the needs of all production sectors have been met. The remaining outlays and means are allocated to so-called nonproduction sectors: housing, education, health care and culture. These sectors are perceived as a specific kind of consumption which for various social reasons must be subsidized by the state, although there is no return on the investment. Therefore, these outlays are merely a burden to the national economy.

The Economic Consultative Committee has proposed a completely different approach. We believe that housing, together with production sectors, may have an active role in the development of the national economy. It may seem paradoxical, but especially in the current situation of crisis this approach to housing may be an effective method of restoring economic stability.

[Question] How does this approach translate into the practical language of urban planning?

[Answer] There is still another bad policy of our urban planners, which has its roots in the traditional approach to housing. It is the policy of centrally imposed ceilings on the housing industry outlays and effects. In the initial discussion of the three-year plan and of the period between 1986 and 1990, the Planning Committee included strictly defined ceilings which make outlays on housing dependent on investment spending. And the investment spending is dependent on particular growth or--God forbid!--decrease levels of the national income. Thus the principle of centrally imposed ceilings shuts off any possibility for the growth of the housing industry.

It is a fact, for example, that in our current economic situation we must maximally utilize consumer savings and resources in the areas which do not increase inflation. Housing is one such area which is also an important social issue. But there must exist one condition, that is, those who undertake the effort of saving enough money to purchase an apartment must be assured that they will be able to use their savings precisely for that purpose.

However, in a situation whereby outlays are centrally limited, the goal seems to be clear, but it is highly problematic whether it will ever be reached, especially if the residual approach continues.

[Question] The housing industry is an investment. Investment processes are characterized, for example, by an increase of inflationary trends. Would not a rejection of the policy of centrally limited outlays deepen economic instability, given the current economic situation with its market and fiscal imbalance?

[Answer] But the housing industry is a particular kind of investment. Money supply to the market in the form of housing investments is well balanced by the cash flow of consumer savings. Thus it is a self-balancing process. Moreover, new apartments provide consumers with an incentive to save even more in order to furnish and improve the apartments. This is the deflationary role of the housing industry, although it does not mean that the consumers are stripped of their resources. We must also mention a minimal need for imported materials, if the housing industry is rationally controlled.

The Consultative Committee has recommended the so-called open plan for apartment construction. In the centralized plan, the outlays for housing should not be set rigidly once a year or for a five-year period, but rather they should depend on consumer savings.

[Question] What mechanisms, then, should be put into effect and what barriers should be overcome in order to implement this open plan?

[Answer] This is the second problem which we have dealt with, that is, the role of the state as a stimulus for the growth of the housing industry. We propose that the state not be merely a sponsor, rather, the state should organize and stimulate this tremendous economic undertaking. Thus we believe that the open plan should provide financial and material means especially for the development of technology and social services. This is the next requirement for the growth of the housing industry to occur. New apartment projects should not be cement deserts, but complexes with a wide variety of services, health-care centers, and cultural and recreational centers.

To a certain degree, the state should also function as a direct investor. This concerns apartment construction financed entirely through budget subsidies. For various reasons, this kind of subsidized housing is necessary, and guaranteed funds for this purpose must be available.

Finally, the state plan should include loans for cooperative apartment construction and private construction.

Third, our proposals are also dependent on the involvement of the regional self-government. It would be a mistake if we wanted to control centrally the development of the housing industry. The industry is a responsibility of the regional self-government, especially on the local level. This is both a difficult and rewarding task for the regional self-government, but it should have the full support of society.

[Question] What specifically should the regional self-government take care of first of all?

[Answer] The basic responsibility has to do with land development. In this respect, one notices a great deal of helplessness and apathy by local authorities. In a document prepared by the Ministry of Administration, these issues are dealt with very briefly, without any definite solutions for organizational or financial problems. This is a separate problem, and I prefer not to go into it any further.

The regional self-government should also stimulate the development of local production of building materials. So far, nothing has been done in this respect, although there are many people with many interesting ideas. Unfortunately, those ideas have not been put into practice, because the production of building materials has been controlled centrally. For the

past 20 years, there has been an urge to have everything big and centralized: the biggest cement plants and factories manufacturing the biggest prefabricated elements. At the same time, ceramics industry, local limestone quarries, gravel pits, and other producers have been closed down or liquidated, which is a crime unheard of in history. Everywhere, cement is the king. Consequently, for example, the transportation factor for our construction industry is the highest not only in Europe--the average distance for the transport of gravel and sand for the construction industry has increased from 130 km in 1960 to 196 km in 1980, while for cement the figures are 270 km and 327 km, respectively.

The construction cooperatives have an important role in the development of housing. However, I do not mean the highly centralized, cabinet-level Central Association of Apartment Building Cooperatives, but local cooperatives, flexible and rooted in the regional reality.

If all of those requirements are not met, the present status quo will continue. As it is now, the housing industry, with the centrally imposed ceilings on investments, will continue to be perceived as still another burden to the economy.

[Question] The decentralization of the housing industry has already begun by relegating responsibility to the governors. However, news from the regions are upsetting. Most voivodships would prefer to isolate themselves from the rest of the country and follow a policy of economic self-sufficiency. I am afraid that none of the governors would let go, for example, of general construction enterprises or specialized plants; neither would they allow a surplus of local construction materials to be shipped to other parts of the country. Thus, instead of an improvement, we are about to have anarchy.

[Answer] This is undoubtedly true. The Consultative Committee is now discussing the structure, or to be more precise, the need for restructuring the industry. This will be the subject of our next statement to the Ministry Council. At this point, I would prefer not to elaborate on this. But we are also afraid that the present structure of the industry is merely a shift from the centralization on the cabinet level to the centralization on the voivodship level. Moreover, building enterprises, transferred to the control of the voivodships, carry tremendous debts, a result of excessive investment spending as well as of housing factories operating below their production potential. The consequences are not hard to see. Half a year has passed, and in most voivodships no contracts have been signed between housing cooperatives and building contractors. The big argument over prices continues. The Consultative Committee will shortly present its views on the subject.

[Question] What is your opinion on new apartment prices? Let me quote the all-time records: 30,000, 34,000, and recently, 100,000 zlotys per square meter.

[Answer] The problem of prices and costs is among the problems which have plagued the industry for over 20 years, ever since the principles of detailed cost estimating, known for 100 years, were abandoned. Instead, official price indicators have been introduced. But the prices usually have nothing to do with real costs and outlays.

There are appearances that cost estimating is still used, but despite a new regulation about the implementation of controlled prices in the housing industry, it is not true.

The present situation in the industry is simply a consequence of those ills and of the rejection of cost accounting. Moreover, there is a tendency to shift the burden of all the errors of the past years onto the consumers. This, of course, cannot continue. Formally, the builders can always prove that their costs should be such and such.

During the discussion, the Consultative Committee was of the opinion that normal conditions should be restored, that is, the cost accounting of building enterprises should be free, for example, of the whole overloading caused by housing factories or building equipment which are used below their capacity. Instead, we should return to the practice of individual cost-estimating.

After all, we cannot continue to duplicate the mistakes. I was horrified when I read in the Controlled Prices Directives about the principle of determining general costs in the form of a percentage surcharge on the cost of elements of production. I got my experience in cost estimating before the war. I remember that after a detailed analysis of all elements of changeable and permanent costs, only one surcharge was added, that is, risk and profit. There was no percentage surcharge on the so-called overall cost (permanent cost of the management, white-collar personnel, etc.) in the form of a surcharge on the cost of material and labor. If someone did that, he would soon be out of business. Now, if someone sets up an overall cost indicator as a percentage surcharge on the cost of material and labor, this leads to an automatic mechanism which encourages enterprises to raise the cost as much as possible, since their profit is dependent on that. Building contractors should, of course, be assured a decent profit, which may be a percentage surcharge, and a 2 to 3 percent surcharge on the cost of the risk. But to include profit among unidentified costs is a pathological deformation.

[Question] In practice, then, not much will change, apart from the price.

[Answer] Until recently, we faced a dictatorship of building contractors. Now both parties negotiate contracts from the position of weakness. As a result, it is not clear when it will all end. Enterprises face bankruptcy, which would have been declared by the bank in the case of at least 100 enterprises, had it not been for a 2-month moratorium. For the time being, then, the economic reform has not affected building enterprises. There is

a question whether the state will continue to support the enterprises, or whether they will become organizational [plant and equipment] units subject to the economic reform. However, there is a reason to believe that, unfortunately, solutions under current consideration are geared toward the extension of subsidies to the building enterprises.

[Question] Apartment construction must be, in one form or another, subsidized from the state budget.

[Answer] The problem lies in the form of the state subsidies. But this leads us to the fourth item in our statement, that is, whether the state subsidies should be oriented toward the product [goods and services] or toward organizational units [plant and equipment]. So far, the traditional system of subsidies for the housing industry has always relied on the so-called product subsidies. Since the consumers cannot be expected to pay the whole expense of apartment construction, the housing industry has been subsidized in the form of billions of zlotys worth of payments to cover enterprise deficits. This cannot continue--even though the system of product subsidies has had the support of the bureaucracy because it is easier to implement.

What next? For social reasons, subsidies for the housing industry should continue. But to retain only product subsidies is a social injustice because everyone benefits from them, regardless of family situation or income. This is reflected in the proposed housing-loan system, included in the draft resolution. It suffices to say that the state's returnable and nonreturnable assistance for the construction of a single-family home is approximately twice as high as a subsidy for the construction of an apartment in a multifamily building. This is a blatant injustice.

There is a need for a differentiated system of subsidies, that is, an implementation of organizational-unit [plant and equipment] subsidies. These subsidies should be primarily for those people who really need them.

This system of subsidies should also restore normal relations between investors and contractors, which will be possible when the price reflects actual prime costs of the contractor.

Thus we suggest that detailed loan guidelines be excluded from the draft resolution. At this point, there is no possibility for a correct evaluation of families' spending patterns. Therefore we cannot determine the amount of financial resources which families can come up with to meet their housing needs. Therefore we do not know to whom and in what amount the organizational-unit [plant and equpment] subsidies should be allocated. We will have to wait until the fall.

It would be a great mistake if we froze guidelines for bank loans during the next 5 to 10 years. The resolution should precisely spell out qualifications for subsidies which should be divided into organizational-unit [plant and equipment] subsidies and product [goods and services] subsidies.

However, specific qualifications should be spelled out in banking regulations or the Ministry of Finance's instructions.

[Question] But how can we specifically determine who should be granted those organizational-unit subsidies and in what amount? It has been said that the subsidies should go to low-income families. But what criteria should be used to establish which families actually need assistance?

[Answer] This is precisely why we approach this problem very cautiously, for today we know much less than a few months ago. This can be explained by the price increase and its impact on family budgets in various income groups.

Personally, I can say that all citizens need assistance in one form or another. There is no question about it. But should this assistance always be financial? I believe, for example, that especially in village communities and small towns it is far more important to grant land-developed lots for rational construction and to allow consumers to purchase construction materials in a legal way. I am talking not only about land development, but also about related legalities. In our country, we have a terrifying chaos in terms of architectural planning, especially in rural communities. The problem of rational construction must be solved as soon as possible. We have to abandon theoretical solutions of some planners who would like to see an approved construction plan in almost every town. We have to use more pragmatic solutions.

There are also many problems with indemnity payments for the land approved for construction. We believe that the payments should follow controlled market prices, and not theoretically determined official rates.

[Question] For many families, their own apartment is a dream which may come true in 12 to 16 years. Is there any guarantee that the new housing policy will once again mobilize society to support the housing program? Can those who have been waiting for their own apartments have hope that the draft resolution will not be still another piece of paper, but a true stimulus for the development of housing?

[Answer] On the basis of what I have said, there is no hope that in 2 or 3 years we will be able to overcome the crisis and to increase apartment construction in any perceptible manner. In the near future, the regional authorities will be busy straightening up all the problems which we have been talking about. We will not be able to feel any improvement until after 2 or 3 years. The problem is to create an aura of support for this issue, to convince the citizens that the efforts under way are honest, and that the chosen path is the right one. But at this point, we should not promise any miracles or a quick improvement of the housing situation.

[Interviewer] Thank you for the interview.

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15 September 1982

# East Europe Report

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2316

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15 September 1982

# EAST EUROPE REPORT

## ECONOMIC AND INDUSTRIAL AFFAIRS

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# HAVASI DRAWS BALANCE ON HUNGARY'S FOREIGN TRADE

Budapest PARTELET in Hungarian No 8, 1982 pp 3-12

[Excerpts from a report by Ferenc Havasi, a member of the MSZMP Politburo and secretary of the MSZMP Central Committee, presented at the 23 June 1982 session of the Central Committee: "The Tasks in Developing our External Economic Relations"]

[Excerpts] In the five years since the adoption in October 1977 of the resolution concerning long-range external economic policy and development of the production structure, this is the second time that the Central Committee has placed on its agenda the questions of our external economic relations. Pressing reasons and significant changes have played a role in the repeated consideration of this topic.

The Central Committee's resolution of 20 October 1977 accurately reflected our knowledge at that time of the changes taking place in the world economy, their impact on our economic development, and our most important tasks in adjusting to them. However, the resolution had been based on certain assumptions that were not borne out by subsequent developments in the world economy. We slightly overestimated our possibilities regarding the feasibility of establishing external monetary equilibrium, the rate of economic growth, and an increase of our economy's ability to generate income. Furthermore, we overestimated also the favorable effect of the socialist countries' cooperation upon the development of equilibrium, and to some extent also the feasibility of obtaining modern technology from the developed capitalist countries, and of changing within a short time the structure of our export to this principal destination.

But even more important is the fact that the October 1977 resolution did not anticipate, and could not have anticipated, several very significant changes that affected the entire world economy and had an unfavorable effect on us as well.

One such change was the second so-called oil shock of 1979-1980 that resulted in a protraction of the capitalist world economy's recession, in an intensification of protectionism and discrimination, and in an increase of our competitive drawbacks.

Another such change was the sudden standstill of the process of detente, an intensification of tensions in international politics, with very tangible unfavorable effects on the development of international economic relations.

A further unfavorable and unforeseeable change occurred on international money markets, in a considerable constriction of the availability of credits and in a substantial rise of interest rates.

Other circumstances likewise necessitate that we consider the questions of the external economy. The rate of the expansion of the socialist countries' mutual economic relations has slowed down in recent years. The role of these relations in stabilizing our economy is very significant even today, but now unquestionably it is not what it was in years past.

The internal and external economic problems of some socialist countries have intensified, and this has had an unfavorable effect on economic cooperation as well. Development of economic cooperation with the socialist countries is in our primary interest; this is our basic effort at present and will remain so also in the future. By our actions and proposals we must jointly find a way to remove the obstacles to the expansion of our cooperation and to the intensification of economic integration.

Thus the changes in the international political and economic situation demand that we regularly evaluate and analyze our economic measures and trade policy. Over and above this, the special role of our external economic relations and their effect on our economic development also require that our political work be better attuned to the related tasks, and that economic behavior geared to the external economic conditions unambiguously receive the necessary political support.

In sum it can be said that the world economic background of our own economic development has changed significantly and become less favorable, raising stricter requirements than what we assumed in 1976-1977. Our ability to adjust to the external economy and market conditions determines our economic development far more than ever before. The point is not only that the share of export in final expenditure is nearly 30 percent, although such a high proportion of export is characteristic of few countries in the world. Rather the point is that there hardly is a Hungarian enterprise whose operations are not linked directly or indirectly to export or import, there is hardly a sector in our economy that does not affect in some way our external economic relations, and in the management of our economy there is hardly any measure that does not affect to a greater or lesser extent also the development of our external economic relations.

Participation in the international division of labor is a decisive factor and driving force of our economic development, rather than its complement. This is obvious especially in our present situation, partially because our growth rate depends primarily on our ability to earn foreign exchange, and thereby on the possible expansion of export.

Characteristics of Our Economic Development in 1974-1978

In the years preceding the 1973-1974 changes in the world economy, our economy developed dynamically, not faster than the average growth rate of the CEMA countries, and in a fairly balanced manner. The annual rate of economic growth approximated 6 percent in 1964-1973; on average for the 10-year period, real wages rose by 2.7 percent a year, real income by 5 percent, and the assortment of goods offered for consumption expanded.

Under the influence of state investments and central development programs, and also of the enteprises' development projects, there developed lively accumulation activity that formed the future structure of the economy. On this basis--and in the international political environment of detente that created favorable conditions--our foreign trade turnover increased even faster than production and was essentially in equilibrium. (In 1972, for example, we had a trade surplus with both principal destinations and provenances.)

The economic reform provided a perceptible impetus for all this. It was possible to achieve simultaneously rapid economic growth, a rise of the living standard, and external economic equilibrium. It can be said that all the permanent elements of our economic policy, which our party formulated after the counterrevolution and continuously renewed, asserted themselves successfully. The changeover to the intensive path of development was able to begin smoothly.

Then in 1973 came the world market's first oil shock, rather suddenly and actually unpredicted by anyone. Its economic effects soon unfolded and spread throughout the world. Today we already know that this was the start of a continuous change and rearrangement affecting the entire world, and this process is by no means over. But at that time we were not aware of this. It is important that we review the process of cognition and clarify whether we responded in time and properly, and especially that we draw the necessary lessons for the future.

The response of our economic policy to the changes in the situation of the world economy was essentially different in 1974-1978 than thereafter. In 1974-1975 we recognized only partially the altered world economic situation's important impact on our economy, and our tasks resulting from it. Although the party and government resolutions of that time reflect the realization that the changes taking place in the external economic conditions were unfavorable for us, we did not anticipate their further and practically continuous worsening. To the contrary we believed that the worsening of the external economic conditions would cease and a certain improvement would follow, even if the favorable price and market conditions of the previous period did not return. Only later did we begin to realize that 1973-1974 had been merely the start of a longer period of rearrangement in the world economy; that the world economic effects did not avoid even the socialist countries, that the socialist economies had at most greater opportunities to respond, and that it was their justifiably expected duty to resolve the conflicts more humanely, without greater shocks.

The drafting and adoption of the Fifth Five-Year Plan in 1975 was an important stage in the process of recognizing what had to be done. The plan determined essentially correctly the direction of the economic tasks: a significant improvement of economic effectiveness, improvement of the production structure, improvement of the quality of management, curtailment of the growth of domestic expenditure of national income, and gradual restoration of economic equilibrium.

But even this plan did not uncover completely and deeply enough the interrelations between growth and equilibrium as applicable to the Hungarian economy. This is evident from the report presenting the Fifth Five-Year Plan to the Council of Ministers, which states: "The requirements of social policy and economic development can be satisfied even to the necessary minimum extentonly if

the growth rate of national income, despite the worsening conditions, approximates the growth rate attained in 1971-1975." Furthermore: "In comparison with the Fourth Five-Year Plan, the ratio of consumption to accumulation cannot be changed significantly, nor would it be warranted to do so."

Throughout the entire 1974-1978 period there was the assumption of economic policy that economic equilibrium could be restored parallel with maintaining the rate of economic growth and simultaneously raising the standard of living.

Analyses of the main economic processes and particularly our foreign debt led the Central Committee and the Council of Ministers to the conclusion--subsequently confirmed by the 12th party congress--that changes were necessary in our economic-policy practice: restoration of external economic equilibrium had to become the focus of action, and until we could support the developed level of allocations with the necessary performances, there could be no other course than a policy of maintaining the attained living standard, with a slight improvement in living conditions.

The question must be raised and answered as to whether we were not late in responding to the changes in the world economy. Were we not late in recognizing the direction in which we had to act? Perhaps because we overestimated our ability to adjust, we were late in many respects in our actual response, with our practical actions. And we must frankly admit this because it provides a lesson for our future conduct.

We did formulate the requirements for a general and significant improvement of economic effectiveness, but we implemented them with delay and not consistently enough in the productive sphere, at the enterprises and economic organs. We protected our enterprises from stiff market competition. We "helped" them not by creating the prerequisites for adjustment, but by guaranteeing them relatively stable conditions of economic activity, whereas foreign-market changes had required long ago their rapid adjustment.

We were late also in drawing practical conclusions regarding the conditions of allocation. Consumption and accumulation rose--as we have already pointed out--even when we incurred substantial price losses, when the world market significantly devalued our performances, and thus an increase of domestic expenditure of national income was no longer sound.

And finally we were late in recognizing that foreign borrowing could not serve the continuous functioning and development of the economy permanently and on the scale that it did, and as long as it did, in our country. Regrettably, too much emphasis on the favorable opportunities for borrowing, and on our creditworthiness, diverted our attention from making in due time numerous changes that were necessary and unavoidable in production.

Economic-Policy Practice in Recent Years

So far as the results and problems of our economic-policy practice since 1979 are concerned, in sum it can be established that our two basic economic-policy

objectives--improvement of external economic equilibrium, and maintenance of the attained living standard--are proceeding on the path toward realization but are not yet past the critical stage.

To improve external economic equilibrium, economic growth has been kept more moderate than in the preceding years, we achieved that the rate of domestic expenditure of national income is lower than the rate of production, and we have begun to gradually end "overallocation." The volume of investment has declined by 6 percent a year in 1980 and 1981, and at present it is around the 1976 level. The growth of inventories also has slowed down significantly. The slower growth rate at the given effectiveness better served one of our main objectives, the restoration of economic equilibrium, than if we had attained a higher rate of economic growth. As a result, our national income's accumulation rate dropped to 20 percent in 1981.

On the whole we have been able to maintain the population's living standard and to slightly improve living conditions. Although in 1981 real wages per wage earner--as a result of the 1979-1980 decline and of the 1981 rise--was slightly lower (by 1.8 percent) than in 1978 (essentially it was at the 1977 level), real income per wage earner was 2.7 percent higher than in 1978.

Our economy's external equilibrium improved significantly between 1979 and 1981. The import surplus in 1981 was 10 billion forints, an improvement of more than 47 billion forints in comparison with the 1978 import surplus. All this indicates that finally favorable changes have begun in the management of inventories.

The nonruble-denominated trade turnover practically reached equilibrium in 1981. In dollar-denominated export we achieved a 20-percent expansion of volume in three years, and we were able to increase our prices by 16.6 percent.

In terms of the balance of trade, then, equilibrium or near-equilibrium was achieved in three years. All the enterprises, institutions and collectives that helped us to achieve this result deserve praise.

Is this external economic equilibrium stable enough, and can it be ensured also long term? Unfortunately, this cannot be said as yet.

First of all because the equilibrium situation did not develop primarily as a result of factors that maintain and strengthen equilibrium also long term --improvement of the production structure and of the quality and technical level of the products, a significant rise of economic effectiveness--but as a result of changes in the conditions of national income allocation, of a reduction of its domestic expenditure. The qualitative factors of development unquestionably improved, but not enough to produce such an improvement in external economic equilibrium. The stocks with which we were able to expand export at moderate economic growth stemmed from a minimal increase of consumption, and from a reduction of inventory buildup. But these possibilities are finite ones and are becoming increasingly exhausted.

Our external economic equilibrium will be stable when there is a significant increase in the quantity of economical and competitive export and in its share

of output, when the quality of economic activity considerably improves further, when not curtailment but sensible and economizing use results in that import grows more slowly than export; in other words, when our development--including both import and export--is fed by qualitative factors to a much greater extent than at present. We cannot say that we have reached this point as yet, but its attainment is our most important and most urgent task.

An unstable point of our dollar-denominated foreign trade is also its structure by provenances and destinations. The essentially zero-balance situation in 1981 developed in the following manner: two-thirds of the significant deficit in trade with developed capitalist countries was offset by the export surplus of our dollar-denominated trade with socialist countries, and one-third was offset by the surplus of our balance of trade with developing countries.

Regrettably, the unsteadiness of the external economic equilibriun is increased by worsening performance discipline and import security in trade with socialist countries. But a short shipment or failure to ship important products within socialist import immediately increases our dollar-denominated import.

The fact that our external economic equilibrium is not yet steady and depends to a large extent on domestic expenditure of national income makes for very tight regulation of the domestic economic processes. A difference of a few billion forints--an order of magnitude that normally would be negligible--in the domestic economic processes, in the planned incomes, is sufficient to make itself felt almost immediately in export and import. Therefore we must strive for optimum accuracy in regulation, and if immediate realization occasionally so requires--and, unfortunately, it does require--then we may be forced to use even instruments that are not entirely compatible with the nature of our system for managing the economy. But I wish to emphasize that we do this not in good cheer, but out of necessity. This happens only rarely, when we are compelled to use such instruments to avert even greater harm than what arises from a partial violation of our principles of economic management, when we have to react immediately to an unexpected worsening of external conditions and cannot wait until the effects of our measures that are compatible with the nature of the economic mechanism make themselves felt. But we remain convinced that an effective planned economy and continuous economic development in Hungary can be achieved only through the consistent practical application of the economic mechanism's basic principles, through the fullness of their effects.

The requirements of external economic equilibrium are only increased by the fact that--for reasons well known--a new source of danger has appeared in the international economy: a large-scale constriction of the opportunities for borrowing, the threat of a monetary crisis with unforeseeable consequences. It is still too early to tell whether or not such a crisis will arise, and whether we will be able to avoid its consequences that for us will mean a great political and economic loss. In any case, the course formulated at the leading capitalist countries' economic summit conference held recently in Versailles indicates that even if this threat can be averted, we can expect lenders to be much more cautious and stricter than previously, a policy that will restrict the expansion of trade and will frequently attempt to attach conditions to such an expansion, with all the consequences that will mean further hardships for us. In

the final outcome only one thing can create favorable prospects for us: if we achieve within the shortest possible time the largest possible surplus in our dollar-denominated foreign trade. For us it is of fundamental short-term and long-term importance to achieve this.

Our Principal Tasks

In 1981, our export and import jointly amounted to 10.2 billion rubles and 9.1 billion dollars, a substantial turnover for a country of our size. Our 1 percent share of world export merely reflects our average share. In certain commodity groups, however, our export--in accordance with our conditions and production structure--accounts for a significant share of world export. Thus Hungary's share of world export by commodities is as follows: meat, 2.4 percent; wine, 3 percent; live animals, 5 percent; sunflower seed, 5 percent; and apples, 6 percent. In many industrial items, including high-technology products, our share of world export is much higher than our average share: pharmaceuticals, , 3 percent; and buses, over 10 percent. Our share of world export is above the 1-percent average at present for farm machinery, telecommunications and vacuum-engineering products, aluminum products, plant protectants and shoes. In the course of our socialist development, then, the sectors and commodity groups essentially have already developed, or can be developed further, through which we are primarily linked into the international division of labor.

Metallurgy, the chemical industry, light industry and the food industry likewise export about one-fifth of their output. In these branches we find the products that are exportable, are keeping pace with world development, incorporate much specialized knowledge and represent high technology. Among such products belong some of our machine tools (for example, the metal machining centers), medical and other instruments, a good many products of the telecommunications industry, buses, some items of farm machinery, and many products of the pharmaceutical and plant protectants industries. Therefore it was warranted that in 1981 we sold on foreign markets 51 percent of the output of transportation equipment, 56 percent of the output of the telecommunications and vacuum-engineering industry, and 50 percent of the pharmaceutical industry's output.

According to a 1978 international study that compared 16 significant agricultural countries, Hungary ranked second in terms of the value of the per capita farm output. (Denmark was ahead of us, but we were ahead of such countries as the Netherlands, France, the German Democratic Republic, Bulgaria and Austria.) Our country ranked third in per capita bread grain and meat production, ranked sixth in the average yield of wheat and corn, and was in the middle range in comparisons of the annual milk yield per cow.

The sectoral structure of our production is best reflected in our rubel-denominated export. Engineering products, with a share around 60 percent, are outstanding in export to this principal destination, but the shares are substantial also of light-industry, farm and food-industry products. Unfortunately, the same cannot be said of our dollar-denominated export. In export to this principal destination the share of materials for further processing (for example, metallurgical products) and of semifinished products and parts is 30 to 40 percent, products of agricultural origin account for about one-third, but the share of machinery and capital goods barely reaches 15 percent.

The relatively low level of profitability can be attributed to the technical level and to the state of the standards of labor. In developed countries the productivity of labor in industry is two to three times higher than in Hungary. A comparative analysis of the industries of several countries indicates that the availability of machinery per worker is average, at about the same level as in Yugoslavia or Poland. It is estimated that the specific consumption of materials is 20 to 30 percent higher than in the industrially developed countries, and the difference in energy consumption is even greater. Because of transportation uncertainties, lax discipline in production cooperation and other factors, our enterprises often maintain (are forced to maintain) larger inventories than what capitalist companies are maintaining.

The situation is better in marketing products of agricultural origin, but here too there are problems. The production costs in agriculture are high, and the performances in comparison with the costs are not outstanding. Efforts to increase the volume often overshadow effectiveness, and as yet not enough attention is being devoted to the fact that--with more efficient organization and the better utilization of our own possibilities--these results can be achieved also with less import and at lower cost.

The quality of our products often does not meet the requirements that can be justifiably expected on the basis of the technical level of the machinery and equipment, and of the manpower's skills.

For example, we were unable to obtain technical acceptance of the N/C machine tools exported to Finland, the diesel train shipped to New Zealand could not be placed in operation for months, and extensive on-site repairs and replacements were necessary on the Hungarian buses in the United States and Turkey. There were serious complaints about the tires Hungary exported.

In the food industry--besides a few products of outstanding quality--we received significant quality complaints from our partners in developed capitalist countries regarding mostly wine, and also honey and ground paprika. When I was touring the Federal Republic of Germany, they showed me bottles of Tokaj wine that were closed with beer caps. Under such conditions we should not be surprised that our quality wines are priced the same as Spanish commercial wines, and that our prices are "depressed."

There is indeed protectionism, and even discrimination, but very often we ourselves cause the value of our products to drop on foreign markets. Even greater harm stems from the loss of goodwill: the reputation of our products declines, and even our good-quality products shipped to specifications are being accepted reluctantly, with demands for price reductions.

In production, to generate national income, we are using unnecessarily too much materials, equipment, labor and import (which also means that an acceleration of growth, under the present structure and level of economic activity, would only increase disequilibrium.)
We do not have sufficient economical and competitive export capacity to offset the import necessary for the economy's dynamic growth.

The first essential conclusion is that in the coming decade our economic growth, our entire economic development and particularly its quality will depend on the extent to which we are able to improve our economy's adaptability to the international conditions and requirements, and the profitability of our export. Our economic policy and system of economic management must be made to serve these requirements more effectively than up to now.

From this it also follows that restoration and consolidation of external economic equilibrium will an objective of outstanding importance in our economic policy for a long time and in the coming years in particular.

The volume and composition of production and their changes will be regulated unambiguously by the demand and by adjustment to foreign market requirements.

Already in the immediate future, in the interest of economic equilibrium's restoration and stability, we must shift our concentrated efforts from the sphere of national income's allocation to the sphere of production and economic activity.

The regrouping of developmental resources and of the existing productive factors must serve primarily the increased output of competitive products and the strengthening of their market shares. Resources must be used first of all for the development and technological modernization of the progressive sectors, and for investment necessary to conserve raw materials and energy. All this is a prerequisite not only for lasting external economic equilibrium, but--as we have repeatedly emphasized--also for maintaining the population's living standard.

Deliberate, decisive and earliest possible realization of the practical measures stemming from these conclusions is the more necessary because the indications are that we cannot expect a fortunate change and a softening of the requirements in the world economy, and instead must prepare ourselves for stricter requirements.

In accordance with our economic interests and political commitments, our economic cooperation with the socialist countries and our membership in CEMA will unalterably play a decisive role in our external economic strategy. The changes in the world economy have affected the socialist countries unfavorably, development of our economic cooperation has slowed down, the earlier problems have intensified, and also new ones have emerged. It is in our fundamental interest, both common and individual, to arrest this process by joint effort and to raise cooperation to a higher level.

Were we not a part of the socialist world economy, our losses as a result of the external economic changes would have been greater. At the same time it is our conviction that the possibilities inherent in cooperation are much greater than what are being utilized at present, and it is our basic objective and obligation to uncover these additional possibilities.

These joint efforts characterized the individual member nations' standpoints and proposals at the 26th session of CEMA, held in Budapest. They expressed

their interest and willingness to develop economic cooperation, deemed it necessary to accelerate the changeover to intensive development, and urged that the prerequisites for this be created as soon as possible.

The developing countries are our increasingly important trade partners. We are striving to expand our relations with them, on the basis of mutual advantages. Since the situation of the individual developing countries differs considerably, we deem it important that the development of our economic relations with them proceed on the basis of trade-policy guidelines differentiated according to the more important groups of developing countries, and that in sum these relations produce a substantial trade surplus.

We expect our already existing and expandable relations with developed capitalist countries to aid the development of our productive forces. We are striving to expand relations with them, on the principles of mutual advantages and economic sovereignty. All possibilities inherent in economic and intergovernmental relations must be utilized to reduce or end our competitive drawbacks stemming from protectionism and discrimination. We must develop our relations in such a way that there be constant near-equilibrium.

An important lesson of the conducted analyses was that our system of economic management must be improved and perfected considerably to increase our international competitiveness and to stimulate our adjustment. This work has already begun, in national economic and enterprise planning, within the price system and economic regulation, as well as in modernizing the system of organization and institutions.

However, the changes introduced so far are by no means adequate to stimulate (or compel) the enterprises to adjust to the international requirements. One of the principal tasks of the government organs in the coming years will be to prepare--on the basis of the proven principles and with the higher requirements in mind--the comprehensive development of our system of economic management and to make it operational in practice.

Development of our external economic relations is an involved task that sets high requirements also in the area of political work. There still are many who fail to understand that development of our international economic relations is an objective necessity, without which economic progress and the realization of the long-term economic-policy objectives set by our party are not possible. And they must also understand that this can be achieved only if our economy adjusts much better than up to now to the changing external economic conditions and the requirements of foreign markets, if it is able to increase significantly its competitive export. In this way the development of our external economic relations ties in with out economic objectives and becomes a decisive driving force of our economic development.

It is an important task of the party organs and organization to aid economic work that is oriented on the external economy and adjusts to the demand, to create the political prerequisites for this, a creative environment necessary for responsible entrepreneurship.

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## PETROLEUM OFFICIALS VIEW PRODUCTION PROGRAMS

### Drilling Recovery Factor

Bucharest ERA SOCIALISTA in Romanian No 10 , 20 May 82 pp 20-23

[Article by Gheorghe Vlad, minister of petroleum]

[Text] One of the major economic problems continually and persistently in the center of the attention of our party and state leadership lies in providing the base of raw and energy materials, primarily through the best possible utilization of domestic resources. As emphasized in Comrade Nicolae Ceausescu's speech at the plenum of the National Workers' Council in November 1981, "The problem of energy and raw materials is the basic factor for fulfilling the plan and the decisions of the 12th party congress and for the country's general development and rise in the people's general well being."

As is natural, a completely special concern is being given crude oil and natural gases. The reduction in oil imports and continual rise in the degree to which needs are provided from domestic production are becoming a matter of primary interest, particularly under the current conditions of instability of resources and prices at the world level. Efforts being made in this regard are intended to serve a goal of special importance: that Romania by the end of this decade should become energy-independent. As we know, in most countries, the shocks of the oil crisis have brought assiduous efforts to provide energy resources and to manage them with maximum care , particularly hydrocarbons. In many industrialized states national programs have been worked out, ones which establish the immediate and long-range energy policy up to 1990 and 2000. Energy programs have been discussed and approved by government organs, giving great publicity to the measures taken and the directions in which action must be taken to fulfill the goals fixed. Prospecting and production activity have been stimulated by the unprecedented growth in prices, which has made oil extraction become profitable in areas in the past considered less attractive and inefficient, such as deep-water sea zones, those with permanent freezes, desert areas and so forth. Under the impetus of these states of affairs, geological research and exploitation methods and technologies are seeing a powerful evolution.

In 1980 Romania's crude oil extraction was 11.5 million tons and 11.6 million last year. The Directives of the 12th party congress and the five-year plan have forecast an extraction of 12.5 million tons annually for this year and continuing until 1985. The relative stability of production was dictated by

objective factors. Really, geological studies show that on one side the resources are limited but, on the other, they are getting accessible more and more with difficulty, situated at greater and greater depths and under more difficult geological conditions.

From the indication of the party leadership and of Comrade Nicolae Ceausescu, a new program for oil production in 1982-1985 was worked out. The program is the product of the participation of the best cadres of specialists in production, research, education and ministry. With this occasion each oil structure and each deposit were analyzed, the potential of all wells in production, measures to extend new procedures and increase the "recovery factor," that is, the degree of extracting the reserve it contains from the deposit. New measures to increase crude oil production in the next three years beyond the levels forecast in the five-year plan were established. A similar program was drawn up to increase the production of natural gases and for superior utilization of them.

The goals forecast in these programs come to complete the ones which served to substantiate and approve the 1981-1985 five-year plan. Fulfillment of them, as we shall see in this article, raises a number of complex problems which involve a large material and financial effort and perfect convergence of the forces in the oil trusts and enterprises, geological units as well as those supplying the materials, equipment. Technological research in the sectors which collaborate with the oil industry in turn has many aspects to resolve connected with promoting technical progress in the extraction of oil and natural gases with more courage.

Significant Reorientations in Geological Research

The programs we are concerned with present in a unified concept the major problems connected with increasing oil and gas production, these fuels and basic raw materials as well as the main objectives of the activity of geological and technological research intended to lead to increasing the stock of reserves. Kept in mind in the analysis of these problems was overcoming the difficulties created by the specific conditions which affect extraction activity and geological and technological research activity. In particular it is a question of the limited and nonregenerative nature of hydrocarbon reserves, a fact which requires firm measures for the most complete possible recovery of them, rational exploitation and utilization of all useful components--oil, gases, gasoline, ethane--as well as protection of the deposits.

Keeping in mind the more than one-century-long tradition of Romania's oil industry, an uninformed person could assert that we have reached the stage where there is complete knowledge of the country's oil and gas reserves. Such an assertion, however, would be wrong. Despite the particularly large investments and the immense volume of geological research done during the years of socialist construction in all the counties with an interest in hydrocarbons, all the opportunities for Romanian underground have not been brought out. An example is the start of a well in Draganu-Calina into production at the start of this year, in Vilcea County; it opened a new oil structure at nearly 5,200 meters depth and is the deepest well in production in Romania. To investigate this zone the move was to place new geological drilling as well as to carry out surface projects needed at an intense rate: stocks of separators, pipes, roads, social groups and so forth.

The geological projects finalized last year and this year have led to the discovery of new deposits in Stoenita (Gorj County), Ciumeghiu and West Mihai Bravu (Bihor County), Umbraresti and Independenta (Galati County), Bertesti (Braila County), Ileana and Artari (Calarasi County), Talpa (Teleorman County), Vilcele Est (Arges County). New accumulations of gas have been discovered in the zones of activity of the oil trusts in Arad, Bolintin, Moinesti, Tirgu Jiu as well as in Transylvania.

All this confirms the correctness of the orientation established by the party to continue developing geological research, to deepen the degree of knowledge of the country's underground through new research methods and techniques and investigation. Geological research for oil and gas in the current five-year plan has been given 32 percent more over the achievements of the last five-year plan and our task, included in the programs we are referring to, is to provide as high an efficiency as possible in spending this capital.

The potential of oil reserves able to be brought out and utilized in these years has two basic components. A portion is the reserves able to be discovered by programmed geological projects. A second component and the most important as far as size is concerned is represented by the reserves which are to be obtained by applying improved operating techniques which would lead to increasing the recovery factor for oil in the deposits from around the 32 percent reached until now to 37-40 percent.

There is special importance in the large increase in the potential of reserves which can be discovered through geological projects at depths of more than 3,500 meters. Here we have the need for a reorientation of geological project programs with regard to intensifying the testing of very deep formations as well as those located under geological conditions more complicated than those known in past years. In this regard we point out that deep drilling this year is 40 percent greater than last, while the volume of activity for this category of project for the entire current five-year plan will be double that of the last five-year plan.

Achieving the large volume of geological projects--seismic prospecting and test drilling--requires better organization of these activity, increase in labor productivity and application of modern techniques for recording and processing the data from seismic testing and for drilling wells and geophysical investigation. We dwell on this since there still are a number of deficiencies in these areas caused both by the lacks of the units as well as in collaboration, often inefficient, with the plants which supply equipment and materials.

We still have not succeeded in forming among all cadres in our units a long-range view of activity. Some units have neglected and are continuing to neglect geological drilling and efficiently making production tests on the test wells drilled. Last year, of the planned volume of geological drilling, around 13 percent was not carried out, that is, 120,000 meters; unfortunately other lags were recorded in the first four months of this year. This is the main reason for the failure to fulfill the plan for increasing oil reserves through new projects in 1981. Actually, deficiencies have persisted for several years, despite the fact that the party and state leadership and Comrade Nicolae Ceausescu personally have repeatedly drawn our attention to the responsibility we have and the need

whichexists for increasing the country's base of raw and energy materials. Action has been taken slowly in digging and making production tests on the test wells, particularly in the zones of activity of the Tirgu Jiu Oil Trust and the Arad Drilling-Extraction Trust.

Learning the proper lessons from these shortcomings, the ministry's leadership council established special working programs for testing and opening zones of great interest for increasing crude oil production. In the Virtegu-Stoenita zone (Gorj County), for example, which currently is producing 1,200 tons of crude oil per day, recovery and test wells are being dug to set off the deposit and identify the possibilities for extending the structure discovered toward the west. A large volume of drilling was programmed in the zones of Mihai Bravu, Nadlac and Seitin (Arad County), Contesti (Bacau County), Ghelinta (Covasna County). This last zone is producing more than 400 tons of crude oil per day and by the end of the year will reach more than 1,000 tons per day, with large human and material forces being concentrated here. The zones of Independenta and Umbraresti (Galati County), Mamu and Mitrofani (Vilcea County) also are the subject of serious programs of action. Geological testing through continuous drilling and on the Black Sea continental shelf for outlining and determining the production potential and moving to operate the deposit discovered here in past years . [As printed]

With regard to geological testing to discover new gas reserves, it will shift to a large extent to the zones outside the Carpathians as characterized in general by lower volumes of gases and higher degree of difficulty similar to the crude oil deposits in these zones.

As we were mentioning, the task to increase crude oil and gas reserves in the current five-year plan is based on doing a large volume of seismic prospecting and geological drilling jobs. In the case of seismic prospecting, it is necessary to recover the lags in testing of the zones and projects with complicated geological conditions and difficult access. A basic contribution here can be made by equipment with advanced design. An increase in the very deep drilling volume also requires appropriate supply with tubular material, drilling bits as well as improved equipment for complex geophysical testing of the wells and performance of the layers.

Technical and Technological Progress--The Basic "Link"

In recent years the techniques and technologies for drilling and extracting of oil and gas have evolved very much at the world level. Technical progress in this area has received great impetus together with the start of the energy crisis and unprecedented rise in oil prices. Technologies have been perfected for digging the very deep wells, for increasing the working speeds for drillings, for testing and utilizing crude oil reserves situated on the seas' continental plateaus,for drillingwells and installing pipes in Arctic zones with nearly permanent freeze or in densely populated urban centers, for the advanced recovery of crude oil from the deposits and for extracting crude oil from sand and resinoid shale and many others.

Undoubtedly, in courageously promoting technical progress one finds one of the basic conditions for the development of our oil industry. If we were to refer

only to increasing the reserves due to increasing the recovery factor, which we were mentioning earlier, it can be conceived of only in this way.

In past years, by promoting modern techniques and technologies, positive results were obtained in fulfilling the main indicators of the program to increase the recovery factor for crude oil from the deposits. Just last year the production obtained in this way was more than 3.5 million tons, considerably exceeding forecasts. As a result of job site experiments and testing projects, a volume of recoverable reserves was promoted into production and was nearly double that obtained through geological projects. Testing activity was firmly involved in working out new deposit studies, evaluating and substantiating investments and studies referring to application of new methods (injection of micelle solutions, polymers, procedures with bacteria and so forth) as well as operation of deposits of crude oil and bituminous sand by mining methods.

Despite the achievements obtained, shortcomings and deficiencies caused by the way in which our production and research-design units have taken action as well as delays in providing the necessary materials and equipment remain in the application of methods and measures to increase the recovery factor. In a number of deposits of the oil trusts in Bolintin, Ploiesti and Tirgu Jiu the volumes of water or gases forecast to be injected was not reached and the application of new procedures was delayed. Also delayed were projects to work out the investment documents for insuring the delivery of injection water to certain projects as well as to put the installations into operation to extend the procedure for injection of polymers, which gave good experimental results for one of the deposits in the Tirgoviste field.

Fulfillment of the forecasts for the program to increase crude oil recovery from the deposits was made much more difficult by failure to provide certain equipment, materials and chemicals by units in the machine,construction, metallurgical and chemical industries within the schedules and volumes contracted. In particular I mention the lack of injection pumps, extraction pipes, sets and valves, the substances and chemicals needed to treat the injection and reaction wells, a fact which to a great extent led to the delays mentioned.

The importance of precise application of the program to increase the degree of recovery of crude oil from the deposits is so clear that it does not need many demonstrations. We merely point out that just a 1-percent rise in the recovery factor through secondary and tertiary methods of operation means an addition of many million tons of oil. The delays mentioned, caused by their own deficiencies and those caused by the suppliers, have created a paradoxical situation: on one hand, the experiments made and the procedures applied semi-industrially have permitted the promoting of large volumes of reserves while, on the other hand, these reserves still are participating in production to a very small extent, since the projects to apply the particular procedures on the industrial scale have not been carried out in their entirety.

It is clear to us that this undesirable state of affairs must be eliminated. In order to achieve the levels for crude oil production forecast for 1985 and the increases in reserves, the ministry's leadership established measures to eliminate the deficiencies mentioned and to extend or generalize new extraction methods.

In coming years thermal methods will be tested and the move will be to the industrial phase for applying them through underground combustion or cyclical steam injection at around 25 deposits for which the studies made have proven that the application of these methods is indicated. The move will be to total achievement of the tests for injecting viscous water, and polymers on 10 projects as well as the injection of carbon dioxide--technologies which have proven to be efficient. Together with this, a chart has been worked out for digging a large number of recovery wells in the zones with known deposits, counting on the same effect-- maximum recovery of oil.

The development and modernization of our oil industry are a goal being sought assiduously through various other paths and methods. Our fields' production capacity currently is comprised of around 12,400 crude oil wells and a large number of gas wells. Improvement in utilization of the entire stock of wells--by efficiently putting back into production the ones requiring intervention, reactivating all inactive wells and operating those with poor production to the optimum potential--will insure a large contribution to the daily extraction of crude oil. For this purpose measures have been taken with a view to providing access to the production wells by building and capital repairs on axial roads by a special unit which has been organized and supplied accordingly as well as with the forces of the trusts and fields. At the same time, we have in mind carrying out the centralized current and capital repairs for the mobile installations, for intervention and organization of mobile "service" teams and repair teams in the main working zones.

We are awaiting greater help from the machine construction industry in providing the quantity and quality of equipment as well as spare parts. We are referring to roller bits, borehole pumps, pumping bars, heat motors, gas and air compressors, equipment for new installations for topping and deethanizing forecast to be built. Respect for the program for assimilation of equipment is all the more necessary since the continued development and modernization of the Romanian oil industry depend on it to a great extent. It is hoped that the metallurgical industry will intensify its concerns with improving the performances of the drilling pipes and drive pipes as well as with having complete and steady delivery of them according to the contracts concluded. We also expect that the chemical plants will provide additives for treating drilling fluids, for assimilating and manufacturing inhibitors for combatting corrosion and the necessary substances for applying the new procedures for recovering the crude oil from the deposits.

Promoting what is new in production is made much easier by the design capacity which our oil and gas extraction industry has available. The Cimpina Research and Design Institute for Oil and Gases, with working groups in all the basins of the oil industry and a branch in the gas-bearing basin for Transylvania, in Medias, have available a large number of researchers and designers. Their activity, as well as that of the specialists in the production units, are directed toward solving the big technical problems on which the development of the oil sector depends. Collectives of research-design specialists are being assigned to each oil trust and are giving direct help in solving the technical problems of production for a long period. We need to follow more closely the activity of these specialized forces in order to obtain everything they can give.

All Activity Under the Banner of Economic Efficiency

This year and in each coming year of the five-year plan we must drill approximately 1,600 test wells and wells for exploitation and injection, with a view to increasing crude oil reserves and extraction, with a total of 2.3 million meters compared with the 1,200-1,300 wells per year up until 1981. The additional volume of projects equals the activity of two-three new drilling fields. Although certain organizational measures also are provided for, our attention turns on a priority basis toward the quality aspect of the work, toward increasing the working speeds on the wells due to extending new technologies and optimizing the drilling system. The metric length reached annually with a drilling installation still is below the achievements in the countries with a developed oil industry and differs a lot even from one trust to another. We have proposed to raise this basic indicator of the profitability of using installations supplied through the modernization, mechanization and automation of drilling processes, through reducing the time given to operations of dissassembling-transport-assembly of the installations as well as nonproduction time caused by various reasons--damage, complication, organizational shortcomings and so forth.

A large investment effort is being made in this five-year plan to develop the extraction industry, with the volume of funds allocated for this purpose being 40 percent higher than the achievements of the last five-year plan. The greatest share is held by drilling and putting the new wells into production. At the same time, stocks of separators, pipes, compressor stations, topping and deethanization installations are being built. By 1985 the volume of fixed assets will rise at an average annual rate of 14.7 percent in the crude oil extraction sector, although production good will increase only at an average annual rate of 3.7 percent. This gap is specific to the extraction industry, since a large portion of the fixed assets placed into operation insures that the existing production capacities are maintained. In the natural gas sector, the ratio mentioned between the two indicators represents an even greater gap.

For this reason, the main indicators of economic efficiency are going through important influences: production-good per 1,000 lei fixed assets, labor productivity, production expenses. In order to diminish the effect of these objective factors, lively activity is taking place in all the oil trusts and enterprises with a view to better management of material and monetary resources and reducing specific consumption. On the initiative of the ministry's leadership council, for example, in recent months a broad action has taken place to inventory the materials and equipment existing in the units and those not being used in order to be distributed where there is a need. So a number of pumping units, drill pipes, extraction rods and pipes, various other materials could be introduced back into production circulation. Just in the first three months of this year the value of reused materials rose to more than 4.6 million lei. For the future we have proposed to introduce on the computer the records for material consumption and consumption of main equipment so that the stocks can be known efficiently and redistributed as many times as necessary and utilized efficiently in production.

The extraction industry for oil and gas is not just a producer of fuels but also an important energy-consumer. For each 1,000 tons of crude oil, for example, an average of around 35 tons of conventional fuel is consumed, while 110-130 MWH of electric power are utilized for 1,000 meters drilled. In order to reduce these

consumptions, the collectives in the units are seeking modernization of technological installations, electrification of drilling installations, remote-controled supervision of the operation of the fields and rationalization of lighting consumption. Special emphasis is being placed on recovery of secondary energy resources from technological processes, resources which currently are not being used in their entirety, such as the heat of burnt gases for turbocompressors and thermal motors, used steam and cooling agents for the topping installations, the heat of products, the energy of the gases' superpressure in the control and measurement stations.

There is special interest in the extraction and utilization of natural gases with high efficiency. Last year as well as this, a large volume of work was done to provide the resources of natural gases needed to fulfill the tasks established by the single national plan for Romania's social-economic development. New gas wells were drilled and put into operation, among which a large portion is situated on recently discovered structures, which were connected to the national system of transportation and distribution, and new compressor stations were built and put into operation.

In accordance with the program for developing gas production, by the end of this five-year plan several hundred wells will be dug and several new gas-bearing structures will be placed into operation, however, with small reserves, together with intensification of operation of existing deposits, installation of new capacities for compression and amplification of the system for gathering and transporting the gases. Projects currently are being carried out for superior utilization of gases to extend the topping installations in Calacea (Timis County), Abramut (Bihor County) and Dofteana (Bacau County). In coming years a new topping installations will be built in Ghelinta (Covasna County) as well as two new deethanization installations--one in Moldavia and another in Romania's western zone.

Taking into account the limited resources and capacities for extracting natural gases, a special task lies in fitting into the levels distributed to consumers. This winter's experience has shown that just by close collaboration we can obtain safety of operation both of the national system for transportation and distribution of gases as well as the beneficiaries' consumer installations. What is required is that all ministries, central organs as well as people's councils give all their attention to fitting into the gas distributions allocated. With regard to the Ministry of Petroleum and the national gas dispatcher, they will take firm action to have the units which exceed the distributions in certain periods fit into them.

The greater tasks belonging to the oil and gas extraction industry in the current five-year plan bring important changes in the area of the labor force, its structure, particularly from the viewpoint of quality. The human potential currently working in the ministry's units is more than 109,000 persons, of which 96,000 are workers, 31,000 are foremen and 3,000 are engineers. This potential is to increase considerably by 1985. But this is not the most important thing; what is most important is providing the growth in number of personnel for the basic trades and specialties, particularly drillers, head drillers and foremen for drilling, for production testing and for capital repairs and interventions on the wells.

The utilization of drilling installations and equipment and interventions with a high degree of technicalness, initiating new processes of the advanced recovery of crude oil as well as improvement of existing ones and the extending of automation of the operation of the crude oil and gas wells have profound implications for forming and for the advanced professional training of the labor force. We have proposed to provide for the substantial increase in number of qualified workers through schools, for which purpose the current school network of the ministry will be developed by establishing new units in the zones with production prospects for crude oil and gas in the counties of Arad, Bihor, Covasna, Dolj and so forth. A broad program has been compiled for the advanced training of the labor force on the drilling and extraction fields. Taking into account the still great fluctuation of the personnel, particularly for the driller trades, the ministry has proposed to take firmer measures for improving the working and living conditions of the people in all units, including up to all working points, where actually the fate of oil and gas production is decided.

A powerful detachment of workers, profoundly attached to our party and state policy, is working in the oil and gas extraction industry. They are putting forth all efforts with a view to increasing production and fulfilling this year's plan and for preparing all conditions for fulfilling the programs and measures worked out for the purpose of providing the needs of the national econmony for these basic raw materials and fuels to the greatest extent from domestic resources.

## Oil, Gas Increases

Bucharest SCINTEIA in Romanian 9 Jul 82 pp 1, 2

[Interview with Deputy Oil Minister Victor Murea by Dan Constantin]

[Text] [Question] As was announced, at its 3 July meeting the RCP CC Political Executive Committee analyzed and approved the program on increasing crude oil production and the program on increasing gas production for the 1982-1985 period beyond the forecasts for the current five-year plan. In connection with these programs, which basically seek to increase the degree to which domestic resources provide for the national economy's needs for hydrocarbons and substantially r duce imports, I had a conversation with Comrade Victor Murea, deputy minister of petroleum.

[Answer] In recent years the party leadership has continually and persistently stressed the need for more powerful development of our own base of raw materials and energy resources as a priority problem of development of the national economy in the current five-year plan and continuing up to the end of this decade. The two programs on the supplementary increase in crude oil and gas production, over the forecasts for the five-year plan, worked out on the initiative and under the direct guidance of the party's secretary general Comrade Nicolae Ceausescu, were adopted at a time when the current international economic circumstances continue to be marked by a serious oil and energy crisis. Implementation of these programs can mobilize the workers' efforts in the oil industry and other branches which contribute to increasing crude oil and gas production to a greater extent, efforts to fulfill the strategic goal established by the 12th party

and that is to insure Romania's energy and fuel independence by the end of this dacde.

[Question] The program adopted provides for a constant growth in crude oil production which is to reach 15 million tons by 1985. What measures are to be taken to reach this level of production?

[Answer] Romania's crude oil extraction in 1980 was 11.5 million tons, while last year it was 11.6 million. For this year and continuing up to 1985, the five-year plan has forecast an annual extraction of 12.5 million tons. The relative stability of production has been dictated by a number of objective factors, with geological studies showing that, on one hand, resources are limited but, on the other, accessible with greater and greater difficulty, being located at great depths and under difficult geological conditions. During the last part of 1981, the party leadership and Comrade Nicolae Ceausescu personally requested that workers in the oil industry analyze with maximum responsibility the existing opportunities for increasing crude oil production. We can say that the best specialists from production, research, education and the ministry participated in fulfilling this task and in substantiating the program to increase crude oil production. A thorough analysis of all the oil-bearing structures and deposits and the wells' potential as well as technologies and solutions intended to lead to increasing the degree of recovery of crude oil from the deposits have brought out the certain possibilities for a constant increase in crude oil production in the 1982-1985 period.

The production of 15 million tons of crude oil established for 1985 is 20 percent greater than the forecasts of the five-year plan, which illustrates the dimension of the program for supplementary increase in crude oil production. It is proper to state that workers in the oil industry are powerfully mobilized for exemplary fulfillment of the forecasts for this program, being aware of their responsibility to fully make their contribution to the steadfast progress of the national economy and to strengthening Romania's independence and sovereignty. The actions being taken to increase crude oil extraction in this five-year plan generally refer to improvement of activity in the area of geological research, drilling, operation of the wells and training of cadres. Specifically, the program provides for concentration of drilling in the zones of primary interest and at great depth, where 500 wells with an average total production of around 10,000 tons per day will be dug in the 1982-1984 period. A large volume of projects is to be done in the zone of the deposits in Virteju-Stoenita, Bibesti-Bulbuceni, Calina-Draganu-Palei, Piscuri-Moreni, Ghelinta-Comandau, Contesti, Mihai Bravu, Seitin-Nadlac, Turnu East. It should be noted that the majority of these projects finalize the geological research done in past years, which have led to identification of new oil reserves both at oridinary depths as well as great depths.

A main provision of the program for supplementary growth of crude oil extraction in this five-year plan refers to continuing the testing and drilling projects on the Romanian continental shelf of the Black Sea and begining crude oil exploitation in the Black Sea. Units of the machine construction industry will provide for the progressive scheduling of delivery of the drilling and operating platforms, which will create conditions for drawing into economic circulation the hydrocarbon reserves discovered in the Black Sea.

Of course, greater attention is to be given to intensive utilization of the existing stock of wells and improvement in their operating system. For example, just a 3-percent increase in the coefficient of utilization of the wells this year will bring an increase in production of 70,000 tons of crude oil. At the same time, by the end of this year 242 nonproductive wells which require complex work of capital repairs will be brought back into operation.

A separate chapter of the program refers to the measures for intensification of methods for increasing the degree of recovery of crude oil from the deposits. Methods to increase the final recovery factor will be applied to 150 deposits, which will bring a 32-percent increase in it from the current 32 percent to around 40 percent by the end of the five-year plan. Big jobs to extend underground combustion will be carried out in the zones of Videle-Balaria and Suplacul de Barcau, while the experimentation and extending of cyclical injection and continuous injection with steam will be carried out at four new deposits. At the same time, in the coming period the move will be to experimentation and application of methods for extracting crude oil through mining methods in Sarata Monteoru, Runcu-Bustenari and Solont.

[Question] Please give us several of the provisions and measures included in the program for increasing gas production in the 1982-1985 period, beyond the forecasts of the five-year plan.

[Answer] As we know, a main source of hydrocarbon is natural gas , a resource which also is limited. The program adopted provides for a supplementary increase in gas production of around 10 billion cubic meters in the current five-year plan. For the most part the increase will be achieved on the basis of increasing the production of associated gases. A greater share of the production of methane gas will be for chemification, covering the difference for the energy consumers with associated gases following their deethanization and topping. In accordance with the program for development of gas production, several new structures in the Transylvania basin and zone outside the Carpathians will be put into operation.

Together with the increase in gas extraction, new compression capacities will be installed and the collection and transport system will be amplified. In order to insure the peaks of consumption during the winter, the storage capacity for the gases will be increased. Starting now greater attention is being given to superior utilization of gases, with the program providing for speeding up the projects to extend the topping installations in Calacea (Timis County), Abramut (Bihor), Dofteana (Bacau) and building new topping installations in Ghelinta (Covasna) as well as the second deethanization installation in Moldavia and Romania's western zone.

[Question] Implementation of these programs for supplementary increase in crude oil and gas production in this five-year plan, of course, also requires a supplementary effort from the units which provide for the supply with materials, machinery and equipment for the oil industry. Toward this end, exactly which supplies will be enjoyed by the units in the oil branch?

[Answer] I should mention that the two programs establish in detail the duties of the suppliers in the machine construction, metallurgy and chemistry industries

which mainly insure our technical-material supply. In accordance with the provisions of the programs adopted, we shall benefit from supplementary quantities of tubular material, drilling installations, drilling rods, rotary bits, blow-out preventers, pumping units, motors, chemicals and others. Also with regard to supply I mention the drilling and extraction platforms which will be located in the zones of the Black Sea which have proven to be productive.

Also I want to emphasize in closing that exemplary fulfillment of the goals of the programs for supplementary increase in crude oil and gas production in the current five-year plan also depends both on the powerful mobilization and full work of responsibility of the oil workers as well as on having the machine construction, metallurgy and chemistry units provide the machinery, equipment and materials on schedule and these units have particularly important tasks in this regard.

8071
CSO: 2700/338

CROATIAN FARM COOPERATIVE OFFICIAL SCORES CRITICS OF 'AGROBUSINESS'

Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 26 Jul 82 p 6

[Excerpt] At the invitation of DANAS, [Zagreb] weekly, to explain in more detail some of his views expressed at the 12th LCY Congress regarding the private sector in the present stage of economic-social development, Cedo Grbic [president of the Cooperative League of Croatia] turned also to the current discussion about "agrobusiness":

...[Considering] The present campaign revolving around 'agrobusiness,' for instance--this an independent growth and ideological [witch] hunt at a time when there is a shortage of food, when we have 100,000 hectares of uncultivated land, and the severe demands of the stabilization [program] to produce food. I can say this: I understood the attack on those managers and specialists who have used, in an inadmissible way, social property and funds for private business. But now this has extended to the entire agrarian policy. It is being systematically written about in publications. In the No 20 issue of DANAS one finds that the following social rules have been established in connection with this: social land can be cultivated only by socialized farms, private land can be cultivated only by the owners of this land. Also, the long-term leasing of social land to cooperative farmers [private farmers cooperating with cooperatives] is severely criticized, unless the land in question is poor or fragmented [in disconnected plots]. Also, cooperation with workers who are not farmers is severely criticized.

Workers, namely those in the "Belje" [agricultural-industrial combine] who work in the vineyards there have been reproached for cultivating a private vineyard and linking it with that in "Belje." There are doubts about joint vineyards.

Yet here the first cooperators [private workers cooperating with the socialized sector] have pooled the land, set up a modern vineyard, and pooled their labor and resources. And the grapes go to a socialized wine cellar for processing. This method is several times cheaper than building completely socialized vineyards. Doubt is especially cast on leasing of land, especially by those with the maximum land holdings.

I think that this campaign is leading to a senseless situation which could be summarized as follows: better to leave the land uncultivated than to ruin

some (according to certain opinions) socialist principle. But I think that the worst violation of socialist principle is in this situation to leave land unused."

[Editorial Report] The above view was rebutted in a 2-page article by Mirko Sajler in the 20 August 1982 issue of KOMUNIST (Belgrade, pp 8-9), discussing both the above case and other examples in the Slavonija-Baranja area of Croatia where, it was said, the amount of land usurped for private use approximates that of the large "Belje" agricultural-industrial combine. It said that party action against such abuses was resisted by "agrobusinessmen and careerists in the opstina structures and in the management of combines," who argue in administrative organs and in basic LC and trade union organizations that such action is "an attack against the interests of the workers and an attack on agriculture....In fact, [their goal] is greater development of private agrobusiness at the expense of socialized agricultural development. Judgments can be heard from the operating structure within combines that agriculture must be developed more rapidly only by expanding the private sector, through not only increasing that sector's share in production, but through increasing its share in the ownership of land and equipment."

A related article by Predragovic (on page 9) says "private agrobusiness--on private and social land--is the product of numerous contradictions in our total socioeconomic development....This problem cannot be solved only by exacting penalties and by cadre changes. It is essential that the socialized sector understand its social obligation to cultivate every foot of arable land and thus open up the process of pooling labor and funds within the framework of the unified Yugoslav market. Without self-management association not only will there be resistance to the process of associating...but new problems will arise which will steadily reduce socialized productivity and yields. Combines must overcome their own group-ownership ossification...and again join the battle for progress."

CSO: 2800/446

## PARTY WEEKLY CRITICIZES PRIVATE TAKEOVER OF PUBLIC LAND

Belgrade KOMUNIST in Serbo-Croatian 13 Aug 82 p 20

[Excerpt] The question of usurping land in Kolasin Opstina [Montenegro] should have been put on the LC opstina conference agenda earlier so as to nip in the bud the numerous cases of usurpation, by showing the negative consequences of this and summoning those in authority to responsibility for delaying action against people who are turning social land into private property.

There were not many concrete facts [given at the meeting] except for the declaration that this practice is very widespread, but even those few facts which were brought out showed that land has been usurped in every village, on every hill, in places where wide village roads used to run, where there were pastures and common land. It was said that this problem has existed since 1947 and that since then usurpation has become more and more pronounced and no measures have been taken against it. In the last 5 years only two cases have been brought to court against persons usurping social land. The most frequent cases occur in regard to land bordering public roads, former village greens and pastures. The former mountain pastures have disappeared, changed into private meadows. In many places family buildings have been built. In most cases people have succeeded in registering the land as theirs. Social organs, including the LC and other local organizations, have known about it but have not acted, not wanting to be criticized. When photographs were recently taken in certain regions for purposes of land survey and it was necessary to mark off one's personal property, many managed to put markers far outside their own borders on social land. It is said that there are also individuals who have even sold such land as their own.

In Pljevlje in the last 10 years 319 criminal cases against usurping social land were brought to court, involving a total of 912,659 square meters of land, but many cases of usurpation are not reported.

A special problem is also illegal construction on social land.

CSO: 2800/446

REGULATION ON PATENT APPLICATION PROCEDURE

Belgrade SLUZBENI LIST SFRJ in Serbo-Croatian No 35, 25 Jun 82 pp 980-984

[Regulation No 18421, issued in Belgrade, 10 June 1982, by Dr Dragutin Boskovic, engineer, director of the Federal Bureau of Patents: "Regulation on the Manner of Drafting and Submittal of Patent Applications and Their Appendices"]

[Text] On the basis of Article 99 of the Law on Protection of Inventions, Technical Improvements and Distinguishing Marks (SLUZBENI LIST SFRJ, No 34, 1981), after having obtained the opinion of the Council of the Federal Bureau of Patents, the director of the Federal Bureau of Patents hereby issues the following

REGULATION
On the Manner of Drafting and Submittal of Patent Applications and Their Appendices

Article 1

This regulation prescribes the content, form and manner of drafting and submittal of patent applications and their appendices.

Article 2

The patent application shall be submitted in four copies on Form P-3--Patent Application, which shall be furnished gratis to the patent applicant by the Federal Bureau of Patents. Patent applications shall be printed along with this regulation and shall constitute an integral part of it.

Article 3

On the form referred to in Article 2 of this regulation the following information shall be entered:

1) last name and first name or corporate name and designation of the patent applicant;

2) occupation or line of business of the patent applicant;

3) complete address or domicile of the patent applicant;

4) information on the authorized representative if the application is being filed through an authorized representative;

5) the abbreviated and actual name of the invention;

6) the name of the inventor if the application is not being filed by the inventor or the applicant's statement to the effect that the inventor does not wish to be referred to in the application;

7) the number and date of the first or principal application or principal patent in case of separate or supplemental application;

8) number of the application, date of submittal of the application and name of the member country of the International Union for Protection of Industrial Property in which the first application was filed if right of priority was sought in the context of Article 75 of the Law on Protection of Patents, Technical Improvements and Distinguishing Marks (hereafter the "Law");

9) a list of all the appendices submitted along with the application;

10) the applicant's signature.

Article 4

The following appendices shall be submitted along with the properly filled out form referred to in Article 3 of this regulation:

1) a description of the invention;

2) a statement of the applicant as to the best method known to him for economic use of the invention covered by the application;

3) a sketch of the invention if necessary;

4) proper authorization if the application is being filed through an authorized representative;

5) statement containing information on the joint representative or joint authorized representative if the application is being filed together by more than one person;

6) certified copy of the first application if the right of priority has been sought on the basis of a foreign application under Article 75 of the Law, with a translation into one of the languages of the nationalities of Yugoslavia certified by an authorized court interpreter;

7) affidavit concerning an officially recognized exhibition (fair) of an international nature if right of priority is being sought from the date of the invention's display--along with indication of data as referred to in Article 74, Paragraph 2, of the Law;

8) the patent application fee paid in the full or reduced amount. When the fee is paid in the reduced amount, it shall be accompanied by the relevant certificate.

Proof of the fee paid on a petition for complete examination of conditions for recognition of the patent envisaged by the Law on the Schedule of Federal Administrative Fees shall be appended if such a petition has been filed.

The appendices referred to in Paragraph 1, Subparagraphs 1 through 3, of this article and all subsequent amendments and supplements shall be submitted in three identical copies.

The patent application and its textual appendices shall be submitted on paper in Format A-4 (210 x 297 mm) without erasures, alterations or additions. Appendices accompanying a patent application may not have text written on the back of the sheet.

Article 5

A patent application is required to inform the Federal Bureau of Patents of a change of its address as given in the application, referring to the P-number.

All submittals which the patent applicant submits to the Federal Bureau of Patents in connection with a patent application must display the P-number.

Article 6

The description of the invention referred to in Article 4, Paragraph 1, Subparagraph 1, of this regulation shall contain the following parts:

1) name of the invention;

2) description of the subject matter of the invention;

3) patent claim;

4) brief content of the essence of the invention (presentation or abstract);

5) applicant's statement as to the method best known to him for economic use of the invention covered by the application;

6) drawing of the invention if necessary.

Article 7

The name of the invention (Article 6, Subparagraph 1, of this regulation) must be the same as in the patent application, must clearly state the essence of the invention and may not contain invented names, commercial names, a stamp, names, code numbers, or abbreviations customary for particular products, and so on.

In case of a supplemental patent application, after the name of the invention information shall be entered on the basic application (P-number) or on the patent (patent number).

Article 8

The description of the subject matter of the invention (Article 6, Subparagraph 2, of this regulation) shall be set forth according to the following subheadings and in the following order:

1) the field of technology in which the invention falls;

2) the technical problem;

3) state of the art of engineering;

4) description of solution of the technical problem, along with practical examples and with a list and brief description of the figures contained in the drawing if a drawing exists.

Article 9

The claim is required to begin with an indication of the field of technology to which the invention belongs, including the identifying number under the International Patent Classification if known to the applicant.

Article 10

The technical problem solved by the patent must be stated precisely. By the technical problem is meant any problem whose solution has been made possible by an industrial and technically reproducible solution.

Article 11

Under the state of the art of engineering a survey should be given of the well-known solutions whereby the technical problem has been solved theretofore, and which are known to the applicant, and a criticism of those solutions through an analysis of the shortcomings identified.

The survey of the state of the art of engineering should as a rule be based on a report on the state of the art.

Article 12

The description of the solution of the technical problem along with practical examples and list and brief description of the figures of the drawing, if there is a drawing, as referred to in Article 8 of this regulation, shall begin by setting forth the essence of the invention whereby the technical problem is solved, emphasizing the essence of the solution and what makes it new as compared to the solutions contained in the state of the art.

Thereafter the description of the solution of the technical problem shall go on to set forth the details of the solution, covering all the data necessary for industrial and technical practicability of the solution. To that end the invention must be presented fully, clearly and precisely so that an average specialist would be able to use it in production without additional research, solely on the basis of the description and drawings if necessary.

The solution of the technical problem must be completely defined. All the characteristics of the invention must be so stated as to preclude arbitrariness and conjecture.

If the invention is a process, all its characteristics must be given so that its practicability as demonstrated by the practical examples is entirely covered.

If the invention is a construction, and it is presented in a drawing, the description of the solution shall first set forth the list and brief description of the figures of the drawing, referring to the number and legends in the figures of the drawing, and as evidence of practicability the manner of operation shall also be described, in which the manner in which the particular elements and the construction as a whole function shall be set forth in detail.

If there is more than one way of reducing to practice the same solution of the technical problem (variants of the solution), they shall be described.

Article 13

The patent claim referred to in Article 6, Subparagraph 3, of this regulation shall be entered as a heading on a separate sheet at the end of the specification, and in one or more claims those characteristics of the invention shall be stated for which protection is sought, which make the invention new and which follow from the specification of the invention.

The applicant's signature shall be placed at the end of the patent claim.

Article 14

Every claim within the patent claims referred to in Article 13 of this regulation must be written in just one sentence, which shall first state the name of the invention, which must be the same as in the patent application and specification, and the known elements or solutions, if they are necessary to a detailed explanation of the invention, and then, set off by commas, the expression "manifested in" shall be used and followed by a statement of all the characteristics of the invention for which protection by patent is being petitioned for.

The claim may not be written in paragraphs, but must constitute a single body of text.

If the invention is complicated, if it has several parts or if there are various possibilities for reducing to practice the same technical solution,

previously referred to in the specification, the patent claim may contain a sizable number of claims. The first claim must be composed in conformity with Paragraph 1 of this article, and each succeeding claim shall be given after the name of the invention, which may be shortened, but ahead of the expression "manifested in" there shall be a reference to the relevant previous claim or claims.

The content of one claim may not be repeated.

Article 15

If an invention is a construction consisting of two or more elements, the patent claim must show the mutual mechanical connection of the elements or parts of the device in a static state which as a whole constitutes an innovation, referring to the notation of the elements given in the drawing.

An electrical circuit shall also be regarded as a construction referred to in Paragraph 1 of this article.

Article 16

If an invention is a process, the patent claim must state its essential characteristics so that the novelty of the invention can be examined as a whole, and that within the scope of the solutions referred to in the practical examples.

Article 17

The patent claim may not include vague expressions and expressions which do not clearly and altogether definitely denote the essential characteristics of the invention, and after the expression "manifested in" mathematical formulas may not be entered as a subject of protection.

The description of a device's functioning may not be entered in the patent claim.

Article 18

If protection of an invention has been applied for in a supplemental patent application, the patent claim should state the number of the principal application or patent.

Should there be several versions of solutions, the relevant patent claim which follows after the claim to protect the basic solution shall contain at the beginning these words:

"Device for _____ according to Version I, manifested in _____, device for _____ according to Version II, manifested in _____."

The claims for processes shall be analogously written by variants of the solution.

Article 19

The brief content of the essence of the invention (survey or abstract) referred to in Article 6, Subparagraph 4, of this regulation should be on a separate sheet and may not contain more than 150 words. The survey must concisely set forth the invention so as to make it possible to examine the essence of the solution of the technical problem.

Article 20

The statement of the applicant concerning the manner best known to him for economic use of the invention covered by the application, as referred to in Article 6, Subparagraph 5, of this regulation should contain information or relevant technical knowledge, know-how and instructions which can be used in applying the invention covered by the application in production, which the application asserts represents at the moment when the application is submitted the best mode of economic use of the invention covered by the application which is known to him.

The statement referred to in Paragraph 1 of this article must be given on a separate sheet and must be signed by the applicant.

Article 21

The drawing of the invention referred to in Article 6, Subparagraph 6, of this regulation is a mandatory part of the specification if the invention described is not complete without that appendix.

The drawing of the invention must be clear, altogether legible and understandable.

The drawing of the invention must be done on hard, nonglossy paper or on transparent paper, Format A-4 (297 x 210 mm), which must be flexible, strong and smooth.

Article 22

The drawing of the invention shall contain margins which do not have a border and on which are entered the following:

1) in the upper left margin--last name and first name or corporate name and title of the applicant;

2) in the upper right margin--number of the sheet if there is more than one sheet;

3) in the middle of the upper margin--name of the invention;

4) in the lower right margin--signature of the applicant.

The smallest size of the margins shall be: 2.3 cm from the upper edge, 2.5 cm from the edge on the left side, 1.5 cm from the edge on the right side, and 1 cm from the bottom edge.

Article 23

The drawing of the invention must be suitable for direct reproduction by photography, electrostatic processes, offset and microfilming.

The scale of the drawing of the invention must be such that all details can be clearly seen in a graphic reproduction with linear reduction to one-third.

As a rule the drawing shall be done in an orthogonal projection with the necessary number of cross sections, but in exceptional cases, if necessary--in axonometry, isometry, etc. The drawing may also be done in the form of a diagram using standard symbols for the relevant field of engineering.

Article 24

Only those technical expressions, notation and symbols accepted in the relevant field of engineering may be used in the draft of the invention.

The legend designations may be letters, numbers and standard symbols accepted in the relevant field of engineering.

The same elements of the drawing of the invention shall be denoted by the same symbols in all the figures.

The drawing of the invention may not incorporate chemical and mathematical formulas, tables and written text except for individual words when necessary.

Article 25

At the inventor's request the Federal Bureau of Patents shall furnish him specialized aid in consultations.

The Federal Bureau of Patents shall at the inventor's request present him a report on the state of the art of engineering, upon payment of the relevant costs or fees.

Article 26

This regulation shall take effect on the eighth day after publication in SLUZBENI LIST SFRJ.

Form P-3

FEDERAL BUREAU OF PATENTS

Patent Application

1 Uzun Mirkova
Belgrade 11000

In this application the undersigned submits petition that he be granted a patent on the invention described and presented in the appendices, and to that end he furnishes the following information:

Recognition of a supplemental patent is sought along with the principal patent (application) number: (61)

Separation is being sought from the first application number: (62)

To Be Filled Out by the Applicant (see instructions on the back)

Applicant (71)
Last name and first name, occupation (for a physical person)
Complete name, line of activity (for a legal person)

Applicant's address
Street and number, zip code, city, republic (province), country

Authorized representative (74)
Last name and first name, complete address

Name of the invention (54)
In one of the languages of the nationalities and ethnic minorities

Name of the invention
In one of the foreign languages from the first application on the basis of which right of priority is being sought

Inventor (72)
Last name and first name or declaration that the inventor does not wish to be referred to in the application

Inventor's address
Street and number, zip code, city, republic (province), country

Right of priority (30)
Number, date, country

Appendices

Specification (in 3 copies)
Drawing (in 3 copies)
Power of attorney
Statement as to employment
Certified copy of the first application
Certified translation of the first application
(confirmation of priority)

__ sheets of the drawing

____ in ____ date _____

Fee, in dinars _____

_____
(Signature and stamp of the applicant)

To Be Filled Out by the Bureau

FEDERAL BUREAU OF PATENTS

(21)

Petition registration number and date

Fee, in dinars _____

Appendix _____

OJ _____
(OJ = organizational unit)

Examiner _____

Note: If the space left for entering the information sought is insufficient, the information under any of the headings should be entered on the back of the application where the prescribed tax stamp or evidence of payment of the fee is affixed.

INSTRUCTIONS
for filling out the form of the patent application

1) The patent application shall be filled out in four copies on a typewriter.

2) The applicant, in the case of a physical person, shall enter his last name and then first name; in the case of a juridical person, the complete title shall be entered (an organization shall enter the name under which it is registered in the district court).

3) A physical person shall enter his occupation, and a juridical person shall enter the line of activity in short form (for example, chemical industry, motor factory, designing office, domestic commerce, private shop, etc.).

4) The zip code shall be entered along with the address, in front of the name of the town.

5) Information on the authorized representative shall be entered only if the application is being filed through an authorized representative.

6) Only the real name of the invention shall be entered under the name of the invention. When the name of the invention is given in one of the foreign languages, the English, French, Russian and German languages may be used.

7) If petition is being made for recognition of the right of priority, the number, date and country of the application on which the right of priority is based shall be entered.

8) If the application is not being filed by the inventor, his last and first name shall be entered, and if possible his complete address or statement by the applicant that the inventor does not wish to be referred to.

9) If it is a question of a domestic juridical person, the stamp shall be affixed in addition to the signature.

10) A fee shall be paid on a patent application under the provisions of the law in effect on the schedule of federal administrative fees, with the provision that an amount greater than 200 dinars shall be paid in through the giro account.

To Be Filled Out by the Bureau

1.

2.

3.

7045
CSO: 2800/445

# REGULATION ON RECOGNIZING PATENT RIGHTS

Belgrade SLUZBENI LIST SFRJ in Serbo-Croatian No 35, 25 Jun 82 pp 984-990

[Regulation No 18422, issued in Belgrade, 10 June 1982, by Dr Dragutin Boskovic, engineer, director of the Federal Bureau of Patents: "Regulation on Detailed Regulation of Matters Related to Procedure for Recognition of Rights Whereby Inventions and Distinguishing Marks Are Protected"]

[Text] On the basis of Article 99 of the Law on Protection of Inventions, Technical Improvements and Distinguishing Marks (SLUZBENI LIST SFRJ, No 34, 1981), after having obtained the opinion of the Council of the Federal Bureau of Patents, the director of the Federal Bureau of Patents hereby issues the following

## REGULATION
## On Detailed Regulation of Matters Related to Procedure for Recognition of Rights Whereby Inventions and Distinguishing Marks Are Protected

### I. General Provisions

#### Article 1

This regulation shall regulate in detail matters related to procedure for recognition of a patent, design or patent and trademark, for establishment of a product mark of origin and for registration of the authorized users of such a designation in a register kept by the Federal Bureau of Patents (hereafter the "Bureau") and matters related to the information to be entered in the register, information to be contained in the document recognizing a right and the information to be published in the official gazette of the Bureau (hereafter the PATENT HERALD).

#### Article 2

The person submitting an application which is accompanied by a petition for recognition of right of priority in the context of Article 75, Paragraph 1, of the Law on Protection of Inventions, Technical Improvements and Distinguishing Marks (hereafter the "Law") shall cite the following information in the first application being referred to and serving as the basis for recognition of the right of priority:

1) the name of the member country of the International Union for Protection of Industrial Property in which the first application was filed;

2) the date when the application was filed;

3) the number of the application.

Article 3

The person filing an application accompanied by a petition for recognition of the right of priority in the context of Article 75, Paragraph 2, of the Law, in addition to a certified copy of the first application, shall also submit a certified translation of that application.

The translation of the first application referred to Paragraph 1 of this article must be in one of the languages of the nationalities of Yugoslavia.

Article 4

Information on applications for recognition of rights and on rights recognized as referred to in Articles 18, 19, 20, 24, 33, 40, 43 and 44 of this regulation and also information on patents whose validity has expired shall be published in the PATENT HERALD.

II. Provisions Regulating in Detail Matters Related to Procedure for Recognition of a Patent

Article 5

The Bureau shall keep a separate register of patent applications.

The following shall be entered in the register referred to in Paragraph 1 of this article:

1) petition registration number and serial number under which the application was entered in the register of patent applications (hereafter the "P-number");

2) filing date of the patent application and date of the right of priority petitioned for;

3) last name and first name or corporate name or title of the applicant and address or domicile;

4) name of the inventor or statement of the applicant that the inventor does not wish to be referred to in the application;

5) last and first name or corporate name or title of the authorized representative of the applicant and his address or domicile;

6) name of the invention;

7) designation in conformity with the International Patent Classification established by the Strasbourg Arrangement (hereafter the "IPC");

8) the date as of which, in the context of Article 93, Paragraph 3, of the Law, every person has the right to examine the patent application;

9) the date when the patent application was published;

10) information contained in the claim concerning complete examination of the patent application;

11) information on the manner in which administrative proceedings were terminated and the registration number of the patent granted;

12) date of expiration of the patent's validity;

13) information on changes.

Article 6

A submittal with a claim for recognition of a patent which does not contain the following shall not be entered in the register of patent applications referred to in Article 5 of this regulation:

1) the last and first name or corporate name or title of the applicant;

2) information on the basis of which it can be unambiguously established that a patent application is involved;

3) the name of the invention, or if the name is not contained in the specification so that it can be unambiguously established;

4) the specification including a drawing of the invention if that is necessary from which it unambiguously follows that this is a technical solution which may be an invention;

5) the signature of the applicant.

Article 7

The information and appendices in an application for recognition of a patent shall be regarded as clear and complete if they are composed in conformity with the Regulation on the Manner of Drafting and Submittal of Patent Applications and their Appendices.

Article 8

During administrative proceedings for recognition of a patent the Bureau may amend the brief content of the essence of the invention (survey or abstract) and the name of the invention if this does not affect the scope of the protection petitioned for.

Article 9

It shall be regarded that a patent application published in conformity with Article 93, Paragraph 1, of the Law contains a clear and complete description of the invention if it is possible from that description to grasp the essence of the invention or if on the basis of it it is possible to judge that the patent application obviously does not contradict Articles 20 and 23 of the Law.

Article 10

A patent application may be published even if the description of the invention has not included the best method known to the applicant of economic use of the invention or if the following information has not been furnished in the application:

1) on the occupation or line of business of the applicant;

2) on the joint representative or joint authorized representative if the application is being filed by more than one person.

Article 11

If it is ascertained in the proceedings of complete examination of a patent application that the specification does not afford the possibility of complete examination the Bureau shall call upon the applicant to amend or supplement the application in the sense of Article 7 of this regulation.

In the procedure referred to in Paragraph 1 of this article the Bureau shall call upon the applicant to amend or supplement the application so that the scope of protection of the invention altogether follows from the description of the invention.

Article 12

The Bureau shall not publish a patent application on which proceedings have been suspended before expiration of the period of 18 months from the date when the application was filed or from the date when the right of priority was petitioned for.

The application referred to in Paragraph 1 of this article may not be examined in the context of Article 93, Paragraph 3, of the Law.

Article 13

The right of priority in the context of Article 72, Paragraph 1, of the Law can be substantiated only if the patent application contains the information and appendices referred to in Article 6 of this regulation.

Article 14

The consequences of essential changes of the specification published within the limits of the protection originally petitioned for shall constitute a change of right of priority in the sense of Article 73 of the Law.

Article 15

A patent application shall be examined in the sense of Article 93, Paragraph 3, of the Law on the basis of a submitted written request.

The patent application referred to in Paragraph 1 of this article may be examined only in the room of the Bureau set aside for that purpose and in the presence of an authorized official of the Bureau.

Article 16

All amendments or supplements to a patent application and appendices to such an application may be examined immediately after they have been filed with the Bureau if the period of 18 months has passed from submittal of the patent application or from the date when right of priority was petitioned for.

Article 17

Before expiration of the periods referred to in Article 93, Paragraph 1, of the Law a patent application may be examined only by a person who submits evidence to the Bureau that the patent applicant has warned him in writing that he is committing a violation of his rights arising out of that application.

Article 18

The Bureau shall publish in the PATENT HERALD information on patent applications which may be examined in the sense of Article 93, Paragraph 3, of the Law:

1) the P-number;

2) the filing date of the application;

3) designation in accordance with the IPC;

4) the name of the invention;

5) last name and first name or corporate name and title of the applicant and his address or domicile.

Article 19

Notification of a patent in the sense of Article 93, Paragraph 1, and Article 94, Paragraph 3, of the Law shall be made by publication in the PATENT HERALD of the following information concerning the patent application:

1) the P-number;

2) the filing date of the application;

3) data on the right of priority petitioned for, as follows:

a) date of the right of priority based on exhibition (fair),

b) number of the application serving as the basis of the right of priority,

c) filing date used as the basis of the right of priority,

d) name of the country in which the application was filed which serves as the basis of the right of priority;

4) date as of which the application can be examined (Article 93, Paragraph 3, of the Law);

5) designation under the IPC;

6) name of the invention;

7) last name and first name or corporate name and title of the applicant and his address or domicile;

8) name of the inventor or statement to the effect that the inventor does not wish to be referred to in the application;

9) number of the principal application or principal patent in the case of a supplemental application;

10) number of the first application if a separate application is involved;

11) survey or abstract.

Article 20

When a petition is filed for complete examination, immediately after that petition is filed, the Bureau shall publish the P-number of the patent application and the designation under the IPC in the next number of the PATENT HERALD.

Article 21

An invention contained in a patent application withdrawn before expiration of the period of 18 months from the date of filing the application or from the date when the right of priority was petitioned for shall be assumed not to be included in the state of the art in the sense of Article 21, Paragraph 2, Subparagraph 1, of the Law provided that invention has not been accessible to the public by publication, display, demonstration or use in a manner making it possible for specialists to use that invention.

Article 22

The Bureau shall enter the following in the register of patents referred to in Article 91 of the Law:

1) the patent's registration number;

2) information on the patentholder, as follows:

a) last name and first name or corporate name or title,

b) address or domicile,

c) occupation or line of business;

3) name of the inventor or statement that the inventor does not wish to be referred to in the application;

4) application filing date and P-number;

5) information on the right of priority acknowledged, as follows:

a) date of right of priority based on exhibition (fair),

b) number of the application serving as the basis of the right of priority,

c) name of the country in which the application was filed which serves as the basis of the right of priority;

6) date when the application was published;

7) date of registration;

8) date as of which the patent is in effect;

9) information on extension of a patent's validity;

10) designation under the IPC;

11) lien or contract license (information on the life of the license, its scope and whether it is exclusive) and mandatory or official license, as well as information on the licensee;

12) information on whether the invention is being used by another organization of associated labor in the sense of Article 68 of the Law (corporate name or title of the organization using the invention) and information on commencement and cessation of the use.

Article 23

The patent certificate referred to in Article 92, Paragraph 1, of the Law shall contain the following:

1) registration number of the patent and the P-number;

2) information on the holder of the patent, as follows:

a) last name and first name or corporate name or title,

b) address or domicile,

c) occupation or line of business;

3) name of the invention;

4) inventor's name;

5) date of the right of priority acknowledged;

6) date of publication of the patent application;

7) date of the patent's entry into the register;

8) date until which the patent is in effect;

9) information on tax paid for 7-year protection;

10) date of issuance of the certificate.

Article 24

The following shall be published in the PATENT HERALD in the sense of Article 92, Paragraph 2, of the Law:

1) the number of the patent;

2) the P-number;

3) the filing date of the application;

4) information on the right of priority acknowledged, as follows:

a) date of right of priority based on exhibition (fair),

b) number of the application used as the basis of the right of priority,

c) date of application serving as the basis of the right of priority,

d) name of the country in which the application was filed which is serving as the basis of the right of priority;

5) date as of which the application can be examined (Article 93, Paragraph 3, of the Law);

6) date when the application was published;

7) name of the invention;

8) designation under the IPC;

9) number of the principal application or principal patent if a supplemental application is involved;

10) number of the first application if a separate application is involved;

11) name of the inventor or statement that the inventor does not wish to be referred to in the application;

12) last name and first name or corporate name or title of the patentholder and his address or domicile;

13) patent claim or first claim if the patent claim contains several claims, along with the drawing of the invention if necessary.

Information on cessation of validity and also extension of validity of a patent shall also be published in the PATENT HERALD.

Article 25

The Bureau shall inform the patent applicant or patentholder concerning the following petitions of other persons filed with the Bureau and which pertain to the patent application or registered patent:

1) petition for complete examination of a patent application;

2) petition for issuance of a mandatory license;

3) petition for issuance of a official license;

4) petition for annulment of a patent;

5) proposal to proclaim the nullity of a ruling acknowledging a patent.

Article 26

If the principal patent application has been refused or rejected or if the person submitting the principal patent application has withdrawn it, the person submitting the supplemental application may file a proposal for establishment that the supplemental application become the principal patent

application no later than 3 months from the date of receipt of the ruling rejecting or refusing the principal patent application or no later than 3 months from the date when the request was submitted for withdrawal from the principal patent application.

If the supplemental patent application is bound by a principal patent, and the holder of that patent renounces that right or if the patent is canceled or the decision acknowledging the patent is proclaimed null and void, the applicant may file a proposal to establish that the supplemental patent application has become the principal application no later than 3 months from the date when the principal patent ceased to be valid.

III. Provisions Regulating in Detail Matters Related to Procedure for Recognition of a Pattern or Design

Article 27

The Bureau shall keep a separate register of pattern or design applications.

The following shall be entered in the register referred to in Paragraph 1 of this article:

1) the registration number and serial number of the patent or design application (hereafter the "M-number or U-number");

2) the filing date of the pattern or design application and the date of right of priority petitioned for;

3) last name and first name or corporate name or title of the applicant and his address or domicile;

4) last name and first name or corporate name or title of the authorized representative of the applicant and his address or domicile;

5) name of the body shape, picture or drawing;

6) name of the originator if the originator is referred to;

7) information on the manner in which administrative proceedings were terminated and the registration number of the pattern or design granted;

8) information on changes.

Article 28

A petition requesting recognition of a pattern or design shall not be entered in the register of applications for patterns or designs referred to in Article 27 of this regulation unless the submittal contains the following:

1) last name and first name or corporate name or title of the applicant;

2) information on the basis of which it can be unambiguously established that a pattern or design application is involved;

3) name of the body shape, picture or drawing;

4) specification of the body shape, picture or drawing;

5) photograph or drawing of the body shape, picture or drawing unambiguously showing the novelty for which protection is sought;

6) applicant's signature.

Article 29

The information and appendices in an application for recognition of a pattern or design shall be regarded as clear and complete if they have been drawn up in conformity with the Regulation on the Manner of Drafting and Submittal of Patent Applications and Their Appendices.

Article 30

The right of priority in the context of Article 72, Paragraph 1, of the Law may be established only if the pattern or design application contains the information and appendices enumerated in Article 28 of this regulation.

Article 31

The Bureau shall enter the following in the register of patterns and designs referred to in Article 91 of the Law:

1) the number under which the pattern or design is entered in the register;

2) information on the holder of the pattern or design, as follows:

a) last name and first name or corporate name or title,

b) address or domicile,

c) occupation or line of business;

3) name of the originator if the originator is referred to;

4) filing date of the application and M-number or U-number;

5) information on right of priority acknowledged, as follows:

a) date of right of priority based on exhibition (fair),

b) number of the application used as the basis of the right of priority,

c) date of the application used as the basis of the right of priority,

d) name of the country in which the application was filed which is being used as the basis of the right of priority;

6) date of registration;

7) date as of which the pattern or design takes effect;

8) designation in conformity with the Locarno Arrangement on International Classification of Patterns and Designs (hereafter "ICPD");

9) lien or contract license (information on the life of the license, its scope and whether it is exclusive) and information on the licensee.

Article 32

The certificate on the pattern or design referred to in Article 92, Paragraph 1, of the Law shall contain the following:

1) the M-number or U-number and the number under which the pattern or design, respectively, is entered in the register;

2) the real name of the pattern or design;

3) information on the holder of the pattern or design, as follows:

a) last name and first name or corporate name or title,

b) address or domicile,

c) occupation of line of business;

4) last name and first name of the originator and his address if the originator is referred to;

5) date of the recognized right of priority;

6) date when the pattern or design was entered in the register;

7) date the pattern or design expires;

8) date of the certificate's issuance.

Article 33

In the context of Article 92, Paragraph 2, of the Law the following shall be entered in the PATENT HERALD:

1) the number under which the pattern or design is entered in the register and the M-number or U-number;

2) date the application was filed;

3) date of registration;

4) last name and first name or corporate name or title of the holder of the pattern or design and his address;

5) information on the acknowledged right of priority, as follows:

a) date of right of priority based on exhibition (fair),

b) number of the application used as the basis of the right of priority,

c) date of the application used as the basis of the right of priority,

d) name of the country in which the application was filed which is being used as the basis of the right of priority;

6) photograph or drawing of the body shape, picture or drawing;

7) real name of the body shape, picture or drawing;

8) designation under the ICPD;

9) last name and first name of the originator if the originator is referred to.

IV. Provisions Regulating in Detail Matters Related to Procedure for Recognition of a Trademark or Service Mark

Article 34

The Bureau shall keep a separate register of applications for trademarks or service marks.

The following shall be entered in the register referred to in Paragraph 1 of this article:

1) the registration number and serial number of the application for the trademark or service mark (hereafter the "Z-mark");

2) filing date of the application for the mark and the date of the right of priority petitioned for;

3) last name and first name or corporate name or title of the applicant and his address or domicile;

4) last name and first name or corporate name or title of the authorized representative of the applicant and his address or domicile;

5) mark for which protection is being sought and also the colors or combinations of colors if the mark is in color;

6) designation of the class in which the products or services are classified according to the International Classification of Products and Services established by the Nice Arrangement on the International Classification of Products and Services (hereafter "ICPS");

7) information on the manner in which administrative proceedings were terminated and the registration number of the recognized right;

8) information on changes;

9) information as to whether international protection of the mark has been applied for.

Article 35

A petition requesting recognition of a mark shall not be entered in the register of applications for trademarks and service marks referred to in Article 34 of this regulation unless the submittal contains the following:

1) last name and first name or corporate name or title of the applicant;

2) information from which it can be unambiguously established that an application for a trademark or service mark is involved;

3) the mark for which protection is sought;

4) a list of the products and services;

5) applicant's signature.

Article 36

The information and appendices in an application for recognition of a mark shall be considered clear and complete if they have been drawn up in conformity with the Regulation on the Manner of Drafting and Submittal of Patent Applications and Their Appendices.

Article 37

The Bureau shall enter the following in the register of trademarks and service marks referred to in Article 91 of the Law:

1) the number under which the trademark or service mark is entered in the register;

2) information on the holder of the mark, as follows:

a) last name and first name or corporate name or title,

b) address or domicile,

c) occupation or line of business;

3) filing date of the application and the Z-number;

4) data on recognized right of priority, as follows:

a) date of right of priority based on exhibition (fair),

b) number of the application used as the basis of the right of priority,

c) date of the application which is being used as the basis of the right of priority,

d) name of the country in which the application has been filed which is being used as the basis of the right of priority;

5) registration date;

6) appearance of the mark;

7) list of products and services designated and classified under the ICPS;

8) date the mark expires;

9) information on extension of the mark's validity;

10) information on cessation of the mark's validity;

11) lien or contract license (information on the life of the license and on whether the license is exclusive) and information on the licensee;

12) information on international protection of the mark.

Article 38

The right of priority in the context of Article 72, Paragraph 1, of the Law can be established only if the application for the mark contains the information and appendices enumerated in Article 35 of this regulation.

Article 39

The certificate concerning the mark in the context of Article 92, Paragraph 1, of the Law shall contain the following:

1) the number under which the mark is entered in the register and the Z-number;

2) appearance of the mark;

3) list of products and services;

4) information on the holder of the mark, as follows:

a) corporate name or title or last name and first name,

b) domicile or address,

c) line of business;

5) date of recognized right of priority;

6) date when the mark was entered in the register;

7) date to which the fee has been paid;

8) date of issuance of the certificate.

Article 40

The following shall be published in the PATENT HERALD in the context of Article 92, Paragraph 2, of the Law:

1) the number under which the mark is entered in the register and the Z-number;

2) filing date of the application;

3) registration date;

4) corporate name or title or last name and first name of the holder of the mark and his domicile or address;

5) information on recognized right of priority, as follows:

a) date of right of priority based on exhibition (fair),

b) number of the application used as the basis of the right of priority,

c) date of the application being used as the basis of the right of priority,

d) name of the country in which the application was filed which is being used as the basis of the right of priority;

6) appearance of the mark;

7) list of products and services.

V. Provisions Regulating in Detail Matters Related to Procedure for Establishment of a Product Mark of Origin and Registration of Authorized Users of Such Marks

Article 41

The recommendation for establishment of a product mark of origin referred to in Article 41, Paragraph 2, of the Law should contain the following: place

names protected by the product mark of origin; products which may be put on sale with a particular product mark of origin; the place or region which is the origin of the product put on sale with the product mark of origin; the product characteristics which the product must meet to be placed on sale bearing the product mark of origin; the manner in which the product is to be marked and more detailed conditions for recognition of the right to use the particular product marks of origin.

Article 42

The recommendation for entry in the register of holders of protected product marks of origin referred to in Article 42, Paragraph 2, of the Law should contain evidence that the conditions for acquiring the right to use a protected product mark of origin have been met.

Article 43

The Bureau shall enter the following in the register of protected product marks of origin referred to in Article 41 of the Law:

1) the registration number of the product mark of origin;

2) the date of registration of the product mark of origin;

3) the date and number of the decision of the Economic Chamber of Yugoslavia in the sense of Article 40 of the Law;

4) the information referred to in Article 41 of this regulation;

5) changes pertaining to the product mark of origin.

The Bureau shall enter information on authorized holders of a protected product mark of origin in a separate portion of the register referred to in Paragraph 1 of this article.

Article 44

The Bureau shall enter the following in the register of authorized users of a protected product mark of origin referred to in Article 42, Paragraph 2, of the Law:

1) information on the authorized user of the protected product mark of origin, as follows:

a) last name and first name or corporate name or title,

b) address or domicile,

c) occupation or line of business;

2) date and number of the document of the competent economic chamber in the republic or autonomous province;

3) date of entry in the register of the authorized user of the protected product mark of origin;

4) date to which the right to use the product mark of origin is valid;

5) information on payment of the fee for extension of the right to use the product mark of origin;

6) date when the right to use the product mark of origin expires.

VI. Transitional and Final Provisions

Article 45

The provisions of this regulation shall also apply to applications for recognition of rights protecting inventions and distinguishing marks filed before the date designated for applying the Law on which administrative proceedings have not been completed.

Article 46

Patent applications on which administrative proceedings have not been completed by the date designated for application of the Law shall be published in conformity with Article 93, Paragraph 1, of the Law and Articles 7 and 10 of this regulation even if:

1) they do not contain a survey of abstract;

2) they do not altogether meet the conditions of regularity with respect to the number of copies of the application and its appendices.

Article 47

Information concerning the P number and designation under the IPC shall be published in the PATENT HERALD for patent applications on which administrative proceedings have not been completed by the date designated for application of the Law, but which may be examined in the context of Article 93, Paragraph 3, of the Law.

Article 48

This regulation shall take effect on the eighth day after publication in SLUZBENI LIST SFRJ.

7045
CSO: 2800/445

END

JPRS 81864

27 September 1982

# East Europe Report

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2319

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27 September 1982

# EAST EUROPE REPORT

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2319

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LOWER INTERFLUG FARES SEEN LURING WESTERN COUNTRIES

Bonn DIE WELT in German 30 Jul 82 p 3

[Article by Hans-R. Karutz, Berlin: "The 'GDR' Tempts With Price Dumping--Western Vacationers Drifting Over to Schoenefeld-- Soon No Vacation Flights From Tegel Anymore?"]

[Text] The red lettering "Interflug" encircled by a sweeping jet symbol supplemented with "German Democratic Republic" lies like a shadow over air traffic in Berlin. The announcement of nonstop flights between East Berlin and the vacation paradise of the Canary Islands alarmed the Senat, the Allies and the Foreign Office. Schoenefeld, a stone's throw from the West Berlin city limits at the southern edge of East Berlin, even now transports every second Turkish guest worker on his flight home. Of all flights in Greece 65 percent go via East Berlin. "Perhaps by next summer, Mallorca is already in the hands of 'Interflug'," a West Berlin air traffic expert fears. The stated owned "Interflug"--only in 1963 did they relinquish the name "German Lufthansa", after losing a suit in court--managed during the last 10 years to "land" successfully with West Berlin tour operators.

It started with a few outsider "sharks" who tested the East Berlin offers in the market of travel-happy Berliners. The argument that several hundred D-marks in savings were not to be sneezed at despite the extra effort to get to East Berlin's government[-run] airport, caught on. Then the large established enterprises followed suit. In a newspaper interview, the business manager of the biggest travel agency ("Berliner Flugring"), Horst Brookmann, announced: "We, also, must get into business deals with the GDR, or else we cannot survive. We cannot assume that Berlin vacationers, despite the price differences, prefer to fly from Tegel rather than from Schoenefeld."

A year ago this unpatriotic attitude, but understandable in times of tight money, had brought to the fore the new senator for economy, Elmar Pieroth (CDU): "I am happy about every D-mark that Berlin families can save during their vacations. But sooner or later, Berliners will have to pay the piper, because in the long term, Schoenefeld cannot continue air traffic against the laws of the marketplace."

This warning by the air traffic senator--his predecessor, Guido Brunner, now ambassador to Madrid, is conducting difficult negotiations with the [Spanish] government to prevent "Interflug" landings--fell on deaf ears.

The figures speak for themselves:

--In the first 6 months of 1982, the number of charter passengers flying from Tegel dropped by 8.1 percent to 258,787 Berliners. Just how lucrative the market of travel-happy Berliners is can easily be computed if one assumes a package tour of DM 500 per air passenger. Several hundred million DM are involved.
--"Interflug" has six weekly flights to Athens during the summer, and also flies to Crete and to the flower island of Rhodos. A visit to the Acropolis--round trip--can be had for DM 299. With this pricing policy, the "GDR" airline captured 65 percent of the total travel market to Greece.
--In West Berlin alone, 33 agencies and travel bureaus sell the flight tickets, at varying rates, of this state-owned airline which does not belong to the IATA family. Ten years ago, there was only one sales outlet.
--With the exception of a short interruption at night, buses of the East Berlin BVG [Berlin Transportation Company], commissioned by "Interflug", shuttle between Schoenefeld and the West Berlin bus station at the foot of the communications tower. They run at 30-minute intervals for 5 DM (children 3 DM) including luggage--with the silent approval of the Senat.

Expecially the so-called "backpack tourist," who pinches every penny, is not put off by the awkward entry procedure. One "interflug" passenger gives this description: "Since there is a so-called check-in time of at least 1 hour before flight departure, one has to start out pretty early in West Berlin to catch the suitable shuttle bus. Upon entry, passports and passenger cards must be presented four times. Often it is a matter of a total of 3 hours between departure from home in West Berlin to flight departure in Schoenefeld." At Tegel, it is sufficient to be at the ticket counter 15 minutes (regular flights) or 45 minutes (charter flights) [before departure].

The price level of the airline, subsidized with large sums from the "GDR" budget, has proved disastrous for many an ex-refugee: because in contrast to the transit between the two Germanys, which even escaped "GDR" citizens can largely use without danger, these branch transit routes to so-called third countries are not protected.

Repeat passengers of "Interflug" who travel to the Eastern bloc in the course of business, call the service "a bit skimpy, but the story of the sandwiches which the personnel must prepare themselves, is of course nonsense. Everything seems a little less polished--from the uniforms to the stewardesses' makeup."

The computation is still a puzzle: in 1980, the VEB air traffic cancelled all domestic flights--costs were too high. East Berlin decreed to bring in hard currency through flying.

The supposedly "bogus Western exchange rate" between D-mark and East German mark, incidentally, is also carefully observed by "Interflug": Prominent "GDR" stars who, for instance, fly to concerts or similar appearances in Italy are charged by the airline a price in East German currency about five times higher than a West Berlin passenger to Rome pays in West German currency.

In the "general instructions" of Interflug, there is very clearly the indication of arbitrary pricing, upward or downward: "All prices listed can be changed at any time," it states literally. Unusual, and only specific for "Interflug" is also the prohibition to use "cameras and binoculars" on board.

The "Interflug" flight network of 125,000 km, with strong connections to the Near and Far East,--together with prices up to 40 percent below the IATA limit--encourage the busy "ants' path" between East and West. Applicants for asylum and drug dealers land and start principally in Schoenefeld and proceed from there, undiscovered and uncontrolled, to the Western side. Four hundred Lebanese and stateless Palestinian drug dealers came to West Berlin via this route in 1981, according to information from the Berlin police.

9917
CSO: 2300/381

## 12TH FARMERS CONGRESS RESOLUTION SETS AGRICULTURAL TASKS

West German Commentary

Bonn DIE WELT in German 20 Jul 82 p 3

[Unsigned article: "The Farmers of the 'GDR' Are Under Pressure to Succeed--They Are to Produce an Additional One Million Tons of Grain Annually--Problems With Meat Supply." Translations of the official GDR evaluation and appended resolution of the East Berlin farmers congress, cited below, follow this commentary]

[Text] At the present time the wheat harvest in the "GDR" is in full swing. It is accompanied by slogans and statements in the newspapers such as "The '82 harvest is the farmers' contribution to the strengthening of the republic" or "The sun is burning hot, the dust settles on their clothing and their skin, but the cooperative farmers give no thought to taking a breather."

The "GDR" farmers are under pressure to succeed. At the farmers congress in East Berlin their official representatives recently made commitments which included the obligation to achieve by 1985 an annual grain production increase to 10.5 million tons, which would mean an increase of at least one million tons per year over the present production level. In the recently published "GDR" Law Gazette, a pronouncement on the full utilization of the farmers congress, signed by Premier Willi Stoph and Minister for Agriculture Heinz Kuhrig, states that "controllable measures for its realization must be set down and their implementation must be ensured."

The assumed obligations also include "special efforts to bring about an increase in grain and fodder production in order to cut back grain imports at a faster rate and finally to do away with them altogether." According to western estimates, it will hardly be possible in 1982 to take a substantial step in that direction. It is stated that, for instance, in 1981 the "GDR" imported from the United States grain valued at 331 million dollars. If this present trend were to continue, the imports in 1982 would reach an equivalent amount.

The SED organ NEUES DEUTSCHLAND devoted only nine paragraphs to the "Agriculture, Forestry, and Food Production" chapter. In them, laudatory remarks were made about the farmers' "private plots," which had made "an important contribution to improving the population's supply with fruit, vegetables, eggs, honey and white meat."

Due to the problems with fat stocks, the meat supply in the "GDR" continues to be unsatisfactory. One of the reasons given by some agricultural enterprises for not meeting the meat and milk plans was livestock feed shortages caused by curbed imports. In addition, there had been livestock losses, especially in the northern bezirks, as a result of foot and mouth disease and a lack of qualified personnel for handling livestock.

These supply bottlenecks are passed over in silence by the "GDR" media. Only from local papers it was possible to find out about "problems connected with providing for vacationers," but no details were reported there either. In an analysis of "GDR" agriculture, the German Institute for Economic Research (DIW), West Berlin, writes that it has already switched directions several times.

According to DIW, after the big collectivization wave slowed down in the 1960's it was taken as an unquestioned dogma that the necessary production increases could be achieved only through an industrialization of agricultural production. As a result, relatively large "agricultural plants" came into being, which caused an enormous outlay for transportation because of the great distances involved and also resulted in relatively high organizational costs.

According to DIW, the plan estimates for the 1981-1985 Five-Year Plan indicate that livestock production is essentially to remain on its present level whereas higher crop production could no longer be achieved by a more intensive utilization of available acreage but called for the tapping of reserves.

GDR Council of Ministers Resolution

East Berlin GESETZBLATT DER DEUTSCHEN DEMOKRATISCHEN REPUBLIK in German Part I No 25, 12 Jul 82 p 455

[Official text of "Resolution, dated 11 June 1982, on the Evaluation of the 12th Farmers Congress of the GDR--Excerpt," signed by Willi Stoph, chairman, GDR Council of Ministers, and Heinz Kuhrig, minister for agriculture, forestry, and foodstuffs]

[Text] 1. The report concerning the implementation of the 12th Farmers Congress of the GDR is acknowledged.

2. The resolution of the 12th Farmers Congress of the GDR is approved. (Attachment)
The ministers and chiefs of the other central government organs, the chairmen of the bezirk and kreis councils, the mayors, as well as the chiefs of scientific and educational institutions are obligated to ensure a thorough evaluation of the resolution in their spheres of responsibility, to establish controllable measures for their realization, and to ensure their implementation.

3. The report of the resolution committee to the 12th Farmers Congress of the GDR is acknowledged.
The ministers and chiefs of the other central government organs, the chairmen of the bezirk and kreis councils, the mayors, as well as the chiefs of scientific and educational institutions are obligated to ensure the processing of the problems and tasks contained therein in accordance with the resolution committee's

report as approved by the 12th Farmers Congress, and to make the necessary decisions on their own responsibility. For decisions which cannot be made on their own responsibility, they are to submit recommendations by 31 August 1982.

4. The council of ministers' measures in connection with the evaluation of the 12th Farmers Congress of the GDR are approved.

GDR Farmers Congress Resolution

East Berlin GESETZBLATT DER DEUTSCHEN DEMOKRATISCHEN REPUBLIK in German Part I No 25, 12 Jul 82 pp 455-465

[Official text of "Resolution of the 12th Farmers Congress of the GDR, 13-14 May 1982," attachment to the foregoing Council of Ministers Resolution]

[Text] Our course for the 1980's--Reliably supplying our population with foodstuffs and our industry with raw materials through higher achievements, quality and effectiveness on the fields and in the stables

Our Bread Grows Well Only in Peace--All Our Strength to It!

We cooperative farmers and workers in agriculture, forestry and the foodstuffs industry are conscious of the great responsibility for the realization of the SED Program. Through active, creative and industrious work we contribute to the all-round strengthening of the workers and farmers power in the GDR. Socialism and peace belong together. This is what our experience has been, and we act accordingly.

The fact that we have been able to do our work for three decades under the star of peace is due particularly to the consistent peace policy of the Soviet Union and of the states firmly allied with it in the Warsaw Pact.

For this reason we support with all our strength the course of peace, growth, and people's prosperity decreed for the 1980's by the 10th SED Congress.

For this reason we stand firmly behind the CPSU peace program and join the peoples in their worldwide struggle against the imperialist arms-buildup policy.

It is for this reason that we unanimously approve the new proposals by Comrade Leonid Brezhnev, secretary general of the CPSU Central Committee and chairman of the presidium of the Supreme Soviet of the USSR, on disarmament and the securing of peace.

It is for this reason that we demand the elimination of the NATO missile decision on deploying new and deadly U.S. missiles in Europe and protest most sharply against the construction of the neutron weapon and the development and production of constantly new weapons systems by the United States.

We wholeheartedly support what the SED and the government of our state are doing for the protection of peace, for stopping the arms race staged by U.S. imperialism, and for arms limitation and disarmament.

We condemn with loathing the policy of imperialism that replaces cooperation by confrontation and disturbs world peace with its policy of threats and boycotts. We shall do everything necessary to counter those shameful designs. Our contribution to it lies in our using all the possibilities available to us in increasing our production and efficiency for the further all-round strengthening of our socialist fatherland.

The manifold foreign policy activities of our party and government, aimed at friendly cooperation among the peoples, give us favorable prerequisites for it. We are deepening our fraternal and friendly relations with the Soviet Union and the other socialist countries. We declare our profound solidarity with the liberated national states. We are assuring them we will stand by their side at any time in the anti-imperialist struggle.

While fulfilling those demanding tasks, we let ourselves be guided by the principle that the safeguarding of the living standard achieved and its gradual improvement calls for a high degree of economic efficiency. We are aware of the great responsibility which agriculture, as part of the national economy, bears for stably supplying the population with foodstuffs, and industry with raw materials. We also know we must do a great deal to improve the efficiency of our national economy.

It corresponds to the common interests of the workers class, the class of the cooperative farmers and all working people that the 10th SED Congress reaffirmed the fact that the development of our agriculture is and remains a concern of the entire national economy. We therefore proceed from the fact that we can also in the future rely on the active support of the workers class and of science. From this we derive a high degree of political responsibility for our socialist agriculture. On the basis of this alliance we will, through socialist competition, make a substantial contribution to the objective of consistently carrying on the main task in its unity of economic and social policy. We know that from the reproduction conditions of the 1980's there result for our national economy significantly higher demands on our work, efficiency, industriousness and creativeness.

For the fulfilment of these exacting tasks, the 30 years of socialist development of agriculture provide us with important lessons and experiences, optimism, pride in our achievements, and the unshakable certainty that we will live up to our duties as farmers.

Thirty Years of Successful LPG Development--Secure Basis for Continued Rapid Performance Improvements

Three decades ago, in 1952, the working class party with its historic resolution at the Second SED Conference showed us the way for converting a splintered simple farm production into cooperative production. This was the course we took, and everyone in the villages knows it was the correct one.

In this process, the democratic parties and organizations united in the National Front are an important social force.

Our LPG's are proving to be sound basic forms of agricultural production, making available the decisive share for stably supplying the population with foodstuffs, and industry with raw materials. At the same time they are proving their worth as the sociopolitical community in the villages.

In the 30-year history of our LPG's we have developed into a highly cultivated cooperative farmers class which is loyally dedicated to socialism. We have literally become a new kind of people. As alliance partners of the leading workers class, we are actively participating in the exercise of political power and in solving the economic, social and cultural tasks. We have become ever more successful in developing creativeness and initiative as well as comradely cooperation and mutual help as characteristics of good cooperative work and in spreading cooperative democracy.

Which other phase of the German farmers' history has been able to record anything resembling the progress we have accomplished in barely half a generation? We know no fear of ruination, such as worries the millions of small and medium-size farmers in the capitalist countries. Instead, we have in the course of these 30 years increased our crop and animal production as never before, as follows:

Grain--a 1.65 fold increase,
Fat stock--a 4.6 fold increase,
Milk--a 3.4 fold increase, and
Eggs--a 9.5 fold increase.

All of this we achieved with a considerably smaller work force. Our way is so successful because, under the leadership and with the energetic help of the workers class and its Marxist-Leninist party, we have creatively applied the Leninist cooperative plan. It has proved to be effective thoroughly to consult with us farmers on all decisive development problems, to prepare well each step in the sphere of social development, and to proceed jointly. It was the correct procedure to make use of the various forms of gradual transition from individual farming to cooperative production, and to develop them further by way of cooperation.

The resolution of the Eighth and Ninth SED Congress on the further intensification and the gradual transition to industrialized production methods have enabled us to contribute increasingly to the necessary efficiency increase of our national economy. The 10th party congress resolutions as well as our good results and successes will put us in a position in the future even more effectively to live up to our farmers' commitment in connection with the shaping of the developed socialist society.

Our Objectives and Tasks in the 1980's

The reliable fulfilment of the main task calls for a further dynamic development of our agricultural performance. We are aware, that is a political task of the first order. The 10 key points of the economic strategy decreed by the 10th SED Congress also direct us farmers to shaping the intensification process as effectively as possible. We have creatively and constructively discussed this at the kreis farmers conferences in all kreises in our republic, at which we also conducted elections for new agriculture and foodstuffs industry councils, and we

decided on the setting up of exacting programs. We think it a good idea to conduct these great democratic forums approximately every 2 years in the future.

In implementing these tasks, we rely on our greater intellectual and material potential. For this reason, training and follow-up training, mechanization, the application of chemical means, soil enrichment, breeding, storage and conservation remain the sustaining factors of socialist intensification.

Applied in a complex fashion and with a high degree of economy, their effect is greater than that of focusing on individual aspects only. It is therefore more necessary than ever that we always proceed from the unity of natural, technical-technological, economic and social processes. This constitutes the field of action of close socialist team work between science and actual practice for carrying through scientific-technical progress. This is to be taken into account in the socialist competition for further intensification.

In view of the exacting tasks, we shall more carefully examine what has proven its worth and what has not. Our most significant performance reserves include the need to make by far better use of the high training level of the cooperative farmers and workers, everywhere to apply purposefully the experiences of the most advanced LPG's and VEG's, to deepen cooperation, to carry through socialist enterprise operations to a more comprehensive extent, to promote mutual assistance, and to organize rationalization on the basis of an ever more comprehensive application of science and technology.

This is a particular challenge to youthful vigor--because youth, science, and technology belong together also in the country. We are convinced that the socialist youth organization will also in the future prove to be a loyal helper and dependable fighting reserve of the SED.

In the streamlined reproduction process of our agricultural and livestock economy we are concentrating our initiatives on a further strengthening of the LPG's and VEG's in order thus to utilize our soil, our livestock, and indeed all our capacities, with the least expenditure possible of feed, energy and material. This includes the need for ensuring exemplary order, safety and discipline in all production sectors.

No longer can or will we put up with unjustified disparities. Let us care for our neighbor's field, or his stable, as if it were our own. To produce the same amount of goods from the same conditions, therein lies an almost immeasurable reserve. This similarly applies to a more effective utilization of the agricultural raw materials through close cooperation with the processing industry and commercial enterprises for dependably supplying our people.

The necessary dynamic efficiency improvement of our national economy requires that we use economically and rationally and with a higher degree of effectiveness everything we have created in the past years for ourselves as production prerequisites and all the workers class will in the coming years make available to us in new basic assets, materials and energy. So we shall by 1985 noticeably reduce our costs per M 100 gross production and increase the contribution made by our agriculture, forestry, and foodstuffs sectors to our national income by at least M 1.1 billion.

We shall also in the future combine this with effective measures for the further improvement of our socialist land cultivation.

High and Solid Yields in All Cultures Through More Effective Soil Utilization

In our daily work we proceed from the fact that the soil, our primary means of production, is our most precious natural treasure. Our experiences confirm the old realization that the better we treat the soil, that much better it will treat us, and with increasing yields, at that.

In the GDR we dispose of only 0.37 hectare of usable agricultural area per inhabitant. It is therefore all the more necessary for us, through a strict implementation of the soil utilization order, to make full use of every square meter during the entire vegetation period, steadily to increase fertility, and to protect it against being used for purposes not justified from the vantage point of our national economy. Relying on that fact, we make the focal point of all our initiatives the intensification of crop production as a priority project, for it is the fountain head for agriculture's greater contribution to a performance increase in our national economy.

We therefore concentrate our efforts on fully exhausting the soil and crop yield possibilities on all acreages, and we are thereby guaranteeing a higher level of effectivness of the work and the funds required for this purpose. This also applies without restriction to all small-scale areas such, as for instance, those situated adjacent to the stables. We conscientiously keep up our accounting records on our agricultural production activities and the acreage files. We closely cooperate with the urban and community councils in order to see to it that as yet unutilized minimal-scale areas and broken lots will be cultivated. Jointly with other domains of our national economy we shall make greater efforts to recultivate usable agricultural acreage.

We are concentrating on a strict realization of the long-range programs for a more effective soil utilization in order to achieve the highest possible yields on all acreages, yields which can measure up to comparable top yields. Proceeding from the experiences with best performance, we thus purposefully apply the scientific-technical progress made in crop production and sensibly coordinate all agricultural, crop cultivation, and soil improvement measures. This we combine with a rational utilization and the protection of our water resources.

We pay maximum attention to the provision for adequate quantities of organic substances, especially of solid and liquid manure, dung water, and field compost. The same purpose is served by the expanded cultivation of lucerne, clover, and their mixtures with grass, as well as of catch crops, primarily leguminous plants.

We are deepening the cooperation between the collectives in animal and crop production in order also to make available organic substances to an increasing extent and at a high-grade level, and to get them into the soil during the most favorable agrotechnical time periods with the least loss in nutritional value. We intend by 1985 to produce 6 million cubic meters of liquid manure dumps, 5.9 million cubic meters of dung-water pits, and 1.4 million square meters of dung slabs, and to expand the capacities for their distribution in such a

manner that dung compost, liquid manure, and dung water can be put to effective use at a time most suitable for crop cultivation. Similarly, we are utilizing all other organic by-products from the spheres of agriculture, forestry, and foodstuffs production and from the other domains of our national economy.

Through stable, sound scientific crop rotation, we shall make optimum use of the early crop effects of the cultivated areas by sensibly fitting them into the crop rotation process, and we shall observe the necessary phytosanitary principles, particularly the cultivation intervals, especially for potatoes and sugar beets. Each crop category must have the location where it will produce the greatest yield. It is a matter of professional honor for each of us to carry out all work in the fields at the highest possible quality level and in a soil-conserving manner. This also includes that in each LPG and in each VEG we pay greater attention to high-performance plowing and to striving for a higher level of soil cultivation.

Through strict management and organization on the basis of norms and through a rational utilization of working time we are struggling, in our socialist competition, to abiding by the most favorable time frames for soil cultivation, planting, cultivating and harvesting, and utilizing favorable soil and weather conditions, in order thus to be able to provide for each category under cultivation the growth period required for the achievement of maximum yields. In this connection, a high degree of technological discipline marks the focal point of our work.

An optimum supply of plants in all cultivated categories and at all locations constitutes the elementary condition for an effective utilization of the soil, fuel consumption, fertilizers, herbicides and insecticides and other resources. When we enter the harvest season, it is our goal to have per hectare at least 45,000 eating potato plants, at least 50,000 seed potato plants, and at least 80,000 sugar beet plants.

To make everything that has been grown effective in the supply sector requires of each and every work collective in our LPG's, GPG's and VEG's, as well as in the processing enterprises and commercial establishments, that they conduct a still more determined struggle against losses of any kind. This particularly applies to potatoes, grain, sugar beets and feed, as well as to fruit and vegetables. Through proper work quality and the application of all tried and proven innovations, we are concentrating on significantly lowering the harvest, storage, and preservation losses, because that, as one well knows, is the cheapest way to raise production.

With all these good and necessary plans, we can and will make it our goal to harvest in the GDR in 1985 a total yield of 43.7 to 44.2 decitons of grain units per hectare of agricultural acreage under cultivation. This requires an annual increment of 0.5 decitons of grain units. Within the scope of socialist competition we are making it our task to surpass that amount by another 0.7 decitons of grain units per year. That is indispensable for reliably ensuring our own crop production yields for stably supplying our population with foodstuffs, and our industry with raw materials.

All Our Knowledge and Skills for Achieving High Grain and Feed Yields From Our Own Production

Our most important obligation for the all-round strengthening of our socialist fatherland is the achievement of a faster increase in the yields. Each collective is struggling to achieve top yields corresponding to the existing natural and economic conditions, with respect to which the results of the best performers are at all times the standards for the work of all of us.

Particular efforts are devoted by us to the achievement of an increase in grain and food production in order to bring about a faster reduction in grain imports and, ultimately, do away with them entirely.

At the Third SED Central Committee session, Comrade Erich Honecker made the following statement: "These questions are of increasing significance in the international class struggle. It is today entirely possible to look at the grain problem as being on the same priority level as the oil problem." We farmers have well understood the gravity of these words!

For this reason we propose to increase our grain production by 1985 to 10.5 million tons and thus make a greater contribution to the easing of our national economy's balance of payments. We are going to raise the grain yields to an average of at least 39.5 decitons per hectare. This above all means that the LPG's and VEG's which are already achieving higher yields at favorable locations must ensure a correspondingly greater increase in yields. For us, the highest-yield concepts attain particular importance because acreage-related and norm-observing production enforces the implementation of scientific-technical progress. This at the same time leads to high-grade grain, including better food grains. We adopt this principle also for all other cultures.

As a further measure, we will by 1985 expand the grain cultivation acreage by at least 120,000 hectare. In this connection we will pay particular attention to the feed cultivation acreage and to an increase in its yields. At the same time we will at all locations ensure an optimum structure of various varieties and specimens, in order to harvest sufficient high-quality fodder.

Beyond this, we are intensifying our efforts to increase the production of coarse fodder while at the same time gradually reducing the overall fodder acreage with due consideration given to the supply and quality factors. Harvesting more greens with high nutritional value from smaller green acreage and silage fodder acreage as a result of compact and healthy crop growth also constitutes a gain in acreage to be used for increased grain cultivation. In connection with our fodder production from the fields, we are concentrating all our efforts on achieving minimum yields of 330 decitons of silo corn per hectare and of 370 decitons of field fodder through intensified concentration of energy.

It is an uncontested fact that we have very great reserves in our green acreage, which accounts for about one-fifth of our usable agricultural acreage. It is for this reason that, in connection with our efforts in the sphere of our own fodder production performance, better green land management, including more

intensive pasture land utilization, is among our top-priority endeavors. Regular cultivation, fertilization and multiple-cutting practice in accordance with the applicable norms on each hectare guarantee considerably higher nutrient yields. We propose to harvest at least 290 decitons per hectare from meadows and pastures.

Greater efforts are necessary at all meadowland locations, and especially at low-lying moorland and sloping-land locations, in order to make full use of the reserves available there. In this connection, industry should assist us effectively with suitable machinery and equipment.

For a better fodder supply from our own yields we will also expand the pasturing of cattle and the pasture duration as well as the pasturing of the sheep at locations with appropriate sheep fodder. To this end we will increase the share of pasturable green land by 120,000 hectare. At the same time we will increase the production of hay in accordance with the conditions in our LPG's and VEG's. For this too we need more technical harvesting equipment for the various locations.

To achieve an increase in good-quality fodder yields, we will improve the production of seeds, especially of clover, serradella, lupines, and other leguminous plants as well as grasses. We expect of the state-owned seed and seedling producing enterprises that they will contractually commit the necessary increased acreage and that they make available high-quality seeds, including silo corn in the I and II ripeness categories.

In the case of potatoes, we must achieve yields of at least 220 decitons per hectare; at better locations, the yields must of course be far greater. It is indispensable that this yield level be ensured from year to year and that it even be raised, if high-quality and sufficient eating, fodder, and industrial-use potatoes are to be made available. In this connection we count on more effective support from our potato farmers.

With the greatest energy and zeal we are struggling to increase the hitherto unsatisfactory sugar beet yields. It is our objective to harvest an average of at least 330 decitons per hectare and to sell them at a good qualitative level to the sugar factories. The most reliable guarantees for achieving this continue to be timely paring and fall furrows, the fertilization of each location with organic substances, timely dissemination of high-quality seed, conscientious mechanical and manual maintenance, and a minimum of harvesting losses. From the cultivators we expect also in this respect soon to receive new varieties with a higher performance potential as to their yield and sugar content and better germination.

Industry should in the future supply us with more ammonia calcium nitrate, granulated phosphorous and potash manure, and effective herbicides and fungicides.

We propose to bring about a better supply of vegetables by 1985 throughout the year through the efforts of the LPG's, GPG's, VEG's and their cooperative facilities, to expand the range of varieties, and to continue on the tried and

proven path for the utilization of the most favorable natural and economic production conditions for supplying our capital, Berlin, the bezirk cities and workers centers, as well as for long-term storage.

The vegetables necessary for the day-to-day supply of the rural population we will grow ourselves on small plots suitable for this purpose. It has proved effective to make this task part of the people's economy plans in the kreises and bezirks and to fully utilize for this purpose also the poassibilities deriving from the members of VKSK [Association of Small Gardeners, Settlers, and Small Livestock Breeders] and other small-scale producers.

We shall further increase the country's fruit yield and ensure that apples are in good supply throughout the entire year. With the fruit acreage remaining at the same level, we will achieve a step-by-step increase in the production of cherries, plums, pears, strawberries and bush berries. Many a domestic garden is capable of doing more in this respect.

For the purpose of further limiting vegetable oil imports, we are going to increase the production of eruca-acid poor rape by increasing yields, improving quality, and reducing harvesting losses.

Of great importance with respect to our national economy are also tobacco, hops, medicinal plants, aromatic plants and ornamental plants. Through a step-by-step expansion of their cultivation at the most suitable locations we propose to reduce imports. In this respect also we have at our disposal our private farming plots as well as the gardens of the VKSK members and of other small-scale producers.

Ensuring Increased Achievements in ths Stables

In animal production, we are directing our efforts at attaining top achievements from our economy's fodder supplies and conscientiously making available day after day the quantities required for the planned supply. Through a high level of fodder management we propose to supply the animal stocks as completely as possible with high-quality fodder, along with rising achievements and the shortest possible distances involved in its transportation. It is particularly in this respect that a closer cooperation between the cooperative partners must prove its worth every day. We ourselves are individually responsible for the best possible interactions between the soil, the plants and the animals. In this connection our efforts are directed at an orderly accumulation and/or storage of all stable manure and dung water, at producing liquid manure with a high dry-substance content, and thus at increasing the organic substance and raising the fertility of the soil.

We proceed from our experience that it has proved effective on the basis of our own fodder production to ensure high-level animal performance while steadily maintaining large animal stocks. By 1985, the national yield for fat stock is to reach 2,400,000 tons, for milk 6,930,000 tons, eggs, 4.72 billion, and wool 7,000 tons.

Particularly in cattle and sheep production it is possible to mobilize the performance reserves through increased coarse fodder production at improved qualitative, quantitative and structural levels. We have made it our goal to achieve in the GDR by 1985 an annual average of at least 125 to 130 kg slaughter cattle per animal from the average available stock and 3,450 to 3,500 kg of milk with a 4 percent fat content per cow, with an overall reduced expenditure for fodder concentrate and fodder acreage. We shall by 1985 increase the sheep stocks between 500,000 to 600,000 over 1980, so as to convert still more intensively the sheep fodder into more wool and meat. There also is still room for many a wool provider in private sheep-raising.

In hog and poultry raising we are aiming at further expanding the attained high production level. Our objective is to produce annually at least 130 to 135 kg of pork per average animal stock and an average of 210 eggs per hen. That calls for an highly economical management of fodder grain by a more intensive utilization of root crops in hog fattening and the use of high-quality raw fodder, especially protein-rich green fodder for piglets and sows.

In all animal categories our entire attention is devoted to improving the cost/benefit ratio, the ratio between fodder and the results it produces. Here we expect the veterinarians to assist the production collectives of our LPG's and VEG's even more in their efforts to attain high breeding results and stable animal health. Special importance attaches here to ensuring favorable environmental conditions for the animals by adhering to all norms for animal hygiene. So we propose to ensure a yearly fodder expenditure reduction averaging between 0.5 and 0.6 percent per production unit. Here too it is necessary to disseminate the experiences of the best performers in fodder production and utilization through a complex application of the GDR fodder rating system to save much more fodder, particularly in LPG's and VEG's that still are achieving less per fodder unit at their disposal. This will help us reduce the unjustified disparities among the stable collectives. Our experience indicates that particularly in this respect the socialist competition drive can produce impressive effects on the basis of sound scientific norms. Another way to reduce fodder expenditures rapidly, we think, lies in high breeding results and daily increases while strictly keeping animal losses down. We are therefore making it our objective to raise one calf per cow annually and 18.8 piglets per sow. Much success can be ensured by providing our animal stocks with higher resistance against diseases and epidemics, a high level of production safety, and by using the cows for at least four to five lactations. This calls for our taking to heart such tried and tested experiences of our master milkers and animal keepers as lengthy pasture periods for young cattle and cows, providing runs for pregnant sows, and an increased use of hay, fodder beets and carrots.

We farmers believe that it should become standard procedure, an unwritten law, that nowhere between the Baltic and the mountain area fodder should pass through anything else but animal stomachs, be it refuse from domestic or cooperative kitchens or energy-rich and protein-containing substances from the foodstuffs industry or commercial establishments. We need every kilogram of fodder.

Wherever quantities of some size become available one should enter into concrete contracts. Where it is a matter of small fodder reserves of this type, the small

animal keeper should realize he has a role to play. Every quantity, however small, must be accounted for and fed to the animals. In this connection we recommend that the local government organs generally disseminate the experiences of the most successful performers through prudent organization and publicity. We expect that industrial enterprises will provide material assistance, for instance by manufacturing fodder tubs. We are asking the National Front committees and each and every citizen to support animal production in every conceivable way.

We cooperative farmers and workers, with our personal animal-raising activities, and jointly with the VKSK members and other nonagricultural animal keepers, bear a great responsibility for a still better exploitation of available production possibilities. In particular it is possible effectively to increase the production of rabbits, geese, turkeys, wool, nutria and other small animal skins and honey. Through such private production we will particularly concentrate on a better utilization of those areas, existing in every village, that cannot be effectively used on a cooperative basis. And we are also thinking of the cultivation and utilization of road borders and ditches, drainage channel and canal slopes, and of using all other green and drift land. For this we expect support and assistance from the executive boards of our LPG's, GPG's, the VdgB-BHG [Peasant Mutual Aid Associations--Peasants' Trade Cooperatives], and the community councils. This applies to making available young animals and plants, small-scale equipment and means of production for the house, the yard, and the garden, as well as stud animals, and to improving the purchasing setup for these products in one's own village. We provide all-round assistance to the bee-keepers when we put their bee swarms to work for blossom pollination and for increasing honey production in rape, red clover, and other reproduction cultures, as well as in the fruit orchards.

By deepening our cooperation in cooperative asociations we not only ensure a high level of supply effectiveness but also contribute to producing and properly processing high-quality skins and furs, feathers, glands, bones, and bristles in the slaughter and processing enterprises and the state-owned animal raw materials enterprise.

In fresh-water fishing we intend to increase by 1985 the yield to 22,000 tons in conformity with the long-range program for increasing edible fish production. In this connection it is particularly necessary to stabilize and increase the breeding-fish production and to decrease production expenditures, especially those for feeding purposes. It is also important to increase the fish stocks in natural waters, where they can grow without the need for supplementary food. The high objectives pursued in edible fish production also require measures for pond reconstruction and for the production of means of rationalization.

For Further Successes in Science and Their Rapid Application in Production

The solution of the exacting tasks facing us requires that in agriculture the scientific-technical progress be utilized still more rapidly and more comprehensively. We expect of the agrarian scientists and their cooperative partners that they support us with economically effective achievements and that they more rapidly create the necessary leads for it in decisive areas. In this connection the folllowing actions are particularly required:

--Effective solutions for an expanded reproduction of soil fertility for the different production conditions, especially processes involving the utilization of organic fertilizer, holding losses down;
--making available profitable and yield-guaranteeing plant varieties which, in situations of different local conditions, utilize the rays of the sun and natural precipitation at an optimum throughout the entire vegetation period, are resistant to diseases and pests, excel by their good and useful properties, and make possible a harvest that keeps losses down;
--improvement of the animal species, especially with a view to their performance and resistance capabilities;
--results in the sphere of animal feeding and feeding research which make possible a high-level fodder economy and a reduction in the use of fodder concentrates;
--new and further development of mechanized solutions in connection with the utilization of microelectronics and robot technology which more satisfactorily live up to the biological requirements of the plants and animals, the closing of gaps existing in the sphere of mechanization, and improvement in the mass/performance ratio of the machines, so as to reduce the specific ground pressure, improvement of energy consumption as well as the tapping of unconventional energy sources;
--solutions in the sphere of plant protection and veterinary medicine which provide healthy plants and animals for us, together with the most economic use made of means and medicines;
--solutions for the rational use of usable water, and for cutting back water consumption and waste water accrual in the spheres of animal production, foodstuffs production, and in the refrigeration and storage areas; and
--results achieved in the spheres of agricultural and industrial research which help us master even more effectively the streamlined agricultural reproduction process and utilize more comprehensively the qualitative growth factors in the LPG's and VEG's and their cooperative installations.

We particularly consider it to be our responsibility comprehensively and rapidly to apply our scientific-technical progress in actual practice. For this purpose we are setting for ourselves demanding tasks which are being solidly included in the plans and programs of our LPG's, VEG's and all other socialist enterprises. We shall accurately plan and account for the economic benefits to be derived from it. This we shall accomplish by working up all parts of the operational plan on the basis of sound scientific norms and knowledge, starting with the setting of targets for yields and achievements, to the expenditure of funds, materials and live labor, and on to the tasks for the development of labor productivity and efficiency. In precisely the same manner we shall coordinate and combine the required scientific-technical progress measures with our own production of means of rationalization and the investment plan.

We shall also more definitely adapt our socialist competition efforts to the realization of the tasks contained in the science and technology plan and guide the many good initiatives of the innovators and rationalizers. Enforcing scientific-technical progress and applying the most useful experiences in actual practice constitute priority tasks for all management cadres and production collectives. We therefore also recommend that in connection with our proficiency-related remuneration and bonuses for the management cadres and work collectives, their

meeting their tasks in these areas be taken into consideration, and to utilize for this purpose all possibilities for moral incentives. It has been found useful to set up commissions for making scientific-technical progress prevail more rapidly in the LPG's, VEG's, cooperative installations, and in the cooperation councils and the agricultural and foodstuffs industry councils.

Jointly with research installations, we will also utilize to a more comprehensive extent the consultation offices and other forms for communicating scientific-technical progress as well as the experiences of the best performers. Great importance in this connection is to be accorded to AGRA, the "University in the Open," and IGA [International Horticultural Exhibition], which are tried and proven places for experience exchange. We expect of them more support in connection with the purposeful dissemination of the results of the work of the innovators and rationalizers.

The effectiveness of the scientific centers of the bezirk councils, the consultation services for enterprise operations management, and other scientific installations in the bezirks is to be increased substantially. All of this will contribute to converting the high educational level of the cooperative farmers and workers and their abundant knowledge and extensive experience even more effectively into high production results and rising labor productivity and efficiency. We are proud of what we have accomplished so far. To circa 90 percent our female and male cooperative farmers are in possession of a trained worker certification, have passed their master's examination, or have had technical or advanced school training. And top results in the acquisition of knowledge are an excellent investment toward top production achievements. We would at this point also like to make reference to our high expectation of the "cooperative work schools." They are a study and opinion-exchange forum for the purpose of familiarizing oneself ever more with the basic questions of Marxism-Leninism, the policy of the SED, and the possibilities for its implementation, particularly also in one's own area of work.

We focus the specialized and the predominantly job-related follow-up training on acquiring technical-scientific knowledge and on expanding knowledge in the spheres of industrial management, agricultural management and economics. In so doing, we ensure even more effectively the unity of political and occupational training.

Close cooperation with the kreis agricultural schools, the German Society of Agricultural Sciences, the Chamber of Technology, the Cultural League and URANIA [Society for the Dissemination of Scientific Knowledge] will ensure the possession of usable knowledge and skills on the part of our members and workers. Following the example set by advanced LPG's and VEG's, we are going to prepare cadre and training plans for a period of at least 5 years.

From the educational institutions we expect that the apprentices and students, through imparting to them relevant practical, industrial management, and technical knowledge, are more effectively enabled to live up to their responsibility in a confident cooperation between crop and animal production in solidly shaping our streamlined reproduction process. The training and communist education of the students at the advanced and occupational schools must ensure that the graduates are enabled, jointly with the cooperative members and workers, to ensure an increasing rate of production and efficiency. The best way to do this is for them to become members of the LPG's themselves.

## Rationalization Makes Our Basic Assets More Effective

With the support of the working class, we have created for ourselves significant basic assets, amounting to more than M 70 billion. Our farming skill now consists primarily in managing it effectively and in achieving a higher production increase with what we have. Having increased basic assets at the same time means having increased responsibility for their utilization and for maintaining their value. Here too rationalization proves to be the primary path to be followed for reproducing the basic assets. For purposes of ensuring a high level of effectiveness for the investments in agriculture and foodstuffs production, we therefore propose to concentrate the available funds and resources particularly on rationalization. In so doing, we take into consideration the following priority sequence in taking into account our entire economic sector:

--Measures for increasing soil fertility, especially through tapping reserves in connection with the utilization of organic fertilizers;
--creation of simple storage facilities and utilization of old structures for the storage of raw fodder, especially of hay and straw as well as grain, with a minimum of losses;
--rationalization and reconstruction of existing stables in order to do away with the still considerable amount of physically demanding labor, to improve the conditions of animal hygiene, and to increase production and its efficiency;
--conversion of heat-producing installations to raw lignite for a change-over from heating oil and diesel fuel;
--setting up simple parking and maintenance facilities for technical agricultural equipment, to improve its operational capacity and extend its working life; and
--rationalization and reconstruction in foodstuffs production for more effective processing and utilization of agricultural raw materials.

From science and from the planners we expect to get rationalization and central reuse projects which make possible a significant lowering of construction expenditures and construction time, and which thereby guarantee a rapid production effectiveness.

It is necessary to pay more attention to the maintenance and repair of building projects. Toward this end we will primarily put to work our intercooperative construction organizations. This also applies to work connected with the conversion and expansion of dwellings in our villages.

For purposes of increasing the long-term fertility of our soil, we shall carry out effective measures for the regulation of ground water management, especially for the drainage of at least 60,000 hectare of green land per year, as well as of wetland sections in our agricultural acreage. We shall at all times ensure that the drainage and irrigation systems are used effectively and that the maintenance of all soil improvement installations is ensured, primarily through the resources of our soil improvement cooperatives. We shall to an intensified extent carry out agriculture-improving measures for increasing the depth of the top soil, for subsoil loosening, and for erosion protection. We shall expand the growing of woods to serve as protection against wind and water erosion.

Under the conditions of the 1980's, the rationalization for the reproduction of equipment and the improvement of its structure assume an entirely new rank. For this reason we will by 1985 increase our own construction of means of rationalization to M 1.6 billion, i. e. we will double it. This calls for great efforts on the part of the workers and engineers in the kreis agrotechnical enterprises, the foodstuffs industry combines, and other enterprises of our national economy.

We shall simultaneously use all possibilities available in the workshops of the LPG's and VEG's while relying on our cooperative relations. Here our innovators and rationalizers find a particular field for action. We fully support the even more intensified inclusion of the young cooperative farmers and workers in the MMM [Fair of the Masters of Tomorrow] movement, utilization and reutilization of innovator achievements, and the submission of important rationalization and rationalization-resource-creating projects as assignments for our youth. We consider it our duty to orient the innovators to focal points, to take hold of their experiences, ideas and recommendations, and to do everything necessary to apply them on a high level of efficiency. We pay special attention to the production of means of rationalization that permit effective soil cultivation and noticeably help reduce losses incurred in connection with the harvest as well as with the storage and preservation of grain, sugar beets, potatoes and fodder. Focal points in this respect are the short-term construction of means of rationalization for hay production, raw fodder storage, and the mechanization on sloping meadowlands, small-scale and splinter acreage, and low-yield meadows.

It is highly important that the manufacturers of agricultural machinery concentrate even more on closing mechanization gaps and on increasing the work quality of technical equipment. It is only natural that in the case of each new machine a farmer will ask himself: Is it lighter, less intricate, less prone to trouble, and is it economical in its fuel consumption? Does it perform better than the old one does? This also applies to the availability of fuel-economic small tractors which are particularly needed for animal production, soil-preserving cultivation of plants, fruit and vegetable growing, and fodder production on small-scale and sloping acreages. The mass production of a new machine for work in the stables, planned for 1984, is considered a great help in connection with the solution of our task. At the same time we need more and better functioning technical loading and stacking equipment for making the storage and turnover processes more efficient.

We are according priority to directing our joint efforts toward machinery for hay production and fodder recovery, toward stable tractors, technical fodder processing equipment, fodder distribution vehicles and manure removal equipment, top-soil base looseners, compost milling equipment, equipment for obtaining and applying liquid manure with a high dry-substance content, and machinery and implements for the mechanization of food and vegetable production and processing. For expanding the manufacture of means of rationalization within our own sphere, we will require substantially stronger support from the mechanical engineering, metallurgical and electrical engineering sectors in that they will make available to us machinery, vehicle and hydraulic equipment components, metallurgical products, and selected machine tools.

Produce More and Do It More Effectively With the Available Material and Energy Resources

Through good care and maintenance we propose to provide our technical equipment with a high level of serviceability and reduce maintenance costs substantially. We have made it our goal to erect the still lacking 600 servicing stations by 1985, gradually to equip them with diagnostic instruments, and create an additional 1,900,000 square meters of simple parking areas for technical equipment.

We are deepening the cooperation between the LPG's, the kreis technical agricultural equipment enterprises and the state-owned technical agricultural equipment enterprises. In this connection we expect that the organization of the work, including specialized repair work, will be made still more effective in accordance with the new conditions.

Through repair work after technical equipment has been damaged and through a spare part allocation which will by 1985 be expanded to the level of M 1.1 billion, we propose to contribute to a consistent improvement of our material economy and to prolonged working lives. This, however, calls for greater efforts on the part of our agricultural machinery manufacturers in making spare parts available in accordance with the established plan.

We will still more consistently struggle in all production collectives for the most economical use of energy, especially of fuel and lubricants, as well as for doing away with the use of heating oil. Wherever it is possible, we shall replace heating oil with gas. In connection with all measures for the replacement of heating oil we expect that industry will make available more rapidly the equipment required for this. We consider it to be one of the most important objectives of our struggle to save at least 8 percent of operationally used energy per production unit through sensible management. We well understand that as important fuel consumers we have a special responsibility to see to it that these valuable energy sources are used as economically as possible. After all, in the 1980's one no longer asks us farmers merely about our yields; one also always asks us with how much, or rather with how little, energy they have been obtained.

We create favorable conditions through a production and labor organization that is well thought out from the point of view of our energy economy, especially through organizing territorial transportation that is as effective as possible. We shall in all LPG's, GPG's, VEG's and cooperative installations struggle for the distinction of receiving the "Exemplary Energy-Economy Work Certificate," put into effect enterprise-related specific energy consumption norms and make efforts to lower them, and we shall strictly control and materially stimulate their observance. We will also apply the same standards for a rational water consumption.

We also feel obligated to use as best we can and to an increased extent new alternative energy sources and incidental energy. The emphasis is placed here on heat recovery from milk, which we will, by 1985, realize in all milk cattle installations suitable for this purpose, recovery of energy from exhaust air, the use of solar collectors, the use of wind energy and wood chips and shavings, as well as the exploitation of biogas. We are contributing to the strengthening

of the raw material basis of our national economy through maximum exploitation of secondary raw materials such as scrap metal, paper and so forth in our area of responsibility.

Through the efforts of the working class we have attained a high level of utilization of mineral fertilizers, especially nitrogen. Now it is above all necessary to utilize the available fertilizer resources while deriving the highest possible benefits from the point of view of our national economy, and thus to contribute to the planned production increase. This purpose is served by the unity of ADP-supplied fertilizing recommendations, topical advice, and plant analysis.

Greater efforts are being made to keep our plant resources healthy. In this connection pest control is extremely helpful. It is the prerequisite for an effective control of the crops on the basis of the results of which plant protectives are put to timely and purposeful use. Cooperating closely with the agricultural aviation personnel, we will rationally utilize our resources when fertilizing with nitrogen and providing chemical plant protection.

We are certain that the workers of the chemical and potash industries are backing us loyally when it is necessary to obtain higher-quality fertilizers and plant protectives. At the same time we will, in connection with all these measures, improve environmental protection.

We pay the greatest attention to the cultivation and cleanness of our forests. They are one of the most important raw-material sources of our country and have to be managed in such a manner that our national economy is to an increasing extent supplied with raw wood from its own sources, that at the same time the living wood resources continue to increase and that the beneficial effects of this on our national culture will come fully into play. This requires that soil fertility be improved also in the forests, their productivity and profitability be increased through effective afforestation and forest maintenance, and better use be made of the wood through a gradual transition to whole-tree utilization. For this purpose we will further deepen the tried and proven cooperation between the LPG's and the forestry enterprises of the state.

Industrious Cooperative Farmers in Solidified LPG's

The alliance between the workers class and the cooperative farmers, having stood the test in actual life situations for decades, is politically and economically a mainstay of the social development in our country.

This alliance will continue to be of increasing importance, the 10th SED Congress has emphasized.

We take pride in the statement made by the secretary general of the SED Central Committee, our friend and comrade Erich Honecker, at the Third Central Committee session, to the effect that with the transition to industrialized agricultural production methods the forces and capabilities of the cooperative farmers class must come into play to an intensified degree. It is now our obligation with word and deed to guarantee the fulfilment of our tasks, more demanding as they now are. On that we focus our responsibility as cooperative farmers and citizens of our socialist state.

To this we shall fully apply our proverbial farmers' diligence, our traditional bonds with the soil and the animals, and our longtime experience in managing our work economically while accomplishing a great deal in doing so.

In that we are investing the great potentials of our cooperative socialist property. Our concerns and tasks imply the need to do our job to ensure the present-day and future development of the agricultural production cooperatives also by seeing to it that the cooperative farmers class as a whole and our children remain firmly linked with the village, so that our children in turn become industrious and intelligent cooperative farmers. Stable agricultural production also needs enough workers in the stables and in the fields. Who, if not our boys and girls, and if not particularly the young people from the villages, are they supposed to be? After all, they are the ones who have the closest ties with the farmers' working and living conditions, with nature, with the soil, and with the animals. It must be achieved that each year more than 17,000 school graduates take up their occupational training in agriculture. This makes it necessary for us to become more aware of our responsibility for the communist education of the young generation in the country and for the students to be made familiar to a more intensive and varied degree with agricultural work by being taxed with tasks that are suitable for this purpose. To achieve this, it is necessary to increase the cooperation with the schools, especially so in connection with shaping the polytechnical education in the LPG's, GPG's and VEG's, and to cooperate even more closely with the socialist youth association and the Ernst Thaelmann pioneer organization. We wish to train these young people at a high level, recruit them as LPG members already during their apprenticeship, provide them with a timely preparation for their work in cooperative production, and get them settled down in the villages.

The young people who continue to work in an honorable manner have our complete confidence. To them we confer a high degree of responsibility in all fields. Jointly with FDJ management, we will pay greater attention to their political training and all-round education, and we shall involve them to a greater extent in the leadership activities of the LPG's, comprehensively promote their initiatives in the FDJ mass movement, "Rationalize and Produce More, Better and Cheaper Products," and in the MMM movement, and we shall provide the youth brigades with all conceivable support.

In line with the recommendation from the FDJ leadership, we shall each year decide measures for setting up and utilizing the "Accounts of Young Socialists" scheme.

In connection with the development of interesting FDJ work, our active support goes to providing a rich intellectual-cultural and sports life and to the cultivation of our tradition, such as work with village and LPG chronicles.

Known and appreciated far beyond the borders of our country are the merits of the women during the antifascist-democratic transformation of the villlages after 1945, in connection with the formation and solidification of the LPG's, and in developing the new type of life in our villages.

More and more freed from the toil and drudgery of past times, they are now holding a creditable position in the LPG's and villages, are attaining high-level production achievements, and are energetically participating in the leadership work of the cooperatives as well as in functions as people's representatives in the communities. They are taking an active part in the intellectual and cultural life of our villages.

More than ever before is it now necessary to create for the women also, and particularly under the conditions and with the possibilities afforded by socialist agricultural large-scale production, by far better prerequisites for enabling them to apply even more effectively their knowledge, their skills, and their initiatives for good coooperative work and the direction of it.

This applies to the creation of more favorable possibilities for the use of modern technical equipment in crop cultivation as to bringing about greatly eased work loads in the stables, as caring for animals has always been something with which the female farmers have been greatly concerned. But this also applies to the wishes of many female cooperative farmers and of other women in the villages to make a contribution in the supply sector through their own private plots and other forms of small-scale production.

In order to do more justice to our overall social responsibility, we are developing cooperative democracy further. We ensure a rich intra-collective life, not in the last instance through holding regular plenary, sectional and brigade meetings, and through the active work carried out by the section and brigade councils. In so doing we proceed from the fact that, along with the growing demands made in the 1980's, the creative cooperation of each and every cooperative farmer is becoming ever more important.

This, of course, also implies that such characteristics of socialist personalities as a high civic awareness, creativeness, initiative, performance readiness, as well as a high level of work discipline, combined with outstanding occupational knowledge and skills, must be clearly developed to a broader and more extensive degree in the LPG's, GPG's, and VEG's through actively promoting the "Work, Learn, and Live in the Socialist Manner" movement.

This takes place primarily in the process of comradely cooperation in the work collective for the common socialist cause, and thus for the good of our entire people as well as for the benefit of the individual.

For this, the chairmen and the executive boards of the LPG's as well as the leaders of the work collectives led directly by the basic SED organizations bear a great responsibility, which must be lived up to ever more effectively in view of the increased tasks.

Deepening Cooperation Ensures an Effective Shaping and Mastery of the Reproduction Process

In our agriculture, cooperation is an objective requirement for the further solidification of the socialist production conditions while it also is a power source for intensification. In our day-to-day work process there has been a

growing realization that we can tap the largest reserves for high and efficient production and the shaping of an active social life in the villages through still closer cooperation among all who participate in the reproduction process, especially in crop and animal production. Hence we shall do what we can to combine crop and animal production more closely. We are going to promote in all LPG's, GPG's and VEG's the common responsibility for stably organizing the soil-plant-animal-soil interaction and make it the focal point of our efforts. We shall make sure that the crop and animal production sections and brigades in the villages work hand in hand and organize their mutual relations in such a manner that all work to be done is always done at the right time and at a high qualitative level, in conformity with the peculiar aspects of agricultural production.

The key question for the further deepening of cooperation to us is the work of the crop and animal production cooperative councils. They have stood the test as democratic organs of the LPG's and VEG's for the management and organization of cooperative relations. A good basis for us in this are the "Principles for the Work of Cooperation Councils in Socialist Agriculture," published jointly by the SED Central Committee Politburo and the Council of Ministers of the GDR. They stimulate new creative work methods and, particularly, closer and more effective cooperation. We will on the basis of this decision enable the cooperation councils to develop even more binding work methods.

Through plenary meeting resolutions we will obligate the crop and animal production cooperation council to exercise our shared responsibility for the streamlined reproduction process in agriculture and animal production and for the coordinated planning and accounting in the field of cooperation. The cooperation council, it appears to us, is the proper institution for this. We declare everything that has been jointly discussed and decided there to be a mandatory working basis for the partners involved. Executive boards and managements must make the required cooperative or enterprise decisions and implement them in their work. All this is creative management activity; for it there can be no regulations and no central guidelines valid at all times and locations. It is multiform, as our agriculture itself is.

For a further increase in the effectiveness of the crop and animal production cooperation council we consider it to be necessary that it concentrate to a large extent on the solution of the following tasks:

--Cooperation in preparing and defending the operational plans, balancing the division of labor relations, defense of the coordinated draft plans before the kreis council, jointly with the LPG chairmen as well as the VEG directors and the heads of intracooperative institutions. In this connection it is useful to combine the most important plan figures so as to establish the proper proportions between crop and animal production and ensure a conformity of interests among all cooperation partners;
--preparation of norms, optimum ratings, as well as solutions for the most efficient use of the material resources, including energy and the labor capacity within the field of cooperation;
--organization of the mutual competition among the cooperation partners, performance comparisons, and analysis;
--preparation of contractual prices, creation and use of shared financial funds, and the exertion of influence on an effective shaping of mutual contractual delivery and performance relations;

--support of the LPG's, the VEG's and cooperative institutions in carrying through scientific-technical progress, including coordinated rationalization and reproduction measures, and effective solutions for operational and labor organization tasks; and
--coordination of the regulations for the shaping of social accomplishments and joint social institutions.

The cooperation council itself is responsible for making decisions concerning the shaping of its tasks and work methods. Disparate conditions must be taken into account. It must everywhere become a matter of course that cooperative farmers and workers from the production brigades participate in the work and that the council is headed by whoever is the politically and professionally most experienced LPG chief. It is especially necessary to make the work more systematic, improve the work of the commissions, and solidly include the management cadres of the cooperation partners in the preparation of analyses and production comparisons as well as in the scientific preparation of decisions.

Confident cooperation requires the shaping of solid and mutually beneficial economic relations in production, the reproduction of the labor capacity and the material resources, as well as those in the social domain. Here each partner must give his best and must conscientiously meet the jointly prepared and coordinated yield, performance and cost norms. Nobody must live at the expense of someone else; but neither must anyone leave anyone else behind. Under such conditions, the creation of joint funds for mutual aid and assistance in connection with investment and reconstruction projects, including a joint reserve fund for overcoming blamelessly incurred financial losses, is most effective. In making these funds available, we proceed from the economic possibilities of the various cooperation partners and shape them methodically.

We have in recent years created cooperative installations such as, for instance, agrochemical centers, inter-enterprise construction organizations, soil improvement cooperatives, inter-cooperative or inter-enterprise animal production facilities, so as to solve certain production tasks together more effectively and improve working and living conditions. We are particularly interested in seeing to it that our LPG's with their cooperative installations, which dispose of considerable production capacities, cooperate still more rationally. It must be the task of all authorized representatives' meetings and executive boards democratically to consult with each other and to make decisions concerning the basic problems of the work and the plans of these cooperative installations. This first of all means that the use of the funds and the work capacities of the cooperative installations must be strictly concentrated on the fulfilment of the plan tasks, improvement of the production bases, and ameliorating the working and living conditions. We shall also methodically use these institutions for managing peak workload situations. We are combining this with our bringing about such economic relations which provide great overall benefits for the participating LPG' and VEG's. This also includes that the LPG's and VEG's decide on the utilization of the profits made by their cooperative installations.

We also consider it to be an economical practice to have us take part with fodder and animals in the existing industrialized animal production installations, because it is possible to make investment and personnel savings that way.

We can thereby dispense with using a number of worn-out stables no longer worth reconstructing, which allows us to concentrate the investment funds on other requirements of the reproduction process.

In our efforts to improve cooperation, we will have recourse to all good experiences, including those gathered in agricultural-industrial associations, cooperative association, and other forms of agricultural-industrial cooperation. In connection with all these problems, an outstanding role, organizational, inspiring as well as supervisory, should be played by the kreis agricultural and foodstuffs production councils.

Good Cooperative Work Through Strict Application of Socialist Industrial Management

For accomplishing the needed production growth, a complex enforcing of socialist industrial management in all LPG's, VEG's and cooperative facilities is a crucial prerequisite. We therefore require all management cadres to work in accordance with these principles. We have to create such production and work conditions that we master with a great deal of initiative, in our socialist competition, the requirements for field and crop cultivation, livestock husbandry, technology and economy, and attain high yields and production levels at low costs to ourselves. It has been said in the past that farmers are good at figures, to which we can only add: let it be the same in the future! This is the best way to exploit production resources and overcome unacceptable production differentials rapidly. The measures hitherto introduced for this purpose should be realized with greater determination.

In speaking of a more mandatory form of cooperative relations we imply that the best LPG's and VEG's be made even more productive and all the others be brought up to as high a level as possible.

This is the way to overcome unjustified disparities. It includes:
--Performance comparisons on the basis of all necessary parameters;
--cadre training with the help of advanced partnership practices;
--assigning expert cadres of productive LPG's and VEG's to LPG's where the yield, performance, and effectiveness levels are still inadequate;
--operational instruction in the experiences of the best performers and a mandatory assumption of these experiences wherever conditions call for it;
--help provided by advanced partners in forming an effective industrial organization; and
--help in efficiently introducing the latest science and technology data.

In this connection we expect from the state organs, kreis councils, and especially also from the agriculture and foodstuffs industry councils more extensive help and more qualified guidance and assistance relevant to the concrete requirements of the LPG's. Unjustified performance differentials are nothing but a squandering of cooperative wealth. The practice of squandering, however, has always been alien to us farmers.

One important task of socialist industrial management is an exemplary labor organization in regular production brigades and departments. As our experiences have confirmed, the given conditions in a territory, the location of village boundaries, the production sites, crop rotation, acreage arrangements, and transport routes are bound to determine to a substantial extent the labor organizations in departments and brigades. With these forms of territorial and labor organization, we are working for high-level and effective production in accordance with our joint responsibility as plant growers and livestock producers and at the same time substantiate the farmer's traditionally close ties to the soil, the animals and the community in which he lives. Particularly because the internal organization of our cooperatives and the gradual transition to industrialized production methods is of such great importance for coping with the streamlined reproduction process, we consider it necessary to shape everything in a rational manner, with foresight and in accordance with the increased demands made by our national economy. This includes the retention of what has proved to be effective and a broader application of new experiences. Full capacity use of equipment, an extremely economical fuel consumption, and a rational use of the labor capacity are achieved most effectively if one pays proper attention to the territorial conditions and optimizes transports. This will result in better production supervision, a more direct interest in, and a greater sense of responsibility by the farmers for, soil fertility, yields and production, lowering costs, and exemplary order, safety and discipline. This is cooperative democracy in action and a good prerequisite for an energetic involvement in socialist competition. We are including in this the contest for the title of exemplary order and safety enterprise or work area.

It is in accordance with the tried and tested cooperative management principles to carry through the socialist performance principle and to establish the direct connection between the production and effectiveness level and the level of remuneration and premium awards. There are criteria which a good farmer never loses sight of, such as quality, yields, savings in diesel fuel, tires and other materials, the most effective use of fodder, and the least possible losses in all areas. For this purpose we will further perfect the work with norms and rate bases, and we will to a greater extent make use of such tried and tested forms as log-books and personal account books. We expect that in all agricultural production cooperatives the executive boards will, in accordance with the statutes, make arrangements stipulating that the performance principle be applied fully to all management cadres.

In order to enhance further the effect of material incentives and accountability, we will in our plenary meetings decide to differentiate the year-end payments and bonus awards among the brigades and departments in accordance with their share in the fulfilment and overfulfilment of the plan and in cost reduction. With the yield and expenditure planning as well as with pertinent account keeping and a fixed allocation of material resources according to brigades and departments, we are creating the necessary prerequisites for this.

In order to penetrate more deeply into the economical practices of our LPG's, VEG's and cooperative installations, we will for our management decisions make a more effective use of cost accounting, planned-amount versus actual-amount comparisons, and economic analyses. Intra-enterprise economic account-keeping is thereby deepened at the same time, and the socialist economy principle is enforced more consistently.

The scientific centers of the bezirk councils, the industrial management consultative services, and other scientific installations must assist us still more in the dissemination and perfection of practical solutions, especially in production organization, scientific labor organization, rationalization of management and administrative work, and material incentives. We also expect more assistance in assessing production and efficiency results at the various locations, in conducting performance comparisons, and in tapping reserves for overcoming unjustified performance differentials.

Joint Efforts for Improving Working and Living Conditions in the Villages

Through high and effective production we create the prerequisites for a further improvement in working and living conditions. This involves a grand and beautiful community task for all villlage personnel: the local people's representations and their organs, the cooperation council and its commissions, the LPG membership meetings, the executive boards, all parties and organizations in the village--in short, every citizen who wants to have a beautiful village and a more cultured life. The citizens' initiative, "More Beautiful Towns and Communities--Join-In!" is a movement that is proper for each village. Yet we should at all times proceed from the fact that the foundations for beautiful villages are fulfilled plans and high efficiency in the fields and in the stables.

Jointly with the local people's representations we are organizing territorial rationalization for a further improvement of working and living conditions. The joint use of means and capacities produces the best results in it.

The further improvement of the material working conditions should proceed hand in hand with a high level of performance readiness, especially through a reorganization and reshaping of at least 150,000 jobs for the sake of improving labor safety and reducing heavy physical and hazardous work, especially for our female farmers. It has been found useful to shape the social relations in cooperation in accordance with uniform principles.

We pay special attention to improving housing conditions and to the typically rural character of the village. We are making it our objective to surpass the task decreed by the 10th SED Congress and to create with our capacities an additional 5,000 dwellings through new construction and/or modernization. In carrying out all these measures, we will proceed on the basis of the community design concepts to make economical use of the land funds and use primarily old structures and gaps in built-up areas in our localities. By financial and other measures we encourage individual initiative, especially among the young cooperative farmers and workers, for remodeling and enlarging dwellings and the building of private homes.

In the VdgB-BHG we shall support obtaining additional construction materials for remodeling, expanding and building new homes and villages through increased private efforts and ensure the supply in protective work clothing.

We recommend that the kreis councils and the agriculture and foodstuffs industry councils provide more support in the creation of living space to those LPG's which, due to their insufficient labor capacities, have been unable to fully exploit their production conditions.

Proceeding from the good experiences gathered in connection with designing our villages and their intellectual-cultural life, we recommend that every LPG, GPG, VEG, the cooperative institutions and all other activities in the villages develop their cooperation with the community representatives and the National Front committees in such a manner that the working and living conditions as well as cultural activities and sports get another boost, cultural and social institutions are put to better use, and necessary expansions are planned and carried out jointly. We are of the opinion that an absolute requirement for having a beautiful village is also the maintenance of cultural-historical places and involvement of its inhabitants in folk art. Let us therefore, within the scope of cooperative and village festivals, lead our farmers' choral and folk-dance groups and our music and literature circles to a new life. The friends of the culinary arts and those active in handicrafts must also come into their own.

For this, and especially also for the housing industry, the food supply, and children's and adults' vacation care, we will use the means of social consumption. This way we can further improve the rural living and working conditions and gradually bring them closer to the urban ones.

Side by side and in alliance with the leading working class, we are implementing the 10th SED Congress decisions. They show us the sure way to be followed for the further shaping of the developed socialist society in our GDR.

Our farmers' motto is this: "The working class and its Marxist-Leninist party and our people may always depend on us!"

5885

CSO: 2300/366

CSIKOS-NAGY: ECONOMIC SITUATION DIFFICULT, WILL IMPROVE IN 1984

Budapest MAGYAR NEMZET in Hungarian 28 August 82 p 7

[Interview with Bela Csikos-Nagy, chairman of the National Material and Price Office, by Judit Racz; no date or place given]

[Text] No one applauds consumer price measures, but whoever has some kind of economic knowledge and follows the developments of economic life understands the inevitable nature of such emergency measures. A strict objectivity was characteristic of the justification for the most recent price measures. We spoke with Bela Csikos-Nagy, chairman of the National Material and Price Office, on price policy, the emergency measures, and the international background.

[Answer] External and internal causes alike made it necessary to undertake the August measures, by reason of which the consumer price level will rise almost 2 percent in its annual effect, Bela Csikos-Nagy emphasized. This measure countered the unexpected rise in wages and payments. Now and for several years we shall be able at the most to maintain the living standards we have already attained, but in no way shall we be able to raise these standards. But still, real wages increased last year by 1 and one-half percent. Our economy is not in a position to permit this for ourselves. With the price measures we wanted to check a repeat of what happened in 1981. This refers, of course, to the social average. There are many whose wages rose less than average. And there are many whose money income has been impaired more than average by the increasing expenses.

It was also justified to refer in the announcement to the fact that the fulfillment of the economic plan is proceeding under unexpectedly difficult foreign economic conditions. Unfortunately, this is how it is. Our problems are rather great. And we also had to call our society's attention to this.

Conversion

[Question] It would be no use to deny that people are reacting sensitively to the various tightening measures. A role is played in this, of course, by the fact that disturbing reports are arriving daily from various points in the world.

[Answer] The more nervous atmosphere is understandable. The adjustment of our economy to a world economic environment which has for us become less favorable is underway. Naturally, this is disturbing to people. For decades they have become used to seeing everything always expand and increase, and to finding the rate of progress too little. But now they need to strive and struggle to maintain what they gained, while in some areas consumption must even decline. The conversion is not without pain. Sometimes it is also accompanied by impassioned debates.

[Question] How can we actually characterize the situation of the Hungarian economy?

[Answer] There is no uniform standard for doing this. Those who evaluate it on the basis of the growth rate may think that the Hungarian economy is in bad shape. We are stagnant. This is not good. But with the post-1956 economic policy we succeeded in creating economic relations for the maintenance of which it is worthwhile to work.

In international judgment the Hungarian economy shows a characteristic picture. At the risk of some simplification, one may summarize it as follows: the situation of the Hungarian economy is basically much better than judged by certain experts in capitalist countries, but not nearly so good as believed by tourists in Hungary from friendly countries.

[Question] Reports appear regularly in capitalist countries which have a positive judgment about our economic policy. What is your opinion of these?

[Answer] Hungarian economic policy reckons adequately with realities. This is what brings international acknowledgement. As of now, our foreign trade balance is favorable. But we are working on liquidity problems, and this is what has caught the attention of Western financial circles and business men.

Challenge

[Question] Couldn't you speak of this a little more?

[Answer] Let us begin with the fact that Hungary is a debtor country. In itself this does not tell us anything, for at least 160 of the 180 countries in the world are debtors. But in addition Hungary is a country which has always taken debt servicing seriously, and therefore it belongs among the so-called good debtors.

There are several possibilities for the participation of foreign money sources. One is capital import and the other is credit. We belong to the camp of the socialist countries. As a consequence of this obligation, we cannot count on capital import. And moreover, in CEMA cooperation those countries require Hungarian investment contributions from whom we ask for an increase in the import of raw materials. The capitalist countries with a capital surplus are oriented toward the Third World.

Credit sources remain. Up to now, in this relation as well, the possibilities have opened mostly for short-term credits only. The creditor knows, of course, that he is obligating these monies for a long time, but with the periodic credit renewals he desires to keep the security of his money under control.

Since 1981 we can observe a new international financial regime. On one hand, credit interest rates have gone extremely high, and on the other hand in wake of the Polish events the West has made credit renewals a matter of political challenge. This is a completely new phenomenon and undoubtedly a form of commercial war.

There is no economy, no matter how soundly based, which would not be shaken up if it had a part of its operational capital suddenly taken away, and in general if those daily financial operations on which the development of its economy is built are politically examined.

From the viewpoint of economic development one could list various leading countries in the capitalist bloc which are less stable than ours but have no liquidity problems. The difference is that these countries are linked into the capital and credit system of the world economy.

Commodity Supply

[Question] Why do the friendly socialist countries see the situation of the Hungarian economy as better than it actually is?

[Answer] In certain socialist countries the economic problems are also expressed in population supply problems. If we review the balance of the economy and the population's commodity supply in organic relationship, it may actually appear that the Hungarian economy enjoys an advantage. But in truth, this is not the situation. This is all the more so because in CEMA it is the Hungarian economy that is the most foreign trade sensitive, and also in natural resources it is the one that is most dependent on imports. But our economic policy proceeds from the principle that the commodity supply for the population must be assured in an uninterrupted way as far as possible in every situation even when the country's economy is struggling internationally with difficulties. For us, living standards do not simply mean wages and payments but also the commodity in organic relationship with these standards. Therefore, we do not plan an increase in living standards when we cannot improve the population's commodity supply.

[Question] But a part of the concerns are linked with the fact that it may not be possible to maintain the population's commodity supply because of international credit tightenings.

[Answer] Now and for some time we shall be forced to contend with tighter money management and market supervision. The enterprises are complaining about drying up of profits from time to time. They cannot have as many imports as before.

But I do not believe that the extreme situation characteristic of the world economy today can last for long, and I would like to hope that we will ride out this temporary phase without serious shocks even though with loss of blood.

[Question] It is said that the huge number of tourists in our country is drawing off the commodity base from the population.

[Answer] One of our most important tasks is that our population should judge this matter correctly. Therefore let me refer--even if not exactly but with approximation to the magnitude--to the interrelationships. Of the various products purchased in our country by tourists, we are able to export only one out of every five, and of these exported products we can receive more in nine instances out of ten if they are bought by tourists than if they are exported. That is to say, tourist trade expands on one hand the scope of products that can be marketed for foreign exchange and improves on the other hand efficiency. This is why countries do everything they can to develop tourist trade.

From the viewpoint of balanced foreign currency management, it is all the same whether the tourist purchased forints for dollars or rubles. We need both currencies alike.

I believe we should be happy that tourist trade is on the way to development. This, too, has an effect of making our economic policy organize management by keeping a smooth commodity supply in mind.

Prognosis

[Question] When can we expect economic development?

[Answer] We must assure the operation of the Hungarian economy amid extremely complicated and contradictory processes. But there is something reassuring. Our system is such that it makes possible a flexible adjustment to the changing and, we hope, sooner or later improving international conditions.

I would not like to fall into the same mistake which characterizes most of the research institutes dealing with economic forecasts. They promise a turn--more exactly our recovery from what many conceive of as an economic crisis--first in the second half of 1981 and then in the second half of 1982. But I shall repeat what I have often emphasized: the year 1984 may be the year of the turn for the Hungarian economy. Even after this, growth will not be spectacular as it was in 1967-1974, but even a growth of around 3 percent in domestic consumption of the national income may create the optimism which we need both from the viewpoint of the development of initiative and the undertaking of sacrifice.

6691
CSO: 2500/387

## NECESSITY OF CONSUMER PRICE HIKES EXPLAINED

Budapest HETI VILAGGAZDASAG in Hungarian 14 Aug 82 pp 4-6

[Interview with Bela Szikszay, deputy chief of the economic policy department of the MSZMP Central Committee, by Matyas Vince; no date or place given]

[Text] The consumer price increases announced Sunday night put very sharply at one blow into the center of interest the achievements of the Hungarian economy, and the related personal and enterprise incomes. How have our internal weaknesses, or the further deterioration of the world economic situation affected our economic situation? Do the increasing East-West tensions make their effect felt in our foreign economic relations? What made it necessary to raise prices? We discussed all these things with Bela Szikszay, deputy chief of the economic policy department of the MSZMP Central Committee.

Matyas Vince: Before I ask a number of questions about the price increases, I would be interested to know how you would evaluate the present situation of the Hungarian economy.

Bela Szikszay: The evaluation must be made from the viewpoint of our two basic economic policy goals. Namely, have we succeeded in making further progress in improving the economic equilibrium and to what extent have we succeeded in protecting the living standards of the population? In the first half year, economic processes developed less favorably than calculated in the plan. We must study this variation from two aspects, production and revenues. The increase in production scarcely reached the target, whereas both the increase in the population's income and in the expansion of enterprise profits was greater than planned. There was more money for consumption, investment and stockpiling. For example, the monetary income of the population in the first six months of the year grew more rapidly than planned, increasing by 6.5 percent as compared to the first half of last year. Looked at in another way, this means that there were more goods for consumption on the domestic market than the plan had counted on, and as a consequence there were fewer goods for export than planned. Our dollar account exports are essentially as great as in the first half of last year, but despite this our foreign economic balance improved because our dollar account imports declined as compared to the first six

months of last year. On balance, it may be assumed that in their totality and in important particulars the targets of the economic plan may be fulfilled for the year as a whole, but this is too little because the requirements have increased by leaps and bounds as a consequence of the deterioration of the foreign economic conditions.

Matyas Vince: Do you mean that even if the original targets are fulfilled by the end of the year this will not be enough for the Hungarian economy to achieve the two main goals you have mentioned of improving the foreign economic equilibrium and safeguarding the living standards?

Bela Szikszay: Essentially that is so. This is the problem that economic management is struggling with. For years our economic situation has been characterized by the fact that we are making progress in production, in the improvement of quality indexes, in export results, and this must be acknowledged. But this is not how much the world expects of us, it is demanding much greater achievements. Thus despite the improvement, our problems are multiplying and in many instances growing more difficult.

Matyas Vince: How much worse is the foreign market situation this year than anticipated, and where does the deterioration affect us most sensitively?

Bela Szikszay: We need to emphasize three areas. One is the development of dollar account exports the second is socialist imports, and the third is the development of international finances. Our socialist imports this year will be the same as last year, but in several important products--including oil, metallurgical products and other basic materials--our purchasing possibilities will be narrowed, and this will have an unfavorable effect on the development of our economic equilibrium.

As for our dollar account exports, the difficulties are greater than we imagined in the export of metallurgical products, light industry products, and certain chemical industry commodities. At the same time, the export of agricultural and food industry products may develop rather favorably--although the prices are not the best--and for the first time in years the export of machine industry products may increase significantly. Unfavorable effects are evident primarily on the markets of the developed capitalist countries, where it is very difficult to sell because of the prolonged crisis, and also because discrimination is growing. Here in many sub-branches, the maintaining of the existing level represents a significant achievement. The economic crisis of the capitalist world is manifested in extremely low, and sometimes declining, prices. Our nonruble account export price index for the first half of the year shows a decline of more than 3 percent, that is to say, we had to sell our products on the Western markets at prices 3 percent less on the average than last year.

Matyas Vince: Can the deterioration of the international political atmosphere be felt in this area of our foreign economic relations? Are the increasing international tensions accompanied by marketing and foreign trade problems?

Bela Szikszay: The increasing tensions in the world political situation, of course, do not favor a growth in exports, or even imports in the case of some products. At the same time, I may say that the effect of these factors is not so great as to have a basic influence on our trade.

In fact, Hungarian producers and foreign traders have unexploited possibilities if they can improve the delivery conditions--I am thinking here primarily of the exactness, rate and quality of delivery, and the service offered. For this, of course, it is necessary to have extremely intelligent foreign trade work and a very flexible producer attitude. In this recessionary situation only those products can remain on the market for the most part which are delivered on time and in good quality. Products that do not meet these conditions will surely be forced out of the market.

As for the third area--in recent times deteriorating the fastest--most characteristic of our financial relations with the capitalist world are the political considerations and their unfavorable effect on the development of relations. The pressure against socialist countries has been stepped up in the financial world, and this weakens our credit raising possibilities to a great extent. This is completely unusual and something that could not have been foreseen, for on the basis of the favorable judgment of the Hungarian economy we were for years able to acquire necessary credits. The worsening of the international financial conditions was characterized by the large-scale withdrawal of deposits from the Hungarian National Bank by foreign banks. All this restricts our possibilities in foreign exchange mobility. Extremely high interest rates are another factor with negative consequences for the international financial situation and for ourselves. This is hard on all countries that borrow, and for Hungary it has increased in magnitude our service charges.

Matyas Vince: You mean the total sum which the Hungarian National Bank repays annually as interest on credit and amortization of the credit installments that are due?

Bela Szikszay: Yes. In this year and the future, we shall have to repay our borrowed money in greater ratios, and in addition to these great amortization sums we must also pay extremely high interest charges

In the world today, credit is a natural and essential means of conducting trade. Without credit, world trade cannot be as great as it is. It can be maintained with complete certainty that the economies of very few countries could stand on their feet if lasting and basic difficulties were to rise in the sphere of international credits. In any event, it will require an extremely great effort from the Hungarian government and the enterprises for us to maintain our ability to pay in this situation and to meet the undertaken amortization obligations. Thus from the international financial aspect a strong and extensive pressure is being exerted on the Hungarian economy, which could not have been foreseen and which we could not have reckoned with when the plan was under preparation. This deterioration of conditions is unprecedented in extent and pace; it became strong this spring and has continued unchanged to the present.

Matyas Vince: In knowledge of the very serious and partly unforeseeable changes in the external conditions and of the development of internal processes, what has the economic leadership done in the past several months for the realization, nevertheless, of the plan's main goals?

Bela Szikszay: The gradually increasing world market requirements made it necessary to draw several important economic policy and economic management deductions. For the economy to operate smoothly in a situation like this, it is necessary to rely to a greater extent on our internal resources. Otherwise for the financing of our dollar-account foreign economic relations we will need a much greater foreign trade balance surplus than estimated, export surplus, and import savings. Moreover, the role will increase for stricter regulation of the internal economic processes.

Sensing the deteriorating foreign economic conditions and the development of domestic revenue processes at variance with the plan which could be ignored in other instances but cause problems in the present situation, the government took broad-scale and coordinated economic measures about a year ago. These include modification of the forint rate of exchange for convertible foreign currencies, raising of the domestic interest rate, repeated tightening of the investment formation of enterprise purchasing power, and keeping restraints on imports. The goal of the measures is for the government to direct the economic, including revenue, processes into the planned channel, assure the maintenance of the country's ability to pay, a revenue growth proportional with achievements, the regulation of purchasing power, and promote the export and import development necessary to improve the foreign economic equilibrium.

The measures strengthened the implementation of the normative prescriptions of the economic regulators and the mediation of the higher economic requirements to the enterprises and the institutions. At the same time, they strengthened, however, the direct central effect on enterprises and on the partial processes of economic life. I would like clearly to establish that many measures were born under the effect of compulsion; these were economic measures designed to bring about a rapid result, but in the given situation they were unconditionally necessary. The necessity for these measures is also shown by the economic processes which have developed in the past half year.

After the development of the effect of these measures and after the improvement and consolidation of the foreign economic equilibrium, some of the measures that have been taken are gradually losing their right of existence, and the permanent principles of our economic management system and the lasting solutions can be implemented.

Matyas Vince: Finally, why was it necessary to have another consumer price increase?

Bela Szikszay: The price increase which has been carried out is organically related to other government measures. One goal of th price measures is directly to promote improvement of the foreign economic equilibrium. If we succeed in directing consumption by the population into a rational channel, this

can contribute partly to import savings and partly to an increase in important export commodity goods. For example, if the consumption of coffee--or its increased consumption--develops in harmony with our economic possibilities, it will be possible for our country to economize by virtue of a smaller or slower increase in coffee imports. Here is another example: if the consumption of flour and bread is moderated a little, this will make it possible for us to increase our exports of this important product, and thus also increase our foreign exchange earnings. Another part of the consumer price increases will contribute directly to the improvement of the foreign trade equilibrium. An increase in transportation rates will not, to be sure, increase our export possibilities or restrain our imports. But its indirect effect is still important because it ties down purchasing power, and therefore the population will buy less of other products, which can therefore be exported or can lead to import savings.

Matyas Vince: This undoubtedly improves the foreign economic equilibrium, but it hardly raises living standards.

Bela Szikszay: Of course, in passing the consumer price measures, the government weighed as a basic point of view the important political goal of guarding the population's living standards. However, when we speak of this outstandingly important goal, we must emphasize the achievement aspect of it in management. We cannot guarantee the level of living standards attained by the population independently of work achievement. As I have already said achievements develop around the lower levels of what has been planned. It appears in no way justified from the viewpoint of achievements that the real value of the living standards, wages, and incomes of the population should grow to a greater extent than called for in the plan. Thus there was also a reason like this for the consumer price measures, namely that the population's income over and above the plan should be reduced somewhat, and thus the real value of income would develop in harmony with achievements.

Matyas Vince: Ought we not try instead to see that the population's income should develop according to achievements, and in this way we would not undertake measures for reducing real income after the fact?

Bela Szikszay: The question is justified. Actually, the matter in question is that economic management must devote greater attention to assuring an outflow of income proportional to achievement. But this year already a significant part of surplus incomes has developed above the plan. Relying on last year's profits, the enterprises have paid out in the first half of the year more in way of wages and bonuses than planned. Therefore, hardly any way existed this year to keep the real value of incomes at a level adjusted to achievements other than by increasing consumer prices. And still, the requirement is highly justified that we should develop the wage and earnings regulation system--beginning, if possible, in 1983--in such a way that we will not have an increase in incomes of such an extent that it will not be buttressed by achievements.

Matyas Vince: Finally, what will the price increase solve, and what will it not solve?

Bela Szikszay: The increase in consumer prices does not bring joy to anyone, and in itself it does not signify any kind of solution. It is a necessary, compulsory step in our situation, but it is not enough to overcome our problems. But if we evaluate the consumer price increase as a part of a series of measures taken by the government, it can clearly be shown to have an important role in the shaping of a more rational consumer attitude, in the implementation of savings, and in the realization of the concept that it is possible to live better, and even to maintain living standards in a continuously deteriorating situation only by means of substantially higher achievements.

According to the National Material and Price Office bulletin of 9 August, the price of citrus fruits, cacao and chocolate will increase by 25 percent on the average. For example, 10 decagrams of cacao powder will sell for 11.30 forints instead of 9 forints, and hazel nut and milk chocolate for 23.80 forints instead of 19 forints. One kilogram of lemons will cost 30 forints instead of 25 forints, one kilogram of oranges 39 forints instead of 30 forints, and one kilogram of bananas 43 forints instead of 33 forints. Flour and products made of flour will cost on the average 20 percent more. In the future, a 5.40 forint of bread will cost 6.40 forints, a crescent roll and a bread roll 60 filiers instead of 50 fillers. The price of fine flour has increased by 1 forint, and the price of hulled, unpolished rice has increased by 6 forints, or to 32 forints.

On 1 September, long-distance passenger fares will increase on the average by 100 percent. The cost of a full-price railway ticket will be 100 percent higher and a bus ticket 120 percent higher. For example, 100 kilometers of travel on a passenger train, second class, will cost 26 forints more, and 200 kilometers 50 forints more. Railway commuter tickets will cost on the average 80 percent more, and bus commuter tickets 100 percent more. The measures include the cancellation of certain travel discounts, or the reduction of others.

According to experts, consumption by the population will not increase or decline in response to the present, the September, or the end of July price increases. It may be expected that as a consequence of the average 40 percent price increase for coffee at the end of July, consumption will not decline or increase at least for a half year or a year. If this actually materializes, it will result in a savings of 12 million dollars for coffee imports. Last year the coffee drinkers in the Hungarian population consumed 80 million dollars' worth of coffee. Hungarian foreign trade pays annually about 70 million dollars in hard currency for citrus fruits; here we can expect a halt in the increase in consumption. It is likely that flour products will decline to the usual extent, and here we cannot speak of substantial savings.

As a consequence of the increase in the price of coffee and the price increases being introduced now or in September, the total additional expenditures of the population will come this year to about 4.5 billion forints. That is to say, they will in the next 5 months pay this much more than it would have if the prices had not changed. Calculating on basis of a population of 10 million in three-member families, it means that in the second half of this year a family can count on additional expenditures of 200 to 300 forints if it buys as much as before or travels as much as before.

In industry the average wages increased by 7.8 percent, on the average more than 300 forints, or to 4,300 forints in the first half of the year. Likewise in agriculture incomes are greater than planned. Real incomes, of course, have increased more modestly, for the consumer price level increased in the first half of the year by 5.8 percent, partly in response to this year's and partly in response to last year's price increases. In the remaining part of the year, the end of July, the present or the September price increases will raise the price level about 1.1 percent.

6691
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TOUGH DOMESTIC CREDIT POLICY TO INCREASE PRODUCTIVITY

Budapest MAGYAR MENZET in Hungarian 11 Aug 82 p 7

[Article by Laszlo Gergely: "A Stricter Standard for Bank Credit"]

> [Text] "The Hungarian National Bank has limited or denied short term credit to enterprises where it found lack of organization or unjustified stockpiling." MTI communique, 3 August 1982.

Miklos Magyar, economic director, Ganz-MAVAG: "One cannot imagine a national economy with difficulties and problems up above and backwaters down below in the enterprise sphere. I do not believe anyone doubts that there is a need to tighten up, to limit excessive purchasing power.... Insolvency began for us on 23 April 1982--the Hungarian National Bank repudiated a part of valid credit agreements signed earlier. It is the financial behavior of Ganz-MAVAG to want to pay its partners constantly. But the so-called 'standing in line' began with the priority settlement of the bank credit liability. There was a time this summer when we could pay our partners only with a 4 week delay; now the step lag is only 2-3 weeks. Forty percent of our production plan was fulfilled in the first half year. Our receipts were not time proportional either. The motor trains to be shipped to New Zealand caused some of the financial tension at the enterprise since they counted as stockpiled finished goods. They are expected to be not in the port but on the ship on 12 August. Then we will be able to count the counter-value as a collection.

"We consider the bank decision, tightening credit, to be a warning sign, a measure supplementing the regulators. I am convinced that we can meet our economic goals this year, and then we will again be a good customer of the bank... What if I were at the bank making the decisions? I might have selected a more fortunate way to tighten up, but even I would not have said that the enterprise was ready to pay on schedule in the present situation--with the debts. That is, even I would not have given Ganz-MAVAG a loan big enough to permit constantly settling liabilities on time; I would have encouraged an improvement in management with less credit."

Oszkar Ledeczy, director, Signal Technology Machine Factory: "I agree with a tightening of credit conditions to improve the balance situation. But in the case of each request for a loan it might have been better to analyse more

deeply the developmental and business policy of the enterprise. We became an independent enterprise in 1981, separating from the Csepel Works. We were stable, but we inherited a 2 million forint reserve fund make-up obligation and a 24 million forint medium term circulating fund repayment obligation. The bank and the ministry recognized that we had had no developmental investments for 15 years, so what was justified was made possible. Back in the Csepel days they had made the 24 million payable on 30 September of this year. But we get no developmental support until the fate of the debt is decided; the bank has still not taken a position.... We were good debtors in 1981; a profit of 7 million was generated from interest savings. Since March of this year we have been standing in line too-but our financial difficulties will end by the middle of August. Of course, we are being justly punished for our stockpiles.... We fulfilled 55 percent of our annual receipts by the middle of the year! We would have liked to increase our capitalist export even more than planned. In December 1981 we contracted with a Yugoslav firm to deliver a machine line consisting of five carloads of equipment in 3 months. The equipment is ready, but it stands here in the courtyard--the Yugoslav partner is insolvent. A Nigerian state order increased our stockpile of finished goods also; we made 20 million forints' worth of machinery for a cable factory to be delivered by Hungary. Nigeria, because of the decrease in oil receipts, repudiated the state credit and the Hungarian export went up in smoke. Since then we have been seeking a new purchaser with capitalist exchange for our special machines. We had to assume the business risk--in the form of a denial of bank credit also...."

What path led to this and why did the financial institution react in this way? The outside observer is inclined to see an authoritative role behind the decisions. Is this just? We turned with our questions to Istvan Dancs, business director of the bank. We are quoting him:

"We carry out both issuing and bank credit tasks. The measures fall in the sphere of short term bank credit operations ensuring a planned, undisturbed supply of money for production and trade. We base these credit operations strictly on business policy thinking; fulfilling some sort of authoritative role is not involved."

The business director talked about an undisturbed supply of money. This money, which the bank provides to the economy by issuing short term loans, is not income. It cannot be ultimately used for personal or public consumption or to increase the property of enterprises or cooperatives; and it must be repaid from receipts. Still, it is an indispensable tool, making it possible for many enterprises and cooperatives to successfully conduct profit making operations. What does the authorization or denial of such loans and the regulation of term, interest and other conditions for them mean in the life of an enterprise? It means that the bank can motivate the quality of the management needing credit, thus can have an effect on the development of the economy as a whole also. All this, of course, is a real process of economic life. To what process is the financial institution reacting by tightening credit conditions?

"The credit system is an important subsystem of the system of economic regulators as a whole," Istvan Dancs answers. "It follows from this that the

advancing of credit must be in harmony with the characteristic aspirations and emphasis of price and income controls. The short term credit operations significantly influence the economic operations of the enterprises and co-operatives. It is obvious that fulfillment of the 1982 economic plan is taking place under conditions more difficult than expected; improving the balance requires greater performance than prescribed. At the same time, the personal incomes and investments flowing from the enterprises and cooperatives are exceeding what was planned somewhat. In some places the increase in stockpiles is more than planned and elsewhere they are not decreasing to the justified level."

Economic guidance has reacted to all this a number of times, but the performance of the economy has not increased to the desired degree, while enterprise money flow and accumulation have increased. Still, all this does not seem to be a question of bank credit, primarily of credit for circulating assets. There is need for a continual money supply even in a difficult economic situation. So according to what viewpoints did the Hungarian National Bank tighten its credit policy?

"Keeping the economic processes on the prescribed track is not exlusively a question of credit operations," Istvan Dancs says, "but neither can it be made independent of them, because the short term credits offered or denied can effectively aid or hold back certain significant deals of the enterprises requesting credit, indeed aid or hold back all their activities. Of course, what is involved is not a general, mechanical tightening of credit conditions. We will continue to aid and support, by offering credit, development in a correct direction, economical export expansion, wise conservation of resources and business goals intended to satisfy solvent demand in a planned way. But we will make it more difficult for and force into harder management conditions those enterprises where the goals and the methods used do not promise this or indicate this."

"So the tightening by the financial institution is a sort of supplement to the regulators...."

"We hope for two things from the stricter credit conditions, from the way in which credit is offered: More enterprises and cooperatives than before will devote greater attention to using their own internal resources, to ending the losses appearing in stockpiling and utilization of resources. And we might hope that the customers and shippers in regular contact with one another will fulfill their mutual obligations more precisely and more quickly, that their cooperation will be more effective. The stricter bank behavior now being implemented in short term credit operations has already brought results which can be measured statistically. The increase in stockpiles has moderated and outstanding credit has decreased. It is true that there has been an increase in the number of enterprises and cooperatives struggling with daily liquidity problems, which do not have in their bank accounts sufficient cover for their daily expenditures and to satisfy regularly and without difficulty their payment obligations; indeed, which do not have sufficient strength to repay their loans due."

All this is expected to have an effect on the practice of the enterprises so that, in the interest of solving or bridging over their financial difficulties, they will not first of all knock on the door of the bank but rather review their own internal resources better. Much financial confusion can be avoided or averted on the way by moderating their expenditrues. And the stricter bank measures, a "sparing" credit practice, will encourage this more rational management.

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## DOMESTIC TRADE IN FIRST HALF YEAR DESCRIBED

Budapest FIGYELO in Hungarian No 33, 19 Aug 82 p 5

[Article by Mrs Dr Gusztav Novak: "Domestic Trade, Supply and Demand"]

[Text] One of the important factors in our living standard policy is to maintain or perhaps improve commodity supplies. Today it is no longer enough to "produce" a definite amount of goods, it is also necessary to improve quality, attend to the appearance of new products, and develop a supply with a more differentiated price range. The domestic producer must now see that we can no longer produce and sell as much of a given product as in previous years. Trade must also expand its variety, and moreover under conditions where the importance of economic inventory management is increasing.

### To Adjust More Rapidly

As compared to earlier times the importance of a flexible adjustment of change in demand has increased substantially. But the time span must be shortened because we cannot realize the daily tasks for the production of the appropriate commodity supply with a reaction to change that is measurable in a number of months or years.

For the time being these requirements will be realized only slightly on the consumer market although the rate of growth in retail trade for the first half of 1982 exceeded the goal in the economic plan. This is not characteristic, however, for the whole retail trade, rather on one hand for the food and restaurant area--where trade has increased primarily in response to a price increase--and on the other hand for the area of miscellaneous industrial goods where a volume expansion through purchases by the population and public institutions brought about an increase. Apparently the variation of the increase in trade from the goal of the economic plan will be moderated in the remaining part of the year because demand has already been moderated in the second quarter in the trade of miscellaneous industrial items and clothing, and we must also count on economy measures by public institutions.

Graph Actual and Planned Increase of Trade in the First Half of 1982 in Percentage of the Same Period for the Preceding Year

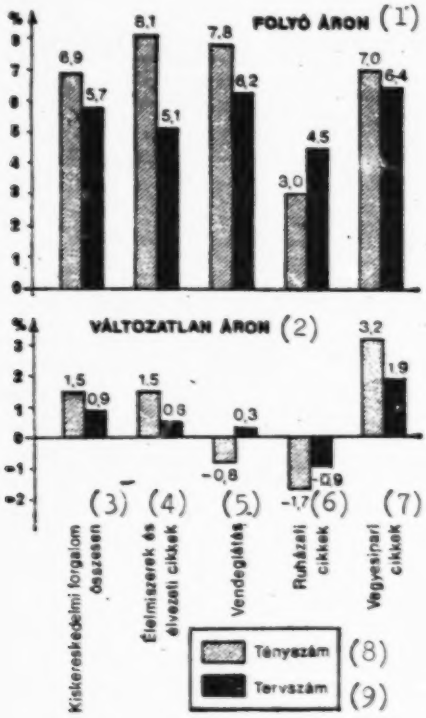


KEY:
1. At current prices
2. At unchanged prices
3. Total trade
4. Food and luxury items
5. Restaurant industry
6. Clothing
7. Miscellaneous industrial items
8. Actual
9. Planned

As compared to the same period for the previous year, trade increased in the first half of 1982, at current prices, by 6.3 percent, or by 12.3 billion forints. Of this, about 9.5 billion forints was the result of an increase in prices. A greater than planned population income brought about almost 2 billion forints' worth of surplus purchases, and there was a volume increase of nearly 1 billion forints in public institution trade, which affected primarily miscellaneous industrial items.

The 3 percent growth rate for retail clothing trade lagged substantially behind the 4.5 percent called for in the economic plan, and in fact at unchanged prices trade fell below that of last year. A decline in clothing sales could be observed from month to month in the second quarter. The smaller than expected growth in clothing trade is related to the greater than average price increase

for foods and luxury items, the large-scale decline in shopper tourism, and the inadequate composition and selection in commodity supply. The latter is supported by the fact that while clothing trade was only 3 percent higher than a year ago, the average clothing inventory was 13 percent higher and the 30 June inventory 4.8 percent higher.

Interesting results were arrived at in a study by the National Market Research Institute, which surveyed consumer satisfaction in relation to the supply of 46 clothing item groups. According to a comparison of the surveys conducted in March 1981 and 1982, there was no substantial change of opinion about the position of a single clothing item group although the 31 March inventory of the clothing wholesale trade was 30 percent greater in the item groups concerned than a year earlier. This year as well as last year consumer opinion drew attention primarily to an inadequate selection according to size and style, and found the price level too high only in several commodity groups.

In Commission Shops and Boutiques

This means that we could achieve a greater clothing trade if there were better selection. The differentiation of demand is shown by the fact that while total clothing trade increased by 3 percent as compared to the preceding year, trade in the Commission Shop and the House of Occasional Commodities rose by 9 to 10 percent. The number of private entrepreneurs engaged in outerwear trade increased by 33 percent in 1981, and their trade this year, according to statistics, is 50 percent greater than last year. Although their share in trade is negligible, it was still the private entrepreneurs who achieved 10 percent of the increase in the clothing trade.

Trade commodity supply was not in harmony with demand primarily in industrial items. At the beginning of the year there existed a temporarily superfluous inventory of important dimensions, and therefore in the first half year there was no need for an increase of supplies, but the bringing of the excess into trade and and an improvement in inventory composition would have helped in adjusting demand to commodity supply. But we did not reduce the surplus, and thus the commodity composition did not improve. Nevertheless, it is true that wholesale commodity acquisition was 1 percent less than in 1981, and the decline occurred at those enterprise groups that had surpluses. Marketing fell significantly behind enterprise targets, and in fact sales by wholesale clothing enterprises were below those of last year. The situation as it has developed is unconditionally linked with the fact that the enterprises planned a greater trade for this year than called for in the economic plan, that is to say, they did not react in adequate time to the relatively smaller increase in trade evident with the fourth quarter of 1981.

Financial Strains

The 30 June inventory stock of consumer items was worth 65.3 billion forints at current prices. This stock is not only somewhat greater than the opening stock, but it also failed to improve in composition, the surpluses that were

evident in the opening stock were not reduced in wholesale trade, and in fact they grew larger in clothing products. Within clothing items, the inventory was greater than necessary in yard goods, ready-made clothes, knit underwear and outerwear, socks and pantyhose. These items are in warehouses, but in volume and composition they do not contribute to an increase in clothing trade. Inventories are also greater than necessary in durable consumer items and tobacco goods. The total surplus comes to 2 billion forints.

The commercial enterprises are working with a large stock of means, and at the same time the trade is slack, the buying ability of the retail traders has deteriorated, and they do not have the sources to cover the stock of means. Already at the beginning of the year, when the 1982 financial plans were being drawn up, the bank organs affirmed during the consultation with the enterprises that the basic principle of credit extension being emphasized this year was to assure the harmony of trade and inventory. This is necessary for financial assurance that the commodity supply will be maintained at level, for existing superfluous inventories to be reduced, and for the producers to receive realistic commercial orders. At the same time, this also meant that the bank organs did not support the acquisition of inventories unnecessary for trade, the extension by credit prolongation of the deadlines undertaken in a realistically shaped reduction plan for superfluous inventories, but they did assure credit sources justified for the conduct of trade. For the bank organs it appears that the enterprises ignored this basic principle.

During the half year about one half of the enterprises "stood in line" for some time, the sum of unbalanced credit debts when they fell due was almost 70 percent more than last year, the total liquidity credit demand doubled, and a number of wholesale enterprises were permanently unable to pay. The tension eased in the second quarter because most of the retail trade enterprises created harmony between trade and inventory, but the situation in wholesale trade improved only to a small extent.

Total bank credit did not decline significantly, it only stayed within justified limits, which is also shown by a credit stock that is 5 percent greater than last year's. That is, the treasury is not empty, but the means are greater than what it is possible to finance from the treasury, and greater than the market demand. Bank credit is only one means of assuring a balance, and in fact bank credit itself can only have an effect if it is granted under appropriate terms.

Weighing the effect of the financial tension related to excessive acquisitions and lack of demand, most of the commercial enterprises reviewed their business policy ideas for the year and lowered their trade goals to a realistic level. This brought results already in the latter part of the second quarter, but presumably a justified extent of purchases can be expected later in the year. Thus it may be assumed that in the fourth quarter of the year the harmony bet between acquisition, marketing and inventory will be restored while the reduction time for surpluses in starting inventories will be longer than could have been expected as a result of the measures taken in the period.

If the enterprises will not be consistent in making a realistic judgment of the situation and adj ting thereto, or if they do not exchange their surplus inventories for stocks appropri te to actual demand, the provision of appropriate commodity supplies will run into difficulties primarily in the case of industrial items.

6691
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## SUCCESS OF AGRO-INDUSTRIAL UNDERTAKINGS LAUDED

Budapest MUSZAKI ELET in Hungarian 5 Aug 82 p 5

[Article by Dr Istvan Csorgo: "Agro-Industrial Undertakings; the Kaposvar Example"]

[Text] An agro-industrial innovation undertaking is integrated research, development and organizational cooperation combining the intellectual and material resources of research and educational institutions, agricultural reference farms (system centers) and technical design, industrial and commercial enterprises aimed at the intensive development of a foodstuffs production branch or a significant inter-branch special area or at the continual and economical renewal of products, tools, technologies or systems. In what follows we will report on how all this works out in practice.

The encouragement of innovation, with small, medium or large undertakings, has entered the sphere of the big questions for the qualitative renewal of agricultural production. The chief content of this science policy goal is given in part by the need to lay the foundations for intensive development and foreign market competitiveness and in part by the need for a swift and broad application of the achievements of science.

By weighing branch peculiarities science policy today must give an answer primarily to the following questions: How can one direct reseach directly serving practice toward complex target tasks better expressing social-economic needs and how can one accelerate the transformation of intellectual products into material value?

### Inter-Enterprise Integration

In the interest of all this, what possibilities do we have for tying research, development and production closer together, for better coordination of them by following a strategy which will make research and development activity an integrated part of foodstuffs production?

In order to give a worthy answer to these questions we can start from the supposition that in the agricultural sector an innovative strategy can and should be followed not within enterprise frameworks but rather primarily in the form of inter-enterprise integration (in research-development-production associations or societies as in an agro-industrial innovation undertaking).

In the present phase of agro-industrial integration the research-development-production-marketing-market organizing enterprises and institutions have in general reached the stage where the level of research, technology and organization, the large quantity and modern nature of the industrial tools and materials available for use and the economic resources offer the possibility for creating closer contact between science and practice and for the introduction of programmed foodstuffs production.

New Type Organizations

On the basis of our branch peculiarities and conditions we can justly hypothesize that an acceleration of innovation in foodstuffs production can come about by means of an innovation undertaking involving the division of labor among, or by the close integration of, or by the creation of a uniform common organization consisting of research and educational institutions organized for concrete research and development tasks, the agricultural reference farms or system centers, and food industry, technical design, background industry and commercial enterprises.

In this new type organizations following an innovative strategy a determining role will be played by the research and development institutions, the enterprises and the higher education research sites which do primarily forecasting, basic methodological, applied biological, technical, economic or organizational research or which conduct laboratory or modelling experiments and small series production.

Experimental Model

The agricultural system centers or reference farms which undertake large scale experiments in cooperation with research institutes are significant. They test the results under operational conditions, classify them, adopt them into the system, demonstrate and teach them and propagate them among the user farms. This will be the fundamental task of foodstuffs industry enterprises, combines and economic associations which, within the framework of production contracts or as owners, integrate foodstuffs production vertically. They will provide their partner farms with production and market information and production advice. They will encourage research and the production of quality agricultural materials by means of material incentive. In addition they will undertake reference farm tasks also. The background industry enterprises provide the foodstuffs production sector with technical-planning services and modern industrial tools and materials. The commercial enterprises provide marketing information. They take part in the trading of products, in organizing the domestic and foreign sale of new products and technologies created and in providing material incentive for the tasks.

With such a division of labor and organizational composition the innovation undertaking embraces the entire sphere of tasks, combining the research-development-production-marketing chain, and creates a harmony of product-technology-organization-leadership-system development.

The first such organization is the Kaposvar Animal Husbandry Research-Development-Production Association formed at the end of 1981, which already

conforms well to the character of scientific research and to the complex substantive requirements of innovation. The Ministry of Agriculture and Food regards this creative organization as a model and attributes an outstanding role to its activity. As an experimental model it can have an effect on present conditions in a number of areas, for example on the goal and means system of research and development, on questions of guidance and regulation and of incentive and financing, on the link with research and development organs, on international obligations and possibilities and on attitudes.

The Way For Large Undertakings

With regard to the problems appearing on the basis of the mutual effect of existing and new phenemona the ministry providing direct supervision is paying special attention to the operations of this experimental model. In this way measures can be taken in time to avert in unison the difficulties and obstacles. Broad utilization of the experiences of the experimental model could aid a building up of an innovation network for foodstuffs production on the basis of the same principles. This could show the way for large R and D undertakings to be established hereafter.

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SCIENTIFIC SOCIETIES TO AID SMALL, MEDIUM ENTERPRISES

Budapest MUSZAKI ELET in Hungarian 5 Aug 82 p 7

[Interview with Janos Fuzessy, deputy first secretary of the MTESZ, by Erika Mocsari: "Small Undertakings at the MTESZ?"]

> [Text] Our experts often ask what sort of new "undertakings" the MTESZ [Federation of Technical and Scientific Associations] will have, where one can apply and what sort of work is involved. Janos Fuzessy, deputy first secretary of the MTESZ, answered our questions.

[Question] What sort of needs are to be satisfied by this expansion of association activity?

[Answer] In the first place we want to offer aid to medium and small enterprises, seeing that they can finish individual, concrete developmental tasks quickly and well. We are talking about tasks which the factory, lacking its own intellectual capacity, could not carry out by itself. These tasks, of course, are tasks which far exceed the customary frameworks of social work--because of their character, complexity or extent. And if they turn to research institutes or design institutes then they must generally count on long throughput times. Now, within the framework of an experts commission, the associations are offering aid for a swift satisfaction of needs, whether these involve design, technology, organization or other developmental desires.

[Question] How will this be organized in the future, so that the enterprises will have free intellectual capacity available?

[Answer] In such cases the enterprise will turn to the association professionally affected--in most cases to a legal member of the association--where the experts will offer aid to organize the work and get it done. Thus, in essence, the various associations of the MTESZ will mediate the work between the commissioning enterprise and the commissioned experts. The enterprises are already submitting commissions. Such work was done earlier in a few associations, but the demand increased nearly ten times in 1981 as compared to 1980; and we are counting on further growth. Some of the contracts in this period pertained primarily to technical solutions at the level of a plan study.

[Question] What sort of intellectual capacity do you intend to use?

[Answer] What I am thinking of primarily is that within the framework of expert work we will not be using, in general, the intellectual capacity in Hungary but rather the intellectual capacity which has built up in the members of our associations. So we want to bring into this work primarily those who have been working regularly already as social activists, people who have done a lot for the association and who are outstanding experts too. We do not intend, with this new form of activity, to "lure" into the association, to make money, those who never looked at us before. We want to rely primarily on technicians already working in the association--I cannot emphasize this enough. We would like to bring in the young experts gradually, and we are also seeking a way to make use of the great experience of retired experts without limiting their pensions.

[Question] How will the work be paid for in practice? What sort of honorarium will the commissioned engineer receive?

[Answer] The basis for the honorarium will be the so-called engineer hour, already used in the area of expert work. The association will survey the task, calculate the needed expenditure, and the sum will be set on the basis of an agreement, to be paid by the enterprise after the work is done. The enterprise signs the agreement with the associations and the federation gets into the act only in those cases where the commission involves the coordination of experts from several associations. As for the honorarium, this represents an income supplement. The technicians will have no obligation in regard to how much work can be done after work time. Naturally, this activity will be taxed also, or there will be a contribution prescribed by the Ministry of Financial Affairs.

[Question] It is generally known that the earnings of the technical intelligentsia are still low while intellectual capacity is unexploited in many places. Does the MTESZ intend to help this with the new form of undertaking, by creating the Experts Office?

[Answer] It is important for the associations to bring the best experts into this work. Our federation created the National Experts Council of the MTESZ and the Experts Office to provide social guidance of this activity. The council will make recommendations as to what professional, legal and management frameworks to use for expert activity in the future. But we have a temporary regulation with which we have already substantially expanded the foundations for work done within even broader frameworks beginning next year.

In my opinion exploiting the intellectual capacity of the some 170,000 experts gathered around us will not only give extra income to individuals, it will also aid the enterprises in a way which will put an end to the still existing "blank spots." Not even to speak of the fact that this professional work will offer new opportunities from the viewpoint of further training for technicians.

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## TECHNICAL DEVELOPMENT ENTERPRISE ESTABLISHED

Budapest MUSZAKI ELET in Hungarian 5 Aug 82 p 5

[Article by Dr Erika Takacs, director of the Developmental Institute of the VBKM (Electrical Equipment and Appliance Works): "Managing Developers--Independently or in a Large Enterprise?"]

[Text] Creating a technical development enterprise is an economic necessity demanded by life. The foundations for it were largely developed earlier within within the frameworks of existing organizations.

Our institute--the Developmental Institute of the VBKM--was formed in 1950. Prior to the combining of industrial enterprises it was an institute operating as an independent enterprise. Even then it was characterized by two fundamental traits--the complexity of the area cultivated by it and the attempt to follow the products developed by it from the drawing board to the beginning of manufacture. Experimental and prototype products were made in our experimental shop and tested in our laboratory. We took care of our products by developing tools, solving special technologies and cooperating in putting them into production. Since we had to live "from the market" we tried to fulfill every desire of our customers flexibly--taking into consideration our manufacturing possibilities in the course of development--and at the same time, with broader technical information, we tried to make recommendations for new types of products which could be sold well.

The developmental institute has gone through frequent reorganizations since the formation of the VBKM. Its sphere of activity, the make-up of its cadre and its organizational structure have changed. In this period all the earlier market contacts of the institute were abolished; all the costs of maintaining it were covered from the centrally generated technical development fund of the large enterprise. The traditional development areas were supplemented by strong current electronics, which was a new manufacturing branch then developing in the VBKM and in the Hungarian electric industry as a whole.

The new market requirements increasingly demanded the delivery of completely automated electric equipment and guidance technology systems. In accordance with this the institute created its general designing office to support prime contracting and an apparatus to put the equipment into operation. It thus became especially suitable for the development of product families and

equipment requiring comprehensive knowledge, contracting for it and putting it into operation, something the individual factories and the enterprises or institutes of the strong current or instrument industry sub-branches were not capable of.

The requirements are increasingly shifting toward intellectual services which differ in significant aspects from the commodity deliveries which were generally customary earlier. Even today, the contracting deals resemble commodity deliveries rather than the qualitatively different services involving something extra intellectually. At the same time, the possibility of and conditions for commodity sales in the classical sense are increasingly worse, especially in the area cultivated by us, on the market for investment goods. Today, even the domestic customers are asking not only for turn-key deliveries from a single prime contractor but also for training, customer services and even study plans and market research supporting requests for investment credit. This is increasingly true on foreign markets, not even to speak of the powerful competition struggle and the consequent delivery time limit demands which sometimes are almost unrealistically short.

The situation is further complicated if what is involved is not the delivery of a single, well defined installation but rather integrated systems such as, for example, the delivery of transportation, mining or health systems or agricultural technologies which presume the flexible cooperation of various manufacturing branches, guidance organs and enterprises or institutions which may have different interests.

The conditions of industrial enterprises prepared for and encouraged toward commodity production primarily are rarely suitable for doing such work where relatively less material production is linked to a significant intellectual component. The industrial enterprises try to turn the available intellectual base and finances primarily to the development of their own concrete commodity production and are less interested in developing their "employed personnel" and in undertaking risks, tying down circulating assets and assuming credit, in order to finance commodity production a significant part of which will go to other enterprises.

As a result of the organizational review of the large industrial enterprises created by the earlier combining the VBKM was transformed into five enterprises; the developmental institute remained a part of the large enterprise dealing with energetics--as its chief profile. The new leadership of the enterprise, evaluating the professional preparedness and traditional contacts of the institute which are broader than the activity sphere of the enterprise, took action at the beginning of this year to make the institute a self-accounting unit so it could undertake all the engineering work which the opportunities permitted. We are thinking about making the institute a technical development enterprise working as a daughter enterprise, beginning on 1 January 1983. Thus the large enterprise, without having to moderate its own technical development demands, could get indirectly all those advantages which a technical development enterprise could offer and--as I have said--the new technical development enterprise could work effectively for other enterprises also. The institute, working as a technical development enterprise,

would be achievement oriented--making use of the profits generated by it and the amortization calculated more favorably than for industrial enterprises it would care for the expansion of its own fixed and circulating funds and the generation of reserve funds while offering a share to the parent enter enterprise from the indivisible fund.

The institute does not want to grow very much in personnel but it would like to develop qualitatively and adjust to the new conditions. It wants to deal flexibly with areas less favored by the factories, requiring a large intellectual component, developing a designing, installation and service apparatus for which the technical development enterprise form offers better possibilities. We would like to sign our contracts in such a way that the common share in the profits would increasingly serve as the incentive for the experts cooperating in development, contracting and introduction into manufacturing.

We have some special partial achievements on the basis of which we would like to undertake things in a more complex way. Our link to the delivery of health systems is an example. For example, we would like to undertake full delivery of all the energy supply and distribution systems for a new hospital or one to be reconstructed--emergency power supply, lighting, patient feeding systems (kitchen equipment and food distribution), storage systems, etc.--thus all the heavy current and electronic equipment--from general designing to putting it into operation. In the same way we would undertake the contract delivery of all electric equipment for hotels or educational institutions.

We would like to get into complete contracting for transportation systems. A possibility for this is offered by our flexibly constructed system for automatic identification of free path vehicles, our new speed prediction equipment, our energetics expertise, etc.

We would like to expand our contacts with enterprises working in the field of agriculture and foodstuffs--in all areas, especially in the complex areas, of propulsion, process control, energy supply, cooking technology, etc. or in the automation of water management as, for example, the heavy current electric partners of an institution specializing in automation.

If we are to accomplish what is expected and hoped for then, parallel with the creation of the external conditions, we must transform the internal incentive, organizational and operational system of our institute; every single worker must feel personally the effect of his good or bad work via his own income.

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THRIFTINESS FORCED ON PETROLEUM INDUSTRY

Budapest NEPSZAVA in Hungarian 30 Jul 82 p 4

[Article by Tibor Flanek: "Oil Industry—Under Restrictions"]

[Text] Last year, domestic refineries processed 9.2 million tons of petroleum, but their quota for this year is only 8.5 million tons. The conditions of purchase have become more difficult: even though for dollars--at quite a stiff price--practically unlimited quantities of petroleum could be imported, the national economy cannot afford such expenditures.

What remains, then, is the domestic production and the undoubtedly advantageous but unexpandable socialist imports. In the country's present situation it is practical to avoid capitalist exports at all costs. We succeeded in doing so last year, and with what we know about our results so far, we hope that this year will be the same.

Thus, even the lesser amount is sufficient if we use it with proper economy, and if we can substitute other energy sources for it. Strict frugality, gradual implementation of the energy-rationalization program, as well as the central-pricing measures all contribute to the decreased demand. But the National Oil and Gas Industry Trust [OKGT] enterprises also have a very big job to do.

It Is not Immaterial What Is Made out of What

"We try to decrease the production losses of domestic oil production as much as possible," says Erno Kazai, deputy director of the OKGT's main department. "But it is at least as important to improve the product structure during processing, to increase the ratio of the more valuable hydrocarbons," he emphasizes.

Of the trust's 120-billion-forint production costs this year, materials amount to about 100 billion. So it is understandable that raw material management has special significance here.

"Of course, we cannot change the costs of purchasing the petroleum," says Erno Kazai. "But we can [control] what is made from the valuable raw material and in what proportions. How much gasoline and diesel fuel, or, for example,

benzol is made from it, that is, what is the degree of processing. We receive a much higher price on the world market for quality lubricating oils or paraffin or for aromatic products (for example, benzol and toluol) than for our products made by simple distillation."

"And yet, gasoline and diesel fuel are the most important..."

"Yes, because these so-called white products are indispensable from the viewpoint of domestic supply. Now that we are refining less petroleum than before, we must strive primarily to increase the ratio of such products. The results of observing technological discipline, paying increased attention, and of the technological measures taken, are already significant. In the first half of last year, 53.6 percent of petroleum was turned into white products, in the first 6 months of 1982, 57.2 percent."

"So did you produce more from less?"

"I would not put it quite that way. But, at any rate, our products are worth more than before. At least relatively speaking."

Rescued Hydrocarbons

One of the main problems today is that they are unable to utilize the capacity of the petroleum refineries built to process much larger than the present quantities. This by all means deteriorates profitability, not only in this country but all over the world.

"We try to help this primarily by operating at higher degrees of efficiency those plants in which we can produce with the lowest costs and energy the refined products needed here in this country, and the items that can be exported profitably," Erno Kazai explains. "And we pay much attention to further processing. Our recently completed investments served the production of more complicated products, rather than increased capacities. This will also be the direction of growth in the future."

It is true, however, that for the time being there is no opportunity in Hungary to produce those petroleum products that are considered the most modern in worldwide respects. Additional developments are necessary for this. Ones like the catalytic cracking plant now under construction in Szazhalombatta. In this, we will be able to produce gasoline and diesel fuel from the less valuable heating oils.

Without Dollars

Thus, in the domestic petroleum industry frugality with materials means primarily the modernization of the product structure. In addition to the frugality measures in the strict sense of the word--recovery of petroleum from oil-containing muds, and utilization of the gases that until now had been burned off in flares--the OKGT's experts are also evaluating how more of the valuable hydrocarbons could be salvaged.

"Liquid energy sources are the most valuable ones," says Erno Kazai. "If we could substitute natural gas for some of them, that in itself would save us huge expenses. This is why we are speeding up the construction of the gas pipelines, and we are also beginning to exploit the natural gas fields with lower heating values. We cannot put natural gas like that into the national network, but it is possible to use it in power plants. Originally, we planned to implement this change in 1983, but now that the program is accelerated, we can have such gases as fuel in the Tisza Thermal Power Plant--in peak periods--as early as the end of this year."

The most important effort of the OKGT is to insure the domestic supply as well as possible without the previously planned dollar-accounted imports. This is helped by the significant additional reserves of natural gas found during the explorations, and even this year more of this will be produced than had been planned. This is joined by the more careful work, improving the ratio of gasoline and diesel fuel production, and also by modernization of the product structure of this industrial branch.

The goal is that the country's international balance of payments should not deteriorate, and the present level of supply be maintained with much more modest imports than before. In addition, the petroleum industry should also be able to provide some profitable exports. By modernizing production and the economic operation they can save not only tons, but also hundreds of millions of dollars for the national economy.

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SPECIAL CURRENCY EXCHANGE RATES PUBLISHED

Warsaw TRYBUNA LUDU in Polish 30 Aug 82 p 7

[Text] Announcement of Exchange Rates Table No 35/82, effective 30 August 1982, by Stanislaw Majewski, president, Polish National Bank, on 30 August 1982.

I. Foreign-currency exchange rates in zlotys for countries of the first payments area [socialist countries] for commercial and noncommercial payments remain unchanged.

In purchases of travelers' checks for rubles, issued by the USSR Foreign Trade Bank and payable outside the USSR in the currency of the country where cashed, an exchange rate of 11,590.10 zlotys per 100 rubles is applied.

II. Foreign-Currency Exchanges Rates in Zlotys for Countries of the Second Payments Area [Capitalist Countries]

[Table on following page]

Exchange Rates Table No 35/82

| Country | Curr Symb | Currency | Foreign Exchange Purchase 4 | Foreign Exchange Sales 5 | Money Purchase 1 | Money Sales 2 | Money Average 6 |
|---|---|---|---|---|---|---|---|
| Saudi Arabia | 771 | 1 rial*** | 24.82 | 25.06 | -- | -- | 24.94 |
| Australia | 781 | 1 Aust. dollar | 87.31 | 88.19 | 85.99 | 89.51 | 87.75 |
| Austria | 786 | 100 schillings | 494.45 | 499.41 | 486.99 | 506.87 | 496.93 |
| Belgium | 791 | 100 francs | 181.87 | 183.69 | 179.12 | 186.44 | 182.78 |
| Denmark | 792 | 1 kroner | 10.00 | 10.10 | 9.85 | 10.25 | 10.05 |
| Finland | 780 | 1 markka | 18.12 | 18.30 | 17.85 | 18.57 | 18.21 |
| France | 793 | 1 franc | 12.48 | 12.60 | 12.29 | 12.79 | 12.54 |
| Greece | 724 | 100 drachmas | 122.88 | 124.12 | 106.51 | 125.97 | 123.50 |
| Spain | 785 | 100 pesetas | 77.06 | 77.84 | 75.90 | 79.00 | 77.45 |
| Holland | 794 | 1 florin | 31.78 | 32.10 | 31.30 | 32.58 | 31.94 |
| India | 543 | 100 rupees*** | 893.63 | 902.61 | -- | -- | 898.12 |
| Ireland | 782 | 1 pound*** | 119.76 | 120.96 | -- | -- | 120.36 |
| Japan | 784 | 100 yen | 33.55 | 33.89 | 33.05 | 34.39 | 33.72 |
| Yugoslavia | 713 | 100 dinars | 176.69 | 178.47 | 153.15 | 181.13 | 177.58 |
| Canada | 788 | 1 Canad. dollar | 68.97 | 69.67 | 67.93 | 70.71 | 69.32 |
| Kuwait | 770 | 1 dinar*** | 295.20 | 298.16 | -- | -- | 296.68 |
| Lebanon | 752 | 1 pound | 16.74 | 16.90 | 16.48 | 17.16 | 16.82 |
| Libya | 651 | 1 dinar*** | 288.22 | 291.12 | -- | -- | 289.67 |
| Luxembourg | 790 | 100 francs | 181.87 | 183.69 | 179.12 | 186.44 | 182.78 |
| Norway | 796 | 1 kroner | 12.91 | 13.03 | 12.71 | 13.23 | 12.97 |
| Portugal | 779 | 100 escudos | 99.58 | 100.58 | 86.31 | 102.08 | 100.08 |
| FRG | 795 | 1 mark | 34.92 | 35.28 | 34.40 | 35.80 | 35.10 |
| United States | 787 | 1 dollar* | 85.34 | 86.20 | 84.05 | 87.49 | 85.77 |
| Switzerland | 797 | 1 franc | 41.34 | 41.76 | 40.72 | 42.38 | 41.55 |
| Sweden | 798 | 1 kroner | 14.07 | 14.21 | 13.86 | 14.42 | 14.14 |
| Turkey | 627 | 100 pounds | 52.36 | 52.88 | 45.38 | 53.67 | 52.62 |
| Great Britain | 789 | 1 pound** | 149.20 | 150.70 | 146.95 | 152.95 | 149.95 |
| Italy | 799 | 100 lira | 6.19 | 6.25 | 5.37 | 6.34 | 6.22 |

*Valid also in clearing accounts with the following countries: Bangladesh, Brazil, Ecuador, Greece, Iceland, Kampuchea, Colombia, Lebanon, Pakistan, Peru and Turkey.

**Valid also in clearing accounts with the following countries: Nepal and Pakistan.

***The Polish National Bank does not purchase money in these currencies.

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## BRIEFS

AGRICULTURAL PRODUCTS PROCUREMENT--Meat. The total procurement of butcher livestock, calculated as meat, reached 22,800 tons last week, somewhat less than the previous week. During the same period last year, 16,000 tons of livestock, calculated as meat, was procured. Milk. From 16 to 22 August 225 million liters of milk were procured, about 6 million liters less than the previous week. Milk procurement is still somewhat less than that during the same period last year. Grain. In the period from 16 to 22 August 361,400 tons of grain were procured, of which supplies from State Farms totalled 76,200 tons. Procurement is considerably less than in the previous week (632,600 tons). Overall, 1,853,000 tons of grain have been procured from this year's harvest, of which socialized farms sold about 480,000 tons. Eggs. The supply of eggs to procurement points continues to be low. Last week 41.1 million eggs were procured, of which 36.7 million were from farm production. In comparison to the previous week, supplies from small breeders increased by 600,000 eggs, and totalled 4.4 million eggs. [Text] [Warsaw RZECZPOSPOLITA in Polish 25 Aug 82 p 1]

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STATISTICS ON TRANSPORTATION IN 1981

Belgrade TRANSPORT in Serbo-Croatian No 4 Apr 82 pp 3-9

[Excerpts] Measured in [net] ton and passenger kilometers, the transport output achieved in overall transportation in 1981 was 3 percent less than the preceding year; total commodity transport (domestic and foreign), expressed in net ton km, has declined by 4 percent and the total output in passenger transport (in passenger km) has grown by 1 percent. The amount and structure of the freight carried in overall transportation in 1981 (without pipeline transportation) were as follows:

| | Amount in thousands of tons | Index 1980=100 | Structure in percent |
|---|---|---|---|
| Total | 373,512 | 96.3 | 100.00 |
| Domestic transport | 323,142 | 95.8 | 86.51 |
| International Transport | 50,370 | 99.5 | 13.49 |
| including: | | | |
| --exports | 8,582 | 101.6 | 2.30 |
| --imports | 21,026 | 103.0 | 5.63 |
| --transit | 6,822 | 99.1 | 1.83 |
| --transport abroad | 13,940 | 99.7 | 3.73 |

About 14.3 million tons, or 4.35 percent less, was carried, and in internal (domestic) transportation, which has the largest share in the total amount of goods, 14.1 million tons less was carried than in 1980. Transportation abroad (external transportation), primarily between foreign ports, is extremely significant, because the greatest transport output is achieved, and thus also the most foreign currency income.

The transport output achieved in 1981 and its structure can be seen from the following review:

| | Output mil. ntkm | Index 1980=100 | Structure in percent |
|---|---|---|---|
| Total | 223,483 | 90.5 | 100.00 |
| International transportation | 40,365 | 103.5 | 18.06 |
| International transportation | 183,118 | 88.1 | 81.94 |
| including: | | | |

| | | | |
|---|---|---|---|
| --imports | 47,375 | 102.5 | 21.20 |
| --exports | 10,455 | 106.7 | 4.68 |
| --transit | 3,298 | 106.5 | 1.47 |
| --transport abroad | 121,990 | 82.0 | 54.59 |

The output achieved was about 23,338 million ntkm less, or 10.4 percent less than the results achieved the preceding year. The most significant reduction was in so-called external transportation, in which the reduction was close to 22 percent, although external transportation was still over half of the output (in 1980 it was about 60 percent) and was achieved almost entirely in maritime transportation. At the same time, this trend indicates that the position of our maritime shipping in the international maritime shipping market has deteriorated, partially because of the recession in this market and the general economic situation in the world.

The shares of the individual transportation branches in internal freight transportation in 1981 were as follows:

| | Amount thous. tons | Output mil. ntkm | Average trip (km) |
|---|---|---|---|
| Total--domestic | 323,142 | 40,365 | 124.9 |
| --Railroad | 63,281 | 17,170 | 271.3 |
| --Maritime | 2,534 | 800 | 315.7 |
| --River | 20,734 | 2,743 | 132.3 |
| --Air | 13 | 5 | 384.6 |
| --Highway | 236,580 | 19,647 | 83.0 |

Highway transportation has a 73.2 percent share of the amount of goods transported (in tons), and a 48.7 percent share of the output achieved in the average trip of 83 km in domestic transportation; this includes the work of all of the OURs [organizations of associated labor] registered for highway transportation, including transportation to meet their own needs. The railroads have a 19.6 percent share of the amount carried, and a 42.5 percent share of the output achieved in total domestic freight transportation, with an average trip of 271 km. In comparison with the results achieved in 1980, the share of highway transportation in the tons carried has declined slightly (by 1 percent), while the decline in the output achieved is more significant (it was 49.2 percent). The share of the railroads in the amount of goods transported in 1980 was 18.4 percent, and their share in the transport output was 43.3 percent.

Freight transportation and the transport output in international transportation in 1981 (imports, exports, transit, and external transport) were as follows, by branches of transportation:

| | Amount in thousand tons | Output in million ntkm | Average trip (km) |
|---|---|---|---|
| total--international | 50,370 | 183,118 | 3,635 |
| --railroad | 22,701 | 8,551 | 377 |
| --maritime | 23,228 | 270,875 | 7,356 |
| --river | 2,003 | 1,876 | 937 |

| | | | |
|---|---|---|---|
| --air | 9 | 63 | 7,000 |
| --highway | 2,429 | 1,753 | 722 |

We can see that the largest shares in the total amount of transportation are those of maritime transportation (46 percent) and railroad transportation (45 percent), while maritime transportation has a 93.3 percent share in the output achieved. This is why maritime transportation has the greatest significance in overall international transportation. Railroad transportation has a 4.7 percent share in the output achieved, and this output of the railroads is 4.9 times greater than the output achieved by highway transportation. Previously, in 1980, the share of maritime transportation in the total output achieved in international transportation was 94.1 percent; this means that there was a slight decrease, but the absolute amount of the decline in this output was as much as 14.4 percent, which is very significant.

Reloading and Turnover at Ports and Wharfs

At sea ports, there was a 1.6 percent decline, from 18.44 to 18.5 million tons in the amount of cargo in reloading (in turnover tons), while ton-operations increased by 4.3 percent, from 27.9 to 29.1 million tons, which is a negative trend. The ratio of ton-operations (manipulated tons) to the number of tons reloaded, i.e., the so-called coefficient of handling, was increased from 1.51 in 1980 to 1.60 in 1981; this means that the volume of work for the same amount of cargo was increased, or, in other words, that 60 percent of the cargo was increased, or, in other words, that 50 percent of the cargo was handled twice. Over 96 percent of the total volume is unloading, 35 percent is loading, 19.4 percent is direct reloading, and 2.6 percent is moving the cargo. Although direct reloading was increased by 15 percent (by amount) in 1981, this was still not enough for the turnover of goods in ports to be more economical, since 78 percent of the goods are unloaded and then loaded. This increases business expenses and the expenses burdening the goods, in comparison with direct reloading. This also indicates the need to synchronize the arrival of railcars and trucks with the arrival of ships at the port. The problem is extremely complicated, and requires very serious study in order to find the optimum solutions and take practical steps toward such solutions.

The total turnover of cargo in the ports in 1981 was 33.9 million tons, with no essential changes in comparison with the preceding year. Domestic turnover (loading and unloading) constitutes 15.8 percent of this, while the rest is foreign turnover (84.2 percent). Domestic turnover declined by 3.3 percent in comparison with the preceding year, and foreign turnover increased by only 0.8 percent. The total foreign turnover was as follows:

| | 1980 | | 1981 | | Index |
|---|---|---|---|---|---|
| | thous. tons | percent | thous. tons | percent | 1980=100 |
| Total turnover | 28,300 | 100.0 | 28,535 | 100.0 | 100.0 |
| Exports | 3,482 | 12.3 | 3,383 | 11.9 | 97.2 |
| --domestic ships | 1,124 | 4.0 | 1,240 | 4.3 | 110.3 |
| --foreign ships | 2,358 | 8.3 | 2,140 | 7.6 | 90.7 |

| | | | | | |
|---|---|---|---|---|---|
| Imports | 18,801 | 66.4 | 19,264 | 67.5 | 102.5 |
| --domestic ships | 5,319 | 18.8 | 6,821 | 23.9 | 128.2 |
| --foreign ships | 13,482 | 47.6 | 12,443 | 43.6 | 92.3 |
| Transit | 6,017 | 21.3 | 5,888 | 20.6 | 97.8 |
| --domestic ships | 891 | 8.2 | 686 | 2.4 | 77.0 |
| --foreign ships | 5,126 | 18.1 | 5,202 | 18.2 | 101.5 |

Ships under foreign flags carried a total of 74 percent of the cargo in 1980, and 69.4 percent in 1981. This is a positive trend, but the share of foreign vessels is very large. At wharfs on rivers and canals, there was a slight 0.8 percent increase in the amount of goods reloaded (turnover tons), from 18.2 million tons in 1980 to 18.3 million tons in 1981. Thus, in volume and in trends, there are no significant differences in comparison with sea ports. The handling coefficient in this case was increased from 1.49 to 1.61, since the amount of ton-operations increased by 9.5 percent in 1981. About 95 percent of the cargo is handled by mechanical equipment. Of the total volume of ton-operations in 1981, 37.3 percent in unloading, 44.0 percent is loading, only 15.3 percent is direct reloading, and 3.4 percent is moving the cargo. Loading and unloading constitute 81.3 percent and were increased by 9.2 percent in 1981, direct reloading has slightly declined, and moving has been increased 2.4 times. This means that at the wharfs, the situation with cargo handling is somewhat worse than the situation at the sea ports.

The total cargo turnover at the wharfs, without transit, was reduced by 14 percent in 1981, i.e., from 50.37 million tons to 44.17 million tons. Domestic turnover has a share of about 94 percent, while the structure of international turnover is as follows:

| | 1980 | | 1981 | | Index |
|---|---|---|---|---|---|
| | thous. tons | percent | thous. tons | percent | 1980=100 |
| Total turnover | 3,877 | 100.0 | 2,699 | 100.0 | 69.6 |
| Exports | 612 | 15.8 | 637 | 23.6 | 104.1 |
| --domestic ships | 304 | 7.9 | 450 | 16.7 | 148.0 |
| --foreign ships | 308 | 7.9 | 187 | 6.9 | 60.7 |
| Imports | 3,265 | 84.2 | 2,062 | 76.4 | 63.1 |
| --domestic ships | 2,209 | 57.0 | 1,419 | 52.6 | 64.2 |
| --foreign ships | 1,056 | 27.2 | 643 | 23.8 | 60.9 |
| Transit | 6,965 | -- | 7,857 | -- | 112.8 |

The total decline in exports and imports was 43.6 percent; if one includes transit in the total foreign turnover, then international turnover at the wharfs was 2.7 percent less. In fact, in 1980, transit was 80 percent greater than total exports and imports, and in 1981, transit was as much as 2.9 times greater. In 1980, vessels under foreign flags carried 35 percent of the cargo exported and imported, and in 1981, they carried 30.7 percent. There are no data on how much of the cargo from transit is delivered by Yugoslav ships.

Passenger Transportation and Passenger Traffic at Ports and Airports

In 1981, 1,087 million passengers more, or 1.3 percent more, were carried than during the preceding year, and the transportation output (in pkm) was

only 0.6 percent greater. It is significant that in domestic transportation the number of passengers carried was 1.4 percent greater than in the preceding year, while in international transportation, it declined by 11.1 percent. The number of passengers carried and the structure by branches of transportation can be seen from the following:

| | 1980 | | 1981 | | |
|---|---|---|---|---|---|
| | thousand passengers | percent | thousand passengers | percent | Index 1980=100 |
| Total carried | 1,073,255 | 100.0 | 1,087,500 | 100.0 | 101.3 |
| Railroad | 107,025 | 10.0 | 104,906 | 9.6 | 101.1 |
| Maritime | 7,301 | 0.7 | 6,614 | 0.6 | 92.6 |
| River and lake | 128 | 0.0 | 129 | 0.0 | 105.0 |
| Air | 4,736 | 0.4 | 5,120 | 0.5 | 101.8 |
| Highway | 954,069 | 88.9 | 970,731 | 89.3 | 100.4 |

In 1981, 8.74 million were transported in intercity transportation; this constitutes only 0.8 percent of the total number of passengers. Of this number, the railroads carried 2.3 million (12.6 percent less than the preceding year) air transportation 2.4 million (8.7 percent more,) and highway transportation 3.9 million (close to 23 percent less). Such a trend, except in air transportation, may be considered positive because of the lower foreign exchange drain for payments for transportation expenses abroad (for fuel, taxes, etc).

The output achieved in passenger transportation (in pkm), by branches, can be seen from the following

| | 1980 | | 1981 | | Index |
|---|---|---|---|---|---|
| | mil. pkm | percent | mil. pkm | percent | 1980=100 |
| Total output | 45,653 | 100.0 | 45,961 | 100.0 | 100.6 |
| Railroad | 10,392 | 22.8 | 10,512 | 22.9 | 101.1 |
| Maritime | 230 | 0.5 | 213 | 0.5 | 92.6 |
| River and Sea | 20 | 0.0 | 21 | 0.0 | 105.0 |
| Air | 5,091 | 11.1 | 5,183 | 11.3 | 101.8 |
| Highway | 29,920 | 65.6 | 30,032 | 65.3 | 100.4 |

The output in highway transportation has stagnated, and the average trip per passenger has increased from 24 to 31 km. For the railroad, the increase in output and the number of passengers carried is equal, and so the average trip has been maintained at about 100 km. It is interesting that there is not a high growth rate in air transportation (it is now only 1.8 percent) for passenger transportation, but the average trip is being maintained at a little over 1,000 km.

The volume of passenger traffic in the ports has declined by 3.6 percent, from 7,477 thousand passengers. The total passenger traffic (arrivals and departures) has fallen by close to 6 percent, from 14.26 million to 13.46 million passengers. In 1981, domestic traffic constituted close to 95 percent of total traffic. Foreign passenger traffic was 11 percent greater in 1981. A foreign tourist who is carried as a passenger on regular lines in domestic

transportation, however, is identified as a domestic passenger for transportation and traffic in the ports.

The volume of passenger traffic at the airports in 1981 was 10.7 percent more, amounting to 5,784 thousand passengers, while the total passenger traffic (arrivals and departures) reached the 8,336 thousand figure, which was 10.3 percent more. Domestic traffic was 63.6 percent and increased by 10.1 percent in 1981, while international traffic increased by 10.6 percent compared to last year. It is significant that in the international traffic, about 77 percent of the passengers arrived and departed on Yugoslav airplanes. In addition to this, there were 660,000 passengers in transit in 1981, or 9 percent more than in 1980.

Public Municipal Passenger Transport

The number of passengers carried in public municipal transportation (JGS) in 1981 was 1,874.9 million passengers; it has stagnated at the level of the preceding year. During 1981, there was an 8.7 percent increase in the number of seats and standing room in public municipal transportation vehicles, an 8.9 percent increase in buses (85 percent of the capacity), and a 9.2 percent increase in street cars (14.2 percent of vehicle capacity), while the number of seats in trolleys fell by 16.3 percent. There has been no change in the capacity structure and so the buses continue to dominate. Of the 392.1 million kilometers traveled in 1981, buses covered 352.6 million kilometers, or 90 percent, while street cars covered 9.6 percent of the kilometers traveled in 1981. The share of trolleys in the transportation capacity is slight, and declined in 1981.

Border Crossing by Motor Vehicles

During 1981, 166,886 motor freight vehicles entered across our borders in regular traffic, with 1,434 thousand tons of freight; this is about 10.7 percent more vehicles but 6.3 percent less freight in comparison with the preceding year. The average load of these vehicles was reduced from 10.1 tons in 1980 to 8.6 tons in 1981.

In 1981, 189,608 vehicles left our country, i.e., 16.6 percent more, with 1,818 thousand tons of freight, or 18.5 percent more. This means that the average load per vehicle was increased from 9.4 tons to 9.6 tons.

There were 280,779 vehicles in transit in 1981 (18 percent more), with 3.9 million tons of freight (21.5 percent more); this means that the average load per vehicle was increased from 13.5 tons to 13.9 tons if one compares the two years under consideration.

During 1981, 12,557,489 passenger vehicles entered our country (0.7 percent more); 12.3 million of these were passenger cars (98.1 percent), and the rest were buses (131,000) and motorcycles (about 110,000). A total of close to 42 million passengers entered Yugoslavia, or 1.8 percent more than in 1980. These figures do not include local border traffic, with 3.8 million vehicles and 9.6 million passengers. About half of the total number of passengers entering our country are Yugoslav citizens; this also includes local border traffic passengers.
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INTERNATIONAL TRANSIT ROLE OF YUGOSLAV RAILROADS

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 21 Jul 82 p 4

[Article by R. Tatalovic: "The Ratio of the Carriers Should Be Changed"]

[Text] Yugoslavia's geographic position is very convenient for the transit of goods from West and Central Europe to the Middle East and African countries: thus, either overland Yugoslav routes are used in transportation, or a combined route, in which part of the transportation is done by railroad and the rest by sea. Part of West and Central Europe's trade with Greece, Bulgaria, and Turkey is also directed to Yugoslav transit routes.

Recently, some transportation originating in trade by the Soviet Union and Romania with Italy, Switzerland, and southern France has also been directed toward Yugoslavia, if the prices and other transportation terms are suitable.

Yugoslav railroads have a significant and almost dominant role in transit carried out by the Yugoslav transportation industry (99 percent).

In spite of our pronounced advantages, relatively small amounts of transit are directed through Yugoslav railroads, which are the branch of transportation with the dominant role in carrying out overland transit.

During the period 1978-1981 and in the first quarter of this year, the following amounts were shipped in overland transit over Yugoslav railroad [JZ] routes:

| Overland Transit | Years | | | | | |
|---|---|---|---|---|---|---|
| | 1978 | 1979 | 1980 | 1981 | I-III 1981 | I-III 1982 |
| Tons (thousands | 2030 | 1921 | 1977 | 2125 | 416 | 563 |
| Index | 100 | 94.6 | 97.4 | 104.6 | 100 | 135.0 |

As one can see, the Yugoslav railroads are transporting small amounts of goods gravitating toward Yugoslav transit routes; in addition, these amounts oscillate from year to year, depending on the influence of a great many factors, so that the orientation of individual countries toward Yugoslavia differs. For example, Yugoslav routes are carrying less than 10 percent of West Germany's

trade with the Middle East countries and Greece, 18 percent of Italy's trade with Czechoslovakia, and 25 percent of Italy's trade with Bulgaria.

Oscillations

Yugoslav railroads have only a 5 percent share in transportation in Greek trade with the EEC countries, and about 10 percent in Austrian overland transit.

In addition to this, Yugoslav railroad routes are carrying only about 15 percent of Romania's trade with Western Europe, and 16-20 percent of Bulgaria's. This role in the international transit market has been imposed on our railroads by several very influential factors.

Because of the deterioration in political and economic relations, primarily between the military-political blocs and between the developed and developing countries, a significant change is taking place in international trade, accompanied by a change in transportation flows and an oscillation in transportation.

The socialist countries are making maximum efforts to direct the transportation of transit goods to routes where, for most of the distance, it is possible to pay in rubles, in order to reduce their convertible currency outlays for transportation.

All countries are making efforts to attract transit transportation to their own routes and thus make it possible to acquire foreign-exchange funds. They are assisting the development of railroad capacities through their business and fiscal policies, and thus aiding an increase in the quality of services which is one of the conditions for an orientation of transit toward individual routes.

Protectionism is increasingly present in the way in which transit is directed, since some contracts dictate a transportation route that belongs to a specific political bloc. The struggle for transit is also being manifested through various benefits and privileges that make it possible to reduce the price of transportation, which is usually the cruicial factor for the orientation of transit.

State institutions very frequently contribute to special treatment for transportation through various subsidies and grants, while the Yugoslav railroads are limited in this respect, by low domestic transportation prices, on the one hand, so that they cannot find room in their income for additional privileges for transit, and, on the other hand, by relatively low transit subsidies.

In Spite of the Above-Mentioned Factors

As a result of all of these factors, goods going from West Europe to the Middle East and Turkey are more and more often being shipped by a northern route, using Hungarian, Romanian, and Bulgarian railways, and goods going from the Soviet Union to Italy and France are going through Hungarian and

Austrian routes. Recently, transit goods for the Middle East have been shipped by a combined method, using the railroad up to the northern Adriatic ports, and then continuing by sea.

The Yugoslav railroads' most important competitor, however, had been highway transportation for several years now.

Lost Foreign Exhange

For the sake of comparison, we would like to point out that in 1981 3.9 million tons of goods were carried by foreign trucks in transit through Yugoslavia, while 2.1 million tons were carried by the Yugoslav railroads. One does not require much familiarity with the economics of transportation to see how much damage is being done to Yugoslavia, in regard to foreign exchange, by these basic trends, especially since Yugoslavia's policy of relatively low taxes for transit by these trucks to the Yugoslav railroads.

The damage is even greater in that these 3.9 million tons of goods were shipped over Yugoslav routes, for over 1,000 kilometers, and these were goods for which payment was made in convertible currency. If these goods had been carried by a Yugoslav railroad organization, Yugoslavia would have realized about $130 million in noncommodity income, reduced the consumption of liquid fuels, and reduced highway vehicle transit.

This is unrealistic to assume, but there is a real change that the Yugoslav railroads have enough capacity to handle significant amounts of these goods and transport them efficiently.

In particular, the Yugoslav railroads are interested in transit as supplementary transportation, since transit transportation makes possible more intensive utilization of capacity on the routes where expenses are lowest, because of electrification and favorable terrain configuration; because of the reduction of expenses per unit of transportation, the railroad's competitive ability is increased on both the domestic and international levels.

The Yugoslav railroads' interest in transit has also been increased by the fact that this transportation is carried out with the use of foreign rail cars, i.e., with a reduced burden of expenses for the acquisition and maintenance of these capacities, with fewer start-stop operations, less shunting work and less locomotive use.

The more favorable transportation costs that are achieved in transit have a positive effect on business results, while the possibility of obtaining income in foreign exchange enables the necessary continuation of the process of renewing production and contributes to the campaign for reducing Yugoslavia's negative foreign-exchange deficit.

Continental transit transportation provides considerable possibilities and chances for increasing exports by the Yugoslav transportation industry, since, on the one hand, there are goods potentially oriented toward our transit routes, and, on the other, our railroad transportation organizations are interested and the necessary capacity exists.

Realization of these possibilities requires the creation of conditions for more efficient transportation, which means: more rapid development, especially of the main routes; increased subsidies for transit transportation, since in some cases the prices do not cover expenses; introduction of an economic tax on foreign trucks going through Yugoslavia, and thus a restriction of such shipping; and a joint approach, together with foreign railroad administrations, in order to ensure efficient transportation over the entire route, joint absorption of price differences and resistance to competition, and joint cooperation and coordination of the participants in overland transit.

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END

JPRS 81934

6 October 1982

# East Europe Report

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2322

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# EAST EUROPE REPORT

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2322

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## IMPLEMENTATION OF LONG-RANGE CEMA PROGRAMS DESCRIBED

East Berlin AW--DDR--AUSSENWIRTSCHAFT in German Vol 10 No 29, 14 Jul 82 pp 1-2

['AW Economic Policy Information' report, based on CEMA materials, by Information and Public Relations Department, GDR Ministry for Foreign Trade: "Implementation of Long-Range Target Programs in the Focus of CEMA Work"]

[Text] The comprehensive program, the long-range target programs of cooperation as well as the decisions of the council meetings, continued to be implemented according to plan in the past year. Numerous and comprehensive activities of the CEMA countries and CEMA organs hide behind this statement of the 36th council meeting.

A focal point was even better use of the possibilities of international production specialization and cooperation, a closer interconnection between science, technology and production, as well as improving multilateral cooperation. The activity of the council organs gains concrete expression in analytic and prognistic work, and in the preparation and conclusion of agreements stemming from the long-range target programs. To date 155 agreements were signed by interested countries and an additional 35 agreements have been prepared.

### Expansion and Effective Use of the Raw Material, Fuel and Energy Base

A point of major effort was, and still is, the solving of problems of raw materials, fuels and energy, and more effective utilization of resources. Increasing the share of nuclear energy in the production of electricity and heat is considered by the CEMA countries to be one of the most important directions in the development of energy economy. Output by operational nuclear power plants increased in the past year by 2,880 MW, and in the People's Republic of Bulgaria, in the GDR, USSR and CSSR it reached a total of 19,500 MW. Energy production in nuclear power plants amounted to 110 billion kWh. By comparison, more than 35 million tons of standard fossil fuel would be necessary to produce this amount of energy. In the past year, further measures were introduced toward implementation of the general agreement on cooperation among countries interested in the construction of the nuclear power plant at Chmelnizki in the USSR, and of the agreement on construction and operation of the 750-kV. Chmelnizki-Rzeszow powerline (People's Republic of Poland). Construction of the nuclear power plants at Paks in the People's Republic of Hungary, Koslodui in the People's Republic of Bulgaria, Bohunice and Dukovany in the CSSR were continued, also the planning and construction of the first nuclear power plants in the Republic of Cuba, in the People's Republic of Poland and in the Socialist Republic of Romania.

The CEMA Commission on Electric Energy analyzed the parallel operation of the United Energy Systems with the Uniform Energy System of the USSR, which became possible through the 750-kV Winniza-Albertirsa powerline, operable since 1979. The operating performance of this interlocking system reached 300,000 MW, of which about 140,000 MW are coordinated by the central dispatch office of the United Energy Systems of the CEMA countries in Prague. Mutual exchange of electric energy amounted to 32 billion kWh in the past year. On the recommendation of the 35th council meeting, a concept for prospective development of the electric energy economy within the framework of the United Energy Systems until the year 2000 is being evolved.

Besides the development of the energy base, special attention is being focused on the more effective use of fuels and energy as well as greater inclusion of local fuel and hydroelectric resources in the fuel and energy balance of the CEMA countries. In this regard, the CEMA Commission on Electric Energy took up the elaboration of a program for the more effective operation of existing power plants through use of large energy blocks for modernizing major energy equipment and heat systems, and the introduction of optimal organizational structures of direction and operation of heat power plants.

Cooperation in the coal industry concentrated on technical solutions for site development and exploitation of new deposits. Four multilateral agreements on scientific-technological cooperation were signed. They concern, among other things, perfection and development of new, more effective technologies and technical means for the operation of coal pits at great depths and under complicated geological conditions. On the basis of the quadrilateral agreement (Hungary, Poland, USSR, CSSR), and with the inclusion of other interested countries, cooperation in developing production of modern mining technology through division of labor was continued. Mining equipment requirements were formulated more precisely. The USSR prepared an agreement on production cooperation.

The CEMA Commission on Petroleum and Gas Industries worked out proposals on a possible expansion of cooperation in order to better cover the needs of CEMA countries for petroleum, natural gas and petroleum products up to 1990 and beyond. The proposals also include equipping the petroleum and gas industries with highly efficient installations. The People's Republic of Bulgaria, the People's Republic of Hungary, the GDR, the Republic of Cuba, the People's Republic of Poland, the Socialist Republic of Romania, the USSR and the Socialist Federative Republic of Yugoslavia concluded an agreement on scientific-technical cooperation for the improvement of technologies relating to the extraction of petroleum and gas, as well as that of methods and technical means for increased exploitation. A focal point of the commission's work was also the problem of deep oil fissures.

In the CEMA Commission on Pig Iron Metallurgy, organizing cooperation in material production was the major concern. On the agenda were further technical and organizational questions regarding the intended establishment of a mining and enrichment combine in Krivoy Rog by interested CEMA countries.

The major directions of cooperation by countries interested in the development and intensification of international production specialization and cooperation in the ironworks industry, and the corresponding work program until 1990, were confirmed.

## Numerous Agreements Intensify Cooperation in Chemical Industry

Implementation of the measures of the comprehensive program and of the long-range target programs concerning the chemical, cellulose, paper and microbiological industries, were at the center of activity of the CEMA Commission on Chemical Industry. Above all, it was a matter of extension and supplementation of agreements that proved effective in the past. Accordingly, in 1981 the protocols concerning extension and supplementation of the agreements on international specialization and cooperation in the production of pharmaceutical products, synthetic dyes and semifinished products, products of the tire industry, accessory material for the textile, leather, cellulose and paper industries as well as for cigarette paper, were signed. In addition, seven agreements on specialization and cooperation in the production of, among other things, materials of manmade fibers, some rubber products, and raw materials for the production of cosmetic products, were prepared.

Great attention was also paid to scientific-technological cooperation. Several related agreements were signed in 1981. In the past year, 130 joint research projects were concluded, of which 20 are already production effective. The general agreement and the bilateral agreements on specialization and cooperation in the production of energy-intensive and less energy-intensive chemical products were also resolutely implemented. In the majority of participating countries, production has increased considerably, and deliveries have risen accordingly. In 1981, cellulose shipments from the Ust-Ilim integration project were delivered in the agreed-upon amounts to the People's Republic of Bulgaria, the People's Republic of Hungary, the GDR, the People's Republic of Poland and to the Socialist Republic of Romania.

Within the framework of the commission, questions about possible cooperation of CEMA countries interested in the development of the phosphorite deposit at Chubsugul in the People's Republic of Mongolia were discussed, and consultations on the efficient use of plastics and synthetic resin plastics were carried on.

## Ensuring a High Technical Level in Mechanical Engineering

The growing technical requirements of other branches of industry result in high functional demands on mechanical engineering. The Executive Committee reaffirmed the major directions of economic and scientific-technical cooperation in mechanical engineering, which are to provide a considerable boost in effectiveness and comprehensiveness of international production specialization, the development of standardization and unification, an increase in the technical level of the specialized products as well as further development and intensification of direct relations between the organizations,

on a contractual basis. In accordance with the established priorities, the CEMA Commission on Mechanical Engineering elaborated proposals for joint development as well as specialization and cooperation in the production of modern machinery and equipment, such as:

--equipment for open-pit mining and the construction of pipelines;
--machines and equipment which ensure efficient utilization and economical consumption of raw materials and energy;
--machine systems including automatic, programmed manipulators to replace manual labor in loading and unloading, in transport, warehouse and unskilled labor, and in other labor-intensive activities;
--highly productive precision cutting machine tools and foundry equipment;
--machine systems for the comprehensive mechanization of agriculture and for efficient food processing.

The commission also worked out methods and criteria for a systematic analysis of the technical level and the quality of specialized products, as well as for establishing measures to improve technical-economic parameters and to raise quality. On the basis of these methods, it was recommended that the [various] elements of the commission, in preparing agreements on multilateral production specialization and cooperation, systematically compare the technical level and quality of the products with the best equivalent products available around the world, and that they include in the agreements measures for further improvement of the technical-economic parameters of specialized products.

In the field of radio technology and electronics industry, the corresponding CEMA commission concentrated its efforts on the implementation of measures arising especially from long-range target programs of cooperation in mechanical engineering and form the production of consumer goods. Thus the general agreement signed at the 35th council meeting concerning the creation of a uniform, unified base for products of electronics technology, special technological equipment, as well as semiconductors and special materials, was readied for their production.

Agreements on scientific-technical cooperation in the development of new technological processes and equipment for the production of color television sets were also prepared and signed. Bulgaria, Hungary and the USSR worked out the draft of an agreement on scientific-technical cooperation in the development of touch-dial telephones on the basis of the greatest possible unification of parts.

Comprehensive Solutions for the Improvement of Food Production

The CEMA Commission on Light Industry did extensive work toward greater cooperation in the area of consumer-goods production. Agreements were signed, among other things, on scientific-technical cooperation in the development of high-grade synthetic furs and on cooperation in expanding the production and interchange of selected furniture fixtures, and proposals were developed on cooperation in the use of textile scraps, especially those that contain manmade fibers.

In the food-processing industry, the CEMA countries concentrated their cooperation on the solution of scientific-technical problems and on questions of efficient use of raw-material resources. The CEMA Commission on the Food-Processing Industry, in accordance with other commissions, evolved measures of cooperation in the comprehensive solution of the following problems:

--upgrading the quality of food;
--stable supply of the food-processing industry with high-quality raw materials;
--equipping the food-processing industry with modern, highly productive technology.

These measures include, among other things, raising nutritional value and the development of foods of high quality; selection and genetics in plant breeding and animal husbandry; the development and specialized production of complete machine systems for the efficient processing of agricultural products; and advanced packing materials as well as the comprehensive development of the refrigeration industry.

Proposals were prepared for joint development, specialization and cooperation in the production of modern machine systems for the comprehensive processing of meat, milk, oleaginous fruit, sugar beets, fruit and vegetables on the basis of unified structural components and parts. The nomenclature and technical requirements, as well as the countries' needs for selected technological equipment for the fishing industry for the period until 1990, were also agreed on.

The CEMA Commission on Agriculture developed proposals for cooperation in lowering losses and raising the quality of grain in all its stages of processing, drying and storing, as well as in the wider application of advanced know-how and technologies in the cultivation of grain. Proposals on development, specialization and cooperation in the production of machine systems for the comprehensive mechanization of agriculture were endorsed.

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CSO: 2300/382

## CAUSES OF CEMA TRADE SLOWDOWN SUMMARIZED

Warsaw POLITYKA in Polish No 27, 21 Aug 82 Suppl p 18

[Article by (JP): "On Slackened Turnover"; prepared on the basis of: "Economic Survey of Europe in 1981" (prepublication text), Chapter 3: "Recent Economic Developments and Five-Year Plans in Eastern Europe and the Soviet Union," Geneva, March 1982; passages enclosed in slantlines printed in boldface]

[Text] /From 1976 to 1980, there was a slow-down in economic growth in the socialist countries. What were its causes? In this article, we summarize the analysis contained in the extensive treatment prepared by the Economic Commission for Europe of the United Nations, "Economic Survey of Europe in 1981."/

During the above period, the entire worldwide economy was at a standstill, which affected the socialist countries and the Soviet Union as well. However, the economic results achieved by them exceeded the worldwide average, if to a lesser degree than in previous periods. The average yearly growth rate of the net material product (NMP) was 4.1 percent. By comparison with the year 1975, this product was 22 percent higher in 1980. In spite of certain individual differences, they were similar in the European countries (an average annual growth rate of 3.9 percent) and in the USSR (4.2 percent).

If we exclude Poland from this assessment, due to its very special problems (a planned growth rate of 7-7.3 percent, a real growth rate of 1.2 percent), the index for socialist Europe is 5 percent annually, or more than 1 point higher than the world average. In the USSR, the increase was 4.4 percent, which was also higher than the average.

The gap between countries with the highest and lowest rate of growth, which was already considerable between 1971 and 1975, increased. At that time it was 2:1 (an 11.3 percent growth rate in Romania and a 5.4 percent growth rate in the GDR). Between 1976 and 1980 its ratio was 2.25:1 (7.2 percent in Romania and 3.2 percent in Hungary). If we look at Poland (1.2 percent), the ratio is 1:6. Between 1976 and 1980, the highest growth rate was achieved by the following (in order): Romania, Bulgaria (6.1 percent), the USSR (4.2 percent), the GDR (4.1 percent), the CSR (3.7 percent) and Hungary (3.2 percent).

If we analyze this in a broader historical context, /the most characteristic feature is a clear slowing of the rate of economic growth/ from 1976 to 1980, a tendency evident in the changes in the growth rate from year to year. We note this decline in all countries except the GDR. While it continued throughout the period in Poland and Romania, it reversed itself in other countries only during 1 or 2 years.

/The slowdown of growth from 1976 to 1980 is in effect the manifestation of a long-term tendency./ For the seven countries treated together, the slackened rate is an enduring phenomenon. It is also true of the following countries taken separately: Bulgaria, Czechoslovakia, Hungary and the USSR. If we exclude the Soviet Union, the declining trend from 1976 to 1980 reverses the growth trend of the previous 5-year period. However, this issues primarily from the exceptionally high growth indexes noted from 1971 to 1975 by Poland (9.8 percent yearly average) and Romania (11.3 percent). /In these countries, the growth slowdown occurred very suddenly (a decline of the average growth rate from 9.8 percent to 1.2 percent in Poland and from 11.3 percent to 7.2 percent in Romania)./

There are various reasons for the slowdown of development. /The factor most often blamed for limiting expansion on the former level is the availability of manpower./ While this problem does not affect all countries equally, it is very important. Between 1976 and 1980, the population engaged in production increased in East European countries by approximately 572,000, or an increase of only 23.3 percent over 1971-1975. In the USSR, the increase from 1976 to 1980 was approximately 8.1 million, or a 27.7 percent decrease from 1971-1975. The economic effect of these demographic phenomena was exacerbated by the fact that from 1976 to 1980, employment in the material production sphere increased much slower than employment in the entire economy.

Another factor slowing growth is /limitation in deliveries of raw and other materials and the growing costs of acquiring them./ Due to its tremendous resources, the Soviet Union is in a better position than other countries. However, gaining access to these riches requires tremendous expenditures in regions east of the Urals.

/Growth is also restricted in the investments sphere. From 1971 to 1975, the share of investments in the national income (measured by the ratio of net investment to the ratio of NMP) was very high (32.5 percent in Bulgaria, 29.2 percent in the CSR, 22.3 percent in the GDR, 27.7 percent in Hungary, 34.1 percent in Poland and 26.6 percent in the USSR. From 1976 to 1980, investments rose considerably slower than earnings; thus, their share in income declined. /In order to overcome the resultant limitation on investment, practically all countries have increased their investment potential by obtaining foreign loans. This has increased their indebtedness by $43 billion./

Due to limited availability and the growing costs of major production elements (manpower, raw and other materials and investment potential), economic development from 1976 to 1980 to a great extent was contingent upon efficient utilization. Economic plans, which aspired toward this efficiency, assumed

that an increase in labor productivity would increase the NMP in the USSR by 75 percent, in Bulgaria and Hungary, by 100 percent, and in the remaining countries, by a percentage lying somewhere between these two indexes. If we compare the planned and actual increase in the NMP, we see that in the USSR the plan was fulfilled 89 percent; in the GDR, 82 percent; in Bulgaria, 79 percent; in the CSSR, 76 percent; in Romania, 69 percent; in Hungary, 58 percent, and in Poland, only 17 percent of the plan was fulfilled. The increase in labor productivity was also lower than planned: it rose 9 percent in the USSR, 18 percent in the GDR, 21 percent in Bulgaria, 27 percent in the CSSR and 33 percent in Hungary and Romania. In Poland, the real growth in labor productivity was less than 28 percent of the planned growth. /A comparison of the two indexes shows a close correlation between slow growth of labor productivity and the slackened rate of economic development./

A similar trend is evident in the field of investment effectiveness. If we compare the planned and the actual amount of gross investment per unit of NMP increase, the planned level is exceeded 31 percent in the GDR, 32 percent in Romania, 42 percent in Czechoslovakia, 45 percent in Bulgaria, and 48 percent in Hungary. In Poland, the index of the increase in gross investment compared with the increase in the national income rose only slightly, but this is due to the absolute decline in the level of investment from 1979 to 1980 rather than the higher effectiveness of investment.

In order to surmount the negative effects of the declining productivity of capital, practically all countries have increased investment over the planned level. Since their share in the national income is already considerable, many additional investments have been financed by foreign loans. Meanwhile, the indexes of real wages and real per capita income rose slower than planned in five-year plans (with the exception of the GDR).

The various causes of the above declining trends are described in reports of the fulfillment of plans, in guidelines for the years 1981-1985 and in numerous publications on the subject of economic strategy. The following causes are usually given:

1. the relatively higher level of economic development already attained;

2. the growing shortages and costs of energy and raw materials;

3. the especially unfavorable climatic conditions for farming during the past 5-year period;

4. a worsening of the situation in international trade;

5. shortcomings in the system and methods of management, particularly inertia in attitudes and actions based on obsolete methods of management, more fitting for a period of extensive development.

The importance of these factors varies in particular countries. For example, one cannot explain the general phenomenon of a slow increase in the NMP and labor productivity in terms of the already attained level of development.

Socialist economists reject this argument, since the literature discusses the economies of developed countries. Moreover, the level of economic development of East European countries varies.

The argument that conditions for farming were extremely unfavorable is correct. However, as we have learned in discussions, bad weather is a regular occurrence and climatic conditions should be treated like other objective conditions of development. If they are unfavorable, they must be counteracted with the use of the appropriate agricultural engineering methods and by means of improved management.

Regarding foreign trade, terms of trade actually worsened for most East European countries following the escalation of energy prices in 1973. However, they improved for the USSR.

Many factors have had a negative impact on the development of centrally planned economies. However, they have impacted differently on different countries, and thus cannot be explained in terms of common tendencies. There is more and more criticism in the socialist countries of the fact that economic development continues to have an extensive character, despite the fact that the extensive factors of growth are exhausted. Management is still not adapted to more intensive processes of development; there is still the tendency to grant priority to quantitative gross measures over qualitative net measures. However, there are signs that these negative trends can be overcome. We may draw an important conclusion from the experiences of an earlier period--the 1966-1970 period. With few exceptions, this was the best period of economic development for the socialist countries, especially in the sense of the qualitative criteria applied more and more in planning and economic assessments. At the same time, it is true that the achievements of that period were associated with changes in management defined in political documents and in the literature as economic reforms. By the same token, the insufficient, partial and slow adaptation of management to changing internal and external conditions of economic development is a major factor underlying our present difficulties and the shortages in some countries. This assessment does not question many of the achievements of the socialist countries, but defines the challenge to them that the future holds.

8536
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## NEED FOR IMPROVED ECONOMIC-FINANCIAL MANAGEMENT

Tirana RRUGA E PARTISE in Albanian Apr 82 pp 12-21

[Article by Andrea Nako: "Improvement of Economic-Financial Management Always Stands in the Center of Attention"]

[Text] The party has always attached particular attention and care to the problems of the scientific management and organization of the economy, seeing and handling them on the basis of requirements of the objective economic laws of socialism and of the conditions under which we are building the entire socialist society. Recently in particular, several measures have been adopted to further improve methods of managing our socialist economy, everywhere reinforcing the party leadership in the problems of production, distribution and economic-financial administration. This has made it possible for our economy, even under the conditions of the fierce imperialist-revisionist blockade, to develop at high and durable rates and to continuously improve its effectiveness, relying only on domestic socialist accumulation and successfully confronting the pressures and negative effects of the economic and financial crisis of the capitalist, bourgeois and revisionist world, which cannot fail to influence our country, in one way or another, through the trade relations which we have with foreign countries.

Suffice it to mention that the general social production of 1980 was 3.8 times higher than in 1960 and 11.4 times higher than in 1950 while the population during these periods increased 1.7 times and 2.2 times respectively. Also, during the past 3 years (1979-1981), despite the difficulties which were created as a result of the cutting of credits by the Chinese revisionists, the rates of increase of industrial and agricultural production were higher than during the first 3 years of the Sixth Five-Year Plan when we continued to receive credits from China.

Our economy is getting strengthened and more consolidated with every passing day. In our country, there are no crises, inflation, unemployment and reduction of production, such as is occurring in the capitalist, bourgeois and revisionist countries. On the contrary, the producing forces are continually increasing and developing, the standards of living of the working masses are gradually improving and the defense capacity of our socialist fatherland is being strengthened continually.

These successes have their roots in the totally self-denying work of our people and in the correct farsighted economic and financial policy which the party has pursued in every stage of our socialist building. The organization and management of the economy has been constantly improved in accordance with this policy. However, the present stage of economic and social development requires that the organization and management of the economy be elevated to a higher scientific level, so that: first, the great quantitative and qualitative changes in the development of the economy and culture and of science and technology be better known by cadres and specialists and be thoroughly reflected in the method and work style of the management of the economy. Second, the economic and financial policy of the party and the principles and methods of management of our socialist economy must be understood and implemented without negligence by workers, cadres, and specialists, seeing and judging the economic and financial processes and phenomena always through a deep political and ideological prospective. We must respond to the rapid development of the economy, in accordance with the magnificent program of the Eighth Party Congress, with better organization and management of production and distribution, with a more revolutionary method and work style, and with more skilled economic and financial administration of our national wealth.

1.

Experience shows that improvement of organizational and managerial work is achieved in the struggle against foreign manifestations, old methods and with continuing efforts to strengthen the plan and finance discipline, so that the fulfillment and overfulfillment of all planned economic and financial indicators be assured.

It is a fact that during the past years, the mobilization of the working masses for the fulfillment of the economic and financial tasks has been elevated to a higher level. The year 1981, the first year of the Seventh Five-Year Plan, was ended with good results. The tasks were overfulfilled in many economic branches. Industrial and agricultural production increased at more than double the rapidity of the increase in population. The national revenues increased more rapidly than the social product. Accumulation also increased more rapidly than the production and circulation of goods. All these show a general improvement of economic effectiveness. This good initiative on the road to the fulfillment of the Seventh Five-Year Plan is also continuing this year. During its first 3-month period, the planned tasks, as a whole, were fulfilled and, in many sectors and branches of the economy, they were overfulfilled. The revenues of the state budget were also overfulfilled. As a result of these achievements, the economic and financial situation of the country was further strengthened.

However, along with the enterprises and agricultural cooperatives which fulfill their tasks, and this is a general characteristic, there are also those which create shortcomings in production, in distribution, and in other economic and financial indicators of the plan. Thus, last year, some industrial mining, building, agricultural, and other enterprises did not fulfill their production and accumulation plans at a time when their sister enterprises overfulfilled their plans.

From the analysis on the causes of backwardness in certain economic enterprises and agricultural cooperatives, it appears that they had a completely subjective character, especially, in connection with the shortcomings and weaknesses in the method of work and management of the economy. Thus, for example, one observes that, despite improvements, they do not work sufficiently and properly so that the economic and financial matters become, broadly and effectively, the problems of all workers and that the revolutionary thought and judgment of the masses be enlisted in solving these matters in a broad and effective manner. Shortcomings dealing with many problems which concern production, shortcomings in the consultation meetings with vanguard workers and specialists in regard to solving them, and the continuation of old practices of management by overevaluating the work with letters and provisions and by underevaluating the living work with the people, or by repeating weaknesses and shortcomings in a stereotyped manner, have accounted for problems not having been treated in all their broadness and complexity in these enterprises and cooperatives and concrete and effective measures not having been improved and implemented to eliminate weaknesses and shortcomings. And, we must admit that such a leadership method in the consequence of bureaucratic concepts and practices and of the pressures exerted by narrow practicism and routine work which have taken root in the method and work style of some cadres and specialists in production and of some government and economic organs.

Supporting and disseminating revolutionary initiatives for fulfilling the tasks for increasing production, for savings, for reducing construction deadlines, and for improving the effectiveness of the economy--the concrete manifestations of the revolutionary attitude in work and of the great struggle being waged to fulfill the 1982 plan and the entire 5-year plan--constitutes one of the main directions toward improving the effectiveness of the managerial work of the government and economic organs. We must respond with a better organization and management of the economy to the revolutionary impulse of the working masses.

In this framework, especially production specialists have an important task: they must activate themselves better than until now and must speak out, struggle and seek to implement, to the very last, the laws of economic management with effectiveness. However, this requires that they should have more economic and financial knowledge, which can be acquired through the various roads determined by the party. We stress this, because often the manifestations of subjectivism, voluntarism, one-sidedness and empiricism have their source in the insufficient economic and financial knowledge of production cadres and specialists. Lacking correct concepts and sufficient knowledge of effective economic management, some specialists underestimate the economic and financial indicators of the plan and do not see, do not analzye and do not treat properly and with unity the technical, technological and quantitative indicators of production with those of quality, where, at the very end, effectiveness also finds its expression. It is in such attitudes, among other things, that one should look for the roots of these negative phenomena which are observed sometimes, for example, when goods of poor quality or above the needs of the economy are produced, when the plan and financial discipline is violated and when people run after production without seriously thinking of distribution.

Life shows that when complete unity is established between technical and technological management, on the one hand, and economic and financial management,

on the other hand, new ways and possibilities are also found for improving economic and financial indicators, for discovering and utilizing domestic reserves with high effectiveness, and for increasing production and socialist accumulation.

The further strengthening of cooperation and the coordination of forces between branches and other links of management in the enterprises, cooperatives and government and economic organs in regard to solving problems constitutes a very important issue for improving the level of managerial and organizational work in the economy. In this field, improvements are noticeable and good experience has been acquired, which we find materialized in the economic and financial activity of some progressive enterprises, such as the plant for the production of instruments in Korce, the nitrate ammonium plant in Fier, the agricultural cooperative in Maliq, the agricultural cooperatives in Plase and Dajci, the chemical enterprise in Durres, and others which, for some consecutive years have distinguished themselves not only in fulfilling their production tasks as a whole, but also in fulfilling the economic and financial indicators in particular, increasing profitability and producing accumulation above planned tasks.

However, it was not worked in this way everywhere. In some agricultural units, production brigades have stressed weaknesses in management. The sectors and branches in some economic enterprises and agricultural cooperatives have operational slowness and shortcomings. The economic and financial problems are also dealt with weakly in some cases. The spirit of placing sectorial, local and departmental interest above general interest is still manifested in one form or another in certain cadres and workers. And it is a fact that such phenomena have become serious obstacles for work cooperation and coordination in regard to solving problems.

Now, the 10-15 day and monthly analyses for the fulfillment of the economic and financial plan indicators are carried out in general in a proper and systematical manner, with a critical and self-critical spirit; they serve to improve work, and to discover, encourage and manage positive tendencies, as well as to discover in time shortcomings and weaknesses, and to adopt the necessary measures so as to eliminate them. However, there are some cases when these analyses, although they are operative, are carried out with delay and with very technical language, not able to be understood and grasped by all the people. Those are manifestations of formalism; they are expressed in the activity of those cadres which do not evaluate the implementation of these analyses in time and the increase of their effectiveness as an important field for the revolutionization of the method of management.

The cadres of the government and economic organs in the districts and in government departments must deal more and better with effective analyses of this nature, because it is observed that some executive committees of the district people's councils and some ministries do not properly pursue the progress of production through such analyses which would help them to exert their influence more actively over the economic and producing activity of the enterprises. Thus, among other things, we implement the recommendation of the party that the government departments, the central institutions and the executive committees of the district people's councils must pursue and analyze the plan tasks

in all indicators and in all enterprises in a frontal manner by further strengthening the operativeness and requirement for reporting; they must also give special attention to those agricultural units which are weak, and give them concrete aid in the rapid settlement of their problems.

The improvement of the method of management is linked with the improvement of the organizational structures of the leading state and economic apparatuses, but always in that direction and for the only purpose of responding better, from the point of view of quality, to the fulfillment of the greater and more complicated tasks, so as to assure, on the basis of their competencies and of the functions entrusted to them, a management of production which is more lively, more skilled, most effective and scientifically based. We stress this, because, although the organs of the economic and financial management help to properly control production in general, there still are shortcomings and weaknesses. In some of these organs, superfluous links have been created; they increase personnel and hinder work. At the same time, some cadres, starting with the difficulties of growth and without analyzing with a critical eye how much and how the existing possibilities of the branches are used in the economic enterprises, the agricultural cooperatives and in the operational sections of the executive committees of the district people's councils and of the government departments in ministries, express their opinion about the creation of new links and about the increase of personnel. The issue is that, in the struggle with such tendencies, the improvement of organizational structures of the organs and apparatuses of the government and economic management must assure the qualitative increase of their work.

2.

Now our economy has a strong technical and material base. The national wealth in general has been increased and greatly invigorated. Under these conditions, Comrade Enver Hoxha stressed at the Eighth Party Congress, the managerial and organizational work in the economy must assure the best utilization of this wealth and of the powerful existing technical and material base by improving the effectiveness of expenditures in all fields of the country's economic activity.

It is important, on the basis of the knowledge of the laws which characterize our socialist system, to delve always deeper into the problems of production and distribution and to insure higher and higher effectiveness in everything, especially in the use of the existing technical and material base. This is also because of the fact that, as was planned in this 5-year plan, the overwhelming part of increased production will be assured by better utilization and by the expansion and reconstruction of existing producing capacities. This is an important objective with considerable effect on the improvement of the effectiveness of the economy; its achievement requires even greater and more skilled managerial and organizational work, especially in the direction of the maximal utilization of machines, plants, workshops, and of other producing capacities.

The experience gained in this field is great. Many enterprises, such as the Enver Hoxha autotractor combine in Tirana, the superphosphate plant in Lac,

the Misto Mame timber plant in Tirana, the cement plant in Vlore, and many other plants, have achieved good results in the utilization of production capacities. However, it is not everywhere that one works with persistence and that things are managed with pencil in hand so as to get maximum production from every existing producing capacity. Many metal-cutting machines are not used on three shifts; some vehicles of the automobile transport sector and some vessels of the sea transport sector are not used at full capacity and the coefficients for their use are lower than the progressive average. There are lines, units and sometimes, even plants, which are not used at full capacity during the entire year.

From the analyses and confrontations which have been made, it appears that the reason for these nonfulfillments are mainly caused by the weakness of organizational and managerial work, especially, of the insufficient measures which are taken to eliminate planned stoppings and interruptions during the operational work of machines in some plants. The struggle against erroneous concepts, such as, allegedly "planned producing capacities cannot be achieved in practice," that "producing capacities are data and cannot be changed," and so forth, has not been properly evaluated, so as to contravene the progressive experience which exists everywhere against these concepts. And this experience shows that when the existing producing capacities are well known and when progressive indicators are indicated in their use and, on this basis, when the work for their maximal utilization is well organized, and when this is combined with the measures for the further training of workers, planned producing capacities are not only fulfilled, but, in many cases, are even overfulfilled.

Material and monetary values, tending to increase more and more, participate more every day in the economic circulation. Their proper administration constitutes an inexhaustible source for improving the effectiveness of the economy. Now in this field, we have quite positive results and rich experience. The knowledge and generalization of this experience is a great reserve for reducing production expenditures. The dissemination of progressive experience has become a necessity, especially, in the field of improvement of norming for the use of materials, in order to replace the old ones with more advanced ones, to establish such technical norms everywhere, and to cut the road exceeding plan in the use of some materials.

Life shows that the time has come to further expand ourselves in studies and analyses for better administration of production expenditures, for use with higher effectiveness of raw materials and of other materials, for the reduction of scarcities and for the improvement of production quality. These issues deserve greater concern, especially, by those enterprises and sectors where many raw materials and other materials are processed and in those directions for which the party has given concrete recommendations, especially for the increase of useful coefficients in the processing and utilization of raw materials, the elimination of defects and the reduction of technological waste, for a broader implementation of mathematical methods in our economy, and so forth.

The ministries and research and scientific institutes can and must play a more active role in these fields, both in regard to the generalization of progressive experience and in regard to the settlement of many concrete problems which

emerge from the intensive development of the economy. Many problems exist both in the field of work improvement during the planning process and during the implementation of the tasks for reducing costs, making all of them matters concerning all production workers and specialists. The main point is to create and instill in everyone the conception that there are great opportunities and reserves to reduce production expenditures and that they must be discovered during the fulfillment of work and during deep economic and financial analyses, correctly implementing Comrade Enver Hoxha's recommendation that "managerial and organizational work must be expressed in the increase of production and in the improvement of the effectiveness of expenditures in all fields of economic activity" (Enver Hoxha, "Report to the Eighth Congress of the Albanian Workers Party," p 61).

In this framework, the implementation of expenditures with calculation and strict control has been and remains a very important task for the economic and financial organs, especially, in two main directions.

First, in the direction of the further improvement of studies in the planning process, with the intention of foreseeing those expenditures which are more necessary, continually improving relationships between producing and nonproducing expenditures and always giving priority to producing expenditures. We stress this, because, in many cases, there have been erroneous and undocumented calculations and estimations, and tendencies both to plan swelling expenditures and to implement unnecessary expenditures and unrestrained spending. The lack of studies in some variants in regard to the implementation of expenditures, especially for the construction of new projects, for expansions and reconstructions, becomes an obstacle to finding and executing the proper variant which assures higher effectiveness of investments.

Second, on the basis of scientific planning, stricter control must be established over the use of accumulation guided by the party recommendation that the expenditures plan is the maximal limit which should not only not be exceeded, but also efforts should be made to fulfill the tasks with the least possible means and funds, even by making savings from planned expenditures. Particularly here, the strengthening of control over investments by the means of the lek is important, thoroughly seeing them not only in the economic and financial aspect, but also in the political and social aspect, so that investments and constructions always precede more and more the development of the economy and assure high profitability.

Along with the work for the creation of clear concepts about these issues, it is necessary to improve the organization and management of work and to pursue expenditures in continuity for every project, strengthening responsibility in this connection through control, especially, control of the financial and bank organs. In this framework, there is room to have a look at nomenclatures and competencies in the field of investments, increasing the competencies and responsibility of the grassroots organs. There is also room for the further improvement of the way to design projects, properly coordinating the technical and technological aspects with the economic and financial aspects so that when a project is examined and its complete value determined, all other issues must also be clarified, cutting the road to the erroneous practices which, in some cases, the study of other problems is carried out immediately after the value of the project has been determined.

3.

In the organization and management of the economy with effectiveness, the party also relies on the exercise of strong economic and financial control over all its cells and links.

Economic and financial control, as a component part of state control, aims at verifying how the party provisions and the requirements of the objective economic laws of socialism are understood and implemented, how the struggle is waged for fulfilling concrete economic and financial tasks, and how material and monetary benefits are administered and, on the basis of a verification on the spot and through detailed analysis of the situation, also at improving and at executing concrete measures in order to fulfill the tasks. Economic and financial control has been constantly strengthened and invigorated, especially during the past years, both by increasing the power of discovery, the power of arriving at conclusions as well as the power of prevention. Nevertheless, there still are weaknesses and shortcomings in the organization and exercise of this control. This control is not properly functioning in certain work and production centers. In some cases, the quality of the control is not good. The power of preventing this from happening and the adoption of measures on the spot so as to cure the problem during the exercise of control, is not at the required level.

In the entire work for strengthening economic and financial control, of particular importance are the measures for further strengthening domestic control in the enterprises, cooperatives and other economic links, such as the first control over production and distribution, which acts over all the production and distribution processes and which is carried out immediately after the economic action has been done. The regular organization and function of this control makes control an effective means for verifying the execution of the law in the implementation of activities and an important factor for the proper preservation and administration of socialist property.

Despite improvements in the organization and exercising of domestic control, in many cases domestic control is still carried out with shortcomings which stem primarily from the lack of a correct conception of this control. Many cadres think that only specialized organs, and among the latter only the financial branches and controllers, must deal with domestic control, if this control deals only with financial activities. As experience shows, however, domestic control gives very positive effects when it is understood and developed as a task and as a function devolving on all links of management and on all workers and when it is extended to the entire economic, technical and technological activity of the enterprises or cooperatives, thus, making it an active means in the struggle against foreign manifestations and attitudes in the administration of property and in the execution of socialist law. Government and economic organs, especially financial organs, on the basis of acquired experience, must take all necessary measures so that this control be planned and organized as it is carried out by all other factors which assure the fulfillment of the plan, not only by the economic enterprises and agricultural cooperatives, but also by the executive committees of the district people's councils and ministries. The problems of the strengthening of domestic control must also become objects of discussion and of analyses in the basic party organizations and in the working collectives.

Financial organs have important tasks in the field of control; they are powerful levers in the hands of the party. "Financial and bank organs," Comrade Enver Hoxha teaches us, "must place control by the means of the lek in the place it deserves and must further improve their active role in production, in circulation and in services, using the other levers of our economic mechanism with greater effectiveness and on the correct path." (Enver Hoxha, "Report to the Eighth Congress of the Albanian Workers Party," p 60)

The control of financial organs by the means of the lek comprises all the stages of expanded socialist reproduction; it is fulfilled both in the planning process and in the implementing process so as to discover the many possibilities and reserves hidden in the bosom of our people's economy for increased production and accumulation.

It is a fact that economic and financial planning has been constantly improved. However, there are still manifestations of voluntarism and subjectivism and empirical forms and methods in determining the plan tasks; they are why we always fail to insure complete unity between the economic and financial indicators and better coordination of production plans with the distribution technical-material plans. Life shows that there is room for further improvement of the role and responsibility of the planning organs at the grassroots. Also there is room for examining planning deadlines. The prolongation of planning time causes workers and apparatuses to be obstructed with planning tasks and have less time to pursue the implementation of the plans. There also are problems in regard to better coordination of export-import plans with other plans in order to assure complete harmony in time and among all indicators.

In the process of implementation of the plans, the control exerted by the financial organs has actively influenced and influences the fulfillment of tasks, especially to assure proper administration of material and monetary assets. However, the task is that this control must become a barrier against damage and abuse observed in some cases in the administration of property; it must strongly influence the implementation of a strong spirit of savings everywhere. For control may be most effective in these directions, it is required not only to discover situations and facts, but also to adopt measures on the spot in order to prevent and eliminate weaknesses. Comrade Enver Hoxha stressed, "It must be live, active and daily control capable not only of discovering shortcomings and mistakes, but also of putting problems on the road to settlement on the spot." (Enver Hoxha, "Report to the Eighth Congress of the Albanian Workers Party," p 60) In this field, the financial organs must implement their competencies better than until now, living more intensively with production, with the people, and with the problems of the economy. Stricter control must be exerted through economic and financial levers, such as the levers of prices, costs, profitability and credits actively helping the regular implementation of economic and financial processes, the rapid circulation of goods and the improvement of effectiveness of production.

The financial control and inspection represents the final stage of the control carried out by the financial organs. It is part of general state control and its task is to verify the accuracy and legality of economic and financial activities. As a result of the measures adopted by the party from time to time,

financial control and inspection has been strengthened, however, its discovering and controlling power, that is, its quality, is still far from the objectives established. The improvement of the effectiveness of financial control is also achieved through better coordination of its activity with other forms of control, especially worker-farmer control, further expanding the line of the masses in control. These problems demand more scientific handling both by financial organs and by other government and economic organs, aiming at placing all the working masses as keepers to safeguard and defend property.

We are building socialism under the conditions of the fierce imperialist-revisionist encirclement and of the increasing expansion of the economic and financial crisis of the capitalist, bourgeois and revisionist countries. On the other hand, our economy has become a great and complex economy whose management requires more work and more creativity. Therefore, Comrade Enver Hoxha stressed at the Eighth Party Congress, "management and organization are among the most important things for which we must strive strongly in order to advance work everywhere in the economy, in education, in science, in culture, and in all fields of social activity." (Enver Hoxha, "Report to the Eighth Congress of the Albanian Workers Party," p 57) The thorough understanding of these party provisions and their implementation everywhere is one of the most important problems to insure the development of the economy at a high rate and its administration with effectiveness.

9150
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## DECREE SETS STANDARDS, INCENTIVES FOR MATERIALS SAVINGS

### Officials Interviewed on Regulations

East Berlin DIE WIRTSCHAFT in German Vol 37 No 8, 12 Aug 82 pp 16-17

[Interview with Heinz Jurk, deputy minister for materials management, and Friedrich Schiefer, deputy chairman, State Planning Commission, by Liselotte Fast; date and place not given: "High Economic Growth With Lowest Materials Consumption." A translation of the 1 July 1982 decree on materials consumption discussed below is published following this interview]

> [Text] In his concluding address to the Fourth SED Central Committee Plenum stressed "we must definitely develop production processes turning out goods with the least possible specific use of materials, especially imported materials, and suitable for being exported at the greatest possible economic profit." The 1981-1985 Five-Year Plan provides for a lowering of consumption by 6.1 percent per annum in order thereby to create the prerequisites for economic growth, for the continuing pursuit of the main task. Materials consumption norms assume a key role in this context.

[Question] Does the standard of work with consumption norms meet the requirements of our economic growth?

Heinz Jurk: At the present time a fundamental change is proceeding in our national economy with respect to the ratio of raw materials yield and the development of output. Recent years were already characterized by the fact that stable output growth was achieved in conjunction with a declining materials consumption. It will now be imperative to organize further increases in output in combination with an absouute reduction in materials consumption. As the smallest parameter for measuring the social consumption of material funds, materials consumption norms are therefore assuming increasing importance. It is their function to stimulate and inspire, the working people to creative cooperation in all work places.

Undeniable progress has been achieved in recent years by the work with norms and standards. We currently have some 12.5 million enterprise materials consumption norms in industry and construction. They account for more than 95 percent of our consumption of basic materials and about 60 percent of the consumption of ancillary and repair materials. At the same time these norms provide the basis for some 1,800 state standards of materials consumption. These in turn are the basis of the 1982 economic plan's minimum targets for the product-related lowering of materials consumption for nationally important products or product groups.

Even more crucial than the quantitative development of the work with norms have been the qualitative changes of recent years. Grown, for example, has the percentage of technically and economically established materials consumption norms while we managed, at the same time, to raise the extent of the topical relevance of norms. Both demonstrate the beneficial effect of materials consumption norms on the economic results of production.

And yet, it is all a question of criteria. Applicable to the work with norms also is the old adage that the present achievement does not yet equal the potential achievement.

Currently 90 percent of materials costs in industry and construction are based on consumption norms. However, nobody may be complacent about that status. Indeed, we should make it our starting point and consider the fact that 10 percent of materials costs are still not ruled by norms. Moreover, if some 500,000 standards are of longer date than 1 year, we may not say "only," we must say "still."

That is a fundamentally different attitude and properly responds to the challenges of the present.

Party and government resolutions direct us at all levels of management and planning further to improve the work with norms and atandards and thereby more effectively to alter the ratio of cost and profit, of production consumption and national income in favor of profitability. This precisely is the main concern of the new decree on the work with norms and standards of materials consumption and maintaining of reserves, enacted on 1 July.

[Question] Could you quote some new aspects of this decree?

Friedrich Schiefer: The new decree aims even more effectively to utilize all available material resources for the development of the capacity and the improvement of the efficiency of our national economy. In that spirit the standard of planning and balancing is to be further raised on the basis of norms responding to scientific-technological as well as technical and economic needs. For that reason the decree clearly defines and bindingly regulates the

responsibilities of central organs, combines, enterprises and, for the first time, bezirk councils, for the drafting, confirmation, reporting and supervision of norms and standards.

In consideration of national requirements, the State Planning Commission and the Ministry for Materials Management must determine the key points for the work with norms and standards and, in coordination with other central organs, direct and coordinate the process of this work.

The new decree also raises the extent of the responsibilities held by the general directors. Theirs is the assignment, in response to the specific prevailing conditions, to set and enforce combine orders for the work with norms and standards. The basic assumption here must be this: Progressive norms must qualitatively and more speedily improve the materials managerial efficacy of science and technology.

The planning of consumption and maintaining of reserves as well as moral and material stimulation must proceed by way of confirmed at relevant norms and standards.

The new decree also includes far-reaching provisions on stimulation. It is a crucial point that norms for imported materials must always be confirmed by the general directors. At the same time these must decide the other materials consumption norms, important for the reproduction process of the combine, that must be defended before them.

[Question] Let us stay with science and technology. How could and should materials consumption norms contribute to improvements in the results of scientific-technological progress?

Heinz Jurk: In view of the crucial influence of production preparation on any lowering of production consumption, the new decree requires norms to be issued for collectives in the production preparatory sectors also and for them to be assigned as mandatory targets in the duty book. These norms are at one and the same time the subject of the opening, intermediate and final defenses in the stages of work and performances of the plan science and technology.

The achievement to be aimed at is this: To develop products with a favorable volume-performance ratio, speed up the rate of refinement, improve quality and reliability and make prevail materials conserving technologies and processes. This will also make sure that, upon the introduction of new items into manufacture, work may proceed consonant with progressive norms of the highest possible scientific-technological standard.

We consider of outstanding importance the far stricter regulation according to which norms are to be promptly revised and brought up to date upon each new

scientific-technological advance, because any outdated norm obstructs the application of scientific-technological advances and cements excess materials consumption.

Both together, the assignment and reporting of challenging materials management targets for all research and development tasks and the prompt revision of norms, help raise the materials managerial effectiveness of scientific-technological advances and organize a gain in time.

[Question] You mentioned the need by norms and standards further to raise the level of planning and balancing. How is that to be done?

Friedrich Schiefer: Briefly put: To begin with we must insist that a call upon material funds is justified only if calculated and proved by relevant progressive norms and standards. The standard of enterprise materials planning and balancing rises to the extent that the quality of materials consumption norms improves. The quality of state standards of materials consumption--the tools of central balancing and planning--vitally affects the quality of national demand and cost calculation. Progressive norms and standards decidedly assist the initiatives for developing reserves for the return of funds.

Until now standards were drafted as minimum state targets for the lowering of specific materials consumption for nationally important products and product groups at the same time as, or after, balancing. We learned by experience, though, that standards did not become fully effective this way.

In future, therefore, standards will be drafted and confirmed before the balances, so that national requirements upon the development of materials management may become the basis of the plan as well as the balances. Consequently the basic cost: profit ratio will be made to agree much better in the plan draft. This takes into account the need to organize high economic growth with a minimum of funds. Arising therefrom is a great challenge to the quality of the drafting of norms and standards, and great efforts will be needed to meet it.

Heinz Jurk: The duty by norms and standards to raise the level of planning and balancing also applies to maintaining reserves. It is not appropriate on the one hand to make a real effort to free material funds for increasing the national income while, on the other, permitting unplanned stocks. These stocks include live and objectified labor ineffective for the economic reproduction process.

The new decree therefore insists far more strictly on ensuring smooth flowing plan execution with the least use of materials stocks by progressive norms for maintaining reserves. State standards for maintaining reserves have a crucial role here.

[Question] Just lately important resolutions have been adopted in regard to the economic efficacy of science and technology, to economic accounting and to balancing. How does the new norm decree fit in here?

Friedrich Schiefer: The new decree fits in very well and is part and parcel of the implementation of these resolutions. We have already mentioned the connection with the resolution on science and technology and the balancing decree. Let me comment briefly on the connection between materials consumption norms and economic accounting.

In general all reporting of enterprise materials consumption proceeds in terms of volume and value on the basis of cost unit accounting. This produces the connection between the work with standards and the finance plan, and that is also an important step toward the further encouragement of cost: profit thinking.

Every worker learns the economic value, expressed in marks and pfennigs, of the material he handles. On this basis materials conservation can be much more definitely incorporated in the socialist competition. This meets our party's challenge to assign a still greater role in economic accounting to the struggle for the lowering of materials costs.

[Question] You mentioned that the opportunities for stimulation were supplemented or expanded?

Heinz Jurk: Let me begin by saying that all the well tested principles of material recognition for the working people remain in effect. They were expanded wherever practical experience suggested it. To direct more attention to top scientific-technological achievements in materials management, working people in production preparatory sections will in the future receive a material reward if they remain below the subject and job related targets for materials consumption in the development of products, technologies and processes, and if the appropriate evidence has been furnished either upon the settlement of the duty book, by the construction of a model or in some other way.

The new decree also gives general directors the right materially to reward just the observance of norms, provided that these norms represent best values. This will benefit in particular the working people in materials transforming industries, because, to be observed, the technological level there already presents an enormous challenge to the knowledge and skills of the working people.

[Question] Where are the emphases for further work on an with materials consumption norms?

Heinz Jurk: Enterprise and combine experiences unanimously confirm that, as the result of good work with norms and standards, raw materials and other materials are more efficiently used, the waste of materials is effectively eliminated, and important prerequisites are created for freeing and returning material funds. The decisive starting point for the overall greater efficacy of the work with norms therefore consists in applying the criteria and experiences of the best in all enterprises and combines, and to eliminate the still existing differences in standards. This way substantial reserves may be developed very quickly, without spending a single mark on investments or using additional materials.

Performance comparisons reveal that considerable differences still persist in standards of comparable combines that dispose of fairly similar production conditions. Though, in the national average, 90 percent of materials costs are subject to norms, many combines and enterprises still fall below this average.

There are obviously no objective reasons why 100 percent of materials costs in the Leipzig Land Cultivation VEB of the Progress Farm Machine Combine are covered by norms but only 38.4 percent in the Dargun Farm Machine Construction in the same combine.

Differences are also very evident with respect to the technical-economic basis of norms. In the Berlin Outwear Combine, for example, 99.8 percent of all materials consumption norms are well founded in technical and economic terms, in the Hosiery Combine, on the other hand, only 36 percent.

Profound differences may also be found in the norming of nationally important raw materials and other materials. Contrasting with 100 percent for cotton or 99.9 percent for woodpulp are only 90 percent for such an important material as rolled steel. The consumption of ancillary and repairs materials is normed to only 60 percent. Here also enterprise results vary very substantially, and that means reserves remain to be exploited.

In summation it will now be our most important duty everywhere to organize the work with norms in accordance with the experiences of the best, generally to raise the proportion of technically and economically based norms and constantly to revise and enforce norms in conformity with scientific-technological advances and changing production conditions.

Fritz Schiefer: The effects of this work will have to bear fruit in 1982 already and crucially affect the preparation of the 1983 economic plan because it is imperative to use the reserves still existing everywhere to ensure the

greatest possible advance of performance. It is therefore vitally necessary everywhere to involve in the accomplishment of this task the working people, innovators and rationalizers, engineers and scientists in production and production preparation, and to utilize their wealth of experiences--in other words comprehensively and efficiently to organize and manage the work with norms. The struggle for the improvement of materials management to be conducted now requires a broad mass base.

## Text of Decree

East Berlin GESETZBLATT DER DEUTSCHEN DEMOKRATISCHEN REPUBLIK in German Part I No 28, 30 Jul 82 pp 515-520

[Official text of "Decree of 1 July 1982 on the Work With Norms and Standards of Materials Consumption and Maintaining of Reserves," signed by Werner Krolikowski, first deputy chairman, for the Council of Ministers; and Dr Hasse, state secretary, for the minister for materials management]

[Text] To reduce production consumption in the national economy by the most economical use of raw materials, other materials and substances, the work with norms and standards of materials consumption and maintaining of reserves is to be further perfected. Starting from the latest scientific-technological findings, norms and standards are to be drafted and used as bases for the planning and balancing of material funds and in close cooperation with economic accounting. The following is therefore decreed:

Article 1--Scope

(1) This decree regulates the work with norms and standards of materials consumption and maintaining of reserves. It applies to:

--State organs,
--Combines,
--State enterprises and enterprises and institutions of equal status; as well as to socialist cooperatives (hereinafter described as enterprises).

The provisions of this decree for combines are applicable mutatis mutandi for economy managing organs.

(2) Combines and enterprises planning and reporting to a reduced extent must apply the provisions of this decree in conformith with the applicable legal regulations.[1]

(3) This decree also applies to the work with norms and standards of packaging consumption unless otherwise provided in legal regulations about the management and planning of the packaging industry.[2]

(4) This decree applies to the work with energy management norms and maintaining of reserves insofar as this is provided in the legal regulations concerning energy management.

Principles

Article 2

(1) Norms and standards of materials consumption and maintaining of reserves are intended for a fixed term

--To lower the consumption of raw materials, other materials, substances and packaging materials (hereinafter described as materials) per product or performance unit in commodity units or units of value or
--Reduce reserves to the minimum required for the smooth flow of production.

(2) Material consumption norms and norms for maintaining reserves are plan targets of combines and enterprises (hereinafter described as norms).

(3) Standards for materials consumption including the consumption of packaging materials and standards for maintaining reserves are state plan targets (hereinafter described as standards).

(4) The norms and standards to be used are listed in appendix 1.

Article 3

(1) Planning of the consumption and maintaining of reserves of materials as well as plan implementation must always proceed consonant with confirmed norms and standards. State organs, combines and enterprises must constantly improve the work with norms and standards as part and parcel of management and for the purpose of lowering the use of material funds. Based on high scientific-technological targets such norms and standards must be drafted and confirmed as will effect qualitative changes in the development of products, processes and technologies, in manufacture and maintaining of reserves. Norms and standards are to be steadily improved in the process of plan and balance preparation, drafting and execution consonant with national targets for lowering materials consumption per product and performance unit. Effectively to be affected thereby is the speedier refinement of materials, the improvement of the quality and reliability of products (especially by the widespread use of microelectronics), the application of economical light construction, the improvement of the volume: performance ratio of products, the use of cheap materials conserving processes and technologies, the extensive use of secondary raw materials and industrial waste as well as the reduction of reserves to the minimum justifiable in technical and economic terms.

(2) The drafting and confirmation of standards for materials consumption must proceed in preparation of state targets, state plan targets and the further improvement of the standards assigned with state targets. To be based on them is:

--The ascertainment of the nationally justified demand, the planning of consumption, and the maintaining of materials reserves in the preparation of economic plans consonant with national needs for lowering materials consumption and the settlement of the effective use of the material funds available,

--The implementation and observance of the fixed quotas, balance shares and limits, the rejection of nationally unjustified demand and the return of the material funds saved as well as materials disposal and economic contracts consonant with legal regulations,[4]
--Financial and cost planning and the targets for lowering costs.

(3) The drafting and use of inventory norms and standards of maintaining of reserves must proceed consonant with national needs and opportunities for the development of more inventory reserves and the enforcement of a product specific structure of stocks for the material assurance of smooth flowing plan implementation coupled with the lowest cost of maintaining the reserves. To be ensured primarily are:

--Fixing such inventory norms and standards of maintaining reserves as allow fully to meet the state targets for the extent of material circulation stocks in the volume of values,
--The optimalization of delivery cycles as well as transportation, transshipment and storage processes, taking into account the distribution of supplier and customer locations,
--The observance of mandatory minimum inventories.

(4) The many initiatives of the working people in production and production preparation for the development of materials management reserves and in the struggle against any waste of materials, especially in the socialist competition, the FDJ action "materials conservation" and the movement "fair of the masters of tomorrow" as well as in the community work of engineers in the Chamber of Technology are to be used and encouraged. Old established and new work and management experiences in the observance and lowering of norms and standards must be generalized. Existing differences in standards must be overcome by exchanges of experience and performance comparisons between collectives, enterprises and combines.

(5) In their sphere ministers, chairman of bezirk councils, general directors of combines and enterprise directors must ensure the observance of state order, in the work with norms and standards.

Tasks of State Organs

Article 4

(1) In cooperation with other central state organs and on the basis of central state provisions, the Ministry for Materials Management manages and organizes the drafting of key tasks for the development of materials management and subsequently coordinates the process of the drafting, defense, confirmation and reporting of standards for materials consumption and maintaining of reserves in the national economy. The Ministry for Glass and Ceramics Industry coordinates the work with the standards for the consumption of packaging materials. In cooperation with the State Planning Commission and other state organs, the Ministry for Materials Management, or the Ministry for Glass and Ceramics Industry must actively promote the steady perfection of standards so as to make effective in practice the transfer of the latest scientific results to the norms mandatory for production and services.

(2) On the basis of national needs the State Planning Commission establishes the key points for the drafting of standards and their steady perfection. It conveys them to the Ministry for Materials Management or the Ministry for Glass and Ceramics Industry for the issue to the competent industrial ministers of directives for the drafting of standards for state tasks relating to the economic plans. The State Planning Commission assists the Ministry for Materials Planning and the Ministry for Glass and Ceramics Industry in the preparation and conduct of the defenses of the standards and, by statements on material balancing, ensures the use of the standards in the drafting and implementation of material balances.

(3) In coordination with the chairman of the State Planning Commission, the Minister for Materials Management or the Minister for Glass and Ceramics Industry must issue to the competent industrial ministers and the ministers responsible for balancing, the central nomenclatures of the standards for materials and packaging materials consumption[5] as well as for maintaining of reserves.

(4) [Subsequent to the defense by the competent industrial ministries]. The Minister for Materials Management or the Minister for Glass and Ceramics Industry confirm the standards in coordination with the chairman of the State Planning Commission, the ministers responsible for balancing, the Minister for Science and Technology and the president of the Standardization, Measurement and Commodity Testing Office. He also assigns targets for the further lowering of specific materials consumption and for rational maintaining of reserves.

(5) The Ministry for Materials Management or the Ministry for Glass and Ceramics Industry must analyse the efficacy of the work with norms and standards, with the aim, in cooperation with other state organs, to ensure the lowering of

specific materials consumption consonant with national needs while guaranteeing the material-technical supplies required by the national economy. The head office for norms and standards for materials consumption in the Institute for Light Construction and the Economical Use of Materials and the head office for norms and standards for packaging materials consumption at the Research Center for Packaging will assist combines and enterprises in the improvement of their work with norms and standards.

(6) After consultation of the executive boards and managements of social organizations, especially the FDGB federal executive board, the FDJ central council and the presidium of the Chamber of Technology, the Ministry for Materials Management must draft directives for the encouragement of mass initiatives for the greatest possible materials conservation.

(7) The Minister for Materials Management is authorized, in cooperation with the competent control organs, to check the work with norms and standards in all sectors of the economy on the basis of this decree.

Article 5

(1) In their sphere ministries and bezirk councils must ensure the uniform drafting, defense, observance, reporting, supervision and analysis or norms and standards as well as their constant qualitative improvement in the preparation, drafting and implementation of economic plans. From the plans science and technology, long-range development conceptions and other long-range conceptual documents, especially refinement conceptions, they must derive and enforce measures for the lowering of materials consumption in the development and manufacture of products with the greatest possible use value.

(2) For the support and complementation of the central nomenclatures as per article 4 paragraph 3, ministers must--in cooperation with the Minister for Materials Management--issue sector specific standards for materials consumption and--in coordination with the Minister for Glass and Ceramics Industry--sector specific standards for the consumption of packaging materials.

(3) The ministers must defend the standards of materials consumption and maintaining of reserves before the Minister for Materials Management, and the standards for the consumption of packaging materials before the Minister for Glass and Ceramics Industry. The confirmed standards and other targets for the improvement of materials management must be assigned in a differentiated manner to the combines or technical organs of bezirk councils as well as the organs responsible for balancing, as the bases of planning and balancing.

(4) Ministers and chairman of bezirk councils must ensure that supervision of the observance and reporting of standards proceeds in conformity with cost and financial plans and measures for the further development of efficiency reserves.

(5) In cooperation with the competent executive boards of labor unions and the managements of other social organizations, ministers and chairmen of bezirk councils must establish the key points of the socialist competition for the improvement of materials conservation, and encourage initiatives by the working people, especially socialist collectives and youth brigades.

Article 6

The central reporting of norms and standards must proceed by way of the Central State Administration for Statistics in coordination with the Ministry for Materials Management or the Ministry for Glass and Ceramics Industry and the State Planning Commission.

Tasks of Combines and Enterprises

Article 7

(1) Consonant with their national responsibility for the assurance of appropriate production, combines and enterprises must guarantee the necessary growth of performance and efficiency with the least expenditure of materials on the basis of norms and standards. Therefore the tasks for the greatest possible refinement of the available materials, derived from long-range development conceptions and other long-range conceptual documents, must be aimed at the purposeful lowering of production consumption. The savings stipulated by norms and standards must be the basis of materials, financial and cost plans.

(2) In their sphere of responsibility, general directors must guide the work with norms and standards in conformity with state tasks and state plan targets issued. They must also enforce the adoption of efficient methods of the generalization of best experiences, especially by enterprise performance comparisons.

Article 8

(1) Combines must break down the standards assigned them in accordance with their specific conditions, and in turn assign them to the enterprises. Together with the standards, enterprises are to be assigned differentiated tasks for the achievement of the targets for lowering materials consumption and rational maintaining of reserves.

(2) On the basis of the standards and taking into account the material funds allocated them, enterprises must draft enterprise norms and assign them in a differentiated manner to collectives and individual workers so as to be job relevant, capable of inspection and suitable for reporting. The assignment of norms proceeds within the framework of the conduct of the socialist competition for the producing sections, especially in the budget books, and for the production preparatory sections especially in the duty books.[6]

(3) In the development of products, processes and technologies, enterprises must include the latest findings of science and technology as well as the provisions of state standards in the materials consumption and inventory norms mandatory for production. Consequently norms must be drafted for the production preparatory sections with regard to all tasks related to research and development, to represent materials conservationist targets and preliminary materials consumption norms for the purposeful lowering of materials consumption. Here such scientific working methods are to be used as:

--International comparisons, use value/cost analyses, process analyses, materials consumption and materials loss studies,
--The information system for basic materials and economic materials use,[7]
--Modern calculation and design regulations as well as standards for the adoption of optimum designs coupled with the consistent observance of state deployment regulations.

Article 9

(1) General directors of combines and directors of enterprises are responsible for ensuring the agreement of norms with the latest status of science and technology, taking into account the material funds available. They must guarantee the review of the efficacy of materials consumption norms based on technical-economic considerations and statistics of experiences at least once a year, of preliminary materials consumption norms at least once every 6 months, and of inventory norms based on technical-economic considerations, statistics of experience and preliminary findings at least once a year.

(2) Combines and enterprises must promptly review and, if necessary, revise norms if:

--Consequences arise for materials consumption or maintaining of reserves from design, technological and organizational changes, the growing extent of refinement and the analysis of the development of norms,
--If the inventory forming criteria at the basis of norms, such as production, delivery and consumption conditions change,
--If a material reward was awarded for keeping below the norms.

The revision of the norms is to be organized as an amendment service.

Article 10

(1) Norms must be defended and confirmed before the director of the enterprise or the general director of the combine. The general director of the combine must decide which norms are to be defended before and confirmed by him. Norms for specific imported materials must always be defended before the general director of the combine.

(2) Norms for the production preparatory sections must be confirmed in the various stages of development within the framework of the opening defense of scientific-technological tasks as well as the intermediate and final defenses of scientific-technological results. In the course of the defenses of tasks and results of the plan science and technology such material-economic targets are to be fixed as determine the advanced standard of materials consumption at the time of the transfer of these results to production, based on international comparisons and trends.

Article 11

(1) At least once a year combines and enterprises must analyze their work with norms and standards and establish steps for their further perfection. The analysis must take the following into account:

--The conformity of the norms and standards with advanced international levels of science and technology, especially in the field of the refinement of material,
--The comparison of the development of norms with financial and cost planning,
--The development of the shares of norms based on technical-economic considerations, statistics of experience and preliminary findings,
--The comparison of norms and standards with the reported actual consumption or maintaining of reserves,
--The development of materials utilization,
--The development of standard ratio days and the turnover of inventories,
--Norms with stagnating tendency,
--The efficacy of the moral and material recognition of working people for keeping below the norms.

(2) General directors of combines and directors of enterprises must document the economic results and the efficacy of norms and standards together with the plan drafts to their superior manager, complete with conclusions regarding the further improvement of the work with norms and standards. At the time of reporting to the working people as per legal regulations[8] the results achieved in the lowering of materials consumption and materials costs as well as in the work with norms and standards must be assessed.

Article 12

(1) Combines and enterprises must ensure the reporting of norms and standards and record the lowering of materials consumption achieved in conformity with the cost and financial plans and the planned lowering of costs.

(2) In accordance with enterprise specific conditions, enterprise directors must order measures for checking the observance of norms. To be ensured is the handling of:

--Quantitative checking on the basis of enterprise proofs, such as materials withdrawal slips,
--Checks in terms of value on the basis of cost unit accounting, so that the records are submitted at least once a year complete with the cost analyses to be prepared as per legal regulations[9] and with recalculations.

(3) Combines and enterprises must return the material funds freed by the norms and standards of materials consumption and to take the return of funds into account as per the legal regulations[9] on the lowering of materials costs.

Article 13

Combine general directors are obligated in conformity with the specific conditions prevailing and legal regulations to fix combine orders for the work with norms and standards including moral and material rewards for working people keeping below the norms. Subsequently enterprise directors will issue regulations for their sphere of responsibility. These are to settle the tasks of all enterprise sections in the drafting, revision, reporting and supervision of the observance of the norms and standards as well as the coordinated cooperation of the sections including the necessary exchange of information.

Article 14--Handling and Storage of Inventories and Reserves

(1) Combines and enterprises must ensure the accomplishment of the economic, technical and organizational tasks for the handling and storage of inventories and reserves justified by confirmed norms and standards in conformity with the principle of socialist thrift and at the least material and financial costs. They must therefore issue enterprise storage instructions.

(2) Taking into account regional requirements, especially transportation conditions and the distribution of locations between suppliers and customers and to ensure smooth flowing production, the management and planning of handling and storage of inventories and reserves, especially the availability of stored goods appropriate in terms of time, volume, quality and range, must be directed to the:

--Consistent observance of inventory norms and standards of maintaining reserves coupled with the rational handling of the stored goods at the producer and consumer enterprises as well as at the trade in means of production,
--Rationalization of transport, handling and storage processes by the optimum utilization of storage capacities, the greatest possible basic asset efficiency and the avoidance of materials losses,
--Maintenance of the use value of the stored goods by careful treatment, rotation and protection against mechanical and environmental effects coupled with the observance of safety, fire safety and accident prevention regulations,

--The enforcement of super-enterprise measures of common warehousing for selected materials to lower the costs of warehousing while optimalizing transport routes and transshipment within the framework of regional rationalization.

Moral and Material Rewards for Working People Keeping Below the Norms for Materials Consumption and Maintaining of Reserves

Article 15

(1) General directors and combines and directors of enterprises must morally reward excellent results achieved by working people in the conservation of materials by effective methods of personal distinction. In the presence of prerequisites as per paragraphs 2-5, a material reward is also to be awarded as per articles 16-20. This does not apply if the saving is due to an innovator suggestion or an innovator agreement, when remuneration must be paid as per the regulations of the innovator decree.[10]

(2) A material reward for materials conservation in producing sections must be awarded if these working people prove savings over and above the job-related set and confirmed norms as the result of their own findings, experiences or creative work.

(3) A material reward for materials conservation in production preparatory sections must be awarded if such savings are achieved by the working people keeping below confirmed, topic and job-related set norms for the development of products, processes and technologies with a scientific-technological performance.

(4) The savings must result in an economic profit.

(5) The savings achieved by the working people must be documented so as to permit inspection: By the budget book, personal account, brigade account, duty book, engineers passport, assignment-related premium contract or other job-related documents.

Article 16

(1) The calculation of material rewards proceeds on the basis of the economic profit generated. (Starting from materials conservation), this profit is to be assessed in quantitative units by value consonant with the price that is cost effective in the enterprise. To be ascertained is the profit directly generated by the saving. To be taken into account while ascertaining the profit are the use reducing effects related to the saving. In the production preparatory sections the ascertainment of profit is to be carried out in conformity with legal regulations.[11]

(2) If the planned reserve of material reserves is reduced without adversely affecting supplies for the economy and the public, standard ratio days are reduced and the appropriate return of funds initiated, this is to be considered a saving of materials in the meaning of this decree. The material reward is to be based on 10 percent of the plan reserves conserved as profit.

Article 17

(1) Savings achieved within the past 12 months are to be the basis of the calculation of material rewards for materials conservation,

(2) If norms are improved on the suggestion of a worker in the producing section, he is to be awarded the material reward for a period of another 12 months from the amendment of the norm.

(3) Payment of the material reward must be made promptly, and never later than 2 months after conclusion of the plan year or year of use.

Article 18

(1) Material rewards must be differentiated on the basis of the "table for the calculation of material rewards for working people keeping below the norms for materials consumption and maintaining of reserves" (appendix 2) and consonant with the quality stages of the norms (norms based on technical-economic considerations, statistics of experience and preliminary findings). The rates of material rewards listed in the table may not be exceeded. The provisions on the amount of the material rewards as per quality stages must be included in enterprise collective contracts.

(2) Enterprise collective contracts may provide that a material reward will be granted for the observance of norms in the case of the use of high-capacity technologies, if the more observance of such norms already represents a great challenge to the working people.

(3) Higher material rewards are to be awarded for the conservation of nationally important materials by comparison with material consumption norms. This is to be done on the basis of a central nomenclature.[12] The increased material reward is to be calculated by multiplying the amount as per table by the multiplier assigned to the respective material in the nomenclature. The material reward may not exceed a total of M30,000.

(4) Performances by working people in collectives of producing sections are to be assessed individually in the calculation of material rewards if the individual worker has achieved the result exclusively by his own findings, experiences or creative work. The amount of the material reward is to be calculated consonant with the savings achieved by one worker.

(5) General directors of combines and directors of enterprises must include in the performance criteria for the payment of the year end premium as per the provisions of the labor code the observance of norms by the working people in the producing and production preparatory sections.

Article 19

Material rewards must be financed by the enterprise where the saving originated. The financing of the material reward must come from the cost savings achieved. A material reward for the observance of norms as per article 18 paragraph 2 must be financed from the premium fund of the enterprise or the discretionary fund of the combine general director or competent minister.

Article 20

Material rewards are tax exempt up to an amount of M10,000 nor are they subject to social security contributions. Amounts in excess of the above are to be taxed at 20 percent as tax favored professional earnings. In the case of collective performances each member of the collective is entitled to the exemption.

Concluding Regulations

Article 21

(1) The Minister for Materials Management or the Minister for Glass and Ceramics Industry will issue implementing regulations to this decree in coordination with the competent ministers and managers of other central state organs.

(2) To safeguard overall state concerns, the Minister for Materials Management is authorized to issue special regulations on the work with standards.

(3) Ministers are authorized, in accordination with the Minister for Materials Management or the Minister for Glass and Ceramics Industry to issue regulations for the implementation of this decree in their sphere of responsibility.

Article 22

(1) This decree takes effect upon publication.

(2) Losing effect at the same time are:

--Decree of 15 September 1971 on Economical Materials Use and Reserve Management as well as on the Orderly Management of Warehousing--Work with Norms and Indices--(GNl II No 69 p 589),

--Second Decree of 19 June 1972 on Economical Materials Use and Reserve Management as well as on the Orderly Management of Warehousing--Work with Norms and Indices--(GBl II No 39 p 444).
--Resolution of 3 May 1972 on the use of Standards Based on Technical-Economic Considerations in the Planning of Materials Consumption (special issue No 737 of the GESETZBLATT),
--Order of 31 July 1967 on the Outline Directive on the Text and Methodology of the Drafting and Enforcement of Proportioning Conceptions (GBl III No 19 p 77),
--Directive of 19 November 1969 on the Tasks of Production Preparatory Sections in Enterprises and Combines of Industry and Construction in the Field of Economical Materials Use (GBL II No 95 p 595),
--Order of 28 March 1973 on the Norming of Materials and Circulation Reserves (GBl I No 19 p 173),
--Order of 26 May 1975 on the Use of Standards Based on Technical-Economic Considerations in the Planning of Materials Consumption in 1976 (GBl I No 24 p 434),
--Order of 5 February 1976 on the Directive on the Enforcement of Resolute and Purposeful Work with Materials Consumption Norms in Combines and Enterprises (GBl I No 8 p 147).

FOOTNOTES

1. "Methodological Provisions for Enterprises Planning to a Reduced Extent--Appendix to the Order of 28 November 1979 on the Order of Planning of the GDR National Economy 1981-1985" (Special issue No 1020 r of the GESETZBLATT).

2. Decree of 12 November 1980 on the Management and Planning of the Packaging Industry--Packaging Decree--(GBl I 1981 No 2 p 17).

3. Decree of 30 October 1980 on Energy Management in the German Democratic Republic--Energy Decree--(GBl I No 33 p 331). First Implementing Regulation of 10 November 1980 to the Energy Decree--Management/Planning/Plan Implementation--(GBl I No 33 p 330) and Second Implementing Regulation of 10 September 1976 to the Energy Decree--Energy Management Norms and Indices--(GBl I No 38 p 452 in the version of the Order of 16 April 1979 on the Amendment and Supplementation of the Second Implementing Regulation to the Energy Decree (GBl I No 13 p 97).

4. Decree of 15 November 1979 on Materials, Equipment and Consumer Goods Balancing--Balancing Decree--(GBl I 1980 No 1 p 1).

5. Order of 22 December 1981 on the Use of Standards Based on Technical-Economic Considerations in the Planning of Materials Consumption (special issue No 1977 of the GESETZBLATT).

6. Decree of 17 December 1981 on the Duty Book for Research and Development Assignments--Duty Book Decree--(GBl I 1982 No 1 p 1).

7. Order of 3 December 1976 on the Informational System for Basic Materials and Economical Materials Use and the Issue of State Use Regulations for Raw Materials and Other Materials (GBl I No 50 p 565).

8. Resolution of 17 September 1979 on the Conduct of Monthly Reports by Directors of State Enterprises, Combine and Combine Enterprises to the Working People in Their Sphere of Responsibility (GBl II No 78 p 547).

9. Decree of 38 January 1982 on the Further Perfection of Economic Accounting on the Basis of the Plan (GBl I No 3 p 85).

10. Decree of 22 December 1971 on the Encouragement of the Work of Innovators and Rationalizers in the Innovator Movement--Innovator Decree--(GBl II 1972 No 1 p 1).

11. Order of 5 February 1982 on the Outline Directive for the Ascertainment Planning, Supervision and Reporting of the Efficacy of the Measures of Scientific-Technological Progress (GBl I No 8 p 165).

12. Order of 3 April 1981 on the Material Rewards for Working People for Savings of Nationally Important Energy Sources, Raw Materials and Materials (GBl I No 11 p 134).

Appendix I to the Preceding Decree

Norms and Standards of Materials Consumption and Maintaining of Reserves

1. Norms of Materials Consumption and Maintaining of Reserves

--Materials consumption norms

Materials consumption norms based on technical-economic considerations
Materials consumption norms based on statistics of experiences
Preliminary materials consumption norms
--Norms for production preparatory sections
--Materials exploitation norms
--Materials utilization rates
--Reserve Norms
Reserve norms based on technical-economic considerations
Reserve norms based on statistics of experience
Preliminary reserve norms

2. Standards of Materials Consumption and Maintaining of Reserves

--Materials consumption standards
--Packaging materials consumption standards
--Standards for Maintaining of Reserves
Standards for reserves maintained by the supplier
Standards for reserves maintained by the consumer
--Mandatory minimum reserves

Appendix 2--Table for the Calculation of Material Rewards for Working People Keeping Below the Norms for Materials Consumption and Maintaining of Reserves

| Economic Profit | | | | Amount of Material Reward (Rates of Rewards) | |
|---|---|---|---|---|---|
| | | to | 1,000 M | 16% | |
| From | 1,001 M | to | 2,000 M | 12% plus | 40 M |
| From | 2,002 M | to | 5,000 M | 8% plus | 120 M |
| From | 5,001 M | to | 10,000 M | 6% plus | 220 M |
| From | 10,001 M | to | 20,000 M | 4% plus | 420 M |
| From | 20,001 M | to | 50,000 M | 3% plus | 620 M |
| From | 50,001 M | to | 100,000 M | 2% plus | 1,120 M |
| From | 100,001 M | to | 200,000 M | 1.50% plus | 1,620 M |
| From | 200,001 M | to | 500,000 M | 1% plus | 2,620 M |
| From | 500,001 M | to | 1,000,000 M | 0.75% plus | 3,870 M |
| Above | | | 1,000,000 M | 0.50% plus | 6,370 M |
| | | | However, no more than a maximum of | | 30,000 M |

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## PROGRESS IN RAIL ELECTRIFICATION IN 1981 CITED

East Berlin SIGNAL UND SCHIENE in German Vol 26 No 4, Jul 82 pp 159-161

[Article by Juergen Meinecke; signed to press 11 Jun 82]

[Text] In the requirements contained in the directive to the 10th SED Congress it is stated, among other things: "Through electrification of an additional 700 to 750 km of railroad routes by 1985 and by including Berlin, the capital of the GDR, in the electrified network the efficiency of the railroad can be increased and the specific energy consumption can be simultaneously decreased by 28 percent. The possibilities, resulting from further electrification, for improving passenger traffic by shorter travel times and frequent transport service must be made increasingly more effective." These requirements defined the electrification activity in the first year of the new five-year plan for the GDR railroad.

### 1. Energy Management Situation

The use of petroleum as a basic material for producing diesel and carburetor fuel in the past decade was associated with constantly increasing expenditures of foreign currency. The changes in the raw materials markets, which occurred in the past few years, also resulted in new energy management considerations in the GDR's transport system since the entire transport system is among the major consumers of energy. With a share of about 15 percent it occupies third place behind industry and households.

In 1960 the GDR railroad claimed 75 percent of the energy consumed by all carriers. In 1970 the share was still 50 percent, and in 1980 it had declined to 20 percent which puts the GDR railroad in second place behind road transport. This unusual decline in energy consumption by the GDR railroad by more than 50 percent in the last 20 years has been achieved in a period when there was a 70-percent increase in transport volume. Thus, the GDR railroad became one of the most efficient transport means in terms of energy management. It is also noteworthy that at the same time it was possible to reduce labor requirements.

In respect to energy costs, the transport of goods by rail (with a share of 6.5 percent of the transportation costs) in contrast to the transport of goods by road (with a share of 32.6 percent) also achieves substantially more favorable values. Goods transport by rail makes possible a significant reduction in costs which in terms of the economy shows up favorably in the books.

The specific energy consumption in truck transport on the other hand is almost three times as high as with transport by rail in the GDR. Beyond that, if the specific energy consumption of rail transport with electric locomotives on the one hand is compared with diesel locomotives on the other hand, then once again there is a ratio of 1:3 in favor of the electric locomotive. Electrification of sections of the GDR railroad achieves the greatest importance primarily because of the altered energy management situation. Domestic brown coal is available as an energy source for electric train operation. Thus, it is a matter of developing in an intensified way the railroad as an energy-economical and cost-favorable carrier and to expand it on a priority basis by concentrated investment activity. Furthermore, this is supported by the fact that the cost outlay for maintenance of electric tractive units in contrast to comparable diesel locomotives is only about one-sixth and the cost in pure work time is even only one-fifteenth. Thus, electrification is the most important rationalization measure for the GDR railroad to meet the increasing transport tasks with simultaneous reduction in the cost of primary energy by about 20 percent and a decrease in cost of labor by about 10 percent.

2. Electrification of the GDR Railroad in 1981

For the reasons mentioned great efforts are presently being made in order to substantially increase the rate of electrification of the GDR railroad. The efficiency of the GDR economy has risen, new efficient construction and assembly technologies have been developed so that the rate of electrification can be substantially speeded up. Of the more than 14,000 km-long railroad system in the GDR at present 9 to 10 percent is electrified. In this connection we are talking about the most heavily traveled main routes in the southern part of the GDR, affecting six Bezirk cities--Magdeburg, Halle, Leipzig, Karl-Marx-Stadt, Dresden and Erfurt. The share of electric train transport in the overall transport capacity amounts to about 20 percent.

2. 1981 Utility Values

In electrifying the Bitterfeld-Berlin and Dresden-Berlin routes the goal for 1981 of the representative of the investment allocator, the Construction Headquarters for Electrification in Leipzig was to open up for electric train operation 72 km of route with 234 km of catenary. Specifically, for 1981 the schedules called for putting the following into operation:

| Route | km | Catenary km | Date of Beginning Operation |
|---|---|---|---|
| Luckenwalde (a)--Ludwigsfelde (e) | 25.0 | 78.0 | 9/81 |
| Elsterwerda (a)--Doberlug/ Kirchhain (e) | 20.0 | 58.0 | 5/81 |
| Doberlug-K. (a)-Uckro (e) | 27.0 | 74.0 | 9/81 |
| Total | 72.0 | 210.0 | |

It was possible to exceed the target for 1981 because of the performance of all the construction and assembly collectives which were involved in preparation and construction. For electric train operation the following were opened:

| Route | km | Catenary km | Date of Beginning Operation |
|---|---|---|---|
| Luckenwalde (a)--Ludwigsfelde (e) | 25.0 | 78.0 | 9/81 |
| Elsterwerda (a)--Doberlug/ Brenitz/Sonnewalde (e) | 30.0 | 81.5 | 5/81 |
| Brenitz/Sonnewalde (a)--Uckro (e) | 17.0 | 47.1 | 9/81 |
| Uckro (a)--Golssen (e) | 14.0 | 39.9 | 12/81 |
| Total | 86.0 | 246.5 | |

Beyond that, in 1981 an additional 109 km of catenary have been prepared for utilization in 1982.

The prerequisites for the necessary line power supply (decentralized) were created in 1981 as follows:

--Bitterfeld-Berlin project: delivery of the Ludwigsfelde power converter station with an output of 20 MVA [megavoltamperes] in September 1981. Construction on the Wustermark and Rummelsburg power converter stations was begun.
--Dresden-Berlin project: delivery of the Doberlug-Kirchhain power converter station with a capacity of 20 MVA in May 1981 and an additional 10 MVA in July 1981. Construction of the Wuensdorf power converter station was continued.
--Berlin-Rostock project: construction work on the Loewenberg power converter station was begun.

In contrast to diesel traction, electric train operation requires by far greater economic preliminary work. In order to guarantee a timely start of operation of the electric installations mentioned, extensive work had to be done in advance in respect to the following:

--adapting the safety and telecommunications facilities
--adapting the power plants
--building the local control stations
--removal of sections on existing bridges
--measures for shock protection on bridges and for new construction of pedestrian bridges.

In the Bitterfeld-Berlin electrification project the Trebbin and Ludwigsfelde railroad stations were expanded into transformer railroad stations. As a prerequisite for locomotive sidings the overhead contact system was supplemented by additional catenary, passable paths for train personnel and shunters, respectively, were built and the appropriate safety equipment installed. In line with the transformer technology which has been developed electricity is used for optimal train operation both in freight and passenger traffic. For the Dresden-Berlin electrification project in comparable measures were established for transformer technologies in the Brenitz-Sonnewalde, Uckro and Golssen railroad stations. This system of immediate utilization of partial sections is being consistently continued.

## 2.2 Efficient Processes and Technologies

The growth in progress in electrification in 1981 can basically be attributed to the refining of existing technologies and the development of new technologies, respectively.

--For the foundation of the overhead contact line substructures the existing technology of the land-based foundation and the technology of rail foundation were improved. A noticeable increase in capacity was achieved through the assembly of additional complete and efficient rail-mounted concrete mixing trains for cast-in-place concrete foundations by the main contractor (HAN) for construction, the Berlin electrification and engineering construction enterprise of the GDR railroad.

--For the use of prestressed concrete poles on the clear sections drilling complexes with a maximum performance were combined in order to realize the advanced technology of the sleeve and prestressed concrete pole.

--The ram-pile foundation was developed as a new technology. The heavy lattice towers with four vertical members for the transverse structural members of electrification are at present set with massive foundation blocks in open foundation pits with linings. This time-honored method of construction for the foundation had to be replaced by more efficient processes and technologies in line with the necessary increases in performance in the 1981-1986 five-year plan period.

Thus, in 1981 the GDR railroad initiated experimental testing of ram foundations in the Priort and Wustermark railroad stations and concluded with a technology which will be put into practice starting in 1982. This ram-pile foundation consists of steel sheet piles welded together and a head for pole types having a lattice tower foot spread measuring 600 x 800 and 800 x 1,000. This accounts for about 80 percent of the assortment of angle poles which are used in electrification. This head is a concrete body reinforced with sectional steel with an appropriate recess in the middle as a precast unit, which is mounted on the pole, aligned and cast in place.

Joining the heavy contact line lattice towers with the finished ram foundation is done by means of the four anchor bolts per angle post which

are built into the head. Clamp forces at the pole base are transferred to the head via four corner angles and the diagonals of the reinforced sectional steel combined with the concrete walls and are released from a horizontal force couple to the foundation pole. Ram complex G 41 S is used to accomplish this.

With the technology and equipment used to date several tracks had to be closed down during the concrete pouring process. With the new method only one single track is closed and thus better consideration is given to the "move while building" requirement.[1] With this technology difficulties on routes with extraordinarily complex soil conditions (marsh layers and so on) can be overcome.

--For assembly of the overhead contact line system from the contact line posts there are advanced system and model technologies from the VEB Travel and Overhead Contact Line Construction Works, Halle. For the manufacturing processes of "setting fully completed overhead contact line poles" and "rail power line train and cross-field assembly" helicopters from Interflug are utilized in accordance with model technology. A comprehensive technology developed for this is the basis for developing the work cycle technologies which are tailored to the installations.

The technology which has been constantly refined in the past few years has contributed to a substantial increase in work productivity. The following rates of increase can be demonstrated:

| | |
|---|---|
| Post setting | 13-fold rate of increase |
| Cross-fields | 11-fold rate of increase |
| Rail power line train | 5-fold rate of increase |

This technology makes it possible for the GDR railroad to fully maintain freight and passenger train traffic and likewise do justice to the principle of "move while building."

--For the assembly of the catenary there exists an advanced model technology of the "complex contact wire support cable train."

Rail power supply also came up with new thoughts in 1981 in respect to the construction of decentralized power converter stations. Increasing the efficiency of the GDR railroad imposes new standards for railroad power generating plants on the basis of the economic requirement of accelerated progress in traction conversion and concentrated preparation and implementation of the investment with simultaneous reduction in investment costs. Effective 1981, beginning on the Berlin-Rostock route which is to be electrified, further developed power converter stations will be built jointly with the economic partners.

Decentralized rail power generating furthermore will depend on the principle of the rigid coupling of the 50 hertz three-phase power of the

energy supply with the railroad supply line of 12 2/3 hertz of the GDR railroad, with the help of movable, rotating synchronous-synchronous transformers. The new solution of the further development of the power converter stations of the GDR railroad provides for the following essential features:[2]

--Optimizing the technical and construction-based overall order by simplifying the 110 kV outdoor substation and compact development. Saving in ground area, construction and equipment of 20 to 29 percent each.

--New shaping or reshaping of the medium and low voltage switching plants (savings of switch gear cubicles up to 50 percent).

--Optimal dimensioning of contact rails, cables and power cables (savings in pure aluminum up to 50 percent, in power cables up to 30 percent).

--Use of accumulated energy through the use of heat pumps for complete substitution of electric energy for heating and hot water processing (saving in electricity about 500 MWh/a).

--Simplification of the ventilator facilities and thus decrease in assembly time.

--Further development and expansion of the system of reusable preparatory data and use of modern design technologies, reduction of design costs.

Fulfilling this set of tasks in the program of route electrification requires that all cooperating partners of the economy, all construction and assembly enterprises of the GDR railroad which are active in route electrification, and the construction enterprises of the other sectors which produce the necessary stationary equipment, on up to locomotive construction, make their contribution in a timely and very comprehensive way. This presupposes close and efficiently coordinated cooperation of all involved enterprises, offices of the GDR railroad and facilities from the most diverse branches of the economy. An essential means in this is still represented by the complex competition in route electrification in which all sectors work with competitive agreements purposefully to fulfill the tasks.

FOOTNOTES

1. Priort Railroad Station Project of the EVDR

2. Report of the VEB Radebeul Energy Construction Plant

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EGALITARIANISM STILL HAMPERS BETTER ECONOMIC PERFORMANCE

Budapest MAGYARORSZAG in Hungarian 29 Aug 82 p 25

[Article by Istvan Matko: "Auction"]

[Text] Everyday language has a strange way of putting it: it means one thing to work and another to earn money. The former refers in general to activity which despite a great deal of (or valuable) work does not bring adequate gain, while the latter earns abundant profits. Instead of going into lengthy etymological interpretations, it is worthwhile to add that this outlook has firm and objective bases: the experience according to which income does not (or does not always) adjust to actual achievements.

A Flood of Problems

This line of thought should come into our mind in connection with the strictest price measures of recent years. Because it is true that the external conditions of the economy are unprecedentedly unfavorable for us--it is difficult to sell our products because of the recession in the world economy, and because of the avalanche-like flow of financial difficulties, the withdrawal of foreign deposits, and the "credit stalemate" we cannot acquire an appropriate volume of foreign payment means--but the external circumstances do not give us an answer as to why in a situation like this we are regularly consuming more than we produce. In the semiannual evaluation of the balance of the economy, we must clearly differentiate between two factors: to what extent can our problems be ascribed to production and to what extent to distribution.

It is obvious--as was also established in the most recent announcement of the Central Statistical Office--that production in the first half of 1982 rose substantially above the plan (by 2 percent), while at the same time the population's income (in wake of the increase in enterprise profits over the targets) exceeded the goals (in wake of enterprise profits that exceeded the plan). The development of the population's monetary income gives an appropriate vantage point to judge the extent of the increase: it is 6 percent more than in the first half of last year.

Let us recall the 1980 preparation, the very important goal of the Sixth Five-Year Plan beginning with 1981: those who guide economic policy had

already arrived at the conclusion that we must implement a stabilization concept. That is, for the sake of maintaining the economy's ability to pay (equilibrium situation) we cannot decide on raising living standards and increasing consumption to that extent.

Guarding living standards is the realistic goal. It is necessary to subordinate income distribution to this goal. Moreover, we must above all devote the greatest strength (material strength also) to increase exports that improve the balance. This formula gave a clear direction to the production tasks of industry and agriculture, and gave of course a modest framework to consumption. Consumption (in the wake of money circulation) exceeded the possible limits, however. Production reached the quantitative goal, but unfortunately it was not marketed as called for by the greatly strained requirements. A significant increase in exports did not come about, and in fact industry was not even able to fulfill the planned export increase. Therefore, export results, as they developed, could not contribute adequately to an improvement in the equilibrium, even the export indexes worsened in the nonruble account area.

The loss in terms of trade comes to about 3 percent as compared to last year. The surplus production, of course, did not go into storage, but was absorbed by the purchasing power which had increased the plans and efforts. (State investments were not expanded considerably, and the enterprise investments on the other hand exceeded the prescribed--possible--rates.) It is also a part of the truth, of course, that dollar account imports were moderated as compared to the same period the year before, and this factor was of such weight that our foreign trade balance in this trade relation was better than in the first half of last year.

But it is not possible to live from savings alone and to achieve a radical qualitative change, we can arrive at this only through the harmonious development of production, export, and internal consumption. In our case, this means that we must unconditionally increase our foreign market achievements--and moreover in such a way that meanwhile we will "put the brakes" on our domestic consumption appetite. Anyone who thinks this task through will immediately understand what a complicated, keen and difficult task it is. The question rises whether it is possible at all to solve this dilemma. Let us examine those processes and events which evoked the present situation of the Hungarian economy. We do not need to outline what is in the world outside, and in practice what kind of requirements it mediates to a country which realizes more than 50 percent of its national income on foreign markets. The world market conditions are well known. (At the most, it is also worthwhile to know that these market difficulties are worse than we had calculated, or than the difficulties which the planners had forecast. Not only are the financial problems more serious but also certain socialist imports have decreased for us--in energy and basic materials.) In addition to the external features, the enterprise processes have not changed favorably on our behalf. Or to put it more exactly: enterprise management did not develop in the way defined by a narrowly determined area of mobility.

Clumsy Wage Management

The semiannual enterprise balances which are evaluated in the Ministry of Finance can give us an account of these considerably complex phenomena. This year's most important experience has been that despite the January regulator changes--received at the time with serious reservations and regarded as too strict--greater enterprise revenues were formed than planned. (Istvan Hetenyi, finance minister, stated on his "168 hours" program on the radio that our probems are primarily with those enterprises which do not reach even average, medium levels with their production, but still are able to earn considerable revenues and carry out wage increases. This is the circle of enterprises which one way or the other can obtain those sums of money which it cannot gain through production.)

Most of these enterprises "acquire" profits through central support, and this is what they distribute to their workers as surplus. In this way, monies which have been obtained without work and lack an achievement cover, circulate from the national income into the consumer sphere. To put it simply: money passes into circulation which does not have commodities, that is, value behind it. Facts show that although the financial rules have been tightened a great deal, their effect is unfortunately weak. The future attack "from below" easily breaks through the closed ring of economic interests--and life belts are thrown to the deficit enterprise from somewhere. It may continue to vegetate, consuming thereby material, manpower, and state resources--there were ample examples of this in the first half year. But it often happens that such a transfusion of forints to anemic factories is made at the expense of dynamic plants that are capable of developing.

Such problems in themselves are enough to disturb a value system that is adjusting to achievements. But there was still something else among the experiences of the first half year: the large, dynamic firms also began to feel the competition of the well-functioning "entrepreneurial islands"--at least on the labor market. Could they have ignored the fact that their outstanding workers, engineers and economists departed because, let us say, a subsidiary branch enterprise is able to pay much better? Obviously not. "Auctions" have been started and continue at work places: Who will bid more for the best workers, for the representatives of the trades where there is a shortage of manpower?

This "auction" also has advantages because in the end it may ease the striking wage asymmeteries (within the large enterprises) among economists, technicians, and the computer technology intelligentsia, but finally it still caused an additional wage outlay. At least it does not help in preventing wage outflow...

As a third factor, we can fasten on the more and more obvious contradictions of wage regulation. For years a debate has been waged over this system by economists, official organs, managers and subordinates. There is no denying it is difficult to establish a wage regulation system that is adjusted to the conditions of socialism and creates appropriate incentive--perhaps it is possible only at the price of compromises. It has been evident that these

compromises tended toward the weak side. Because of overcautiousness and the contradictory internal levers, the acquisition system was similar to a car that has its gas pedal and brake depressed at one and the same time. The method used the year before in industry and agriculture will be transformed again in 1983 but with more fortunate results, we hope, than in the case of the previous one. It is certain that the present form is unsuitable for use; our experiences in the first half year emphasize this.

We need not explain a situation where if surplus income is released into the streets as purchasing power it is necessary to have the commodities that will meet its demands. If not, then...It is not exclusively an economic interest that bespeaks the maintenance of harmony between supply and demand. Therefore, we also had to take the unpopular measures, for example, of raising to a great extent the prices on basic consumer items.

There Is a Way Out

It is evident from the above sketchy and somewhat simplified picture that with the help of state measures we can have a practical area of mobility and a possibility to solve the complicated economic task--continuous improvement in the equilibrium situation of the economy and in ability to pay while at the same time also undertaking our living standard policy goals. To this end, we need continuously to shape the regulators, and strengthen their normativeness. It is to be expected that such measures will be passed, or already have been. Now it is necessary that we give validity, for example, to improving the internal financing of weak enterprises, or to limiting their production. As an unavoidable step, we must try by every means to prevent an outflow of wages independent of achievements, and moreover in such a way that in the second half year--at those places where this occurred. We cannot avoid further tightening of investment and credit conditions, the statutory provisions for doing so already exist. In addition to all this, it is necessary to emphasize that this is not the kind of belt tightening that squeezes everyone without exception. Economic policy cannot renounce differentiation either in respect to the individual or the enterprise.

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## FARMS SCORED FOR FAILURE TO MAXIMIZE IRRIGATION

Budapest FIGYELO in Hungarian 1 Jul 82 pp 1, 13

[Article by Peter Bonyhadi: "Auxiliary Troops of the Rain God"]

[Text] When there is drought, one has to irrigate. But in modern agriculture irrigation is more than just protection from the drought, it is at the same time also intensive economic operation. Irrigated agricultural operation is characterized by a special crop structure, precisely calculated and applied chemicals, huge yields, a high level of technological discipline, and advanced agricultural infrastructure. The old civilizations based on irrigation (Mesopotamia, Egypt) also rose over their socio-geographic environment because, measured by the standards of that era, they used water conscientiously in the production of crops. At that time it was the river valleys. While today, here, in Hungary with limited land instead of adding hectares to production, land is being withdrawn. In a situation like this one is forced to cultivate the land intensively to increase production to supply the population.

Today all these things are basic truths bordering on cliches--yet in Hungary during the time period of the Fifth Five-Year Plan the irrigated area decreased by over 81,000 hectares. Barely 60 percent of the irrigation equipment valued at 10 billion forints was used. The ratio of water demanding crops that can be grown on the irrigable acreage (about 0.3 million hectares) is stagnating. That is, of those crops which are worth irrigating. In contrast with this the growing area of cereal crops is large, and there are only traces of two-crop production. Only 25 percent of the sugar beets and large scale potato crops, which are extremely appreciative of irrigation, and 35 percent of the vegetables are produced with irrigation.

Even though in contrast with the national net sugar yield of 4.3 quintals per hectare, the sugar beets can yield as much as 9.6 quintals of sugar per hectare with irrigation. Irrigated potatoes also yield twice as much as those without. So that there will be no misunderstanding, it also decides the question whether to irrigate or not to irrigate these crops and what the nearby processing capacities are. In addition to this it should also be considered whether that present calculative principle that the value of

the land is not considered, or considered only indirectly--by way of taxation--, is tenable. If we wish to consistently implement the conditions of intensive economic operation, the interested parties must be urged to operate wisely with the limited resources. If intensive utilization of the land were profitable, then the entire set of problems of irrigation would be seen in a different light. That is, the facts nowadays suggest that a smaller area is being irrigated than should be, or could be.

The unexploited irrigation opportunities, the large yields of irrigated crops, and the decrease of the irrigated acreage are so conspicuous that there can be only financial, or--broadening the circle a little,--economic reasons for it.

Evaporated Desire

The reasons given by the farms is that the price of water has increased tenfold. It is a convincing one when one hears it for the first time. But no matter how impressive this information is, by itself this explanation is insufficient. That is, for almost 20 years the fee for water was uniformly 40 forints per hectare. In 1979 this price covered only 9 percent of operating costs of the main water pumping stations. The balance was paid out of the central budget. Raising the fee for water changed this situation. The tenfold price--which, when written down like this, really does appear to be stunning--was actually necessary to cover the actual costs. But the water fee even so is only 8 to 12 percent of the total cost of irrigation. Thus the scope of the investigation must be expanded in order to understand the reasons for the evaporated desire to irrigate.

In the last plan period average yields by farms working with dry production, as well as those irrigating, increased. However, in contrast with the increase average yields the specific value of the net income of the farms has decreased each year. For example, in the category of irrigating farms at the top of the list the net income of the enterprise per hectare was 5,136 forints in 1977, 4,518 in 1978, and 3,801 in 1979. The reasons are well known: production costs have increased. For example, between 1975 and 1979 the price index of materials of industrial origin used in agriculture increased by 120.7, of energy sources by 134.6, and of chemical fertilizers by 120.3. As a consequence of this, the other costs of irrigation also increased. For example, while the cost of irrigating one hectare was 1,638 forints in 1976, this increased to 3,807 forints by 1980. Only 430 to 450 forints of the 2,269 Ft cost increment can be attributed to the water fees.

In the last 3 years the cost of equipment needed for irrigation rose by 50 to 100 percent. Subsidy conditions have also changed. For example, while a 40 percent state subsidy was given in 1979 for irrigating machinery, it was only 15 percent in 1982. The targeted investment program classification of investments that pipe the water to the acreage to be irrigated (hydrants) has been eliminated. The 60-year repayment time had represented an insignificant burden to the farms.

The significant and necessary cost increases are only partially counterbalanced by the rise in producer prices. Between 1975 and 1979 the producer price index increased to only 113.6 for production activity as a whole, and to 115 for produce. Thus the value of the incremental yields grown with irrigation did not increase by the same extent as have the incremental expenditures for irrigation.

Water Rights Permits

And during the time span of the Fifth Five Year Plan the farms wanted to include an additional 114,000 hectares in irrigation, and simultaneously they wanted to rebuild the obsolete irrigation equipment on 93,000 hectares. In the first 2 years of the plan period everything progressed time proportionally in accordance with the plan. Irrigation facilities were completed for 35,551 hectares. Reconstruction was completed on 67,000 hectares by replacing the portable irrigation equipment. The already mentioned financial changes made in the middle of the plan period interrupted this process.

Besides the existence or absence of the technological and technical conditions the legal and financial framework of irrigation farming also deserves attention. The legal basis of irrigation is the water service contract. The so-called water rights permit is what costs money. The base fee depending on the place, manner, etc of obtaining the water is 80 percent of the water fee, and the amount paid for the water taken is 20 percent of the actual water fee. This means that the farms have to plan in advance how much water they will use. This on the one hand, is quite difficult to do because specifying the "from-to" limits is determined by very many practically uninfluencible factors, and on the other hand, this does not provide an incentive for the irrigators to conserve water. ("Let the water come," if by chance the plan turned out to be too loose.)

The water rights contracts serve not only the official character of irrigation. The national irrigation service determines the construction and start up schedule of the main water pumping stations on the basis of this, that is, this is how the expenses and the water supply are managed.

But the water supply systems have more water than what the agricultural operations are contracting for with the water rights permits. Therefore, sort of like running after their money, since the water pumping investments built with budget money must be operating, they have even issued one-time water rights permits to the farms. Thus if someone decided to embark on irrigation, they had a chance to try it out.

But many farms surrendered even their permanent water rights permits and applied for a temporary one, in order to escape having to pay 50 percent of the base fee. Of course, this did not develop into a system because since 1981 a water rights permit could be obtained only once for a given area.

But the farms do not always apply for a water rights permit even for the existing irrigation equipment. For example a representative study done in Szolnok megye on 9 farms found 125 mobile irrigating machines, but only 37 of them had water rights permits.

The farms that quit irrigating care little about the further use of the equipment even though the retired and manually rebuilt irrigating facilities could certainly be used in the household plot operations and small gardening cooperatives.

Underutilized Main Facilities

With respect to the ratio of the dry farming acreage it appears that irrigation affects only a few large farms and a few hundred thousand hectares. Even ignoring the significance of the additional production obtainable with irrigation to the national economy, the question of irrigating or not irrigating is not the internal affair of the farm. And not only because building the so-called main facilities required state investments in the order of magnitude of billions [of forints], but also because among the crop production tasks of the Sixth Five Year Plan the most important one is to decrease the planting area of the main crop fodder plants by about 200,000 hectares.

This 200,000 hectares is the basic condition for the grain program. The 15 million ton harvest planned for the end of the plan period can not be achieved by only increasing the yields. The growing area must also be increased. But this is possible only if dual utilization of the land becomes broadly accepted wherever possible, for which irrigation is necessary.

Let there be no misunderstanding! This is not the same as planting into the stubble, and it can not be made into a national campaign. Changing the planting structure includes increasing the yields of the main planting fodder crops and of the grass [hay] growing areas by means of irrigation; development of a selection of crops and types which under irrigated conditions are able to either alternate as second crops with the main planting fodder crops, or are suitable for growing as second planting saleable crops, naturally always as they fit into the production structure and technical preparedness of the given farm.

The underutilization of the existing main water service facilities worth about 10 billion forints is a problem. During the time period of the Fifth Five Year Plan--in coordination with the agricultural operations--and in harmony with the irrigation improvement plans of the farms, several main facilities were built for which the connecting utilization facilities have not been built so far because of the already mentioned changes in the economic regulators. Thus, for example, there are significant new, modern, and unutilized main works costing several hundred million forints on the land of the Hajdusag Multipurpose Water Management System and of the Bekes megye irrigation system. But no irrigation network was built for the storage reservoirs in Monok or in Nagybarat, either. No wonder, since

for example the investment cost of semipermanent underground irrigation facility for one hectare reaches as high as 60,000 to 65,000 forints.

But there are promising, and what is more important, less costly initiatives: the Danube Shore and Kiskunsag Water Management Association built underground, semipermanent irrigation facilities in 1979 on 735 hectares for the Uszod-Fokto TSZ [producer cooperative], on 620 hectares for the Dunavecse TSZ, and on 236 hectares for the Apostag TSZ, where instead of 60,000 to 65,000 forints the per hectare investment cost was only 20,000 to 26,000 forints. They achieved this significant cost saving exclusively with work organization and technological solutions.

Well, shutting off the irrigation taps is not the only possible reaction to the undoubtedly unfavorable economic conditions!

8584
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INTERVIEW REVEALS FUTURE PLANS FOR ECONOMIC STIMULATION

Warsaw ZYCIE GOSPODARCZE in Polish No 29, 8 Aug 82 pp 1, 4

[Interview with Vice Premier Zbigniew Madej, Chairman of the Planning Commission, by Stanislaw Chelstowski; date and place not specified]

> [Text] The Planning Commission has completed the first stage of work on the plan for 1983-1985 and its forecast to 1990. The results of this work will be made public in forthcoming days. Since they evoke the great interest of a broad spectrum of social organizations, we requested Vice Premier Zbigniew Madej, Chairman of the Planning Commission, for an interview and to give us a bit of information and commentary on the subject of what we can expect in the near future and somewhat later on.

Zbigniew Madej: The Council of Ministers has already adopted the bases of the 1983-1985 plan and the preliminary forecast to 1990. We are currently laying the greatest stress on the 3-year plan bases. This is still not a draft plan, because, pursuant to the new planning principles, the presentation of the bases is the obligation of the government, whereas the adoption is effected by the Sejm. We are now entering a stage of evaluation of bases through the Sejm commissions, we are presenting them to political parties, youth organizations, and before the broad public eye. We predict a period of 2 months for discussion, for evaluating what we have prepared, and for selection of the variants represented. On this basis, during the fall, we should make our specific selections and prepare a draft plan that we will present to the Sejm for ratification.

Stanislaw Chlestowski: Why has a 3-year period been chosen?

[Answer] After a 2-year hiatus, this is a return to mid-term planning. We are operating in a 5-year planning cycle, in the same way as other socialist countries, and the final period of 3 years is left for us. This is the first premise of an official-schedule nature. However, it is also a substantive premise. This 3-year plan is fundamentally a plan for guiding the country out of its crisis. All the calculations indicate that by 1985, the level of the precrisis period can be attained in the main economic areas.

[Question] What is the keynote of this plan?

[Answer] Stopping the downward trends in industry is the task of 1982. During the course of the next 3 years, an economic reawakening should occur. The industrial production curve should shape up by 3-4 percent annually, and farm production within the scope of 3-4 percent annually. Many other countries have been attaining this kind of production growth in recent years. Of course, we are starting off from a lower level, after a period of production downturn. However the characteristic feature of the aforementioned period is not its double-digit growth rates, as, for example during the 1950s or in Poland during the period of the First Three-Year Plan in 1946-1948. Neither will the kind of growth that took place during the 1970s take place either. Currently, that type--as far as growth rate is concerned--is not coming about either in the socialist countries or in the capitalist countries. The growth curve we are anticipating is no kind of phenomenon, of course--it matches up with the general developmental trend in the world.

[Question] If the Sejm, or even on a broader basis, the public, is supposed to make the selection, it must have something to chose from, from various concepts or variants.

[Answer] Yes. We are presenting the bases of the 3-year plan in three variants, however, in conformity with the requirements of the Law on Planning, and with public expectations. But this is not the only reason. In this case, we are not concerned with the satisfaction of a mode for diversification of various solutions. This results from a genuine need, from our specific situation.

At this time, we do not know exactly how the external structure of economic and political relationships that have quite some influence on our internal situation will shape up. We do not know how capitalist companies are going to react in the question of tightening up or restoring trade contacts with Poland. We are always open to these contacts, but everything does not depend upon us alone. For, many of these companies are at crossroads, they are dependent upon the policy of their own governments.

However, we have adopted three variants of the situation connected with foreign trade. The first variant forecasts a deterioration of the situation with this trade with capitalist countries in relation to the current situation. Of course, this is very undesirable for us, and I judge that it is so for many companies. However, such a turn in the situation must not be excluded, none the less. Various centers, especially political centers, continuously bring up the question of declaring the insolvency of our country. Well, this is the bleakest variant, which, however, we have to take under consideration, although it is necessary to do everything possible so that such does not come to pass.

The second variant assumes a gradual rectification of Polish relations with foreign companies, and a gradual turnaround in credits.

The third variant then assumes, quite optimistically, a rapid change in the relationship of Western firms toward Poland. This variant also entails certain conditions. It depends on the state of international relations not only with regard to Poland, but also on a worldwide scale. If the capitalist countries return to a policy of detente, then we can count on a more fruitful development of trade contracts.

The most probable, in my opinion, is the middle variant. In developing variants of the bases, we also considered the domestic situation. We assume gradual social-political normalization, which also speaks in favor of the second variant. Perhaps it is the most realistic. The national income growth rates that I cited earlier apply specifically to this variant.

[Question] In the realization of the second variant, how will the situation shape up on the domestic market, which is the thing that is most vital for the public at large?

[Answer] During the period of the coming 3 years, we wish to bring the market back to normal gradually, to eliminate the ration system, and at the end of 1985, to achieve the kind of situation in which the law of supply and demand governs the market. Of course, in its basic segments, where prices would have the decisive vote and not the method of administration distribution, the achievement of such a state would require substantial changes in the structure of production.

The restructuring of the economy, as this is called in a not too nice way, should be in conformity with the adopted priorities, meaning above all, placing the main stress on the development of agriculture and sectors that are connected with agriculture. What is concerned here is the attainment of self-sufficiency in food production, in an economic sense, of course, it means doing so in such a way as to balance out imports and exports. Because surely we will continue to import a certain quantity of grains, while we would be exporting other farm products. The food production sector, however, must earn enough for its own keep. For this, a great effort is required by both agriculture and the sectors connected with agriculture.

Secondly, it is necessary to change the geographic structure of trade turnover with foreign countries. Before the current crisis, more or less half of the trade turnover was effected with the socialist countries, and half with capitalist countries. Currently, turnover with socialist countries amounts to 62-63 percent. This trade turnover structure was one way or another forced upon us by the sudden drop in imports from the capitalist countries. During the course of the coming years, we want to maintain this structure deliberately, we want to link ourselves even closer with the socialist countries. This also stems from the fact that the developmental trends within the country will give preference to such a state of foreign relations.

In exports, the turnover with capitalist countries will encompass our traditional markets, which we wish to keep, and in imports, they will be mainly for the manufacturing industry, whose operations depend upon these imports. During the seventies, we organized manufacturing industry based on licenses from the West, which created technological ties with capitalist firms. It would be uneconomical to break these ties, especially, where it is impossible for us to replace components or elements for production with domestic products. The shift in foreign trade will, at the same time, be an important shift within our industry.

[Question] Let us go back to the plan variants. Do they exhaust all possibilities for selection? In this case, would it be very limited, unofficial, and

factual, since, the variant which shall be realized, to a considerable extent, does not depend upon us.

[Answer] No, they do not exhaust all possibilities. With the middle variant, we are proposing a specific "subvariant," the acceptance or rejection of which depends completely upon the decision of the public. This concerns the introduction of a 6-day workweek during the coming 3 years. In this case, the entire program of emerging from the crisis can basically be reduced by a year, which means that the industrial production level of the precrisis era ought to be attained in 1984. We are putting this under consideration as an alternative: either a 5-day workweek in the greater part of the economy and 3 years to emerge from the crisis, or a 6-day workweek, and we shall reach this same goal in 2 years.

[Question] The production level in many branches of industry, however, depends not on worktime, but on the supply of materials.

[Answer] Yes, this mainly concerns supplies from imports. We are going to take account of this. our calculations are based on the proposition that in foreign trade, the second variant will be realized, that recovery will ensue. This would assure a certain necessary flow of raw and other materials from capitalist countries. I consider that it is worthwhile to discuss this question and to present it for judgment by the public.

[Question] Does this exhaust the main perplexities of the 3-year plan bases?

[Answer] There are very many of these perplexities. We spoke about supply. The main problem of the coming 3 years will be economizing on raw and other materials. This will also be so, however, in the period up to 1990. Until that year, for example, we are assuming an industrial production growth within the bounds of 40 percent, and a delivery of basic raw materials in the bounds of 19-20 percent. This means that industrial production growth has to be at least 50 percent based upon savings in materials. The most significant is the matter of coal. Thus, the entire growth of industrial production in Poland up to 1990 has to occur with a zero growth in the extraction of coal, or total dependence upon savings in coal. This is one of the most difficult tasks.

[Question] Is it realistic?

[Answer] The other solution--an increase in consumption, as has been the case up to now, requires considerable investments in the coal industry. Many mines are coming to the end of their resource lives. The investments in the coal industry, which are not at all insignificant, have to be earmarked for opening extractive capacities. We are too poor to expand them, currently, we haven't got the means to do so. Why, the increase in investments would have to be reflected in a drop in consumption. Thus, the task that all of industry is faced with is enormous, however, it is not impossible to realize. There are several countries that have been recording a several-percent rise in the production curve for years already without an increase in the consumption of the basic materials, energy and coal.

[Question] Is the 6-day workweek--through increasing the labor input--a way to a better utilization of raw materials, to a certain substitution?

[Answer] A temporary reversion to the 6-day week can be one of the motive forces for accelerated emergence from the crisis. However, it is an extensive method, which does not mean that it should be underestimated. Under our conditions, it is necessary to utilize all opportunities, and this is a very vital one and we are presenting it with full consideration and conviction that it can play an enormous role in the coming years. Savings in materials requires another kind of developmental motivating force, an activity of an intensive type. This type includes technological innovation, interventions of an organizational nature, changes in technology, and the use of science. This applies not only to savings in raw materials in industry. We are also eyeing the tasks of agriculture. Currently, we are harvesting about 20 million tons of grain annually in our country. We harvested that amount last year, and we hope to attain the same amount, more or less, during the current year. At the same time, we imported over 7 million tons of grain annually. But for the kind of consumption of meat, bread, etc. that we attained in the past years, we had over 27 million tons of grain. Nearly one-third was derived from imports. The maintenance of this consumption would currently necessitate an increase of the production of grain in a short time by one-third, given the importing of grain for other agricultural products produced in Poland, because the capabilities for importing on credit are practically nil. An increase in harvests of 7 million tons of grain during 3 years is impossible. Statistics show that the attainment during the course of a year of a growth in the production of grain by 400,000 or somewhat over 400,000 tons is the upper limit of current capacities. In order to produce domestically, then, what we have imported thus far, 17 years would be required. Such a solution is inadmissible.

[Question] So, what kind of solution do you propose during the 3-year plan period?

[Answer] We are placing great tasks in sequence before agricultural sciences, before the organization of agricultural production and its servicing. Without elements of the "green revolution" in our country, we shall not solve this question. We have to go about it on two roads: imports for a certain specific time and, simultaneously, a concentrated effort toward growth in grain production, and better use of grains. We speak here of an increase in fertilizing, a promotion of agrotechnical crops, and economization measures in livestock raising and food processing. This task confronts the entire economy. If we are not able to do this--then the plan bases will be suspended in a vacuum. This is a regular element of the intensive solution of the problems we are faced with.

[Question] Can the elements of the intensive type of development also necessitate changes in current investment concepts?

[Answer] Certainly! Especially since in the distribution of investments, the determinations have been made for us to a considerable degree by decisions that have already been enacted. It has been determined that 30 percent of all investment outlays in the country shall be earmarked for food production and the next 30 percent for housing. We, the planners, therefore, can decide only on the remaining 40 percent. This must be sufficient for industry and all other economic sectors. This is a very difficult dilemma, especially for industry.

The development of the extensive method and also the method of "expansion" is practically impossible under these circumstances. For this would even be senseless, because we are not utilizing fully the production potential built during the seventies. Industry must make full use of what it has, it must modernize itself, it must use innovations in order to squeeze out as much as possible from its existing potential.

[Question] Would this also concern, perhaps, not just industry?

[Answer] Within the framework of the 30 percent of investments earmarked for housing construction under the current method of investment, the technological methods and the organization of the construction process thus far used, it will not be possible to realize the housing program. The rate of cost increase in construction, as can be seen from the example of the current year, of such a trend continues, will be more rapid than the rate of growth of investments overall. And from this 30 percent, it would be possible to build not more and more, but less and less dwellings, because this 30 percent cannot keep up with the increase in costs of a square meter of living area.

Again, technicians, scientists, economists, and organizers in construction are faced with an enormous task. What can be done to build more for this purpose? Without the generation of new technology in construction, the matter will not be resolved. Traditional methods are insufficient.

Construction must be different in different types of settlements. Large-panel construction will exist at large-scale developments, most certainly, although it is very costly. However, it makes it possible at the current time to make better use of expensive land and very expensive site preparation. Another type of construction should prevail in small towns and villages. The technology of finish work must also be corrected in the framework of one or the other type of construction.

It is also necessary to make a serious decision on whether in the place of traditional European construction, which means bricks, concrete, or other elements with a life of 100 years, we should not convert to the type of construction coming to the fore in America and also in Finland, calculated fro 20-30 years.

In any case, without large-scale technical progress, without the introduction of new generations of construction technologies, we shall not solve the problem of housing construction.

[Question] You mean, above all, an intensive type of development in the coming years?

[Answer] Technical and organizational progress is not an alternative for the aforenoted subvariant on the extension of the workweek to 6 days. This is not an "either...or" situation, but rather, "both this and that."

A more rapid method, which provides effects almost immediately is the introduction of a 6-day workweek. However, technical progress, especially on such a large scale, the introduction of new technology, requires time. This progress

can be brought to fruition if we start on it right now, today, around the end of the 3-year plan, and during the following 5-year plan. Both of these methods can also be improved in time. Certain problems necessary for solution, for example, the introduction of new grain species, cannot be solved with the help of time. A scientific staff has to be obtained for this. This does not mean that one should underestimate small-scale technical progress and rudimentary increases in labor productivity.

I stress the matter of technical progress so strongly since we are threatened with the occurrence or the widening of technological gaps with relation to other countries. Currently, we do not have the funds and capabilities for the mass importing of equipment and the purchase of licenses. We have to fill this gap with our own resources.

Recapitulating, our economy has found itself in such a deep hole, that in order to extricate itself from it, two motive forces are required: an extensive one in the form of extended work hours, and an intensive one, in the form of technical and organizational progress.

[Question] Changing the subject somewhat, in recent days, there has been a lot of discussion on the subject of whether we are supposed be a "welfare state." This is an enormous problem connected with motivation, with reform, and also with the essence of a socialist state. How do the creators of the bases of the 3-year plan view it?

[Answer] I wish to state clearly that the dichotomous approach that has come about--either a "welfare" state of an "economic" state is unacceptable in practice. This can be good as a publicity gimmick but not as a decision in state activity. Such a division cannot be realized, even if someone wanted it.

Our state must fulfill a welfare function. This is clearly stated in the plan principles up to 1985 and to 1990. We are holding to the line of protecting material levels on minimum wages and the further increase in pensions and retirement pay. We must be aware of the fact that the realization of only the decisions that have been enacted in this field are causing an increase in budget outlays of 27 percent for social and cultural purposes up to 1985, whereas national income, in the third variant, the most optimistic one, will grow by 18 percent. It is not possible to realize the functions to socialist countries without counting on economic capabilities. This would simply be a totally irresponsible way of doing things, plainly stated.

At this time, there is a certain inclination in social goals, in social demands relative to the state over the real economic possibilities. So, it is necessary to turn out products. However, and I wish to emphasize this clearly, the state has to solve a number of questions individually, that enterprises under economic reform conditions should, and most certainly shall, concentrate on their economic and production tasks, and not social tasks. This is the proper direction--it is not the enterprise, but the state that has to be the organization having diverse functions, including social functions also.

Our state, by its nature, must also be the organizer of certain programs directed toward specific social groups. I am speaking here about the youth. We are in the kind of historical juncture where the youth is requiring concern by the state in a multitude of directions.

Currently, the youth has different conditions than, for example, my generation had. In spite of everything, it has better material condtions, but the opportunities for development, and the opportunities to advance oneself were much greater in the forties. There was a greater choice--intermediate and higher education were created, the administration, industry, and trade had been rebuilt, and this created an enormous number of opportunities and a great demand for personnel.

Today, the state's mission is the creation of professional opportunities for youth, the creation of material aid, and also the formation of a certain climate of feeling that the youth is truly and singularly needed for this economy and this country.

[Question] I consider that the differences between the situation during our youth and what it is today depend also on the fact that today, youth is supposed to create its own opportunities--for the state will only provide the consitions for their use. However, they have to work out their own futures alone.

[Answer] It is my conviction that here, no false blandishments have to be made, but it is also not possible to say either, that the situation is as it is so handle things for yourself.

What I had said, for example, about technological progress--is that not a broad field to demonstrate to the youth? Who can be counted on other than the entire generation of young people, who are educated and open to change? The opportunities of the country, the opportunity for getting out of the crisis is imbedded in the scientific and technical revolution. At the same time, this is an opportunity for the youth. However, in order for it to be realized, it is necessary to create the conditions for this. We still have a lot of work waiting for us in this respect.

[Question] Is it possible to speak about economic reform in the same way as about scientific and technical progress. This is also to be demonstrated to the youth.

[Answer] Of course, reform is a great innovation current in management.

However, since we have arrived at this problem and the great hopes of our economy, then perhaps I can give a few additional comments.

Reform is the basic instrument for the realization of social and economic goals. Such an approach can antagonize people who treat reform both in a doctrinal way and, usually, in an emotional way at the same time. However, it is necessary to establish both the goals and the instruments with which we wish to achieve them, for there to be a concurrence between them.

It is possible to meet up with the objection that the new plan bases for the 3-year plan and up to 1990 are not "geared up," and lack the instruments for their fulfillment. I agree that a plan has to have both goals and the technology for fulfilling these goals. This is so especially now when we are supposed to assure the fulfillment of the plan, not with orders, but with economic methods. Well, it is my opinion that the tool box is not empty. We have such tool boxes, and not just one. Namely, this is a complete finance, incentive, payment, and supply system--structured during the course of work on the reform. The harnessing of this instrumentation with the plan goals is to assure its fulfillment.

The appropriate sections in the plan bases concern these questions. The same also as to what we are expecting from science, from technical people. The creation of technical progress and putting it into being also necessitates the appropriate economic and organizational "instrumentation."

[Question] There are quite a few instruments, but do all of them suit our situation, and are we going to be able to make use of these instruments, which are pretty new in our situation?

[Answer] We are currently discussing this subject with the representatives of economic sciences, and with all those who are working directly on economic reform. I consider that the discussion over the bases of the plan will also make it possible to specify even the development time and the methods by which we wish to achieve this. For example, how much of the funds earmarked for food production should be received by agriculture and how much by food processing, what kinds of organizational methods are to be used in construction, etc.?

It is also necessary to adjust certain solutions of the financing and other systems. It appears, for example, that with the current solutions, many enterprises can achieve optimal economic results for themselves without a complete utilization of all the possibilities of technical-organizational progress. Such solutions have to be simply changed, improved.

[Question] At the end, one more question. Economic progress is supposed to be, indubitably, an enormous influence on the sociopolitical system. But even that situation even has an effect to a strong degree on the possibilities for progress in the economy. As far as extending the workweek to 6 days is concerned, this necessitates an understanding with the public.

[Answer] Of course. As a planning staff, we publicize certain proposals and try to show what their realization can bring, as well as what the costs will be. The election itself depends not upon us, but upon the public. We would very much want the discussion over the possibilities and the ways of coming out of the economic crisis to be a plane of consolidation, a coming together of the cooperation of various groups, party and nonparty, youth centers, technical groups, and even those who are full of political doubts and conditions, but are ready to work on fixing the material conditions of the life of the nation.

There is still one more important aspect. This involves conscious discipline. A positive psychological attitude in relation to the task of extricating the country from the crisis can have a great influence on this discipline. And without this, the goals presented in the plan bases will be unattainable. Psychological-social conditioning of all of our designs is enormous, and we are fully aware of this.

[Question] But in this area, too, certain concrete actions are needed. At least the acceleration in convoking worker self-governments, and in the assurance of greater participation in decisions on all levels of economic management. We shall never solve this matter only with the help of even the best propaganda.

[Answer] I am convinced about the need for participation of the work forces in the creation of the direction of development of individual enterprises, and in the selection of methods, in general, in management. There should be no doubt about this.

The problem lies not in the fact of whether there is to be self-government, but in what function it is to have in practice, how it will cooperate with management. I mean, in this case, the dilema that came into existence long ago--how to conform the management function (in the favorable meaning of this word) with public participation in the management of an enterprise. We did not think up this problem, it came about in life, it also emerges outside the socialist system. Many people have already been bruised trying to cope with it. I am not so full of wisdom as to assert that here we will find an ideal final solution. However, we have to search. This, in spite of the fact that we have such a difficult situation and such pressing tasks. The self-government model will be shaped in practical work. However, before the beginning of the plan for 1983-85, it will be necessary to have self-government in the enterprises. This is absolutely necessary.

[Question] Among other things, so that the work forces could enact their own plans themselves.

[Answer] In conformity with the law, the central plan provides certain guidelines, and information on overall goals and conditions for their realization to the enterprises. It contains certain mandatory elements--however, I do not wish to discuss them at this time. An enterprise must absorb the central plan and convert it in such a way as to utilize its technical, human and supply capabilities optimally. At that time, total intensiveness of the work of those who are creating economic strategy and those who are creating the mechanism, and therefore, the reform, shall occur.

[Question] I wish to inquire about an answer to one more question. I consider that the work on the plan bases up to 1985 and the long-range forecast up to 1990 made it possible for the same Planning Commission to become more cognizant of the conditions, capabilities and limitations that face our economy. At this time, are you, the chairman of the Planning Commission, an optimist or a pessimist?

[Answer] I do not like this sort of categorization. It is necessary to be a realist, not an optimist or pessimist.

[Question] In this case, I shall reword the question. Comrade chairman, do you have a predominant feeling of confidence in the success of the plan, or do you also have apprehensions and doubts?

[Answer] I am not free of apprehensions. We were thinking twice about the sense of even starting work on the 3-year plan, when our quarterly plans were being distrupted. That stage is already behind us. However, we were apprehensive of whether under existing conditions we would be able to achieve a correct selection of the main goals, and to properly appraise the chances of their realization. Currently, the opinion predominates that such chances exist. With the different variants of our approach to the future, there is more of a psychological attitude existing among us, along with methodological preparation for making switchover points that provide for the transition from one variant to another should the conditions change. It must be stated frankly that such psychological attitude and readiness are much greater for transition from a worse variant to a better one rather than vice versa. But this is probably natural. I have the hope that it will not be necessary to build those switchover points in this direction, although life does come up with various surprises. Last year, in an interview for ZYCIE GOSPODARCZE, I spoke about the variant of apprehensions and hopes for the current year. Today, in the extractive industry, we are attaining results better than the variant of hope anticipated, but in manufacturing, we continue to be below the pessimistic bases in the variant of apprehensions. This taught us how to switch over "on the run." In spite of the kind of system of production that came about during the first half of 1982, we are somehow managing to harness the economy, although there are certain troubles. But we will overcome them.

I wish, for myself and others, that we would be able to effect such operational and efficacious changes. One should not be afraid of this. Of course, above all, I wish, for myself and others that these transformations would go in a single direction--to the variant of more rapid extrication from the crisis.

[Interviewer] Thank you for the interview.

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## SIX-MONTH ECONOMIC STATISTICS PUBLISHED

Warsaw TRYBUNA LUDU in Polish 27 Jul 82 pp 4, 5

[Main Statistical Office's (GUS) report on the country's socioeconomic situation in the first six months of 1982]

[Text] The country's socioeconomic situation in the first half of 1982 was strongly influenced by the decline in material production which began earlier and particularly during 1980 and 1981, the growing coproduction, payments and import difficulties, and the lack of balance on the domestic market.

The decisions made at the turn of 1981-1982 began the process of disciplining and stabilizing the economy. In the first six months of 1982, despite the continuance of the generally bad economic situation, the rate of decline of production slowed somewhat. The level of production in the mining industries was higher than last year. In recent months signs of more activity also appeared in the processing industries, although the level of production, especially in the subsectors that are dependent on imports from the capitalist countries, and in construction, continued to be much lower than last year. The serious difficulties in the economy were traced to the economic sanctions applied by the United States, and, under their influence, some other capitalist countries, which caused large reductions in imports, particularly of indispensable raw materials and other materials needed for production.

In comparison with the first six months of 1981, sold production in socialized industry dropped 7.8 percent, except that in the first quarter this drop amounted to 11 percent, while in the second quarter it was 4.5 percent.

No significant changes were noted in agriculture and in the food economy. Although it is true that the number of farm animals at the end of June was somewhat larger than a year ago, nevertheless a tendency toward a halt in the development of animal production has appeared recently.

In foreign trade turnovers a large decrease in imports from capitalist countries has occurred. Export of commodities has remained at a level approximate to that of last year.

In the first half of this year economic reform has begun to be applied and new producer and retail prices have been put into effect. This brought about a general

improvement in the financial results of enterprises, although in some fields, particularly in the food, coal and chemical industries, and in automotive and railroad transport, high subsidies remain.

Living conditions continued to be very difficult. Although the indispensable increases in retail prices have made it possible to gradually restore money-market balance, they also increased the cost of living. This was partially compensated by a growth in personal incomes.

There were sufficient supplies of basic food articles on the market to cover the amounts allowed under rationing. However, supplies of other goods, especially industrial, were far short of the needs.

In the first six months of 1982 the basic indicators reflecting the country's socio-economic situation were as follows:

Table 1.

| Details | First half 1981 = 100 |
|---|---|
| Sold production in socialized industry (fixed sales prices) | 92.2 |
| Basic production in socialized construction-assembly enterprises (comparable prices) | 83.1 |
| Cargo haulage by socialized transport enterprises | 80.7 |
| Passenger haulage in socialized transport | 96.9 |
| Procurement of agricultural products (fixed prices) | approx. 95 |
| Retail sales of goods (current prices) | 163.8 |
| Export (current prices) | 100.9 |
| socialist countries | 112.7 |
| other countries | 90.4 |
| Import (current prices) | 79.1 |
| socialist countries | 100.2 |
| other countries | 57.7 |
| Investment outlays in socialized economy (comparable prices) | approx. 72 |
| Employment in socialized economy (excluding students) | 96.4 |
| Sold production per one employee in socialized industry (fixed sales prices) | 97.3 |
| Basic production per one employee in socialized construction-assembly enterprises (comparable prices) | 90.8 |
| Remunerations | 139.9 |
| Nominal wages: | |
| including workers' compensation | 145.4 |
| excluding workers' compensation | 123.3 |
| Cost of living for working families | 203.9 |
| Apartments completed and ready-for-occupancy in socialized economy | 67.6 |

## Industry

In the first half of this year sold production in socialized industry (in fixed sales prices) was 7.8 percent lower than in the first half of last year. Production in the processing industry was 8.9 percent lower, however production in the mining industry grew by 9.5 percent. Small-scale industry also grew 1.1 percent. In approximately 470 enterprises of the state processing industry (i.e., in 13 percent of the total number of enterprises) there was a temporary, and in some cases a permanent reduction in production, primarily as a result of difficulties in obtaining raw and other materials, mainly from import.

Supplies of these were much lower than the demand. Imports of raw and other materials from capitalist countries continued to be limited both for reasons of lack of means of payments as well as the application of economic sanctions.

The growth in hard coal mining made it possible to cover the requirements of domestic purchasers and to accumulate greater reserves than during the same period in prior years. Electrical energy production was at last year's level while demand for power was lower. Consumption of electrical energy by industrial purchasers was 3.4 percent lower than last year.

The production of some of the more important products in socialized industry in fixed prices is shown in Table 2.

The number of products marked by quality symbols "Q" and "1" decreased from 29,700 products in the first half of 1981 to 22,600.

Average employment in socialized industry totaled 4,483,900 people and was 5.2 percent less in comparison with the first six months of 1981.

Labor productivity measured by production sold per one employee declined 2.7 percent in comparison with the first half of 1981, except that in the first quarter, productivity dropped 6.4 percent, and increased 1.3 percent in the second quarter.

Time worked per one worker in the industrial and development group increased 1.4 percent. This increase resulted from an increase in the number of overtime hours worked per one worker from 37 to 54 hours, while the number of normal-time hours worked dropped from 859 to 854 hours.

Unworked time rose from 115 to 121 hours, i.e., 5.9 percent, which included sick absences which rose from 81 to 89 hours, i.e., 90.4 percent, excused absences from 13 to 17 hours, and paid downtimes from 3 to 4 hours. However, unexcused absences dropped from 3.4 to 1.6 hours.

## Agriculture and Forestry

The difficult situation in agriculture, caused mainly by a shortage of feed and inadequate supplies of production means for agriculture, continued.

Westher conditions during the winter and as spring approached were not favorable for

Table 2.

| Products | Unit of Measure | First Half 1982 In Absolute Numbers | First Half 1982 First Half 1981 = 100 |
|---|---|---|---|
| Hard coal | mil tons | 94.8 | 116.6 |
| including mined on Saturdays | mil tons | 15.0 | 299.6 |
| Brown coal | mil tons | 18.6 | 101.9 |
| Coke from hard coal | mil tons | 8.7 | 94.9 |
| Natural gas | mil $m^3$ | 2,978 | 90.5 |
| Crude oil refining | mil tons | 6.2 | 91.5 |
| Electrical energy | bil kWh | 58.9 | 100.0 |
| Rolled products | mil tons | 5.0 | 81.6 |
| Steel tubing | thous km | 113.7 | 88.4 |
| Electrolytic copper | thous tons | 169.8 | 103.9 |
| Metallurgical aluminum | thous tons | 22.7 | 60.5 |
| Lead | thous tons | 38.3 | 115.0 |
| Zinc | thous tons | 79.5 | 90.3 |
| Farm machinery and tools | bil zlotys[a] | 10.2 | 124.8 |
| Vehicles: passenger | thous | 104.0 | 71.1 |
| trucks | thous | 18.6 | 78.9 |
| Farm tractors | thous | 27.7 | 104.8 |
| Sea vessels (up to 100 DWT) | thous DWT | 137.4 | 95.5 |
| Batteries | thous | 1,264 | 104.0 |
| Electropower cable | thous km | 7.8 | 56.9 |
| Radios (excluding kits) | thous | 852.6 | 76.6 |
| Television sets | thous | 287.4 | 67.3 |
| Household washers and electric spindriers | thous | 295.6 | 75.2 |
| including automatic | thous | 96.8 | 53.7 |
| Household refrigerators | thous | 243.7 | 79.2 |
| Sulfur, in terms of 100 percent | thous tons | 2,316 | 95.7 |
| Fertilizers, in terms of pure component | thous tons | 1,029 | 94.6 |
| Plastics | thous tons | 239.7 | 94.7 |
| Synthetic rubber | thous tons | 42.8 | 80.1 |
| Chemical fibers | thous tons | 93.0 | 82.1 |
| including synthetic | thous tons | 61.6 | 80.6 |
| Pharmaceutical products | bil zlotys[a] | 8,522 | 104.2 |
| Laundering and washing agents | thous tons | 167.9 | 118.7 |
| Tires, all | thous | 2,809 | 77.4 |
| Cement | mil tons | 7.9 | 98.4 |
| Coniferous timber | thous $m^3$ | 2,700 | 91.5 |
| Particle board and chipboard | thous $m^3$ | 471.1 | 102.9 |
| Paper | thous tons | 469.7 | 96.9 |
| Fabrics: cotton and cottonlike | mil m | 349.2 | 84.0 |
| wool and woollike | mil m | 45.8 | 82.0 |
| Knit products | mil | 154.0 | 84.1 |
| Meat and fats (commercial slaughter) | thous tons | 991.1 | 93.2 |
| including poultry | thous tons | 72.8 | 40.7 |
| Saltwater fish (fishery) | thous tons | 300.0 | 81.4 |
| Butter | thous tons | 94.4 | 103.9 |
| Cigarettes | bil | 43.1 | 104.5 |
| Commercial feed mixtures | thous tons | 2,685 | 62.1 |

crop cultivation this year, thus crop losses were higher than last year. This spring 127,000 hectares were plowed for winter crops (i.e., about 3 percent of the total cultivated area), and approximately 101,000 hectares for winter rape (i.e., about 30 percent of the cultivated area).

Preliminary figures from the June farm census of this year (as compared with the same period last year) showed some increase in the number of farm animals. However, there were signs of an unfavorable tendency in animal production. The increase in the free-market prices of grain and potatoes reduced the profitability of animal raising. Beginning in April, free-market prices of farm animals began to decline. And as early as February, an increase in sales of gilts to procurement points was noted.

Changes in the number of farm animals as of 30 June 1982 are shown in Table 3.

Table 3.

| Details | All of agriculture | Socialized farming | Unsocialized farming |
|---|---|---|---|
| | 30 June 1981 = 100 | | |
| Cattle | 100.9 | 91.9 | 103.9 |
| including cows | 101.4 | 94.8 | 102.4 |
| Hogs | 105.3 | 98.6 | 107.7 |
| piglets under three months | 107.6 | 108.2 | 107.4 |
| piglets from three to six months | 115.6 | 100.9 | 121.5 |
| breeding gilts | 89.8 | 95.7 | 88.4 |
| in farrow | 74.4 | 80.6 | 73.1 |
| porkers, baconers, and others | 95.8 | 89.9 | 99.7 |

The total value of procurement of farm products (calculated in fixed prices) in comparison with the first six months of last year, was approximately 5 percent lower, except that in socialized farming it was about 20 percent lower, and in the unsocialized farming it was about 3 percent higher.

Private farmers obtained approximately 240 billion zlotys (current prices), i.e., over 70 percent more than for the same period last year, from sales of agricultural products to the state. This was due mainly to the considerable increases in procurement prices of farm products in 1981 and in February of this year.

The procurement of basic animal products in the first half of this year was as shown in Table 4.

The difficulties in supplying agriculture with means of production, especially concentrated feed and pesticides, continued. There were also acute shortages of many types of spare parts for tractors and farm machines, as well as batteries and tires.

Table 4.

| Details | Unit of Measure | First Half 1982 In Absolute Numbers | First Half 1981 = 100 |
|---|---|---|---|
| Total animal slaughter calculated in meat-fat mass[a] | thous tons | 1,004.0 | 92.2 |
| including: | | | |
| beef | thous tons | 285.3 | 107.3 |
| pork | thous tons | 616.9 | 101.2 |
| poultry | thous tons | 72.2 | 40.4 |
| Milk | mil liters | 4,189.2 | 100.8 |
| Eggs | millions | 1,951.8 | 92.3 |

[a]In after-slaughter warm weight.

Deliveries of tractors for farming amounted to 30,000, a 4 percent drop in comparison with the first half of last year; however, in comparison with the second half of 1981, they increased approximately 15 percent. The total number of tractors in all of agriculture, according to an estimate at the end of June 1982, totaled 674,000 and was approximately 5 percent higher than at the end of June 1981, and about 3 percent higher than at the end of last December.

Agriculture used approximately 3,413,000 tons of artificial fertilizers (in pure ingredient), for 1982 crops, i.e., about 2.5 percent less than for last year's crops. Calculated per 1 hectare of farmland, fertilizer consumption amounted to 182 kilograms and was 4.2 kilograms less than in the previous farming year.

Deliveries to agriculture of qualified four-grain seed to refresh the sowing material for the 1982 crops amounted to approximately 445,000 tons, about 22 percent less than last year's deliveries. Supplies of potatoes for 1982 crops amounted to 606,000 tons, approximately 63 percent more than last year.

Sales of concentrated feed to agriculture as a whole totaled approximately 2,000 tons and were approximately 45 percent lower than in the first half of last year and about 33 percent lower than in the second half of 1981.

Approximately 130,000 hectares of land were sold to farmers from the State Lands Fund, i.e., over two-and-a-half times more than in the same period last year.

There was an increase in credits for agriculture. Investment, turnover credits for instalment purchases of goods and services, and cash credits paid out to the village population amounted to 30.7 billion zlotys and were 11.5 percent higher than in the first half of 1981 and 22.7 percent higher than in the second half of last year. Investment credits totaled 8.8 billion zlotys and grew 50.6 percent in relation to the first half of 1981, and 31.5 percent in comparison with the second half of 1981.

In state forest enterprises 12.3 million cubic meters of timber were logged (6.5 percent more than in the same period of 1981), of which 9.4 million cubic meters, i.e., 1.0 percent more than in the same period last year, were removed from the forests. Thus the ratio of removed to logged timber mass is worsening.

The threat to tree stands from insect pests continues to be high. The spread of the gypsy moth, which has intensified since 1977, made it necessary in 1982 to take measures to control this pest over an area of 2.3 million hectares (which is 27 percent of the forest area in Poland).

Large-scale withering of trees is observed in the stands that have been weakened by defoliation by the gypsy moth. According to an assessment made in June 1982, the mass of dead and dying trees amounts to approximately 3.8 million cubic meters, and the timber mass from broken or uprooted trees is about 3.4 million cubic meters. In the first six months of this year, approximately 6.6 million cubic meters of deadwood and timber from snowslides and windstorms have been removed from the forests.

Renewal and reforestation in state forests has dropped by 11.9 percent.

Transportation

Socialized transportation enterprises hauled about 511.8 million tons of cargo in the first half of 1982, i.e., 19.3 percent less than in the first half of 1981, mainly as a result of a decline in demand for transportation services. Cargo haulage by airplane, automotive and inland navigation transportation was much lower. The Polish State Railroads hauled over 197.5 million tons of freight, i.e., 3.2 percent less than in the first six months of last year.

In the first half of this year, 20.4 percent more coal was hauled out of the Katowice Voivodship mines by railroad transport than during the same period last year, and 17.7 percent more than in the second half of last year.

The poor technical condition of the freight cars made the work of the railroads difficult. The average daily number of cars out of service was 56,300, i.e., 14.5 percent more than in the first six months of 1981.

During the first half of this year, approximately 275.5 million tons of freight was hauled by public and industrial-subsector automotive transportation, which was 29 percent less than in the first half of 1981.

Of the total number of trucks and tractor trailers, on a daily average 46.2 percent were not in operation due to technical and operational reasons (in the first half of 1981 the figure was 42.3 percent).

Over 16 million tons of cargo, i.e., 6.4 percent less than in the first half of 1981, were hauled by inland navigation. The total tonnage of the maritime transportation fleet sailing under the Polish flag totaled 4,512.4 thousand tons on 30 June 1982, which was 1.4 percent less than at the end of 1981.

In the commercial seaports, 17.6 million tons of cargo was transloaded in the first half of this year, i.e., 15.1 percent less than in the first six months of last year. Only transloadings of coal and coke increased, by 26.4 percent, and other bulk cargoes, by 3.6 percent.

Passenger haulage by socialized public utility transportation amounted to 1,690 million people, 3.1 percent less than in the first half of 1981; the Polish State Railroads hauled 4.8 percent, and the Polish Motor Transport, 2.3 percent fewer passengers.

Investment and Construction

According to preliminary data, investment outlays in the socialized economy in the first six months of this year amounted to 314.3 billion zlotys, i.e., approximately 28 percent (using comparable prices) less than in the first half of last year. Outlays for construction-assembly jobs declined by 20 percent, outlays for purchases of imported machinery and equipment by 58 percent, and for purchases from domestic production by 33 percent. The plan for transmitting investments for utilization has not been fully implemented. The following investment tasks were implemented:

--a 200 MW power unit in the Polaniec Power Plant,

--construction of a 650-meter mining level in the "Szczyglowice" Hard Coal Mine,

--expansion of a coal-beneficiation plant in the "Marcel" Hard Coal Mine in Wodzislaw (555,000 tons),

--a main gas pipeline on the Grodzisk-Krobia section (65.6 kilometers),

--a chlorine and soda lye factory in the Wloclawek Nitrogen Plants (180,000 tons/year of chlorine and 197,000 tons/year of lye),

--a line for producing polyvinyl chloride sheeting in the "Erg" Plastics Plants in Olawa (2,900 tons/year),

--construction of a line producing wide sheeting for agriculture in the "Erg" Plastics Plants in Tychy (12,000 tons/year),

--new production capacity in the Olsztyn "Stomil" Vehicle Tire Plants (9,000 tons/year of rear tractor tires),

--new production capacity in the Poznan "Stomil" Vehicle Tire Plants (2,500 tons/year of giant tires),

--a footwear factory in Bydgoszcz (2.8 million pairs per year),

--new production capacity in the Commercial Fabrics Plants in Zyrardow (594.2 tons/year of cotton).

However, the following investments tasks planned for the first six months of this year were not inplemented:

--a 360 MW power unit in the Belchatow Power Plant,

--two turbine sets with a total generating capacity of 340 MW and a 250 MVA transformer station in the Hydroelectric Power Plant in Zarnowiec,

--a gas switchboard in Dabrowa Gornicza (58 million cubic meters/hour),
--a coal processing plant in the "Staszic" Hard Coal Mine (520 tons/hour),

--a pulp mill (170,000 tons/year) and power and sewer management facilities in the Cellulose-Paper Works in Kwidzyn,

--a large-plate elements factory in Torun (84,000 square meters/year).

In the first half of 1982 the following public facilities were completed:

--six hospitals with a total bed capacity of 843,

--12 clinics with 241 consulting rooms,

--seven health centers with 33 consulting rooms,

--31 preschools with 3,785 spaces,

--14 day nurseries with 1,050 spaces.

Completed and released for occupancy were 64,500 apartments with a usable floor area of 4.1 million square meters, i.e., 14 percent less than in the first half of last year. Of this, 48,100 apartments with a surface area of 2.5 million square meters, i.e., 32.4 percent less, were in socialized construction. Implementation of housing construction during the first six months of 1982 is shown in Table 5.

Table 5.

| Details | Apartments | | Usable Floor Area | |
|---|---|---|---|---|
| | In Thous | First Half 1981 = 100 | Thous $m^2$ | First Half 1981 = 100 |
| Total | 64.5 | 78.6 | 4,146.8 | 86.0 |
| from funds: | | | | |
| State | 10.0 | 60.1 | 527.4 | 58.8 |
| Cooperatives | 38.1 | 69.9 | 2,013.1 | 70.4 |
| People's own | 16.4 | 149.8 | 1,606.3 | 150.6 |

In the first half of this year in the socialized housing construction the implementation of 533 housing buildings was begun, in which the total number of apartments is 20,800. At the end of June of the current year, 178,000 apartments were under construction.

The basic production of the construction-assembly enterprises amounted to 288.2 billion zlotys, 16.9 percent below that of the first half of 1981. The largest drop in production occurred in the general construction enterprises (about 25 percent) and the smallest in the specialized construction enterprises (over 9 percent).

Average employment in socialized construction-assembly enterprises declined by 83,200 (5.5 percent) and amounted to 890,200.

Labor productivity measured by value of basic production per one employee decreased by 9.2 percent.

Foreign Trade

Foreign trade turnovers in the first six months of 1982 were implemented under difficult payment circumstances.

The capitalist countries reduced credits, partially suspended the implementation of agreements on deliveries of food on convenient terms, applied restrictions in fishing and navigation, and reduced exports of some commodities to Poland. This resulted in a drastic reduction of imports of raw materials, other materials, and food articles from western countries and in a drop in the physical size of export.

The value of exports (in current prices) amounted to 425 billion zlotys and was higher by 0.9 percent in comparison with the first half of 1981 (a drop of 0.8 percent occurred in the first quarter, and a growth of 2.4 percent in the second quarter). The value of imports amounted to 370 billion zlotys and fell 20.9 percent (imports dropped 25.2 percent in the first quarter and 17.1 percent in the second quarter of this year. Because of the larger exports than imports, a favorable balance of goods turnovers amounting to 55 billion zlotys was obtained, as against an unfavorable balance of 47 billion zlotys in the first half of 1981.

Commodity turnovers with socialist countries were lower in export than in import. The value of export amounted to 224.2 billion zlotys, which indicates a growth of 12.7 percent in comparison with the first six months of 1981. The level of export, therefore, returned to the 1980 level. The value of import reached 236.1 billion zlotys, i.e., it rose 0.2 percent.

The share of the socialist countries in the value of export rose from 47.3 to 52.8 percent. In import, the socialist countries' share increased from 50.3 to 63.7 percent.

However, a steep drop occurred in turnovers with capitalist countries, and export was much higher than import. Export amounted to 201 billion zlotys, which is a 9.6 percent drop in comparison with the first half of 1981: import amounted to 134 billion zlotys (a drop of 42.3 percent). Already in the first half of 1981, in comparison with the first half of 1980, turnovers with capitalist countries declined 22 percent, both in exports and in imports. This means that in the first half of 1981 there was a decline in exports to those countries, while at the same time there was a larger drop in imports in comparison with 1980.

The results obtained in foreign trade turnovers and the costs of servicing credits effected a change in the state of the country's indebtedness on 30 June 1982, as compared with the state on 31 December 1981:

--in the currencies of the socialist countries, the indebtedness grew to 3.1 billion rubles;

--in the currencies of the capitalist countries, it grew to 24.5 billion US dollars. The indebtedness, in terms of a US dollar, declined in relation to the indebtedness at the end of 1981 (25.5 billion US dollars) as a result of the very strong growth in the exchange rate of this currency (approximately 6 percent), under circumstances when part of our indebtedness pertains to other currencies.

Export of commodities (in fixed prices) in the first six months of this year, declined 2.4 percent, and import 26 percent, in comparison with the first six months of last year. Export to socialist countries grew by 4.6 percent, whereas it dropped 8.3 percent to capitalist countries. Import from socialist countries declined 9.6 percent, and from capitalist countries, 38.7 percent.

Exports of hard coal totaled 11.8 million tons, which means a 39 percent increase in comparison with the first half of 1981, and a decrease of 8.1 million tons, i.e., 41 percent, in comparison with the first six months of 1980. Difficulties occurred in selling coal on some western markets, caused by the competition that entered into those markets at the time that Poland could not fully meet the deliveries that had been agreed upon.

Exports of coke, copper, cement, cotton fabrics, pharmaceutical products, and sugar also rose. However, there was a drop in the export of sulfur, metallurgical products, wool fabrics, linen fabrics, clothing and knit products, leather footwear, furniture, paper and cardboard, meat and meat products.

Imports of grain and milled products amounted to 2,364 thousand tons, and were lower by 2,200 tons, i.e., 48 percent, in comparison with imports in the first half of last year.

Imports of the following commodities continue to decline: Iron ore, crude oil, petroleum products, metallurgical products, pig iron, aluminum oxide, potassium fertilizers, cotton, concentrated feeds, cocoa and coffee beans, butter, lard, and tropical fruits. However, imports of phosphorus raw materials, aluminum, natural and synthetic rubber, pharmaceutical products, paper and cardboard, viscose cellulose, edible plant oils, rice and meat, have increased.

Population and Employment

At the end of June 1982 Poland's population was 36.2 million and it had increased 0.5 percent (i.e., by 166,000) in comparison with figures at the end of 1981. Of this, 21.4 million people live in towns and 14.8 million in the countryside. The percentage of urban population is 59.2 percent.

Average employment in the socialized economy in the first half of 1982 totaled 11,593 thousand people, which was more than 430,000, i.e., 3.6 percent, below that of 1981. The reduction in employment was insufficient in relation to the drop in production and services and was related mainly to earlier retirements and upbringing furloughs.

The decline in employment occurred mainly in industry, construction, transportation and trade; there was an increase in employment in basic and general education as well as in health protection and social welfare.

At the end of the first half of the current year, the number of job vacancies totaled 280,000. The number of people seeking jobs through employment departments amounted to 20,000. The local difficulties that occurred in finding work were related to the failure to adapt the supply of labor, spacially and structurally, to the demand for a working force. The persons who could not get jobs and who were in a difficult material situation were paid allowances. In the first six months of 1982, 4,788 allowances were paid out of the Vocational Activization Fund, for a total of 18.7 million zlotys.

## Wages, Social Security, and Cost of Living

Remunerations in the socialized economy in the first half of the current year, including personnel salaries, workers' compensations, awards out of the plant awards fund, and payments out of the non-personnel, honoraria and agents-commission fund, amounted to approximately 784 billion zlotys and were 224 billion zlotys higher, i.e., by 39.9 percent, in comparison with the first six months of 1981. In relation to the second half of 1981, the total sum of remunerations was 29.5 percent higher, or 179 billion zlotys.

Personnel salaries and workers' compensations combined constituted 89.5 percent of the total sum of remunerations and had risen by 199.6 billion zlotys (39.7 percent) in comparison with the first half of last year, and by 116.8 billion zlotys (20 percent) in relation to the second half of last year.

Payments from the plant awards fund in the first half of this year totaled 63 billion zlotys and were 46.4 percent, or by 20 billion zlotys, higher than in the first six months of 1981, due to the increased number of persons entitled to receive awards.

The average monthly nominal wage per one employee in the socialized economy amounted to 9,930 zlotys in the first six months of 1982. This included workers' compensation due to increases in retail prices. The wage was 8,420 without the compensation. In the total increase in average wage in relation to the first half of 1981, the average compensation accounted for 1,510 zlotys, and the growth of wages resulting from wage increases, changes in principles of remuneration, and promotions, amounted to 1,591 zlotys.

In the basic divisions of the national economy the average monthly wages including payment for work on free [nonwork] Saturdays, were as shown in Table 6 on the following page.

Table 6.

| (1) Wyszczególnienie | (2) Przeciętna płaca miesięczna w I półroczu 1982 | | | | | |
|---|---|---|---|---|---|---|
| | z rekompensatami pracowniczymi (3) | | | bez rekompensat pracowniczych (4) | | |
| | (5) w zł | (6) przyrost w stosunku do I półrocza 1981 w zł | (7) I półrocze 1981 = 100 | (5) w zł | (6) przyrost w stosunku do I półrocza 1981 w zł | (7) I półrocze 1981 = 100 |
| Ogółem (8) | 9830 | 3101 | 145,4 | [illegible] | 1971 | 123,3 |
| w tym: | | | | | | |
| Przemysł (9) | 10960 | 3891 | 150,8 | [illegible] | 2190 | 130,2 |
| wydobywczy (10) | 21277 | 8970 | 172,9 | [illegible] | 7390 | 160,0 |
| przetwórczy (11) | 9611 | 2921 | 143,3 | [illegible] | 1437 | 121,5 |
| Budownictwo (12) | 10347 | 2292 | 135,2 | [illegible] | 1172 | 115,3 |
| Transport (13) | 9761 | 2392 | 132,5 | [illegible] | 851 | 11,5 |
| Łączność (14) | 8132 | 2222 | 137,6 | [illegible] | 766 | 112,0 |
| Handel (15) | 8324 | 2378 | 139,9 | [illegible] | 751 | 112,6 |

Key:

1. Details
2. Average monthly wage in first half of 1982
3. Including workers' compensation
4. Excluding workers' compensation
5. In zlotys
6. Increase in relation to first half of 1981 in zlotys
7. First half 1981 = 100
8. Total, including
9. Industry
10. Mining
11. Processing
12. Construction
13. Transportation
14. Communication
15. Trade

The average current annuity and pension (not including annuities and pensions for private farmers) amounted to 3,957 zlotys in the first half of 1982, without compensations, and 5,508 with compensations, and constituted 55.5 percent of the average monthly wages and compensations.

In relation to the first six months of 1981, the average annuity and pension rose by 2,210 zlotys. This increase is comprised of the average compensation due to increases in retail prices, amounting to 1,551 zlotys, an increase in annuities and pensions, and an increase in the share of newly granted pensions and annuities, which are higher because of the higher wage level on which they are based.

The average number of annuities and pensions rose 7.5 percent, or by 314,000, in comparison with the first half of 1981.

For private farmers, the average annuity and pension amounted to 2,704 zlotys without compensation, and 4,346 zlotys with compensation.

The payment of allowances from social insurance (not including sick allowances paid out of the funds of the workplaces, and allowances for private farmers), amounted to 30.5 billion zlotys in the first half of 1982, including 10.9 billion zlotys in family allowances. Compensations paid out in family allowances totaled 56.1 billion zlotys.

In the first six months of this year, as a result of the increases in retail prices of basic goods and services, there was a large rise in the cost of living.

In comparison with the first half of 1981, the cost of living for families of workers employed in the socialized economy rose an average of approximately 104 percent, and in comparison with the second half of 1981, about 73 percent. According to estimated data, the cost of living indicator in the first half of this year was as follows:

Table 7.

| Details | Cost of Living Indicator - Household | | |
|---|---|---|---|
| | Workers employed in the socialized economy | Peasants | Annuitants and pensioners |
| | First half 1981 = 100 | | |
| Total | 203.9 | 206.9 | 215.0 |
| Food[a] | 249.8 | 260.8 | 252.2 |
| Alcoholic beverages | 204.0 | 205.5 | 204.0 |
| Nonfood articles | 179.0 | 183.1 | 185.6 |
| Services | 158.3 | 167.5 | 159.2 |

[a]Excluding food derived from own household.

The large price increases that went into effect this year, rationing, and also shortages in goods, caused changes in the structure of consumption. In comparison with last year, the share of expenditures for food increased (by 10 to 12 percent), while the share of expenditures for the purchase of alcohol, nonfood articles and services, decreased.

The income growth indicator for workers employed in the socialized economy, (covering remunerations for work, allowances and compensation), was 150.5 percent in the first half of the current year, and the cost of living indicator was 203.9 percent. By dividing these two indicators, it appears that the real income indicator was approximately 74 percent, i.e., real incomes dropped about 26 percent as compared with the first six months of last year.

Money-Market Situation

The populace's monetary receipts amounted to 1,513.2 billion zlotys, 57 percent higher than in the first half of 1981. The large increase in monetary receipts was due to the increase in remunerations for work--23 percent, the increase in social security payments--39 percent, and payments for compensations due, which amounted to a sum of 226.6 billion zlotys. The increase in the populace's monetary receipts from the sale of farm and other products in the periods compared amounted to 77 percent.

It is estimated that personal expenditures for the purchase of goods in units of the socialized economy in the first half of 1982 totaled 1,096.5 billion zlotys and were higher by 438 billion zlotys, i.e., by 66 percent, than expenditures during the same period last year.

The value of services to the people by units of the socialized economy totaled 137.1 billion zlotys, which indicates an increase of 40 percent in comparison with the first half of this year. The growth of expenditures for services was much lower than the growth of expenditures for goods. After approximatively eliminating the price increases, the value of services to the people (in comparable prices) dropped about 12 percent.

The populace's monetary reserves on 30 June of this year reached a level of 1,248 billion zlotys, of which deposits in savings and cooperative banks totaled 774 billion zlotys, and cash reserves amounted to 474 billion zlotys. Savings deposits grew by 179 billion zlotys, i.e., 31 percent, compared to figures at the end of June 1981. During this same period, cash reserves grew by 177 billion zlotys, i.e., 59 percent.

The value of goods, both domestically produced and imported, supplied to the market, amounted to 1,290.9 billion zlotys in the first six months of this year, and in current retail prices was 81 percent higher than the value of supplies in the first half of last year. Supplies of market goods, after approximatively eliminating the effect of price changes, in comparable periods were approximately 13 percent lower.

The value of retail sales of goods reached a level of 1,143.7 billion zlotys, and was, calculating in current prices, 64 percent higher than sales in the first six months of last year. Food sales amounted to 428.2 billion zlotys; alcoholic beverages were sold for a sum of 127.3 billion zlotys; nonfood items for 588.2 billion zlotys. Retail sales, after an approximated elimination of the effect of price increases, were 21 percent lower than in the first half of last year. Food sales dropped approximately 15 percent, alcoholic beverages about 32 percent, and nonfood items, about 32 percent.

At the end of June, this year, goods valued at approximately 275 billion zlotys were in the wholesale and retail trade pipeline. The physical size of goods in stock was half that of stocks at the end of June of last year. A very gradual rebuilding of stocks began in January 1982. There were sufficient supplies of food, under rationing, to cover the ration-card allotments.

There were insufficient supplies of food items not covered by rationing. In particular, there was a shortage of fish and canned fish, potato flour, cheeses (cottage, high-fat and "yellow"), margarine, coffee and tea

Among nonfood items, there continued to be acute shortages of clothing and footwear, and other articles of daily and constant use, and also articles for agricultural production (farm machines and tools, feed, fertilizers, etc.).

The availability of market producer goods is shown in Table 8 on the following page.

Table 8.

| Products | Unit of Measure | First Half 1982 In Absolute Numbers | First Half 1982 First Half 1981 = 100 |
|---|---|---|---|
| Meat, poultry, giblets, variety meats and meat and poultry products[a] | thous tons | 742.2 | 80.8 |
| meat, variety meats and meat products[a] | thous tons | 666.2 | 90.3 |
| poultry, giblets, and poultry products[a] | thous tons | 76.0 | 42.1 |
| Fish and fish products[a] | thous tons | 103.0 | 76.5 |
| Fats: | | | |
| animal[a] | thous tons | 61.3 | 75.8 |
| oil[a] | thous tons | 30.8 | 105.4 |
| margarine[a] | thous tons | 83.3 | 81.1 |
| butter[a] | thous tons | 110.1 | 90.5 |
| Consumption milk[a] | mil liters | 1,538.1 | 102.3 |
| Ripening cheeses[a] | thous tons | 31.3 | 101.7 |
| Cottage cheeses[a] | thous tons | 96.0 | 86.4 |
| Cream, sweet and sour[a] | thous tons | 114.2 | 79.7 |
| Macaroni, spaghetti, noodles and the like | thous tons | 46.9 | 89.2 |
| Rice | thous tons | 65.2 | 146.8 |
| Eggs[a] | million | 1,225.3 | 77.4 |
| Sugar | thous tons | 497.3 | 127.8 |
| Tea | thous tons | 14.5 | 106.6 |
| Vodka, pure and flavored[b] | thous liters | 59,331 | 76.2 |
| Wines and mead | thous liters | 106,506 | 73.2 |
| Cigarettes | million | 44.7 | 106.8 |
| Fabrics: cotton and cottonlike | mil meters | 42.8 | 46.2 |
| wool and woollike | mil meters | 13.8 | 65.2 |
| silk and silklike | mil meters | 26.2 | 80.3 |
| Knit garments | million | 58.6 | 101.0 |
| including infants (up to 2 years) | million | 14.2 | 111.5 |
| childrens (2 to 11 years) | million | 25.8 | 117.1 |
| youth (11 to 15 years) | million | 5.5 | 243.9 |
| Knit underwear | million | 71.6 | 82.7 |
| Tights, childrens, thick | million | 11.9 | 110.2 |
| Pantyhose, ladies, sheer | million | 30.3 | 91.4 |
| Ladies hose | million pairs | 19.7 | 128.4 |
| Cloth outergarments | million | 7.2 | 98.6 |
| including childrens | million | 1.9 | 119.5 |
| youth | million | 0.7 | 131.8 |
| Men's and boys' cloth (woven) clothing | million | 1.7 | 81.8 |
| Cloth (woven) underwear | million | 12.6 | 85.7 |
| Shoes, in general | million pairs | 54.1 | 91.0 |
| including leather and plastic | million pairs | 28.2 | 83.4 |
| of these, children's and youth's | million pairs | 14.2 | 129.0 |
| rubber and textile-rubber | million pairs | 8.8 | 74.6 |

[Continued on following page]

Table 8 - Continued from preceding page

| Products | Unit of Measure | First Half 1982 In Absolute Numbers | First Half 1982 First Half 1981 = 100 |
|---|---|---|---|
| Household refrigerators and freezers ..... | thous | 254.7 | 74.9 |
| Household electric washers and spindriers .. | thous | 290.1 | 74.2 |
| including automatic washers ..... | thous | 104.0 | 58.4 |
| Sewing machines ..... | thous | 119.7 | 103.6 |
| Laundry powders and granules ..... | thous tons | 96.2 | 116.4 |
| Toilet and special soaps, in cakes ..... | thous tons | 24.3 | 109.8 |
| Laundry liquids and pastes ..... | thous tons | 21.4 | 129.0 |
| Receivers: radio ..... | thous | 868.6 | 76.6 |
| television ..... | thous | 349.5 | 73.6 |
| Automobiles ..... | thous | 62.8 | 72.7 |
| Bicycles ..... | thous | 577.2 | 98.0 |
| Hard coal and briquettes from hard coal .... | thous tons | 16,949 | 123.0 |
| Cement ..... | thous tons | 2,788 | 123.0 |

[a]Including supplies for day nurseries, preschools, hospitals, resort accommodations, etc.

[b]Calculated at 100 proof.

Social and Cultural Services

Current expenditures from the state budget for social and cultural services (i.e., education and upbringing, culture and arts, health protection, social welfare, physical culture and sports, tourism and rest areas) amounted to 209.3 billion zlotys in the first half of 1982 and were 92.8 billion zlotys, i.e., 79.7 percent, higher than in the same period last year.

In the 1981-1982 school year, 1,213.5 thousand children (148.2 percent of the children in the 3-6 age group) were in preschools, i.e., 0.8 percent fewer than in 1980. The percentage of children six years old, in preschools, was 96.6 last year.

In the 1981-1982 school year, 6,853.3 thousand students were enrolled in schools of all levels, i.e., 1.8 percent fewer than in the preceding year. Approximately 455,000 students completed elementary schools in the 1981-1982 school year, which was 3.1 percent fewer than in the 1980-1981 year.

Approximately 95,000 persons finished general high schools, i.e., 10.1 percent fewer than in the preceding year, and 496,000 finished vocational schools of all types, which was 6 percent below that of last year.

Approximately 50,000 persons graduated from colleges and universities (including those awarding master's degrees) in the first half of 1982.

In the higher schools, stipends were awarded to 116,800 day students, i.e., 11.1 percent fewer than in the 1980-1981 school year. Of the total number of day students, 42.1 percent received stipends.

There were 64,400 employed physicians at the end of June 1982 (a drop of 500 in relation to December 1981), and there were 16,800 physician-dentists. This works out to 17.8 physicians and 4.6 physician-dentists per 10,000 population.

At the end of June of this year there were 203.9 thousand beds in general hospitals, which was an increase of 1,400 over June of last year. There were 56.3 beds per 10,000 people in 1982, compared to 56.4 beds in the first half of last year.

During the period discussed, 11 more health centers were opened and they now total 3,240.

There were 106,300 spaces in permanent day nurseries, i.e., a loss of 30 spaces in the first six months.

In the first six months of 1982, 800 more spaces became available in public assistance homes, which makes for a total now of 61,900 spaces.

In the first half of this year, 4,595 books and pamphlets were published (approximately 12 percent less than in the first six months of last year. At the same time, the total number of copies increased 16.2 percent.

A favorable tendency is observed in relation to school textbooks. The number of copies increased 32.4 percent. The total number of newspapers amounted to 1,218.3 million copies, which was 50 percent of the total number of copies published in 1981.

There were 387.1 million copies of periodicals published, i.e., about 50 percent of the number published in 1981.

The number of television subscribers increased 4.3 percent.

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MINISTER OF TRANSPORT INTERVIEWED

Warsaw POLITYKA in Polish No 24, 31 Jul 82 p 5

[Interview with Janusz Kaminski, Minister of Transport, by Barbara W. Olszewska: "Transfer to Rail": passages enclosed in slantlines printed in boldface]

[Question] Throughout the past half-year little if anything has been said about transport; it has neither been praised nor condemned. Is it because all transport problems have diminished in scale with the exception of the transportation of people to work and schools?

[Answer] We have already become accustomed to the fact that journalists become more interested in our work only when something goes wrong in transport, when we do not keep abreast of social and economic demand. Inasmuch as transport has more or less satisfied the quantitative demand for the conveyance of passengers and freight throughout the entire half-yaar, interest in the Ministry of Transport has been rather nil.

The fact that during that period transport has, on the whole, satisfied the actual demand for transport is to some degree owed to the markedly smaller scale of that demand. But the situation is not as simple as it might seem. Throughout the half-year public motor transport (PKS [State Motor Transport] and transport cooperatives) and branch transport carried 112 million tons of freight, or 29 percent less than in the first half of 1981. This is a very large decline. But during the same period the railroads carried altogether only 6 million tons of freight [less], that is, 3 percent less than a year ago, while at the same time they carried 14 million tons of coal, that is, 21 percent more. The stocks of fuel in electric power plants are 3.5 times as high as they were last year during a like period. The hauls of coal for export also increased substantially, despite the difficulties in regaining foreign markets. /In May, PKP [The Polish State Railroads] carried not only more coal but more of all other freight, taken together, than last year. At the same time, in May they carried more passengers than ever in the last 4 years/, considering also that 3 million more passengers traveled on one-way tickets than in 1981. This is clearly due to the rationing of fuel for private passenger cars as well as to the restrictions on bus transport.

Thus, first of all, not all of the kinds or categories of transport declined. Secondly, the decline varied greatly in extent depending on the individual subsectors of transport.

[Question] What are the causes of these changes, and do you predict that they are short-term or permanent?

[Answer] The increasingly rapid and broadening process of the shift in conveyance of freight--and of part of passenger traffic as well--from automotive transport to rail transport ensues primarily from the shortage of liquid fuels and to some extent also from shortages of tires, storage batteries, and autmotove spare parts. This is promoted by the relatively lower rates charged by the railroads--a factor which the economic reform made more important to our customers, as well as by the abolition of all administrative restrictions on using the railroads for short-distance hauls of certain types of freight, etc.

It is difficult to play the prophet these days but, given the fuel situation, I personaally do not see any prospects for the resumption of the rapid growth rate of automotive transport--both passenger-car and truck. As for the next few years, they will certainly witness a relative regression of the bus and truck. It was also owing to the fuel shortage that we have discontinued the further expansion of diesel-locomotive traction and even curtailed the scope of its application, which served to reduce the consumption of diesel fuel by the PKP from 2,500 tons, and to discontinue the imports of additional diesel locomotives. We are expediting the electrification of individual lines and, on the other hand, prolonging, insofar as possible, the operating period of the still-remaining steam locomotives.

[Question] We are thus dealing with a reversal of the trends characteristic of the 1970s when the thesis of the need to relieve the railroads by other means of transport, including automobiles, had been proclaimed?

[Answer] At that time, the railroads indeed could not cope with tasks markedly exceeding their actual traffic capacities, while motor transport and inland waterway navigation had possibilities different from those at present and not fully utilized. At that time, even some quantities of coal used to be carried on trucks from the mines, and over considerable distances at that, without paying too much attention to the economic aspect of the matter. But then that was before the world fuel crisis, or at a time when the crisis still did not stare us directly in the eye. Nowadays we live under diametrically opposite conditions which absolutely require restricting the scope of action of motor transport. Hence /the return of some passengers and freight to the railroads/. From the standpoint of the economy, and especially of the energy industry, this is definitely a favorable trend. Please consider that the railroads consume per 1,000 ton-kilometers only one-eighth as much heat energy as do motor vehicles. In times of crisis this must be the decisive argument.

[Question] What you have said may indicate that the railroads, for one, certainly do not face any lack of work or new tasks. Will they cope with

them? After all, it has long been said that the railroads are incapable, that they are becoming a brake on the development of the economy. What will be the situation after a month, after the next quarterly period, next year?

[Answer] For now we know the situation in July: it is much more difficult than in the preceding months. Since the beginning of the year, approximately until mid-May, the PKP has been, properly speaking, fully meeting the freight transport demand while at the same time still maintaining--gradually diminishing--a reserve carrying capacity. In June, that reserve had disappeared and there arose a shortage of rolling stock, not only boxcars but also coal gondola cars, even for shipping coal from Silesia, although this type of freight enjoys a permanent priority. Under our operating plan for June we could not accept orders for the shipment of 2.6 million tons, and under our plan for July, already as much as nearly 4 million tons. On some days, freight consigners demand 10,000 to 12,000 freightcars more than we can provide for loading. /The carrying capacity of the railroads has again declined below the demand./ The explicit increase in shipping orders is a sign of the growing revival of successive subsectors of industry, of foreign and domestic trade, and party also of construction. From this standpoint, the fact that there is again something to be transported is of course gratifying. But the railroads have to bear the chief burden of this growth and--in answer to your question--at present they lack the capacities for smooth absorption of the further increase in tasks. Hence, /in the second half of the year, and particularly in the fall, when the routine daily operation of transport are superposed upon by the seasonal extra shipments of harvested crops, a menacing compounding of problems has to be expected./

[Question] What shortages are felt most keenly by the railroads?

[Answer] Efficient rolling stock and manpower. The number of railroad cars withdrawn from operation for purposes of repair--we call them "sick" cars--averages more than 55,000 daily, which is nearly four times as much as 10 years ago. A tremendous transport potential is thus immobilized. The resolution of the problem of rolling-stock repair absolutely requires an appropriate expansion of the repair--equipment, cadre, organizational--capacities of the railroads. But this takes time, even though the acknowledged priority in receiving investment funds for these needs--within the framework of available funds--lies at a level on a par with, say, electrification. On an emergency basis, so that the effects would be tangible even within the next few months and years, industry must help us as regards rolling stock repair. And by industry I mean /primarily the rolling-stock building plants/ as well as many customers of the railroad who have the right possibilities. This matter is being understood slowly and with difficulty. For example, we asked the ZASTAL (Structural Steel) Plant in Zielona Gora and the Railroad Cars Factory in Swidnica to perform 7,500 freightcar repairs this year. Both plants refused. We have appealed this decision and are awaiting the outcome.

The truth is that /unless industry helps us by markedly increasing the production of spare parts and itself taking part in the repair of rolling stock, the railroads will be unable to satisfy all the transport demand in the second half of the year./ All those interested in this problem should

become aware of this truth as soon as possible. We do not expect miracles, but we do expect something decently equivalent in return for the drastic curtailment of deliveries of new rolling stock to us; this year the railroads are to receive barely 1,500 new freightcars (while at the same time they must delete from their inventory about 11,000 wornout freightcars), whereas until fairly recently we used to receive more than 10,000 new freightcars annually. We are not at present pressing for an increase in the deliveries of new rolling stock as this would make no economic sense considering that so many railroad cars are awaiting repair. But we must have something in return. For many years our repair facilities have been relieving industry of the need to build new rolling stock on a large scale. Now we expect relief ourselves.

This issue also has broader aspects. The railroads cannot and will not function efficiently or increase their carrying capacities in accordance with needs unless they are supplied with the necessary rolling stock, machinery, equipment, and materials. Yet, /for many years we have been anxiously observing a gradual abandonment of the railroads and their needs by industry./ This is exemplified by what is happening with the construction of railroad cars, certain types of locomotives, trolleys, brake fittings, various electrotechnical products, spare parts for rolling stock, etc. Some plants, including even those traditionally linked closely to the railroads, such as the FABLOK--a name that after all is an acronym for "Fabryka Lokomotyv" [Locomotive Factory]--in Chrzanow, are abandoning production for the railroads, while others are not taking up that production. The production of new series of rolling stock is extremely slow to begin (sometimes taking as much as 15 or so years). We have already been waiting at least 6 years for the commencement of the construction of boxcars (that once used to be built by our ANTK [Rolling Stock Repair Plants]), and we have likewise been long awaiting--for 10 years--the commencement of the production of a series of electric train units for suburban passenger transit that are less energy-intensive and have a modernized design. We have long been complaining about the insufficient supply of spare parts for the railroads, as well as for motor transport, but what is happening recently has acquired the dimensions of a catastrophe.

[Question] All this is difficult to understand since the PKP is, next to the Soviet railroads, the largest railroad in Europe in terms of the volume of its operations. It is thus potentially a huge customer for many branches of industry, and an attractive one, considering that it usually orders products manufactured in large series. Perhaps the declining interest in the railroads is linked to their lack of modernity?

[Answer] Please, in France, in the FRG, and, closer to us, in Hungary and Czechoslovakia a sizable part of industry lives off the railroads and lives well at that. As for the technological progress and modernity of the railroads, they hinge precisely, and to a decisive degree, on how industry equips them. Our situation has been aggravated, in my opinion, by the economic policies of the past periods when new kinds of specialization were continually sought for various factories at the expense of occasionally neglecting fields in which our industry had gained a firm domestic and foreign reputation, assured sales markets, and favorable development prospects. Other branches of the economy, including exports (not always worthwhile and profitable) have attracted more interest than transport.

The analysis of this process, of its causes and effects, is a subject for scientists and publicists. As for myself, let me simply state that I do not foresee any chances for a correct development and thorough modernization of the railroads unless industry changes its attitude toward their needs. /For the [Polish] railroad system is too big to base itself on imports instead of on deliveries by domestic industry./ Our limited imports of rolling stock, almost exclusively from socialist countries, have been exclusively of a complementary nature rather than basic nature and have comprised small series of special-purpose vehicles, such as twin-deck cars, sleeping cars, dining cars, or high-capacity diesel locomotives. Under the present crisis, we have virtually suspended procurements of rolling stock from abroad.

[Question] You also mentioned a manpower shortage. It should seem that the economic reform and the curtailment of production at many industrial and construction enterprises would channel a copious stream of candidates for work in the service industry, including transport.

[Answer] We also had thought so, but so far nothing like this has happened. On the contrary, nearly 30,000 experienced and skilled railroaders availed themselves of the chance of earlier retirement with old-age pension--and we shall not soon fill this keenly felt gap. PKP enterprises at present employ 11,000 workers fewer than a year ago, and ZNTK enterprises, 9,000 fewer. Considering the years-long manpower shortage, I assess the present situation as critical. The rolling-stock repair plants are short 15,000 workers and the PKP railroad car repair shops are short 5,000 workers, and in addition there is a shortage of 20,000 workers needed to repair tracks and railroad buildings and facilities.

[Question] What are you doing to alleviate this situation?

[Answer] By way of emergency, we obtained a considerable increase in assistance by the military, especially in repair of tracks, bridges, and rolling stock. /In addition, we are trying to obtain approval for shortening the period of compulsory military service for those who undertake to work on the railroads./ We are carrying on an energetic recruiting drive among school graduates and developing our own vocational school system. I have appealed to the governors for assigning job seekers to the railroads, but for the time being the employment offices are sending us chiefly unqualified people or those who have railed elsewhere. Generally speaking and in the long run, the effectiveness of our employment policies--in the sense of retaining valuable workers, eliminating weak workers, and attracting promising workers--hinges on the improvement in wages, working conditions, and the housing situation of the railroaders. Within the limitations of the available funds and possibilities, we are making great efforts to progress more rapidly in each of these fields.

[Question] Let us return to what we can expect in the immediate future...

[Answer] All signs indicate that in the second half of the year the railroads will carry more freight than in a like period last year, but that this will not suffice to meet all the needs of the economy. Hence the necessity of an

absolute observance of the established /transport priorities, which apply to fuel, food, goods for agriculture, and exports, imports and transit goods./ The transport of harvested crops this coming fall, especially over short distances, will require--as in previous years--considerable participation of motor transport, and additional allotments of fuel must be found for this purpose. The matter is too big to ignore. And lastly there is the conclusion addressed to all railroaders and railroad customers: in the coming situation /every railroad car must be treated with much greater care than previously/; greater efforts must be made to prevent damage to it during loading, unloading, and shunting; the damage that occurs must be more rapidly eliminated; and rolling-stock demurrage on sidings, stations, and in front of semaphores must be reduced to the indispensable minimum. Moreover, consignees and consigners must understand that the railroads operate continuously and the operations of plant warehouses, depots, loading brigades, and one's own means of transportation should be correspondingly adapted. Our numerous customers must realize that /unless they succeed in organizing loading and unloadings on Saturdays and Sundays, they will not receive rolling sotck on other days of the week/ because there is simply not enough rolling stock for all.

[Question] This sounds like an ultimatum, typical of a "seller's market," in this case the seller being the rairoads with their services.

[Answer] Unfortunately, yes! In a situation of a shortage rather than surplus of carrying capacity, an irreversible loss of par of that scarce capacity cannot be tolerated just because a work-free Saturday is more important to someone than the interests of his plant, let alone public interest.

[Question] Now that the economic reform is on, it is the custom to inquire about the financial situation of your ministry.

[Answer] What is there to say! In the last few years and months the operating cost of transport has soared following the increases in wages and producer prices. As for the revenues--on 1 January 1982 new freight rates became effective. These rates were supposed to offset the cost of freight transport and provide a small surplus. But now after several months we find that these new rates would have to be increased by about 25 percent, since they are lagging behind the inflationary spiral of the prices we have to pay.

[Question] Then the prices of goods would again increase to allow for the increased cost of their transportation, and so on, ad infinitum. But recently mention has also been made of increasing passenger rates.

[Answer] Aside from the fees for the use of sleeping car berths and couchettes, this issue has been temporarily shelved by the government owing to social considerations. I am convinced that we shall reconsider this issue next year. Our deficit is soaring out of reach. Last year the state subsidized PKP and PKS passenger traffic to the tune of 34 billion zlotys out of its budget. This year the subsidy will reach nearly 90 billion zlotys. This is not surprising considering that, e.g., the passenger ticket rates at PKP have remained unchanged since 1959 and the basic rates at the PKS,

since 1965. /Thus, ticket prices remain in no sensible relation to the entire current price environment./ It costs as much to buy a dozen grade-2 eggs as to travel second-class on a passenger train from Warsaw to Szczecin. A ticket for a train ride from Warsaw to Katowice, Krakow, Poznan, or Gdansk costs as much as a kilogram of strawberries at the peak of their season. And it takes as much to pay for a kilogram of the cheapest, "ordinary" sausage as to pay for a train trip of over 800 km, that is, across all of Poland and farther. There is no need to provide more examples illustrating the total absurdity of the present situation.

[Question] But after all, in most countries, public carriers, especially the railroads, operate at a deficit and are subsidized by either the state, which is interested in their maintenance and development, or by the transport companies themselves which offset the losses from passenger traffic with the profits yielded to them by freight traffic.

[Answer] True. In this country, too, balancing the cost of passenger traffic with the revenues from ticket sales hardly appears realistic, because it would require raising the rates to an extent that would hardly, if at all, meet with public acceptance. However, rational proportions must be restored between the prices of goods and various services and the prices or rates of transport services. After all, within the framework of the general economic reform, we are attempting to transfer prices from the sphere of abstractions to the sphere of the realities of our life and to restore their proper importance and functions. /We strive to regularize and deepen cost-effectiveness principles in settling accounts both between the state and the citizens and among the individual economic units./ Against this background, I see no reason why PKP and PKS enterprises should continue to provide services to citizens and other institutions or enterprises at virtually no charge or at prices that are only a fraction of their operating cost, while at the same time being obliged to beg for huge subsidies from the state budget.

I regard an increase in transport rates as inevitable, so that the only thing that remains to be discussed is the question of the date on which it is to be introduced. This will fundamentally affect the financial possibilities of current and development needs of transport enterprises, on the course and results of our negotiations with the bank, etc.

[Question] Will the rate increases also extend to monthly commuter tickets for workers?

[Answer] So far the price of these monthly tickets covers /barely/ one-fifteenth of the actual cost borne by the railroads. Moreover, the commuting workers themselves pay only 20 percent of that price, with the balance paid by their labor establishments. For a change, the monthly commuter tickets for PKS buses are not subsidized by labor establishments. Now, we want to introduce a uniform policy for both the PKP and the PKS: they are to provide (sell to) labor establishments monthly commuter tickets for their employees at a price equal to the total cost of 50 trips (25 trips to work and 25 trips home) on specified routes and in accordance with the new normal tariff. As to which part of the price will be paid by the labor

establishment and which part by its commuting work, that is a question they should agree upon between themselves; it is of no concern to the carrier.

[Question] Could not this lead to a situation in which one of two brothers living in the same house or one of two neighbors living in the same village, but employed and traveling to work in the same city but in different labor establishments would have to pay 500 zlotys out of his own pocket while the other would have to pay 1,000 zlotys?

[Answer] Plese, it often happens that of two individuals with similar or identical qualifications, one earns more than the other, and this shocks no one. As for the amount of subsidy of the monthly commuter tickets by a particular labor establishment, that will depend on its financial situation, on the degree of eligibility of the commuting employees, on the possibility of replacing them with locally resident employees or those dwelling in the neighborhood, and so on--in a word, on factors which now, under the economic reform, are beginning to count and which shape up differently in different plants. This really is of no concern to us as carriers. When viewed from the social point of view, on the other hand, I share the opinion of the minister of labor, wages, and social services that, at least for some period such as a year, /some mandatory minimum subsidy of monthly commuter tickets by the plants should be defined, perhaps at the level of 20 percent of the new price of these tickets./ This would alleviate to some extent the painful consequences of the increases of transport prices to the budget of workers and provide a period of time for finding housing nearer to one's place of residence and, finally, this would prevent the excessive differences that might arise from one month to another in the situation of persons commuting the same distance but employed in different labor establishments.

I assume that such a settlement of the matter will, after a time, produce desirable changes in the scope and geography of commuting to work. I expect that the total number of commuters, especially of those commuting over long distances, will diminish, and that this perhaps will indirectly contribute to reducing the shortage of agricultural manpower that has been growing over the years, along with the shortage of manpower for the services industry, and further that criss-crossing commuting to work, which often is not objectively justified, will be markedly curtailed.

[Question] But people decide to commute not because they enjoy it but because they have to.

[Answer] Of a certainty, the two major reasons for the large scale of commuting are the difficult housing situation in the cities and the nonuniform geographical distribution of work establishments. But another affecting factor is a certain inertia, not infrequently fortuitousness, the unwillingness to accept changes, the sum total of habits and customs. All this can be respected, but someone must pay for it: why should it be the public carrier who pays?

[Interviewer] Thank you for the interview.

PRESS CONFERENCE ADDRESSES SOCIOECONOMIC PROBLEMS

Warsaw ZYCIE WARSZAWY in Polish 20 Aug 82 pp 1, 2

[Report by T.B.: "Press Conference in Government Spokesman's Office"]

[Text] (Own Information) The questions we are all discussing today are: how much money do we have (or do we lack), what can we buy with it, to what degree has our standard of living declined, for whom was it greater, for whom was it less and, when, finally, will these hard times end.

Such also was the topic--understood in the broadest sense--at the press conference in the Government Spokesman's Office. It was in the broadest sense because such a topic cannot be isolated from many others, namely, from matters tied to the functioning of the economy.

Consequently, the topic was difficult, and the views presented at the conference were not always in agreement with public feeling. The following ministers took part: Marian Krzak (finance), Zdzislaw Krasinski (prices); deputy ministers: Krzysztof Gorski (labor and wages), Lucjan Jaskolski (domestic trade) as well as the first vice chairman of the NBP [National Bank of Poland], Stanislaw Nieckarz.

Starting from recently published GUS [Chief Main Statistical Office] data, in which a decline in the standard of living during the last 7 months was fixed at 25 percent, Minister Krasinski admitted that the burdens of the crisis did not unfold as were forecast. Preparing the price compensations operation, he was convinced that the most impoverished families would not lose anything by it, while only the wealthiest and "average" people would sustain losses.

Meanwhile, the latest studies revealed that it happened otherwise. According to Minister Krasinski, the standard of living for the poorest declined by 5 percent, and for the richest about 50 percent. Incidentally, that last calculation obscures the fact that the richest now do not have access to various goods that are simply unavailable.

The mere 5 percent decline in the standard of living for the poorest families, seems typically "statistical." Here Minister Gorski, speaking on the compensation system, stated that it had been proven correct--as a factor compensating the cost of living--with regard to families with many children; on the

other hand, it did not protect the circumstances of single workers and, particularly, pensioners and annuitants.

The question of improving market stability was quite broadly presented. Minister Krasinski stated that, since March, the difference between the population's income and expenditures had decreased: in March, for every 1,000 zlotys in income, we spent 700 zlotys, while we currently spend 880 zlotys. Minister Krzak applied a different analysis: for every 100 zlotys in the second half of last year, there were goods for 71 zlotys in the stores; in the first half of the current year there were goods for 83.4 zlotys, and in the second half there will be goods for 93.2 zlotys. We know from another source, however, that production is not rising but falling, admittedly slower; thus the said balance arises, rather, from the rise in prices.

Besides, other data cited by Minister Krasinski attest to this: trade at present has available reserves valued at 277 billion zlotys. In order to fill store shelves, a reserve valued at 750 billion zlotys is needed; in other words, the commodity gap amounts to 473 billion zlotys.

At the same time, we still have the inflationary curve. Chairman Nieckarz even asserted that the situation cannot be called a balancing of the market, but an increase or acceleration of expenditures by the people. In July the dynamics in the rise of emoluments that is linked to the institution of rules by enterprises were observed: the higher the profit, the higher the wages. Still, the profits arose not from labor productivity, but from a rise in prices. There was also a rise in savings, but it has not been determined how much of the savings was willful and how much was forced. We began the current year at an inflationary curve amounting to 300 billion zlotys and will increase by 120 billion zlotys as a result of the aforementioned commodity gap. Where is this inflationary curve? There is also no precise perception of this question.

Minister Gorski introduced, among others, the matter of wages. The average wage currently operates in relation to the processing industry (the general average wage is inflated by the earnings of miners, whose average salary amounts to 21,000 zlotys). So, the average wage amounts to 8,253 zlotys. The so-called spirals occur in small-scale industry, while the lowest wages are earned by such industries as: clothing, leather and textile, in which the average ranges around 7,000 zlotys.

The Ministry of Labor and Wages is faced with dilemmas: there are pressures from large groups of workers, pensioners and annuitants to increase their payments, but the movements, going too far in this direction, might increase inflation and turn against precisely those most in need. The matter of incentives or incomes functions of wages has not yet been decided. The incentive system currently promoted has its good points and bad--the ministry will shortly put out a brochure that will present all the aspects of such a wage system.

The key to all of these unusually difficult problems is production and, specifically, its decline. It is now no longer explained by a shortage of

raw materials but by a shortage of labor. Journalists were interested in the cause of such a labor shortage (over 300,000), since unemployment was predicted in the past year, and the need for "displacement" of from 600,000 to 1.2 million people?

Minister Gorski cited the following causes of excessive employment: the drastic shortening of working hours thanks to the introduction of free Saturdays; sick leave; irregular production which requires more people to make up losses; and as it turned out, mass exercise of the opportunity for early retirement (600,000 people); and retaining people in plants longer in anticipation of an improvement in the economic situation. Many enterprises found themselves in a good situation after the increase in prices and increased peoples' wages. Reductions due to incompetence or bad work are not socially acceptable.

Minister Krzak made an optimistic prognosis. In his opinion, a tendency is appearing in our economy which is indicative of a stage of emergence from this crisis, and material conditions are rising to halt the decline in the standard of living. In the second half of the year, Minister Krzak expects such a turn of events that we will be able to speak of a growth in production relative to last year.

"In foreign trade," Marian Krzak asserted, "a distinct improvement occurred." The balance with Western countries is positive, though trade is taking place at a low rate. Minister Krzak strongly emphasized the need to reorient the economy toward export activity.

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SMALL-SCALE INDUSTRY TO PLAY GREATER ROLE IN ECONOMY

Bucharest REVISTA ECONOMICA in Romanian No 30, 30 Jul 82 pp 4-5, 17

[Article by Dr Corneliu Russu and Dr Alexandru Mihailescu, Institute of Industrial Economics: "The Place and Role of Small-Scale Industry Within the National Economy"]

[Text] The defining of the concept of small-scale industry in the context of the complexity and diversity of this form of activity and of the trends that are making themselves felt on a world level is not an easy task. In this regard, the Law on Small-Scale Industry offers solid elements of refernce for specifying the activity's content and its limits of inclusion by stipulating the manner of subordination of the units of small-scale industry and the object of their activity. The defining element frequently advanced in the specialized literature devoted to this field--the units' size characterized by the number of workers, the volume of the fixed assets or the value of the output obtained by these units--proves to be, on a careful analysis, hard to accept as a sole criterion for differentiating the units of small-scale industry from those of large-scale industry.

We feel that other elements can contribute to the step of defining the concept of small-scale industry. We have in mind the detailing of the decisionmaking powers at the level of the different organizational links with regard to the technical-material supply, the orientation of production, the setting of prices and rates and so on, which would take into account to a greater extent the specific character of the economic activity in this field (determined by the wide range of the makeups of the units, that is, of the products and services that they must achieve, by the great mobility of the units and so on), or the supplementation of small-scale industry's range of functions with that of a complement to large-scale industry, a function present particularly in the economy of the developed countries.

The range of the functions specific to small-scale industry corresponds to the qualitative aspect of the activity performed in this field and can constitute a major benchmark in defining this concept. It must be specified that, in their entirety, these functions are characterisitc of small-scale industry as a field of the national economy, but that one or another of the respective functions can be absent at the level of the units belonging to the different branches of small-scale industry, a fact that increases the difficulty of strictly differentiating these units.

Of course, in order to provide clarifications of an organizational nature or regarding the work procedures, it is possible to adopt some delimitations and specifications with a regulatory character (such as, for example, in reference to the size of

the units of small-scale industry, to the functions fulfilled and so on) of a nature to facilitate the identification of one unit or another belonging to small-scale industry. /However, the essence of the problems of small-scale industry is not of an organizational nature but of a functional and economic nature/ [in boldface], in the sense that this important field of the national economy requires an operating mechanism which, naturally, must fit into the general coordinates of the organization, management and planning of all economic and social life in our country but which, at the same time, must correspond as much as possible to the characteristics of the respective field.

Functions, Objectives, Responsibilities

The growth of the role of small-scale industry in the current stage is determined by the complex process of improvement in the social division of labor, of specialization and cooperation in production, which dictates the necessity of finding a suitable balance between the outputs achieved in units of different sizes. In this context, it appears necessary for the relations of collaboration and cooperation in production to be intensified and to acquire a new substance. As the secretary general of the party, Comrade Nicolae Ceausescu, stated, one of the big problems of small-scale industry "is that of being engaged in activities that cannot be achieved in large-scale industry, acting in collaboration with large-scale industry, however, as small, specialized units. We must do this especially in the fields of electronics and machine building, achieving in small units a number of products, parts, subassemblies and apparatus in small series."

In view of the importance of this problem and the wide prospects that are opening up for the respective sector, in accordance with the instructions in the party documents, a subject concerning the role and the directions of development of small-scale industry in our country taking into consideration as well the experience of other countries has been provided in the research plan of the Institute of Industrial Economics. In the following, we will try to synthesize some of the conclusions of the study on those functions of small-scale industry that correspond to the requirements of a modern, flexible and competitive economy. This is in contrast to the view, whose accreditation is still occasionally attempted, according to which a peripheral role in the economy is reserved for small-scale industry, a role reduced to the fulfillment of functions which are characteristic of a primary stage of development and which do not allow it to fully utilize its potentialities.

The current stage of development of the national economy, characterized by the accentuation of the qualitative aspects of economic growth, necessitates the bringing of the following functions of small-scale industry to the forefront:

Activities Complementary to Those in Large-Scale Industry

Under the conditions in which the technical and economic performances of industrial production depend to a great extent on the degree of specialization of it, on the providing of the manufacture of products in big series, it is necessary to achieve a more and more marked complementarity of small-scale industry in relation to large-scale industry from two viewpoints:

That of supplementing the range of finished products achieved by national industry in big series with various products needed by customers in small quantities;

That of producing in separate units parts and subassemblies that enter into the composition of products whose assembly is done in the units of large-scale industry.

In this regard, some products of medium or low technicality achieved in units of small-scale industry in our country should be mentioned, such as, for example, flues for hot air and combustion gases, honeycomb-type metal grates for thermoelectric power stations, processing lines for canned vegetables and fruit, accessories needed in the making of furniture and so on. While the above-mentioned products represent only a very small part of the range of those achieved at present in the units of small-scale industry, it is no less true that both the possibilities of these units and the needs existing in the economy are much greater than what has been achieved thus far.

The accentuation of the specialization of production necessitates /the expansion of the cooperation between the industrial units of different sizes/ /in boldface/. While the specialization for the final phases of achieving the products, of assembling them, requires the existence of big enterprises, the achievement of the preliminary manufacturing phases can also take place within units of smaller dimensions. This possibility is created by the specific character of the action--at present--of technical progress, which favors greater autonomy in the manufacturing phases within middle-sized and small enterprises. In this regard, the experience of strongly industrialized countries, in which the existence of big and very big enterprises is accompanied and even conditioned by the existence of a large number of small and middle-sized enterprises, is significant. The latter revolve around the big ones, achieving--to order and under their technical control--a wide range of parts, components and subassemblies needed for manufacturing the final products under conditions of maximum specialization of the production process. For example, the Renault firm bought, at one time, over 20,000 components for its assembly lines from 400 subcontractors with which it had permanent ties of cooperation and from another 1,500-2,000 subcontracting units with which the cooperation was intermittent. Significant achievements are to be noted in this regard in our country too. In the same field of reference, for instance, the Pitesti Automobile Enterprise cooperates with a number of enterprises of different sizes belonging to the Central of the Automobile Industry or other industrial centrals and to the subsystems of small-scale industry. One of the important forms of organization of the process of cooperation is the one in tandem, with subcontractors of grade one, grade two and so on. In certain industrial branches, the subcontracting can extend to the utilization of homework. For example, the optics industry in Japan achieves the grinding of lenses for cameras by using homework.

The Growth and Diversification of the Production of Consumer Goods and Services

As economic practice attests, in proportion to the development of society, there has been a transition from an undiversified primary demand for goods and services to a developed one, characterized by a more and more complex structure. On the other hand, the requirements connected with the achievement of products with high technical and economic performances have caused the accentuation of the process of specialization of production. The two trends--that of diversification of the demand and that of specialization of production--necessitate that a greater and greater number of products and services be achieved by units of small dimensions. In this way, the large number itself of units of small dimensions, with a more or less advanced degree of specialization of production, constitutes a factor in providing a diversified

range of goods and services. It must also be taken into account that not only highly technical products but also some simpler ones enter into the composition of the population's demand for goods and services. The achievement of these products does not presuppose the existence of special technical equipment or a high degree of technological or product specialization in the respective units. Under these conditions, the meeting of the demand for various simple products can only devolve upon small-scale industry. Indeed, the fact should be noted that small-scale industry is directly involved in the production of the majority of the types of consumer goods and services for the population, except for highly technical durable goods manufactured in very big series.

With regard to the important contribution of small-scale industry to achieving a great diversity of products and meeting the population's demand, especially for small articles, it is significant that through the restructuring of just one of the subsystems of small-scale industry (the putting of the enterprises of local industry under national subordination in 1977) 5,000 products of this sort, whose absence was felt in the market, were taken out of production. The important role that small-scale industry has in the diversification of production also derives from its possibility of launching on a small-scale the manufacture of new products (consumer goods and articles for home use) whose segments of the market are still insufficiently known. By means of such testing of the population's demand, the avoidance of the losses caused by the production of greater quantities of products in relation to the requirements of the customers is ensured. At the same time, the adjustment of the characteristics of the products to the requirements of the population, in the prospect of the later expansion of production, is secured.

The Growth of Flexibility and of Adaptability to the Requirements of the Market

The rapid and often unforeseeable changes, in terms of direction and intensity, that are occurring in the economy, with regard to the utilization of primary resources and of new production technologies, or as a response to uncontrollable phenomena that are occurring in the world economy, lead to the necessity of finding efficient solutions for adapting production to the requirements of the domestic and foreign markets. These changes are also determined by the natural aspiration of the customers to have goods and services of a higher and higher quality, which would require a lower expenditure per unit of useful effort. Under these conditions, an important role devolves upon the units of small-scale industry, either in their capacity of producers of finished products of a relatively low complexity or as suppliers of components or subassemblies that are subsequently integrated into products of a high complexity and technicality in the big enterprises. The objective basis of the greater possibilities that small-scale industry has in this regard is provided mainly by:

/The mobility of the type of manufacturing of the units of small-scale industry/ [in boldface], attainable promptly both through measures adopted by the higher-ranking bodies and through measures adopted within these units. Given the low volume of production factors in the units of small-scale industry, it is possible to replace them even totally, if--for objective reasons--it is necessary to radically change the type of production of these units. As a rule, they have a less rigid production process than the big enterprises, which have processing lines of big proportions, with a high level of mechanization and automation, but hard to adapt to the smallest changes in the structure of production, hindering the process of renovation and diversification of it;

/The mobility of the work force in small-scale industry/ [in boldface], in achieving different operations, components or products, provides for its adaptation with ease to frequent changes in the structure of production. Often being directly confronted with the major problems of the respective units, with regard to furnishing raw materials, supplies, energy, tools, devices, dies and so on, carrying out the production process proper and ensuring the sale of the output, the workers in the units of small-scale industry can manifest--with full knowledge of the matter--extra initiative in solving these problems.

The characteristics of flexibility and adaptability are proper to the small units of light industry in particular. However, the same judgment is also valid for a number of units of small dimensions in the machine-building industry or the metallurgical industry. For example, in the specialized literature it is judged that ministeelworks (with an average capacity of about 200,000 tons of steel per year) are characterized by a pronounced technical and organizational flexibility, which is manifested with regard to the composition and the manner of utilization of the raw materials and the production apparatus, the range of products manufactured and the concrete manner of organization of production and labor.

In order for specialization--a process necessary for increasing the technical and economic performances of production--to not come into contradiction with the necessity of providing suitable flexibility in industry, it is advisable for it to be oriented especially toward the units of small dimensions. Precisely due to the large number of these units it is possible to provide the necessary diversity of production and the capacity for adaptability to the requirements of the market and of the national economy.

The Prompt Assimilation of the Elements of Technical Progress into Production

Small-scale industry can contribute to the modernization of the machines and equipment achieved by large-scale industry by producing at qualitatively improved parameters parts and subassemblies that enter into the composition of the respective machines and equipment. In this way, it can be asserted that small-scale industry also contributes to the creation and promotion of technical progress in the economy and consequently it must benefit from higher technical equipping and from the conditions that would allow it to utilize the work force with corresponding training.

The small industrial units can represent important connecting links between the creators of inventions and innovations, on the one hand, and large-scale industry, on the other hand. The possible losses connected with uncertainty and risk, specific to the assimilation of the elements of technical and scientific innovation into production, can be minimized if, before being introduced into the production processes in large-scale industry, they are tested on a limited scale in small-scale industry. In this way, small-scale industry can represent a true experimental laboratory for large-scale industry. In fact, in certain economic sectors in the strongly industrialized countries, the research activities are carried out more intensely in the small and middle-sized units than in the big ones.

The experience of the developed countries shows that there is a complex relationship between the size of the industrial enterprises, the level of specialization of them and the possibilities of promotion of technical progress. The transition to manufacturing, on a suitable technical and technological basis, qualitatively new products with improved performances does not presuppose the increasing of the dimensions of

the industrial units at any cost, but the rational utilization of the many possibilities of diversifying them, in terms of size and type of manufacturing, and, implicitly, of specializing them.

The Better Utilization of Local Material and Labor Resources

The better utilization of local resources can be achieved within the two types of units of small-scale industry:

In specialized units, which revolve around the big industrial enterprises, to which they furnish components and subassemblies. However, this category of units is limited in our country, but in the future it could be expanded considerably, which is, in fact, characteristic of the strongly industrialized countries;

In units of small-scale industry with a relatively wide type of production, in which, to a considerable extent, finished products at a low level of technicality, characteristic of the current small-scale industry in our country, are achieved.

The suitable development of the activities of small-scale industry has as a consequence the growth of the degree of utilization of labor resources, especially in villages, favoring the stabilization of the employment of the work force in the rural area and increasing the possibilities of meeting the need for manpower for agriculture in the optimum periods for doing the agricultural work, as well as the reduction of commuting, which leads to the obtaining of positive economic and social effects. In addition, the expansion of homework contributes to the obtaining of favorable economic effects and to the solving of problems of a social order.

The utilization of local material resources is oriented toward the processing of the following categories of resources: a) the local agricultural production that is suited to preindustrialization, having this purpose even now, but after it is taken into the central state supply as a primary resource; b) the reusable resources recovered from the production and consumption processes whose utilization in big enterprises is not as efficient as in units of small-scale industry or has a much lower efficiency than that specific to the basic production process; c) the mineral material resources existing in deposits of small sizes whose exploitation on a large scale is not justified from an economic viewpoint; d) the unconventional energy resources that have a wide distribution on a territorial basis; e) other local resources (gravel, sand, clay, spontaneous flora, sporadic crops of osier, sorghum and so on).

Of course, insofar as small-scale industry in our country achieves products of greater technicality, making its contribution--by furnishing parts and components--to the achievement of very complex products, it must benefit from the necessary resources, not just from local ones.

Consequently, it can be judged that, in the current stage and in the future, small-scale industry in our country has an important role to fulfill in improving the division of labor within the national economic complex, a possibility confirmed by some achievements obtained thus far in our economy and by the experience of the strongly industrialized countries.

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18 October 1982

# East Europe Report

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2325

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# EAST EUROPE REPORT

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No. 2325

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ERRATUM: In JPRS 81934 of 6 October 1982, No 2322 of this series, the article entitled "progress in Rail Electrification in 1981 Cited" on pages 41-46 should carry the following subslug:

[Article by Juerguen Meinecke, engineer, deputy director, General Engineering Office for the Electrification of the German Railway System, Leipzig: "Electrification of the German Railway System in 1981"]

HUNGARY

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NOTICE

The cover of JPRS 81959 of 12 October 1982, No. 2323 of this series, erroneously read EAST EUROPE REPORT: Political, Sociological and Military Affairs. It should have read EAST EUROPE REPORT: Economic and Industrial Affairs.

MINISTER ELABORATES ON TOUGH REQUIREMENTS FOR ECONOMIC PERFORMANCE

Budapest NEPSZABADSAG in Hungarian 20 Aug 82 p 5

[Article by Istvan Hetenyi, minister of finance: "Goals and Means"]

[Text] In the middle of summer we can already begin to take account of what the annual performance of our economy will be like, where we made progress, where we met with tight problems, what we must and can adjust as soon as possible.

The fact that public opinion is following these questions with increased interest is not so much a sign of a sudden increase in general economic culture as it is a sign that under present management conditions the enterprises and sometime even the consumers can feel more directly the problems of the country and national economy, the extent to which our performance corresponds or fails to correspond to objective requirements, to those two goals of economic policy, restoring the economic balance and preserving the standard of living attained.

It is already clear to everyone that the December 1978 decisions which gave precedence to these two goals over other economic processes were timely ones. Without the new course of the past 3-4 years, worthy of recognition in many respects, our economy today would be in a deep crisis.

Even so the difficulties are great. While it is an undoubted achievement that our foreign trade situation has improved by an order of magnitude (it has changed from a large deficit to a modest plus), that we have avoided an economic slump, preserved the standard of living and expanded the health and cultural networks, still everyone feels that the performance of our economy has not increased so much that we are armed invulnerably against every problem, the international conditions since 1979 having become more difficult and extraordinarily unfavorable both politically and economically.

The anxieties became more palpable recently when it became necessary to take measures, even during the year, to strengthen the balance and the security of management. This is really a new phenomenon in the history of our planned management and it is understandable that we must better explain the necessity, purpose and character of such measures. It is an old saying that understanding is the basis for acceptance.

The basis for an understanding of economic processes and measures is a realistic evaluation of performance. This is not a simple question. In the first place we all have a great tendency to judge our own performance subjectively, whether we are talking about individuals or enterprises. In the second place the standard for judging performance is a shifting one. We must measure not against yesterday but rather against the requirements of the time. And here one may be surprised to learn that what seemed sufficient yesterday is too little today. This is what happened this year, for example, in connection with foreign trade processes. The planned foreign trade processes are no longer sufficient to ensure an international payments balance, because the high international interest rates increased our expenditures and under present money market conditions the uncertainty of assuming credit has increased. For all these reasons an export increase greater than planned became an unavoidable necessity.

It is not easy to adjust to a shifting standard--but there is no other possibility in a changing world. And it is not easy to adjust distribution to performance in a society in which the state undertakes and carries out a broad scale of material guarantees. This is the strength and advantage of our society, but it also defines that scope within which short term economic policy can move.

Performance orientation is not yet intensive or accepted everywhere. Sometimes our concepts and regulators do not stress this chief principle adequately. For example, an expression widely used is that we are putting our economy on a new growth path. This is quite true, but many take it to mean that we need simply to shift to the new path and all the problems of the economy are solved. But the essence is that we must be able to progress on this new path--a path leading to the goal but a very rough one--and this requires the constant solution of very demanding tasks which, in part, differ in nature from earlier ones. A new path (plans and regulators) is in vain if one only loafs along it, and gets nowhere.

The changes are especially confusing to those who have difficult struggling with the higher requirements. Some feel that the tightening of conditions and regulators is the cuase of their worsening financial problems. As a phenomenon this is true. This is a manifestation of the situation declared in 1979, that maintaining present positions is possible only with an increase in performance, and where profit increases less than the average the income that can be distributed there will necessarily decrease.

The frequently used expression, that the government is tightening the conditions for management, is thought provoking. Not denying the practical advantages of this expression, for example its brevity and that it attracts attention, it may be worth analyzing it from the viewpoint of whether we have here a paternal or public rigor or simply consistent behavior.

It is well known that the regulators (the tightening of which is now being discussed) are tools for transmission. They transmit the objective conditions for management on the one hand and the central intent on the other.

Our economic system is characterized by the many-sided role of the state. For this reason the simple implementation of a change in the economic process frequently requires central measures, a change in the regulators. Most examples of this can be found in the area of fixed prices. Changing these is basically a following of market processes--the enterprises judge the tightening or relaxation of them according to their own interests.

It is a further function of the regulators, especially the financial regulators, that they ensure a planned distribution of incomes among the state, the enterprises, the populace and the several groups thereof.

The government is responsible for maintaining these ratios, for the coordination of incomes and their distribution, so it cannot postpone a prevention of or correction of disproportions which develop. There are always greater or smaller deviations from the planned ratios. If the correction of these disproportions is more urgent today then earlier then the reason for this is not that new large scale disproportions have arisen but rather the simple fact that today there are no supplemental resources--external ones frequently available in the past--or reserves with which longer lasting disproportions and the accompanying extra distribution might be bridged over.

So much for the justification of changes in the regulators. Now the most difficult question arises. Which regulators and how to change them? This is a complicated question because every change affects different collectives differently--so this requires a harmonization of economic and political interests.

In the second place, the regulators play not only a passive distribution role; they can actively encourage or should actively encourage an increase in efficiency and in incomes also. They should strengthen interest relationships which aid the development of efficient production and hinder the development of inefficient production, which make the workers interested in increasing profits. The greatest criticism of the regulators is that they do not correspond to these principles or do not correspond to the requirements in the expected way. There is much justice in these criticisms. The source of the difference in opinion is not that the government wants to follow different principles. But the realization of the requirements--with simple mistakes and errors--is possible only amidst objective contradictions. The desired and the possible frequently do not coincide.

The incentive character of the regulators can be realized only if regulation is normative. In plain language this means that the burdens and the chance to produce income should be the same for every managing organization working under the same conditions. One's own prosperity should depend primarily on one's own performance and not on state exceptions or ad hoc good will. This is an indispensable principle and requirement.

A number of state preferences and concessions, which are realized because of the longer range thinking of the state, because of the special difficulty or risk of some task, or because of social reasons, are completely compatible with this requirement--if they can be made use of by every enterprise which meets the previously proposed conditions. In this way we should encourage,

for example, investments which develop export, energy and materials conservation, rural industrialization, and so forth. It is similarly compatible with the incentive effect if the larger income bears not a proportional but rather a greater burden (for example, progressive taxation), if the magnitude of this is rational, thus if it does not impede the swifter development of those working more profitably.

And finally, it follows from normativity that the regulation of enterprises working under substantially different conditions for objective reasons can be different. Thus, for example, industrial regulation can differ from that for agriculture or there could be special regulators within the latter for farms with poor natural conditions, and so forth.

It is another condition of the incentive character that insofar as possible an unambiguous interest center or system should be realized for the managing units. Profitability plays the chief role here, and it is to strengthen this that we intend to put an end to interest which deviates from this in income regulation, to link income regulation better to profit.

Where do we still find contradictions which weaken the incentive character of regulation (including negative incentive also)? Unfortunately there are many such contradictions. These include the complex link between the general and the particular, the whole and the part, the intent and the result. Let us look at a few examples.

How is the principle of some regulation for some conditions realized in practice? Do any two enterprises really have the same conditions? One is in the machine industry, the other in light industry; one produces primarily for export, the other for the domestic market; one is new, the other is old. But their regulation must be common-disregarding possible normative preferences--because they are the same in the requirement that the social capital used there and the manpower employed there should yield ever greater net profit for society. Thus, from the viewpoint of regulation, one can recognize deviating conditions only when looking at the narrowest, most characteristic sphere.

It is necessary to weigh the present and the future where unfavorable profitability is coupled with development promising high income. Here preference may be justified to improve profitability. But what happens in the case of unfulfilled promises? How long can the concessions be renewed?

The contradiction of the whole and the part is, What should be done with low profitability or deficit enterprises? Lasting support of them necessarily limits the sums which could be used to develop efficient enterprises, so dispensing with them or making them profitable is absolutely necessary. But all this must be done so as to be accompanied by bearable burdens, and so there is a great temptation to continue their support for a long time. This can hardly be tolerated--just with regard to the enterprises working well.

The difference between intent and result brings up tasks in the regulation of some processes of special importance. In the past more than one regulator encouraged participation in some process rather than the attaining of some result. But the economy is not an Olympics; what is important here is not participation but results. This must be taken into consideration to an increased degree especially in regulators for research and development.

If we add to all this that every more essential regulation has, directly or indirectly, a social effect also then it is understandable how many questions, in addition to the clarity of goals, arise and have to be harmonized when developing regulators.

Regulation is only one element in the guidance of economic processes. In the longer run and from the strategic viewpoint we must regard as of equal rank with the regulators--indeed more determining--the personal qualities of leadership and leaders and the system of selecting them and providing incentive for them. Their increasing responsibility requires increasing independence and scope for action, which should be supported by putting an end to petty supervisory patronage while increasing the worthy supervisory role of the collective interested in management. Orienting the enterprises toward stronger performance also expands the freedom of movement of enterprise management as a whole. A number of measures have been taken already--and are under way--to realize this. Excessively centralized organizations have been broken up; the marketing-production-development-research chain within the larger enterprises is becoming ever more complex; the earlier fixed profiles have been dissolved; and so forth.

All this, however, can be effective only--and there are great possibilities in this--if the performance orientation within the enterprise, and the internal interest system supporting it, develop to the extent already realized among enterprises.

The economic challenge requires a complex and effective response. The complex process of guidance cannot be narrowed down to regulation; rather there must be a strengthening of omnidirectional social-economic effects which will aid the workers in developing their capabilities at every point better than heretofore for a solution of the lasting and difficult tasks.

8984
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ENERGY MANAGEMENT PROGRAM IN SIXTH 5-YEAR PLAN DETAILED

Budapest SZAKSZERVEZETI SZEMLE in Hungarian No 4, 1982 pp 19-24

[Article by Dr Laszlo Kapolyi, state secretary, Ministry of Industry: "The Energy Management Program in the Sixth 5-Year Plan."]

[Text] I.

In recent years the external and internal conditions of the energy supply for our national economy have changed significantly. Between 1973 and 1980 the world market price of coal increased about four times, that of coke and uranium five times and that of petroleum ten times. The peculiarities of the CEMA price system blunted the abrupt price increase of the capitalist market in trade within CEMA, but with the passage of years the energy price explosion has affected the Hungarian national economy ever more strongly also. In the first years of the Fifth 5-Year Plan the growth rate of our direct energy use exceeded the growth rate of national income.

By 1978 it became clear that if the energy needs of the national economy increased at the earlier rate than--as a result of increasing costs--not only would we have to give up the realization of many other, important economic policy goals but even our accomplishments thus far would be in danger. Thus our further progress and well being depend on the extent to which we can conserve energy.

The most important economic policy task of the Hungarian economy is to improve the external and internal economic balance. It was first of all the sudden increase in energy prices which caused the breakdown of the balance. The tolerance of the economy reached an end in 1978; the years since then have resulted in positive changes. The changes can be attributed to the fact that the government ordered execution of an energy management program coordinated with the medium range plan of the Sixth 5-Year Plan, applicable to every sphere of management. The goal of the program is to develop the processes begun in 1979-1980--resulting in a decrease in the intensity of the energy requirement--thus laying the foundation for the possibility that the rate of growth in fuel and energy use will moderate during the Sixth 5-Year Plan.

In addition, however, we must increase the use of energy sources of domestic origin, primarily coal and nuclear power. Thus, the program has as a goal not only a quantitative moderation of energy consumption but also a change in the composition of energy sources.

According to the prescriptions of the program fuel use in the Sixth 5-Year Plan can increase overall by at most 10 percent. It is a fundamental condition for reaching the goal that, with the prescribed economic development and increase in the standard of living, the development of the production structure be less energy-demanding then before.

Thus, in the course of the Sixth 5-Year Plan, one of the central questions of economic activity became energy conservation, which requires the development of a new attitude and the practical realization of new management and development principles in every area of the economy. The energy management program contains the details for realization within the framework of an action and audit program. The various chapters of the action program contain concretely those energy management tasks which must be executed between 1981 and 1985 in the areas of energy production, transformation and use--going beyond the tasks stressed in the Sixth 5-Year Plan. The several chapters group according to theme the programmable recommendations worked out by ministries, organs with national authority and councils.

II.

It is worth while to examine from the viewpoint of energy management a few branches of industry, primarily those where the greatest energy use takes place.

Ferrous metallurgy--as is well known--is an energy demanding branch of industry, and the great majority of the fuel used here comes from import. Thus the order of magnitude of savings which could be attained here is outstanding. The first priority task is making use of some of the heat loss occurring; the next sphere of tasks is the introduction of new technologies, building oxygen converters, introducing continuous casting and oxygen enrichment technology--all aimed at reducing use of the most expensive type of fuel, coke. With these rationalization or technological measures we could save 200,000 tons of coke per year.

There are possibilities for rational utilization of lost heat arising in the calcinating rolling drum furnances in aluminum metallurgy. On a national scale this will make possible a saving of about 12,000 tons of fuel oil. In Hungary 15-16 MWH of electric power are used to produce one ton of semi-aluminum. This could be moderated with use of modern furnances.

From the viewpoint of our daily or further tasks we should mention the problem of using burnable gases arising in the course of petroleum processing. The magnitude of the loss of significant, equal in value to 25,000 tons of fuel oil per year.

From the viewpoint of energy use the construction materials industry takes second place in the ranking of industrial branches. Cement and lime manufacture, manufacture of walling material and the glass industry are especially significant within this. In all three areas there are possibilities for decreasing energy specifics and rationalizing the choice of fuels. The biggest problem in cement and lime production is how to switch to solid fuels in the modern cement factories designed originally for hydrocarbons (in Beremend, Hejocsaba and Belapatfalu). The reason is that the brown coals mined in Hungary, with low calory value, can be used in cement technology only after further processing, which requires significant investment. The countries

more developed in the cement industry use a technology which makes possible the burning of rubber waste in the main fire. Considering that the large quantity of rubber waste arising here is not used, and that storing it and destroying it causes problems, a technological conversion would be worth while. The energy management program has this as a goal also.

Coal fired brick manufacturing experiments have begun already in a number of brick factories in the country, to replace with brown coal and the oil needs of brick firing furnaces fueled with oil.

Measures have been initiated to provide energy conserving building materials and structures. Thus, in the case of walling materials, the quantity of modern Poroton, Thermoton, Uniform, etc. and gas concrete walling materials, in addition to traditional materials, will increase to a significant degree with investments expanding manufacturing capacity.

In regard to insulating materials, the currently manufactured quantity of mineral batting will double with realization of the "Tapolca III" investment and investment in a new glass batting factory is now being prepared. The manufacturing capacity for expanded perlite satisfies the needs.

The variety of window materials with reduced heat transmission is expanding. In addition to new buildings, an important role will be played in the period ahead by renovating existing dwellings, increasing thermal protection. A decision has been made to provide incentive making the populace interested in increased insulation and private construction.

Transportation accounts for about 14 percent of the energy use of the economy. Its demand is definitive in use of petroleum products. Modernizing transportation technology and techniques, better organization of shipments, an appropriate division of labor and making full use of vehicles can ensure efficient energy use. Railway modernization is continuing on the basis of the goals; between 1981 and 1985 we will electrify an additional 200 kilometers of line. Completely eliminating steam traction will make it possible to save good quality domestic and import coal, which can be used in other areas, for example to replace fuel oil.

In highway transportation the important tasks are keeping up the technical condition of vehicles, ending empty runs, tightening the norm systems and strengthening documentation discipline. All this will be aided by data recording equipment, installing tachographs which provide performance data reflecting the real movement of vehicles. What additional savings we can record in the period ahead will depend on the training of and material incentive for experts working in highway transportation.

The results achieved in the area of agriculture are noteworthy in regard to modernization of energotechnology. The simplest way to make use of agricultural and forestry waste and by-products is to burn them.

Calculations thus far indicate that this would yield fuel equivalent to about 300,000 tons of oil. The initial good experiences show that by burning straw, for example, we could save 100,000 tons of oil per year.

Use of trimmings and cut out wood from fruit and grape production could expand resources with a heat equivalent to 60,000 tons of oil per year; use of forestry and cutting area waste and primary lumber industry wastes would yield the equivalent of 40,000 tons of oil per year.

It must be emphasized that careful economic calculations are needed to determine what expense is involved in collecting the products listed above and preparing them for burning and in acquiring and operating the boilers. Local initiatives and experiences will determine which of these ideas will be realized. Preliminary calculations indicate that it would be worth while to save this "raw material", now being wasted, by increasing the level of organization and creating leader interest.

III.

The Sixth 5-Year Plan has prescribed 30 billion forints for realization of the developmental tasks of the energy management program; within this we calculate an expenditure of 15 billion forints for realization of the action program. Implementation of the program in the sphere of the populace may be aided primarily by means of price policy and regulation. The level and ratios of producer and consumer prices for fuels will be developed in such a way--in harmony with the living standard policy and price policy of the Sixth 5-Year Plan--as to encourage primarily conservation of hydrocarbons and coke, thus directly reducing dollar accounting imports. If need be, where national economic interests require it, there may be use of authoritative functions also. For a significant number of the proposals figuring in the action program we estimated both the savings and the investment funds. Many hundreds of proposals in various areas were prepared as a basis for the program. Additional proposals are being worked out. Thus, in the interest of selecting the most efficient solutions, every single theme must be judged finally on the basis of individual technical-economic evaluations. Taking economicalness and efficiency into consideration, it will be necessary to establish a sequence for realization. So the program is not a mass of measures to be implemented mechanically. We are constantly reviewing the execution and timeliness of the individual program points. Some program points may be modified depending on changing circumstances or, if they lose their timeliness, they may be taken off the agenda and new goals may be built into the program. The Economic Committee guides and supervises this work, ensuring with its resolutions the timeliness of the energy management program from moment to moment, which means that we should regard the program as open. It should be understood that we regularly review, in relationship to the systematically changing conditions of the economy, the expenditures and the energy savings to be expected as a result of them; and if the financing of another possibility will give a more favorable result, as compared to some original task of the program, we will realize it.

It must be recognized that the sum which can be turned to modernization of energy management in the given plan period is finite. The government has prescribed--out of the previously mentioned sum--use of 15 billion forints to achieve the goal formulated in the action program. This sum is five times the sum used in the course of the Fifth 5-Year Plan. It is obvious that we must finance out of these moneys the realization of those possibilities which are most economical.

A rational modification and regrouping of tasks, that is adjusting the program to the situation moment by moment, will remain the basic principle to be followed in the future also.

Every task in the program has someone responsible for it and has a time limit for execution, but in addition the active cooperation of every institution, enterprise, managing unit and guiding organization is needed in implementation of the energy management program. The ministries and chief authorities designated as responsible took action at the beginning of 1981 to carry out tasks prescribing organizational measures not requiring investment.

Our economic conditions have worsened further recently. This made it necessary to accelerate realization of the original goals of the program. The Economic Committee took action on this at the end of last year. It can be evaluated as a favorable phenomenon that the megye councils have prescribed and initiated execution not only of those tasks prescribed for them by the action program but also plan other tasks which can be carried out in their areas.

It can also be evaluated as a significant and favorable modification of direction that the megyes are aiding--at the level of regional programs--execution of tasks falling in the branch sphere of responsibility. The socialist brigades and innovators can play an especially important and valuable part in this work. Useful pledges and goals in the labor competition and various movements must be in harmony with the energy management program. The social organs can aid the coordinating work of the megye coucils, can participate in the creation of work groups and in working out competitions, especially in those areas where professional technical staffs are not available. Social criticism of and aid to energy conservation work in a given area is an important task for them.

The MTESZ [Federation of Technical and Scientific Associations] has created a presidium committee to aid the action program. It is the task of the scientific associations to acquaint the broadest possible circles with the program and to support the program with social tools and to discover new energy management and conservation possibilities both within the tasks defined in the program and outside of them also. They also have the important task of discovering circumstances hindering or impending execution of the program and preparing recommendations for their resolution.

IV.

Energy use by the national economy in 1981 was about 1,252 PJ, which is 0.7 percent less than the 1980 energy need. But, while total energy consumption

decreased, electric power use increased by 3.2 percent. The moderation in actual energy consumption as compared to the 1981 plan prescription (33 PJ) is the result of the combined effect of a number of factors. For example:

--the 1981 energy consumption was realized with a growth of the economy smaller than planned;

--use of energy-demanding products on the domestic markets decreased and marketing possibilities on external markets became less favorable. Because of this production (manufacture of crude iron, production of rolled goods, the construction materials industry) decreased as compared to what was planned in a number of energy-demanding branches; the production structure changed;

--energy rationalization, conservation and price measures had an effect; and

--the average temperature of the 1981 heating season deviated from the 1980 value and from the 100 year average temperature (a warmer winter).

Looking at the numeric effect of these consumption moderating factors it can be established that the 33 PJ energy savings of the year, as compared to the plan, contains about 22 PJ for the year as a result of a smaller then planned economic growth, a modification of structural composition and weather factors while the remaining 11 PJ reduction in consumption for the year was the result of implementation of the energy management program.

The distribution of energy use by economic branch last year, as compared to 1980, shows that energy consumption by industry decreased by about 1.5 percent despite the fact that production exceeded the 1980 level by 2.2 percent. Energy consumption by the other material branches (construction industry, agriculture, transportation) also decreased, while energy use by the populace and the communal sector increased moderately.

The decrease in energy needs, as compared to 1980, took place primarily in a moderation of use of fluid hydrocarbons (gasoline, fuel oil, heating oil). The ratio of fluid hydrocarbons in the structural composition of fuels decreased from 36.5 percent in 1980 to 34.9 percent.

Energy supply for the economy was balanced in 1981. Energy consumption at the annual level remained below the 1980 level--as a result of the factors already mentioned and as a result of 1981 execution of the government energy management program. This made it possible to satisfy the energy needs of users with petroleum imports and petroleum processing lower than in 1980, so there was no need to buy the dollar accounting petroleum products prescribed in the national economic plan.

Information pertaining to fuel import possibilities made it necessary to review the energy supply situation for the Sixth 5-Year Plan. Further measures became necessary on the basis of the results of the study--increased exploitation of economical domestic energy production possibilities and acceleration of realization of the goals contained in the energy conservation program. Within this framework we must strive to broaden methods resulting in savings and to use solutions replacing more expensive fuels with cheaper fuels. In the interest of realizing these goals the Economic Committee passed resolutions in October and November 1981 which provide a direction for stressed tasks in 1982 also.

The 1982 annual economic plan prescribes that energy consumption should remain at the 1981 level. Use of petroleum and petroleum products must decrease further in 1982 by increasing domestic coal and natural gas production and by putting the Paks Nuclear Power Plant into operation.

In the interest of realizing the energy use prescribed in the 1982 annual economic plan it must be ensured that the numerical values for energy conservation planned for 1982 should be realizable with the organizational measures and investments aimed at energy conservation listed in the energy management program of the Sixth 5-Year Plan.

Carrying out these tasks requires the organized and active support of the entire society. In the interest of aiding thrifty management and moderating energy use the support of social organs is indispensable in forming the awareness of energy users and the active organizing and mobilizing cooperation of the trade unions is especially important.

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## SITUATION, PROSPECTIVE DEVELOPMENT OF GAS SUPPLY EXAMINED

Budapest ENERGIAGAZDALKODAS in Hungarian No 5, May 82 pp 185-193

[Article by Dr Akos Ban, candidate in technological science, of the Hungarian Hydrocarbon Industry Research and Development Institute: "The Situation and Prospective Development of Hungary's Gas Supply"]

[Text] The use of gas as a source of energy has been closely connected also with capitalist industrial development in Hungary.

In our large industrial cities gas factories have operated since the middle of the last century: In Budapest since 1856, in Szeged and Debrecen since 1864, and in Gyor since 1869. By the end of the century and until very recently there was a gas factory and pipelines for gas supply in nine cities outside Budapest.

A change in this development occurred with the discovery in 1937 of the Southern Zala oil fields, which were brought into production at the same time as utilization of gas associated with oil and recompression into the stratum began. At that time gasoline installations were built at Budafa and Lovaszi, which provided propane and butane to the population to power automobiles. We consider as a major technological development the delivery of oil and natural gas alternately in 1949 through the long-distance Budafa-Budapest oil pipeline by means of stoppers. Delivery to Budapest of gas produced in the coke-plant of the Danube Ironworks began in 1962.

The placing into production of the natural-gas fields discovered in the Alfold region during the 1960's was of critical significance for the development of the entire Hungarian gas industry. As a result of this delivery of Alfold natural gas to Budapest began at the end of 1953.

The natural gas reserves were the basis of supplying the nation's large cities, other towns, and industry with an energy source based on gas. The production of town gas from natural gas was begun, and in parallel with this the transition from town gas to natural gas as well as the connection of new cities, towns, and plants to the gas service. It is not an exaggeration for us to say that the availability of an energy source based on gas influenced not only the standard of living of the population but also the industrial development of our cities and rural areas as well. As an example it can be mentioned that within a couple of years after the transition from town gas to natural gas there was a ten-fold

increase in consumption in some cities. In the capital city, where many circumstances made the transition to natural gas difficult, there has been six-fold increase in the amount of gas delivered by the Capital City Gas Works compared to before 1956, and it now amounts to 3 billion cubic meters, to which should be added the consumption of industrial plants supplied by direct long-distance pipelines. Especially noticeable in Budapest has been a favorable change in the cleanness of the air as a result of the transition to natural gas.

The transition to natural gas in industry, similar to the experiences of other countries, decreased specific investment and operation expenses of the various branches of industry, contributed to the production of quality goods, reduced the consumption of energy, promoted the regulation of technology and heating in certain areas, such as the chemical industry, the fertilizer industry, petrochemistry, and was the basis for a dramatic development.

Development in the chemical industry required a pure natural-gas substance, and for this reason we have imported 200 million cubic meters annually from Romania under an international agreement. Import has been further expanded since 1975 from the Soviet Union, and presently, as the result of the construction of the Orenburg pipeline, 3.8 million cubic meters [annually] of Soviet import are helping to supply domestic demands for gas (Figure 1).

On the basis of a measurement of all potential users, the present total consumption of 10 billion cubic meters can be compared with a desirable consumption of 15 billion cubic meters in the future.

In our country the use of propane and butane has an important history; its beginning coincides with the placing into production of the South Zala oil fields in 1939. Presently the number of users of "PB" [propane-butane] is 2.2 million, which will increase further. We are planning an increase in the quantity of PB as well, along with the areal expansion.

During recent periods the expansion and development of gas service has required the manufacture of modern heating systems and devices as well. The technical level of long-distance supply and distribution has risen, and underground storage of natural gas has also been achieved. All this serves toward a more secure energy supply for the population, communities, and industry.

With the measures prescribed in the Sixth Five-Year Plan and with the realization of the energy-management program, the portion of hydrocarbons in domestic energy consumption must be reduced from 64 percent to 59 percent, and as part of this the oil portion [must be reduced] by at least 4 percent.

Most of the increase in the requirements for energy are to be covered by energy produced in atomic plants or imported electricity.

The consumption of hydrocarbon energy sources through 1985 cannot exceed the level of 1980, according to the plan adopted.

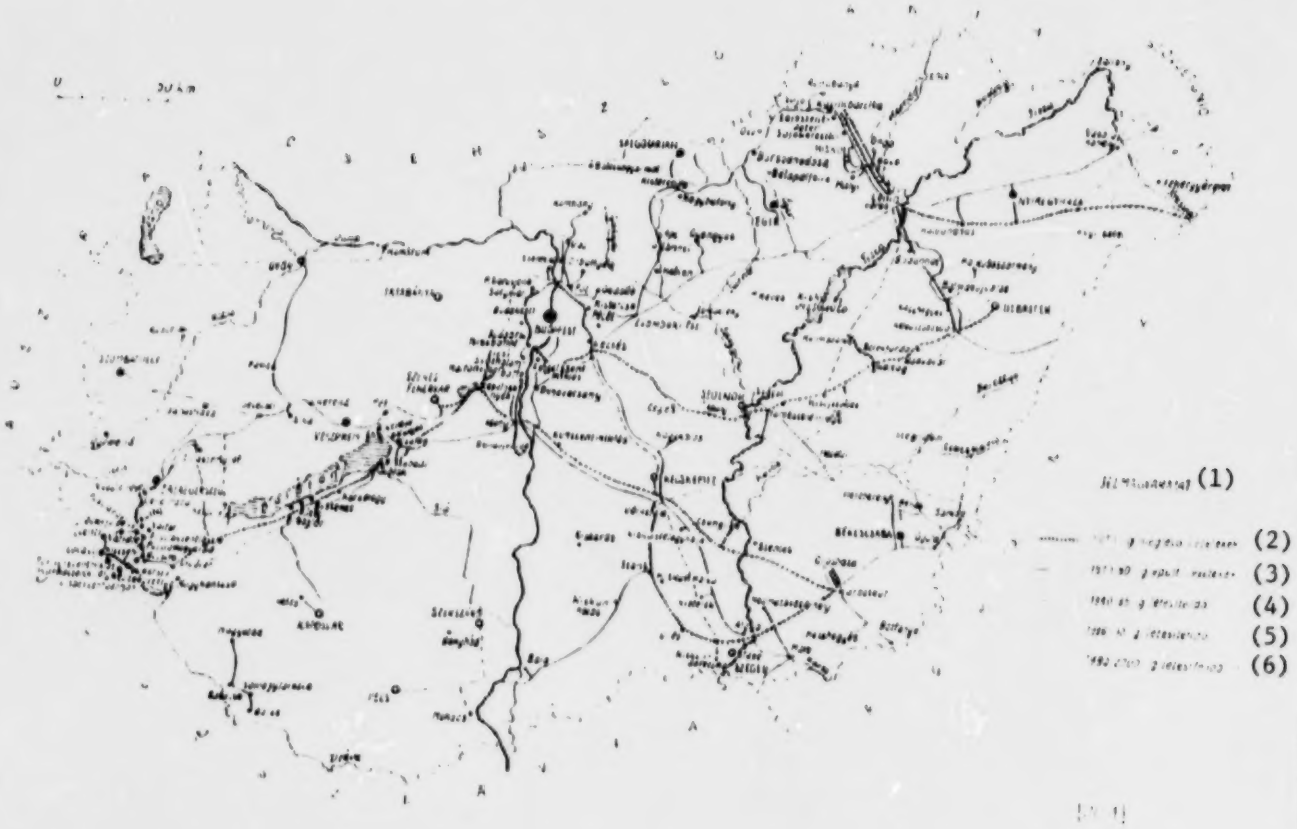


Figure 1. The Development of the National Natural-Gas Pipeline System

Key: (1) Explanation of symbols
(2) pipelines existing by 1970
(3) pipelines constructed between 1970 and 1980
(4) pipelines to be established between 1980 and 1985
(5) pipelines to be established between 1986 and 1990
(6) pipelines to be established between 1990 and 2000

By the end of the millenium, we must make a change to energy sources that are cheaper than oil. According to the long-range energy policy approved in 1978:

--the use of oil will be replaced by [the use of] natural gas and coal, and at the same time the great efforts will be made in every area of national economy to achieve the savings that are possible through energy management.

--atomic and coal energy will move forward in the energy structure.

Natural-gas Exploration and Production

About 85 percent of the area of Hungary is suitable for natural-gas exploration, and as the result of previous explorations our natural gas reserves are 126 billion cubic meters. Of this, 94 billion cubic meters contain more than 70 percent combustible matter, 14 billion cubic meters between 60 and 70 percent, and 18 billion cubic meters below 30 percent. It is significant that more than 10 billion cubic meters of our reserves are pure carbon dioxide, and some of this is sold for food purposes in the form of carbonated water and dry ice. About half of the combustible natural-gas reserves is "cap gas" or associated gas dependent on oil, which requires special technical measures for production. Exploration is continuing intensively, and the strata between 2,000 and 3,000 meters deep are especially promising, where because of high temperatures and pressures, taking into account the existence of conditions for production and accumulation, further reserves rich in heavier hydrocarbons can be supposed to exist.

Natural gas is being produced in several areas from about 100 wells. Gas production by absorptive washing, expansion, or mechanical cooling guarantees a dew point of 10°C. For this reason there have been no problems with condensation in the pipelines. The natural-gas fractions heavier than propane, butane, and pentane are separated out. In the largest gas plant, Algyo, iso-butane is also extracted, and they are planning to extract ethane, which as a result of greater cooling will result in a greater production of existing propane. Since propane and butane will be extracted in the natural-gas fields and oil refineries, it will be advisable in the future to plan separate distribution to the population of propane in small containers, while the butane can be used to fuel automobiles in cold weather. The ethane will be delivered to the Tisza Chemical Combine where it will make possible the production of benzine for the chemical industry.

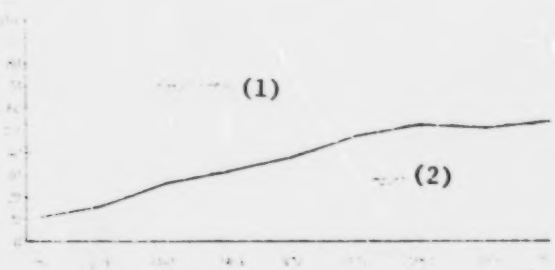


Figure 2. Energy and Fuel Balance in Hungary

Key: (1) Domestic production (2) Imports

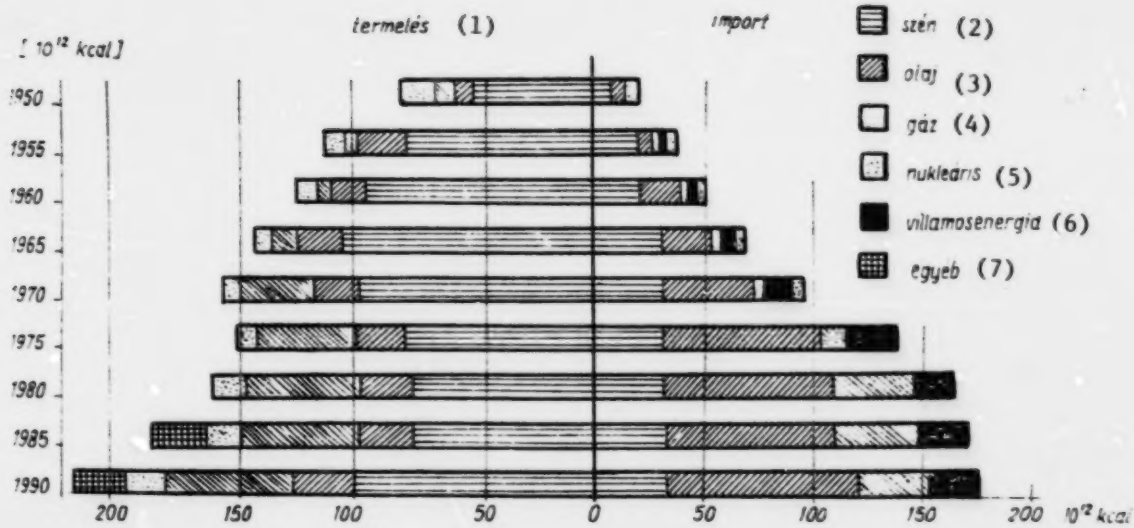


Figure 3. Energy and Fuel Balance

Key:
(1) production
(2) coal
(3) oil
(4) gas
(5) nuclear
(6) electric energy
(7) other

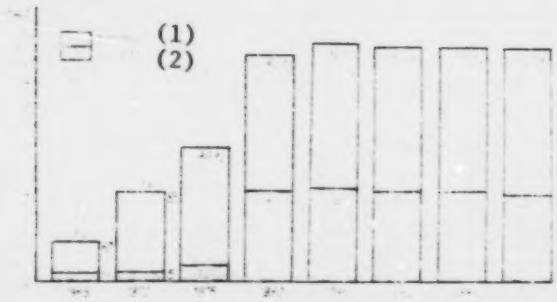


Figure 4. Natural-gas Balance Between 1965 and 2000

Key: (1) production (2) imports

Table 1. Energy Balance (data rounded)

Unit of measurement: PJ [quadrillion joules]

| Name | | | 1950 | 1955 | 1960 | 1969 | 1970 | 1975 | 1980 | 1985 |
|---|---|---|---|---|---|---|---|---|---|---|
| Total sources | | | 322 | 515 | 620 | 812 | 963 | 1,114 | 1,306 | 1,428-1,470 |
| of this: | production | | 285 | 435 | 456 | 561 | 607 | 594 | 624 | 716 |
| | of this: | coal | 213 | 318 | 373 | 419 | 381 | 306 | 289 | 301 |
| | | oil | 21 | 67 | 50 | 75 | 79 | 84 | 88 | 84 |
| | | natural gas | 13 | 17 | 8 | 42 | 126 | 180 | 209 | 213 |
| | | other (including PB) | 38 | 33 | 25 | 25 | 21 | 25 | 38 | 42 |
| | | nuclear | -- | -- | -- | -- | -- | -- | -- | 75 |
| | import | | 37 | 79 | 163 | 251 | 356 | 519 | 682 | 712- 754 |
| | of this: | coal (incl. HALDEX [expansion unknown]) | 8 | 21 | 38 | 75 | 59 | 50 | 46 | 42 |
| | | charcoal | -- | -- | 8 | 8 | 8 | 13 | 8 | 13 |
| | | coke | 17 | 33 | 29 | 33 | 33 | 38 | 38 | 38 |
| | | oil | 4 | 13 | 67 | 100 | 197 | 343 | 377 | 377- 406 |
| | | natural gas | -- | -- | 8 | 8 | 8 | 25 | 134 | 134- 146 |
| | | electric energy | -- | 4 | 8 | 21 | 46 | 50 | 79 | 109 |
| | | other | 8 | 8 | 4 | 4 | 4 | -- | -- | -- -- |
| Total usage | | | 314 | 490 | 500 | 766 | 900 | 1,076 | 1,264 | 1,361-1,404 |
| | | Production/import ratio (3) | | | | | | | | |
| | | production | 80 | 85 | 74 | 69 | 63 | 53 | 48 | 50- 51 |
| | | import | 12 | 12 | 26 | 31 | 37 | 47 | 52 | 50- 51 |
| | | Energy structure (3) | | | | | | | | |
| | | coal excess | 74 | 72 | 72 | 66 | 50 | 37 | 29 | 28- 27 |
| | | oil | 8 | 16 | 19 | 22 | 29 | 38 | 36 | 32- 33 |
| | | gas | 4 | 3 | 3 | 6 | 14 | 18 | 26 | 24- 25 |
| | | fusion material | -- | 1 | 1 | 2 | 5 | 5 | 6 | 8- 7 |
| | | other | 14 | 8 | 5 | 4 | 2 | 2 | 9 | 3- 3 |

There is corrosion in the process of production, since Hungarian natural gas contains no hydrogen sulphide, only in places where free water arises and can condense out of the gas stream.

In the case of carbon-dioxide gases, internal corrosion is not frequent either, because the heavier hydrocarbon fractions contain an inhibiting substance. Appropriate inhibitors are added continually in places where corrosion is observed, especially in the interest of protecting steel drilling and production pipes.

Long-distance Delivery and Distribution

Transportation through pipelines of natural gas beyond Zala megye began in 1949 through the oil pipeline connecting Budafa and Budapest, alternately moving oil and gas with stoppers. The most frequent shipment was 5 gas stoppers per week; in order to prevent mixing, the starting pressure of the oil and gas had to be kept at 70 bars, and at the receiving end a pressure of more than 25 bars had to be maintained. A little mixing of oil and gas did occur, however, so care had to be taken at the receiving point to separate the separation of oil and gas. In this manner 1 million cubic meters per week of natural gas were transported to Budapest.

In order to improve Budapest's gas supply, a circular pipeline was built (Figure 5).

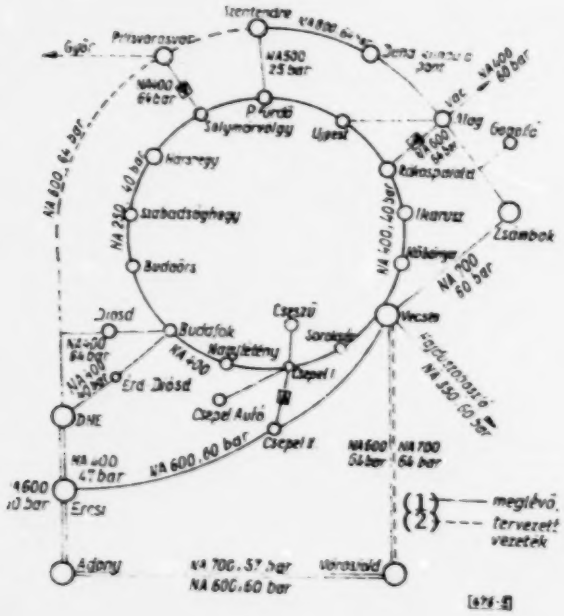


Figure 5. The Budapest Circular Pipeline

Key: (1) existing (2) planned pipeline
[all other words are names of places]

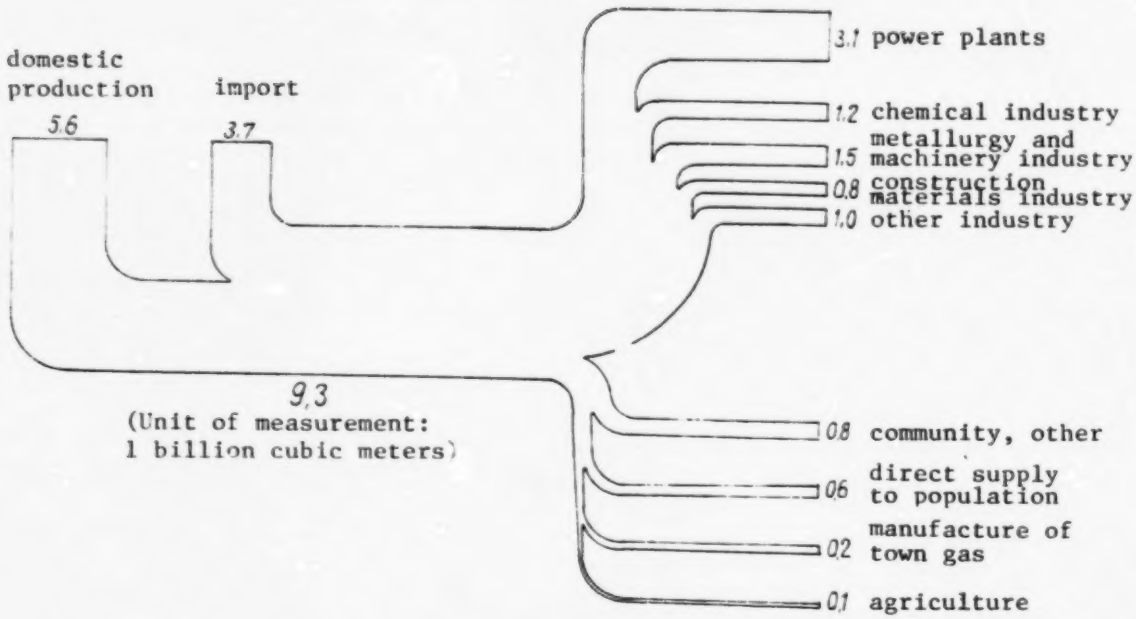


Figure 6. Integrated Natural-gas Industry
(unit of measurement: 1 billion

At present 10 billion cubic meters of natural gas are circulating through a gas network of 3,321 kilometers. Consumption according to homogeneous groups of users can be seen in the attachment and the figures (Figure 6). At 120 locations 133 gas-transmission stations, long-distance "zero-points" or junctions, are in operation.

The goal for the next period is to increase gas service to the countryside by nearly 1 billion cubic meters over the next 20 years, and with this to partly replace heating oil and connect new household and community users. The Capital City Gas Works will increase their gas traffic by almost 1 billion cubic meters. Consumption by power stations is a function of the availability of coal and nuclear energy.

The number of household consumers with pipelines increased in the countryside from 525,000 to 919,000 in 10 years; the length of the distribution network in the countryside increased from 3,780 to 5,800 kilometers, and in the capital city it rose to 2,800 kilometers.

Among the characteristic indicators of the size of the area of consumption can be mentioned the fact that in the decade between 1970 and 1980 expansion of the circle of consumption underwent a dramatic increase, and the town-gas service that in 1970 went to 10 cities and 10 towns had decreased by the end of 1980 to just 2 cities (Figure 7). In 1970 there were natural-gas pipelines to 26 cities and 68 towns.

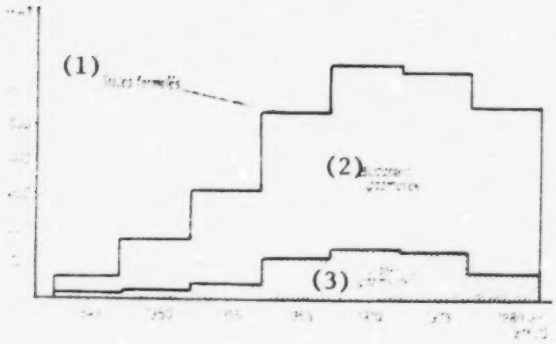


Figure 7. Production of Town Gas Between 1945 and 1980

Key: (1) total production (3) countryside gas works
(2) Budapest gas works

The national system has been built in an interconnected manner (Figure 1). The long-distance pipeline system is connected with the Romanian, Czechoslovakian, Soviet, and Yugoslavian long-distance gas-pipelines.

Transit shipments from the Soviet Union to Yugoslavia take place through our long-distance system. The amount of gas transported will be 2.5 billion cubic meters per year by 1985. In the first stage, a gas exchange actually occurs. Soviet gas arrives into the Hungarian system and the amount to be transited to Yugoslavia can be provided from the Algyo field in the southern area of our country.

In recent years, in connection with transit, we have also undertaken to rent gas storage facilities to Yugoslavia.

Surveillance of the long-distance network has provided for reliable gas service. Except for a few breaks in pipes, there has been no serious failures during the past 20 years.

During the period of the Sixth Five-Year Plan, the long-distance network will expand by about 230 kilometers, another 120,000 to 130,000 residences will be connected for pipe delivery of gas. Thus by 1985 there will be gas supply by pipe to between 1.02 to 1.04 million of the nation's 3.85 million residences, or 27 percent.

Table 2. Natural Gas Balance (net dry)

Unit of measurement: 1-million buic meters
2-PJ

| Type | 1970 actual | | 1980 actual | | 1985 plan | | 1990 main variant | | 1990 variant | | 1995 main variant | | 1995 variant | | 2000 main variant | | 2000 variant | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1 | 2 | 1 | 2 | 1 | 2 | 1 | 2 | 1 | 2 | 1 | 2 | 1 | 2 | 1 | 2 | 1 | 2 |
| Sources | | | | | | | | | | | | | | | | | | |
| Net domestic dry production | 3,575 | 123.3 | 6,133 | 211.6 | 6,500 | 126.4 | 6,500 | 216.4 | 6,500 | 216.4 | 6,500 | 216.4 | 6,500 | 216.4 | 6,500 | 216.4 | 6,500 | 216.4 |
| Import + domestic production | 200 | 6.9 | 4,000 | 138.0 | 4,198 | 139.8 | 4,005 | 133.4 | 4,520 | 150.5 | 4,005 | 133.4 | 4,970 | 165.6 | 3,935 | 131.0 | 5,400 | 179.8 |
| Total sources | 3,775 | 130.2 | 10,133 | 349.6 | 10,698 | 356.2 | 10,505 | 349.8 | 11,020 | 366.9 | 10,505 | 349.8 | 11,470 | 382.0 | 10,435 | 347.4 | 11,900 | 396.2 |
| Distribution | | | | | | | | | | | | | | | | | | |
| Chemical industry | 575 | 19.8 | 1,277 | 44.1 | 1,200 | 40.0 | 1,200 | 40.0 | 1,200 | 40.0 | 1,200 | 41.6 | 1,250 | 41.6 | 1,350 | 45.0 | 1,350 | 45.0 |
| Heavy industry | 1,147 | 39.6 | 1,336 | 46.1 | 1,350 | 45.0 | 1,300 | 43.3 | 1,300 | 43.3 | 1,070 | 35.7 | 1,270 | 42.4 | 800 | 26.6 | 1,000 | 33.3 |
| FOGAZ [Capital City Gas Works](without MVMT [expansion unknown]) | 405 | 14.0 | 1,364 | 47.0 | 1,590 | 52.9 | 1,590 | 52.9 | 1,590 | 52.9 | 1,700 | 56.6 | 1,960 | 65.3 | 1,800 | 59.9 | 2,260 | 75.2 |
| Enterprises with gas services (without MVMT) | 481 | 16.6 | 2,149 | 74.1 | 2,855 | 95.0 | 2,860 | 95.2 | 2,860 | 95.2 | 2,970 | 98.9 | 3,410 | 113.5 | 3,070 | 102.2 | 3,760 | 125.2 |
| Own use of OKGT [National Oil and Gas Industry Trust] | 115 | 4.0 | 272 | 9.4 | 385 | 12.8 | 375 | 12.5 | 390 | 13.0 | 415 | 13.8 | 480 | 16.0 | 415 | 13.8 | 530 | 17.6 |
| Losses in production, distribution or transportation | 168 | 5.8 | 255 | 8.8 | 135 | 4.5 | 100 | 3.3 | 100 | 3.3 | 100 | 3.3 | 100 | 3.3 | 100 | 3.3 | 100 | 3.3 |
| Increase in inventory | -- | -- | 373 | 12.9 | 57 | 1.9 | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| MVMT | 884 | 30.4 | 3,107 | 107.2 | 3,240 | 107.9 | 3,800 | 102.6 | 3,580 | 119.2 | 3,000 | 99.9 | 3,000 | 99.9 | 2,900 | 96.6 | 2,900 | 96.6 |
| Total distribution | 3,775 | 130.2 | 10,133 | 349.6 | 10,698 | 356.2 | 10,505 | 349.8 | 11,020 | 366.9 | 10,505 | 349.8 | 11,470 | 382.0 | 10,435 | 347.4 | 11,900 | 396.2 |

Note: Import and transit difference are to be understood at 15°C, which at 20°C corresponds to:
import of 4.2 billion cubic meters and transit difference of about 70 million cubic meters in 1985
import of 4 to 4.5 billion cubic meters and transit difference of about 70 million cubic meters in 1990
import of 4 to 5 billion cubic meters and transit difference of about 70 million cubic meters in 1995
import of 4 to 5 billion cubic meters in 2000; there will be no Yugoslavian gas transit as the 20-year arrangement will expire in 1999.

Table 3. Hourly Peak Figures at Junctions

Unit of measurement: thousand cubic meters per/hr

| Type | 1980 | 1985 | 1990 | 1995 | 2000 |
|---|---|---|---|---|---|
| From known and prospective fields | 726 | 771 | 769 | 773 | 782 |
| From underground gas-storage tanks | 280 | 558 | 558 | 810 | 1,038 |
| From import | 365 | 383 | 365- 413 | 383- 454 | 359- 483 |
| From transit | 76 | 285 | 285 | 285 | -- |
| Total for the national high-pressure pipeline transportation system: | 1,447 | 1,997 | 2,007-2,055 | 2,241-2,322 | 2,179-2,313 |
| Regional system: | 47 | 48 | 30 | 20 | 20 |
| National total: | 1,494 | 2,037 | 2,037- 285 | 2,271-2,342 | 2,199-2,333 |

Management of Natural-gas Output and Underground Storage

The peak requirements that occur within the period of a day in the capital city and the countryside were at first met by gas tanks, and after the construction of the long-distance network by the flexible contents of the network, which can be estimated at some 20 percent of daily volume.

At the end of the long-distance network supply problems began to appear with the depletion of the Southern Zala fields, and for this reason underground gas tanks have been established since 1962 in depleted natural-gas deposits (Figure 1).

Today the largest underground tank is that in Hajduszoboszlo, which can handle the natural-gas volumes produced from a field with several deposits.

In contrast with the daily sources [of gas] in 1980, within 20 years we must guarantee an increase of 12-16 million cubic meters per day, of which 10 million cubic meters per day will go to underground storage, and 6 million cubic meters per day of this will be realized by 1985 (Table 4 and Figure 8). A major role in satisfying seasonal demands has been played by the construction in the highest-producing Algyo field of a "peak plant" with a capacity of 4 million cubic meters per day in addition to the [existing] gas-handling and production capacity of 8 million cubic meters per day.

The additional amount needed from underground gas tanks and peak plants for seasonal heating is determined on the basis of the difference from the monthly average temperature (+16°C) and the nature of the consumption (Figure 9).

Table 4. Technical Characteristics of Underground Gas-Storage Tanks

| Type | 1980 | 1985 | 1990 | 2000 |
|---|---|---|---|---|
| 1. Hajduszoboslo gas-storage | | | | |
| --"pillow gas" stored (million cubic meters) | 1,708 | 1,708 | 1,708 | 1,708 |
| --"mobile gas" stored (million cubic meters) | 400 | 750 | 750 | 1,500 |
| --number of wells | 35 | 35 | 35 | 35 |
| --pressurization capacity (thousand cubic meters per hour) | 110 | 200 | 200 | 300 |
| --output capacity (thousand cubic meters per hour) | 210 | 450 | 450 | 900 |
| --output capacity (million cubic meters per day) | 10.504 | 10.8 | 10.8 | 21.4 |
| 2. Pusztaederics gas-storage | | | | |
| --"gas pockets" stored (million cubic meters) | 248 | 248 | 455 | 455 |
| --"mobile gas" stored (million cubic meters) | 100 | 100 | 165 | 165 |
| --number of wells | 16 | 16 | 17 | 17 |
| --pressurization capacity (thousand cubic meters per hour) | 40 | 40 | 50 | 50 |
| --output capacity (thousand cubic meters per hour) | 30 | 50 | 80 | 80 |
| --output capacity (million cubic meters per day) | 0.73 | 1.0 | 1.9 | 1.9 |
| 3. | | | | |
| --"gas pockets" stored (million cubic meters) | 261 | 261 | 261 | 261 |
| --"mobile gas" stored (million cubic meters) | 150 | 180 | 180 | 180 |
| --number of wells | 7 | 8 | 8 | 8 |
| --pressurization capacity (thousand cubic meters per hour) | 33 | 40 | 40 | 40 |
| --output capacity (thousand cubic meters per hour) | 40 | 58 | 58 | 58 |
| --output capacity (million cubic meters per day) | 0.96 | 1.4 | 1.4 | 1.4 |
| 4. | | | | |
| --"gas pockets" stored (million cubic meters) | 2,217 | 2,217 | 2,424 | 2,424 |
| --"mobile gas" stored (million cubic meters) | 650 | 1,030 | 1,095 | 1,845 |
| --number of wells | 58 | 59 | 60 | 75 |
| --pressurization capacity (thousand cubic meters per hour) | 183 | 280 | 290 | 390 |
| --output capacity (thousand cubic meters per hour) | 280 | 558 | 558 | 1,038 |
| --output capacity (million cubic meters per day) | 0.612 | 1.34 | 1.34 | 24.9 |

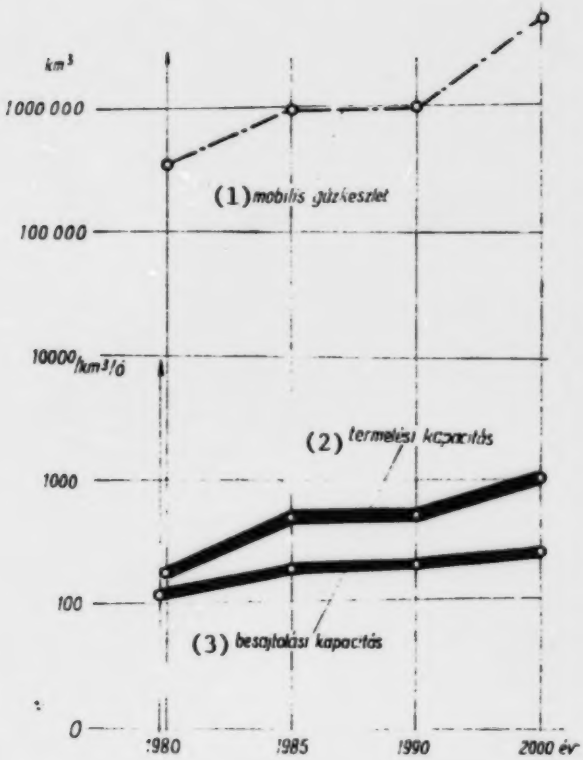


Figure 8. Technical Characteristics of Underground Gas Storage

Key:

(1) mobile gas
(2) production capacity
(3) pressurization capacity

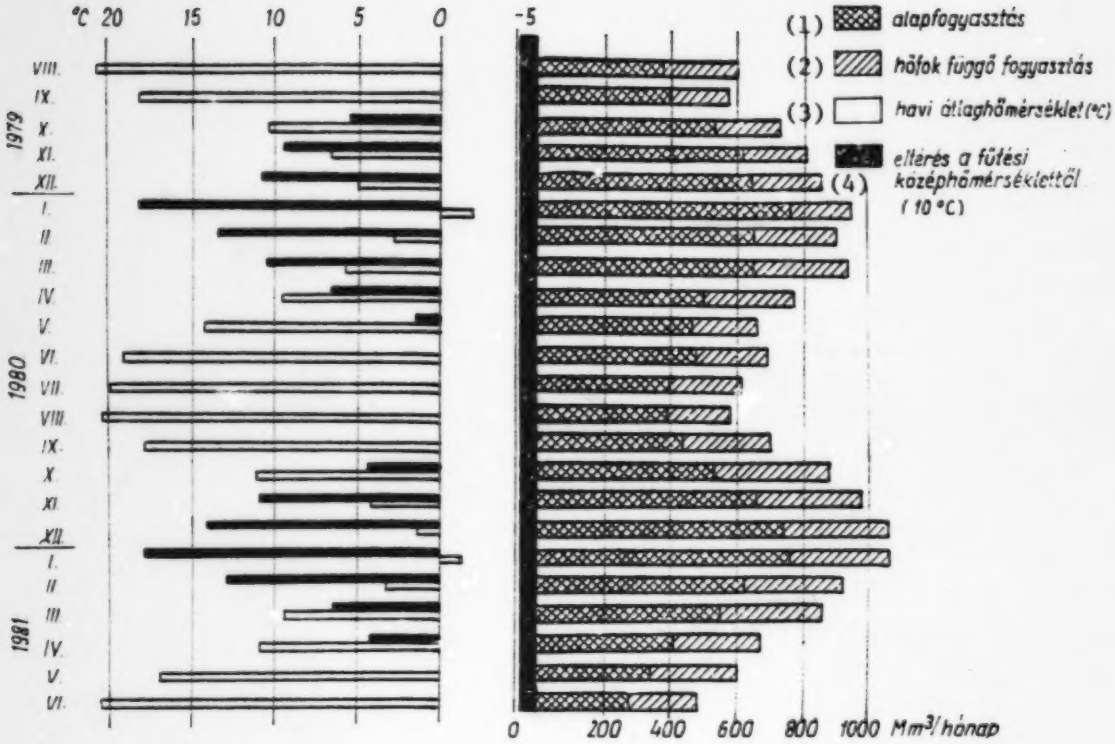


Figure 9. Monthly Average Temperatures and Gas Consumption

Key: (1) basic consumption
(2) temperature-dependent consumption
(3) monthly average temperature (°C)
(4) difference from average heating temperature (10°C)

Naturally, in addition to satisfying the amounts judged to be necessary, there are also consumers equipped with buffer and alternative heating systems. For exceptionally cold times or prolonged shortages of natural gas, the authorities that supervise Hungarian energy have worked out a schedule of rationing.

Security and continual operation of the gas-pipeline system are assured through observance of conditions during planning and construction that are strict even by international standards, by corrosion and cathodic protection, by daily inspection, and by the OKGT's damage-prevention system.

Economic gas distribution and gas supply in populated areas has been helped by the installation in increasing proportion of plastic pipes in the medium- and low-pressure distribution system and further by the introduction of high-pressure gas supply.

## Natural Gases Containing Carbon Dioxide

As a result of natural features, we have available reserves of combustible and partly-combustible gases as well as pure carbon dioxide, which have been utilized by Hungarian industry. In Mihaly and Repcelak, natural gas containing some 1.5 percent is purified of heavier hydrocarbon fractions by the absorption method, and the carbon dioxide is distributed in seltzer cartridges, bottles, and truck containers, as liquid and dry ice. It generates a significant amount of hard currency.

Utilization of accompanying gases with large carbon-dioxide content takes place at the glass factory in Oroshaz, where the high thermal capacity of the carbon-dioxide content is also favorable for melting glass. The heat of combustion of the gas is 12.14 million joules per cubic meter. Natural gases with a heat of combustion of 29.01 million joules per cubic meter are used for heating in populated areas and for industrial consumption, and as a result of successful pilot tests, we have methods available for enriching the combustible portion of gases containing carbon dioxide.

Beginning in 1983, half a billion cubic meters per year of natural gas with large carbon-dioxide content will be used in power plants. After successful pilot tests, clean gases containing carbon dioxide may be used in the magnesite industry.

## Propane-Butane Gas (PB gas)

Data concerning the 10-year development of propane-butane gas and projected usage for the next period can be see in Table 5 (Figure 10). Significantly, natural-gas mining has tripled the production of propane-butane in 10 years.

Distribution by area to individual districts takes place through filling stations and then through exchange stations in the populated areas. The number of households using propane-butane will be 2.54 million in 1985, and in 1990 there will be 2.7 million. This means that the number supplied with propane-butane will reach 70 percent.

In order to meet seasonal demand for propane-butane, a 30,000 cubic meter atmospheric storage tank is under construction at Algyo, the largest gas field. This will be placed into operation during 1982.

Table 5. Production and Use of PB Gas (kilotons)
(1970 - 2000)

| Type | 1970 | 1975 | 1980 | 1985 | 1990 | 2000 |
|---|---|---|---|---|---|---|
| Source | | | | | | |
| total domestic production | 129 | 201 | 317 | 311 | 311 | 355 |
| of this: | | | | | | |
| from mining: | 75 | 237 | 237 | 131 | 131 | 75 |
| petroleum refining by-products | 54 | 80 | 80 | 180 | 180 | 280 |
| Import | 41 | 20 | 20 | 20 | 20 | 20 |
| Bottled remainder | 5 | 11 | 11 | 10 | 10 | 10 |
| Total sources: | 175 | 348 | 348 | 341 | 341 | 385 |
| Usage: | | | | | | |
| --domestic consumption in bottles and small tanks | 170 | 268 | 268 | 319 | 319 | 385 |
| --other | 5 | 80 | 80 | 22 | 22 | -- |
| Total [usage] | 175 | 348 | 348 | 341 | 341 | 385 |

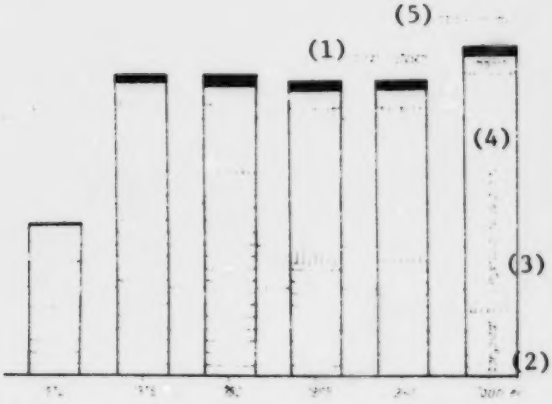


Figure 10. Production of PB Gas

Key:
(1) total sources
(2) mining
(3) crude-oil refinings
(4) import
(5) bottle remainder

Price Policy

The evolution of wholesale and retail price relationships of energy providers (Tables 6 and 7) has been influenced at various times by national considerations of supply, production, and social policy.

Table 6. Retail Prices (in percent)

| | 1968 | 1973 | 1975 | 1980 |
|---|---|---|---|---|
| Coal (domestic + import) | 100 | 100 | 100 | 100 |
| Charcoal (domestic + import) | 163 | 133 | 124 | 124 |
| Coke | 169 | 171 | 182 | 189 |
| Firewood | 205 | 170 | 163 | 169 |
| Natural gas | 123 | 166 | 174 | 167 |
| City gas | 232 | 222 | 229 | 219 |
| Total gas | 194 | 190 | 196 | 188 |
| Household heating oil | 267 | 195 | 209 | 217 |
| PB gas (11 kilogram units) | | | | |
| at exchange stations | 255 | 267 | 300 | 243 |
| home delivered | 332 | 348 | 300 | 293 |

Table 7. 1981 Annual Base Price for Large Operations

| | |
|---|---|
| 1981 annual base price for large operations | |
| Natural gas | 90 forints per million joules per hour |
| Town gas | 90 forints per million joules per hour |
| Gas price | |
| Natural gas | 7.3 fillers (million joules) |
| Town gas | 12.0 fillers (million joules) |
| Price for general usage | |
| Natural gas | 45 forints (cubic meters per hour) month |
| Gas price | |
| Natural gas | 17 fillers per million joules |
| Town gas | 12 fillers per million joules |
| Buffer | |
| Natural gas base price | -- |
| Gas price | 7.3 fillers per million joules |
| Natural gas for the chemical industry | |
| Gas price | 3,180 forints per 1,000 cubic meters |
| For the Capital City Gas Works | |
| Gas price | 7.1 fillers per million joules |
| Wholesale price of PB gas | 2,250 forints per ton |
| TEK [Capital Equipment Marketing Enterprise] price | 3,720 forints per ton by container truck<br>4,000 forints per ton in 11 or 22 kilogram containers at exchange stations<br>6.1 fillers per million joules for household use=0.0062 forints per million joules for household use. |

In recent times, as the result of the increased cost of hydrocarbon energy there has been a natural tendency that those consumers who can choose should turn to domestically-produced coal and to natural gas, which can be obtained relatively easily. The MFMT, which buys large amounts of gas for the production of electricity, has a large role in the structure of gas consumers. One reason for this, among others, is the fact that during the summer months the arrival of seasonal imports is antiseasonal, but domestic production is limited by domestic demand for propane-butane. As is well known, the peak demand for PB gas is precisely in the summer, when in fact we should be limiting domestic gas production in order to be able to accept a large quantity of imported Soviet gas.

As a final thought in summary it can be stated that the growth of natural-gas consumption in Hungary during the last 20 years has been strong, and we hope that this tendency will not stop in the coming period either.

Strong growth in natural-gas consumption is promised by the world and especially the Soviet natural-gas reserves and solution of the technical problems of transporting them, by the favorable characteristics of natural gas, and by the energy market that has developed.

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CSO: 2500/313

## HOUSING SITUATION, PROBLEMS DISCUSSED BY DEPUTY MINISTER

Budapest MAGYAR HIRLAP in Hungarian 9, 10, 11 Sep 82

[9 Sep 82 p 8]

[Interview with Deputy Minister of EVM [Ministry of Construction and Urban Development] by Tamas Foldes: "Housing Problems. Deputy Minister is Cautiously Optimistic--Should We Build Semi-Finished Homes?"]

[Text] We have become careful about making predictions. At the beginning of the 1960's, when our first 15 year housing development program aimed at completing 1 million new homes went into effect, there were some who thought that by the mid-1970's or by the early 1980's at the latest housing shortages would be a thing of the past. The plan was overfulfilled: during the decade and a half between 1960-1975 even more than 1 million dwellings were built in Hungary; during the 6 and 1/2 years that have elapsed since then another half a million have been added to our housing stock, yet despite all this the housing shortage (especially when it comes to providing homes for our young people) continues to be one of our most pressing social problems even today.

The numbers speak for themselves. Even though we have built 1.5 million apartments in 20 years, we have also had to tear down more than what we had anticipated (or could it be that we did not really have to were it not for the unjustifiable open-handedness of some of our decisionmakers?). Consequently, even compared with the 2.758 million level of 1960, in 1980 we still only had 3.544 million apartments in place; the actual increase for the past two decades, therefore, has been only 786,000 (in other words, hardly one-half of our newly built homes!). At the beginning of the 1960's there were still 349 residents for every 1,000 dwellings, and by the early 1980's this has dropped to 404; at the same time, the number of persons per room has also declined from 200 to 145. However, 27 percent of our homes are still one-room units, 49 percent have 2 rooms, 37 percent are without amenities and 12 percent have only running water an lavatory. Therefore, in addition to those who have no homes at all we also have people expecting a new roof over their heads who justifiably hope for a more spacious and more modern home to improve their living conditions.

Today nobody is willing to make long-range predictions, for it will be still some time before our market of demand can become a market of supply (if that can ever happen). The situation of home seekers have been further exacerbated

by the fact that there have been increasingly less central funds available for new housing construction projects. During the 1980's we expect to build about 750,000 homes, only 20 percent of which will be stated-owned, private initiatives, therefore, are expected to play an even more definite role than before...the trouble, however, which people building on their own are forced to go through has been a source of nerve racking tensions for decades. If they have a plan they do not have a lot to build on; if they have a lot they do not have a contractor; if they have a contractor their material supplies are not steady; when there is enough material and also a contractor to do the job then the prices start changing and they begin to run out of funds.... Building a home is one of the most complex undertakings: it requires time, money, patience and often also expertise and good physical condition. But is there really no movement in the background, or have our recent--and presently contemplated--measures and new initiatives helped to ease the situation of those building on their own?--it was in search of an answer to this question that we went to the Ministry of Construction and Urban Development, the National Savings Bank and elsewhere to file these series of reports.

In a Vulnerable Position?

I put the following question to Antal Jantner, Deputy Minister of EVM:

[Question] Are builders still in a vulnerable position?

[Answer] The vulnerability of our builders has changed in accordance with the change, or the lack of change, in the relationship between demand and our available building capacities. While construction demand has undoubtedly declined in recent years, there has been an even greater drop in the number of people employed in the construction industry. Although it is true that when they get to their new jobs most people who leave the enterprises continue to work in construction, if they go to a small-scale operation their productivity becomes low. Plainly speaking: it is still not easy to find a contractor.

The problem, of course, is not with family houses or with multi-story buildings constructed using modern technology: most family homes are domestically built with the collaboration of collegues, by way of voluntary cooperation or with the help of private artisans. One of the important considerations in choosing this route is that it can save the builder approximately half of the labor cost. In general, the building of prefabricated and tunnel-support construction residential buildings is within the domain of the local councils, so here also future owners determined eligible to buy a new home enjoy a relative advantage. The problem is between these two types of construction: i.e., with small owner-occupied apartment houses. They are too small to be built by a large-scale enterprise, but they are too large to complete in voluntary cooperation. They are usually constructed by coops and ad hoc associations...and most of the time it is here where we find problems in planning and organization. And it is a pity, because small apartment houses are efficient building forms.

[Question] It is also becoming increasingly harder to find places to build....

[Answer] This is because we are running out of vacant lots which could be built up. Yet in spite of this we have been able to make some advances in land management. We are presently working on a measure that will systematize the conditions and possibilities for the permanent leasing of state land.

They Should Not Cause Any Damage

[Question] The problem is that these leased plots are becoming increasingly more expensive. The local councils are offering them at "market value", in other words at almost the same price owners of privately held building sites are asking for theirs.

[Answer]...Let me respond by asking you a question: and what if, let us say, the councils were selling them at half price? Where would they make cuts, i.e., what would they use to make up for the loss of important revenue needed for other communal purposes? But since we are talking about the councils: they are providing increasingly greater assistance to builders, often for merely token compensation. One after the other, they have been setting up adversory and organzing groups; one such office was just opened in Budapest. Something has just happened in Debrecen which is worthy of attention: the council there has allocated and advanced enough land to build almost 300 private apartments, at the same time, the OTP [National Savings Bank] has advanced money to cover the construction costs, the EVM has granted the right to start planning and now the Hajdu megye State Construction Enterprise is building homes for sale at a later date. To put it simply: taking advantage of this assistance from the authorities the enterprise has entered the market as a contractor. The leaders of Bacs megye, and later others as well, have expressed similar intentions. This enterprising spirit has many benefits. There is no need to look for a contractor since that function is performed by the builder itself. Planning costs become lower, the builder can make more profitable use of the land thus reducing utility costs; presumably, the journeymen take greater care to ensure that they do not damage each other's work. The enterprise is not pressed to meet deadlines and the project can increase its profits. As for the future owner: he will not pay any more than what a construction project dragged out for perhaps several years would cost and he can get a home without any preliminary procedures.

[Question] The demand for private apartments that can be purchased with cash is nothing new, but why is it still so hard to find an enterprise willing to build at its own risk?

It is Not Necessarily Good

[Answer] The regulatory, financial and credit conditions of these types of undertakings still have not been completely worked out; there is no precedent or practice to build on. The EVM, however, supports and encourages these initiatives because we feel that it can only be benificial for everyone concerned. We expect a similar form to take hold in Budapest: we already have several rural enterprises working in Budapest, one from Veszprem megye has established as many as two subsidiaries here, but even Number 43 has found it profitable to go ahead and build sections of 1,000 to 1,500--although not more if possible--apartements on its own. Our Budapest-based large-scale

enterprises no longer have to be urged to do this: they themselves have recognized the benefits they can gain from it. It is also certain that some of our small businesses will show similar willingness to build now and sell later. The palette will definitely become more colorful.

[Question] In order to cut costs there has been much talk about building semi-finished apartments to be completed by the future owners.

[Answer] These only create arguments. It is not necessarily a good solution for everyone. It may happen, for example, that due to a lack of money and strength the new occupant is not able to complete the work for a long time. Hence, this could in fact also lead to the creation of a system of permanently unutilized units. It is a fact, of course, that these semi-finished apartments could ease the pressures on the construction industry caused by its limited finishing capacities. We should make a more thorough assessment of what it is that future owners are able to undertake themselves. Installing the parqueting or the carpet floor, and putting up the wallpapering are not likely to exceed their means. Our central policies also emphasize this construction form. The Ministry, therefore, has taken everything there is to know about semi-finished and improvable housing construction solutions and combined them into an information pamphlet.

[Question] The recorders of construction affairs have told us time and again that most construction material are no longer in short supply. Our builders have a different opinion....

[Answer] Material shortages have significantly improved, but the storage capacity of TUZEP [Fuel and Building Material Trade Enterprise] is still extremely dismal. It tears my heart out when I see how they store cement and brick in some of our stock yards. A few years ago we did a study to assess the amount of storage capacity that is still required: we would need billions to put things in order. At the same time, our material producing enterprises could also sell their products themselves...however, not all of them are taking advantage of this opportunity. A good example: in Solymar, and in a few other plants they also have a TUZEP office operating on the premises. Especially noteworthy is the case of small-size bricks, state subsidies for which were recently withdrawn. For years our experts have been saying that there are more modern products available, still the demand has not diminished. Now that its price has been regulated there may also be a drop in popular demand. And although there is still not much profit in it, at least now if somebody decides that he still wants to build his family house out of small-size bricks the national economic will not have to lose any money.

[10 Sep 82 p 7]

[Interview with Robert Angelus, Department Head, Main Department for Investments, Capital City Council and with Dr Endre Igaz, Director of VAEV [State Construction Enterprise of Veszprem] by Tamas Foldes: "Land-Waltz--High Leases. Situation Report from Budapest."]

[Text] Without a thorough examination of the numbers it may seem that the capital's housing situation is more favorable than the national average. The reason for this is that according to the data of the 1980 census, there are

almost 710,000 occupied residential units in Budapest (of which 273,000 have been built since 1960), and there are only 276 residents for every 100 dwellings compared to the average residential density of 306 in other cities and 313 in the villages. So what could be the cause of all these problems which seem more pressing than anywhere else in the country? More than likely the fact that it is here--and in Miskolc--where, after Debrecen, the average ground space of residential units is the lowest: 53 $m^2$ (the national average is 59 $m^2$; 58 $m^2$ in the cities and 63 $m^2$ in the villages).

The ground space of 30.4 percent of the homes in Budapest is below 40 $m^2$, while in other cities and villages the percentage of dwellings with floor spaces that low is only 17.4 and 13.6, respectively. At the other extreme; hardly more than a quarter of the capital's residential units are larger than 60 $m^2$; elsewhere this percentage is between 33.5 and 39. It is easy to see, therefore, why the situation in Budapest continues to be tense. The different generations who must live under one roof are finding it hard to get along, and increasingly more of them--especially the young married couples--would like to have a family nest of their own.

Toward Private Effort

During the Sixth Five-Year Plan period 86,000 to 92,000 new apartments will be built (a good many of them in the garret-space). Those building their homes on their own will be able to move into 20,000 settlement-type, and 2,000 collective, modern apartments; in addition, 6,000 to 7,000 dwellings will be built in the form of individual owner-occupied apartment houses and 7,000 to 8,000 as traditional family houses. We went to discuss all of this with Robert Angelus, department head in charge of private construction projects at the Capital City Council's main department for investments. This is the main department which oversees the building of "settlement-type" residential units; a construction project is classified as settlement-type if it means building at least 90 homes simultaneously. Providing public utilities for the area is the council's job, which at the same time also determines which institutions' workers are eligible to purchase these homes. (The capital city keeps a record of all enterprises which provide employer assistance to their workers in the form of no-interest loans or in other ways.) The apartments are either sold by the OTP, or their future owners can form a housing cooperative.

[Question] Where will settlement-type private apartments be built during the Sixth Five-Year Plan period?

[Answer] They will be scattered around various points of Budapest, but the capital city can also assign building sites among locally targeted residential buildings. Hence, while the building of targeted residential units is limited to 12 or 13 sections in Budapest, privately undertaken settlement-types construction will spread out over 50 to 60 different areas. The largest of these will be the 4,000 unit Pok street section projected to be completed between 1984 and 1985, where 50 institutions have received the right to appoint buyers. The building plan, which also takes into account the principles of city planning, is manifold: approximately 1,000 homes will be housed in ten-story buildings, 2,300 in four-story ones and 700 in two-story row houses.

Although originally we were talking only about 20,000 settlement-type private apartments, already so far we have issued almost 24,000 homebuilding permits: the investment programs are ready to be implemented and the contractors have already been appointed. And since even in the capital city there has been a growing trend toward private effort, changing their plans they have decided to prepare investment programs for 28,000 apartments (if the funds available for targeted construction projects begin to dwindle, their place is automatically taken over by settlement-type privately undertaken projects).

The Tension Remains

[Question] Housing construction in Budapest has often been hindered by a lack of capacities. Now that some of our rural enterprises have also established a permanent presence in our capital, has the situation become more favorable?

[Answer] Yes, it has improved somewhat compared to what it used to be, but the background of our construction industry is still not without problems. We also have new types of economic associations: we are trying to give all interested contractors an opportunity to participate in housing construction. I must mention here: in order to make more efficient use of our public utilities, we could build as many as 30 more apartments around already existing residential buildings according to the same financial conditions which apply to settlement-type homes. If a builders' association with a contractor already lined up puts in a request, the council can provide them with land primarily in some of the vacant sites of Vizivaros, Pest, Terezvaros and Ferencvaros. However, many who would like to build still do not have a contractor to do the job.

The decision regarding the long-term leasing of state lands are made--based on the social committee's evaluation--by the 3rd district council. Under the Fifth Five-Year Plan 12,000 apartments were built this way. These lands are sold and leased at their realistic market value (although even this "realistic market value" is not low). As far as owner-occupied apartment buildings and family houses built on private lots are concerned: here also, the council--or councils--have considerable responsibility. They must put an end to inexpedient developments in the green belts of Buda which disregard the environment, and they must discard plans for buildings which do not blend with the landscape. One thing that might be of help for private home-builders is that since the beginning of June there has been an office for private home-builders operating downtown, on Kiraly Pal street. Here builders can get professional answers to any questions they might have, and the office, which is maintained by the Capital City Council, even provides some services. We have heard it before: we still cannot put an equation mark between our building capacities and builder demand. At the same time there are six building factories which are underutilized and there are several megye enterprises which are trying to find ways of making their presence in Budapest even more pronounced. A Veszprem enterprise has chosen a seemingly expedient solution: as we have already reported, in early February they established two subsidiaries in the capital. The goals and possibilities of this undertaking were summed up by Dr Endre Igaz, director of VAEV [State Construction Enterprise of Veszprem]: their building factory would only have been utilized to 65 percent capacity

and had they not made some kind of move the enterprise would have started losing money, it would have been unable to repay its loans, in other words, it would have gone bankrupt. It was in searching for a way out that they decided: they would set up organizations which would make it possible for them to market their building factory's products not only in Veszprem, but also in the neighboring megyes.

Our family house and row house models have won awards at the 1981 Budapest International Fair, and as early as this year we will bring 100 two-story units into use on Ifju Garda street. Under the present five-year plan, the Capital City Council and the OTP need 3,000 new apartments, so we are able to use our building factory to 100 percent capacity.

It Can Also Be Made of Panel

[Question] What areas are you willing to move into; where is it profitable for you to build?

[Answer] The only areas which the large-scale enterprises of Budapest are not interested in are vacant lots and areas where no more than 50 to 100 residential units can be built. Our economic situation has forced us to look for markets with purchasing power; so we have also accepted contracts to build up vacant lots. As our debut, we have an experimental project under way in downtown Budapest on Vadasz street, where we are building a home for the elderly out of panel. After we see how it works out we wish to continue this work. During the second half of the year our Buda subsidiary is going to begin construction of a 70 unit row house in the vicinity of the Koranyi hospital, while our pest subsidiary is expected to build about 800 apartments in the Centenarium housing settlement.

[Question] These apartments are sold by the council or by the OTP. But will it be possible for someone to buy a private apartment directly from the enterprise, or to have them build a home for him from building factory-made panels?

[Answer] Entering into agreements with housing cooperatives is already possible; of course, the right to appoint continues to belong to the council, and the financer is still the OTP. We are ready to build these types of apartments on a full-time basis...if they issue a decree allowing us to take out an advance loan to begin the project. Our subsidiary, which is renting its equipment, is ready to put up even family houses. I must add here: in order for our subsidiary to survive, it must devote half of its activities to working on free-price subjects.

[Question] How much does a Veszprem panel-apartment cost in Budapest?

[Answer] On Ifju Garda street they run 9,500 forints per $m^2$. In Veszprem we can build similar homes at a price of 7,000 to 8,500 forints per $m^2$. This, of course, does not include the price of the land or the costs of public utility installation.

As Antal Jantner, Deputy Minister of EVM put it in yesterday's interview: the palette is definitely becoming more colorful. However, in order for us to make more profitable use of these new opportunities, we need greater flexibility.

[11 Sep 82 p 6]

[Inteview with Gyula Torok, Manager of OTP's Directorate for Apartment Construction and Credit, by Tamas Foldes: "Price, Value and Trade--New Credit Conditions Under Way"]

[Text] The costs of building a home--in the case of larger-than-average private apartments--are close to, and sometimes may even exceed 1 million forints. Someone who wants to build his future home with the help of professionals rather than by relying on voluntary cooperation must be prepared--when we include the price of the land--to work with seven-digit numbers.

At the end of last year, they completed a model panel-construction residential settlement in Farkasret, on Beregszasz street: some rural construction enterprises built it to show what they can do. These modern--and for the purposes of the exhibit specially furnished--family houses were open for inspection by anyone for 2 weeks; subsequently, they were put on the market. Potential buyers were "made to compete" for 43 apartments, and the lucky ones were able to get into a new home at a price of 12,000 to 15,800 forints per $m^2$. Why were they lucky? Because they did not have to suffer through the various agonies connected with building a home. They paid, and they could move in. In Rakospalota, the apartments built by the Veszprem enterprise on Ifju Garda street are somewhat cheaper: they cost 984,000 forints, at (also including the land) 11,056 forints per $m^2$. The buyers of those owner-occupied row houses did not have to compete: they are being sold by the council and the OTP.

User's Fee

Few people have millions ready to spend--especially in cash--but for those who already have an apartment it is easier to make a move. It is becoming increasingly evident that by way of gradual trading a single new apartment can solve the problems of two (or even more) families. We went to the National Savings Bank to talk with Gyula Torok, manager of the Directorate for Apartment Construction and Credit, about these possibilities. We have learned, that presently there are two ways of trading personally owned apartments. One possibility is by way of an organized trading scheme which is subject to certain conditions: the reasons for the trade must be justified. These may include health reasons, change of jobs and of course the fact that the growing family has outgrown its old home. These kinds of trade are handled by the councils and the enterprises. Today former homes may be traded for newer and larger ones even without a strong reason...the financial conditions, however, are less favorable. In the case of organized trade, the person purchasing the old home with OTP assistance does not have to pay any property transfer fees, whereas under the other scheme 7 percent of the purchase price must go to the duty office.

In both cases, the old apartments are bought by the OTP which takes into account their location, their assets and liabilities and their actual market value (charging a 2 percent handling fee for this service). What is extremely important about this is that the seller is allowed to remain in his old home until his new apartment is completed. In the case of an organized trade all he pays is a user's fee in the amount of his rent; the other version is not quite as advantageous: the payment in this case is 2 percent of the purchase price in the first year, 4 percent in the second and after that 6 percent every year. It does make a difference, therefore, how long it takes to complete the new, better-than-the-old dwelling.

If we are talking about apartments worth over a million, how much money would it take to make such a step? Surprisingly, much less than it does to buy one's first privately owned home. In the case of organized trades, the council appoints the buyer and there is also a guaranteed maximum OTP loan which can be taken out. If this is coupled with a more substantial enterprise assistance, it could even happen that a given family could move into a larger apartment without any cash down. The loan payments, of course, could hardly be considered small: the maximum OTP credit is 320,000 forints, and the enterprise assistance may exceed 100,000.

We would like to emphasize the word: today. New credit conditions are being worked out in accordance with the guiding principles that have been laid down by the Central Committee of the MSZMP and the Council of Ministers. They will be made known in the near future in conjunction with our new system of housing management. This change--which is being made by taking also into account the experiences drawn from social debates--will give greater consideration than before to our families' actual needs. This is one of the reasons why we have chosen not to deal in great detail in this report series with home construction and purchasing-related OTP loans; the present possibilities can be read about in a special printing of the May 1981 issue of the publication, entitled HAZI JOGTANACSADO [Home Legal Adviser]. Here we will only quote one paragraph: "The extent and the upper numerical limit of the amount of loan which can be granted for new home construction, and of credits which can be extended for home purchases may vary, depending on the form of construction, and in the case of family houses, on the location of the construction. It may go from 50 to 90 percent, or from 160,000 to 320,000 forints. (In the case of apartments sold by the councils there is no upper limit.) The maximum maturity period of loans may similarly vary: from 25 to 35 years. The new regulation will presumably make it clear that in housing construction there has been an exponential shift in emphasis over to private effort.

OTP's Role

The savings bank not only lends, it also builds: last year 16,500 new dwellings were built this way. Seventy to 80 percent of them go to council-appointed buyers (here we must also mention those homes which have been built, mainly in Budapest, on instructions from various enterprises; here the financial institution is asking 2 percent of the construction costs for handling the investment). The buyers for the remaining 20 to 30 percent are appointed by the OTP; preference is given to those who can pay the largest portion

of the selling price in cash (in the case of identical offers they also take into account such factors as social status and the person's number of children).

[Question] Two percent of the construction costs is not a large sum. Undoubtedly, there are many who would be happy to be able to avoid the various complications connected with construction and to be able to buy their homes directly from a real-estate office. Could the OTP perform such a function; what prevents it from building more apartments by making its own investments?

[Answer] Perhaps our skilled apparatus would be suited for this job--answered the manager of the directorate for housing construction and credit--, but it is the councils which prepare the construction site and make it available to the OTP. Knowing the demands, however, the councils justifiably insist on their right to appoint the buyers. In spite of this, the Beregszasz street initiative will continue; to some extent, this was also the way the above mentioned construction on Ifju Garda Street was handled. Some of the new sites earmarked for similar development include Arnyas street, Pok street and Tallya street. To mention some rural examples: in Uj-Szeged 1,000 apartments will be built, most of them under this type of marketing arrangement, at a price of 10,000 to 11,000 forints per $m^2$, in Kecskemet on Vacsi land 6,000, and in Gyor on Pava street 60 apartments.

Addresses Posted

[Question] What does one have to do to buy a used private apartment which was repurchased by the OTP?

[Answer] The addresses are posted at the regional and district branches of the OTP, and also in our central office on October 6 street. It is a fact, of course, that the list cannot be read for long; these apartments soon find a buyer. For here on the free market the price has been established at 9,000 to 12,000 forints per $m^2$, as opposed to the sometimes 16,000 forint level elsewhere. Last year, private homes of an average size of 56 $m^2$ sold by the savings bank could be bought for 505,000 to 534,000 forints by their present owners.

[Question] Is it easier, therefore, to buy or build a house now, at the beginning of the 1980's than it was in the 1970's?

[Answer]...In the country it is easier. In Budapest, there has not been much change....

9379
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SPECIAL CURRENCY EXCHANGE RATE TABLE PUBLISHED

Warsaw TRYBUNA LUDU in Polish 6 Sep 82 p 7

[Text] Announcement of Exchange Rates Table No 36/82, effective 6 September 1982, by Stanislaw Nieckarz, vice president, Polish National Bank, Warsaw, on 6 September 1982.

I. Foreign-currency exchange rates in zlotys for countries of the first payments area [socialist countries] for commercial and noncommercial payments remain unchanged.

1. Exchange rates for commercial payments.

| Country | Curr Symb | Currency | Foreign Exchange Purchase 4 | Sales 5 | Average 6 |
|---|---|---|---|---|---|
| CEMA countries | 101 | 1 transferable ruble | 67.66 | 68.34 | 68.00 |
| Albania | 315 | 1 clearing ruble | 67.66 | 68.34 | 68.00 |
| North Korea | 319 | 1 clearing ruble | 67.66 | 68.34 | 68.00 |
| Laos | 322 | 1 clearing ruble | 67.66 | 68.34 | 68.00 |
| Vietnam | 320 | 1 clearing ruble | 67.66 | 68.34 | 68.00 |

2. Exchange rates for noncommercial payments.

| Country | Curr Symb | Currency | Foreign Exchange and Money Purchase 1 | Sales 2 | Average 3 |
|---|---|---|---|---|---|
| Albania | 215 | 100 lek | 213.92 | 216.08 | 215.00 |
| Bulgaria | 202 | 100 lev | 4,884.54 | 4,933.64 | 4,909.09 |
| Czechoslovania | 203 | 100 koruna | 429.84 | 434.16 | 432.00 |
| North Korea | 219 | 100 won | 1,243.75 | 1,256.25 | 1,250.00 |
| Cuba | 208 | 100 pesos | 3,227.02 | 3,259.46 | 3,243.24 |
| Mongolian PR | 204 | 100 tugriks | 856.93 | 865.55 | 861.24 |
| East Germany | 205 | 100 marks | 1,343.25 | 1,356.75 | 1,350.00 |
| Romania | 206 | 100 leu | 431.56 | 435.90 | 433.73 |
| Hungary | 207 | 100 forints | 291.42 | 294.34 | 292.88 |
| Vietnam | 210 | 100 dongs | 375.08 | 378.84 | 376.96 |
| USSR | 201 | 100 rubles | 4,298.40 | 4,341.60 | 4,320.00 |

In purchases of travelers' checks for rubles, issued by the USSR Foreign Trade Bank and payable outside the USSR in the currency of the country where cashed, an exchange rate of 11,811.10 zlotys per 100 rubles is applied.

II. Foreign-exchange currency rates in zlotys for countries of the second payments area [capitalist countries].

| Country | Curr Symb | | Currency | Foreign Exchange Purchase 4 | Foreign Exchange Sales 5 | Money Purchase 1 | Money Sales 2 | Average 6 |
|---|---|---|---|---|---|---|---|---|
| Saudi Arabia | 771 | 1 | rial*** | 25.07 | 25.33 | -- | -- | 25.20 |
| Australia | 781 | 1 | Austral.dollar | 89.42 | 90.32 | 88.07 | 91.67 | 89.87 |
| Austria | 786 | 100 | schillings | 490.42 | 495.34 | 483.02 | 502.74 | 492.88 |
| Belgium | 791 | 100 | francs | 179.78 | 181.58 | 177.07 | 184.29 | 180.68 |
| Denmark | 792 | 1 | kroner | 9.85 | 9.95 | 9.70 | 10.10 | 9.90 |
| Finland | 780 | 1 | markka | 18.03 | 18.21 | 17.76 | 18.48 | 18.12 |
| France | 793 | 1 | franc | 12.28 | 12.40 | 12.09 | 12.59 | 12.34 |
| Greece | 724 | 100 | drachmas | 121.59 | 122.81 | 105.39 | 124.64 | 122.20 |
| Spain | 785 | 100 | pesetas | 76.36 | 77.12 | 75.21 | 78.27 | 76.74 |
| Holland | 794 | 1 | florin | 31.41 | 31.73 | 30.94 | 32.20 | 31.57 |
| India | 543 | 100 | rupees*** | 894.85 | 903.85 | -- | -- | 899.35 |
| Ireland | 782 | 1 | pound*** | 118.35 | 119.53 | -- | -- | 118.94 |
| Japan | 784 | 100 | yen | 33.20 | 33.54 | 32.70 | 34.04 | 33.37 |
| Yugoslavia | 718 | 100 | dinars | 177.87 | 179.64 | 154.16 | 182.34 | 178.76 |
| Canada | 788 | 1 | Canad.dollar | 69.58 | 70.28 | 68.53 | 71.33 | 69.93 |
| Kuwait | 770 | 1 | dinar*** | 295.93 | 298.91 | -- | -- | 297.42 |
| Lebanon | 752 | 1 | pound | 16.91 | 17.09 | 16.66 | 17.34 | 17.00 |
| Libya | 651 | 1 | dinar*** | 291.34 | 294.26 | -- | -- | 292.80 |
| Luxembourg | 790 | 100 | francs | 179.78 | 181.58 | 177.07 | 184.29 | 180.68 |
| Norway | 796 | 1 | kroner | 12.80 | 12.92 | 12.60 | 13.12 | 12.86 |
| Portugal | 779 | 100 | escudos | 99.61 | 100.61 | 86.34 | 102.11 | 100.11 |
| FRG | 795 | 1 | mark | 34.47 | 34.81 | 33.95 | 35.33 | 34.64 |
| United States | 787 | 1 | dollar* | 86.27 | 87.13 | 84.97 | 88.43 | 86.70 |
| Switzerland | 797 | 1 | franc | 40.42 | 40.82 | 39.81 | 41.43 | 40.62 |
| Sweden | 798 | 1 | kroner | 13.98 | 14.12 | 13.77 | 14.33 | 14.05 |
| Turkey | 627 | 100 | pounds | 52.76 | 53.30 | 45.73 | 54.09 | 53.03 |
| Great Britain | 789 | 1 | pound** | 147.82 | 149.30 | 145.59 | 151.53 | 148.56 |
| Italy | 799 | 100 | lira | 6.11 | 6.17 | 5.30 | 6.26 | 6.14 |

*Valid also in clearing accounts with the following countries: Bangladesh, Brazil, Ecuador, Greece, Iceland, Kampuchea, Colombia, Lebanon, Pakistan, Peru and Turkey.

**Valid also in clearing accounts with the following countries: Nepal and Pakistan.

***The Polish National Bank does not purchase money in these currencies.

9295
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## CONTRACT ORGANIZATIONS OF ASSOCIATED LABOR DISCUSSED

Belgrade BORBA in Serbo-Croatian 9 Sep 82 p 4

[Article by Jovan Kozomara: "Distrust or Lack of Business Sense"]

[Text] In many places it has after all been understood that the opportunities offered by contract organizations of associated labor (ugovorna organizacija udruzenog rada) are extremely large. The opportunities for investment of capital from the economy have been reduced to a minimum; on the other hand, there are more and more individuals with large savings and a desire to invest the capital in a way that will not only give them employment, but will also employ others who are unemployed.

Until it is understood (especially in opstina staff services) that contract organizations of associated labor are not a "gold mine" whereby the workers who invest their personal savings in them become rich, the unprecedented opportunities--especially for giving employment to young people in this sector--will continue to be the subject only of talking and writing, as has been the case up to now. Although in many places it is often stressed that in the new investment policy the commitment of personal capital in projects and equipment which will produce a product or render a service is a good solution, in practice it is difficult to carry out many initiatives in this area.

It is no secret that the brakes are mainly in opstinas, in places where as a rule the documents are obtained and capital offered for construction or equipping small-scale production facilities. More than once there have been stories about how individuals returning from employment abroad--and willing to invest their foreign exchange savings in projects of this kind--have encountered an inexplicable lack of understanding on the part of staff services in the opstinas. There have been cases, many have reported, that they were offered the public explanation that they wished to turn over the capital that they already had in a hurry and triple it, while all of this would be done under the guise of providing jobs for some 20 or 30 people unemployed at the moment. Some people persisted in spite of this, without giving in to the comments, but many gave up.

## The Fear That People Will Get Rich

From 1977 up to the end of last year 103 contract organizations of associated labor were set up in our country. It is evident that they are most numerous in a sector which in recent years has been "clumping along" behind others--that is, in construction (50). In industry and mining there were 15 of them, while in the craft and trade sectors of 33 individuals are willing to invest their capital in order to obtain employment for themselves. Hostelry, it is interesting, has not been attractive. There have been only two contract organizations, both of them in Slovenia.

It is in our most northern republic that the greatest number of establishments have been created to conform to the newest organizational form for the association of labor (23). In Serbia proper there are 21 of them, in Macedonia 17, in Bosnia-Hercegovina 14, in Croatia 11, in Kosovo 9 and in Vojvodina 8. It is obvious that in Slovenia, where this form of pooling labor and capital between individuals and opstinas first began, its roots are very deep, which is why contract organizations are most numerous there.

"We were not afraid that Bojan Stih (the investor in 'Tajfun,' the first contract organization in the country) would get rich quick. In any case, back then in 1977 he had 1.5 million, enough, that is, to be rich already. He put up his share, the opstina put up its own, and now today we already have a collective amounting to about 200 employees, their average personal income is high, and they have abundant capital.... Of course, Stih himself also did well, earned three average personal incomes a month, but all was regulated by legal provisions, and there was no room for hanky-panky. And from this transaction the opstina provided jobs for 200 young men and women," we were told in the Department for the Economy of the Sevnica Opstina Assembly.

Where there was no fear that individuals would suddenly become rich, contract organizations of associated labor have justified themselves. Not one of these 103 small-scale collectives has recorded losses from their establishment to the present time, and the earnings of those employed in them have been up or down depending on their performance and whether or not there was greater or lesser interest on the market for their goods (from an average of 5,230 in Macedonia to 12,700 in Slovenia). Certainly these averages would have been much higher had the enterprises not had large problems at the very outset obtaining skilled workers, of which there is a shortage both in large and also smaller centers.

The fact that last year personal incomes in contract organizations of associated labor were 6 percent lower than those in the economy or in industry and mining did not disturb any of them. Not a single worker has left his job and looked for a better one, since it is obvious that they are all aware of certain difficulties at the outset, but they also hope that with good work and better-quality goods it will be better in the very near future.

Constructive Sobering Up

Still the number of contract organizations is not large. On the contrary, specialists feel that in view of the demand generated by the economy, since it must have smaller organizations which would produce two or three articles to meet its needs on a specialized basis, there are not enough such enterprises. After all, just to mention only "Tajfun" of Sevnica; in it 200 employees do the work of putting together assemblies used in mowing machines. This is a small part that often fails on this agricultural machine, and it simply does not pay a large collective to make it.

Certain analyses have shown that contract organizations might be able to do a major part of their business in the service activities. For example, service centers for repairing household appliances represent only 4 percent of the small business sector, while in the more advanced countries they represent between 14 and 17 percent. This certainly creates an opportunity for many skilled technicians to operate without a license and without declaring their earnings. It is thought that more than 3,000 unregistered technicians are working in Belgrade repairing appliances used in the household.

Certainly it is difficult to put all the blame on the opstinas and their staff services. This sector was looked upon with a certain lack of interest in the past in the republics and provinces as well, that is, in those agencies which should have provided assistance in setting up contract organizations--as well as in the banks. The roots of this conception are related to the birth and inglorious end of the former GG enterprises [enterprises started by "groups of citizens"--translator's note]. Their defects and everything that accompanied their operation are often mentioned when contract organizations are discussed, although there is no reason whatsoever for this.

Certainly a constructive sobering up will be helped by enforcement of the new customs regulation, which makes it much easier to import equipment from abroad that is intended for opening small-scale enterprises of this kind. Provided he has spent 2 years working abroad continuously, any Yugoslav citizen can import the machines necessary to perform the activities for which he has the qualifications. The only condition is that these machines not be more than 10 years old in the year in which they are imported.

The issuance of these permits will not be in the jurisdiction of opstinas, since past experience has shown that it is there that the checks on rapid development of contract organizations of associated labor have created numerous problems. From now on such permits are to be issued by the appropriate agencies in the republics and provinces.

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JPRS 82026

20 October 1982

# East Europe Report

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2326

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# IMPORTANCE OF 'REVOLUTIONARY INITIATIVES' IN EXECUTING CONSTRUCTION WORK

Tirana RRUGA E PARTISE in Albanian Jun 82 pp 20-27

[Article by Shinasi Dragoti: "Revolutionary Initiatives--A Powerful Support for Fulfilling Tasks in Construction"; passages between slantlines printed in boldface]

[Text] The practice of the building of socialism in our country shows that the revolutionary initiatives, taken by the working class, the members of the cooperatives, and all other workers, have made and are making a great contribution to the execution of the line and directives of the party in the economic field.

Progressive experience, the results of the best elements, and the new tasks and requirements of every stage of the socialist construction of the country are a powerful encouragement and support for the revolutionary initiatives. Therefore, they are the result of the socialist competitions and of the socialist organization of work on new and higher levels--a new conception for further achievements, on the basis of the general interest. In this sense, the revolutionary initiatives are a very meaningful indicator of political and ideological maturity, of high socialist awareness, of the development of their technical-vocational and scientific capacities, and of the sense of responsibility of workers for the guidance of the entire life of the country, and for the better and better assimilation of the art of management of the economy. They are not merely a desire, but the result of a continuing, persistent, and creative work--the result of personal and collective confidence of workers both in their own forces and in their possibilities and unshakeable confidence in the line of the party and in our socialist social system.

Therefore, the party not only has continually encouraged and supported the revolutionary initiatives, but has also been and remains their life-giving inspirer. New horizons with a specific value for action in regard to the concrete implementation of the economic tasks, however difficult they may be, are continually opened for the working class and all other workers by the decisions and guidelines of the party and by Comrade Enver Hoxha's works; therefore, we study them with great attention and interest. Today, a very important source of inspiration is to be found in the historic documents of the Eighth Party Congress, in the report delivered by Comrade Enver Hoxha at this congress, and in the provisions for the Seventh Five-Year Plan (1981-1985) for

the development of the economy and culture of the People's Socialist Republic of Albania, a plan which, for the first time, will be fulfilled completely through our own forces.

As all other workers of the country, the construction workers, too, are tackling their jobs with multiple forces so as to implement the tasks of the Seventh Five-Year Plan. The present results indicate both their determination and the possibilities they have for fulfilling this plan. It is a fact that, based on the pace achieved in construction, we can progress in an average of five times more rapidly then during the 20 year period from 1951 to 1970. In this "marathon," a great role is played by the revolutionary initiatives which have been taken and are being taken by many working collectives in the construction sector, in the construction materials industry, in the various design units, and so forth, under the leadership of the basic party organizations. Such as, for example, the initiatives for the acceleration of construction work on many specific projects and important works, the initiatives for savings, and so forth.

Taking into consideration the great role played by the revolutionary initiatives in the implementation of the objectives set by the party in the field of construction, the time has come for the further reliance on these initiatives and their expansion and amplification to become a permanent method of work for the basic party organizations and for their levers, especially, the government and economic organs, for greater and greater achievements in the implementation of all the tasks assigned by the construction plan for this year and for the entire 5-year plan. It is essential that every initiative must have, at its foundation, the most complete implementation of the party directive that "in investments and constructions, saving time is one of the most decisive factors for reducing investments and uncompleted constructions, for ensuring the fulfillment of the tasks of the production plan, of national revenues, and of accumulation, for strengthening the stability of the market and of monetary circulation, and so forth." (Enver Hoxha, "Report to the Eighth Congress of the Albanian Workers Party," p 44).

The revolutionary initiatives of the working collectives of the construction enterprise of the Koman hydroelectric power station--to utilize two turbines in 1985, instead of one turbine as was the task--have properly taken into consideration this directive of the Eighth Congress of the Albanian Workers Party. To put one turbine in service ahead of the plan means to increase production in the balance-sheet of electric energy of the country of not less than 700,000,000 kilowatts which, if it was exported, would have brought to the economy a revenue of $20,000,000 in hard currency. This simple calculation very clearly explains the revolutionary content of this directive. Other initiatives have also been taken by this collective for the fulfillment of this objective, such as, the initiatives taken by the transport section of the construction site, of the tunnel construction site No 2, and so forth; but, all these initiatives are a component part and serve the basic initiative --the putting into operation of the second turbine 1 year ahead of schedule of the Seventh Five-Year Plan.

An initiative of this character is that of the construction of the water collector at Paskuqan in Tirana District by the working collective of the land improvement enterprise, a work of particular importance for agriculture, commissioned about 2 years ahead of schedule; it is a work of great profit.

From the experience which we have gained, it appears: first, that, before they are taken, initiatives must become the object of the most serious study and discussion, so that they are based on and reflect the economic essence of the directive in the most concentrated manner; second, in order that an initiative is implemented, it is necessary that it is accompanied by as many other special and supporting initiatives as possible. Such initiatives revitalize the life of the entire working collective, where the main initiative remains on the agenda of every worker and where their creative thought and mobilization in work are continually encouraged. This is the source of the fact that the work schedule in Koman and the economic tasks, in general, are regularly fulfilled without zigzagging.

/Initiatives are revolutionary when they are taken and implemented with self-reliance and with planned material and monetary means./ The fulfillment of all the plan tasks to the very end is a duty, a law for every working collective of every individual; while, to overfulfill them and to improve the effectiveness of investments above the plan is, indeed, a point of honor deserving particular attention.

Experience shows that domestic reserves exist everywhere, in every branch of the economy; therefore, in the construction sector, too; and not only to fulfill the plan tasks which every year are becoming greater, but also to overfulfill them. Such reserves are created by the creative thought of the working class and of other workers, and by their progressive experience, by the improvement of management and organization in work and production, and by the technical and scientific revolution and by other factors. The working collective of the construction enterprise of the Koman hydroelectric power station based itself on these reserves in order to put the second turbine into operation 1 year ahead of the planned schedule, relying on its own forces, mechanisms, and existing transportation means. The work collective of the construction enterprise of the "Steel of the Party" metallurgical combine also relied on the reduction of costs 10 percent above the plan and on the same machines and pieces of equipment, but using them with greater effectiveness, in order to shorten between 7 to 10 percent, the deadlines for construction of the projects earmarked for construction during this year.

The issue is that, when dealing with the taking of initiatives, the effectiveness of every initiative must be clearly indicated and the concrete contribution of the collective or of the individual, who takes the initiative, must also be clearly, using the collective's or the individual's own forces and domestic reserves. We say this because there are cases that, when initiatives are taken, additional manpower, mechanisms, and other means are also requested, or the deadline for the building of a project is shortened and the deadlines for other projects are extended. There is no sound foundation, for example, in the initiative taken by the Durres construction enterprise to complete the complex for the breeding of cattle in April, while it was scheduled for the

end of the year, that is, 8 months ahead of schedule; or to complete the complex for the raisingof turkeys in November 1982, while it is scheduled for 1983; or to put into operation the poultry center in the third quarter of this year, while it is scheduled for 1984, in accordance with the 5-year plan; and so forth. And, the worse thing is that these socalled revolutionary initiatives are, sometimes, even propagandized by the press. If, in practice, the need arises to revise the plan and to reduce the planned deadline for the building of one project, because, the general interest of society requires it, this is not prevented by the methodology of planning and can be carried out when it is documented and approved according to relevant nomenclatures. However, it is not right that profitable changes, which can be made in the plan, when the building of a project is progressing, be called as initiatives. Such expanded changes cannot be carried out without making changes, at the same time, in the planning of the material and technical base, of manpower, and of monetary means; therefore, here it is not a matter of utilization of domestic reserves. The issue is quite different if, in these improvements, an initiative which overfulfills the new plan tasks is taken, by finding domestic resources; only here one can speak about revolutionary initiative.

/So that initiatives have complete success, it is essential that they are strongly supported, in due time, by all those who are linked with their fulfillment./

It is known that every directive of the party is valid for all the communists and workers and for all those government and economic organs whose work and activity link them with it. Therefore, it cannot be fully implemented without the mobilization of all and without the coordination of work of everyone. For example, the communists and workers of the Ministry of Energy acted properly when they supported and took measures to complete, ahead of schedule, in accordance with the new schedule for constructions in Koman, the turbine and the complex of its equipment. This support has even further encouraged the construction collective of the hydroelectric power station in its mobilization in work. But, it does not always work in this way; in some cases, serious difficulties are created because of the lack of ensuring on schedule, designs, constriction sites, pieces of equipment, technological materials, and so forth. A good example of a sense of duty are the measures taken this year by the different investing organs of Gjirokaster District who, this year, properly executed their obligations toward the district construction enterprise by supplying, on schedule, the technical documentation and the assembly grounds. It is precisely here that one should find the basis for the regular fulfillment of the investments plan of this district. Such an harmonization in work will, certainly, put this distinguished enterprise in a more favorable situation for obtaining even better results in the fulfillment of the plan tasks in all technical, economic and financial indicators. However, in practice, one also encounters narrow-minded concepts. Thus, for example, there are cases, showing that, when one speaks about the reduction of the length of time of construction work, people understand this reduction to be the duty solely of the Ministry of Construction and of designing and building organisms under its jurisdiction, and not also the duty of the investing and supplying organs, according to the plan for the technical-material base and so forth.

Every initiative in construction has its own importance; however, the main point is that all must aim at speeding up constructions, at reducing costs, and at continually improving the quality because, in the very end, the effectiveness of investments is complete when the project is completed and put into operation at the planned capacity. Therefore, of particular importance are the encouragement and coordination of initiatives of all construction organisms, of the construction materials industry, of researchers, of designers, of producers, and of builder, so that all these organisms, according to their specific work, will support, in every field and systematically, every initiative aiming at improving the technical and economic effectiveness of every project.

Positive examples in this direction are the measures which are being adopted for the industrialization of constructions, measures of a great importance for saving work time and for increasing the social productivity of labor. For the development of this progressive work method, the designers and producers of ready-made reinforced concrete parts and the producers of mechanisms suitable for production and for transportation, and for their assembling in the project--are becoming a strong support. Thus, for example, it is a great success that some 90 percent of the horizontal structures for bridges have been standardized and prefabricated and the figure is 60 percent for vertical structures. Institute No 2, which designs them, aims at achieving over 95 and 70 percent respectively at the end of this 5-year plan. Also, 80 percent of the various projects of the "Steel of the Party" metallurgical combine have been built with prefabricated structures. The designers and builders of the land improvement projects have assigned themselves the task that, soon, 80 percent of the works will be assembled with such ready-made parts. This year, the supply of machines and other mechanisms of the construction enterprises has been enlarged with about 500 new pieces; the majority of these pieces have been produced with the forces of the construction sector itself. Great efforts are also being made by the workers of the industries of ceramics, of porcelain, of the production of fine materials, and so forth. Nevertheless, this support is not sufficient compared to the possibilities which have been created. The experience which has been gained and the material conditions which have been created are such that they can make it possible to take such revolutionary initiatives which can lead to technical and economic results comparable to those which are being achieved today by the science of building.

The Eighth Congress of the Albanian Workers Party stressed that, under the conditions of the expansion and intensification of the economy, the principle of the building of socialism completely with our own forces cannot be implemented if the quality of work is not improved and if progressive science and technology are not applied with the required skill and effectiveness. It is important that we must also aim at achieving a new level of effectiveness in the construction sector so that this level will have in its core the historic task of the building of socialism completely with our forces, especially, under the present conditions of the fierce imperialist-revisionist encirclement and blockade against our country.

The tasks of the construction materials industry must also be seen from this vantage point. It is a fact that, under the leadership of the party organizations, the construction materials industry has progressed at rapid rates,

especially, during these past years. Favorable conditions have also been created for this industry so that it will develop and progress with its own forces in cooperation with the other areas of industry in the country. Nevertheless, it does not yet respond, as it should, to the increasing demands of the building economy. Thus, the efforts to produce lightweight materials are few. The possibilities exist for producing in the country more of these new articles which today we are forced to import. The efforts to reduce production costs are also few. However, all these shortcomings become obstacles for the development of the building economy, especially, for increasing labor productivity and for reducing production costs. Therefore, the basic party organizations of this very important branch of our industry must work more and better; they must open up prospects for workers, must mobilize and encourage them to take revolutionary initiatives which further promote the present achievements, and must respond to the requirements of the present stage of the intensive development of construction.

A more effective assistance must be given here, especially, by design institutions. Designers are those who can evaluate more than anyone else the importance and influence of materials both in regard to costs and to the quality and resistance of the projects under construction. It is known that the lighter, the more resistant, and better quality the materials are which are earmarked for the projects which are being designed, the less material will be needed for the construction of a project, the more resistant the project becomes, the less costly it will be, and the quicker it will be built. Under the present conditions, while more than 50 percent of the cost of one project is charged against material expenditures, it is not possible to achieve the required effectiveness in many investments and various construction, set by this 5-year plan, without undertaking a qualitative leap in this field.

Designers, especially, architects and building engineers, in order to conceive, design, and build better and better, less expensive and more beautiful projects, are directly interested in the variety and quality of building materials. Therefore, they must also direct their passion for science and technology toward the development of this industry, speaking out as specialists with greater authority and competency. Thus, some important initiatives have been taken by the workers of the rubber and plastic industry for the experimentation and production of linoleum-type materials for flooring in buildings, shutters for the protection against the sun, and other products valuable in finishing and embellishment works, especially in residential and public buildings. As a matter of fact, the small collective of the communal enterprise for the production of various products and for repairs in Tirana, the NPA No 2, has produced multicolor [plastic] sheets from plastic remnants for flooring and covering of kitchen and bathroom walls with great economic, hygienic and aesthetic profit, according to the proposals of talented artisan Isuf Kastrati. But, these initiatives must be better evaluated and supported by designers, regardless of who takes the initiative to produce them, whether they are workers from the enterprises under the jurisdiction of the Ministry of Construction or workers from other government departments. It is the task of the Ministry of Construction and of all organisms under its jurisdiction not only to support such initiatives, but also to encourage them and to open new horizons for them; they must give concrete, specialized, and comprehensive aid for

complete success in their work; as a matter of fact, they must cooperate with them, if it is necessary, for the organization of their production at the industrial level by setting up special units and workshops.

The Ministry of Construction cannot solve all the increasing needs for construction materials solely with its own forces. It is essential for the Ministry of Construction to be assisted by all branches of the country's industry, especially, the chemical industry which possesses a large field for the utilization of technological remnants, thus, implementing one of the directives of the Eighth Party Congress for the use of the natural resources of the country on a more and more extended and intensified level. The presentation of these problems to the working masses for examination and solution will greatly promote the production of construction materials. The experience gained in the production in the country of more than 95 percent of the spare parts for machines and transport means, for the intensification of the production of consumer goods, and so forth will greatly serve us in this field.

The further perfection of all ordinary work tools for construction and the production of new mechanic and electromechanical tools with our own forces constitute a wide field for revolutionary initiatives with great profit; they increase output and work quality, reduce the deadline for the execution of works, reduce costs, and relieve manual labor. This is a problem of particular importance for the expansion of the mechanization of work processes in construction especially, small mechanization which should be properly dealt with by the apparatus of the Ministry of Construction, insuring the material base in the form of samples or of technical documentation, so that problems will become as clear as possible and as understandable as possible, eliminating any possibility of spontaneity.

/However, on their part, designers have a great deal of work in order to improve the entire study and design work./ The experience of their work shows how many great and various kinds of reserves as hidden in the entire process of their study and design work, where the technical and economic basic foundation of the project are laid, the issue is that these reserves be correctly utilized by taking true revolutionary initiatives. Such initiatives, taken by some design institutes, for example, the initiative to reduce costs one percent, are general; they do not properly take into consideration the real existing reserves and possibilities and, as such, cannot be considered as revolutionary. The matter of the final design of the dam of the Koman hydroelectric power station which was solved in a more advanced scientific manner is different; this fact made it possible to reduce the complete value of the project by about 100 million leks and to take the initiative to move up the commissioning of the second turbine to 1985 instead of 1986. The initiatives for the industrialization of constructions; they are also of great value which will considerably save work time and will increase yields. There is no limit in taking initiatives. Every initiative, even a small one, is a valuable one; it serves the economy; the issue is: where whould the basic party organizations in these organisms and institutions concentrate their attention more? On the study, discussion, and the adoption of initiatives which lead to rich technical and economic balance-sheets, such examples which we have listed above, or on second-rate matters which do not bring qualitative changes in the technical, economic, financial indicators. The value of an initiative is measured according to the possibilities of every producer

or builder; while, in regard to designers, these possibilities are greater in construction.

/The revolutionary initiatives are a strong support for a more and more mobilizing technical and economic planning./ Planning on the basis of advanced indicators is a necessity, a very important principle of our socialist planning of the economy. It is important that more advanced indicators be extracted from the revolutionary initiatives in order to draw the plans for every year, beginning with the 1983 plan. On this basis, the construction, production and planning workers, relying on the creative thought, always in development, will, in the future, draw tasks so as to take even bolder initiatives. Thus, for example, if the stables for livestock this year were built at an average of 50 percent faster than planned, in regard to 1983, they must be planned to be built in accordance with this new deadline-norm; if their cost was an average of 10 percent less, this achievement must serve as a plan for their complete value and, thus, it must be calculated for materials, yields, and other indicators. Such planning is realistic; it was proven by practice and by the experience of the masses; it averts subjective manifestations in planning.

Of course, these norms cannot be mechanically built simply by mathematical means. On the contrary, serious and competently organized studies are needed. To avert any manifestation of voluntarism, they must be single; they must also be differentiated according to the conditions and constructive capacities in this or that district, or in this or that construction enterprise. It happens that some of them can be tested for some time and some others may not change every year according to the desire of one or of another persons. The main point is that the results of initiatives must not be left to spontaneity; on the contrary, they must serve concretely and effectively to fulfill, better and better, the economic tasks in construction.

As all workers of our country, the workers of construction, of planning, and of the construction materials industry, led by the party organizations, are tackling the jobs so as to successfully fulfill the tasks of the Eighth Party Congress. The revolutionary atmosphere created by the development of the proceedings of the Ninth Congress of the Albanian Trade Unions, held in June of this year, and the new reduction of prices of a number of consumer goods articles and of services, are becoming an encouragement for fulfilling and overfulfilling, one by on, and, in every indicator, all the tasks of this year and to draft a revolutionary plan for 1983, a decisive year for fulfilling the historic tasks assigned by the Seventh Five-Year Plan in the construction field.

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## DEMOGRAPHIC DATA FOR 1970-1980 PUBLISHED

Prague RUDE PRAVO in Czech 19 Aug 82 p 3

[Article by Eng Vladimir Micka, chairman of the Federal Statistical Office: "Positive Social Development: What Census Results Have Indicated About Development of Czechoslovak Society, 1970-1980"]

[Text] The social and economic changes which took place in the CSSR during the seventies may be followed and evaluated in part on the basis of the results of the census of people, homes and apartments which was completed by 1 November 1980. The definitive processing of the results of this nationwide project was completed in March of this year.

The census data provides valuable information on the age composition of the population, on its nationality and social structure and economic activity, on population concentrations in cities and villages. This data makes it possible to analyze the socioeconomic position of families and households with regard to the quality of their housing and the extent to which they are equipped with durable goods. The second part of the census results represents data on the size and quality of the available stock of houses and apartments.

The comparability of the data with the results of the 1970 census make it possible to determine what changes have occurred on the development of Czechoslovak society over this 10-year period.

### CSSR Population Development

Support for young marriages and for families with children has brought significant results. Because of the implementation of measures to increase population (such as extended maternity leaves, increased allowances for children, loans for the recently married) during the Fifth 5-Year Plan it was possible sharply to increase fertility, which contributed, among other things, to an increase in the total population of the CSSR, which as of 1 November 1980 stood at 15,283,095 (a 6.5 percent increase in comparison with 1970). A more rapid increase in the population of the SSR (10 percent as opposed to 4.9 percent for the CSR) led to an increase in the population of the SSR as a percentage of the total CSSR population from 31.6 percent in 1970 to 32.7 percent in 1980.

The effectiveness of the measures to increase population which were implemented during the seventies is indicated as well by changes in family structure in terms of numbers of dependent children. The basic characteristic of this development has been a strengthening of the trend toward two children per family. On the other hand, the census results have indicated an increase in the percentage of partial families (those in which one of the parents is absent), a negative social phenomenon which reflects the unfavorable development of the CSSR divorce rate.

However, in evaluating CSSR population development from 1970-1980 it must be noted that the effectiveness of measures to increase population and other factors which had a positive influence on fertility reached their peak in 1974. On the contrary, during the Sixth Five-Year Plan, demographic statistics have shown a decline in every year in the number of live births and in natural population increase.

Changes in Age Structure

Measures taken in the area of population policy have also favorably influenced the age structure of the population. Recognition of developments in the age composition of the population are important, on the one hand, for the formulation of long-range goals in labor force planning, and, on the other hand, as one of the foundations for the derivation of long-range plans for apartment construction, the construction of school and preschool facilities, and social service facilities.

Between 1970-1980 in the CSSR the percentage of the population of preproductive age (the 0-14 age group) increased from 23.1 to 24.3 percent, while there was a moderate decline in the percentage of the population of postproductive age (men older than 60 and women older than 55) from 20 percent in 1970 to 19 percent in 1980.

The number of people in the 15-34 age group increased by more than 7 percent, and this increase was approximately a point higher than the increase in total population. From the viewpoint of future population and economic development, however, it is important that within this group, which encompasses a span of 20 years, the 25-35 age group showed rapid growth, while the 15-24 age group declined 13 percent, i.e., 319,000 persons, as a result of low fertility during the 1956-1965 period.

The percentage of young people from 15-34 years old is greater in the cities than in the country, while women are leaving the countryside to a greater extent than men. This fact is clearly connected to the increase in the educational level of young women and with possibilities for them to find work. In the CSSR, 66 percent of the people from 15 to 34 years old live in cities.

Social Composition

The census has made it possible, on the basis of an exhaustive investigation, to capture the social structure of the population. By comparing the results of consecutive censuses it is possible to evaluate developments in the social

structure and changes in the percentages of individual social groups in relation to the overall population. In this way, the results of the census form the numerical basis for a deeper knowledge and more comprehensive analysis of the trends which are becoming dominant in the development of the population at the time of the building of a mature socialist society.

Between 1970-1980, the census results indicate that the percentage of workers increased from 58.2 to 58.6 percent, and that the percentage of wage earners increased from 26.5 to 30 percent. On the other hand, there was a decline in the percentage of the total population in the social groups represented by JZD [Unified Agricultural Cooperative] members, LVD [?Forest Production Cooperatives] members, and independently operating farmers.

The census results express a tendency toward increased numbers of employees and people in the state sector of the national economy, at the expense of the percentages of the population in the cooperative and the private sector (independently operating farmers and others who work independently).

Educational Level

The census results document convincingly that from 1970-1980 there was a substantial increase in the educational level of the population. Solid numbers thus attest to the attention devoted by the highest party and state organs to the systematic increasing of the educational level of the people, as one of the most significant conditions for socioeconomic development at a time when the application of research and development findings in production will stimulate overall economic development in a decisive manner.

The number of people with a full high school education (including graduates of apprenticeship schools with a graduation examination) increased in the 1970-1980 period by more than a third, and the number of people with a college education increased 60.8 percent. This means that the percentage of people older than 15 with a full high school or college education increased in the past decade from 16.6 percent to 22.4 percent.

In comparison with this, the percentage of individuals with only elementary education declined 8.6 points, to the level of 46.9 percent in 1980. However, a differentiation continues to persist in the achieved levels of education for men and women: in 1980, 56.5 percent of the women over 15 were without education or had only elementary education, while only 37.2 percent of the men in the same age group were in this situation.

When analyzing the census results and evaluating changes in educational level, special attention was devoted to the increase in the qualifications and education of the younger generation (15-34 years old).

The increase in the qualifications and education of members of the young generation was evident in a further decline in the percentage of the population in the 15-34 age group whose highest achieved level of schooling was elementary school (from 45 percent to 34 percent), in the increased percentage of young people with professional qualifications and, above all, in the sharp

increase of young people with college education. While in 1970 only 3 percent of the people in this 15-34 age group had a college education, by 1980 this percentage had risen to 5 percent of the total.

The number of women with college-level qualifications has also increased substantially. While in 1970 there were only 418 college educated women for every 1,000 college educated men, in 1980 the number had risen to 546.

Economic Activity

The number of economically active inhabitants, in which were included for census purposes individuals currently not practicing their professions (women on maternity leave, soldiers in basic service, individuals serving sentences, etc.), increased 866,000, or 12.4 percent in comparison with the results of the 1970 census. The percentage of the economically active in relation to the total population increased from 48.7 percent in 1970 to 51.4 percent in 1980. This increase in the level of economic activity was due to the more favorable age structure of the population, an increase in working retirees (in 1970, 15.3 percent of all retirees and noneconomically active individuals with another source of income worked, while in 1980 21.4 percent of this group was working), and the further involvement of housewives in the labor process.

However, if we subtract from the total of economically active individuals women on maternity leave and working retirees, we discover that the percentage of those economically active has remained almost unchanged (44.7 percent in 1980 as opposed to 44.6 percent in 1970), although the number of people in these categories has increased during the period under study by 448,000 individuals.

The number of working retirees in the CSSR increased 237,000. It follows from the census results that individuals entitled to a pension prefer to receive their pension in conjunction with some work activity rather than to remain at work.

The overall trend toward population concentration in urban localities (in which 65.5 percent of the population resided in 1980, as opposed to 55.5 percent in 1970) is also being accompanied by a concentration of the economically active individuals resided in urban localities in 1980, while 58 percent had done so in 1970.

Regarding changes in the sectorial structure of the economically active population, the decade in question has been characterized by an increase in the percentage of the economically active population in the nonproduction sphere, a percentage which increased from 18.9 percent in 1970 to 21.3 percent in 1980. There was an absolute decline of economically active individuals in the CSSR only in the agriculture and forestry sectors. This decline of 82,200 individuals meant that the percentage of the total economically active individuals employed in these sectors delined from 15.9 percent in 1970 to 13.1 percent in 1980. The number of economically active individuals in industry increased 295,000, at the same time that the percentage

of the total economically active population employed in industry declined moderately (from 40 percent in 1970 to 39.4 percent in 1980). There was an increase of 219,000 economically active individuals in the education, culture and health-care sectors, and an increase of 10,000 in the science and research sectors. Employment in the administrative and judicial sectors increased 74,000. It is not without interest that this increase represents 34 percent of the total increase in the number of managerial and administrative employees in the national economy during the decade.

Apartments, Housing Quality, and Household Amenities

The results of the census of people, apartments and houses provide extensive underpinnings for detailed analyses of the condition, movement and composition of the housing stock, the quality of the housing available to the population and the extent to which households are outfitted with durable goods.

From 1970 to 1980, 1,231,000 new apartments were built in the CSSR. Due, however, to the high attrition rate of the housing stock, the number of permanently inhabited apartments increased by only 670,000. In other words, 45.6 percent of the newly constructed housing stock went to replace inferior housing. This means that every second or third newly constructed apartment was designated to replace liquidated housing. The intensive construction of apartments in apartments houses led to a reduction in the percentage of apartments located in family houses from 58.1 percent of the total in 1970 to 49.8 percent in 1980.

According to the census, 79 percent of all very young families had their own apartment in 1980. Nevertheless, the housing situation for young families, especially in the cities, is still not completely satisfactory and is among the factors exerting a negative influence on the number of children per family. One-fifth of all very young families do not have an apartment at their disposal, and one-half of the very young families with children under 15 years of age are in this situation.

The age structure of the housing stock substantially improved between 1970 and 1980. The number of apartments built after 1946 now represents a full three-fifths of the total number of inhabited apartments in the CSSR, and apartments constructed between the last two censuses constitute almost one-third of the permanently inhabited apartments.

The magnitude of recent housing construction has substantially influenced the quality of housing available to the population. While in 1970 more than one-half (51.4 percent) of the available apartments had declined to 26.6 percent of the total by 1980. On the other hand, the percentage of category I apartments increased from 23.7 percent of the total in 1970 to 46.8 percent in 1980. The percentage of permanently inhabited apartments with three or more rooms increased to 44.3 percent (from 30.6 percent in 1970). The number of persons permanently residing in a given apartment delined from a CSSR average of 3.4 in 1970 to 3.1 persons in 1980. Per capita living space available increased between 1970 and 1980 by 2.4 square meters, and now amounts to 14.0 square meters.

There have also been significant changes in the extent to which households are outfitted with durable goods. In 1980, 87.8 percent of apartment households were equipped with a refrigerator (in 1970 this figure had been 61.4 percent) 83.6 percent owned a washing machine (in 1970 only 67.4 percent owned one), and 88.6 percent of all households had a television in comparison with 74.6 percent in 1970. Recreation possibilities for the population increased: 8.6 percent of all households can take regular advantage of recreational possibilities in their own hut or cottage, and every second or third household in the CSSR owns its own passenger car.

The fundamental findings gained by a comparison of the 1970 and 1980 censuses of people, houses and apartments attest to an overall positive social development over this decade, when our entire society, under the leadership of the CPCZ, began to implement gradually the general policy for building a mature socialist society.

The results of the 1980 census of people, house and apartments will not become an "archival document" of statistically determined and processed data, but rather will constitute the foundation for more comprehensive, specialized analyses which will be conducted both by state statistical organs and in central organs and national committees, who have been provided with the 1980 census results. The census findings will be utilized over the long term for planning economic and social policy objectives in the upcoming period in line with the resolutions of the 16th CPCZ Congress. They will be utilized simultaneously by various levels of managerial and administrative organs in the implementation of short-term and prospective measures for the elimination of existing shortcomings and for focusing further harmonious development in the sectors which they manage. In this way, the purpose and the mission of the census will be fulfilled, as a socially most important undertaking organized by the statistical organs.

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JULY 1982 NATIONAL ECONOMIC RESULTS SUMMARIZED

Prague HOSPODARSKE NOVINY in Czech 27 Aug 82 p 2

[Commentary by Dr Eng Vaclav Cap, CSc, Federal Office of Statistics: "July 1982"]

[Text] Economic developments in July were characterized by a planned low growth of resources, particularly by fulfillment of production plans in industry, a marked tendency toward improvement of plan fulfillment in construction and overfulfillment of the time plan for procurement of slaughter animals and its nonfulfillment in milk. In agriculture, efforts were directed toward the successful harvesting of grains and other products without loss. However, the shortage of moisture, especially in May, in certain krajs will result in this year not ranking among the productive ones.

Transportation in July was influenced by higher shipments of solid fuels, ore and building materials by rail and, due to increased use of CSAD [Czechoslovak Vehicular Transportation], the plan for shipment of goods by public transportation was exceeded and estimates for transportation of factory goods indicate a downturn. Although July had one fewer working day compared with the same period last year (the number of working days from the beginning of the year was the same), July may be considered satisfactory in the building of resources in regard to the plan in general. It is all the more reason for economic organizations to direct their attention to efficiency and quality in the remaining months of the year. Restoring a faster rate of growth is in fact not possible without highly intensified economies, especially achieving savings in energy, raw materials and supplies.

In industry, the volume of production fell 1.4 percent but average daily production increased 2 percent compared with last July. The level of industrial production since the beginning of the year was 1.1 percent higher and the state plan anticipates an increase of 0.4 percent for this year. Consistent with the plan, preference is being given to developing industrial sectors which are linked with quality changes in the economy as they are chief sources of foreign exchange and also sectors which make the best use of domestic raw materials. Even so, these sectors must seek out and produce the most suitable assortment of goods, products which the national economy needs, which have a high margin of profit and especially are lucrative on the foreign market.

In the meantime, certain indicators of the development of the economy, especially the situation in supplies, show that we should not be fully satisfied with the structure of production. This refers to certain engineering sectors and also a number of enterprises in the other branches of industry. Production in engineering plants increased 0.6 percent in July and contributed to the fact that during the 7 months since the beginning of the year it increased 4 percent compared with the same period last year. The production plan is being met overall in heavy and general engineering as well as in the electrotechnical industry. The wood-processing industry will gradually make up for the deficit in plan fulfillment but in spite of an increase of 2.9 percent in production during the 7 months, it still faces the stiff challenge of attaining an annual planned rate of 5.7 percent. In light industry, from January to July an increase of 2 percent was registered, with the clothing industry contributing 3.2 percent, the printing industry 2.7 percent and the glass, ceramics and procelain industry 2.3 percent.

Production was limited in branches highly demanding of energy and materials, especially from abroad. In metallurgy, it fell 0.7 percent in the 7 months, in chemistry and petroleum processing it increased 0.6 percent and in the building material industry it fell by 1.2 percent. But except in the case of building materials, the lower growth rate is still smaller than anticipated in the year's plan.

Central management is directing special attention to assuring that the national economy is supplied with fuel and energy and that conditions are set up for future supplies. It is natural that with the given resources from abroad a decisive role is being assigned to the extraction of coal and preparations for future extraction. Conservation in fuel and energy consumption is and will be, besides the development of nuclear energy, a basic contribution to the fuel and energy balance. The plan for extraction of black coal during the 7 months is being met and the deficit in brown coal mining is being overtaken, although strip mining is still lagging.

Industrial enterprises estimate that they will be able to save one-half million tons of coal in 1982. This relative reduction, however, does not meet the plan's objectives and also the growth of production and consumption of electricity indicate that it is necessary to continue and increase efforts everywhere to save every ton of coal and kilowatt hour of electricity.

Industrial enterprises as a whole fulfilled their plans for the 7 months in supplying domestic and foreign trade, capital construction and also related consumers. Comparing the rate of growth with the annual state plan, however, shows that for the remaining months there must be increased deliveries for export of nonsocialist countries and also for the domestic market.

The sales structure of industrial production together with developments in supplies of finished goods indicate that the concept of formulating programs of industrial product assortments has not yet been fully implemented and often there is even no effective adaptation or quick response to requirements of the foreign market and domestic consumers.

In construction, July results point to a gradual improvement in meeting planned goals as prescribed by the presidium of the CPCZ Central Committee with respect to problems of this branch. Average daily production increased 1.5 percent compared with the same period last year and since the beginning of the year the volume of construction work was lower by 5.1 percent (the state plan calls for a reduction of 4.3 percent). There is still, however, a marked differentiation among building enterprises. Local construction lags considerably in plan fulfillment.

Investment operations and deliveries (minus private construction and Action Z) were lower, consistent with the plan, by 2.8 percent of essentially at the planned level. In the structure of capital construction there are still deficiencies, especially in meeting the plan for construction of capacities which are to become operational this year.

The direction of foreign-trade policies--to attain an active balance in exports to nonsocialist countries and intensify the international division of labor--is being consistently held. Price developments have an influence on attained, tempos of growth. In relations with socialist countries, in view of long-term principles of price setting, costs of imports and exports are continuing to rise. Import and export prices in commercial exchanges with nonsocialist countries fell. Exports to socialist countries during the 7 months were higher (in current costs) by 11.4 percent, imports by 9.3 percent, than in the same period last year. Exports to nonsocialist countries rose 0.3 percent and imports were lower by 17.8 percent.

The standard of living is characterized by a gradual rise in personal earnings which approximate the annual planned growth. Thus, the effect of adjustments in retail costs from the end of January are gradually being offset. Retail turnover of the main trade systems increased 3.4 percent in current costs during the 7 months compared with the same period last year. Growth was reflected in foodstuffs while sales of industrial goods remain substantially at the same level. Personal savings further increased and reached Kcs 172.3 billion by the end of July and the money supply increased to Kcs 48.4 billion.

Basic Indicators of National Economy's Development in Increases Over Comparable 1981 Period (in percent)

| | July | Jan-July | State Plan[1] |
|---|---|---|---|
| Deliveries of the Centrally Administered Industries for: | | | |
| --investments at wholesale prices | - | 4.7 | -5.0 |
| --domestic market | | | |
| at wholesale prices | - | -1.1 | -0.9 |
| at retail prices | - | -1.8 | -1.5 |
| --export to socialist countries | | | |
| at wholesale prices | - | 6.6 | -2.6 |
| at FOB prices | - | 9.6 | 3.6 |

| | | | |
|---|---|---|---|
| --export to non-socialist countries | | | |
| at wholesale prices | - | 4.5 | 3.4 |
| at FOB prices | - | -0.3 | 3.3 |
| --other sales for industrial production and operations at wholesale prices | - | 1.2 | - |
| volume of industrial production | -1.4 | 1.1 | 0.4 |
| average number of employees | 0.1 | 0.6 | 0.3[2] |
| labor productivity based on industrial production | -1.5 | 0.5 | 0.3[2] |
| Construction | | | |
| construction work performed with internal labor resources | -2.9 | -5.1 | -4.3 |
| average number of employees | -1.4 | -1.0 | -0.8 |
| labor productivity based on construction work | -1.6 | -4.1 | -3.6 |
| housing units delivered by contracting engerprises | 9.1 | 25.4 | 11.1 |
| Procurement of | | | |
| Slaughter animals (including poultry) | -12.1 | -6.7 | -9.5 |
| milk | -2.2 | -2.1 | 0.2 |
| eggs | -1.7 | -1.3 | -0.2 |
| Retail Turnover | | | |
| of the main trade systems | 2.2 | 3.4 | 4.2 |
| Foreign Trade[3] | | | |
| export of socialist countries | -1.6 | 11.4 | 4.8 |
| export of nonsocialist countries | -28.5 | 0.3 | 6.1 |
| import from socialist countries | -18.6 | 9.3 | 12.9 |
| imports from nonsocialist countries | -29.1 | -17.8 | -1.0 |
| Personal Earnings[5] | 3.3 | 3.4 | 4.0[4] |
| of which income from wages[5] | 2.0 | 2.4 | 3.2 |
| Actual cash expenditures[5] | 0.6 | 2.4 | 4.3 |

FOOTNOTES

1. Increases compared to actual 1980 results.
2. All trade systems.
3. Data on actual results refer to actual transactions and the state plan (in contrast to overall actual results) does not include unplanned actions within the framework of cooperation, unplanned reexport trade, exchanges, and conditional trade transactions, etc.
4. Including estimated interest on loans
5. Data based on treasury plan of the SBCS (Czechoslovak State Bank).

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## MINISTER VIEWS 1982 PLAN FOR METALLURGY, HEAVY ENGINEERING

Prague STROJIRENSTVI in Czech No 32, 1982 pp 301-302

[Article: "An Economic Political Meeting of the Enterprise Managers Subordinate to the Federal Ministry of Metallurgy and Engineering in Prague"]

[Text] Mech Eng Eduard Saul, minister of metallurgy and heavy engineering of the CSSR, in cooperation with the department of party affairs in industry, construction, transportation and services of the Central Committee of the Communist Party of Czechoslovakia and the Central Committee of the Labor Union of Workers in the Metalworking Industry, held on 4 February 1982 a meeting of enterprise managers subordinate to the Federal Ministry of Metallurgy and Heavy Engineering for the purpose of ensuring tasks of the 1982 plan. A summary of his speech follows:

The current period of economic and social development of our society is one of the most complex ones, for which the preceding years provide no precedent.

Changed internal and external conditions for development are responsible for some serious problems which must be solved in 1982.

Regarding external conditions there is expected to be additional narrowing of the area for export--especially machinery and equipment of an investment character--caused by a limitation of investment, both in socialist and in capitalist countries, as well as by progressive deterioration of price relationships--the result of a further rapid rise in prices of raw materials and energy as opposed to prices of finished goods--and finally a more limited range of availability of certain imported raw materials.

As concerns internal conditions, there has been a certain decline or only negligible growth of certain sectors due to the absolute limitation or stagnation of inputs of energy and a number of basic raw materials for the manufacturing process, along with certain other factors.

The federal plan for 1982 negotiated during the 5th CPCZ Central Committee session and the CSSR Government as well, ensures specific conditions of development of the early years of the Seventh 5-Year Plan, the fulfillment of tasks which follow from the Principle Directions of Economic and Social

Development of the CSSR for the period 1981-1985, as approved by the Sixteenth CPCZ Congress.

At the same time, the concept of the 1982 plan for the national economy is such as to contribute maximally to creating conditions and preconditions for the restoration of external economic equilibrium as well as to achieving absolute savings in the most highly refined types of fuel energy sources.

The tasks of our implementation plan for 1982 derive from the conditions and goals of the State Plan for the Development of National Economy and are aimed at the consistent intensification of development in metallurgy and heavy engineering, and at a substantial increase in economy and effectiveness.

The most urgent task is to achieve the stipulated savings in fuel energy resources, which can be seen in totally lowered values of energy input allotment compared with those in previous years. It calls for an overall 1.5 percent decrease in energy input over the 1981 figure. In addition to limited fuel and energy sources, we must deal with decreased imports of iron ore and certain types of nonferrous metals from the nonsocialist countries. Also, our volume of iron ore extraction and processing is not increasing, but remains at the 1981 level. For these reasons ferrous metallurgy is experiencing a slight drop in planned production, just under 2 percent. Nevertheless, metallurgy enterprises must produce a required range of products which will satisfy the needs of all engineering consumers, whose planned production growth rate is relatively high.

For example, in 1982, our sector's net engineering production should attain a growth rate of 104.3 percent.

The 1982 plan for engineering production calls for a more intensive development of production for the fuel energy complex, as well as stipulating a substantial increase in the share of production of spare parts and a higher production growth rate in selected final assembly sectors.

For example, our sector's production of equipment for nuclear power plants is to rise 115 percent producing 3 reactor pressure tanks, 12 steam generators, and 2 compensators. The total production of nuclear power plant equipment is to attain a volume of 1,934 million crowns. The production of steam and hydraulic turbines will grow at a rate of 115 percent and the production of rotatory electrical machinery by 155.9 percent.

Besides the manufacture and deliveries of equipment for surface coal mining, there are also plans for the reconstruction of large scale engineering complexes and long-distance conveyor belt transportation.

The growth rate for spare parts production is to increase 110 percent, the most significant growth to take place in the production of spare parts for electric and diesel locomotives, and coal mining machinery.

For selected final assembly, sectors the plan calls for a growth rate of 107.9 percent. Priority will be given to the production sectors of pumps, pneumatic equipment, and semiconductor equipment, in which greater growth is expected than in heavy engineering.

The state plan for 1982 assigns our sector significant tasks in utilization of production as well. The key emphasis is placed on increasing the export roles of heavy engineering and satisfying the needs of the most important branches of our national economy. This concerns deliveries for an already mentioned fuel energy base and deliveries for the construction of key domestic objects, whose implementation will result in significant direct savings in fuel and energy and an increase in the export capacity of the Czechoslovak economy.

Compared with the 1981 plan, in the area of heavy engineering the 1982 plan calls for an increase in export wholesale prices, 2.6 percent to the socialist countries and 16.9 percent to the nonsocialist countries.

The backbone of engineering export to both market areas in 1982 as well, is the export of turn-key plants. We must export to the Soviet Union alone turn-key plants worth Kcs 3,207 million. As a supporting role in exports to the USSR, deliveries are to be provided for chemical plants, food processing plants, the rubber industry, rolling-mill equipment, compressors, irrigation equipment, and petroleum pumping stations.

Relating to other socialist countries, it is essential that we provide for a number of investment programs, in particular supplying energy-related equipment to China, Yugoslavia, Cuba and other countries.

Also, in export to the nonsocialist countries, the basic structural item in the export of heavy engineering is deliveries of turn-key plants, such as electric power plants, rolling-mills, ceramic and cement plants, oil refineries, tire factories, pumping stations and other equipment.

A number of demanding tasks await us too in the area of machinery and technological equipment deliveries for domestic capital construction. Of a total of Kcs 14.2 billion worth of supplies, 7.7 billion crowns is earmarked for specified mandated construction, which represents 54 percent of the total.

The largest amounts of deliveries earmarked for the development of the fuel energy complex (39 percent) and final construction of the metallurgy and heavy engineering production base (18 percent).

In 1982 approximately 112 facilities in 92 structures will be put into operation.

Judging by last year's experience, we must urgently devote all our efforts to assuring that the new facilities are operational within the established deadlines. Last year we were unable to put the planned number of facilities into operation, despite the fact that the planned volume of capital

investment deliveries was not only fulfilled but overfulfilled by all economic production units (VHJ). This shows that our delivery facilities were concentrated on providing key structures, but not always on providing subdeliveries, which are just as decisive for completion of facilities and directly contingent on placing them into operation.

It is particularly urgent that we work this year on solving the technical materials supply, problems especially in regard to assuring imports from the nonsocialist countries, as well as in supplying crude oil and the other petroleum products and in eliminating contradictions in consumer-supplier relationships.

The Sixteenth CPCZ Congress again emphasized the significance of technical development in ensuring intensification of the national economy. There are justifiable demands that the results of technical development be reflected in the overall increase of the technical and technological standards of production, in more rapid innovation of products, and in a substantial upgrade in their technical standards and overall quality.

In fulfilling these basic tasks of technical development specified in the 1982 plan, it is proving difficult to surmount the barriers of previous development. Because the submitted VHJ plans have not fulfilled the tasks set for them in the area of implementing the production intensification in the consumption of fuels, energy and metals, and increasing export capacities and decreasing imports from nonsocialist countries, individual VHJ's were given the task of completing by the end of February 1982 an evaluation of the tasks of technical development, with the aim of markedly shortening the period for fulfilling assigned tasks and thus raising the technical and economic production parameters.

A highly demanding national economic mission concerns the implementation of state goal-oriented nationalization programs. Program No 3 Rationalization of the Consumption of Metals, tasks us with achieving savings of 180,000 tons of ferrous metals and 3,684 tons of nonferrous metals. These tasks have been specified for individual VHJ's and it is inevitable that they be included in work plans and their realization provided for. The situation is no different in the case of savings in fuels and energy, where our sector plays a significant part in fulfilling state goal-oriented Program No 2--rationalization in fuels and energy economy. As concerns savings in fuels and energy, it is absolutely essential that in 1982 we create all preconditions for performing the tasks specified above and at the same time prepare implementation programs for future years so that the trend towards savings would not only continue but, if plausible, accelerate.

At the same time we must turn our attention toward consistent implementation of the tasks set out in "Set of Measures of FMMHE for Ensuring Key Tasks of 1982 Plan and Budget," which was received by all general managers and managers of directly controlled organizations early in January of this year. This is a set of specific measures, with assigned deadlines, whose implementation depends on the comprehensive fulfillment of relevant tasks of the 1982 plan. There must be consistent monitoring of fulfillment of individual

tasks, not only in the area of economics but also in the area of party organs and organizations. Along with ensuring implementation of the economic tasks, the entire management system has to be intensified and developed, and the appropriate organizational and systematic measures taken in this direction.

The Set of Measures for Improving the System of Planned Management of the National Economy After 1980 continues to be the basis for increased effectiveness of management during the Seventh 5-Year Plan, which was gradually elaborated for specific conditions in metallurgy and heavy engineering. Particular importance has been paid to developing and implementing a political-organizational program for providing briefings and action which would result in all-round preparation of personnel and elaboration of the Set of Measures at the VHJ level. In early 1981 the Set of Measures in organization of the department was further elaborated, especially in the areas of financial economics, regulation of wage funds, intensification of khozrazchet, etc. For better theoretical and practical control of the improved system of planned management, work seminars were organized last April for enterprises with related problems. The purpose of these seminars was to determine good results, exchange experiences, and especially to determine the weak spots on which further attention needs to be focused in future work. Despite the good results achieved last year in the sector, it will still be necessary to increase efforts to enforce the principles of the Set of Measures in actual practice. This is especially pertinent to the lower echelons of management through intensification of intra-enterprise khozrazchet in the spirit of the principles and conclusions of the Set of Measures. I believe that this will create conditions for incresed application of the principles of counter proposals, which has not up to now been meaningful in our sector.

It is quite indisputable that implementation of the exceptionally challenging tasks of the 1982 plan, under changed basic concepts is not possible without wide participation of the workers. Work initiative, creative activity, and socialist competition must be directed at solving key problems in assessment of critical resources, especially fuels and energy, and fulfilling our export obligations.

Even though risks exist in some areas of the 1982 plan, I consider this plan to be realistic and, with increased productivity of our enterprises and workers' initiative, to be accomplishable. I therefore call upon you for an active approach in implementing the tasks of the plan, maintenance and intensification of all positive tendencies noted so far, and an accelerated solution of certain negative phenomena. We in metallurgy and heavy engineering will best contribute to the realization of the conclusions of the 16th Congress of the CPCZ through successful fulfillment of the 1982 plan.

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## UNIFIED AGRICULTURAL COOPERATIVES' FINANCIAL TRENDS ANALYZED

Prague FINANCE A UVER in Czech No 6, 1982 pp 387-400

[Article by Eng Kveta Burianova, ScC: "Analysis of the Development of Costs in 1980 in the System of Unified Agricultural Cooperatives Operating Under Different Natural Conditions"]

[Text] The purpose of this analysis is to identify the causes of the steep growth of costs in the JZD [Unified Agricultural Cooperatives] and its specifics, if any, under various natural conditions, both according to the types of costs and to main products; furthermore, it follows the effect of such factors on profitmaking and the overall efficiency of production.

The basic method chosen for this analysis is the breakdown of cost increases according to the main types of costs with separate emmeration of effects stemming from the regulations issued by the center for the purpose of bringing prices of inputs in the agriculture down to realistic levels, i.e., raising the market prices of fodder mixes 12.9 percent, of fertilizers 14.6 percent, and the contribution to social security 9 percent of operational costs.

The data on costs of products reflect the situation of costs in the system of those JZD that survey costs (hereafter "the JZD system"), and data on costs and profits without classification of products represent all JZD during the period of this analysis. Data for 1980 were compared with the preceding year because the costs continued to rise steadily for several years, and this trend accelerated in 1980 rather than changed its character. In view of the poor harvest as a result of the drought in 1979, the data were converted for better comparison to area units, in livestock to production per head per day, and only in general, also per unit of product.

According to natural conditions, the JZD were grouped in the category of "better conditions" (JZD paying graduated land tax up to Kcs 1,500/hectare of agricultural land) and of "inferior conditions" (those claiming differential subsidies granted at a graduated rate from Kcs 1 to Kcs 70 per Kcs 100 for market production of selected products).

Development of Efficiency of Production in JZD Under Different Natural Conditions

Development of Costs of Production in the "JZD System"

In 1980 the costs of agricultural production rose 11 percent, demonstrating a faster trend in the CSR, and thus, the differences in costs between the two republics and between natural conditions were somewhat dimished, as it appears from the data presented in Table 1.

Table 1

Tabulka č. 1 — 1. v Kčs/ha z. p.

| | 2 „soubor JZD" | 3 údaje za zemědělskou výrobu za: | | | | |
|---|---|---|---|---|---|---|
| | | 4 průměr ČSSR | 5 lepší podmínky | | 6 horší podmínky | |
| | | | ČSR | SSR | ČSR | SSR |
| 7 | náklady na hlavní výrobky | | | | | |
| 8 | v r. 1979 | 13 134 | 13 982 | 14 445 | 11 895 | 11 148 |
| 9 | v r. 1980 | 14 658 | 15 643 | 15 943 | 13 708 | 12 480 |
| 10 | index 1979/1980 | 111 | 112 | 110 | 115 | 112 |
| 11 | přírůstek nákladů | | | | | |
| 12 | v letech 1979—1980 | 1 524 | 1 661 | 1 498 | 1 813 | 1 332 |
| 13 | z toho: pracovních | —55 | —58 | 89 | 40 | 22 |
| 14 | na krmiva vlastní | 423 | 457 | 558 | 374 | 290 |
| 15 | nakoupená | 282 | 410 | 48 | 334 | 228 |
| 16 | na hnojiva nakoupená | 171 | 171 | 251 | 150 | 145 |
| 17 | na odpisy zvířat | 231 | 300 | 118 | 287 | 120 |
| 18 | nákladů na mechanizaci a opravy | 274 | 251 | 419 | 405 | 257 |
| 19 | na režii | 185 | 174 | 136 | 224 | 244 |
| 20 | finančních nákladů | 247 | 253 | 278 | 216 | 215 |
| 21 | vedlejší výrobky (odpočet) | 234 | 297 | 221 | 217 | 145 |

Key:

1. in Kcs/hectare of agricultural land
2. "JZD system"
3. data for agricultural production in:
4. CSSR average
5. better conditions
6. inferior conditions
7. costs of main products
8. in 1979
9. in 1980
10. index 1979/1980
11. increment of costs
12. in 1979-1980
13. of which: operational
14. for fodder procured by the enterprise
15. for procured fodder
16. for procured fertilizers
17. for livestock depreciation
18. costs of mechanization and repairs
19. overhead
20. cash outlay
21. byproducts (deduction)

The cost increase resulted from the adjustment of economic policies in 1980, to the full extent for procured fodder and cash outlay, 75 percent for procured fertilizers, and partly also for fodder produced by the JZD, depreciation of the livestock, and byproducts, which reflected the change of prices accounted in pricing of unfinished products. Thus, due to objective causes the increase of costs centered in the increase of costs for mechanization and overhead and in part also for fodder produced by the JZD.

Development of Receipts for Agricultural Production in the "JZD System"

In 1980, receipts for agricultural products increased 12 percent, mainly due to higher receipts for livestock production, particularly in inferior natural conditions. Procurement prices rose higher (13 percent) than price incentives (3 percent) where within which a shift was made in favor of differential subsidies which were increased 40 percent (see Table 2).

Table 2

Tabulka č. 2 — 1 v Kčs/ha z. p.

| | 2 „soubor JZD" index 1980/79 | 3 údaje za zemědělskou výrobu za: | | | | |
|---|---|---|---|---|---|---|
| | | 4 průměr ČSSR | 5 lepší podmínky | | 6 horší podmínky | |
| | | | ČSR | SSR | ČSR | SSR |
| 7 | tržby ze zemědělské výroby | 112,2 | 112,9 | 110,0 | 116,8 | 113,7 |
| 8 | z toho: rostlinná | 105,2 | 106,7 | 113,2 | 103,7 | 99,5 |
| 9 | živočišná | 116,5 | 116,8 | 107,3 | 123,4 | 120,0 |
| 10 | v tom z nákupních cen | | | | | |
| 11 | ze zemědělské výroby | | | | | |
| 12 | celkem | 113,0 | 115,4 | 111,8 | 117,5 | 109,7 |
| 13 | z rostlinné výroby | 104,7 | 106,9 | 113,1 | 102,7 | 97,3 |
| 14 | ze živočišné výroby | 118,6 | 121,2 | 110,6 | 125,7 | 115,9 |
| 15 | v tom z cenových nástrojů | 102,7 | 69,5 | 64,7 | 111,8 | 131,6 |
| 16 | z rostlinné výroby | 115,5 | 107,2 | 120,8 | 119,3 | 119,0 |
| 17 | ze živočišné výroby | 99,4 | 58,9 | 48,4 | 110,2 | 134,1 |

Key:

1. in Kcs/hectare of agricultural lands
2. "JZD system" - Index 1980/1979
3. data on agricultural production in:
4. CSSR average
5. better conditions
6. inferior conditions
7. receipts from agricultural production
8. of which: crops
9. livestock
10. including: procurement prices
11. agricultural production
12. total
13. crop production
14. livestock production
15. of which: price incentives
16. crop production
17. livestock production

## Development of Balanced Profits

Comprehensive data concerning the development of efficiency are derived from the development of balanced profits (excluding grants) of all JZD which demonstrated the highest rise in JZD operating in inferior conditions in the SSR at the lowest level of that indicator, and thus, its differentiation in various natural conditions was diminished to some extent (see Table 3).

Table 3

Tabulka č. 3. 1 v Kčs/ha z. p.

| | 2 průměr | | 3 lepší podmínky | | 4 horší podmínky | |
|---|---|---|---|---|---|---|
| | ČSR | SSR | ČSR | SSR | ČSR | SSR |
| 5 *všechna JZD* | | | | | | |
| 6 bilanční zisk podniku | | | | | | |
| 7 v r. 1979 | 1 297 | 790 | 1 519 | 2 469 | 929 | —82 |
| 8 v r. 1980 | 1 607 | 1 318 | 1 900 | 2 823 | 1 121 | 534 |
| 9 přírůstek v letech 1979—1980 | 310 | 528 | 381 | 354 | 192 | 616 |
| 10 index 1980/79 | 124 | 167 | 125 | 114 | 121 | — |
| pozemková daň | 263 | 186 | 418 | 535 | 5 | 4 |
| 11 diferenciální příplatek 12 | 267 | 1 128 | 37 | 37 | 646 | 1 696 |
| 13 *„soubor JZD"* | | | | | | |
| 14 zisk ze zemědělské výroby | | | | | | |
| v r. 1979 15 | 757 | 115 | 912 | 1 333 | 179 | —696 |
| v r. 1980 16 | 1 395 | 506 | 1 618 | 2 195 | 646 | —460 |
| 17 přírůstek v letech 1979—1980 | 638 | 391 | 706 | 861 | 467 | 236 |
| 18 index 1980/79 | 184 | 440 | 177 | 165 | 361 | 66 |
| z toho zisk z rostlinné výroby | | | | | | |
| 19 v r. 1979 20 | 889 | 541 | 1 090 | 2 011 | 141 | —438 |
| v r. 1980 21 | 1 243 | 713 | 1 589 | 2 988 | 85 | —590 |
| 22 přírůstek v letech 1979—1980 | 354 | 172 | 499 | 977 | —56 | —152 |
| 23 index 1980/79 | 140 | 132 | 146 | 149 | 60 | 135 |
| zisk ze živočišné výroby | | | | | | |
| 24 v r. 1979 25 | —133 | —427 | —178 | —678 | 37 | —259 |
| v r. 1980 26 | 152 | —207 | 29 | —794 | 561 | 130 |
| 27 přírůstek v letech 1979—1980 | 285 | 220 | 207 | —116 | 524 | 389 |
| 28 index 1980/79 | — | 48 | — | 117 | 1 516 | — |

Key:

1. in Kcs/hectare of agricultural lands
2. average
3. better conditions
4. inferior conditions
5. all JZD
6. balanced profits of the enterprise
7. in 1979
8. in 1980
9. increment in 1979-1980
10. index 1980/1979
11. land tax
12. differential subsidy
13. "JZD system"
14. profits from agricultural production
15. in 1979
16. in 1980
17. increment in 1979-1980
18. index 1980/1979
19. of which profits from crop production
20. in 1979
21. in 1980
22. increment in 1979-1980
23. index 1980/1979
24. profits from livestock production
25. in 1979
26. in 1980
27. increment in 1979-1980
28. index 1980/1979

JZD operating in better natural conditions earned most of their profits from crop production; land taxes reduced their profits 28 percent in the CSR and 19 percent in the SSR. Profits in inferior natural conditions increased most in the JZD of the SSR; these profits were derived from livestock production and from nonagricultural operations whose share in the receipts from production programs was 23 percent in the JZD of the CSR and 34 percent in the SSR. Differential subsidies exceeded the level of profits and thus, in the SSR they covered some of the costs in addition to profits in inferior natural conditions. Our district agricultural administrations should ascertain whether the structure of production in some of these cases is appropriate, and propose measures to increase the efficiency of their expenditures.

Share of Main Products in Profitmaking of the "JZD System"

Profitmaking may be specified according to the type of products only from the data for the "JZD system"; the structure of products in the profits appears from the following data for 1980 (see Table 4):

Table 4. Structure of Profits in percent

Tabulka č. 4 Struktura zisku v %

| | 1 „soubor JZD" průměr | | 2 lepší podmínky | | 3 horší podmínky | |
|---|---|---|---|---|---|---|
| | ČSR | SSR | ČSR | SSR | ČSR | SSR |
| 4 pšenice, ječmen, kukuřice | 65 | 154 | 71 | 95 | 17 | 8 |
| 5 žito, oves | 5 | 2 | 3 | 1 | 19 | 2 |
| 6 řepka | 4 | 12 | 4 | 3 | 6 | 13 |
| 7 ostatní rostlinné výrobky | 15 | — 28 | 20 | 37 | — 29 | 152 |
| 8 mléko | — 13 | — | 18 | 18 | 23 | 50 |
| 9 ostatní výrobky chovu skotu | 11 | — 44 | 8 | — 10 | 35 | — 51 |
| 10 chov prasat | 13 | 4 | 11 | — 7 | 27 | 26 |
| 11 ostatní živočišné výrobky | — | — | 1 | — 1 | 2 | 4 |
| 12 celkem zemědělské výrobky | 100 | 100 | 100 | 100 | 100 | 100 |

Key:

1. "JZD system" - average
2. better conditions
3. inferior conditions
4. wheat, barley, corn
5. rye, oats
6. rape
7. other crop products
8. milk
9. other livestock products
10. hog raising
11. other livestock products
12. total agricultural products

Grain crops (74-96 percent) and to a lesser extent other crop products (20-37 percent) continued to be in 1980 the key sources of profits in better natural conditions, while milk production and in the SSR the entire livestock production sustained the greatest losses.

The decisive source of profits in inferior natural conditions was livestock production, mainly milk (23-50 percent), hogs (26-27 percent) and in the CSR, also cattle (35 percent); in crops also rape (6-13 percent) and in the CSR rye, barley and flax, in the SSR wheat. Late potatoes, sugar beets and in the SSR, where crop production in general marked losses, also corn for grain shared in the deficit.

Obviously, it is imperative to reconsider whether crops requiring better climate, such as corn for grain and sugar beets, should be cultivated in inferior natural conditions, and as for late potatoes, the experience of our leading enterprises should be more widely applied.

The Effect of Price Adjustments On Higher Profits in Livestock Production

The conspicuous increase of profits in livestock production reflected the effect of the 1980 price adjustments, particularly supplementary price incentives (see Table 5).

Table 5

| All JZD - Supplementary Price Incentives | in Kcs/hectare of agricultural land | | | |
|---|---|---|---|---|
| | Better conditions | | Inferior conditions | |
| | CSR | SSR | CSR | SSR |
| in livestock production in 1980 | 347 | 207 | 1,141 | 1,876 |
| in 1979 | 589 | 428 | 1,035 | 1,399 |
| index 1980/1979 | 59 | 48 | 110 | 134 |

Higher profits in livestock production helped offset the overall deficit in inferior natural conditions in the SSR and thus, reduce the differences in the profits of the JZD.

High incentives for livestock production in inferior natural conditions notwithstanding, the available resources failed to affect the growth of production and of market production (see Table 6).

Table 6

Tabulka č. 6

| | 1 všechna JZD — ukazatelé na ha z. p. | průměr ČSSR 2 | 3 lepší podmínky | | 4 horší podmínky | |
|---|---|---|---|---|---|---|
| | | | ČSR | SSR | ČSR | SSR |
| 5 | *tržní produkce v roce 1980* | | | | | |
| 6 | mléko [l] | 865 | 1 026 | 760 | 920 | 561 |
| 7 | jatečný skot [kg] | 54 | 65 | 57 | 44 | 36 |
| 8 | jatečná prasata [kg] | 125 | 129 | 222 | 70 | 93 |
| 9 | *přírůstek tržní produkce v letech 1979–1980* | | | | | |
| 10 | mléko [l] | 38 | 68 | —19 | 45 | 12 |
| 11 | jatečný skot [kg] | – 4,0 | – 2,9 | 0,1 | —8,4 | —4,6 |
| 12 | jatečná prasata [kg] | 0,4 | 5,1 | —3,8 | 7,5 | 0,3 |
| 13 | *index růstu tržní produkce 1980/1979* | | | | | |
| 14 | mléko | 105 | 107 | 98 | 105 | 102 |
| 15 | jatečný skot | 96 | 96 | 100 | 84 | 89 |
| 16 | jatečná prasata | 100 | 104 | 102 | 112 | 100 |

Key:

1. all JZD - indicators per hectare of agricultural land
2. CSSR average
3. better conditions
4. inferior conditions
5. market production in 1980
6. milk (litres)
7. slaughter cattle (kg)
8. slaughter hogs (kg)
9. increment in market production in 1979-1980
10. milk (litres)
11. slaughter cattle (kg)
12. slaughter hogs (kg)
13. index of growth in market production for 1980/1979
14. milk
15. slaughter cattle
16. slaughter hogs

Market production noted its highest rise in milk and hog production in the JZD of the CSR, even with relatively low increases in sales prices of milk (see Table 7).

Table 7

Tabulka č. 7

1 v Kčs/kg

| | 2 soubor JZD sledující náklady v roce 1980 | 3 lepší podmínky | | 4 horší podmínky | |
|---|---|---|---|---|---|
| | | ČSR | SSR | ČSR | SSR |
| 5 | *realizační cena včetně ekonomických nástrojů* | | | | |
| 6 | mléko | 3,46 | 3,24 | 4,07 | 4,80 |
| 7 | prasata | 14,90 | 14,49 | 15,98 | 17,86 |
| 8 | *zvýšení realizační ceny v l. 1980 / 1979* | | | | |
| 9 | mléko | 0,26[a] | 0,20 | 0,51 | 0,98 |
| 10 | prasata | 0,42 | 0,44 | 0,60 | 0,76 |

11 *poznámka:* [a] vliv vyšší tučnosti a kvality mléka v lepších podmínkách ČSR

[key on following page]

Key:

1. in Kcs/kg
2. JZD system surveying costs in 1980
3. better conditions
4. inferior conditions
5. actual price, including economic incentives
6. milk
7. hogs
8. increase in actual price in 1980-1979
9. milk
10. hogs
11. Note a: effect of higher fat contents and better quality of milk in better conditions of CSR

From these data it follows that thus far, the growth of production has been affected more by material factors than by price incentives whose differential subsidies produced a controversial increase in hog raising in inferior conditions where meadows and pastures serve as source of fodder primarily for cattle.

Changes in Profitability of Production in the "JZD System"

In 1980 the profitability of agricultural production of the "JZD system" operating in better conditions declined, in inferior conditions in the CSR stagnated, and only in the SSR increased. Agricultural production of all JZD operating in inferior conditions of the SSR remained unprofitable (see Table 8).

Table 8. Profitability in percent

Tabulka č. 8 Rentabilita v %

| | 1 rok | 2 lepší podmínky | | 3 horší podmínky | |
|---|---|---|---|---|---|
| | | ČSR | SSR | ČSR | SSR |
| 4 *„soubor JZD"* [%] | | | | | |
| 5 — rostlinná výroba | 1979 | 18,8 | 20,0 | 10,0 | 2,9 |
| | 1980 | 20,6 | 30,9 | 3,9 | −1,5 |
| 6 — živočišná výroba | 1979 | 4,0 | 0,7 | 4,2 | 6,6 |
| | 1980 | 1,0 | −4,9 | 8,4 | 10,1 |
| 7 — zemědělská výroba | 1979 | 10,1 | 11,8 | 6,7 | 5,1 |
| | 1980 | 8,7 | 10,3 | 6,6 | 5,6 |
| 8 *všechna JZD* [%] | | | | | |
| 7 — zemědělská výroba | 1980 | 8,4 | 11,8 | 4,0 | −4,9 |
| 9 — zemědělský podnik (vč. nezemědělské činnosti) | 1980 | 11,4 | 16,3 | 7,4 | 3,8 |
| 10 rozdíl rentability zemědělské výroby za „soubor JZD" mezi lepšími a horšími podmínkami v procentních bodech | 1979 | 3,4 | 6,7 | | |
| | 1980 | 2,1 | 4,7 | | |
| 11 *index 1980/79* | | 61,8 | 70,1 | | |

[Key on following page]

Key:

1. year
2. better conditions
3. inferior conditions
4. "JZD system" (in percent)
5. crop production
6. livestock production
7. agricultural production
8. all JZD (in percent)
9. agricultural enterprises (including nonagricultural operations)
10. difference in profitability of agricultural production in the "JZD system: between better and inferior conditions in percentage points
11. 1980/1979 index

Price regulations implemented since 1980 increased the profitability of livestock production in inferior natural conditions, while the profitability of crop production declined; it was the exact opposite in better natural conditions since higher per hectare yields more than compensated for higher input costs. On the whole, the differences in the profitability of agricultural production in better and in inferior natural conditions in the CSSR dropped from 4.8 points to 3.1 points, i.e., to 65 percent, more noticeably so in the CSR.

In comparison with the "JZD system," the profitability of agricultural production in all JZD in 1980 was markedly lower in inferior natural conditions. Nonagricultural operations raised the profitability of all JZD, namely, by 3.0 and 3.4 points in the CSR and by 4.5 and 8.8 points in the SSR, and thus, helped improve even more the situation of income in inferior natural conditions; the difference in the profitability of the JZD operating in better and in inferior natural conditions amounted to 4.4 points for the CSR agricultural production and to a total of 4.0 points for the enterprise; in the SSR it was 16.7 points and a total of 12.5 points for the enterprise.

The weather in 1980 affected the development of profitability of the crop production; the per hectare yields and thus, also the profitability increased, particularly that of mechanically cultivated crops (wheat, rape, flax) in all natural conditions; however, crops requiring manual labor were harvested in the autumn under adverse conditions, which lowered the profits. Other products did not demonstrate any clearcut trends.

Conclusions Concerning the Development of Efficiency

1. Adjustments of economic regulations implemented since 1980 helped reduce the differences in various natural conditions:

a) in the costs of agricultural production, due to lower increases of costs in the highest cost category (better conditions in the SSR) and the lowest category (inferior conditions in the SSR), and thus, the level of costs in both republics achieved a better balance; in addition to the adjusted economic regulations increased the costs and thus, affected in particular the growth of costs of mechanization, overhead and fodder produced by the JZD;

b) in receipts, due to an accelerated growth of procurement prices and supplementary price incentives in the production of livestock in inferior natural conditions;

c) in profits in livestock production, which increased more noticeably in inferior natural conditions; especially of milk, and in the CSR also of the cattle, mainly by higher supplementary price incentives;

d) in profitability of agricultural production, which increased in inferior natural conditions, particularly in livestock production; this was reflected in higher profitability of all agricultural production in the SSR.

2. The highest incentives for livestock production, however, failed to bring about the highest increase in market production because the material factors, thus far unresolved, generated a more pronounced effect.

Development of Costs of Products in Different Natural Conditions

According to products, the per hectare costs in the "JZD system" increased in 1980 most rapidly in the following categories:

| | |
|---|---|
| corn for grain | 28 percent |
| milk | 20 percent |
| barley | 17 percent |
| flax | 14 percent |
| early potatoes | 13 percent |
| rye | 13 percent |
| sugar beets | 12 percent |
| eggs (per feeding day) | 11 percent |
| hogs (per feeding day) | 9 percent |
| cattle (per feeding day) | 8 percent. |

Therefore, the increase of costs of these products, whose costs rose at a higher rate, will be analyzed here to greater detail, according to the type of costs and different natural conditions.

Corn for Grain

Its per hectare costs increased especially in inferior conditions of the SSR (56 percent). Items presented in Table 9 particularly affected the increment of costs.

Table 9

Tabulka č. 9

| | 1 kukuřice na zrno | 2 lepší podmínky | | 3 horší podmínky | |
|---|---|---|---|---|---|
| | | ČSR | SSR | ČSR | SSR |
| 4 | přírůstek v letech 1979–1980 | | | | |
| 5 | a) nákladů celkem [Kčs/ha] | 1 459 | 1 359 | 20 | 3 855 |
| 6 | z toho pracovních | 17 | 11 | | 311 |
| 7 | na nákup hnojiv | 573 | 465 | | 753 |
| 8 | na nákup osiv | 44 | 239 | | 434 |
| 9 | na opravy a ostatní materiál | 658 | 431 | nepěstuje | 1 552 |
| 10 | na režii | 178 | 95 | | 395 |
| 11 | ostatních nákladů | —11 | 118 | | 410 |
| 12 | v tom přírůstek vlivu úprav | | | | |
| 13 | ekonomických nástrojů celkem | 240 | 231 | | 298 |
| 14 | z toho přírůstek nákladů na nákup hnojiv | 157 | 161 | | 214 |
| 15 | přírůstek odvodu na sociální zabezpečení | 83 | 70 | | 84 |
| 16 | b) výnosu [t/ha] | —0,58 | —0,36 | | —0,43 |
| 17 | náklady v r. 1980 [Kčs/t] | 2 069 | 1 378 | | 2 690 |
| 18 | index nákladů na jednotku výrobku 1980/79 | 137 | 137 | | 175 |

Key:

1. corn for grain
2. better conditions
3. inferior conditions
4. increment in 1979-1980
5. a) of total costs (Kcs per hectare
6. of which operational
7. for procurement of fertilizers
8. for procurement of seed
9. for repairs and other materials
10. overhead
11. other costs
12. of which increment resulting from the adjustments
13. of economic regulations--total
14. of which increment of costs for procurement of fertilizers
15. increment in social security taxes
16. b) yield (ton per hectare)
17. costs in 1980 (Kcs)
18. index of costs per unit of product 1980/1979
19. not cultivated

Material growth absorbed over 70 percent of the increment of costs of procured fertilizers. Among the items unaffected by price adjustments, the costs of mechanization and overhead, in the SSR also the costs of procured seed and in inferior conditions of the SSR labor costs (33 percent) increased most of all. On the other hand, because of the inclement weather in the autumn, the per hectare yields in better conditions dropped below the wheat standard, and thus, the ratio of costs per ton of corn to wheat in comparison with 1979 (wheat 100) deteriorated

in better conditions in the CSR from 115 to 193,
in the SSR from 78 to 154,
in inferior conditions of the SSR from 91 to 168.

Higher costs in better conditions of the CSR are related to the production of seed, which is confirmed by the actual price of Kcs 2,605 per ton (in the SSR Kcs 1,910 per ton).

Thus, the cost of corn for grain rose more in inferior natural conditions in the SSR mainly because of the costs of repairs and procured fertilizers which above all raised the costs in better natural conditions, albeit to a lesser degree. Furthermore, lower per hectare yields reduced efficiency, particularly in inferior natural conditions.

Barley

Its per hectare costs were up especially in better conditions of the SSR (25 percent). Items listed in Table 10 most of all affected the increase of costs.

Table 10

Tabulka č. 10

| | 1 ječmen | 2 lepší podmínky | | 3 horší podmínky | |
|---|---|---|---|---|---|
| | | ČSR | SSR | ČSR | SSR |
| 4 | přírůstek v letech 1979—1980 | | | | |
| 5 | a) nákladů celkem [Kčs/ha] | 657 | 1 059 | 722 | 887 |
| 6 | z toho pracovních | 38 | 78 | 41 | 73 |
| 7 | na nákup hnojiv | 160 | 384 | 166 | 206 |
| 8 | na nákup osiv | 16 | 88 | 10 | 16 |
| 9 | na opravy a ostatní materiál | 237 | 415 | 271 | 331 |
| 10 | na režii | 163 | 81 | 238 | 191 |
| 11 | ostatních nákladů | 43 | 13 | —4 | 70 |
| 12 | v tom přírůstek vlivu úprav ekonomických nástrojů celkem | 170 | 172 | 213 | 228 |
| 13 | z toho přírůstek nákladů na nákup hnojiv | 112 | 110 | 149 | 153 |
| 14 | přírůstek odvodu na sociální zabezpečení | 58 | 62 | 64 | 75 |
| 15 | b) výnosu [t/ha] | 0.54 | 1.37 | -0.10 | 0.23 |
| 16 | přírůstek nákladů na přírůstek výnosu [Kčs/t] | 1 217 | 773 | | 3 856 |
| 17 | náklady v r. 1980 [Kčs/t] | 1 050 | 883 | 1 396 | 1 567 |
| 18 | index nákladů na jednotku výrobku 1980/79 | 98 | 93 | 111 | 106 |

Key:

1. barley
2. better conditions
3. inferior conditions
4. increment in 1979-1980
5. a) of total costs (Kcs per hectare)
6. of which operational
7. for procurement of fertilizers
8. for procurement of seed
9. for repairs and other materials
10. for overhead
11. other costs
12. of which increment stemming from adjustments of economic regulations—total
13. of which increment of costs for procurement of fertilizers
14. increase in taxes for social security
15. b) yield (ton per hectare)
16. increment in costs for increase in yield (Kcs per ton)
17. costs in 1980 (Kcs per ton)
18. index of costs per unit of product 1980/1979

The growth of costs in better conditions was efficient because higher yields covered also higher prices of inputs and furthermore, the increase was reflected in lower costs per unit of the product, especially in better conditions of the SSR. The costs of repairs, and in inferior conditions also overhead, rose most noticeably among the categories of costs.

The efficiency of barley production deteriorated only in inferior natural conditions, mainly due to higher costs of repairs and overhead, and in the CSR also due to lower per hectare yields.

Rye

The per hectare cost of rye increased most in better conditions in the SSR (32 percent). Items listed in Table 11 contributed most to the increment of costs.

Table 11

Tabulka č. 11

| | 1 žito | 2 lepší podmínky | | 3 horší podmínky | |
|---|---|---|---|---|---|
| | | ČSR | SSR | ČSR | SSR |
| 4 | přírůstek v letech 1979—1980 | | | | |
| 5 | a) nákladů celkem [Kčs/ha] | 332 | 1 219 | 817 | 733 |
| 6 | z toho pracovních | —57 | 15 | 45 | 67 |
| 7 | na nákup hnojiv | 117 | 644 | 223 | 140 |
| 8 | na nákup osiv | 21 | 48 | 73 | 177 |
| 9 | na opravy a ostatní materiál | 166 | 340 | 269 | 264 |
| 10 | na režii | 52 | 146 | 199 | 110 |
| 11 | ostatních nákladů | 33 | 26 | 8 | 109 |
| 12 | v tom přírůstek vlivu úprav ekonomických nástrojů celkem | 204 | 195 | 199 | 263 |
| 13 | z toho přírůstek nákladů na nákup hnojiv | 142 | 153 | 138 | 177 |
| 14 | přírůstek odvodu na sociální zabezpečení | 62 | 42 | 61 | 86 |
| 15 | b) výnosu [t/ha] | 0,32 | 0,80 | 0,19 | 0,54 |
| 16 | přírůstek nákladů na přírůstek výnosu [Kčs/t] | 1 038 | 1 524 | 4 300 | 1 357 |
| 17 | náklady v roce 1980 [Kčs/t] | 1 453 | 1 608 | 1 484 | 1 710 |
| 18 | index nákladů na jednotku výrobku 1980/79 | 101 | 122 | 107 | 94 |

Key:

1. rye
2. better conditions
3. inferior conditions
4. increment in 1979-1980
5. a) of total costs (Kcs per hectare)
6. of which operational
7. for procurement of fertilizers
8. for procurement of seeds
9. for repairs and other materials
10. for overhead
11. other costs
12. of which increment stemming from adjustments of economic regulations--total
13. of which increment of costs for procurement of fertilizers
14. increase in social security taxes
15. b) yield (ton per hectare)
16. increment in costs for increase in yields (Kcs per ton)
17. costs in 1980 (Kcs per ton)
18. index of costs per unit of product (1980/1979

Higher costs were focused on the costs of repairs and other materials as well as overhead, and in better conditions of the SSR, also on procured fertilizers. The increment of production in better conditions of the CSR, where a unit of the product is produced at the lowest cost, was achieved at the lowest cost.

Costs went up in all conditions, particularly because of higher costs of repairs and overhead, while higher yields lowered the per unit costs only in inferior conditions of the SSR, although the production there remains the most expensive.

Flax

The per hectare costs of flax increased particularly in inferior conditions (CSR 15 percent, SSR 20 percent). Items listed in Table 12 contributed most to the increase of costs.

Table 12

Tabulka č. 12

| | 1 len | 2 lepší podmínky | | 2 horší podmínky | |
|---|---|---|---|---|---|
| | | ČSR | SSR | ČSR | SSR |
| 4 | přírůstek v letech 1979–1980 | | | | |
| 5 | a) nákladů celkem [Kčs ha] | 569 | —3 429 | 1 330 | 1 739 |
| 6 | z toho pracovních | 171 | —1 600 | 270 | 182 |
| 7 | na nákup hnojiv | — 76 | — 529 | 148 | 180 |
| 8 | na nákup osiv | —171 | 57 | —135 | 35 |
| 9 | na opravy a ostatní materiál | 302 | —2 457 | 749 | 1 150 |
| 10 | na režii | 152 | 1 014 | 190 | 204 |
| 11 | ostatních nákladů | 191 | 86 | 108 | —12 |
| 12 | v tom přírůstek vlivu úprav ekonomických nástrojů celkem | 272 | 389 | 271 | 276 |
| 13 | z toho přírůstek nákladů na nákup hnojiv | 113 | 209 | 118 | 126 |
| 14 | přírůstek odvodu na sociální zabezpečení | 159 | 180 | 153 | 150 |
| 15 | b) výnosu [t/ha] | 0,86 | 1,95 | 0,53 | 1,02 |
| 16 | náklady v r. 1980 [Kčs/t] | 1 976 | 1 417 | 2 140 | 3 327 |
| 17 | index nákladů na jednotku výrobku 1980/79 | 75 | 44 | 95 | 60 |

Key:

1. flax
2. better conditions
3. inferior conditions
4. increment in 1979-1980
5. a) of total costs (Kcs per hectare)
6. of which operational
7. for procurement of fertilizers
8. for procurement of seed
9. for repairs and other materials
10. for overhead
11. other costs
12. of which increment stemming from adjustments of economic regulations—total
13. of which increment in costs for procurement of fertilizers
14. increase of social security tax
15. b) yield (tons per hectare)
16. costs in 1980 (Kcs per ton)
17. index of costs per unit of product 1980/1979

The costs increased particularly in inferior conditions due to costs of repairs, overhead and labor, however, the costs of production declined in all conditions due to higher per hectare yields.

Early potatoes

The per hectare costs increased above all in better natural conditions in the CSR (15 percent). Items listed in Table 13 contributed to the increment.

Table 13

Tabulka č. 13

| | 1 brambory ranó | 2 lepší podmínky | | 3 horší podmínky | |
|---|---|---|---|---|---|
| | | ČSR | SSR | ČSR | SSR |
| 4 | přírůstek v letech 1979—1980 | | | | |
| 5 | a) nákladů celkem [Kčs/ha] | 2 953 | 273 | 2 237 | 997 |
| 6 | z toho pracovních | 552 | 219 | — 529 | —390 |
| 7 | na nákup hnojiv | 115 | —533 | 176 | —120 |
| 8 | na nákup sadby | 387 | — 87 | —2 315 | — 54 |
| 9 | na vlastní sadbu | — 93 | 30 | 185 | 156 |
| 10 | na opravy a ostatní materiál | 1 194 | 233 | 4 142 | —276 |
| 11 | na režii | 816 | 782 | 306 | 382 |
| 12 | ostatních nákladů | — 18 | 95 | 272 | 1 299 |
| 13 | v tom přírůstek vlivu úprav ekonomických nástrojů celkem | 606 | 603 | 638 | 719 |
| 14 | z toho přírůstek nákladů na nákup hnojiv | 230 | 224 | 214 | 274 |
| 15 | přírůstek odvodu na sociální zabezpečení | 376 | 379 | 424 | 445 |
| 16 | b) výnosu [t/ha] | 0.35 | 3.94 | — 0.59 | — 2.17 |
| 17 | náklady v r. 1980 [Kčs/t] | 1 467 | 2 511 | 1 585 | 3 493 |
| 18 | index nákladů na jednotku výrobku 1980/79 | 119 | 166 | 103 | 152 |

Key:

1. early potatoes
2. better conditions
3. inferior conditions
4. increment in 1979-1980
5. a) of total costs (Kcs per hectare)
6. of which operational
7. for procurement of fertilizers
8. for procurement of seed potatoes
9. for seed potatoes produced by the enterprise
10. for repairs and other materials
11. overhead
12. other costs
13. of which increment stemming from adjustments of economic regulations—total
14. of which increment of costs for procurement of fertilizers
15. increase of social security taxes
16. b) yield (tons per hectare)
17. costs in 1980 (Kcs per ton)
18. index of costs per unit of product 1980/1979

In the CSR primarily costs of repairs, including other materials, and in better conditions labor costs and overhead contributed to a major extent to cost increases. The per hectare yields increased only in better conditions of the CSR where they reached their highest level [15 tons per hectare].

Higher costs of repairs in the CSR, labor costs in better conditions and of overhead in general rendered the development of costs inefficient, which was reflected especially conspicuously in higher costs of production in the SSR, with generally lower per hectare yields.

Sugar Beets

Their per hectare costs rose most markedly in inferior natural conditions in the CSR (20 percent) and in the SSR (24 percent). Items listed in Table 14 contributed to a major degree to the growth of the costs.

Table 14

Tabulka č. 14

| | 1 cukrovka | 2 lepší podmínky | | 3 horší podmínky | |
|---|---|---|---|---|---|
| | | ČSR | SSR | ČSR | SSR |
| 4 | přírůstek v letech 1979--1980 | | | | |
| 5 | a) nákladů celkem [Kčs/ha] | 1 575 | 672 | 2 584 | 3 141 |
| 6 | z toho pracovních | -104 | —69 | —87 | 797 |
| 7 | na nákup hnojiv | 367 | —89 | 352 | 91 |
| 8 | na nákup osiv | 205 | —20 | 37 | —29 |
| 9 | na opravy a ostatní materiál | 939 | 532 | 1 512 | 1 555 |
| 10 | na režii | 109 | 18 | 528 | 284 |
| 11 | ostatních nákladů | 59 | 300 | 242 | 443 |
| 12 | v tom přírůstek vlivu úprav ekonomických nástrojů celkem | 568 | 530 | 567 | 629 |
| 13 | z toho přírůstek nákladů na nákup hnojiv | 283 | 244 | 269 | 276 |
| 14 | přírůstek odvodu na sociální zabezpečení | 285 | 286 | 298 | 353 |
| 15 | b) výnosu [t/ha] | -3,0 | 0,73 | 0,64 | 1,78 |
| 16 | náklady v r. 1980 [Kčs/t] | 303 | 268 | 472 | 418 |
| 17 | index nákladů na jednotku výrobku 1980/79 | 119 | 104 | 107 | 112 |

Key:

1. sugar beets
2. better conditions
3. inferior conditions
4. increment in 1979-1980
5. a) of costs - total (Kcs per hectare
6. of which operational
7. for procurement of fertilizers
8. for procurement of seed
9. for repairs and other materials
10. for overhead
11. other costs
12. of which increment stemming from adjustments of economic regulations--total
13. of which increment in costs for procurement of fertilizers
14. increment in social security taxes
15. b) yield (tons per hectare)
16. costs in 1980 (Kcs per ton)
17. index of costs per unit of product 1980/1979

The increase in costs was caused primarily by the costs of repairs and overhead and in the CSR, to a lesser extent, also by the cost of fertilizers, while labor costs went up considerably in inferior conditions in the SSR. The per hectare yield increased only in the SSR and thus, it absolutely exceeded the level of the CSR.

Costs increased in all conditions, however, more so in inferior conditions, mainly due to the costs of repairs and overhead. Despite higher per hectare yields in the SSR, production costs rose in all conditions and remained at their highest level in inferior natural conditions.

Milk

The costs per 100 feeding days (hereafter FD) of milch cows increased most in inferior conditions of the CSR (24 percent), nevertheless, they remained lowest of all natural conditions. Items listed in Table 15 contributed most higher costs.

Table 15

Tabulka č. 15

| 1 mléko | 2 lepší podmínky | | 3 horší podmínky | |
|---|---|---|---|---|
| | ČSR | SSR | ČSR | SSR |
| 4 přírůstek v letech 1979—1980 | | | | |
| 5 a) nákladů celkem [Kčs/100 KD] | 564 | 485 | 655 | 513 |
| 6 z toho pracovních | 3 | 9 | 24 | — 2 |
| 7 na nákup krmiv | 8 | 6 | 37 | 9 |
| 8 na krmiva vlastní | 206 | 223 | 208 | 229 |
| 9 na opravy a ostatní materiál | 97 | 92 | 99 | 96 |
| 10 na režii | 22 | 45 | 45 | 47 |
| 11 na vedlejší výrobek | 102 | 118 | 116 | 99 |
| ostatních nákladů 12 | 126 | 22 | 126 | 35 |
| 13 v tom přírůstek vlivu úprav ekonomických nástrojů celkem | 120 | 131 | 117 | 130 |
| 14 z toho přírůstek nákladů na nákup krmiv | 56 | 54 | 54 | 57 |
| 15 přírůstek odvodu na sociální zabezpečení | 64 | 77 | 63 | 73 |
| 16 b) roční dojivost [l] | 113 | 18 | 203 | — 18 |
| 17 náklady v r. 1980 [Kčs/100 litrů] | 354 | 322 | 369 | 409 |
| 18 index nákladů na jednotku výrobku 1980/79 | 111 | 113 | 111 | 112 |

Key:

1. milk
2. better conditions
3. inferior conditions
4. increment in 1979-1980
5. a) of total costs (Kcs/100 FD)
6. of that operational
7. for procurement of fodder
8. for fodder of own production
9. for repairs and other materials
10. for overhead
11. for byproducts
12. other costs
13. of which increment stemming from adjustments of economic regulations--total
14. of which increment of costs for procured fodder
15. increase of social security tax
16. b) annual milk production (liters)
17. costs in 1980 (Kcs/100 liters)
18. index of costs per unit of product 1980/1979

The costs increased mostly because of the higher costs of fodder produced by the enterprises, of changes in pricing of the byproduct (calves) and of costs or repairs and other materials. The discrepancy between accounting prices and costs of fodder produced by enterprises affects the item entitled "other costs." Annual milk production increased only in the CSR, however, it retained its highest level in better conditions of the SSR.

Costs were up in all conditions, especially in inferior ones, mainly due to higher costs of fodder produced by the enterprises, of repairs and overhead. Production costs also increased in all conditions, remaining at a higher level in inferior natural conditions.

Cattle for Fattening

As in milk, the cost per 100 FD increased mostly in inferior conditions of the CSR (13 percent), although they still were the lowest there in all natural conditions. Items listed in Table 16 contributed in particular to the cost increase.

Table 16

Tabulka č 16

| 1 skot - výkrm | 2 lepší podmínky | | 3 horší podmínky | |
|---|---|---|---|---|
| | ČSR | SSR | ČSR | SSR |
| 4 přírůstek v letech 1979—1980 | | | | |
| 5 a) nákladů celkem [Kčs/100 KD] | 112 | 128 | 171 | 111 |
| 6 z toho pracovních | —5 | —12 | —12 | —100 |
| 7 na nákup krmiv | 4 | —11 | 26 | — 2 |
| 8 na krmiva vlastní | 95 | 90 | 106 | 115 |
| 9 na opravy a ostatní materiál | 18 | 45 | 40 | — 8 |
| 10 na režii | 18 | 11 | 7 | 18 |
| 11 ostatních nákladů | 18 | 5 | 4 | 88 |
| 12 v tom přírůstek vlivu úprav ekonomických nástrojů celkem | 52 | 50 | 55 | 62 |
| 13 z toho přírůstek nákladů na nákup krmiv | 35 | 26 | 36 | 35 |
| 14 přírůstek odvodu na sociální zabezpečení | 17 | 24 | 19 | 27 |
| 15 b) na kus a den [kg] | 0,02 | —0,04 | 0,01 | — 0,06 |
| 16 náklady na živou hmotnost v r. 1980 [Kčs/kg] | 19,49 | 19,46 | 19,82 | 23,23 |
| 17 index nákladů na jednotku výrobku 1980/79 | 115 | 121 | 116 | 123 |

Key:

1. cattle--for fattening
2. better conditions
3. inferior conditions
4. increment in 1979-1980
5. a) of costs - total (Kcs/100 FD)
6. of which operational
7. for procurement of fodder
8. for fodder of own production
9. for repairs and other materials
10. overhead
11. other costs
12. of which increment stemming from adjustments of economic regulations--total
13. of which increment of costs for procured fodder
14. increase in social security tax
15. b) per head and day (kg)
16. costs of bulk on the hoof in 1980 (Kcs/kg)
17. index of costs per unit of product 1980/1979

The growth of costs for fodder produced by the enterprises themselves was decisive for the increase of costs in all conditions. Useful value essentially stagnated in the CSR and slightly declined in the SSR.

The trends in costs and production costs are the same as in milk production.

Hogs for Fattening

The cost per 100 FD increased especially in inferior natural conditions (11 percent). Items listed in Table 17 contributed in particular to the increase of costs.

Table 17

Tabulka č. 17

| | 1 prasata - výkrm | 2 lepší podmínky | | 3 horší podmínky | |
|---|---|---|---|---|---|
| | | ČSR | SSR | ČSR | SSR |
| 4 | přírůstek v letech 1979—1980 | | | | |
| 5 | a) nákladů celkem [Kčs/100 KD] | 50 | 49 | 69 | 69 |
| 6 | z toho pracovních | —5 | — | - 2 | - 2 |
| 7 | 8 na nákup krmiv | 44 | 21 | 72 | 40 |
| | na opravy a ostatní materiál | 6 | 8 | 11 | 8 |
| | 9 na režii | —1 | 7 | - 4 | 17 |
| 10 | ostatních nákladů | 6 | 13 | - 8 | 6 |
| 11 | v tom přírůstek vlivu úprav ekonomických nástrojů celkem | 54 | 60 | 50 | 58 |
| 12 | z toho přírůstek nákladů na nákup krmiv | 49 | 54 | 44 | 51 |
| 13 | přírůstek odvodu na sociální zabezpečení | 5 | 6 | 6 | 7 |
| 14 | b) na kus a den [kg] | 0,01 | - 0,01 | 0,03 | - |
| | náklady na živou hmotnost v r. 1980 [Kčs/kg] | 13,79 | 13,85 | 14,26 | 15,25 |
| 15 | zisk v r. 1980 [Kčs/kg] | 1,11 | 0,64 | 1,72 | 2,61 |
| 16 | rentabilita v r. 1980 [%] | 8,10 | 4,60 | 12,10 | 17,10 |
| | v případě snížení zápočtu diferenciálních příplatků z 90 na 50 %: zisk [Kčs/kg] | 1,08 | 0,62 | 1,28 | 1,23 |
| | 17 rentabilita [%] | 7,80 | 4,50 | 9,0 | 8,10 |

Key:

1. hogs for fattening
2. better conditions
3. inferior conditions
4. increment in 1979-1980
5. a) of costs - total (Kcs/100 FD)
6. of which operational
7. for procurement of fodder
8. for repairs and other materials
9. for overhead
10. other costs
11. of which increment stemming from adjustments of economic regulations--total
12. of which increment of costs of procured fodder
13. increase in social security tax
14. b) per head and day (kg) costs of live bulk in 1980 (Kcs/kg)
15. profit in 1980 (Kcs/kg)
16. profitability in 1980 (percent) in case of reduced differential subsidies from 90 to 50 percent: profit (Kcs/kg)
17. profitability (percent)

Cost increase was decisively affected by the 12.9 percent rise in sales prices of fodder mixes; their material consumption rose only in inferior conditions of the CSR, although this item remains there at the lowest level among the enterprises under study.

Costs increased in all conditions, particularly in inferior conditions, due above all to higher sales prices of fodder mixes which could almost be balanced by increasing the increment in inferior conditions of the CSR. As compared with better conditions, production costs remained higher in inferior natural conditions, however, due to differential subsidies the actual income was substantially higher. High profitability of hog production in inferior natural conditions contradicts the policies stimulating the expansion of cattle-raising and justifies a reduction of differential subsidies from the current 90 percent to 50 percent, as in poultry farming.

Eggs

Their cost increased in inferior conditions of the SSR (20 percent) and in better conditions of the CSR (14 percent). Items listed in Table 18 contributed in particular to the growth of their costs.

Table 18

Tabulka č. 18

| | 1 vejce | 2 lepší podmínky | | 3 horší podmínky | |
|---|---|---|---|---|---|
| | | ČSR | SSR | ČSR | SSR |
| 4 | přírůstek v letech 1979–1980 | | | | |
| 5 | a) nákladů celkem [Kčs/100 ks] | 10 | —1 | 5 | 14 |
| 6 | z toho pracovních | — | —3 | —1 | 1 |
| 7 | na nákup krmiv | 6 | — | 5 | 10 |
| 8 | na odpis slepic | 1 | —3 | 1 | 2 |
| 9 | na odpis základních prostředků | 1 | 2 | — | — |
| 10 | na opravy | — | 2 | 1 | — |
| 11 | na režii | 1 | 2 | 1 | — |
| 12 | v tom přírůstek vlivu úprav cen krmných směsí | 5 | 5 | 4 | 5 |
| 13 | b) roční snášky v r. 1980 [ks] | 8 | 32 | 19 | —12 |
| 14 | náklad [Kčs/100 vajec] | 79 | 81 | 78 | 82 |
| 15 | index nákladů na 100 ks vajec 1980/79 | 112 | 96 | 107 | 120 |

Key:

1. eggs
2. better conditions
3. inferior conditions
4. increment in 1979-1980
5. a) of costs - total (Kcs/100 eggs)
6. of which operational
7. for procured fodder
8. for depreciation of hens
9. for depreciation of capital assets
10. for repairs
11. for overhead
12. of which increment stemming from adjustments of prices of fodder mixes
13. b) annual egg production in 1980 (units)
14. costs (Kcs/100 eggs)
15. index of costs per 100 eggs 1980/1979

Costs increased particularly in procured fodder, with material growth especially in inferior conditions of the SSR where the overall costs and the increment of costs were the highest. Annual egg production increased most conspicuously in better conditions of the SSR and declined in inferior conditions.

The costs per unit of the product were up in all conditions, with the exception of better conditions in the SSR due to higher depreciation of hens, and in inferior conditions of the SSR also due to higher consumption of procured fodder and to lower useful value.

Summary Concerning the Development of Costs of Products

1. The development of costs in the "JZD system" in 1980 was inefficient

--in corn for grain, early potatoes, sugar beets and livestock production in all natural conditions;

--in barley in inferior natural conditions;

--in rye in better conditions of the SSR and in inferior conditions of the CSR.

2. In all analyzed products and in all conditions, the increase of costs was distinctly affected, in addition to adjustments of economic regulations, also by higher costs of repairs, other materials and overhead. Furthermore, considerable increases were reported in the following:

--labor costs of the production of corn for grain and of sugar beets in inferior conditions of the SSR, and of early potatoes in better conditions;

--costs of procured fertilizers,

--in corn for grain due to higher consumption of fertilizers, particularly in inferior natural conditions.

--in rye in better conditions of the SSR,

--the costs of procured seed of corn for grain cultivated in inferior conditions.

3. In cattle products the increase in costs for fodder produced by the enterprises was decisive; only a part [of the increase] was affected here by the adjustment of economic regulation.

4. The increase of costs of hogs and eggs was affected to a major extent by higher prices of fodder mixes.

Conclusions

1. Due to adjustments of economic policies, profits for agricultural production of the JZD increased in 1980 more drastically in inferior natural conditions. Higher costs reduced profitability, which increased only in inferior natural conditions of the SSR in livestock and overall agricultural production. In crop production, higher per hectare yields sufficed to offset increases in the price of fertilizers and in social security taxes in better natural conditions alone. The implemented adjustments of economic policies thus helped reduce the differences in the profitability of livestock production and of overall agricultural production in different natural conditions, although these differences still are considerable. Intensive stimulation of milk production in inferior natural conditions was reflected in the highest increase in market production of milk, however, price incentives unfavorably affected the development of the production of hogs to the disadvantage of the development of cattle for fattening. Grain crops remained the decisive source of profits in better conditions, even of profits for exploitation after the deduction of land taxes. Cattle, hogs and nonagricultural operations were the main sources of profits in inferior natural conditions of the CSR, and nonagricultural operations, milk and hogs in the SSR. Differential subsidies covered the entire profit from agricultural production in inferior conditions and in the SSR also some of the costs.

2. The costs of corn for grain, barley, rye, flax, early potatoes, sugar beets and cattle products marked the highest increase. With the exception of rye and cattle in the SSR, costs rose conspicuously in inferior natural conditions. Roughly 50 percent of the cost increase stemmed from the effect of adjustments in economic policies which determined the increase in the costs of hogs and eggs. In cattle-raising the effect of higher costs of fodder produced by the enterprises themselves and in crop production the effect of higher costs of repairs, other materials and overhead appeared most conspicuous.

3. The trend toward a more rapid growth of costs in inferior natural conditions calls for additional resources, as evident from the roughly 50 percent higher supplementary price incentives in the Sixth 5-Year Plan and other increases implemented starting in 1982. To mitigate this trend, it is imperative:

--to review the deployment of production in terms of advantageous natural conditions for cultivation of corn for grain, sugar beets and hogs;

--to cease stimulating production which is less suitable for inferior conditions; in this context, to identify the prospects for reducing the grounds for the grant of differential subisidies from to 50 percent, as in poultry, and thus of bringing down to an appropriate level the profitability which is here the highest due to the effect of differential subsidies;

--to adapt costs and the needs of profits in accordance with natural conditions.

9004
CSO: 2400/347

## TRENDS IN OLEAGINOUS PLANT PRODUCTION OUTLINED

Prague ROSTLINNA VYROBA in Czech No 8, 1982 pp 785-786

[Article by Eng Jaroslav Voskerusa, candidate of sciences, Oleaginous Plant Research Station, Opava: "Concept of Oleaginous Plant Production Development"]

[Text] In the sector of winter rape cultivation--our main oleaginous crop--the period of the Sixth 5-Year Plan was characterized by a targeted transition to a wider application of varieties with a low content of erucic acid obtained mainly from abroad. For the harvest year of 1981, varieties with a lower content of erucic acid were already used for the entire cultivation area in the CSR; in the SSR, the current planting of winter rape is also done exclusively with such varieties. Improved domestic winter rape varieties with a low erucic acid content have been developed and in national testing experiments matched the leading foreign varieties in yields and quality. The principles of intensive agrotechnology of winter rape, including specifications for new varieties and agrobiological controls contained in the UVTIZ [expansion unknown] standards as the result of research work of this period, are widely applied in practice and contributed to the manifest rise of winter rape yields. Economic stimuli used were found fully justified.

In the Sixth 5-Year Plan the planned production of winter rape was met 99.2 percent in the CSR and 81.3 percent in the SSR. In 1978 and 1979, because of adverse weather conditions particularly in the SSR, the production tasks were not met. Reservations in application of proper agrotechnology in its entire profile still exist for subjective reasons. Inconsistent allocations increase the negative impact of adverse weather and shortcomings exist both in the processing and maintenance of the seed.

The sunflower production plan was met only 75.5 percent because the cultivation areas were not retained, particularly in the East Slovak Kraj. There has been a shortage of effective herbicides and repellents. Lack of suitable harvesting adapters has been the source of high losses during harvesting.

The planned production of poppy seed and poppy husks were not met. The main reason was the failure to retain cultivation areas and shortcomings in cultivation technology that is not yet fully adaptable to mass production, including insufficient material base. Profitability at current prices is at a good level and the incentives for growers are handled by resales. Increased prices

of poppy husks and special bonuses provide for improved sales of this product.

The Seventh 5-Year Plan, in the framework of anti-import measures, anticipates a clear growth of oleaginous crop production, which should rise by more than one-half. For 1985, the cultivation goals are, 107,000 hectares of winter rape; 22,700 hectares of sunflower, 12,500 hectares of poppy, and 6,000 hectares of mustard; with a total production: 248,680 tons of rape, 39,500 tons of sunflower, 9,600 tons of poppy seed, 5,300 tons of poppy husks, and 6,970 tons of mustard.

Realization of these production goals requires:

a. completed allocations of oleaginous crops to the ecologically best suitable regions and their concentration in specialized facilities;

b. systematic provision of quality seed of winter rape varieties, poppy and mustard and of high-yield hybrid sunflower seed;

c. consistent application of cultivation technology with maximum support of material requirements, especially herbicides, and mechanization with special emphasis on consistent protection.

In case of winter rape, specifically we must:

--insure cultivation of varieties with a low content of erucic acid on the entire territory of the CSSR, and every year provide for sufficient seed for the entire area planned, giving priority to domestic varieties; and create conditions for accelerated production of the so-called double-quality winter rape varieties; provide for the sufficient supply of winter rape seed with erucic acid content up to 5 percent to be used for interplanting;

--further refine the application methods of chemicals protecting rape especially against dry-pod pests and insure the supply of chemicals for intensive protection against diseases, other pests and weeds;

--if after poor wintering it should be necessary to plow under the winter rape, production of oil-yielding products must be insured by substitute cultivation. Varieties of summer rape with a low content of erucic acid and lower glucosinolates in groats are available.

The processing industry, at present, for objective reasons places high demands on improved quality of winter rape. Current experience has shown that quality changes are usually associated with the decline of basic economic properties and that their rise to at least a standard level will call for relatively long, hard culturing work. The processing industry is asking for the combination of several quantitative changes in the composition of fatty acids (lower content of erucic and linolenic acids and higher of linoleic acid) with a clear reduction of glucosinolates in groats and retention or improvement of basic production characteristics such as, seed yields, high oil content, winter tolerance, resistance, and the like. It is a very

demanding task and has to be understood as a target program and be solved in stages. All these tasks are precisely defined in the subject goal of new cultures of winter rape to the year 2000.

At present, we may state that the problem of varieties with a low content of erucic acid has been solved and in the not too distant future one may expect the use of varieties with the so-called double quality, i.e., a low content of erucic acid and reduced content of glucosinolates. The solution of further qualitative parameters will need a joint effort and cooperation of basic research--the problems of composition adjustment of $C_{18}$ fatty acids according to the requirements of the fats industry, in contrast to the problems of erucic acid, are much more complex and their solution more remote. Beside biology, the route of technology can undoubtedly help us reach the given goals more quickly.

In the case of sunflower crops, in the districts of the West Slovak Kraj with suitable weather and soil conditions we must earmark an area of approximately 18,000 hectares for sunflower, while in the cultivation areas outside this region only an ecologically suitable total acreage of about 4,000 hectares should be selected and the facilities involved should receive technical means similar to those available in the West Slovak Region. As to the combination of varieties, we should aim at cultivation of hybrids from the socialist countries and select it so that medium early ripening hybrids be used only in the optimum conditions of the West Slovak Kraj; for marginal districts outside the West Slovak Region provisions for cultivation of early ripening hybrids should be such that 10,000 hectares be cultivated in 1985 and that only hybrid seed be used in the next 5-year plan. To insure the planned production of sunflower crop, we must provide the basic materiel and technical base, including the research solution of some problems specific to our country.

To insure the production of poppy seed and poppy husks, in addition to the full coverage of the planned cultivation area, we must improve the quality of seed in all its parameters and insure the steeping process. Control of weeds is a highly important factor; we need to accelerate the search for the most suitable preparations and apply them to the maximum possible extent according to the approved measures, and accelerate the entire process of cultivation and harvesting technology. To insure poppy husk production, emphasis has been placed on the needed finishing and improving of the agrotechnical services of the Slovakfarma national enterprise and on the further development of integration relations among the primary production, purchasing and processing industries.

The tasks in the production of oleaginous plants from the viewpoint of oil production, and quality of winter rape in particular, are very demanding and will need the full concentration of all of the branches involved.

9562
CSO: 2400/372

## LIGHT INDUSTRY PERFORMANCE IN 1982 VIEWED

Prague HOSPODARSKE NOVINY in Czech 13 Aug 82 p 2

[Article by Karel Bezvoda, CPCZ Central Committee Functionary: "Light Industry"]

[Text] The light industry of the CSSR fulfilled its production plan for the first half of this year by 102.4 percent, which represents a 50.9 percent share of its target for the entire year. The Tatrasklo, Jaloneka Costome Jewelry, and Slovakotex Economic Production Units [VHJ] failed to fulfill their established production targets.

Plan fulfillment improved in comparison with the first quarter, especially at enterprises in the CSR. Nevertheless, the following enterprises must devote increased attention to their tasks: Skutec Botana, the Antonin Zapotocky Plants at Jaromer, and Prague Svoboda. Production shortfalls at these enterprises represent 57 percent of the total shortfall of enterprises which did not fulfill their plans.

The 6-month plan for adjusted value added was fulfilled by all light industry VHJ in the CSSR by 101.6 percent, which represents 239 million korunas of value and exceeds the ideal percentage of the yearly objective of almost 0.2 points. The clothing, leatherworking and glass industries showed particularly good results.

Labor productivity tied to adjusted values added also displayed favorable growth. In fulfilling the plan by 102.1 percent, there was a surplus of Kcs 702 million.

Improving labor force stabilization also had a positive influence on plan fulfillment. CSR light industry was only 478 employees short of the planned number. This favorable evolution must also be maintained in the second half-year and made use of for the further mobilization of intensive development in the production of the desired mix of consumer goods with a view to meeting the demand of both the domestic and the foreign market. This is the proper way of providing for the fulfillment of the marketing plan while simultaneously creating the preconditions for improved efficiency, given limited material, raw material and energy resources. It is precisely here that recent developments in most VHJ have been unsatisfactory and have not reached their planned dynamics.

Assuring the desired structure of deliveries also requires a high level of cooperation between production and commercial organizations, both in the area of market research and in the preparation and introduction of products for sale. Day-to-day experience in the marketing of new products under concrete conditions convincingly prove that it is not solely a matter of the actual development of an excellent product, but also of its appropriate presentation to the broadest possible ranks of consumers with the assistance of pertinent advertising techniques. Concurrently, however, it is essential to make more precise the criteria for evaluating the quality of new products in relation to world standards. It is not an uncommon occurrence for us to assign the highest quality categories to products which then do not stand up to comparison with world specifications.

A systematic comparison of the quality of consumer goods of domestic and, especially, foreign products must be the basic driving force behind the satisfaction of the ever growing demands of our people and an important source of the foreign-currency resources necessary for the further development of our economy. From these perspectives it is also necessary to evaluate the results achieved by light industry in fulfilling the marketing plan. Deliveries to consumer goods inventories expressed as wholesale prices were fulfilled 102.9 percent in the CSR, while maintaining the average percentage of the annual target. SSR light industry fulfilled its target 103 percent, but fell 1.7 points short of its half-year percentage. A delay in the retail prices established by the plan is a negative phenomenon, making the ratio of wholesale to retail prices an average of one point lower. Retail price plan targets are being met and exceeded by the following: Tatrasklo, Sklo Union, Karlovarsky Porcelan, the linen, wool, clothing, and graphic arts industries.

Light industry has shown good results in the fulfillment of its export targets. CSR light industry fulfilled 56.7 percent of its objective for exports to the socialist countries, and SSR light industry fulfilled 65.6 percent of its target in the same area. Nevertheless, increased attention must be devoted to an improvement in the efficiency of exported goods, because more than 3 percentage points are lacking in the fob prices of the plan. More than ever before it is necessary, in commercial dealings and trade negotiations, to adhere consistently to the principle that both the increase in raw materials prices and product quality must be appropriately valued in the agreed upon price with a foreign customer. The relatively high dependence of light industry on imported raw materials and inputs, the value of which represents almost a third of the value of the produced goods, requires that we come to terms without exception with the requirements of export efficiency. In evaluating the concrete results of the efficiency of the exported product mix, it will also be necessary to use to a far greater extent average kilogram price, which is one of the few synthetic indicators which reflects the technical, economic and commercial performance of exports of a certain type of product.

It follows from world statistics (from the OECD) that until 1978, for instance, of all light industry sectors the textile inudstry achieved the highest level of export kilogram prices; 60.8 percent. The decline of these prices by almost 10 percent since 1975, however, must make us think. In the textile

yarn and thread group, the CSSR prices are among the lowest ($1.58 in 1978). For cotton fabrics, only Yugoslavia shows a lower kilogram price than the CSSR, while the GDR and the People's Republic of Hungary had 8 and 15 percent higher prices respectively in 1978. Growing crisis influences in the economies of the capitalist states, the concurrent development of the international political situation, and a number of discriminatory measures directed against the socialist countries are causing several problems for our trade relations. But this does not mean that it is impossible to make use of experiences from the implementation of our own production on world markets for the evaluation of commercial and production activities, the quality of the work of research institutes and of the organizations assuring production preparation.

It is essential, precisely for these reasons, to devote increased attention to the development, and an increase in the quality, of the inventor and improvers movement, which is one of the important resources for the further intensive development of light industrial production. The past year has indicated that we have some ground to make up in this area.

In the resolution of all the operational problems connected to the assurance of planned objectives in the first half-year, increased attention has been devoted to a further increase in the quality of the organization and management of the production base of light industry, by constructing the VHJ organizational structure as the fundamental management element. It is necessary to assure that the objectives of centralization have been organically linked with an improvement in the decisionmaking process and an increase in the quality of the managerial staffs themselves. We know from experience that especially in a transitional phase such as we are facing at the present time, it will be necessary to resist various unhealthy trends leading to an increase in the administrative demands on management, to formalism in approaches to the organization of management, and thereby to a reduction in the efficiency and the flexibility of management. The fundamental precondition leading to the overcoming of the above problems must be properly conducted politically organizational and personnel work and an increase in the quality of the qualification structure of the managerial elements of general directorates.

In this regard, Lenin's words are appropriate in emphasizing the quality and efficiency of the administrative work of managerial employees: "...employees in positions of responsibility do not realize that their attention must be centered today on the struggle against a sea of paperwork, that the priority task of today is not decrees and reorganization, but the choice of people charged with personal responsibility for what occurs, and the control of actual work. Otherwise we will never free ourselves from the bureaucratism and the paper pushing which is strangling us."

9276
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## HARD CURRENCY INCENTIVE METHOD ADJUSTMENT PUBLISHED

Prague HOSPODARSKE NOVINY in Czech 10 Sep 82 p 4

[Article by Jaroslav Rod, Czechoslovak State Bank, and Lubomir Hejl, Federal Ministry of Finances]

> [Text] The periodical HOSPODARSKE NOVINY published in the supplement of its issue No 14/1981 a decree of the Federal Ministry of Finances [FMF] and the Federal Ministry of Foreign Trade [FMZO], No 12/1980 of the FMZO VESTNIK [GAZETTE], on foreign-exchange incentives for exports and imports of commodities, investment units, for signing active license agreements and similar agreements, and for procurement of services in foreign countries. This decree has been revised by FMF and FMZO Decree No 4/1982. The revision reacts to experience gained in the first year of application of principles established in the Set of Measures for the purpose of stimulating acquisition of foreign currency. It also reacts to certain changes which have taken place since that time.

The economic effectiveness of foreign-exchange stimulation is currently under study, and on the basis of data gathered in the process of evaluating the results achieved, the Federal Committee for Questions of Planned Management has outlined its further development trends. This action was based on the task formulated in CSSR Government Resolution No 195/1981, which contained instructions to continue increasing the economic effectiveness of this special purpose instrument of the balance of payments. The revised decree also reflected certain new elements in harmony with measures taken according to CSSR Government Resolution No 329/1981.

### Comments Made by Enterprises

In preparing the revised version of the decree, attention was centered mainly on the application of comments and proposals of enterprises resulting from practical application of the system, and on intensification of the system's effectiveness in the process of influencing the behavior of the enterprises in the interest of bringing about a positive development of the balance of payments. One of the goals was also to simplify the conditions for computation of shares and granting of claims based on foreign-exchange interests and expansion

of the area where foreign-exchange stimuli are effective to include additional activities in the field of foreign trade, activities which either have not been regulated at all as yet, or have been regulated in a different manner.

The comments made by enterprises concerned particularly disharmony between the orientation of individual items of stimulative contributions to the balance of payments and the condition of implementing export tasks in terms of wholesale prices. The combination of a stimulative item with a specified condition often had undesirable effects. It was so especially in cases of production which was demanding in terms of foreign currency and utilized mostly imported raw materials and other materials for production purposes. As a result, situations were created in which efforts to fulfill export plans led to growing demands for imports. Cases were discovered in which opportunities to replace imports with less expensive domestic raw materials or more suitable domestic materials were not used because export tasks determined in terms of wholesale prices would not be fulfilled, even though they were being fulfilled and exceeded in terms of fco Czechoslovak border prices.

It was also often criticized that foreign-exchange stimuli concentrate on the intermediary element of management, that is, on the VHJ [economic production units]. As a result, enterprises which had failed to fulfill their overall planned tasks were deprived of the benefit of foreign-exchange stimuli, even when any of their subordinated enterprises did fulfill the tasks. Both these rather urgent comments were taken into consideration in the revised decree. In addition, the new revision also increased at the same time the effectiveness of the entire system, and the system was simplified.

All these changes have been incorporated in the revised decree on the basis of the resolution of the 39th session of the Government Committee for Questions of Planned Management of the National Economy, the purpose of which was to increase the economic effectiveness of the entire stimulative system in the interest of strengthening the concept of planned management of the development of the balance of payments.

Organizations Other Than Those Dealing With Commodities

The publication of the FMF and FMZO Decree No 4/1982 of the FMZO VESTNIK was also used to make sure that the system of foreign-exchange incentives now in effect would also include the stimulative regime used for foreign-trade organizations which are active in areas other than trade, and also the regime designed to stimulate the interest of enterprises in signing and implementing agreements on economic cooperation with foreign countries. These two types of regime do not represent new solutions which would not be known to the corresponding organs. Nevertheless, they are becoming part of the norm which has at present an obligatory legal form, and consequently they are getting into the broad area of awareness by the enterprises.

The regime for foreign-trade organizations other than those dealing with commodities, or organizations authorized to engage in foreign-trade activities, is based on the principle that a positive foreign-exchange balance of receipts and expenditures of an organization for a given planning period is a contribution

to the balance of payments. Then, from the viewpoint of the plan, it can only be a question of a contribution to the balance of payment in excess of the plan, and consequently a positive difference between the actually achieved and planned balance account of receipts and expenditures in terms of foreign currency. This regime is applicable for the time being only to those organizations which do not handle tasks determined by the plan of material exports or imports, those which provide services or handle special assignments in the area of external economic relations.

The regime of incentives designed to stimulate the development of economic cooperation with foreign countries was set up by CSSR Government Resolution No 284/1982 to provide remuneration for an organization which were to achieve an active balance in the account of a cooperative agreement with foreign countries after the agreement has been in effect for 3 years. This regime was also transferred without change in the system of foreign-trade incentives currently in effect.

Strengthening of the Regime's Purpose

One of the most relevant problems being dealt with operationally in the revised decree in connection with the task based on the CSSR Government Resolution No 329/1981 is the problem of strengthening the purpose of using claims based on foreign-exchange incentives. In the future, it will be possible to use these foreign-exchange claims particularly to pay for imports used for investments, completing equipment, consumption used for production purposes, or other reasons which are indispensable in order to take care of export tasks, or which will provide for fast returns of foreign currency spent for the given means. A minimum of 90 percent of the granted foreign currency must be used for the given purpose. This measure is designed to significantly increase competitive production for export or to bring about purposeful savings of imports. On the whole, it reinforces the special-purpose function of foreign-exchange incentives designed to stimulate the gradually improving development of the balance of payments.

A new measure has been introduced making it obligatory for account owners to plan the use of claims based on foreign-exchange incentives. The decree provides for a specific procedure, according to which the Czechoslovak Commercial Bank must be informed at the beginning of the planning period about the use of amounts in excess of Kcs 100,000, with indication of the date by which the amount is expected to be used. If the organization does not comply with this condition, or if it does not inform the bank at least one-half year in advance that it plans to use the amount, it cannot use claims based on foreign-trade incentives to pay for the given imports with foreign currency.

The purpose of this revision is not to restrict the right to dispose of foreign-exchange claims, but to induce the organizations to use this right in a planned manner. And also to create at the same time such conditions that the regime of foreign-exchange incentives would become an accounting item in the preparation of the state plan, so that foreign-exchange stimuli would generally become not only a special-purpose balance-of-payments tool, but also part of planning of the national economy as an item of the balance account. This creates condi-

tions for the system of foreign-trade incentives to become an element of the foreign-exchange plan as well. However, it will be possible to do that only after certain measures are worked out in other areas.

More extensive revisions seem to be carried out in the area of imports, because titles for foreign-exchange claims are undergoing basic changes. However, the basic idea of stimulation in this area remains actually unchanged. In the future, organizations will be remunerated for savings of imports in relation to the planned volume. The only thing which is changed is the method of computation and the corresponding amount of the share of foreign-exchange incentives. The given revisions represent a certain simplification as a reaction to the comments made by the enterprises from the viewpoint of the demanding procedure needed to determine basic data used to compute the ratio.

The decree itself consists of two articles. The first article summarizes all changes in the wording of individual provisions of Decree No 12/1980 of FMZO VESTNIK. This is done in the form of superceded texts or cancellations and amendments of individual provisions. Changes concern especially exports of commodities in the form of piece goods and bulk goods. When they pertain to VHJ, they are given in sections 6, 7, 8 and 10 (second part of the basic Decree No 12/1980 of the FMZO VESTNIK) and analogically for OZO [foreign trade organizations] in sections 12, 13 and 14 (third part of the basic decree). A new provision is inserted for OZO which do not handle commodities.

Other changes are made in the provisions on imports (Part Five of the basic decree), where sections 25 and 26 are abolished. Section 27 is replaced with a new text. A revision was also made in Part 8 of the basic decree, which now includes rules on foreign-exchange incentives concerning the development of economic cooperation with foreign countries. The greatest change was made by the revision of Section 45 (in Part 11 of the basic decree), which regulates the application of foreign-exchange claims.

On the other hand, no changes have been made in the rules on foreign-trade incentives concerning export of investment units according to Part 4 of the basic decree, and incentives concerning the use of industrial ownership, specifically inventions, innovation proposals, industrial models and trademarks according to Part 6 and Part 7 of the basic decree. Part 8 includes new provisions on the regime of foreign-exchange incentives concerning participation of production organizations in international division of labor in the form of economic cooperation with foreign countries. Minor adjustments have been made also in Part 8 which ensue from experience and findings, but these do not change the overall character of the stimulative measures.

There are no amendments in Part 9 of the basic decree revising foreign-exchange incentives concerning specialized organizations of the United Nations, or in Part 10 pertaining to foreign-exchange benefits of authors and coauthors of inventions, innovation proposals, and industrial models.

Approach to the Balance of Payments

The revision of the regime of foreign-exchange stimulation reacts to the changing conditions in the external economic relations of the Czechoslovak economy for the time being merely by making changes which will be effective only this year. This revises the original intention, according to which the regime of foreign-exchange incentives was to remain in effect during the entire period of the Seventh 5-Year Plan. This regime was based on the Set of Measures formulated during the last years of the previous 5-year plan. CSSR Premier Lubomir Strougal pointed out right at the time the plan was announced that in the area of foreign trade in particular the principles of the Set of Measures represented only the first step, after which other steps would have to follow.

The development of the world economy has advanced further since that time, and it is logically necessary to adjust operationally the system of planning and economic instruments which have taken place since then in such a way that it would have a positive effect on the entire course of the national economy. In this respect, the CSSR Government has outlined in its Resolution No 329/1981, among other things, a certain change in the present orientation of the system of foreign-exchange stimuli. It issued instructions that starting in 1983 the regime of foreign-exchange stimuli be oriented more to accepting higher tasks in the export plan and to more purposeful and more rational economic management in the area of imports.

The implementation of the plan requires that foreign-exchange stimuli, instead of being a special-purpose balance-of-payments instrument with a relatively limited range of effect, as they are now, become part of the planning system. Therefore, it involves a change of a more basic nature, which should convert an economic instrument with so far a marginal effect into one of the factors of the planning mechanism. At the same time, its position should correspond to the role of the balance of payments, a role which it should play under the present conditions of the development of the national economy.

Experience shows that especially in the case of states which are integrated to a high degree in the international division of labor, the balance of payments is a determinant of positive development of the entire economy as far as its planned and actual development is concerned, and the same applies to the function of its economic instruments. That is why it is absolutely necessary to assign to foreign-exchange stimuli or, more generally, to the instruments of the balance of payment, one of the foremost places not only in the methodology of the plan, but in the entire economic mechanism. As a result of the evaluation of this position of the balance of payments in the process of development of the national economy, the present orientation of foreign-exchange stimulation is being abandoned in favor of a process of exceeding the planned tasks in export, or in favor of a process of achieving savings in imports, savings as conceived in their basic concept. Future revision of the present system considers the possibility that the organizations to be remunerated will adopt and implement the idea of achieving a higher increase of exports as compared to the nationwide increase or the average increase planned in the branch of the economy. This orientation will be developed into an economically effective system in the interest of further strengthening the methodology of the plan and thereby of

the entire planning process. This reorientation will also include planned formation of resources to cover future foreign-exchange claims with foreign currency. The idea of it is that the existence of this system alone will functionally create conditions for planned acquisition of resources.

The balance of payments is a product of the current receipts and expenditures in foreign currencies, and consequently its status and development depend on the payments and not on the material handling of individual commercial cases. Material flows merely establish prerequisites for payments. The conditions of payment related to the flow of material are merely a factor of the balance of payments and predetermine its development, specifically in terms of receipts and expenditures. That is why it will be necessary in external economic relations to switch from the area of material transactions and to concentrate mainly on the area of payments. The balance account approach and its relationships are nothing new in terms of payments, but what is new are the conditions which operate in external economic relations.

One can observe in recent years a trend of growing space between material transactions and payments, naturally in the area of freely exchangeable currencies. This trend is accompanied by an increasing inflation rate, uneven development of individual countries and, consequently, instability of the rate of exchange. To put it briefly, this is due to a change in the political and economic conditions in the world. If this trend continues, direct relationship to payments, which means collection of cash payments, have to be considered under the present conditions to be the target solution of the system of foreign-exchange stimulation. However, in order to do that, it will be necessary first of all to create the necessary prerequisites in terms of accounting and return statements.

The process of outlining this goal is not an end in itself, but it is dictated by the external conditions of the world economy. Consequently the priority status of the balance of payments requires logically that this fact be respected commensurately in the system of planning and management. Experiemntal verification of the necessary functional conditions in selected VHJ and OZO units will be an appropriate implementation of the task. It will also provide the necessary basic material for a broader application of this principle in the entire system of stimulation and eventually in the related areas of the planned management of the national economy.

5668
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## BRIEFS

IRRIGATION EQUIPMENT FOR AFGHANISTAN--Czechoslovak machinery and equipment will be provided for reconstruction and maintenance of irrigation facilities on Helmad Riven in the Helmad Province of Afghanistan. [Prague ZEMEDELSKE NOVINY in Czech 6 Oct 82 p 2]

CSO: 2400/11

PROBLEM OF INVESTMENTS IN ECONOMIC STRUCTURE REVIEWED

Warsaw POLITYKA in Polish 21 Aug 82 pp 4, 5

[Article by Teodor Wernicki: "Reflections on Investments"]

[Text] Until recently, a rich capital investment front was synonymous with economic development. This is not difficult to understand—it was our wish to overtake Europe and the world. The constant effort to increase the pace of industrialization created a mental pattern: invest more, overtake sooner. This took its revenge on us in the 1970's when, as though on the basis of this pattern, we came to neglect elementary economic laws. As a result, capital investments not only ceased to fulfill the role of a driving economic force but became its deterrent and the chief source of crucial procedures.

The worst can be remedied. In the mid-1970's when overinvestment was already evident in the economy, it was enough to initiate strict remedies or at least avoid plunging into any new, surrealistic capital investment concepts whatsoever. We well remember that loudly proclaimed "economic maneuver," which imposed limitations on certain capital investments then in force and even temporarily restricted them, but at the same time initiated an impressive number of new, unusually capital-intensive investments, such as Polkolor and Ursus II.

To tens of thousands of scattered building sites, they added thousands of new ones, given with the stamp of priority. In effect, the extent of the capital investment front was not only not diminishing, but on the contrary it was actually growing. Under the guise of "changes in the march," there followed virtually a doubling of very murderous capital investment involvement.

One of the consequences of the August shake-up was the exposure of the entire humbug of "economic maneuver." The capital investment decline following the Gierek-Jaroszewicz team appeared to be shocking: 21,500 scattered investments at an enormous cost-estimate value of 2.85 trillion zlotys! At the end of 1980, the cost-estimate value of capital investments in the process of implementation was found to be 2.9 trillion zlotys. This was twice as much as in 1975, while national income increased by a mere 47 percent during the same period. The completion of these capital investments required outlays in subsequent years of 1.292 trillion zlotys, including 450 billion for the year 1981.

## Economic Capabilities

Economic capabilities in the area of capital investment—determined by the extent of national income and actual economic conditions--at the beginning of 1981, amounted to 320 billion zlotys (capital investment in construction) and subsequently, as a result of intensifying economic difficulties, were reduced to 270 billion in the second half. Even the assumption, which is unrealistic in practice, of refraining from all new capital investments and directing total outlay to the implementation of ongoing capital projects, meant that at least 5 years would be required for their completion.

The only way out was to halt continued capital investments and concentrate the modest resources on the completion of structures in those areas recognized as first priority or those providing the quickest results. On the basis of a related November 1980 cabinet resolution, the implementation of approximately 1,500 capital investments, with a total cost-estimate value of 430 billion zlotys, was to be restricted during the balance of that year [1981] and the following year. These decisions, however, met with stiff resistance from economic administration sources, local authorities and management, as well as industrial personnel. The propaganda of success bore fruit. In many instances, under the pretext of insuring construction, work was continued in that field. In summation, the real scope of restricting capital investment appeared insufficient.

In early September 1981, a ban was introduced on the resumption of all capital investment commitments associated with construction work. But even earlier, at the beginning of August, Premier Zaruzelski called a special group to conduct a detailed analysis of the condition and purpose of all capital investments then in force, as well as to introduce motions concerning their further fate.

The first phase of the group's work was concluded last autumn. The proposals formulated in the meantime became the foundation for the cabinet's December resolution No 279 relative to the application of given capital investments to actual feasible economic enterprises--and hence restrictions on subsequent construction.

However, the results of this phase of the group's task did not fulfill the expectations dictated by economic realities. The current feasibility of capital investing requires a restriction on the implementation of at least half of existing investment commitments, and the above-mentioned resolution does this for only a third. The justification is to be an accepted principle, that further verification of capital investments is to be accomplished in enterprises that--aside from a few exceptions to which I shall return--will simply not be in a condition to "repurchase" the buildings under construction. And this is to be that investment eye of the needle for enterprises representing up to 70 percent of domestic capital investment activity.

The second phase of endeavor was completed by the governmental group in April. The time had come to designate which capital investments withheld at that time should be renewed at a later date, which should have their designation changed and which are to be definitely abandoned. The results were incorporated in the subsequent cabinet resolution (No 125) dated 31 May 1982.

What To Do With Restricted Capital Investments?

This resolution actually attempts to provide an answer. Unfortunately, it is not exhaustive and clear. But is such a reply, in our distorted condition, with so many unknown quantities, generally possible? In any event, the resolution ultimately creates an opportunity to introduce order into capital investments. It is, therefore, necessary to clearly understand that further evasion of fundamental decisions regarding restricted capital investments would be nothing other than a continuation of the capital investment policy of the 1970's, despite any verbal detractions to the contrary.

The resolution comprises a nominal list of restricted capital investments divided as follows: temporarily restricted and expected to be renewed after 1983 (27 capital investments with a cost-estimate value of 147 billion zlotys); capital investments for enterprises and budget units whose rigid renewal is considered to be justified (79 capital investments worth 55 billion zlotys); capital investments proposed to be finalized following a change of objective or designation (74 capital investments worth 37 billion zlotys); and, finally, capital investments subject to cancellation (116 capital investments worth 129 billion zlotys).

In view of drastic regulations recently introduced on the financing of capital investments through banks, numerous decisions will call for the inevitable cancellation of existing investment enterprises with a cost-estimate value not exceeding 50 billion zlotys, and because of this distinction they are not subject to analysis by the aforementioned government group and are hence not represented in the lists annexed to resolution No 125. With reference to them, the resolution anticipates that decisions to cancel require the consent of the founding organ in agreement with the minister of finance. In this instance, it is quite difficult to speculate on the intentions of the legislators; in any case, the fact remains that this procedure stands in contradiction to the principle of business independence and is an expression of mistrust, as it were, of the effectiveness of economic mechanisms for reform.

Restrictions on renewing business investments will not pertain to those (temporarily restricted) whose implementation will depend on their own resources or acquired foreign credit. This measure could even inspire hope, were it not for the fact that business does not manage its own investment resources (hitherto it received them by "allocation"); however, the acquisition by business of foreign credits can be taken into account only at that point when the Sejm's statute discussions--which for many months were mainly involved with companies that had a share of foreign capital--finally sees the light of day and creates sufficiently encouraging conditions.

The need for company laws is no longer questioned; it will not set any precedent. Such legal controls are already in force in the socialist countries of Bulgaria, Hungary, Yugoslavia and, recently, China. The issue of the ratio of contributions supplied to a company--in legal terms--by foreign organizations [plants and equipment], compared with those provided by domestic organizations has provoked numerous controversies. In the drafting of company laws to which I had access in the Commission on Planning, this matter was handled as follows: "The total value of contributions to the assets of a company by domestic organizations should exceed the value of the contributions from foreign sources."

This subject merits separate treatment. One thing, however, is clear from the start: the laws pertaining to companies will make sense only if they generate a basis of interest for foreign partners in a form of cooperation with Polish enterprises. It would not be incorrect at this point to mention that Bulgarian legislation permits the contribution of foreign organizations to exceed 50 percent of the company's assets, though in spite of this, the Bulgarians are not swamped with offers. It is worth knowing in this regard that the contributions of Polish enterprises to companies could be those capital investments that qualified for cancellation, along with the equipment assembled for them.

Such a likelihood exists. In Warsaw's ORGBUD, for example, I came up against an offer by a Polish firm, Amepol, which was seeking, among others, a production organization to complete a minimum of 1,000 square meters of space. It is true that Amepol operates in reliance on the Polish statute actually passed by the Sejm and pertaining to limited production; however, the scope of the needs submitted--in addition to those of Amepol--proves that the possibilities for transforming unsaleable investments into trumps is completely real, though obviously subject to a realistic approach in the determination of a legal basis for such proceedings.

Now, to conclude the subject of companies, I shall add only that contrary to the usual notions, it is not a matter here of attracting partners exclusively from the Western countries. The likelihood exists, sometimes very substantially, of collaborating on this basis with firms from socialist states. There also exists a favorable climate. The 7 August bulletin of the government presidium reveals the following: "It is recommended that interested economic components obtain the participation of socialist countries in the mutual application of restricted capital investments."

It was not by accident that I chanced on ORGBUD. The last cabinet resolution treated the matter of restricted capital investments as follows: "The Institute for the Organization, Disposition and Economics of the Building Industry [ORGBUD] will function as a center for information and advice in capitalizing on cancelled capital investments or those whose material designation is expected to change, as well as participation in the association (...) "Bomis" [as published]--the supply of machinery and equipment accumulated for these investments." ORGBUD is reimbursed for its services. Furthermore, the institute receives a subsidy of [illegible] million zlotys from the central budget for its organizational work.

And so it is well that a place finally was found where interested investors, both domestic and foreign, will have access to the inventories of the investment policy of the 1970's. Apart from this, one can only express astonishment that with all the means available to the long-standing functioning institutes, not one felt obliged to systematically assemble elementary data on or even generally manage restricted capital investments. And now, as had been the custom, it is necessary to determine everything hurry-scurry from the beginning with an added burden on the national budget.

Let us optimistically assume that after a 3- to 4-month period this "data bank" on cancelled capital investments and those qualifying for a change in designation was completed. Could one expect it to be besieged? As of now there is little to indicate this. Primarily, those potentially interested are unaware that at ORGBUD such a "bank" is being started. Resolution No 125 itself reached those who are interested a month late. In early August, ORGBUD handled information on hardly one cancelled capital investment. As a matter of fact, in an interview with TRYBUNA LUDU, Professor Werner from ORGBUD said he expects it to handle information on thousands of investments of this type. but at the moment one will have to wait a while because now, as rarely before, time means money, which possibly can be recouped from the deteriorating walls and machinery.

When the data bank of ORGBUD is eventually ready, the information available in it should go beyond the walls of the institute in the form of a suitable folio book to be placed, as I see it, among others on the desks of trade advisors in our foreign outposts and perhaps in the briefcases of personnel at headquarters and foreign trade enterprises engaged in investment exports. There is only one stipulation: this information must be truly complete and provide reliable data.

Time Is of the Essence

Every day of stagnant investments without a terminable specific future is an additional burden to the economy. Losses stemming from restricted capital investments in turn have their origin in deteriorated buildings, rooms and walls deprived of roofs. Significantly greater, although it is difficult to estimate, are losses generated by decreased capitalization of technological equipment assembled for factories that have been erected. Even the most modern machinery and equipment, after several years of awaiting installation, become obsolete--"morally wasted."

Products produced by them are not modern, not competitive. This is a problem the disregard of which will increase the cost of extricating oneself from crisis. If we wish to begin the process of overcoming our foreign indebtedness, however, we must preserve our possibilities for producing products suitable for profitable marketing abroad.

Numbers are the best evidence of the scope of this problem: the total value of heretofore unutilized machinery and equipment for restricted investments

amounts to 67 billion zlotys, including 44 billion from imports. This machinery must be immediately installed in operating factories or exported.

If we are to find the shortest possible way to alleviate the crisis, every investment activity must be subordinated to the objective laws of the economy. It is not without cause that I write thus. This year's total investment outlays are to amount to 432 billion zlotys, the smallest amount in several years. However, this is not disturbing; it is really an economic fact, fact in the structure of planned outlays. When analyzed from the related angle of three fundamental groups--home construction, investments in enterprises and central investments, it appears that the latter are definitely preferred and consume up to 40 percent of the total resources at the cost of enterprise investments; but in practice these were blocked. For among them only those providing production before the end of December were considered eligible to receive credit, in view of the compulsory criteria of the current year; next year, only investments in the so-called food block and those conserving energy and fuel can be completed. Presently, it seems evident that enterprise investments, especially for modernization purpose, guarantee the most rapid turnover of resources and can most effectively help in adjusting the economy to the changing situation, such as the supply situation.

In the investment activities, it is possible, as in a mirror, to read the truth about the condition of the economy and the changes taking place in it--as well as the reforms. It is worthwhile to look closely into this mirror.

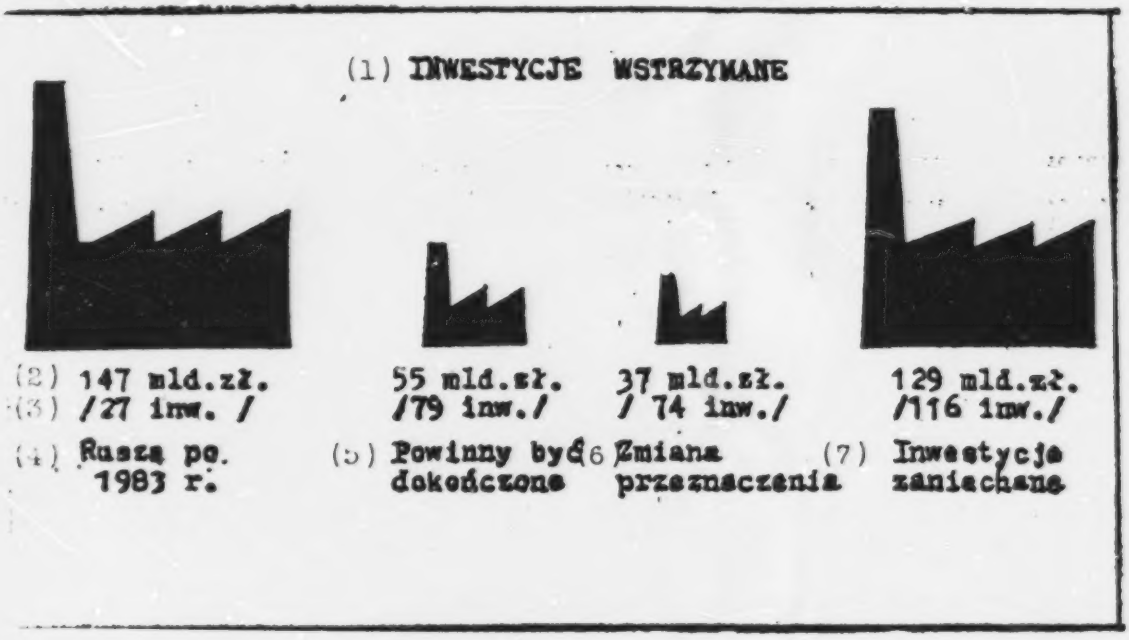


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Key:

1. Restricted Capital Investments
2. Billions of zlotys
3. Capital investments
4. Effective after 1983
5. Output to be completed
6. Change in designation
7. Investments cancelled

(1) **Nakłady inwestycyjne na przemysł w latach 1971–1981**
(2) **(w cenach stałych z 1.I.1977 r.)**

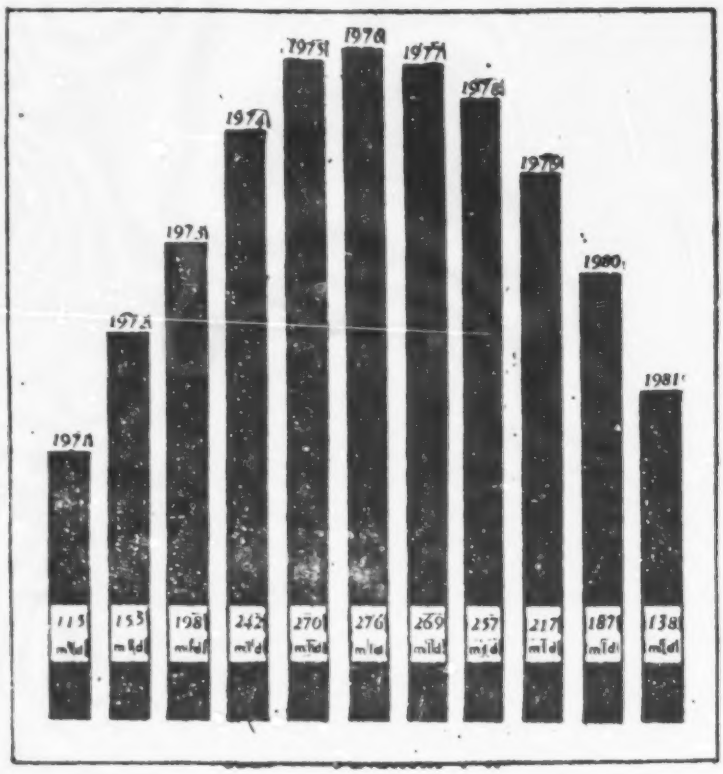


(3)

Key:

1. Investment Outlays for Industry During the Years 1971-1981
2. (in stable prices as of 1 Jan 1977)
3. In billions of zlotys

9951
CSO: 2600/886

BASIC ASSUMPTIONS OF 3-YEAR PLAN ANALYZED

Warsaw ZYCIE WARSZAWY in Polish 2 Sep 82 p 3

[Article by Czeslaw Skowronek: "On the 3-Year Plan--the Decisive Factor"]

[Text] Supplying the national economy with adequate quantities of fuels, raw materials and materials is at present and will remain in the future one of the most difficult and complex economic problems. It ensues from several essential factors:

--the limited possibilities of investing in the raw materials complex, connected with the present large-scale freezing and commitment of the investment outlays;

--negligible possibility of increased imports, resulting from the balance of payments situation;

--the necessity of maintaining a high level of exports of fuels, raw materials and materials, because it is a particularly important source of foreign exchange, for which it is practically impossible to find a substitute.

For those reasons, the increase in supply, both from domestic sources and particularly from abroad, of fuels, raw materials and materials to meet the requirements of the national economy cannot be of any significant magnitude. This means that while projecting the rate of growth of the national economy we have to take into account this objectively existing restrictive factor. There are two realistic ways of meeting the fuel, raw materials and materials needs: 1) to increase their domestic output and their imports; 2) a more rational utilization of such resources available at the moment in order to produce as large as possible quantities of end products for the needs of the domestic market and for exports.

The development of the national economy until now has been primarily based on increased production as well as increased imports of fuels, raw materials and materials. The efficiency factor has not played any significant, binding role. In the decade of the 1970s, a 1 percent increase in the national income required a 0.8--0.9 percent increase in outlays for both fuel and energy and raw materials and materials.

The published versions of the stipulations of the National Socioeconomic Plan till 1985 and the preliminary premises till 1990 seem to recognize fully the decisive role of the growth of efficiency of utilization of the material, fuel and energy resources for defining the rate of growth of the national economy and improving the efficiency of management, as well as for the implementation of the social aims of development. The following interrelationship has been established: By 1990, that is in 8 years an increase of about 40 percent in the industrial production is possible (compared to the 1982 anticipated performance). At the same time, the available estimates and computations indicate that the supply of the 40 basic raw materials and industrial materials, originating both from domestic output and from imports, could grow by some 19 percent during the same period. This means that over 50 percent of industry's growth should originate in a more rational use of the material resources.

The Theoretical Possibilities

At least two basic problems ensue from the above presentation. First, are the accepted premises realistic, given the past results of the efforts to improve the efficiency of economic management and the existing reserves in this this area? Second, what methods would ensure the assumed proportions of industrial growth and the improvement of efficency of economic management?

I will try to address these problems, with a reservation that the answer cannot be complete and explicit since there are many unknown elements involved. I also do not possess the full range of information and quantitative analyses. In addition, the complexity of the problem prevents viewing it on the basis of figures presented by the alternative drafts of the plan. Many groups of raw materials and materials stand out because of their specific characteristics, and this would require a separate and specific analysis for which there is no room here. Out of necessity, we are limiting our discussion to the more general problems and trends.

The basic issue is the extent to which the assumed improvement of the efficiency of material resources utilization is realistic. If only our domestic experiences were considered we could have concluded that hitherto we have not achieved such improvement in any period of development of the national economy. The only possible exception is the period 1971-75, when the energy-intensiveness of the generated national income declined some 25 percent (while the generated national income grew 59 percent), but in the years 1975-80 it had already risen 16 percent, and an additional 6 percent in 1981.

The latest research by the Academy of Sciences of the Soviet Union pertaining to the structure of construction-materials use (steel, nonferrous metals, synthetic materials) in the European socialist countries has conclusively confirmed the high level of production's materials-intensiveness in Poland and this country's decisively worse situation in this respect in comparison with all the socialist countries. I will not make any comparisons with the developed capitalist countries, because seen against such a background our level of effectiveness of utilization of material resources looks particularly unfavorably.

Thus, in 1979--100 being the year 1970--the use of steel per unit of national income (per million rubles) had declined only 8 percent in Poland, 38 percent in Bulgaria, 28 percent in Hungary, and 18 percent in the GDR and Czechoslovakia. The socialist countries' (excluding the USSR) average indicates that a 1 percent increase of national income required a 0.6 percent increase in the use of steel, while in Poland it required a 0.9 percent increase. We can conclude, therefore, that the progress in our economy was minimal. We should also consider in our evaluation the level of use of steel per unit of the national income. With 100 being the level of use of steel in Hungarian industry (since it is characterized by the lowest level of steel use), in our country the use of steel is 183, in Bulgaria 104, in the GDR 152, and the socialist countries' average is 163. The Polish economy's characteristic feature is also the lowest index of use of synthetic materials. If the level of their use in 1979 for Hungary was 100 (also per unit of national income), the index for Poland is 63, for Bulgaria 126, for the GDR 155, and for Czechoslovakia 174.

Our unfavorable indexes of production's energy-intensiveness and materials-intensiveness have further deteriorated in the years 1980-82 as a consequence of the familiar developmental conditions. What then are the realistic possibilities of improving these ratios in the near and distant future? The prognoses stipulate, for example, that use of steel in the socialist countries till the end of this century should rise at the rate of 0.2--0.4 percent per 1 percent of growth in national income. In their plans for the years 1981-85, most of the socialist countries already assume that they will achieve the planned rate of growth of national income with the use level of fuel, raw materials and materials remaining on the 1980 level, or a not much higher one.

We do not have room here for a more comprehensive presentation of indexes of use of other materials, which also illustrate the scale of the possible progress. We can only state one particularly significant fact. The level of use of basic raw materials, materials, fuels and energy in our economy is much higher than in other socialist countries, and the progress in the 1970s has been very modest, while the most recent years have shown a considerable deterioration in this respect. The meaning of this is that potentially our reserves to improve the effectiveness are larger than those of almost all the remaining socialist countries. Our planned level of lower use of the basic industrial raw materials for the 1980s was already reached by most of the socialist countries in the 1970s.

The anticipated measure of improvement in the effective use of material resources seems to be realistic, although it would be very difficult to attain. What would be the consequences of not attaining such a measure of progress in the use effectiveness or material resources? The rate of growth of the economy would simply slow down, we would not fulfill the planned social aims of development, the time required for overcoming the crisis would lengthen. Practically, there is no realistic alternative for the anticipated increase of effectiveness.

How Should They Be Used?

At this point we are reaching the second basic problem: how to implement the stipulated increase of the use effectiveness of material resources? The activities in this respect should be comprehensive and manysided, they should involve all aspects of the national economy. Some directions of the necessary initiatives are indicated in the published documents on the plan's aims. Obviously, those are not all the possible directions of such initiatives, and they are formulated and presented in a rather general way, which is--considering the nature of this document--natural.

It seems that we can define one basic thesis: both the economic policy and the mechanism enabling the national economy to function should consistently take into account the necessity of a substantial rise in the use effectiveness of materials. In the area of economic policy, two directions of activity seem to have a decisive role, namely, restructuring the material production leading to attaining a profitable trend in production's energy-intensiveness and materials-intensiveness, and technical progress of the materials-saving kind, including the speed and scale of its implementation. In the area of the functioning of the national economy, equally important are to take full advantage of the most effective solutions of the economic reform and making periodic corrections and adaptations where necessary, so that the reform's mechanisms would become the basic tools for raising the effectiveness of managing the material factor.

We will point out, therefore, some more specific directions of the possible initiatives. The changes for a less energy-intensive and materials-intensive production structure have mainly long-range character, since such changes are possible over a longer period of time. But also short-term initiatives, which bring quick results, can and should be undertaken. The following characteristic example can be quoted. The GUS communique on the economic situation in the first half of this year reveals that about 46 percent of motor vehicles were not in use mainly because of the shortage of various spare parts. During the same period 18,600 trucks were manufactured. I think that if the materials that had been used to make those trucks were used instead to make spare parts, two or three times more trucks than the number of newly made ones could have been repaired. Many examples of this kind can be given. Under the crisis conditions and in a time of strict raw materials limitations the materials should be used only for the most necessary purposes. Should this be done in a directive way? No! The reform has many tools that can be used to steer production structure: prices, taxes, bank credits, etc.

Long-range activities play a decisive role in the attempts to achieve structural changes. Growth of the output of raw materials and materials to the level of previous years (before the crisis), which in some cases (steel, cement) would not be possible and even unnecessary, cannot be realized by the simple multiplication of their past structure. Such growth should be accompanied by a simultaneous change in this structure, namely, by an increase in production's share of those groups of products and specific assortments which are characterized by advantageous qualitative and utilitarian features.

The next direction of the structural changes should be wider utilization of the domestic raw materials potential, thus assuring the growth of those sectors and subsectors of industry that do not require a foreign-exchange input: this pertains to some branches of the chemical industry, mining industry, wood and paper industry, and food industry.

The tool enabling the implementation of the structural changes should be investment and scientific-technological policy. First of all, preferences should be established for investments and technological-progress projects aiming at raw materials, materials, fuels and energy economy, production of components, semifinished products that would replace imported ones, and finally those involving utilization of secondary raw materials. These preferences could include a priority in obtaining credits for the enterprises engaged in projects of this kind, lowering of the interest rate, a possible participation of the central funds.

Some such preferences are already being implemented, for example, lower interest on funds invested in the utilization of secondary raw materials. I am of the opinion, though, that this problem should be solved in its entirety. As an example, we can state that in France 40 percent of investment outlays connected with fuel and energy savings are financed out of state funds, administered by the fuels and energy economy agency, which is part of the Ministry of Industry (engineer T. Moskalewski has written an interesting story about the specific initiatives in this area in ŻYCIE WARSZAWY, No 183, dated 18 August).

A Chance For the Reform

The basic source of growth of the effectiveness of utilization of material resources is technical progress, practical application of thousands of frequently small saving initiatives. The hitherto negligible results of this direction of activities originate in the insufficient motivation of enterprises toward innovations, as well as in a not consistently right choice of research and development aims. In scientific and technical policy, those directions of research and development and application work should be favored which lead to the improvement of the quality of products and materials and to savings in production and use. The preferences should mainly consist in assuring adequate sources of financing (including foreign currency) and creating proper conditions for application of the results of research.

What merits our attention is the fact that in the published variations of plan ideas one of the four directions of scientific research turned out to be the problems of fuels, energy, raw materials and materials economy. The gist of the problem, it seems, lies in a correct formulation of the subject of research and such managing of its application for it to become a real source of materials savings.

The economic reform includes in its premises many potentially more effective mechanisms guiding the activity of enterprises. They are included in the principles of price formulation, in the ways the incentive funds are established and used (developmental and material motivational ones), taxing

system, etc. Some time ago, I wrote in ZYCIE WARSZAWY indicating the possibilities of using the reform's principles to influence the growth of effectiveness of material resources use. So far those are only potential possibilities. The economy's developmental limitations (a situation of substantial imbalance), faulty motivational system and other reasons have until now prevented the surfacing of the strong pressures of those principles of the economic reform that stipulate improvement of the efficiency of management, particularly those utilizing the material factor. This problem would require an in-depth study, based on at least year-long results of the work of enterprises.

While not pursuing any further factors influencing the economy of materials, I would like to voice a view that we need a comprehensive program of action, one that would define in a possible exhaustive manner the ways and means of securing the growth of the effectiveness of the utilization of material resources. The work on such a program is in progress, perhaps even for too long a time, since it is an extremely urgent matter, although not a simple and easy one. Many of the experiences in planning of materials savings cannot be used under the conditions the economy is being managed now. Few solutions and methods, therefore, should be sought which would be fully adjusted to the changed mechanisms of the economic reform.

9644
CSO: 2600/921

SPECIAL CURRENCY EXCHANGE RATES PUBLISHED

Warsaw TRYBUNA LUDU in Polish 27 Sep 82 p 7

[Text] Announcement of Exchange Rates Table No 39/82, effective 27 September 1982, by Stanislaw Nieckarz for the president, Polish National Bank, on 27 September 1982.

I. Foreign-currency exchange rates in zlotys for countries of the first payments area [socialist countries] for commercial and noncommercial payments remain unchanged.

In purchases of travelers' checks for rubles, issued by the USSR Foreign Trade Bank and payable outside the USSR in the currency of the country where cashed, an exchange rate of 11,751.60 zlotys per 100 rubles is applied.

II. Foreign Currency Exchange Rates in Zlotys for Countries of the Second Payments Area [Capitalist Countries]

Exchange Rates Table No 39/82

| Country | Curr Symb | | Currency | Foreign Exchange Purchase 4 | Foreign Exchange Sales 5 | Money Purchase 1 | Money Sales 2 | Average 6 |
|---|---|---|---|---|---|---|---|---|
| Saudi Arabia | 771 | 1 | rial*** | 25.12 | 25.38 | -- | -- | 25.25 |
| Australia | 781 | 1 | Aust. dollar | 82.72 | 83.56 | 81.48 | 84.80 | 83.14 |
| Austria | 786 | 100 | schillings | 490.31 | 495.23 | 482.91 | 502.63 | 492.77 |
| Belgium | 791 | 100 | francs | 179.42 | 181.22 | 176.71 | 183.93 | 180.32 |
| Denmark | 792 | 1 | kroner | 9.73 | 9.83 | 9.58 | 9.98 | 9.78 |
| Finland | 780 | 1 | markka | 17.96 | 18.14 | 17.69 | 18.41 | 18.05 |
| France | 793 | 1 | franc | 12.17 | 12.29 | 11.99 | 12.47 | 12.23 |
| Greece | 724 | 100 | drachmas | 121.97 | 123.19 | 105.71 | 125.03 | 122.58 |
| Spain | 785 | 100 | pesetas | 76.41 | 77.17 | 75.25 | 78.33 | 76.79 |
| Holland | 794 | 1 | florin | 31.40 | 31.72 | 30.93 | 32.19 | 31.56 |
| India | 543 | 100 | rupees*** | 895.98 | 904.98 | -- | -- | 900.48 |
| Ireland | 782 | 1 | pound*** | 117.90 | 119.08 | -- | -- | 118.49 |

[Table continued]

| Country | Curr Symb | Currency | Foreign Exchange Purchase 4 | Foreign Exchange Sales 5 | Money Purchase 1 | Money Sales 2 | Average 6 |
|---|---|---|---|---|---|---|---|
| Japan | 784 100 | yen | 32.83 | 33.17 | 32.24 | 33.66 | 33.00 |
| Yugoslavia | 718 100 | dinars | 178.17 | 179.97 | 154.43 | 182.65 | 179.07 |
| Canada | 788 1 | Canad. dollar | 70.08 | 70.78 | 69.02 | 71.84 | 70.43 |
| Kuwait | 770 1 | dinar*** | 296.76 | 299.74 | -- | -- | 298.25 |
| Lebanon | 752 1 | pound | 16.66 | 16.82 | 16.41 | 17.07 | 16.74 |
| Libya | 651 1 | dinar*** | 291.55 | 294.49 | -- | -- | 293.02 |
| Luxembourg | 790 100 | francs | 179.42 | 181.22 | 176.71 | 183.93 | 180.32 |
| Norway | 796 1 | kroner | 12.45 | 12.57 | 12.26 | 12.76 | 12.51 |
| Portugal | 779 100 | escudos | 98.76 | 99.76 | 85.60 | 101.25 | 99.26 |
| FRG | 795 1 | mark | 34.46 | 34.80 | 33.94 | 35.32 | 34.63 |
| United States | 787 1 | dollar* | 86.42 | 87.28 | 85.11 | 88.59 | 86.85 |
| Switzerland | 797 1 | franc | 40.35 | 40.75 | 39.74 | 41.36 | 40.55 |
| Sweden | 798 1 | kroner | 13.85 | 13.99 | 13.64 | 14.20 | 13.92 |
| Turkey | 627 100 | pounds | 52.85 | 53.39 | 45.81 | 54.18 | 53.12 |
| Great Britain | 789 1 | pound** | 147.62 | 149.10 | 145.39 | 151.33 | 148.36 |
| Italy | 799 100 | lira | 6.12 | 6.18 | 5.31 | 6.27 | 6.15 |

*Valid also in clearing accounts with the following countries: Bangladesh, Brazil, Ecuador, Greece, Iceland, Kampuchea, Colombia, Lebanon, Pakistan, Peru and Turkey.

**Valid also in clearing accounts with the following countries: Nepal and Pakistan.

***The Polish National Bank does not purchase money in these currencies.

CSO: 2600/23

## EXPORT EXPANSION IMPASSE DISCUSSED

Warsaw POLITIKA in Polish No 27, 21 Aug 82 Suppl p 18

[Article by Stanislaw Gruzewski: "A System Needed, Not a List;" passages enclosed in slantlines printed in boldface]

[Text] /One of the most serious symptoms of disease in our economy is its chronic inability to expand exports. This phenomenon is not new. It has been persistent virtually throughout the entire period since the end of World War II. We have achieved great progress in industrialization of the country, we have developed the large-scale production of many modern products. But nonetheless, we have not been able to resolve the problem of exports. Poland's share of world exports in 1980 was only 0.85 percent, that is, more or less the same as it was in 1938.

With the exception of few industrial branches such as, e.g., ships, railroad, cars, textile machinery, construction machines and aviation equipment, /a pronounced majority of industry works mainly for domestic market demand./ For an overwhelming majority of enterprises, export never was and is still not the fundamental task of production, not to mention the fact that it never was the driving force behind their development.

### Priority for Raw Materials

Such an orientation on the part of our industry results from the concept for economic development that was adopted immediately after the war's end and subsequently implemented by each of the successive government teams. /This concept was reduced chiefly to supporting the development of highly capital-intensive industries for raw materials./ Thus, firstly the greatest effort was directed toward an increase in the extraction of hard coal, next, mining of sulfur was added, and lastly, the green light was given to the copper industry. This in and by itself would not have been a disaster if the increase in the extraction of raw materials had been followed by the development of manufacturing industry and the export of its products. Unfortunately, that did not happen. The entire investment effort was actually limited to initial phases of production. Instead of specializing in the export of industrial products manufactured on the basis of domestic raw materials, we became the great exporter of hard coal, sulfur and copper and captured the leading positions on the world list. Furthermore, no conclusions were derived from

the misfortunes connected with the conjunctural fluctuations in world markets. You only need to recall the history of the 1950's, when coal dominated our exports to capitalist countries. As long as the coal situation lasted on world markets, economic leadership in the country did not think about any alternative solution beyond the increase from year to year in the extraction of this raw material and the expansion of its exports. In the meantime, at the turn of 1956/1957, a fundamental change took place in the external situation. After a bluntly phenomenal price increase due to the war in the Near East and to the blockade of the Suez Canal, a sudden price collapse occurred. The Polish economy felt this very keenly. For the first time since the war, reduction in our exports occurred--it was impossible to fill with anything the vacuum left by coal. However, no appropriate conclusions were drawn from this fact.

Timid Tests for Change

While not neglecting further development of coal mining and by undertaking new, large investments in the sulfur industry, consideration of other solutions has also been initiated. As a result of such considerations, initial attempts have been made to switch the manufacturing industry to pro-export development. In the first place, several industrial enterprises with a considerable share in the production for exports have been identified and given the status of enterprises specializing in exports. This was connected with facilitations in various fields as well as with material incentives for the labor workforce. Emerging in this manner the club of exporters has been gradually expanding. At the end of the 1960's, it included over 100 enterprises representing the vanguard of the Polish manufacturing industry.

/In the mid-1960's, after a special Plenum of the PZPR Central Committee that was devoted to foreign trade, further steps were taken that aimed to include in the specialization for exports not only a few selected enterprises, but also entire branches of the manufacturing industry./ Work was conducted in all significant industrial-type ministries. As a result of these efforts, a list of industrial branches which were to be switched to pro-export development was prepared. Also, a draft for a government resolution which would provide the indispensible conditions for the realization of such a measure was prepared. /Unfortunately, due to a lack of results, neither the government's resolution nor the list of industrial branches which are to specialize in the production for export have never seen the light of day. All came to an end in the the draft/, despite the fact that no one either changed or cancelled the PZPR Central Committee's resolution. The upshot was that the development of Polish industry continued to follow the old, well trodden road. From year to year, diversification of production was expanded, but the series production quantity was only slightly extended. A significant role in the implementation of this kind of policy was played also by the concept supported at that time by the highest factors concerning the development of anti-import production. All of this led to a diffusion of efforts and means and, in a large measure, made it difficult to concentrate attention on the development of production for exports that, as it is well known, always was and is more difficult for producers than output for the country.

/The 1970's brought little change to the pro-export development of the economy./ Not only investment outlays for the development of mining industries were increased, but also there had begun a large-scale expansion of productive capacity in the metallurgical, electro-mechanical, chemical, light, food and other industries, and attention in the latter was concentrated mainly on final products. By contrast, the development of a production base for semi-manufactured goods and for co-produced elements was grossly neglected. The result was an enormous increase of materials and co-produced imports from capitalist countries, and thereby, a considerable dependency on supplies from abroad on the part of our manufacturing industry. The consequences of such a dependency are mostly indicated today when, due to a shortage of funds for imports, about one-half of our manufacturing industry is not working. But even before the current crisis occurred, and when the industry worked to some degree normally, its pro-export capacity had not improved much. It grew only insignificantly, because the /share of production for exports in the total industrial production that amounted to about 13 percent in 1970 increased to 14.9 percent in 1979./ Due to a considerable decline in production during the succeeding years, this indicator has once again decreased significantly. Also, advancement in the export-type specialization of industry was slow. "Of about 3,600 existing industrial enterprises, only 169 enterprises export over one-half of their production, and only in 369 enterprises production for exports amounts to more than 30 percent. These units account for 52 percent of the exports of manufactured goods. Thus, an overwhelming majority of enterprises plays only a slight role in exports."*

There have not been any significant changes in the structure of commodities for export, except for electro-mechanical goods, of which the share in total exports increased from 40.6 percent in 1970 to 43.3 percent in 1980, and products in the food industry, of which the share during the same period of time shrunk from 9.8 percent to 5.5 percent. In the category of electro-mechanical products, a disadvantageous event was to maintain continuously on a high level the exports of machines and of equipment which require a relatively low degree of processing and are thus highly material-intensive and not very cost effective. In the first place, freight cars should be mentioned here; their exports in 1970 amounted to 5,779 cars, in 1975, 6,924 cars and in 1980, 6,745 cars. This represented respectively 37.4 percent, 36.9 percent and 44.3 percent of the total national output. Also, the exports of ships increased rapidly, while concurrently the national merchant marine was aging. This industry's production share of exports in 1970 was 74.3 percent; it increased in 1975 to 92.5 percent and in 1980 it reached almost 93 percent. Moreover, a high share of exports was noted in the production of passenger cars, buses and passenger vehicles. All of these products are characterized by not the most effective use of foreign exchange, and yet their sales abroad were not restrained. On the contrary, such sales increased from year to year. This was the outcome of a peculiar policy. Success was important, the fact that something has been produced or exported, but the price that has been paid for it was less significant. The effects of such a policy are today painfully felt by the entire society.

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* The Government Report concerning the state of economy, published by "Trybuna Ludu," Warsaw Jul 81 p 75-76

Profitability Decides

It is necessary to recall all of these mistakes, because this /subject matter emerges on the agenda once again./ I have in mind the efforts on the part of the /Inter-Ministerial Team of Experts, that was established jointly by the chairman of the Planning Commission and by the Minister of Foreign Trade./ In starting the preparation of a new program, it is necessary to take into consideration all proposals from the past. The point of departure ought to be a detailed evaluation of the current state of our industry, its bottlenecks, its internal dependencies, its relations with foreign countries, etc. For example, as I have mentioned earlier, it is common knowledge today that the greatest weakness of Polish industry is the underdevelopment of its materials and co-production base. Without a solution to this problem in the shortest possible time, it is difficult to talk at all about any type of specialization in exports. And how could this be solved? For sure, not with those methods which were commonly applied in the 1970's, that is, through continuous and extremely burdensome, for the economy, imports from capitalist countries, but rather by means of mobilizing such a production at home. In the program which is being prepared, it is necessary to keep this in mind and to create financial opportunities for enterprises that facilitate the implementation of such undertakings. In a similar vein, it is necessary to treat other problems which hinder at present the stimulation of production for exports. In my opinion, /only by means of a systems-type solution/ will it be possible to bring about a gradual change in the industrial situation.

On the other hand, /discussion about which industrial branches or which enterprises ought to specialize in production for exports, and which ought not, is at this time during the implementation of economic reforms a secondary issue./ Besides, Slantline missing / during the elimination of the orders-distribution system, it would be difficult to decree that branch "x" will specialize in exports, and branch "y" will not. The fundamental criterion must be economic advantages flowing from specialization in exports. Anyone, who is able to fulfill this most important condition, ought to be entitled to profit from all privileges and rights which will be created by the standards act being currently prepared. A list of industrial branches and enterprises designated for specialization in the production for exports, could have exclusively a guiding character and express the intentions of the central authorities. Altogether, despite such a difficult economic situation, the fact that the theme of specialization for exports has been renewed, should be acknowledged as a positive sign. One could only wish that this time around the case will be finalized and that, as so many times in the past, a disbelief in anything else than the development of the country's raw materials, will not weigh heavily on it. I mention this deliberately, because not so long ago voices could be heard that coal is the catalyst of the Polish economy. We have this starter today, but coal alone will not save us. because up to now, it could not even halt the decline of industrial output.

9938
CSO: 2600/874

DRAFT LAW ON PLANT PROTECTION

[Editorial Report] Bucharest SCINTEIA in Romanian on 30 September carries on pages 2 and 3 the 7,500-word text of a draft law on "Crops and Forest Protection, and Pesticides Application." The draft law deals with the following topics:

--"General instruction" specifying chemical and biological means of combatting plant disease, pests and weeds;

--"Protection of cultivated crops, hay and pasture fields," stating that each socialist agricultural unit is responsible for properly applying all treatments designed to combat and prevent pests, disease and weeds, and should a unit not do so, such operations may be performed, for a fee, by special "plant protection units;"

--"Protection of hay pasture fields," stipulating that holders of hayfields and grazing land have the obligation to inspect the fields and take protective measures immediately when signs of pests and disease appear;

--"Forest protection," for which the Ministry of Silviculture is responsible, unless the forest belongs to private individuals, municipalities, towns or communes;

--"Plant-sanitary quarantine," which states that "all plants, plant parts, seeds, fruit and any other agricultural or forest products, including those treated physically or chemically, which are to be imported, exported or are in transit through Romania, as well as the means of transportation used, will be subjected to plant-sanitary control," to prevent the spreading of diseases;

--"Production and utilization of pesticides," stipulating quality guarantees and responsibilities;

--"Joint and final instructions," stipulating among other things that "expenses incurred in the process of preventing and combating pests, disease and weeds are covered by the respective agricultural or silvicultural units, producers or land holders, as established by State Council decree."

The draft law has two annexes providing "technical norms" for crops and forest hygiene.

CSO: 2700/5

REPUBLIC FOREIGN TRADE FOR FIRST 7 MONTHS

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 15 Sep 82 p 3

[Article by Milorad Urosevic: "Indications of a Noticeable Deterioration"]

[Text] Following a thus far very favorable 73.8 percent coverage of imports by exports for the first six months, the balance after seven months has dropped to 73.4 percent, with a tendency toward a further decline; at the same time, this means an increase in the negative difference that can only be neutralized temporarily through new indebtedness, with the well-known negative consequences in the near future.

In order to comply with the balance of payments and foreign exchange balance positions of the republics and provinces, which has been taken to the point of absurdity, we have for years now been tolerating the way in which some sociopolitical communities simply ignore the obligations that they have agreed to accept, import amounts in excess of any normal measure, and create a deficit that is as a rule simply ignored again at the beginning of each subsequent year, when everything begins again. Now that the situation has become very serious for the entire country, unless the due debts of certain sociopolitical communities are repaid, it is precisely the conscientious ones who have respected the obligations they have undertaken and behaved in an economic manner, who have paid the bill through the National Bank of Yugoslavia. Thus, even though the overall data for the first 26 days of August are already known--these, by the way, confirm the statement concerning a deterioration--the details contained in the report from the Federal Institute for Statistics for the first seven months of this year carry a very serious warning.

(See table next page)

Results Achieved in the Period from January to July 1982

| area | exports | imports | deficit | export as a percentage of imports |
|---|---|---|---|---|
| | millions of dinars | | | |
| SFRY | 238,297 | 324,270 | 85,973 | 73.4 |
| Bosnia-Hercegovina | 34,937 | 44,850 | 9,913 | 77.9 |
| Montenegro | 4,167 | 7,078 | 2,911 | 58.9 |
| Croatia | 53,947 | 80,858 | 26,911 | 66.7 |
| Macedonia | 12,242 | 18,421 | 6,179 | 66.5 |
| Slovenia | 45,639 | 54,811 | 9,172 | 83.3 |
| Serbia proper | 63,038 | 76,526 | 13,433 | 82.4 |
| Kosovo | 4,547 | 5,010 | 463 | 90.8 |
| Vojvodina | 19,208 | 24,169 | 4,961 | 79.5 |
| Federation | 527 | 12,547 | 12,020 | 4.2 |

| area | exports | imports | deficit |
|---|---|---|---|
| | percentage share in | | |
| SFRY | 100.0 | 100.0 | 100.0 |
| Bosnia-Hercegovina | 14.7 | 13.8 | 11.8 |
| Montenegro | 1.7 | 2.2 | 3.4 |
| Coratia | 22.6 | 24.9 | 31.3 |
| Macedonia | 5.1 | 5.7 | 7.1 |
| Slovenia | 19.2 | 16.9 | 10.6 |
| Serbia proper | 26.5 | 23.6 | 15.6 |
| Kosovo | 1.9 | 1.5 | 0.5 |
| Vojvodina | 8.1 | 7.5 | 5.7 |
| Federation | 0.2 | 3.9 | 14.0 |

The data contained in the table are fairly clear and show the results achieved by the republics and provinces. One essential detail, however, should be added to these. These results in fact depend a great deal on the objective possibilities for exports and the social product achieved by the individual republics and provinces.

According to the official data for 1980, calculated in constant 1972 prices, Bosnia-Hercegovina has a 12.1 percent share in the total social product, which is less than its share in both exports and imports, but 0.3 percent more than its share in the negative balance.

Montenegro has a 2.1 percent share in the social product, more than its share in total exports, but less than its share in imports and especially in the foreign trade deficit.

Croatia has a 25.9 percent share in the creation of the country's social product, but it has a 3.3 percent lower share in exports and a 1 percent lower share in imports, while its share in the negative balance is 5.4 percent.

Montenegro provided 5.6 percent of the social product, half a percentage more than its share in exports, a thousandth less than its share in imports, and half a percentage less than its share in the negative difference.

Slovenia's share in the social product is 16.9 percent, 2.3 percent more in exports, the same in imports as in the social product, and 6.3 percent less in the country's negative difference.

Serbia proper provides 25.1 percent of the social product; it has a 1.4 percent greater share in exports, and 1.5 percent lower share in imports, and a 9.5 percent lower share in the negative difference.

Kosovo provides 2 percent of the social product, and has a thousandth lower share in exports, a half percentage lower share in imports, and three fourths less in the country's negative balance.

Vojvodina's share in the social product is 10.3 percent, 2.2 percent more than its share in exports, 2.8 percent more than its share in imports, and 4.6 percent more than its share in the country's negative balance in foreign trade.

All of these republic and provincial balances and ratios, however, suffer from an anomaly that has already been dragging on for years; its material portion is increasing, but all of those who have been behind this are simply ignoring it. This has to do with the negligible 527 million dinars in exports, but also the 12.537 billion in imports, that are simply ascribed to the Federation, so that its negative difference has already reached 12.02 billion dinars, or 14 percent of the total negative difference for the seven months. Ascribing so many imports to someone who has no means of compensating for them through exports, as is the case here, is really difficult to justify, especially since if this difference were distributed, the share of the individual republics and provinces in the negative difference of the entire economy would be quite different. This would thus be one more reason for them to behave differently and abide by the obligations that they have undertaken.

By eliminating this anomaly, it will be possible to make a more realistic assessment of the effect of the administrative restriction on importing the basic raw materials and semimanufactured products, which is already reducing export production to a level that is insufficient for the pace of the first half of the year to be continued.

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END

JPRS 82051

22 October 1982

# East Europe Report

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2328

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JPRS 82051

22 October 1982

# EAST EUROPE REPORT

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2328

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PROGRESS IN ECONOMIC SITUATION NOTED

August Production Data

Warsaw TRYBUNA LUDU in Polish 15 Sep 82 p 4

[Text] In August of this year the country's economic situation was expressed by the following circumstances:

--For the first time in over two years sold production in socialized industry grew in comparison with the same month of the previous year. The high growth in production in the mining industry and the small decline in production in the processing industry contributed to this.

--for the fourth successive year there was a growth in labor productivity in industry, measured by the value of sold production per one employee.

--grain harvests were somewhat larger than last year; the procurement of slaughter cattle remained relatively high, while procurement of poultry continued to be very low, procurement of milk was slightly lower, and procurement of eggs was much lower.

--the growth rate of export to socialist countries was high, and there was also a large increase in export to capitalist countries.

--rail transports increased, particularly of hard coal, and transloadings in commercial seaports were higher.

--the rate of growth of expenditures was higher than the populace's monetary receipts, however the level of receipts was higher than the level of expenditures.

--market supplies were sufficient to fully cover demand resulting from ration cards issued, whereas there were market shortages of other goods.

--in comparison with other months, there was some improvement in completion of housing ready for occupancy.

Industry

Sold production in socialized industry (in fixed prices) was 1.0 percent higher this August than in August of last year. For the first time this year the decline in production in the processing industry, in comparison with the same month last year, was relatively small--0.2 percent. Production in the mining industry increased greatly--19 percent. Production in small-scale industry was 4.7 percent higher.

The high growth rate indicators were attributed in great measure to the poor results obtained in this month in the preceding years, and also to the fact that there was one more workday in August of this year. For a comparable worktime, sold production in industry was 2.8 percent lower.

A significant increase in production over August of last year (more than 6 percent) was obtained in the following industries: coal, nonferrous metals, precision-instruments, leather, food, and printing. Production in the iron and steelmaking industry, the energy, machinery and chemical industries, and in the whiteware and clothing industries, was also higher than in August of last year. In other subsectors of industry, production was 0.1-3.0 percent lower than in August 1981, with the exception of the fuels, transport means, and textile industries, in which there was a steep drop in production.

In comparison with August of last year, hard coal mining and the production of electrolytic copper and cement, increased significantly. There was also a growth in brown coal mining, crude oil refining, the production of zinc, farm tractors, nitrogen fertilizers, and paper. Natural gas extraction was much below the level of August of last year, and, in connection with the elimination of the works in Skawina, so was the production of aluminum.

In the January-August period of this year, sold production in socialized industry was lower by 6.2 percent, whereas in the January-July period of this year, it was lower by 7.2 percent.

Hard coal mining during January-August, this year, amounted to 126.6 million tons, i.e., 17.5 percent more than in the same period last year. During this period, 16.9 million tons of coal were exported (42.3 percent more), of which 8.9 million tons (40.5 percent more) went to countries in the second payments area [capitalist countries].

Coal stocks in industry at the end of August of this year doubled in comparison with the state of a year earlier. The very high amount of coal reserves in the power plants ensures a 30-day supply for consumption.

Labor productivity measured by sold production (in fixed prices) per 1 employee was 7.1 percent higher in August of this year over that of August of last year (3.1 percent in comparable worktime).

The growth in labor productivity occurred in all subsectors of industry, with the exception of liquid fuels and transport means. In the January-August period of this year, labor productivity in industry started to rise in May. Sold production per 1 employee was still 0.6 percent lower than in the same period last year.

## Agriculture

The situation in agriculture was decisively affected by the almost entire lack of rain and the continuously warm weather since June. The harvesting was basically completed at the end of August. It is estimated that this year's grain crops will be 1.5 million tons larger than last year. The increasingly dry soil made it difficult, and in some places impossible, to do the post-harvesting work and pre-sowing tilling. Cultivation of second crops was reduced and sowing of winter rape was delayed. In many regions of the country premature parching of potato stalks occurred, and potato harvesting was begun. It is estimated that as a result of the unfavorable growing conditions, potato, sugar beet and fodder crops will be lower than last year.

In August of this year there was a seasonal reduction in free-market prices of grain and potatoes. Piglet prices continue to drop and the declining tendency in breeding of gilts is intensifying, which presages a decrease in production and procurement of slaughter hogs. However, pro urement of slaughter livestock in the immediate future promises to be favorable.

Slaughter livestock procurement, calculated in after-slaughter-weight meat, was 10.1 percent higher in August of this year than in August of last year. Of this, procurement of slaughter cattle was 76.5 percent higher, and slaughter poultry was 79.1 percent lower. Milk procurement was slightly lower than last year. The drop in egg procurement is becoming increasingly acute--30.7 percent in relation to August of last year.

## Socialized Enterprises

Basic production in socialized construction-assembly enterprises was 9.9 percent lower than in August of 1981. Over the January-August period of this year, basic production was 15.7 percent lower. The largest decline occurred in the general construction enterprises, which are involved mainly in housing construction.

In August of this year, 8,300 apartments, with a total usable floor space of 439,000 square meters, were completed and released for occupancy in socialized construction. In comparison with August of last year, the usable floor space of completed dwellings increased 14 percent, while in the January-August period of this year, 24,000 fewer apartments, i.e., 27.4 percent, with a usable floor space of 1.3 million square meters less (27.2 percent) were completed in comparison with the same period last year.

Freight haulage by socialized transport enterprises totaled 92.5 million tons in August of this year, 8.1 percent less than in August of last year. Railroad transports increased 2.5 percent, and automotive transports dropped by 16.3 percent. Transloadings in commercial seaports amounted to 3.5 million tons in August, this year, a 20.7 percent increase over August of last year.

In August of this year, 26.9 percent more hard coal was removed from mines in the Katowice voivodship than in August of last year, and 4.1 percent more than in July of this year. Coal stocks in the storage yards of mines in this voivodship dropped from 1,562.1 thousand tons on 31 July 1982 to 1,478.2 thousand tons on 31 August 1982.

Coal stocks in storage yards in the Walbrzych voivodship dropped from 16,200 tons to 12,000 tons during this period.

In the January-July 1982 period, socialized enterprises (excluding agricultural) showed positive financial results amounting to 813.4 billion zlotys, while some of the enterprises showed a loss amounting to 99.6 billion zlotys (this pertains mainly to railroad transport). Many enterprises are still being subsidized, which occurs primarily because official and regulated prices were fixed at a lower level than costs of production. Expenditures from the state budget in supplements to the operations of enterprises amounted to 460.3 billion zlotys during a seven-month period this year, of which subsidies totaled 354.8 billion zlotys. The most highly subsidized enterprises were in the egg-poultry, meat, milk, hard coal, artificial fertilizers, and chemical fibers industries. Automotive and railroad transport receives high subsidies.

The enterprises' financial share in support of the state's budget (budget incomes) from the division of accumulation was 8.5 percent lower than the supplement payments and amounted to 421.1 billion zlotys. Most of the financial burden is the turnover tax, which amounted to 317.1 billion zlotys. The highest turnover-tax load fell on the enterprises of the alcohol and yeast, refining, and automotive industries. At the same time, the profits of the socialized enterprises were reduced by an income tax amounting to 414.9 billion zlotys. The total liabilities in support of the state budget based on turnover and income taxes exceeded supplements from the budget to socialized enterprises by 81.6 percent.

Foreign Trade

In August of this year, foreign-trade turnovers in export increased 19.1 percent, and in import, by 2.5 percent, in comparison with August of last year.

In turnovers with socialist countries in August 1982, export amounted to 42.1 billion zlotys, and import, 46.6 billion zlotys. In comparison with the previous August, export grew 24.4 percent, and import 14.8 percent. In the January-August 1982 period, export to socialist countries amounted to 295.2 billion zlotys, import 325.4 billion zlotys. The negative balance of commodity turnovers with socialist countries grew from 25.7 billion zlotys in a seven-month period to 30.2 billion zlotys in an eight-month period, except that in turnovers with the Soviet Union the negative balance increased from 37.3 billion zlotys to 43.3 billion zlotys.

Export to capitalist countries in August of this year amounted to 34 billion zlotys, import 29.2 billion zlotys (compared to August of last year, export grew 13 percent, import dropped 12.5 percent). In the January-August period of this year, export totaled 264 billion zlotys, import 191 billion zlotys (export declined 6.5 percent, import 34.5 percent, in comparison with the same period last year). The drop in import was related to the size of the cash foreign-exchange funds allocated for this purpose, the lack of ability to purchase on credit, and the necessity to service the country's indebtedness.

By the end of August, 1,020 enterprises were authorized to use foreign-exchange allowances from export to import goods from the second payments area [capitalist countries]. The allowances amounted to 167.6 million US dollars, and 46.3 million US dollars were used for import.

## Employment and Wages

Average employment in the basic sectors of the socialized economy--in industry, construction, transportation, communication, and trade--was lower by 417,500, i.e., by 5.2 percent, in August of this year than in August of last year. In small industry, average employment was 5.8 percent lower. However, in comparison with July of this year, average employment in August in industry was lower by 4,600, in transportation by 1,400, but higher by 2,700 in construction, 300 in communication, and 1,700 in domestic trade.

Personnel emoluments combined with workers' compensations in the basic sectors amounted to 84.8 billion zlotys in August of this year, and were 41.8 percent higher than in August of last year. Emoluments in industry were 47.1 percent higher, 27.1 percent higher in construction, 30.2 percent higher in transportation, 40 percent higher in communication, and 46.2 percent higher in trade.

Average wages with workers' compensations (excluding compensation for family members) in the basic sectors--industry, construction, transportation, communication and trade--in August of this year totaled 11,087 zlotys, which was 3,678 zlotys more than in August of last year, i.e., 49.6 percent higher. Average wages with compensations in industry rose 55.7 percent, including 72 percent in mining, 47.8 percent in the processing industry, 36.9 percent in construction, 37.7 percent in transportation, 41.1 percent in communication, and 49.9 percent in trade. The higher growth of wages in the mining industry was due to the work of the miners on free Saturdays and their higher production.

Total population's monetary receipts in August of this year amounted to approximately 285 billion zlotys, an increase of 71.6 percent in comparison with August of last year. In this, emoluments for work combined with compensations increased by 41.6 percent, payments for social services together with compensations increased by 157.7 percent, income from sales of farm products rose 91.4 percent. The population's monetary expenditures in August of this year amounted to 259 billion zlotys, an increase of 75.7 percent over August of last year, including expenditures for purchase of goods of 84.7 percent.

## The Market Situation

Retail sales of goods by units of the socialized economy in August 1982 amounted to 230.5 billion zlotys and increased, calculating in current prices, 87 percent, in comparison with August of last year.

In comparable prices retail sales in August of this year were approximately 17 percent lower than sales in August of last year. This included a 28 percent drop in sales of nonfood goods, and a drop of approximately 11 percent in food sales. However alcohol sales increased approximately 28 percent.

The situation on the food market was about the same as in previous months. Supplies of articles under state control were sufficient to cover needs arising from ration cards issued.

The structural assortment of meat and meat product supplies contained a large share of beef (including grades containing bones), and a relatively low share of pork. Supplies of cured meat were also very low.

Milk was supplied according to market needs. Restrictions on high-fat cottage cheeses were removed; deliveries were in accordance with commercial orders. Requirements for sweet cream were not fully met and in the rural areas there was also a shortage of ripening cheeses.

Availability of nonfood items on the market remained unchanged in comparison with previous months. In particular, the serious shortage of footwear, fabrics and clothing continued. There was also a market shortage in basic groups of goods in the metals branch, and glass and ceramic products. Market supplies of cleanliness and personal hygiene products improved.

In July of this year, in comparison with July of last year, the cost of living indicator for workers employed in the socialized economy rose 3.5 percent.

The highest increases, in comparison with June of this year, were in prices of tea and coffee--which rose approximately 104 percent. Also higher than in June of this year were eggs: in socialized trade about 40 percent higher, and on the free market, about 25 percent higher; and potatoes, about 56 percent higher in socialized trade and 41 percent higher on the open market. Vegetables were on an average of 10 percent lower, and fruit prices were about 25 percent lower.

## Perspective Over Eight Months

Warsaw TRYBUNA LUDU in Polish 15 Sep 82 p 4

[Article by Andrzej Leszczynski]

[Text] Already several days ago we reported that the industrial decline which has been taking place for 25 months was halted in August. Production in August of this year was 1 percent higher than in August of last year. And although this is an almost imperceptible improvement, nevertheless it is a fact that we have finally stopped going backwards.

Today's GUS [Main Statistical Office] report confirms this officially and at the same time gives a broader picture of the country's economy. It shows that the increase in production recorded in August is due mainly to the results achieved in the mining industry.

The 17.5 percent increase in hard coal extraction this year is extremely important. In 8 months, the coal miners gave the country an output amounting to 126.6 million tons. If this rate of mining were to be maintained, we would obtain roughly over 180 million tons this year. Let us be reminded: last year's so-called variant of hope was based on such a quantity of coal. Unfortunately, the hopes were not fulfilled, for we mined scarcely 163 million tons of coal at that time. Now, after 8 months, these hopes appear to be more realistic.

We are slowly overcoming the regression in the processing branches of industry. But the fact that in this sphere of production, in which the shortages of raw materials are felt most acutely, we have nevertheless been able to attain in August an amount of production almost that of August of last year, speaks for itself.

This would mean that the Polish economy, with difficulty, because it is with difficulty that it is beginning to break the barrier of shortages in raw materials and other materials, is increasingly more effectively using its own domestic resources. This would also mean that the mechanisms of reform which are gradually being applied are slowly beginning to react on the process of putting the economy into order. This year, too, there were no strikes to disturb the rhythm of work. These were 8 months of quiet, productive work.

The situation in agriculture appears to be more complex. The GUS report shows that we can expect grain harvests to be 1.5 million tons larger than last year. But due to poor growing conditions, potato, sugar beet and fodder crops will be smaller. Apparently, however, although GUS does not say so, we can expect these root crops to be more valuable. Unfortunately, observation of the present situation in animal-raising leads GUS to the conclusion that next year the production of pork, so badly needed on our market, will decline.

August brought an increase in foreign-trade turnovers, and of particular importance for the country's indebtedness is that fact that exports increased 19.1 percent. If at the same time we did not have an acute shortage of raw materials, we should be glad that imports grew much less, for only 2.5 percent. But in our circumstances imports to a large degree determine the activation of production.

The GUS report, in the part pertaining to foreign trade, documents on the one hand the scale of assistance given us by the Soviet Union and other socialist countries, and on the other hand the results of the sanctions applied against us by the capitalist countries, which is revealed in the continuing decline of imports from the West.

The reader will find other interesting phenomena in the report. For example, the distinct improvement in the financial situation of the enterprises, which is positive, or the thought-provoking and disturbing drop in the production in the construction enterprises, especially those involved in housing construction.

Wages are increasing. In August, the average wage with workers' compensations amounted to 11,087 zlotys. This is high, but the simultaneously increasing cost of living is undermining the real value of wages. Although it is true that on the food market a certain weak and relative balance has appeared, nevertheless there has been no improvement in other articles. There are shortages of footwear, fabrics, and clothing.

That is how the economy looks. It continues to be dark, but some brighter spots are beginning to appear.

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CHRONIC PROBLEMS OF TRANSPORT INDUSTRY ANALYZED

Warsaw ZYCIE GOSPODARCZE in Polish No 32, 29 Aug 82 p 8

[Article by Jacek Brdulak]

[Text] In the discussions of transport operations that are slowly reappearing in the press, the dominant questions are those linked with the activity of transport enterprises. For example, the PKP [Polish State Railroads] must give their damaged railroad cars to the mines, which are offering them larger and larger amounts of coal, and the PKS [State Motor Transport] is advocating a variant of economic antireform. Transport is still not seen from the viewpoint of its place in the national economy. Meanwhile, the many years of inconsistent transport policy in the directive system of management have brought about transportation's massive collapse.

The economic crisis merely obscured certain phenomena. Transport and transport production dropped; mass transportation declined. However, nothing is more in error or more detrimental than using this as a basis for the decision to stop working on the principles of a future transport policy. To use an analogy from medicine, this would be like finishing off a patient who has just been restored to life after a hard struggle.

Transport needs an economic reform conducted with the specific nature of this economic subsector in mind. I do not believe that reform can succeed unless decisionmakers change their approach to transport problems and abide by basic economic truths in transport policy.

Transport policy is a state activity, conducted by those organs that represent the state, and aimed at achieving assumed economic or noneconomic goals through the use of specific instruments by transport enterprises and their associates. The present tendency for most transport policy documents is to use the parameters of cost effectiveness. However, those who advocate the total elimination of directive instruments from transport policy are unrealistic and in error. In accordance with the current theory of transport economics, the directive system should be used to extend the parametric system of steering the economy. Unfortunately, this system was dominated by what is currently an extremely crucial element for the economic management of transport: financial and material reinforcement. There is also division along the

macroeconomic plane. The share of transport in the capital accumulation fund will largely determine the renovation and replacement policy and the growth policy of this subsector of the national economy. Given the specific nature of its activity, a key problem of transport policy is the need to ensure enough outlays for the capital-intensive line and station infrastructure. The fundamental assumptions of such a policy must be long-term assumptions, coordinated with a long-term program of development of the entire state economy.

We Must Change Our Approach

Since this fundamental truth was too often forgotten in the past, decision-makers face the uneasy task of rebuilding transport and making it an efficient element of the economic system. Optimists still believe that we must find ways of averting catastrophe in transport. I believe that we have already reached this state, and that research into possibilities was a valid task for the 1960's and the first half of the 1970's. Now we must make a radical change in our economic policy in the field of transport--in accordance with economic truths, of course.

I shall attempt to illustrate departures of economic practice from theory by means of statistical data for the 1970's.

The basic interdependence between transport production and material production may be simply defined. The growth rate of the gross product of the national economy should be greater in turn than:

--the growth rate of the number of vehicles (expressed in terms of value);

--the growth rate of transport production;

--the growth rate of transport costs.

This interdependence shows the logic of the management process. The rate growth of gross production, which includes the value of unfinished production and the value of production used for the producer's own needs, should exceed the growth rate of the volume of vehicles. The requirements of economic efficiency make it necessary to utilize transport potential better and better and to minimize costs in this subsector of the national economy. So much for theory. If we look at the statistical data, economic practice contradicts this idea.

For the years 1979-1980, the gross product increased 2.5 percent, while the number of vehicles increased 15.4 percent, thus markedly exceeding the growth rate of transport production (5.4 percent). Transport costs during this period increased 10.3 percent. These ratios were similar for the entire 1976-1980 5-year plan. The growth rate of the number of vehicles (81.0 percent) significantly exceeded the increase in gross production of the national economy (52.9 percent), and the growth rate of transport costs (72.7 percent) was more than twice as high as the increase in transport production (31.1 percent). Not only was this situation characteristic of the 1970's, but earlier periods as well. This leads to two basic conclusions--and they are no revelations.

First, the transport intensiveness of the national economy is continually on the rise. Moreover, the Polish economy is one of the most transport-intensive in the world. The most important causes of this lie in previous methods of management, in the production structure and in often hastily made decisions of where to locate (for example, 1 ton of construction materials is transferred seven times). Thus, it is indispensable that all decisions concerning the location of production plants, the amount and type of technology used, the setting up of coproduction ties and supply and sale be made with transportation outlays in mind.

Second, the economic activity of transport is ineffective and this process is getting worse. At the same time, it is not a question of eliminating the budget subsidy, but of the ratio between the costs borne by transport and the results attained. It is more and more expensive to serve such a transport-intensive economy. The steps undertaken within the framework of economic reform, coordinated with moves in the sphere of transport policy (more about this later), should bring about a noticeable improvement in this sector.

Only the Traditions Remain

The share of transport in generated national income should be lower than its share of the gross product. Transport employs a portion of the work force that should be well paid, given the working conditions and intensity of labor. Hence, the prewar traditions in the history of our railway system of communities of single-family railroad worker dwellings and competitions to see who could ride over pencils laid on the rails with the most precision still exist. The capital intensiveness of transport necessitates the designation of considerable investment outlays for its development. The value of fixed assets in transport is very great by comparison with other production sectors. It exceeds the per-employee national average nearly twofold.

Stated briefly, this is the current situation in transport:

--although it may seem paradoxical, transport is too cheap; its costs are minimal both by comparison with the production cost and the national economic picture;

--by comparison with other economic sectors, wages are not attractive to most employees;

--the share of transport investment outlays is declining, and the level of this share is much lower than such outlays in most socialist states;

--the effect of investment policy is a decline in the share of fixed assets for transport production in the fixed assets of the national economy; this in itself would not be so disturbing if our transport were not chronically underinvested.

What is especially alarming in the present situation is the delay of many years in replacing wornout rails and crossties and in repairing road surfaces; canals

along waterways and port embankments are crumbling due to age. Meanwhile, the alarming tendencies in the economy are increasing. At the same time, let me emphasize that I consciously avoid making a statement on the subject of unreserved amounts of outlays and funds designated for the development or the existence of transport. The general economic situation of the country justifies this. I am interested in the place of transport in the national economy.

Exactly how transport has been treated thus far by the central authorities is presented in tables 1 and 2. They cover the decade of the 1970's divided clearly into two subperiods. The first half of the 1970's is the period of the so-called "overheating of the economic situation," and the following years indicate the approach of a severe economic crisis. One must bear this in mind when analyzing the statistical data. For the 1970-1975 period, one observes a significantly more rapid increase in the gross and net production of transport compared with the entire sphere of material production. On the other hand, the growth rate of fixed assets in transport was 32.9 percent lower. In spite of progressive depreciation, the fixed assets of transport were used more and more intensively during this period. The following years showed an apparent improvement in this regard due to the fact that transport is normally the first sector of the national economy to react to a crisis. The growth rate of fixed assets in transport remained lower than the growth rate of these assets on a national scale.

Unfavorable Ratios

The atypical years of the end of the 1970's did not upset the unfavorable ratios that existed between the growth of transport production and committed fixed assets. From 1970 to 1980 on the national economic level, the increase in gross and net production was lower than in transport, while the increase in fixed assets was markedly higher. Similar ratios existed in particular subsectors of transport, although perhaps less clearly in automobile transport than in rail and inland waterway transport.

The share of transport in the capital accumulation fund has become a basic problem of transport policy. It is a determinant of the share of transport in the rate of development of the entire economy. Accumulation of capital ensures expanded renovation and repair. It makes up investment outlays for fixed assets (along with funds for capital repairs) as well as the increase in working capital and reserves. Since in practice GUS [Central Office of Statistics] considers investment outlays to be economic outlays to create new fixed assets or to enlarge or modernize existing fixed assets, it may be assumed that capital accumulation is synonymous with investment outlays. Even though this is a gross oversimplification, it is true all the more since the latter also include outlays increasing the value of working capital (in the area of capital equipment) and outlays for so-called remaining fixed assets.

We have already discussed the share of transport in investment outlays. In my opinion, it does not guarantee extensive renovation and repair in this economic subsector. Depreciation, properly determined, should ensure the

basic renovation and repair of fixed assets worn out in the process of producing transportation services. To determine whether this is really so would necessitate conducting a careful analysis of the intersubsector input-output balance of the national economy. Here I shall make only a few observations.

According to studies done last year, the depreciation fund accumulated in transport, assuming the reassessment of fixed assets, could guarantee that 54.4 percent of investment outlays in 1980 would be covered. In rail transport this figure would reach 90 percent, in automobile transport it would reach 50 percent and in inland waterway transport it would reach 44 percent. A definite truth becomes evident here. The potential for ensuring basic renovation and repair in the above subsectors is precisely the opposite. The level of wear and tear of fixed assets, defined by the ratio (in percentages) of the value of consumption to the gross value of fixed assets increases the most rapidly and constantly in rail transport. A similar situation occurs in automobile transport, although the rate of increase of the level of wear and tear here is lower. Meanwhile, in the inland water system, in an unprecedented manner, the level of wear and tear of fixed assets decreased from 1977 to 1978. This was a period in which investment outlays increased from an average 300-400 million zlotys annually to 0.9-1.0 billion zlotys. This money was designated primarily to purchase means of transport. In 1980, there was a significant increase in outlays for construction-erection work. At present, we may expect that the situation in the inland waterway system will not differ from the stereotype in force in other transport subsectors, which are overcome by the progressive, readily apparent depreciation of fixed assets. At any rate, the depreciation fund does not ensure basic renovation and repair, let alone extensive renovation and repair in the above transport subsectors.

The above considerations allow us to formulate the most important long-term goals of transport policy. These include:

--reinforcing the place occupied by transport in the structure of the national economy due to the gradual change in prices, the reassessment of fixed assets and finding the proper proportions between the costs and effects of the production of transport services in accordance with the principles of economic reform;

--ensuring more incentives for working in transport both from the material and social viewpoints;

--increasing the share of transport in investment outlays;

--in conjunction with the above, slowing the process of the progressive depreciation of fixed assets and the overly rapid decline in the share of the fixed assets of transport production in the fixed assets of the national economy;

--counteracting the process of the declining efficiency of transport production by introducing technological progress, an increase in the quality of transport services and economic mechanisms leading to efficiency;

--coordinating transport development with a future program of the development of the entire national economy.

This list of the goals of transport policy is far from exhaustive. However, these goals alone require changes in the approach of the central authorities to the problem of transport. Uncoordinated investment operations do not enable the planned reconstruction of this economic subsector. Without policy reform in the field of transport it will become a more and more serious barrier to economic development.

Table 1. Gross Production, Net Production and the Fixed Assets of the National Economy in 1970, 1975 and 1980 (in fixed prices)

| Item | 1970 | | 1975 | | | | | 1980 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | National economy (billion zlotys) | Transport (billion zlotys) | National economy (billion zlotys) | National economy 1970 = = 100 | Transport (billion zlotys) | Transport 1970 = = 100 | (billion zlotys) | National economy 1970 = = 100 | National economy 1975 = = 100 | Transport (billion zlotys) | Transport 1970= =100 | Transport 1975= = 100 |
| Gross production | 1968.9 | 86.7 | 3602.8 | 183.0 | 208.4 | 240.1 | 5509.6 | 279.8 | 152.9 | 275.0 | 317.2 | 132.0 |
| Net production | 749.2 | 37.5 | 1491.1 | 199.0 | 93.6 | 249.6 | 2179.2 | 290.9 | 146.1 | 115.1 | 306.9 | 123.0 |
| Fixed assets | 2025.0 | 349.8 | 3301.0 | 163.0 | 456.4 | 130.1 | 4984.0 | 246.1 | 151.1 | 674.3 | 192.8 | 147.7 |

Table 2. Gross Production, Net Production and Fixed Assets of Several Transport Subsectors in 1970, 1975 and 1980 (in fixed prices)

| Transport subsector | 1970 | | | 1975 | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Gross production | Net production | Fixed assets | Gross production | | Net production | | Fixed assets | | Gross production | | | Net production | | | Fixed assets | | |
| | (bil zl) | (bil zl) | (bil zl) | (bil zl) | 1970= =100 | (bil zl) | 1970= =100 | (bil zl) | 1970= =100 | (bil zl) | 1970= =100 | 1975= =100 | (bil zl) | 1970= =100 | 1975= =100 | (bil zl) | 1970= =100 | 1975= =100 |
| Rail transport | 31.9 | 13.9 | 243.9 | 64.3 | 201.1 | 28.2 | 202.9 | 298.5 | 122.4 | 68.9 | 216.0 | 107.2 | 24.6 | 177.0 | 87.2 | 415.2 | 170.2 | 139.1 |
| Auto transport | 28.9 | 14.1 | 32.8 | 73.2 | 253.3 | 35.9 | 254.9 | 61.7 | 188.1 | 105.3 | 364.4 | 143.9 | 51.9 | 368.1 | 144.6 | 118.6 | 361.6 | 192.2 |
| Inland waterway transport | 0.7 | 0.014 | 4.0 | 1.1 | 157.0 | 0.04 | 285.7 | 5.9 | 147.5 | 1.6 | 228.6 | 145.5 | 0.2 | 15 | 550.0 | 9.1 | 227.5 | 154.2 |

Source: Our own computations based on GUS materials



9536
CSO: 2600/913

TRANSPORT SYSTEM VIEWED AS BRAKE ON ECONOMY

Warsaw TRYBUNA LUDU in Polish 26 Aug 82 p 3

[Article by Andrzej Kozminski: "Transportation and the Economy--Brakes on the Tracks"]

[Text] Only a few years ago, Polish State Railways [PKP] transported almost 100 million tons of goods more over the same tracks. Now, although the transportation needs of the economy are much smaller and industry's work pace has increased only a bit--the railroad has already become short of breath. The result is that transportation continues to hamper the economy.

After the railroads of the USSR, PKP transports the largest amount of freight in Europe. The enormous growth in the transport both of passengers and freight in the postwar period was not accompanied by proportional outlays on a railroad infrastructure that has depreciated to a substantial degree.

The number of damaged rail cars is now almost 60,000. At least 10,000 to 20,000 are fit for nothing but scrap.

Cars are damaged in the loading and unloading of goods by the use of mechanical equipment that is unsuitable for that purpose. Some cars are damaged when trains are being made up. There is either a lack of workers for installing brake shoes or--aside from a few--track breaks at so-called switching mounds, so that cars will not roll overly fast and smash into others already standing in the makeup of trains being formed.

Neither the PKP car shops or the Railroad Rolling Stock Repair Shops [ZNTK] can keep up with car repairs. The number of repair posts in covered facilities of railroad car and locomotive shops handle barely 30 percent of the needs. In past years, some ZNTK shops were of necessity involved in the production of new freight cars. The national railroad rolling-stock industry underestimated the needs of the PKP, its largest client for the satisfaction of whose needs it was of course created; it preferred export.

Supplies of new cars fell from more than 10,000 to 1,700 this year. At the same time, the number withdrawn from service remains at a high level (12,000) and decreases the PKP's transport potential.

The condition of railroad lines also leaves much to be desired. The rails and cross-ties on a quarter of the tracks should have been changed long ago. At least 30 percent of the turnouts should have been replaced with new ones at least 10 years ago. PKP passenger train speed on 23 percent of the network must be restricted to 60 mph, and freight trains to 50 kmph on close to one-fifth of the main routes.

To be sure, there is some new technology in PKP--almost 30 percent of the routes are electrified. But limited progress is seen in remaining areas of railroad technology--only some PKP main trunklines have automatic equipment for safe movement, self-activated braking and radio communication.

The economic crisis has restricted the import of liquid fuels. The railroad, the largest transport agent in the country--measured in transport work units--lost support [sic] in motor vehicle transportation, which replaced the railroad, primarily on short routes, and thus made transportation possible over substantial distances by entire trains rot divided along the way. Such a system operates splendedly to increase the railroad's transport potential, cars can be rotated 2 days sooner and many more goods can be transported with the same rolling stock. At present, this system ahs been limited to bulk freight, and even a substantial amount of this is already being hauled in individual cars to almost all stations in the PKP network.

The introduction of free Saturdays has resulted in the limitation of loading work to 5 days a week and the loading of coal to 6 days a week, something that has resulted in lowering the railroad's transportation capability.

This already difficult situation is made more difficult by the lack of workers, particularly in the traffic service, for making up trains and for conductor crews, as well as in railroad car and locomotive shops and rolling-stock repair shops. The PKP also did not have full staffs in past years, but the number of railroad crews has decreased even more following the earlier retirements of many experienced and not very old railway employees. The PKP is currently short about 30,000 workers.

The needs of an economy limited by the crisis were still being satisfied by PKP until the middle of May. Then, in July, the amount of freight not transported grew gradually to almost 4 million tons. A shortage of cars for the loading of coal also began to take place.

The neglect of many years standing will not permit rapid correction. Not only are billions of zlotys and millions of tons of material needed but, most important, time is needed for the repair of tracks and rolling stock, the modernization of railroad equipment and the reconstruction and expansion of technical facilities. How is one to reconcile this with the urgent needs of a slowly reviving economy that demands that the PKP now furnish ever more cars and transport ever more freight?

I believe that activities on three fronts are essential. First, transportation reconstruction must not continue to be delayed. This need has been understood

for a long time. I was shown eight decisions in the Ministry of Transportation that relate to the modernization and development of transportation undertaken since 1976, together with a then publicized program for the development of transportation in the years 1976 to 1980. Unfortunately, not one of them was ever fully realized.

Recently, the Economic Committee of the Council of Minsiters took decisions concerning an improvement in coal shipments in the second half of this year. These decisions--affecting all economic-type ministries--also cover subsequent years. A comprehensive transport modernization program for the years 1983-1985 is being prepared.

What is most important is that decisions be taken now, without delay, and that they be executed systematically and scrupulously. Financial resources, as well as material, equipment and rolling stock, are also essential for that. Not one enterprise executing transportation orders can be excused if it fails to fulfill its orders.

Second, effective activities in the technical improvement of the freightage area are necessary. Is it permissible to agree, for example, to the hauling of sand and gravel to Warsaw from the Opolszczyzna area when there are sand pits and gravel pits that are closer? Can bulk scrap continue to be transported--taking many cars--from the center of the country to the Slask area in order for it to return, for example, to Huta Warszawa after it has been flattened?

To be sure, investments are essential in order to change these costly practices: equipment for loading sand and gravel, presses for scrap, washers for coal. How are enterprises concerned with that to be induced to undertake such investments and to conduct efficient haulage?

It is essential to introduce mechanisms into the economic reform that compel management effectiveness--economy in prime costs, including the costs of transportation. Their effects will be beneficial not only for transportation but also for the entire economy.

The problem would be regulated automatically by a market equalized by goods, but it will be necessary to wait a long time for such a market. It will not occur without setting up a related goal for producers--inducing them to lower their own costs, and thus the costs of transporting goods, by the application of a price ceiling or at least regulated prices.

An additional incentive for making transportation more efficient should be observance of the principle in transportation adopted in the economic reform: whoever is responsible for economic decisions must bear their consequences. Thus, he who makes transportation decisions--as a result of which goods are transported, for example, throughout the entire country--should bear the transportation costs.

Finally, the third activity front--and most effective for the immediate future: rapid utilization of existing reserves.

One of them is deficient employment, which makes utilization of the entire potential now available to the PKP impossible.

The Council of Ministers' Economic Committee has already taken up decisions relating to the improvement of pay conditions.

Second, it is necessary to utilize the railroad's transportation potential uniformly. If on ordinary days the PKP accepts 500,000 to 600,000 tons of goods per day and on Saturdays loading is confined to coal, then Sundays are virtually unutilized. Over the course of a year, that reserve reaches 30-35 million tons. To utilize it, enterprise warehouse men and shipping services should also work--on a rotating basis--on free Saturdays and Sundays.

10433
CSO: 2600/915

## APPLICABILITY OF JAPANESE INFORMATION SYSTEM INTECO OUTLINED

Warsaw HANDEL ZAGRANICZNY in Polish No 4, 1982 pp 16-17

[Article by Jadwiga Paszynska: "Japanese System of Providing Essential Foreign Exchange Information"]

> [Text] Information constitutes a fundamental element in marketing and promotional activities in foreign markets, and consequently is one of the essential conditions for acquiring export markets for goods. We are not--putting it mildly--the strongest in this field. Therefore, a search for solutions that have been tried and tested in other countries appears to be highly desirable. With this in mind, we publish the following article concerning the strong principles employed by an organization operating in Japan and providing services pertaining to information dealing with international exchange in its broadest sense. We believe that this model, judging from the results in the Japanese expansion of exports, at least warrants our attention and could perhaps be adapted to our needs and contingencies.

Editorial Board

"INTECO--The International Network of Technological and Economic Cooperation" was the first organization in Japan to assume active coordination in the sphere of international information involving investments and technological thought. This organization evolved in 1972 from the Institute for International Understanding with Industry.

INTECO is not a branch of the government (its founders were representatives of Japanese economic, financial and scientific circles), but it established its functions on the principle of centralizing services. It also had access to the multitrade divisions of all branches of industry, science and trade.

The function of INTECO includes information and advice in such spheres as import and export licenses, import and export fixed-asset investments, the sale of services abroad, projects in the sphere of protection of the natural environment, foreign financial sources, agency sales, present product and technology improve-

ments, material engineering, the search for partners to manage joint enterprises and scientific-technological information exchange.

The search for partners and the negotiations conducted through the intercession of INTECO are cost-free; however, a prior agreement to pay a certain sum is required when it is instrumental in achieving a contract. INTECO likewise undertakes the initiation of contracts that are concluded directly by its clients or by another organization.

INTECO bases its activities primarily on a perfectly organized network of scientific-technological information geared to satisfy the needs of domestic and foreign industries. This organization reaches potential clients through its publications, among which INTERNATIONAL REGISTER FOR DEVELOPMENT INVESTMENT should be mentioned as one of the most functional inasmuch as it contains data on licensing, cooperation, joint trade ventures, investments, agency sales, etc. In addition, a magazine entitled THE WORLD OF TECHNOLOGY and many trade periodicals are published. Deserving of attention is a publication entitled INTECO NEWSLETTER, a monthly bulletin concerning new methods and processes developed abroad. To qualify for inclusion in this directory, one is required to forward a paragraph in English of up to 500 words presenting data on a given selected problem. In case of interest by a Japanese firm in the given problem, INTECO arranges contact with the author of the information.

The ever-increasing requirements of Japanese industry and the enormous capacity of the Japanese market provided a motive for a new system in the international network of scientific-technological information. This system has operated since 1975, and its fundamental courier is the bimonthly bulletin INTERNATIONAL BUSINESS PROJECTS distributed to more than 3,000 Japanese firms and offering a wide range of information in the area of international scientific-technological and investment achievements. INTERNATIONAL BUSINESS PROJECTS provides the exchange of information by two means, the use of data from UTILIZATION SYSTEM and selected data from DATA SHEET.

The coordination of these two systems is intended to expedite and facilitate negotiations in matters involving technological or investment cooperation, as well as international exchange on a worldwide scale.

Within the framework of the system for capitalizing on data in the UTILIZATION SYSTEM based on notes transmitted to INTECO on the subject of a specific technological achievement, investment or other field of activity of the sender, the data is selected with the aid of the other system, DATA SHEET (data selection system), and is classified according to use. The actual servicing is accomplished with the aid of a conveyor-belt system which ascertains the individual stages of work that are expected to be performed at times specified in advance, guaranteeing a minimum period of 8 weeks before starting the contractual stage of negotiations (the maximum is 14 weeks in cases where supplemental data is required).

In practice, the individual trade cells of INTECO operating on the basis of this system use the following procedure:

1. Selection of information received from the client, which had been properly filed by him in the sheet system, DATA SHEET (at this stage both systems co-operate), and classification of the information as to subject matter (1 week);

2. Research on the scope of a given venture from the standpoint of world standards (1 week);

3. Qualification of the given venture for publication in INTERNATIONAL BUSINESS PROJECTS and its confirmation by a special commission (1 week);

4. Translation and preparation of information for printing (1 week);

5. Publication work, including printing (2 weeks);

6. Contacts with Japanese firms and preparation of appropriate contractual data for client (1 week);

7. Preparation of direct negotiations on a contractual level (1 week).

The second system--the DATA SHEET system--depends on the selection of a given problem from a standpoint of subject matter and makes it possible (through the system of data usage) for the matter to be directed to the proper branch of industry and/or the proper enterprise. Suitable printed froms are employed in the selection of data, including a summary sheet, constructed on the basis of departmental characteristics, which treats the given problems subjectively when arranging references on generic sheets, selecting them from an objective standpoint. The generic sheet is divided into paragraphs, or sections (A, B, etc) and the data concerning the technological venture are indicated by numbers. Complete information regarding the technological endeavor or investment must be entered in the proper section specified by number. For example, Section A of the licensing sheet contains such data as name of country, industry, title and description of new technology (in 200 words), area of application. Next, Section B might contain stage of achievement, costs and results, publications, acquisitions, scope of production, domestic and foreign prices, comparison with production in world markets, patent standing. Subsequent sections include data on license sales, financial conditions, production catalogues, copies of patents, information concerning the need to insure production secrets, risks and guarantees.

A short outline system facilitates access to proposed technological improvements (in the form of suitable technology or equipment); serves to expedite production startup; reduces to a minimum the search for a client in a given endeavor or investment; and eliminates extensive introductory conferences and technological correspondence in selecting a given technology needed for production. As a result, it serves to reduce the cost involved in preparing and concluding a contract.

The need for finding this or similar systemic solutions assuring the efficient circulation of information from the broadly comprehensible sphere of technology and its initiation appears to be indisputable in terms of Poland, especially from the perspective of initiating economic reform. Therefore, it seems that

aside from numerous deficiencies in the innovative processes, the lack of thorough comprehensive and efficient information represents one of the essential barriers limiting possibilities in the development of exporting the endeavors of Polish technological thought in its various forms. In practice, there are known cases of transactions being renounced by potential partners, or of a given technological concession being checked, because of an excessively long round of projections and implementation and difficulty in locating processors, materials or cooperating components. The process of establishing technological and trade contacts with foreign partners is additionally complicated by the stiff manufacturing qualifications of our foreign-trade industries. Finally, the quality of preparatory work (technological descriptions and explanations or offers) is frequently unsatisfactory.

To this end, among other things, it seems that it would be worthwhile to adopt the solutions used by INTECO to introduce a standard system in the selection of data whose generic elements would include enclosures to offers transmitted to foreign partners. A fundamental issue, however, implies a modernization of the system of gathering and transmitting information on the subject of domestic technological endeavors, conditions of production, prices and other factors--above all, a system oriented toward serving foreign relations in the sphere of exporting investment goods, technological endeavors and services. Necessary structural changes in our exports constitute sufficient inducement to seek adequate solutions.

9951
CSO: 2600/865

## BOOK ON TECHNOLOGY, EAST-WEST TRADE CRITIQUED

Warsaw HANDEL ZAGRANICZNY in Polish No 4, 1982 pp 30-31

[Review by Adam Gwiazda of the book "Technology and East-West Trade," Collected Work: L. S. Johns, H. Kelly, P. Sharfman, R. Goldberg, P. Baldwin, M. Ott, R. Rorog, I. Szopo, R. Fraser, P. Kuhl, et al., Montclair, 1981, Allanheld, Osmun and Co, Publishers, Inc, 303 pages]

[Excerpts] In the middle of 1981 there appeared in the United States a publication dealing with problems in the flow of technology from the West to the East and the prospects for further development of trade between capitalist and socialist countries. This book is a unique compendium of the actual state of knowledge of East-West economic relations. It was published under auspices of the Office of Technology Assessment of the U.S. Congress, and to a great extent it reflects the American viewpoint on the shaping of a "desirable model of East-West trade exchange."

The authors of the work in question rightly note that trade between the nations is a necessary, even if inadequate, condition for the development of peaceful relations. On the other hand, trade exchange with a potential adversary contributes to a certain extent to the strengthening of its economy, its military complex, etc. This dilemma was the recurrent subject of numerous discussions and has been the source of many controversies concerning the conduct by the United States and some Western countries of their trade policy with socialist countries. Generally speaking, the Western countries in their trade policy toward the East endeavor to maintain a specific balance between their political interests and other interests, or simply the economic benefits. The maintenance of this equilibrium was especially difficult in the case of the transfer of technology from the West to the East. The more so as during the era of detente there existed favorable conditions for the socialist countries (rather cheap and readily accessible foreign credits to increase the import of modern Western technologies and of a number of the investment goods highly saturated with modern technology. These, as a rule, credit purchases of Western technologies were, however, often unsuitable for the given production conditions and needs and brought about a considerable indebtedness (for example, of Poland).

The authors do not provide a clear-cut answer (supported by the appropriate statistical data) to the question of whether the economies of the United States and other Western countries or of the CEMA countries derived the greatest pro-

fits from the transfer of technology to the East. As a matter of fact, for example, in the mid-1970's the transfer of American technology to the USSR was rather insignificant and it would be difficult here to look for any great influence of Western technology on the economic development of that country (although it is known that the import of certain equipment and purchases of licenses contributed to the acceleration in the development of certain branches of Soviet industry). In like manner, it is difficult unambiguously and precisely to determine the degree of "military risk" resulting from the import by the USSR and other CEMA countries of a particular "civilian" (although in many cases not completely civilian) technology. For there exist no such precise criteria that would permit the appraisal of the contribution of individual civilian technologies to a development of modern weapons, their delivery systems, etc. It is also difficult to make more or less accurate evaluations as to what extent the import of a certain amount of artificial fertilizer from the West contributed in a given year in the USSR to a "freeing" of a certain amount of the resources of that country and their allocation to military purposes.

The difficulties had also influenced to a certain extent trade policy of the West toward socialist countries, which was rather ambivalent throughout the postwar period. Probably only the United States carried out a more consistent and rigid trade policy with respect to the individual CEMA countries. It should be noted that Poland and Romania had enjoyed most-favored nation status and therefore had a different status from the other socialist countries.

However, even the nonobservance by individual Western countries in the Common Market of provisions prohibiting the sale of this or that license did not contribute to either a more marked acceleration of the industrial development or, for example, to a decrease in the "computer gap" between the USSR and the United States. The authors of the book exemplify this by quoting (p 237) interesting data concerning the development of the computer industry in these two countries, from which it follows that at the end of the 1970's the aforesaid "computer gap"--in relation to computers of the third generation--amounted to years, to the USSR's disadvantage. It is worth noting that the first American computer was constructed and its serial production started in 1946, and in the USSR in 1952, so that then the gap was 6 years, whereas in computers of the second generation (the first such computer appeared in the United States in 1957 and in the USSR in 1961), the gap was only 4 years.

As a matter of fact, during the entire postwar period the USSR satisfied in principle on its own (also with the industrial help of individual CEME countries) its needs for technology and production equipment (as well as for extraction and transport) of oil and other raw materials. Only a gradual depletion of rather easily accessible oil deposits and other raw materials have created a need to undertake the exploitation of not easily accessible (Siberian and submarine) resources of oil and natural gas with help of predominantly imported Western technology and drilling equipment. In the 1970's, the increased import of Western technology contributed to a certain extent to acceleration in the development of such sectors of the USSR economy as chemicals, machine tools, automobiles and petroleum. However, as the authors of the book emphasize, "all such generalizations are misleading." Often the USSR imported some definite technology or equipment from the West because otherwise it would be

obliged to allot for this purpose a great deal of resources and time, which in turn would lead to "bottlenecks" in other sectors of the national economy (pp 241-242).

It is even more difficult to evaluate the effect of the import of Western technology on the industrial development of the Chinese People's Republic, among other things because that country has rather recently reopened its economy "to the world" and intensified its trade exchange with the West and Japan. The authors limit themselves to only a few examples of favorable economic cooperation between the PRC and the West.

The authors focus their attention on a few select problems, connected chiefly with economic relations, involving trade between the United States and the Soviet Union and, in the last chapter, U.S.-PRC trade. Only to a minor extent do they analyze the most recent tendencies that have appeared in East-West trade, and not in U.S.-Soviet trade alone.

In the book under review, little is also found regarding the prospects and possibilities for a further development of East-West trade, so that the title of the book does not fully correspond to its contents. Despite these shortcomings, this book (being once again typically American in its approach to the overall problem of East-West economic relations) is in sum an interesting contribution with much varied information and interpretation of the "ups and downs" of trade exchange between the highly developed capitalist countries and the socialist countries.

1015
CSO: 2600/869

INTERNAL GEOGRAPHICAL CHANGES IMPLEMENTED

Warsaw DZIENNIK USTAW in Polish No 23, 10 Aug 82 pp 437-39

[Ordinance: "Ordinance of the Chairman of the Council of Ministers, Dated 26 July 1982, on the Creation of the Town of Poreba Within Katowice Voivodship" -- Item 164]

[Text] Pursuant to Article 4, Paragraph 1 of the law dated 28 May 1975 on the two-level administrative division of the state and the amendment of the law on people's councils (DZIENNIK USTAW No 16, Item 91) it is decreed as follows:

§1. Within Katowice Voivodship is created the town of Poreba, which encompasses the part of the town of Zawiercie which up until now has been called Poreba.

§2. The exact detailed description of the limits of the town will be made by the voivodship governor by means of an ordinance. The ordinance is to be published in the official gazette of the voivodship people's council.

§3. The ordinance is effective as of 1 October 1982.

Chairman of the Council of Ministers: General W. Jaruzelski

[Ordinance: "Ordinance of the Minister of Administration, Local Economy and Environmental Protection, Dated 26 July 1982, Amending the Ordinance on Altering the Limits of the Town of Szczawnica-Kroscienko in Nowy Sad Voivodship and Creating and Altering the Boundaries and Names of Certain Gminas [parishes] and Establishing the Seats of Gminas Bodies of State Administration and Authority in the Voivodships of Bielsko Podlesie, Czestochowa, Gdansk, Katowice, Lublin, Nowy Sad, Ostroleka, Rzeszow, Tarnobrzeg, Tarnow, Wloclaw, Wroclaw, and Zamorze" -- Item 165]

[Text] Pursuant to Article 4, Paragraph 2 and Article 5 of the law dated 28 May 1975 on the two-level administrative division of the state and the law on people's councils as amended (DZIENNIK USTAW No 16, Item 91), it is hereby decreed as follows:

§1. The ordinance of the Minister of Administration, Local Economy, and Environmental Protection, dated 13 October 1981 on alteration of the boundaries of the town of Szczawnica-Kroscienko in Nowy Sad Voivodship and on the creation and alteration of the boundaries and names of certain gminas [parishes] and the establishment of seats of gmina bodies of state administration and authority in the voivodships of Bielsko Podlesie, Czestochowa, Gdansk, Katowice, Lublin, Nowy Sad, Ostroleka, Rzeszow, Tarnobrzeg, Tarnow, Wloclaw, Wroclaw, and Zamorze (DZIENNIK USTAW No 26, Item 139 and No 31, Item 178),is amended so that §7 reads as follows:

"§7. The ordinance goes into effect as of 1 October 1982."

§2. The ordinance is effective as of the day of its promulgation.

Minister of Administration, Local Economy,
and Environmental Protection: T. Hupalowski

[Ordinance of the Minister of Administration, Local Economy, and Environmental Protection, Dated 26 July 1982, Creating and Changing the Boundaries of Certain Gminas [Parishes] in the Voivodships of Ciechanow, Czestochowa, Kalisz, Krosno, Leszno, Nowy Wad, Ostroleka, Pila, Piotrkow, Skierniewice, Wloclaw, Wroclaw, and Zamorze -- Item 166]

[Text] Pursuant to Article 5 of the law dated 28 May 1985 on the two-level administrative division of the state and the amendment of the law on the people's councils (DZIENNIK USTAW No 16, Item 91), it is hereby decreed as follows:

§1. The following are created:

1) in Ciechanow Voivodship: the gmina [parish] of Joniec, with the seat of the gmina bodies of state administration and authority in Joniec; the gmina of Joniec consists of the areas of the following village administration offices:

a) Adamowo, in Nasielsk gmina,

b) Joniec, Joniec-Kolonia, Jozefowo, Krajeczyn, Krolewo, Omieciny, Osiek, Popielzyn Gorny, Popielzyn-Zawady, Sobieski, and Szumlin, in Nowe Miasto gmina,

c) Ludwikowo-Proboszczewice and Stara Wrona along with part of the area of Nowa Wrona village administration office comprising 466 hectares in the gmina of Zaluski;

2) the following gminas in Czestochowa Voivodship:

a) Panki with the seat of gmina bodies of state administration and authority in Panki; Panki gmina consists of the following village administration office territory: Aleksandrow, Cyganka, Jaciska, Janiki, Kalmuki, Kawki,

Konieczki, Panki, Praszczyki, Zwierzyniec Trzeci, and Zerdzina, in Przystyjn gmina,

b) Radkow, with the seat of gmina bodies of state administration and authority in Radkow; the gmina of Radkow consists of the area of the following village administration offices:

Brzescie, Chycza, Dzierzgow, Kossow, Krasow, Kwilina, Radkow, Skociszewy, Sulikow, and Swierkow, in Moskorzew gmina,

Balkow, Bieganow, and Ojslawice, from Secemin gmina,

3) in Kalisz Voivodship: the gmina of Czajkow with the seat of gmina bodies of state administration and authority in Czajkow; the gmina of Czajkow consists of the areas of the following village administration offices: Czajkow, Klon, Michalow, Mielcuchy, Muchy and Salomony, in the gmina of Grabow nad Prosna,

4) in Krosno Voivodship, the following gminas:

a) Brzyska, with the seat of gmina bodies of state administration and authority in Brzyska; the gmina of Brzyska consists of the area of the village administration offices of the following: Blazkowa, Brzyska, Dabrowka, Klodawa, Lipnica Dolna, Ujazd, and Wroblowa in Kolaczyce gmina,

b) Osiek Jasielski, with the seat of gmina bodies of state administration and authority in Osiek Jasielski; the gmina of Osiek Jasielski consists of the area of the following village administration offices:

Czekaj, Osiek Jasielski, Swierchowa, Zaleze, and Zawadka Osiecka, in Debowiec gmina,

Mrukowa, Pielgrzymka, and Samokleski, in Nowy Zmigrod gmina,

5) in Leszno Voivodship, the following gminas:

a) Pakoslaw, with the seat of gmina bodies of state administration and authority in Pakoslaw; the gmina of Pakoslaw consists of the areas of the following village administration offices: Bialy Kal, Chojno, Golejewko, Golejewo, Goreczki Wielkie, Kubeczki, Niedzwiadki, Osiek, Ostrobudki, Pakoslaw, Podborowo, Pomocno, Sowy, Sworowo, and Zaorle, in Miejska Gorka gmina,

b) Wijewo, with the seat of gmina bodies of state administration and authority located in Wijewo; the gmina of Wijewo consists of the areas of the following village administration offices: Brenno, Miastko, Potrzebowo, Radomysl, Wijewo, and Zaborowiec, in the gmina of Wloszakowice,

b) in Nowy Sad Voivodship: the gmina of Moszczenica, with the seat of gmina bodies of state administration and authority in Moszczenica, the gmina of Moszczenica consisting of the area of the following village ad-

ministration offices: Moszczenica and Staniszkowa in the gmina of Gorlice,

7) in Ostorleka Voivodship: the gmina of Czarnia, with the seat of gmina bodies of state administration and authority located in Czarnia; the gmina of Czarnia consists of the area of the following village administration offices: Bandysie, Brzozowy Kat, Cupel, Cyk, Czarnia, Dlugie, Michalowo, Rutkowo, and Surowe, in Myszyniec gmina,

8) in Pila Voivodship, the gmina of Tarnowka, with the seat of the gmina bodies of state administration and authority located in Tarnowka; the gmina of Tarnowka consists of the area of the following village administration offices:

a) Osowka, Piecewo, Plytnica, and Ptusza, in Jastrowie gmina,

b) Plecemin, Sokolna, Tarnowka, and Wegierce, in the gmina of Krajenka,

9) in Skierniewice Voivodship: the gmina of Makow with the seat of gmina bodies of state administration and authority located in Makow; the gmina of Makow consists of the area of the following village administation offices: Dabrowice, Krezce, Makow, Makow Kolonia, Sielce, Slomkow, Wola Makowska, and Swiete, in Ksierniewice gmina,

10) in Wloclawski Voivodship, the following gminas:

a) Bobrowniki with the seat of gmina bodies of state administration and authority in Bobrowniki; the gmina of Bobrowniki consists of the area of the following village administration offices: Biale Blota, Bobrownickie Pole, Bobrowniki, Bogpomoz, Brzustowa, Gnojno, Polichnowo, Rachcin, and Rybitwy, and the village of Winduga in the Stary Witoszyn village administration office, in the gmina of Fabianki;

b) Byton, with the seat of gmina offices of state administration and authority in Byton; the gmina of Byton consists of the area of the following village administration offices:

Pscinno, Wandynowo, and Witowo along with the area of the Morzyce State Farm (PGR) in the gmina of Osieciny,

Budzislaw, Byton, Dabrowka, Ludwikowo, Morzyce, Nasilowo, Nowy Dwor, Strozewo, and Swiesz, in the gmina of Piotrkow Kujawski,

Niegibalice, in the gmina of Radziejow,

Czarnocice, in the gmina of Topolka;

c) Chrostkowo, with the seat of gmina bodies of state administration and authority in Chrostkowo; the gmina of Chrostkowo consists of the area of the following village administration offices:

Chrostkowo, Gleboczek, Janiszewo, Kawno Ksawery, Lubianki, Majdany, Makowiec, Sikorz, Stalmierz and Wildno, in Kikol gmina,

Adamowo, Chojno, Nowa Wies, and Nowe Chrostkowo, in Rogowo gmina;

d) Raciazek with the seat of gmina bodies of state administration and authority in Raciazek; the gmina of Raciazek consists of the following village administrative offices' area: Dabrowka, Niestuszewo, Podole, Podzamcze, Raciazek, Siarzewo, Turzno, and Turzynek, in Nieszawa gmina,

11) in Zamorze Voivodship the following gminas:

a) Obsza with the seat of gmina bodies of state administratiion and authority in Obsza; the gmina of Obsza consists of the area of the following village administration offices: Babice, Dorbozy, Obsza, Olchowiec, Wola Obszanska, Zamch Drugi, and Zamch Pierwszy, in the gmina of Lukowa,

b) Tarnawatka with the seat of the gmina bodies of state administration and authority in Tarnawatka; the gmina of Tarnawatka consists of the area of the following village administration offices:

Huta Tarnawacka, Klocowka, Niemirowek, Niemirowek-Kolonia, Pauczne, Sumin, Tarnawatka, and Tarnawatka-Tartak in Krynice gmina,

Tymin from the gmina of Rachanie,

Dabrowa Tarnawacka, Pankow, Podhucie, and Wieprzow in the gmina of Tamaszow Lubelski.

§2. The following areas are annexed:

1) in Nowy Sad Voivodship: the area of the village of Haluszowa in Czorsztyn gmina to the gmina of Kroscienko;

2) in Piotrkow Voivodship:

a) the area of the village administration office of Ostoja in the gmina of Druzbice to the gmina of Zelow,

b) the area of the village administration office of Skumros in Aleksandrow gmina to the gmina of Zarnow,

3) in Skierniewice Voivodship: the area of the village administration office of Retniowiec in the gmina of Lyszkowice to the gmina of Lipce,

4) in Wroclaw Voivodship: the area of the village administration offices of Grzegorzow, Komorowice, and Stachow in Lagiewniki gmina to the gmina of Kondratowice.

§3. The ordinance goes into effect as of 1 October 1982.

Minister of Administration, Local Economy,
and Environmental Protection: T. Hupalowski

10790
CSO: 2600/10

SLOVENIA, BOSNIAN ECONOMIC COOPERATION

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 17 Aug 82 p 8

[Text] Over the last few years cooperation between these two republics has been developing rapidly, and a distinguished role has been taken here by income sharing arrangements on the basis of the Law on Permanent Resources of the Federation for the Credit Financing of the Underdeveloped Regions.

At the moment the economic chambers of these two republics are debating the way to finance another 37 or so projects, of which 11 have priority, and an agreement is soon expected for definitive adoption--which straightforwardly means that Slovenia will invest more than 1.5 billion dinars to carry them out.

The largest funds will be invested in the "UNIS" Bearing Factory, in which 16 organizations of associated labor in Slovenia will be involved; and then in wood processing at Kotor Varos by "Jelovica" of Skofja Loka; the Celinec Silk Mill by "Mura," "Jutranjka" and "Kors"; and then in cooperation between the "Soko" Factory and TAM [Maribor Motor Vehicle and Motor Plant]; between "Famos" [Sarajevo Motor Factory] and TAM; and a tobacco plantation near Orasje in which the Ljubljana Tobacco Factory is interested, and so on. Long-term cooperation will also be established by other work organizations: between IMV [Motor Vehicle and Motor Industry of Novo Mesto] and "Rudi Cajavec"; between "Iskra" and "Energoinvest"; between "Krka" and IMPO in Bugojno; between the "Kolinska" Chemical Firm and "Hemija" in Teslic, and so on.

The most significant cooperation between these two republics is taking place in the energy field. According to an agreement already concluded, Slovenia's share in financing construction of mines and thermal power plants will amount to about 1,141 million dinars this year alone.

In spite of exceptional relations and evidently good business cooperation between these republics, there still has been a disagreement over deliveries of production supplies. Bosnia-Hercegovina's supply of specialized steel produced by the Store Steel Mill is a big problem. That is, a contract was concluded whereby the steel mill would deliver 23,000 tons of steel, but by July it had barely delivered 4,000 tons. Supply of rubber products from "Sava" in Kranj is also critical.

This factory was supposed to deliver more than 20,000 sets of tires to work organizations in Bosnia-Hercegovina, but it has delivered only 2,000.

In late June construction began on a refrigerator and other refrigerating equipment factory in Bihac with full support from "Gorenje" in Velenje. It is to have an output of more than 600,000 pieces of refrigeration equipment. The investment in this factory will be 200 million dinars. Half of these products will be exported. When this factory goes into operation, the gross income of Bihac Opstina will be increased by one-fourth, and its income 20 percent.

Representatives of the economic chambers of Bosnia-Hercegovina and Slovenia have agreed that by the end of September they will compile a complete balance of all projects so that the resources from the federal budget for credit financing of the faster economic development of the underdeveloped republics and provinces is used as purposively as possible in Bosnia-Hercegovina.

7045
CSO: 2800/2

## DECLINE IN INTERREPUBLIC TRADE

Pristina JEDINSTVO in Serbo-Croatian 6 Sep 82 p 5

[Article by V. Vidakovic: "Market Barriers"]

[Text] The Yugoslav Assembly will soon debate an analysis of the unified Yugoslav market. That document, which has been prepared by the Federal Executive Council, says among other things that there are disruptive tendencies on the Yugoslav market. This is manifested through the setting up of republic, regional and even more local market barriers, which are impeding the free circulation of goods and the assets of society: low mobility of social capital, which in turn makes it more difficult for labor and capital to be pooled on the Yugoslav market.

According to the figures in the analysis, over the last 10 years Bosnia-Hercegovina has reduced purchases of goods and services from the other republics and provinces from 36.9 to 25.5 percent; Montenegro 22 percent; Croatia from 27.4 to 18.5 percent; Macedonia from 36.2 to 29.1 percent; Slovenia from 23.9 to ...; Serbia from 32.6 to 20.4; Kosovo from 53.7 to 44.4 percent; and Vojvodina from 30.8 to 26.3 percent [sentence garbled]. As for deliveries of goods and services from one republic or province to another, this is how things stand. Bosnia-Hercegovina is delivering 28.9 percent of its total output to the other republics and provinces, Montenegro 28.1 percent, Croatia 27.? percent, Slovenia 36.5 percent, Serbia 30.8 percent, Kosovo 37.1 percent and Vojvodina 34.7 percent. All the percentages also show a reduction of about 10 percent from the figures for 10 years back. The only exception is Macedonia, which has increased its deliveries to the other republics by 1.9 percent.

These figures show that OUR's [organization of associated labor] are selling their goods and services mainly within their own republics and provinces, and that in a proportion of over two-thirds of their total output.

The individual republics and provinces, then, are often producing considerably more of certain goods than they need, and instead of that surplus crossing into other republics and provinces, it usually remains on "its own" territory, and we are witnesses to everyday appeals to the effect that "we must encourage the pooling of labor and capital regardless of republic and provincial boundaries."

It is obvious that the Yugoslav market is not functioning. However, the reason for this is not the absence of a specific new law which would harmonize relations in this area. This is the assessment of the Federal Executive Council, which feels that consistent and effective enforcement of all existing statutes could regulate relations on the unified Yugoslav market.

We should recall that these issues have frequently been debated in the Yugoslav Assembly. The most frequent analysis of the federal government furnishes a great deal of data, but also certain political messages. However, the question is the degree to which the assemblies of the republics and provinces and their associated labor will be able in the very near future to break down and overcome the barriers between the republics and provinces. We have to trust that the Basic Premises of the Long-Range Economic Stabilization Program and the measures that will be enacted to accompany that document will finally shatter the mistaken conceptions of our business managers in the republics and provinces and the motto that they are sufficient unto themselves.

7045
CSO: 2800/3

PROBLEMS IN MEAT PRODUCTION DISCUSSED

Belgrade BORBA in Serbo-Croatian 12 Sep 82 p 7

[Article by Hajrudin Suljicic: "Fasting Because of Disorder"]

[Excerpt] Meat production in Yugoslavia over the last 2.5 decades has increased 4.5-fold, yet cutlets are getting thinner and thinner. The shortage of livestock feed could threaten replenishment of herds with young animals. Expensive concentrates imported for hard currencies instead of our own rich pastures are a brake on more stable and cheaper meat production.

At one time butcher shops were overflowing with various types of meat and were nicely arranged, like pharmacies. This latter feature has, to be sure, persisted even today, but instead of fresh pork, beef and other meat, the clerks in butcher shops are more and more frequently offering canned goods and processed meat products.

Who has eaten the meat and what has happened practically overnight with the meat industry, which recently has been performing its role as a supplier very badly? We emphasize the word "recently" since stresses that suggest meatless days have been felt particularly on the meat market in the last 3 or 4 years.

Yugoslav meat production over the last 2.5 decades has increased 4.5-fold, but per capita consumption over that same period of time has increased from 17.8 kg in 1958 to about 58 kg. And when a further rise was expected in view of our capabilities, all of a sudden there seems to have been a break in the chain connecting the slaughterhouses and livestock production. That is, during the last medium-term plan, especially in 1979 and 1980, livestock production suddenly began to level off and even to decline. The livestock population has recorded a sizable decrease, especially for cattle, sheep and horses, and this is especially true of breeding animals. At the end of the last medium-term period the cattle population was down 7.5 percent and the sheep population 9.3 percent. The only upward trends were in the production of hogs and poultry.

As we have already said (and, of course, felt), the meat market was especially unstable during the last medium-term period. In the period from 1976 to 1980 this production increased 18 percent, and then in the 2 years that followed it dropped almost 5 percent. Over that time there was a particular slump in the production of mutton and beef, and in 1980 we imported all of 55,000 tons of beef, for which we paid $71 million.

Last year again about 59,000 tons of beef and over 9,000 tons of pork were imported for processing.

Thus instead of achieving greater results with our exports, which objectively we are capable of when it comes to raising livestock, the meat industry has been compelled to pay hard currency to import meat.

This situation with meat has come about because of the lag of production and weight gain per head by comparison with countries with advanced livestock production, but there are also sizable differences in production between the socialized and private sectors, productivity in the latter still being far below real capabilities. Until conditions are created for more intensive production and a rise of productivity, above all in the private sector, which holds nearly 80 percent of the livestock production in its hands, no significant or long-term change can really be expected in the meat supply.

Private farmers, however, feel that the meatless days were brought on by those whose concern is the production of livestock feed, since aside from its becoming more and more expensive, it is difficult to buy.

Headaches Because of Corn

At this point it is hard to figure whether producers of livestock feed have greater headaches from corn, which is available (but only in the barns of the peasants, where the stocks are estimated at over 3 million tons), or finding the foreign exchange to buy imported protein nutrients.

"The situation at the moment could threaten the replenishment of herds with young animals, especially in swineraising, because of the shortage of livestock feed, and, unless these problems are solved, this would cause more long-term consequences," warns Tome Kuzmanovski, secretary of the General Association of Agricultural and Food Processing Industry of Yugoslavia.

"It is absurd that a country included among the three largest corn producers in Europe does not have enough corn to meet its own needs," says Dr Aleksandar Sreckovic of the Yugoslav slaughterhouse industry, and he quotes that datum that in 1978, when all the conditions were provided for, above all stability in the supply of livestock feed, record production of pork was recorded.

"The presence of experts in determining which imported nutrients are to be obtained from abroad is very important, since up to now this has been done mainly by commercial people, who look first of all to their own interests," Sreckovic feels.

The opinion of Dr Jovan Kostic of the Institute for Application of Science in Agriculture, is interesting.

"Corn has become a real business for many people. It is not true that there is no corn, there is corn, especially in Vojvodina. The dealers there are buying it at 10 dinars, and then they sell that same corn in Bitola, for example, for 12 or 14 dinars per kilogram. However, no one even asks the price anymore.

The shortage of livestock feed is causing great economic losses. Yet the stockmen themselves are those least able to resolve this problem by themselves. Unless there is a tieup with the crop farmers, and also with the broader social community, the present situation with livestock feed will not improve.

Total Meat Production; only young pigs and chickens are on the rise; total meat production in 000 tons

| Type of Meat | 1975 | 1976 | 1977 | 1978 | 1979 | 1980 | 1981 |
|---|---|---|---|---|---|---|---|
| Total | 1,052 | 1,052 | 1,160 | 1,256 | 1,251 | 1,226 | 1,253 |
| Beef | 330 | 332 | 337 | 344 | 351 | 344 | 341 |
| Pork | 390 | 375 | 450 | 499 | 473 | 461 | 486 |
| Mutton | 56 | 61 | 58 | 62 | 63 | 59 | 58 |
| Poultry | 188 | 204 | 227 | 254 | 267 | 277 | 286 |
| Horse | 12 | 11 | 11 | 12 | 11 | 8 | 11 |
| Viscera | 76 | 68 | 77 | 85 | 85 | 77 | 71 |

The real problems of the stockmen have, then, been "ausculated" in forums and scientific institutions. But in the field one can get a still better sense of them. Last week we visited Krusevac and Valjevo, areas where an important production of livestock has been traditional.

Expensive Fattening Operation

"There is no meat, nor will there be any, until there is enough corn and other livestock feed," the stockmen say.

In the Krusevac work organization of cooperators "Zadrugar," which is among the largest raisers of young beef cattle in the country, they are seriously alarmed about the young beef cattle and pigs they are now fattening, and because of the shortage of livestock feed even the peasants are being forced to bring more hogs, pregnant heifers and calves weighing under 50 kg to the market than usual, although the slaughtering of calves is prohibited in Serbia.

The important spring drought considerably reduced the growth of hay, and its price is going as high as 16 dinars per kilogram. When one realizes that wheat is all of 3 dinars cheaper, then one easily finds the answer of how it is that cereals are being used to feed livestock.

And so long as livestock is fed wheat and is given milk to drink, there can be no question of efficient fattening and cheaper meat production.

"We are beginning to be seized by panic, since we have the livestock feed for just another 15 days," says Sinisa Bajic, director of the work organization of cooperators "Zadrugar," and he then goes on: "There are only two solutions for us--to violate the order on the official price and to buy corn from the peasant even 4 or 5 dinars more expensive per kilogram or to interrupt the fattening operation and deliver the livestock to the slaughterhouses. In any case a large-scale slaughtering of livestock, however, would have far more serious consequences, since the livestock population is not easy to replenish," Bajic says.

At "Zadrugar," which annually produces about 12,000 young beef cattle for fattening, half of which is intended for export, they have figured out how to moderate the shortage of livestock feed at least.

"We have entered into an agreement whereby every producer of livestock must provide at least 20 percent of coarse feeds in the form of silage and thus reduce the consumption of concentrates, Bajic explains. "Of the 200 large producers for the market who are members of 'Zadrugar' some 20 have already built structures for ensilage of livestock feed." The same troubles are causing pain to stockmen in the Kolubar region, where intensive production began after a new livestock feed mill was built in Valjevo 6 years ago. In the region of Valjevo, Lajkovac, Ljig, Mionica, Ocecin and Ub 53,000 cows and pregnant heifers are being raised and about 30,000 young beef cattle fattened.

"In the first half of this year we produced all of 6,000 tons less livestock feed than in the same period of last year. How expensive this production is is confirmed by the datum that importing protein-rich nutrients costs us 15 billion dinars, which is one-third of the value of the livestock mill's total output," says Radenko Krstivojevic, a member of the business board of the Valjevo Agroindustrial Combine, whose facilities include two livestock feed mills. According to him, the problem is just as great with obtaining domestic raw materials, above all corn.

The combine produces only 4,000 tons of corn, but the operation of the two livestock feed mills requires 10 times as much raw materials in addition.

"The peasant is slow to give up the old habits, and he is still holding the grain in the barn. This is probably because livestock production has always been attractive here, and the farmers are leaving the corn and wheat for their own use," Krstivojevic says, illustrating this with the datum that in the area of the six opstinas mentioned 110,000 tons of corn are produced, but only 4,000 tons purchased. The situation is similar with wheat.

[Box] Lordly Fare

One does not need to be especially well informed about events on the meat market to conclude that the shortage of livestock feed and in general the present method of fattening livestock represent the principal check on larger and cheaper production of livestock and thereby of meat to eat.

"We ourselves are at fault for what is happening with meat. Our livestock really have lordly fare," is a comment heard at one meeting during debate of the problem with livestock feed. The extent to which we are dependent on imports in this sector of agricultural production is best indicated by the datum that in just the first half of this year 330,000 tons of soybeans, the same amount of ground soybean oilcake, 164,000 tons of fishmeal, 40,000 tons of meat bone flour and 7,000 tons of powdered milk were supposed to be imported to produce livestock feed. The shortage of foreign exchange, however, has cut back that plan considerably, and much smaller quantities of protein nutrients were imported.

The shortage of concentrated livestock feed is not new, but it seems that it has now reached its culmination point. Here again hard currency is the "inevitable scapegoat." The operation of livestock feed mills in Serbia alone requires $45 million to import fishmeal, soybean products and corn. It is certain, however, that this is an unnecessary squandering of hard currency, since the production of livestock has recorded significant results even without expensive imported nutrient components.

The production of coarse livestock feed and also the use of meadows and pastures have now been neglected for a long time in many of our regions. To some extent this can be explained by the shortage of manpower in rural areas, the lack of certain machines, slowness in reclamation and inadequate use of other soil and crop practices.

While in our fattening operations the ratio of concentrated livestock feed to roughage is 80:20, in many European countries well known for their livestock raising this ratio is 50:50 or even higher to the advantage of roughage. All over western Europe farmers feed their livestock mostly silage (of corn plants, grass, leaves and waste from the sugar and oil industry). In France, for example, stockmen fattening young beef cattle for delivery to slaughterhouses are using less and less corn in feeding the livestock, not to mention cereal grains, which is being done more and more in our country.

The solution for cheaper and more efficient livestock production lies above all in changing the manner in which livestock are fattened. It is certain that there will be fewer problems in the production of livestock feed when livestock is again fed on domestic pastures instead of expensive concentrates imported for hard currency.

7045
CSO: 2800/3

BEEF EXPORTS IN FIRST HALF OF 1982 SETS RECORD

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 11-13 Sep 82 p 4

[Text] In the first half of the year Yugoslavia exported about 19,000 tons of young beef cattle ($33 million) and 24,000 tons of young beef ($72.6 million). By comparison with the same period of last year the increase was about 9,000 tons of young beef cattle and all of nearly 14,000 tons of young beef. The total value of exports of these two articles in the first 6 months of this year reached a record amount of nearly $106 million (last year at the same time $45.5 million), which, even if the export rate up to now is not exceeded, means that the value of exports of young beef cattle and young beef could reach $212 million, which is in excess of $60 million more than the previous record value of exports.

Most important, the value of these exports resulted much less from prices (which are slightly lower than last year) and to a much greater extent from the quantities exported, which is in any case encouraging, since exports have again assumed previous proportions (though not those record proportions when the Italian market was completely open). Italy continues to be the most important customer ($52 million), while the USSR has become Yugoslavia's second most important customer ($18.6 million). There is good reason to collect hard currency more and more for exports to that country, since except in the countries of the socialist camp, the USSR is paying for all the meat which it imports in dollars, and there is no reason why Yugoslavia should not receive for this vital product, a product which is valuable in world trade, the hard currency which all well-known exporting countries receive.

For exports of young beef cattle and young beef to Greece (2,300 and 2,900 tons, respectively) Yugoslavia received only $11.3 million, and the reason for the smaller imports is not variable levies (they are even lower than previously), but the so-called threshold price below which Yugoslav producers cannot sell meat to Greece.

The petroleum countries are playing an ever more important role in Yugoslav exports (the value of exports to those countries reached $16 million in the first 6 months). Lower prices are the main condition for still greater penetration of these markets, which Yugoslav exporters should be especially mindful of.

7045
CSO: 2800/2

MEAT PRODUCTION, EXPORTS DISCUSSED

Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 23 Aug 82 p 25

[Text] Results for exports of livestock and livestock products in the first 6 months herald the possibility of even exceeding this year's ambitious target of $438 million (the actual result last year was $387 million). The most recent figures indicate that 54.2 percent of the annual export target will be achieved in the first half of the year and that exports of the products of livestock raising are up 61.6 percent over the same period of last year. Judging by the semiannual figures, then, all the obstacles noted in the past are not unconquerable: Greece's entry into the EEC, high variable levies and fees in the countries of the European Community, nor even the markedly high disparity between domestic and export prices.

The trouble, however, is that maintaining and augmenting production are an inevitable condition for the targeted growth of exports. The export program adopted in the Economic Chamber of Yugoslavia calls for exports of livestock and livestock products to reach a value of about $700 million in 1985. The significance of exporting the products of livestock raising for the balance of payments is indicated by the datum that even at present they have a share of about 50 percent in total export of farm products and food. The condition that surpluses available for export be furnished would be fulfilled by achieving the planned increase of about 9 percent of the production of beef, pork and mutton in the coming year over last year.

Trends so far in livestock raising, however, do not afford a sufficiently convincing guarantee of this growth of production.

Livestock production is characterized by a slower growth than anticipated, and this is accompanied by pronounced cyclical fluctuations. The growth of overall production of livestock and meat is mainly affected by the growth of production in swineraising and poultryraising. There is a disturbing drop of the livestock population in cattleraising (7.3 percent smaller this year than in 1975), sheepraising (down 9.3 percent) and horses (down all of 45 percent). There is a particularly disturbing drop in the number of breeding animals, which does not suggest a splendid prospect in coming years.

Our meat and milk production per animals is lagging behind the countries with advanced animal husbandry. The widespread slaughtering of young animals is

contributing to this. Calves have a share of 43.3 percent in the total number of animals slaughtered, young pigs 39.1 percent, and lambs and yearling sheep 85.7 percent. In addition, meat yields on the basis of average slaughterhouse weights are considerably lower than in the advanced countries, which is a consequence of premature slaughtering, low nutrition, but also low quality of the livestock. For example, from beef cattle our slaughterhouses obtain 185 kg of meat per animal slaughtered, while in West Germany the figure is 265, in Holland 249 and in Denmark 235 kg. Milk production is very uneven and--viewed as a whole--markedly low. Our dairymen average 1,540 liters per year per cow (4,547 in the socialized sector and 1,451 liters in the private sector), while corresponding figures are 5,050 in Holland, 4,870 in Denmark and 3,282 liters in Hungary.

The supply of livestock feed is becoming an increasingly serious problem. In recent years there has been an increase in the number of head of those types of livestock which are fed expensive concentrated and partially imported feeds, and a decline in those types which can use rough livestock feed from domestic sources. The production of rough livestock feed has been neglected except for corn silage, so that today a kilogram of hay, say, costs more than 20 dinars, while in certain hilly and mountain regions, according to the most recent information, it is even reaching a price of 30 dinars. The high share of imported nutrients is opening up a number of problems with respect to furnishing foreign exchange.

The situation in animal husbandry is also characterized by the low level of production for the market. In the case of milk, say, purchases in recent years have varied from 24 to 31.5 percent of total production. Business people continue to see the situation on the meat market as "unsettled." In our country there are about 1,600 registered slaughtering points. Under the pressure of low utilization of capacity slaughterhouses have a considerable share in the fact that livestock is rarely paid on the basis of quality, though standards have been adopted and agreements concluded between livestock producers and the slaughterhouse industry. Often low-grade livestock is paid the price of quality livestock, and this certainly acts as a disincentive on efforts to produce higher quality.

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JPRS 82082

26 October 1982

# East Europe Report

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2329

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# EAST EUROPE REPORT

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2329

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## ACHIEVEMENTS IN GRAIN PRODUCTION

### Production in Sliven Okrug

Sofia KOOPERATIVNO SELO in Bulgarian 3 Sep 82 p 2

[Article by Stefan Karadobrev, correspondent of KOOPERATIVNO SELO from Sliven: "Generous Repayment for Hard Work"]

[Text] "Last year, we promised the BCP okrug committee that we would produce 500 kg of wheat and 450 kg of barley per decare, while the 29 high-producers would provide, respectively, 600 and 550 kg. In essence, this was a high, hitherto unachieved goal. It is a pleasure to report now that the agricultural personnel, skillfully led and constantly supported by the okrug and obshtina party committees, have worthily fulfilled the adopted promise."

These were lines from the statement read by Zlatka Pavlova, the deputy chairman of the ONS [okrug people's council] executive committee and the chairman of the OAPS [okrug agroindustrial union], to a meeting held after the harvest to report on the results. Against the background of this very general statement, what has been achieved in grain production also shows specific changes. For wheat there has been 528 kg per decare and for barley 506 kg. It is also pleasing to point out that while last year only 14 brigades obtained a harvest of over 500 kg, and 10 did this for barley, at present their number has doubled and tripled, in other words, more than 70 percent of the brigades produce a half ton of grain per decare. The competition and mutual aid between the collectives and the increased work criteria have made it possible for 5 brigades to obtain more than 700 kg of wheat and barley per decare, and 16 produce over 600 kg. Again, the highest results have been at the APK [agroindustrial complex] in Nova Zagora. Here the average wheat yield on 93,200 decares was 610 kg and for barley on 44,300 decares, 579 kg. This year the first place of the Nova Zagora workers in grain production is being challenged by the APK in Kermen with an average wheat harvest of 608 kg. The okrug's state wheat plan was overfulfilled by 25,000 tons and for barley by more than 12,000 tons.

The period which determined this jump in the production of winter grains in the okrug extends beyond a single five-year plan. However, during it very much was done to increase production than during previous years, while with great

effort the 400-kg mark was achieved only in 1980. Just 2 years later, the harvest of wheat and barley surpassed a half ton of grain per decare.

One can scarcely speak about any miracle as this rarely happens in farming, particularly if you expect the earth to produce as much as one needs. The Sliven farmers could seriously expect a generous repayment in grain production if they themselves do not force the earth to produce more. Even a cursory glance at the soil and climatic conditions in the okrug is sufficient to answer precisely why this is the case. Nearly a quarter of the area on which winter grains have been grown for years running, for example, is not in a condition to provide the designated yields. These include the lands of the APK in Kotel and a portion of them in the APK in Blatets, Tvurditsa and Gavrilovo. Very frequently the winter grains in the okrug were hit by drought. This also impeded the preparation and planting itself, the sprouting of the seed and the development of the plantings. Ordinarily the winters are without snow, they are accompanied by severe storms and low temperatures. When the end of spring arrives, precisely when the grain begins to fill out, the dry winds begin and these always "steal" a good deal of the already-grown crop. In years with abundant rainfall, in many regions the plantings are flooded.

With these difficult production conditions, it is essential to obtain ever-higher harvests in order to produce more and less expensive grain. Previously there have been high achievements here but only on certain brigades and farms. The solution to the strategic grain problem required that the achievements of individual collectives become a mass practice. The leadership of the okrug and of the APK as well as the specialists must be praised for having correctly understood and promptly realized the great aid which science with its achievements, technical progress and the experience of the pacesetters could provide in this area. The "harnessing" of these possibilities in production contributed substantially to increasing farming practices, to the bringing of these into accord with the specific soil and climatic conditions in each rayon and the carrying out of specific farming measures for the individual development stages of the plantings.

One example here. Last autumn was dry and in spite of the prompt planting, the seed was late in sprouting and a portion of the plantings fell behind in their development. With the aid of specialists from scientific institutes in the town of General Toshevo and Karnobat, all the plantings were inspected early in the spring and their condition was established. This introduced the required concreteness in carrying out the subsequent measures in this season and particularly the basic measure of top-dressing. This was carried out out on a differentiated basis, with increased doses for the plantings which had fallen behind in their development. The result was that the plants rapidly recovered. On many farms (Kon'ovo, Lyubenova Makala, Stoil Voyvoda and Zagortsi), the plantings were exemplary.

The extensive use of scientific achievements introduces the necessary clarity also in the presowing preparations with monocrop tending of the wheat and barley and in the correct carrying out of the integrated process of using chemistry in production. Obvious successes have been achieved in terms of the varietal structure. The task in this area is to test out under the local conditions

what is still in the process of study at the scientific institutes. When the most valuable varieties have been established, the APK in the district should already have sufficient seed from them for mass multiplication. In this area the okrug is working in close collaboration with the institutes in General Toshevo and Sadovo. Due to this cooperation, an optimum varietal structure for barley and wheat is being created now and there are the necessary conditions for improving it in the aim of best meeting the future requirements.

An important aspect in grain production in the district is its organization. Here the basic thing is the establishing of a new type of brigade as the basic productive unit. The efforts of the okrug and obshtina party committee, of the OAPS and the APK are to organize them most correctly, in establishing for each brigade an optimum area for cultivation, technical equipment and leadership. These efforts have been successful. Presently the okrug has 22 of the new type brigades and these tend more than 63 percent of the winter grains and actually have the largest share of the obtained results. Their leadership correctly understands the responsibility of the problems which must be solved. This was apparent at the start of this year when in their counterplans, the collectives of the new type brigades assume an obligation to produce 20,000 tons of grain above the state quota, an obligation which they have honorably carried out.

Among the best known brigades are those of the Hero of Socialist Labor Rusi Rusev from Kon'ovo, Mincho Dimitrov from Lyubenets and Gospodin Dinev from Lyubenova Makala. These obtained more than 500 kg of wheat per decare. The brigades of Din'o Khalkov of Zagortsi, Georgi Dimitrov of Byal Kladenets and Georgi Genchev of Sudievo each obtained over 600 kg of barley. Other elements in the organization of grain production are the studying and popularizing of advanced experience, the competition, material and moral incentives. Five brigades in the okrug are among the founders of the national club of high grain producers. This year other collectives have applied for membership in this club. Eight of the members of the district club of high producers are grain producers. All of this is an additional incentive for the brigade collectives and an incentive for them to rank among the best in the okrug and in the nation. This incentive can also explain the high results in wheat and barley production this year.

...A significant success has been achieved in carrying out the major orders which tbe party has set in agriculture, that is, to constantly increase grain production. At present the Sliven farmers are preparing for the crop which they will harvest in the coming summer. The areas have been indexed, the seed has been cleaned, the varietal structure has been clarified and the grain fields prepared. They are working with a desire and ambition to surpass this year's results.

## Progress in Barley Growing

Sofia KOOPERATIVNO SELO in Bulgarian 3 Sep 82 p 2

[Article by Sr Science Associate and Candidate of Agricultural Sciences Todor Stefanov, director of the Barley Institute in Karnobat: "The Possibilities of Barley are Greater"]

**[Text] The carrying out of the major strategic task confronting agriculture for producing more grain during the 8th Five-Year Plan is impossible without**

introducing the newest scientific achievements and advanced experience into practice and without turning science into the main productive force.

In terms of the average barley yields, Bulgaria surpasses its Balkan neighbors significantly and equals many of the Middle European nations. The use of highly productive varieties and new intense growing methods have played a decisive role in the achieving of high results in barley production.

In this area the contribution of world and Bulgarian plant breeding has been enormous. At present, the widely produced varieties of winter feed and brewing barley as Mirage, Alpha, Gerbel, No 468 and others most fully meet the present-day production requirements. Under experimental and production conditions, the designated varieties in recent years have produced from 800 to 1,100 kg of grain per decare.

Moreover, at present, the State Varietal Commission is testing a number of new varieties and lines of Bulgarian and world breeding such as the fodder barleys Karnobat-2013, 2014, 2015, No 4676, Pirat and the brewing barleys such as Karnobat-101, 102, 1009, 1010 and others. These in terms of productivity and other agricultural features surpass the presently widespread varieties of Mirage and Alpha.

Along with this, on the basis of many years of research, in precise experiments of model and production testing, the institute has worked out and has submitted for application in production during 1981-1982 an intense method for barley production and a technique for growing it with nonsystemic crop rotation (after stubble predecessors). We have not only presented these methods but have also taken an active part in realizing them in production from the preparation of the soil and sowing to harvesting. The results have not been long in coming. In Burgas and Sliven okrugs, they have obtained more than 500 kg of grain per decare on the entire planted area. A high increase in barley production has been achieved in Yambol, Stara Zagora, Plovdiv, Varna and other okrugs with which the institute maintains very close ties. For the 1982-1983 growing year, these methods have been adjusted according to the conditions of the individual rayons and okrugs.

A major goal and obligation which we have set for ourselves at present is to provide specific instructions to optimize the growth and development of the plants under the difficult range of conditions and the unstable nature under which these processes occur.

In recent years barley has been leaving the soils which are most suitable for its growing. At present more intense crops are being raised on its traditional good predecessors. It is being grown on shallower and poorer soils and in certain rayons and APK from 80 tO 85 percent is being grown after stubble predecessors. This increases the demands placed upon the new varieties in terms of their higher plasticity and resistance to stress, in enduring higher fertilizing and chemical agents for combating weeds, diseases and pests.

The new conditions require a suitable supply of the necessary nitrogen, phosphorus and potassium fertilizers, microfertilizers and growth regulators. There are also higher demands placed upon the equipment and implements for preparing the soil, the quality of planting, the even application of fertilizers and the highly effective combating of weeds and pests, simultaneously without harming the crop. The introduction of technical progress and the use of advanced experience in barley production opens up enormous prospects.

## Reserves in Wheat Raising

Sofia KOOPERATIVNO SELO in Bulgarian 3 Sep 82 p 2

[Article by Doctor of Agricultural Sciences, Kosta Gotsev, senior science associate at the Dobrudzha Wheat and Sunflower Institute near General Toshevo: "The Achieved is Not the Limit"]

[Text] In recent years, the average wheat yield has been rapidly and tangibly growing. This has been the result of the great efforts by the party and administrative leadership, of the increased skill of the specialists and equipment operators as well as the result of applying scientific-technical progress in intensifying wheat production.

The basic factors related to intensification and which are of crucial significance for increasing the yields are: the fuller utilization of the biological capabilities of the varieties and the application of modern methods in accord with their requirements. Through an extensive network of experimental plots, the new breeding achievements rapidly undergo production testing and are introduced into practice, in replacing the less productive varieties. Simultaneously with their accelerated introduction, significant efforts have been made to create a scientifically-based varietal structure in the APK and brigades.

In recent years, significant efforts have been focused on the application of the most modern, highly intense methods for growing wheat on the basis of advanced experience and the most recent achievements in agricultural science. In this area a particular role is played by fertilizing with increased but well-balanced fertilizer rates, the everwider use of microfertilizer, systemic fungicides, herbicides and biological regulators as well as the prompt and better quality execution of all measures related to the growing of wheat.

A detailed analysis of the positive and negative aspects of wheat production has shown that the achieved results in the leading okrugs are not the limit. The experience of the pacesetters is very convincing that the earth can produce significantly more. For example, in Tolbukhin okrug an average harvest of 600-650 kg of grain per decare is fully realistic and feasible in subsequent years.

For 1983, with the direct help of specialists from our institute, a varietal structure has been established for many okrugs, APK and brigades, in taking a decisive step toward broadening the areas planted under the highly intensive Bulgarian-developed varieties. Here the basic place has been given to the high-yielding and non-lodging varieties such as Charodeyka, Skitiya, Trakiya, Pliska and others which have been developed at the Dobrudzha Institute near General

Toshevo. In parallel with this, the newest varieties such as Zagora, Tryana, Rekviem and Kaloyan are to be rapidly reproduced and in 1984-1985 these will play a significant role in wheat production.

The greatest reserves for increasing the yields are to be found in the wheat raising methods. Of particular significance is that the measures outlined in them be carried out accurately, promptly and on a high quality.

High and stable yields require systematic observation of the plantings during their entire development and the taking of care in accord with the requirements of the wheat plants. During the growing season particular attention must be devoted to protecting the leaf bulk in order that the grain be well fed. For this purpose it is essential to choose suitable varieties and take the appropriate measures to disinfect the seed and spray the plants. In this regard special attention should be paid to the monocrop raising of wheat and for this the institute has worked out a special method.

Of particular significance for success in wheat production is proper varietal farming techniques. This presupposes the fullest understanding of the biology of the varieties, their requirements for nutrients, the sowing rate, climatic conditions and so forth.

To increase the wheat yields means to most fully incorporate all the intensive factors on the basis of efficient farming practices.

## Grain Success in Tolbukhin Area

Sofia KOOPERATIVNO SELO in Bulgarian 3 Sep 82 p 2

[Article by Iliya Kolev, chairman of the APK in the town of Tolbukhin-Iztok: "Our Task is to Confirm the Successes"]

[Text] The Dobrudzha APK in the town of Tolbukhin-Iztok fulfilled the plan for bread grain in the 7th Five-Year Plan by 113 percent in selling 44,166 tons of grain to the state above the plan.

This year, we obtained an average yield of 620 kg from 195,000 decares. All the brigades ended with very good results, but particularly outstanding was the youth interspecialty brigade for industrial production in the village of Metodievo and led by the Hero of Socialist Labor Ivan Khristov. Its average yield was 805 kg. The farmers from the brigade in the village of Dimitur Ganevo led by Kan'o Ivanov harvested 701 kg of grain per decare. The APK has sold 35,000 tons of wheat above the plan to the grain-feed combine.

These results are due primarily to the correct party and state instructions on accelerating the intensification of grain production, to the high-yielding varieties developed at the Wheat and Sunflower Institute near General Toshevo, to the effective systems for the rapid reproduction and introduction of these varieties into production, and to the application of the new economic mechanism and the brigade organization of labor.

The guiding principle in our previous work has been to obtain high and stable, but not record yields, in other words, a maximum amount of grain for a given period of time and from a given area.

Certainly, what has been achieved up to now is not the limit. Our goal is to make the achievements of the pacesetters a mass practice. We see reserves in increasing production discipline and in supplying the brigades with the necessary highly-productive equipment. In line with the minimalizing of tilling and the saving of fuels and lubricants, during this five-year plan we must resolve a contradiction: we have heavy tractors but not enough equipment for them. The question of sowing has also not been well resolved. For a long time, we have been sowing with the same drills. There is also the problem of combating weeds. For years running we have employed herbicides based on 2.4D. This is the reason for the overgrowing of the fields with persistent dicotyledonous weeds. The question has arisen of correctly selecting and employing herbicides over a period of 5-6 years.

We cannot raise the question of high yields if we are unable to handle diseases. This year was exceptionally favorable in plant disease terms but such years can be counted on the fingers of your hand. Recently, on certain areas where wheat is grown intensely we have begun using preventive and therapeutic chemicals against powdery mildew, rusts, fusarial wilt, root rot and others. These must be employed over the entire growing season and over the entire producing area.

We have not settled everything in the area of fertilizing. Science and advanced practice have shown how and when fertilizers are to be applied, but their delivery has been delayed.

Our task is by constant search and the application of the new by the leaders, specialists and production workers to confirm what has been achieved during the 2 years of the 8th Five-Year Plan. This will be our specific contribution to carrying out the decisions of the 12th Party Congress.

## High Brigade Output

Sofia KOOPERATIVNO SELO in Bulgarian 3 Sep 82 p 2

[Article by Candidate of Agricultural Sciences Ivan Stoev, leader of the Hr. Botev Brigade at the Burgas APK: "We Have a High Goal"]

[Text] For more than 10 years, the Khristo Botev brigade has obtained high wheat and barley yields. At a grain production conference held in September of last year, the brigade was given the task of producing 700 kg of wheat and barley per decare in 1982. In truth, in individual years we had come close to this figure, but still it posed a problem as it applied to the two crops.

With the available high-yielding varieties we estimated that fertilizing would be of crucial importance in achieving the goal this year. It was not a question of fertilizing generally, but rather feeding the crops during the growing season, that is, giving them as many nutrients as required and at the proper time. This we achieved by the introduced new fertilizing system with a balanced state of nitrogen, phosphorus and potassium.

As a result of the favorable climatic conditions during the autumn and spring season, the barley had developed very well and opportunities had arisen for the sprouting and strong bushing out of the plantings. With this specific situation we resolved that we should not hurry with the spring fertilizing. Along with scientific workers, the APK grain production council carefully followed the development of the plantings, it regularly took soil and leaf samplings and established the presence of nitrogen in the plants and soil. As a result of these analyses, we concluded that the top-dressing should not be in February, as was usually the case, but only at the end of March with doses of from 4 to 6 kg of nitrogen, in terms of active ingredient, per decare. This protected the plants against excessive bushing out and lodging. We tended the even and straight plantings and obtained record harvests of 738 kg of barley from 6,950 decares.

In controlling the process of feeding the plants, we also were able to obtain a record wheat crop. Thus, on 15,950 decares of winter crops, the brigade harvested 712 kg of grain as an average per decare and honorably fulfilled the assignment given to us by the rayon party committee.

There is the logical question of what now? With such a high yield, each subsequent step is difficult, but we are profoundly convinced that there are still opportunities to increase the yields. These are to be found primarily in modern intensive varieties and the corresponding farming methods. It is not a question of varieties in general, but rather the choice of the most suitable one for the given field depending upon the preceding crop, the sowing time and so forth. It is not a question of the production code generally, but rather proper farming practices. We see in this at present the main reserve for next year.

At present, our attention is focused on the presowing preparation of the soil. Here there is not and cannot be any mere routine. In recent years, we have prepared more and more area by discing but this year the climatic conditions have forced us to plow and work a larger portion of the area in order to achieve the desired and necessary condition of the soil. For 1983, we have set an even higher goal for ourselves and will do everything necessary to achieve it.

PHOTO CAPTIONS

1. This year the highest average wheat yield was achieved by the brigade led by Hero of Socialist Labor Ivan Khristov from the village of Metodievo in Tolbukhin Okrug with 805 kg from 13,000 decares. Next came the brigade led by Todoe Kurmov at the experimental station for irrigated farming in Yambol with 783 kg on 10,500 decares, then the brigade led by Mincho Dimitrov at the village of Lyubimets of the APK in Novo Zagora with 751 kg on 4,970 decares, the brigade of Rusi Rusen in the village of Kon'ovo from the APK in Novo Zagora with 727 kg on 4,280 decares and the brigade led by Georgi Nedev in the village of Maslarevo in Veliko Turnovo Okrug with 715 kg on 8,780 decares.

2. Of all the APK in the nation, 10 have obtained an average wheat yield of over 600 kg per decare, 19 have achieved more than 550 kg and 10 others have had more than 500 kg.

The APK in Kameno, Burgas Okrug, achieved an average yield of 650 kg per decare, the APK in Strakhilovo, Veliko Turnovo Okrug had 629 kg, the APK in the town of Tolbukhin-Iztok and the APK in Burgas each had 620 kg.

Of all the new type of grain-feed brigades, 71 obtained more than 600 kg of wheat grain per decare, 73 had over 550 kg and over 100 had more than 500 kg.

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SET OF MEASURES SAID CHANGING WAYS OF THINKING

Prague RUDE PRAVO in Czech 4 Sep 82 p 2

[Article by Miroslav Vltavsky]: "Need to Accept New Ideas"]

> [Text] The Palace of Culture which dominates the area in front of the Gottwald Bridge has been fulfilling its role over a year now. Since the 16th CPCZ Congress the Palace of Culture has on numerous occasions been the host to congresses and cultural events. Visitors come here just to look at the interior of the building; others come to sit in a cafe from which they can look at the Old Vysehrad Castle and the beautiful panorama of Prague. The people are start-int to accept the Palace of Culture as if it had been here for a long time.

The workers of Prague Industrial Constructions (Prumstav) put their finishing touches on this building at the time two economic systems met. They used the skills of all those who were able to successfully participate in the completion of the largest construction project not only in the history of the enterprise but also during the entire era of the nationalized construction industry sector. For this reason, they temporarily stopped or reduced their work on many less important construction sites and brought to this project hundreds of people from additional organizations.

When the work on the project was finished, Prumstav's workers returned to tens of sites of housing projects and small civic facilities. To some extent, this reminded us of an awakening after a night following a day of great effort from which one was still tired. Also, the construction of the largest cultural facility brought the enterpirse plan to a peak which the Prumstav workers were unable to equal in hte case of smaller projects.

Year of Change

New rules have changed many plans. Eng Jiri Smutny, the enterprise manager, said that he naturally could not have laid foundations for this year's project last year. And his deputy, Eng Miloslav Cerny, added that the enterprise had to look for a replacement of the Palace of Culture in the Seventh 5-Year Plan sooner--at a time when old rules were still valid. Hence, the plans counted on good cooperation, the use of more extensive materials and of prefabricated

parts. The aim of these steps was to reduce manpower and shorten deadlines even at the price of higher cost. At that time they also counted on a certain number of housing units as promised in the long-range concept of development, especially in Central Bohemian Kraj.

"The Set of Measures and the changes in investment altered not only our thinking but also the prepared plans in the sector of technical development," said Jiri Smutny. "Many of these plans became unrealizable. This forced our technicians to react quickly. The change in the economic rules, however, rescued us from an unpleasant economic situation in which we would be engulfed if evaluated exclusively on the basis of the fulfillment of volume indices as was practiced until the end of the Sixth 5-Year Plan."

After a while, he elaborated on his statement. Prumstav ended last year with a debt of Kcs 200 million in the fulfillment of construction volume (gross production). On the other hand, however, it achieved an excellent record in the fulfillment of all other qualitative and binding indices. (Many a reader already knows what we have in mind.) Prustav fulfilled "all eight indices" and saved a lot on materials. This, however, affected fulfillment of the targeted volume which the enterprise failed to meet.

Fast Changes

The enterprise cannot afford either last year's debt level or savings this year. Consequently, it was necessary to take numerous new measures which would speed up steps under preparation, starting with technical development. To illustrate the point, I will offer the case of partition walls. For a long time the enterprise used synthetic partition walls which, according to existing economic criteria, are not suitable because of price and difficulty of installation.

The changed decision presupposes an accelerated reaction at many workplaces of the enterprise--in the first place, because the enterprise did not find a producer who would deliver a new concrete partition wall. Thus it started to manufacture one by itself. However, it was necessary to introduce this new concrete partition wall very quickly and to bring about not only reduced cost and less work at installation time but also better use for the consumer. This is another element which the Set of Measures is scheduled to achieve.

"We needed a product so well finished by the manufacturer that the only thing our assembly workers and electricians would do would be to connect the building wiring. We have ensured, in cooperation with the workers of the panel manufacturing plant, the smoothness of the wall surfaces as well as the problem of how to hook up the plumbing," Miloslav Cerny said before adding: "The future user of the apartment will appreciate that the new wall partition is a solid wall which does not rumble the way a synthetic wall partition does. And in this way we saved 28 hours of work per apartment."

Everybody Has Influence

"The more perfect the product delivered to the construction site the better the work relations," added Eng Miroslav Strihavka, chief engineer of the 01 plant

in Prague, "because we will reduce the number of necessary specialists. We will also eliminate problems of accepting badly done jobs."

This brings us to the next product which is part of new housing units--porous concrete outer shells. This task of technological development was started many years ago at the Ministry of Construction in order to use waste and was successfully completed by the Prefabricated Parts Plant in Hyskov. As for concrete, you need first-class-quality natural raw materials such as sand gravel or crushed gravel. In the case of porous concrete these materials are replaced by light ash. While for an outer wall panel we need a large amount of polystyrene for insulation, porous concrete is an insulator by itself.

"In addition to some advantages, there are also disadvantages which to a great extent prevented its use," Lubor Sisler, head of the technical sector of the Panamont Plant, explained. "In the manufacturing of the outer shell people must be consistently interested in quality. The same applies to the construction crew which delivers these outer shells to the construction site. Finally, it is necessary to create necessary prerequisites for the assembly workers--if we want better quality work from them they must not earn less than before."

A Few Less

The search for an answer to the question of how the Set of Measures works out at the Prumstav Plant brought us to Kralupy nad Vltavou. On barren soil at the edge of town at the site bordered on one side by a river and on the other by a cliff, a new housing facility is being built. The construction head, Jiri Kratochvil, explained to us at the site the intricacies of the procedure: technical development, production, construction. As far as he is concerned, all rationalization measures concerning the technicians call for the planned reduction of worktime. Between the plan and reward there is a computer, a dispassionate bookkeeper whose debit-asset columns can be influenced only by malfunctioning of the machine.

However, the construction head and foremen can utilize their own possibilities. It was calculated that Jiri Kratochvil will need 39 workers with specific average wages at the construction site. However, the work crew was able to uncover certain potentials. Now, there are six fewer people at the construction site and if they do not meet the deadline they stay longer or come back during a holiday. The other isde of the coin is that they have a chance to pocket money which otherwise would be paid to the six workers. The remuneration, however, is conditional on meeting deadlines and the quality of finished work.

At the Construction Site

We had a chance to look at the first installed partition walls at the housing construction site in Kralupy. The thin wall, ready for wallpapering, contains boxes and pipes for electric wiring. The plans are that in the future the supplier will insert conductors in the walls. In such a case, the task of the electrician at the construction site would be merely to test and connect the wiring.

Such a technical-organizational measure ought to save additional work at the construction site because the manufacturer can do these things faster and more easily. As was shown, a technician working under the Set of Measures should know what the construction workers think of these measures. Electrical engineer Pavel Petras appreciated the fact that the partition wall contained the boxes. If in the future it also contains the conductors, there will be more time for connecting the wiring and completing the whole process. This will also result in more completed work by the worker. However, when we asked him whether he prefers pulling cables through the walls and thus to do less qualified work than connect the cables.

This case illustrates that it is not enough for people to introduce successful innovations into technical development without explaining their use to those workers who will use them. And it is also necessary to change the norms if the old ones put a damper on the development of initiative. The Set of Measures must be implemented as a whole.

1277
CSO: 2400/378

## PRINCIPLES OF WORK, PAY BY BRIGADE DEFINED

Prague PRACE A MZDA in Czech No 9, 1982 pp 6-12

[Unsigned article: "Principles for Experimental Verification of the Brigade Form of Work Organization and Remuneration"]

[Text] Soviet experiences have always been the source of inspiration of how to work better, how to further develop worker initiative and socialist competition. One of the major and successful Soviet initiatives is the brigade form of work organization and remuneration. The Soviet Union has already had 10 years' experience with it. It is used in many industrial plants and virtually in all sectors of the national economy. It has produced demonstrably better results in work, in training of workers, in the development of socialist democracy particularly as to worker participation in management. On the basis of all experiences with this form, the 26th CPSU Congress resolved that the brigade work organization should be widely practiced during the 11th 5-Year Plan and help solve the economic and social tasks laid down by the congress. This form of work organization and remuneration has a justified and wide field of application under our conditions as well. It can help solve some actual problems and the tasks laid down by the 16th CPCZ Congress. Our 10th All Trade Union Congress also drew attention to it and some plants have already demonstrated interest in the application of this form. For this reason, the URO [Central Trade Union Council] together with the Federal Ministry of Labor and Social Affairs [FMPSV] worked out and approved the principles for experimental verification of the brigade form of work organization and remuneration. Their purpose is to put this form on a uniform basis in order to better evaluate results. The URO secretariat and the FMPSV will study them and propose to the CSSR Governemnt at the beginning of 1983 a course of action for further development of this progressive form. It is, therefore, very important to be guided by the approved principles and to apply them with responsibility.

CSSR Government Resolution No 382 of 27 November 1980 laid down the task "to verify and gradually apply in the developed work collectives the brigade forms of work organization and remuneration, and in doing so to make use of experiences of other socialist countries particularly of the USSR." To accomplish this task, the FMPSV in cooperation with URO and the CSR and SSR ministries of labor and social affairs has formulated the following principles for the period of verification.

Characteristic Features of Brigade Form

1. The brigade form of work organization and remuneration (henceforth the brigade form) is one of the forms of implementation of the Set of Measures for Improving the Planned Management System of the National Economy, particularly in regard to the development of intraenterprise khozraschet all the way to the brigades, application of scientific work organization, enforcement of the principle of remuneration according to merit and increasing worker participation in production management.

2. The introduction of the brigade form aims at making use of the advantages of collective work organization and remuneration which lie in the capacity of the work collective to mobilize more effectively its productive force through more intensive cooperation and division of labor, cooperation of interrelated workers, in training and forming of the worker with broader knowledge and skills, and in better opportunity of his self-realization in the production process in order to promote further increase in labor productivity, production efficiency, economy and quality of products, to speed the application of scientific-technical achievements in production and to inculcate in the workers the socialist attitude toward work.

3. By the brigade form is meant such form of work organization and remuneration of workers in industry, building and other sectors of material production and services, in services in which a brigade (work collective) is one of the units of intraenterprise management for which the basic (selected) quantitative and qualitative tasks are planned, which records and reports their fulfillment, for which the labor force necessary for achieving these tasks is specified and financial incentives and brigade responsibility for attaining the targets defined.

At the same time, the production brigade is an important part of the enterprise work collective and the lowest level of work organization and management. The brigade unites the work collective for the most effective fulfillment of production and work targets on the basis of mutual cooperation, comradely assistance and development and use of individual abilities for joint work.

4. The production brigades differ from the present work collective also by the fact that the brigade:

a. adopts and implements progressive plan tasks; works very productively, assiduously and economically; makes use of new equipment and progressive work methods; more consistently observes work discipline;

b. intensively participates in production management and for this purpose systematically employs the elements of collectivism such as comradely cooperation, substitution for the absent worker, assistance to and training of young and inefficient workers, rotation of workers and so on, on the basis of acquaintance with interrelated jobs and activities, and other progressive elements in the work organization such as operation of several machines, extension of work assignments (zones of operation), brigade khozraschet, turning over control over operating machines and equipment to another person, assuming responsibility for the quality of work and so on which make it possible for the brigade--in comparison with the individual work organization--to achieve a greater increase in social labor productivity;

c. consistently observes in practice the merit principle according to which the remuneration of the work collective depends entirely upon work results. There are incentives for all members of the work collective and for every individual to stimulate their interest in end results[1] of brigade work and to increase one's own contribution to these results;

d. together with increased duties and responsibility, makes full use also of the greater rights in the management of the collective (self-management), in the operative adaptation of work organization and distribution of the labor force, and its participation in distribution of that part of wages payable which are paid for the collective work results while taking into consideration the contribution of individual workers to these results. It can propose to the organization management and trade union organs the best workers--brigade members--for reward in intraenterprise socialist competition, and also call to account those individuals who fail to fulfill their tasks, disrupt production, technological and work discipline.

5. Under the conditions of the brigade form of work, the role of foremen and operations supervisors increases. Since the brigade and its leader assume certain duties in work organization, there is a division of labor between the foreman, leader of the brigade and the collective in following up the observance of work and technological discipline, in remuneration and so on. The foremen and other supervisors can thus pay more attention to the planning and preparation of production, to procurement of material supplies and equipment, to the application of scientific-technical achievements in production, to protection and labor safety, to the evaluation of plan fulfillment and so on. At the same time, they will follow up, evaluate and regulate the effectiveness and tools of the brigade form.

Organization of Brigades, Their Tasks and Remuneration

6. Brigades are organized in those areas, where the collective form of work makes it possible to achieve better economic results and social development of the work collective than the individual form. The establishment of brigades is preceded by thorough preparation which should result in the overall improve-

[1] By end results are meant finished and semifinished products, set of components, technological part of production and so on.

ment of work organization and production management, of economic tools, of basis of technical and economic standards particularly of standards of labor expended, increased qualification and creation of conditions for continuous work.

7. In organizing a brigade, the amount of work, production tasks, production space and equipment is defined in such a way as to make the brigade work a self-contained, well-rounded production technological unit of the production process. The decision on the numerical, job and qualification structure of the brigade is based on the new conditions of production organization and the resulting needs for human labor. As to the bigger brigades in which workers from several shifts participate, it is expedient to form within the brigade smaller groups in which most of the brigade rights are exercised and duties carried out.

In those production sections where it is expedient, the brigade can be augmented by additional workers who participate in the production process, and where it is desirable for reasons of operation, by operations technicians as well. However, only the workers in the respective department can become members of the production brigade. If the scope of activity of a new brigade to be established does not agree with the organizational structure of the production section, the enterprise management will take the necessary steps to reconcile the organizational production structure with the work collectives.

8. A brigade is organized by the decision (measure) of the enterprise (plant) manager after discussions with the appropriate ROH [Revolutionary Trade Union Movement] organ and with full consent of the work collective. Individual workers join the brigade in accordance with the principle of voluntarism.[2] The leader of the brigade is appointed at the same time.

The brigade leader is appointed and recalled by the appropriate economic worker authorized to do so by the organization maanger, while the recommendation of the direct supervisor and opinion of the brigade collective are taken into account. The best qualified worker who has an organizational talent and enjoys natural authority in the collective usually becomes the leader of the brigade. If it is unavoidable, the foreman, chief foreman or other supervisor can exceptionally become the leader of the brigade.

If in connection with the work in the brigade, a change occurs in the type of work performed by the brigade members or by the leader of the brigade or in the place of work, this change must be reflected in the written work contract.

9. The tasks of the brigade are derived from the operations plan of the organization and its detailing within the enterprise. Every brigade is assigned general tasks for the entire year which are more precisely defined later on for every quarter and every month. Higher rates of premiums and bonuses serve as a stimulus for the brigades to adopt higher targets through counterplanning.

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[2] By the term voluntarism is meant a democratic decision by the majority. Those individuals who disagree with their inclusion in the brigade will be transferred by the organization management to other, individual workplaces.

The plan tasks for the brigade are set, in accordance with the principles of intraenterprise (brigade) khozraschet, by the quantitative and qualitative indicators (production or work volume, economy, quality and amount of human labor expended) which constitute the work program for the brigade and are directly affected by the brigade's activity. Underlying them are the principles of intraenterprise khozraschet in industrial enterprises which were approved by the Government Committee for Problems of Planned Management of the National Economy on 10 October 1980. Targets for technical development and production and work rationalization are part of the planned tasks.

10. The brigade form of work organization and remuneration makes it imperative to improve work organization, to rationalize the course of the production process and to formulate objective standards of labor expended (efficiency norms, norms of operating personnel, norms of labor force) used for evaluation of labor expended in individual work activities and operations, and making possible the formulation of comprehensive time standards for planning, operative management of production and work, and for remuneration.

The formulation of comprehensive standards must be preceded by the analysis of mutual work relations among the workers, and the most effective work procedures must then be proposed in order to make the most rational use of working time by every worker and to determine his contribution to the work results jointly achieved. In their work, the rationalizers and standards formulators must make use of the initiative and experiences of brigade members.

11. The remuneration of brigade members is governed by the regulations for remuneration of blue-collar and technical-economic workers. Their application to the existing brigades is reflected in the enterprise rules on the brigade form of work organization and remuneration in which the organization management specifies, in cooperation with the ROH plant (enterprise) committee, concrete conditions.

12. Under the conditions of the brigade form, the economic incentive in the ultimate work results of the entire team is financially stimulated by the introduction of collective wage forms corresponding to the nature of work involved (team piecework wage, contract wage), team shared wage, team mixed wage, team premium and team efficiency bonus).

In addition, brigade members can be granted, in accordance with the regulations now in effect, personal rating, extra bonuses, bonuses achieved due to the development of worker initiative, individual bonuses according to special regulations and shares in economic results. The leader of the brigade insofar he works in the category of blue-collar workers receives extra pay for guiding the gang within the general management of the brigade and work organization.

13. The collective premium is usually stated in an absolute amount. The premium is increased or reduced depending upon the fulfillment of brigade planned tasks according to the quantitative and qualitative indicators, and in accordance with the effective regulations on granting premiums and efficiency bonuses.

14. The premium is divided among individual blue-collar workers in the manner designed in advance with reference to their relative contribution to the overall result. In continuous operations, this division is preceded by the distribution of the total premium among the collectives working individual shifts.

The division of collective earnings among individual members of the brigade is proposed by the brigade leader, while the foreman (appropriate supervisor) determines the premium for the brigade leader and approves the distribution of collective earning among individual members.

To express more concretely the contribution of individual brigade members to the common work results, work contribution coefficients can be used--if approved by the brigade collective--for the distribution of the collective premium. The details fo how to use them in order to promote the progressive elements of work organization and mutual cooperation will be spelled out in the methodological guidelines to be issued by the FMPSV.

15. In order to stimulate interest in reducing the labor force, the procedure should be followed according to the FMPSV Guideline No 31-184/81-7210 of 13 February 1981.

In the brigades paid a collective piecework wage which provides incentives for savings in direct labor, the earnings are divided among individual members either in toto in the manner agreed upon in advance or only the standard share while the extra earnings are transferred to the collective premium.

If time wages are paid, the organization determines what proportion of base wages saved, achieved by the absolute reduction of the labor force by means of counterplanning or reduction of overtime work, will remain at the brigade's disposal (usually 30 percent). The collective premium is increased by this amount. If the amount of base wages actually paid exceeds the estimate, the deficit is paid from the collective premium unless the organization, in instances specified in advance, reimburses it from the enterprise resources.

Management of Brigades and Development of Work Initiative

16. The foreman directs brigade activity in general. The foreman usually supervises several brigades (but it may one brigade only). In continuous operations, where the brigades include blue-collar workers from all shifts, the work of the brigade is directed by the chief foreman or operations head.

In directing the brigade, the foreman (chief foreman, operations head) performs particularly the following functions:

a. sees to it that the brigade's planned tasks are fulfilled in the required quantity, quality, assortment, with proper economy within the specified deadline;

b. creates conditions for continuous and rhythmical work in the respective area on the basis of early and proper preparation of production;

c. applies the findings of scientific organization and rationalization of work in organizing and directing the production process, cooperates in working out new better work methods and in verification and implementation of proposed rationalization measures;

d. controls the implementation of wage policy;

e. formulates the goals of socialist competition in his section and of additional forms of worker initiative;

f. sees to it that work and technological discipline is observed;

g. controls the quality of finished products and of work performed, analyzes the causes of defective products and cooperates in their elimination;

h. maintains technical records on production and work in accordance with the intraenterprise regulations;

i. analyzes the fulfillment of planned tasks.

His activity is based on cooperation with the brigade leader and brigade council, and is carried out in agreement and cooperation with the appropriate ROH organs. He discusses the fundamental measures and work problems at the brigade meeting.

17. The work within the brigade is organized by its leader in the scope delegated to him by the organization management. Within this scope he has the rights and duties of a supervisor according to Section 74 of the Labor Code. The directives issued by the brigade leader within the delegated authority are binding for all brigade members.

In directing the work within the brigade, its leader performs in agreement and cooperation with the ROH shop steward particularly the following functions:

a) participates in and expresses his opinion in drafting the plans and brigade tasks, and formulation and changes of technical-economic standards according to which the brigade will work;

b) acquaints the brigade members with the production tasks, discusses with them their proper fulfillment on time and acquaints them with the results achieved;

c) depending upon the nature of production, he organizes work, assigns specific tasks to brigade members and develops appropriate forms of initiative to accomplish them;

d) sees to it that the regulations on labor safety be observed in work by individual blue-collar workers, and promptly enacts and proposes necessary measures;

e) proposes the distribution of team earnings, acquaints the brigade with the distribution of the team part of earnings with previous approval by the foreman;

f) after first discussing them in the brigade, he submits to the organization management the proposals for inclusion of new workers in the brigade or exclusion of workers from it;

g) pays attention to the moral education and training of brigade members; helps train new workers and apprentices; creates the climate of comradely cooperation and mutual assistance, and guides the brigade toward responsibility for the fulfillment of planned tasks.

In organizing and management of brigade work he is assisted by the brigade council (if it was set up). He discusses the fundamental problems at the brigade meeting.

18. In their work, the brigade members must observe the labor law and technological, safety and other regulations effective in the organization. They exercise their right to participate in production management and solution of problems concerning the brigade at brigade meetings. The meetings are attended by the foreman and ROH shop steward.

In dealing with the problems concerning its activities, the brigade:

a. proposes the brigade leader and elects the brigade council by open vote;

b. discusses the acceptance of new brigade members and expulsion of members from it;

c. evaluates the brigade production tasks and adopts socialist pledges or a counterplan, and enacts measures for their implementation;

d. evaluates the work organization in the brigade and adopts measures for its improvement;

e. discusses the problems of remuneration of brigade members and approves the method of distribution of the team part of earnings according to the intraenterprise rules approved by the economic management and ROH ZV [factory committee];

f. expresses its opinion on the application of the work contribution coefficient and on the application of enterprise rules to personal rating;

g. deals with problems related to enforcement of work and technological discipline, to assistance to lagging and young workers, to training of brigade members and development of socialist competition;

h. proposes from its own ranks the best workers for rewards in intraenterprise competition.

19. A brigade council is established in bigger brigades consisting, for example, of workers from several shifts. Its members are elected by the brigade members usually for 1 year. At the same time, the brigade meeting delegates some powers and tasks of the brigade to the brigade council and stipulates in which instances

makes a final decision and in which it only prepares proposals for the brigade meeting.

20. The development of brigade work activity and initiative is based on the effective principles governing the development of worker initiative.

The brigade meeting discusses individual socialist pledges which must aim at achieving the best possible economic results by the entire brigade and must be reconciled with the criteria for determination of the work effort coefficient.

The socialist pledge of the entire brigade is put together on the basis of individual pledges.

21. The ROH participation in brigade activity is based on the resolution of the Ninth All Trade Union Congress on the factory committees of ROH basic organizations and on the resolution of the Fifth URO Plenum of 3 June 1973 on the status and role of the trade union section and of the shop steward. Together with the brigade leader, the shop steward attends particularly to the following tasks:

—discusses the proposal for the brigade production plans;

—wins over the brigade members for the active participation in decisions on production problems and on increase in labor productivity and general efficiency and quality of production and work;

--develops and evaluates the work and creative initiative consistently aimed at increased labor productivity and conservation of fuels, energy and raw and industrial materials;

—prepares and organizes the production meetings;

—expresses his opinion on the proposal of intraenterprise rules for remuneration of brigade members and on the manner of distribution of the team part of earnings;

--sees to it that working conditions are improved and work and technological disciplined enforced;

—evaluates and rates the work of the brigade and of individual members;

--develops mass political work for strengthening the socialist attitude toward work, development of comradely cooperation and mutual assistance within the work collective;

--checks the handling of comments and suggestions submitted by the brigade members and the implementation of measures designed to eliminate existing shortcomings.

Concluding Provisions

22. In cooperation with the appropriate central committees of trade union associations, the central sectorial organs issue--in order to implement these principles with due attention to the specific conditions in individual sectors and branches--their regulations for the sector in which they specify the conditions which must be created in the experimenting organizations, the scope and course of verification, and the manner in which the results are to be evaluated.

23. Economic supervisors together with the ROH pland (enterprise) committees are responsible for the selection of collectives in which the brigade form is to be verified, for the overall political and organizational preparation, and for the creation of necessary conditions in the experimenting organizations.

24. If specific conditions in individual sectors and branches call for a different solution, the exemptions from these principles are granted by the FMPSV in agreement with URO, and if the respective sector is controlled by the authorities in one republic, by the appropriate Ministry of Labor and Social Affairs together with the organs mentioned above.

25. The measures according to these principles can be implemented only in accordance with the regulations which define the jurisdiction of trade union organs in the area of worker participation in management, labor law relations and remuneration.

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## FIRST HALF YEAR FOREIGN TRADE STATISTICS PUBLISHED

Budapest HETI VILAGGAZDASAG in Hungarian No 35, 28 Aug 82 pp 4-5

[Interview with Lajos Berenyi, main department manager at the Foreign Trade Ministry, by Mihaly Muranyi: "Market Sacrifice"]

> [Text] The Central Statistical Office [KSH] recently published the numerical data of the Hungarian foreign trade in the first half year. What is behind these numbers? This is what we discussed with Lajos Berenyi, main department manager at the Foreign Trade Ministry.

[Question] Last year as well as in the first half of this year, in our dollar accounted foreign trade export exceeded the import. And yet, we speak much more today about the foreign market's difficulties and about the Hungarian economy's problems on the world market than we did in the decade of the 1970's, when—except for one single year, 1973—the ratio was exactly the opposite, and excess import, actually a very significant deficit characterized this balance of the Hungarian foreign trade. What is the reason for this?

[Answer] Many things have changed in the world since then—that is why we speak much more about the problems. And I will add right away that the world economy's not at all pleasant changes are causing more and more problems not only in Hungary but in practically all other countries also. This year the market situation is worse than ever before for the sellers, including the Hungarian enterprises. Much has already been said on the pages of the HVG [HETI VILAGGAZDASAG] about the world economic crisis being even deeper this year than it was last year. The measures which disadvantageously affect the East-West economic contacts added to this, and I am referring here to the most varied discriminations. These measures by states which disadvantageously discriminate against us were characteristic earlier for the Common Market. In addition to remaining in effect there also, and indeed having become even sharper, the discrimination has also increased in other countries and groups of countries, due primarily to pressure from the USA. But the effect of these is present not only in the direct economic contacts with the USA but also in the trade with the other western countries. It is also well known that the conditions of the international financial relationships have greatly

deteriorated recently. Thus it is not only more difficult to implement the business aspects of export and import than it was before, but financing it is also more difficult.

[Question] In spite of all this the statistics show that this year the balance of our nonruble accounted foreign trade was more favorable than in the first half of last year.

[Answer] The favorable balance conceals very many kinds of movements, and movements in opposing directions. For example, based on the national economic plan the economic management urged the enterprises to open up additional export capacities, but in spite of this due to poor sales opportunities and decreasing world market prices, in the final analysis our nonrubel accounted export did not increase in the first half year but only approached the level of last year's first half year. At the same time there were significant changes also in import. It was favorable that the price of goods we buy also decreased compared to last year. However, on the other hand the need to improve the foreign trade balance made it necessary to make the economic conditions of import purchases stricter than before, and to encourage export. All these are designed to be promoted primarily by the exchange rate measures, this is why the forint was devalued in June by an average of about 7 percent.

[Questions] Several industrial branches of the world economy are in deep crisis. Factories are being shut down, production is being cut back or halted. These branches of industry also exist in the Hungarian economy. Did we succeed in selling their products?

Table 1

(1) A kereskedelmi forgalom egyenlege devizacsoportonként

| | (2) Millió rubel | (3) Millió dollár |
|---|---|---|
| (4) EGYENLŐ SZERZŐDÉSES PARITÁSON* | | |
| 1979 | — 378,6 | — 91,2 |
| 1980 | — [illegible] | + 221,9 |
| 1981 | — [illegible] | + [illegible] |
| 1981. első félév (7) | — [illegible] | + 194,7 |
| 1982. első félév (7) | — 340,7 | + 144,9 |
| (6) EGYENLŐ A TÉNYLEGES FUVARFIZETÉSEK FIGYELEMBEVÉTELÉVEL | | |
| 1979 | — 491,4 | — [illegible] |
| 1980 | — 611,8 | — 14,4 |
| 1981 | — 331,3 | + 42,2 |
| 1981. első félév (7) | — 257,5 | + 8,9 |
| 1982. első félév (7) | — 487,9 | + 37,3 |

(5) * Szerződéses áron, azaz a szerződés szerinti külföldi vásárlási, illetve eladási helynek megfelelő árban.

Key:

1. Foreign trade balance by currency group
2. Million rubles
3. Million dollars
4. Balance by contractual parity*
5. *By contracted prices, that is, by values corresponding to the foreign purchase or sales location according to the contract.
6. Balance including consideration of the actual transportation expenses
7. First half year.

[Answer] The structure of our dollar accounted export did not change significantly compared to the first half of 1981. Agricultural and food industrial products are holding their favorable positions in our export. It was difficult to find markets for the products in the so-called crisis branches of the world economy—ferrous metallurgy, textile industry, and a part of the chemical industry—, and we also had to sell our products for low prices in the first half of 1982. We were a little more successful in this in metallurgy this year than last, but our textile industrial export decreased. On the other hand, the machine industry's export increased. But the share of this branch in the nonruble accounted export continues to be small unfortunately, it is less than 20 percent. Every little result means progress here, only we would need faster progress.

[Question] It has been mentioned that the world economy's prices are disadvantageous to the Hungarian economy. Can anything be done to protect ourselves against this, for example, by changing the product structure of our export to favor products that can be sold better?

[Answer] What was said was not that the overall price relationships have an expressly disadvantageous effect on our dollar accounted foreign trade. But they clearly had an unfavorable effect on export. Export prices in terms of

dollars decreased by 5 to 6 percent compared to the previous year. Unfortunately, the prices of agricultural and food industrial products important to us also declined on the world market. The world market prices of products obtained from import have declined in general. The trade ratio—the ratio of prices of goods sold to those purchased—favored us in this relationship in 1980 and 1981. This year the trade ratio index is expected to be a little worse. In the developed export-import merchandise structure the decrease in world market prices affects the majority of our export.

Were the Hungarian economy in a situation of being able to change its production and export product structure more quickly, we could of course also take better advantage of the world market price changes. The basic structure changes—though not always—would require significant developments. But in the development policy—this is widely known—the demand for selection is even greater today than before. Of course, the export structure could be made more favorable also by omitting the products selling less profitably. But we have to increase not only the efficiency of export but also its volume.

[Question] A main department for enterprise supervision and control was recently created in the Ministry of Foreign Trade, and you are its head. Does the creation of this main department mean perhaps that the ministry will want to have an increased voice in the business affairs of the enterprises?

Table 2

(1) A kölkereskedelmi forgalom fontosabb országonként 1982 első félévében

| (4) Ország | (2) Behozatal (5) millió forint | (2) Behozatal (6) 1981. azonos időszakának százalékában | (3) Kivitel (5) millió forint | (3) Kivitel (6) 1981. azonos időszakának százalékában | (7) Egyenleg 1982. I. félév millió forint |
|---|---|---|---|---|---|
| (8) EURÓPA | | | | | |
| Ausztria | 7 436,4 | [illegible] | 5 484,8 | 89,3 | — 2 151,6 |
| Belgium és Luxemburg | 1 375,1 | 105,2 | 632,2 | 108,1 | — 742,9 |
| Bulgária | 1 910,1 | 124,4 | 1 781,1 | 73,3 | — 129,0 |
| Csehszlovákia | 7 498,2 | 120,6 | 7 962,8 | 96,8 | + 464,6 |
| Egyesült Királyság | 2 961,5 | 98,4 | 1 032,0 | 84,9 | — 1 929,5 |
| Finnország | 1 290,4 | 102,7 | 932,2 | 95,5 | — 358,2 |
| Franciaország | 3 385,1 | 95,0 | 2 027,7 | 99,7 | — 1 357,4 |
| Hollandia | 2 199,8 | 84,6 | 1 444,2 | 100,6 | — 755,6 |
| Jugoszlávia | 3 389,7 | 109,1 | 3 689,7 | 89,0 | + 300,0 |
| Lengyelország | 4 910,2 | 106,3 | 5 010,8 | 134,6 | + 100,6 |
| NDK | 10 347,3 | 99,2 | 8 300,3 | 91,6 | — 1 847,0 |
| NSZK | 16 688,4 | 98,6 | 9 475,6 | 84,8 | — 7 212,8 |
| Olaszország | 4 488,9 | 108,6 | 3 484,3 | 106,9 | + 987,4 |
| Románia | 2 666,4 | 91,4 | 1 949,6 | 66,8 | — 716,8 |
| Svájc | 3 277,8 | 104,2 | 2 024,8 | 100,4 | — 1 253,0 |
| Svédország | 1 915,5 | 108,6 | 949,6 | 79,7 | — 965,9 |
| Szovjetunió | 45 017,8 | 108,6 | 49 573,1 | 101,3 | + 4 555,3 |
| ÁZSIA | | | | | |
| India | 356,8 | 89,4 | 402,4 | 88,7 | + 245,6 |
| Irak | 43,4 | 210,0 | 4 842,5 | 149,8 | + 4 799,1 |
| Irán | 3 923,6 | 177,1 | 2 709,4 | 131,3 | — 1 214,2 |
| Japán | 1 867,4 | 88,7 | 296,0 | 138,7 | — 1 571,4 |
| Kína | 527,2 | 53,0 | 453,9 | 107,4 | — 73,3 |
| Kuvait | 10,0 | 179,8 | 504,0 | 78,3 | — 494,0 |
| Libanon | 150,5 | 115,0 | 759,7 | 110,6 | + 609,2 |
| Mongólia | 60,7 | 109,5 | 99,2 | 108,0 | + 38,5 |
| Pakisztán | 331,2 | 30,0 | 127,2 | 32,0 | — 204,0 |
| Vietnam | 141,5 | 151,5 | 364,4 | 62,5 | + 222,9 |
| AFRIKA | | | | | |
| Algéria | 135,6 | 62,2 | 1 849,8 | 219,2 | + 1 714,2 |
| Egyiptom | 489,2 | 94,6 | 468,8 | 105,1 | — 20,4 |
| Elefántcsontpart | 296,1 | 46,3 | 16,3 | 212,5 | — 269,8 |
| Líbia | 11,6 | 197,0 | 1 185,9 | 97,3 | + 1 174,3 |
| Malgas | 572,6 | 129,4 | 1,8 | 66,7 | — 570,8 |
| Marokkó | 122,4 | 36,9 | 243,8 | 420,8 | — 121,4 |
| Nigéria | 210,4 | 128,9 | 543,3 | 73,4 | + 332,9 |
| AMERIKA | | | | | |
| USA | 3 390,1 | 100,1 | 1 999,2 | 115,6 | — 1 390,9 |
| Kanada | 215,8 | 88,6 | 335,0 | 94,5 | + 119,2 |
| Kuba | 833,2 | 82,3 | 1 026,9 | 178,1 | + 193,7 |
| Mexikó | 111,0 | 290,9 | 119,0 | 177,4 | + 8,0 |
| Argentina | 201,6 | 296,2 | 21,0 | 8,4 | — 180,6 |
| Brazília | 3 076,0 | 83,2 | 133,2 | 109,6 | — 2 942,8 |
| Peru | 305,8 | 254,0 | 37,0 | 98,8 | — 268,8 |
| AUSZTRÁLIA ÉS ÓCEÁNIA | | | | | |
| Ausztrália | 716,6 | 143,7 | 118,8 | 149,9 | — 597,8 |
| (9) ÖSSZESEN | 146 375,7 | 108,9 | 136 363,1 | 99,5 | — 10 012,6 |

(10) Az adatok hivatalos devizaárfolyamon, határparitáson, az elkülönített fuvarköltségek figyelembevételével szerepelnek.

Key:

1. Foreign trade with the more important countries in the first half of 1982
2. Income
3. Export
4. Country
5. million forints

[Key continued on following page]

6. As percentage of the identical time period of 1981
7. Balance, million forints, first half of 1982
8. Europe
   - Austria
   - Belgium and Luxembourg
   - Bulgaria
   - Czechoslovakia
   - United Kingdom
   - Finnland
   - France
   - Holland
   - Yugoslavia
   - Poland
   - GDR
   - FRG
   - Italy
   - Romania
   - Switzerland
   - Sweden
   - Soviet Union

   Asia
   - India
   - Iraq
   - Iran
   - Japan
   - China
   - Kuwait
   - Lebanon
   - Mongolia
   - Pakistan
   - Vietnam

   Africa
   - Algeria
   - Egypt
   - Ivory Coast
   - Lybia
   - Malgas
   - Morocco
   - Nigeria

   America
   - USA
   - Canada
   - Cuba
   - Mexico
   - Argentina
   - Brazil
   - Peru

   Australia and Ocenania
   - Australia
9. Total
10. The data appear at official currency exchange rates, border parity, including precalculated freight costs.

[Answer] Not at all. What is involved here is that more and more enterprises in Hungary are engaged in foreign trade activity. In addition to about 40 specialized foreign trade enterprises, today over 120 producing, trade, and other enterprises have the right to it, and their number is constantly increasing. The job of this main department is to help the work of the foreign trading enterprises, and to coordinate it according to the directing requirements, and not to interfere in their individual businesses.

[Question] It has been a year and a half now that the enterprises with foreign trade authorization may export in the dollar accounted relationships not only the products originally listed under their profiles, but also other products. Has this system worked out well?

[Answer] A year and a half is not enough to clearly conclude whether this system has worked out well. But one thing is for certain: It does have some tangible advantages. Thus, for example, that the newly appearing competition encourages also the so-called basic enterprises to do better marketing work. The existence of competitors also results in the new ones as well as the old ones opening up new export capacities, and entering into new markets. Are there any arguments? There are. Coordination between the enterprises and cooperation are not yet running completely smoothly.

[Question] In your opinion how well are the Hungarian foreign trade enterprises adjusting to today's poor market conditions?

[Answer] There are several kinds of foreign trade enterprises, just as there are several kinds of enterprises in general. Some react quickly, some not so quickly to the changed situations. My opinion is that this year the ability to conform has greatly improved. Of course, sacrifices must also be made on the altar of the market. For example, in the first half of the year the profit of the foreign trade enterprises was only about 75 percent of the first half of last year. This also conceals a certain kind of conforming, since the product bases offered by the producing enterprises for export are sold even if their profits are nil, or only minimal. In the past when the conditions were more relaxed, it is not sure they would have acted the same way.

Table 3

(1) A magyar külkereskedelem áruszerkezete 1982 első félévében

| | (2) Rubel (5) elszámolások (6) millió forint | (3) Nem rubel (5) elszámolások (6) millió forint | (4) Össz. (5) elszámolások (6) millió forint | (2) Rubel (5) elszámolások (7) előző év azonos időszaka = 100 | (3) Nem rubel (5) elszámolások (7) előző év azonos időszaka = 100 | (4) Össz. (5) elszámolások (7) előző év azonos időszaka = 100 |
|---|---|---|---|---|---|---|
| (8) KIVITEL | | | | | | |
| (9) Energiahordozók, villamos energia | 521,9 | 5 360,0 | 5 881,9 | 148,9 | 90,3 | 93,5 |
| (10) Anyagok, félkésztermékek, alkatrészek | 14 909,2 | 23 001,0 | 37 910,2 | 101,5 | 89,1 | 93,6 |
| (11) Nyers- és alapanyagok | 1 479,5 | 5 757,4 | 7 236,9 | 86,2 | 88,2 | 87,8 |
| (12) Félkésztermékek | 7 054,1 | 15 884,1 | 22 938,2 | 97,5 | 90,3 | 92,4 |
| (13) Alkatrészek | 6 375,6 | 1 359,5 | 7 735,1 | 111,0 | 79,7 | 103,9 |
| (14) Gépek, szállítóeszközök, egyéb beruházási javak | 26 708,2 | 10 494,2 | 37 202,4 | 101,2 | 148,7 | 109,9 |
| (15) Fogyasztási iparcikkek | 11 547,8 | 9 135,2 | 20 683,0 | 112,2 | 89,7 | 101,0 |
| (16) Élelmiszeripari anyagok, élő állatok, élelmiszerek | 8 387,9 | 26 306,7 | 34 694,6 | 106,3 | 93,9 | 96,7 |
| (17) Mezőgazdasági termékek, élő állatok | 1 877,2 | 11 080,5 | 12 957,7 | 127,0 | 97,2 | 100,6 |
| (18) Élelmiszeripari termékek | 6 510,7 | 15 224,2 | 21 734,9 | 101,6 | 91,7 | 94,5 |
| (19) Összesen | 62 066,0 | 74 297,1 | 136 363,1 | 104,1 | 96,0 | 99,5 |
| (20) BEHOZATAL | | | | | | |
| (9) Energiahordozók, villamos energia | 21 846,6 | 4 422,0 | 26 268,6 | 113,4 | 93,4 | 109,4 |
| (10) Anyagok, félkésztermékek, alkatrészek | 25 487,5 | 46 660,4 | 72 147,9 | 104,3 | 96,9 | 99,4 |
| (11) Nyers- és alapanyagok | 9 938,3 | 11 135,7 | 21 073,8 | 99,3 | 88,8 | 90,4 |
| (12) Félkésztermékek | 9 142,4 | 27 374,0 | 36 516,4 | 103,6 | 95,5 | 97,4 |
| (13) Alkatrészek | 6 306,8 | 8 165,7 | 14 472,5 | 139,8 | 119,3 | 123,8 |
| (14) Gépek, szállítóeszközök, egyéb beruházási javak | 15 618,6 | 9 422,9 | 25 041,5 | 114,9 | 105,2 | 111,1 |
| (15) Fogyasztási iparcikkek | 6 932,3 | 5 777,2 | 12 709,5 | 97,1 | 101,5 | 99,1 |
| (16) Élelmiszeripari anyagok, élő állatok, élelmiszerek | 2 136,3 | 8 069,9 | 10 206,2 | 95,8 | 73,7 | 77,5 |
| (17) Mezőgazdasági termékek, élő állatok | 340,8 | 2 482,7 | 2 823,5 | 133,3 | 72,2 | 75,7 |
| (18) Élelmiszeripari termékek | 1 897,5 | 5 387,2 | 7 284,7 | 91,4 | 74,5 | 78,1 |
| (19) Összesen | 72 023,3 | 74 352,4 | 146 375,7 | 108,0 | 94,8 | 100,9 |

Key:

1. Product structure of the Hungarian foreign trade in the first half of 1982
2. Rubel
3. Nonrubel
4. Total
5. accounted
6. million forints
7. Identical time period of the previous year = 100
8. Export
9. Energy sources, electrical energy
10. Materials, semifinished products, spare parts
11. Raw and basic materials
12. semifinished products
13. Spare parts
14. Machinery, transportation equipment, miscellaneous investment goods
15. Industrial consumer goods
16. Food industrial materials, live animals, foods
17. agricultural products, livestock
18. Food industrial products
19. Total
20. Import

[Question] Many types of prognoses are brought to light. In your opinion what can be expected in the world's economy in the future?

[Answer] No favorable turn can be expected until early 1983. We will have to maintain and even significantly improve our results under continued poor market conditions.

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CSO: 2500/396

## PROBLEMS RELATED TO ECONOMIC REFORM DISCUSSED

Warsaw PRZEGLAD TECHNICZNY In Polish No 3, 26 Jun 82, pp 24-27

[Panel discussion: "The Fifth Battle for Reform"]

[Text] Why is the introduction of economic reform confronted with great obstacles? What has become of the "old" resistance bastions who desperately defend their position in the struggle for reform? The following were participants in a news conference regarding economic reform: Prof. Janusz Goscinski (Lodz Institute of Technology); Henryk Michalski, M.S., (head accountant at the Warsaw Institution of Leather Industry "Syrena"); and Prof. Jan Mujzel (Polish Academy of Sciences, "PAN"). Representing the press were: Marek Rostocki and Adam Strug.

[Question] We have had serious problems in inviting representatives of industry. We phoned many directors of industrial establishments; practically all declined due to lack of time; only one stated directly: I have had enough of discussions on reform already. Why don't directors wish to speak--even in the editorial offices of the periodical which so many times defended their interests?

H. Michalski: There are several reasons for this reluctance. The first is, that as a result of consultation with enterprises their observations on individual projected changes were accepted; but finally, practically completely, unresolved. Second—during the past several weeks numerous establishments and their managements were polled on the subject of reform by various institutes, and we completed questionnaires comprising hundreds of questions. Thus, there is a surfeit of talk about reform and relatively little faith that the voices of industry can be of any avail.

J. Mujzel: Legislation pertaining to reform has its phases. Two fundamental statutes—self-government and enterprise—were born in the past year with the aid of very extensive consultation in an atmosphere of periodic dramatic discussion, and represented the fruit of compromise. A paradox--it did not meanwhile satisfy either side, and today both statutes are the bulwark in defense of economic reform. After all, they have nothing equal to them in prior reforms. Usually, speaking of reforms in the past, two dates are mentioned: 1956 and 1970. Presently I would be inclined to add a third: the 1940 years; the 1946-1948 period, the time of the original Polish research.

When thoughts are turned back to the systems-type changes in the country, the 1940's period cannot be forgotten. This was the first round to the Polish effort to erect a system of socialist economics which satisfies our aspirations and our conditions, which is appealing. This "economic miracle," this magnificent economic reconstruction which took place in 1946 and 1947, was the result of a prudent economic policy, of a psychosocial attitude; and to a significant degree, of intelligent, pragmatic activity in the sphere of systems-type solutions. Reference is made to the mixed pattern of the Polish economy at that time; the multi-sectors; the important role which the authentic cooperative movement plays; the national industry being managed with flexibility--this was really intelligent pragmatism--and it achieved great success.

[Question] You specified three conditions for the success of the 1940's: psychosocial attitude, economic policy and pragmatism in systems-type changes. The current psychosocial attitude is similar, as it is; economic policy is non-existent and political pragmatism is a reminder of the recent past. The parallel is remote, however, if these factors are lacking--does reform generally have any chances?

J. Mujzel: I feel that the concept of systems-type reforms, which originated in 1981 and is incorporated in the resolutions of the 9th Carty Congress, and in the resolutions of the Sejm, is a good concept, more significantly mature than all preceeding it. The fundamental document prepared last year, DIRECTION OF ECONOMIC REFORM includes three basic characteristics representing the evolution of historic experience. The first and foremost, in which are most strongly expressed the hints of future defeat, is the broad evolution of the sociopolitical strata of reforms. The 1981 reform is an untechnocratic reform, socialized, and probably could have been no different in the climate in which it was spawned. The conceptual pillars of this reform were: socialization of the central planning process (and so, the socialization of the decision process on a central level), as well as support of social relations in enterprise in independent grade unions and labor self-rule. A reconstruction of the structures of the national economic administration, and the expansion of the economic role of the Sejm and social organizations were to assure collaboration of social forces in the undertaking of decisions and control of the national administration.

The second element of maturity is the very significant uncompromising relation to the orders-distribution. Obviously even here there were concessions; they can be easily enumerated, but there were decidedly less of them than in prior reforms. Therefore, both statutes--concerning self-government and enterprises--actually became the constitution of enterprise, something completely novel. These are fundamental statutes. If the law contained in these statutes were honestly observed, then enterprise would really be protected. For the first time relations on the main front--between the administration and enterprise--were to be regulated by a law which had not been proclaimed solely by the administration.

And finally the third matter, just a short reference--another approach to economic law. This is likewise a lesson from the past, this emphasis on the

side of law on this, that the reform be enacted on the strength of Sejm statutes and not on standards of little importance.

[Question] And how does the situation appear in today's industry?

H. Michalski: I completely agree with Prof. Mujzel, that the pillars of reform are statutes on self-government and enterprise. Enterprise, following the passage of these acts, believed that reform will eventually become a fact. Above all, it believed that it had achieved true independence, a fundamental instrument for effective functioning. The present day situation is such that each day it receives decisions, instructions and orders from the outside which are inconsistent with these statutes; as well as such which, in keeping with the law, we are not obligated to respect at all. There is a renewal of imposing upon industry special production decisions. As a matter of principle, we could take some of these decisions to court--together with the ministerial decisions.

J. Mujzel: Toward the end of last year, certain reasons appeared which provided activity for the creation of temporary solutions resulting from temporary conditions. These temporary solutions overlapped the concept of reform; they gave it a different form in 1982, and in it is inherent, in my opinion, the chief danger to the future of the 1981 reform.

There were three reasons for the temporary reforms. First, imbalance, very profound confusion in the proportion of the national economy, and difficulties in the initiation of reform because of worse economic conditions. Because of this reason, the creators of the 1981 reform were mindful and provided certain solutions for the transition period. Secondly, enterprises for ten years functioned in an orders-distribution system with misshapen economics; and their displacement in 1982 by new pricing conditions, new foreign exchange rates, new financial and credit conditions had to bring about a significant distinction in the economic-financial situations of trade and enterprise. This distinction is not the consequence of smaller or larger efficiency in their work, but the result of decisions undertaken outside of enterprise. And so the problem of settling the starting conditions.

[Question] In other words many have been lost, even though the game had not yet begun...

J. Mujzel: This is one of the most important problems in initiating reform; arranging conditions in such manner that all personnel could more or less have equal possibilities to start working.

[Question] Only with the passage of time would efficiency distinguish the position of enterprise.

J. Mujzel: And there is a third reason--martial law. When reform was in the formation period, such possibilities were taken into consideration; it was assumed that the national understanding would remain firm and that conflicts would be exclusively political methods. Under these assumptions the concept of reform was constructed.

[Question] What essentially are the innate threats to reform? Nevertheless, in its basic form it is incorporated into life.

J. Mujzel: This I would not say. At least for the moment, a reform has been initiated other than that which was so laboriously created a year ago. The threats to that reform are included in those temporary solutions, in their range and forms. Their first is the drift in the direction of technocratic reform, omission of the social strata which was acuually suspended. That which I allowed myself to acknowledge as the chief characteristic of the maturity of our reform—does not at the moment exist. The package of nine statutes passed in February of the current year was prepared and accepted quickly and actually without incident, because it was not in the final phase of procedure, actually of conditions for broader consultation and discussion. The second menance is the attempt to rebuild the intermediate departments of industrial management. In industrial enterprises, during the past year, there was practically a dominant unanimity to finally end the unions, once and for all and completely. In the organizational framework, they were one of the symbols of the traditional system. Now attempts are being intensified to reconstruct them in an altered form, under different insignia.

The third menance is composed of goods-foreign currency distribution, based on the concept of operational programs (there were to be 6 of them, there are 14), as well as on foreign currency allocations and assignments. I shall add, that a portion of these deviations from the incoming system, and especially their scope is excessive, and objectively unfounded from the point of view of economic realities. Beyond the controversiality of the range of these temporary solutions, they are incomplete and their construction is repeatedly defective--this refers to, for example, the distribution and settlement of starting conditions. I believe that in many instances we were dealing with a disregard for the knowledge accumulated in this field. These defects lead to, among other results, an unnecessary development of recognition, progress and paternalism in the relations of enterprise with the organs of authority.

H. Michalski: Temporary regulations, in defiance of the statute, not only limit the independence of enterprise, but even create the possibility of surprising it with completely novel, top-level, external decisions. Such a surprise for us will be the introduction of a stabilizing loan, burdening our earned profit by 30 percent after the prior payment of income taxes.

J. Mujzel: Of real significance are the starting conditions. For example, there was no evaluation of the fixed assets of enterprise. . .

J. Goscinski: But that item is being prepared. . .

J. Mujzel: This has been postponed since 1980, and the consequences of that, under inflationary conditions are obvious: the fixed assets of enterprises, especially of those that are older, are highly understated, and by the same token amortization is likewise understated. . .

H. Michalski: It is hopelessly low. . .

J. Mujzel: . . .the difference in profitability among enterprises can appear to be artificial by understating assets; the profit is sometimes artificially magnified. . .

H. Michalski : Yes, of course!

J. Mujzel:. . .amortization does not guarantee the reproduction of fixed assets for enterprise. . .

H. Michalski: Under no circumstances. . .

J. Mujzel: That happens because profits could include part of the amortization. This gives rise to a distorted picture of the profitability of enterprise; thorough enterprise accounting practices reflect distortions in its economics and end results.

J. Goscinski: But most threatening is the fact that because of understating assets, we truly tend to prolong and intensify the crisis. Since understating assets, we truly tend to prolong and intensify the crisis. Since undercapitalization of fixed assets in our economy has an accelerated tempo in this position--why there are no resources for investment, and likewise that which is worn out cannot be recreated, there is not even simple reproduction. There is danger that in a few years our national assets will crumble.

H. Michalski: If the 30 percent loan is introduced, the status of my business will be the following: inasmuch as I cannot stand before my personnel with bare hands; for example, without a 14th pension which had been promised at the very beginning of the reform, I shall have to, therefore, resign almost completely from the development fund. That is to say undercapitalization will grow yet more intense.

J. Mjuzel: After all, there is another side to this coin. If somewhere by chance, there was a proportionate adjustment in the cost of equipment and that of exports, or official, regulated or contractual costs resulting in a 50 percent or 80 percent profit, then our profits flow from the "wind," as the English say--these are windfall profits. The minister of finance is aware that the national budget is not confined to a sum approaching, for example, 370 billion zlotys while there are tens of billions in enterprise profits which the people in the department of finance often regard, and not without reason, as unsubstantiated.

H. Michalski: Those are the observations of the people in the Ministry of Finance; but in practice, for example, in my case--with high profitability approaching 110 percent--I will still be short of money if that 30 percent loan actually takes place. . .

J. Mujzel: My concern is that in conjunction with such earth-shaking cost-financing, a complete, logical and objective method was necessary to cleanse the results of enterprise from unusual profits and losses at the starting

point of reform, in order to avoid corrections now by individual decisions of the ministers. Or, in order to achieve this with a progressive tax on profits up to 90 percent, as a result of high profitability, is really nonsensical and does not exist anywhere in the world.

J. Goscinski: That is a type of anti-incentive that is truly difficult to improve upon.

J. Mujzel: After all, as much as three progressions have been assumed: taxation of profits, progressive strain on the growth of the average salary, and progressive personal income tax which are in preparation. Certainly three severe progressions imposed on labor and income. Will this serve to increase production and effectiveness?

J. Goscinski: From the standpoint of logic, balanced taxation should be progressive, as it is everywhere. This should be the distinction in income tax which should not really be progressive. This is too much of a good thing. The imposition of taxes upon oneself certainly inhibits all stimulation on both sides--labor and consumer, as well as employer and producer. All these factors can only inhibit initiative.

[Question] Is reform, therefore, generally a fact? Because: anti-incentives in the sphere of production and export development; undercapitalization of fixed assets is a threat for several years.

H. Michalski: If I had not recently been surprised by the 30 percent loan, then I would, however, assess the present regulations positively in the aggregate, even though it is yet necessary to change very many of them, in order to untie our hands.

J. Mujzel: I think that, in spite of all, that an indubitable, positive change means a significant expansion of independence for enterprise.

H. Michalski: This is yet greatly subject to question.

J. Goscinski: I find that there is a great deal of deception in this. Because enterprise received independence, only the conditions were not created for enterprise to benefit from it; on the contrary--those conditions were created which actually deprive it of that independence.

H. Michalski: Our independence can be and is actually restricted every day, for instance by the decision of a bank official: he denies me credit and finis. Even in spite of such great profitability! I am not referring to investment credit, but to fundamental credit.

J. Mujzel: I do not understand that. . .

H. Michalski: And I did not understand that. But on 31 March it was stated that previous credit agreements do not cease; however, from 1 April, credit --will be limited to that extended on 31 March, 1982. Earlier in the whole

country, there were occurences of the rapid repayment of all financial obligations by one enterprise to another. On 31 March I had a surplus of money and consequently my credit will be one-half of what it should be. Now I always have financial worries, even though the enterprise produces with great profitability! The bank demands plans from me which I do not at all need; it demands information from me which is completely unnecessary to me. With the existing mono-banks, I am compelled to yield to the will of the bank. This is how that independence which we constantly hear about appears in practice.

J. Goscinski: I read a message from the president of a provincial bank branch to a director of enterprise, whom he threatens with failure in the third quarter because prices were not raised. That president literally writes as follows: "in conjunction with the urgency to negotiate a partnership agreement we insist...under penalty..."

H. Michalski: There is no partnership with banks. For example, the bank asks me why I do not assign definite--but high--sums to increase self-financing. I beg your pardon--how much I assign to self-financing is my affair and only mine. As per regulations the decision belongs to me, and no bank representative has a right; he should not and will not compel me to relinquish my rights. However, he attempts to do this. Is this partnership? This is lawlessness! For this reason, we in the trade are considering the formation in our association--an association bank--which we formed voluntarily.

[Question] Speaking most briefly, the picture is, therefore, as follows: the menace to economic reforms appears extremely serious--the factors of socialized reform have been immobilized; profitability is miscalculated (which in the perspective of a few years causes undercapitalization of fixed assets); intermediate levels are being reproduced and interfere in the matters of enterprise contrary to statute; compulsory loans create serious threats to the financial system of enterprise; an absence of regulations in the sphere of economic jurisdiction; an absence of bank partnerships; last of all comes the strengthening of the economic hub, which from day to day is more certain of itself.

J. Mujzel: It is already quite clear that even in the incoming pattern of reform, its banking portion belongs to the most conservative. The banking apparatus struggled to maintain the status quo and in fact did so, strengthening only its own position in relation to the national administration. Whereas in its relations with interprise, the bank maintained a monopolistic position and the position of a superior organ of financial control. I wish to add that if those 9 statutes of February 1982 matured under the type of conditions which existed before the introduction of martial law, it is possible such a banking solution would not have passed.

H. Michalski: Indeed, during the preparation of these statutes only one hundred consultants to enterprise knew what was in the wind. We, for example, knew that a strain on the union activities fund would follow; hence, I endeavor to give the people as much money as possible towards the end of the year.

J. Goscinski: The regulations directly stimulated a boost upward in the average wage.

J. Mujzel: You did the best from an employment standpoint, but the worst from the standpoint of national economy as a whole.

H. Michalski: An evaluation of the basis for income taxes is likewise not at all unequivocal. Accounting is not the way to grasp this item, considering that a tax is paid on the sales value and not on the production value. So how is the difference in inventories to be calculated? No one is able to answer this.

J. Mujzel: We spoke of understating fixed assets because of the inflationary changes in their value. Well, if the assets are understated, then the cost of the processed product is understated and hence, they overstate the rate of profitability and push enterprise--artificially--into high progressive tax brackets. And so, this failure to estimate fixed assets, a matter which is referred to as mathematical, technical and detailed, has far reaching repercussions in the economic status of enterprise and its accounts.

H. Michalski: Yes, this confirms the practice of enterprise in full.

J. Goscinski: This is especially painful where the fixed assets are huge. Because of this, it is said that such fields as metallurgy or mining are unprofitable... But this is not in the least a matter of effectiveness, production output, but of the artificial boost in the tax base of these industries.

[Question] If it were not for the stabilization loan, would you be satisfied with this reform, in the form in which it is introduced?

H. Michalski: Yes, I would be satisfied. I would then have funds to pay personnel; I would have guaranteed outlays for purposes of development, for investment credit payments, for an essential change of machinery park; I would not be required to beg for credit at the bank--because that is what it must be called--I think that I would yet have a small reserve for a development fund for next year.

[Question] Does the reform in its present form compel you toward anything?

H. Michalski: To fix control over expenses in the sphere of wages and control over the cost of finished goods.

[Question] Is that a lot?

J. Mujzel: It is a lot. But not enough and in addition this amount is threatened. Why did previous reforms fail? Because they did not have social security which could guard against a return to prereform methods.

J. Goscinski: As for the present, the only subject of economic life which strengthened its position, is the decision center. Never yet, in any of the

previous reforms, has the center come into its own so well in such a short time. It has no threats; enterprise is responsible unto itself; the center handles supplies; enterprise is responsible for wages--El Dorado for the center; to live; not die...

[Question] Decentralization of responsibility, centralization of profit... danger, hence, from everywhere--and what standing forces are for reform, for its consistent introduction?

J. Mujzel: There are such forces and such circumstances, and the battle has not been lost. Institutionally the Plenipotentiary Office on Matters of Reform is in support of reform. A very essential element is the support of the General and the leading representatives of the party and the government. General Juruzelski constantly and strongly declares this support which expands the real field of maneuvers for the people connected with the introduction of reform. However, I wish to add: if reform is to succeed, it will be necessary to rebuild its social wing as soon as possible, because within it lies--in my opinion--the main guarantee for its success. The immobilization of the social strata of reform not only restricts it; it places it in a state of danger. There are not too many who would desire to and could defend this reform.

J. Goscinski: I agree with this--and it must be added that treating the matter institutionally, it would be exceedingly advantageous in elevating the rank of the office of the minister of Reform to the extent that he would not be compelled to ask his fellow ministers about its initiation. At one time the concept of creating a Commissariat on Reform, directly subject to the Premier was introduced. Later it was abandoned and I am of the impression that it did not materialize.

J. Mujzel: I was and am an ardent advocate of such a solution. The September statutes of last year regarding national enterprise and self-government today also constitute a good defense of reform. They are already a legend, and in spite of appearances, it is not easy to raise a hand against them. Recent ideas to amend the statute on self-government, fortunately were dropped.

H. Michalski: If self-government was practiced by enterprise, the bank could not call into question that I designate so much money for this and so much for that...

J. Mujzel: You raise a problem of fundamental significance; the position of the director at the institute, in view of the administrative a thorities, in view of the bank, is a function of the voices of self-government in enterprise; independence and the forces of enterprise are thus directly dependent.

H. Michalski: A resumption of the activities of self-government is necessary on the basis of last year's statute; self-governments without limited powers in relation to the statute. It seems that at the same time, if self-government is not to be a fiction or dummy, decisions are necessary in the matter of trade unions.

[Question] We are arriving at conclusions. Speaking most briefly, the picture is, therefore, as follows: the menace to economic reforms appears extremely serious--the factors of socialized reform have been immobilized; profitability is miscalculated (which in the perspective of a few years causes undercapitalization of fixed assets); intermediate levels are being reproduced and interfere in the matters of enterprise contrary to statute; compulsory loans create serious threats to the financial system of enterprise; an absence of regulations in the sphere of economic jurisdiction; an absence of bank partnerships; last of all comes the strengthening of the economic hub, which from day to day is more certain of itself.

J. Mujzel: Yes, only one clarification in the matter of the center. Here the issue is not one of any attack on the strategic, central idea in managing the economy, because it will undergo strengthening as a consequence of true reform. However, there was never greater anarchy then during the times of the "strong" decision center. At issue here are the attempts by the authorities to interfere with the powers of enterprise and the operational order which leads not to central management, but to bureaucratic anarchy.

[Question] What is to be done in this situation?

J. Mujzel: Fast action is needed in providing economic solutions. I recently suggested, for example, the immediate appointment of two groups which would competently work on the problem of distribution, as well as the system of foreign trade for the coming year. These are difficult problems; the solutions will not emerge from a sleeve. In my opinion, this work will require the assistance of competent people of good will, and I stress--to a large degree independent, and not exclusively the representatives of ministries or other interested institutions. There is also the matter of the systems-type solution to the question of evaluating fixed assets, the preparation of a proper gauge of profitability and proper motivation systems--to date neglected.

Thank you for your participation in the conference.

9551
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## AUGUST ECONOMIC SITUATION EVALUATED

### August Lights, Shadows

Warsaw ZYCIE GOSPODARCZE in Polish No 36, 26 Sep 82 p 7

[Text] The one percent growth in industrial production in August indicates that the level of this production has stopped dropping, although it is still 20 percent below that of August 1979. However, this is the first time in over two years that industrial production in any month has exceeded the level of the same month in the preceding year. This phenomenon is illustrated in the graph below.

Growth Rate of Sold Production in Socialized Industry in 1982 Prices

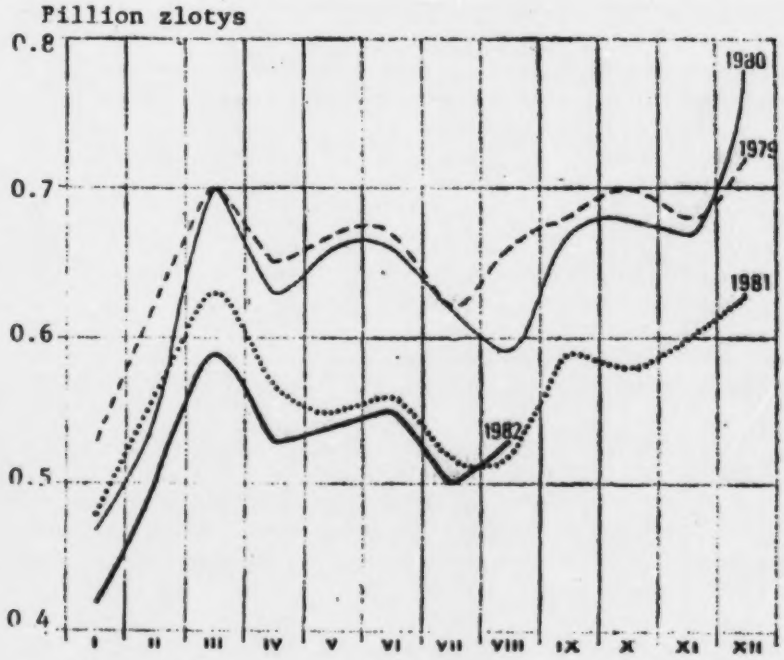


Also in the remaining sectors of the materials sphere, aside from agriculture, a comparison of data from August of this year with August of last year points to a slowing down in the downward trend.

In the construction-assembly enterprises the drop in basic production in August of this year in comparison with August of last year amounted to 9.9 percent, while over an eight-month period it amounted to 15.7 percent.

It is estimated that during the January-July period total outlays were 27.7 percent less than in a comparable period last year. This included a 21 percent drop in construction-assembly works.

In August of this year, 8,300 apartments were completed in socialized housing construction, which although a 12.9 percent increase over August of last year, is still far too low an amount. During eight months a total of 63,600 apartments were released for occupancy, i.e., 24,000 less than during the same period last year.

During the January to August period of this year, more apartments were completed and allocated for occupancy, calculated by usable floor space, than in the same period last year in the following voivodships: Ciechanow, 35.4 percent more; Lomza, 69.9 percent; Piotrkow Trybunalski, 7.5 percent; Przemysl, 57.4 percent; Radom, 14.7 percent; Siedlce, 2.3 percent; Sieradz, 35.9 percent; and Wloclawek, 34.1 percent. In the remaining voivodships fewer apartments were completed, and in four of them the percentage less was 45 percent and above. These were the Bielsko-Bialo Voivodship, 47.1 percent, Gdansk, 47.5 percent; Slupsk, 48.8 percent, and Suwalki, 45.2 percent.

In the January-August period construction of 816 new housing buildings was begun (33,100 apartments with a usable floor space of 1.8 million square meters) of which 151 buildings were begun in August.

In socialized transportation freight haulage declined 17.4 percent over the same eight-month period last year. This included an 8.1 percent drop in August, and of this, haulage by the State Railroads was 2.6 percent lower during the eight-month period and 2.5 percent lower in August. In public and industrial-branch automotive transportation haulage during the eight-month period was 26.5 percent lower, and 16.3 percent lower in August.

Employment in the four basic sectors of the socialized economy (industry, construction, transportation and communication, and trade) in August of this year totaled 7.69 million people, which was 0.42 million people, i.e., 5.2 percent, less than in August of last year. In socialized industry, employment was lower by 0.26 million people, i.e., 5.5 percent.

At the same time, workplaces continue to report a very large demand for new workers, which indicates that there are fundamental defects in the economic mechanisms. In June of this year a further large growth in the numbers of new workers required by workplaces was noted. There were job vacancies for 0.27 million people at the end of June. However, the number of people seeking jobs through employment offices at the end of June totaled 18,000.

This year's grain harvests were very welcome for August figures. It is estimated that they amounted to 21.2 million tons, as against 19.7 million tons obtained last year. However, due to unfavorable growing conditions (drought, mass pest infestation) this year's yields and harvests of potatoes will be lower than last year's,

and will be, respectively: yields, 148-155 quintels per hectare (in 1981, 189 quintels per 1 hectare), and harvests, approximately 32.1-33.8 million tons (in 1981, 43 million tons). Preliminary forecasts indicate that this year's sugar-beet harvests will also be lower than last year's and will amount to 13.3-14.1 million tons (in 1981, 15.9 million tons), and yields will be 274-285 quintels per 1 hectare, as compared with 338 quintels per 1 hectare in 1981. This will be compensated, however, by the higher sugar content of this year's beet harvests.

Procurement of four grains (together with grain mixtures without sowing seed) from 1982 harvests, from the beginning of the harvesting to the end of August, amounted to slightly over two million tons. This was 83.2 percent more than the procurement during the same period last year. But this is still insufficient in view of the reduced imports of grain and fodder.

Last week I wrote about the trends in procurement and animal-raising, including the rather dim prospects of hog raising as revealed in August statistical data, and can omit these problems now.

Data on the growth rate of prices and living costs are presented with a one-month delay. Current information shows that living costs of families of workers employed in the socialized economy were 110.5 percent higher in July of this year than in July of last year. In the first seven months of this year living costs, it is estimated, rose 102.1 percent in comparison with the same period last year. It is also estimated that this increase in cost of living was affected by the 149.7 percent increase in food costs, 107.5 percent increase in prices of alcoholic beverages, 81.5 percent increase in prices of nonfood items, and 64 percent increase in the price of services.

In comparison with June of this year, the cost of living indicator in July of this year for workers employed in the socialized economy was 3.5 percent higher, including a 4.5 percent increase in the price indicator for vegetables, potatoes and fruit. The increase in living costs was influenced mainly by the price increases on coffee, tea and wine, and also by the introduction of pure and flavored vodka sales outside of state control at prices on an average of 40 percent higher.

The highest increases, in comparison with June of this year, were in prices of tea and coffee--approximately 104 percent. Eggs, too, were higher than in June: about 40 percent higher in socialized trade, and about 25 cent higher on the free market; and also potatoes, about 56 percent higher in socialized trade, and about 41 percent higher on the free market. Vegetables cost about 10 percent less, and fruit about 25 percent less.

The populace's monetary income in August of this year amounted to 284.6 billion zlotys and grew by 118.7 billion zlotys, i.e., 71.6 percent, in comparison with August of last year. Emoluments for work (including workers' compensations) increased by 39.2 billion zlotys, i.e., about 43 percent, and social services (excluding compensations) rose 10 billion zlotys, i.e., 48.7 percent, and with compensations paid within the framework of social services, by an additional 32.3 billion zlotys. The populace's income from sales of farm products to units of the socialized economy increased by 29.9 billion zlotys, i.e., 91.4 percent.

The average wage (together with workers' compensations) in the four basic sectors in the socialized economy in August of this year amounted to 11,087 zlotys and was 3,678 zlotys higher, i.e., 49.6 percent, than in August last year. In industry it amounted to 11,181 zlotys (a 55.7 percent increase), including 21,073 zlotys (a 72 percent increase) in the mining industry; 22,473 zlotys (a 73.9 percent increase) in the coal industry); 10,576 zlotys (a 47.8 percent increase) in the processing industry; 10,829 zlotys (a 36.9 percent increase) in construction; 10,362 zlotys (a 37.9 percent increase) in transportation and communication, of which the average wage in transportation was 10,683 zlotys (a 37.7 percent increase) and 8,598 zlotys (a 41.1 percent increase) in communication; and 9,065 zlotys (a 49.9 percent increase) in trade.

The average wage over eight months in the four basic sectors amounted to 10,525 zlotys, a 46.3 percent increase over the same period last year.

Data also became available on the average wages in the entire socialized economy for the first six months. These wages, together with workers' compensations, amounted to 9,881 zlotys in the first six months, and increased 44.7 percent over the first six months of last year. In the particular sectors of the socialized economy they were as follows: in the municipal economy, 9,621 zlotys (41 percent increase); housing economy and nonmaterial municipal services, 8,304 zlotys (36.8 percent increase); science and engineering development, 9,186 zlotys (32 percent increase); education and upbringing, 8,793 zlotys (53.6 percent increase); arts and culture, 7,943 zlotys (37.3 percent increase); health and social welfare, 9,011 zlotys (60.9 percent increase); physical culture and rest, 7,938 zlotys (40.8 percent increase; state administration and administration of justice, 9,190 zlotys (38.2 percent increase), in which state administration wages averaged 8,738 zlotys (40.6 percent increase) and administration of justice, 10,332 zlotys (32.7 percent increase); and finances and insurance, 8,271 zlotys (45.2 percent increase).

The populace's monetary expenditures in August of this year amounted to 258.6 billion zlotys, an increase of 111.4 billion zlotys, i.e., 75.7 percent, over August of last year. In this, expenditures for purchase of goods totaled 215.8 billion zlotys, which means an 84.7 percent increase in these expenditures. The growth in expenditures for purchase of goods was more rapid, therefore, than the total monetary expenditures, and the share of expenditures for purchase of goods in the populace's total money expenditures increased from 79.3 percent in August of last year to 83.4 percent in August of this year.

The value of retail sales of goods by units of the socialized economy in August of this year totaled 230.5 billion zlotys, of which 118.8 billion zlotys was in sales of food items (together with alcoholic beverages) and 111.7 billion zlotys was in sales of nonfood items. In comparison with August of last year, the value of retail sales increased, calculated in current prices, over 87 percent. Preliminary estimates indicate that the value of food sales increased two-and-a-half-fold, nonfood items approximately 45 percent, and sales of alcoholic beverages over two-and-a-half-fold. A similar growth rate was observed in July of this year as compared with July of last year.

After approximatively eliminating the influence of price increases, retail sales in August of this year, as compared with August last year, dropped about 17 percent.

Food sales dropped approximately 11 percent and nonfood sales approximately 28 percent, but sales of alcoholic beverages increased about 28 percent.

During the January-August period this year, the value of retail sales of goods was 71 percent higher than during the same period last year, calculating in current prices. It is estimated that the value of food sales had more than doubled, alcoholic beverages sales had increased over 80 percent, and nonfood items had increased 48 percent.

After approximatively eliminating the influence of price increases, retail sales of goods during an eight-month period were 19 percent below those of the same period last year. Preliminary estimates indicate that the decline in food sales was 15 percent, alcoholic beverages about 15 percent, and sales of nonfood items, 23 percent.

The value of stocks of goods in retail and wholesale market trade on 31 August of this year amounted to 282.6 billion zlotys, calculating in current retail prices. Of this amount, stocks of food items (together with alcoholic beverages) accounted for 65.7 billion zlotys, and nonfood stocks, 216.9 billion zlotys.

The populace's monetary reserves in August grew by 26 billion zlotys, of which 9.8 billion zlotys was in cash. Over eight months the growth in the populace's monetary reserves amounted to 242.9 billion zlotys, of which 128.1 was in cash reserves. As a result, the total sum of the populace's money reserves at the end of August amounted to 1,293 billion zlotys, including cash reserves of 494.5 billion zlotys.

## Financial Situation of Enterprises

Warsaw ZYCIE GOSPODARCZE in Polish No 36, 26 Sep 82 p 7

[Text] GUS (Main Statistical Office) data on the financial situation of enterprises for the month of August tells us that the socialized enterprises in the January-July period this year (due to the data-collection procedure a month's delay in reporting occurs) realized favorable financial results, amounting to 813.4 billion zlotys, although some of the enterprises suffered losses amounting to 99.6 billion zlotys (this pertains mainly to railroad transportation). Many enterprises are still being subsidized, which is due principally to the fact that official and regulated prices were fixed at a level below the costs of manufacture. Expenditures from the state budget as supplements to the operations of enterprises totaled 460.3 billion zlotys during the seven-month period this year, and of this, subsidies accounted for 354.8 billion zlotys.

Food industry enterprises were the most highly subsidized, 122.7 billion zlotys, of which the egg-poultry enterprises received 46.7 billion zlotys, and the meat and dairy enterprises 45 billion zlotys each [?]. The hard-coal mines were subsidized in the amount of 36.8 billion zlotys, and chemical industry enterprises, 12.1 billion zlotys, including 6 billion zlotys for artificial fertilizer production and 3.1 billion zlotys for chemical fibers. Automotive transport received 37.5 billion zlotys and railroad transport, 35.7 billion zlotys.

The sums that the enterprises owed the state budget (budget income) from the division of accumulation were 8.5 percent less than the supplements, and amounted to 421.1

billion zlotys. The turnover tax, which amounted to 317.1 billion zlotys, constitutes the largest part of the liabilities. The largest burden of turnover tax fell upon the spirits and yeast enterprises, 116.7 billion zlotys, and also on the wool, knit-hosiery, and cotton enterprises. Also, the profits of the socialized enterprises were debited with an income tax amounting to 414.9 billion zlotys.

Total sums owed to the state budget from income and turnover taxes exceeded budget supplements to socialized enterprises by 81.6 percent.

In comparing three basic sectors of the national economy (industry, construction, and transportation and communication) it appears that the situation in industry is relatively the best. In industry, prime costs of sales constituted (in an eight-month period) 85.2 percent of the value of sales in selling prices, profit equaled 15.7 percent of prime costs of sales, and financial accumulation, 17 percent of this cost. In industry, accumulation from sales amounted to 14.8 zlotys per 1,000 zlotys of sales value. In construction, the same indicators amounted to 86.5 percent (share of prime cost of sales in value of sales in selling prices); 15.0 (ratio of profit to prime cost); 15.1 percent (ratio of accumulation to cost); 135 zlotys (accumulation per 1,000 zlotys of sales). In transportation and communication these indicators were as follows: 108.3 percent; 17.9 percent; minus 7.2 percent; minus 86 zlotys.

Unfortunately, good financial results do not always attest to economical management in enterprises. They are particularly questionable when they are accompanied by a drop in production and an increase in prime costs of production. The financial situation in these cases is most often improved by price increases, which are facilitated by the monopolistic position of the enterprises or by irregularities in the mechanisms for establishing prices. The flow of money to enterprises through budget subsidies can often be similarly assessed (if this money makes the enterprises financial comfortable despite frequently high and unjustified costs). The question arises as to whether and how the financial-economic statistical reporting of enterprises can be developed to more fully explain this type of problem.

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SPECIAL CURRENCY EXCHANGE RATE TABLE PUBLISHED

Warsaw TRYBUNA LUDU in Polish 4 Oct 82 p 7

[Text] Announcement of Exchange Rates Table No 40/82, effective 4 October 1982, by Stanislow Majewski, president, Polish National Bank, on 4 October 1982.

In purchases of travelers' checks for rubles, issued by the USSR Foreign Trade Bank and payable outside the USSR in the currency of the country where cashed, an exchange rate of 11,799.00 zlotys per 100 rubles is applied.

II. Foreign-Currency Exchange Rates in Zlotys for Countries of the Second Payments Area [Capitalist Countries]

Exchange Rate Table No 40/82

Foreign Currency Exchange Rate in Zlotys for Countries of the First Payments Area

Exchange Rate for Commercial Payments

| Country | Cur Symb | Currency | Foreign Exchange Purchase | Sale | Average |
|---|---|---|---|---|---|
| CEMA countries | 101 | 1 transfer ruble | 67.66 | 68.34 | 68.00 |
| Albania | 315 | 1 clearing ruble | 67.66 | 68.34 | 68.00 |
| People's Republic of Korea | 319 | 1 clearing ruble | 67.66 | 68.34 | 68.00 |
| Laos | 322 | 1 clearing ruble | 67.66 | 68.34 | 68.00 |
| Vietnam | 320 | 1 clearing ruble | 67.66 | 68.34 | 68.00 |

| Country | Curr Symb | Currency | Foreign Exchange and Money Purchase | Sale | Average |
|---|---|---|---|---|---|
| Albania | 215 | 100 lek | 513.42 | 518.58 | 516.00 |
| Bulgaria | 202 | 100 leva | 4,884.54 | 4,933.64 | 4,909.09 |
| Czechoslovakia | 203 | 100 koruna | 429.84 | 434.16 | 432.00 |
| People's Republic of Korea | 219 | 100 won | 1,243.75 | 1,256.25 | 1,250.00 |
| Cuba | 208 | 100 peso | 3,227.02 | 3,259.46 | 3,243.24 |
| People's Republic of Mongolia | 204 | 100 tugriks | 856.93 | 865.55 | 861.24 |
| German Democratic Republic | 205 | 100 marks | 1,343.25 | 1,356.75 | 1,350.00 |
| Romania | 206 | 100 lei | 431.56 | 435.90 | 433.73 |
| Hungary | 207 | 100 forints | 291.42 | 294.34 | 292.88 |
| Vietnam | 210 | 100 dong | 375.08 | 378.84 | 376.96 |
| USSR | 201 | 100 rubles | 4,298.40 | 4,341.60 | 4,320.00 |

Exchange Rates Table No 40/82

| Country | Curr Symb | Currency | Foreign Exchange Purchase | Foreign Exchange Sales | Money Purchase | Money Sales | Average |
|---|---|---|---|---|---|---|---|
| Saudi Arabia | 771 | 1 rial*** | 25.22 | 25.48 | -- | -- | 25.35 |
| Australia | 781 | 1 Austral. dollar | 32.65 | 83.49 | 81.41 | 84.73 | 83.07 |
| Austria | 786 | 100 shillings | 487.73 | 492.63 | 480.38 | 499.98 | 490.18 |
| Belgium | 791 | 100 francs | 176.91 | 178.69 | 174.24 | 181.36 | 177.80 |
| Denmark | 792 | 1 kroner | 9.80 | 9.90 | 9.65 | 10.05 | 9.85 |
| Finland | 780 | 1 markka | 17.92 | 18.10 | 17.65 | 18.37 | 18.01 |
| France | 793 | 1 franc | 12.14 | 12.26 | 11.96 | 12.44 | 12.20 |
| Greece | 724 | 100 drachmas | 120.84 | 122.06 | 104.74 | 123.88 | 121.45 |
| Spain | 785 | 100 pesetas | 76.05 | 76.81 | 74.90 | 77.96 | 76.43 |
| Holland | 794 | 1 florin | 31.32 | 31.64 | 30.65 | 32.11 | 31.48 |
| India | 543 | 100 rupees*** | 895.42 | 904.42 | -- | -- | 899.92 |
| Ireland | 782 | 1 pound*** | 117.19 | 118.37 | -- | -- | 117.78 |
| Japan | 784 | 100 yen | 32.32 | 32.64 | 31.83 | 33.13 | 32.48 |
| Yugoslavia | 718 | 100 dinars | 178.90 | 180.70 | 155.06 | 193.40 | 179.80 |
| Canada | 788 | 1 Canad. dollar | 70.29 | 70.99 | 69.23 | 72.05 | 70.64 |
| Kuwait | 770 | 1 dinar*** | 297.70 | 300.70 | -- | -- | 299.20 |
| Lebanon | 752 | 1 pound | 16.72 | 16.88 | 16.46 | 17.14 | 16.30 |
| Libya | 651 | 1 dinar*** | 292.74 | 295.68 | -- | -- | 294.21 |
| Luxembourg | 790 | 100 francs | 176.91 | 178.69 | 174.24 | 181.36 | 177.80 |
| Norway | 796 | 1 kroner | 12.45 | 12.57 | 12.26 | 12.76 | 12.51 |
| Portugal | 779 | 100 escudos | 98.44 | 99.42 | 95.32 | 100.91 | 98.93 |
| FRG | 795 | 1 mark | 34.25 | 34.59 | 33.73 | 35.11 | 34.42 |
| United States | 787 | 1 dollar* | 86.76 | 87.64 | 85.46 | 88.94 | 87.20 |
| Switzerland | 797 | 1 franc | 39.94 | 40.34 | 39.34 | 40.94 | 40.14 |
| Sweden | 798 | 1 kroner | 13.81 | 13.95 | 13.60 | 14.16 | 13.88 |
| Turkey | 627 | 100 pounds | 53.07 | 53.61 | 46.00 | 54.41 | 53.34 |
| Great Britain | 789 | 1 pound** | 147.69 | 149.17 | 145.46 | 151.40 | 148.43 |
| Italy | 799 | 100 lira | 6.10 | 6.16 | 5.29 | 6.25 | 6.13 |

[footnotes for table]

* Valid also in clearing accounts with the following countries: Bangladesh, Brazil, Ecuador, Greece, Iceland, Kampuchea, Colombia, Lebanon, Pakistan, Peru and Turkey.

** Valid also in clearing accounts with the following countries: Nepal and Pakistan.

*** The Polish National Bank does not purchase money in these currencies.

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REVIEW OF INVESTMENT PRACTICES PUBLISHED

Warsaw INWESTYCJE I BUDOWNICTWO in Polish No 2-3 Feb-Mar 82 pp 33-35

[Article by Edmund Czarski: "From Investment Practice in the Years 1976-1980"]

[Text] One of the basic tasks at present is the configuration of the investment front. Work discipline and organization, orderliness and regularity, and the level of economic management (for example, in the field of using and conserving specialized building equipment, means of transportation, machinery and equipment, consumption of and accounting for materials, and the quality of performance) is at a very low level in investment-project construction.

The reasons for the emergence of typical liberalism in the investment front are varied. It seems that the origins can be found in a one-sided attitude toward processing indicators, which caused the object of interest in enterprises to begin to be intermediary results rather than final ones. This weakened control and stability in the investment process, the consequence of which was excessive extension of investment cycles, failure to reach the envisaged technical-economic parameters, low work quality and labor productivity, extensive absenteeism and stoppages, and "rush work." A mechanism was developed for directing building enterprises toward intermediary and "processing" phases rather than toward a final result or finished facilities--beginning excavations, increasing the number of unfinished buildings, and so on.

The Katowice Voivodship, which previously had an enormous concentration of investment outlays, is currently afflicted by the paralysis of investment activity prevailing in the country.

In 1970-1980 investment outlays in the socialized economy came to about 750 billion zlotys (about 480 billion of them in industry) and took the following shape in individual years (in current prices):

in 1970, 25.4 billion zlotys (13.9 percent of national outlays),
in 1975, 82.0 billion zlotys (16.4 percent of national outlays), and
in 1980, 116.0 billion zlotys (21.6 percent of national outlays).

The valid conviction that there is a close relationship between the size of investments and economic growth has been discredited in the Katowice Voivodship by the practice of introducing improper investment trends.

The share of outlays for industry in the total of investment outlays was maintained in the voivodship for 20 years at a steady high level (approximately 69 percent). As a rule this happened at the cost of the extent and quality of housing construction, community and social infrastructure facilities and their use (water intake and supply, sewage discharge and treatment, heating, power and gas equipment, and telecommunication centers), at the cost of basic and specialized medical care (in-patient and out-patient), facilities for mother and child care, social aid agencies, medical rehabilitation institutions, and at the cost of mass transport and communication, trade, agriculture, education and culture.

The steady planned increase in tasks (quantitative and of a planned processing value) has deviated systematically from their execution, which reached only about 53.5 percent in 1980 (30.1 percent of the local plan). At the same time they tolerated "wild" investments and the construction of forest cottages and villas (often breaking building code regulations and due protection of the agricultural area) at the cost of shortage and deficiencies in the housing policy.

Another shortcoming in the practice of investment completion was the high degree of dispersion in the building industry. Some 189 building enterprises were located in the voivodship area, including 149 builing and mounting enterprises (of the total number of 1,230 in the country), subject to 36 associations and 14 ministries (as of 31 December 1980) and employing approximately 215,000 people, constituting almost 20 percent of those employed in this branch in the country.

A different profile of the activity of the building and mounting enterprises determined that their scope included the entire country, and they performed work worth about 11 billion zlotys annually outside of the voivodship. At the same time the shortage in capacity was supplemented by the enterprises from outside the voivodship area with the production of about 13 billion zlotys worth of basic production. These enterprises worked mainly for the "Katowice" Metallurgical Plant.

For a number of years the building and mounting enterprises of the building ministry had constructed approximately 60 percent (78 percent nationwide) of all of the socialized housing construction, and about 60 percent (90 percent nationwide) of the socialized housing construction for the non-agricultural populace. In addition these enterprises constructed approximately 51 percent (70 percent nationwide) of the public facility buildings and 36.6 percent (70 percent nationwide) of the engineering construction associated with land development. The general growth rate in investment outlays in the socialized economy in the last 5 years took the following shape.

| Table 1 | 1976 | 1977 | 1978 | 1979 | 1980 |
|---|---|---|---|---|---|
| | | Previous year = 100 | | | |
| Growth rate of investment outlays (Constant prices of 1 January 1977) | 111.9 | 96.8 | 98.5 | 96.5 | 103.7 |

The table reveals a clear lack of rhythm which is characteristic, and not only of the investment process in the voivodship. Voluntariness, trust in the infallibility of decisions adopted, a change in priorities, a faulty structural division of resources, a shift in resources and their constant shortage, excessive transport-intensiveness in the investment process, and primarily "delays" determined the rather random level of plan fulfillment. The latter never had decisive significance and counted mainly on the introduction of new investments into the plan and on their initiation (deviations from the plan went as high as 30 percent). The average implementation cycle of investment was thus constantly lengthened (Table 2).

Table 2

| | | 1976 | 1977 | 1978 | 1979 | 1980 |
|---|---|---|---|---|---|---|
| Average cicle of implementation in months | Directive-type | 58.0 | 40.4 | 45.2 | 37.6 | 28.2 |
| | Actual | 59.2 | 43.5 | 51.7 | 57.6 | 34.3 |
| | Directive type = 100 | 102.1 | 107.7 | 114.4 | 126.6 | 121.6 |

To the background of the data in Table 2 should be added that more than 60 percent of the investment tasks were "rummaged through" and implemented with a considerable extension of the originally compulsory building cycle.

In the face of the delays in meeting parts of the tasks, the deadlines for putting them into service were shifted. For example, this referred to 32 investments (that is, 12 percent of the settlement and final tasks) in the group of tasks finished in the central plan in 1978, to 60 investments (that is, 20.7 percent) in 1979 and to 83 investments (that is, 33.7 percent) in 1980. But even these extended terms were not met by the contractors in a large number of the tasks. The unfortunate situation of 1978-1979 within the implementation cycle was continued into 1980 as well. It is estimated that approximately two-thirds of the investments were implemented late.

Increased freezing and commitment of outlays were caused by the high level of investment in the voivodship, the introduction of new tasks to be implemented and the extension of the implementation cycles with a drop in the growth rate of investment outlays for investment construction. The level of commitment of investment outlays in the voivodship economy took the following form in successive years (Table 3).

Table 3

| Item | 1976 | 1977 | 1978 | 1979 | 1980 |
|---|---|---|---|---|---|
| Total commitment in billions of zlotys including | 151.5 | 134.7 | 189.9 | 289.1 | 302.4 |
| Particularly important investments | 58.9 | 37.3 | 77.9 | 68.1 | 117.1 |

Against the background of outlays implemented for investment construction in 1980, amounting to 73.4 billion zlotys, the commitment coefficient in the voivodship as of the end of the year exceeded 4 years, with 6.2 years in the area of the metallurgical ministry investments, 3.6 years for mining, 3.4 years for local plan investments and 2.5 years for cooperative housing construction.

The state of freezing in the individual years took shape in the voivodship economy as follows (Table 4).

| Table 4<br>Item | 1976 | 1977 | 1978 | 1979 | 1980 |
|---|---|---|---|---|---|
| Total freezing in billions of zlotys including | 111.7 | 106.3 | 87.9 | 108.5 | 113.2 |
| Particularly important investments | 67.1 | 57.7 | 36.3 | 22.3 | 39.4 |

The above shows that the low level of plan implementation, especially the plan of turning facilities over to use, was reflected at the end of 1980 in the high state of freezing of outlays in investment construction (113.2 billion zlotys), including the increase in stocks of unutilized machinery and equipment (10.3 billion zlotys) and the increase in committed outlays for following years in the amount of 302.4 billion zlotys. The share of the voivodship in the country amounted to:

--in the area of frozen outlays, 14.4 percent, and
--in the total commitment, 24.6 percent.

A favorable trend appeared in 1976-1978 in the process of utilizing facilities obtained from investment activity, while a weakening in results in this sector appeared in 1979-1980.

In the period of 1976-1980 the amount of investment outlays implemented in the socialized economy of the voivodship amounted to a total of 521.8 billion zlotys, constituting 18.3 percent of national outlays.

Moreover a weakening trend is observed in the fulfillment of the plan of turning to use the tasks in socialized investment construction and is presented as follows in 1976-1980 (Table 5).

Table 5

| Item | 1976 | 1977 | 1978 | 1979 | 1980 |
|---|---|---|---|---|---|
| Central plan | 84.8 | 88.4 | 89.6 | 80.6 | 62.4 |
| Local plan | 62.9 | 70.4 | 62.0 | 75.5 | 36.2 |

However, it is worth pointing out that in the central plan, despite the drop in the growth rate, outlays have considerably increased in the mining ministry from 24.9 billion zlotys in 1976 to 46.2 billion zlotys in 1980. This is associated among other things with the initiation of the construction of new mines.

The highest concentration of investments in the country has appeared in the Katowice Voivodship that are of particular importance for the national economy and come to 33 investments in 1976, that is, 40.2 percent of all outlays in the voivodship, and 23 investments in 1980, that is, 16.7 percent of all outlays in the voivodship.

In 1976-1980 a definite growth appeared in outlays for nonproduction investments in the voivodship. Their share in total voivodship outlays is shown in Table 6.

Table 6

| Item | 1976 | 1977 | 1978 | 1979 | 1980 |
|---|---|---|---|---|---|
| Nonproduction investment in percentage | 14.3 | 16.5 | 19.6 | 24.1 | 24.5 |

The undeniable total growth in investment outlays for nonproduction activity, presented above, was not able to change the ratios set by long-term and marked preferences in the development of the production and nonproduction spheres.

Weak points in the investment process, particularly the frequent "delays," the extension of the investment cycle and the very extensive freezing of funds also affected nonproduction investments. Here the share of outlays for the social infrastructure is far from meeting the needs. In 1980 this share in the investment area in science and the development of technology amounted to 0.3 percent (0.8 percent in 1975), in the area of education and training it reached 0.8 percent (1.3 percent in 1975) and in the area of health protection and social care it came to 1.1 percent (0.8 percent in 1975).

These highly unfavorable disproportions between the main components of the social infrastructure and the sphere of production activity within the voivodship continued and, in some cases, even intensified the appearance of barriers to the socioeconomic development of the voivodship.

Today, in view of the high degree of property depreciation, more than 45 percent of the base existing in in-patient medical treatment should be subject to liquidation. At the same time we need almost 100 kindergartens, 40 elementary schools, approximately 350,000 $m^3$ of library space, 70,000 seats in movies, 40 cultural centers, 50,000 seats for diners and more than 320,000 $m^2$ of shop floor space. The goal of employing some additional 19,000 people, mainly transients, in the mines in 1981-1982 is producing a special concentration of social needs (housing, water, heat, transportation, nurseries, kindergartens, schools, social services, culture, accessories and so forth) in such urban areas as Jastrzebie, Wodzislaw and Ruda Slaska.

The lack of processing capacity to implement the local plan investments is an inhibiting factor and weak point in the area of social infrastructure development in the voivodship. A radical change in this state of affairs is an urgent task in the very near future.

Since 1981 the entire national economy has exhibited a fundamental reduction in the level of investment, which is particularly reflected in the Katowice Voivodship. Implementation of approximately 80 investment tasks with a cost calculation value above 170 billion zlotys has been suspended. The reductions mainly concern the metallurgical and the machine industry ministry and the ministry of mining and power. The share of outlays for production investment

is dropping to 31 percent, with a simultaneous assignment of priorities to facilities for education and training, health protection, the agriculture and food block, transportation, power and residential construction, the resources and structure of which constitute one of the main concerns of the voivodship administrative authorities.

6806
CSO: 2600/794

# PROGRESS OF ECONOMIC REFORM IN ENTERPRISES ANALYZED

## Performance of Supply System

Warsaw ZYCIE GOSPODARCZE in Polish No 29, 8 Aug 82 p 7

[Article by Andrzej Szeworski]

[Text] In the period from March to June of this year, the Institute of National Economy conducted a survey on the operating conditions of enterprises in the initial phase of implementation of the economic reform. The survey covered 5 machine industry enterprises, 12 light industry enterprises, 7 chemical industry enterprises, 2 food industry enterprises and 1 enterprise each from the furniture, optical and porcelain industries as well as from the group of so-called other industries. Studies and analyses were made of the four key areas of actual activity of the enterprises, namely, supply of materials and technology, investment activity, foreign trade and labor management. The results of the survey will be presented in four consecutive articles in our weekly. Today we publish part one, dealing with supply.

One of the principal aims of the economic reform being implemented is to create conditions for better management of the turnover of the supply of materials and technology by abandoning a detailed, central distribution system in favor of freely concluded agreements between independent enterprises. The crisis in our economy, reflected, among other things, in an acute shortage of basic raw materials and other materials, has led to the adoption of a variant that restricts the intended solutions for the supply system and to the creation of preferences for those products that are regarded as indispensable. The restrictions have consisted, on the one hand, in the introduction of a central distribution system with regard to selected basic raw materials and other materials, as well as machinery and equipment, their turnover being controlled by the obligatory service of designated supply centers, and, on the other hand, in the designation of economic priorities through controls, within their scope, by so-called operational programs. Participation in the implementation of operational programs, whose targets imply full material and technical backing, entitles an enterprise to priority and preferential treatment in obtaining supplies.

## Defects of Central Distribution

As it turns out, the intended supply system has been, in practice, dominated by its modifications. Only 4 out of 30 surveyed enterprises are not participating in the implementation of an operational program, and only in one instance (a pharmaceutical enterprise) do supplies obtained through freely concluded agreements represent a significant figure of 55 percent. In nearly all the enterprises, the bulk of the supplies is obtained through obligatory agency service—which means that it is centrally distributed. The operative scope of freely concluded agreements (except for the above-mentioned instance) is very narrow and in just a few cases does it constitute 20-30 percent of all supplies, more frequently ranging from 10 to 20 percent.

The survey does not make it possible to assess to what degree the supplies implemented within the framework of operational programs originate from a central distribution system and to what degree they involve supplementary materials obtained through freely concluded agreements. In the estimation of 8 or the surveyed enterprises (which are implementing operational programs), the operative supply system is unsatisfactory, whereas it is satisfactory in the estimation of 4 enterprises; on the other hand, the remaining 14 enterprises either do not express qualitative opinions or state that operational programs have brought about no change. The enterprises that give a positive assessment of the system have been assured complete funding of their needs for materials within the framework of production, which is included in operational programs, whereas the remaining enterprises receive incomplete funding, a fact they either assess negatively or express no opinion about.

The central distribution system of raw materials and other materials is the principal source of supply for the surveyed enterprises. It is difficult to assess the differences in the operation of individual turnover centers, because the respondents did not mention this subject. It is possible to surmise that only fuels and energy are allocated, regardless of whether an enterprise is implementing an operational program in the form of an allotment that must not be exceeded under threat of heavy fines. The remaining supplies of materials and technology, whose turnover is included in the obligatory service of centers, are obtained by the enterprises through one of the following procedures:

--making a request [for supplies] to the office of the plenipotentiary for an operational program, who subsequently allocates supply centers to the enterprises according to his own distribution list;

--making a request for materials directly to centers of obligatory agency service;

--utilizing the agency service of specialized supply enterprises that are being created within the framework of associations.

The latter procedure is operative in the association of knitwear and hosiery industry. Their estimates of their needs for materials and raw materials are broken down into operational programs and into quarters. The plenipotentiary,

after totaling the orders, refers the matter to a specialized supply enterprise, which then allocates turnover centers and suppliers to the enterprises.

The enterprises point to the following defects of the operative system of central distribution:

1. Agency service centers, and plenipotentiaries, often make binding designations of suppliers. It often happens that the location of a supply source is inconvenient for an enterprise (there is an alternative of utilizing sources located closer by) or the quality of production of the allocated supplier is unsatisfactory.

Enterprises are helpless in such cases.

2. Centers and suppliers do not have a binding obligation with regard to deliveries even when an enterprise is implementing an operational program.

3. Some centers are influenced by special considerations, e.g., the Center for Coal Turnover supplies first those enterprises that are implementing an operational program of coal mining and transportation.

4. There is widespread failure to meet the demand for raw materials and other materials for the implementation of operational programs and, in the opinion of many enterprises, there is no possibility of obtaining centrally distributed materials outside of an operational program.

5. There are cases in which the bureaucratic procedure of operation of some centers of obligatory agency service results in a faulty supply structure in the enterprises (due to the general shortage of most materials, any surpluses originating in the enterprises may not be included in the turnover within the framework of freely concluded agreements).

Within the Framework of Freely Concluded Agreements

On the basis of the survey it is difficult to determine what portion of supplies for production included in operational programs is purchased by the enterprises within the framework of freely concluded agreements. It is possible to ascertain that, just as in the case of obligatorily distributed materials, participation in the implementation of an operational program does not guarantee full implementation of an agreement by a supplier. As for obtaining supplies through freely concluded agreements made outside operational programs, this concerns a negligible portion of the requests of enterprises, such as supplementary materials; frequently, however, it concerns important and indispensable production components.

The negligible market supply, accompanied by the huge and unmet demand of the enterprises, creates a situation in which half of the surveyed enterprises conclude agreements with virtual monopolists. Hence widespread price-fixing by the suppliers, not subject to negotiation in most cases. Only five enterprises mentioned price negotiations being conducted at the time that an agreement was being concluded. The conditions of agreements are burdensome for

the consignees; the suppliers request repayment of their foreign currency contribution (eight enterprises), and in one case the supplier demanded participation in the expansion of the plant (a mine) supplying the customer. On the other hand, some enterprises are inclined to cede their foreign exchange allocation in order to purchase needed materials, but they cannot find a supplier. Three of the surveyed enterprises assert that the "freely con ded agreements" market does not exist in practice (they never came in contact with it).

Most frequently, agreements are concluded on the basis of old, traditional contacts whose scope becomes narrower and narrower. Only a few enterprises mentioned searching for a supplier on various commodity exchanges.

Better off are enterprises with long-term contracts for deliveries (e.g., of packaging materials), because now they only have to verify their conditions regarding prices. In connection with the shrinking of the "freely concluded agreements" market, the enterprises demand the establishment of a central data bank for bids and propose other, similar solutions.

Barter trade is a common form of transaction based on freely concluded agreements; frequently, it involves goods in short supply, not always of their own production (e.g., those used in personal hygiene). Only 1 of the 30 surveyed enterprises was given an opportunity to choose between two offers. In general, it is possible to assert that in the area of supplies that are included in the turnover based on freely concluded agreements, the purchasers have to deal with a "manufacturer's market," in all its negative aspects.

In the surveyed enterprises there is general uncertainty as to the long-range supply situation; a third of the surveyed enterprises did not even have guaranteed deliveries of raw materials and other materials for 1 April of this year. The remaining 20 enterprises had assurances of full or partial deliveries for the second quarter of this year, but only 5 of these had long-range prospects for continued deliveries. Agreements that continue into the future are conditional in nature, in the form of so-called understandings that generally are not binding on the suppliers.

Just as much concern is caused by the management of supplies in the surveyed enterprises. In almost all of them, the level of supplies is lower than the required standard, imperiling the continuity of production; this is related also to their defective structure.

In the surveyed enterprises that utilize the services of coproduction there is a prevailing opinion that virtually nothing has changed in this supply procedure. They do not notice any changes that might result from the elimination of associations, and they attribute the worsening supply situation (reflected, among other things, in the decrease in the number of coproduction enterprises) to general problems of supply. Only in one instance (enterprises in the household supplies branch) was there an affirmation of definite improvement in coproduction supply being a result of the implementation of an operational program.

## Assessment and Demands

It is difficult to assess the operation of the existing supply system in a situation of a general shortage of materials and raw materials and widespread complaints about this state of affairs. For it is necessary to separate factors resulting from an objective assessment of our economy as creating shortages and supply problems from the influence of the operative system mechanissms on this situation.

It appears that the assessment of the supply system by the surveyed enterprises was strongly influenced by the first of the above-mentioned factors, which does not hide the irregularities in the functioning of the operative mechanism. As mentioned at the beginning, the intended system of freely concluded agreements has been dominated by the introduction of an obligatory distribution system of basic raw materials, other materials and equipment, and by the designation of production priorities (operational programs). The sphere of operation of freely concluded agreements, which were to favor better utilization of raw materials and other materials, was relegated to the background. In this situation, a common solution was to search for sources of supply while "hitching up to an operational program," thus expanding the range of production to be included in operational programs. These actions, on the one hand, resulted in automatic restrictions on the scope of operations of freely concluded agreements and, on the other hand, created problems in the procedures for obtaining supplies as implemented within the framework of [operational] programs.

In many cases, the implementation of an operational program ceased to be a guarantee of full supply, thus undermining the effect of this solution, because the basic criterion of its effectiveness--complete totaling of needs for materials--ceased to be operative. The failure to total the need for materials within the framework of operative programs revealed the selfish concerns of centers rendering agency services in the turnover and the creation of supply "priorities," these being the well-known "traits" of the traditional supply system.

In light of this, a reduction in the number and scope of operational programs seems justified. As a result, we could expect an improvement in the supply situation within the implemented programs by providing them with all the needed supplies of materials; we could also be sure that a considerable portion of centrally distributed materials would become the object of freely concluded agreements (with the centers still rendering obligatory agency service). This would favor, first, better utilization of these materials and, second, might break the monopoly of suppliers outside operational programs--something that enterprises generally complain about.

Finally, it is worth mentioning that only very few surveyed enterprises question the procedure of obtaining supplies through plenipotentiaries, for reasons having to do with formalities and bureaucracy. At the same time, "enthusiasm" about operational programs and the central distribution system is expressed only by those enterprises that feel they derive definite benefits from it. Frequently, this is also a result of the still strong sentiment for the traditional supply system, which has been so "convenient" for an enterprise.

## Role of Investments

Warsaw ZYCIE GOSPODARCZE in Polish No 30, 15 Aug 82 p 9

[Article by Joanna Kotowicz]

[Text] A study of the investment activities of enterprises under the [economic] reform, conducted in 30 industrial plants, has demonstrated that only 1.3 percent (4 plants) of the economic units under study do not engage in such activities. Enterprises that make investments concentrate mainly on the implementation and completion of projects being continued from previous years (65 percent) and also on investment purchases of a renovative nature (69 percent). New investments are being initiatied this year by 30 percent of the enterprises studied. Their own continued and new investments are predominantly small-scale modernization projects whose cost-estimate value ranges from 5 to 15 million zlotys and which are financed mainly from the development fund.

### Tendencies and Phenomena

In the group of enterprises under study, just two--food industry plants and optical industry plants--are implementing continued central investments. The first are continuing the implementation of four small-scale central projects (whose average cost-estimate value is 2 million zlotys), and the latter are continuing two significant projects, already far advanced (54 percent and 57 percent completed), which they expect to complete in 1983.

Two instances of new relationships between the indigenous development activity of enterprises and the central investment plans have to be noted. The first is a central investment, 80 percent completed, whose implementation had been assumed by a furniture enterprise (the "adoption" of an investment), which then altered its goal and applied to a bank for a final, modest portion of credit (10 million zlotys). Credit has been granted and the project is being continued as [the enterprise's] own investment.

The second instance is an attempt to include--via a ministry--a capital-intensive indigenous project in the central investment plan. An argument here was to be the considerable investment indebtedness of the enterprise, which would encumber profits to be shared until 1986. We should add that this enterprise had already secured the necessary import purchases (!). By the end of this first quarter, this project still was not included in the pool of central investments.

In seven enterprises out of those under study, a reduction in investment activity has been noted, with simultaneous initiation of protective activities being financed through bank credits.

In six enterprises, deferment of [investment] projects is of a temporary nature; only in one instance (machine industry) has there been complete relinquishment of the implementation of an export-oriented investment, highly effective under the old price structure but not ineffective because of the new price structure. While the value of a plant increased 3.5 times, the

increase in the value of its production was estimated at 1.8 to 2.5 [times]. For this reason, and on account of the enterprise's lack of credit capability, the bank refused to grant credit, despite the fact that the implementation of the investment had been preceded by long-time preparatory work, by the enterprise's participation in a city's infrastructure investments and by the opening of a school to train cadres for the projected plant. Protective work, financed by credit, has been initiatied, the total outlay not to exceed 30 million zlotys.

One of the suspended central projects (food industry) has already been resumed in view of the market and proexport nature of its production.

An examination of the process of investing in the enterprises under study also indicates that this process, by concentrating on continued modernization and purchasing projects, is only indirectly oriented toward the implementation of projects that result from operational programs. It has complete contracting security, which is achieved for the most part through its own resources (e.g., repair teams). Only in one plant (pharmaceutical industry) did we ascertain that inclusion of the implementation of investments in an operational program made it possible to compel the contractors to shorten the implementation cycles, complete the work during the current year and accelerate deliveries of machinery and equipment.

The enterprises have complete independence with regard to decisionmaking within the scope of investment projects being undertaken by them; their development activity is not interfered with by the associations that are being formed.

Conditions of Financing

The extent and structure of the investment activities of the group of enterprises under study are determined by the very limited pool of funds available for the implementation of these investments. We can, however defend a thesis that under conditions of a sharp imbalance between investments and macroeconomics, the justified slowing down of investment demand, thorugh a policy of "difficult" credit and of returning to the budget a considerable portion of amortization, has nevertheless intervened too drastically in the renovation activities of enterprises, leaving too small a pool of funds for indispensable renovation and modernization investments. This may pose, in the near future, a serious danger of depreciation of production-type fixed assets, which may affect our entire national economy.

The first factor that limits this pool of funds and generates the above-mentioned danger is the disproportionately small share of amortization that is left in the development funds of the enterprises in relation to the amount of amortization being returned to our [state] budget. This regulation is contrary both to the assumptions of the intended economic and financial system of investments (100 percent of amortization to be left in an enterprise) and to those of the system during the transitional period (70 percent--cf. "Organization and the Investment System" in the report of Group V of the Commission on Economic Reform, Warsaw, 1981).

From an analysis of the distribution ratios of amortization allowances in the enterprises under study in the years 1981-82, it follows that in 197 out of 19 enterprises furnishing complete data, the amounts of amortization allowances returned to the [state] budget during the current year considerably exceed the amounts returned for this purpose in 1981. Thus, in the majority of units under study (79 percent), there has been a sharp decrease in the indigenous funds available for renovation projects.

At the same time, we have noted successful interventions by enterprises at the Ministry of Finance to let them keep the entire [amortization] allowance in their development funds. The interventions were brought about with the aid of informal ties of enterprises with the ministries representing them. Three of these interventions, carried out by enterprises of the pharmaceutical and food industry, were successful. Full availability of amortization was expanded to include the majority of enterprises in the above-mentioned branches [of industry] implementing key operational programs.

Cooperative enterprises, whose principles of operation are defined by separate regulations, are also entitled to have full amortization available to them. In view of the special characteristics of these arrangements, we will devote somewhat more attention to them. These arrangements exist in two of the surveyed enterprises.

In the first, the total of the amortization provides 81.5 percent of the investment fund. The enterprise does not have an investment fund of the type defined in Resolution 243 of the Council of Ministers [RM] of 30 November 1981, but it has an investment fund that is replenished from amortization allowances and allocations from the profits to the investment fund made through the central office of the cooperative enterprise. The profits from the subordinate cooperatives are paid into a centralized pool of funds. There--after taxes are deducted--a centralized development fund is calculated. It was from this fund that the enterprise obtained money for its own investment fund during this year--15.5 percent from the latter fund plus 3 percent from the specialized production fund.

The amortization, with an encumbrance by investment debt amounting to 57 percent of the investment fund, will allow complete funding of the indispensable renovation operations of the enterprise during the current year.

The second serious danger to the self-financing of the needed renovation of the production-type fixed assets in the enterprises under study is represented by their being considerably encumbered with investment debts from past years. Under conditions of "difficult" bank credit, the enterprises pay off this debt from their development funds, and mainly from the available portion of amortization allowances.

In 20 enterprises (furnishing complete data), amortization provides, on the average, 30 percent of the development fund. Only in one enterprise are the proportions of the share of the supply sources of development reversed (15.5 percent from profits and 81.5 from amortization), with an amortization allowance of 100 percent.

In another enterprise, the entire development fund is earmarked for the repayment of investment credit, and in still another, as a result of a large debt, the fund has an adverse value. In electronic industry plants, the development fund is replenished with money from the social fund. In four enterprises, due to the difficulties involved in preparing an estimate-type forecast of profits (changing prices), no plan for a development fund has been prepared.

In 12 out of the 30 enterprises under study, an average 56 percent of amortization allowances has been earmarked for the repayment of credit obligations incurred by investment debts. Thus, repayment of debts incurred by investments that were often approved outside an enterprise, by encumbering its amortization fund, restricts the scope of an enterprise's limited renovation and modernization activities.

The situation of debt-encumbered enterprises varies greatly, not only because of differences in their credit capability but also on account of the particularly advantageous situation of some plants, whose debts have been paid by associations being liquidated from the latter's reserve and development funds. Such a situation has been observed in two of the enterprises under study. In a furniture plant, with planned net profits of 200 million zlotys during the current year, the association paid off a debt amounting to 500 million zlotys. This created a base for the self-financing of the development activity of the enterprise during the current year. Another example of the "buying out" of a plant by an association being liquidated is an enterprise of the rubber industry where, with a development fund of 176.9 million zlotys being planned for the current year, the association paid off debts amounting to 1.2 billion zlotys.

These examples indicate that the improvement in the financial situation of some enterprises, as a result of the repayment of their debt, increases the differentiation in the starting conditions of enterprises encumbered with investment debts, thus placing some of these enterprises in a privileged position.

Another factor that can limit the scope of available financial resources for the development fund is the introduction by the bank, when granting working-capital credit of additional requirements with regard to an enterprise's own working capital funds. To meet these requirements, enterprises replenish the charter fund from the financial resources of the development fund, which limits the scope of their investment activity. Among others, this problem was noted in machine industry enterprises, pharmaceutical industry enterprises and light industry enterprises. In one of the light industry enterprises, 80 percent of the development fund was earmarked for the financing of working capital, and 82 percent was so earmarked in another enterprise of the same [industry] branch. In still another enterprise, in view of the lack of indigenous resources for the renovation of very antiquated machinery, it has been ascertained that "machine revolutions are reduced purposefully to prolong the life of the machinery" (sic!).

The study of the field of investment activity also included estimates of the effectiveness of investments and the effectiveness standard (discount rate) in the credit relations of the enterprises with the bank under the conditions of the [economic] reform.

The bank estimate of the credit effectiveness of investment projects based on two principal criteria:

--the period of return of incurred outlays and

--analysis of the correctness of the accounting formulas that are used by an enterprise.

One can also note instances in which the bank imposed an additional condition, e.g., that a plant be put in operation as of 1 January 1982 or that the production profile of a plant conform completely to the production range of a given ministry.

Credit capability is the basic criterion for granting all kinds of credit. As a side note, we can add that the relations with the bank were defined [by the respondents] either as "partner-type" or "formal and bureaucratic," depending on the extent of the credit capability of an enterprise and the resultant various degrees of difficulty in obtaining credit.

The calculation of the effectiveness of investments made by enterprises is still based on the E formula (particularly for modernization), supplemented by the criterion of the period of return and of renovation needs for the preserving the current level of production (pharmaceutical and optical industry). Other operative criteria are savings on raw materials (a rubber industry enterprise), improvement of work safety and conditions (bhp) and increased production by customers (optical industry).

This study provides a partial answer to a theoretical question now being asked--whether the cost effectiveness of an investment under the conditions of the reform should be based on one criterion or on many criteria. Despite the return period and the E index being essentially identical, the enterprises [under study] nevertheless utilize a number of additional noncosteffectiveness criteria in their estimates of purchase investments, most frequent at present.

Moreover, the study makes it possible to conclude that increasing the interest on investment credit from 8 to 9 percent did not strengthen the incentive effect of the interest rate on the development trends of investment demand. On the contrary, in some machine industry enterprises a 9-percent encumbrance by actually utilized credit is now regarded as less burdensome than an 8 percent encumbrance by credit granted and 6 percent incurred by actually utilized credit was before.

At the same time, however, the enterprises implementing the Zdrowie [Health] operational program demanded, for social reasons, that the interest on investment credit be lowered for them.

## Closing Remarks

Against the background of our study of the investment activity of industrial enterprises under the new systemic conditions, the following observations occur:

--Under the conditions of considerable investment indebtedness from past years and the introduction of so-called "difficult" bank credit, the investment activity of industrial enterprises is concentrated mostly on continued small-scale modernization projects and on renovation-and-purchase investments.

--There is widespread implementation of the process of reducing the scope of investments; projects are often suspended temporarily or abandoned, the enterprises simultaneously taking over ("adopting") some of the central investments. On the other hand, however, there are attempts to include capital-intensive indigenous projects of the enterprises in the central plan;

--The possibilities for simple reproduction of the production-type fixed assets of enterprises for the purpose of needed investments are very limited as a result of a considerable increase (contrary to the intended assumptions of the investment system) in the amounts of amortization allowances being returned to the [state] budget; use of financial resources from the development fund to repay considerable investment debts from previous years (often the whole development fund is earmarked for this purpose); and use of amounts accumulated in the development fund to replenish the charter fund for working capital. This constitutes a serious danger to the possibility of renovating fixed assets and a danger that these assets will be depreciated throughout the entire national economy;

--Approximately 30 percent of the development fund of the enterprises under study is replenished from amortization; instances of its being replenished from the social fund have been noted;

--Repayment of old-investment credit encumbrances of the enterprises by the associations being liquidated increases the differentiation in the starting conditions of the enterprises, placing some plants in a privileged position;

--The method for estimating the effectivness of renovation-and-modernization investments being implemented gives the appearance of being based on multiple criteria. Actually, the bank and the enterprise use mainly two identical synthetic criteria, i.e., period of return and E index, supplementing them by a number of additional noncosteffectiveness criteria;

--There is little evidence of the incentive effect of increased interest rates on the slowing down of investment demand;

--Thus, general conclusions pertain to the need to standardize the starting conditions for debt-encumbered enterprises (e.g., by lengthening the period of repayment of credit obligations, if their cancellation is not possible);

considerable expansion in the scope of available amortization allowances of enterprises for the restoration of fixed assets; the need to revise the E index to make it an auxiliary, noncompulsory criterion of the estimate of investments; within this context, consideration of the possibility to diversify the discount rate as an instrument for allocating investment funds in accordance with the strategic directional preferences contained in the assumptions of the long-range development plan.

9577
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## CENTRALIZED REGULATION OF WAGE SYSTEM SUGGESTED

Warsaw ZYCIE GOSPODARCZE in Polish No 34, 12 Sep 82 p 9

[Article by Stanislawa Borkowska: "Centralized Regulation of the System"; passages enclosed in slantlines printed in boldface]

> [Text] The so-called second stage of the emoluments reform, which is scheduled to take effect in January 1983, is now being actively prepared. I would like to contribute to the discussion on the shape of the reform several remarks touching on only one of its aspects, specifically, the scope and mode of centralized regulation in the wage system.

A clear definition of responsibilities of all organizational units regulating labor and wage affairs, namely, the central echelon, enterprises and trade unions, is a sine qua non precondition for an efficient wage system and the entire economico-financial arrangement.

### Colliding Functions

Wages perform both a social and incentive function. Wage equalization is crucial for the former, wage differentiation for the latter. Striking a reasonable balance between the two conflicting functions is not easy. The optimal point varies over time and depends on many socio-political and economic factors. In times of poverty and struggle for national survival (wars, revolutions, crises, etc.) society leans more toward equalization and during periods of development, toward differentiation based on labor input and the product of labor.

The role of the segment of wages directly related to labor has now decreased precipitously due to the high share of compensation and various allowances and services not related to labor input. This in itself explains the decline in the incentive role of wages, regardless of the market situation.

With an eye toward counteracting this undoubtedly harmful phenomenon /a larger share of social services should be transferred from the jurisdiction of enterprises to that of local and central authorities. In addition, the segment of wages which represents social-welfare type payments should be clearly separated out, whereas the remainder of wages should be persistently tied to outlays, requirements which the job imposes on the employer and labor output/.

Guaranteed protection of real wages, or, in other words, at least stable real wages is the second necessary premise for preserving the incentive function of wages. This is associated with the mechanism of growth in wages.

Thirdly, socially justifiable wage ratios should be insured, or such an income differentiation of society as will not cripple the incentive function of wages.

What Should Be Regulated by the Central Echelon?

The role of the central echelon in allocating wage funding to enterprises has been outlined, though some solutions give rise to doubts. However, the scope of centralized regulation of wage policy in particular autonomous self-governing and self-financed enterprises is still an issue under discussion.

The societal (social) incentive function of wages, i.e., the orderly performance of this function, imposes limits on this regulation. It cannot be carried out efficiently from the vantage point of enterprises. However, the incentive function of wages i.e., including the employees to achieve desirable results and to take difficult jobs, must be performed exactly in enterprises. Their mission is to produce goods and render services. Therefore, they must provide an incentive for employees to fulfill these tasks in the best possible way.

This means that the following would fall within the scope of centralized wage system regulation (besides the guidelines for providing funding for wages):

--fixing minimal wages (minimal remuneration and mandatory minimum of social services from the social and housing funds);

--fixing a mandatory standard (index) of growth in minimal wages due to increases in the cost of living, and, later, of their ratio to the average wage. This standard would also provide the basis for upward adjustment of the threshold of wages which are not taxed;

--establishing guidelines (methods) for evaluating labor, or so-called rating;

--establishing the so-called reference pay scales;

--regulation of basic wage ratios on a macroscale along horizontal and vertical lines (i.e., in the subsector-territorial mesh);

--establishing guidelines for paying guaranteed wages (their amount and time frame) to the employees of self-governing enterprises undergoing the process of reforms.

The above scope of centralized regulation of the wage system in the environment of autonomous, self-governing and self-financing enterprises may, and even should, be wider with regard to budgetary units.

A separate problem is presented by regulation of bonuses for work on days off, Sundays and holidays and for night shifts. In principle, these rates can be regulated by enterprises depending on the situation in the local labor market and need of the enterprise. However, an apprehension might arise that, for example, in smaller communities, where virtually no labor market exists, enterprises could use their monopolistic position to the detriment of social interests working time and so on). These rates could be regulated by negotiations, provided that trade unions are efficient. However, at the initial stage of reform it seems feasible to establish in a centralized fashion lower limits of bonuses or brackets of rates with a spread large enough to provide for flexible action on enterprises.

How to Regulate?

In the period of surmounting the crisis, the minimum wage cannot be required to do more than to guarantee funds which are absolutely necessary to support oneself. However, later on, after a measure of market equilibrium has been restored, meeting this requirement will no longer suffice. /We should see to this that the minimum wage is not only pegged to the increasing living costs, but also increases along with the average wage./ Widening the gap between the minimum and the average wage would lead to the relative impoverishment of the poorest social groups or to the minimum wage being reduced to a ficticious category not used in practice.

Therefore, in the first years of reform the use of a realistic stabilized minimum wage would be appropriate, whereas in the next years--that of an increasing minimum wage.

The latter category was approved by the Ninth PZPR Congress as the principle of fixing minimum wages, with a provision that they must amount to about 50 percent of the average wage.

The establishment by the central echelon of a flexible mechanism for the growth [in minimum wages] is extremely important as far as the incentive function of wages.

/Now, the upward adjustment of wages on account of changes in the living costs unrelated to labor output seems to be most important due to rapid price increases./ However, in enterprises operating in the environment of the three S's [autonomy, self-government and self-financing], the attained efficiency of management and the result of labor of individual employees are the only sources of wage increases. Therefore, they must achieve at least the efficiency which will provide for wage increases that can keep pace with increases in living costs. Higher efficiency will provide for increases in real wages. Autonomous enterprises must use wage increases as an incentive. This makes it necessary to set up an integrated mechanism of wage increases with increases for both adjustment and economic reasons (on account of improved economic efficiency) built into it. The emphasis should be on the latter.

The substance of this mechanism can be outlined in several points.

First, the central echelon fixes the standard of adjustment in wages. Indexing would be mandatory and automatic only with regard to minimum wages and annuities, pensions and allowances. This standard increase should also be used to adjust the threshold of taxation of incremental wage funds (or on average wages) in enterprises.

The central echelon also fixes the standard (index) of the average wag increase in the tertiary sphere as a ratio to the actual average wage in manufacturing. This standard should take account of both adjustment and economic increases.

Manufacturing enterprises are obligated to increase basic rates in their pay scales at least by the standard adjustment applicable to minimum wages. This is identical with fixing a minimum standard of economic efficiency, if we assume that results of the enterprise are the source of funds for increases due to indexing. Increases in the rate of payment are not identical with wage increases for individual employees. A decision on increasing wages should depend on the evaluation of an individual's productivity. Increases in the rates can certainly exceed those called for by adjustment and can be differentiated by the amount and frequency, depending on the financing condition of the enterprise. Specific principles of wage increases (excluding minimum wages) would be negotiated between enterprises and trade unions. The state should assume the responsibility of safeguarding the interests of the poorest employees.

Indexing in enterprises can be extended only to employees and not to their families.

The above-mentioned mechanism of wage increases assumes the utilization of all shifts in wages, even of an adjustment nature, as incentives to work harder. Wage degradation, prescribed by many specialists, is not too realistic in practice. It is difficult to implement even in countries following very aggressive models in their wage policy. /It is much easier not to increase wages, bringing about a relative deterioration in the income situation of an employee and thus drawing his attention to the necessity of improving his own productivity./

The current extensive compensations which remain outside the wage rates should be included in the basic rates as soon as possible (in the first half of 1983 at the latest). Certainly, only employee compensations are meant here. /Family compensations should be paid out by the ZUS [Social Insurance Institution], because they should not be passed on to enterprise outlays or distort wage ratios./

The process of incorporating compensations [into basic wages] is labor-intensive and thorny; it causes considerable emotional involvement. Therefore, it would be feasible to carry it out as a one-time operation, without breaking it down into stages.

Before the end of this year, that is, before the introduction of a profound extended reform, basic rates should be solidly established in enterprises.

In the entire economy, including the tertiary sphere, the rating process may reveal that actual wages of many employees with their compensation included, are too high in relation to the difficulty (requirements) of the jobs. In such cases, the share of excess wages should be clearly defined and further wage increases should be suspended, regardless of the source and criteria for awarding them, until the level corresponding to the difficulty (results of rating) has been reached.

In manufacturing, the inclusion of compensations and other bonuses into basic wage rates should be shouldered by enterprises in full.

Rating

Enterprises will carry out the rating process on their own, evaluating work on a concrete job on the basis of actual (and not branch, standard, etc.) conditions proceeding from a centrally outlined set of methods. This makes it possible for wages which are based on the results of job evaluation to be realistic and honored and for the rate-scale system to be current. "Rare profession" rates will take into account the situation in the local labor market, low prestige of the job, etc. The need to establish separate bonuses for difficult job conditions will thus cease to exist, whereas the rate-scale system will become more straightforward and comprehensible.

The issue of pay scales especially stirs up emotions. There are suggestions (among others, in ŻYCIE GOSPODARCZE, 1982, No 8) that subsector ministries become intermediate links in establishing reference pay scales for their respective enterprises on the basis of centralized reference tables (that is to say, laid down by MPPiSS [Ministry of Labor, Wages and Social Affairs] or the Council of Ministers). To justify this, concern with the unified approach within subsectors is cited.

/Establishing ministerial (subsector) pay scales by the superior echelons is unjustifiable and contradicts the principles and logic of the reform because it is not only the control of wage ratios along vertical lines (subsector-sector arrangements) that is needed. Control along horizontal-vertical lines is even more so./ Shifts of manpower occur less frequently within subsectors than they do within areas where the change of jobs does not entail moving. Shifts of manpower take place between subsectors, sectors and even spheres of the economy. Ministerial regulation of pay scales is, therefore, of little use as a tool of controlling wage ratios and, consequently, the flow of manpower. One more consideration--/the reform calls for reducing the number of subsector ministries, whereas the concept of ministerial pay scales somehow perpetuates the current structure of the central echelon./

What is a "reference pay scale" supposed to mean? This notion can be variously interpreted and is not trivial from the point of view of provisions of the economic reform. Let us consider several versions of such scales:

--the central echelon fixes brackets of wage rates for each category;

--the central echelon fixes only lower limits for each category of classification;

--the central echelon fixes basic wage rates or the correpsonding number of points and wage rates (or estimates in points) for the so-called representative and typical positions. For example, in the textile industry, a weaver and a spinner are representative positions; in health care, a physician; in the educational system, a teacher, and so on;

--the central echelon fixes only basic wage rates (intitial lowest rates) for the professional-subsector mesh.

The above versions are arranged in the order of increasing flexibility and freedom of enterprises in fixing enterprise pay scales. From the point of view, the third and fourth versions are most attractive and ultimately they should be employeed. Fixing of the so-called basic rates or, alternatively of only ratios between them expressed in points in the subsector-professional mesh will make it possible to set basic wage ratios on a macroscale. This is a responsibility of the central echelon. This version takes into account not only the most simple jobs, but also relative differentials in the difficulty of work (requirements imposed by the job) in key (representative) positions in the mesh of professions and positions. This makes it possible to control wages more precisely proceeding from a more objective basis--difficulty of work rather than clout of certain employee groups.

This solution, reinforced by the taxation on income per family member, seems to be adequate, provided that market equilibrium exists. However, while an efficient system of taxing this income is not in place and the pronounced lack of market equilibrium encourages improving results and increasing wages via price movement, there is a real danger of very high income differentials among employees and their families, which is unacceptable to the public. Such a situation results from an eneven initial operation of enterprises.

Therefore, in the immediate future, using the second version is appropriate. The first version should, perhaps, be totally rejected.

Fixing reference pay scales necessitates a simultaneous laying down of guidelines for changing the scales (increasing wage rates), which is a condition for maintaining a flexible growth mechanism. This mechanism should provide protection against distortions which destroy the incentive function of wages. There are two ways to solve this problem. For example, minimum wages can increase mandatorily and automatically by a growth rate fixed in a centralized fashion due to changes in living costs. The rate should be negotiated with trade unions. To preserve a reasonable wage spread, enterprises will have to take care of at least similar increases of wage rates for other categories.

Alternatively, enterprises must have the authority to change wage rates in accordance with the funds available for that purpose by incorporating variable segments of wages related to improvements in productivity. At the same time, /centrally fixed pay scales should be subject to automatic

adjustment of wage rates by the rate correpsonding to the growth of living costs and to periodical change due to the average growth of the variable segment of wages related to productivity./ The principle already known from the WOG [large economic organization] system could be accepted, namely, that a share (for example, 50 percent) of the average increase of variable wages is incorporated into basic wage rates if the increase is maintained for 3 years.

This mechanism of pay scales adjustment combines centralized reference scales with those of enterprises and facilitates operating with ratios in a dynamic arrangement.

An apprehension might arise that fixing enterprise pay scales on the basis of reference scales will bring about considerable differences not only among pay scales, but among wages for similar jobs. This is a justifiable apprehension, however, only in the initial short period of applying the scales. A natural tendency to agree on the level of wages will soon emerge among enterprises with similar production profiles and even those with different profiles, but located in the same general area. A similar phenomenon will occur among trade unions. Very soon functions of negotiators will be assumed by groups of enterprises and trade union federations. Associations of enterprises can on many occasions assume the role of employers' groupings negotiating wage and labor issues. However, in certain cases, especially in larger industrial centers, this negotiating arrangement might prove inadequate.

Ratios

In the environment of autonomous enterprises, various levers can be used by the central echelon to regulate macrowage ratios, and above all, taxation of income per family member. This kind of taxation should supplant taxes on wages as soon as possible. This arrangement makes it possible to control income differentiation not only along vertical, but along horizontal lines as well, that is, in the intersectorial mesh. It should be borne in mind that many people leave the socialized economy for the private sector due to differences in wages.

The central echelon also regulates by fixing wage ratios, by establishing rating guidelines and pay scales, and by fixing the level of minimum wages and guidelines for indexing. The method of linking wage increases in manufacturing and the service sector has a considerable role to play. Perhaps, a standard rate of increase in the average wage is the sphere of public services and should be established as a ratio to the actual average wage in manufacturing also taking into account payments from the work force fund.

Controlling the wage level and spread cannot be based on a system of privileges.

If the work of a given group is more difficult, this should be reflected by the system of evaluating work, whereas any privilege is a beginning of

renunciation of wage policy rules. This is why further "charters" granting new privileges and variances from [general] principles should not be promulgated if wages rather than conditions on the job, work schedules, etc. are at stake. The above remarks do not apply to so-called preferential treatment, or the opportunity for increasing wage rates in accordance with the situation in the job market (scarcity of a profession, associated, for example, with the low prestige it enjoys). This should make it possi' to select work evaluation criteria, assign sectional points as a result of evaluation and establish work rates accurately.

In the environment of autonomous enterprises, it is necessary to carry out a cohesive coordinated wage policy at the central level.

The year 1982 and earlier years have revealed the very acute issue /of the lack of a clearcut division of responsibilities in the sphere of wages/ within the scope of a broadly defined central echelon--the Sejm, the Council of Ministers, the Ministry of Labor, Wages and Social Affairs and subsector ministries. As a possible consequence of this situation, individual solutions in the sphere of wages are still being pursued. Such solutions grant privileges to various socioprofessional groups in no relation to the evaluation of the difficulty and results of their work, that is to say, privileges not justified by a prior comprehensive job rating evaluating differences in labor input. In this way, the so-called "charters" sponsored by individual ministries proliferate, e.g., the school teachers' charter, the miners' charter, the iron and steel workers' charter, the longshoremen's charter and so on. /Specific principles of remuneration established by the central echelon on the occasion of outlining the role, rights and responsibilities of certain vocational groups, proliferate./ For example, the decree on the status of foremen also meddles in their wages, not unlike the laws on higher education, on legal advisors and so on. Such regulations on wage policy in specific subsectors or professions are most often adopted on a certain occasion. They create a state of affairs which cannot be reversed; they undercut from the very outset a comprehensive and cohesive wage policy.

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CSO: 2600/939

## MATERIALS SUPPLY PROBLEMS ASSESSED

Warsaw ZYCIE WARSZAWY in Polish 13 Sep 82 p 4

[Interview with Jan Antosik, minister of materials management, by Slawomir Popowski, PAP reporter: "Materials Management Requires Reform"; date and place not specified]

> [Text] Since the beginning of the year the economy has been suffering from an extreme lack of many essential raw and other materials. Their shortage often causes the inevitability of drastic production cutbacks. What is our supply situation now, what is threatening us, and what can we expect in the coming months? The chief of materials management, Minister Jan Antosik, answers these questions in an interview given to a PAP reporter.

[Answer] Considerable problems still persist in providing materials management. To be sure, the range [of problems] is met with restraints little by little, but industry still grapples with a lack of certain essential raw and other materials.

In the first 7 months of the year, we had to work with a further drop of 37 percent in supply imports from capitalist countries. For example, the import of crude oil, metallurgical goods and cellulose shrank by half, and iron ore by 33 percent. The drop in imports of raw materials and components for the chemical industry as well as coproduced elements for the electromechanical industry is still steep. On the other hand, a rise in supply imports from socialist countries has been noted; the deliveries of chemical fibers for the textile industry, cellulose paper, paper and synthetic rubber, among others, have increased.

Forecasts for the second half of the year are unfortunately not too optimistic. We cannot count on credits, and we will be able to appropriate for supply imports only as much foreign exchange as we earn in exports, and this is only after allowing for the necessary amount for debt repayment. An improvement of the situation--but only to a certain degree--depends on how the exchange process, brought about through the import demand structure of capitalist countries, will run its course. The question here is: will the share of raw materials imports rise, relative to total imports? And in this case we have,

after all, limited prospects for maneuvering. This means that there will be no special opportunities to increase production in many of the subsectors made dependent on supply and coproduced imports. This is particularly true in the case of the chemical industry and light industry, as well as some branches of the machine industry. There should be a better situation for enterprises utilizing raw and other materials brought in from socialist countries. A further activation of imports should occur in this area in the second half of the year.

[Question] Speaking more concretely, what do we have, and what do we lack the most right now?

[Answer] We are supplied relatively best with raw materials from domestic stocks. We have, above all, coal. Higher coal production enabled us to fully meet domestic demands as well as the subsequent growth of reserves among consumers. Also, no one can complain of a lack of electric power. We do not have a shortage of cement. We do have problems with the remaining raw and other materials. The supply of gasoline remains a troublesome situation. From among the nonferrous metals, we lack tin. This generates a further reduction in the production of galvanized sheet metals, stannic-plumbic binders, bearing alloys, and the like, Furthermore, we are feeling a shortage of aluminum. We also lack storage batteries because of the lack of imported ebonite casings.

In recent months, difficulties in supplying customers with essential types of plastics have likewise increased. Shortages of polyethylene, polypropylene and polyvinyl chloride are occurring. Deliveries of polystyrene are also unable to supply customers' demands; paper and cardboard likewise. The chemical industry, whose production depends on the import of accessories and components from capitalist countries, has extreme difficulties. A shortage of these agents, even at times in small quantities, results in the reduction of paint and varnish, glue, freon, synthetic dye, and artificial fiber production, and the like.

We could drag on this kind of recitation even longer. It is still worth emphasizing that the shortage of raw and other materials is not by any means the only reason why industrial establishments must particularly alter their production. If, for example, we have a shortage of tires now, then it is not at all due to a lack of raw material but, primarily, because there is a labor shortage in the factories that produce them....

[Question] Much is being said about the dependence of the Polish economy on imports. What is the real story?

[Answer] ...there are many misconceptions here that must be explained. In the last year, Poland imported goods for $431 dollars [per capita]. At the same time, a similar index totaled: in Bulgaria, $1,182; in Czechoslovakia, $961; and in the GDR $1,131. Comparing these numbers one could reach the conclusion that, in comparison to other countries, the dependence of the Polish economy on imports is relatively small. Still, the problem lies elsewhere--in the export ability of the country. Put simply, in order to import, we must also sell. Whereas in the last year the export of our goods decreased $3.7

billion in comparison to 1980, imports also shrank by about the same, i.e., $3.6 billion.

In the case of our economy, particular circumstances which give a special character to the question of imports from capitalist countries are also important. First, the range of goods imported from abroad is very extensive. Frequently, these really are not much, simply inexpensive items that nonetheless determine the pace of production. Second, until recently, we imported many goods provided on credit, and now these materials are available practically only for cash. This means that before we buy something, we must first sell. And the third factor that must be considered is the fact that in foreign trade, capitalist countries, especially the United States, are now attempting to achieve their own political aims and are taking advantage of our economic weakness.

I think that, at present, there are three main courses of action, not so much for the benefit of the independence of our economy from imports, but for the assurance of a supply of essential raw and other materials. It is imperative that export production and a recovery in the efficiency of exports take place. Along with this, we must eliminate superfluous imports and, to a greater degree, substitute domestic raw and other materials for them. Finally, the increase of cooperation with socialist countries and joint solving of common problems in the supply of raw and other materials is imperative.

[Question] The courses of action are obvious but, after all, it is difficult to change production practically overnight, to make use of new raw materials that frequently require a change in technology as well. To what degree is this, right now, at all possible?

[Answer] Economic restrictions by Western countries in relation to Poland obviously led to a sharp decrease in supply imports. In the current year, such imports will be 40-50 percent less than in 1980. This is an enormous decline in supply sources and, before long, it probably will be difficult to find some new sources in its place. Especially this year, various steps were taken--and they continue to be taken--in order to alleviate the negative consequences of the import restrictions. We are already using domestic raw materials more widely and, in some cases of restricted imports from capitalist countries, we are substituting imports from socialist countries. It is estimated, for instance--and to some extent this should be an answer to the question raised--that in the first half of the current year, the value of goods produced from domestic raw materials, which are substituted for imports, amounted to about 100 billion zloty.

[Question] Thereby considering we could eventually reach the point at which it becomes evident that we can completely abandon supply imports from capitalist countries....

[Answer] Such an inference would be economic absurdity. In undertaking anti-import actions, we are not at all concerned with some kind of autarky in raw materials. This is simply impossible. We are now operating under special circumstances. The drop in supplies from abroad is, at times, frankly dramatic and our decisions may seem nervous now and then. In the long run, however,

what is essential is not so much the independence of the Polish economy from imports, but its intense technical improvement. We can purchase from abroad only much raw materials as we truly need, however much we can afford and however much is worthwhile to import. Only after providing a response to these three points, after drawing up the exact cost effectiveness (it should be the deciding factor)--can one then take up the decision to change the product type and assortment or also whether to make new investments.

After all, these problems cannot be restricted only to matters of supply imports. The entire area of materials management requires reform. In the past, hardly anyone paid attention to a sensible consumption of raw and other materials. Supply schedules were "drawn up" under the administration of industry. It is now necessary to reverse this reasoning. Economic growth will be possible only at that same rate at which we will support it with supplies of raw and other materials (regardless of the source) and how well we can reduce their consumption. In the opposite case, either we will resign ourselves to stagnation in our economy, or we will be back to where we started.

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END

JPRS 82110

28 October 1982

# East Europe Report

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2330

## POLISH NATIONAL BUDGET FOR 1982

FBIS FOREIGN BROADCAST INFORMATION SERVICE

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28 October 1982

# EAST EUROPE REPORT

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2330

# POLISH NATIONAL BUDGET FOR 1982

Warsaw DZIENNIK USTAW in Polish No 20, 17 Jul 82 pp 353-403

[Law: "Budget Law for 1982, Dated 6 July 1982"]

[Text] Article 1. 1. Income of the state budget is set at the following amount (in thousands of zlotys): 2,400,860,835

Including:

| | |
|---|---|
| 1) payments of enterprises and other economic units | 1,511,340,325 |
| 2) payments of financial and insurance institutions | 169,835,491 |
| 3) social insurance premiums | 99,552,100 |
| 4) payments of units rendering social and cultural services | 11,611,686 |
| 5) payments of units of the state administration, administration of justice, prosecutor's office, public security, and national defense | 12,399,474 |
| 6) taxes and fees from nonsocialized economy | 18,426,400 |
| 7) taxes and fees from the population | 17,463,500 |
| 8) other income | 77,286,859 |
| 9) return of rest of budget account of State Vocational Activation Fund | 100,000,000 |
| 10) return of part of budget accounts and flow of funds from clearing of reserve overestimates | 332,945,000 |
| 11) additional income discussed in Paragraph 3 | 50,000,000 |

2. Expenditures of the state budget are set as follows: 2,555,545,485

Including:

| | | |
|---|---|---|
| 1) | financing of enterprises and other economic units | 1,197,344,025 |
| 2) | science | 27,070,017 |
| 3) | education and upbringing | 191,368,503 |
| 4) | culture and art | 24,551,000 |
| 5) | public health, social welfare, physical education and sports, and tourism and recreation | 235,396,713 |
| 6) | social security | 293,067,574 |
| 7) | national defense | 182,983,089 |
| 8) | administration, administration of justice, prosecutor's office, and public security | 110,971,783 |
| 9) | other current expenditures | 17,939,325 |
| 10) | special expenditures not assigned to sections or voivodships | 32,170,255 |
| 11) | expenditures for investments and capital repairs | 227,683,201 |
| 12) | reserves of the Council of Ministers | 15,000,000 |

3. The Council of Ministers is charged with saving additional income amounting to the sum specified in Paragraph 1, Point 11 through the active encouragement of development of market and export production, improved effectiveness of management, due use of instruments of the self-financing system, and other undertakings to increase budget income.

4. The budget shortfall totals 154,684,650 zlotys.

5. The Minister of Finance is authorized to draw credit from the Polish National Bank to cover the budget shortage.

Article 2. In the realm of the central budget, the following figures are set: (in thousands of zlotys):

| | |
|---|---|
| Income | 2,289,708,322 |
| Expenditures | 2,444,392,972 |

including:

| | |
|---|---|
| Reserves of the Council of Ministers | 15,000,000 |

in keeping with the detailed distribution established in Appendix No 1.

Article 3. 1. For the state enterprises and cooperative organizations a total of 478,576 million zlotys of special subsidies is established to finance the production of goods and the rendering of services sold to domestic customers.

2. The Council of Ministers is authorized to increase the amount set in Paragraph 1 within the framework of the total amount of expenditures established in this law.

3. The Council of Ministers will establish the groups of goods and services covered by budget subsidies.

4. The Minister of Finance will establish the subsidy rates for the goods and services discussed in Paragraph 3.

Article 4. 1. In the realm of the voivodship budgets, the following figures are set for 1982: (thousands of zlotys):

| | |
|---|---|
| 1) shares of central budget income set as a percentage of the value of retail sales and services of socialized units engaged in trade and services: | 262,083,586 |
| 2) special subsidies | 131,025,676 |
| including: special subsidy for investments | 93,117,800 |
| 3) compensatory subsidies, in keeping with Appendix No 2 | 24,817,413 |

2. The amounts of direct income of local budgets coming from the payroll tax, used as a basis for the clearings of accounts discussed in Article 9, Paragraph 2 or Paragraph 3 are specified in Appendix No 3.

3. The Minister of Finance will establish the principles for calculating the shares and transferring from the central budget the subsidies discussed in Paragraph 1.

Article 5. 1. Additional credit to increase the overall amount of the expenditures listed in this law may be approved only by the Sejm of the Polish People's Republic, except for the instances specified in Paragraph 2.

2. The Council of Ministers is authorized to increase budget expenditures to supplement funds for the purchase of rolling stock and vehicles for

urban transport, if these expenditures cannot be covered by the total amount of budget expenditures through the economizing of reserves and the transfer of credit.

3. The transfer of credit among parts and sections of the central budget may be made from budget reserves and in the instances provided for in Article 3, Paragraph 2 and in Article 18.

Article 6. Salaried slots are specified for:

1) state administration included in central budget, administration of justice, and prosecutor's office,

2) state administration included in local budget,

in keeping with Appendix No 4.

Article 7. 1. The following constitutes direct income of the local budgets:

1) payments from state enterprises for which local bodies of state administration, hereinafter called local enterprises, are the founding bodies, and socialized units included in the local budgets, except for the turnover tax on excessive decline in products and other payments which constitute central budget income, by virtue of separate regulations,

2) fees for benefits and services rendered by budget-financed units subordinate to the people's councils and income of an administrative or assets nature collected by these units and agencies of local bodies of the state administration, except for fees for services of public health establishments rendered to foreigners on the basis of foreign-exchange currency and income from sales, administered by the Polish National Bank, of material direct deposits, which constitute central budget income,

3) payments of budget-financed establishments subordinate to the people's councils, or of subsidiary economic units or budget-financed units subordinate to the people's council, in the realm of financial activity in the form of special resources,

4) income from fines and penalties assessed in proceedings in misdemeanor cases, in penal treasury proceedings, and in special administrative proceedings in which the bodies handing down the decisions are local bodies of the state administration or voivodship (in towns with the rank of voivodship: town) commissions handing down decisions in cases of budget discipline violations.

2. In addition to the income mentioned in Paragraph 1, the following are direct income of the local budgets at the basic level:

1) real estate tax from economic units; the tax is collected according to the place in which the real estate is located,

2) land tax, except the part subject to transfer to the State Land Fund,

3) payments to the State Land Fund and fees for reclamation, installation of electricity, and construction of water facilities,

4) turnover and income tax from physical and legal parties which are not economic units of the socialized economy, except for taxes from physical and legal parties with a foreign residence or headquarters which conduct economic activity in the Polish People's Republic,

5) taxes on earnings, compensatory taxes, taxes on inheritances and gifts, and taxes and fees collected on the basis of regulations concerning certail local fees and taxes,

6) treasury fees,

7) fees other than those mentioned in points 3,5, and 6, and in Paragraph 1, point 2, collected by organizational units subordinate to the people's councils at the basic level and by offices of local bodies of the state administration at the basic level,

8) income tax from cooperative banks,

9) unified tax on agrarian circles, agrarian circle cooperatives, and other organizational units in the Central Union of Agricultural Circles and on agricultural producer cooperatives in the Central Union of Agricultural Producer Cooperatives,

10) taxes on social organizations other than agrarian circles and cooperatives, except for payroll taxes,

11) payments collected from water cooperatives and their joint associations,

12) income from the payment of debts from cancelled taxes and from receipts from back payments in compensation for cancelled taxes and equivalent, if they were local budget income prior to their cancellation; this income is treated as surplus to the plan.

3. Beside the income mentioned in Paragraph 1, the following is the income of the individual budgets of the voivodships:

1) payment of 70 percent of the payroll tax,

2) payments out of the profit of general savings banks amounting to 0.5 percent of the savings deposits on hand at the end of the year,

3) turnover tax on enterprises running games of chance and clearing with local budgets,

4) other fees, besides those mentioned in Paragraph 1, Point 2, that are collected by the organizational units subordinate to voivodship people's councils or by agencies of local bodies of the state administration at the voivodship level.

4. Direct income of the voivodship budgets also includes shares of central budget income established as a percentage of the value of the retail sales and services of socialized commercial and service units included in the central and local plans.

5. The voivodship peopel's council may set the shares or compensatory payments of the following:

1) local budgets at the basic level in the income mentioned in Paragraph 3, Points 1-3, and Paragraph 4,

2) the voivodship budget in the income of local budgets at the basic level.

6. If in towns with the rank of voivodship the collection of certain income is focused in a single city-district office, the people's council of that town can establish the shares of this income of the budgets of other city sections and the budget of the town with the rank of voivodship.

7. If the collection of taxes and fees from the field of operation of several administrative units at the basic level is focused in one of these units, the collecting agency transmits the sums collected for the income of the appropriate local budgets. The voivodship people's council can establish the principle for the clearing of the taxes and fees collected in the form of appropriate shares of the sums collected for the various individual administrative units.

Article 8. Budget income which is not the income of local budgets is the income of the central budget.

Article 9. 1. The Minister of Finance will establish the percentage rates of the income discussed in Article 7, Paragraph 4 and the principles for collecting this income, for the budgets of the voivodships by 30 days from the date of the ratification of the state budget.

2. If the income discussed in Article 7, Paragraph 4 does not amount to the sums established in Appendix No 2 or the direct income from part of the payroll tax as specified in Appendix No 3 is not obtained, the Minister of Finance makes up for the shortage up to 99 percent of the amount, out of the central budget.

3. If income from the sources specified in Article 7, Paragraph 4 and direct income from part of the payroll tax exceed the amounts specified in

Appendices 2 and 3, the local budget keeps up to 1 percent of these amounts.

Article 10. 1. Local bodies of the state administration amend the ratified local budgets in keeping with the budget law.

2. If local budgets for 1982 are not approved before the budget law goes into effect, the people's councils will approve them within 30 days of the date the law goes into effect, dividing up the income and expenditures into sections and parts.

3. The amounts specified in Appendices Nos 2 and 3 are binding on the voivodship budgets.

4. The amounts of special subsidies for investments, other special subsidies, and compensatory subsidies, shares in the direct income of local budgets, and the amounts of compensatory payments to be contributed, as implied by the resolutions concerning the budget made by the voivodship people's councils, are binding on local budgets at the basic level.

5. In the local budgets approved, the source for covering expenditures may also be found in the budget surplus of previous years, taking into account the regulation of Article 14, Paragraph 1.

6. The regulations of Paragraphs 3-5 also apply in the event of the ratification of the voivodship budget on the basis of the budget law draft presented by the Council of Ministers to the Sejm or of the basic level budget on the basis of the voivodship budget draft presented by the voivodship governor to the voivodship people's council.

7. In the instance specified in Paragraph 6, the local bodies of the state administration amend the budget as it is being implemented, to reflect the changes implied by the budget law or the budget resolution of the voivodship people's council.

8. Decisions concerning the amendments discussed in Paragraphs 1 and 7 should be presented to the people's council at the next session.

Article 11. A budget reserve for unexpected expenditures is established in the local budget and amounts to 0.5 percent of ongoing expenditures.

Article 12. 1. Local bodies of the state administration are obliged to exercise ongoing surveillance over the maintenance of budget balance, to insure timely creation of income, and to prevent expenditures which would exceed the amount of the income and assets obtained for the local resource fund.

2. In cooperation with the Chairman of the Polish National Bank, the Minister of finance establishes the principles and frequency of bank supervision to see that the local budgets remain in balance.

3. If it turns out that the local budget at the lowest level is not keeping in balance, the local body of the state administration issues a request to grant a repayable cash grant out of the voivodship resource fund.

Article 13. 1. In the event of the mobilization of installations and equipment after the deadline planned, the funds provided in the local budgets for 1982 to carry out tasks in these installations and facilities are subject to a corresponding reduction, and the amount by which the funds are reduced is to be transferred to the central budget by the end of December 1982.

2. The Minister of Finance will determine the types of installations (facilities) and the principles for the clearing of accounts discussed in Paragraph 1.

Article 14. 1. From the local budget surplus achieved in 1980,

1) funds derived unused special subsidies are transferred to the central budget,

2) a deduction is made for the local reserve fund in the amount of one quarter of the income realized over and above that planned, with the reservation of Article 15, Paragraph 2.

2. The people's councils have at their disposal the rest of the local budget surplus and allocate it to finance additional current economic, social, and cultural needs and other current local needs, and also to additionally finance capital repairs and support social volunteer projects.

Article 15. 1. The local reserve fund is the cash reserve of the individual local budget.

2. The local reserve fund may not exceed 5 percent of the planned current expenditures of the local budget.

3. The local reserve fund may be allocated to:

1) initially supply local enterprises and plants (teams) engaged in construction and remodelling with assets in circulation and cover these units' shortages of assets in circulation,

2) grant repayable cash allowances to budget-financed establishments,

3) cover an individual local budget's shortfall at the end of the year.

The reserve fund of a voivodship may be allocated, in addition, to grant during the year repayable cash allowances to local budgets at the lowest level and to cover shortages in these budgets, if they cannot be covered out of their own reserve funds.

4. The decision to allocate the local reserve fund to cover budget shortages and for the purposes mentioned in Paragraph 3, Point 1 is made by the appropriate people's council, and the decision to make repayable cash grants out of this fund is made by the local body of the state administration.

Article 16. The people's council determines the scope and deadline for the local body of the state administration to present information concerning changes in the budget.

Article 17. Besides the instances listed in Article 84, Paragraph 2 of the Budgetary Law, the following are instances of the violation of budget discipline:

1) unconscientious keeping of accounting records, the filing of untrue financial reports, or the tardy filing of these reports,

2) accumulation and maintaining of excessive or unnecessary reserves,

3) exceeding authority to make changes in the budget or financial plan of units and budget-financed establishments,

4) failure of budget financed establishments, auxiliary economic units, or budget-financed units to send the budget payment due in full and on time, in the realm of financial activity in the form of special funds.

Article 18. The Minister of Finance is authorized to:

1) make appropriate recalculations and transfers of income and expenditures of the central budget and shares of subsidies and payments of part of the payroll tax specified for the voivodships in Appendices Nos 2 and 3 in the event that during the budget year changes are made in organization, prices, rates and wages, or tax rates, and principles of the self-financing system for enterprises and other organizational units,

2) transfer undistributed income in the central budget to particular parts of that budget, in keeping with the development of the situation and the financial results of the units of the socialized economy,

3) in the event of organizational changes, reduce or increase the number of salaried positions in the supreme, central, and local bodies of the state administration and bodies of the administration of justice, within the framework of the established total number of salaried positions,

4) reduce or expand budget credit as the result of monitoring price change effects,

if this does not bring about an increase in the total amount of credit established in this law, with the simultaneous transmission of the recal-

culations made for the information of the Sejm commissions directly involved and the Supreme Chamber of Control,

5) increase budget expenditures with allocation for an increase in the lowest earnings, pensions, retirement pay, and benefits and for social assistance and cover these expenditures out of additional income.

Article 19. Within the framework of budget-financed expenditures allocated for investments, the Minister of Finance is authorized to increase or reduce subsidies for investments for ministries, central offices, and voivodship offices, if, in the course of executing the investment it turns out that the calculation of outlays in 1982 prices fell at a level different from that assumed when the investment financing plan was drawn up.

Article 20. The Minister of Finance is authorized to do the following:

1) reduce or increase the compensatory subsidy for voivodship budgets in connection with a change in the tax assessed on real estate from economic units and in the event of major alterations in the regional structure of the income from the payroll tax in relation to the projection in Appendix No 3,

2) reduce the compensatory subsidy for voivodship budgets in connection with distribution to voivodships of undistributed sums of income from taxes received from physical and legal persons which are not units of the socialized economy.

Article 21. The Minister of Finance is authorized to accept in the centralized account of the Ministry of Finance at the Polish National Bank the remaining funds derived from the overestimation of reserves in connection with the change in the sale prices of raw and other materials and of other means of production from state enterprises and in connection with certain eliminated funds of industrial associations of these enterprises, and to allocate these funds for the following:

1) repayment of bank credit advanced in 1981 in connection with the rise in sale prices,

2) meeting obligations to banks with regard to clearing from previous years and amortization of credit used for investments which have been entirely given up,

3) supplementing state enterprise funds and providing other subsidies for these enterprises,

4) financing transfers of fixed assets from the cooperative network to state enterprises.

2. The Minister of Finance is authorized to accept for the account mentioned in Paragraph 1 those funds derived from the overestimation of reserves in connection with the change in the sale price of raw and other materials and of other means of production from cooperatives and their unions and from social organizations conducting economic activity, up to 50 percent of the results of the overestimation of these reserve stocks.

3. Socialized trade unions pay the central budget 70 percent of the results of the overestimation of reserve stocks in connection with the change in the prices of goods for which official and regulated prices have been established.

Article 22. 1. With the exception of the banks and the State Insurance Enterprise, the state enterprises and also cooperative organizations along with social organizations in the realm of the economic activity conducted, hereinafter called economic units, make contributions on behalf of the State Vocational Activation Fund, in connection with the tax on the increase in mean remuneration paid as part of costs in 1982 in comparison with 1981 as well as remuneration in the form of bonuses and awards paid out of distributed profit.

2. The tax or charge discussed in Paragraph 1 is paid out of distributed profit less the deduction for the reserve fund, except that the amount of the tax on bonuses and awards paid reduces the workforce fund.

3. Funds expended to increase the remuneration paid as part of the cost of operation are taxed according to the following table:

| Item | Percentage Increase in Mean Remuneration | Percentage Tax Rate on Amount of Increase in Mean Remuneration |
|---|---|---|
| 1 | up to 3 percent | 0 percent |
| 2 | from 3 to 4 percent | 25 percent |
| 3 | from 4 to 5 percent | 50 percent |
| 4 | from 5 to 6 percent | 75 percent |
| 5 | from 6 to 7 percent | 100 percent |
| 6 | from 7 to 8 percent | 200 percent |
| 7 | over 8 percent | 400 percent |

4. Mean remuneration is established as the quotient of the sum of outlays for remuneration during the year and the average employment during the given year.

5. In calculating the tax discussed in Paragraph 3, the percentage of the mean increase in remuneration is reduced by the percentage of decline in average employment in 1982 compared to 1981, but not more than 5 percent.

6. The tax discussed in Paragraph 1 is also to be paid when the economic unit suffers a loss.

7. Remuneration for bonuses and awards paid out of distributed income is subject to a tax depending on the percentage relationship between the amount of the mean bonus and award per employee in 1982 and the amount of mean remuneration paid in 1981, according to the following table:

| Item | Amount of Average Bonus and Award in Relation to Mean Remuneration 1981 | Percentage Tax Rate on Size of Rise in Mean Remuneration |
|---|---|---|
| 1 | up to 7 percent | 0 percent |
| 2 | from 7 to 8 percent | 200 percent |
| 3 | over 8 percent | 400 percent |

8. Calculation of the total amount of the tax discussed in Paragraph 1 is made by the compound method, multiplying the amount of the increase in mean remuneration by the mean number of employees.

9. In specially justified cases, the Council of Ministers may reduce the tax discussed in Paragraph 1.

Article 23. 1. The economic units make an annual clearing of the amount of tax to be sent to the State Vocational Activation Fund on the basis of accounting data concerning the expenditures for remuneration and for bonuses and awards out of profit, as well as reporting concerning employment.

2. The economic units make the calculated tax payments to the State Vocational Activation Fund according to the following schedule:

1) the amount due owing to the rise in remuneration paid as part of costs is sent in each quarter, at the same time filing with the financing bank the need for the last remuneration payment for the last month of the quarter to which the payment due applies,

2) the amount due owing to the bonuses and awards paid out of distributed profit is sent along with reporting to the financing bank the need for the payment of these bonuses and awards.

3. The basis for establishing the increase in remuneration paid during 1982 as a part of costs and the payment due is the difference between the amount of mean remuneration paid and calculated in compound fashion from the beginning of the year to the end of the quarter for which the payment is due, on the one hand, and the amount of mean remuneration in 1981, on the other.

4. The basis for setting the tax paid on bonuses and premiums paid out of distributed profit during the year is the percentage of the amount of the bonuses and award as a ratio of mean remuneration in 1981

5. The payment in 1982 of bonuses and awards out of distributed profit may occur only within the limit of the profit obtained in accrued calculations since the beginning of the year, following previous deductions from that profit for the reserve fund, payments of contributions to the State Vocational Activation Fund, and payments of investment credit installments falling due for the previous period.

Article 24. 1. Part of the surplus from the annual calculation of the income of the State Vocational Activation Fund in excess of the fund's expenditures are kept to cover expenditures in 1983, but not more than 25 percent of the expenditures planned for 1982. The rest of the monies in this fund represent an account in the state budget.

2. The Minister of Labor, Wages, and Social Affairs, who disposes of the fund, transfers the current excess of income over expenditures each quarter to the state budget, being guided by the ratified plan for the fund's income and expenditures for 1982 and the course of its implementation.

Article 25. The financial resources and obligations of the Vocational Activation Fund are subject to transfer to the State Vocational Activation Fund.

Article 26. 1. State agricultural enterprises and state farms pay the amounts due as discussed in Article 22, Paragraph 1 beginning with fiscal year 1982/1983. The Minister of Labor, Wages, and Social Affairs, in agreement with the Minister of Finance and the Minister of Agriculture and Food Economy, determines the scale of the obligation, the detailed principles of payment, and the ways these funds are to be utilized.

2. Cooperative organizations, social organizations carrying on economic activity, and other economic units previously not obliged to make payments on behalf of the Vocational Activation Fund make payments to the State Vocational Activation Fund beginning the third quarter of 1982. As a basis for calculating the rise in remuneration, the latter half of 1982 will be used as a period of comparison in relation to the first half of 1982.

Article 27. The Minister of Labor, Wages, and Social Affairs, in agreement with the Minister of Finance, will specify the detailed principles for establishing the increase in remuneration, the size of the obligation and their payment on behalf of the State Vocational Activation Fund.

Article 28. The Council of Ministers will increase the amount of social security contributions from 25 percent to 33 percent of the payroll fund to partially make up the shortfall in the funding for social security.

Article 29. 1. Physical persons along with legal persons not units of the socialized economy and other organizational units without legal identity who conducted wage-earning activity in 1981 or are doing so in 1982 in the realm of crafts and trade, domestic commerce, or the gastronomic industry and pay income and turnover taxes in lump sums or make treasury

contributions for performing work in the crafts and trades or are temporarily exempt from these taxes (treasury payment) are required to make an ad hoc additional income tax payment for the difference in the value of the raw and other materials and the equipment and goods in trade related to the change in prices.

2. The Minister of Finance may issue an ordinance to grant an exemption from making the payment to groups of persons who usually do not have raw and other materials or other equipment of any great value, owing to the type of wage-earning activity they conduct.

3. The payment amounts to the following:

1) from persons conducting activity without employing employees or employing not more than two employees as of 1 January 1982:

a) making a treasury payment for performance of work in the crafts and trades 3,000 zlotys,

b) paying income and turnover tax or temporarily exempt from these taxes and from treasury payments 6,000 zlotys,

2) from persons performing activity which involves the employment of more than two employees as of 1 January 1982 -- the amount specified in Point 1, letter b), plus one-third for each employee over two employees.

4. Payment from persons with a place of residence or headquarters abroad and from persons with foreign citizenship and permanent residency card for the Polish People's Republic performing the activity described in Paragraph 1 and conducing commercial bookkeeping, if they were temporarily exempt of the income tax, amounts to 50 percent of the difference between the value of the inventory of raw and other materials, partly-finished products, finished goods, and goods in trade as of 1 January 1982, according to the prices in effect after that, on the one hand, and the value of that inventory according to the sale or production price. In establishing the difference between these values, raw and other materials acquired using convertible currency are excluded.

5. The additional payment of the income tax discussed in Paragraph 1 is made without further notification by 31 August 1982.

Article 30. 1. An ad hoc stability tax is introduced for those units of the socialized economy obtaining a profit in excess of 10 percent of the processing costs. In making the calculation, the income tax due and the payment of investment credit installments due are subtracted from the profit figure.

2. In relation to the rest of the profit, after the deductions specified in Paragraph 1, the ad hoc stability tax amounts to the following:

1) 30 percent, if the remainder does not exceed 25 percent of processing costs,

2) 40 percent, in other cases.

3. The Council of Ministers

1) defines the principles for making the calculations and the manner of clearing for the ad hoc stability tax, taking into account the exclusion of bonuses for the first half of the year, amounting to the equivalent of 4.25 percent of earnings, from the tax basis in those cooperatives which create the bonus fund out of profit,

2) may reduce the ad hoc stability tax, if the budget income from units of the socialized economy will exceed the provisions of this law.

Article 31. The statutory fund of the Polish National Bank is not supplemented out of the bank's profit obtained in 1982.

Article 32. The Minister of Finance and the Minister of Price Affairs are charged with increasing their supervision and monitoring of the structuring of costs in the enterprises and with giving particular attention to enterprises that enjoy budget subsidies.

Article 33. 1. The regulations of the law concerning

1) the voivodship people's councils also apply to the people's councils of cities with the rank of voivodship,

2) voivodship governors also apply to city managers of cities with the rank of voivodship.

2. Wherever the law talks about local budgets at the lowest level, this is understood to mean the budgets of cities, city-sections, and gminas [parishes] (towns and gminas).

Article 34. In 1982, Article 5, Paragraph 2, Point 1 will not apply in the realm of local budgets; Articles 16-21, Article 39, Paragraph 4; Article 40, Paragraphs 1 and 2; and Article 43, Paragraph 1, Point 2 will not apply in the realm of the local budget's division into parts; Article 43, Paragraph 2; Article 44, Paragraph 1; Article 57, Article 59, Paragraph 1; Article 61, Article 63, and Article 67, Paragraph 1 will not apply in the realm of transfer of credit between parts, and Articles 75-78 will not apply, with respect to the budget law of 25 November 1970 (DZIENNIK USTAW, No 29, Item 244).

Article 35. 1. The law is effective as of promulgation with force retroactive to 1 January 1982, with the following exceptions:

Articles 22-24 and 26-28 are effective as of 1 July 1982,

Article 25 is effective after the ratification of the law on the State Vocational Activation Fund.

2. Up until the effective date of the law on the State Vocational Activation Fund, economic organizations other than those specified in Paragraph 3 are obliged to make payments of taxes on the increase in remuneration, and this money goes to the State Vocational Activation Fund, in keeping with Article 22, Paragraph 1, and they will pay into the existing Vocational Activation Funds the amount due thereby according to Articles 22 and 23 of this law according to the principles specified therein.

3. Invalid cooperatives will pay the tax on remuneration increases as established in keeping with the regulation of Paragraph 2, paying into the appropriate centralized funds for the protection of jobs of persons employed in invalids' cooperatives, created by the central cooperative unions.

4. The Minister of Labor, Wages, and Social Services, in agreement with the Minister of Finance, will designate the detailed specific principles for making payments in 1982 of taxes on the increase in mean remuneration to the Vocational Activation Fund in the economic units mentioned in Article 26, Paragraph 2.

5. The needs of the economic units specified in Article 26, Paragraph 2, with the exeception of the units described in Paragraph 3, are financed out of the resources of the Vocational Activation Fund according to the principles adopted in state enterprises.

6. Special subsidies for state enterprises in which the following needs occur are financed out of the Vocational Activation Fund:

1) temporary suspension of production, or

2) change in the structure of employment and production as the result of the permanent suspension of previous production.

The Minister of Finance and the Minister of Labor, Wages, and Social Affairs will determine the financing principles and methods.

7. The regulations of Article 1, Paragraph 1, Point 9 and Article 24 apply respectively to the principles of disposing of the funds accumulated in the account of the Vocational Activation Fund.

Chairman of the Council of State: H. Jablonski
Secretary of the Council of State: E. Duda

Appendix No 1 to the Budgetary Law for the Year 1982
(Item 148)

BUDGET FOR THE YEAR 1982 BY DIVISION OF THE GOVERNMENT ADMINISTRATION

| Section No | Item | Item No | Income (in thousands of zlotys) | Expenditures (in thousands of zlotys) |
|---|---|---|---|---|
| PART 01 | OFFICE OF THE SEJM AND OFFICE OF THE COUNCIL OF STATE | | | |
| | GRAND TOTAL | 1 | 2,500 | 896,132 |
| 91 | STATE ADMINISTRATION including: | 2 | 2,500 | 389,980 |
| | Central units | 3 | 2,500 | 254,734 |
| 77 | SCIENCE (Scientific libraries) | 4 | | 12,650 |
| 89 | MISCELLANEOUS ACTIVITY (Social Organizations) | 5 | | 314,942 |
| 00 | INVESTMENTS AND CAPITAL REPAIRS | 6 | | 178,500 |
| | Investments | 7 | | 144,810 |
| | Capital repairs | 8 | | 33,750 |
| | SUBSIDIARY ECONOMIC UNITS AND SPECIAL RESOURCES | | | |
| | SUBSIDIARY ECONOMIC UNITS | | | |
| | Income and expenditures | 1 | 13,000 | 13,000 |
| | SPECIAL RESOURCES | | | |
| | Income and expenditures | 2 | 10,000 | 10,000 |
| PART 02 | SUPREME CHAMBER OF CONTROL | | | |
| | GRAND TOTAL | 1 | 8,628 | 408,191 |
| 91 | STATE ADMINISTRATION | 2 | 6,000 | 396,219 |
| | including: Central units | 3 | 6,000 | 394,228 |
| 80 | VOCATIONAL EDUCATION (Course-training centers) | 4 | 2,628 | 8,252 |

| Section No | Item | Item No | Income (in thousands of zlotys) | Expenditures (in thousands of zlotys) |
|---|---|---|---|---|
| 89 | MISCELLANEOUS ACTIVITY (Separate tasks) | 5 | | 20 |
| 00 | INVESTMENTS | 6 | | 3,700 |
| | SPECIAL RESOURCES | | | |
| | Income and expenditures including: | 1 | 1,800 | 1,800 |
| | Payment to the budget | 2 | | 20 |
| PART 03 | SUPREME COURT | | | |
| | GRAND TOTAL | 1 | 550 | 74,871 |
| 92 | ADMINISTRATION OF JUSTICE including: | 2 | 550 | 73,888 |
| | Chief judiciary units | 3 | 550 | 72,617 |
| 81 | HIGHER EDUCATION (Instruction Activity) | 4 | | 30 |
| 89 | MISCELLANEOUS ACTIVITY (Separate tasks) | 5 | | 40 |
| 00 | INVESTMENTS | 6 | | 913 |
| PART 04 | PROSECUTOR GENERAL OF THE POLISH PEOPLE'S REPUBLIC | | | |
| | GRAND TOTAL | 1 | 49,785 | 1,626,446 |
| 92 | ADMINISTRATION OF JUSTICE AND PROSECUTOR'S OFFICE including: | 2 | 23,100 | 1,521,742 |
| | Chief Prosecution units | 3 | 500 | 95,312 |
| | Voivodship and regional prosecutor's offices | 4 | 22,600 | 1,404,776 |
| 01 | ECONOMIC ACTIVITY (Subsidies for subsidiary economic units) | 5 | | 450 |
| 77 | SCIENCE (Institute for Problems of Criminality) | 6 | 170 | 11,372 |

| Section No | Item | Item No | Income (in thousands of zlotys) | Expenditures (in thousands of zlotys) |
|---|---|---|---|---|
| 80 | VOCATIONAL EDUCATION (Course-training centers) | 7 | | 74 |
| 81 | HIGHER EDUCATION | 8 | | 750 |
| | Instruction activity | 9 | | 150 |
| | Scholarship assistance | 10 | | 600 |
| 89 | MISCELLANEOUS ACTIVITY (Separate tasks) | 11 | | 250 |
| 00 | INVESTMENTS AND CAPITAL REPAIRS | 12 | 26,515 | 91,808 |
| | Investments | 13 | 16,153 | 37,898 |
| | Capital repairs | 14 | 10,362 | 53,910 |
| | SUBSIDIARY ECONOMIC UNITS | | | |
| | Income and expenditures | 1 | 1,620 | 1,620 |
| | Including: budget subsidy | 2 | 450 | |
| PART 05 | OFFICE OF THE COUNCIL OF MINISTERS | | | |
| | GRAND TOTAL | 1 | 286,923 | 948,150 |
| 91 | STATE ADMINISTRATION | 2 | 1,800 | 470,329 |
| | Including: Central units | 3 | 1,800 | 316,171 |
| 01 | ECONOMIC ACTIVITY | 4 | 107,623 | 127,116 |
| | Budget-financed tasks and units | 5 | 100,000 | 10,000 |
| | State enterprises | 6 | 7,623 | 117,116 |
| | including: | | | |
| | Tax on Payroll fund | 7 | 7,295 | |
| 77 | SCIENCE (Research units) | 8 | 4,700 | 72,992 |
| 89 | MISCELLANEOUS ACTIVITY (Social organizations) | 9 | 150,000 | 48,500 |
| 00 | INVESTMENTS AND CAPITAL REPAIRS | 10 | 22,800 | 229,213 |
| | Investments | 11 | 22,800 | 204,463 |
| | Capital repairs | 12 | | 24,750 |

| Section No | Item | Item No | Income (in thousands of zlotys) | Expenditures (in thousands of zlotys) |
|---|---|---|---|---|
| | SUBSIDIARY ECONOMIC UNITS AND SPECIAL RESOURCES | | | |
| | SUBSIDIARY ECONOMIC UNITS | | | |
| | Income and expenditures | 1 | 440,000 | 440,000 |
| | SPECIAL RESOURCES | | | |
| | Income and expenditures | 2 | 42,000 | 42,000 |
| PART 06 | PLANNING COMMISSION OF THE COUNCIL OF MINISTERS | | | |
| | GRAND TOTAL | 1 | 24,021 | 364,431 |
| 91 | STATE ADMINISTRATION including: | 2 | 4,005 | 279,128 |
| | Central units | 3 | 3,500 | 243,429 |
| 01 | ECONOMIC ACTIVITY | | | |
| | Government Central Computerized Information Planning System Center | 4 | 20,006 | 41,003 |
| 77 | SCIENCE including: | 5 | 10 | 43,984 |
| | Research units | 6 | 10 | 29,460 |
| | Financing of research considered to be key problems (subsidy for research fund) | 7 | | 14,000 |
| 80 | VOCATIONAL EDUCATION (Course training centers) | 8 | | 76 |
| 81 | HIGHER EDUCATION (Instruction-upbringing activity) | 9 | | 200 |
| 89 | MISCELLANEOUS ACTIVITY (Separate tasks) | 10 | | 40 |
| PART 07 | MINISTRY OF SCIENCE, HIGHER EDUCATION, AND TECHNOLOGY | | | |
| | GRAND TOTAL | 1 | 2,487,084 | 40,534,860 |
| 77 | SCIENCE | 2 | 60,000 | 6,136,780 |

| Section No | Item | Item No | Income (in thousands of zlotys) | Expenditures (in thousands of zlotys) |
|---|---|---|---|---|
| | Ministry and branch research units | 3 | 9,323 | 37,000 |
| | Scientific-Technical and Economic Information Center | 4 | 6,000 | 81,000 |
| | Financing of research considered key and ministry-branch problems and research in institutions of higher education | 5 | | 3,587,817 |
| | Bonuses for completing research and development projects | 6 | | 13,500 |
| | Reserves | 7 | | 2,100,000 |
| 81 | HIGHER EDUCATION | 8 | 1,755,558 | 31,262,894 |
| | Instruction and upbringing activity | 9 | 1,605,000 | 21,925,575 |
| | Scholarship assistance | 10 | | 1,790,000 |
| | Student dormitories and cafeterias | 11 | | 4,186,790 |
| | Other benefits for students | 12 | | 236,700 |
| | Miscellaneous activity including: | 13 | 150,558 | 3,123,829 |
| | Subsidies for capital repairs to institutions of higher education | 14 | | 2,647,000 |
| | Reserves | 15 | | 150,000 |
| 01 | ECONOMIC ACTIVITY | 16 | 671,156 | 147,051 |
| | State enterprises including: | 17 | 671,156 | 143,000 |
| | Income tax | 18 | 418,096 | |
| | Tax on payroll fund | 19 | 211,300 | |
| | Depreciation payments | 20 | 41,760 | |
| | Subsidies for enterprises | 21 | | 143,000 |
| | Budget-financed tasks | 22 | | 4,051 |
| 80 | VOCATIONAL EDUCATION (Course training centers) | 23 | | 305 |
| 89 | MISCELLANEOUS ACTIVITY | 24 | | 367,090 |
| | Social organizations | 25 | | 303,779 |
| | Separate tasks | 26 | | 13,320 |
| | Reserves | 27 | | 50,000 |
| 91 | STATE ADMINISTRATION including: | 28 | 370 | 96,640 |

| Section No | Item | Item No | Income (in thousands of zlotys) | Expenditures (in thousands of zlotys) |
|---|---|---|---|---|
| | Central units | 29 | 370 | 87,526 |
| 00 | INVESTMENTS AND CAPITAL REPAIRS | 30 | | 2,524,100 |
| | Investments | 31 | | 2,497,250 |
| | Capital repairs | 32 | | 26,850 |
| | INSTITUTIONS OF HIGHER EDUCATION, RESEARCH UNITS, BUDGET-FINANCED ESTABLISHMENT, SUBSIDIARY ECONOMIC UNITS, SPECIAL RESOURCES | | | |
| | INSTITUTIONS OF HIGHER EDUCATION | | | |
| | Income and costs including: | 1 | 31,500,000 | 31,500,000 |
| | Budget subsidy | 2 | 27,964,565 | |
| | RESEARCH UNITS | | | |
| | Income and costs including: | 3 | 463,545 | 437,588 |
| | Budget subsidy | 4 | 37,000 | |
| | BUDGET-FINANCED ESTABLISHMENTS | | | |
| | Income and expenditures including: | 5 | 197,490 | 196,650 |
| | Budget subsidy | 6 | 90,020 | |
| | SUBSIDIARY ECONOMIC UNITS | | | |
| | Income and expenditures including: | 7 | 6,631 | 6,631 |
| | Payment to budget | 8 | | 640 |
| | SPECIAL RESOURCES | | | |
| | Income and expenditures | 9 | 9,076 | 2,754 |
| PART 08 | MINISTRY OF FINANCE | | | |
| | GRAND TOTAL | 1 | 186,780,967 | 18,055,662 |

| Section No | Item | Item No | Income (in thousands of zlotys) | Expenditures (in thousands of zlotys) |
|---|---|---|---|---|
| 94 | FINANCE AND INSURANCE | 2 | 186,150,881 | 12,819,169 |
| | Banks and other financial and credit institutions | 3 | 164,757,091 | 600,987 |
| | Payments out of profits | 4 | 133,188,553 | |
| | Income tax | 5 | 29,699,648 | |
| | Tax on payroll fund | 6 | 290,334 | |
| | Shares and dividends | 7 | 1,578,556 | |
| | Lotteries and games of chance | 8 | 78,310 | |
| | Foreign credit activity | 9 | 20,025,000 | 12,200,000 |
| | Property and personal insurance establishments | 10 | 1,233,230 | |
| | Miscellaneous activity | 11 | 57,250 | 18,182 |
| 91 | STATE ADMINISTRATION | 12 | 47,762 | 2,488,402 |
| | Central units | 13 | 2,610 | 136,035 |
| | Foreign posts | 14 | | 8,680 |
| | Scientific-technical and economic foreign cooperation | 15 | | 11,403 |
| | Local units | 16 | 802 | 2,248,096 |
| | Miscellaneous activity | 17 | 44,350 | 84,188 |
| 01 | ECONOMIC ACTIVITY | 18 | 280,272 | 2,351,738 |
| | State enterprises including: | 19 | 280,120 | |
| | Turnover tax | 20 | 16,000 | |
| | Income tax] | 21 | 190,000 | |
| | Tax on payroll fund | 22 | 46,000 | |
| | Depreciation payments | 23 | 24,657 | |
| | Budget-financed tasks and units | 24 | 152 | 1,738 |
| | Subsidies for Commerce Bank for the coefficient differences in non-commercial liabilities | 25 | | 2,000,000 |
| | Subsidies for Polish National Bank for refund of guarantee premiums on housing deposits | 26 | | 350,000 |
| 77 | SCIENCE including: | 27 | 51,000 | 85,033 |
| | Research units | 28 | | 21,562 |
| | Scientific associations | 29 | 51,000 | 62,946 |

| Section No | Item | Item No | Income (in thousands of zlotys) | Expenditures (in thousands of zlotys) |
|---|---|---|---|---|
| 80 | VOCATIONAL EDUCATION (Center for the Continuing Education of Ministry of Finance Staff) | 30 | 52 | 5,380 |
| 81 | HIGHER EDUCATION | 31 | | 445 |
| | Instruction and upbringing activity | 32 | | 185 |
| | Scholarship assistance | 33 | | 260 |
| 89 | MISCELLANEOUS ACTIVITY including: | 34 | 21,000 | 96,197 |
| | Social organizations | 35 | 21,000 | 95,354 |
| | Separate tasks | 36 | | 593 |
| 99 | INCOME FROM NONSOCIALIZED ECONOMY AND FROM THE POPULATION (Taxes on Foreign Posts) | 37 | 230,000 | |
| 00 | INVESTMENTS, CAPITAL REPAIRS, AND MISCELLANEOUS CLEARING OF ACCOUNTS including: | 38 | | 209,298 |
| | Investments | 39 | | 67,748 |
| | Capital repairs | 40 | | 51,550 |
| | SPECIAL RESOURCES AND RESEARCH UNITS | | | |
| | SPECIAL RESOURCES | | | |
| | Income and expenditures | 1 | 662 | 662 |
| | RESEARCH UNITS | | | |
| | Income and costs | 2 | 50,733 | 46,938 |
| PART 09 | MINISTRY OF LABOR, WAGES, AND SOCIAL AFFAIRS | | | |
| | GRAND TOTAL | 1 | 199,772,251 | 281,183,822 |
| 94 | FINANCE AND INSURANCE | 2 | 99,604,620 | 279,702,910 |
| | Central Social Security Agency | 3 | | 169,095 |
| | Local Social Security Agency offices | 4 | | 1,991,211 |
| | Other social security institutions | 5 | | 198,250 |
| | Subsidies for retirement fund, farmers' retirement fund, and alimony fund | 6 | | 78,930,500 |
| | Family benefits with compensation | 7 | | 155,508,470 |

| Section No | Item | Item No | Income (in thousands of zlotys) | Expenditures (in thousands of zlotys) |
|---|---|---|---|---|
| | Other nonrecurring benefits and services | 8 | | 41,940,680 |
| | Sanatorium and climatic treatment for insured persons | 9 | | 91,500 |
| | Miscellensous activity including: | 10 | 99,604,620 | 873,204 |
| | Social security premiums from: | | | |
| | Socialized economy | 11 | 97,697,000 | |
| | Nonsocialized economy | 12 | 1,855,100 | |
| 01 | ECONOMIC ACTIVITY (Printing houses) | 13 | 10,486 | 115,363 |
| 77 | SCIENCE including: | 14 | 3,380 | 155,685 |
| | Ministry and branch research units | 15 | 3,380 | 17,637 |
| | Financing research considered government, key, and ministry problems | 16 | | 133,000 |
| 80 | VOCATIONAL EDUCATION | 17 | 4,800 | 44,025 |
| 81 | HIGHER EDUCATION (Scholarship aid) | 18 | | 220 |
| 86 | SOCIAL WELFARE (Vocational activation fund) | 19 | | 600,000 |
| 89 | MISCELLANEOUS ACTIVITY | 20 | | 15,866 |
| | Local orientation outlets and vocational counselling centers | 21 | | 15,866 |
| | Separate tasks | 22 | | 20 |
| 91 | STATE ADMINISTRATION including: | 23 | 148,965 | 150,046 |
| | Central units | 24 | 20 | 78,425 |
| | Foreign scientific-technical and economic cooperation | 25 | 148,900 | 67,973 |
| 00 | INVESTMENTS, CAPITAL REPAIRS, AND VARIOUS CLEARINGS OF ACCOUNTS | 26 | 100,000,000 | 399,687 |
| | Budget account of remainder of State Vocational Activation Fund | 27 | 100,000,000 | |
| | Investments | 28 | | 375,017 |
| | Capital repairs | | | 24,670 |

| Section No | Item | Item No | Income (in thousands of zlotys) | Expenditures (in thousands of zlotys) |
|---|---|---|---|---|
| | SPECIAL-PURPOSE FUNDS, SUBSIDIARY ECONOMIC UNITS, SPECIAL RESOURCES AND RESEARCH UNITS | | | |
| | RETIREMENT FUND | | | |
| | Income and expenditures | 1 | 328,769,500 | 346,346,600 |
| | Social security premiums from: | | | |
| | Socialized economy | 2 | 279,241,000 | |
| | Nonsocialized economy | 3 | 2,751,600 | |
| | Employee contributions | 4 | 316,000 | |
| | Miscellaneous income | 5 | 11,137,500 | |
| | Budget subsidy | 6 | 35,323,400 | |
| | Pensions and annuities | 7 | | 229,507,000 |
| | Funeral allowances and other benefits | 8 | | 2,254,000 |
| | Compensation and adjustments for price increases (indexing) | 9 | | 114,585,600 |
| | FARMERS' RETIREMENT FUND | | | |
| | Income and expenditures | 10 | 46,088,500 | 45,366,100 |
| | Farmers' contributions | 11 | 3,350,000 | |
| | Budget subsidy | 12 | 42,737,000 | |
| | Miscellaneous income | 13 | 1,500 | |
| | Pensions and annuities | 14 | | 17,542,200 |
| | Other fixed cash benefits | 15 | | 5,430,500 |
| | Contribution refunds | 16 | | 800 |
| | Subsistence and other nonrecurring accident benefits | 17 | | 1,067,500 |
| | Price increase adjustments (indexing) | 18 | | 21,425,100 |
| | ALIMONY FUND | | | |
| | Income and expenditures | 19 | 2,017,000 | 1,352,400 |
| | including: budget subsidy | 20 | 870,100 | |
| | Price increase adjustments (indexing) | 21 | | 260,100 |
| | STATE VOCATIONAL ACTIVATION FUND | | | |
| | Income and expenditures including: | 22 | 150,000,000 | 150,000,000 |
| | Budget fund of remaining resources | 23 | | 100,000,000 |
| | Budget subsidy | 24 | 600,000 | |

| Section No | Item | Item No | Income (in thousands of zlotys) | Expenditures (in thousands of zlotys) |
|---|---|---|---|---|
| | SUBSIDIARY ECONOMIC UNITS | | | |
| | Income and expenditures | 25 | 33,824 | 33,824 |
| | SPECIAL RESOURCES | | | |
| | Income and expenditures including: | 26 | 334,002 | 324,225 |
| | Contribution to budget | 27 | | 148,900 |
| | Budget subsidy | 28 | 32,662 | |
| | RESEARCH UNITS | | | |
| | Income and costs | 29 | 61,782 | 56,647 |
| PART 11 | MINISTRY OF MINING AND POWER INDUSTRY | | | |
| | GRAND TOTAL | 1 | 85,645,739 | 112,565,214 |
| 01 | ECONOMIC ACTIVITY | 2 | 85,405,300 | 108,587,292 |
| | State enterprises including: | 3 | 85,405,300 | 98,065,000 |
| | Turnover tax | 4 | 120,000 | |
| | Income tax | 5 | 45,584,000 | |
| | Tax on payroll fund | 6 | 34,500,000 | |
| | Depreciation payments | 7 | 4,174,000 | |
| | Unlimited product subsidies | 8 | | 41,889,000 |
| | Refund of accumulations | 9 | | 55,500,000 |
| | Budget-financed tasks and units | 10 | | 10,522,292 |
| 77 | SCIENCE | 11 | 237,995 | 1,488,082 |
| | Ministry and branch research units | 12 | 237,995 | |
| | Financing of research considered government and key problems | 13 | | 1,458,100 |
| | Bonuses for completion of research and development projects | 14 | | 29,982 |
| 80 | VOCATIONAL EDUCATION including: | 15 | 1,305 | 1,210,639 |
| | Basic schools and their equivalent | 16 | 15 | 452,381 |
| | Plant schools | 17 | | 110,306 |
| | Technical schools and secondary vocational schools | 18 | 785 | 279,976 |

| Section No | Item | Item No | Income (in thousands of zlotys) | Expenditures (in thousands of zlotys) |
|---|---|---|---|---|
| | Post-secondary vocational schools | 19 | 95 | 22,599 |
| | Course-training and continuing-education centers | 20 | 125 | 39,448 |
| | Boarding schools and scholarships for vocational-school pupils | 21 | 275 | 272,720 |
| 81 | HIGHER EDUCATION (Instruction and Upbringing Activity) | 22 | | 76 |
| 83 | CULTURE AND ART (Museums) | 23 | | 12,068 |
| 89 | MISCELLANEOUS ACTIVITY (Separate tasks) | 24 | | 76,950 |
| 91 | STATE ADMINISTRATION including: | 25 | 1,139 | 172,804 |
| | Central units | 26 | 1,139 | 136,670 |
| | Foreign scientific-technical cooperation | 27 | | 32,231 |
| 00 | INVESTMENTS AND CAPITAL REPAIRS | 28 | | 1,017,309 |
| | Investments | 29 | | 963,434 |
| | Capital repairs | 30 | | 53,875 |
| | SUBSIDIARY ECONOMIC UNITS, SPECIAL RESOURCES, AND RESEARCH UNITS | | | |
| | SUBSIDIARY ECONOMIC UNITS | | | |
| | Income and expenditures | 1 | 15,540 | 15,540 |
| | SPECIAL RESOURCES | | | |
| | Income and expenditures | 2 | 57,272 | 59,104 |
| | RESEARCH UNITS | | | |
| | Income and costs | 3 | 4,450,861 | 4,224,111 |
| PART 13 | MINISTRY OF METALLURGY AND ENGINEERING INDUSTRY | | | |
| | GRAND TOTAL | 1 | 212,697,340 | 53,596,496 |
| 01 | ECONOMIC ACTIVITY | 2 | 212,214,000 | 48,383,771 |

| Section No | Item | Item No | Income (in thousands of zlotys) | Expenditures (in thousands of zlotys) |
|---|---|---|---|---|
| | State enterprises including: | 3 | 212,214,000 | 47,700,000 |
| | Turnover tax | 4 | 40,000,000 | |
| | Income tax | 5 | 116,000,000 | |
| | Depreciation payments | 6 | 22,214,000 | |
| | Tax onppayroll fund | 7 | 29,700,000 | |
| | Financing of losses | 8 | | 35,000,000 |
| | Unlimited product subsidies | 9 | | 11,400,000 |
| | Budget-financed units | 10 | | 683,771 |
| 77 | SCIENCE including: | 11 | 481,200 | 3,625,646 |
| | Ministry research units | 12 | 481,200 | |
| | Financing research considered key problems | 13 | | 3,540,000 |
| | Bonuses for carrying out research and development projects | 14 | | 80,100 |
| 80 | VOCATIONAL EDUCATION | 15 | 610 | 186,705 |
| | Vocational secondary and technical schools | 16 | 400 | 77,680 |
| | Basic schools and their equivalent | 17 | | 792 |
| | Post-secondary vocational schools | 18 | | 2,403 |
| | Boarding schools and scholarships for vocational school pupils | 19 | 110 | 65,086 |
| | Course-training and continuing-education centers | 20 | 100 | 40,744 |
| 81 | HIGHER EDUCATION | 21 | | 400 |
| 89 | MISCELLANEOUS ACTIVITY including: | 22 | | 208,820 |
| | Separate tasks | 23 | | 198,820 |
| 91 | STATE ADMINISTRATION including: | 24 | 1,530 | 224,823 |
| | Central units | 25 | 1,530 | 170,964 |
| | Various units of central administration | 26 | | 8,653 |
| | Foreign scientific-technical and economic cooperation | 27 | | 37,809 |

| Section No | Item | Item No | Income (in thousands of zlotys) | Expenditures (in thousands of zlotys) |
|---|---|---|---|---|
| 00 | INVESTMENTS AND CAPITAL REPAIRS | 28 | | 966,331 |
| | Investments | 29 | | 943,518 |
| | Capital repairs | 30 | | 22,813 |
| | SUBSIDIARY ECONOMIC UNITS, SPECIAL RESOURCES, AND RESEARCH UNITS | | | |
| | SUBSIDIARY ECONOMIC UNITS | | | |
| | Income and expenditures | 1 | 3,300 | 3,300 |
| | including: contribution to budget | 2 | | 160 |
| | SPECIAL RESOURCES | | | |
| | Income and expenditures | 3 | 30,493 | 30,493 |
| | including: Budget subsidy | 4 | 3,780 | |
| | RESEARCH UNITS | | | |
| | Income and costs | 5 | 20,250,000 | 19,200,000 |
| PART 15 | MINISTRY OF CHEMICAL AND LIGHT INDUSTRY | | | |
| | GRAND TOTAL | 1 | 276,925,305 | 40,287,609 |
| 01 | ECONOMIC ACTIVITY | 2 | 276,814,000 | 37,865,420 |
| | State enterprises including: | 3 | 276,814,000 | 37,395,000 |
| | Turnover tax | 4 | 112,500,000 | |
| | Income tax | 5 | 141,900,000 | |
| | Tax on payroll fund | 6 | 10,000,000 | |
| | Unlimited product subsidies | 7 | | 33,575,000 |
| | Budget-financed tasks and units | 8 | | 470,420 |
| 77 | SCIENCE | 9 | 108,900 | 459,512 |
| | Ministry and branch research units | 10 | 108,580 | |
| | Scientific-technical and economic information units | 11 | 320 | 13,362 |
| | Financing of research considered key problems | 12 | | 421,600 |
| | Bonuses for completion of research and development projects | 13 | | 24,550 |

| Section No | Item | Item No | Income (in thousands of zlotys) | Expenditures (in thousands of zlotys) |
|---|---|---|---|---|
| 80 | VOCATIONAL EDUCATION | 14 | 875 | 85,329 |
| | Vocational secondary and technical schools | 15 | 40 | 20,070 |
| | Post-secondary vocational schools | 16 | | 2,167 |
| | Boarding schools and scholarships for vocational school pupils | 17 | 150 | 24,413 |
| | Vocational continuing-education and course-training centers | 18 | 685 | 38,679 |
| 89 | MISCELLANEOUS ACTIVITY including: | 19 | 230 | 58,502 |
| | Separate tasks | 20 | | 58,390 |
| 91 | STATE ADMINISTRATION including: | 21 | 1,300 | 149,955 |
| | Central units | 22 | 1,300 | 104,119 |
| | Miscellaneous units of central administration | 23 | | 3,211 |
| | Foreign scientific-technical and economic cooperation | 24 | | 37,371 |
| 00 | INVESTMENTS AND CAPITAL REPAIRS | 25 | | 1,668,891 |
| | Investments | 26 | | 1,667,813 |
| | Capital repairs | 27 | | 1,078 |
| | SPECIAL RESOURCES AND RESEARCH UNITS | | | |
| | SPECIAL RESOURCES | | | |
| | Income and expenditures | 1 | 5,190 | 4,701 |
| | RESEARCH UNITS | | | |
| | Income and costs | 2 | 7,072,000 | 6,781,000 |
| PART 18 | MINISTRY OF CONSTRUCTION AND BUILDING MATERIALS INDUSTRY | | | |
| | GRAND TOTAL | 1 | 35,540,850 | 11,663,252 |
| 01 | ECONOMIC ACTIVITY | 2 | 35,397,000 | 10,561,213 |
| | State enterprises including: | 3 | 35,397,000 | 10,265,000 |

| Section No | Item | Item No | Income (in thousands of zlotys) | Expenditures (in thousands of zlotys) |
|---|---|---|---|---|
| | Turnover tax | 4 | 1,600,000 | |
| | Income tax | 5 | 17,455,000 | |
| | Tax on payroll fund | 6 | 13,332,000 | |
| | Depreciation payments | 7 | 2,240,000 | |
| | Unlimited product subsidies | 8 | | 9,750,000 |
| | Budget-financed units and tasks | 9 | | 296,213 |
| 77 | SCIENCE | 10 | 137,350 | 803,085 |
| | Ministry and branch research units | 11 | 133,300 | |
| | Scientific-technical and economic information units | 12 | 4,050 | 32,785 |
| | Financing of research considered government and key problems | 13 | | 760,000 |
| | Bonuses for completing research and development projects | 14 | | 10,300 |
| 80 | VOCATIONAL EDUCATION (Course-training and vocational continuing-education centers) | 15 | 2,000 | 82,121 |
| 89 | MISCELLANEOUS ACTIVITY (Separate tasks) | 16 | 3,000 | 33,800 |
| 91 | STATE ADMINISTRATION including: | 17 | 1,500 | 129,843 |
| | Central units | 18 | 1,400 | 107,074 |
| | Ministry Work Standards Center | 19 | | 6,770 |
| | Foreign scientific-research and economic cooperation | 20 | 100 | 8,240 |
| 00 | INVESTMENTS AND CAPITAL REPAIRS | 21 | | 53,190 |
| | Investments | 22 | | 29,485 |
| | Capital repairs | 23 | | 23,705 |
| | BUDGET-FINANCED ESTABLISHMENTS, SUBSIDIARY ECONOMIC UNITS, SPECIAL RESOURCES, AND RESEARCH UNITS | | | |
| | BUDGET-FINANCED ESTABLISHMENTS | | | |
| | Income and expenditures | 1 | 80,985 | 80,425 |
| | including: budget subsidy | 2 | 32,785 | |

| Section No | Item | Item No | Income (in thousands of zlotys) | Expenditures (in thousands of zlotys) |
|---|---|---|---|---|
| | SUBSIDIARY ECONOMIC UNITS | | | |
| | Income and expenditures including: | 3 | 22,560 | 22,363 |
| | Contribution to budget | 4 | | 198 |
| | SPECIAL RESOURCES | | | |
| | Income and expenditures | 5 | 5,000 | 19,300 |
| | RESEARCH UNITS | | | |
| | Income and costs | 6 | 3,182,700 | 2,975,700 |
| PART 19 | MINISTRY OF AGRICULTURE AND FOOD ECONOMY | | | |
| | GRAND TOTAL | 1 | 340,755,084 | 187,785,881 |
| 01 | ECONOMIC ACTIVITY | 2 | 340,563,230 | 169,126,398 |
| | State enterprises including: | 3 | 340,006,000 | 137,002,000 |
| | Turnover tax | 4 | 309,240,000 | |
| | Income tax | 5 | 15,580,000 | |
| | Tax on payroll fund | 6 | 10,600,000 | |
| | Depreciation payments | 7 | 3,350,000 | |
| | Unlimited product subsidies | 8 | | 130,530,000 |
| | Budget-financed tasks and units including: | 9 | 557,230 | 10,718,244 |
| | Units and tasks of agriculture | 10 | 340,000 | 5,194,608 |
| | Regional water management districts | 11 | 40,000 | 5,093,327 |
| | Clearing of accounts in connection with bank credit | 12 | | 21,406,154 |
| 77 | SCIENCE including: | 13 | 177,404 | 4,407,793 |
| | Ministry and branch research units | 14 | 99,186 | 940,401 |
| | Financing of research considered government and key problems | 15 | | 2,410,000 |
| | Financing of other research | 16 | | 1,000,000 |
| | Bonuses for completing research and development projects | 17 | | 6,250 |

| Section No | Item | Item No | Income (in thousands of zlotys) | Expenditures (in thousands of zlotys) |
|---|---|---|---|---|
| 80 | VOCATIONAL EDUCATION (Course-training and continuing education centers) | 18 | 1,850 | 25,672 |
| 81 | HIGHER EDUCATION (Instruction and moral training) | 19 | | 900 |
| 83 | CULTURE AND ART (Museums) | 20 | 100 | 13,305 |
| 89 | MISCELLANEOUS ACTIVITY (Separate tasks) | 21 | 4,000 | 64,110 |
| 91 | STATE ADMINISTRATION including: | 22 | 8,500 | 490,760 |
| | Central units | 23 | 2,060 | 153,140 |
| | Foreign scientific-technical and economic cooperation | 24 | 100 | 180,185 |
| 00 | INVESTMENTS AND CAPITAL REPAIRS | 25 | | 13,656,943 |
| | Investments | 26 | | 13,557,813 |
| | Capital repairs | 27 | | 99,130 |
| | BUDGET-FINANCED ESTABLISHMENTS, SUBSIDIARY ECONOMIC UNITS, SPECIAL RESOURCES, SPECIAL-PURPOSE FUNDS, AND RESEARCH UNITS | | | |
| | BUDGET-FINANCED ESTABLISHMENTS | | | |
| | Income and expenditures | 1 | 3,012,300 | 4,992,300 |
| | including: Budget subsidy | 2 | 2,012,650 | |
| | SUBSIDIARY ECONOMIC UNITS | | | |
| | Income and expenditures | 3 | 35,733 | 35,733 |
| | SPECIAL RESOURCES | | | |
| | Income and expenditures | 4 | 16,356 | 31,351 |
| | WATER MANAGEMENT FUND | | | |
| | Income and expenditures | 5 | 1,450,000 | 1,650,000 |

| Section No | Item | Item No | Income (in thousands of zlotys) | Expenditures (in thousands of zlotys) |
|---|---|---|---|---|
| | FUND FOR THE PROTECTION AND RECULTIVATION OF LAND | | | |
| | Income and expenditures | 6 | 910,000 | 910,000 |
| | RESEARCH UNITS | | | |
| | Income and costs | 7 | 4,671,000 | 4,642,000 |
| | including: Budget subsidy | 8 | 920,000 | |
| PART 20 | MINISTRY OF FORESTRY AND TIMBER INDUSTRY | | | |
| | GRAND TOTAL | 1 | 33,848,675 | 6,518,138 |
| 01 | ECONOMIC ACTIVITY | 2 | 33,812,980 | 6,101,307 |
| | State enterprises including: | 3 | 33,780,050 | 5,853,000 |
| | Turnover tax | 4 | 13,900,000 | |
| | Income tax | 5 | 8,239,000 | |
| | Tax on payroll fund | 6 | 6,280,000 | |
| | Depreciation payments | 7 | 1,870,000 | |
| | Unlimited product subsidies | 8 | | 2,389,000 |
| | Financing of losses | 9 | | 2,500,000 |
| | Budget-financed tasks and units | 10 | 32,930 | 246,307 |
| 77 | SCIENCE including: | 11 | 28,052 | 79,117 |
| | Ministry and branch research units | 12 | 28,052 | |
| | Scientific-technical and economic information centers | 13 | | 806 |
| | Financing of research considered government and key projects | 14 | | 76,000 |
| | Bonuses for completion of research and development projects | 15 | | 2,300 |
| 00 | VOCATIONAL EDUCATION including: | 16 | 1,203 | 119,991 |
| | Vocational secondary and technical schools | 17 | 842 | 45,323 |
| | Post-secondary vocational schools | 18 | 9 | 1,274 |
| | Boarding schools and scholarships for vocational school pupils | 19 | 379 | 60,000 |
| | Vocational continuing education and course-training centers | 20 | 73 | 12,100 |

| Section No | Item | Item No | Income (in thousands of zlotys) | Expenditures (in thousands of zlotys) |
|---|---|---|---|---|
| 81 | HIGHER EDUCATION (Scholarship aid) | 21 | | 11 |
| 89 | MISCELLANEOUS ACTIVITY | 22 | 6,100 | 20,767 |
| | including: Separate tasks | 23 | | 13,250 |
| 91 | STATE ADMINISTRATION | 24 | 340 | 62,274 |
| | including: | | | |
| | Central units | 25 | 340 | 56,322 |
| | Foreign scientific-technical and economic cooperation | 26 | | 3,391 |
| 00 | INVESTMENTS AND CAPITAL REPAIRS | 27 | | 134,671 |
| | Investments | 28 | | 92,941 |
| | Capital repairs | | | 41,730 |
| | SUBSIDIARY ECONOMIC UNITS, SPECIAL RESOURCES, AND RESEARCH UNITS | | | |
| | SUBSIDIARY ECONOMIC UNITS | | | |
| | Income and expenditures | 1 | 221,493 | 221,493 |
| | including: | | | |
| | Budget subsidy | 2 | 19,489 | |
| | Payment to budget | 3 | | 25,371 |
| | SPECIAL RESOURCES | | | |
| | Income and expenditures | 4 | 48,633 | 49,068 |
| | RESEARCH UNITS | | | |
| | Income and costs | 5 | 421,058 | 442,818 |
| PART 21 | MINISTRY OF TRANSPORTATION | | | |
| | GRAND TOTAL | 1 | 33,734,105 | 169,112,455 |
| 01 | ECONOMIC ACTIVITY | 2 | 33,699,727 | 134,430,285 |
| | State enterprises | 3 | 32,977,961 | 103,900,113 |
| | including: | | | |
| | Income tax | 4 | 15,940,000 | |
| | Turnover tax | 5 | 164,000 | |
| | Tax on payroll fund | 6 | 14,907,344 | |

| Section No | Item | Item No | Income (in thousands of zlotys) | Expenditures |
|---|---|---|---|---|
| | Depreciation payments | 7 | 818,817 | |
| | Unlimited product subsidy | 8 | | 103,894,000 |
| | Budget-financed units and tasks including: | 9 | 721,766 | 30,530,172 |
| | State public road units | 10 | 620,352 | 28,231,647 |
| 77 | SCIENCE | 11 | 7,860 | 108,264 |
| | Ministry and branch research units | 12 | 7,860 | |
| | Scientific-technical and economic information units | 13 | | 6,649 |
| | Financing of research considered to be key problems | 14 | | 98,000 |
| | Bonuses for carrying out research and development projects | 15 | | 3,615 |
| 79 | GENERAL EDUCATION AND UPBRINGING including: | 16 | 20 | 262,640 |
| | Urban preschools | 17 | 15 | 261,329 |
| 80 | VOCATIONAL EDUCATION including: | 18 | 6,527 | 669,666 |
| | Basic schools and equivalent | 19 | 550 | 31,640 |
| | Plant schools | 20 | 10 | 80,744 |
| | Vocational secondary and technical schools | 21 | 3,601 | 280,086 |
| | Post-secondary vocational schools | 22 | 20 | 6,259 |
| | Boarding schools and scholarships for vocational school pupils | 23 | 40 | 120,466 |
| | Vocational continuing-education and course-training centers | 24 | 2,306 | 141,216 |
| 81 | HIGHER EDUCATION (Instruction and moral training activity) | 25 | | 430 |
| 83 | CULTURE AND ART (Museums) | 26 | 90 | 7,476 |
| 85 | PUBLIC HEALTH including: | 27 | 5,000 | 5,503,670 |
| | General health care | 28 | 1,914 | 1,721,102 |
| | Clinics and railway hospitals | 29 | 1,974 | 1,385,167 |
| | Tuberculosis sanatoria | 30 | 333 | 248,629 |

| Section No | Item | Item No | Income (in thousands of zlotys) | Expenditures (in thousands of zlotys) |
|---|---|---|---|---|
| | Preventive care centers and similar facilities | 31 | 29 | 51,693 |
| | Nurseries | 32 | | 54,463 |
| | Health resorts | 33 | 246 | 427,876 |
| | Prescription drugs for those persons who are eligible to receive them | 34 | 466 | 1,380,291 |
| 89 | MISCELLANEOUS ACTIVITY | 35 | 14,110 | 639,750 |
| | Separate tasks | 36 | 14,100 | 339,750 |
| | Social organizations | 37 | 10 | 300,000 |
| 91 | STATE ADMINISTRATION including: | 38 | 771 | 105,050 |
| | Central units | 39 | 771 | 94,215 |
| | Foreign scientific-technical and economic cooperation | 40 | | 3,786 |
| 94 | FINANCE AND INSURANCE including: | 41 | | 1,168,340 |
| | Nonrecurring benefits and allowances | 42 | | 1,115,000 |
| 00 | INVESTMENTS AND CAPITAL REPAIRS | 43 | | 26,216,884 |
| | Investments | 44 | | 6,218,384 |
| | Capital repairs including: | 45 | | 19,998,500 |
| | Reserves for expressways | 46 | | 3,470,000 |
| | BUDGET-FINANCED ESTABLISHMENTS, SUBSIDIARY ECONOMIC UNITS, SPECIAL RESOURCES, RESEARCH UNITS | | | |
| | BUDGET-FINANCED ESTABLISHMENTS | | | |
| | Income and expenditures | 1 | 1,129,458 | 1,118,209 |
| | including: Budget subsidy | 2 | 787,364 | |
| | SUBSIDIARY ECONOMIC UNITS | | | |
| | Income and expenditures | 3 | 40,670 | 40,670 |

| Section No | Item | Item No | Income (in thousands of zlotys) | Expenditures (in thousands of zlotys) |
|---|---|---|---|---|
| | SPECIAL RESOURCES | | | |
| | Income and expenditures including: | 4 | 201,836 | 182,386 |
| | Budget subsidy | 5 | 4,900 | |
| | Payment to budget | 6 | | 131 |
| | RESEARCH UNITS | | | |
| | Income and costs | 7 | 175,853 | 157,645 |
| PART 23 | MINISTRY OF COMMUNICATION | | | |
| | GRAND TOTAL | 1 | 8,259,524 | 11,531,012 |
| 01 | ECONOMIC ACTIVITY | 2 | 4,573,440 | 10,425,589 |
| | State enterprises including: | 3 | 4,539,400 | 9,985,000 |
| | Turnover tax | 4 | 90,000 | |
| | Income tax | 5 | 1,214,000 | |
| | Tax on payroll fund | 6 | 3,009,000 | |
| | Depreciation payments | 7 | 135,000 | |
| | Financing of losses | 8 | | 5,585,000 |
| | Financing of funds | 9 | | 4,400,000 |
| | Budget-financed tasks and units | 10 | 34,040 | 440,589 |
| 77 | SCIENCE including: | 11 | 16,500 | 233,400 |
| | Ministry and branch research units | 12 | 16,500 | |
| | Financing research considered key problems | 13 | | 228,000 |
| | Bonuses for completing research projects | 14 | | 5,400 |
| 80 | VOCATIONAL EDUCATION (Vocational course-training and continuing education centers) | 15 | 160 | 14,318 |
| 81 | HIGHER EDUCATION | 16 | | 40 |
| 83 | CULTURE AND ART including: | 17 | 3,640,080 | 6,838 |

| Section No | Item | Item No | Income (in thousands of zlotys) | Expenditures (in thousands of zlotys) |
|---|---|---|---|---|
| | Radio and television subscription fees | 18 | 3,550,000 | |
| | Museums | 19 | 80 | 6,838 |
| 89 | MISCELLANEOUS ACTIVITY including: | 20 | 29,050 | 151,868 |
| | Separate tasks | 21 | 17,050 | 147,960 |
| | Social organizations | 22 | | 3,908 |
| 91 | STATE ADMINISTRATION including: | 23 | 294 | 79,096 |
| | Central units | 24 | 294 | 74,014 |
| 00 | INVESTMENTS AND CAPITAL REPAIRS | 25 | | 619,863 |
| | Investments | 26 | | 618,863 |
| | Capital repairs | 27 | | 1,525 |
| | SPECIAL RESOURCES AND RESEARCH UNITS | | | |
| | SPECIAL RESOURCES | | | |
| | Income and expenditures | 1 | 3,328 | 3,191 |
| | RESEARCH UNITS | | | |
| | Income and costs | 2 | 346,733 | 339,877 |
| PART 24 | MINISTRY OF DOMESTIC TRADE AND SERVICES | | | |
| | GRAND TOTAL | 1 | 7,135,993 | 1,574,507 |
| 01 | ECONOMIC ACTIVITY | 2 | 7,128,825 | 889,872 |
| | State enterprises including: | 3 | 7,128,825 | 885,000 |
| | Turnover tax | 4 | 136,000 | |
| | Income tax | 5 | 5,501,825 | |
| | Tax on payroll fund | 6 | 1,429,000 | |
| | Special subsidies for enterprises | 7 | | 635,000 |
| | Budget-financed units and tasks | 8 | | 4,872 |

| Section No | Item | Item No | Income (in thousands of zlotys) | Expenditures (in thousands of zlotys) |
|---|---|---|---|---|
| 77 | SCIENCE | 9 | 5,688 | 53,550 |
| | Branch and ministry research units | 10 | 5,688 | |
| | Financing of research considered key problems | 11 | | 52,800 |
| | Bonuses for completing research and development projects | 12 | | 750 |
| 80 | VOCATIONAL EDUCATION (Course-training centers) | 13 | 30 | 7,848 |
| 81 | HIGHER EDUCATION (Instruction and upbringing activity) | 14 | | 20 |
| 89 | MISCELLANEOUS ACTIVITY (Separate tasks) | 15 | | 33,310 |
| 91 | STATE ADMINISTRATION including: | 16 | 1,450 | 560,262 |
| | Central units | 17 | 750 | 211,596 |
| | Foreign scientific-technical cooperation | 18 | | 3,760 |
| | Miscellaneous units of central administration | 19 | 700 | 342,931 |
| 00 | INVESTMENTS AND CAPITAL REPAIRS | 20 | | 29,645 |
| | Investments | 21 | | 23,310 |
| | Capital repairs | 22 | | 6,335 |
| | SPECIAL RESOURCES AND RESEARCH UNITS | | | |
| | SPECIAL RESOURCES | | | |
| | Income and expenditures | 1 | 1,385 | 1,282 |
| | RESEARCH UNITS | | | |
| | Income and costs | 2 | 107,134 | 99,700 |

| Section No | Item | Item No | Income (in thousands of zlotys) | Expenditures (in thousands of zlotys) |
|---|---|---|---|---|
| PART 25 | MINISTRY OF FOREIGN TRADE | | | |
| | GRAND TOTAL | 1 | 29,592,245 | 207,368,196 |
| 01 | ECONOMIC ACTIVITY | 2 | 29,164,000 | 205,130,686 |
| | State enterprises including: | 3 | 26,164,000 | 204,300,000 |
| | Turnover tax | 4 | 15,100,000 | |
| | Income tax | 5 | 6,600,000 | |
| | Tax on payroll fund | 6 | 320,000 | |
| | Depreciation payments | 7 | 54,000 | |
| | Clearing of accounts for foreign trade in 1981 | 8 | 4,000,000 | 6,100,000 |
| | Interest on foreign bank credit | 9 | | 143,500,000 |
| | Subsidy for foreign trade compensation | 10 | | 54,350,000 |
| | Promotion fund | 11 | | 350,000 |
| | Budget-financed tasks and units | 12 | | 830,686 |
| 77 | SCIENCE including: | 13 | 1,200 | 40,396 |
| | Ministry and branch research units | 14 | 1,200 | 26,742 |
| | Financing research considered key and government problems | 15 | | 5,000 |
| 80 | VOCATIONAL EDUCATION (Vocational continuing education and course-training centers) | 16 | 165 | 14,398 |
| 89 | MISCELLANEOUS ACTIVITY including: | 17 | 50,000 | 134,160 |
| | Separate tasks | 18 | | 960 |
| 91 | STATE ADMINISTRATION including: | 19 | 276,880 | 2,034,166 |
| | Central units | 20 | 370 | 125,693 |
| | Foreign posts | 21 | 25,080 | 1,053,475 |
| | Local units subordinate to central bodies | 22 | 251,340 | 658,767 |
| 99 | INCOME FROM NONSOCIALIZED ECONOMY AND FROM POPULATION (Customs fees) | 23 | 3,100,000 | |

| Section No | Item | Item No | Income (in thousands of zlotys) | Expenditures (in thousands of zlotys) |
|---|---|---|---|---|
| 00 | INVESTMENTS | 24 | | 14,390 |
| | BUDGET-FINANCED ESTABLISHMENTS AND SUBSIDIARY ECONOMIC UNITS | | | |
| | BUDGET-FINANCED ESTABLISHMENTS | | | |
| | Income and expenditures | 1 | 70,425 | 70,764 |
| | including: Budget subsidy | 2 | 17,925 | |
| | SUBSIDIARY ECONOMIC UNITS | | | |
| | Income and expenditures | 3 | 105,958 | 105,958 |
| | including: Budget subsidy | 4 | 96,908 | |
| PART 26 | MINISTRY OF ADMINISTRATION, LOCAL ECONOMY AND ENVIRONMENTAL PROTECTION ENVIRONMENTAL PROTECTION | | | |
| | GRAND TOTAL | 1 | 9,978,220 | 85,552,143 |
| 01 | ECONOMIC ACTIVITY | 2 | 9,854,000 | 76,260,847 |
| | State enterprises | 3 | 9,620,000 | 2,592,000 |
| | Turnover tax | 4 | 100,000 | |
| | Income tax | 5 | 159,000 | |
| | Tax on payroll find | 6 | 9,251,000 | |
| | Depreciation payments | 7 | 80,000 | |
| | Unlimited product subsidies | 8 | | 592,000 |
| | Reserves for urban transportation supplements | 9 | | 2,000,000 |
| | Clearing of accounts for bank credit | 10 | | 31,380,500 |
| | Supplements for central heating in housing cooperatives | 11 | | 41,562,000 |
| | Budget-financed tasks and units | 12 | 234,000 | 726,347 |
| 77 | SCIENCE | 13 | 39,800 | 150,208 |
| | Ministry and branch research units | 14 | 39,800 | 98,748 |
| | Financing of other research | 15 | | 50,500 |
| | Bonuses for completing research | 16 | | 960 |
| 80 | VOCATIONAL EDUCATION (Vocational continuing education and course-training centers) | 17 | 170 | 27,191 |
| 81 | HIGHER EDUCATION (Instruction and upbringing activity) | 18 | | 80 |

| Section No | Item | Item No | Income | Expenditures |
|---|---|---|---|---|
| | | | (in thousands of zlotys) | |
| 89 | MISCELLANEOUS ACTIVITY including: | 19 | 80,950 | 32,410 |
| | Separate tasks | 20 | | 6,850 |
| | Social organizations | 21 | | 24,660 |
| 91 | STATE ADMINISTRATION including: | 22 | 3,300 | 118,384 |
| | Central units | 23 | 3,300 | 103,036 |
| | Miscellaneous units of central administration | 24 | | 2,257 |
| | Foreign scientific-technical co-operation | 25 | | 9,797 |
| 00 | INVESTMENTS, CAPITAL REPAIRS AND MISCELLANEOUS CLEARING OF ACCOUNTS | 26 | | 8,963,023 |
| | Investments | 27 | | 8,505,008 |
| | Capital repairs | 28 | | 28,015 |
| | BUDGET-FINANCED ESTABLISHMENTS, SPECIAL RESOURCES AND RESEARCH UNITS | | | |
| | BUDGET-FINANCED ESTABLISHMENTS | | | |
| | Income and expenditures including: | 1 | 198,400 | 198,400 |
| | Budget subsidy | 2 | 174,000 | |
| | Contribution to budget | 3 | | 4,000 |
| | SPECIAL RESOURCES | | | |
| | Income and expenditures including: | 4 | 4,927 | 4,922 |
| | Budget subsidy | 5 | 736 | |
| | Contribution to budget | 6 | | 20 |
| | RESEARCH UNITS | | | |
| | Income and costs | 7 | 249,520 | 225,300 |
| | including: Budget subsidy | 8 | 52,570 | |

| Section No | Item | Item No | Income (in thousands of zlotys) | Expenditures (in thousands of zlotys) |
|---|---|---|---|---|
| PART 27 | OFFICE OF MARITIME ECONOMY | | | |
| | GRAND TOTAL | 1 | 9,958,028 | 25,076,532 |
| 01 | ECONOMIC ACTIVITY | 2 | 9,907,498 | 23,517,630 |
| | State enterprises including: | 3 | 9,774,000 | 21,424,000 |
| | Income tax | 4 | 6,740,000 | |
| | Tax on payroll fund | 5 | 2,801,000 | |
| | Depreciation payments | 6 | 183,000 | |
| | Unlimited product subsidies | 7 | | 21,395,000 |
| | Budget-financed tasks and units | 8 | 133,498 | 2,093,630 |
| 77 | SCIENCE including: | 9 | 11,080 | 50,104 |
| | Ministry and branch research units | 10 | 11,080 | |
| | Financing other research | 11 | | 42,500 |
| 80 | VOCATIONAL EDUCATION including: | 12 | 1,450 | 131,130 |
| | Basic schools and equivalent | 13 | 1,100 | 60,840 |
| | Vocational secondary and technical schools | 14 | 350 | 44,540 |
| | Boarding houses and scholarships for vocational school pupils | 15 | | 23,800 |
| 81 | HIGHER EDUCATION including: | 16 | 23,000 | 733,480 |
| | Instruction and upbringing activity | 17 | 23,000 | 580,210 |
| | Scholarship assistance | 18 | | 19,500 |
| | Student dormitories and cafeterias | 19 | | 95,570 |
| 89 | MISCELLANEOUS ACTIVITY (Enumerated tasks) | 20 | 4,000 | 42,670 |
| 91 | STATE ADMINISTRATION including: | 21 | 11,000 | 95,031 |
| | Central units | 22 | 1,000 | 50,706 |
| | Foreign posts | 23 | | 21,942 |
| | Local units subordinate to central bodies | 24 | 10,000 | 8,831 |

| Section No | Item | Item No | Income (in thousands of zlotys) | Expenditures (in thousands of zlotys) |
|---|---|---|---|---|
| 00 | INVESTMENTS AND CAPITAL REPAIRS | 25 | | 506,487 |
| | Investments | 26 | | 387,962 |
| | Capital repairs | 27 | | 118,525 |
| | SUBSIDIARY ECONOMIC UNITS, SPECIAL RESOURCES, RESEARCH UNITS AND INSTITUTIONS OF HIGHER EDUCATION | | | |
| | SUBSIDIARY ECONOMIC UNITS | | | |
| | Income and expenditures including: | 1 | 22,163 | 22,963 |
| | Contribution to budget | 2 | | 1,100 |
| | Budget subsidy | 3 | 800 | |
| | SPECIAL RESOURCES | | | |
| | Income and expenditures | 4 | 22,674 | 23,287 |
| | including: Budget subsidy | 5 | 1,000 | |
| | RESEARCH UNITS | | | |
| | Income and costs | 6 | 521,032 | 496,127 |
| | INSTITUTIONS OF HIGHER EDUCATION | | | |
| | Income and costs | 7 | 770,780 | 819,935 |
| | including: Budget subsidy | 8 | 699,280 | |
| PART 30 | MINISTRY OF NATIONAL DEFENSE | | | |
| | GRAND TOTAL | 1 | 1,179,209 | 193,401,842 |
| | CURRENT EXPENDITURES | 2 | | 183,021,842 |
| | EXPENDITURES FOR INVESTMENTS | 3 | | 10,380,000 |
| PART 31 | MINISTRY OF INTERNAL AFFAIRS | | | |
| | GRAND TOTAL | 1 | 135,937 | 67,312,075 |
| | CURRENT EXPENDITURES | 2 | | 63,476,075 |
| | EXPENDITURES FOR INVESTMENTS | 3 | | 3,836,000 |

| Section No | Item | Item No | Income (in thousands of zlotys) | Expenditures (in thousands of zlotys) |
|---|---|---|---|---|
| PART 32 | MINISTRY OF FOREIGN AFFAIRS | | | |
| | GRAND TOTAL | 1 | 461,588 | 4,759,863 |
| 91 | STATE ADMINISTRATION including: | 2 | 450,605 | 4,396,912 |
| | Central units | 3 | 491 | 286,294 |
| | Foreign posts | 4 | 450,114 | 3,017,777 |
| | Foreign scientific-technical and economic cooperation | 5 | . | 1,083,372 |
| 77 | SCIENCE (Research units) | 6 | 1,470 | 36,287 |
| 79 | GENERAL EDUCATION AND UPBRINGING including: | 7 | 9,513 | 13,610 |
| | Boarding schools at general schools | 8 | 2,373 | 9,613 |
| | Camps and vacation centers | 9 | 7,140 | 334 |
| 80 | VOCATIONAL EDUCATION (Course-training centers) | 10 | | 1,934 |
| 81 | HIGHER EDUCATION (Instruction and upbringing activity) | 11 | | 1,743 |
| 83 | CULTURE AND ART (Information and propaganda agencies among Poles residing abroad) | 12 | | 25,900 |
| 86 | SOCIAL WELFARE (Consular care) | 13 | | 2,958 |
| 89 | MISCELLANEOUS ACTIVITY | 14 | | 153,610 |
| | Separate tasks | 15 | | 36 |
| | Social organizations | 16 | | 153,574 |
| 00 | INVESTMENTS AND CAPITAL REPAIRS | 17 | | 126,909 |
| | Investments | 18 | | 72,509 |
| | Capital repairs | 19 | | 54,400 |

| Section No | Item | Item No | Income (in thousands of zlotys) | Expenditures (in thousands of zlotys) |
|---|---|---|---|---|
| PART 33 | MINISTRY OF EDUCATION AND UPBRINGING | | | |
| | INCOME AND EXPENDITURES OF SUBORDINATE UNITS AND UNITS SUPERVISED OR COORDINATED including: | 1 | 917,809 | 151,827,497 |
| | Local budgets | 2 | 425,576 | 140,745,545 |
| | Central budget | 3 | 492,233* | 11,081,952* |
| | GRAND TOTAL | 4 | 456,274 | 7,943,258 |
| 79 | GENERAL EDUCATION AND UPBRINGING including: | 5 | 2,500 | 4,774,206 |
| | General secondary schools for youngsters and adults | 6 | | 41,777 |
| | Educational and upbringing associations | 7 | | 1,310,059 |
| | Custodial and upbringing establishments | 8 | 2,500 | 48,992 |
| | Camps and vacation centers | 9 | | 43,150 |
| | Subsidies for plant social fund | 10 | | 84,800 |
| | Reserves | 11 | | 2,755,232 |
| 80 | VOCATIONAL EDUCATION including: | 12 | 2,691 | 1,968,555 |
| | Vocational continuing-education and course-training centers | 13 | 2,691 | 46,992 |
| | Subsidies for plant social fund | 14 | | 27,260 |
| | Reserves | 15 | | 1,786,280 |
| 01 | ECONOMIC ACTIVITY | 16 | 399,517 | 3,377 |
| | State enterprises | 17 | 360,317 | |
| | Income tax | 18 | 249,153 | |
| | Tax on payroll fund | 19 | 103,257 | |
| | Depreciation payments | 20 | 7,907 | |
| | Budget-financed tasks and units | 21 | 39,200 | 3,377 |

*These items include income and expenditures in Part 33: Ministry of Education and Upbringing, and income and expenditures in the other ministries' general education and vocational education sections (income -- 35.9 million zlotys, expenditures -- 3,138.7 million zlotys).

| Section No | Item | Item No | Income (in thousands of zlotys) | Expenditures (in thousands of zlotys) |
|---|---|---|---|---|
| 77 | SCIENCE including: | 22 | 466 | 156,734 |
| | Ministry and branch research units | 23 | 466 | 141,334 |
| | Financing of research considered key problems | 24 | | 15,000 |
| 81 | HIGHER EDUCATION (Scholarship aid) | 25 | | 2,653 |
| 87 | PHYSICAL EDUCATION AND SPORTS | 26 | | 63,950 |
| 88 | TOURISM AND RECREATION | 27 | | 23,660 |
| 89 | MISCELLANEOUS ACTIVITY including: | 28 | 43,500 | 560 |
| | Separate tasks | 29 | | 560 |
| 91 | STATE ADMINISTRATION including: | 30 | 7,600 | 73,888 |
| | Central units | 31 | 7,600 | 71,792 |
| 00 | INVESTMENTS AND CAPITAL REPAIRS | 32 | | 875,675 |
| | Investments | 33 | | 369,250 |
| | Capital repairs | 34 | | 506,425 |
| | BUDGET-FINANCED ESTABLISHMENTS, SUBSIDIARY ECONOMIC UNITS, SPECIAL RESOURCES, AND RESEARCH UNITS | | | |
| | BUDGET-FINANCED ESTABLISHMENTS | | | |
| | Income and expenditures | 1 | 45,900 | 45,900 |
| | including: Budget subsidy | 2 | 43,150 | |
| | SUBSIDIARY ECONOMIC UNITS | | | |
| | Income and expenditures | 3 | 4,009 | 4,029 |
| | including: Budget subsidy | 4 | 3,069 | |
| | SPECIAL RESOURCES | | | |
| | Income and expenditures | 5 | 107,904 | 119,099 |

| Section No | Item | Item No | Income (in thousands of zlotys) | Expenditures (in thousands of zlotys) |
|---|---|---|---|---|
| | RESEARCH UNITS | | | |
| | Income and costs | 6 | 4,315 | 4,115 |
| | including: Budget subsidy | 7 | 1,515 | |
| PART 34 | MINISTRY OF CULTURE AND ART | | | |
| | INCOME AND EXPENDITURES OF SUBORDINATE UNITS AND UNITS SUPERVISED OR COORDINATED | 1 | 2,104,724 | 23,931,508 |
| | including: | | | |
| | Local budgets | 2 | 64,744 | 12,756,000 |
| | Central budget | 3 | 2,039,980* | 11,175,508* |
| | GRAND TOTAL | 4 | 2,039,499 | 10,649,984 |
| 83 | CULTURE AND ART | 5 | 317,519 | 5,458,476 |
| | including: | | | |
| | Museums | 6 | 33,627 | 694,126 |
| | Foreign cultural exchange | 7 | 2,600 | 178,520 |
| | Exhibits and art exhibit offices | 8 | 882 | 55,744 |
| | Central purchasing of museum artifacts | 9 | | 86,000 |
| | Music, artistic, and cultural associations | 10 | | 295,600 |
| | Song and dance companies | 11 | 1,400 | 27,035 |
| | Support for artistic activity | 12 | | 47,120 |
| | Subsidies for cinematography fund | 13 | | 1,800,000 |
| | Reserves | 14 | | 1,630,508 |
| 01 | ECONOMIC ACTIVITY | 15 | 1,665,047 | 7,234 |
| | State enterprises | 16 | 1,665,047 | |
| | including: | | | |
| | Turnover tax | 17 | 265,002 | |
| | Income tax | 18 | 624,632 | |
| | Tax on payroll fund | 19 | 534,773 | |
| | Depreciation payments | 20 | 240,515 | |
| | Budget-financed tasks and units | 21 | | 7,234 |

*These items include the income and expenditures of Part 34: Ministry of Culture and Art, and the income and expenditures in the other ministries' culture and art section (income -- 0.5 million zlotys, expenditures -- 75.5 million zlotys) and 450 million zlotys of unallocated reserves in Part 74

| Section No | Item | Item No | Income (in thousands of zlotys) | Expenditures (in thousands of zlotys) |
|---|---|---|---|---|
| 77 | SCIENCE including: | 22 | 6,348 | 191,825 |
| | Ministry and branch research units | 23 | 905 | 15,856 |
| | Financing of other research | 24 | | 26,695 |
| | Bonuses for carrying out research and development projects | 25 | | 1,200 |
| 80 | VOCATIONAL EDUCATION including: | 26 | 220 | 22,268 |
| | Vocational secondary and technical schools | 27 | | 350 |
| | Post-secondary vocational schools | 28 | 200 | 8,806 |
| | Boarding schools and scholarships for vocational school pupils | 29 | | 531 |
| | Vocational continuing-education and course-training centers | 30 | 20 | 11,811 |
| 81 | HIGHER EDUCATION including: | 31 | 50,000 | 1,035,780 |
| | Instruction and upbringing activity | 32 | 50,000 | 763,250 |
| | Scholarship assistance | 33 | | 62,300 |
| | Dormitories and cafeterias for college students | 34 | | 77,700 |
| 89 | MISCELLANEOUS ACTIVITY (Enumerated tasks) | 35 | | 4,070 |
| 91 | STATE ADMINISTRATION including: | 36 | 365 | 81,200 |
| | Central units | 37 | 365 | 74,980 |
| | Foreign scientific-technical and economic cooperation | 38 | | 498 |
| 00 | INVESTMENTS AND CAPITAL REPAIRS | 39 | | 3,849,131 |
| | Investments | 40 | | 625,931 |
| | Capital repairs | 41 | | 3,223,200 |

| Section No | Item | Item No | Income (in thousands of zlotys) | Expenditures (in thousands of zlotys) |
|---|---|---|---|---|
| | BUDGET-FINANCED ESTABLISHMENTS, SUBSIDIARY ECONOMIC UNITS, SPECIAL RESOURCES, SPECIAL-PURPOSE FUNDS, INSTITUTIONS OF HIGHER EDUCATION, AND RESEARCH UNITS | | | |
| | BUDGET-FINANCED ESTABLISHMENTS | | | |
| | Income and expenditures | 1 | 521,506 | 480,400 |
| | including: Budget subsidy | 2 | 465,927 | |
| | SUBSIDIARY ECONOMIC UNITS | | | |
| | Income and expenditures | 3 | 66,774 | 66,464 |
| | including: | | | |
| | Budget subsidy | 4 | 872 | |
| | Contribution to budget | 5 | | 1,500 |
| | SPECIAL RESOURCES | | | |
| | Income and expenditures | 6 | 23,135 | 22,935 |
| | CINEMATOGRAPHY FUND | | | |
| | Income and expenditures | 7 | 2,200,000 | 2,200,000 |
| | including: Budget subsidy | 8 | 1,800,000 | |
| | FUND FOR THE DEVELOPMENT OF ARTISTIC CREATIVITY | | | |
| | Income and expenditures | 9 | 34,300 | 46,000 |
| | AUTHORS' FUND | | | |
| | Income and expenditures | 10 | 12,000 | 27,000 |
| | VOLUNTEER SOCIAL SERVICES FUND | | | |
| | Income and expenditures | 11 | 300 | 306 |
| | INSTITUTIONS OF HIGHER EDUCATION | | | |
| | Income and expenditures | 12 | 957,150 | 978,550 |
| | including: Budget subsidy | 13 | 908,750 | |
| | RESEARCH UNITS | | | |
| | Income and costs | 14 | 89,100 | 86,400 |

| Section No | Item | Item No | Income (in thousands of zlotys) | Expenditures (in thousands of zlotys) |
|---|---|---|---|---|
| PART 35 | MINISTRY OF HEALTH AND SOCIAL WELFARE | | | |
| | INCOME AND EXPENDITURES OF SUBORDINATE UNITS AND OF UNITS SUPERVISED OR COORDINATED including: | 1 | 3,488,496 | 236,368,915 |
| | Local budgets | 2 | 763,951 | 162,202,794 |
| | Central budget | 3 | 2,724,545* | 74,166,121* |
| | GRAND TOTAL | 4 | 2,719,515 | 62,176,995 |
| 85 | PUBLIC HEALTH including: | 5 | 774,216 | 44,052,919 |
| | Clinics | 6 | 8,718 | 10,187,933 |
| | Climatic sanatorium treatment | 7 | 82,131 | 8,658,262 |
| | Treatment centers of the Ministry of Health and Social Welfare | 8 | 334 | 254,395 |
| | Health resorts | 9 | 682,833 | |
| | General health care | 10 | 200 | 41,188 |
| | Antiepidemic Fund | 11 | | 40,000 |
| | Reserves | 12 | | 22,549,073 |
| 86 | SOCIAL WELFARE including: | 13 | 7,033 | 6,911,753 |
| | Social assistance homes | 14 | 33 | 27,389 |
| | Social organizations | 15 | 7,000 | 4,823,863 |
| | Reserves | 16 | | 1,677,153 |
| 01 | ECONOMIC ACTIVITY | 17 | 1,547,092 | 24,192 |
| | State enterprises including: | 18 | 1,547,092 | |
| | Turnover tax | 19 | 160,264 | |
| | Income tax | 20 | 420,001 | |
| | Tax on payroll fund | 21 | 779,539 | |
| | Depreciation fund | 22 | 78,288 | |
| | Budget-financed units and tasks | 23 | | 24,192 |

*These items include the income and expenditures of Part 35: Ministry of Health and Social Welfare, the income and expenditures in the other ministries' public health and social welfare section (income = 5 million zlotys; expenditures = 10,139,500 million zlotys), and the unallocated reserves in Part 74 (1.85 million zlotys).

| Section No | Item | Item No | Income (in thousands of zlotys) | Expenditures (in thousands of zlotys) |
|---|---|---|---|---|
| 77 | SCIENCE including: | 24 | 104,539 | 1,625,939 |
| | Ministry and branch research units | 25 | 104,539 | 153,059 |
| | Financing of research considered key problems, government problems, and ministry-branch problems; and research in institutions of higher education | 26 | | 1,369,088 |
| 80 | VOCATIONAL EDUCATION including: | 27 | 200 | 28,545 |
| | Post-secondary vocational schools | 28 | | 2,776 |
| | Boarding schools and scholarships for vocational school pupils | 29 | | 1,653 |
| | Vocational-training centers | 30 | 200 | 18,972 |
| 81 | HIGHER EDUCATION including: | 31 | 271,400 | 5,710,800 |
| | Instruction and upbringing activity | 32 | 271,400 | 4,571,000 |
| | Scholarship assistance | 33 | | 329,180 |
| | College students' dormintories and cafeterias | 34 | | 473,620 |
| 89 | MISCELLANEOUS ACTIVITY including: | 35 | | 179,916 |
| | Listed tasks | 36 | | 174,420 |
| 91 | STATE ADMINISTRATION including: | 37 | 15,035 | 333,046 |
| | Central units | 38 | 14,884 | 104,372 |
| 00 | INVESTMENTS, CAPITAL REPAIRS, AND MISCELLANOUS CLEARING OF ACCOUNTS including: | 39 | | 3,309,485 |
| | Investments | 40 | | 2,577,443 |
| | Capital repairs | 41 | | 616,200 |

| Section No | Item | Item No | Income (in thousands of zlotys) | Expenditures (in thousands of zlotys) |
|---|---|---|---|---|
| | BUDGET-FINANCED ESTABLISHMENTS, SUBSIDIARY ECONOMIC UNITS, SPECIAL RESOURCES, SPECIAL FUNDS, INSTITUTIONS OF HIGHER EDUCATION, AND RESEARCH UNITS | | | |
| | BUDGET-FINANCED ESTABLISHMENTS | | | |
| | Income and expenditures | 1 | 193,497 | 191,858 |
| | including: Budget subsidy | 2 | 81,454 | |
| | SUBSIDIARY ECONOMIC UNITS | | | |
| | Income and expenditures | 3 | 175,327 | 175,242 |
| | including: | | | |
| | Budget subsidy | 4 | 56,190 | |
| | Contribution to budget | 5 | | 700 |
| | SPECIAL RESOURCES | | | |
| | Income and expenditures | 6 | 92,718 | 67,782 |
| | including: contribution to budget | 7 | | 350 |
| | FUND TO COMBAT ALCOHOLISM | | | |
| | Income and expenditures | 8 | 8,000 | 8,000 |
| | including: Budget subsidy | 9 | 8,000 | |
| | INSTITUTIONS OF HIGHER EDUCATION | | | |
| | Income and costs | 10 | 6,212,500 | 6,180,500 |
| | including: Budget subsidy | 11 | 5,397,000 | |
| | RESEARCH UNITS | | | |
| | Income and costs | 12 | 3,227,976 | 3,220,843 |
| | including: Budget subsidy | 13 | 153,059 | |
| PART 36 | MINISTRY OF JUSTICE | | | |
| | GRAND TOTAL | 1 | 6,022,150 | 14,797,733 |
| 92 | ADMINISTRATION OF JUSTICE AND PROSECUTOR'S OFFICE | 2 | 5,545,250 | 13,408,539 |
| | including: | | | |

| Section No | Item | Item No | Income (in thousands of zlotys) | Expenditures (in thousands of zlotys) |
|---|---|---|---|---|
| | Supreme judiciary units | 3 | 15,660 | 138,467 |
| | General courts | 4 | 3,365,017 | 3,286,186 |
| | Labor and social security courts | 5 | 370 | 145,092 |
| | Notaries | 6 | 854,000 | 344,315 |
| | Various units fortthe administration of justice | 7 | 70 | 24,697 |
| | Administrative Supreme Court | 8 | 10,000 | 65,387 |
| | Jails and prisons | 9 | 1,297,133 | 8,422,747 |
| | Establishments for minors | 10 | 3,000 | 909,526 |
| | Damages | 11 | | 4,000 |
| 01 | ECONOMIC ACTIVITY | 12 | 474,900 | 2,900 |
| | State enterprises including: | 13 | 448,900 | |
| | Turnover tax | 14 | 100,000 | |
| | Income tax | 15 | 194,300 | |
| | Tax on payroll fund | 16 | 151,600 | |
| | Budget-financed units and tasks | 17 | 26,000 | 2,900 |
| 81 | HIGHER EDUCATION | 18 | | 1,650 |
| | Instruction and upbringing activity | 19 | | 150 |
| | Scholarship assistance | 20 | | 1,500 |
| 89 | MISCELLANEOUS ACTIVITY | 21 | 2,000 | 17,680 |
| | Specified tasks | 22 | | 17,380 |
| | Social organizations | 23 | 2,000 | 300 |
| 00 | INVESTMENTS AND CAPITAL REPAIRS | 24 | | 1,366,964 |
| | Investments | 25 | | 612,714 |
| | Capital repairs | 26 | | 754,250 |
| | BUDGET-FINANCED TASKS, SPECIAL RESOURCES, SPECIAL FUNDS, SUBSIDIARY ECONOMIC UNITS | | | |
| | BUDGET-FINANCED TASKS | | | |
| | Income and expenditures | 1 | 158,315 | 158,315 |

| Section No | Item | Item No | Income (in thousands of zlotys) | Expenditures (in thousands of zlotys) |
|---|---|---|---|---|
| | SPECIAL RESOURCES | | | |
| | Income and expenditures | 2 | 1,611,925 | 1,723,484 |
| | including: Contribution to budget | 3 | | 58,170 |
| | HOUSING FUND | | | |
| | Income and expenditures | 4 | 180,000 | 190,000 |
| | including: Budget subsidy | 5 | 80,000 | |
| | SUBS DIARY ECONOMIC UNITS | | | |
| | Income and expenditures including: | 6 | 3,486,708 | 3,165,500 |
| | Budget subsidy | 7 | 2,900 | |
| | Contribution to budget | 8 | | 26,000 |
| PART 37 | OFFICE OF VETERANS AFFAIRS | | | |
| | GRAND TOTAL | 1 | 54 | 12,248,002 |
| 94 | FINANCE AND INSURANCE (Subsidy for State Fund for Veterans and Prisoners of Concentration Camps) | 2 | | 12,196,324 |
| 89 | MISCELLANEOUS ACTIVITY (Social organizations) | 3 | 50 | 32,957 |
| 91 | STATE ADMINISTRATION including: | 4 | 4 | 18,721 |
| | Central units | 5 | 4 | 17,468 |
| | SPECIAL-PURPOSE FUND | | | |
| | STATE FUND FOR VETERANS AND PRISONERS OF CONCENTRATION CAMPS | | | |
| | Income and expenditures | 1 | 12,196,324 | 12,221,591 |
| | including: Budget subsidy | 2 | 12,196,324 | |
| PART 38 | POLISH ACADEMY OF SCIENCES | | | |
| | GRAND TOTAL | 1 | 382,670 | 5,788,282 |

| Section No | Item | Item No | Income (in thousands of zlotys) | Expenditures (in thousands of zlotys) |
|---|---|---|---|---|
| 77 | SCIENCE including: | 2 | 156,212 | 5,405,433 |
| | Research units of the Polish Academy of Sciences | 3 | 151,688 | 862,632 |
| | Secretariat of the Polish Academy of Sciences | 4 | 3,386 | 197,940 |
| | Scientific societies and other social organizations | 5 | 240 | 90,270 |
| | Financing of research considered to be government, key, and sector-ministry problems | 6 | | 3,319,000 |
| 01 | ECONOMIC ACTIVITY | 7 | 226,428 | 14,450 |
| | State enterprises | 8 | 226,428 | 13,580 |
| | Income tax | 9 | 159,500 | |
| | Tax on payroll fund | 10 | 52,728 | |
| | Depreciation payments | 11 | 14,200 | |
| | Various subsidies concerning financial accumulation | 12 | | 13,580 |
| | Budget-financed tasks and units | 13 | | 870 |
| 80 | VOCATIONAL EDUCATION (Course-training centers) | 14 | | 600 |
| 81 | HIGHER EDUCATION including: | 15 | | 71,222 |
| | Continuing education of personnel | 16 | | 59,262 |
| 86 | SOCIAL WELFARE (Social assistance homes) | 17 | 30 | 12,898 |
| 89 | MISCELLANEOUS ACTIVITY (Specified tasks) | 18 | | 2,060 |
| 00 | INVESTMENTS AND CAPITAL REPAIRS | 19 | | 281,619 |
| | Investments | 20 | | 173,869 |
| | Capital repairs | 21 | | 107,750 |

| Section No | Item | Item No | Income (in thousands of zlotys) | Expenditures (in thousands of zlotys) |
|---|---|---|---|---|
| | BUDGET-FINANCED ESTABLISHMENTS, SUBSIDIARY ECONOMIC UNITS, SPECIAL RESOURCES, AND RESEARCH UNITS | | | |
| | BUDGET-FINANCED ESTABLISHMENTS | | | |
| | Income and expenditures | 1 | 19,500 | 19,500 |
| | including: Budget subsidy | 2 | 7,800 | |
| | SUBSIDIARY ECONOMIC UNITS | | | |
| | Income and expenditures | 3 | 17,490 | 17,490 |
| | including: Budget subsidy | 4 | 1,540 | |
| | SPECIAL RESOURCES | | | |
| | Income and expenditures | 5 | 16,862 | 17,977 |
| | RESEARCH UNITS | | | |
| | Income and costs | 6 | 4,738,570 | 4,460,472 |
| | including: Budget subsidy | 7 | 695,000 | |
| PART 39 | OFFICE OF MATERIALS MANAGEMENT | | | |
| | GRAND TOTAL | 1 | 2,302,236 | 470,038 |
| 01 | ECONOMIC ACTIVITY | 2 | 2,258,962 | 134,909 |
| | State enterprises | 3 | 2,258,962 | |
| | Turnover tax | 4 | 703,229 | |
| | Income tax | 5 | 1,146,800 | |
| | Depreciation contributions | 6 | 105,979 | |
| | Tax on payroll fund | 7 | 302,954 | |
| | Budget-financed tasks and units | 8 | | 134,909 |
| 77 | SCIENCE | 9 | 17,882 | 122,180 |
| | Ministry research units | 10 | 17,882 | |
| | Financing of work considered to be ministry problems | 11 | | 122,000 |
| | Bonuses for completing research and development projects | 12 | | 180 |
| 80 | VOCATIONAL EDUCATION (Course-training centers) | 13 | | 102 |

| Section No | Item | Item No | Income (in thousands of zlotys) | Expenditures (in thousands of zlotys) |
|---|---|---|---|---|
| 89 | MISCELLANEOUS ACTIVITY including: | 14 | 2,292 | 2,830 |
| | Specified tasks | 15 | 2,292 | 2,330 |
| 91 | STATE ADMINISTRATION including: | 16 | 23,100 | 196,946 |
| | Central units | 17 | 20,000 | 48,743 |
| | Miscellaneous units of central administration | 18 | 3,100 | 142,384 |
| | Foreign scientific-technical cooperation | 19 | | 2,394 |
| 00 | INVESTMENTS | 20 | | 13,080 |
| | RESEARCH UNITS | | | |
| | Income and costs | 1 | 369,780 | 344,490 |
| PART 40 | STATE ECONOMIC ARBITRATION | | | |
| | GRAND TOTAL | 1 | 370,000 | 153,568 |
| 91 | ADMINISTRATION OF JUSTICE AND PROSECUTOR'S OFFICE including: | 2 | 370,000 | 152,951 |
| | Main Arbitration Commission | 3 | 50,000 | 33,293 |
| | District arbitration committees | 4 | 320,000 | 117,577 |
| 89 | MISCELLANEOUS ACTIVITY (Specified tasks) | 5 | | 50 |
| | INVESTMENTS | 6 | | 567 |
| PART 41 | PRICE COMMISSION | | | |
| | GRAND TOTAL | 1 | 700 | 133,275 |
| 91 | STATE ADMINISTRATION including: | 2 | 700 | 125,942 |
| | Central units | 3 | 700 | 124,392 |
| 77 | SCIENCE (Research units) | 4 | | 6,278 |

| Section No | Item | Item No | Income (in thousands of zlotys) | Expenditures (in thousands of zlotys) |
|---|---|---|---|---|
| 80 | VOCATIONAL EDUCATION (Vocational continuing education and course-training centers) | 5 | | 15 |
| 89 | MISCELLANEOUS ACTIVITY (Specified tasks) | 6 | | 40 |
| 00 | INVESTMENTS | 7 | | 1,000 |
| PART 43 | STATE INSPECTORATE OF LABOR | | | |
| | GRAND TOTAL | 1 | 1,461 | 345,996 |
| 91 | STATE ADMINISTRATION (Central units) | 2 | | 324,995 |
| 80 | VOCATIONAL EDUCATION (Vocational continuing education and course-training centers) | 3 | 1,461 | 9,311 |
| 00 | INVESTMENTS AND CAPITAL REPAIRS | 4 | | 11,690 |
| | Investments | 5 | | 7,400 |
| | Capital repairs | 6 | | 4,290 |
| PART 44 | "POLSKIE RADIO I TELEWIZJA" RADIO AND TELEVISION COMMITTEE | | | |
| | GRAND TOTAL | 1 | 403,682 | 6,910,437 |
| 83 | CULTURE AND ART (Polish Radio and Television) | 2 | 224,700 | 5,811,000 |
| 01 | ECONOMIC ACTIVITY | 3 | 178,982 | 30,322 |
| | State enterprises including: | 4 | 178,982 | |
| | Income tax | 5 | 69,097 | |
| | Turnover tax | 6 | 28,919 | |
| | Tax on payroll fund | 7 | 49,970 | |
| | Depreciation payments | 8 | 17,266 | |
| | Budget-financed tasks and units | 9 | | 30,322 |

| Section No | Item | Item No | Income (in thousands of zlotys) | Expenditures (in thousands of zlotys) |
|---|---|---|---|---|
| 77 | SCIENCE | 10 | | 16,500 |
| | Financing of research | 11 | | 16,000 |
| | Bonuses for completing research and development projects | 12 | | 500 |
| 81 | HIGHER EDUCATION (Scholarship aid) | 13 | | 240 |
| 89 | MISCELLANEOUS ACTIVITY (Specified tasks) | 14 | | 3,800 |
| 00 | INVESTMENTS AND CAPITAL REPAIRS | 15 | | 1,048,575 |
| | Investments | 16 | | 846,005 |
| | Capital repairs | 17 | | 202,570 |
| | SUBSIDIARY ECONOMIC UNITS | | | |
| | Income and expenditures | 1 | 87,747 | 80,369 |
| | including: Budget subsidy | 2 | 30,322 | |
| PART 45 | MAIN COMMITTEE FOR PHYSICAL EDUCATION AND SPORTS | | | |
| | INCOME AND EXPENDITURES OF SUBORDINATE UNITS AND OF UNITS SUPERVISED AND CO-ORDINATED including: | 1 | 196,621 | 10,309,768 |
| | Local budgets | 2 | 5,206 | 4,618,570 |
| | Central budget | 3 | 191,415* | 5,691,198* |
| | GRAND TOTAL | 4 | 191,415 | 5,627,248 |
| 87 | PHYSICAL EDUCATION AND SPORTS | 5 | 25,220 | 4,091,695 |
| | Tasks in the realm of popularizing physical education | 6 | 220 | 50,403 |
| | Subsidies for the Central Fund for the Development of Physical Education and Sports | 7 | | 4,041,292 |
| | Sports organizations | 8 | 25,000 | |

*These items include the income and expenditures in Part 45: Main Committee on Physical Education and Sports, as well as expenditures in the physical education and sports sections of other ministries (expenditures = 63.9 million zlotys).

| Section No | Item | Item No | Income (in thousands of zlotys) | Expenditures (in thousands of zlotys) |
|---|---|---|---|---|
| 01 | ECONOMIC ACTIVITY | 9 | 37,001 | |
| | State enterprises | 10 | 37,001 | |
| | Turnover tax | 11 | 12,000 | |
| | Income tax | 12 | 5,800 | |
| | Tax on payroll fund | 13 | 12,426 | |
| | Depreciation payments | 14 | 6,775 | |
| | Budget-financed tasks | 15 | | 38 |
| 77 | SCIENCE Financing of research) | 16 | 2,933 | 51,125 |
| 80 | VOCATIONAL EDUCATION (Course-training centers) | 17 | | 540 |
| 81 | HIGHER EDUCATION including: | 18 | 45,600 | 1,314,800 |
| | Instruction and upbringing activity | 19 | 45,600 | 844,940 |
| | Scholarship assistance | 20 | | 67,200 |
| | Dormitories and cafeterias for college students | 21 | | 164,060 |
| | Other benefits for students | 22 | | 12,000 |
| 83 | CULTURE AND ART (Museums) | 23 | 211 | 9,937 |
| 89 | MISCELLANEOUS ACTIVITY (Specified tasks) | 24 | 10 | 570 |
| 91 | STATE ADMINISTRATION (Central units) | 25 | 110 | 40,093 |
| 94 | FINANCE AND INSURANCE (State "Sports Lottery" Enterprise) | 26 | 80,330 | |
| 00 | INVESTMENTS | 27 | | 118,450 |
| | SPECIAL FUNDS, BUDGET-FINANCED ESTABLISHMENTS, INSTITUTIONS OF HIGHER EDUCATION, AND RESEARCH UNITS | | | |
| | CENTRAL FUND FOR THE DEVELOPMENT OF PHYSICAL CULTURE AND SPORTS | | | |
| | Income and expenditures | 1 | 5,699,292 | 6, 04,000 |
| | including: Budget subsidy | 2 | 4,041,292 | |

| Section No | Item | Item No | Income (in thousands of zlotys) | Expenditures (in thousands of zlotys) |
|---|---|---|---|---|
| | BUDGET-FINANCED ESTABLISHMENTS | | | |
| | Income and expenditures | 3 | 545,600 | 659,800 |
| | INSTITUTIONS OF HIGHER EDUCATION | | | |
| | Income and costs | 4 | 1,218,200 | 1,225,300 |
| | Budget subsidy | 5 | 1,088,200 | |
| | RESEARCH UNITS | | | |
| | Income and costs | 6 | 37,100 | 34,700 |
| PART 47 | MAIN TOURISM COMMITTEE | | | |
| | INCOME AND EXPENDITURES OF SUBORDINATE UNITS AND OF UNITS SUPERVISED OR COORDINATED: | 1 | 1,472,320 | 1,507,346 |
| | Local budgets | 2 | 442,517 | 187,483 |
| | Central budget | 3 | 1,029,803* | 1,325,116* |
| | GRAND TOTAL | 4 | 1,029,803 | 359,456 |
| | TOURISM AND RECREATION | 5 | 1,004,803 | 312,363 |
| | Tasks in the realm of popularizing tourism | 6 | | 19,438 |
| | Tourist organizations | 7 | 90,000 | 15,500 |
| | Tourism enterprises | 8 | 889,803 | |
| 01 | ECONOMIC ACTIVITY | 9 | 23,000 | 148 |
| | State enterprises | 10 | 23,000 | |
| | Budget-financed tasks | 11 | | 148 |
| 77 | SCIENCE (Financing of research) | 12 | 2,000 | 17,000 |
| 80 | VOCATIONAL EDUCATION (Course-training centers) | 13 | | 1,080 |

*These items include the income and expenditures of the Main Tourism Committee, expenditures in the other ministries' tourism and recreation section (expenditures = 23.7 million zlotys), and undistributed reserves of 942 million zlotys in Part 74.

| Section No | Item | Item No | Income (in thousands of zlotys) | Expenditures (in thousands of zlotys) |
|---|---|---|---|---|
| 91 | STATE ADMINISTRATION (Central units) | 14 | | 28,865 |
| | SPECIAL FUNDS AND RESEARCH UNITS | | | |
| | CENTRAL TOURISM AND RECREATION FUND | | | |
| | Income and expenditures | 1 | 1,707 | 5,675 |
| | Budget subsidy | 2 | 277 | |
| | RESEARCH UNITS | | | |
| | Income and costs | 3 | 24,000 | 23,139 |
| PART 50 | MAIN STATISTICAL OFFICE | | | |
| | GRAND TOTAL | 1 | 76,630 | 1,764,282 |
| 91 | STATE ADMINISTRATION | 2 | 1,243 | 649,143 |
| | Central units | 3 | 174 | 127,519 |
| | Local statistical offices | 4 | 1,067 | 485,032 |
| 01 | ECONOMIC ACTIVITY | 5 | 74,659 | 786,415 |
| | Printing establishments | 6 | 19,816 | 102,603 |
| | Computer facilities | 7 | 53,441 | 339,464 |
| | Other information service units | 8 | 1,402 | 334,348 |
| 77 | SCIENCE | 9 | 6 | 23,400 |
| | Ministry research units | 10 | | 10,559 |
| | Scientific-technical information units | 11 | | 8,762 |
| | Scholarly libraries | 12 | 6 | 4,079 |
| 80 | VOCATIONAL EDUCATION (Vocational continuing-education and course-training centers) | 13 | 720 | 6,014 |
| 81 | HIGHER EDUCATION (Scholarship aid) | 14 | | 760 |
| 89 | MISCELLANEOUS ACTIVITY | 15 | 2 | 93,246 |
| | Census Office | 16 | 2 | 26,518 |
| | General census and other | 17 | | 65,248 |
| | Specified tasks | 18 | | 1,480 |

| Section No | Item | Item No | Income (in thousands of zlotys) | Expenditures (in thousands of zlotys) |
|---|---|---|---|---|
| 00 | INVESTMENTS AND CAPITAL REPAIRS | 19 | | 205,304 |
| | Investments | 20 | | 177,289 |
| | Capital repairs | 21 | | 28,015 |
| | SPECIAL RESOURCES | | | |
| | Income and expenditures | 1 | 141,819 | 169,830 |
| | Contribution to budget | 2 | | 52,651 |
| PART 51 | CENTRAL GEOLOGY OFFICE | | | |
| | GRAND TOTAL | 1 | 837,672 | 3,787,833 |
| 01 | ECONOMIC ACTIVITY | 2 | 822,431 | 3,682,669 |
| | State enterprises | 3 | 822,431 | |
| | Turnover tax | 4 | 57,710 | |
| | Income tax | 5 | 317,002 | |
| | Geological work | 6 | | 3,650,000 |
| | Budget-financed tasks and units | 7 | | 32,669 |
| 77 | SCIENCE | 8 | 15,011 | 70,500 |
| | Branch and ministry research units | 9 | 15,011 | |
| | Financing research considered branch-ministry problems | 10 | | 70,000 |
| | Bonuses for completing research and development projects | 11 | | 500 |
| 80 | VOCATIONAL EDUCATION (Vocational course-training and continuing-education centers) | 12 | | 130 |
| 89 | MISCELLANEOUS ACTIVITY (Specified tasks) | 13 | | 660 |
| 91 | STATE ADMINISTRATION | 14 | 230 | 23,715 |
| | Central units | 15 | 230 | 21,011 |
| | Foreign scientific-technical and economic cooperation | 16 | | 2,296 |
| 00 | INVESTMENTS AND CAPITAL REPAIRS | 17 | | 10,159 |
| | Investments | 18 | | 1,539 |
| | Capital repairs | 19 | | 8,620 |

| Section No | Item | Item No | Income (in thousands of zlotys) | Expenditures (in thousands of zlotys) |
|---|---|---|---|---|
| | RESEARCH UNITS | | | |
| | Income and costs | 1 | 582,400 | 550,000 |
| PART 52 | STATE ATOMIC ENERGY AGENCY | | | |
| | GRAND TOTAL | 1 | 514,098 | 1,128,690 |
| 01 | ECONOMIC ACTIVITY | 2 | 514,098 | 9,374 |
| | State enterprises | 3 | 514,098 | |
| | Income tax | 4 | 426,103 | |
| | Tax on payroll fund | 5 | 56,395 | |
| | Depreciation payment | 6 | 31,600 | |
| | Budget-financed tasks and units | 7 | | 9,374 |
| 77 | SCIENCE | 8 | | 1,010,862 |
| | Scientific associations | 9 | | 180 |
| | Financing of research considered government and key problems | 10 | | 600,000 |
| | Financing of other research | 11 | | 50,000 |
| | Foreign scientific-technical co-operation | 12 | | 359,432 |
| | Bonuses for completing research and development projects | 13 | | 1,250 |
| 80 | VOCATIONAL EDUCATION (Course-training centers) | 14 | | 150 |
| 91 | STATE ADMINISTRATION | 15 | | 41,066 |
| | Central units | 16 | | 16,155 |
| | Foreign posts | 17 | | 15,664 |
| | Foreign scientific and technical co-operation | 18 | | 7,614 |
| 00 | INVESTMENTS | 19 | | 67,238 |
| PART 53 | HIGHER MINING OFFICE | | | |
| | GRAND TOTAL | 1 | 7,760 | 155,333 |
| 91 | STATE ADMINISTRATION | 2 | 7,760 | 149,336 |
| | Central units | 3 | 7,760 | 146,492 |
| | Foreign scientific-technical and economic cooperation | 4 | | 467 |

| Section No | Item | Item No | Income (in thousands of zlotys) | Expenditures (in thousands of zlotys) |
|---|---|---|---|---|
| 89 | MISCELLANEOUS ACTIVITY (Specified tasks) | 5 | | 50 |
| 00 | INVESTMENTS AND CAPITAL REPAIRS | 6 | | 5,947 |
| | Investments | 7 | | 3,244 |
| | Capital repairs | 8 | | 2,703 |
| PART 54 | PATENT OFFICE OF THE POLISH PEOPLE'S REPUBLIC | | | |
| | GRAND TOTAL | 1 | 145,435 | 219,666 |
| 91 | STATE ADMINISTRATION | 2 | 128,649 | 88,689 |
| | Central units | 3 | 128,649 | 72,448 |
| 01 | ECONOMIC ACTIVITY (Subsidy for subsidiary economic units) | 4 | | 1,260 |
| 77 | SCIENCE (Scientific-technical and economic information units) | 5 | 16,786 | 115,282 |
| 81 | HIGHER EDUCATION (Instruction and upbringing activity) | 6 | | 30 |
| 89 | MISCELLANEOUS ACTIVITY (Specified tasks) | 7 | | 40 |
| 00 | INVESTMENTS AND CAPITAL REPAIRS | 8 | | 14,365 |
| | Investments | 9 | | 10,055 |
| | Capital repairs | 10 | | 4,310 |
| | SUBSIDIARY ECONOMIC UNITS | | | |
| | Income and expenditures | 1 | 2,417 | 2,417 |
| | Budget subsidy | 2 | 1,260 | |
| PART 55 | MAIN OFFICE FOR CONTROL OF PRESS, PUBLISHING AND PUBLIC PERFORMANCES | | | |
| | GRAND TOTAL | 1 | 548 | 105,771 |
| 91 | STATE ADMINISTRATION | 2 | 548 | 103,826 |
| | Central units | 3 | 548 | 102,161 |

| Section No | Item | Item No | Income (in thousands of zlotys) | Expenditures (in thousands of zlotys) |
|---|---|---|---|---|
| 89 | MISCELLANEOUS ACTIVITY (Specified tasks) | 4 | | 40 |
| 00 | INVESTMENTS AND CAPITAL REPAIRS | 5 | | 1,905 |
| | Investments | 6 | | 45 |
| | Capital repairs | 7 | | 1,860 |
| PART 56 | POLISH PRESS AGENCY | | | |
| | GRAND TOTAL | 1 | | 60,844 |
| 01 | ECONOMIC ACTIVITY (Subsidy for budget-financed establishment) | 2 | | 33,374 |
| 89 | MISCELLANEOUS ACTIVITY (Specified tasks) | 3 | | 20 |
| 00 | INVESTMENTS AND CAPITAL REPAIRS | 4 | | 27,450 |
| | Investments | 5 | | 26,190 |
| | Capital repairs | 6 | | 1,260 |
| | BUDGET-FINANCED ESTABLISHMENTS | | | |
| | Income and expenditures | 1 | 286,228 | 274,833 |
| | Budget subsidy | 2 | 33,374 | |
| PART 57 | MAIN OFFICE OF SURVEYING AND CARTOGRAPHY | | | |
| | GRAND TOTAL | 1 | 837,263 | 1,409,946 |
| 01 | ECONOMIC ACTIVITY | 2 | 817,770 | 1,360,760 |
| | State enterprises | 3 | 817,770 | |
| | Turnover tax | 4 | 3,000 | |
| | Income tax | 5 | 391,170 | |
| | Tax on payroll fund | 6 | 326,400 | |
| | Depreciation payments | 7 | 95,000 | |
| | Budget-financed tasks | 8 | | 1,360,760 |
| 77 | SCIENCE | 9 | 3,493 | 10,577 |
| | Branch and ministry research units | 10 | 3,493 | 10,277 |

| Section No | Item | Item No | Income (in thousands of zlotys) | Expenditures (in thousands of zlotys) |
|---|---|---|---|---|
| 80 | VOCATIONAL EDUCATION (Vocational continuing-education and course-training centers) | 11 | | 23 |
| 89 | MISCELLANEOUS ACTIVITY (Specified tasks) | 12 | | 20 |
| 91 | STATE ADMINISTRATION | 13 | 16,000 | 28,336 |
| | Central units | 14 | 16,000 | 28,026 |
| 00 | INVESTMENTS AND CAPITAL REPAIRS | 15 | • | 10,230 |
| | Investments | 16 | | 1,610 |
| | Capital repairs | 17 | | 8,620 |
| PART 59 | POLISH STANDARDIZATION, MEASURES, AND QUALITY COMMITTEE | | | |
| | GRAND TOTAL | 1 | 199,906 | 412,898 |
| 91 | STATE ADMINISTRATION | 2 | 200 | 96,746 |
| | Central units | 3 | 200 | 77,237 |
| | Foreign scientific-technical cooperation | 4 | | 19,367 |
| 01 | ECONOMIC ACTIVITY | 5 | 198,216 | 84,223 |
| | Publications units | 6 | 3,816 | |
| | Income tax | 7 | 2,425 | |
| | Standards and measures agencies and assayers' offices | 8 | 186,400 | |
| | Metrological establishments | 9 | 8,000 | 84,223 |
| 77 | SCIENCE | 10 | 1,490 | 60,025 |
| | Main Standardization and Metrological Information Center | 11 | 500 | 32,825 |
| | Financing research considered branch-ministry problems | 12 | | 27,000 |
| 80 | VOCATIONAL EDUCATION (Vocational continuing-education and course-training centers) | 13 | | 1,512 |
| 81 | HIGHER EDUCATION (Instruction and upbringing activity) | 14 | | 90 |

| Section No | Item | Item No | Income (in thousands of zlotys) | Expenditures (in thousands of zlotys) |
|---|---|---|---|---|
| 89 | MISCELLANEOUS ACTIVITY (Specified tasks) | 15 | | 40 |
| 00 | INVESTMENTS AND CAPITAL REPAIRS | 16 | | 170,262 |
| | Investments | 17 | | 124,047 |
| | Capital repairs | 18 | | 46,215 |
| | BUDGET-FINANCED ESTABLISHMENTS, SPECIAL RESOURCES, AND RESEARCH UNITS | | | |
| | BUDGET-FINANCED ESTABLISHMENTS | | | |
| | Income and expenditures | 1 | 602,738 | 579,584 |
| | Contribution to budget | 2 | | 186,400 |
| | SPECIAL RESOURCES | | | |
| | Income and expenditures | 3 | 125 | 35,125 |
| | RESEARCH UNITS | | | |
| | Income and costs | 4 | 33,556 | 32,706 |
| PART 60 | CENTRAL OFFICE OF STATE DOMESTIC TRADE | | | |
| | GRAND TOTAL | 1 | 17,910,000 | 48,040 |
| 01 | ECONOMIC ACTIVITY | 2 | 17,910,000 | 42,000 |
| | Income tax | 3 | 14,030,000 | |
| | Turnover tax | 4 | 730,000 | |
| | Tax on payroll fund | 5 | 2,500,000 | |
| | Unlimited product subsidies | 6 | | 42,000 |
| 89 | MISCELLANEOUS ACTIVITY (Specific tasks) | 7 | | 6,040 |
| PART 61 | CENTRAL UNION OF "PEASANT SELF-AID" AGRICULTURAL COOPERATIVES | | | |
| | GRAND TOTAL | 1 | 22,590,000 | 34,593,460 |
| 01 | ECONOMIC ACTIVITY | 2 | 22,590,000 | 34,579,500 |
| | Turnover tax | 3 | 8,530,000 | |
| | Income tax | 4 | 3,960,000 | |
| | Tax on payroll fund | 5 | 9,300,000 | |
| | Unlimited product subsidies | 6 | | 33,720,000 |

| Section No | Item | Item No | Income (in thousands of zlotys) | Expenditures (in thousands of zlotys) |
|---|---|---|---|---|
| 89 | MISCELLANEOUS ACTIVITY (Specified tasks) | 7 | | 13,960 |
| PART 62 | CENTRAL UNION OF LABOR COOPERATIVES | | | |
| | GRAND TOTAL | 1 | 14,002,000 | 1,422,770 |
| 01 | ECONOMIC ACTIVITY | 2 | 14,002,000 | 1,406,000 |
| | Turnover tax | 3 | 4,150,000 | |
| | Income tax | 4 | 3,712,000 | |
| | Tax on payroll fund | 5 | 6,140,000 | |
| | Unlimited product subsidies | 6 | | 1,056,000 |
| 89 | MISCELLANEOUS ACTIVITY (Specific tasks) | 7 | | 16,770 |
| PART 63 | "SPOLEM" CENTRAL UNION OF CONSUMERS' COOPERATIVES | | | |
| | GRAND TOTAL | 1 | 18,000,000 | 8,194,470 |
| 01 | ECONOMIC ACTIVITY | 2 | 18,000,000 | 8,170,000 |
| | Turnover tax | 3 | 3,800,000 | |
| | Income tax | 4 | 7,700,000 | |
| | Tax on payroll fund | 5 | 6,500,000 | |
| | Unlimited product subsidies | 6 | | 8,170,000 |
| 89 | MISCELLANEOUS ACTIVITY (Specific tasks) | 7 | | 24,470 |
| PART 64 | CENTRAL UNION OF MILK COOPERATIVES | | | |
| | GRAND TOTAL | 1 | 2,988,000 | 80,002,060 |
| 01 | ECONOMIC ACTIVITY | 2 | 2,988,000 | 80,000,000 |
| | Income tax | 3 | 1,015,000 | |
| | Turnover tax | 4 | 200,000 | |
| | Tax on payroll fund | 5 | 1,773,000 | |
| | Unlimited product subsidies | 6 | | 80,000,000 |
| 89 | MISCELLANEOUS ACTIVITY (Specific tasks) | 7 | | 2,060 |
| PART 65 | CENTER FOR GARDEN AND BEE-KEEPING COOPERATIVES | | | |
| | GRAND TOTAL | 1 | 2,314,000 | 27,340 |

| Section No | Item | Item No | Income (in thousands of zlotys) | Expenditures (in thousands of zlotys) |
|---|---|---|---|---|
| 01 | ECONOMIC ACTIVITY | 2 | 2,314,000 | 25,000 |
| | Turnover tax | 3 | 1,274,000 | |
| | Income tax | 4 | 100,000 | |
| | Tax on payroll fund | 5 | 940,000 | |
| | Unlimited product subsidies | 6 | | 25,000 |
| 89 | MISCELLANEOUS ACTIVITY (Specified tasks) | 7 | | 2,340 |
| PART 66 | "PRASA-KSIAZKA-RUCH" PUBLISHING COOPERATIVE | | | |
| | GRAND TOTAL | 1 | 1,697,000 | 4,920 |
| 01 | ECONOMIC ACTIVITY | 2 | 1,697,000 | |
| | Income tax | 3 | 47,000 | |
| | Tax on payroll fund | 4 | 1,650,000 | |
| 89 | MISCELLANEOUS ACTIVITY (Specified tasks) | 5 | | 4,920 |
| PART 67 | CENTRAL HANDICRAFTS UNION | | | |
| | GRAND TOTAL | 1 | 1,279,000 | 2,540 |
| 01 | ECONOMIC ACTIVITY | 2 | 1,279,000 | |
| | Turnover tax | 3 | 522,200 | |
| | Income tax | 4 | 683,000 | |
| | Tax on payroll fund | 5 | 73,800 | |
| 89 | MISCELLANEOUS ACTIVITY (Specified tasks) | 6 | | 2,540 |
| PART 68 | CENTRAL UNION OF INVALIDS' COOPERATIVES | | | |
| | GRAND TOTAL | 1 | 4,340,000 | 147,750 |
| 01 | ECONOMIC ACTIVITY | 2 | 4,340,000 | 142,000 |
| | Turnover tax | 3 | 2,000,000 | |
| | Income tax | 4 | 340,000 | |
| | Tax on payroll fund | 5 | 2,000,000 | |
| | Unlimited product subsidies | 6 | | 142,000 |
| | MISCELLANEOUS ACTIVITY (Specified tasks) | 7 | | 5,750 |

| Section No | Item | Item No | Income (in thousands of zlotys) | Expenditures (in thousands of zlotys) |
|---|---|---|---|---|
| PART 70 | GENERAL FINANCE ADMINISTRATION | | | |
| | GRAND TOTAL | 1 | 1,019,000 | 11,523,479 |
| | CURRENT EXPENDITURES | 2 | | 11,350,951 |
| | INVESTMENT EXPENDITURES | 3 | | 172,528 |
| PART 71 | CENTRAL UNION OF AGRICULTURAL CIRCLES AND ORGANIZATIONS | | | |
| | GRAND TOTAL | 1 | 1,325,000 | 6,367,177 |
| 01 | ECONOMIC ACTIVITY | 2 | 1,325,000 | 5,715,063 |
| | Tax on payroll fund | 3 | 1,000,000 | |
| | Clearing of accounts related to bank credit, and subsidies granted to organizations of agrarian circles | 4 | | 5,715,063 |
| 89 | MISCELLANEOUS ACTIVITY (Specified tasks) | 5 | | 1,310 |
| 00 | INVESTMENTS | 6 | | 650,804 |
| PART 72 | RESERVE FUNDS | | | |
| | GRAND TOTAL | 1 | | 15,000,000 |
| 00 | RESERVES OF COUNCIL OF MINISTERS | 2 | | 15,000,000 |
| PART 73 | COMPENSATORY FUNDS AND CLEARINGS OF ACCOUNTS RELATED TO TAX ON WAGES | | | |
| | GRAND TOTAL | 1 | | 557,926,675 |
| 00 | CLEARING OF ACCOUNTS WITH LOCAL BUDGETS | 2 | | 417,926,675 |
| | Shares of local budget income as a percentage of the value of retail sales of services of socialized trade and service units included in central and local plans | 3 | | 262,083,586 |
| | Subsidies for investments | 4 | | 93,117,800 |
| | Special subsidies | 5 | | 37,907,876 |
| | Compensatory subsidies | 6 | | 24,817,413 |

| Section No | Item | Item No | Income (in thousands of zlotys) | Expenditures (in thousands of zlotys) |
|---|---|---|---|---|
| 00 | SEVENTY-PERCENT TAX ON WAGES -- DIRECT INCOME OF LOCAL BUDGETS | 7 | | 140,000,000 |
| PART 74 | MISCELLANEOUS CLEARING OF ACCOUNTS | | | |
| | GRAND TOTAL | 1 | 708,445,000 | 70,285,376 |
| 01 | ECONOMIC ACTIVITY | 2 | 270,000,000 | 30,654,083 |
| | State enterprises | 3 | 270,000,000 | 22,742,833 |
| | Turnover tax | 4 | 140,000,000 | |
| | Tax on payroll fund | 5 | 30,000,000 | |
| | Nonrecurring stabilization tax | 6 | 100,000,000 | |
| | Miscellaneous subsidies for enterprises | 7 | | 22,742,833 |
| | Budget-financed tasks and units | 8 | | 7,911,250 |
| 77 | SCIENCE | 9 | | 16,000 |
| 81 | HIGHER EDUCATION | 10 | | 270,000 |
| 83 | CULTURE AND ART | 11 | | 450,000 |
| 85 | PUBLIC HEALTH | 12 | | 1,850,000 |
| 88 | TOURISM AND RECREATION | 13 | | 942,000 |
| 89 | MISCELLANEOUS ACTIVITY | 14 | | 1,060,000 |
| 91 | STATE ADMINISTRATION | 15 | | 4,939,648 |
| 92 | ADMINISTRATION OF JUSTICE AND PROSECUTOR'S OFFICE | 16 | | 443,368 |
| 94 | FINANCE AND INSURANCE | 17 | 2,500,000 | |
| 99 | INCOME FROM NONSOCIALIZED ECONOMY | 18 | 1,800,000 | |
| 00 | INVESTMENTS, CAPITAL REPAIRS, AND MISCELLANEOUS CLEARING OF ACCOUNTS | 19 | 384,145,000 | 29,660,277 |
| | Investments | 20 | | 1,420,000 |
| | Capital repairs | 21 | | 650,000 |
| | Special expenditures not allocated to sections or voivodships | 22 | | 27,590,277 |

| Section No | Item | Item No | Income | Expenditures |
|---|---|---|---|---|
| | | | (in thousands of zlotys) | |
| | Shift of funds from the centralized accounting of the reduction in the prices of reserve stock | 23 | 332,945,000 | |
| | Other undistributed income | 24 | 1,200,000 | |
| | Differences in the reduction in prices of commodities | 25 | 50,000,000 | |
| | Additional income specified in Article 1, Paragraph 1, Point 11 of the budget law for 1982 | 26 | 50,000,000 | |

Appendix No 2 to the Budget Law for 1982 (Item 148)

THE CENTRAL BUDGET PROPORTIONS AND SUBSIDIES FOR LOCAL BUDGETS

| Item No | Voivodship | Share of Central Budget Income* | Investment Subsidy | Special Subsidies | Compensatory Subsidies |
|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 |
| 1 | Capital city of Warsaw | 17,664,417 | 4,269,700 | 3,779,328 | 2,321,088 |
| 2 | Biala Podlaska | 2,737,667 | 1,088,200 | 232,183 | 201,459 |
| 3 | Bialystok | 5,474,086 | 2,121,400 | 576,230 | 482,991 |
| 4 | Bielsko Biala | 4,235,995 | 1,552,100 | 766,238 | 512,875 |
| 5 | Bydgoszcz | 7,308,809 | 2,331,900 | 1,070,068 | 732,154 |
| 6 | Chelm | 2,972,567 | 1,083,000 | 212,954 | 204,449 |
| 7 | Chiechanow | 3,818,972 | 1,292,500 | 298,793 | 272,525 |
| 8 | Czestochowa | 4,354,083 | 1,130,600 | 713,400 | 451,352 |
| 9 | Elblag | 5,446,891 | 1,475,300 | 372,444 | 398,654 |
| 10 | Gdansk | 8,973,835 | 3,807,400 | 1,405,580 | 1,005,456 |
| 11 | Gorzow | 6,113,674 | 1,663,900 | 374,698 | 450,846 |
| 12 | Jelenia Gora | 4,996,940 | 982,800 | 493,754 | 456,755 |
| 13 | Kalisz | 4,001,642 | 1,633,100 | 585,763 | 391,668 |
| 14 | Katowice | -- | 12,031,200 | 4,609,767 | 243,476 |
| 15 | Kielce | 7,448,289 | 2,159,900 | 1,051,523 | 712,762 |
| 16 | Konin | 2,537,199 | 1,658,100 | 356,010 | 236,240 |
| 17 | Koszalin | 5,489,169 | 1,458,000 | 850,128 | 431,924 |
| 18 | City of Krakow | 8,928,516 | 2,018,400 | 1,585,982 | 989,603 |
| 19 | Krosno | 8,378,258 | 1,520,400 | 416,894 | 296,783 |
| 20 | Legnica | 2,940,391 | 1,785,600 | 427,176 | 377,919 |
| 21 | Leszno | 3,071,320 | 1,368,700 | 364,201 | 244,173 |
| 22 | Lublin | 6,587,979 | 2,544,400 | 1,168,553 | 669,756 |
| 23 | Lomze | 8,257,956 | 1,247,000 | 217,024 | 220,323 |
| 24 | City of Lodz | 9,763,109 | 1,463,900 | 2,130,490 | 1,024,922 |
| 25 | Nowy Sacz | 5,293,669 | 1,097,900 | 541,660 | 407,070 |
| 26 | Olsztyn | 7,605,585 | 3,327,700 | 602,897 | 603,753 |
| 27 | Opole | 8,384,400 | 1,569,100 | 977,515 | 762,939 |
| 28 | Ostroleka | 3,207,014 | 1,004,800 | 243,888 | 233,586 |
| 29 | Pila | 4,272,122 | 2,053,400 | 235,841 | 328,208 |
| 30 | Piotrkow | 3,370,371 | 1,298,300 | 495,546 | 353,703 |
| 31 | Plock | 3,607,657 | 1,349,300 | 416,440 | 332,959 |
| 32 | Poznan | 8,988,607 | 8,762,100 | 1,453,922 | 989,653 |
| 33 | Przemysl | 3,763,465 | 1,093,200 | 333,080 | 271,423 |
| 34 | Radom | 4,852,692 | 2,017,200 | 575,972 | 443,638 |
| 35 | Rzeszow | 4,496,529 | 1,625,300 | 633,026 | 449,684 |
| 36 | Siedlce | 3,709,627 | 1,234,800 | 894,442 | 312,043 |
| 37 | Sieradz | 3,253,385 | 1,010,900 | 326,256 | 251,723 |
| 38 | Skierniewice | 2,747,314 | 898,900 | 370,550 | 232,787 |
| 39 | Slupsk | 3,932,456 | 1,264,200 | 356,850 | 327,530 |
| 40 | Suwalki | 4,708,929 | 1,573,200 | 321,082 | 334,615 |

[Appendix 2, continued]

| 1 | 2 | 3 | 4 | 5 | 6 |
|---|---|---|---|---|---|
| 41 | Szczecin | 10,755,788 | 2,426,900 | 904,059 | 915,300 |
| 42 | Tarnobrzeg | 2,971,737 | 1,564,200 | 413,652 | 320,098 |
| 43 | Tarnow | 3,842,153 | 1,291,400 | 512,331 | 359,586 |
| 44 | Torun | 4,555,708 | 1,476,700 | 579,249 | 424,472 |
| 45 | Walbrzych | 7,105,935 | 1,177,500 | 818,126 | 652,970 |
| 46 | Wloclaw | 3,301,379 | 955,500 | 402,129 | 275,551 |
| 47 | Wroclaw | 10,934,979 | 2,995,200 | 1,427,018 | 1,054,267 |
| 48 | Zamosc | 4,578,401 | 1,149,400 | 343,903 | 327,248 |
| 49 | Zielona Gora | 6,341,920 | 1,213,200 | 519,260 | 522,454 |
| Total | | 262,083,586 | 93,117,800 | 37,907,876 | 24,817,413 |

* The amount encompasses central budget income shares established as a percentage of the value of the retail sales and services of nonsocialized trade and service units

** The amount includes subsidies for the following:

drugs,

financial assistance in the realm of ongoing repairs to private multi-unit residential buildings,

training of drivers within the framework of defense training of youngsters outside of school.

Appendix No 3 to the 1982 Budget Law (Item 148)

Local Budget Income From Tax on Wages (in Thousands of Zlotys)

| Item No | Voivodship | Amount | Item No | Voivodship | Amount |
|---|---|---|---|---|---|
| 1 | Capital city of Warsaw | 11,033,400 | 27 | Opole | 3,144,500 |
| 2 | Biala Podlaska | 448,800 | 28 | Ostroleka | 513,200 |
| 3 | Bialystok | 1,716,900 | 29 | Pila | 985,200 |
| 4 | Bielsko Biala | 2,876,100 | 30 | Piotrkow | 2,006,000 |
| 5 | Bydgoszcz | 3,488,300 | 31 | Plock | 1,102,600 |
| 6 | Chelm | 459,100 | 32 | Poznan | 5,100,300 |
| 7 | Chiechanow | 601,000 | 33 | Przemysl | 714,100 |
| 8 | Czestochowa | 2,120,000 | 34 | Radom | 1,861,700 |
| 9 | Elblag | 1,074,900 | 35 | Rzeszow | 2,454,400 |
| 10 | Gdansk | 5,810,200 | 36 | Siedlce | 1,048,400 |
| 11 | Gorzow | 1,312,900 | 37 | Sieradz | 751,000 |
| 12 | Jelenia Gora | 1,859,300 | 38 | Skierniewice | 699,900 |
| 13 | Kalisz | 1,756,000 | 39 | Slupsk | 1,019,300 |
| 14 | Katowice | 33,699,700 | 40 | Suwalki | 824,700 |
| 15 | Kielce | 3,323,100 | 41 | Szczecin | 3,667,400 |
| 16 | Konin | 1,015,400 | 42 | Tarnobrzeg | 1,673,100 |
| 17 | Koszalin | 1,452,500 | 43 | Tarnow | 1,415,200 |
| 18 | City of Krakow | 5,972,500 | 44 | Torun | 1,724,900 |
| 19 | Krosno | 1,252,300 | 45 | Walbrzych | 3,402,100 |
| 20 | Legnica | 2,300,800 | 46 | Wloclaw | 896,900 |
| 21 | Leszno | 699,600 | 47 | Wroclaw | 5,294,300 |
| 22 | Lublin | 3,751,100 | 48 | Zamosc | 683,900 |
| 23 | Lomze | 328,200 | 49 | Zielona Gora | 2,098,700 |
| 24 | City of Lodz | 5,363,400 | Total | | 140,000,000 |
| 25 | Nowy Sacz | 1,199,000 | | | |
| 26 | Olsztyn | 2,003,700 | | | |

Appendix No 4 to the 1982 Budget Law (Item 148)

Table of Slots of State Administration Included in Central Budget, the Administration of Justice, and the Prosecutor's Office

| | | Slots as of 31 December 1982 |
|---|---|---|
| **I. Central Administration** | | |
| Chancellery of the Sejm and Chancellery of Council of State | | 458 |
| Supreme Chamber of Control | | 1,560 |
| State Labor Inspectorate | | 1,123 |
| Main Office of Control of Publishing & Performances | | 484 |
| central offices of other ministries and central agencies | | 14,570 |
| units subordinate to central offices | | 28,240 |
| general reserves available to Chairman, Council of Ministers | | 300 |
| special reserves available to Minister of Finance | | 1,800 |
| for audit services | 1,500 slots | |
| for tax services | 300 slots | |
| **II. Administration of Justice and Prosecutor's Office** | | |
| Supreme Court | | 301 |
| Prosecutor's Office, Polish People's Republic | | 322 |
| Ministry of Justice | | 420 |
| State Economic Arbitration | | 120 |
| subordinate units | | 48,955 |
| special reserves available to Chairman, Council of State | | 155 |
| for Supreme Court | 10 slots | |
| for Prosecutor's Office, | 145 slots | |

Table of State Administration Slots Included in the Local Budgets

| | Voivodship | Slots as of 31 December 1982 | |
|---|---|---|---|
| | | Total | Budget-financed Units Only |
| 1 | Capital city of Warsaw | 4,063 | 4,063 |
| 2 | Biala Podlaska | 1,123 | 1,123 |
| 3 | Bialystok | 1,855 | 1,855 |
| 4 | Bielsko Biala | 1,914 | 1,908 |
| 5 | Bydgoszcz | 2,269 | 2,269 |
| 6 | Chelm | 964 | 921 |
| 7 | Chiechanow | 1,390 | 1,390 |
| 8 | Czestochowa | 2,018 | 2,018 |
| 9 | Elblag | 1,397 | 1,397 |
| 10 | Gdansk | 2,473 | 2,471 |
| 11 | Gorzow | 1,477 | 1,477 |
| 12 | Jelenia Gora | 1,301 | 1,301 |
| 13 | Kalisz | 1,783 | 1,783 |
| 14 | Katowice | 6,022 | 6,022 |
| 15 | Kielce | 2,793 | 2,753 |
| 16 | Konin | 1,362 | 1,362 |
| 17 | Koszalin | 1,438 | 1,438 |
| 18 | City of Krakow | 2,231 | 2,119 |
| 19 | Krosno | 1,352 | 1,352 |
| 20 | Legnica | 1,280 | 1,280 |
| 21 | Leszno | 1,121 | 1,121 |
| 22 | Lublin | 2,145 | 2,134 |
| 23 | Lomze | 1,269 | 1,269 |
| 24 | City of Lodz | 1,969 | 1,969 |
| 25 | Nowy Sacz | 1,766 | 1,766 |
| 26 | Olsztyn | 1,843.5 | 1,832 |
| 27 | Opole | 2,462 | 2,462 |
| 28 | Ostroleka | 1,212 | 1,212 |
| 29 | Pila | 1,382 | 1,382 |
| 30 | Piotrkow | 1,727 | 1,727 |
| 31 | Plock | 1,401 | 1,401 |
| 32 | Poznan | 2,641 | 2,641 |
| 33 | Przemysl | 1,199 | 1,178 |
| 34 | Radom | 1,842 | 1,812 |
| 35 | Rzeszow | 1,755 | 1,755 |
| 36 | Siedlce | 1,823 | 1,823 |
| 37 | Sieradz | 1,273 | 1,273 |
| 38 | Skierniewice | 1,190 | 1,190 |
| 39 | Slupsk | 1,250 | 1,250 |
| 40 | Suwalki | 1,519 | 1,519 |

Table of State Administration Slots Included in Local Budget [con'd]

| | Voivodship | Total | Budget-financed Units |
|---|---|---|---|
| 41 | Szczecin | 2,170.5 | 2,085.5 |
| 42 | Tarnobrzeg | 1,746 | 1,746 |
| 43 | Tarnow | 1,640 | 1,640 |
| 44 | Torun | 1,529 | 1,529 |
| 45 | Walbrzych | 1,715 | 1,715 |
| 46 | Wloclaw | 1,249 | 1,249 |
| 47 | Wroclaw | 2,122 | 2,122 |
| 48 | Zamosc | 1,570 | 1,570 |
| 49 | Zielona Gora | 1,835 | 1,760 |
| Total | | 88,871 | 88,434.5 |
| Reserves* | | 905 | 905 |
| Grand total | | 89,776 | 89,339.5 |

*

1. Total reserves available to the Minister of Administration, Local Economy, and Environmental Protection allocated for projected reactivation of certain gminas (parishes) -- 550 slots.

2. Special reserves for civil defense tasks -- 55 slots.

3. Special reserves available to the Minister of Administration, Local Economy, and Environmental Protection, in cooperation with the Minister of Finance, for voivodship agency financial departments, in connection with the decentralization of tasks, including those in the realm of financial planning and clearing of accounts [settlements] with the budget -- 300 slots.

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END

JPRS 82115

29 October 1982

# East Europe Report

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2331

FBIS FOREIGN BROADCAST INFORMATION SERVICE

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JPRS 82115

29 October 1982

# EAST EUROPE REPORT

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2331

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## ECONOMIC DECLINE SEEN CONTINUING FOR CEMA COUNTRIES

Zurich NEUE ZUERCHER ZEITUNG in German 15 Sep 82 p 11

[Report signed 'oo': "Continuing Downturn in CEMA--Sobering Analysis of Vienna Institute for Economic Comparisons"]

[Text] The poor economic results registered by the CEMA countries during the first 6 months of 1982 show that the sharp decline in growth at the 1980/81 turn of the year was not a short-term drop. As yet, there are no signs of an upswing; the slump has not yet bottomed out. However, there are great differences between the individual communist countries. Only a few Eastern states will be able to meet the targets set for 1982: The current five-year plans (1981-1985) can no longer be fulfilled. In spite of the decline in investments, the Eastern Bloc countries have been able--albeit only on a medium-term basis--to increase basic assets, because the unfinished investment projects are being completed. The energy and raw materials shortage forces the Eastern Bloc states to economize in this sector; the GDR and the CSSR in particular have achieved good results in this respect. On account of the foreign currency deficit, imports from the West must be curtailed. These are the most important results of a round-table discussion with the experts of the Vienna Institute for Economic Comparisons (WIIW).

### Plan Targets for the Most Part Unmet

WIIW Director Prof Friedrich Levcik emphasized that only Bulgaria, Hungary and the CSSR are likely to meet the 1982 plan targets. In the GDR and the USSR, on the other hand, there has developed an excessive shortfall vis-a-vis the target set for all of 1982. To be sure, East Berlin drew up an extremely optimistic plan, whereas Budapest and Prague are pursuing an austerity course. As regards Romania, no data are available for the first 6 months, while Bucharest publishes only economic data for the entire year. In Poland--a country for which no plan data are available--the situation remains serious. During the period covered by the report, the decline in industrial production (7.8 percent) was not as great as the decline during the corresponding period of the preceding year (12.5 percent). Thus there is the curious situation that notwithstanding the fact that Poland brings down the overall CEMA results the industrial growth of the "red economic community"--excluding Poland--has been declining this year (see Table). The reduced dynamism in the USSR (the USSR accounts for approximately 70 percent of the CEMA countries' industrial output) likewise slows down considerably the industrial expansion of the Eastern Bloc as a whole.

According to Benedykt Askanas, the growth difficulties in the CEMA states can be attributed to the coincidence of three factors: The low efficiency level of the economic system, an unfavorable foreign trade situation, and structural problems. An upswing is not to be expected, because there are no signs of improvement in regard to efficiency. According to Askanas, efficiency is unlikely to improve without economic reforms. But the economic situation is equally bad in the West and this is a factor contributing to the slump in the CEMA states.

According to Levcik, reestablishment of the foreign economic equilibrium is of crucial importance for the CEMA member states. This goes also for the structural shift to less energy- and raw material-intensive branches, for the lack of input has of late been slowing the economic dynamism. In the past, economic growth was advanced above all by material-intensive industrial branches (basic and chemical industries). In the USSR, which is rich in energy and raw materials, conditions differ from those of the small CEMA states.

Dr Raimund Dietz takes the view that attention should be directed not only to economic growth, but also to the supply of the population. He stated that the West had demonstrated to the Eastern countries that it was possible--even in the face of reduced economic dynamism--to insure full stores, if not full employment. However, the foreign trade expert of Austria's Economic Research Institute, Dr Jan Stankovsky, emphasizes that in this respect, too, there are great differences between the individual CEMA countries: He points out that even though the CSSR and Hungary show low growth rates, the supply situation in Hungary is incomparably better than that of the CSSR and even that of the GDR, even though this country has the highest living standard in CEMA.

Catastrophic Development in the Investment Sector

In the first 6 months of 1982, the development in the investment sector was catastrophic: In the CSSR, investments declined by 2.4 percent; in the GDR, by 6 percent; in Hungary, by 0.5 percent; and in Poland, by 28 percent. Only in the USSR did investments increase, but it was only a modest 2-percent increase, whereas in the first 6 months of 1981 a 4-percent gain was registered. This was the lowest gain since World War II. The GDR registered an investment decline--the first in the history of the country. While it is true that the CEMA states' basic assets are still increasing, this is only because the unfinished investment projects are being completed.

Moreover, Stankovsky emphasizes that this year the Eastern Bloc states will try to curtail their imports from the West and to stimulate their exports; however, on account of the global economic slump, this is likely to be extremely difficult. Besides, the USSR will be negatively affected by the low oil prices. Consequently, the CEMA states' balance of trade with the West is not likely to improve this year.

As regards economic conditions, there are great differences between the individual CEMA states. The GDR has been hesitating for a long time to join the austerity policy pursued by the CSSR and Hungary. External circumstances are presently forcing East Berlin to change its objectives; since the West does no longer want to participate, the GDR is not given any more loans, and the economic slump in the West likewise has a negative effect on the country. For this reason, East Berlin can no longer maintain the high economic growth rate.

As regards Romania, Gabriele Tuitz holds that after last year's meager 2.1-percent gain the country may this year have to accept a decline in national income. According to Romanian sources, in the first 6 months of 1982 there occurred plan shortfalls that are to be made good in the 2nd half of the year; in the preceding year, the imports from the West declined by 25 percent and this contributed to the negative development in the investment sector. Moreover, the price hikes once again increased the pressure on the living standard.

In Bulgaria, the 4.6-percent gain registered in the industrial sector in the first 6 months is more or less in accord with the plan targets for the entire year; according to Mrs Tuitz, the country's indebtedness vis-a-vis the West is insignificant.

Levcik draws attention to the fact that the GDR and the CSSR in particular have succeeded in mobilizing reserves and curtailing the waste of energy and raw materials. He points out that today production of assets is attained with less input. In the CSSR, for example, structural improvements have been achieved through curtailment of material-intensive branches such as chemistry and metallurgy in promotion of branches such as light industry, machine building, the lumber industry and the cellulose and paper industries. As regards labor productivity, however, the CSSR effected a mere 0.7-percent increase, thus raising the wage costs per unit.

Moreover, the living standard in the CSSR declined; the pertinent data for the first 6 months of 1982 are still unavailable--evidence of the concealment tactics. Data are available only for the retail turnover which showed a 2.5-percent increase (calculated in current prices). Since according to Levcik's calculations the inflation rate amounted to approximately 5.5 percent, the living standard declined accordingly.

For Prague, reestablishment of the foreign economic equilibrium takes absolute priority. However, this equilibrium is likely to be achieved through curtailment of imports rather than through an increase in exports.

In Hungary, it proved impossible to meet the plan provisions and maintain the stability of real wages: In the first 6 months of 1982, the increase in nominal wages (7.5 percent) exceeded that of inflation (5.8 percent). Levcik doubts that a new reform wave would help the problem-ridden Hungarian economy; in his view, aid from the West would be more important under the present conditions. One could argue, however, that in the medium term radical economic reform would improve efficiency, even though this would not eliminate all of the difficulties.

Increase in Poland's Coal Output

In contrast to the other CEMA states, Poland's economic reports hardly conceal anything. The output of the mining industry--which accounts for no more than 4.7 percent of the total industrial production--was increased by 9.5 percent. Coal production increased by 17 percent to 95 million tons. Of this total, 12 million tons--a 39-percent gain--were exported. However, most of these exports went to the East, since many markets in the West have been eliminated. Poland's investment rate declined from 11 percent in the first 6 months of 1981 to 8 percent in the first half of this year, whereas in the mid-1970's it still totaled 30 percent. The total investment volume declined by 28 percent, while investments in the

machine sector decreased by as much as 58 percent. According to Askanas, private consumption declined by 20 percent and real income was reduced by 26 percent. During the period covered by the report, inflation amounted to 104 percent--a rate unprecedented in Europe since World War II.

As regards foreign trade with the West, Poland effected a surplus of approximately $800 million: Imports declined by 42 percent, while exports decreased by 10 percent. As regards the East, Poland showed an even balance resulting from a deficit vis-a-vis Moscow and a--coal-based--surplus vis-a-vis the other East European states. The small CEMA countries had last year's debts made good through coal shipments.

Officially, Poland's indebtedness is reported to amount to $24.5 billion--a $1 billion reduction as compared to the preceding year: The bulk of Warsaw's debt is in West European currencies and since in 1981 the dollar rate consolidated, the indebtedness in dollars was automatically reduced. Askanas calculates, however, that if one disregards the dollar revaluation Poland's debt increased by $1 billion. In 1982, Poland has to make payments in the amount of $7-8 billion and interest payments in the amount of $3-3.5 billion. Since the current accounts surplus is not expected to exceed $1 billion, Poland will be needing new loans.

Grain from the West as an Emergency Wartime Reserve

Levcik draws attention to the fact that in view of the crop failure Moscow has again ordered in the West huge quantities of grain, a large share of which will be used to top off the strategic reserve. According to Levcik, this demonstrates the two-faced nature of the United States' policy: The grain used as an emergency reserve for war is supplied by the United States, but the U.S. administration holds that the West Europeans should not participate in the construction of the natural gas pipeline in the USSR. Stankovsky on his part feels that a grain embargo is pointless, because it is impossible to prevent grain exports from third countries to the USSR. He points out that during the American embargo Argentina's grain exports to India were redirected to the USSR, with the Americans supplying the Indian market. Thus the Soviets obtained their grain after all, albeit at a slightly higher price.

Levcik warns against drawing an overly pessimistic scenario for the economies of the communist countries. He points out that as early as the first half of the 1960's the CEMA states experienced a slump and subsequently, in the second half of the same decade, another upswing. One should not forget, says Levcik, that planned economies, too, may undergo cyclical developments and that a new Soviet leadership may try to gain recognition through a new economic program. Askanas counters by pointing out that Khrushchev, too, tried to effect a recovery through a new economic policy, but that this attempt ultimately proved a failure. At any rate, the development in the Soviet Union is of crucial importance for the entire CEMA area. Without global economic recovery and without economic reforms, an upswing in the East is not likely to happen.

Table. Gross Industrial Production

**Bruttoindustrieproduktion**

(10) (Jährliche Veränderung in %) (11)

| | 1980 | 1981 | 1981–1985 Plan | 1982 Plan | 1981 | 1. Halbjahr | 1982 |
|---|---|---|---|---|---|---|---|
| Bulgarien (1) | 3,9 | 5,6 | 5,1 | 4,5 | 6,0 | | 4,6 |
| CSSR (2) | 4,1 | 2,0 | 2,7–3,4 | 0,6 | 1,8 | | 1,4 |
| DDR (3) | 4,7 | 5,1 | 5,0 | 4,6 | 4,6 | | 3,0 |
| Ungarn (4) | –2,1 | 2,3 | 3,5–4,1 | 2,0–2,5 | 2,1 | | 2,0 |
| Polen (5) | –0,2 | –11,2 | — | — | –12,5 | | –7,8 |
| Rumänien (6) | 6,6 | 2,6 | 7,6 | 4,7 | 2,6[1] | | 4,7[2] |
| Osteuropa (7) | 2,9 | –0,7 (3,5[3]) | 5,0 | 3,5 | –1,2 (3,3[3]) | | –0,03 (3,0[3]) |
| UdSSR (8) | 3,5 | 3,4 | 4,7 | 4,7 | 3,4 | | 2,7 |
| Comecon (9) | 3,3 | 2,2 (3,4[3]) | 4,8 | 4,4 | 1,8 (3,4[3]) | | 1,9 (2,8[3]) |

[1] Jahresergebnis 1981; [2] Planzahl, da keine Halbjahresresultate publiziert werden; [3] Ohne Polen.

Key:

1. Bulgaria
2. CSSR
3. GDR
4. Hungary
5. Poland
6. Romania
7. East Europe
8. USSR
9. CEMA
10. Annual changes (%)
11. First 6 months

Footnotes in the Table: 1. Results for 1981. 2. Plan figure, since no semiannual results are published. 3. Excluding Poland.

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## ALBANIAN RAILWAY LINK ROUTING CONTESTED

Belgrade NEDELJNE INFORMATIVNE NOVINE in Serbo-Croatian No 1655, 19 Sep 82 pp 20-22

[Article by Zaharije Trnavcevic: "Around or Over the Lake"]

[Text] In a time of frequent tardiness, postponement and irregularity it is not surprising to read a report like this: "Work on construction of the rail line from Titograd to the national border and beyond to Skadar did not begin on 1 July as had been envisaged."

Now that July is long past, it has been shown that that date was adopted without serious examination, in any case regardless of the fact that the master design and project study had to be done first, that bids had to be invited and the contractor with the best bid chosen. These tasks are only now being finished up, they will be completed in the coming weeks, and, as we were told by Ratko Vujnovic, director of the administration for construction of this line, the work will not begin before 1 November, provided, of course, that no unforeseen difficulties arise.

It has thus been confirmed for the umpteenth time that prediction and forecasting are not binding. None of this would be worth mentioning if in the meantime, since the beginning of the summer, serious objections had not been made to the route of the railway line as adopted. There had been objections even earlier, in the design stage, but now they have taken on a somewhat more serious and official form. In the SR [Socialist Republic] Montenegro Assembly Slobodan Mugosha put a question in the Chamber of Associated Labor and called for a response: do the possibilities exist for instituting proceedings to examine the need and conditions for amending the international treaty? If not, why?

### Who Gets What From the Rail Line?

The question referred to the treaty signed in Tirana 6 April 1979 between NSR [People's Socialist Republic] Albania and SFR [Socialist Federal Republic] Yugoslavia. That treaty regulated the important issues in building the rail line from Titograd to Skadar. The negotiations began in 1974 and lapsed for a time. As we learn from informed sources, the Albanian negotiations presented a demand that their cars "run" on our lines, that they range over our

territory, mentioning that they do not allow our cars on their territory. Our negotiators could not, of course, accept this situation, which at the least was unusual and in the annals of intergovernmental transportation unheard of. When after a time they realized that they had been asking the impossible, the negotiators from Tirana returned to the bargaining table and accepted the principle of reciprocity, and the treaty was signed.

Construction of the rail line between Titograd and Skadar offers our neighbor an occasion to connect his own modest rail system through the Bar--Belgrade main line, to the European rail system. This solves a crucial problem in the country's transportation and economy and to some extent replaces expensive highway transportation with a cheaper form. For our side, the Yugoslav side, the only gain is increased freight traffic on the Bar--Belgrade line and beyond to the north or west by about 400,000 to 500,000 tons of freight annually.

Under this treaty Yugoslavia has once again demonstrated to the international public its readiness and desire for cooperation with all neighbors regardless of the momentary or lasting level of political relations.

[Box, p 20, middle] How Much Is the Line Costing and Who Is Financing Construction

In May 1982 the SFRY Assembly passed the Law on Furnishing Funds To Finance the Program for Construction of the Yugoslav Portion of the Titograd--Skadar Rail Line.

The law provided capital in the amount of 1,014,414,000 dinars. This amount will be obtained on the basis of the participation of all the republics and provinces, and that in proportion to their share in the nominal social product of the entire economy of Yugoslavia.

Because of inflation and price changes, a commission consisting of representatives of all the republics and provinces has just recently calculated the new amount of capital necessary to build the line.

[Box, p 20, bottom] Lake Skadar

Its area is not always the same. When the water is high, the lake covers an area of 369.72 square kilometers. However, when the water rises in the spring and fall, the level of the lake rises between 2.5 and 3 meters and floods an area of 530 square kilometers. Mountain rivers, the Drim and Kiri, hinder the normal outflow of water with the silt they bring and are raising the bottom of its bed considerably. That is why every year from fall to spring the water level of the lake climbs and the area covered by water increases by nearly 200 square kilometers. Over the last 90 years the water of the lake has taken over more than 20,000 hectares of fertile land.

The Faults of the "Northern" Route ...

Each country has a sovereign right to choose the route on which it will build a line which is part of an intergovernmental transportation route. Each understandably tries to choose the most favorable, and there were no troubles from that standpoint.

Now on the eve of the actual beginning of the work Slobodan Mugosha, a delegate, and also the Institute for Technical Research of Veljko Vlahovic University in Titograd are arguing that the so-called northern version which has been adopted is not the best one.

This is a route which goes from the Titograd railway station toward the town Tuzi, which, then, goes around Lake Skadar on the north. Along that route a tunnel 3,675 meters long is to be cut and bridges built with a total length of 300 meters. The line would cross Cemovsko Polje, where modern vineyards and orchards were established a few years ago. These plantations are the pride of Montenegrin agriculture, since virgin land previously uncultivated has begun to bear abundantly thanks to the application of science and the abundance of sun and water. The rail line is now supposed to cut this fine entity into two parts, to cut through 2.5 km of plantation, inflicting a loss of approximately 100 million dinars on the workers of the 13 July Agricultural Combine in Titograd.

That is why its engineers and workers were the first to react, asking the authorities whether the line to Skadar absolutely had to pass right over the newly established plantations which had only begun to bear. Wasn't there some other alternative? The delegate Slobodan Mugosha works in that combine, and he obviously framed his question on behalf of his comrades.

... And the Advantages of the "Southern" Lake Route

At the time when the surveying and designing began, there was the idea and proposal that the line follow a southern alternative, but, as its originators say today, that proposal was rejected instead of first being examined and refuted with arguments. The fact that there were other directions to take in getting to Skadar, that the line might have been moved a bit further south, along the lake itself and in part even over it, was simply ignored.

Along that southern or, as some refer to it "lake" alternative, the line to Albania would begin at the station Golubovci, and then for a time would run along the line to Bar, but at the stop called Moraca it would turn eastward, running along the northern edge of the lake and reach the connecting point over Podhumski Bay. This route, say the experts of the Institute for Technical Research [ITI], is 6 km shorter; there are no tunnels on it, it would not cause damage on existing structures, and at the same time it would be 50 percent cheaper. Moreover, a great deal of fertile land would also be obtained.

However, this route presupposes that the present level of the water in Lake Skadar drop below an altitude of 6.5 meters above sea level. In that case the embankment for the line would not be very high, it would be safe for

transportation, the area of the lake would be reduced, so that on our side alone about 12,000 hectares of fertile land would be obtained.

The Way the Negotiations Went

Dusan Dragovic is an engineer valued in Titograd as an excellent specialist in building hydraulic engineering structures and in water management. He was a participant in almost all the meetings of the intergovernmental subcommission for Lake Skadar. He issues a caution that the line to Skadar is more important to our neighbor, while lowering the level of Lake Skadar is more important to us. It would be possible, Dragovic said, that these two questions be merged so that the solution of one problem would also resolve the other. The best occasion was at the time when the route of the rail line from Titograd to Skadar was being established. Had we committed ourselves to the southern route, the idea of which was at that time put forth by Dragovic, the Albanian side would have had to accept simultaneous commencement of work on the lake, since it is interested in rail traffic that would cross the lake without hindrance throughout the entire year.

The lowering of the level of Lake Skadar and the partial draining of areas along the shore are an old question. The Yugoslav side has always shown more interest in resolving it. It has been talked about since 1956, but the two countries did not have the same technical solution. The Albanian experts finally came forth with the proposal that the Drim be drawn off by a special canal and its waters drained into the sea or into the Bojana downstream from the lake. That would have prevented its flow into the lake, which began a century ago. This solution is expensive and entails at least 8 years of work.

Our specialists propose a simpler way: to broaden the bed of the Bojana and to make it possible for the water to flow from the lake to the sea faster. The water level would drop to the desired altitude, and fertile land would be obtained, its area depending on the level of the lake. That undertaking would require 2 years of work.

Why was this not negotiated?

Engineer Dusan Dragovic believes that the oversight occurred because more extensive consultations were not conducted before and during the negotiations, because a dossier was not prepared that included a water management solution. And that is why not a single specialist in water management was on the negotiating team.

The Scientific Council of the ITI in Titograd, the institute we have mentioned, sent a letter in the first half of August to the Executive Council of the SR Montenegro Assembly. In it it argued that adopting the "lake" version would mean a capital saving of 50 percent, or about 700 million dinars that could be used to commence work on the Bojana. The next 2 billion might be appropriated from the 6 billion which Montenegro intends to commit to development of its agriculture during this medium-term plan. If, then, a third of that capital were to be used for work on the lake, Montenegro's present modest area of plowland would be enlarged by 20 percent. This is a large addition

for this and future generations. Food would be produced on the new land for the tourist zone of the southern Adriatic and surpluses for other domestic and foreign markets. It is estimated that it could employ between 4,000 and 5,000 people, and the annual value of the food produced is estimated at more than 3 billion dinars, which indicates how fast the undertaking would pay itself off.

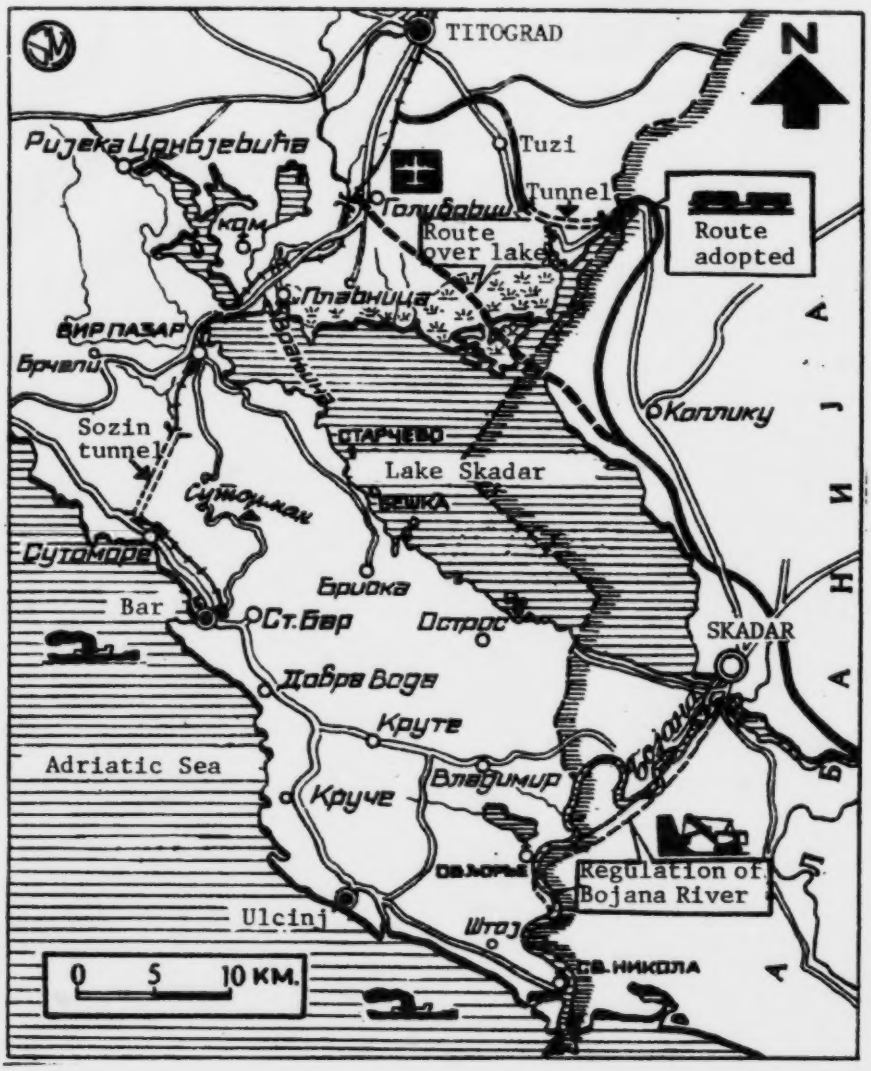


Is There Time?

All of this is too attractive for this possibility to be simply ignored. Those in authority face a large challenge.

But it can't be overlooked that these reflections come at 5 minutes to midnight, to say the least, if it is not already too late. After all, the work

has all but begun: less than 6 months are left to 31 December 1982, the date when our part of the line is supposed to reach the meeting place.

ITI experts say that there is the time even to prepare the design and to do the research. The master design could be completed before the end of November 1982. Since this route is shorter and there are no tunnels, the construction would also go somewhat faster, so that the line would be ready before the date agreed. To be sure, the work on the Bojana would take longer, but even by November 1984, when the high water begins, the level would be at an altitude where traffic on the line would run no risk.

At this moment our neighbor's view is unknown. Will he go along with our wishes and agree to commencement of the work on the Bojana?

The letter does not mention this, since it is anticipated that the Albanian side would show the same understanding of our interest as Yugoslavia has shown in their interest. Especially since regulation of the Bojana would also give Albania about 2,700 hectares of new land. The Bojana would become navigable to Skadar, and that town would become a lake-maritime port for larger vessels. Finally, as engineer Dragovic says, this undertaking would give the town of Skadar itself 200 hectares of land for construction to accommodate its future development, which is not exactly negligible. He says that the work on the lake and the Bojana could be done in 2 years instead of 8 years, as the specialists from Albania think. The two countries could even hire a crew that would dredge 15 million cubic meters of silt from the river in 1 year. If the Dutch, Dragovic recalls, could dredge 40 million from the mouth of the Rhone into the Mediterranean in 1 year, why should we not be able to do barely one-third as much in the same time?

What Will Be the Outcome

It remains to be seen what will become of all this. The outcome depends first on the view of the Executive Council and of the SR Montenegro Assembly itself. If this view is favorable, if it is judged that there are prospects for building the line according to the new alternative, then the Federal Executive Council would have to seek a renewal of negotiations and understanding on the Albanian side for our aspiration, as was shown by our side toward their vital interest in obtaining a connection to the international rail system over our territory.

The first hint of all that will probably come on 28 September. That is the day scheduled for meetings of all the chambers of the SR Montenegro Assembly. It is possible that a representative of the Executive Council responsible for the question of delegate Slobodan Mugosha will announce whether the initiative has been rejected because it was submitted too late or whether review, negotiations and all the rest will begin.

Only one thing is certain at present: Yugoslavia is not withdrawing from the obligation it has assumed to accommodate the wishes of NSR Albania once again on this occasion.

The rail line to Skadar will be built. It only remains to be seen whether it will go over or around Lake Skadar.

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CSO: 2800/8

## AGROINDUSTRIAL UNION CHIEF ANALYZES GRAIN PRODUCTION, OUTLINES TASKS

Sofia KOOPERATIVNO SELO in Bulgarian 4 Sep 82 p 2

[Report by Aleksandur Petkov, National Agroindustrial Union Central Council chairman: "Accelerated Grain Production Intensification"]

[Text] Almost 10 farm years have passed since the 12th BCP Congress and the BCP Central Committee and Council of Ministers decree on the development of grain production, and 1 year since the October conference and the BCP Central Committee Politburo decision on accelerating grain production and animal husbandry intensification. This calls for a report on the way we are implementing the instructions of the party and the government on the development of grain production and the new problems and tasks which arise in the implementation of the decisions.

Substantial quality changes in wheat and barley production took place in 1981-1982, which require a more profound study and evaluation of the work, the results and the possibilities of these crops in terms of increasing grain production.

The country at large and most okrugs achieved significant successes in grain production intensification. However, in a number of okrugs, APK [Agroindustrial Complexes] and brigades farming standards were inconsistent with improved material facilities; managing and performing cadres did not prepare themselves for this difficult and responsible project and a production stagnation was noted.

We are in the period of intensive preparations for the autumn sowing, which is of determining importance in terms of the level of yields and wheat and barley production next year. That is why we must make a profound study of the results and, on the basis of scientific data and the experience of the leading okrugs, APK and brigades, to create the necessary conditions and organizations for timely and high quality sowing.

As we know, in most parts of the country the autumn of 1981 was unfavorable in terms of wheat and barley. Many errors in the sowing campaign were made as well. However, thanks to the measures taken by the managements of the okrug BCP committees and the more specific help given by the scientific institutes in terms of accelerating the intensification process as a whole, good wheat and barley results were achieved.

The state assignment was fulfilled 107 percent. The average yield from both crops was about 646 kilograms per decare.

Seven okrugs averaged more than 500 decares from both crops: Tolbukhin, 566 kg; Ruse, 533 kg; Silistra, 517 kg; Sliven, 509 kg; Razgrad, 507 kg; Varna, 503 kg; and Burgas, 502 kg.

The highest absolute grain production growth from both crops, compared with last year, was achieved by Yambol, Burgas, Tolbukhin, Stara Zagora, Khaskovo, Plovdiv, Veliko Turnovo, Varna and Sliven Okrugs.

It would be expedient to indicate briefly the factors which determined to the greatest extent the positive results as well as the poor reaction in this direction in the lagging okrugs, which brought about the stagnation and drop compared to last year.

In this sense, the most outstanding was the systematic work carried out under the guidance of the okrug party committees in implementing the resolutions of the BCP Central Committee on the systematic application of the economic approach and the improvement of the brigade organization of labor. The material incentive and responsibility of management and performing cadres regarding production results increased. Efforts to apply the achievements of scientific and technical progress were made along a wide front.

Based on the results of wheat and barley production in 1982, the okrugs may be broken down into several groups:

The first includes most okrugs in northeastern Bulgaria--Tolbukhin, Ruse, Silistra, Razgrad and Varna. Most of them, for more than 3 years, regardless of fluctuations in natural and weather conditions, are maintaining a stable average wheat yield in excess of 500 kg per decare or, together with barley, over 450 kg per decare. In 1982 very close to this group was Shumen Okrug, which averaged 478 kg for wheat and barley, and Veliko Turnovo group with an average of 470 kg per decare.

While giving proper credit for successes achieved by this group of okrugs, let us point out that their 1982 results are below their possibilities. The growth rates of yields and output are no longer consistent with the high level intensification which has been reached, the developed material and technical base and the favorable soil and weather conditions. The disparity between the average okrug yields in this group is 86 kg per decare; it is 362 kg between APK and 469 between brigades. This indicates the extent of unused possibilities.

Given the possibilities provided by modern intensive technologies, the okrugs should aspire to exceed 600 kg of grain per decare from autumn crops and considerably to expand the areas under them.

The second group includes okrugs in southeastern Bulgaria--Burgas, Yambol and Sliven. We can also include in it Stara Zagora, Khaskovo and Plovdiv Okrugs. Their characteristic feature in their highest production increase and average yields. Particularly noteworthy are Burgas and Yambol Okrugs which fulfilled their annual plans for the production and purchases of bread and feed grain, repaid their loans and created the necessary reserves through wheat and barley alone. Sliven Okrug, which is developing stable autumn grain crop yields, crossed the 500 kg per decare barrier. The results of the autumn crops in Plovdiv and Stara Zagora Okrugs were below their possibilities.

The study indicates that differences in average yields from both crops between individual okrugs in this group ranged from 20 to 70 kg per decare. Differences among APK in the individual okrugs in terms of average yields ranged from 300 to 670 kg and between brigades from 230 to 750 kg per decare. The soil and weather conditions, the existing material and technical facilities and the 1982 results obtained by this group of okrugs constitute a solid base for reaching stable average yields from both crops exceeding 500 kg per decare.

The group which include predominately semimountainous okrugs, such as Turgovishte, Lovech, Sofia, Gabrovo and Pernik, increased their average wheat and barley yields both last and this year. The first two okrugs broke the 400 kg per decare barrier for both crops; Gabrovo exceeded 350 kg while the others remained below the 350 kg per decare mark.

Let us immediately emphasize that most of these okrugs have extensive unused possibilities of increasing grain production by raising average yields and considerably increasing the areas planted in wheat and barley. Differences in yields among APK in the individual okrugs ranged from 200 to 220 kg; between brigades the differences reached 300 or more kg per decare. According to our institutes, the average yield of winter grain crops in such okrugs should be no less than 450-460 kg per decare in Turgovishte and Lovech and 400-420 kg in Gabrovo, Pernik and Sofia Okrugs.

The fourth group includes Vidin, Vratsa, Mikhaylovgrad and Pazardzhik Okrugs. Plevin Okrug may be added to them for 1982. They achieved unsatisfactory wheat and barley production results. Unlike all other areas and okrugs in the country, here average yields remained either the same or, in some cases, even decreased compared with 1981. Average yields of both crops in Vratsa Okrug declined from 405 to 396 kg; average yields in Pazardzhik Okrug were 352 kg, or one of the lowest in the country, while output remained on the 1981 level.

What is the reason for these unsatisfactory results? We know that the relatively less favorable weather conditions this year, particularly in the area of the carbomate chernozem, had a certain adverse influence. However, the main reason does not lie in objective conditions. What is the basis for this conclusion?

According to land assessment data, Pleven Okrug, with an average of 451 kg per decare in autumn crops was fourth ranking and ahead of Ruse, Shumen, Varna,

Burgas, Sliven and other okrugs, whose yields were from 50 to 80 kg higher. In terms of land assessment data Vratsa and Mikhaylovgrad Okrugs are also above average for the country and are among the leading 10 okrugs. Their material and technical support is also good. They were given priority in supplies with plant protection preparations the need for which was almost fully met.

Therefore, we should not seek the reasons for adverse results in poor weather conditions but in the low level of production organization and technology.

What are the more important conclusions which could be drawn from the study of the results of wheat and barley production in 1982 and what targets and assignments could we set ourselves for 1983 and the balance of the five-year plan?

The accuracy of the course charted by the party and the state of accelerated and comprehensive agricultural intensification, above all in grain production, is being indisputably confirmed.

The results also indicate that the main reserve for the successful implementation of the decisions of the 12th BCP Congress is to increase the areas in crops and average autumn grain crop yields, wheat above all. Without allowing any underestimating whatever of corn and the other spring grain crops, under our country's conditions, the quickest and most stable increase in grain production can be achieved through accelerated intensification in wheat and barley production.

Regardless of the good results, we cannot be satisfied with our achievements, not only in the lagging but in the leading okrugs, APK and brigades as well. The substantial disparities and fluctuations in yields and output among individual okrugs, individual APK within a given okrug and brigades within a given APK, most convincingly prove the existence of substantial unused grain production reserves.

All of this enables us to set the task of fulfilling ahead of schedule the decisions of the 12th congress on increasing grain production by reaching the planned 1985 level in 1983.

What are we relying on? We have reached a high level of grain production specialization and concentration in all grain-producing okrugs. This enables us to apply the most advanced production methods and technologies quickly and extensively.

We have a rich biological potential at our disposal. Our selection workers have developed and applied wheat strains which rival the best worldwide models in terms of grain productivity and quality.

A streamlined scientific research and application system has been developed, which includes the Agricultural Academy, the sectorial institutes in General

Toshevo, Karnobat and Sadovo, the N. Pushkarov Institute in Sofia and the application centers of the OAPS [Okrug Agroindustrial Union].

The economic approach and the new brigade organization are being systematically applied. More than 75 percent of the entire grain production is in the hands of the new type brigades which operate on the basis of cost effectiveness and internal cost effectiveness.

Grain production problems are always kept in the focal point of attention not only of agricultural but of all party and state organs and our entire public.

All of this enables us to set as the most important task and undertake the specific ahead of schedule implementation of the resolutions of the 12th party congress in the grain production area.

Basic Directions and Tasks in Ensuring Yields of 500 Kg Per Decare in Wheat and Barley in 1983

The study of the 1982 results indicated that the problem is mainly one of enhancing the role of the subjective factor in ensuring the specific management of a production process from sowing to harvesting in accordance with the biological requirements of the crops and the latest agricultural achievements.

A number of factors determine the implementation of these tasks in grain production. However, we shall discuss only the more important among them.

Improving the Structure and Increasing the Areas Planted in Autumn Grain Crops

The achievements in agricultural science and practice and the developed factors for the accelerated grain production intensification provide conditions for reaching a new solution to problems of the structure and crop rotation in areas under grain crops. We are still slaves of the tradition of alternating crops by growing corn in a number of droughty areas in which wheat and barley grow better. For this reason, we must unhesitatingly resolve the problem of developing the most efficient grain crop structure in our country. The studies and computations made by the National Agroindustrial Union indicate that this very autumn we can expand the areas under wheat and barley. This can be achieved by reducing the size of the land in nonirrigated corn, oats, spring barley and other crops which give lower yields compared with wheat.

We have at our disposal Bulgarian and foreign technologies for the cultivation of wheat and barley, which have been developed and tested. Practical experience indicates that such single crop cultivation should be considered not an emergency or something imposed by circumstances, but an important factor in increasing yields and reducing the cost of grain production. The problem of improving the efficiency of the structure and expanding one-crop growing must not be resolved on the basis of a stereotype or primitively, for surprises in the production process are not excluded should technological requirements be violated.

What should be done? The Agricultural Academy and the scientific institutes in General Toshevo and Karnobat and the OAPS must chart the areas on which wheat and barley will be raised as single crops and adapt developed technologies for the individual okrugs, APK and brigades.

Insufficient work is being done in the area of rapidly coordinating the structure of the areas under crops with the changed circumstances. It was clearly proved that even in the least fertile sectors wheat yields are much higher than oats and spring barley. Although everyone has seen the amount of grain which we could produce on undeveloped and neglected areas no visible changes have been made. What is most alarming is that in many areas efforts are being made to reduce on a planned basis the size of the areas and that estimates are being ignored.

Fuller Use of the Biological Possibilities of the Strains

The record-setting yields obtained from wheat and barley in 1982 in the country, particularly in the leading APK and okrugs, indicate that at the present stage we have highly productive wheat and barley strains with a potential average of 800 to 1,000 kg of grain per decare. Let me discuss briefly the most important practical measures which must be taken in order to ensure the better use of this resource.

The leading problem is that of developing an optimal strain structure for the planted areas in each okrug, APK, brigade or individual block. The purpose is, based on the results of the experimental plots and the output in the individual areas of the country and types of soil, to use the type of strains which will yield the highest amount of grain on the proper soil and in suitable dimensions.

Solid order and discipline must be developed in organizing the purchasing, allocation and delivery of the seeds. We must eliminate all self-inspired manifestations of trading seeds among okrugs and APK without the knowledge and agreement of the National Agroindustrial Union and the competent organizations. The Quality Seeds and Planting Materials Scientific Production Trust alone has been granted the monopoly in purchasing, producing and selling seeds.

The role of seed control must be enhanced. Currently we suffer from many violations and compromises in grading the seeds of grain and other crops.

Technology and Technological Discipline

Regardless of the successes achieved over the past 2 or 3 years, technology and technological discipline remain the weakest link in crop growing. Violations of individual elements in the technological process are allowed even in the leading okrugs and APK which maintain high farming standards.

During the year, we developed for the benefit of the main campaigns individual systems of regulations and technological indicators. We are now submitting an

integral system whose purpose is not to regulate specific types of technology or approaches to the management of the technological process but to apply to the management system the type of norms which will enable us to control yields. Any neglect of established rules and norms means omissions in the management system, the technology and intensification as a whole.

Major improvements must be made in the first basic technological unit--the presowing preparations. According to the competent authorities of the National Agroindustrial Union and the scientific institutes, last year presowing preparations were not carried out in accordance with technological requirements over no less than 20 percent of the acreage. The highest amount of such areas was in okrugs in which the autumn crops yielded low results. Minimal and shallow cultivation must be developed as the main method in presowing preparations.

Technologically all problems related to the sowing of autumn crops have been clarified. Nevertheless, annoying mistakes continue to be made in the implementation of this assignment. Optimal deadlines are not being observed and norms related to sowing, depth of sowing and packing are being violated. In other words, we are forgetting the popular wisdom that you reap whatever you sow.

In order to accomplish the important task we have set ourselves--averaging 500 kg of wheat per decare from the entire area under crops next year--several requirements must be madatorily met in the course of this year's autumn sowing: the wheat and barley must be planted during the optimal period between 15 September and 20 October, according to the area; the depth of the sowing should not exceed 3-5 cm. This raises exceptionally important stipulations regarding the functioning of the sowing machines. The sowing norm must be based on the strain, sowing deadline and ecological conditions.

The management of a technological process, the development of the plants and the regulation of the crop, from sowing to harvesting, must reach a qualitatively new level. We must bear in mind that the sowing norm, along with other technological measures, is aimed at ensuring a certain number of fruit-bearing plants per unit of area. Therefore, here again we must put an end to the already stereotyped 30 kg and provide optimal conditions for the development of the necessary equalized fruit-bearing strains, most closely related to the specifics of the individual strain.

Substantial weaknesses continue to exist in the organization and system of fertilizer application. According to many leading agricultural cadres and specialists, grain production intensification is more frequently related to increasing fertilizer norms than optimizing the fertilizing, the means and deadlines of fertilizer use, and others.

The establishment of fertilizer requirements and norms this very autumn must be specific for each block of land, based on the type of soil, preceding crop and type of crop and strain. The tables provided by the N. Pushkarov Institute must be used in determining the need for phosphorus and potassium fertilizers; the use of nitrogen fertilizers must be based on intensive technology prescriptions.

Secondly, we must ensure the qualitative and even application of chemical fertilizers. In the case of wheat and barley nitrogen fertilizers must be applied according to the needs of the plants in their individual development stages and no less than on three occasions.

Thirdly, the high level of intensification calls for converting to extensive utilization of mixed fertilizers such as fixal, bukzal and others. Furthermore, in the case of intensive crops, particularly in nonchernozem soils, the application of microelements must become extensive.

The question of plant protection assumes priority among the various intensive development factors in grain production. We can no longer, as in the past, use exclusively specific plant protection measures if we are to ensure yields in excess of 500 kg per decare in autumn crops. This was confirmed through practical experience during the past two years.

The use of light crop dusting with 1.2-1.5 liters of active solution per decare was a successful new technological solution. It drastically upgraded labor productivity.

Relatively lesser losses caused by diseases and pests in wheat and barley should not lead us to believe that we have resolved the problem in the least. This year was exceptionally favorable in terms of phytosanitation, for which reason no definitive conclusions should be drawn.

If we were to summarize this problem we should emphasize that at the current stage plant protection is the most dynamic and important factor in increasing grain production and that it is in this area that we are faced with the largest number of problems.

What is the most important thing to be done in the area of plant protection?

Plant regulators--retardants--must be used in the cultivation of wheat on the basis of intensive technologies. This is the latest and most decisive feature of intensification. In this connection, we must make even better use of the experience and knowledge of domestic and foreign institutes and specialists.

We must improve forecasting and signaling in order to eliminate stereotypes in protective plant spraying.

We must mandatorily apply and improve record keeping in performing individual plant protection measures, including comprehensive charting of weeds and strict accountability in the use of chemicals.

Special control measures must be applied in the case of soils on which wheat and barley will be planted as single crops with intensive technology.

A new significant step was taken this year in improving the organization and work on harvesting the wheat and barley. A special harvesting system was

established and we must emphasize that regardless of the worsened weather conditions, as a whole the grain harvesting campaign was carried out on an organized basis and with lesser grain losses.

The tasks we are currently setting ourselves to increase the areas in crops and production call for enhancing the level of organization and control in harvesting the wheat and barley crops. We must draw proper conclusions from successes and weaknesses in harvesting this year's crops. We must emphasize that the fact that the harvest took more than 1 month in many okrugs and APK cannot be explained merely by the precipitation. Another reason was that we were insufficiently prepared for harvesting the crops under difficult circumstances.

For this reason, based on this year's experience, we must already begin to take steps to improve the system and organization of crop harvesting by further promoting the detachment form of organization in brigades, APK and okrugs, as well as in the national level in the case of the most highly productive equipment.

Material and Technical Support in Grain Production

The production of wheat and barley enjoys the relatively strongest material and technical support. Both last and this year agriculture, grain production in particular, was supplied with more fertilizer and chemicals; some of the equipment was renovated. This led to significantly better results.

For this reason, we shall continue to emphasize the more efficient utilization of the existing material and technical facilities and the availability of material resources based on the state plan. Many unused possibilities exist in this respect both in terms of the loading and shift coefficient of the equipment and the better use of fertilizers and chemicals.

The planned increase in grain production must be backed by fertilizers and chemicals in accordance with the planned norms. Additional needs for the acceleration of intensification, as was the case last year, must be met through self-support and self-financing.

We face major problems also in grain production mechanization. Such problems have been developed in detail in the program for accelerating grain production intensification and in the program adopted jointly with the Ministry of Machine Building and Electronics, approved by the Council of Ministers Council on Agriculture. The difficulty stems from the fact that the tasks stipulated in these documents are being implemented too slowly.

We realize that the problem of updating agricultural equipment is a difficult one and that it cannot be resolved in a year or two. Now, however, when we discuss the question of the ahead of schedule implementation of the decisions of the 12th party congress on increasing grain production, we cannot fail to note once again that the problem of the grain harvesting equipment has become intolerable and must be resolved this very year and the next.

We must also seek possibilities within the intensification program of accelerating the building and updating the warehousing facilities of the Grain Foods and Feed Industry DSO [State Economic Trust].

Currently several problems are particularly important in terms of the systematic application of the economic approach in agriculture, as follows:

The acceleration of intensification must be based on a strictly economic foundation, on the principles of cost effectiveness. We must strongly emphasize and everyone must profoundly realize that separating intensification from the economic approach would not strengthen but undermine the economic organizations;

We must ensure the full application of the economic mechanism in the brigades, as approved with Decree No 53. Currently, for a variety of reasons the brigade mechanism is not being entirely applied in many APK. Some of its basic principles and stipulations are being circumvened;

Efforts to improve intrabrigade organization and, on this basis, to create conditions for the application of the principles of internal cost effectiveness even in the smallest subunit and in the work of the individual specialist and worker, must be continued.

Scientific Services and Cadre Training

The intensive development of grain production and the implementation of the new assignments we have set ourselves for 1983 require a higher level of scientific services and the mobilization of the efforts of the entire scientific-cadre potential within the system of the National Agroindustrial Union.

We have at our disposal modern and comprehensive intensive technologies based on domestic and worldwide scientific and technical achievements, which were tested successfully in 1981-1982. Currently these technologies have been updated on the basis of the latest scientific and practical achievements. They have been systematized and made available to all agricultural organizations.

An Agricultural Academy was founded as a new unified center in charge of managing and coordinating science and scientific services to agriculture. Scientific-coordination centers in the various scientific areas were set up under it and engineering-application units were set up under the OAPS. Therefore, we have already developed organizationally an integral system of scientific services and application activities, based on the principles of the new economic approach.

However, as we assess the contribution of our agricultural science to the good results, we must also point out the responsibility of the scientific institutes and cadres for omissions, weaknesses and unused reserves in grain production. We must frankly point out that along with the agricultural organs and cadres the managers and collectives of the institutes in General Toshevo, Karnobat and N. Pushkarov in Sofia, bear the responsibility for the unsatisfactory results of wheat and barley growing in northwestern Bulgaria and some other parts of the country.

What are the more important requirements related to scientific servicing of grain production today?

In addition to the elaboration and submission of respective technologies, the Agricultural Academy and the specialized sectorial institutes must ensure their direct adaptation and application in the APK and the brigades on the basis of the economic approach. They must ensure the steady supervision of and scientific advice to the OAPS, the APK and the brigades throughout the growing season.

Under the guidance of the Agricultural Academy, the sectorial institutes, the scientific workers and the consultants in the respective okrugs, a highly efficient system of control and strict application of technology must be formulated.

The question of scientific services and application in lagging okrugs and APK must be supervised particularly closely by the NAPS, the Agricultural Academy and the OAPS. Under the guidance of the academy each institute must become a center for the application of the various comprehensively developed technologies.

Along with improvements in scientific services, we must organize the training of APK management and performing cadres on a qualitatively new basis. All cadres involved in grain production, from top to bottom, must study in detail the new intensive technologies and be prepared to undertake their practical application.

Efficient Crop Harvesting Organization

This year, along with the autumn crops, we are expecting a good harvest from the basic spring crops as well as from vegetables, grapes and fruits.

The autumn campaign in our country has always entailed great difficulties, for a great deal of produce must be harvested within a short time, the areas must be cleared quickly, the autumn crops must be planted and the areas for spring crops must be readied.

As we know, the Agricultural Council under the Council of Ministers approved special measures related to harvesting and the autumn sowing. They were welcomed with great satisfaction by all cadres and working people in agriculture. The OAPS, APK and production organizations formulated their own measures for the autumn campaign. Steps are being taken to improve the organization of autumn harvesting and sowing.

However, we are not satisfied with the work done so far, which is far below the requirements of the assignments and the actual situation in agriculture. Some tasks are not being carried out. The problem of comprehensiveness, on which the targets were based when the measures were formulated, was underestimated.

What specifically should be accomplished now?

Urgent steps must be taken to surmount the lagging in making the available equipment and transportation facilities which will be used in the autumn campaign technically ready and complete. We must apply specifically and extensively the detachment form of organization of the use of the equipment and the manpower with a view to developing a work conveyor--the harvesting and shipping out of the produce, the clearing of the land, presowing preparations and the sowing itself. In order to surmount the consequences of the delayed development of the crops, harvesting must begin at the very first opportunity and be completed within the shortest possible time. Under the guidance and control of the Food Industry Corporation, the purchasing organizations must be mobilized and the work of the agricultural organizations must be fully synchronized in order to insure the prompt purchasing, transportation, storing and utilization of the entire produce.

All rural labor resources must be mobilized in harvesting the fruits, vegetables and tobacco and picking the produce of the other crops following the machine harvest. In this case extensive use should be made of a great variety of methods involving small groups, families and individual piece-rate work. Each family in the countryside must be given a specific assignment and must actively participate in harvesting the crops.

The management of the National Agroindustrial Union is confident that along with mobilizing the forces of our system, which is the main and decisive factor this year as well, we shall receive timely assistance in terms of transportation and manpower facilities outside the NAPS system.

Comrades, the party and state organs in the okrugs and obshtinas have always been the motive and inspiring forces in the implementation of the great assignments set by the party and the state to agriculture.

At the present conference we express our sincere gratitude to the okrug and obshtina party committees and the primary party organizations, the organizations of the BZNS and the state and public organs for their tremendous political and organizational contribution to the great successes which were achieved in grain production in 1982. At the same time, we express our confidence that they will continue to lead in the struggle and the efforts of the farm workers in the practical implementation of the instructions issued by Comrade Todor Zhivkov and the decisions of the BCP Central Committee Politburo on accelerating the intensification and achieving new successes in grain production.

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WHEAT, BARLEY VARIETY YIELDS LISTED

Sofia KOOPERATIVNO SELO in Bulgarian 18 Sep 82 p 2

[Report by Candidate of Agricultural Sciences Dimitur Petrov and Senior Scientific Associate Dimitrina Tsankova, Quality Seeds and Planting Material Scientific Production Trust scientific associates: "What Strain to Choose?"]

[Text] Results of the testing of wheat, triticale and feed and brewery barley in the various parts of the country; A properly developed strain structure is one of the main prerequisites for high yields.

The country's agricultural workers can choose among more than 25 different wheat strains and 3-4 barley strains developed at home and abroad, distinguished by high productivity. These strains react more or less individually to specific soil and climatic cultivation conditions. On this basis the country can be divided into five geographic areas with their typical microrayons.

Agroclimatic and Methodical Circumstances Under Which Competing Strain Experiments Were Conducted with Wheat, Triticale and Barley in 1981-1982

In the Selanovtsi, Koynare, Pordim, Svetlen, Kubrat, Tsarevbrod, Zimnitsa, Radnevo, Gorski Izvor, Benkovski and Razlog areas precipitation was extremely low during the sowing and long afterwards in the autumn of 1981. The plants sprouted unevenly and late (the middle and end of November). During the winter the number of plants averaged from 300 to 350 per square meter, and from 80 to 150 plants in Kubrat. No autumn tillering was carried out in these stations and the crops entered the winter season improperly tempered. Nevertheless, the long snow cover protected the strains (crops) from freezing and plant losses in spring were due exclusively to mechanical damage. The winter was snowless only in the Selanovtsi area, as a result of which from 5 (Sadovo-1) to 57 percent of the crops (K-94, Denitsa, some strains developed by the Dobrudzha Institute and all wheat strains) froze. Freezing was noted also in Chelopech, Sofia Okrug, toward the end of March.

Subsequently (March-April), due to the low temperatures and low precipitation, the growth and development of the crops (strains) was hindered with the exception of the Vidin, Mikhaylovgrad and Ruse areas and southeastern Bulgaria. Some drought was noted in the Khaskovo, Stara Zagora, Plovdiv, Vratsa

and Pleven areas, as well as a most severe drought in the Silistra and Tolbukhin areas (which lasted until the virtually full ripening).

The relatively low rainfall during the last 2-3 months of the vegetation period limited the lodging of the strains with the exception of the Vidin, Mikhaylovgrad and Pleven areas, where severe storms lodged many crops. The virtual absence of conditions for the development of diseases was the reason for their limited manifestation.

During the ripening period and particularly during the last third of June temperatures exceeding 35° C and the low relative humidity strongly affected the normal grain formation as a result of which yields in many of the stations were substantially below expectations. Subsequently, yields dropped also as a result of steady excess rain during the harvest. This contributed to the drop in absolute and hectoliter weight.

The experiments were conducted on the basis of a uniform method; the sowing norm was 500 seeds per square meter for wheat and triticale and 400 for barley.

According to the type of soil, the following amounts of fertilizers were used: Wheat and triticale, 12-16 kg N, 10-12 kg Ph and 8 kg P; feed barley, 7-11 kg N, 8-10 kg Ph and 6 kg P; and winter brewing barley, 3-5 kg N, 10-12 kg Ph and 6 kg P.

Under such soil and climate conditions the following results were obtained with wheat in the individual microrayons:

Central, Northern and Northwestern Bulgaria

The following strains showed higher yields over a 5-year period (1978-1982), with an average yield of 571 kg for Sadovo-1 in this area: Charodeyka, 787 kg (one station only); Sadovo-Super, 589 kg; Kiten, 581 kg; Altimir, 614 kg; and Vratsa, 573 kg. The 4-year average was as follows: Pliska, 686 kg; Skitiya, 697 kg; Rekviem, 673 kg and Sadovo-1, 583. In 1882 Sadovo-1 averaged 674 kg, exceeded by Tervel, 721 kg; Trayana, 711kg; Kardam, 704 kg; and Katya, 702 kg, which exceeded the standard by 7.0, 5.5, 4.5 and 4.2 percent respectively.

In the individual stations the most constant yields were the following: In Medkovets ( 5 and 4 years): Kiten, 534 kg; Sadovo-Super, 531 kg; and Sadovo-1, 523 kg. In 1982: Kiten, 692 kg; Tervel, 672 kg; Katya, 656 kg; and Sadovo-1, 654 kg. In Selanovtsi (5 and 4 years): Sadovo-1, 613 kg; Vratsa, 608 kg; and Ogosta, 593 kg. In 1982: Tolbukhin-1, 574 kg; Sadovo-1, 563 kg; and Trayana, 560 kg. In Koynare (5 and 4 years): Kaliakra-2, 526 kg; Sadovo-Super, 517 kg; Kiten, 504; and Sadovo-1, 476 kg. In 1982: Tervel, 785 kg; Kaloyan, 774 kg; Trayana, 754 kg; and Sadovo-1, 656 kg. In Pordim (5 and 4 years): Charodeyka, 787 kg;, Vratsa, 749 kg; Pliska, 780 ; Skitiya, 787 kg; and Sadovo-1, 700 kg. In 1982: Tervel, 864 kg; Trayana and Impuls, 850 kg; and Sadovo-1, 771 kg. In Vrabevo (5 and 4 years): Sadovo-Super, 590 kg; Sadovo-1, 556 kg; and Kiten and Vratsa, 545 kg. In 1982: Kaliakra-2, 672 kg; Trayana, 658 kg; Charodeyka, 656 kg; and Sadovo-1,

579 kg. In Kapitanovtsi, in 1982: Trakiya, 899 kg; Katya, 894 kg; Pliska, 890 kg; and Sadovo-1, 823 kg.

Northeastern Bulgaria

The highest yelding strains over a 5-year period were Sadovo-Super, Trakiya, Ogosta, Kiten, Charodeyka and Vratsa, which surpassed Sadovo-1 (630 kg) by 2.6-4.9 percent, and over a 4-year period also Pliska (7.5 percent); Skitiya (7.5 percent) and Zagore (7 percent), compared with 630 kg for Sadovo-1 and 709 kg in 1982.

The steadiest yields in the individual stations were as follows: In Svetlen (5 and 4 years): Kaliakra, 648 kg; Zagore, 633 kg; Kiten, 646 kg; and Sadovo-1, 627 kg. In 1982: Yantur, 661 kg; Kaliakra, 655 kg; and Sadovo-1, 643 kg. In Brushlyan (5 and 4 years): Sadovo-Super, 722 kg; Lada, 720 kg; Pliska, 763 kg; Trakiya, 724; and Sadovo-1, 674kg. In 1982: Katya, 845 kg; Pliska, 833 kg; Charodeyka, 790 ; and Sadovo-1, 720. In Sitovo (5 and 4 years): Sadovo-Super, 719 kg; Vratsa, 714 kg; Skitiya, 733 kg; Trakiya and Charodeyka, 717 kg; and Sadovo-1, 699 kg. In 1982: Sadovo-Super, 782 kg; Trakiya, 758 kg; Katya, 752 kg; and Sadovo-1, 660 kg. In Tolbukhin (5 and 4 years): Trakiya, 678 kg; Ogosta, 675 kg; Skitiya, 733 kg; Pliska, 717 kg; Charodeyka, 717 kg; and Sadovo-1, 640 kg. In 1982: Pliska, 788 kg; Sadovo-Super, 782 kg; Vratsa, 778 kg; Slavyanka, 782 kg; and Sadovo-1, 735 kg. In Zhitnitsa (5 and 4 years): Trakiya, 594 kg; Kiten, 589 kg; Ogosta, 572 kg; and Sadovo-1, 562 kg. In 1982: Trayana, 793 kg; Tolbukhin, 789 kg; Charodeyka, 777 kg; and Sadovo-1, 709 kg. In Pavlikeni, in 1982: Katya, 902 kg; Tervel, 897 kg; Pliska, 873 kg; and Sadovo-1, 815 kg. In Obraztsov Chflik in 1982: Katya, 624 kg; Zenit, 613 kg; Zagore, 611 kg; and Sadovo-1, 532 kg. In Tsarevbrod in 1982: Yantur, 795 kg; Rositsa, 780 kg; Trayana, 778 kg; and Sadovo-1, 740 kg.

Southeastern Bulgaria

In this area, during the 5-year period Sadovo-1 (595 kg) was surpassed by Ogosta (by 3.9 percent), Vratsa (3.5 percent), Kiten (1.2 percent), and Trakiya (1 percent). In 1982 Sadovo-1 (683 kg) was surpassed by Trakiya (3.3 percent), Ogosta (3.1 percent), and Vratsa (1.8 percent). In the individual stations in this area very good yields were obtained as follows: In Burgas (5 and 4 years): Trakiya, 645 kg; Altimir, 646 kg; Kiten, 631 kg; and Sadovo-1, 594 kg. In 1982: Rekviem, 778 kg; Trakiya, 776 kg; Skitiya, 762 kg; and Sadovo-1, 673 kg. In Zimnitsa (5 and 4 years): Vratsa, 558 kg; Sadovo, 554 kg; and Kiten, 551 kg. In 1982: Pliska, 702 kg; Katya, 678 kg; Yantur, 675 kg; and Sadovo-1, 660 kg. In Boyanovo (5 and 4 years): Ogosta, 674 kg; Vratsa, 671 kg; Trakiya, 651 kg; and Sadovo-1, 638 kg. In 1982: Ogosta, 749 kg; Sadovo-1, 717 kg; and Vratsa, 707 kg.

Central Southern Bulgaria

Over a 5-year period the following strains averaged higher yields than Sadovo-1 (629 kg): Sadovo-Super (8.4 percent), Altimir (5 percent), Kiten (3.7 percent) and Vratsa (2.7 percent). During a 4 year period Sadovo-1 (625 kg) was surpassed by Pliska (18.3 percent) and Skitiya (17 percent).

In 1982 the highest yields were obtained with Sadovo-Super (743 kg), Yantur (722 kg) and Katya (726 kg) compared with Sadovo-1 (700 kg).

In the individual stations high yields were obtained as follows: In Lyubimets (5 and 4 years): Sadovo-Super, 590 kg; Kaliakra, 577 kg; and Sadovo-1, 552 kg. In 1982: Pieta, 772 kg; Vratsa, 754 kg; Katya, 753 kg; and Sadovo-1, 680 kg. In Gorski Izvor (5 and 4 years): Sadovo-1, 670 kg; Sadovo-Super, 665 kg; and Kiten, 660 kg. In 1982: Sadovo-Super, 761 kg; Katya, 744 kg; Denitsa, 726 kg; Sadovo-1, 723 kg. In Benkovski Village (5 and 4 years): Vratsa, 674 kg; Sadovo-Super, 660 kg; Kiten, 644; and Sadovo-1, 606 kg. In 1982: Kaliakra, 577 kg; Yantur, 572 kg; Denitsa, 566 kg; and Sadovo-1, 556 kg. In Ognyanovo Village (5 and 4 years): Sadovo-Super, 815 kg; Kiten, 756 kg; Pliska, 814 kg; and Sadovo-1, 686 kg. In 1982: Sadovo-Super, 817 kg; Tervel, 807 kg; Katya, 801 kg; and Sadovo-1, 706 kg. In Dubene in 1982: Yana, 862 kg; Kaloyan, 859 kg; Avren, 856 kg and Sadovo-1, 833 kg.

Foothill Zone

During the 5-year period Sadovo-1 averaged 564 kg of grain per decare, exceeded by Sadovo-Super (583 kg), Kaliakra-2 (565 kg) and Altimir (590 kg).

The highest yields in 1982 were achieved with Kaliakra-2, 666 kg; Katya, 664 kg); Charodeyka, 661 kg; and Vratsa, 660 kg, compared to Sadovo-1 (630 kg).

High and steady yields reached by the individual stations were as follows: In Vrabevo (5 and 4 years): Sadovo-Super, 590 kg; Sadovo-1, 556 kg; Kiten and Vratsa, 545 kg. In 1982: Kaliakra-2, 672 kg; Trayana, 658 kg; Charodeyka, 656kg; and Sadovo-1, 579 kg. In Razlog (5 and 4 years): Kaliakra-2, 603 kg; Altimir, 590 kg; Vratsa, 579 kg; and Sadovo-1, 572 kg. In 1982: Katya, 689 kg; Sadovo-1, 670 kg; and and Impuls, 665 kg. In Lesnovo in 1982: Pliska, 759 kg; Vratsa, 724 kg; Sadovo-Super, 712 kg; and Sadovo-1, 640 kg.

On a country-wide basis, the average over a longer period of time, the highest plasticity and high and steady yields were achieved, along with Sadovo-1, with Vratsa, Kiten, Trakiya, Pliska, Skitiya, Charodeyka, Kardam, Sadovo-Super, Slavyanka and Ogosta. The highest yielding of the newly zoned strains were Trayana, Rekviem and Kaloyan, different amounts of which could be used in the individual microrayons, based on their performance. The best yields among the candidate-strains were Katya and partially Yantur, the seeds of which should be used to the fullest extent in order to speed up their multiplication.

The following must be considered in developing the strain structures:

For the purpose of intensive growth the strains must be classified into three groups:

High-intensive: Trakiya, Charodeyka, Pliska, Vratsa, Trayana, Ogosta and Kaloyan; medium-intensive: Sadovo-1, Kiten, Skitiya, Kardam and Rakovski; low-intensive: Slavyanka, Kaliakra-2 and Sadovo-Super.

In the high mountain fields with weaker soils and regulated fertilizing the recommended strains are Skitiya, Kiten, Kaliakra-2, Trayana and Ludogorka.

In order to improve the quality of the bread, up to 20 percent of the areas must be planted in Slavyanka and Ludogorka.

Triticale

Among the strains which were studied over an average of 2 years T-142 and No 44 alone almost matched the standard, while the other strains were considerably below it. Better results were achieved with No 44 (102 percent) in central, northwestern and northeastern Bulgaria compared with the standard average of 667 kg per decare. In southeastern Bulgaria the strain was slightly above the standard with 599 kg (1.3 percent) but considerably below the Mirazh barley strain (121.7 percent). In central southern Bulgaria all strains were below the standard, ranging from 2.5 (No 2089) to 13.2 percent (Danae rye) -- 7291 (689 kg).

Considering the results, further studies of strains T-142 and No 44 become imperative. Of the 17 triticale strains used in the country in 1982 higher average yields compared with the standard (649 kg) were obtained with T-142, T-144-71 and No 44, ranging from 0.7 to 2.9 percent.

In central northern and northwestern Bulgaria the standard (668 kg) was exceeded by T-142 (102.7 percent) and No 44 (105.5 percent). In northeastern Bulgaria the standard (631 kg) was exceeded by T-142, 103.1 percent; No 44, 101.2 percent; and No 444-71, 100.8 percent. In southeastern Bulgaria the 566 kg standard was exceeded by No 2089, Kuley-3, 444-23, 444-71, T-142, No 44 and No 82. However, these strains were substantially inferior to the Mirazh barley strain. In central southern Bulgaria all strains were considerably below the standard (712 kg).

Winter Feed Barley

The average 2-year results categorically support the requirement of making full use of the Mirazh strain, the yields of which considerably surpass the remaining strains by 1.3-21.4 percent. Relatively good strains, although lower, were Katya (98.7 percent), Gerbel (97.7 percent) and F-208 (97.6 percent). The only strain which was higher than the average by 5.2 percent was KhVV-860 (tested in one station only), for which reason it must be subjected to further studies by all stations for 1 more year.

In the individual stations high yields for the 2-year period were averaged by the following strains: In Pordim: MV-37, 809 kg; KhVV, 869 kg; Gerbel, 786 kg; and Mirazh, 768 kg. In Tsarevbrod: Gerbel, 718 kg; Mirazh, 703 kg; and MV-37, 700 kg. In Sitovo: KhVV-823, 729 kg; Plana, 715 kg; and Mirazh, 709 kg. In Burgas: Mirazh, 801 kg; Dilana, 722 kg; Katya, 738 kg; and Gerbel, 782 kg.

A 1-year study of 18 domestic and foreign strains revealed the far superior productive possibilities of Holds (738 kg) and Pirate (645 kg) (each tested in a single station only, with respective Mirazh yields of 632 and 583 kg). An average for all stations showing a slight improvement of 12 kg compared with Mirazh was achieved by KhVV-869 and F-208.

In individual stations higher yields were reached by the following: In Kapitanovtsi: Pirate, 645 kg; Gorbel, 643 kg; F-4876, 614 kg; and Mirazh, 583 kg. In Pordim: MV-37, 779 kg, KhVV-860, 778 kg; No 468, 759 kg; and Mirazh, 708 kg. In Sitovo: KhVV-823, 780 kg; Mirazh, 762 kg; and No 468, 753 kg. In Tolbukhin: KhVV-860, 634 kg; No 468, 580 kg; F-4876, 573 kg; and Mirazh, 552 kg. In Tsarevbrod: MV-38, 797 kg; KhVV-860, 768 kg; Gerbel, 702 kg; and Mirazh, 685 kg. In Burgas: Mirazh, 813 kg; MV-38, 732 kg; and F-4876 [figure omitted], kg. In Karnobat: KhVV-860, 863 kg; MV-38, 850 kg; F-208, 834 kg; and Mirazh, 813 kg. In Boyanovo: Mirazh, 751 kg; F-208, 722 kg; and Gerbel, 704 kg. In Lesnovo: Alfa, 705 kg; Mirazh, 670 kg; and No 468, 632 kg. In Zhitnitsa: F-208, 777 kg; Gerbel, 767 kg; MV-37, 725 kg; and Mirazh, 632 kg. In Ognyanovo: Alfa, 615 kg; F-4876, 611 kg; Katya, 598 kg; and Mirazh, 558 kg per decare.

Winter Feed Barley -- Candidate Strains

Eighteen candidate strains were tested in 1982. It was established that their yields were relatively lower in northern Bulgaria. The absolute yields in all stations ranged from 450 (Plovdiv-4) to 974 kg per decare (KT-2011). Compared with Mirazh (606 kg), considerably superior yields were reached on an average for all stations with KT-2013, 6.6 percent; KT-2015, 5.3 percent; KT-2014, 3.6 percent; and KT-2010, 2.1 percent.

By individual station, higher yields than Mirazh were as follows: In Pordim: KT-2010, 746 kg; No 468, 738 kr; KT-2014, 729 kg; and Mirazh, 660 kg. In Tolbukhin: KT-2013, 636 kg; Gerbel, 631 kg; KT-2014, 630 kg; and Mirazh, 586 kg. In Kapitanovtsi: Gerbel, 678 kg; KT-2013, 670 kg; and KT-2002 and Mirazh, 552 kg. In Lesnovo: Alfa, 705 kg; KT-2011, 698 kg; KT-2013, 695 kg; and Mirazh, 670 kg. In Karnobat: KT-2011, 974 kg; KT-2003, 872 kg; KT-2014, 866 kg; and Mirazh, 865 kg.

Winter Brewery Barley

Of the 24 strains which were tested the high productive possibilities were noted of KT-1009, KT-1008 and KT-108, exceeding Alfa (705 kg) by 6.4, 2.6 and 2.5 percent respectively.

In the individual stations Alfa was considerably surpassed by the following: In Pordim: KT-1009, 864 kg; KT-1003, 819 kg; KT-108, 809 kg; and Alfa, 763 kg. In Tolbukhin: KT-1004, 722 kg; Alfa, 707 kg; and Igri, 705 kg. In Kapitanovtsi: KT-1009, 750 kg; KT-1003, 747 kg; F-219, 676 kg; and Alfa, 625 kg. In Karnobat: Alfa, 840 kg; KT-1009, 840 kg; and KT-108, 833 kg. In Lesnovo: KT-1008, 726 kg; KT-1006, 717 kg; KT-108, 690 kg; and Alfa, 592 kg.

The accelerated multiplication of the new strains must be controlled in order to achieve quick seed strain substitutions. This requires the following:

Only strains approved by the Strain Seeds Commission Plenum must be planted;

Strain production must be increased only in the strain support, testing and comprehensive experimental stations and institute bases under the personal supervision of scientific personnel;

The GIAS (respectively the okrug seed control inspectorates) must select the proper strains for accelerated multiplication work and accurately supervise the use of the strains in accordance with State Strains Commission zoning;

The selection collectives must allocated seed growers no less than 100 kg of super-elite seeding material after the acceptance and zoning of the new strains.

5003
CSO: 2200/3

PREMIER ENCAPSULATES ECONOMIC HISTORY, UNDERLINES REFORM, ROLE OF PLANNING

Budapest FIGYELO in Hungarian 23 Sep 82 p 3

[Article by Gyorgy Lazar: "Contemporary Requirements of Planning," excerpts from a speech by the chairman of the Council of Ministers given at a conference dealing with the modernization of economic planning]

[Text] On 1 August 1947, not long after cleaning up the ruins of war, our liberated people began to carry out the 3-year reconstruction plan of the country.

The tasks awaiting solution in the course of building the new society proved more complicated than we had thought. But despite every problem and difficulty we can say that there was never an epoch of Hungarian history which could show such profound changes and achievements, transforming society as a whole, as that which we have achieved in the 35 years of planned management since the liberation and especially in the last quarter century.

At the end of the 1940's, in a sharpened phase of the struggle waged for power, great forces appeared to discredit the ideal of the planned economy. The reconstruction plan, however, was supported by the great strength of the masses. This, and the example of the Soviet Union and the selfless aid it offered to the liberated countries including our homeland in the reinitiation of life, gave encouragement to all those who wanted a break with the past and the regeneration of society.

In those difficult times the plan became a symbol of the desire to act because, in opposition to the propounders of despair, it gave a prospect, designated a concrete goal and thus became a real organizing force.

The credit of the reality of the vistas deriving from the plan was strengthened when, in 1949 with the formation of CEMA, it became possible to build up equal and fruitful economic contacts with the Soviet Union and the other people's democratic countries. The possibilities were given to progress successfully in every area of social-economic life in laying the foundations of socialism.

This did not happen. For a time the initial successes hid the contradictions which had arisen due to the subjectivism reigning in the leadership, but they

increasingly confused development. The distortions in politics, the forced industrialization exceeding the material strength of the country, the disproportionate accumulation, the forced large scale reorganization of agriculture and the voluntarism of economic policy and planning became sources of serious social, political and economic tensions. Faith in politics was shaken and the crisis, which ended in counter-revolution, put in danger the worker power and the socialist achievements.

A scientifically well founded economic policy is an organic part of the policy of the reorganized party of the Communists, the Hungarian Socialist Workers' Party. The basic principles of this economic policy include the idea that the development of the economy must be based on the combined exploitation of the traditions and endowments of the country and of the possibilities of the international division of labor; goals had to be posted for the realization of which realistic conditions exist.

In the formulation of economic policy the party gave broad scope to the sciences, including the cultivators of economics and planning theory, and required and encouraged their cooperation in answering the questions arising in the course of socialist construction. Thanks to this, research work received a great impetus and creativity and a spirit of debate revived, as a result of which Hungarian economics science, the theory and practice of planning, can point to worthy successes arousing even international attention.

It is to the credit of our party that it recognized in time those qualitative changes which made it necessary to begin preparations for the intensive phase, and in light of this it put a reform of economic guidance on the agenda. The introduction of the new guidance system in 1968 was a step of strategic significance toward creating the economic conditions for growth based on efficiency, a further broadening of democracy and increasing personal interest in socialist construction. The reform renewed and raised to a qualitatively higher level in public thinking the judgment of the role of the economy and made it possible for the members of society to participate more directly in the development of national economic and local plans, and this in itself became a driving force which is an important component in the successes we have achieved in socialist construction.

As is well known, prior to 1945 Hungary was one of the most backward countries of Europe. Between the two world wars national income, starting from a low base, increased by no more than 1-2 percent as an annual average and accumulation did not exceed 5-6 percent. In the 35 years of the planned economy national income has increased more than six times, as compared to what it was before the liberation; our industry has become a many-sided modern large industry and its production has increased about 15 times. Our socialist agriculture has nearly doubled its production with half the labor force. Employment of the populace capable of working has become full and consumption by the populace has increased more than four times. Housing conditions have improved radically, social care has spread, the general and professional culture of our people have gone through great changes and the developmental level of the various parts of the country has become more even.

Our development cannot be isolated from the strongly unfolding international division of labor. Our homeland, as a founding member of CEMA, has built up profitable links with the member states.

We can deservedly say that the economic, technical and scientific cooperation being realized within the framework of CEMA, the sharing of experiences acquired in socialist construction and the close and many-sided economic contacts with our friends and especially with the Soviet Union--trade with the Soviet Union makes up one third of our foreign trade--represented and still represent for us a source of strength which plays an indispensable role in laying the foundations for our economic plans and at the same time improves our chances of expanding our economic contacts with other regions of the world on the basis of advantageous conditions.

This is of very great significance because, in addition to the exhausting of the extensive reserves for development, our great dependence on the international division of labor is the other cause in which are rooted the present problems of our economy. It is well known that the price changes on the world market, which took place virtually at one blow, represented for us a deterioration of nearly 20 percent in the terms of foreign trade, which meant, in the 1-2 years following 1973, an annual 5-6 percent loss in national income.

Virtually turning them inside out at that time, we used the advantages offered by the socialist social system and the possibilities hiding in planned management primarily to protect society and the productive sphere as much as possible from effects coming from outside and did not use them to aid the creation of conditions for adapting to the new relationships and encourage producers toward more rational management and qualitatively higher performance. It was clear to us that this was unavoidable. But because--even at this time--we had put increasing efficiency, modernization of the production structure and an increase in the ability to export in the center of our economic policy we felt that, with a few corrections, we could maintain the earlier rate and ratios of development.

The contradictions piling up because of the further deterioration of the world market situation, the still existing contradictions and weaknesses of our economy, and the slow accommodation to the changed requirements manifested themselves primarily in a swift growth, assuming large magnitudes, of the deficit in dollar accounting foreign trade. We had to admit that the earlier program for switching to the intensive phase--which was born in a different international situation promising more favorable prospects--could not be maintained. Nor did it prove a realistic supposition that we could raise efficiency so high as to counterbalance the effects of the world economy which were unfavorable for us, in a few years and without a more radical transformation of the price system and other elements of economic regulation.

After these antecedents came the December 1978 meeting of the Central Committee which placed a restoration of the balance and a preservation of the standard of living in the center of practical tasks and which served as a basis for working out the Sixth Five-Year Plan also.

Under the given conditions there was realistically no other possibility for giving priority to the balance requirements than a strong moderation of quantitative growth, a significant modification of the distribution ratios at the expense of accumulation and the introduction of economic measures better stimulating an improvement in efficiency. As a result, and even with increasingly tight market conditions due to the deepening crisis of the capitalist economy, dollar accounting foreign trade came essentially into balance in 1980-1981.

Since the beginning of last year, however, foreign economic conditions have become even more unfavorable than earlier, due to the further stagnation of capitalist economies, discriminative steps initiated on the part of the United States and a tightening of the money market. A situation has been created such that, in order to preserve our solvency, we must approach this year that active trade balance which we had prescribed originally for the end of the 5-year plan. This task, which in itself could have been fulfilled only at the price of extraordinary efforts, is made even more difficult for a few internal reasons in addition to the international factors already mentioned.

In 1981 and in the first half of this year, due to the weaknesses of price and wage regulation, more income flowed out than planned or than could be justified by performance and the growth in our foreign currency receipts ran into serious difficulties because the branches with great importance in capitalist export, branches struggling with marketing problems around the world, primarily ferrous metallurgy, the aluminum industry and the chemical industry, did not succeed in replacing products difficult to sell with more economical and more sought after goods. Contributing to this is the fact that since the majority of our socialist friends have problems similar to ours there is no possibility in the short run to bridge over our difficulties by a further expansion of cooperation with them. For these reasons it became unavoidable that we should increase interest in increasing export and take measures to avoid an increase above the plan in accumulation or in communal or popular consumption, to decrease supports burdening the budget, to limit temporarily the import that could be done without and to tighten domestic credit conditions.

These are forced steps which will cause perceptible difficulty for managing organizations and the populace, especially for certain strata. But we had to do this because we cannot undertake the unforeseeable consequences of either a possible insolvency or a disruption of the domestic market balance. Speaking of these questions I cannot refrain from saying even now that although we have averted the immediate danger it may become necessary in the future also to make decisions, pregnant with conflicts, as difficult as those of this year, in the interest of stabilizing our situation. In such cases we will carefully weigh the unfavorable effect of them on living conditions and will mitigate them in proportion to our possibilities.

Many ask, and not without reason, why we are producing the cover needed to improve the balance primarily in distribution, at the expense of accumulation and consumption, and not with a swifter growth of production. It is because

this is the most feasible way to improve the balance in the short run. Beyond a certain limit increasing production will contribute to improving the balance only if not only the increment but also a decisive proportion of the total social product reaches or at least approaches the degree of modernness and profitability characteristic of the economically developed countries. In the contrary case increasing production does not improve but rather--because of the swiftly increasing import needs--hurts the balance. In the final analysis, of course, we must create the conditions for stabilizing it and for future growth not in the distribution sphere but rather in the production sphere, with more thrifty management and more efficient production. This means switching to the intensive phase, which we began more than a decade ago, although we are still in the initial stage of the process. To accelerate this process will require the acceptance of a new system of values, not only in the economy but in every area of society, and it will require the carrying through of profound qualitative changes. The modernization of the system of economic guidance must be continued from these same ideas. And here, naturally, I am thinking not only of the price system, financial regulators, interest relationships, improving the conditions for innovation or organizational modernization increasing the democratism of decision making but also of a further development of economic planning.

Our history also proves that when the system of planning or execution ignored the changes in reality or did not take into account interest relationships correctly this always gave birth to disproportions, led to a decrease in performance and to social losses and finally provoked or deepened the balance problems.

When, as now, the balance of the economy is shaky and vulnerable the danger potentially exists that centralization will increase and the sphere of enterprise decisions will narrow. Disregarding exceptional cases this is not an unavoidable necessity. It is true that if there is a lasting balance deficit in the economy it is necessary to carry out substantial modifications in the tools of guidance and in the medium motivating enterprise decisions, in addition to providing economic policy priorities. But we can expect guidance to fulfill its function--especially in a complex economic situation--only if it is based on principles valid for the long term and yet open enough to select, starting from the concrete relationships, tools best suited to orient enterprise behavior in the correct direction. This is why there have been, from time to time, modifications in the tools of guidance, the purpose of which was to pass on the changes which had taken place in reality--even if, from the enterprise viewpoint, they had negative consequences they were in harmony with the basic principles of our guidance practice. In the final analysis they serve the interest of society. But in a situation similar to the present one there may be also a strengthening of an attitude which idealizes the advantages to be expected from a freer realization of market relationships in enterprise management. We cannot take either path. Reality is more complex. We cannot pose the question: Either the plan or the market, either centralized guidance or enterprise independence.

Even in the present economically difficult period, when the situation justifies the use of temporary, emergency solutions--we have no reason to be

silent about the fact that this is what happened and that it may happen in the future also--our chief aspiration continues to be continuation of the reform, an even fuller unfolding of enterprise independence together with an improvement in the efficiency of central guidance. When developing further our planning system also we must start from this basic position and from the fact that never, not for one minute, was there any doubt that economic planning was the chief foundation for the guidance of our socialist economy.

However noteworthy the progress may be, we must also further develop the system and methods of planning in order to better meet the requirements of the intensive developmental phase. Knowing the program of this conference, I am certain that the presentations and debates will enrich the theory and practice of our socialist planned economy with new achievements aiding the satisfaction of the higher requirements.

8984
CSO: 2500/2

LOOKING BEYOND CURRENT ECONOMIC STAGNATION VITAL

Budapest FIGYELO in Hungarian 26 Aug 82 p 3

[Article by Erno Csizmadia: "The Danger of Delay"]

[Text] Can we be satisfied with emphasizing that since 1978 we have been on the right path? In my experience, public opinion today already expects more than just this. Many people feel the need of a realistic appraisal of the situation. While we are talking more and more of the new growth path, we have not succeeded as yet in outlining the new paths of development, and the alternatives of action.

In the present situation, which can justifiably be called a worldwide depression, Hungarian economic policy has achieved noteworthy results. During the past year or two, we have been able to stem the worsening of economic equilibrium. Mostly by curbing import, encouraging and stimulating export, and by holding back investment and consumption, we have been able to improve our balance of trade. This proves that central management of the economy, if it uses prudently the available indirect and direct instruments of regulation, can master even difficult situations.

Despite the aforementioned successes, as the central issue of our time I regard the fact that economic equilibrium cannot be restored permanently with the economic instruments that the government has been using up to now, i.e., essentially by curbing investment and consumption. With curbs it is not possible to achieve the necessary momentum of competitiveness. And for that matter, neither by merely resetting the switches and moving the train to a new track. This slows the train down, rather than accelerating it. In such situations it is unavoidable that "the locomotive engineer apply more steam."

New Momentum, Sustained Equilibrium

However, the roots of a new momentum and sustained equilibrium can draw nourishment only from the enterprise sphere, from production. The government can operate only with what the enterprises and cooperatives produce. The big question, therefore, is whether we will succeed in switching to a new track industrial and farm production, the economic activity of the enterprises and cooperatives. This requires new developmental alternatives, the stimulation and upsurge of the economic units' entrepreneurial activity, and the improvement of competitiveness. But this does not depend on enterprise and cooperative managers alone. I am convinced that entrepreneurship and competitiveness can be stimulated through new developmental alternatives and a thorough reform of the economic mechanism, and of the system of regulation in particular.

We cannot wait until the end of this century with the elaboration of the new developmental alternatives. One shortcoming of our work to date is that we have become bogged down in the sphere of curbs, with the measures that are feasible and necessary in the sphere of distribution. Not as if such measures were unnecessary. Viewed from below, however, it seems that our economic policymakers are interested only in distribution and have completely lost sight of production. This probably is not true, yet the fact that enterprise experts, the economists employed in the microsphere, feel mostly the curbs and restrictions provides food for thought. And if this is so, then such restrictive measures must be the dominant also in practice. The impression has been growing lately that occasionally the central managing organs are playing nine-men's morris with the enterprises, without any clear and decisive idea or strategy regarding the future path, the new growth path, which they usually narrow down to slower rates of economic growth, respectively to the application of the "competitive price system."

A Typical Uncertainty

A typical uncertainty of the present situation is that in recent years, and except for broad generalities (for example, "product change," "selective development of production," etc.), we have been unable to say practically anything about the specific possibilities for the development of industry, agriculture and the infrastructure, about their developmental directions and alternatives. Central management of the economy seems to consist only of price and financial measures; production policy and technical development seem to have been relegated to the background in practical actions, even though our comptetitors are exerting considerable effort in these fields. Perhaps the development of agriculture can be regarded as the most definite and established. Practically at the very last minute, central decisions have been adopted regarding the development of electronics, the pharmaceutical and the aluminum industries. But it is to be feared that by the time we are able to implement these decisions, we will have missed the boat, especially if we continue to take away with one hand from what we are giving with the other. For example, we have increased only very moderately the allocation for credits to expand the output of products that can be exported for convertible foreign exchange, although this method has proven suitable in practice and its scope could be broadened considerably.

Economic management can best serve development if it relies on the human factor's moral and financial appreciation, and simultaneously on raising its cultural level and level of training, because this is the investment that can be made at the lowest cost. Agriculture provides tangible proof of this. Within a historically insignificant period of time we have been able to liquidate in agriculture the peasantry's backwardness, and to create a suitable foundation for the technical development and growth of farm production. Naturally, an inseparable part of this is the construction that systematically raises the workers' cultural level and training, employs varied forms of enterprise democracy and cooperative self-management, thereby aiding the development and functioning of an efficient management team, treating manpower with human dignity, and not curbing but encouraging initiative or, to use the more common current expression, entrepreneurial willingness. This of course also means that manpower must be supplied modern equipment, and that technical development must be governed by considerations of economic effectiveness, excluding the one-sided considerations of prestige in acquiring new equipment.

Economic Regulation

In economic regulation, in developing the enterprises' independence and economic incentives, we have made considerable progress since 1968 (although with some backsliding), including also the changes introduced in 1980. And yet I concur with those who adopt a standpoint of sensible radicalism and propose further profound changes. The essence of these changes is that it is not absolutely essential for the central organs to make the decisions in matters that pertain to the enterprises, the decisions that can be made realistically at the place of production and marketing. Thus if in 1968 we dared to abandon the breakdown of the plan, in the same manner we now should dare to abandon (if not all at once, at least gradually), the "breakdown of the regulators", i.e., the method of breakdown employed in the indirect management of the economy. At present, overregulation of the formation and use of enterprise income, and within it particularly of wage payments, leaves very little room for enterprise independence, initiative and entrepreneurial willingness.

Present financial regulation excessively simulates economic management through plan breakdown and strives to "catch" income at its source, before it is realized. It is high time to change this, naturally on the basis of the principle that regulation must closely link enterprise and individual incentive to the economic result, to economical commodity production, and must differentiate in accorance with the result. It must not withdraw income ahead of time, because doing so kills incentive.

Thus economic management should not interfere so directly in the formation and use of enterprise and personal incomes, because then there is not much left to centralize. The present one-sidedly price-centric regulation, respectively the rigid taxation of income should be changed because it diminishes differentiated incentive and entrepreneurial willingness. This of course would require abandoning the one-sided curtailment of purchasing power and the base-period approach to income regulation, making such regulation energy-centered. Measures to impose additional taxes, which reflect indecision and impatience and often are retroactive, should likewise be abandoned. In their place a clear tax system should be employed that would definitely raise more central revenue, but could serve as a reliable basis for the formulation of enterprise and personal strategies.

New Growth Path

If we truly wish to continue along the new growth path, then it is essential to realistically assess our situation, to evaluate the possibilities--taking also the possible maneuvering of our competitors into account--and to elaborate our developmental alternatives. Economic management and regulation should then be based on the concept formulated in this manner, taking care to be consistent and to employ the right mix of incentive and compulsion.

The big question, of course, is where will we get the resources for all this. It is something all of us must accept, even at the cost of the living standard's temporary stagnation. I believe that public opinion, trusting economic management, finds this acceptable and is even willing to help. But for this we need a clear program, for the restrictions as well as the development. Naturally, this involves a certain amount of risk. But many of us believe that the greatest risk would be to delay taking action.

1014
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PRICE HIKES, ECONOMIC POLICY EXPLAINED TO UNION MEMBERS

Budapest NEPSZAVA in Hungarian 18 Sep 62 p 3

[Article: "Deliberately and With Responsibility"]

[Text] Price changes and increases have become a recurring and permanent phenomenon in our country. Their causes are well known. The 12th MSZMP Congress and the 24th Congress of Trade Unions analyzed the situation of our country and economy, and outlined our economy's development possibilities in the first half of the 1980's and the foreseeable development of the living standard, prices and wages.

It is common knowledge that life is becoming more expensive everywhere in the world. In France, the United Kingdom and the Federal Republic of Germany, which economically are far more developed than our country, workers and employees have to cope with large-scale and increasing unemployment, high rates of inflation and rising food prices, and year by year they are finding it more difficult to make ends meet. Also our trade-union members are aware that consumer prices are rising.

Regardless of how realistic and acceptable the reasons, price increases are always painful. While a significant proportion of the workers accept the higher prices with sober understanding, they see in them an obstacle to their efforts to maintain their living standard, and therefore they question the price measures that affect them personally and their immediate environment. This uneasiness stems from the fact that during the past 25 years we became accustomed to more even development, to the fact that our problems were of a different nature.

What do the trade unions think of the price increases? This is a recurring question among our membership. Since 1956, on the basis of the trade unions' status and role within society, the MSZMP and the government take into account, on all basic issues, the opinion and experience of the trade unions. Naturally, this applies also to the development of prices.

The trade unions understand and accept the fact that price increases are unavoidable. They are kept informed, regularly and in due time, about contemplated price increases and the development of the economic processes. Their relations with the state organs are so close that negotiations between the apparatuses of the trade unions and state organs start as soon as an idea is advanced. This is something natural in a socialist society. The foreseeable impact of the price increases--how they will affect the various strata and groups--is discussed jointly.

But while the trade unions support the state organs' realistic plans based on facts, they also examine the proposals critically, in terms of their proportion, mode and rate. They investigate whether there is some other alternative to raising prices. And if raising prices is inevitable, how will it affect the individual families and strata. Thus, the preparations for price increases are not uncontested. Such analysis of the state organs' concepts and plans is necessary and feasible.

The trade unions support the construction of socialism. But from this it does not necessarily follow that they see eye to eye with the state organs on the mode of solving every detailed question. Therefore the trade unions, true to their mission, not only support the plans and proposals, but also criticize them when necessary. We are convinced that this is the right way for the trade unions to behave. If in the course of building socialism the trade unions have a different opinion on some partial question that affects a given enterprise or has a broader impact, then it is also right for them to say so, to debate the issue with the government organs concerned, which will then decide what is to be done in the end.

Expression of Opinion

At the 24th Congress of Trade Unions it was also noted that the trade unions have always reacted to price increases in the same way as the devil to holy water. From the very first moment of their existence, they have always fought for a proper ratio of prices to wages. Under socialist conditions, however, the trade unions too are responsible for the realization of society's objectives, for progress in building socialism; they accept and identify with both. Thus they accept responsibility also for price increases in accordance with the dual mission of the trade unions.

On the one hand, the trade unions support the growth of our economic potential and encourage efficient and disciplined work of good quality, so that the increased economic potential may provide more for distribution in the future than at present. But the other side of their responsibility is no less significant. The trade unions represent and defend the interests of their members, of the workers. They help to ensure that the unfavorable impact on wage earners is kept to a minimum when price increases are unavoidable. This of course is both the duty and the goal of the trade unions. Whenever prices are being increased, the trade unions must consider their dual mission before adopting a standpoint. And this is what happened also in the case of the recent price increases.

In conjunction with the price increases, of course, the trade unions must perform their dual task very deliberately and with a sense of responsibility. But what guarantees that they will do so? The fact that they maintain lively everyday contact with the masses numbering in the millions. The experience that the hundreds and thousands of trade-union officials gain daily among the masses enables the movement to correctly and realistically perceive the situation of the masses and of individuals. When the trade unions lend their support to something, or specifically when they express their reservations, they are able to safely rely on their knowledge of the situation.

The trade unions do not make their views public on every price increase. This is due to the fact that in our country annual national economic plans are adopted

regularly, and these already include the rates of the price and wage increases. In accordance with their social role, the trade unions participate in elaborating and debating the annual plans, and in the debate they naturally express also their standpoints regarding the price and wage increases. This is the manner in which decisions were reached also this year regarding wage increases for certain workers in the printing and mining industries.

The trade unions' acceptance of the national economic plan also means their concurrence with the rates of the price and wage increases as well. During the implementation of the plan the task of the trade unions is also to debate with the state organs the proposals for price increases, so that prices and wages may be in accord with the economy's performance if possible.

In 1982 this situation changed, because by early August it became necessary to raise prices in excess of the plan, to offset the generation of unplanned incomes. The state organs debated in due time also this measure with the trade unions. The trade unions took cognizance of the need to raise prices in excess of the plan, to maintain purchasing power and market allocations in equilibrium and to expand export, because external economic conditions and especially the conditions of financing became less favorable for Hungary than had been expected. We cannot dispense with import also in the future, not even from the non-ruble-denominated markets (although much more emphasis will be placed than previously on the factors of economization in the use of such import), although export to these markets will have to be accelerated. In view of the tense external economic situation, it was thus unavoidable to reduce domestic spending by means of price measures that will have a greater impact on the population's purchasing power than what was planned originally.

In accordance with their dual responsibility, the trade unions are not and cannot be opposed to every price increase, because this would conflict with the measures that the real situation requires. Therefore they concurred with specific rates of price increase already at the time of drafting the annual national economic plan. And this is why they are agreeing to the proposed and unavoidable price increases. But at the same time they deem it necessary that the state organs' proposals to raise prices be carefully thought out, and that efforts be made to provide as much relief as possible wherever the impact of a price increase on a given stratum or family is the most painful or perhaps unbearable. Such behavior stems from the trade unions' task of representing and protecting the interests of their members.

To Deliberate and Differentiate

Trade-union members will certainly understand that when the trade unions agree to price increases, they do so under the compulsion of the economic situation. But at the same time also the state and economic organs must understand that the trade unions' proposed modifications or opposition, and their comments intended to soften the negative impact of the price increases likewise serve the interests of society.

This is a complicated task that involves great responsibility. Therefore it is also necessary to better acquaint the public with the economic processes and the factors that influence our prices. Today even the average person is familiar with economic concepts and demands a meaningful explanation. If detailed

and complete justification is lacking, the average person will not understand the underlying reasons of the price measures. He will not identify with them because he does not understand their objective motives.

The trade unions' managing organs bear a great responsibility. They are aware that both the trade-union members and the state organs are in a difficult situation; and they know that, by intensifying their efforts to aid the economy, they are actually helping to prevent price increases. This is why they are aiding and urging economical production, more ample and better material supply, innovations, labor discipline, and greater responsibility for the work performed. But they also realize that at present it is not possible to give the workers more commensurately with their increased output, because the additional output is necessary to maintain the living standard! Under such circumstances the trade unions feel responsible also for acquainting the membership with the realistic possibilities of our economic situation. By making our difficulties and problems known and better understood, we are spreading among our members the realization that only better, more efficient and more conscientious work can help in these difficult times.

The trade-union movement shares in the responsibility to society for the future, but it is also responsible to the workers for the present. This two-sided responsibility is inseparable. The trade union must have an independent opinion not only on general policy, but on detailed questions as well. The trade-union locals also must have an idea of how to fulfill the tasks and alleviate or end the problems. From its material resources society is unable to give equally to everyone. This is why the local organizations must be able to devote closer attention to their individual members. They must find the ones who really need help. This is realistic, and this is why emphasis is being placed on aiding individuals. The trade unions want to do nothing less than to aid their members' work and life, and to alleviate the problems that make their work more difficult.

There is greater need now than before of the trade-union committees' assitance to ensure that shop stewards are more accessible and more sensitive to problems. Shop stewards must devote more attention to discovering personal problems and must provide initiative for resolving them. Everybody cannot receive or expect equal material recognition and equal assistance. If the person requesting assistance does his work well, the trade-union organ may propose assistance by improving his earnings and his related wage form. If the person requesting assistance is not outstanding in his work and is unable to increase his own performance, but assistance is still of vital importance to him, we should propose welfare assistance.

The essential thing is that the trade union must seek what it can do to promote the better, the more and the new, and at the same time it must find and aid in a differentiated manner those who are in need of assistance and worthy of it.

Better Work the Key to the Solution

The trade unions are doing much for whatever affects the living standard and influences favorably the situation of the workers and their families. They are helping to create a good atmosphere at the workplace, and to generate mutual respect and responsibility among the workers. They are aiding the acceptance and realization of the principle that everyone must do his work honestly

and well. The trade unions are conducting extensive propaganda work among their members to make them realize that maintenance of the living standard is everyone's personal responsibility, regardless of position or trade. Both trade-union officials and ordinary members must aid the economy's renewal through their meaningful work, which requires first of all honest effort of everyone. For them this activity represents the defense of our principles and of our proven political practice, based on the experience of the past 25 years.

The SZOT [National Council of Trade Unions] Presidium has been informed of the planned measures that are being introduced already this year--and mostly next year--in the interest of developing our economy, and which hopefully will prove effective in the development of our economic activity and production.

It is not a consolation but a fact that our economy remains viable. Not only has it been able to stand its ground, but it is characterized by progress in practically every area of socialism's construction.

On the basis of our results and better work, our country and nation will prosper.

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## INCOME, CONSUMPTION, STANDARD OF LIVING VIEWED

Budapest FIGYELO in Hungarian 16 Sep 82 p 2

[Article by Dr Gyorgy Radnai: "Population Income and the Infrastructure"; passages enclosed in slantlines in italics]

[Text] One of the fundamental goals of the past decade's economic management practices was the creation of the best possible harmony between nominal and real processes. The socio-economic differentiating factor, the law of value, was realized through moving yet limited price fluctuations. The general aspiration is that prices develop according to the requirements of economic policy while population income and purchasing power regulations be based on the requirements of social policy.

A price policy better aligned to the regularities of supply and demand, even in view of its social effects, was achieved in the face of diminishing price supports. The relationship between consumers and producers became clearer and more unambiguous; the producer is becoming more interested in accommodating to consumer demands, which, in any case, leads to an improvement in the standard of living of the population and to more demanding and sophisticated changes in their consumption habits.

The more effective synchronization of market demands, the availability of a greater variety of necessities and higher quality services collectively serve to render recently grown /price level increases/ acceptable. Significant social problems were not caused by the fact that while price increases during the entire decade of the 1960's were rather low, price levels reached yearly increases of 5 percent in the past few years.

The /different components of real income/ grew at significantly diverging rates: social benefits were greater, while income from employment was less. As a result, income ratios derived from employment fell from 80.4 percent in 1960 to 66.9 percent in 1980; however, during this same time period, social benefits grew from 18.4 percent to 32.1 percent. Financial benefits were the most dynamic of all social benefits; their value, computed at a constant rate, grew by a yearly average of 8.9 percent over a twenty-year period.

The establishment of a more refined lifestyle and more civilized surroundings forms the basis of the maintenance and continued improvement of the attained standard of living. It has become clear that in the face of the presently attained level of goods supply, the population's demands and requirements are

shifting toward the higher quality elements of the necessary commodities scale. The solutions to housing, transportation and urbanization problems have increasingly come to the forefront and are becoming central social issues. It will also become apparent to the population that in order to fulfill these needs, the state and citizenry have tasks in common.

## The Housing Problem

The past decades were characterized by the development of the infrastructure, that is, its institutional network and supply capability /grew continuously/.

We effected a differentiated development policy. We consider the improvement of the /housing supply/ as a priority task, principally by increasing its quantity together with its quality and the development of public utilities. Mass housing construction began in 1969 with the acceptance of the 15-year housing development plan. The number of completed housing units has grown significantly with every 5-year plan cycle. Between 1961 and 1965, 5.6 units were built per 1,000 tenants. This value increased to 6.4, 8.4 and 8.5 during the following 5-year plans.

Such economic policy conditions have developed and continue to develop that increase the interest of the population in the solution of the housing question and that promote the lessening of tensions between supply and demand. This already has perceptible results: between 1970 and 1980, approximately 900,000 housing units were built; the total area of housing units grew by 31 percent. In 1980 there were only 150 persons per 100 rooms as opposed to 200 persons in 1970, and the ratio of housing units with amenities doubled. In 1980, one out of four housing units consisted of three or more rooms while in 1970, only one out of ten did.

Despite the results, as a consequence of the partial continuance of central distribution shortages, social tensions have not completely disappeared; thus, with a more consistent application of the principle of economic reform, /housing management/ must also be further developed. The relationship between true value and cost must be better defined with regard to bearing the burden of the costs of acquiring and maintaining an apartment, the interest of the population in building private housing must be intensified and financial resouces must be mobilized. This makes it possible to maintain the pace of housing construction in the European forefront and to significantly lessen the tensions between demands and opportunities for satisfaction.

Other important causes, the developments which enrich the infrastructure (elementary schools, nurseries, construction of day care centers, expansion of services, etc.), could be enumerated, but though they were and will continue to be rather significant, the crucial "link" was and remains the housing problem.

## The Proportion of Low Income Is Decreasing

Concurrent with the general increase in the real income of the population, the number of people with higher incomes grew and, in conjunction with this, the number of people with low incomes declined. Appreciable equalization also ensued within personal incomes derived from employment. According to the statistical analysis prepared for the year 1962, the monthly per capita income

was at least 1,000 forints for more than half the population. 34.6 percent had an income between 1,000 and 1,600 forints, and stemming from this, only 14 percent of the total population had a personal per capita income above 1,600 forints. The contemporary situation is well characterized by the fact that only 0.9 percent of the population commanded a monthly per capita income over 2,800 forints.

Grouping the population according to monthly per capita incomes, it could be well appreciated that the proportion of those with relatively low incomes declined significantly, especially in the 1970's. In 1972, 40.9 percent of the total population had a monthly per capita income of less than 1,600 forints; in 1977 it was already only 20.3 percent. The middle ground, the group whose per capita income is between 2,200 and 3,600 forints, became more numerous. The proportion of those at the beginning of the 1970's was approximately one-quater of the population, while in 1977 it already constituted more than 40 percent. In addition, the proportion of those in the highest income levels also increased further, doubling in 5 years.

All these processes (variety and commodities expansion, limitation of forced savings, "disposability" of income, satisfaction of needs in a shorter period of time) are consequences of the planning system in as much as it is not compulsory /realized growth/ which was attained and the /emphasis was not on standardization but more on /the satisfaction of a differentiated necessities scale/ in consumption.

But /equilibrating mechanisms/ were also in force in situations where /they were unnecessary/ according to our plans (e.g., income derived from employment). Not until the requisites that earned income be spendable and that the supply be satisfactory to the demands of those capable of paying were more or less fulfilled did the well-being derived from work and the differentiations based on accomplished work become an organic part of everyday life. In certain situations, the surplus work performed in the state economy can only produce income at the price of the surplus work performed in the second economy.

Despite the political requirements and the significant expenses turned toward them, the equalizing mechanisms are /not/ appropriately /effective/ in the /socio-political/ sphere. Despite the increase in the proportion of social benefits (which are fundamentally related to the growth in the number of pensioners and the expansion of certain socio-political entitlement), the institutional system of the state was unable to completely satisfy socio-political demands. The lack of unified socio-political concepts, the alignment of social politics to economic policy and occasionally, the disharmony between the "announced" and "accepted" principles mirror the problems. The aspiration that "everyone should pay for what they utilize" and the redistributive social policy of the state should resolve (ameliorate) social inequalities; moreover, these should be supplemented by the satisfaction of basic health, educational and social needs of the population which are their due as citizens, until they function smoothly.

These three interconnected and complementary elements of income distribution policy are still at times in disharmony in income regulation policy; suitable practices for price and wage grants and tax distribution systems have not yet been developed.

Organizational Models

The reform of economic management raised the question of what organizational models, socio-economic activities and processes are suitable for the given level of the productive forces. The unilateral centralization discernible at one time had to be replaced by a decentralized organizational system expressing the variety of economic and organizational units and the merging and interdependence of small, medium and large enterprises. The socialist transformation of agriculture provided experiences of salient importance which proved that even among socialist relations of production there exist the possibility, necessity and justification for different types and sizes of organizations. Our efforts to diversify the organizational units were strengthened by the experiences gained from the international division of labor; our competitiveness also depends on a more flexible organizational system! For this reason, alongside socialist large-scale industrial organizations, smaller organizations have developed which were synchronized to the large-scale organizations and accommodated to their needs.

Hungarian economic management endeavored and continues to strive for the resolution of these problems and tensions with the dissolution of monopolies, the creation and strengthening of /competitive circumstances/, and, in general, the legalization of work done outside the state sector (with its control and financial-tax supervision). The functions of the small enterprises supplement the activities of the state enterprises and cooperatives and make possible the more effective and harmonious fulfillment of marketing requirements. The facts that in Hungary there are no food supply problems, there is a high level of meat, milk and vegetable consumption, product shortages and services are limited, and the adaptability of supplies is improving are not the least due to the small enterprises whose surplus activities are stimulated by surplus income.

The goal of economic management is to /insure maximum economic momentum/. In the interest of this, socio-economic management deals with the development of specific economic inequalities; social policy moderates them from becoming social inequalities. This, the conditions for the integration of economic management into social management are in the process of emerging. This integration must be borne even if the system develops in such a way that it could contradict economic management and economic policy, in specific instances. The direct goal of economic management is not the suppression of conflicts (this is the goal of social management and politics), but exactly the opposite: to enable the emergence of, to make it evident that "someone" (group or stratum) always rises through his well-deserved work and as a result, there is an increase in income differences. Without a doubt, the exposure and surfacing of contradiction is a daily task. However, this is the only method of ascertaining the tensions /in time/, and to take the necessary and from a social viewpoint, the justified measures.

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## MARKET FORCES STILL INSUFFICIENT IN DOMESTIC INDUSTRY

Budapest HETI VILAGGAZDASAG in Hungarian 28 Aug 82 pp 26, 27

[Article by Agnes G. Barta: "Domestic Cooperation. A Tiger-Loop"]

[Text] Cooperation among our domestic enterprises is a game of cat and mouse. Our smaller enterprises are anxious to get into favor with so-called sole manufacturers occupying positions of monopoly, so that they can make punctual deliveries of suitable quality products to their customers. In the meantime the game of tag between the big and the small is turning into an increasingly "bloody" struggle.

"Hungarian industry is capable of producing products that are competitive even on the foreign markets but it has to compete on unequal terms: while the Western firms prepare at the start in their swimsuits, we show up wearing winter coats." This observation comes from Attila Koszovacz, chief production engineer at the Electrical Equipment and Appliance Works (VBKM) plant. The winter coat comparison is supposed to be a characterization of our industry's cooperative relationships. He gives an example to prove his point.

"We are producing high-voltage circuit breakers on a license from the Belgian EIB firm. These require a certain type of high-density aluminum alloy, which must be cast in a highly refined form and be heat-treated according to a precise technology. Since we were unable to find a bigger contractor, until recently we had the Qualital firm of Apc produce the alloy for us. Now, even though it operates under--to put it mildly--less than perfect technological conditions, the contract for production has been assumed by a cooperative from Hajdusamson. We were forced to accept the offer because we could not stop production of the circuit breakers. Recently we got to the point where of the 1,300 pieces of the two types of aluminum alloys produced during the year, not one was of proper quality; in other words, we were unable to use them. So we have looked around for someone to cooperate with on the domestic market. Large-scale enterprises were out of the question because the small quantity and precise technology scared them away. Therefore we have been forced to import. Now we are negotiating with the Alumina Factory of Ajka and it looks like they will be willing to cooperate with us if we agree to provide some money to help establish the necessary conditions for production."

Although sole manufacturers were eliminated nearly 10 years ago, according to our enterprise and industrial leaders nothing has changed in practice. Our large-scale enterprises are in the same monopoly position; the basic materials and parts necessary for cooperation are still produced by only a few firms, which means that user demand is always greater than what the large-scale enterprises can deliver. In other words in industry, just as in domestic trade, supply is seldom adjusted to user demand; the customer must run around and beg. Consequently the sole manufacturer can choose and produce the easiest-to-make and the least expertise-demanding products. Behind this rationale is the fact that we have few good experts and professional standards are declining.

Our enterprises are anxious to drum up as many export orders and Western cooperation for themselves as they possibly can. They are using all their available capacities to satisfy their own export needs and, despite contracts and promises, only belatedly, if at all, deliver to their Hungarian partners. The chief production engineer of VBKM also told us that most of the tools that they use to produce their end product usually take three years to certify. "And this is if we are lucky, because with many firms we never even get to the point of signing a contract. They do not even acknowledge our application. Since we must have some kind of a production method , we have been forced to prepare a production plan based on the principle of progressive programming, which is constantly monitored; in case production must stop for lack of parts because of our production partner, we put the product into our semifinished goods warehouse and wait." To the question of whether they have tried to calculate the losses thus caused for the enterprise, the chief engineer just waved in disgust, saying that figuring how many millions late and poor-quality deliveries are costing us will not help us get ahead. All we can do is sue but this would not get production moving. This is how technical managers turn into acrobats, because of the tiger-loops we are constantly being forced to perform. We cannot send our workers home just because we have no parts, yet the enterprises are expected to produce profitably.

Lorant Szendroi, trade director of the Hungarian Aluminum Industry Trust, took a theoretical approach in addressing the question of domestic cooperation among Hungarian enterprises. According to him, until recently, when the Ministry of Industry was established, product development was the prerogative of the various ministries; the enterprises merely implemented their decisions. We had a planned distribution-based economic system in which our large-scale enterprises did not deal with one another; instead, they were carrying out the directives of the Planning Office. As a result, we were forced to shift to a so-called stopgap market economy, in which the customer was despised and only palm-greasers and people with personal connections were taken seriously. In the meantime we neglected to develop our infrastructure and there were only sporadic campaigns aimed at solving the situation in stockpiling and material handling. One reason why finding binding materials and bolts in Hungary was such a problem was because everybody was end-product oriented. Our enterprises wanted to put as many products on the market as they could, which often led to the production of unprofitable and obsolete products.

Today only our large- and medium-scale factories are able to make punctual deliveries of reliable quality products to both their domestic and foreign customers, because they are prepared to produce all the parts and elements required for their products.

We also need changes in pricing and taxation if we want cooperation to be a truly useful form of collaboration instead of a source of irritation and losses. As Attila Koszovacz put it, "our economy is cumulative production value-oriented; in other words, the enterprises cooperating in producing the end product are interested only in increasing their own profit, which means that the price of the end product is disproportionately high and the buyer must pay for it." According to Lorant Szendroi, in order to change this, domestic prices would have to have the same effect on the producers as foreign markets do. For whatever reason, if the enterprise is unable to produce a competitive product, it can shut its doors. Similarly, only market necessity can force our domestic enterprises to engage in quality cooperation.

9379
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## DOMESTIC INTEREST RATE POLICY EXPLAINED

Budapest NEPSZABADSAG in Hungarian 29 Sep 82 p 10

[Article by Dr Andor Gellert, main department chief of the Central European International Bank Corporation: "International and Domestic Interest Rates"]

[Excerpts] Hardly a day goes by without the press, radio or television discussing international financial questions. The prolonged depression has caused high unemployment in the capitalist real economy and increased the inventories of unsold goods; consequently plants are operating at 50 percent or less of capacity. On the other hand, the financial situation is likewise not so rosy: a number of countries are on the brink of bankruptcy and are forced to request a rescheduling of their debts. Most recently Mexico requested rescheduling, and the deep concern this has caused in banking circles has still not ceased. The effect of this difficult world-market situation does not stop at national or social-system boundaries: it is hampering the economic growth of also the socialist countries.

### An Instrument of Economic Policy

High interest rates afflict the developing countries even more. Just imagine: Brazil's foreign debt exceeds 60 billion dollars. When the dollar's interest rate is 20 percent a year, Brazil must pay 12 billion dollars a year only in interest, about one-half of its export earnings.

Persons not working in international credit transactions or in import and export are usually accustomed to loans at fixed interest rates (as depositors, or as cash-loan or commodity-credit borrowers). On international money markets, however, interest rates now change very frequently. Since the beginning of the 1970's the world has had to become acquainted not only with creeping foreign-exchange rates, but also with floating interest rates.

These are the general interest conditions on nonsocialist money markets, even for intermediate or long-term loans. Except for the interest payable in the first 3 or 6 months, the borrower actually does not know how much the loan will cost him in the end. He can only draw uncertain conclusions from the rising or declining trends of the interest rates.

### Domestic Conditions

Even now the socialist planned economy is based on fixed interest rates. For the enterprises the Hungarian National Bank provides state (development) loans, short-, intermediate- and long-term investment credit, and circulating-capital

credit under the conditions specified in the government's credit-policy directives. The government sets the interest rates for such credits in accordance with its economic-policy objectives, and the president of the Hungarian National Bank publishes these interest rates in the official gazette. Since the interest rates payable by enterprises will be raised 2 percentage points as of 1 October 1982, the highest domestic interest rate will be 15 percent a year; and the lowest, 10.25 percent. (In the case of credits for the expansion of export, the Hungarian National Bank refunds a substantial proportion of the interest payments.)

Admittedly, the internationally rising costs of money are compelling the government to raise interest rates from time to time. But the interest rates are still fixed rates, and not variable or floating rates, because the Hungarian National Bank does not change the interest rates daily. But the fact remains that when interest rates change, as they will now change effective 1 October, the higher interest rates apply also to the unpaid balance of loans contracted earlier.

Thus up to now the interest rates on the money markets have not cascaded into the Hungarian economy directly and immediately, but the permanently high level of these interest rates obviously forced upward the Hungarian National Bank's interest rates, because Hungary too has borrowed from Western banks. Experts are now debating whether the domestic interest rates should be adjusted more frequently to the international money-market rates in the future, and whether to establish a system of interest rates geared to the foreign interest rates, in the same way as our price system is geared to the world-market prices. A certain justification of this proposal is perhaps conveyed also by this article.

Today the Hungarian economic organs encounter floating and variable interest rates only on their convertible-currency investment credits from the Central European International Bank Corporation for the expansion of export capacity, and on their circulating-capital credits in convertible currency against on-board bills of lading in the case of exports. Such credit operations are not too frequent, and their significance lies primarily in that they enable many external economic experts to become familiar with the new techniques of money-market interest rates and become accustomed to work with constantly varying financial conditions in international trade, in the same way as their foreign competitors are doing.

What the Future Will Bring

So long as the leading capitalist countries--and the United States in particular--are unable to permanently reduce their rates of inflation, we cannot expect a permanent decline of interest rates. And until interest rates decline, parallel with an improvement of many other factors, there can be no end to the recession in the capitalist world. The high interest rates--i.e., "expensive" money--have driven many prominent international corporations, and many less known companies as well, to the edge of bankruptcy or into bankruptcy proper. These are difficult questions of the world economy's present situation.

We cannot be merely passive onlookers while all this happens. In the final outcome only a halt to the growth of our foreign indebtedness, and then its reduction and the restoration of equilibrium can protect us from the present high money-market interest rates that unquestionably demand sacrifices. In practical external economic work it is essential to become acquainted with the nature and techniques of such interest rates, because a better understanding of our competitors' conditions enables us to streamline our offers and to strengthen our marketing position.

1014
CSO: 2500/4

## BUSINESS OPERATION BY CONTRACT GAINS GROUND

Budapest FIGYELO in Hungarian 23 Sep 82 p 9

[Article by Dr Erno Herner: "Contractual Operation Is Good Business"]

[Excerpts] The regulations concerning introduction of the new forms of operating commercial businesses were issued 2 years ago, and the first businesses operated under contract were opened a year and a half ago. The changeover is proceeding as planned.

The number of businesses operated under contract as of 30 June 1982 was 7.5 percent of the total number of retail units. Within this, every fourth restaurant, diner, sweet shop, and espresso shop is operated under contract.

The rate of changing over to contractual operation has gradually accelerated. In each quarter of the last year and a half 50 to 80 percent more stores were transferred to the enterpreneurs than in the previous quarter. This July, this operating format was introduced in an additional approximately 500 stores, and during the months of July and August the commercial enterprises and cooperatives were looking for enterpreneurs to take over an additional 1,500 stores.

This year the changeover accelerated also at the AFESZ's [General Consumer and Marketing Cooperatives] and at other cooperative economic operating organs. In the first half of the year, 877 cooperative stores began to operate under contract, more than in the entire previous year. In cooperative trade the balance is better between contractually operated retail stores and eating establishments. Half of the stores operating under the new format, and 28 percent of the catering units belonged to cooperatives at the end of the first half year.

The gradual changeover is justified by the time the enterprises need to make the necessary preparations, technical implementation of the change of hands, and gradual awakening of the enterprising desire.

There is no change in that most transferred stores are catering units. Total sales of these reached 18 percent of the total restaurant income in the first half of the year, even though they employed only 10 percent of all employees of all restaurants.

The paid-in profits of contractually operated restaurants is very favorable. According to the 1982 midyear report's data the profit of contractually operated units is 500 million forints. This is the same as the profit of the traditionally operated stores which employ 90 percent of the employees. The operating profit of contractually operated stores is 16.6 percent of the net sales, while the same index for traditionally operated stores is only 2.7 percent. (In filling out the report forms--for example in the accounting of renewals of transferred stores--the economic operating organs did not use a standardized procedure. But this distortion does not basically change the profit ratios.)

Increasing Enterprising Spirit

The catering enterprises, supervised by the capital city council and megye councils--where open-cashier operation must be terminated by the end of this year--have already transferred most of their units to contract store managers. In this "sector" the reported sales of contractually operated stores exceeds one-third of total sales. And at the Hajdu and Bekes megye catering enterprises more than half of the sales income is derived from contract stores.

The changeover is slower in retail store sales. Even though the 1,063 contractual stores are not to be belittled, this is only one-sixth of the total number of stores planned for transfer between 1982 and 1985.

Enterprising desire has increased in recent months. A higher ratio of the advertised stores is being transferred.

Eighty percent of the contract stores are grocery stores. Most applications were for takeover of general grocery stores, fruit and vegetable stores, and butcher stores. Very few people volunteered to operate grocery stores on contract in the capital city--primarily because of the manpower shortage and the unfavorable situation of the stores.

The number of contract stores selling industrial goods is also small. At the end of the first half year there were 61 clothing stores and a total of 181 chemicals, hardware, technical, cultural goods, tobacco, gift, and other industrial goods stores operating under contract in the country.

In retail grocery trade more stores were not transferred due to the lack of applicants, while the enterprises maintaining the industrial goods stores did not even announce a larger number of units available for contractual operation. The prime reason for this is--and this in part also applies to the grocery retail enterprises--that the small units under consideration have no significant role either in sales volume or in profits, the large stores are definitive in all respects. They can "tolerate" the low results of the small stores. Presumably it is also related to this that at a number of AFESZ's--which can not "exist" without small stores--more work is being done to popularize the contractual format.

Lack of knowledge of the people in retailing about the essence and operating mechanism of the new format continues to be a problem. Many economic operating organizations do not make the proper effort to thoroughly prepare, educate, and train the potential contractual store managers.

And education and information about the operation of contract stores, and about the essence and conditions of the undertaking are indispensible.

Faster spreading of contractual operation is hindered by the fact that the managers and fellow employees of certain enterprises and economic and social organs do not adequately support it. It even happens on rare occasions--and this also reflects the lack of understanding--, that some people try to blame the existing supply and retailing problems on the new operating formats.

It is noteworthy that among the stores with larger sales and significant inventories relatively few are being operated under the contract system. At the beginning of this year the average number of employees in contract stores was 1.3. I do not have the 30 June data available, but according to various sources of information there is no significant change in this. One of the reasons for this is that the economic operating organs have so far been announcing mainly one and two person stores.

At the same time, it is also a fact that often there were no applicants for the larger stores offered. Many people were afraid of the risk of stores with annual sales of 8 to 10 million forints and inventories of a million or two million forints. These units require greater preparation, and there is no doubt that along with the possibility of greater profits there is also a significantly greater risk. The problems are solved easier and risk is also divided if several professionals take on the job together. We see this only rarely, as people working in the retail trade generally do not like to form civil legal partnerships to take over a contract store.

In taking a balance of the last year and a half, it can be concluded that contractual operation having passed the stage of initial difficulties has begun to grow. The network of several thousand stores that handles several billion forints in sales can no longer be considered an experiment, but rather, a significant format for providing supplies to the population.

8584
CSO: 2500/3

ECONOMIC TOOLS FOR STABILIZING ECONOMY ADVOCATED

Warsaw ZYCIE GOSPODARCZE in Polish No 34, 12 Sep 82 p 8

[Article by Ryszard Cwiertnia: "The Tool of Stabilization. Mutual Planning"]

[Text] Apart from discussion, there is surely the conviction that the new system of planning should be a compilation of indirect methods, implementing with the aid of economic tools; definite policies calculated to achieve fixed socioeconomic goals; as well as of direct methods employed in the area of structural conversion of the economy through the development of new spheres of production, and the assumption of large investment undertakings which enterprise is reluctant to accept on its own initiative. In view of the statutory resolutions on socioeconomic planning, the construction of the central planning system implementation of the resolutions of legal regulations is confronted along the way with a very specific (and difficult) economic situation in which definite social and economic problems are to be solved.

Work continues on the Socioeconomic National Plan for the years 1983-1985, as well as the Central Annual Plan for 1983. These plans should become an active tool in stabilizing and transforming the structure of our economy. Let us consider which are the essential conditions, so that the central plans might fulfill the hopes vested in them in the approaching years, and by the use of which tools can the goals set out in the plans be attained.

In my opinion the conditions for the effectiveness of central plans for the period of time indicated are the following:

--elaboration on the real prognoses for the production of basic raw material and materials (industrial and agricultural);

--establishment of a real concept of trade turnover, including foreign, and determination of the level of raw material purchases and materials centrally imported;

--undertaking of decisions regarding new central investments, as well as restricted investments and determination of the influence of these decisions on production and consumption of the materials mentioned above;

--determination of which productive facilities will be immobilized by virtue of raw material and materials shortages, and how (when?) to active them;

--unequivocal establishment of areas of production and the methods of central planning in this sphere;

--designation of changes in the structure of diversified production of industrial manufacturing outside of the protective area, as well as the remaining elements of effective transformations to the mechanics of the economy.

Without finding correct proposals to solve, in terms of economic reform, the aforementioned problems of establishing and designing a plan to start in the first planning cycle, a suitable foundation for the construction of a real and effective plan will not be possible.

However, let us return to the problems which have been designated as fundamental, and let us consider the possibilities and means of solving them properly.

Basis for Stabilization and Development

The starting point for the plan should be an adequately precise recognition of the possibilities of supplying the economy with the basic raw materials from domestic production and from imports. The production capacity of the mining industry and introductory manufacturing, as well as their changes are fairly well known on the central level. Also known are the factors which improve and limit the tempo of their production, as well as the qualitative (diversified) gaps in the program production. The status of agricultural production is somewhat more difficult, but even here the forecast is adequately known and accurate. Thus, planning over the short and intermediate period of time does not present serious difficulties here, and in the absence of greater risks, it can be assumed that the national economy will be interested in--apart from thrift--increasing production of basic raw material and other materials. In conjunction with this, the plan for the years 1983-1985 should extend priority exclusively to these spheres of productivity, and to a certain extent must decisively regulate:

--investments in newly started centers;

--allocation of investments for exploitation;

--remedies for the income tax policy (tax relief) leading to growth in labor efficiency and to full employment;

--remedies for financial policy (credit interest, tax relief) leading to an increase in enterprise's capital for development;

--amount of objective subsidies for the units of production in case standard prices fail to cover the cost of production;

--remedies for income policies (credits, tax relief, prices) to encourage the development of production;

--quantity of imports to supplement domestic production.

A plan thus formulated, supported by an honest familiarity with production possibilities, would be the foundation for the oncoming part of a proper balance of materials. The principle should likewise be embraced that requires the level established in the balance of supplemental imports to be reduced only of capacity exceeding those in the domestic plan of production. This would facilitate lasting economic stabilization, because of its implementation in the first phase of production. Consequently, in case of failure to achieve the assumed level of production, domestic reserves or increased import could be activated.

The actual balance of basic raw material and other materials should be the basis for solving the problem of the immobility of productive capacity and their activation schedule.

Decisive Components

Our ties with the world economy are significantly stronger than is indicated by the measure of our participation in the turnover of world trade. This applies not only to industry (although it is here the largest), but to the entire economy. The absence of a truly adequate foreign trade plan, therefore, prevents the creation of a logical economic plan, and also the possibility of a change in the direction of imports, inasmuch as imports include many basic materials for which there is a lack of domestic substitutes.

The matter reverts to the balance of payments and the payment of our debts. It is evident how difficult this problem is; however, this is not the place to complain, but rather to find those solutions which break the deadlock and create conditions for the relatively normal organization of work in the economy. Solutions such as these must be found, because there really is no alternative--no one will release us from our debts and no one will pay them for us. Our creditors in due course will also understand that the only way to regain credibility rests in the creation of the right Polish economic labor conditions. Coming into play, of course, are two traditional directions of activity, an increase in exports and a limitation on imports, as well as one "new," expansion of cooperation with the CEMA countries.

A starting point for the foreign trade plan must be a solidly founded export plan. An unreal exporting level is a disorganizing economic factor, for it creates fictitious import goals upon which, after all, the production plans for many products are based, as well as those scheduled for export.

It appears that foreign trade enterprises should propose initial quantities of various proportions to the projected central plan. They should include the export of basic raw material and other materials in natural units. After establishing the quantity of exports in the plan, this quantity should be treated as the maximum, to be surpassed only in the event of sustained increase in production or thrift in consumption. This proposition consistently leads to the stabilization of the supply market which decides the possibilities of satisfying others.

The planned export of manufactured industrial products not included in the list of basic raw material and other materials should be supported with

economic incentives. Incentives must, however, be included in the binding statutory economic system of enterprise.

There yet remains the question of implementing international agreements which will enter naturally into the central plans. With the export of raw material and other materials included in the turnover monopoly, there is no difficulty--it will be found in an adequate balance, and the proper trade enterprise will remain obliged to negotiate contracts. Somewhat more difficult is the implementation of agreements for the supply of manufactured industrial products, especially electro-mechanical, such as undercarriages, spare parts, etc. In compliance with compulsory regulations, these supplies can be covered by binding agreements. Enterprise should approach actual producers with suggestions to negotiate such agreements, while the founder's bureau (the minister, governor of the province) can intercede only in the event of apparent precontractual disputes.

The established level of exports, with regard to the variable situations in the remaining balance of payments positions should become the basis for the import plan, designating a limit on the size of purchases.

In the sphere of material production, there is proposed primarily the continuation (and improvement) of linking the level of imports introduced during the current year to the quantity of exports, and hence to the lowered foreign exchange rates, the right to which every exporter should have. For this purpose the plan should provide for a pool of foreign exchange funds that is not subject to blockades. It is important that exporting enterprises consider themselves authentic managers of their foreign exchange accounts.

A second import pool, easier to regulate but impossible to relate to export, is the import of raw material and other materials not manufactured in the country or unavailable in sufficient quantities, but indispensable to the operation of the economy or society. These are exclusive or supplemental imports included in the list of basic raw material and other materials centrally balanced and included in the turnover monopoly. The planned quantity of these imported products, in natural units, should be maintained regardless of eventual price increases.

In conclusion: in the field of foreign trade, the central plans independent of synthetic turnover balances should determine:

--commitment of foreign trade enterprises emanating from negotiated international agreements;

--parameters or principles of established foreign exchange rate reductions for import purposes;

--quantity of raw material and other materials exported and imported included in the turnover monopoly;

--preferences, e.g. income tax relief for the exporting trade;

--rates changes in tariff;

--level of foreign exchange rates;

--principles of exports balancing.

The central plans in the field of foreign trade encompassing the above mentioned information and decisions could provide enterprise with a direct accounting of financial results at that point in time when their own plans are being formulated. This would be a fundamental change in financial planning in enterprises and would place this planning in actual position, and the implementation of numerous investments, classified into three groups, would be restricted:

--investments which will be implemented at a later time in compliance with their projected designation;

--investments for later implementation, but requiring project changes;

--deferred investments.

Investments in the first group are of most interest to the central organs of planning, because in them significant outlays are immobilized, and each shift in their completion schedule increases the collective building cost. Thus the central plan should specify the individual time limits for resumption and completion of work, new construction costs, and launching production. A similar situation should have a place in the second group of investments, even though the time limit for the resumption of work in many of them may not fit into the plan for 1985.

In spite of a very tight situation in the field of investments, one should not imagine that any new central investments can be undertaken until the end of the present 5 years. Development processes will not sustain such interruptions, and if the plan does not anticipate them--reality will correct it with damage to the plan. Accordingly, the 1983-1985 plan should specify the newly initiated central investments, the time of their initiation, the amount of capital outlay, etc.

Central investments cannot exhaust the investment program; enterprise investments must rely on their own financial resources and banking credits. This is a condition for maintaining the existing level of productive capacity, as well as its adaptation to the necessity of adjusting the diversified program of production to changing external conditions (e.g. supplies), and to the demands of the mechanics of the economy. In dealing with the situation presented in the field of investments, the central plan should provide:

--a record of newly launched central investments with some indication as to their starting periods, the building cycle, amount of capital outlay and any other, and also the sources of financing;

--a record of continuous central investments, their time of completion, amount of capital outlay, the time involved in achieving project production capacity, etc.

--the amount of investment outlays implemented by units falling within the territorial authority of the organs of national administration;

--total amount of credits; investment and sectional (or trade) according to national economy classification whose distribution will be managed by the National Bank of Poland [NBP] and The Food Management Bank [BGZ] for supplemental financing of the investments of enterprise and individual businesses.

--the rate of interest on investment credits depending on the policy of preference or restriction on various courses of investing, length of investment cycle, etc.;

--estimated amount of investment outlays by financial enterprise using their own funds in sectors, trade and eventually in the trade of the national economy.

Such a construction of the investment plan should start the process of change in the ratios of capital outlays with the goal of increasing the amount of investments independently assumed by economic organizations, as well as to guarantee a desired level and structure of investing consistent with goals agreed upon in the plan.

Production investments are succeeded by a twofold, generically variable contact with the sphere of material economics: they summon the needs for materials and of vehicles investment; likewise, in the launching stages of production, they create an increase in the need for raw material, other materials and energy for production purposes. The centrally balanced allotment of raw material and other materials, which are indispensable in launching productions as the result of central investments, must be considered in the actual balances. Information regarding this should be directly provided by the investors.

An Urgent Necessity

One thing is certain: in producing a specific quantity of goods, depending on the availability of material resources, in a minority of enterprises we are producing them more economically. Hence the suggestion that in absolutely obvious situations one cannot close one's eyes to reality, and decisions should be adopted for the common good to halt production temporarily in certain enterprises, institutions or departments. In extreme cases of technologically backward enterprises or certain production processes, it is necessary for these same reasons to undertake decisions to halt production definitely.

Of obvious consequence is the necessity for a discerning analysis of the economic and social situations, arising from restrictions on some production, but these problems should be resolved within the framework of the central plan with allowance for social consultation. Thus the central plan for the years 1983-1985, with the support of appropriate balance in raw materials, other materials, and energy as well as with a knowledge of technology and manufacturing costs, should specify:

--enterprises (institutions, divisions), in which production becomes periodically restricted, as well as the duration of their inactivity;

--enterprises (institutions, divisions, processes), in which production is to be completely canceled, and the assets used for other purposes or liquidated.

Such a procedure is in many instances the order of the day, and should be decided administratively. In more complex instances, under existing possibilities of finding substitute materials or sources of supply outside of balances, changes in the diversification of manufactured products, etc., can be left to the mechanics of the economy and the reform procedure, and hence to solutions without participation of central decisions.

Protected Production

The experience of this year's central planning of protected production provides no basis for satisfaction. Planning with the aid of operational programs was not controlled to a satisfactory degree. However, should a conclusion be drawn that this is an inadequate method?

It appears that there is no need of seeking another method, and it is worthwhile to concentrate on the mistakes committed and draw conclusions. They are:

--reduce the number of programs in operation;
--minimize the number of products on their agendas;
--assure an objective priority for providing the production of these products;
--assure production profitability.

The purpose of isolating the sphere of protectionism should be the assurance of a production level of basic products which will satisfy social needs according to a preestablished degree; or assuring some economic spheres with supplies of those resources which create the developmental conditions for their production. Departing from a goal as specific as this, it is suggested that the number of operational programs be limited to the following:

--an operational program for the food economy incorporating the production of basic machinery and tools, as well as fertilizer and methods of plant protection for agriculture, and likewise selected machinery and equipment for the food industry, e.g. for preservation;

--an operational program for the economy of raw material-energy comprises the production of basic machinery and equipment for mining and energy, the production of energy cable;

--the program on health protection comprising the production of a basic set of medicines and the most important means of personal hygiene;

--the program providing for children and youth, specifying the production of clothing, shoes and school aid;

--the program for producing work and protective clothing comprising a full assortment of products.

The number of products comprising the operational program should be placed at 500-1,000 entries (this number is a very close estimate) for the purpose of facilitating the steering of their production.

How to assure priority in providing the production of these products? A pass opening the door to the supply turnover of monopolistic enterprise should be the agreements negotiated between the producer and a specific unit of turnover ordering the product agreed upon in the operational program. An agreement for supplies negotiated by the producer and the consumer would be the foundation for negotiating an agreement (the receipt of allocation) by the producer with the supplier of raw material or other materials. There remains the problem of the quantity of ordered materials, as well as of their utilization in accordance with the intention of the central plan. Contrary to appearances, it is not difficult to solve this matter, because here we do not approach an unknown area. The producers and their supplies generally remain together in permanent long term relations and know each other well; they know their possibilities, the unit norm of consumption, production cycle, stock, etc. An unjustifiable overstatement of an order is hence difficult.

Another possibility for control also exists: through the implementation of orders through productive enterprise. Thus, the market trade enterprises or other consumers can, in case of delays in providing supplies, notify the supply turnover enterprise. A signal such as this can be the basis for withholding subsequent consignments of raw material or material supplies from producers who do not honor agreements to produce and supply the products included in the operational programs.

Mechanics of Economy

Possibilities for changing the economic structure in the approaching years through central investment decisions are very limited. Hence, economic tools should play a larger significance in the field of economic selective development. With their aid, one ought to recognize what we can attempt to produce well and effectively and what we make badly and uneconomically. An account of the economic effectiveness and the trend toward maximizing the effectiveness of enterprise should give impulse to changes in the diversified structure of production. Analyses in this area should provide answers to the questions: What products should be developed? What products should be modernized structurally and technologically to achieve true technical standards and production profitability? Production of which products should be canceled?

Analyses of this nature, combined with a study of demand and production capabilities, should be transformed into a long term program of endeavor, and next into a precise plan of activity for enterprise in the years 1983-1985. Coordination of trade intentions would be desirous in the framework of the unions of producers in individual trades. Obviously these activities cannot provide radical results in a short period of time--this surpasses physical possibilities of even the most efficiently functioning economy--especially, since the production scheduled for cancellation will often not be able to be replaced with imports.

The main direction of activity of the mechanics of economics in the present period is technological-organizational progress, leading to the introduction of construction-technological changes which cause a decrease in material outlays, lower cost of production and an increase in production volume. During the course of the approaching years, the motivation system in enterprise should

be directed toward these elements of progress. Separately they are not very attractive, but it should be remembered that economic life consists of a mass of little elements which qualitatively form a definite whole. The more limited the possibilities of directly shaping the economic structure through central investment decisions, the greater the emphasis which should be placed on the economic tools of self-regulation. Reserves in the areas of construction, technology, organization, production processes, organization of the entire economic life often surpass the ability to comprehend how they reached such an accumulation. The time has arrived for work and honest payment for its results.

If we do not get rid of the fear of paying highly for high results of labor, the system of motivation will not liberate all the possibilities which lie in the engineering, economic and labor cadres, and actually in this massive release of innovative initiative lies the hope for a rapid exodus from crisis. To do this, there is a need for brave people on the regulation side of the system, as well as on the side of direct implementation.

9951
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## SPECIAL CURRENCY EXCHANGE RATES PUBLISHED

Warsaw TRYBUNA LUDU in Polish 11 Oct 82 p 7

[Text] Announcement of Exchange Rates Table No 41/82, effective 11 October 1982, by Stanislaw Majewski, president, Polish National Bank, on 11 October 1982.

I. Foreign-currency exchange rates in zlotys for countries of the first payments area [socialist countries] for commercial and noncommercial payments remain unchanged.

In purchase of travelers' checks for rubles, issued by the USSR Foreign Trade Bank and payable outside the USSR in the currency of the country where cashed, an exchange rate of 11,821.60 zlotys per 100 rubles is applied.

II. Foreign-Currency Exchange Rates in Zlotys for Countries of the Second Payments Area [Capitalist Countries]

[Table on following page]

Exchange Rates Table No 41/82

| Country | Curr Symb | Currency | Foreign Exchange Purchase 4 | Foreign Exchange Sales 5 | Money Purchase 1 | Money Sales 2 | Average 6 |
|---|---|---|---|---|---|---|---|
| Saudi Arabia | 771 | 1 rial*** | 25.34 | 25.60 | -- | -- | 25.47 |
| Australia | 781 | 1 Aust. dollar | 82.29 | 83.11 | 81.05 | 84.35 | 82.70 |
| Austria | 786 | 100 schillings | 485.04 | 489.92 | 477.73 | 497.23 | 487.48 |
| Belgium | 791 | 100 francs | 175.66 | 177.42 | 173.01 | 180.07 | 176.54 |
| Denmark | 792 | 1 kroner | 9.75 | 9.85 | 9.60 | 10.00 | 9.80 |
| Finland | 780 | 1 markka | 17.87 | 18.05 | 17.60 | 18.32 | 17.96 |
| France | 793 | 1 franc | 12.08 | 12.20 | 11.90 | 12.38 | 12.14 |
| Greece | 724 | 100 drachmas | 120.31 | 121.51 | 104.27 | 123.33 | 120.91 |
| Spain | 785 | 100 pesetas | 75.93 | 76.69 | 74.78 | 77.84 | 76.31 |
| Holland | 794 | 1 florin | 31.20 | 31.52 | 30.73 | 31.99 | 31.36 |
| India | 543 | 100 rupees*** | 896.73 | 905.75 | -- | -- | 901.24 |
| Ireland | 782 | 1 pound*** | 116.21 | 117.37 | -- | -- | 116.79 |
| Japan | 784 | 100 yen | 31.75 | 32.07 | 31.27 | 32.55 | 31.91 |
| Yugoslavia | 718 | 100 dinars | 179.72 | 181.52 | 155.77 | 184.23 | 180.62 |
| Canada | 788 | 1 Canad. dollar | 70.36 | 1.06 | 69.30 | 72.12 | 70.71 |
| Kuwait | 770 | 1 dinar*** | 297.99 | 300.99 | -- | -- | 299.49 |
| Lebanon | 752 | 1 pound | 16.80 | 16.96 | 16.54 | 17.22 | 16.88 |
| Libya | 651 | 1 dinar*** | 294.07 | 297.03 | -- | -- | 295.55 |
| Luxembourg | 790 | 100 francs | 175.66 | 177.42 | 173.01 | -- | 176.54 |
| Norway | 796 | 1 kroner | 12.43 | 12.55 | 12.24 | 180.07 | 12.49 |
| Portugal | 779 | 100 escudos | 98.60 | 99.60 | 85.47 | 101.08 | 99.10 |
| FRG | 795 | 1 mark | 34.10 | 34.44 | 33.58 | 34.96 | 34.27 |
| United States | 787 | 1 dollar* | 87.16 | 38.04 | 85.85 | 89.35 | 87.60 |
| Switzerland | 797 | 1 franc | 39.56 | 39.96 | 38.96 | 40.56 | 39.76 |
| Sweden | 798 | 1 kroner | 13.84 | 13.98 | 13.63 | 14.19 | 13.91 |
| Turkey | 627 | 100 pounds | 53.31 | 63.85 | 46.21 | 54.65 | 53.58 |
| Great Britain | 789 | 1 pound** | 146.79 | 148.27 | 144.58 | 150.48 | 147.53 |
| Italy | 799 | 100 lira | 6.07 | 6.13 | 5.26 | 6.22 | 6.10 |

*Valid also in clearing accounts with the following countries: Bangladesh, Brazil, Ecuador, Greece, Iceland, Kampuchea, Colombia, Lebanon, Pakistan, Peru and Turkey.

**Valid also in clearing accounts with the following countries: Nepal and Pakistan.

***The Polish National Bank does not purchase money in these currencies.

CSO: 2600/36

## FINANCING JOBS FOR RETURNING WORKERS

Zagreb DANAS in Serbo-Croatian 31 Jul 82 pp 14-16

[Article by Milivoj Pasicek]

[Text] Return to Uncertainty; the foreign exchange savings of workers abroad are still dead capital. Why?

Many of the nearly 674,000 Yugoslavs holding temporary employment abroad are threatened with the loss of their jobs, for unemployment in the highly developed lands of Western Europe is posing a serious threat. That means that as soon as tomorrow, many returning workers could be knocking at the doors of Yugoslav factories. Yet the situation here is not glittering. It is calculated that at present about 860,000 Yugoslavs are seeking employment or at least are included on the lists of those who want jobs. On the other hand, the most recent figures indicate that there are only about 75,000 unfilled jobs in Yugoslavia.

What then can our workers hope for when they want to return home, and what about those who have no choice. What awaits them in the home country, in the opstinas from which they went out into the world and to which they want to return? How can programs be established for the gradual return of our workers from abroad and their employment? What is happening with the development of small businesses? What tax and other inducements are being provided to encourage the opening of craft shops? What does agriculture offer? How well are our country men informed about all this?

In order to answer these and many other questions that Yugoslavs in Western Europe are ever more frequently occupied by in this time of economic crisis, let us first look at certain numerical indices and analyses. First, it is worth noting that our countrymen working temporarily abroad form a very important part of the overall number of employed in Yugoslavia, amounting to about 11 percent. According to research by Dr Ivo Baucic of the Center for Studying Migration in Zagreb, those abroad earn on the average three times as much as the average income within the country. They bring significant foreign exchange into Yugoslavia: in 1980 alone their foreign exchange deposits in the country totaled 4.8 billion dollars, or about 26.7 percent of the total Yugoslav foreign exchange income. In Yugoslav trade with foreign countries, that money covered fully 95 percent of the foreign exchange deficit.

## Programs of Measures Suppressed

Since with the years the number of Yugoslavs employed abroad has continued to rise, and along with them various problems have also grown, together with the overall development of Yugoslav society changes have come in our policy toward that migration, which forms an important facet of the social, political and economic life of Yugoslavia. The highest number of workers abroad was reached in 1973, when there were about 860,000 along with about 250,000 family members. Also at about that time, certain economic difficulties arose in some Western European countries, which resulted in a total cessation of hiring Yugoslavs. Many remained without work at that time.

On the other hand, analyses made in Yugoslavia have shown that many specialists whose skills are in short supply domestically have gone abroad, that among the migrants 40.2 percent had jobs in the country before departure, and that the schooling of those employed abroad was better than the average specialized training of the overall Yugoslav population. The ones who have returned have been the ones generally who have difficulty finding work at home, while the qualified ones with specialized training have remained, problems have accumulated and the danger of alienation has appeared. For all these reasons, it would be worthwhile to give social direction to migratory trends.

The turning point in Yugoslav migration policy came in the Resolutions of the LCY Presidium and the Yugoslav Presidium on the Problems of Employing Yugoslav Citizens Abroad, dated 5 February 1973. In other words, those resolutions meant that a more comprehensive and responsible influence was to be exerted on all stages of the migration process, from initial employment abroad, social support abroad, schooling and social security to eventual return home. Thereafter, the Social Agreement on the Employment of Yugoslav Citizens Domestically was born, which obliged all economic and sociopolitical entities in the country, from the labor organizations to the Federation itself, to prepare their own programs of measures and actions for the return and employment of returnees.

Sets of measures for returnees, as the programs and actions were popularly called, had to be prepared by opstinas as well. Unfortunately, they did not give great results. Primarily, many opstinas were deaf to the need and simply did not prepare any such measures. There were all sorts of reasons. In some places the opstina officials lived in the belief that such programs were unnecessary, while elsewhere there were those who claimed to have nothing to offer because they were poor. To that we would add that in Croatia, and this could be extended to all of Yugoslavia, a relatively small number of labor organizations included in their development plans the employment of returnees and the utilization of their foreign exchange savings.

## The Plan Rainbow

Analyses state that the largest number of returnees decided to open little cafes or to drive trucks, even though there probably is not a single place of any size in the republic that does not feel the need for craft shops in so-called "deficit occupations," or more precisely, service activities. Many places are lacking tailors, carpenters and plumbers. We should, however, ask

how much the opstinas, local communities and others are really to blame that the returnees decided as a group to open little cafes. To be specific, the plan of tax and other inducements for opening craft shops represents a broad spectrum. In some places the prospective taxpayer is completely exempted from taxes for the first year, while elsewhere everything is set at 10, 20 or more percent reduction and in some opstinas everything depends on the type of craft shop involved. Yet it would be a great incentive for returnees if they could obtain suitable business premises more easily and could readily obtain all the necessary documents, for which often they have to wait a year and more. Sometimes that is a bureaucratic procedure that is so long that individuals refrain from investing and follow the hot trail back abroad. Naturally, no comment is necessary.

The concept of small business is still foreign to some opstinas, while elsewhere they equate it with handicrafts or trade workshops. Since concrete programs are lacking that certain opstina agencies should be considering, it occurs that the entire policy toward returnees is conducted at opstina services counters where often people sit who have no broader social interests in or understanding of small business. Along with the opstina, organizations of associated labor have also retarded activity while especially now they should be devoting much greater attention to small business to promote stabilization. They should be suggesting what they need and what they do not need.

[Inset] The bureaucratic procedure involved in obtaining all sorts of permits for productive investments of foreign exchange savings has driven many "Gastarbeiters" back into foreign countries.

Jobs by Foreign Exchange

The labor organizations are not showing even token interest for returnees who would like to get jobs by loaning their foreign exchange resources. We would remind the reader that it all began in Arzan not far from Imotsko, where in 1975 the "Pionirka" knitting plant began operations after being built with the savings of Yugoslav citizens abroad. Since then in Croatia and elsewhere in Yugoslavia, several dozen such and similar plants and factories have been built, many of them like "Hiposo" at Muta on the Drava functioning excellently. Despite that, labor organizations or returnees show up bashfully with such requests. True, "purchasing jobs" with foreign exchange loans has found some opponents. The question is raised as to whether all of that is not an unsocialist manifestation. Do our Constitution and Law on Associated Labor allow for such behavior?

Although here in Yugoslavia several thousand returnees have been employed in that manner, Dusan Knezevic, deputy president of the Federal Committee for Labor, Health and Social Security, was obliged to address that subject again last month. According to his words, the Yugoslav Constitution and the Law on Associated Labor permit the accumulation of capital from citizens in order to obtain employment. The only obligation is that the capital be returned within a set time period with appropriate interest, or that the citizens who invest their money in this way accept other arrangements such as establishing employment without a competitive hiring practice or official publication of the opening.

The Constitution and the Law on Associated Labor also anticipate that the basic condition for accumulating capital with the intention of implementing such a policy is that in this manner it is possible to assure expansion of the material basis of labor and create greater employment possibilities. Both the Constitution and the Law on Associated Labor, explains Dusan Knezevic, clearly indicate how to establish contractual organizations of associated labor, and there are no legal obstacles to doing so. That means that the labor organizations and the returnees are free to act, for obtaining a position by loaning foreign exchange is a regular occurrence.

Optimism in Skopje

At the Skopje "Agriculture Bank" they did not spend a great deal of time thinking over the question as to whether what they were doing was socialist or not. They believed that it was good and useful, and they acted. So far several dozen returnees have been accommodated. The calculations are very simple. The returnees deposit 200,000 to 400,000 dinars in the bank, loan it for 5 years at 7.5 percent, and in return they receive everything on a platter: a free project for a "mini-farm," a fruit orchard and vegetable plot with guaranteed cooperative help, or even a job in some factory or contract organization!

By opening new plants and expanding production the bank thereafter increases the money by 50 or 100 percent, and cedes it to the organization that has employed the returnee. Instead of foreign exchange, the returnee can bring in a suitable machine, which he transfers to the labor organization where he will work. The procedure then is the same as with the money!

By pooling the work and capital of returnees, banks and basic organizations of associated labor, last year there were 86, and so far this year 75, jobs provided to returnees who tired of working abroad. Through the bank, by the end of this year several more dozen returnees will be employed in all parts of Macedonia, the great majority of them on their own land with plantations and mini-farms. At the Agriculture Bank they have long since perceived that they must expand their activities, so the returnees can very quickly obtain apartments as well, while the bankers have influence in some opstinas where they no longer have to wait long for "papers" that are necessary for opening service or craft workshops.

Stimulative Measures

What can the returnee expect from the "Plan for Yugoslav Social Development 1981-1985?" In that period there will be wide socioeconomic and economic activity on a basis that would reduce the number of Yugoslavs engaged in temporary work abroad. Among other things, the plan states that "stimulative measures of tax and credit policy and other economic policy measures of the sociopolitical community will affect the productive employment of workers who return from temporary work abroad and other working people who are interested in personal work with the capital of citizens, and republics and autonomous provinces shall see to the establishment of contracting organizations of associated labor and other forms of operations in small businesses.

All of this clearly says that the returnees can certainly aid the more rapid development of certain economic activities while at the same time they are making useful investments of their savings. For all of this we need concrete, well conceived projects. Great possibilities are also offered by agriculture. Precisely, we should not let it slip from our minds that among those employed abroad, 56.6 percent were individual farmers. The social development plan to 1985 promises to create the conditions for more rapid development of production on individual farms by broader inclusion of their efforts into socially organized production with various forms of pooling labor, capital and land, as well as strengthening of the income motivation of individual producers to bring increased production.

By 1985 the conditions will be created for opening about 740,000 new jobs. Together with the natural attrition of those employed in permanent positions, that should make it possible to employ about 1,440,000 people, of which 1,340,000 would be working in the public sector. Thus it is anticipated that by 1985 the public sector will employ a total of about 6.4 million workers and the number of unemployed will be reduced in relative terms. Can, however, those nice sentences from the Plan encourage our countrymen who are worrying about whether they will remain without employment in the world? What else should be done to increase the relatively modest contributions of foreign migrants to the socioeconomic development of Croatia, and thereby to the entire country?

Savings for the Wrong Things

An analysis of the Center for Studying Migration in Zagreb, done by Ivica Nejasmic, says that the capital earned abroad is mostly used for improving the living standard of the migrant and his household. The money is spent to improve housing conditions. Since everything is accompanied by social passivity, productive involvement of foreign exchange savings has not become a very significant factor in including foreign migrants into the economic development of Croatia. Use of savings in economic activities is of little importance, and there is also little use of foreign exchange for improving individual agricultural production. Only every seventh returnee household has used significant foreign exchange sums to advance agricultural production.

All of this takes place in part because our countrymen are still not sufficiently informed about what Yugoslav society makes possible for them. Yugoslav clubs, or places of gathering, are still not well tied to labor organizations, local communities and opstinas in the country. The returning streams of migrants in some areas develop in an elemental manner. The returnees are left to themselves.

No possibilities are found for activating their foreign exchange savings. The opstinas lack plans for developing trades and particularly service occupations. Customs and tax regulations are still "against" the returnees. More stable economic and social conditions for economic activities should be created for potential farmers, such as guaranteed prices and assured purchase, and comprehensive health and retirement insurance.

We should show flexibility when degrees earned abroad are in question. It is more important that someone know how to do the job than that he have that cursed paper. It is essential to continue to support the action of "from foreign exchange savings to a job." That capital is not, however, by itself sufficient to build some sort of plant, it must be combined with funds from banks, organizations of associated labor, funds for the development of insufficiently developed sections of republics and provinces and resources obtained through foreign credits.

The economic crisis in Western Europe behooves us to make programs and actions for the return of migrants more resolutely, more quickly and more purposefully.

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# East Europe Report

## ECONOMIC AND INDUSTRIAL AFFAIRS

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# EAST EUROPE REPORT

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2332

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PROBLEMS IN YUGOSLAV-SOVIET TRANSPORT DISCUSSED

Belgrade TRANSPORT in Serbo-Croatian No 6, Jun 82 pp 3-4

[Article by M. Dj.]

[Text] At the end of April this year in Kishinev, Moldavian SSR, the sixth annual session of the Talk Force for Transport of the Yugoslav-Soviet Intergovernmental Committee for Economic and Scientific-Technical Cooperation was held. The agenda of this session included questions from all areas of transportation between the two countries. The special significance of considering these questions is obvious if we bear in mind that the total volume of goods exchanged by the two countries this year reached a sum of more than 7 billion dollars, and that volume is growing in passenger traffic between Yugoslavia and the USSR.

The basis for the position of the Yugoslav delegation to this session was the platform adopted by the Federal Executive Council.

The Yugoslav delegation to this session was led by A. Zvonic, deputy president of the Committee for Transportation and Communications, and the Soviet delegation was headed by V. J. Biryukov, deputy president of the USSR State Plan. The delegations included highly placed officials of railroad, maritime, river, air and highway transport.

Special attention at the Task Force session was devoted to implementing the planned volume of goods transport for last year and the first quarter of this year in individual modes of transportation. In this effort, special attention was directed to measures to eliminate bottlenecks that exist in individual modes of transportation. It was asserted that last year significant improvement was achieved in shipping goods in both directions, and that resulted chiefly from measures taken jointly, a certain amount of redirecting traffic from the railroads to other modes of transportation (maritime, river and highway), and partially as a consequence of using the transit rail line through Romania and at the end of the year, transit routes through Poland and Bulgaria.

Outside that, however, the results achieved were not fully satisfactory. The plan for rail shipments in exports from the USSR last year fell nearly 400,000 tons short of fulfillment. The explanation for this shortfall in

planned shipments by this mode of transportation largely is the failure of the shippers to report their shipments on other modes of transportation, but it can also be attributed to shortcomings in organizing transport. Similarly, the planned volume of railshipments for exports from Yugoslavia fell short by more than 200,000 tons. This is primarily the consequence of difficulties at Soviet border stations, as well as of limitations imposed by transit railroads in accepting Yugoslav rail cars, and partially as well of insufficient utilization of other transport routes.

The first quarter of the present year also saw deviations from planned volume of shipments by this mode, although they were less by far. Particularly unsatisfactory results were recorded in exports foom the USSR via Romania. The set volume of shipment was only about 15 percent realized, and this will certainly have a negative impact on timely fulfillment of the planned and contracted foreign trade exchange between the two countries. Keeping these results in mind, agreement was reached at the session that concrete measures must be taken to implement the delayed shipments and dispatches from the first quarter of this year, keeping in mind that greater loading in the second and third quarters must be assured so as to avoid the accumulation of goods for shipment at year's end. At the same time, it was determined that compared to 1980, porcelain clay shipments in the past year were increased by 32 percent, but that is still some 16 percent less than the planned volume of such shipments for 1981, and the Soviet side insists on fulfillment of that plan.

Implementation of the planned volume of shipments in other modes of transportation was somewhat better, although not completely satisfactory, given the available shipping capacity of maritime, river and air transportation.

At the session it was determined that last year the negative trends in river transport of previous years were halted. Shipment of goods in both directions was increased for this mode of transportation by about 7 percent, with export shipping from Yugoslavia being doubled. It was also determined, however, that markedly smaller quantities of goods were shipped from the USSR, so that empty holds and unjustified downriver trips occurred. With this in mind, the Yugoslav delegation stressed the capability of the Yugoslav river shipping fleet to ship an additional 250,000 tons of Yugoslav exports. The Yugoslav delegations also requested that energetic steps be taken shorten the waiting time in port of Yugoslav vessels at the port of Renija on the Danube. The Soviet side also pointed out the long waits of Soviet vessels at Smederevo, and insisted that measures be taken to shorten the port time at that port. It was also proposed that the possibility be investigated of receiving Soviet vessels, according to types of goods being shipped, at the Belgrade and Prahovo ports.

In connection with the concluded agreement between Yugoslav River Shipping and the Danube Lloyd on the one hand, and the Soviet Danube Fleet on the other, for using large container ships between the ports of Belgrade and Izmail, as well as for handling containers in these ports, it was agreed that until mid-year this agreement between the two shipping parties would be treated and signed as an agreement between the two countries for this type of transport.

Maritime shipping of export goods from Yugoslavia continues to be unsatisfactory. The Yugoslav labor organizations in maritime shipping last year accounted for only about 15 percent of the total 7 million tons of goods shipped in both directions. There were about 1 million tons shipped from the USSR and only 2,000 tons from Yugoslavia. The remaining 6 million tons of freight, which included crude oil, were shipped by Soviet maritime shippers and maritime carriers from third countries requiring that shipping fees be paid in convertible foreign exchange. It should, however, also be stated that despite this situation, last year implementation of planned shipments from Yugoslavia by maritime vessels significantly surpassed the target (from 13 to 95,000 tons), while in the first quarter of this year, the planned 73,000 tons were surpassed with a total of 134,000 tons, even though this continues to be an exceptionally small share of this form of transport of goods in trade between the two countries.

Highway freight shipments recorded a marked increase last year, in contrast to previous years. Full reciprocity was assured in terms of the utilization of permits for shipping by road between the two countries. It should be stressed that a preliminary agreement was reached on opening regular highway lines on a Belgrade-Kiev-Moscow route. This service is to be initiated in June of 1982. In the meantime, representatives of highway shippers of the two countries are obliged to resolve remaining questions concerning tariffs and to sign suitable agreements by the end of June.

The situation regarding air shipment of cargo continues to be unsatisfactory, for existing empty capacity is being used very little on regular passenger routes of both carriers. At the session it was once again confirmed that air traffic has the capability of handling up to 5,000 tons of cargo annually as a supplement to regular passenger service. In that connection, the delegations agreed yet this year to utilize the foreign trade organizations of the two countries to direct 2,000 tons of goods to this mode of transport, and with that in mind, a supplement was added to the transportation plan between the two countries for 1982.

Concerning preparations of the Draft Agreement on Container Shipments of Cargo in Direct Rail and Water Traffic, a topic given special attention by the session, complete agreement was not reached, because there are varying viewpoints on principles regarding the very approach to a number of important questions. Therefore, agreement was reached that by the end of the third quarter, a meeting would be held in Yugoslavia between experts from the two countries to econcile positions on these matters and prepare a suitable draft agreement for the following session of the task force, which will also be held in Yugoslavia before year's end.

As a result of Yugoslav insistence that with the goal of timely and complete implementation of the established volume of trade between the two countries, work be continued on redirecting cargo from the railroads to other modes of transport, the Soviet delegation proposed that during the present year scientific organizations of the countries should become involved in treating problems of improving the distribution of shppping among individual modes of transport. They will also address the technology of shipping bulk cargo and the improvement of service quality in transport.

Without going at this time into a more detailed consideration of the agreements completed for other modes of transport, it is worth noting that outside the established agenda of this session, preliminary agreement was reached for redirecting traffic from the railroads to the Danube for about 600 container shipments of small homes; these shipments are to take place yet this year. The implementation of this transport will require an agreement with Yugoslav shippers of these containers on changes in the mode of transportation and resolution of corresponding tariff, or shipping fee, problems.

At the session the Soviet aide, also outside the official agenda, expressed great interest in the participation of Yugoslav construction interests in the expansion work at the Renija port, where construction of four more docking positions and a certain number of housing units for workers at the port is planned.

The session of the task force took place in an industrious and friendly atmosphere, and the host's treatment of the Yugoslav delegation was exceptionally constructive and cordial.

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SOCIALIST FOUNDATION OF ECONOMIC DEVELOPMENT STRESSED

Tirana RRUGA E PARTISE in Albanian Jun 82 pp 28-40

[Article by Munir Como: "Basing Economic Development on the Economic Laws of Socialism--A Necessity and an Ever-Increasing Demand]

[Text] Our workers party, by implementing in a resolute manner, the teachings of Marxism-Leninism for the socialist construction of the country, has continually pursued an economic policy which is built upon and reflects, always correctly, the demands of the objective economic laws of socialism. It has worked, carefully, so that these demands would be known and carried out in the entire economic-social activity and, at the same time, it has fought all manifestations of voluntarism and subjectivism.

By relying on the demands of the objective economic laws of socialism, and by always carrying them out in unity, in accordance with the level of development of the productive forces and with the level of maturity of socialist relations in production, with the level of consciousness also attained through the experience amassed, our party has worked out and carried out an economic policy with a profound scientific substance. On this basis, there have been secured the increase, at rapid rates, of social production, of national income, of the employment of the new labor force, the raising of the level of the material and cultural well-being of the workers and the consolidation of the defense capacity of the country.

The knowledge of the demands of the economic laws and their resolute implementation under our concrete conditions has ensured the creation and consolidation of our modern and diversified socialist industry based on the country's raw materials; it has ensured the creation, consolidation and progress of socialist agriculture which guarantees the feeding of the people with its own products, it has created and expanded the types of necessary social services, and so forth. "The special character of socialism--Comrade Enver Hoxha teaches us--lies in the conscious knowledge and use of these laws in accordance with the objectives of the party and the socialist state. Herein lies one of the great superiorities of the socialist system, which ensures a harmonious and rapid development of the economy and culture for the benefit of the working masses" (Enver Hoxha, Report to the Eighth Congress of the AWP," p 112-113).

The Marxist-Leninist political economy teaches us that the demands of the economic laws are manifested and realized through the economic-social activity of

the workers. Therefore, the knowledge by all, and in particular by the leading organs of the party and of the state, of the demands of these laws is of special importance and constitutes a necessity for the regulation, in a planned and conscientious manner, of the economic processes and impressions in order to understand and correctly implement the content of the economic policy and directives of the party.

In socialism new factors arise and act which influence the knowledge and harmonization of the various economic-social activities in accordance with the demands of the objective economic laws of socialism, with the principles and criteria which emanate from them. Only in the communist society K. Marx teaches, is there realized a fundamental transformation in the field of relations in production, and society, for the first time, views all the premises produced in a conscientious manner.

The level attained in the political, ideological, economic, social and technical-scientific development in our country has created conditions for the acceleration of the rates of development and production, for the further perfecting of socialist relations in production and for the increase of the well-being of the working masses. However, transforming this possibility into a reality is closely connected with the deepening of knowledge concerning the demands of the economic policy of the party in which are concretized and embodied the demands of the economic and objective laws of socialism. "In the present conditions--Comrade Enver Hoxha teaches us--when the economy has become a large-scale and complex economy, it cannot be managed and furthered with outdated concepts and practices. It is no longer possible to work on the basis of narrow empiricism and practicism. Management and organization must be based on profound knowledge and sound scientific criteria arising from the laws of economic and social development" (Enver Hoxha, "Report to the Eighth Congress of the AWP," p 57-58).

It arises from this conclusion of the Eighth Party Congress that, at the present level, the deepening of knowledge about the demands of the objective economic laws, becomes an ever-increasing necessity and demand. This is conditioned by a series of factors with a political, social and economic character.

First, the level attained in the development of production forces and in the improvement of socialist relations in production has created real conditions for us to base ourselves on the demands of the economic laws so as to accelerate the rates of development and of the consolidation of the material-technical base of socialism. This is also shown by the experience of the past 20 years, during which the social production and the national incomes have increased at an average annual rate of about 6-7 percent, or 2.6 times faster than the rate of the population growth of our country. New branches have been created in industry. It has been equipped with an advanced technology and the structure of industrial production has changed and continues to change. The process of intensive development of all the branches of the economy is continuously deepening by fully relying on its own forces.

Second, the development of the economy and of culture during the Seventh Five-Year Plan period, the tasks which are laid down to increase labor productivity and the effectiveness of the economy, the deepening of the process of the

socialization of collective ownership in the village, the increase of the level of concentration of production, the broadening of cooperation and of coordination of production activities between the branches and within them, between the districts and the enterprises, the state and the cooperatives and so forth, make it even more urgent to base all activities on the demands of the objective economic laws of socialism.

Third, the deepening of the technical-scientific revolution is accompanied not only by the development of material elements of productive forces, but also by the development and perfecting, in a revolutionary manner, of the socialist relations in production. Under these conditions, the economic laws, which express relations in production, act with an ever greater force. It is, therefore, important that there be a deep knowledge of their demands and their implementation in accordance with the changes resulting from the process of the development and of the deepening of the technical-scientific revolution in our country.

Fourth, under present conditions, when our economy has become a big complex economy, the scientific management of the economy is realized only when the problems of the development of the productive forces are always viewed closely in relation to their social aspect, with all the components which constitute our socialist life.

Fifth, the overall economic development, and especially, the improvement of socialist relations in production is closely related to the education and the formation of the new man with the norms of the communist morality. Without ensuring the overall education of the working masses, without fully affirming in their conscience the socialist attitude regarding collective work and ownership, without equipping them with the skill of management, the laws of economic and social development cannot be carried out correctly, nor can the alien manifestations in the field of the economy be fought, in particular the manifestations of subjectivism and of voluntarism which are observed, in some cases, in the solving of some problems of production, exchange and distribution.

Today, our economy possesses a powerful material-technical base, the production capacities are continually being expanded and the intensive development of all its branches is deepening constantly. Also, relations of cooperation between the branches of the economy, between all the aspects of expanded socialist reproduction, are developing in ever greater proportions. Comrade Enver Hoxha teaches us that not only must we know these relationships and processes but we must also act in a proper manner and with strict scientific discipline so as to develop and guide them for the purpose required by our socialist society. Under these conditions, the coordination of the demands of the economic laws in all the economic-social activities becomes of special importance, by always taking into consideration the demands of the fundamental economic law of socialism, especially the fundamental relationship between the aim of production and the means to achieve it, from which originate all other relationships in the socialist economy.

Our workers party has taken into consideration and has correctly carried out these essential internal relations, by placing at the center of attention the working man with all his needs and demands. This has been and remains the objective of the plans of economic and cultural development, this is embodied

also in the recent decision of the Council of Ministers on the new decrease of retail prices of some consumer goods and the lowering of the rates for some communal services, resulting in benefits of 75 million leks per year for the workers.

The party has based and bases the continuing improvement of the general well-being of the working masses on the overall and harmonious development of material production and vital services, by giving top priority to the demands of the objective economic laws, the criteria which arise from them, the Marxist-Leninist principle of self-reliance. The uninterrupted development of the production forces and of social production have created conditions for the intensive development of the economy and the taking of many measures in the interest of the working masses and for the ever-better fulfillment of their material and cultural needs.

The carrying out of the demands of the economic laws in proportion to the level of development and in harmony with the long-range trend, is connected with a number of issues from the knowledge and the establishment of the demands of the economic laws of socialism, and up to the coordination and their correct implementation. The economic laws appear and act through the activity of the people in the processes of production, in the exchange and distribution of material goods, therefore their knowledge and implementation are organically related to the knowledge of all the relationships which the people carry out in these processes.

However, in practice, we still encounter, from time to time, cases of narrow opinions, mistaken concepts, which separate the theoretical aspect, the demands of the objective economic laws, from the concrete economic-social activity of the branch, of the enterprise, of the cooperative, from the scientifically based organization of social production, of the whole economic-social activity. However, "shortcomings in general and theoretical formation inevitably lead, also, to subjective and voluntaristic concepts which come into conflict with the demands of the objective laws, affect the scientific management of work, check and distort the development of socioeconomic processes and harm the education of people" (Enver Hoxha, "Report to the Eighth Congress of the AWP," p 112).

Both the deepening of the knowledge of the demands of economic laws, and their coordinated implementation in the concrete management activity, constitute a permanent task for the planned regulation of the economic-social activity, of the relations between the branches and the enterprises of the people's economy. It is important in this coordination of the demands of economic laws of socialism, because, in their demands, the concretization of socialist relations in production is found. In this context, the fundamental economic law of socialism which determines the root of relations between the branches of the economy is of special importance. All other relations and associations are built and realized in organic manner for the purpose of socialist production and the means to achieve it.

Of course, the special attention given to knowing and to strictly carrying out the demands of the specific laws of socialism does not mean that the demands

of the universal and intermediate laws must be ever better taken into consideration, but always in accordance with the characteristics which they assume in socialism through the planned implementation of their demands, by coordinating, carefully, with the demands of the specific economic laws and by always placing them in the function of the organized and planned development of our socialist economy. Within this framework, by relying on these basic criteria the demands of the economic law of socialism are established, coordinated and carried out--for example, the relationships between the fundamental economic law and the law on the increase of productivity, the establishment and the reflection of the proportions not only in natural indicators, but also in value indicators, the establishment of correct relationships between the product itself and the buying power of the people and so forth. All these are made concrete in the plans of the development of the economy and of culture, in the component parts of the single state plan, in the plan production plan and financial plan of each branch, sector and basic unit of our people's economy.

In this respect, we find the demands of the economic laws of socialism coordinated better than any other time in the Seventh Five-Year Plan. This is also one of the reasons why the achievements in the fulfillment of the plan tasks in the complex of the indicators and proportions necessary for 1981 and for the first half of the current year are better than ever before. But, as the Eighth Party Congress stressed, the struggle for the fulfillment of all the indicators remains an important and permanent task. The fulfillment of the plan for all articles, for all assortments, in kind and in value, is the most important thing in maintaining the essential ties, the relationships and proportions. The various relationships between the demands and the laws, as a result of the many proportions, on the basis of which the process economic-social activity is regulated, both in terms of the economy as a whole and in every basic unit of socialist production, in particular, have been coordinated and embodied in the fundamental task of the Seventh Five-Year Plan.

In order to put into practice this fundamental task of the Eighth Party Congress, a great work has been done and is being done, in particular, to form correct opinions about these problems, to overcome the difficulties of growth and to mobilize and use profitably all the resources of work, the material base and the financial resources, by combatting, in this manner, the manifestations of voluntarism and of subjectivism. However, in the present stage of development, when the process of the social division of labor has reached a degree of development and is constantly deepening, and when the specialization of the production activities is deepening in all the fields, the improvement of the relations of the change of activities through cooperative relations, becomes especially important and exercises a great influence in the coordinated implementation of the demands of the economic laws of socialism. This way alone enables the implementation of the tasks established by the Seventh Five-Year Plan in order to synchronize the work of dozens of plants, of economic enterprises and of agricultural cooperatives, in order to correctly solve the problems which arise from the development of industry, of agriculture and of the other branches, and in order to implement broadly the progressive science and technology in production. It is for this reason that, as the party stresses, the struggle against the negative manifestations which are observed in this direction and which hinder the objective process of the coordination of production activities, is applied more completely and with greater determination.

The elimination of shortcomings and mistakes which continue to be noted in this field cannot take place by itself, nor through partial regulations and less so, through outdated and empirical practices. Their elimination requires, above all, the creation and consolidation throughout of profound understanding and convictions about the importance of the broadening and perfection of economic relations and the opposing of narrow understandings and tendencies to underestimate this issue. It is of special importance to understand correctly the danger of the manifestations of departmentalism and localism, of isolationism within the enterprise or branch, by producing everything itself, without properly taking general interests into consideration and without thinking about the effectiveness of production. These types of concepts and practices, if not fought, become a hindrance for the implementation of new progressive technologies, for the implementation of organizational and technical measures which influence the reduction of costs, the improvement of quality, the raising of labor productivity, the fulfillment of the plan in all indicators.

Thus, for example, our machine industry has entered a new stage of development, the production of various types of machines and equipment. A good job in this direction has been done especially during the past 3-4 years, by designing and producing hundreds of types of machines and equipment needed to build various projects. The decisions of the Eighth Party Congress have provided further impulses in this work. New initiatives which support the fulfillment of the tasks of this 5-year plan period and which create other long-range possibilities, have been undertaken by many work collectives. It is evident that the problems which arise are many and more complicated because it is necessary not only to design and to produce machines according to the demands of modern technology, but also to design and to produce machines according to the demands of modern technology, but also to avoid unnecessary analogies. The experiences of the workers of the "Enver Hoxha" auto-tractor combine in proceeding to technological production is the best proof of this. This experience shows clearly that this ensures the increase of a number of indicators, such as the raising of labor productivity, the shortening of the cycle of technical preparation and of the deadlines of the assimilation of new parts, and so forth. But this requires the perfection of planning, concentration and tendencies to acquire from each plant everything from molded and cast semi-products to all types of tools, tendencies which reflect artisan concepts and practices and compartmental and localist attitudes in treating these problems.

The coordination of the demands of the economic laws of socialism has been best concretized in the directives of the Eighth Party Congress about the rates of the increase of the social product, of national income of the funds of accumulation, and so forth, as well as of the proportions between them. The increase, in the Seventh Five-Year Plan, of the social product at an average annual rate of 6.5 percent, as well as the increase of the social product and of the national income at a rate of 2.8 times faster than the rate of population growth, are the principal synthetic indicators which characterize not only the vitality and the dynamism of our socialist economy, but also its harmonized development in accordance with the objective economic laws of socialism.

The tasks for the increase of the social product of the national income have at their foundation the activation of such factors of development which are

related both to the increase of the number of workers in the sphere of material production and to the increase of labor productivity and the reduction of production expenses. The proportions in the distribution and in the use of the national income have been set in accordance with these tasks.

The party has paid special attention and continues to pay attention to the distribution of national incomes, the maintenance of correct proportions between the individual product and the social product, by always taking into consideration and carrying out the principle of the priority increase of the social product in comparison with the consumer fund. But in the framework of the implementation of this principle, the increase of the individual product which the workers realize in the sphere of social production, has never been ignored. Thus, for example, it is expected that in 1985 against 1980, individual production will increase about 23 percent, at an average annual increase of 4.3 percent.

Experience has proven that the establishment and the maintenance of correct relationships in the use of the social product is of special importance. The laws on the development of socialist reproduction require that priority in the use of the social product should be given to the part which is directed to the expanded reproduction and then to that which is required for the satisfaction of the common needs of the society and, finally, to the part which is destined for the workers in the nonproductive sphere. Therefore, in this 5-year plan period, it is expected that 55 percent of the social product will be destined for the expanded reproduction. In 1985, in comparison to 1980, this part of the social product will increase more than 60 percent, whereas social consumption will increase 28 percent and individual consumption, 21 percent.

The preserving of these correct proportions in the use of the social product depends, in the first place, on the fulfillment of the planned tasks for the increase of production, for the increase of labor productivity, for the rational utilization of the existing productive capacities, for the highly effective use of the planned investments and so forth.

As a result of the work which has been carried out especially during these past few years, a considerable improvement in the work for the fulfillment of the plan in all its indicators can be noted. Thus in 1981, in comparison to the fulfillment of the tasks for the increase of production, the income of the state budget was fulfilled and overfulfilled. Most of the enterprises fulfilled the economic-financial indicators. But there are also those which created deficits. For example, 80 percent of the enterprises of the Ministry of Industry and Mines, surpassed the planned net income, whereas the rest, 20 percent, did not fulfill them. A different picture of results is noted also in construction and agricultural enterprises, and so forth. The causes are entirely of a subjective character. There are still some cadres and workers who do not correctly understand the importance of the net income of the enterprise in socialism, the manner of accounting, of planning and of plan fulfillment. As a result, the efforts to avoid losses and subsidies are insufficient. The poor evaluation of issues of profitability is also the source of the mistaken tendency which is noted in some agricultural cooperatives in which expenditures increase at a higher rate than the net income.

Misconceptions are also noted among some cadres in connection with the reduction of costs, with the concrete factors which exert influence in this or that enterprise for the steady reduction of the cost. In this field, there are problems concerning a more scientific planning of the cost and also, the pursuit of the fulfillment of the plan for expenses of production, construction and circulation. Thus it is noted that in some enterprises, the reduction of the cost has been ensured not so much as a result of the work and of the measures to strengthen the regimen of thrift, but more as a result of the influence of external factors and especially of planning with reserves in production expenditures. It happens therefore, that in such enterprises, although the tasks of the plan for increasing production are not fulfilled, the planned tasks for the reduction of costs are surpassed. For example, in the oil extraction enterprise in Vlore, the expenditures plan was artificially "inflated," in order that it could be easily fulfilled, even under the conditions of the nonfulfillment of the set tasks. This type of practice leads to euphoria and self-satisfaction and hinders the true struggle which must be carried out for the reduction of the cost and for the increase of the effectiveness of production as a whole.

The analysis of the plan of reducing costs according to its component parts and elements, constitutes an important aspect of scientific planning. The reduction of costs means in the first place, to conserve the main and auxiliary raw materials, to conserve electric energy and fuel materials, to increase labor productivity, by viewing them separately for each article of production and always in accordance with the new conditions and possibilities which are created. However, this is not taken into consideration always and everywhere. For 1982, parallel to the good work done by a considerable number of enterprises for the planning of production expenses in a thrifty manner, in some other enterprises attitudes of globalism and onesidedness in the execution of the plan of reducing costs continue to be manifested. For example, the food enterprise in Shkoder, due to the lack of studies on the reduction of the norms for the use of raw materials and of materials and for raising the labor productivity, 50 percent of the cost reduction plan has been scheduled under the cost category "expenses of the department" and "general expenses of the enterprise."

The Eighth Party Congress reiterated the need for relying on the demands of the economic laws of socialism in all the managing activities of the state and economic organs, by resolutely fighting, and on time, all manifestations of subjectivism and voluntarism, with which, as Comrade Enver Hoxha stresses, "we are confronted quite frequently, but in the planning, organization and management of the economy in particular they are more evident and more harmful" (Enver Hoxha, "Report to the Eighth Congress of the AWP," p 112).

Practice shows that in order to carry out a successful struggle against the manifestations of voluntarism and subjectivism, it is necessary to know profoundly the demands of the economic laws of socialism, and also the forms of the manifestation of voluntarism and subjectivism, such as the underevaluation of the objective character of the activity of the economic laws of socialism and of the necessity of coordination and execution in a unified manner of their demands, globalism, onesidedness, empiricism, practicism, baseless euphoria, complacency, underevaluation of progressive experience, and so forth.

Thus, for example, voluntarism in some cases finds its expression in the superficial work which is carried out during planning. As a result of inadequate knowledge of the demands of the economic laws of socialism, there have been also cases when the many relations of expanded reproduction of socialism are not taken into consideration sufficiently during the work for the drafting and approval of plan tasks, or of the reciprocal obligations which arise from the single general state plan, by treating them in some cases as optional tasks. As a result, there have also been liberal attitudes, spontaneous acts, and, in some cases, even opposition to the various rules and laws.

The superficial work is also the source of those attitudes of some economic organs at the grassroots level, which plan minor tasks for the increase of labor productivity. The superficial treatment of this problem is noted especially in the lack of harmonization between the increase of the labor productivity and the fulfillment of the work norms, between the increase of the individual product, in form of salary, and the increase of the social product. Thus, it is known that one of the main factors for the increase of labor productivity is the scientific norm-setting for work, the fulfillment and overfulfillment of norms by all the workers. However, the perfection of the work norm process cannot occur only on the basis of empirical knowledge or by relying only on some statistical data.

The norms for work-time, for use of materials, for loading of machines and so forth, scientifically based, are absolutely necessary to plan on scientific bases, to measure, judge and control the economic-productive activity and the fulfillment of the plan frontally in all the economic-financial indicators. On the basis of the fulfillment of the norms for work-time, there are put into practice not only the demands of the law of remuneration according to quantity and quality, but also number of other laws. Without a scientific norm we cannot have scientific planning, there cannot be a correct proportion between the increase of labor productivity and workers' salary, as well as a number of other proportions necessary for the harmonic development of the economy.

It is a fact that in the work for the perfection of norms, some shortcomings of voluntaristic character have been overcome, yet we still encounter here alien concepts which hinder the establishment of norms on scientific bases. Thus, for example, we encounter the concept that "not every work process can be normed," or "there are and will be also processes and activities without norms." but there are also cases when the norms are established, in a mechanical manner, not viewing them in a dialectical unity and in harmony with the fulfillment of the planned average salary.

The issue is that the norm-setting should, in all instances, be carried out in accordance with the demands of the economic laws of socialism, of the fundamental economic law, of the law on planned and proportional development, of the law on the uninterrupted increase of the labor productivity, of the law on thrift, of the law on socialist accumulation and of the law on remuneration according to the quantity and quality of work. Otherwise, the danger exists of taking onesided positions and making incorrect evaluations of the essential indicators of work, and engaging in routine and spiritless activity to avoid those shortcomings which are noted in the work for the perfecting of norms, such as, among other things, the slow procedure to establish the work norms

in a number of processes in which workers continue to work without norms, in the expansion of the work with technical norms, in the unification of work norms within the same branch, in the unification of the norms for the use of materials for the same product in enterprises with the same conditions and so forth.

Such manifestations are also encountered in some cases in the work which is done for the utilization of internal reserves which our socialist economy possesses and creates continually. Some cadres, by proceeding on the basis of the mistaken concept that "we know the internal reserves, we have them here, and regardless of whether we plan them or not, we have them for our use," do not show the necessary concern for their full utilization in a planned manner and according to the concrete qualitative indicators of the plan. These types of attitudes cause manifestations of subjectivism and spontaneity in the mobilization of internal reserves, do not stimulate the creative thinking of the working masses, weaken the demand of accountability for the utilization of internal reserves, conceal the shortcomings of organizational and management work of some cadres, who by having unplanned internal reserves, use them to easily fulfill the tasks under all conditions.

But no matter how real the plans may be, no matter how well they may reflect the demands of the economic laws of socialism, the important thing is to take into consideration these demands in the execution process, something which finds its concrete form in the fulfillment of the tasks of the plan in all the indicators. It is a fact that as a result of the work which the party has carried out and carries out, in general, the fulfillment of all the indicators of the plan is correctly evaluated and there are ever better achievements. This is also shown by the results of 1981 and of the first half of 1982. Nevertheless, in some cases there continue to be noted onesided evaluations of the economic-financial indicators and nonfulfillments in some indicators which create anxieties and obstacles in the coordination of the activities, in the fulfillment of the needs of the economy and of the working masses. Thus, for example, in the extracting and processing industry, the regular fulfillment of the plan requires the respecting of some permanent internal relations between production, preparatory work, research work, undiscovered reserves, the readying and putting into operation of work fronts, and so forth. But, in some mines, one also notes subjectivist evaluations of these essential relations. This is expressed in some cases where there is a breakdown in the relationship between the rate of the advancement of mining works, the organization of work, the putting into operation of work fronts and their equipping with the necessary means and mechanisms. As a result, the plan is not fulfilled in a regular manner during all the months of the year, thus hampering the timely transportation of the minerals.

Onesided manifestations are noted also in the distribution of the goods produced. There are cases when the production plan is fulfilled and overfulfilled, whereas the distribution plan, due to organizational weaknesses, due to abnomalies in transportation and due to slowness in processing and dispatching the products to the consumers, is not fulfilled. This has its source, among other things, in the indifferent attitudes of the producers in regard to the distribution of products, producers who do not show sufficient responsibility in insuring that the product reaches the consumers on time, in the quantity, assortment and quality planned. As a result, the necessary care is not shown

for the regular fulfillment of the production plan, according to the assortments and quality planned, and for the distribution according to contracts. But the nonfulfillment of the distribution plan applies also to those shortcomings in the transportation of products, to the inadequate care which the specialized organs show for the circulation of goods and products. The attention of these organs has been called to inadequate efforts on their part to deliver the products to the consumers on schedule, and to implement contractual tasks.

Life shows that when the problems are treated from the viewpoint of the general interest of the economy and not from that of the narrow interest of the ministry and enterprise, when all the links of organization and management of work has felt the full responsibility for the established tasks, the results have been positive. The possibilities exist for everything which is produced to reach its destination, within the established schedules, if the tasks are understood and are properly carried out by all, if the liberal attitudes, mutual concessions, which are observed in some cases, and so forth, are fought.

One of the forms of the manifestations of subjectivism is also the judging and evaluation of the productive activity in global terms. It is true that manifestations of globalism have been and are being continually fought, and that the economic enterprises and agricultural cooperatives are currently better pursuing the fulfillment of the plan in kind and in value, in all the quantitative and qualitative indicators of production. Still, there are also cases when excessive emphasis is given to the production of some goods which are more in demand and which carry weight in the plan fulfillment in value, or which belong to the nomenclature of the central organs, whereas the production of some so-called "small," or "tiny" products which are produced in a relatively limited quantity, does not receive the necessary attention and, as a result, their plan is fulfilled in an unsatisfactory manner.

Manifestations of globalism are also encountered in the field of the evaluation and generalization of progressive experience. In some cases, good experience is viewed and treated in a general manner, by dealing with some achievements, but without uncovering the factors which have led to those good results, the difficulties which have been overcome for the implementation of the scientific data, the work which has been done to raise the level of knowledge of workers and to place them in the service of production.

In order to fight the manifestations of globalism in the management of the economy, better use must be made of the economic-financial analyses of the activity of the enterprise, of the agricultural cooperative, of the branch and so forth, which, when well organized and thorough, help to reveal development trends, the positive experience, but also the shortcomings and the unused reserves, which greatly influence the perfecting of the scientific management of the economy.

Euphoria and complacency are also forms of the manifestations of subjectivist attitudes. Unjustified euphoria is the result of the profound ignorance of prospects for development and arises from the petit-bourgeois idea that "we

have results" that "we are in a better position than the others," not taking into consideration the fact that our socialist system of the economy constantly creates new conditions and promotes the creative initiative to launch and to realize ever greater tasks. It is important, as the party teaches, to properly distinguish between euphoria and revolutionary optimism. Revolutionary optimism knows, supports and utilizes the factors and the possibilities which our socialist order creates, leads one to establish mobilizing tasks, serves to perfect the organization and management of work, to develop socialist emulation through concrete objectives, to launch and strongly support revolutionary initiatives, etc.

Without fighting foreign concepts and attitudes with determination and with a class spirit, Comrade Enver Hoxha reminds us one cannot talk about fundamental and qualitative improvements of products, about the reduction of waste and shortcomings, about being thrifty everywhere and in everything. The intensification of the struggle against them is required by the level achieved in our economic and social development, by the situations in which we are building socialism, the capacities of our economy to take a new qualitative step on the road of intensive development. The fulfillment of the plans and the improvement of the quality of products takes on special importance to put into practice the decision of the Council of Ministers of the People's Socialist Republic of Albania to reduce the prices of some consumer goods and of some types of communal and repair services. The price reduction takes place under conditions when our socialist market, as always, is supplied with a quantity and variety of consumer goods. It is important that the working masses, by being in the positions of the producer and consumer, make pledges to discover new reserves, to strengthen the savings regimen, to increase the effectiveness of our people's economy as a whole, which also constitute the bases for the reduction of prices, for the increase of the real income of the workers.

The level attained, the many tasks which arise in the development of the economy and culture, make it always necessary to expand knowledge about the demands of the objective economic laws of socialism. Only in this way, will every activity be executed, be it technical-productive or economic-social, in accordance with these demands, with the principles and criteria which arise from them and which express the internal links of the process of the socialist development of the economy. Therefore, the work for the knowledge of the demands of the economic laws of socialism must be constant, and general and must be continually expanded. In this manner all manifestations of subjectivism, voluntarism in the management of the economy and of the entire life of the country will also be avoided.

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## ENERGY-COAL SITUATION IN EIGHTIES EVALUATED

Prague HOSPODARSKE NOVINY in Czech 13 Aug 82 pp 8-9

[Article by Engr Josef Benes, deputy federal minister of fuel and power: "Coal Remains a Resource"]

[Text] The Czechoslovak Socialist Republic belongs among the countries that have a paucity of their own fuel and power resources and therefore are dependent to a considerable extent on imports of sources of energy, particularly of petroleum and natural gas. This fact exerts enormous pressure on the utilization of domestic fuel resources, and hence on increasing the output from both underground and surface mines. The measures that the government introduced in the second half of last year are directed, quite properly, at strict conservation of petroleum and its products. The limited possibilities of further increasing the importation of natural gas are likewise reflected in the operation of the public power plants, cogeneration plants and district heating plants. Consumption of fuel oil and light fuel oil has been minimized, i.e., limited to the essential operation of the boilers in condensing power plants fired with solid fuel, while light oil and natural gas are reserved for the exceptional cases where conversion to other fuel is not feasible, and for the densely populated centers of the republic where light oil and natural gas must be used because of environmental considerations.

The central organs intend to supply the increase in the demand for electric power under the 7th Five-Year Plan, especially through nuclear power generation. In this way it is possible to avoid an increase in the demand for solid fuels above the capacities of our coal basins where the conditions of mining are becoming more difficult as the underground mines have to be sunk to greater depths and a thicker overburden has to be removed at the strip mines.

In power generation the share of nuclear power plants will increase by 1985 to 18 percent over the 6 percent in 1980. In spite of this, solid fuel--mainly North Bohemian brown coal--will remain the decisive component of our electric power industry. The share of conventional thermal power plants in the output of electricity will be 62 percent, in comparison with 87 percent in 1980. From the above it follows that North Bohemian brown coal cannot be replaced in our power industry, just as North Moravian coking coal is irreplacable in our metallurgy. However, all the coal basins that constitute the base of our economy's fuel and power complex will play a significant role in the total balance of supplying the population with fuel and power.

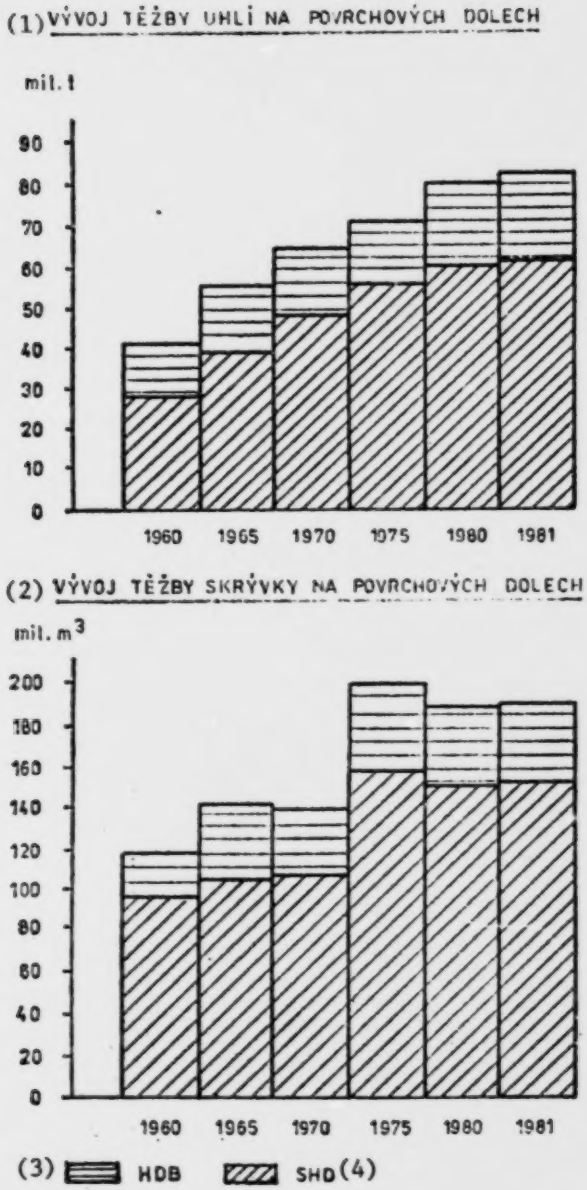


Figure 1. Development of coal mining and of stripping the overburden in surface mines in 1960-1981.

Key:

1. Development of coal mining in surface mines
2. Development of stripping the overburden in surface mines
3. HDB [Brown Coal Mines and Briquet Works, Sokolov]
4. SHD [North Bohemian Brown Coal Mines]

## Geological Exploration

Coal has been mined industrially in our country for more than 160 years, and the geological reserves of solid fuel in our coal basins have been depleted to a considerable extent. Most of the reported reserves of coal and lignite are located either at not easily accessible depths or in the marginal portions of the basins where the mining-geological conditions of extraction are very complex. To meet the present requirements regarding the mining of bituminous coal, brown coal and lignite, it is necessary to ensure with sufficient lead time an entire complex of basic-research and geological-exploration tasks.

Experience with investment preparations for the construction of mining capacities indicates that the preliminary stage of exploration must be completed at least 20 years before the desired commencement of mining in the case of deposits with complex mining-engineering conditions, e.g., in the case of bituminous coal (Frenstat, Slany); for deposits with less complicated conditions this lead time drops to between 7 and 10 years. In the same manner the results of geological exploration must be available at least 5 to 10 years before the commencement of development in the case of surface mines. Delays in obtaining and transferring the necessary information involve the risk that the preparatory and the planning and design documentation might become worthless.

The demanding nature of geological exploration under the 7th Five-Year Plan can be documented by the fact that the active mines of the Ostrava-Karvina Basin (OKD [Ostrava-Karvina Mines]) will require about 130,000 m of exploratory workings and over 400,000 m of drilling to be performed by the mines' own personnel, and the subcontracting of roughly 36,000 m of drilling from the surface, to determine the deposits' geological, hydrogeological, gas and mining-engineering conditions and to prove the reserves of the new fields.

At the mines of the Kladno Coal Mines (KD) concern, mining exploration will be concentrated primarily at the Klement Gottwald, West Bohemian Coal Mines, and East Bohemian Coal Mines concern enterprises.

In the North Bohemian Brown Coal Basin (North Bohemian Brown Coal Mines) it is urgent to ensure in the stage of detailed exploration particularly the engineering-geological, hydrogeological and geotechnical exploration of the Krusne Hory slopes to test their stability for mining coal along the Krusne Hory foothills edge of the basin, including the necessary engineering-geological and hydrogeological mapping of the basin's edge and contiguous slopes in the sections of the VCSA [Large-Scale Strip Mine of the Czechoslovak Army], Kohinoor, Barbora, Probostov and Chabarovice II surface mines, and geophysical exploration to determine the tectonic structure of the basin's edge and of the contiguous crystalline rock. Under the 7th Five-Year Plan it will be necessary to drill a total of 190,000 m.

At the Brown Coal Mines and Briquet Works (HDB) concern in Sokolov the extension of its service life necessitates that exploration be directed continuously toward making additional reserves available for mining.

At the Coal and Lignite Mines of Prievidza (ULB) concern, in 1978 a complex program was prepared for exploration in all the basins through 1990. In addition to geological exploration of the deposits, at the mines of the South

Moravian Mines of Hodonin concern enterprise and Bana Dolina also release and drainage holes will have to be drilled, and on this drilling will directly depend the degree of the reserves' preparedness for mining.

The total volume of exploration in the coal industry is estimated tentatively at nearly 5.0 billion korunas.

The most essential preparations were completed under the 6th Five-Year Plan, and geological exploration was begun with workings in the definite profiles of the Slany, Hodonin, Gbely, Novaky Northeast and Cigel North localities. The first phase of exploration in the Novaky Northeast Edge locality was completed in 1980. Work on the first phase of exploration in the Frenstat locality was begun in the second quarter of 1981. Completion of these exploration projects is expected to accelerate the development of capacities by 2 to 7 years.

Ostrava Seeking a Solution

Pressure to better utilize domestic sources of energy manifested itself in a somewhat tight capacity balance of the power industry during the first three years of the 6th Five-Year Plan, but throughout the entire five-year period in the sources of solid fuel. While in the power industry the shortage of generating capacity was overcome through the construction of new power plants, in the coal industry the gap between the sources of solid fuel and its consumption was not eliminated. Our economy entered also the 7th Five-Year Plan with this gap, and it still persists due to delays in placing new capacities in operation.

In the Ostrava-Karvina Basin, growing negative factors resulted in that the average daily output dropped under the 6th Five-Year Plan, from 91,576 tons in 1975 to 83,640 tons in 1981. The factors that caused this decline were as follows:

--The additional daily output from the new developmental capacities of the CSM [Czechoslovak Youth Union], Paskov and Staric mines has been unable to compensate for the dropout of the capacities of the exhausted Fucik, Red October, Ostrava and Hlubina mines.

--The proportion of output from seams exposed to rock bumps is increasing (from 0.8 percent in 1973 to 28.4 percent in 1981).

--The rate of technical development has slowed down.

--The turnover rate is rising, and more workers have to be recruited.

--For better mine safety, the requirements regarding supports and shielding at the face have become stricter.

--The parameters of concentration are worsening, and the labor intensity of practically all operations is increasing.

The exceptional events at the Czechoslovak Army, 1 May and Doubrava mines last year underscored these negative factors.

The situation at the coal preparation plants likewise influences unfavorably the structure of the salable output. A serious negative phenomenon in this process is the high output of coal sludge, the volume of which has doubled in recent years. The coal washing plants were designed for a 10- to 15-percent proportion of sizes less than 0.75 mm, but now this proportion is nearly 25 percent of the coal mined, due to the increased mechanization of mining and haulage.

Thus the task remains of ensuring in terms of planning and design, contracting and organization the minimum amount of additional technological equipment for the coal preparation plants, to reduce the output of coal sludge.

The federal government's presidium considered the problems of the Ostrava-Karvina Mines in January of this year. Its resolution No 10 of 21 January 1982, a part of which is also the actual elaboration of the tasks in legal measure No 14/1982 of the minister of fuel and power, has created the room necessary for the solution of the present problems. The aforementioned documents contain provisions especially for ensuring manpower and the housing capacities necessary to attract manpower, and for the modernization of the Ostroj concern enterprise of Opava so that in 1985 it can begin the domestic production of mining combines, which will permit a curtailment of the import of such equipment from nonsocialist countries. There are also provisions to provide the investment necessary for the basin's development.

The task is to eliminate the aforementioned growing negative factors, through effective technical, organizational, material and personnel measures.

Work on making more specific the resolution that the federal government's presidium adopted on the problems of the Ostrava-Karvina Mines' development under the 7th Five-Year Plan was completed at the meeting which Deputy Prime Minister L. Gerle held with the branch ministers in Opava on 19 February 1982. The conclusions regarding the tasks for which the individual ministries must provide solutions were formulated specifically and in detail.

Within the framework of these interministerial negotiations, most of the problems were solved concerning the basin's development and the content of the tasks planned under the 7th Five-Year Plan. The problems of mining coal at great depths under complex mining-geological conditions are being solved also by a number of state ministerial and concern tasks in the area of management and industrial safety. Experimental mining and tunneling equipment has been imported for this purpose, and simultaneously a number of Czechoslovak-made supports have been developed, for example, the DVP series and particularly the MV 1 support that the Ostroj concern enterprise of Opava is making this year for use in working thick seams exposed to rock bumps.

Attention has focused on the problem of rock bumps, and on the Ostrava-Karvina Mines' efforts to control them, because of the growing volume of coal mined from seams threatened by such anomalous manifestations of rock pressure and the rising number of related exceptional events. An international symposium, held in Ostrava in March of this year, also considered these questions. The symposium concluded that the efforts to control rock bumps are commensurate with our knowledge of this problem, which is far from complete. However, our level

of knowledge and the methods of control employed in our coal basins always compare favorably with the world development to date, even by the strictest standards. Our mining industry is the leader in the theoretical and practical application of the results of research into the problem of controlling rock bumps.

Kladno Expiring, But . . .

In the Kladno Basin, the Kladno Coal Mines concern is essentially expiring. Mining is concentrated at two concern enterprises: the Klement Gottwald Mine, and the Nosek Mine. Roughly 40 percent of the output is obtained from the Kladno seam's bottom bench that earlier was left unworked because its coal is of inferior grade. The Nejedly 2 Mine was mined out in 1980. There remain for removal remnants and the protective pillars in the Gottwald 2, Gottwald 3 and Nejedly 1 mines. The only newly developed capacity that can be worked also in the coming years is the so-called Kacice field, from which the Klement Gottwald Mine enterprise is obtaining about one-half of its annual output. Here it will be necessary to successively work several seams of irregular thickness, with many geological and tectonic anomalies.

The output of the other mining enterprise, the Nosek Mine, likewise shows a declining trend. Its reserves are gradually becoming depleted, and this fact will require considerable effort to maintain the year-on-year drop in output at a minimum during the 7th Five-Year Plan.

In the West Bohemian Basin the best-grade and most favorably bedded coal reserves have already been removed. The Prokop Mine was abandoned in the last year of the 6th Five-Year Plan. The remaining mining capacities are the Antonin Urxa Mine, where most of the workable reserves are concentrated, and the Dobre Stesti (Good Luck) Mine. A new capacity with a smaller volume of reserves is the Ovcin strip mine near Privetice. The output of the West Bohemian Coal Mines concern enterprise is essentially stabilized.

The East Bohemian Basin is the oldest coal-mining district in Czechoslovakia. The coal reserves in variously bedded seams of different thickness are being mined at the J. Sverma Mine in Zacler, the Stachanov Mine in Radvanice, and the Z. Nejedly Mine in Rtyne. Organizationally they belong to the East Bohemian Coal Mines concern enterprise in Male Svatonovice. At the end of the 6th Five-Year Plan, the worsening mining-geological conditions and the intensive capital construction in the basin created problems in ensuring the planned output. Under the 7th Five-Year Plan, however, this is the only enterprise that expects an increase in output, especially under future five-year plans when capital construction will have been completed.

In the Rosice-Oslavany Basin only the Jindrich Mine is in operation. It has reached a depth of more than 1300 m, encountering the considerable climatic and other difficulties that are characteristic of deep mines. Particularly the reassignment of the mine into a higher hazard class after the exceptional events in 1980 influenced unfavorably the results of the 6th Five-Year Plan and is causing a gradual decline of the annual output.

Considerable resources have been allotted to make the Kladno Coal Mines concern better prepared for the tasks of the 7th Five-Year Plan and in the subsequent

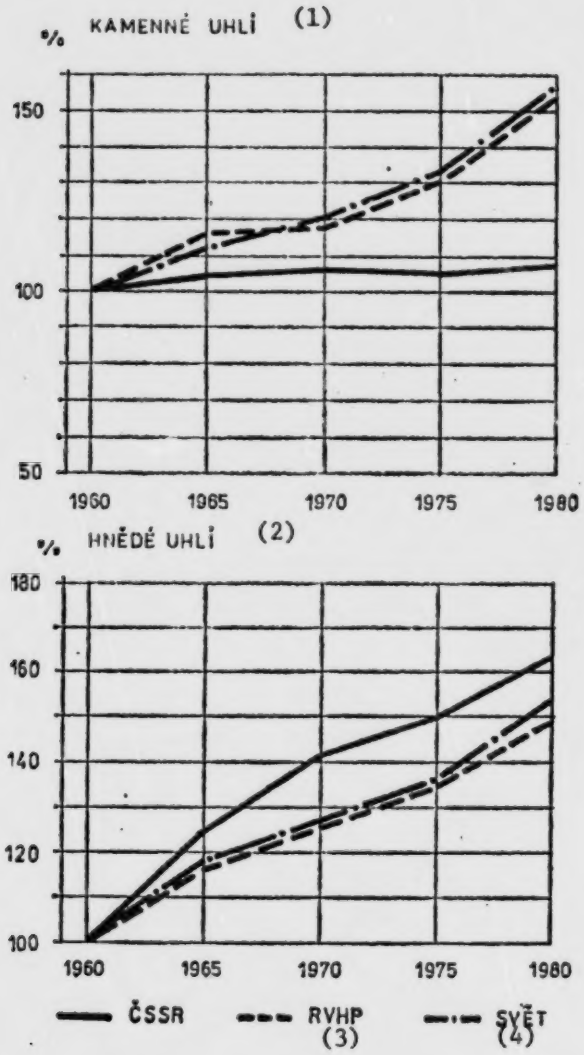


Figure 2. Output of coal and brown coal in 1960-1980.

Key:

1. Coal
2. Brown coal
3. CEMA
4. World

years. The reconstruction has been completed of the Nejedly Mine into the Klement Gottwald Mine concern enterprise, at which most of the mining in the Kladno Basin is now concentrated, including the newly developed reserves of the Kacice field. Maximum attention will be devoted to the mining-geological exploration of the future Slany mine and to the start of capital construction. In the West Bohemian Basin the reconstruction of the Antonin Urxa Mine and the development of the reserves in the Vejprnice field have prolonged the life of the West Bohemian Coal Mines concern enterprise until the 9th Five-Year Plan. And in the East Bohemian Basin investments will be directed toward completing

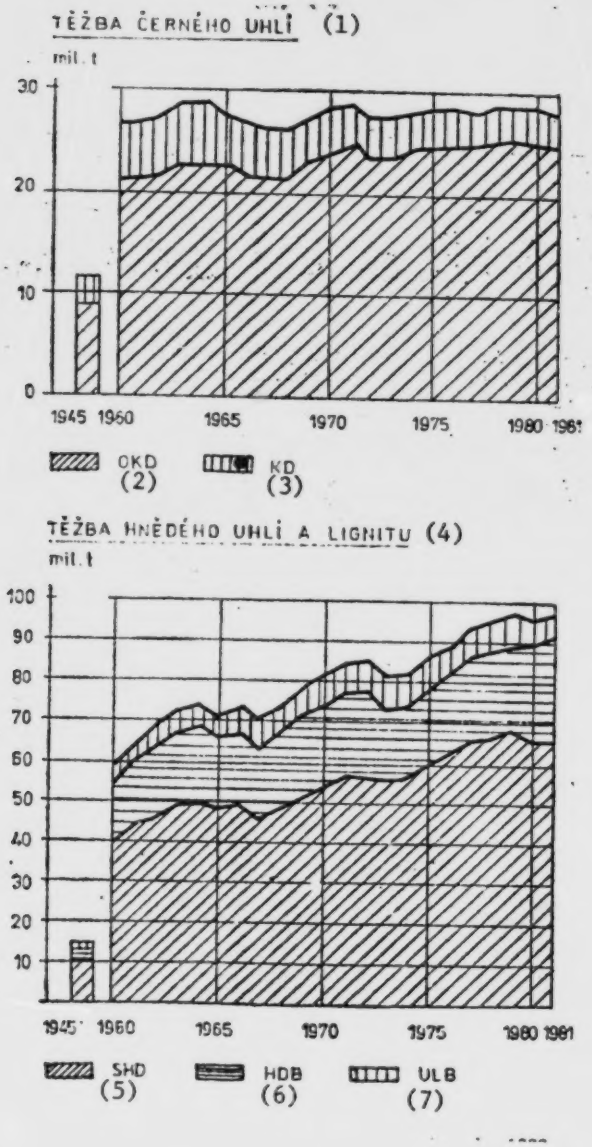


Figure 3. Output of bituminous coal, brown coal and lignite in 1960-1981

Key:

1. Output of bituminous coal
2. Ostrava-Karvina Mines
3. Kladno Mines
4. Output of brown coal and lignite
5. North Bohemian Brown Coal Mines
6. Brown Coal Mines and Briquet Works, Sokolov
7. Coal and Lignite Mines, Prievidza

the construction of the Nejedly Mine, developing investment activity for the construction of the Stachanov Mine, and certain projects at the Sverma Mine. Exploration must be ensured with sufficient lead time, particularly at the Nejedly Mine.

## Complexities in the Krusne Hory Foothills

The mining-engineering conditions in the Sokolov and North Bohemian basins are worsening. The overburden ratio, which expresses the volume of overburden per ton of coal, is increasing constantly, and so is the hardness of the overburden. The coal seams are located at depths ranging from several tens of meters to 150 meters. The haulage distance at the large-scale strip mines is becoming longer: the stripped overburden is stacked in distant spoil banks, and also the coal must be hauled to distant preparation plants. In many of the strip mines the coal is being removed from caved fields, i.e., from coal seams that have already been mined by underground methods. As a result, the mined coal contains an increasing proportion of grades with a high ash content.

In the North Bohemian Brown Coal Basin the coal reserves at several mines have been exhausted, and there is also a decline of capacity at the mines whose service life is about to end.

Development of the coal output in both basins of the Krusne Hory foothills under the 7th Five-Year Plan will be 95 percent mechanized. The strip mines have been and are being equipped with technological units of the TC 1 and TC 2 series, including digging-wheel excavators of the KU 300 and KU 800 types for removing the coal and stripping the overburden, and stackers for stacking the spoil. The high wall and the spoil banks will be connected by long conveyor belts 1600-2200 mm wide. At present there are ten TC 2 technological units with KU 800 excavators in North Bohemian Brown Coal Basin, and one in the Sokolov Basin. The first technological unit of the TC 3 series, with a K 10,000 excavator and ZP 10,000 stacker, is in trial operation at the Maxim Gorkij Mine.

The concept of using giant excavators was gradually included in the plans for the construction of new strip mines. To ensure the development of both basins, the design and development of the TC 2 and TC 3 technological units, with an output of 5000 and 10,000 $m^3/h$ respectively, were assigned as tasks of the plan for the development of science and technology. However, the annual outputs of the present technological units are below their design capacities. The high frequency of the most diverse breakdowns of the giant excavators and conveyor belts is causing frequent stoppages, as a result of which the utilization of available machine time and capacity is low.

It was decided to resolve this situation by redesigning the individual technological units so as to reduce the frequency of breakdowns, increase the units' operational reliability, and achieve 4500 hours of operation a year through fewer stoppages.

The interministerial commission on giant excavators prepared the catalogues for redesigning the KU 800 and KU 300 digging-wheel excavators and the long conveyor belts. These catalogues specify the present state of the individual items, subassemblies and parts, and the manner in which they are to be redesigned.

The documentation for redesigning the individual technological units was prepared on the basis of these catalogues. The documentation specifies also the time limits and financial incentives, and it has been reconciled by the suppliers and customers. The financial and work volumes are substantial, and

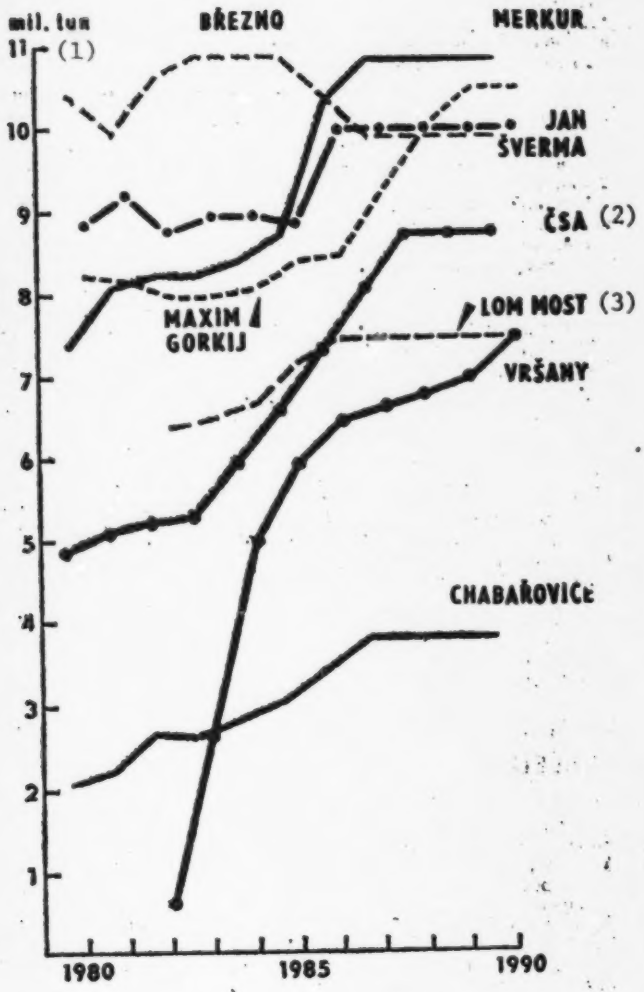


Figure 4. Anticipated development of the output of brown coal through 1990.

Key:

1. Million tons
2. Large-Scale Strip Mine of the Czechoslovak Army
3. Most Strip Mine

therefore the redesigning cannot be completed ahead of schedule: the end of 1983 for the technological units with KU 300 digging-wheel excavators, and 1984 for the technological units with KU 800 excavators. The demanding nature and complexity of these tasks stem from the fact that the design changes must be made during full operation. Therefore exceptional measures are being announced, and equipment and workers are being concentrated so as to keep production dropouts at a minimum.

The output tasks of the brown coal basins in the Krusne Hory foothills were discussed at the January 1982 conference that Federal Deputy Prime Minister Ladislav Gerle held with the ministers of the supplying departments. The following specific tasks were set at this conference:

--The utilization of heavy equipment within the CSR Ministry of Construction must be checked for possible temporary deployment to help out the mining enterprises in the North Bohemian Basin.

--The giant excavators and long conveyor belts must be redesigned in 1982.

--Capital construction at the brown coal basins in the Krusne Hory foothills in 1982, 1983 and in the subsequent years of the 7th Five-Year Plan.

--Technical development of mining technology.

--Deliveries of spare parts must be increased for the DET 250 bulldozers and their general overhauls.

Slovakia: Output Increasing

The Coal and Lignite Mines concern of Prievidza has deposits of brown coal and lignite in three basins:

--In the Handlovo-Novaky Basin whose tectonic dislocation and irregularly caving overburden make mining difficult;

--In the South Slovakian Basin where the mining-engineering conditions of coal production are aggravated by complex hydrogeological conditions, and in some sections also by occurrences of carbon dioxide;

--In the South Moravian Basin where the deposit is slightly faulted and has complex hydrogeological conditions. The overburden and bedrock have sandy layers with water pressure.

To increase the output capacity, the Cigel and Dolina mines were modernized, and the edge of the Novaky Coal Mines' deposit was made accessible for mining by opening the Lehota small strip mine, the first strip mine on the territory of Slovakia. The principal tasks of the South Moravian Lignite Mines in Hodonin include the draining of the lignite deposit and the construction of a new mine, the 1 May II. Construction of the Hodonin Mine I is nearing completion, and it will start production in 1983. The concern's coal output will increase under the 7th Five-Year Plan, reaching 7.8 million tons by 1985.

The demanding nature of the miners' work, the high output tasks and the limited number of workers were not in accord with the requirements and necessitated the solution of this situation. The 16th CPCZ Congress appreciated the miners' work results and ordered the adoption of measures to improve their social care, and their living and working conditions.

Accordingly, the federal government's presidium adopted its legal measure No 41 of 14 January 1982 that influences very significantly all basic questions of

economic and social policy in coal, uranium and ore mining. The overwhelming majority of the jobs in mining are associated with specific working conditions that require solution of the questions concerning the working environment. The primary concern is industrial safety, i.e., the prevention of injuries and occupational diseases, and the complete elimination of harmful factors, including dust control, noise abatement, control of vibration and undesirable rock phenomena, particularly rock bumps, the prevention of gas bursts and water bursts, solution of air conditioning for the work stations, prevention of exposure to ionizing radiation, and overall improvement of the working and hygienic conditions.

1014
CSO: 2400/356

## BANK DIRECTOR CALLS FOR IMPROVED EXPORT, SET OF MEASURES

Bratislava PRAVDA in Slovak 8 Sep 82 p 4

[Interview with Eng Vladimir Valach, director of the Czechoslovak Commercial Bank's Bratislava joint stock company affiliate, by Peter Sitanyi, date and place not specified]

> [Text] One of the main tasks of our economy during the Seventh 5-Year Plan is the strengthening of our export capability. It is no secret that in this area, we have thus far failed to achieve the kinds of results that we need and that we have the capability for. Thus, if a person discusses our exports to nonsocialist states with leading economic figures, it can be heard from them that there are great problems with these exports, true, it is said, that objective reasons lie behind them. Hardly any of the directors of enterprises, VHJ [economic production units] or certain ministries admit that we ourselves create a real barrier to increasing our exports. Thus, we discussed these and other questions with Eng Vladimir Valach, director of the Czechoslovak Commercial Bank's Bratislava joint stock company affiliate.

[Question] Comrade director, do you think that objective problems and reasons predominate in the area of our foreign trade relations?

[Answer] One cannot view the total situation primarily from that aspect. The entry into the eighties brought many new phenomena. In the world, economic growth has slowed down, the economic foreign-exchange situation has deepened in capitalist countries, etc. In our opinion, these are all objective reasons, for many capitalist companies that we were trading with are finding themselves in financial difficulties, or have gone bankrupt. Everyone is striving at all cost for maximum exports and the lowest possible imports. This is the reality of the situation. Over and above that, there has also been a substantial worsening of conditions in international financing markets, the instruments which at one time characterized economic cooperation (credit, trading in food products, etc) are now becoming instruments of political pressure. We have to keep all of this in mind, but these are not facts that are to serve us for substantiating some of our own deficiencies in foreign trade.

[Question] It can be gathered from your words that, evidently, we have sufficient internal reserves, with the use of which we could substantially improve the situation in this area.

[Answer] Conceivably, however, let's call things by their right names, because we are not speaking of reserves alone, but also about many deficiencies, and there is a difference.

[Question] At the present time, there is much talk about economic effectiveness in our country. Of course, this applies, not only to the production area, but also the area of foreign trade. The latter could often give signals to production on what could be saved and where. Could you cite at least one example of something that would verify that known fact in our economy, we expend excessive energy, materials, and raw materials per unit of production?

[Question] Once, we analyzed the development of trade between France and Czechoslovakia. In doing so we found out that 3 kg of our exports cover 1 kg of our imports from France.

[Question] It could be said that in foreign trade, so-called volume indices still predominate, that we want to export mainly large quantities and volumes, but we are still not giving sufficient priority to quality, technical parameters, efficiency, etc.

[Answer] It may be said that way also, however, like it or not, we have to change our approaches in foreign trade, there is no way we can keep on doing things the old way, why, the forcible pressure to export can sometimes mean a loss of effectiveness, or even a loss of market. We have to give considerably more thought to what we have capacity for, what is most advantageous for us, which partner is the best, how to distribute our resources also from the standpoint of international socialist integration, further restructuring of production, etc.

[Question] It seems that you have conceived certain ways out of this situation.

[Answer] There is not, nor can there be, any thought about any kind of subjective ideas and wishes. It is necessary to remind oneself of the resolutions of the November plenum of the CPCZ Central Committee in 1974, the conclusions of the 16th Party Congress, and the fourth and fifth plenums of the CPCZ Central Committee and the sessions of the CPSL Central Committee, and to put them into practice consistently. An increase in the level of our foreign trade is not possible without the fulfillment of three basic requirements. First is a more consistent adherence to labor, technological, contractual, planning and financial discipline. Second, it is necessary to intensify familiarization and analytic activity, and finally, also to prepare measures within the framework of the set of measures. Thus, in the drive toward exports and export effectiveness, we are speaking about many levels in the area of operation, management and organization of work, but even in the conceptual and systemic area. This concerns not only foreign trade enterprises (PZO) but production in particular, and also the self-supporting [khozraschet] spheres and center.

[Question] Labor, technological and contractual discipline are not unknown concepts, however, in foreign trade, it is still just needed to understand them more specifically....

[Answer] I will give hard facts. Sometimes, it happens that when industry sends comparison goods of some new product to a foreign partner who is interested in it, it does not send a product there that is brought up to first-grade quality, but just to third-grade. Simply stated, should there be still any room in a railroad care, it is filled up with whatever is on hand. Think a little about the problem of that foreign customer and you can easily conclude how he would be reacting to that. Or another example; if we should send comparison samples of high-quality antifriction bearings to a foreign partner that are wrapped in old, dirty paper, do you know what he will tell you? He will acknowledge that analagous products from other suppliers are of lower quality than ours; however, he will also stress that the competing supplier respects him, that he sent him clean samples, in attractive wrapping, etc. There is no guarantee coming from us that our possible supplies will be reliable in all aspects when we send even samples in such a condition.

[Question] Certain foreign-trade enterprises and production enterprises explain the nonfulfillment of export assignments, aside from the worsening marketing situation, also by the obselescence of machinery. Let us turn aside momentarily from exports and dwell on imports, in particularly of machinery and equipment. Various studies and analyses confirm that we have considerable reserves and deficiencies in the utilization of machinery and equipment imported from abroad.

[Answer] Yes, for example, toward the end of the first half of 1982, in the production enterprises of the VJHs [economic production units] in the SSR Ministry of Industry, more than exchange korunas' 1.5 billion worth of machinery and equipment that had been imported continued to be unused, thus, the machines were idle.

[Question] Obviously the workers of the ministry would object in this case to the fact that much capacity was not put into operation in time.

[Answer] Of course. However, for these problems, one must not look at things only from a departmental aspect. The reality is harsh, and the overall social extent is considerable and negative. But improvement is possible, nevertheless. This is attested to also by the positive example of the third or fourth stage of construction of Chemion Humenne several years ago. This investment action with the importation of several hundreds of millions worth of equipment, gave evidence of a well-considered conceptual approach encompassing every detail, which was decisive in the fact that the investment project was fulfilled several months earlier than had been expected. In doing so, extra new products were obtained for the domestic market, and for export as well in the amount of several tens of millions of korunas.

[Question] You mentioned the intensification of our analytic and familiarization activity as one of the future conditions for raising the level of our export capability. Could you explain this in greater detail?

[Answer] Yes, the same thing applies to economics as to medicine--effective therapy can be applied only on the basis of correct diagnosis. For example, it is said that marketing has dropped in foreign countries. Although that holds true on an overall scale, it is necessary to recognize the market condition development in its structure, since, for example, there are branches where the growth curve continues to be high, for example, in the pharmaceuticals industry, or in branches that are closely tied to scientific and technical development, and, obviously, in top-quality products. We have to find ourselves a solution here, as well. Of course, a prerequisite for success in foreign economic relations is the intensification of socialist economic integration, too. We still have considerable reserves in specialization and cooperation with socialist states, and in greater coordination of joint approaches to third country markets, as was also demonstrated at the recent CEMA conference in Budapest. In exporting and even importing machinery, there exists a possibility and a stark inevitablity of expanding to a much greater extent, the register of different forms of trade transactions that are adequate for a given situation. First of all, this concerns production cooperation, the appropriate interlinked trading, cooperation on third-country markets, leasing, etc. A further inevitability also is that of keeping tabs on foreign-exchange developments under current chaotic, speculative, and considerably high exchange-rate fluctuations, and then the evaluation of geopolitical foreign-exchange and other commercial risks. For example, we consider the developing countries to be one whole; at times, however, within the framework of these countries, there are already many groupings from a standpoint of economic growth, indebtedness, political orientation and stability, and all of this also has to be brought to our attention, in the development of our foreign economic relations. In other words, it can be said that today, trade matters are a matter of concern not only for traders and bankers, but also for engineers, lawyers, financiers, etc.

[Question] However, this approach has not been completely adopted in our enterprises, VHJ and ministries....

[Answer] It's a pity, but thus far there is a lot of talk about exporting, but we haven't done everything, even for the creation of a satisfactory export climate that would be adequate also from the standpoint of the urgency of demands. It is insufficient to just look at the plan tasks for this year, or to the end of the Seventh 5-Year Plan. Every enterprise, sector, and branch should get to know how things stand for them in comparison with the world, what to do so that, for example, by 1985, or by 1990, they would approach the world peak with their products. This, of course, calls for further reciprocal ties and social requirements for the future orientation of scientific and technical development, innovation processes, and goal-oriented concentration of investment and exchange funds in pursuits that are of high priority and effectiveness. A further reality that is not always obvious in practice is also dependent upon the export climate. What this means is that the fulfillment of export assignments would have to be the affair of the entire collective, a matter of pride, of the good name of the product and the enterprise. Not only the management, but all workers, and this means those in quality control, in packaging, in shipping, they all have to be aware that even the financial condition of their enterprise, their salaries and their

awards, as well as the capability for their enterprise to have further imports for operational requirements and for technical development, depend on export and its effectiveness, and on the accumulation of foreign exchange in export.

[Question] The Set of Measures has been in effect in our economy for more than a year and one-half. How would you describe its influence on our foreign trade?

[Answer] In this area, thus far, the Set of Measures has not been worked out sufficiently. This is known, and is being dealt with. This involves, for example, the area of supplier-user relations between industry and foreign trade, for the purpose of increasing the producer responsibility for foreign trade results, closer links between scientific and technical development and foreign trade, the area of material incentives, price formation, etc. However, you have to have a thorough knowledge of what you are doing. The Set of Measures is not a self-redeeming thing. Even the best proclamation or prescription cannot improve the situation and solve the existing problems if people do not want to do so, or if the conditions for dealing with the problems are not changed.

For example, for the complex analysis of economic activity for last year, Kerametal and its suppliers behaved pretentiously toward one another, although together they attained wholly good results anyhow. On the other hand, in our wood and furniture industry and in its export, there are many deficiencies and problems, but making the same analysis, Drevounia and the producers behaved as through their problems of mutual supplier-user relations did not even bother them very much. It is true, as it is said, many things have to be changed, even in the rules of the game. For example, the increase in wholesale prices during innovation does not always reflect a growth in its utility value even when this sort of "innovated" product is put on the foreign markets, its f.o.b. price is not increased as much as the wholesale price, but, in contrast, it is necessary to lower that price still further, because the competition has a more rapid innovation process. Obviously, it is clear as day that the effectiveness of export is lowered with this. The drive for exporting is not always united and coordinated in the foreign-trade enterprises and industry, even from the standpoint of export plan indicators, and their realization and effectiveness.

[Question] Of course it would be possible to spell out still more problems an and deficiencies that we have to correct in our foreign trade. On one hand, they may at times be unnecessary, at the same time, however, they give cause for real optimism....

[Answer] Understandably, in the very solution of existing problems and the elimination of mainly subjective deficiencies, one has to see solutions, reserves, ways toward increasing the level of our foreign economic relations. And it is for this very reason that it is necessary for producers and foreign-trade workers not to look for cop-out answers in the objective difficulties and problems of the world economy and trade. Yes, such problems are there, however, in spite of them, we can attain much better results than we have so far, even in export.

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CSO: 2800/379

## LACKADAISICAL APPROACH TO SET OF MEASURES CRITICIZED

Prague RUDE PRAVO in Czech 10 Sep 82 p 1

[Editorial: "Improve Management, Increase]

[Text] The first and most important prerequisite for development of the intensification of the national economy and increasing its efficiency is continuous improvement of all forms of management. For that reason the CPCZ pays foremost attention to the quality of management throughout the economic sphere. The Set of Measures for Improving the System of Planned Management, approved in the first quarter of 1980 by the Presidium of the CPCZ Central Committee and CSSR Government, is among the most significant documents stimulating economic development over the past years. It involves an extensive set of new measures and rules for management, planning, organization and a system of incentives in all spheres of the national economy.

The Set of Measures has been in force for 20 months now. The findings made so far show that it positively affected the qualitative aspects of management last year and in the first half of the current year. Nevertheless, these results must not be overestimated, because up to now they involved activation of easily mobilizable unused resources, and even that not in all sectors. On the other hand, it appears inevitable to tighten the criteria for assessment of products, to limit exemptions from their technical level and quality and to refrain from granting any exception in regard to validity of the rules implemented by the Set of Measures.

Improvements in the system are to bring about significant improvements in the quality of management. Experience shows that there is need for active help by party organs and organizations toward a much more active approach to changing the style and methods of management, compilation of plans and their implementation, toward overcoming traditional, often bureaucratic, approaches and toward more resolutely opposing efforts to pass on solution of problems to higher levels of management.

It is essential that managerial personnel be oriented to a great extent toward conceptual problems in development of branches and sectors, toward coming to grips with solving the problems attendant to assignment of jurisdiction and responsibility at all levels of management. The comprehensive programs worked out so far for developing the management of ministerial branches still fail to meet the demanding requirements of the Set of Measures, there is a prevalance of organizational and legalistic approaches at the expense of economic approaches.

There is considerable differentiation in the progress made with implementation of the new rules. This is best documented by the considerable number of VHJ's [economic production units and organizations] that only now are winding up adaptation of the new rules to their conditions in intrasectorial and intraplant management. After the requirements of the Set of Measures had been common knowledge for 2 1/2 years, it says something about their leading personnel. There is also a great difference in the degree to which work teams and individuals are familiar with the contents, specific rules, regulations or orientation of bonus systems under the conditions of individual places of work, which often has as its consequence inadequate participation of employees in formulation, implementation and assessment of meeting the plan, in implementation counterplanning and in their motivation for continuous improvement of work results. Only one conclusion can be derived from this state of affairs--responsible personnel in some organizations have approached implementation of the Set of Measures with procrastination.

Implementation of the Set of Measures brought with it a number of steps promoting technological development. Even though it involves factors that remain operational over longer periods of time, their effects to date have been less than satisfactory. Technological development in many organizations is still considered to be an independent, loosely linked part of economic planning. The biggest problems in the area of technological development persists in introduction of the results of new technological achievements and other forms of innovation in production. Among the key reasons for the described state of affairs is lagging preferential treatment accorded to personnel engaged in technological development in regard to wages and morale, there are lagging resources in capacities for implementation of innovations in the case of producers, subcontractors, etc. Inadequate capacity for innovation becomes reflected particularly in the area of foreign trade, to which production not infrequently offers obsolescent goods. But that is not a fault of the Set of Measures, but of key managerial personnel who fail to systematically implement its provisions.

The above-mentioned and other shortcomings are due to a failure to comprehend one of the most important rules of the new system of management which assigns technological development the function of being the key axis for all managerial, planning and organizational efforts. The plan for technological development of economic branches, VHJs and enterprises is not being drawn up as the basic document determining other parts of economic planning, but as a supplement, at best as a parlallel line to or superstructure of the enterprise, branch, or sectorial plan. Simply put--the procedure applied is rather contrary to that called for by the Set of Measures. This weakens, or completely fails to make use of the mobilizational properities of a number of elements, but the entire concept of utilizing the key factor for intensification of the national economy is put upside down.

Thus, there is no wonder that in some cases the attained results fail to result in the expected changes. For example, the share of first-quality products in five selected sectors (three federal machine-building and both national ministries of industry) amounted last year to Kcs 47.5 billion, which was an approximately 6.25 billion increase over the preceding year. In a longer-term projection, it is for all practical purposes identical to the increase registered and economic level also does not significantly deviate from the

development in the past years. One of the causes is rooted in unsatisfactory introduction of comprehensive quality-control systems. The progress of their introduction is imbalanced not only within sectors, but also between branches. Some enterprises, VJHs and sectors do not envision the final phase for introduction of comprehensive quality control systems until next year. That is evidence of inflexibility and slow reaction to justified requirements; after all, the government resolution regarding a comprehensive system for development of quality control was adopted as early as 1978. In the 4 years that have elapsed since, the overall results could have definitely been better.

The entire Set of Measures is oriented toward improving the efficiency of the national economy and, within it, improving the efficiency of exports. What do the facts show? In the machine-building sector the share of new products with verified quality amounts to 78.4 percent in comparison to 48.7 percent of products with verified quality from total production. The sector of metallurgy and heavy machinery also has a share of products with verified quality approximately double that of the same category of total production. However, the share of products with a high technical and economic level in both machine-building sectors also amounts to only 26.8 percent of all new products. Thus, only about one-quarter of new products promotes increases in effectiveness. That also bears witness to underestimation of the significance and position of technological development which, after all, should be coming up with new products of a high technical and economic level. It must be admitted that the rate of development of new high-quality and technically advanced products does bring some positive changes, but these are only interim, partial successes that provide encouragement toward more concentrated efforts in the given field. However, their practical contribution still fails to play the decisive role. And that is the kind of contribution that we do and must strive for.

In assessing the progress of practical implementation of the Set of Measures, much better results continue to be shown by industrial branches. On the other hand, in the field of capital investment a number of measures still failed to be worked out by responsible control organs, even though they involve such important matters as are, e.g., encouragement of savings in budgetary expenses, shortening construction deadlines, billing for installations, etc. That is obviously the reason why the results attained in the field of capital investment and construction in general are unsatisfactory. And it also bears witness to a lack of discipline in some links in the chain of management. It is not enough to just acknowledge the existence of resolutions, the main thing to do is to implement them.

The Set of Measures is not at all just some administrative matter, as the behavior of key personnel in some organizations would tend to indicate, but a challenge to a change in thinking and approaches to work which cannot be disregarded, challenge to combat shortcomings and problems, mobilization of talent and resources, repudiation of any form of taking things easy and procrastinating, a test of party and civic responsibility. It is, therefore, imperative that its implementation be approached in this manner and its progress assessed accordingly.

The Set of Measures was adopted as an open system with the proviso that it would be gradually and continuously updated and improved. To put it simply--it will keep imposing progressively higher and more demanding requirements. Therefore, the program for continuing efforts for improving the system of management and planning is based on findings and experience gathered in implementation of the Set of Measures to date and on future conditions of economic development. Its objective is such a development of the system of planned management as would promote closer reapprochement among management and planning systems within CEMA. The substance of all other elements remains further intensification of the development of the national economy and ongoing improvement of its efficiency.

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## EXPERTS INTERVIEWED ON USE OF ROBOTS, MANIPULATORS

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[Interview with Eng Vladimir Cop, ScC, director of the Metallurgical Industry Research Institute in Presov, and Eng Milan Damits, ScC, secretary for science, by Jan Prochazka and Zdenek Skoda: "The Feedback Principle"; date and place not given]

> [Text] What is the definition of the word robot? For a long time dictionaries--even the most authoritive ones--described it only in terms of kitchen appliances, automatic pilots, or [the drama] RUR by Karel Capek. It was not until 1966 when "Prirucni slovnik naucny" [Concise Encyclopedic Dictionary] included the definition: "An automaton capable of reacting to certain impulses from its environment and simultaneously, of reverse reaction on that environment." In technical terms, this means a robot with a higher level of intelligence (if we exclude impulses introduced manually or by a set program). In economic terms, however, this basic attribute--feedback--is already working! This was confirmed in our interview by experts from the coordinating institute for industrial robots and manipulators.

On the day they were signing a contract on servicing of robots and manipulators with the Institute of Technology, Eng Vladimir Cop, ScC, director of the Research Institute for the Metallurgical Industry, and Eng Milan Damits, ScC, its secretary for sciences, explained to us how robots fit in the field of economy and organization.

The main topic of their explanation was the feedback to the environment.

[Question] Where do we need robots and manipulators and where can we deploy them? Are some areas mapped for their most efficient utilization in specific Czechoslovak conditions?

[Damits] Since 1976 when our state research began developing the model series, the needs for this equipment have been continuously studied. First were analyzed the needs stemming from potential automation of individual machines

currently installed as well as those newly developed, and their prices and use; secondly, the needs of their users were studied by means of marketing, and thirdly, plans for thorough modernization and rationalization programs were analyzed.

Thus, we made detailed assessments of the needs in the ministries of general engineering, metallurgy and heavy engineering, and of electrical engineering. Furthermore, partial analyses were made of branches manufacturing consumer goods--textile, knitting, glass industries. At present, we are conducting the study in other sectors. Thus, it may be said that we are informed of the needs in the CSSR.

[Question] These are needs according to your evaluation. To what extent do they agree with the actual interests of potential users?

[Cop] The Presidium of the CSSR Government requested that the programs for the production and deployment of industrial robots and manipulators be specified, and on that basis we proposed that about 3,550 units be manufactured in the Seventh 5-Year Plan. This number includes 1,550 units for the Ministry of General Engineering, 1,350 units designated for metallurgy and heavy engineering, and 645 units for the electrical engineering industry. However, according to our analyses potential use of the newly developed machinery in technologies installed in production exceed three times the volume currently allocated for their production.

[Question] Why is there such a difference between the opportunities and practical needs?

[Cop] Major potential users either failed to realize how important robots and manipulators would be for them, or they could not set aside large funds for their purchase. Moreover, planning preparations for the organization of automated technological centers and higher production systems with robots and manipulators are lagging behind greatly. And thus, neither major modernization programs nor new investment plans include this technology.

We proposed two solutions: according to the first, the existing engineering planning capacities operating in appropriate VHJ [economic production units] or in engineering organizations directly managed by the ministries would set aside a part of their capacity which will be balanced in the plan. We do not have to run them directly but we must balance their capacity in order to know that such and such capacities are needed and how the VJH will pay for them.

We propose another solution, so that at least one-half of the concentrated capacities be in reserve for dealing with major programs. For example, a modernization program will be under consideration in the production of automobiles or washing machines. The appropriate VHJ cannot resolve this whole problem with the few experts on its staff. Therefore, competent engineering-planning supply capacities with a staff of experts must be active in our republic. Under such circumstances we may aspire to export plants--immaterial products--even to capitalist states. However, both our specialized production and principal consumers must expand production capacities for accessories for robots. This represents about 10 percent of the volume of goods manufactured by the engineering industry in the GDR but less than 1 percent in our country.

The association of planning and service engineering organizations, ROBOTECH at the VUKOV [Metal Industry Research Institute] in Presov, will plan engineering programs. For its membership were proposed engineering planning and service sectors of VUKOV and of principal manufacturers of robots and manipulators, furthermore, special sectors appointed in centrally managed professional planning organizations and newly built central planning and service facilities at the CVUT [Czech Institute of Technology] in Prague, VUT [Institute of Technology] in Brno, and the capacities of the Institute of Technology in Kosice. VUKOV will coordinate the program on the basis of agreements on association and bilateral service contracts.

[Damits] The analysis of the needs in other nonengineering branches must be amended, as stipulates decision of the Presidium of the CSSR Government No 211/81 of 10 December 1981.

[Question] Why are robots not included in new construction plans?

[Damits] It will be another task to obtain--through the Federal Ministry for Technical and Investment Development and individual ministries--additional experts for the planning of major investment programs from the point of view of automated technologies in the seventh and eight 5-Year Plans. As soon as the planning of the utilization of this technology begins--and I cannot think of any other way--the required specific-purpose supplements will be allocated by the ministries through the VHJ for the enterprises.

[Question] What is the main reason the future users of robots are coming to you? Are they eager to get modern technology for its own sake, or do they expect that it will help solve their problems, for example, shortages of workers? Is the latter issue regarded as a possibility for the future or is it an actual, urgent problem?

[Damits] In some cases the motivation of the users is obvious: immediate shortages of workers. For instance, there are no welders available and hence, the demand for welding robots. If today we had 10 times more such robots on hand, we could sell them; unfortunately, we do not have Mezomatic electric drives. Robots for coat spraying and for forges are in the same demand.

The motiviation to save workers in machining sectors is not so urgent, however, it is relatively pressing in profiling, but in those cases we are able to meet the demand.

[Question] How have you developed robots and manipulators according to their special purposes?

[Cop] The state program for the development of sciences and technology coordinates research and development of adaptive industrial robots and unified manipulators. This task is included in international scientific and technical cooperation; a model series is being supplemented and integrated with products of the USSR and Bulgaria on the basis of cooperation on an international scale.

[Damits] Research and development of M 4 models of profiling manipulators are finished as are universal industrial robots for machining, assembly, control, servicing of PR 4 and PR 16 pressure-casting machinery, PR 32 industrial-welding robot, handling building-block units for the construction of M 63 automated

production systems and lines, ML 16 loading manipulators for large-surface molding, M 40 and RMS 35 manual balancer. They have been introduced in the production process or their prototypes are being tested. The USSR and CSSR jointly designed and developed other models whose series production in our country will begin in 1983, namely, models AM 5, MTL 10, UM 160 developed by VUKOV in cooperation with the Soviet organizations ENIKMASH of Voronezh, NIISL of Odessa, and ENIMS of Moscow.

In the Seventh 5-Year Plan the model series will be expanded by at least seven other robots and manipulators which will be manufactured beginning in 1983. This series includes also the PMS and PMZ manual pneumatic manipulators made by the Skoda Works in Ostrov nad Ohri, and the MX assembly foundation units developed by the Research Institute for Mechanization and Automation. More than 380 units of special-purpose manipulators will be developed and manufactured for machining and profiling equipment by the TST [Engineering Machinery Plants] syndicate.

[Question] Which enterprise are already involved in the production?

[Cop] In addition to the above-named producers, the ZPA [Machinery and Automation Plant] in Presov, Vihorlat in Snina, ZTS [Heavy Machinery Enterprise] in Detva, ZTS in Bardejov, BAZ [Bratislava Automotive Enterprise] in Bratislava, ZEZ [Electric Heating Appliances Enterprise] in Horice, Kovopol in Police nad Metuji, SAM in Myjava and TOS [Machinery Tool Factory] in Trencin have begun production.

[Question] The Czechoslovak Motorcycle Works [CZM] in Strakonice also developed their own robot, and the Research Institute for Electric Rotary Machinery in Brno has developed another one. Are these products included in this system?

[Damits] These robots were not developed as a part of the model series which must be integrated in the CEMA model series. The ZSE itself does not count on mass production; in the 5-year period it intends to manufacture about 29 units. The CZM in Strakonice anticipates large-scale production after the completion of the development.

[Question] Here is another feedback--limited series of models are very costly. Compared with 30,000 to 40,000 robots and manipulators in the GDR and hundreds of thousands of them in the USSR, we in our country are still at the stage of piece work, or at best of limited series production, if only 3,500 units are planned for this 5-year plan.

[Cop] Just the same, our prices are in agreement with world averages. Our price for manual manipulators is approaching the range of Kcs 30,000 to 80,000 of simple manipulators about Kcs 100,000 to 200,000 and of complex industrial robots and manipulator systems Kcs 600,000 to 1.2 million. However, the prices of our electronic control systems, electric and hydraulic drives are not in line with world averages.

[Question] What is the share of control systems in the price of robots?

[Damits] They account for up to 40 percent of the total price, which is too much in comparison with their share in the world. Nevertheless, we must consider that the prices of electronics will drop substantially. We outfitted the RS-3 system with Model 8080 microprocessors developed on the basis of the system of small SMEP electronic computers. The entire control system of our robots is being adapted for it. We have just finished the design of the RS-1 C control system where we succeeded in slashing the price by as much as Kcs 100,000 to 150,000. The price of the RS-2 system is Kcs 220,000 to 280,000 the new ceiling planned for RS-1 C is Kcs 130,000. That is a simple system which is quite satisfactory for our model series of pneumatic and hydraulic drives.

[Question] Users are probably more concerned about the returns on their investments than in the purchase cost. What is the outlook, judging from your experience thus far?

[Damits] Users consider efficiency in terms of savings of about 1.5 to 2.6 workers per robot or manipulators. Furthermore, among their advantages is that the rate at which the production machinery is utilized may be increased on the average by 20 percent and increased in addition by about 40 percent by operating the machinery in second and third shifts. Thus, the return on the already developed as well as on the planned industrial robots and manipulators is on the average 2.6 to 3.6 years. However, we envisage no substantial increase of efficiency before group deployment of robots and manipulators and before using repeat plans.

We proposed recently an amendment for the estimate of efficiency in the deployment of automated technology, which would give a better account of the costs of saving of workers. The FMTIR [Federal Ministry for Technological and Investment Development] is working on the amendment; it will improve the indicators of returns for the assessment by the Czechoslovak State Bank.

[Cop] We have a standard plan for the establishment of automated workplaces. Our analysis of future users will estimate their technical and economic prospects. The plan will not be implemented if the returns on investments are espected in the foreseeable future. Sometimes, however, we cannot think along those lines; we must intentionally disregard economic criteria where it concerns, for instance, unsanitary or physically taxing labor, such as spraying hot forging or monotonous work.

[Question] Just the same, we have heard some views that introduction of robots means an economic burden for the enterprise.

[Cop] I can give you a positive answer to that. When we began gathering our initial experience in capitalist companies, nobody there would tell us about the results they had achieved. Once in a while they would say: "We are not interested in that. We realize that in the beginning this technology will be inefficient." And yet the dollar is their fetish. Here we want to robotize a workplace and right away we ask how much will it bring. That question is not appropriate. Well, no matter whether there are 10 robots or only 1, they need 1 maintenance man for their mechanical parts, 1 maintenance man for their electronic parts, 1 maintenance man for their electric parts,

1 programmer.... As for their breakdown rate, after all, the breakdown curve dips with the period of their use. In other words, robots cannot be efficient unless deployed in a group and operated in several shifts.

[Damits] Our plants do not even take advantage of the greatest benefits robots offer--operation of the machinery in several shifts. We could double our production in the existing spaces. Thus far the managers have failed to give this option proper consideration.

[Cop] The efficiency of the operation of robots is essentially determined by planning. This does not mean in the least the selection of the workplace, the decision: we shall start here, here we shall repeat this setup, we shall remodel and update this place. Robotization cannot be implemented as supplementary rationalization. New capacities are under construction, but their plans have failed to take into account this technology. New plants are being built on the premise that their production assets will not include robots--and such plants have to be adapted later. And yet here we have a chance to plan new investments as really modern projects. I have seen this, for instance, in the NISSAN Co in Japan where after the installation of new technology 600 employees were replaced with 60. Only three types of employees work there: planners, technician-programmers and the repairmen-diagnosticians.

[Question] The problem is that in most cases our users will have to use outdated workrooms and also to maintain outdated technological equipment. Thus, what chance have robots without additional construction?

[Cop] There is no other solution but to plan new ground arrangements in view of the flow of materials, connection with transportation, organization of labor, and safety. Substandard planning of these factors has caused major problems, for example, in Kovolit in Modrice. At least a limited space must be allocated for the deployment [of robots]. Machines in an old shop in the Jihlavan had to be pulled off their base and rearranged according to a new group plan. However, higher production per square meter will make up for the use of more extensive areas. Part of a store room in the Kovolit in Modrice was cleaned and gradually casting machines with robots were placed there.

[Damits] Poor results have been achieved even after remodeling of machinery because its automation led to excessive breakdowns in the automatic cycle. We have a practical example from a pressing plant where a machine was automated although originally it was built for intermittent operation--rest, work, rest. As soon as the press began operating continuously, the coupling got overheated, the motor burned. Thus, more extensive remodeling was needed. In the end, it may seem that the breakdown rate is also affected by the structure of the workpiece which is not adjusted to the gripping mechanism. This does not imply that one can work with nothing else but new machines, but this is precisely why planning is so crucial.

We have 2 years of experience gained in Mlada Boleslav. An excellent team of individuals met there. They were not concerned only about giving the plant a modern appearance, they were after decisive practical results. For 6 to 9 months we enjoyed really excellent close cooperation in solving problems of deploying robots in operation. There always must be at least two partners:

the user who wants to translate an idea into reality, and the one who does the installation. Neither of them can forget that the operation will need "tuning." A balanced zone of reliability can be achieved no sooner than after 2,000 hours.

[Question] Interested parties will need consultation. Whom would you recommend besides Modrice, Jihlavan and Boleslav?

[Cop] I could mention, for example, MEZ [Moravian Electric Appliances Plant] in Mohelnice where one of the first group deployments, a workshop with six to eight robots, will be located.

[Question] Will the manufacturers deliver complete robots, with tools, or let us say, with "accessories," or is it envisaged that separate production of such parts will be established somewhere else? In the case of machine tools we can see our weakness. We make a good machine tool but then we do not deliver containers to store the workpieces, too sets, etc.

[Damits] According to our conception we must reach the stage of the so-called "robot-machine" model system and use plans repeatedly, and then we can also manufacture accessories in lots. Strojsmalt was assigned this task of the state goal-oriented program as a directive. Such a model selection as stepping conveyors, storage containers, inverters, suspension lines represents about 8 to 10 tools. The rest has to be custom-made in most cases.

I should like to recap what has been said: appropriate engineering-planning organizations must establish emergency service. For such emergency capacities we allocated about Kcs 3 to 4 million from the Kcs 20 million production.

[Cop] We also supply complete model accessories and we conclude contracts with the user for the manufacture of special equipment. As the institute which guarantees the installation we must submit documentation for the plans. In the GDR, this role has been turned over to the user who takes care of the production of special parts.

[Question] This may be possible in the GDR because every synidcate has a rationalization center specializing in the production of jigs. How are such problems solved in the USSR?

[Cop] We are very well acquainted with the experience in the USSR. They are using prototype plans. Neither our partners with whom we developed the UM 160 nor the ENIKMASH consider their work finished until they have the whole set of accessories. We are trying to apply this principle in our country, but it is far more difficult because one design may be repeated only several times in our country. Since we cannot build new factories to manufacture a few pieces, we must manufacture those few pieces in the existing capacities. We requested the general directorate of our ministry that it set aside 1 percent of production for the manufacture of such parts. This required an order by the minister. In the GDR 6 to 10 percent of the volume of production has been allocated for this purpose.

[Question] Does a single guarantor deliver complete units of industrial robots or manipulators--except for the accessories of which we have spoken?

[Damits] We have a service contract with Tesla in Kolin which supplies NS 910 and NS 911 control systems; in our country we even have a joint service center for East Slovakia Kraj. When our technicians are dispatched to service a malfunctioning control system, they take with them our spare unit, let us say, the memory. Then we have the removed unit repaired at our own expense, because it often may involve a negligible charge which, however, may lead to enormous losses. In such cases we try to get along without the services of Tesla in Kolin.

There are two ways to safeguard the operation. The user must obtain spare parts for replacement; the more the part is prone to break down, the more units he must keep on hand. The other way is the organization of joint service centers. We have a contract with the chair of automation and production machinery at the CVUT [Czech Institute of Technology] in Prague, whose director is Prof Bretislav Chvala, ScDr, and we are drafting another contract with the Institute of Technology in Brno and with the association of research institutes at the VUT, whose director is Prof Jiri Sury, ScDr. We shall build regional service centers and, according to the need, we shall update them so as to fully guarantee engineering planning operations.

Of course, every user must provide so-called basic service on his own. Last year alone we trained about 280 workers, about half of them precisely for this kind of diagnostic and service work in the user's location.

For the time being, this system is adequate, because the number of robots is not extensive, but in the future, when thousands of them will be in operation, it will be imperative to finish the construction of central services. We are planning to organize joint service centers, association of manufacturers, or possibly to continue the program that has already been developed in Brno and Prague.

[Question] You have mentioned the association of manufacturers. How did the colleges get into the picture?

[Cop] Because today they operate the best available equipment with measuring technology and they can offer excellent advisory services. I have seen several excellent examples in operation abroad. It is to the advantage of the educational institute as well: this way it keeps in contact with practical application, which the school needs. By the same token it may find a topic for its research.

[Question] What kind of employees do the users send you for training? What is their capacity in their mother plant?

[Cop] Last year we registered even managers from the Ministry of General Engineering, from the Ministry of Electrical Engineering Industry and from the Ministry of Metallurgy and Heavy Engineering. This is not insignificant. This is a new field and all its aspects must be studied in a differentiated manner.

In general, we are training three types of experts: the planner who selects the places of application and prepares the technological plan, then the technician-programmer, or "coordinator" according to the old concept. This link with programming is new. The third category concerns repairmen-diagnosticians.

[Damits] Information on industrial robots and manipulators proceeds in two basic directions. One is education in institutes of higher learning--in this respect the most advanced is the Engineering Department at the Institute of Technology in Kosice. At first it began training students in the field of "automation and control technology." At present an interdepartmental study course is planned for the field of "robot technology." According to our information, training is under way in the CVUT in Prague and also in the VUT in Brno. Our most recent research indicates that the Slovak Institute of Technology in Bratislava also offers this kind of training.

Along with preparations for a regular study course for new graduates, some institutes of technology are planning--and a few have already begun--post-gradual courses scheduled for four semesters.

Another area for cadre training is at the level of the ministries. Our institute has a Department of Automation Technology where we train the users. Before robots are installed in a workplace, the employees of the users get acquainted with the function of the machine, its operation, maintenance and diagnostics, in order to be able to repair certain defects expeditiously, or to learn how to identify correctly the defect for our service of guaranteed maintenance. Moreover, we are training planners for automated technological centers equipped with robots. I should like to mention some of the 1981 achievements: 103 participants completed the course for users and 176 employees of 90 organizations completed the course for planners. Obviously, the 1-week course for planners must be extended to 2 or 3 weeks, but the 1-week course for users seems adequate.

[Question] What does your research production unit produce?

[Cop] VUKOV is conceived as a research-production unit only for testing series of robots.

[Question] Then the association is not responsible for deliveries to our national economy?

[Cop] This calls for further explanation. Today it simply is no longer possible to start a research program. We have to overcome two additional difficulties: to introduce the achievements of research into production and then to achieve efficiency in the user's establishment. This whole cycle must proceed under one management. We can overcome the first problem by producing a testing series, by catching every "bug" in our institute, and only then we deliver the planned production to the manufacturer. Moreover, we supply the producer with accessories for the first year of production.

The second problem concerns the user. If he is interested in new technology, who will be his planner, who will supply the accessories, who will advise him how to use them? We stopped this merry-go-round by organizing a facility for

overall solutions of problems, from planning up to assembly, and putting them into operation. Here you have an operating center, there another one, and a third one. We derive from them topics for further research, for improvements. This is the meeting ground where people meet people.

Next, this is a question of maintaining the operation. How shall we build the service centers? Why not build in our republic 10 service and advisory centers under one roof? In my view, this is a realistic concept, precisely because of the research-production association which will promptly find its way to potential manufacturers and users.

I cannot imagine any other way to introduce new, distinctly progressive technological plans than with the help of the research-production association which unifies the interests and brings problems to their practical conclusion.

[Question] Could we therefore sum up the situation approximately this way: training of users is under way, the needs have been assessed, but demands are three times higher than our production capacities can cover?

[Cop] We cannot put it this way. In this 5-year plan sales for 1981 and 1982 are covered, and the 1983 sales are taken care of as well, however, not those in 1984 and 1985. We can increase production, but we do not want to keep robots in storage. The problem stems from the situation in training, from the users' notions concerning the use of manipulators, the place and the results of their use. It is obvious that these elementary notions are lacking. Thinking has not reached a point where engineers in particular, as well as others, would be concerned about their efforts to utilize fixed assets more efficiently and to increase their efficiency by operating them in shifts. They would not stop arguing about the shortage of workers. We know that there are people available, the only thing is to release them from jobs which no human being should be doing.

Thus, robot feedback stirs up reaction in unexpected areas. "It affects its environment by reverse reaction," however, in other ways than the lexicographer suggested. By its effect, technical knowledge not only reaches out in a wide fan of subdeliveries but also updates economic thought and organizational structure; people are beginning to think more intensively about methods of achieving higher productivity and improving technology, about better methods of calculation, and about what is, and what is not, efficient.

It seems that several additional fundamental problems still call for solution:

--to consolidate political work among economists and to make them understand how manipulators and robots can help them in the near future to resolve the problem of better utilization of fixed assets mainly by increasing the shift rate;

--to organize expert planning of investment programs;

--to expand planning and advisory services, to finish promptly adaptive model plans and recommendations;

--to adjust flexibly the planned volume of manufactured and deployed robots and manipulators with regard to the quantities of the already deployed or planned units operating in comparable countries;

--to organize flexibly the production of components and nodes, or, if necessary their import.

The objective of this all is to use robots as an efficient aid in eliminating the bottlenecks in our national economy. No more, no less.

Box

What is the difference between manipulators, special, universal, assembly robots and lines:

They differ in the following technical characteristics:

--the extent of programmable position in a single cycle,

--the flexibility in changing the program of operation,

--the scope of adaptive characteristics--and other considerations.

The differences in the levels of automation stem mainly from the technical level of the control and monitoring systems and of the interlocking and data subsystems. In conjunction with the type of the cooperating machinery and the type of the required operation, the following classification may be applied: manual manipulators, solid-cycle manipulators, manipulators with flexibly programmable cycles--robots, adaptive industrial robots, single-purpose industrial robots and manipulators, manipulating systems, automated technological processes and production systems.

Manipulator (the model series of industrial robots and manipulators of the CSSR classified with the letter M) has a simple control, its linear or rotary lift has fewer, usually no more than two positions.

Industrial robot (designated by letters PR) is controlled by a higher type of control system, has interpositions on all axes.

The number of model designation indicates the loading capacity in kg.

The classification has economic reasons as well: automation levels differ by a factor of from 2 to 10.

Who makes what:

CAZ [Czechoslovak Automobile Plant] in Prague (BAZ in Bratislava): RMZ 200, ML 40, M 63 RMS 63H.

CHEPOS in Brno (Vihorlat in Snina): M 63, MTL 10, UM 160.

STROJSMALT in Bratislava (Strojsmalt in Medzev): Operational and interoperational handling devices for industrial robots and manipulators.

SKODA in Plzen (Skoda in Ostrov nad Ohri): PMS 110, PMS 180, PMS 250 (PMS--pneumatic pedestal manipulator); PMZ 110, PMZ 180, PMZ 250 (PMZ--pneumatic suspension manipulator).

TST in Prague: special-purpose manipulators for machining and profiling equipment.

ZSE-ZEZ in Horice: PR 32 in adjustment to spot resistance welding.

VUKOV in Presov: Prototypes and testing series of industrial robots and manipulators, atypical accessories for final assembly of technological work-places and automated production systems.

ZAVT [Data Processing Equipment Research and Development Base] in Prague (ZPA [Instruments and Automation Plants] in Presov): PR 16, PR 4, M 4, AM 5.

ZTS [Heavy Machinery Enterprise] in Martin (ZTS in Detva, ZTS in Kosice): PR 32 E, M 63, AZP (automated welding operations), KMZP (Comprehensive mechanized welding operations).

Some successful applications:

AZNP [Automobile Works National Enterprise] in Mlada Boleslav: in pressure casting.

Jihlavan in Jihlava: in machining (an article describing its introduction will be published in HOSPODARSKE NOVINY).

PLYNOKOV in Hustopece: in surface profiling.

SKLOUNION in Teplice: in glass industry, operations in the production of neon tubes.

UTAR in Bratislava: model work place for machining.

ZTS in Detva: welding workshop with Swedish robots.

ZVS in Dubnica: in control of transformers.

Examples of industrial robots and manipulators manufacturued at present: PR 4 and PR 16 industrial robots: industrial robots: with pneumatic drive designated for automated handling operations of unit components up to 4 to 16 kg in profiling, machining and related handling technologies.

PR 32 industrial robot with electric drive designated for automation of technological and complex manipulations (for example, electric arc welding and resistance welding, cleaning of castings) up to 32 kg of the treated object and at lower velocities of motion, up to 63 kg.

M 4 industrial robot with pneumatic drive designated for handling operations with components weighing up to 4 kg in technology of surface and bulk profiling.

Modification of portal, pedestal and upright manipulators on the basis of M 63 manipulation building-block system with hydraulic drive. They are designated for handling operations of parts weighing 20 to 63 kg, mainly in machining of flanged and shaft parts, pressure casting and for the construction of automated production systems. Special MTL 06 manipulator for automation of pressure casting machinery was developed in this system.

ZPA in Presov has developed and manufactures control systems of sensors and their components:

RS-1 control systems for control of industrial manipulators and simple robots.

RS-2 control systems on the basis of programmable Tsla NS 900 and NS 910 automatons; designated for industrial robots and manipulators with spot control (PTP).

RS-3 control systems on the basis of Tesla 660 system with the use of microprocessors, designated for robots with travel control (CP).

Model BIP 40 and DMP 01 contactless path indicators.

Achievements of international scientific-technical cooperation: With Soviet organizations ENIMS of Moscow, ENIKMASH of Voronezh and NIISL of Odessa, the Research Center for Metal-Processing Industry in Presov has developed, manufactures and tests UM-160 equipment for operation of machining equipment, AM-5 for operation of profiling machinery, and MTL-10 for operation of pressure-casting machinery. Furthermore, the plan for cooperation includes also the development and production of automatic manipualtors with programmed control (for example, technological systems for paint spreading, automatic manipulators for electric welding and for assembly in electrical engineering).

The operational program for cooperation with the Bulgarian People's Republic in 1981-1985 envisages unified manipulation systems Pirin (Bulgarian People's Republic) and AM-63 and AM-80 (CSSR) which will make it possible to construct jointly robots of the modular type.

9004
CSO: 2400/368

CZECHOSLOVAKIA

FEWER INNOVATIONS, IMPROVED INCENTIVES DESIRED

Bratislava PRAVDA in Slovak 26 Aug 82 p 1

[Editorial: "Questions About Efficiency Program"]

[Text] In recent years the concept of "lazy brains" has come into use in economic literature. This is a designation for those who are satisfied with what they have already achieved, who do not want to complicate their lives by struggling toward anything new; competition, initiative and an enterprising spirit are alien drives to them. It is clear that such people not only do not help our society but at this time of relentless struggle to build our economy they are putting a brake on further development. But just making this assertion is not enough. If we are to speed up overcoming the many problems we face in our national economy we have to try to find out why such "lazy brains" cannot be aroused from their lethargy and harnessed to the societywide efforts to increase efficiency and the quality of work. After all, creativity and activity are a vital necessity for man and if we often feel otherwise in the daily reality of life then something is out of order.

For instance, let us take the work of the Comprehensive Efficiency Brigades [KRB]. These teams are, by their very character, set up precisely for creative work, to seek new, nontraditional methods exactly where our society needs them most--to implement the results of science and technology in production. Without accelerating the reserach-development-production-utilization cycle, as currently repeatedly emphasized in resolutions of the highest party and government bodies, we cannot expect any progress in the intensification of all work. Surely everyone understands the importance of their work but so far it is not properly reflected in practice. A study made by the Slovak Trade Union Council [SOR] showed that in 1981 there were 4,300 KRBs working in Slovakia, which was actually 69 more than last year, but the number of members in them feel by almost 800! Particularly alarming is the fact that the number of workers in them fell by almost a thousand. This is really a very grave warning, since it was last year that the Set of Measures for Improving the Planned Management System of the National Economy was put into effect nationally and its implementation is also supposed to stimulate initiatives for the broad application of research and development.

The facts ascertained by the SOR, as also stated in the report of the Federal Office of Statistics on development of the national economy and plan fulfillment in the CSSR in the first half of 1982, that "results achieved in the area

of research and development, the speed and extent of their application in practice still do not correspond to our potential nor the requirements for development of the national economy" testify to the fact that our ministries, VJHs [economic production units], enterprises and plants are in most cases proceeding essentially in the same old ways. For example, at the Central Slovak Canneries and Distilleries in Rimavska Sobota only one KRB was operating last year even though the plant is struggling with many problems which are due to obsolete production equipment, a high rate of machinery breakdowns, not the best working conditions and unresolved problems of handling materials, etc. At the CHZJD [Juraj Dimitrov Chemical Works] in Bratislava there were 406 persons working in 20 KRBs (of which only 49 were workers) which meant 3 teams fewer than in 1980. They say that this drop in the enterprise is because the assigned tasks had been completed. The question remains, however, why have no newly formed teams begun working in the meantime? Many, many similar cases could be cited. Apparently in our enterprises they are not aware of the great importance of collective technical creativity in raising the level of production and how essential it is to combine into a single team the know-how of the workers, technicians, technologists, designers, master craftsmen, economists, researchers and scientists. Well, undoubtedly they realize it but are too complacent to do much to support the KRB campaign.

Work in an efficiency brigade is voluntary. It is extra work, above and beyond the working contract. The driving forces in KRBs are persons for whom work is not just a duty, but often also a hobby, persons who care about the technical standards and costs involved in their plant's production. So it would seem that in that case the question of motivation does not obviously come to the fore. And yet that is a basic misconception. Above all, one must build on initiative, but building on it alone is not enough. If such efforts are not also rewarded financially and if the conditions are not right for the work of the KRB then the efforts of even the most industrious workers are undermined. Everyone, whether consciously or not, compares his earnings to those of others. If a person finds out that over a period of time he is not being paid for his work in accordance with his qualification and results achieved and no one even tries to give him an explanation, is it any wonder that his former enthusiasm slowly but surely flags. The means by which KRB initiatives are currently being rewarded financially in many of our enterprises do not inspire creativity but are rather a means for teaming initiative. They have done away with the former practice of rewarding according to the social savings achieved and consequently they also lost the stimulus for delivering work in the fastest and best way.

You can take exception and say that money is not the only measure or only possible appreciation for initiative. This is, of course, absolutely true, but on the other hand, financial rewards also have their moral and political effect, because they show how society values the work performed. Naturally, work that the national economy needs most urgently should be rewarded better. But are all the conditions necessary for this in place? Perhaps not, since the following written by the Soviet academician Vadim Trapeznikov, is also very pertinent in our case: "Consideration of the human factor, especially maximum support and stimulation of people's initiative is of very great importance. Over the years, however, a lot of all kinds of instructions, explanations and restrictions have accumulated. The industrial manager who is

responsible for running an enterprise with production in the hundreds of millions of rubles cannot be bothered with several hundred rubles, especially if it involves pay. These kinds of restrictions lead to constraints on initiative, sometimes to apathy and usually also to looking for alternate means." And let us add that right here we would be able to find the germ for cultivating "lazy brains."

Together with rewards, however, greater attention must also be given to organizing the activity of the KRBs in such a way that they operate not only in sufficient numbers but that their work also contribute to improved quality and efficiency of work in our key sectors. In essence, this means increasing the participation of workers in management, giving them the opportunity to express and support their opinions about production problems, discussing matters more with them, looking for inspiration from experience and not outside of it. It is well known that the supervisor who does not hesitate to ask an opinion of a line workers has more authority than one who makes all decisions solely in his office. If a supervisor has no direct contact with operations or only in formal encounters, then this is again a step toward the propagation of "lazy brains," because people will say, "Why put forth any ideas, any initiative, he'll just do things his own way anyhow." Here is where the role of the party and especially of the union organization is unique, since it cannot allow initiative to be wasted like this.

A big problem in further development of KRB initiative is burgeoning administration. On the one hand, it is absolutely essential to have good statistical accounting, without which efficient management is impossible even in this area. On the other hand, however, not only the leaders of the brigades but especially officials at plants and enterprises who are responsible for this campaign are overwhelmed with administrative procedures. It often happens that they fail to see the human being behind the figures, they are concerned with statistics and information instead of human labor and this does nothing to advance the development of competition. In this connection, attention should be given to the officials for socialist competition and efficiency in general, to see to it that they get to know the persons on the teams with whom they work and whom they should, together with the supervisory workers, not only organize but also educate.

The question marks about efficiency which life itself poses are ripe for answering. But this is not one of those insoluble puzzles, since workers, if they have the proper conditions, want to overcome the problems. For example, in the Dechtochema South Slovak Cellulose and Paper Mill in Sturova, where a KRB was born, thanks to the initiative of the workers, technicians, master craftsmen and other plant personnel who joined forces with specialists from the Department of Automation and Regulation of the Slovak Institute of Technology Electrotechnical Faculty, they were able to devise in a short time a winder for an automatic impregnation machine controlled by a microprocessor. This unique equipment which is on the highest technical level will bring about greatly increased efficiency and quality of production, savings in electricity and reduce the physical strain of servicing, etc. In this case a key role was played not only by initiative and expert knowledge, but also the organizational work of the party organization and plant management, support of the enterprise and general management expressed by creating proper conditions for the KRB work and appropriate material rewards to the successful team. However, it is important that such examples not be the exception but become the rule.

8491
CSO: 2400/371

## GENERAL ENGINEERING INDUSTRY RESULTS SUMMARIZED

Prague HOSPODARSKE NOVINY in Czech 10 Sep 82 p 2

[Commentary by Jiri Poslt, deputy section head, CPCZ Central Committee: "General Engineering"]

[Text] Meeting the objectives of the Seventh 5-Year Plan calls for systematic implementation of substantial increases in intensification of the economy, improved efficiency and quality of all labor, effective structural changes based primarily on accelerated and maximum utilization of the results of scientific and technological development, expanded participation by the CSSR in the international socialist division of labor, primarily with the USSR, and continuous upgrading of planned management with increased participation by the workers.

These principles were adopted by machinists and are being implemented by them in the production process.

Since the beginning of the year, the sector has been exceeding the planned quota in goods production by Kcs 509.8 million (100.9 percent). The attained proportion in meeting the plan (56.4 percent of the annual plan) in comparison with the same period of last year, with an identical number of working days for January-July, is higher in the current year; production increased by more than Kcs 0.5 billion.

In comparison to the preceding period, the number of enterprises that failed to meet their monthly quotas increased from 16 to 21 but the deficit decreased to almost one-half (Kcs 48.8 million). Selected specific products are being provided according to plan, with the exception of machine tools and textile machinery. Production of spare parts exceeded the half-yearly plan by a total of Kcs 182.5 million, with a proportionate share of 50.3 percent of the annual plan. Some smaller deficits occurred in the case of spare parts for refrigeration and freezing systems, diesel engines, shoemaking machinery and printing machines. The demand in this assortment is inadequately met for automobiles.

Another improvement occurred in the share of products with a high technical and economic level in the total production of goods. In comparison with the same period of last year there was also an increase in the value of products categorized in the first-quarter class by almost one-third and the share of technically advanced products by approximately two-thirds.

In followup to generation of material resources, the sector is also meeting individual categories of utilization of production. Deliveries for exports to socialist countries achieve relatively high shares of the annual plan (54 percent in wholesale prices and 53.5 percent in freight-free prices). The highest share was achieved in exports to the Soviet Union (55.6 percent in freight-free prices).

Deliveries for export to nonsocialist countries were characterized in the first half of the year by adverse effects resulting from changed conditions on foreign markets. Particularly lagging was exportation of textile machinery and machine tools and, to some degree, tractors, as well.

A substantial increase in deliveries has occurred recently on the basis of measures adopted at the sector level as well as at the level of VJH [economic production units] and the organizations they manage. In the second quarter, the attained share of the annual quota amounted to 29.2 percent in wholesale prices and 27.5 percent in freight-free prices. Thus, meeting of exports to nonsocialist countries amounted by the end of the first half of the year to 52.4 percent in wholesale prices and to 49.5 percent in freight-free prices.

Deliveries of machine products for the domestic market are also higher than they were in the comparable period of last year. Exceptions are freezers, enameled steel bathtubs, electric water heaters and meat grinders that are of higher priority for exports.

A department of the Ministry of General Engineering monitors 61 specific innovations of products of a consumer-oriented nature; 27 of them are already in production and are supplied for the market.

Implementation of investment construction and completions showed no substantial improvement. A higher share of capital expenditures was drawn upon for construction projects with a budget in excess of Kcs 2 million than for all construction projects put together.

The plan called on the sector to complete four of the monitored construction projects in the first half of the year. Two of them saw completion, namely the second construction project in Banovce for the Tatra plant in Koprivnice and turboblowers for the Czech Motorcycle Plant in Strakonice. Another one--Strojsvit in Krnov--could not be supplied with heat in winter, because of a failiure to create the requisite conditions for continuous assembly of technological equipment. This project will launch operations by November of the current year. The last construction project--a machining plant in Sabinov--failed to be completed by deadline due to additional requirements of the hygienist for improving the quality of insulation.

A favorable development between the 2 years was registered in increased productivity of labor, which provided for an increment of gross production on the order of 80 percent. The average wage increase (102.3 percent) is in the desired ratio to the attained increase in productivity of labor from adjusted value added (106.3 percent).

In manpower structure, compared to the averages of last year, there occurred a moderate increase in the number of workers (up from 64.9 percent to 65 percent) and a decrease in the share of technical and economic personnel. In absolute numbers, this translates into an increase of 2,218 workers and a decrease in administrative personnel of 1,125.

The shiftwork coefficient increased in comparison with the comparable period of last year by 1.2 percent, i.e., up from 1,282 to 1,297.

The developmental trend in inventories up to now is still unsatisfactory. In spite of all the measures taken, there occurred only partial improvements in comparison to the first quarter. For the sector as a whole, the planned total targeted inventories was exceeded by Kcs 1.5 billion and regulated stockpiles by Kcs 1.2 billion. The turnover time for overall inventories is slower than called for by the plan for 1982. Exceeding of the quota accrues to a major extent to three VHJs, namely: Czechoslovak Automotive Plants in Prague, Plants of Machining Technology in Prague and the Heavy Machinery Plants in Martin.

Savings in costs of materials (Kcs 260 million) in excess of the plan, and in total costs (Kcs 316 million) had a positive effect on generation of budgeted returns which at the conclusion of the first half of the year were exceeded by Kcs 450 million.

Successful accomplishment of profit-generation simultaneously also affected the level of returns on investment for operating assets which increased 6.9 percent in comparison to the same period of last year.

Real and proportionate meeting of the plan is subject to regularly scheduled reviews.

Meeting of the tasks assigned to general engineering by the 16th CPCZ Congress will call for paying increased attention to an even more resolute dealing with export needs with higher valorization of products. At the same time it will also be necessary to provide for deliveries of advanced technology for investment construction and innovation of consumer products in the machining sector.

To provide for high efficiency of production and of the entire economic reproduction process, it will be necessary to continue dealing with problems attendant to regulatory processes, to lower nonproductive costs, costs for poor-quality production, and to continue to increase the number of products eligible for preferential pricing because of their excellent quality. Hand in hand with the above, provisions will also have to be made for promoting the growth of qualification and specialization.

The key tasks of the general engineering sector can be considered exports to nonsocialist markets, production of the demanded assortment in all categories of utilization of production, primarily in regard to spare parts. In regard to consumer goods, the sector will have to meet the planned innovations and improve the assortment of goods in deliveries for the domestic market. Production teams will have to continue looking in preproduction stages for further potential savings of fuels, energy and metals.

A good deal was accomplished in the first half of the year. The attained results were on the whole good, but that does not mean that there is nothing that could use improvement even in the case of enterprises and plants that keep meeting the plan. What is involved in the case of the latter is increased emphasis on quality and on efficiency of labor.

Errors and shortcomings, unused resources and other possibilities for development of production cannot be uncovered at workplaces and in plants by decrees or directives from above. This must become a concern primarily for communists-responsible managers.

8204
CSO: 2400/384

BANK RAISES INTEREST RATES AGAIN

Budapest FIGYELO in Hungarian 9 Sep 82 pp 1, 7

[Article by I. W.: "The Increase in Interest Rates"]

[Text] Interest, which influences the income of depositors and the costs of those using credit, is an important tool of economic-financial regulation. Thus the level of interest must influence the flow of money on the one hand and must encourage efficient use of monetary assets on the other, shortening the repayment time for assets.

In the interest of increasing the efficiency of money use and strengthening the willingness to save, the Hungarian National Bank has increased interest rates a number of times in recent years, most recently on 1 July 1982.

Adjusting to the International Level

In addition to the above fundamental goal the goals of raising interest rates are also interdependent with the fact that the domestic interest level lagged behind that of international credits. With the western interest rates rising in recent years a considerable negative gap arose between the "price" of credits and the income from its use.

The ratio shift is noteworthy also because since 1980 international prices have been realized to an ever broader extent in the price system and the rates of exchange have followed, week by week, the rates and ratios which developed on international money markets.

At the end of 1981 and in the first months of 1982 interest rates reached a record level on international money markets. A domestic adjustment to interest rates at such very high levels would have made necessary a great increase in rates (it would have been necessary to increase the average level by about 5-6 percent). The financial effects of this would have been intolerable for the enterprises and--according to most western experts--the high interest level was unrealistic, forced by the American government, and it aroused a protest from West European governments. The Hungarian financial system could not follow these unrealistic and temporary interest rates.

Although the international interest level decreased in the recent past, the "prime rate" interest level of the American dollar is still 13.5 percent,

which means that various creditors still pay 14-15 percent interest to US banks. The so-called Euro-interest for relatively short term dollar credits on the Euro-market exceeds 12 percent on relative to 6 month deposits. This justified an adjustment of interest rates to the international level now, when the "gap" previously mentioned is no longer intolerably great. The Hungarian National Bank increased the interest on all bank credit by 2 percent, effective 1 October, and extended the validity of this to all outstanding loans, with a few exceptions.

Preliminary Balance

With this measure the government also intends to put a brake on the out-flow of domestic money. According to the calculations of the Hungarian National Bank the increase in interest rates will increase the costs of managing organizations by about 6 billion forints at the annual level. Where the increase in costs cannot be realized in prices the increase in interest rates will decrease profits, but where there is a way to pass on the increase in costs--by raising prices--the increase in interest rates will increase producer's prices.

The effect on developmental funds at the annual level will be 1 to 1.5 billion forints. The higher interest level--which may contribute to improving the economic balance--will cause no small problems for the enterprises and it cannot be denied that it will have an influence on the buying power of the forint also.

Every enterprise can simply calculate the detailed interest scale because the magnitude of the increase in interest rates is uniform. For example, following the interest rate increase the managing organizations must pay 14 percent interest--instead of the 12 percent general at present--for investment credits or circulating assets credit used by them. In some cases the interest rate will be 15-16 percent, 11-12 percent for preferred credit goals. The interest rate for credits offered as an advance for council developmental funds will increase from 9 percent to 11 percent.

Stimulating Export

In the interest of stimulating export, credit policy offers certain concessions to enterprises. The increase in rates does not apply to developmental credits (investment credits or circulting assets advances) extended prior to 1 January 1981 for the purpose of increasing the fund of goods for convertible export. The rate for these credits is now 8-9 percent and the interest rate for credits to refinance export firm credits is 8.25 percent.

Managing organizations can make use of a 45 percent interest rebate, instead of the earlier 33 percent, for interest on investment credit assumed to increase convertible export, if they satisfy every obligation undertaken in the credit contract. The interest rebate for interest on circulating assets credit used in the interest of export--at present 33 percent--will also be increased to 45 percent, if the ratio of it exceeds 25 percent as compared to the convertible export sales receipts. (If the ratio of export does not reach 25 percent then the interest rebate which can be claimed continues to be 33

percent.) Simultaneous with the increase in credit interest rates there will also be an increase of the same magnitude--2 percent--in the interest to be paid on deposits tied up for a certain time and placed on the basis of the coluntary decision of managing organizations and councils. In accordance with this the interest rate on deposits made by enterprises for at least 6 months will increase from 3 percent to 5 percent, and will increase from 6 percent to 8 percent for deposits placed by councils will be 4-9 percent instead of the present 2-7 percent, depending on the time they are tied up. The new rates going into effect on 1 October 1981 [as published] do not apply to interest paid by the National Savings Bank and other financial institutions, including State Insurance.

In the future changes in domestic interest rates will be much more flexible than in earlier years. The changes will depend primarily on the development of international interest rates and on the requirements for a planned regulation of domestic buying power. This means that the managing organizations must have an understanding of the changing factors influencing interest and costs and must take them into consideration when developing the outlines of enterprise money policy.

8984
CSO: 2500/410

JULY PRODUCTION FIGURES ANALYZED

Warsaw ZYCIE GOSPODARCZE in Polish No 32, 29 Aug 82 p 2

[Article by M.: "July Without Illusions"]

[Text] Production in socialized industry in July was 4.8 percent lower as compared to the analogous period of last year. Let us recall for the sake of comparison that the decrease in production in socialized industry as compared to the analogous months of the previous year amounted to the following: in January, 13.8 percent (likewise showing a 13.8 percent decline was industrial production for the entire year from 1981 to 1982) and in February it decreased 11.7 percent. Beginning in March, the indicator showing a decrease in this production as compared to the analogous period of last year fluctuated as follows: in March of this year it showed a decline in production by 6.4 percent, in April--by 6.3 percent, in May--by 2.7 percent, in June--by 3.8 percent, and in July, as we have already mentioned in our introduction--by 4.8 percent.

Just as occurred in the previous months, the decline in production in socialized industry was brought about in July of this year by the processing industry, whose production in comparison with July of last year fell 5.7 percent. The analogous indicator during the first 6 months of the current amount to an 8.9 percent decline (in May and June of this year it amounted to 4.8 percent and hence was somewhat more advantageous than it was in July). On the other hand, production in the extractive industry in July--as in the previous months of this year--was higher than during the previous year. The degree of growth of this production, however, was lower than it was during the first 5 months. In July, as compared with July of last year, the production of this industry increased 6.8 percent, whereas during the first 6 months its increase amounted to 9.6 percent.

A decline in production in July, as was also the case during the first 6 months of 1982, was manifested in most of the branches of the processing industry: in ferrous metallurgy in July of this year by 3.1 percent, and during the first 6 months by 14.2 percent, in the metal industry in the first case by 9.1 percent, and in the second instance by 13.6 percent; in the machine industry the respective figures were 1.0 percent and 10.0 percent; in the chemical branch--2 percent and 11.6 percent; in building materials (a change for the worse)--9.1 percent and 8.7 percent; in glass--1.4 percent and

2.8 percent; lumber (slightly worse)--9.7 percent and 9.6 percent; textiles (worse)--18.5 percent and 6.9 percent; foodstuffs--6.9 percent and 8.8 percent. percent. With regard to the fuel and electric power branch of industry, the decrease in production was noted only in the fuel sphere (in July by 4.0 percent, and during the first 6 months--by 2.3 percent).

Yet the growth of production during July as well as during the first half-year occurred primarily in the branches of the extractive industry. Some 15.9 million tons of hard coal were mined in July of this year, as contrasted with 13.7 million tons in July of last year, which signifies an increase of 16.2 percent (during the first half-year the mining of hard coal in tons grew 16.6 percent). In constant prices, the value of coal industry production increased in July (to July of last year) by 12.4 percent in contrast with 15 percent during the first 6 months of the current year. In the electric power industry in July, production increased 0.5 percent, and during the first half-year--by 3.9 percent. Furthermore, certain increases of production were attained during July of this year in the following fields: in the nonferrous metals industry (in July by 4.7 percent, in contrast to a decline in the production of this industry during the first half-year by 4.1 percent), in the precision industry (in July a 3.4 percent increase, and in the half-year a decrease by 0.7 percent), in means of transport (in July an increase of 3 percent, and during the first half-year a decrease of 10.8 percent, in paper (in July an increase of 6.7 percent, during the first half-year a decline of 2.4 percent), clothing (in July an increase of 0.4 percent, as compared to a 0.9 percent increase during the first half-year). In the fine ceramics industry, where during the first 6 months there occurred a production increase of 2.7 percent, in July there was an insignificant decrease of production (0.1 percent), as compared with last year.

In small-scale industry, production in July grew 1.3 percent, as compared with 1.1 percent during the first half-year.

During July, in comparison with June of this year, in socialized industry the decline of production was quite significant, since it amounted to 9.6 percent in real time and to 10.2 percent in equivalent time. Usually, however, industrial production in July, characteristically being influenced to the greatest extent by the vacation season, was considerably less than in June, and, therefore, a comparison between these 2 months requires that this fact be taken into account.

In the remaining areas of material production, besides agriculture, the situation was similar to that in industry. In construction-installation enterprises, basic production declined 12.8 percent in July of this year in real time, as compared with 11.0 percent in June and 16.9 percent during the first half of this year. Here also there occurred a great (12.8 percent) seasonal decline of production, as compared with June of this year.

Only 7,200 apartments were turned over for use in July (within the socialized economy). In July of last year, 9,100 were turned over (a 31 percent decline). In June, 14,200 apartments were turned over, as contrasted with 17,700 in June of last year, which signifies a decline of 19.8 percent.

On the occasion of the information being released concerning the socioeconomic situation in July, data were also given out concerning the decrease of investment outlays during the first half of the current year, as compared with the first half of last year. This information was not in the announcement by the GUS [Central Office of Statistics] concerning the first 6 months of the current year because investment reporting is assembled with a certain timelag. And so it turns out that these investments during the first half-year amounted to 314.3 billion zlotys, of which construction-installation operations comprised 206.6 billion zlotys. It has been calculated that the decrease of investment outlays in toto, as compared with the first half of last year, amounted to 28 percent, including 20 percent in construction-installation operations.

Freight hauls by socialized transport enterprises amounted in July to 89.7 million tons, i.e., less by 15.7 percent than in July of last year (during the first 6 months the decline amounted to 19.3 percent). The Polish State Railroad on a normal basis hauled 3.2 percent less freight, while automotive, i.e., truck, transport hauled 24.3 percent less. In June of this year, the analogous indicators amounted to 2.5 percent and 25.6 percent, while during the first half-year they amounted to 3.2 percent and 29.0 percent.

Growth Rate of Production Sold in Socialized Industry (Constant Sale Prices)

Analogous months of the previous year = 100.

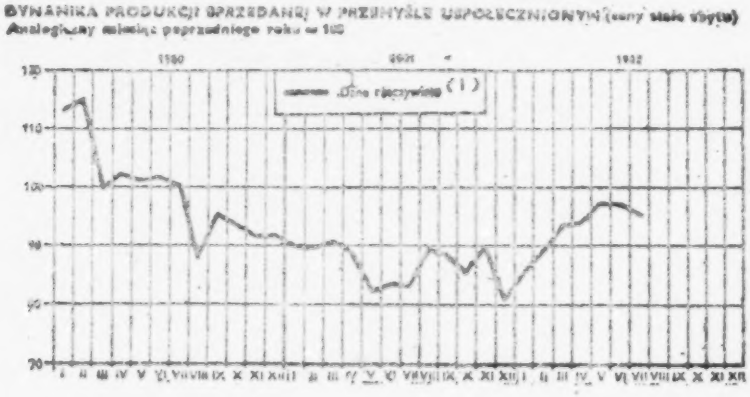


KEY: 1. Actual figures

The average employment in the basic fields of the socialized economy--in industry, construction, transport, and communications, as well as trade--in July was 435,000 lower, i.e., 5.4 percent less than in July of last year. This decline amounted in industry to 5.9 percent; in construction, 7.0 percent; in transport, 4.5 percent; in communications, 1.2 percent; and in trade, 2.7 percent. On the other hand, in comparison with June of this year,

the average employment in July was 13,900 higher in industry, 7,400 in construction, 3,200 in transport, and 800 in communications.

In the labor market, a further increase was noted in the need for more labor outlays on new workers. The number of job openings at the end of July amounted to 307,500, while in July of last year this figure was 168,800. There was an insignificant decline in the number of persons seeking work by means of the employment offices, and it amounted to 18,900 persons at the end of July.

In agriculture, in crop production weather conditions favored harvesting work in July, and this influenced better grain harvests. But they were disadvantageous for the growth of root crops.

In livestock production, on the other hand, a further worsening in the conditions for economical breeding has been observed.

In July of this year the free-market grain prices reached an average level of about 3,500 zlotys per quintal; as compared to prices from June of this year they showed an increase amounting to an average of approximately 4.2 percent. In comparison with the prices of July of last year, these prices were higher by a factor of 2.5. The high level of free-market grain prices brought about a further reduction in the profitability ratio of slaughter hogs, since the price of 1 kg of pork was equal to 3.7 kg (rye, barley, oats), i.e., by 0.1 kg less than in June of this year and by 2.7 kg less than in July of last year.

In July of this year the procurement of gilts amounted to about 65,000 units and was about 70 percent higher than July of last year. A factor confirming the unprofitable trend in raising slaughter hogs is the gradual decline of gilts being bred, as noted from March of this year and growing deeper with each passing month. Continuing in the second quarter of this year, the number of bred gilts was approximately 26 percent lower than it was during the second quarter of last year. During May of the current year, as compared with the analogous period of last year, the decline in the number of bred gilts amounted to about 18 percent; in June of the current year it deepened to about 26 percent, and in July of this year to about 31 percent.

The price of a farrowing was equivalent in July of this year to 14.0 kg of pork products, as expressed in procurement prices, in contrast to 15.5 kg in June of this year, 25.3 kg in February of this year and 22.9 kg in July of last year. Unprofitable trends likewise became evident in July of this year in cattle raising. The free-market price of cows in July amounted to an average of 49,500 zlotys per unit, and, as compared with the price in June of this year, it declined 1,400 zlotys, while the price of heifers amounted to 26,000 zlotys per unit, and, in comparison with the price from June of this year, this signifies a decline of 600 zlotys.

The above-mentioned unprofitable trends in breeding had not yet fully influenced the lowering of the procurement levels in July of this year.

The procurement of butchered livestock in dressed weight calculated as meat in July of this year amounted to 130,300 tons and was 7.2 percent lower than it was in July of last year, mainly as a result of a drastic decline in the procurement of meat in small-scale amounts--by as much as 84.2 percent. The procurement of beef for food was almost 32 percent higher, while that of hogs was 4.3 percent higher. Milk procurement was 3.1 percent higher than in July of last year, yet the procurement of eggs was 33.8 percent lower.

Overseas monetary receipts by people in July of this year amounted to approximately 275 billion zlotys and grew 59.8 percent, as compared with July of last year, including emoluments for work connected with compensations, which increased 40.9 percent.

Personal emoluments connected with compensations for work in the basic fields this July amounted to 82.9 billion zlotys and were 39.2 percent higher than in July of last year. Emoluments in industry increased 44.1 percent; 30.0 percent in construction, 25.3 percent in transport, 38.6 percent in communications and 40.6 percent in trade.

The average pay for workers wages (not counting compensation for family members) in the basic sectors is as follows: industry, construction, transport, and communications, as well as trade--here it amounted in July of this year to 10,828 zlotys, and it increased 3,473 zlotys, in comparison with July of last year, i.e., 47.2 percent, the average pay with compensations in industry increased 53.1 percent, including a 70.4 percent jump in the extractive industry, 43.1 percent in the processing industry, 40.7 percent in construction, 32.4 percent in transport, 40.2 percent in communications, and 44.6 percent in trade. Let us recall that the average pay with compensations in the four basic sectors amounted to 10,482 zlotys in April of this year, 10,625 zlotys in May of this year, and 10,795 zlotys in June of this year.

Pay from the category of social services, together with compensations, increased 164.2 percent (in July of this year over July of last year). Income from the sale of farm products grew 57.3 percent.

People's monetary expenses in July amounted to 256.3 billion zlotys and grew 69.9 percent in comparison with July of last year, including a 78 percent jump in expenses for buying goods.

The retail sales of goods through units of the socialized economy in July of this year amounted to 232.4 billion zlotys and increased, as calculated in current prices, about 85 percent, as compared with July of last year.

In comparable prices, retail sales in July of this year were about 18 percent less than they were in July of last year, including a decline of about 30 percent in nonfood items. The sales of foodstuffs decreased about 13 percent, though alcohol sales increased approximately 30 percent in connection with the return to free sales of a portion of the assortment of alcoholic products.

From a comparison of incomes with people's monetary expenses, there results an increment in people's money supplies in July of this year of close to 19 billion zlotys. Preliminary calculations indicate that in approximate proportions (of above 9 billion zlotys) people are directing this sum at increasing their savings accounts, as well as at increasing their supplies of ready cash. This means that toward the end of this July the total sum of people's money supplies amounted to more than 1,267,000,000,000 zlotys, including savings account deposits of not quite 785 billion zlotys and people's supplies of ready cash amounting to close to 483 billion zlotys.

The situation in foreign trade during July of this year was characterized by the following figures: exports to socialist countries in current prices amounted to 30.2 billion zlotys, while imports came to 43.1 billion zlotys.

In comparison with July of last year, there occurred a 3.3 percent increase of exports and a 9.1 percent decline of imports. During the January-July period of this year exports to the socialist countries amounted to 254.5 billion zlotys, while imports totaled 279.2 billion zlotys (exports grew 11.5 percent, while imports declined 1.4 percent in comparison with the analogous period of last year).

The tendencies which came to the fore during the current year in turnovers with the socialist countries established changes in comparison with this same period last year, when imports increased strongly, while exports to these countries declined, bringing about an increase in indebtedness. Despite the altered trends, in the future the excess of imports over exports will be maintained. Negative balances in turnovers with the USSR during the January-July period of this year amounted to 34.4 billion zlotys.

Exports to capitalist countries amounted to 29.3 billion zlotys, and imports to 27.5 billion zlotys (in comparison with July of last year there occurred a 3.1 percent decline in exports and a 7.1 percent increase of imports). Exports to capitalist countries during January-July of this year amounted to 230.0 billion zlotys, while imports amounted to 161.8 billion zlotyz (exports decreased 8.8 percent, while imports declined 37.4 percent, as compared with the analogous period of last year).

From the GUS information regarding the situation in July we have also learned that 984 production and service enterprises have adopted the practice of profiting from foreign-exchange allowances from exports to countries of the second-payments area [capitalist countries], conducted within the framework of the economic reform (which, in addition to the exporting enterprises, has likewise been adopted by coproducing enterprises acting in cooperation with exporters).

The problems mentioned here do not exhaust the evaluation of the economic situation in July. We will attempt to return to some of them in separate publications.

2384
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BANK ROLE IN ENTERPRISE BANKRUPTCIES ASSESSED

Warsaw ZYCIE GOSPODARCZE in Polish No 33, 5 Aug 82 p 5

[Article by Janusz Ostaszewski: "Who Went Bankrupt and Why"]

[Text] There are 700 uncertain cases left on the bank sieve after some 32,000 enterprises had been sifted with the view of their capability to function profitably. Later on, outside the bank, the sieve's holes were enlarged and it turned out that there are only 50 candidates for bankruptcies. Considering the present economic situation, this is not a high figure. However, these 50 enterprises are employing over 32,000 individuals and should be selling products worth some 400 billion zlotys.

The list of enterprises denied bank credits includes many well-known and established firms. It would not say what are the names of these firms. It is bound by secrecy. Some enterprises do not hide their situation while looking, with the assistance of press reports, for help in finding buyers for the unsellable products.

Why Was Credit Denied?

The bank used a simple criterion: the enterprise had to prove that it had the capacity to pay off the credit. The enterprise's potential in this respect was evaluated by analyzing the level of profitability of its current performance, in 1982, and to what extent its plans of supply and sales were realistic.

Thus, credit was denied to enterprises which in the first half of this year had not achieved financial results that would guarantee their further normal functioning and self-financing of their activity, and ones that did not promise positive results. Such a situation usually resulted from highly uneconomical mismanagement and helplessness. The enterprises, for instance, were planning to have a deficit, and they did not attempt to receive appropriate financing from the state budget. This occurred mostly in those cases where manufactured products are sold at official prices or partially regulated prices. It is not the best testimonial of good work by the founding and financial authorities. Another reason for this situation,

mostly in the building industry, is the fact that prices were not set jointly with the consumers or customers.

Credit has also been denied when the enterprises could not present realistic plans of their activity and ensuing financial plans. In many plans, copied from the old patterns, it was impossible to find the slightest probability that the materials required for the planned production would ever be found. The sales were also planned with an excessive dose of imagination and optimism. Those were not, however, commonplace phenomena. Most enterprises have still managed to stick to the operational programs. At least formally, this has guaranteed the continuity of supplies as well as their complementary character. At the same time, this proves, given their large number, that the operational programs are a misunderstanding. If practically everybody can be fit into them, who has the real privileges, dictated by primary social and economic considerations?

This is the way everything has looked at the beginning.

An Escape From the Credit Guillotine

The first to be hit were some 100 general and social construction enterprises. A decision has been made outside the bank to grant them temporary credit until 31 August 1982. This was the final date by which the system of prices for construction work had to be regulated.

The next group of rescued enterprises, some 250 of them, have received budgetary relief and subsidies, based on Decision No 17 of the Economic Committee of the Council of Ministers. Mainly metallurgy, the remaining part of heavy industry and the machine-building industry have availed themselves of this opportunity. As we can see, those are not showcases of our industrialization.

Also pursuant to Decision No 17, a few enterprises have applied for and received the status of units functioning on the basis of the preliminary schedule of incomes and expenditures. According to the criteria of the bill on rehabilitation of enterprises, practically speaking, they are facing liquidation. Although thanks to this they all have regained creditworthiness, but it is not known for how long. At the moment the payments are made from the budget. The risk involved would not be as high had the above-mentioned law already been in force. The subsidies and relief would have been tied to the programs of rehabilitation of those sick with unprofitability. Without this law, only the hope remains that they will get well.

In spite of the lack of the law and the rehabilitation code, they were both applied by the bank in regard to the last group of rescued enterprises. At the request of the bank, rehabilitation programs were prepared there. After their often repeated analysis, after checking whether they ensure an enterprise's creditworthiness or its regaining, they were accepted by the bank as a basis for granting them credits. Such an approval has been always accompanied by specific conditions requested by the bank. There is no business without taking risks, but risktaking should have some limits. Let us hope for good results of the risk the bank has taken.

Finally, only those 50 tried and sentenced enterprises remain. Their rehabilitation programs have not been positively reviewed by the bank. Nobody has assisted them with a subsidy. Although a large majority of them have managed to have some profit in the first half of this year, it was so small that--after the income tax has been paid, the payments to FAZ [expansion unknown] were made, and the overdue installments to pay off the credit were paid--it did not guarantee their normal functioning until the end of this year.

The work executed by the bankers is without precedent in the postwar history of our economy. A report on the actual state of our national economy has emerged. The cooperation of the bankers with industry, based on the sound principle that the lender must know the borrower, has finally opened the eyes of the decisionmakers of all levels to the basic economic rules which until now they could ignore. Their existence and the existence of the units they supervised has until now depended on entirely irrational factors. There has never been a shortage of money. It is becoming scarce now, although it would be an exaggeration to claim that it is already sufficiently "hard" (to obtain).

The credit whip has therefore fulfilled its role, although it is not yet a finished operation. It has forced the economy to become profitable. It has even turned out that the profitability is unexpectedly high. Would this be another economic miracle? There are no miracles! It is simply a beginning of the new act entitled: implementation of the economic reform.

What Have the Bankers Revealed

Only naive individuals can conclude that the unexpectedly high and quickly gained profitability is the result of a radical improvement of the effectiveness of management. The "schooling" of the managerial cadres in using mimicry has advanced too far to expect their sudden conversion to the true economic faith. Nothing of this sort! Analogously to the ability to reap all the benefits from the ineffectiveness of the order and distribution system have been mercilessly taken advantage of. The ability to adapt has proved to be quite devilish, because it is a negative adaptation. The above facts do not add to the glory of the authors of this system. Although, it is not certain who is to be blamed more: they or the decisions that adapt this system to the really difficult economic, social and political situation.

First of all, the slow process of liquidation of the associations has been exploited regardless of consequences, later the lack of control in compliance of the newly formed industrial unions with the new law is exploited. Reorganization of the middle level of management, which has been conducted leniently, inconsistently, and--I do not hesitate to use this description--quite often against the law, has not crushed or broken up the monopolistic organization structures in industry. The defending factors were the branch ministries, probably also just superficially reformed.

The labels were changed, but the practice of "averaged profitability" has remained in whole branches of industry, the compensatory system, which helps

rescue those drowning at the expense of others, has remained. Obviously, against the legal principle of self-financing of enterprises, and not whole branches of industry. The game has been played mercilessly. The real costs were being hidden, and the prices were being hiked, while neglecting --unfortunately, the system has allowed this--everything that could lower the material costs and the costs of labor.

Prices, given the present principles of their setting, have turned out to be an antidote for all the symptoms of uneconomical management and organizational indolence. No wonder that profit has been achieved infrequently, while at the same time the real effectiveness of management has not moved an inch, if indeed the situation is not even worse. How long can one, however, continue to sleep peacefully in this bed? Don't we hear warnings, this time deadly serious, that the ship is sinking?

Why Does the Price System Not Function Properly?

It is well thought out, since it assumes that in the whole area of official and regulated prices, covering basic fuels and raw materials, prices would be set within the limits of optimal profitability, with rationally justified production costs. This principle, however, has been violated by the introduction of contract prices in the whole remaining area, which influences costs in the "official and regulated" subsectors. Contract prices were raising more than was expected, among other things, as a result of the above-presented "adaptation capabilities." As a consequence, most branches, subsectors and enterprises which sell their products at official prices, particularly the enterprises producing raw materials, are close to deficit. They are being subsidized, and we know full well what that means.

Particularly affected by the imperfections of the price system is the construction industry. Its results is an ever more visible clash of the enterprises' interests with the social interest. The general construction enterprises are sustabining losses. They attempt to compensate for them by the (higher) prices that the cooperatives pay for apartments, thus, in fact, by the prices paid by people who wait for many years for their own nook. Can this clash be avoided by subsidizing construction of apartments and social construction? It can be done, but one has to be aware that this solution excludes this hugh subsector from the reform. Some other solutions, therefore, are being proposed and published, among others, in this magazine. The decision on this matter has not yet been reached.

The whole remaining part of the construction industry functions on the basis of contract prices. It has gained considerable profit, but this has occurred mainly because the investors, busy with their own troubles, have not yet revalued the costs they will have to bear at the started building projects. They pay the current accounts according to the new pricelist, using credits obtained in previous years. The new agreements are to be concluded after 30 September of this year. What will happen afterward, when the investors begin to count and will conclude that the old credit is ridiculously low? They will ask the bank for a new one. Will they receive it? If not--how are the construction workers going to support themselves? Will they be subsidized?

We are beginning to enter a vicious circle.

The principle of self-financing of the construction industry and investment has not been, therefore, implemented during the current year. Even if it is executed during the fourth quarter this year, which--given the delays--is doubtful, one would not gain a realistic picture of its consequences. And it is not a trifle.

Continuation of the Systems-type Sins

The continuing sin of financial practice, which continues in spite of reforming the system, is maintaining organizational-unit [plant and equipment] subsidies. The founding institutions, first of all ministries cannot rid themselves of this pernicious practice. The possibility of organizational-unit subsidizing helps them to assist the existing enterprises at any price, regardless of the consequences. Partial subsidies are being granted without a thorough analysis of the practical possibilities of changing the production structure within the context of branches or subsectors. Maintaining the status quo is the prime concern, although we all feel the heavy burden of the old structure.

Once more we are recalling here the law on rehabilitation of enterprises. Some of the enterprises, generously endowed by the ministry, have not regained creditworthiness. Why would they bother to gain it? If they are paying today, they will pay tomorrow too.

The binding tax system does not help tidy up the home. The capital gain tax, in its present version, does not prevent the enterprises from accumulating irregular profit, regardless of the degree of progression. It results from treating equally profit gained owing to the freedom of juggling with prices, and profit which is a consequence of better management and effectiveness of an enterprise's work.

The incorrect profits result also from the artificially lower production costs in the first quarter of this year. It happened because of the delayed and imprecise principles of revaluation of stocks. It all has lasted too long, and the enterprises were fast enough to sell their products at the new, higher prices, products which were made from raw materials they had bought cheaply and kept in their storerooms. Thus, the budget lost a considerable part of the projected revenue. According to the bank's opinion, it is such a large-scale phenomenon, and the scale of distortions is so great, that they are practically impossible to define. The sums involved can even reach many tens of billions of zlotys. Naturally, it influences the level of profitability, which has been attained without any effort or work. There is profitability, but there is no effectiveness. Somebody simply is being charged for his assentmindedness, and it is not difficult to guess who it is.

And the last matter--obligatory credits and their consequences. This involves permanent and compulsory credits for the enterprise's lasting needs up to 70

percent. First of all, this principle undermines credit time limits and the obligation of repayment, while at the same time it weakens and almost eliminates its motivational function. Under these conditions, enterprises do not feel they need to look for ways of limiting their permanent needs and their self-financing by lowering costs or speeding up the turnover of funds. This obligation also limits the effectiveness of a strong incentive in the form of bank interest rate.

What Next?

A thought arises at this moment that only the bank took the reform seriously, it sped forward, and the rest of the crowd hurriedly started to pull the reins.

Lack of the inner unity of the systems accompanying the principle of enterprise self-financing causes continuing inflationary tendencies. They neither influence supply effectively, nor do they slow down demand, since they do not act as a motivational factor as far as the growth of production is concerned. It is illustrated by the paradox of increased profitability attained owing to the price movement, with a simultaneous lowering of the volume of production. Together with the really difficult conditions of the work of enterprises, it is the reason for not attaining sufficient improvement in the way they are managed.

If, therefore, the principle of self-financing of enterprises is not to remain a stillborn idea, we have to decide quickly on joining into one efficient whole the credit system and those "systems" that accompany it, but which lag far behind.

The bank's evaluation should put stress on credit being a source of financing only profitable and efficient activity. An activity that is necessary for noneconomic reasons should be supported by a system of subsidies. Those two should be precisely separated, not just formally. It turns out that in real life the principle of formal division has not reached the decisionmakers' minds at all levels and is not being observed. Particularly when they face serious economic and social difficulties, the Sejm and the Council of Ministers, therefore, at the time of approving general guidelines of monetary and credit policy of the banks, at the same time defined the credit preferences resulting from socioeconomic policy. First of all, they should concern themselves with priority in receiving credit.

Subsidies should have unconditionally and singularly a subjective character. They should be tied to concrete products, and not with their manufacturers. This system would have a favorable influence on creating the beginnings of competition. Because a subsidy can encourage a change of the structure of production and taking over of a product from those receiving a subsidy and who make it expensively. Maybe a subsidy should be subject to bidding, or it should be replaced by government orders?

Creditworthiness of enterprises should be evaluated more broadly than it has been done until now, it should involve not only its present activity but

also its prospects for the future, periods of equal length with the multiyear plants. The credit system would thus become a more effective tool than it is now in enforcing better efficiency. The banks would be able to use a diversified interest rate, dependent on the client's "sound prospects."

The tax system should also be revised. It should be more selective and effacacious, it should guarantee that the budget gets undue profits. It would slow down uncontrolled price movement and would check the monopolists' schemes. The meaning of this for society is obvious.

Two more matters in conclusion.

First, already emerging occasionally earlier, pertains to the law on rehabilitation and liquidation of enterprises. This law is becoming a must and it should be binding not later than beginning in January of next year. There are too many decisionmakers' doors without it, enabling parochialism to sneak in. A need for introducing an antimonopoly law also arises.

The second matter does not concern the material sphere. Not without reason, was it said at the beginning of the discussion on reform that it is not only an economic operation, but a profound social process. Encountering a significant part of the managerial cadres that are demoralized by the system called "I direct and distribute," it cannot afford the system's underperformance, especially where money is involved. Otherwise the process of the economy's negative adjustment to the reformed system could become an avalanche destroying everything standing in its way.

An illustration of this point is in a way the answer to the question raised in the title. After all, nobody has folded.

9644
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# LONG-RANGE ENERGY DEVELOPMENT OUTLINED

## Energy Requirements Forecast

Warsaw ENERGETYKA in Polish No 3, Jul 82 pp 87-90

[Article by Eng Waclaw Fiszer, adviser to the chief inspector for energy management]

[Excerpts] The recent upsets of the national economy have revealed its great dependence on imported raw-material and coproduced deliveries, especially from the second payments area [capitalist countries]. Meanwhile, the current worldwide energy crisis has brought about basic changes in the correlation between the increase in total primary energy consumption and the increase in generated national income. These phenomena complicate the forecasting of the development of the domestic power industry.

### A Forecast of Domestic Requirements for Electrical Power

The development of the domestic requirements for electrical power have a considerable impact on the amount of the total requirement for primary energy for the following reasons:

--the share of primary energy in electrical power production in the total domestic requirement now exceeds 25 percent.

--this share will increase considerably due to the more rapid worldwide increase in the electrical power requirement than in the total requirement for primary energy. This tendency is more prominent in countries that have a major shortage of hydrocarbon fuels and are able to substitute electrical power for these fuels. Poland is one of these countries.

Making use of an index of the flexibility of increases for electrical power requirements in relation to DN [national income] increases is not a valid method of assessing the increase in the requirements for electrical power, since gas fuels, liquid fuels and heat from central heating systems (in addition to electrical power) determine the degree to which the requirements for high-grade energy sources are met. High-grade energy sources are mutually interchangeable, especially in the fields of residential heating,

water supplies for consumer use and food preparation. This justifies using the observed tendencies of increased requirements for electrical power in European countries.

Covering the Requirements for Electrical Power by Increases in Primary Energy

Brown coal and nuclear fuel are the major energy raw materials for the domestic electrical power industry that can ease the hard-coal balance, to a great degree.

It is assumed that brown-coal extraction (for domestic purposes) will increase from 33.3 million Mg [Mega-grams] 974 PJ [petajoules] in 1980 to 63 million Mg (1,850 PJ) in 1985 (due to an increase in extraction from the Belchatow and Lubstow beds), up to 87 million Mg (2,564 PJ) in 1990 (due to another increase in extraction from the Belchatow bed and an increase in extraction from the Turow-pillar bed under the Nysa), and up to 120 million Mg (3,500 PJ) in the year 2000 (due to an increase in extraction from the Szczercow, Cybinka+Gubin+Mosty, Babina-Zarki and Sieniawka III beds; and, alternatively, from the Legnica bed). More than 90 percent of the above increases in extraction are designated for the electrical power industry.

In the area of the nuclear power industry, it is expected that two power units of 440 MW each will be activated between 1989 and 1990

In accordance with a 1982 governmental decision, the construction of the nuclear electrical power plant Zarnowiec was begun. A contract was concluded for importing a net guaranteed power output of 1,000 MW from the Khmel'nitsky nuclear electrical power plant (in a 750-kV line to Rzeszow), with a utilization time equal to 6,000 h/a [hour/amperes]. By 1985, 2.4 TW·h [terawatts/hour] (440 MW) are to be obtained from this electrical power plant, and by 1988 and beyond, another 3.6 TW·h (600 MW) will be obtained.

Less than 40 percent of the planned gain of a power output of approximately 5,000 MW by 1990 (within the framework of CEMA coproduction) can be implemented at present, if we combine the results of the Zarnowiec nuclear electrical power plant and imported power from the Khmel'nitsky nuclear electrical power plant. Both the domestic fuel-power balance and the developmental trends of the worldwide power industry, including CEMA countries, demonstrate the need to step up the domestic construction of nuclear electrical power plants. Thus, a minimal program would include a yearly increase of 1,000 MW from 1991 to 1995, and 1,500 MW of power output yearly in nuclear electrical power plants (EJ) from 1996 to 2000, or 12,500 MW for the decade 1991 to 2000.

Table 5. A Forecast of the Long-range Increase in Gross Domestic Electrical Power Requirements [1)]

| Years | Percentage of average annual increase in requirements | Energy Requirement for the final year of the period, TW/hour |
|---|---|---|
| 2) | | |
| 1981-1982 | 1.8 | 117 |
| 1982-1983 | 4.3 | 122 |

| | | |
|---|---|---|
| 1983-1985 | 5.0 | 135 |
| 1985-1990 | 5.2 | 174 |
| 1990-2000 | 4.2 | 263 |

1) The sum of gross production of domestic electrical power plants and energy import from the USSR (Khmel'nitsky). Energy export, which falls within the margin of error, is not included.

2) 1981 production, approximating a requirement of 114.9 TW/hour.

Thus, through 2000, there should be the guaranteed production of 80 TW/hour of nuclear fuel [(880 + 12,500)MW·6000 h], and together with the import from the Khmel'nitsky nuclear electrical power plant--86 TW·h, which corresponds to a primary energy requirement of 880 PJ (30 million tons p.u. [standard fuel]).

A hypothesis for covering the requirements for electrical power by primary energy is presented in Table 6. The table shows that there will be changes in the level of production in electrical power from hard coal in the public-utility power industry by comparison with 1980, namely:

--a production decline of 7.4 TW/h in 1985,
--a production increase of 10.5-7.4 = 3.1 TW/h in 1990,
--a production decline of 15-3.1 = 11.9 TW/h in 2000.

Given the assumed structure of development of the public-utility power industry, this means a decrease in hard-coal consumption for electrical power production in 2000 by comparison with 1980.

Table 6. A Hypothesis for Covering the Electrical Power Requirement from 1981-2000 With Primary Energy

| Item | Coverage of increases, TW·h | | |
|---|---|---|---|
| | 1981-1985 | 1986-1990 | 1991-2000 |
| from brown coal | | | |
| -increase in extraction from Belchatow and Lubstow | 17 | -- | -- |
| -attaining full production at Belchatow | -- | 15 | -- |
| -developing of the beds: Szczercow, Turow III, C+G+M[1]) | -- | -- | 23 |
| Furnace oil (to feed the fire) | 0.4 | 0.4 | -- |
| Water power industry (from natural intake-output) | | | |
| -Ciechocinek | -- | 0.5 | -- |
| -Lower Wisla+tributaries | -- | -- | 2 |
| Nuclear electrical power plants: | | | |
| -import from USSR, Khmel'nitsky | 2.4 | 3.6 | -- |
| -Zarnowiec, first stage | -- | 4.4 | -- |
| -Zarnowiec, second stage+Kujawy +non-localized | -- | -- | 75 |
| Industrial power industry | -- | 3 | 4 |

| | | | |
|---|---|---|---|
| Conservation by restricting network losses | 0.6 | 1.6 | -- |
| Total | 20.4 | 28.5 | 104 |
| from hard coal | | | |
| (135-122) - 20.4 | -7.4 | -- | -- |
| (174-135) - 28.5 | -- | +10.5 | -- |
| (263-174) - 104 | -- | -- | -15 |

1) Cybinka + Gubin + Mosty; alternatively, Legnica I.

Table 7. The Forecasted Structure of Increases in Attainable Power Output Installed in the Public Utility Power Industry from 1981 to 2000

| Electrical power and heat-generating plants | Increase in power output, MW 1981-1990 | 1991-2000 |
|---|---|---|
| Belchatow: 12X360 MW | 4,320 | |
| Polaniec I (from No 4): 5X200 MW | 1,000 | |
| Polaniec II: 4X200 MW | 800 | |
| Opole: 6X360 MW | 2,160 | |
| Turow II: 2X360 MW | 720 | |
| Zarnowiec (pumped-storage): 4X170 MW | 680 | |
| Mloty (pumped-storage): 3X250 MW | 750 | |
| Hydro electric power plants (Ciechocinek) | 150 | |
| Zarnowiec, first stage (net power output) | 800 | |
| Import from USSR (Khmel'nitsky) | 1,000 | |
| Public utility electric power and heat-generating plants | 1,900 | 2,500 |
| Zarnowiec (second stage)+Kujawy | | 5,000 |
| Nonlocalized | | 7,500 |
| Electrical power plants using nonlocalized brown coal | | 4,000 |
| Hydroelectric power plants (Lower Wisla) and pumped-storage plants (Sobel) | | 3,000 |
| Total | 14,280 | 22,000 |

The structure of these increases is presented in Table 7 above. It shows that electrical power plants already built or under construction will cover the increase in power output up to 1990. However, in order to achieve the needed results after 1990, it will be necessary to do more than merely complete the second stage of the Zarnowiec electrical power plant: research on and the siting of new electrical power plants will have to be intensified.

Forecast of the Covering of the Total Primary Energy Requirement

The hypothesized development of the electrical power industry as presented correlates with the forecast of the covering of the total domestic requirement for primary energy up to the year 2000. The increase in the primary energy requirement for electrical power production during the period under

consideration can be covered partly by brown coal (38 percent), partly by nuclear fuel (60 percent) and the rest by other fuels and water power. With the increased requirement for primary energy by the entire public utility power industry, the hard-coal requirement for central heating purposes must also increase by comparison with 1980 levels. Moreover, it is possible to set in motion nuclear electrical power plants and high-capacity power plants before the year 2000.

Summary

1. The feasibility of the forecast moderate development of the total primary energy requirement depends upon the consistent implementation of energy programs in the domestic economy. Major importance in these programs is ascribed to endeavors concerned with the conservation of electrical power.

2. In the above hypothesis, the basic energy raw materials for covering the increased electrical energy requirement up to the year 2000 are: brown coal and nuclear fuel. The production of electrical power from brown coal should increase threefold over the 1980 level, while nuclear power plant production should cover approximately 75 percent of the increase in the domestic requirement for electrical power in the last decade.

3. The forecast increases in electrical power production from brown coal require the efficient mining of the Belchatow and Lubstow beds and the undertaking of the mining of the other beds in the last decade, namely: Szczercow, Turow III (the pillar under Nysa), Cybinka+Gubin+Mosty (or, alternatively, Legnica I). The location of these beds determine the location of the electrical power plants, and will have a considerable impact upon the configuration of transmission networks.

4. The process of the use of nuclear power should be intensified. Poland cannot be a backward country in this field among other European countries (there is the danger that we will even be backward compared with developing countries). A planned program for activating nuclear electrical power plants through the year 2000 should be implemented with consistency. Meanwhile, planning and siting efforts and ensuring equipment deliveries, construction potential and specialized cadres are all critically delayed.

5. The possibilities of hastening the development of nuclear electric power and heat-generating plants (heating plants) before the year 2000 are very important. This type of new heating source should be located in regions that are especially burdened ecologically (large cities, the GOP [Upper Silesia Industrial District] and other industrial regions). At the same time, these sources should be built not only to develop central heat-generating systems, but also to open up the power output of old electric power and heat-generating plants (for example, the Zeran plant, opened in 1952).

6. Separate analyses and efforts must be made to ensure supplies of nuclear fuel. The optimization of the fuel cycle related to the choice of reactor types in the course of their introduction, as well as the storage and reprocessing of spent fuel are of special significance.

7. The construction of new hard-and brown-coal mines and electrical power plants requires at least 10 years (from the idea stage through the completion stage). The period up to the year 2000 is too short to enable the defining of strategic concepts for the development of domestic fuel-energy industry management.

Further studies (up to the year 2020) must take into consideration the following basic changes in domestic fuel-energy industry management:

--hard-coal extraction will probably reach maximum level of 250 million Mg per year, and brown coal--120 million Mg per year;

--brown coal beds will be exhausted in the Konin-Turok region and in Turoszow; transmission network junctions and favorable water conditions (in the Konin region) will create premises for locating nuclear electric power plants there;

--the use of unconventional energy sources will have some slight impact on the domestic energy balance;

--the introduction of electric drive into automation is likely, shifting the peak-hour burden in the electrical power system to nighttime periods,

--the increases in electrical power and centralized heating production will have to be based in full on nuclear fuel, especially since the revaluation of coal as a valuable chemical industry raw material will increase.

## Energy Production, Consumption

Warsaw ZYCIE GOSPODARCZE in Polish No 35, 19 Sep 82 p 6

[Article by Dr Habilitatus Jan Danielewski, docent in the Institute of Economic Conditions and Foreign Trade Prices]

[Text] The NPSG [National socioeconomic plan] assumptions for 1983 to 1985 and the preliminary forecast for the next 5-year period lead us to reflect whether the power sources available to our country during this period will suffice for the attainment of the planned level of production and national income.

Economic development is not possible without a corresponding increase in primary energy consumption. The recently launched "zero growth" concept, meaning that essential economic growth is possible without an increase in energy consumption, should be treated with caution. The truth is that 60 to 70 percent of the primary energy contained in energy sources used by consumers is wasted in processing and in the course of terminal power consumption as a consequence of the very low factors of efficiency of the apparatus that uses it. There are practical as well as theoretical possibilities for considerably increasing the efficiency of this apparatus; the only hitch is that enormous funds are needed for this. Thus, given our conditions, let us imagine how much it would cost to produce a completely new generation of turbines for our electrical power plants, and then to exchange those already in operation as well as other equipment in all electrical power plants?

Nearly 9 years have passed since the great price jump in crude oil. What has our automotive industry done to reduce per-unit fuel consumption in domestic private automobile and heavy production? Nothing, or even less than nothing, as the startup of production of the Polonez shows. What has this industry done to increase the durability of its products? It is not merely a question of direct power conservation, but also of energy used to make materials for production and finished products. There are many such examples; however, if we are to speak of energy-conserving economic development we must seriously begin to conserve energy. This means increasing management efficiency in every sector. Energy conservation is likewise the full utilization of fixed assets, especially fixed assets for production--of which everyone is somehow too ashamed to speak.

If we compare the published assumption of Poland's economic development up to 1990 with its potential for extracting and importing energy sources, we conclude that these assumptions are realistic from the viewpoint of energy supply. While they anticipate major energy conservation, they have none of the zero growth fantasies. Perhaps this approach attests to the maturity of our planning apparatus and to its abandonment of fertile imaginzation in favoring of respect for reality. It is still too early for eulogies; one counts chickens in the fall. Let us get back to the subject.

In the past, the ratio between primary energy consumption and Poland's generated national income in constant prices was the following:

Our electrical energy and imported energy converted into a proportion that more or less corresponded to the fuel consumed in heat-generating electrical power plants in generating 1 kilowatt-hour of electrical power.

Since we are discussing the future, we cannot devote too much analysis to the past. However, Table 1 shows the increase in the energy-intensiveness of our economy after 1976. Why did this happen?

Table 1. Primary Energy Consumption from 1960-1981 Compared with Generated National Income

| Year | Primary energy consumption in millions of tons of standard fuel | Generated national income in constant prices from 1 Jan 1977 | Primary energy consumption in kg of standard fuel per 1,000 zl of national income in prices from 1 Jan 1977 |
|---|---|---|---|
| 1960 | 75.8 | 419.3 | 180.8 |
| 1970 | 117.6 | 945.2 | 124.4 |
| 1975 | 149.0 | 1,506.7 | 98.9 |
| 1976 | 154.6 | 1,605.9 | 96.3 |
| 1977 | 164.3 | 1,685.9 | 97.5 |
| 1978 | 170.2 | 1,741.2 | 97.7 |
| 1979 | 174.7 | 1,701.4 | 102.7 |
| 1980 | 179.2 | 1,599.3 | 112.0 |
| 1981 | 165.3 | 1,386.2 | 119.2 |

Source: my own calculations based on GUS [Central Office of Statistics] statistical yearbooks and bulletins. 1 kg of standard = 7,000 Kcal (i.e., 1 kg of good hard coal).

I believe that generally the disordered state of the entire economy and the overall decline of its efficiency (labor productivity, the utilization of production capacity, the decline in product quality and the like) from 1977 to 1979 (and after) caused a considerable decline in our steel imports (approximately 3 million tons in 1976) and in our imports of other energy-intensive goods. This had a definite impact upon the increase in the energy-intensiveness of industry. However, let us leave our in-depth analysis of the past for another occasion, especially since one may have serious reservations about calculating the growth rate of the national income in constant prices. We have need of the above comparison only to see what our planners anticipate in this field in the coming 8 years.

What about the energy situation? There are no detailed figures in the document, but it is a very telling assertion that by 1990 we will not be able to increase hard-coal extraction, because the investment outlays which could bring about the economical management of this extraction barely cover the expected decrease in extraction capabilities. On the other hand, brown-coal extraction is expected to increase from 38 million tons in 1982 to 59 million tons in 1985, and 75 million tons in 1990. I believe that Poland's energy balance in 1990 will shape up in the following way:

Added explanations are needed regarding the assumed import and export volumes.

First, the turnover in electrical power is not considered, given the unprofitability of exporting it and the compensation of its exchange with foreign countries. Second, it is assumed that turnover with foreign countries in the area of petroleum products will be compensated due to the unprofitability of processing crude oil designated for export in Polish refineries. Third, a considerable increase in the import of natural gas from the USSR is expected (this transaction must be finalized). Fourth, a very moderate increase in the import of liquid fuels is expected (by comparison with the maximum reached in the import of liquid fuels is expected (by comparison with the maximum reached in 1980--a total of 29.7 million tpu [tons of standard fuel] made up of 16,347,000 tons of crude oil and 4,406,000 tons of petroleum products) given the payments difficulties of Poland and the continued price increases of these products on the CEMA market. At the same time, the possibility of importing liquid fuels from the USSR may decrease, since the growth rate of crude oil extraction in that country has declined considerably, amounting to less than 0.5 percent in the first 7 months of 1982.

The anticipated primary energy production in Poland should be 12.2 percent (lower variant) or 4.8 percent (higher variant) lower in 1990 than the historical maximum of 1979 (183.9 million tpu). On the other hand, the use of the sources of primary energy in 1990 would be only 91.6 percent (lower variant) or 104.9 percent (higher variant) of the maximum level in our history (in 1980) of 179.2 million tpu.

Table 2. Production, Import, Export and Presumed Energy Consumption in Poland in 1990

| Energy source | In standard units | Conversion factor | In millions of tons of standard fuel |
|---|---|---|---|
| Production | | | |
| Hard coal (in millions of tons) | 170-180 | 0.82 | 139.4-147.6 |
| Brown coal (in millions of tons) | 70-75 | 0.257 | 18.0-19.3 |
| Crude oil (in millions of tons) | 0.5-0.6 | 1.43 | 0.9-1.2 |
| Natural gas (in billions of cubic meters) | 2.1-3.5 | 1.17 | 2.5-4.1 |
| Primary electrical energy | | | |
| a) from hydroelectric plants (in billions of kWh) | 2.4-3.1 | 0.37 | 0.9-1.2 |
| b) from nuclear electrical power plants (in billions of kWh) | 0-5.3 | 0.37 | 0.0-1.9 |
| Combined production | | | 161.5-175.0 |
| Import | | | |
| Hard coal (in millions of tons) | 1.0 | 1.0 | 1.0-1.0 |
| Crude oil and petroleum products (in millions of tons) | 15-22 | 1.43 | 21.5-31.5 |
| Natural gas (in millions of cubic meters) | 5-10 | 1.2 | 7.2-12.0 |
| Combined import | | | 29.7-44.5 |
| Export | | | |
| Hard coal (plus coke) (in millions of tons) | 30-55 | 0.9 | 27.0-31.5 |
| Combined export | | | 27.0-31.5 |
| Presumed domestic consumption (production + import - export) | | | 131.4-136.4 |
| Solid fuels | | | 22.2-32.4 |
| Liquid fuels | | | 9.7-16.1 |
| Natural gas | | | 0.9-3.1 |
| Primary electrical energy | | | |
| Total consumption | | | 164.2-188.0 |

Source: Energy forecast "Polska 2020," GICE [Main Inspectorate for Energy Management], OBRGE [Research and Development Center for Energy Management?], Katowice 1982 (authors: J. Michna, M. Baran, L. Bednarz, J. Dembowski, J. Filipowicz, K. Mosakowski, R. Ney, A. Szpilewicz, J. Wojtulewicz, consultant: K. Kopecki) and my own estimates.

Comment: I assume that in 1990 we will have the good fortune to have our first nuclear electric power plant in Poland with a capacity of 2 X 440 MW, which in 6,000 work hours annually can produce 5.28 billion kWh.

Unfortunately, the structure of fuel consumption in 1990 will not change significantly in Poland. The share of solid fuels in this consumption was 76.8 percent in 1979, 77.0 percent in 1980 and will be 80 percent (lower variant) or 72.6 percent (higher variant) in 1990. No other country in the world, except China, has such an archaic structure of primary energy consumption (i.e., such a high share of solid fuels)! It is not a question of "archaism" per se, but of the fact that the economic effect of every consumed ton of liquid fuels, natural gas and primary electrical power is considerably higher than the effect of the caloric conversion factors of these fuels into standard fuel by comparison with hard and brown coal.

Moreover, it should be noted that in 1990 the supply dependence of our economy on imported sources of energy will increase. If in 1970 the ratio between domestic primary energy consumption and production was 100:115, in 1975 it was 100:98 (in that year we became net importers of energy!), then in 1990 it will be 100:98 (lower variant) or 100:92 (higher variant).

The document under consideration shows that Poland's generated national income in constant prices (calculated here in 1 January 1977 prices) should be in 1985 (in billions of zlotys)--1,439.4 (variant I); 1,487.3 (variant II) and 1,519.3 (variant III); in 1990, it should be 1,695.3 (variant I); 1,887.2 (variant II) and 1983.1 (variant III). In other words, only according to the most favorable variant will we reach the 1975 national income level in 1985, and according to the least favorable variant, in 1990 our national income will barely exceed the 1977 level. This is important for assessing our requirement for primary energy during the period covered by the draft plan.

If we divide the expected amount of primary energy consumption by the expected amount of the national income, we arrive at the indispensable level for the planning period of the index of energy-intensiveness of the national income given in Table 3.

Table 3. Energy-intensiveness of the Polish National Income in 1990 (in kilograms of standard fuel per 1,000 zlotys of generated national income in 1 January 1977 prices)

| Variants of energy consumption | Variants of national income | | |
|---|---|---|---|
| | I | II | III |
| Lower variant | 96.9 | 87.0 | 82.8 |
| Higher variant | 110.9 | 99.6 | 94.8 |

The preceding estimate shows that with the lower variant of primary energy supply, it will be possible to reach the 1990 national income only in the amount corresponding to variant I of the draft plan; with the higher variant of energy supply, it will be possible to reach a national income level even higher than that projected by variant II; however, the attainment of the variant III level appears to be unrealistic. In this way, I assume that in

the course of 8 years we will not be able to reduce the energy-intensiveness of our national income below the 1975-1977 levels (i.e., in the range of 98 kg pu per 1,000 zlotys in 1 January 1977 prices). I am aware that this will still mean a reduction in the present energy-intensiveness of our income by approximately 20 percent. While greater conservation is possible, I doubt that it can be attained during the next 8 years under our present conditions. Nonetheless, we should do everything possible in this direction.

The estimates show that the published NPSG draft plan up to 1985 and up to 1990 is feasible. This is all the more so, since this draft correctly expresses the important role of energy: "The fuel-power industry situation is taking on the proportions of a major economic problem of the 1980's." The draft points out the need to increase the efficiency of using metallurgical materials in industry and building construction, to increase the share of quality steel in metallurgical production and to increase the share of secondary raw materials in the total consumption of raw materials by industry. Of course, these are merely a few endeavors for significantly conserving energy. Of special importance is the need for generally raising production quality in all branches of the processing industry--the major source of energy waste, in my opinion.

Like other CEMA countries, Poland's energy-intensiveness of its national income is 1.5 to 2.0-fold higher than European capitalist countries (see my article in the June 1982 issue of SPRAWY MIEDZYNARODOWE). This comparison demonstrates the potential for major power conservation in our economy. The need for such conservation will also exist after 1990, since little will change in our country on the supply side of fuels and energy by that time. It will take a tremendous effort to ensure the systematic improvement of the Polish standard of living, given the insignificant increase in the supply of energy sources. I believe that this will not take place without very basic changes in our life style.

The slowing of the development of large cities (which represent a very energy-intensive life style) can contribute to a decline of the energy-intensiveness of the national income. Is it not better to build new industrial plants in small towns, where it is not necessary to create a costly municipal transportation network, where large-panel municipal construction is not needed, where the problems of household waste recovery should not exist (since wastes are used to feed poultry and rabbits or to fertilize household gardens and the like), where every crew member would appreciate his work position better than workers in large cities, where there are not enough workers and broad possibilities for choosing a job? Of course, these are random considerations; however, they are worthy of discussion and should be studied.

In general it is a question of our living well and making maximum rational use of our limited natural resources, with a far-reaching sense of wisdom.

## Power Transmission Line Construction

Rzeszow NOWINY in Polish 4 Aug 82 pp 1, 2

> [Text] Moscow (PAP)--Editor Wladyslaw Knycpel writes: The construction of a 750-kV electric power transmission line, to lead from the Khmel'nitsky nuclear power plant in the Ukraine to Rzeszow has begun with the laying of the first cubic meters of concrete at the foundations of the poles. Despite the fact that the construction of this line is to be completed in 1984, it is already designated on the map at the dispatching point of the Iwowenergo junction--an important element of the international Mir energy system, which has existed for 20 years. This system plays an important role in the fuel-energy balance of European CEMA states.

It is noteworthy that the understanding concerning cooperation in the building and power utilization of the 750-kV transmission line from the Khmel'nitsky electrical power plant to Rzeszow, and the construction of a 750-kV substation in Rzeszow was signed during the 89th meeting of the CEMA Executive Committee at the end of March 1979. The line will be about 400 km long, with the Soviet side building the longest section, up to its border with Poland.

At this same meeting, the CEMA Executive Committee, Poland, the CSSR, Hungary and the USSR signed a general understanding concerning cooperation in construction of the Khmel'nitsky nuclear electrical power plant on the territory of the Soviet Union. This power station will have a power output of 4,000 MW, of which Poland will receive 1,000 MW, or 6 billion kWh of electrical energy a year. In return for our share in implementing the agreements, we should receive our first current by the end of 1984. The production of the Khmel'nitsky power station will increase continually until it reaches its projected power output. The agreement encompasses a period up to the year 2003.

The construction of the Khmel'n itsky electrical power plant is now in full swing. Polish construction crews, installers and transport crews, along with service personnel, for a total of 1,320 persons, are working on the plant. Our excavators, bulldozers and cranes are also there. Polish crews are likewise constructing various structures accompanying the electrical power plant as well as living structures. Our specialists are now preparing for their work later on the main power unit in the area of building-construction work. The cooperation of Polish workers with Soviet crews and investors is moving along well.

Our crews are also working on the construction of nuclear electrical power plants in Kursk (920 persons) and Smolensk (1,300 persons), where in addition to their work on accompanying structures, our specialists are implementing building-construction work on the main power unit.

The experiences gained by Polish crews in building atomic power plants on the territory of the USSR will undoubtedly be extremely valuable and necessary in the building of our first atomic electrical power plant, Zarnowiec, in Gdansk Voivodship. This electrical power plant, built in cooperation with the USSR, will be composed of four power units with an output of 440 MW each. The first is to be put into operation between 1988 and 1989.

Poland is also taking part in the implementation of an agreement signed in 1979, concerning the multilateral international specialization and coproduction of machinery and equipment for atomic electrical power plants. Each country (including Poland) is producing a specific group of units and equipment for atomic power plants. The production of a group of machinery and equipment indispensable for 440 MW reactors has also been set into gear. At the same time, special attention has been paid to the reliability and safety of the atomic electrical power plants.

The CEMA states have prepared a broad program of development for atomic energy. The planned power output of atomic power plants up to 1990 is to reach 37,000 MW (excluding Soviet plants). In the USSR, from 1981 to 1985, atomic power plants with a combined power output of 25,000 MW are to be put into operation.

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3 November 1982

# East Europe Report

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2333

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3 November 1982

# EAST EUROPE REPORT

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2333

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## CEMA MERCHANT FLEET, INLAND SHIPPING COOPERATION DETAILED

East Berlin PRESSE-INFORMATIONEN in German No 116, 1 Oct 82 p 2

[Article by Dr Heinz Rentner, deputy minister for transportation: "Multilateral Cooperation in Seagoing and Inland Waterway Shipping Within the Framework of CEMA"]

[Text] Shipping companies in CEMA member countries today cooperate through seven joint line shipping services. The GDR takes part in six of them going to Africa, South America and the Mediterranean. They facilitate rational shipments, coordinated in time and hence more efficient ones, even to and from third countries.

Coordinating the work of existing and newly to be established line services was among the first tasks of the shipping section in CEMA's standing commission on transportation that was set up 20 years ago. Establishing it laid the cornerstone for the CEMA countries' fruitful and constructive cooperation in seagoing and inland waterway shipping.

### Efficient Use of Ships

The growing share of seagoing and inland waterway shipping in increasing foreign trade shipments to many countries of the world now required new forms of organization for this cooperation--by 1960, shipping capacities of the CEMA states' fleets had more than doubled. First the section had concentrated on more closely coordinating the shipping companies of the participating countries while improving the efficiency in the use made of the ships. That included an agreement on standardizing seagoing and inland waterway vessels and shipbuilding specialization measures connected with that. It also was a matter of gradually improving the coordination in the loading of ships from third countries.

In 1962, the joint line service CUBALCO--the Europe-Cuba relation--was set up in which shipping companies of five CEMA member countries took part. For the young republic of Cuba it was the most important basis for maintaining its foreign trade relations at the time of the U.S. engendered imperialist blockade.

Qualitatively a new phase in the cooperation in shipping was initiated by the "comprehensive program for deepening and improving the cooperation and the development of socialist economic integration," adopted at the 25th CEMA conference. Projects on coordinating navigation and navigational policy became more and more the focal point. Here one had to take account of most diversified

interests of the CEMA member countries--due to their geographic location, the status of their economic development and so forth. Those were no easy tasks the fraternal countries had to resolve in concert. Especially the Soviet Union provided its great experiences to it.

A remarkable step forward in the development of cooperation was the founding of joint enterprises. The Soviet-Bulgarian inland waterway shipping company DONAU-TRANS was set up in 1976 and systematically turned into an associative unit. Since 1981 the use of the whole fleet of the five socialist states contiguous to the Danube has been coordinated from a central bureau.

The thus far highest form of socialist economic integration in the shipping field is the economic enterprise INTERLEICHTER. That is a modern transportation system on the basis of lighters, barges, taken by seagoing carriers to India, Kampuchea, Vietnam and back. Four socialist states contiguous to the Danube take part in this joint enterprise.

Also the development of ports, their expansion, reconstruction and modernization, proceeds according to a program coordinated among the CEMA states. From 1976 to 1980, such projects have been carried out in 27 seaports and 13 inland ports of CEMA member countries. In the overseas port of Rostock, GDR-CSSR cooperation in that period produced a modern installation for the transshipment of bulk goods.

Joint Prognostic Surveys

The tremendous development of science and technology also in the seagoing and inland waterway shipping leads to important changes in the structure of the fleets and their technical equipment and then also in the transshipment of goods in the harbors. Through joint surveys ranging all the way to the year 2000, the CEMA states analyze the developmental trends in freigh transport to work out inferences on that basis for navigation.

There is, for instance the freight development in inland shipping for the next 20 years and the concern about possibilities to enhance it further, also by shifting transports over from the railroad and motor vehicles. These topics are of great interest to the GDR. This scientific-technical cooperation under a division of labor is of great value to all participants. It makes possible to save time, use capacities expediently, and avoid duplication. The results are equally available to all countries. GDR transportation finds this cooperation facilitates the solving of important tasks assigned by the 10th SED Congress.

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## EXPANSION OF FOREIGN TRADE CONTACTS DESCRIBED

East Berlin HORIZONT in German Vol 15 No 35, 1982 (signed to press 23 Aug 82) p 22

[Article by Arthur Troschke: "Greater Contacts in Area of Foreign Trade"]

[Text] There has been more news lately about Albania's intensifying its economic relations with many countries. It also is looking for, and establishing, contacts with new trade partners. The assumption of diplomatic relations with other countries also comes with developing economic contacts such as with Japan last year. The intent to surmount Albania's isolation from the international division of labor step by step was noted at Albania's Eighth Workers' Party Congress in November 1981.

### Ambitious Tasks

The party congress ratified the directives for the agrarian-industrial state's economic development during the Seventh Five-Year Plan (1981-1985). In this five-year plan, as the journal NEW ALBANIA emphasized, special attention would be paid to "employing all the population that is able to work in useful labor, mainly in the domain of material production."

Demanding tasks have indeed been started in material production. The 1985 national income is to come to from 35 to 37 percent above that of 1980. Overall industrial output is to increase between 36 and 38 percent. Above that rate lie the figures for the oil inudstry (up 42 to 44 percent), the copper industry (up 49 to 52 percent) and the chromium industry (up 77 to 80 percent)--due to an increased use made of domestic natural resources. The agricultural production boost anticipated for 1985 is given as between 23 and 25 percent. By constructing 80,000 dwelling units, 30,000 of them in the countryside, housing conditions for 400,000 people are to be improved in this period (total population circa 2.7 million).

This explains the investment priorities. So the party congress directives stipulate that circa 75 percent of the funds must be used in material production. First and foremost there are the projects that help accelerate industrial and farm production. Then they carry on and conclude the realization of economically important installations. They mention in this connection the "Steel of the Party" metallurgical complex and the hydroelectric plant of

Komani, which will conclude the most important section of the hydroenergy system on the Drini River. They evidently have to catch up with quite a lot that goes back to the time before 1978.

Albania's economic development certainly is not without its contradictions. On that, domestic and foreign experts are agreed. Even though the government appears content with economic advances in recent years, Albanian publications also reveal that the 1981 plan was not fully met in any area despite the partly high growth rates (national income up 6 percent, industrial output up 6.5 percent). There are also increasing indications that in various economic areas the speed of development has slowed down.

Priorities on Exports

All in all, 1982 is considered the crucial year in Albania's current five-year plan. Maximal thrift is demanded everywhere, production intensification, higher labor discipline and dedication, and an extensive use of up-to-date know-how and scientific-technical knowledge and data.

Foreign trade, in connection with that, is of special importance, all the more so, after the party congress issued this announcement: We must abide still more resolutely by the principle to rely on our own capacities and without resorting to foreign aid or credits. So it is up to foreign trade to expand exports while cutting down the import share for certain goods in order to produce, mainly, means for the import of machinery, equipment and complete plant installations technologically efficient. As to the expansion of foreign trade, figures indicate that the 1985 export volume is to be between 58 and 60 percent above that of 1980. Import is to grow, maximally, up to 58 percent.

Expansion for Mutual Advantage

According to statistical data, Albania's foreign trade turnover in 1981 came to between $ 750 and 800 million. The GDR is among the 50 countries with which trade relations were maintained in recent years. Economic relations, of advantage to both sides, have proven stable for years. So it is in both countries' interests to expand their trade--on long-term agreement up to 1985. The GDR supplies textile machinery, harvester-threshers E 512, W-50 trucks, refrigeration and air conditioning installations and equipment, especially for fruit and vegetable storage, rotary cranes and chemical and metallurgical products. Albania offers chromium ore, copper enameled wire, fresh and processed vegetables, spring potatoes, textiles, tobacco and cognac.

Those engaged in foreign trade, in Tirana and many partner countries, keep deploring the fact, however, that the Albanian railroad still does not connect with the European network. So most traded goods have to go by sea route. With evident interest has been noted early this year the Yugoslav-Albanian agreement on construction projects for the Titograd-Shkodra railroad line. Signals on tracks facilitating Albania's export-import with other countries also are expected to be switched on in 1984 as well.

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FOREIGN CURRENCY EFFECT ON PRODUCTION, CONSUMPTION OF NATIONAL INCOME

Prague PLANOVANE HOSPODARSTVI in Czech No 8, 1982 pp 28-39

[Article by Eng Milos Churanek, State Planning Commission: "Problems of Foreign Economic Relations--Relations of Foreign Exchange to Production and Consumption of National Income"; passages enclosed in slantlines printed in boldface]

[Text] In view of its limited raw material and energy sources, the CSSR occupies an important position in the international division of labor. Its objectives are reflected in the foreign-trade and foreign-exchange plans and the final results in their implementation. In the 30 years since inception of foreign-exchange planning in external economic relations, many partial changes have occurred in this sector.

From the beginning, when exports were considered to be collections and imports to be payments, planning of the balance of payments has been constantly augmented. One thing, however, did not change: the balance-sheet method which is used to determine the balance of payments as a relation of collections and payments paid in relations with abroad.

For the entire period, foreign economic relations were planned and their implementation expressed in recomputation of foreign currencies to foreign-exchange rates in korunas. Fixing the rate in korunas is necessary, because Czechoslovak foreign trade and foreign exchange are planned as an integral part of the entire national economy.

Foreign economic relations are to promote continued development of socialism and create conditions for permanent increases in the standard of living and reinforcing the securities provided to the populace by socialism. Key objectives of the plan in the area of external economic relations are:

/--supporting proportional development of the entire national economy and using the international division of labor to achieve savings in the national product in the most effective way possible;

/--guaranteeing exchange and compensating for bottlenecks in other branches and sectors, providing support in meeting tasks in the area of production and consumption;

/--helping in providing for the needs of defense and potential material resources of the state;

/--providing aid toward utilization of Czechoslovak industrial capacities and maintenance of full employment;

/--contributing to attainment of savings through coordination of development and production with socialist countries, particularly CEMA member countries, and to implementation of the Comprehensive Program for Socialist Economic Integration;

/--providing aid to industrialization of developing countries;

/--participating in maintenance of international peace by means of direct trade contacts, as called for by the Declaration of Helsinki of 1 August 1975./

Dynamic development of, and advantages offered by, foreign trade depend on smooth cooperation with production and the latter's efficiency. Foreign trade has been blamed lately for constituting a limiting factor in the development of the national economy during the process of expanded economic renewal, namely due to difficulties arising in meeting the balance of payments. Given an imbalanced rate of growth, these difficulties could multiply. Of course, not every imbalance can be considered to be an obstacle to economic growth. Only long-term imbalance of the economic balance of payments and trade tied to the credit balance affects the rate of growth of the national economy. In foreign relations, according to experience so far, it should not exceed 10 years, because of the considerable burden constituted by accumulating passive interest. At the same time, it should not exceed a certain limit, given by computations regarding the future method of repayment and the forms by which the deficit in the balance of payments was offset, as well as by an assessment of potential future exports and imports. To put it simply, imbalance in external economic relations is temporarily admissible with the provision that obtained additional resources will be systematically used to promote a concept for improving the efficiency of the economic renewal process which, at the very least, will make it possible to repay incurred credit to include interest in the future.

Seeing an obstacle in the fact that increased and/or required imports cannot be repaid due to permanent deficits in the balance of payments would, therefore, be incorrect. It usually bears witness to the fact that the overall concept, or implementation of development of the economy and of the standard of living, is not creating the prerequisites for proportionality among the key factors of the renewal process in relation to internal sound dynamic equilibrium.

Dealing with internal disproportions by drawing on external resources or one's own foreign exchange and/or gold reserves has its limits. Incurred foreign credits must be repaid one day. Analysis must be made primarily of the causes for occurrence of phenomena, analysis of their consequences comes second. For that reason, one of the significant shortcomings of economic policy in the Sixth 5-Year Plan must be seen in the fact that:

--the national economy "could and did get used to" drawing on external resources to a considerable extent;

--rooted in the mind of some managerial personnel was the conviction that problems are more easily "solved" through external relations and, therefore, in some cases no other approaches were explored;

--part of the increment in the generated national income was in a "planned" manner achieved at the expense of an adverse balance of payments;

--responsibility for dealing with the incipient problems in external relations was transferred to central authorities and not to the production sphere, so that the pressure for creating the prerequisites for future repayment became diluted to a considerable degree.

On the contrary, an active export policy must create suitable conditions for a lasting, flexible and, from the foreign-exchange viewpoint, effective growth of domestic production and exports, and refrain from transferring shortcomings occurring as a result of failures to meet the export assets quota (e.g., in machinery) or unforeseen imports (e.g., grain) into the permanently deficit balance of payments.

From the viewpoint of external economic relations, a limiting factor can become constituted by, e.g.:

--shortage of suitable effective export assets for which there is a demand abroad or which from the viewpoint of advanced technology are below worldwide average and the offered goods find no market abroad;

--trade-policy obstacles and commercial difficulties on foreign markets (e.g., due to discrimination, inadequate trade-policy backing, tariff barriers, poor or ineffective marketing network, etc.);

--relatively diminishing effectiveness of exports reflected, e.g., in the level of prices achieved abroad (to include barter relations), in terms of payment, territorially oriented currency exchange, inclusions of less effective items in exports (due to the need for equalizing the balance of payments), etc.;

--difficulties in obtaining or reopening foreign resources. The point is that not always are conditions abroad conducive to securing cheap or optimum credit. A factor herein may sometimes be political discrimination.

The key factors usually considered to affect the growth of national income in general are:

/--growth in productivity of labor and employment (this, of course, must not involve extensive employment, which usually results in reduced effectiveness);

/--the state and efficiency of fixed assets (discontinuation of ineffective productions and installations of highly modern and advanced facilities with optimum input of new means);

/--noninvestment factors (e.g., drop in consumption by production, or improved valorization of raw and processed materials at lower energy consumption);

/--putting to use the results of scientific and technological development and their introduction into practice in a relatively short time;

/--external economic relations, particularly in economies of the processing type, where there may exist a high degree of dependence on importation of raw materials, fuels and other materials./

Foreign trade affects the growth of national income, the structure of the gross national product [GNP] and, in competitive encounter on foreign markets, also effectiveness. It can also contribute to expansion of a specific production, its orientation to production in series and lowering of production costs. If the structure of production and exports does not correspond to the marketing conditions abroad, it can and often does lead to occurrence of imbalances, to reduced effectiveness, to an effort to export goods at any price. That can cause a deterioration of one's own good position on the foreign market and loss of goodwill traditionally earned by superior goods abroad. No onetime good-quality product enjoying a good reputation can permanently survive abroad or at home without innovation from time to time.

Foreign trade, in spite of a temporary stagnation, can prove to be a growth factor if there occurs a change in its structure which affects the composition of investments, specialization of production, overcoming of bottlenecks, providing for material balance or imbalance in a key sector. This circumstance must be systematically put to use by adopting measures that would translate into a qualitative shift toward intensification of the economic renewal process. To make use of foreign trade and an extensive factor on a permanent basis means to further aggravate the effectiveness of the national economy.

The relation of foreign trade to the national economy and to foreign countries must be in harmony. The complexity of interlinkage between internal and external relations, reconciliation of short-term and long-term possibilities with the needs and equilibrium relation is multiplied by variation in price levels (domestic and worldwide), territorial foreign-exchange problems, trade policy and payments, overall effectiveness and that of individual commodities and operations.

There are two basic approaches to overcoming tension in internal resources while maintaining the standard of living, namely:

/--by one's own resources and measures within the economy;

/--through external economic relations, i.e., foreign trade and the sphere of foreign exchange./

In planned socialist and planned nonsocialist economies, bottlenecks manifest themselves and are detected, as a rule, by the balance-sheet method which is of prime importance in the area of external relations. However, the point is not just the balance-sheet method per se, because in the end everything

must find its own equilibrium, but the real point is at what level is development taking place and how much it costs. If in the national economic balance (of national material resources and allocations as well as of gross national income and spending) exports stand on the side of needs and imports on the side of resources, then matters are the opposite in a balance of trade, because the trade balance effects with the difference in its balance (active or passive) within the economy are opposite to those outside of it.

The situation is similar in the balance of payments, which has a wider scope than the trade balance, where collections from exports of goods and services represent income while payments for importation of goods and services represent expenditures. Balance of trade in a developed form is based rather more on utility value, while the balance of payments employs primarily the viewpoint of value.

While the balance-sheet method does show what on the side of resources is in excess or is lacking, it does not solve the situation by itself. That must be done in the form of an economic decision as to how and with what means to achieve a balance, whether by modifying the area of resources or that of needs.

/It is an axiom of an open economy that the sum of investments and an active balance in foreign trade equals savings, i.e., that part of the national income was not consumed. When the foreign-trade balance is even, then investments represent savings. With an active balance the increment in production assets is smaller than savings, because part of the national income was transferred abroad through exports that exceed imports; thus are generated accounts receivable or the active surplus in the balance of trade is applied to other foreign-exchange purposes. That is why some economists consider exportation of machinery and installations on long-term credit to be, in a certain sense, a form of investment abroad. When the surplus in the balance of trade is passive, matters are opposite--use was made of foreign resources, credits and the country is in debt./

The problem of foreign trade are not limited to merely balancing imports and exports, but are concentrated on implementation of necessary imports as low as possible in material and value and optimally favorable exports. That depends to a considerable degree on the export structure. What is strived for is that production of a foreign-exchange unit (dollar, or another currency) measured by expenditure of required national labor in korunas be as favorable as possible for overall exports. Thus, the decisive element is not only the price of exported goods (in comparison with full production costs or wholesale prices) from which, for comparison purposes, must be subtracted also commensurate active interest in cases of exports on credit in excess of 1 year, but consideration must also be given to the rate at which the exchange takes place or how much labor, expressed in korunas, must be expended for the required imports.

Comparison in the area of external economic relations is rendered considerably more difficult by price fluctuations, which is detrimental to the value of long-term accounts receivable that are to be used for future payments.

Even though it is not fully possible, due to changes in the level of wholesale prices, to reliably assess comparable series of increments between years in produced and consumed national income in the years 1973-1980, it turns out that the national economy did not manage to generate in those years a sufficient amount of its own resources to cover the entire increment to national income and that it had to resort to a certain extent to foreign resources in a measure exceeding that of previous years.

If we compare the annual increments to the produced and consumed national income it turns out that consumption of national income was exceeding its production. That is evidenced by the passive surplus expressed in billions of korunas in current prices.

Table 1 Annual Increment in National Income

| Year | Produced | Consumed | Difference |
|---|---|---|---|
| 1970 | 18,7 | 15,6 | + 3,1 |
| 1971 | 15,5 | 12,4 | + 3,1 |
| 1972 | 18,4 | 18,4 | — |
| 1973 | 16,9 | 24,1 | — 7,2 |
| 1974 | 27,2 | 32,6 | — 5,4 |
| 1975 | 19,0 | 19,9 | — 0,9 |
| 1976 | 8,8 | 14,8 | — 6,0 |
| 1977 | — 3,2 | — 6,1 | + 2,9 |
| 1978 | 23,0 | 20,7 | + 2,3 |
| 1979 | 22,7 | 17,1 | + 5,6 |
| 1980 předběž. | 19,4 | 17,0 | + 2,4 |

1980 preliminary
Prices 1970-1976 as of 1 Jan 67, 1977-1980 as of 1 Jan 77.
Source: Statistical Yearbook of the CSSR--own calculations.

Minus difference due to a change in wholesale prices as of 1 January 1977, while not indicating absolute, comparable use of foreign resources prior to that date, they do indicate the tendency that caused them. At the same time, it is more or less only illustrative data.

A certain trend is also evidenced by relative comparision of increments in produced and consumed national income in current prices (in percent):

Table 2

| Year | Produced NI | Consumed NI | Difference |
|---|---|---|---|
| 1970 | 6,4 | 5,5 | + 0,9 |
| 1971 | 5,0 | 4,1 | + 0,9 |
| 1972 | 5,8 | 5,9 | — 0,3 |
| 1973 | 4,9 | 7,2 | — 2,3 |
| 1974 | 7,5 | 9,2 | — 1,7 |
| 1975 | 4,4 | 5,1 | — 0,7 |
| 1976 | 2,4 | 3,6 | — 1,2 |
| 1977 | — 0,8 | — 1,1 | + 0,3 |
| 1978 | 5,5 | 5,0 | — 0,5 |
| 1979 | 5,2 | 3,9 | + 1,3 |
| 1980 předběž. | 3,2 | 3,7 | — 0,5 |

1980 preliminary
Source: Statistical Yearbooks of the CSSR 1970-1981--own calculations.

An iterative comparison of importation demands, i.e., the ratio of increment in imports to the increment in national income, expressed by the formula $\frac{AI}{AND}$ and coverage of imports by exports affords in a comparable series and free-freight prices a somewhat different view:

Table 3

| Year | $\frac{AI}{AND}$ | $\frac{V}{D} \cdot 100$ Total | NSZ |
|---|---|---|---|
| 1975 | 0,646 | 85,7 | 76,0 |
| 1976 | 0,770 | 85,7 | 66,9 |
| 1977 | 0,853 | 85,7 | 72,0 |
| 1978 | 0,478 | 86,6 | 75,9 |
| 1979 | 1,093 | 88,9 | 76,2 |
| 1980 | 0,458 | 93,6 | 90,7 |

Source: Statistical Yearbooks of the CSSR 1970-1981, calculations of national income in current prices, otherwise in comparable free-freight prices.

In regard to the preceding table, it ought to be pointed out that it uses somewhat different categories of prices, as increments in imports are quoted in comparable free-freight prices and increments in national income in comparable prices of national income, i.e., in wholesale prices.

Even though national income affects the overall surplus of the trade balance and an increment in imports is thus not directly tied to it (and prices are also in different categories), the demands posed by imports expressed by a relative ratio can have a certain predictive capability. Namely, it shows what was the relation of the increment in imports to the increment in national income (consumed), or to what extent this increment had to be covered by imports.

Prevalence of imports over exports in a relative representation shows what percentage of imports had to be covered by exports, which is of importance to the state of equilibrium of the balance of payments, on the one hand, and directly affects production and consumption of national income, on the other hand.

The increase in comparable share of imports in produced national income, which increased in 1976-1980 by approximately 40 percent in comparison with the average for the preceding 5-year period, while reflecting a higher degree of participation in international division of labor, it shows that the balance between exports and imports took a detrimental turn. For each increase in produced national income on the order of Kcs 1 billion, additional goods had to be imported to an amount of approximately Kcs 320-350 million. While comparable exports increased about 69 percent, imports increased 110 percent (in freight-free prices), which naturally became reflected in the balance of payments.

It ought to be emphasized at the same time that even 100-percent coverage of imports by exports (both in freight-free prices, i.e., including direct business expenses abroad in the case of imports), is not sufficient to balance,

under Czechoslovak conditions, the balance of payments. This is so because the latter includes in addition to exports and imports also credits, or collections and payments for goods and a number of items that have nothing to do with goods or trade and are purely financial, be it expenditures for and income from tourism, payments for Czechoslovak representative and other offices abroad, so-called nonbusiness transfers, such as inheritances and dowries, payments for interest (active and passive, etc., aside from the heterogeneity of monetary structure under which foreign trade takes place.

Of importance to all these considerations is the criterion of comparability. This is provided, e.g., by physical representation of foreign trade. Still, in 1973 exports in physical representation had a slight lead, but as of 1976 price increases in foreign trade became reflected in deteriorating trade relations, a faster growth of imports over exports so that this imbalance had to be covered by higher exports in physical representation.

Table 4 Foreign Trade Index in Physical Representation

| Year 1970=100 | Turnover | Imports | Exports | exports / imports |
|---|---|---|---|---|
| 1973 | 121,0 | 121,0 | 120,9 | 99,9 |
| 1976 | 143,6 | 141,4 | 145,8 | 103,1 |
| 1979 | 168,0 | 160,2 | 175,7 | 109,7 |
| 1980 | 170,8 | 157,6 | 183,9 | 116,7 |

Source: Statistical Yearbook of the CSSR 1981.

Thus, exports in physical representation were higher in 1980 in comparison to imports by more than 26 points as compared to the basis for 1970. This process continued in 1981 and is liable to continue through the remaining years of the Seventh 5-Year Plan, because prices of raw materials and fuels will continue to exceed the prices of finished products. Trade relations in the specified items changed over the past decade to the point where for importation of the same amount of raw and processed materials and fuels a twofold amount of goods had to be exported in 1980. This price increase can be compensated only by improved effectiveness of exports, i.e., exportation of technically perfect and reliable products which price can include collection for return on investment in technological progress.

However, inflationary increases and their effects do not have a linear progression; there sometimes occur unforeseen fluctuations and time shifts.

/Measures adopted by the government for improving planned management of the economy are of extraordinary importance for the sphere of external relations. Their objective is to reinforce and add flexibility to deliveries for exports and to promote the type of imports that are sound for balanced development of the Czechoslovak economy and maintenance of the extent high standard of living.

/Government Resolution No 42 of 31 January 1980 approved the "Set of Measures for Improving Planned Management of the National Economy After the Year 1980." As of 1981 a switch has been made from volume indices to indicators of net

industrial production (production cost - value added), i.e., that value also figures in deliveries for exports.

/Consumption of raw materials and energy, which in comparison with the world-wide average is excessive, also becomes reflected in demands on imports. For that reason, the new system of management and solution of tangible problems makes use of qualitative indices. After all, e.g., the value of material consumption in 1980 amounted to roughly Kcs 700 billion. Even a saving of 1 percent in this area would be of great significance.

/Such insights should lead to reassessment of the status quo. Particular consideration should be given herein to development of production for exports, demands on imports and assignment of certain priorities in this respect./

Foreign trade and its results ought to wield a more significant influence on the production sphere. Thus, the Set of Measures must be considered to be an open system which in the coming years will be subject to improvements and adjustments to prevalent needs.

As is well known, after 1973 the world experienced a price and monetary crisis whose adverse repercussions became gradually reflected also in the CSSR balances of trade and payments. The relation of foreign trade, or its relative effects on increments to consumed national income, can also be expressed in the form of a mutual ratio of increments in the comparable surplus in the trade balance for a given year. National income in current prices shows this relation to the comparable data of the balance of trade.

Table 5

| Year | Year-to Year Increment in Consumed NI (in percent | Share of Trade Balance Surplus in Consumed NI in per-percent | Annual Increments After Deduction of Change in Consumed NI Surplus of Trade Balance in (percent) | Effect of Foreign Trade on NI in percent |
|---|---|---|---|---|
| 1971 | 4,1 | — 14,2 | 4,7 | — 0,6 |
| 1972 | 5,9 | — 6,5 | 6,3 | — 0,4 |
| 1973 | 7,2 | + 29,2 | 5,1 | + 2,1 |
| 1974 | 9,2 | + 22,1 | 7,1 | + 2,1 |
| 1975 | 5,1 | + 25,1 | 3,9 | + 1,2 |
| 1976 | 3,6 | + 10,6 | 2,9 | + 0,7 |
| 1977 | — 1,1 (2,8) | + 8,5 | — 0,6 (2,2) | + 0,6 |
| 1978 | 5,0 | + 14,9 | 4,0 | + 1,0 |
| 1979 | 3,9 | + 17,8 | 4,6 | — 0,7 |
| 1980 předběž. | 3,7 | + 12,8 | 3,3 | + 0,4 |

Note: The calculations have been made with the use of data of the Statistical Yearbook of the CSSR. The year 1977 deviates from the series due to a change in wholesale prices, which interferes with comparability.

The above table shows that the passive trade balance has been showing a permanent trend since 1973, or that use was made of external resources toward higher consumption of national income than the produced national income would have allowed.

As achievement of an equilibrium in the balance of payments and mobilization of all foreign-exchange resources is of extraordinary importance for the entire CSSR economy, some methodological and other adjustments were undertaken also in this sphere in addition to improvements in planning.

Methodology for Planning the Balance of Payments After 1980

Changes in the system for management of the national economy are to render the entire process of economic renewal more effective and help achieve in the area of external economic relations solution of equilibrium problems. This involves, on the one hand, changes in the foreign-trade plan for the years 1983-1985, which should provide for a greater leeway for applying the initiative of sectorial authorities in providing for the planned relation to foreign trade and, on the other hand, some changes in the area of foreign-exchange plans, i.e., the balance of payments.

In the Czechoslovak planning concept, the balance of payments represents a comprehensive indicator of external balance (i.e., foreign-exchange income and expenditures for a given period), but fails to provide a comprehensive outline of the overall foreign-exchange position of the country in dealing with other countries and of the effectiveness of the exchange process. While it shows what had been received, or paid out in foreign exchange, it does not show what failed to be paid for, or whether we have some accounts receivable. It also fails to illustrate the liquid state of foreign-exchange economy. Even though the balance of payments can show an overall balance, at a given moment it could lead to some difficulties in payments, be it for reasons of monetary structure or a delay in an anticipated collection.

On the other hand, a foreign-exchange position which expresses the state's indebtedness to foreign countries as well as its assets abroad, to include reserves, provides a substantially more comprehensive outline of the economic situation and, if it is suitably subdivided into assets and debits according to their terms of payment, together with the schedule of payments, it can provide a relatively good picture of the country's future liquidity. This liquidity must be provided for in foreign exchange by reserves and collections, i.e., coinciding in time with foreign-exchange payments.

/Thus, the foreign-exchange plan for the balance of payments cannot be considered to represent merely a sum of certain balanced or imbalanced numbers, but as a set of measures. That is an entirely new outlook which, under current as well as long-term conditions, will be assuming increasing importance. This set of measures can concern all or only some branches of the national economy, but, for all practical purposes, it affects all of its sectors--production, consumption and distribution./

In the state's foreign-trade plan and the foreign-exchange plan there is interlinkage between the balance of trade (in prices of agreed-upon commercial parity), foreign-exchange needs and the balance of payments. Since 1981, there has occurred a partial change in the methodological approach to compilation of the foreign-exchange plan. First of all:

a) there is a clearer differentiation between foreign-exchange relations in regard to the foreign and domestic market;

b) methodological instructions also call for compilation of a balance of payments, primarily economic (i.e., changes in proprietory relationships with other countries) which is tied to the gross foreign-exchange position, i.e., net proprietory relation to other countries, and the planned balance of payments which is tied to changes in the initial and final state of the foreign-exchange balance.

The new concept of the foreign-exchange plan, which accommodates primarily the banking sector, has a somewhat different arrangement in relation to socialist countries as well as to currencies of nonsocialist countries than had been the case. In socialist currencies the differences are, for all practical purposes, negligible, because everything is projected either through trade accounts of a clearing type, or noncommercial accounts with the Czechoslovak Trade Bank and changes can occur only in isolated cases. In the case of nonsocialist countries, relations to the domestic market can involve obligations or accounts receivable in foreign currency from the domestic market, compensation for foreign-exchange sales, interest to foreign-trade organizations for sales of foreign exchange due to time differences or interest to the Czechoslovak Trade Bank, allocation of resources and funds, etc. These items are in a number of cases balanced, so that, e.g., reconstruction calculations for the years 1979 and 1980 show that:

--no difference exists for the time being between the economic and the planned balance of payments in clearing-type relations, i.e., relations to the domestic market need not be taken into consideration, because eventual allocations of funds and resources are made in freely convertible currencies;

--the difference between the economic and planned balance of payments in freely convertible currencies (change in foreign-currency balance) is reflected in the area of resources and funds to include foreign resources obtained through the banking system. In the plan it is concentrated on allocation or use of governmental foreign-exchange reserves. Only by a change in proprietor--not by a mere transfer, which could mean simply a deposit made abroad--does there occur a differentiation between the domestic and foreign market. This differentiation is of importance for final comprehensive accounting and its effects on adjustment of the annual foreign-trade plan and for the foreign-exchange plan.

The difference between domestic and foreign relation is confined in the plan, for all practical purposes, to allocation or drawing on governmental foreign-exchange reserves and appears as such in the title of the bank transaction. Interest changes in auxiliary foreign-currency expenditures and bank operations are compensated in full.

As the foreign-exchange plan is compiled, for all practical purposes, on two levels, it can be a dual character--relation to the domestic and to the foreign market. The former applies in a case when the reserve was generated during accounting for the results achieved in the preceding year. Its use can also assume the character of domestic relations, if it involves, e.g., allocation of a governmental foreign-currency reserve. In the latter case, nothing is actually happening internally or externally. The domestic foreign-exchange relation of one item (allocation of a governmental foreign-exchange reserve) becomes reflected in reduction of another item in the bank. Other situations can also occur, of course, such as, e.g., when the reserve from the preceding year is to be used for meeting imports, or some other reasons (increase in import prices), or generation of current reserves. In that case, even in the plan it acquires the nature of foreign relations and is projected through imports into the balance of payments, even though the change into a foreign relation will occur only after drawing on a reserve, or after imports take place.

/It follows from the new configuration of the balance of payments that the sum of foreign relations represents a deficit or an excess, which must be met either through one's own resources (in the foreign-exchange balance) from the governmental foreign-exchange reserve or from foreign resources obtained through a bank. In any case, it represents a change in the state of proprietorship, or in the gross foreign-exchange position of the country, be it active or passive. Obtaining of foreign resources (financial) comes under the jurisdiction of the banking system, procurement of credits for goods (for enterprises) comes under the foreign-trade sector, credits for goods (for the government) is under governmental jurisdiction, and management of foreign-exchange reserves is under the jurisdiction of central authorities, the government, the State Planning Commission, federal ministries of foreign trade and finance./

Statistical returns in the area of foreign exchange take into consideration the viewpoints of the banking sector. In addition to linkage to the foreign-currency plan and the particular Czechoslovak methodology, the balance of payments follows in essence the classification promulgated by the IMF.

Differentiation between domestic and foreign relation in foreign exchange need not always be unequivocal in the period when the plan is compiled, even though in implementation it definitely is so. For example, in planning the so-called margin from foreign-exchange credits and interest receivable, which flow into the governmental foreign-exchange reserve, while domestic relations are involved, because it involves a relation in which the means shown in foreign exchange are not proprietarily transferred to a foreign proprietor and appear as an active contribution to the governmental foreign-exchange reserve in a gross foreign-exchange position (proprietal balance). However, the question arises as to how this contribution should be viewed in utilizing foreign resources, whether it could have been or was made possible by parallel utilization of foreign resources, but at a higher interest rate, than is represented by the interest contribution of the governmental foreign-exchange reserve. There is no doubt that a certain role is played herein by the problem of overall liquidity.

/Even though the foreign-exchange plan is based on the currency sphere, the latter promotes territorial relations with individual socialist countries. These relations are based on negotiations made in consultations among central planning authorities, long-term agreements concluded by the Ministry of Foreign Trade and memoranda. Matters are different in the case of nonsocialist countries where there still prevails the principle of buying and selling "at optimum terms." However, that does not mean that foreign trade does not take into consideration other aspects of foreign-trade activities, i.e., resources in clearing accounts, obligations incurred through annual protocols and other trade-policy documents and viewpoints (e.g., exchange relations with certain regions, etc.)./

Some problems of interface of the material plan of foreign trade with the foreign-exchange plan are constituted by the fact that, e.g., included among reserves in the foreign-exchange plan are those that have a counterentry in the implementation plan of foreign trade--imports--and accounting in relation to the estimated implementation is sometimes extraordinarily difficult. Thus, e.g., if advances or shortfalls in imports are involved, differentiation must be made not only between relations to trade balance, but also to the balance of payments.

It is also possible that in implementation of the foreign-exchange plan there can turn up actions "outside of the plan," in both the material and intangible part. These unplanned actions should be roughly balanced (e.g., reexportation), and if that is not the case, it must be taken into consideration in comprehensive assessment.

In the foreign-exchange sphere also appear all exports and imports to include unplanned actions. In this context, while it is possible to differentiate the material part, i.e., planned and unplanned exports and imports, this cannot be done in the attendant parts of the import needs, primarily in the area of certain services (transportation, ancillary foreign-currency expenditures, change in export accounts receivable and short-term import obligations, etc.). It is for this reason that the method of "splitting-off" certain services, particularly transportation and ancillary foreign-currency expenditures, the planning of which is based on an estimate of implementation and, later, on the factual state for the entire preceding year, takes into consideration in percentual representation the relation to overall material implementation and to planned material implementation. However, it ought to be pointed out that the differences are not substantial, unless implementation is affected by some extraordinary items (e.g., a significant role is played by transportation).

The balance of payments in the state plan can be planned for various periods (a year, 5 years). When it is compiled for a period in excess of 1 year, use is made, as a rule, of fixed prices of the initial year and, to facilitate comparison, are recomputed on the basis of fixed rates (coefficients).

Compilation of 5-year plans in foreign trade and in the foreign-exchange area, in addition to providing comparability of price levels in imports and exports and rate recomputations, has several specific points:

1. During breakdown or detailing of specifications: export tasks must be specifically targeted on individual carriers (VHJs, OZO [foreign-trade organizations]) in freight-free prices; herein the targeted organizations usually are not identical. These tasks, with a view to eventual future price fluctuation, are to provide for an equilibrial balance of payments.

2. During implementation of a medium-range plan: the 5-year plan is made up by annual (implementation) plans which in their sum for the entire 5-year period can differ considerably from the original plans in fixed prices. Assessment of 5-year plans calls for performing a number of recomputations (of prices, rates) for comparability's sake.

3. As a consequence of this experience, two medium-range plans were prepared for balance-of-payments purposes for the period of the Seventh 5-Year Plan, namely:

--plan in fixed prices and recomputation rate ratios of the initial year;
--plan in the so-called predicted exports and imports in predicted prices.

Contemplation of price development on the world market is fraught with certain problems that can occur due to a number of unforeseen causes. They are based on certain assumptions of compatibility of Czechoslovak export assets on the world's markets, i.e., from the viewpoint of production and labor of Czechoslovak foreign trade.

Also the problems attendant to the foreign-exchange plan and its implementation cannot be disregarded. Fluctuations and changes in the rate of exchange bring along a number of problems, primarily in periods of the prolonged rise of some currency (e.g., increase in the exchange rate of the U.S. dollar in 1981). As is known, Czechoslovak State Bank issues monthly a list of rate quotations. In imports and exports, assessment of accounts receivable and obligations, or collections and payments, is sometimes based on the rate of a specific day. Accounts in ledgers of OZO, are kept in korunas, in the Czechoslovak Trade and State Banks also in the original currencies. Thus, their assessment on the basis of the rate of the last day of the year can produce some anomalies. For example, the increase in dollar rate which occurred in early 1981, roughly by 15 percent, translated at that time into a corresponding loss in korunas. For that reason the banking system, which manages foreign-exchange reserves, must provide the national economy with appropriate instructions and guidance for how to proceed in similar situations to minimize the risk posed by monetary structure. In this respect the role of the bank is irreplaceable.

/Making use of foreign-exchange-rate policy is important not only from the national, but also from enterprise viewpoint. If, e.g., a debt in dollars is involved, the amount of debt did not increase in the foreign currency, but the dollar equivalent in korunas increased (or decreased). This can be an advantage, or its opposite. A partial defense may be offered by utilization of futures contracts which are routine particularly in capitalist countries. Use is also made of various protective currency clauses./

Foreign-exchange assets and debits are drawn up annually. In this case it appears most suitable to use recomputation into korunas with the use of a certain fixed rate (preferably average). This does away with changes caused by constant fluctuation of foreign currency rates and differences in korunas, as values in the original currency do not change. Such changes should be taken into account only in cases where a certain allowable limit has been exceeded.

Arbitration, which naturally is of a speculative nature, is based on the principle of uneven development of mutual relations of key capitalist currencies.

Currency rates, or recomputations by coefficients are done after the fact. Determination of rates for the plan before the fact would pose considerable risks. In fluctuation of prices, differentiation must be made of those that occur on the world market on the basis of the law of supply and demand to include inflation. Effects of rates can, but need not, have anything to do with price fluctuations.

The effects of a foreign currency rate on immediate implementation in korunas can be shown by means of the following example (supplanted data):

| Plan | millions of dollars (at Kcs of 6 to $1) | Kcs million |
|---|---|---|
| Exports | 100 | =600 |
| Imports | 80 | =480 |
| Trade balance | +20 | +120 |
| Foreign-exchange requirements | -20 | -120 |
| Balance of payments | -- | -- |

| Implementation A | millions of dollars (at rate of 5.80 to $1) | Kcs million |
|---|---|---|
| Exports | 120 | 696 |
| Imports | 100 | 580 |
| Trade balance | +20 | +116 |
| Foreign-exchange requirements | -21 | -121.80 |
| Balance of payments | - 1 | - 5.80 |

| Implementation B | millions of dollars (at rate of 6.10 to $1) | Kcs million |
|---|---|---|
| Exports | 120 | 732 |
| Imports | 100 | 610 |
| Trade balance | +20 | +122 |
| Foreign-exchange requirements | -19 | -115.90 |
| Balance of payments | + 1 | + 6.10 |

In implementation cases A and B the trade balance in dollars remains the same, in korunas (foreign exchange) it is lower in case A and higher in case B.

If the case is to be concluded from the viewpoint of the national economy as a whole, from foreign-exchange requirements to the balance of payments, then the plan was based on an even balance of payments, so that foreign-exchange requirement was equal to the asset with the opposite sign. In implementation according to A, the foreign-exchange requirement increased due to higher transportation fees and, in koruna representation, the balance of payments became passive. In implementation according to B, the foreign-exchange requirement is lower by savings (e.g., in transportation charges or at higher income from nontrade payments for tourism) and the balance in dollars as well as in korunas is active. This extremely simplified computation shows that fluctuations in foreign-exchange rates can lead to certain active or passive consequences, particularly during revaluation and devaluation of foreign currencies. However, the final effect depends primarily on the mutual ratio between exports and imports, effects of foreign-exchange requirement and a possibility for comparable confrontation, which exerts the maximum effect on the final result of the balance of payments in foreign-exchange koruna.

Relationships in the area of external economic relations are extremely multifaceted and complex. Their importance to production and consumption of national income is undeniable. Proportionate development of the national economy does not mean only composite internal and external balance equilibrium, but also balanced proportions between the structure of production, consumption and distribution. External equilibrium can be and is a limiting factor in development of the national economy, even if it cannot be branded as an obstacle to progress. The importance of these effects becomes particularly noticeable when we take under consideration the key objectives of the plan in external economic relations—use of the international division of labor toward improving the effectiveness of expanded economic renewal.

/External relations form an integral part of the national economy. Foreign trade and developments in the sphere of foreign exchange cannot be viewed as a passive result of any kind of economic development. Their task is to actively influence production and consumption within proportionate development of the national economy, affect their structure and costs, and, thus, productivity and efficiency of the entire economic process.

/One thing is certain--without external economic relations there would occur a drop in production and consumption, there would be a decrease in the overall effectiveness and employment of the populace. Therefore, creation of suitable conditions for exports must be guided by the principle of efficiency which, particularly in times of a buyer's market, i.e., competitive tension in the world, shortage of raw materials, fuels and energy and their increasing prices, must play a substantially more important role than had been the case.

/Sound economic development also brings about commensurate growth of national income, the consumption of which should not in the long term exceed the possibilities of the economy. In examining the position of foreign trade and external relations in the fiscal plan as a whole--in which surplus in the

balance of payments is formed by resources and surplus in credit relations by resources or needs--it could lead to the conclusion that an active balance of payments and granting of credits to foreign countries (in a greater extent than is represented by down payments on previously granted credits) are unsuitable from the domestic viewpoint, as they reduce the possibilities for consumption of the national product and national income, in addition to having an inflationary effect on the currency plan. It stands to reason that this would be a considerably one-sided conclusion, because it fails to take into consideration the realistic potential for marketing on foreign markets and the importance of Czechoslovak machinery sector exports which constitute our key means of payments and must flexibly adapt to worldwide commercial conditions./

On the other hand, it certainly would be incorrect to propound the other extreme, that it is better to have a passive balance of payments and meet deficits by loans from abroad. Higher exports, as is well known, increase the possibilities for consumption of gross national product and of national income and the national economy obtains means, foreign exchange or goods, that promote distribution as well as improving the standard of living, supplying the domestic market and accelerating economic development in general. Such an alternative must always receive due consideration, because borrowed means will have to be paid back in the future with interest, which in view of the rates is not negligible.

Acceptance of credit (loans) also has an extremely different connotation when it involves credit for expansion of the material base of production which will contribute to accelerated repayment, or if it involves credits of a consumer nature which will have to be repaid from generated national resources.

The complexity of interface between internal and external relations and reconciliation of long-term and short-term possibilities with needs is constituted by the fact that external economic relations transposed into internal economy operate at varying price levels and are affected by technical, territorial currency, trade policy, commercial and exchange-rate problems, as well as by payment terms on the various markets. Good and effective results can be mainly provided only by a sound economic base relying in efficient domestic production, the characteristics of which are comparable in all respects with the best in the world. This in no way detracts from the merits of the tasks tended to by the foreign-trade and banking sectors in helping to achieve favorable foreign-trade results and meeting of plans in external economic relations.

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SET OF MEASURES WAGE DEVELOPMENTS IN TRUST VHJ DISCUSSED

Prague PRACE A MZDA in Czech No 9, 1982 pp 27-33

[Article by Eng Pavel Kasparek, Czechoslovak Automobile Works: "Experiences with Wage Regulation in Automobile Industry"]

> [Text] One year is a short period from the standpoint of the 5-year plan. Nevertheless, at least partial conclusions can be drawn from the experiences of last year--for example, as to the effect of the Set of Measures on regulation of wages payable by the middle level of management--trust VHJ [economic production units].

New Rules

Four fundamental changes were effected in the existing system as of 1 January 1981:

-- in the management level regulating wages payable (they are no longer controlled by the enterprise, but by the trust of concern);

-- for planning and regulation purposes, wages payable are broken down into the base and incentive components. A separate indicator is specified for each of them according to which the fulfillment is computed;

-- qualitative indicators (in the first place, adjusted value added and return on production assets) and progressive, differentiated conversion coefficients are set for calculation of wages payable;

-- special compensations fund is used as a planned reserve in wage regulation and as the source for payment of shares.

These fundamental changes call for new ways in thought and evaluation of the development in enterprises and VHJ. The change in the management level at which it is determined whether or not the planned relations between the value added and wages paid was maintained strongly affected the methodology, management, recordkeeping and the subsequent planning of wage regulation.

In order to ensure the proportionate relation between the planned tasks at the general directorate, enterprise and among the enterprises in their relations

to one another, trust rules were issued for regulation of wages payable during the entire Seventh 5-Year Plan. The following problems are dealt with in a completely new way:

— how to proceed, if due to the different calculation bases and, above all, due to the different share of adjusted value added and return on production assets, the VHJ does not relatively exceed wages, while some of its enterprises do;

-- how to proceed against the enterprises which plan low returns on production assets;

— how to evaluate the wage development in production enterprises and nonproduction organizations (Mototechna, Design and Engineering Enterprise, Research Institute for Motor Vehicles and apparatus of the general directorate);

-- how to evaluate the enterprises which achieve a small increase in gross production or commodity production.

The evaluation of results achieved during the first quarter and first half of 1981 reveals how successfully the above problems were solved.

First of all, a few words about the breakdown of wages payable into the base and incentive components. During the initial period of regulation of wages payable the opinion prevailed that the planned breakdown of wages payable into two components must conform to the breakdown of wages into wages according to and above the wage scale. Agreement was eventually reached that the breakdown into the base and incentive components was a tool of planning and management, and was not completely identical with two separate accounts for these components. This new element in the use and extended effect of the plan of both wage components in combination with the plan and actual compliance with the key indicators has not yet been fully understood in many enterprises. For this reason also it is rarely used in management. The idea persists that wages play the following key role in wage regulation: if the enterprise does not produce new values (adjusted value added and profit) according to the plan, wages will be clashed immediately just as when the indicators of personal financial incentives are not complied with.

The purpose of wage regulation is to make proportionate use of wages for increasing newly created value and satisfaction of needs. Maintaining the desirable proportion thus depends not on wages alone, but primarily on the size of the newly created value (that is, on the amount of adjusted value added and profit).

Some enterprises have not realized this in time. For this reason, they control the dynamism of newly created value by introduction of new products, reducing costs, utilizing fixed assets better, increasing exports and quality. This makes it possible for them to allocate a larger proportion of the newly created value to the wage fund.

New and more complex is the interpretation and use of sectorial and enterprise financial incentives—of the special compensations fund. It is generally due to the fact that the weight of these financial incentives has been and still is small. The role of this fund, together with the sectorial and enterprise khozraschet, has been enhanced for the Seventh 5-Year Plan. Since this is an important part of regulation of wages payable, the establishment, distribution and use of the special compensations fund was dealt with in the directive which had been first discussed with the ROH [Revolutionary Trade Union Movement] organ. The directive was necessitated by the establishment of the special compensations fund for the sector, management of the newly created value by the sectors and redistribution of the newly created value among the sectors and enterprises, a factor which is to create financial incentives for promoting the dynamism of production and attaining the targets set for the entire scale of finished products (and not for inventories of incomplete components only).

At the trust level, the procedures had to be devised for the following cases:

— if the resources are not produced according to the plan for the special compensations fund (individual enterprises exceed or fail to produced planned profit);

-- how to distribute the special compensations fund set up for the sector, if individual enterprises withdraw an absolutely or relatively larger proportion of wages before they produce new values or fail to show relative savings;

-- the procedure for dividing the funds allocated to financial incentives which are acquired for better export results.

Experiences With Wage Regulations

How were the most important differences between the old and new methodology reconciled?

The enterprises which reported a relative excess of wages from the beginning of the year were reprimanded and had to enact measures in accordance with the FMPSV [Federal Ministry of Labor and Social Affairs] Decree No 143/80 of SBIRKA (making up for the relative excess). The enterprises in which the adopted measures were expected to be effective were allowed (on the basis of the FMPSV guideline) to add the difference between the calculation bases to the wages payable. This addable item was applicable only for the period in question, could not be used for personal material incentives and the indicator of compliance with the wage limit was regarded as not having been met.

In the future, there obviously will have to be a differentiated attitude toward individual enterprises and the reasons for why they relatively exceed wages will have to be taken into account.

The effect of individual influences on wage regulations during a certain period of time has not yet been verified. For example, in individual quarters with reference to the annual plan. Specifically, this involves aliquot shares in

the fulfillment of individual indicators which are of decisive importance for wage regulation. Equally important is the profit produced since the beginning of the year in relation to the fulfillment of individual indicators, because in this instance the profit performs the function of the source for the special compensations fund.

No less important problem was the attitude toward enterprises which have planned very low returns on production assets. In this instance, a very small absolute amount of profit causes big fluctuations in the indicator fulfillment and therefore has considerable impact on the incentive wage component. To prevent the negative effect, two solutions were adopted: in special purpose organizations, it is not the return on production assets which is used as the key indicator for the incentive component, but the indicator of return on the overall costs, which is more stable. And the upper limit of conversion was set in case of the better fulfillment of the key indicator--all enterprises of VHJ can recalculate the wage components up to 104 percent of the key indicator.

From the standpoint of wage regulation, the most advantageous solution would be to reduce the dispersion of the indicator return on production assets among individual enterprises. At the present time, it fluctuates from 2.02 to 22.4 while the finalists are well below the trust average. This, however, would require far-reaching interventions in price formation in individual sectors.

The Czechoslovak Automobile Works VHJ also has its special-purpose organizations. It was, therefore, necessary to differentiate in the method of wage regulation between the production and nonproduction enterprises. Among other reasons also because in the nonproduction enterprises the indicator of adjusted value added does not express the contribution of the organization to the newly created value in the sector and the usable amount of the wage-base component cannot be regulated on this basis. We decided, therefore, to specify for the nonproduction organizations (with the exception of Mototechna) an absolute limit for the wage-base component and to regulate the wages payable essentially by the incentive wage component only (it constitutes at least 15 percent of wages payable).

We have chosen this solution also because wage regulation is not just a matter of actual fulfillment of indicators, but also of the plan, of which the work schedule is also a part. Through the labor force plan it is possible to effectively affect wage development in individual years, either by the planned number of workers or average wage increases. Of special importance in the special-purpose nonproduction organizations is the possibility of obtaining wages payable for the significantly better fulfillment of specific research and development tasks--in the form of extra goal-oriented special compensations. This form has been used very rarely so far.

The planned small increase in commodity production as compared with the previous year was an absolutely unique phenomenon in our trust. Nevertheless, in view of the long-term validity of rules for regulation of wages payable, we had to deal with it. The solution lies in the reduction of the conversion

coefficient if both key indicators are surpassed. While the conversion coefficient was set for the trust at a maximum of 0.4, the rules presume a lower coefficient for the enterprises which were to plan the same or smaller commodity production volume than in the preceding year.

Effect of Wage Regulation System

The trust achieved relative savings on wages during the first quarter of 1981. They were almost 10 percent below the compensations fund planned for this period. The sector thus complied with the wage regulation, but the planned level in compensations fund for the sector was not created in the planned amount. For the trust as a whole, the conversion for the failure to meet the indicators of adjusted value added and return on production assets was further complicated by the absolute savings on labor costs. In other words, the relation between the value added and the appropriate payment of wages was maintained, but with an impact on the branch wage incentives.

The wage regulation was violated by five enterprises of the trust. The sum total of relative excess by the violating enterprises and compensation for relative savings by other enterprises (the enterprise method was used) amounted to 4.2 percent of total wages. The effect of different bases for calculation of wage regulation between the enterprises and trust was thus greater than anticipated and will offer the principal possibility for addable amounts as the main tool of management of wage policy within individual sectors.

In working out the trust rules for wage regulation, it was anticipated that the differences in profitability between individual enterprises and differentiated application of conversion coefficients for better fulfillment of key indicators will offer the main possibility for addable amounts. After all results achieved during the first quarter of 1981 were received, no definite conclusions could be drawn on the effectiveness of the newly used methodology in management of wage policy. For this reason, we decided to continue to use the reprimand procedure in the future against enterprises violating wage regulation because it proved effective in the past.

The trust as a whole observed wage regulation during the first half of 1981. There was only a small difference between the relative savings on wages and the fund planned for the sector. The relative excess was again compensated by the absolute savings on wages. Four enterprises of the trust violated the wage regulation. The total of relatives enterprises overspending on wages less the compensation from relative savings amounted to 3.6 percent of total wages.

No definite conclusion can be drawn from the ratio of wage excess by the enterprises to the wages of the entire VHJ. Nevertheless, an analysis of which enterprises did not observe the wage regulation and why they did not reveal some common features and causes. The adjusted value added indicator was not met in one instance only because the shipments of material from abroad were delayed. This is a cause, in a way accidental, which can be dealt with outside the system of wage regulation rules.

In other enterprises, the primary cause was extensive capital investment and the related difficulties of putting new production capacities into operation. The influences which affected the adjusted value added and return on production assets can be in this instance broken down into the following ones:

-- unproductive cost (fines and punitive damages) for nonfulfillment of assortment shipments because the capacities were not put into full operation within the specified deadlines;

-- cost of preparing production of a new product which is part of production restructuring;

-- cost caused by the time lag in production. This factor will have a more pronounced effect always after the transition to the manufacture of the new (innovated) product is completed.

A similar phenomenon was reported from other enterprises which are or will be switching to the manufacture of new products.

From the effect of wage regulation in our trust during two quarters, the following conclusions can be drawn:

1. Transitional and sporadic difficulties in the supplier-customer relations can be coped with in wage regulations by the addable item which, of course, involves the risk of reducing the allocation to the sectorial special compensations fund. Bigger difficulties, however, cannot be eliminated within VHJ itself but must be solved with the help of the sector and the resulting impact on the sectorial special compensations fund.

2. Minor changes in production can be coped with like difficulties in the supplier-customer relations. On the other hand, more extensive changes in production which involve (affect) through the supplier a number of enterprises (for example, Karosa encounters difficulties in production of front axles) and extensive capital investment cannot be completely dealt with by the addable item from the calculation difference (reserve) of the trust.

If principal emphasis is also going to be placed on the application of technological achievements in production during the remaining years of the current 5-year plan, a number of measures will have to be enacted. For example, in the regulation of wages payable room must be made for dealing with the potential negative impacts and for more rapid introduction of new products. Savings should thus be increased not only for the producer, but also for the consumer. One of the possibilities could be the establishment of special-purpose operative reserves at the higher levels of management or using the addable item for this purpose.

Special Compensations Fund

The basic prerequisite for effective use of the special compensations fund as a form of wages is a correct procedure for establishing the sectorial and enterprise special compensations fund.

The prerequisites for setting up a sectorial special compensations fund are:

1. to show relative savings on wages payable for VHJ;

2. to produce profit as the source of covering relative savings for VHJ.

Both these prerequisites are closely linked to the absolute withdrawal of wage schedules, on the one hand, and fulfillment of adjusted value added and return on production assets, on the other. Drawing on wage schedules directly affects profit, while the fulfillment of key indicators affects through the conversion coefficient the base and incentive wage components.

If, for example, an enterprise--because of extra pay for overtime work or failure to effect labor-saving measures in production--exceeds wage schedules in the course of the year, it will not achieve planned profit or comply with the key indicators for calculation of wages even if other plan targets are met. As a penalty for the failure to comply with the key indicators, the base and incentive wage components will be recalculated and the enterprise will not achieve relative savings on wages which, if all indicators for wage regulation were 100 percent met, should equal the planned amount of shares.

The sectorial guideline for the establishment, distribution and withdrawals from the special compensations fund contains the following principle: if the enterprise does not produce profit according to the plan, the deficit in profit will be deducted from relative savings. This must be done according to the directive on the order of importance of individual sectorial funds which lists the special compensations fund in the last place for allotments to individual funds. The maximum allotment by the enterprise to the special compensations fund must not exceed the limit of relative savings so reduced.

An important condition of the allotment to the sectorial special compensations fund is whether profit has been produced and whether it can be allocated to the special compensations fund. If relative saving is achieved, this saving may not be fully covered by the resources from distributed profit. For example it may happen that the allocation to the capital investment fund (to cover extra costs of construction projects which have exceeded the budget cost) will be so big that nothing will remain for allocation to the special compensations fund.

At the enterprise level, it has happened several times in the past that the enterprise anticipated the allocation to the special compensations fund in the amount of relative savings, but produced no profit. For example, an enterprise achieved relative savings in the amount of Kcs 1.68 million and planned to distribute shares in the amount of Kcs 1.1 million, but exceeded planned profit by only Kcs 20,000. To fully cover relative savings by allocation to the special compensations fund would be at the expense of other enterprises. Moreover, the reduction of relative savings on wages at the expense of wage schedules would result in the nonfulfillment of the profit indicator. And if this were not compensated by other cost items, the indicators of adjusted value added and return on production assets would not be complied with either. And these are precisely the indicators on which personal financial incentives are based.

In the spirit of the FMPSV decree, the money from the special compensations fund can be used for payment of shares. Only if the allocation is bigger than originally planned, can the money in the sectorial special compensations fund be used for payment of special bonuses in order to support major projects and financial incentives for workers.

An important factor in the system of allocations to the sectorial special compensations fund are the quarterly allocations of resources from profit. The provision applies that the money allocated to the special compensations fund cannot be used for other needs, such as operating cost. The amount of allocation to the special compensations fund is, therefore, blocked during the year and although the organization has funds at its disposal, it must obtain credit for its operating needs.

Frequently discussed is the question for which level of management the sectorial or enterprise special compensations fund is to be planned and then also distributed. At the present time, this level of management in the trust is the enterprise. It appears, however, that due to the increasing importance of intraenterprise khozraschet it will eventually have to be changed to the plant or operation. The problem, however, is related to the reporting of profit as a condition for allocation to the compensations fund, to the use of intraplant or transfer prices, at the level of intraenterprise khzoraschet and management.

Management of Reserves

Among other tools of management, such as plan, indicators, conversion coefficient and so on, management of reserves occupies an important place in the regulation of wages payable. Under the conditions of the Set of Measures, there is a gradual differentiation of methods in the use of reserves as the tool of management at the enterprise and sectorial level. This became clear as early as during the Sixth 5-Year Plan. Reserves can be divided into material and value reserves, and also into those which are used in the plan and in reality. The methods for using reserves are derived from this breakdown. In the past, all these four forms of reserves were managed by the enterprise (the enterprise had a closed khozraschet), while the general directorate could effectively control only the use of the value reserve in the plan. At the present time, when the enterprise still has a closed khozraschet, but the levy on the profit to the state budget is made by the general directorate, the value reserve also is at the disposal of the sector and the role of the material reserve in the plan is enhanced in the system of planning. The use of reserves at the sectorial level as the prerequisite for speeding up of structural changes in individual enterprises and plants strengthens the role of the general directorate.

From the standpoint of classification and use, a special place in wage regulation is occupied by the calculated differential (vypoctovy rozdil) between the relative wage savings reported by the VHJ and the total of relative savings or overspending by the enterprises and organizations of the trust. According to some of its features, the computation difference can be regarded

as the planned value reserve that can be used as the source of addable items, and thus as the tool of wage regulation within VHJ. The method of use and effect of such reserves has not yet been sufficiently verified in practice.

There is an important provision that this reserve cannot be used to improve the fulfillment of indicators for personal financial incentives.

As already stated above, the planned structural changes, capital investment and more rapid technical progress in the form of introduction of new products in production have an impact on wage regulation. The implementation of these changes, however, is hindered by the fact that most of these changes are affected, under the conditions of engineering production, over a longer period. This cannot be compensated by a better fulfillment of the indicators decisive for the wage regulation in the year in which the change began, and this has an unfavorable impact on the indicators decisive for wage regulation.

This situation can be resolved by establishing a special-purpose operations reserve in wages payable or in the addable items at higher levels of management than that at which the given structural change takes place. For example: if a structural change is carried out in the area of trucks and involves several enterprises, this reserve cannot be set up at the VHJ level.

The establishment and use of such reserves would, in my opinion, speed up the entire innovation cycle and planned structural changes in volume in general engineering. Furthermore, these reserves could serve during the entire 5-year plan as a stimulus for the organizations to achieve higher prices for progressive products or for better export results.

I have described in this article our experiences characterizing the development and role of some factors in wage regulation during a relatively brief period, while not all principles of the Set of Measures have become fully effective. For this reason one cannot generalize. It is possible, however, to make positive use of wage regulations for improvement of management of our enterprises.

Another experience is the rather demanding task of keeping records and the considerable complexity of individual calculations. The many links between the key indicators for calculation of wages which are used for determining the usable volume of wages payable, and actual wages makes it difficult to distinguish the effect of individual influences and complicates the effort to discover the principal, essential cause of unfavorable economic development of the enterprise and VHJ. There is a real danger that the regulation of wages payable will become a concern of several expert workers instead of affecting the entire large collective in the form of concrete tasks. We have in mind, for example, the design and manufacture of fuel-conserving products, products having less weight, the effort to manufacture more spare parts, to win over workers for working the second shift, to reduce overtime work and so on.

It is, therefore, necessary to gradually institute a system of wage regulation which will be more easily intelligible and will guarantee objectivity in evaluation of the work of work collectives, enterprises and plants.

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PROGRESS OF ELECTROTECHNICAL INDUSTRY IN 1982

Prague HOSPODARSKE NOVINY in Czech 17 Sep 82 p 2

[Article by Jindrich Masa, worker of the CPCZ Central Committee: "The Electrotechnical Industry"]

[Text] In evaluating the work of the electrotechnical industry, we must start with the long-term goals set for the industry in the Seventh 5-Year Plan and compare how we manage gradually to reach them.

The results of the first half year are a continuation of the positive development last year, a development which was characterized by relatively high dynamics. At the same time, the current year is marked by certain structural changes which have been predetermined by the plan.

In the area of production utilization, the organizations under the jurisdiction of the Federal Ministry of Electrotechnical Industry provided for the implementation of all marketing categories, with the exception of exports to nonsocialist countries. At the same time, the shares achieved under the annual plan are also favorable in the case of the remaining marketing categories.

Deliveries for investments were fulfilled 107.6 percent (+Kcs 178 million), while the share of the annual plan was reached at the rate of 52 percent. However, during this favorable development there were slips in the fulfillment of deliveries in terms of assortment, particularly because construction work was unprepared.

The fulfillment rate was particularly favorable with regard to deliveries for marketing funds. The planned tasks were surpassed by 223 million korunas in retail prices (they were fulfilled 108.5 percent), and the share of the annual plan fulfillment was 54 percent. This reflects now favorably the initiative of the working people, as proclaimed by the management organizations under the ministry's jurisdiction in the slogan "Every Enterprise (Should Deliver] a Product for Marketing Funds."

Target-oriented rewards are being offered in order to increase the interest of enterprises and economic production units in acceleration of innovations of selected types of products of consumer goods. At the same time, there still

exist types of electrotechnical goods for which the demand is not covered entirely. This applies particularly to accumulators, flashlight batteries, portable black and white television sets, colored television sets, and some other products. In order to provide for deliveries of these goods which are in short supply, the electrotechnical industry must continue creating additional, more effective prerequisites, especially through expansion of the present cooperation with socialist countries.

Enterprises under the jurisdiction of the ministry have overfulfilled exports to socialist countries by Kcs 347 million in franco prices, having reached 52.6 percent of their share in the annual plan. Only the Heavy Current Electrotechnical Works in Prague VHJ [economic production unit] (VHJ Zavody silnoproude elektrotechniky Praha) did not fulfill the planned tasks. Exports to socialist countries ahve increased (to 115.2 percent) as compared to the first half of 1981. The highest overfulfillment of the plan has been achieved in deliveries for the Soviet Union (Kcs 253 million in franco prices), the quota fulfillment being 54.6 percent of the annual plan.

One of the main problems of the department of electrotechnical industry this year continues to be the fulfillment of exports to nonsocialist countries. The tasks for the first half-year were fulfilled in franco prices only at a rate of 77.2 percent, with a deficit of Kcs 160 million and an annual share amounting to only 37.9 percent. With this negative implementation, the deliveries were also less effective as compared to the corresponding period of last year. The only units among the seven VHJ handling exports to nonsocialist countries are TESLA Consumer Electronics in Bratislava and TESLA Investment Electronics in Prague. However, this cannot be attributed only to the deteriorating conditions on capitalist markets, but also to slow adaptability to this development. VHJ and enterprises must react to this situation in an appropriate manner. Above all, they must intensify measures already by the top management level of the ministry. The implementation of the tasks concerning exports to nonsocialist countries require that they approach them knowing that we are able to find ways of overcoming various discriminatory measures. For example, the TESLA Consumer Electronics VHJ in Litovel is demonstrating this by speeding up innovations and shortening the production time of a record player of an entirely new design, and the CHIRANA VHJ in Brno by putting into production a cryosurgical instrument and other products.

A task which is not less important from the viewpoint of external relations is the task of reducing imports of producer goods, to which not all enterprises and VHJ of the electrotechnical industry are reacting adequately. The industry must pursue the task of checking and reducing continuously requirements of noninvestment imports from nonsocialist countries. The goal is to provide for domestic production or for production within the framework of cooperation of the CEMA countries.

The planned tasks in the production of commodities were fulfilled 100.7 percent, the overfulfillment amounting to Kcs 121 million. The volume under the plan, which amounts to 50.9 percent, corresponds to the commensurate share of work hours. The dynamics achieved in the growth of gross production and production of commodities, which increased to 106.8 percent as compared to

last year, is in harmony with the intentions of the plan, and is higher than the average for the mechanical engineering industries.

One can evaluate positively the fact that the tasks in the production of commodities outlined within the framework of state target programs have been fulfilled and in some cases overfulfilled. This production in the first half year amounts to as much as 29 percent of total production. Technical development tasks outlined in the state plan have also been carried out well. In comparison with the first half of last year, the volume of products of a higher technical level has increased this year by Kcs 608 million, technically progressive products by Kcs 239 million, and first-quality grade products by Kcs 370 million.

Just as in the area of creation of material resources, favorable results were also achieved during the first half-year in the creation of financial resources. The planned amount of adjusted own output was exceeded by Kcs 163 million, or 50.7 percent in terms of share in the annual plan. This development is influenced especially by savings and by a relative decrease of material costs. Certain principles of the improved system of planned management are reflected now in this development.

In the area of planned creation of profit, the profits were Kcs 163 million higher than planned, the share in the annual plan amounting to 54.2 percent, mainly because the consumption of material was reduced (Kcs 198 million) as compared to the assumptions of the plan. The only unit which did not fulfill the tasks in the area of planned creation of profit was the Heavy Current Electrical Engineering Works VHJ in Prague (95.5 percent), the share in the annual plan amounting to 45.8 percent.

The second area where the units under the jurisdiction of the Ministry of Electrotechnical Industry did not take care of the tasks for the first half-year is the area of reserves. This applies first of all to regulated reserves, which increased during the first 6 months of this year by Kcs 475 million in comparison with the actual figure as of 1 January 1982.

It is true that regulated reserves have been exceeded by only Kcs 189 million as compared to the plan, but by the end of the year they will have to be reached by Kcs 574 million. All economic production units share in this unfavorable development, with the exception of the TESLA Consumer Electronics VHJ in Bratislava. The development of this index indicates many shortcomings in the area of management at the level of enterprises and VHJ. It is not possible to keep justifying this situation continuously. Instead, it calls for a more active approach in dealing with it.

The analysis of the results obtained indicates that the electrotechnical industry has the prerequisites to take care of the tasks for this year, to reach the planned goals. However, until the end of the year, it is necessary to pay special attention to the process of providing for exports to nonsocialist countries.

5668
CSO: 2400/3

## FURTHER CUTS IN TRANSPORTATION EXPENDITURES URGED

East Berlin PRESSE-INFORMATIONEN in German No 111, 21 Sep 82 p 2

[Article by Otto Arndt, minister for transportation: "Continue Reducing Transportation Expenditures"]

[Text] Reducing the expenditures for freight transportation as an element of production consumption is logically implied in our economic behavior. The point is to cope with our commodity production that is growing year after year by means of cuts in transportation. That is only possible, of course, if goods are shipped more expediently, more directly, and by use of less fuel and energy.

That way the economically necessary expenditures for transportation can be greatly reduced and the cost/benefit ratio be much improved, which is, after all, of critical importance for increasing our national income growth. That sort of rational shipping of goods makes demands on transportation and all other branches of the economy; that they all work together increasingly becomes the most important criterion for our labor.

### Advances Through Optimizing

A crucial factor for reducing expenditures is a reduced transportation requirement, that is a reduced volume of goods to be shipped or reduced shipping distances or both, which cuts shipping back. We succeeded in the first half of 1982 to reduce domestic transportation expenditures, including the plant traffic, by an absolute 6.5 percent compared with the same period last year. In the first half of 1981, however, there had still been a 1-percent increase over the same period in 1980. In road transportation, with its most costly energy expenditures, public motor vehicle transportation and plant traffic were reduced by more than 20 percent. That is a significant result. Yet the targets assigned by the national economic plan have by no means yet been attained.

The advances achieved depend greatly on shipping optimization, especially in the transportation-intensive fields like construction, coal and energy, chemical industry, ore mining, metallurgy and potash, and in the bezirks. The point in optimizing is to ascertain the most favorable modes of transportation for all shipments and reduce plant traffic going on during production, which often requires changes in production organization. Also by optimizing the use of vehicular capacities, full loads going back and forth, the expenditures needed for transportation can be reduced.

In the first half of 1982, we saved 730 million ton-kilometers in transportation, a result of the production-transportation optimization and of optimizing the delivery and transportation relations. Those were savings at a clip of 540 million ton-kilometers in the centrally managed economic branches and of 190 million ton-kilometers in the areas under bezirk council responsibility.

It is gratifying that in the second quarter the experiences of the pace-makers were applied more in economic branches and areas. In those 3 months, for instance, in the plant traffic of the centrally managed construction combines savings rose to 222.5 million ton-kilometers in that in many places earths and top-soil no longer had to be shipped over larger distances but were used for shaping the environment of buildings. In the chemical industry we managed to optimize road transportation through tankers, and in ore mining, metallurgy and potash, 30 million ton-kilometers saved for rail transportation came out of more efficient delivery and transportation relations for raw steel and semi-fabricates. The declogging of cooperation relations in electrical engineering and electronics and in the furniture combines cut transportation expenditures down too.

We Need a Higher Speed

With all the success in optimizing transportation in the first half year--the tempo is not fast enough yet. Branch and territorial reserves existing are not yet fully being exhausted. Unjustified disparities in levels still exist among the bezirks. So we have assigned the task to reduce transportation expenditures by 1.6 million ton-kilometers up to the end of the third quarter.

An essential way to reduce transportation expenditures to an economically acceptable degree is working with transportation parameters. They serve a precise planning of requirements, balancing them, and concluding transportation contracts on that basis. With all the successes we have had, we need further efforts in the combines and enterprises and in transportation to enforce more effectively in practice a precise transportation planning, balancing and accounting based on those transportation parameters.

5885
CSO: 2300/25

IMPORT-INTENSIVENESS PROBLEMS IN ECONOMY DISCUSSED

Warsaw HANDEL ZAGRANICZNY in Polish No 4, 1982 pp 3-8

[Article by Bronislaw Wojciechowski: "Import-Intensiveness of the Polish Economy: General and [Industrial] Sub-Sector Problems"]

[Text] The considerable difficulties experienced by our economy in the last few years prompt a rationalization of imports. Until recently this problem had been completely underestimated, chiefly by industry, which in the 1970's used to avail itself of a relative abundance of means for imports and was not interested in their rational utilization.

The growth of the import-intensiveness of our economy, especially rapid in the 1970's, is attributable to many objective and subjective factors. The objective factors include primarily the relative depletion of raw material stocks owing to industrial production and consumption. Another objective factor contributing to the increase in the import-intensiveness of production had been the marked--in the 1970's--rise in the prices of imported raw and other materials, especially crude petroleum.

Also important were subjective factors stemming from the decisions made at various levels of the economic apparatus, and chiefly at the main level. Here I refer chiefly to investment decisions preferring--of a certainty unconsciously--highly import-intensive fields of production and technological solutions. A factor augmenting the import-intensiveness of our economy was the neglect of the development of agriculture, which after all provides raw and other materials not only for the production of foodstuffs. Also neglected was the development of the infrastructure and sphere of services, characterized by a low import-intensiveness. In industry, priority had been given to the particularly import-intensive sub-sectors, in the concomitant absence of comprehensiveness and inter-subsector coordination of these decisions.

A major role in the growth of import-intensiveness of production was played by systemic factors. There was a lack of proper calculational parameters, especially foreign-exchange rates and prices serving to assess the real cost of import investments and, on this basis, to arrive at rational decisions. There also was a lack of economic mechanisms and incentives for producers to employ these parameters. Procurements of technology from abroad, requiring huge investment and supply imports, were made without attending to a corresponding increase in exports. Often it was the more import-intensive technologies that were deliberately selected since,

owing to the use of faulty costing parameters, they were the cheapest to the producers. Then also there was the weakness of the incentives applied to prompt producers to streamline their material costs and to improve the quality of production and adapt it to the requirements of customers. Yet it is precisely these factors that are decisive both to overall economic performance and to the import-intensiveness of any particular kind of production.

It should be borne in mind that import-intensiveness is an economic rather than a technological term. It denotes the ratio of the import investment to the value of the end-product. I emphasize, /value/ [in boldface] and not quantity although problems of quantity, of course, also play a role. A reduction in import-intensiveness can be achieved not only by reducing the actual import investment per product unit but also, and primarily, by improving the quality and increasing the use value of the commodity and hence also its price.[1] Unfortunately, this has generally been overlooked in our country.

All these circumstances had resulted in a steady growth in the import-intensiveness of our economy. In terms of constant (1977) prices, the share of imports in the value of the end-product of our economy, which in 1960 had been 15.4 percent, grew to 19.8 percent in1970 and peaked at 25.8 percent in 1976.[2] In the subsequent years, the import-intensiveness of our economy diminished somewhat, but as late as in 1980 it still amounted to 23.7 percent and in 1981, 22.2 percent.[3] As known, at the same time stockpiles diminished and an acute shortage of imported producer supplies had arisen, which was one cause of the decline in output and national income. This demonstrates how great was the rigidity of the import demand and how difficult it is to reduce the import-intensiveness of production once it increases.

The most durable indicators are not so much the indicators of the import-intensiveness of production as the indicators of flexibility of imports, which represent the ratio of the growth rate of imports to the growth rate of national income. Corresponding figures on imports and, for comparison, exports are presented in Table 1.

Table 1. Growth Rate of National Income and Foreign Trade and Its Flexibility During 1960-1980 (in constant prices)

| Subject | 1961—1965 | 1966—1970 | 1971—1975 | 1976—1980 | 1961—1970 | 1971—1980 | 1961—1980 |
|---|---|---|---|---|---|---|---|
| Mean growth rate, in % | | | | | | | |
| Gross generated national income | 6,3 | 6,2 | 9,5 | 2,6 | 6,2 | 6,0 | 6,1 |
| Exports | 9,7 | 9,7 | 10,3 | 4,4 | 9,7 | 7,3 | 8,5 |
| Imports | 10,0 | 9,1 | 16,6 | 0,8 | 9,5 | 8,4 | 9,0 |
| Flexibility (growth in % for every additional 1% of growth in national income) | | | | | | | |
| Exports | 1,56 | 1,56 | 1,08 | 1,83 | 1,56 | 1,21 | 9,0 |
| Imports | 1,62 | 1,48 | 1,75 | 0,31 | 1,53 | 1,40 | 1,67 |

Source: Own calculations based on Main Office of Statistics [GUS] publications

As can be seen, despite some deviations during certain periods, the indicator of import flexibility for our country had been persisting at the level of 1.4-1.5. In the last three years (1978-1981), too, when national income had been declining, this indicator was about 1.5. This means that, although during this period imports have been decreasing at a faster rate than national income, they did not decrease at a faster rate than that at which they previously had increased. We are thus retreating along the same path which we had previously been ascending, whereas the situation necessitates abandoning this path and switching, at least for the next few years, to action based on a definite reduction in the dependence on imports. It turns out, though, that the matter is much more difficult than might be thought. So far the principal results of the reduction in supply imports has been a decline in production and national income.

The problem of the import-intensiveness of production becomes an even more dramatic issue if imports from the two principal directions, that is, from the socialist and from the capitalist countries, are separately considered. This is required in view of the differences in the payments situation as regards trade with each of these two areas and the prospects for that trade.

While in the 1960's the growth in the import-intensiveness of our economy was chiefly linked to imports from the socialist countries, in the 1970's imports from the capitalist countries accounted for nearly the entire increase in import-intensiveness. In 1960 the share of imports from the capitalist countries in the end-product was 7.3 percent; in 1970, 8.3 percent; but in 1976, as much as 16 percent. The share of imports from that direction [in 1976] was greater than the share of imports from both directions in 1960. At the same time, the share of imports from the socialist countries, which had grown from 8.1 percent in 1960 to 11.5 percent in 1970, decreased to 9.8 percent in 1976. These figures show how greatly has our economy become dependent on imports from just one direction. The related situation has changed only recently. In 1981 the share of investment imports from the capitalist countries decreased to 9.4 percent and that from the socialist countries, increased to 12.8 percent. However, the possibilities for altering the directions of our imports are limited both by our export capabilities and, primarily, by the possibilities of our partners. In many fields there generally do not exist any possibilities for replacing imports from the capitalist countries with imports from other directions. This concerns especially grain and feeds as well as co-production components for the industry operating on the basis of Western technologies, and also many raw and other materials for industry.

In assessing the import-intensiveness of a nation's economy allowance must always be made for its export capability. It would be wrong to state that exports in themselves are something harmful. On the contrary, it is a truism that it is precisely owing to imports that economic development can be furthered. Even an increase in import-intensiveness cannot in principle be regarded as something disadvantageous. First, it ensues largely from objective and unavoidable factors; secondly, it may be most desirable if it accelerates technological progress, increases labor productivity, and serves to satisfy the needs of society more fully. In highly developed countries the import-intensiveness of the economy is often even higher than in Poland. This applies not only to capitalist countries but also to socialist ones such as Hungary and the GDR.

The decisive factor in the expediency of an increase in import-intensiveness is whether it does or does not result in an increase in labor productivity and hence also in a corresponding increase in production and national income. But in Poland, following a period of a huge increase in the import-intensiveness of our economy, the growth rate of national income came to a halt and, starting in 1976, national income began to decrease in absolute figures.

Another basic criterion for the rationality of an increase in imports is the ability of the importing country to correspondingly increase its exports. A country which is incapable of increasing its exports cannot increase its imports either, and it should not select import-intensive directions of development. On the scale of the national economy as a whole, the principle of paying for imports by exports operates absolutely and unconditionally. Any other theories on this subject, voiced in this country in recent years, have been pure demagoguery, harmful and even pernicious to our economy. As a result, the growth of imports markedly overtook the growth in exports, as can be clearly seen in Table 1.

In addition to the volume of exports, another fundamental factor is their effectiveness. The lower the cost per foreign-exchange unit gained by exports is, the cheaper imports become and, as a consequence, the lower the import-intensiveness of production becomes. If, on the other hand, the effectiveness of exports deteriorates, this entails an increase in the import-intensiveness of the national economy even if all the other cost factors remain the same. In Poland in the 1970's it was precisely the deteriorating effectiveness of exports that became a major factor in the growth of the import-intensiveness of production.

The problem of the import-intensiveness of production and the rationalization of imports has many aspects, not all of which can be considered in the space of this article. I will analyze one of these aspects, namely, the import-intensiveness of production on the [industrial] sub-sector scale. This problem has been underestimated in our country, both at the central level and at the operational levels. At the central level, important strategic decisions were made without considering their consequences in the field of imports, and even without analyzing the appropriate statistics. At the operational levels, the awareness of the extent of the dependence of particular types of production on imports was generally lacking. This was because operational levels are, as a rule, interested only in the particular imports which they must solicit, that is, in the "direct" imports of a given producer. Absent from their field of vision, on the other hand, are the so-called "indirect" imports consisting in the materials and co-production components received from other domestic producers. Yet, these "indirect" imports are mostly much greater than "direct" imports and they should not be overlooked in any economic decisionmaking.

The calculation of "total" import-intensiveness presents many technical difficulties. Of course, it can always be performed on the basis of the calculated cost, upon analyzing individual cost elements, but this method cannot be used on a broader scale. Hence also all our integral calculations are based on properly converted data from tables of inter-subsector transfers.[4] The problems involved in compiling and properly converting these data are such that, as a rule, they are rather outdated; this, however, does not deprive them of practical value, since changes in the proportions of outlays and technological coefficients generally occur at a fairly slow rate at the

[industrial] subsector level. The most recent detailed table of inter-subsector transfers (for the system of 125x125 subsectors) was prepared by the GUS in 1977, and it serves as the basis for the data utilized in the present article.

There exit severa types of indicators of the total import-intensiveness of production. The most often used indicator is that of the share of imports in the value of the final production of individual subsectors. On its basis it is possible to, among other things, estimate the import demand entailed in the postulated growth of production of a given subsector. Thus, indicators of this kind are suitable as factors to be considered in adopting development decisions. Another type of indicator is one showing the share of investment imports in the value of materials used in production. This indicator chiefly reveals the dependence of production on imports.

In this article I employ precisely these indicators,since they are the best-suited to the current economic situation. But what they reveal cannot be reared into something absolute. For it is known that the lack of just one imported ingredient accounting for a small fraction of the value of the materials used may sometimes completely immobilize the entire type of production concerned if that ingredient is irreplaceable. Usually, however, the percentile share of imports in the total material cost reflects quite faithfully the degree of the import-dependence of a given type of production.

When analyzing import-intensiveness on the subsector scale, the issue of the geographic directions of origin of the imports cannot be disregarded. The current import difficulties affect chiefly the production subsectors that are mainly based on shipments from the capitalist countries. It should be borne in mind that changing the geographic direction of imports is generallyy easier than changing the overall indicator of import-intensiveness. In this respect, the situation since 1977 has changed markedly: the share of imports from the capitalist countries has been declining and that of imports from the socialist countries rising. By way of an example, consider the refinery industry, which had largely been based on imports of crude petroleum from free-foreign-exchange directions, whereas now it can count only on deliveries from the USSR.

Data on the direct and total import-intensiveness of the principal branches of the national economy are presented in Table 2.

Table 2. Import-Intensiveness of Producer Supplies by Branch of Production, 1977

| Branch | Share in Total Output, % | Imports in % of Material Costs | | | | | |
|---|---|---|---|---|---|---|---|
| | | Total Imports | | | Of Which: Direct Imports | | |
| | | Altogether | Of Which SC | Of Which CC | Altogether | Of Which SC | Of Which CC |
| Industry | 68.7 | 35.9 | 14.2 | 21.7 | 19.1 | 7.2 | 11.9 |
| Construction | 8.9 | 25.6 | 13.3 | 12.3 | 6.3 | 3.7 | 2.6 |
| Agriculture | 15.5 | 24.4 | 9.4 | 15.0 | 3.0 | 2.4 | 0.6 |
| Forestry | 0.2 | 18.0 | 10.1 | 7.9 | 4.2 | 2.8 | 1.4 |
| Transport and communications | 3.9 | 37.6 | 20.1 | 17.5 | 9.4 | 5.0 | 4.4 |
| Trade | 1.6 | 22.8 | 9.4 | 13.4 | 2.6 | 0.9 | 1.7 |
| Miscellaneous | 1.2 | 25.2 | 11.5 | 13.7 | 3.5 | 3.0 | 0.5 |
| Total | 100.0 | 32.9 | 13.5 | 19.4 | 14.6 | 5.9 | 8.7 |

SOURCE: Own calculations based on tables of inter-subsector transfers for 1977 and other GUS materials.

[NOTE: SC = Socialist Countries; CC = Capitalist Countries]

If only direct imports are considered, we find that industry is definitely more import-intensive than the other sectors of the economy. A different picture is shown by the indicators of total import-intensiveness: then transport is the most import-intensive, with its indicator of 37.6, followed by industry with its indicator of about 36 percent. In the other production sectors the total import-intensiveness of material supplies is about 25 percent, on the average. In industrial production the role of "indirect" imports is smaller than in the other sectors, accounting for 75-85 percent of the whole of imports, whereas in industry it accounts for about 50 percent. "Indirect" imports become consumed by the other sectors precisely through the mediation of industry.

The decisive role in production is played by industry, and hence it is worthwhile to analyze, in their turn, the corresponding statistics on industrial subsector groups (Table 3).

Table 3. Import-Intensiveness of Material Supplies by Subsector Group, 1977

| Subsector Group | Share in Overall Output,% | Imports in % of Material Cost | | | | | |
|---|---|---|---|---|---|---|---|
| | | Overall | | | Of Which: Direct | | |
| | | Total | Of Which | | Total | Of Which | |
| | | | SC | CC | | SC | CC |
| Industry: | | | | | | | |
| --Fuel-energy | 5.6 | 47.7 | 28.9 | 18.8 | 36.5 | 23.4 | 13.1 |
| --Metallurgical | 7.4 | 35.1 | 17.7 | 17.4 | 19.5 | 9.7 | 9.8 |
| --Electrical machinery | 18.2 | 37.6 | 17.0 | 20.6 | 19.9 | 8.7 | 11.2 |
| --Chemical | 5.3 | 43.9 | 12.3 | 31.6 | 28.7 | 6.1 | 22.6 |
| --Mineral | 2.1 | 30.8 | 15.4 | 15.4 | 14.3 | 6.8 | 7.5 |
| --Pulp and paper | 3.1 | 24.3 | 11.4 | 12.9 | 11.1 | 5.2 | 5.9 |
| --Light | 7.9 | 36.3 | 11.6 | 24.7 | 16.6 | 4.9 | 11.7 |
| --Food | 15.8 | 26.5 | 7.9 | 18.6 | 8.5 | 1.7 | 6.8 |
| --Miscellaneous | 3.3 | 53.9 | 7.0 | 46.9 | 35.8 | 1.9 | 33.9 |
| Altogether, industry | 58.7 | 35.9 | 14.2 | 21.7 | 19.1 | 7.2 | 11.9 |

Source: As in Table 2

Of the various subsector groups the "Miscellaneous" group (chiefly feed industry) and the fuel-energy industry overwhelmingly predominate in regard to dependence on imports. In the first case the decisive role is played by imports of grain and feeds and in the second, by imports of crude petroleum and natural gas. Next in import-intensiveness is the chemical industry, followed by the electrical machinery, light, and metallurgical industry. The lowest import-dependence as regards material supplies is displayed by the pulp-and-paper and food industries.

On comparing these indicators with the figures for preceding years we find that, despite the generally marked growth in degree of dependence on imports, some equalization of the situation has taken place in certain sectors and subsector groups. As late as in 1967 the import-intensiveness of construction, agriculture, and trade had been less than one-third as high as that of industry. Within industry itself the most import-intensive subsectors at that time had been the "miscellaneous," light, and metallurgical industries, while at the same time the import-

intensiveness of the food, fuel-energy, mineral, and pulp and paper industries had been only a fraction of that of the subsectors named above. In the 1960's it was still possible to isolate subsectors that were entirely independent of imports. They included the entire food and fuel-energy industries as well as construction and building materials. On the opposite pole there had been the groups of subsectors markedly dependent on imports. At present we are observing a gradual disappearance of this division. In the subsectors with the greatest import-dependence that dependence has diminished owing to, among other things, the development of the production of substitute materials (light industry). On the other hand, two immeasurably important fields that formely had been, properly speaking, independent of imports, that is, the food and fuel-energy industries, at present are to a great degree dependent on imports. Only services continue to be independent of imports--with the exception of transport, however, which is highly dependent on imports, primarily on those of fuel.

Significant differences occur in the breakdown of import-dependence into both geographical directions. The sectors and subsector groups oriented chiefly to meet consumer needs, that is, food processing and light industry, are the ones most dependent on imports from the capitalist countries. On the other hand, the industries specializing in the production of capital goods, that is, the metallurgical and electromachinery industry, as well as construction, import more materials from the socialist than from the capitalist countries. In 1977, the production destined for export to the capitalist countries required 56.5 percent imports from these countries, and the production for investment purposes, 50.6 percent, while the production earmarked for export to the socialist countries required 48.5 percent of imports from those countries. At present the share of imports from the capitalist countries has markedly decreased, but the corresponding indicators remain as differentiated as previously.

The data considered so far pertain to relatively large units and are necessarily averaged. Within most of these units, on the other hand, the indicators of import-intensiveness (both direct and overall) vary enormously from one subsector to another. Only analysis at the sub-sector level can provide more specific information. However, even the division into 125 subsectors used in the GUS table of inter-subsector transfers for 1977 is not always adequate for isolating sufficiently uniform units. Only the analysis of individual major commodities could serve to eliminate data-averaging completely. Considering the absence of such detailed material, however, we have to confine ourselves to the subsector arrangement.

Data on the import-dependence of specific subsectors are presented in Tables 4-6. They comprise altogether the 60 principal subsectors exclusive of the minor subsectors (accounting for less than 0.4 percent of overall production). as well as subsectors with a markedly non-uniform variety of production.

Table 4 contains subsectors distinguished by a high import-dependence (ranging from 40 to 93 percent). Table 5 comprises subsectors with an import-dependence that does not markedly deviate from the average (26-39 percent). Finally, Table 6 pertains to subsectors with a low (10-25 percent) import-dependence.

Table 4. Production Subsectors With a High Import-Intensiveness of Material Supplies, 1977

| Subsector | Share in Overall Output, % | Overall Import-Intensiveness, % | | |
|---|---|---|---|---|
| | | Total | Socialist Countries | Capitalist Countries |
| Refinery industry | 1.7 | 93.2 | 66.1 | 27.1 |
| Shipping | 0.8 | 61.0 | 17.5 | 43.5 |
| Bakery industry | 0.6 | 59.0 | 17.8 | 31.2 |
| Fodder industry | 1.2 | 58.1 | 5.8 | 52.3 |
| Cotton industry | 1.1 | 54.3 | 29.9 | 24.4 |
| Sugar industry | 0.4 | 51.8 | 4.7 | 47.1 |
| Artificial fertilizers industry | 0.6 | 51.0 | 17.9 | 33.1 |
| Rubber products industry | 0.6 | 49.1 | 16.5 | 32.6 |
| Paints and lacquers industry | 0.4 | 48.6 | 7.7 | 40.9 |
| Pharmaceuticals industry | 0.6 | 47.7 | 9.8 | 37.9 |
| Machinery and equipment for th fuel industry | 0.4 | 47.5 | 15.4 | 32.1 |
| Electric power machinery industry | 0.8 | 46.9 | 19.8 | 27.1 |
| Aviation*) | 1.0 | 44.8 | 23.7 | 21.1 |
| Organic industry | 0.5 | 44.5 | 14.4 | 30.1 |
| Grain-milling industry | 0.7 | 43.3 | 15.5 | 27.8 |
| Iron and steel metallurgy | 3.2 | 42.8 | 22.5 | 20.3 |
| Cosmetics industry | 0.6 | 42.1 | 9.8 | 32.3 |
| Construction machinery industry | 0.8 | 41.0 | 21.3 | 19.7 |
| Automotive industry | 2.2 | 40.9 | 19.6 | 21.3 |
| Wool industry | 1.1 | 40.7 | 6.1 | 34.6 |

Source: Own calculations based on GUS tables of inter-subsector transfers in 1977 and other materials.

*) Together with other transport not listed separately.

The subsector with definitely the highest import-intensiveness (93 percent) is the refinery industry. For the next three most import-intensive sub-sectors this indicator is about 60 percent (shipping and the bakery and feed industries). The 50-percent boundary is also exceeded by the import-intensiveness of the cotton, sugar, and artificial fertilizers industries, and approached by the rubber products, paints and lacquers, and pharmaceutical industries.

The list of subsectors with the lowest dependence on imported supplies starts with the metallurgical raw materials industry and the alcohol industry (about 10 percent). The corresponding indicators for a number of subsectors relating to raw materials and food industries as well as power industry are not much higher (15 percent). Of the typical processing industries only one subsector —the clothing industry—can be included in this category.

Table 5. Production Subsectors With Average Import-Intensiveness of Material Supplies, 1977

| Subsector | Share in Overall Output, % | Overall Import-Intensiveness, % | | |
|---|---|---|---|---|
| | | Total | Socialist Countries | Capitalist Countries |
| Industry of metallurgical products for industry | 0.8 | 39.8 | 18.5 | 21.3 |
| Chemical fibers industry | 0.4 | 38.9 | 10.9 | 28.0 |
| Plastics products industry | 1.4 | 38.7 | 9.1 | 28.7 |
| Industry of consumer metallurgical products | 0.9 | 38.0 | 10.7 | 27.3 |
| Motor transport | 2.2 | 38.0 | 21.9 | 16.1 |
| Power machinery industry | 0.7 | 37.8 | 17.7 | 20.1 |
| Rolling stock industry | 0.5 | 37.7 | 20.8 | 16.9 |
| Nonferrous metallurgy (excluding copper) | 0.5 | 37.6 | 19.4 | 18.2 |
| Agricultural machinery industry | 0.6 | 36.9 | 16.4 | 20.5 |
| Shipbuilding industry | 0.8 | 36.4 | 9.7 | 26.7 |
| Tractor industry | 0.5 | 36.2 | 21.8 | 14.4 |
| Electrotechnical products industry | 0.6 | 35.4 | 13.2 | 22.2 |
| Civil engineering construction | 1.2 | 34.8 | 19.6 | 15.2 |
| Electronics industry | 1.1 | 32.7 | 14.8 | 17.9 |
| Footwear industry | 0.7 | 32.1 | 6.8 | 25.3 |
| [Nonpetroleum] Oil industry | 0.4 | 31.2 | 9.5 | 21.7 |
| Knitwear and stocking industry | 1.2 | 29.3 | 7.1 | 22.2 |
| Agriculture-crop production | 7.2 | 28.6 | 16.3 | 12.3 |
| Railroad transport | 1.5 | 26.4 | 15.4 | 11.0 |
| Furniture industry | 1.1 | 26.3 | 11.8 | 14.5 |

Source: See Table 4

As within the subsector groups so within the individual subsectors the share of imports from the socialist and capitalist countries varies, following the patterns described above. The most import-dependent subsectors as regards imports from the capitalist countries are the feed (52 percent) and sugar (47 percent) industries, followed by shipping, the paints and lacquers industry, and the pharmaceutical industry. The most import-dependent subsectors as regards imports from the socialist countries are the refinery industry (66 percent in 1977, currently about 90 percent) as well as the cotton industry and iron and steel metallurgy.

While it does not appear expedient to discuss in greater detail the data on individual subsectors certain patterns dominating the subsector groups are worth noting. The group with the most markedly differentiated degree of import-dependence is the food industry. Of the 12 subsectors of that industry named in the tables under consideration, eight exist within the least import-intensive group, three within the most import-intensive group, and only one in the average group. A similar situation

exists as regards the fuel-energy industry within which the refinery and gas industries are among the most import-intensive, while the coal and energy industry are the least import-intensive. The variation in indicators in the light industry is somewhat less broad: two of its- subsectors belong in the most import-intensive group; two, in the average group, and one in the least import-intensive group. In the chemical industry, six subsectors belong in the most import-intensive group and two in the average group. In the electrical machinery industry, of the total of 13 subsectors analyzed, four are on the most import-intensive list and the other nine on the list of the average sub-sectors. The electrical machinery industry displays the relatively smallest variation in overall import-intensiveness, but nevertheless it displays a marked differentiation in direct import-intensiveness.

Table 6. Production Subsectors With Low Import-Intensiveness of Material Supplies, 1977

| Subsector | Share in Overall Output, % | Overall Import-Intensiveness, % | | |
|---|---|---|---|---|
| | | Total | Socialist Countries | Capitalist Countries |
| Clothing industry | 1.7 | 24.7 | 9.0 | 15.7 |
| Production-service construction | 4.4 | 24.2 | 13.4 | 10.8 |
| Meat industry | 2.1 | 24.2 | 6.7 | 17.5 |
| Coal industry | 2.7 | 23.0 | 9.6 | 13.4 |
| Domestic trade | 4.8 | 22.6 | 9.2 | 13.4 |
| Egg-poultry industry | 0.6 | 22.4 | 6.7 | 17.5 |
| Cement industry | 0.4 | 22.4 | 11.8 | 10.6 |
| Agriculture--livestock production | 6.4 | 22.3 | 6.3 | 16.0 |
| Dairy industry | 1.0 | 21.4 | 6.6 | 14.8 |
| General construction | 3.0 | 20.9 | 10.4 | 10.5 |
| Copper metallurgy industry | 1.1 | 19.0 | 6.6 | 12.4 |
| Forestry | 0.6 | 18.0 | 10.1 | 7.9 |
| Tobacco industry | 0.8 | 17.2 | 5.7 | 11.5 |
| Power industry | 1.5 | 15.3 | 8.2 | 7.1 |
| Sugar industry | 0.6 | 15.1 | 9.2 | 5.9 |
| Fruit and vegetable industry | 0.5 | 14.9 | 6.6 | 8.3 |
| Wine and beer industry | 0.6 | 14.3 | 6.0 | 8.3 |
| Sawmill industry | 0.6 | 12.6 | 7.0 | 5.6 |
| Alcohol industry | 2.3 | 10.4 | 3.7 | 6.7 |
| Metallurgical raw materials industry | 0.5 | 9.8 | 4.6 | 5.2 |

Source: See Table 4

The survey of the import-intensiveness of our production on the subsector scale provides an idea of the vast variation in that intensiveness. This variation is additionally increased by the still existing extremes in proportions of imports from both geographical directions and by the similarly great differentiation in the shares of direct and indirect imports in the overall import outlays of individual subsectors. The variation in the import-intensiveness of the manufacture of individual products is still greater, of course. This suggests the conclusion that central steering of these processes is unusually difficult if not impossible. The central level may determine the main directions and give priority to the development

of the less import-intensive subsectors and the selection of less import-intensive technologies (which it has not been doing, besides), or it may make certain sector decisions of particularly great significance.

In the long run, the only effective means of streamlining imports is an appropriate guidance of the operational-level decisions, especially the decisions made by production enterprises. A fundamental role should be played by economic mechanisms and incentives. In a situation in which imports have become the bottleneck to our entire economy, these mechanisms and incentives should induce enterprises to seek for import-saving solutions and develop import-substitute production. Of course, this cannot be--and is not--tantamount to the total elimination of imports. In every individual case the decisive factor should be cost effectiveness. But if cost effectiveness is to produce the desired results, enterprises must operate with proper economic criterions: foreign-exchange rates, interest rates, discount rates, and the prices of the basic raw and other materials. The purpose of the central level is to, in addition to strategic decisionmaking, create appropriate decision mechanisms and provide the enterprises with correct accounting criterions.

Thus, starting from a purely quantitative analysis, we are back to systemic problems. Unless these problems are solved correctly, the desired structural changes cannot be carried out and effectiveness of management cannot be enhanced, and hence also the import-dependence of our economy cannot be optimized. The economic reform which is being introduced this year accounts for some progress made in this field. A factor acting in this direction is the crediting of foreign exchange [to enterprises] for imports. This links imports to exports and promotes the streamlining of the former and the expansion of the latter. But the scope of such crediting is limited. It applies only to part of the production enterprises, and only to direct imports as well, without affecting indirect imports.

Despite the introduction of proper--as regards the direction of action--changes in the system of foreign-exchange rates and producer prices, the cost of imports remains too low in comparison with other solutions, which cannot contribute to streamlining imports. Hence there is a need for further changes in the parameters of cost effectiveness analysis as well as for strengthening the incentives prompting producers to, on the one hand, develop exports and, on the other, streamline imports. This matter, however, transcends the scope of the present article.

FOOTNOTES

1. See B. Wojciechowski, "Import-Intensiveness and Quality of Production," HANDEL ZAGRANICZNY, No 7, 1978.

2. Final product is defined here as the value of all shipments to final recipients--for consumption, for investments, and for exports. It equals gross national income plus imports.

3. Own calculations based on GUS data. Imports (both commodities and material services) were figured in transaction prices. The 1981 data are preliminary.

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## NATIONAL COMMUNICATIONS DEVELOPMENTS DESCRIBED

### Communications Situation

Warsaw RADA NARODOWA GOSPODARKA ADMINISTRACJA No 12, Jul 82 pp 42-43

[Article by Janusz Walewski]

[Text] At the beginning of June, the Presidium discussed an idea proposed by the Ministry of Communications about improving and modernizing telecommunications and postal services by 1985. It was concluded that the communications system in the country from both social and economic points of view is unsatisfactory. The principal reason for this is the underinvestment in communications that has taken place for many years. The Presidium also stated that even in the current, difficult economic situation, the country must guarantee modernization and minimal progress in communications. What is the current postal and telecommunications situation? What are the ministry's intentions in this area in the next few years?

### The Telephone Continues To Be A Luxury

Telecommunications in the country are composed of three kinds of communications networks: long-distance telephone service, telegraph and data communications. The principal functions of the Ministry of Communications in servicing the country's telecommunications system are implemented by the Polish Post Office, Telegraph and Telephone Enterprise.

When economic reform was introduced, the enterprise owned:

1. local telephone exchanges--2,273,000 numbers, of which 2,020,000 are in the cities and 258,000 in the country;

2. telephone subscribers numbering 2,023,000;

3. installed telephones numbering 3,505,000, of which 3,136,000 are in the cities and 369,000 in the country (the number of telephones per 100 inhabitants --cities, 15; country, 3;

4. telephones for public use, 88,000 and

5. postal-telecommunications agencies numbering 8,147

The number of basic telecommunications services for the year included 1.01 billion long-distance telephone calls and 18,846,000 registered telegrams.

In spite of these impressive figures, Poland as compared to other European countries ranks among the bottom of the list for telecommunications services, especially long-distance telephone calls. The average number of telephones per 199 inhabitants in Europe is 22; Switzerland, 68; France, 37; Czechoslovakia, 20; Bulgaria, 12 and Poland, 10. In this country, the worst situation exists in the country (3 telephones per 100 inhabitants), and approximately 8,000 places do not have any telephone services.

Communications problems are swelling. In the past 10-year period, some of the problems were solved. Above all, the telecommunications industry was built. The quantity of telephone exchanges increased from 1,293,000 numbers in 1970 to 2,278,000 in 1981. Needs in this area are considerably greater, however. The waiting period for an apartment telephone, especially in new apartment blocks or in the country, continues to grow. The number of pending applications for new telephones increases year by year; at present there are over 1 million pending applications.

Radical change in the current state of telecommunications is difficult. Therefore, the Ministry of Communications has commenced various activities; e.g., modernization of the telephone network in accordance with equipment produced by national industry, in order to resolve these problems systematically.

In order for the Polish Post Office, Telegraph and Telephone Enterprise to be self-financing, the cost of basic telecommunications services will have to increase this year by approximately 7 billion zlotys. At present, the existing technical base must be maintained and a minimum amount of funds for constructing the necessary telecommunications instrumentation must be acquired in order to guarantee continuity in the functioning of the national economy and to meet social needs for telephones; this also concerns apartment telephones and the housing infrastructure, including nurseries and preschools. The telephone today is not and cannot be a luxury. For sick people, invalids and single mothers, it frequently constitutes the only means by which to call for help or to take care of important daily tasks. It is indispensable for many professional groups; doctors, journalists, teachers, scientists and creators, craftsmen and farmers. In general, this concerns the elimination of "blank spots" on Poland's telephone map. The lack of indispensable means could cause the curtailment or renouncement of the implementation of capital-intensive or necessary telecommunications installations, limitation of experiences in telecommunications services or it could become the causative reason for the destruction of existing costly instrumentation. Thus, the issue of telecommunications development is a matter not only for the ministry but also for all of us.

Ministerial Undertakings to 1985

Taking into consideration the current situation and also social needs, the Ministry of Communications has recognized the following to 1985:

In the area of Local Telephones:

--an aim to achieve the highest number of telephone subscribers (it is estimated that the growth of subscribers for 1981-85 will be 350,000);

--in accordance with exhausting the possibilities of moving existing reserves, an enlargement of efforts to complete currently implemented investments or an undertaking of reconstruction of existing exchanges and urban networks (in this situation, there is a shortage of possibilities for installing telephones in many new apartment blocks in large urban centers, chiefly as a result of the halting of new installations for telecommunications needs);

--development of urban telephone exchanges in 1982-85, which will be based chiefly upon the instrumentation of national production;

--transfer in the next 5 years to a seven-numeral system for telephone subscribers in Warsaw as a result of the exhaustion of telephone numbers; this will be a costly undertaking, but necessary because it is dependent on further development of the telephone network in Warsaw; and

--in the development of an urban telephone system, agriculture will be given preference.

In the Area of a Long-distance Telephone System:

--completion of the construction of three long-distance telephone systems in Lublin, Szczecin and Wroclaw and development of a telephone network in Gdansk; this will give a full automatic telephone system among these urban areas;

--extension of automatic exchanges: international in Warsaw and three automatic long-distance exchanges in Warsaw, Cracow and Poznan;

--completion of the construction of the Telecommunications Center for Long-distance Telephone Service in Warsaw and resumption of the reconstruction of the Voivodship Telecommunications Center in Wroclaw; and

--minimum work to complete the automatic long-distance system.

Modest Base of the Post Office

Providing of postal services relies on the transmission of material carriers of information. This takes place primarily through the use of transportation and the human factor. This manner of transferring information differentiates the post office from telecommunications, in which the transference of information occurs through the use of electrical energy. Transformation of energy for purposes of communications requires considerable material and financial

outlays. In comparison to telecommunications, the development of the post office is considerably less capital-intensive, which is why in the country's current economic situation one can and should create suitable conditions for the development and the improvement of the quality of postal services.

The post office supplies 73 kinds of services in the national turnover. Basic services include mail, packages and money orders, which can be broken down as follows according to 1980 data:

--mail (including magazines)--1.9 million;

--packages in national turnover--24.1 million;

--money orders--285.4 million.

The existing potential of the post office is not able to guarantee efficient and expeditious delivery of mailings. Needs in this area are determined by the technological process of service experience. The most important elements of the process are transmission, distribution, expedition, transportation and delivery of mailings. The efficient expedition of deliveries then is decided by individual factors in the entire system, and especially transport positions, junction offices handling distribution and expedition, interoffice delivery, outposts preparing mailings for delivery and delivery in various geographical situations.

Within the post office's services process, the most important event is the preparation of deliveries in the junction offices. There are currently 84 postal junctions, of which 15 have key significance in the transfer and distribution of mailings. Most of these junctions have installations not prepared to cope with the demand. For several years, the shortage of space has increased, estimated now at approximately 150,000 square meters. Such a state does not facilitate the use of technical work means, and division-transfer activities are based almost exclusively on manual labor (it happens that the mass of mail per employee per day even exceeds 12 tons).

Guaranteeing efficient functioning of the post office depends in large measure on the transportation of mailings.

In the last few years, the shortage of transportation means has increased. As a result of the technical aging of postal trucks, their quantity has decreased from 518 to 329 during the period 1970-80. Thus, the need to reduce urban postal transportation via PKP [Polish State Railways] by 20 percent has occurred. At the same time and independent of this, the shortage of new vehicles and replaceable parts has reduced the number routes for trucks by 23 percent, for motorcycles by 75 percent and for airplanes by 38 percent.

The efficient functioning of the post office also depends on the suitable development of the junction network. The consistency of this network determines the accessibility of postal services to clients. In 1980, there were 8,147 open postal offices, serving 4,486 persons per office on 38.4 square kilometers of space. These data cover the entire country and constitute the

statistical average. The network should be analyzed from a regional viewpoint, taking into consideration the dissimilarity between the city and the country. Moreover, there are large differences in individual voivodships.

For example, the number of inhabitants per outpost is 4,400 in Jelenia Gora to 10,200 in Warsaw, and the area in square meters served by an outpost is 11.9 in Lodz to 69 in Suwalki.

It should be emphasized that not only is the consistency of the junction network not adequate, but also the local conditions and stock of basic equipment and technical installations are insufficient.

The presented shortages in the services system show that the quality of postal services is inadequate. Almost one-third of the urban deliveries are not completed, waiting time at the post office in the city takes 20 minutes on the average and there are cases of theft and fraud.

How To Prevent This Situation From Getting Worse

In order to halt the process of worsening quality in postal services, a wide array of technical and organizational corrections and new technical solutions have been put into place. Among them are a codal system for addressing mailings, a new technology for accepting registered letters, experimental initiation of a control system and money order services through the help of minicomputers, introduction of self-service devices of various kinds, use of equipment to separate packages, experimental initiation of a transfer system for packages in containers, technical simplification of customs and decentralization of overseas mail.

These undertaking would allow for a considerable halting of the speed of decline in the quality of services, but they would cause neither a lasting growth in service potential nor contribute to a radical correction of it. Suitably, in accordance with social needs, the growth in service potential could take place as follows:

--construction and modernization of 54 offices in 1982-85 and 25 more in 1986-90;

--construction and modernization in 1982-90 of 1,300 postal functions and adaptation of 600 rooms into functions; and

--complete fulfillment of postal needs through transportation needs and installation of mechanization and equipment.

In the case of completing these conditions, the time required for mail delivery, measured from the moment of transmission to the moment of delivery, should not exceed 48 hours, the time for package delivery 72 hours and postal office services 7 minutes.

Noninvestment Activities

In the country's current economic situation and the economic situation of the Polish Post Office, Telegraph and Telephone Enterprise, the Ministry of Communications is concentrating its activities on noninvestment undertakings, and thus is establishing simplification of work technology and documentation (e.g., a new technology for package delivery was worked out, package zones were eliminated, a new technology guaranteeing valuable letters and packages was introduced and activities tied to the delivery of registered mailings were simplified). A system for delivery of registered packages through expansion of the delivery network was introduced. Decentralization of overseas mail was introduced, and creation of more postal-customs divisions in Bydgoszcz, Wroclaw, Rzeszow, Olsztyn, Bialystok and Lublin is planned.

In order to correct the delivery system, connections in the postal communications network were implemented. Further work on the containerization packages will be introduced. Moreover, employees will be transferred to areas having the greatest personnel shortages.

Noninvestment activities implemented by the Ministry of Communications have the character of immediate activities. It is understood that these types of activities will bring and already can bring further benefits, but, however, without investment, they will not be sufficient to bring about a basic correction of the situation in the ministry.

## Telecommunications Problems

Warsaw TRYBUNA LUDU in Polish 19 Aug 82 pp 1, 2

[Article by M. Wodzicki]

[Text] On Saturday, the chairman of the CK SD [Democratic Party Central Committee], vice premier Dr Edward Kowalczyk, accompanied by the Minister of Communications, Dr Wladyslaw Majewski, met with the aktiv of the work force from the Main Office of the Long-distance Telecommunications Enterprise "Polish Post Office, Telegraph and Telephone."

During the meeting, the vice premier became acquainted with the economic and socio-locational problems of the work force. The vice premier also was interested in the course of efforts designed to get the country's first electronic long-distance exchange going.

This exchange was built by Polish telecommunications specialists based upon elements in the licensing system. Thanks to the new exchange, the long-distance exchange in Warsaw will be enriched by 1,800 new connection points, of which 600 will be for overseas connections. This will facilitate the possibility of simultaneous, automatic international connections.

GUTM [National Communications Center] director Mieczyslaw Kula informed the vice premier about the office's work. Thanks to the efforts of 1 3,000-member work force, GUTM makes possible communications with the entire world. After eliminating a wide array of restrictions on communications after the imposition of martial law, there are now only restrictions on automatic calls overseas and on telex communications (only Warsaw has the possibility of direct communications with foreign subscribers).

During a 24-hour period, long-distance calls from abroad can reach 3,000. There are also approximately 8,000 telegrams and 5,000 telex messages. The number of serviced clients is approaching that of 12 December last year.

During his discussions with the work force, the vice premier informed the workers about the government's activities designed to lead the country out of the crisis and to implement the foundations of national understanding. He also responded to their questions on the future of telecommunications.

He stated that by the end of the year--as permitted by the situation in the country--automatic telephone and telex communications abroad will be restored. There will also be an attempt made to procure from abroad a telex exchange which still uses the old method of manual connections. Warsaw is the last capital in Europe that does not yet have such an exchange. This makes GUTM's work more difficult and reduces the number of connections. Discussions with foreign producers were broken off after the United States introduced its embargo on equipment deliveries to Poland.

An urgent task is completion of the construction of a building for the long-distance exchange that will be the basis for further development of communications in the country. "We shall," the vice premier emphasized, "achieve a systems-type solution to telecommunications requirements in accordance with economic reform and national needs. We have the first optimistic data indicating that we have begun to bring the country out of the economic crisis. A correctly functioning telecommunications network must become the basis to organize the modern, efficient administration of the country."

## Transcoder Replacing Teleprinters

Warsaw RZECZPOSPOLITA in Polish 16-17 Jan 82 p 6

[Text] In the Military Institute of Communications in Zegrze, scientists have developed a transcoder that can change the code used in the character-mosaic print working in the ISO code. This new technique increases the printout information coming from the teleprinter code (Number 2 or ASCJJ). Use of this invention is tied closely to the data transmission system. For now, this invention is used by the Ministry of National Defense, which gives benefits, such as the elimination of imported teleprinters (e.g., T-51, T-63), the possibility of rapid multiprints from perforating tape, less required electricity and reduction of noise level.

After an adequate breaking in, the transcoder can be used in systems of reception and printout information not needing confirmation.

It could be used in PAP recieving stations, TV, etc. Successful use in printing (DZM) [expansion unknown] could lead to imported teleprinters. The Polish Patent Office has included this invention on the list of creative accomplishments requiring rapid mass usage.

## National Radio Broadcasting Plan

Warsaw ANTENA in Polish 26 Jul-1 Aug 82 p 14

[Text]

| | | Broadcast Hours | |
|---|---|---|---|
| PR I --long wage | 24 hours | normal days | 5.57 — 24.00 |
| PR II --middle waves, ultra-shortwave | | holidays | 6.57 — 24.00 |
| PR III--ultra-short wave | | normal days | 9.00 — 16.00 |
| PR IV --ultra-short wave | | holidays | 8.40 — 16.00 |
| | | Saturdays | 5.57 — 1.00 |
| | | other days | 6.57 — 24.00 |
| | | from Mondays | 5.57 — 9.00 |
| | | to Fridays | 10.00 — 1.00 |
| | | Sundays, holidays | 5.57 — 1.00 |
| | | | 7.27 — 1.00 |

Attention: 1) program IV is broadcast in stereo and mono versions. The remaining programs are only monophonic.
2) local radio broadcasts are only on PR IV

Frequency of Broadcast Stations

| PR I long-wave | PR II middle and long wave | Ultra-short waves PR II | PR III | PR IV | Antenna UKF |
|---|---|---|---|---|---|
| Białystok | 1006 (XII) | 71,84 | 72,80 | 70,81 | H |
| | | 71,12 | 72,68 | 68,60 | V |
| Bydgoszcz | | 71,06 | 72,62 | 68,96 | H |
| Gdańsk | 1305 (XII) | 67,85 | 66,29 | 70,31 | H |
| Katowice | 1000 | 67,70 | 66,23 | 68,96 | V |
| | | 67,55 | 65,90 | 68,33 | H |
| Kielce | 1206 (I) | 71,15 | 72,71 | 70,49 | H |
| | 1200 (II) | | | | |
| | 1002 x | | | | |
| Koszalin | 1206 (I) | 71,24 | 72,80 | 69,23 | H |
| | 1485 x | 67,73 | 66,17 | 69,92 | V |
| Kraków | 1203 (IV) | | 71,45 | 70,31 | H |
| | 1485 x | 67,07 | 66,50 | 68,75 | H |
| Lublin | 1206 (I) | 71,03 | 72,59 | 69,92 | V |
| Łódź | 1206 (III) | 72,01 | 72,23 | 68,51 | H |
| Olsztyn | 1485 x | | | | |
| | 1584 x | | | | |
| | 1602 x | 67,25 | 66,26 | 70,52 | H |
| Opole | | 70,21 | 66,77 | 72,89 | H |
| Poznań | 738 | 66,18 | 66,62 | 69,74 | H |
| Rzeszów | 1305 (III) | 67,46 | 65,90 | 68,24 | V |
| | 1485 x | 72,41 | 71,69 | 68,60 | H |
| Szczecin | 1200 (II) | 67,52 | 66,74 | 68,78 | H |
| Warszawa 257 | 819 | 71,45 | 67,94 | 69,20 | H |
| | 200 | 70,97 | 72,53 | 68,72 | V |
| | | 68,03 | 66,47 | 70,22 | V |
| Wrocław | 1206 (I) | 71,23 | 72,11 | 70,67 | H |
| | 1584 x | 69,56 | 67,43 | 69,24 | V |
| | | | 68,73 | 71,72 | H |
| Zielona Góra | 1203 (IV) | 72,20 | 70,94 | 69,14 | H |
| | 1602 x | | | | |

I, II, III, IV--synchronized national network
x--international waves
UKF Antenna H: horizontal V: vertical

Continual lines show the range of National Radio broadcasts
Broken lines--voivodship boundaries

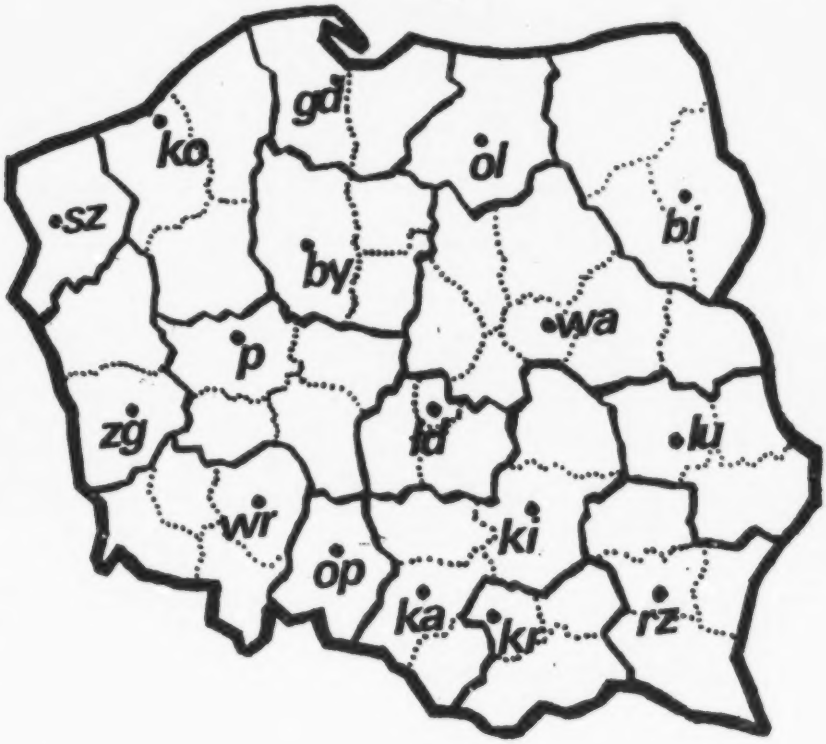


CSO: 2600/900

PROGRESS OF ECONOMIC REFORM ASSESSED

Warsaw TRYBUNA LUDU in Polish 29 Sep 82 p 2

[Press briefing by Minister W. Baka, Plenipotentiary of the Government, on the progress of economic reform, summarized by Andrzej Leszczynski]

[Text] As we reported earlier, the Council of Ministers, at its Monday's meeting, has discussed the state and consequences of the implementation of economic reform. the assessment was based on the Report of the Government Plenipotentiary and the motions brought forward during discussion that took place last week in the Committee for Matters of Economic Reform, as well as the opinion of the consultative economic council.

The aggregate of these important matters was dealt with by the government plenipotentiary, Minister W. Baka, at the press conference, held on 28 September 1982 at the Council of Ministers Office.

In our previous reports, our own and the news agency's, we already acquainted our readers with certain aspects of the implementation process of economic reform. Today, after the meeting of the Council of Ministers, we will attempt to present a more comprehensive picture that was outlined by Minister W. Baka at the aforesaid press briefing.

The opinion is often expressed that the effects of economic reform are not being felt in real life. Therefore let us ask the question: does reform exist or not?

The reform went into force on 1 January 1982 ( a year ahead of what had been planned) and its implementation in individual economic sectors is proceeding according to the established schedule. This fact is worth to be noted in view of an especially difficult and complex economic situation.

Legislative process is the most advanced. The legal setting consists of 17 Sejm laws and over 40 resolutions and decrees of the Council of Ministers. However, not all the probelms have yet been legally regulated. This concerns in particular the laws that are in preparation: on the new structure and functions of people's councils and territorial self-government, on sanitation and bankruptcy of enterprises, and the anti-monopolistic law.

The process of sinking reform into practice of everyday life is complex. Although the principles of the so-called "3 S" [self-government, self-dependence, self-financing] have been adopted for our whole economy, nonetheless they are not fully "at home" in the trade and in the sphere of social services. Naturally, they are also applied to a lesser extent in militarized enterprises.

A change was also made in the nature of planning. This is exemplified by the project of a plan for the 1980's. This variant of a plan submitted to a social discussion is not as, before, the sum of tasks assigned to lower economic units but does point out general developmental directions.

The process is continuing of a decentralization of economic powers and elimination of intermediate levels of management in the form of former associations (139 voluntary and 40 obligatory associations operate in the country). Gradually there the self-managing staffs are being reactivated. Relying on the most recent data, Minister W. Baka stated at the press conference that self-managing staffs are already operating in 400 enterprises, and 700 more proposals are under consideration.

Question: What are - against the background of this progress in implementation of the new mechanisms - the results to be noted?

Answer: It is difficult after barely eight months of reform to ascribe explicit results to it. The more so since at the same time the economy was strongly influenced by other factors, especially by crisis-related restrictions. One ought however to note certain occurrences.

A check in the rate of production drop has been observed. As we reported, in August 1982 the production showed an increase of one percent compared to the same period of the past year. However, during the past eight months it was 6 percent lower in relation to the past year.

Employment has declined by 5.5 percent. Not so much through the effect of reform mechanisms, as due to early retirement and the use of paid maternity leave.

From May on, labor productivity has grown systematically.

Reform exerts greater and greater effect on the economy of enterprises. To an ever wider extent cost-effectiveness is being applied. Enterprises begin to have faith in self-dependence. A process of putting in order the internal structures and making more efficient the co-production was initiated.

Question: But is reform also not free from criticism?

Answer: It is said that reform is producing a rise in prices, with which the grow of income has not kept up. Although, after a considerable increase in prices early in the year, they gradually stabilized, nevertheless as a matter of fact there are no sufficiently strong incentives for work. Not all enterprises are using their newly gained self-dependence to shape their own intra-factory wage policy. Such policy is however subordinated to the growth of efficiency, quality of work, and increase in production.

The economic reform was introduced in an especially adverse economic situation. This fact may lead to a social sense that a decline in the living standards is the price of reform, whereas in reality it is the price of a crisis.

An opinion is expressed that consequences of the crisis are not being equally distributed over different social groups, and to a greater extent are being felt by the working class and other groups of working people. The government has paid attention to the necessity of a close linkage, on the basis of reform principles, of social policy with economic policy, and a decisive struggle against speculation and social parasitism.

Question: Does not reform in its present shape require changes and corrections?

Answer: Up to now, the experience of half a year leads to the conclusion concerning a need of introducing certain modifications aimed at economic uplift, enhancement of motivation, and limitation of price rises. The findings of the Council of Ministers move in this direction.

The possibility of introducing of an anti-inflation tax paid by enteprises on increase in prices after 1 July 1982 is under consideration.

The increase of prices would also be prevented by the introduction of the so-called category of justified cost of production and the extension of the range of regulated prices to semi-finished products and subassemblies.

The work on modification of the system of taxes paid by enterprises aimed at alleviation of their progression is in progress; it would serve as an incentive to increase production.

The remuneration system is in need of fundamental reconstruction. The social discussion on this subject has already begun and its results should bear fruit already by the beginning of next year.

The reform was started, but its implementation does not take place easily. Apart from complex dependence on economic conditions, there also exist other barriers in the form of routine, lack of understanding of changes undertaken, and attachment to old models.

In discussions, attention is being called to the danger of a tendency to retreat from the assumptions of reform, motivated by especially difficult economic conditions. This would mean wrecking the chance of rebuilding the economy and delaying the time of overcoming the crisis. This position has been taken by the government, expressing at the same time the firm will of a consistent implementation of the reform.

It is also worth while to emphasize another thought stressed very clearly in the report. Understanding the essence and aims of the reform by society has a fundamental influence on the socioeconomic policy and directly affects the functioning of the economy.

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NATIONALITY STRUCTURE OF EMPLOYED, UNEMPLOYED IN KOSOVO

Pristina RILINDJA in Albanian 4 Sep 82 p 8

[Text]

## STRUKTURA KOMBËTARE E TË PUNËSUARVE DHE E TË PAPUNËVE NË KOSOVË

| 1 Kombësia | 2 Numri i banorëve (1981) | % | 3 Numri i të punësuarve Mesatarja më 1980 | % | 4 Numri i të papunëve gjendja më 30 qershor 1982 | % | 5 I punësuar | |
|---|---|---|---|---|---|---|---|---|
| Shqiptarë 6 | 1.227.424 | 77,4 | 114591 | 64.9 | 59684 | 79,6 | çdo i 11 banor | 5a |
| Serbë 7 | 209.792 | 13,3 | 45.183 | 25,9 | 10197 | 13.6 | çdo i 4,6 banor | 5b |
| Malazias 8 | 26.875 | 1,7 | 7.447 | 4,3 | 1.134 | 1,5 | çdo i 3,5 banor | 5c |
| Turq 9 | 12.578 | 0,8 | 2246 | 1,3 | 487 | 0,7 | çdo i 5,6 banor | 5d |
| Myslimanë 10 | 58.948 | 3,8 | 2.724 | 1,3 | 1387 | 1,9 | çdo i 21,6 banor | 5e |
| Të tjerë 11 | 48.941 | 3,1 | 4.198 | 2,3 | 1525 | 0,7 | çdo i 11,6 banor | 5f |
| Kosova 12 | 1.564.558 | 100 | 176.398 | 11,4 | 74947 | 27,3 | çdo i 8,7 banor | 5g |

## 13 JUGOSLLAVIA 1981

| 17 Republikat dhe krahinat | 18 Numri i banorëve sipas regjistrimit të vitit 1981 | 19 Numri i të punës[illegible] Mesatarja më 1981 | 15 Kërkonin punë 1) % | 20 Mesatarja më 1981 | 16 I punësuar % | |
|---|---|---|---|---|---|---|
| B. e Hercegovina 21 | 4.124.008 | 848.800 | 20,6 | 142.912 | 24,0çdo i 4,8 banorë | 16a |
| Mali i zi 22 | 584.310 | 132.200 | 22,6 | 24.202 | 20,0çdo i 4,4 banorë | 16b |
| Kroacia 23 | 4.601.469 | 1.408.700 | 30,6 | 86.279 | 13,5çdo i 3,2 banorë | 16c |
| Maqedonia 24 | 1.912.257 | 432.800 | 22,6 | 126.645 | 29,6çdo i 4,4 banorë | 16d |
| Sllovenia 25 | 1.891.864 | 778.500 | 41,1 | 12.315 | 6,0çdo i 2,4 banorë | 16e |
| Serbia (pa krahina) 26 | 5.694.464 | 1.474.400 | 25,9 | 262.847 | 21,3çdo i 3,9 banorë | 16f |
| Kosova 27 | 1.584.441 | 181.800 | 11,4 | 71.571 | 35,0çdo i 8,7 banorë | 16g |
| Vojvodina 28 | 2.034.772 | 559.900 | 27,5 | 81.852 | 18,3çdo i 3,6 banorë | 16h |
| RSFJ 29 | 22.427.585 | 5.817.100 | 26,0 | 808.623 | 19,2çdo i 3,8 banorë | 16i |

1) Norma e të papunëve është llogaritur duke përfshirë në këtë kategori edhe ata që përkohësisht janë në botën e jashtme 30

Key:

1. Nationality
2. Number of Inhabitants (1981)
3. Number of workers--average in 1980
4. Number of unemployed as of 30 June 1982
5. one employed person
5a. to every 11 inhabitants
5b. to every 4.6 inhabitants
5c. to every 3.5 inhabitants
5d. to every 5.6 inhabitants
5e. to every 21.6 inhabitants
5f. to every 11.6 inhabitants
5g. to every 8.7 inhabitants
6. Albanians
7. Serbs
8. Montenegrins
9. Turks
10. Moslems
11. Others
12. Kosovo
13. Yugoslavia 1981
14. Number of employed
15. Number seeking work 1)
16. one employed person
16a. to every 4.8 inhabitants
16b. to every 4.4 inhabitants
16c. to every 3.2 inhabitants
16d. to every 4.4 inhabitants
16e. to every 2.4 inhabitants
16f. to every 3.9 inhabitants
16g. to every 8.7 inhabitants
16h. to every 3.6 inhabitants
16i. to every 3.8 inhabitants
17. Republics and provinces
18. Numbers of inhabitants according to 1981 records
19. Average in 1981
20. Average in 1981
21. Bosnia-Hercegovina
22. Montenegro
23. Croatia
24. Macedonia
25. Slovenia
26. Serbia (not including the provinces)
27. Kosovo
28. Vojvodina
29. SFRY
30. 1) Also included in this category are those temporarily abroad

CSO: 2100/2

NEWSPAPER CIRCULATION, 1981-82 SEMIANNUAL COMPARISON

Belgrade NASA STAMPA in Serbo-Croatian Jul-Aug 82 p 7]

[Excerpt] Legend:

**UPOREDNI PREGLED**

(1) **PROSEČNO ŠTAMPANOG I PRODATOG TIRAŽA DNEVNIH LISTOVA ZA PERIOD I-VI 1981. I 1982.**

| (2) Naziv lista | (3) Štampani | | | (4) Prodati | | |
|---|---|---|---|---|---|---|
| | 1981. | 1982. | Ind. (4a) | 1981. | 1982. | Ind. (4a) |
| 5 **SR BIH** | | | | | | |
| OSLOBOĐENJE | 80.598 | 83.869 | 104 | 66.886 | 72.114 | 108 |
| SAR. NOVINE | 17.993 | 18.169 | 101 | 13.772 | 15.117 | 110 |
| 6 **SR CRNA GORA** | | | | | | |
| POBJEDA | 22.600 | 22.411 | 99 | 20.335 | 19.760 | 97 |
| 7 **SR HRVATSKA** | | | | | | |
| VJESNIK | 89.436 | 87.327 | 98 | 73.250 | 70.630 | 96 |
| VEČ LIST | 298.980 | 319.884 | 107 | 268.992 | 289.733 | 108 |
| SPORT. NOVOSTI | 151.488 | 165.324 | 109 | 121.353 | 139.084 | 115 |
| SLOBODNA DALMACIJA | 71.364 | 75.360 | 106 | 63.234 | 67.430 | 107 |
| NOVI LIST I GL. ISTRE | 71.696 | 74.471 | 103 | 64.135 | 58.088 | 106 |
| GLAS SLOVENIJE | 15.423 | 14.616 | 95 | 13.432 | 12.960 | 96 |
| LA VOCE DEL POPOLO | 4.201 | 4.137 | 98 | 2.920 | 2.901 | 99 |
| 8 **SR MAKEDONIJA** | | | | | | |
| NOVA MAKEDONIJA | 28.111 | 28.426 | 101 | 23.463 | 24.070 | 103 |
| VEČER | 30.714 | 33.058 | 108 | 26.189 | 28.055 | 107 |
| 9 **SR SLOVENIJA** | | | | | | |
| DELO | 101.798 | 102.374 | 101 | 96.078 | 97.842 | 102 |
| DNEVNIK Ljub. | 56.053 | 54.641 | 97 | 53.345 | 51.951 | 97 |
| VEČER Marib. | 58.509 | 59.016 | 101 | 55.727 | 55.499 | 100 |
| 10 **SR SRBIJA BEZ TER. SAP** | | | | | | |
| BORBA | 52.705 | 48.544 | 92 | 39.360 | 35.519 | 90 |
| VEČ.NOVOSTI | 352.792 | 380.315 | 108 | 312.994 | 336.666 | 108 |
| SPORT | 106.126 | 119.310 | 112 | 84.441 | 97.540 | 116 |
| POLITIKA | 284.086 | 274.477 | 97 | 242.762 | 242.136 | 96 |
| EKSPRES | 251.461 | 305.284 | 121 | 222.669 | 272.828 | 123 |
| NARODNE NOVINE | 8.354 | 8.163 | 8 | 7.051 | 7.199 | 102 |
| PRIVREDNI PREGLED | 17.653 | 16.306 | 92 | 17.653 | 16.306 | 92 |
| 11 **SAP KOSOVO** | | | | | | |
| RILINDJA | 42.161 | 43.851 | 104 | 39.631 | 38.128 | 96 |
| JEDINSTVO | 12.043 | 9.487 | 79 | 9.931 | 7.543 | 76 |
| 12 **SAP VOJVODINA** | | | | | | |
| DNEVNIK | 32.084 | 34.819 | 109 | 26.745 | 30.203 | 113 |
| Magyar SZO | 29.840 | 29.582 | 99 | 25.882 | 25.862 | 100 |

1. Comparative Survey
   Average Number of Copies of Daily Papers Printed and Sold January-June 1981 and January-June 1982

2. Title of Newspaper

Key continued:

2. Title of Newspaper

3. Printed

4. Sold

4a. Index

5. Socialist Republic of Bosnia-Hercegovina

6. Socialist Republic of Montenegro

7. Socialist Republic of Croatia

8. Socialist Republic of Macedonia

9. Socialist Republic of Slovenia

10. Socialist Republic of Serbia (not including the Autonomous Provinces)

11. Socialist Autonomous Province of Kosovo

12. Socialist Autonomous Province of Vojvodina

CSO: 2800/30 END

JPRS 82162

4 November 1982

# East Europe Report

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2334

JOINT PUBLICATIONS RESEARCH SERVICE
25
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4 November 1982

# EAST EUROPE REPORT

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2334

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CEMA 'TIME HORIZON' OF NINETIES OUTLINED

Prague HOSPODARSKE NOVINY in Czech 17 Sep 82 p 3

[Article by Eng Miroslav Cerny, CSci, State Planning Commission: "Time Horizon of the Nineties--New Trends in CEMA Planning"]

[Text] Development of efforts toward coordination of plans for national economies in the period beyond 1985 may seem premature from the chronological viewpoint. This contention is also borne out by the fact that economies of CEMA member countries are carrying out the second-year tasks of their 5-year plans and, thus, also obligations accepted by the countries in coordination of plans for their national economy in the years 1981-1985. On the other hand, the conspicuous changes occurring in the world's economy and the trend of current political development call for dealing within CEMA with selected topical problems of economic, scientific and technological cooperation without delay to warrant the impact of its results on the coming period or, eventually, help meet the objectives of 5-year plans for the period 1981-1985. It appears at the same time that some basic problems, particularly those pertaining to the long-term development of the economies of CEMA countries and of the entire socialist community require an expeditious search for new forms and possibilities for their solution that would adequately meet current and future, internal as well as external conditions.

On the basis of a thorough analysis of the present internal and external conditions for the development of the economies of CEMA member countries and of the results attained in economic, scientific and technological cooperation among CEMA countries, Comrade Leonid Brezhnev proposed from the forum of the 26th CPSU Congress that "life itself dictates the objective--to complete coordination of the plans for coordination of economic policy as a whole. The topical agenda also includes such problems as further rapprochement of structures of economic mechanisms, continued development of direct contacts between ministries, associations and enterprises which participate in cooperation and establishment of joint companies. There are also other potential forms for combining our strengths and resources."

This initiative was supported at the occasion of the 16th CPCZ Congress by Comrade Gustav Husak by stating in his address: "Our party endorses an early meeting of key representative of fraternal socialist countries which would deal with basic problems of coordination of economic policy, and stands ready to promote its full success by its contribution."

International Planning Documentation

We consider supplementing of coordination plans for economic policy coordination to represent a new stage in improving the methods and forms of cooperation in planning efforts. In this context, it involves the gradual process which was progressing in the seventies after adoption of the Complex Program for Further Intensification and Improvement of Cooperation and Development of Socialist Economic Integration of CEMA Member Countries. The results of those efforts was working out and approval of the Agreed Plans for Multilateral Integration Measures of CEMA Member Countries for the years 1976 through 1980 and 1981-1985.

These agreed-upon plans became planning documents into which are incorporated the most significant projects for multilateral economic, scientific and technological cooperation worked out and agreed upon in the course of coordination of 5-year plans for the national economy. From this aspect they supplement and provide direct followup to coordination of plans for the national economy.

The agreed-upon plan provides for a limited number of integration measures as a linkage between cooperation in planning efforts and national economy planning. The mentioned linkage is provided by the adopted principle that integration measures incorporated into the agreed-upon plan (and the obligations ensuing from it for individual countries) will be planned and implemented within these countries in national plans through independent parts of the plans for the national economy. In this manner, momentous integration measures of a multifaceted character are implemented in CEMA member countries' plans for their national economy, namely in the area of research, development, investments, production and marketing. The result is international reconciliation and interlinkage, coordinated cooperation and approach to implementation of integration measures.

The role of the agreed-upon plan as an international planning document in the system of forms and methods of cooperation in planning efforts and its authority as an instrument of planning are constituted by two basic facts. As a consequence of approval of the agreed-upon plan at the level of the highest CEMA organ--which is the Council Plenum--this document becomes in its own way a directive for implementation of integration measures. Another aspect is the manner of its compilation which is based on obligations accepted by member countries in negotiated agreements regarding economic, scientific and technological cooperation.

The next stage in the process of improving cooperation in planning became long-term goal-oriented programs for cooperation (DCPS) that were approved by the 22nd and 23rd Council Plenum. It involves a long-term goal-oriented program for cooperation in:

--meeting economically justified needs of CEMA member countries for basic types of energy, fuels and raw materials;

--continued improvement of cooperation in agriculture and in the food industry with the objective of providing maximum meeting of needs of the populace for food products;

--the area of machining and machine building;

--meeting of legitimate needs of CEMA member countries for industrial consumer goods;

--development of transportation communications.

These programs represent the long-term strategy of CEMA in the specific branches and propose specific measures toward their implementation. The goal-oriented concept is also tied to the length of time for which they were worked out. In view of the demanding nature of implementation of larger developmental and structural concepts, the year 1990 was accepted as the chronological horizon, and in energy problems considerations extend as far as the year 2000.

Coordination Program

Supplementing coordination of plans by coordination of economic policy is viewed as another stage in development of cooperation in the area of planning after adoption of the Complex Program and as an effort for rendering economic, scientific and technological cooperation among CEMA member countries more intensive and efficient. In our opinion, supplementing coordination of plans by coordination of economic policy could be oriented primarily toward intensification of mutual economic relations among CEMA member countries; adaptation of the economies of CEMA member countries to new internal and external conditions; transition of economic of CEMA member countries to economic development based on intensification factors; mutual adaptation of the production structures of CEMA member countries and, thus, lessening their dependence on advanced capitalist countries.

This concerns primarily those areas in which such dependence could lead to economic or, eventually, political abuse. Of equal importance is intensification of cooperation in devising systemic and legal prerequisites leading to improvements in the mechanism of socialist economic integration in those areas which affect participation of countries and their economic organizations in international division of labor and socialist economic integration.

It is envisioned that problems of coordination of economic, scientific and technological policy and further progress in this area will, in view of their importance, will become a subject for the agenda of economic consultations on the highest party and governmental level, the preparations for which began at the initiative of the CPSU voiced at the 26th Congress by C. Leonid Brezhnev.

Coordination of plans for the national economies and the entire process of coordination for the period beyond 1985 will require, on the basis of prior experience, a period of appeoximately 3 years for implementation of mutual coordination efforts on a multilateral as well as bilateral basis. Therefore, the Program for Coordination of Plans for the National Economies of CEMA Member Countries for the Years 1986-1990 was worked out in the framework of the CEMA Committee for Cooperation in Planning and was discussed and approved at the 36th Council Plenum, which took place in June of the current year.

The coordination program is a methodical organizational document in which are stipulated the basic methodological provisions for coordination of plans and the progress and deadlines for coordination of plans. The coordination program will be supplemented in the first half of 1983 by a listing of multilaterally coordinated problems in economic, scientific and technological cooperation for the years 1986-1990 and for the long-term outlook.

In the basic organizational and methodological provisions, coordination of plans supplemented by coordination of economic policy is still regarded as one of the key forms of economic cooperation among CEMA member countries.

Even though the orientation and thematic contents of economic policy, as has already been mentioned, will be determined at a later time, the program of coordination points out selected areas in which an impact by this form of cooperation would be desirable. For that reason the coordination program specifies that supplementing coordination of the plan by coordination of economic policy should promote:

--implementation of basic objectives of social and economic development promulgated in programs of communist and workers parties of CEMA member countries;

--joint establishment of concepts for international socialist division of labor with a view to natural and economic conditions and resources;

--effective and balanced development of the national economy of each country and of CEMA as a whole;

--gradual transition of the economies of CEMA member countries to a path of intensive development;

--creation of indispensable prerequisites for dealing with basic problems of further intensification of cooperation among CEMA member countries and development of socialist economic integration;

--reinforcing cooperation in planning efforts and their orientation toward dealing with long-term problems of cooperation;

--develop production capacities on the basis of coordinated investments;

--improving financial foreign-exchange relations and other economic conditions for mutual economic, scientific and technological cooperation;

--stabilizing the position of CEMA member countries in the world's economy, reinforcing their export potential and increasing effectiveness of exports;

--implementing coordination of 5-year plans on the basis of an agreed-upon strategy for long-term economic development.

Objectives and Tasks

Among the key objectives and tasks toward which coordination of plans for the national economies for the years 1986-1990 will be oriented are primarily intensive cooperation in production, science and technology, further raprochement of the economies of CEMA member countries and improvement in the efficiency and further intensification of social production. First of all, it is imperative to focus attention on accelerating the process of viable structural changes in the economy and implementing improved utilization of the scientific, technological and production base toward successful accomplishment of comprehensive programs in scientific and technological cooperation. Equally indispensable is providing for long-term meeting of justified and salutary needs of the national economy in regard to energy, fuel and raw materials, maximum utilization of own resources, all-round economy, timely implementation of measures for joint preparation and exploitation of natural resources in CEMA member and third-world countries, and reinforcing the logistical base in the fuel and energy sectors. Also among the top priorities is meeting the needs of the populace in regard to agricultural, food and consumer products.

Organization of optimum concentration of production in individual branches and types of production, multilateral and bilateral coordination of investment construction (effective utilization of existing production capacities) and cooperation in transportation should also become a subject for coordination. It stands to reason that this also involves increased mutual exchange of goods and adopting of effective measures toward achieving a balance in mutual trade and payments, gradual elimination of unwarranted importation of raw materials and technology from capitalist countries.

A sine qua non for increasing the effectiveness and improving the process in coordination of plans for the national economies is its interlinkage with other forms of cooperation in planning, particularly those that are to provide the initial data base for development of coordination efforts. In this context is involved primarily utilization of the results of jointly worked out prognoses and mutual consultations regarding basic problems of economic, scientific and technological policy. These should provide a base of information for determination of specific problems of cooperation dealt with on a multilateral and bilateral basis within the framework of coordination of the plans for the national economies. Appropriate measures have been specified in the program of coordination in this direction.

In addition, the coordination program emphasizes interface between coordination of plans with coordination of the development of science and technology. It specifies the organs carrying out coordination of plans and lists the procedural principles for selection of problems for multilateral coordination of plans. It also formulates the orientation for coordination of investments and prescribes the forms for concluding coordination of plans.

Positive Changes

Even though it is envisioned that the program for coordination of plans for the years 1986-1990 will be supplemented at a later time by an area regarding coordination of economic policy, it includes some provisions and measures that represent positive supplements and changes in comparison to the preceding coordination periods.

A substantially greater emphasis is placed on extending the chronological horizon for coordination efforts. This stress ensues not only from methodological and organizational provisions, but is primarily due to the fact that selection of problems for multilateral coordination of plans is to be carried out simultaneously for the period 1986-1990 as well as for the long-range outlook. In analogy, also bilateral coordination of plans is to include the period 1986-1990 and, in the case of selected problems, also the long-term outlook.

Extension of the chronological horizon for coordination of plans in the case of selected problems is one of the prerequisites for more effective collaboration, particularly in the area of development of production capacities and coordination of investment construction. In the past period, there have been some problems in this area which became reflected in imbalanced providing for the needs of the partnership in certain sectors, particularly in the processing industry. At the same time, there was some duplicity in development of production capacities in CEMA member countries and the production programs thus originated did not find adequate room for marketing within CEMA. A contribution to eliminating the mentioned shortcomings should be provided by multilateral coordination of investment construction for selected areas and installations. Coordination of investment construction is to provide for maximum effectiveness in construction of new production capacities or in overhaul and expansion of existing production capacities.

A considerably greater emphasis is put on the requirement that coordination of plans create the prerequisites for intensification of the economic development of CEMA member countries, promote implementation of desirable structural changes and improve efficiency of social production and international socialist division of labor.

In comparison to the preceding periods, the program of coordination includes a number of important and new measures which in their sum reflect the endeavor for improved coordination of plans for the national economy. In this manner, this document reacts to the changed internal and external conditions which, in the eighties and in the subsequent period, will affect the economic development of CEMA member countries and of CEMA as a whole.

At the same time it is imperative to be aware of the fact that new approaches and improved principles which are contained in the program for coordination in the form of provisions and organizational and methodological instructions will not become implemented automatically, but will call for their gradual implementation throughout the course of the process of coordination. The success of this process and the final results will depend primarily on a resolute approach toward its implementation as within individual CEMA member countries. That is primarily, in working out and solving individual areas along the multilateral path in CEMA organs and along the bilateral path in negotiations between CEMA member countries.

Only under this premise can the program for coordination of the plans for the national economies of CEMA member countries for the years 1986-1990 become a document which will form the basis for the progress of additional qualitative changes in improving economic, scientific and technological cooperation. This will create the prerequisites for dealing with some momentous problems that could limit the economic development of CEMA member countries and of CEMA as a whole in the eighties and after 1990.

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## INCREASED SUPPORT FOR PRIVATE ARTISANS, TRADESMEN URGED

East Berlin WIRTSCHAFTSWISSENSCHAFT in German Vol 30 No 9, Sep 82 (signed to press 15 Jul 82) pp 1,337-1,352

[Article by Dr Irene Falconere, born 1952, Institute for Marxism-Leninism, Academy of Social Sciences, SED Central Committee: "On the Role of Artisans and Tradesmen in the Social Reproduction Process of the GDR Under the Changed Reproduction Conditions of the 1980's"]

[Text] One of the most decisive advantages of socialism in the GDR is the alliance of the classes and strata which is becoming stronger under the leadership of the working classes and its Marxist-Leninist party. At the 10th Party Congress Erich Honecker emphasized the following: "The GDR, all our successes and achievements are the joint work of the working class, which in our socialist society is the leader, of the class of cooperative farmers, of the socialist intelligentsia and the other strata of working people which have joined together in a large alliance. The formation and development of this alliance numbers among the important historical achievements in the SED."[1]

From the very beginning the SED has been devoting enormous attention to the alliance of the working class with all classes and strata of working people. Based on the findings by the classicists of Marxism-Leninism about the necessity of social and political alliances of the working class to fulfill their historical mission, based on the experiences of the CPSU and the German workers movement, the SED has been continuously and creatively developing its alliance policy in accordance with the specific conditions in the GDR.

On the basis of the socialist power and production conditions the alliance policy is a decisive condition for the formation and development of essential socio-economic and political-ideological common interests and the unfolding of the creative powers of all classes and strata. This importance also accrues to it to a special degree in the shaping of the developed socialist society in the GDR. "Unswervingly we allow ourselves to be guided by the principle of granting every citizen, independent of his social origin, his religious or philosophical credo, the broadest opportunities for active involvement in the shaping of the developed socialist society. Without a doubt our alliance policy in the future will continue to gain in importance."[2]

The objective development processes of the classes and strata and their relations to one another are the basis for this strategy of the SED. In the shaping of the developed socialist society the classes and strata make a specific, independent contribution. This is of long-term importance. Only through the utilization of all powers and driving forces of the classes and strata will the social and economic conditions be created which make possible their further gradual reconciliation. Thus, the historical task of socialism is not to eliminate all the differences which exist between and in the classes and strata, but rather to develop and utilize their specific powers for social progress. The natural result of the specific action of the classes and strata is their further reconciliation. Through their joint effort in coping with the tasks for shaping the developed socialist society they themselves create the bases for the further formation of essential socio-economic and political-ideological common interests and the gradual overcoming of social differences. "One of the most important features of the historically new quality of the class structure of socialist society consists in the formation and strengthening of essential common interests of the classes and strata. In the alliance they are linked together in a manner of friendship and united by their basically similar relation to the socialist ownership of production means and to socialist power, through common basic interests and goals, through the leading role of the working class and its Marxist-Leninist party."[3] These are common interests of the classes and strata in respect to the "position in the political organization of socialist society, common interests in the position toward ownership of production means, the role in the social organization of work and the type of achievement and the share in social wealth, common interest of needs and interests, of living conditions and of life style, ideology and culture."[4]

At the same time the classes and strata in socialism differ from one another in basic conditions of existence and development.

Emphasizing the necessity and long-term nature of the shaping of the relations of the classes and strata in socialism is undoubtedly an important gain in knowledge which is closely associated with the deeper penetration of the nature and historical period of the developed socialist society. In connection with existing unclarities about this, ideas and interpretations concerning the development of social structure were also dominant which were based on the fact that the differences between the classes and strata would have to be and could be eliminated in an historically short period of time, guided by the view that greater equality in every case means greater social progress. In this regard mainly the real opportunities of socialism are overrated and the differences between the first and second phases of communist social formation are blurred.

At the same time the basic acknowledgement of the specific role of the classes and strata in the formation of the developed socialist society and the emphasis of the necessity for full development of all its powers demands far-reaching theoretical accomplishments and discussions. In this respect it is by no means just a matter of analysis of the special features of such classes and strata, respectively, such as the working class, the class of the cooperative farmers or the stratum of the intelligentsia, whose necessity and justification in socialism is generally acknowledged.

Stressing the necessity and long-term nature of all classes and strata also includes acknowledging and investigating the specific role of artisans and tradesmen--both cooperative and private. At present that is by no means obvious. Especially in evaluating the role and future of private artisans and tradesmen there are several unclarities and diverse, at times even sectarian interpretations. In respect to the future of the artisans and tradesmen in socialism there are a number of basic questions which have not yet been clarified, for which various methods of solution are being sought and which can also produce uncertainties in the relationship with the artisans and tradesmen. These questions, which still need solving, include such problems as that of the future of the small establishments and enterprises of artisans and tradesmen, the question of optimal size of such establishments in the service sector, the question of the forms of ownership of such enterprises and establishments, the most intimately related question of the possibilities and limits of division of labor in these sectors. Finally, the question which is decisive for the future of the artisans and tradesmen must be clarified, namely whether the existence of these strata results from diverse or lower levels of development of the productive resources or not. Solving these problems is not simple and will not proceed without difficulties.

An important basis for many unclarities about the role of artisans and tradesmen is mainly the incorrect understanding of the character of small goods production in socialism, of its functions and its nature. In this connection primarily private artisans and tradesmen are disqualified as relics, remnants of capitalist production conditions, which in principle cannot be combined with developed socialism.

Precisely because of these unclarities and the important and essential role of the artisans and tradesmen in shaping developed socialist society in the GDR, the analysis of these strata and their place in the reproduction process is a task of great theoretical and practical importance.

Cooperative and private artisans and tradesmen are partners in the alliance of the working class and other classes and strata and an element of the GDR's social structure. Under the leadership of the working class and its party these strata are intimately involved in the process of shaping the developed socialist society, a process to which they make a specific and essential contribution.

A decisive basis for the development of the position of the artisans and tradesmen is the SED's alliance policy. In respect to these strata the alliance policy is undoubtedly a part of the specific experiences of the SED. Because of it there has been success in involving formerly lower-middle class strata in the socialist organization and in bringing about in them socio-economic and political-ideological changes which made a fundamental change in their social profile and open up totally new perspectives of development for them.

Artisans and tradesmen--both cooperative and private--have essential and basic common interests with the working class and the other classes and strata. As alliance partners they acknowledge the leading role of the working class and

the goal of universal strengthening of the socialist state; in principle they are co-owners of all socialist property; the fact that they do socially useful work and that this forms the basis for achieving their share of the social wealth applies to all of them; furthermore, a common interest results from agreement in basic interest and needs.

The artisan and tradesmen differ from the other classes and strata and from one another because of the differing degree of socialization of production and ownership, because of the special role in the social organization of work--especially because of the specific character and content of their work and the other resultant special characteristics. Within these special characteristics the position of these strata to ownership of production means assumes a key role, specifically on the one hand because ultimately other essential differences from the other classes and strata are shaped by them, and on the other hand because this special relation comprises one of the main points of attack against the justification of these strata in socialism.

With the formation of artisan producer cooperatives a decisive path to socialist conditions of existence and development was demonstrated to the artisans and tradesmen. Today this ownership of production means--just like cooperative ownership in agriculture--is a form of socialist ownership which offers the artisans and tradesmen favorable opportunities for development and is in line with the level of development of the productive resources and with the character of the work in the artisans trade.

Significant changes in the character of ownership of product means by private artisans and tradesmen have also taken place under socialist production conditions. Basically determined by the development and the control of all social property, this property is developing into a form of small private ownership in socialism. It is purposely included in the economic organism, in the management, planning and realization of the economic tasks in a specific sector. It is linked in a variety of ways with all social property. On the one hand its existence and development depends on the level of development of all social property, on the other hand it contributes to the expansion and increase of all social property.

Control of all social property guarantees the development of ownership by private artisans and tradesmen, yet at the same time impedes reproduction of capitalist production conditions stemming from this ownership. Both economically and legally, expansion, the qualitative change in the ownership of production means into capitalist ownership has become impossible.

Even though in the economically and legally delineated countext it also has its special characteristics in respect to the degree of socialization and acquisition which characterize it as a special form of pwnership of production means, nonetheless considerations are appropriate as to whether, in connection with this ownership, it is a question of "nonsocialist" ownership. Based on the fundamentally new role and the functions of the form of ownership in the economic reproduction process, it would be completely possible to characterize this ownership as a socialist form of ownership. Of course, even further studies are necessary in respect to the character of ownership of production

means by private artisans and tradesmen and in respect to perfecting the information about forms of socialist ownership.

Furthermore, the concept of private ownership could also be used if this does not mean ownership of production means which is "the direct reason for splitting society into antagonistic classes and for exploitation and oppression of the nonowning classes by the classes which are the owners of the decisive production means,"[5] but rather "private ownership by the worker of his production means,"[6] whose character, place and functions are determined by the socialist production conditions, primarily by the dominance of overall social socialist ownership.

On the basis of the essential socio-economic and political-ideological changes by artisans and tradesmen and the new conditions of social development in the GDR, it was possible at the beginning of the 1970's to introduce a new stage in the policy that applies to them. In this, the SED made an important contribution to clarifying the future of these strata in the shaping of the developed socialist society in the GDR.

With the primary task, which was adopted by the Eighth Party Congress, in its unity of economic and soical policy, with the strategic orientation for the further shaping of the developed socialist society in the GDR, new tasks are set for the classes and strata and the development of their alliance. In respect to the artisans and tradesmen the specific contribution of these strata was underscored at the party congress and the expectation formulated "that they display a continually growing initiative in working to satisfy the needs of the people and to an increasingly greater extent place themselves in the service of the community."[7]

A high point in the clarification process of the further future of the artisans and tradesmen was the adoption of the "SED's Program" in which it is stated: "Socialist society offers artisans and tradesmen favorable opportunities to use their forces and capabilities in the interest of society, to actively join in the work of organizing the new society and to receive appropriate compensation for their work. In particular, an important contribution to guaranteeing and expanding services for the people is expected of the artisans and tradesmen."[8] This concretely defined which specific tasks the artisans and tradesmen have to accomplish and the long-term nature of their future was underscored.

Establishing the long-term perspective and the continuous support of these strata is an objective requirement which results mainly from specific development processes in the sector of services, repairs and direct support services and their role in the economic reproduction process and the great importance of the artisans and tradesmen in this area.

Services[9] and repairs are "activities whose function consists primarily in the maintenance (and not primarily in the production) of material goods and in the social, medical and cultural care of the people for the purpose of satisfying social (productive and consumptive) and individual needs....Services are bought by the people or are drawn upon gratis in the form of cultural, health and other benefits."[10]

The variety and dynamics of the demands for services and repairs come as a result of the range of needs, the diverse level of the utility values, and also from fashion trends and consumer habits. Linked with this are varying degrees of the division of labor and differentiated possibilities for mechanization and automation, respectively. In general, the latter depended on the kind of performance, its scope, the capability to divide it up technologically and permanence in respect to time. Naturally handwork plays a large role.

Extremely closely associated with this are the possibilities for enterprises and territorial concentration of the performances. Because a large number of them are produced in direct contact with the consumers, the possibilities for enterprise and territorial concentration and/or distribution depend on the territorial concentration and distribution of the population. "There are variously large (according to the number of employees) establishments (enterprises, department stores, businesses, and so forth) in the service sector, but the possible size depends on the size of the population (population density) in a particular instance and thus on the variously large residential population in the sector served by these establishments; naturally the village or small city is not the site of department stores and combinations of services--the lower the population density and the smaller the settlement, the smaller, in principle, are the service facilities in this settlement or in thinly populated regions."[11]

The special characteristics in respect to possible and very differentiated degrees of the division of labor and to territorial enterprise concentration and/or distribution of services demand, more than in the case of industry, the necessity for the coexistence and interplay of various forms of the organization of production by large-scale production that is under individual management, collective management or on an industrial basis. These forms embody various degrees of division of labor, concentration and centralization and are expressed in the essential existence of large, small and extremely small enterprises and establishments in the service sector.

In the social reproduction process, services, repairs and other support services are an extremely important factor. As "an essential prerequisite for the flow, expansion and modernization of production and for the functioning and development of all other sectors of social life"[12] they have a significant influence on the direct production and circulation process.

"The various sectors of social work--which may be rather close to or distant from the production of utility values, do nonetheless have--more or less clearly marked--a definite function in respect to these. Thus, for example, repairs and cleaning of utility values (production means and consumption means) are an essential and necessary complement to the production of utility values: where the functional efficiency of a means of production or consumption is maintained or reproduced, there is no need in a given instance for renewed production of it; the repair sector, viewed in terms of material, represents relief for the economic sectors of agriculture, mining and industry. On the other hand, the production of other or technically further perfected utility values results in needs and new forms of repair, cleaning and in generally the service of utility values."[13]

As a consequence of this interplay of production and services, their level of development is therefore an important factor in the economy overall. Accordingly, stable and dynamic economic growth depend significantly on the level of development in services and repairs, too.

At the same time increasing the material and intellectual living standard of the people depends on the level of development of these performances. This determines or has a part in determining

--how the needs of the people for repairs, services and direct support services are satisfied (at what level, with what quality, on what scope),

--what conditions can be created for shortening housework time and for lengthening and using free time,

--how the housing problem can be solved, both in respect to maintenance and repair of existing construction and to the requirements for individual residential sectors in the context of purposeful classification of commercial output and services,

--how supplying the people with high quality consumer goods can also be guaranteed through their service and repair on a long-term basis at a higher level.

Overall, thus, the level of development of services, repairs and direct support services is a significant factor influencing the realization of the main task in that it helps define the implementation of the economic strategy and social policy.

The specifics of these performances and their importance in the social reproduction process also constitute the most important reasons for the significant role of artisans and tradesmen in the GDR. Under the specific conditions in the GDR the existence of these strata has proven to be not only useful, but also essential. In 1980 there were 154,700 cooperative and (including family members) 112,500 private artisans[14] and 17,100 agency dealers and innkeepers and 8,700 private retailers and private innkeepers.[15]

In the same year the output of the artisans had a value of M16,375 million.[16] Among other things, this represents 75 percent of the repairs and services for the people in the local supply industry sector, 50 percent of all construction repairs on residential buildings and 75 percent of all vehicle repairs and maintenance work.[17] Retailers and innkeepers (with and without agency contracts) realize sales of M11.7 billion amounting to 11.7 percent of 1980's total sales.[18] Equally significant are their performances which, when passed on, benefit the people. These include various kinds of production and services for industry or social allocation recipients. The artisans and tradesmen make an important contribution in the "Join in!" competition. With an overall small share in the total number of employed people (in 1980 the members of PHG's [artisan producer cooperatives] comprised 1.8 percent of the employed people, the partners and agency dealers 0.3 percent, private artisans 1.3 percent, the private wholesalers and retailers 0.1 percent)[19] artisans and

tradesmen thus have a significant share in the performance development in services, especially for the people.

Traditionally artisans and tradesmen are active in these sectors. Their specific skills and capabilities as artisans, the smallness of their operations and the associated flexibility and adaptability to given requirements favor their specializing on services, repairs and other support services according to individual wishes and on the completion of short-term orders which are difficult to plan.

In no way can the problems which still exist in connection with supplying the people with services be derived from the existence of the artisans and tradesmen, but rather they are the result of the fact that the total number of corresponding enterprises and establishments, respectively, had, in particular, reduced the number of private artisans and tradesmen.

The number of enterprises (establishments) and their employees, with 1955=100, produced the following changes for 1977:

--retail sales shops, overall 56.3

--private retail sales shops 2.2

--inns, overall (1976) 93.3

--private inns (1976) 8.1

--employed people in trade, overall 99.1

--private wholesalers and retailers 9.1

--employed people in productive artisan work (excluding construction), overall 51.1

--individual employed people and assisting family members in productive artisan work (excluding construction) 35.3.

At the same time a number of PHG's and private industries developed into industrial production enterprises which provide hardly any or no services or repairs, respectively, for the people or anyone. If on the one hand the decrease in numbers was an expression of strengthening socialist production conditions in these sectors and of overcoming their outmoded structures through the development of productive resources, through concentration and centralization, on the other hand it became apparent at the beginning of the 1970's that this was why overall large gaps had developed in supplying the people with services and repairs.

In connection with the objectives of the Eighth Party Congress to expand services into an efficient sector of the economy, as a basic component of the main tasks, important measures were taken on the part of the SED and state organs which countered the declining development mainly in private artisan work

and trade and which were to stimulate the output of these strata primarily for the people. This served to utilize the potential of the artisans and tradesmen without whom the problems in supplying people with services and repairs cannot be handled. These measures include primarily the June 1972 "decree on the support of artisan work in services and repairs and the control of private industrial activity," the February 1973 "decree on the model statute of the PGH's" and the February 1976 resolution of the politburo of the SED Central Committee and the GDR Council of Ministers to promote private retail businesses, inns and artisan enterprises for services in the interest of further improvement in supplying people.

These measures involve both important steps toward stopping the decline, among other things in private artisan work and trade, and toward controls associated with them for trade approval, credit and tax measures and controls on apprentice training.

Thus, overall, there has been success in including artisans and tradesmen in a more purposeful manner in solving tasks. Artisans and tradesmen continuously increased their output, and to a special degree, services for the people (see Table).

Table. Artisan Output (PGH's and Private Enterprises)

| Year | Total Output (in millions of marks) | Services and Repairs for the People (excluding construction) (in millions of marks) | Share in Output Overall (percent) | Share of the PGH's (percent) |
|---|---|---|---|---|
| 1972 | 13,534 | 1,969 | 14.5 | 34.2 |
| 1977 | 14,468 | 2,590 | 17.9 | 40.2 |
| 1980 | 16,375 | 3,248 | 19.8 | 41.1 |

Source: "1981 GDR Statistical Yearbook," GDR State Publishing House, Berlin, 1981, p 154.

At the same time important steps for further developing productive resources and socialist production conditions in artisan work and trade were introduced with the support measures. First of all, there is a contribution to this by closer involvement of artisans and tradesmen of both forms of ownership in state management and planning and in team work; under the direction of state-owned enterprises in the form of supply and product groups.

Utilization of all creative potential for shaping the developed socialist society in the 1980's is a first priority requirement. In this way strengthening the alliance of all classes and strata, including the artisans and tradesmen, gains in importance and the tasks of the alliance policy become more diverse.

The basic causes for this come as a result of the changed reproduction conditions under which the main task must be realized. These new conditions include in the first place the foreign policy and foreign trade changes which signify an additional burden for the further shaping of the developed socialist society. At the same time they comprise--resulting in part directly from the changed foreign trade conditions--changed internal reproduction conditions "which represent new driving forces, new powers and possibilities for social development, especially for the policy of the main task."[20] Among other things these material and intellectual powers are "the growing efficiency of the economy, socialist production conditions, scientific and educational potential, close cooperation with the Soviet Union and the other countries of the socialist community, initiative of the working people."[21]

In the most recent documents from the SED's Central Committee there is emphatic consideration of the importance of the changed reproduction conditions for the realization of the SED's economic and social strategy. Thus, E. Honecker at the third meeting of the SED's Central Committee stated: "Socialist intensification, the fact that we want to realize its economic and social-political directive with even fewer raw materials and material than was accepted at the 10th Party Congress, place high demands on the management of economic production, on increasing the quality and efficiency of social work."[22] At the same time it is made clear that increase in output by the economy can only be achieved via full utilization of the advantage, driving forces and reserves of socialism. This affects all sectors of the economy and thus new requirements and development possibilities for services and repairs result from the new reproduction conditions.

On the basis of the advanced material-technical basis and the high degree of development of the productive resources, mainly the level of education of the working people, rapid development of efficiency and quality in services and repairs has become possible. Here, too, qualitative growth factors, such as increasing efficiency in work, intensified use of scientific-technical progress, rationalization and in a number of cases further concentration and division of labor are taking effect.

The changed reproduction conditions, however, make not only the development of services and repairs possible, but they make them urgently necessary. Thus, under the new conditions services and repairs take on a by far more important ranking in the reproduction process than was ever the case. By no means can that be explained only by the growing needs of people for such performance. Increasingly, services and repairs are becoming a factor in saving energy and raw materials. Service, maintenance and repair of existing material goods or facilities makes possible the reduction of the production of such goods. The technical level which was objectified in production means and consumer goods makes possible their long service life and usability. Service, maintenance and repair are important conditions for realizing these possibilities.

This also becomes apparent, for example, in the realization of the housing construction program in which new emphases are evident because of the changed reproduction conditions. Maintenance and repair of existing construction assume greater economic importance under these conditions. In the five-year

plan from 1981 to 1985 the plan calls for completion of 940,000 dwellings, including 600,000 by new construction. Thus, 340,000 dwellings are to be made available to the people through modernization.[23] In this way the extent of dwellings to be modernized is continuously increased. In the period from 1971 to 1975 209,080 dwellings were modernized, from 1976 to 1980 253,740.

With the fundamental orientation on solving the housing question through the unity of new construction, modernization and maintenance of construction, new requirements are placed on construction repairs and on all construction capacities—both at the combine level and at the kreis level--and thus also on the artisans and tradesmen. In the justification for the five-year plan W. Stoph states in this connection: "For solving the housing question the unity of new construction, modernization and maintenance of existing construction assumes increasing significance. Thus, construction repairs for residential buildings are to increase in the five-year plan to about 125 percent over the period 1976 to 1980. This produces special demands on the development of efficiency and performance by the kreis-managed construction capacities and their plan-based utilization."[24]

The increasing building of dwellings in space in the city center which has already been developed and in the inner-city sector and the utilization of the existing inventory of dwellings[25] through modernization and repair clearly involves changes which must be solved conceptually in construction on a long-term basis in order to increase quality and efficiency of construction. These changes are primarily connected with the fact that the character of the sites and construction tasks changes. Furthermore, and related to that, new technologies are necessary which also permit efficient repairs. At the same time these produce consequences in respect to the trade structure in construction. Mainly for repair occupations, which in new housing construction scarcely play a role, the result is a by far broader field of activity. This in turn is associated with altered requirements for vocational training in construction.

The growing requirements for repair, services and other support services, which come as a result of the changed reproduction conditions, have great importance for artisans and tradesmen. Their plan-based involvement in solving these tasks forms an important reserve for increasing performance and increasing efficiency in the economy.

To develop services and repairs under the new conditions into an efficient sector of the economy therefore means in the first place better, more efficient and effective utilization of the existing material bases--the combines in the service sector and the small and very small enterprises and establishments, respectively--and the intellectual potential of the working people in these sectors.

Frequently there is the opinion that the productivity of services and repairs can be increased exclusively via centralization and concentration. But that is only conditionally correct. As a result of the specifics of services, concentration and centralization is not possible on an unlimited basis if economic losses in efficiency are to be avoided.

For example, if, with progressive concentration of establishments the cost in the case of transport increases as does the cost in road time of the users of the services, in view of the growing energy costs a high useful effect of concentration and division of labor has not, from the overall social point of view, developed, quite apart from the fact that in this way even the level of supplying the people with services is hardly improving.

The efficiency of services, repairs and other support services is not "independent of the respective territorial conditions at any given time: population density, settlement density, population structure, and so forth."[26] Small and extremely small establishments, for example, in small settlements, are, when viewed in larger dimensions, also economically efficient--because they are an essential prerequisite of optimal utilization of social work capability and essential for optimal utilization of natural resources."[27] Small enterprises and establishments, especially also those of the private artisans and tradesmen, are definitely an important factor in increasing the efficiency of services and repairs. Under certain conditions (mainly in the case of an appropriate level of productive resources) and in certain sectors they are in a position to fulfill the tasks more effectively and efficiently than large enterprises.

The advantages of these small enterprises undoubtedly include their flexibility and adaptability in the face of rapidly changing requirements, the lower outlay in administrative costs, the possibility of operation management, the favorable utilization of work time (especially in the case of specific work time rhythms which are typical in the service sector).[28]

Efficient and effective utilization of the small establishments and enterprises of the private artisans and tradesmen is developed in the GDR mainly via socialist team work between enterprises of all types of ownership under the direction of the state-owned enterprises and facilities. In the form of supply and product groups, respectively, cooperative relations of the most diverse type and factory driving groups, team work has proven itself as the decisive way to improve supplying the people with repairs, services and direct support services.

Through team work specialization between the enterprises/establishments, the improvement in the quality of the performance and customer service, the general realization of measures of training, increasing work productivity, improving material management and utilization of basic assets and finally the reduction in road time for the citizens are guaranteed in connection with utilization of services. In this way there is success on the one hand in developing these sectors systematically through close cooperation of enterprises of all types of ownership and in developing important reserves of performance development in artisan work and trade, too, and on the other hand in improving systematically and gradually the working and living conditions of the artisans and tradesmen and exerting significant influence on the political-ideological development of these strata. Closer and new kinds of relations especially between the working class and the artisans and tradesmen are developing both in the trusting cooperation which is developing between the local state organs and the artisans and tradesmen and also in the team work with state-owned enterprises.

Increasingly among artisans and tradesmen interests, requirements, modes of behavior and attitudes are emerging which coincide with overall social interests. The artisans and tradesmen recognize in an increasingly better way how they can comply with the new demands of the 1980's. Especially after the 10th Party Congress and the 3rd meeting of the SED Central Committee they started several initiatives which are aimed at tracking down reserves in artisan work and trade and to utilize them better. With special emphasis it is made clear in this connection that team work is the decisive way in order to cope with the demanding tasks. This is expressed especially in the letter from Gera artisans and tradesmen to the SED Central Committee: "Supported by our social coresponsibility as alliance partners of the working class and its Marxist-Leninist party, we announce our determination and firm will to realize in 1982 and beyond in the five-year plan period up to 1985 the demanding goals by means of the strength of our socialist collectives in the PGH's and our privately working artisan and trade enterprises, through the even more efficient utilization of the qualitative factors of growth in performance which affect the people, mobilization of capacity and efficiency reserves and the most economical use of available material and financial assets and firm improvement in the relationship between cost and use. For this, we will utilize intensified cooperation in the product and supply groups as the form of socialist team work which is specific for artisan work, in order to guarantee, by means of intensification and socialist rationalization on the basis of the most recent findings of science and technology, high level results of increasing better supplying of people with services, repairs and other support services."[29]

Material resources and intellectual powers--such as artisan know-how, capabilities, skills which are often unique--are important sources for improving the economic efficiency of services, repairs and direct support services and for raising the material and intellectual living standard of the people. Through the consistent continuation of its alliance policy in respect to these levels the SED's task is to put into effect this potential in an intensified way in the interest of the entire society. This includes both the further improvement in material prerequisites for artisan work and trade and their political-ideological development in order furthermore to trigger among artisans and tradesmen the necessary readiness and initiatives for solving the complicated social tasks under the changed reproduction processes.

FOOTNOTES

1. E. Honecker, reporter, "Report of the SED Central Committee to the 10th SED Congress," Dietz Publishing House, Berlin, 1981, p 122 f.

2. E. Honecker, reporter, "From the Report of the Politburo to the Third Meeting of the SED Central Committee," Dietz Publishing House, Berlin, 1981, p 52.

3. R. Weidig, "Social Structure and Way of Life in Shaping the Developed Socialist Society in the GDR," in "Third Congress of Marxist-Leninist Sociology, 'Way of Life and Social Structure,'" Dietz Publishing House, Berlin, 1981, p 16 f.

4. S. Grundmann, M. Loetsch and R. Weidig, "On the Development of the Working Class and Its Structure in the GDR," Dietz Publishing House, Berlin, 1976, p 242.

5. "Dictionary of the Economy, Socialism," Dietz Publishing House, Berlin, 1973, p 221.

6. K. Marx and F. Engels, "Works," Vol 23, Dietz Publishing House, 1956 to 1968, p 789.

7. E. Honecker, reporter, "Report of the SED Central Committee to the Eighth SED Congress," in "Proceedings of the Negotiations of the Eighth SED Congress," Vol 1, Dietz Publishing House, Berlin, 1971, p 81.

8. "Program of the SED," Ninth SED Congress, Dietz Publishing House, Berlin, 1976, p 39.

9. When services are discussed here, only those are meant which are exclusively for the people and which differ from services for industry: "According to the function of services for the people three main groups are distingiushed: 1. Services which apply directly to the consumer, such as social, medical and cultural care--the health system, education, gastronomy and passenger traffic, 2. Services which apply to utility values which are in the possession of the consumer, such as maintenance and repair of consumer goods, 3. Services which influence the life of the working people in the territory (waste removal and utilization, street cleaning, street lighting, and so forth)." "Dictionary of Marxist-Leninist Sociology," Dietz Publishing House, Berlin, 1977, p 143.

10. Ibid., p 142 f.

11. S. Grundmann, "The Territory--Subject of Sociological Research," Dietz Publishing House, Berlin, 1981, p 81.

12. "Dictionary of Marxist-Leninist Sociology," loc.cit., p 142.

13. S. Grundmann, "Changes in the Economic Structure of Capitalist Countries--Critical Comments on the Bourgeois Theory and Outlook of a 'Service Society,'" WIRTSCHAFTSWISSENSCHAFT, No 9, 1974, p 1,360.

14. Compare "Report of the SED Central Committee to the 10th Congress," loc.cit., p 45.

15. Compare discussion article by M. Merkel, deputy minister for trade and supply, at the meeting of the Artisans and Tradesmen Task Force at the National Council of the GDR National Front, 4 February 1981.

16. Compare "1981 GDR Statistical Yearbook," GDR State Publishing House, Berlin, 1981, p 154.

17. Compare discussion article by M. Merkel, loc.cit.

18. Calculated according to the "1981 GDR Statistical Yearbook," loc.cit., p 223.

19. Compare ibid., p 90.

20. O Reinhold, "Theory and Practice in Shaping Developed Socialism," EINHEIT, No 10, 1981, p 978 f.

21. Ibid., p 979.

22. "From the Report of the Politburo...," loc.cit., p 24.

23. Compare W. Stoph, speech of the chairman of the GDR Council of Ministers, "Our Workers and Farmers State Will Continue to Be Strengthened With New Plan Goals," on the occasion of the establishment of the laws on the five-year plan for the development of economy 1981-1985 and on the 1982 economic plan, NEUES DEUTSCHLAND, 4 December 1981, p 4.

24. Ibid.

25. Compare K. Naumann, "Efficient Construction Serves the Good and Happiness of People," BERLINER ZEITUNG, 27/28 February 1982.

26. S. Grundmann, "The Territory...," loc.cit., p 85.

27. Ibid.

28. It is interesting that in the case of the large role of small enterprises, especially of artisans and tradesmen, we are by no means dealing with a special feature of the GDR and not exclusively with a special feature of the service sector. Apparently we are dealing here with general trends in the development of productive resources.

    The small goods producers including artisans and tradesmen prove their adaptability, flexibility and specific role even in present-day monopolistic capitalism where the economies are marked by crises of the greatest magnitude. There are several examples of this which reflect definite trends.

    The most recent development in this connection is illustrated by the following example from Great Birtain: "Something strange is happening to the industrial countries with high unemployment: Many new small enterprises are coming into being....One thing can be expected of these new small and very small enterprises: they will function efficiently and flexibly....As trade and service industries they must not contribute a great deal to export business. But presumably something that in most countries is in particularly bad shape will improve: supplying with artisans' services...." (J. Rudolph, "The Rebirth of the Small Enterprise. English Experiences from the Recession," FRANKFURTER ALLGEMEINE

ZEITUNG, 22 December 1981, p 11.) Furthermore, reference is made especially to the possibility of lowering transport costs, the use of modern information technology, adaptability, possibilities for rationalization and innovative strength. This is by no means typical only of Great Britain.

Thus, in California 3,800 companies produce microelectronics, of these 3,200 employ fewer than 200 workers. In this connection the number of small enterprises (and medium-size enterprises) is expressly assessed as an advantage and one of the reasons for the high level of development in microelectronics in the United States (compare R. Held, "A German Defeat," ibid., 13 November 1981, p 1).

In view of certain trends of development in science, technology and production in the United States many questions are posed anew in respect to the efficiency relationship between mass production and small production. "With strong changeability in demand and its orientation to high quality products mass production frequently proves to be inefficient and not sufficiently flexible, it becomes morally obsolete more quickly.... Small enterprises which can better adapt to the changes in external conditions often have higher productivity and efficiency than large enterprises." (W.M. Kudrow, "Scientific-Technical Progress and Structural Change in the U.S. Economy," SOWJETWISSENSCHAFT. GESELLSCHAFTSWISSENSCHAFTLICHE BEITRAEGE, No 6, 1981, p 895).

29. "Gera Artisans to the SED Central Committee: We Will Further Improve Services For the Citizens," NEUES DEUTSCHLAND, 15 February 1982, p 3.

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## TRADE AGREEMENTS ANNOUNCED FOLLOWING 1982 LEIPZIG FALL FAIR

East Berlin AW-DDR-AUSSENWIRTSCHAFT in German Vol 10 No 38, 15 Sep 82

[Report by Information and Public Relations Department, GDR Ministry for Foreign Trade: "Important Business Agreements"]

> [Text] Soviet Union delivers 1 million tons of apatite concentrate and 85,000 tons of cotton. Soviet partners ordered 216 million rubles' worth of products from Textile Commerce. Agreement with the People's Republic of Poland regarding extensive imports and exports of farm machinery. Cooking ranges from Czechsolovakia and Bulgaria. Medical technology for Iran, India, and Egypt. Imports of equipment to increase production of synthetic gas.

We publish below a selection of more contracts:

Chemical-Export-Import

Major 1983 import agreements with the Soviet foreign trade company Soyuzpromexport contain the acquisition of 1 million tons of apatite concentrate and 52,600 tons of ammonium phosphate.

Bilateral deliveries agreed upon in contracts with the Czechoslovak foreign trade companies Chemapol and Petrimex reach the figure of 24 million rubles.

The foreign trade enterprise concluded an agreement with tis Cuban counterpart Quimimport regarding the delivery of chemical products worth 2.6 million rubles. These contracts call for the export of substances for the protection of plants and for controlling pests, such as insecticides, herbicides, and pesticides. These are used primarily on sugar cane and citrus plantations. The Mongolian People's Republic also is to receive chemical products.

The Albanian foreign trade organization Albimport ordered from its East German partner substances to protect plants, lime, organic dyes, and acetic acid.

Imports of large quantities of industrial glues is the subject of an agreement with the Polish partner Ciech.

Textile-Commerce

An agreement was signed with the Soviet foreign trade enterprise Exportlyon about importing 85,000 tons of cotton. Exports of the GDR which were agreed upon with Tasnoexport and Exportlyon include light industrial products, especially textiles, worth over 216 million rubles.

The Mongolian People's Republic likewise ordered major quantities of textiles.

SKET-Export/Import

In 1983 the GDR is going to receive rolling mill and other metallurgic equipment from the USSR. It is going to export to the USSR machines for manufacturing cable and construction materials, as well as wire weaving and automatic braiding machines. SKET-Export/Import has signed contracts to this effect with the Soviet foreign trade organization Machinoexport.

Metallurgic Trade

Metallurgic Trade signed with the Bulgarian foreign trade enterprise Rudmetal export and import agreements about black and multicolored metallurgic products having a value of 12 million rubles. Delivery is to take place in the first half of 1983. The same year the GDR will receive metallurgic raw materials from the Mongolian People's Republic.

Chemical Plant Equipment Export/Import

Soviet partners ordered centrifuges for their sugar industry, and soda machines and additional equipment for their chemical industry worth approximately 18 million rubles.

Progress Farm Machinery Export/Import

Extensive exports and imports were agreed upon with Agromet from the People's Republic of Poland. Exports of the GDR will include machines for the cultivation of land, techniques for harvesting and storing crops and for cleaning grain, i.a., field threshing machines, multipurpose trailers, loaders, plows and swath cutters.

The GDR is importing from the People's Republic of Poland, among other things, "weed beaters," disc harrows, rotary hoes, fertilizing machines, and ridge drills. In addition, a contract was signed providing for Polish cooperative deliveries for the GDR's construction of farming machines as well as building tractors and silos.

The Soviet partner Tractorexport ordered, i.a., silos and construction assemblies for sugar beet combine KS6. In 1982 this foreign trade enterprise is also going to export to the USSR canteen equipment, bottling lines for the beverage industry, storage tanks and other products worth 12 million rubles.

Industrial Machine Export

An agreement was signed with the West German firm of Krupp-Koppers about importing equipment for the expansion of a synthetic gas producer in the hydrogeneration plant of Zeitz.

Glass-Ceramics

The foreign trade firm Glas-Keramik signed extensive export agreements. Ceramics machines are to be delivered to the Czechoslovak Socialist Republic and the Socialist Republic of Romania, foam glass to Switzerland and the Federal Republic of Germany, plate glass to the Netherlands, and blended fiberglass fabric to the Federal Republic.

Glas-Keramik and Soviet partners agreed to ship to each other glass and ceramics products worth 11.7 million rubles.

The foreign trade company concluded further export agreements with British, Lebanese, and West German customers.

Textima-Export/Import

The foreign trade enterprise agreed to ship spinning machines to the state textile organization Goti of the Syrian Arab Republic, thus continuing to equip a Syrian factory with Textima technology.

Business partners from the Arab Republic of Egypt ordered double-rug weaving machines to manufacture pile rugs.

An agreement was signed with the Soviet foreign trade company Tekhmachinimport concerning exporting Malimo machines.

Techno-Commerce Gmbh

The polish foreign trade enterprises Varimex and Centrozap ordered pumps, fittings, and air conditioning equipment worth 7 million rubles. Import agreements with these partners provide for the sale of fittings and of equipment for air conditioning and refrigeration.

Export agreements with West German companies are concerned with assembly work for the construction of industrial power plants as well as the delivery of materials and assembly work for industrial insulation.

TAKRAF Export/Import

An agreement provides for the importing of 460 bottom wagons of automatic swing cranes from the Hungarian People's Republic.

Transportation Vehicles Export/Import

This firm is acquiring Soviet trucks--models KamAS, KRAS, and MAS--in accordance with agreements with the foreign trade company of Avtoexport.

Purchases of spare parts for passenger cars were agreed upon with Zapkhastexport.

The Hungarian foreign trade enterprise Moguert ordered model W50 and Robur trucks, Barkas small transportation vehicles, and trailers for utility vehicles.

WMW Export/Import

Import contracts with Swiss, Italian, Dutch, and West German companies deal, i.a., with tools, wood-working machines, and redesigning machines.

Baukema Export/Import

To be exported to Nigeria are, among others, plants to treat crushed stones, blacktopping equipment, road rollers, ad well as machines and accessories for the manufacturing of concrete.

Robotron Export/Import

Its contract with the Hungarian foreign trade firm Metrimpex calls for the export of typing and calculator technology worth over 6 million rubles.

Polygraph-Export/Import

Indian companies ordered rolling offset printing machines--models Rondoset-Petit and Zirkon-Forta.

Home Electric Export/Import

The Soviet foreign trade enterprise Tekhnointorg will ship to the GDR electroplating elements, sets of machines for generating electricity, and television sets.

A contract concluded at the fair with the Bulgarian foreign trade company Balkancarimpex provides for the purchase of passenger car accessories.

Import and export agreements with business partners in the Czechoslovak Socialist Republic and the Hungarian People's Republic are concerned with electric household appliances. Accordingly, the GDR is to export water heaters, hot water storage tanks, and kitchen machines, and import hot water storage tanks [sic].

Gear switching devices ordered by the Polish foreign trade enterprise Elektrim and worth about 4 million rubles are to go to that country.

State Enterprise Carl Zeiss in Jena

Agreements made at the fair with Soviet partners Tekhnopromimport and Tekhmachexport stipulate that both sides will supply each other with special equipment for their electronic industries.

Electronics Export/Import

A machine for covering objects with layers of titanium nitride is to be shipped to Japan.

Electrical Engineering Export/Import

West German clients ordered electric insulation materials, while Turkish partners desired welding redesigners.

Limex-Construction-Export/Import

This company signed a contract promising to deliver products of metal lightweight construction to the Soviet foreign trade organization Avtopromimport.

MLW Intermed-Export/Import

Soviet customers are to be supplied with medical technology, including dental equipment and health monitoring equipment. Other export deals with partners from socialist countries involve shipping endoscopes and syringes to Poland, laboratory equipment to the Czechoslovak Socialist Republic and to Hungary, as well as devices for respirators to Cuba.

Iranian firms placed orders for dental equipment; India wishes to buy medical assembly groups; and Egypt is interested in centrifuges.

Orders for medical articles for everyday use have been received from the Federal Republic of Germany.

Germed-Export/Import

This firm and the Czechoslovak foreign trade enterprise Chemapol signed contracts about importing ready-to-use medicines, pharmaceutical substances and agents from the Czechoslovak Socialist Republic. Simultaneously the two foreign trade organizations agreed that pharmaceutical products would be shipped to the Czechoslovak Socialist Republic.

A contract with the Bulgarian foreign trade company Pharmakhim specifies that ready-to-use medicines will be imported. Customers from Cameroons ordered ready-to-use medicines, whereas West German firms placed orders for pharmaceutical raw materials.

Potash Mining

Minexport from the Socialist Republic of Vietnam ordered potash fertilizers. Delivery is to take place next year.

Union of Household Appliances-Export/Import

The Bulgarian foreign trade enterprise Elektroimpex is going to ship 25,000 electric ranges to the GDR, and the Czechoslovak foreign trade organization Merkuria is exporting 75,000 gas ranges to East Germany.

Foodstuffs-Export/Import

In its contract with its Brazilian supplier of long standing, this firm agreed to import foodstuffs worth 48 million marks.

Large quantities of vegetable oil are to be imported from the FRG.

Gourmet Food-Import/Export

Gourmet Food agreed to partners from the Hungarian People's Republic and the Czechosolvak Socialist Republic agreed to supply each other. Contracts that wines and champagne will be imported from Hungary.

Interpelz

Companies from the People's Republic of Poland, Belgium, Finland, the Netherlands, and the FRG ordered large quantities of imitation leather. French clients ordered cosmetics bags. Another contract stipulates that specially cut soles will be imported from the FRG.

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PROFIT'S ROLE IN INVESTMENT CREDIT SHOULD INCREASE

Budapest FIGYELO in Hungarian 30 Sep 82 p 3

[Article by Mrs Laszlo Weoros, PhD: "Credit in Business Enterprise"]

[Text] According to this year's review by the Hungarian National Bank [MNB] the planned completion time was 39 months, the actual, 48 months for the 137 investments (carried out with a total investment cost of 137 million forints) implemented with credit. The cost projections were generally observed at the investments under study. However, late completion strongly decreased the profit of these investments with respect to cost. Only 27 percent of the investments with the planned results or better, 43 percent produced less profit than planned, and 30 percent produced losses. Late completion of the profitably implemented investments decreases the enterprise's profit. On the other hand, unprofitably implemented investments cause balance problems in the basic development balance of the enterprises.

It is typical for these investments that the increased performance that is unbalanced and conforms only gradually to the changing circumstances proved insufficient. The somewhat schematic working methods to which people had gotten used to earlier, under relaxed domestic and foreign market circumstances, prevailed in shaping the development ideas, in the specific technical preparation, and in working out the economic calculations.

The unhealthy change of rhythm that was universal in the economy at the turning point of the Fourth and the Fifth Five-Year Plans, can be felt at most of the investments. This was joined also by the unfavorable development of the market conditions. It has become more difficult to predict the achievable prices on the markets. The negative effect of this was amplified by the long completion time of the investments; by the time some investments were completed, the explored markets changed and selling the products caused increased problems.

Slow Implementation

Most investors did not sufficiently consider the real situation, that is, that long completion time involves very great risks.

Deteriorating exchange rates also played a large role in the general worsening of profitability. Therefore, quick implementation of the investments would be particularly important for the export-developing investments, since the decrease of exchange rates, which can be expected also in the future, will add to the decrease of forint export income and profitability if completion of the investments is slow.

Combined, all these contribute to the fact that with the completed investments the profitability of the enterprises did not increase and solidify to the extent planned.

Comparing the planned and actual numbers of profit with respect to investment, and examination of the reasons for the differences is a complicated and difficult task. Simple, dynamic comparison of the indices does not provide sufficiently accurate information for deciding to what extent the changes can be considered effects of the investments under consideration. The way profits develop is probably also influenced significantly by the changes which take place during the time period investigated, in the economic environment of the enterprises, that is, in the market conditions, in prices, regulations, etc.

According to the differences in planned and actual profitability, a group of major enterprises is developing characterized by investment-oriented growth efforts, and to be specific, a series of consecutive and significant investments financed primarily by bank loans. More and more frequently, these enterprises have to face the problem that some of their developments do not produce the expected profit. Because of this, their development funds are decreasing. They want to climb out of this situation by means of making additional investments. A decisive viewpoint in their new loan applications is that primarily the planned additional development fund generated by means of the investment should serve as the source for repaying the loan. Therefore they become eligible for loans only with a very high promise of profits, and thus they set more and more unrealistic requirements for themselves. A series of such investments increases the need of the enterprises for more and more loans, all the way until they are too far in debt. The development funds (including their repayment obligations) of these enterprises are, for the most part, determined to the extent of 75 to 100 percent, and they can provide only a small amount of own resources for any new investments.

Thus, from all this we can conclude that lending itself (including also the ability to repay loans based on one's own resources and, accordingly, credit financing) will not solve the allocation of capital that can qualify favorably on the basis of future income prospects.

Even when considering the future income expectations, it is justified to implement investments only where we judge on the basis of the enterprise's present profitability that the additional investment will also be profitable.

Some enterprises have implemented one profitable investment after another. They were able to keep their promises concerning the investment's profitability, with little variation.

For example, six significant investments of the 137 examined were implemented by the Kobanya Pharmaceutical Products Factory, which can for the most part be called selffinancing investments; or the undercarriage I-IV. investments of the Hungarian Railroad Car and Machine Factory. The United Pharmaceuticals and Food Factory also implemented several large volume investments in recent years, which are also profitable.

The bank receives a fixed amount of interest and payments on the capital when due, practically independently of whether the action financed by the loan was successful or unsuccessful. Thus in this form the bank's operation with a business undertaking character, its interest, and the risk it accepts, are not expressed.

Recovery Pressure Is Absent

When the loan applications are evaluated, judging the enterprise's behavior, qualifying the enterprise is very important in making the decision. That is, if the interest in profits is definitive of the enterprise's behavior, the enterprise will try to invest the available development resources in the most profitable way. It will evaluate whether to use the resources to expand and modernize its own activities, place it as bank deposit, or to invest its capital in other undertakings.

Repayment calculated in this manner is not certain even for rather highly profitable development actions, because its source is the enterprise's development fund generated by the given development. Therefore in addition to evaluating the economy and profitability of the development actions--which is necessary and justified--, the profitability and paying ability of the enterprise as a whole, the burdens on its development fund, and the purposes for its use must also be evaluated in judging the loan application, from the viewpoint of how it can be qualified with respect to the profitability of the enterprise's economic operation and in connection with this, to granting the loan.

Considering the profitability of the enterprise's economic operation as a whole when making a loan is justified also because such developments may also be realistic and good loan purposes which by themselves have low profitability or do not produce profit at all, but improve the profitability of the enterprise's economic operation as a whole. (For example, development of the internal infrastructure resulting in better utilization of the enterprise's existing capacity.) Under the present conditions these goals cannot be financed by loan.

A high degree of willingness to invest by the enterprise can be traced back, among other things, to weaknesses in the operation of the interest system.

The interest system does not exert sufficiently strong pressure to recover the capital, therefore the enterprises invest their development resources even in low profitability and uneconomical purposes, and indeed there is a real footrace to obtain external resources.

The significant differences between the planned and actual values and indices of the 137 investments call attention to the fact that it is not enough to accept the index values--based on promises--concerning the given development when profitability of the development actions is judged.

Loan placement based on profitability expectations can be implemented if the banks do this in the form of a business undertaking. The same pressure to survive must also act on the business bank--economic and profitability pressure--as acts on the enterprises in general, and in accordance with this, it must try to place loans that will produce adequate resources for its future undertakings. The interest system of the bank--as an enterprise conducting a unique type of activity--must be based on profitability and on placing economical loans. Of course, the conditions for making loans become stricter by this, rather than easier. In order for the enterprises to turn towards more favorable investment opportunities, it is necessary first of all to create regulations that will cause pressure to recover the capital, and to create the appropriate economic operating environment. It would be good if the enterprises had economic pressure on them that would hold them back from expanding at any cost, and encouraged expansion in good income producing activities. This has not prevailed so far, or not sufficiently consistently, and this must be changed. Besides the economic pressure and enterprise expansion subjected to the market's value judgement, that tendency may also prevail that the enterprises will not spend their financial development tools at any cost, but rather, with a realistic interest policy perhaps the willingness to save could be increased, the interest in placing it as [bank] deposit, and they will try to implement only profitable and economical investments.

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## STUDY REVEALS SLOW PACE OF INDUSTRIAL MODERNIZATION

Budapest FIGYELO in Hungarian 23 Sep 82 pp 1, 4

[Article by Jozsef Nyers: "Industrial Product Structure--The Transformation Is Slow"; passages in slantlines written in italics]

[Excerpts] The modernization of industrial productive structure is an essential requirement of economic adaptability, one of the basic requirements of international competitiveness. This is especially true nowadays, when due to the sustained and worldwide recession, we are witnessing the rapid /realignment/ of production and sales, internally and internationally. In the following we will attempt to document with hard data the content of the above statement.

Twice in the past decade, last in 1980, the European Economic Committee analyzed in a wide ranging international comparison the structural changes of the processing industry in the industrially advanced western European countries. The principal findings of this report could mean a good basis for the realistic evaluation of domestic conditions and results.

Industrially developed countries are trying to get rid of those branches that have already lost their competitive edge. They "deport" the low skilled, labor intensive industrial subsectors, and on the other hand they vigorously develop the high technology bearing, large research investment and developmental activities requiring, highly skilled work branches. The ratio of the machine and chemical industrial sectors, which are more capital and technology demanding, is increasing, while the textile, garment, paper and rubber industries' share is declining; food production, petroleum derivatives and the nonmetallic raw materials industry's share of the gross national product is stagnant in the majority of the countries.

/The change in foreign demand influences to a large degree the domestic level and composition of production and employment./ It is a prolonged trend, that in the processing industry the role of international specialization is increasing, the ratio of export and import relative to the gross product is rising. The international traffic of industrial products in the commerce of developed countries is ever more significant, the progress being basically determined by the /exchange of semi-processed goods and unit parts./

The producers were able, in a relatively short time, to pass on the 1973/74 energy cost increases in the prices of their products. The more expensive energy resources usually brought about more or less product changes within certain branches, the characteristic of certain products changed (for example, fuel efficient small cars gained ground), moreover, the producers paid more attention to the modernization of technology, to the introduction of energy efficient methods.

However, the support of investments assuring /comparative advantages did not consistently prevail in the governments' industrial policy,/ usually they gave preference to high technology ideas, but at the same time they helped traditional industrial subsectors too.

The Hungarian industry's sectional structure changed in the 70's decade essentially in tune with major international trends, but analyzing the structural changes in depth, several divergent features appear. Development of Hungarian industrial subsectors, which felt the influence of foreign trade much less than West-European countries, was much more even. For example, after 1973, the production decline of vehicle and chemical industries did not happen. (In this period we stressedly developed both sectors with central developmental programs.) The decrease in the scale of metallurgical production also appeared with delay.

In the first half of the 1970's, however, the modification in production composition ensued a much quicker pace of growth: /thus, the change in our industry's sectional structure is slow relative to the developed capitalist countries,/ because those economies achieved the level given by the structural transformation under relatively slow pace of growth.

/In the second half of the 1970's,/ together with the slackening growth in the value of the gross product, the change in industry's sectional structure also /slowed down,/ and in the last year of the decade the previous periodic trends of the structural change broke: the ratio of machine production decreased, the growth in the share of the chemical industrial production stopped, and at the same time production ratios of the textile and food industries grew by a small measure. The regrouping was brought on basically by the boom; the effect of world market prices was more noticeable then, at the same time investment-oriented domestic demand decreased, and also the export conditions became more difficult. /In the mirror of causes, the change appears more cyclical than structural, and it is unlikely that this process will be lasting in its every part./

The observation system introduced in 1980 by the KSH [Central Statistical Bureau] gives a relatively good view; we have comparative data of the degree of product changes for 1980-81, but from the age distribution of products the previous years' change of product composition can also be deducted. /Results of these 2 years unanimously support the fact, that the reform of the productive structure, the degree of product changes are slow, despite the economic pressure, the marketing difficulties, the resolutions and the incentives; and the tendency for innovation is unsatisfactory./

In the formation of disagreement between econopolitical objectives and corporate behavior, a significant role was played in the past 2 years by /changes that occurred in the economic conditions./ In the interest of more flexible compliance with known foreign and domestic economic conditions, in 1980 the wage and price control system was significantly modified, which strongly limited the corporations' scope of action. In 1980 the volume of industrial production decreased by 1.7 percent, and this unfavorably affected also the product structure modification.

In the /external/ conditions of economic development, genuine improvements did not happen in 1981; however, with the knowledge of price and economic adjusters the activity of industrial concerns briskened somewhat, industrial production exceeded the previous year's level by 2.3 percent. /Marketing difficulties, slack demand, and even the decreasing trade in the products of certain branches (e.g. metallurgy) resulted in non-committal attitude on the corporations' part, the more vigorous change in the productive structure did not materialize./

Due to larger risks and slowly expanding investment sources, the degree of product changes in the past 2 years was even more moderate than previously. Comparisons of product change data for 1980 and 1981 indicate that product changes follow changes in economic circumstances by a certain phase delay.

In the economically more successful year of 1981, the mass produced /new product ratio/ was only 2.3 percent versus 2.6 percent in the previous year. Although the difference is not large, its direction, also considering data from other groups' state of modernity, can be accepted as typical.

In the examined 2 years 92.1, respectively 93.2 percent of the products were made in /unchanged form,/ while /the share of products withdrawn from production/ did not reach 1 percent in either year. The above pace of product changes, modernization can be judged to be slow, even if we consider that the new products are at the beginning, while the final production ones are at the ending stages of their career. Indicative of the low degree of restructuring, that the /share of nationwide new products/ introduced in 1980 rose during the 1981 sales year to only 1.4 percent from the previous year's 1.3 percent. Of the new products, 43 percent can be considered new nationwide, 57 percent was previously manufactured by other companies (in the previous year, similar ratios were somewhat more favorable).

According to the survey, in 1981 only 2.3 percent of the /sales/ by the state industry were new products, and within this, the spread by sectors is very large: in metallurgy 0.9 percent, in food industry 1 percent, in construction 1.2 percent, in chemical industry 2 percent, in light industry 3.1 percent and in machine industry 4.7 percent was the ratio of new products.

Nationally, 72.8 percent of the new products were the companies' /own development,/ 15.8 percent were manufactured under /license./ Products made based on development by /research institutions and other companies/ was only 4 percent of sales.

The pace of product change differs by sectors. In certain industrial subsectors the products are traditional, hardly changeable; modernization is meant more by technology modification than by product changes (e.g food industry, building materials industry, metallurgy). The role of product changes in the machine and chemical industries, and in the fashion branches of light industry is larger than average (in light industry a significant portion of new products counts as new only at the manufacturing concern).

In aggregate valuation, the ratio of new products is /the highest in the machine industry,/ 4.7 percent; in machine manufacturing and in the communications technology industry the share was 7.1 percent and 7.5 percent respectively in 1981. /The relationship between modernization and saleability is well demonstrated by the fact that the ratio of new products in hard currency export sales is substantially higher than average in the above listed machine industry branches./ In rubel accounting, in the machine industry the long term, lasting, cooperative and specialized ties are determinants, therefore the product changes are slower.

In the /chemical industry/ product changes in 1981 brightened up somewhat, the ratio of new products increased to 2 percent from the previous year's 1.3 percent. In the topical year, the mass produced articles' bulk is sold on the domestic market, their role in export is marginal. In /light industry/ the share of new products in 1981 decreased from the previous year's 4.5 percent to 3.1 percent, while production moderately increased. In the area of export products the change is somewhat faster, the difference among sales ratios lessened in 1981.

/In the state industry the average age of mass produced articles is rather high: 16 years./ The share of products started in production in the past 3 years decreased from 17 percent to 15 percent; two-thirds of the products were started to be manufactured between 1951 and 1977, and the ratio of products older than 30 years was 14 percent, their share decreased a little relative to the previous year's.

In the past year more than a thousand kind of products' manufacture was discontinued in the state industry, the average age of these was 7.3 years. The average age of products discontinued in the topical year is spread between very wide limits, according to specialty branches (brewery--1 year, foundry--32 years). Of these products, nearly one-third was discontinued for reasons of streamlining, a fourth for uneconomical manufacturing, and a fifth for lack of raw materials or lack of orders.

Sales of the observed branches of state industry, figured in last year's prices, explanded by 5.7 percent, and the value of exports by 2.5 percent; within this, the value of products sold for rubles increased by 8.5 percent, those sold for hard currency decreased by 1.8 percent. Without presuming a cause and effect relationship between the change in a year's marketing and the up-to-dateness of the product structure, the coincidence is by all means more than simple chance.

In export, the products' modernity and age was somewhat more favorable than those sold domestically. The differences in the two exports' relation are considerable. In the case of products sold for hard currency, 4 percent was

new, 2 percent modernized, but their average age was very high, nearly 19 years. In rubel accounting, the ratio of products in similar groups of up-to-dateness was only 2 percent, respectively 1 percent, but the average product age here is much lower, 13 years. This large difference derives in part from the higher age of sectorial export products, but mostly from the relationwise divergent structure of our exports: while in rubel-accountable export the products of the machine industry dominate, among those sold for hard currency a considerable ratio is represented by the products of the less, or barely modernizable food and metallurgical industries.

The results of wide ranging international comparisons and domestic, product level investigations unambiguously indicate the two-sidedness of our industrial productive structure: /at subsector/ level it stands near the industrially developed countries, but on /product/ level it is not at all so modern (this is indicated also by the capitalist export's product structure), the average product age is high, their change is slow. /In the interest of increasing the competitiveness of our industry, our foremost task is the modernization of the product structure./ In main areas of development, in the assignment of subsectors, manufacturing branches, the international comparisons give some directions, but in the forming of industrial policy the realistic consideration of natural and economic conditions and their many sided utilization have the decisive role (thinking here, e.g. the development of machine and chemical manufacturing connected with food management, expansion of food processing, etc.).

Information given by statisticians can be helpful for those, who work out the future tasks of our industrial policy. The non-committal behavior of companies soon must be exchanged for a more aggressive development policy, time presses, holding the ground in the international competition and stabilizing the foreign trade balance can be lastingly achieved only by modern productive and product structure.

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WORLD MARKET CONDITIONS FOILING BEEF CATTLE EXPORT PROGRAM

Budapest FIGYELO in Hungarian 23 Sep 82 p 13

[Article by Geza Rasko and Pal Szajko: "One Less Illusion?"]

[Text] In this country the increase of slaughter cattle production--and thus, also the increase of beef cattle stock--is determined by the export opportunities. The differing opinions about judging the economic position and future of the branch result most of the time from differing interpretations of profitability, excessive expectations attached to improving the production standards, and from the contradictory prognoses of the foreign market's demands.

Buyer Becomes Seller

We attempted here to uncover the main problems of beef cattle raising on the basis of actual operating results (data of 12 large operations with larger than average stock and with better results) and of the national average data.

Relying on international market information, the domestic prognoses prepared in the early 1970's judged that demand for slaughter cattle and beef will increase on the foreign market, and it can be sold safely and profitably also over the long range. It seemed that consumption in the Western European countries is increasing faster than their production. But these forecasts must not have considered the lasting economic recession occurring as a consequence of the energy crisis.

This is why, among other reasons, the FAO [Food and Agriculture Organization of the United Nations] could not materialize either, which by the end of the decade predicted 29.5 kg per capita consumption in the developed Western European countries, in contrast with the 26 kg that was actually reached (1980). During the decade of the 1970's per capita consumption increased by only 1.5 kg.

In the countries mentioned, the market was saturated much sooner than expected, as early as in 1974, and the EEC [European Economic Community; Common Market] has even become one of the world's most significant beef exporters since then.

This has also fundamentally modified the economic conditions of Hungary's export of cattle on the hoof and beef. Even though we succeeded in solving the problem of sales by penetrating new markets and increasing the radius of delivery, and the discovery of new markets and increasing the radius of delivery, and the discovery of new markets was also successful, the export profitability of cattle on the hoof and beef deteriorated.

The main reason for this is that export prices have significantly decreased, so much so that even in terms of nominal value the 1973 price level was reached only in 1979. Beyond this, slaughter cattle has also suffered significant losses of value on the international markets compared to feed (corn, wheat) and to other animal products (roaster lamb, muttom).

The continued rise in the export price of corn and of grain feeds in general--to 1981--, which supply the basic fattening materials, must be valued as a noteworthy phenomenon.

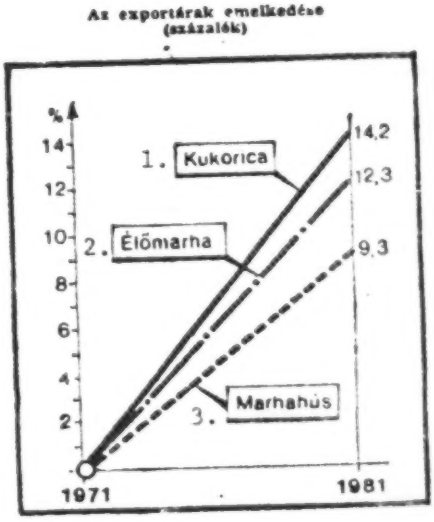


[Graph 1] Increase of Export Prices (percent)

[Key to graph 1. 1. corn
2. cattle on the hoof
3. beef]

As a consequence of this, during the decade of the 1970's the "exchange ratio" of beef deteriorated by 30 to 35 percent on our export markets in comparison with the grain feeds.

According to the latest data the cost of producing beef-purpose slaughter cattle is more than 24.4 percent higher than the cost for milk and dual purpose slaughter cattle.

Expensive "Fun"

The high production costs and their capricious fluctuation have also influenced the profitability of beef cattle production within the enterprise.

The low profits of less than 3 percent on the investment, and the slow return do not make it attractive to invest capital in this branch. Especially not if new investments are needed to develop or increase the beef cattle stock, since the investment cost ofr space for each beef cattle is 7,500-8,000 forints even if built by the farm's own people. When this is increased by the weight of the appropriate livestock rotation, the complete investment cost per cow in the beef branch at this time exceeds 30,000 forints. If the operation wishes to expand its stock, it also needs about 30,000 forints per cow as revolving capital. (Only this much because the improvement receives 20,000 forints of state subsidy, as revolving capital supplementation.)

In most farm operations the increase of livestock is accompanied by more intensive grassland management, for which the machinery requirement costs 7,000 to 9,000 Fts per hectare--even without any irrigation equipment.

According to calculations made by the Agricultural Economics Research Institute, the financial requirements for increasing the stock by one cow exceed 80,000 forints at the branch level. Thus it becomes understandable that only the farms with strong financing can allow themselves to expand their beef cattle stock by larger numbers, without outside assistance.

In Last Place

Knowing that the majority of the grasslands acreage intended for the beef stock belongs to capital-poor farms with expressly poor given natural conditions, it must be expected that the "demand" for central financing tools will increase for more intensive expansion of the livestock than before.

It is reasonable to separate the fodder base into two sharply different categories: plowfields (feed grain, silage corn, and fabaceous hay acreages), and natural grasslands (pasture, meadow). Of the two, the plowlands have the definitive role since it can be used in several alternative ways. On the other hand, the grasslands can be used only to feed sheep and cattle, therefore its utilization alternatives are limited.

Under our present economic conditions it is reasonable to expand export-oriented production in agriculture in those branches where larger net foreign currency income can be expected from unit plowland areas.

Examining the net foreign currency income of the various branches from plowlands, the disadvantageous situation of the beef cattle branch is conspicuous when compared to sheep, hog, corn, or wheat.

From the national economic viewpoint the export of the above mentioned "competing" products was much more favorable last year than slaughter cattle export.

Even the Much Is Too Little

Such an economic analysis of raising beef cattle will in all certainty be a surprise and will not correspond with the earlier assumptions and expectations. That is, that the branch can relatively cheaply turn into valuable foreign currency those feeds which otherwise would be easted. But since the beef cattle can produce relatively little and costly foreign currency only by making a "plowfield sacrifice", and since there are other, more advantageous utilization alternative for plowlands, the beef cattle branch is forced hopelessly into the background.

A few years of the past of this branch, and its present situation have also revealed the fundamental technological and economic contradictions. The difficulties are clearly concentrated around

--devaluation of beef on the foreign markets,

--feeding that requires plowlands, and

--low production levels.

Together, these main factors have caused beef cattle raising to stall and have an uncertain opinion in the national economy.

Of course, all this does not preclude beef cattle from being an economical alternative for utilizing grasslands and byproducts, but not in the way this is being done today! Production must be thoroughly transformed for this.

If the bulk fodder supply of the branch relied on pastures and byproducts, plowfield acreage for producing feed would decrease to half, or 0.5 hectare per cow. It is hardly possible to save any more plowland than this, since the fattening and propagation phases do necessarily require a certain amount of grain feed.

With the minimum plowfield commitment of about 0.5 hectare, slaughter cattle production per hectare would almost double, to 704 kgs--taking the 1980 production level for basis of comparison. The net foreign currency produced by the branch per hectare of plowlands could increase by 50-55 percent compared to 1980.

Unbearable Cost

Increased propagation, decreased losses during raising, and slowing down the waste ratio of the cattle stock are part of the additional conditions for improving competitiveness.

By raising these important efficiency indices to the average level of the dairy and dual purpose stocks, specific slaughter cattle production could be increased by 18 to 20 percent, to 450-470 kgs per cow. With this,...[one or more lines are missing on translator's copy at the top of column 4. Something would increase to a certain level or amount, per "minimum" one hectare of plowfield, is my best guess of the missing text. Translator.]

Such not at all unrealistic performance would thoroughly change the economic chances of raising beef cattle and would also justify developing it over the longer range.

However, implementing the "competitive requirements" that define the two lower limits also creates new problems. First of all, there is the possible obstacle resulting from the given size of grassland areas. That is, it must be taken into consideration that the usable pasture area is hardly larger than 700,000 hectares. Even though it has higher production averages, the pastures are used for feed to raise the young livestock of not only beef cattle but also the dairy and dual purpose herds, and also for the increasing sheep flocks.

Even so, beef cattle raising can withstand the costs of only the least intensive grass production (including some chemical fertilizers and harvesting) without deterioration of its results.

With any more expenses than this (reseeding, care, larger doses of chemical fertilizers) the cost of slaughter cattle rises to over 60 forints per kilogram, which is well above the limits of profitability.

8584
CSO: 2500/6

## REALISM IN ECONOMIC PLANNING URGED

Warsaw ZYCIE GOSPODARCZE in Polish No 35, 19 Sep 82 pp 1, 4

[Article by Prof Mieczyslaw Nasilowski (Central School of Planning And Statistics staff; member of the Consultative Economic Council Presidium) prepared for the Council: "Let Us Plan Together--We Need More Realism"]

[Text] The draft of the 3-year plan shows more progress as compared with earlier versions. The progress pertains mainly to the descriptive part. All significant problems affecting short- and long-range development can be seen there. However, the problems are not always interpreted clearly and consistently, and the phrasing of some statements is doubtful.

### Which Way to Balance

I seriously doubt that it is realistic to expect to regain economic balance, and especially market balance, before 1985.

According to the preferred variant, it is expected that industrial production sold will increase only 15 percent and agricultural output will increase 10 percent, while the national product for distribution--by 13 percent. It is estimated that the inflationary curve will equal between 12 and 14 percent of the planned delivery of goods. Even if we were to assume that the inflationary gap will be done away with, which is highly doubtful, the planned increase in market goods would not be sufficient to fulfill the needs resulting from the current increase in income (which is planned to equal 65 percent) and from so-called "delayed demand" in the inflationary curve. Even after the planned increase in prices by 50 to 55 percent by 1985, it still does not seem possible to balance the market, unless only current expenditures are balanced and the curve is left to gradually depreciate, as a result of the inflationary price increases. The resources of the population are known but the size of the inflationary curve is fluid because it depends on the tendency to save, which, in turn, is a function of the market balance and the stability of prices.

But even if we prescind from the unclear data given in percentages which are based on various premises and, therefore, cannot be compared, it is still doubtful that total balance can be achieved in view of the lack of fractional balance on significant markets. The question arises, if the inability to

balance meat, clothing, and shoe markets, and many other kinds of goods can be compensated for by significant increases in dairy products, produce, cosmetics, and production means for rural areas. Only partial deficits and surpluses can serve as substitutes for each other. Thus, the idea of total balance is deceptive, since it is impossible to achieve balance on basic markets.

It would be more realistic to admit that several years will be needed to balance the existing considerable deficit of market goods.

What About Real Wages?

I consider the lack of information on the projected increase in real wages to be a significant flaw of the draft plan. All previous plans contained detailed information concerning this subject. The public usually shows much interest in this aspect of the plan and it should not be the subject of doubts and conjectures.

Some data may serve as a basis for tentative calculation of wages. It is assumed that the supply of goods will increase under current prices by about 75 to 80 percent before 1985 but the increase in the population's income will be about 65 percent. There is also information concerning the planned increase in market prices during each of the years under the 3-year plan, as well as data concerning the increase in the volume of consumption goods supply. It is not known, however, at what rate average wages will grow in the socialized sector and for the rural population.

I think that, even if only on the basis of this data, a more detailed calculation of either the increase or the decrease in real wages and incomes should be conducted to enhance the validity of the claim that the gap between income in cities and rural areas should be decreased. The Planning Commission should take a univocal stand in this matter, and the difficulty with projecting should be of no importance. Neither should be the issue of the popularity of the outcome. An incisive analysis should be conducted to determine what changes are desirable and what is the balancing capacity of the national economy.

False Thesis

There are serious doubts as to the validity of the thesis that a considerable improvement in balance of trade with the second payments area will help start the process of paying off debts as early as in this decade. This thesis is usually supported by the claim that if a favorable balance of about $3.6 billion is achieved before 1990, the decrease in absolute debt to the capitalist countries could start taking place no later than 1988.

There is no realistic basis for the assumption that during the next few years we will manage to achieve enough of a surplus of exports over imports in regard to the second payments area to make payments of the required interest and of the installments on credits possible.

It would seem that the easiest, even though perhaps not not the most advantageous way to increase the tempo of growth and to shorten the time needed to come out of the crisis would be to obtain further credits and to defer the payment of debts and interest for the next 8 to 10 years. Even if we assume for argument's sake that we could obtain such additional credits without any political conditions attached to them, we should not forget that this would cause a further dangerous increase of debts. The problems would be alleviated for the next few years, but there would be an additional burden on the national economy caused by high costs after a dozen or so years. We should not count on becoming at some point in the future another Japan and hope that eventually it would be easier to pay off additional debts contracted today. Luckily, even the optimistic variant of the plan is not based on this illusory hypothesis, which, nevertheless, is popular with some people.

It should, however, be clearly stated that continued contracting of debts may be justified in the case when it would directly serve to increase production and export to a degree that would allow the payment of debts and the required interest and when the debts would contribute to increased production for the home market only credit that guarantees export could help come out of the crisis and alleviate our problems in the long run.

In this context, insufficient emphasis has been put on one of the basic contradictions in the draft plan, i.e., between the expectation and ability to increase per capita consumption (this, of course, includes wages and real income) on the one hand, and the necessity to increase the surplus of exports over imports in the second payments area, on the other. The rate of export increase adopted in the second variant of the draft plan (which is the preferred variant) is insufficiently documented. The continued push for the rate, even if it were possible from the point of view of production and sales, would drastically limit the increase in the national product for distribution. Also, it would be unrealistic to expect the return of the individual consumption level in 1990 to that of the precrisis level. On the other hand, the increase in the surplus of exports by limiting imports would lead to a considerably slower increase in the national product and, as a result to a slower increase in exports. This is a difficult dilemma that affects the degree to which the draft plan variants are realistic.

It would be possible to increase both consumption and surplus of exports only if significant progress is made in the area of management effectiveness, and especially through materials-intensiveness and energy-intensiveness of production. This is the key to the solution of basic contradictions of the macrorelationship of growth. It is possible to decrease evident waste of resources through correct functioning of systems-type reform. But will the expected progress in both materials engineering and fuel-energy engineering be supported by the size and structure of investment outlays and by the capacity to import materials- and energy-intensive technology?

## The Effectiveness of Instruments

First a thesis is formulated that there is a danger of insufficient simple reproduction of fixed assets in some subsectors and branches. Then it is stated that we should not allow the fixed assets to depreciate. The thesis assumes that depreciation is figured out for fixed assets recorded in old prices which would be lower by now. Thus, in many enterprises funds may not be sufficient to renovate used equipment and facilities bought on the basis of new, much higher prices. Since it is necessary to make the costs in self-financed enterprises more realistic, a new apprisal of equipment should be conducted. This, in turn, would make the size of depreciation more realistic. Under such conditions, the thesis that it is necessary to reproduce in all branches and enterprises the assets acquired as a result of depreciation allowances left to enterprises would mean that the obsolete production structure (that fits neither the new structure of objectives nor the new capacity to supply materials, spare parts, etc.) was made permanent.

Significant changes in the structure of production, which are necessary, will cause us to back out of some areas and, when technologically possible, to shift to the kind of production for which there is a demand. It will not be necessary to reproduce fixed assets in such cases. The question arises, if the enterprises should have their depreciation allowances left at their disposal. Perhaps, in some branches, it would be better to transfer, through budgeting, a considerable part of the allowances on behalf of priority development programs. As a result of such a policy, the depreciation allowances may become the instrument for restructuring fixed production assets.

There is another contradiction that was not given enough attention in the draft plan. It is the contradiction in the regulatory sphere, between the projected amount of the budget deficit up to 1985 and the system of incentives in enterprises. The system is tied to the principle of enterprises self-financing their development and the wage increases of employees. An optimistic thesis has been formulated concerning chances to do away with the budget ddficit. All the possible ways to achieve this objective are listed, including the necessity to increase the share of the budget in the profits of enterprises. In the meantime, it is a known fact that the applied heavy graduated tax on profits resulting from the increase in the profitability rate and in average wages negatively affects material interest in increased production and decreased material costs. As a result, the state gains concerning the profit rate could be lost in total profits, and the input into the budget may even decrease. This is the paradox of the heavy graduated tax. The 3-year draft plan actually mentions a possibility of corrective measures concerning taxing principles, but the issue, so vital to the efficient functioning of the plan implementation mechanisms, has not been formulated clearly and precisely. As in many other cases, the treatment of this issue shows inconsistencies and even contradictions in reasoning.

Besides the already discussed contradictions in both realistic and regulatory spheres, there is also a serious and difficult-to-solve contradiction in the sphere of distribution. Strong public pressure to equally divide the very limited consumption resour-es will collide with the necessity to put in motion a strong incentives system based on management effectiveness. The principles of distribution might be undermined, however, by those who, to a considerable degree, control public order. Thus, this is an extremely serious dilemma, and the room for maneuvering is both limited and lacking in stability.

How Realistic Is the Plan?

The descriptive part of the draft plan constitutes, in a way, a manufactured "theory" to suit the central planners' intensions. The "theory" loosely corresponds to the tables contained in another part. The descriptive part has many propagandistic aspects, as evidenced by the above discussion. It is extremely difficult to make projections while there is not a single stable element suitable for solid extrapolation, on which a reliable plan could be based. In the situation in which our country has found itself, a certain dose of optimism is necessary. Without it, it is impossible to manage the national economy and the society. However, we do need a more realistic approach to planning.

The authors of the plan attempted to reconcile optimism with a realistic approach by creating three variants. I believe that those were their intentions. The fact that development strategy variants are presented should be viewed as progress. It satisfies recommendations made by economists for years. However, this has been, to a considerable degree, only formal progress. The presented variants are not sufficiently justified, not sufficiently based on the national economy's balancing ability. Furthermore, for some factors of production (e.g., investments) changes in outlays are not properly reflected in and justified by the expected growth rate of the national product. They are simply vectors of numbers expressing certain working hypotheses in the pessimistic, moderate, and optimistic variants. It is difficult to evaluate them because so many initial elements are missing. For example, it is impossible to check the inner correlation of numbers and proportions which in several cases seem very doubtful.

In order to achieve greater credibility of the draft plan it is necessary to make variants of projected trade-payments balance up to 1990, of investments balance, including structural freezing and commitment of investment resources (also up to 1990), and balance of the population's income and expenses up to 1985. Without these basic balances, any planning is suspended in a vacuum and become nothing more than wishful thinking. I believe that the balances should be worked out during the work on the plan and they should be made available to experts for evaluation.

The visibility of the plan depends largely on the determination of its point of departure. Despite appearances, the determination has been insufficient. For example, it is not enough to know how much income and production decreased, but also what influenced the decrease, and to what degree. First, it should be determined what the relationship is between

supply imports from the second payments area and the national product. After all, this is one of the main factors limiting economic growth. This procedure will allow the finding of a more realistic path of growth. In the first (pessimistic) variant, the draft plan assumes that in case of our insolvency and import-export restrictions imposed by our creditors, the growth rate of generated national income will equal 3.5 percent up to 1985 and 3.4 percent up to 1990. This so-called pessimistic variant contains a considerable dose of excess optimism. What resources for substitution and what other arguments have the draft plan authors at their disposal to resist a more likely hypothesis of long-range economic stagnation as a result of our insolvency?

The descriptive part points to the expected results of the economic reform, but, since there is no chance for reestablishment of normal trade and financial relations with the second payments area, the depth of the reform could be limited and its results questionable. The tendency to economic stagnation below the level of full utilization of the existing production equipment may be quite strong in view of generally stable employment and the level of investment outlays close to those in 1982, combined with a growing share of investment for restitution, as a result of the "investment echo" from the seventies. Import supplies will also significantly affect the program calling for completion by 1990 of investment facilities whose construction was started in the seventies and then interrupted.

Thus, the development strategy and the process of coming out of the crisis largely depends on import of supplies and for this reason projections should be based on a more incisive analysis. This goes for the optimistic as well as the more pessimistic variants.

In conclusion, the draft plan's descriptive section points to all possible and probably factors that could influence the growth rate of particular economic outcomes. However, there is not the smallest attempt to evaluate the effects of particular factors on projected dynamics. Furthermore factors that affect the growth of the national product have not been discussed. This needs to be done, because only on such a basis could the variants of the development strategy be made realistic--dependent on either success or failure of significant units of production.

The descriptive section rightfully points to the importance of the society's integration around the plan's tasks. It is the basic condition of the plan's successful implementation. The statements to this effect are to a considerable degree declaratory, since the planners could not solve socio-political problems. The solution is outside their range, so they simply pushed the unknown quantity outside the parentheses. Thus, the solution of the problems that will significantly affect the society's integration has been left up to chance.

The draft plan now presented for public discussion can and should be perfected. We should also remember, however, that its viability depends largely on factors outside of the purely economic sphere. We have to find the way to free authentic public motivation. Even the most optimistic draft plan variant will not accomplish this, and, by the way, the preferred second variant does not offer all that much. The society has lost confidence in all the plans and promises. The cycle of impotence will not be broken merely by showing people that their material conditions depend on work quality. The plan, if only for internal use, should show the authorities that the determinant of economic growth based on the higher effectiveness of production factors lies to a considerable degree outside the range of the central planner.

9959
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ROLE OF INVESTMENTS IN LONG RANGE PLANNING ASSESSED

Warsaw ZYCIE GOSPODARCZE in Polish No 34, 12 Sep 82 pp 1, 4

[Article by Teresa Gornicka]

[Text] What kind of investments can we afford? The assumptions of the three-year plan do not provide an unequivocal answer to this question. This is so not only because it is difficult to chart today the path of the development of our economic situation and, consequently, the basic premise for defining our investment possibilities, as represented by the distributed national income, can be of only a tentative character.

We do not find an answer to the title question in the assumptions concerning investments, even if we disregard these uncertainties and, in conformity with the suggestion of the [plan's] authors, regard as the most feasible the second variant of the plan which assumes average favorable development. The index form of the size and structure of investments can provide, at the most, a basis for visualizing certain intentions of the planner. On the other hand, it is difficult to visualize the key role of investments in this difficult period of the stabilization of our economy.

One could begin by expressing doubts about the macro-proportions between consumption and investments as assumed in the distribution of the national income. The three different proposals presented for this distribution--in the following variants: protection of consumption, protection of investments, and maximization of consumption--imply that there is considerable room for maneuver between a pro-investment policy and a policy which is based on relaxation of restrictions on the side of consumption. This room for maneuver is determined by indices, given in the assumptions, of the share of investments in the distributed national income; these indices range from 19.4 percent in the variant of protection of investments downward to 13.3 percent in the variant of maximization of consumption. It is true, the planner opts for the intermediate variant--that of protection of consumption, in which the share of investments is set at the level of 16.2 percent; but the choice of an intermediate index, in view of the other possibilities being indicated, does not explain anything.

Choice or Compulsion

One can say, with some justification, that under the present conditions, and given the present status of knowledge about [our economic] future, to argue

about indices is, generally speaking, to no purpose. However, if we assume that the concept which is presented in the plan is to be a basis for social consultation, even to such an extent as is possible under the conditions of martial law, and that this concept is to be presented to the Sejm for approval, then it must show as fully as possible all the realities and conditions which determine the planner's thinking. Our concern should be that any discussion be real and not feigned.

Thus, is the level of consumption, as assumed in the variant of protection of investments, a minimum level, and is the share of this consumption in the national income, as proposed in the variant of protection of consumption, an indication of a certain relaxation of restrictions? In a word--does a choice exist under the present conditions?

A clear answer to this question has a practical value for the determination of the investment possibilities which are of interest to use in this article. It is one of the figures which has to be established rather explicitly in the plan. For, as we know from our experience in the recent past, the so-called inauguration of the plan produces the worst results in this very area. Of course, everything depends on what will be there to be distributed. In the plan's assumptions, after all, certain premises indispensable for planning were accepted, and it is only these premises that can provide a basis for consideration.

Difficult times do not favor investments. If we employ comparisons which characterize our economy's effectiveness in this respect, then the variant of protection of consumption, which anticipates earmarking 16.2 percent of the distributed national income for investments and which the planner regards as the most rational of all, is the lowest index since 1960. Our trend away from the investment peak can be exemplified by the year 1975, very free in this respect, when the interest rate on investments jumped to 28.4 percent, and in the year 1978 it amounted to 26.1 percent.

The anticipated outlays in absolute figures will then be, when compared with the year 1978, even lower than would result from a simple comparison of indices. For, as is anticipated, the distributed national income in 1985 will represent between 3/4 and 4/5 of its highest level before the crisis which was attained precisely in 1978. The plan's assumptions include an estimate of outlays for investments, amounting to approximately 1 billion [sic] zlotys annually. Since these investments are already calculated in the new prices, they cannot be used as a basis for comparison with outlays in previous years.

Through the Prism of Objectives

Thus, during the next few years we will make few investments. However, if we assume that we must solve the dilemma of whether to protect investments or consumption, then we must first provide our own answer to the question: What role is to be played by investments in that plan for our country's economic recovery? And so, let us try to answer this question at least in the form of general considerations.

In the course of three years we want to implement, speaking briefly, three most important objectives: halting the decrease in production, attaining

economic balance, and activating the process of modification of the production structure. To what extent are all the three objectives conditioned by investments? In other words, will we attain these objectives more easily and rapidly if we try to preserve at all costs the level of investments?

Thus, the first question which we should ask is: Do investments have a braking effect on increases in production?

This is an academic question if we consider the extent of nonutilization of our production-type fixed assets, all the more so because--as stated in the plan's assumptions--there are no possibilities of fully utilizing the installed production capacities even in the year 1985, for various reasons, one of which is lack of raw materials; this lack is impossible to eliminate, because of import restrictions. Likewise, we have doubts whether during the time period under consideration it will be possible to fill the supply gaps resulting from the above restrictions through activation of no production capacities. This is, indeed, too short a period to enable new investments gaps. The objective--that of halting the decrease in production--does not favor protection of investments in the three-year plan.

Thus, indeed, it is possible at least to fight this argument with a counterargument about losing the battle for the future which is to be enhanced by these investments. I will return to this matter later on.

The second objective--that of balancing our economy--likewise, does not favor the investment variant. On the contrary; the lower is the level of investments, the greater is the number of economic arrangements which can be balanced during a three-year period. This applies to many unbalanced arrangements which vex us at present. After all, a low level of investments takes the strain off raw material, energy, and fuel balances, let alone the import-intensiveness of the very process of the implementation of investments. And I do not mean only imports of technical equipment. To be sure, every new construction is linked to imports of some materials, for example, cable, without which it is impossible to construct anything today.

Moreover, there is a close relationship between the level of investments and the plan's assumption of attaining market balance within the next three years. The authors of the plan, it is true, do not promise complete satisfaction of the population's demand for some articles. However, it is possible--as they state in writing--to anticipate a tangible normalization of the market situation, a return to normal commerce which would eliminate the need to stand in lines, and a gradual abandonment of economic regulation systems. Many factors will determine the feasibility of this assumption; one of these factors, however, is precisely the limitation of the size of investments. As we know, every investment is a source of outflow of money to the market, and this money does not bring financial return in the form of a product until the investment has been completed and fully implemented.

Thus, from the viewpoint of these two objectives: halting the decrease in production and balancing the economy, the level of safe investment during the next few years will have to be fairly low, not so much by choice as out of necessity.

We still have to consider the third problem--initiation of changes and modifications in the production structure, which would insure the feasibility of the tasks and objectives which are stated in the plan's assumptions. In the present situation, the desired structure can be achieved through the method of lowering production in those areas which do not determine the economic balance, by shifting difficult-to-obtain production factors to those areas which determine our society's existence and survival. Nevertheless, this cannot be the only and long range method. Thus, we face a question how we can influence the elimination of these shortages while investments are being restricted. Is this at all possible?

The Basic Question

And here we are approaching the problems of the internal structure of investments. The plan's assumptions predetermine the orientation of the investment plan toward the main social objectives, that is, food and housing. A central decision is made to earmark 30 percent of investment outlays for housing construction, including grounds and facilities, and to earmark almost the same amount, 28 percent, for food production, including the food industry and the industry which makes production means for agriculture. Of the remaining 42 percent, outlays representing 6.5 percent of the budget have been earmarked for other areas of social consumption, namely, health service investments, education, culture, and science. 11.5 percent have been earmarked for the production of energy and fuels, and 24 percent for all the remaining objectives, including also industry (not part of the food and housing outlays).

Simultaneously, as is assumed, shifts between individual groups of investments will be occurring in this period. There is going to be a decrease in the share of central investments to the benefit of investments by enterprises, the field plan of action, and investments by the population, particularly in agriculture, housing construction, and services.

So much about the structure of investments as defined in the plan's assumptions. It is not difficult to foresee that these assumptions will be vigorously debated. This is understandable, because it is the assignment of limited resources to individual objectives that makes us realize the extent of these limitations. Likewise, in the preferential areas of our economy, i.e., in agriculture and housing construction, in view of the enormous range of needs, these outlays do not augur any noticeable progress. In issue No. 33 we published material by Waldemar Michno, giving an exhaustive treatment of this problem with regard to agriculture. Soon we will publish similar material pertaining to housing construction.

Clearly, no one has to be convinced that today in Poland precisely food and housing represent the category of the most urgent needs which cannot be deferred to better, post-crisis times. These are investments which build the material basis of social stabilization and whose importance cannot be overestimated in this process. At the same time, we cannot avoid the question whether, under the conditions of an economy which is oriented toward overcoming a crisis, such a distribution of resources will pass the test of practical application.

Thus, let us ask this principal question in a straightforward manner, because the initiation of a debate on this extremely important issue allows us to

realize its broader ramifications which penetrate into the deep core of our economic policy. In my opinion, it is necessary to speak about two main conditions which guarantee the implementation of these social objectives. First, to what extent will investment decisions during the next three years terminate investments which have already been started; and second--and this is probably the determining condition--what method will the central planner adopt to eliminate infrastructural shortages, and not only to define eligibility criteria for investments now being accepted for implementation.

In the plan's assumptions there is no clear formulation of the problem of investments which were initiated in the 1970s. Thus, it is difficult to have an idea to what extent these unfinished investments will affect the plan's schedule. If our present commitment to these investments is estimated at an amount which exceeds the three-year outlays (already after deducting those investments which have been totally terminated) then, as is assumed, in 1985 this commitment will decrease to two and a half times the yearly outlays.

The current situation in this area is described by the decision of the Council of Ministers [RM] which is contained in the resolution of 31 May of this year. It follows from it that 116 investments, with a cost-estimate value of 129 billion zlotys, have been totally terminated. On the other hand, 27 investments, with a cost-estimate value of 147 billion zlotys, are earmarked for resumption after the year 1983. In the case of 79 investments of enterprises and budget units, with a cost-estimate value of 55 billion zlotys, their speedy resumption is regarded as purposeful; a proposal has also been made to resume 74 investments, with a cost-estimate value of 37 billion zlotys, after altering their material scope or their assigned purpose. The size of the investment commitment, or the outlays which we will have to make during the next three years in order to complete these investments, is not estimated in the new prices. Thus, it is difficult to tell how these assignments will encumber the investment account of the new plan.

These uncertain premises, of course, cannot be the basis for exact calculations and absolute conclusions. The purposefulness of continuing already initiated investments can be examined on a per unit basis according to various criteria. Even with a moderate commitment of resources but with a high foreign-exchange intensiveness of production, further continuation of such unit investments may prove to be purposeless. In the ever changing situation of our economy--unfortunately not for the better--verification of previously made decisions must take place.

There is no doubt that the general calculations which were made during the formulation of the concept of the three-year plan, brings this problem again to light. For, if the matter of freezing of investments becomes the departure point for investment initiatives during the next few years, then, it is true, the extent of losses from terminated investments will diminish; but then it will not even be possible to initiate the process of creating a new economic system in our country. These are, predominantly, old-type investments. What is also important is the fact that losses resulting from the freezing of investments are losses of outlays already made. But, above all, by committing ourselves to these investments we will be unable to activate effectiveness mechanisms through a change, as I have defined it, in the planners' methods of elimination of shortages.

This idea needs to be developed further. But let us return once more to the structure of investments.

In the plan's assumptions, 11.5 percent of investment outlays are reserved for the fuel and energy complex, while 24 percent have been reserved for all the other objectives including also those of industry (with the exception of food and housing). This itemization with regard to the distribution of outlays, however, does not provide much of an explanation.

Of crucial importance here would be, first of all, an arrangement of outlays for production objectives, which would then be divided into central investments, field plan investments, and investments by enterprises. The extent of commitment to central investments would influence the structure of the outlays according to the criterion of the length of the implementation cycles of the investments. Central investments are, by their very nature, projects with long implementation cycles, and their share of the total outlays does not change radically from year to year. As we learn from the data of the National Bank of Poland [NBP], last year 40 percent of credit plan resources were used for central investments. Thus, we have a very large commitment in this group. As announced in the plan's assumptions, under the conditions of the reform some of these investments will be shifted to the field investments group or the group of enterprise investments; however, just a change in designation does not alter anything. On the other hand, a conclusion can be drawn from this that in the plan structure's very modest resources have been earmarked for investments by enterprises which, by their very nature, are short-term projects.

Central investments cannot be limited through a simple method of budget cuts, because their purpose is, first of all, to balance infrastructural shortages of energy, fuels and also of materials, in the group of materials which is of strategic importance to our economy. And this is self-evident. However, in our economy a one-sided method of prevention of growth of shortages of this type has evolved; it consists in adding ever new investments to the existing infrastructure. It is true, the need for actions aimed at decreasing the demand for these basic production factors has been frequently discussed, but it has never become the basis for the construction of plans.

In recent years, the most energy-consuming and material-consuming construction methods have been put into practice; the bulk of investment outlays has gone to industries (among them, the metallurgical industry) which consume precisely those hard-to-obtain production factors and thus favor capital-intensive investments of the infrastructure. This has resulted in a lack of funds to finance projects, frequently small in scope, which are aimed at decreasing the consumption of energy, fuels, or the most important materials. In the housing area alone we are losing at present, as a result of having neglected the basic principles of thermal insulation, heat energy which is calculated by experts in millions of coal annually. Countless examples of this kind could be given.

A reversal of this vicious circle of investment stimulation can occur only when the central planner adopts an iron-clad rule of preventing shortages, by using investment resources for the improvement of the efficiency of equipment and technology with the aim of reducing the consumption of these hard-to-acquire production factors by those who utilize them. This is an extremely important and instrumental role of the investment plan, which is lacking in the assumptions.

This method of preventing shortages, however, increases in the plan's structure the bulk weight of investments by enterprises. At the same time, a question can be asked to what extent it will be possible to implement this centrally oriented concept in a reformed system of management, when the enterprises themselves are able to make decisions regarding their own investments. Here we come to the mechanisms of the reform, which ought to be adapted to such a concept. These mechanisms must provide for preferential treatment of or even reward (e.g. through tax credits) for the initiation of this type of small-scale projects. For this type of investments we ought to make available the resources of the credit plan, provide the necessary supplies, and even bring these investments to the attention of the executive apparatus of the construction industry.

Our considerations about the future of investments, as is evident, do not lend themselves to optimistic conclusions. It is not difficult to imagine how the existing restrictions will be transformed in practice into numerous problems related to the restoration of production-type fixed assets, to the filling of gaps in co-production, leaving unmentioned the expected equalization of various disproportions in field arrangements. There are good reasons for the concern of technical and scientific milieus about the future of a country which for several years will be deprived of the possibility of making larger investments. The drastically reduced possibilities of investment imports threaten to rapidly widen the technology gap between our country and the developed countries. In the latter instance, our chances to attain the world level have been limited for a long time. While during the ten-year period, 1971-1980, without regard for anything--including also, unfortunately, the export capability of our economy--we were able to afford investment exports amounting to 15 million dollars, such a small country as the Netherlands purchased investment goods for the same amount in 1980 alone.

In view of this, opinions are voiced that the only way out for our economy, for our technology and science, and the only way to fill the gap is, from a realistic viewpoint, reliance on modernization investments, mainly by enterprises. Such a premise is a logical one, but only on condition that strong incentives are created to encourage enterprises and people to initiate this type of actions. This will take time; but at some time or other, it will be necessary to initiate such processes. The scarcity of investment recources may make this necessity a genuine opportunity.

In these years of investment drought, we are losing many battles and we are certainly making our future less bright. However, let us not forget that we are still facing the question which is the most important one for our national existence--how to win the battle for the present while saving what we can for the future.

9577
CSO: 2600/947

LABOR REFORM IN ENTERPRISES REVIEWED

Warsaw ZYCIE GOSPODARCZE in Polish No 32, 29 Aug 82 p 9

[Article by Miroslaw Bunta: "Enterprise Reform (4): Labor Management"]

[Text] Enterprises independently define the level, structure, and forms of employment, and also the size of the emoluments fund, its forms, and the principles underlying the provision of bonuses to workers, in accordance with financial possibilities and needs. However, studies show that, in practice, there are many restrictions on the employment and wage policy of the independent management of enterprises. Many enterprises await a basic change in the principles underlying emoluments.

Despite incomplete utilization of manufacturing capacity, supply deficits, and other difficulties, the enterprises polled are not interested in restricting employment. Only in one enterprise was there a reduction in force caused by a decline in production. At the same time, only in one enterprise, part of the fruit and vegetable industry, did employment increase in connection with the fact that newly activated establishments reached their planned production capacity. In all the other enterprises one observes a tendency toward a decline in employment in the first quarter of 1982 as compared with 1981, but this decline results primarily from the early retirement or routine retirement of a certain number of workers. These retirements solved the problems resulting from the need for possible dismissals dictated by production conditions.

In the employment structure, either there have been no essential changes, or the employment structure has deteriorated to the detriment of direct production workers and auxiliary workers (for example, cleaning women). To attract workers in this group, enterprises in the machine engineering industry are anticipating significant changes in the wage structure.

Enterprises do not perceive a need to restrict the overall magnitude of employment, but the number of white-collar workers, especially administrative and office workers, decreased as a result of the unfavorable employment structure in four enterprises in light industry. At the same time, there were changes in the organizational scheme of the enterprises (elimination and joining of organizational elements). Among the basic external restrictions on the independent management of employment policy are the following:

--binding regulations regulating the procedure for hiring and firing workers. The enterprise must continue to obtain the agreement of the employment department to hire new workers. In the case of an enterprise in the machine engineering industry, stipulations from the employment department concerning manual laborers are formal--consent is obtained for the whole group of workers; but to hire white-collar workers, permission must be obtained in every individual case;

--the lack of workers in particular professions in the local labor market. The enterprises must have a policy of attracting direct production workers, a policy hampered by the existence of obsolete rate scales and wage tables. The lack of workers in particular professions leads to the tolerance of irregularities in the work of persons already employed.

In certain cases one can also observe internal restrictions concerning the employment structure, caused by the immobility of the work cadre, the inflexibility of the wage system, and the disinclination of workers to perform certain types of work considered "inferior."

In 1981 in most enterprises there were no changes in wages except for those resulting from general regulations. Obligatory resolutions concerned: an increase in payments made for severance pay, an increase in the percentage rates for anniversary prizes, and changes in the amount of allowances for work experience.

In establishments within the chemical industry there also were wage changes due to the introduction of industrial branch allowances amounting to one zloty per hour and to the calculation of the master's and director's fund based on this higher rate.

Only in a small number of the studied enterprises was the increase in the average wage in 1981 due to the enterprise's initiative. In one of these enterprises, the bonus was increased for white-collar workers, indirect production workers and white-collar workers were reclassified, and the wages of piece-workers were raised. In another enterprise, to make the establishment more attractive, they increased the bonus for production workers by 5 percent and increased the wages of white-collar workers one level.

In 1982 no basic changes have been made in wages, among other reasons because the enterprises are afraid of the financial consequences and are having difficulty specifying them. They also are approaching the problem of wage increases carefully on account of the overburdening of the FAZ [Vocational Activation Fund]. All of the polled enterprises believe that this overburdening is very serious and that it allows only for the autonomous growth of the average wage (acquisition by the workers of the power to receive allowances for having served loyally a full term of years) while it does not permit an active wage policy--one including promotions and reclassifications. The enterprises are doing their calculations very accurately so as not to exceed the designated growth limit for the average wage, since then the workers would count on payments based on prize money. Of the 30 polled enterprises, only five had a deduction for the FAZ.

In the first quarter of 1982, average wages increased mainly as a result of central decisions, independent of the enterprises, for example, as a result of an increase in the coal allowance from 55 to 200 zlotys; and in establishments within the chemical industry they increased even more on account of the introduction of an industrial branch allowance amounting to 2 zlotys per hour. In an enterprise in the fruit and vegetable industry, governmental decisions (a pay raise for the lowest wage earners) and ministerial decisions (a change in the wage table) influenced the growth of wages. Only in two enterprises was there a reclassification of workers to the higher group or table.

Active shaping of the level of the average wage is limited primarily by the obsolete wage tables and rate scales. There is a need for reform of the wage system in order to create the proper motivation for workers. There is a generally perceived need to introduce new rate scales; although some enterprises do not want obligatory rate scales, others prefer intraestablishment rate scales. There are also enterprises which want to abolish these rate scales.

The new rate scales are being awaited to establish functional order, to standardize the wage structure, to decrease the number of wage elements, to assure that norms are being exceeded in concrete ways, to leave maneuvering room for the enterprises, and to provide the possibility of advancement for "low" workers. Periodic changes in the tables allowing for the rise in living costs are recommended.

The approach to the new rate scales of one of the enterprises in the chemical industry branch is very interesting. According to this approach, these scales should:

--provide framework guidelines concerning the whole industry, without subdivision into industrial branches, with an adjustment for division according to professions;

--give the director the authority, within the framework of elaborated assets, to use a higher category ranking above the rate scales for 10 percent of the work force;

--introduce the principle of a one-component basic wage in the case of workers paid monthly.

The beginning of the new approach to wage policy is the elaboration in many enterprises of regulations providing incentive bonuses. The bonuses should be dependent on actual work achievements and should not, as has been the case until now, constitute a permanent addition to the basic wage. Not all enterprises use a recognized bonus yet, but many of them have worked out new incentive bonus regulations making the payment of bonuses conditional on the performance of designated tasks or even on going beyond the performance of these tasks.

New bonus principles take into account the reduction in first costs of production and the increase in work efficiency. Depending on the enterprise, they

concern the entire work force, only functional or white-collar workers, or direct production workers as well. In some enterprises, the payment of a bonus is dependent on the evaluation given by one's superior.

In those establishments in which there is a high rate of absenteeism, it is proposed that a summary bonus be awarded for full use of the work hour during the month or even the year.

Much more remains to be done in the field of employment and wage policy. For the enterprises to be able to shape this policy freely, according to the needs arising from independently established tasks, it is necessary primarily to update the wage tables and qualificatory rate scales which have been devalued in the majority of cases. Without this, there cannot be any talk of reform of the wage system. At the same time, the enterprises should be given greater authority in shaping the magnitude of employment by restricting the influence of the employment department and through changes in some paragraphs of the work codex. It would be advisable to elaborate mechanisms for attracting direct production workers, a shortage of whom exists in the local labor market, since the practice of letting some enterprises outbid for workers from other enterprises and the lack of discipline permitted in establishments are intolerable. Wages should be tied tightly to work results. Therefore, it would be necessary to introduce remuneration based on the smallest possible number of components. At the present time, the basic wage represents a small percentage of the worker's remuneration, a fact which does not inspire workers to do good, efficient work. The progressive taxing of the increase in the average remuneration also has an anti-incentive effect. The enterprises have to make a choice between benefits for the work force and income sent back to the state. Most often, actions prevail which do not permit deductions for the FAZ.

The sole positive element in the management of the work force is the elaboration by the enterprises of principles providing incentive bonuses for workers.

8729
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## OFFICIAL FEARS HESITATION IN TURNING ECONOMY AROUND

Belgrade NEDELJNE INFORMATIVNE NOVINE in Serbo-Croatian No 1657, 3 Oct 82 pp 12-14

[Interview with Zvone Dragan, vice chairman of the Federal Executive Council, by Scepan Rabrenovic: "A Change of Political Orientation in the Economy"; date and place not specified]

[Text] "To speak about a change of orientation 8 years ago, 5 years ago, or even 3 years ago is not the same as to speak about a change of orientation today. We no longer have the time to pledge ourselves to a change of orientation, we must begin it. And we have pledged ourselves to it often enough: after the 10th and 11th Congresses of the League of Communists of Yugoslavia, after the constitution, and again after the resolutions of the Presidium adopted November 1979, when we knew that we would have a huge payments deficit, to say the least."

This was the response which Zvone Dragan, vice chairman of the Federal Executive Council and the man who is most responsible in the federal government for development policy, made in answer to our question about what has been happening after all the fanfare with the turnaround in economic and social behavior.

[Question] There are quite a few people who say that we still have time and that we should not hurry with the turnaround.

[Answer] No, we do not have time. We have a large disproportion in the economy, not only among sectors, but also within sectors--primary, secondary and tertiary. And we also have a large disproportion between the economy and noneconomic activity, which is oversized in view of society's financial capability and the level of the productive forces in labor productivity. All these disproportions have snowballed over the years, and one realizes that we also have a high level of indebtedness, then it is no surprise that we should be in a situation of repaying debts out of current income, export earnings, since our foreign exchange reserves are not exactly unlimited.

The bills for those debts are coming in, they represent a heavy mortgage on us, and we face the majority of those bills because of the disproportions in the economy and in society and because of our economy's autarkic development. All of these large bills, some of which go back many years to disproportions and

errors in our numerous development policies, dictate that we change direction, and we can no longer put it off.

No Protection for the Weak

[Question] What are all the things we must do not only in our behavior, but also in the system and in economic policy, for a change of orientation to be even possible?

[Answer] One of the essential conditions is that we be willing to pay the price and make the sacrifices required by that change of orientation, above all in consumption. And that without mercy--by hook or by crook. After all, the situation we find ourselves in does not allow us to behave otherwise. The sooner we realize this, the better for everyone.

But curtailment of consumption is not the only bill we will have to pay. This is only one of the bills; we will have to pay a larger one in the form of more work and higher efficiency. And less of the easy life. That is in fact the real bill.

Yet more important than that is for us to really open the door as an organized self-managing society to the impact of economic laws and market criteria on economic behavior. We must do more than merely talk about these laws and criteria, more than talk about them as though we had only now discovered them, but we must open the door wide to them at all levels--from the basic organization of associated labor, up through the opstina, the republic and province, to the Federation. So that their presence is felt everywhere. And we must, of course, be prepared for the consequences of the impact of economic laws and market criteria on economic behavior within the country and abroad, abroad especially.

The first consequences of the effect of those laws and criteria would be selection: the one who invests intelligently, whose development conforms properly to the laws of those criteria, who has high productivity, will certainly fare better. Those on the other hand who will seek salvation in protection from the state, whether it bear the name of the opstina, the republic, the province or the Federation, who seek salvation in a linear economic policy aimed at the average, which always has too much of the "law of the average," rather than the law of value, it will be much, much more difficult for them.

[Question] Even among those who declare themselves in favor of the turnaround there is no consensus on the speed at which we should commence that turnaround: some are for it to be slow and gradual, while others want a faster change of direction, regardless of how many there will be of those who will fall off at the first sharp curves.

[Answer] I am aware that there are different views as to the pace at which we ought to carry out the change of orientation. Some scholars and economists say that we need a radical change of direction within a time frame of 1 to 2 years, with major incisions in material relations and indeed in the system as well. Others on the other hand feel that we should emerge gradually from the

present situation, step by step, that we first need time to adapt to the new situation, and then we would alter the structure on the move in order to get out of our present difficult situation.

The 7-Month Year

I personally feel, and I would personally opt for essential changes in a short period of time--in a time frame of 1 to 2 years, since I am convinced that we cannot allow ourselves the luxury of gradual adaptation and constant postponement in view of the situation we find ourselves in. We were late in adapting to the first and second energy crisis, in adapting ourselves to the crisis situation on the world capital market and to changes in monetary relations in the world. Now I think that for us Yugoslavs the year no longer has 12 months, but perhaps 7 at most. The time has come when we must reorganize ourselves quickly, much more rapidly than most people think....

If we were to undertake the change of orientation slowly, if we should be content with small and partial results, not only would all that be prolonged, but I think that we should not be able to pay all the bills that have come in. I am not thinking here literally of the bills in foreign exchange and dinars that have come due, but rather of the bills to be paid, say, for mistakes in investment policy. Those failures cannot be corrected overnight solely through the goodwill of self-managers or by government decree. Certain mistakes in heavy industry or the hypertrophied manufacturing industry, which has been oriented almost predominantly toward a false domestic demand stimulated by inflation, are truly major ones and now represent a substantial burden on us, but we must live with them, though not with all of them, since some of them we will have to liquidate as soon as possible.

If we look at the character of our industrial output, then it is clear to us that we cannot rapidly change our orientation toward exports. Our industry is what it is with all its pluses and minuses. It is not possible for us at this point to have some altogether different industry. To be sure, in terms of what has been installed in industry, we have quite a bit, but we have quite a bit which was mistakenly installed and which was installed in the wrong place--governed by a mistaken conception of development. That is why we cannot anticipate any spectacular results in a period of 1 to 2 years in the sense of general changes in the structure of the economy and the qualitative factors in the conduct of economic activity.

The turnaround we have been speaking about is simply not possible unless economic policy and the economic system, that is, its mechanisms--from the foreign exchange system, by way of prices all the way to the credit and monetary system--consistently respecting economic laws, stimulate in development policy that portion of the economy which is capable of extricating us. We politicians cannot be at the head of that maneuver to change direction in just the words we utter, we cannot extricate the economy and society from the present situation with conventional activism, but in the short run, and also in the long run as well, we can be extricated by those who even now are so organized that their production and economic performance is optimal or by those who have the capability to rapidly adapt through mutual linkage to the impact of

economic laws and market criteria governing economic behavior on the unified Yugoslav market and especially on the world market.

Crisis as a Goad

[Question] Doesn't it seem to you that even the change of orientation is being driven more by distress and less by conscious will and an awareness of how large the troubles are?

[Answer] I could, of course, even adopt that interpretation of our endeavor to overcome the present difficult situation, but it seems to me that even our awareness about the true situation is no longer restricted anymore. Not only do we have tendencies that bode a crisis, we even have certain features of one. Of course, we cannot yet speak of a conventional crisis, since in conventional crises there is a large drop of production, in conventional crises we have almost total unemployment, several times higher than the unemployment rate at present, and inflation in the conventional crisis is measured in rates that exceed 100 and 150 percent. But it is certain that we have even now certain features of crisis and certain contradictions which are very exacerbated and which have the content of crisis. That is why we must quickly eliminate those contradictions and take effective command.

It is precisely that subjective awareness, the awareness of our own position, and also the awareness of the necessity of changing direction that is actually working in favor of the turnaround. Beyond that we are already aware that in the change of direction we must pay a certain price both as a society and also as individuals.

[Question] When can we expect the change of direction to begin in concrete terms, that is, when can we expect changes in economic policy and the mechanisms of the system?

[Answer] The very fact that we do not have the time to work on a long-range basis and that the time frame and material framework are limited for a gradual change of course, we must do some things immediately, and some later on. I would divide all this into three stages.

First, certain things we would have to do no later than 10 October, and there are two reasons for that. The first is for us to seize upon and extract from this year the very most that can still be taken from it, so that we have the smallest possible deficits; we already have a great many of them to carry over to the next year, so that we have as small a current burden as possible, since we already have quite a sizable burden from the past which for years will be a mortgage we will have to carry. But the most essential thing is in current developments not to allow those minuses to proliferate.

In addition to that, it is quite clear that trends are normally carried over from the last quarter of one year into the first two quarters of the next. In the case of exports above all. And if we wish to have better performance for exports in the first quarter of the next year than we have had in the first quarter of this year, then we cannot adopt certain economic policy measures on

31 December of this year, but they must be adopted earlier so that the economy has time to examine the possibilities and conditions under which export transactions would be conducted. In October we also should know what sort of situation we will have with petroleum in the coming year and above all guarantee the necessary quantities of petroleum to the end of this year, and we ought to know what kind of monetary and credit policy, foreign exchange policy and price policy we are going to have.

The second stage ought to end no later than the end of the year, and it would set in motion the anti-inflation program on which consensus has already been reached in the "Krajger commission." In actuality this anti-inflation program and the other documents comprising the stabilization program will have to be translated into mechanisms and instruments of economic policy, and that means that certain existing laws would have to be revised so that the mechanisms of the system are a function of the change of direction.

In the third stage we would have to amend and supplement and complete certain parts of the system and on that basis the set of instruments of economic policy measures, all those things which we cannot put in order so quickly, since if we were to do this quickly, then it would be improvisation. In this stage we should undertake further and more thorough elaboration of the mechanisms of the system. For example, the monetary and credit system requires more thorough reassessments, and it is not the only one, we must be clear about what is what, but we cannot wait long for lengthy debates--life is moving on, and the problems are becoming still more acute.

In actuality the third stage would contain everything that ought to be gradually put into action along the line of the change of course which cannot be achieved so quickly. After all, even a much more advanced economy than ours adapts painfully to new criteria governing economic behavior. That is why we will nevertheless need a somewhat longer time for many things.

The most dangerous thing would be if we were now to believe in a fata morgana, which is exactly what our belief in slack gradualism and mincing steps would amount to. It is already late for that. We are still unfortunately in the domain of general principles. The criticism of those who have made bad decisions is anonymous, authentic differentiation in terms of political ideology in the struggle for the change of direction is still in front of us. Self-management can be confirmed historically only if it is reproduced in an expanded form, and that means that the material base of society also grows steadily. No one can deny anymore the interdependence between self-management on the one hand and economic laws and market criteria on the other. A self-managing society will be a responsible society only if economic criteria are adopted as the basis for decisionmaking and behavior, rather than some subjective criteria and subjective improvisations.

There Will Also Be Vacillation

[Question] Economic laws and market criteria governing economic behavior, indeed the impact, the free operation, of those objective laws and those criteria, signify that what have up until now been centers of power, political,

statist and otherwise, will be divested of their power. Won't these centers attempt to take power back again when the first serious social crisis arises? We are not putting this question to you only as the vice chairman of the federal government, but also as a member of the Central Committee of the League of Communists of Yugoslavia.

[Answer] Regardless of the awareness that we cannot go further without the operation of objective economic laws, there is a danger that the subjective forces, including the members of the party, will vacillate even in the first conflicts on one of the barricades of the battle for the change of course. After all, let us be clear about this, the conflicts will not be solely of a social nature, the selection will hit all those who have been less productive, less able, who simply refuse to adapt to material truths and the operation of economic laws. I am convinced that there will also be vacillations and conflicts of a political nature.

Today, for example, we have an enormous degree of administrative regulation, perhaps more than any time over the last 10 years, with many things which operate adversely across the board. And there will be conflicts with administrative regulation at all levels, conflicts with those who stand behind administrative regulation, who for years have made a living from the logic of that kind of behavior, who have been the proponents of that logic. That will be one barricade, a high and difficult one, and the battle on that barricade cannot be won without political conflicts and without surgery and regeneration in the personnel field.

Another high barricade on which there will also be unavoidable conflicts is the meddling of the bodies and agencies of sociopolitical communities and the government and also of political factors in development decisions and business decisions of organizations of associated labor. As things stand today, those structures are like patrons of the economic entities. Agreements are reached today on key issues between three or four people in the opstina or republic or province, or decisions are made by so-called political aktivs, to which a few strong enterprise directors are added.

To go further, there are quite a few monopolies large and small in personnel policy. We have here simple criteria according to which the most important thing is an individual's attitude toward the leadership of the opstina or republic, not the kind of work he does and the attitude he has toward work and toward socialist self-management.

I believe that the change of course will have a very important social and sociopolitical dimension, but one thing is certain: we can no longer behave lackadaisically, and that is just the way we have behaved. We are entering difficult years. But most dangerous of all would be for us just to moan and spread defeatism. We also have objective conditions and a great number of able workers and specialists. And it is high time that we consciously and rationally set all that in motion toward a radical change of direction. Indeed it is that which must be the backbone of that change of direction.

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# East Europe Report

## ECONOMIC AND INDUSTRIAL AFFAIRS

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# EAST EUROPE REPORT

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2336

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# TRENDS IN CEMA ECONOMIC INTEGRATION OUTLINED

Cottbus LAUSITZER RUNDSCHAU in German 12, 17 Aug 82

[Serialized article by Dr Hans Rohde, economist, lecturer, Cottbus College of Engineering, Institute for Marxism-Leninism]

[12 Aug 82 p 4]

[Text] Where Do We Stand in the Process of Socialist Economic Integration?

A good ten years have passed since the adoption of the comprehensive program for further deepening and perfecting the cooperation and development of socialist economic integration among the CEMA member countries.

## The Test and Approbation of the First Decade

The road taken by the CEMA member countries to still closer international cooperation has stood up well in practice. The following main results are in evidence:

1. Socialist economic integration has become increasingly important for each CEMA country and greatly contributed to the high production growth rates in the 1970's.

2. Most of the reciprocal economic relations are firm contractually arranged contacts in a division of labor and irreversible, which are proven stable also for the 1980's.

3. CEMA division of labor went still much faster than the development of production growth. The proportion of specialized products rose from circa 1 percent in 1970 to more than 30 percent in 1980, and the import-export turnover grew almost three times as fast as production did in CEMA.

4. In some CEMA countries--the GDR included--more than 40 percent of the national income already comes out of foreign trade.

5. In particular, all fraternal countries' cooperation with the USSR was deepened according to plan as a key issue of socialist economic integration. The USSR is the GDR's largest foreign trade partner, carrying a share of

nearly 40 percent of its foreign trade. This involves such vital imports of important energy sources, raw materials and fuels as well as a significantly greater scientific-technical and production cooperation.

6. Already the course taken by means of the long-term target programs has proven correct. Great efforts were made to implement step by step the target program on securing the CEMA countries' energy, raw material and fuel base. Embedded in it are, among other things, such great joint investment projects as the already producing cellulose combine in Ust-Ilimsk and the asbestos combine in Kijembai.

7. The rapprochement and alignment of the economic development levels in the European CEMA countries was so successful in the 1970's that qualitative disproportions among those countries no longer exist. Economic disproportions continued, of course, mainly in labor productivity and per capita industrial production, which will continue to be reduced with determination.

Vivid Integration in Our Bezirk

This successful socialist economic integration process also pervades our Cottbus Bezirk and activates our whole economic life every day. Many economic installations and production processes, especially in our territory, would be inconceivable today without socialist economic integration.

Combines and enterprises such as the VEB Albert Zimmermann aluminum works, Lauta, the Schwarze Pumpe gas combine, the Boxberg and Jaenschwalde power plants, BFG Lauchhammer, and the VEB Lausitzer Glas Combine, Weisswasser are intimately tied up with socialist economic integration. Most of them and many others--it may be said with every good reason--are direct "products of socialist economic integration." What keeps always again sticking out is the very close bond and interlinkage with the USSR economy.

[17 Aug 82 p 4]

[Text] The Heart of the Matter Continues To Be Cooperation With the USSR--Reflections on Problems of Socialist Economic Integration

The friendship and cooperation with the Soviet Union, as was reiterated at the Crimean meeting between Leonid Brezhnev and Erich Honecker, is and remains a reliable guarantee for further successes in socialist construction, the proven centerpiece of socialist economic integration. Thus it is practically being felt in all of our bezirk's important integration projects. Some examples will speak for themselves:

--At the VEB power plant Jaenschwalde, the first 500-megawatt bloc was put into permanent operation on 5 October 1981; others are coming. The USSR delivered turbines, generators, electrical and turbo pumps, and furthermore, Soviet specialists were among those who helped in the assembly and in starting the operations of the chief aggregates in the turbine hall.

--Based on the USSR-GDR agreement signed in December 1979 on the development, production and mutual deliveries of synthetic diamonds and other superhard working materials, the labor productivity in manually decorating highly refined lead crystal products is increased between 25 and 35 percent through the use of new tools in the VEB Lausitzer Glas Combine, Weisswasser, and working conditions are being improved through reducing the noise level.

--Based on a long-term trade agreement with the Soviet Union, signed in 1965, the Boxberg power plant, the up to then largest thermoelectric plant in Europe on a brown coal base, was built. The technical project was finished by its 1967 deadline, and already in 1971 the first power plant bloc went into test operation. Early in 1973 the first construction phase was finished with 1,260 megawatt of electrical energy. Meanwhile operations are in full swing; we could not possibly do any longer without Boxberg for our energy requirements.

--Equally strongly is the Schwarze Pumpe combine, an important part mainly of the GDR's energy industry and, with it, of the development of a streamlined energy base of the CEMA countires, anchored within socialist economic integration.

--The close cooperation in refining raw brown coal with a high degree of economy, which was confirmed by a conference within the framework of the parity government commission for economic and scientific-technical cooperation between the GDR and the USSR, and was further extended in terms of its own requirements, is of great importance to both countries. That agreement envisages the joint development of new technologies and equipment for the gasification and chemical processing of brown coal with the aim of using the deposits of both countries more intensively and the resources more effectively.

The list could be continued. The responsibility of the combines as the basic economic units in material production and the modern management form, particularly for the process of socialist economic integration, is rising.

Major Future Tasks

The 36th CEMA conference in Budapest, 3 to 10 June, confirmed the successful development and did confirm it also for 1981. On that, the communique states: "With above-average speed production rose in those branches that determine the scientific-technical progress, mainly in machine building, electronics, the energy industry and chemistry. Industrial production rose mainly because of increased labor productivity."

The point also was made that it was necessary to merge more closely still. "We mean a cohesion that ensures firm and equal economic relations as an answer to attempts at engaging in discrimination and imposition."

Closer economic cooperation, as it was focused on at the Crimean meeting especially with regard to science and technology and modern technologies, is of course not only conditioned by external causes but mainly also by an acceleration of intensively expanded reproduction in the national economies of the CEMA countries.

To that end, we particularly have to push plan coordination within the whole framework of the CEMA community; cooperation for the development and application of microprocessing technology must be pushed all the way to the development and specialized production of industrial robots; the multilateral international production specialization and cooperation must be intensified; mutual deliveries of equipment for nuclear power plants must continue to be purposefully realized in accordance with basic agreements; and with the purpose of faster and more effective development of Vietnam, Cuba and Mongolia, preferential conditions for those CEMA countries shall continue to be used in our cooperation.

All these and other detailed measures contribute to the continued stability and capability of the CEMA countries on a permanent basis by means of socialist economic integration.

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## MITTAG, SCHUERER CALL FOR CREATIVITY WITHIN PLANNED ECONOMY

### West German Commentary

Bonn [WE-TAGESDIENST in German No 134, 4 Sep 82 p 2

[Report from Berlin: "No 'Dismantling' of 'Socialist Planned Economy.'" Translations of the two East Berlin EINHEIT articles by Guenter Mittag and Gerhard Schuerer, respectively, cited below, follow this commentary]

[Text] Two leading East Berlin economic functionaries now have explicitly asserted there will be no "dismantling" of the "socialist planned economy" in the GDR. In the theoretical party journal EINHEIT (No 9, 1982), Guenter Mittag, SED Politburo member and Central Committee secretary for economic affairs, emphatically turned back all western attacks on the "socialist planned economy." "Applied on firm principle and properly embedded in the scientific management of all social development by the party on the basis of Marxism-Leninism," it became the decisive factor for a "soaring, crisis-free economic development." Mittag admitted the planned economy had to cope "with difficulties and obstacles," yet economic progress was not a "smooth course." The SED had "drawn the necessary inferences for the further perfecting of the socialist planned economy in terms of strengthening it." Planning chief Schuerer made the point this did not amount "to any sort of spectacular changes but to extending further" what had proven itself, i.e., "measures that speed up scientific-technical progress, ensure the most rational use of resources, and enhance the quality and efficiency of labor." Special attention should also be given to a higher level of balancing.

### Mittag: Abandon Old Habits

East Berlin EINHEIT in German Vol 37 No 9, Sep 82 (signed to press 11 Aug 82) pp 873-884

['Theory and Practice of Our Socialist Planned Economy' feature article by Guenter Mittag, SED Politburo member and Central Committee secretary for economic affairs: "The Economic Strategy of Our Party--Expression of Dynamic Development of the Socialist Planned Economy"]

[Text] At the fourth SED Central Committee session, Comrade Erich Honecker, secretary general of the Central Committee, in his concluding speech offered a basic analysis of the current requirements for the continued implementation

of the 10th party congress resolutions. From that analysis, which has to be looked at in close connection with the resolutions of the third Central Committee session and the Central Committee secretariat conference with the kreis first secretaries, he derived the crucial tasks for the continued implementation of our party's economic strategy for the 1980's.

It once again expresses how scientific and relevant our party policy is. It was correct, the point was made, to react aggressively to the unfortunate changes in the foreign economy conditions by attempting higher achievements, higher labor productivity. Based on results achieved, new economic reserves were found for our extensively expanded reproduction which, by being totally exhausted, makes possible further to implement the main task in its unity of economic and social policy.

That at once offered important statements on the advantages of the socialist planned economy as they determine the development of the economy. This socialist planned economy, relying on Marxist-Leninist principles, makes possible assigning great economic goals and achieving them resolutely. It can react flexibly to new conditions and is a worthy instrument in a situation of intensified class struggle.

The successful development of the planned economy, like the development of socialism in our republic altogether, deeply connects with the constant deepening of cooperation between the CPSU and the SED, the USSR and the GDR, in all directions of their mutual relations. That alliance forms the reliable guarantee for the successful implementation of the tasks in the continued shaping of the developed socialist society in the GDR, issued by the 10th SED Congress.

Through the Crimean meeting this year between Leonid Brezhnev, secretary general of the CPSU Central Committee and chairman of the presidium of the Supreme Soviet, and Erich Honecker, secretary general of the SED Central Committee and chairman of the GDR State Council, the strongest impulses were lent the further development of the unshakeable fraternal alliance between the Soviet Union and the GDR.

The results of that very important meeting found our party's full agreement. They serve both the strengthening of socialism and of peace. The firm friendship between the Soviet Union and the GDR, it was found, works as an influential factor for political stability on the entire European continent. That is especially important in a situation where the most aggressive imperialist forces, relying on a policy of strength, are unleashing a "crusade" against the socialist community. The belligerent course of the U.S. administration in particular raises acute dangers for world peace. That includes economic warfare, already declared and practiced, against the socialist countries that also affects the West European countries and other capitalist industrial states. This involves a full political concept of trade sanctions, a destruction of treaty relations and a refusal of constructive dialogue.

At such a time, the close and fraternal economic and scientific cooperation between the GDR and the USSR reveals itself as the fundamental element in the

successful development of our republic. Its development is marked by the economic cooperation between the GDR and the USSR. It progresses year after year and has, in quantity and quality, reached an unsurpassed level in international trade relations. It is of reciprocal advantage and benefit. It is a safe foundation for the successful development of our planned economy, is indeed a vital part of it.

Proceeding from these positions of principle, our party directs its full attention to the purposeful implementation of the GDR-USSR production specialization and cooperation program.

This significant observation was made during the Crimean meeting: "Economic cooperation between the two countries develops reliably. Production specialization and cooperation efforts have perceptibly advanced in such areas as microelectronics, robot construction and chemistry. In years ahead the USSR and the GDR together with other interested socialist countries intend to make still greater efforts in science and technology development and in introducing modern technologies in industrial and agricultural production."*

All this is in full harmony with our party's economic strategy for the 1980's and its basic concern greatly to improve production efficiency by means of the latest achievements in science and technology.

In line with the position taken by the SED Central Committee Politburo and the GDR Council of Ministers on the Crimean meeting between Leonid Brezhnev and Erich Honecker,** what now matters is to draw everywhere the necessary inferences, in the sense of new creative achievements, to implement the domestic and foreign policy course as assigned by the 10th party congress.

Socialist Planned Economy--Essential Feature of Socialism

The advantages of the socialist planned economy are based on what amounts to socialism in the first place, its inevitable historic prospect and invincibility. They are based on the economic laws inherent in socialism which determine the policy for the good of the people as well as the proportionate economic development according to plan and its implementation.

The socialist planned economy is a completely new type of economic management in the history of mankind. It proceeds from truly overall social interests aimed at the good of the people and of each citizen. Its foundation lies in socialist property which is realized by means of the exercise of the workers' and farmers' power in accordance with the Leninist principle of democratic centralism. It is borne by the great initiative of the working masses through socialist competition organized by the trade unions.

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*"Friendly Meeting Between Leonid Brezhnev and Erich Honecker," NEUES DEUTSCHLAND, 12 August 1982, p 1.

**Cf. NEUES DEUTSCHLAND, 18 August 1982, p 1.

Every successful step toward further strengthening socialism, all experience demonstrates, is inseparably linked with the consolidation and perfection of the socialist planned economy. In the last 30 years, the socialist countries' share in world industrial output rose from 20 to more than 40 percent. This fact alone expresses to what extent the socialist planned economy has contributed and is contributing to a faster development of the productive forces in socialist countries than in capitalism. Here one always has to keep in mind that the socialist planned economy marks a radical break with all previous economic systems, especially with the capitalist exploiter society, the profit economy. The foundations for the socialist planned economy were first laid in the Soviet Union, were created--without any historic model--by the Bolshevik party under Lenin's leadership. From the hour of its birth the planned economy had to sustain a great number of all sorts of hostile attacks and prevail over them. This, as historic experience demonstrates, has been done and is being done with success.

The socialist planned economy is based on the insights of scientific communism, the great ideas of Marx, Engels and Lenin, which in principle contain the blueprint for creating this new economic system. Proceeding from there, the working class party is called upon always to do what is necessary to shape the socialist planned economy under any given concrete historic conditions. Each concrete step taken had and has to be checked and reinforced by experience. Virgin territory always had to be entered, and that also applies in every sense to the current era because the tremendous development of the productive forces, the rapidly growing economic potential, the deepening socialist economic integration and developments in the international situation always keep posing new tasks and require appropriate solutions. As a living organism marked by growing strength and steady perfection, and found in total conformity with the inevitabilities of historic development, the socialist planned economy's prospects range into the far distant future.

The socialist planned economy proceeds along with the advances in all social development. It relies on the consolidation of the power of the workers class and its allies and on the constantly growing leadership role of the working class party. It is borne by the scientific nature of party policy. With it, it is itself a decisive instrument for making this scientific policy possible because the planning of social development is a fundamental method for consciously shaping and controlling large social processes, especially in the economic field. It only makes possible a comprehensive economic and social policy both existing in unity. The great results achieved this way, as once again illuminated by the balance-sheet drawn up at our party's fourth Central Committee session, are also successes of the socialist planned economy under party leadership and supported by the people's initiative. Economic planning above all determines the continuity and dynamics of economic development. Applied on firm principle and properly embedded in the scientific management of all social development by the party on the basis of Marxism-Leninism, it becomes the decisive social factor for a soaring, crisis-free economic development.

In 1950, the GDR's national income came to M 29.3 billion, in 1981, to M 196 billion. In 1950, basic economic assets had a value of M 268.6 billion, in

1981, one of M 748.3 billion. The proportion of socialist property in industrial output came to 76.5 percent in 1950, but to 100 percent since 1981.

This altogether soaring development certainly does not mean the socialist planned economy does not have to cope with difficulties and obstacles. On the contrary, economic progress always means combative confrontation; it knows no smooth course. The great advantage of the planned economy, however, . that it offers the possibility to conduct this necessary confrontation in the most efficient manner that benefits man and that it is itself in essence always perfectible. As the tremendous advance thus far in the development of the productive forces became possible through the socialist planned economy, the result achieved itself constitutes a qualitatively new basis for a higher level development of its advantages. The socialist planned economy developed in the GDR at a time when, quantitatively as well as qualitatively, revolutionary changes occurred in the productive forces, science assumed a new role in economic and overall social development, and the close economic linkage with the Soviet Union and with the other CEMA countries had assumed new dimensions quantitatively and, especially also, qualitatively.

Import-export between the GDR and the Soviet Union came to a value of M 1.5 billion in 1950 but to M 49.9 billion in 1981. Approximately 38 percent of the GDR's import-export is transacted with the Soviet Union. This foreign trade is marked by mutual deliveries of an increasing proportion of high-grade quality products meeting scientific and technical world top standards. For the GDR it is of the greatest importance in this connection that, relying on agreements and contracts concluded, it can ensure the supplies of basic raw materials from the USSR. It cannot highly enough be appreciated that on the average in recent years the prices for petroleum products and other raw materials from the USSR lay between 40 and 50 percent below those on the capitalist world market.

In conformity with internal and external developmental conditions of the GDR in the 1980's, our party, on behalf of the further consolidation of socialism in our country and the further deepening of the close scientific-technical and economic cooperation with the USSR and the other CEMA countries, has worked out its economic strategy for the 1980's and is purposefully implementing it by means of the socialist planned economy. By its resolutions on this strategy, the 10th party congress has made a clear decision on further continuing the main task.

Under the conditions of the 1980's, great efforts are needed to ensure these goals in production growth and the people's prosperity. This gives us the task to take another step in combining the advantages of socialism with the achievements of the scientific-technical revolution so as to ensure the necessary lead for our intensively expanded reproduction of the future. This gives us the crucial preconditions for achieving a much higher level of labor productivity at a broad range. Our strategy takes the changed economic conditions into account, from which it derives the need to make a much better economic use of raw materials and fuels and work more efficiently with our basic assets. Closely connected with that is the effort about high product quality. All in all, what matters is greatly to improve labor efficiency and use precisely

the latest science and technology accomplishments for that purpose. That above all establishes our full turn toward intensively expanded reproduction.* It means achieving a saving of working hours, yet not by greater investment outlays, and a more economic use of material, but not at the expense of quality. Rather, the total economic result always is to be gaged in relation to the total expenditure of resources. In this sense our economic strategy orients us to extensive socialist rationalization whereby it determines the points of departure and new criteria for our investment policy. At the same time our economic strategy aims at producing vastly more and better consumer goods; and the point has to be made that consumer goods production is the concern of our entire economy. All that calls for high dynamics for the social production and the national income. That is why our economic strategy for the 1980's is resolutely oriented to an intensively expanded reproduction.

Particularly in connection with new steps toward our intensively expanded reproduction, as set down through the economic strategy, and also in view of the intensified international class conflict caused by the stiffer confrontation course of U.S. imperialism, our party has drawn the necessary inferences for further perfecting the socialist planned economy in the sense of strengthening it. The planned economy has proven a crucial factor for social development. Especially because that is so, it is not accidental that the class enemy in his frenetic attacks on the socialist social order makes so much altogether of the planned economy. Those attacks range from blunt denigration of the socialist planned economy all the way to demands to abolish it.

These attacks against the socialist planned economy, emanating from domains west of our borders, are the more remarkable and dubious because the industrially developed capitalist countries show mostly very low growth rates for their national income all the way to stagnation and recession. At the same time, unemployment figures, approximately 30 million, in the OECD countries have reached a threatening size, and the prospects are that the number of unemployed is going to rise instead of drop. Experts in those countries expect more than 31 million in 1983, more than 17 million of them in Western Europe alone. The collapse of firms, bankruptcies that is, is on the increase, in U.S. industry and commerce, e.g., from 6,619 in 1970 to 17,043 last year, thereby having reached a crisis-like record stage.

Altogether, all this talk about the so-called free market economy which purportedly prevails in the capitalist countries appears rather antiquated. If that still would have to be proven, it is done so by the U.S. government that shrinks from nothing. The trade and economic warfare it has unleashed by administrative measures and in violation of the sovereignty of other states--even its own allies--speaks volumes.

What Lenin wrote 70 years ago is confirmed all the more today, that when monopolies arose, free competition was finished. "Economically fundamental in this process," he remarked, " is the replacement of capitalist free competition by the capitalist monopolies. Free competition is the basic trait of capitalism and commodity production as such; monopoly is diametrically opposed to free competition."**

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*Cf. Comrade Erich Honecker, "Aus dem Bericht des Politbueros an die 3. Tagung des ZK der SED" (From the Politburo Report to the Third SED Central Committee Session), Dietz publishing house, Berlin, 1981, pp 20 ff.

**V. I. Lenin, "Imperialism the Highest Stage of Capitalism," "Werke" (Works),

So it is also a matter of misrepresenting the true state of affairs by bourgeois apologists when they contrast the socialist planned economy with an allegedly still existing "free market economy." The true opposite of the socialist planned economy is the capitalist economy in its imperialist stage under the dictates of the monopolies' profit interests. And that those monopolies, on behalf of maximum profits, shrink from nothing, seek to destroy any competitor and carry out their policy with blood, terror and violence, and with contempt for the sovereignty of other states, once again is demonstrated most clearly at the present time.

As imperialism stands for exploitation, profit and war, socialism, firmly relying on the planned economy, stands for production that truly serves the people and for the safeguarding of peace.

Planned Controls Over the Intensively Expanded Reproduction

In implementation of the economic strategy for the 1980's, as assigned by the 10th party congress, the GDR's socialist planned economy is resolutely aimed at intensively expanded reproduction. New requirements and higher measures apply to it now. That was brought out clearly in the concluding speech at the fourth session by Comrade Erich Honecker, secretary general of the SED Central Committee. Summarized, these new criteria for an intensively expanded reproduction consist in that

--the rate of labor productivity increase must be approximated to the rate of development in the scientific-technical potential, which will increase the growth of the national income still more;

--labor productivity must grow faster than basic assets allocation;

--the speed of production consumption must further drop in relation to the development of the national income so that an increasingly larger part of national income growth is due to the reduced production consumption; and

--enhanced refinement, through a complete utilization of the available high-grade potential, has still more of an economic effect on national income growth.*

Many factors affect our intensively expanded reproduction. They relate to the cutback in working hours as to improving quality products, to the saving of material and energy and the better utilization of the basic assets, to cost reduction, supply reductions, and high yields from our output, especially on foreign markets. Each factor contributes to our intensification. Yet if we manage to apply not only one or another factor to our intensively expanded reproduction but use them in their entirety, the total effect on national income growth can be greater than the sum of the computed effects of the individual factors. In other words, it is important that the intensification effect due to the cutback in working hours or the saving of material will come about, e g., not at the expense of higher outlays for basic assets, but that asset expenditure is cut back through better using what we have and adding to and converting technological processes--while labor productivity is increased and material is saved. All that is involved in our making the demand that the whole cycle of our intensively expanded reproduction be cohesively controlled through planning, management and economic cost accounting.

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Vol 22, Dietz publishing house, Berlin, 1960, p 270.

*Cf. "Aus dem Schlusswort des Genosssen Erich Honecker, 4. Tagung des ZK der SED" (From Comrade Erich Honecker's Concluding Speech at the Fourth SED Central Committee Session), Dietz publishing house, Berlin, 1982, pp 92 ff.

The fourth Central Committee session presented the reserves for our intensively expanded reproduction from the economic vantage point. The crucial thing is to understand the connection between our intensively expanded reproduction and our national income growth and to apply this connection to all phases in our reproduction cycle. It means ensuring our growth from the internal sources of the cycle of intensively expanded reproduction by using more efficiently what we have.

Therein also lies the great economic responsibility and possibilities the combines have to tap new reserves more than they have done so far. Those are matters that do not mainly depend on material conditions and on resorting to extensive funds, but on the ability of management to bring optimum organization to the reproduction cycle overall.

It is essential that we start introducing new technologies. Undeniably, advances in boosting labor productivity or in reducing raw material consumption while improving qualities--as in the case of refining--can permanently only be accomplished if technologies are appropriately perfected. Introducing modern technologies plays a key role in intensification because these technologies materialize scientific-technical progress and the ideas of the innovators and inventors take effect in the everyday production process. More than ever we can see today that each crucial and permanent advance in boosting labor productivity, every saving of material and energy, and all the improvement in the cost/benefit ratio--including even the investments--all come through the introduction of highly efficient technologies. Highly efficient technologies are those that rely on the application of the latest science and technology data while they ensure the highest economy.

Things become more economical only if the perfection of technologies itself abides by the strictest intensification criteria. It means that we must above all pick up from the equipment already there and that introducing them must be combined with the modernization of production tools, that new procedures are introduced by means of already extant processes, that costly new structures are avoided, and that everything takes place fast enough. Being economical also is the decisive consideration for technologies; and the most perfect and expensive solution is not bound to be the best solution. If one carries this idea further, ultimately then it is the ideological position which, by way of intensification and the results to be achieved thereby, controls the consolidation of our republic. To get more out of what we have is a thought that controlled the thoughts and actions of many party organizations even while preparations for the 10th party congress were under way; it must take effect now at a much wider scope.

From that standpoint it is necessary and correct that the combines are engaged in such intensive efforts at greatly boosting their own construction of means of rationalization and that, above and beyond that, especially in this field the already existing close cooperation with the USSR is further deepened, to make new data still more effective. In the perfecting of technologies lies the essential point of departure for the higher efficiency and better quality of labor.

The fourth Central Committee session made much of aggresssive reaction by which to ensure the conditions for carrying on the main task in our country as our intellectual and material possibilities allow. This has proven itself a strong productive force in the combines and enterprises in their creating through their own solutions new ways for ensuring their performance development. There are not a few cases where this also includes giving up old habits, and accomplishing the goals assigned in new ways while improving the cost benefit ratio.

This mode of a party-minded and aggressive reaction to new requirements has, in connection with the implementation of the 1982 national economic plan, tapped reserves at an extent not yet fully conceivable while preparing the plan for last year. That, particularly, reveals the realistic nature of our socialist planned economy, which has nothing to do with the purported "rigidity of plans" of which our enemies so often make so much but has everything to do with the GDR working people's initiative and dedication to the strengthening of their socialist state.

There are good chances for further advances because the scientific-technical potential in our economy on the whole has reached a magnitude for making an essential higher contribution to labor productivity boosts through the correct requirements and a prudent management and organization of capacities. As it is, in 1981 the rate of growth in science and technology allocations was faster than the rate of growth in economic labor productivity, which suggests the possibility to make science and technology economically more effective.

It means not merely reducing the active role of science and technology to scientific-technical work and its direct results. Only when the planned contribution to labor productivity boosts, to reducing energy and material consumption and costs, and thus to an increase in the national income, is achieved can scientific-technical work be regarded as complete.

So we must always look at requirements, and at the management and organization of scientific-technical work, in connection with the intensively expanded reproduction cycle as a whole. Thus it is not enough simply to set down economic targets in the science and technology plans, but it must be made sure through management activity that they are attained and that planned results really occur. The planned cutbacks in working hours, material and costs for new products becomes economically effective only when those products are in fact produced, and this in such a way that they make up a significant portion of the combine's production profile. In the chief bookkeeper's cost accounting the truth is revealed in a summary fashion; and it is of great importance to carry out cost/benefit computations even in the smallest economic units. This vantage point makes visible that science and technology requirements as well as labor organization for achieving targets as rapidly as possible, and changes in the combines' production profile toward new saleable products for public consumption, the economy and export, with high-grade economic results, are part of the whole intensively expanded reproduction cycle.

Basic is and remains of course that the economic targets for science and technology are properly set down in the plan from the outset. This aspect of planning, by the way, marks prominently our turning all planning activity toward the qualitative growth factors, which also means a great enrichment of the whole substance of our socialist planned economy.

In these matters, as everywhere else, it is necessary to proceed resolutely from objective requirements. Especially science and technology criteria largely control future economics. So it is all the more important, in setting those measures, to start from the criteria for how they evolve internationally and conform with the GDR's future growth requirements. Where that is done properly, preconditions are at once established for highly economic future results. Even when targets are set down one can discern with how much determination the scientific and technical work is undertaken with the highest economical results in mind. Not what a person in his own subjective estimate may think he may be able to do, but an objectively possible technical and economic result geared to international standards must always be our yardstick. The history of technological science application has invariably shown that a clear and straightforward formulation of tasks was often the starting point for generating novel and unconventional solutions. Someone who picks up only the traditional stuff with which he happens to be familiar is not likely to arrive at penetrating and economically beneficial effects. Setting objective criteria with an ideological position is what starts at that point.

Thus, this is the most important: what is attainable in science and technology for new products and new technologies must govern the whole economy of the combine and make a real difference there. That also is the meaning of further improving economic cost accounting in connection with the work in science and technology.

High economic results for new products become fully effective only when those products also determine the production profile and all the work is done in such a way that one not only meets but surpasses the preassigned targets for increased labor productivity or for reducing material consumption and costs.

To that end, creativeness must be encouraged at all cost. The inventive spirit and the innovator movement must more strongly be encouraged. Together with the innovators, one should seek the best solutions. One should always concentrate on how new ideas can be suitably brought to realization, how they can best be used, and not on any proof why one thing or another can presumably not be done. The joint endeavor to strengthen the republic must always govern the atmosphere.

Coping With the Present and Future

Under the conditions of the tremendous development of the productive forces, the resolute transition to intensively expanded reproduction, and the rapidly changing requirements on the international markets, special importance attaches to organizing the structure of the socialist economy according to plan as objectively required proportions demand. No longer is it enough simply to follow the tracks of quantitative developmental trends in the various production branches; what mainly matters is to spot and observe those qualitative changes

that result above all from the tremendous development of the productive forces. At the fourth Central Committee session, Comrade Erich Honecker pointed out that future growth has to be determined by still faster changes in our economic structure, and that this structure must be determined more still by modern science and technology.

Already at the 10th party congress have the basic points of departure been determined for the development of the GDR's economic structure. They mainly consist of the need
--to develop the domestic raw material base in all its branches to a much larger extent than before,
--to develop the stages of refinement based thereon,
--to accelerate those branches that spread the scientific-technical progress through our entire economy, particularly microelectronics and robot technology,
--and to increase our own production of consumer goods for supplying the population.

All these basic trends are closely interwoven with the deepening of socialist economic integration, especially with the cooperation with the Soviet Union. If, in accordance with accords already made, the GDR contributes with energy to the further extension of this vital partnership, we do what it takes to keep solving our republic's important raw material supply problems. In close cooperation with our Soviet partners, we are coping with the elaboration and application of the latest technologies in selected fields. All that, of course, is inseparable from our developing the GDR's economic structure within the framework of socialist economic integration.

The fourth Central Committee session focused on tackling the problems of future GDR development right at this time. So we must purposefully start preparing through the development of new products and technologies the future changes in the production profile proceeding toward modern products and technological procedures. These considerations cannot be postponed till tomorrow; the needed tempo is not a thing we can pick and choose. Products and services of importance to export and to supplying the GDR citizens must be offered at good time. Even now, therefore, technologies must be converted, with circumspection and reason and with determination as well. That applies in particular to those preconditions that have to be created to use and apply domestic raw materials and fuels much more, including secondary raw materials. There are still large reserves here the use of which would be extremely effective in the GDR economy. And all these matters of changing our economic structure must be approached from the vantage point of our intensively expanded reproduction. Thus we are concerned with the kind of production in which through a reduced investment of specific material and, above all, through using fewer imports, a much higher economic effect becomes possible through refinement.

When our republic, under party leadership, purposefully confronts these newly ripening problems, it will become possible to take care of these objective and inevitable processes with great efficiency. It always pays off to attend to such processes in good time, prepare and make the necessary decisions expertly, and carry out the appropriate measures without delay. And the important point always is to get set for the production of new products and the introduction and conversion of new technologies by but a minimum of expenditures.

This way we shall even at this time ensure our economic performance growth of tomorrow and, hence, the stable foundation for all our social development later on. This at the same time establishes the preconditions for people to be able to focus in good time on new tasks in the development of their knowledge and capabilities, whereby also is confirmed what amounts to one of the basic advantages of our socialist planned economy: that it grants each citizen, and particularly also each member of the young generation, a tangible social perspective. This, as one finds in the world of today, is one of the inestimable values for happiness in people's lives.

Political Responsibility, Economic Thought and Purposeful Action

One of the greatest advantages of the socialist planned economy lies in the chance for overall social computations. Without such computations, an overall economic plan cannot be worked out in the first place. That pertains to economic cost accounting and balance sheets and also to budgeting. Furthermore, such overall social computations are an inestimable factor for indicating reserves from the outset and aiming the economic branches and areas in a coordinated and efficient manner on obtaining the united goal of socialist production. From the very start, all areas are included in these economic computations. That implies that ideas about the development of specific branches or particular combines must be determined always from the overall economic standpoint and decisions always be made from the vantage point of the national economy. That way alone can a unified economic plan be drawn up and become the basis for the conduct of all.

Exercising economic responsibility thus is not a matter for a particular "authority" but one that has to be assumed on each economic level. As this economic responsibility pervades all areas, branches and combines, reserves can be tapped even while the plan is being drawn up and, of course, also while it is being implemented, as is typical only of socialism. The fact that, e.g., this year the 223 centrally managed and bezirk-managed combines assumed the obligation to exceed the tasks of the 1982 national economic plan by at least a 2-day production output without using any additional material and energy and, beyond that, still to return allocations, proves what can be accomplished when unified action evolves from a high social responsibility.

We can now take it as an accepted fact that our socialist planned economy has shaped to a crucial extent the thoughts and actions of the responsible functionaries in the GDR and keeps doing so. Our combines and enterprises are headed by communists and functionaries profoundly devoted to our republic who with great responsibility seek to augment and protect public property and, in concert with their collectives, are solving our economic tasks.

It is demanded even from the way a plan is drawn up that the focal point for each responsible manager and of all working people altogether is the overall economic interest. The plan expresses the objective bearing his activity has on overall economic development. No matter what job he holds, he has to contribute to the smoothest possible running of the economic reproduction process. In that sense then, planning tasks are not merely some performance goals, but they also contain a political and social obligation. The GDR's socialist

planned economy, in effect for decades, has brought it about that an increasing number of the millions of working people in our republic is aware of this high social responsibility from the very start, which makes them engage in their initiative, especially through the competition organized by the trade unions.

Thereby socialist planned economy, based on public property, helps enable all people in understanding the meaning of their efforts. That is diametrically opposed to man's alienation from work under the conditions of capitalist exploitation. Our socialist planned economy, in terms of what it amounts to, cannot simply be understood as an economic table of figures, and least of all, as the class enemy often claims in his slanderous way, as some "bureaucratic orchestration." It is, on the contrary, a truly great social process touching, modifying and shaping the thoughts and actions of millions of people and sustained by their creative initiative.

Simultaneously, of course the socialist planned economy also makes demands on economic thought and calls for economic action by each determined by political responsibility to the GDR, the state of ours. That is the only way to exercise this overall social responsibility with awareness and success. Knowledge in economics in fact today is part of the general education of most of the citizens in our republic. As early as in the general education polytechnical secondary school, foundations are laid in economics, which is then deepened in the subsequent phases of vocational training and technical school and college studies and applied in practical work. Economics, on the basis of the Marxist-Leninist political economy, has had a great development in our republic. Also through economic knowledge and thought, science becomes effective as a productive force.

As economics in terms of quantity and, above all, of quality, under the aspect of the further deepening of our intensively expanded reproduction, is subject to high dynamics, the economic interlinkages with it become more complicated, and the coping with the qualitative factors in production growth make fundamentally new demands, requirements derive from that for the development of the economic sciences and knowledge in economics. They require steady expansion and deepening because only to the extent that the economic process becomes intelligible can reserves be uncovered and made effective. Deepening one's knowledge means penetrating more and more to the essence of things. Of that a special point must be made because economics is a living process and hence the knowledge of selected concepts is not yet sufficient for coping with economic processes. Deepening the knowledge in economics on the basis of Marxism-Leninism has to improve the understanding of how the intensively expanded reproduction cycle functions with all its phases and factors combined. Pitched that way, instruction in economics also becomes more interesting then and more relevant to life, and it furnishes still better means for coping with the processes.

These matters concern primarily of course the economists working in the economy, mainly the managers on all levels, regardless of their occupational qualifications. But actually they concern everyone. Knowledge in economics has to lead to economic action and, hence, to aggressively approaching the solution of new tasks confronting us.

The socialist planned economy and the further perfecting of it offer the crucial social prerequisites for it. Now more than ever the political position controls the successful implementation of the 10th party congress resolutions and the continued performance improvement of our economy, dependent on our fulfilling the tasks of the national economic plan every day, on the basis of optimum labor efficiency and quality.

## Schuerer Rejects Bureaucratism Charges

East Berlin EINHEIT in German Vol 37 No 9, Sep 82 (signed to press 11 Aug 82) pp 885-891

['Theory and Practice of Our Socialist Planned Economy' feature article by Gerhard Schuerer, chairman, State Planning Commission; candidate member, SED Politburo: "Planned Economy and Socialist Democracy"]

[Text] The great initiative presently being developed by the enterprise collectives in industry and agriculture, construction and transportation, research and development institutions, the commercial and service sectors, in the entire economy, in fact, to fulfil and exceed in a targeted fashion the plan tasks for 1982 and carefully prepare the 1983 plan reflects the solid confidence the working people have in party policy and demonstrates their great dedication and firm resolve to implement the 10th party congress resolutions with success.

In his concluding speech at the fourth Central Committee session, Comrade Erich Honecker, secretary general of the SED Central Committee, made the point that it matters more than ever for the sake of peace and socialism to reinforce the various activities in the field of the economy to get onto a higher level through a high boost in labor productivity and better qualities and efficiency. "Only through high national income growth rates can we effectively meet the additional foreign economy burdens and ensure our people's social wealth. In conformity with the unity of economic and social policy everything therefore has to be done to carry on this performance growth in the future."*

It has been found that it is possible to solve our tasks even under the more complicated conditions, provided we implement aggressively and consistently over the whole range of our economy the economic strategy for the 1980's which the 10th party congresses decided on. We always have to take into consideration in this that we have to make do with still less raw material and material and have to confront the exacerbation of the international situation caused by imperialism with all its consequences, for instance in the trade policy. That makes high demands on the socialist planned economy and its further perfecting.

The experiences in the formation and development of the socialist planned economy in the GDR clearly corroborate the Marxist-Leninist thesis that our overall social management and planning is a decisive source of strength for socialism's superiority over capitalism. Lenin, as one knows, called the plan the second party program and pointed out "that none but a construction undertaken according to a great general plan, which finds its task in an equal utilization of the economic values, deserves to be called socialist."**

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*"Aus dem Schlusswort . . ," op. cit., p 91.

**V. I. Lenin, "Speech at the Conference of the Chairmen of the Governmental Soviets," "Werke," Vol 28, Dietz publishing house, Berlin, 1959, p 21.

Under SED leadership, the GDR workers class and all other working people have created an efficient and stable socialist planned economy which is steadily being consolidated and perfected. It persuasively attests to the sound scientific, consistent and creative activity of the working class party and the socialist state in shaping the developed socialist society and consciously enforcing the objective laws of social development.

Our party never saw in the state plan just a document with figures for production quotas or as a tool for balancing costs with benefits, but saw in it always a tool for social transformation, for socialist construction by way of a planned proportionate economic development and for mass mobilization on behalf of a better life, the well-being and happiness of the people, a peaceful existence.

The first president of our republic, Comrade Wilhelm Pieck, wrote in 1950: "The planning of economic, social and cultural progress is the decisive tool for strengthening the antifascist-democratic order in the GDR. Therefore each act in all areas of our public life must depend on the basic idea of developing our people's creative capacities according to plan."* This thesis on the inseparable connection between planning and social development in socialism, between the socialist planned economy and socialist democracy, and between central state management and planning and the development of mass initiative is of fundamental importance.

When the Eighth SED Congress in 1971 issued the main task in its unity of economic and social policy, a new phase in our development began. In conformity with the basic economic law of socialism and with the concrete campaign requirements and opportunities for social development, our party thereby resolutely turned toward the masses and their immediate interests and needs.

It has been written into our Party Program, which was unanimously adopted at the ninth party congress in May 1976, "to strengthen democratic centralism by effectively combining central state management and planning with the creative activity of the working people, with the activities of the enterprises, combines, associations of state enterprises and cooperatives under their own responsibilities, and with the local state organs. The working people's democratic participation in management and planning is an important condition for preparing and implementing ambitious realistic plans."** And we are always concerned here with giving rise to more effective forms of democratic centralism in conformity with the concrete conditions in the development of the productive forces and the socialist production relations, and with constantly further developing socialist democracy.

As Comrade Erich Honecker stated at the fourth Central Committee session, we a. shaping "the developed socialist society in the GDR in a world as it really is and not as some people imagine it to be. For solving the tasks that have to be coped with here there are no patent recipes."*** Here too we keep entering new virgin territory and consult with the comrades from the USSR and the other fraternal countries.

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*Wilhelm Pieck, "Reden und Aufsaetze" (Speeches and Essays), Vol II, Dietz publishing house, Berlin, 1959, p 21.

**"Programm der Sozialistischen Einheitspartei Deutschlands," Berlin, 1976, p 34.

***"Aus dem Schlusswort . . .," op. cit., p 89.

Proofs galore are provided every day for that only socialism, the socialist planned economy, can solve the problems of our time on behalf of the working people. That precisely have been and are the motives the class enemy finds for his attacks against our party policy and our socialist state by assaulting our socialist planned economy. He thereby aims at one of the decisive foundations of our power. We still remember well how leading representatives of imperialism prophesied an early doom for our socialist planned economy after the founding of the GDR and predicted the collapse of our economy. The opinion molders in Western media are not ashamed, despite all their many miscalculations, to keep reheating the fancy about the alleged failure of the socialist economy, not last in the intention to deflect from the true causes of the manifestations of decline in their capitalist society. For the same reason they eagerly pick up such "theories" as that of "zero growth" or "minus growth" which they consider suitable for presenting the rise in unemployment figures and other manifestations of their worsening crisis, not as capitalist ills, but as universally valid and inherent in all economies. There truly is no lack of calumny, nor of "advice" from bourgeois apologists to "deideologize" our economy, turn to a "social market economy" or to "economic liberalization" and abandon the system of state management, planning and economic cost accounting for the social reproduction process and thus for the socialist planned economy as such. Like the leadership role of the Marxist-Leninist party and the socialist state as the chief instrument of the workers class in the construction of the new society, so also the socialist planned economy, as a vital process of steady perfection, belongs among the cornerstones of socialism, which to dismantle for that very reason is its enemies' illusory dream.

Our party, relying on the creative application of Marxism-Leninism, moves undeterred and resolutely along the course of the main task, the unity of economic and social policy, on the basis of a stable socialist planned economy that has, in turn, democratic centralism for its basis. Contradicting all the bourgeois distortions of this principle, it expresses an important advantage of socialism because, after all, this democratic centralism allows the workers class to bring its leadership role in socialist society to realization and ensure the unity and awareness of all social forces in making the objective inevitabilities of social development prevail.

## The Five-Year Plan of All the People

How democratic centralism and socialist democracy are in unity put into effect through practical efforts is shown by the preparation of the 1981-1985 Five-Year Plan for the Development of the GDR Economy.

Comrade Erich Honecker, secretary general of the SED Central Committee, at the 10th party congress explained the economic strategy for the 1980's with its 10 key points. It is among our party's important scientific-theoretical achievements in our time. Proceeding from that strategy, and under the secretary general's personal direction, extensive work has been done toward the more long-range development of our republic's economy, in the outcome of which the five-year plan directive was drafted.

The draft for the five-year plan directive was presented for debate and decision-making to the 10th party congress. So that they could familiarize themselves thoroughly with that document and submit recommendations, the delegates were provided with it even before the party congress deliberations began.

After the directive had been explained, a creative debate ensued, recommendations and positions were announced, and the first competition commitments for its implementation were already submitted. The party congress unanimously passed on the directive and suggested a broad public discussion about it. So the communists, the workers, cooperative farmers, members of the intelligentsia and the other working people, all the citizens in our country, got the chance to contribute through their own suggestions to the implementation of the economic strategy which is aimed at the well-being of the people and at peace. The entire people was told by the party what is involved, what is to be achieved, and what demands are being made. This sparked a vast initiative; the five-year plan tasks were prepared and successfully undertaken by millions of working people under our party's leadership. Our people's intention, expressed in the more than one million suggestions and recommendations, to conform to the higher requirements of the 1980's by increasing performance, turns out to be the most important guarantee for the implementation of the five-year plan targets.

After this extensive plan preparation all throughout the economy and a detailed airing of the draft plan at the third Central Commission session, and after careful considerations given on the commissions and in the factions, the People's Chamber of the GDR late last year issued the law on the five-year plan, 1981-1985, for the development of the GDR economy and enacted the 1982 national economic plan and the budget plan.

There is every good reason to state that the preparation and implementation of our plans is the business of all social forces in our republic under our party's leadership.

A special point is to be made of the initiative-rich work of the FDGB. Comrade Erich Honecker asserted at the 10th FDGB Congress that the successes of our planned economy have been and are possible only because of the capacity and creative participation of the trade unions. "They affect in many ways and to a high degree the consolidation of our state and the improvements in people's lives. That is mainly the case because the FDGB, first and foremost, directs the initiatives of its millions of members at what is most important: diligent creative labor, performance growth, and a more efficient economy."*

Our trade unions realize socialist democracy in everyday life. In an enterprise, the trade union group is the decisive base for plan discussion. The shop steward plenum decides on the draft plan, the performance development and the shaping of working and living conditions. Trade unionists have something to say in all combine conferences. Trade union representatives take part in the plan arguments before the ministries and the State Planning Commission. In

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*Erich Honecker, "On Topical Questions of GDR Domestic and Foreign Policy, NEUES DEUTSCHLAND, 23 April 1982, p 3.

the presidium of the FDGB National Executive Committee, government representatives explain the plan, and the FDGB National Executive Committee submits its position to the presidium of the Council of Ministers, of which account is taken when the plan gets finalized. To implement the plan as ratified by the People's Chamber, the trade union organizes the socialist competition.

The results of the 12th Farmers Congress of the GDR are eloquent testimony to that the GDR's cooperative farmers also combine their endorsement of the working class party policy with new ideas, obligations and deeds in improving the yields on the fields and in the stables and the efficiency of their labor, whereby to contribute to a higher economic performance improvement.

All that is socialist democracy in action, which is joint creditably by various initiatives from many other social forces--the FDJ, the National Front, the athletes, the women and so forth.

In view of this mass movement and the citizens' active participation in the development of our state, the screaming intoned year after year by the imperialist ideologues is pitiful indeed, to the effect that democratic centralism be identical with a centralized command economy and rigid planning bureaucratism leaving no room for the initiative of the enterprises and of individuals. Reality, own perception and own experiences make clear to everybody: our socialist democracy is vastly superior to the bourgeois pseudo-democracy. The kind of basic democratic rights our working people have and assume actively are inconceivable in capitalist society.

Higher Managerial Responsibility

The GDR's internationally recognized achievements in economic and social policy, science, education and culture are the outcome of the conscious acts and active efforts of the working people. Through the economic development plans the party directs and guides these actions, purposes are focused on the common interest and the field for creative initiative is broadened constantly.

It is understood that the implementation of the economic strategy for the 1980's places much higher demands on the management activity of the state and economic organs and managerial activity on all levels. Altered conditions call for new scientific-technical solutions, a faster improvement of labor productivity, a better use made of our basic assets, optimum refining of raw materials and other material, high increase rates for our exports and the thriftiest manner of dealing with what we have.

In his concluding speech at the SED Central Committee seminar with the general directors of combines and Central Committee party orgnizers in April this year, in Leipzig, Comrade Guenter Mittag emphatically referred to the great responsibility each manager has when he said: "As far as our task to improve economic performance for strengthening our republic is concerned, much, if not everything, depends on how each manager exercises his responsibility in the communist spirit."*

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*"Kombinate vergroessern ihren Beitrag zur Erfuellung der Beschluesse des X. Parteitages" (Combines Enhance Their Contribution to Fulfilling the 10th Party Congress Resolutions), Dietz publishing house, Berlin, 1982, p 87.

Each chief--be he a minister, general director, master foreman, plant director or brigade chief--is fully responsible to society for his domain and, mainly, for leading the people in his charge. He is expected to do what he can to implement our party resolutions with determination. He must personally organize the success and be implacable toward trends of turning off responsibility, looking for an easy way out, superficiality and contempt for the collective.

Each manager is under the obligation to set up the kind of conditions where the working people's wealth of ideas and energy are encouraged ever more effectively, maximum use is made of the people's property, and highest results are achieved with the least of efforts.

We must learn to control better and better all the different economic processes in their interconnection. More attention in this connection should be paid to labor coordination, well-timed partner correlation, and to accurate estimates for the effects of planned changes. That mainly also concerns the management and planning of territorial development, which is gaining increasing importance for the further intensification of the economic reproduction process and the shaping of working and living conditions.

The socialist planned economy requires always keeping the present and the future in mind. At the fourth Central Committee session, Comrade Erich Honecker said: "The tasks of the present are already affected by the requirements for the second half of the 1980's. At this time too, a smooth production growth must be ensured, as required by the further shaping of the developed socialist society. It is necessary in this connection faster to alter our economic structure."*

Today already we have to see to it that the progressive branches which are marked most by modern developmental processes are used in the various ways for the development of the whole economy.

Microelectronics must much more be brought into the highly productive technologies and methods in chemistry and metallurgy, products of electrical engineering and electronics, and machine building.

We must more strongly develop the kind of productions through which, with less specific material invested and, above all, much less depending on imports, export products are made which will get us high economic benefits. Great efforts are needed to do more recycling of raw materials and other material and to ensure raw material imports long-range through appropriate performance and export products.

In all these fields we are developing close cooperation with the USSR and the other fraternal socialist countries. On that the stability of our plans greatly depends. Economic plan coordination aims at establishing consciously and according to plan the proportions objectively necessary in the community of the CEMA countries, whereby to ensure over the long run a dynamic and smooth upward

*"Aus dem Schlusswort . . .," op. cit., p 101.

development in each country based on its own high achievements. So we use the great advantages of socialism over capitalism with its wolfish law and purposefully reinforce our relations for mutual advantage.

At the Crimean meeting between Leonid Brezhnev, secretary general of the CPSU Central Committee and chairman of the presidium of the Supreme Soviet of the USSR, and Erich Honecker, secretary general of the SED Central Committee and chairman of the GDR State Council, both partners observed: the economic cooperation between the two countries is developing reliably. The production specialization and cooperation efforts in areas such as microelectronics, robot construction and chemistry have noticeably advanced. That was also demonstrated at the 30th session of the parity government commission for economic and scientific-technical cooperation between the GDR and the USSR in June this year, where important questions were discussed about the intensification and implementation of the economic strategy for the 1980's and another 16 governmental and ministerial agreements were concluded. So there are now 160 governmental and ministerial agreements between the GDR and the USSR on economic and scientific-technical cooperation; millions of people in both our countries are actively engaged in their implementation.

Of great importance for reinforcing socialist economic integration and combining our capacities is the economic plan coordination program for from 1986 to 1990 passed at the 36th CEMA conference. It makes possible starting shortly with coordinating basic matters in economic relations and further reinforcing our cooperation during the next five-year plan period.

The important point is to use all possibilities in this cooperation for improving economic efficiency and effectiveness.

Further Improving Management, Planning and Economic Accounting

Proceeding from current requirements, management and planning, pursuant to the 10th party congress resolutions, are being further improved. And this involves not just any sort of spectacular changes but the further extension of what has been found suitable, measures which accelerate scientific-technical progress, ensure the most rational use of resources, and enhance labor quality and efficiency. Special attention is being paid here to the new requirements in connection with further reinforcing the combines, to a higher stage of balancing, the preparation of cost/benefit assessments, the further perfecting of economic and cost accounting, and more effective inducements for export.

If we look at the formation of 157 centrally managed industrial and construction combines and at the 66 bezirk-managed combines as a significant sign for the perfecting of management and planning in accordance with the requirements of our time, it is mainly so because by the forming of combines crucial prerequisites have been created for combining central state planning still more closely with the comprehensive planning for the reproduction processes of the economic units. Today the shaping of economic proportions and their primary intertwining are possible only through connecting them inseparably with combine development. So the development of the combines must always take place under overall economic aspects. In the sense of the fourth Central Committee

session, what matters now is to enable these large economic units still better to contribute through their own solutions to coping with the various new tasks with which our economy is confronted.

Of great importance to proportionate economic development according to plan is our constantly improving our economic balancing. Comrade Erich Honecker spoke at the 10th party congress of balances as the support beams of the plan. The word "balance," as one knows, comes from the Italian "bilancia," which means equilibrium or scales. This means, the more achievement we place on one of the scales, the more we can balance them, the greater become the distribution opportunities. Nothing can be distributed that was not produced beforehand. And that is why balancing must never be merely looked at as a simple comparison between production and distribution but always as the outcome of highest achievements and most thrifty consumption.

Right now the pressure point in improving economic balancing mainly lies in ensuring the increasing entwining within production, between production and the foreign economy, and between production and working and living conditions, using material funds with greatest efficiency and thrift, and tapping economic reserves through sound scientific standards.

For further improving balancing, measures have been introduced that are aimed at a better grade of work in preparing, computing and controlling material, equipment and consumer goods balances. For the supervision of its implementation, the State Planning Commission last year set up a State Balancing Inspectorate. It is organized both on a branch and a territorial basis and checks right on the spot whether funds are invested with highest economic efficiency for purposes intended and the work is done with sound scientific norms and standards.

Plan discipline is what we need everywhere. Balancing must be carried out through the smallest enterprise units. And the responsibility assigned for balances on the various managerial levels must not be delegated. Much more than previously must we engage in the effort to mobilize additional reserves for the fulfilment and targeted overfulfilment of the plan by means of balances and to return material and financial allocations. The fund allocation return movement is an outstanding initiative. It testifies to high socialist awareness to make do with less than what the plan allows and return the funds allocated.

The working people's deeds in socialist competition toward the fulfilment and targeted overfulfilment of the 1982 plan and their fine ideas, recommendations and obligations assumed in the plan discussion for the 1983 plan year express our people's trust in its own strength and the potentials of the socialist planned economy. They are an expression of socialist democracy in the GDR.

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GERMAN DEMOCRATIC REPUBLIC

## 'RETHINKING' BY MANAGERS NEEDED TO PROMOTE RISK-TAKING, EFFICIENCY

### Managers Must Identify Talent

East Berlin EINHEIT in German Vol 37 No 9, Sep 82 (signed to press 11 Aug 82) pp 892-897

['Theory and Practice of Our Socialist Planned Economy' feature article by Dr Heinz Wedler, economist, general director, VEB Microelectronics Combine, Erfurt: "Responsibility and Risk in Implementation of Scientific-Technical Progress"]

> [Text] In 1981, the year of the 10th party congress, alone, there have been engaged 810,600 working people along personal plan missions, 2,092,700, along personal and collective-creative plans to boost labor productivity, and 1,793,800, on quality programs. In 139,830 collectives the method of balanced settlements through budgeting in socialist competition is used. The number of innovators rose from 1,736,000 in 1977 to 1,886,534 in 1981. The volume of innovations used rose from circa M 4.1 billion in 1977 to M 4.9 billion in 1981. The profit from innovator achievements contracted rose in that period from M 1.6 billion to M 2.1 billion, and from reuse, from M 203 million in 1977 to M 255 million in 1981.

In the period ahead we shall make great efforts in the management activity of the microelectronics combine to use as best we can the available intellectual and material potential for our intensively expanded reproduction, producing through high efficiency modern microelectronic components for our national economy. A fundamental precondition for it is the closest linkage between science and production. To live up to the tremendous development of the productive forces, with microelectronics being one of its points of culmination, we must gain new scientific data much faster and bring them, from the economic vantage point, much more rapidly to economic fruition. How great the advances made in this are, to what extent the science and technology plans are fulfilled and--what is decisive in the final analysis--how much efficiency growth is

accomplished thereby, those are the matters that reflect not only the technical skills of the working people, especially those of the managerial personnel, but mainly also their political attitude toward matters of scientific-technical progress and its economic application.

An important quantity and quality boost in our combine is of great weight to our country, as we have to achieve, after all, important economic effects on a broad range through an above-average increase in the output of microelectronic components and specialized technical equipment through the development of new technologies and new types of components and their application. To that, the basic guideline on the further acceleration in the development, production and application of microelectronics in the GDR economy, as issued by the SED Central Committee Politburo, is oriented. Orienting all combine capacities to the implementation of the tasks connected with that keeps gaining greater importance because also in this field a harsh international class struggle is going on. Our response to the embargo policy of U.S. imperialism and the countries under its effect, aimed at blocking the development of microelectronics in the GDR, can only be to accomplish higher achievements toward fulfilling and exceeding the planning targets through concerted efforts with the fraternal socialist countries, especially the USSR.*

More Personnel With Bold Ideas and Fighting Spirit

In the important field of microelectronics, crucial to the implementation of our party's economic strategy, the general director and the rest of the managerial personnel have to make decisions that have great economic implications and are to produce high effects. Correct as it is that in such decisions economic concerns always have to be taken into account, no matter which industrial branch is concerned, it yet need not be proven that in view of the enormous dynamics in microelectronics many questions arise that are of tremendous range. Creativeness, flexibility and the willingness to take risk are needed to an exceptional degree to be able to make decisions that lead into virgin territory and make top achievements possible that lead us ahead and economically yield a great deal. Such a creative approach is a public requirement and moral precept no manager may evade. Dodging difficulties and risks and confining oneself to "safe" tasks normally not only amounts to standstill but often even enlarges the gap from optimum scientific-technical world standards and most sensitively cuts into our market opportunities, Such an attitude grossly contradicts the requirements of the main task policy and can only hurt us in the class conflict with imperialism.

To be successful, we must in every way promote, encourage and materially stimulate all managers, scientists, engineers and economists to commit themselves to high goals and achievements because they clearly understand their responsibility and to create, through concerted socialist efforts, the prerequisites for making rapidly production-effective, effectively applying, the achieved scientifical-technical accomplishments. A high place value in our deliberations is assigned to the words from Comrade Erich Honecker at the third Central Comittee

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*Cf. "Aus dem Schlusswort des Genossen Erich Honecker, 4. Tagung des ZK der SED" (From the Concluding Speech of Comrade Erich Honecker at the Fourth SED Central Committee Session), Dietz publishing house, Berlin, 1982, p 34.

session that the ambitions of the researchers, engineers and innovators are to be directed at performances "distinguished by bold ideas and leading to products and procedures bringing clear advantages to the GDR economy and its place on the world markets."*

The way to the top internationally--provided conceptual work and a suitable material-technical potential--requires above all personnel rich in ideas, with dedication and broad horizon. Of them it is expected that they not only have solid specialized knowledge and expertise in their fields but also a high degree of responsibility and pleasure in dedication, are willing to assume healthy risks and do not tolerate the easy way out, smugness and mediocrity. I regard as one of my most important tasks to assign interesting tasks that make the highest demands on engineers and scientists of such caliber, grant a broad field of action to their creativeness, and do what I can so the circle of those who think and act in that spirit keeps widening. Undoubtedly, this way it becomes possible to tap the reserves our socialist personnel and educational policy has created rapidly for our scientific-technical progress.

How "Safe" Must a Task Be?

As any other manager of a large socialist collective, I take it as an accepted fact that responsible acts in pushing for scientific-technical progress have their risks, that new developmental trends, e.g., are tied up with uncertainties, the innovative processes are not fully predictable with regard to their prerequisites as well as their effects.

Keep in mind that the risk in the management and planning of R&D tasks differs in kind from that in the management of the production processes themselves because scientific-technical tasks to a higher degree enter into unknown spheres, experiences are useable only to a limited extent and sometimes even fail, while one also has to expect all the time that the competitors on the world market have not gone to sleep either.

In microelectronics, e.g., we cannot yet fully predict at this time what the limits will be for the miniturization of structures, the boosting of the degree of integration, and the capacity of storage circuits and microprocessors. That raises the question as to how far one may dare to venture and how safe an R&D project has to be. It has been my experience that precisely in this connection one cannot rate highly enough the importance of official duty records because, after all, they challenge us into the most far-reaching answers to such open questions and into well considered and clear decisions. And that precisely is the reason why I regard the planning of R&D tasks and the setting down of scientific-technical and economic targets in the official duty records as a management task of the first rank, as a matter that by no means must be left to evolution or routine.

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*Comrade Erich Honecker, "Aus dem Bericht des Politbueros an die 3. Tagung des ZK der SED" (From the Politburo Report to the Third SED Central Committee Session), Dietz publishing house, Berlin, 1981, p 31.

Success probability in science and technology greatly depends on there being a feasible scientific strategy, an adequate scientific-technical lead, and knowledgeable personnel able to use these preconditions prudently, spotting new opportunities, and to react flexibly and fast to new developmental trends.

The tremendous scientific-technical progress and the toughest world market conditions compel us more and more to leave nothing to chance and to bog ' wn in routine but always to keep in mind that the pursuit of top achievements calls for rethinking, for departing from old habits, in management and planning, such as do not meet the dynamics needed for our socialist planned economy. Science and technology planning has to be made flexible in terms of the party leadership resolution on further improving science and technology management and planning so it will rapidly react to the requirements resulting from the high speed in scientific-technical development. That of course calls for more of a risk than it takes in developments which play it safe but for that very reason yield nothing in terms of science and also are economically virtually worthless.

We are assessing and utilizing the status and trend in microelectronics development in the world in setting down the R&D tasks for the years ahead. Proceeding from there, the appropriate capacities and prerequisites have been created in avoiding disproportions in the development and the phase of applying new scientific-technical data in production. The deliberations we engaged in, in this context, and the decisions we had to make made it emphatically clear to us that sound insights responsive to the current international standards can more clearly define, to be sure, the risk involved and suggest any possible negative consequences, yet they can still not tell us how the risk itself is to be avoided altogether. The most important opportunity for making it as controllable as possible or keep it in bounds lies in mobilizing all the creative potentials, all the resources, and placing them appropriately onto the scale when needed.

## The Material-Technical Base and the Subjective Factor

A risky decision must of course never be made insouciantly. On the contrary. Solid preparation is demanded, based on sound knowledge of what is economically possible and necessary and about worldwide developmental trends and conditions. This entails not only the most accurate possible ideas about the scientific-technical leads and accurate assessments of the available science potential, but also other material conditions determined mainly by the overall level and the economic capacity of the economy. If, e.g., the material-technical base has not been sufficiently secured for certain developments, it often has very negative effects both on the outcome of the development and the deadline date--regardless of whether the reason was that what was necessary had been recognized too late, some things are hard to procure, or new demands are raised for the research outcome--which cuts into the production and market effectiveness of the scientific-technical achievement. Any delay and any curtailment of performance goals narrows down the economic effect and may even place in doubt the whole developmental outcome. It shows how important it is that material-technical safeguards are in place even before the scientific-technical work gets under way and that decisions are made when a project is initiated.

Also the matters of material-technical safeguards, which cannot be settled for once and for all but require constant attention, belong in the field of microelectronics with its enormous dynamics. For each new generation of electronic components, normally new materials, new technological procedures and highly modern special equipment have to be made available. For that reason an indication is required in the version of the official duty records that have become mandatory since the start of the year on the material-technical balancing and safeguarding of an R&D task with appropriate suggestions for solutions.

A significant influence on success probability is due to the choice of the strategy in taking care of R&D tasks. In accordance with the significance, scope and intricacy of a scientific-technical task it has to be set down whether a task is to be handled as a whole or in nicely delineated and controllable partial steps, and whether a one-way or a reduplication process is undertaken through which one can possibly reduce risks because errors are thereby more likely to be avoided and the tempo can be raised.

We have since 1981 worked successfully in such a way that, for keeping control on risks, we have combined various performance levels in the developmental course, such as A 4 with K 1, or even have jumped across some levels. A regular component of our components strategy also is the development of some multivalent electronic components and of a system of customer-specific circuits with a common starting base, which facilitates short-term circuit development and their production application. Important results also were achieved through an active application of electronic components. Thereby the users' demands for the 1981-1985 five-year plan period could be reduced to an economically acceptable degree without disadvantages for the users. Together with relieving the combine's R&D potential, already taxed to its limits, it also provided a higher degree of certainty in fulfilling the scientific-technical tasks.

Important decisions on all these details, it seems to me, primarily depend on the manager's subjective capacity, on his ability fully to assess the overall situation with the needed precision and establish the requisite premises for decisions at the right time. S. M. Shtemenko wrote in his memoirs: "As much as the abilities, training and inclinations of the various members of the collective differ, so also does the mode in which their comradeship, mutual aid and attitude toward the matter assigned to them is reflected." A manager must know these differences to assign each member of the collective to the most suitable job and to be able to direct and induce his attitude and conduct properly. As managers we must in the work process pay more tribute to the achievements of collectives and individual managers who assume obligations in excess of the plan and must not be petty when a collective, using all its capacities, successfully tackles extra tasks without, however, possibly meeting them fully.

## Growing Efficiency Through Optimum Levels and Gaining Time

In line with the long-term economic concept, assortment expansions and a higher production volume in microelectronics must be linked with a perceptible increase in the tempo and level of science and technology. For a number of methods and circuits it is a matter of connecting with advanced international standards and, in certain causes, of achieving top world standards.

On behalf of a swift realization of these scientific-technical tasks, of which no kind of curtailment may be admitted in view of the unabated speed of development worldwide, college and technical school personnel and installations and equipment for its research areas were made available to microelectronics on a priority basis. It obligates our combine all the more to boost its efficiency at new dimensions through the science and technology plan and ensure penetrating performance improvements. Under party organization leadership we therefore concentrate all our political work, the management activity in the combine, and the various measures in socialist mass initiative on the following three focal points:

First: for selected projects it is a matter of achieving scientific-technical, and hence, international top standards. That relates to the most important scientific-technical parameters for the circuits and components, the production quality, which has its benefits for microelectronics, and to the time frames needed for development and production application.

The position an R&D collective takes on the scientific-technical top standard, it seems to me, is the most prominent indicator for its political-ideological level. There is no room in a collective that focuses on maximum criteria for taking it easy at work, for a lack of risk willingness or for smugness, and there one does not settle for "objective" difficulties. Without underrating the importance of objective prerequisites for peak achievements, such collectives will not allow that only matters others have to take care of, such as material-technical questions, will dominate the discussion, but there one mobilizes one's own capacities above all, one's own ideas, takes an aggressive, party-minded and realistic position, and approaches the solution of the task with elan and daring.

Second: we assume the task in the R&D collectives to shorten the time frames customary thus far for research, development and application. Advances here also do by no means depend solely on the given material-technical preconditions for our work. The differences again lie rather in the basic ideological position taken on that task. That is why we attach such exceptional importance to the implementation of the party's leadership role in R&D collectives and to the growing political maturity of the scientific-technical personnel. At the same time we do all we can to challenge the collectives consciously and purposefully by charging them with development time frames that are in line with advanced international standards and by insisting that they do not even discuss whether such goals are obtainable but rather, what ways and means they should use for their efforts. Our experience has confirmed that this procedure works, and that there are remarkable achievements when communists set personal examples in the collective, the manager enjoys high authority and uses it correctly, and a creative spirit, healthy ambition with its performance pressure, mutual respect and openmindedness inform the work atmosphere.

Third: we advise our R&D collectives to add extra tasks to the science and technology plan. An analysis of the 1981 science and technology plan has indicated that we must make much better use still of the advantages of socialism, the opportunities of socialist economic integration and, above all, our own potentials to speed things up and meet rising criteria.

Our investing our own potentials more effectively in promoting top achievements and enhancing the economic effectiveness of science and technology starts by our preparing correct scientific-technical and economic objectives, includes the tasks of the science and technology plan in our socialist competition, and is significantly supported by performance comparisons among the R&D collectives and sectors in the combine enterprises. Material incentives act as strong impulses; so management activity pays constant attention to them. A system of material inducement in R&D has been found useful in our combine, which is based on the R&D collectives' performance offerings. It is purposefully being applied and further developed; and what we consider particularly useful for boosting our performance capacity are bonuses for college and technical school personnel working on projects out of government missions, salary bonuses for high work results--above and beyond the fulfilment of prescheduled collective and individual performance parameters--and target bonuses for solving economic major emphasis tasks.

Pursuant to what Erich Honecker remarked at the 10th party congress, that the crucial field of effort for the revolutionary actions of the party and of each communists is and remains our economy, the working people in our combine enterprises have done outstandingly well under party organization leadership in their contest for high achievements. Through initiatives like the one in the VEB semiconductor plant in Frankfurt/Oder which, under the slogan "ideas--solutions--patents," dispel doubts about one's own efficiency, other combine enterprises also contributed to a higher speed and efficiency of labor in research, development and application. Inventiveness, diligence, tenacity and the courage to take risks have been evoked. Thus we took new steps toward coping with the scientific-technical revolution and implementing our party policy that is aimed at the well-being of the people and at peace through diligent everyday work and the hard struggle for plan fulfilment each day.

## Promotion of Worker Competition

East Berlin EINHEIT in German Vol 37 No 9, Sep 82 (signed to press 11 Aug 82) pp 898-903

['Theory and Practice of Our Socialist Planned Economy' feature article by Horst Heintze, social scientist, economist, member, SED Central Committee; presidium member, secretary, National Executive Committee, Free German Trade Union Federation (FDGB): "The Power of Socialist Competition"]

[Text] How well the working people understand that the safeguarding of peace as well as our consistently carrying on the course of the main task require further strengthening all-around the GDR through great achievements, is shown by their dedication to the implementation of the enterprise party organizations' campaign programs and their ambitious competition obligations. They reflect deep understanding of the stiffer political and economic class struggle conditions. They show how we carry on the dynamic development of our economy by making use of all advantages of the socialist planned economy and keep improving the working and living conditions in accordance with the 10th SED Congress resolutions.

High Achievements Are Wanted

With good reason, the focal point of our efforts is a still more rapid increase of the GDR's economic capacity in our directing the initiatives, our diligent and creative work, at a higher rate of growth and economic efficiency. On advances in that sector, after all, depend "social security and comfort in our country and the continued elevation of the material and cultural standard of living. That has always been true and is of course all the more true today."* Commitments such as returning allocations in raw material, working material and energy and to accomplish at least a two-day additional output in disposable end products out of saved funds attest to a commensurately high sense of overall social responsibility and the creative involvement in work, planning and government. To accomplish that presupposes not only knowledge and skills, not only technical and political knowledge, but also attitudes and positions that conform with the demands of our age: critically testing one's own performance, the constant search for better methods, incessantly learning from better performance and working on oneself, and the resolute search for solutions that will tap reserves. Some also need some rethinking to fully comprehend that what was excellent yesterday is today already no longer enough, and that no one is entitled to rest assured on what he has achieved. Such propelling attitudes and insights obviously cannot be left to evolution.

Clarity about the why and wherefore in high achievements, aiming at taking over good experiences, yet not mechanically, calls for everyday political discussion, for frank and honest exchange of opinions, for cogent argumentation. The more clearly in the outcome of it workers, engineers and scientists recognize their responsibility for the work, the more they stand behind it with their whole person and struggle for new solutions that conform with the high requirements. Fortitude and courage for innovations are needed to push through such solutions and assume the risk that comes with them. Yet that precisely, after all, is how the socialist planned economy functions, is an element of socialist conduct as it distinguishes the initiators in socialist competition. As ever since the first steps were taken in the competition movement so also today, those are heading it who do not settle for the regular course, for the easy way, for mediocrity, but who are intolerant and dodge no conflicts and diffficulties when the cause is served by them.

Carmen Kuegler, design engineer and member of the plant labor union executive board of the Erfurt VEB communications works, cogently stated at the 10th FDGB Congress that the crucial yardstick was the all-round fulfilment and targeted overfulfilment of the plan. Millions of working people in the enterprises of our republic take sides in this sense, invest all their knowledge and skills, become initiators, rationalizers, innovators and inventors, and pioneers for novelties, such as the working woman Christa Kellermann of the Nordhausen VEB communications works, noted as the initiator of a personal plan commitment. Along with her there are many others who have made names for themselves by demonstrating a socialist attitude toward work and high labor morale in our workers and farmers state. For example, the mechanic Wolfgang Suchy of VEB

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*Erich Honecker, "On Topical GDR Domestic and Foreign Policy Issues," NEUES DEUTSCHLAND, 23 April 1982, p 3.

Textima Gera came up with the initiative, "More efficient production with less material," and department chief Blanka Fetz, of the VEB equipment and control devices plant Teltow, with the motto, "We make more from what we've got." Whether it be she or the mechanic Walter Horn of the VEG crop production Langenstein, who does exemplary work with the log and quality book, or the animal breeder Erika Paulick of the VEG livestock production Kalkreuth, whose slogan is "High breeding results through the most efficient use of livestock feed," all these initiators have creditably joined the host of personalities in the competition movement that got its start with miner Adolf Hennecke. Then as well as today, initiators of socialist competition have been demonstrating through their personal example their trust in the working class party and their loyalty to our socialist workers and farmers state in which the trade unions hold a place of respect.

Returning Allocations--A Sign of High Morality

It attests to an understanding of party policy, grown through their own positive experiences and reinforced through political-ideological work, that increasingly more collectives in their entirety face the high requirements and a high work morality is more and more becoming the norm for general conduct.

Take the approach of the working people in the VEB tube combine Riesa; it is more and more informed with their social responsibility to no longer resting content with what has been achieved. The trade union groups in their combine conferred on whether what was achieved was already indeed the achievable. "Does it harm the competition when reserves are prematurely surrendered?", "Does returning allocations mean to live from hand to mouth?"--these and other questions received a convincing answer. The upshot was: we can achieve more. Furthermore, we have to defend a good reputation because we have always occupied a creditable place in the history of socialist competition. The slogan from the steel and rolling milll workers, "From steel comes bread," remains unforgotten and acts as a commitment on us to keep in the lead in socialist competition in conformity with the tradition. That today includes considering on every job how the highest results can be extracted from the availble funds in energy, raw materials and working material. That was the argument by the party group organizers and shop stewards in the party and trade union groups. Party, trade union and state management jointly focus on increased production with the same and often reduced material and financial funds and on returning to the economy planned energy, raw material and working material allocations, so that it may rely on them from the outset.

What we return can be reallocated to other economic sectors or can be saved. The economy benefits from it and we do, too--right now and long range. That realization is the outcome of purposeful political-ideological work in the collectives and forms the basis for the initiative by the steel and rolling mill workers at Riesa to surrender some allocations for the benefit of other enterprises.

This new form of socialist competition by which those metallurgists adapted themselves in an exemplary fashion to higher economic demands is applicable in all sectors, yet it presupposes appropriate economic and organizational measures

for which the general director is particularly responsible. It also calls for intensive political-ideological work. Returning allocations is a decision that demonstrates an aggressive position, confidence in our tried and tested party policy, and the determination to reinforce the GDR through new deeds and to secure our social accomplishments. The Riesa metallurgists made such good headway with their initiative to return allocations because the decision was preceded by discussions making clear how intimately the preservation peace depends on good labor.

Wherever one is aware of that, there are no reservations and objections to returning allocations. There come ideas then about how and where reserves can be spotted and tapped. There one then also realizes the need to come up with a good result next year with reduced funds in material, raw materials and energy already when plan appropriations are being allocated. And then one also knows one can do it. That became perfectly clear in the discussions of the Riesa metallurgists, and such an unequivocal response was more of a help to the working people than being round-about it would have been.

Especially because returning allocations is so very important, the trade unions are pushing for them in two directions: for one thing, as material and financial funds not used which can be removed from the plan in the planning stage already; and then, as reserves which are discovered in the course of the year in the plan discussions, are not used and are returned. To ensure a high funding economy, the scientific-technical lead has to be lengthened. Because the chief reserve, after all, lies in accelerating the development of science and technology and in a rapid economic utilization of the results as a crucial factor for improving the cost/benefit ratio. In the VEB tube combine Riesa, the return of allocation is greatly achieved through concrete measures in the science and technology plans and in the official duty records. They focus on new material and energy saving procedures and technologies, the use of microelectronics, the improvement of the input-output ratio, and the highest degree of refinement in the available raw material, working material and energy sources.

The enterprise trade union organization concentrates its political-ideological efforts on keeping the scientists, researchers and developers, engineers, designers and technologists aware of the importance their work has to the progress of socialist society. It ensures good working conditions, a truly socialist working climate that makes ideas, risk willingness and creativeness ripen and spread. That is an important source for returning allocations, and it includes reducing rejects and warranty and make-up obligations, an economical use of material, and a rational organization of transportation.

All that calls for reasonable solutions that everyone can understand. That is the case when all working people in the labor and research collectives are well informed and get concrete parameter leads. In the VEB tube combine Riesa it is made sure to be done that way. There all results from returning allocations go through the budget. And the outcome is that the returned allocations will exceed what had originally been expected. Up to July this year, the obligations came to M 11.4 million, of which M 10.9 million had already been returned to the state. They included, e.g., 7,045 tons of manganese ore, 310 tons of zinc,

127 tons of normal corundum and 6,000 megawatt hours in electrical energy. The collectives leave 5,000 tons of planned raw brown coal unused, are committed to an additional two-day output and intend to improve working conditions further.

The cooperative efforts of workers, engineers and scientists are purposefully aimed at it--while proceeding from the science and technology plan--and the work of the innovators is also concentrated on those targets. Great efforts by the enterprise party organization, the trade unionists and the state managers stand behind it. No one can assume it is easy to apply still higher criteria to a collective that has already shown great economic understanding and to explain those criteria so they are fully accepted. That they did succeed in doing so is a sign of a genuine socialist attitude toward work which is expressed precisely by the fact that they indefatigably seek to improve the effectiveness of science and technology and the cost/benefit ratio, and to get more out of what they have.

"How that succeeds is of great weight for the future of our people. Ensuring its considerable standard of living and improving it further step by step, and shaping our socialist society further and protecting it--all that remains indissoluble from dynamic growth and high scientific and production achievements."* Peak performances by the briefest time frames, optimum refining of raw material and working material, and the thriftiest use of energy sources are as necessary for it as the most efficient use and further rationalization of the production installations.

Led by the enterprise party organization and through skilled state management, steps also were taken at Eberswalde's crane construction that resulted in more efficient solutions and improved working conditions. Talks had preceded them among the party group organizers, the shop stewards and the state managers in the collectives and on the jobs about each individual's political and economic responsibility, on the expectations made on his dedication, his work discipline, and on the norms of conduct that have to be enforced in the collective, confidently yet rigorously. It helped many people in better understanding the connection between politics and economics in general and in concrete terms, and the magnitude of the new criteria, and in assuming clear positions.

Debates brought out clearly that working time is performance time and that workers are in honor bound to make full use of working time and perform high-grade solid-quality work, and that the responsible manager has the duty to organize the work accordingly. Advances also were made in reducing the outlays for rejects and make-up work because the collectives have come to grips with manifestations of diffidence, slapdash work and negligence, and everyone senses that discipline, a sense of responsibility and quality are expected of him.

Persistent political-ideological work and solutions for problems the working people deemed reasonable had their effects also and, e.g., induced a revision of the official duty records in assigning higher quotas in them. The party, trade union and state management focused on exemplary work attitudes and modes of conduct in this process. They resort to the positive effect of examples. Time and time again it became clear that an interesting and vivid trade union

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*Ibid.

life is indispensable for the shaping of socialist work attitudes. The trade union group meeting has room for burning questions raised by labor and life. When they are consulting and debating, arguing and convincing well there, then a work atmosphere, pleasure in work and dedication are effectively promoted where ideas, recommendations, suggestions and commitments mature for fulfilling and exceeding the national economic plan and improving the working and living conditions along with it.

The development of that, in the sense of the unity between economic and social policy, is part of the all-round trade union representation of interests. That was confirmed emphatically at the 10th FDGB Congress. What attention has to be paid to working and living conditions, e.g. while converting to shift labor all the way, was made clear by the approach at the VEB bookbinding machinery plant, Leipzig. The party, trade union and state managements are jointly preparing that conversion in political-ideological and organizational terms. They relied on that the working people in their readiness to perform shift labor prove "a high degree of insight into the requirements for economic and social development,"* but that the new shift arrangement also has deep impact on the personal life of individuals.

The party and trade union functionaries in that plant therefore prepare socially beneficial solutions; the workers' concerns are their business, they feel. But often it is not at all easy to alter the rhythm of life within families. That can give rise to problems asking for other than ordinary decisions from the managers or the enterprise or departmental trade union executives and for thorough familiarity with legal matters.

Atmosphere of Creative Work

If through the trade unions millions of working people in socialist competition directly take part in management and planning and put in a weighty word at the annual plan discussions, that commitment also, particularly, attests to their responsibility to society. In the discussion of the 1982 plan, 90 percent of all working people took part by offering more than 1.1 million suggestions and proposals. Through trade union positions on the plan, the trade unions on all levels of our economy announce their standpoints on draft plans and so get actively and consciously involved in the shaping of socialist democracy, it being implemented extensively in the everyday trade union activity in the enterprise. That is attested to mainly by the monthly membership meetings which are attended, on an average, by more than 85 percent of the trade unionists. Between 1977 and 1981, they brought in a total of 15,170,630 proposals, of which 7,125,875 were concerned with the fulfilment and overfulfilment of the national economic plans by means of socialist competition initiatives, 4,500,331, with the further improvement of working and living conditions, and 3,133,209, with the further development of intellectual-cultural life. Direct working people participation in drawing up enterprise collective contracts and status reports on their implementation are another aspect of socialist democracy. After

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*Harry Tisch, "Tenth FDGB Congress Report to the National Executive Committee," TRIBUENE, 22 April 1982, p 5.

the 26,282 conflict commissions were newly voted in, 233,325 working people now administer the law in the enterprises. Efforts on behalf of order and safety are broadly spread; where order, safety and discipline rule, no one suffers damage, there are no economic losses, and reserves are being tapped.

To have every day close with a fine balance, this initiative from the Hans Kiefert youth brigade in the VEB underground construction combine, Berlin, was also taken over by the members of the P 5 youth assembly line in the VEB housing construction combine, Gera, who for 8 years have carried on, through the FDJ initiative Berlin, the construction program in the capital of our republic. For that they decided to build faster, better and cheaper, with order, safety and discipline. In the first half of 1982 they accomplished an extra assembly performance at a value of M 344,000 and M 61,000 in construction expansion. It was possible because they apply order, safety and discipline each day, counteract restraints on the public labor capacity, and avoid interference, breakdown and fires through high vigilance.

The example of the Gera construction workers in fulfilling and surpassing the plan without accidents or breakdown by means of the Bassow initiative, found a resonance in thousands of collectives. The accident rate is thus reduced from year to year, reaching the thus far lowest level in 1981 with 28.5 labor accidents per 1,000 workers. But even that must not satisfy us because every accident is one accident too much, and each breakdown and fire destroys precious public property.

Of great weight for further successes it is to apply everywhere the proven and new initiatives, the methods of the best workers, more broadly. That presupposes targeted experience exchanges and performance comparisons to eliminate unjustified disparities among levels, and it makes new and higher demands on the quality of socialist competition, to which the working people respond by higher targets so as to keep implementing the main task with success. Wholly in that sense the worker Fritz Freitag--for the last 8 years a shop steward at the VEB Elektrokohle Berlin-Lichtenberg--has said: "The main task--to us that means social security for our families, a good standard of living for today and for the future, and therefore it also mainly means our own conscious and disciplined efforts on behalf of it."

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## MEASURES SOUGHT TO CUT EXPENDITURES FOR AGRICULTURAL SECTOR

East Berlin EINHEIT in German Vol 37 No 9, Sep 82 (signed to press 11 Aug 82) pp 904-908

['Theory and Practice of Our Socialist Planned Economy' feature article by Prof Dr Gerald Schmidt, economist, study group director, Institute for Agricultural Economics, GDR Academy of Agricultural Sciences: "In the Struggle for Increased Efficiency in Agriculture"]

[Text] What matters in agriculture--as the fourth Central Committee session announced emphatically--is to ensure through prudent organization and creative and responsible work that the needed performance growth is achieved with smaller funds. The cooperative farmers and workers have considerable material and intellectual potentials for it. They have been created systematically throughout the successful 30-year development of socialist agriculture. They must be made full use of while all advantages of socialist production relations be put into effect and science and production are still more closely linked with each other to improve our efficiency.

### Higher Efficiency Requirements

Even during the 1960's and 1970's the cooperative farmers and workers in socialist agriculture have demonstrated in practice that the growing intensification of agricultural production with a gradual transition to industrialized production methods leads to a more favorable cost/benefit ratio.

Through providing agriculture with modern means of production and applying new science and technology data while consolidating the LPG's and further perfecting socialist production relations, high growth rates in production, yields and labor productivity have been achieved. They brought it about that the increased production consumption due to a growing use of science and technology was more than compensated for through cost reduction for live labor per production unit. So the successes of socialist agricultural intensification are found not only in a considerable boost of output but also in improving a number of important parameters in economic efficiency.

Despite the great efforts made by cooperative farmers and rural workers, however, the second half of the 1970's showed trends toward higher expenditures, mainly because of the changed economic and foreign economy conditions. To counter them, we must improve the cost/benefit ratio by tapping new sources for higher efficiency. The main thing is to enforce scientific-technical progress in each LPG and VEG and to reinforce cooperation with the purpose of of putting all intensification factors into effect in a comprehensive manner. Effectively reducing expenditures implies a fundamental change in the development proportions of the streamlined agricultural reproduction process. First comes here our ensuring a priority growth for crop production as compared with livestock production so as to ensure that all our fodder comes from our own agricultural acreage and can replace grain imports. The agricultural production increase needed for it must be achieved through by and large the same or reduced funds--especially for energy sources, fertilizers, herbicides and energy feedstuff--and requires making more effective the structure of production funds, mainly by our constructing our own means of rationalization.

For the current five-year plan period, economic production consumption per unit of social overall product is to drop by circa 2.5 percent. For agriculture to make an effective contribution to it, we must reduce the specific production consumption per unit of gross product by from circa 1 to 1.5 percent in 1985 compared with 1980. Obtaining that goal is an essential precondition for agriculture, forestry and the foodstuffs industry to raise their contribution to the national income by 1985 some M 1.1 billion over that of 1980. For agriculture that means it has to boost its net product between 4 and 5 percent by 1985 or annually by an average of circa 1 percent.

In 1980 and 1981 the cooperative farmers and workers, in fulfillment of their competition obligations, have done much in further increasing their production while improving the cost/benefit ratio. Gross production went up faster in 1981 than production consumption. Not only the specific fodder requirements went down but also the specific expenditures for energy, fuels, propellants and lubricants, by 3.3 percent. Higher outlays, as part of the reduction of or substitution for petroleum and grain imports, of the use of brown coal, and of a greater use made of forage root crop, must be more than compensated for through prudent management and properly directing the initiative of the cooperative farmers and workers at using all opportunities for reducing other expenses.

Better Fund Utilization

At the 12th Farmers Congress of the GDR, Comrade Erich Honecker, secretary general of the SED Central Committee, emphatically asserted: "For higher results it also means to agriculture making better use of what one has: the soil, the available technology and built-up structures, the opportunities for fertilizing and pest control, and the not inconsiderable funds."*

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*Erich Honecker, "Workers and Farmers Hand in Hand for Socialism and Peace," NEUES DEUTSCHLAND, 15/16 May 1982, p 3.

Each LPG and each VEG, the economic management and state organs and the co-operation councils are facing this task. We succeed in improving the cost/benefit ratio in the enterprise as in the economy wherever we have become perfectly aware of that the economic intensification processes must be understood in their overall interconnection. Any humdrum or formal approach, any thought that will take into account merely the ongoing year or particular cost elements will often lead to the opposite effect. That is why those cooperatives are right which make crop production increases the focal point of their deliberations because that is the pivot and fulcrum for improving, according to plan, the cost/benefit ratio throughout the entire agriculture. From that one must determine how costs and benefits are to develop, and not the other way around.

The preparation and gradual implementation of maximum yield concepts for all cultures in conformity with the example of the Lindenberg state farm in Beeskow Kreis persuasively illuminates how all factors can comprehensively be put into effect--all the way from the soil and the yield potential to the cooperative facilities--and how everything we have can also be used to reduce costs.

In the 1980's our agriculture is facing the fundamental task to increase hectare yields in all cultures faster than expenditures per acreage, so that there will be a fundamental turning point in the development of all yields and expenditures for all crop products. More and more LPG's and VEG's in conducting their competition proceed from this fundamental task, and they also more and more effectively link their material incentives with the application of scientific-technical progress, the rational use of funds and the reduction in costs.

A more efficient use of the soil as the most important natural resource in our national economy demands a higher soil fertility. That pertains in particular to improving humus supplies and the full use of nutrients, especially manure, which includes measures for avoiding environmental burdens caused by their use. Subsoil loosening must become more important, even for the sake of eliminating for soils with structural damage the danger of protracted yield stagnation. Experiences especially in recent years have shown that wherever one does not pay enough attention to soil fertility, yields do not increase in spite of higher expenses, e.g. for fertilizers. That is why those LPG's and VEG's act correctly which in the use of available investments concentrate on crop production intensification measures, on improving soil fertility and a high intrinsic effect from investments and shortening their implementation time frames. Through a sensible care and maintenance of the equipment, which improves its utilization potential, the LPG's can increasingly abide by the most favorable agro-technical deadlines. And then also, by extending the working life of the machines the one-time outlays can also be reduced. And that applies not only to the mobile equipment in crop production. Scientists and engineers in the inter-enterprise facility for milk production Paulinenaue, Nauen Kreis, have committed themselves to keeping the equipment in the stables also operational much longer through systematic preventative maintenance.

An important source for improving the cost/benefit ratio is doing away with economically unjustified performance disparities under relatively identical conditions. Surveys by the Academy of Agricultural Sciences in the northern

bezirks have established that LPG's and VEG's which economize throughout their whole reproduction process get a 7-percent higher yield in grain units per hectare with almost identical natural and economic production conditions. They were able to reduce the costs per unit of gross production by circa 9 percent and produce a 24-percent higher net product, without product-related subsidies, per hectare and triple their accumulation. It has also turned out that a more thorough and precise performance rating makes it easier to judge the performance capacity of the LPG's and VEG's. Through such comparisons, the LPG's and the VEG's, the cooperation councils, the councils for agriculture and the foodstuffs industry (RLN's) and the state organs can draw sound implications for mobilizing available reserves. That contributes not insignificantly to improving the management and planning of agricultural production and its efficiency. So the Luckenwalde council for agriculture and the foodstuffs industry had the idea to get equally good results from equally good conditions, reinforce experience exchange and work out measures through concrete surveys by council task forces on how to overcome unsatisfactory yields. Such an approach greatly helps in mobilizing territorial reserves through the initiative of the cooperative farmers, making better use of their experiences and capabilities, and getting the full benefit out of their bond to the soil and their responsibility as farmers and socialist proprietors and alliance partners.

Priority on Reducing Energy and Material Consumption

Agriculture faces the task to reduce expenditures in absolute terms. More and more LPG's therefore seek new solutions for effectively improving their energy and materials economy through a resolute implementation of socialist industrial management and for reducing their absolute and specific energy and material consumption through a broad application of science and technology and by means of socialist competition. An outstanding role here attaches to the task effectively to reduce transportation expenses through prudent labor organization and a better use of cooperation, the proper division of acreages and an appropriate crop rotation and, not last, through optimizing transportation routes and the full use of available shipping space.

The crop production LPG Klein-Buenzow, Anklam Kreis, by changing the organization of livestock feed transport, saves daily a 120-km route distance for a ZT 300 tractor with twho trailers. Previously all fodder was taken successively from one depot via the scales into the stables, but now it is stored and taken out of two different storage areas.

The crop production LPG Mittenwalde, Koenigswusterhausen Kreis, has achieved good results in a more rational use of energy. Through organizing easily managgeable brigades, those cooperative farmers ensure short distances for hauling the harvest and the by-products and short routes for the labor. Yet the cooperative farmers in that LPG do not rest content with what they have achieved; they seek still more efficient forms of their production and labor organization and for their crop rotation to get still better results in energy savings. That also means using the reserves in all cooperation, in storage with little loss and in applying organic substances, in such a way that any long-distance hauling of humus becomes a practice of the past.

Reserves for reducing energy expenditures are found in combining equipment and in getting the full use out of propulsion and traction. Along with greater efforts in constructing their own means of rationalization, that calls for the elaboration of technical and agricultural solutions to get a great reduction in labor operations, especially for tillage, as has already become standard procedure in advanced LPG's. That not only saves energy but also greatly boosts labor productivity, helps in meeting the most favorable agro-technical schedules and provides for a more cautious fieldwork.

A higher agro-technical discipline, an acreage-related handling and supplying the fields with organic substances, mineral fertilizers, pest controls and so forth greatly help further improve the materials economy in the LPG's and VEG's. In livestock production that means improving the fodder economy, reducing animal losses, and enhancing breeding results. Fodder available must, by resolutely exploiting the best experiences, be used with the highest effect; feeding operations must be organized by cutting down losses through close cooperation among the cooperating partners. Important sources for making a better use of fodder, while reducing expenses, lie in a more efficient organization of pasturing and in the use of green forage. What matters on all production levels and in all operational facilities is to aim all activities, including the needed animal hygiene measures, more at raising animal performance while taking account of the reduced volumes of energy feed, and to reduce the disproportions still existing in performance in some places.

To ensure production, boost labor productivity, improve labor and living conditions, and make more efficient use of the basic assets, the rationalization of the stables is gaining more importance, for right now and long-range. Here the LPG's, VEG's and cooperative facilities, even while preparing their rationalization measures, face the task of working out solutions for how to compensate, and more than compensate, for the necessary outlays for maintenance costs per animal by reducing specific fodder expenditures, hauling costs, and mainly also by improving animal capacity, to bring down overall costs per unit of product. Here too, total effects must be computed beforehand. Then the necessary measures must be conferred on in the cooperation councils and must be decided on there, so that all cooperation partners have a share in implementing according to plan the rationalization projects in livestock production with high benefits for the cooperative farmers and the LPG's and for the entire national economy as well.

Of great importance for improving the cost/benefit ratio according to plan finally is the reduction of the high maintenance expenses that would be very good for the materials economy. Were one to reduce them by only 2 percent, socialist agriculture would save almost M 100 million. More and more LPG's have started to reduce their material investments by improving their maintenance organization. The crop production LPG Schulenberg, Ribnitz-Damgarten Kreis, for instance, reduced its consumption of components, starters and electrical parts in 1981 to half of what it was in previous years. Pursuant to the fourth Central Committee session, the farmers at LPG Pretsch, Wittenberg Kreis, in close cooperation with the plumbers and engineers in the kreis enterprise for farm equipment, intend to save one-fourth of their customary costs through a more rational maintenance and repair of their harvester-threshers while at the same time improving the operational capacity of their equipment. That not

only helps effectively improve the materials economy, it also means a more efficient use of the basic assets agriculture has available. They come to M 74 billion, of which M 23 billion goes for equipment, an effective potential indeed, an efficient use of which greatly determines the cost/benefit ratio.

The 10th SED Congress requirement effectively to improve the cost/benefit ratio also in agriculture is of a comprehensive nature. It embraces the further improvement of interlinking relations between industry and agriculture, and of all areas in production planning, a broad application of the scientific-technical progress, the further perfecting of socialist competition, the rigorous application of the principles of socialist industrial management and, not last, economic cost accounting. As experiences have show, especially in the last 2 years, and in particular at the 12th Farmers Congress of the GDR, the cooperative farmers, supported by the workers class, have all it takes to solve this complicated task.

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## GOOD DESIGN IMPORTANT FOR MATERIALS SAVINGS, EFFICIENCY

East Berlin EINHEIT in German Vol 37 No 9, Sep 82 (signed to press 11 Aug 82) pp 930-933

[Article by Prof Dr Martin Kelm, state secretary, director, Office for Industrial Design: "Good Designing--An Economic and Cultural Task of Great Importance"]

[Text] The continued implementation of the main task calls for a strong performance improvement and a high rate of economic growth through the consistent implementation of the party's economic strategy for the 1980's in conformity with the tasks issued for it by Comrade Erich Honecker at the fourth Central Committee session. That includes better quality products, to be obtained through reduced production expenditures and a determined utilization of domestic raw materials and resources. That also involves a better use of industrial design.

Design affects the fulfilment of the main task in affecting the implementation of our unified economic and social policy. Being functionally and aesthetically perfected, product design directly affects the improved satisfaction of needs and enhances the products' marketability. It also aims at improving intrinsic values by keeping the costs for the development and production of products down. Only when these two aspects are combined in the end product, can one speak of good design. Only then is the people's material and cultural standard of living as well as the strengthening of our country's economic capacity positively affected by design. Under the current and future conditions of our life and the demands made on our socialist state's economy, a better design for products and the environment receives an ever increasing place value. We live in an environment that by and large has been made and is being made or changed by us, by men themselves: cities, villages, apartments, factories, jobs, machines, means of transportation all the way to the many products in everyday life. All that shapes our lives and has an influence on our feeling good and at home.

If the environment affects us positively, it fosters creative action, works productively, reinforces our bonds with our socialist state. It is all the more important when we implement our housing program and shape the working people's working and living conditions, and when we make high-grade consumer goods available, to seek good solutions having fine aesthetic and cultural effects. Good product designing therefore is inseparable from achieving a socialist culture in the material environment.

There first are the effects of forms, proportions, surfaces, sculptures or colors which provide things with design features and decide whether we find them beautiful or ugly, attractive or repellent. But also the mode of handling, operating, upkeep and the degree to which things are easy to maintain, an untiring and safe working with machines, devices and installations, and sitting distinctly well and comfortably on chairs or armchairs are among the features that make a product more or less desirable to us. Particularly such intrinsic value features that are derived from pysical and physiological requirements and needs and brought to realization in a product, together with a high technical performance and reliability, are decisive for the users.

There also is an increasing need for a diversified design for products, especially for consumer goods. Based on identical public and political-ideological fundamental interests, more and more strongly in our socialist society independent personalities form with most specific and increasingly more differentiated cultural-aesthetic needs. And the chances to satisfy these needs are getting better because the citizens make more money. This requires, in accordance with the 10th party congress resolutions, that we assume everywhere the responsibility for making available an attractive assortment of goods, differentiated in terms of design, of high-grade quality.

It is very important, for our country's economy as well as for the individual use, to extend the working life of products. That concerns their physical longevity--e.g. by means of solid manufacture, improved durability, less sensitivity to interference--but more still their moral life span. Here, design quality is of special importance. Product features such as sterling quality, discreet elegance and excellent finish, with a high degree of refinement for the materials and a pleasant surface effect, are prerequisites that keep the user from throwing the product away quite soon and keep him enjoy his acquisition for a long time. That makes products last longer. Simply in terms of using available materials in the GDR, the task to make our products more demanding, and thus more durable, is of great social weight. Merely by extending the moral life span of, let us say, furniture, textiles, leather goods or light fixtures many raw materials can be saved and the development and production effort, be reduced.

An extensive production assortment organization also helps satisfy growing demands. Good design harmonies in sizes, forms and colors--e.g. in internal decor--make it easier for the user to make himself feel comfortable and good in his environment. Environmental design also becomes ever more important in the working environment. Especially under the conditions of concentrated rationalization measures--as by the use of robot technology and the addition of reconstruction and investment measures--we must ensure further improvements in the working people's working and living conditions, according to the fourth SED Central Committee session. It means a good design for the working environment, from the machines, devices and installations and the jobs themselves all the way to complex designing of plants. So much must be made of this requirement because working people spend a good deal of their lives at work, so that the effects from the work environment exercise a most permanent impact on the working people.

It has long been proven that a functionally and aesthetically well designed work environment benefits job satisfaction and job performance. The point essentially also is to adapt the technology as much as possible to human conditions and not to regard technology as an end in itself that demands too much in being operated by men or destroys men's living conditions.

It has been established that well designed tools, machines and installations usually also are the more productive ones. They help improve working and living conditions and boost the labor productivity as well. Designing thus always is placed within the field of tension of cultural and economic requirements.

We must seek to realize a high cultural objective through new design ideas for products and achieve a high economic result along with it. The notions that a designer only is the creator of new ideas and need not concern himself with the material-technical and economic conditions for realizing them are as harmful to the effort for highest efficiency as is the standpoint that certain material-technical and economic givens leave no room for ideas in design.

This last objection plays a special role right now as we are, after all, concerned with greatly saving materials and cutting back production expenditures. If one infers from that at times that form design under these conditions is not feasible, and hence unnecessary, it is mistaken on principle. On the contrary: especially under the conditions of continued resource shortages it is so important to work out new design solutions which help us make the proper use of available means and resources and ensure a good return from domestic supplies and exports. Thus design can help, and not insignificantly so, achieve a favorable cost/benefit ratio. The GDR, as one knows, is among the countries that do not have many resource deposits of their own and so attach particular importance to the export of highly refined products. An important mark of refining, intelligence-intensive work, lies in the high-grade design given our products. That this, not all too rarely, becomes the crucial factor for the selling of products on international markets, has been proven many times. Even in technical products, such as mining equipment, road construction machinery, scientific devices or machine tools and polygraphic machinery, design can significantly affect the sales success. The more dense the offers of technically equivalent products on the world market, the more a good or poor design can become the strong or weakest link in the chain of quality parameters and have the last word about sales.

It means that designing must be enforced in the combines with increasing effectiveness. And what does that mean?

Designing must come more into the R&D phase even. To boost the proportion of well designed quality products, with a good export return and domestic demand satisfaction, we must ensure high-grade design for every innovation under development. Especially for products meant for export, we must find our own design quality that beats international competition, stands up well and is gladly accepted as an innovation. Imitating international design models always leads to economic losses.

Such work in designing presupposes the knowledge of international market requirements, calls for studying currents and trends, for preparing long-range strategies for product development and for intensive lead efforts for developing new product ideas. It has been found useful here consistently to use the performance principle for stimulating high achievements and also to sponsor contests to gain many different ideas.

The preparation of ideas must start long before the official duty records are worked out, as many experiences have confirmed. If then right from the start, together with the combine's own developers and designers, outsiders from schools and institutions are drawn into the effort, it greatly expands the developmental chances for various ideas and permits optimizing the route to be taken toward solutions for the newly to be developed product. It is important to proceed consistenly from the idea that material must be saved, available raw materials must be used, imports must be avoided, and the design and construction costs must be reduced.

Experiences have demonstrated that the conceptual work must not be concentrated on the end product but the preliminary steps and ancillary products must also be included in it. Often it is necessary, especially in this field, to broaden bids for well designed products through a targeted conceptual and contest activity, because it is not at all rare that preliminary or ancillary products control the quality of the end product.

The prerequisites for effective design work in the combines are mainly to be improved by setting up or developing efficient design workshops. Where there are no appropriate potentials for it or the work is not done creatively, no high-grade design products can be expected. In properly assigning designers still lies one of the most essential reserves for making headway at proper speed with design work in the combines.

Combines not permitting any fragmentation of capacities, which make arrangements for a concentrated use of personnel in efficient collectives and assign ambitious tasks to each design collective and each designer, are the ones that are making good headway.

Also the assignment of chief designers in combine managements is of great importance because their activity essentially controls creative designing in the combine and the combine enterprises.

Based on the resolution of the SED Central Committee secretariat and of the Council of Ministers of the GDR on "measures on the further promotion and implementation of design," of February 1982, the general directors have to make the appropriate decisions in guideline documents to ensure a high effectiveness of design work in their combine.

Improving the design level of our products and thereby elevating an essential component of our culture in our material environment is possible only through rendering design in the combines more effective. All efforts therefore are aimed at strengthening design mainly in those combines in which they are especially relevant to product quality, export and the satisfaction of demands.

Everything must be done to increase rapidly also the proportion of genuine top achievements in design quality so that--as Erich Honecker put it at the fourth SED Central Committee session--"quality production from the GDR" becomes visible and perceptible also through the appropriate design of products.

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## REQUIREMENTS MUST ENSURE INTERNATIONAL COMPETITIVENESS OF FOODSTUFFS

Budapest PARTELET in Hungarian No 9, Sep 82 pp 8-12

/Article by Istvan Torok, state secretary, Ministry of Foreign Trade: "Timely Questions of Our Agricultural and Foodstuffs Industry Export"/

/Text/ In addition to ensuring a rising level of domestic supply, the production of agricultural and foodstuffs products has an outstanding role in our export, in our external economic contacts and in improving the balance. Such products make up one-third of the direct export in non-ruble accounting. This ratio will not change substantially in the years ahead. So the development of the world market supply and demand for foodstuffs and our reaction to quickly changing marketing possibilities are important for us.

When planning the production of agricultural and foodstuffs industry products, developing production policy, determining the chief ratios of the production structure and implementing the economic regulator system we must take into consideration the requirements being transmitted by the external market in the areas of quantity, quality and variety. The enterprises belonging to the foodstuffs economy and those guiding the branch must define their tasks by taking all this into consideration.

The general economic slump has left its stamp on the present situation of the international foodstuffs market and its short-term prospects. But over the longer run the export of foodstuffs industry products represents favorable export opportunities for us. This year, for the majority of volume products, the supply of the exporter countries exceeds the needs of customers and competition is intense. In addition, trade policy restrictions holding back an expansion of export have increased because, ignoring international trade policy agreements, the conditions for getting on the market in the EEC countries have worsened. In almost every product group, but especially for beef, mutton, vegetable and fruit products, the European Economic Community--using every possible open and concealed means--is striving to force back the competition of products coming from outside the community.

The competitiveness of our foodstuffs export must be judged and tasks aiding an improvement must be determined on the basis of the market situation which has developed in the interest of holding the positions we have attained.

Competitiveness and the Market Position of Our Products

The competitiveness conditions system is known in general. In this article I would like to indicate, in regard to a few products and product groups, what sort of requirements we must satisfy in the interest of increasing our export or maintaining our market positions.

a. The production of the meat and poultry industry branch intended for export is significant. At present we export 43-45 percent of the slaughter cattle purchased by the state, 18-20 percent of the slaughter hogs, almost 100 percent of the slaughter sheep and 65-66 percent of the slaughter poultry. Among the more important customers one can find the socialist countries, west European developed capitalist countries and Near East and North African developing countries.

In general the customers are satisfied with the quality of our export articles; they honor outstanding quality goods with a high purchasing price. Slaughter cattle are a good example of this. Suitably fattened, young beeves of the Siementhan type with well muscled meat forms and little suet can be sold on all our markets. They are favored and sought after by our customers. Young Hungarian Dappled beeves in the 550-600 kilogram range meet these requirements, but one can get even better prices for their offspring crossed with certain meat types (for example, the Limousine).

In the export of slaughter sheep also the domestic enterprises try to satisfy the needs of the customers. For example, they ship roasting lambs between 30 and 32 kilograms to the Italian market, heavier quick fattened lambs above 35 kilograms to France and the FRG and really heavy ones, 35-45 kilograms, to Arab markets.

Deliberately changing the products also reflects swift and flexible accommodation to market needs. We have been forced out of the Common Market countries in regard to live hogs and halves but the production of pieces has increased significantly, the export of which is less restricted by the Common Market and, in addition, there is a demand for processed meat industry products.

In the interest of increasing the export of dry goods we are offering our customers new spiced and packaged goods such as ginger and black skin salami made from beef, farmer, cumin and cigar shaped Debrecen sausage, hot sausage in rings and peasant sausage by the yard. These products further increase the export variety of processed meat industry products.

b. The export of wheat and corn are of determining significance among the products of plowland crop production. We have regularly exported both since the early 1970's. Our chief customer markets are the socialist countries but we also ship to other countries. The fodder value of Hungarian corn is considered good by the international market.

The production and export of oil plants and vegetable oils is one of the most dynamically growing branches of our foodstuffs economy, the quantity of export in 1981 was six times that of 1970. In addition to expanding export the

production of seeds and oil helps to satisfy domestic protein needs since the meal produced by the vegetable oil industry as a by-product is used for feed.

The quality of the vegetable oil industry products is good. But due to the saturation of our traditional European markets, the strong competition and the increasing import restrictions the possibility of increasing trade further is limited. There is a possibility of increasing export in the Near East countries but exploiting this will require a development of the domestic refining and packaging capacity.

c. The gardening branch also plays a significant role in our agriculture export. We market the large part of the export in socialist countries but our products also go to every west European, a number of Near Eastern and a few distant overseas markets. Almost half of the domestic fruit and vegetable production--in the form of fresh or preserved goods--and the same ratio of the wine produced is consumed abroad. The fastest export increase has been achieved by the export of fast frozen fruits and vegetables. One of the most valuable and most sought after Hungarian spices is paprika. Our homeland is now in second place among the exporters of paprika.

Because of variations in quality there are frequent customer complaints in regard to a few products. For example, in regard to paprika, the producers strove to increase volume and quality deteriorated. For this reason we struggled with marketing difficulties. We must avoid similar cases in the future because they do much harm to the reputation of the commodity.

In the interest of holding on to export markets it is becoming ever more urgent to introduce new marketable products and types in the fruit and vegetable sector. The composition of the paprika produced should be better adjusted to the market requirements. In the event of favorable production the available "top quality" paprika (dainty and sweet) exceeds the demand of the external market while the ratio of the marketable "medium quality" (semi-sweet) is lower than desired.

Frequently the quality problems can be attributed to a failure to maintain technological discipline or to deficiencies of factory quality control. Last year, for example, mechanical contamination and precipitation caused a number of claims in regard to our export of bottled wine while fermentation and higher volatile acid content caused claims in regard to the wine in barrels.

Adapting to foreign customer demands and expanding the commodity base for fast frozen fruits has resulted in increasing the ratio of articles getting a higher export price and this was favorable for producers, purchasers and exporters alike. Producer and foreign trade enterprise activity is similarly worthy of recognition in that they have made the Sopron, Szekszard and Tihany red wines recognized and sought after items on a number of capitalist markets--building on the introduction of Egri Bikaver and the demand for special quality red wines.

## The Level of Foreign Trade Work

The level of foreign trade activity can be measured primarily by how effectively it can discover and exploit foreign market sales possibilities and by the extent to which it can influence production so that it can prepare in time to exploit the new market possibilities. It need not be emphasized how much all this influences our foreign market competitiveness.

The market research work and information activity of the foreign trade enterprises has developed in recent years. They regularly prepare forecasts pertaining to the expected development of the market situation for the most important export products; they follow with increasing consistency the market indicators coming from foreign representatives and enterprise representatives. The great majority of the enterprises prepare regular market reports--usually monthly--and send them to their most important partners. But it appears that this is not enough; every enterprise participating directly or indirectly in export needs this information. In addition, the reliability of and basis for longer range forecasts must be increased in the future.

In general we have found an improvement in the economic work of the enterprises. The majority of them have improved the system of price documentation in a noteworthy way; relative price level analyses of the price position of our products are being prepared in ever more places. They are turning ever greater attention to the market changes for foreign currencies and are informing our more important export shippers about these.

But despite the tangible progress we have much to do still in improving the organization and culture of foreign trade work. Recently a few enterprises made significant efforts to further develop their internal organization; others, however, are not yet turning sufficient attention to this. Independent of this we cannot permit ourselves not to pay worthy attention, in the hope of future business, to potential buyers or sellers--and unfortunately there are examples of this. We must further improve language knowledge and negotiating ability for those participating in business work also.

Advertising and propaganda activity has improved, but due to the limit on available material resources we must strive to exploit them more efficiently. We must organize joint actions with the more significant foreign partners.

## Competitivensss and Improving Economicalness

Progress in this area requires the consideration of many factors. Without trying for completeness I consider the following to be the most important tasks.

Our goal, in developing the commodity structure of export, is to increase the ratio of competitive products which can be marketed economically.

Obviously the export economicalness of individual products can be improved by reducing domestic production costs and raising the sale prices. We have many reserves in both areas. Considerable cost savings could be achieved by

rational exploitation of production capacities, a possible reduction of material expenditures, increasing yields and better organization of production. On the other side, we could increase our foreign exchange receipts through a coordinated improvement of competitiveness factors and an improvement of the level and organization of foreign trade work.

Increasing the net foreign exchange yield of export is a stressed task of the activity directed at improving the external economic balance.

The ratio of products with a higher degree of processing must be increased in the export of agricultural and foodstuffs industry products. This is one of the most important sources for increasing export turnover. This will require a swift change of product variety adjusted to market needs; in addition, the domestic cost and calculation system must be changed so that the economicalness of more highly processed products should improve with the increase in the degree of processing.

Even today the cooperatives have a significant role in the production and export of smaller volume agricultural and foodstuffs industry articles satisfying special market needs. The share of these products in total foodstuffs export is constantly increasing and for the most part there is a stable market demand for them. A much more flexible export policy can be followed in the case of smaller volume products; the danger of discrimination is less and new customers can be found by exporting them. There are a number of products which were small volume ones in the past but which have become significant export items today. In addition to the well-known examples of rabbit and honey export we might mention the increase in the export of pigeons, snails and bird-seed. Dealing with these products and expanding the list of products is a task of special importance.

Satisfying various animal health and manufacturing hygiene requirements has received ever greater emphasis recently among the quality requirements for foodstuffs of animal origin. The most important importer countries will authorize the import of only those goods which meet the strict prescriptions.

Packaging has a significant role for processed foodstuffs industry products. Unfortunately the shortage of modern domestic packaging materials causes much trouble in the foodstuffs industry. We must accelerate the exploitation of domestic production capacities for this purpose; our products could be sold at a better price with more modern bottling and labeling.

Not adhering to delivery times harms our competitiveness and in practice, unfortunately, is the source of frequent claims against us. Interdependent with this is the fact that only very rarely can we undertake direct service to distributors and retail networks requiring scheduled deliveries. Progress in this area is needed also, because in general assuming more strict delivery discipline makes possible higher sale prices. In many cases the domestic conditions needed for this could be produced with careful organization, and with little extra expenditure.

Active relationship activity is an essential element of foreign market work. In part this means looking for new markets; in part it means maintaining an appropriate ratio among existing ones. The export of slaughter sheep is a good example of the former; in the course of the 1970's we succeeded in breaking into a number of new markets with active market research work. For example, we made significant deals in Libya, Lebanon, Tunesia, Iran, Jordan, Saudi Arabia and Algeria. A deliberate exploitation of the price level differences among the several markets could represent a further reserve for increasing foreign exchange receipts; at the same time, we should not give up the requirement of a lasting market presence in the interest of short-term profits.

An efficient foreign market organization is an important element for strengthening our competitiveness. In the interest of this goal we recently strengthened the role of foreign trade offices aiding market research and enterprise business activity. We want to increase the number of permanent enterprise representatives abroad.

The need to fulfill our export tasks and strengthen our competitiveness requires even closer cooperation among producers and foreign trade, a swifter spread of a linkage system better ensuring common interest and assumption of risk. We need flexible enterprise organizations capable of swift decision and action, capable of reviewing the entire path of the product from development through production to marketing, so that they can adapt to or exploit fast market changes in a short time.

A significant increase in the independence of foodstuffs industry enterprises in a number of special branches has produced good conditions for the realization of these goals, improving the market adaptability of enterprises participating in export.

One area, with broad prospects, for strengthening the links among producing and foreign trade enterprises is expanding direct cooperation with agricultural cooperatives. The cooperatives produce about half of the gross value of agricultural production and their share in the production of products for export is of similar magnitude. The possibility of choice has increased with the creation of new, broad profile foreign trade enterprises in the interest of broadening direct contact; granting parallel foreign trade rights has affected a number of products. Direct contacts will create favorable conditions for strengthening the export interest of cooperatives.

A swift and flexible satisfaction of foreign market needs will ensure us a lasting market, because we do not represent a determining weight on the world market with our products. Our homeland has a share of about one percent in the world export of foodstuffs, and our market share is considerable in the case of only a few products and product groups.

Those working in production and foreign trade, in central guidance and in the enterprises and cooperatives, have the common task of aiding the fulfillment of the tasks standing before our export of foodstuffs by improving foreign market competitiveness.

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## DEFICIT IN NATIONAL BUDGET ANALYZED

Warsaw TRYBUNA LUDU in Polish 28 Sep 82 p 3

[Article by Ryszard Bilski: "Facing Deficit In State Budget--Behind the Subsidies Curtain"]

> [Text] For a long time now the revenue that the state treasury has been receiving was insufficient for all its expenses. The deficit for this year has been estimated at the time of enacting the budgetary law at over 150 billion zlotys.

Particularly strong pressure is being exerted to increase the outlays for social programs. They are primarily tied to the implementation of important social aims. The outlays for health and education are more than sufficiently justified also, and maybe even more so, under the crisis conditions. On the other hand, one feels opposed to earmarking of huge sums for additional financing of the deficit that has been recorded in the production of many goods and in services.

As much as 479 billion zlotys have been appropriated for this measure in the budgetary law for the current year. A total and immediate elimination of subsidies from our economic practice is not feasible, and under the present social and economic conditions it is also not advisable, because it would have caused further sharp price rises, including the prices of many products of fundamental importance for the population. But a methodic restriction of subidies is advisable and necessary.

The scale of surcharges for food, industrial products, services, agricultural supplies, etc. is enormous. These outlays reach 20 percent of all budgetary expenditures.

Whether in the old orders-type system, or the new one, parametric system, behind the subsidies curtain as a rule hide: Uneconomical management, mess, waste. Excessive subsidies increase the social costs of production.

The system of subsidizing manufacture of some products and services now in force, has encountered sharp criticism by the members of Sejm at this year's budgetary debate. At the conclusive session of the Sejm's Commission on Economic Plan, Budget and Finance the members of Sejm, while accepting the budgetary draft law, have obligated the Ministry of Finance to analyze the subsidies again and to work out a long-range policy in this area.

The detailed analyses of costs and of profitability of the enterprises receiving subsidies, conducted by the district Boards for State Income and Financial Control, have not only confirmed the views about the incorrect subisides policy, but have also revealed many new, unknown shortcomings and irregularities.

Among other things, it was disclosed that the subsidies rates were too high. Their amounts were set on the basis of usually overestimated costs. At the beginning of the year, the enterprises did not have all the information about the prices, power, etc., they used imprecise conversion factors. The calculations prepared by them included, therefore, a wide margin of safety. But, after those obstacles had been removed, when the true production sots could be figured out, none of the enterprises has given up its subsidy. Paradoxical situations arose: On one hand, an enterprise receives a subsidy, on the other hand, it pays taxes on its high profits!

The inspectors have also pointed out a number of other sources and possibilities of cutting the state budget's burden. Some enterprisesfor lack of certain raw materials used other, less expensive ones. This was the case, for example, in the fodder industry, where the production costs were lowered as a consequence of introducing less expensive, domestic components. However, somehow nobody has voluntarily suggested lowering the subsidy.

Some enterprises and ministries hike the subsidies rates by overestimating the so-called risk and degree of uncertainty. Citing considerable difficulties in deep-sea fishing, the fishing industry has requested at first a subsidy of21 billion zlotys, afterwards it accepted 17 billion zlotys, now it is willing to receive 12 billion zlotys, while the Ministry of Fina6ce maintains that 9-10 billion should suffice....

Full compensation received by the meat industry for the difference between the old and the new procurement prices resulted in attaining (especially by the enterprises making higher quality meat products) very high profitability by this ministry. According to experts, a 70-80 percent compensation subsidy would be sufficient.

These and other corrections, as well as reduction of subsidies resulting from the production slow-down, will decrease the state budget's burden by around 40 billion zlotys this year.

It has turned out also that in one flour mill a ton of rye flour costs 18,000 zlotys, in another exactly twice as much. The enterprises of CRS "Samopomoc Chlopska" make the same fodder considerably cheaper than "Bacutil" does. In the production of cement and many othe products we encounter similar situations.

The targets of subsidies should be those areas which from society's point of view (maintaining necessary production levels, keeping the prices down, etc.) are truly necessary. This principle should not be stretched to cover each production activity and each product. The subsidy, the amount of assistance received from the budget, cannot be the result of bargaining or a chance. It is becoming imperative that subsidy regulations be formulated in a clear and simply way, also keeping in mind the elimination of such outlays.

What should the simple, clear, just, equal-for-all principles be like? Does this uniformity and justice mean that, les us say, all the producers of rye flour (subsidies amounting to as high as 63 percent of its sale price!) will receive the same amount of subsidies? Would this be just if one flour mill is modern and efficient, while another one must be repaired often and most of the time is idle? Thanks to the subsidies, the first flour mill would easily attain high profit, the secone one would barely make ends meet.

Should not, therefore, the subsidy rates be set on the basis of the real individual production costs? In order to utilize the subsidies as a mobilizing factor in lowering the costs, introducing organizational and technical progress, etc., variable rates can be introduced; for instance: In the first quarter--20 percent; in the second one--18 percent; in the third one--16 percent; in the fourth one--14 percent.

Subsidies cannot continue to cover up errors in the costs and income-price policy. They cannot camouflage lack of ability to predict the future and of long-range thinking.

9644
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## CHRONIC PROBLEMS OF RAIL SYSTEM EXAMINED

Warsaw ZYCIE GOSPODARCZE in Polish No 34, 12 Sep 82 p 4

[Article by Krzystof Fronczak: "Polish State Railways in the Old Rut"]

> [Text] In a column carried in ZYCIE GOSPODARCZE, in February 1981, i.e., during the sudden decrease in coal transport, I cited the opinion of Silesian railroadmen that Silesian miners would sooner be able to raise the output of coal to the level of "fat" years than it would be possible to overcome results of many years of neglect on the railroads. These words have been borne out completely. The "respite" on the railroad is over, and the motor transport cannot be relied upon at a time of acute fuel crisis and substantial rise of costs. The excess of the carrying capacity of the Polish State Railroads [PKP] over the needs of the economy is again a thing of the past.

During the first half of this year, 194 million tons of goods have been carried by rail (compared to 200.5 million tons in the past year); the corresponding figures for motor transport are 275 million tons (387 million tons in the previous year). The traffic on the railroads has thus picked up considerably, although the comparison of this year's data with the past year, which was certainly not the hardest of times for the PKP, may not be the best measure. More causes for apprehension stem from the fact that, from late May into early June of this year, literally from week to week, the excess of PKP carrying capacity over the needs of the economy came to an end; this situation, worsening further, will curb the process of restoring balance in the nation's economy. Since there is no motor transport alternative, the discrepancy between transportation capacity and needs will increase even more. The transport peak period in the fall will further increase the PKP workload and will remind us of the old song about the sick railroad magnate with chronic asthma.

The growth of rail transport results not only from a certain enlivening of industrial output, particularly pronounced in mining, and restrictions in the use of motor transport. /Changes have been introduced to mandatory regulations limiting the access to railroads./ Back in December 1980, the

minister of transportation abolished the 1977 regulation limiting the acceptance of certain types of loads for rail transportation and specifying the size of freight loads acceptable to PKP. Railroads now must accept all freight loads regardless of the transportation distance and whether the assignment concerns several cars, a special route or just a single freight car. In this connection, the practice has been discontinued of carrying coal by special trains to assigned receiving points from where it was locally transported by motor vehicle. The regulation of November 1980 has also been lifted that bound the rail customers to so-called rational directions of transportation. This has led to a switching of large masses of goods from motor vehicles to railroad cars.

On the other hand, tensions caused by uneven flow of freight loads have intensified. Sunday loading volumes in 1981 dropped on average by some 60 percent, and on Saturdays, by some 40 percent, compared to tasks on the same days in 1979. In connection with the change in the work rate of the mining industry, this phenomenon has been alleviated in the current year, but not eliminated completely.

Such is a brief, telegraphic outline of PKP's present working realities. In regard to the railroad's obligations, they do not differ substantially from those of nearly 2 years ago. Unfortunately, little has also changed in the technical and organizational base which is to fulfill these obligations; in fact, one can even speak of a decline. After all, the memory is still fresh about alarm signals sounded, in particular, by the press not too long ago, before the short-lived slackening in the transport situation, that the railroad is a sick nerve of the national economy. The problem, thus, deserves a closer look.

On the Road

A reminder that railroads are discharging and will discharge a prime function in freight load transportation verges on commonplace. For one thing, this is indicated by statistics. In 1970, railroads transported 371 million tons of freight, in the peak year, 1978, 479 million tons, and in 1981, 394 million tons. The plan for the current year envisages 420 million tons of freight. During the past decade, the annual passenger volume exceeded 1 billion. These numbers speak for themselves. An appropriate commentary to them and a clear sign of the progressing paralysis, stem from a basic indicator describing the capacity of this system--the continually longer railroad-car turnover measured in days. In the years mentioned above, it was 4.53, 5.01 and 5.21 respectively, and the current year has brought no improvement; therefore, the indicator has continuously increased, even in spite of the drop in transport volume.

We have in Poland 24,000 km of standard-track railroads. Their average transport workload amounts to 14 million ton-km gross per 1 km of operating line (in 1978); however, e.g., the workload on the Katowice-Wroclaw, Katowice-Karsznice-Gdynia and Katowice-Warsaw lines ranges from 40 to 50 million gross ton-km per 1 km; this clearly indicates both from where and to where the greatest amount of freight is transported, as well as the huge

overloading of these routes. The capacity on 60 basic segments of transportation lines is already being utilized completely. A similar situation exists at 69 of 102 switching stations which have to work without interruptions for maintenance and repair. Of the 23 stations that perform the bulk of the switching operations, only 17 are furnished with track brakes and hardly half of the 102 stations have equipment for electrical control of switches.

Only 3.8 percent of the railroads are equipped with automatic line block systems, 53 percent with semiautomatic block system, while on almost one-third the trains are still announced by telephone, a practice surviving from the time of the Warsaw-Vienna railroad. The technical condition of some of the safety devices of the railroad traffic is catastrophic and is not surprising, since some of them are 60 to 70 years old--more valuable for a museum than for practice.

Only 21 percent of the rails on the principal tracks are heavy duty rails capable of bearing big loads; 23 percent are light rails that have been in operation over two decades and in all respects fail to comply with present-day technical requirements.

Twenty-six percent of rail cross-ties have exceeded the standard service life of 16 years, and one-tenth of this number have been used almost 30 years on the track. Thirty percent of the railroad turnouts have been in operation over 25 years, although the admissible service time is 14; for the most part, these are light turnouts which are not designed for heavy loads.

The inputs of manual labor for routine maintenance of tracks have been declining continually--in 1968 the index was 0.31 worker-km, compared to 0.23 in 1979, although with the existing technology the required indicator is 0.64. This is not compensated by the rate of growth of railroad mechanization. It is not surprising, therefore, that backlogs in replacement of roadbed in 1980 amounted to as much as 6,200 km of main tracks and 3,500 km of station tracks. Ever fewer people are willing to work on the railroad--employment in the road service decreased between 1971 and 1975 by 3,100 persons, and by 1979 it further dropped by 4,000 workers.

Fifteen percent of the bridges and viaducts on the routes fail to meet the operation requirements, and every fifth structure has welding defects.

Less than one-third of the railroad network is adapted to electric traction. The fast pace of electrification efforts in 1960-70 later came to an equally fast stop. Due to limitations of capital investment outlays or plain bans on new investment, as well as to energy restrictions (with the power lines becoming idle already after several months of operation on some segments), the program of adaptation to electric traction never succeeded in climbing out of the "valley"; for many years, one could only dream of bringing into electric operation the optimum 400-500 km annually.

Every day 7,400 passenger trains and 6,000 freight trains are moving on these routes. The condition of the railroads is responsible for the decline in the rate of speed from year to year, a regularity observed for at least a decade and a half. Official data of the Ministry of Transportation in fact indicate, e.g., that the average commercial speed of a freight train was in 1981 equal to 19.4 km/hr, while passenger trains were not much faster. Stephenson must be turning in his grave.

No Reserves

There are days when 50,000 freight cars stand idle due to disrepair. This is particularly severe for the PKP, because, lately, supply of new cars has been curtailed considerably. It is true that in 1971-1980 supply of freight cars was 23.6 percent higher than in the previous decade, but the transport load of PKP has in the meantime grown incommensurately. This resulted in reduced discarding of worn-out rolling stock which is decrepit but is kept running by enormous outlays of funds and labor. In 1979 the mean age of discarded coal cars was nearly 30 years, and flat cars, 43 years, whereas 24 years is the optimum service life for these two types.

Particularly disconcerting is the decline in the number of box cars. In 1971, the railroads received 3,000 such cars, in 1977, 1,000, and in 1979, just 15 cars. Discarding continues, and new cars are not available; this is, however, the type of car most needed today, because the railroads are taking over loads previously carried by motor vehicles, including market commodities that must be protected from the effects of weather.

PKP virtually lacks a reserve of free freight cars. In order to be able to respond flexibly to the needs of customers, the so-called temporary reserve should number some 7,500 cars, while today, it has gone down to 800. Under conditions of an uneven flow of freight, and the 5-day work week in industry, the importance of reserves can hardly be overestimated, but to acquire this reserve is no less difficult.

The situation is similar with passenger cars. Their supply in 1971-1980 was 64 percent higher than in the previous decade, but was still trailing far behind the demand. For this reason, it was impossible to pull out of operation even old cars over 25 years of age. The crowded conditions in the trains as measured by the number of passengers per listed seat presented the following picture: in 1975, 1,439 passengers; in 1979, 1,306; and in 1980, 1,320. These are purely statistical calculations, because the number of listed seats is greater than those in actual use. Curiously, the degree of utilization of seats in express trains in 1981 was 61 percent (compared to 58 percent in 1980). An equally interesting statistic would be an indicator for the utilization of seats in commuter trains. Limitations in motor transportation certainly produce their own effects.

Locomotives also operate without reserves. At the turn of 1979-1980 the so-called balance reserve, which is supposed to be 13 percent of the average annual demand, was continually included for operation, and not only on peak days. It will be recalled that we will have to wait a long

time before taking leave of steam locomotives. In 1980, they performed 7.2 percent of the total transportation workload, electric locomotives, 61.1 percent, and diesel locomotives, 31.7 percent. The rising cost of liquid fuel and the large problems with spare parts for diesel locomotives have restored the popularity to the old steam engines.

I will not dwell on the issue of who demolishes railroad cars and where this occurs. This is a commonly known fact--the rolling stock is destroyed by clients and railroadmen. Under the circumstances, a paradoxical development was the elimination of the Railroad Car Inspection Agency which was as useful as it was short-lived. Experts note ironically that the Railroad Car Inspection Agency failed to fulfill its function, because the fact of its existence did not decrease the number of destroyed cars, thereby depriving it of a reason for existence. Identification of those guilty of destruction, however, had the advantage that at least they had to fear the consequences of their conduct.

The question as to why the number of units in disrepair (including locomotives) is on the increase can be also answered from a different viewpoint. The rolling stock is frequently exploited up to the point of physical demolition, because the technical facilities of PKP totally disregard the needs of transport. While the technology has advanced and modern trains have gone into operation, their service never emerged from the earliest stages of the steam epoch.

Almost Illusory Service

Three-quarters of the locomotive shops and car shops originated in the prewar years. Only 42 car shops (of 64 existing ones) and 28 suburban repair departments (of 69) have inspection and repair facilities. For adequate maintenance of cars, 1,200 servicing bays are necessary, and only 710 are available. Half of the machine tools and machines in the car shops are over 20 years old. Of 47 car wash installations, only 2 were built after the war, and of 250 servicing and switching stations, only Warsaw-Grochow is adequately equipped (although, judging from the service standard, it, too, consistently fails to put its capabilities to the best possible use--this is, however, just a passenger's comment). A measure characterizing the technical equipment and the quality of the service and repair facilities for the cars is the ratio of the outlays for the facilities to the value of rolling stock acquired. In 1971-1975, this ratio was 4.6, and in 1976-1980, it was 8.4. The appropriate ratio should be 10.

In the locomotive shops, the situation is equally deplorable: 43 installations (of 135) should have long ago been dismantled. Only 20 are sufficiently suitable for maintenance and repair of modern transport. Maintenance of the locomotives requires 1,500 servicing bays--but only 270 indoor servicing bays for inspection and repair are available. There is an annual shortage of 1,000 inspection and repair bays for diesel locomotives, 430 for electric locomotive units and 300 for electric locomotives. As with the car shops, the measure characterizing the technical equipment level of the locomotive repair facilities should amount to 15-18 percent of the cost of locomotives. In 1961-1975, it was 5.25, and in 1976-1980, 14.9.

As a natural continuation in this gloomy chain of shortcomings, we have the situation at Railroad Rolling Stock Repair Shops [ZNTK]. Nearly 80 percent of the ZNTK installations were built before 1945, while 18 shops are older than 50 years. Of nearly 6,000 machine tools in stock, over two-thirds are completely amortized. The labor conditions at ZNTK are extremely difficult under conditions of continuing noise, dust, and frequently outdoor work in any weather because of insufficient numbers of repair facilities. There is also a shortage of people willing to work under such conditions. Employment in repair shops decreased, i.e., from 56,600 in 1972 to 44,200 in May 1982. Particularly large drops in employment occurred during the last quarter of the past year, when 2,050 workers availed themselves of the new regulations and went into an early retirement.

Even this modest repair potential of ZNTK cannot, however, be utilized completely because of the very poor supply of materials indispensable for repairs. This is supported by such facts as: during the first 4 months of this year ZNTK received only 800 kg of varnish (compared to an annual requirement of 6 tons); the Piastow "STOMIL" works supplied only 26,000 metal and rubber articles (compared to an annual requirement of 150,000 articles); and the metallurgy industry is late with supplies of rims, steel pipes, wire and cable. Of the 200 tons of nails ordered, the industry delivered "as much as" 4 tons!

The results of these situations obviously affect the quality and quantity of repaired rolling stock. It will also be recalled that it comes to ZNTK frequently in a state of complete "dilapidation," because inspection at car shops and locomotive shops is frequently specious. The plan for the current year, for example, provides for the following fulfillment of the repair needs of PKP by ZNTK: diesel locomotives--58.7 percent, including high-power diesel locomotives--42.8 percent; electric locomotives--85.8 percent; electric locomotive units--75.5 percent; steam locomotives--78 percent; freight cars--82.5 percent; and passenger cars--94.9 percent. Similar, although perhaps slightly better, indicators were registered in the past few years. For several years now, the fact that the system is still running verges on a miracle. The railroadmen themselves make those everyday miracles by patching up the rolling stock by all possible means, but no one should be in doubt as to the consequences of this patching.

A Look at the Budget

Speaking at a forum of the parliamentary commission for communications and transportation, Minister Janusz Kaminski simply said that subsidies compensating for the deficit in passenger and freight transportation in the current year will amount to a total of 130.7 billion zlotys. The rates implemented on 1 January 1982, for transportation of freight by the national railroads and river fleets and raised by 165 percent, and motor transport, by 118 percent, did not make it possible, in connection with the continuing growth in producer and retail prices of supplies and equipment, to overcome this deficit in these transportation areas. This necessitates subsidies of 41.1 billion zlotys, and in passenger transport, 89.3 billion zlotys. The cost of carrying one passenger by rail for a distance of 1 km amounts to

150 grosz, compared to the profit of just 24 grosz, and on the other hand, 1.8 grosz for transportation of students and 9.6 grosz for workers.

/The budget of the transportation ministry for the current year showed 33.7 billion zlotys in revenues and 189.6 billion zlotys in expenditures./ PKP bears a sizable share in this deficit. The coverage of PKP prime costs by revenues from transportation service amounted to, in passenger services, 20.2 percent in 1981 and 19.3 percent in the plan for the current year, whereas the figures for freight cargo were 82.3 percent and 84.7 percent, respectively.

Conditions for implementation of investments were changed in January. Investment allotments were established exclusively for budget units, while funds for central investments were provided from the state budget. The enterprises operating on the principle of self-financing have to make their investment from their own financial sources, or make use of bank credit. As an enterprise with such large deficits in transport, PKP has found itself in a particularly difficult situation. This is also to be reflected in the structure of investments being made. There are fewer expensive projects and more small-scale projects aimed at modernization and renovation.

A comparison of investment outlays in the current year with by no means affluent previous years also cannot instill optimism. In 1978 prices, investment outlays in 1980 amounted to 19.1 billion zlotys, and in 1981, 13.4 billion zlotys, and the plan for the current year includes a total of 11.9 billion zlotys. The distribution of these modest sums, however, may be regarded as a promise of more efficient management (although in the past one was hard put to keep a rational approach with such proverbial shortages): in the current year, 17.2 percent of the funds allocated to the General Directorate of PKP are earmarked for adaptation of railroad lines to electric traction (the plan for the coming 3 years: 1982--316 km, 1983--317 km and 1984--394 km); 15.5 percent for new lines and second tracks; 17.6 percent for technical facilities and 31.9 percent for housing construction.

There can be no doubt that it is impossible to depict on a few typescript pages the deplorable condition of the Polish State Railroads and its working partner, the Railroad Rolling Stock Repair Shops. I believe, however, that even this sketchy outline will show how far advanced is this disease of an organism that at one time boasted steadfast traditions and a model organization. We are not speaking any longer of the prestige of railroadmen's profession, which is today as problematic as that of PKP, which in actual fact has long since lost its former reputation. This pertains to something much more specific--namely, the fact that /transport is a factor that exerts a direct or indirect influence on the base of social and economic growth, and under conditions in which we currently live, will affect the pace at which the national economy will regain its natural rhythm./

The period of lowering the pressure on the railroads due to the crisis was short--much shorter than was expected initially--and there was not enough time for taking a deeper breath. Unfortunately, PKP's life has returned to the old pothole-ridden rut. This could not have been otherwise, however, since neglect at PKP is of a deep, structural nature.

Railroads never had any luck with long-term consistent action. The five-year plan for transportation development that was drafted in 1975 and aimed at bringing, by 1980, the carrying capacity in line with the national economy's needs was, during the course of its implementation, systematically divested of subsequent elements under the pretext of falsely understood ideas of savings that resulted in the present severe inefficiency in the railroad transport system. In this respect, it is not only railroadmen who now pin their hopes on the three-year plan currently under discussion.

3300
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## GLIGOROV NOTES SOCIAL IMPLICATIONS OF ECONOMIC CRISIS

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 29 Sep 82 pp 1-2

[Article by B. Djurovic based on an address of Kiro Gligorov, head of a working group of the Commission of Federal Social Councils for Drafting the Long-Range Economic Stabilization Program: "Labor Saving as a Condition for Continuous Growth of Income"]

[Text] When we speak about carrying out the economic stabilization program, it is indispensable for me to mention that it cannot be reduced to the sum of economic changes, however important, well-thought-out and justified they might be unless there is a parallel consideration of the social side of this set of problems, that is, of the entire context of economic and social changes and measures that lie ahead, said Kiro Gligorov, head of a working group of the Commission of Federal Social Councils for Drafting the Long-Range Economic Stabilization Program on directions of efforts to carry out that program in his introductory address delivered in a meeting of the Club of Delegates of the Yugoslav Assembly.

No very important changes of the present situation can be carried out unless aspects of the political and legal system are borne in mind. In the context of the accumulated contradictions in society and the crisis situation in the economy, all social undertakings must be comprehensively examined from these three standpoints. Put in concrete terms, it is difficult to imagine introducing more difficult conditions for the conduct of economic activity in associated labor and demanding qualitative results in economic performance and full economic accountability of every economic entity, or economic valuation of, say, rents, unless all the consequences are at the same time drawn for the sphere of social welfare policy, without asking who will bear the burden of such an operation and what are their economic capabilities, and unless changes have been envisaged and proposed in the organization and operation of sociopolitical organizations and sociopolitical communities and concerning the place and role of delegate assemblies and especially executive agencies of the government.

Associated labor, Gligorov said, which will be expected to give the most, has the right to demand both a different mode of operation and responsibility on the part of all institutions and to demand that the organizations of government and political agencies and administrative staffs conform fully to such efforts.

Work on the long-range stabilization program shows that making it operational, that is, translating it into measures which are altogether practical, will be a task of exceptional importance. That is, although in each of the parts of the stabilization program the policy strategy, stages and measures to be undertaken are set forth, the proposals have to be further elaborated. I am thinking of the need to enact transitional measures, to quantify the proposals, to honor the time dimension and also to honor the differences which undoubtedly exist from one republic or province to another, which should be taken into account, and details which cannot be covered in a work of this kind and for which specialized bodies must prepare further proposals. This is an essential and urgent task whose successful completion will be crucial to whether the long-range stabilization program goes into effect even in 1983.

Speaking further on commodity-money relations and economic laws, Gligorov emphasized that the monetary system is the backbone of our economy and of the economic mechanism, and that the dinar is the yardstick without which it is not possible to ascertain a single economic result nor the result of the individual contribution on the basis of distribution according to work. The repercussions of this are numerous.

In the order of priority of the stabilization steps, putting order in the foreign exchange system is one of the most important priorities. All foreign exchange transactions must, regardless of who conducts them and with what justification, have to be prevented in the very near future, as has been emphasized in the resolutions adopted by the LCY Central Committee last week. Of course, in and of itself this measure will not mean much if the rate of exchange sketched out in the component of the program entitled "Foreign Economic Relations" is not as a whole taken as the basis of all other measures leading toward convertibility of the dinar. As for the transitional period, a separate section of that component elaborates the policy which should make it possible to get out of the present situation and gradually return to normal relations in the foreign exchange system.

Almost the same words can be used in speaking about the foreign exchange system and the system of foreign economic relations. Here again it is a question of money, only of foreign money, of money which has to be earned in international competition. Is it possible to conduct any sort of development in economic policy under conditions when the dinar does not have sovereignty in the unified economic space of Yugoslavia. What in that case is the measure of value in our country? Who is to establish relations between the dinar and foreign currencies, how is this to be done, what criterion is to govern this, when they are both circulating side by side in payments...?

Countless questions are raised in this connection, but the main one is this: Can the domestic value system and the dinar, as a measure of value and price, perform its role under these conditions? A foreign body has been introduced into our internal process of value formation, dual standards are applied as needed, and the economic confusion simply increases on that basis, from the individual citizen to aggregate social accounts and planning. Only by bringing the dinar back to health can we increase motivation to export and change the attitude toward foreign exchange, not the other way about.

Just as we forecast the size of the social product and income and the level of productivity that will be achieved, so we should also plan relations with foreign countries, not forgetting that in relations with foreign countries we are a single economic region and market, so that the payments-balance position should not be turned into the kind of operational instrument which in any case does not exist in our system. Least of all is it possible where relations with foreign countries are intertwined, Gligorov emphasized and stress. that economy of labor and capital is not an end in itself, but a condition for steady growth of income not just to satisfy immediate needs, but also as the basis for reproduction on an expanded scale. How do matters stand here? Let us start with the use of the resources of society and saving. Why is it, when we talk so much about pooling labor and capital, that every opstina, republic and province, almost without exception, considers it best to invest the dinar of its saving on its own territory, when possible as narrowly as possible, within the opstina, and in many quarters the possible inevitability of investing something in some other place is looked upon almost as a loss. Is that a natural motivation which can be taken as the driving force of our sociopolitical communities?

Differences from one sector of the economy to the other are, of course, unjustified, whatever standard of measurement we use, and they are the result of various administrative interventions. The alternate freezing and thawing of prices reflect the autarkic nature of the Yugoslav economy and the inconsistency of development and economic policy. Nor do they reflect the principle that approximately the same income can be anticipated for the same quality and quantity of work and business operation. Personal incomes vary greatly regardless of whether the business conditions are the same, better or worse.

In the Central Committee at the present time, along with many other concrete resolutions, there is a proposal to reassess the possibility of floating a national loan. Taken in isolation, this is a good thing. However, if this were to be conducted simultaneously with the introduction of economic rents, one or the other has to suffer. An examination should be made of the advantages or shortcomings of one or the other and one of them chosen, but this cannot be examined in isolation. It seems to me that it is better, that the same results can be achieved along with other additional constructive economic consequences if we choose economic rents and if in that way we begin by introducing in an important sphere, in the sphere which contains the major portion of our national wealth, sound economic reasoning and a sound economic attitude toward use of a resource in which the price and costs are known, Kiro Gligorov said at the end of his address.

7045
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## CROATIAN ECONOMIC COOPERATION WITH OTHER REPUBLICS

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 24 Sep 82 p 4

[Article by Jasan Grubic: "Without Lasting Ties Based on Income Sharing"]

[Text] Common interests and goals and priorities in development have to be defined and reconciled as fully as possible within the framework of the agreed main directions of development.

Although over the 1.5 years of the current medium-term planning period OUR's [organizations of associated labor] from Croatia have concluded 70 self-management accords concerning 53 joint development programs with partners in the economically underdeveloped republics and the Province of Kosovo, committing thereby 7.9 billion dinars, or 22.3 percent of the possible resources of the Federal Fund for Underdeveloped Regions envisaged in Croatia for pooling on an income-sharing basis by 1985, as well as 949 million of their own savings which they pooled, it cannot be said that these processes are keeping pace with the real potential and needs of associated labor.

The causes of the relatively slow pace in the pooling of labor and capital lie above all in the low accumulative and reproductive capacity of the OUR's, in the large and economically unjustified differences in conditions for conduct of economic activity and realization of income, in the economic position of economic entities which are mutually dependent in the process of reproduction. The causes should also be sought in the insufficient respect paid to economic laws and market criteria in the conduct of business, the disjointedness, incompleteness and inconsistent enforcement of the solutions embodying the system and the measures of economic policy, and then in the very strongly pronounced inflationary tendencies, the instability of economic flows, as well as in the problems and difficulties in development and in the functioning of the unified Yugoslav market. To this we should also add the problems of "measuring" the size of the share of the pooled resources of the fund in joint projects, the complicated procedure for commitment of those resources, lateness in passage of the normative regulations and specific administrative measures for channeling those resources.

Bosnia-Hercegovina: Strong Emphasis on the Manufacturing Phase

With respect to relations with Bosnia-Hercegovina some of these causes and problems are reflected most strikingly, according to assessments of the competent bodies in the Economic Chamber of Croatia, in the sector of ferrous metallurgy. The primary phase is being neglected in its development, while the secondary phase is being favored, and due consideration is not being given to the manufacturing capacities that already exist in the other republics and provinces and whose construction was based on raw materials and other resources in Bosnia-Hercegovina. The Zenica Mining and Metallurgical Combine is thus programming construction of metal-manufacturing plants whose completion in 1985 would mean that it would consume a large portion of its own steel and all available amounts of gray pig iron. In practical terms this means that traditional customers will be left without the necessary semifinished products which they have up to now been obtaining from this supplier, and that will further deepen structural disproportions and cause harmful consequences for the country's entire socioeconomic development. That is why competent authorities in Croatia must strive to have development of the capacities of ferrous (and nonferrous) metallurgy coordinated at the national level.

Another open question is the possibility of pooling a portion of the resources of the fund for the program to rebuild that same combine's forge. Since nine major manufacturers in Croatia are interested in this investment project, but do not possess uncommitted capital of their own, it ought to be treated as reconstruction and expansion of a metal-manufacturing plant outside the metallurgical complex, in which the resources of the fund could participate up to 45 percent of the estimated cost of the project.

There is a similar situation with UNIS' program to build a roller bearing factory. It was agreed at first that the Croatian partners could pool as their share the resources which they pay into the fund. Later this was modified, in that the nine interested organizations were called upon to put up half of their share from the resources of their own reproduction or from other sources, which do not exist.

Montenegro: Development Not in Line With the Demands of Customers

In contacts so far with OUR's in Montenegro it has been noted among other things that agreement does not exist between the planning documents of that republic and of the opstinas in it. The aspiration to achieve equal development and to build industrial plants in every commune regardless of whether the relevant conditions exist for the particular production operation is making it more difficult to make decisions on locations for various plants (the case of the bimetallic strip plant, which is "based" on the bearings factory in Kotor, but people are insisting on its being built in Danilovgrad). A discrepancy has also been noted between the direction of development of certain Montenegrin industrial plants and the requirements of those making plans in other republics and provinces. For example, provision has not been made to expand the pulp and paper plant in Ivangrad, though Croatia, Serbia and certain other republics have shown an interest in this. Likewise there is an interest in Croatia and on the part of OUR's from other parts of the country in carrying out

the program for production of aluminum foil, but the Titograd Aluminum Combine intends to develop production of aluminum fabrications in which customers outside that republic are not interested.

Macedonia: Two Alternatives for the Skopje Steel Mill

Particular emphasis is being put in Macedonia on the problem of investment to develop ferrous and nonferrous metallurgy; the pooling of a portion of the resources of the fund in those programs has been accepted in principle, but sizable additional capital is also being sought from possible partners. That is why there are two alternatives for development of the Skopje Steel Mill: with smaller investment, but also with a smaller new capacity (mainly for internal needs) and with a more substantial investment of quality dinar and foreign capital by metal manufacturers from the other republics in order to meet their needs. The Croatian economy is willing to pool capital for delivery of 80,000 tons of sheet per year, but it lacks the additional capital, since the investment is climbing to 1,900 dinars of the resources of the fund to be pooled per ton and to 1,100 dinars from other sources, not counting the foreign exchange portion to purchase imported equipment.

SAP [Socialist Autonomous Province] Kosovo: The Criteria Contained in the Compact Are the Largest Obstacle

Although OUR's from Croatia have so far pooled almost as much capital of the fund to carry out six joint programs in SAP Kosovo as the other four advanced federal units together (14 programs) and thereby covered half of the estimated amount for these investment undertakings, the problems which are arising as an obstacle to the pooling of labor and capital and establishment of income-sharing ties among OUR's which are mutually dependent in the process of reproduction have primarily resulted from the sporadic nature of business cooperation among economic entities up to now, but also from the criteria governing the commitment of resources contained in this province's social compact, which definitely represent an obstacle to these efforts. That is, the compact states that of the total amount of the resources of the fund one-third may be committed to cover obligations on projects begun previously (continuing investment projects), and 10 percent to stimulate the development of the economically underdeveloped opstinas and border zones of SAP Kosovo. That and the criterion that the investment per job may not exceed the limit of 1.6 to a possible 2 million dinars (in 1980 prices), is considerably narrowing the space for carrying out many programs, including those that have been offered from Croatia.

There is also the problem in Kosovo of selecting locations for particular projects, since every opstina is pulling for its "own" territory without paying sufficient consideration to the economic conditions, and there is also a shortage of creative personnel and OUR's are poorly organized.

Slovenia: Long-Term Business Ties

Along with the causes common to everyone and the specific difficulties holding back transformation of resources of the fund into investment capital pooled

through self-management on the basis of income sharing for mutually acceptable development programs, we will also indicate on this occasion the main directions of Croatia's economic cooperation with the advanced parts of the country.

Long-term business ties are continuing with Slovenia; OUR's of the two republics have found a common interest in them. The dominant subjects of concern in them are development of the fuel and power industry, especially building the first nuclear power plant in Krsko and preparation of construction of another joint power plant using nuclear fuel in Croatia, and then joint construction of thermal power plants at Kosovo coal mines. Emphasis is also being put on the production orientation in the chemical and petrochemical industry, on cooperation in the paper industry and agriculture, especially in the production of newsprint and sugar beets, and then on cooperation in the framework of the regional economic chambers of Bjelovar, Varazdin and Rijeka.

In view of the unsatisfactory supply of petroleum and petroleum derivatives to the Slovenian market, it was recently proposed in the talks between representatives of the two republics that in future regular supply be ensured only to those consumers who promptly set aside 17 percent of their inflow of foreign exchange to import these fuels. If these proposal is not accepted by all at the national level, Slovenia, it has been said, will be forced to halt those appropriations and use that amount for its own imports of petroleum and derivatives and in that way ensure unhindered production, especially production for export.

Because of the very difficult situation with residual fuel oil the representatives of Slovenia also proposed that a study be made in Croatia of the possibility of larger deliveries than those planned, and that under a specific arrangement--possibly in exchange for delivery of electric power. In view of the dinar and foreign exchange difficulties in obtaining the necessary quantities of imported petroleum, especially for better supply of residual fuel oil to the economy, agreement has been reached to make more use of the capacity of the INA [Zagreb Petroleum Industry] refinery (and also the one in Lendava), and that on the basis of refining petroleum for foreign suppliers, and from the foreign exchange earned thereby to import residual fuel oil to meet the needs of the two republics.

The difficulties of Iplas in Koper which arose in connection with the well-known situation concerning the pace of construction of the DINA petrochemical complex on Krk will be overcome by meeting the need for imported ethylene for the plants of the first phase of DINA and propylene to meet the needs of Iplas on the basis of exports of primary gasoline from the SOUR [Complex Organization of Associated Labor] INA to be finished in foreign refineries. That would make it possible for the producer in Koper to produce phthalic anhydride for Jugovinil and Chromos.

There is also room for OUR's from Slovenia in the programs for development of Crnec and Lonjsko Polje, especially since the International Bank for Reconstruction and Development has approved credit for those programs which could not be used because organizations in Croatia cannot put up the approximately

40 percent of their own share in dinars. But OUR's in Slovenia are interested in also developing agricultural land near Cakovec (reclamation projects), which would be used to produce sugar beets needed by the sugar mill in Ormoz.

Serbia: So Far No Long-Range Concept of Cooperation

Cooperation of OUR's from Croatia with the economy of Serbia has been assisted by the activity of various associations, including the economic chambers and general associations, but it cannot be said that it is keeping up with the timetable called for in the joint program. By and large solutions are being found to meet the requests of economic entities related to their current economic problems or medium-term commitments in development.

But that does not mean that the broader interests of associated labor have not been a topic of contacts between the chambers and other entities. The activities have concerned construction of fuel and power facilities in Serbia to meet the needs of the Croatian economy, and then joint solutions have been sought for development of the Croatian motor vehicle industry on the basis of the program conception of the Crvena Zastava Plants. An effort has also been under way to coordinate the production orientation in electronics between RIZ [Zagreb Radio Industry] and the Electronics Industry of Nis, and then to guide production of the steel mills at Smederevo and Sisak as a function of OUR's which are users of their products, and this cooperation will also include joint financing of new capacities.

Cooperation with Serbia is also characterized by the interventionist role of the economic chambers. They have acted as intermediaries in various sectors, above all concerning nonperformance of contract obligations in delivery of production materials as in the case of the Bor Copper Mine and Smeltery with Elka, the Smederevo Steel Mill with Plamen of Slavonski Brod, MIN of Nis with Jadar of Split.... The chambers also had to "become involved" concerning withdrawal from the contract on joint development of RIZ and the Nis Electronics Industry concerning construction of identical plants for electric light sources (TEZ [Electric Lamp Factory] and the Nis Electronics Industry).

It is constructive that the two chambers have endeavored to raise this cooperation to a higher level through enactment of a joint program of activities over a specified period of time. It has been proposed to the Economic Chamber of Serbia that joint development programs be undertaken in SAP Kosovo as well, especially with respect to expanding the Trepca Mining and Metallurgical Combine in connection with lead and zinc production. The economic cooperation between the two republics would thereby take on a more organized form, and the linkage of the OUR's around long-range concepts for the pooling of labor and capital would yield considerably better results.

SAP Vojvodina: Highly Diverse, But on a Purchase-Sale Basis

Relations of OUR's and their associations in Croatia with economic entities in SAP Vojvodina are fairly well developed, and even very intensive in certain activities. High-yield varieties of wheat raised in the Novi Sad and Zagreb institutes are being planted in the fields of Croatia and Vojvodina.

Scientific advances in the production of hybrid corn, sunflowers, sugar beets and other field crops are also being exchanged, and there is also close cooperation in development of the technology for livestock production. Joint conferences of specialists are being held, there are agreements on prices of major projects, information is exchanged on the harvest and planting, specialized journals and scientific papers are regularly sent back and forth....

The exchange of material goods has also developed to mutual benefit. The Belje Agroindustrial Combine has very ramified trade relations with neighboring combines in Vojvodina whose products are on sale in Croatia generally, especially in the tourist area of Dalmatia and Istria. Livestock raising organizations are delivering calves and young beef cattle to fattening facilities in Vojvodina to meet the needs of the Croatian market for meat, but Vojvodina is also exporting a portion of this. Meat processors also have their warehouses in Croatia, and they are important suppliers of consumer centers in this republic as well.

But here again it must be said that in this fairly diverse business collaboration there is a lack of long-term and income-sharing linkage between producers and consumers of foodstuffs. Especially since the present purchase-sale forms of cooperation need to be supplanted more rapidly by the new pooling of labor and capital through self-management, especially concerning joint products and joint revenues and income, whereby the results will be increased several times over, especially if mutual interests and needs of production, processing and consumption, especially the export of food, are better organized and coordinated in the agroindustrial complex of the two sides.

Certainly the two federal units do have an interest in building joint fuel and power facilities, in the exploration and transport of petroleum and gas, and that not only abroad, as has been the case up to now (Korea, Gabon, Angola), but within the country as well. Cooperation should be achieved as soon as possible between Naftaplin and Naftagas in building a platform for offshore oil and gas exploration, which would be based on joint technology. Cooperation should also be intensified in the production of agricultural machines--from combines to machine attachments, an effort that involves Djuro Djakovic, OLT [not further identified], Torpedo and Tomo Vinkovic in Croatia, and Lifam, Pobjeda and LTZ [not further identified] in Vojvodina. The production of diesel switching locomotives, special railroad cars, especially tank cars, could be advanced on a business basis (Djuro Djakovic and Janko Gredelj with Bratstvo of Subotica), as well as relations between Prvomajska and Potisje of Ada in building a machine tool factory in Mexico, TEZ and Tesla of Pancevo in joint programming of long-range development, Jugoturbina and Dunavbrod in joint construction of ships for the Soviet Union, INA and the Pancevo Chemical Industry, as well as between Petrokem and Naftahem in Novi Sad.

There is obviously a need, it was emphasized in the Economic Chamber of Croatia, for decisive and more complete commitment at all levels and organizational forms in our society and for encouragement of the processes of pooling of labor and capital and establishment of income-sharing links among OUR's which are mutually dependent in reproduction, especially those from the advanced republics (including Croatia and the Province of Vojvodina) with

economic entities in the underdeveloped regions of the country in order to satisfy their common interests. This presupposes that associated labor first make a critical examination and assessment of what has been achieved so far in this area as well as of the shortcomings, problems and causes of the slow pace on the new foundations conforming to the self-management conception, and there is also a need for the bodies of self-management to prepare more specific programs of their activities and to become involved in the more intensive development of these processes.

Associated labor has an essential interest in reassessment, amendment and supplementation of development plans for the current medium-term period, and that at all levels, so as to achieve consistency with the real material capabilities and available financial resources. Within the framework of the agreed main directions of development, common interests, goals and priorities in development should be defined and reconciled as fully as possible. Exports and import substitution must be an urgent task in the sphere of production and services so as to correct the present difficulties and problems of disproportions in the economic structure more rapidly and to create conditions more rapidly for the country's more stable overall economic and social prosperity.

[Box] Seventy Agreements Covering 53 Joint Programs

Of the 70 self-management accords which OUR's of Croatia have concluded with partners from the economically underdeveloped republics and the Province of Kosovo 43 are already being carried out, which means that the necessary consents have been attained and that the pooled capital has been "put into circulation," while concerning 27 of them verification is being awaited from competent authorities in the federal units where those projects are to be built.

The estimated cost of the 32 joint programs with OUR's in Bosnia-Hercegovina amounts to more than 32 billion dinars, in which the resources of the Federal Fund for Underdeveloped Regions will be 4.4 billion and the "own" capital of participants from Croatia 746 million dinars. The estimated cost of the three programs in Montenegro is 236 million, in which the resources of the fund comprise 123.6 million and additional capital 92.2 million dinars. The estimated cost of the six joint programs with organizations in SAP Kosovo climbs to 3.8 billion, in which resources of the fund account for nearly 1.9 billion; and the 12 programs which will be carried out in Macedonia have an estimated cost of 5 billion dinars, in which the resources of the fund amount to 1.47 billion and the additional "own" capital of Croatian OUR's is 110.9 million dinars.

In practice this means that in 1.5 years of the current medium-term planning period 22.3 percent of the total 5-year obligation of Croatia to the fund has been activated (50 percent of the 70.9 billion dinars in current prices which are to be furnished through pooling labor and capital on an income-sharing basis and on the basis of common interests). The 70 accords which have been concluded break down as follows by years: 1981--67.7 percent of the republic obligation of 4 billion dinars; 1982--62.3 percent of the obligation of 5.9 billion dinars; 1983--14.7 percent of the obligation amounting to 7.2 billion; in the next to the last year of this medium-term period 3.7 percent of the obligation amounting to 8.6 billion; and in 1985--0.4 percent of Croatia's obligation to the fund, which amounts to 9.6 billion dinars.

It is evident, according to the assessment in the Economic Chamber of Croatia, that investments with OUR's in Bosnia-Hercegovina and Macedonia are considerably greater than with organizations in SAP Kosovo and Montenegro, and that because the business and technical collaboration with partners from those two republics goes back to an earlier date, and so it is also easier to establish new common interests in development. With respect to types of investment for which the resources of the 50-percent share of the fund and from other sources are being pooled, it is important to emphasize that of the 70 self-management accords 19 concern altogether new projects, and 51 reconstruction and modernization of existing facilities. But even so the number of workers who will be employed in them is imposing--5,061 (2,378 in Bosnia-Hercegovina, 1,461 in Kosovo, 998 in Macedonia and 224 in Montenegro).

It is also evident that the pooling of the portion of the resources of the fund on a self-management basis is going slowly in the agroindustrial complex although the potential is incomparably greater, especially in Montenegro and Macedonia, and indeed even in SAP Kosovo. Macedonian organizations are interested in having OUR's in the food manufacturing industry in Croatia pool their capital, especially to build plants for dehydrated fruit and vegetables, but processors in Croatia are interested in deliveries of the relevant raw materials. Nevertheless, common interests have been established in the supply of large centers of consumption like Zagreb, and broader activity in this sector of reproduction will soon be forthcoming.

The possibilities for improvement of livestock raising have been specifically stressed, especially the raising and processing of meat, poultry, beef cattle and sheep, in which help is expected from the respective republic and provincial administrative agencies. There is also a need for the banks to be more involved in faster development of the economically underdeveloped regions in the country, especially with respect to investments in sources of raw materials.

7045
CSO: 2800/16

FOREIGN EXCHANGE RESULTS FROM CONSTRUCTION ENTERPRISES

Belgrade BORBA in Serbo-Croatian 23 Sep 82 p 8

[Excerpt] The following table shows that work performed by our construction enterprises abroad has resulted in higher foreign exchange earnings than tourism:

| Year | Tourism (in million dollars) | Index | Construction (in million dollars) | Index |
|---|---|---|---|---|
| 1976 | 802 | 100 | 824 | 102.7 |
| 1977 | 924 | 100 | 1,251 | 135.4 |
| 1978 | 949 | 100 | 1,118 | 117.8 |
| 1979 | 825 | 100 | 1,217 | 147.5 |
| 1980 | 1,115 | " | 1,668 | 149.6 |
| 1981 | 1,450 | " | 2,221 | 153.2 |
| 1982 (estimate) | 1,100 | " | 2,579 | 234.4 |

CSO: 2800/24

SHIPPING COSTS, EARNING FOR 1979-1981

Belgrade TRANSPORT in Serbo-Croatian No 7, Jul 82 p 18

[Excerpt] In the years 1979, 1980 and 1981 costs and obligations for shipping enterprises were 2 percent to 5 percent above total foreign exchange earnings. This is evident from the following table (figures in millions of dollars):

| | 1979 | 1980 | 1981 |
|---|---|---|---|
| Total foreign exchange earnings | 660.3 | 940.7 | 1011.1 |
| Convertible foreign exchange earnings | 437.0 | 601.8 | 603.8 |
| Expenditure obligations (lowest 63.8%) | 278.8 | 383.9 | 385.2 |
| Costs | 418.0 | 597.4 | 644.2 |
| Difference | -36.5 | -40.6 | -18.3 |

CSO: 2800/24

## BRIEFS

SHIPBUILDING BUSINESS--The Yugoslav shipbuilding industry is successfully withstanding the market crisis. Yugoslavia is among the seven shipbuilding countries in the world which has the most business. At present Yugoslav shipyards have contracts to build 81 ships with a total carrying capacity of 1,462,000 tons. These include 27 for the convertible-currency market valued at $660 million, 35 for the clearing-account area valued at $890 million, and 19 for the domestic market valued at 16 billion dinars. Contracts have also been concluded for construction of two ships to be delivered in 1986, i.e., in the next 5-year plan. [Excerpt] [Belgrade BORBA in Serbo-Croatian 15 Sep 82 p 1]

MARITIME SHIPPING EARNINGS--This year has been one of the most difficult for maritime shipping since the war. Foreign exchange liquidity problems have shaken almost all shipping organizations, and their debts this year have reached $100 million. Despite this, shippers in the first half of this year had net foreign exchange earnings of about $159 million, but there is little hope that this will be achieved in the second half of the year. Our maritime fleet includes 169 ships older than 15 years, and 51 that are 25 years or older. [Excerpt] [Belgrade PRIVREDNI PREGLED in Serbo-Croatian 22 Sep 82 p 2]

JANUARY-AUGUST ECONOMIC RESULTS--According to preliminary data of the Social Accounting Service, the Yugoslav economy in August had a revenue of 758.93 billion dinars, so that income for the January-August period totaled 5,924.2 billion dinars, a 30 percent increase over the same 1981 period. But at the same time costs of operation increased, amounting to a [January-August] total of 4,629.8 billion dinars (including 560.34 billion dinars in the month of August); this is a 43 percent increase over the same 1981 period. January-August outlays by organizations of associated labor outside the [production] economy increased by 53 percent over the same period last year and amounted to 109.2 billion dinars. January-August outlays for investment in fixed assets increased at a more moderate rate of 25 percent. There was also a more moderate increase--of 30 percent--in placement of bank funds which contributed to a decline of 4 percent in housing construction financed by banks. Opstina budgets showed a decline from 443 million dinars in July to 213 million dinars in August, an encouraging change; republic and provincial budgets also declined from 214 million dinars in July to 129 million dinars in August. Total expenditures allocated for budgets, however, continued to be large: opstina budgets increased 39 percent and republic and provincial budgets increased 37 percent [over the same 1981 period]. [Excerpt] [Belgrade PRIVREDNI PREGLED in Serbo-Croatian 29 Sep 82 p 4]

KOPER PORT MODERNIZATION--The port of Koper is being intensively modernized as seen by the completion of the most modern container terminal in our country. By expanding the dock 200 meters, storage capacities have been increased to accommodate a total of 135,000 containers. In 1980 the turnover in this port exceeded 2 million tons. [Excerpt] [Belgrade PRIVREDNI PREGLED in Serbo-Croatian 24 Sep 82 p 11]

INDUSTRIAL PRODUCTION--In the first 7 months of this year industrial production declined 1.3 percent below that of the same 1981 period; declines (in percentages) were as follows in the republics and provinces indicated: Bosnia-Hercegovina 1.0, Croatia 2.0, Serbia 1.0, Kosovo 6.0, and Vojvodina 6.0, while Montenegro, Macedonia, and Slovenia each reported 1 percent increases. Of the 35 industrial branches where production is statistically monitored, 14 reported lower production in this period compared to 1981. The most successful branches were beverage production (14 percent increase), iron production (3 percent increase), and nonmetals processing (7 percent increase). The greatest decline in production was in ferrous metallurgy, leather and fur production, and animal feed. [Excerpt] [Zagreb DANAS in Serbo-Croatian 14 Sep 82 p 8]

KOSOVO CONTRACTS WITH OTHER REPUBLICS--Up to now [i.e. in this 5-year plan period] the Kosovo economy has signed 22 agreements for associating labor and resources with organizations from other areas of the country. According to these agreements 11 billion dinars are to be pooled, including 5.06 billion dinars from the Fund of the Federation. If one considers that this five-year plan calls for the pooling of over 47.4 billion dinars, then progress made up to now has been slow. Thus, economic organizations in Croatia have pooled with Kosovo organizations 14.7 percent of the possible [planned] amount, those from Slovenia 11.09 percent, those from Bosnia-Hercegovina 6.39 percent, from Serbia 4.17 percent, and from Vojvodina 21.28 percent; while no agreements have yet been reached with organizations in Macedonia and Montenegro. Although the number of agreements is quite large, up to now few projects have been started. [Excerpt] [Pristina RILINDJA in Albanian 9 Oct 82 p 6]

AVERAGE INCOMES--In the January-June 1982 period personal incomes in Yugoslavia averaged 11,857 dinars [per month] with the following republic provincial breakdown and percentage of the country-wide average given in parentheses: Bosnia-Hercegovina 11,058 (93); Montenegro 10,767 (91); Croatia 13,062 (110); Macedonia 9,799 (83); Slovenia 13,508 (114); Serbia 11,345 (96); Kosovo 9,765 (82); and Vojvodina 11,796 (99). [Excerpt] [Pristina RILINDJA in Albanian 16 Oct 82 p 7]

CSO: 2100/7

END

JPRS 82220

12 November 1982

# East Europe Report

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2337

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# EAST EUROPE REPORT

## ECONOMIC AND INDUSTRIAL AFFAIRS

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INDUSTRIAL PRODUCTION DURING JANUARY-AUGUST 1982 PERIOD, COMMENT

Sofia IKONOMICHESKI ZHIVOT in Bulgarian 29 Sep 82

[Report by Integrated Social Information System Committee, 13 September 1982, Sofia]

[Text] During the January-August 1982 period 2.2 percent more commodity output was produced, and 2.4 percent more money was received from the sale thereof, than targeted by the plan.

The volume of commodity output increased 4.2 percent over the corresponding 1981 period.

Broken down by individual ministries and departments, fulfillment of the 8-month plan for the production and sale of commodity output is as follows:

| Ministries (departments) | Commodity output produced | Commodity output sold |
|---|---|---|
| Total | 102.2 | 102.4 |
| including: | | |
| Ministry of Power Supply | 100.8 | 101.5 |
| Ministry of Chemical Industry | 102.0 | 102.3 |
| Ministry of Metallurgy and Mineral Resources | 98.3 | 97.4 |
| Ministry of Machine Building and Electronics | 101.6 | 102.3 |
| Ministry of Light Industry | 103.1 | 101.7 |
| National Agroindustrial Union | 104.0 | 105.7 |
| Ministry of Forests and Forest Industry | 103.1 | 102.0 |
| Ministry of Construction and Architecture | 100.5 | 99.1 |
| Ministry of Transportation | 99.4 | 100.4 |
| Ministry of Communications | 100.8 | 100.8 |

[Continued on next page]

(Table continued)

| Ministries (departments) | Commodity output produced | Commodity output sold |
|---|---|---|
| Ministry of Internal Trade and Public Services | 102.9 | 101.9 |
| Central Cooperative Union | 101.6 | 100.6 |
| Capital city people's council | 104.7 | 103.3 |

The production of certain industrial items during the 8 months and the rate of growth as compared with the corresponding 1981 period are as follows:

| Item/unit | Output produced | Rate of growth |
|---|---|---|
| Electric power, 000,000 kwhr | 26,116 | 108.7 |
| Coal, 000 t | 22,449 | 110.1 |
| Pig iron for processing, 000 t | 1,095 | 106.7 |
| Rolled ferrous metal products, 000 t | 2,214 | 101.0 |
| Sheet steel--galvanized, 000 t | 75 | 101.7 |
| Steel tubes, 000 t | 180 | 101.6 |
| Internal combustion engines, each | 15,574 | 118.4 |
| Motor trucks, each | 15,214 | 112.3 |
| Electrotelphers, each | 85,565 | 101.4 |
| Power tools, 000 items | 230 | 102.6 |
| Nitrogen fertilizers, 000 t | 522 | 102.9 |
| Synthetic fibers and rayons, 000 t | 70 | 102.2 |
| Cement, 000 t | 3,746 | 103.2 |
| Asbestos cement pipes, 000 m | 1,792 | 103.7 |
| Wood particle board and other wall-board, 000 sq m | 13,049 | 103.8 |
| Paper, 000 t | 231 | 102.0 |
| Sheet glass, 000 sq m | 16,616 | 108.1 |
| Household glassware, 000 leva | 20,890 | 116.6 |
| Cotton fabrics, 000,000 m | 242 | 102.9 |
| Woolen fabrics, 000,000 m | 26 | 10[illegible].9 |
| Silk fabrics, 000,000 m | 24 | 100.9 |
| Knit outerwear, 000 items | 34,528 | 103.0 |
| Knit underwear, 000 items | 49,656 | 102.7 |
| Sewn goods, 000,000 leva | 457 | 114.0 |
| Meat, 000 t | 309 | 104.5 |
| Meat products, 000 t | 64 | 105.5 |
| Sugar products, 000 tons | 74 | 101.4 |
| Canned vegetables, 000 t | 172 | 103.4 |
| Beer, 000,000 l | 410 | 106.9 |
| Butter, 000 t | 16 | 108.8 |
| Brynza [sheep's milk cheese], 000 t | 76 | 101.2 |

[Continued on next page]

(Table continued)

| Item/unit | Output produced | Rate of growth |
|---|---|---|
| Kashkaval [yellow cheese] | 19.5 | 112.1 |
| Processed fermented tobacco, 000 t | 72 | 110.9 |
| Tobacco products, 000 t | 56 | 100.6 |

Comment

The results that have been achieved in 8 months of the year in the basic sector of the national economy--industry--show that the goals under the state plan for aggregate profit, output volume, reduction of material inputs and delivery of goods for the domestic market have been overfulfilled.

The total industrial output increased 4.5 percent with the greatest growth in power supply, machine building, the electronics and electrotechnical industry, the chemical and rubber industry. Almost all economic organizations overfulfilled the plan for the reduction of industrial inputs and for profits.

Along with these favorable trends in the development of industry, some weaknesses showed up as well in August. Economic organizations, mostly in metallurgy and in the lumbering, pulp and paper, and food and condiment industries failed to reach the targeted monthly commodity-output goal, and hence the goal for monetary receipts from the sale thereof as well.

To guarantee comprehensive fulfillment of the 1982 counterplan, the laggard enterprises and economic organizations must urgently take measures to overcome production weaknesses and difficulties and adhere to contracts for the supply of materials and machinery and for subcontracted deliveries. It is especially important now to bring about conditions for the flow of production processes in strict conformity with the established industrial operating schedule and for the prevention of overruns of input norms and ceilings for raw materials, supplies, fuels and energy. These play an especially important role not only in realizing additional economies, but also in producing a greater volume of output with the available material resources.

6474
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ECONOMIC RECOVERY BASED ON LABOR-PRICES-WAGES

Warsaw ZYCIE GOSPODARCZE in Polish No 36, 26 Aug 82 pp 1, 9

[Article by Mieczyslaw Mieszczankowski: "Economic Therapy"]

> [Text] Our economy is ailing; it is going through a difficult crisis. However, the first signs of improvement can already be seen in some areas. The variants of the 3-year plan for restoring economic stability outline the ways in which the crisis may be overcome. What are and can be the principal means for the economy to come out of the impasse?

Perusal of the NPSG [National Socioeconomic Plan] concept variants until the year 1985 leads to the conclusion that the second variant is the most plausible (as indicated by the authors of the plan) since it is difficult to accept that it would be possible to succeed in implementing the third variant which is based on the assumption of above average harvest yields in agriculture as well as on very rapid effects of the reform which, in particular, would contribute to the significant activation of exports to capitalist countries (this is not dependent only on reform).

The principal economic determinants for the successful implementation of the plan fit into the triangle: labor-wages-prices. Proper and at the same time bold solutions within this triangle may bring even higher results than those assumed by the second variant. It is, above all, upon these solutions that I would like to concentrate my attention.

Labor Rationalization

It isn't just yesterday that we have become a country of many paradoxes. For the economist, the greatest paradox currently is that of production and labor. Production has declined significantly while employment has remained unchanged. (Actually, it [employment] has been somewhat reduced this year but at the same time, the number of job openings comes to over 300,000.) It must be clearly stated that without a solution, i.e., without the elimination of this paradox, we will not budge, or speaking less emphatically--economic progress will be slow.

Owing to the price reform, enterprises are enjoying high profits and in practice do not have any incentives for rationalizing employment. (I have not forgotten about the weak incentive contained in the construction of the Vocational Activation Fund [FAZ].) A high level of profitability makes wage increases possible. However, this does not create sufficient incentive for more productive and efficient work. Consequently, reform has made it possible for enterprises to adapt to the conditions of the crisis without the need for the rationalization of employment.

The formation of a highly effective incentive system (which we will discuss in a moment) may be instrumental in improving this state of affairs. However, this system will not produce sufficiently rapid effects and cannot be the one and only recourse. Therefore, something has to be decided upon. Either to remain in the torpor of potential unemployment or to carry out rationalization of employment which will bring about full implementation of work (not all at once) and will enable economic progress.

The constitution guarantees the right to work; however, its interpretation cannot preclude the processes of reassignment to other jobs or the removal of idlers from enterprises. The right to work should be irrevocably bound to the obligation of good work and it is about time, I should think, that this ought to take on a realistic form and become a socially accepted principle.

I believe that economic-type ministries can and should recommend to enterprises that they conduct a verification of the state of employment in cooperation with their work staff. A basic economic factor of this operation should be the acceptance of the principle that the base wage fund of an enterprise is not subject to reduction because of a reduction in employment and that an increase in wages which goes along with this is not subject to taxation intended for the Vocational Activization Fund.

Together with this, the program of reassigning work reserves to other jobs would take on a realistic shape. (So far this program has not budged while the as yet modest amounts in the FAZ remain idle in bank accounts.) This program would also make it possible to fill more quickly job openings which are truly in need of being filled thus in turn reducing the number of requests for help wanted which, as can be expected, are in large part due to a lack of work rationalization.

Within the context of these remarks, the issue of free Saturdays presents itself somewhat differently. I am all for the temporary reinstatement of a 6-day workweek in those areas of the industry which do not feel the shortage of raw and other materials. I believe that the three free Saturdays per month obtained by coercion were one of the major blows leading to the downfall of our economy. (I expressed this opinion in the press by opposing the addition of more free Saturdays.) Another paradox is that when we should and can work more, we work less (also due to the large number of sick-leaves). What this comes to is that there are no shoes on the market for lack of raw materials while tanneries are not taking in hide for processing. And I do not share the opinion that these issues ought to be solved with a referendum.

It is being said that it is not worth working more or better because there is nothing to buy with the additional earnings. But, after all, in many cases there is nothing to buy because less work is being performed. This vicious circle must be broken and the only place where this can be done is in production. Labor intensity and productivity has to be increased and there where despite its rationalization, production can be additionally increased--a 6-day workweek ought to be enforced.

The matters under discussion are nothing new. They are clearly visible with the naked eye. Undoubtedly, only fear of social repercussions prevents them from being solved. After all, some will argue, the number of those displeased may rise and lead to protests. However, the other, more important side of the coin must also be seen: the need to increase the number of those who will be pleased. The solutions of which I am speaking may improve considerably the economic situation of a major part of the industrial labor class. Without these solutions, there exists the threat of increased social dissatisfaction within this class and this, above all, should be kept in mind.

Incentive System and Wages

A long, long time ago the following was being said: "A fair day's wages for a fair day's work." This became forgotten and was replaced by the cynical: "Whether standing or lying down on the job, one is entitled to the same wages." The period of crisis has not changed this situation but rather made it worse since wages are raised more or less equally for everyone regardless of work results. Traces of the incentive system have ceased to exist.

The third (optimistic) variant of the NPSG concept is based on the very rapid effects of the reform, among other things; however, these cannot be relied upon without the rebuilding of a system of incentives (the solutions to date do not contain this system). In my opinion, it can and should be based on three conditions: 1) In the first phase, the means for wage increases in the field of production should be accumulated, especially in heavy industry (which is the main driving force of our economy); 2) The system of incentives should be introduced to the lowest echelons of industry; 3) Its [the system's] functioning also requires the market to ensure its share of incentives. The reactivation and shaping of the incentive system in production on the basis of new principles together with work rationalization should be regarded as the principal element which will become the self-regenerating force of our economy.

There is the opinion that within the framework of the 3 "S" [self-governing, self-dependence, self-financing], enterprises will work out a system of incentives for themselves. Such an opinion is wrong. Enterprises can only adapt the basic principles of the incentive system to their particular type of production. The incentive system must be shaped within a generally binding framework on the strength of a law [ustawa] regarding solutions. (An example of this is Yugoslavia.)

I am submitting the following proposals in this matter: wages should be closely tied in with the work performance of a specific collective body of

workers (branch, section, crew, etc). Wages should increase in proportion to productivity as well as the work results of a given group of workers. These results ought to be accounted for (recorded) within the framework of an intraplant economic account. A system worked out on the basis of such principles would assume that, as I have previously mentioned, the performance of a given collective [body of workers] will not decline as a result of a reduction in the number of its members. However, specific corrections would be tied in with the introduction of new incentives.

It stands to reason that the reactivation of labor self-government would be conducive to an incentive system based on the above-mentioned principles for it is, above all, a given collective body that through its labor council can establish adequate work standards for itself, undertake decisions accepted by the collective body regarding the lowering of employment, particularly when it comes to eliminating loafers ["obibokow"]. Finally, this collective body of workers and its elected self-government would make sure that work is proceeding efficiently, that it is productive and of good quality knowing that wage increases will depend on the outcome of this work. These proposals would differ from the Yugoslavian system in that an enterprise would not be broken up into several or a dozen or so formal enterprises. In our conditions, such a division would take place within the framework of an intraplant self-financing system while selected groups of enterprise collectives would function alongside existing, appropriate [for them] labor councils (branch, section, etc.).

Reactivating the system of incentives in our conditions of an economic crisis, which requires the assigning of priority to wage increases, thus, individual consumption, likewise requires the temporary restriction of the rate of increased spending for collective consumption, for social services and other similar expenses. A continuation of the present situation, which is characterized by a rapid growth rate of these services, would make it so that wage increases would have to be considerably lower than the growth of production and financial results of respective collectives and of entire employee work forces. Consequently, the motivational function of wages would be of low intensity.

Giving priority to individual consumption makes it necessary under present circumstances for attention to be concentrated on wage increases (connected with increased production) in industry, especially in heavy industry. In order to distribute more [profits], it is first necessary to produce more. Those who produce goods should be able to take advantage of the effects of their work right away. Others must wait for the time being. I would like to define this argument more precisely.

Adjustments of wages and emoluments are currently being carried out. Most likely, there will also be indispensable adjustments made in connection with eventual price controls. I propose that together with the completion of these procedures, the wages of all employees in non-production areas and services be frozen for 1983 or at least until 1 July 1983. I also propose that the results obtained from increased national revenues meant for distribution be accumulated for increasing wages in industry and be assigned in part for the

rebuilding of the market in order to decrease the state of market instability. In the next phase, depending on the state of improvement and capabilities, price controls of the remaining sectors of the economy could be carried out. I am aware of the fact that this proposal will be met with numerous objections; nevertheless (unfortunately), this is an indispensable therapeutic measure for our economy.

Prices--Stopping Inflation

In the 3-year plan presented for discussion, we read that the average price increase for 1983 may yet come to approximately 25 percent while in 1985, it may be reduced to 10 percent or below that amount. However, because the premises of this assumption have not been given, it is difficult to form an attitude towards it.

It may be assumed that January 1983 would be the second phase of a general price reform. This phase would be tied in with the reassessment of the value of fixed assets, a change in unremunerative prices on certain raw and other materials, a change in transport tariffs (transport is highly unprofitable) and a change in some unremunerative prices on food. These price changes would also require specific compensation for the population. It would be possible to agree with this variant by accepting, however, that this second phase of a general price increase would be the last and that the following months and years would be marked only by a moderate increase in prices which on the average would not exceed 10 percent annually.

At the same time, this variant has its contraindications. Society would associate the effects of the reform mainly with price increases. Under the present difficult economic circumstances and the tense sociopolitical situation, it would probably be advisable to postpone the second phase of the general price reform for another year or maybe even two years. Personally, I am in favor of this variant. It would be advisable to currently carry out indispensable adjustments in the price level so that together with contract prices, the average price increase for 1983 would remain within the range of 7-8 percent. This would extinguish the already rising spiral of inflation and would have favorable economic effects.

There is no doubt that the high rate of inflation will make it difficult to overcome the crisis mainly because it will destroy the system of incentives (under our conditions, it [inflation] will not allow for its [incentive system's] reactivation). Striving for increased efficiency in enterprises will be dominated by striving for price increases and thereby wage increases. The drive for the obtainment of various benefits (tax and others) will go in the same direction, as will attempts to expand the range and amounts of budget subsidies which have the most destructive effect on the efficiency mechanism of economic reform. In turn, pressure for increased wages and financial services funded by the state budget will reduce the ability to increase the real wages of production employees from the socialized sector. The operations of the nonsocialized sector will have the same results which will increase the growth of its prices. All of this may cause the mechanism of production growth to become paralyzed, thus overcoming the crisis will become more difficult and

more long-range than anticipated. That is why I advocate a policy of stopping inflation.

In the policy of stopping inflation great importance ought to be placed on controlling the element [zywiol] of contract prices. The incentive system will also not work if enterprises use contract price increases as a means of improving their financial results. It appears that the elimination or reduction to a minimum of the profits gained by enterprises as a result of increased contract prices is necessary. The state budget should assume these profits (in the form of a special tax). Of course, this should pertain to those situations where contract price increases are not contingent upon increased costs but on the necessity to ensure balanced prices on the particular segments of the market. As far as contract prices of the non-socialized sector are concerned, it is necessary to introduce their control; this is, after all, a common postulate presented by numerous social spheres.

And the final but equally important matter from the sphere of discussed problems--the issue of prices and the market. By opting for the policy of stopping inflation; i.e., by striving to restrain it within a 7-8 percent range, it is necessary at the same time to aim for ensuring market stability, for in allowing out of necessity, the existence of one wrong (moderate inflation), a second wrong, i.e., market instability, which is actually another form of inflation, cannot be allowed to accompany it. This would signify not only the continuation of constant social dissatisfaction but would also hinder the process of overcoming the crisis and the complete implementation of the economic reform. In those segments of the market where the achievement of this stability is not possible, state control must be temporarily used, because even the best incentive system in production cannot function efficiently if incentive from the market is not ensured at the same time. The motivational function of wages will not be of sufficient strength if the worker will continue to stumble across difficulties in the implementation of his earnings.

This gives rise to the question, how to secure for workers the ability to purchase sought-after goods with the cash received as a result of increased wages. I propose the introduction of sale controls together with expedient economizing. Wage increased related to increased production and productivity could be set aside by every working person for the purchase of sought-after goods (according to a set list). In the process of assuring the availability of these goods, it may even be necessary to reduce their supply to MM [newlyweds]. Priority should be given to DR, i.e., to good work, to good workers including, of course, newlyweds.

Agriculture and Food

the NPSG concept assumes that agricultural production will increase within a range of 6 to 12 percent up to the year 1985. This is a realistic assumption, under the condition that agriculture is provided with indispensable means of production and assured specific changes in the structure or production and in the use of these means. However, dark clouds immediately began to

form over this assumption in the plan for 1983 which allows for a 16 to 17 million drop (from 19.5 million in 1982) in the number of hogs. This should not be allowed to happen.

Is it possible to save the number of hogs from decreasing? In 1974, when the number of hogs amounted to 21.5 million, grain and potato harvests as well as grain imports were not mugh higher (with the exception of potatoes) [as published] than in 1982 or than those predicted for 1983. But then, the structure of hog raising was different; it was dominated by hog raising on a smaller scale which is less fodder-intensive. The intentions of this structure, i.e., returning to the wide-scale participation of small producers in hog raising, have been implemented to a small degree. I feel that there still is time to "act" in this matter. It is necessary to ensure attractive hog raising contracts between small farmers as well as nonfarmers and the state. This would be associated with the allocation of a specified pool of coal and concentrated fodder, as well as with an assured ability to buy a certain amount of cured meats and fat for the delivery of a contracted hog. The reserve potential of hog raising on small- and average-sized farms has truly not yet been utilized.

The second matter is that of machine and tool supplies and the ways in which they can best be used. I am not referring to the supply of small tools (chains included) which can and should be fully provided. What I have in mind is larger machinery and tools (tractors and related machinery). I have already written numerous times that with the way this machinery has been used until now, industry will never be able to keep up; it will not be able to provide each farmer with a tractor and appropriate machinery. Under conditions of our dispersed agriculture, the only way this can be done is through neighborly-collective purchases of this machinery. (Of course, this does not pertain to larger farms where the tractor has a full work load.)

A vital issue which also requires solving is the issue of improving the use of equipment (tractors, machinery and installations) which is at the disposal of agriculture. It is essential here that the reorganization of the Cooperative of Agricultural Circles [Spoldzielni Kolek Rolniczych] be carried out. This reorganization should, above all, be based on turning over equipment which can be used collectively to farmers and their machine cooperatives organized on neighborly principles.

It is not unlikely that in connection with these changes, it would be possible to allocate 28 percent of the entire amount of investment outlays in the national economy for the food complex and to provide for the needs of agriculture in such a way as if 30 percent or even more had been allocated.

However, supplying the means of production and the way in which they are used is only one side of the coin; the other is providing incentives in agricultural production, i.e., above all, setting appropriate procurement prices for agricultural products. Adopting the principle of creeping prices [cen kroczacych] in relation to them is valid. However, the practical implementation of this principle gives rise to serious doubts. Practice has shown that a high growth of agricultural products by no means leads to the anticipated

increase of supplies. Also, this principle should not be tied in with a change in the level of agricultural liabilities. The main criterion of a change in the level of procurement prices of agricultural products should be to ensure 1:1 parity [parytet] between the revenues of private farmers and workers in the state-run sector as well as to ensure profitability in the production of particular agricultural products. This would require that the principle of parity be defined more accurately. After establishing its base adequately, it would be advisable to use the principle whereby the growth in agricultural revenues would be even with the growth in the income (earnings) of workers of the state-run sector.

Budget Protection

The role of the budget is especially large in the present-day economy and particularly during the period of overcoming the crisis. Our crisis, as far as its traits are concerned, differs substantially from crises in the capitalist system characterized by overproduction of commodities, not using raw material resources to their full advantage and unemployment. For these kinds of conditions, the policy of inflation and budget deficits, in accordance with the theory of Keynes, is totally adequate. In our economy, the crisis is characterized by completely different phenomena. Thus, a completely different policy should be used. However, as has already been demonstrated, inflation pushes on through various channels of the economy. Its therapy indicates that it should be counteracted, therefore, the policy of stopping inflation is required. The same applies to the budget and that is why it should be stipulated that it be protected. I do not believe that it is possible in the very near future to have a balanced budget. On the other hand, its spending should be guarded in such a way that the budgetary deficit will not exceed 5 percent; it will then be able to fulfill a positive role in getting us out of the "dumps."

The NPSG concept for the upcoming years proposes that the rate of spending for socio-cultural facilities should be moderate and that until such time that production increases, there can be no room for further growth of this type of spending. These are valid formulations although not very precise.

At the same time, it is assumed that budgetary spending for sociocultural purposes will be 27 percent higher in 1985 than in 1982. However, this assumption does not say much because it is expressed in current prices and moreover, if we were to assume that prices in 1983 alone will increase 25 percent, then this assumption becomes unrealistic. Therefore, I propose that the following rule be adopted: that the rate of increased budgetary spending for socio-cultural purposes should not be higher than the increase in net budgetary revenues.

The same applies to the protective functions of the state--protecting those classes and groups of the population against the effects of the crisis who find themselves in a difficult financial situation. It is a fact that during this difficult period, we are dealing with the trend of developing the protective functions of the state. (This is being done at the expense of those who bear the brunt of pulling our economy out of the crisis and it weakens the

incentive for such activity.) Thus, in taking into account the principles of the proposals submitted in this regard which are often highly exorbitant, it should be assumed that during the period of coming out of the crisis, they can be taken into account only to the extent that they do not exceed the realistic financial means of the state. At the same time, mention should be made of the highly developed proposals [dyzyderaty] made by agricultural circles which aim for a wide expansion of the rate of annuities and pensions for farmers. These proposals should be reduced to an indispensable minimum in the neat future, while adhering to the principle that any further increase of funds for these purposes may be achieved only by means of indirect or direct self-financing, i.e., derived from an increase in production and revenues from agriculture.

It is being assumed that the direct influence of the state on investment activity will become limited to central investments and voivodship investments implemented by means of central subsidies. However, there is a "snag" here which could place pressure on the budget deficit. The concept of "indirect" investments (neither central nor enterprise), which would finance the budget, has already been formed. Many voivodships needs are in large part unprovided for and their pressure on the budget could be great. To avoid this, I propose that during the period of emerging out of the crisis, all unproductive investments in this regard be halted with the exception of investments dealing with health protection.

Among directions in favor of budgetary savings and restoring the financial health of the state, economizing measures in the area of subsidies should be looked into. The existing high surcharges on the production of commodities have a substantial influence on the considerable budget deficit. In connection with this, it is indispensable that the principle of strict verification of costs and calculation of budgetary surcharges be introduced in every instance where subsidies from the budget are requested. Subsidies which remain in force this year should also be examined from the angle of the degree of their validity for the following year. It is not unlikely that this could bring specific budgetary savings.

On the other hand, I do not believe that more substantial savings in the area of budgetary spending for the administration can be found. Although this is not a currently accepted thesis, I am taking the liberty to express doubt whether further reductions in the administrative apparatus are advisable, if it is to function efficiently. No doubt, cutbacks are warranted here and there; however, this matter cannot be treated mechanically by giving a general signal for reductions in the administrative apparatus. In some areas, for example in the tax ministry, the growth of the administrative apparatus is indispensable. I will add that "overgrowths" of the administration are more likely to be found in enterprises and in the cooperative movement.

Finally, within the framework of the discussed subject matter, the issue of taxes borne by the population and particularly by the nonsocialized sector should be pointed out. Up to the present, the nonsocialized sector has borne the burden of the economic crisis to a rather small degree. This situation

must be changed. And even though the amount of taxes paid by this sector together with the remaining taxes paid by the public carry little weight in the sum total of state budgetary revenues--they should, nonetheless, also be taken into account in striving to balance the budget. Naturally, this issue has an incomparable greater significance from the point of view of implementing the government policy of distributing the weight of the crisis in accordance with the principles of social justice. In implementing this policy, it is necessary at the same time to continue to ensure conditions conducive to the development of the nonsocialized sector.

Choosing Subvariants

In assuming that of the three variants of the NPSG concept up to 1985, the second variant has the most realistic chances, the main issue boils down to the choosing of subvariants in particular fields. I do not believe, however, that the selection of these subvariants will be unrestricted because it is subject to the main concept of the plan (around which discussion should be centered).

In the present article, I tried to point out the basic elements of this main concept. These elements would seem to indicate the acceptance of the subvariant of "consumption [spozycie] protection," and not to "investment protection." They also would seem to indicate the acceptance of the priority subvariant in the area of individual consumption and within its framework--conditional [uwarunkowane] priorities (in the first stage) in regard to industrial worker consumption. The authors of the plan are in favor of the consumption subvariant and within its framework the subvariant of more even growth in the level of individual and collective consumption. Of course, it is possible to agree with all this, but then a question arises whether the instrumentation, particularly motivational instrumentation, in the implementation of the plan will ensure the obtainment of its goals.

A number of similar remarks pertain to subvariants dealing with the appropriation of investment outlays as well as subvariants dealing with prices, etc. (which were not submitted). I suspect I will not be mistaken in thinking that the main concept of the plan and its instrumentation are seen as behind a screen, while what is presented are the variant and subvariant indicators and their proportions. It is possible, however, that these issues will be clarified in discussion, which would be good; in such a case, the authors of the plan should be commended for not presenting a ready-made formula.

Among these issues there are a few unknowns, of which the greatest is the development of economic relations with capitalist countries. The question has already been raised in discussion (see the article by J. Kleer in POLITYKA no 28/82) whether the projected high increase of exports to these countries will be possible. It was also questioned whether per unit consumption of raw materials can be reduced on the average by 1.9 percent annually (and 0.7-1.0 percent in 1983). I tend to share such misgivings. Experience of past years has shown that this is extremely difficult or downright impossible to carry out. Without foredooming the matter, however, I believe that one of the basic conditions for the implementation of reduction in the per unit consumption of

raw materials is a sufficiently strong system of incentives which would also stimulate this reduction. This was one of the underlying premises of the plan's main concept which I have tried to outline and which is based on the concentration of means and actions for the purpose of activating the self-regenerating powers of our economy.

The limits of the article have made it possible to devote attention only to a few selected problems of our economy's immediate future. In my opinion, these were some of the most important issues which does not mean that many others are not very important as well, in particular, those which deal with external determinants [uwarunkowania]. I would like to only mention one of them.

The concept of our reform, therefore, that which also includes the implementation of economic plans, is weighed down with the tenet of establishing domestic prices on raw and other materials at the level of world market prices. In the article entitled, "Illusions of World Market Prices [Miraze Cen Swiatowych]" (Z. G. [expansion unknown] no 17/1981), I demonstrated that this is a mistaken concept--this was met with sharp criticism. Practice is, as always, the best test; I believe that it has proven me right. The continued existence of this tenet can only have negative economic effects on the present phase of our economy.

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INTERVIEW ON CONCERNS OVER ECONOMIC PLAN PUBLISHED

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[Interview with Professor Czeslaw Bobrowski, chairman of the Economic Consultative Council [KRG], by Karol Szwarc: "Realism without Pessimism"; date and place not given]

[Text] [Question] A month ago you said that we still know too little about certain problems to initiate planning choices. Has the situation changed after 30 days?

[Answer] I think that it has changed very much. As far as the Economic Consultative Council is concerned, it changed as a result of questionnaires which we distributed in 500 enterprises. The material collected is of immeasable value, since it destroys certain myths and introduces new information.

[Question] What myths were destroyed?

[Answer] For example, someone observes that more than anything else the FAZ [Vocational Organization Fund?] has a negative influence on attitudes in enterprises. When it is done away with, then things will go very well in the factories. Another person observes that it would be useful if banks were more lenient, and someone else, that they should be more severe.

I will not give more examples. One myth is destroyed for certain: That there is a master key with the aid of which working conditions in the enterprises can be radically improved, or that one decision in some given sphere can be sufficient.

[Question] It cannot be that way?

[Answer] It could be if there were only some one thing restraining the enterprises. In reality there are more than one, and in various instances the effect has different gradations.

Thanks to other analyses the unemployment myth has fortunately bitten the dust also. Everyone already knows just that, but it is difficult to part with the previous understanding. One of the most serious limitations which will have an influence for some length of time is the lack of immediately productive workers given the conditions of a generally depressed state of

employment and the decreasing numbers of candidates for work in the social welfare sector. We have to do here not only with deactivation--earlier retirements or leaves of absence for training--but also with a switch to the legal, half-legal, and even illegal sector, which exists, after all, everywhere in the world.

[Question] Did this better understanding have an advantageous influence on the Council's ability to adopt a position with regard to the initial conception of the three-year plan?

[Answer] We questioned very many of the data contained in the Planning Commission's study. For we did not receive sufficient documentation together with the draft plan, and very much of the information seemed unconvincing or even erroneously evaluated. For our part, we presented a long list of our doubts. There was an exchange of opinion on this subject for many hours with Minister Andrzej Karpinski.

I am pleased to affirm that asking questions is the way to obtain reliable information. And I will say without malice that thanks to these questions the Planning Commission gained a greater awareness of the picture of the choices it is proposing. Thus, in this sense more things have become clear.

On the other hand, there are still many unclear things in the area of forecasting. I would even say that here we know less than we knew a month ago. For example, at that time forecasts of the dynamics in capitalist countries were already pessimistic. Current forecasts are still worse. This increases uncertainty about finding an external stimulator of activity. A month ago it was clear that many disturbances were upsetting the world financial market. Now it has turned out that there are something more than disturbances, as indicated, for example, by the case of Mexico with its catastrophic payments situation.

[Question] Thus what is the Council's opinion on the subject of the initial version of the three-year plan?

[Answer] The Council submitted first of all a series of methodological observations. And that was by no means for intellectual satisfaction. After all, methodology has an influence on how sound essential decisions are. We have two grave objections and one proposition in these matters.

[Question] What are the objections?

[Answer] According to our evaluation the three published variants are simply not variants. They are scenarios. They do not present possibilities of choice, but rather fateful differences which can result from the influence of incalculable factors.

We recommend not giving the first and third variants the same structure as the second, but, rather, discussing the deviations which occur in relation to the second variant, without going into details. Particularly since cohesion is lost when one goes into details.

The next objection was that the conception presented reminds one of a goose: Too much for one person, and too little for two. There are many things which are the nuclei of a plan in the Planning Commission's document, and there are many things which are only assumptions.

I do not know why it happened this way. This planning method is a totally new art. Perhaps it is because matters which go beyond assumptions are found in the material. And that makes discussion extraordinarily difficult. I doubt that the Planning Commission will manage to draw conclusions from this quickly and to narrow the text of assumptions for discussion.

Soon the time will come for the Council to cooperate on constructing a three-year plan. A very large part of our observations may not be included in the assumptions. These observations are a guide in the direction of the plan. Only the plan will have to completely meet the requirements of internal consistency, full respect for limitations, and adaption to realities.

[Question] And the Council's proposition?

[Answer] We put forward the thesis of making a progressive plan which would include a solid design of the year 1983 and an outline of the years 1984 and 1985. For if we have a three-year plan, then I am convinced that we will not achieve our goal of the supremacy of the intermediate-periodic plan over annual plans.

The first time I spoke about progressive planning was with Czech planners in 1946. We were satisfied with the concept and at the same time recognized that we were incapable of undertaking this venture. The matter of progressive planning was broached later, but that solution was not settled upon. I am afraid that now, too, it won't go that far.

[Question] On what do you base that fear?

[Answer] This thesis will not succeed in convincing the Planning Commission.

[Question] Why?

[Answer] You would have to ask the Planning Commission about that. Perhaps I would not present the arguments so accurately as the Commission. We parted on the note that we would engage in discussions again. In the meantime, however, each side thinks that it is right. Perhaps we will reach some agreement in the process of discussion.

[Question] What arguments does the Council have in favor of progressive planning?

[Answer] Obviously, they arise from unique uncertainties. Normally uncertainties increase as the time frame is extended. Today we have greater uncertainties about the present than about the future.

Still another matter is linked with this question: Do we attempt to inject optimism, or realism? We clearly took the position that while someone may like a rosy picture, others will see official optimism in it. Society has become distrustful. And nothing will be done in Poland if society is not aware of the terribly difficult taks that stands before it. In other words, we need realism free from pessimism, a realism that takes it for granted that the economy has the possibility to recover from the crisis.

Essentially, we are concerned that society understand that matters are complicated and that at this instant no genius, no miracle worker--and there is not one on either the Planning Commission or the KRG--will succeed in precisely and reliably determining a series of planning dimensions and processes.

[Question] The Council also took a position in the matter of the reforms.

[Answer] We presented to government members both a 20-page report on the reforms and the 7 original texts on which we based this synthesis. The report is distinguished by the fact that in many instances it gives alternative propositions, and in the original texts one can read of other possibilities, too.

[Question] What is the conclusion of this report?

[Answer] There is agreement on two theses. During the Council's discussions not a single voice--and not only members of the Council but also other experts and representatives of economic administration participated in them--called for returning to the orders-distribution system, in spite of great awareness that the system reformed in practice has many gaps and even contains errors, and that it was implemented in conditions exceedingly more difficult that what was set up when the "Directions of the Reforms" were published.

That is why it is necessary to adapt to realities the detailed rules of the functioning system, to take into consideration the enriched knowledge concerning the survival of the enterprises, and to seek solutions which would not impair the basic tendency of the reforms, that is, assisting automatic adaptive processes. If they are unable to "work" in this or that sphere, then it is necessary to introduce some sort of neutralizing mechanisms, but not those which would hinder progress in the area of automatic adaptive processes.

Each of the solutions proposed in the report or in the original texts is fine. But one must remember that each decision evokes a series of consequences.

For example, the parallel existence of two foreign exchange rates--80 zlotys in export and 50 in import--is a terrible anomaly. Even the fact that seemingly profitable exports are not profitablein reality--simply because their foreign exchange price is lowered--is less harmful. A still more serious deficiency is that under these conditions there are no objective parameters in the whole of the economy for calculating the costs of the enterprises.

Therefore, the thesis is put forward to immediately equalize these rates of exchange, that is, to increase many supply prices by 20 and more percent. This increase would evoke a chain reaction of price increases with results similar to this year's price reform, but without the application of neutralizing mechanisms it would lead to a sharp increase in many retail prices, which seems totally out of the question at the present moment. Accepting this inviting solution would require in practice creating an unusually developed system of subsidies, undoubtedly in the area of industry manufacturing semi-finished products based on imported or national raw materials also, and certainly of subsidies for retail prices or of new compensations. In other words, budget subsidies for certain articles would disappear, but immense new subsidies both for manufacturers and consumers would appear.

Thus we feel that our report has at least the virtue of making one realize the existence of this whole series of consequences....

[Question] ...which are not always positive....

[Answer] ...which are always partially negative, and certainly very perplexing. The reduction of a huge number of subsidies is only an outward success.

When seeking particular solutions, therefore, one must focus attention not only on the immediate effects of a given measure but also on its unintended effects. They are not always easy to figure out in advance, but one must try.

This gives rise to the thesis of the necessity for comprehensive activity. It is not possible to give separate consideration to the rates of exchange, the question of prices, or tax problems. These moves must be united. But at the same time one must act selectively and not accept in indiscriminate strategy as a solution to all problems.

[Question] What does that mean concretely?

[Answer] For example: I was, am, and will be an advocate of high unfixed prices, stipulated for higher category goods. The reforms were based on the assumption that--aside from prices of articles satisfying basic needs--the rest of the prices would be formed on the market.

But that simply is not the case. Here and there, very rarely, unfixed prices have jumped too high. I even have in mind here not so much the consumers as the manufacturers. The seller's market in the area of supply goods in generating sharp inflation in costs but not in demand, not that inflation resulting from excessive earnings.

At the same time prices for higher category articles are not balanced prices. Enterprises are being shouted at for abusing price freedom....

[Question] ...and there are indeed those which are abusing it.

[Answer] Agreed. There is evidence, however, pointing to the fact that many unfixed prices in the area of consumer goods were not established on the level of balanced prices, although that could have happened.

I believe that there is no reason to form lines and increase coupons. I am not speaking about shoes, where, unfortunately, we must do that, because usually we cannot catch up. We could have reached a balanced market in higher category articles with a significantly greater increase in prices. Industry did not do that, did not have an understanding of the market, and did not have experience in the operation of prices.

Even the government apparatus does not always care about balanced prices. This concerns, for example, the abolition of state control over certain brands of cigarettes. As long as"my" cigarettes--"Extra Strong" without filters--were rationed, I was able to obtain a certain amount of them. Now they are "not to be seen." "Popular" cigarettes cost 40 zlotys on the free market, and "Extra Strong" cost 25 zlotys in kiosks. The prices were not changed, whereas there should be an obligatory rule that in going over to commercial sales one must pay for the privilege of buying without standing in a line.

[Question] The Council's report coincided with completion of work on a similar document elaborated by the government plenipotentiary for economic reform matters. Are there differences between these materials?

[Answer] It turns out that there are more concurrences than differences, although some differences did appear. We still managed to draw up a record of these differences and submit them to the government.

And here a certain problem emerged. At the last session of the Commission for Matters of Economic Reform, Professor Baka presented a list of additional proposals which were not in the text of his report. That put me in a difficult situation. We are a collective body. From Thursday to Saturday we were unable to agree on the evaluation of these proposals. At the government's session, therefore, I was forced to take a position in my own name.

Fortunately, the government accepted certain proposals as a directive tendency, but they have to be worked out in the course of a month. I am very pleased with this as a solution, but it causes me personal concern since I have

not yet had a vacation this year. I expected that after putting together the study of the draft of the three-year plan and of the reforms, I would go on vacation. Unfortunately, no. Now together with the Planning Commission we must begin to prepare the three-year plan, and at the same time, since we are the guardians of the principle of comprehensive proceedings, we must very quickly work together to polish up these new drafts.

[Question] Thank you very much for the interview.

9451
CSO: 2600/29

# VARIANTS OF ECONOMIC ASSUMPTIONS FOR DECADE ANALYZED

Warsaw TRYBUNA LUDU in Polish 7, 13 Sep 82

[Article by A.L.]

[7 Sep 82 p 4]

[Text] The deciding factor to overcome the difficulties of the crisis is work--honest, effective and well organized. This is the basic truth. But making a future plan for the 1980's also will require further conditions.

In the published draft of the National Socioeconomic Plan to 1985 and in the assumptions for 1986-90, development of the economic situation is connected with:

--development conditions for agricultural production;
--progress in the initiation of economic reform;
--situation in foreign trade and the formulation of the balance of payments with the capitalist countries.

Achievement of these factors will depend to a large degree on what we will do as compared to this year. In this draft, we have three variants for economic development in the future and the standard of living, which are shown in graphs.

Variant I is based on the assumption that both in 1983-85 and in the next 5-year plan, conditions for the development of agricultural production will be worse than average, the effects of economic reform will be slowly achieved and economic restrictions will still be in practice.

Variant II anticipates that conditions for agricultural production will be favorable, realization of economic reform will bring steady economic effects and the situation in foreign trade turnover with the capitalist countries will be normalized through simultaneous agreement to refinance our obligations.

Variant III depends on above-average agricultural production, very rapid effects of economic reform and especially the increase in export growth to the second payments area [capitalist countries]. Knowing the assumptions of the

individual variants, let us look now at the graphs. They present a picture of increased industrial and agricultural production and of a national distribution and consumption balance in 1983-85 and for the next 5 years.

However, this concerns an increase in relation to 1982. The year still has not escaped the crisis. This increase in production as compared to the current "thin" year does not mean that in the next 3 years we shall return to the level even of 1980. This possiblity will be created only after 1985. This must be remembered. Knowledge of these conditions and their influence on the economy is necessary for understanding the new draft for the 1980's. This draft will be discussed nationwide--in plants, workers' self-governments and national councils and the Sejm. It also will be discussed, of course, in the press and TRYBUNA LUDU.

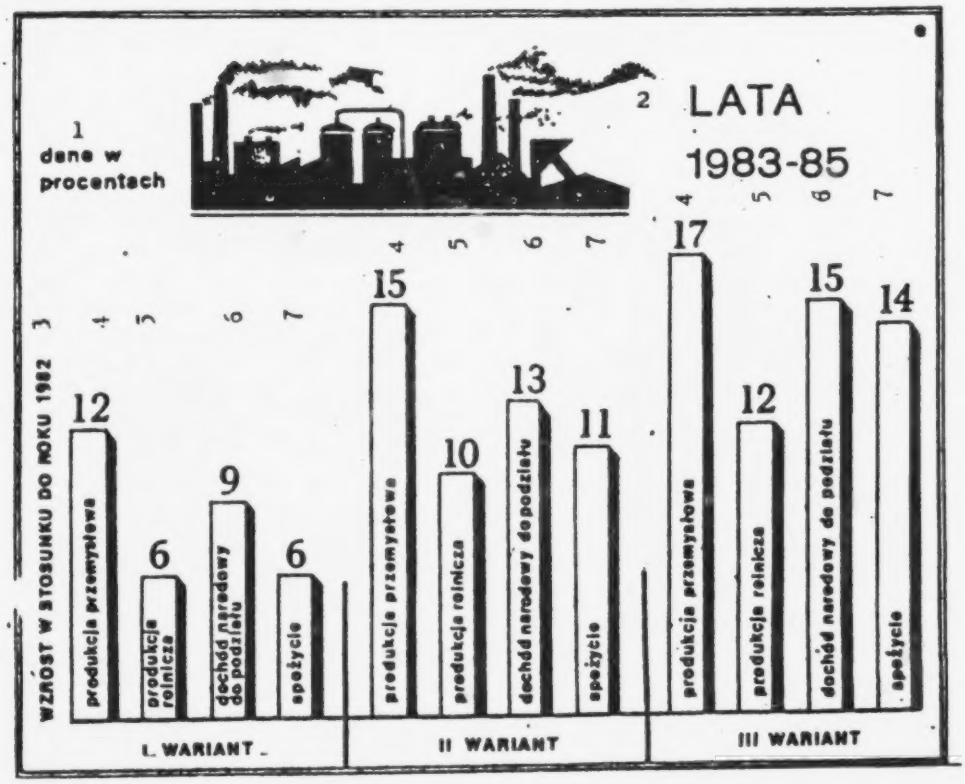


KEY: Graph 1

1. Data in percentages
2. Years
3. Growth as compared to 1982
4. Industrial production
5. Agricultural production
6. National income for distribution
7. Consumption

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5. Agricultural production
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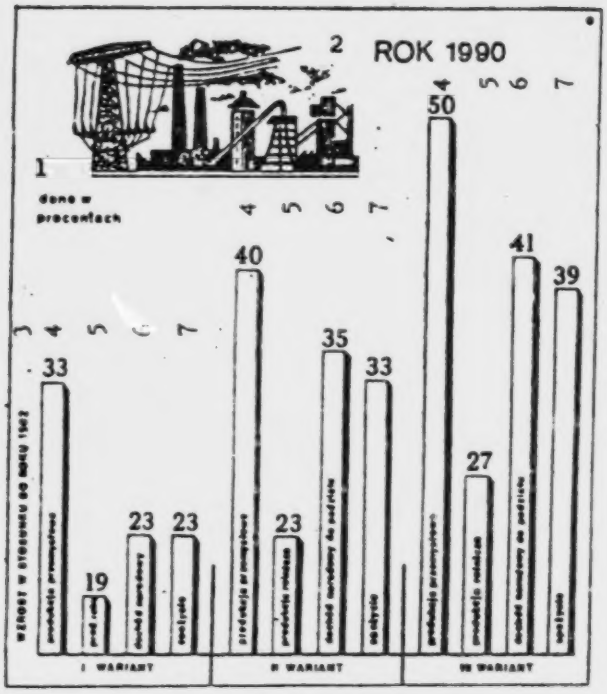


KEY: Graph 2

1. Data in percentages
2. Years
3. Growth as compared to 1982
4. Industrial production
5. Agricultural production
6. National income for distribution
7. Consumption
4. Industrial production
5. Agricultural production
6. National income for distribution
7. Consumption
4. Industrial production
5. Agricultural production
6. National income for distribution
7. Consumption

Consumption or Investments

[13 Sep 82 p 3]

[Text] Consumption and investment. We are especially sensitive to this issue. We all know very well the price paid for the swollen investment undertakings of the 1980's. This bitter lesson today demands that we pay particular attention to mutual ratios between the means used for investments and those earmarked for consumption. When then does this delicate issue find itself in draft plans for the 1980's.

Three variants were drawn up, of which the exit point is 1982. It should be added that investments here mean central investments having meaning for the

entire economy. Regardless, independent enterprises will implement investments through their own means. These are not considered here. Let us now return to the issue of the variants.

Variant I protects consumption. It comes from the assumption that during the next 3 years as compared to 1982, consumption will increase 11 percent and net investment will decrease 3 percent.

Variant II protects investments. During 1983-85, a considerable increase in net investment of 13 percent will take place, while consumption will rise 6 percent.

Variant III maximizes consumption. In this case, during the next 3 years as compared to 1982, a substantial increase of 15 percent will take place in consumption, but net investment will decline 12 percent.

Each of the variants could bring about a definite effect on the structure of the division of national income, which can be seen in the enclosed graphs. A fifth circle could be added that would show the structure in 1990. The variant for consumption protection and investment share would achieve 15.1 percent in 1990.

At first glance, the most alluring one is variant III, maximization of consumption. Society longingly awaits even a minimal improvement in the standard of living. However, does not excessive halting of investment weigh down on future economic and social development? These issues should be evaluated when the draft plan is drawn up.

From a social point of view, besides the proposal for division of income between consumption and investment, the method of utilizing investment means has considerable meaning. For example, to what degree will they be earmarked for developing agricultural production, food processing, apartment construction and thus for satisfying the daily needs of society? These questions will be discussed in the next installment.

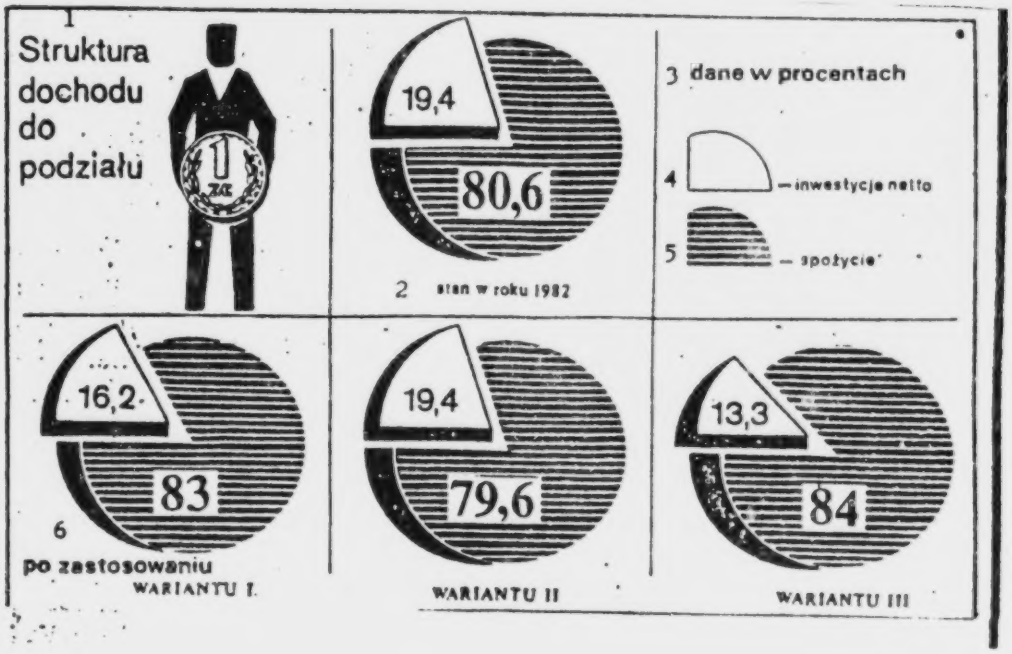


KEY: Graph 3

1. Structure of income for distribution
2. State in 1982
3. Data in percentages
4. New Investments
5. Consumption
6. After implementation

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CSO: 2600/935

## SYSTEM FOR FINANCING ENTERPRISES EVALUATED

Warsaw ZYCIE GOSPODARCZE in Polish 22, 29 Aug 82

[Article by Zbigniew Szwaja: "Enterprise Financial System"]

### Unification of Financial System

[No 31, 22 Aug 82 p 5]

> [Text] In two successive installments we are publishing a preliminary evaluation of the functioning of the reformed financing system of state enterprises. The first part contains an appraisal of the unification of this system and an evaluation of the adjustment of the start toward reforms. In the following issue we shall publish data on enterprise independence and the share of the state budget in the functioning of their financing systems. The author of this evaluation is the vice director of a Ministry of Finance department.

The initial evaluation presented below on the functioning of the reformed financing system of enterprises claims the right of precedence and does not claim to be comprehensive. It rather arbitrarily considers selected problems, dictated more by the significance of the main points of the economic reform and the intensity of the problems developing than by the systemmatic research of the evaluation: the extent of unification of the system, the adjustment of the start toward reform, the conditions assuring enterprise independence and the share of the state budget in the system.

This also requires a methodological digression to stress the production [goods and services] of the systems evaluated. I have called it the enterprise financing system, although both this name and the one more generally used in the WOG [large economic organizations] area, namely the "economic-financial system," are apparently not favored in the new reform. Here the "System ekonomiczno-finansowy przedsiebiorstw panstwowych w warunkach reformy gospodarczej" [Economic-financial system of state enterprises under the economic reform conditions], a collective work published by the Association of Bookkeepers in Poland in March 1982, almost constitutes an exception. Nevertheless, all of the problems associated with enterprise financing, both those

regulated by a discrete Sejm law and those established by other legal acts, for example, the law on taxing units of the socialized economy, the budget statute and the budget law, form a comprehensive system of enterprise financing, and this complex will be the subject of this appraisal.

Unification of the System

The WOG system secured its citizenship papers with the help of the so-called initiating units whose individual financing systems, examined and adopted for implementation on a high level of management hierarchy, constituted from the very beginning examples of the new concept and of later patterns for other economic organizations, and finally became a model for various more general regulations, but not at all compulsory ones as a general rule, as we know from experience. An exception, commendable but far from the normal run, is formed by the financial system essentially unified for the entire economy embraced by the WOG system, although it is not suitable for the general concept of large economic organizations.

Using this example of unification in the finance field in the current reform, it was possible to adopt a principle of regulating individual issues through a system of exceptions defined in basic or executive acts. In the state enterprise financing system this regulation has led to an enormous mosaic of authorities, deviations, individual solutions and onomastics. In short the universality of the enterprise financing system has been transformed into a general state of discreteness, or into a persistent trend toward it. This concerns both the economic organizational-unit [plant and equipment] regulated "officially," and problems permitting individual regulation.

Concretely:

--Decree No 243 of the RM [Council of Ministers] gave the minister of finance, the minister of labor, wages and social affairs in concert with the chairman of the planning commission and specific ministers the authority to adopt principles of financing, settlements from the state budget and financing emoluments for 12 specific kinds of enterprises and, in extending the activity of this authorization, the law of 26 February 1982 on financing state enterprises authorized the Council of Ministers to adapt the regulations of the law to 14 specific types of enterprises.

--Decree No 243 authorized the minister of finance to use product [goods and services] and organizational-unit [plant and equipment] relief and tax exemptions independently of income tax exemption and relief by virtue of allotting profits to developmental and cultural-educational purposes, to the protection of the environment and to labor, hygiene and sanitation. The minister of finance gained this authority through the terms of this decree, plus that which has been set up under the law of 26 February 1982 on taxing units of the socialized economy between the Council of Ministers (former income tax relief) and the minister of finance, for whom they preserved the right to product [goods and services] and organizational-unit [plant and equipment] relief and tax exemptions in economically justified situations, while authorization has been provided for differentiating turnover tax rates

in 1982-1985. The authorizations discussed here for relief and tax exemptions essentially make use of full liberalism in this area and, with respect to the turnover tax, of the so-called level and scale of exemption from the obligation to pay the turnover tax, as if by them they wanted to confirm the effectiveness of the cacophony existing in the profitability of socialized economy activity or to negate the principle of the price formation role of the turnover tax.

--The same decree authorized the minister of finance to increase for a definite group of enterprises the percentage of amortization remaining in the enterprise, and thus to reduce the part of the amortization falling to payment to the budget, while the law of 26 February this year on financing state enterprises transferred this power to the Council of Ministers, and extended its use to 1983. Here again we cannot overlook the incomprehensible silence of the association in the area of individual regulation disposing of amortization with the anticipated period for price reduction of fixed assets and concomitant authorization to independently dispose of all of the amortization by eliminating the obligatory amortization payments to the budget. The cited principles and exceptions from these principles constitute opportunities for flexible solutions to be applied to the regulations of the financing system of state enterprises under various conditions of activity by different economic organizational-units [plant and equipment], but in this way they eliminate the possibility of using the financing system in cost effectiveness and objectivization of economic decisions. It is difficult to assess losses and profits caused by abandoning unification of the system, although we know from past years that the lack of instruments uncontaminated by voluntariness in making decisions can be the cause of incalculable errors and extravagance.

Adjustment of Start Toward Reform

The proponents of the reform stress, not without pride, the fact that the assumptions of the new financing system of state enterprises assure every unit subject to it of conditions for active participation in using the economic competition anticipated in it without obligations inherited from the previous system and from previous results. Even decree No 243 of the Council of Ministers, objectively and thus legally formulated, anticipates an "adjustment of start" toward reform for all enterprises in the form of settlements of assets and funds at the end of 1981 into 1982. Such an adjustment of start is related to a visual and logical representation under sportsmanlike, competitive conditions and with egalitarianism from the outset.

The settlements aimed at adjusting the start have a very broad range. The extensive appendix No 12 to the above-mentioned decree provides special information on their course and termination. A summary of this extensive undertaking can be reduced to the following factors:

--Settlement of losses, with no penalty for the enterprises, because of management of unnecessary stock, because of costs of starting up abandoned production and because of bank interest rates from the time of making investments, as well as because of the results of breaching investment discipline in 1981;

--Adjustment of shortcomings in the financial resources of the enterprises themselves for financing stock up to a minimum of 30 percent of the level of the stock on 1 January 1982;

Liquidation of all kinds of funds, centralized at the association and ministry level, after preliminary regulation of overdue payments;

--Amortization of obligations from abandoned investments;

--Change in the conditions of financing continuing investments; and

--Maintenance of the level of possession of all enterprise funds from the prereform period.

The main sources of all adjusting settlements and supply of enterprises lacking financial resources would be: funds from liquidated associations and price reductions in supplies owned by enterprises on 1 January 1982, considering new prices for investment items and articles supplied. This source, along with its preliminary cause, which was the widely outlined price reform, then became the motor enabling both conditions for the existence of individual enterprises and for balancing the entire economy. For this reason organizational difficulties in stock price reduction and lack of factual data referring to the final enterprise settlement do not permit any basic statistical confirmation. Here we must be satisfied with the budget assumptions for 1982. However, these are significant and very meaningful. It is anticipated that 1982 will see the formation of an accumulation in the amount of 810 billion zlotys, after 288 billion in 1980, while in 1981 the economy suffered 177 billion in losses. The 1982 budget anticipates the use of 333 billion zlotys remaining from the centralized settlement of preliminary estimates of reserves for financing budget settlements with banks for previous years.

The operation of adjusting the start provided a real recovery opportunity for many enterprises involved in various financial difficulties from the period before 1982. This permitted settlement and liquidation of the last link between the budget and the association enterprises. A minimum was suggested for providing state enterprises with their own funds in financing reserves, but not establishing by this suggestion a continuing principle of settlements and evaluations for enterprises entangled in various contacts with banks for financing completed and continuing investments. In effect adjusting the start deviated far from the idealized picture of the start from starting blocks used in athletics.

Very definite distinctions typify the enterprises entering the new financial system. They can be classified as follows:

--A state of stable properity, resulting from peaceful, prosperous management without investment shocks and seasonal production, based on a high level of enterprise funds.

--A state of opportunity for economic growth, gained through new investments legalized as developmental investments and financed from centralized funds not tied to enterprise results.

--A state of shaky balance, referring mainly to enterprises with a seasonal production cycle where the uncertainty of the state of stock settled in reduced prices, the liquidation of so-called seasonal stock and the low state of the turnover fund presage financial difficulties in the enterprise.

--A state of economic insufficiency, caused mainly by a completed investment program exceeding the enterprise strength (payment of credits not covered by centralized funds) or by a continued program not qualified for central investment; and

--A post-reform state obtained by liquidating enterprise indebtedness and lack of financing as a result of providing a centralized settlement for reduced prices of stock in its own statutory fund, but with a very low level of independence.

However, a realistic look at the so-called adjustment for start confirms the propriety of the reform proponents' pride, because [it involved] only enterprises with an almost unregulated investment process, and some inevitable setbacks at the start. All others began the struggle in the new financing system with a much better frame of mind then in the past.

Role of National Budget

[No 32, 29 Aug 82 p 9]

> [Text] This is the second part of an evaluation of the functioning of the reformed financing system of enterprises. The author, the vice director of a department in the ministry of finance, appraises the autonomy of enterprises and the share of the state budget in the system. The first part contained an evaluation of the unification of the system and an evaluation of the adjustment of start toward reform.

In analyzing the financing system of enterprises it is most difficult to separate the factors of enterprise independence from factors of self-financing. Both of these features are confirmed in themselves and define themselves. Without straining to find a subtle distinction between these factors, we shall not be committing a gross error if we acknowledge that the independence of the enterprise in financing is expressed mainly by:

--The authority and possibility of setting the level of enterprise income, both from the quantitative viewpoint of its amount (sales) and structure (prices);

--The authority and possibility of setting the level of enterprise expenditures, both in the area of activity costs and in the division of profits; and

--The authority and possibility of securing financial aid from the enterprise environment (contractors, banks and budget).

Autonomy

It can undeniably be asserted that the level of enterprise self-determination in the current economic reform is incomparably higher than in the past. Foreign trade probably constitutes an exception, but empirically this is unusually difficult to verify.

The liquidation of associations, even in the very process of liquidation, produced an awareness of decision-making power in the enterprises and fear of direct responsibility for all events occurring in the enterprise. This was reflected at all decision-making levels where the enterprises sought help in liquidating their unfavorable conditions or situations, but this also confirms the hypothesis of expanding considerably enterprise authority for self-determination. Organized systems of relief, priorities, privileges and exemptions, and other chances for making individual decisions, still not obtained in a suitable form, are encouraging. Thus, in general, promising conditions exist for achieving conditions useful for enterprise self-financing.

However, there is a widespread opinion that enterprises are in too rigid a financial straight jacket and not feel that the law has given them sufficient independence. This opinion primarily involves the problem of balancing wishes and possibilities, needs and conditions for covering them, and the entire intricate and irrational goods-currency structure. This is because wherever these conditions do not limit activity, the availability of enterprises does not meet objective difficulties. Here we must accentuate several matters characterizing the problem under discussion: limitation of autonomy in the price area, difficulties in obtaining credit, developmental difficulties and limitations in using production capabilities.

The enterprises have been given enormous independence in the area of price formation. This can fade with respect to the share of production for which contractual prices have been established, with respect to their range in particular branches and sectors, and with respect to other rather minor matters, but the enormous specific weight of enterprise autonomy contained in authorization for setting contractual prices is indisputable. This autonomy is mainly regulated by market conditions, and thus the assumption has been made that they are not to be treated as limits on independence. However, decisions stemming from economic policy, for example, regulating the level of official or controlled prices, are recognized as serious limitations on the freedom of enterprise activity, regardless of the reason for which these decisions were made. However, even in this area, the financing system of state enterprises anticipates instruments to neutralize these limitations, conditioned by financial authority decisions. Here I am thinking of budget subsidies and settlements adjusting production profitability.

The subsidies adjusting prices for suppliers are an expression of both supplier protection and toleration for suppliers producing too expensively or with

improper regulation of currency ratios. This can have a general aspect (product [goods and services]) or an individual aspect (organizational-unit [plant and equipment]). The financing system of state enterprises provides absolutely unlimited opportunities to use this instrument to eliminate a lack of independence in the price area. Subsidies constitute a trace element in financial results, and therefore make it right for enterprises to participate in all self-financing activities. In most cases the subsidies are unlimited, and therefore are not restricted to quotas contained in the budget, but are relative to the amount of sales embraced by the subsidization. The right to profit from subsidies is not complicated nor burdensome, but requires suitable planning in the budget and obtaining a decision from the minister of finance with respect to the extent and form of its use. In principle, despite a few exceptions, subsidies are not subject to verification or settlement from their utilization.

In the budget for 1982 subsidies for enterprises (not counting agriculture nor the community and housing economy) come to 675 billion zlotys compared to 613 billion allotted in 1981. Produce [goods and services] subsidies and budgetary differences show an increase from 290 billion to 486 billion zlotys which, on the one hand, confirms their wide range and, on the other hand, reveals their defective worsening even in 1982, compared to the structure of profitability in 1981.

Despite the features mentioned above for subsidizing enterprise activity from the budget, as a source of realizing financial results as a source as inconvenient, unfavorable and weakening the independence of enterprises. Why? The answer is simple, but certainly surprising.

The subsidies guarantee neither profitability nor profit for subsidized activity to the extent that they provide authorization for contractual prices, and on a multiyear scale they are not guaranteed by anything. The next question of "Why?" does not find a simple answer because it would require either a restriction of enterprise authority in the area of contractual prices or a basic reconstruction of financial instruments regulating the flow of funds to the enterprise. A supplementary response is that, since the idea of proper profit in the entire enterprise financing system has not been regulated along with authority to set prices, no real financial discipline has been assured in this sphere. The earlier prereform manner of conduct is maintained. For example, decree No 188 of the Council of Ministers of 22 December 1978 concerns product [goods and services] subsidies, where a concept of excess profit occurs, to be transferred completely to the budget. The effects of this regulation pass into the entire enterprise financing system as "an infrequent force" demolishing order and forming myths, the deus ex machina of the old system or the blind consequences of system unification.

With enormous support, supposedly proportional to an unawareness of sources of need, an institution for adjusting settlements profitability is established in the enterprise financing system. This is an instrument indispensable whenever:

--Prices unified statewide are used, and even on the scale or some region or defined circle of suppliers, if such eventualities occur;

--There is more than one supplier of goods with these prices; and

--Guideline supply decisions are adopted.

This is undeniably an instrument from the period when large economic organizations played the role of distributor of financial resources dependent on allocation decisions, and here certainly involving the source of supports for using adjustment settlements in the financing system. However, at the same time it must be said that up to the time of regulation of production and supply with foreigh-exchange funds or of allotments in the form, for example, of a clearing post in the forest industry, and likewise up to the time of using nonindividualized but generally equal constant prices, such a settlement must be made independently of the form of its occurrence. At this point it is important to be aware that the prerequisite for the success of such a settlement is to place it in the position where the production decision-maker identifies with the executor of the settlement.

These examples demonstrate that the limitations on enterprise independence in the price area are regulated and do not impair conditions for enterprise self-financing, but do require further improvement in the instruments and tools with which the financing system of state enterprises is organized.

In the second quarter of 1982 the economic freedom of enterprises met its first massive resistance from external factors: verification of the enterprise credit capability. This was a very labor-intensive undertaking and had an almost pioneering nature for the entire reform, certainly beneficial for banks, but also useful for enterprises and for the reform center. I believe this deserves its own monograph and analysis. Rumor has it that its result is a list of over 600 enterprises without credit capability, which is also tantamount to a sentence of liquidation. From observing the course of this verification it is possible to derive the general conclusion that the majority of difficulties in obtaining bank approval for financing enterprise activity by credit is associated with the conditions of adjustment of the start, of which we spoke in the first part of this article (ZYCIE GOSPODARCZE, No 31), conditions inadequate for the needs of developmental hopes of enterprises. It is usually difficult to generalize here. Almost every case constitutes a separate example of economic and uneconomic pressure on the developmental fund. The only synthesis is the further general statement of the considerable excess of enterprise investment programs above the level of their own financial resources. To a considerable degree this refers to investment credit payments before 1 January 1981 from enterprise profits threatened not because of improper enterprise profit utilization, but because of a lack of necessary profit.

The lack of systems-type solutions in adapting the conditions of previous credit payments to the new conditions creating enterprise financial results, produces many strains and worries, plus a state of uncertainty and weakness in many enterprises. Here a sensation of bank alienation comes to the fore in the process of using the reform to control the difficult economic situation of individual enterprises. Revision of bank decisions on the lack of enterprise credit capability, caused by the impossibility of repayment from anticipated

credit profits for payments according to old contracts seems inevitable. The bank, as a contractor of such a signed contract, cannot avoid responsibility for the situation which has evolved by strictly requiring repayments of old obligations while deferring the financing of an entire enterprise.

With reference to the old credit portfolios, there must be full agreement between the positions of the bank and the enterprise with respect to the expedience of credit investment, the conditions for its profitability under the new price systems and, against this background, the new conditions for repaying already contracted credits. Sending an enterprise to Berdyczow for the purpose of obtaining a source of financing to repay bank obligations does not seem expedient nor consistent with finance policy or with the assumptions of enterprise autonomy. Even under conditions of excessive extension, they should have a legally equitable possibility of opposing creditors.

A slack economy is not able to automatically subject itself to a reform regulator, especially where the balance is disturbed, not only today, but in the foreseeable future. With respect to this painful part of the economy, the principles contained in decision No 17 of the KGRM [Main Committee of the Council of Ministers] of 18 March 1982 are used. These principles unfortunately limit the rather considerable autonomy of enterprises to a set of conditions which lead to this incapacity. They embrace cases of:

--Temporary restriction in the use of production capability for reasons independent of the enterprise, but for which further functioning and development are anticipated;

--Lasting suspension of all or part of enterprise production for a period no shorter than the end of 1982 without enterprise liquidation; and

--Enterprise liquidation.

There is no way of acknowledging this part of the enterprise financing system as typical of reform solutions. However, it is not permissible to exclude this part of the economy from its activity either. Only a comprehensively consistent system concerning all units, the entire economy and the nonproduction sphere can assume the name of universal system and have a chance of achieving the total goals desired of it. With reference to the units embraced by KGRM decision No 17, the regulations of economic reform are not completely obligatory, and this limitation is understandable. Under conditons of a diminishing total national income, participation in the division of this income among spheres which do not contribute to its formation must be stagnant, frugal and indulgent. The economic reform system, which is also an instrument for the proper division of the national income, must then be called on even in those cases where not all reform factors can be utilized. It appears that settlements of the decisions mentioned in this area underscore this situation with banal moderation, a little timidly as befitted a burdensome and transitory phenomenon.

In conclusion we must once again mention the high degree of freedom of enterprise activity in all of the three decision-making spheres mentioned above.

There is even a conjecture that this freedom in the first phase of introducing the financial economy system was too great and was used too unilaterally. The consequence of this cannot help being an increase in wages unrelated either to dynamic development or to results, and marked by a considerable lack of discipline, for example, in the proper involvement in the financial results benefitting the vocational activations fund. The balances for the first half-year may be a confirmation of attitudes, and then become a record of a phenomenon whose consequences must be procedures permitting a correct evaluation of this freedom, which means verifying its conformity with reform regulations in the area of utilizing enterprise autonomy.

Share of the Budget in the System

The state budget is associated with enterprise financing through seven channels, four tax channels (turnover tax, property tax, wage tax and income tax) and three subsidy channels (product [goods and services], organizational-unit [plant and equipment] and investment subsidies). This is a uniform and compact system of communication logically distributive and progressive in comparison to previous solutions.

The property tax and the wage tax do not require detailed discussion, but in this evaluation we cannot disregard the income tax.

The range and degree of enterprise financial autonomy in the first year of activity of the economic reform is dependent on two factors: the degree of provision of their own financial resources in the previous financing system, and the degree enterprise profits are drained off by the income tax. The first part of this dependence is confined to silence in systems-type solutions, except to say that the rest of the enterprise funds become funds as defined by the new financing principles. However, current enterprise profits are included in the game by the economically defined reform, and prosperity is defined by the share of income taxes in this profit or, more correctly, by the share of this tax in enterprise profitability. What does an analysis of this share demonstrate?

There is a lack of correlation between the decisions in the price area and in the income tax area of the tax scale. The lack of a definition or formula to define profit due in the price-forming process makes possibilities for comparing these factors purely arbitrary. Thus, in conformity with guidelines, even those of the State Price Commission, the minimal profit contained in the regulated price amounts to about 10 percent of processing costs, which is twice as much as the profit not subject to the income tax. The regulated fund with even the minimum profit is thus subject to the income tax in an amount of 20 percent of the profits.

If we assume that the minimal profit determined by the price-setting authority must not be a profit inadequate for the needs of the enterprise in the sense of the self-financing regulation, we may draw the conclusion that the income tax within the framework of minimal price profitability is a phenomenon alien to the system. Burdening profits by a 20 percent tax therefore constitutes an infringement on enterprise independence. Another conclusion

from this defines the income tax as an instrument exclusively consuming excess enterprise profit above the level needed by the enterprise. This does not justify a progressive scale of taxation either, because it should preferably be rather stable and close to 100 percent of the excess profitability.

A second assumption asserts that the minimal profit defined by the pricing authority contains a surplus above the needs of the enterprise and is intended to strengthen the budget, a function which the income tax itself should perform. This assumption also permits one to define the income tax as an instrument taking excess profit above the enterprise needs and contained in the price. Thus conclusions here are analogous to those in the previous case.

Let us make one more hypothesis: that the minimal profit does not guarantee covering the enterprise needs, but nevertheless is burdened by the income tax in order, through its existence and structure, to stimulate the correct profitability in the enterprise above the price-forming assumptions, necessary for adjusting the assumed shortage. However, in such a role the tax on a progressive scale of taxation not only arouses doubt, but also surprise, and is also shocking because of the inappropriate proportions of the scale. Therefore such a role must be excluded from the income tax in practice.

The variations cited have referred in principle to the minimum profit set by the legislature. However, because of this we can formulate a general conclusion that the existing scale of taxation excludes the possibility of an income tax stimulating collection of enterprise developmental funds, but should serve to aggressively take excesses of financial resources found in the profit created.

Then, in relation to enterprises with profitability situated within the minimal limits (10 percent of processing costs) or the proper rate (8 percent of their own funds) of profit, the income tax can have only control functions. However, in view of the danger of impairing the minimum survival of enterprises by this task, the possibility of using the law on relief or tax exemption should apply solely to this group of enterprises. On the other hand, the other enterprises can and should recognize all profit, left to them for their disposition by the tax scale, as a propitious act of the legislature for them or, if you wish, as compensation for more than the minimal profitability of their activity. The correctness of this understanding will surely be deprecated by all of those who do not appreciate the definition of enterprise needs (along with the controlling share in the budget of these needs), defined as 8 percent of their own funds financing the fixed assets and turnover funds of enterprises. Here a connection occurs between these weaknesses and the following conclusion from an analysis of the share of income tax in enterprise profitability.

A definition of enterprise needs in the area of profit on a rigid scale of profitability proportional to processing costs is generally negative and uniform for all.

Branches with a high share of material costs feel themselves wronged because of the low base of profit determination, and branches with a high share of

special costs in their processing costs find that they are discriminated against in the possibility of using profit for the needs of teams and so forth. Actually some perceive in this same deviation in the content of profitability a danger of avoiding "real profitability" in the reform, in this direction criticizing the standards used in this reform, but most of the doubt is aroused by the amount of untaxed profitability, rather than by the actual principle of its determination. This is because it is possible to find all of the factors determining the needs of an enterprise for profit in the processing costs, which are the base for defining profitability and proper profit. This can be illustrated by the table below:

| Elements of processing costs | Elements of profit allocation |
|---|---|
| Special costs | Team fund, social fund, housing fund, FAZ [expansion unknown] |
| Amortization | Developmental fund for investment purposes |
| Bank costs | Developmental funds for financing, turnover assets |
| Other nonmaterial costs | Fund for technical and economic progress |

The structure of the processing costs determines the structure of profit allocation. At an identical rate of profit, calculated in relation to the gross processing costs without considering the structure of these costs, decisions of an enterprise forming a division of profit for individual items of need must overcome this object interdependence.

The extent of needs, especially short-term needs, is difficult to objectivize with reference to individual enterprises. Here it is only possible to define gross ratios, constituting the framework of minimum survival, of the national mean or of the desires of the central authority. Simplifying the financing realities of enterprises in this definition would be tantamount to eliminating conditions for defining needs for return on the credit obligations of enterprises from a previous period. However, this has not been done, causing considerable difficulty for this problem of profit and its division, so very complex to settle.

In the budget for 1982 this problem takes the following numerical form on the gross scale of the entire national economy:

--Profit before taxes, 870 billion zlotys,
--Income tax, 440 billion, that is, 50.6 percent of profits before taxes,
--Profit for division in enterprises, 430 billion zlotys,
--Vocational activations fund, 150 billion zlotys, that is, 34.8 percent of profit for division,
--Repayment of investment credits, 140 billion zlotys, that is, 32.6 percent of profit for division.
--Team fund and reserve fund, 110 billion zlotys, that is, 25.6 percent of profit for division, and
--Developmental fund, 30 billion zlotys, that is, 7.0 percent of profit for division.

The significance of the data contained by the budget, relative to the program of enterprise profits use, does not require comment. However, this significance cannot be exclusively an object of doubt with respect to the sufficiency of profit for enterprise needs, the correctness of principles of profit taxation, or harmony between the budget assumptions and the actual conditions of its realization. This lack of comment involves a considerably deeper sense, pointing to the realities of our economy which we must not forget, despite theoretical and methodological disputes.

Any consideration on the subject of minimal profit or minimal profitability is pointless in the face of the actually existing production profitability.

Both in official prices and in regulated prices, to say nothing of contractual prices, profitability is extremely differentiated and practically uncontrolled by anything. In a few cases of continuous production the indicator of profitability indicates more effective or less effective technology, or production technique, but in many others, and perhaps in all others, there is no objective standard directing activity.

Let us use the following compilation of profitability (in percentage of processing costs) of some enterprises in the agricultural and food industry, gained in the first months of this year, to confirm this hypothesis:

District Enterprise of the Meat Industry in Olsztyn, 1.48;
District Enterprise of the Grain-Milling Industry of the State Grain Works [WPPZiMPZZ] in Olsztyn, 2.84;
District Enterprise of the Meat Industry in Warsaw, 10.88,
District Enterprise of the Meat Industry in Poznan, 11.98,
"Fruktopol" Industrial Agricultural Combine in Lublin, 26.64,
District Enterprise of the Grain-Milling Industry of the State Grain Works in Wroclaw, 28.57,
District Enterprise of the Grain-Milling Industry of the State Grain Works in Kielce, 32.00,
District Enterprise of the Meat Industry in Lodz, 37.84,
Lezajsk Tobacco Plant in Lezajsk, 43.75,
District Enterprise of the Meat Industry in Wroclaw, 50.63,
District Enterprise of the Meat Industry in Lublin, 59.81,
District Enterprise of the Meat Industry in Kielce, 71.08,
Sugar Plants in Warsaw, 71.76,
District Enterprise of the Meat Industry in Bialystok, 72.06,
Pomeranian Sugar Plants, 95.45,
Beer Plants in Glubczyce, 170.83,
"Wawel" Sugar Plants, 226.19,
Skawina Food Concentrate Plants, 287.10,
Lublin Alcohol and Yeast Plants, 566.67,
Krakow "Polmos" Alcohol Plants, 661.11,
Poznan "Polmos" Alcohol Plants, 737.93,
Zapnoj Fat Plants, 896.00,
Nadodrzan Fat Plants in Brzeg, 970.00,
Wroclaw "Polmos" Alcohol Plants, 1005.56,
Lancut "Polmos" Alcohol Plants, 1442.86,
Warsaw "Polmos" Alcohol and Yeast Plants, 1530.00,
Lodz Depot of Tobacco Products, 19,800.00.

Here is a fundamental and, in this evaluation, final conclusion.

Freedom in price-formation and a lack of definite standard conditions for creating profit in enterprises cannot help but lead to the disciplining function of the income tax. Some scholars and journalists write nonsense about its drastic, 90-percent burden on profits (naturally in the greatest range of profitability, and not with reference to total profits), and in this connection about the improper graduation of the income tax scale. Whether income tax is poorly graduated or whether it is a matter for profit, prices have an unregulated range of profitability in relation to labor outlays of individual enterprises.

It will certainly be necessary to sacrifice many of these outlays in order to save this field from harmful indifference and careless options.

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VARIANTS OF ECONOMIC ASSUMPTIONS ANALYZED

Warsaw TRYBUNA LUDU in Polish 14, 15 Sep 82

[14 Sep 82 p 3]

[Article by A.L.: "In What To Invest?"]

> [Text] In the last segment of our series ("How Much Should We Spend for Investments--And How Much For Consumption?" TRYBUNA LUDU 13 Sep 82) we presented, in diagrams, ideas on how much of the gross national product should be earmarked for consumption and how much for investments. The ideas are contained in the new plan proposal.

Today the question directed to the public by the central planner is: In what should we invest? In other words, what specific objectives should be considered, and what part of outlays earmarked for central investments should be appropriated to satisfy the objectives. Please, look at the graphs presented in the article. They show three possible variants of distribution.

Graph A proposes so-called production variant. The variant gives priority to investing in production needs, especially in food production (30 percent of the outlays), at the expense, however, of outlays for apartment construction.

Graph B proposes distribution of investment resources according to so-called social variant, which favors public consumption. This means that 6.5 percent of the outlays would be spent on health, education, higher education, culture, and the arts; 30 percent would be spent on apartment construction. However, adopting this variant would leave only 28 percent for the food complex.

Graph C presents a proposal according to so-called apartment construction variant. As the name indicates, the variant assures higher outlays for the apartment construction (35 percent). According to this variant investments would result in an increase in the number of apartments by about 90,000, but at the expense of other needs.

Preliminary criteria for the period from 1986 to 1990 favors the social variant. As the graphs indicate, all the variants give the first priority to food and apartment construction complexes, according to resolutions of the ninth

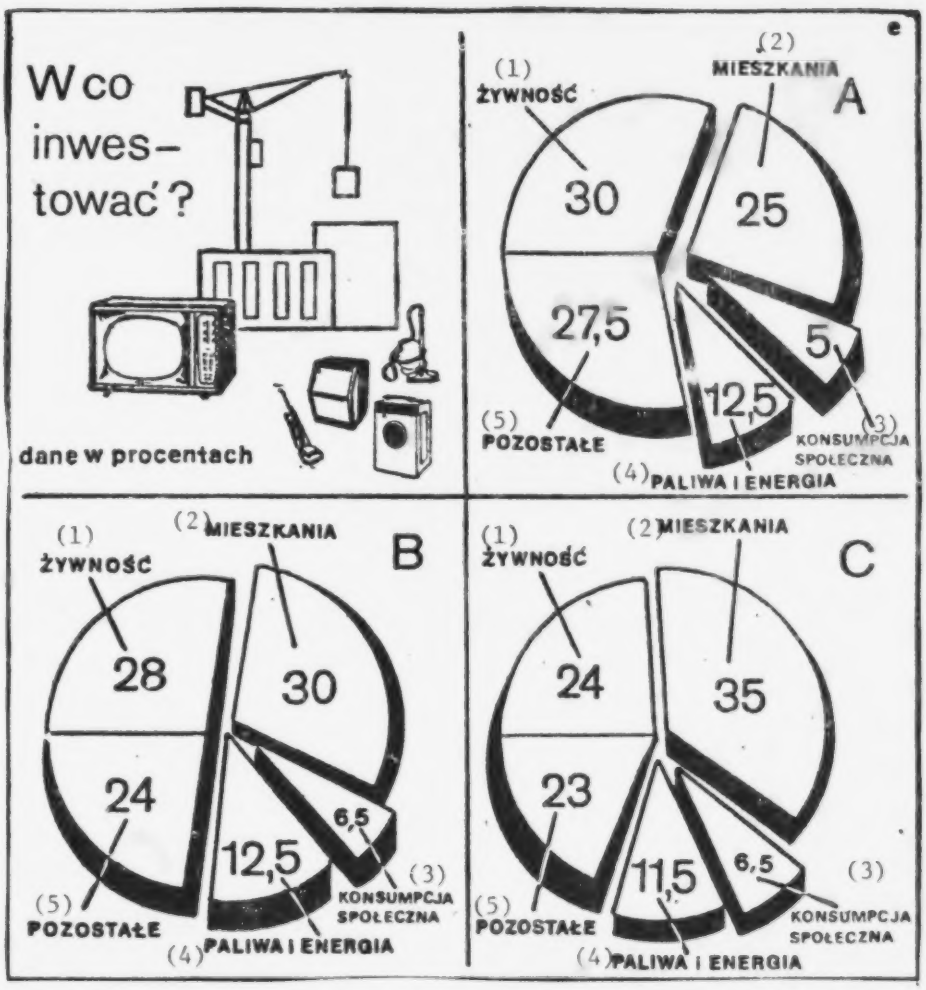


Figure. What To Invest In? Data in percentages

Key:
(1) Food
(2) Apartments
(3) Public consumption
(4) Fuel and energy
(5) Other

special PZPR congress. It is proposed that the same amount of outlays or more to be appropriated for each of these objectives, as for other objectives, such as industry, transportation, communication, medicine, construction, etc.

We would like our readers to carefully examine the graphs in order to determine which is the best way to make central investments. We will all get a chance to express our opinions in a public discussion, which will soon take place. We look forward to your letters.

[15 Sep 82 p 3]

[Article by A.L.: "Together or Individually"]

> [Text] The question in the title pertains to the ways in which resources earmarked for consumption should be used in the 1980's. "Together or individually"--what does it mean?

"Together" denotes investments into collective consumption, i.e., into sociocultural needs and other objectives implemented by the state for the benefit of all.

"Individually" denotes investments for consumption payed for by funds that come out of our individual wallets, our individual income.

"For what? How much?" The central planner built these questions into the idea of variants of the National Socioeconomic Plan for the period up to 1985 and into the preliminary principles of the Plan for the years from 1986 to 1990.

In one of our previous segments ("How Much for Consumption--How Much for Investments" TRYBUNA LUDU 13 Sep 1982) it is indicated that during the period from 1988 to 1995 there will be no significant increases of resources for consumption (as well as for investments). Depending on the adopted variant, it is projected that the increase in resources will equal from 336 to 496 billion zlotys. Based on the lower projection, 336 billion zlotys, the plan proposes three solutions, presented here with the help of the following diagram.

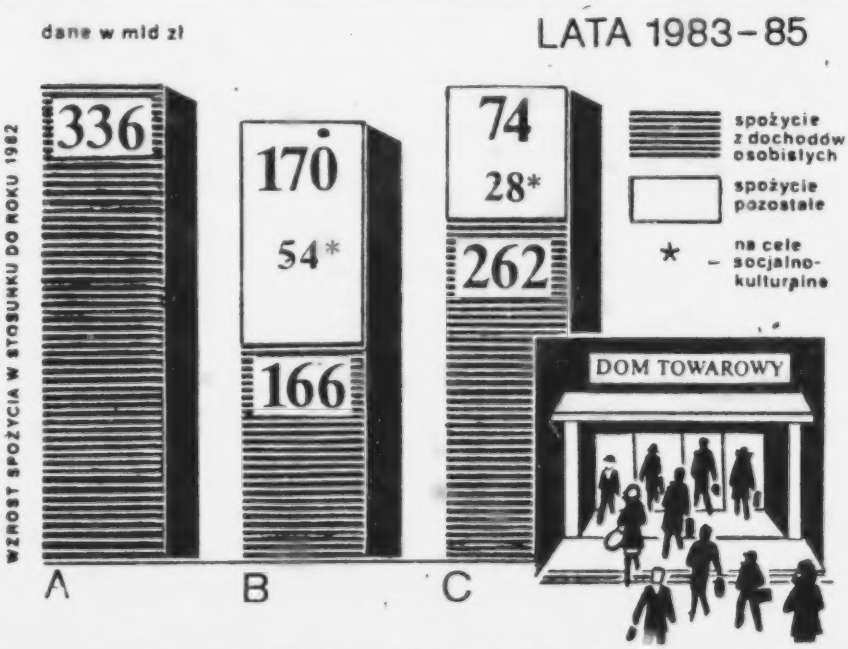


Consumption based on individual income

Other consumption

Resources for Sociocultural objectives

Department store

Figure: Increase in Consumption for the Period From 1983 to 1985 as Compared With 1982. Data in Billion Zlotys.

Column A presents the variant favoring individual consumption. According to the variant, the increase in resources for consumption (336 billion zlotys) would be earmarked in total for consumption based on individual incomes.

Column B shows advantages of adopting the variant that gives top priority to collective consumption. A total of 170 billion zlotys would be earmarked for collective consumption, according to the variant. Out of this sum, 54 billion zlotys would be used for sociocultural objectives. The rest of the 336 billion zlotys (i.e., 166 billion zlotys) would be used for individual consumption.

Column C represents so-called variant of equal increase in both collectives and individual consumption. According to the variant, it is projected that 262 billion zlotys would be used for consumption based on individual income, and 74 billion zlotys would be used for collective consumption (out of the last sum, 28 billion zlotys would be used to satisfy sociocultural objectives).

Which variant ought to be chosen? This is the question to which we have to give an answer. In the proposed plan the preference for the variant of equal increase in both collective and individual consumption is indicated for the period between 1983 and 1985 as well as for the period of 5 years following it. Will the proposed plan be accepted by all social groups?

There is, obviously, a desire to increase individual income. Should it be pursued, however, at any cost and at the expense of such objectives as health, education and culture?

We look forward to hearing from our readers regarding this matter.

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19 November 1982

# East Europe Report

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2339

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19 November 1982

# EAST EUROPE REPORT

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2339

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CZECHOSLOVAKIA

IMPORTANCE OF MANAGEMENT FOR SET OF MEASURES DISCUSSED

Prague NOVA MYSL in Czech No 9, 1982 pp 74-85

[Article by Docent Dr Vlastimil Chladek, CSc, Law Department, J. E. Purkyne University: "Efficient Management of the Economy and the Problem of Risks"]

[Text] The 16th CPCZ Congress confirmed and further developed the strategic policy for building a developed socialist society in our country. An integral part of this policy is to place the economy on a course of intensive development. The congress documents stressed two conditions: 1) intensification of the production process is the basic condition for the economic and social development of our society; 2) the means for achieving intensive operation of our economy also include changes in management as presented in the Set of Measures for Improving the Planned Management of the National Economy after 1980.

A premise for and constituent part of intensive development is more effective operation of the economic system providing for more efficient utilization and assessment of material, valuable and human resources. This challenging change depends above all on the degree to which objective and subjective conditions of the production process are coordinated in all its phases. So it depends on the level of management of the national economy. The area of management can properly be regarded as a potential strength for intensifying and raising the efficiency of our economy. "We perceive in unsatisfactory standards of management...the reason for many shortcomings which weaken the results of our work."[1]

The best system of management, however, does not work automatically and spontaneously on the basis of natural law. Partly because management, as a subjective activity, is carried out through negotiation and partly because no system of management can ever fully coordinate all the interests of differing economic entities. The selection of a suitable mechanism of management that will put the economy on a course of intensive development and above all effectively implement the system of management depends on active participation of the human factor. This was convincingly demonstrated by experience so far in implementing the Set of Measures. Experience has confirmed the previously expressed assumption that the effectiveness of the measures depends on their differentiated but consistent application at VHJs [economic production units], enterprises and working collectives as well as by every individual.

"At most economic organizations we have not yet succeeded in formulating the principles comprehensively and fully implementing them at the enterprises, plants and individual worksites and thereby making it possible for them to be fully effective."[2] Management personnel as well as those managed must understand the intent of the Set of Measures and its value to society and to themselves, they must know how the measures for improving management will be reflected in their work and in their rewards for work and persuade workers to bring about changes in the management and operation of the economy because without their active participation the most perfect system of management will fail. For this reason demands for specific political-organizational and efficient ideological work are being pressed at this time. An essential role in this process is held by both party and trade union organizations and bodies as well as managers of the economy.

Attributes of active roles of entities in the management process include decisionmaking, responsibility and risk. Decisionmaking by the individual or collective is a conscious process by which the managing entity, exercising its authority and responsibility, influences the object of management. Decisionmaking also depends on the resolution of management personnel. The degree of resolution also depends partly on qualifications, including ability and skill to orient oneself in a situation, and partly on the will and readiness to make decisions and assume the responsibility for one's decision. It also depends on the scope allowed managers for decisionmaking. This is adequate with us; the problem is that in many cases it is not sufficiently exercised personally. Top party organs point out the deficiencies in this area: "We also have managers...who waiver before responsibility and look for more convenient, risk-free ways, who are not able to lead the collectives under them in a way that corresponds to the possibilities and needs of society."[3]

An integral part of decisionmaking is responsibility for the decision taken, meaning political, moral and legal responsibility. By responsibility, we mean the necessity to live with the consequences of one's conduct and actions both in their positive and negative aspects. So we come to the concept of risk, by which we do not mean only the possibility of incurring losses or damage nor simply uncertainty in time, but rather we understand it as a part of responsibility emanating from an irrevocable choice among alternatives in specific management processes having diverse but often also contradictory consequences. There is not only the risk of unfavorable consequences for the subject under decision but above all the risk of sanctions against the managing party who made the decision if the decision was in error.

The question as to whether decisionmaking by management personnel under circumstances of programmed regulation of the production process in building a developed socialist society contains an inherent risk factor, whether unavoidable or incidental, is legitimate and has a strong ideological-political connotation. The question can also be formulated thus--can the movement toward planned management of the economy exclude risk from the decisionmaking process or is risk an integral part of management at a given stage of society's development.

Even though in a developed socialist society decisionmaking processes lose any irrational or chance motives, we feel that finding an alternative solution which under given specific conditions and allowing for all circumstances and

contractictory factors is the most suitable in a socially responsible and risky action. As a rule, the optimal variant solution is sought, one which can bring about maximum efficiency (output) with minimal resources and is most useful in respect to quality.[4]

If the decisionmaking does not properly allow for current economic phenomena and natural developments, inevitably conflicts will appear in the economy which will increase and have a negative, cumulative effect. The reasons for incorrect decisions can vary. Among them might be inadequate qualifications, incomplete knowledge of circumstances and a superficial analysis of facts, or errors, external influences or the effects of other factors.

The necessity of increasing responsibility in decisionmaking and managing the economy at all levels is especially urgent in connection with implementation of the improved system of management of the national economy which, to be sure, does not represent the definitive and ultimate management plan. The existing system of management must be improved by increasing responsibility at all levels of management, by working collectives and by individuals. The new measures are supposed to consolidate operation of the plan, the role of the socialist state and its managing bodies in the national economy, strengthen the influence of material and morale-raising stimuli and increase authority, responsibility and the level of decisionmaking by supervisors. "Supervisors...must carry full responsibility for meeting the goals of the units they manage, for promoting the interests of society at large and they must not avoid controversial situations in decisionmaking."[5] The improved system will produce more challenging conditions for decisionmaking by supervisors. Whereas in the past decisionmaking by supervisors, especially in the khozraschet area, was limited by time-restricted horizons of a single year and chiefly by quantitative indicators which stimulated extensive growth, under current conditions there is more room for decisionmaking by supervisors, even while strengthening central planning. Decisionmaking depends, above all, on quality indicators which mobilize more intensive sources of growth. The new conditions which allow more scope for decisionmaking and also increase the responsibility of supervisors will, however, in no case bring about the elimination of the risk factor connected with decisionmaking. Next in this account, in the interests of accuracy, we will separate the problem of risk in decisionmaking in the macrosphere from that in the microsphere.

Management of macroeconomic processes, by which we mean the national economic level, means selection and decisionmaking with societywide and long-term effects which include setting the pace and gradual objectives of development in the branch structure of the national economy, performance of the economy and many other relationships on a statewide and interstate scale. Among the main objectives of decisionmaking on the national economic level are a number of political-economic circumstances and relationships.

--The central bodies determine the strategy of the economic and social development of society. It is important to set gradual objectives and the main directions of development, including prescribing ways and means that will enable the goals to be met. In determining the economic strategy, decisionmaking must take into account the effect of natural and economic conditions and also a number of noneconomic factors on the national and international scale.

--Selection of a suitable mechanism for operation of the economy and the combination of instruments for direct and indirect economic management are of basic importance. This means selection of a system of indicators which would effectively regulate the khozraschet area to make economic use of resources while producing the greatest benefits. The center determines the "climate" which is suitable for attainment of socially desirable results for production enterprises and the other way around.

--A supreme concern of the center is determining the rate of consumption and rate of accumulation for use of the national income. This "golden mean" determines the level of consumption, defensibility and the dynamism of economic growth, etc.

--To centralized decisionmaking of long-term scope belongs the selection of types of technical advances which entail differing productivity of social work and differing demands on the size and qualification of the labor force. This calls for comparing various techniques and technologies or alternative methods of producing a given product. These decisions have a basic effect on the relative efficiency of investments. At the same time, decisions are made between alternatives of investment with immediate but lower effect and alternatives with more definite beneficial effects but with substantial time delays. In addition, there is the choice between production programs which, on the one hand, require more capital but save on operations or, on the other hand, require less capital but cost more to operate.

--The center makes decisions concerning selection of investments and the scope of production programs influencing the country's foreign trade balance both in the area of stimulating exports and the area of import substitutes.

--The center determines the wage level and wage relations while maintaining the social and economic function of wages.

--Finally, it is the objective of decisionmaking to determine price levels and cost relationships while recognizing the relations between the economic and social function of prices. The center determines the level of wholesale prices which produces the replacement space for production enterprises and also the retail price level. The center also determines the system of preferential pricing which affects the structure of production and technical innovations of products.

In addition to those indicated here, there are other conditions that are the object of decisionmaking by top political-economic bodies. Management of the national economy as a whole, as well as its parts, entails, by the very nature of decisionmaking, an element of risk which can never be absolutely excluded in view of the complexity of problems, the many alternative ways and means which lead to set goals and in view of the effects of other influences that are hard to foresee.

On the national economic level, the risk of faulty decisions having unfavorable social consequences is reduced, partly because of the realistic goals of socioeconomic development and thus limited in subjectivism, and partly by the development of potential strength and further neutralization of unfavorable internal and external influences.

The Set of Measures for Improving Management of the National Economy formulates specific ways to reduce risk in decisionmaking with socially undesirable consequences. At the present stage, they strengthen goal-oriented program procedures, provide more long-term knowledge of society's needs and the resultant lengthening of the time horizon and further balancing out and execution of the plan. Thus the key is, above all, to take a scientific approach in the phase of preparing the national economic plan which will substantially reduce the degree of chance or improvised decisions.

In the microsphere, by which we mean the khozraschet area of the economy, one would expect that the degree of risk in decisionmaking drops in proportion to the extent of effectiveness of decisions made by particular management entities. But experience has not confirmed this assumption. It is inaccurate, in the first place, because as a result of growing production specialization and the intensified division of labor in society, the economic integration of production enterprises is intensified and decisions within the confines of an enterprise have, as a rule, societywide impact; in the second place, because the enterprise sphere is the point of intersection for often conflicting interests of economic entities. They are partly societywide interests and partly sectional interests which are at least three-dimensional. It can be, first, a matter of diversity of interests of the individual enterprise collectives or the specific interests of groups of workers and, finally, the interests of individuals. Even though the existence of social ownership of production facilities is the basis of the economic equality of workers, at the same time it produces areas of disharmony of interests. Society provides for the satisfaction of everyone's general common interests. It cannot provide for all the diverse needs and interests of individuals which depend on personal disposition, chance situations, styles and other influences. Society cannot recognize the diverse preferential scale of values of every person. At the same time, one cannot exclude the emergence of inappropriate and unjustified claims of individuals or groups of inhabitants which society must eliminate.

In this diversity of interests one can perceive the basic determinant of riskiness in the decisionmaking process in the enterprise sphere. If these interests are not conscientiously reconciled, their conflicting influence may become very intense, with consequent grave complications and imbalances in the production process. Conflicts of interest depend on the level of development and maturity of the economy and may be described briefly as follows.

1. Development of the production forces in our society is still relatively low and the wealth of a society depends on the amount of work which the society can offer. Under these conditions, it is naturally necessary to reward members of society according to their work and not according to their needs. As the result of material conditions, work has not yet become the chief necessity of life. Based on the fact that work under socialism is primarily an economic necessity and the basic means of gaining a livelihood, it follows that the chief incentive to work is the monetary interest of workers in the results of their work. Under these circumstances, however, one cannot exclude the possibility that an individual or a group of producers,

not excepting an enterprise, might obtain from society more than they give it. One cannot exclude the possibility that they satisfy their needs at the expense of society or some other group of producers or even another production enterprise.

2. Another source of conflict of interests is inherent in the degree of development of social ownership of production facilities. Universal socialist ownership of production facilities, totally eliminating private capitalist economic independence of individual enterprises, is national in scope and thus societywide but at the same time is structured internally. The structure of national socialist ownership of production facilities is based on the great extent of production facilities, the complex branch structure of the national economy and a certain industrial-technological optimum which underlies the degree of concentration of production and its organizational separation into enterprises of certain kinds and sizes. Industrial production (but not it alone) is thus divided into specific, relatively closed units in the technological, organizationally legal and economic sense, and these are the national enterprises. The socialist state entrusts the enterprise collectives with production and, in part, even proprietary functions. The economic separation of the enterprises, however, does not exclude pursuit of their interests even by antisocial means, for example, by taking advantage of certain imbalances in consumer-supplier relations.

The origins of these conflicting interests are thus found in the degree of development of the socialist economy, both its technical and its socioeconomic aspects. They have a material base and so are objective in nature. Any antisocial decision by management bodies in the khozraschet area thus have a real economic base. Overcoming the contradictions and conflicts of material interests depends on the gradual development of the economy and on changes in material conditions on which decisionmaking is based. The positive role of both educational and sanctionary factors should in no case be underestimated.

Conflicts of interest of an objective nature in the economic sphere cannot be handled and resolved only administratively, that is, by direct orders along the management axis in the direction of the center--the intermediate level--the enterprise. Monopolization of all conditions of the production process would lead the enterprises to lose all interest in development and improvement of production and the enterprise collectives would gradually become passive. Any measures taken to protect societywide interests would change to the opposite.

Nor, on the other hand, can the above-mentioned conflicts be resolved by giving the enterprises themselves the right to set the conditions of replacement and execution of production. Neither the enterprise nor the enterprise collective can be a full-fledged owner of the production facilities and the products produced. It cannot operate only on the basis of generally established regulations exclusively on its own responsibility and for its own interests. Proprietary and production independence of an enterprise would mean sovereign choice of the production program, that is, the volume, assortment and quality of products; it would mean, further, appropriation

of the product produced, including overproduction by the enterprise, and it would also mean determination of sales prices. This would lead to actual elimination of public ownership of production facilities and the negation of societywide interests. Management from the center cannot be endorsed but neither can economic independence of the enterprise sphere from the state. The existence of universal ownership of production facilities is an impassable barrier. Overstepping this boundary would inevitably lead to rightist revisionism in theory and attempts to eliminate the economic basis of socialism in practice.

That is it is essential to have a relative economic independence for enterprises in the khozraschet area which entails, on the one hand, subordination of the enterprise to higher state bodies and, on the other hand, decisionmaking independence by enterprises. Relative economic independence of enterprises is seen in the fact that circulation and turnover of capital take place within the framework of enterprise production processes and also that enterprises pay for production costs incurred not from public resources but from funds which they obtained from the sale of their own production and, finally, that relations between enterprises are based on buying and selling. Production assets and other production conditions are assigned to the administration of national production enterprises which acts as a legally independent entity. It is not autonomous, however, in the sense of being independent of the state. The degree of automomy and subordination is the key factor. This degree is determined by the center, partly by legal regulation and partly by directives and economic indicators. There is, too, the accountability of managers in the khozraschet area to central agencies and also the various ways that party and trade union bodies in the enterprises exercise their right to supervise economic activity and thus also supervisory technical-managerial employees.

Minimizing the risk factor in decisions made in the khozraschet area depends mainly on measures of the center as well as issuance to subordinate enterprises of binding directive orders and partly by setting limited conditions within which the enterprises may make independent decisions. Experience shows that the delineation of these conditions is among the most sensitive areas in the operating mechanism of the socialist economy. On them mainly depends the extent to which the interests of society and the enterprise can be coordinated and whether the economic system will function efficiently and without losses.

The Set of Measures to Improve Management of the National Economy will certainly produce more favorable conditions for decisionmaking by managers in the khozraschet area. It limits the area of decisionmaking in which sectional and short-term interests are given preference over societywide and long-term interests. On the other hand, conditions for independent decisionmaking by managers in the khozraschet area are more favorable when closely connected with the national economic plan. The area for independent decisionmaking is broadened in the following connections.

--The time horizon is extended for decisionmaking by managers for the entire 5-year plan, which creates opportunities for making optimal use of resources and assets. Counterplanning is established.

--Intensification of khozraschet is achieved on the VHJ and enterprise levels. Khozraschet operates best in the area of financial management, costs and credit relations with the objective of raising the efficiency of the replacement process with special regard to replacement of working capital and to external economic relations and in the area of personal, collective and enterprise monetary incentives. The incentive system is closely linked to the indicators of efficiency, quality and actual labor input of the particular working collectives. Budgetary funds and monetary incentive funds are produced on the basis of long-term norms contingent on fulfillment of the main qualitative indicators of the plan.

Experience so far in implementing the Set of Measures, however, shows, in addition to definitely positive results, also serious unresolved problems. Even though technological progress and innovations in production and products are considered key factors in intensification of the economy, there still persists a tilt toward conservatism and clinging to existing but obsolete technologies. The reason is not only lack of spirit by managers and unfamiliarity with specialized information, but also the absence of effective, comprehensive stimulants for technical development in the current system of management.[6]

The advocacy and implementation of the principle of merit and differentiation in compensation is more consistent than before. "Compensation for work must be as closely linked as possible with increased labor productivity, efficiency, conservation and high-quality production. Egalitarian tendencies and various false 'social' practices in matters of compensation must be resolutely overcome."[7] Views about and criteria for creating special compensation funds are becoming stricter. They are turning to the formation of a basic wage fund sharing four-fifths of the total wage according to adjusted value added. The incentive wage component, sharing one-fifth of the total wage, depends on the return of production assets. If an assignment is not carried out, a progressive monetary penalty is imposed. Implementation of the incentive system thus has a stimulating aspect as well as a penalty aspect. Economic incentives are more effectively associated with material accountability. Experience up to now in the area of compensation, however, is not distinctly positive. Even though opportunities for more systematic compensation arose in connection with specific results of human labor and for economical expenditure of generated labor, this possibility has not been fully realized. The reason is largely subjective. There is a reluctance by supervisors to differentiate in compensating subordinate employees strictly according to merit. As stated at the fourth and fifth plenums of the CPCZ Central Committee in 1982, the tendency persists toward equalizing pay without controversy, a tendency which is essentially antisocialist. It distorts the production process and in particular immobilizes any active effects on production of distinctive processes.

The amount of internal resources of VHJs and enterprises continues to increase, as does dependence of investment development on these internal resources. Allotments and appropriations from national resources are, conversely, becoming minimal. Net production is gaining the dominant position for the formation of resources but so is both the degree of utilization of production

factors and technical progress and quality of products. More difficult conditions impede fulfillment and overfulfillment of planned production quotas, by fictitiously raising material consumption, developing production, inefficient interenterprise cooperation or production of low technological standards and poor product selection. In this area, too, there are some problems. In spite of the improving conditions, enterprises for the most part do not make use of advantageous opportunities to adopt the higher counterplan negotiated and supported by worker collectives to which the particular khozraschet unit gives preferential treatment. Caution and temporizing have so far greatly reduced motivation.

In more difficult settings, the khozraschet organizations increase their concern about economical utilization and expenditure of resources and getting better value out of them. The mutual link between the creation and use of resources is strengthened. At the same time, the improved system prevents enterprises from transfering the consequences of the working of economic instruments to other enterprises, the state or to consumers.

These measures unquestionably provide greater scope for efficient decision-making. If an irrational decision is made there inevitably follows an unfavorable actual economic decline effecting the organization as a whole and particularly the responsible managing and decisionmaking parties. This undoubtedly leads to a more effective barrier against making faulty decisions entailing undesirable and undue risk.

Experience gained up to now from implementation of the Set of Measures, though limited in time, shows that it is not a matter of "movement without obstructions along a smooth road with one-way traffic." One cannot underestimate the stubborn and persistent carryover of inertia, old routines, cautiousness and deep-rooted habits of thinking and acting among many management workers. Introducing the Set of Measures is a conflicting process, a struggle between the new and the old which permeates not only the economy, but the political and ideological arena and the legal infrastructure as well.

Risk as part of the decisionmaking process thus has a real, material base and objective character. It is part of decisionmaking and management in the macrosphere and microsphere. It is an attribute of decisionmaking in cases where the decisionmaking party is an individual invested with the requisite authority and responsibility. The same applies if the decisionmaking entity is a collective body. The degree of risk in decisionmaking increases with the accumulation of risk factors in extreme and unusual situations.

Attempts to eliminate risk in the decisionmaking process would not only be unrealistic but also economically unprofitable. After all, decisionmaking and risk are two sides of the same coin. Not even the Set of Measures for improving management of the national economy assumes that risk can be excluded. Its purpose is to set up conditions for independent decisionmaking by management which are consistent with both the interests of society at large and also the interests of the enterprise. On the other hand, however, it is important to eliminate any undesirable and undue risks. Their destructive effect can be limited if managers and their staffs identify the places where

possible risks lie, assess the risk factors and, on the basis of experience, work them in as a variable factor in their decisions. Undesirable risk and an excessive degree of risk may be reduced by the effect of a number of factors. These factors may be classified as follows:

1. The basic condition is long-term stability in the operation of the socioeconomic system without sudden upheavals and unexpected changes. This also depends on long-term conceptual clarification of the development of the national economy. Under conditions of long-term stable economic growth, the probability of risky decisions with negative consequences is slight. Under such conditions, every khozraschet unit in the national economic complex has a firm place. On the other hand, under conditions of stagnation, breakdowns and imbalances, the risk factor in problematic and faulty decisions is considerable. Included here are also external or international political and economic circumstances. Sudden and unexpected changes in these conditions act like strong, risk-producing factors.

2. There is also the selection of an optimal mechanism for managing the economy and its gradual improvement in connection with development of the economy itself. On a societywide scale, it involves a suitable range of directive orders from the center to the khozraschet area and also economic incentives determined by the center and a proper combination of these. Operation of the economy and decisionmaking by management are unfavorably affected both by rapid changes in the mechanism of management which shake up the whole system and any stiff reluctance to improve the system of management. It is essential to build a stable but flexible mechanism of managment, one that must be able to react effectively and promptly to stimuli hard to foresee and to act on them with instruments that can note, analyze and moderate the unfavorable effects of risk-producing factors. An important step toward the formation of such a mechanism was taken by the Set of Measures for Improving the Management of the National Economy.

3. Risk in decisionmaking also has a gnosiological aspect. This is a degree of knowledge of objective economic reality, conditions and developing tendencies, that is, the natural law of movement at a given level of development of productive forces and production relations. It is necessary to have the required amount of information available and also the mechanism enabling this information to be properly and duly processed, evaluated and put to use. We are not able to determine with absolute certainty the specific consequences of every decision. After all, systematic planning contains within itself some haphazard elements just as knowledge also includes ignorance. Specific results are as a rule the sum total of the operation of many opposing forces and influences.

4. The administrative organizational element is vitally important in eliminating undue risks in decisionmaking. This means clear-cut delineation of tasks, duties and responsibilities, on the one hand, and the authority and jurisdiction vested in management personnel, on the other. "The essence of organizational questions consists simply in having everyone carry out the tasks entrusted to him, having the necessary rights to do so and bearing full responsibility for them within this framework. This elementary, everyday rule is also the most common basis for the science and practice of management."[8]

The lack of jurisdictional boundaries gives rise to conditions allowing escape from decisionmaking and shifting decisions to other bodies. It is necessary to see that authority and responsibility in VHJs and subordinate enterprises are firmly established in the statutes of the respective organizations.[9]

5. Another important factor in the elimination of faulty decisions is the qualification of management personnel. We understand qualification to mean uniformity of political and specialized knowledge and experience and also ethically independent qualities. A manager must know not only how to make decisions but must also be able to determine and resolve conflicting situations and disputes. "No system can operate automatically. That is why there is no substitute for the role of direct management, the role of responsible and stimulative activity of supervisors and systematic improvement in the methods, style and organization of management work.... New tasks can be mastered only by that supervisor whose political maturity is combined with high expertise and performance and who is well oriented in the technology and knowledge of global developments in his field. We urgently need managers to display more flexibility, a healthy spirit of enterprise and who dare to take justified risks."[10] The willingness of management personnel not to avoid conflicting situations, not to put off resolving controversial problems nor to shift the burden of decisionmaking onto subordinate employees or ask superior bodies to make decisions--all this is more than just ethically independent qualities essential for managers. The problem also has a historical-economic aspect. The habit of "buckpassing" developed under earlier conditions of largely administrative methods of management where fertile soil made for passive waiting for orders and shifting responsibility on others. The improved system of management of the national economy will certainly produce the economic and administratively proper conditions for responsible and highly qualified decisionmaking, with inevitable risk factors, by management personnel on all levels.

FOOTNOTES

1. 16th CPCZ Congress, Prague, Svoboda 1981, p 103

2. Strougal, L.: Zprava vlady CSSR o plneni jejiho programoveho prohlaseni [Report of the CSSR Government on Fulfillment of Its Program Pronouncement] RUDE PRAVO, 31-3-1982, p 3

3. Strougal, L.: Za dalsi uspesny rozvoj ceskoslovenskeho hospodarstvi [For Further Successful Development of the Czechoslovak Economy] RUDE PRAVO, 17-3-1980, p 4

4. Experience so far, however, shows that making decisions on the basis of variant alternative solutions is far from being a prevailing practice here so far.

5. Ke zdokonaleni planoviteho rizeni narodniho hospodarstvi [For Improving the Planned Management of the National Economy] Prague, Svoboda 1980, p 73

6. Current sectional stimuli for technical advances are undoubtedly of little effect. Among them are profits, indicator of net production, indicator of returns on production funds and financing part of the investment by the development fund. (See Strougal, L.: Zprava vlady o plnenei jejiho programoveho prohlaseni [Government Report on Fulfillment of Its Program Pronouncement] RUDE PRAVO, 31-3-1982, p 3)

7. 16th CPCZ Congress, Prague, Svoboda 1981, p 33

8. 25th CPSU Congress. Prague, Svoboda 1977, p 56

9. Current legislation, especially in the area of economic, financial and labor law is not yet fully consistent with the Set of Measures to Improve Management of the National Economy. This also applies to internal directives and regulations issued by individual ministries.

10. 16th CPCZ Congress, Prague, Svoboda 1981, p 105

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## WAGE COMPLEXITY CRITICIZED, LABOR SAVINGS URGED

Prague HOSPODARSKE NOVINY in Czech 10 Sep 82 pp 1, 5

[Article by Dr Emilian Hamernik, minister of labor and social affairs of the CSR: "We Must Better Economize with People"]

[Text] As the basic policy of management, the Seventh 5-Year Plan for national economic development in 1981-1985 outlined the methods for the achievement of objectives in the economic and social development stipulated by the 16th CPCZ Congress; at the same time, its fundamental, long-range strategy involves intensification, higher efficiency and quality of all labor. Naturally, the requirement of intensification also applies to labor value added. Therefore, the future development of the production will depend on higher productivity of labor as well as on better management of work forces.

We shall also demand good management of labor value added in the nonproduction sphere. This is necessary also because the fundamental change which is taking place in the balance of sources and utilization of work forces during the Seventh 5-Year Plan, as compared with the preceding 5-year plan, stems from the fact that in the Sixth 5-Year Plan employment in the socialist sector of the national economy in the CSR increased by a total of 160,000 persons, while scarcely 50 percent of that growth is envisaged for the period of the Seventh 5-Year Plan. Annual increments will be in the range from 14,000 to 18,000 persons; for example, an increase of no more than 15,000 persons is planned for 1983.

Over the next 3 years, the most conspicuous increase in the numbers of workers on the territory of the CSSR is planned for the fuel and energy base. Moreover, the area of services will be consolidated. The envisaged increase in employment in the economy managed by national committees is more than 12,000 persons and 75 percent of this increment will be in education and in the health system. Also, further consolidation of trade is envisaged. The number of employees will slightly decline in industry in the CSR and in the construction industry. Employment in construction production will stagnate due to the volume of capital investment. Wage development has been adjusted according to the development of basic economic indicators. In conjunction with the growth of national income, the adopted variant which calls for a slower growth of cash incomes of the population is intended to help balance

the income of the population with the supplies of goods in our domestic market.

Percentage for Percentage

Fulfillment of demanding tasks of the Seventh 5-Year Plan and particularly the transition to intensified economy call for gradual and conscientious implementation of the Set of Measures. From 1982 to the end of the Seventh 5-Year Plan, the economic mechanism which will be advanced will offer advantageous economic incentives to those organizations which meet their planned tasks with fewer employees. Within a limited volume of wages payable, organizations may increase average wages in 1982 by 1 percent for every 1 percent of absolute savings of work forces. The task here is to reward workers according to the amount and quality of their work, to keep the growth of labor productivity and the growth of wages in proper balance, and to reduce the work forces. As for the growth potential of average wages, however, it should be added that payment of planned wages is not guaranteed where the appropriate amount of good-quality work has not been delivered and where labor productivity has not improved.

The possible development of wages and the development of employment have been brought closer together by reducing the obligatory numbers of employees in the state plan. In agreement with appropriate regional national committees, organizations may also plan higher numbers of workers than stipulated in the specifications by subordinate authorities. Of course, this procedure is possible only with the planned volume of wages payable, i.e., in effect to the detriment of the growth of average wages. In its decision on the Seventh 5-Year Plan the CSSR Government explicitly stipulated that any potential reduction of the level of average wages and the changes of their interbranch quotas which might result from hiring more workers than estimated in the 5-year plan, will not be compensated in the ministries by subsequent adjustments in wage policies and by grants from social resources and unused funds.

Nothing to Blame

The required development of wages will, therefore, depend far more than in the past on the way individual organizations manage to save labor value added, on the employment policies they choose, and on the growth of their labor productivity. This means in effect enforcement and organization of implementation counterplanning and all procedures in the economy of labor so that, in harmony with the adjustments of the principles regulating labor forces and wages, those enterprises, labor teams and workers who help most raise labor productivity and save labor forces receive higher income. Today we cannot permit any escuses that this cannot be done because of administrative restrictions of the growth of average wages, mandatory ceilings regulating the number of employees or the undefined guidelines for rewards to be accorded for achieved savings.

Nevertheless, this year the experience with counterplanning has shown that economic organizations failed to put to full advantage the auspicious changes

in the effect of the economic mechanism so as to reduce systematically their work forces and to accelerate the dynamism of average wages. Thus, they failed to meet the political economic objective envisaged by organizational application of the plan for 1982 and by the joint procedure of the presidium of the CSR Government and of the presidium of the Czech Trade Union Council for the fulfillment and control of the implementation of the plan and collective contracts in 1982.

Some effect of counterplanning was reflected in the growth of volume indicators (adjusted value added and the amount of wages payable). Adjusted value added in counterplanning increased about 1 percent above the specification of the state plan and this increase was partially covered by a higher number of workers, so that in certain instances the dynamism of labor productivity declined and the slight increase in the volume of wages payable did not promote faster growth of average wages. The partial effect of counterplanning was not caused largely by the initiative of organizations themselves but was affected mainly by more progressive specifications of tasks on the level of branch ministries. Absolute reductions in the numbers of workers, which organizations in isolated cases reported in counterplanning, were due mostly to the fact that regional national committees failed to confirm to organizations the required total number of employees or the organizations failed to meet their plan of employment.

In order to encourage intensified management of work forces, the presidium of the CSR Government in its Decision No 340/P/81 stipulated that the presidium of the CSR Government and the presidium of the Czech Trade Union Council proceed jointly in the fulfillment and control of the implementation of the plan and collective contracts in 1982, to achieve in 1982 in the CSR, among other things, specific absolute reductions of work forces against the specification of the plan for 1982 in branches of the ministries of industry, construction, agriculture and food. These ministries failed to apply counterplanning for this specification and they do not anticipate that this task would be met only during the process of implementation of the plan. By the same token, the reduction of work forces according to the agreement should be regarded as a minimum. While fulfilling these tasks, we often lack effective mass political work and initiative of our leading economists in creating the necessary climate societywide.

Job-hoppers Are Out of Luck

With consistent implementation of the Set of Measures and of the principles regulating the deployment of work forces, those employees who attend to their duties and tasks have nothing to worry about as concerns their jobs. Whether in production or administration, such employees, as long as they are not dismissed for objective reasons, will have their constitutionally guaranteed right to employment protected by the enterprises that dismissed them as well as by national committees in cooperation with other organizations. However, notorious job-hoppers and absentees must expect that until they change their attitude of work they will encounter increasingly greater difficulties when applying for jobs. Fulfillment of these tasks and regulations

calls for close cooperation and support of organizations and organs of the ROH [Revolutionary Trade Union Movement].

Some of the problems in production stem mainly from stabilization of work forces' reduction of worker fluctuation. Thus far, organizations and enterprises have failed to pay adequate attention to these problems. Many leading economists recommend that we counteract workers' fluctuation in certain trades by administraive restrictions of their mobility. This is not the correct solution of the problem. Such a procedure contradicts not only international conventions ratified by the CSSR but also the general legitimate demand to the contrary--that the mobility of work forces not be regulated by administrative measures. This principle is stated in the system of regulations for the employment and deployment of work forces in the Seventh 5-Year Plan. Naturally, this does not prevent branch organs and organizations in certain areas from negotiating together with the ROH organs and national committees mutual considerations of the structure of worker trades when hiring workers in some exceptional instances, i.e., organizations must be prevented in particular from luring employees of other organizations.

Here the best method is based on the differentiated effect of economic policies within the limits of the funds available for differentiated care for employees according to the plan for cadre, personnel and social development. The 10th All-Union Congress paid special attention to these problems.

All leading economists share the task of applying the decisions adopted by that congress when it concerns these problems. After all, care for employees, their satisfaction and comradely relations in their workplace are among the main factors in stabilization of employees and consequently, also in the fulfillment of the plan. Workers qualification is an important factor in the growth of labor productivity. In the system of planned management of national economy, the plan of skilled workers determines the structure of professional qualification and at the same time, it predetermines its changes over a period of at least 20 years. Our experience with the placement of the young generation in 1981 has shown that in effect, necessary preconditions have not been met to make it possible for all youngsters who had completed their schooling to be placed in organized job training. Furthermore, there are problems with dormitories for boarding students of secondary vocational schools; it is difficult to place in training students with poor study records.

The capacity of special vocational schools remains inadequate and the curricula for 2-year apprenticeship courses have not been sufficiently worked out. The plan for recruitment of youth for vocational training was only 96.3 percent fulfilled in 1981. Among other things, organizations which failed to provide preconditions for fulfillment of priorities and also for the training of girls must blame themselves that the plan for the recruitment of youth had not been met. This year 61,180 students (i.e., 37.4 percent of the resources) will be admitted for further study in secondary academic and secondary vocational schools in the CSR and 100,230 boys and girls (i.e., 61.3 percent) are expected to begin their vocational training.

It is estimated that 29,900 graduates of secondary vocational schools and 19,100 college graduates will start working in 1982. However, some branches and regional national committees have systematically failed to assign the graduates according to quotas that had been negotiated and approved by the plan. The organizations themselves may help resolve the situation of skilled workers by more thorough cadre and personnel policies, by pressing for assignment of jobs to workers with the required skills, by raising demands on vocational skills, by more expeditious practical application of the achievements of scientific technical research and by ceasing to employ in technical and economic jobs pensioners-team workers.

The Objective: Productivity and Standards

One of the programs aimed at raising labor productivity involves rationalization of work. Its importance is compounded by the requirement to give priority to those factors of higher labor productivity, including standardized work, that do not demand extensive investments.

The tasks of rationalization and standardization of work for the Seventh 5-Year Plan are determined by the fact that their implementation will reduce the consumption of labor value added and thus, raise labor productivity on the average about 1 percent per year.

The ministries of industry and construction and the branches of forest economy, of food industry at the Ministry of Agriculture and Food, and the sector of local economy managed by the Ministry of the Interior came near to this target in their plans for rationalization of work. Less perfect are the plans for rationalization of work in the department of agriculture at the Ministry of Agriculture and Food, the branch of water economy at the Ministry of Forestry and Water Economy, and the Ministry of Health.

As a rule, plans are processed in those ministries without the required quantification of the planned contributions; most of the planned objectives of rationalization are only very general and not specified for lower levels of the management. This shortcoming must be corrected mainly by more scrupulous determination of the annual plans for rationalization of work, in which trade union organizations, experts, foremen and best workers will participate.

The least satisfactory situation concerns systematic application of rationalization of work in nonproduction branches and in the sphere managed by national committees, where, with some exceptions, this program has not been managed consistently, or else is accorded only cursory attention. In some places the achievements in the fulfillment of programs for rationalization and standardization of work in certain branches can please us, however, often the reported contributions of programs for rationalization of work have not been reflected in the achieved level of labor productivity. For example, in 1981 the Ministry of Construction raised labor productivity almost according to the plan for rationalization of work, increased the average fulfillment of quotas, but failed to meet the planned growth of labor productivity in construction production. We may frequently see that the

reported contributions are here dissipated and consumed by the shortcomings in the management and material technical supply of production.

Of particular importance here are the tasks in standardization of work fulfilled in conjunction with the program for higher economic efficiency of the wage system. They concern primarily:

--views of quotas for labor consumption in 1981-1983 and balancing these quotas with actual technical and organizational conditions of labor, and reviews of at least 20 percent of the quotas in subsequent years;

--expanding the base for the quotas for labor consumption in order to reduce by at least 15 percent the number of employees whose jobs have not been standardized and in subsequent years to reduce it by 10 percent annually.

Shortcomings Still in Evidence

The measures implemented thus far have not been reflected distinctly and positively in fulfilled norms and in the extent of their application. In particular, expansion of the normative base for technical economic operations has been lagging behind. The development thus far and the existing shortcomings serve as a warning signal that all branches will not meet their task by the end of 1983.

These shortcomings stem above all from the deteriorating discipline in the definition and fulfillment of the norms (one-sided adaptation of the norm to considerations of wages for the purpose of achieving the required level of wages), furthermore, from deteriorating discipline in correct application of norms stipulated for rational technical and organizational conditions (symptoms of deficiencies in the work of management and organization) and from fear of conflict. Under such circumstances, the norm cannot fulfill its purpose, its effect on the implementation of rational organization of work is weakened, and the shortcomings in the enforcement of the principle of merit in rewards continue.

At present, the program of rationalization of administrative operations and in that conjunction, also the problem of simplification of wage regulations, or more specifically, simplification of the wage system, appear in the forefront. The crux of the problem is not the scope of wage regulations, as some people tend to believe. After all, a single regulation cannot resolve rewards to workers in different branches--miners, railroad workers, sales clerks and physicians. The really complicated factor is our wage system. We know that the effort to achieve absolute accuracy and absolute fairness as well as numerous exceptions and amendments resulted in an extremely complicated wage system. Moreover, the system regulating the development of wages is complicated, but, on the other hand, many organizations failed to use to their advantage the opportunities offered to them by the regulations in force, such as determination of certain bonuses in standard amounts on the basis of previous analyses, which considerably simplifies the calculation of wages. The ministries of labor and social affairs were assigned the task to simplify the wage system and regulation of wages and concurrently, to upgrade

their incentive effect. At the same time, we are also counting on the assistance of economic researchers and experts in calculation technique.

Tasks for the Seventh 5-Year Plan are already determined. Successful implementation of this plan depends on prompt transition of our economy to the process of intensification and quality; all levels of the management must fulfill it systematically, as well as tasks that will enable us to continue our economic development and to accelerate gradually its dynamism on the basis of higher productivity with reduced work forces.

[Caption] Automatic production line can double labor productivity in the manufacture of rotors of electric motors for vacuum cleaners and mixers in the Elektro Praga national enterprise in Hlinsko. While according to the previous method 60 workers used to produce at most 2,200 rotors per shift, 6 employees operate the line at present. It consists of 18 machines and equipment furnished with containers for materials and parts, depositing and switching devices, electric sensors and sound and light alarms signaling defects.

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FODDER SHORTAGE AFFECTS LIVESTOCK PRODUCTION

Bratislava SLOBODA in Slovak 30 Sep 82 p 6

[Article by Elena Strenatkova: "Cattle Are Eating Away Our Bread"]

[Text] "The good results which we have achieved in grain production stimulate us to more energetically apply scientifically devised production systems in regard to other agricultural products as well, to use on an ever larger scale progressive varieties of seeds and seedlings, to minimize harvest losses, and to improve conservation and storage, particularly of fodder," underlined J. Lenart in the report to the CPSL congress. In animal production during this 5 year plan priority has been assigned to cattle--an increase of 60,000-70,000 head is expected--and to sheep, an increase by as much as 110,000. The implementation of these tasks is certainly demanding. But this is the only way, if we want to have more milk, meat, cheese and so on on our tables. If this is to become a reality, we must have a quality and adequate fodder base.

The development of crop production in the past was oriented to the intensification of grain production on the arable land. While in comparison with the Sixth 5-Year plan grain production increased 80 percent, fodder production did less than 27 percent during the 1961-1965 period. This was partly caused by the reduction of areas sown. The total area planted with root crops for fodder in the SSR decreased more than 83,000 ha [hectares] since 1971. While the agricultural land was reduced by 88,000 ha during the 1971-1978 period, the area of perennial fodder was reduced by as much as 122,000 ha. In the final analysis this amounted to the loss of billions of liters of milk.

The following facts also convey warnings: the annual consumption of grain fodder per big cattle unit in the SSR exceeds by 0.4 tons the amount used in other developed agricultural states. For example: while more than 200,000 tons of grain fodder was used to attain the present utility rate of cattle in 1978, almost 60,000 tons more were used 1 year later, which represented the grain crop from 50,000 ha of arable land. Unfortunately, the daily allowance of bulk fodder does not produce more than 4-6 liters of milk or a 50 percent increase of live weight of cattle.

Where are the causes of stagnation in production of bulk fodder? Detailed analyses confirm that they are to be found particularly in the area of seed handling, mechanization, planning, appraisals and so on. Let us look at it more closely. Let us consider, for example, the year 1980. The workers at the Central Control and Testing Institute for Agriculture (UKSUP) in Bratislava in their analyses of individual types of fodder stated that the overall

evaluation of findings in harvesting and conservation fodder revealed, despite some shortcomings, a turn for the better in the area of correct observance of principles of harvesting and conservation as compared with the preceding years. There were, however, some weak spots particularly in regard to equipment. After all, the required increase in quality depends also on the procurement of appropriate harvesters particularly for the mountain and foothill areas.

"And last year?" thinks aloud Eng P. Filkorn, head of the department at UKSUP. "When we evaluated the quality of hay, we found a deterioration. This is supported also by the following figures. While inferior hay was found in approximately 26 percent of samples examined in 1980, the ratio rose 12 percent last year. We want to produce hay of excellent quality, which accounted for less than 15 percent, while hay of good quality accounted for 47 percent. The comparison of individual krajs of the SSR revealed the lowest quality in the Central Slovakia Kraj. Due to the low nutrient content, almost 80 percent of samples examined were rated as inferior, which was more than double in comparison with the previous year. It is encouraging that significant progress was registered in the production of silage--particularly in regard to more rapid filling of silos, good pressuring down and hermetic covering."

Let us look now at all three krajs of the SSR to find how the farmers coped with harvesting of fodder this year. The first and second crop of perennial and annual fodder was significantly affected by weather. The late arrival of a dry and cold spring delayed the growth of plants. In comparison with the previous year, the winter hybrids in the West Slovakia Kraj were shorter and very sparse. Most of them were therefore fed green to the cattle. In order to alleviate the shortage of fodder, the farmers intensified sowing of intermediate summer products. This also represents a plus because they will have enough green fodder up to the end of November. In those agricultural enterprises which resorted to irrigation, such as Voderady, Lehnice and Dvory nad Zitavou JRD [unified agricultural cooperatives] this was reflected in the economic results. The perennial fodders grew more rapidly and had a higher yield. The farmers in this kraj laid great emphasis particularly on the conservation of fodder of natural drying to hay. It is praiseworthy that production of fodder dried by warm air was reduced by as much as 30 percent. The farmers worked mostly two shifts because they were interested in an early and quality harvest. Although the climatic conditions during the harvest were favorable, the yield of fodder varied considerably. While there was a yeild of 15-20 tons of green substance per hectare in the northern districts of this kraj, Trencin, Topolcany, Trnava, the yield in the southern districts was substantially lower--the crop was reduced approximately one-third due to drought.

Agricultural enterprises in the Central Slovakia Kraj got off to a very good start at the beginning of the harvest season, particularly in gathering perennial fodders. As they had to gather grass from the permanent meadows, however, their enthusiasm gradually subsided. This was due to the deteriorating weather which made the organization of the work more demanding, but also to the shortage of harvesting equipment, particularly of that which could be used on slopes.

Despite these complex conditions, most of the agricultural enterprises finished gathering of the first fodder crop on time and thus laid good conditions for gathering of the second crop. Yet, despite ideal weather for gradual gathering of perennial fodders and production of dry fodder, most of the agricultural enterprises, for example in Oslany, Liptovsky Ondrej, Zavada, Predmier JRD and others gathered them all at once. This is alarming in the present energy situation. Farmers in Central Slovakia encountered biggest problems in production of hay. The shortage of equipment caused delays in harvesting the crop. It thus often happened that the grains were overripe--with the excessive amount of fibrous material, low nitrogen content and thus naturally also with lower digestibility.

The farmers in East Slovakia also paid more attention than in previous years to gathering and conservation of fodder whereby they had the opportunity of improving the quality of bulk fodder. Agricultural enterprises concentrated on production and storage of hay, and less on silage. Yet, the harvest even in this kraj did not proceed without mistakes. It is surprising that Kobyly, Raslavice, Velky Hores and other JRD also made silage of clover and lucerne or used compounds of grasses which, due to the ideal weather during the harvest, should be dried for hay and stored. The farmers in this kraj also complained about lack of equipment. There were not enough windrowers, but also big trucks.

The analysis of samples taken in these krajs confirmed that the quality of hay improved. From these samples, 29 percent were rated to be of excellent quality, 60 percent good quality and only 11 percent inferior quality.

Corn for silage continues to be gathered at the present time. As in the case of hays, emphasis must be placed on quality. Average daily consumption per milk cow is 25 kilograms of corn silage which, if of good quality, contains approximately 24 percent of dry matter. This is enough not only to preserve the present level but represents also 2 liters of milk more. However, if silage contains 6 percent less dry matter (this is true of the majority of agricultural enterprises) the cow must be fed another half kilogram of fodder compound, if the same result is to be achieved. Every manager knows the old saying of our fathers which is still true: "The cow is milked by mouth" [meaning that cow must be adequately fed, if they are to produce an adequate quantity of milk].

10501
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## CRITICAL EVALUATIONS OF ECONOMIC PLANNING PUBLISHED

### Academy of Sciences Meeting

Warsaw RZECZPOSPOLITA in Polish 29 Sep 82 pp 1, 2

[Article by Witold Blachowicz: "A Session of the Presidium of the Polish Academy of Sciences: The Next Three Years, Social and Political Situation Versus Economy, Importance of Incentive Factors"]

[Text] A session of the Presidium of the Polish Academy of Sciences [PAN] was held in Warsaw on 28 September. It was chaired by Prof. Dr. Aleksander Gieysztor, president of the Academy.

The main point on the agenda was the discussion of the opinion of the Polish Academy of Sciences with regard to the concepts and variants of the 3-year plan (National Socioeconomic Plan [NPSG] to 1985). The opinion had been prepared by Prof. Jozef Pajestka (of the PAN Institute of Economic Sciences), who presented it at the session. This opinion, which took into consideration many previous studies by specialists and had the benefit of professional consultation in individual sections of the academy, expressed a general attitude toward the program which had been presented by the government as well as toward individual sectors and issues found in this program.

Thus, e.g., the opinion favored the acceptance of a thesis about rapid economic recovery, a thesis which was justified by political, economic, and social requirements. There is indeed a need for and a possibility of a positive feedback between social attitudes and improvement of our economy. This does and will have a decisive influence on the rate of our economic recovery.

Under the current socioeconomic conditions, it is possible to define three main areas which determine human attitudes. These are: the political situation and the integration of our society around the common goals of our nation; providing to our people, through the economic reform, opportunities and incentives for action; attainment of market balance.

In the presented opinion, much space is given to the economic reform and to the problem of our society's acceptance of the reform. A disquieting phenomenon is the identification of the reform solely with price increases and, on the other hand, the arousing of hopes that the reform--in and of itself--will bring

instant results, while actually its objective is to activate mechanisms for the correct functioning of our economy. In order to correctly implement the reform and to increase its effectiveness, we should do the following, among other things, as early as 1983: check the [viability of the] incentive system, above all by changing the principles of taxation of enterprises, and expand the opportunities for enterprises to initiate effective actions in the areas of technological, production, market, and organizational innovations, as well as in the areas of organization of work time, methods of compensation, etc. Several proposals of a general nature were also made; these should be implemented in the subsequent 1984-85 period. They concern, among other things, matters of employee self-government, reconstruction of the central apparat, proper cadre policy, and many other matters.

Considerable attention was also devoted to issues related to investments. Among other things, objections were made to restricting those investments whose implementation involves the financial resources of the population. A stand was also taken on the so-called anti-inflation policy, several concrete suggestions having been made in this area.

For obvious reasons, analyses were made also of our scientific research policy, particular attention being given to opportunities provided to science in the process of economic recovery and to the need for considerably increasing the innovation-intensiveness of our economy. At the same time, it was asserted that during the present period the proposal being made concerning the need to balance exports and imports of technology is not entirely feasible. As an example, Japan has been able to boast of such a balance only in the past few years, while during the entire previous period (since World War II) her imports considerably exceeded her exports.

During an ample discussion, the discussants raised the issue of our foreign indebtedness and of related widespread defeatist attitudes of resignation. As a matter of fact, many countries are more heavily in debt than Poland. On the other hand, the main problem consists in the ration of this indebtedness to the export capability of our economy. Hence the conclusion that it is necessary to rapidly increase our economy's export capability.

It is obvious that problems of wages could not be omitted in any analyses concerning the 3-year plan. In this respect, attention was drawn to the fact that it is necessary to closely link increases in wages to increases in labor productivity.

Many participants pointed out that the solutions to most of our present problems lie, to a large extent, in the area of our political and social problems, while our economic problems could sometimes be regarded as secondary problems of sorts.

The opinion, expressing the position of the Polish Academy of Sciences [PAN], was accepted in principle by the [PAN] presidium.

This position--after the consideration of motions presented during the discussion, and after the completion of supplementary work on it--will be

ultimately stated in detail and then will be communicated to the Planning Commission under the Council of Ministers.

Also worth noting is one general proposal which was presented during a long discussion, namely, that in all programs for our country's economic recovery and development we should always observe the principle that our society is the subject in all programs and actions and not an object of economic measures.

It is to be hoped that the opinions of the scientists--but only if they are taken into consideration--will considerably enhance the content of the 3-year plan for economic recovery.

## Association of Economists Meeting

Warsaw RZECZPOSPOLITA in Polish 29 Sep 82 p 2

[Article: "Need for Economic Education. Economists Speak About the Plan: PTE Proposals--How To Calculate, What To Consider, What To Change"]

[Text] The plenary session of the Main Board of Polish Association of Economists [PTE], chaired by Asst. Prof. T. Afeltowicz, was devoted entirely to planning proposals for the next few years. At the beginning of the session, Prof. A. Lukasiewicz gave a report on the work of the Advisory Economic Council. The recapitulation of the council's conclusion and opinion about the concepts of the variants of the plan became a point of departure for further considerations by the economists. The members of the PTE Main Board [ZG PTE] who took part in the discussion appear to have gone much further than the official advisory body in their critical evaluation and final conclusions. While so doing, they showed exceptional unanimity of views, which is a rare occurrence in the PTE conference room.

The common accusation leveled at the Planning Commission document was that the document has little credibility and at times borders on unreality. Universal attention was directed to the discrepancy between the objectives established by the central planners and the means made available for their implementation, to the plan's attempt to separate the area of production from our country's political and social situation, and to ignorance--revealed in indexes, growth rates, and assumptions--of entire areas of our economy, and, above all, of our agriculture. During the discussion, moreover, much was said about the danger posed to the reform by the expansion of the distribution system of raw materials and other materials, even those which are no longer in short supply; mention was also made of the expansion of the area of directives. The participants also stressed the fact that in the planners' formulation of production problems there was a clear division into obligatory and stimulated tasks. While an enterprise is responsible for the former, no one knows who is responsible for the latter. Does this mean, perhaps, a return to the comforts of authority by the Planning Commission?

And here is what was said by Assistant Prof. Leszek Balcerowicz. Partially correct solutions can be found in the text of the [plan's] concept. However, it is impossible to understand how the variants were arrived at. There

is a basic discrepancy between the objectives being set up and the financial resources being made available for their implementation. The concept of variants, likewise, steers clear of any analysis of ways to implement the reform, of our foreign relations, and of methods of resolving social and political tensions. Any plan which is formulated in isolation from these initial problems will be unreal.

## What Plan Lacks

Warsaw RZECZPOSPOLITA in Polish 29 Sep 28 p 3

[Statement by Assistant Prof. Teresa Palaszewska Reindl, of the Institute of Domestic Trade and Services: "About the Concepts of the Three Year Plan: What the Plan Lacks."]

[Text] The variant form of the plan and the emphasis on the objectives to be attained should be regarded as its indisputably good points. Of importance is also its evident departure from branch formulations and its concentration on social and political entities.

But, on the other hand, doubts are aroused by too general formulations which do not enable a citizen to form a judgment about this matter. This is the case, e.g., with the section concerning the policy of balancing the market. Here we need specifics indicating the stages of the resolution of market problems and defining the assumed increase in production of specific articles during each of these stages. This should be a market improvement program. Meanwhile, we have just the opposite: the plan promises this improvement as a result of the plan's implementation, without specifying the necessary conditions for it.

The basic dilemma in the program of supplying the market will always be--even if work efficiency and production are increased--the problem of how much should be exported and how much should be left for domestic use. It seems that here we need fairly equitable incentives, because we cannot do without exports while, on the other hand, our domestic market cannot be totally depleted.

Likewise, I notice certain inconsistencies in the plan's approach to certain problems. The treatment of the problem of off Saturdays savors of centralism and hardly befits the reform. If local and employee self-government is to be the essence of the reform, then it is these self-governments that should solve this problem in a flexible manner as need arises.

A development plan for a region or a plant must be a compromise between the goals established by self-governments and the tasks or programs of government bodies. I still do not find this compromise in the plan.

I also have several specific observations. In addition to providing food supply, health care, and maintenance of an appropriate level of housing construction, the plan should also take into consideration [the task of] supplying the population with other basic commodities.

The objectives of the plan emphasize the protective function of the state with regard to those living in extreme poverty. This is right, but we cannot but call attention to the fact that the economic system being introduced will have its most negative effect on middle income families. I believe that we should anticipate doing something for them, too, e.g., by providing opportunities for them to earn extra income through home craft work, service and repair work, in small economic groups, etc.

The concept [of the plan] assumes a considerable increase in labor productivity, in addition to a campaign to reduce waste of materials, and a better organization of work. For this purpose we need, I think, to program the improvement of our entire social and economic infrastructure. In this I would include commuting to work, the hours of operation of our commerce and the quality of its services, health care, etc. Efficiency will become a reality only when there are no more lines in snack bars, in front of a doctor's office or of a single open post office window. These dependencies are already quite evident today in services to agriculture.

If I had to choose among the variants [of the plan] I would stake my hopes on the second variant--which is not a maximum variant, because life teaches us to be careful, but which is not a minimum variant either, because life forces us to progress. Moreover, I favor the subvariant of protection of consumption because, as I believe, the present situation forces us to accept it. This should also be a variant which would assume equalization of the rates of increase in individual consumption and in collective consumption.

The crisis makes it imperative to provide for satisfaction of basic human needs and to preserve our current social gains; however, giving preference to collective consumption would not be advantageous in the long run, because it would create excessively demanding attitudes.

In the area of social actions, it is necessary to provide for all the basic living needs. We cannot make an arbitrary choice between hospitals and schools, because such a choice is not possible. On the other hand, I am of the opinion that we should ask the question whether it is right to get everything for free in this area. Personally I would favor, for example, partial payment for sanatorium treatment; the amount of the payment, of course, would vary according to a person's income.

I also noticed in the plan a lack of deeper concern for problems of older people--not so much in the financial aspect, because this aspect is mentioned in it, as in the material and organizational aspect. Moreover, I think that we have to consider the social needs of the rural area, because these needs exist and cannot remain unnoticed.

9577
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## CRITICAL VIEW OF 1983-85 INVESTMENT PLAN PUBLISHED

Warsaw TRYBUNA LUDU in Polish 13 Oct 82 p 3

/Article by Krzysztof Krauss: "Is Every Opportunity the Right Kind of Opportunity?/

> /Text/ The crisis is felt practically in every Polish home. Calculations (which are quite detailed) showing the decrease in real wages and incomes, both for specific socioprofessional groups and in territorial cross-section, are common knowledge...

According to the estimates, the average real wage decreased in the first half of this year, as compared with the same period of the last year, by over 15 percent for those employed in mining industries, by almost 30 percent for those employed in manufacturing industry, for those employed in transportation--by about 35 percent, by almost 33 percent for those employed in communications, and by over 32 percent for those employed in commerce. The decrease in the real value of the average pension and retirement pay is about 28 percent, and the decrease in farmers' real income is about 10 percent.

Looking at territorial cross-sections, the smallest decrease in real wages (that, nevertheless, equals as much as 19 percent) took place in the Katowice voivodship. In the remaining 48 voivodships the decrease in real wages exceeds 24 percent--it is from 26 to 30 percent in most of the voivodships. However, there are also such voivodships (Gdansk, Warszawa, Szczecin, and Slupsk) in which purchasing power for the average wage decreased by over 30 percent, as compared with last year.

### Justified Pessimism

Unfortunately, presented for public discussion variants of the National Socioeconomic Plan for the years 1986-1990 do not promise a quick return to the precrisis consumption level. In general, we should not count on achieving the consumption level equal to the level we had at the beginning of the 1980s (after all, at that time we lived mainly on foreign loans) any earlier than toward the end of this decade.

In one of the three variants (the so called pessimistic variant) it is projected that even in 1990 the real consumption level per capita will be about 4 percent lower than in 1980. The remaining variants assume that the consumption level will be either 4 percent (in the so called most realistic variant) or 9 percent (the optimistic variant) higher. But this will take place no earlier than in 1990.

Why? As we all know, our economy has such problems as lack of funds for the import of raw materials and other materials, inadequate employment in some regions and industries aggravated by early retirements and a shorter work week and, in many branches, outdated technology. Because of these problems we cannot expect the growth rate of material production to exceed 3.5-3.6 percent yearly. This is not to say that the growth rate of the national product is low, since it corresponds to the average rate for developed and highly developed nations. In the optimistic variant the rate is even higher than the average. However, because of the depth of the economic decline in recent years, and especially in 1981, the scale of the expected production growth that is typical for other countries, is too low to allow us to bounce back. It does not take much time to destroy, but it takes a long time to rebuild.

The payment of foreign debts is our main task. We have not made the "world record" concerning the amount of the debt, but it is considerable, and it demands that a significant portion of the national production be used for the payment of interest, installments, and credits.

There is a chance that despite the limitations we will earlier achieve the precrisis level of consumption. Authors of the draft plan dutifully noted it, leaving the final judgement to the public. They state that if we decide to further limit investment, and in particular the net investment outlays, to about 22 percent as compared with this year, it is very probable that in 1985 the portion of the national product earmarked for consumption will be by several points higher than the level observed at the end of the 1970s.

Attractive Variant

This consumption level would be close to the precrisis level per capita (in 1985 the population of Poland will increase by a few millions, as compared with 1980). It will not be possible to achieve such a consumption level either by keeping the investments at the present level or, even less so, by increasing investments in proportion to the growth of the national product.

We have to admit that this is a very attractive variant that meets our society's legitimate desire "to lead normal lives". What makes the variant even more attractive is that its implementation is generally based on actions coming "from the top".

The banks would simply be directed to shut safes with credits and investments even tighter. Perhaps it would be enough to tax planned investments so heavily that practically no enterprise would be able to afford to either initiate or continue any new undertaking.

I do not blame the Planning Commission for introducing such a "sub variant" in the initial phase of the debate on the plan. Honesty and fairness required informing the public of such a possibility. I am convinced, however, that a univocal and final rejection of the sub-variant during the public debate is one of our main duties. It is dictated by our responsibility to insure a better future for our country and for each one of us. The adoption of this variant would mean concentration of problems in the future, after initial gains.

Protection of Accomplishments

The available production potential is the foundation of the economy. The potential could be utilized either more or less efficiently, depending on many factors, such as the efficiency of management systems, but the potential has to be available. Plants, capable to produce, have to exist, a proper transportation system has to be available, etc. Nothing could be accomplished with bare hands.

It is not enough to build a plant or other elements of the "production structure". If the production structure is to be a living organism able to serve the society, instead of being a historic landmark, the "material structures" have to be systematically rebuilt as they are being used up, physically, as well as economically.

Preservation of the national property, at least in its present condition, requires outlays for its reconstruction equal to the value of so-called depreciation. I do not even mention that a growing society pursuing a better future cannot afford to limit itself to simply preserving the acquired production potential, but should attempt to increase it.

In some areas of production the process of technological deterioration has already begun. For example, the average period during which a machine tool should be replaced by a more efficient tool is 10 to 15 years, and in some branches of industry it is only 5 to 7 years. Out of 400,000 machine tools used by Polish industry, about 70,000 are over 25 years old. In order to avoid technological deterioration 65 percent of the machine tools should be replaced before 1990, and the remaining machine tools should be replaced by 1995. This is not to mention the question of progress in manufacturing techniques.

At present all we can afford is protection of the production equipment which we already have, and in some areas even this statement does not hold true. But we should think in terms of the future. The idea of even larger "investment cuts" and limits on development funds to expand consumption funds is very dangerous.

At present no other country in Europe appropriates such small portion of the national product for investments. As a result of choosing this route we would perhaps achieve the consumption level equal to the level we had at the beginning of 1970s, but this would be accomplished on the ruins of the national economy.

Maintaining the present level of investments at least for the next few years does not mean that there is no chance of rebuilding the consumption level. The chance lies in more significant progress than expected in the effective management that--while increasing generated national product--would also increase the national product for distribution. This route is more difficult, but I believe that it is the only sensible and the only possible route.

9959
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## INCREASED TRADE, ECONOMIC COOPERATION WITH BALKAN COUNTRIES

Bucharest REVISTA ECONOMICA in Romanian No 35, 3 Sep 82 pp 14-15

[Article by university lecturer Dr. M. Korka]

[Text] Furthering efforts to turn the Balkan Peninsula into an area of peace, cooperation and neighborliness, to achieve understanding as to the principles of economic, political and cultural-scientific cooperation among Balkan countries, to create an area free of nuclearweapons and free of military bases is a major foreign policy concern of our party and state. The establishment of relations of good understanding among Balkan states in every area of activity, the constant development of trade and bilateral and multilateral cooperation among these countries are valuable inputs into the cause of security of Europe and the whole world. "Romania places much emphasis on collaboration and cooperation among Balkan countries. We consider that we must seek new forms and methods for promoting meetings and cooperation, we must proceed to organizing a high-level conference on turning the Balkans into an area of peaceful cooperation, free of nuclear weapons."*

We recall, among the first initiatives, the proposal advanced in 1957 by the Romanian government to the governments of the other Balkan states for organizing a summit conference to examine matters pertaining to strengthening peace in the Balkan area, mutual nonaggression and peaceful settlement of outstanding problems, and also the proposal set forth by Romania for examination to the other Balkan states in 1959 for signing of a Treaty of understanding and collective security of the Balkan area. During the subsequent period, specifically after 1965, these proposals were reasserted and presented in extenso both in the Geneva Disarmament Committee and at the United Nations. [1] We also quote here the resolution initiated by our country on "Regional measures to improve neighborly relations among European states with differing sociopolitical systems," adopted by the UN General Assembly on 19 November 1966. [2]

Romania conceives cooperation among Balkan countries as a part of the process for building security and cooperation in Europe. The expansion and diversification of relations among countries in this area, the strengthening of cooperative and neighborly ties in the Balkan area are not aimed at creating a new, closed economic or

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* Nicolae Ceausescu: "On the Current Stage of Building Socialism in Our Country, on Theoretical, Ideological Issues and Political, Educational Activity of the Party." Report to the enlarged plenary session of the CC of the RCP held on 1-2 June 1982.

political body on the European continent but at the free development of cooperation among the states in the area and between these and the other states in Europe and the rest of the world.

Proceeding from existing realities and setting this goal in expanding relations among states in this area, our country views Balkan cooperation in its evolution from simple to complex as a lasting process, to which it is necessary to constantly pay due attention in the overall European context.

Now "Romania considers that the necessary conditions exist for achieving a high-level meeting of Balkan states, on discussing the avenues and practical methods for resolving existing problems of solidifying trust, cooperation and peace. Undoubtedly, this would involve a significant positive step in the lives of our peoples, in the life of the entire continent." The assessment was made by the President of the Socialist Republic of Romania, Nicolae Ceausescu, during his recent state visit, with Elena Ceausescu, to Greece. [2] Moreover, the great frequency of bilateral and multilateral meetings of representatives of the states in this area, including mutual summit visits, the fruitful results of the implementation of agreements and understandings concluded on expanding relationships in all fields of endeavor have turned the Balkan area from the erstwhile "powder barrel of Europe" into an area with exemplary relations among countries with different social systems.

Historical experience has taught the Balkan nations that a paramount factor for the development of each country in this area involves lasting cooperation based on the principles of national sovereignty and independence, noninterference in domestic affairs of other countries, respect for the right of each people to choose their style of life according to their own will. Furthermore, in spite of all past trials and tribulations, in this part of the world the tradition exists of relations of neighborliness, peaceful coexistence and mutual assistance and aid among peoples. As a reflection of this tradition, a number of agencies and activities have been created in this area, which promote the expansion of cooperation in the medical, cultural-sporting and scientific fields, the Agreement on cooperation in tourism was signed, meetings were held on multilateral economic and technical cooperation among Balkan states.

In recent years, these activities included the first Balkan meeting on economic and scientific-technical cooperation in Athens in 1976, the Balkan meeting of experts in the area of telecommunications in Ankara in 1979, the Balkan meeting of experts in the area of transportation in Sofia in 1981, and the recent meeting on multilateral cooperation in the area of energy and energy raw materials, held in Bucharest from 7-11 June 1982. The final document of this meeting, adopted in consensus, points out the importance of continuing cooperation among Balkan countries in all forms, including multilateral meetings, as an expression of the new climate in this area, of the participating states' wish to develop mutually beneficial relations and to provide and input into building security on the European continent.

The outcome of a tumultuous historical evolution, "object and subject of keen confrontations," the scene of many devastating conflagrations, the Balkan area economically involves a developing region of Europe. In this light, the promotion of cooperation among Balkan countries provides Romania and the other states in this area with conditions for centering material, financial and human resources on peaceful development and economic and social progress.

Expansion of economic cooperation and development of trade with countries in this area are factors in the overall progress of all partners, representing not only meaningful arguments but also a material incentives in seeking mutually advantageous solutions, without political strings, without restrictions and discriminations, to all the problems that still exist. Promotion of economic relations between countries in this area facilitates rapprochement among peoples, giving greater security and greater trust to each nation in the outcome of its own development effort.

In the context of the accelerated progress of our trade with foreign countries, Romania's foreign trade with the countries in the Balkan Peninsula involved even greater increase rates, so that during the last 2 decades for each percent of rise in our country's total foreign trade, exchanges in our geographical area went up 1.33% (see Table 1). A breakdown by decades shows that during the 1971-1980 period the flexibility of exchanges with the other Balkan countries is lesser (1.20) as compared with the previous decade (in 1961-1970: 1.52). But the actual proportions of the dynamism of exchanges with countries in this area stand out more clearly if one has in mind the fact that the absolute value of each increase percent was in the second decade more than 4.5 times greater than the one in the first decade considered or if one notes that 1981 exchanges with the other five countries in this area exceeded the total volume of our foreign trade for 1960.

Table 1. Survey of the Development Rate of Romania's Foreign Trade With Balkan Countries

**Tabelul nr. 1**

**Analiza ritmului dezvoltării comerțului exterior al României cu țările balcanice**

| | Ritmul mediu anual al perioadei | | |
|---|---|---|---|
| 1) | 1961-1980 | 1961-1970 | 1971-1980 |
| 2) | din care : | | |
| 3) 1. Total comerț exterior al R.S. România | 14.0% | 10.8% | 17.3% |
| 4) 2. Din care comerț exterior cu țările balcanice | 18,6% | 16,4% | 20,8% |
| 5) 3. Elasticitatea (2:1) | 1,33 | 1,52 | 1,20 |
| 6) 4. Valoarea absolută a unui procent de creștere în comerțul exterior cu țările balcanice (milioane $ S.U.A.) | — | 0.42 | 1.91 |

Key:

1. Median annual rate of the period
2. Out of which:
3. Total foreign trade of the Socialist Republic of Romania
4. Out of which foreign trade with Balkan countries
5. Flexibility (2:1)
6. Absolute value of a percent of rise in foreign trade with Balkan countries (millions U.S. dollars)

As a result of the rapid increase in the volume of trade with these countries, there has been a change in this market segment in the total Romanian foreign trade.

Table 2. Evolution of Volume of Trade With Balkan Countries in Total Romanian Foreign Trade

Tabelul nr. 2

**Evoluţia ponderii schimburilor cu ţările balcanice în totalul comerţului exterior românesc**

| 1) Anul | 2) Volumul valoric al schimburilor cu ţările balcanice (mil. $ S.U.A.) | 3) Ponderea lor în total CEx al R.S.R. (%) | 4) Indicele cotei părţi (%) |
|---|---|---|---|
| 1960 | 41,77 | 3,06 | 100 |
| 1965 | 74,52 | 3,42 | 112 |
| 1970 | 190,55 | 5,00 | 163 |
| 1975 | 645,25 | 6,04 | 197 |
| 1980 | 1 706,42 | 6,71 | 219 |

Key:

1. Year
2. Value volume of exchanges with Balkan countries (millions U.S. dollars)
3. Their volume in total Romanian foreign trade (%)
4. Volume index (%)

Accounting for 6.71% in the total Romanian foreign trade, the $1.7 billion involved in our trade exchanges with the other Balkan countries in 1980 mean a volume which is 2.19 times greater than the one for 1960, respectively, 1.35 greater than the input of this market in 1970.

A characteristic feature of the evolution of our foreign trade with Balkan countries involves the development of exchanges with all the countries in this area, regardless of their social systems, according to common interests, to the understandings and agreements signed. For instance, in the context of the rise in the total foreign trade with these countries during 1961-1980 by a factor of about 30.3, exchanges with Albania and Bulgaria involved a value increase of about 19.2 times, exchanges with Yugoslavia, 22.4 times, trade with Greece, 54.3 times, and trade with Turkey, 104.4 times. In light of the different value level of exchanges in the basic year (1960), the differential development of foreign trade with these countries gradually resulted in a more uniform geographical distribution of commodity flows between Romania and the other five Balkan countries (see Table 3). This territorial diversification again attests the good relationships of our country with all the states of this area, the interest which Romania displays for strengthening ties with all the peoples in the Balkan area.

The increase in volume and territorial diversification of exchanges has coincided with a vigorous structural dynamism of foreign trade, in both Romanian export to the other Balkan countries and our imports from this area. Besides traditional exports that have been features of exchanges for a very long time, as all Balkan countries have been developing industrially and as mineral and organic resources in these countries have been included in the circuit of economic utilization, appearing and playing a big part in foreign trade have been goods produced in economic facilities built in the last 20-30 years. Presently, along with products of

Table 3. Geographical Distribution of Romania's Foreign Trade With Balkan Countries

Tabelul nr. 3

**Repartiţia geografică a comerţului exterior al României cu ţările balcanice**

| | Ponderea ţărilor balcanice în : 1) | | |
|---|---|---|---|
| | 1960 | 1970 | 1980 |
| Albania | 6,4 | 3,4 | 4,1 |
| Bulgaria | 42,7 | 34,8 | 27,1 |
| Grecia | 14,3 | 18,6 | 25,7 |
| Jugoslavia | 30,6 | 36,8 | 22,6 |
| Turcia | 6,0 | 6,4 | 20,5 |
| Total | 100,0 | 100,0 | 100,0 |

Key:

1. Input of Balkan countries in:

the iron and steel and nonferrous metallurgical industry and farm foodstuff industry, fuguring in the lists of Romania's trade with the other Balkan countries are most diversified machines and installations for investment projects, chemicals and pharmaceuticals, garments, leather items and footwear.

It can be stated that never has the gamut of items exchanged between peoples in the Balkan area been richer and ampler. The practice of exchanges between Balkan countries, between national economies that are close not only because of their geographical locations but also because of their historical genesis and relative level of economic development highlights the fact that capitalization on the advantages of the international division of labor primarily involves taking into consideration the needs and availabilities of neighboring countries.

The increase in the volume of industrial products within the framework of Romania's international exchanges in the context of effectuating a value-balanced foreign trade in relations with each partner country involves an outstanding facet of our present and future trade policy, which focuses on our country's proper integration into the world economic setup according to its industrial potential and on the overall rise in the advantages that result from the international interchange of assets. The promotion of this policy in the relationship with the other Balkan countries in both export and import is instrumental in expanding the industry-industry type international division of labor, in enhancing specialization and cooperation among these countries, favorably impacting the process of economic development of the countries in this area.

Moreover, not only trade relations are expanding and diversifying but also bilateral and multilateral international collaboration and cooperation in the fields of production, of prospecting and utilization of mineral resources, of research and development, in transportation and telecommunications, in commerce and financial and banking relations, culture, education and sports activity.

Regardless of the specific form of realization, international collaboration or cooperation involves concerted effort, over a period of several years, based on agreements between partners to achieve a goal with mutual benefits. The multitude of cooperation projects completed or under way of being completed by Romanian companies

with firms in the other Balkan countries attest the qualitative standard of relationships with these countries and their common concern to seek new avenues and methods for expanding mutually advantageous interchange.

To dwell only on the economic cooperation between Romania and the other Balkan countries, we recall, as an example, the successful development of cooperation and specialization in production in the key branches of industry, in the area of overall mechanization and promotion of use of modern agrotechnical advances in agriculture.

Another form of international cooperation involves joint completion of projects that are of major importance to the economies of the countries in this area. The Iron Gates Power and Navigation System (I), built jointly by Romania and Yugoslavia, which for more than a decade has been supplying the national power systems of the two countries, is only one example to which must be added many similar projects: the refineries and cement facilities completed in Albania, the Pancevo refinery (Yugoslavia), the Central Anatolia refinery (Turkey), the new power and navigation systems on the Danube being built jointly with Bulgaria (Turnu Magurele-Nikopol) or with Yugoslavia (Iron Gates II), the Romanian-Bulgarian company for the production of heavy machinery and equipment (Giurgiu-Russe), and so forth.

Joint economic cooperation and marketing companies have been created with Bulgaria ("Dunarea"), with Yugoslavia, with Greece ("Terhellas" and "Elpex"). Of course, the examples, areas and forms of cooperation between Romania and the other Balkan countries are far more numerous than those listed above. However, it must be emphasized that cooperation projects can be amply expanded on the basis of the good results that are obtained and by the enhancing steps agreed upon under the high-level dialog between Romania and the other Balkan countries. The joint statements and the trade and cooperation agreements concluded provide these relationships with a sound basis and the prospect of fruitful continuity.

The development of collaborative and cooperative relations among Balkan countries helps, on the one hand, to make better use of the potentialities of our countries, and on the other hand, to promote mutual understanding and friendship among our peoples.

Proceeding from these concepts of major importance on the domestic and international scenes, the Decision of the plenary session of the CC of the RCP on our party and state foreign policy states: "Our country will resolutely work for the promotion of relations among Balkan countries, for turning the Balkan area into an area of trust and cooperation, a denuclearized area -- as an integral part of a Europe free of nuclear weapons, as a contribution to the cause of peace and cooperation in the world." **

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** SCINTEIA, No 12321/3 April 1982

FOOTNOTES

1. See: "Dezarmarea si Noua Ordine Economica Internationala" [Disarmament and the New International Economic Order], Ed. Politica, Bucharest, 1978, pp 64-68.

2. Document A/Res/2.129/XX.

3. SCINTEIA No 12347/5 May 1982.

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# East Europe Report

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2340

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23 November 1982

# EAST EUROPE REPORT

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2340

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# CEMA MULTILATERAL SCIENTIFIC-TECHNICAL COOPERATION DETAILED

East Berlin AW--DDR-AUSSENWIRTSCHAFT in German Vol 10 No 40, 29 Sep 82 pp 1, 2

[Report by Information and Public Relations Department, GDR Ministry for Foreign Trade: "Main Points of Emphasis of Multilateral Scientific-Technical Cooperation in CEMA"]

[Text] The results of the by now 20-year-old multilateral scientific-technical cooperation effort among the CEMA countries are convincing. Since the adoption of the CEMA complex program alone, about 20,000 theoretical and applied research and development projects have been completed.

With the transition to mostly intensive development of social production in the CEMA countries, we now face higher requirements in terms of the quality and effectiveness of scientific-technical cooperation. A criterion of evaluating this cooperative effort is the concrete contribution of science and technology to this process, it was observed on that score by Guri Marchuk, chairman, CEMA Committee for Scientific-Technical Cooperation in the CEMA Information Bulletin. Complex scientific-technical, production-engineering, and commercial cooperation among the CEMA countries is considered the best way to guarantee the closed cycle of science--technology--production--sales and this is also the way considerably to increase the effectiveness of cooperation for the benefit of the community of socialist states. Coordination of scientific-technical policy between the interested CEMA countries assumes special significance during the current phase. It serves the goal--it was emphasized at the 35th CEMA Conference--to combine efforts concerned with those development projects which are of primary significance for the national economy and for the accelerated transfer of results into production.

The following are included among the most important problems on which cooperation in science and technology will be concentrated over the next several years:

Development and use of control and regulation equipment for production processes, creation of a uniform and unified basis of electronic elements, of special materials and technological equipment for electronics and microelectronics, as well as the development and broad use of microprocessor technique in the national economy;

Development and use of new progressive technological processes and equipment for the energy sector which will guarantee the efficient employment and the economically justifiable expenditure of fuels and energy particularly in energy-intensive production sectors and in the energy industry as well as greater involvement of secondary resources in the economic cycle;

Development and use of new highly-productive machine systems and equipment, including industrial robots which will reduce the expenditure of manual labor in the national economy, especially in transportation, storage, and auxiliary functions;

Completion of existing and development of new technological processes and equipment for the more profound cracking of petroleum, for a significantly higher yield of light [clear] petroleum products and the more effective use of this raw material;

Development and use of new as well as perfection of existing methods and technical means for effective processing of coal into liquid, gaseous, and more easily transportable solid fuels;

Increase in livestock production on an industrial scale, including development of the fodder base and machine systems for complex mechanization of agriculture on the foundation of highly-productive technologies as well as for the efficient processing of agricultural food raw materials.

Cooperation in the solution of these problems must from the very beginning include the entire science--technology--production--sales cycle.

Several significant agreements have already been signed to accomplish these major tasks at the 35th and 36th conferences of the CEMA, such as the following:

The government-level agreement on the creation of a uniform and unified basis of products of electronic technology, of technological special equipment, as well as semiconductor materials and special raw materials for their production;

The government-level agreement on specialization and cooperation in the production of products of the microelectronic component basis for computer technology equipment as well as materials and technological equipment for microelectronics;

The general agreement on cooperation in the development and comprehensive use of microprocessor technique in the national economy as well as

The general agreement on the development of specialization and cooperation in the production of industrial robots.

The priority tasks in science and technology were expressed in the coordinated plan of multilateral integration measures for 1981-1985 which contains 13 corresponding projects that are to lead to practical results in the national economies already during this 5-year plan. They concern among other things the development:

Of MHD (magnetohydrodynamic) energy converters whose use is supposed to increase the efficiency of thermal power plants to 50-60 percent and which, compared to the currently best power plants, is to facilitate a 20-25-percent saving of organic fuels;

Of new effective methods for the conversion of solar, chemical, wind, and geothermal energy into electrical, thermal, and mechanical energy as well as the development of the corresponding plants;

Of progressive technological processes and equipment for energy-intensive production sectors, the transportation industry and the communal economy as well as the development of less energy-consuming processes;

And of the perfection of technological processes and equipment for the deep-cracking of petroleum which by 1985 are to make it possible to increase the yield of light petroleum products by 10 million tons;

Of technologies for the effective processing of coal into liquid, gaseous, and more easily transportable fuels;

Of more effective corrosion protection for metals;

Of technological processes for powder metallurgy;

Of technological processes and equipment for the mechanization and automation of transloading and storage processes.

In solving these problems, we will make wider use of such proven forms of cooperation as the establishment of temporary international teams of researchers and specialists at leading research installations in the CEMA countries.

Facts and Figures

The CEMA Standing Commission for Scientific-Technical Research Coordination was established on the basis of a resolution of the 16th (Special) Conference of the CEMA in 1962; in 1971 it was reorganized into the CEMA Committee on Scientific-Technical Cooperation on the basis of a resolution of the 25th Council Conference. This body organizes and coordinates planned scientific-technical cooperation on a multilateral basis.

Between 1970 and the beginning of the 1980's, the number of scientific-technical organizations involved in multilateral cooperation grew from 1,300 to 3,000.

The solution of scientific-technical problems became a firm component of the coordinated plans of multilateral integration measures of the CEMA countries. The 1976-1980 plan included 17 such major tasks. In this context, around 450 of the research and development projects most important to the national economy were completed.

In 1970, about 600 topic complexes were processed together or on a basis of division of labor; in 1981, the number was 1,200. Since the adoption of the complex program, about 20,000 theoretical and applied research and development projects have been completed.

More than 130 scientific-technical prognoses were completed in the context of the CEMA.

As a result of multilateral cooperation, the following are being developed, improved, and perfected annually:

200-300 machines, instruments, and equipment units,

100-150 technological processes as well as

100-200 materials and preparations.

Presently, more than 200 agreements and contracts on joint research, development, design, and experimental projects are in effect.

As of now, 63 national scientific installations in the CEMA countries perform the function of coordinating centers for multilateral scientific-technical cooperation in selected problem groups, including 37 in the USSR, five, each, in Czechoslovakia, the Hungarian People's Republic, the Romanian People's Republic, and the Polish People's Republic, four in the GDR, and two in the Bulgarian People's Republic.

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## CRITICAL REVIEW OF ECONOMIC REFORM PUBLISHED

Warsaw ZYCIE GOSPODARCZE in Polish No 40, 24 Oct 82 pp 1, 4, 5

[Article by Zdzislaw Sadowski: "Conditions to Effective Operations," an abridged, revised text of a paper presented 11 October 1982 at the scientific conference "Reform -- Production -- Market," sponsored by the Higher School of Social Sciences of the PZPR Central Committee. Emphasis originating with the editors given in slant lines.]

[Text] The effectiveness of the changes constituting the reform of the system of functioning of the economy in Poland depends on a group of factors, among which those features of the condition of the society, the state, and the economy under which the reform is being introduced are of fundamental significance. We have long been calling this condition a "deep crisis." The direct barriers and others stemming from the crisis, however, do not specify either the actions undertaken or people's attitudes in any unequivocal way.

For this reason I will not describe these barriers directly. Instead I shall look at them in terms of the three major factors which determine the course of the implementation of the reform. They are:

-- political will,
-- social attitudes,
-- the quality of the solutions introduced.

The structure and method by which these factors exert an influence should be very clearly defined, with no effort to avoid what is unpleasant.

### Political Will

I put this factor first, because the existence of the political will to implement any reform is the basic condition to its implementation.

In Poland there is a clear political will to implement economic reform, but it is running into decidedly adverse economic, sociopolitical, and psychological conditions. This is a historical paradox: in the past there

have been far more favorable conditions more than once, but there was never the consistent political desire to introduce changes. Now just the opposite is true.

Why just now is there the political will which was previously missing? This follows mainly from the experience which has been accumulated. An awareness of the need for change has been growing up for several years, but the economic crisis and workers' protest of 1980 thrust an especially severe light on what happened in the past and made it possible to understand the need for profound changes. The old system of the economy's functioning in Poland on the basis of autarkic economic management with the aid of order and distribution methods led to a complete breakdown. This was not just the result of incidental decisions but of a long process which came to a head. The defects in the orders and distribution system appeared with increasing force as the economic structure became more and more complicated at its increasingly higher level of development, because undoubtedly the development progressed and led both to a general rise in the prosperity of the society and to a tremendous expansion of the production system. This would have been a success had it not been for the fact that there was simultaneously a greater manifestation of negative features which had been accumulating and building up in the economy for many years: imbalance, the absence of internal complementarity, the inability to inculcate scientific-technical progress and innovation, and the lack of effectiveness of operation in all sectors of the economic process.

The economic system operated in a manner which was devastating to economic effectiveness. Despite the use of the slogan and instruments of central planning, it was unable to create a coordinated policy of production development. Even the growth of social wealth occurred in an irrational fashion. What was created was an illusion of a wealth greater than that which fit the country's capabilities, because there was no mechanism in operation to adjust prices on a current basis. On behalf of the alleged good of the society, the state applied the instrument of budget subsidies more and more, ultimately on a completely inadmissible scale. Attempts made periodically to get out of this situation only led to social unrest. On the other hand, the attempt to support the tottering economy with the massive importation of modern technology only proved the system's complete inability either to handle the imports rationally or to absorb them in a way enabling it to get going in the direction of improving the competitive stance of Polish industry on the world market. This led to the disastrous indebtedness to foreign capitalist countries and to the economy's strangling itself in the process.

Against this backdrop the process of the reform of the economy has two major aspects. First, it is a struggle for an effective socialist economy, for the assurance of truly rational central planning and the effective operation of all economic units. Second, it is simultaneously linked to drawing the economy out of a state of profound material and financial dispersion and the society out of a state of moral fragmentation.

Besides official declarations, the chief confirmation of the existence of a decisive political will for reform is the very advanced state of the process of basic legal-institutional changes. Another sphere in which this will is evident is that of current decisions in the realm of social and economic policy as well as all the separate actions of the bodies of authority and power. These decisions and actions are an ongoing check on this will. Hence, the question of how consistent and cohesive these decisions and actions are in terms of the targets of the reform is important.

/There are two major limitations which keep officials' actions from being entirely consistent./

One stems from the fact that the actions of officials are not equally consistent at all levels and in all bodies of the administration, and they cannot be. The pressure of current problems, on the one hand, and, on the other hand, becoming accustomed to administration and the difficulty of facing new forms and ways of proceeding, along with the human reluctance to change, lead in various isntances to actions which are absolutely contrary to the general line of change. This occurs, for example, in the area of changes in organizational structures, where the implementation of a program to eliminate a bureaucratic hierarchy of management runs into difficulties and distortions owing to the superior bodies' habituation, whether in the ministry scheme, in the regional network, or even in the cooperative system, to the leadership privileges and authority previously available and to the use of an indirect management echelon, which also had its privileges and authority. /Informal systems of human relationships sometimes turn out to be stronger than the legal regulations in effect./

The second limitation stems from the fact that in a crisis situation the authorities daily face the problem of choosing between making rational decisions aimed at lessening the crisis though unpopular or even clearly disagreeable to the society (such as price adjustments, rationalization of employment, the elimination of ineffective enterprises, the interruption of investments, and various measures in the realm of sociopolitical solutions) and submitting to social pressures on behalf of easing the atmosphere (for example, by slowing price increases, increasing subsidies, a liberal attitude to employment growth, the expansion of social benefits, and so on). /There is a clear conflict between the requirements of economic logic for getting out of the crisis and the need to ease the effects of the crisis for the society this very day/, even if this applies only to the economically weakest groups. /This conflict leads under the pressure of the situation to compromises and to a certain extent to actions which delay the economy's getting onto the track of development./

This dilemma ultimately stems from the features of the socialist system. The socialist state after all cannot say that it does not care at all about a sudden decline in the citizens' standard of living, tell them to take care of themselves, and busy itself with the brutal rationalization

of employment, prices, and income. It must to some extent fulfill its social welfare function which it has assumed. In this there is a great problems, perhaps the major one for the times in which we are living. It is this: How to conceive of the justice of social distribution of income under socialism? What degree of social egalitarianism should be considered appropriate, and in view of it what should the distribution policy be structured? How should the scope and form of the state's welfare function be defined? How can we separate the state's social activity from the production activity of the enterprises? Until there are clear answers to these questions, we cannot expect entirely consistent action on the part of the authorities.

The authorities are even more pressured by social demands and complaints in that the centralized system created an unhealthy situation in which the authorities assumed responsibility for everything that happened, for every detail of daily life. This was a sphere of responsibility which put the authorities in a very disadvantageous position vis-a-vis the society. On the other hand, when the authorities cannot discharge the duties to society which it has assumed, then the society develops an antagonistic attitude to them.

Social Attitudes

The present authorities in Poland are dealing with social attitudes which have been largely determined by the past. Under a centralized system the society has been accustomed not to identifying with the state but only with obtaining everything from the state. The crisis in the economy therefore was bound to be associated with the manifestation of a conflict between the society and the authroities.

This conflict makes the authorities' consistent efforts at reform tremendously difficult, because a substantial proportion of the society does not recognize the political will to be genuine, and it easily suspects that the changes made are fictitious or a facade, and it interprets any difficulties or inconsistencies in this tremendously complicated process of change as proof of the ill will of the authorities.

This state of the attitudes of the society explains why the economic reform based on the ideas of liberating the creative active stance of working people for the purpose of an increase in production, effectiveness, and healthy conditions for living together in society is not enjoying the social support which we might theoretically expect. It is true that last year the general slogan of the reform received broad, even enthusiastic, social support, but there is a great deal of resistance, both open and covert, to the process of implementing it.

The attitude of the society, the sociopolitical atmosphere vis-a-vis the reform, is undoubtedly today the basic problem among the conditions to the process of implementation, because the reform is not something external, outside social behavior, something automatic the authentic positioning and

mobilization of which will bring about an end to the crisis and the effective functioning of the economy. The reform is the opening up of new possibilities for operating, but people must see these possibilities, understand them, and desire to avail themselves of them.

Today social attitudes towards the reform are being shaped by several factors.

First, social support for the concept of the reform appeared in the form of excessive expectations not based on a real understanding of either its content or its capabilities. Because the /concept of the reform/ came to birth as /the result of a great crisis,/ in the public mind it became a remedy for all ailments. Its application was to produce immediate changes for the better. This impression by bolstered by the demagogy waged in the past by both certain representatives of the opposition and by certain spokesmen of the authorities, as well as the mass media, but the reform is a process which from the beginning we knew could not produce an immediate improvement in the economic situation but only help bring about this improvement in time. Given the excessive hopes, the absence of visible improvement is producing a sense of failure.

Second, the crisis, which had the force of a natural disaster, produced effects in the form of a very great decline in the society's standard of living. The social opposition of 1980 came to fruition during the next year in a phenomenon unprecedented in world economic history: a 25-percent increase in the population's cash income adjacent to a decline in the absolute size of production approximating 20 percent, and therefore a tremendous inflationary gap. It is a basic economic theorem that when it is impossible to fill the gap by a rapid increase in the supply of goods, there must be a drastic increase in prices, because the only alternative is the complete disappearance of goods on the market and the creation of a black market, which cannot be combatted using administrative means. For many years, however, the Polish society had been brought up without any understanding of this issue at all. It had become accustomed to the notion that the state had taken upon itself the role of maintaining low prices through budget subsidies.

In other countries there is a public outcry against burdening the budget with subsidies, because the people know that the subsidies come out of taxes. /But in Poland the subsidies are still being treated overall by the society as the perfect remedy to the difficulties of everyday life. This is the way the matter is viewed by both consumers and producers. The society does not realize that it bears the costs of these subsidies itself./

The price increase had to occur regardless of the reform, as the result of the crisis, but it is not meeting with understanding on the part of the public. The price increase is being treated as a cost of the reform, which in turn creates the basis for the society's adverse attitude to the government's actions, including the reform.

This cannot be held against society. The crisis was bound to evoke a sense of bitter failure insofar as the socialist economic system was concerned, along with mistrust concerning the possibilities for reforming it. /But now people have to learn that this is not a crisis of the regime but a crisis in the specific forms of its operation and that the reform can create new forms to operate effectively and rationally./

Third, the implementation of the reform began under martial law. /For a substantial share of the society martial law has been a traumatic, frustrating experience, with the shattering of romantic notions about so-called "true democracy." This was solidified by mistrust as to the future and therefore also as to the economic reform, which was correctly seen as an element of the overall democratization of public life./

Fourth, delays and distortions occurred in the very process of the reform's implementation. Even at the beginning the public did not understand (and still does not) that the implementation of the reform would basically take several years of transition, during which new systems solutions would be accumulated and improved as they were monitored in the course of practical experience. During the transition period there must be detailed solutions adapted to the requirements of the crisis situation and not to the concept of the reform. This applies in particular to the distribution of a number of scarce products and materials, as well as to foreign-exchange funds, which is necessary during the period of severe shortages although it does not fit the general targets of the reform at all. This lack of social understanding has brought about many misunderstandings, and today it is creating the untrue accusation of indolence, but it is true, on the other hand, /that delays have occurred in such key areas, for example, as in the implementation of new principles for the structuring of wages based on opening the way for the creation of plant wage systems. There have also been distortions in the solutions introduced, particularly in the distribution sphere in connection with the excessive expansion of the field of application of the operational programs and also in the sphere of the organizational structure changes in enterprise associations./ Added to this too were facts like having the militarized subsectors out of the reform, the suspension of the operation of the self-governments, which have just been reactivated, and the stubborn competitive methods of filling directors' chairs.

Fifth, alongside the above-mentioned factors shaping social attitudes towards the reform there are also undoubtedly another type of psychological barrier: /active reluctance or resistance to the reform on the part of all those people for whom the new economic mechanisms have already made life more difficult or can do so, forcing them to change their past forms of operating and habits./ These groups' influence on social attitudes shaped by the previously mentioned factors can be considerable.

In the atmosphere presented, social implementation of the reform is obviously made all the more difficult. Two basic conclusions can be drawn from this review:

One is that all forms of influence on the social consciousness and its development in the direction of awakening attitudes favorable to the reform play an important role in a time like the present period.

The other is that persuasion alone will not suffice. It must be backed by concrete manifestations of the effectiveness of introducing the new rules of operation. This must become obvious, particularly in the places of employment. The workers' relationship to the reform cannot be reduced to wage incentives.

Quality of the New Solutions

I take the quality of the new systems solutions of course to mean not their doctrinal purity but the extent of their effectiveness. In the long run the reform is supposed to create the foundations for a healthy economy based on cost-effectiveness, on associating microeffectiveness with macroeffectiveness. In the short run, the implementation of the reform is to help encourage thrifty management, increased production and export, an improvement in work quality, and an improvement in the market. The effectiveness of the new mechanisms is to be expressed in progress in reaching these goals. Let me emphasize here that I am talking about progress in approaching the goals rather than a fait accompli of having reached them, because there is no question of an immediate reversal of adverse trends which have existed for years and decades, such as the excessive consumption of materials, poor product quality, and faulty structure.

The effectiveness of the new solutions depends not only on their theoretical propriety but also on two other factors: skill in adapting them to current conditions in which the economy and the society find themselves, and on their consistency with current economic and social policy, which have an impact on the condition of the economy and on the operation behavior of the members of society.

Life does not generally make it possible to fulfill dreams of the imagination about what is ideal. At the outset the concept of the way of implementing the reform was to a great extent logically consistent with and adapted to real conditions. It was based on the assumption of gradual changes and temporary solutions adapted to existing limitations, among which were first of all the following in the economic sphere: a serious gap in the balance of payments, related serious shortages of raw and other materials, and the inflation gap. These limitations defined the path for implementing the reform. They imposed the necessity of using temporary solutions based on the distribution of foreign-exchange funds and a number of raw and other materials. At the same time there was the attempt to encourage the enterprises' initiative and economical management, and this required organizational changes to permit them to operate independently.

There have been changes in the implementation of this program. Some of them have been conscious ones. Others have been uncontrolled. The former stemmed from the need to adapt to martial-law conditions (the expansion of self-government, militarization of some proportion of the enterprises and branches) and to the rapid worsening of the foreign-exchange situation and the related import capacity of our country (the expansion of the scope of the directive distribution system). The uncontrolled changes occurred as the result of delays in the information network, delays resulting from misunderstandings and distortions.

Some of these changes burdened the initial phase of the implementation of the reform. The greatest distortions occurred in the realm of the distribution of foreign-exchange resources and material resources. The solutions adopted were not implemented here consistently. In particular it has not yet been possible to implement the idea of a complete departure from distribution based on the organizational unit [equipment and plant] in favor of distribution based on the product [goods and services], that is, basing the allocations procedures on the full satisfaction of the production supply needs for certain priority items.

We also faced the consequences of certain forecasting errors, which led to setting up certain instruments wrong. For example, economic logic would suggest the fear of causing a wave of unemployment. This was considered a great social danger which should be consistently avoided in a severe crisis situation. A set of instruments was implemented to fit this diagnosis and worked, not placing any emphasis on the rationalization of employment. Meanwhile, however, in 1982 structural imbalances of a severe nature which had been building for years appeared with great force and proved the forecast false.

In the macroeconomic sense the unemployment threat continues. If great emphasis were to be placed on the economic mechanisms side, then certain employee groups would have to face the difficulty of finding jobs, but, on the other hand, generally important shortages of direct production employment occurred in tedious jobs. This phenomenon is normal for highly industrialized countries. At a certain stage of its development, every such country faces the problem of having its citizens unwilling to perform jobs considered hard or tedious and then looks for immigrants. In Poland quantitative changes in this direction have been building up for a number of years in the form of a slackening influx of young people to certain types of work (for example, in metallurgy, foundries, and construction), but the qualitative change appeared during the severe crisis. This is a tremendous objective difficulty of our current day.

Against the backdrop of this example we can see how strong the relationship is between the instruments of reform and the current economic and social policy. /One cannot expect instruments to function differently from what political-economic decisions tell them to. If there are no decisions, it is difficult to set up instruments. If they are wrong, the operation of the instruments must be changed./

This year's experience also points up the necessity of certain changes in the principles of structuring the enterprises' taxation land prices. The solutions adopted have not created strong enough pressure to bring about an increase in production and effectiveness. Therefore they should be bolstered. Such changes are not a departure from the concept of the reform. On the contrary. They must be made as an indispensable element of the process of reforming the economy.

A condition to the correctness and therefore the effectiveness of these changes is clarity as to the intended method of resolving a few key problems of socioeconomic policy. /Two groups of decisions are primary: decisions concerning the balance of payments and decisions concerning the policy of prices and incomes./ For the new reform mechanisms to stimulate effectively an increase in production and an increase in exports, we need to take a breather in foreign exchange, to guarantee imports which are a condition to an increase in production. Given the continuing shortage of foreign-exchange resources available to our country from the current level of exports, we cannot avoid a hard choice. The more we allocate for debt service, the less we can import, and this is bound to cut into the possibility of increasing production, exports, and further debt service. Imports from the USSR are undoubtedly a very important factor making it possible to stay the course, but with this technological dependence on the West which we face, such imports from the USSR cannot provide what we need to make full use of our production equipment and machinery. Therefore, the choice between a policy of being forced to repay part of the debt to the West and the policy of getting completely free of such repayments for a period of several years in order to resume it at a moderate rate after overcoming the problems of internal equilibrium and the activation of production is a choice which will determine the further course of the reform.

In the realm of the policy of prices and incomes, a matter of basic significance is to be fully aware of the fact that following a period in which cash incomes far exceeded the increase in prices, the country had to pass through a period in which the relationship between these two indices was reversed, that is, prices for a certain period of time had to grow more rapidly than cash income. This is an issue which causes a great deal of social unrest, but it must be realized that any attempt to freeze prices and wages would be destructive both for the new economic mechanisms and for the country's economic future. The effort of the political-economic solutions must now focus on keeping inflation from being too rapid, not on avoiding it altogether.

The proper establishment of price and tax instruments for enterprises for 1983 requires first of all the establishment of the rate and scope of further increases in the prices of raw materials included in the system of official prices. This growth is essential for these prices to be adjusted to world ratios and for them to be put further in order. The increase should be considered the basis for all price changes next year and therefore as the basis of setting the permissible rate of inflation.

Criteria for the social distribution of income are a great complicated area which needs to be clearly resolved. In order to mobilize the right wage incentive systems in the enterprises, it is essential to have a clear answer to the question of what sort of income spread is permitted between the principle of good earnings for good work and poor earnings for poor work. What sort of choice to we face in this area?

A complete price freeze would make it impossible either to saturate the economy with proper economic cost effectiveness or to mobilize rational wage incentives, because wages would have to be frozen too. Restoration of market balance would be a dream. On the other hand, an excessive rate of inflation would have to lead to basing wage incentives on an increasing difference in incomes and would lead to greater social tensions. It would increase the chaos in the economy. If we exclude these two extremes, we are left with only one rational intermediate road, requiring the controlled rise of prices in conjunction with a very limited increase in cash income in such a social spread as to insure a decent wage for effective work.

One major conclusion follows from this review of the issues. The effectiveness of reforming the deconomy depends to a predominant extent on how consistently it runs and on how far we can provide the necessary coherence between measures in the realm of current economic and social policy and the introduction of systems changes.

The consistent implementation of the processes of the reform requires not only the introduction of the necessary corrections in economic-financial instruments but also greater consistency between the actions of the bodies of power and the statements made concerning the decisive struggle against distortions and piecemeal actions contrary to the existing law. This is one of the major conditions to finding a way to get through to the minds of the people and to unload the conflicts and tensions in a situation in which no increase in real income can be guaranteed, nor can we simply give in to the pressures of material and wage demands stemming from the failure to understand the possibilities. To give in to these demands does not resolve the problem. In the end it only makes them worse, because it delays the effective reform of our economy or makes it altogether impossible.

10790
CSO: 2600/56

BANK ROLE IN FINANCING ENTERPRISES EXPLORED

Warsaw TRYBUNA LUDU in Polish 20 Sep 82 p2

[Interview with Stanislaw Majewski, Chairman of Poland's Narodowy Bank, by Henryk Borucinski (PAP): "Is Banking a Pillar of the Economic Reform?: Conversation With the Chairman of Poland's Narodowy Bank"]

> [Text] /The economic reform is conceived as a means of restoring the health of our economy. Restoring its health means primarily basing economic activities on the principle of profitability, on the premise that income would be greater than cost. This accounts for such a large and new role of the banks in "the days of the reform" in our economic life. For it is they that finance the activities of the enterprises and know everything about their financial operations. The chairman of the NBP (National Bank of Poland), Stanislaw Majewski, was interviewed about banking activities by a PAP journalist./ [printed in boldface]

[Question] At the end of June the bank reported that it had refused to loan funds to 687 enterprises because they were not creditworthy. Have these enterprises shut down?

[Answer] A definite majority obtained financial assistance outside the banking system. Some presented credible plans for placing their activities in the black and received additional financing from us. Others raised the prices of their products. Toward the end of July of this year only 30 enterprises were menaced by the possibility of having to shut down, while at present--owing to various actions (among other things, related enterprises help each other), this number has further declined.

[Question] Is not this a "softening" of the reform?

[Answer] I do not think so. After all, this concerns the positive results of our actions. By means of penetrating analyses we uncovered the true picture of our economy. It turned out that certain nationally known large enterprises, and even entire subsectors, have long been living on credit, that is, in other words, at the expense of others. The premises of the reform preclude such a situation. If a particular firm lives at the expense of another, it either must streamline its management or be eliminated. Such are the hard laws of economics. Since June a favorable change has been taking place in the consciousness of enterprise management; it has

finally realized that the threat of closing unprofitable enterprises is not mere verbiage, whereas until recently many had believed that "their" enterprises are inviolable.

[Question] Has not experience proved otherwise? For so far not a single enterprise has yet been closed.

[Answer] Please bear in mind that the banks do not finance a definite majority of the menaced enterprises. These have either been granted interim credit, such as, e.g. about 100 construction enterprises, or have temporarily resorted to the tin cup of--begging subsidies from--budget, or have obtained funds from sources other than the banks. These, however, are interim solutions. In the long run, no enterprise in Poland, except in cases justified by social considerations, can survive unless it converts to self-financing. After all, it is difficult to believe that 250 enterprises--chiefly those of the heavy and machinery industries--would permanently benefit from budget subsidies. That would be a negation of the ideas of the reform,and in practice, owing to the magnitude of this phenomenon, it could result in exacerbating the economic crisis. I need not add that such actions as the rescue of economically weak and unprofitable enterprises by subsidizing them demoralize the personnel of the well-performing enterprises. For then the work forces at those latter plants would be right in claiming that they must work to support others.

[Question] But the shutdown of, let us say, these 250 enterprises would mean a huge loss to society.

[Answer] Since when is the discontinuation of losses a loss? After all, the closing of factories does not mean that they will be demolished and their equipment scrapped --although in sporadic instances this may happen. Placing an enterprise in receivership entails a creative analysis to determine whether a given plant has a chance to operate profitably and enrich the national economy upon replacing its management personnel, altering its organizational structure and introducing a new program of operations.

[Question] Generally speaking, are you opposed to the subsidizing of plants?

[Answer] There are several aspects to this question. Now that everyone understands that the reform, and hence also self-financing, has become a fact, some of the enterprises granted interim financial aid are utilizing this period to start operating in the black. In the future, too, I do not preclude the possibility of subsidies, but these should be granted for a particular choice with a special social significance rather than for the factory itself. This goal is promoted by the system of product goods and services subsidies envisaged in the financial system. The present practice of subsidizing factories harbors the danger that part of the managers will conclude that "the old system is back" and there is no need to worry about unprofitable operation. They will be greatly mistaken.

[Question] It depends on who will have more clout: the directors of such "recognized" enterprises or the banks, which prior to the reform had no voice at all and were merely an institution for "printing" money and providing it to enterprises whenever desired by the latter.

[Answer] Those times are over. We hold the cash-box and "clout" will not help any one if the cash-box is empty. The banks find support in the legal system: we not only do not have to but also, pursuant to the banking law, cannot grant credit to anyone who does not guarantee to repay it.

Question What if an enterprise tries to save itself from bankruptcy by raising its prices?

[Answer] First, enterprises do not have complete freedom to set prices and, second, it is up to the market to accept or reject these prices, up to the public. A product that is too expensive will be unsaleable and will only hasten the collapse of the enterprise. This may sound ironic given the current market imbalance. For we are fully aware of the negative consequences of achieving profitability by "jacking up" prices rather than by achieving more efficient management. That is why the government has recently taken a number of measures to effectively counteract such occurrences. It is absolutely essential that the credit system also should cooperate more effectively in stimulating enterprises not only to improve their profitability but also to achieve it through improved management. To this end, we intend to base the appraisal of creditworthiness not only on current profitability but also on long-range profitability, and we specifically plan to do so beginning in 1983 with profitability to be considered on the scale of the plan for the years 1983-1985. Such an approach should eliminate the advantages ensuing to enterprises from shortsighted high-price policies.

[Question] What problems are encountered by the banks in their activities?

Answer With respect to the topic of this interview, it would be desirable if the decree on the streamlining and closing of enterprises were to be promulgated as soon as possible. That would be the needed dot over the "i" in the problem of self-financing.

[Question] Thank you for the interview.

1386
CSO: 2600/3

HEAD OF MAIN STATISTICAL OFFICE INTERVIEWED

Warsaw RZECZPOSPOLITA in Polish 29 Sep 82 pp 1, 3

[Interview with Professor (Dr) Wieslaw Sadowski, president of the Main Statistical Office by K. Augustyniak; date and place not specified]

[Text] The picture of the country in 1981. A ton does not equal a ton. Skepticism--but is it justified? Statistics are like a mirror.

[Question] A new "Statistical Yearbook" just came out. What sort of picture of the country emerges from its pages?

[Answer] In 1981 very clear signs of an economic crisis could be observed. As a result of shortening the working hours, shortages of raw materials that were common everywhere, difficulties in foreign trade and other factors, production fell sharply while employment continued almost undiminished. As a result, a sharp decrease occurred in labor productivity and in the effectiveness of the entire economy. However, the wages increased.

The sum of these factors influenced obviously the formation of an unfavorable market situation; this was expressed by the ratios between the amount of goods in stores and the money supply of the population. A massive buying up of those goods and actually a liquidation of trade supplies occurred. This disorganized the market to a still greater degree--shelves were empty and the current, lower than before, production could not help to fill them.

Unfavorable conditions occurred also in the procurement of animal products that, in 1981, was lower than it was in 1980.

The results obtained last year in crop production form a brighter side of this picture. Especially the grain and sugar beet harvests were not bad. Totally, agricultural production in 1981 was 4.3 percent higher than in the year before and influenced considerably the national income so that it fell on the whole by 12.1 percent which was less than it could have been expected after the lowered industrial production.

These general phenomena influenced the situation which each of us, as consumers, experienced last year. The increase in living costs was felt less

than the shortage of goods (though by comparison with 1980 it was evident), and the goods could not be bought even if one had cash.

[Question] How does the new edition of the "Yearbook" differ from the previous ones, what has been developed in it and what has been curtailed?

[Answer] One of the shortcomings of statistics in past years has been the curtailment in the publication of information. This pertained especially to some data from the area of social statistics. Starting with the publication of the "Yearbook" for 1981, the Main Statstical Office set for itself the task of introducing this information to the "Statistical Yearbook." We thus enriched the content of this publication, among other things, by information about production and threat to the natural environment, accidents at work, fires, and differentiation and structure of incomes, pensions and annuities according to the amount of pay and the social groups. Statistics about prices, living costs and allocation of apartments is much more ample. We reintroduced topics such as balance of payments and the state debt; these topics disappeared from the pages of the Year Books in the 70's. In a word, the "Yearbook" is considerably more ample than in previous years.

We attempted to verify simultaneously some computations and information. This pertained, among other things, to data concerning the effects of housing construction that aroused a justified lack of trust.

We devoted a good deal of attention and space to data on the subject of meat that continues to arouse a lot of controversy in social feelings. We placed detailed information both in the previous Year Book and in the present one that point out, in the so-called balance method, what happens with this meat from slaughter to the moment when it reaches the stores.

We also took some steps so that the new "Yearbook" and others to follow would be "slimmed down" by giving up that information which was not indispensable.

[Question] As you probably know, people treat with skepticism the truthfulness of data furnished by statistics.

[Answer] Of course, I know. Besides, as it can be observed from my personal contacts in the world and among professionals, our statistics are valued more there than here in our country.

But skepticism about the picture shown by any statistics, not only Polish statistics, occurs also in other countries. Nonprofessionals look at all statistical information from the personal angle, so to speak, whereas the synthetic nature of a group that very often does not for many endeavors apply to individual cases is indispensable.

We are trying now to give a clear picture through stratification of general data (for instance, stratification of pay or pensions in particular groups, or even the meat problems mentioned earlier). We are striving also to improve the methodology of our work.

[Question] Not all data contained in the statistical "Yearbook" for 1982 can be compared. Why?

[Answer] It was likewise in preceding "Yearbooks." This is already a very difficult question because the following is very often subject to change: concepts of the basic categories of the system of financial-economic management of the economy; organizational structures; prices; and the like. When assuring comparability of international data still greater difficulties arise. Western countries, for instance, compute national income differently than the socialist countries do. These differences are the result of dissimilar theories recognized by these countries. Frequently there are also dissimilar methods of reporting them.

But why search very much. Let us stay with Poland and let us look at milk. Is the milk "straight from the cow" completely the same as that we buy in the stores? Can one compare the value of one liter of milk with the so-called yellow cap (of higher fat content) with a liter of commonly sold milk? Such a comparison will not be exact.

Or coal for that matter--a ton does not have to equal a ton; it depends on the calorific value of fuel, on powder content, on stone, etc. We compare them indeed but there are also voices criticizing that. That is why, starting with next year's "Yearbook" when characterizing the results of coal output, we will give both "tons" and calories. This information was given in the "Statistical Yearbook of Industry."

Are our state statistics faultless? We have a lot of trouble, mistakes occur in the initial data which the reports of enterprises make (at times mistakes are committed consciously), but we are not helpless in the face of them and have at our disposal a proper control system. These mistakes may get into monthly reports and not into the "Yearbook." There are defined methods of verification of data, correcting wrong information, reporting the data, balancing, etc., so that the data would reflect the true picture as exactly as possible.

[Question] Arrangement of the Year Book is rather complicated, and not only economists utilize it. Even school youths reach for it.

[Answer] In fact it is not easy to read. But the large "Yearbook" is mainly meant for professionals. I would recommend the small "Statistical Yearbook" for young people. We are also thinking of resuming again a special statistical publication which used to appear before and was meant for young people and which would be simpler and smaller.

[Question] Let us now go beyond the subject matter of the "Yearbook" itself. I am concerned about economic reform and its reflection in the work of GUS (Main Statistical Office).

[Answer] We have been preparing for the economic reform for quite some time. Already in the middle of 1980 we worked out a plan for perfecting state

statistics by having in mind our known directions of reform. In the current year we are working on these issues very intensely.

The information flow has changed in connection with the reform. In the reports from enterprises would reach the associations which were obliged to prepare collective reports, now for district voivodship statistical offices. This has, of course, its pluses, but for us it is rather technically bothersome.

Meritorious changes are of greater importance. A reformed system of managing the economy and a transition for the practice of issuing orders to the practice of independence for enterprises have also influenced state statistical reporting and our research program at the Main Statistical Office. On the one hand, we must simplify this reporting, and on the other hand, we must take into consideration many new elements connected, for example, with the effectiveness or financial results achieved by enterprises. In the period of transition we must also lift additional encumbrances resulting, for instance, from research of the operational programs.

In any event, we strive to achieve a more integrated system of state statistics and to eliminate the diversity and duplication of central and ministerial reporting. This for sure cannot be achieved in one year, but it is a process which should, however, bring the expected results.

9971
CSO: 2600/32

PRODUCTION DATA FOR THREE QUARTERS PUBLISHED

Warsaw ZYCIE GOSPODARCZE in Polish No 40, 24 Oct 82

[Article: "After Three Quarters -- Material From the Main Statistical Office (GUS)]

[Text] The graph shows, among other things, that the production level reached in September 1982 had an impact resulting in a drop in its decline compared to the previous year, from 6 percent for the period from January to August to 5 percent for the first 3 quarters of 1982.

For the period of the 3 quarters then the value of production of socialized industry was still lower than either 1981 (5 percent lower) or 1979 (16 percent lower).

Compared to September 1979 the value of industrial production in comparable prices was also far lower this September, that is, 9 percent lower (in August it was 19 percent lower, in July it was 25 percent lower, and in June it was 16 percent lower).

It is also worth noting that the production of processing industry was relatively ahead of extractive industry. The increase in the production of extractive industry this September compared to last September amounted to 7 percent, and the index for the 3-quarter period similarly reached 10 percent. In processing industry a production decline was noted up to and including this August (0.2 percent this August compared to last August), but in September it increased by 4 percent.

The increase in the production of processing industry this September was achieved owing to the good results in the fuels industry (13 percent), power industry (9 percent), nonferrous metals industry (5 percent), precision industry (9 percent), vehicles industry (22 percent), building materials (5 percent), whiteware (7 percent), paper industry (7 percent), leather industry (11 percent), and printing (7 percent).

-- Cash expenditures of the population this September amounted to 269 billion zlotys, up 110.1 billion or 69.4 percent, compared to last September. Of this, expenditures to buy goods reached a level of 216 billion zlotys, which means a 79.1-percent increase in these expenditures. The increase in the expenditures to buy goods was somewhat faster than that of the total cash expenditures of the population, and the share of expenditures going for the purchase of goods increase from 75.9 percent of the total cash expenditures of the population last September to 80.3 percent this September.

-- During the first 3 quarters of this year, the value of retail sales of goods by units of the socialized economy was 73 percent higher than during a similar period last year, in current prices. It is a preliminary estimate that the value of food sales was more than twice as great, that the sales of alcoholic beverages were also twice as great, but the increase in the value of the sales of nonfood items was about 48 percent compared to the period from January to September last year.

-- After the estimated elimination of the influence of the increase in prices, retail sales during the period of the first 3 quarters of this year declined by about 19 percent in relation to a similar period last year, and the decline in food sales amounted to about 16 percent, the decline in the sales of spirits approximated 18 percent, and the drop in the sales of nonfood commodities was about 22 percent.

-- This September the population's cash resources increased by 26.7 billion zlotys, 12 billion of which were savings deposits and 14.7 billion cash reserves. During the 3 quarters the increase in cash resources approximated 268 billion zlotys, including about 130 billion zlotys in savings deposits and about 138 billion in cash. As a result the total amount of cash resources at the end of September amounted to about 1,321 billion zlotys, including about 516.5 billion zlotys cash.

-- Stocks of commodities in trade remained at a very low level (292.5 billion zlotys). Stocks of nonfood commodities were about 30 percent lower in constant prices than at the end of last September.

In foreign trade:

-- This September foreign trade turnovers for exports were 25.7 percent higher than last September (25.8 percent to I payments area, 25.8 percent to II payments area), but imports increased by 14.1 percent (18 percent from I payments area and 9.7 percent from II payments area). The value of foreign trade turnovers in September of this year was 25.6 percent higher for exports and 8.2 percent higher for imports than this August.

-- The results obtained this September helped bring about an increase in the growth rate of foreign trade turnovers for the first 3 quarters of this year compared to the dynamics of growth during the period of 8 months this year:

Growth Rate of Sold Production in Socialized Industry in 1982 Prices

Billions of Zlotys

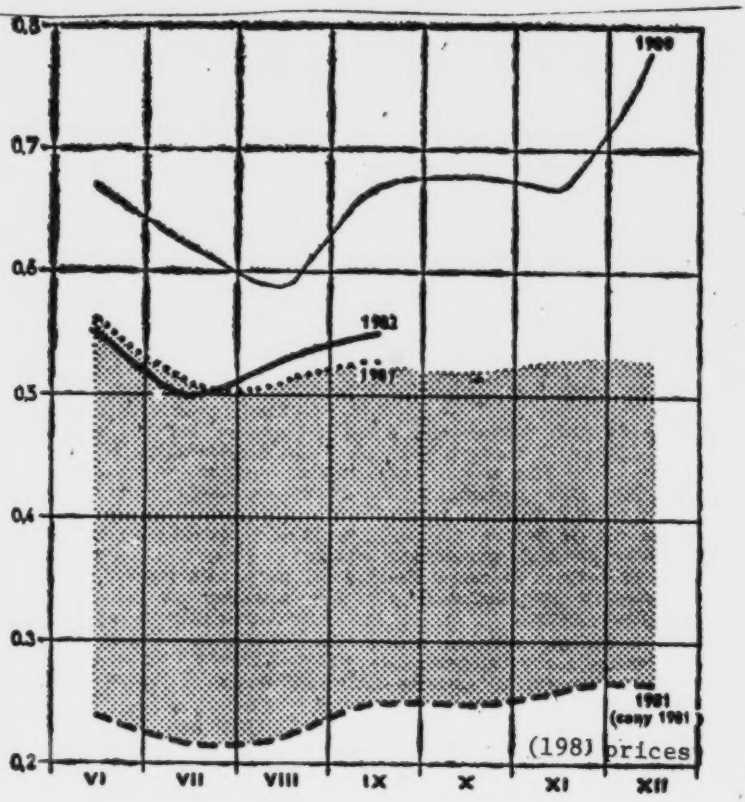


The lower level of sold production than last September remained in the metals industry (down 4 percent), electrical-engineering and electronics industry (down 2 percent), glass industry (1 percent), timber industry (4 percent), textile industry (9 percent), and fodder and waste-recovery industry (34 percent).

The data on production of major products this September show that compared to last September the following increases took place: 14.3 percent in hard coal, 6 percent for soft coal, 4 percent for petroleum refining, 17 percent for zinc production, 6.9 percent for automobiles, 14.2 percent for farm tractors, 4.1 percent for phosphorous fertilizers, 22.4 percent for cement, and 14.1 percent for paper. Substantial declines continued in aluminum production (36.5 percent) and natural gas production (20.7 percent). Despite growth during the previous 3 months (15.6 percent in August, 20.7 percent in July, and 20.3 percent in June), there was a 7.6 percent decline in electrolytic copper production in September.

The mean demand for electric power during the evening peak period this September was 15,900 megawatts and was 560 megawatts or 3.4 percent lower than last September. There were no limitations on customers owing to a shortage of power. Electric power production remained at last year's level, except for a 1.3-percent increase in the public-utility electric plants.

Following the technical-material supply shortages, especially with regard to imports, in September production restrictions occurred in 234 enterprises out of a total of 3,500 enterprises of state industry in eight basic ministries. This occurred mainly during the temporary restriction in the use of production capacity (in 192 enterprises) and during the permanent or partial suspension of enterprise production for a period not shorter than to the end of the year (in 42 instances). According to enterprise estimates, as the result of the above causes, the value of the sold production of socialized industry declined by about 3 percent during September. The decline in employment resulting from this restriction on production was negligible and affected only about 900 persons, or 0.02 percent of the persons employed in state industry.

In the rest of the areas of the material sphere excluding agriculture a comparison of the data for September 1982 with that for last September also reveals a diminishing of the trends toward decline.

In the construction-installation enterprises, the decline in state production this September compared to last August amounted to 3.3 percent, but over the period of 7 months the figure is 14.3 percent (compared to 1979 down 34.3 percent).

It is estimated that during the period from January to August, total investment outlays declined by 25.6 percent compared to a similar period last year, including 19.1 percent in construction-installation work. During this period investment construction tasks totalling a cost-estimate value of 79.9 billion zlotys were completed and turned over for use. This represented 38.3 percent of the tasks (calculated in cost-estimate value) projected for completion during this period.

This September 11,900 dwellings were completed and turned over for use in socialized construction. It is true that this means a increase of 6.1 percent over last September, but it still represents a very low level. In the course of 9 months a total of 75,500 dwellings were completed and signed over for use. This is 23,300 (23.6) percent fewer than during a similar period the previous year.

The results achieved during the 3 quarters of this year in the realm of signing over for use dwelling in socialized housing construction are therefore not encouraging.

Assuming complete fulfillment of the annual targets, during the 4th quarter of this year 87,200 dwellings (4.7 million square meters usable floor space) should be turned over for use. This is 53.6 percent of the total

housing to be completed this year. These are sizes, in terms of both numbers of dwellings and amount of floor-space, which are far higher than achieved during the 3 quarters of this year. It should be mentioned that during the 4th quarter of 1981 29.6 percent of the dwellings were completed.

In socialized transportation, the shipping of cargo was 17.4 percent lower during the 3 quarters than during a similar period last year, and in September, 10.6 percent lower, including on the PKP, where the figures were down 2.5 percent and 1.0 percent for the two periods, respectively, and public motor transport and industrial branch transport, where the decline during the 3 quarters was 25.5 percent and the decline in September was 17.6 percent.

This September, employment in the four basic sectors of the socialized economy (industry, transportation and communications, construction, and commerce) amounted to 7,710,000 persons, and was 4.8 percent lower than last year, but it was up 21,100 persons over last August.

In the various sectors, the increase in employment this September over this August was as follows: 13,100 in industry, 3,400 in commerce, 2,700 in construction, and 1,900 in transportation and communications.

At the same time the places of employment continued to list a large number of jobs requiring new employees. The number of jobs available at the employment departments as of the end of September of this year totalled 282,000 and was 11,000 higher than this August. This September the local employment services registered more than 16,000 persons looking for jobs (18,000 this September).

We shall try to give more information about the situation in agriculture, the money market, foreign trade, and enterprises finance "at the end of 3 quarters" in separate publications, especially since some important data on this subject are late in being collected. Here we shall merely point out the basic trends, some of which are illustrated in Table 2.

Hence, before giving more comprehensive comments on these problems we shall also point out the following:

In agriculture:

-- Procurement of livestock (4.6 percent lower during the period of the 3 quarters than last year) declined by 27 percent in the socialized economy but increased by 11 percent in the nonsocialized economy. This September livestock procurement was 7.4 percent higher than last September, but in August the similar index was 11.1 percent.

-- Procurement of milk remained at a rather stable level, but there was a rather drastic decline in the procurement of eggs (33 percent decline this September compared to last September and 15.5 percent compared to this August).

Table 1

| Description | Production Sold in Industry in 1982 Sales Prices | |
|---|---|---|
| | I-IX 1982 | IX 1982 |
| | Similar 1981 Period = 100 | |
| Total industry | 95 | 104 |
| Extractive industry | 110 | 107 |
| Processing industry | 94 | 104 |
| Coal industry | 115 | 109 |
| Fuels | 98 | 113 |
| Power industry | 105 | 109 |
| Ferrous metallurgy | 90 | 101 |
| Nonferrous metals | 100 | 105 |
| Metal industry | 89 | 96 |
| Engineering industry | 98 | 103 |
| Precision industry | 102 | 109 |
| Vehicles | 94 | 122 |
| Electronics and electrical engineering | 92 | 98 |
| Chemical industry | 93 | 103 |
| Building materials industry | 94 | 105 |
| Glass industry | 98 | 99 |
| High-grade ceramics | 104 | 107 |
| Timber industry | 92 | 96 |
| Paper industry | 101 | 107 |
| Textile industry | 86 | 91 |
| clothing industry | 101 | 102 |
| Leather industry | 96 | 111 |
| Food industry | 95 | 104 |
| Small-scale manufacturing | 102 | 104 |

-- In crop production this year a 66.4-percent increase was noted in the procurement of the four grains in September, compared to last September, but the procurement sizes for sugar beets and other root crops have been somewhat lower.

-- This September compared to the previous months there was a further softening of the profitability of raising piglets, a further decline in the level of the breeding of gilts in breeding centers (4.1 percent fewer this September than last September), and an increase in the sale of gilts for slaughter (about 77 percent more were sold for slaughter this September than last September).

In the money-market situation:

-- The cash income of the population this September was 295.7 billion zlotys, up 117 billion zlotys, or 65.5 percent, compared to last September. On-the-job earnings (including employee pay adjustments) increased by

Table 2

| Description | I-IX | VI | VII | VIII | IX |
|---|---|---|---|---|---|
| | | 1 9 8 2 | | | |
| | | similar 1981 period = 100 | | | |
| Total procurement of livestock for slaughter in post-slaughter weight calculated as tons of meat | 95.4 | 107.3 | 94.1 | 111.1 | 107.4 |
| Milk procurement | ± 100.0 | 101.1 | 103.6 | 99.9 | 97.0 |
| Egg procurement | ± 90.0 | 87.3 | 67.8 | 71.4 | 67.0 |
| Population cash income | 160.3 | 161.0 | 160.1 | 171.6 | 165.5 |
| Population cash expenditures | 162.7 | 164.4 | 170.0 | 175.7 | 169.4 |
| Retail sales of goods in current prices | 173.0 | 176.0 | 185.6 | 187.6 | 186.4 |
| Imports | 87.1 | 84.3 | 96.0 | 102.5 | 114.1 |
| from I payments area | 102.8 | 103.2 | 90.0 | 113.5 | 118.0 |
| from II payments area | 71.8 | 65.2 | 105.2 | 90.9 | 109.7 |
| Exports | 105.3 | 98.9 | 97.7 | 119.1 | 125.7 |
| to I payments area | 113.0 | 115.7 | 95.4 | 123.3 | 125.8 |
| to II payments area | 99.3 | 85.2 | 99.7 | 114.8 | 125.7 |

47 billion zlotys (48.6 percent) and social benefits (along with the range adjustments paid also to members of employees' families) increased by 29.4 billion zlotys (111.7 percent). Population income from the sale of farm products for socialized procurement was up 23.5 billion zlotys (71.6 percent).

-- Mean monthly earnings along with employee range adjustments from January to September this year in the four basic sectors amounted to 10,650 zlotys, up 3,332 zlotys, or 45.5 percent, over a similar period last year, and excluding employee range adjustments, by 1,867 zlotys, or 25.6 percent.

The highest level and growth rate of mean nominal wages are noted in industry, largely influenced by the high level of earnings in the coal industry. After excluding the coal industry from the total for the four sectors, the mean wage with range adjustments in the period from January to September of this year amounted to 9,926.

in turnovers with I payments area, 1.8 percent for exports and 2.0 percent for imports,

in turnovers with II payments area, a 3.6-percent increase in exports and one of 4.1 percent in imports (a decrease in the decline).

-- During the period of the 2 quarters of this year the growth rate of foreign trade turnovers in current prices was greater than that in constant prices. In turnovers with 1 payments area, exports increased 13 percent in current prices and imports increased by 2.8 percent, but in constant prices exports increased by 6.9 percent, and imports declined by 7.8 percent. In turnovers with second payments area, exports declined by 0.7 percent in current prices. Imports declined by 28.2 percent. On the other hand, in constant prices, exports were lower by 0.6 percent and imports by 27.6 percent.

10790
CSO: 2600/57

## STATISTICS ON IMPROVED PRODUCTION PUBLISHED

### September Production Increases

Warsaw TRYBUNA LUDU in Polish 18 Oct 82 pp 1, 2

[Article: "A 4 Percent Increase in Industrial Products Sold; Increased Activity in Processing Industry Sectors; Increased Labor Productivity; Construction Industry Lagging Behind; Complex Situation in Agriculture"]

[Text] The Main Statistical Office [GUS] has published information describing our country's economic situation in September of the current year as well as the basic tendencies that appeared after the [first] three quarters. The GUS information is published by us in a somewhat abridged form.

In September, our country's economic situation was determined by the following phenomena:

--For the second consecutive month this year, sales of products of socialized industry were higher than in the same month last year; simultaneously, besides an increase in production which occurred in the mining and small-scale industries, there was also, for the first time this year, a production increase in the processing industry.

--As early as the fifth consecutive month there was an increase in industry's labor productivity, as measured by the value of sales of products per employee; on the other hand, the total labor productivity in industry exceeded the productivity level of the same period of last year.

--There was a steady increase in the procurement of slaughter cattle and hogs, with a slight decrease in milk procurement and a considerable decrease in the procurement of eggs; simultaneously, there were unfavorable trends in animal breeding.

--Both in comparison with September of last year and August of this year, there was an increase in exports and imports in trade with the socialist and capitalist countries.

--There was a continued domestic market imbalance, with deliveries meeting the supply requirements of ration cards; at the same time, in the [domestic] market there were shortages of other articles, particularly shoes and clothing.

Sales of products of socialized industry (in constant prices) in September, both during an actual and comparable work time, increased by approximately 4 percent in comparison with September of last year. During this period, the mining industry production increased by approximately 7 percent. Also in September there was, for the first time this year, an increase of approximately 3.5 percent in the processing industry production. There was a steady growth tendency in the small-scale industry.

In comparison with August of last year, sales of products in September of this increased by approximately 7 percent. The increase in industrial production was due to favorable [production] results in the coal, fuel, energy, nonferrous metals, precision, transportation means, construction materials, whiteware, paper, leather, and printing industries. In the above sectors there were increases in production ranging from 5 to 22 percent. Production in the iron metallurgy industry, and in the machine, chemical, clothing, and food industries, was also higher than in September of last year. There was a slight decrease in production, as compared with September of last year, in the metals, electronics, electrical, and glass industries. In the textile industry there was a considerable drop in production.

During the three quarters of the current year, sales of products of socialized industry were approximately 5 percent lower, whereas the decrease in production during the first half of this year was 8 percent, and in the first quarter of this year it amounted to 11 percent--in comparison with an analogous period of last year.

Beginning in May of this year, labor productivity, as measured by sales of products (in constant prices) per employee, was higher than in analogous months of last year, which resulted in a total increase of approximately 1 percent in productivity as compared with an analogous period of last year. In September of the current year, labor productivity in industry was approximately 10 percent higher than in September of last year.

In agriculture, local rains, which fell at the end of September of this year, improved autumn farm work conditions in the central and eastern regions of our country, while soil drought persisted in the remaining areas. By the end of September of the current year, winter grains had been planted in an area of approximately 2.2 million hectares, i.e., in approximately 46 percent of the planned grains cultivation area. In root crops, potatoes were harvested from approximately 80 percent of the cultivation area; sugar beets were harvested from 12 percent of the cultivation area, due to the prolonged growing period of beets.

In the period from the beginning of the harvest to the end of September of this year, 2.3 million tons of consumer grains were procured from the 1982 crop. Grain procurement was approximately 80 percent higher than in an analogous period of last year. The grain procurement plan for second half-year of 1982 was fulfilled in 52.3 percent.

In September of the current year, there were continued unfavorable tendencies in animal breeding. There was evidence of a further decrease in the reproduction

of the hog population; simultaneously, there were further decreases in the prices of farm animals and a sharp increase in sales of sows to procurement centers. In comparison with August of last year, there was a slight seasonal decrease in the prices of grains, while at the same time, there was a relatively large increase in potato prices due to poor potato crop.

Procurement of slaughter livestock, in conversion to meat as weighed after slaughter, in the January-September period of this year amounted to 1,395 thousand tons and was 4.6 percent less than procurement which had been achieved during the same period of last year. In September of this year, as compared with September of last year, slaughter livestock procurement was 7.4 percent more, the increase in slaughter cattle procurement amounting to 54.5 percent and the decrease in slaughter poultry procurement amounting to 77 percent. Milk procurement during the three quarters of the current year amounted to 7,212.4 million liters and was 0.7 higher than during an analogous period of last year; on the other hand, in September it showed a decrease of 3.0 percent. Egg procurement decreased by 13.9 percent during the three quarters, while in September it decreased by 33.0 percent, as compared with corresponding periods of last year.

The basic production of socialized construction and assembly enterprises in September of this year was 3.3 percent lower than in September of last year, but was 5.4 percent higher in August of this year. During the three quarters of the current year 75.5 thousand apartments were made available for use, i.e., 52.1 of the yearly plan and 23.6 percent less than in the same period of last year. In September of this year, 11.9 thousand apartments were made available for use.

Freight shipments by socialized transportation enterprises amounted to 92.2 million tons in September of this year and were 10 percent less than in September of last year; of these, railroad shipments decreased by 1.0 percent and motor vehicle shipments decreased by 17.6 percent. During the three quarters of this year, despite an increase in coal shipments from mines, freight shipments continued to be less than last year, railroad shipments showing a decrease of 2.5 percent and motor vehicle shipments showing a 25.5 percent decrease.

During the January-August period of this year, socialized enterprises (excluding agricultural ones) showed profits amounting to 913.1 billion zlotys and losses amounting to 112.4 billion zlotys, as a result of which the favorable financial result amounted to 800.7 billion zlotys.

Enterprises still continue to be subsidized heavily from the state budget. Additional payments from the budget, mainly in the form of subsidies, amounted to 505.8 billion zlotys in the January-August period of this year; of this amount, 251.8 billion zlotys represented subsidies to industry, chiefly to enterprises of the dairy industry, meat industry, milling industry, hard coal industry, and iron and steel industry.

In the foreign trade turnover in September of this year, calculated in current prices, exports increased by 25.7 percent and imports increased by 14.1 percent

as compared with September of last year. During the three quarters of this year, as compared with the same period of last year, exports increased by 5.5 percent and imports decreased by 12.9 percent.

In trade turnover with the socialist countries in September of this year, exports amounted to 48.2 billion zlotys, and imports amounted to 48.8 billion zlotys. In comparison with September of last year, exports increased by 28.0 percent and imports increased by 17.6 percent. During the three quarters of this year, exports to the socialist countries amounted to 343.4 billion zlotys, and imports amounted to 374.2 billion zlotys.

Exports to the capitalist countries in September of this year amounted to 47.4 billion zlotys, and imports amounted to 33.3 billion zlotys. In comparison with September of last year, exports increased by 23.5 percent and imports increased by 9.3 percent.

During the three quarters of the current year, exports to the capitalist countries totaled 311.4 billion zlotys, and imports totaled 224.4 billion zlotys. As compared with the same period of last year, exports decreased by 2.9 percent and imports decreased by 30.3 percent.

In September of this year, a total of approximately 7,711 thousand persons were employed in the basic sectors of the socialized economy: in industry, construction, transport and communications, as well as in trade; this figure represented, in comparison with September of last year, a decrease of 4.8 percent. As compared with August of this year, this total increased by 21.1 thousand persons, i.e., by 0.3 percent.

In September of this year, the average monthly pay, including employee compensation (but excluding compensation for family members) in the above four basic sectors was 11,656 zlotys and was 3,353 zlotys more, i.e., 40 percent, in comparison with September of last year.

Retail sales of goods by units of socialized economy (in current prices) in September of this year amounted to 234.2 billion zlotys, which represented an increase of 86 percent in comparison with September of last year.

In comparable prices, retail sales of goods during the three quarters of the current year were approximately 19 percent less than sales in an analogous period of last year. Food sales decreased by approximately 16 percent, sales of nonfood articles decreased by approximately 22 percent, and liquor sales decreased by approximately 8 percent.

According to data for August of this year, the cost of living index for employee families and for families of pensioners and annuitants was at a slightly lower level than in July of this year. This was due to a seasonal decrease in the prices of vegetables, potatoes, and fruit, and also to inhibition of increases in the prices of these agricultural products as a result of restrictions on the maximum profit margin in socialized and private trade.

During the eight months of the current year, cost-of-living indexes for families of persons employed in socialized economy rose by approximately 104 percent, for peasant families by approximately 108 percent, and by approximately 116 percent for families of pensioners and annuitants, as compared with an analogous period of last year.

## Improvement In Large Enterprises

Warway ZYCIE GOSPODARCZE in Polish No 39, 17 Oct 82 p 4

[Article: "Some Improvement is Noted in Large Enterprises"]

[Text] The Main Statistical Office [GUS] is making a study of 60 selected large enterprises which represent the basic sectors of the processing industry. This is quite a large sample, because it represents approximately 16 percent of the value of [product] sales of socialized industry and 12 percent of all its employees.

From information which has been collected in these enterprises a conclusion can be drawn that in September of this year their total sales were 12.9 percent higher than in August and were higher than in September of last year. In August of this year, the value of sales in these enterprises was also higher than in July of this year (by 8.2 percent) but it still showed a decrease in comparison with an analogous period of last year.

The averages are naturally a resultant of production increases and decreases in the polled enterprises.

An increase in production occurred in 42 (out of 60) enterprises, including: the Lenin Shipyard in Gdansk; the Warski Shipyard [in Szczecin]; the Paris Commune Shipyard in Gdynia; the General Swierczewski "Zamech" Mechanical Works in Elblag; the "Radoskor" Shoe Factory in Radom; the M. Kasprzak Radio Plant in Warsaw; the District Meat Industry Enterprise--Meat Plant in Bydgoszcz; the "Chelm" Cement Plant; the "Nowiny" Cement and Lime Plant in Sitkowka.

A decrease in production occured in 18 enterprises, including: the 22 July Confectionery Plants--Main Plant in Warsaw; the "Miedzychod" Fruit and Vegetable Processing Plant; the 1905 Revolution Fighters "Pamotex" Cotton Textile Plant in Pabianice.

In the January-September period of this year, however, sales in the polled enterprises were 5.2 percent lower (in comparison with an analogous period of last year). Production decreased in 37 enterprises, including: the 1905 Revolution Fighters "Pamotex" Cotton Textile Plant in Pabianice; the Lenin Shipyard in Gdansk; the 22 July Confectionery Plants--Main Plant in Warsaw; the "Polmo" Passenger Car Factory in Warsaw; the "Stomil" Rubber and Tire Plant in Grudziadz.

Production increased in 33 enterprises, but increased over 50 percent in: the A. Warski Shipyard in Szczecin and in the Paris Commune Shipyard in Gdynia

(over 2 times); the "Radoskor" Shoe Factory in Radom (56.4 percent); the "Podhale" Shoe Factory in Nowy Targ (by 50.8 percent).

Temporary limitation of production capacity for a period shorter than to the end of 1982 occurred as a result of difficulties in obtaining supplies of raw materials and other materials, in 7 enterprises out of the 60 polled, including 4 chemical industry enterprises. An estimated decrease in the value of production on this account amounted in September to 1,781 million zlotys, which represented 16.1 percent of the value of sales of products of these enterprises; on the other hand, in August of this year it was 1,653 million zlotys, which represented 15.6 percent of the value of the production of these enterprises.

The number of persons employed in September of this year, as compared with September of last year, was 7.6 percent lower; on the other hand, in the January-September period, as compared with an analogous period of last year, the number of persons employed was 7.8 percent lower, while, at the same time, there was a 5.2 percent decrease in production. The value of industrial product sales per employee in the January-September period of this year as compared with an analogous period of last year, increased by 2.7 percent. It is worth noting that the number of persons employed was regarded as insufficient by 47 enterprises out of 60 polled. In 15 enterprises it is anticipated, moreover, that in October of this year there will be a reduction in the number of employees.

Most of the polled enterprises do not anticipate any change in the economic situation in October of this year as compared with September of last year. It is anticipated that in 15 enterprises the sales situation will be more favorable; on the other hand, 13 enterprises will experience greater difficulties in obtaining material and coproduction supplies than they did in September of last year.

9577
CSO: 2600/43

# ORGANIZATIONAL CHANGES IN AGRICULTURE MINISTRY NOTED

## Ministry Personnel, Departments

Warsaw PRZEGLAD HODOWLANY in Polish No 4-5, Apr-May 82 pp 10, 11

[Compiled by Henryk Piekut]

[Text] I. Division of Tasks Among Management Members

1. Minister of Agriculture and Food Economy--Master Engineer Jerzy Wojtecki:

--setting forth the basic directions of agricultural and food economy development, establishing general principles for policy and implementation of ministry tasks;

--formulating the management system and organizational structures, esecuting the cadre and awards policy, cadre training and improvement;

--setting forth the directions of cooperative work with other nations.

2. Undersecretary of State, First Vice Minister of Agriculture and Food Economy--Prof Dr. hab. Jan Zaleski:

--assuring food industry development and productivity;

--development of agricultural science and education, coordination of scientific-research work;

--supervision of the introduction of economic reforms in the ministry.

3. Undersecretary of State--Dr. hab. Henryk Burczyk:

--assuring the development of crop and animal production and procurement;

--veterinary medicine;

--dissemination of progress in agriculture.

4. Undersecretary of State--Prof Dr. hab. Zdzislaw Grochowski:

--programming and planning the development of agriculture and the food economy, analysis of production outcomes and implementation of plans;

--formulation of price, payment and employment policies in the ministry, analysis of production costs and the economic profitability of agriculture and the food economy;

--formulating economic systems and economic tools for guiding the development of agriculture and food processing.

5. Undersecretary of State--Master Engineer Andrzej Kacala:

--affairs concerned with the development of technical service to agriculture and with land reclamation and supply of water to agriculture and rural areas;

--management of machines, means of transportation and equipment, fuel-power management, organization of the transport of agricultural products and food articles;

--land management.

6. Undersecretary of State--Master Engineer Stanislaw Szczepanski:

--accounting of agricultural goods and food processing;

--supplying food articles to the domestic market;

--food imports and exports;

--management of packaging and secondary raw materials, warehouse management.

7. General Director of the Ministry--Master Engineer Zdzislaw Stencel:

--water management and irrigation;

--flood protection;

--investment policy in the area of construction in the ministry, supply of materials.

II. Basic Areas of the Departments' Activities

1. Ministry Cabinet--Director Master Andrzej Nowak:

--coordination of matters connection with the Minister's execution of his functions and responsibilities with regard to the organs of authority and government administration;

--legal and organizational matters, matters of complaints and proposals and of ministerial inspection, coordination of cooperative work with other nations.

2. Cadre and Training Department--Director Master Wojciech Szyszkowski:

--workers' personal affairs, cadre policy in organizational units subordinate to the Minister;

--cadre training and improvement, employment of workers abroad.

3. Department of Crop Production and Procurement--Director Dr. Engineer Zenon Kazmierczak:

--formulating principles for increasing crop production (field, garden and on perennial green arable land);

--contracting and procurement of crop articles, accounting of crop production, seed management.

4. Department of Animal Production and Procurement--Director Dr. Engineer Jozef Luchowiec:

--formulating principles for animal production development, genetic improvement of animals, formulating principles assuring an increase in animal production;

--contracting and procurement of farm animals and animal products, accounts of animal production, fodder management.

5. Food Processing Department--Director Master Engineer Barbara Traczyk:

--development of processing industries, formulating principles assuring an increase in the production of food articles;

--production technology, norms of loss in the production process, management of raw materials and products.

6. Department of Trade Accounts and Sales--Director Master Stanislaw Jankowski:

--trade accounts of agricultural-food articles, supply of food articles to the domestic market, import and export of food articles;

--engineering material supply in the ministry, utilization of secondary raw materials.

7. Economics and Planning Department--Director Master Engineer Kazimierz Placzkiewicz:

--forecasting, programming and planning of the development of agriculture and the food economy and of individual divisions and sections, economic analyses, statistics and reporting;

--formulating economic systems and tools, guiding agriculture and the food economy, price policies.

8. Department of Finances and Reassessments--Director Master Mieczyslaw Gega:

--financial and credit policy of the ministry's organizational units, formulating the agriculture and food economic budget, financial accountancy and reporting;

--coordination of economic reassessments, analysis of the functioning of the economic-financial systems.

9. Department of Working Conditions--Director Master Ryszard Goclawski:

--employment and pay policies in the Ministry, collective work agreements;

--social affairs, industrial safety and hygiene.

10. Technology and Transportation Department--Director Master Engineer Wojciech Ratynski:

--mechanizing and energizing production, technical progress, management of technical equipment, fuel-power management, repair management, technical services, supply of technical equipment and spare parts;

--management of transportation in the ministry, transport organization;

--rationalization and inventiveness, patent protection and expertise.

11. Department of Land Management and Farm Equipment--Director Master Engineer Jan Klopotowski:

--supervision of land management in the merger area, protection and recultivation, classification, records of soils, property sales on commune tracts;

--affairs connected with publishing, annulling, or changing administrative decisions connected with land management.

12. Department of Water Management, Land Reclamation and the Water Supply to Agriculture and Rural Areas--Director Master Engineer Waclaw Redlinski:

--programming and planning water management and irrigation and water management, programming and planning land reclamation and the supply of water to agriculture and rural areas, analyzing the implementation of plans and programs;

--managing water resources and meeting the water needs of the national economy, analyzing the implementation of plans and programs;

--administering the building objectives of water management, flood protection.

13. Department of Programming and Investment Policy--the Department is headed by the General Director of the Ministry Master Engineer Zdzislaw Stencel:

--investment policy in the area of capacity construction in agriculture, formulating conditions promoting the development of construction, including individual construction in rural areas;

--policy in the area of projects and type classification, analyzing the activity of construction planning offices and construction enterprises, analysis of investment effectiveness.

14. Department of the Science and Education of Agriculture--Director Master Marian Brzoska:

--affairs of scientific-research institutions, coordination of scientific research and training work, planning cooperative scientific-technical work with other nations;

--agricultural education, implementing factors connected with pedagogical supervision of the agricultural educational system;

--dissemination of agricultural progress, conducting affairs in the area of standardization, quality and units of measure.

15. Veterinary Department--Director Dr. hab. Henryk Lis:

--communicable animal disease control, defining the principles and methods of protecting the health of animals, establishing the principles of research on slaughter animals and meat;

--sanitary-veterinary supervision of food and other articles of animal origin;

--tasks of veterinary pharmaceutics, production of veterinary medicines.

16. Administrative-Economic Department--Director Master Kazimierz Raclawski:

--financial, social, administrative and economic affairs of the Ministry, assurance of service to and protection of the Ministry's buildings.

## Changes, Enterprise Organization

Warsaw RADA NARODOWA GOSPODARKA ADMINISTRACJA No. 18, 4 Oct 82 p 23

[Text] The introduction of the principles of economic reform in the Agriculture and Food Economy Ministry is progressing. In the first stage of organizational changes the central administrative boards, associations and head offices were eliminated. Voluntary associations began to form, and 10 obligatory ones were created, too. The plenipotentiaries of the Agriculture and Food Economy Ministry called upon during the transition period for supervisory affairs and for coordinating the activity of enterprises in individual sections will also end their activity.

The new organizational structure of the Agriculture and Food Economy Ministry will comprise independent enterprises for which the Ministry is the promoting organ. They make up 54 associations, of which 27 are national--including 10 obligatory associations appointed for [year illegible] and implementing the tasks assigned at this time to them.

As for the enterprises which have already transferred or will transfer by the end of this year to the supervision of promoting organs in the provinces, they are grouped into 80 voluntary associations at the district level, and in part at the provincial level, as, for example, the PPGR [State Farm Enterprise] associations. Voluntary district associations have been set up in agricultural, water, and land reclamation construction, in the technical service to agriculture and in state farm enterprises.

So far eight enterprises remaining under the direct supervision of the Agriculture and Food Economy Ministry have not become members of associations. They are: the alcohol industry enterprise "Polmos", the light tin products enterprise "Opakomet", the Food Pest Control Enterprise, the industrial-agricultural combine "Fructopol" in Lublin, the Kalisz Food Concentrates Works, the Engineering Material Supply Enterprise, the Agricultural REsearch and Development Enterprise, and the Research and Development Center for Agricultural Construction.

Establishments of scientific-research and scientific-technical subsidiaries and a few other establishments remain under the minister's direct supervision.

Among the 1769 enterprises in the Agriculture and Food Economy Ministry which employ over a million workers, many have passed over to the area of local economic activity in accordance with the 28 Sept 1980 joint resolution of the Council of Ministers and the State Council which concerns expanding the local authority of the organs of state rule and administration. First 544 state farm enterprises were transferred to the supervision of the governors. Next 126 water construction and land reclamation enterprises and 218 agricultural construction enterprises were transferred. By the end of the year 370 enterprises of technical service to agriculture will be transferred to the governors.

The 27 associations of sector enterprises on a national level are made up of:

1. Two voluntary associations of farm and fishing enterprises--the National Association of State Farm Enterprises in Warsaw, and the National Association of State Fishing Farms in Warsaw;

2. Seven voluntary associations of the food and fodder industry enterprises--the Association of Confectionery Industry Enterprises in Warsaw, the association of poultry-breeding production enterprises "Poldrob" in Warsaw, the Association of Lard Industry Enterprises in Warsaw, the Association of Beer Industry Enterprises in Warsaw, the association of herb industry enterprises "Herbapol" in Warsaw, the Association of Potato Industry Enterprises in Poznan and the association of the state enterprises "Fructol" in Warsaw;

3. Eight voluntary associations of service to agriculture and investment enterprises--the Association of Enterprises of Electrification and Technical Service to Agriculture in Warsaw, the National Association of Agricultural Construction Enterprises in Warsaw, the association of enterprises of water supply to agriculture "Wodrol" in Warsaw, the Association of Water Construction Enterprises in Warsaw, the Association of Water Construction and Land Reclamation Enterprises in Warsaw, the Association of Offices of Land REclamation Projects in Warsaw, the association of the mechanization of animal production enterprises "Meprozet" in Warsaw, and the National Association of Enterprises of Engineering Service to Agriculture in Warsaw.

Ten obligatory associations--the Association of Meat Industry Enterprises in Warsaw, the association of corn-milling enterprises "PZZ" in Warsaw, the Association of sugar industry enterprises "Cukropol" in Warsaw, the Associationof the Fodder and Utilizing Industry Enterprises in Warsaw, the Association of Tobacco Industry Enterprises in Warsaw, the Association of Refrigerating Industry Enterprises in Warsaw, the Association of Enterprises of Animal Husbandry and Animal Sales in Warsaw, the association of enterprises of veterinary-zootechnical industry and supply "Biomet" in Warsaw, the Association of the Enterprises of Garden Crop Cultivation, Garden Seed Production and Nursery-Gardening in Warsaw and the Association of Crop Cultivation and Seed Production Enterprises in Warsaw.

The National Company of Food Concentrates Enterprises has also been established in Poznan.

9451
CSO: 2600/54

NEW DRAFT LAW ON FOREIGN VENTURES IN YUGOSLAVIA

Zagreb VJESNIK in Serbo-Croatian 30 Sep 82 DELEGATSKI VJESNIK supplement p 3

[Text] Changes and additions to the Law on Investments by Foreigners in domestic labor organizations will make it possible for those making such contracts to do so more freely in mutual undertakings.

The Agreement on Investment will establish the total amount of resources necessary for implementing the goals of the investment, with the stipulation that part of the needed capital can be obtained on credit.

The investment agreement may be made by a labor organization at the time of its founding, if its founders agree to it.

An organization of associated labor can use foreign exchange without limitations when they are invested by a foreigner, under the condition that they be paid from foreign exchange income realized by mutual operations.

The agreement on investment can be made in any language that suits the partners, but the domestic labor organization must see that it is translated.

To solve problems that previous practices have brought to our attention, and to enable domestic organizations of associated labor to cooperate more successfully on a long-term with foreign firms, the Federal Executive Council has prepared and transmitted to delegates of the Yugoslav Assembly for consideration a Draft Law on changes and additions to the Law on Investments of Foreigners in Domestic Organizations of Associated Labor (AS 61). The proposed changes and additions are intended to enable parties to such agreements to invest capital more freely in joint ventures. Innovations are also proposed that relate to the subjects of joint investments and the roles to be played. At the same time, the changes and additions to the law in force would not change the capital regime of the organization in which investments are being made.

The rationale for the Draft Law states that heretofore, on the basis of the current law, foreigners have invested capital in various areas and many agree-

ments have been concluded, which shows that there is interest for this form of long-term cooperation between Yugoslav organizations of associated labor and foreigners. In 1981, however, investments from countries of the European Common Market, the EFTA and the United States fell sharply. The number of agreements rose from 8 to 18, but very small investments were involved, so that the purpose of the investments came into question.

Foreign firms and their associations from the regions listed, the rationale continues, anticipate that that cooperation will continue to decline, for several basic reasons. Primarily, it will be because joint investments are not attractive since they do not bring the expected profits. Another reason is that the transfer of technology that accompanies investments of a foreign firm requires adequate guarantees, but the firm is unable to insist on details related to production based on that technology. A third reason is that protecting of patent rights in Yugoslavia is not assured in harmony with international obligations that are assumed. Finally, foreign firms believe that cooperation is falling off because the operations of Yugoslav organizations are too institutionalized.

Agreement on Foreign Capital Investments in Domestic Organizations of Associated Labor

The proposed changes and additions to the Law on Capital Investments of Foreigners in Domestic Organizations of Associated Labor anticipates that an agreement on the total amount of capital necessary for attaining the investment goals will be established and that the investors may obtain part of that capital on credit, with joint risk. The credit capital would be repiad by the domestic organization which received the invested foreign capital, from the income earned by joint operations, before its division among the parties to the contract.

As an innovation, the draft law suggests that the agreement may stipulate the development elements of the basic organizations of associated labor in which the investment is made and the portion that during the period the contract is in force are to be designated for personal and mutual consumption, for expanding the material basis of operations of such an organization and for forming capital reserves for joint operations.

Another innovation is a provision that anticipates that an agreement on investment may be concluded by a newly established labor organization if its founders agree.

A special provision provides that in case circumstances arise after the conclusion of an agreement that make its execution more difficult, or approval of a new regulation changes the operating conditions of a basic organization of associated labor that affect implementation of the agreement to large measure, the contracting parties may change or supplement the investment agreement. Such changes shall be approved by the Federal Committee for Energy and Industry, on the basis of a previously obtained opinion of the appropriate republic or province agency.

Use of Foreign Exchange Invested by a Foreigner

The proposed changes of the law in force also specify what is meant by decision-making on questions that relate to labor organization and operations and to increasing labor productivity. These refer to approval of decisions on the volume and structure of production by joint operations and the amount of capital needed for energy, raw materials, materials and other operating expenses, for current and capital maintenance, renovation and adaptation of basic investments for joint operations and the like, as well as sources for covering losses resulting from joint operations.

Provisions of the current law that relate to specifying conditions of establishing maximum levels of compensation for operations with invested capital are not included in the draft law. This change is intended to make greater freedom possible for such agreements. Specifically, the rationale states that remarks by investors have noted that such provisions create sharp limits on implementing investment agreements, because at the time agreements are made it is difficult to perceive and determine maximum limits for such compensation in accordance with capital accumulation in the domestic organization of associated labor, a particular group or branch of the Yugoslav economy or in world commerce.

As an innovation the draft law proposes that a basic organization of associated labor may use a foreigner's capital investment without restriction for purposes in the agreement, under the condition that the capital be repaid to the foreigner from foreign exchange income earned on the basis of that joint operation.

The Language of an Agreement

Another innovation is the provision that anticipates that an agreement on investment may be concluded using the language that suits the parties to the agreement, with the stipulation that the domestic organization must translate and authenticate it with the signature of an authorized individual in the organization of associated labor.

It is anticipated that changes and additions to an agreement that foresee supplemental smaller investments in the production of the same sort of products of an already approved agreement between the same contracting parties, will be approved by the Federal Committee for Energy and Industry on the basis of a previously obtained opinion from the suitable republic or province agency concerning the justification and need for the changes and additions.

Also proposed is the elimination of the article of the existing law that relates to the existence and responsibilities of the commission that gives opinions on an agreement for investment.

To better inform agencies and organizations on the concluded agreements, the draft law suggests that the decision on recording an agreement on investment be transmitted to organizations of associated labor, national banks of republics and provinces where the organizations making agreements are situated, responsible republic or province agencies, the Yugoslav Economic Chamber, the Federal Customs Office and republic and province self-management interest communities

for economic relations with foreign countries on the territory of which the contracting organization is situated. This provision expands the provision of the existing law that provides only for the obligation of the Federal Committee for Energy and Industry to inform the parties to the agreement and the appropriate republic and province agency on recording an investment agreement.

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CSO: 2800/11

YUGOSLAV AIR TRANSPORT IN FIRST HALF 1982

Belgrade TRANSPORT in Serbo-Croatian No 6, Jun 82 p 33

[Article by Prvoslav Milinkovic]

[Text] During the first 6 months of 1982, when Yugoslav Air Transport celebrated its 30th anniversary, 1,640,000 passengers, more than 11,000 tons of cargo and better than 500 tons of mail were carried. Despite difficulties in fuel supplies and foreign exchange liquidity problems, in the first 6 months of 1982 Yugoslav Air Transport realized traffic volume close to that of 1981. The number of passengers fell by 4 percent in comparison to the same period in 1981, but compared to the first half of 1980 the total number of passengers rose by more than 6 percent.

The total cargo in the first 6 months of this year grew by a quarter over the same period last year, and was 30 percent greater than in the first 6 months of 1980.

YAT airplanes in the first half of 1982 flew nearly 17 million kilometers, which approached the level of the same period last year and was 5 percent higher than the 1980 six-month total. This year the Yugoslav Air Transport fleet consists of:

13 DC-9-30s with 115 seats each;

9 B-727-200s with 167 seats each;

4 B-707-300s, two with 168 seats each and two with cargo configurations; and

2 DC-10-30s with 282 seats each.

Measured in available ton kilometers, in the first 6 months of 1982 YAT offered 325 million atkm, which is at the level of 1981 and 13 percent higher than in the first half of 1980. The volume of actual transport, measured as utilized ton kilometers, was 182 million utkm, 5 percent higher than in the first 6 months of 1981 and 33 percent higher than in the same period of 1980.

The relatively greater growth in utilization than in available service was made possible by increasing the use coefficient:

In the first 6 months of 1982, the coefficient of passenger cabin use was 58.9 percent (in 1981 the figure was 57.2 percent, and in 1980, 52.1 percent);

The coefficient of capacity used was 55.9 percent in 1982, compared to 53.7 percent in the first half of 1981 and 47.5 percent in 1980.

In terms of types of traffic, the volume of traffic in the first 6 months was as follows:

In regularly scheduled domestic traffic, more than 1 million passengers and 5,600 tons of cargo were carried. The number of passengers declined by 8 percent compared to 1981, while the cargo total grew by 23 percent.

In "Euromediterranean" regularly scheduled traffic, more than 400,000 passengers and 3,500 tons of cargo were carried. The number of passengers declined by 5 percent and the cargo total grew by more than 30 percent compared to 1981.

In regularly scheduled intercontinental traffic, more than 55,000 passengers were carried and 2,500 tons of cargo shipped. The number of passengers grew by 3 percent compared to the same period of the preceding year, while the cargo total was up by 11 percent. It is interesting to note that the transport work realized in carrying 55,000 passengers on intercontinental traffic totaling 540 million passenger kilometers was greater than the transport work in either domestic traffic, where 348 million passenger kilometers were provided, or in Euromediterranean traffic where 490 million passenger kilometers were provided to 408,000 passengers. This speaks for the high productivity of intercontinental traffic.

In charter traffic, YAT transported nearly 170,000 passengers in the first 6 months of 1982, which was one-third higher than the number carried in the same period of 1981.

Thus the physical indices for volume of work and utilization of YAT traffic in the first 6 months of 1982 show that traffic was stabilized in comparison with the preceding period, with a rather good coefficient of use. That should mean better traffic economics, but the very rapid growth in the highest expenses, such as fuels, airport taxes and overflight fees, and the rather gradual growth in income (with a mild fare increase compared to expenses) to a significant degree reduced the positive economic effects that could have been expected on the basis of the physical indices.

12131
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WEST EUROPEAN AID IN BUILDING FACTORIES FOR RETURNING WORKERS

Zagreb DANAS in Serbo-Croatian 6 Jul 82 pp 22-23

[Article by Milovoj Pasicek: "Foreign Capital for the Excess Ones"]

[Text] An unusual news item went around the world quickly. It was also published by some of our newspapers. A certain shipyard in Sweden got into financial difficulties, and so the owners sought a solution in discharging the "excess" workers, especially foreigners. These included about a hundred Yugoslavs. The Swedish employers were surprised when our countrymen told them that they wanted to go home, but that the only problem was apartments. In fact, they believed that they would certainly find work in their specialty. Then a small miracle happened. The Swedes promised to buy them apartments, and furthermore assist them in obtaining employment in Yugoslavia. They did what they had promised, and this is why the news went around the world.

We have reported this unusual case in our introduction in order to show as clearly as possible the extent to which the so-called immigration countries like Sweden have begun to work seriously on resolving the very complex problems of unemployment, not just looking in their own back yards, but also beyond their borders, in the countries from which a labor force has been coming to them for years.

Naturally, our country is one which still has about 670,000 workers working temporarily in the developed countries, and is thus quite interested in this kind of division of responsibility in guiding worker migrations and ensuring an equilibrium in the European labor market. This is especially true at a time when no one is indifferent any more to what is going on in employment, because it now has the elements of a serious crisis. This is indicated by the fact that last year there were more than 25 million unemployed in the OECD countries alone.

Fund Number 2

Thus, the returnees are becoming a joint concern of both the country of immigration and the country of emigration. This was also stated in mid-April this year in Belgrade at a Yugoslav-Swedish round table on economic cooperation, or more precisely, a discussion concerning the establishment of a

Yugoslav-Swedish development fund. These funds would be used to finance the opening of new jobs in our country, and a considerable number would be reserved for our countrymen who are planning to return from Sweden. In the future, this fund should make it possible for favorable credits to be used to support investments by businessmen from both Sweden and Yugoslavia in the production programs of the undeveloped and high-emigration areas of Yugoslavia. Thus, the investments are joint, but the selection of what will be built is also a joint one.

It should be noted, however, that this is only the latest step in the already organized course of our cooperation with several countries. Yugoslav businessmen have not concealed this course. On the contrary, we were the first country in Europe to form a Fund for Financing Increased Employment in the Economically Underdeveloped and High-Emigration Areas of the SFRY (abbreviated as the Fund for Employing the Returnee Workers, and also as Fund Number 2).

This fund operates as part of the Fund for the Development of the Underdeveloped Republics and Kosovo. Although it was founded in 1978 and has actually been working for less than 2 years, its results are such as to encourage both our guest workers abroad and the governments of the countries in which they are employed. A considerable amount of foreign capital and domestic funds has already been collected and used to construct two new factories; the construction of another six is to begin soon.

FMO Leaders

Thus far the Fund for Employing the Returnee Workers has cooperated best with the Dutch Financial Society for the Developing Countries [FMO], which is headquartered in the Hague. Among the 14 million inhabitants of the Netherlands there are only 10.5 thousand Yugoslavs, which is only 1.5 percent, but in spite of this, this friendly country has not hesitated to give us a considerable amount of nonreturnable funds and favorable credits for the construction of various economic installations in the undeveloped areas of Yugoslavia. It is thus helping in a very straightforward manner to resolve the issue of unemployment and of bringing our people back home more quickly.

Back in 1978, the Netherlands helped to build two factories in our country, the enamel dishware factory in Struga (Macedonia) and the decorative paper factory in Rozaj (Montenegro). The total allocation that had to be made in Struga was about 120 million dinars, and in Rozaj, about 115 million dinars. We received nonreturnable funds from the Netherlands in the amount of 6 million guilders (about $2.3 million), and the rest was obtained from the Fund for the Development of the Underdeveloped Republics and Kosovo. The factories have been completed and about 180 new workers have been employed in them.

We have stated that another six factories will be built in Yugoslavia with the help of the FMO, but instead of nonreturnable aid, the FMO is providing credits for them under very favorable conditions. These are credits with a repayment period of up to 15 years, while the initial payment can be

postponed for three years after the factory has begun production; the interest rates are only 5 to 8 percent.

1500 New Jobs

After the experts from the Belgrade Fund for Employing the Returnee Workers collected good projects in the republics and provinces and offered them to the FMO, six of them were approved. In Prnjavor (Bosnia-Hercegovina), the children's clothing factory is operating successfully, and next to it one more section will be built. The investment is to cost 167 million dinars, and when the section is finished 132 new workers will find employment in it. It is not yet known how much, but the FMO will help with a favorable credit.

Slovenia will also use an FMO credit. It is not yet known for certain whether the $2.5 million of the favorable credit will be used for the construction of a factory for processing fruits and vegetables, which would operate as part of Pomurka in Murska Subota, or for a factory for plumbing equipment in Stari Trg. It is estimated that this is a $250 million investment, and 132 workers will also be employed in this case.

About 165 new workers should find employment in Zablje (Vojvodina), where a metalworking steel factory section will be built at the Majevic steel factory in Backa Palanka. The value of the investment is $140 million, and the FMO will assist with a credit of $1.4 million.

Due to assistance from the FMO in the form of a $1.6 million credit, a factory for special sanitary equipment from quartz sand is to be built in Lipljan (Kosovo). It will employ 75 people, and the investment is 116 million dinars.

A hundred million dinars have to be obtained for the construction of a factory for equipment for the ventilation of stall areas, which Sever in Subotica intends to build in Srpska Crnja (Vojvodina). It will employ about 750 people, and the FMO will participate with $2 million in credits.

The FMO intends to allocate a $2 million credit as well for the construction of a factory for fittings and valves in Imotsi (Croatia). This factory from Djuro Djakovic in Slavonski Brod will employ 150 workers, and the entire installation will cost about 300 million dinars.

Others Are Following the Example

West Germany, Austria, France, Denmark, and other countries where a considerable number of our people are employed at first viewed the Netherlands' example with reservations, but then here and there initiatives were begun for similar cooperation with Yugoslavia.

Among the first of these, cooperation was established with the Danes, with the organization IFU [Fund for the Industrialization of the Developing Countries]. The IFU has already agreed in principle to provide $7 million in financing for the construction of a factory for rubber mining transport

tracks in Kalesija (Bosnia-Hercegovina, Kosovo, Montenegro, and Macedonia. At least some of these will probably be financed by the Danish partner.

France will also join in this useful action for curbing unemployment. The Ministry of Labor has already been sent three programs for the construction of industrial sections in Serbia. It is amazing, however, how other countries where most of our people are living and working, especially Austria, Switzerland, and West Germany, have so far not become involved in this. For example, about 400,000 of our workers are working in West Germany but so far these has been no cooperation in the construction of new shops in Yugoslavia; probably when West Germany becomes involved, Belgium and the countries which are so far more or less remaining silent will start moving.

At any rate, after the April talks in Belgrade on Yugoslav-Swedish cooperation, Sweden was sent more than ten diverse proposals for the construction of production shops. Something will certainly be done. This is the reason for the daring prediction that by the end of this five-year plan, about 20 economic installations with about 6000 new jobs will be built in Yugoslavia through such cooperation.

The Future

Bringing our countrymen back home as soon as possible, and with the aid of foreign capital, sounds like a beautifully turned phrase. Due to the Fund for the Employment of the Returnee Workers, however, this is a reality which is promoting an increase in our exports. Judging by the Fund's plans, the outlook for employment in our country does not seem so bad; and there is something else that is very much in our favor.

An initative has been begun to have the Fund for Employing the Returnee Workers, or as some people call it, Fund Number 2, join the European Fund for Reintegration. If these negotiations are successful,--and all the conditions exist for this--every year we will be able to use more than $40 million from this European fund. Naturally, these are again favorable credits, which, it is estimated, would be sufficient, together with the funds of the Fund for the Development of the Underdeveloped Republics and Kosovo, to build ten small factories and other economic installations in Yugoslavia each year. This would also mean several thousand new jobs in all areas of our country.

The money is thus available, possibly even more than there are good projects. We say this because some projects are late, and some are deficient and superficial; such projects naturally do not pass through the sharp scissors of the creditors. The Belgrade Fund for Employing Returnees, the only one in Europe, is receiving projects from the republics and provinces; this means that the ones at the base should be more seriously concerned with what is being offered and how, so that we do not undermine the standing that we have achieved in the eyes of our friends from the Dutch FMO, or some other financial society, because as a result of its good work, the eyes of the countries that have problems similar to ours are already turned toward our Fund for Employing Returnee Workers.

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# East Europe Report

## ECONOMIC AND INDUSTRIAL AFFAIRS

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26 November 1982

# EAST EUROPE REPORT

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2341

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NEW ORDINANCE DETERMINES FORMATION OF PRICES

Sofia DURZHAVEN VESTNIK in Bulgarian 14 Sep 82 pp 889-904

[Decree No. 32 of the Council of Ministers, dated 10 August 1982, on the adoption of a price ordinance, signed for the chairman of the Council of Ministers by Stanish Bonev, and by the chief secretary of the Council of Ministers, Ivan Shpatov]

[Text] For the purpose of implementing party and state policy in the area of prices and price-setting, for their effective use and application in consistently implementing the economic approach in all spheres and sectors of the national economy, and for the purpose of strengthening state price discipline, the Council of Ministers hereby decrees, as follows:

Article 1. It hereby adopts a Price Ordinance.

. . .

Article 4. (1) All price questions which are within the competence of the executive committees of the okrug people's councils shall be concentrated in the Price and Price-Control Sections in the executive committees of the okrug people's councils. The Main Price Administration shall effect methodical supervision of these sections.

(2) The executive committees of the okrug people's councils shall before 30 September 1982 make a survey of the accomplishment of the price and price-setting tasks in the obshtina (rayon) people's councils and take the necessary measures for their systematic accomplishment.

Article 5. The executive committees of the okrug people's councils, jointly with the control agencies of the Ministry of Internal Trade and Public Services, the Central Cooperative Union and the State Committee for Tourism, shall intensify their control activity for the proper enforcement of prices at the trading facilities and public food-service establishments, in workrooms for municipal and domestic services for the public, and in the purchase of the output of agriculture.

Article 6. It suggests to the Central Council of Bulgarian Trade Unions, the National Council of the Fatherland Front and other public organizations that

they independently or in cooperation with the state price agencies concerned, organize systematic control of price compliance in organizations and subordinate units serving the public.

## PRICE ORDINANCE

### Chapter I. STATE PRICE AGENCIES

Article 1. This ordinance comprehensively regulates price-setting and prices in accordance with the prescriptive documents governing the application of the economic mechanism, approved by Decree 53/1981 of the Council of Ministers, the competence of state and economic agencies in the area of prices and price-compliance control, and the prescriptive price-setting documents.

Article 2. The state price and price-setting agencies are: the Council of Ministers, the Ministry of Finance, the Main Price Administration in the Ministry of Finance, ministries and other departments, and the executive committees of the okrug and obshtina people's councils.

Article 3. The Ministry of Finance shall conduct state policy in the price and price-setting area in conformity with the prescriptive enactments and the basic principles and programs adopted by the Council of Ministers regarding the development of the price system in general and broken down by sectors of the economy, by:

1. Supervising, coordinating and controlling price-setting and price-approval activity;

2. Formulating drafts of planned price changes;

3. Approving the apportionment of the differences between temporary and regular prices, minimum and maximum prices and the additions to prices on behalf of the state budget and the economic organizations.

Article 4. (1) The Main Price Administration in the Ministry of Finance is a specialized price and price-setting agency. Its head is directly subordinate to the Minister of Finance.

(2) The Main Price Administration:

1. Approves the prices of specific goods and services and ratifies the prices determined by other agencies in conformity with the planned changes adopted by the Council of Ministers;

2. Approves the standards and conditions for setting the prices of goods and services for which the prices are determined or negotiated by other agencies and organizations;

3. Issues directives on price-setting methods;

4. Participates in the formulation of proposals regarding the directions to be taken in the setting of contractual prices in reciprocal trade and according to agreements both with CEMA-member countries and with other countries;

5. Rescinds or halts the application of prices not determined in accordance with the established procedure;

6. Delegates the review and amendment of prices determined by other agencies;

7. Solves price disputes between ministries, other departments, economic and other agencies and organizations;

8. Helps raise the qualifications of price and price-setting cadres in state and economic agencies and organizations by--jointly with ministries, other departments, executive committees of people's councils and economic organizations--organizing postgraduate training of specialists, courses, schools, seminars etc.; issuing compendiums of prescriptive documents, bulletins, lectures, advice etc.; and arranging for the exchange of Bulgarian and foreign positive experience.

Article 5. Ministries, other departments and the executive committees of okrug people's councils shall conduct state price policy in the sector and spheres of activity supervised by them by:

1. Participating in the formulation of planned corrections of prices and long-term programs for the development of the prices of the output of the sector supervised by them;

2. Determining and registering the prices of goods, services and types of jobs in conformity with their defined competence;

3. Arranging for a study of the effect of prices on the sale of the output of the sector in question;

4. Formulating suggestions for providing price incentives for scientific and technical progress, for the production of efficient goods and services for export and for the domestic market, for cost-cutting and quality-upgrading of output;

5. Participating in the solution of price disputes between economic organizations within their system;

6. Arranging for the continuing training of cadres in the price and price-setting sector;

7. Furthering the development of public price and price-setting control in the sector.

Article 6. The executive committees of obshtina and rayon people's councils shall:

1. Determine the prices of goods, services and types of jobs in conformity with their defined competence;

2. Solve price disputes between economic organizations, subordinate units thereof, and individuals in their territory when goods and services are sold to the public and to state and public agencies and organizations.

Chapter II. PRICE-DETERMINATION PROCEDURE

Article 7. (1) The Council of Ministers shall approve the prices of goods and services in conformity with List No. 1 (Appendix No. 1).

(2) The Main Price Administration in the Ministry of Finance shall approve:

1. The prices of goods and services in conformity with List No. 2 (Appendix No. 2);

2. The prices of goods and services on an expanded schedule and the prices of goods and services that are new in type and assortment, prices for which are approved by the Council of Ministers.

Article 8. Ministries and other departments shall approve:

1. Prices for the major overhaul of machinery, apparatuses and equipment and repair jobs of construction and installation performed by the economic organizations within the sectors and spheres of activity supervised by them;

2. Prices for the servicing of locally made and imported machinery, equipment, apparatuses and appliances, performed by economic organizations--excluding services for the public--in the sectors and spheres of activity supervised by them;

3. The prices of specific output and services connected with their activity, in accordance with a schedule coordinated with the Main Price Administration;

4. The prices for spare parts intended for the repair and maintenance of machinery, appliances and equipment, performed by the economic organizations within the sectors and spheres of activity supervised by them.

Article 9. Individual ministries, other departments and public agencies and organizations shall respectively approve prices, as follows:

1. Ministry of Transportation--mooring and airfield fees; ship docking fees; prices of services performed by rural aviation; prices of services performed by agricultural aviation; prices of transportation-and-forwarding and comprehensive transportation services; rate schedules for transshipments; prices of the services of the specialized detachment; agent fees; ship-chartering and servicing fees; rental fees for onshore facilities and floating craft; prices for the services of ports and other units; fueling of ships and aircraft; rate schedule for passenger carriage by Bulgarian freighters and passenger ships in international traffic, prices for which are not approved by the Council of Ministers of the Main Price Administration;

2. Ministry of Internal Trade and Public Services--the prices of reusable containers in commercial circulation and the charges for services performed by trade organizations in the fulfillment of their principal activity;

3. Ministry of Foreign Trade--prices of the services performed by foreign trade organizations in the Bulgarian commercial and industrial pavilion;

4. Ministry of Public Health--prices of serums, vaccines and other similar biologicals for human purposes; locally made nutrient media and materials for laboratory diagnostics; prices of services in health-care and social institutions, sanatoriums and health resorts; fees for hospital, polyclinic, sanatorium and health-resort care of foreign citizens in the country; cosmetic medical services;

5. Ministry of Forests and Forest Industry--prices for trophies of game animals and birds shot by foreign hunters and for services in connection with the hunting and fishing they do, jointly with the Bulgarian Hunting and Fishing Union;

6. State Committee for Science and Technical Progress--the rate schedule for scientific-and-technical and technological information; the rate schedule for state inspection and state testing of weights and measures; the rate schedule for state testing of products, raw materials and supplies;

7. Committee for Culture--specific prices of admission tickets for theaters, cinemas, concerts, operas and operettas, circuses and other cultural events; the prices of imported printed matter (books, newspapers, magazines etc.), as well as printed matter sold by cultural and information centers; the prices of periodicals, jointly with the departmental publisher; the charges for the leasing of capital assets and performance of services by Bulgarian Radio and Bulgarian Television; the prices of photographic services; the prices of standard blank forms; the charges for leasing of premises and instruments; the prices for theatrical scenery; charges for library and bibliographic information;

8. Central Council of Bulgarian Trade Unions--prices of social-recreation and touring maps; prices of services rendered at holiday homes etc.;

9. Central Council of Bulgarian Union for Physical Culture and Sport--rental fees for use of gymnasiums, stadiums, playgrounds, physical-culture and sport equipment, devices and appurtenances; specific prices of admission tickets for republic and international sports meets and events;

10. Central Council of Bulgarian Tourist Union--prices for overnight stays at hostels, shelters and tourist facilities operated by it; charges for tourist services; rental fees for tourist equipment and for appliances and appurtenances managed by it;

11. Central Union of National Agroindustrial Union--prices of varietal stock, seed grain and plants; rental fees for agricultural implements; charges for agricultural types of work (tillage, spraying etc.); prices of locally made

serums, vaccines and other such biologicals for veterinary purposes; prices of breeding animals, veterinary fees, and charges for services performed by breeding centers.

Article 10. The executive committees of okrug people's councils shall approve:

1. Prices of goods produced by local and cooperative industry, joint-products workshops, agroindustrial complexes, workshops attached to educational institutions etc., goods intended for sale to the public by groups in conformity with List No. 3 (Appendix No. 3). The specific designations of goods and services on this list, as well as the turnover tax rates for them shall be approved by the Minister of Finance. The prices of the goods and services on List No. 3 (Appendix No. 3) that are approved or recorded by the executive committees of okrug people's councils and of the capital city people's council are ceiling prices. Economic organizations may negotiate lower prices;

2. Specific prices of fruits and vegetables within the limits of the ceiling prices fixed by the Ministry of Finance--Main Price Administration, prices of pickled vegetables for the domestic market, and ceiling prices of hothouse fruits and vegetables;

3. Rental fees for lecture halls (excluding cinemas), other premises and places for one-time or short-term use;

4. Prices of admission tickets and subscriptions to sports events and meets of "B" and "C" republic and okrug groups;

5. Prices of goods and services costing more than 200 leva per piece of work, including cost of materials, produced and/or performed by economic organizations to the one-time order of the public, for which there is no price approved by other price agencies;

6. Prices of stone, sand and gravel, ceramic products, bricks, roof tiles etc. and of processed stone and construction materials made by local and cooperative industry, agroindustrial complexes and other agricultural organizations;

7. Prices for overnight stays at hotels, motels, bungalows etc. run by state and public organizations, excluding those for which prices are determined by other agencies;

8. Prices of spare parts intended for the repair and maintenance of machinery, appliances and equipment which are produced by enterprises in local and cooperative industry in the okrug's territory;

9. Prices of repair and construction work for the public and institutions.

Article 11. Economic producer organizations shall fix and negotiate prices for goods and services in conformity with the edicts of this ordinance and with the price-setting norms and conditions established for them by the state agencies concerned.

Article 12. The prices of goods that are new in respect of type and assortment shall be determined by state price agencies in conformity with the legal competence granted them.

Article 13. (1) In the formulation of proposals and in the determination of the prices of goods and services for the public, state price agencies shall effect the closest collaboration and cooperation, as follows:

1. The Ministry of Finance, Main Price Administration, ministries and other departments--with the Central Council of Bulgarian Trade Unions, the Ministry of Internal Trade and Public Services, the State Committee for Tourism, the Central Cooperative Union, and the Main Administration for Standardization under the State Committee for Science and Technical Progress;

2. The executive committees of okrug and obshtina people's councils--with okrug and obshtina governing bodies of trade unions and with trade, tourism and public-service agencies.

(2) The collaboration and cooperation of state price agencies with trade unions and with trade, tourism and public-service agencies shall be effected by mutual consultations, by including their representatives in expert and other councils and groups for the preparation of price proposals, and by joint discussion of proposals for the prices of the principal goods and services for the public.

Article 14. The prices determined by ministries, other departments, the executive committees of okrug people's councils, and economic organizations shall be approved by their collective administrative bodies--boards, executive committees etc.

Article 15. Ministries, other departments, executive committees of people's councils, and economic organizations may not increase the prices of goods and services determined by them, including contractual prices recorded at state price agencies, without the agreement of the Minister of Finance.

Chapter III. PRICES AND PRICE-SETTING

Article 16. (1) The prices of goods and services shall be determined in conformity with the requirements of the economic laws of a developed socialist society, taking into consideration the objective conditions under which output is produced and sold.

(2) No speculative increase in the prices of goods and services shall be permitted in price-setting. Increase of profitability shall be provided by the introduction of scientific and technical achievements and progressive experience and by the efficient use of the means and objects of labor and live labor. This approach shall be applied universally not only in determining the prices of assemblies, parts and other subcontracted articles which are included in the final product, but also in determining the prices of fashionwear, luxury goods and delicatessen items.

(3) State price-setting and economic activity-monitoring agencies shall exercise supervision over compliance with the requirements of the preceding paragraphs. With the direct and most active participation of the Bulgarian trade unions and other public organizations, they shall organize on a wide public basis control over compliance with prices and price-setting for consumer goods and prices for public services. If violations are found, the invalidly realized profit shall be paid to the state budget and the management personnel who proposed such prices for approval shall, in conformity with the prescriptive enactments, be liable administratively, in respect of property, and criminally.

Article 17. In working out prices the following principles shall be applied:

1. The prices of raw materials, supplies, fuels and energy, as well as of machinery, equipment and other goods which are the object of import and export shall be set in response to the prices at which they are sold in or procured from foreign markets, with allowance for the expenditures involved in their export and import, duties, fees and other surcharges;

2. The prices of parts, assemblies, integrated sets of machinery etc. that are built into goods are established in conformity with the prices of the final products under the control of the agency that approved the price of the final product;

3. The prices of goods and services which are produced mainly for the needs of the domestic market are established on the basis of normatively determined (socially necessary) inputs and normatively determined profit on the value of the processing, taking into account the price level of goods and services for the public;

4. The prices of specific products shall conform to the quality indicators incorporated in the standardization documents, in accordance with which they are produced.

Article 18. (1) For output that is needed for the national economy or as marketable goods, whose production and sales costs are higher than the socially necessary costs, it is possible for a certain period to employ the following measures:

1. Prices approved on the basis of actual inputs with minimum profitability norm assured;

2. Reduced turnover tax rates or exemption from payment of the tax;

3. Temporary additions to prices attributable to the economic producer organizations or the state budget, without these being reflected in the production cost of output.

(2) The prices of output according to the preceding paragraph shall be determined by the state price agencies. They shall also approve programs whereby outlays are brought into line with normatively necessary outlays, temporary price deviations are gradually eliminated and financial assistance terminated.

Article 19. The prices of products by which unsatisfied demand is met or new needs are created, as well as when imports are restricted, may be established according to the procedure of the preceding article, with higher profitability assured for a specified period.

Article 20. (1) Economic producer organizations, observing the prescriptive price and price-setting enactments and the requirements of article 17 of this ordinance, shall determine the prices of goods, jobs and services produced and/or performed within their system according to the list approved by the Council of Ministers. To ensure uniformity of prices for identical and interchangeable goods, jobs or services, economic producer organizations shall submit their proposals to the state price agencies concerned. The proposed prices shall enter into force unless these agencies raise objections to them within one month.

(2) Identical prices shall be applied for the selfsame goods, jobs or services under the preceding paragraph, including prices for parts, assemblies, integrated sets of machinery etc. which are built into the final products produced by several economic organizations or which are simultaneously produced in the country and imported. An exception to this procedure is permissible for goods and services on schedule established beforehand by the Ministry of Finance--Main Price Administration.

(3) State price agencies by way of exception may change the prices of products, jobs and services determined by economic organizations, with a view to public interests. Decisions on a price change in these cases shall be made after discussion of the interested economic organizations' reasoning.

Article 21. The prices of goods, jobs and services not included in the lists whose prices are determined by state price agencies (the Council of Ministers, the Main Price Administration, ministries and other departments, executive committees of the capital city people's council and okrug and obshtina people's councils) and according to the preceding article, shall be determined by free negotiation between the economic organizations. These prices shall enter into force after registration at the state price agencies concerned.

Article 22. (1) Through negotiation with purchasers it is possible:

1. To determine the prices of products for which state agencies have approved minimum and maximum or ceiling prices;

2. To determine the prices or surcharges on current prices of output produced:

a) in small (test) series--less than the minimum amount stipulated in the relevant standardization document;

b) to one-time orders--within the limits of the unit cost determined by the state agency concerned;

c) in accordance with higher or specific requirements, set by the purchasers for operating and technical parameters of the output, for quality and other features, than those indicated in the standardization documents.

(2) For output under section 2 of the preceding paragraph the economic producer organization may propose prices at which it secures its basis profitability. Whenever it achieves a higher profitability which is not due to better use of physical resources and live labor, the difference shall be returned to the economic consumer organization. If a violation is discovered by a state control agency, article 16, paragraph 3, the third sentence shall be applied.

(3) Surcharges in addition to prices currently in effect may also be negotiated in cases where the purchaser has breached the time limits for requisitioning delivery of output, the production of which requires long or complex organizational and technical preparation, as well as in case of demands to cut down the standard production time.

Article 23. (1) The prices of goods and services, irrespective of the agency that approves them, must be coordinated with the economic consumer organizations.

(2) Disputes between economic producer and consumer organizations over the prices of goods, jobs and services shall be settled by:

1. The executive committees of the okrug people's councils in whose territory the producers are located--for prices of agricultural output and public services;

2. The Ministry of Finance--Main Price Administration--for other output and services.

(3) In the settlement of disputes under paragraph 2 the profitability of economic producer organizations must not be permitted to grow unwarrantably through unsubstantiated price increases.

Article 24. The procedure and documentation for price determination and approval (including the prices of new goods and services) shall be established by an ordinance approved by the Ministry of Finance jointly with the State Planning Committee.

Article 25. (1) Locally produced and imported goods and services shall be sold between economic organizations and to the public at uniform prices.

(2) A rebate from the uniform prices shall be made to trading, supply and marketing organizations in order to cover normative overhead and normative profit.

(3) In cases where uniform prices are set on the basis of input and profitability norms, surcharges may be applied.

Article 26. (1) Uniform prices also include the turnover tax. It is determined as a percentage or in a natural unit for consolidated groups of goods or services.

(2) The list of goods and services and the conditions for application of the turnover tax shall be approved by the minister of finance.

Article 27. (1) The prices at which products and services are sold in the country can be as follows:

1. Prices with no specified period of validity--for produced or imported basic food- and nonfoodstuffs; for municipal and domestic services; for fuels, energy, raw materials and supplies;

2. Temporary prices--for produced and imported, new and improved goods and services, fashionwear, goods of trial series, pilot production etc., with indication of the time period or quantities for which they are valid;

3. Ceiling prices--for goods and services for which price differentiation by regions, seasons and periods is necessitated because of production and sales conditions, as well as in cases where the above-indicated price ceiling is necessary;

4. Minimum-maximum prices--for fashionwear, luxury goods and delicatessen products and other goods and services;

5. Contractual prices for locally made or by-product goods and services, one-time orders, nonstandardized services, retail goods etc. according to a list and conditions specified by the Ministry of Finance--Main Price Administration;

6. Prices with surcharges or rebates, including graduated prices--for new and improved products and for obsolete, old-fashioned and low-efficiency products;

7. Ceiling prices and ceiling expenditures, which are employed during individual stages of research and planning of new products, including their startup in production, and for imported goods during the planning and research of foreign markets. Established thereby are:

a) control of expenditures and price level of goods in the following stages: development--introduction (planning of construction), import etc.;

b) the efficiency of the startup of production of new goods.

(2) Ceiling prices are formulated by the economic organizations which are starting up the production of goods or through delegation by scientific-research, planning-and-design, engineering-and-applications and other economic organizations. When these are approved, the form and amount of price incentives are determined.

(3) The difference between temporary and regular prices, minimum and maximum prices and additions to prices shall be apportioned in favor of the state budget and the economic organizations. The economic organizations' share shall be distributed to the relevant funds, including the fund for providing incentives for labor collectives.

Article 28. (1) Economic organizations and subordinate units thereof may sell their output at lowered prices irrespective of who approved them, whenever:

1. The production cost has been cut and this, by virtue of price-lowering, makes possible an increase in the volume of production and, thus, achievement of higher economic results;

2. Demand for the goods in question declines or they become obsolete or shop-worn;

3. There is a likelihood of realizing losses due to the expiration of its useful life.

(4) The prices of goods for which a useful life is specified by standardization documents shall be applied until it expires. After the expiration of this period the goods must be sold at reduced prices. The sale of food products according to this procedure shall take place on authorization of the agency of the Ministry of Public Health that is concerned.

Article 29. (1) The Ministry of Finance--Main Price Administration, the State Committee for Science and Technical Progress, and the sectorial ministry concerned shall establish the criteria for the definition of fashionwear, luxury goods and delicatessen products.

(2) Fashionwear shall be defined by the producer economic organizations with the concent of the trade organizations on the basis of a study of consumer demand.

(3) Luxury and delicatessen goods and services shall be defined by art councils in the sectorial ministries and other departments with the participation of representatives of the Ministry of Internal Trade and Public Services etc.

Article 30. (1) State price agencies, in order to provide production incentive, may decide upon surcharges in addition to prices after coordination with:

1. The State Committee for Science and Technical Progress--for output which predetermines the technical level of national production;

2. The Ministry of Foreign Trade--for export output;

3. The Ministry of Internal Trade and Public Services--for output intended for marketable commodities, including output for overcoming a scarcity.

(2) To restrict or halt the production of obsolete, old-fashioned or inefficient output and manufacturing method, programs shall be formulated and approved, as follows:

1. Programs for output and manufacturing methods that determine the technical level of national production and export structure and meet the basic needs of the population--by the State Committee for Science and Technical Progress;

2. For other kinds of output and manufacturing methods--by the ministry or other department concerned.

(3) in the event of nonobservance of the time limits fixed for the cessation or restriction of output production and manufacturing methods in accordance with the preceding paragraph, the economic producer organizations shall pay to the budget rebates on the uniform prices in conformity with the rate schedule approved by the Minister of Finance.

Article 31. (1) Economic organizations may make seasonal, periodic and current price reductions for consumer goods on the expiration of the season for their sale or their useful life and in the event of their becoming old-fashioned, shopworn etc.

(2) Reductions shall be chargeable to the Price Regulation Fund and the Economic Risk Fund.

(3) The Ministry of Internal Trade and Public Services shall approve the list of goods for which price reductions are mandatory in conformity with the preceding paragraphs.

Article 32. (1) Economic organizations may negotiate among themselves the payment of surcharges in addition to, and rebates from, approved prices when:

1. The purchaser sets higher, lower or specific requirements to be met by the operating and technical parameters, quality, including packaging, and other features of the products, as compared with those indicated in the standardization documents. In these cases the economic organizations shall jointly approve the calculations justifying the surcharges or rebates;

2. The ordered amount of the product is less than the minimum volume of production indicated in the document by which the price is approved or in other prescriptive enactment;

3. The purchaser has set higher than usual requirements for the urgency with which the orders are to be fulfilled (emergency, special and other orders) that deviate from the established time limits for fulfillment.

(2) Economic organizations shall apply the prices established for imported goods when they arrange to produce them in the country, preserving the quality. In order to provide incentive for the producers, surcharges in addition to the fixed prices may, by decision of the Ministry of Finance--Main Price Administration, be paid for these goods.

Article 33. (1) Corrections of uniform prices shall be made according to planning procedure in keeping with the price-setting principles established in this chapter. Drafts of these shall be produced by the Ministry of Finance--Main Price Administration jointly with the State Planning Committee, the Ministry of Foreign Trade, sectorial ministries and economic organizations and shall be approved by the Council of Ministers not later than 30 April of the preplan year.

(2) Planned corrections must be made in uniform prices when:

1. The purchase prices of imported fuels, energy, raw materials, supplies, machinery, equipment and sets of parts therefor have changed significantly. These changes shall be reflected in the uniform prices of output at the next echelons;

2. Significant changes have taken place in the prices at which Bulgarian goods are sold in export. In these cases the corrections shall be made at the expense of the profitability of the output.

(3) Proposed planned changes in the prices of goods and public services shall be coordinated with the Central Council of the Bulgarian Trade Unions.

Article 34. Isolated changes in uniform prices may be made currently when the prices of imported invested raw materials and supplies have increased significantly or other substantial changes have occurred in production conditions. These changes must be coordinated with the economic consumer organizations, and whenever agreement is not reached, the disputes shall be settled according to the procedure in article 23.

Chapter IV. SPECIFIC PRICE AND PRICE-SETTING PRINCIPLES IN INDIVIDUAL SECTORS

Section 1. Agriculture

Article 35. (1) The agricultural output of socialized and auxiliary farms and private plots shall be purchased at uniform purchase prices.

(2) Output outside the list of products, for which no purchase prices have been approved in accordance with the relevant procedure, shall be purchased at negotiated prices;

(3) An agroindustrial complex shall evaluate its products that are to be marketed in uniform purchase prices, but its products that are to be consumed in production in domestic accounting prices set by the Executive Committee of the National Agroindustrial Union. An agroindustrial complex shall settle its accounts with its subordinate units and brigades in the same prices.

(4) Agricultural products, sold by agroindustrial complexes and other agricultural organizations to their manual and office workers for personal consumption, shall be paid for in retail prices.

(5) National agricultural and other output which is not contracted for may be sold in cooperative markets and company stores at market prices.

(6) Uniform purchase prices and premiums in addition to these, as well as prices of the means of production used in agriculture shall be constant during the planning period in question. In cases where changes take place during this period in the prices for the means of production which result in an increase in production costs, the purchase prices of agricultural output shall be changed accordingly.

Article 36. (1) Foreign trade organizations which export agricultural products on their own account may negotiate with agroindustrial complexes prices higher than the approved uniform purchase prices for the quantities of output delivered to them over and above the state planned sales target.

(2) Agroindustrial complexes may also export output produced over and above state planned targets on their own account on commission through foreign trade organizations.

(3) In order to provide incentive for the procurement of products to guarantee fulfillment of intergovernmental agreements, the foreign trade organizations shall pay premiums, from the Ministry of Foreign Trade's Export Incentive Fund, on the goods and groups of goods.

Article 37. (1) For certain especially important products connected with the country's balances and exports, the purchasing organizations shall pay the agroindustrial complexes, at the expense of the budget, premiums in addition to the uniform purchase prices for the quantities of products that are delivered above the average annual level of quantities delivered during the preceding 5 years and above the state plan.

(2) The list of the products and the amount of the premiums shall be determined by the Council of Ministers.

(3) In economic organizations with purchasing activity, an Agricultural-Output Price-Regulation Fund shall be set up in an amount not less than 1 percent of the volume of the purchased agricultural output. The fund shall be formed from the economic organization's profits.

Article 38. (1) Premiums in addition to the purchase prices that are constant throughout the 5-year period shall be paid for agricultural output purchased from agroindustrial complexes in mountainous and semimountainous rayons.

(2) The list of products and the amount of the premiums in accordance with the preceding paragraph shall be determined by the Executive Committee of the National Agroindustrial Union and by the Council of Ministers.

Section II. Construction

Article 39. Construction and installation organizations shall contract for the sale of their construction output (SMR [construction and installation jobs] on projects, subprojects and stages) at estimated cost as determined in the planning estimate, but if the conditions stipulated in the Regulations on Capital Construction are present, at firm negotiated cost.

Article 40. (1) The estimated cost of construction and installation jobs shall be set in conformity with the Ordinance on Price-Setting for Surveying, Design and Construction Output, the Regulations on Capital Construction and other prescriptive enactments.

(2) The estimated cost of SMR shall include:

1. The cost of the SMR in average uniform prices or according to analyses and approximate prices when there are no average uniform prices;

2. The difference between the delivery prices for materials and manufactured items delivered at the project, as established in the plan by transportation diagram and calculation, and the uniform prices on the price list;

3. The additional money and supplemental payments provided for by the prescriptive enactments.

(3) The estimated cost of SMR in accordance with the preceding paragraph must be changed when, after the conclusion of a contract, changes occur in some of the unit prices, services and other expenditures that are part of the SMR. The precise amount shall be established by a bilateral document between the investor and the builder and shall be paid according to the procedure established by the Regulations on Capital Construction.

Article 41. Whenever projects outside a given construction and installation organization's established territory of activity are assigned for execution under state planning tasks, the investor and the executant shall determine and negotiate the amount of the additional expenditures (traveling expenses, transportation costs etc.) resulting from the more burdensome conditions and in line with the remoteness of the project that the investor will pay.

Article 42. (1) When, at the request of the investor, the main executant agrees to execute a project, subproject or stage in a shorter period of time than that normally authorized for construction, the parties may negotiate surcharges in addition to the estimated cost of the project. The earmarked money that is received for early completion of projects, subprojects and stages shall be entered in an earmarked account under the Wage Fund without being reflected in the income-formation and distribution diagram.

(2) In the event of the performance of modernization and reconstruction SMR, the main executant and the investor shall negotiate additional money for the more burdensome conditions in the amount of 10 percent of the SMR cost of the project less the cost of the machinery. In special cases, additional money may also be negotiated in excess of 10 percent, but only after preliminary agreement by the Main Price Administration in the Ministry of Finance.

(3) When construction is performed on the basis of partial planned completion, the Council of Ministers shall determine the amount of additional money because of the more burdensome conditions in accordance with the proposal of the main executant, coordinated with the investor and with the Main Price Administration in the Ministry of Finance.

(4) The additional money under the preceding paragraph shall be included in the general estimate of the project.

Section III. Transportation

Article 43. (1) Transportation economic organizations perform the carriage of freight and passengers, materials-handling jobs, shipping and other services in the country according to a rate schedule approved in accordance with the procedure established by this ordinance.

(2) Transportation prices shall apply to optimum routes, uniform transportation technologies, time limits for freight delivery, and quality standards of passenger carriage approved by the Minister of Transportation.

(3) Transportation economic organizations may reduce the approved prices when shippers make possible the mass shipment of seasonal freight at a time advantageous for the parties, comprehensive transportation services, the operation of transportation facilities on rest days and holidays, at nighttime etc.

(4) Transportation economic organizations may negotiate with shippers higher than the approved prices for freight not contracted for at the normally established times and presented in an uneven flow for shipment, for express and emergency shipments, for shipment with material-handling conditions not provided etc.

(5) An increase (decrease) of transportation prices shall be negotiated with shippers within the range specified by the relevant rate schedule.

(6) The rules specified in the preceding paragraphs shall also be applied when nontransportation economic organizations act as carriers.

Article 44. (1) The prices for freight carriage by international motor transport and by seagoing liners shall be determined every year by negotiation on the basis of current charges in the international transportation market.

(2) In addition to the transportation charges fixed for international carriage, expenditures incurred abroad which are not included in the contract price, such as highway tolls, differences in fuel prices, duties etc. (excluding fines paid through the fault of the carrier), shall be paid on presentation of the relevant documentation.

(3) The charges for long-distance carriage of freight in international traffic outside the territory of the country shall be determined and paid in foreign exchange.

Article 45. Changes in the terms and prices of international transportation that are regulated by international agreements shall be reflected according to the planned price-change procedure in conformity with paragraph 1 of article 32 of this ordinance.

Article 46. Passenger or freight carriage free of charge or at reduced charges, established by the appropriate procedure, as well as that making use of transportation facilities for the needs of the Ministry of National Defense and for other special needs shall be paid for by the department and organization concerned, but in other cases of travel free of charge or at reduced charges payment shall be made by the state budget in conformity with the Ordinance on the Determination of Procedure and Time Limits for the Reimbursement of Revenues not Realized by the Urban Transportation SD [Economic Directorate] under the Capital City People's Council.

Section IV. Communications

Article 47. (1) Operational communications activity shall be performed in accordance with rate schedules approved by the state agency concerned.

(2) Services free of charge or at reduced prices, established by the appropriate procedure, as well as the use of communications equipment for special needs shall be paid for by the department (organization) concerned.

Section V. Services to the Public, Foreign-Trade, Marketing and Supply Activity

Article 48. (1) Prices for services to the public shall be determined according to the normative expenditures for their performance less the cost of supplies, raw materials and spare parts, which shall be paid for separately from the cost of the service.

(2) The prices of public services shall not include the turnover tax except for isolated types of services and custom-made luxury goods and fashionwear.

Article 49. (1) Trade discounts for trade and supply shall be negotiated between internal-trade and supply economic organizations and economic organizations--suppliers and consumers--within the limits of the maximum normatives for groups of goods approved by the Main Price Administration in the Ministry of Finance.

(2) Pending the reorganization, according to planned procedure, of extra charges for the supply of materials and machinery, the present extra charges for the supply of materials and machinery shall be applied as the maximum trade-discount normative.

(3) In direct contacts between producer and consumer economic organizations, including retail trade organizations, the trade discount (extra charge) authorized in conformity with the normatives is apportioned between them in mutual negotiation depending on their costs of procurement, storage and delivery of goods to trade facilities or production units.

(4) When goods are procured through a wholesale internal-trade organization, the amount of the trade discounts is apportioned on a contractual basis between it and the retail internal-trade organization.

Article 50. In commission trade, the specific amount of commissions is negotiated between supplier economic organizations (or technical units) and internal-trade organizations.

Article 51. (1) The prices of one-time imports of goods through barter with foreign firms shall be determined by internal-trade economic organizations so as to assure a positive leva balance. This procedure shall also be applied by economic organizations producing consumer goods when they barter with foreign firms.

(2) The positive balance in the preceding paragraph shall be apportioned 50 percent to the budget and 50 percent to the Price Regulation Fund.

(3) Deals, including the negotiation of import prices by way of barter, shall be effected with the authorization of the Ministry of Foreign Trade.

(4) State price agencies shall guarantee the uniformity of prices for identical goods imported by way of barter with foreign firms.

Article 52. Public food-service economic organizations and subordinate units shall perform services (sales) at prices determined as follows:

1. For kitchen products and beverages--on the basis of extra charges approved by the Main Price Administration in the Ministry of Finance, and of the calculations of the public food-service economic organizations and enterprises;

2. For orchestral and musical artists programs--on the basis of surcharges approved by the Ministry of Internal Trade and Public Services;

3. For overnight stays of Bulgarian citizens and other services--approved by the Ministry of Internal Trade and Public Services jointly with the Main Price Administration in the Ministry of Finance;

4. For overnight stays of foreign tourists and other services--approved by the State Committee for Tourism.

Article 53. (1) Marketing-and-supply activity is performed on the basis of the purchase and sale of materials at uniform prices, calculated and contractual prices, established in conformity with the prescriptive enactments.

(2) Consumers shall pay actual transportation costs in addition to the price of materials.

Article 54. Between marketing-and-supply economic organizations and consumer economic organizations extra charges can be negotiated for:

1. The delivery of materials not contracted for within the time limits established by the prescriptive enactments;

2. Undertaking by contract the comprehensive and guaranteed supplying of the consumers;

3. Performance by the marketing-and-supply economic organizations of additional services to the consumers (processing and procurement of materials--cutting, laying out, formating, packaging, casting etc.).

Article 55. The marketing-and-supply economic organizations shall carry on the purchasing and marketing of surplus and shopworn raw materials and supplies at negotiated prices or on commission. The amount of the commission may not exceed a maximum amount approved by the State Planning Committee and by the Ministry of Finance.

Article 56. A Price Regulation Monetary Fund shall be set up at economic organizations which carry on internal-trade activity and materials and machinery supply. Money for the fund shall be deducted from the economic organization's

income according to a norm on goods turnover (excluding departmental goods turnover), approved by the Council of Ministers. The expenditure of money from the fund shall be made in accordance with an ordinance approved by the Minister of Finance jointly with the Ministry of Internal Trade and Public Services and with the State Planning Committee.

Section VI. International and Domestic Economic Tourism

Article 57. Economic organizations shall render their respective services at prices fixed, as follows:

1. For overnight stays of Bulgarian citizens--by the State Committee for Tourism, jointly with the Main Price Administration in the Ministry of Finance. These prices may be lowered by the tourist economic organizations in accordance with seasonal fluctuations and the occupancy rate of facilities;

2. For overnight stays of foreign tourists and other services--by the State Committee for Tourism;

3. For medical services--by the State Committee for Tourism, jointly with the Ministry of Public Health;

4. For kitchen products and beverages--on the basis of surcharges approved by the Main Price Administration in the Ministry of Finance on the proposal of the State Committee for Tourism and on the basis of the calculation of tourist economic organizations. These prices may be lowered by the tourist economic organizations in accordance with the seasonal fluctuation of facilities;

5. For orchestral and musical-artists programs--on the basis of surcharges approved by the State Committee for Tourism;

6. For overnight stays and other services to Bulgarian citizens, for kitchen products and beverages, for orchestral and musical-artists programs made available by other economic organizations--by the department to which these organizations are subordinated, jointly with the Main Price Administration in the Ministry of Finance.

Article 58. (1) The Balkantourist Directorate, as well as tourist agencies and offices in public and cooperative organizations shall carry on the foreign trade activity of tourist economic organizations on a commission basis. With the consent of the tourist economic organizations they may carry on foreign trade activity also on their own account, making settlements with the tourist economic organizations in negotiated prices in leva.

(2) The Minister of Finance, on the proposal of the State Committee for Tourism, shall approve the maximum amount of commissions for foreign and domestic tourist activity.

(3) The specific amount of commissions shall be negotiated within the limits of the approved maximum norm. In the event of heightened and special demands (urgency of the transaction, unfavorable market conditions, mastery of new

markets etc.), tourist economic organizations may pay a sum in addition to the commissions and above the approved maximum norm.

(4) The authorized commissions shall be determined on the leva equivalent of the foreign exchange receipts.

Article 59. (1) The foreign-exchange prices of tourist services (basic and additional) shall be negotiated between tourist economic organizations and Balkantourist directorates and the respective tourist agencies and offices during the compilation of counterplans on the basis of planned foreign-exchange prices which are approved as minimum by the State Committee for Tourism.

(2) The drafts of planned foreign-trade prices shall be formulated by the State Committee for Tourism with the participation of the Balkantourist Directorate, tourist economic organizations and tourist agencies and offices on the basis of long- and short-term forecasts and trends in the changes of economic conditions of the foreign tourist market, and on the basis of international agreements that have been concluded and other information.

(3) The planned prices for specific tourist services may deviate from the minimum planned price, determined according to the procedure of paragraph 1, depending on quality, season and other factors.

(4) If substantial changes occur in economic trends and sales conditions in international tourist markets causing lasting deviation of foreign tourist prices from minimum prices, the State Committee for Tourism may change the approved planned foreign tourist prices. In these cases the tourist economic organizations must accordingly correct the foreign tourist prices they have negotiated with the Balkantourist Directorate and the respective tourist agencies and offices.

Article 60. (1) The Korekom VTO [foreign trade organization for retail sales in convertible currencies] shall form its revenues on the basis of a trade allowance from the leva equivalent of the difference between the selling prices of goods and the prices at which they were purchased. The amount of the trade allowance shall be approved by the Minister of Finance.

(2) The Korekom VTO may make retail sales on consignment through tourist economic organizations, entering into contracts with them for the purpose. The foreign exchange realized through these sales shall be reported to the Korekom VTO.

(3) The Korekom VTO shall pay commissions in leva to tourist economic organizations for the on-consignment sales made by them. The amount of the commissions shall be determined by contract and may not be less than the minimum amounts approved by the State Committee for Tourism.

(4) The foreign-exchange prices for the retail sales of goods by tourist economic organizations shall be determined by the Korekom VTO jointly with the Ministry of Finance--Main Price Administration.

Article 61. Tourist economic organizations shall receive commissions in leva on the leva equivalent of the foreign currency exchanged in both directions that is included in total revenue. The amount of the commission shall be approved by the Ministry of Finance and the State Committee for Tourism.

Section VII. Foreign Trade

Article 62. (1) Export and import prices in foreign trade shall be negotiated by producer and purchaser economic organizations and by foreign trade organizations on the basis of planned foreign trade prices, which are approved every year according to groups of goods and according to directions by the State Planning Committee, the Ministry of Finance and the Ministry of Foreign Trade.

(2) In cases where foreign trade organizations purchase or sell the products of foreign markets on their own account, they shall negotiate the export and import prices with the foreign organizations on the basis of planned foreign trade prices, approved according to the procedure of the preceding paragraph. These organizations shall buy or sell the products of domestic contracting partners at approved uniform or negotiated prices. In these cases the import and export results shall be reflected in the income of the foreign trade organization.

(3) The drafts of planned foreign trade prices shall be formulated by the Ministry of Foreign Trade and the ministries concerned, with the participation of economic and foreign trade organizations on the basis of long- and short-term forecasts of trends and changes of economic conditions in foreign trade markets and on the basis of international trade agreements that have been entered into and other information.

(4) The planned export and import prices of specific goods of the respective commodity group may deviate from the average planned price fixed for the given group of commodities in accordance with the procedure of paragraph 1, depending on the quality of the commodity, season and other factors.

(5) If substantial changes occur in economic trends and selling conditions in the international markets causing a lasting deviation of more than 5 percent in international prices as compared with planned prices, the Ministry of Finance, the State Planning Committee and the Ministry of Foreign Trade may change the approved planned foreign-trade prices. In these cases the producer and purchaser economic organizations must accordingly correct the export and import prices negotiated with the foreign trade organizations.

Article 63. (1) The actual selling prices and other terms of the contracts between the foreign trade organizations and their partners abroad must be coordinated with the economic organization producing the export commodity. Without its agreement, the foreign trade organization may not sign contracts for export of the products except in cases where it is exporting the products on its own account.

(2) Foreign trade organizations may deviate from the established planned prices and other export conditions without coordinating with producer economic organizations within the limits of the powers stipulated in the contracts entered

into between them. Negative deviations beyond contractual powers must be coordinated currently with producer economic organizations. When foreign trade activity is carried on by a subordinate unit of the economic organization, its powers are defined by the collective administrative body.

(3) When the foreign trade organization is outside the system of the economic organization, the positive or negative differences between planned and actual foreign-exchange prices shall be apportioned between it and the producer economic organizations in a ratio fixed by contract, but when the foreign trade organization is within the system of the economic organization, the difference shall be apportioned in a way determined by the collective administrative body of the economic organization.

(4) Export receipts shall be reported in the leva equivalent of actual foreign-exchange prices.

Article 64. Foreign trade organizations which export agricultural products on their own account may negotiate purchase prices with agroindustrial complexes and other agricultural organizations for the quantities of products delivered to them above and beyond state planned sales targets.

Article 65. Foreign-trade and economic organizations shall negotiate additions to (deductions from) commissions for differences realized between actual and contractual export and import prices. The amount of the additions (deductions) shall be defined as a percentage of the sum realized from the difference between the actual and the contractual prices.

Article 66. (1) The calculated prices, at which foreign trade organizations supply imported products to purchaser economic organizations, shall be set on the basis of the leva equivalent of the actual foreign-exchange purchase price, the transportation costs, duties and other kinds of outlays paid by the foreign trade organization, and the commission owed to it.

(2) Relations with the budget to settle price differences, turnover tax and import duties shall be arranged by the foreign trade organizations and enterprises.

(3) Relations with the budget relative to export subsidies, bonuses etc. shall be arranged by:

1. The economic organizations for whose account the exports are made;

2. The foreign trade organizations when they are exporting for their own account.

Article 67. (1) For the activity that they carry on the foreign trade organizations shall receive export and import commissions.

(2) The amount of commissions for commodities, groups of commodities and export and import directions shall be determined according to norms approved by the Ministry of Finance and by the Ministry of Foreign Trade. Foreign trade

organizations may, if it is economically expedient and mutually agreeable, negotiate lower or higher commissions than the approved norms. In the event of disagreement by one of the parties, commissions in line with the approved norms shall be applied.

(3) When foreign trade activity is carried on directly by structural units of the economic organization, no commissions shall be charged extra for this activity. The material liability of, and the provision of incentives for the structural units of the economic organization directly engaging in foreign trade activity, as well as their segregation on internal profit-and-loss accounting shall be determined by internal regulations, approved by the collective administrative body of the economic organization.

Section VIII. Design and Engineering-and-Applications Activity

Article 68. The amount of a design fee shall be determined in accordance with the Price Regulations for Survey and Design Work subject to compliance with the criteria of article 320 and shall be paid in conformity with article 321 of the Regulations on the Economic Mechanism, as follows:

1. Prices shall be paid in full amount only for designs which measure up to advanced world-class technical and economic indicators and criteria;

2. Prices shall be lowered when the technical and economic indicators and criteria achieved are higher than the advanced indicators and criteria in the country, but below world achievements;

3. In all other cases, no design fee shall be paid, and the design organization shall owe the investor indemnity for benefits lost as a result of delay in the construction of projects.

Article 69. (1) Engineering-and-applications organizations shall receive payment for the results of their surveying, scientific-research, drawing and design, planning and other engineering-and-applications assignments at contract prices.

(2) In negotiating the performance of engineering-and-applications assignments for which there are approved price regulations, the price shall be determined with observance of the requirements of article 68 of this ordinance. In these cases, an addition to the price may be negotiated for surpassing advanced world-class achievements.

(3) The prices of engineering-and-applications assignments for which there are no approved prices shall be negotiated:

1. For all engineering-and-applications assignments with adoption in production--on the basis of the effect realized within 1 year after adoption. The price shall be negotiated on the basis of the indicators and terms incorporated in the technical and economic assignment and shall be adjusted depending on the final results realized with adoption and on the contractual terms for rebates and additional charges;

2. For other engineering-and-applications problems having the character of surveying, research, analysis, forecasting etc., including social-impact problems --on the basis of the plan-estimate for the execution of the assignment. Expenditures shall be determined on the basis of calculations of the volume of individual kinds of jobs and the prices, rate schedules, norms, standards etc. currently in effect. The plan-estimate shall include the extra charges in accordance with the uniform minimum norms for the Expansion and Technical Improvement Fund, the Welfare and Cultural Measures Fund and the Social Risk Fund, as well as the normally approved contributions to the obshtina people's councils.

(4) When prices are negotiated in conformity with paragraph 2 and section 2 of paragraph 3, additional charges may be included when:

1. The principal sets specific architectural and artistic requirements;

2. The object of the design is of a unique character architecturally and artistically, technologically and structurally;

3. The principal requires additional alternative solutions.

(5) The plan-estimate shall be formulated by the engineering-and-applications organization that is executing the assignment and shall serve as substantiation of the contractual price.

(6) In the event of disagreement in the determination of contractual price and terms for execution of the assignment, the disputes shall be settled, as follows:

1. For engineering-and-applications organizations under economic organizations and units--by the ministries (departments) concerned;

2. For engineering-and-application organizations in ministries and other departments--by the State Committee for Science and Technical Progress or by the Ministry of Construction and Architecture.

(7) For engineering-and-applications assignments, charges for which have been negotiated on the basis of realized effect, in cases where the engineering-and-applications organizations have fulfilled their obligations under the contract but, by decision of the principal, introduction into production is postponed or canceled, the charge shall be determined on the basis of proved anticipated effect, confirmed by relevant expert technical and economic advice. In these cases the contract price shall be lowered for the activity which the engineering-and-applications organization was to have performed during the stage of introduction into production.

Article 70. (1) The contracts between engineering-and-applications organizations and principals may provide for extra charges (rebates) when:

1. The economic effect achieved and the other technical and economic parameters exceed (fall short of) those established by the technical and economic

assignment. In the event of failure to achieve the indicators and criteria established in the technical and economic assignment, rebates of up to 50 percent of the price set according to the particular procedure may be negotiated;

2. The assignment is completed before (after) the contract deadline, provided that the actual period of time is less (more) than the established norms for the length of design work, and when there are no such norms, less (more) than the periods of time fixed by the binding planned tasks of the engineering-and-applications organization, and provided that the indicators specified by the technical and economic assignment are met;

3. The engineering-and-applications organization guarantees the high quality of the design documentation;

4. Errors and omissions are found in the design documentation during implementation of the studies (construction and introduction into production).

(2) Negotiation of the extra charges (rebates) under sections 1 and 4 of the preceding paragraph is mandatory.

(3) From 25 to 75 percent of the extra charge for guaranteed quality shall be paid when the principal accepts the study, and the balance after its implementation, but not later than 2 years after the date of transmittal. If errors and omissions are discovered in the design documentation during implementation of the engineering study, the extra charges paid shall be returned by the engineering-and-applications organization and in addition it shall pay the difference between the innovator's (builder's) actual expenses due to remedying the errors and omissions in the design documentation, and the total of the extra charges paid.

(4) When in the process of implementation, errors and omissions are found in the design, the engineering-and-applications organization shall indemnify the appointing innovator (builder) organizations for the full amount of damages and lost revenues resulting from these errors and omissions. In compliance with the requirements of the Labor Code and other prescriptive enactments, the particular teams and the individual executants that took part in working out the design, regardless of whether they are still employed in the same organization or have been transferred to another position, must be notified of the damages and lost revenues paid back by the design--and other types of engineering-and-applications--organizations.

(5) Whenever execution of an assignment is halted before its completion by order of the principal, he shall pay the engineering-and-applications organization for expenses actually incurred and penalties for breach of contract as provided for by the contract, but not less than 10 percent of the expenses incurred.

(6) Engineering-and-applications organizations may negotiate with principals to pay an extra charge in addition to contract price for engineering services.

Article 71. The positive difference between the price negotiated on the basis of article 69, paragraph 3, section 2 (excluding extra charges in accordance with article 70) and actual outlays for execution of the engineering-and-applications assignment shall be apportioned as follows:

1. If the difference is less than 10 percent of the price, it shall remain at the disposal of the executant organization;

2. If the difference is from 10 to 25 percent of the price, half of the surplus shall be returned to the principal;

3. If the difference exceeds 25 percent of the principal's price, the entire sum of the excess shall be returned to him except for the portion in accordance with section 2.

Article 72. (1) The results of the execution of the scientific-research, design and other engineering-and-applications assignments shall be the property of the appointing organization. It may make the studies available for the use of other organizations, including organizations at the suggestion of the engineering-and-applications organization. When studies are made available in return for payment, the additional income obtained shall be distributed equally between the organization that made the study and the organization that owns it. If the study is made available in return for payment at the initiative of the engineering-and-applications organization that performed the study, 75 percent of the revenues shall be distributed to the organization that made the study and 25 percent to the organization that owns it.

(2) The State Committee for Science and Technical Progress and the ministry (department) concerned may make disposition of the results of the execution of scientific-research, design and other engineering-and-applications assignments in the interest of the national economy after coordination with the organization that is the owner of the results.

(3) The disposition of studies in cases in accordance with the preceding paragraph shall be made subject to compliance with the requirements envisaged in the prescriptive enactments relating to copyright, discoveries and inventions.

Section IX. Promulgation of Prices and Consumer Guarantees

Article 73. Prices shall be promulgated to consumer economic and other organizations by the agencies that approved them or, on their instruction, by the producer, importer and supplier economic organizations.

Article 74. (1) Goods intended for the domestic market must be labeled. Labels shall provide consumers with full information regarding price, quality, BDS [Bulgarian state standard], ON [otraslova normala; sectorial standard], permissible plus or minus deviations (for goods for which this is stipulated in the standardization documents), storage, date of manufacture, date of expiry of shelf life etc.

(2) For foodstuffs to which extenders are added with the authorization of the agencies concerned, the labels must provide information about the type and amount of the extender that is used.

(3) Factory labeling must be performed in conformity with the standardization documents.

(4) When, owing to the nature of the goods, they cannot be labeled, instructions regarding the method of price promulgation shall be given by the Ministry of Internal Trade and Public Services jointly with the Main Price Administration in the Ministry of Finance.

(5) In cases where this is necessitated, additional labeling instructions (not included in the BDS or ON or instructions of the Ministry of Internal Trade and Public Services) shall be given by the Minister of Internal Trade and Public SErvices, the Minister of Finance, the chief of the Main Price Administration and by the chairmen of the executive committees of people's councils.

(6) Consumers may seek from the heads of trading organization or directly from the producer organization, whenever goods are purchased from it, additional information about quality and other consumer characteristics of goods; and whenever they are refused this, they may also seek assistance from the control agencies of the Ministry of Internal Trade and Public Services, the Main Price Administration in the Ministry of Finance, and the executive committees of people's councils.

Article 75. (1) Whenever the standardization documents do not establish warranty periods and the conditions for their application, they may, at the suggestion of producer and consumer economic organizations, be established at the same time that prices are approved.

(2) Extra charges in addition to the prices of producer economic organizations may be approved by the respective agencies that authorize prices, or on a contractual basis with the consumer economic organization in cases where they assume the obligation of lengthening the warranty period of the goods, as compared with the periods established by the respective standardization documents.

Chapter V. PRICE AND PRICE-SETTING CONTROL

Article 76. (1) The Main Price Administration in the Ministry of Finance shall exercise special state control and systematic supervision of the price and price-setting control activity carried on by other agencies. Price and price-setting control is a component part of the uniform national control system.

(2) State price and price-setting control shall be exercised both by ministries and by executive committees of people's councils.

(3) The Ministry of Internal Trade and Public Services through its own control agencies shall exercise price compliance control at trading facilities, public food-service establishments and workshops providing municipal and domestic services for the public, regardless of their departmental subordination.

Article 77. (1) State price and price-setting control agencies shall:

1. Abrogate the unlawful price and price-setting enactments of agencies and economic organizations that have permitted this;

2. Halt the sale of goods and services when their prices have been set in violation of this ordinance.

(2) Bulgarian trade unions may exercise price compliance control through their organizations:

1. In economic organizations and units thereof that are producers of goods and services;

2. At trading facilities, public food-service establishments, canteens, enterprises and units for municipal-and-domestic and cultural services etc., regardless of their departmental subordination.

(3) Fatherland Front organizations may exercise price compliance control in retail trade units and organizations, public food service, municipal-and-domestic, cultural and other services in the territory of their activity.

Article 78. (1) The results of checkups in which there are data regarding crimes that have been committed shall be sent to agencies of the public prosecutor's office.

(2) The more important results of checkups made by agencies of specialized state price control shall be made public via the mass information media.

Article 79. Illegally gained profits and other income of economic and other organizations as a result of the violation or incorrect application of prices, as well as of prescriptive enactments, shall be returned to the injured parties or paid into the revenue of the budget according to a procedure established by order of the Minister of Finance, the chairman of the State Planning Committee, and the chairman of the Bulgarian National Bank.

Article 80. Price and price-setting control agencies, including public organizations, may suggest to the heads of ministries, other departments and economic organizations that they punish persons who commit price and price-setting violations, including punishment by disciplinary discharge.

Article 81. (1) Persons guilty of violating this ordinance shall be punished in accordance with article 32 of the Law on Administrative Violations and Penalties unless they are liable to more severe penalty.

(2) Violations shall be established by statements of the case drawn up by price control agencies. Penal decrees shall be issued, respectively, by the Minister of Finance, by the chief of the Main Price Administration, by ministers, heads of other departments and chairmen of the executive committees of okrug people's councils.

Transitional and Final Edicts

§1. The prices of goods and services, set before the entry into force of this ordinance, shall continue in effect pending the determination of new prices in accordance with the procedure established by this ordinance.

§2. The execution of this ordinance is entrusted to the Minister of Finance.

Appendix No. 1 to Article 7, Paragraph 1

LIST No. 1 OF GOODS AND SERVICES, PRICES OF WHICH ARE SET BY COUNCIL OF MINISTERS

I. Producer goods

1. Electric power
2. Thermal energy over 2.5 abs. atm.
3. Lignite--average price
4. Brown coal--average price
5. Metallurgical coke
6. Iron ore 32%
7. Petroleum--average price
8. Natural gas
9. Diesel fuel (transportation)
10. Mazut--average sulfur content
11. Kerosene
12. Pig for processing (metallurgical)
13. Cast iron
14. Steel ingot
15. Blooms
16. Slabs
17. Electrolytic copper 99.95%
18. Lead ingot
19. Zinc ingot
20. Aluminum ingot
21. Rolled ferrous and nonferrous products
22. Polyethylene, VN [high-pressure]
23. Polyethylene, NN [low-pressure]
24. Polyvinyl chloride
25. Polystyrene
26. Polypropylene
27. Soda ash
28. Caustic soda
29. Sulfuric acid
30. Styrene-butadiene rubber
31. Ammonium nitrate
32. Carbamide
33. Superphosphate, granulated
34. Superphosphate, powdered

35. Gypsum, raw
36. Kaolin, washed
37. Cement, make 350
38. Bricks, group of four
39. Roof tiles, Marseilles type
40. Softwood sawlogs
41. Beech sawlogs
42. Plywood, "VV" [expansion unknown], 3 mm
43. Particleboards, 3-ply, 18 mm
44. Wood fiberboards, hard, 3 mm
45. Cellulose, sulfate, softwood--bleached
46. Cellulose, sulfate, softwood--unbleached
47. Cellulose, sulfite, softwood--bleached
48. Cellulose, sulfite, softwood--unbleached
49. Strawcellulose
50. Textile raw materials: cotton, ginned; wool, washed; flax and hemp fibers; greige; chemical and synthetic fibers
51. Fabrics: cotton; grey cloth, sheeting 100% cotton and in a 67/33 mixture; woolen: merino 100% wool and in 45/45 mixture; worsted 100% wool and in 45/45 mixture; carded yarns 100% wool and in 45/45 mixture; silk: 100% natural silk; duck fabric: canvas
52. Sole-leather, natural
53. Leather, natural, full-grain--nappa
54. Transparent sheet glass, 2 mm
55. Faience tiles--white
56. Sanitary porcelain: wash basins, stools

II. Purchase price of agricultural products

1. Wheat, ordinary
2. Corn
3. Feed barley
4. Brown rice
5. Seed beans
6. Tobacco--all kinds
7. Sugar beets
8. Sunflower seed
9. Cotton, unginned
10. Tomatoes--field-grown
11. Fall potatoes
12. Onions
13. Cabbage--late
14. Apples, excluding summer varieties
15. Grapes--excluding early varieties
16. Peaches--excluding early varieties
17. Horned cattle
18. Small cattle
19. Swine
20. Poultry--hens and chicks
21. Cow's milk with 3.6% butter content
22. Eggs, hen's
23. Wool--unwashed

24. Hemp and flax stalks
25. Cocoons--raw

III. Prices of foodstuffs for the population

1. "Sofia" bread--brown
2. "Dobrudzha" bread
3. "Stara Zagora" bread--white
4. Wheat flour, type 500--packaged
5. Fresh cow's milk, pasteurized--3% butter content
6. Sour cow's milk
7. Cheese made of cow's milk
8. Cheese made of sheep's milk
9. "Vitosha" kashkaval [yellow sheep's-milk cheese]
10. "Balkan" kashkaval
11. Butter
12. Sugar--granulated
13. Rice
14. Beans--mature
15. Refined sunflower oil
16. Killed chicken
17. Pork--unboned
18. Beef--unboned
19. Veal--unboned
20. Lamb
21. Lard--packaged
22. Hen's eggs
23. Table salt
24. Fall potatoes
25. Onions
26. Cabbage--late
27. Wine, white and red--broached
28. Ordinary beer--bottled
29. Brandy: plum, grape, fruit--bottled
20. Tobacco products--"Arda," "Sluntse" [Sun], "Styuardesa" [Stewardess] and "BT" [Bulgarian Tobacco] cigarettes

IV. Prices of nonfoodstuffs for the population

1. A-96 motor vehicle gasoline
2. A-93 motor vehicle gasoline
3. A-86 motor vehicle gasoline
4. Fuel for diesel engines (transportation)
5. Gas oil
6. Electric power
7. Thermal energy
8. Brown coal--G. Dimitrov mine--mixture for KSMO [expansion unknown] heating --over 20 mm
9. Brown coal--G. Dimitrov mine--washed (enriched) KK-t [expansion unknown] concentrate 20-200 mm
10. Briquets

11. Firewood
12. Sheet glass, 2 mm
13. Cement, make 350
14, Gold, 24 carat
15. Silver, 1000 fine
16. Platinum, 1000 fine
17. Price per square meter of development housing space; panels and cast-in-place
18. Laundry soap with 77% fatty acids
19. Newspapers (excluding periodicals)
20. Publishing output--textbooks: for all educational institutions, including secondary course; for higher educational institutions in general educational disciplines
21. Boxes of matches

V. Basic municipal-and-domestic and other services

1. Ordinary postal, telegraphic, telephone and other services: telephone call under 3 minutes; charge for use of telephone; telegram under 20 words (over 20 words, price per word); stamp for ordinary domestic letter; annual subscription fee for use of radio receiver and television receiver
2. Rate schedules: rate schedule per passenger-kilometer by types of transportation; rate schedule per kilometer traveled by taxi; basic monthly rental per square meter of useful state-owned floor space; basic monthly rental per square meter of useful citizen-owned floor space; drinking water and sewerage for use of the population, per cubic meter; minimum and maximum prices of admission tickets for cinema, theater, circus, opera, ballet, sports contests etc.

Appendix No. 2 to article 7, paragraph 2

LIST No. 2 OF GOODS AND SERVICES, PRICES OF WHICH ARE SET BY MAIN PRICE ADMINISTRATION IN MINISTRY OF FINANCE

I. Prices of goods, jobs and services in accordance with the expanded schedule of List No. 1, including conditions of their application

II. Fuels, raw materials and supplies

1. All kinds of fuels, fuel oils and lubricants, energy, raw materials and supplies, including construction and quarry materials and secondary raw materials of extractive and processing industry
2. Reinforced-concrete, metal and other kinds of structural members and products

III. General-purpose items coming in sets like:

1. Electronic elements
2. Electric bulbs
3. Measuring instruments

4. Appliances and instruments having the character of final products
5. Hydraulic and pneumatic products
6. Reductors
7. Cables and wires
8. Electric motors
9. Storage batteries and traction batteries
10. Inner tubes and tires for vehicles
11. Bearings
12, Bolts, nuts and wire
13. Castings, forgings, hammerings and fittings of ferrous and nonferrous products
14. Conveyor belts
15. Fittings
16. Cast-iron and steel couplings
17. Welding electrodes
18. Spare parts for appliances and instruments used by the population
19. Fancy goods, passementerie and notions

IV. Agricultural products

1. Cereals
2. Feed grains
3. Cereals and leguminous crops
4. Industrial crops
5. Straw
6. Poultry
7. Raw hides of domestic animals
8. Ceiling prices of fruits and vegetables for the population and processing

V. Final products

1. Standardized machine-building and metalworking products of: heavy investment machine building; transportation machine building; metal-cutting machinery and instruments; shipbuilding; hydraulic machinery; metal casting and metalworking; agricultural machine building; electrical equipment industry; electronic computer technology and office machinery; radio communications equipment; instrument manufacture and automation facilities; materials for electrical appliances etc. and structural elements; semiconductor technology; household appliance manufacture
2. Products of chemical and rubber industry; chemical pharmaceuticals and perfumes and cosmetics; chemicals for domestic use
3. Products of furniture industry--furniture and woodwork
4. Products of pulp and paper industry--paper and cardboard products
5. Products of the glass, porcelain and faience industry: glass containers; household glassware and porcelain; sanitary ceramics and faience tiles
6. Products of textile and knitwear industry: fabrics of all kinds; knitwear --all kinds; hosiery; blankets--all kinds; machine-made rugs; textile floor coverings
7. Products of the sewn goods industry
8. Products of the leather, fur and shoe industry: footwear; fur and leather garments and products; suitcases and bags; saddles and harnesses

9. Products of printing and publishing industry: publishing output--arts, politics etc.--at face values
10. Products of food and condiment industry: packaged meat and poultry; meat products; saltwater fish and carp and fish products; fats; canned goods; processed dairy items; dairy produce; lump sugar and powdered sugar; sugar products; alcoholic beverages; tobacco products; bakery products; nonalcoholic beverages, including mineral water--bottled; feeds--groats, mixes, mash etc.; southern fruits; condiments; macaroni products

VI. Services

1. Rate schedule for carriage of freight, passengers, baggage and parcels by rail, motor, water and air transport
2. Rate schedule for materials-handling
3. Rate schedule for transshipments in ports
4. Rate schedule for handling and carriage of freight and containers, pallets, box pallets and consolidated freight units
5. Rate schedule for printing and publishing products and services
6. Rate schedule for advertisements published in newspapers, magazines and other printed publications
7. Rate schedule for economic information
8. Prices for custom tailoring of clothing made from textile fabrics
9. Prices for repair and servicing of: elevators and elevator installations; motor cars; television and radio sets; electric heaters and gas household appliances; household refrigerators
10. Prices for laundering and dry cleaning
11. Prices of services performed by State Archives
12. Prices of nonpotable water--for industrial purposes and irrigation

VII. Planning and construction

1. Prices of surveying and design production
2. Estimated norms and prices of construction and installation work

VIII. Output of other physical production sectors

1. Jewelry of noble metals and precious stones
2. Musical instruments
3. Phonograph records
4. Sporting goods
5. All imported goods for the population

IX. Prices of special products

X. Prices of goods in special (display) stores

Appendix No. 3 to Article 10, Section 1

LIST No. 3 OF GOODS AND SERVICES, PRICES OF WHICH ARE APPROVED OR RECORDED BY EXECUTIVE COMMITTEES OF OKRUG PEOPLE'S COUNCILS (SOFIA PEOPLE'S COUNCIL) OR, WITH THEIR AUTHORIZATION, BY EXECUTIVE COMMITTEES OF OBSHTINA AND RAYON PEOPLE'S COUNCILS

I. Foodstuffs

1. Nonalcoholic beverages made of local fruits
2. Sugar products--retail
3. Coffee substitutes
4. Culinary products
5. Bakery products--specific for individual rayons, related to seasons and traditions of the population
6. Meat from game animals, animals used for production of serums and viruses, domestic rabbits, horses, individual types of meat subproducts and by-products in slaughterhouse production
7. Oils from fruit seeds and kernels
8. Spices--made from local plants
9. Fresh-water fish and products thereof
10. Confectionery products--all kinds
11. Kernels and seeds--all kinds, processed

II. Nonfoodstuffs

1. Folk-style cloth
2. Jewelry and ornaments (excluding those made of noble metals)
3. Ropes--all kinds
4. Fancy goods--readymade from all kinds of materials
5. Earthenware
6. Small wares for household or for farmyard
7. Children's toys (excluding mechanical toys)
8. Pieces, parts and materials in small packages for the "Do It Yourself" system (excluding pieces made of wood)
9. Articles with embroidery, copies, drawings etc.
10. Articles made of straw, pressboard, rushes, woodchips etc.
11. Notions of all kinds
12. Office supplies
13. Luggage
14. Stone, sand and gravel--local production
15. Laboratory and industrial porcelain, laboratory glassware and instruments
16. Goat's-hair products
17. Small items of furniture and specific items of furniture for outfitting public food-service establishments
18. Dutiable goods removed for the benefit of the state
19. Plating (excluding plating in construction and furniture)
20. Apparel--special, national, theatrical, artistically ornamented
21. Shoes--houseslippers, special, theatrical
22. Cobbler's wood, plastic and metal materials
23. Lighting fixtures

24. Plaster casts
25. Accessories for motor vehicles and motor vehicle operators
26. Pyrographic products
27. Passementerie--craft industry
28. Accessories for parks and gardens
29. Stoves, samovars, boilers etc.--craft industry
30. Hand pumps--all kinds
31. Vehicles drawn by live power and parts therefor
32. Accessories for live tractive force (riding saddles, packsaddles, ammunition etc.)
33. Billboards, signs, sign-posts and other accessories
34. Hand-forged tools, appliances and aids for household or for farmyard
35. Frames and moldings for them
36. Goods connected with civic rites
37. Sporting, tourist, hunting and other paraphernalia
38. Structural members for house and farmyard
39. Souvenirs--all kinds
40. Shelving and materials for it
41. Goods, prices of which are fixed in accordance with criminal and investigative actions of a general character
42. Textile products made of renovated and waste materials
43. Stage properties (excluding those, for which prices are approved by the Committee for Culture)
44. Artistic crochet-work
45. Flowers and wreaths
46. Umbrellas and parts for them
47. Brushes--all kinds
48. Packaging--metal, pasteboard, cardboard and paper, intended for packaging the goods on this list

III. Services

1. Barber, hairdresser and cosmetic--excluding medical cosmetics
2. Embroidery, (overlog) and picot, mending of runs, covering of buttons
3. Wool-carding, rag-picking
4. Vulcanization of tires
5. Shoeshining
6. Galvanization
7. Rental service
8. Welding--oxygen and electric
9. Production of: furniture, woodwork, hardware, curtains, blinds, dust-covers for furniture, bedspreads, tablecloths, sleepwear, quilts, mattresses, leather and fur clothing, hats, footwear, luggage etc., plaster casts, keys, and food products made with customer's materials
10. Distillation of fruits and pulps into brandy, sealing of canned goods
11. Copying of tablecloths, wall rugs, pillows etc.
12. Cartwrighting and farriery; axe-making, blacksmithing and cooperage; knife-grinding and tinsmithing
13. Messenger services
14. Typing, mimeographing, blueprinting, bookbinding, spirit-type duplication
15. Flour milling, oil milling

16. Processing the skins of domestic and wild animals
17. Performance of rituals
18. Repair of: clothing, shoes, luggage and umbrellas, gold and silver ornaments, musical instruments, measures and measuring instruments and devices, sewing machines, cameras, shotguns, bicycles and baby carriages, electric motors and generators, oil stoves, household appliances, furniture, woodwork and locks, timepieces, fountain pens and ballpoint pens
19. Translations from and into foreign languages
20. Spraying of vineyards and young fruit trees
21. Knitting, weaving and textile dyeing
22. Baking
23. Cleaning of rooms, yards etc.; care of children, elderly persons, sick persons etc.
24. Carding of textile fibers and rag-picking
25. Cutting up of firewood
26. Manual drilling
27. Drawing or painting of emblems, signs, diagrams, billboards, logos, signposts etc.; transcription of musical scores
28. Installation of windowpanes and glassworking
29. Saddle- and harness-making
30. Grinding of coffee, chick-peas, rye, herbs, chemicals and nonmetalliferous minerals
31. "Do It Yourself" system services
32. Prices of admission tickets to parks, beaches, sports contests, entertainment and other events of local importance, and charges for the use of boats, water wheels, attractions etc. (excluding those for which prices are approved by the State Committee for Tourism, the Committee for Culture, and BSFS [Bulgarian Union for Physical Culture and Sports]
33. Services in connection with criminal and investigative actions of a general character

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FURTHER CONCERN ON DELAY IN CONSTRUCTION OF ATOMIC POWER STATION EXTENSION

Sofia TRUD in Bulgarian 19 Oct 82 p 1

[Article by Valeri Vedov, TRUD correspondent: "What If the Snow Starts Falling?... The Construction of the Fifth Power Block at the 'Kozloduy' Nuclear Power Plant is Lagging"]

[Text] We know that the possibilities governing the development of the country directly depend on its energy balance. The first Bulgarian nuclear power plant has long assumed an important place within it. It is the first, for the construction of the Bulgarian second and even more modern nuclear power plant is underway near Belene. Whereas the power produced there will begin flowing along the cables during the next five-year plan, the third consecutive reactor of the power complex near Kozloduy is scheduled to begin work during the present 8th Five-Year Plan. With its 1,000 megawatts, it is a target of prime importance to the national economy.

For the time being, however, the only guarantee for the ahead of schedule completion of this reactor lies in the successes of the construction and installation workers building... the preceding four power units. October is already upon us but no more than one-half of the funds appropriated for this year's construction have been already used.

The word "energizing" was mentioned for the first time last month. At that point some results became apparent after a period of many months of apparently chronic lagging. Within a short time more than 420 tons of armature for the main platform in the machine hall were assembled, the concrete for the special hall was poured and it became possible to work on the subsequent parts of the power unit. However, about 9 million leva more must be used before the end of the year! The construction workers face a difficult task. That is why, the operative staff in charge of the accelerated building of the fifth power block decided to concentrate additionally on the huge construction site another 1,000 skilled workers.

However, is that all that is necessary? Unfortunately, the new shortened schedules for the building of the subprojects are also threatened. Such subprojects are built by stages and wherever the work is advanced the workers justifiably fear that they have to idle after its completion. They have not received yet either the equipment which is installed in the course of the

construction work or the new blueprints. Currently the numerous brigades of Industrial Construction and Power Installations are working at full steam, in three shifts. However, such an organization of the work can be efficient only if the investor can supply the necessary parts on time. Blueprints for the steel structures in the machine hall have been awaited for quite some time. The Ministry of Power Industry promised to deliver them by 10 October but failed. Therefore, it is hardly likely that the "compressed" schedules will be met.

The most alarming feature is that even where blueprints and plans are available nevertheless the work is lagging. In other areas virtually no work is being done although the deadline for the submission of the subprojects is the end of the year. Delays in the laying of underground engineering facilities are creating difficulties during the autumn. What will happen during the winter? It is believed here that the violation of the schedules is caused by irregular deliveries of quarry materials and industrial panels. Clearly, however, something is not in order in the supply organization itself if it is only the production workers that are being traditionally blamed for irregular deliveries. For example, some materials and raw materials to be imported have not even been requested, although they will be needed during the next stage in the construction of the fifth power block. People with experience are already doubting that they will be received on time.

It is true that a rather detailed program has been adopted for surmounting the lag. As is the case with all such programs, it includes specific deadlines and specific performers. However, the program will remain no more than a pious wish if the omissions committed so far have not been rapidly corrected. The winter is coming and the weather will no longer be the ally of construction and installation workers.

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GERMAN DEMOCRATIC REPUBLIC

# MANAGERS' CRITICISM OF PLANNING, SIDESTEPPING OF LAWS DISCUSSED

Conference Report

East Berlin NEUE JUSTIZ in German Vol 36 No 9, Sep 82 pp 413-414

[Report by Margret Edler, staff member, and Dr Heinz Gold, secretary, Council for Political Science and Jurisprudence Research, GDR Academy of Sciences, on the council's 25 June 1982 conference on the topic, 'Conclusions From the Economic Strategy for Raising the Effectiveness and for the Further Development of Economic Law': "Economic Strategy and Effectiveness of Socialist Law." A translation of the article based on Prof Uwe-Jens Heuer's address to the conference follows this report]

[Text] By way of resuming the deliberations of its conference on the tasks of the local official organs in implementing the 10 key points in the economic strategy issued by the 10th SED Congress,* the Council for Political Science and Jurisprudence Research, GDR Academy of Sciences, on 25 June 1982, dealt with the topic, "Conclusions From the Economic Strategy for Raising the Effectiveness and for the Further Development of Economic Law." Overlapping questions concerning the theory and development of law were discussed along with it as well.

The conference speaker, Prof Dr Uwe-Jens Heuer, of the Institute for Theory of State and Law, GDR Academy of Sciences, attacked the topic outright, not in a branch-specific but a comprehensive fashion: after some basic statements on the 10th SED Congress requirement to take another step in combining the advantages of socialism with the accomplishments of the scientific-technical revolution, he turned to two significant problems: (1) the role of law in ensuring the correct socioeconomic decisions on all management levels, especially the legal controls over the planning process (focusing on the pertinent standards in the new contract law) and (2) the role of law in reinforcing the modes of thinking and conduct by the managers and working people in the national economy.

In the ensuing discussion, Prof Dr G. Haney of the political science and jurisprudence department of Friedrich Schiller University, Jena, dealt with the relation between economics and law and between law and legal consciousness. He underscored that economics was the centerpiece of our social policy but that

*Cf. report by M. Edler and H. Gold in NEUE JUSTIZ, 1982, No 3, pp 362 ff.

the development of all other public areas increasingly reacted upon economics. For that reason socialist law needed to be oriented to social development as such. In this sense one should also note the uniformity of the socialist legal system.

Prof Dr K. A. Mollnau, of the Institute for Theory of State and Law, GDR Academy of Sciences, pointed to the complexity of social development and the relation between the social and the legal system. He demanded that all branches of law should take more account of the dynamics of social development and explained what he meant by the increasing role of socialist law in enforcing scientific-technical progress.

Prof Dr W. Weichelt, director of the Institute for Theory of State and Law, GDR Academy of Sciences, dealt with the relation between the growing dynamics of economic processes and the further development of socioeconomic relations and the structural social changes necessarily connected with them. He affirmed that the contradictions in our society arising because of it could be resolved by using the advantages of socialism all the way. Other comments by Weichelt related to the effect of socialist law on consciousness; jurisprudence, he pointed out, should more explore how by means of socialist law objective public interests could be ascertained, made conscious and controlled.

A number of other discussion contributions related considerations about the theory of law to specific requirements in various branches of law. Economic law received the major attention in this, which accorded with the topic of the conference by the Council for Political Science and Jurisprudence Research.

Prof Dr G. Walter, first deputy chairman of the State Contract Court, dealt with the role of economic law in optimizing and coordinating economic decision-making processes. He explained that the new contract law of 25 March 1982 contained a number of regulations that foster a flexible reaction within the economic contract mechanism. But no regulations had been included about the ineffectiveness of planning decisions and about settlement claims as reaction to an inadequate coordination in the management and planning process. Whether and how much institutional law could positively affect the reaction capability in planning required further investigations and theoretical generalizations. Also the question to which principles in the contract law a general director of a combine is committed in designing the order of cooperation for the cooperation relations among combine enterprises (Contract Law Article 21) was deliberately kept open by the legislators to take account of further developments.

Prof Dr h.c. G. Pflicke, of the Institute for Economic Law at the Bruno Leuschner College for Economics, referred to some problems arising in optimizing and coordinating decision-making processes, especially with regard to the cooperation between central management and economic units.

Prof Dr F. Kunz, of the GDR Academy of Political Science and Jurisprudence, dealt with the interaction between economic law and labor law in the implementation of the economic strategy. He made the point that the structural changes in the shaping of the working people's material working conditions resulting from the dynamic economic development should be properly taken into account.

Proceeding from the remark that the economy is the main field for state management, Prof Dr G. Schulze, of the GDR Academy of Political Science and Jurisprudence, presented a number of requirements for the planning process resulting from the cooperation between the combines and the local state organs. He made the point that the local organs were given tasks, in using territorial resources and in the process of territorial rationalization, that are expressive of a new quality in combining the branch with the territorial principle.

Prof Dr E. Winklbauer, of the jurisprudence department of Humboldt University, Berlin, from the aspect of scientific-technical legal protection, explained some problems in innovation development and the demands that makes on management and planning so that scientific-technological solutions of high economic benefit are found and products and procedures are produced that are competitive on the world market.

A greater effectiveness of socialist law in the economy also raises higher demands for the issuing of legal regulations. Relevant experiences from the activity of central state organs were commented on by Dr S. Bergmann, main department chief in the Ministry of Justice. In each individual case one must carefully check which economic problems call for legal regulations in the first place and which specific legal instruments are to be used within the scope of ways found for settling such problems. The planning of jurisdiction plays a special role because that can take into account over the long run the requirements arising from the economic strategy. Because of that, sound analyses of the effectiveness of legal regulations in force are indispensable.

The council chairman, Prof Dr G. Schuessler, rector of the GDR Academy of Political Science and Jurisprudence, summarized the outcome of the conference to the effect that socialist law, as an important instrument of the socialist state, has to contribute to the further protection and development of our socialist state, with the emphasis placed on the implementation of the economic strategy issued by the 10th SED Congress. In that sense then the role of socialist law has to be raised so it becomes publicly effective and conforms to the dynamics of social development.

## Prof Uwe-Jens Heuer's Address

East Berlin NEUE JUSTIZ in German Vol 36 No 9, Sep 82 pp 386-390

[Article by Prof Dr Uwe-Jens Heuer, Institute for Theory of State and Law, GDR Academy of Sciences: "Economic Strategy and the Role of Law and Awareness of the Law." Translations of the two articles cited in footnotes 4 and 7 are published under quoted headings in the following JPRS issues of this series: Footnote 4--"Relaxing of State Economic Controls Seen as Threat to Socialism" (Prof Gerhard Schuessler), 80938, 28 May 82, No 2274, pp 45-72; and Footnote 7--WIRTSCHAFTSRECHT article by Manfred Flegel, explaining the new Contract Law, plus the text of the law, "New Law on Contracts Sets Responsibilities, Sanctions," 80875, 21 May 82, No 2272, pp 24-73. A translation of the article by Prof Erich Buchholz, cited in footnote 13, is published under the heading, "Effectiveness of Punishment in Criminal's Re-Education Disputed," in JPRS 81963, 12 Oct 82, EAST EUROPE REPORT: POLITICAL, SOCIOLOGICAL, AND MILITARY AFFAIRS No 2063, pp 37-48]

[Text] [Editor's Note]

The following article is based on excerpts from an address by the author to the conference by the Council for Political Science and Jurisprudence Research, GDR Academy of Sciences, on 25 June 1982, devoted to the topic, "Conclusions From the Economic Strategy for Raising the Effectiveness and for the Further Development of Economic Law." The contribution also makes suggestions for implementing the specific tasks arising for the justice organs in the implementation of the economic strategy.

The main question in the development of socialist society is the development of the economy. "Our economy is the centerpiece of the SED's social policy, the great efforts by our people on behalf of high economic performance improvement. Here are the critical decisions made about further advances in the shaping of developed socialism."[1]

On economic efficiency depends the solution of all other tasks; against it also is measured the contribution made by law. This is not simply a matter of directly translating economic into legal considerations. State and law are no mere reflections of economics, nor are political science and jurisprudence a reflection of economic theory. Theoretical thought of necessity also is strategic thought, and what matters is to develop the kind of strategy in the field of law that is adequate to the strategy in the field of economics.

The 10th party congress developed 10 key points for the economic strategy for the 1980's. It proceeds from the need to continue, despite changed foreign policy and foreign economy conditions, the course of the main task in its unity of economic and social policy. The fourth session of the SED Central Committee also put it unequivocally that we could "effectively meet the extra foreign economy burdens and ensure our people's public property only by high growth rates in our national income."[2]

The starting point of our economic strategy lies in the need to take another step, through modern science, in combining the advantages of socialism with the accomplishments of the scientific-technical revolution, whereby to ensure the necessary lead for our intensively expanded reproduciton of the future. These possibilities have directly become the chief reserve for our economic performance growth and efficiency, for a penetrating improvement in the cost/benefit ratio.

That calls for more durability and complexity in management and planning, for greater organization, and for more room for creativity. The more the intensification process advances, the higher the development of the economy becomes, the more the degree of the division of labor, and that also means the reciprocal, national and international, entwining and dependencies increase, and the greater the role that science plays, the more important is a complex and early correlation of decisions, the higher must be their level, their scientific substance, and the democratic nature of their being elaborated and enforced, and the higher are the demands made on the management and planning system and on the political organization of socialism as a whole.

That is the point where we have to ask about the role of law. The economic strategy for the 1980's must needs be embedded in a commensurate social strategy for the shaping of developed socialism. Social science also must help "create the economic, official-legal and ideological-cultural conditions and factors for the scientific-technical progress to take full effect and for coping with its effects in a socialist manner. . . . That is a great and complex task that one discipline by itself--such as the economic sciences, as large as their share in it may be--cannot handle. It actually calls for cooperation among all social sciences and also for close cooperative ties with the natural and technical sciences."[3]

In this social strategy, which is determined by economic strategy but cannot be that token be reduced to it, law also finds its place. With it, law has to be correlated over long range and with its possibilities and limits, to have all advantages of socialism take full effect.

The advantages of our order are basic characteristics of socialism, but they do not take effect on their own. It cannot be good enough to abstract the advantages of socialism from the nature of socialism and let it go at that. For the sake of ideological confrontation as for practically changing our social reality we must rather consider that our public property produces the advantages of socialism as potential advantages while it is our historic task to transform this potential into reality all-around through our class struggle against imperialism. That largely is a question of management activity or--to put it more inclusively--of using all potentials in our political-ideological superstructure.

All the political and ideological superstructure is what our victory in the struggle against imperialism greatly depends on, under leadership by the working class party and its strength, prudence and organization. Especially as the economic laws are buggging us less and less--even though they are still doing it, as they always have, as far as the region in which capitalism rules is concerned--making our own interests prevail so strongly depends on our own conscious capacity, and the superstructure, for objective causes, must play a greater qualitative role than in capitalism.

Enhancing the effectiveness of law for enforcing our economic strategy must be embedded in this overall function of the political-ideological superstructure of socialist society. The role of law derives not only directly from relating to economics but also from how it relates to the superstructure on the whole.

I am making so much of a point of this because scientific thought given to the role of law, particularly economic law, must also always aim at solving current contradictions and practical problems and at the gradual implementation of long-range objectives. If the latter is neglected, our science cannot apply its specific advantages, its historic and systematic thought, if the former, it will receive no hearing from those who day after day have to cope with the tough tasks of managing our society.

From the great number of questions arising for law in connection with the economic strategy, I intend to deal in the following with two especially significant ones.[4]

## The Role of Law in Ensuring Correct Socioeconomic Decisions

The role of law in leading to correct decisions is wound up with the need, due to public ownership, for a correlated and coordinated optimizing of hundreds of thousands of rulings on all management levels. The complexity of the reproduction process corresponds to the complexity of the decision-making processes, primarily in planning. From that it follows that the national economic plan evolves through a multilevel and multi-structured planning process that embraces all economic levels. Managers often criticize the correlation and decision-making mechanism in our planning for being too cumbersome. But here, it seems to me, two things have to be differentiated: on principle, the need for such a mechanism follows from our public property; but then it also is important to make this mechanism more intelligible, reactive and reliable.

Here jurists offer a further development of juridical rules for the planning process as an important tool. It is of extraordinary importance in this connection to understand the planning process as a social process. Planning decisions are never just a reflection of what is known at any given point; they are determined by a great number of social factors all the way to individual character and personality traits. Empirical surveys even point out that the kind of information primarily considered is precisely that which has already been stored within the manager subjectively.[5] If planning were nothing but a technical process, it would require nothing but technical rules, some sort of operational instruction, as it were. There are some scientific planning blueprints that do in fact give such an impression, and even the planning law regulations now in force contain many stipulations technical in kind that overshadow the legal provisions proper.

So we have to recognize the planning as a social process and work out economic relations that are in need of legal rules and must take an appropriate position on law. The jurists also are eager to work out juridical forms that are adequate to these processes and to study planning processes in great detail to submit recommendations that would be of practical help. Of course, not only law ensures the social character of planning. The most important expression of the social character of planning is found in the leadership role of the working class party. In many planning processes legal rules are not desirable, not even feasible. Yet whenever the process to be regulated must be regulated as a social process, expressing social contradictions, in specific legal terms, that is by enforceable rights and duties, legal regulations are needed. Here also applies the word of Karl Marx: "Rule and order is per se an indispensable element of every mode of production meant to assume social stability and be unaffected by mere chance or caprice."[6]

In the view of economic lawyers, the need for legal regulations for the planning process derives primarily from four characteristics of that process that all together require this need: (1) the need to ensure the inherent connection of many different decisions, mainly in planning decisions; (2) the development of individual and collective interests based on the implementation of social interests; (3) ensuring the unity between central state management and the commodity producers' economic activity under their own responsibility; and (4) ensuring the unity between management and the increasing share of working people involvement and decision-making, and between discipline and creativeness.

These considerations have also played an important role in the most significant codification in economic law of recent times, the new Contract Law of 25 March 1982 (GBL, Part I No 14, p 293).[7] The new Contract Law raised certain building blocks for regulating planning by law to the rank of a law.

First one must mention here the coordination contract that replaces the previously different forms for the coordination contract, the coordination accord and the cooperation contract. Contract Law Article 34 defines the duty to conclude such contracts under specific conditions; when duties assumed are violated, damage claims are authorized according to Contract Law Article 36. Practical experience has shown that such contracts are mainly concluded within a ministerial area. Furthermore, such contractual coordination runs into constraints resulting from diversified accountabilities by the partners. Here one must give still more thought to how the inclusion of such contracts in the planning system may be further developed.

Coordination protocols are widespread which often replace contractual agreements. Being easier to revise as coordination tools, they can play an important role in the legal orchestration of planning. Contract Law Article 23 Paragraph 2 provides for the binding nature of coordination protocols for a subsequent signing of contracts and for the obligation to report any necessary modifications. The point is to offer diversified forms of joint decision-making which show rights and duties separately and are, in all of their different forms, embedded in the overall management system.

Though it may be assumed that such joint planning decisions and their legal regulations are going to be of great importance to long-range coordination, the main weight, it seems to me, will continue to be placed on the legal forms for participating in planning decisions. The calling for decisions plays a growing role here. Contract Law Article 27 authorizes economic units to call for such decisions from their combine or management organ within a time frame of one month when the decision-making and correlation obligations set down in the Contract Law are infringed. This right relates not to the content of a decision but to the fact of decision-making. Calling for decisions constitutes an important instrument, subject to further development, for legally ensuring optimum and stable plans. In practice, many litigations in enterprises do in fact involve the need for decisions to be made by superior or balancing organs (circa one-fourth of them, according to the statistics of the State Contract Court). Enterprises and combines keep complaining about how long decision-making takes.

A special instance of this problem is the ratification for long-range conceptions in the economic units. Experience has demonstrated that the absence of legal regulations regarding the authority of such conceptions (or parts of them) and their specific effects often causes them to be superficially prepared. Moreover, the work in the combines is long-range anyway. Without a central decision, many combines are apt to make the decisions themselves, and not always in line with economic premises. Such legal regulations thus would by no means amount to enterprise or combine egoism but would serve to enforce jointly determined social interests.

Legal rules must not only lead to properly timed and optimum decisions, they must also help ensure their stability. They must guarantee that when revisions have to be made the social interest remains assured. The main thing is that in case of unavoidable alterations, effects are fully taken account of, ramifications are fully understood, and the positive and negative effects of the action are balanced out.

This problems has played quite a role for some time in connection with interference with contracts concluded. The approach to settlement claims taken in 1967 turned out to be not practicable. Then the demand was that concluded contracts were to be taken account of when the balance sheet was being drawn up, deviations from the economic interests being allowed, however. Contract Law Article 12 Paragraph 3 now sets down that long-term economic contracts concluded on the basis of the official five-year plan quotas are to become part and parcel of the annual plans and accounting unless the Council of Ministers or central state organs decide otherwise. That is an optimum arrangement under prevailing conditions. Its effectiveness is closely tied in with the effectiveness of the five-year plan as the chief economic management instrument. The more the five-year plan can play such a role--on which one keeps insisting time and time again--the greater also becomes the role of the long-term contracts based on it.

Altogether, it turns out, the new Contract Law contains a number of forms and instruments which, consistently used and further differentiated in the future, are certainly apt to improve the coordination and stability of planning decisions and thereby better ensure the social interest in the permanence and complexity of planning.

Many questions considerably exceed the range of the problems the Contract Law can objectively handle. A cohesive structuring of the legal forms must wait for a cohesive legal regulation of planning.[8]

The Role of Law in Reinforcing Socialist Modes of Thinking and Conduct in the Economy

The implementation of our economic strategy calls for appropriate modes of socialist thinking and conduct. A socialist attitude toward work calls for a clear allegiance to abiding by regulations as well as for a constant effort to enforce innovations and better ideas. What is wanted is issue-taking with indifference, the waste of material, the lack of discipline as well as the courage to take risks, a militant stance against mediocrity and conservatism, and the readiness to confront the views of others, may they be subordinates, colleagues of equal rank, or superiors.

What matters is that our constantly reiterated demands for modes of thought and action in fact come to control what the masses think and do, that our ideology--to quote Marx--becomes a "material force as soon as it grabs the masses."[9] Socialist society needs more than up-to-date, politically enforceable conduct. It needs stable modes of thinking and conduct that go together with certain views, conceptions and ideas. As the working class party leads the masses and is tied to them in dialectical unity, so also is the ideology of Marxism-Leninism tied up in dialectical unity with the awareness of the masses.

Philosophical literature in this connection is wont to refer to (empirical) ordinary consciousness. Normally the concept of the empirical here goes together with spontaneity or--more or less clearly expressed--with a lower level which, as ordinary consciousness, is contrasted with a higher, scientific consciousness.[10] K. A. Mollnau and others distinguish on the level of law between social consciousness and the legal consciousness of the personality.[11] In drawing up such a contrast, one is bound to run the risk of opposing the empirical, differentiated legal consciousness of personality--which, after all, is also social because the actual legal consciousness has to exist, mind you, as the legal consciousness of individuals affecting one another--by a social legal consciousness that ought to exist.

So I rather subscribe to the views of those who take the consciousness of the masses as an element of social consciousness as well.[12] From it, it seems to me, we find it possible to disclose a genuine dialectical relation between Marxist-Leninist ideology and mass consciousness, and between law and legal consciousness (as part of mass consciousness). And I understand as mass consciousness the class-bound consciousness of the working people as it really is and multistructural in other respects, as the basis for their practical activity and expression of their experiences as much as in terms of the absorption of ideology and science in the mass consciousness.

A sober and unbiased analysis of mass consciousness is harder but no less important than a sober and unbiased analysis of the economic situation. On the state of mass consciousness decisively depends the level of production activity, the creative struggle for innovations, as much as our political stability. Then also, this mass consciousness is affected not only by our own ideology but also by other ideologies in the ideological struggle. Yet it also is being fashioned incessantly by the masses' own immediate experiences.

This is not just a matter of merely imparting knowledge but of forming modes of thought and action, a matter of education. And education in turn-- as has just been emphatically reiterated by E. Buchholz--[13] is not by nature a unilateral process. The appropriation of culture needs be a dialogue.[14]

And precisely in this kind of process of interaction we must also understand the law. Law simply involves not merely establishing and enforcing concrete decisions. Law--including economic law--is irreplaceable as a tool for making the Marxist-Leninist ideology massively effective. Already in the works by our classic authors, legal norms formed the classical case for ideas declared to be compelling. There is no other system of norms which can in so comprehensive and effectively transforming a fashion, clearly entitling and obligating the individual directly, in its far-reaching manner, combine ideology with organization.

The need for ideals, values, symbols, principles and so forth is undeniable. As principal angles, they express the struggle against "abandoning the future of the movement for the sake of the movement's present."[15] Solely through ideals, values and so forth, however, socialist society cannot be organized, nor can socialist management or socialist personality formation be ensured. Such a concrete conversion takes place through resolutions by the working class

party, through planning, but also then through the norms of socialist law. From this it also follows that any contrastation between ideology and law or between ideological work and legality, misses the whole point about the essence of socialist society and its ideological superstructure.

The demands made on the modes of thought and conduct that are, in substance, derived from the economic strategy offer per se no immediate solutions for a concrete attitude. By referring to order, one might fight against the courage for risk; the demand for higher risk might express a lack of responsibility, and the striving for higher recognition, egoism. That is why we must render ideals, values and so forth concrete through discourse. Only through making them concrete like this can and must the boundary be set between admissible and inadmissible risk, between necessary order and formalism, between justified ambition and careerism, and only that way must modes of thought and conduct be formed.

Especially there, law plays an essential role. It does not set down the good and desirable, which perhaps may not be attainable, in the abstract, but it determines which conduct is good or better than other conduct in a concrete situation; that is the conduct it supports while it places other conduct under sanctions. While the ideal as such is seldom denied--who is there who would favor slovenliness over creativeness?--it is the concrete demands of law from which the debate takes off, and that becomes the immediate yardstick for conduct.

There are, of course, norms of a higher demand level than the norms of law, demands are made on the members of the working class party that transcend what the law demands of them; a future communist society is going to have a different level of ethics. But today still, generally enforcing the concrete requirements of law is a desirable and significant goal. If we bring it about, e.g., that a full use is made everywhere of working hours, that the trade union gets drawn into justifying the plan, that each is paid according to his performance and works in accordance with his abilities, that instructions are followed and contracts met, that justified demands by innovators and inventors are satisfied and no one is unlawfully recognized as an innovator, if we succeed in all that--and here we deal with legal regulations in force--then we would make quite a bit of headway in improving economic efficiency and implementing our ideals.

Not by chance has the 10th SED Congress made so much of the connection between ethics and legality: "The more responsibly the citizens fulfil their legal obligations to society and the more conscientiously their rights are protected, the more we promote honesty and the sense of responsibility, create comfort and stimulate achievement."[16] And the speech on the 10th party congress directive asked for strictly abiding by state order as set down in the laws and other legal regulations as the equal to communist integrity in planning and plan implementation and settlement.[17]

When managers were questioned it became clear that most of them regard law as an instrument that produces beneficial effects. The first place there is held by securing order and stability in the economy; only then comes the help the law offers to enforcing the interests.

At the same time it was found that in contradictions between (genuine or presumed) economic requirements and the demands of law, some managers lean toward the economic requirements. There, in the well known contrasting of plan fulfilment and legality, highly diverse circumstances can be at the root. Legal regulations which at the time they were issued lacked sufficient socioeconomic prerequisites and therefore could not be enforced--which applied to many labor safety provisions--block the development of legal consciousness. The demand for abiding by legal regulations must always go hand in hand with the legislators' constant struggle to raise the level of standards, time amd time again ensure their conformity with economic requirements, improve their intelligibility and eliminate contradictions.

Irrespective of these tasks, the main ideological problem lies in enforcing the realization that, in principle, our law in force expresses the currently obtained and obtainable status of social requirements and possibilities. No individual manager or other working person can decide what is in the interest of society. That decision can only come--on the basis of working class party resolutions--from the mandatory state plan and the no less mandatory legal regulations.

In the eyes of an individual it may at times seem better and be, in fact, advantageous for him, to ignore the otherwise accepted legal regulations to achieve one current objective or another. Such temporary results, however, are pseudo-successes and they actually undermine what makes up the proper worth of law: the uniform rules that are binding on all--regardless of their social position--and the equality before the law which alone can secure a consciously accepted order. Socialist law gets its strength not from official coercion alone but also, and especially, from the citizens' convictions. What was stated above in general terms about the importance of mass consciousness and its role in enforcing the Marxist-Leninist ideology also applies to the relations between ideology, law and law consciousness.

Fully using the potentials of socialist law for enforcing the economic strategy calls for overcoming those elements in nihilism about the law which the struggle against the bourgeois legal order was bound to produce and which could not yet be completely overcome under the conditions of the transition period. This also calls for a discussion of discontinuity and continuity in law. Through a deeper comprehension of the role of law in socialism there also grows our appreciation of the magnitude and and complexity of future tasks. A trend in changing modes of thought and conduct is of necessity of long duration. The more realistically we approach the role of law and the more intensively we attend to the matter of its effectiveness, the more clearly shall we see the change on our time horizon.

By this objective we take our place within the general requirement to make socialism effective under ordinary conditions, a requirement of which Lenin has said that "in these things only that may be accepted as achieved which has entered the culture, the ordinary life, the mores."[18] Our law will be measured against its contribution to creating the modes of thinking and conduct and the culture (also the legal culture) that conform to the complicated economic tasks of the 1980's.

FOOTNOTES

1. E. Honecker, "Bericht des Zentralkomitees der SED an den X. Parteitag der SED" (SED Central Committee Report to the 10th SED Congress), Berlin, 1981, p 48.

2. E. Honecker, "Aus dem Schlusswort auf der 4. Tagung des Zentralkomitees der SED" (From the Concluding Speech at the Fourth Session of the SED Central Committee), Berlin, 1982, p 91.

3. K. Hager, "Die Gesellschaftswissenschaften vor neuen Aufgaben" (The Social Sciences Facing New Tasks), Berlin, 1981, p p 35.

4. Cf. also on this subject G. Schuessler, "Economic Strategy and the Socialist State," STAAT UND RECHT, 1982, No 3, pp 195 ff.

5. Cf. G. Friedrich, "The Decision-Making Theory and the Perfecting of Management Decisions in the Socialist Economy," "Sitzungsberichte der Akademie der Wissenschaften der DDR" (GDR Academy of Sciences Proceedings), No 11/G, Berlin, 1976, p 9.

6. K. Marx, "Das Kapital," Vol. III, Marx/Engels, "Werke" (Works), Vol 25, Berlin, 1964, p 801.

7. Cf. K. Heuer, "The New Contract Law--Perfecting Economic Law," NEUE JUSTIZ, 1982, No 6, pp 245 ff, and explanatory contributions in WIRTSCHAFTSRECHT, No 2, pp 66 ff.

8. The science of economic law in the GDR therefore was charged with a great responsibility when in the central plan for GDR social science research the preparing of proposals for such rules was assigned. Cf. also relevant demands in V. Laptev, "Economic Mechanism and Economic Law," SOWJETWISSENSCHAFT--GESELLSCHAFTSWISSENSCHAFTLICHE BEITRAEGE, 1981, No 2, pp 193 f.

9. K. Marx, "Introduction to a Critique of Hegel's Philosophy of Right," Marx/Engels, "Werke," Vol I, Berlin, 1961, p 385.

10. On ordinary consciousness, cf. V. P. Tugarinov, "Philosophie des Bewusstseins" (Philosophy of Consciousness), Berlin, 1974, pp 140 ff; H. Horstmann, "Ordinary Thinking and Understanding Contradiction," DEUTSCHE ZEITSCHRIFT FUER PHILOSOPHIE, 1979, No 3, pp 312 ff; and "Gesellschaft und Bewusstsein" (Society and Consciousness), Berlin, 1980, pp 203 ff. -- The latter takes a critical view of the contrasting of levels (cf. p 109), and so does N. B. Bikenin, "Socialist Ideology" (in Russian), Moscow, 1978, pp 125 ff. -- The concept of ordinary consciousness has now been attacked by T. Hahn, G. Hartwig and W. Eichhorn I in a discussion, cf. M. Leimbach and J. Fiedler, DEUTSCHE ZEITSCHRIFT FUER PHILOSOPHIE, 1982, No 1, pp 99 f.

11. Authors' Collective under the direction of K. A. Mollnau, "Objektive Gesetze --Recht--Handeln" (Objective Laws--Right--Conduct), Berlin, 1979, pp 229 f.

12. Cf. R. Muncha'ev, "Problems in Defining the Concept of 'Social Consciousness' in Historical Materialism," DEUTSCHE ZEITSCHRIFT FUER PHILOSOPHIE, 1981, No 8, pp 920 ff. Cf. also the interesting comments by D. Wittich, "Marxism-Leninism as a Theoretical World-Outlook in Practice," Ibid., 1979, No 10, p 1169.

13. Cf. E. Buchholz, "The Educational Role and Effectiveness of Punishment," NEUE JUSTIZ, 1982, No 6, pp 263f.

14. Cf. M. S. Kagan, "The Problem of the Subject-Object Relation in Marxist-Leninist Philosophy," SOWJETWISSENSCHAFT--GESELLSCHAFTSWISSENSCHAFTLICHE BEITRAEGE, 1981, No 2, p 280.

15. F. Engels, "On the Critique of the Social-Democratic 1981 Draft Program," Marx/Engels, "Werke," Vol 22, Berlin, 1963, p 235.

16. E. Honecker, "Bericht . . .," op. cit., p 119.

17. Cf. W. Stoph, "Direktive des X. Parteitages der SED zum Fuenfjahrplan fuer die Entwicklung der Volkswirtschaft der DDR in den Jahren 1981 bis 1985" (10th SED Congress Directive for the Five-Year Plan on the Development of the GDR National Economy, 1981-1985), Berlin, 1981, p 42.

18. V. I. Lenin, "Rather Less, but Better," "Werke," Vol 33, Berlin, 1963, p 475.

5885
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## MINISTER SAYS COMPETITION BENEFITS FOOD INDUSTRY

Budapest MAGYAR HIRLAP in Hungarian 16 Oct 82 p 5

[Interview with Imre Kovacs, deputy minister of agriculture, by Ivan Gador: "Betting on Competitiveness"]

[Text] Imre Kovacs was born in Szolnok in 1935. After completing the Agricultural Sciences University in Godollo he became an official in the Ministry of Food. He later worked for the Economic Policy Department of the MSZMP Central Committee, eventually as chief of a subdepartment. Since 1975, he has been deputy minister in the Ministry of Agriculture and Food.

Two years ago four and at the beginning of this year an additional three food industry trusts or national enterprises ended their careers to make way for independently operating enterprises. Such an amount of time is hardly enough for a new economic organization or structure to prove its viability or inabilities. But things are speeding up these days. The unfavorable changes on the world market, the increasingly difficult need of the Hungarian economy to export, leaves us no time for testing and experimentation. The condition for keeping on the surface is production highly valued by the market, unambiguous business success.

They new, independent enterprises must work under considerable pressure. They did not have time to learn to swim before finding themselves in deep water; they immediately had to meet world competition. Our colleague, Ivan Gador, talked about this with Imre Kovacs, deputy minister of agriculture and food.

[Question] The ability of the Hungarian economy to export has improved this year so far, and the food industry has produced a good part of the extra export. Did the new enterprises, thrown into deep water, learn to swim?

[Answer] Perhaps you should ask someone else about this, the leaders of the enterprises or the foreign trade people. For my part, in defense of the decisions, I can say nothing bad. But independent of this, the activity of the independent enterprises justifies the abolishing of the trusts; they were able to increase their performance even under conditions more difficult than earlier.

[Question] I questioned a number of enterprise leaders, and they mostly only complained.

[Answer] They certainly have reason to, because their situation is truly difficult. They received the possibility and responsibility of independence in a situation when decreasing foreign market prices and simultaneously increasing burdens presented them with tasks which could be carried out only at the price of great efforts. But economic force and incentive seem to be a great lord, because as a whole neither production nor sales declined. On the contrary, they will probably increase this year in accordance with our plans. Indeed, a number of firms--the Oroshaz Poultry Processing Enterprise, the Bekescsaba Canning Factory, the Budapest Confectionary Industry Enterprise, the Hungarovin Wine Enterprise and the Eger Tobacco Factory, to mention only a few examples--have increased variety in an exemplary way in addition to increasing their production.

[Question] As long as the well known import difficulties do not hinder acquisition of the primary materials indispensable for production. There have been a few shortages recently....

[Answer] We will be careful to see that there is no hang-up in the manufacture of basic foodstuffs. The enterprises themselves could do much in this regard. If they can provide cover for the necessary import with extra export the situation will be better. Constructive domestic cooperation can bring much to the kitchen. I could mention a number of good examples, for example the dynamism of quite a few wine enterprises in bringing a number of new products to the market.

[Question] This is needed, because according to our information an outstanding grape harvest is promised this year not only in Hungary but also in western Europe and North Africa. If wine surpluses arise on the Common Market our sales possibilities will deteriorate.

[Answer] But they will not become impossible. If we can maintain good quality requirements at the harvest and in processing and handling then we can stay competitive in the increasing competition struggle. This work will require good business sense and speed. Like that, for example, of Hungarovin. They have undertaken a cooperation involving the Hungarian branches of international hotel chains, an outstanding idea. The first result was the Hilton family, which won the grand prize at the Budapest International Fair--sweet and dry, white and red wines, and, of course, champagne. The goal is to have an exclusive offering for foreign guests here at home. And, obviously, this is not the only possibility for expanding production and sales.

[Question] The signs are that the foodstuffs industry enterprises can think less and less of big consignments, of big deals. To mention only one area, one we wrote about recently, the poultry processing enterprises are talking about having to restrict production. As they say, they can no longer live from deficit operations....

[Answer] We are not talking about restricting production in the foodstuffs industry, but we may be talking about differentiated development. Domestic supply and export demand that we expand production. Our primary task continues to be the satisfaction of domestic needs while a growing commodity base is needed to fulfill our interstate obligations and in the interest of realizing our other export tasks. Of course, there are conditions for increasing export in both production and foreign trade. Foreign trade also must "speed up", it cannot be satisfied with the channels in use and industry, in this connection, cannot be satisfied with the proven products. We need new markets and new products. In addition to articles manufactured in large quantities we also need smaller ones. No one should disdain the so-called smaller deals, involving a few hundred thousand or one or two million dollars, if they are economical. On the contrary, this is the road of the future in the interest of expansion. Fortunately, demand appearingin smaller consignments has become important for the newly independent enterprises--satisfying special needs too.

[Question] But is this important for the foreign trade enterprises, which still handle a turnover of several billions?

[Answer] I hope that it is, or that it will be increasingly so. The foreign trade enterprises also are expanding their profiles, a new enterprise has been formed, and a competition has begun, the first favorable signs of which can be seen already here and there. Nor is it heresay to speak now of the independent export rights of producing enterprises. Where the personnel and technical conditions for it are ripe we will support the granting of independent export rights, if this offers advantages to the country and to the producers.

[Question] What sort of support are you thinking of? Moral support, or perhaps material support also?

[Answer] Everyone must earn the money himself, by taking advantage of the new possibilities.

[Question] And if they abuse this? It would be nothing new if great independence and exporting through multiple channels produced selfish behavior, destructive of the interests of others?

[Answer] Those who know the work of the foodstuffs industry enterprises which became independent in the past 1-2 years also know that this anxiety is without foundation. Impermissable business methods--and we do not deny that there were such--reared their heads a good bit earlier, and it is my conviction that the situation did not deteriorate in any respect with the appearance of the independent foodstuffs industry enterprises. I say this despite the fact that when the enterprises became independent there were a few who desired no sort of coordination. But they soon discovered that such isolation conflicted with their interests; they were being edged out by the others, those who thought rationally and respected realities. How can one imagine successful and lasting economic activity except in close

cooperation, voluntarily assumed and considering the interests of others? This is true for the domestic and the foreign market alike. In any case, in my opinion, the producers and the foreign trade enterprises are very well aware that they must work together, not trying to hurt each other, constantly producing new products and seeking new markets. Those who are incapable of this prove their own unfitness.

[Question] Does this mean that if an enterprise gets into trouble there will be nobody to save it? Can we count on the closing of enterprises in the future?

[Answer] I do not believe that this will happen in the foodstuffs industry. The annual and medium range plans prescribe an expansion of agricultural production, and the present foodstuffs industry capacity, as a whole, is just enough to process the present volume. We do not want to reduce the level of processing, so we cannot dispense with any producing capacity. On the contrary, there is a need for capacity expansion in a few branches, for modernization in virtually every branch and, primarily, for storage construction. But if the management of any enterprise fails we will seek the causes and take the necessary measures to make it viable again. Of course, it can be imagined, for example, that part of the fish processing capacity, lacking primary materials, may be turned to producing meat industry products--on a cooperative basis. There have been examples of this already.

[Question] In recent weeks one could hear skeptical voices also, saying that the modification of the regulator system for agriculture and abolishing a good number of the supports could, despite the intentions voiced by you also, cause a decrease in agricultural production.

[Answer] There can be no doubt that the effects affecting the economy as a whole are producing a more difficult situation in agriculture also. But despite this I hardly think that anyone is foreseeing a decrease in production. Nevertheless one must live, and this requires greater performance everywhere. We can count on some minor structural changes, this will not be surprising. Coercion is increasing together with incentive, so that everyone will do everything better. In the Golden Ear Producer Cooperative in Ujkikyos, where they produce one kilogram of pork from 3.2 kilograms of feed, the increase in the costs of fodder production and in operating costs will obviously cause fewer problems than on farms using an average, or above average, quantity of feed. How do they achieve this and similarly outstanding performance? It is actually very simple. The cooperative leaders ensure a high degree of independence to each section and they developed an incentive system for this which involves easily seen interests. This may be the formula. Similar solutions must be used elsewhere--in the cooperatives, on the state farms and, naturally, in the foodstuffs industry enterprises also.

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SPECIAL CURRENCY EXCHANGE RATES PUBLISHED

Warsaw TRYBUNA LUDU in Polish 8 Nov 82 p 7

[Text] Announcement of Exchange Rates Table No 47/82, effective 8 November 1982, by Stanislaw Majewski, president, Polish National Bank, on 8 November 1982.

I. Foreign-currency exchange rates in zlotys for countries of the first payments area [socialist countries] for commercial and noncommercial payments remain unchanged.

In purchases of travelers' checks for rubles, issued by the USSR Foreign Trade Bank and payable outside the USSR in the currency of the country where cashed, an exchange rate of 11,737.50 zlotys per 100 rubles is applied.

II. Foreign-Currency Exchange Rates in Zlotys for Countries of the Second Payments Area [Capitalist Countries].

[Table on following page]

Exchange Rates Table No 47/82

| Country | Curr Symb | Currency | Foreign Exchange Purchase 4 | Foreign Exchange Sales 5 | Money Purchase 1 | Money Sales 2 | Average 6 |
|---|---|---|---|---|---|---|---|
| Saudi Arabia | 771 | 1 rial*** | 25.30 | 25.56 | -- | -- | 25.43 |
| Australia | 781 | 1 Aust.dollar | 80.88 | 81.70 | 79.66 | 82.92 | 81.29 |
| Austria | 786 | 100 schillings | 486.66 | 491.56 | 479.33 | 498.89 | 489.11 |
| Belgium | 791 | 100 francs | 176.83 | 178.61 | 174.17 | 181.27 | 177.72 |
| Denmark | 792 | 1 kroner | 9.74 | 9.84 | 9.59 | 9.99 | 9.79 |
| Finland | 780 | 1 markka | 15.83 | 15.99 | 15.59 | 16.23 | 15.91 |
| France | 793 | 1 franc | 12.13 | 12.25 | 11.95 | 12.43 | 12.19 |
| Greece | 724 | 100 drachmas | 120.69 | 121.91 | 104.61 | 123.73 | 121.30 |
| Spain | 785 | 100 pesetas | 74.57 | 75.31 | 73.44 | 76.44 | 74.94 |
| Holland | 794 | 1 florin | 31.46 | 31.78 | 30.99 | 32.25 | 31.62 |
| India | 543 | 100 rupees*** | 898.00 | 907.02 | -- | -- | 902.51 |
| Ireland | 782 | 1 pound*** | 116.44 | 117.62 | -- | -- | 117.03 |
| Japan | 784 | 100 yen | 31.61 | 31.93 | 31.13 | 32.41 | 31.77 |
| Yugoslavia | 718 | 100 dinars | 134.70 | 136.06 | 116.75 | 138.09 | 135.38 |
| Canada | 788 | 1 Canad.dollar | 71.14 | 71.86 | 70.07 | 72.93 | 71.50 |
| Kuwait | 770 | 1 dinar*** | 296.38 | 299.36 | -- | -- | 297.87 |
| Lebanon | 752 | 1 pound | 20.53 | 20.73 | 20.22 | 21.04 | 20.63 |
| Libya | 651 | 1 dinar*** | 293.87 | 296.83 | -- | -- | 295.35 |
| Luxembourg | 790 | 100 francs | 176.83 | 178.61 | 174.17 | 181.27 | 177.72 |
| Norway | 796 | 1 kroner | 12.05 | 12.17 | 11.87 | 12.35 | 12.11 |
| Portugal | 779 | 100 escudos | 95.62 | 96.58 | 82.88 | 98.02 | 96.10 |
| FRG | 795 | 1 mark | 34.17 | 34.51 | 33.65 | 35.03 | 34.34 |
| United States | 787 | 1 dollar* | 87.01 | 87.89 | 85.70 | 89.20 | 87.45 |
| Switzerland | 797 | 1 franc | 39.71 | 40.11 | 39.11 | 40.71 | 39.91 |
| Sweden | 798 | 1 kroner | 11.73 | 11.85 | 11.55 | 12.03 | 11.79 |
| Turkey | 627 | 100 pounds | 45.69 | 46.15 | 39.60 | 46.84 | 45.92 |
| Great Britain | 789 | 1 pound** | 146.53 | 148.01 | 144.32 | 150.22 | 147.27 |
| Italy | 799 | 100 lira | 5.97 | 6.03 | 5.17 | 6.12 | 6.00 |

* Valid also in clearing accounts with the following countries: Bangladesh, Brazil, Ecuador, Greece, Iceland, Kampuchea, Colombia, Lebanon, Pakistan, Peru and Turkey.

** Valid also in clearing accounts with the following countries: Nepal and Pakistan.

*** The Polish National Bank does not purchase money in these currencies.

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## SLOVENIA SCORES INCREASED MONETARY POWERS ON FEDERAL LEVEL

Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 20 Sep 82 pp 12-13

[Text] According to Slovenian perceptions of the current situation expressed in recent days at numerous political and other gatherings at the republic and regional levels, a major part of the "guilt" for serious deviations from accepted directions and goals of development and economic operations this year should be placed on the federal budget, the overall monetary and credit systems, the behavior and operations of the Yugoslav National Bank, commercial and internal banks and all so-called temporary intervention measures that have gone so far as to threaten the direct involvement of the state in expanded production.

Federal budget income continues to increase according to a rigid automatic procedure, which means that it is independent of economic trends and the results of the operations of associated labor. Another problem is that the present total federal budget is not covered by its income. From this the conclusion is drawn that the federal budget, and the budgets of other sociopolitical communities are inflationary instead of the opposite of that.

A negative estimation is also directed at the growing concentration of capital accumulation at the level of the Yugoslav National Bank, which really appears to be the creation of state capital through the back door. According to information of the Slovenian National Bank, primary issue of money through the Yugoslav National Bank accounts for about 10 percent of the country's entire GNP, or more than 20 percent of its capital accumulation. There is a unanimous demand that such trends be stopped and eliminated, for failing that, very undesirable situations and conflicts could emerge.

Without control, there are relationships that are established between basic (commercial) banks and systems of national banks, and particularly the operations and behavior of particular financial services and internal banks of organizations of associated labor. Increased demand bears witness to the fact that there are uncontrolled channels where fictitious money is created and to which resources flow that generate overheated demand. The problem, however, is not only in implementing comprehensive monetary projections and determining the volume of primary issue and selectivity, but also in determining how, within those frameworks, to carry out a selective credit policy of banks and develop the financing process in organizations of

associated labor. This warning came from Stefan Korosec, a member of the Slovenian League of Communists Central Committee Presidium. The volume of credit between organizations of associated labor, supported by the banks, is constantly growing, while the payment record worsens. In past months demands of the Slovenian economy have grown by 42.1 percent, while obligations to suppliers grew by 34.4 percent. The problem of operating with ficticious notes is also becoming worse. Presently internal banks in Slovenia hold 12 billion dinars worth of capital, while their investments total 22 billion. The difficulty is in the fact that these internal banks are not covered by restrictive controls, according to experts' estimations.

Because of the high inflation rate and various restrictive measures, and despite significant amounts of capital given to support exports, there still is not sufficient income motivation for exports to convertible currency markets. What is more, the income motivation is declining, and because of late payments of export incentives, the problem of liquidity is worsening for associated labor. On the average, payments are late by a full month, and amount to 2,110,000 dinars.

Under a sharp critical attack, the agreement and law on associating convertible currency for mutual needs and the payments of foreign debts in Yugoslavia were concluded. Dissatisfaction is also caused by unfavorable trends in the export sectors of republics and provinces. In that connection, it is stressed that Slovenia exports the most to convertible currency markets, but that in other republics there have been established unusual and abnormal relationships between exports and imports. For example, in the first months of this year, Slovenian exports to convertible currency markets amounted to 33 billion dinars, while imports were 43 billion. During the same period, Croatia exported 31 billion and imported 60 billion (without a special credit for semi-manufactured materials), Serbia exported 32 billion and imported 57 billion dinars, etc. It is regarded that such trends require "a deeper evaluation from both the ideological-political and the systemic economic aspects."

Along with deterioration of internal liquidity, there has been serious worsening of external liquidity, or the growth of convertible currency shortages for importing essential materials for current production. Just before the end of August, authorized Slovenian banks "gave" the Yugoslav National Bank more than 240.8 million dollars to cover contracted mutual obligations; of that sum 145,461,000 dollars were for oil, 51,356,000 for federal needs and 43,962,000 dollars for payment of fixed and guaranteed foreign obligations.

This discrepancy between income and expenditures is growing; it is covered by supplementary short-term borrowing abroad and increased demand instruments for convertible currency drawn on the accounts of foreign parties and Yugoslav Banks. This procedure merely complicates the problem further.

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JPRS 82353

30 November 1982

# East Europe Report

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2343

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30 November 1982

# EAST EUROPE REPORT

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2343

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## BRIEFS

YUGOSLAV-ALBANIAN TRADE--Trade between our country and Albania is developing satisfactorily, on the whole, although in the first 9 months there were certain problems. In this period $111.5 million worth of goods was trade, with Yugoslav imports $6 million more than Albanian imports from Yugoslavia. According to the commodity lists, Yugoslavia should export about $30 million more and Albania about $20 million more to meet the planned $160 million for this year. It is expected that the plan will be carried out. Partners from Albania are expected [in Yugoslavia] after 10 November to negotiate the 1983 trade agreement. [Excerpt] [Belgrade PRIVREDNI PREGLED in Serbo-Croatian 30 Oct-1 Nov 82 p 12]

YUGOSLAV-USSR TRADE--According to the protocol for this year, of the $5.6 billion worth of goods to be traded, Yugoslav exports would account for $3.1 billion and Yugoslav imports $2.8 billion; by 25 October a trade volume of $4.75 billion had been achieved, with Yugoslav exports amounting to $2.65 billion and imports $2.10 billion. In commenting on the results, Jon Srbovan, FEC member, stressed in his report on the Yugoslav delegation visit to the USSR 15-20 September 1982, that it was essential to realize the goals and advance further, but that far more attention should be given to quality, deadlines, and prices in the future. [Excerpt] [Belgrade PRIVREDNI PREGLED in Serbo-Croatian 5 Nov 82 p 1]

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## ROLE, TRAINING OF FUTURE TECHNICIANS DISCUSSED

Prague NOVA MYSL in Czech No 9, approved for publication on 5 Aug 82 pp 63-73

[Article by Jiri Klima, rector of Czechoslovak Military Institute of Technology [CVUT]: "Responsible Mission of Technical Intelligentsia in the Development of an Advanced Socialist Society"]

[Text] We live in a period of rapid development of science and technology which affects all spheres of life of the society. In order to promote the impact of scientific findings on production in real time, we must mobilize and incorporate into the process of universal overhaul of production forces all the creative resources of the society. While a relatively narrow stratum of scientific and technical intelligentsia sufficed at the level of mechanization toward multiplying of social wealth, whereby the creative potential of a huge mass of producers was used merely for routine, partial service-type tasks, a developed socialist society is characterized by a sharp increase in the level of qualification of all active manpower. After all, the economic policy of a socialist country can materialize only if it becomes an integral part of everyday life through the efforts of many individuals and collectives. For that reason, one of the key roles played in transformation of scientific and technological findings into practice accrues to activation of all participants in these processes.

An important and irreplaceable role in scientific and technical development is played by technical intelligentsia. It is up to the latter how the horizons of our knowledge will expand and whether practical experience will approach the level of that knowledge, i.e., to what extent will scientific and technical findings become applied to everyday life. Of extreme importance to the technical intelligentsia is its relation to the key creators of all values, the workers class, which now represents in our country more than 80 percent of the entire populace. That is also why the 16th CPCZ Congress was fully justified in pointing out that the workers class represents an enormous source of creative power and talents. Throughout the existence of the socialist state there kept growing up numerous cadres of highly qualified workers with high school educations who are connected with automated production. An important part of their operational efforts is represented by mental work. There is a constant numerical increase in skilled labor and a decrease in unskilled labor. However, these changes in skill and increased level of qualifications of

workers do not obscure the fact that the worker still remains the direct producer of material values and that he is directly connected with industrial production.

The originator of an idea, a concept of how to design or improve a given production process is a technician. From this viewpoint, the worker is then not only the creator of all material values of the society, but also the actual implementor of proposals brought up by an engineer, a technician. In this manner, the technician-worker relationship becomes a personified form of the final phase of the science-research-development-production cycle. It is, at the same time, obvious that the worker need not be familiar with, e.g., integral calculus, but that he must be extremely proficient in handling his working tools and that the quality of his work lends the final material shape to a technician's creative idea. We do not overlook the fact that leading workers actively participate in the movement of expeditors, improvers and inventors.

This problem was very aptly summed up by Academician V. A. Afanasyev when he commented: "To create--that means to construct, build, generate material and spiritual values that make life of the people easier and bring them joy. Therefore, a good worker who operates a machine tool, builds a house, or performs some other extraordinarily needed work, work which the country is in need of, is much more of a creator than an untalented artist, actor, or scientist. Creative activity is the privileged right of man, the true performer, and not of some university diploma or a docent's letter of appointment...For example, a machine tool does not mean less to a qualified contemplative worker than does an instrument to a scientist or a score to a conductor."

Scientific and technical development at the current stage of development of socialist society is the determining factor of intensification of the national economy and the most significant source for growth of the social productivity of labor. While in the latter half of the seventies any increments achieved through application of modern science and technology could be regarded as a mere contribution to the results obtained through increments in labor and material sources of production, now technical and scientific development is the decisive and in some cases, for all practical purposes, the only source of economic development. The basic qualitative change consisting in the fact that the overall volume of raw material and energy sources used in the national economy is limited and that the prices of these resources are permanently increasing, must become projected not only in the overall structure of continued development of production, but also in the extent and intensity of scientific and technical development, because this is where lies the path leading toward systematic reduction of the demands on materials and energy made by production and other activities, as well as the path toward reducing the price and improving the quality of products.

The progress of the scientific and technical revolution is accompanied by a qualitatively new development of science, based on knowledge of the laws of internal structure of mass, transfer of human activities to synthetic

management of the production process devised by man and the process of automation of basic activities. Also from this viewpoint is logically coming to the forefront the problem of the role of the subjective factor--man.

Our subconscience has already accepted the fact that we must learn how to produce more efficiently, that we must economically manage energy, materials, the soil, etc. However, heed is not always paid to the necessity for effective management of human thought. The essence of every product, its technical and economic level, its marketability is based on thought, be it in the form of an exquisite extraordinary idea, or in the form of tens of smaller ideas relating to individual details which in their sum create quality, i.e., a certain complex. Thought is the most valuable factor in economics.

Development of education and of qualification is one of the requisite conditions for improving the productivity of social labor, proliferating the volume of society's material goods, particularly in a situation when the natural sources of manpower, given by the population, have already been fully exhausted. The principle which already applies today--and will apply even more in the future--is that the most effective investments are resources invested into education. This idea was underlined in 1968 by L. I. Brezhnev in his address at the all-union congress of teachers when he said: "Even today, economic potential and outlook of economic development are judged not only by the reserves of usable minerals, energy sources and other conventional criteria. Without detracting from their role, we are fully justified in saying that increasingly greater importance attaches to such indicators as the number and, of course, the level of training and qualification of workers, engineers and scientists. And, if we talk about the future, then also the development and quality of educating of pupils and students who in several years will supplement the ranks of personnel in industry and agriculture, and those of our intelligentsia...Knowledge and human genius are becoming in our time the most important sources of progress and strength in every country."

The objective of all labor is creation of needed utilitarian values. However, the objective should also be improvement of the efficiency of such creation. After all, the same effort under changing conditions has a different level of effectiveness. Desirable results can hardly be achieved by letting production follow the formerly accustomed to and well-beaten tracks. On the other hand, human knowledge is constantly undergoing change and development, is enriched by new findings, experience, new discoveries and possibilities. It follows from the above that one of the prerequisites of high efficiency of labor is utilizing the results of human cognition to the highest possible extent. In the production process, its organizers, workers and technicians should strive to achieve the highest possible measure of perfection in mastering operational processes and, thus, also high productivity of labor. That naturally applies to the entire period for which the market shows interest in a given product, for which it is not supplanted by another, better product, or for which there is no other more expedient production process.

However, if there appears a possibility for devising a new product with improved technical and economic features, or for implementing another, more suitable production process, then the interest of producers who go along with the same old product or production process comes into conflict with societal interests. This then produces a situation in which it depends on the organizers of production--technical and economic personnel--whether they became aware in time of the scope and significance of the occurred changes and adapt themselves to them, or whether they will keep procrastinating. While following the same "well-travelled track" may be comfortable for an enterprise, it retards the society's efforts for desirable improvements in the level of efficiency, leading to reduced compatibility of products on foreign markets and, in quite a few instances, also to higher consumption of materials and energy in comparison with the new product or production process. This justifies the requirement which calls on every participant in the production process to contribute to improved efficiency of production. An absolute majority of them can understand this. But there are already fewer of those who know how and in what way they could contribute toward meeting this task. It is the task primarily of key managerial personnel not only to seek such ways and potentials in the specific conditions of a given facility, but to systematically implement them. This presupposes at the same time that part of their high level of political and professional qualification be also constituted by their capability of also assuming a certain amount of risk in management and decision-making. "Our pressing need is that managerial personnel show more flexibility, healthy enterprising drive and that they be not afraid of assuming a calculated risk," says the Report on Key Directions for Economic and Social Development of the CSSR for the Years 1981-1985 presented at the 16th CPCZ Congress by Comrade Lubomir Strougal.

Even adoption of new technology need not always translate into a contribution, if it is not accompanied by a change in the accustomed line of thinking. This could be illustrated by the approach of quite a few organizations to utilization of computer technology. While the key intent for use of this technology ought to be an upgrading of the level of scientific management of production, the computer programs contracted for processing are often limited to data acquisition regarding past development in longer chronological stages. This is an obvious failure to utilize the potentials of computer technology which in short intervals of time can provide information facilitating decision-making about what must be done, what approaches to select toward achieving an optimum result. The fault does not lie with the technology, but with the people who do not know how to use it. That also shows the absence of a change in thinking.

The level of a production process is determined in a decisive measure as early as during its preparation, the efforts of the research and development base, the efforts of planners and designers.

A planner should propose and deal with operational sets and systems as a whole, see to it that productivity of labor in future operation of these sets and systems be as high as possible. He should deal comprehensively with the technology of production of the required products, from supply of

raw materials to shipping of finished products. After implementation of the technology proposed by him, he should select the most suitable production machinery and equipment, deal with the problem of their optimum composition. A planner proposes not only new plants, but on the basis of new scientific and technical findings also modernization of existing operations. In his efforts, he should consider working with concepts looking ahead 20 years and more.

The quality of a planner's efforts decides how effectively practice will reflect the effects of advances made in science and technology. Of course, the stumbling block is sometimes constituted by the fact that implementation of a project takes on the average 5-6 years or more and that the technology proposed by the planner becomes obsolescent soon after.

At the present time, when we see a reduction in the number of newly launched construction projects in favor of overhaul and modernization of existing capacities, there is a significant increase in smaller projects dealing primarily with modernization equipment in existing installations. This fact calls for a special approach to such projects. One of the basic principles which finds a widening scope of applications is a systematic approach to the planning of projects. This approach, coupled with use of computer technology directly in the planning process, makes it possible to create the basic prerequisites for dealing comprehensively with the given problems.

A no less significant role in the preproduction stage accrues also to design. The designer proposes new machinery, instrumentation and technical equipment. The demanding and, in a certain respect, new requirements on the performance of our designers are given by the keen competition of production technology on the international market. It must be openly admitted that in only very few instances can we be proud of outstanding products which would enable us to take advantage of price relations on the world's markets.

One of the cardinal approaches to improving the situation is to eliminate the shortage of designers in developmental design. Their share in the total number of workers in the sector amounts to 3-4 percent, while in the case of important foreign manufacturers designers represent about one-tenth and in development of particularly complicated machining production systems even one-fourth of all personnel. That is an understandable reaction to significant changes in production technology and mass appearance of microelectronics. Development of electronics and its application is at the present stage one of the key factors determining, from the technical viewpoint, further intensive development of the national economy. It is a determining factor, because we do not know of any other technical means that would facilitate realization of societal intents in utilization of raw materials and energy, improvements in the productivity of labor and utilitarian value of products as effectively as electronics. Penetration of electronics into the national economy, or the so-called electronization process, is a worldwide trend.

The slow rate of electronization in our country in comparison with the worldwide standard is one of the causes of our difficulties with exportation,

particularly in regards to traditionally exported machining products. While the share of electronics increased in the CSSR in the total volume of machining production in the years 1965-1980 from 3.8 to 6.9 percent (microelectronics accounted for only a minimal share of this increase), the worldwide trend was substantially faster. Our machine building plants keep finding out with increasing frequency on foreign markets that the share of microelectronics in the consumption of electronic parts in the form of electronic complementary assemblies and accessories is a measure of capacity for innovation and, thus, also an indicator of the capability to survive in international competition.

For a well thought-out permeation of electronics into all sectors and branches of the national economy it is imperative that into the foreground of our attention be included, to a much greater extent than has been the case thus far, primarily the technical level of followup productions, technologies and products, cadre and skill-oriented preparation of personnel in preproduction and production stages, organization and management, etc. There must be sufficient time lead in dealing with these tasks.

This requirement, used only as an example, elucidates the extraordinarily important role of management in general, and of comprehensive management in particular, including the process of societal development in all its ramifications.

Management is the most effective tool for improved utilization of available resources. It does not even call for any additional investments or any other material costs. Improving the system of management is not a one-time project, but a continuous process which calls on management personnel to constantly familiarize themselves with the findings of modern science and technology. It also requires from them the so-called strategic thinking, i.e., primarily flexible thinking, systemic thinking, a capability to fuse exact and intuitive thinking, the ability to concentrate on the key factor. In addition to an ability to foresee new potentials and risks in development, it stands to reason that a good manager must also possess a certain degree of courage which is indispensable for decision-making.

These specific requirements on managerial personnel are a logical consequence of the process of the scientific and technological revolution itself, which does not permit mere extrapolation of past trends; on the contrary, it calls for an orientation toward perseverance in overcoming, implementing significant changes in the technology of production and in the entire process of economic renewal. At the same time, it must be emphasized that faulty and incompetent decisions (especially for the long range) lead to losses, underutilization of resources, accumulation of ineffective investments, etc.

Effective management of resources also incorporates dealing with the problem of product quality. Raw materials, energy, human labor that were expended on the production of a reject, were expended in vain. They represent a loss, in the best of cases it becomes necessary to expend additional resources to repair a defective product. Quality of products today can be controlled by conventional means only with difficulty. It calls for using modern, systemic

methods which deal with the problem of quality in the terms of the comprehensive production process as a whole.

In this context, we should point out the role of technical norms for intensification of the production process. It is so, because they indicate the measure of demand on quality management of resources and, if they reflect the results of completed and implemented research and development tasks, represent a specific form of linkage in the science-research-development cycle and production.

The mentioned demanding tasks for the development of our economy also become prominently reflected in the sphere of preparation of technical engineers, in the activities of technical colleges.

Tasks of the education system are based on the familiar Leninist postulation to make our school system the mainstay of socialism, to prepare the young generation in keeping with the needs of the socialist society, with the needs of the developing economy and of the individual spheres of social life. This objective can be reached only on the basis of respecting the principle of unity of education and instruction, on the basis of systematic improvement of the quality of the entire process of education and instruction. This applies to schools at all levels, to include institutions of higher learning.

Basing its efforts on this strategic approach, the CPCZ orients institutions of higher learning toward their key task: provide all-round education for specialists in individual spheres of social life who will be familiar with the Marxist-Leninist theory and methodology, capable of applying it in practice, capable of a systemic approach to problems in their own field and capable of analyzing and critically assessing practical findings. It involves education of truly socialist specialists, capable of creatively applying the obtained theoretical knowledge in specific professional activities and developing them further for the benefit of the socialist society, who can guide and lead their coworkers toward accomplishment of tasks and tend to improving their qualifications, their political and cultural level.

The continuing development of our socialist society is accompanied by positive qualitative changes in all spheres of life. Institutions of higher learning also reinforce their socialist character and improve the quality of their efforts in the spheres of political ideology as well as pedagogy. Transition of science into a decisive and direct productive force is a social process in which institutions of higher learning significantly participate and which affects them in return. In connection with the prospective needs of our society, there is now underway a reassessment of the entire network and structure of our system of institutions of higher learning, orientation of study, its length, the requisite degree of specialization of graduates, the curriculum, as well as the optimum approach to having proliferation of findings and changing requirements affect and continuously rectify the process of education and instruction.

Restructuring of the curriculum should not be a one-time project, it should take the form of continuous improvement of the curriculum hand in hand with advances in scientific research and proliferation of societal needs. Let us call to mind at least some of the basic reasons that make this task loom supreme.

The first reason is constituted by the ever-increasing volume of findings, of information. In a number of scientific disciplines, the volume of findings over the past 8-10 years registered a manifold increase. This involves not just a quantitative growth, addition of new findings in the existing scientific disciplines, but ascendance of entirely new disciplines, whose expedient application into practice often calls primarily for availability of prepared qualified cadres. It is specifically characteristic of these new disciplines that the volume of findings increases much more rapidly than in the "traditional" disciplines. It should become a matter of course that this fact will lead to replacing obsolete findings in curricula, lectures and textbooks with new information.

The second reason for the need to restructure studies is given by the nature of the development of today's society, the dynamic growth of its needs that apply to all spheres of social life. If we realize that, as regards the dynamics of the social process as a whole, we stand at the threshold of an era of great transformations, we must endeavor to provide for preparation of graduates who will be able to not only take over their work assignments, but also sensitively and creatively react to changes, to new needs, who will be capable of adaptation and rounding out their profile. This requisite adaptability can be achieved only by preparation of graduates with a wide systemic scope of thinking, theoretical knowledge unifying and integrating their specialized knowledge.

Another reason for restructuring the system of study is the progressing integration of industrial and economic activities within CEMA. Complex socialist integration presupposes delimitation of certain production sectors. Thus, it is our duty to intensively develop at institutions of higher learning those sectors which will become the responsibility of the CSSR.

We would commit a mistake if we were to interpret restructuring of studies from a narrowly specialized viewpoint without taking into consideration the requirements on the profile of a school graduate, i.e., the responsibility of the school for formulating his philosophical outlook, his ethical principles, his qualities as a citizen of a socialist country who will be active in a socially important post or perform a responsible function in production, public life, etc.

Communist education at institutions of higher learning, integrating in the widest sense of the word all educational efforts at the school, must lead the student to comprehending party policy as well as to responsible conduct and nurturing of abilities for practical political and public activities. Therefore a part, a medium of communist education must be simultaneous involvement of students into dealing with the school's problems, into activities of social organizations, into scientific research tasks in work

centers, at the school, into political work at school as well as in their workplaces. Only through the process of active performance can the students acquire the desirable habits, acquire initial political experience through political work and strengthen their moral fiber.

Modernization of the school system is unthinkable without establishing solid systematic ties between schools and social practice. Intertwining of the school system with practice is one of the basic principles on which supervision of the school system has always been based and which, under new circumstances, were reemphasized by the 16th CPCZ Congress. The viewpoint of orientation toward practice has always proven its justification and validity, as in past development so under the present conditions. Only practice can act as the acid test for the success or failure of our learning, teaching and educational efforts. These viewpoints were emphasized at a festive meeting at the occasion of the 275th anniversary of the foundation of the CVUT in the address by the leader of the party and government delegation, Comrade L. Strougal: "If...we go to such lengths to emphasize the importance of active creative efforts and a deeper interfacing with practice, it is because it represents the basic approach to continued improvement of education of our young intelligentsia, how to endow them not only with a sum of theoretical knowledge, but prepare them at the same time as well as possible for work and life. We expect that young engineers in particular will bring into practice different and nonconventional approaches."

Organized practical pursuits during studies are of importance to the student in that, as long as it is organized at the requisite level, he will be undergoing preparation for performance of his future career, that it will aid him in faster adaptation, the difficulties of which in quite a few cases lead the graduate away from the field in which he graduated.

As shown by surveys taken at installations employing new CVUT graduates, neither enterprises nor other institutions complained about insufficient professional qualification of our graduates. However, on the other hand, enterprises complain about a certain amount of unwillingness by some graduates to accept decisions and be responsible for them. In this respect, the key point is almost always the attitude of leading personnel. It must be realized that a new graduate cannot come already equipped from the school to deal with all problems encountered in practice and that in this regard his preparation for his career must be completed in practice.

Effective interface between school and social production practice can at the same time to a considerable extent help clarify not only the thematic contents of the individual fields of study and the graduate's profile, but also the optimum length of study. And there can be no doubt that it also can contribute to improving the system of postgraduate studies. No forms of such interface must be herein underestimated.

If emphasis is put on indispensability of interlinkage between school and practice, it must also be realized that institutions of higher learning also represent a significant creative scientific research potential that must be used as effectively as possible in connection with other components of the

research and development base. The needs of practice as well as the needs of interlinkage between school and practice require that scientific research activities of the school be oriented toward participating in the solution of long-term centrally planned tasks for the development of science and technology, on the one hand, and toward solution of short-term tasks given by direct linkage of the school to the functioning of the national economy, on the other hand. This latter orientation involves subsidiary economic activity of the school based on the needs of industrial practice, providing consultations and assessments, expert opinions for industry, etc.

From the pedagogical and political viewpoint, it is also very important to involve students in dealing with scientific research tasks, enabling the students to deal with topical themes in the form of student activities with special orientation (SVOC), or theses. In this manner, the students directly participate in attaining and implementing topical research results and, in many cases, even during studies, establish direct contact with their future places of work.

The problems of scientific research in schools also involve the problem of international cooperation and integration of scientific research efforts which will have to be considerably expanded, particularly in regard to cooperation involving specific, topical research themes in such a manner as to achieve effective cooperation, make use of unique experimental technology and utilize the intellectual potential of the school's personnel.

A student at an institution of higher education cannot be just a passive object, but first of all a subject, an active link in education and instruction. The objective of the pedagogical process is not just to teach the student a great amount of facts, but to teach him how to think, seek out and comprehend individual phenomena in their mutual relationships. That means that the responsibility of the school is to develop the capabilities of students rather than pass on to them a sum of factual knowledge. Thus, the pedagogical process at college level cannot be merely a reproductive process, it cannot be limited to mere transfer of knowledge and its passive acceptance, but must improve the level and quality of cognition, primarily by the method of critical analysis. Only in such a way is it possible to form a person capable of creative efforts, a person with a broad spectrum of interests, with developed feelings of civic responsibility, political activity and work initiative. Only in such manner is it possible to form a person capable of orientation in the constantly accelerating flow of scientific findings and information, a person who can apply his acquired knowledge and information to life itself, with its practical transformations in all spheres.

The success or failure of the school's pedagogical efforts always did and always will depend on the teacher, on his pedagogical, scientific and professional readiness and capabilities, on his political orientation and involvement, moral qualities, relation to work and to youth. If demands on the readiness of graduates are increasing, it stands to reason that demands on the teacher increase even more. It is required of a teacher that he teach, that he be scientifically active, that he become involved in social

matters. At the same time, every college teacher must be aware of the fact that he became a college teacher for the primary purpose of teaching. Scientific and other efforts then form the prerequisite for his teaching, pedagogical efforts to meet the challenging demands on the level of preparation of new college-trained experts. It is not only a responsibility, but actually a mission of every teacher at an institution of higher learning that the students under his leadership not only master the basics of a given field, but that he be capable of inspiring in his students enthusiasm for his field, that he be able to nurture in them the desire, resolve, perseverance and consistency in dealing with tasks, teach them not to be afraid of difficulties and obstacles, not to lose his head over some partial failure, etc.

A part of modernization of the pedagogical process is also constituted by improving the level of equipping schools with modern technical instrumentation and didactical aids. Considerable progress has been made in this direction over the past several years. While modern and suitable didactical aids can never replace a teacher, they can increase the effectiveness and quality of his efforts. One of the important factors and at the same time one of the key prerequisites for true modernization of instruction and rendering the pedagogical process more efficient is constant availability of high-quality study references, primarily college textbooks and study aids. Only by meeting this condition will it be possible to switch from today's primarily passive to active forms of instruction and independent study. Compilation of college study aids and high-quality college textbooks ought to be not only a responsibility, but actually a matter of honor for every college-level teacher, and if they are of truly high quality, they should receive the same recognition as an important scientific study.

Speaking of the ideological educational aspects of instruction, philosophical outlook, the political and moral aspect of instruction in all subjects, there is a need to focus attention on the teaching of Marxism-Leninism, as its teaching should occupy a key position in the system of communist education and studies at institutions of higher learning. We must gradually orient our efforts toward having the teaching of Marxism-Leninism made a decisive contribution to cultivating in students those specific features that characterize a member of the socialist intelligentsia. The point is not just what the student knows during tests, but with what knowledge, capabilities and attitudes he is leaving school and entering practical life, whether Marxist-Leninist theory is for him the valid guideline for decision-making. For that reason, the demands on the quality of instruction in Marxism-Leninism must be substantially increased. "It is of great importance," as Comrade Gustav Husak pointed out at the 16th CPCZ Congress, "that high schools and institutions of higher learning produce graduates who are well prepared professionally and politically for practical life, capable of introducing the results achieved by science and technology into production, supporters of everything that represents progress, what decides further development of our country. Education represents a great wealth of our society that we must strive to utilize even better than before."

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## LARGER ROOT CROPS NEEDED TO HELP CATTLE PRODUCTION

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[Article by Docent Eng Josef Benda, director of the UVSH [Institute for Application of Science in Agriculture] in Prague and chairman of the Central Commission for Fodder Base of the CSAZ (Czechoslovak Academy of Agriculture)]

> [Text] At the present development stage of vegetable production, one of the foremost and urgent tasks is the task of increasing significantly the productive effectiveness of those agricultural areas which are assigned for cultivation of fodder plants of the bulk type. In the CSSR, this involves roughly 1.45 million hectares of arable land and 1,680,000 Ha [hectares] of permanenet grass growing areas, of which 1.53 million Ha are harvested at present. This production acreage (48 percent of arable land plus TTP [permanent grass-growing areas]) requires that the same attention be paid to fodder production as to other major branches of vegetable production, both from the material-technical viewpoint as well as in the sector of evaluation of production and economic results and in terms of economic incentives for the workers. The present quantitative viewpoints, based on the growth of the volume of gross vegetable production, will have to be critically reevaluated from the viewpoint of the final result of horned cattle breeding.

The problems of effective utilization of bulk fodders are concentrated clearly in the raising of horned cattle, which consume more than 90 percent of the total production of this type of fodder. The present low production effectiveness of nutritional substances provided in the form of bulk fodders is the result of a broad spectrum of influences ranging from the composition of fodders by type and variety of plants, through the quality of harvesting, preservation and storage, and all the way to the actual consumption is stables. Central organs, departmental research and agricultural practice have paid attention for some time in the past to the question of how to bring about a faster development and complex rationalization of the sector of bulk fodders. Gradual application of adopted measures was reflected positively in 1980-1981 in an increase of the production of milk and

slaughter cattle based on bulk fodders. Milk production per milch cow per day, based on bulk fodders, reached about 4 liters in 1981. However, the rate of increase of milk production and horned cattle breeding based on bulk fodders is still inadequate.

Quantity Is not the Essential Point

The results of analyses conducted at the Institute for Scientific Management System in Prague show that, without counting losses caused by the feeding mechanism, the overall consumption of bulk fodders used in the CSR for feeding horned cattle in 1976-1981 was quantitatively covered by production (except for the year when the 1976 harvest was used). If losses caused by the feeding technique are taken into account as amounting to 20 percent, then the harvests which fully covered the needs were those of 1977, 1979, and 1980. Even if we take into consideration the fact that it was not possible to eliminate inaccuracies in computations of the overall quantity of nutritional substances produced, due to variations of the quality of the fodder harvested in the individual seasons of the year, one can state generally that the main element of rationalization of the fodder base used for horned cattle, and therefore also of the increase of final production obtained from fodder crops, is the quality and composition of bulk fodders by type, and especially the ratio of the energy and protein component of the nutritive substances. Discrepancies are also found in seasonal coverage of needs and in regional problems.

This shifts the essence of the problems to the qualitative aspect of production intensification of bulk fodders (including storage and preservation) as the basis for the growth of final intensity measured in terms of the amount of products derived from the raising of horned cattle per unit of land area.

In terms of global relationships in agriculture and nutrition, the degree of production effectiveness of bulk fodders in the raising of horned cattle has a direct impact on the opportunities of the overall production of grains, and thereby it becomes one of the factors which delimit the collectively feasible scope of the raising of hogs and poultry. Thus rationalization of the production structure and utilization of bulk fodders with the given acreage of their cultivation becomes one of the key components of the development of food production in the CSSR.

Target Solution

The program target is based on a proposal worked out in cooperation with representatives of the VUZV [Research Institute for Animal Husbandry] in Nitra, VUZV in Uhrineves, VUCHS [Hops Research Institute] in Rapotin, UVSH in Bratislava, and UVSH in Prague, which makes the following recommendation, taking into consideration the feedback to the land management system and to the needs for rationalization of nutrition of horned cattle: that in the period up to 1985, bulk fodder should gradually:

1. provide for the daily production of 6-6.5 liters of milk in the form of basic fodder ration for horned cattle;
2. take care of 62-67 percent of the total consumption of nutritive substances used in feeding horned cattle;
3. take care of 80 percent of the total consumption of nutritive substances used in raising heifers (6 months old until 5 months pregnant).

In order to reach this goal, it will be necessary to do the following:

1. speed up the structural reconstruction of vegetable production according to the needs of intensive breeding of horned cattle, including adjustments of the composition of fodder plants grown on arable land by type and variety in accordance with the requirements of scientifically justified systems of feeding;
2. intensify the production of bulk fodders, including meadows and pastures;
3. substantially reduce losses of fodders in the process of harvesting, preservation, and storage;
4. improve the quality of feeding technique and speed up the application of scientific methods of nutrition of horned cattle.

Disproportion of the Energy and Proteins Ratio

We are discussing today the first of the tasks given previously, namely the problem of how to create in the structure of sown areas and in the composition of fodder plants by type a realistic basis for significant increase of productive effectiveness of bulk fodders in raising horned cattle.

This requirement is expressed in practice by a composition of bulk fodders in which the ratio of energy (SJ) to proteins (SNL) reaches the value of six, including the production of fodder from TTP. The main substantive problem of the task of balancing the ratio of energy and proteins at the level of SJ : SNL = 6 consists in rational quantification of the production ratio of perennial fodders (particularly alfalfa and clover, on the one hand, and glycidic fodder crops (silo corn, hay oats, fodder root crops), on the other hand. Alfalfa has the clearest claim for expanding the acreage of glycidic fodder. With a yield of 10 tons per Ha in the form of hay, for 1 Ha of alfalfa one has to cultivate 1.2 Ha of silo corn with a yield of 40 tons per Ha, and the situation is similar in the case of meadow clover.

That is why it is a very complex task to deal with the ratio of proteins and energy in areas growing alfalfa, particularly in the area producing sugar beet. Clover-type fodders are generally considered to be the backbone of the sowing processes, and they unquestionably are effective in improving soil fertility. However, from the viewpoint of nutrition of horned cattle, and in order to balance the energy deficit while the proportion of alfalfa is increasing, it is necessary to keep increasing at the same time the acreage of saccharide fodders and thereby also the overall production volume of bulk fodders, and proportionately to it also the density of horned cattle per unit of land acreage. However, this method of solving the problem is not realistic, because it would create new problems particularly

a reduction of the acreage of grains, and possibly of other marketing crops under the relatively most productive conditions, and would lead even to proposals to make significant changes in the distribution of the location of the raising of horned cattle, which cannot be handled by using the existing stables.

Soil is the Main Restrictive Factor

Another serious discrepancy exists in a decrease of acreage of root crops used for fodder. The average for 1934 to 1937 in the territory of the CSSR was 157,000 hectares. In 1980, we harvested fodder beet and turnip from an area of 16,000 hectares. Studies of the possibility of expanding the cultivation of fodder beet have reached the conclusion at the present time that during the period up to 1985 the maximum available acreage in the territory of the CSR is about 30,000 hectares. Proposals based on parts of the improved concept of the development of animal production in the CSR dealing with fodder, and improved concepts of the raising of horned cattle in the CSR for the Seventh 5-Year Plan varied at the level of 60,000 hectares of fodder root crops. However, attempts to put the proposals into effect failed. We consider the possibility that by 1990 we will have an area of 90,000 hectares, which was also planned by the 13th Plenum of the CPCZ Central Committee.

Under these conditions, in dealing with the structure of vegetable production and composition of fodder crops by type, it is necessary to balance in the forthcoming period the deficit of bulk fodders in terms of energy by production of silo corn and hay oats, which require 20 to 25 more acreage to produce a given quantity of saccharide fodder than root crops used for fodder.

Advantages of Fodder Root Crops

However, in the program we continue expanding the acreage of fodder root crops, because their larger share would unquestionably bring about a more effective harmony of the ratio of energy and proteins.

Other advantages of fodder root crops, particularly fodder beet, when included in fodder rations fed to cows and heifers, in addition to their favorable effect on the health of the animals, are their effect on fertility and their stimulative effect on the milk yield of the cows, and especially the fact that they are very tasty, have a low fiber content, and are highly digestible. That makes it possible for the animals to receive the largest amount of dry residue in the feed ration and thereby provides utility parameters with low consumption of concentrated fodders. That is a common motto of all new trends.

Another question which comes to the foreground in the present stage is the question of synthetic vitamins for the young. The economy of it is harsh; in our opinion, fodder carrots will be of key importance as a natural substitute. We also consider the possibility of growing fodder potatoes of the semiearly type under the more extreme conditions of submountainous and

mountainous areas. A minimum yeild of 20 tons per Ha should be the target with a starch content of 18 percent. However, for the time being the semiearly variety of such crops is not available. We are going to check on the assortment on the world market in the nearest future and might recommend importing seedlings or buying a license.

I consider it unnecessary to emphasize the fact that plants such as sugar beet or fodder beet are able to produce the maximum amount of nutritive substances per unit of land. However, it is often argued that these plants are very labor-consuming and also require a relatively high energy input in the production process, not only energy used directly in the agricultural enterprise, but also energy consumed previously indirectly in the production of fertilizers, machinery, pesticides and herbicides, and so on.

That is why we have compared from this particular viewpoint spring barley (yield 4.5 tons per Ha), silo corn (40 tons per Ha), and fodder beet (60 tons per Ha of tuberous crops). When we recompute the data in terms of common energy units (Joules), we get the values (in Gigajoules) as shown in the table.

| | Spring Barley | Silo Corn | Fodder Beet |
|---|---|---|---|
| Consumption of energy in the production process | 5.39 | 8.16 | 12.78 |
| Energy invested in producer goods (fertilizers, machinery, and so on) | 12.60 | 21.46 | 24.83 |
| Energy consumption, total | 17.99 | 29.62 | 37.61 |
| Energy produced from plants | 35.43 | 55.38 | 94.94 |
| Gain of energy | 17.44 | 25.76 | 57.33 |

These data show that from the viewpoint of the entire society 27 percent more energy is needed for the production of 1 Ha of fodder beet as compared to the production of corn, but of course the production of starch units is 71 percent higher. Therefore, the gain of energy as compared to corn is more than 100 percent.

Even though some values under consideration (the amount of fertilizers, consumption of Diesel oil, yield per Ha) may oscillate under different conditions, there is no question that the given reasoning is generally valid.

Fodder Beet and Nitrates

In recent years, while the utility value of horned cattle (mainly milch cows) kept increasing, warnings were given more and more frequently about the effects of nitrates and nitrites in fodder rations, which endanger the health and reproduction of horned cattle. Fodder root crops rich in saccharides,

namely sugars, starches, are precisely the type of fodders which have a beneficial effect on the microbial activity of the stomach of a ruminant. At the same time, the pH value, for example, undergoes a beneficial adjustment and the health condition and utility value is affected favorably, because the toxicity of nitrates contained in a fodder ration is reduced and even eliminated. That is also one of the remarkable advantages of fodder beet.

Economic Questions

Interesting from the business viewpoint are the production costs per 100 kilograms of roots, which amount to about 22 korunas. Costs of even over 25 korunas are interesting from the viewpoint of society. These parameters are being achieved in some enterprises. Trends tending to achieve these parameters are part of our recommendations.

5668
CSO: 2400/30

## HUNGARIAN EXCHANGE RATES POLICY ANALYZED

Budapest GAZDASAG in Hungarian No 2, 1982 pp 37-47

[Summary] Although it has taken 14 years after the introduction of the foreign trade multiplier in 1968 before hard currency exchange rates could be unified in 1982, the strategic goal underlying this lengthy process was never lost from sight. Consistent adherence to this goal is explained by the country's strong dependence on trade. Major changes in exchange rates policy since the mid-seventies may be considered threefold:

--Simplification of the exchange rate system;
--Increase in the role of exchange rates policy as a tool of macromanagement;
--Increase in the mutual interdependence of exchange rates and price policies, of exchange rates and prices.

### Effects of the 1980 Systemic Changes on Exchange Rates Policy

Adoption of world market prices for energy carriers, raw materials and intermediary products as domestic prices may be considered the single most important measure introduced with the January 1980 modifications of Hungary's macro-economic management system. Hungary's current and medium term exchange rate policies attempt to enhance the stability of domestic prices by reducing the effect of "imported inflation"; to strengthen policies aimed at achieving external equilibrium; to foster the efficiency of export production and to help improve the country's production structure.

To Hungarian importers, the upward revaluation of the forint cannot serve as compensation against deterioration in the terms of trade. Another requirement for the efficiency of exchange rates policy is that its effects should not be neutralized by other financial measures (not counting insurance against exchange rate fluctuations).

While there is no internationally accepted standard method of calculating exchange rates, it may be said that all governments including those of Western countries, do intervene against market forces in the interest of their respective national economies. In Hungary, exchange rates are based on the domestic resources costs

of obtaining one unit of a given hard currency. Subsequent modifications of this "price base" are subject to economic policy and world market conditions. The potential strength of impact upon export prices determines whether the National Bank of Hungary, the Ministry of Finance or the government has authority to modify exchange rates. In the past, adjustment of the forint's various exchange rates within the "basket," which is made up of the currencies figuring prominently in Hungarian exports, occurred only occasionally and belatedly. Since the introduction of unified exchange rates, the National Bank makes and announces corrections within the "basket" every week. The basic rule for making corrections within the "basket" is that no set of corrections can change the average price of hard currency or exert a greater than plus or minus one percent impact upon the aggregate value of exports.

Although it would be difficult to provide a precise evaluation of the effects of Hungary's price and exchange rate policies after 2 years, it may be concluded that, despite price increases in the past 2 years and the many other factors which have been affecting the profitability of exports, the domestic resource costs of earning one unit of hard currency have not changed. Currency price fluctuations prompt significant redistributions of income among Hungarian enterprises directly affected by foreign trade. (Most recently, for example, by the strengthening of U.S. dollar and the weakening of DM.)

Exporting and importing enterprises feel the pinch from the deterioration of the terms of trade more than the enterprises which are not directly involved in foreign trade, since these are better able to shift their increased costs to their buyers. The policy of using unified exchange rates for the forint evidently cannot be used anymore to influence income distribution between the two large groups of the economy, that is, enterprises which are directly affected by the world market prices and those which are not.

Some Practical Experiences

It appears that since 1980 the desire to protect the domestic price level from the inflationary effects of rising world market prices has dominated Hungary's policies on foreign exchange. That is, if exchange rates are lower today than the domestic resource costs of foreign exchanges (60 forints to the dollar and 40 forints to the ruble) the reason is not an increase in productivity, but purely price-political considerations. Economic policy ties the development of the price and exchange rate system to the elimination of subsidies in general. While the policy of reducing subsidization cannot be a substitute for exchange rates policy, a simultaneous application of the two trends to reinforce their respective effectiveness. Consequently, the two should be applied simultaneously.

The Transferable Ruble

Following the principle generally applied in determining exchange rates, the transferable ruble's exchange rate is based on the domestic resource costs necessary to earn one unit of this currency. The mere difference between the

forint's transferable and dollar exchange rates is indicative of the differing conditions of trade for Hungary inside and outside CEMA. Both domestic and CEMA contract prices are essentially based on world market prices. However, domestic prices follow world market prices continuously whereas CEMA prices lag behind them. Accordingly, the adaptation of CEMA import prices to the domestic, world market based, producer price system requires constant withdrawals and subsidization. The further development of CEMA's exchange rates policy should be taken up by the member countries.

The forint's two-tier exchange rate system for ruble has remained in force despite the unification of hard currency exchange rates after 1 October 1981. There is a commercial exchange rate, used in the accountancy of economic relations, and a non-commercial rate. In determining exchange rates among CEMA currencies many factors are being carefully considered. Despite this, some factors which are left out of consideration cause "distortions" [that is, some deviations of the calculated from the real value of the exchange rates]. For example, "distortions" may be caused by leaving the availability of consumer goods in the various CEMA countries out of consideration. This opens the door to the kind of tourism which is motivated by speculation rather than by friendship and other praiseworthy sentiments.

Tasks

Returning to hard currency relations, three observations concerning the unification of exchange rates are in order:

--International opinion, in harmony with the aims of Hungarian economic policy, considered the unification of exchange rates a step in implementing the economic reform;
--Unified exchange rates had a favorable effect on tourism, increasing tourist revenues for Hungary;
--The forint's black market rate by coinciding roughly with the official rate has made it highly risky, relative to the sparse gains expected, for foreigners to bring in forints illegally.

The next step warranting a careful preparation is the introduction of a limited external convertibility for the forint. In its seminal form, external convertibility already exists in Hungary. The National Bank of Hungary provides Hungarian importers with foreign currencies necessary to purchase foreign goods and services without a case-by-case approval, and the way foreign currency is spent by enterprises on services incidental to commodity trade (that is, transportation, insurance, etc.) is left to the discretion of enterprise managers. Foreigners can repatriate their forint earnings in hard currency with ease. But there is

evidently a difference between voluntary practice [of limited convertibility] and an internationally announced obligation. There are also some technical conditions which have to be fulfilled before introducing convertibility. There will be a need for organizing a forward market for the forint in order to ensure a margin of safety for the holders of forint credits, and an appropriate interest rates policy which will take into consideration interest rates charged on various, strictly domestic transactions. Although there are evidently many who may think nostalgically of the simplicity of fixed prices and exchange rates, the majority are in support of the new system which represents nothing less than facing up to the challenge of the world markets.

CSO: 2500/42

## INTENSIVE CROP GROWING TO BE EXPANDED

Budapest NEPSZAVA in Hungarian 9 Nov 82 p 1

[Text] Hungarian grain growers attain higher than average yields on areas belonging to the intensive grain growing program. High agrotechnical and agronomic methods are used to grow grain on a total of 134,000 hectares. Although details on this year's yields are not yet in, it is already certain that wheat growers have again substantially exceeded national averages. Returns from the corn fields indicate similar results. Results for 1981 have already been published: according to them, the 34 farms belonging to the Nadudvar Production System exceeded results of the preceding year for corn by 1.7 tons per hectare and 0.3 additional tons for wheat. Members of the Babolna system produced additional yields of 2.3 tons in the case of corn and 0.26 tons in the case of wheat. According to their combined statistics they harvested yields higher by 150,00-160,000 tons on intensively farmed grain fields.

Because of such favorable results an additional 150,000 hectares will be cultivated intensively in 1983. Altogether, intensive programs will be extended to 600,000 hectares during the Sixth Five-Year Plan. The goal of the farms is to increase their 4.5 ton per hectare wheat yields by one ton per hectar and the 6.4 tons of corn by 1.5-1.7 tons.

Program members use the most modern domestic and foreign varieties of plants and hybrids the genetic potnetial of which have been far from achieved. It is by exploiting this that higher yields are expected. Furthermore, agrochemical work will be improved substantially. A survey has been made of agricultural machinery available in Hungary, through CEMA or through cooperative agreements as well as purchase of licences so that a wide range of modern machinery will be at the disposal of Hungarian agriculture. Of the power equipment used in the intensive programs, two are heavy tractors produced by the Raba Factory.

The Dzekszard and Szolnok systems with their model farms have joined the founders of the intensive program, Nadudvar and Babolna, and are rapidly implementing the high-level techniques required by participation.

CSO: 2500/45

ECONOMIC CONSULTATIVE COUNCIL VIEW OF ECONOMIC PLANS PUBLISHED

Warsaw ZYCIE GOSPODARCZE in Polish No 38, 10 Oct 82 pp 1, 3, 4, 5, 6, 7, 8

[Article: "Views on the Three-Year Plan and the Plan for 1986-1990"; September 1982, Warsaw]

[Text] In the discussion on planning to the year 1990, published in our columns under the title, "Let Us Plan Jointly", the opinions of several members of the Economic Consultative Council (KRG) appeared. We are now publishing the collective opinion of the KRG on the "Variants of the Concept of the National Socioeconomic Plan to 1985 and Preliminary Assumptions for 1986-1990", presented by the Planning Commission.

I. Introduction

1. The Economic Consultative Council is fully aware of the fact that at this time the consultation pertains to the assumptions and premises of the NPSG (National Socioeconomic Plan) for 1983-1985 and 1986-1990 and not to the drafts of plans for the corresponding periods. Nevertheless, the Planning Commission's document also indirectly describes the principal lines of the future plan. In any case, it is not easy to differentiate and define the boundaries between the "Variants of the Concept..." and the plans. That is why although the KRG comments, formally speaking, pertain to the "Variants of the Concept...", still many of them are aimed not only, and sometimes not so much, at the "Variants..." as at the future preparation of the plan.

2. The KRG opinion pertains primarily to the 1983-1985 period, since the strategy and the policy applied during that period will determine, to a considerable degree, the socioeconomic processes of the following period.

3. Despite all the difficulties and uncertainties involved in foreseeing the development of our economy, KRG shares the belief that the formulation of an NPSG for 1983-1985 is necessary and advisable, because:

--this plan can serve to organize and properly direct the social effort aimed at bringing the country out of the crisis and restoring normal development potential to the economy;

--a return to planning for this particular (and obviously--later) period is a requirement contained in the law on planning;

--other, in addition to central, economic units (state and cooperative enterprises, organs of local authority), should receive the strategic direction indispensable to the autonomic construction of their own plans;

--a plan for this period is necessary for the coordinational activities within the CEMA and to return the Polish economy to the planning schedule approved in the CEMA.

4. As concerns the first of these circumstances, the submission of the document mentioned for public discussion must be regarded as praiseworthy. It is the beginning of the socialization of the planning process required by law.

5. The construction of variants and the long-range plan based on them, as well as an assessment of these documents, is exceptionally difficult. This is due to the:

a) application of new planning methods, different from those which prevailed in the centralistic orders-type planning;

b) information gaps on the present state of the economy. The assembled data, which under the former system could suffice for planning, are today inadequate due to the great variations in the enterprises;

c) extreme importance of the uncertainties appearing from the beginning of the plan, with the disproportions which are to be eliminated by the plan but which are not yet accurately known, and the nature of the factors determining the growth rate and the recovery of balance.

If we omit the informational problem, then the three following matters complicating the planning work appear to be foremost:

a) the enormous difficulties of operating with factors extrapolated from the past or educed from the present state of the economy which are sometimes so subject to basic changes that only hypothetical factors can be employed. In defining a long-range growth policy, two types of factors should also be applied--those extrapolated from the past and intelligently revised, and those factors referring not to the size of assembled data but to the particular problems of development. It does not appear that this requirement was totally satisfied in preparing the "Variants of the Concept...". At the plan preparation stage, however, this will be essential, because in the document that has been prepared some inconsistencies among the numbers describing the particular phenomena have already been observed;

b) the disharmony now appearing in the economy can in many cases disappear spontaneously as the adaptation measures develop. But this may also require direct state intervention. As a consequence, even if we were now fully aware of these disproportions, the scope of State intervention would be very difficult to define. It would be especially hard to answer the question: how long will the regulating activities be required? Also there is the problem of the degree of freedom in choosing a plan, which at this time is extremely limited. The process of expanding the field of free selection for the planner must be defined and its stages must be defined, in order to ex ante determine when a given instrument of the plan can become effective and applied on the proper scale;

c) the uncertainties and limitations pertain to all classic growth factors (labor, durable goods, investment, foreign exchange). The factors of future growth which have been listed are extremely weak stimulators of economic growth rate at this time. Only a growth in efficiency can be a determining factor. This increase should transform the present restrictions into growth rate factors, and, in turn, this should result in a further growth in efficiency.

6. An increase in efficiency is obviously linked to the anticipated results of systems-type reform. Unfortunately, these results are not measurable ex ante. It is true that some economists believed, and perhaps even believe today, that the application of reform itself will rapidly free the so-called reserves existing in the economy. The actual course of events, however, says that those who believed that a period of a couple of years, difficult to assess, must elapse between the application of reform and its full effectivity, are correct. Two possible versions may exist here: the hope that this will be less than three years, and the fear that more than three years will be needed to obtain the complete results of systems-type changes. This determining and at the same time dubious role of the efficiency factor, combined in turn with a change in the effectiveness of model transformations, means that in an assessment of the future every hypothesis may turn out to be uncertain.

7. A half-century ago one of the greatest planning theoreticians wrote that planning is an art in the sense that it is architecture which, employing elements that can be quantified by measurements, factors that are applied by designers, etc., also introduces the designer's subjectivity. In relation to planning, the subjective element is expressed primarily in the choice of one of possible hypotheses, more or less optimistic. During the course of many years, this subjective element was linked with the matter of the so-called mobilizing character of the plan, although sometimes the optimistic choices expressed only the illusions of the decisionmaker. A more or less optimistic outlook has a certain influence, sometimes important, on social attitudes. The authors of the Planning Commission document are fully aware of this when they emphasize that the result of the plan's implementation will depend on social acceptance and activity. If disputes occur, at best the emergency variant could be applied. Social calm would give an opportunity for the implementation, with slight deviations, of the basic variant. The third variant--the most favorable one--can be applied only if society takes an active position. There is surely much to be said for this conscious simplification, which ignores the factor of external uncertainties.

But there remains the problem as to whether activeness can be better achieved through extreme optimism in the plan or through a realistic approach. The painting of a rosy picture of the future may be favorably received by some circles, but it can also be seen by others as official optimism arousing distrust. That is why we believe that greater realism is desirable, but that it should be free from pessimism. This stems from the belief that after years of the propaganda of success and disappointments endured, the achievement of an understanding of the difficulty of the tasks facing us in the immediate future can inspire in a large part of society a positive attitude--if not immediately, than perhaps soon. This must be accompanied by an awareness that the situation inherited from the past and external circumstances are not good, and that the future will depend mainly on us. From the standpoint of presenting the plan and commenting on it, this is the same as speaking the whole truth, even when it is not pleasant. We believe that the authors of the document intended this. Our comments are also guided by this intent.

8. The three-year plan will, of course, have a dual character: on the one hand, this plan must be more general than the "normal" National Socioeconomic Plan, i.e., in agreement with the law on planning; on the other hand, this plan must be (even not in conformity with the law), more detailed in selected fields, and to a considerable degree, directive (central state-control of producer goods, extending beyond the year 1983, central state-control of foreign exchange), although the system of directives will not pertain so much to orders and restrictions as to conditions of production and distribution. These features of the plan and the circumstances that cause them mean, in turn, that it must be successively comprised of annual plans instead of being divided into them. This means the retention, at least until 1985, of the domination of annual plans over a long-term plan and, correspondingly, the domination of current policies over developmental strategy. This pertains to the central plan as a whole, but it can pertain also to most local and enterprise plans. The proposal for a step-by-step plan (see II.4) is related to this matter. These unavoidable difficulties which planning will encounter in the immediate future should, insofar as possible, be overcome both by the central planner and by the local (territorial) planners and the planners in the enterprises. They should strive to free themselves from the close confines of current matters and give broader consideration to the more distant timeframe. It will probably be impossible to achieve complete synchronization of progress by time periods in specific sections. That is why concern for reducing this kind of asymmetry is even more essential. It would be very helpful if the Planning Commission document were to clearly indicate the specific problems of planning in the immediate future, that is, the following questions:

--assumptions of the 1983-1985 and 1986-1990 plans pertain to the central plans, yet forecasts of the development of proportions and amounts in the tables refer to the national economy as a whole. This is a new division, to which we will gradually become accustoned;

--the planning system is dual, not yet fully reformed (which seriously affects the method of obtaining opinions on the plan and on the types of correction proposals);

--the planning system is asymmetric in time. Measures should be undertaken to remove this asymmetry.

II. Methods, Goals, and Main Tasks

1. For the first time in our medium-range planning, variant solutions have been used.

The document uses the terms: variants, subvariants, and scenario. The choice of these terms is linked with the desire to use the language of the law on planning. At this time, however, it would be more proper to speak about scenarios and variants. A scenario is a hypothesis or forecast in which the element of conscious selection does not play a large part, or may even be totally absent, in view of the very important effect of exogenic factors. A variant, however, is a plan which allows the ability to make different choices. In the document, only the so-called subvariants have this character. In this matter, both the decisionmaking centers as well as the users of the central plan should have total explicitness.

2. The document presents three variants. Variant II, the middle, best-documented one, which became the basis of two others, will be examined more closely. Of course,

under all conditions, and particularly under the present conditions, forecasting involves great uncertainties and evolves from certain, sometimes quite arbitrarily accepted, hypotheses. This statement is in no way an accusation. We do not accuse this scenario that the assumptions on which it is based, have not been extracted in a rather clear way. In the practice of economic policy, basic choices are always a mixture of assumptions that have been intuitively weighed. Objections appear, however, in relations to variants I and III, which have been given a structure similar to the basic scenario II.

Scenario II, the emergency one, is linked, as we know, primarily to fears as to import possibilities and settling of credit matters. Secondarily, it is affected by the possibility of worse-than-expected farm crops. But the first element is probably the determining one, leading to the following objection: there is absolutely no certainty that difficulties in the payments and trade balance will not be of a larger scale than envisaged when this variant was prepared. In this, unfortunately, not inconceivable case, it would be hard to expect that the growth indicators planned in variant I would be achieved.

It is harder to guess on what variant III was based. Probably an increase in management efficiency enters into the picture here. It was already intuitively accepted in the basic variant. The difference between greater or smaller progress in efficiency is very difficult to foresee and to believably justify. The process here is not measurable ex ante.

From a methodological standpoint it would be much better to take another approach to the variants, i.e., indicate the fundamental dangers and principal hopes, without educing detailed forecasting indicators from this for all of the items covered in the forecast. They would refer only to those where the greatest threat could appear or the most favorable process, while at the same time giving a general estimate of deviations in the area of generated national income and income for distribution.

The forecasting scenario to 1990 arouses greater doubts than the variants to 1985. Deviations during the next three years can be very serious and thus the basis for the next five-year plan can be very different. And besides we do not know, in view the uncertainty that grows with the timeframe, what the economy's reaction to the deviations of the first three years will be. The cumulation of the two types of uncertainty may produce significant differences in 1990.

The planner's credibility will be enhanced if the authors of the assumptions themselves emphasize how deceptive long-range forecasting can be under present conditions. Public opinion should be able to believe that the planner is level-headed, while at the same time the representatives of various interest groups should become accustomed to the fact that planning cannot ensure them precisely those amounts of material and financial resources that the forecast showed.

1. The concept of subvariants also arouses a number of doubts. For example, the assumption was made that the size of the generated national income in the pro-investment subvariant and the moderate support of consumptions subvariant would be identical. What was not fully taken into account was that results for consumption, and even for national income, depend more on the structure of the assumed investments and the ability to implement them than on their total size. Outlays for local

investments (table 7) were allocated mechanically, ignoring the decentralization of powers, without showing arguments which would favor the large cities as against a more uniform division. Such treatment would be more helpful than the construction of tables with marginal differences in the range of the sums "allocated" to the particular voivodships.

4. The law on planning requires that a step-by-step planning method be used in the long-range plans (basically, the 10-year plans). At the same time, the law does not preclude the use of this method in other circumstances. The Economic Consultative Council is of the opinion that the present situation makes it necessary to apply this rule to shorter periods. This ties in also with the indicated inevitability of the fact that the three-year plan is comprised of annual plans and does not divide itself into those plans. This says that the step-by-step plan should be used in planning practice in the immediate future.

The correctness of going to step-by-step planning, initially of a three-year timeframe and then a five-year timeframe, while at the same time improving the methods of problem-goal programming, is dictated also by the need to make planning more flexible, and the investment processes whose logic cannot be subjected to the rigid framework of a long-term plan. Stepped planning would facilitate the coordination of the long-term plans of the CEMA countries for 1986-1990, especially because in the financial accounting processes within the CEMA a system of annual stepped prices is used. We believe also that in preparing the National Socioeconomic Plan for 1986-1990, it will be helpful to have on hand the plan for 1985-1987 and to extend its timeframe to 1988-1990.

5. The law on planning requires that the supporting structure for the long-term plans be the problem programs. They ensue from the basic social goals of development and the hierarchy of these goals.

The Planning Commission document makes an attempt to take the problem-goal planning principles into consideration, but it does not appear to go far enough, with which, anyway, certain inconsistencies in the document are linked. This refers particularly to that fact that chapter III (implementation mechanisms) is limited almost entirely to purely economic problems, thus in view of the blurring in the division of tasks, authorities and jurisdiction, the reader may get the impression that the central plan is supposed to carry the load of all of the social goals.

6. The portion of the document dealing with the directions of structural changes and employment dislocations sounds convincing if the convention in which it is contained is observed. This fragment of the central plan can and should be in the nature of a declaration of intentions. These intentions should then be translated into a language of obligatory undertakings of the central plan and the implied, by this plan, undertakings of other economic organizational units [plant and equipment], including the nonsocialized sector.

The authors of the Planning Commission document are doubtless going on this assumption. Nevertheless, the qualification should be made here that even in a more general plan, the assumptions made should be based on and justified by a broader supply of analyses and calculations. If would be highly useful if, for example, it were shown which of

assumptions made could be attained without investments, which have greater or lesser implications for the trade balance, etc. In any case, it appears without question that in the plan the analytical work must be enhanced.

III. The Likelihood of the Threat of Uncertainty

In this portion of our opinion we will apply ourselves to how, in the "Variants of the Concept...", the problems dealing with the most important factors determining the rate of growth and the restrictions on the country's economic development, are covered.

1. Foreign Trade

1.1. In the descriptive section, the "Variants..." generally accurately present the importance of the growth of export during the next three years and up to 1990. This importance, in both of these timeframes, is based on the fact that export is becoming the main, if not to say the only, factor determining the growth rate of import, from both payments areas, that is dependent upon us. In turnovers with capitalist countries this is the result principally of the very high level of debt and the degree of burden of current foreign-exchange revenues on export by foreign-credit servicing. In turnovers with socialist countries this is also linked to an already large indebtedness, but primarily to the repercussions of the acceleration, late in the 1970's, in the growth of raw materials prices, and particularly crude oil, in international turnovers.

The descriptive section of the "Variants..." also generally accurately covers such difficulties as may be encountered in the attainment of a desirable rate of growth of export during the next three years and up to 1990. Particularly worthy of reminder here is the strongly stressed matter of the exhaustion, after 1985, of the ability to obtain an increase in export as a result of an increase in export of raw materials and materials for production obtained from investments made earlier. Too little attention, however, has been given to a similar tendency in the export of farm crops, which already appeared earlier. This last problem is presented in the "Variants..." more from the standpoint of the necessity to greatly restrict the imports of grain indispensable for the improvement of the foreign turnovers balance with agro-food articles. As distinct from agro-food articles, the matter of the conservation of raw and other materials as a factor permitting the retention of the level and some increase in the export of these materials was not properly presented in the discussion on foreign trade matters.

In any case, one must agree with the thesis contained in the "Variants..." that in reality the source of increase in exports during the next three years and up to 1990 may be primarily the export of finished industrial products and services.

It seems that this assumption pertains mainly to export to socialist countries, while at the same time the possibilities of an increase in co-production export is appreciated. The export of final products of the electromachinery industry to capitalist countries will be increasingly more difficult in view of the growing competition on the world market, and particularly the competitiveness in the exports of leading underdeveloped countries. In exports to the developed capitalist countries, more advantage should be taken of the possibilities of exporting semi-finished products and co-production elements. The authors of the "Variants"

consider the consequences of this in the area of the growth rate of total export. They envisage that it will be more rapid during the next three years, which, one may believe, is based on the low starting position resulting from the decline in exports during 1980-1982. For 1986-1990 a lower rate is assumed, which is linked with the assessment that during this particular period the above-mentioned barriers to export growth will appear in full force.

1.2. With all of the criticism as to the extrapolation from past trends, it appears that the assumptions on export growth were made quite realistically. Only the high growth rate of export to capitalist countries during 1983-1985 arouses doubts. This doubt intensifies if similar comparisons are extended by the flexibility of exports in relation to national income or industrial production. The attainment during 1983-1985 of income flexibility of export to capitalist countries amounting to 1.83 appears to be very unrealistic, or at the least, very difficult to implement.

Doubts as to the reality of the envisaged growth rate of export to capitalist countries during 1983-1985 are also justified by present forecasts on the development of the economic situation in capitalist countries during this period, which, quite in agreement, estimate that these will be years of a slower growth rate. Characteristically, successive forecasts by Western experts foresee increasingly worse indicators.

1.3. Much greater doubts appear in assessing the role of factors which are supposed to ensure the envisaged growth of export. The authors of the "Variants..." overestimate the role which in the growth in export of the processing industry its specialization may play. We believe that the development of export specialization, due to neglect in the 1970's, requires significant investment outlays. The possibilities in this field are extremely limited, the more so because in the accepted timeframe, and especially during the next three years, investments will not have, practically speaking, any effect on the growth of export of products in the processing industry. The growth of export of these products, or more precisely, machines and equipment, is a factor that is competing with domestic demand, which will also reduce export specialization.

Estimating realistically, the basic factor stimulating export growth to 1985, and also during 1986-1990, will be not so much specialization as the system of current management of the economy, and in this, a system of incentives for export growth. Of course, this does not preclude the possibility of changes in specializational-co-production interconnections with CEMA countries which will give priority to export that will not require additional investment outlays during 1983-1985.

2. Labor Resources, Employment, and Utilization of Cadre Qualifications.

Labor resources are treated in the "Variants..." in a way which does not exhaust the problem. For 1983-1985, a complete accounting of resources is absent. Nor have the principles of management policy in this field been presented.

Preliminary estimates show that if the policy of accelerated deactivation of the occupationally-active population is continued, labor resources during the entire five-year period may greatly decline, and employment will become a real barrier to a growth in production and expansion in services. The plan's concept should clearly

define the assumptions of strategy and policy in five important spheres of managing labor resources.

2.1. In the past five-year plan, and particularly in the first years of the current five-year plan, a policy of deactivation of labor resources has been conducted. It is estimated that as a result of this policy, during 1981-1983 a total of over 500,000 people will take early retirement. As a result of introducing two-year upbringing furloughs, the labor force will drop by over 200,000. The total loss of labor resources, outside of agriculture, during 1981-1983, is estimated at over 700,000-800,000 people. If this policy were to be continued to 1985, the resultant loss in labor resources would probably far exceed one million people.

The plan should therefore clearly define the principles of policy in this matter. If the retention of the principles of granting upbringing furloughs is justified, then the policy of early retirements and the position on employing people of retirement age must be completely revised. These changes should be based on increasing the incentives to continue to work by older people, those able to work, and for the young generation of retirees (i.e., those who took early retirement) to take jobs. A change in regulations which forbid them to take part-time work is also indispensable.

2.2. The lack of adaptation of the structure of the workforce supply to the structure of the demand in the local-subsector and qualification cross-sections is an important problem: "overproduction" of cadre in some fields and shortages in others. It is essential that the scale of this phenomenon be better determined as well as counteraction by various means of socioeconomic policy.

2.3. The plan should also present means of economic policy inducing enterprises and workplaces to eliminate excessive employment. The solutions contained in economic reform thus far not only do not create sufficiently strong incentives to reduce the unnecessary positions in many enterprises, they encourage the maintaining of high employment even when this is not justified by needs or the possibilities of a growth in production. This leads to strains on the labor market, reduces the possibility of transferring labor resources to enterprises in which there is an actual shortage of workers. In order to increase the incentive for more economical management of labor resources, a change in the formula for debiting an increase in the average emolument for the Vocational Activization Fund is essential.

It also seems advisable to have the correct financing of wages by banks and the insolvencies of enterprises more rigidly enforced in regions where a large, unsatisfied demand for workforce appears.

2.4. The next sphere of labor-resource management concerns better utilization of cadre qualifications, their capabilities and talents. This problem was completely omitted in the "Variants...". In 1980, the socialized economy employed 915,000 people with a higher education, including 385,000 engineers. In 1985, employment of persons with a higher education will increase to approximately 1,150 thousand, including 420,000 engineers.

Numerous studies show that the qualifications of these cadres are not being adequately utilized. The large abundance of cadre with a higher education constitutes a

potential for accelerating technical, organizational and social progress. However, this requires a specific policy and strategy: including in the socioeconomic development plan tasks for these cadre on a broader scale than at present, and the development of an incentive system for wide-range innovational progress.

2.5. The "Variants..." propose two variants of policy concerning working time: either abandonment of the five-day workweek in those sectors of industry and fields whose development is not restricted by the supply of raw materials, or retention of the five-day workweek at the expense of extending the time necessary to emerge from the crisis.

The Council believes that there is no possibility of legally restoring the six-day work week for the people. It is possible, however, and there is a social need, to implement the third variant, the compromise one, based on the principle of voluntary work on free Saturdays. In warranted cases it would depend on an organization of work, for example, where the workplants would operate six days a week with a five-day workweek for the people. Then a certain portion of the workforce would obtain an additional free day for the Saturday worked. The possibility of extending vacation time by the time worked on free Saturdays can also be introduced. However, the present principles of payment for free Saturdays should be retained.

3. Investments

3.1. The first problem to be considered is the matter of the absorptive capacity of investment, i.e., the proportion between financing, producer goods, and performance capacity. There is reason to believe, for example, that the structure of the present performance apparatus of investment construction, oriented towards large construction, does not meet the country's current investment needs. It is not sufficient, therefore, in the further work on the plan, to be satisfied with the total balancing of performance capacity with the investment program, but there arises, again by way of example, the problem of efficiently utilizing or liquidating superfluous equipment. Similarly, the present territorial distribution of construction cadre may not correspond to current needs. It should be borne in mind that decentralization of the investment process and the self-financing principle are only in a limited range able to efficiently solve current problems in this field.

It may be assumed that under conditions of self-financing and prudence on the part of banks in granting additional financing to enterprises, there will not be too many mistakes, i.e., beginning of investment works without a likelihood of finding executors, and without the assurance of materials. It appears to be more probable that at the moment the self-governments start up, the pressure to increase the portion of profit and bonus at the cost of even the development fund will grow. There is even the fear that this phenomenon will take on extreme dimensions.

At the moment, however, overall the danger of traditional disproportions has not vanished. This is shown by the fact that despite the reduction in the State's investment outlays, the prolongation of investment cycles continues, and severe delays in completion of work begun constantly occur. The finding of workers for construction has become distinctly more difficult for investments in the socialized sector, and this is due to the effective competition on the part of private construction and repairs for private individuals, at inordinately higher wage rates. This pertains primarily to highly qualified workers, those indispensable for the finishing work.

3.2. The road to ensuring a desirable level of investment is difficult. A reduction in investment outlays appears obvious in the first phase in order to heal the process, so that in the second phase it would be possible to approach the investment programs more boldly. Furthermore, it is essential that the distribution of investment programs be adapted to local capabilities, which is immeasurably important for housing construction and agricultural investment. In both these fields, difficult-to-solve conflicts exist: on the one hand, there should be striving to increase the automatically obtained local funds and to utilize the outlays of the populace, and on the other hand to exert influence where possible, in the direction of priority to areas that have a surplus workforce.

As concerns basic construction elements (with the exception of finishing materials), we need not expect further restrictions, but it is worth calling attention both to construction equipment and production machinery. The accepted hypothesis of the development of export is based primarily on the assumption of the growth of export of machines. At the same time, the need to satisfy requirements in this area on the part of small-scale and private industry and the very large renovation needs in many enterprises comes into play. It therefore seems proper to call attention to the fact that the supply bottleneck may change in character.

3.3. The Planning Commission document envisages a percentage distribution of the "large consumers" investment fund: housing construction and the food economy. If we add to that the funds for completing the continued investments, then it appears that extremely small amounts of monetary and material resources will remain for the decentralized industrial investments, mainly the restitutional and modernization investments (aside from the complexes mentioned above). In addition, after all, the tasks of structure changes come into play, which cannot be implemented without investment outlays. Without question, only in very small measure can this task be executed in the next three years, and most investment outlays will fall into the next five-year plan. Nevertheless, preparations for these future tasks, insofar as possible, should be made now, tasks which certainly cannot be executed without new investment outlays.

It seems that in connection with this the percentage distribution of the investment fund made ex ante, as described in the Commission document, has no basis aside from the fact that it relates to directional political decisions. However, these decisions should be understood only as an expression of intentions and can be assigned a time frame only at the appropriate moment. This is the more proper in that the share of private investment in the food economy is assumed to be high, and in the housing economy it should be increased, about which we will say more later. We believe that it is essential to develop a new investment program, and above all, a system of measures in relation to housing construction and rural investment.

In considering the problems of the continuation of investments inherited from the previous period, we believe that an annex is needed which would list the specific investment objects with a breakdown into the central plan and the others, with justification for the effectiveness of continuing or abandoning the undertakings, and the conformity of the continuation with the approved strategy of structural transformations. Also, with an indication as to whether, and how far, the given object affects the already too-familiar bottlenecks, especially in producer goods and agriculture. Proposals for further investment revisions can result from such an

analysis, and for new undertakings in areas of production where shortages are most acute. From this standpoint, the entire document reflects a lack of boldness in assuming radical undertakings, a lack of boldness in formulating structural priorities, even though this sometimes appears verbally. For selected elements, a distinct departure must be made from the generally aggregate form of the plan, without, of course, relinquishing the multi-unit arrangement as an inviolable concept date.

3.4. It is particularly important for a realistic investment policy to make quantitative and qualitative analyses of the occurrences of imminent depreciation of fixed assets, and to determine in which subsectors and branches depreciation may turn out to be in conformity with the interests of structural changes in the 1980's. The share of restitutional investment in industry for the 1986-1990 period, amounting to a minimum of 30 percent of total investment in the national economy, raises doubts. One should suppose that as a result of the low growth rate of investment outlays during these years and the decline in this rate during 1983-1985, the share of restitutional investments in total outlays should be much higher in the entire national economy.

4. Growth Rate of Production

We have already emphasized that measures in behalf of efficiency, which varies in different management fields, play the determining role in our future development.

4.1. The functioning of mechanisms which increase the rate of production has already been expressed in all of agriculture. However, in relation to the non-agricultural socialized sector, consideration should be given primarily to qualitative results and to decisions aimed at better utilization of existing production factors.

In this sector, the basic problem on this plane is the matter of a system of incentives.

The weakness of the incentive system at this time is obvious. This is linked principally to the existence of market unbalance which does not allow for larger wage increases. Furthermore, the incentive value of wages is undermined by a number of deformations which long ago or recently crept into the system of emoluments. Left over from the past is the difference in rates among particular plants within the framework of the so-called subsector hierarchies. A more recent phenomenon, which has been in effect and often reinforced recently, is the disproportion which arose among plants in the same subsector. The new incentive system will not eliminate this until the disproportions in the positions of particular plants prior to reform are diminished (the matter of charging bad investments from the boom investment period against costs, the matter of overvaluing fixed assets, possible amortization relief, for example, for enterprises that are unable under present conditions to fully utilize their production capacity, etc.--all of these play a part here). It would not be realistic to believe that this problem will solve itself, by the introduction of the system provided in the reform, because there is no guarantee that making the workers' wages dependent on profits and efficiency will, as a rule, operate in behalf of equalizing the odds. Hence the need for regulations which will lessen the disproportions so galling to the workforce.

Therefore, we are estimating the immediate results of the application of an incentive

very carefully, which does not prevent us from expecting greater efficiency over a longer time span. Each achievement towards internal balance will be important here. If a positive state of social attitudes and an improvement in work organization and discipline could also be added to these factors, then the assessment of an increased growth rate in the future could be more positive than it is at this time.

4.2. The growth rate of development can also be strengthened by certain economic measures. If deeper structural changes can be achieved only after a certain time, since they will require large investment outlays, then changes in the structure of the product range, and speaking more broadly, in the structure of current production, are often possible in a shorter time. Efforts to increase the production of spare parts (even at the expense of producing new machines) can bring important benefits. The same applies to supplying vehicle, tractor and farm machinery pools with tires and batteries. It is estimated that over one-third of the tractors in agriculture are idle, and that the situation in city and even intercity transport, and in construction, is no better. Finally, cases are frequently reported, confirmed by the first Economic Consultative Council questionnaire--quite inaccurate, it is true--that often the brake on production is not the lack of expensive imported raw materials, but less expensive components. Making it possible to obtain foreign exchange for the purchase of the proverbial washers, as proposed by the Council, and also permitting the sale of a portion of producer-goods production outside the distribution system at commercial prices, should bring certain benefits. It appears, however, that it would be also necessary to make a general study of the problem of the so-called bottlenecks and to take the necessary actions in the policy of the distribution of foreign exchange or in the operational programs.

4.3. The Planning Commission ascribes major importance to a reduction in materials-intensiveness. We do not say that the general assumptions in this field are unrealistic, but certainly they are very difficult and require advance actions. We may suppose that the Commission is counting on the fact that technological innovations, new products, equipment and machinery, will be introduced. The innovational process is supposed to begin with the systems-type changes. What is important, however, is not just the concept, but also the investment outlays, both for the enterprises which are to apply the new technologies, as well as for the new producers which are to produce the material factors indispensable for innovation. Thus, although in the distant timeframe we can believe that even very bold tasks will succeed, in the very short timeframe we must be very careful in anticipating progress in this field. At the same time, it is essential that we expect that additional financing will be supplied to enterprises out of central funds or with the help of special credits, since we cannot rely only on the automatic application of technical progress.

The list of subsectors which would benefit from special privileges is tied in with this matter, but not just with it alone. Two ostensibly conflicting doubts arise here. First, we know that a very long list of priorities always leads to their dilution and weakening. In this sense, the list attached to the Commission's document is too long. On the other hand, one should suppose that it should be more specific, defining, if possible, the products whose producers would be entitled to special treatment.

5. Agriculture

5.1. In agriculture, the time factor is particularly important, which must be considered in forecasting production. In addition, the random factor enters in here, again to a larger degree than in other fields. Finally, this year's fodder difficulties will undoubtedly have an effect on next year's animal production. This means that in 1983 there will not be the increase in rate of production envisaged for the three-year period.

The disproportion between the income from farming and the supply of market goods, which is particular severe in the rural areas, coincides with the slower-than-envisaged growth rate of deliveries of industrial articles for farmers. This weakens the incentive system. Under these conditions, price increases cannot play a significant role. The matter of a materials flow may be considered to be most important in stimulating farm production. Insofar as another important factor is concerned, i.e., the proper structure of investment, the effectiveness of different directions of allocating outlays should be examined, e.g., whether the giving of priority to water supply in the rural areas through land reclamation is correct, as the Planning Commission proposes.

For a number of years we have conducted a policy of high imports of fodder without halting the rise in meat consumption, and even favoring it through low prices for the consumer and relatively high prices for the producer. A different policy is now necessary. We do not question the thesis that we must reconcile ourselves to decline in meat consumption, although we should fear that the results of this decline may be particularly painful for the city population, for the countryside can maintain its own consumption at a relatively higher level.

It is important to know, however, how steep a decline in slaughter animal production is permissible from the standpoint of the more distant future and what conclusions should be drawn from this for foreign trade policy. For many years, due to shortages of foreign exchange for import of fertilizers, we have imported grain purchased on credit. We should not make the same mistake now in relation to the alternative of importing grain or meat. Already next year we expect to import meat because we could not purchase fodder this year, and the potato crop failure tells us that we should look for a drop in animal production despite a good grain harvest. This is an additional argument in favor of the thesis that the farm production growth indicator will not exceed an annual average of 2.5 percent, and that the assumptions of the 'Variants...' on an over 3 percent increase are too high.

Next year there will be a very difficult-to-resolve conflict between the import of fodder and consumer goods. Some of the farm experts propose that it be resolved by increasing the import of fodder, compensated later by export of animal products. This reasoning, in abstract, makes sense, and it is too bad that it was not applied in the 1960's. At this time, however, the world ratios of fodder and animal product prices have clearly worsened. The profitability of the operation has become doubtful, and furthermore the opinion of experts on farm exports that the absorption capacity of foreign markets for our animal production is limited should not be ignored. There appears to be no easy solution to the problem. It must be assumed, therefore, that the matter should be further examined during the entire three-year period, because conditions could change.

5.2. A reduction in the supply of meat will, of course, be very acutely felt by the consumers who in Poland attach particular importance to this product as one that symbolizes a higher standard of living.

This should not be underestimated. However, a drop in the supply of meat from the standpoint of relatively reasonable nourishment by the populace should be feared. For this reason it is extremely important to quickly and constantly develop the supply of substitutes such as eggs and cheese. Over the longer period there is still the matter of improving a method of utilizing milk production in replacing butter with margarine, but that is a matter for the more distant future, in view of the population's eating habits. However, it seems that insufficient effort is being made to avoid waste in animal products, particularly milk, and also fodder. Without going into details, it seems proper to state that in relation to farm production, a mechanism functioned similar to the one that in industrial production was the pursuit of a total product without regard to material waste, etc. In all fields of farm production, from the producer to the final consumer of the farm product or the product produced on the basis of farming, there is a waste in input, with few exceptions. Perhaps the Planning Commission regards this to be too detailed a problem, more applicable to the food management plan than to the "Variants...". In any case, we find no trace of this theme in the document.

6. Living Standard and Conditions

6.1. We may, we believe, make the case that with a gradual growth in the consumption fund per inhabitant envisaged for the next eight years, two problems appear in sharp focus: first--how far the so-called improvement in quality of life can compensate the gradual increase in the standard of living, and second--what should be regarded as the priority requirements.

It is obvious that an improvement in the quality of life alone cannot be a substitute for a successive improvement in the level of consumption. However, an equivalent, or even a greater improvement in the conditions of daily activity at work or outside of work is tremendously important. If we are speaking about conditions at work, then at least for a large number of workplaces the activation of self-governments will bring in a new element. In a certain sense the choice between a standard of living and conditions of daily work will be made by those who are themselves involved in the process of a discussion on the division of profits. However, if we are referring to conditions outside the workplace, then this is a matter of central policy and the activity of local authorities.

At the level of the village and small town settlements, and sometimes also in the medium-sized towns, steps can be taken so that to a certain degree the choices can be made with the broad participation of the populace. We have in mind the choice of priorities as to particular municipal services. In the larger cities, transferring responsibility to those involved does not come into play. It is essential, therefore, to define these priorities from the top. An evaluation of this problem is very difficult. We believe, however, that two matters are of major importance: a time budget and the matter of dwellings.

6.2. The populace's time budget will depend to some degree on investment outlays (e.g., city transportation), but in fields requiring outlays, organizational

matters which determine efficient functioning of existing equipment are no less important. Ostensibly, the matter of administrative formalities and the functioning of services such as the post office or the purchase of railroad tickets is less important. Of course, not everyone at every moment is using these services or has something to take care of in the administration, but the difficulty in taking care of these matters is very much felt and there can be no excuse for it. Efforts in the areas mentioned are glaringly inadequate.

6.3. It is hard to judge which of the needs is worst-satisfied, but there is a common agreement that it is the need to have one's own dwelling. Various surveys confirm this. To make a case for this need, the numbers of those waiting for apartments, the increase in number of married couples, etc., are employed. These are, of course, useful indicators, but in a certain sense they underevaluate the social tensions. Everyone waiting for an apartment is a member of some kind of family unit which, along with him, impatiently awaits a change in the housing conditions of a son or daughter.

In the assessment of the prospects for housing constructions made in the assumptions of the "Variants...", there stands out, first, the contradiction between the verbal recognition of priorities for housing and the unanswered, in the document, consequences of the accepted assumptions. Their figures show that the level of construction would remain at a level close to that of 1967-1972, while the number of people and the shortage of dwellings is now much higher. Second, the assumptions in the "Variants..." do not take into account the substitutional effects and the important economic consequences that the development of construction can bring if it uses its own input, i.e., removes a portion of the purchasing power from the market and puts it into housing construction. Hence the thesis was advanced by the Economic Consultative Council that the development of housing construction can be accelerated as a function of increased material input by the people, or their own work effort. This thesis requires that credit assistance must be given to a greater degree to aid selected groups of organizational units, and that a formula for an open housing construction plan from the populace's funds must be clearly stated.

From many standpoints, the contrasting of the housing variants with the agro-food variants in the document seems to be incorrect. On the contrary, taking into consideration the economic functions of construction and the housing requirements of the countryside, common, mutually supporting, elements, can be found.

The thesis in the document on the possibility of reducing housing construction costs by 35 percent should now be regarded as unrealistic. True, the process of making construction more efficient contains a large potential for cost reduction, however the reduction cannot be made selectively in specific areas of construction. Institutional reforms and structural changes in all of investment and repair construction and also changes in technological policy are required. Complete results can be achieved probably only after large transformations in the structure and organization of construction enterprises.

Under present conditions we have departed from the building of a housing program in physical units (number of dwellings or rooms), later implemented with delays and growing costs, as was the case for years. But in order to control the development of construction, successive ceilings on its size should be designated, which would

permit, first of all, a halt to further deterioration in the housing situation (approximately 300,000 apartments), and second, assurance of lasting improvement (approximately 350,000-400,000). It is also necessary to respect the flexible character of construction plans, based on the populace's funds. In speaking earlier about adapting investment programs to absorptive capacity, we had in mind, among others, and even primarily, housing construction.

6.4. Despite the very clumsy application of state control on consumer goods and the understandable unpopularity of this system, it alleviated the hardship in making purchases. With the hope that the supply of goods will improve, the tendency towards exempting specific goods and transferring them or a part of them to open sales (alcohol, some cigarettes, high-octane gasoline) is increasing. It would be difficult to say that the method by which this was done in relation to cigarettes and gasoline was reasonable--open-sales prices were not increased at this time, as was rightly done with vodka. It seems that a fixed rule should be established, that in the process of reducing state control--a process which, after all, will go on for many years--the price of so-called commercial sales should be established at a balance level. At the same time, it has become necessary to extend rationing to footwear and certain articles of clothing. At the moment that this text is being written the new system is not yet known. It is known only that the term "controlled sales" carries with it a system of coupon allocation. By whom, on the basis of what criteria, is not known at the moment. We can expect however, that the traditional problems connected with the distribution of coupons will return.

Another comment on the subject of possible extension of state control is that it must be applied early enough, before the goods to which it relates reach the black market. That is what happened with cigarettes, that is what is now happening with cotton underwear, for example. However, with every system of state control, it is extremely important that the method by which it is done not be burdensome.

6.5. Subjective evaluations of the living standards and conditions cannot be uniform in society and only coincide with evaluations based on quantified measures of satisfying specific needs. In addition to the level to which needs are satisfied, there is also the rate at which these needs are satisfied. We believe that the extremely egalitarian position is weaker, and that there are signs that a greater difference in remuneration between poor and good workers is being demanded, that reservations are appearing concerning the very high share of compensations and family allowances in relation to the wage itself, and that the wage scales continue, and rightfully, to be protested.

However, we are not yet completely familiar with these subjective evaluations, and even if we already had them we would not use them to make any hypotheses on the development of future positions. That is why the statement contained in the Planning Commission document that an understanding of the policy proposed in the 'Variants..." on the part of the least well-off groups and the groups with relatively higher incomes can be counted on appears to be risky.

From the time that the thesis on the protection of specific groups of people and specific basic needs was clearly stated, there has been no increase in understanding that the existence of a "protected" sector also requires the existence of a "sacrificing" sector. We must realize, however, that the burden of a highly progressive

income tax would not produce benefits commensurate with the task facing us on the redistribution of income, unless a burden was put on many sections of the working class (the miners, primarily but not exclusively). The possibility, more practical in our circumstances, put forth by the Economic Consultative Council, of decreasing the inflationary pressure at the expense of the better-situated groups, based on a price increase on other consumer goods (for example, by taxing these goods indirectly), often appears in society's awareness not as a means of increasing the availability of goods and redistribution of income, but as a danger that they will not be able to buy these goods in the future. A wide-scale and consistent explanatory campaign is essential in this matter.

The basic tasks on the redistribution of incomes rest not only on price and tax policy, but also on social policy. In the "Variants..." the need to apply social policy to the present realities is rightly mentioned. However, there are no consistent proposals on this subject. The section on social policy goes beyond the matter of the protection of the economically weakest groups and contains many proposals dealing with other things.

7 Balance and Disproportions

7.1. Money-market balance. The "Variants..." accept the hypothesis that the populace's monetary income will be balanced with the supply of goods and services by 1985. This assumption is based on the expectation that the populace's monetary income will increase by 65 percent and the supply of goods by 75-80 percent, in current prices.

The thesis that market balance will be achieved by 1985 arouses a number of important doubts. The first doubt concerns the rate of growth of prices, which next year would amount to 25 percent, 15 percent in 1984, and finally in 1985, 10 percent; altogether (calculating in compound interest), approximately 60 percent in a three-year period. The first of these figures should be questioned. There is already too much proof that price increases made on the threshold of the year are felt most acutely by the majority of the people. Many workforces are particularly sensitive about this. It is true that several points of this 25 percent increase next year are the result of decisions made in the past, but regardless, a several-percent increase would have to be made to implement the assumptions of the plan. For political reasons it is unthinkable to do this in the form of an accumulated price increase at the beginning of the year because on an annual scale the full drainage effect, corresponding to the accepted degree of price increase, cannot be counted upon. Thus, elimination of the inflationary gap next year would be much weaker than would be desirable from the standpoint of achieving balance. Furthermore, it is impossible to determine the effect of the increase from this standpoint until it is clear how the movement of wages, resulting from the increase in enterprises' self-dependence in disposing of profits and the reform of the wage system, turns out. Under these conditions, even the proposed price increase cannot ensure the anticipated result.

Second, there are doubts in the light of the items not covered by the text of the assumptions. In 1985 the compensations granted to those who save will have to be paid--a sum of approximately 180 million zlotys. Was it taken into account in the calculations?

Third, it also seems questionable whether the sum of 480 billion zlotys, as the level of stocks which are to be rebuilt in trade by 1985, is realistic. It is not clear whether this amount is calculated in fixed or current prices. In the latter case, calculated in 1981 prices, this sum would be less than 300 billion, which would indicate a growth of not quite 50 percent in relation to stocks amounting to 186 billion last year. If this were the case, it is impossible to believe that the demand and the continuity of sales in shops could be satisfied, since the state of the stocks in trade, counted in days, would continue to be much lower than in the pre-crisis period. If the proposed amount pertains to fixed prices, then of course the fear would be less, since the level of stocks would be actually two-and-a-half times higher than last year, which, in any case, would not mean that there would not be a serious unbalance in specific sectors, even if total balance was being approached. But is the anticipated level of market deliveries sufficient for such a model of stocks of goods in trade?

These doubts are intensified by the matter of the anticipated state of stocks at the end of 1983 and the following years. The envisaged execution of the plan for the year 1982 and all of the variants of the plan for 1983 do not assume a growth in stocks in comparison with 1981. How, in the two years 1984 and 1985, could such great progress in the level of stocks be made, which the thesis on balancing supply and demand implies?

Approaching the matter from another standpoint, the problem of the formation of the inflationary gap must be considered. Last year the gap was estimated by the Polish National Bank to be a sum corresponding to 15 percent of the population's disposable income. The "Warning Forecast" estimated the gap in the middle of last year at about 10 percent. Since that time--as feared by the Council--as a result of not making use of the proposals pertaining to the so-called "crisis tax" (stabilization tax)--the gap is growing.

Of course, matters could have been better from the standpoint of balance if it had been possible to count on larger revenues from direct taxes on the population. But such a hypothesis would have been a deception. Neither a radical tax nor a proven equalization tax will furnish truly adequate sums. The equalization tax will not "ensnare" the incomes on the economic fringes, and cannot be too high in relation to private crafts because it would be easy to repeat the experience of the past, in the form of inhibition of the development of this sector. Even with severe taxation all of the revenues from nonsocialized crafts would do little for overall balance. Finally, in relation to workers in the socialized sector the persons taxed would have to be the miners, shipyard workers, metalworkers, and other skilled groups of the working class. This would certainly bring forth protests when it appeared that this tax cuts into the incomes of an important part of the workers of the socialized sector and is in conflict with the tendency of good remuneration for good work.

Taking all of these objections into consideration it is hard to believe that the inflationary gap will be eliminated by 1985, and there is nothing worse than arousing hopes that are doomed to failure. The recovery of balance will go beyond the year 1985.

7.2. Internal balance. The lack of internal balance at the start of the construction of the plan is due primarily to the very debt owed to the capitalist countries.

This is a factor that has a strong influence not only on the ability to attain internal balance by 1985, but also on the entire development of the economy during this period, and also during 1986-1990. This is also a basic element of uncertainty, complicating greatly the preparation of the plan for the immediate future.

Actually, this was taken into account in the material prepared by the Planning Commission. This was shown by the fact that the basic factor determining the variant presentation of the concept of the National Socioeconomic Plan up to the year 1985 and the preliminary assumptions for 1986-1990 was really the uncertainty as to the method of solving the matter of indebtedness. The rescheduling of debt servicing in the capitalist countries is vitally important from this standpoint, more important than the obtainment of new credits in the individual years.

Closer examination of the "Variants...", insofar as this is possible on the basis of the data contained in this document and the supplementary tabular portion, provokes serious question as to whether really the matter of solving the problem of indebtedness in capitalist countries is the basic factor differentiating the particular variants of the plan concept. One gets the impression that the differences between variants II and III from the standpoint of effect of external balance on internal balance are minimal. This indicates that it is advisable to again analyze the variants of the concept of the National Socioeconomic Plan to 1985, and to distinctly recognize that during this period the differentiating factor in each should be the settlement of the matter of extending the time for servicing the indebtedness, ensuring the highest possible growth rate of imports. Acceptance of this criterion and consistently including it in developing the plan variants, is necessary because keeping the burden of debt-servicing to a minimum in the early years is one of the basic conditions for getting the economy moving and coming out of the crisis.

The criterion for planning the development for 1986-1990 by variants should clearly be different. During this period it is desirable, and perhaps inevitable, that the economy be gradually freed of indebtedness. The assumptions regarding this as shown in the "Variants..." appear to be too ambitious. They provide that the beginning of the lowering of the debt level will occur in approximately 1988 at the latest, whereas if we accept the different assumptions this process will begin, we believe, later.

Without denying the need to forecast external balance over a longer period, it is still necessary to clearly state that it is based on many variables that are difficult to estimate. Under these circumstances it may be treated as a very large approximation, allowing--at the most--for a definition of the time interval in which this extremely important proportion of the development of the economy will take shape. Not only do the results of negotiations with creditors enter in here, but above all, the possibility of increasing our exports, and also such factors as the market interest rate, the rate of price increases in international turnovers, our terms of trade, and even the development of the entire international finance system.

The Planning Commission's assumptions, in accordance with which the process of the gradual reduction of indebtedness will begin at about 1988 at the latest, may turn out to be real only if external conditions are exceptionally favorable.

This pertains principally to an improvement in the economic situation and a resultant increase in sales of new goods, a declining trend in the interest rate, and an increase in prices in international turnovers which will be reflected in an improvement in our terms of trade. Even if such a favorable combination of external conditions appears, foreign debt will remain during the entire period to which the "Variants..." refer, a factor of tremendous influence on the developmentof our economy.

## IV. Final Comments

### 1. Completion of the Present Stage of Work

A meeting of the representatives of the Economic Consultative Council with a representative of the Planning Commission in the matter of the "Variants..." took place. An exchange of viewpoints took place during this meeting. Agreement of opinions was not achieved on all matters. The discussion on particular issues will be continued later during the course of the preparation of the three-year plan.

Insofar as differences of opinion are concerned, they pertain, for example, to the questioning of the feasibility of attaining really solid money-market balance as early as 1985, the feasibility of reducing the country's indebtedness beginning in 1988, the agricultural production growth indicator, a solution to the conflict between particular investment requirements by specifying a division of investment outlays ex ante in percentages, and problems such as the danger of excessive restrictions on new investments for enterprises while at the same time excessively burdening investment tasks with outlays for continued investments, etc.

The overall development hypothesis (rate of growth) continues to raise certain doubts. These are more far-reaching in relation to the first three-year plan than to 1986-1990. These doubts ensue not only from a number of already-mentioned difficulties, but also from the necessary sequence of measures: first an increase in effective operation of a new system for the functioning of the economy, and particularly an incentive system, then innovations and their application, then investments which change the structure of fixed assets and current production, and only then a high increase in efficiency.

However, we submit no formal reservations as to the envisaged rate, because the amounts which we might possibly submit would be at least as controversial as those contained in the Planning Commission document.

### 2. Work on the Plans

The meeting with the Planning Commission allowed us to explain which analytical and forecasting reports, which are not in the assumptions, will be in the plan. This pertains to:

--an analysis of the initial state (for example, utilization of production capacity and structure of demand and supply of labor resources, as well as identification, as detailed as possible although surely not completely, of bottlenecks that require direct State intervention);

--a demographic forecast and a forecast on a labor factor prepared with a realistic assessment of the possibility of relocations;

--financial forecasts as to a finance plan (State budget), finances of enterprises, and population's incomes and expenditures.

Furthermore--independent of the questioning of the amounts contained in the Planning Commission text concerning the growth of the population's incomes and supply of goods at the envisaged price increase--we believe it essential to more fully prepare an anti-inflationary program assuming less increase of controlled inflation, especially in 1983. The price shock at the beginning of the current year cannot be repeated so quickly, in view of society's endurance limit. We also belive it essential to prepare a more developed program of social policy and assumptions of territorial policy connected with the plan.

3. Summary

The goals of the plan, as formulated in the document, are the expression of the right intentions, but thus far an examination does not yet give us a basis to determine o what degree and in what way these goals are attainable. This pertains particularly to the prospects and methods for restoring balance, a factor of fundamental importance for achieving the other goals. The calculations prepared thus far are useful primarily as an indication that we cannot depend on something which could be a substitute for the need to improve management efficiency. Without this there will be no likelihood of lasting progress in overcoming the crisis and protecting society's living conditions. It is impossible to say in advance what, where, when and how much can be achieved by an improvement in efficiency. But it must be clearly stated that the plan will be more useful if it more thoroughly and concretely prepares the conditions and indicates the possibilities of pro-efficiency measures.

A general assumption that this will result by the application of reform is unsufficient here. Special significance should be attached to outlining a specific scenario in the plan to put the pro-efficiency processes provided in reform, into effect, taking into consideration the separate conditions of the particular fields of the economy and segments of the markets. We believe that this will occur during the preparation of a draft plan, both by increasing its structural aspects (clearly indicating the main supply and demand preconditions) and by applying to these intentions the appropriate instruments which would provide a chance of effective action. The list of instruments given in the Planning Commission document is, in the present form, a general list, which does not, it is true, arouse any reservations, but neither does it allow for stating either the place and range, or the moment, at which these instruments can be effectively applied.

We also believe that the plan will be more useful if the premises of socioeconomic policy policy regarding the main, conflict problems, relating to the following spheres, are defined more clearly:

--the consumer-goods market, prices, wage-income relations, the relative feasibility of subsidizing market consumption and financing social services;

--investment policy, in the light of contradictions between the legacy of commitments from past years, new structural and technical requirements (conducive to an increase in efficiency) and a severe restriction in the accumulation capacity of our economy;

--a policy for activating export, i.e., increasing the competitiveness of our export tender while ensuring that it will be more efficient, and a policy on restrictions which result both from import barriers (caused by the payments situation), as well as from the linkage between chances of success of pro-export policy and results of solutions applied to previously mentioned internal problems of the economy.

The Economic Consultative Council will be guided by these assumptions in cooperating with the Planning Commission during future work on the plan.

9295
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SPECIAL CURRENCY EXCHANGE RATES PUBLISHED

Effective 25 October 1982

Warsaw TRYBUNA LUDU in Polish 25 Oct 82 p 7

[Text] Announcement of Exchange Rates Table No 45/82, effective 25 October 1982, by Zdzislaw Pakula, for the president, Polish National Bank, on 25 October 1982.

II. Foreign-Currency Exchange Rates in Zlotys for Countries of the Second Payments Area [Capitalist Countries].

Exchange Rates Table No 45/82

| Country | Curr Symb | Currency | Foreign Exchange | | Money | | |
|---|---|---|---|---|---|---|---|
| | | | Purchase 4 | Sales 5 | Purchase 1 | Sales 2 | Average 6 |
| Yugoslavia | 718 | 100 dinars | 112.45 | 113.59 | 97.47 | 115.28 | 113.02 |

Effective 2 November 1982

Warsaw TRYBUNA LUDU in Polish 2 Nov 82 p 7

[Text] Announcement of Exchange Rates Table No 46/82, effective 2 November 1982, by Jan Korczak, for the president, Polish National Bank, on 2 November 1982.

I. Foreign-currency exchange rates in zlotys for countries of the first payments area [socialist countries] for commercial and noncommercial payments remain unchanged.

In purchase of travelers' checks for rubles, issued by the USSR Foreign Trade Bank and payable outside the USSR in the currency of the country where cashed, an exchange rate of 11,862.96 zlotys per 100 rubles is applied.

II. Foreign-Currency Exchange Rates in Zlotys for Countries of the Second Payments Area [Capitalist Countries]

[Table on following page]

Exchange Rates Table No 46/82

| Country | Curr Symb | | Currency | Foreign Exchange Purchase 4 | Foreign Exchange Sales 5 | Money Purchase 1 | Money Sales 2 | Money Average 6 |
|---|---|---|---|---|---|---|---|---|
| Saudi Arabia | 771 | 1 | rial*** | 25.29 | 25.55 | -- | -- | 25.42 |
| Australia | 781 | 1 | Aust. dollar | 81.42 | 82.24 | 80.19 | 83.47 | 81.83 |
| Austria | 786 | 100 | schillings | 486.80 | 491.70 | 479.46 | 499.04 | 489.25 |
| Belgium | 791 | 100 | francs | 176.85 | 178.63 | 174.19 | 181.29 | 177.74 |
| Denmark | 792 | 1 | kroner | 9.72 | 9.82 | 9.57 | 9.97 | 9.77 |
| Finland | 780 | 1 | markka | 15.81 | 15.97 | 15.57 | 16.21 | 15.89 |
| France | 793 | 1 | franc | 12.12 | 12.24 | 11.94 | 12.42 | 12.18 |
| Greece | 724 | 100 | drachmas | 120.33 | 121.53 | 104.29 | 123.35 | 120.93 |
| Spain | 785 | 100 | pesetas | 74.72 | 75.48 | 73.60 | 76.60 | 75.10 |
| Holland | 794 | 1 | florin | 31.50 | 31.82 | 31.03 | 32.29 | 31.66 |
| India | 543 | 100 | rupees*** | 894.98 | 903.98 | -- | -- | 899.48 |
| Ireland | 782 | 1 | pound*** | 116.14 | 117.30 | -- | -- | 116.72 |
| Japan | 784 | 100 | yen | 31.55 | 31.87 | 31.08 | 32.34 | 31.71 |
| Yugoslavia | 718 | 100 | dinars | 141.29 | 142.71 | 122.46 | 144.84 | 142.00 |
| Canada | 788 | 1 | Canad. dollar | 70.97 | 71.69 | 69.90 | 72.76 | 71.33 |
| Kuwait | 770 | 1 | dinar*** | 296.75 | 299.73 | -- | -- | 298.24 |
| Lebanon | 752 | 1 | pound | 20.52 | 20.72 | 20.21 | 21.03 | 20.62 |
| Libya | 651 | 1 | dinar*** | 293.79 | 296.75 | -- | -- | 295.27 |
| Luxembourg | 790 | 100 | francs | 176.85 | 178.63 | 174.19 | 181.29 | 177.74 |
| Norway | 796 | 1 | kroner | 12.05 | 12.17 | 11.87 | 12.35 | 12.11 |
| Portugal | 779 | 100 | escudos | 96.54 | 97.52 | 83.68 | 98.97 | 97.03 |
| FRG | 795 | 1 | mark | 34.17 | 34.51 | 33.65 | 35.03 | 34.34 |
| United States | 787 | 1 | dollar* | 86.99 | 87.87 | 85.68 | 89.18 | 87.43 |
| Switzerland | 797 | 1 | franc | 39.74 | 40.14 | 39.14 | 40.74 | 39.94 |
| Sweden | 798 | 1 | kroner | 11.72 | 11.84 | 11.54 | 12.02 | 11.78 |
| Turkey | 627 | 100 | pounds | 48.38 | 48.84 | 41.91 | 49.57 | 48.60 |
| Great Britain | 789 | 1 | pound** | 146.44 | 147.92 | 144.24 | 150.12 | 147.18 |
| Italy | 799 | 100 | lira | 6.06 | 6.12 | 5.25 | 6.21 | 6.09 |

*Valid also in clearing accounts with the following countries: Bangladesh, Brazil, Ecuador, Greece, Iceland, Kampuchea, Colombia, Lebanon, Pakistan, Peru and Turkey.

**Valid also in clearing accounts with the following countries: Napal and Pakistan.

***The Polish National Bank does not purchase money in these currencies.

CSO: 2600/76

SPECIAL CURRENCY EXCHANGE RATES EFFECTIVE 15 NOVEMBER 1982

Warsaw TRYBUNA LUDU in Polish 15 Nov 82 p 7

[Text] Announcement of Exchange Rates Table No 48/82, effective 15 November 1982, by Stalislaw Majewski, president, Polish National Bank, on 15 November 1982.

I. Foreign-currency exchange rates in zlotys for countries of the first payments area [socialist countries] for commercial and noncommercial payments remain unchanged.

In purchases of traverlers' checks for rubles, issued by the USSR Foreign Trade Bank and payable outside the USSR in the currency of the country where cashed, an exchange rate of 11,831.50 zlotys per 100 rubles is applied.

II. Foreign-Currency Exchange Rates in Zlotys for Countries of the Second Payments Area [Capitalist Countries].

[Table on following page]

Exchange Rates Table No 48/82

| Country | Curr Symb | Currency | Foreign Exchange Purchase 4 | Foreign Exchange Sales 5 | Money Purchase 1 | Money Sales 2 | Average 6 |
|---|---|---|---|---|---|---|---|
| Saudi Arabia | 771 | 1 rial*** | 25.49 | 25.75 | -- | -- | 25.62 |
| Australia | 781 | 1 Aust. dollar | 82.01 | 82.83 | 80.77 | 84.07 | 82.42 |
| Austria | 786 | 100 schillings | 483.22 | 488.08 | 475.94 | 495.36 | 485.65 |
| Belgium | 791 | 100 francs | 174.99 | 176.75 | 172.35 | 179.39 | 175.87 |
| Denmark | 792 | 1 kroner | 9.67 | 9.77 | 9.53 | 9.91 | 9.72 |
| Finland | 780 | 1 markka | 15.78 | 15.94 | 15.54 | 16.18 | 15.86 |
| France | 793 | 1 franc | 12.01 | 12.13 | 11.83 | 12.31 | 12.07 |
| Greece | 724 | 100 drachmas | 119.57 | 120.77 | 103.64 | 122.57 | 120.17 |
| Spain | 785 | 100 pesetas | 73.89 | 74.63 | 72.77 | 75.75 | 74.26 |
| Holland | 794 | 1 florin | 31.16 | 31.48 | 30.69 | 31.95 | 31.32 |
| India | 543 | 100 rupees*** | 898.61 | 907.65 | -- | -- | 903.13 |
| Ireland | 782 | 1 pound*** | 115.46 | 116.62 | -- | -- | 116.04 |
| Japan | 784 | 100 yen | 32.08 | 32.40 | 31.60 | 32.88 | 32.24 |
| Yugoslavia | 718 | 100 dinars | 129.55 | 130.85 | 112.29 | 132.80 | 130.20 |
| Canada | 788 | 1 Canad.dollar | 71.93 | 72.65 | 70.84 | 73.74 | 72.29 |
| Kuwait | 770 | 1 dinar*** | 299.24 | 302.24 | -- | -- | 300.74 |
| Lebanon | 752 | 1 pound | 20.69 | 20.89 | 20.37 | 21.21 | 20.79 |
| Libya | 651 | 1 dinar*** | 296.20 | 299.18 | -- | -- | 297.69 |
| Luxembourg | 790 | 100 francs | 174.99 | 176.75 | 172.35 | 179.39 | 175.87 |
| Norway | 796 | 1 kroner | 11.99 | 12.11 | 11.81 | 12.29 | 12.05 |
| Portugal | 779 | 100 escudos | 95.54 | 96.50 | 82.81 | 97.94 | 96.02 |
| FRG | 795 | 1 mark | 33.87 | 34.21 | 33.36 | 34.72 | 34.04 |
| United States | 787 | 1 dollar* | 87.71 | 88.59 | 86.39 | 89.91 | 88.15 |
| Switzerland | 797 | 1 franc | 39.35 | 39.75 | 38.76 | 40.34 | 39.55 |
| Sweden | 798 | 1 kroner | 11.64 | 11.76 | 11.47 | 11.93 | 11.70 |
| Turkey | 627 | 100 pounds | 59.34 | 59.94 | 51.44 | 60.83 | 59.64 |
| Great Britain | 789 | 1 pound** | 145.17 | 146.63 | 142.98 | 148.82 | 145.9[illegible] |
| Italy | 709 | 100 lira | 5.91 | 5.97 | 5.12 | 6.06 | 5.94 |

* Valid also in clearing accounts with the following countries: Bangladesh, Brazil, Ecuador, Greece, Iceland, Kampuchea, Colombia, Lebanon, Pakistan Peru and Turkey.

** Valid also in clearing accounts with the following countries: Nepal and Pakistan.

*** The Polish National Bank does not purchase money in these currencies.

CSO: 2600/91

## MEASURES PROPOSED TO STRENGTHEN ECONOMY

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 28 Oct 82 p 8

[Article by Katarina Sekulic: "Something New, Something Old"]

[Text] What is the essence of certain new ideas and bolstered old ideas which, along with many other activities, are to open up the process of strengthening the economy's position?

There is hardly any official document which does not include a paragraph to the effect that the economy's ability to form capital and to reinvest needs to be increased, and there is even a specific document on that topic. There is no doubt that those documents exist, but it is not good that these are mainly just "words on paper," since practice is constantly refuting the views which have been adopted. The most impressive datum is that the position of organizations in the economy is now less favorable than before enactment of the constitution and the Law on Associated Labor. That is, their share in the social product realized is down from 72 percent in 1974 to 67 percent in 1981. As for income earned, the share of the economy has dropped from 67 percent in 1974 to 63.3 percent in 1981.

Specialists of the Federal Bureau of Social Planning estimate that because of unrealistically low depreciation and unrealistic valuation of assets by comparison with market value, about 10 percent of the value of fixed capital in the economy has been dissipated in recent years. Over the last several years, to be sure, there has been a certain increase in the reproductive capacity of OUR's [organization of associated labor] in the economy, but this is almost symbolic. Thus in 1979 it rose 0.1 percentage point over the previous year, in 1980 1.3, and in 1981 another .4 percentage point.

### Without the Right Therapy

The causes of this situation are well known, but they are being corrected very slowly because of a number of objective and subjective circumstances, but also because the right therapy has not even been proposed as yet for some of them. The causes and consequences have been mentioned and enumerated more frequently than one has been able to hear specific solutions about what should be done to increase the share of OUR's in the distribution of the social product. One of factors principally at fault for the present situation is certainly our general

habit of living beyond our means. This has been done by individuals, by OUR's, and by the government as well. If the situation concerning this cause could not have been altered overnight, since we are talking about a long-range process, about changing the mentality and outlook of the consumer, many other more operational solutions need not have waited for better times.

Now it appears that the line has been drawn even in this respect, since within the framework of the extensive activities related to preparation of the documents which are being drafted, the views contained in the Basic Premises of the Long-Range Economic Stabilization Program are being supplemented, and certain specific solutions are also being proposed. The reference is to certain ideas and proposals which have yet to be discussed on a broad basis. They actually supplement and concretize the general effort to increase income through more efficient work and conduct of economic activity. The desire is also well known--it was formulated back at the Third Congress of Self-Managers when it took the position that the accumulation of OOUR's [basic organization of associated labor] should increase more rapidly, and funds for expenditure more slowly, than the growth of income. Recently we have had occasion to hear a general demand that a certain redistribution of the social product has to be carried out.

New Ideas on Taxation

Which brings us to the matter at hand. It has been proposed that the tax burden on OUR's be reduced and that this be accomplished in the framework of the changes which are to be made in fiscal policy. To be sure, the proposed gradual reduction of the share of the turnover tax in total budget revenues is also to be accompanied by a relative increase in the share of so-called direct taxes--paid out of the income of OUR's, the tax on the total income of individuals, and the tax on income from farming.

The raising of direct taxes presupposes progressive taxation of income, and this is supported by the generally adopted position that whoever has larger income should also contribute relatively more to build up resources to cover the costs of government. Related to this are the ideas of radical changes in the system of taxation of private farmers, where the idea is for this category of individuals to pay a progressive income tax in the same manner and at the same rates that apply to other individuals. This is being reflected on because in the present system of the tax on cadastre income it is symbolic, and, according to certain estimates, has a share of only 1.9 percent in the income earned from this activity.

It is clear that relieving the economy of excessive legal obligations presupposes that those needs be reduced to economically bearable proportions. This in turn points to the need to abandon the practice of budget financing of needs. It can immediately be said that this is where there will be the greatest number of problems, resistance and attempts to escape the inevitable changes.

These are just some of the ideas which certainly will be present when the system of tax deductions and exemptions is appropriately worked out. There is

also a new idea about rigorous reduction of the resources which organizations of associated labor set aside in the form of mandatory pooling, contributions or compensations for development of the economic infrastructure--for fuel and power, for highways.... It has been proposed that these expenditures be in part incorporated into the price of the project, that is, into the price of the goods and services in such a way as to be prorated over a lengthy period of time. Attention should also be paid to the idea of reassessing the present obligations of OUR's which arise out of so-called contractual relationships and decisions of assemblies of the economy's associations. The reference is to charges for bank services, for making payments and collections, to the revenues of general associations or chambers. All of these revenues are increasing, and it is likely that this is the basis for the increased size of the staff in those institutions as well as for the high personal incomes.

A More Specific Approach to Exceptional Advantages as Well

It has also been proposed that a gradual transition be made to economic depreciation, which, put most briefly, would reimburse the diminished value of capital assets as they wear out. In this connection a proposal has been made on ongoing revaluation of capital assets, which would be carried out at the times of the regular statements of financial results if inflation exceeds a certain tolerable limit.

Commitments to the effect that the portion of income which is the result of exceptional advantages should be assigned to development are set forth, we remind our readers, in the constitution and Law on Associated Labor, but in practice they are invoked in a very small number of cases. Now one can also hear certain concrete proposals aimed at practical realization of that view. There have been, for example, suggestions that this portion of income be exempted from the tax base and applied directly to development. It is being proposed at the same time that the portion of income which arises from a price increase specifically adopted for purposes of development as well as income realized because exceptional market circumstances come about be assigned directly to expansion of the material basis of operation. The ideas are also based on the premise that this issue should be regulated uniformly for the entire country, and it is advocated that agreements among the republics and provinces be signed.

To repeat, these are some of the ideas which still have to be talked about more widely. Yet it is encouraging that something concrete has been initiated. The debates to come, in which probably certain different opinions will be heard, ought to begin as soon as possible so that there is enough time to finalize the definitive proposals. Of course, not even those actions can in and of themselves manage to bring about the desired changes unless the truth is faced everywhere and unless people realize that days of modest living are coming, many valves are being shut off which made it possible for us to spend what we did not have, to invest without saving, and to import what there was already enough of.

The most recent assessment of federal planners to the effect that by the end of 1985 a redistribution of the social product could increase the economy's share

in the social product from the 64.2 percent it was in 1980 to 70 percent, which was the figure in 1970. This is no mistake, we are talking about the need to achieve what already did exist so that then, along with the changes taking place in the domain of financing expanded reproduction, a process would be opened of new shifts in the long-range aspiration for the economy to be stronger and richer.

7045
CSO: 2800/40

DISTRIBUTION OF BUSINESS INCOME JAN-SEP 1982 EXAMINED

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 28 Oct 82 p 8

[Article by D. Brdar: "Costs Cutting Into Earnings"]

[Text] In the January-September period the gross income of the Yugoslav economy rose 30 percent, but material costs rose 43 percent. Allocations for noneconomic purposes rose 50 percent, there was a considerable growth of budgets.

Though very significant measures to prevent excessive expenditure and also orders maximizing prices have been in effect now since midsummer, even in September the Yugoslav economy was unable to change the direction in the conduct of its business to its own advantage. For, along with the very high growth of the economy's direct revenues, all types of material costs and payments to the noneconomic sector have continued to increase considerably faster. Payments for capital investment projects and into the budgets of sociopolitical communities likewise increased considerably, though certain encouraging shifts are suggested in the case of these latter payments.

The most recent preliminary figures of the Social Accounting Service of Yugoslavia show that the receipts included in the gross income of the economy in September rose 30 percent, which is slightly more than 843 billion dinars. The economy's direct income rose a total of 6,757 billion dinars over the 9-month period. This large growth of revenues is nevertheless surprising, since prices are frozen, and output is growing at a minimal rate. What is the basis, then, for the larger revenues of the economy?

Material costs in the conduct of the economic activity also increased considerably in September, and that considerably more than revenues. Costs were actually up all of 43 percent, so that their value over the entire 9-month period amounts to a total of about 5,302 billion dinars. At the same time appropriations for the noneconomic sector also increased considerably, by 50 percent. Though this is 3 percent less than in August, it is still far from what was planned. Both costs and noneconomic expenditure, then, are growing at a rate which was not anticipated. The fact that the growth rates of both items are somewhat less than in August represents a minimal nudge in the desired direction. But certainly far from what was planned.

The average picture of the gap between the revenues and expenditures of the Yugoslav economy only partially expresses the situation from republic to republic to republic. The largest difference in any republic is in the economy of Montenegro, which in September had a 26-percent larger gross income, while material costs were up all of 56 percent. Distributions for the noneconomic sector in that republic were up only 13 percent, and that was the smallest growth in Yugoslavia. Contrary to current economic trends in Montenegro, in Bosnia-Hercegovina the ratio between the growth of revenues and that of material costs is very favorable. The economy of Bosnia-Hercegovina increased its revenues 32 percent, while material costs rose 31 percent. Allocations for the noneconomic sector increased 22 percent in the republic, which comes immediately after Montenegro in the national rundown. The figures for the other republics and provinces show a variable picture of the situation. The largest growth of revenues was in Vojvodina--36 percent, and the smallest in Kosovo--9 percent. The economy of Slovenia also increased its revenues less than the average Yugoslav growth--the growth rate was 21 percent. Macedonia was slightly better than Slovenia, but still below the Yugoslav average. Serbia proper, with a growth rate of 34 percent, and Croatia with 31 percent are in the group whose revenues grew faster than the average.

The picture of the trends of material costs from republic to republic shows the following lines of development. Montenegro, as we have already said, had the fastest growth. It was followed by Croatia with a growth rate of 51 percent, and then Serbia proper with 47, Slovenia with 43, Vojvodina with 40, Macedonia with 32, and Bosnia-Hercegovina with 31 percent. The smallest growth of material costs was in Kosovo--13 percent.

As for appropriations for the noneconomic sector, they were far below the national average in all republics and in both provinces. Only Croatia was above the average. Croatia has a share of about 19 percent in the total growth for these appropriations, which amounted to 28.5 billion dinars.

In the period January-September investments were 25 percent larger than over the same period last year. They have increased fastest in Bosnia-Hercegovina--45 percent, and least in Slovenia--9 percent. Since the July laws have been in effect restricting expenditure on capital investments, their growth has slowed down quite evidently, but the anticipated decrease has not occurred. Excessive amounts are still being invested in noneconomic facilities--investments are on the average 40 percent larger than over the same period of last year. Payments on investment projects in the economy were up 44 percent. Over the last 9 months a total of 179.6 billion dinars have been set aside for these purposes. The pooled capital of production organizations represents a share of 26.9 billion dinars in this.

By comparison with the previous month, the growth of investment with pooled capital is down 6 percent.

At the same time distributions for SIZ [self-managing community of interest] in the social services, SIZ for housing, and also local communities rose 46 percent. Lendings through banks were up 29 percent, and there was also an increase of budgets of opstinas, republics, provinces and the Federation. Opstina expenditures were up 34 percent, that of the republics and provinces were up 30 percent, and that of the Federation up all of 57 percent.

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CSO: 2800/40

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JPRS 82368

2 December 1982

# East Europe Report

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2344

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2 December 1982

# EAST EUROPE REPORT

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2344

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# EFFECTIVENESS OF SCIENCE, TECHNOLOGY IN AGRICULTURE ANALYZED

Prague STATISTIKA in Czech No 8, 1982 pp 343-358

[Article by Vaclav Houska: "On the Problems of Measuring the Effectiveness of Scientific-Technical Development in Czechoslovak Agriculture"]

[Text] Despite the fact that the role of VTR [scientific-technical development] in the development of society and the economy has been unambiguously defined in Marxist political economy, techniques for measuring the efficiency of VTR and its contributions to an increase in utility and economic effectiveness have not as yet been satisfactorily developed. This is the case because VTR is a factor, in varying degrees of intensity, in all aspects of public activities, in both the inputs and outputs of production processes, and is an element in the changing conditions of production processes, etc.[1]

In this article, I will present one of the possible techniques for the statistical quantification of VTR and its contributions to increased utility and economic effectiveness in agricultural sector applications. Here one is dealing with a sector[2] where, in addition to the usual VTR issues, the problem is complicated by the biological nature of production and the fact that the effectiveness of VTR is also influenced by natural conditions.[3] Simultaneously, I will call attention in this article to several pressing tasks for VTR in relation to future stages and will point out several additional approaches to an analysis of contemporary VTR tasks.

## 1. Methodology, System of Indicators and Analytical Approach

Our methodology stems from the fundamental goals and tasks of this sector, which primarily reflect a growing level of satisfaction of social needs (in both a quantitative and qualitative sense), changing labor productivity (thus creating leeway for a further reduction of the work force, under conditions of increasing production volume), and the requirement for increasing economic efficiency, as manifested in declining per unit labor and capital inputs and reduction in labor value added as a component of the value of production for a given year.

A population increase, structural changes in nutrition patterns, and efforts to increase self-sufficiency in agricultural raw materials for foodstuff production and in foodstuffs themselves, given limitations on use of the soil fund, have all posed, during recent development and will continue to pose for

agriculture the task of increasing the yields of all crops and the usability of all livestock, i.e., to increase the utility of every hectare of agricultural land at the socially necessary rate.[4]

So that it will be possible at the same time to satisfy the growing demands of society in other areas (in conjunction with the implementation of the basic economic law of socialism), agriculture has been and continues to be faced with the no less significant requirement that this increase of production at the socially desirable rate, structure and quality be achieved without increasing the work force (and ideally while reducing the work force). This means that the desired increase in production has to be fully covered by increasing labor productivity, and that each production increase has to be achieved with the lowest possible amount of bound labor per unit of production. In other words, increased productivity of all labor must create leeway for an increase in food consumption, especially in the qualitative sense. This means assuring efficient agricultural development.

The fulfillment of these tasks has placed, and continues to place ever greater demands on VTR. Moreover, changing domestic and foreign conditions increase the demands on VTR performance and make it imperative that VTR be implemented in production and labor processes as intensively and on as wide a scale as possible. The impact of individual influences on achieved production volume has varied in specific time periods and this variability will continue to accompany future development. In order that the increase in utility and economic effectiveness be as widespread and as permanent as possible, it is not sufficient to create conditions only in certain of the above areas, but to create them in mutual harmony and on the broadest possible scale. This concept implies, for example, that increasing the biological capacities of crops and livestock will not be adequate in and of itself; it must be accompanied by a change in conditions, and ideally by the adaptation of conditions to the characteristics of crops and livestock, but in the requisite, broadest possible application to agricultural practice. Likewise, it is not solely a matter of assuring the required increase in per hectare yields, but also of assuring the introduction of technology which will make it possible to harvest the crops with minimal losses, etc.

The mutual interrelationships of the factors crucial for increasing the utility of each hectare of agricultural land and the economic efficiency of agriculture led to the choice of a methodology which reflects these interrelationships and makes it possible to consider changes in utility and economic efficiency as outcomes of the contributions of research, outcomes achieved by our own research base and within the framework of the international division of labor and cooperation. This concerns primarily biological, technicobiological, and organizational research results and, generally, research whose results are implemented either by the producers of capital equipment for agriculture or by the users of this capital equipment (i.e., in agriculture itself), and the results of research oriented to specific problems of agriculture, etc. This increased utility and effectiveness may also be considered as a consequence of the application of research results under the broadest possible practical conditions and as a consequence of changes in the mastery of research results by all participants in the labor process. The above methodology quantifies

the efficiency and contribution of VTR at the stage "when science becomes a productive force." This definition does not imply that this methodology does not reflect broader and more general preconditions, which include, among the most important, the development of production relationships, social conditions, political conditions, the level of international and interbranch, division of labor, and the like.

The above initial considerations form the basis for the actual methodological approach. The objective is to quantify the dynamic of VTR effectiveness on increased utility in agriculture during specific time periods, as well as the change in the aggregate contribution of VTR in the form of production increases, changes in the structure of production, increased labor productivity, savings of all kinds of public labor and public labor costs in agriculture, given changing internal and external conditions (barriers to potential production increases, barriers to the necessary increase of certain factors of production--labor force, capital investment, etc., including changes in obtaining them). Further objectives include pointing out the changeability of those sectors with the most intensive influence of VTR, the influence of changing conditions on the economic effectiveness of VTR, and identifying those sectors where it will be essential to focus VTR efforts to achieve established goals in upcoming periods, etc.

The dynamic of VTR effectiveness may be quantified for specific years or periods,[5] either in relationship to a base period or to an average for the entire period being analyzed. This makes it possible to identify trends in VTR effectiveness in specific time periods (accelerating or decreasing). A change in VTR effectiveness has the result, among others, that a similarly demanding objective in a future period is achieved, in the event of positive changes, over a shorter time period than in the preceding period, or vice versa if VTR effectiveness has declined.

The methodology described above will be applied to the 1951-1980 time period and to its individual periods, even though 15, 10, or even 5 years could be considered an adequate base period for comparison, as well as to the period of the Seventh Five-Year Plan.[6]

The actual analytical technique seeks, within the framework of the methodological approach defined above, a quantitative expression of VTR contributions in the form of production increases, labor productivity increases, labor force and public labor savings. The comparison is conducted both in relationship to the average level for the period being analyzed and in relation to average trends (actual, planned, desired) for this same period. The analytical technique, moreover, will proceed to calculate VTR contributions over specific time periods in terms of the number of years saved (calculated as the difference between the normal period and the average, planned, or desirable trend). This approach may be applied in wider connections such as in planning or projecting activities. it makes it possible to evaluate the ways in which VTR may contribute, in specific sectors, to a reduction in the time necessary to achieve assigned objectives. The quantification of VTR contributions in the above areas is conducted both in natural units (where actual data sources are available), in valued-natural units, i.e., constant prices and, furthermore, in current prices which represent the actual conditions for a given sector.

VTR contributions expressed as natural units, valued-natural units and in current prices differ. This difference reflects both improving or worsening conditions for the sector in question (such as price changes resulting from changes in prices of imports) and increasing or declining state assistance to a given sector, etc.

A comparison of the dynamic of VTR efficiency expressed in natural units, valued-natural units and in current prices makes it further possible to analyze the leeway created by the change in natural VTR effectiveness for an increase in compensation for work, or for price measures in the area of inputs, without unfavorable consequences for the economy of the sector, etc. VTR efficiency and its contribution is quantified through use of available statistical indicators.

In this article, the description of agricultural production results are based on indicators of gross agricultural, gross livestock, and gross plant production expressed in constant prices, because these figures are accessible at all levels of management, and these same figures recalculated on a per hectare, per capita and per employee basis. The authors are aware that these indicators do not reflect adequately one of the results of VTR (which, without a doubt, is the level of satisfaction of social needs in the area of nutrition), or the changing role of international exchange (imports) in assuring the nutritional needs of the population, or the production requirements of agricultural enterprises (e.g., fodder imports). To get an idea of the contribution of VTR in the area of the satisfaction of needs, one may use the volume of food consumed on the basis of domestic raw materials indicator, expressed in nutritional units. At the workplace of the authors, this indicator has been approved for further use at the central level and a comparison conducted with other indicators which have been used previously. The results showed that to satisfy the same quantitative requirements, albeit in a qualitatively different structure (e.g., with greater representation of animal protein) an ever-greater volume of HZP [Gross Agricultural Product] is necessary (the difficulty and complexity of this quantification is beyond the scope of this article and is not included in any of the working quantifications of this article). The dynamic of labor productivity is characterized in this article by use of the indicator of gross agricultural production per worker active in agriculture, while the dynamic of economic efficiency is evaluated by using either the indicator of HZP per volume of factors of production (labor force and capital stock) or the indicator of volume of embodied and capitalized labor (which includes the yearly volume of wages and bonuses for work in a given year and consumed and depreciated production assets), expressed both in constant and in current prices and related to the volume of agricultural production.

## 2. Quantification Results and Their Interpretation

Table 1 shows how intensively VTR has contributed to production increases and under what conditions this task has been fulfilled. Over 30 years of development, the average increase in gross agricultural production volume per capita amounted to 0.94 percent. In only 11 years there were declines. The average trend, expressed as an annual average increase for the entire period being analyzed, was exceeded in three 5-year plans. The largest increases

Table 1. Development of Per Capita Gross Agricultural Production Volume and Factor of Production[4] Volume in Agriculture; Development of Number of Employees and Labor Productivity in Agriculture

| (1) Průměr let | Hrubá zemědělská produkce v Kčs st. c. 1980 na 1 obyvatele (2) | | | (6) Objem pracovních sil a výrobních prostředků[3] | (7) Objem živé a zhmotnělé práce[3] | (9) Počet trvale činných pracovníků v tis. | (10) Objem HZP na 1 trvale činného prac. v tis. Kčs |
|---|---|---|---|---|---|---|---|
| | (3) v Kčs | (4) Přírůstek proti předcházející pětiletce v Kčs | (5) Výše přírůstku odpovídá počtu let[1] | (8) v Kčs st. c. na 1 obyvatele | | | |
| 1951–55 | 4 762 | - | - | 71 654 | 7 388 | 1 758 | 34 |
| 1956–60 | 5 043 | +281 | 3,9 | 63 255 | 6 745 | 1 573 | 42 |
| 1961–65 | 4 932 | 111 | 6,5 | 53 692 | 6 271 | 1 247 | 55 |
| 1966–70 | 5 673 | +741 | 10,2 | 53 720 | 6 582 | 1 149 | 70 |
| 1971–75 | 6 318 | +645 | 8,9 | 54 086 | 7 152 | 1 006 | 89 |
| 1976–80 | 6 569 | +251 | 3,5 | 55 357 | 7 591 | 906 | 104 |
| 1951–80 | 5 550 | × | 5,0 | 58 627 | 6 948 | 1 272 | 65 |
| 1981–85[2] | 6 931 | +362 | 5,0 | 57 207 | 7 877 | 849 | 129 |

Notes: 1. From average annual increase for entire period being analyzed.

2. Calculation of the author

3. The constant prices for labor force and capital asset volume and for labor value added and capitalized labor volume are understood to be (in subsequent tables as well) constant 1977 prices for capital assets and capitalized labor; as constant 1976 prices for labor force and labor value added. Labor force volume is a calculated quantity based on number of employees, average annual compensation and projected future operating time. Labor value added volume includes the volume of wages and work bonuses.

4. On the quantitative side of the production process, this concerns the labor force and capital stock (factors participating in the work process; on the qualitative side of the production process, this concerns labor value added and capitalized labor (labor expended, consumed and depreciated capital assets) in a given year. These are the factors entering into the value of production.

Key:

(1) Yearly average

(2) Gross per capita agricultural production in constant 1980 koruna prices

(3) in korunas

(4) koruna increase over previous 5-year period

(5) Number of years at average annual increase to equal amount of increase[1]

(6) Volume of labor force and capital assets[3]

(7) Volume of labor value added and capitalized labor[3]

(8) In constant price korunas per capita

(9) Number of permanently active workers (in thousands)

(10) Volume of HZP per permanently active worker.

were achieved in the 1966-1970 and 1971-1975 5-year plans. During the Sixth Five-Year Plan the amount of this increase was under the magnitude of the average increase for the entire period being analyzed. This came about due to a slowing down in the growth rate of production combined with a speeding up of the population growth rate. The contribution of VTR, expressed as a production increase, therefore declined gradually.

The growth in agricultural production established by the guidelines of the 16th CPCZ congress will assure the coverage of increasing consumption by a larger population, an increased degree of self-sufficiency, and create the conditions for qualitative structural changes in nutrition. For the Seventh Five-Year Plan, an increase in per capita production has been projected which is greater than that achieved in the Sixth Five-Year Plan and greater than the average annual increase recorded for the entire period being analyzed.

Other parts of Table 1 indicate that an increase in per capita production was achieved with a decreasing per capita volume of factors of production, especially during the first four 5-year plans. This also occurred in conjunction with the restructuring of small-scale agricultural production to socialist mass-production agriculture, and was accompanied by the intensive application of VTR in agricultural practice. In the last two 5-year plans, the per capita volume of factors of production has shown a rising trend related to the implementation of structural changes in nutrition patterns and ongoing changes in the structure of factors of production (a further increase in the qualitative aspects of the work force--increased qualifications, an improved age structure of the work force, etc.), and this trend will continue into the Seventh Five-Year Plan. Since increased production volume has been achieved given declining numbers of agricultural workers, this means that the entire increase in production has been assured by labor productivity increases.

An aggregate view of the dynamic of VTR effectiveness and its contribution to economic efficiency in specific time periods is provided by Table 2 and Graph 1.

From part a) of Table 2 it follows that it took 15 years to exceed the average level of the 1951-1980 period. The change in VTR effectiveness was greatest in the 1961-1965 and the 1966-1970 5-year plans; there was a decline in the efficiency dynamic during the 1971-1975 period, and during the Sixth Five-Year Plan this dynamic lagged substantially behind the average for the entire period under analysis (1951-1980). The objective for the 1981-1985 period assumes a lower increase in VTR than the annual average for the 1951-1980 period. Changes in VTR efficiency in specific time periods brought the greatest labor savings during the stage of the restructuring of small-scale agricultural production to socialist mass production (the greatest contribution was achieved in the 1956-1960, 1961-1965 and 1966-1970 5-year plans and the lowest during the 1976-1980 plan).

Changes in VTR efficiency in specific 5-year plans (a calculation always made during the subsequent 5-year plan, assuming an efficiency of production factors at the level of the preceding 5-year plan and a projection of production increses) have become evident through savings in labor force and capital asset volume for an achieved production volume expressed in constant prices. This was most evident in the 1961-1965 period (in the amount of Kcs 113 billion), and in the

Table 2. Efficiency Dynamic of VTR in Specific Time Periods and VTR Contributions to Czechoslovak Agricultural Efficiency

Part a) Natural Efficiency

| (1) Průměr let | Hrubá zemědělská produkce ve st. c. 1980 na 1 000 Kčs VČ (pracovních sil a výrobních prostředků) (2) | | | Změna objemu VČ (pracovních sil a výrobních prostředků) v jednotlivých pětiletkách dosažená změnou VTR[2]) v mld Kčs st. c. (7) |
|---|---|---|---|---|
| | (3) v Kčs | Rozdíl proti (4) předcházející pětiletce v Kčs | Výše přírůstků (6) v jednotlivých pětiletkách odpovídá počtu let[1]) | |
| | stálých cen (5) | | | |
| 1951–55 | 66,5 | . | . | . |
| 1956–60 | 79,8 | +13,3 | 4 | +170,7 |
| 1961–65 | 91,8 | +12,0 | 5,7 | +113,2 |
| 1966–70 | 105,6 | +13,8 | 7 | +115,4 |
| 1971–75 | 116,8 | +11,2 | 3 | + 83,8 |
| 1976–80 | 118,7 | + 1,9 | 0,9 | + 13,2 |
| 1951–80 | 96,8 | × | 5,0 | × |
| 1981–85[1]) | 121,2 | + 2,5 | 1,2 | + 18,8 |
| | (živé a zhmotnělé práce) stálých cen (8) | | | (živé a zhmotnělé práce) (9) |
| 1951–55 | 680,3 | . | . | . |
| 1956–60 | 749,5 | +69,2 | 9,4 | +9,1 |
| 1961–65 | 791,8 | +42,1 | 5,7 | +5,1 |
| 1966–70 | 861,8 | +70,2 | 9,4 | +8,5 |
| 1971–75 | 883,2 | +21,4 | 2,9 | +2,7 |
| 1976–80 | 865,7 | −17,5 | 7,4 | −2,3 |
| 1951–80 | 811,4 | × | 5,0 | × |
| 1981–85[1]) | 879,8 | +14,1 | 1,9 | +2,1 |

Key:
(1) Yearly average
(2) gross agricultural production in constant 1980 prices per Kcs 1,000 of factors of production (labor force and capital assets)
(3) in korunas
(4) koruna difference compared to previous 5-year plan
(5) constant prices
(6) number of years corresponding to increase in given 5-year plan
(7) change in volume of factors of production (labor force and capital assets) in specific 5-year plan achieved by change in VTR,[2] in billions of constant price korunas
(8) labor value added and capitalized labor, constant prices
(9) labor value added and capitalized labor

Part b) Efficiency Under Actual Economic Conditions

| | Hrubá zemědělská produkce ve st. c. na 1 000 Kčs VČ (pracovních sil a výrobních prostředků) (1) | | | Změna v objemu VČ (pracovních sil a výrobních prostředků) v jednotlivých pětiletkách dosažená změnou účinnosti VTR[2]) v mld Kčs běžných cen (6) |
|---|---|---|---|---|
| | v Kčs (2) | Rozdíl proti předcházející pětiletce v Kčs (3) | Výše přírůstku v jednotlivých pětiletkách odpovídá počtu let[1]) (5) | |
| | běžných cen (4) | | | |
| 1951—55 | 245,1 | . | . | . |
| 1956—60 | 196,8 | —48,3 | 9,7 | — 63,3 |
| 1961—65 | 182,4 | —14,4 | 2,9 | — 29,6 |
| 1966—70 | 147,7 | —34,7 | 6,9 | —105,5 |
| 1971—75 | 131,6 | —16,1 | 3,2 | — 75,2 |
| 1976—80 | 120,0 | —11,6 | 2,3 | — 58,5 |
| 1951—80 | 170,9 | X | 5,0 | X |
| 1981—85 | . | . | . | . |

| | (živé a zhmotnělé práce) (7) | | | (živé a zhmotnělé práce) (8) |
|---|---|---|---|---|
| 1951—55 | 1 887 | . | . | . |
| 1956—60 | 1 455 | —432 | 10,9 | — 10,1 |
| 1961—65 | 1 263 | —192 | 4,8 | — 7,4 |
| 1966—70 | 1 000 | —263 | 6,6 | — 11,9 |
| 1971—75 | 945 | — 55 | 1,4 | — 11,2 |
| 1976—80 | 892 | — 53 | 1,3 | — 6,1 |
| 1951—80 | 1 240 | X | 5,0 | X |
| 1981—85 | . | . | . | . |

Notes: 1. Based on the annual average for the entire period being analzyed.
2. For calculations in specific 5-year plans, efficiency is always considered to be at the level of the preceding 5-year plan.
3. Calculation of the author

Key:
(1) gross agricultural production in constant prices per Kcs 1,000 of factors of produciton (labor force and capital assets)
(2) in korunas
(3) difference compared to preceding 5-year plan (korunas)
(4) current prices
(5) number of years corresponding to increase in given 5-year plan[1]
(6) change in production factor volume (labor force and capital assets) in individual 5-year plans achieved by change in VTR[2] efficiency, in billions of current price korunas
(7) labor value added and capitalized labor
(8) labor value added and capitalized labor

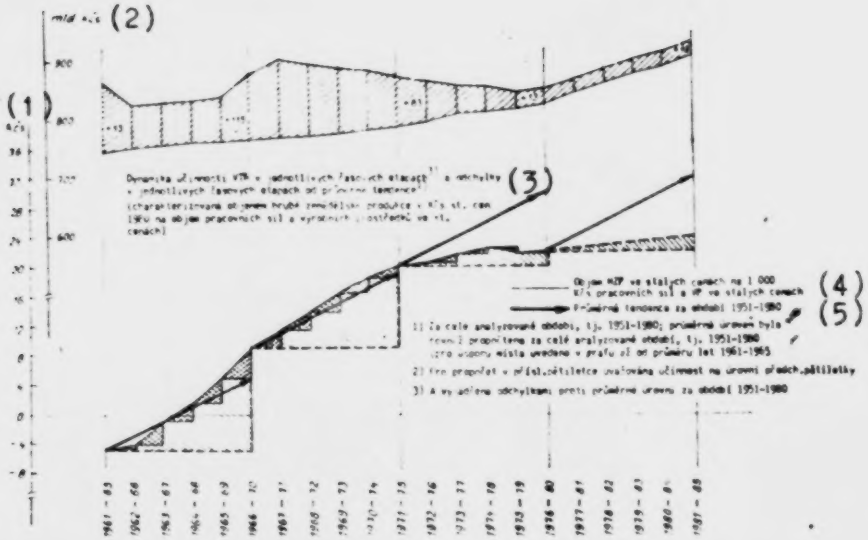


Graph 1. Absolute Contributions of VTR in Specific Time Periods (Expressed as Savings of Labor Force and Capital Asset Volume in Constant Prices) Caused by Change in Production Factor Efficiency[2]

Key:
(1) korunas
(2) billions of korunas
(3) dynamic of VTR efficiency in specific time periods[3] and (expressed deviations from the average in specific time periods.[1] (expressed as volume of gross agricultural production in constant 1980 koruna prices per labor force and capital asset volume in constant prices).
(4) HZP volume in constant prices per Kcs 1,000 of labor force and capital assets in constant prices.
(5) average for period 1951-1980

Notes:
1. For the entire period under analysis, i.e., 1951-1980; the average level was likewise calculated for the entire period under analysis, i.e., 1951-1980. In order to save space, graph shows only results beginning with 1961-1965 period.
2. For calculations in specific 5-year plans, efficiency is considered to be at the level of the previous 5-year plan.
3. Expressed as deviations compared with the average level for 1951-1980 period.

1966-1970 period (in the amount of Kcs 115 billion). Labor force and capital asset savings amounted to Kcs 84 billion in the 1971-1975 5-year plan, and only Kcs 13 billion in the Sixth 5-Year Plan. For the 1981-1985 plan, savings in labor force and capital asset volume are projected to be Kcs 19 billion. The achieved savings in production factors have resulted from the intensive substitution of capital for labor and of changes in the efficiency of those factors of production fostering intensification.

Part a) of Table 2 indicates that the average level for 1951-1980 was exceeded only in 1960; that the greatest change in efficiency occurred in the 1961-1965 5-year plan; that VTR efficiency slowed down during the 1966-1970 and 1971-1975 periods; and that in the Sixth Five-Year Plan it even declined. The target for the Seventh Five-Year Plan assumes a change in the trend of the Sixth Five-Year Plan, but projects a lesser increase in efficiency than was achieved in preceding periods.

A change in VTR efficiency in specific 5-year plans (a calculation always performed during the succeeding 5-year plan assuming an efficiency of the production factors at the level of the preceding 5-year plan and a project of production increases) was manifested by a saving of labor value added and capitalized labor in the 1956-1960 period in the amount of Kcs 9.1 billion, in 1961-1965 in the amount of Kcs 5.1 billion, in 1966-1970 in the amount of Kcs 8.5 billion, in the 1971-1975 5-year plan in the amount of Kcs 2.7 billion. In the Sixth Five-Year Plan there was a decrease. The objective for the Seventh Five-Year Plan assumes a change in the efficiency of labor value added and capitalized labor and a contribution of Kcs 2.1 billion to overall efficiency.

Part b) of Table 2 presents different trends from the trends of natural efficiency described above. It primarily reflects, moreover, the changing participation of the state in the development of agricultural production, the changing internal and external conditions for the assurance of capital assets for agriculture, a change in the social costs of providing capital assets to agriculture, an increase in wages and bonuses for agricultural work, etc. From a comparison of the data in parts a) and b) of Table 2, it is furthermore clear that the dynamic of natural VTR efficiency created, in all time periods with the exception of the Sixth Five-Year Plan, leeway for wage measures, price measures, and the like, in other words, that VTR proceeded without unfavorable influences on the economics of the sector or cost increases.

To evaluate which areas are subject to the greatest and the least influence of VTR in efforts to increase the utility of agriculture, it is necessary gradually to subject to analysis individual sectors of agricultural production. A simple comparison of the results achieved in agricultural production as a whole with that of plant and of livestock production point to certain differences. The same is true from the point of view of the long-term tasks in these two sectors (Table 3).

The main objective for 1981-1985 is to increase substantially the volume of plant production with the objectives of increasing self-sufficiency in plant products and creating the conditions for the further development of livestock

Table 3. Development of Volume of Agricultural Production in Millions of Korunas at Standard 1980 Prices

| (1) Průměr let | Objem zemědělské produkce (2) | | | Přírůstek objemu produkce proti předch. období (7) | | | Výše přírůstku odpovídá počtu let[1] (12) | | |
|---|---|---|---|---|---|---|---|---|---|
| | (3) celkem | v tom (4) rostl. (5) | živoč. (6) | (8) celkem | v tom (9) rostl. (10) | živoč. (11) | (13) HZP | v tom (14) rostl. (15) | živoč. (16) |
| | mil Kčs st. c. 1980 (17) | | | | | | | | |
| 1961–65 | 68 859 | 32 574 | 36 285 | + 1 203 | –1 337 | +2 540 | 0,7 | 8,5 | 2,0 |
| 1966–70 | 81 307 | 37 820 | 43 487 | +12 448 | +5 246 | +7 202 | 8,1 | 13,8 | 6,3 |
| 1971–75 | 92 143 | 39 959 | 52 184 | +10 836 | +2 139 | +8 697 | 7,1 | 5,6 | 7,5 |
| 1976–80 | 99 403 | 41 792 | 57 611 | + 7 260 | +1 833 | +5 427 | 4,7 | 4,8 | 4,7 |
| Směrnice[2] XVI. sjezdu KSČ (18) | | | | | | | | | |
| 1981–85 | 109 343 | 47 643 – 48 479 | 61 700 – 60 864 | + 9 940 | +5 851 – +6 687 | +4 089 – +3 253 | 6,5 | 15,4 – 17,6 | 3,8 – 2,8 |
| Index úkolů Směrnice v % Ø 1976–1980 (19) | | | | | | | | | |
| | 110 | 114 – 116 | 107,1 – 105,6 | | | | | | |

Notes:
1. From the average for the entire period under analysis
2. Expressed at 1980 price levels

Key:
(1) yearly average
(2) volume of agricultural production
(3) total
(4) composed of
(5) plant
(6) livestock
(7) increase in production volume compared to previous period
(8) total
(9) composed of
(10) plant
(11) livestock
(12) number of years at average increase corresponding to amount of increase[1]
(13) HZP
(14) composed of
(15) plant
(16) livestock
(17) millions of korunas at constant 1980 prices
(18) 16th CPCZ congress guidelines[2] for 1981-1985
(19) index of guidelines tasks in percentages of 1976-1980

production on the basis of domestic fodder sources. This implies stopping the growing disproportion between plant and livestock production (Table 4). Efforts are to be concentrated on critical areas of plant production (Table 5).

From Table 5 it follows that differing magnitudes of increases in per hectare yields for individual crops were the primary factor working against the trend of more rapid increases in the volume of plant production. Extensive structural changes in sown land (an expansion of land sown with crops producing lower levels of nutrients per hectare at the expense of land sown with crops with higher levels of nutrient production per hectare) have also exerted a negative effect, as have a decrease in crop land and production resulting from lower allocations of agricultural land.

Table 4. Development of Volume of Gross Plant Production in Korunas at 1980 Standard Prices per Kcs 1,000 Gross Livestock Production at 1980 Standard Koruna Prices

| (1) Průměr let | (2) Objem hrubé rostlinné produkce v Kčs na 1 000 Kčs hrubé živočišné produkce | (3) Přírůstek objemu hrubé rostlinné produkce v Kčs na přírůstek 1 000 Kčs hrubé živočišné produkce | (4) Rozdíl v objemu hrubé rostlinné produkce proti objemu hrubé živočišné produkce v mil. Kčs | (5) Rozdíl v přírůstku objemu hrubé rostlinné produkce na přírůstek hrubé živočišné produkce v mil. Kčs |
|---|---|---|---|---|
| 1961–65 | 897,7 | | – 3 711 | –3 877 |
| 1966–70 | 869,7 | 728,4 | – 5 667 | –1 956 |
| 1971–75 | 765,7 | 245,9 | –12 225 | –6 558 |
| 1976–80 | 725,4 | 237,8 | –15 819 | –3 594 |
| Směrnice XVI. sjezdu KSČ (6) | | | | |
| 1981–85 | 772,2 – 796,5 | 1 430,9 – 2 055,6 | –14 057 – –12 385 | +1 762 – +3 434 |

Key:
(1) yearly average
(2) volume of gross plant production in korunas per Kcs 1,000 of gross livestock production
(3) increase in volume of gross plant production in Kcs per increase in Kcs 1,000 of gross livestock production
(4) difference in volume of gross plant production compared to volume of gross livestock production, in millions of korunas
(5) difference in increase in volume of gross plant production per increase in gross livestock production, in millions of korunas
(6) 16th CPCZ congress guidelines

Table 5. Plant Production Tasks for 1981-1985 With View to Long Range Trends (in millions of korunas at standard 1980 prices)

| (1) Průměr let | (2) Objem hrubé rostlinné produkce v mil. Kčs | | (5) Rozdíl (vliv změny struktury a ploch) | (6) v tom vliv | | (9) Skutečný přírůstek objemu hrubé rostlinné produkce | (10) Přírůstek v důsledku změny intenzity |
|---|---|---|---|---|---|---|---|
| | (3) skut. | (4) Při plochách plodin jako v předch. 5letém období | | (7) ploch | (8) struktury | | |
| a | 1 | 2 | 3=(1–2) | 4 | 5 | 6 | 7=(6+3) |
| 1961–65 | 32 574 | 32 574 | × | × | × | +1 337 | |
| 1966–70 | 37 820 | 39 789 | – 1 969 | –546 | –1 423 | +5 246 | +7 215 |
| 1971–75 | 39 959 | 40 697 | – 738 | –416 | – 322 | +2 139 | +2 877 |
| 1976–80 | 41 792 | 43 237 | – 1 445 | –714 | – 731 | +1 833 | +3 278 |
| Směrnice XVI. sjezdu KSČ (11) | | | | | | | |
| 1981–85 | 47 643 – 48 479 | | +1 635 – + 971 | –687 – –675 | +2 322 – +1 646 | +6 687 – +5 851 | +5 052 – +4 880 |

Key:
(1) yearly average
(2) volume of gross plant production in millions of korunas
(3) actual
(4) with crops planted on same land as in previous 5-year plan

[key continued next page]

[Continued Key to Table 5]

(5) difference (influence of changes in structure and land use)
(6) composed of the influences of
(7) land use
(8) structure
(9) actual increase in volume of gross plant production
(10) increase as result of changes in intensity
(11) 16th CPCZ congress guidelines

The task specifically assigned to individual sectors of plant production of increasing the harvest in the years of the Seventh Five-Year Plan compared to the 1976-1980 period, represents an average increase in production volume for the crops affected of 11.7 to 12.1 percent. Grain harvests are to increase 9 percent annually, those of bulk fodder by 13-14 percent, of root crops by 50 percent, of sugar beets by 12-15 percent, and of hops by 20 percent. In order to meet the target for the overall volume of plant production, it would be necessary to increase the volume of production of the remaining crops by an average of 17.3 to 21.5 percent. This implies two concurrent conclusions related to VTR. The first conclusion is that VTR must be concentrated on increasing the per hectare yields of all agricultural crops, even of those which in terms of area sown are less significant. The second and concurrent conclusion is that the assurance of these tasks also requires an intensification of the structure of plant production, in the specific sense proposed at the Fourth Plenum of the CPCZ Central Committee, namely, the replacement of the extensive development of plant production with intensive development.

An analysis of per hectare yields over the past 20 years for all crops shows an increase in per hectare yields for a number of crops of a magnitude which ranks the CSSR first in Europe and worldwide as well (Graph 2). On the other hand, an analysis of the role played by specific crops in the dynamic of plant production in the past 20 years indicates that for a number of crops the absolute and the relative increase in per hectare yields lagged behind the magnitude of the average increase in the volume of plant production per hectare. The hectare yields of certain crops even showed a decreasing trend. (Table 6) Moreover, a space analysis of per hectare yield increases for selected crops shows a substantial differentiation in the magnitude of increases in per hectare yields (Table 7). Based on these long-term trends, a view of the tasks of the current period points, on the one hand, to the difficulty of these tasks but also, as tables 6 and 7 indicate, to significant underutilized capacity for a number of crops (declining or stagnating increases in per hectare yields, great differentiation in the achieved increases of per hectare yields within the spatial structure of the same crop, as well as to the possibility for and the necessity of contributing to an increase in plant production by means of structural changes). Calculations indicate that between 1981 and 1985 it will be necessary to achieve a level of participation of structural changes in increases in the volume of gross plant production on the order of 28.1-34.7 percent. These include the gradual phasing out of certain crops which provide greater per hectare nutrient production and their replacement with crops with lower per hectare production levels, and using what has often in the past been a transitional solution, such as cutting back on the working of high ground due to the great difficulties involved in raising the relevant crops.

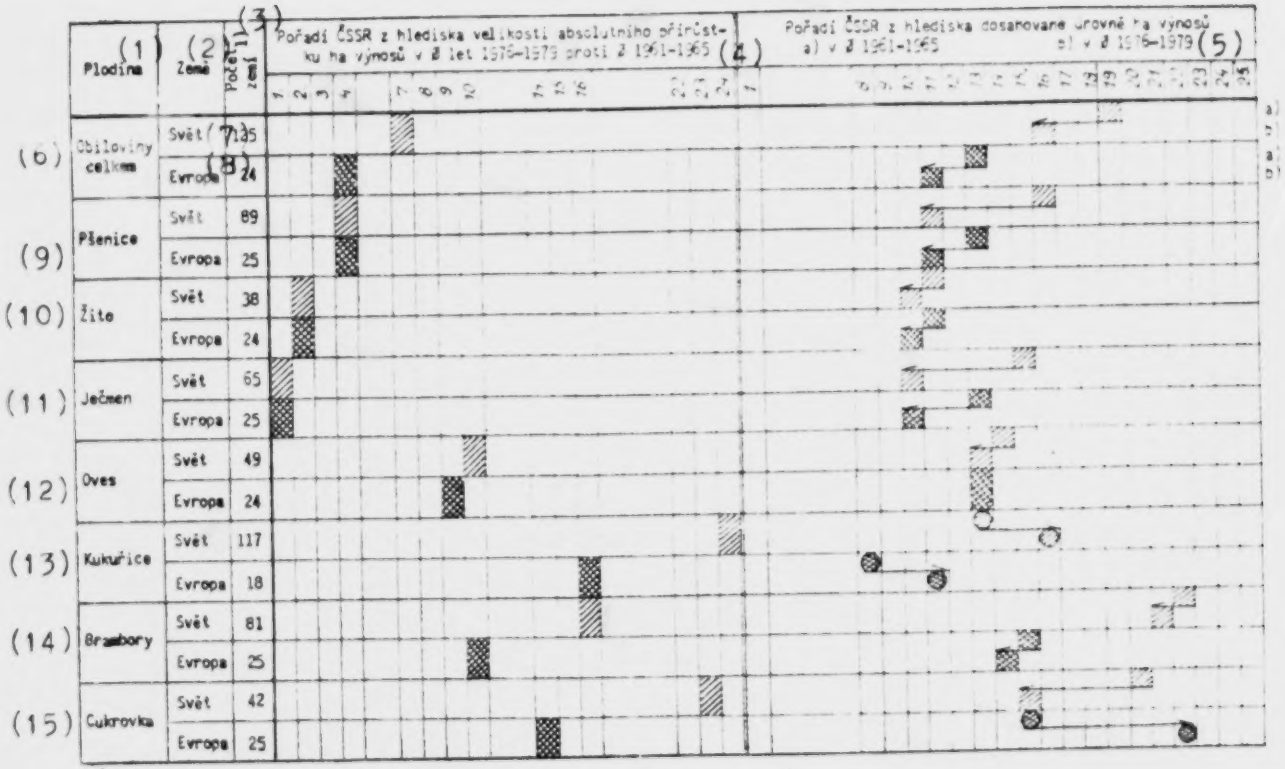


1) Pěstujících příslušnou plodinu

Graph 2. Comparison of Level and Dynamic of Hectare Yields in CSSR With Countries of the World and of Europe

Key:

(1) crop
(2) country
(3) number of countries[1]
(4) rank of CSSR in terms of magnitude of absolute increase of per hectare yields in 1976-1979 compared with 1961-1965
(5) Rank of CSSR in terms of per hectare yield levels; a) 1961-1965 b) 1976-1979

(6) Grains overall
(7) world
(8) Europe
(9) wheat
(10) rye
(11) barley
(12) oats
(13) corn
(14) potatoes
(15) sugar beets

Notes: 1. countries growing each crop

Table 6. Overview of Role of Specific Crops in Plant Production Increases (1976-1980 in comparison with 1961-1965 average)

Crops for which the absolute increase in production per hectare, in constant 1967 prices, for the 1976-1980 period was higher than the increase in gross plant production per hectare of agricultural land in 1976-1980 period, in constant 1967 prices, and compared with the 1961-1965 average.

| Crop rank in terms of magnitude of increase | Crop | Hectare area harvested, 1976-80 |
|---|---|---|
| 1. | grapes | 34,340 |
| 2. | hops | 10,823 |
| 3. | potatoes (not including early) | 204,452 |
| 4. | sown peas | 15,484 |
| 5. | winter rape and rape | 71,579 |
| 6. | hemp stalks | 1,668 |
| 7. | tobacco | 3,495 |
| 8. | winter wheat | 1,158,220 |
| 9. | grain corn | 160,790 |
| 10. | winter barley | 31,902 |
| 11. | spring barley | 875,874 |
| 12. | spring wheat | 63,194 |
| 13. | mustard | 3,938 |
| Harvested area for crops 1-13 | | 2,635,759 |
| Harvested area for crops 1-13 as percentage of total area harvested | | 42.4 |
| Per hectare production of crops 1-13 in korunas, constant 1967 prices | | 7,609 |

Crops for which the relative increase in per hectare production (expressed in natural units) for the 1976-1980 period was greater than the relative per hectare increase in gross plant production in constant 1967 prices, compared with the 1961-1965 average.

| Crop rank in terms of magnitude of increase | Crop | Hectare area harvested, 1976-80 |
|---|---|---|
| 1. | grapes | 34,340 |
| 16. | potatoes | 204,452 |
| 17. | sown peas | 15,484 |
| 10. | winter rape and rape | 71,579 |
| 5. | winter wheat | 1,158,220 |
| 3. | grain corn | 160,790 |
| 2. | winter barley | 31,902 |
| 7. | spring barley | 875,874 |
| 14. | spring wheat | 63,194 |
| 4. | mustard | 3,938 |
| 6. | occasional meadow cuttings | 138,385 |
| 8. | double-edged red clover | 179,641 |
| 9. | oats, including oat and barley mixtures | 142,947 |
| 11. | lentils | 1,363 |
| 12. | corn and its mixtures for vegetables and silage | 483,899 |
| 13. | winter and spring rye | 184,803 |
| 15. | alfalfa | 206,728 |
| Harvested area for crops 1-17 | | 3,957,539 |
| Harvested area for crops 1-17 as percentage of total area harvested | | 63.6 |
| Per hectare production of crops 1-17 in korunas, constant 1967 prices | | 5,870 |

Crops for which the absolute increase in per hectare production, in constant 1967 prices, for the 1976-1980 period was lower than the increase in gross plant production per hectare of agricultural land for the 1976-1980 period, expressed in constant 1967 prices and compared to the 1961-1965 average.

| Crop rank in terms of magnitude of increase | Crop | Hectare area harvested, 1967-80 |
|---|---|---|
| 14. | oats, including oat and barley mixture | 142,947 |
| 19. | sugar beets | 213,342 |
| 16. | winter and spring rye | 184,803 |
| 27. | sunflowers to ripen | 12,359 |
| 29. | early potatoes | 15,956 |
| 18. | fodder beets and turnips | 18,593 |
| 32. | edible beans | 3,410 |
| 21. | double-edged red clover | 179,641 |
| 33. | chicory | 1,250 |
| 15. | alfalfa | 206,728 |
| 6. | occasional meadow cuttings | 138,385 |
| 18. | clover and alfalfa hay | 163,317 |
| 20. | other fodder root crops | 354 |
| 12. | corn and its mixtures for vegetables and silage | 483,899 |

Crops for which the relative increase in production per hectare (expressed in natural units) for the 1976-1980 period was less than the relative per hectare increase in gross plant production in constant 1967 prices, compared with the 1961-1985 average.

| Crop rank in terms of magnitude of increase | Crop | Hectare area harvested, 1976-80 |
|---|---|---|
| 29. | sugar beet | 213,342 |
| 26. | sunflowers to ripen | 12,359 |
| 30. | early potatoes | 15,956 |
| 23. | fodder beets and turnips | 18,593 |
| 32. | edible beans | 3,410 |
| 33. | chicory | 1,250 |
| 18. | clover and alfalfa hay | 163,317 |
| 20. | other fodder root crops | 354 |
| 24. | flax seed | 31,252 |
| 28. | fodder peas and beans | 12,048 |
| 21. | permanent meadows | 781,507 |
| 31. | fodder cabbage | 8,220 |
| 25. | spring legume mixtures | 167,026 |
| 19. | pastures | 759,894 |
| 35. | legumes and legume mixtures | 2,917 |
| 36. | seed beans | 41,394 |

[table continued]

[continuation of Table 5]

| Crop rank in terms of magnitude of increase | Crop | Hectare area harvested, 1967-80 | Crop rank in terms of magnitude of increase | Crop | Hectare area harvested, 1976-80 |
|---|---|---|---|---|---|
| 28. | flax seed | 31,252 | 22. | hemp stalks | 1,668 |
| 29. | fodder peas and peluska | 12,048 | 27. | hops | 10,823 |
| 30. | lentils | 1,363 | 34. | tobacco | 3,495 |
| 31. | permanent meadows | 781,507 | | | |
| 32. | fodder cabbage | 8,220 | | | |
| 33. | spring legume mixtures | 167,026 | | | |
| 34. | pastures | 759,894 | | | |
| 35. | legume mixtures | 2,617 | | | |
| 36. | seed beans | 41,894 | | | |
| Harvested area for crops 14-36 | | 3,570,805 | Harvested area for crops 18-36 | | 2,249,025 |
| Harvested area for crops 14-36 as percentage of total area harvested | | 57.1 | Harvested area for crops 18-36 as percentage of total area harvested | | 35.7 |
| Per hectare production of crops 14-36 in korunas, constant 1967 prices | | 2,419 | Per hectare production of crops 18-36 in korunas, constant 1967 prices | | 2,427 |

Crops for which there was a decrease in production per hectare, in constant 1967 prices, during the 1976-1980 period, and compared with 1961-1965 average.

| Crop ranking | Crop | Harvested area |
|---|---|---|
| 37. | flax stalks | 31,252 |
| 38. | feed legumes | 1,946 |
| 39. | poppy seed | 10,796 |
| 40. | other grains | 1,011 |
| 41. | other fodder legumes | 364 |
| 42. | hemp seed | 269 |
| Harvested area for crops 37-42 | | 45,638 |
| Harvested area for crops 37-42 as percentage of total area harvested | | 0.7 |
| Per hectare production of crops 37-42 in korunas, constant 1967 prices | | 7,239 |
| Harvested area for crops in groups I-III | | 6,252,202 |
| Per hectare production of crops in groups I-III, constant 1967 prices | | 4,643 |

Crops for which there was a decrease in production per hectare during 1976-1980 period, in comparison with 1961-1965.

| Crop ranking | Crop | Harvested area |
|---|---|---|
| 37. | flax stalks | 31,252 |
| 38. | feed legumes | 1,946 |
| 39. | poppy seed | 10,796 |
| 40. | other grains | 1,011 |
| 41. | other fodder legumes | 384 |
| 42. | hemp seed | 269 |
| Harvested area for crops 37-42 | | 45,638 |
| Harvested area for crops 37-42 as percentage of total area harvested | | 0.7 |
| Per hectare production of crops 37-42 in korunas, constant 1967 prices | | 7,239 |
| Harvested area for crops in groups I-III | | 6,252,202 |
| Per hectare production of crops in groups I-III, constant 1967 prices | | 4,643 |

Table 7. District Classification According to Initial Level of Per Hectare Wheat Yields (1961-1965 average designated as initial level)

| Území, kraj (2) | Počet okresů (3) | Hektorový výnos v q v průměru let (4) 1961–65 | 1966–70 | 1971–75 | 1976–80 | Přírůstek ha výnosů v q za období (5) 1. | 2. | 3. | 1.–3. | Index (6) 1976–80 (Ø 1961–65 = 100) |
|---|---|---|---|---|---|---|---|---|---|---|
| (7) ČSSR | 47 | 27,8 | 30,6 | 37,2 | 41,5 | +2,8 | + 6,6 | +4,3 | +13,7 | 149,3 |
| (8) ČSR | 43 | 28,1 | 30,3 | 36,4 | 40,5 | +2,2 | + 6,1 | +4,1 | +12,4 | 144,1 |
| (9) SSR | 4 | 25,3 | 34,4 | 45,7 | 51,7 | +9,1 | +11,3 | +6,0 | +26,4 | 204,3 |
| (10) Středočeský | 9 | 29,5 | 32,7 | 37,2 | 41,4 | +3,2 | + 4,5 | +4,2 | +11,9 | 140,3 |
| (11) Jihočeský | 1 | 26,7 | 25,9 | 31,2 | 33,4 | −0,8 | + 5,3 | +2,2 | + 6,7 | 125,1 |
| (12) Západočeský | 5 | 26,5 | 28,2 | 34,6 | 34,7 | +1,7 | + 6,4 | +0,1 | + 8,2 | 130,9 |
| (13) Severočeský | 2 | 27,1 | 31,5 | 34,0 | 38,4 | +4,4 | + 2,5 | +4,4 | +11,3 | 141,7 |
| (14) Východočeský | 8 | 28,4 | 29,9 | 36,3 | 40,4 | +1,5 | + 6,4 | +4,1 | +12,0 | 142,3 |
| (15) Jihomoravský | 12 | 28,2 | 30,7 | 38,3 | 43,3 | +2,5 | + 7,6 | +5,0 | +15,1 | 153,5 |
| (16) Severomoravský | 6 | 27,3 | 28,3 | 35,1 | 40,9 | +1,0 | + 6,8 | +5,8 | +13,6 | 149,8 |
| (17) Západoslovenský | 4 | 25,3 | 34,4 | 45,7 | 51,7 | +9,1 | +11,3 | +6,0 | +26,4 | 204,3 |
| (18) Středoslovenský | 0 | — | — | — | — | — | — | — | — | — |
| (19) Východoslovenský | 0 | — | — | — | — | — | — | — | — | — |
| b) Okresy s podprůměrnou výchozí úrovní ha výnosů (proti váženému průměru za ČSSR) (20) | | | | | | | | | | |
| ČSSR | 59 | 13,7 | 24,1 | 31,1 | 34,7 | +1,1 | + 7,0 | +3,6 | +15,0 | 176,1 |
| ČSR | 31 | 21,6 | 24,2 | 30,4 | 32,6 | +2,6 | + 6,2 | +2,2 | +11,0 | 150,9 |
| SSR | 28 | 18,2 | 24,8 | 31,8 | 36,8 | +6,6 | + 7,0 | +5,0 | +18,6 | 202,2 |
| Středočeský | 3 | 23,4 | 26,3 | 33,6 | 33,9 | +2,9 | + 7,3 | +0,3 | +10,5 | 144,9 |
| Jihočeský | 7 | 22,7 | 25,8 | 31,7 | 33,0 | +3,1 | + 5,9 | +1,3 | +10,3 | 145,4 |
| Západočeský | 4 | 19,1 | 22,2 | 29,7 | 31,8 | +3,1 | + 7,5 | +2,1 | +12,7 | 166,5 |
| Severočeský | 8 | 20,8 | 24,2 | 28,8 | 29,8 | +3,4 | + 4,6 | +1,0 | + 9,0 | 143,3 |
| Východočeský | 3 | 24,0 | 24,6 | 32,1 | 32,6 | +0,6 | + 7,5 | +0,5 | + 8,6 | 135,8 |
| Jihomoravský | 2 | 22,3 | 24,9 | 34,3 | 43,9 | +2,6 | + 9,4 | +9,6 | +21,6 | 196,9 |
| Severomoravský | 4 | 20,3 | 21,0 | 26,2 | 31,3 | +0,7 | + 5,2 | +5,1 | +11,0 | 154,2 |
| Západoslovenský | 7 | 23,1 | 31,2 | 42,3 | 47,4 | +8,1 | +11,1 | +5,1 | +24,3 | 183,1 |
| Středoslovenský | 12 | 17,3 | 22,9 | 30,9 | 34,9 | +5,6 | + 8,0 | +4,0 | +17,6 | 201,7 |
| Východoslovenský | 9 | 15,6 | 22,3 | 28,5 | 32,5 | +6,7 | + 4,2 | +6,0 | +16,9 | 208,3 |

Key:

(1) a) Districts with above average initial level of per hectare yields (compared with weighted average for CSSR)
(2) territory or kraj
(3) number of districts
(4) per hectare yield in quintals for given time period
(5) increase in quintal yield for period
(6) index for 1976-1980 period (1961-1965 average = 100)
(7) CSSR
(8) CSR
(9) SSR
(10) Central Bohemia
(11) South Bohemia
(12) West Bohemia
(13) North Bohemia
(14) Eastern Bohemia
(15) South Moravia
(16) North Moravia
(17) West Slovakia
(18) Central Slovakia
(19) East Slovakia
(20) b) Districts with below average initial level per hectare yields (compared with weighted average for CSSR)

For instance, it is essential gradually to change over to manual labor under conditions where there is a shortage of appropriate technology, etc. And even in these situations new and demanding requirements are placed on VTR. Another way to achieve greater increases in plant production is to orient this production within the framework of crop groupings which provide roughly similar per hectare production, to those crops which over the longer term have provided greater increases in per hectare yields.

From the point of view of a desired increase in per hectare yields, it is essential to evaluate trends in expended labor, both in relation to the total volume of plant production and in relation to individual product groups, to which we will return in some future articles.

The tasks of the Seventh Five-Year Plan in the livestock sector are not, generally speaking, as demanding as the tasks in plant production. Nevertheless, difficulties in the raising of several types of livestock are substantially greater than previously. The development of cattle husbandry should play a substantial role in increasing the volume of livestock production. Requirements for the development of this branch of livestock production will change during the 1981-1985 period, in connection with the development of other branches of livestock production. The quantification of these tasks, in relation to the past 20 years of development, are presented in Table 8. At the same time, the data for the 1981-1985 period are based on various development assumptions. In the first instance, development is assumed of individual branches of livestock production, with the exception of cattle husbandry, to correspond to population increases, i.e., so that an increase in consumption corresponding to the population increase can be assured by individual types of livestock products (this variant assumes an increase in the production of livestock products, with the exception of cattle husbandry, of 4.3 percent annually). In this instance, it would be necessary to assure an increase in cattle husbandry production on the order of 7-9.7 percent. In the second instance, the entire increase in livestock production is assumed to come solely from the intensification of cattle husbandry and the development of domestic animal husbandry for those animals which do not demand much concentrated fodder (under this variant, the intensity of swine and chicken for slaughter husbandry would remain at the level of the Sixth Five-Year Plan, with other branches increasing production to correspond to the population increase). Under these assumptions, it would be necessary to assure an increase of cattle husbandry and production on the order of 9.4-12.2 percent annually. The third instance factors in the problems of cattle herd turnover (which boils down to the need to increase the production of cows and cattle for slaughter to the levels of the Sixth Five-Year Plan)(see Table 8).

All three approaches point to the difficulty of the targets in the livestock production sector, and the increasing requirements on VTR in this sector (to assure the rational feeding of all livestock, an increase in the efficiency of all fodders, etc.).

From the viewpoint of the desired increase in the production of specific types of livestock, it is essential to evaluate the trend of expended labor, both in relation to the overall volume of livestock production and in relation to specific products and types of livestock. We will return to these issues in future articles.

Table 8. Summary Description of Development Trends of Livestock Production and 1981-1985 Livestock Production Targets

| Produkt (23) | Produkce v mil. Kčs st. cen 1980 v průměru let (24) | | | | Přírůstek produkce v mil. Kčs st. cen 1980 za období (25) | | | Žádoucí vývoj v období let 1981—1985 podle přístupu (26) | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 1961—65 | 1966—70 | 1971—75 | 1976—80 | 1. | 2 | 3 | I. | II. | III. |
| 1. Jatečný hovězí dobytek a jatečná telata | 8 467 | 10 798 | 12 444 | 13 215 | +2 331 | +1 646 | +771 | +1 913—+1 077 | +2 672—+1 065 | +1 622—+787 |
| 2. Mléko kravské | 11 690 | 14 032 | 16 414 | 17 470 | +2 342 | +2 382 | +1 056 | +1 056 | +1 056 | +2 106 |
| 3. Jatečná prasata | 9 106 | 9 965 | 12 025 | 14 205 | +859 | +2 060 | +2 180 | +611 | 0 | 0 |
| 4. Jatečné ovce | 910 | 970 | 929 | 808 | +60 | —41 | —121 | +35 | +35 | +35 |
| 9. Jateční koně | 31 | 11 | 8 | 3 | —20 | —3 | —5 | 0 | 0 | 0 |
| 6. Jatečná drůbež | 1 104 | 1 668 | 2 682 | 3 449 | +564 | +1 014 | +767 | +148 | 0 | 0 |
| 7. Vejce | 2 377 | 3 096 | 3 870 | 4 175 | +719 | +774 | +305 | +180 | +180 | +180 |
| 8. Peří | 274 | 291 | 168 | 104 | +17 | —123 | —64 | +4 | +4 | +4 |
| 9. Tržní ryby | 118 | 147 | 166 | 185 | +29 | +19 | +19 | +8 | +8 | +8 |
| 10. Násadové ryby | 24 | 50 | 71 | 90 | +26 | +21 | +19 | +4 | +4 | +4 |
| 11. Med | 110 | 167 | 160 | 177 | +57 | —7 | +17 | +8 | +8 | +8 |
| 12. Vosk | 5 | 7 | 7 | 8 | +2 | 0 | +1 | 0 | 0 | 0 |
| 13. Jateční králíci | 189 | 514 | 711 | 597 | +325 | +197 | —114 | +26 | +26 | +26 |
| 14. Kožešinová zvířata | 6 | 13 | 27 | 57 | +7 | +14 | +30 | +2 | +2 | +2 |
| 15. Chlévská mrva | 1 869 | 1 838 | 1 842 | 2 038 | —31 | +4 | +196 | +88 | +88 | +88 |
| 16. Močůvka | 125 | 122 | 122 | 132 | —3 | 0 | +10 | +6 | +6 | +6 |
| Položka 1—16 (17) | | | | | +7 284 | +7 957 | +5 067 | | | |
| Celkový objem hrubé živočišné produkce (18) | 36 285 | 43 487 | 52 184 | 57 611 | +7 202 | +8 697 | +5 427 | +3 253—+4 089 | +3 253—+4 089 | +3 253—+4 089 |
| Počet skotu v tis. kusech (19) | 4 466 | 4 365 | 4 498 | 4 843 | —101 | +133 | +345 | +200—+112 | +280—+192 | +271—+182 |
| z toho krávy | 2 019 | 1 923 | 1 913 | 1 902 | —96 | —10 | —11 | 0 | 0 | +100 |
| ostatní skot (20) | 2 447 | 2 442 | 2 585 | 2 941 | —5 | +143 | +356 | +200—+112 | +280—+192 | +171—+82 |
| Produkce hovězího masa v tis. t (21) | 397 | 500 | 589 | 642 | +103 | +89 | +53 | +95—+53 | +133—+91 | +81—+39 |
| Produkce mléka v mil. l (22) | 3 853 | 4 385 | 5 130 | 5 460 | +732 | +745 | +330 | +330 | +330 | +658 |

Key:

(1) beef cattle and calves for slaughter
(2) cow's milk
(3) swine for slaughter
(4) sheep for slaughter
(5) horses for slaughter
(6) poultry for slaughter
(7) eggs
(8) down
(9) fish for consumer markets
(10) fish for stocking
(11) honey
(12) wax
(13) rabbits for slaughter
(14) animals for furs
(15) cow manure
(16) dung water
(17) subtotal 1-16
(18) overall volume of gross livestock production
(19) number of livestock (thousands of head)
(20) composed of cows
other livestock
(21) beef production (thousands of tons)
(22) milk production (million liters)
(23) product
(24) production inmillions of korunas, 1980 standard prices for period
(25) increase in production for period, in millions of korunas at 1980 constant prices
(26) desired development for 1981-85 under techniques I, II, and III

Conclusion

This article presents one of the possible approaches to the statistical quantifications of VTR efficiency and its contributions to an increase in the utility and economic efficiency of agriculture.

The methodology stems from the specific objectives and tasks of agriculture which reflect primarily the growing level of satisfaction of social needs under conditions of a declining work force and the necessity for increasing economic effectiveness. These are manifested in a decreasing volume of labor and capital assets and a decreasing volume of labor value added and capitalized labor in each unit of production.

The methodology takes full account of the mutual interrelationships between factors, which are crucial for increasing utility and economic effectiveness, and understands this to be the result of the contributions of research, the application of research results under the broadest possible practical conditions, and as the result of changes in the mastery of research results by all participants in the work process.

VTR efficiency and its contribution to economic effectiveness is thus quantified during the phase "when science becomes a force of production." The methodology of this article, in addition to the dynamic of VTR efficiency on an increase in utility and economic effectiveness, has a further objective, namely, that of pointing out the areas where it is essential to focus VTR efforts in order to achieve the established objectives of the near future; of pointing out the changeability of those areas most intensively influenced by VTR during specific time periods; and of pointing out the influence of changing conditions on VTR efficiency and its economic effectiveness in specific time periods, etc.

Indicators for quantifying the dynamic of VTR effectiveness and its contributions to the economic efficiency of agriculture stem from available statistical indicators. The quantification itself has been conducted both in current and in constant prices, and occasionally in natural units. While constant prices make it possible to define VTR efficiency in a natural sense, current prices make it possible, for instance, to pinpoint the changing participation of the state in the development of the forces of production in agriculture in specific time periods, and furthermore to identify changing external and internal conditions for the assurance of capital assets for agriculture and changes in the social costs for providing them, etc.

The analytical approach itself stems from a recalculation of the above increases in specific time periods for a period of years, while utilizing established (or desirable) long-term trends, making it possible to apply this approach in broader connections, and specifically in planning and projection activities.

The quantification itself indicates that the substantial contributions of VTR achieved during the period of the restructuring of small-scale agricultural production to socialist mass production and immediately following this period have been gradually declining (due to the exhaustion of extensive factors of

development, the nonrepeatability of the size of the decline in the labor force, greater demands for increased production volume, etc., the regulation of certain capital assets for agriculture--PHM [petroleum products and lubricants], imported fertilizers, etc.), thus placing new and demanding tasks on VTR, on the intensity of its practical implementation and on the breadth of implementation that it must achieve.

To evaluate the impact of those areas subject to the most and the least influence of VTR in efforts to increase utility and economic effectiveness, an analysis was undertaken of individual branches of agricultural development. The results of this analysis point to a varying role for VTR in the development of individual sectors of agricultural production and varying demands on VTR for the future.

From the viewpoint of the desired increases in specific sectors of agricultural development, it is essential to evaluate trends in expended factors of production, both in relation to the volume of plant and livestock production and in relation to individual crops and types of livestock. Discussions of these problems will form the content of future articles.

FOOTNOTES

1. The problem of measuring the efficiency of VTR and its contributions is very complex. The actual measurement of VTR efficiency can be oriented towards one or another phase. In this article that phase is the actual labor and production process.

2. Where a change in production relationships has created significant leeway for developing the forces of production and the application of VTR results, and simultaneously freed up a nonrepeatable amount of resources.

3. Even though the influence of natural conditions and weather conditions in specific years likewise have an impact on the quantities of means of which the quantification of VTR efficiency and its contributions is conducted, this problem is not discussed independently in this article. The same applies, for instance, to the influence of fertilizer imports on agricultural performance, etc.

4. For the purposes of this article we understand utility to be a component of economic effectiveness (which includes increases in per hectare yields and the usability of livestock), and we use the term to describe contributions to the production process stemming primarily from changes in the biological capacities of plants and animals, from changes in the conditions of exploitation of the biological capacities of plants and animals, from changes in the technologies applied to the labor process, etc. In addition to the above contributions, other influences come to bear on the outcome--economic effectiveness, primarily a change in the extent and efficiency of capital assets, a change in the qualitative aspects of the work force, a change in the interbranch and international division of labor, a change in the structure of the factors of production, etc.

5. As a basis for comparing the dynamic of VTR efficiency and for quantifying the magnitude of its contributions to economic effectiveness, it is desirable to choose a longer time period. There are practical reasons for this, for instance the research-development-production-utilization cycle itself, or the mass application of VTR results, which are never short-term, but rather long-term procedures. Research results in this period determine the efficiency of VTR and its contributions in terms of utility and contributions to economic effectiveness at a future time. The detailed application of the above methodological approach would furthermore make it possible to quantify in specific sectors the time lag between research-development-production and utilization and its consequences for an increase in utility and economic efficiency in a given time period, etc. An approach including a longer time period furthermore makes it possible to eliminate extreme influences in certain years. It makes it possible to objectivize the base, from which it is possible to evaluate deviations in achived results over a shorter or longer time frame, makes it possible to establish tasks (and areas) and priorities for the entire spectrum of participants in whatever phase "when science becomes a force of production," with a view to the tasks established by the short-term and the long-term plan and with a view to limiting derivative changes in internal and external conditions.

6. Data presented in this article for the 1981-1985 period came from the 16th CPCZ congress guidelines. They have been recalculated by the authors, with account taken of long-term trends and measures adopted for the period of the Seventh Five-Year Plan. It is, therefore, necessary to consider them as orientational, as making it possible to verify the practical utilization of the methodological principle and for projection or planning activity.

9276
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MORE EFFICIENT USE OF ELECTRICAL ENERGY URGED

Leipzig ENERGIEANWENDUNG in German Vol 31 No 4, Jul-Aug 82 (manuscript received 25 May 82) pp 119-121

[Article by Dr Michael Steinfels, engineer, Working Group on Efficient Energy Use, GDR Council of Ministers, East Berlin: "Reducing Energy Consumption by Efficient Use of Electrical Energy"]

[Text] The intensified use of new findings from science and technology and their broad application are an absolute key point in further increasing the effectiveness of efficient use of energy in line with the economic objectives which are the result of the economic strategy for the 1980's. In this, the use of microelectronics will play a key role in the future.

On the one hand the development, improvement and use of electrotechnical operating equipment permit achieving a reduction in the energy requirements of all sources of energy, on the other hand electrotechnical operating equipment can decisively influence the electrical energy use of other electrotechnical operating equipment itself.

The necessity for more intensive treatment of the questions of efficient use of electrical energy is principally the result of the fact that in the next few years we must expect increased growth in electrical energy requirements.

The following will have a substantial impact on this increase in the coming five-year plan period:

--conversion of a number of technological processes from fossil energy sources to electrical energy (furnaces, smelting tubs, thermal treatment facilities, among others),

--raising the level of automation in industry and business (industrial robots, fully automatic machines and plants, among others),

--replacing diesel fuel by electric traction in the transport system and in stationary drive processes,

--increased use of electrical energy by heat pumps, air conditioning of buildings, among other things.

Based on an objectively determined limitation on the volume of primary energy, this requires guaranteeing a portion of the increased electrical energy requirements through savings.

Thus, efficient use of electrical energy to meet the GDR's needs for electrical energy takes on special importance.

## 1. Efficient Use of Energy Through Electrical Engineering and Electronics

The possibilities for minimizing utilization of electrical energy and other energy sources through the use of electrotechnical and electronic solutions and by rationalization in electrical engineering/electronics itself depend decisively on the optimal selection, shaping and the purposeful utilization of electrotechnical operating equipment. Beyond that, improving characteristic values of electrotechnological units, automation of technological processes with the help of microelectronic solutions and optimal transmission, distribution and conversion of electrical energy take on priority importance for saving, especially for electrical energy. Important possibilities for influencing the reduction of electrical energy requirements and for reducing the requirements for other energy sources of economically important process groups are shown in the following.

### 1.1 Use of Adjustable Speed Drives with Power Electronics

At present in the GDR power electronic devices are used primarily to control direct current drives for small and medium capacities, to reoutfit rotating machine converters and for electrical energy supply plants. Beyond that, there are a number of other possibilities for achieving electrical energy savings through the use of power electronics, among others, in the following sectors:

--through reequipping additional electrical energy supply systems (in mining, for example),

--through the control and operation of furnaces and thermal treatment facilities,

--through the use of three-phase drives,

--through use in rail vehicles,

--through use in welding and household devices and consumer goods.

As a key issue, at present, power electronic devices and facilities are utilized for the no-loss speed setting of direct current drives. They are produced in the VEB Automation and Plant Construction Combine with outputs of 16 kW (DT 0/ to 63 A) to 400 kW (DT 2/ to 1,000 A) for three-phase connection.

In the case of the three-phase motors, which are more significant in terms of energy economy and for which at present in the GDR there are only isolated instances of use, the extent of outfitting is still inadequate.

For example, a large part of the drive energy which is to be produced overall in the economy is converted in three-phase drives for pumps, ventilators, compressors and blowers. Key uses here are the chemical industry, metallurgy, water management and the housing system.

By necessity measures for saving energy in these sectors have special economic importance. In fact, in the case of drives for pumps, compressors and blowers the energy economy can be substantially improved if motors with power electronics and thus variable speed are used in place of the conventional three-phase motors with constant speed.

The change in flow delivered, which is typical of pump drives, through throttling is then guaranteed by adapting the speed of the motor to the process conditions. On the average this permits saving about 30 percent of the electrical energy.

Within the context of an initiative program in various sectors of the economy eight pump drives with power electronics were installed and tested. The first evaluations confirm the energy savings (Table 1).

Table 1: Energy Savings By Pump Units With Power Electronics

| User Enterprise | Type of Use | Output | Relative Energy Saving | Estimated Annual Energy |
|---|---|---|---|---|
| | | in kW | in percent | in kWh/a |
| VEB BKK [Lauchhammer Brown Coal Combine] Bitterfeld | Water pump | 75 | 20-25 | 130,000 |
| VEB CK [Chemical Combine] Bitterfeld | Filter pump | 30 | 20 | 60,000 |
| VEB WAG [Water Supply and Sewage Treatment Combine] Halle | Water pump | 80 | 18 | 100,000 |
| VEB PCK [Petrolchemical Combine] Schwedt | Long-distance heating pump | 53 | 26 | 84,000 |
| VEB PCK Schwedt | Controlled volume pump | 2 | 60 | 5,400 |
| VEB CK Piesteritz | Water pump | 50 | 20 | 110,000 |
| VEB TGA [Technical Building Equipment] Leipzig | Heating recirculating pump | 30 | 30 | 1,200 |

For maximum utilization of the possibilities for energy savings through the use of power electronics, an analysis of the user sectors is indispensable for a systematic approach with respect to additional frequency changer use.

The use of power electronic plants for melting and heating processes in metallurgy is also important in respect to industrial energy.

The VEB Inducal Goellingen, an enterprise in the VEB EAW [railroad repair yard] Combine, Berlin, produces for these processes static middle-frequency changers of the types IMU-P 250/2,4 and IMU-P 1,250/0,5 for 250 kW and 1,250 kW.

With the use of a rotating frequency converter the electrical energy savings amount to about 30 percent by virtue of a static middle-frequency changer.

## 1.2 Improving Characteristic Values of Electric Motors

In the GDR about 45 percent of all electrical energy consumption is converted in the electric motor drives.

A reduction in consumption of electrical energy in the future can be anticipated primarily by changing the characteristic values "efficiency" and "rate of utilization."

Just increasing the efficiency of a three-phase motor with an output of 1,250 kW by only 0.4 percent reduces the power loss by about 5 kW. With a yearly operating time of about 5,000 hours this achieves energy savings of about 28 MWh/a. Worldwide the trend toward production of three-phase motors with greater efficiency using the same amount of active material is becoming established to an increasingly greater degree. Thus, in the future it will be a matter of achieving, on a long-term basis, improvement in efficiency of electric three-phase drives and thus substantial electrical energy savings through the intensified use of science and technology, especially in the production of the high quality dynamo belt.

In addition to improving the efficiency of electric motors by changing technological parameters electrical energy savings can be primarily achieved on a short-term basis in those cases where adapting the machine to the process can be cited as optimal. Thus, for example, on the average there is only about 60 percent utilization of the drives employed in the chemical industry. Because of deteriorating efficiency this results in increased energy losses.

Raising efficiency for partial loads without changing the machine itself can be accomplished, for example, by adjusting the voltage to the specific load. A voltage setting with power electronics or a simple commutator winding (star-delta) can be provided for this. In the small load sector this produces lower electrical energy losses and thus a higher level of efficiency.

Beyond this, precise tracking of the industrial energy use conditions with the user and the reworking of design guidelines in the future are of decisive importance for the use of electric drives.

## 1.3 Industrial Energy Optimizing of Technological Processes Through Use of Microelectronics

Substantial possibilities for saving both electrical energy and other energy sources are provided by increased automation through the use of microelectronic component systems, of parts and systems for measuring, controlling and transmission, which are based on microprocessor technology.

Through optimal control and operation of plants and processes on the basis of increased use of microelectronic component systems it is possible to achieve energy savings which up to 1990 will increase annually to the equivalent of 9 million tons of crude brown coal. One example is the automated start-up process in power plant systems.

The possibility of controlling the process economically with the help of process representations on microcomputer-controlled color display units can be utilized to support start-up of power blocks in power plants. Substantial energy savings can thus be anticipated.

A further example is the control of cement mills with microprocessor systems whereby for each mill about 850 MWh of electrical energy can be saved annually.

With the further development of the "ursamat" electronic component system the conditions were created in the DR to fulfill in various industries the requirements for further automation, primarily of technological processes which are important in terms of industrial energy.

The systems which were developed on this basis

--ursalog 4000,

--ursalog 5010 and 5020

help establish an international standard and are user-compatible in respect to functional and design parameters and reliability.

Within the "ursamat" system "ursatron 5000" is a uniform electronic system of equipment, devices and components for automating technological processes with the subsystems:

| | |
|---|---|
| --ursadat 5000 | --data-recording equipment with microcomputer, |
| --ursalog 5000 | --stored-program control equipment, |
| --ursatrans 5000 | --remote action equipment with microcomputer, |
| --ursamer 5000 | --microprocessor regulator and computing function unit, |
| --ursacord 5000 | --indicator and recording instruments. |

The K 1510, K 1520 microcomputers and the equipment of the K 1610 family can be used for the primary processing system. Through the use of these equipment systems it is possible to achieve, as a result of extremely optimal operation, important energy savings in the process which are controlled or regulated by them.

Beyond that, through the use of microelectronic components in automation systems a large number of technological processes can be simultaneously controlled in an energy-optimal manner.

An example of this:

Modern complexes of buildings contain a large number of in part extensive domestic facilities. Energy-efficient operation here with conventional MSR [microcomputer systems] technology is scarcely possible or possibly only at extremely high cost. Subjective influences play a decisive role.

To solve these problems the VEB Teltow Equipment and Regulator Works developed the GAA 5000 building automation system which has a microelectronic basis for use in social structures, in comprehensive housing construction and for industry. Its use makes possible energy savings of 15 percent and more in the case of social structures. Systems of this kind can also be anticipated in the future for process automation facilities. The use of this technology in the GDR economy supports the objective of developing extensive energy reserves through the broad application of microelectronics.

## 1.4 Additional Key Uses

In addition to the sectors mentioned, such as power and microelectronics and improvement of efficiency in the use of electronic drives, the operator of electrotechnical facilities and the designer have available today a large number of additional possibilities to pursue the demands to use electrical energy economically and efficiently. In detail this can be done by:

--optimal arrangement and selection and economical operation of motors, transformers and cables,

--reducing or influencing, respectively, peak loads by the use of automatic control and regulating equipment; industrial energy rationalization through partial switching down,

--avoiding reactive power losses through reactive power compensation located near the consumer and through improvement of the electrical energy quality of electric networks,

--use of optimal lighting technology,

--increased use of electrotechnological processes (for example, magnetic conversion, high-frequency drying, induction heating, among others),

--use of microelectronic solutions in the household appliance and consumer goods sector and in electric space heating,

--use of advanced measuring and sensor equipment.

In subsequent issues representatives from industry, the economy and from science and technology will report on a number of the key issues cited.

2. Concluding Remarks

From what has been presented it is obvious which possibilities presently exist from efficient use of electrical energy and other energy sources through the use of electric and electrotechnical equipment and in which directions thinking and planning should go for the future.

Both for new planning, but also especially for facilities and processes already in operation and having poor energy utilization, electrical energy savings depend decisively on selection and optimal use of electrotechnical operating equipment.

In the future, broad application of microelectronics will take on special importance for saving energy. With the availability and the purposeful use of microcomputer technology, including the necessary electric and electronic components, the prerequisites are created to develop new possibilities for reducing energy consumption in all sectors of the economy.

12124
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STRUCTURE OF FARM POPULATION IN REPUBLICS, PROVINCES

Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 27 Sep 82 pp 25-26

[Text] According to last year's census, 4,291,772 Yugoslaves (20 percent of the total population) are agricultural workers, reports the Federal Institute for Statistics. In Serbia proper, 28 percent of the total population is agricultural, as compared to 25 percent in Kosovo, 22 percent in Macedonia, 20 percent in Vojvodina, 18 percent in Bosnia-Hercegovina, 15 percent in Croatia, 13 percent in Montenegro, and 9 percent in Slovenia. There are 1,936,341 men (45.1 percent of the agricultural population), and 2,355,431 women (54.9 percent). As much as 35.3 percent of the agricultural population lives in Serbia proper, as compared to 16.2 percent in Bosnia-Hercegovina, 15.6 percent in Croatia, 9.1 percent each in Vojvodina and Macedonia, 8.9 percent in Kosovo, 4 percent in Slovenia, and 18 percent in Montenegro.

There are 2,487,646 active agricultural workers (58 percent of the total agricultural population), of which 1,306,958 are men (67.5 percent of the total number of men in the agricultural population) and 1,180,688 are women (50.1 percent of the total number of women in the agricultural population). Of the active agricultural population in Yugoslavia, 43.2 percent lives in Serbia proper, 16.7 percent in Croatia, 13.7 percent in Bosnia-Hercegovina, 8.7 percent in Macedonia, 8.6 percent in Vojvodina, 4.7 percent in Slovenia, 3.3 percent in Kosovo, and 1.1 percent in Montenegro. There are 2,363,621 agricultural workers working on individual farms, including 44.7 percent in Serbia proper, 16.4 percent in Croatia, 13.9 percent in Bosnia-Hercegovina, 8.2 percent in Macedonia, 7.6 percent in Vojvodina, 4.6 percent in Slovenia, 3.3 percent in Kosovo, and 1.1 percent in Montenegro. The active agricultural population constitutes 27 percent of the total active population of Yugoslavia; the active agricultural population in Serbia proper constitutes 38 percent of the active population, as compared to 29 percent in Macedonia, 25 percent in Vojvodina, 24 percent in Kosovo, 23 percent in Bosnia-Hercegovina, 21 percent in Croatia, 15 percent in Montenegro, and 13 percent in Slovenia.

Of the total number of 1,804,126 agricultural inhabitants supported in Yugoslavia, 24.3 percent live in Serbia proper, 19.8 percent in Bosnia-Hercegovina, 16.5 percent in Kosovo, 14 percent in Croatia, 9.9 percent in Vojvodina, 9.8 percent in Macedonia, 3.1 percent in Slovenia, and 2.6 percent in Montenegro. Of the total number of agricultural inhabitants in Kosovo, as many as 78.3 percent are supported, as compared to 62.5 percent in Montenegro,

51.2 percent in Bosnia-Hercegovina, 45.6 percent in Vojvodina, 45 percent in Macedonia, 37.9 percent in Croatia, 32.4 percent in Slovenia, and 28.9 percent in Serbia proper.

According to the Federal Institute for Statistics, the agricultural population is understood to include all agricultural workers, fishermen, and hunters, as well as all of the individuals supported by them. The data are not comparable with those from previous censuses because of different definitions of the agricultural population.

9909
CSO: 2800.34

## INFLATION LOWERS STANDARD OF LIVING FOR PENSIONERS

Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 27 Sep 82 pp 25-26

> [Text] At the end of the month, the issue of the rate at which pensions are adjusted in accordance with the growth in personal incomes will be brought up again at the Federal Conference of the Socialist Alliance [of Working People of Yugoslavia]. This is a question of taking action to preserve the standard of living of pensioners. The high rate of inflation is in fact requiring more frequent adjustments because of the sharp decline in buying power. At the same time, it is also requiring a correspondingly greater caution because of the sharp increase in the allocations for pensions. This contradictory trend is complicated even further by solutions differing among the republics and provinces.

Of a little over 1.6 million pensioners last year, as many as 1.2 million received pensions less than 6,000 dinars, while a fourth of these pensioners received an insurance supplement, which, together with the pension, did not exceed 5,200 dinars. This datum can be supplemented with another: between 1976 and 1981, there was a real annual decline in pensions, ranging from 0.4 to 0.2 percent in Serbia proper and Vojvodina to 1.4 percent in Macedonia and 1.7 percent in Kosovo. If these years are taken individually the picture is even more serious. Thus, a sharp decline in the real value of pensions was noted in 1980--the first year since the institution of a change according to which pensions are no longer tied to trends in the cost of living, but rather to trends in personal incomes--when it amounted to 7.6 percent. In the following year, 1981, the decline was even larger--10.4 percent. It should be noted that this is an overall calculation of the relationship among the pensions, personal incomes, and the cost of living for one year.

Viewed within a 12-month period, the real decline observed in pensions varies depending on the frequency of the adjustments. This is because in addition to the so-called regular adjustments, which match the annual increase in personal incomes and the growth of pensions, which are increased by the same amount, extraordinary adjustments, resulting from the sharp increase in the cost of living, are becoming more and more necessary. They are even provided for by the new law on the basic rights in pension and medical insurance, as a matter of monthly calculations. We will have to wait until 1985 for this innovation,

which was added to the law at the last minute and which was also narrowly passed. By that time, as the proposers and those who voted for this believe, the economic situation will have improved enough to be able to bear the burden of a continual increase in allocations for pensions.

Diversity Among the Republics

Without discussing how realistic this innovation is--time will show who is correct--it should be noted that not even the present adjustments are arranged so as to maintain the pensioners' standard of living within acceptable limits. In the report on the socioeconomic position of pensioned workers that was drawn up by the Presidency of the Federal Conference of the League of Pensioners of Yugoslavia, a diversity is noted in the solutions in the republics and provinces that directly affects the financial position of the pensioners. As many as 23 areas are cited which are preventing a standardized position in the system for pensioners in Yugoslavia; among these, one of the most pronounced has to do with the adjustment of pensions in the course of the years. This particularly affects new pensioners, for whom their pension at the start drops below three-fourths of their last salary, because of the way in which the base is determined; there are pessimistic estimates that reduce this ratio to somewhere between 55 and 60 percent.

Five communities (Slovenia, Bosnia-Hercegovina, Macedonia, Serbia proper, and Vojvodina), during the extraordinary adjustments, do not adjust the pensions for which the preceding year was the last year for insurance, i.e. the year from which the average salary was used as the base for the pension. Three communities, however (Croatia, Montenegro, and Kosovo), adjust pensions by the so-called 12ths, i.e. in proportion to the part of the total increase in pensions that corresponds to the number of months in the preceding year in which personal incomes were not used to calculate the base for pensions.

Thus, in some cases the new pensioners wait a year and a half for adjustments. It is not necessary to stress in particular what this means, given the rate of inflation.

In defending the request for standardization and for as frequent as possible an adjustment in pensions to match the current increase in personal incomes, people usually emphasize the sacrifice suffered by the pensioners as a result of the regulation that changed the adjustment parameter from the cost of living to personal incomes. This measure has threatened the standard of living of the pensioners even more because it has come at the time of a sharp increase in the cost of living; it is felt to be a half-way measure (introduced, in that, as a logical consequence of the fact that pensions, like past labor, have to share the fate of personal incomes), because it did not include several other elements which are generally implied in connection with this kind of relationship between pensions and personal incomes. These are primarily differences in determining the pension base (by the last year of insurance) that would not reduce the standard of living of new pensioners as drastically. Since this regulation--introduced and passed at the same meeting that discussed and adopted the new law, which had been in preparation for 7 years--was left for implementation during the next medium-term period, we are left with calculating

how much the stabilization measure of shifting the parameter has "cost" the pensioners, since the cost of living has grown more rapidly than personal incomes. The amount of expenditures for pension and invalid insurance in 1981 was 9.5 billion dinars lower under the new accounting system, and this year (judging by the first six months) it will be 10.5 billion lower. These 20 billion are considered to be a measure of the decline in the real value of pensions in the last 2 years, since the innovation was implemented.

Since July, pensions have increased between 10 and 11 percent in the republics and provinces in comparison with January 1982. In view of the freeze on prices, it is felt that the real fall in the value of pensions this year will be more than 50 percent less than last year's decline. There is another side to the coin, however: the expected increase in pension receipts (34 percent), along with about 5 percent more new pensioners, will increase the total expenditures a great deal--by 40 percent in comparison with the preceding year, when they amounted to 153.5 billion dinars. The sharp increase in expenditures (in previous years it averaged a little over 30 percent), which was alleviated last year by the reduced growth of personal incomes and thus also a correspondingly lower growth in pension contributions, will seriously shake the financial state of the community. At the time of the regular calculation and adjustment of the growth of personal incomes and pensions next year, which will be done at the beginning of 1983 for all of this year, one should also add the growth in funds for the increasingly greater influx of old-age pensioners, which indicates a further increase in expenditures by at least 40 percent.

This sharp increase in expenditures requires either than an increased contribution rate be introduced, if the growth in personal incomes is slowed, or that the communities be forced to completely exhaust their already strained reserves and begin to gather short-term credits again in order to pay pensions regularly.

It should be noted that in 1980 there were 280 pensioners for every 1000 workers, and that in the next two or three years this ratio will be 312 pensioners for every 1000 employees, with a continuing trend toward an increase in the number of pensioners. This endangers not only the innovations authorized for that time (1985) in connection with the calculation of the base pension and the adjustment of pensions in accordance with personal incomes, but also, to put it bluntly, the possibility for the survival of the entire pension system.

9909
CSO: 2800/34

REPUBLIC FOREIGN TRADE, JANUARY-SEPTEMBER 1982

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 26 Oct 82 p 3

[Article by M. Urosevic: "Exports Down 4 Percent in Real Terms"]

[Text] The preliminary results of visible foreign trade over the first 9 months of the year do not afford much occasion for satisfaction unless new efforts, very real ones, are made to augment exports. Two factors have had a considerable bearing on the results, and a constant remark of business people at meetings in economic chambers and general associations is that there was not enough selectivity concerning imports of raw materials and production supplies nor concerning exports of raw materials, though this obviously was unwise.

Recently several representatives of the largest export organizations, referring not only to the value of sales of goods abroad, but also to the ultimate benefits, insisted in the Economic Chamber of Serbia on a greater influence of precisely that element. It is not socially justified, they said, for certain exemptions to be granted, say, for every 100 dinars of exports regardless of whether that same organization has imported goods worth 200 dinars, as for the organization that exports 100 dinars' worth, but imports only 50 dinars' worth or still less.

There have been constructive changes in foreign trade, and it is estimated that measures will be adopted which, along with the specific activity of work organizations, will tend to invigorate exporting before the end of the year.

But that is something to be analyzed on another occasion, and until then, continuing the newspaper's practice, we give the figures on visible trade for the first 9 months by republics and provinces. In view of the responsibility of these sociopolitical communities for foreign economic relations, their results to date will be of use in efforts to improve visible trade in coming months.

For the country as a whole exports in the first 9 months were up 3 percent over the same period of last year, but because export prices were 7 percent higher, the results were actually down 4 percent in real terms. At the same time imports dropped 11 percent in nominal terms, while there was a 2-percent rise of import prices, which means that the high coverage of imports by exports was paid for with a 13-percent reduction of imports in real terms.

Actual Results for the Period January-September 1982

| Region | In Millions of Dinars | | | Share of Exports in Imports, % | Share of Total, % | | |
|---|---|---|---|---|---|---|---|
| | Exports | Imports | Deficit | | Exports | Imports | Deficit |
| Yugoslavia | 299,377 | 407,193 | 107,816 | 73.5 | 100.0 | 100.0 | 100.0 |
| Bosnia-Hercegovina | 43,871 | 57,828 | 13,957 | 75.9 | 14.7 | 14.2 | 12.9 |
| Montenegro | 5,205 | 8,353 | 3,148 | 62.3 | 1.7 | 2.0 | 2.9 |
| Croatia | 66,878 | 101,110 | 34,232 | 66.1 | 22.3 | 24.8 | 31.8 |
| Macedonia | 15,415 | 24,436 | 9,021 | 63.2 | 5.2 | 6.0 | 8.4 |
| Slovenia | 58,583 | 66,990 | 8,407 | 87.4 | 19.6 | 16.5 | 7.8 |
| Serbia proper | 78,998 | 95,584 | 16,586 | 82.6 | 26.4 | 23.5 | 15.4 |
| Vojvodina | 23,622 | 30,363 | 6,701 | 77.8 | 7.9 | 7.5 | 6.2 |
| Kosovo | 5,813 | 6,631 | 818 | 87.7 | 1.9 | 1.6 | 0.8 |
| Federation | 993 | 15,897 | 14,903 | 6.0 | 0.3 | 3.9 | 13.8 |

Thus the negative difference has been reduced to 107.8 billion dinars, as against 164.9 billion last year in the same months, which is a drop of 34.6 percent, but the situation on the convertible market is still unfavorable in spite of the modest improvement. Exports to that market were up 6 percent over the 9-month period, which means a drop of 1 percent in real terms, while imports from that area, just like total imports, dropped 11 percent in nominal terms and 13 percent in real terms. The coverage of imports by exports is 57.8 percent, and the negative difference, though .3 of a percentage point less than at the same time last year, reached a figure of 125.5 billion dinars, so that a certain surplus in trade with other currency areas was unable to mitigate it to any significant extent.

In any case, when we look at the figures in the table, it is striking that the most negative relationship in all three types of trade--exports, imports and the deficit--is for Croatia, which has a share of only slightly more than one-fifth of exports, but approximately one-third of the deficit, while Slovenia and Serbia proper can be tentatively said to have been more disciplined in this regard.

However, a truly illogical situation is still maintained in which the coverage of imports by exports of the various republics and provinces, when applied to a common denominator, is considerably higher than the average for the entire country.

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## CHANGES OF PRIVATE FARMERS' ROLE DISCUSSED

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 23-25 Oct 82 p 3

[Article by Djura Djukic: "The Private Farm Is an Important Topic of Public Discussion"]

[Text] Certain trends in rural areas depart from the constitutional concept and are attracting private farmers to the path of economic individualism.

The private sector yields less output in relative terms than the other sector, the socialized sector, which is set up in opposition to it as a model and organizer of their mutual cooperation. This fact is reiterated in discussions like a refrain, to which is added the fact that one reason why the private farm is not producing larger surpluses for the market is that considerably less is being invested in it.

A glance at investment policy confirms this beyond question. In the period from 1957 to 1961 the ratio of investments in the socialized sector to those in the private sector was 70:30, and in the period 1977-1979 it was 48:52. There is a shift toward the private sector, but its large dominance in both area and the number of livestock should be borne in mind.

Trends have also been similar with respect to consumption of manufactured fertilizers. In the 1957-1961 period consumption was divided into 56 percent for the socialized sector and 44 percent for the private sector, but between 1977 and 1980 structural changes brought about a somewhat better relationship: 38:62. Again we must take into account the size of the sectors if we are to see the subordinate position of the private farms. They are in any case viewed as holders of large amounts of arable land and implements for production and an underutilized potential for food production.

### The Divided Nature of the Private Sector

There is talk today about the stagnation of production not only in this sector, but also in the socialized sector, so that by and large they are not managing to keep up with demand. Shortages being made up with imports are proof of this. Hundreds of thousands of private farms, according to the concept of agriculture that has been adopted, are being oriented toward cooperation with socialized organizations, toward formation of cooperatives, and toward cooperation with the socialist farms. Today there are about 2,500 farms of various

types, about 260,000 associated farmers and slightly more than 1 million farmers involved in lasting or occasional cooperation with cooperative organizations.

The number of private farmers in rural areas, however, is considerably larger than that organized portion of the peasantry, but there are also those who doubt that these figures correspond to reality. That mistrust is giving rise to new tones in discussions of the private farm and of its role in carrying out farm policy, which according to many of those familiar with this problem area is simply not being carried out.

Critics who are preparing for participation in the discussion during the "Kardelj Days" early next year in Osijek have begun to make an issue even of the language used in speaking about processes in agriculture and in rural areas. This is a language, they say, which has become ossified and bureaucratized and which conceals the true state of affairs. It is a sign of a kind of inertia that there is constant talk about the socialized and private sectors, though no such division exists in the constitution and Law on Associated Labor. It is only in political documents that these terms have won legitimacy.

The term "sector" does not exist in the constitution. It dates from an earlier period and is redolent of the administrative period of construction and the administrative vocabulary, and now economic integration of agriculture is being sought on the foundations of self-management. The cooperative is supposed to belong to the private farmer. In practice it is not his. It is said that the private farmers are supposed to have influence on the cooperative. Not influence, the critics say, but something more: they are supposed to run the cooperative.

The remarks are interesting, as are the questions which are put by those debating these problems. Instead of integration, runs one notable opinion, in the field there is frequently defense of the partial interest of a portion of the working class, associated, for example, in a sugar mill, or oil pressing mill, which is portrayed as socialist and as such is set in opposition to the partial interest of the private farmers. Going on to elaborate this particularistic logic, the critics note that peasant production is diversifying, while the broad outlines of policy call for it to become specialized, in other words, for it to become consolidated and linked with the appropriate phases of processing, which takes place in the socialized sector.

Short-Term Pragmatism

At one time more production was contracted for in advance. It is being noted that in Vojvodina 80-90 percent of the crop was contracted for in advance a few years ago, while now this proportion has dropped to 60 percent. What does this mean? The private farm is not headed toward integration on the foundation of self-management, toward a community with combines in the framework of a unified agroindustrial complex. Rural society is being stratified, by a coincidence of circumstances the private holding is developing autarkically and is becoming a freewheeling operator which is getting along on its own. The reference is to individuals who are leasing land from elderly people and are

becoming rich "in the wrong way." The essential goal contained in the constitutional vision of the socialist transformation of agriculture--the socialization of production--is not being attained. The rate at which the private farm is being included in the true developments of integration and self-management is very slow. It is caught up with short-term pragmatism. There are strong tendencies leading toward conservation of economic individualism.

Nor, of course, have these observers failed to see the lifelessness of the cooperative movement. The cooperatives, since they are not something the peasants created, are organizations which "work with the peasants." Nor are the cooperative alliances what the name implies: as one analyst has put it, their purpose is to popularize current policy and to be concerned with the conditions for conduct of economic activity. The critics are those with the best memory: they remember better days for the cooperatives, in the sixties, and they say with nostalgia that a study should be made of why that situation was changed!

The changes noted in the language of the discussion are a good sign that people have begun to ferret beneath the rhetorical facade which has concealed the status quo. The boom of production which is expected of rural areas, of all farms, both "socialized" and "private," presupposes a good analysis of errors in policy toward agriculture, toward the private holding, toward rural areas. When light is shed on events in past years, the paths which should be taken in future will be clearer.

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STATUS OF IRRIGATION SYSTEMS IN YUGOSLAV FARMING SURVEYED

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 26 Oct 82 p 8

[Article by Djura Djukic: "Abundance of Water, But a Lack of 'Water Carriers'"]

[Text] The emphasis is on food production and on everything that contributes to that goal. Recently the most frequent topic has been the factors important to increasing yields, such as seed and manufactured fertilizers, but there are also other factors which ought not to be overlooked. Irrigation is among them.

Yugoslavia has a satisfactory amount of water. Unfortunately, the distribution is not good either in terms of geography or season. About 2 percent of the arable land in the country is irrigated, but this area might be much higher. The European average for irrigation is much better, and in certain European countries it is even considerably higher than the European average. If we start at the top, with rainfall, the quantity is smallest for the central portion of Macedonia, the Morava region and the Pannonian Depression and Slavonia.

In Vojvodina only 30 percent of annual rainfall comes in the summer, and even that amount quickly evaporates, as Tome Kuzmanovski, M.A., emphasizes in his book "Navodnjavanje u Jugoslaviji" [Irrigation in Yugoslavia].

Substantial portions of land in Yugoslavia are suitable for irrigation--about 8.4 million hectares. There are 5.4 million hectares in the first three classes. About 25 percent of the area of Yugoslavia consists of plains less than 200 meters above sea level. These are the Pannonian Depression and the river valleys. To this we can also add some higher areas suitable for intensive agriculture, so that we can say that about 53 percent of the land in Yugoslavia is suitable for irrigation.

In spite of the adequate amount of water in global terms, certain parts, especially those which are most fertile, do not receive the necessary amount of moisture. Droughts are frequent in our grain-growing regions. The consequences of relatively frequent droughts are well known in Vojvodina. And the abundance of water necessary for agricultural purposes is to be found far away, in the hilly and mountain areas. The country's eastern portion, where

the population density is highest and where there is the greatest use of water in agriculture, receives in relative terms the smallest amount of water in Yugoslavia's hydrographic network, which is, incidentally, abundant.

Irrigation systems began to be built long ago, but many were not completed on time, or work on them was even suspended. The largest irrigation structures are to be found in Vojvodina, in Kosovo and in Macedonia.

The conclusion from these figures is clear: the need for irrigation is great indeed, and there are also large arable areas suitable for irrigation. The issue is investment capital, which up to now has not been adequate, and from now on there perhaps will be still less of it. But good irrigation projects need to be drawn up for certain regions where it is possible to achieve high yields provided the water problem is solved and they should be carried out quickly.

Differences in yield between irrigated and nonirrigated areas are obviously "rooting for" the systems. Studies in Prizren and Bitola, for example, have shown that an irrigated field yields a 50-60-percent larger yield than areas outside irrigation systems. In Srbobran irrigated corn had a yield as much as 30 percent higher, in Ovcije Polje up to 60 percent higher. In Futog the yield of wheat is 20 percent higher on irrigated areas than on ordinary plowland. In experiments with apples in Vinkovci the yield was raised approximately 20 percent, and the increase was about 15 percent with grapes in Mostar.

The situation does not allow for grandiose undertakings in development of irrigation, since the investment capital is lacking for that, but that same situation (dressed up with the shortages in the production of field crops) argues that work should be done on irrigation wherever it can be done with small investment, even if it is a question of using ancient forms of bringing water to the fields. Attention should also be paid to more optimum use of irrigation systems in place, in which quite evident results can be achieved not only through greater use of water, but also through better adaptation of the crop pattern.

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PRODUCTION, RESERVES IN THE STEEL INDUSTRY, 1982

Belgrade CELIK in Serbo-Croatian Aug 82 pp 33-34

[Excerpts] The drop in deliveries for the domestic market recorded in the first quarter continued on a considerably larger scale over the first 6 months of 1982. Total deliveries for the market in the first half of 1982 were down 428,985 tons, or 17 percent, from the same period of 1981, and that 16 percent from steel mills (318,223 tons) and 20 percent imported (110,760 tons). One of the principal reasons for this worsened supply of the market lies in the shortage of foreign exchange. The lack of foreign exchange had an impact not only toward reducing direct imports of finished steel products, but also affected domestic deliveries, since the steel mills did not have enough foreign exchange to import the necessary raw materials and semifinished products. Imports of semifinished products alone dropped 54 percent in the first 6 months of this year as compared to the same period of last year; that is, imports this year amounted to 238,575 tons as compared to 520,022 tons in 1981.

This kind of drastic restriction in supply has had undesirable consequences for the market and through it for total industrial output, whose growth over the first 7 months was only 0.7 percent over the same period of 1981.

Inventories of steel products in the hands of steel manufacturers and in the distribution network are shrinking more and more and putting certain work organizations into a situation of cutting back on production. The problem lies not only in the quantitative reduction of deliveries, but also in the inadequacy of deliveries and existing inventories with respect to assortment.

To be sure, there are enough of certain products on the market, so that one cannot speak of a shortage of these products on the market. This group of products includes medium- and heavy-gauge sheet beginning with 12 mm of thickness, large-diameter welded pipe, and heavy steel shapes.

With respect to the supply of the market in terms of assortment, there were larger changes during the first half of 1982 than in the previous period, as can best be seen from the following table:

In tons

| Indicator | Deliveries From Steel Mills | Purchases of Imports | Total Available for Market |
|---|---|---|---|
| Deliveries in the first half | | | |
| Of 1982 | 1,648,521* | 444,673 | 2,093,194 |
| Of 1981 | 1,966,744 | 555,435 | 2,522,179 |
| First half of 1982 | | | |
| First half of 1981 | 84 | 80 | 83 |

* Not including the deliveries of two quite small work organizations (galvanized sheet and large-diameter welded pipe).

The change of the supply of the market for particular products over the first 6 months of 1982, compared with the same period of time in the previous year, shows the following pattern:

| Type of Product, in tons | From Steel Mills | | Imports | | Total for Market | |
|---|---|---|---|---|---|---|
| | | | First Half of | | | |
| | 1981 | 1982 | 1981 | 1982 | 1981 | 1982 |
| Railroad rails and accessories | 23,011 | 22,236 | 3,612 | 3,151 | 26,623 | 25,387 |
| Heavy section steel | 53,000 | 30,902 | 10,839 | 4,819 | 63,839 | 35,721 |
| Medium and light section steel[1] | 265,500 | 239,156 | 86,100 | 74,980 | 351,600 | 314,136 |
| Reinforcing steel | 414,841 | 278,521 | 892 | 1,305 | 415,733 | 279,826 |
| Rolled wire | 40,226 | 31,498 | 51,832 | 32,380 | 92,058 | 67,878 |
| Total section steel | 796,578 | 602,313 | 153,275 | 120,635 | 949,853 | 722,948 |
| Heavy and medium sheet[2] | 419,500 | 373,947 | 103,317 | 77,018 | 522,817 | 450,965 |
| Light hot-rolled and cold-rolled sheet[3] | 164,797 | 235,776 | 110,623 | 103,142 | 275,420 | 228,918 |
| Galvanized sheet | 47,332 | 22,723 | 27,674 | 7,844 | 75,006 | 30,567 |
| Tinplate | -- | -- | 35,550 | 27,518 | 35,550 | 27,518 |
| Hot-rolled sheet | 16,306 | 9,990 | 34,047 | 17,857 | 50,353 | 27,847 |
| Cold-rolled sheet | 96,365 | 87,703 | 26,737 | 30,312 | 123,102 | 118,015 |
| Welded pipe[4] | 207,171 | 206,103 | 4,740 | 3,237 | 211,911 | 209,340 |
| Total flat steel | 951,471 | 826,242 | 342,688 | 266,928 | 1,294,159 | 1,093,170 |
| Seamless pipe | 64,031 | 80,104 | 37,564 | 35,320 | 101,595 | 115,424 |
| Drawn wire | 127,482 | 113,378 | 21,233 | 20,227 | 148,715 | 133,605 |
| Forged steel | 25,130 | 23,711 | 353 | 1,092 | 25,483 | 24,803 |
| Rolled steel wheel rims | 2,052 | 2,773 | 322 | 471 | 2,374 | 3,244 |
| Total "miscellaneous" products | 218,695 | 219,966 | 59,472 | 57,110 | 278,167 | 277,076 |

1 Including fine-quality and calibrated steels.
2 Including ship and boiler plate and lamele.
3 Including electrosheet just as in the case of cold-rolled strip.
4 Including cold-formed section steel and pipe shapes.

In the first half of 1982 deliveries to the market of section steel were down 223,000 tons (or 31 percent), while flat products were down 201,000 tons, or 18 percent. Deliveries of "miscellaneous products" in 1982 remained at approximately the same level as in the previous year. In the case of section steel, the largest drop in deliveries to the market was recorded for reinforcing steel. As for flat steel, the largest drop was recorded for deliveries of heavy and medium plate and sheet, while deliveries of welded pipe showed the greatest stability (which does not mean that the market was well supplied in terms of assortment). The sole increase in supply of the market over the previous year was for deliveries of welded pipe, and that mainly thanks to deliveries from steel mills.

The situation of inventories in the hands of producers, to the effect that they were up 1 index point over the previous quarter, has no great importance to the supply of the market.

The status of inventories in the distribution system is that they are declining appreciably, which is best described as a situation on the market where in spite of the inventories of the distribution network, the inventories of steel products are dropping steadily even in the hands of a majority of steelmakers, so that they have reached a crisis situation for certain products. Characteristically, the trade network has relatively large inventories of heavy and medium plate and sheet (mainly thicknesses of 12 mm and more [original reads "up to 12 mm"] and large-diameter welded pipe.

| Steel Products | Producers (steel mills) | Distribution Network* |
|---|---|---|
| Total inventories as of 31 March 1982, tons | 112,774 | 72,741 |
| Total inventories as of 30 June 1982, tons | 114,302 | 64,685 |
| 30 June 1982/31 March 1982 | 101 | 89 |

* Figures for the nine largest specialized steel distributors, who account for more than 50 percent of total business with the steel mills (formerly referred to as A and B wholesalers): "Celik," "Tehnopromet," "Kopaonik," "Ferimport," "Metalka," "Kovinotehna," "Merkur-Univerzal," "Feroelektro" and "Agrovojvodina" (the firms are given by regions).

The composition of inventories with respect to assortment is given in the following table:

| Type of Product, in tons | Producers' Inventories | | Distributors' Inventories | |
|---|---|---|---|---|
| | 31 Mar 82 | 30 Jun 82 | 31 Mar 82 | 30 Jun 82 |
| Railroad rails and accessories | 915 | 1,835 | -- | -- |
| Heavy section steel | 7,863 | 2,485 | 12,611 | 3,101 |
| Miscellaneous section steel[1] | 22,859 | 33,913 | 11,205 | 18,271 |
| Reinforcing steel | 1,037 | 4,472 | 2,494 | 2,267 |
| Rolled wire | 6,218 | 10,015 | -- | -- |

| Type of Product, in tons | Producers' Inventories 31 Mar 82 | Producers' Inventories 30 Jun 82 | Distributors' Inventories 31 Mar 82 | Distributors' Inventories 30 Jun 82 |
|---|---|---|---|---|
| Heavy and medium plate and sheet | 20,636 | 12,555 | 32,202 | 24,969 |
| Light cold-rolled and hot-rolled sheet | 3,190 | 6,064 | 1,640 | 148 |
| Galvanized sheet | 1,986 | 1,453 | 461 | 1,210 |
| Hot-rolled strip | 5,359[2] | 487 | 282 | 503 |
| Cold-rolled strip | 2,895 | 3,415 | 330 | 1,575 |
| Welded pipe and cold-formed shapes | 35,457 | 32,606 | 7,184 | 8,346 |
| Seamless pipe | 1,786 | 888 | 1,241 | 1,369 |
| Drawn wire | 2,216 | 2,524 | 2,091 | 2,026 |
| Forged steel | 175 | 1,094 | 1,000 | 900 |
| Rolled steel wheel rims | 182 | 496 | -- | -- |

1 Including fine-quality and calibrated steels.
2 Mainly strip wider than 600 mm.

By comparison with the previous years producers and distributors had smaller inventories of heavy section steel and heavy and medium plate and sheet and larger inventories of other section steel. Inventories were extremely low, in view of the pattern of consumption, for reinforcing steel and cold-rolled sheet. To be sure, the survey of distributors' inventories does not cover the entire distribution network, but only certain major work organizations, but they are nevertheless indicative, especially if one takes into account that the surveys have covered all the main centers of consumption.

On the basis of the figures given we can conclude that the supply of the market was obstructed in the first half of 1982, and this also brought about a greater scarcity of almost all types of rolled and drawn products, particularly for products whose share is high in the pattern of consumption.

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MARITIME SHIPPING OPERATIONS IN 1981

Belgrade TRANSPORT Serbo-Croatian No 6, Jun 82 pp 17-22

[Article by Gordan Matijevic]

[Excerpts] Status and Trends in Capacity of the Yugoslav Merchant Marine

On 31 December 1981 the Yugoslav merchant marine possessed 332 ships with an average age of 16.4 years and total gross registered tonnage of 2,458,311, or 3,813,279 DWT, and 19,004 passenger berths.

Survey of Ship Capacity for the Preceding 3 Years

| | Sate of the Fleet | | | Index |
|---|---|---|---|---|
| Description | 1979 | 1980 | 1981 | 1981/80 |
| No. of ships | 339 | 339 | 332 | 97.9 |
| GRT | 2,389,233 | 2,460,240 | 2,458,311 | 99.9 |
| DWT | 3,701,842 | 3,806,421 | 3,813,279 | 100.2 |
| Passenger berths | 17,323 | 18,635 | 19,004 | 102.0 |

This survey indicates that compared to the preceding year, the number of ships in the fleet declined by 2.1 percent, by GRT by 0.1 percent, while by DWT it increased by 0.2 percent and the number of passenger berths grew by 2 percent compared to the previous year.

In 1976 the fleet contained 322 ships, 2,002,230 GRT, 3,059,557 DWT and 17,331 passenger berths. Thus 1981 showed growth in comparison to 1976, as follows:

By the number of ships, by just 3.1 percent
by GRT, by 22.7 percent
by DWT, by 24.6 percent, and
by passenger berths, by 9.6 percent.

These increases in capacity are very modest in comparison to 1976. Yet the most disturbing factor is the age structure of the ships, which has constantly worsened because of the inability to build new ships, so that today we have more than half the fleet consisting of ships older than 15 years (at the end

of 1971 that figure was 38.5 percent, in 1975 it was 47.8 and in 1981, 50.1 percent). That means that the fleet's competitive strength for successful operations is declining, and it has become incapable of visiting certain world ports.

A survey of other elements speaks eloquently of the drastic decline in the amortization capacity of labor organizations in the merchant marine. The insignificant contribution to capital amortization as a ratio of basic capital is very clear, and shows a very worrisome situation, because the funds set aside are below the need for simple maintenance. Thus, for example, in 1974 amortization amounted to 16.1 percent of available basic capital, while 4 years later it was only 3.7 percent and in 1981, 6.4 percent.

The poor amortization record of the merchant marine has led to constantly worsening age structure of the fleet, which hampers operations on world markets, particularly since many countries have adopted regulations against ships entering their ports that are more than 15 years old.

The structure of the fleet by age brackets was as follows:

| Age | No. of Ships | % | Gross Registered Tonnage | % |
|---|---|---|---|---|
| Up to 5 years | 45 | 14.5 | 703,704 | 28.6 |
| 6-10 | 34 | 10.2 | 358,671 | 14.6 |
| 11-15 | 81 | 24.4 | 726,997 | 29.6 |
| 16-20 | 56 | 16.9 | 287,627 | 11.7 |
| 21-25 | 62 | 18.7 | 301,064 | 12.2 |
| 26-30 | 32 | 9.6 | 36,428 | 1.5 |
| Over 30 | 19 | 5.7 | 43,820 | 1.8 |
| Total | 332 | 100.0 | 2,458,311 | 100.0 |

The capacity of ships of less than 11 years of age at the end of 1981 accounted for 43.2 percent of the total merchant marine capacity. In the middle grouping of 11-15 years, at the end of 1981 there was 29.6 percent of total tonnage, while older groups (more than 15 years) still accounted for 27.2 percent of total tonnage.

It is important to stress that the age structure of the ships is becoming worse because of the impossibility of building new ships, so that today we have, as the table shows, more than 50 percent ships 15 years of age or older, and those ships are prohibited from certain ports of the world.

In 1981, according to plan, the merchant marine was to acquire 26 ships. Only 6 were actually acquired, i.e., the plan was only 23 percent fulfilled by the number of ships. Thus the very beginning of realization of the current intermediate plan for 1981-1985 tells us that this plan will experience the same fate as the previous two plans. That was of concern for this branch's

development, for the plan indices are in any case modest in that they foresee that by the end of 1985 the fleet will be enlarged by but 8 percent (taking into consideration obsolescence of ships) by number of ships, with an annual growth rate of only 1.6 percent, which is very modest.

Operating Indicators and Economic Effects

a. Transport of Cargo and Passengers

The total transport volume and the share of individual portions of cargo on Yugoslav ships is shown in the following table, in 1,000 tons.

| (1) Pravac prevoza | 1980. | 1981. | (3) Index | (2) Struktura 1980. | 1981. |
|---|---|---|---|---|---|
| Izvoz (4) | 1.258 | 1.226 | 97 | 5,1 | 4,8 |
| Uvoz (5) | 6.386 | 7.655 | 120 | 25,7 | 30,0 |
| Izvoz + uvoz (6) | 7.644 | 8.881 | 116 | 30,8 | 34,8 |
| Tranzit (7) | 726 | 763 | 104 | 2,9 | 2,9 |
| Ukupno preko naših luka (8) | 8.370 | 9.634 | 115 | 33,7 | 37,7 |
| Među stranim lukama (9) | 14.066 | 13.449 | 96 | 56,7 | 52,6 |
| Ukupno međunarodni prevoz (10) | 22.436 | 23.083 | 103 | 90,4 | 90,3 |
| Razvoz (11) | 2.368 | 2.476 | 105 | 9,6 | 9,7 |
| Ukupno prevoz tereta (12) | 24.804 | 25.559 | 103 | 100,0 | 100,0 |

Key:

1. Direction of shipment
2. Structure
3. Index
4. Export
5. Import
6. Export + Import
7. Transit
8. Total through Yugoslav ports
9. Through foreign ports
10. Total international shipments
11. Distribution
12. Total shipment of cargo

As the above table shows, the total volume of shipments on Yugoslav vessels increased by 3 percent over the previous year. Total international shipments grew by 3 percent, while shipping between domestic ports increased by 5 percent. Export shipments fell by 3 percent, while imports grew by 20 percent, with the share of Yugoslav vessels in our foreign trade increasing by 16 percent. The volume of goods shipped by Yugoslav vessels in transit through Yugoslav ports increased by 4 percent. Taking the overall situation into account, the volume of shipments via Yugoslav ports grew by 15 percent, while the volume through foreign ports fell by 4 percent in comparison with the previous year. In total quantity of goods shipped on Yugoslav vessels, goods from Yugoslav foreign trade accounted for 34.8 percent (compared to 30.8 percent the previous year), while transit goods were 2.9 percent of the total (same as the previous year). Thus the total to and from Yugoslav ports on Yugoslav ships amounted to 37.7 percent (compared to 33.7 percent the previous year) in terms of goods in international trade. Of the total goods shipped between foreign ports, 52.6 percent were shipped (compared to 56.7 percent the previous year). On the basis of this volume of goods in individual shipping directions, international shipping accounted for 90.3 percent (compared to 90.4 percent the previous year) of total cargo carried, and domestic shipping

accounted for the remaining 9.7 percent (compared to 9.6 percent the previous year).

The structure of Yugoslav and foreign ships in Yugoslav foreign trade was as follows:

Table 4

(1) Struktura 100 = Ukupno

| (5) Godina | (2) Izvoz | | | (3) Uvoz | | | (4) Ukupno | | |
|---|---|---|---|---|---|---|---|---|---|
| | (6) Svega | (7) Domaći brodovi | (8) Strani brodovi | (9) Svega | (10) Domaći brodovi | (11) Strani brodovi | (12) Svega | (13) Domaći brodovi | (14) Strani brodovi |
| 1977. | 100 | 33,6 | 66,4 | 100 | 25,7 | 74,3 | 100 | 27,4 | 72,6 |
| 1978. | 100 | 39,2 | 60,8 | 100 | 28,2 | 71,8 | 100 | 30,4 | 69,6 |
| 1979. | 100 | 32,6 | 67,4 | 100 | 26,6 | 73,4 | 100 | 27,6 | 72,4 |
| 1980. | 100 | 32,3 | 67,7 | 100 | 28,3 | 71,7 | 100 | 28,9 | 71,1 |
| 1981. | 100 | 36,7 | 63,3 | 100 | 35,4 | 64,6 | 100 | 35,6 | 64,4 |

Key:

1. Structure totals 100
2. Export
3. Import
4. Total
5. Year
6. In all
7. Domestic ships
8. Foreign ships
9. In all
10. Domestic ships
11. Foreign ships
12. In all
13. Domestic ships
14. Foreign ships

If we analyze the structure of exports and imports over the past 5 years, we can establish that the Yugoslav fleet still has but a modest amount of our foreign trade by maritime routes. In 1981 shipments of Yugoslav foreign trade goods on Yugoslav ships was greater for exports by 10.3 percent compared to the previous year, while for imports there was an increase of 28.2 percent in 1981. The total shipments on Yugoslav ships for exports and imports grew by 25.1 percent compared to 1980, so that in the overall structure the Yugoslav fleet in 1981 had 36.7 percent of the total (compared to 32.3 percent the previous year, with imports at 35.4 percent (28.3 percent the previous year) and in total export-import shipments, 35.6 percent (28.9 percent the previous year). It can be stated that the share of foreign flags in shipping goods of Yugoslav foreign trade continues to be large.

The total volume of passenger travel (according to data of the Federal Statistical Office) is shown in Table 5:

Table 5.

(1) u 000 din

| (2) Vrsta prevoza | 1980. | 1981. | (3) Index | (4) Struktura 1980. | 1981. |
|---|---|---|---|---|---|
| Međunarodni (5) | 144 | 154 | 106,9 | 2,0 | 2,3 |
| Unutrašnji (6) | 7.157 | 6.460 | 90,3 | 98,0 | 97,7 |
| Ukupno (7) | 7.301 | 6.614 | 90,6 | 100,0 | 100,0 |

Key to Table 5:

1. In thousands of dinars
2. Type of travel
3. Index
4. Share
5. International
6. Domestic
7. Total

The total carrying of passengers declined by 9.4 percent; in domestic transportation it fell by 9.7 percent, while in international travel the total grew by 6.9 percent.

b. Convertible Currency Operations

The convertible currency balance of maritime shipping in 1981 is shown in Table 6:

Table 6.

(1) u mil $

| (3) Opis | 1979. | 1980. | 1981. | (2) Index 1980. = 100 1979. | 1981. |
|---|---|---|---|---|---|
| Devizni priliv (4) | 674,8 | 947,3 | 1.011.1 | 71,2 | 106,7 |
| Devizni odliv (5) | 393,4 | 548,4 | 607,1 | 71,7 | 110,7 |
| Neto devizni priliv (6) | 281,4 | 398,9 | 404,0 | 70,5 | 101,3 |
| (7) Stopa deviznih troškova u % | 58,3 | 57,9 | 60,0 | 100,7 | 103,6 |
| (8) Stopa neto deviznog priliva u % | 41,7 | 42,1 | 40,0 | 99,0 | 95,0 |

Key:

1. Millions of dollars
2. Index, 1980 = 100
3. Description
4. Convertible currency income
5. Convertible currency expenditures
6. Net convertible currency income
7. Percentage of convertible currency costs
8. Net percentage of convertible currency income.

From the above it is apparent that the total convertible currency income in 1981 grew by 6.7 percent compared to the previous year, while the convertible currency expenditures grew by 10.7 percent, so that the net convertible currency income was up by only 1.3 percent compared to 1980.

Due to increased convertible currency costs, the rate of net convertible currency income growth was reduced by 5 percent compared to last year.

Convertible currency operations improved in 1981 in spite of reduction and slow renovation of capacities and unfavorable conditions for operations in world maritime markets, i.e., there was a fall in tariffs for all activities, as well as a continued increase in operating expenses, which brought a noticeable increase in convertible currency expenditures.

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YUGOSLAV RAILROADS, CONVERTIBLE CURRENCY DEBTS

Belgrade TRANSPORT in Serbo-Croatian No 7, Jul 82 pp 25-27

[Article by Danilo Fogel]

[Text] How Long Shall We Pay Others' Bills?

The Yugoslav railroads realize a convertible currency income of more than $100 million in the convertible currency market areas. This income is earned on transit passengers and goods shipped over Yugoslav rails.

It is essential to note that this convertible currency income is earned by services offered to foreign users. In contrast to exports of goods, where a convertible currency effect is achieved only when the goods go beyond Yugoslavia's borders, the railroads realize this income when they offer servces to foreign users on Yugoslav territory. This simple truth frequently causes alarm and misunderstanding.

Specifically, there have been attempts to apply the analogy of exporting railroad services to export of goods mechanically. From that it followed that it was normal for the Yugoslav railroads to collect for their services to domestic users on foreign lines in dinars. As will be seen later, this approach had far-reaching negative consequences for the convertible currency position of the Yugoslav railroads.

Directly connected to this is the method for defining the convertible currency expenditures of the Yugoslav railroads. In practice, in addition to expenses connected to shipping, obligations to foreign railroad for transporting Yugoslav passengers and goods on their lines were also counted as part of the Yugoslav railroads' convertible currency expenditures.

If it were a matter of convertible currency expenditures based on costs related to transport, then it should be part of the railroads' load. These expenses include the following elements:

rental fees for using foreign railroad cars;
damage charges;
memberships in international railroad organizations; and
rebates to foreign shippers, etc.

In 1981 the convertible currency expenditures related to transport totaled $111 million.

These expenditures can be affected by the railroad transport organizations; it could even be said that there are significant possibilities for saving convertible exchange. That is particularly true regarding rental of foreign railroad cars. Approval of the Regulation on Obligatory Unloading Time Limits for railroad cars has sharply decreased use of foreign cars. Here are just a few comparisons:

In the first half of 1982 an average of 10,000 cars

In the first half of 1982 an average of 3,500 cars [translator's note: the dates are the same]

During January and February 1982 the Yugoslav railroads had from 500 to 1,500 more cars abroad than there were foreign cars in Yugoslavia.

If we keep in mind that in 1981 we paid $71 million to rent foreign railroad cars, and that we collected $31 million from foreign railroad companies, we can see clearly that there are $40 million in expenses that could be reduced significantly. This expense could even be eliminated entirely, if the railroads would implement the program for acquiring new railroad cars.

It nevertheless should be said that the effect of the Regulation on Unloading and greater efforts by railroad workers have reduced payments to foreign railroads on this basis. That is shown by the following comparative survey:

Expenditures and Income of Renting Railroad Cars (in thousands of dollars)

| | Paid | Collected | Difference | Paid | Collected | Difference |
|---|---|---|---|---|---|---|
| January | 4,560.- | 2,370.- | + 2,190.- | 3,241.- | 2,117.- | +1,124.0 |
| February | 4,929.- | 2,363.- | + 2,566.- | 3,686.- | 2,520.- | +1,166.- |
| March | 7,035.- | 2,822.- | + 4,213.- | 4,194.- | 2,742.- | +1,452.- |
| April | 5,192.- | 2,602.- | + 2,590.- | 2,799.- | 3,540.- | - 741.- |
| May | 4,245.- | 2,089.- | + 2,156.- | 2,114.- | 2,109.- | + 5.- |
| June | 4,549.- | 1,681.- | + 2,868.- | 2,503.- | 1,988.- | + 535.- |
| Totals | 30,510.- | 13,927.- | +16,583.- | 18,537.- | 14,996.- [sic] | +3,541.- |

Thus in 6 months a saving of $13 million was realized. The railroad transportation organizations only enjoyed dinar effects, however, because the convertible currencies were used to pay expenses of shipping on foreign rail routes.

The other part of the convertible currency expenditures, which the Yugoslav National Bank still treats as an obligation of the railroads relates to passengers and goods for import and export that are shipped on foreign railroad routes. In order to perceive the volume and complexity of the problem, one must have the following data in mind:

(Categories of Transportation Service) (in thousands of dollars)

| | 1979 | | 1980 | | 1981 | |
|---|---|---|---|---|---|---|
| | obliga-tion | Net con-vertible currency income | obliga-tion | Net con-vertible currency income | obliga-tion | Net con-vertible currency income |
| passengers | 28,615 | | 25,296 | | 20,773 | |
| goods for export | 86,206 | | 41,291 | | 39,310 | |
| goods for import | 23,735 | | 89,137 | | 81,991 | |
| total | 138,556 | 102,254 | 155,724 | 98,440 | 142,074 | 104.411 |

The years reviewed were not selected at random; rather, it was determined that in 1979, passengers and the economy created greater convertible currency obligations than the total net convertible currency income of the railroads.

Yet this fact in itself would not have led to the situation in which the railroads found themselves regarding payment of debts to foreign railroads. The real problem arose as a result of the closing of the convertible currency market in the spring of 1980.

All Yugoslav users of services on foreign routes paid their fees in dinars. Until the spring of 1980, the railroads could buy the necessary foreign exchange to pay to foreign railroads, to pay off their international credit, buy spare parts, etc. During that period it was of no practical importance that the convertible currency obligations created by passengers and the economy were treated as an expenditure of the railroads.

With the cessation of operations by the convertible currency market, the railroads were put in the position of needing to pay obligations created by others out of their own convertible currency income. And since those obligations were greater than the income, debts to foreign partners began to accumulate, until in June, 1982, the debt reached $55 million.

This indebtedness has negative effects chiefly in two directions:

First, there are warnings and reminders, leading eventually to demands by individual railroads that are creditors, payment of high protracted interest and damage to the high reputation that the Yugoslav railroads enjoy abroad;

Second, the railroad is regarded as the bearer of these debt conventions and, according to the 1982 Law on Handling Convertible Currency, the railroad organizations are generally treated as convertible currency deficit operations. In practical terms, that means that they cannot get approval for using convertible currency to buy spare parts until they pay off these conventional obligations. The degree to which that causes increased immobility of train resources is a theme of its own, which while not the subject of this consideration, nonetheless should not be ignored.

Here we should stress that the Community of Yugoslav Railroads has sought separate solutions for the convertible currency obligations created by passengers and those based on shipments of goods. It is very important to stress that passengers will continue to pay for their tickets on international routes at stations in Yugoslavia in dinars. This is a matter of an international convention that the Federal Executive Council ratified and which it does not intend to revoke. As far as convertible currency obligations based on this are concerned, they should be covered by the self-management interest communities of republics and provinces for economic relations with foreign countries, as stipulated by the Federal Executive Council Resolution of 10 June 1980.

By this we do not want to claim that this means of paying to the railroads is without problems. On the contrary, from 1980 to the present, only the Bosnia and Hercegovina self-management interest community for economic relations with foreign countries has made payments, totaling something more than $1 million.

During the same period, passengers have incurred more than $50 million worth of obligations in this way.

It is important, however, that that will have no impact on the rights of passengers in the future to buy railroad tickets for foreign countries in dinars.

It is, however, realistic to ask whether we should continue to issue return tickets from abroad, since that is not stipulated by the indicated convention. This topic should eventually be considered by the appropriate agency of the Community of Yugoslav Railroads.

In any case, the problem of shipments of goods has much greater dimensions. After the closing of the convertible currency market, the cited Federal Executive Council Resolution (popularly known as "Resolution 704") was approved; it took effect on 10 July 1980.

This Resolution stipulated that users of transportation on foreign routes must pay in dinars for railroad services at the time of dispatch or delivery of cargo. Further, users are obliged within the period of 1 month to pay to the railroads in convertible currency the amount of expenses for transportation on foreign routes, at which time the railroads are to return the corresponding amount in dinars. This complicated manner of payment was stipulated to overcome the legal obstacle that provides that payments between domestic parties may only be made in dinars.

The implementation of this Resolution was not even approximately satisfactory, as seen from the following comparison:

| | |
|---|---|
| Obligations for shipment of goods: | $327,179,000 |
| Paid by users: | 49,355,000 |
| Percentage | 15.09 |

If we consider individual railroad transportation organizations, then we must stress that the best situation regarding convertible currency collections was at the ŽG Ljubljana [Ljubljana Railroad organization], the Railroad Transportation Organization Skopje and the Railroad Transportation Organization Zagreb.

Yet despite energetic measures and great efforts by railroad workers in these organizations as well, they have not succeeded in paying even 25 percent of their total obligations for shipping goods on foreign tracks.

Despite nearly $50 million from users and a portion of the capital held in convertible currency reserves from 1980 until today, a debt of $55 million remains.

During the same period the railroads paid $156 million from their own income for transporting passengers and goods on international routes.

This Resolution was insufficiently effective because it could not foresee the necessary sanctions for failing to honor its provisions, while it made it possible for the railroad stations to negotiate with the users, not to insist vigorously on applying the Resolution. Besides that, the objectively difficult convertible currency situation of most users also promoted neglect of the Resolution. Users were obliged at the time of importing to provide for convertible currency for transportation on foreign routes, but as a rule they used this convertible currency to make purchases abroad. The exporters were also obliged to provide convertible currency for their transportation costs, but in most instances this part of convertible currency income was retained at their labor organization, so that some even collected for incentives based on that portion of income.

The Community of Yugoslav Railroads in the first place insisted on accepting the stand in principle that shipments on foreign routes constituted services of foreign railroads, so that the Yugoslav railroads were merely acting as collecting agents for the foreign provider of services.

At the same time, the Community of Yugoslav Railroads advocated the constitutional and legal right of associated labor on the railroad, within the framework of positive regulations, to possess convertible currency income as an inherent part of its own income. This principle could not be brought to force because the Yugoslav railroads have an "accounts current" relationship with foreign railroad administrations, so that debt payments on the basis of transportation is limited to 80 percent of the total convertible currency income of the Yugoslav railroads. So that there be no misunderstandings, this sort of accounting is carried out on the basis of international conventions, which remain in effect. The problem can be resolved only if the domestic users pay in convertible currency for their shipments on foreign routes.

Therefore, the only way out of this situation would be the approval of a regulation that would create realistic prerequisites whereby everyone would pay their own foreign exchange obligations.

In seeking to find solutions for the convertible currency problems it has encountered, the Community of Yugoslav Railroads has received the full support of the Federal Committee for Transportation and Communications, so that finally the Federal Executive Council approved the "Regulations on Conditions Under Which a Legal Party Can Utilize and Pay for Transportation Services Provided by a Foreign Railroad in International Rail Traffic."

This Regulation finally made official the position that services on foreign tracks are not services of the Yugoslav Railroads. It also prescribed sanctions for failure to abide by it and, which is very important, obligated the National Bank to prepare directions for its implementation.

It remains for the railroad transportation organizations to abide by this Regulation conscientiously, for only in that way can the railroads recover all the rights they should have according to regulations in effect concerning the Yugoslav convertible currency system.

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## BRIEFS

INVESTMENT IN AGRICULTURE--Of the 155 billion dinars which have been planned for investment in agriculture up to 1985, 121 billion are earmarked for fixed assets in the socialized sector of agriculture. According to the draft agreement accepted by the executive council of the Association of Banks of Yugoslavia, banks would invest 48 billion of the 121 billion dinars, or 12 billion dinars annually based on 1980 prices. Priority will be given to credits for basic agricultural production, as well as for the purchase of 250,000 hectares of arable land. [Excerpt] [Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 18 Oct 82 p 29]

SLOVENE-KOSOVO JOINT PROJECTS--Up to now economic enterprises in Slovenia have signed seven self-management agreements with the Kosovo economy valued at more than 1.3 billion dinars. Agreements pertain to the production of electric motors for compressors in Djakovica, the bismuth salt production plant in Prizren, the radiator plant in Gnjilane, the reinforced polyester [products] plant in Podujevo, the insulation materials plant in Pristina, and other projects. These plants will open up about 1,500 new jobs. In addition to examining 38 new ideas for income-linking of the two economies, the meeting on Wednesday of the Slovenian delegation led by Vinko Hafner, and the Kosovo delegation under Ilija Vakic discussed some objective problems and subjective weaknesses which were slowing down the process of pooling labor and resources [of the two areas]. Objective circumstances have brought about the lack of funds, especially foreign exchange, the impossibility of importing raw materials and equipment, etc. The delegations also discussed the position of Slovenian specialists in Kosovo and the approximately 8,000 Albanians working in Slovenia. Additional efforts should be made, it was said, so that these workers become an integral part of the working class of Slovenia, because they are known as valuable and industrious workers yet they feel quite isolated in this area. Slovenian specialists, on the other hand, do not have much interest in going to Kosovo.... [Excerpt] [Zagreb VJESNIK in Serbo-Croatian 28 Oct 82 p 12]

INA OIL PRODUCTION--In November and December more crude oil and oil products will be available than was the case in October, according to Petar Flekovic, president of the INA (Petroleum Industry of Zagreb) business council. Flekovic said INA will process only 306,000 tons in October, instead of the 800,000 tons planned; 260,000 of the 306,000 tons are from its own production, while 46,000 tons are transitional reserves from September imports. In November and December INA will make available 1,170,000 tons of crude oil from its own production

and from imports from the convertible-currency and clearing-account areas, or 90 percent more than that available in October which was the worst month this year. In the first 9 months of this year INA processed 86 percent of its share of Yugoslav oil production, Naftagas of Novi Sad processed 97 percent of its share, and Energopetrol of Sarajevo processed 102 percent of its share. In the last quarter of this year INA will process 81.8 percent of its share, Naftagas 95 percent, and Energoinvest 95 percent of its share. This shows that INA will not meet the plan but this is because the Law on the Obligatory Allocation of Foreign Exchange (whereby INA was to have received 17 percent of the allocation) has not been applied and because of the situation in the Privredna Banka (Economic Bank) of Zagreb. This year INA will process a total of 6,740,000 tons of oil, including 3,046,000 tons from its own sources (45 percent), 2 million tons from USSR (30 percent), and 1.7 million tons from the convertible currency area (25 percent). In November INA is scheduled to get 618,000 tons of crude oil; 35,000 tons by tanker from the USSR about 6 November, another 148,000 tons from the USSR on 15 November, 85,000 tons from Libya in the middle of the month which is being paid in cash, and 90,000 tons by 29 November from Iran based on "kompensacije" [clearing or other payment arrangements]. In addition to this, 260,000 tons of oil will be available from our own sources. [Excerpts] [Zagreb VJESNIK in Serbo-Croatian 30 Oct 82 pp 1, 10]

CROATIAN EMPLOYMENT PLANS--Considering the declining tendency in production, the slowed increase in employment can be expected to continue, so by the end of the year about 100,000 persons are expected to be looking for jobs, 80,000 of which would qualify as definitely unemployed according to the criteria of the Social Agreement on this. Next year a 2-percent increase is planned for employment in the socialized sector, despite all difficulties. This means that about 59,000 workers could be employed (29,000 in newly opened jobs and 30,000 in vacated positions). A somewhat faster increase in employment is expected in the private sector, namely, 4 percent with 3,500 newly employed; but this will still not meet the social plan for the 1981-85 period. In 1983 a total of 62,500 workers are expected to be employed, in addition to about 50,000 seasonal workers. About 172,000 are expected to be seeking work during 1983 (namely, 100,000 unemployed at the end of 1982 and 47,700 youth who will be entering the labor market upon completion of school, as well as 5,000 returnees from abroad, 9,300 who will leave the agricultural sector [and move to cities], and 10,000 from other republics. The planned increase would enable employment of the entire new generation of workers [youth], so about 105,000 [remaining persons] would be registered as unemployed and by the end of the year this figure would be 109,500. Because of reduced investments and problems of work organizations operating with losses, and the lack of rehabilitation programs [for the economy in Croatia], there will be difficulties in employment, despite the fact that there will be a lack of people in certain branches such as the metals industry and shipbuilding. Although 92,490 were unemployed as of the end of August this year (15.2 percent above last August), only 74,798 were considered unemployed according to the criteria of the Social Agreement; 42,140 were seeking work for the first time, 47,680 were female; and 60 percent of the 92,490 were under 25 years of age. [Excerpt] [Zagreb VJESNIK 28 Oct 82 DELEGATSKI VJESNIK supplement p 11]

MORE RAIL PASSENGERS--According to Zivojin Cotic, head of the transport organization service of the Yugoslav Railroad Association, the Yugoslav railroads are expecting that the number of passengers will increase by at least 15 percent, but that the railroads are prepared to accept all passengers even above this expected increase, as a result of the shortage and limits set on consumption of oil derivatives for road vehicle transport. The railroads have already worked out a program for this, he said. It is, above all, necessary that rail car plants and plants for repairing cars speed up production and repairs. An average of 20 to 25 percent of all passenger cars are out of use because of breakdowns, lack of spare parts, etc., but on some days and in certain railroad work organizations as many as 50 percent are out of use. By 1985 600 new passenger cars are planned to be built, but there is little expectation that this will be achieved. Up to now the Zagreb Railroad Transport Enterprise has contracted [to supply] the most cars, namely, 138, and these cars will certainly be delivered to the Yugoslav Railroads. Special groups of workers and specialists are being prepared to handle emergency repair of cars and locomotives; these groups will work as "flying teams," moving throughout the system repairing passenger cars and eliminating the need to send cars to repair plants. There is also the possibility that the West German railroads will lend a large number of passenger cars for international travel [by guest workers] for the upcoming holidays, i.e., Republic Day and New Year, but also because rail passengers are increasing from day to day. It is possible that the West German railroads will ship a certain amount of transit freight on the Yugoslav railroads, making it possible to thus earn foreign exchange from which we could pay for leasing passenger cars. Gotic also said the possibility was being examined of increasing the number of trains capable of transporting automobiles, of which there are now 17 in the whole system. [Excerpt] [Zagreb VJESNIK in Serbo-Croatian 2 Nov 82 p 3]

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END

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# East Europe Report

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2345

FBIS FOREIGN BROADCAST INFORMATION SERVICE

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# EAST EUROPE REPORT

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2345

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CZECHOSLOVAKIA

LER LEADS DISCUSSION ON PLANNING, FORECASTING UNDER SET OF MEASURES

Prague RUDE PRAVO in Czech 19 Oct 82 p 3

[Discussion moderated by Leopold Ler, minister of finance of the CSSR and chairman of the Government Commission for Questions of Planned National Economic Management, and edited for publication by Svatopluk Smutny and Jan Tihlarik: "The Goal Is To Forecast Future Development; A RUDE PRAVO Discussion on the Impact of the Set of Measures on Planning"]

[Text] National economic planning is among the most demanding of activities. For this reason, the Set of Measures for Improving the Planned Management System of the National Economy places greater than normal emphasis on an increase in the quality of all planning processes. Good planning above all presumes a proper understanding of its purpose. A good plan is not merely a list of indicators but rather an educated forecast of future development, the motivation to move forward in national economic development to a certain level in our republic, as well as in relation to Europe and the world, depending on whether one considers the plan for an enterprise, an economic organization, or the state plan. Thoughts along these lines were presented as an introduction to the discussion of the impact of the Set of Measures on planning, which was organized by the editorial offices of RUDE PRAVO.

In addition to comrades Leopold Ler, CSSR minister of finance and chairman of the Government Commission for Questions of Planned National Economic Management, and Vladimir Janza, minister and first deputy chairman of the State Planning Commission, this RUDE PRAVO discussion also included Ludek Blazik, economic secretary to the director of the Brno Smeral Factories, national enterprise; Frantisek Fafejta, manager of the prototype workshop of the Prague Laboratory Instruments, national enterprise; Josef Krepinsky, a foreman of Pardubice Surface Construction, national enterprise; Frantisek Rainberg, director of Pardubice Surface Construction, national enterprise; Vaclav Jelinek, a planner at the Brno Smeral Factories, national enterprise; Richard Kneifel, economic deputy of the director of Prague Laboratory Instruments, national enterprise; and Milan Selucky, manager of the planning division of the Olomouc Sigma VHJ [economic production unit].

[Question] What has changed in the realm of planning?

[Answer] M. Selucky: Even prior to the introduction of the Set of Measures, we had established a pattern of long-term planning at our Sigma concern in the interest of increasing efficiency and quality. We have implemented and are practicing 3-year sliding planning in the fields of production, technology and investment, and within the framework of a knowledge of the tasks dictated by our fundamental objectives. It is important for the coordination and interrelating of projects that we be certain that we are able to assure plan targets. This has proved useful, because the Set of Measures emphasizes long-term planning.

Counterplanning is another area to which we have devoted attention. It is a significant mobilizational element. After initial successes, in terms of the number of organizations which signed up for counterplanning for 1981 and 1982, there is now a dampening of interest. In my view, this is connected with the fact that there are certain risks inherent in the material assurance of tasks in supplier-consumer relations. We are projecting, nevertheless, that roughly half of our enterprises will come up with a counterplan for 1983.

A third point which I would like to emphasize is that we are trying to increase the quality of our planning system not only for our annual and 3-year sliding plans, but also in the integration of everything now in the technical development stage that is destined to be put into production and to have an impact on the raising of qualitative indicators.

Ler: From what our comrade from Sigma has just said, it follows that the proper understanding of planning is not as a list of indicators, methodological guidelines, directives, indices and the like, but as forward movement, as an effort to achieve a higher level at home, in Europe and in the world. This is the way that all managerial employees must understand planning. They must know whom we wish to overtake, whom we wish to pass by. In short, they must see ahead, have their own motivation. It is, therefore, necessary to organize planning activities in such a way that they express the urge to win, over the long term, gold medals at the Brno and other trade fairs, but also to sell effectively both at home and abroad. This is the way things should be everywhere, gradually but as soon as possible. We must also assist in this through compensation, financing, and price policies. But I repeat, planning properly understood is not some kind of rigid approach by the rules, but a forward-moving process demanding foresight and commitment.

F. Rainberg: The Set of Measures has meant great creative problems for us, because we have had to move to a qualitatively different type of planning than in the past. And we are still thinking it out today. Planning in industry and in construction is often equated, and this is a mistake. Construction, basically, is piece work implanted on individual conditions. According to the regulations of the Set of Measures, we are racking our brains as to how to shift to piece work in construction and develop it creatively. There are few sectors where a product is on the drawing board for several years, but this is the case in construction, of where the product itself may be implemented over another several years. We are aware that we have reserves and that we must develop them in the future. But how is one to create reserves when there is no real

long-term capital investment? For us to conscientiously cultivate and utilize our reserves, we would have to know the production program at least 5 years in advance.

I think that the Set of Measures opened up an important opportunity for builders. With certain changes, construction is organized the way it was 30 years ago, even though in the interim it has made a gigantic technical leap.

R. Kneifel: At our firm, the Set of Measures meant a significant stimulus to our approach to planning. I think, however, that the implementation of the Set of Measures is more complex at higher management levels. At the centers, probably not much has changed and they continue to use the index technique. And despite the fact that we provide hundreds, thousands of pieces of information about the firm, this seems little taken into account in the plan breakdown.

Within the firm we supplement tasks with others, discuss them at production conferences, obtain more precise preliminary information. According to this we can, for example, evaluate the contribution of technology and the quality of the efficiency analysis of individual products. The director, the technicians and any manager has these figures at his disposal. The Set of Measures, then, has brought us to the point where we have uniform foundations. We have put our house in order. It has been very successful and has brought about the awakening of considerable initiative at the firm. Our percentage of progressive products is also increasing because we are not missing any deadlines. Because of our cooperation with the Academy of Sciences, our products are technically state of the art, and we are winning gold medals for them at trade fairs.

F. Fafejta: Last year we received a gold medal for the PA 3 polarographic analyzer. Right now in the workshop we are preparing a system for export to the FRG for DM 14,000. We have already provided them with two previous models which are functioning reliably and concerning which there have been no complaints. I want to emphasize that we do not export tons of material, but human labor. Matters are somewhat worse in terms of servicing. Even though we have people ready, some time inevitably passes before they get the needed approvals for travel.

L. Ler: We are doing everything to foster technological development, to increase export performance. Clearly, this also includes service, and it is essential to assure that we can provide it flexibly. A customer is not interested in whether it takes a short or a long time for a service technician to secure travel permission.

R. Kneifel: But at present this takes a long time, and our competition is better prepared in this respect.

L. Ler: Then this must be changed. Certain shortcomings stem from a lack of awareness of what is causing difficulties. Once I was at an enterprise and the director complained that he did not have design engineers because he had received job descriptions for technicoeconomic employees. This is a mistake. We are reducing administrative tasks, but there is no job description for technicoeconomic employees. A contract at the VHJ or ministry simply misunderstood. A director can hire as many design engineers as he wishes.

V. Janza: Both in this discussion and generally as well there has recently been sharper criticism of the plan and of planning. As a professional planner, I do not want to minimize the shortcomings which exist in our work. Certainly in our work, as everywhere else, there are more than a few of them. We are aware of them and are creating the preconditions for their elimination. Perhaps we are not resolving these shortcomings rapidly enough, which is mainly due to the fact that we are struggling against deep-seated practices, routines and habits. To effect change means above all to fight against the stereotyped thinking of people, and this is not always easy. Shortcomings in the planning process, however, must not lead to a negation of the plan and its tasks in a socialist society. The current period, in fact, is demonstrating the advantages of a planned economy, within which we are maintaining control of the complex conditions of economic development without the social disruptions which are normal occurences in Western economies. Criticism of the plan and of planning is not always justified.

The plan is not only a compilation of tasks and constraints, but represents in its entirety a certain direction and objective for economic policy. The achievement of these objectives requires the creation of essential preconditions in the course of the formulation or implementation of economic plans within economic plans within economic organizations. Criticism of the plan is not justified in cases where these preconditions are not created within the responsible economic organization that is arguing the infeasibility of the plan. For example, it is necessary to save fuel and energy and the plan contains tasks of this type. The precondition, let us say, is a certain investment project which, however, the economic organization has not assured. In this case, I consider a criticism of the infeasibility of plan tasks related to fuel and energy conservation to be unjustified, and not only unjustified.

For some time now, we have been speaking of the substantial worsening of the economic conditions for the development of our economy, above all our foreign relationships. Data are well known on the development of world market prices, which have a very unpleasant effect on our economy with its highly developed processing industries. The sole path to a resolution of our problems under these conditions is greater efficiency for our economy, i.e., increased conservation and a higher valuation of raw materials, materials and energy, greater labor productivity, improved capital-asset utilization, the achievement of better price relationships between imports and exports, etc.

We are mastering the above areas gradually and in a planned fashion, even if not always in a way corresponding to the needs of social development. From this viewpoint, plan tasks are uniformly more difficult and complex than in preceding periods. This, however, is not the fault of the plan, but stem from the objective necessity to react, through the plan, to the actual conditions of our economic life, Because these conditions are more demanding, plan tasks must also be more demanding. We cannot only repeat continually "As We Work, So Will We Live," but we must behave this way as well. If the preconditions for maintaining living conditions are more demanding, then we must also be more demanding of the results of our work.

In a market economy, every economic entity must come to terms itself and individually with price increases, with increases in interest rates and credit, with competitive conditions, and the like.

In a planned economy we have the advantage of overcoming difficult conditions which arise with common efforts, implementing strategies through comprehensive measures, adapting the entire economic mechanism to assure plan implementation.

However, the plan cannot resolve the demanding conditions of the world economy with some kind of magic wand, or through nondemanding plan tasks. I also consider criticisms of the plan along these lines as unjustified.

F. Rainberg: I also cannot stand it when general statements are made, when it is said that the plan is bad. Yes, there are mistakes in the plan, but these are caused by the apparatus that exists between upper management and the workplace. We attempt to discover mistakes in time, but many people proclaim numbers to be accurate and are not willing to talk about them. And this attitude damages our common endeavor. It is not easy to recognize an error when an enterprise director receives a plan from the general director. He will not recognize it immediately, but when I give the plan to a foreman he discovers the error within 15 minutes, or the next day at the latest. It is a matter, then of having as few errors as possible.

[Question] Does the new system of indicators emphasize the qualitative aspects of the production process?

[Answer] L. Blazik: The advent of the Set of Measures has changed planning activity considerably, both qualitatively and quantitatively. We formulate a plan that will cover as well as possible marketing requirements, achieve maximum production efficiency, assure wages payable, etc. Then, however, problems occur at the input end. We receive a proper materials balance in the plan, but probelms begin when we want to turn this into commercial contracts. For instance, this year we received a balance of 2,100 tons of castings. However, our supplier only confirmed 930 tons in our contract. An arbitrator then reconfirmed the original request, and the supplier then amended the contract for 1,600 tons. But we still do not know how many we actually will receive. This causes problems for qualitative indicators, because we have piece work. Our plan is worked out so that our production base is utilized as effectively as possinle, but if deliveries are not at planned levels, all of this pl nning will be thwarted.

L. Ler: Factories such as Smeral, or other large factories, must know several years in advance what they will produce, and then work conscientiously to create the material assurance of this output. Production people must be certain that materials have been assured for plan tasks in the appropriate mix, amount, and at the required time. Otherwise unnecessary nervousness arises, huge amounts of energy are wasted and the principal casualty is product quality.

The new commercial code which will take effect next year contains preliminary supplier-consumer contracts. It must be clear among contracting enterprises what each needs and what the other will assure in terms of deliveries, not a year in advance, but for several years in advance. A solution must be sought with sufficient lead time and bilaterally. All of this cannot be resolved through allocations from the center, rather we must give increased jurisdiction and responsibility to VHJ and enterprises. It would be illogical and unworkable

for all shortcomings in materials assurance to be resolved at the center. The center's role must be to eliminate all barriers and to create leeway for the enterprise sphere to operate, but the full assurance of material for production and of specific products for the domestic market is and will continue to be a top priority for enterprises and VHJ.

V. Janza: One cannot think that we will help matters by distributing all details from the center. Only what is produced may be distributed. The resources aspect must be resolved, consistent with an attitude of conservation toward their consumption. To this end it is essential to utilize the plan and the entire economic planning mechanism, including prices, wages and the like. One of the basic tasks of economic organizations is to satisfy national economic requirements for production, which is the essence of economic activity. We are not always aware of this.

V. Jelinek: Our plant was one of the first to start with the Set of Measures, and things worked out wonderfully for us. Everything continues to work well, with the exception of those materials we really have problems with at the workshop level. A large, new piece of machinery will be assembled, for instance, but some tiny part, bars, for instance, will be missing. And then everyone has to run around to try to find it. Or another example. We purchased a very high-performance machine from abroad. It works three shifts, but consumes a lot of accesories, and there are not enough of these. So the machine sometimes stands idle. Once so much money has been spent on a new machine it makes no sense, certainly, to save on accessories. The machine must operate so that it can pay back the money spent on it.

M. Selucky: I think that at Sigma the economic management of the enterprise has learned to work with the new indicators, above all in the qualitative area. And management is aware, when discussing plans, that if resources are committed to investment, then there must be a commensurate return in performance, so that we have something from which to subsidize assets. I must also add that we run into material problems in supplier-consumer relations in our efforts to improve the performance of the critical indicators.

We are thinking about this and searching for a solution. We know the situation in metallurgy allotments and know what we can expect here 4 or 5 years in advance. Therefore, in our capital investment plans we have been directing attention to the modernization and rebuilding of our machinery metallurgy, so that we ourselves create the preconditions for solving a problem whose solution we can expect from no one else. Similarly, with regard to our irrigation stations we cannot expect that our suppliers would cover our requirements for everything that we need. Therefore we are going to produce certain components ourselves, for instance low-tension distribution panels. This is the way, then, that we are approaching the solution to problems, the material assurance of the plan.

I would also like to comment on the change in indicators. For instance, on the fact that gross output is no longer a binding indicator. But there are some employees who have not yet realized this. For instance, in plan preparation for next year at the ministry level one of the great problems in the area of the production plan was that we are not assuring gross production of Kcs 50 million, i.e., 1 percent of total volume.

V. Janza: I agree that there must be a certain division of responsibility in economic management regarding responsibilities and rights. It is a right of a worker to have material and machinery, and it is his responsibility to work conscientiously, honestly and with an eye to conserving materials and energy.

On the question of machinery metallurgy, this has been and remains a perennial problem for us. Are our machines as heavy (or as light) as those of world producers? They are not. Where is the problem? Does lighter construction put the design engineers at risk? It appears that they are not adequately motivated to design lighter machines, because everyone, those who take risks and those who do not wish to, are paid the same. We are forever saying that we must differentiate wages, but they are not being differentiated. If we effectively motivate the design engineers, they will attempt in their work to seek new paths, new solutions, new materials. And then there is yet another reason why there are difficulties in machine metallurgy. Because it is undesirable from a price viewpoint, every enterprise with these facilities supplies primarily itself; it is of no interest to them to supply others. And finally, there are also underutilized facilities in machinery metallurgy because, so it goes, there are no people. Why? Is it not sufficiently in their material interest, i.e., in terms of relative wages? In short, in the area of machinery metallurgy it is not enough simply to set up a plan and then wait until it will function on its own. Attention must be paid to the relationships which exist here, and whether they are advantageous or disadvantageous.

And finally regarding indicators. I don't want to believe that someone would still have the gall today to argue in terms of gross production.

L. Ler: We know that the Set of Measures brought about a very significant change in the system of indicators. We want new, technically advanced products, top-quality products, a return on capital assets, labor productivity from labor value added, etc. Certain managerial employees have not yet fully comprehended this change, and therefore we still encounter here and there the concept of gr- , production. However, we will have to take an increasing interest not only in how much we produce but also in what we produce and, mainly, the efficiency with which we export these products and conduct ourselves in world markets. ne battle for people's thinking continues.

[Question] Does an enterprise have the opportunity to form reserves for itself?

[Answer] F. Rainberg: The plan which an enterprise follows must establish the systematic character of future development and the opportunity to form reserves in a planned way. Structural planning is the solution for us, so that we can create an awarer ss of design, technology, the economy, management, social and personnel policies, etc. This requires that there be a system of normative reference points. Our firm has set out on the path of strict internal enterprise khozraschet. We have 85 khozraschet centers at the firm, and every center knows what it is supposed to do. This has contributed to a situation in which qualitative indicators have been reconsidered and the thoughts of the people at these khozraschet centers reoriented to performance and efficiency, and especially toward profit, productivity, adjusted value added, wages, etc.

From the system of normative reference points, it is possible to conclude in what areas the enterprise is above average and in what areas below average, which leads to a conclusion regarding reserve creation. If the firm is below average in some areas, technical development, technology and management organizational techniques must be applied to these areas. However, in most instances this is not the course of events, and reserve creation is quite haphazard. Moreover, one must be aware that reserves cannot be created on a year to year basis. But there is one more matter that intrudes into production for us, builders, throughout the year. There is a constant line in front of our doors of investors who have just received their investment limits, and someone is constantly interceding on their behalf. At the same time we have 550 unfinished projects, one for every 4 workers. We need at least 10 workers per project, however. Am I then to stop work on 320 projects? This is a barrier that we cannot get over.

R. Kneifel: In the Seventh 5-Year Plan we have shifted to 3-year planning, and this has given us the opportunity to get to know product mix requirements, the projected labor intensiveness and complexity of products, and enabled us to work conceptually and in a long-range way. In the past decade, we have had a growth rate of 8-10 percent annually. But our subcontractors have another rate and are not meeting our needs. In this sense they are drawing down our reserves.

Another issue is reserve formation in the superenterprise sphere. I am not opposed to such reserves, but I do favor their appropriateness. If a sector creates reserves and a VHJ also creates reserves, no reserves will be left for the enterprise. Put another way, if a decision is made in the upper echelons that materials costs must decrease by 1 percent, then we receive a request for a 4 percent decrease. A situation results which we cannot control, and we document why we cannot, but neither the VHJ or the supervisory organ has to justify why they broke down the task in that way. There must be reserves, but the question remains: where and of what magnitude.

F. Fafejta: At the workshop level we receive minimal reserves. But we know that in every workshop some reserves can appear, whether through management or in some other way. But sometimes we lose them as well. For example, we develop a piece of equipment and set up the requisites for production. Only we fail to obtain a component base from domestic production, so we must look to imports. But this creates two sets of prerequisites, namely our own and the imported component base. And I am not sure if it is advantageous for our national economy to export a quality component base when its production will not be adequate even for our needs and must be replaced with imports.

L. Ler: I would like to make an important remark here. If instruments are of world-class quality then they should be placed on world markets so that, on the other hand, we can leave other outstanding and necessary products, especially in the area of instruments and tools, for our own use. We must not only export but also import certain products, even though we would be able to produce them ourselves, in cases where foreign exchange is effective. Ministries, VHJ, production enterprises, but also foreign-trade enterprises should be able to combine these two facets so as to create the greatest degree of utility for our national economy.

F. Fafejta: Our enterprise exports more than half of its production to the socialist countries, primarily the USSR. For nonsocialist markets our export plan is not as large, but it is still five times as great as last year. We want, however, to come to terms with this. I think that we can be proud of what we have accomplished. We have signed a contract with a nonsocialist customer for deliveries of our products over a 5-year period.

V. Janza: I think that you have a good enterprise, but your exports could, really, be higher. A foreign-trade enterprise, however, should also play a role in this.

J. Krepinsky: At our construction site we fulfilled the material target of this year's plan a month ahead of time. A foreman must be able to plan work, and if he can, then he can also create reserves within a job. Certain types of work are paid better, others less well. The foreman, then, must know how to organize things so that everything works out.

L. Ler: Why does one center fulfill the plan, and another fail to?

J. Krepinsky: I think that this depends on the organization of work and the movement of materials. Construction is especially demanding in this regard. I am in a position to judge, since I have been working at this enterprise for 22 years. Every center has different conditions. But they must, somehow, be made to fall together.

F. Rainberg: I would like to make this more precise. We must take resources and facilities from less important projects and concentrate them on those projects considered binding targets of the state plan. This also plays a role in determining which centers lead in plan fulfillment.

V. Jelinek: A workshop will receive the task of producing a certain machine. Everything will be calculated to do this, but then something will be missing from the requirements, and we are in the position of making up for someone else's error. Or we will have a standard based on a modern turning technique, but the machinery will break down, forcing us to use the old knives. So instead of 5 standard hours a job will take 7 hours, and again something has to be made up.

M. Selucky: In the planning system, we specify objectives both at the technical department of the general directorate and at the technical departments of our enterprises. We want them to know what contribution the technical intelligentsia is supposed to be making to plan implementation. Technical development must play a 60-70 percent role from year to year in the implementation of established targets. Technical divisions assure a reduction in direct costs and product innovations which contribute preferential pricing treatment to plan implementation.

Established tasks must, clearly, be supported with concrete measures. It is, however, necessary to overcome certain problems. We consider the first of these to be a concentration of investment resource. For product innovations we also need innovative technology. So we have introduced a list of developmental and

rationalization projects on which we are concentrating uniformly 70 percent of our resources. The second problem is in the area of economic incentives. Our general director once announced at a conference with the enterprise directors that he would pay topnotch design engineers and technicians. But he received very few suggestions on this from the enterprises. And of course this is not a matter of inclusion in a category based on wages, but a solution in the form of targeted bonuses for specific working groups.

F. Rainberg: As builders, we are great consumers of technical development from other sectors of the national economy. We posed ourselves the question of how technical development could become the focus of the construction plan. I will share only my view, that technical development should increase efficiency and reduce construction schedules. And what is the reality? Concretely, in our sector technical development accounts for 60 percent of performance and for only 40 percent of efficiency. That is too little. We run up against a shortage of people who are motivated by the thought of technical development. And when someone is not excited about something, he has a hard time creating and implementing it.

We have gotten ourselves in a situation where technical development occupies rather the weaker places in a plan, whereas it should infuse the entire process of plan formulation. To change this will require a little work still, but mainly some thinking. Then we also see that technical development comes into conflict with prices. Let us say, for example, that there has been a shift to new standards for apartment heating systems. We will then be producing a new product, but not for a new price, although this is the custom in industry. I want only to call attention to the fact that an innovative product in construction does not have a hope of being granted a price change.

And regarding completion schedules. There has been immense technical development in the area of apartment construction. This is because significant investments had been made in the implementation of technical development that have now begun to bear fruit. Public construction projects are also proceeding smoothly. There have also been significant technical developments in this field that are showing their first results. Prefabrication, however, is not proving as desirable for industrial construction as it has in housing, so construction schedules are not shortening by as much in this area.

V. Janza: If new construction starts are to be limited, thereby limiting incomplete projects, then why are new projects being included in the plan with the agreement of the construction firm? What is the motivation of the director of a construction firm for taking on such a task?

F. Rainberg: We defend ourselves on this every day, as yet without success. Besides Prague, we are active in five Eastern Bohemian districts. How am I to explain to them that we cannot build any more in their area when, for instance, enterprise directors from local industry convince me that it is right at their construction project and if it were to be included in the plan, that an immense technical step forward for society will be made. The last word about the inclusion of a given project in the production plan of our enterprise belongs to supervisory organs in any event.

R. Kneifel: We have a large technical base, but there are enterprises that do not have such a base and, therefore, are dependent on research institutes. They produce obsolete products and cannot get to newer ones. We give other enterprises an interesting production program worth Kcs 20 million. I think that we can do this because our people are motivated by technical development. If a product receives a gold medal at a trade fair, the collective which created it receives a large, special bonus. Such collectives try to be productive. For this reason, we have an annual increase in the number of new products of high quality and a high level of technical sophistication. We are part of a merged socialist commitment to the linking of science with production which came about at the suggestion of the Prague Urban Party Committee. It is proving itself, because it really is leading to a shortening of completion schedules.

L. Blazik: When we joined the experiment in 1978, we did not have a single technically progressive product. This year we have reached a point where 80 percent of our new forming machines are top-quality products, with more than half of them also classified as technically progressive. And from this, of course, advantages flow to us in the form preferential pricing treatment and contributions to the economic incentives fund.

Technical development is now being reoriented to automatic forming machines, where we have a kilogram price two or three times higher than contemporary production. Automatic forming machines received a gold medal at the trade fair for technical progressivity, but requests for them are not pouring in. So we are asking ourselves the question: Why this is?

L. Ler: As the CPCZ Central Committee general secretary, Comrade Gustav Husak, emphasized at the Third SSM [Union of Socialist Youth] Congress, we are carrying out, and will continue to carry out effective measures throughout the management mechanism in order to speed up technical development.

No managerial employee can remain indifferent to that which creates economic performance for him, whether this be routine production or new, progressive production. The compensation and evaluation of the director of every organization must depend on his success in implementing the startup of new technology. We must work toward creating a situation in which production will be impossible without new technology.

We have, therefore, intensified the principles of the Set of Measures, and their efficiency in speeding up scientific-technical development is being verified in practice. The objective of the new principles is to assure that scientific-technical progress be evident in the saving of materials, in reduced labor inputs into production, in increased profits and efficiency of foreign exchanges, in short to assure that it becomes the focus of planning and the decisive factor in the development of production and its effectiveness. Additional measures must assist in this as well. These include a strengthening of the compensation system for creative employees, those who assure significant contributions to our national economy, in the sense of creating for them the best possible working conditions and freeing them from nonessential administrative requirements.

Planning is one of the most significant functions of management activity. This is particularly true for our socialist national economy, for which the plan is the primary instrument. For this reason, every effort to increase the sophistication of managerial work must necessarily begin with the improvement of planning, because this is the beginning of the alphabet, from which everything else evolves.

To plan well is an art as well as a science. This applies not only to such significant documents of nationwide importance as the 5-year plan or the annual implementation plan, but also to the plan of the smallest workplace. Understandably, between different types of plans there exist differing degrees of rigor, and greater or lesser degrees of detail. However, the creation of no plan may be approached formalistically, by depending solely on routine, or by making the task easier with techniques which have nothing in common with well thought-out planning.

The Set of Measures for Improving the Planned Management System of the National Economy has injected new, more rigorous demands into the planning process. These have not been perfectly mastered everywhere, and a more thoroughly formulated plan has not become everywhere an effective instrument for increasing performance, efficiency, labor quality, for intensifying managerial effectiveness, or for improving the satisfaction of social needs. Certain shortcomings continue to persist at various levels of planning activity. It is essential to eliminate these thoroughly.

Our discussion has contained many suggestive comments on these themes. Above all, it is necessary to emphasize the thought that a plan cannot be understood merely as a set of indicators, norms, or even indices, but primarily as the motivation for national economic development, for an increase in economic efficiency. It is of great importance to view the plan as an objective of common efforts, as a guideline for social development, to see in it a path the travelability of which must be comprehensively assured.

The plan must express the forward movement of the entire national economy so that its performance under given conditions satisfy as well as possible the needs of society. It is then necessary, during the implementation period, to struggle firmly for such a plan, to concentrate all abilities, strengths and resources on its fulfillment. The plan is a prototype of the future life of society.

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## ANXIETIES ABOUT ECONOMIC FUTURE, MEASURES FOR IMPROVEMENT DISCUSSED

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[Article by Andras Tabori, deputy editor-in-chief of MAGYAR HIRLAP: "Speaking Openly--About Anxieties and Ways Out"]

[Text] It is not our intention to be reassuring. There would be reason for it, but it would not suit the nature of our policy or its customs. A soothing and reassuring arrangement of the facts is not worthy for a man of action; he deserves to know the whole situation, to see through the processes, to be spoken to frankly. Rational, useful action can come only in the wake of a realistic view and trust. The historic experience of our policy is summed up in all this.

Today, however, it is much more difficult to apply this experience than it was earlier, in a period of dynamic development. The conditions for a full understanding have entered new dimensions so that it may appear as if the ability to form relationships fell entirely outside of one's abilities--even though, as producer and consumer, he directly feels the effects of the changes in these realtionships. How is a man ready for action to deal with such global concepts--embracing the country and world, and far from him--as balance, crisis and solvency?

In this article we would like to clarify the close interdependency between personal action and the "relationships" which seem abstractly professional and incomprehensibly complex. We should quote the lines of Marx as our motto: "Just as the medical wonder workers and miracle cures are rooted in a non-recognition of the laws of the natural world so the social wonder workers and miracle cures are rooted in non-recognition of the laws of the social world...." (Works of Marx and Engels, Volume 3, Budapest 1976, page 532.)

If we give open answers to the new questions of our day, it will appear more clearly that there is cause for neither fear or resignation, for neither illusions or fatalism. We should neither over-value nor underestimate our accomplishments or our difficulties. The chances for a solution of our problems will appear more clearly if we avoid despair, and the expectation of miracles as well.

Many, with reason, compare the world-wide crisis to the economic cataclysm of 1929. The report, at the beginning of September, of the General Agreement on Tariffs and Trade (GATT) paints a dramatic picture, pointing out that "world trade shows dangerous parallels with the great depression of the 1930's; the international banking system is in ever greater danger; protectionism is taking on ever greater dimensions." And the bare facts do not at all mitigate this diagnosis. The production of the so-called OECD countries, gathering together the developed capitalist countries, stagnated in 1980-1981, while personal consumption increased minimally and, indeed, decreased in the majority of the countries. Inflation again approached the crisis level of the first half of the 1970's. In December of last year, unemployment in Belgium exceeded 11 percent, exceeded 12 percent in England and approached 10 percent in the United States--with an increasing trend. The payments situation of the OECD countries deteriorated; according to combined data their current payments balances closed with a deficit of 35 billion dollars in 1979 and 63 billion dollars in 1981. And the news agencies--especially in the second half of 1982--were giving more and more reports of the fevered pulse of the economy. Let us cite only one characteristic report from the world dossier, one concerning that country which has become justly legendary on the basis of its economic capacity and flexibility: "The Japanese economy is facing a financial emergency," the prime minister of the island country announced in a televised press conference in the middle of September. He added that the debts of the government were increasing, its receipts decreasing, and he asked the populace of the country to share in bearing the burdens.

How should we interpret these facts from the Hungarian perspective? If we do not recoil from the logic of the conclusions we must put some sharp questions. For example, if such a profound economic crisis is shaking the world, why should we assume the effects thereof; why the openness, if we must prepare to accept such effects?

But this is a purely logical consideration. In practice there is no such question. Isolation is not the alternative to openness; the alternative is a serious decline, unmeasurable in its effects. Not only because the age in which we live is characterized by a world-wide interweaving of the economy and the mutual dependency of processes. And not only because the productive forces of a small country which has entered the stage of intensification can isolate themselves only at the terrible price of deficits and obsolescence and the chaotic consequences thereof--and could do even this only hypothetically, because in reality the economy would collapse if it erred onto such a path.

In reality, something different and something more is involved. Knowledgable experts are saying ever more convincingly, citing many centuries of history as a witness, that the price revolution in which we have been living for almost a decade already can be compared only to the epochal turning points of history. Mankind has faced price revolutions only rarely. Following the discovery of America, with the sudden influx of precious metals; in the age of the industrial revolution; and now, for the third time. So the change is not temporary, is not reversible, is not just an episode in the course of history.

On the contrary, values and institutions, structures and performance are now assuming new magnitudes; there is no corner of the world which can save itself by isolating itself from this process. And there is no appeal when the age passes judgment on the performance of men and nations.

So the change of epoch which has rushed onto the stage of history with the strengthening storms of crisis, in the years of generations now living, offers no other choice: We must meet the challenge.

One of the chief anxieties of our public opinion today is: What are our changes, indeed do we have any chance of staying on our feet, preserving our place, developing?

A review of the historic courses of the recent past is indispensable for a convincing answer. As is well known, our payments balance was essentially balanced in 1973, the reform of guidance had begun successfully and was serving as an incentive for the economy. But the consequences of the shock waves of the price explosion affected us with a seriousness unparalleled in history. From one year to the next the international value of our work plunged by one fifth, and the adjustment to the new situation--as we now know--was delayed. The 23 June 1982 resolution of the Central Committee summed up the experiences of this period as follows: "In 1974-1975 we had not yet recognized the economic policy tasks deriving from the new world economic situation. Our economic policy reflected the presumption that the foreign economic conditions unfavorable for us would last for a longer time, but that the magnitude of the deterioration in the terms of trade was temporary, that our losses would not increase but would decrease. This was the basis of the economic policy goal of adapting to the changed circumstances together with a swift growth in production similar to the earlier one, and increasing the standard of living to the degree planned earlier. This goal proved to be unrealizable, and it resulted in a significant deterioration of our foreign economic balance situation."

Expressed in forints, this means that between 1973 and 1981 the country suffered a price deficit of 330 billion forints, and this exceeds one half of the national income we produced last year. We used up more than the new value produced; we invested more and lived better than our real possibilities would permit. We covered the difference with credits deriving from the national income of other countries. The economic policy adopted by the Central Committee in December 1978 and confirmed by the 12th congress put a brake on this process and turned it in a new direction.

The resolution of the congress put two priorities in the front rank of economic policy--creating a balance and preserving the standard of living--and citing these well known facts is indispensable for an analysis of the present situation because execution of the resolution brought extraordinarily significant results. Comrade Ferenc Havasi, in a speech opening the school year at the Economic Sciences University, summarized these achievements as follows: "We succeeded in slowing, and then halting, the process of foreign indebtedness; our outstanding debts did not increase but remained constant, and have decreased somewhat since the end of 1981. Since 1981 our capitalist foreign trade balance came into essential balance....We preserved the solvency of the country and the trust of our creditors,... although in these years our interest burdens alone reached the annual dollar value of our capitalist export of 10 years ago."

Well, if our achievements are so considerable, if we succeeded in making progress in improving the balance with such swift strides, then what happened in 1982, especially in the middle of the year? Why has a new goal appeared--as if as a synonym for the balance--that of preserving our solvency?

Behind this decision an entire series of tightening measures--taken while carrying out the annual plan--indicate that in many respects we came to face a new situation. It is well known that these measures moderated the flow of purchasing power, primarily in the area of accumulation but also in the area of personal consumption. Consumer prices were increased in August; the forint was devalued by 7 percent as compared to convertible currencies; investment credits were reduced; interest rates were increased; and stockpile management was tightened up. All this together served the goal of regrouping an even greater proportion than planned of our goods in order to improve the payments balance.

The new situation can be attributed in part to external causes, but also in part to internal ones.

To put it succinctly, the essence of the external causes is: our burdens in servicing the debt will be especially considerable this year and in the years just ahead, at a time when there is a credit embargo against the socialist countries--seriously disturbing international financial contacts. In addition to the politically motivated discrimination against the socialist countries it also adds to our burdens that real interest rates are extraordinarily high, in a money market situation reflecting the interests of the United States. Looking at it more closely, servicing a debt (which means in part repayment of capital and in part the payment of interest) would presume, in the traditional system of international financial contacts, that we could cover repayment on a schedule adjusted to our possibilities from our profits and from new credits. If the latter possibility is limited it means, in essence, that we can maintain solvency only from domestic sources. Thus--although we originally counted on a significantly positive foreign trade balance only by the end of the Sixth 5-Year Plan--the new situation, deviating from the annual plan, demands that we achieve a considerable trade surplus this year. In a paradoxical manner our problems are compounded by the fact that oil prices are falling on the capitalist world market. Because this means that the oil producing countries are withdrawing their foreign exchange reserves from the banks of other countries to make current payments.

Analyzing the background of our problems it would be easy, naturally, to refer only to processes arriving from beyond our borders. But this would be only half of the truth which can be turned to our profit.

The significant achievements of recent years also call attention to our great reserves. The halting and turning around of negative processes since 1979 derived two thirds from a re-regulation of distribution and only one third from production achievements! But for Marxists it is hardly a new discovery that a lasting solution can be achieved only with the achievements of production.

The facts show, however, that we certainly did not realize this in recent years. Let us look more closely, for example, at our chief reserves, at the facts referring to the efficiency of management. Efficiency expresses in a summary way the resources used in production, the changes in live work and assets expenditures. The statistics covering the period between 1979 and 1981 indicate that in these 3 years the combined volume of live and embodied work increased by an annual average of 0.9 percent while production increased by an annual average of one percent, through use of these resources in material production. Comparing these two figures indicates that in this period the efficiency of production hardly changed, in essence did not change at all.

Or let us look at the other management goal--no less emphasized--which linked an improvement in efficiency with an improvement in the competitiveness or modernness of products, with an acceleration of change in the product structure. The process (for many reasons which cannot be detailed here) is unfolding extraordinarily slowly as a whole, and not without some reversals. In the state machine industry, for example, the number of new products decreased between 1978 and 1980; in 1980 they began production of 474 new products, which is only about half of the novelty ratio of the 1960's. Marketing data for the machine industry reflect a similar situation. Between 1978 and 1980 the ratio of products 3 years old or younger declined in every sub-branch (with the exception of signal and vacuum technology and the mass metal goods industry). These are alarming phenomena.

We do have initial achievements in reducing material use, primarily in industry. Largely under the pressure of increasing prices the magnitude of material demand moderated by 1.4 percent between 1978 and 1981, and this meant a saving of about 10 billion forints. But we can regard this as only a modest if reassuring beginning.

We must formulate in an unambiguous way the conclusions deriving from this: We cannot solve our problems--at most we can ease them momentarily--with any sort of distribution severity or financial maneuver if we do not see to a discovery of the reserves of management, if structural change, efficiency, does not improve even amidst the difficult management circumstances deriving from our organizational and regulatory weaknesses.

In enterprise circles they may frequently complain about the severity of regulation, but the facts show that even now we largely lack the economic constraints that would transmit to every enterprise the realities of the country. The truth is that even today regulation protects the enterprises more often than it should--protects them against the consequences of their own errors and lack of organization. And all this is done, for the most part, citing the "protection of the workers," although it hardly needs proving that now the fundamental interest, preceding every partial interest, is to improve the efficiency of management, to create, by rational use of our resources, the conditions not only for the preservation of solvency but also for development, for the prosperity of the country.

The laxness of economic constraint takes many concrete forms in practice. The price system, for example, still does not transmit the foreign market effects with unambiguous consistency; in many industrial enterprises internal interests and organizational confusion hold back a more purposeful organization of work processes and distribution according to performance.

Have we any other choice than to face the world market challenge? We do not, but first of all this forces us to face ourselves, our errors and our neglected opportunities, which can still be turned to our profit.

External crisis effects primarily, but internal causes as well, indicate the sharpening of this process. The question of how to handle the crisis obviously follows from this. To put it differently, how should we interpret, in what way should we integrate into our institutional structure, how should we adapt to the traditional methods of our policy the requirement that we must neutralize the crisis effects?

In June 1982 the Central Committee answered the question with great political responsibility. The resolution judged it important to stipulate: "It is necessary to have in operation an auxiliary mechanism which will ensure the ability to function and the possibility of effective solutions in the lasting or explosive foreign market booms or recessions alike."

An entire series of decisions in the past few months show that such an "auxiliary mechanism" is functioning. Let us mention only one, very essential element of this system. It is well known that the government of the Hungarian People's Republic--in accordance with the system set down in the basic document of the GATT according to which a balance of payments deficit and the danger of a reduction in foreign exchange reserves can justify import limitations--announced that it was temporarily forced to implement such limitations. It should be recognized that a rational, well thought out replacement of imports offers great social advantages, but a forced limit on imports can also cause disadvantages and losses. There can be no doubt that imposing quotas on imports may be less sensitive to the shadings of demand, and if it is insensitive to it here and there this could have a ripple effect, and could lead to negative consequences.

A forced measure--and countries much richer than we have done and are doing similar things today--reckons with the advantages and disadvantages in such a way as not to make a virtue of necessity. Responsible leadership, a responsible government, naturally may be forced to make decisions which are short-term solutions, hoping to optimize the accompanying disadvantages which can be calculated. But our leadership, our government, does not claim for one moment that the "auxiliary mechanism" can take the place of or even constitute a development of the institutionalized mechanism.

We thus come to the especially frequently formulated question of our current public anxieties, a question deriving from an affinity to our policy and from social responsibility: What happens to the reform amidst such circumstances? What seems to motivate the anxiety is not only that people fear for the policy as a whole, rather they are anxious for the economic policy achievements of this policy, for an economic guidance system which has been functioning successfully for almost 15 years (and the achievements of which can be seen so unambiguously just in the current sharpened situation) and for all that which it has produced already in our whole social life.

The answer we can give to this sympathetic anxiety derives from the essence of the policy of our party, from the fact that this party has won, and wins day by day, the trust of the masses because and by virtue of the fact that it has no intention of saying things beautiful and reassuring in place of telling the truth. If it is forced, temporarily, to judge the functioning of an "auxiliary mechanism" to be in the interest of the socialist present and future then, on the one hand, it says so openly and, on the other hand, it really does think of and intend its measures to be " auxiliary," "of an emergency character" and temporary. Let us quote the words of comrade Gyorgy Lazar: "Even in the present, economically difficult period, when the situation justifies the application of temporary, emergency solutions, and we have no reason not to say that such things have happened and may happen in the future also, still our chief aspiration remains a further implementation of the reform, an ever fuller unfolding of enterprise independence together with an improvement of the efficiency of central guidance."

Economic reform, as the anxieties of today show so clearly, is built into the awareness and value system of the nation. And this is an historic achievement, because today, for the first time in the history of our nation, we are realizing a reform process, guided from above and supported by the masses, which is being realized not despite the revolution or with the intention of weakening the effects of the revolution, but rather as a continuation of the revolution with new tools. Carrying forward the revolution by means of reforms became possible because, as a result of the revolutionary process, the bases of the socialist order, and the corresponding property relationships and social structure, have come into being and been consolidated already. The reform is a continuation of the revolution because and in the sense that from time to time it is possible to create an ever new harmony between productive forces and production relationships, between the economic base and the superstructure, at a higher level, at the intersections of development, with its own unique tools. This is how it was for us in the late 1960's, when the condition of the productive forces demanded the working out and introduction of the economic guidance conditions for intensification and the spread of socialist democratism. And this is how it is today also, when, inspired and constrained by the new external and internal circumstances, a continuation of the reform is on the agenda, in the economic and social sphere alike.

Let us continue the list of anxious questions with this: What will happen with the standard of living? This is an everyday question being asked by the masses: In this new situation, will we maintain, can we maintain, the goal formulated at the congress, preserving the standard of living?

We already noted that in the years following the 1973 price explosion a definite over-distribution developed in the country, based largely on credit resources. Personal consumption in the decade behind us exceeded by a good bit the level which could be calculated from our national performance, from an international comparison of our productivity. Real income, taking 1970 as 100, rose to 136.6 percent in 1980 while the real value of social allotments increased to 196 percent. As we have recalled, all this was being paid in advance, partly by borrowing from the performance of other nations. This is not a post facto demanding of an account in regard to the current consequences of earlier decisions, but it is a fact with which we must realistically

reckon. And a realistic accounting means that we should preserve the standard of living which developed in this way, based in part on an advance payment, and we do have a way to carry out this formidable task.

Just as we have re-evaluated the consequences of the price explosion, of the effects of the change of epoch, so must we now deal unrelentingly with any new over-distribution or advance payment. In addition to the great achievements piled up, just such relative over-distribution tendencies burden the performance balance of the past 3-4 years. Let us look at a few facts. In 1980, when national income fell below the planned level by about 4 percent and the number of employed persons remained one percent below the plan, average earnings exceeded the prescription by one percent. In 1981 incomes again increased more quickly than planned, by 1.5 percent. (It followed from this that the financial situation of the enterprises developed more favorably than that of the national economy, so that the balance problems fell largely on the budget.)

All this is part of the complete picture, and this explains why it became necessary, this year, in the middle of the year, to adjust the situation from the side of incomes, ahead of time and strictly to the planned degree. This also led to the forced decision, deviating from earlier practice, not to compensate even the low income strata for the August price increases--with the exception of 40 forints for those with the smallest pensions.

The distribution relationships of the past few years--as the relative over-distribution itself suggests--were adjusted to the congress goal and did meet the great task of preserving the standard of living. Hereafter, the way to realize the goal of "preservation" will be to exploit the great reserves of management, efficient use of materials and energy, the possibilities offered by work organization and factory organization, and increasing performance as measured by international standards.

Many ask, and the commitment behind the question merits special attention and respect: Will the resolution of the 12th congress be fulfilled, can it be fulfilled, in the new situation?

The following succinct quotation well illustrates the spirit and essence of the congress resolution: "Starting from the actual situation and adjusting to the long-range goals and the changing circumstances, our economic policy in the period of the Sixth 5-Year Plan must ensure the planned development of the national economy."

Is this formulation excessively broad? Does it indicate only our present tasks, and does not their "incorporation" into the resolution seem a bit artificial, and after-the-fact logical operation? Is this not a play with words to make it appear that our current decisions can be derived from these comprehensive goal designations?

First of all let us recall that the dialectical linking of "long-range goals" and "changing circumstances" in the resolution reflects the historical experiences of the party. There was a time when development was not adjusted

to changing circumstances, and thus it approached the long-range goals imprecisely. It follows from this that now--and this means the situation which has developed in the concluding months of 1982--we can approach the long-range goals only if we make hard decisions, expressing the chief goals even in their temporariness, to preserve our solvency. Preserving solvency is the first priority task today; it means a defense of our national economy and socialist system.

The congress resolution is being fulfilled even if look at matters from a more immediate and more practical viewpoint; even if the resolutions are being fulfilled in principle and in essence, even if the magnitudes and ratios may change.

For example, it continues to be our aspiration to use the few material resources at our disposal primarily to improve the situation of the lower income strata, that of pensioners under 2,000 forints, that of families with several children, and, introducing a new scholarship system, that of young intellectuals starting their careers. It is a reflection of our congress principles that, continuing our quarter century traditions and even amidst the hard circumstances, we have not given up having domestic supply enjoy priority in the marketing of products. The realization of this intention is not at all some sort of concession, a patriarchal largess offered to society. It is true that public supply is an important factor influencing the public mood and thus merits great attention. But another factor in this intention is the recognition that it is an economic incentive if incomes can be spent continuously and reliably; more precisely, it could frustrate every other incentive if material rewards could not be exchanged for goods at the shop counter.

It corresponds to the spirit of the congress resolution that--although we are reducing social public expenditures--we began by reducing office personnel and with a more rational organization of research institutes while carrying out the social programs, developing educational and health services and turning more than before to such purposes even despite the more difficult circumstances.

We might list here our unchanged commitment to maintaining full employment, although this will not be a simple task--with the indispensible acceleration of structural change and especially with a more vigorous limitation on deficit activities.

An especially important aspiration is the closer link between performance and income--in the area of enterprise incomes and personal incomes alike. This presumes a much more consistent realization of distribution according to work. It is a dangerous sign that even amidst our sharpening problems there has been a trend toward leveling, independent of performance. Wage differences have narrowed in the past 2 years. In the enterprise sphere, 16 enterprises studied, which achieved decreasing or at most unchanged profits last year, raised wages by 6.6-7.6 percent while those enterprises which increased their performance with striking dynamism, by 40 or more percent in one year,

could, for the most part, exceed the average wage development level by only 1-2 percent. This cannot continue in this way, because it is not in harmony with the needs of society building or the present strict requirements.

Finally, the question of questions: Is there a way out? Does this little country, do these some 10 million people awaiting prosperity have a way out of this situation in the sweeping current of change?

It is not some artificial optimism but rather a sober accounting that tells us, Yes, there is a way out! The chief factors for this can be found in ourselves, in our strength, efforts, achievements and reserves. We have talked about these already; we have innumerable possibilities for getting ahead in the sphere of production and management, for making work and guidance more efficient and better organized in the economy and within the factories, for conservation, for producing more cheaply and selling more economically.

There is also a way out because we are not alone. It is true that the world crisis has presented the same challenge to our friends, the socialist countries, but it would be for us the indispensable guarantee of a way out if--just because of the challenge--our united efforts improved and our cooperation were modernized.

We are convinced that, even if years filled with trials may be ahead, international processes will, sooner or later, return to the course of detente. But not, of course, of themselves. Constant and enormous efforts will be needed to preserve the peace. It is not only the vital interests of mankind but also bilateral economic interests which will force this only rational course of action. We would like to mention only one justifying hypothesis--even the repayment of loans is not simply a unilateral interest. Today, many countries around the world are struggling with liquidity problems; thus many, serious dangers threaten international financial affairs. (We have quoted the GATT report, which refers to the ever greater danger threatening the international banking system.) So solvency--although it is our first order obligation--is the common interest of debtor and creditor.

It is a condition of finding a way out that communists be open to a re-evaluation of their experiences and to accepting all things new, and their experience and receptivity to the new should pertain not only to successes but also to problems and mistakes. In this respect the past decade has offered us some prime lessons. The price explosion and the crisis have not only imposed burdens upon us, they have also illuminated our errors and taught us something about the organization of the economy, the functioning of our institutions, the transformation of structures ossified into traditions, contact between the party and the masses and the interpretation of national unity. The most important lesson is that we are capable and are becoming ever more capable of telling the difference between real and fictive national accomplishments.

Speaking of the chances of a way out we must finally talk about this also, that socialism was and remains the only chance for mankind. It is not a commonplace, figure of speech or empty burst of enthusiasm to say this,

rather it is a conclusion to be drawn from a careful analysis of the new processes of our age now unfolding. The capitalist system, imperialism, does not offer mankind a way out, indeed it makes the future ever more hopeless. This is proven not only by its warlike intentions and aggressive deeds, threatening the world with destruction, but also by that trend called neoconservatism, which is an ideological, conceptual product of the crisis of the capitalist world economy and which has become the government policy of a number of bourgeois countries. Does it not indicate the hopelessness of the capitalist system that they want to bring back into the age of developed state monopolism the laws of free competition capitalism (never realized in a pure form) and solve the ever sharpening contradictions of the system with the aid of a market proclaimed to be all-powerful? The bourgeoisie are trying to progress backward, which is an obvious illusion; but it is especially anachronistic in the age of socialism. The trend and policy of neoconservatism will not only put on trial, again and more aggressively than ever before, the historic right to existence of socialism, of Marxism-Leninism; what is really on trial is the freedom, equality and social achievements of man. Neoconservatism is using philosophical, economic and genetic arguments for a comprehensive attack against the workers, for a theoretical justification of inequality, we can even say, for the retrial of the achievements not of the October but of the French bourgeois revolution.

Under such circumstances--even now in the midst of crisis, indeed especially now--we have cause and we have the historic right to equate the hope of mankind with the hope and promise of socialism.

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## PROBLEMS INHERENT IN ECONOMIC PLANNING PUBLISHED

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[Article by Andrzej Karpinski: "Some Economic Problems in Establishing the Three-Year Plan Till 1985 and in the Planning Premises for the Period Till 1990."]

[Text] For a long time now the Council of Ministers' Committee for Planning has been working on the plan till 1985. The plan's working title is "Three Year Reorganization Plan for the National Economy." This is in accordance with the empowering statement contained in art 33 of ordinance 2 of the "Ordinances on Socioeconomic Planning." It contains an authorization for the upcoming five-year period plan to be worked out for a period shorter than five years. This is, at the same time, in agreement with the most essential objective content of this plan. The premise of the plan is to initiate a thorough restructuring of our economy from the point of view of its needs and priorities as well as to reduce obstacles to its real development which result from the presently excessive demand for goods and energy.

At the same time parallel proceedings are being undertaken in order to secure a larger perspective for solving problems as they actually arise. Such proceedings are limited to some of the most strategic problems. This is the same type of solution that has been adopted in a number of other socialist countries, among others the USSR, where the tasks of the upcoming five-year plan have been presented jointly with projections for the period up to 1990.

Lately these plans came to a stage in which the principal assumptions and parameters can be stated with considerable precision as to which must be taken into consideration in the planning of the economy as a whole and in its sectors and specialties.

Initial results of these studies allow formulation of general conclusions as toboth the proportions of the plan and the economic development driving forces in the coming years.

In agreement wit the topic of this article I shall concentrate my further considerations on the economic problems and conditions as the problems of social aism and priorities require separate treatment. At the same time, it is worth stressing, that evaluation studies of social needs and models

of satisfying these in the long run of the projected planning needs are still ongoing. Therefore, a broader consideration of these problems and their objective and social treatment (that is their division into social groups) will be possible in the project of the prospective plan for the years 1986-1996. This plan will have been worked out, according to the above-quoted ordinance, immediately after the approval of the 3-year plan, that is in 1983, as shown in the results of the concurrently conducted works.

To characterize the social aims for the 3-year plan I shall keep in this article to the most basic issues. Three strategic aism have been assumed in the studies done for this plan. These are: Supplying food for our country based on increased domestic grain and feed production, and fulfilling and satisfying to the maximum possible extent needs in housing together, with appropriate development of civic and social infrastructure, as well as protection for the most needy sections of our population from the detrimental effects of our crisis. This, therefore, has been the strongest focus of the social aims in our planning procedures so far. It has been dictated by our exceptionally limited possibilities that have resulted from the crisis and by the most urgent social needs evident in these two areas.

Having limited myself to this synthetic way of characterising the 3-year plan, I am now going to discuss the main topic of this article, which is the area of economic problems to be solved in the plan up to 1985 and in the projections for 1990.

The tremendously strong influence of foreign commerce on the plan's proportions and on the economic possibilities till 1990 come as the first and foremost conclusion of the present studies on this plan. The high level of indebtedness to second area countries, $25.5 billion at the end of 1981, and increasing indebtedness to first area countries, until now mainly the USSR, which at the end of 1981 reached 3 billion, made the solution of problems connected with the balance of payments the key problem of our plan.

Three different versions of the foreign trade plan have been worked out for the second area countries. These have been adjusted appropriately with different scenarios in the development of payment situation.

One thing is certain, Poland's economic future depends to an unprecedented degree on the rapid development of our exports. As a result, reshuffling the Polish economy to favor exports must become one of the central directions in our economic policy until 1990. This will define Poland's import possibilities, that is, its raw goods supply and imports of new technology.

The present studies indicate that the service of Poland's foreign debt will require in its most optimal version a considerable positive balance in goods transactions with the countries of the second payment area in 1990, while in 1981 such transactions were marked by a negative balance in the order of $300 million.

Such improvement in the trade balance will require a strong increase in exports. Minimum needs of exports increase till 1990 as compared with 1982 are estimated in constant prices at about 70 percent. This would mean that the export elasticity covariant compared with production would have to be at least 1.9, that is a level that has never been achieved in the past. This is not possible without a perceivably felt progress in the specialization of our production and exports toward the world market. Such progress has been an objective in the case of other countries in a stage of development similar to ours.

That is why in every specialty an analysis must be performed as to the possibilities for individual enterprises (similar to those done in Stalowa Wola, Krosno or Ostrzeszow). This would permit us to establish which of them could specialize their production for export.

To economize for the above-given balance, the rate of export increase must be much slower. Presently available analyses indicate that with an increase in exports of about 70 percent, imports from countries of the second area in constant prices must not be more than 20-28 percent for the year 1990 than for 1982. That means, therefore, that the rate of export increase must surpass, at least, by three times the rate of import increase.

That is why we must take into an account the imposition of any drastic import limits for the second area countries for the entire ten-year period. Our development possibilities for sectors and industry as a whole will depend on our ability to decrease dependence on imports. This must mark a drastic reduction of our import absorption from the second area: Thus, a dependence in our production development on importing of the supply materials from that area in ascale of at least 10 percent, as compared to that of 1982.

This would be possible only if our import structure undergoes a deep change. Such change ought to be directed at freeing ourselves from the strain imposed by grain imports, and at a most speedy achievement of a trade balance in foodstuffs marketing in favor of diverting a maximum import possibility to the importation of industrial goods.

At the same time a deep reorientation is needed in foreign trade in favor of intensification of our turnover with the socialist countries and replacing, wherever possible, second area countries imports by the imports from the socialist countries.

Difficult problems, however, are also anticipated for the socialist countries turnover in that period. These come as a result of a considerable increase in raw goods prices in the world market during 1976-1980. They result also from our countries' principle of central price-determination based on world price averages in terms of many years standing for the past five years. As a result, between 1981-1985 we have to anticipate import raw materials price increases for the imports from the socialist countries. Such increases are estimated at 7 percent per annum, in that the increase in price of raw materials will be 10 percent per annum, even though these price levels will continue to be considerably lower than world prices. A normalization of the price situation can be expected only after 1985. While we do receive favorable credit ratings from the USSR to cover the effects of this price increase, their payment deadlines will be piling up after 1985.

Therefore, even if socialist countries export price increases would hold at their present level, averaging about 4 percent per annum, we would nevertheless face a marked decrease in the accumulating trade balance in our turnover with the socialist countries as well.

The policy of our economy must in this situation aim at a maximum compensation for the price increase in socialist countries imports by an increase in prices obtained from our exports to socialist countries. This is possible, provided that a substantial improvement in quality and adherence to standards of innovation have occurred [in our products] and that we would have an increased input of our original technology [in the manufacture of these products].

At the same time, our present talks on both these countries' participation in the final withholding of investments and on the overcoming of our industry's production spare capacity in order to tighten permanent economic interlinks with these countries, must be exploited to the maximum.

At the same time our foreign trade, as well as our industrial production, must be oriented towards the development of commerce with the so-callled third-world countries. In order to achieve this we ought to, by 1990, to increase our third-world countries commercial turnover as to, at least, match the Polish turnover with that achieved by other socialist countries, that is, from 15-17 percent, while our own participation has been lately at the 12 percent level.

Another problem by which the possibilities of our development will be measured in its solution is the improvement of our effectiveness in economizing. During the last 6-7 years our industry has suffered from very disadvantageous relationship between the sold product, or the global product, and the net product. This has resulted in an unjustified increase of production costs and in general decrease of effectiveness; the pay increase, especially that occurring after August of 1980 and completely disconnected from productivity, has caused serious unbalancing of the proportioned costs. A synthetic result of this is the span on a 6-point scale that occurred between changes of global and net production to the detriment of net production. This is an almost unprecedented span, and it proves the occurrence of cost increases reaching a few percent per year.

An improvement in this situation could be achieved by two-directional action. On the one hand it could be achieved by improving effectiveness on the microscale, that is, by achieving profit from enterprises through a speedier lowering of the costs, especially of the costs of raw goods. Our main hope in that area is attached to the economic reform that is now being introduced. It is tied to the predicted reform reaction effect that could be achieved through the principle of self-financing. It is also connected with the new supply prices which reflect real social costs more realistically. One must, however, appreciate the possibilities of improving production profits on a national scale through allocational changes in the means of development. Such changes ought to favor these sectors of industry which satisfy important goals of our society, yielding final production that would generate an advantageous relationship between the costs of raw materials and the gross sales of products;

for this is the most important factor in the increase of our national income. The above conditions are met to the highest degree by these branches of industry which are characterized by the highest degree of raw materials conversion into products through the use of considerable technological input.

Efficiency improvement must be achieved especially through savings in the area of energy, raw goods, fuels and materials. For, as evidenced by our preliminary analysis in the evaluation of increases of 35-40 percent for the eight years (1983-1990), the resources of about 45 basic raw products for domestic use (those obtained in both domestic and imported production) will have increased in the most optimistically projected version, between 1982 and 1990, by 15-20 percent. This means that, in the one million zlotys production for a five-year period, individual use must be lowered by at least one eighth. However, if, on the other hand, we shall assume that the average annual rate of growth in the national income ought to be about 4-5 percent, then, at least 1-2 percent, that is from 25 percent to 40 percent of this increase ought to come from improved effectiveness. Such relation has not been achieved in our economy since 1974. Should such progress in our economic efficiency be unachievable, our presently assumed consumption and investment increases would both go down.

As a result of the above a thorough change in the structure of our national economy is of key importance in the economic policy of that period. This is the main direction which our plans till 1985 as well as till 1990 will be taking, even though the main aims of this restructuring differ for both these periods.

The accomplishment of thorough industrial restructuring is of particularly fundamental importance. This restructuring is to be understood in this case as a gradual shifting of the developmental means, such as central import and investments, preferential credit and tax assessments, preferential credit and tax easement in favor of these sectors, branches and industrial works which:

Firstly - will ensure the best use of energy, raw products and materials.

Secondly - are most immune to import restructions, and, by the same token, are least dependent on the second area imports.

Thirdly - represent the most advantageous ratio between the sales and net production, thus, they show a relatively high level of profit and a low individual use of materials.

Fourthly - are the carriers of technological progress not only for their own area, but in the ascending scale of our economy, which, as a rule, concerns so-called "future industries." Shifting of man-power from the old and traditional industries to the new, technologically advanced ones become nowadays simply a condition fo future developments in industrial production. In this, technological progress is to be understood dynamically, not statistically, and is to be viewed in the light of predictions of the probable directions for future technological progress.

A particularly keen study is needed of those industries which shall determine technological level of our future products and our competitiveness in the world market. We know already that the use of biotechnics, microprocessor techniques, automatization processes, etc., will bring serious changes in industry. Without giving an answer as to what our chances might be through development of these industries we cannot even talk about true restructuring from a future view point.

Among individual areas that meet the above general criteria those must be selected which are able to assume, in our Polish circumstances, the role of a kind of "increase" or "motive" mechanism in our process of ending the crisis. While such areas would ease us across the barriers of development, they would also have a dynamic impact on our production and national income increase. Selection of these areas, industries and products ought to be the main purpose of our industrial strategy.

The second fundamental direction in which restructuring of our economic system ought to go is in such shifts of the potential and production structure which would allow this system to better adjust to the actual final needs that result from the existing priorities of economic policy, such as nourishment, housing construction, marketing and export. Provided that, while the main purpose of economic restructuring for the period until the year 1985 ought to be the easing of our economy's developmental barriers through the savings made on the use of individual production factors, such purpose after the year 1985 ought to be the shift of our economy in the direction favoring export.

An evaluation of investment possibilities is of essential importance in defining the most effective ways of solving these problems. A few fundamental assertions must be considered in programing the economy and its individual sectors. These assertions have been based on different versions of national income and its division. They also result from the analyses of investment possibilities conducted by the Planning Committee of the Council of Ministers.

Firstly, the general level of investments in national economy until 1985 could, most probably, be no higher than that in 1982; and, if it could, it would increase only insignificantly. In such a situation the essence of this problem is not in the formulation of new investment programs, but in analysing the possibilities of the most effective realization of already startd programs and shifts in the investment structure.

Secondly, till 1985, the possibility of assuming new long-term cycle investment will be particularly limited. Due to this the central problem will move to recovery-restitutive investments, which, in fact, have been particularly neglected in the past.

Thirdly, the investments assumed thus far, withheld by government decision, will not be assumable again before 1985. Naturally, there may be exceptions here, but only genuine exceptions.

These principal assertions, despite the projected recovery of a greater freedom in investment maneuvering, preserve to a degree their timeliness also in reference to the next five year plan, that is, to the years 1986-1990.

It is true that, based on the ongoing analyses, an assumption is being made that till 1990 the most probable variant of domestic industrial production will surpass the highest precrisis level, which was achieved in 1979 in the 20-25 percent scale. Likewise, our national income will surpass its highest precrisis level of 1979 (in the 10-15 percent scale). Nevertheless, it will not be possible to designate this increase in national icome for enlarging the investments, or to designate a large chunk of it for that purpose.

This increase in the national income will have to go, first of all, to compensate considerable regression in population demand. Secondly, it will have to go toward servicing foreign trade and that will be diminishing the income produced for domestic consumption. The necessary protection of consumption and living standards amidst increasing expenditures for service of foreign debts after 1985 will retard investments till 1990 to only 65-74 percent of the peak level of 1978 investments. Such are the objective conditions we must take into account.

This must translate into an active shift of performance potential in the construction industry in investment costs in speeding up the completion for use of these production and service objects which could facilitate a solution to real economic problems, that is the supply of foodstuff, improvement of marketing situation, decrease in import needs or increase of exports.

The aforegiven evaluation of our country's investment possibilities is a result of early prediction of the forms which our national income and its weight of servicing foreign debt will take. It ought to be taken as a warning. Naturally, these evaluations may change due to any coincidental arrangement of favorable factors and circumstances. We sincerely hope that one such factor may and ought to come true through the efforts to tighten cooperation between ours and the Soviet economies. Similarly, an earlier achievement of favorable results of economic reform, now in the introductory stage, may favorably change the aforesaid evaluation. We must not, however, assume in advance that this situation will develop too favorably.

On the global scale limited investment possibilities will be followed by essential changes in financing and in investment structure which stem from the premise of our reform presently being introduced.

This reform anticipates an aim-directed assumption of the total amortization directly by independent enterprises. That would mean that these enterprises will have to assume the main burden of modernization-restitution investments. Taking into consideration the scale of accumulated amortization means and the use of bank credits, the enterprises will become, in the aim-directed model, the main level which will decide the means of investment. Therefore, a completely new situation is being created.

While in a transitional period, we must consider centralizing amortizational means, as it has been happening during 1982. However, even should a need for continuation of such a practice continue, it is estimated that the enterprise self-generated means of investment will constitute at least 20-25 percent of the total national investment during five-year period, 1986-1990. That means their participation will increase several times over.

As a result, this will essentially reduce the participation of the presently realizable investments in central investment. We are estimating their participation in the totsl investments of the nation to fall from about 65-70 percent in the seventies to about 25 percent in the aim-directed model.

By the same token, future investments will not play such role in our economic development as they have so far; even though the government continues to influence the directions of our country's investment policy through a direct allocation of the parts of central investment means and through its banking credit policy. This is a fundamental change to be considered.

In order to alleviate maximally any negative effects of these investment limitations for our economy till 1990, intensive action must be directed the following three ways:

First, such action must go to substantia.ly increase the restorative-modernizing investment role. The central effort of our investment policy must be directed to the maintenance of the technical shape and to a modernization of the already possessed property. Thus, the chief form of our industrial investing should be of the restorative-modernizing nature, coupled with the introduction of such structural changes which this form of investing makes possible. These should also be coupled with the synchronization of our economic potential by a removal of the production bottlenecks. The share of these forms of investing ought to increase in 1990, at least up to 60-70 percent of the total industrial investment, as compared to the annual average of 25 percent for the years 1976-1980.

The above increase could not be possible, however, without a fundamental intensification in the domestic production of equipment, spare parts and repair or modernizing elements indispensable to the maintenance of production abilities in the presently existing enterprises.

Second, high priority must be assigned to repairs and to a concentrated effort for making these repairs efficient. This requires that some very essential changes occur in the social consciousness and attitudes of our society in such matters as: Capital depreciation, employee neglect of repairs, their disregard of exploited property. The present negative treatment of these matters must in no way be condoned in the future.

Third, a better use must be made in exhausting the relocative possibilities of possessed property through the purchase-sale principle between the enterprises and sectors. This may become an alternative way to undertaking new investment and it may reduce the present emphasis on investing.

Taking into an account our present conditions and investment limitations, our economic restructuring should chiefly follow the path of the smaller or larger adjustment efforts that would require no larger investive means for the period of the next few years, at least until 1985. After 1985 these investments should be gradual and focus on the investments strategic in importance for our country. The appropriate programming efforts must be, however, put into the motion earlier.

The necessity to thoroughly restructure our economy in the conditions of these limited investment possibilities assigns a vitally important role to the developmental research background of this period, to the exhaustive use of all the directional possibilities in setting our production toward savings through gains and through an improved competitiveness of the domestic and export trades.

This period of working out our industrial strategy ought to unite the practitioners and the theorists. The center and the field ought to function as one big school of economic thinking. They ought to verify again all the dogmas, juxtapose for confrontation our gains from the resources with the gains of others, and at the same time with the trememdous future needs. These things ought to be done in order "to catch up with the vanishing time" as said in the Sejm [Polish Parliament] Army General Wojciech Jaruzelski. We may say, without exaggerating, that the next year will decide the future outlook of our industry for many years hence.

The key evaluative question for each plan is: "How would we want to secure our economic development with these means at hand?" Three principal trends in our projections have been identified as the new driving forces in our coming out of the crisis and in the future economic development proposed by the plans till 1985 and till 1990. Using an analogy to the "Three S" principle defining the nature of the economic reform, we can say that the essence of the three-year plan of economic restructuring and the turn originated in that plan can be characterized along the lines of a type of "Three R" comparison.

The first "r" is to denote economic reform and its effect-oriented activities based on the self-financing principle.

The second "r" is to denote restructuring of our economy through a shift to the export-oriented attitude and through the smoothing outof our development obstacles.

Finally, the third "r" is to denote reorientation of Poland's foreign trade to the restoration and strengthening of her connections with the CEMA countries and to developing economic ties with the so-called third-world countries.

This final point ties in, inseparably, with the need to activate the research and development base and with the need to employ the innovative ingenuity of the Polish economy and to reduce, for the time being, the influx of the new technology from the highly developed capitalist countries.

Progress along these lines will decide the future economic development of our country.

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CSO: 2600/65

## AGRICULTURE, FOOD DEVELOPMENT TO 1990 OUTLINED

Warsaw TRYBUNA LUDU in Polish 21 Oct 82 pp 4, 5

[Article: "Ministry of Agriculture and Food Development Recommends: Basic Assumptions of a Program for Agricultural Development and Food Management Up to 1990"]

[Text] The program for agricultural development and food management up to 1990 was worked out through the sustained labors of people who specialize in theory and those who practice, agents of the state administrative and economic authorities, representatives of the Polish countryside--private farmers, cooperatives and state agricultural workers, to all of whom the issues of Polish food management are of concern.

On 28 May of this year, the "Program for the Development of Agricultural and Food Management to 1990" was temporarily accepted by the Cabinet as a "minimum program." According to the instructions of the Cabinet, the material was reshaped and thrown open to broad discussion. The results of this discussion will be instrumental in elaborating the attitudes of the KC PZPR [Central Committee of the Polish United Workers' Party] and the NK ZSL [Chief Committee of the the Polish United Peasants' Party], to be carried out by a joint plenum of the issue of agriculture and food production.

In presenting the basic assumptions of the "Program" in the columns of a newspaper, we are hoping to create conditions for a broad popularization of the contents of this important document, a deeper understanding of the demands and conditions of the development of our agriculture and other sectors of food management, and we are hoping to stimulate productive social discussion and a variety of initiatives aimed at implementing the goals of the "Program."

### I. Appraisal of Initial Situation

Underestimation of the role of agriculture in the strategy of the nation's economic development was the basic cause of difficulties in the implementation of previous agricultural development programs and plans. This generated an

expansion in the distance between the level of technological equipment of Polish agriculture in relation to agriculture in the majority of European countries.

Besides inadequate equipment in Polish agriculture, there is also, in technical resources, a lack of stability in farm policy that is not conducive to the fulfillment of ever-growing production tasks.

The undoubted production achievements notwithstanding, that agriculture could note, especially in the first half of the 1970's, it was not in a position to keep pace with growing public demands for food, resulting to a certain degree from the population growth in the nation, during the decade 1971-1980, of over 3 million persons. It operated like this chiefly as a result of errors in economic policy, leading to an increase in the disproportion between the rise in the population's earned income and the low price level, which results in excessive rise in demand for food staples, especially meat products that are the most subsidized.

The consumption of meat per household rose from 53 kg in 1970 to 74 kg in 1980. Forced by market demands, growth in meat production to a greater and greater degree proceeded with the growing cost of grain and fodder imports from 2.2 million tons in 1970 to 8.5 million tons in 1980.

Traditionally a food exporter, Poland became, on balance, an importer of food.

In the years 1976-1980, the share of imported fodder rose to 18.4 percent of the country's total use of fodder.

Based on high grain and fodder imports, grain-intensive production in the State-controlled economy is overdeveloped and the specialization of private farms is not always rational, relying on a concentration of livestock production that exceeds the fodder capabilities of the farms.

Parallel to the development of production in large farms, a drop in livestock production in a large group of private farms occurred. The cause of this situation was the holding of retail prices of food products at too low a level in relation to the procurement prices of agricultural products as well as retail prices of manufactured goods during the 1970's.

The concentration of investment outlays for the construction of farm buildings generated a reduction of investment outlays for crop production growth, such as land reclamation, among other things.

The production potential of the agricultural-consumer industry was considerably enlarged, particularly the meat, poultry-breeding, fodder and dairy industries. However, essential improvement in expanded distribution for this industry was not achieved, a delay in the development of a processing industry for crop produce, especially grain-mill, sugar-mill and potato, occurred, and progress in the modernization of old production plants was inadequate.

In the case of essential needs, the preserved base of fresh agricultural products is inadequate and generates high losses in raw agricultural goods.

The fundamental problem in the development of processing capabilities in the food industry also is the inadequate supplement of key plants with a network of small--in the local sense--processing plants that increases the transport-intensiveness of raw materials and finished products, as well as generates the so-called "fatigue" phenomenon in food products.

## II. Basic Aims

The essential aim of all of the political, economic and organizational resolutions in the "Program" is the assurance of ample food for the people, with a simultaneous, gradual achievement of food self-sufficiency for the country; in other words, the aim is the balance of foreign grade in agricultural food goods.

The present economic capabilities of the country do not allow further import of food, all the more because prices for agricultural food products are rapidly increasing in the world markets. Thus, only the purchase of raw agricultural products and food supplies determined to be an indispensable supplement to production in the country can be continued.

The attainment of self-sufficiency demands an essential shift of the entire national economy to items demanded by agriculture and the food industry, as well as to a determined improvement of management efficiency in agriculture.

## III. Chief Policies of Action and Ways for Implementation

### 1. Economic and Social Policy

For the solving of food problems, the reorganization of agricultural economics, the reinstatement of suitable and preferable proportions in the internal structure of production, assuring full utilization of its agricultural land, its preservation and conservation of natural environments, are of considerable importance. Legal and economic regulations, the basis for equal treatment of all agricultural sectors and responsible for creating perspectives for their development, work toward this direction.

Legal and economic devices serving in the preservation of the land and the natural environment in the face of waste and devastation are being and will continue to be perfected. They should be better and better assisted by active members in society and the consistent efforts of the administration.

In order to increase interest among farmers for rational soil management and better utilization of soils, stability in peasant ownership of the land and its inheritance was legally certified. Legal terms for a suitable turnover of the land between sectors and within a private farm were also created. Rights were granted to socioprofessional organizations of farmers to jointly decide on the method of utilizing farm lands.

Pressure from the finest landholders is being applied for full production utilization of farm lands and a strong development of soil management. There will be a striving for better utilization of the potentials of the land that

will be in the possession of the State Land Fund [PFZ], whose region experienced an increase in recent years and raises close to 900,000 per hectare. Farm settlements will be a supplement to the forms of soil management still used by the PFZ.

Accepted as an important element of agricultural policy is the intensification of land accumulation processing, which leads to an improvement in the structure of the region and in the organization of private farms. The facilitated turnover of land as well as the sale of lands from the PFZ will serve this improvement.

A modernized pension system should be one of the factors stimulating the process of land accumulation and influencing the improvement of land utilization. Also conducive to the land accumulation process will be the system of economic devices, creating advantageous conditions for the growth of marketable commodity farms and development of inferior lands.

Restrictions are expected on the transferring of lands for nonagricultural purposes and a widespread assumption of recultivation of those lands which lost or reduced their agricultural production capability. Also anticipated is a tightening of regulations in the conservation of all lands, particularly those most fertile. Frugal area standards for plans and investment realization will be strictly observed. Lands for agricultural production, taken over under deferred capital expenditure, will be reclaimed on the spot or will be relinquished at an opportune time. The rate of reduction for stores of croplands will drop by half--that is, from 60,000 to around 30,000 hectares semiannually.

Conditions will be created for the modernization of farms and development of production specialization through the assurance of aid from the aspect of agricultural advisory service in farm management, as well as the use of tax reliefs in the case of farms investing in capital expenditures. Cooperation between agricultural sectors, particularly in the area of specialized production and coproduction as well as reciprocal performance of services, will be encouraged.

In the sector of combined agriculture, for both state agricultural farms and agricultural producer cooperatives alike, conditions will be created for a stable growth of interest and responsibility among the workforces for economic results, improvement in the efficiency of farming, and full utilization of large-scale farming.

The State attaches great importance to production growth on dual-occupation farms and, thus, will show them extensive care and grant them essential aid. Development of these farms, in which the work of the farmer or the members of his family, beyond the farm, does not negatively affect the level of agricultural production, will be encouraged. On the other hand, for those owners who will want to augment their farms, to give them over completely to agriculture and go to work exclusively on them, the purchase of additional land will be facilitated. Whereas in the case of a decision to work exclusively outside the farm, a sale of the land--in parts or in its entirety--will be facilitated on profitable terms.

Terms favorable to the growth of agricultural production on workers' allotted plots and on those not determined as farm plots (less than 0.5 hectares) will be created. This will allow a further utilization of the land, its space and marginal animal fodder.

Particular care will be given to and conditions will be created for the development of workers' allotted plots in which the intensive garden production considerably improves the urban population's supply of fresh fruit and vegetables, and which also creates conditions for desirable recreation.

The control system for agricultural growth and food management will be accomplished in accordance with the terms of the agricultural reform.

First of all, such economic devices as the following will be employed: prices, credits, interest rate, taxes, and subsidies. Orders-distribution methods of control by the agricultural and food industries will be eliminated as the situation improves in the area of production equipment.

The current 5-year cycle will be a period of gradual liquidation of food subsidies.

The system of official prices (fixed centrally) for agricultural products, the means of production and food articles will be adapted elastically to the upcoming changes according to the demand and supply taking shape. Procurement prices for agricultural products will be set at a level covering socially justifiable production costs as well as appropriately guaranteeing an income for the farming population. The rate for revising procurement prices in proportion to the changes arising in production costs will be observed. Changes in procurement prices will be carried out in a way that will assure an exertion of strong influence on the increase of desired production.

Agricultural reform will balance the incentive base for work by collectivized agricultural and food management enterprises, and private farms alike. Production growth and a drop in the cost of individual output will be the first and foremost factors guaranteeing profits and wages.

The farming population will be guaranteed a profit level not lower than the profits secured by workers employed outside the agricultural area of the state economy.

The chief phases of social policy in the countryside will concentrate on:

--an improvement of working conditions in agriculture, with particular regard to job security and work safety,

--an increase of aid to young farmers in the stage of starting independently in the profession as well as aid to a person not fully proficient,

--an improvement and broadening of the scale of social safeguards for farmers and their families,

--an expansion of the technological and social infrastructure in the country, aiming at balancing the disproportions in living conditions between the country and the city.

State farm policy aims to develop versatile social initiatives in farmers, increase their role in jointly deciding country and agricultural issues, and to develop and strengthen a broadly interpreted rural, agricultural and collective self-government, that will be a permanent element in agricultural and food management development, and will represent and guarantee the defense of farmers' interests as well as organize social life in the country.

An especially significant role falls to farmers' social-professional organizations, agricultural circles, circles of country housewives, branch associations and their federations. A new law passed by the Sejm gave comprehensive powers to the sphere of representation and defense of farmers' interests and jointly deciding on the social, economic and cultural development of the country.

The draft law on people's councils and territorial self-government anticipates a restoration of great importance and right that is an essential link in self-government--rural assemblies.

State policy will also promote development work done by youth unions as well as sport and tourist organizations developing useful work among the country youth.

2. Means of Production

Growth in the supply of means of production will be an important factor in the development of food management in the 1980's. In order to overcome the long-term neglect in those industries manufacturing the means of production, a reorientation of the entire national economy to food management issues will be carried out; and, therefore:

--deliveries of fertilizers for the 1985 harvest will be guaranteed at a level of 214 kg of NPK [nitrogen-phosphorus-potassium], compared with the consumption of 186 kg of NPK per 1 hectare of cropland for the 1981 harvest.

An unusually important issue, given these quantities of deliveries, therefore, will be the efficient utilization of these fertilizers.

By 1990, the growth of fertilizer deliveries will be set at 230 kg of NPK per hectare of cropland.

By 1985, deliveries of soil lime will grow to 160 kg of CaO+MgO per hectare of cropland, and in 1990 it will grow to 200 kg of CaO+MgO per hectare. The assurance of these quantities of lime is essential with regard to the persistently large portion of excessively acidic soils and the growing drop in the magnesium content of the soils.

In order to improve the effectiveness of mineral fertilization along with fertilizing soil with lime, and a better utilization of organic fertilizers, an improvement in agricultural engineering and the use of insecticides will be essential.

--The use of chemical insectides per 1 hectare of arable soil in 1981 amounted to 0.8 kg of an active substance, while in other countries in the RWPG [Council for Mutual Economic Aid] the amount was from 2 to 5 kg. As a result of the growth in deliveries of pesticides from domestic production and from imports, consumption in 1990 will increase to 1.5-2 kg--assuming the current structure of varied pesticides.

--Emerging from a state of inadequate agricultural equipment for technological means of production, considerable improvement is being started in this sphere. In 1980, the value of agricultural equipment amounted to about 300 billion zloty, that is 16,000 per 1 hectare of cropland, and in 1990 the value will reach 750 billion zloty, that is about 30,000 zloty per 1 hectare (according to 1980 prices).

The expansion of factories producing tilling and cultivation tools, and machines for harvesting hay and green forage will follow. The production of small tractors and motorized implements, ultimately in amounts of 30,000-35,000 pieces annually, will be set in motion in our country. The assortment of machinery supplied to agriculture will be expanded from the current number of 380 types to 1,300 types demanded by the National Farm Equipment System [KSMR], which will favorable affect the production flowlines that were worked out to complement one another. In the course of the next few years, the problem of equipping agriculture with simple tools and machinery will be solved.

Mechanized agricultural transport will be developed. Fifty percent of its tasks are fulfilled by farm tractors, 35 percent by horses and 15 percent by cars. An improvement of this unprofitable structure will be achieved by supplying agriculture with multipurpose farm vehicles adapted for transporting agricultural produce, food supplies, livestock, manufactured means of production, and for the application of chemical measures.

An improvement in the supply of spare parts will take place through the growth in output capacity in the machine industry, by a further implementation of the recovery program as well as by setting up spare parts for agricultural production in technical facilities, and through production growth in small-scale industry plants and businesses.

Legal responsibility on the part of the producer for the organization of technological service, for the continuous operating condition of the machinery through the delivery of spare parts, for the financial consequences in the case of a shutdown of the machinery due to a shortage of parts, including the replacement of an inefficient machine with an efficient one, will be introduced.

In order to utilize farm equipment more efficiently, to bring those who perform certain services closer to the places where those services are carried out, and to improve their quality and promptness, along with existing forms of services rendered through cooperative farm circles (cooperative farms services), services rendered by rural mechanics' shops will be expanded and the neighboring farmer's aid as well as the use of services rendered by the PGR [State Farms] and the RSP [Agricultural Cooperative Farm] will be supported.

Development of new forms of services will be supported by a guarantee of the allocation of equipment, the granting of credits and other economic devices.

During the current 10-year period in the food industry, there will be a gradual replacement of machinery: what is essential with regard to its technical use, of obsolete construction and its technical-working parameters do not conform with the production flowline progress in food processing.

Agricultural reform will promote the growth of the production potential of enterprises through a modernization of existing production capabilities as a cheaper method rather than the building of new plants. The demand for a manufacturing line with a high output as well as modern construction, and saturated with automation, will arise.

The value of machine supplies and production flowline devices for the processing industry in the years 1981-1985 will amount to about 40 billion zloty and, in the following 5 years, in the range of 55-60 billion zloty (in 1981 prices).

An automated industry will guarantee a supply of machinery and devices, with particular regard to machinery for the preparation of grain, seed oil, potatoes, sugar beets, fruits and vegetables as well as milk--including devices for the bottling and packaging of food. In the production and delivery of machinery, the demand for simple production equipment for small manufacturing plants situated in rural centers, managing surpluses of raw materials for the countryside and the local market, also will be taken into account.

3. Capital Expenditures

According to the idea of the resolution of the Ninth Special Congress [NZ] of the PZPR, affirming the central decisions of the Policy Bureau [BP] of the KC [Central Committee] of the PZPR and the NK [Chief Committee] of the ZSL Presidium from January 1981, the share of agriculture and the food industry in outlays should altogether amount to 30 percent in the current 5-year period.

In relation to the general decline of investment outlays--investment outlays reserved for agriculture and the food industry in 1981-85 are still only 80 percent of the sums spent in 1976-80, and for 1986-90 the sums will be closer to the level of the past 5 years. The scale of expected outlays will allow the supplying of only the essential needs of priority management without the capabilities to maintain the rule of steady development for all branches of food management.

Those undertakings with the following goals will be preferred courses of capital expenditures:

--raising the level of land productivity and, above all, the drainage and supply of water for agriculture and the countryside,

--a reduction of losses in agriculture and processing (the most painstaking cultivation of crops and servicing of agriculture, and a development of refrigeration engineering),

--the expansion and modernization of production potential in branches that determine the supply of food articles to the market; namely, the dairy, grain-milling industry, baking, potato, oil-producing, tobacco and fruit-vegetable branches,

--the mechanization of entire production flowlines, especially in the production of grain, fodder and milk.

An active credit and price policy, promoting especially the preferred directions in agricultural production, will promote a stimulation of credit expenditures. The growth in deliveries of farm implements, as well as the improvement in the supply of building materials--which is also a result of the development of local production--are sure to further the stimulation of credit expenditures.

Regulated water management is of essential importance for the intensive cultivation of grain and other industrial and fodder crops and, therefore, also for the capability to increase livestock production.

Land reclamation measures are required for about 9.8 million hectares of croplands in the country. Only 6.3 million hectares have been reclaimed. Because of the aging of reclamation devices, 120,000-150,000 hectares should be reconstructed annually, primarily in northern voivodships and in western ones that have reclamation systems of several score years ago. However, according to financial and material capabilities, the assumption of reclamation work will be possible for the following areas:

| Number | Type of capital expenditure | During the years 1981-1985 | 1986-1990 |
|---|---|---|---|
| 1 | Reclamation of croplands-- | 700.0 | 1,100.0 |
| | thousand hectares, including drainage | 540.0 | 900.0 |
| 2 | Development of grasslands--thousand hectares | 260.0 | 400.0 |
| 3 | Sprinkling irrigation--thousand hectares | 25.0 | 40.0 |
| 4 | Leveeing--km | 800.0 | 1,500.0 |
| 5 | Storage reservoirs--million cubic meters | 100.0 | 150.0 |

The maintenance of water-drainage devices will improve through a better equipping of working units in machines and devices, an adaptation of their system to local demands as well as assurance of means for the resumption of maintenance allowing to keep water-drainage devices in operating condition.

In order to secure improvement in the populace's living-sanitation conditions in the country and also to create favorable conditions for the development of livestock production, credit expenditures will be accelerated in the capacity of supplying agriculture and the countryside with water. Capital expenditure means will be directed through the state to regions with the current worst shortages of water as well as shortages of capabilities for production growth.

The extent of the concentration of building compared to the construction of collective waterworks of high priority, including several or even a dozen or so housing complexes, together with the collective state farms that are located there, will also be taken into consideration. In the cost of the construction of waterworks systems, a portion is set up with the individual resources of private farmers who benefit from the supply of water to their farms.

By 1990, a total of 26 percent of private farmers will be supplied by collective waterworks, while 20 percent will be by waterworks on the individual farm.

A portion of the losses in raw materials and food can be eliminated as a result of the work of capital expenditures. The established improvement of farm equipment for technological means of production and the expansion of preservation and storage capacities does not, however, create adequate conditions for a resolute limitation of quantitative and qualitative losses.

A range of credit expenditures, in its structural nature, must be centrally invested, since the capital for the development of particular enterprises will not allow, in many cases, the financing of structures for which the cost-estimate price is high (sugar mills, grain elevators, cold storage buildings, and the like).

The growth of outlays for infrastructural investments, chiefly in the area of water-sewage and energy management, will accompany the development of production potentials and the modernization of plants.

IV. Production Assumption in Agriculture and the Food Industry

One of the conditions in a harmonious development of agricultural production during the 1980's and beyond will be the elimination of the disproportion between the growth in the production of crops and livestock, as well as the adjustment of the latter to the level of individual fodder supplies, supplemented only through imports, that in 1985 and the succeeding years will together total about 3 million tons of grain and high-protein fodder annually.

The first task standing before agriculture is to achieve substantial growth in its domestic fodder production, but particularly in grains. It is anticipated that grain production will grow through an increase in yields. There are also certain capabilities of growth in the acreage of the collectivized farm. The profitability of grain production will rest on an appropriate policy of procurement prices.

It is expected that growth in the range of types and more fruitful variants will influence an increase in grain yields to 28 quintals in 1985 and 30 quintals in 1990, along with mineral fertilization, insecticides and an improvement of water ratios and better agricultural engineering.

The fodder situation forces the circumstances still existing, in which potatoes are kept as fodder for the herds. In order to increase crops, with a reduced acreage of tillage, intensive cultivation will be conducted as well as efforts serving to improve agricultural engineering.

Increasing the sugar content of the beets will be the aim of cultivating the sugar beets.

An increase in the turnip production is of great significance not only for the oil-producing industry, but equally for livestock production, as a product supplying protein fodder, thus substituting for the high-protein imported fodder. This demands high yields and dependably yielding varieties of these crops.

The growing of papilionaceous crops plays a special role. The high protein content of papilionaceous crops is essential from the angle of balance between fodder and human consumption. An expansion of acreage for the growing of lugiminous crops for seedgrain is being established--from 188,000 hectares in 1980 to 300,000 hectares in 1990.

Considerable pressure will be exerted for the improvement in the utilization of grasslands--especially through recultivation, improvement in agricultural engineering, manuring with lime, fertilization, and regulation of water ratios.

An increase in the production of vegetables and fruit will occur chiefly as a result of a growth in yields.

By the institution of an increase in mineral fertilization up to 214 kg of NPK per hectare of arable soil in 1985 and at least 230 kg of NPK in 1990, conversion-factor yields of all raised crops will total, respectively, 34 and 36 grain units per hectare.

Crop Production

| Number | Item | Unit of measure | 1980 | 1982 p.w. | 1985 | 1990 |
|---|---|---|---|---|---|---|
| I. | Crops | thousand tons | | | | |
| 1. | Grain | " | 18,336 | 21,200 | 23,000 | 24,600 |
| 2. | Sugar beets | " | 10,139 | 14,000 | 16,500 | 17,000 |
| 3. | Oil-producing products | " | 583 | 440 | 910 | 1,000 |
| 4. | Potatoes | " | 26,391 | 33,800 | 45,200 | 44,000 |
| II. | Purchasing Center | thousand tons | | | | |
| 1. | Grain | " | 2,673 | 5,500 | 6,600 | 7,200 |
| 2. | Sugar beets | " | 10,139 | 14,000 | 16,500 | 17,000 |
| 3. | Oil-producing products | " | 576 | 420 | 880 | 950 |
| 4. | Potatoes | " | 2,357 | 5,000 | 6,500 | 8,500 |
| 5. | Vegetables | " | 995 | 1,120 | 1,500 | 2,000 |
| 6. | Fruit | " | 791 | 968 | 1,000 | 1,300 |

An important task for agriculture in the 1980's is to achieve higher--as opposed to past periods--livestock production from existing fodder supplies. This demands both a change in feeding technology, in order to increase efficiency in the utilization of fodder and a reduction of grain-intensive livestock production, and a growth in livestock production, chiefly through improvements in feeding and animal hygiene conditions, and advancement in veterinary care.

The production of milk is the chief goal of livestock production. This production, yielding the full value of and yet the most inexpensive form of animal protein, is the least fodder-intensive and, at the same time, is to the least degree dependent on imports for the course of livestock production. It is expected that milk products will grow systematically up to 17 billion liters in 1985 and 18.5 billion liters in 1990--both as a result of the growth of stock and the output of dairy cows.

A reduced production of slaughter livestock, due to the gap in fodder stocks and the decrease in imports of grain and fodder by about 5 million tons of grain units will accompany the increased production of milk, eggs and wool in 1985, in comparison to 1980.

Slaughter livestock production, over 400,000 tons lower in 1985 than in 1980, will be three quarters lower, due to the decreased production of slaughter poultry, and one quarter lower due to slaughter cattle.

In the second half of the 1980's, livestock production growth, including slaughter livestock production, will be--through a stabilized import of grain and fodder at the 1985 level (3.6 million tons of grain units)--dependent on the rise of domestic fodder stores. This will allow an increase in the production of slaughter livestock in 1990 by 13.6 percent in comparison to 1985. During the years 1986-1990, the production growth of slaughter hogs is anticipated to be 13.6 percent, whereas slaughter beef will be 24 percent.

Implementation of the program for intensive fresh water fish production will allow a doubling of production by 1990.

Food industry production will grow at a faster rate than agricultural production, toward the assurance of better utilization of agricultural raw materials.

With the general growth in production, fundamental changes will take place at the rate of development of particular branches, just as in the stock structure. These changes are a result, above all, of the basic commodities from the maximum storage of domestic raw materials and from the necessity to cover market demands for standard food articles.

In the present 10-year period, considerable changes will take place in the rate of development of processed animal raw materials. Only a slight growth in the production of meat and meat products will occur, while there will be a significant growth in the production of milk and dairy products. In order to assure a raw materials base for processing, the procurement of milk will grow up to 11 and 13 billion liters in 1985 and 1990, respectively. Conditions for the increased utilization of this raw materials base by small-scale producers will be created: by setting a limit on the procurement of sour cream, among others.

Considerable pressure will be aimed at improving the quality and better utilizing raw materials, and at raising qualitative and taste values in finished products.

Shortages of butter will be supplemented through a growth in the production of vegetable fats, especially refined edible oils. In order to generate production growth, the capabilities of processors of margarine and 100 percent fats. Moreover, the import of higher quality oils in 1985 in the amount of 90,000 tons, and 120,000 tons in 1990, is anticipated.

For full coverage of the expected level of grain products for consumption, the production of these products will rise by about 25 percent.

The assurance of essential conditions for the production of sugar beets, the shortening of the sugar beet campaign and the expansion of processing capabilities will allow sugar production to guarantee the essential market demands, will allow the export of sugar in the amount of 300,000 tons in 1990, and will allow coverage of the orders from the sugar, fruit and vegetable industries.

The development of fruit and vegetable production and also the growth in their procurement will create favorable conditions for an expansion of industrial production by about 35 percent.

Livestock Production

| Number | Item | Unit of measure | 1980 | 1982 p.w. | 1985 | 1990 |
|---|---|---|---|---|---|---|
| 1. | Stock | thousand pieces | | | | |
| | Cattle | " | 12,649 | 11,912 | 12,500 | 14,500 |
| | Cows | " | 5,956 | 5,835 | 5,900 | 5,900 |
| | Hogs | " | 21,326 | 19,471 | 20,500 | 23,000 |
| | Sheep | " | 4,207 | 3,899 | 4,500 | 5,000 |
| | Horses | " | 1,780 | 1,739 | 1,600 | 1,400 |
| 2. | Livestock production | | | | | |
| | Slaughter cattle, in general | thousand tons | 4,410 | 3,380 | 3,955 | 4,500 |
| | --pork | " | 2,220 | 1,900 | 2,200 | 2,500 |
| | --beef | " | 1,354 | 1,040 | 1,250 | 1,550 |
| | --poultry | " | 599 | 250 | 300 | 300 |
| | Milk | billion liters | 16.0 | 15.4 | 17.0 | 18.5 |
| | Eggs | billion pieces | 8.8 | 7.9 | 9.0 | 9.5 |
| 3. | Purchasing Center | | | | | |
| | Slaughter cattle, in general | thousand tons | 3,796 | 2,681 | 3,315 | 3,980 |
| | --pork | " | 1,878 | 1,472 | 1,850 | 2,150 |
| | --beef | " | 1,282 | 970 | 1,150 | 1,500 |
| | --poultry | " | 489 | 140 | 200 | 200 |
| | Slaughter cattle, in general, per weight of meat | " | 2,583.3 | 1,794 | 2,250 | 2,700 |
| | Milk | billion liters | 10.0 | 9.4 | 10.5 | 13.0 |
| | Eggs | billion pieces | 3.6 | 2.9 | 3.5 | 5.0 |
| | Wool | thousand tons | 12.5 | 11.5 | 13.7 | 15.5 |

In the group of products which are highly processed, there will be considerable rise in the production of goods for children.

The development of freezing and refrigeration will further a reduction in losses of food as well as further a considerable increase in the production of frozen fruit and vegetables, and cooking wares, by 1990.

Small-scale and handicraft industries will fulfill an important role with regard to the limited capabilities in the development of the potentials of a key industry. It will allow the fullest stocking of agricultural raw materials, it will curtail redundant transportation and will induce a better stocking of the local market with food articles.

Production of the Most Important Products by the Food Industry

| Number | Item | Unit of measure | 1980 | 1982 p.w. | Forecasts 1985 | Forecasts 1990 |
|---|---|---|---|---|---|---|
| 1. | Flour, in general | thousand ton | 3,428.4 | 3,740.0 | 4,000.0 | 4,300.0 |
| 2. | Macaroni | " | 95.1 | 92.0 | 105.0 | 115.0 |
| 3. | Aged cheese | " | 94.0 | 88.0 | 100.0 | 130.0 |
| 4. | Butter | " | 253.0 | 217.6 | 230.0 | 260.0 |
| 5. | Cottage cheese | " | 204.0 | 180.0 | 260.0 | 300.0 |
| 6. | Oils and edible vegetable fats, including: | " | 275.0 | 270.0 | 338.0 | 374.0 |
| | margarine | " | 184.5 | 196.0 | 220.0 | 240.0 |
| 7. | Fish (catches) | " | 791.0 | 538.0 | 575.0 | 580.0 |
| 8. | Sugar | " | 1,684.7* | 1,620.0 | 1,750.0 | 1,800.0 |
| 9. | Goods for children | | | | | |
| | (resort) | " | 9.2 | 9.2 | 30.3** | 33.7 |
| | (CZS Mlecz.) | " | 24.4 | 24.0 | 28.0 | 33.0 |

* Anticipated production on conditions of obtaining a license from the health department to produce vegetable-meat products in the meat industry

** Thousand tons

## V. Consumption

Taking into consideration the capabilities of agricultural production and the food industry, and the recommendations of science on human nutrition, changes in consumption in the current decade will take the following form:

--In the group of products containing animal protein (milk and dairy products, eggs, fish and meat)--because of a reduction in meat consumption and the need to assure adequate amounts of animal protein in the diet--an increase or at least a maintenance of the current level of egg consumption, as well as a growth in the consumption of milk and its products (with the exception of butter). The consumption of fish is shrinking as a result of external difficulties, which includes foreign exchange in the maritime economy. The level of production and consumption results from current estimations of the capabilities for development of the domestic economy, and consequently from the

supplying of agriculture with the means of production, particularly yield-production (mineral fertilizers and insecticides).

In the case of a more rapid--in comparison to the present estimations--improvement in the state of the nation's economy, enabling the development of the capabilities of the chemical industry, conditions for the expansion of the production of mineral fertilizers and insecticides could arise. Through the expansion of mineral fertilizers to 250 kg of NPK per 1 hectare, and insecticides to 2.5-3.0 kg per hectare in 1990 grain yields would grow to about 32 quintals per hectare and all crops to about 37.5 grain units from 1 hectare. This would enable the expansion of food production to grow by at least 350,000 tons, which would assure the expansion of meat consumption per household to 70 kg; that is, by about 7 kg more than results from the basic variety of development in farm production.

--consumption of products from the carbohydrate group (grain products and potatoes) will become stabilized;

--consumption of food from the group including fruit, vegetables and leguminous crops, composed of rich sources of plant protein, will increase;

--in the group composed of fats, consumption will be maintained on the current level, although through an increased portion of vegetable fats.

The anticipated consumption structure of food products will guarantee a daily nutritional ration of about 3,500 kilocalories and over 90 grams of protein in all, of which about half will be composed of animal protein.

Consumption of Basic Food Articles Per Household

| Group of Products | Unit of measure | 1980 | 1985 | 1990 |
|---|---|---|---|---|
| Meat and its byproducts | kg | 74.0 | 58.0 | 63.0 |
| Milk and its byproducts (excluding butter) | liters | 262 | 275 | 285 |
| Eggs | pieces | 223 | 222 | 225 |
| Fish and its byproducts | kg | 8.1 | 5.6 | 5.6 |
| Fats in general (commercial weight | kg | 24.8 | 23.4 | 25.1 |
| Of this: | | | | |
| butter | kg | 8.9 | 7.0 | 7.5 |
| animal fats | kg | 8.1 | 7.3 | 8.0 |
| vegetable fats | kg | 7.8 | 9.1 | 9.6 |
| Grain products | kg | 127 | 127 | 125 |
| Sugar and its byproducts | kg | 41.4 | 39.8 | 40.8 |
| Potatoes | kg | 158 | 160 | 160 |
| Fruit and its byproducts (converted to fresh) | kg | 37.7 | 45 | 50 |
| Vegetables and byproducts (converted to fresh) | kg | 101 | 120 | 125 |

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## EFFORTS BEING MADE TO COMPLETE DANUBE-BLACK SEA CANAL

Bucharest LUPTA CFR in Romanian 24 Sep 82 pp 1,5

[Interview with Col. Gen. Vasile Ionel, deputy minister of transportation and telecommunications, general manager of the Danube-Black Sea Canal Central, by Engr Ionel Chiru]

[Text] The conclusions of the talks held by the leader of our party and state, Nicolae Ceausescu, during his recent work trip to this construction site, with officials of our ministry and with other experts indicate that by the better organization and mobilization of human and technical resources, 1 May 1983 may see traffic on this water route. The Danube-Black Sea Canal project, the largest investment project under this five-year plan, through which this country will acquire a new navigation thoroughfare of outstanding importance, has thus reached the stage of countdown. The highly responsible task allotted must be completed unconditionally.

Presently, work is in full swing on all construction sites. High rates are being attained. In its desire to back these efforts our newspaper has devoted a weekly column to the builders of the canal. To obtain an overall report on the stage in the execution of the measures taken and on what still needs to be done we interviewed Col. Gen. Vasile Ionel, deputy minister of transportation and telecommunications, who heads the project in his capacity as general manager of the Danube-Black Sea Canal Central.

[Question] What is the present stage of the project? What are the "hot spots" on which efforts must be focused so that the canal may be navigable on schedule?

[Answer] Work on this project of great importance to our national economy, the Danube Black Sea Canal, is in an advanced stage of construction. When making this statement I have in mind not only work on the waterway of the canal but also the other facilities such as the harbors, locks, bridges, pumping stations, and so on.

The task set by party secretary general Nicolae Ceausescu during his survey and work trip to the canal construction site, last June, stipulates that navigation on the canal must open on 1 May 1983.

Consequently, all the programs worked out, which underlie our activity, stem from this task, that all the working people on all the construction sites know and have endorsed.

You all know the route of the canal and its chief characteristics. It has been agreed that the canal opening, from the Danube, be considered as km 0. Proceeding from this kilometer toward kilometer 64 -- the opening into the Black Sea -- one may note that:

a. In the so-called "Cernavoda knot," work on the new Cernavoda harbor, at the lock and the waiting harbors, the joint railroad and road bridge, the pumping station at km 4, are in full swing and by and large meet their schedules. A certain delay only is involved at the Cernavoda lock, but it could be eliminated;

b. As far as Medgidia and further on, as far as km 35 it is possible to navigate on the canal, some interruptions being only temporary, as they are caused by work involving shutoff of some facilities -- the pumping station at km 18 and several road and railroad bridges -- projects in advanced stages of construction, some even ahead of schedule. In the area of Medgidia town, intensive work is proceeding on assembling the metal decks for the two prospective bridges over the canal -- one for the road and one for the railroad. I point out that the infrastructure and the concrete superstructure of these bridges have been completed many months earlier;

c. From km 35 as far as km 51 it is possible to use the canal, but by means of motor-vehicles, the bottom of the canal being at the projected level, of +0.5 m. In this stretch, a very great volume of earth has been excavated, carried by facilities of the Automotive Transportation Central and of the Danube-Black Sea Canal Central to adjacent dumps, which also are in preparatory stages for being transferred to agricultural units. In the area of the Basarabi locality, work is proceeding on assembly of the metal deck, which was recently delivered by Rimnicu Vilcea IUCF for the prospective road bridge, whose infrastructure and concrete superstructure have also been completed several months earlier;

d. From km 51 to km 60 it is possible to go through the canal, but at levels which differ from the final level, with intensive work proceeding on excavations and bank protection. In this sector the planned rates have not yet been attained;

e. From km 60 to the Black Sea occurring are a canal stretch which is almost completed, the future bridge on D.N. 39, over the canal, under construction and the lock at Agigea, with its waiting harbors, in stages of execution which, by and large, correspond to the charts.

You asked a question relating to the "hot" spots where efforts need to be concentrated, so that the canal may become navigable on schedule.

I can state that efforts must be focused on all projects to complete them on schedule, because some condition others and all condition the opening of the canal. However, "hotter' are the operations at the Cernavoda and Agigea locks, at the road and railroad bridge over the Cernavoda lock and, especially, the excavations, bank protections and support walls in the so-called "ridge area," between km 52 and km 60.

[Question] How is work done in these areas?

[Answer] Technical forces and means that correspond to needs are involved in all the projects. True, in some areas, the need is still felt for some specialized

workers, but thanks to the measures approved by the top executives of the party and state, this difficulty is in the process of being eliminated.

For all operations, detail programs and charts have been worked out, they have been discussed with the collectives of working people and are being constantly monitored, with the analysis of their implementation being made daily at the level of formations, lots, and construction sites and weekly, at the level of units and central.

Measures were taken for expeditious information, so that various difficulties occurring on work sites may be handled by the proper bodies of the units, central or ministry.

Together with the overall designing unit, IPTANA, whose presence on the construction site has become permanent, experts reviewed some construction techniques and new techniques were adopted where this was necessary, so that the operations may be completed in the planned periods, without, however, affecting their quality.

Two or three shifts operate on all construction sites, with interruptions during the 24 hours only for meals.

Much attention is paid to technology, a decisive factor for completion of work.

We receive support for proper technical-material supplies, even though problems remain to be resolved, specifically those caused by lack of some spare parts.

[Question] What should be done specifically to accelerate the rate of work on construction sites, so that the programs formulated may be completed, to meet schedules?

[Answer] As I stated before, for the smooth development of operations and fulfillment of the task set in regard to the opening of navigation on the canal, detail programs and charts were worked out. Their implementation and exact meeting of schedules are mandatory requirements for all constructors; any deviation causes discrepancies with unsatisfactory results. Possible delays must result in prompt replanning and, based on firm steps, must be swiftly eliminated.

In the first place, we must utilize all the forces and resources available, at their capacity, as these were sized in accordance to the tasks. Order and discipline must be further strengthened; each man at his place of labor must complete his assignments.

We shall survey and constantly request that the heads of formations, lots and construction sites, all the heads of production processes, properly organize work and totally follow the techniques approved.

The rates that must be attained on every shift, day or night, are high but feasible. It is not easy to daily excavate 500,000-550,000 cu m or to pour 4,000 cu m concrete

The efforts are not small which must be made by machine operators on excavation equipment, drivers on dump trucks, carpenters, steel benders and concrete workers on locks, fitters or turners who work on assembly of metal decks for bridges over the canal.

No matter how difficult and no matter how great the efforts may be, the results anticipated and incorporated in the monthly and annual plans must be obtained.

The excavations, a "hot spot" on the construction sites of the canal, mainly depend on the operation of excavators and transportation facilities. We have not yet managed to obtain a CUP of 0.85 and this is the main cause of nonattainment of daily rates.

We shall further request the equipment supplier units to provide us with the spare parts in short supply but also to organize services. However, major tasks are allotted our enterprise for heavy equipment and equipment sections, units where many shortcomings still can be found.

The concrete pouring rates are high but achievements still fail to meet the planned level. The causes only involve our units: organized concrete pouring units are not ensured, especially at the Cernavoda lock and support walls. Consequently, and we focus on this, we must urge the units involved to provide adequate organization, discipline and order.

[Question] What does the support of the others sectors and units of the ministry involve? What should be done further?

[Answer] By Order No 938 of 19 July 1982 of the Ministry of Transportation and Telecommunications, a team of executives from the ministry and subordinate centrals was set up. Its chief task involves support for expeditious resolution of problems of investment projects, supplies, organization, planning, personnel, financing, and the like, with which the Danube-Black Sea Canal Central is confronted. The tasks of this team also involve the analysis of the utilization of construction and transportation facilities and prompt resolution of technical assistance problems.

Within the framework of the surveys conducted in the field and in commands, the minister of transportation and telecommunications, Vasile Buluces, gives us special assistance by the steps which he takes and the tasks which he sets to the bodies in the ministry and subordinate unita.

The results of the assistance received from the minister are evident. I could point out:

a. Provision of the work force in trades in short supply — equipment operators, concrete workers, turners, carpenters, and the like -- from units under the ministry. I emphasize that so far the construction sites of the canal have received a number of workers that is greater than the planned one, thus partly making up for the nonfulfillments of other ministries. The representatives of the Directorate for Personnel, together with us, analyze, at this stage, the caliber of the workers sent in, taking measures to replace the ineffective ones, true, few in number, and to see that the assignment period is not exceeded;

b. Energizing of the fleet of transportation facilities by the Automotive Transportation Central, a drive headed by director general Victor Mateevici himself. Moreover, the level of discipline has been enhanced, although much remains to be done. The leading body of the central involved is concerned with and I feel strongly that

intensive efforts will be made for ensuring the amount of active dump trucks, specifically in the "ridge area;"

c. Upgrading of the material base, in accordance with the tasks in the production programs. In line with instructions from the top, DGAD in the ministry, in conjunction with the proper bodies in our central have taken measures to daily monitor in plants and supply centers the delivery of materials and spare parts, with appropriate results. My hope is that further efforts will be made to promote smoother supplies;

d. Active participation in repairing some machines and installations by Cluj-CMMR, Craiova-IMMR, Chitila-IPIC, Otopeni-IUDP and some enterprises under CIRA. Because of the need for maintaining the greatest possible number of machines in operation, I firmly believe that all units that were allotted specific tasks by the ministry's leading body will prioritize special arrangements for conducting and completing repairs.

Furthermore, our central and subordinate units must keep close contact with specialized units for prompt integration of planned machines into the repair process.

I express sincere thanks to the leading body of the ministry and subordinate units for the support received and also my assurance that we shall work with full responsibility to fulfill our assignment.

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DEVELOPMENT OF INTERNATIONAL TOURISM BY COOPERATION EFFORTS

Bucharest REVISTA ECONOMICA in Romanian No 36 10 Sep 82 pp 9-10

[Article by Dr Ioan Georgescu: "The Development of the Tourism Industry Through International Economic Cooperation"]

[Text] The maintenance of a high level of demand in the world tourism market, even during the current international economic circumstances, once again verifies the conclusion reached by sociologists - that to enjoy free time in nature for recreation or learning has become a major motivation for man in contemporary society.

Our country's specific position, with regards to both the managed and manageable potential for tourism and the closeness of the supplying markets of certain significant numbers of tourists in international traffic, gives the Romanian tourist industry solid premises for development.

Bringing tourist resources into the economic circuit, which, today, are as coveted on the international market as iron, coal or petroleum, certainly requires investment funds (including hard currency funds) in order to equip facilities for rooms, services and recreation and so forth, activities to which capital from the international market could be attracted. Among the arguments that are made to support the ever more widely accepted opinion that tourism is a top industry in a modern economy, we can mention those formulated by Marie-Francoise Lanfant of the National Center of Scientific Research in Paris:

- the manner of organization (including the use of modern means of transportation, hotel chains, restaurants and cultural and recreational equipment);

- sales and management techniques make demands upon data processing and marketing, using the most recent advances, such as: the use of data bank displays in keeping track of travelers' tickets and hotel rooms, management information system for stocks, marketing programs and publicity campaigns based upon a multilateral sociological analysis of the targeted subjects, using modern methods for segmenting groups and for typology;

- concentrating on large international companies' (Holiday Inn, Sheraton, Hilton International, Intercontinental Hotels, Novotel) management, benefiting from modern instruments that are efficient in management;

- the ability to concentrate and use domestic resources (the sale of foodstuffs and other consumer goods at retail prices; the use of available transportation resources; the use of the natural environment and cultural heritage; the international spread of artisan work; the formation of highly qualified personnel);

- the expansion of tourism to the four corners of the world, with an irreversible trend towards growth.

Just as one of the fundamental components of our party's and state's strategy for the development of foreign economic trade is represented by the expansion of international economic cooperation, in the most diverse forms and in the most varied fields, between Romanian enterprises and enterprises abroad, the achievement of certain joint ventures in the field of tourism appears not only possible and opportune, but also necessary. Thus, although currently the receipts from our international tourism represent the most important element within the framework of the balance of unseen trade, with its contribution to the balance of foreign payments being a significant one (in 1980, it covered 40 percent of the deficit in the trade balance), nonetheless - compared to other European countries - the relationship of tourism recepits compared to those from exports is still modest. Thus, if for Greece this relationship was, in 1979, 42.1 percent, for Portugal 26.1 percent, for Spain 40 percent, for Yugoslavia 16 percent, for Hungary 4.5 percent, in Romania it was between 3.2 and 3.4 percent in 1980.

It can be seen that our country's tourism potential, even after a summary evaluation (and, later, we will come back to this point with some data stemming from a zonal review of Romania), is insufficiently put to use with regards to international tourism. Clearly, the strategic options in the development of the economy by branches have imposed a well-defined list of priorities and, in the future, there will be great requirements for investments in industry and agriculture. But, precisely because of these specific requirements for the development of our economy we cannot exclude from the economic circuit the great natural resources that the tourism industry in our country has available. The now rich experience of the achievements in actions of international economic cooperation in numerous fields - industry, agriculture, construction, international transportation, banking, insurance and education - has demonstrated the mutual advantages that the participants can obtain in these types of actions. In our international tourism, the cooperation with Club Mediteranee and Intercontinental has, likewise, proved fruitful.

In recognizing the contribution that international tourism makes in accelerating the growth of developing regions, the World Bank has financed a series of broad projects for the development of tourism, for example: the development of certain tourist areas in Kenya and Uganda, including hotels and vehicle parks; a complex plan for the development of a new tourist region in Tunisia, including the planning and construction of tourist facilities (hotels, sport facilities, boat clubs and so forth); the "Adriatica-South" project, supported by the United Nations Development Program, and the "Adriatica" highway project supported by the World Bank; the Bali-Indonesian project achieved with the help of the United

Nations Development Program; the training and upgrade training projects for personnel, carried out with the help of the International Labor Office, in Cyprus, Iran, Lebanon, Singapore and Tunisia; and the projects dealing with the study of tourist and cultural heritage and the restoration of historical monuments and places supported by UNESCO. The World Bank has proposed encouraging joint companies in the area of tourism that will ensure the majority participation of developing nations in the capital investments that also attract foreign investors. In addition to financial assistance, technical assistance is also granted in the systematization of areas and regions, including environmental protection. Cooperation with the companies from those countries that provide large numbers of tourists is recommended under the aspect of the international marketing programs that the Romanian organizers can achieve together with the foreign partners. Understanding the motivation for a vacation abroad, the facilities that tourists want, the periods preferred by the various segments of the market and the idea itself of "comfort" while on vacation are complex sociological problems that justify cooperation with the specialized tourism agencies, making use of well-established offices within the partner countries (those providing the tourists) and having experience and prestige. Similarly, activities to promote the Romanian tourist product on foreign markets can be greatly qualitatively improved with the assistance of an eventual foreign partner that is well-established in the market and having agents in the main urban centers and permanent publications or columns in the specialized magazines, as well as those addressed to families, in bookstores, in entertainment magazines and so forth.

In order to show the advantages to both partners within the framework of a cooperative action in tourism it is sufficient for us to mention the objectives pursued through this type of cooperation.

1. The growth of foreign tourism demand and the provision of certain permanent influxes of tourists. In this regard, we can note as a successful project the cooperation between the Austrian company Oesterreichishe Spelbanken Consulting AG and the Hungarian group Danubius regarding the opening of a casino (hard currency) in the Danubius-Hilton luxury hotel. This transaction also involves certain arrangements involving the United States, Austria and Hungary for attracting North America tourists to the two European countries.

2. The development of the technical-material base of tourism, including imported equipment. Investment capital on the international market, in seeking certain opportunities to invest for a quick and certain return, is directed towards tourism. Thus, Austria has given Bulgarian tourism a credit of two billion Austrian schillings in order to build hotels in Sofia, along the Black Sea coast and in mountain resorts and to equip them with telephones, skiing equipment and air conditioning equipment. At the same time, in cooperation with French companies, a hotel will be built in Bulgaria at the Borovet resort (1,600 meters altitude) having 600 rooms and equipped with recreational facilities for winter ports, hunting, fishing and horseback riding. A consortium of French companies signed a agreement in Peking with the China Travel Service regarding the design,

financing and construction of certain international-class hotels. Similar agreements are being carried out with these groups: Intercontinental, Sheraton, Holiday Inn, Amhurst and Hyalt. Through cooperation actions between the PRC and Australia a series of motels have been built in the tourist regions in northern and southern areas of the PRC worth over $20 billion. Similarly, Japan Airline, through its subsidiary JAL Development Company, will build a series of category I hotels in the main regional cities and centers in the PRC. During the first 10 years, the management of these units, as well as the personnel training, will be provided by JAL. In the Soviet Union, tourism companies from France, Yugoslavia, Sweden and Finland were involved in the construction of the tourism material base. Thus, three Finnish companies, Polar, Lemminkainen and Haka, together with a North American company - Tower International (which provided the financing) - are building a 1,000-bed hotel in Leningrad, with the end-user being the Soviet tourist organization "Inturist." In Poland, hotels were built with the help of international cooperation with Swedish companies (3), Yugoslav companies (1), French (4), British (2 hotels on the coast) and Finnish companies (2 superior quality hotels and 2 motels).

Certainly, in these cases we are not first dealing with the problem of developing our own housing capacities, but with providing for tourists the environment with which they are familiar in their own countries.

Cooperation can also be achieved through the organisms within the United Nations system. Thus, will build and rebuild freeways in four regions within the framework of a project financed by the Word Bank worth $785 million, with the International Bank for Reconstruction and Development providing a credit of $125 million.

3. Cooperation in the achievement of certain tourist projects by granting assistance in the development of certain tourist regions abroad, and eventually through three-way cooperative actions. Among such actions achieved by our country, we can note that the Romanian Enterprise for Construction Abroad, ARCOM, built at Trawemunde, West Germany a large capacity hotel complex, as well as an entire new resort on the coast of the North Sea. Similarly, an agreement was concluded regarding Romania's granting of technical assistance for the development of the Gradani tourist resort in Pakistan.

4. The establishment of certain service units abroad (restaurants, sales exhibits). Currently, Romanian restaurants operate in certain European capitals, as well as in North America.

5. The joint carrying out of certain tourist programs. Among the vast tourist trade programs initiated on the continent, we can note: "The Gothic Year" and "The Roman Year." With regards to the Danubian region, the meetings of the research institutes for tourism in the Danubian countries have identified numerous opportunites to achieve certain joint or connected tourist programs, such as: the ethnography and folklore of the Danubian countries, From the North Sea to the Black Sea, "The Blue Danube," the medieval remains along

the banks of the Danube, and so forth. With the assistance of the IBRD, Kenya and Uganda are achieving such a joint program centered upon visits to the natural reservations in these two countries. Joint actions to promote tourism are also being organized by the Association to Promote Tourism in the Danubian Countries, an association to which Romania belongs. For example, in 1981, this association completed a broad catalogue of tourist activities in the region that was sent to the markets in the northern European countries, North America and Japan. The intensification of cooperation constitutes a priority objective that was dealt with at the Conference of Offical Tourism Organisms in the Balkan Countries, with a cooperation agreement being completed in this regard at the 1980 meeting in Belgrade.

6. International cooperation in the field of services. In order to facilitate tourism ties between England and Poland, the initiative was taken to build in Poland two ferryboats, the "Pomerania" and the "Silezia" that will connect the Polish coast with England. The "Pomerania" can transport 1,000 passengers and 270 automobiles, while at the same time having a promenade deck, a 200-seat restaurant, a bar, a grill with 200 seats, a 100-seat nightclub, two conference halls, a movie theater and air conditioning.

The "Hertz" automobile rental company, the largest company of its type in the world, having offices in 110 countries, is represented in Poland by the "Orbis" Tourism Agency with rental offices in Warsaw (at the airport), Katowice, Lodz and other large cities. In Hungary, it is represented by the "Fotaxi" Agency with offices in Budapest (at the airport), Balatonfured, Debrecin and Sopron. Similar agreements also exist with East Germany and Czechoslovakia.

In order to diversify the supply of hard currency goods for foreign tourists offered by the "Korecom" chain, in Bulgaria an understanding was reached with the "Super Rifle" and "Delta" commercial companies in Cyprus to open retail sales stores in the Bulgarian market. The construction of certain balneary resort complexes, such as the ones at Pomorie, Nisipurile de Aur, Albena and in the Sredna Gora Mountains, by Bulgarian tourism organizers, through international cooperation, has led to a strong growth in foreign demand. Thus, by carrying out a construction project in cooperation with Swedish companies at the Drujba balneary resort complex dealing with the treatment of rheumatic and cardiovascular afflictions, there has been an influx of foreign tourists from 37 countries, with the majority of them coming from West Germany.

The conclusion of representational contracts for Romania by our tourism organizers with foreign tourism clubs, as well as by the Romanian Automobile Club with foreign automobile clubs, constitute sources of hard currency from the services rendered. The specific nature of these contracts requires that throughout the entire international network of the club a uniform quality of services must be rendered.

In conclusion, we can say that the advantages that a developing nation can obtain by way of international economic cooperation in tourism are as follows:

- The development of a top branch of a modern economy that is capable of better using domestic resources, benefiting from a relatively constant foreign demand;

- The acceleration of the rate of economic growth through investments having a short investment-recovery timeframe, including short term hard currency receipts, and, therefore, a positive contribution to the balance of foreign payments (under conditions where the payments for vacations are made in convertible currencies);

- The placement of services at the level practiced in Europe and throughout the world and the diversification of services and recreation, with an appropriate influence upon the charges that can be obtained;

- The training of highly qualified personnel;

- The expansion of self-management of tourist locations, including that with regards to the preservation of the natural and cultural heritage.

Certainly, the potential advantages can become real ones only under conditions where the offer of international cooperation can find adequate partners.

Without stressing the attractiveness of the Romanian tourist patrimony, we can note a meritorious work completed by the Research Institute for Domestic Trade and Tourism entitled "The Zoning of Romania for Tourism," which identified over 30 regions of priority tourism interest that are characterized by rich and varied tourist points. In many of the counties throughout the country, the tourism industry can become a basic branch of the local economy that can put local resources to use with a minimum consumption of energy and other industrial raw materials, without pollution and so forth.

In a cultural sense, the on-the-scene understanding of our people's centuries long history has provided revelations even for certain well-informed scholars, who understand that "the rocks of the Dacians speak out."

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JPRS 82419

8 December 1982

# East Europe Report

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2346

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# EAST EUROPE REPORT

## ECONOMIC AND INDUSTRIAL AFFAIRS

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# TENDENCIES OF DIVISION OF LABOR WITHIN CEMA DISCUSSED

Warsaw SPRAWY MIEDZYNARODOWE in Polish No 8, Aug 81 (signed to press Nov 81) pp 31-44

[Article by Edward Halizak: "Trends in International Division of Labor Within the Socialist Countries"]

[Text] The processes of internationalization in international economic relations, which are manifesting themselves with particular vigor under the influence of the development of productive forces, depend on the expansion, in all dimensions, and on the intensification of the international division of labor.

The process of the expansion of the international division of labor in the horizontal dimension has already been practically completed, because all of the world's countries have been included, to a greater or less degree, in the international division of labor. Such interdependencies have formed among the States participating in the international division of labor that the industrialized or developing countries, capitalist or socialist, have become the object of influence of the system of forces that shape, and in a certain sense, direct their economic policy on the international arena.[1] Therefore, we can speak of the existence of a world economy, defined "as a system which links the national economies of the individual countries that make it up, and their groups, and at the same time, the whole exerts an influence on the functioning and growth of its individual parts.[2]

The second conformity--the intensification of the international division of labor in a vertical dimension--appeared later. The essence of this process is based on the fact that in addition to trade cooperation in the form of the classic exchange of goods and services, which heretofore has been the basis of the international division of labor, non-trade forms of cooperation are rapidly developing, especially since World War II. This is due to the fact that the basis of the present international division of labor is intra-branch specialization, which supplants the traditional inter-branch specialization, characterized by a division into raw-materials and industrial countries.

An objective tendency towards intensification of international division of labor is not fully possible at the present stage of development of the world economy in a global dimension due to differences in national interests and level of economic development, different management goals, and the influence of many heterogeneous factors. In view of the above, intensification of international division of labor most distinct on a limited scale, mainly in the regional dimension, where to a greater

degree the influence of homogeneous factors appears, resulting from a closer level of economic development, the complementarity of economic structures, and the similarity of sociopolitical systems. It should be stressed that each time the regional division of labor is a reflection of the international division of labor as a whole, and that the differences come down to not just quantitative features, but above all, to qualitative features.

Trends in Mutual Trade of CEMA Countries

In the development of countries of the socialist community thus far, foreign trade remained the most important form of their economo-technical ties. This was the result of the level of industrial development attained, the existing mechanisms of economic cooperation, and the functioning of the methods by which the economy was managed in the particular socialist countries. From the standpoint of ensuring the developmental needs of socialist countries, foreign trade fulfills two functions: it facilitates the adaptation of the structure of the generated national income to the consumption structure and the production needs of society, and also increases the size of the national income.[3]

Table 1. CEMA Share in Exports of Member-States (percent, in current prices)

| (1) Kraj | 1970 | 1975 | 1979 |
|---|---|---|---|
| (2) Bulgaria | 75,8 | 77,4 | 72,0 |
| (3) Czechosłowacja | 64,7 | 66,5 | 67,4 |
| (4) Kuba | 64,6 | 67,9 | 80,1 |
| (5) Mongolia | 94,4 | 96,4 | 96,4 |
| (6) NRD | 68,6 | 69,3 | 70,3 |
| (7) Polska | 60,5 | 56,9 | 57,8 |
| (8) Rumunia | 50,3 | 38,8 | 36,5 |
| (9) Węgry | 61,8 | 68,5 | 53,2 |
| (10) ZSRR | 54,3 | 55,6 | 51,1 |
| (11) RWPG | 66,1 | 66,0 | 66,0 |

SOURCE: Author's calculations, based on: 1980 Statistical Yearbook of Foreign Trade, Warsaw, 1980, pp 63-64.

Key:

1. Country
2. Bulgaria
3. Czechoslovakia
4. Cuba
5. Mongolia
6. GDR
7. Poland
8. Romania
9. Hungary
10. USSR
11. CEMA

During the 1970's CEMA's share in the trade turnovers of the individual countries remained at about the same level. For comparison it would be well to point out that during the first five years a decline in mutual turnovers was noted, which was connected with the increase in trade exchange with capitalist countries (this pertained particularly to Poland and Romania).

Table 2. CEMA Share in Total Imports of Individual Countries (percent, in current prices)

| (1) Kraj | 1970 | 1975 | 1979 |
|---|---|---|---|
| (2) Bułgaria | 73,0 | 70,7 | 79,5 |
| (3) Czechosłowacja | 63,8 | 65,6 | 67,0 |
| (4) Kuba | 63,0 | 48,0 | 79,9 |
| (5) Mongolia | 97,3 | 96,0 | 97,2 |
| (6) NRD | 66,1 | 63,5 | 61,5 |
| (7) Polska | 65,8 | 43,8 | 51,7 |
| (8) Rumunia | 48,3 | 37,2 | 34,4 |
| (9) Węgry | 62,3 | 64,0 | 50,9 |
| (10) ZSRR | 57,0 | 48,3 | 52,7 |
| (11) RWPG | 66,3 | 59,7 | 63,8 |

SOURCE: Same as Table 1.

Key:

1. Country
2. Bulgaria
3. Czechoslovakia
4. Cuba
5. Mongolia
6. GDR
7. Poland
8. Romania
9. Hungary
10. USSR
11. CEMA

However, during the second half of the 1970's there was an increase in mutual turnovers as a result of the fact that the individual socialist countries, encountering difficulties in placing their goods on the markets of the capitalist countries, were forced to intensify mutual exchange.

The qualitative transformations in the international division of labor of CEMA countries were shown not only by the increased rate of mutual turnovers, but also by the structure of their goods. Insofar as structure of goods is concerned, the growth in the share of machines and equipment in mutual turnovers is particularly important in the 1970's.

The high share of machines, equipment and transport means in mutual turnovers of CEMA countries was in itself peculiar, but it did not indicate in the least that there was a systematic increase in the international division of labor in this group of countries. From the standpoint of the rationality of the international division of labor it is important whether the growing share of machines, equipment and transport means in CEMA mutual turnovers occurred on the basis of a classic trade exchange of final products, or whether this growth was the result of the development of production specialization between those countries, i.e., was the result of the development of an intra-branch division of labor based on the production and exchange of assemblies, subassemblies, and parts.

Table 3. Share of Machines, Equipment, and Means of Transport in Mutual Turnovers of Individual CEMA Countries (in percent)

| (1) Kraj | 1970 | 1975 | 1978 |
|---|---|---|---|
| (2) Bułgaria | 40,7 | 45,3 | 47,1 |
| (3) Czechosłowacja | 50,4 | 48,0 | 52,8 |
| (4) Mongolia | 0,3 | 0,3 | 0,3 |
| (5) NRD | 50,7 | 53,4 | 55,0 |
| (6) Polska | 38,5 | 39,1 | 44,1 |
| (7) Rumunia | 22,8 | 25,3 | 28,5 |
| (8) Węgry | 37,0 | 33,6 | 34,6 |
| (9) ZSRR | 21,5 | 18,7 | 19,6 |

SOURCE: Statistical Yearbook of Council of Mutual Economic Assistance Member-States, Moscow, 1979, pp 375-380.

Key:

1. Country
2. Bulgaria
3. Czechoslovania
4. Mongolia
5. GDR
6. Poland
7. Romania
8. Hungary
9. USSR

It is generally accepted that the proper criterion for representing qualitative changes in the international division of labor is the percentage indicator of the share of production derived from specialization and cooperation in the overall trade exchange, implemented on the basis of the intra-branch division or labor (subsectors or individual enterprises). Production specialization and cooperation goes beyond the narrowly defined specialization, because it also includes production cooperation and exchange of the particular assemblies and subassemblies of the final product. It may be said that in an exchange based on production specialization and cooperation, the difference between the individual elements and the final product becomes blurred.[4]

International division of labor which is based on production specialization assists in increasing management efficiency, labor productivity, serial production of parts even up to ten-fold, and assemblies four- to six-fold, while at the same time it reduces production costs as much as 50 percent.[5]

The importance of this form of interconnections in CEMA countries is universally appreciated.

"The cooperation of CEMA countries under present-day conditions can no longer be based only on a quantitative increase in mutual deliveries of goods and services, which are the result of national productive processes non-socialized on the international scale (or socialized to a small degree). The main reserves for intensifying international socialist division of labor and increasing its efficiency should be sought by way of expanding the territorial framework of socialist cooperation".[6]

During the 1970's there was a rapid development in production specialization and cooperation on the strength of bilateral and multilateral agreements, which began to exert an increasingly greater influence on the structure and size of industrial production and trade turnovers of CEMA countries. In all, over 1,000 bilateral and over 100 multilateral understandings of this type were entered into by 1979. As a result, the share of deliveries derived from production specialization and cooperation increased to 15 percent (in 1978) of the total turnovers. In that same year, the share of specialized products in the exports of the machine industry amounted to 40 percent.[7]

Despite the rapid increase in absolute numbers, the present range of production specialization and cooperation is too narrow in relation to the achieved level of industrial development, and therefore in too small a degree influences the formation of complementary economic structures of CEMA countries, which, in turn, has its own implications for the processes of integration of the socialist States. The too-narrow, in relation to potential capabilities, range of specialization and cooperation within the framework of the CEMA, has its own objective and subjective determinants which inhibit the development of intra-branch division of labor.

First, understandings on specialization and cooperation are not fully applied and respected due to the effect of political, legal, economic and organizational factors. The centralized methods of managing the national economy, in particular, are not conducive to the development of specialization and cooperation, which requires speedy, efficient and decentralized actions at the subsector or enterprise level.[8]

Second, in the existing economic mechanism prices do not act as an important stimulator for the allocation of resources within the CEMA. In this situation, when directions of specialization and cooperation are being coordinated, factors of a technical, prestige, political, intuitive and balance nature play an important role.

Third, the maintenance of structural bilateralism limits the possibilities and scale of exchange.[9]

None of the above factors which restrict specialization and cooperation was eliminated in the 1970's. As a result, these kinds of understandings often did not increase the effectiveness of the division of labor in the particular branches. That is why the tendency to produce far too wide an assortment of goods, without regard to the social costs of their production, remains--goods which are highly energy-, materials-, capital-, and import-absorptive.

Development of Joint Enterprises in CEMA Countries

The development of mixed enterprises is dictated by objective needs. They are being examined as being the highest forms of organization of relations, because they combine all of the positive elements of the objective processes in the development of production forces (concentration of production, optimization of series, concentration of scientific-technical studies). The process of creating such economic organizations is termed the internationalization of production forces.[10]

The necessity for the development of such enterprises is universally and theoretically justified, as attested to by, among others, the decisions of the comprehensive program. Based on the practices of the 1970's, we can speak of three forms of implementation of such enterprises:

--without joint management, based on the independent construction by each country of plants which cooperate in the manufacture of the final product and on mutual coordination of deliveries of specialization and cooperation products;

--with joint management during the construction of joint installations, with this management ending together with the completion of the investment, and the participating countries obtaining, over a period of time, a part of the production derived from the jointly erected installation;

--with joint management of the production processes during operation of the installations assigned by countries to joint utilization (they may also be jointly erected)[11].

From the standpoint of the relation of national and international elements, three kinds of economic facilities can be differentiated, according to their derivation:

1) installations arising from domestic investments (most of the enterprises);

2) installations arising as a result of the international cooperation on investment means, which, however, became national property;

3) installations arising as a result of international cooperation on investment means, which fulfill international functions in the interests of a given country.[12]

In the 1970's a form of joint enterprises developed in the field of raw materials investment, but specialization and cooperation in the area of raw materials is not equivalent with intra-branch division of labor, which is possible only in industry. It evokes a specific system of external ties. It is also difficult to attain a principle of equal benefits in view of the unequal distribution of resources.

However, enterprises which were internationally or jointly owned in particular subsectors of industry developed very slowly, despite the fact that theoretically their development has been demanded for a long time now. In the economic practice of socialist countries this problem, however, is very complicated and it should be examined in terms of national and supranational ownership and the conformity and conflict of these two forms of ownership from the standpoint of State interests, which, in turn, is determined by the level of complementarity of the economic structure of the particular countries.

The development of these enterprises is determined by the range of their joint interests, the degree of mutual consideration of interests, and primarily by the method of establishing prices in socialist transnational enterprises. The establishment of prices on goods produced and bought by socialist transnational enterprises is a difficult problem to solve both from the practical as well as the theoretical standpoint. This is due to the fact that the methods of establishing prices used in socialist countries differ among themselves by their construction and the principles of calculating the component parts of the price.[13]

Financial and Capital Ties of Countries Within the Socialist Community

Financial and capital ties determine, in a very basic way, trade relations also within the framework of joint enterprises of CEMA countries. The cooperation of the socialist countries in this field thus far was based first on a mechanism of bilateral settlement of accounts, and since 1964, after the establishment of the International Bank for Economic Cooperation (IBEC), on multilateral settlements. As many authors point out, the multilateral accounting mechanism is actually a bilateral mechanism, however. This is due to the insufficient degree of coordination of national economic plans, the system of prices in effect in CEMA countries, and the shortage of production capacity, which restrict the ability to increase production in response to additional demand from other socialist countries.[14] The main cause is the inadequacy of the international money of the socialist countries--the transferable ruble. It does not fulfill all of the functions of a full-value money, such as: a measure of value, a means of payment, a means of circulation and a means of accumulating reserves.[15]

This makes it very difficult to intensify the international division of labor, and especially to develop cooperation and specialization within the framework of the socialist countries. An additional factor restricting this development is the irrelevancy of the prices used in settlement of accounts with socialist countries (established on the basis of world prices) to the intra-country prices, which differ among themselves and which as a rule do not reflect the outlays of social work. Such a state of affairs makes it difficult or actually impossible to compare production costs and to evaluate the benefits flowing out of industrial cooperation. Under these circumstances, agreements on cooperation and specialization are frequently concluded with no consideration being given to cost-effectiveness.

Closely related to prices and international money is the problem of the convertibility of the currencies of socialist countries. It is universally stressed that the lack of convertibility favors the maintenance of a structural bilateralism, making it impossible to go to a multilateral system of accounting, which accelerates the development of trade exchange and creates the conditions for greater improvement in the international division of labor. The inconvertibility of the currencies of the socialist countries makes itself known in every field of cooperation, creating difficulties in specialization and in the development of joint ventures, the flow of capital, and hampering the coordination of economic policy and planning on the CEMA scale. "For CEMA, the creation of a convertible currency cannot be a goal, but an indispensable condition of cooperation".[16] The transfer of national currencies and the collective currency of CEMA member-countries to convertibility is, however, a complicated measure which requires that three basic conditions be fulfilled: consolidation of the materials base, i.e., the existence of certain rereserves of goods, materials and production capacity; important changes in the system of management, based particularly on a change from directives-type mechanisms in the direction of independence of decisions of enterprises and the creation of a system for interesting the enterprise in increasing its production; and changes in some of the principles of economic cooperation between these countries.[17]

The next aspect of this form of ties is the problem of capital and credit cooperation. It did not play a large part in past practice because until recently the viewpoint was expressed that the flow of capital on an international scale is

tantamount to interception of the national income of a given country. In reality, however, capital flow is a form of international division of labor and production specialization.[18]

Multilateral capital and credit cooperation by the socialist countries began in 1971 in connection with the establishment of the International Investment Bank (IIB). The bank's goal is to grant long-term and short-term credits to finance investments in the field of international cooperation and industrial specialization, for the expansion of a raw materials and fuels base, and to construct installations that are of special interest to countries in the socialist community. IIB's initial capital amounts to 1,068 million transferable rubles, including 30 percent in convertible currencies.[19] Up to 1978 IIB granted credits totaling 1,857.5 million transferable rubles.[20]

However, IIB was not able to meet the demand of the socialist countries for capital means in the 1970's. Hence, as a result of the small supply of this capital on the CEMA market, the particular socialist countries were forced to make use of capital and credit means available on the markets of the capitalist countries, which carried with it a number of unfavorable consequences for most of the economies of those countries.

The basic defect of IIB credits is that they cannot be used to obtain the goods which a given country needs the most, because the bilateral coordination of the plans does not take into account coverage of the credits granted by the Bank in goods.

"The CEMA member country which, in return for credit granted by IIB, furnishes goods (equipment, materials, machinery, etc.), cannot make use of the transferable rubles obtained in exchange, because this is not a charge in any bilateral relation. If it supplies goods, then in effect--despite intentions--it itself become a creditor".[21]

Nor is the fact unimportant that in a situation where a transferable ruble does not fulfill the function of a means of accumulating reserves, States are not interested in accumulating this money because this amounts to the freezing of their financial means. In practice, this means not only a lack of interest in cooperation, but it also produces a conflict of interests.

Generally speaking, the system of financial and capital ties in countries of the socialist community has many weaknesses and in many cases is an obstacle to the development of other forms of ties between socialist countries.

Scientific-Technical Ties

The importance of scientific-technical cooperation in intensifying international division of labor, increasing the efficiency of production and reducing the costs of production, is universally emphasized.[22] But the present state of cooperation in this field must be evaluated negatively. The position of the socialist countries on the international licensing market and their share in the world scientific and research potential attests to this.[23]

Data show that the scientific-technical base is being developed devoid of the scientific-research and design-construction work in different fields by which a growth

in the production of products of the highest world standards could be achieved. As a result, a large assortment of goods produced by CEMA countries is of a low technical level. The direct consequence of this is a reduction in the level of modernity and competitiveness of the goods produced by these countries. This is shown by the lower share of CEMA countries in world export in the 1970's. This share in 1971 amounted to 9.8 percent (in current prices); in 1975 it fell to 9.1 percent; and in 1979, to 8.5 percent.[24]

The share of science-absorptive products in the exports of the machinery industry of the particular socialist countries during the 1970's was also very low. In USSR and GDR exports it amounted to 15 percent, Hungary, 10 percent, Czechoslovakia and Romania, 8 percent, and Poland, 5 percent.[25]

In view of the low effectiveness of scientific research and the negligible progress in applying scientific and technical solutions in industry, the particular CEMA countries were forced to import western technology, which fulfilled a most important role in accelerating the technical reconstruction of the economies of those countries. Initially the transfer of technology consisted of the import of machinery and equipment and partially of the import of completed "turn-key" plants. Later, emphasis was placed on the purchase of licenses and know-how. There was also a striving for industrial cooperation as a basis for steady transfer of technology in the applicable subsectors of industry. The purchase of licenses was broadly tied to the import of machinery and equipment. This had a considerable impact on the structure of trade, industrial production, and also on the balance of payments through a growth in demand for foreign-exchange means.[26]

The uncoordinated development of science and engineering within the CEMA countries was accompanied by a lack of coordination in the import of technology from third countries, which manifested itself in a duplication of purchases. Despite the fact that this problem was pointed out by some researchers,[27] it has not yet been solved successfully.

The lack of greater progress in improving the scientific-technical cooperation of CEMA countries can be attributed particularly to several reasons:

First, the economic structures are characterized by a lack of demand for innovations, which is the result of the existing model of managing and directing the economy and the functioning of the so-called "seller's market" (a monopoly).

Second, the system for planning and directing scientific-technical policy is not conducive to efficiency in research, to reduction in the time for applying technical innovations.

Third, the existing economic, social and political structures have shown themselves to be insufficiently effective for the adaptation of imported, new technology.

A System of Ties Ensuing from Joint Economic Policy

Ties which are the result of joint economic policy play the most important role in the community of socialist States. The economic cooperation of socialist States is an organized process, of a planned nature, and is the result of the coordinated economic policy of this group of States.[28]

The coordination of economic policy of CEMA countries is based on:

--conscious coordination, through consultation, of the principles of economic policy at the highest level of party leaders and heads of government;

--conscious coordination of current and future development plans pertaining to particular installations and branches and forecasts of the economic development of individual countries and the entire community;

--coordination of plans, joint planning and organization of the socialist international division of labor, production specialization and cooperation, creation of international economic organizations and associations and joint ventures, organization of scientific-technical cooperation and joint projects;

--coordination of trade and prices.[29]

Joint planning and forecasting fulfills the most vital role in these types of ties. In the practice thus far, the following forms of planning developed: partial and complete planning,[30] direct and indirect planning,[31] and supranational planning.[32] This last form of planning appears as a theoretical category, because in view of the lack of fully formed complementary economic structures in the present phase of development its role is small. This entire problem, however, is not of an exclusively economic nature, but is political par excellence. It is related to the sovereignty of the particular national economies and to the functioning of the socialist state itself. The development of international planning, regardless of national economic plans, would require that a considerable part of the macro-economic and social decisions, and consequently, political decisions also, would have to be made by supranational institutions, and that a larger degree of self-dependence would have to be obtained by the larger economic units within the national economy.

A characteristic feature of the system of planned ties of CEMA countries thus far was that it was based for the most part on balance criteria and on non-economic premises.[33] It may be said that at the present stage of development planning as a basic integrating mechanism demonstrates no great ability to improve the system of mutual ties of CEMA countries. Such a model of cooperation in practice found itself in conflict with the goods-money mechanisms, which leads to high costs of mutual adaptation, duplication of production of many products, and thus the manufacture of these products in economically inefficient series.

* * *

In evaluating the range of mutual ties between socialist countries it should be said that during the 1970's the CEMA member-countries made an attempt to participate more actively in the international division of labor within the groupings and the structural framework established for its functioning. However, the barriers to the international division of labor within the economic community of CEMA countries remain.

First, the functions and the effects of international trade against the background of other forms of ties have not undergone any radical change. This means that it continues to be the basic criterion of the improvement of the international division

between these countries. Linked with this is the treatment of foreign trade principally as a factor which satisfies current economic needs in the area of deliveries of raw materials and products that are indispensable to the national economy. At the same time, international trade as a factor in the growth of social productivity and the technical level of production is underrated.

Second, bilateral ties have remained decisively important. Theoretically better and more effective, from the standpoint of benefits flowing from the international division of labor, multilateral ties continue to be underdeveloped.

Third, the degree of utilization of external ties as a factor for stimulating economic growth was lower than that of internal factors (an increase in employment in industry, growth in rate of investment). In addition, the effectiveness of external ties was diminished because economic criteria and parameters were not applied, such as: cost effectiveness, based on a workable system of prices which takes production costs into consideration; a measure of currency exchange rates making it possible to compare social outlays; a convertible international money; and duties instead of levies. As a result, more functional, from the standpoint of the improvement of the international division of labor, cooperational, scientific-technical and capital ties did not develop rapidly enough.

Fourth, dysfunctional connections, which were the result of the existence of competitive economic structures, an unequal level of development, or the existence of structural asymmetries, remained.

The above barriers meant that the structural transformations in the international division of labor which occurred in the 1970's in the CEMA countries, were not enough from the standpoint of improving it, or from the standpoint of the optimization of production processes in the particular countries. As a result, the share of CEMA countries in the entire international division of labor was reduced.

By comparing the ratio of the share in world export to the share in world industrial production, we obtain the degree of commitment in the international distribution of labor. For CEMA countries in 1970 it amounted to 0.47, and in 1978 it dropped to 0.40.[34]

As a consequence, the particular CEMA countries did not make full use of the benefits flowing out of their participation in the international division of labor, which increases the social costs of production. The underdevelopment of ties within the CEMA meant that the destructive effects of external factors made themselves known in a specific way, and these were not compensated, to a sufficient degree, by a system of institutional economic mechanisms which would protect against destabilizing influences.

Such a state of international socialist division of labor exerts a considerable influence on the formation of an international economic community of a socialist type, which at the present stage of development is not a mature organism, making it possible to fully satisfy the needs and interests of the member-states of this community.

The limitations of the international division of labor within CEMA also have a basic effect on the ties of this group of countries with the world economy. Insofar as the plane of Europe-wide economic cooperation is concerned, one of the factors limiting the growth of East-West trade is the lack of fundamental structural changes in the exports of socialist countries, the inconvertibility of the transferable ruble, and, above all, the enormous indebtedness of the CEMA countries, which in many countries carries with it an unfavorable trade deficit.[35] Hence, the negative aspects in East-West economic relations remain, and express themselves by the domination of highly processed goods in the exports of capitalist countries, and by raw materials and semifinished products in the exports of socialist countries.

Similarly limited potentials of economic cooperation exist on the plane of contacts with developing countries. The lack of progress in the international division of labor within the framework of CEMA restricts, among others, the potential of export, cooperation production, scientific-technical cooperation, cooperation in the area of transport, organization of sales, marketing, or the implementation of joint projects with these countries. This does not create favorable conditions for the export by "third world" countries of semifinished products, assemblies, parts, and even finished products to socialist countries.[36]

The present state of development of the international division of labor within CEMA requires radical structural changes, and also changes in the concepts of economic cooperation.

FOOTNOTES

1. See on this subject: R. H. Cooper, "The Economics of Interdependence", New York, 1968; J. Nye and R. Keohane, "Interdependence and Integration", in "Handbook of Political Science", 1975, Vol 8; A Gwiazda, "Concept of Economic Interdependence", SPRAWY MIEDZYNARODOWE, 1980, No 11; M. Dobroczynski, "Policy of International Cooperation", KULTURA, 1980, No 38.

2. J. Kleer, "Gospodarka swiatowa. Prawidlowosci rozwoju" [World Economy. The Correctness of Development], Warsaw, 1975, p 19.

3. See J. Soldaczuk, "Handel miedzynarodowy a rozwoj gospodarczy w socjalizmie" [International Trade and Economic Development in Socialism], Warsaw, 1970; P. Bozyk and M. Guzek, "Teoria integracji socjalistycznej" [Theory of Socialist Integration], Warsaw, 1980.

4. See on this subject: J. Kormnow, "Miedzynarodowa specjalizacja produkcji" [International Specialization of Production], Warsaw, 1970; S. Gora and Z. Knyziak, "Miedzynarodowa specjalizacja produkcji krajow RWPG" [International Specialization of Production in CEMA Countries], Warsaw, 1974; J. Nykryn, "Miedzynarodowa kooperacja przemyslowa" [International Industrial Cooperation], Warsaw, 1975; S. Polaczek, "Miedzynarodowy rynek socjalistyczny" [International Socialist Market], Warsaw, 1978; J. S. Szyriajew, "Miedzynarodowy socjalistyczny podzial pracy" [International Socialist Division of Labor], Warsaw, 1979.

5. See J. Kleer, "Integracja gospodarcza w RWPB" [Economic Integration in the CEMA], Warsaw, 1978, p 141.

6. J. S. Szyriajew, "Ekonomiczny mechanizm integracji socjalistycznej. Zarys teorii" [Economic Mechanism of Socialist Integration. Outline of Theory], Warsaw, 1977, p 69.

7. M. Bogacka, "Production Specialization and Cooperation Between CEMA Countries", HANDEL ZAGRANICZNY, 1978, No 10; R. Chwieduk, "Changes in the Structure of Production and Exports of CEMA Countries as a Factor Which Accelerates Integration Processes", HANDEL ZAGRANICZNY, 1980, No 4; J. Kowalewski, "Industrial Cooperation in CEMA Countries (On the Example of the Electrical Machinery Industry)", HANDEL ZAGRANICZNY, 1980, No 11.

8. See J. Van Brabant, "Essays on Planning Trade and Integration in Eastern Europe", Rotterdam, 1974, pp 272-273.

9. See S. Ausch, "Problems of Bilateralism and Multilateralism in the External Trade and Payment System of the CMEA Countries" in J. Vajda and M. Simai, Editors, "Foreign Trade in a Planned Economy", Cambridge, 1977, pp 61-100.

10. See J. Jakubowski, "International Associations and Enterprises of CEMA Countries" in Z. Klepacki, "Socjalistyczna integracja gospodarcza" [Socialist Economic Integration], Warsaw, 1974, p 149; Z. Bombera, "Miedzynarodowa integracja gospodarcza krajow RWPG" [International Economic Integration of CEMA Countries], Warsaw, 1980, pp 19-38.

11. See G. Nosiadek, "Premises and Criteria of Joint Production in CEMA Countries", SPRAWY MIEDZYNARODOWE, 1978, No 2, pp 76-77.

12. See M. W. Sienin, "Integracja socjalistyczna" [Socialist Integration], Warsaw, 1979, p 154.

13. See B. Csikos-Nagy, "Some Theoretical Problems of the Price System in the Trade Between CMEA Countries" in J. Vajda and M. Simai, Editors, op. cit., pp 101-113; E. Sadowska-Cieslak, "Proposals for Establishing Prices in Socialist Transnational Enterprises", HANDEL ZAGRANICZNY, 1979, No 8, p 5.

14. See K. Michalowska-Gorywoda, "International Financial Organizations of Socialist States" in Z. Klepacki, op. cit., pp 197-219.

15. See S. Raczkowski, "Miedzynarodowe stosunki finansowe" [International Financial Relations], Warsaw, 1979, p 380.

16. See S. Ausch, "Theory and Practice of CMEA Cooperation", Budapest, 1972, p 156.

17. See J. Vincze, "Problems Relating to the Multilateralism of Transferability and Convertibility and Conditions for Their Implementation in CEMA" in "Problemy walutowe wspolpracy krajow RWPG" [Currency Problems in Cooperation of CEMA Countries] (Selected Translations), Warsaw, 1980, pp 133-155.

18. See J. Kleer, "Gospodarka swiatowa (...)" [World Economy (...)], p 190.

19. See Z. Kuran, "For a Further Increase in the Efficiency of the Credit System of the International Bank of Economic Cooperation (IBEC) and the International Investment Bank (IIB)" in "Currency Problems in Cooperation (...)", pp 90-98.

20. See S. Raczkowski, op. cit., p 427.

21. J. Vincze, op. cit., p 149.

22. See J. Metera, "Wspolpraca naukowo-techniczna krajow RWPG" [Scientific-Technical Cooperation of CEMA Countries], Warsaw, 1969; S. Polaczek, op. cit., pp 117-120; M. Waleszko, "Problems and Development Trends in Scientific-Technical Cooperation of CEMA Countries", SPRAWY MIEDZYNARODOWE, 1980, No 4, pp 124-125.

23. Compare J. Monkiewicz, "Features of the International Licensing Market", SPRAWY MIEDZYNARODOWE, 1980, No 4, pp 124-125.

24. 1975 Foreign Trade Statistical Yearbook, Warsaw, 1975, p 51; 1980 Foreign Trade Statistical Yearbook, Warsaw, 1980, p 49.

25. See R. Chwieduk, op. cit., p 32.

26. See "Economic Survey of Europe in 1978. The European Economy", New York, 1979, pp 81-82.

27. See M. Guzek and S. Soltysinski, "The Technological Gap and Principles of Industrial Cooperation in CEMA", SPRAWY MIEDZYNARODOWE, 1973, No 12.

28. See H. De Fiumel, "The Importance of International Agreements in the Process of Socialist Economic Integration" in Z. Klepacki, op. cit., p 65.

29. See M. W. Sienin, "The Economic Community of CEMA Countries and its Development" in Z. Klepacki, op. cit., pp 41-42.

30. See P. Bozyk and M. Guzek, "Joint Planning and Forecasting in CEMA", SPRAWY MIEDZYNARODOWE, 1976, no 11, pp 37-50.

31. See J. Kleer, "World Economy (...)", pp 192-193.

32. See J. Kleer, "Economic Integration (...)", pp 114-118.

33. See M. Guzek, "Directions in the Improvement of the Economic Integration of CEMA Countries During 1971-1980. Selected CINTE Thematic Information, 1978, No 11, p 2.

34. J. Soldaczuk, "Foreign Trade and the Policy of Growth Intensification", SPRAWY MIEDZYNARODOWE, 1980, No 12, p 27.

35. R. Portes, "East Europe Debt to the West", FOREIGN AFFAIRS, 1977, No 7.

36. See "Multilateral Schemes of the Countries-Members of the Council of Mutual Economic Assistance and Opportunities for Developing Countries in Trade and Economic Cooperation Resulting from the Implementation of these Schemes", New York, 1978.

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## NEW LEGISLATION REGULATING FREIGHT, PASSENGER TRAFFIC PUBLISHED

### Text of Decree

East Berlin GESETZBLATT DER DEUTSCHEN DEMOKRATISCHEN REPUBLIK in German
Part I No 31, 13 Aug 82 pp 563-566

[Official text of "Decree of 22 July 1982 on Coordination of Freight and Passenger Traffic With Motor Vehicles," signed for chairman, GDR Council of Ministers, by W. Krolikowski, first deputy chairman; and by Arndt, minister for transportation, East Berlin, 22 July1982]

[Text] Article 1: Scope

(1) This decree regulates the coordination of of freight and passenger traffic with motor vehicles and the use of motor vehicles, including commuter traffic, in public transportation and the conveyance of motor vehicles. It applies to state organs, economic management organs, combines, enterprises, cooperatives and facilities which carry out
a) coordination tasks in freight and passenger traffic or
b) freight and passenger conveyance tasks with their own motor vehicles in commuter traffic and public transportation.

(2) This decree does not apply to
a) the areas of responsibility of the ministry for national defense, the ministry for state security, the ministry of the interior, and
b) non-public conveyance of persons by personal motor vehicles.

Article 2: Tasks of the Ministry for Transportation

(1) The ministry for transportation is responsible for coordinating freight and passenger traffic with motor vehicles aiming at the satisfaction of economically justified needs with minimal expense. To that end it has to
--enforce the sharing of tasks among the conveyances and between public transportation and commuter traffic in line with optimum energy considerations;
--create prerequisites for shifting services from road to rail and waterway transport;
--enforce measures for making freight and passenger traffic with motor vehicles always more economical and efficient; and
--ensure an optimization of transport routes and the use of conveyances and assist the state organs in optimizing delivery and transportation relations.

(2) To solve these tasks, the ministry for transportation works together with the other central and local state organs in handling freight and passenger traffic tasks and assists the state organs in exercising their responsibilities in the fields of freight and passenger traffic with motor vehicles.

(3) For expediting freight and passenger traffic with motor vehicles, and in concurrence with official organs, the ministry for transportation sets down principles, mainly for
a) the economically most suitable cooperation and delineation of tasks as between the plant traffic and public transportation so that traffic is handled efficiently,
b) the development of plant traffic capacities and their allocation within the scope of the balancing of accounts,
c) the inclusion of plant traffic motor vehicles in handling public freight and passenger traffic tasks,
d) the assigning of service vehicles in freight traffic and of busses which, in design and equipment, are meant to transport more than eight passengers, and
e) the volume and substance of records required for it.

(4) The ministry for transportation prepares, and submits to the bezirk councils, principles and specific requirements for developing and conducting freight and passenger traffic with motor vehicles in their territories. It instructs the local state organs and state-owned transportation combines on uniformly enforcing the principles and measures set down to coordiate and rationalize the freight and passenger traffic with motor vehicles and supervises its being enforced.

Article 3: Tasks of the State Organs

(1) Proceeding from their responsibility for the efficient handling of delivery, transport, transshipment and storage processes in their sphere of responsibility, the state organs must take all measures to
--reduce the demand for services in the freight and passenger traffic with motor vehicles and the outlay for transportation;
--meet the task of shifting freight and passenger traffic with motor vehicles to rails and waterways in line with assigned planning quotas; and
--ensure the strict observance of transportation parameters handed out.

(2) In coordination with transportation organs, the state organs have to make sure that, particularly, in the combines, enterprises, facilities and cooperatives under their jurisdiction
a) real transportation planning and a use of public transportation vehicles on a steady basis are ensured,
b) the demarcation of tasks as correlated and agreed upon between the ministry for transportation and the other central state organs is kept up,
c) industrial arrangements on handling shipping processes and conveyances by means of industrial motor vehicles facilitates are being stably and harmoniously integrated with the transportation system at large,
d) a systematic and efficient use of plant-owned motor vehicles is ensured in conformity with performance standards set down and with any given areas in which they are used,
e) technological conditions are created for an efficient use of motor vehicles, and

f) a performance and cost accounting is developed for plant-owned vehicles analogous to the method used for state-owned public transportation, with consideration given to branch-specific conditions.

(3) Bezirk councils, furthermore, still have the following tasks:

a) Ensuring the handling of transportation tasks in freight and passenger traffic with respect to the most efficient use of available motor vehicles including territorial plant traffic and setting down appropriate measures for it,
b) ensuring the cooperation and demarcations of tasks as between public transportation and plant traffic in correlation with territorial economic management organs and in line with centrally issued principles and arrangements and with regard to local conditions, and
c) supervision of the measures set down to coordinate territorial freight and passenger traffic tasks.

(4) To ensure territorial traffic tasks, the members of local councils handling transportation (the chairmen of the transportation commissions) may assign enterprises, combines, cooperatives and facilities that own motor vehicles tasks in carrying out public freight and passenger traffic with their own motor vehicles.

(5) When such tasks are assigned it must be seen to it that no interference results with providing supplies for the public and with production, mainly with technological transportation processes that have a direct bearing on production.

Article 4: Tasks of the State-Owned Transportation Combines

(1) State-owned transportation combines have to make sure, in particular, that
a) on the basis of state plans, through a correlated development of transportation and freight hauling cpacities, the public need for freight and passenger traffic in the territory is satisfied with high economic efficiency,
b) the demarcation of tasks, as set down, mainly on the basis of coordination contracts, is kept up, and
c) the efficiency and utilization of their own transportation and hauling capacities rise steadily.

(2) State-owned transportation combines, furthermore, have to
1. coordinate with state-owned motor vehicle enterprises that are not part of a state-owned transportation combine transportation tasks on the basis of an economically appropriate division of labor and provide direction and assistance, mainly in management, planning, operational and traffic organization and in the materials economy;
2. with respect to non-state-owned public motor vehicle transportation enterprises
a) direct the use of the motor vehicles owned by those enterprises in freight and passenger traffic and regulate reciprocal relations by appropriate agreements,
b) conclude transportation and long-term shipping contracts using the capacities of those enterprises in conformity with legal regulations to develop the relations with the traffic customers,

c) assess and collect freigh fees and fares within the terms of the contracts concluded as to Letter b and on the basis of other agreements or territorial arrangements, and
d) handle the insurance for goods in freight and the collection and forwarding of insurance payments for public transportation services;
3. and with respect to enterprises that have their own motor vehicles
a) assign the motor vehicles of such enterprises to handle public transportation tasks on the basis of agreements concluded or by mutual agreement or on the basis of tasks assigned as to Article 3 Paragraph 4, conclude transportation contracts on it, and make fuel available for these services from the contingent in public transportation,
b) make contract bids to enterprises which have vehicles of their own, in accordance with tasks as to Article 3 Paragraph 4, which must at once be accepted unless it was determined explicitly that the bid is to come from the enterprise so tasked,
c) and handle the assessment and collection of freight fees and fares and the insurance for goods in freight and the collection and forwarding of insurance payments for public transportation services, unless other arrangements were made.

(3) In passenger traffic, the rural and urban kreis councils may hand over tasks in transportation coordination as to Paragraph 2 to combines or enterprises handling municipal transportation in coordination with the bezirk councils.

Article 5: Principles for the Demarcation of Tasks

For demarcating tasks between public transportation and plant traffic, the following principles apply:

1. Enterprises with their own vehicles are to be given the following freights on roads:
a) all intra-enterprise plant traffic within the range of industrial tasks not subject to delivery contracts and carried out, essentially, within an enterprise area, on construction sites or on public roads among parts of enterprises;
b) transports within the range of delivery contracts directly connected with production equipment and, in time and sequence, with the production, shipment, utilization and use of goods;
c) transports for certain performances carried out by special vehicles which, for reasons of specific transportation conditions, have to be handled by plant traffic; and
d) trips in collection and distribution, especially for deliveries to the retail trade, the collection of secondary raw materials, supplying public health and social welfare facilities, and in the field of supplies and services and for provisioning the citizens.

2. Public transportation is to handle the following freights on roads:
a) All border-crossing freight;
b) all long-distance domestic shipments which, within the scope of the conveyors' division of labor, are economically justified;

c) the transports of the economy not directly connected with production equipment; and
d) transports calling for combined loading transactions.

Article 6: Use of Motor Vehicles and Log Documents

(1) Plant traffic and non-state-owned public motor vehicles are assigned freight and passanger traffic tasks by the state-owned transportation combines only, unless agreements concluded determine otherwise.

(2) When motor vehicles are used for freight and passenger traffic, in addition to the documents required by other legal regulations, log documents as required by the minister for transportation, must be used and taken along.

Article 7: Record Keeping

(1) State-owned transportation combines keep records on freight and passenger traffic carried out by non-state-owned public transportation and plant traffic to keep official organs informed in conformity with legal regulations.

(2) The enterprises in non-state-owned public transportation and enterprises with their own motor vehicles must report to the state-owned transportation combines on their assuming the tasks assigned to them as to Paragraph 1 by submitting the information required by the legal regulations on submitting reports.

Article 8: Long-Distance Traffic

(1) The chairman of the local transportation commission decides on carrying out economically justified transportation assignments over long-distance routes on the basis of
a) the central arrangements about an energy-saving sharing of tasks among the conveyors and
b) the weekly registrations for access to public transportation and plant traffic motor vehicles,
after checking with the competent enterprises and the conveyors' service bureaus.

(2) Long-distance freight traffic by enterprises with their own motor vehicles require authorization. Such authorization comes from the chief of the local combine enterprise of the state-owned motor vehicle transportation combine, based on decisions as to Paragraph 1.

(3) The minister for transportation may make other arrangements with the chiefs of other central state organs if for carrying out such transports area-specific transportation conditions arise, special vehicles are needed not available through public transportation, or such transports cannot be shifted over to the railroad or inland navigation. Such exceptional arrangement must be noted on the bill of lading.

(4) Enterprises in non-state-owned public transportation receive the order for a long-distance haul when they receive a proper bill of lading.

(5) To avoid empty trips, the arrival of motor vehicles is to be reported to the state-owned motor vehicle transportation enterprise under a state-owned transportation combine most approximate to the unloading site
a) in case long-distance hauling was authorized, as to Paragraph 2, by the competent managerial and coordination offices of a state-owned motor vehicle transportation enterprise under a state-owned transportation combine, and
b) in all other cases, e.g., when extended-duration permits were issued, by the enterprises that handle the transportation. Those who are responsible for the use made of motor vehicles must make sure that such advance reports are submitted so that they carry loads on their return trips and that the cargo negotiated and set aside for it is in fact taken on to be hauled.

Article 9: Complaint Procedure

(1) If the authorization requested for a long-distance haul is withheld, a complaint is possible. A requester must be told that he has the right to complain.

(2) A complaint is to be submitted in writing or orally, with reasons supplied, as soon as the decision is received or made known, to the chief of the local state-owned motor vehicle transportation enterprise under a state-owned transportation combine.

(3) A complaint has no delaying effect.

(4) A complaint has to be settled on the same working day it was submitted. If the complaint is not, or not fully, honored, it must at once be submitted for decision to the chairman of the urban or rural kreis transportation commission. The complainant has to be informed about it. The chairman of the transportation commission must immediately make a definitive decision. It has to be seen to it that the decision is made before the transport leaves.

(5) If in exceptional cases no decision is possible within that time frame, a provisional decision must in time be made explaining the delay and announcing the likely decision deadline.

(6) Decisions on complaints have to be submitted in writing and be explained to the complainants. They also have to go to the local state-owned motor vehicle transportation enterprise under a state-owned transportation combine.

Article 10: Provisions for Disciplinary Fines

(1) Someone responsible for the use of motor vehicles who deliberately or negligently
(a) uses motor vehicles in violation of the provisions in Article 6 Paragraph 1,
(b) permits a misuse or disregard of the mandatory driver's documents,
(c) allows long-distance trips without the necessary authorization, or
(d) causes a violation of the provisions on reporting the loading or negotiating return loads with the state-owned motor vehicle transportation enterprise under a state-owned transportation combined located in the proximity of the unloading site or a violation of taking on the negotiated or set-aside cargo, is subject to a reprimand or disciplinary fine between M 10 and 500.

(2) If more than one deliberate irregularity as to Paragraph 1 was committed within 2 years and incurred disciplinary fines, a disciplinary fine up to M 1,000 may be levied.

(3) Disciplinary fine proceedings are handled by the bezirk and kreis council members in charge of transportation in the areas in which the enterprise concerned is located.

(4) To the disciplinary fine proceedings and the levying of penal measures the 12 January 1968 law on fighting irregularities--OWG-- applies (GBL Part I, No 3 p 101).

Article 11: Economic Sanctions

(1) Economic units violating state discipline by grossly infringing their duties when being tasked as to Article 3 Paragraph 4,
(a) by refusing or not immediately accepting the contract bid offered, as to Article 4 Paragraph 2 Figure 3 Letter b,
(b) by failing to submit to the state-owned transportation combine, in line with the task assigned, a bid on assuming services in public freight and passenger traffic, or
(c) by not, or not in time, fulfilling transportation services to which they were committed by contract or assigned to them short range or as separate shipments,
may become liable to paying an economic sanction.

(2) For the rest there apply the provisions of the 25 March 1982 law on the contract system in the socialist economy--Contract Law--(GBL Part I, No 14 p 293).

Article 12: Dues

Dues are charged for transactions by the state-owned transportation combines within the scope of tasks assigned to them, their rates being set down by the minister for transportation.

Article 13: Implementing Regulations

The minister for transportation issues implementing regulations.

Final Provisions

Article 14

This decree does not affect the provisions in the 10 December 1981 decree on public railroad, inland waterway and motor vehicle freight transport--the freight transport decree (GTVO)--(GBL Part I 1982, No 2 p 13).

Article 15

(1) This decree goes into effect when promulgated, except for Article 10, which goes into effect one month later.

(2) Rescinded are at the same time:
(a) The 11 September 1975 decree on the coordination of freight and passenger traffic with motor vehicles (GBL Part I, No 38 p 654),
(b) the 11 September 1975 implementing regulation for the decree on the coordination of freight and passenger traffic with motor vehicles (GBL Part I, No 38 p 657), and
(c) the 16 November 1978 second implementing regulation for the decree on the coordination of freight and passenger traffic with motor vehicles (GBL Part I, No 41 p 441).

(3) The first implementing regulation for the decree on the coordination of freight and passenger traffic with motor vehicles, of 11 September 1975, contained
(a) in its Article 3 Paragraph 2, general exceptions from an authorization obligation for long-distance hauling applying to the areas of
--the ministry for post and telecommunications,
--the ministry for health,
--the German Railroad,
--SDAG Wismut,
--VEB Minol, and
--the German Red Cross, and
(b) accords made, as to its Article 3 Paragraph 3, on rules departing from the authorization obligation for long-distance hauling,
which will remain in effect until 31 December 1982. When circumstances exist as to Article 8 Paragraph 3 of this decree, rules deviating from the authorization obligation for long-distance hauling may be negotiated.

(4) The third implementing regulation, of 7 June 1979, for the decree on the coordination of freight and passenger traffic with motor vehicles (GBL Part I, No 25 p 231) remains in effect and now becomes the third implementing regulation for this decree.

Text of First Implementing Regulation

East Berlin GESETZBLATT DER DEUTSCHEN DEMOKRATISCHEN REPUBLIK in German Part I No 31, 13 Aug 82 pp 566-569

[Official text of "First Implementing Regulation for Decree of 22 July 1982 on Coordination of Freight and Passenger Traffic With Motor Vehicles," signed by Arndt, minister for transportation, East Berlin, 22 July 1982]

[Text] On the basis of Article 13 of the Decree of 22 July 1982 on Coordination of Freight and Passenger Traffic With Motor Vehicles (GBL Part I, No 31, p 563) and in concurrence with the chiefs of the competent central state organs, the following regulations are issued:

Re Article 6 of the Decree:

Article 1: Log Documents

(1) When vehicles are used in freight and passenger traffic, above and beyond other documents set down by legal regulations, the following logs have to be used and carried along:
(a) Bills of lading, as for the cargo, piece-good bills, taxi surcharge records, for public local and long-distance traffic,
(b) hauling commissions for long-distance traffic,
(c) log books for local traffic,
(d) log books or hauling surcharges for bus transportation, and
(e) taxi logs.

Printed forms are available that are to be used for that.

(2) The minister for transportation may arrange deviations from Paragraph 1 for public transportation and plant traffic with the chiefs of other central state organs through central agreements.

(3) Special provisions govern the sectors of the ministry for post and telecommunications, the German Railroad and SDAG Wismut.

(4) Log documents as to Paragraph 1 are unnecessary for trucks below a 0.6-ton load capacity and for small plant traffic busses that have up to 6 seats (not counting the driver's seat).

(5) If plant traffic motor vehicles, including those of the sectors referred to under Paragraph 3, are used for public freight and passenger traffic, the logs have to be carried along. This does not affect the log documents as to Paragraph 3.

(6) Log documents as to Paragraphs 1, 2 and 5 are the basis for the submitting of reports.

Re Article 8 of the Decree:

Rules on Long-Distance Traffic with Motor Vehicles

Article 2: Definition

Long-distance routes in terms of the decree are freight shipments with destinations at distances of more than 50 kilometers as the crow flies from the central point of the place in which the first load was taken on. Shipments between parts of enterprises or combine enterprises also are considered long-distance.

Article 3: Long-term Authorizations

For long-distance trips with special vehicles, as for shipping liquid, powdered or gaseous commodities, where return loads are impossible and which cannot be shifted over to the railroad or inland waterways, extended-term authorizations are issued up to 6 months by the chairman of the local transportation commission in concurrence with the local competent enterprises and conveyors' bureaus. That extended-term authorization has to be marked down in the log documents.

Article 4: Long-Distance Registration

(1) Registration for long-distance trips taking one week (Monday to Sunday) has to be made at the latest by the previous Thursday, 1400 hours, with the local state-owned motor vehicle transportation enterprise under a state-owned transportation combine
(a) when public transportation motor vehicles are used, by the sender, by submitting appropriate bills of lading, and
(b) when the sender uses its own motor vehicles, by such an enterprise in an application which reveals for any long-distance trip the day of transport, the capacity and design of the motor vehicle or convoy, the load and designation of the commodity, and the loading and unloading places for the round trip.

The chairmen of the bezirk transportation commissions, to enforce territorial coordination systems, may also determine different deadlines and time frames for the registration of long-distance trips if required by the coordination task.

(2) If transports are used to avert immediate dangers to provisioning the population or to the freight, to repair breakdown and in case of disasters, or to avoid standstill in production, so that the registration period as to Paragraph 1 cannot be met, registration has to be made at once while confirming its urgency by the enterprise manager to the state-owned motor vehicle transportation enterprise under a state-owned transportation combine.

Article 5: Issuing Long-Distance Permits

(1) In issuing long-distance permits, special attention has to be given to
(a) transports needed to avert immediate danger,
(b) the provisions and traffic-policy measures to enforce an energy-saving division of tasks among the conveyors and between public transportation and plant traffic,
(c) the systematic coordination of transport tasks, and
(d) efficient utilization of motor vehicles, including trailers.

(2) Long-distance permits for transports as to Article 4 Paragraph 1 have to be issued at least 24 hours prior to departure. The decision on long-distance trips as of Article 4 Paragraph 2 has to be made within 4 hours by the head of the local state-owned motor vehicle transportation enterprise under the state-owned transportation combine. Long-distance permits are granted for each trip separately as requested for a week at a time. The accompanying documents have to contain the data on registration and authorization. When a long-distance trip applied for is disallowed, the requester must be informed of it within the same time frame.

Article 6: Return Load Arrangements

(1) Notifying the arrival of motor vehicles to avoid empty runs must particularly submit the following information:
-- the fasteners,
--the license number,
--capacity and type of motor vehicle,
--date and time of arrival at unloading site, and
--the recipient's unloading site.

(2) If in deliveries as to Article 4 Paragraph 2 notification is not possible, the notification about a return load has to be made to the state-owned motor vehicle transportation enterprise of the state-owned transportation combine that is nearest the unloading site when the motor vehicle gets there.

(3) In arranging for return loads, account has to be taken of the suitability of the motor vehicles and of economically viable transportation routes.

(4) If no return load can be arranged, a statement to that effect must be entered on the bill of lading.

Article 7: Computing Shipping Expenses

(1) The expenses for public transportation in freight traffic with motor vehicles for the non-state-owned public transportation enterprises and enterprises with their own motor vehicles, to be assessed according to the freight-motor vehicle tariffs (GKT) of order No. Pr. 370, of 10 April 1981, on prices for freight transports (GBL, Special Issue No. 1070), are computed by the state-owned transportation combines.

(2) The basis for computing the expenses are the performance documents made out by the non-state-owned public transportation enterprises and the enterprises that have motor vehicles of their own.

Re Article 12 of the Decree:

Dues

Article 8: Obligatory Dues

Non-state-owned public transportation enterprises and enterprises with motor vehicles of their own have to pay dues to the state-owned transportation combines for all public transport and traffic services by means of motor vehicles.

Article 9: Rates

(1) The rates for non-state-owned public transportation enterprises are

| | | |
|---|---|---|
| (a) | for freight transports | 2% |
| (b) | for furniture transports set by the tariffs for hauling by specialized furniture transportation vehicles (TTM) as to order No. Pr. 370 on prices for freight transports | 1% |
| (c) | for passenger traffic by busses and the income from the sale of casual tickets and occasional traffic | 3% |
| (d) | for passenger traffic by busses and income from all other transportation | 2% |
| (e) | for taxi rides | 3% |
| (f) | for passenger traffic by truck | 3% |
| (g) | for state-owned transportation combine accounts: | |
| | of the shipping charges | 0.6% |
| | of the fare | 1% |
| (h) | for state-owned transportation combine accounts: | |
| | of the shipping charges and | 0.6% |
| | of the fare | 1% |
| | of the shipping charges or fares collected. | |

(2) The rates for enterprises with their own vehicles when they perform public transport and traffic services are

| | |
|---|---|
| (a) for freight transports | 0.6% |
| (b) for passenger traffic | 1% |
| (c) for state-owned transportation combines: | |
| of shipping charges | 0.6% |
| of the fare | 1% |
| (d) of state-owned transportation combine collections | |
| of shipping charges | 0.6% |
| of the fare | 1% |
| of the shipping charges and fares collected. | |

(3) No dues are charged
(a) for any income from subsidiary moving or
(b) for surplus collected from exceeding loading time spans, according to legal regulations.

(4) If upon the request from an enterprise that has motor vehicles of its own the shipping charges or fares for plant traffic performances are assessed and/or collected by the state-owned transportation combines, the state-owned transportation combines keep 0.6% of the shipping charges or fares
(a) for assessing shipping charges or fares, or
(b) for collecting shipping charges or fares.

(5) The basis for the assessment of shipping charges is the full amount of the invoice including extra remunerations for subsidiary performances, but without prepaid amounts and without long-distance additions, prior to the use of the coefficient for maintaining the prevailing price level with respect to certain sectors from which the orders come.

(6) Private taxi companies pay dues only if state-owned transportation combines were contracted for service.

Article 10: Liability for Dues

The non-state-owned public transportation enterprises and enterprises which have their own motor vehicles are liable for dues. Dues may not be passed on.

Article 11: Collection of Dues

(1) When state-owned transportation enterprises collect shipping charges and fares, those amounts are deducted from the amounts on the bill and kept.

(2) If those liable for dues themselves collect shipping charges or fares, they must advise the state-owned transportation combine on an official printed form of what they collected in shipping charges and fares and the dues incurred by that by the 10th day of each month for the preceding month.

(3) The dues have to be passed on to the state-owned transportation combine by the 15th calender day. When that deadline is missed, the state-owned transportation combine is entitled to settle charges due against the shipping charge and fare collections by the liable party.

(4) Finance charges for overdue payments:
(a) for the first 5 days after deadline 2%
(b) to the end of the month when payment is due, after the deadline 4%
rising further by 1 percent each of the total amount for each fraction of any subsequent month.

(5) In subsequent claims, a one-time charge of 6 percent is due for the total amount owed.

(6) Below the amount of 5 marks no interests are charged.

(7) Parties liable to pay dues have the obligation, when state-owned transportation combines demand it, to supply information or documentation needed for calculating and assessing dues.

Article 12: Final Provision

This implementing regulation goes into effect when promulgated.

Text of Second Implementing Regulation

East Berlin GESETZBLATT DER DEUTSCHEN DEMOKRATISCHEN REPUBLIK in German Part I No 31, 13 Aug 82 pp 569-570

[Official text of "Second Implementing Regulation for Decree of 22 July 1982 on Coordination of Freight and Passenger Traffic With Motor Vehicles, signed by Arndt, minister for transportation, East Berlin, 22 July 1982]

[Text] On the basis of Article 13 of the Decree of 22 July 1982 on Coordination for Freight and Passenger Traffic With Motor Vehicles (GBL Part I No 31, p 563), and in concurrence with the chiefs of the competent state organs, the following regulations are issued:

Re Article 2 of the Decree:

Article 1: Scope

(1) This implementing regulation regulates the principles and procedures for letting new service vehicles be used for freight transports by enterprises, combines, cooperatives and facilities that have their own motor vehicles. It applies to
(a) the ministries for
--foreign trade,
--coal and energy,
--ore mining, metallurgy and potash,
--chemical industry,
--electrical engineering and electronics,
--construction of heavy machinery and equipment,
--construction of machine tools and processing machinery,
--construction of general machinery, agricultural machinery and vehicles,
--light industry,
--district managed industry and foodstuffs industry,

--glass and ceramics industry,
--construction industry,
--transportation,
--agriculture, forestry and foodstuffs,
--trade and supply,
--materials management,
--environmental protection and water management,
--geology,
and their economic management organs, enterprises, combines, cooperatives, official bureaus and facilities;
(b) and to the bezirk councils and the urban and rural kreises and their enterprises.

(2) This does not affect the regulations on the planning and balancing of vehicles as to the planning order* or the balancing decree.**

Article 2: Principles for Establishing the Need for Service Vehicles

Enterprises that have their own motor vehicles must base their determination of the need for service vehicles on
(a) the economic need for transportation with regard to the measures needed to reduce transportation expenditures,
(b) the energy-economy task demarcation among conveyors and the established principles for task demarcation between public transportation and plant traffic,
(c) the fuel allocations and transportation parameters for resorting to and using plant-owned motor vehicles,
(d) the allocated equipment specifications for plant-owned vehicles. and
(e) the economically efficient use of service vehicles including their trailers.

Article 3: Confirming the Utilization of Service Vehicles

(1) The rural and urban kreis council members in charge of transportation must pass on letting enterprises with their own vehicles use service vehicles in case of
--trucks,
--tractors above 110 horsepower,
--semitrailers,
--mounted tractors, and
--heavy-load trailers with a 16-ton load capacity and heavier.

(2) A beqirk council, in concurrence with the ministry for transportation, may rule that for certain enterprises that have their own motor vehicles, e.g. for centrally managed industrial construction combines, the state-owned commercial transport or other combines with centrally managed motor vehicles of their own, the use of service vehicles must be authorized by the bezirk council member in charge of transportation.

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*Now in effect is the order on the planning of the GDR economy 1981-1985 (Special Issue of GBL, No. 1020 a), dated 28 November 1979.
** In effect is the 15 November 1979 Balancing Decree (on materials, equipment and consumer goods), GBL Part I, 1980, No 1, p 1).

(3) For specialized vehicles according to the Appendix and for all production consumption vehicles of the ministry for construction of general machinery, agricultural machinery and vehicles and of the ministry for the construction of heavy machinery and equipment (e.g. for the use of superstructures, R&D, the mass production controls of domestic and imported vehicles, or vehicles for exhibitions and fairs), no authorization as to Paragraphs 1 and 2 is required.

(4) The application for having the use of vehicles authorized must be submitted to the urban or rural kreis or the bezirk council member in charge of transportation no later than 1 month prior to the deadline for the user's planning information from the balancing organ. It must at least contain the following data:
(a) the utility vehicle park on hand in number and capacities;
(b) the replacement requirements in number and capacities with reference to the utility vehicles to be replaced; and
(c) the requirements for expanding the number and capacities and the reasons why, especially with regard to the development of technological transports and evidence for a more effective use of the motor vehicles available and with regard to the allocated transportation parameters,
subdivided according to dunp, plank bed, silo, fuel or other vehicles (listing type of design such as furniture or refrigeration machinery vehicles).

(5) The council member in charge must answer the applications within 21 days after receiving them and after having consulted with the transportation commission or the operations group. The decision has to be based primarily on
(a) the enforcing of the energy-economy task demarcation among the conveyors and the principles established for the task demarcation between public transportation and plant traffic, and
(b) the economically determined improvement of the performance level in the use of the available utility vehicles, including trailers, with regard to the allotted transportation parameters and the equipment standards for plant-owned vehicles and the measures for reducing transportation expenditures.
For enterprises that have their own vehicles which, in accordance with legal regulations, are obligated to planning through determining transportation requirements and transportation balancing,* the capacity balance of the plant traffic with motor vehicles is to be adduced (official preprint T 3).

(6) The enterprise with its own vehicles must then receive the disposition of its application in writing. Determinations, especially about replacing utility vehicles, may go along with that decision. Either the state-owned transportation combine or the local state-owned motor vehicle transportation combine enterprise is to be informed about the decision.

(7) Accords may be made between the ministry for transportation and other central state organs to the effect that for utility vehicles of certain enterprises that have their own vehicles or for some specialized vehicles not included in the Appendix an authorization as to Paragraphs 1 and 2 is unnecessary.

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*Now in effect is the transport balancing order (TBAO) of 31 December 1981 (GBL Part I, 1982, No. 7 p 154).

Article 4: Registration and Balancing of Utility Vehicle Requirements

(1) Enterprises that have their own motor vehicles must register their utility vehicle requirements with their funding agency and include the confirmation of their application for the use of utility vehicles as received from the competent council member. The funding agency then forwards the utility vehicle requirement and the confirmation of it to the competent balancing organ.

(2) The requirement for utility vehicles as to Article 3 Paragraph 1 is to be included in the user's planning information only when the competent council member has passed on it.

(3) The balancing of the registered requirements for utility vehicles with the material availability potential from self-production and import has to be coordinated with the ministry for construction of general machinery, agricultural machinery and vehicles and with the ministry for transportation.

(4) That an application has been passed on as such raises no claim to being allotted utility vehicles.

(5) The funding agencies have to distribute the balancing shares handed them to those who have a need for them on the basis of the allotments as passed on by the competent council members.

(6) When enterprises that have their own motor vehicles are allotted and are using utility vehicles, the stipulations issued with the disposition as of Article 3 Paragraph 6 have to be met. The competent council member has to keep an eye on the fulfilment of those stipulations.

Article 5: Taking Effect

This implementing regulation takes effect when promulgated.

Appendix to the Second Implementing Regulation

Index of Specialized Vehicles

No authorization is required for making available the following types of special vehicles:
--crane trucks (all-round cranes, mobile rotary cranes)
--towing trucks
--repair-shop trucks (spare-parts trucks, tool carts)
--dejamming vehicles
--dead animal pickup vehicles
--waste-matter and refuse pickup trucks
--street cleaning vehicles
--liquid manure pickup trucks
--sludge extractors
--W 50 with high-pressure flushing devices
--special vehicles for the winter (e.g. snowplows)
--vehicles with mineral fertilizer spraying attachment

--stock cars
--vehicles for loose mixed fodder
--vehicles for loose flour
--milk tankers
--timber conveyances
--passenger vehicles in strip mining
--vehicles used mainly or predominantly in mining and underground
--intraplant transport vehicles connecting extraction and dressing facilities in the construction industry and the chemical industry.

5885
CSO: 2300/53

INTERVIEW WITH PLANNING OFFICER CHAIRMAN FALUVEGI

AU241522 Budapest NEPSZABADSAG in Hungarian 20 Nov 82 p 5

[Interview with Lajos Faluvegi, deputy chairman of the Council of Ministers and chairman of the National Planning Office by Istvan Foldes--presumably in Budapest, date not given: "Interview With Deputy Premier Lajos Faluvegi; Our Present Days and Prospects"]

[Text] Like that of many other countries, the Hungarian people's economy is beset by problems. Although foreign trade turnover cleared in currencies other than rubles has been balanced in recent years, because of the world-wide economic recession, it is more difficult to place our commodities, the situation is deteriorating in the international money market, discrimination against the socialist countries is intensifying and high interest rates are causing financial problems. How does all this affect the fulfillment of the Sixth Five-Year Plan and what are our long-term objectives? Istvan Foldes has discussed these questions with Deputy Premier Lajos Faluvegi, chairman of the National Planning Office.

[Question] Let us perhaps begin with external conditions of our economic activity. How have they developed in the last 2 years?

[Answer] It is generally known that the external conditions of our economic activity gradually further deteriorated in 1981 and 1982. The capitalist world is going through an era of general economic crisis. This affects the economies of the socialist countries as well, and affects Hungary more harshly and sorely than is typical of the economies. I would note five factors to prove this.

The first is: During these years, we had to spend the bulk of the modest increase of the national income on defraying the price losses suffered in foreign trade, since the prices of the goods we buy have increased to a much greater extent than our export prices.

The second is: Because of its economic and mainly export structure, Hungary is greatly affected by the fact that market conditions with regard to iron smelting, aluminum industry and chemical industry products have greatly deteriorated, and the export prices of our agricultural products have decreased considerably this year.

The third is: We can obtain less energy and raw materials from the socialist countries than the quantity on which we have based the Sixth Five-Year Plan and terms with regard to prices are stricter.

The fourth is: Our non-ruble debt servicing obligations are considerably greater than they were in 1978. The greater interest burden in these years exceeds the increase in the national income.

Lastly: As a result of the financial disorders experienced in the world and, beyond that, the discriminations from which, we, too, suffer, we could not satisfy our credit requirements in the customary manner in the international money market.

Under these circumstances, it is commendable that we are fulfilling the main targets of the 1982 plan and have retained our solvency and achieved it, at that, without any fairly great and protracted difficulties either in production or with regard to investments. We can add: We have also managed to keep up the previously attained standard in consumption and commodity supply. This is an undoubted achievement, although we cannot conceal the fact that in the meantime our economic position has become more difficult.

[Question] Can we expect these circumstances to improve?

[Answer] Unfortunately, we cannot expect a considerable improvement. Why not? It is difficult to assume, no matter how much we would like to, that the international political atmosphere will become significantly more favorable in the near future. As for the world economy, the recession is deep and it seems that even the small improvement that has been predicted for 1983 will be slow in coming. More than 120 countries are wrestling with payment difficulties of various degrees and several dozen countries have announced their inability to settle their debts. Unfortunately, all this has a disturbing impact on trade and economic relations. I must add: Although the socialist countries have seriously begun to strengthen their economic cooperation, the results of this will become perceptible only after 1984-85.

[Question] What conclusions can we draw from all this with regard to our economic policy and plans?

[Answer] The 1983 plan for the people's economy must be compiled under a more difficult set of conditions than that in which the 1982 plan was developed, although that was not an easy one, either. We must also prepare for unexpected situations. Experiences warn us that we cannot set our objectives for next year from our desires, but only from the existing external economic circumstances, the level of development of our economy and its productive capacity. For that very reason, it is an even stricter intention of our economic policy than previously to intensify our production and intellectual capacity and make conservation prevail on a social scale.

[Question] Is our people's economy capable of producing a foreign trade account that not only defrays imports, but reduces interest and our debts as well?

[Answer] Until 1978, our people's economy adapted itself to the new situation slowly and inconsistently and with scant results.

In the new phase of economic policy--from 1979--the foreign trade account has improved and we will attain a surplus exceeding the plan in non-ruble account relations. Thus, I can answer your question: We must be capable of laying the foundations for a foreign trade balance that serves to defray indispensable imports and reduce interest and our debts alike. However, this requires greater assets in the foreign trade account than there are this year. Of course, such an export surplus does not come about of its own accord: It requires greater exports, the national income must exceed domestic utilization and we must pursue a strict policy of economizing in the budget. And all this has and will have consequences for enterprise management and the consumption of the population alike.

In this connection, let me single out two very complex and sensitive tasks. One is that, in planning, we must find the most favorable mixture of exports and imports. It cannot be disputed that, because of the compelling nature of the situation, import requirements must be reduced. However, we are allowed to do so only to the extent that the reduction does not endanger exports and domestic supplies. Therefore, what is needed is for us to use our economic means not only for regulating purchasing power, but also for more vigorously stimulating production that is competitive on the world market at branches and enterprises capable of it, for aiding the introduction of technologies that replace imports and for encouraging greater efforts in energy and material conservation.

The second task concerns the implementation of the plan: Payments related to imports and export incomes must be constantly kept in accord, not only from month to month, but also for even shorter periods to enable us to continuously maintain our solvency.

[Question] How have the production and utilization of the national income developed in the past years? Can we expect an acceleration of the growth rate and a modification of the propositions of distribution?

[Answer] In recent years, the Hungarian people's economy has switched to the course of development resolved in December 1978 and confirmed by the 12th party congress--let me repeat it--under more than slight external and internal difficulties.

In the first 2 years of the 5-year plan, industrial and agricultural production will increase by an annual average of 2 percent and the national income will increase by 2 and 1-1.5 percent respectively. Although these results are more favorable than those of the eighties [as published], the growth rate is somewhat lower than the annual 2.5-3 percent planned for the first 2 years of the 5-year plan.

Nevertheless, I must say--unlike many--that we cannot regard this as mere stagnation, primarily because there are structural transformations in progress behind it which gradually strengthen the new course's characteristic economic-political features (for instance, the product mix will be further

modernized, productivity will rise in excess of output and the specific energy utilization of the economy will decrease).

The domestic utilization of the national income did not increase in 1981, and it will decrease by approximately 3 percent in 1982. For the first time since 1973, we will not be using more than the national income we produce! There is no doubt that the major role in this is played by the fact that domestic utilization has diminished and, from the viewpoint of future development, this has serious disadvantages as well (although the previous overutilization has had them as well). We are well aware of that, but, under today's payment, production and foreign trade limitations, we had to choose the option of the "lesser evil."

Let us go further: Since 1978, consumption had been increasing 6-6.5 percent (I would note that it has hardly increased in 1982), and investments have decreased 15 percent. In the relative ratio of consumption and accumulation, there has been an all-important change in favor of consumption.

In another respect, we must also realize the fact that, as an international comparison shows, the ratio of fixed assets in proportion to production is very great, which is due to the fact that we can create only a scant production surplus with investments whose number is great but whose usefulness is poor.

[Question] What conclusions does all this provide with regard to next year's plan?

[Answer] We can expect distribution proportions to continue to show a similar trend in 1983 as in previous years. There are eternal and internal reasons for this. The external one is that, because of the inconstancy of the international money market and the aforementioned economic and international political reasons, we must begin reducing our debts 2 years before we expected to under the 5-year plan. The internal reason is that, although the specific energy utilization of the economy has improved and we have made great efforts to increase exports, because of external circumstances and the fact that the qualitative characteristics of production, particularly competitiveness, have not developed satisfactorily, the economy probably will not be able to further increase the national income. And we well know that this taxes both society and the consistency of economic policy.

Although we can expect a somewhat greater growth in 1984 and 1985, we will still not be able to radically change distribution proportions. However, we should be able to modify somewhat the internal composition of distribution. We hope to be able to halt the decrease of domestic utilization. In the area of investments, greater efforts must be devoted to technical regeneration and the conservation of energy and raw materials and not on so-called large-scale investments. We must be much more sensitive to supporting technological and market advancement, recognizing qualitative work and resolving sociopolitical problems. At the same time, we must take even more consistent advantage of the possibilities to economize attainable at state and social institutions.

[Question] What predictions can be made for the remaining period of the Sixth Five-Year Plan? Will we have to modify the plan?

[Answer] We are working out economic policy concepts for the period up to 1985 parallel with the 1983 plan. In this, we regard the two main objectives --improving the economic equilibrium and retaining, on a social scale, the standard of living attained in 1980--as our primary task. However, it can be seen that the obligation of adhering to the first objective and the difficulties and mainly the resources required are greater than expected and that these--unfortunately--affect the realization of the second objective as well. As far as can be foreseen, consumption will also have to be reduced in 1983 so that we may have sufficient material resources for improving the equilibrium and give us the strength necessary for a recovery.

Another difficulty of planning activity is the fact that there are many more uncertain facets of external conditions than at any time before. Therefore, we cannot work out the kind of target and resource system for the coming years that we have been accustomed to. We must lay better groundwork also in economic policy if we want to have more scope for maneuvering and if we want to be more flexible in accomplishing our objectives.

I think that there is no need for us to modify the main endeavors of the Sixth Five-Year Plan at the moment. It should be realized, however, that there will necessarily be a modification of a few points of the plan, primarily because--as I have said--we must pay installments on our debt earlier. Another reason is that the effectiveness of economic work has produced smaller reserves, mainly in agricultural production and with regard to agricultural input, than we needed to offset the deterioration of external conditions to a degree to which we could not make allowances for in the plan.

[Question] Will it be possible to maintain the goal with regard to retaining the standard of living? What can we expect in 1983 in this respect?

[Answer] Our understanding of this goal is that we retain the standard of living attained at the beginning of the Sixth Five-Year Plan on a social scale. On a "social scale" or "on the average" mean that there are strata and families whose standard of living will rise, others will maintain theirs and, unfortunately, there are strata that will find life more difficult.

Since 1980, the entire level of consumption has risen, and this is borne out by the per capita consumption of basic products. (For instance, the purchase of durable consumer goods or meat consumption.) The standard of commodity supplies is also satisfactory. Because of the increase of consumer prices in excess of that planned, social tension has increased because this does not equally affect certain strata of the population, but has a particularly detrimental effect on pensioners with low incomes and families with children. As for our concepts for 1983, some reduction of consumption does not mean by any means that it will decrease to below the 1980 level, but we must plan for it to be lower than it was in 1981-82. This can manifest itself particularly in the development of real earnings.

We intend to attain all this not by a significant increase in consumer prices in the first place, but by ensuring that wage increases are more in harmony with the rise in production and the improvement of performances. At the same time, we also keep in mind that, under such circumstances, we must do more to alleviate social problems, and the plan is intended to create the resources for this through the enforcement of economizing at state and social institutions.

Even if with different internal proportions, we will keep up the pace in dwelling construction, and the councils are fulfilling plans for construction of general school classrooms.

[Question] The preparation of a long-term plan until the year 2000 began a few years ago. How far has this work progressed? What are the preliminary concepts of this plan?

[Anwer] Several people say nowadays: If we do not know what will happen tomorrow, how can we try to look forward to as far as the turn of the millenium? In my opinion, this is a misunderstanding of long-term planning and a doubt that cannot be permitted by our sense of responsibility for the future of society. The long-term plan is not prepared so that we may confront it in the year 2000 with the figures put down at the beginning of the eighties, but so that we may now think over the economic and social characteristics on which we can base our action programs in the coming years.

In almost 80 groups of subjects, 1,000-1,200 scientists, economists, sociologists, technical experts and so forth are working on the elaboration of key questions to provide the possible answers. Let me mention a few examples and directions awaiting resolution.

Demographic development is a vital issue: What are the motive forces of this in the social structure and how are they related to material conditions and the way of life? We know that we cannot depend on hydrocarbons as future energy sources, but what should alternative energy sources be composed of and, mainly, in what ratio? Or another one: How open should the economy be from the viewpoint of exports and imports? How can we take advantage of the benefits of CEMA cooperation and specialization in the long run? Should scientific research and technical development choose the strategy of forging ahead on a broad front or the strategy of concentrating forces? We know that our infrastructure is backward, that it must be developed and that there is not sufficient strength for everything, but what should we highlight within the infrastructure? What should the strategy of environmental protection be and how large should the material base for this be? And we could continue for a long time to enumerate the questions which are being studied within long-term planning.

It lies in the nature of the matter that long-term plans have their basic variants; we are not thinking on a single wavelength. We would like to be able to cast the material thus far systematized in a form suitable for discussion by 1983. We hope that these immensely rich and exciting planning concept systems will elicit extensive social interest because we cannot build the more distant future either on dreams or on today's uncertainty.

Incidentally, long-term planning will also be extremely important because we must begin making preparations for the 1986-90 period, for strengthening cooperation with the CEMA countries and coordinating our economic policy with them.

[Question] There is also work in progress on the further development of our system of the direction of the national economy. However, operative economic direction nowadays frequently contradicts the fundamental principles of our direction system and even more the trend of further development decided upon. Under such circumstances, it is to be feared that methods of direction meant as temporary ones hamper the introduction of long-term ones. What is your opinion on this?

[Answer] Disputes on the system of the direction of the national economy have commenced anew nowadays; we witnessed this lately at a conference on the further development of planning. There are extreme views also in this respect. Some people overestimate the favorable impact of the necessary operative methods of direction being applied today. Others contest even justifiable features of state economic direction that are recognized and practiced in most countries of the world today. There, as elsewhere, an extremist approach does not help us. What I regard as most important is for us to accept the fundamental principles and endeavors we consented to in 1968, upon the implementation of the economic reform and to proceed on this course!

Of course, the world has surprised us with many things since then. Therefore, we must react more rapidly and the operative interim emergency measures must not be put at odds with fundamental concepts pertaining to the system of direction.

[Question] Whether they should or not, they are sometimes at odds with each other.

[Answer] One should not confuse the objective economic necessity with mistakes and exaggerations due to subjectivity. If we think it through: There are no set or measures without a disadvantageous side. However, from the viewpoint of the future, an activity with side effects is still more favorable than the kind of biding one's time that condenses unresolved issues into a conflict. However, we do not intend to turn the methods of action applied in exceptional cases into a general guide to action!

[Question] How could this anomaly, which undoubtedly exists today, be resolved?

[Answer] Primarily by anticipating changes more in the plan for the people's economy and economic policy and also preparing the enterprises and society for them. We must do so more consistently and reliably in 1983. In this way, many mistakes can be prevented because there will be less improvisation. We must also speak openly about things which occur only when life forces them on us.

I am profoundly convinced: We will only be able to solve the problems of the Hungarian economy in the coming years if we simultaneously mobilize equal intellectual forces, on the one hand, for working out in more detail and implementing a new course of development, an economic policy promoting a breakthorugh, and, on the other hand, for renewing the directional--regulatory, institutional and planning--system.

We have progressed in many respects and have shed many of our illusions. Our sense of reality is necessarily stronger today that at any time before. However, because the previous illusions are very strong, it is not easy for us now that we have to return to reality. The growth rate has slowed down a great deal, even in comparison with what we have planned in the modified course, but, in the meantime, the economy is being perceptibly transformed. Of course, there are people who are only watching this and saying: "What, is this all there is? We should not be this far along, but that far along...!" Contemplative criticism helps little at the moment--forward-propelling ideas and deeds worthy of them are needed!

The fact that economic policy is rooted more deeply in today's reality is the guarantee that there can be progress. Let us look around in the world. We are holding our own admirably and have parried the blows that befell us from outside in recent years, and we already have plans, or the preparation of plans are in full swing, on how to continue to hold our ground and how to create prerequisites for more stable and rapid progress.

CSO: 2500/55

MINISTER DISCUSSES EXTERNAL ECONOMIC PROBLEMS

Budapest FIGYELO in Hungarian 28 Oct 82 p 5

[Article by staff reporter Dr Ivan Wiesel: "Timely Problems of Our External Economy"]

[Text] About 400 statisticians and industrial economists convened in Nyiregyhaza to hear the INFO XII lectures and joint reports on foreign trade. They obtained detailed information on the causes of our foreign-trade problems, on how these causes are affecting the present state of the economy, on the extent to which the efforts to restore economic equilibrium have been successful, and on what tasks await our economic units in solving our problems of external economic origin.

Yardstick: Effectiveness

Minister of Foreign Trade Peter Veress said that the role of foreign trade in a country's economy was not a matter of economic-policy intention or decision, rather a natural consequence of the country's resources and of its historical and economic development. The scale and structure of our participation in the international division of labor were determined by the objective needs of our economy and were reflected in its openness. Lately there had been a debate on whether or not the openness of our economy and the degree of its dependence on the international division of labor were excessive. In comparison with industrially developed countries of the same size, this degree of dependence could not be considered excessive. In 1979, the per capita foreign-trade turnover had been 1151 dollars in Hungary, but 4700 dollars in Finland, 4200 dollars in Austria, and over 6000 dollars in Denmark.

In conjunction with the problems of external economic equilibrium, one encounters also suggestions that participation in the international division of labor should perhaps be curtailed. In the speaker's opinion, expansion of our international economic relations and multilateral utilization of comparative advantages are an important condition of our economic growth. Only an adeqaute choice of foreign markets and the concentration of our efforts on improving our comptetitiveness can alleviate our present difficulties. Our dependence on import is very great. For example, we are importing 78 percent of our petroleum requirement, 96 percent of the iron ore requirement, and 67 percent of our coke requirement. The high proportions of import are an objective consequence of our paucity of natural resources, and in themselves they are not causing any structural distortions. Therefore efforts at self-sufficiency that disregard

economic effectiveness are unwise. We have already experienced in the 1950's the harmful consequences of such a policy.

In conjunction with forming the structure of foreign trade, many persons emphasize as an axiom that our country must unconditionally strive to export higher-order goods and to import basic materials. The minister expressed his opinion that the main criterion in evaluating the structure of foreign trade was economic effectiveness, the possibility of utilizing the comparative advantages, and not the form of utility value. For example, who could question the role that foreign licenses, machinery and equipment were playing in the introduction of modern technology. Or who could doubt the effectiveness of expanding agricultural and food-industry export.

Speaking of the present structure of foreign trade, Peter Veress noted that machinery and transport equipment accounted for 34 percent of Hungary's total export in 1981. This proportion was higher than in the case of Denmark, Finland, Switzerland or Austria. But in terms of the proportions of industrial products jointly, these countries were ahead of Hungary.

In countries with small domestic markets, the degree of specialization is an important indicator of the level of economic development. It is common knowledge that when the domestic market is limited, the economies of scale resulting from production in large series can be realized only through intensive participation in the international division of labor.

How Long Will the Stresses Last?

The speaker reviewed the causes of our present external economic difficulties. He analyzed the stresses caused by the price shocks, rising interest rates and the constriction of the sources of credit, and devoted close attention to the phenomena of "overdistribution" that have surfaced in the domestic economic processes. He dwelt separately on the principal features of the international political situation and how they are affecting economic relations.

In his assessment he established that these developments had caused serious and unforeseeable difficulties in Hungary's external economic relations, and that occasionally economic management had been late in recognizing these difficulties and in adopting the necessary measures. In the work of organizing and managing the economy, the accumulating problems necessitated the adoption of suitable measures commensurate with the exceptional situation.

The question has often been raised as to how long this serious situation, requiring exceptional measures, would last. Peter Veress said that this question could be answered only in general: the exceptional measures would remain in force so long as the difficult situation required them. He expressed the hope that if in 1983 the set of conditions for economic activity did not deteriorate further and even showed slight improvement, it would be possible to gradually dismantle the emergency measures. He referred to the fact that in our time the introduction of direct measures was not peculiar to Hungary, and that the problems which had arisen in the world economy and were hampering the international division of labor compelled even the strongest capitalist countries to introduce measures that went beyond the traditional regulation of the business cycle.

In conjunction with the experience to date in operational management, the minister said than in general this experience had compelled the economic units to

adjust to the more difficult conditions. He also indicated than in 1983 economic management would strive to make its measures more predictable.

In the interest of economic equilibrium we have introduced also the mandatory and temporary curtailment of import, and we have not concealed this fact from the international economic organizations. The restrictions are foreign to the nature of our economy, which wishes to steel the economic units also through import competition. Therefore we will revert to normal practice as soon as our liquidity permits. We must not, and do not intend to, make a virtue of import restrictions.

Import management for 1983, the methods of which are now being developed by the experts, will strive to reduce "manual control" in import. Even at the lower import volume, the enterprises will be able to adapt import to their own needs, and in this they will have broader decision-making authority.

Speaking of import substitution, Peter Veress made it clear that effectiveness was the decisive criterion of import substitution from the viewpoint of our external economic strategy. Therefore foreign-trade policy did not wish to make general import substitution its centerpiece and primary instrument. Now when we are having import problems, as a temporary stopgap measure the substitution of import may be justified even in cases when the requirements of effectiveness take second place. But this must not be allowed to become general practice.

The speaker briefly mentioned also import economization, in which we still have enormous reserves. It is in the common interest of the economic units and of the economy to reduce the excessive consumption of materials and energy in making our products, because this not only increases the costs of import but is also a poor recommendation regarding the modernness of the products. There already are good initiatives in this field, and it is to be hoped that not only the economic recommendations but also their mandatory nature will compel both producers and users to greater economization in the consumption of materials and energy.

The speaker discussed in detail the Hungarian economy's opportunities on foreign markets. He reviewed the effects that the first and second oil shocks had on the world economy and the Hungarian economy, and he analyzed the trends in the development of the terms of trade and the losses resulting from them. He noted that in trade with both principal provenances and destinations the worsening of the terms of trade must be regarded as an "independent variable" and its costs would have to be earned each year.

Regarding economic cooperation with CEMA countries, the speaker established, among other things, that problems similar to those of the Hungarian economy were also evident in most CEMA countries. The common problems did not rule the further development of relations: expansion of the socialist international division of labor and integration would remain a significant factor of the member nations' growth also in the coming years.

Role of Information

Concerning the foreseeable development of our balance of trade in 1982, the minister said that we could expect a surplus in nonruble-denominated foreign trade. Speaking also of ruble-denominated foreign trade, he established that this trade was developing essentially in accordance with the plan.

Evaluating this year's performances, the minister dwelt on the results to date of the programs for improving the balance of payments. In agriculture and the food industry these programs have been very successful; in industry, however, they have been less successful than expected. The expansion of export generally has been slower than economic management assumed originally. He pointed out that in the future a decisive and large-scale expansion of export would be the only way of ensuring the stability of foreign-trade equilibrium. He spoke of the foreign-market problems of export expansion, of the world-market price trends, and of the capitalist countries' trade-policy measures that were detrimental to Hungary.

He discussed in detail the role that information systems are playing in exploring foreign markets, in formulating export-import policy, and in cooperation between enterprises. He established that the quality of the flow of information was not yet adequate. Information must be used more effectively in the future, because without this it would hardly be possible to intensify mutually advantageous production and trade activity.

The "hard knocks" that the Hungarian economy endured during the past year have made it tougher, and Hungarian economic management has been able to function effectively despite the considerable constriction of foreign credit resources. This behavior should be followed at every level of economic activity.

Surpluses Must Be Increased

The difficult economic conditions have brought production and foreign trade closer to each other. In spite of this, finger-pointing and attempts to shift responsibility are still common. It must be understood, said Peter Veress, that there is no separate production aspect and separate foreign-trade aspect in judging the level of a country's development, nor can there be the paradox of developed production and underdeveloped foreign trade, or of developed foreign trade and underdeveloped production. Also for this reason it is important to further strengthen production and foreign-trade relations in the future, based on mutual economic self-interest.

The minister reviewed the changes introduced in the organization of foreign trade in order to strengthen cooperation between production and trade. He said that the management of foreign trade accepted the conflict that occasionally arose from the parallel granting of foreign-trade rights. Generation of a healthy spirit of competition was an important part of the instruments for forcing a rise in economic effectiveness. To better support initiatives and to encourage risk-taking, it is necessary to further improve foreign trade's system of institutions.

In conjunction with the further development of the system of economic management, Peter Veress emphasized the necessity of introducing and spreading methods that enhance the rapid rise of economic effectiveness and provide incentives for a significant expansion of competitive export and for the international recognition of Hungarian labor. Economic regulation must continue its efforts to compel the Hungarian economy's flexible adjustment to the processes of the world economy.

The quality of management is unquestionably important. But of primary importance from the viewpoint of solving our economic problems is what our enterprises

are producing and for how much, and how foreign trade markets their products and procures the necessary imports. In 1983, while maintaining the level of import, the surplus in the balance of nonruble-denominated trade must be doubled. This task is a challenge unprecedented in the history of the Hungarian economy. Next year will be decisive from the viewpoint of our ability to ensure the conditions for stabilizing the external economic equilibrium. Peter Veress concluded his lecture by saying that this would be a great test, but there was no sensible alternative.

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## BRIEFS

UPSWING IN PORK PRODUCTION--According to the September livestock census, the herd of hogs has increased by 913,000 over that of a year ago and now totals an unprecedented 10 million head. The cyclical fluctuation in the hog population has come to an end. Correct breeding and more reliable sales policies have promoted enthusiasm for hog raising. Through modest, relatively cheap improvements in livestock quarters, state and cooperative farms have been able to increase their herds by 152,000 and 217,000 head respectively in the course of a year. Growth has been spurred by the fact that the large farms utilized the potential of the facilities of the household plot holders to an extraordinary extent. Partly as a result of organization and practical aid from the large farms, over half the hogs are being raised by small producers and auxilliary farms. Conditions have been established which help make pork production profitable on both a large and small scale. Profitability will become still greater when the purchase price of fattened hogs increases by an average of one forint 60 fillers per kilogram in January 1983. The fact that the number of sows is higher than ever before and that the supply of feed is ample and continuous will maintain the current enthusiasm for hog raising. This will lead not only to satisfactory domestic pork supply next year but will further production of the commodity stock for exports so essential to the country. [Budapest NEPSZABADSAG in Hungarian 10 Nov 82 p 1]

CSO: 2500/49

## HOUSING SHORTFALLS, PROBLEMS ASSESSED

Warsaw ZYCIE GOSPODARCZE in Polish No 32, 29 Aug 82 p 3

[Article by Teresa Gornicka: "Fewer Apartments, Still"]

> [Text] Regrettably, an unexpected slowdown in the housing decline did not occur. According to GUS [Main Statistical Office], 14 percent fewer apartments were completed in the course of the first 6 months of 1982 than during a corresponding period last year. A marked decline occurred in the socialized construction sector. Construction enterprises have completed 48,100 apartments, 32.4 percent fewer than in 1981, thus fulfilling only 33 percent of the annual plan.

The message of these figures is certainly disturbing. They put a question mark on how realistic the annual plan is, since it envisages completion of 145,000 apartments by the socialized construction sector. No improvement was noted in July: 7,100 apartments were completed for users, which shows a further decline in relation to the monthly averages for the first half year.

### No Quick Fix

True, there were years in which annual plans seemed beyond recovery after the first 6 months but the quick fixes that followed in the fourth quartet successfully patched up plan indexes. It is a separate issue how much genuine housing increment this represented and how much was just data-juggling. It is worth realizing, however, that interest in quick-fix methods is a thing of the past. First, because the new management system provides for no direct relationship between actual results of plan fulfillment and wage levels. Until now actual results, regardless of economic effects, were rewarded in the construction sector by bonuses given everyone from construction site laborer to association director. Now, these bonuses must be earned, and construction employees are not the only ones to know that quick-fix methods yield no earnings.

Second, investors are less tolerant now when taking over completed buildings. Cooperative investors, troubled with self-financing, are hopefully unlikely to be lenient with shoddy construction craftsmanship that as a rule has accompanied quick fixes. They are aware that enforcement of patch-up finishing jobs will become more difficult than in the past. Until now, losses suffered

on this account by a contractor or by other parties, were covered from budget funds. Now, such losses reduce financial results of enterprises which, accordingly, will attempt to steer clear of them.

An occasionally encountered view is that the reform principles should be complemented for the benefit of the construction sector by the inclusion of actual assessment criteria to partially correlate bonus payments with actual results. I do not believe this would be possible. An enterprise is free to set the criteria under which it pays out monies from its award fund. There is nothing to prevent it from designating its resources, economized for the bonus fund--if any are economized--to be paid out for comprehensive completion of actual tasks, that is, for prompt preparation of buildings for occupancy. These would be fine standards, except that disinterested fine feelings should not be counted on these days. On the other hand, all sorts of incentive awards, received by construction sector under the previous arrangement to encourage ahead-of-schedule completion of buildings and paid out funds allotted for that particular purpose, are now a thing of the past.

Currently, construction cycles are supposed to be regulated by contracts made by investors and contractors, specifying, among other things, deadlines for completing buildings for occupancy which are safeguarded by a system of contractual penalties. Mutual relations between investors and contractors have not been spelled out in detail yet. An important piece of legislation referred to as general conditions for investment implementation has not been issued. Doubts can be entertained in advance, however, whether contracts will succeed under present conditions to discipline investment cycles in housing construction.

An investor can pose requirements and insist on them to the letter only when he is blameless himself by having assured contractor's access to a construction site on time, having equipped him with all technical facilit pre-scribed in the regulations, in brief, by having met all his obligations as investor. At present, however, investors are for the most part unable to meet those obligations. If a contractor agrees to start contract work despite that, an investor is also forced to compromise, but then he loses the chance to enforce completion of a construction project on schedule. As construction proceeds, investors are forced to pay advances to a building contractor to provide for his support. In effect, a contractor enterprise feels less rushed about the final step of conveying a completed project for use than it used to under the previous arrangement where delays implied loss of bonuses.

Thus, for the system of contractual relations to function as an instrument to discipline investment cycles in housing construction, the entire sphere of housing investment programming and preparation must be put in order. If the situation in this area is not put under control, a crucial springboard will be lacking for overcoming housing construction defects accumulated over the years.

Everything is likely to proceed according to the old style in the current years. Construction enterprises, possessing surplus capacities at least as far as assembly work is concerned, have been rushing to enter construction sites without any reservations. Currently, 178,000 apartments are under construction,

covering nearly a 1.5-year plan. Assembly work continues, and summaries of the first semester indicate that utility hookups and finishing work are encountering increasing difficulties.

Price of the Reform?

Are the poor results of the first semester in housing construction in any way related with all the things happening in the construction sector in connection with its switch to a reformed management system? It is generally known that precisely in the construction sector the reform has run into a frightening degree of wasteful technology, excess of fixed assets for production and an unreasonable model of contract work.

The command-distribution system, developed in the construction sector beyond reasonable limits, has left behind a wasteland as far as qualified managerial personnel is concerned. It was typical of the construction sector that enterprise associations were directing enterprises to a greater extent than elsewhere. Their authority included distribution of contract work and of all supplies. Analytic and program functions of enterprises were also performed by the associations which amassed personnel best suited for such tasks in their headquarters in major cities. It is not surprising that, once the associations were dissolved, their employees have been more than welcome in the enterprises.

The reform revealed clearly all those flaws in the construction sector which it itself had sensed. It went through dramatic moments when the first semester application of the reform revealed that, with existing indebtedness, overinvestment, and organizational inertia, construction enterprises were unable to assure their economic survival. The strictures of the reform doomed for the most part a majority of housing sector contractor enterprises.

It is difficult to say whether a sense of endangerment can explain away anything in the housing construction sector at this time. For a fact, the whole mess of determining a way for arriving at construction prices and construction materials prices disoriented the enterprises and hindered their finding their new place under the reform. In isolated cases, producers even refused to sell material to decidedly inferior enterprises, regarding them as insolvent partners.

Construction enterprises were encircled by a life-preserver system to prevent their foundering. Among other things, the period during which nonresidential construction enterprises are required to demonstrate their creditworthiness, or realistic programs for becoming economically sound, has been extended until 1 September. The construction minister has been authorized to relieve them from repayment of amortization on fixed production assets that cannot be utilized at present but are listed among enterprise assets. In justified cases, banks are to offer grace periods on repayments of investment credits incurred in the past for unused assets owing to the reduction of the housing construction investment program.

Moreover, regulated prices leave contractor enterprises substantial leeway in determining costs. In sum, the reform has ceased to be a scare. Until now no

one in the housing construction sector has been placed under bankruptcy. All concerned still have opportunities to stay afloat.

Facilitation and concessions granted in the initial application of the reform in housing construction were indispensable. This is not equivalent, however, to granting it a permanent preferential status. An especially close follow-up is needed on the pricing problem. If arbitrary, retrospective price-setting evolves as a way to deal with the restraints of self-financing, enterprises will become free from the compulsion to have sound reasons for their costs. And it is especially in the construction sector that this should not be permitted under any circumstances, for its consequence would be virtually no change in the functioning of that sector. Enterprises, rather than apartments would be rescued. Many questions need to be asked in view of the fact that already after the first semester nonresidential construction posted an overall substantial improvement in profitability--its recorded indicator is 10.3--though at the same time it completed over 30 percent fewer apartments than a year before.

To Match the Possibilities?

A search for the cause of poor performance in housing construction is now like groping in the dark. Accounting records in this area are beyond the scope of authority of the Ministry for Construction and Construction Materials Industry. National GUS [Main Statistical Office] reports do not reflect data in specific breakdowns.

Of course, first we must answer the question whether materials for construction had been available at all.

The situation in building materials is known to be far from superior. For example, if completion of orders for power cables in the first semester was under 23 percent of deliveries planned for the entire year, obviously certain facilities had not been hooked up to power sources. This could have been the only reason why some of them have not been transferred to users. There are persisting difficulties with glues, paints and varnishes. Nails have disappeared from the market for good. Only last June was the problem of bathtubs and gas stoves solved. Every other item on the list of 3,000 categories of materials and products for construction purposes is difficult to obtain.

Such is the true picture, easy to document. Is it a genuine impossibility to handle these problems resourcefully at this time, or is resourcefulness simply lacking?

In fact, recent NIK [Supreme Audit Chamber] checks have shown that steel use was rising in some enterprises, which was due, as it turned out, to steel mills delivering steel products with larger crosssection surfaces than those ordered. Consequently, it is difficult to resort to explanations that uneven supplies of steel, signalled by enterprises also in the first semester, were caused by objective factors.

The construction sector is not the only sector in the national economy to suffer from inadequate supplies. Production decline in many subdivisions of the

construction materials industry is a consequence of general economic disruptions and, unfortunately, import barriers. Restrictions on materials made it necessary for us to retreat from the construction level attained and from the housing development program approved by the Sejm. In housing construction, we reverted to 1971 levels, even in the planning of size. This decline can be substantiated by the overall investment inadequacy of our economy. Still, according to pronouncements of all sorts, that was supposed to be the lowest level, the bottom from which a rebound could be attempted. Governors even declared higher apartment construction capability than did central authorities, envisaging this year's plan fulfillment at a level of 215,000 apartments.

How does that compare now with plan fulfillment in Elblag voivodship where 14.9 percent of the annual plan has been fulfilled in the first semester, Suwalki voivodship where 17.7 percent planned apartments were conveyed to users, Biala Podlaska voivodship where the annual plan has been fulfilled in 19.3 percent? The outlook is not good in urban centers, important because of their intensified needs: in Warsaw after the first semester 23.4 percent of apartments planned were given to users; in Gdansk plan fulfillment is slightly over 25 percent and in Katowice it is 28 percent.

It is perhaps easy these days to err in assessing possibilities. However, the origin of error must be found and junctures at which construction processes have been blocked in the very short semester term should be determined. Difficulties in materials supplies cannot be used endlessly for cover. Neither cottage industry nor artisan craftsmen are likely to manufacture electrical cables. Resources must be found to import components needed for their manufacture. Yet there is a long list of materials and manufactures that are not being made because of restrictions on imports, although they can be successfully replaced with other materials manufactured from domestic resources. Producers, however, except for isolated cases, show no major interest in this problem. The matter cannot be left to its own course. Even in a reformed economy local authorities can channel producer interests prioritizing issuance of licenses for launching desirable kinds of production. If the problem of materials supply is not solved, there will indeed be no way to salvage apartments.

At the Frontline of Hope

There will also follow a final breakdown of the hope to overcome the housing shortage by individual private construction. For years it has been debated whether anyone could afford to build a family home, yet there are people who opt to do so. In terms of floorspace, full 40 percent of dwellings have been created in private construction. There are grounds for apprehension that there will be decreasing numbers of people who will be able to make that effort in view of rising cost of living and construction expenses, although much depends on the manner of financing to be adopted for the private construction sector. Credit terms have already been changed, primarily in granting higher amounts.

It is an open question how the new terms will affect developments in family-home construction. Although the results of the first half-year are poor, and only 29 percent of houses planned for completion in 1982 were completed by the end of last June, that still represented nearly 50 percent more houses than in

a comparable period of last year. Considering that there are nearly 200,000 houses (208,000 by the end of 1981) in various stages of completion, it can be expected that we will not go below the attained level in the next period. Private investors, as a rule, do not back out of a construction project once begun. Provided, of course, that materials permitting a relatively smooth construction process are available on the market.

Most telling for the future of private construction is the number of building permits issued this year. It can be regarded as a general indicator of downward trends, or upturns in private construction. According to GUS data, the number of permits issued in the first semester of 1982--32,400--is identical with the figure for the first semester of 1979 and slightly lower than the figure for a comparable period of 1978. Some shifts have occurred among prospective house investors in favor of private construction in rural areas.

It is better not to draw far-reaching conclusions--people must have money if they decide to start such a costly venture these days. These figures could just as well provide the basis for speculation about a grim determination induced by the housing shortage in our country and the lack of prospects to obtain an apartment, other than by very substantial sacrifices over many years. To be sure, there are affluent persons as well among those building their homes, e.g., only 60 percent of home builders use bank credits in private construction for the nonfarming population. Persons who do not seek credits are primarily those who do not wish to be subject to various constraints, including floorspace limitations required by bank-credited projects.

The data quoted here certainly demonstrate that the opportunity to commit social energies and financial resources in a housing-oriented variant of crisis-solution is not lost yet. A whole army of young adults, banded together in various small cooperatives, are begging for some building lots. These prospective builders are not included in the register of permits used. A dilemma therefore loses none of its currency: are we going to overcome the crisis at the cost of dwellings or are dwellings to become the factor that will support efforts to recover economic and social balance?

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SPECIAL CURRENCY EXCHANGE RATES PUBLISHED

Warsaw TRYBUNA LUDU in Polish 22 Nov 82 p 7

[Text] Announcement of Exchange Rates Table No 49/82, effective 22 November 1982, by Stanislaw Majewski, president, Polish National Bank, on 22 November 1982.

I. Foreign-currency exchange rates in zlotys for countries of the first payments area [socialist countries] for commercial and noncommercial payments remain unchanged.

In purchases of travelers' checks for rubles, issued by the USSR Foreign Trade Bank and payable outside the USSR in the currency of the country where cashed, an exchange rate of 11,787.90 zlotys per 100 rubles is applied.

II. Foreign-Currency Exchange Rates in Zlotys for Countries of the Second Payments Area [Capitalist Countries].

[Table on following page]

Exchange Rates Table No 49/82

| Country | Curr Symb | Currency | Foreign Exchange Purchase 4 | Foreign Exchange Sales 5 | Money Purchase 1 | Money Sales 2 | Average 6 |
|---|---|---|---|---|---|---|---|
| Saudi Arabia | 771 | 1 rial*** | 25.51 | 25.77 | -- | -- | 25.64 |
| Australia | 781 | 1 Aust. dollar | 82.38 | 83.20 | 81.13 | 84.45 | 82.79 |
| Austria | 786 | 100 schillings | 483.66 | 488.52 | 476.37 | 495.81 | 486.09 |
| Belgium | 791 | 100 francs | 175.30 | 177.06 | 172.66 | 179.70 | 176.18 |
| Denmark | 792 | 1 kroner | 9.69 | 9.79 | 9.55 | 9.93 | 9.74 |
| Finland | 780 | 1 markka | 15.76 | 15.92 | 15.52 | 16.16 | 15.84 |
| France | 793 | 1 franc | 12.02 | 12.14 | 11.84 | 12.32 | 12.08 |
| Greece | 724 | 100 drachmas | 119.70 | 120.90 | 103.74 | 122.71 | 120.30 |
| Spain | 785 | 100 pesetas | 72.87 | 73.61 | 71.78 | 74.70 | 73.24 |
| Holland | 794 | 1 florin | 31.24 | 31.56 | 30.77 | 32.03 | 31.40 |
| India | 543 | 100 rupees*** | 893.44 | 802.42 | -- | -- | 897.93 |
| Ireland | 782 | 1 pound*** | 115.28 | 116.44 | -- | -- | 115.86 |
| Japan | 784 | 100 yen | 32.79 | 33.11 | 32.29 | 33.61 | 32.95 |
| Yugoslavia | 718 | 100 dinars | 125.07 | 126.33 | 108.41 | 128.21 | 125.70 |
| Canada | 788 | 1 Canad. dollar | 71.57 | 72.29 | 70.49 | 73.37 | 71.93 |
| Kuwait | 770 | 1 dinar*** | 298.88 | 301.88 | -- | -- | 300.38 |
| Lebanon | 752 | 1 pound | 20.70 | 20.90 | 20.38 | 21.22 | 20.80 |
| Libya | 651 | 1 dinar*** | 296.30 | 299.28 | -- | -- | 297.79 |
| Luxembourg | 790 | 100 francs | 175.30 | 177.06 | 172.66 | 179.70 | 176.18 |
| Norway | 796 | 1 kroner | 11.98 | 12.10 | 11.80 | 12.28 | 12.04 |
| Portugal | 779 | 100 escudos | 95.89 | 96.85 | 83.11 | 98.30 | 96.37 |
| FRG | 795 | 1 mark | 33.95 | 34.29 | 33.44 | 34.80 | 34.12 |
| United States | 787 | 1 dollar* | 87.74 | 88.62 | 86.42 | 89.94 | 88.13 |
| Switzerland | 797 | 1 franc | 39.65 | 40.05 | 39.05 | 40.65 | 39.85 |
| Sweden | 798 | 1 kroner | 11.61 | 11.73 | 11.44 | 11.90 | 11.67 |
| Turkey | 627 | 100 pounds | 56.24 | 56.80 | 48.74 | 57.65 | 56.52 |
| Great Britain | 789 | 1 pound** | 142.68 | 144.12 | 140.53 | 146.27 | 143.40 |
| Italy | 799 | 100 lira | 5.90 | 5.96 | 5.11 | 6.05 | 5.93 |

* Valid also in clearing accounts with the following countries: Bangladesh, Brazil, Ecuador, Greece, Iceland, Kampuchea, Colombia, Lebanon, Pakistan, Peru and Turkey.

** Valid also in clearing accounts with the following countries: Nepal and Pakistan.

*** The Polish National Bank does not purchase money in these currencies.

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END

JPRS 82444

13 December 1982

# East Europe Report

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2347

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# EAST EUROPE REPORT

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2347

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SITUATION, PROBLEMS OF CEMA EXAMINED

Budapest MAGYAR HIRLAP in Hungarian 22 Oct 82 p 7

[Article by Laszlo Kovari, main department head at OTH (National Planning Office): "A Picture of CEMA's Situation"]

[Text] New System of Requirements for Cooperation--The benefit of Consultation

One of the characteristics of socialist economic integration is that it is a voluntary association of independent and sovereign states; thus CEMA--in contrast with Western European integration--does not represent supernationality. The fundamental motivating factors for participation in the economic association are joined by the characteristics of each country as they build socialism. But these characteristics represent differences only in method; the main goals and principles are not affected at the level of either the association or the individual countries. Each of the political, economic and social components that establish the community of interest have the same importance from the viewpoint of further developing the cooperation. Therefore it is important that these factors grow in proportion, in dialectic unity and in accordance with the actual stage of building socialism. Harmonic and proportional growth refers not only to the association but also to its components, the member countries.

There Is a Need for Renewal

Nowadays one runs into the statement more and more frequently that the socialist economic cooperation is struggling with problems. Thus it is necessary to examine the nature of these problems and to point out the possible methods for resolving these problems.

As a starting point we can establish--as life proves every day--that two of the three elements that motivate the community of interests in the integration--the political-ideological one and the social one--continue to be stable and are progressive together with requirements of this time. At the same time the economic factor needs renewal. The successful cooperation that is more than three decades old now and the resulting growth of the countries demonstrating historic achievement, have arrived when extensive

growth must be replaced by intensive growth. The resources of extensive growth have been exhausted everywhere; it was not possible to maintain the earlier, dynamic growth either from the manpower or from the investment side.

Significant increase of labor's productivity, and thorough improvement of the utilization of the existing tools, became basic questions. This economic necessity, appearing more or less simultaneously in the European CEMA countries, has an effect on cooperation and makes it unavoidable to enrich the broad storehouse of the means of cooperation with new, high-quality elements. The changes could perhaps be best illustrated by the fact that when CEMA was formed the principle of mutual assistance prevailed, which in many cases--considering the situation after World War II--essentially meant contributions by the Soviet Union to the other countries to get on their feet and progress. In our association today, in the era of increased productive forces, assistance must not play the main role but economically reasonable cooperation conducted on the basis of principles and related to each other's domestic, and more moderate, growth paths--also understanding each other's problems. The association continues, since our continued growth is in our own interest; at the same time the growth of our CEMA partners is also in our interest, since the dynamic economic environment makes our growth possible and also has an effect on the continued growth of the individual member countries. We must take additional steps to solve the problems due to growth; at the same time we must also consider changes in world politics and in the world's economic environment.

At the same time, due to today's more tense situation, the significance of those tasks related to the future of cooperation of the CEMA countries is increasing. In first place we could mention the common problem that in some areas the actual conditions for technological renewal are not available within CEMA. Balanced energy and raw material supply requires ownership and operation of more and more modern tools, and not just in production. Rational utilization and strengthening of the competitive and efficiently operating processing industry urge rapid solution of this problem.

The worldwide changes in value ratios has not left the CEMA countries untouched either, and not only through our economic relationships with the capitalist countries. The change in exchange ratios in the economic relationships within CEMA has unfavorably affected the energy and raw material importing countries. Five years of creeping abrasion still conveyed the changes in world market prices--though to a less sharp extent--and in the last 10 years the energy and raw material prices increased ninefold within the association. The accounting balances were showing increasing deficits for the importing countries; partly the efforts aimed at creating increased sales of goods, partly the credit extended by the supplyers became the methods for balancing. Energy and raw material supplies are increasingly difficult to obtain from the source. The European locations of the primary supplier--the Soviet Union--were gradually exhausted and production was increasingly shifted to the more distant Siberian locations. This resulted in increased production costs. Laying down foundations for long-range reliability of the energy and raw material supply may be the second main goal, which we must now in the new stage organize jointly. During this stage we

must also be careful to give preference to price conditions that are economically justified and filter out the political and monopolistic effects seen on the world market.

We Are Interested

The mechanism of cooperation is one of the problems awaiting review. We have made big steps forward in implementing the goals specified in the complex program and in solving the tasks resulting from this. At the same time in the second half of the last decade the world economy's crisis phenomena became noticeable, as did the extensive economic growth problmms in the CEMA countries. This increasingly emphasized in the cooperation the solving of short-range problems, the daily problems measured on the economic scale. The national economic policies endeavoring to resolve contradictions over the short range did not favor proportional implementation of the longer-range goals defined in the complex program to develop the cooperative mechanism. Thus, we must make efforts to strengthen the longer-range time horizon in modernizing the cooperative mechanism that unites the national directive systems. We must encourage this even more so because the motivating factor that lends new impetus to the intensity of cooperation can only be a reinforcement to the element of interest. The experience of the last decade is that the excessive national character of the industrial development policy, which often fails to consider the opportunities hidden in the international division of labor, has been strengthened and this has been expressed in the end-product mentality. In essence this same characteristic can be found in the license policy. All this inevitably led to the obsolescence of some products and to the conservation of obsolete products. We cannot allow this [luxury] in an age of constantly diminishing resources; a justified desire is insufficient to avoid this. Rather we must develop a system of conditions that will shepherd our activity into the desired channel.

We are thoroughly interested in laying the foundations of a new stage of cooperation and in solving the problems that life presents us. It is a well-known that the Hungarian national economy sorely needs the international division of labor. We do about two-thirds of our total foreign trade with CEMA countries; this will remain a definitive factor. The fact that 95 to 97 percent of the total energy source import comes from these countries and at the same time about 80 percent of Hungary's total machinery and equipment export goes to this region, is a good illustration that the economic ties developed with the socialist countries are a firm foundation for the growth of our national economy--in spite of the unfavorable changes resulting from the actual circumstances.

One of the characteristics of our economic association is that the Soviet Union occupies a central, definitive position in the integration--corresponding to its role in world economy. Thus it is no accident that Hungarian-Soviet foreign trade accounts for one-half of our trade with CEMA countries. We can state without exaggeration that of all the results from cooperation with CEMA countries, the Hungarian-Soviet relationship has a definitive share; the strategic tasks of increasing the Hungarian-Soviet economic links essentially coincide with the strategic efforts of our foreign trade. These

are aimed at ensuring smooth energy and raw material supplies for our national economy, shaping the structure of our export in harmony with our domestic structural policy goals, moderating the rate of the exchange ratio's deterioration with our foreign trade policy as well as our opportunities permit and satisfying our needs for machinery, equipment, subassembly units and spare parts that promote efficient production. All these must accomplish an intensification of our national economy. Our strategic efforts make us interested in our cooperation expanding as dynamically as possible--with exactly the right content that corresponds to our goals. It is expeditious for us to seek out the points where we can contribute to solving the domestic tasks of the Soviet national economy on a high technological level and in a way that can fit into our structure. Approaching the growth of cooperation from the standpoint of both parties can allow increasing the intensity of the economic relationships.

To Make a Good Connection

The manifold results of cooperation conducted with CEMA countries--and within this, with the Soviet Union--are visibly great but our future tasks are perhaps even more significant; we must solve them in a much more complicated international and world economic situation. Taking all this into consideration we feel that the idea presented at the SZKP's [Soviet Union's Communist Party] 27th congress is useful and expeditious, according to which the highest ranking leaders of the CEMA member countries would in a joint conference draw a balance of the work done so far and would specify the main directions of cooperation in the new stage. While doing this, in addition to the political incentive for integration, the highly important economic boosters must also be implemented in the interest of building a solid foundation for future economic growth. This is a dual task: on the one hand we must strive to enable the national economies to implement their social goals fully by changing to the intensive stage and on the other hand to increase the strength and respect of CEMA countries in the world economy.

Raising the technical-technological level has a top priority among our tasks. This has always been an effort on our daily agenda in our cooperative efforts but now we must implement thorough changes in this area. "Peak technology" is needed for catching up and for structural rejuvenation because only that can ensure the opportunities of quality work and growth for the association's countries. We have already taken appropriate steps in the interest of this, in CEMA's 1981 session in Sofia we signed a multilateral agreement for joint development of electronics that will define the industry of the future. Our countries have adapted national development programs to establish microelectronics; now our task is to interconnect these well and quickly. It is imperative in this area for information and technology to flow adequately and on time between the countries. On the other hand we must also provide a solution for contributing the invesmments needed for research and development and for profitable mass production among the countries in proportion to their abilities to bear the load, and for production specialization to fit best with the industrial structures of the individual countries.

A task of no lesser importance for us is to increase the reliability of the energy sources and raw material supplies needed to operate the national

economies. Of course, one aspect of this is that the cost of importing may increase as the resources are reorganized. Even for this reason alone, rational utilization and higher yields must by all means be implemented and the technical-technological revamping of the economy is a precondition for this.

Providing an even more complete spectrum of food supplies and durable consumer goods for the populations of these countries has a priority among the tasks. In the past the association did not exploit the opportunities in improving food production; beyond the supply problems, moral-historical and economic consequences can also be drawn from this--looking forward responsibly over the longer range requires us to find a final solution for this problem.

We must keep in sight that a motivating factor for implementing these efforts that cannot be ignored is creating modern and plentiful export potential with as little expenditure as possible. After major developments the world's economy as well as the association's countries are characterized by more modest investments and consumption. Therefore the need to increase exports represents great efforts in two directions. Significant export must be produced without large increases in domestic national investments; this is a new and real requirement for efficiency. On the other hand we are facing a capitalist market that today--and certainly for some years to come--practically wants only to sell. But this also means that there will not be enough growth in the export merchandise base; its quality and value are almost more important. These tasks are now aimed at reestablishing the disturbed financial equilibrium. But this requirement must not be recognized only as a need because plentiful export and good selection are also incentives for a healthy transforming and functioning economy.

With Joint Effort

In this approach this task must be a long-range strategy; we must not be satisfied with the temporary profit of short-range tactics. Implementation of the common goals also requires new and modern means. Cooperation and joint planning presume that we consult with each other from time to time about our economic policy ideas. Consultations on the economic policy may help us make the foresight of our joint activity more stable and may improve the view of the economic operating area. We must also create the conditions for interconnecting in a progressive way the different directive systems that developed from entering the new, qualitative stage at somewhat different times, by means of a cooperative mechanism that considers the interests of every participant. This mechanism must be permeated by the economically justified interest element already mentioned.

Thus reorganizing the ranks of CEMA countries for the new era will require joint efforts. The meetings of leaders of our countries may furnish the theoretical guidance for this. As a result of the meeting the economic and political strength of the association may grow further and its respect and participation in the distribution of work in the world's other economic regions may increase.

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## CEMA COOPERATION IN CHEMICAL INDUSTRY CITED

East Berlin AW--DDR--AUSSENWIRTSCHAFT in German Vol 10 No 39, 22 Sep 82 pp 1-2

[Report based on CEMA materials of 1981, 1982, by Information and Public Relations Department, GDR Ministry for Foreign Trade: "Chemical Industries of CEMA Countries Marked by International Cooperation"]

[Text] The chemical industry is one of the most dynamic branches of production in the people's economies of the CEMA countries. Its stable and dynamic development has been mainly marked by international socialist cooperation, organized and coordinated by the Permanent CEMA Committee, which has existed since 1956. In the first two years of its work it was involved in the coordination of plans for the years 1960 to 1965. At that time the coordination covered about 50 chemical products. Today specialization and cooperation in production concern more than 2,600 products of the chemical, cellulose, paper and microbiological industries. The 10th CEMA Congress (1958) as well as the adoption of the CEMA Complex Program (1971) and the Long-Term Cooperation Goals Program (1978/1979) introduced significant phases of cooperation. The 10th CEMA Congress recommended the accelerated development of the chemical industry on the basis of stable procurement of raw materials while simultaneously emphasizing the production of plastic materials, fertilizers, styrol rubber and chemical fibrous materials. An efficient petrochemical base for this branch of industry was thus created in the CEMA countries in the 1960's. An extensive capacity for the production of various chemical products thus came into being. The countries also are increasingly considering the needs of their partner countries as they determine their own capacity. From 1966 to 1979 alone, annual production capacity for more than 12.5 million tons of fertilizer, 2 million tons of ammonia, 6.3 million tons of sulfuric acid, 2 millions tons of calcinated soda, 1.2 million tons of plastic materials, 500,000 tons of styrol rubber and 300,000 tons of chemical fibrous materials was created.

An important step in cooperation in the chemical industry was realized in the 1970's with the construction and start of production by efficient olefin complexes, with ethylene pipelines connecting them across international borders. Examples are the connected complexes Leninvaros in the Hungarian People's Republic and Kalusch in the USSR as well as Boehlen in the GDR and Litvinov-Neratovice in the CSR. Agreements were also made for deliveries of

olefins and olefin products between the Socialist Republic of Romania and the Socialist Federal Republic of Yugoslavia as well as between the Socialist Republic of Romania and the People's Republic of Bulgaria.

Through the mutual concentration of resources in new production technology and optimal equipment, the highly efficient polymer-50 plant for the production of high-pressure polyethylenes was developed by specialists from the USSR and the GDR in a relatively short time and brought into production in Nowopolozk. Concurrently with the construction and the beginning of production in the Nowopolozk factory, research, development and construction continued. They came to a conclusion in the Leuna Works with the entry into production of the polymer-60 factory, which was further developed and of still greater efficiendy. Preparations are underway for similar factories in other socialist countries.

Expansion of Specialization and Cooperation

The CEMA commission for the chemical industry planned a series of measures for the realization of the CEMA Complex Program, which established the basis for the realization of agreed long-term programs for cooperation in the production of fertilizers, chemicals and biochemical feed additives, pesticides as well as dyestuffs and semifinished products needed in their production. A long-term agreement was thus concluded in 1973 by the member states of the International Industry Branch Organization for Cooperation in the Field of Low Tonnage Chemical Products (INTERCHIM)--People's Republic of Bulgaria, Hungarian People's Republic, GDR, People's Republic of Poland, Socialist Republic of Romania, USSR, CSR, Socialist Federal Republic of Yugoslavia--on the specialization of pesticide production which covers 85 products. Its realization contributes greatly to a better supply of needed products in socialist countries. From 1975 to 1979 alone, reciprocal deliveries of pesticides rose 77 percent. Also in 1973 these countries reached a long-term agreement in the field of dyestuff production. It embraces eight dye groups and the specialized production of about 600 products. Reciprocal trade in these products was increased 53 percent from 1975 to 1979. The share of specialized products in this product group amounted to almost 70 percent in 1979. Seven types of products are included in the agreement signed in 1977 by representatives of the People's Republic of Bulgaria, the Hungarian People's Republic, the GDR, the Republic of Cuba, the People's Republic of Poland, the CSR and the Socialist Federated Republic of Yugoslavia, on the specialization of cooperation in the production of chemical and biochemical feed additives. Additional agreements concluded in the 1970's concern the production of selected types of S-rubber (1972), chemical additives for polymer materials (1977), auxiliary materials for the tixtile and leather industries as well the production of chemical fiber materials (1978), pharmaceutical products (1978), tire industry products (1978) and cigarette paper (1979).

In addition to these accords, bilateral agreements reached between the countries on specialization and cooperation in production occupy an important place in the international socialist division of labor. With the implementation of the numerous multilateral and bilateral agreements, a high rate of

reciprocal deliveries of specialized chemical products has been particularly noted in recent years. In three years alone, i.e., 1979 as compared to 1976, these deliveries grew 75 percent. The sphre of specialized products in the export of chemical products reached almost 30 percent. The highest degree of specialization was reached in the product groups for organic dyes and semifinished products for their production as well as in chemical pesticides. The sphre of specialized products in the export of goods in this product group amounts to about 60 percent for this period. The successfully completed and mutually advantageous specialization and cooperation in production persuaded the countries involved to extend (and in some cases to expand) the multilateral agreements, which were mainly effective until 1980, to the 1981-85 Five-Year Plan. Appropriate protocols were signed in 1981 for the existing agreements and others on the specialization of and cooperation in production of pharmaceutical products, cigarette paper, tire industry products, dyestuffs and semifinished products needed in their production as well as on measures to promote the textile, leather, cellulose and paper indus tries.

Rational Local Distribution--Main Emphasis 1981-85

The further intensification of cooperation is embedded in the long term program of cooperation. The programmed goals for cooperation in the energy, fuel and raw materials industries include measures for the chemical, cellulose, paper and microbiological industries in a special subordinate program. Measures for the rational local distribution of chemical production in the most important directions of cooperation during the Five-Year Plan 1981-85 are contained in the subordinate program. With the general agreements and bilateral government agreements signed in 1979--(a) on the expansion of production of energy-intensive chemical products in the USSR (ammonia, methanol, polyethylene) and their delivery in exchange for low-tonnage and less energy-intensive products from other CEMA countries (pesticides, dyestuffs and other materials for light industry) and (b) on cooperation in the construction of a factory for the production of fodder yeast--the measures provided for in the end programs in the chemical industry field began to bear fruit. In addition to the USSR, the GDR, the Republic of Cuba, the CSR and the People's Republic of Poland are participating in the erection of the fodder yeast factory, which will have an annual capacity of 300,000 tons of fodder yeast.

The expanded and intensified cooperation will enable the CEMA countries to meet their need for selected chemical products in the Five-Year Plan 1981-85 better; this includes ammonia, nitrogen and phosphate fertilizers, butadien-styrol rubber, technical carbon, ethylene glycol, caprolactam and terephthalic acid.

Production of Selected Chemical Products

| | 1960 | 1970 | 1980 |
|---|---|---|---|
| | in 1,000 m tons | | |
| Fertilizers (100%) | | | |
| People's Republic of Bulgaria | 125 | 434 | 653 |
| Hungarian People's Republic | 102 | 518 | 1,045 |
| GDR | 2,166 | 3,245 | 4,735 |
| People's Republic of Poland | 477 | 1,629 | 2,238 |
| Socialist Republic of Romania | 70 | 895 | 2,451 |
| USSR | 3,281 | 13,099 | 24,767 |
| CSR | 293 | 681 | 1,233 |

Production of Selected Chemical Products (cont'd)

| | 1960 | 1970 | 1980 |
|---|---|---|---|
| | in 1,000 m tons | | |
| **Sulfuric acid** | | | |
| People's Republic of Bulgaria | 123 | 503 | 859 |
| Hungarian People's Republic | 178 | 471 | 608 |
| GDR | 730 | 1,099 | 953 |
| People's Republic of Poland | 685 | 1,901 | 3,019 |
| Socialist Republic of Romania | 226 | 994 | 1,756 |
| USSR | 5,398 | 12,059 | 23,033 |
| CSR | 553 | 1,110 | 1,284 |
| **Ammonia** | | | |
| People's Republic of Bulgaria | 111 | 778 | 1,009 |
| Hungarian People's Republic | 81.6 | 503 | 966 |
| GDR | 477 | 585 | 1,436 |
| People's Republic of Poland | 346 | 1,443 | 1,882 |
| Socialist Republic of Romania | 35.0 | 963 | 2,732 |
| USSR | 1,384 | 7,638 | 16,732 |
| CSR | 186 | 525 | 1,028 |
| **Plastic materials and artificial rozins** | | | |
| People's Republic of Bulgaria | 7.3 | 89.2 | 250 |
| Hungarian People's Republic | 9.9 | 55 .9 | 328 |
| GDR | 115 | 370 | 861 |
| People's Republic of Poland | 40.1 | 224 | 576 |
| Socialist Republic of Romania | 12.4 | 206 | 579 |
| USSR | 393 | 1,479 | 3,208 |
| CSR | 64 | 245 | 894 |
| **Polyethylene** | | | |
| People's Republic of Bulgaria | --- | 34.2 | 88.6 |
| Hungarian People's Republic | --- | 5.3 | 52.6 |
| People's Republic of Poland | --- | 16.7 | --- |
| Socialist Republic of Romania | --- | 65.9 | 124 |
| USSR | 1.2 | 267 | 623 |
| CSR | --- | 29.2 | 164 |
| **Polyvinylchloride** | | | |
| People's Republic of Bulgaria | --- | 14.2 | 63.9 |
| Hungarian People's Republic | 0.2 | 14.1 | 173 |
| People's Republic of Poland | 13.4 | 85.6 | 125 |
| Socialist Republic of Romania | 4.1 | 56.4 | 206 |
| USSR | 24.8 | 160 | 398 |
| CSR | 10.9 | 41.0 | 204 |
| **Dyes and lacquers** | | | |
| People's Republic of Bulgaria | 13.2 | 46.5 | 68.5 |
| Hungarian People's Republic | 34.6 | 85.9 | 120 |

Production of Selected Chemical Products (cont'd)

| | 1960 | 1970 | 1980 |
|---|---|---|---|
| | in 1,000 m tons | | |
| GDR | 160 | 219 | 380 |
| People's Republic of Poland | 101 | 272 | 416 |
| Socialist Republic of Romania | 20.0 | 84.6 | 182 |
| USSR | 1,212 | 2,379 | 2,879 |
| CSR | 82.5 | 165 | 232 |

Index and Development of the Chemical Industry[1] in the European CEMA Countries

| | 1975 | 1977 | 1980 |
|---|---|---|---|
| | 1970=100 | | |
| People's Republic of Bulgaria | 174 (155)[2] | 206 (175) | 277 (206) |
| Hungarian People's Republic | 161 (136) | 196 (152) | 235 (161) |
| GDR | 150 (137) | 167 (152) | 190 (174) |
| People's Republic of Poland | 176 (164) | 204 (192) | 218 (207) |
| Socialist Republic of Romania | 207 (184) | 274 (231) | 327 (290) |
| USSR | 164 (143) | 188 (159) | 216 (178) |
| CSR | 161 (138) | 186 (154) | 213 (174) |

1 Including rubber and asbestos production
2 Contemporary index of industrial gross production in total
Source: STATISTICAL YEARBOOK OF THE CEMA MEMBER COUNTRIES, 1981

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ROLE OF PRICES IN SOCIO-ECONOMIC POLICY OF PARTY

Tirana RRUGA E PARTISE in Albanian Aug 82 pp 23-32

[Article by Niko Gjyzari: "The Policy Prices and Their Stability and Reduction -- A component Part of the Socio-Economic Policy of the Party"]

[Text] Our party has seen and sees the assurance and the gradual and secured improvement of the well-being of the working masses as closely linked with the concrete conditions under which the main economic law of socialism works and with the objective and subjective conditions which every stage of our socialist construction creates, adhering to the basic principles for insuring the improvement of the well-being not only for the present, but also for the future, and not only for some people, but for all the members of our socialist society both in cities and villages.

Giving such revolutionary meaning to this well-being, the party has set, harmonized, and pursued a concrete revolutionary road for raising the living standards of the working masses, based on increased production and on the improved effectiveness of our socialist economy. During the entire period of the socialist construction of the country, the participation in useful social activities of the entire population, fit for work, the perfection of distribution according to work, the improvement of the system of wages, and the planned increase in the average wage plan, the increase of the social consumption fund, the stabilization and repeated reduction of prices of retail goods and of paid services to the population, and so forth have been the main ways of assuring and continually improving the well-being of the working masses. The harmonization of these ways has been carried out in such a manner that it has managed to narrow the disproportions existing in the level of incomes and living standards between city and village people and between white-collar workers and laborers, and to ease the burdens of workers with several children and those with low wages. In this framework, of particular importance also is the continual increase of the social consumption fund, from which every family gets an average of 4,000 leks per year. The state pays gratis, all expenditures for education and health, about 65 percent of the expenditures for children in creches and kindergartens, and all expenditures for maintaining a complete system of social security both in the cities and in the villages. The state expenditures for social and cultural activities constitute about 24 percent of all expenditures of the state budget.

In this five-year plan, on the basis of the policy pursued by the party for the socio-economic development of the country, completely relying on our own forces, the ways of guaranteeing and of improving the well-being of the masses will be harmonized in a revolutionary manner. Thus, the number of workers in work relations will be increased by 210,000 workers to be employed exclusively in the sphere of material production. The consumption fund will be increased 21 percent by increasing the social consumption fund more rapidly. Measures have been foreseen, and are being executed, for the perfection of norming, for work compensation, and for increasing the average wage of workers according to the plan, especially, the incomes of the members of the cooperatives, which will be increased at a rate twice as high as for city workers.

Implementing the tasks assigned by the Eighth Party Congress for raising the cultural and material level of the working masses 8-10 percent during this five-year plan, relying on the results achieved through increased production, improvement of the social productivity of labor, and the reduction of costs, there was also a new reduction of retail prices for a number of consumer goods as well as a reduction of charges for a number of communal services. Thus, beginning June 16 of this year, the retail prices for certain food articles were reduced by 8-15 percent, those of some industrial articles by 10-35 percent, and charges for a number of communal services an average of 8-15 percent. From this new reduction of prices, the population will have an annual profit of 75,000,000 leks.

It is not the first time that the retail prices of consumer goods have been reduced in the country. In order to assure and improve the well-being of our working masses, along with the development of the social production at high rates and the perfection of socialist relationships in production, especially the relationships in distribution and trade, the selling prices of consumer goods have also been reduced time after time. Despite the fierce imperialist-revisionist blockade against our country and despite the efforts of the traitors and enemies, inside and outside the country, to obstruct our development on the road to socialism, even at a time when the difficulties which were created for us were very serious, the party never allowed the increase of retail prices of consumer goods. On the contrary, from 1950 to the present, there have been 16 mass price reductions accompanied by other measures benefitting the working people. Of great importance is the fact that the reductions of prices were carried out for the main food and clothing articles for the population such as bread, flour, sugar, oils, rice, milk, woolen and cotton textiles, and so forth. While, since 1956, in regard to ready-made clothes and shoes for children and youths, favorable prices have been set and the state has been contributing tens of millions of leks per year. The level of prices for imported and domestic medicines is very low; while, for children up to 12 months, medicines are given free of charge. The rents for dwellings are among the lowest in the world, amounting to only 1.5-3 percent of the income of a family.

In the entire process of the socialist socio-economic development of the country, the party has always pursued an economic policy based on the Marxist-Leninist teachings, on the knowledge creative execution of the economic laws

of socialism. In this process of development, the successful use of the lever of prices has occupied an important place, as as important means for perfecting the management of the economy, for rapidly developing social production, and for the distribution and redistribution of the national incomes in accordance with the party guidelines, in the interest of further strengthening the people's economy, of narrowing disproportions between cities and villages, and of continually improving the national and cultural well-being of the working masses, as well as for invigorating the defense capacity of the fatherland.

Thus, our party has seen and sees the issue of prices not simply as a matter of a financial nature, but, first of all, as an issue of a political, economic, and social nature linked with the execution of its entire policy for the socialist construction of the country. Therefore, a correct and wise policy has been pursued in the field of prices, inserting in the foundation of this policy, the concern for the continual improvement of the well-being of the working masses, on the basis of an uninterrupted increase of social production, using the lever of prices as an encouragement for raising the production of the material goods with as few expenses as possible, for the best possible utilization of raw materials and of other materials, and for encouraging the increase of production of machines, pieces of equipment, raw materials, and consumer goods and for limiting their import as much as possible. Also, the implementation of the party's economic policy in the field of prices has been influential in perfecting socialist relationships in production, especially, in villages, and in gradually narrowing the main disproportions between cities and villages and the disproportions within villages themselves, and between the plain, hilly, and mountain areas. The measures taken in 1976 for the reduction of prices of some goods, which are used more extensively in villages, and some other measures taken in favor of a rapid development of the agricultural cooperatives in hilly and mountainous areas, with an economic effectiveness of about 140,000,000 leks, also served this purpose. The recent decision of the Council of Ministers of the People's Socialist Republic of Albania on the granting by the state of some investments of a productive character for hilly and mountainous areas also serves this purpose.

A distinctive character of the party economic policy in the field of prices was the formation of retail sale prices in a conscientious and centralized manner according to the plan, on the basis of single principles and criteria for all the country, thus, correctly using, in the field of prices, the possibilities which the existence of the people's government creates, such as the continual increase of the general social product at high rates, taking into consideration the fact that without producing more and more material goods and without producing means of production and consumer articles always in greater and greater proportions, with good quality and of the required structure, it is not possible to have improvement in the well-being of the people.

Under the party leadership with Comrade Enver Hoxha at its head, our people carried out deep social and economic changes within a short period; they created the concrete conditions for increasing social production in a rapid

manner. Statistics on achievements tell about this when we compare them not only with the pre-liberation years, but also with the levels of successes which were achieved 20 years ago. Thus, for example, in 1980, compared to 1960, the overall social product increased 3.8 times, while the per capita product for the population increased 2.4 times; the overall industrial production increased 5.5 times and industrial per capita production increased 3.4 times; the overall agricultural production increased 2.6 times and per capita agricultural production increased 1.6 times; and so forth. Today the young industry of our country produces steel, cast iron, iron, nickel, petroleum and its by-products, spare parts, machines and pieces of equipment, as well as more than 85 percent of the consumer goods. A modern, multibranch agriculture has been created; among other things, for some years, agriculture has been fulfilling all the needs of the population for bread grains; it supplies light industry and the food industry with raw materials; it also fulfills the requirements for exports of agricultural products.

The directives approved by the Eighth Party Congress for economic and cultural development are magnificent. The Seventh Five-Year Plan is the direct continuation of the achievements of the previous five-year plans and marks a new higher stage in the uninterrupted economic and social development of the country on the road to socialism. In this five-year plan, there will be a comprehensive development of the productive forces and an increase of the social product at relatively high rates which will assure the gradual improvement of the material well-being and of the cultural level of the working masses. The dimension [of development] expected to be reached through the social product, the national incomes, the investments in construction, the exports and the financial resources are as great as the achievements during 3 or 4 five-year plans, taken together, of the 1950-1970 period. The overall social production, compared to the past five-year plan, will increase 34-36 percent, industrial production 36-38 percent, and agricultural production 30-32 percent. About 750 important economic, social, and cultural projects will be constructed.

A concrete expression of the correct meaning and execution of the party guidelines and directives for the fulfillment of the set tasks is seen in the results achieved in 1981, during which year the industrial production, compared to 1980, was fulfilled and overfulfilled with an annual increase of 7-8 percent and the agricultural production, with an increase of 7 percent. The tasks for transportation, for the increase of labor productivity, for the reduction of costs, for the increase of accumulation resources, and so forth were overfulfilled.

Inspired by the party guidelines and by Comrade Enver Hoxha's teachings, the working class, the cooperative peasantry, and other working masses have taken a number of new initiatives and pledges and are working, engaged in socialist competitions, to fulfill the tasks of the 1982 plan ahead of achedule. In the first six months of this year, the overall industrial production plan was fulfilled more than 102 percent, and not only in global fulfillment; in the majority of the main items of production, the planned tasks were fulfilled and overfulfilled. The agricultural workers too, despite the conditions of prolonged drought, in comparison with the same

period of last year, produced 10 percent more meat, 13 percent more milk, 17 percent more eggs, 13 percent more vegetables, and so forth. In regard to wheat production, the results of this year seem to be satisfactory. Lezhe, Sarande, Kruje, Tirana and other districts fulfilled and overfulfilled their wheat production plans. As a result of these achievements, the population was better supplied with consumer goods than last year. This is also shown by the fact that the tasks of the goods circulation plan were overfulfilled.

These achievements, the party recommends, must in no way give us self-satisfaction, because, not only do we have the possibilities and reserves for greater results, but also the planned tasks have not been fulfilled everywhere in all the items of the plan. Still in some economic enterprises and agricultural cooperatives there are people who show little concern for the quality, assortments, and production costs.

The people need specific quantities of produced assets which are assured through the production of all assortments in specified quantity and quality, for all ages and types, [of consumers], in specified sizes, for all the seasons of the year, and for the cold and warm areas. However, in the field of planning and, especially, in the field of the fulfillment of the plan tasks, there still are cases showing a failure to properly take these requiremtnts into consideration. There are cases when some produced goods are not wanted by consumers and, thus, are piled up in great quantity in stores, at a time when other necessary goods are in demand.

Of course, here there are problems of an organizational and economic, technical and technological nature; however, first of all, there is an insufficient work and struggle against the manifestations of global fulfillment and against one-sidedness observed in some enterprises which hinder the regular fulfillment of the plan in all its indicators. Experience shows that where the people struggle properly to remove these phenomena, the problems of an organizational, economic, technical, and technological nature also are correctly evaluated and solved.

Along with the continuing increasing of production, the party has also devoted particular attention to the problems dealing with the uninterrupted improvement of economic effectiveness. In all its activity, the party has dealt with economic effectiveness in harmony with the purpose of socialist production; it has considered it as an objective necessity which serves the implementation of the principles of reliance on one's own forces. The effectiveness of our production and economy is neither partial and situational nor spontaneous, as in the bourgeois and revisionist countries, where effectiveness is insured as a result of speculations in the field of distribution. On the contrary, in our country, effectiveness is comprehensive, planned, and centralized, because, it relies on the uninterrupted increase of production, on the reduction of costs, and on the continuing improvement of qualitative indicators of production, where everything is managed on the basis of the principle of democratic centralism.

The successes which we have achieved in the development of the economy and of production and the comprehensive struggle which we have carried out to establish a strict system of savings everywhere, to increase the social productivity of labor, to reduce production costs, and so forth have made it possible for the indicators of economic effectiveness to be improved from year to year, thus, further improving the financial situation of the country. With our financial and monetary resources, we have met the increasing expenditures for the development of the economy and of the social and cultural sectors and for strengthening the defense capacity of the country.

In implementing the tasks assigned by the Eighth Party Congress in the field of improving economic effectiveness, both in 1981 and in the first semester of this year, achievements have been satisfactory. Thus, the tasks for increasing labor productivity, for reducing costs, for the state budget revenues, for the net revenues of the enterprises, and so forth--all were fulfilled and overfulfilled. In the first six months of this year, labor productivity in industry was fulfilled 102 percent and in the construction-assembly sector 100 percent; production expenditures, compared to the plan tasks, were reduced by 24,000,000 leks; while, the state budget was fulfilled 101 percent; the net and centralized state incomes were overfulfilled by 62,000,000 leks, accumulations were overfulfilled by 94,000,000 leks, and so forth.

Work of good quality, with high productivity, and with as few material expenditures as possible is the seed for assuring the effectiveness of production and for guaranteeing progress in all the economy. Seeing the situation from this vantage point, it appears that where one works and produces there is also room for strengthening work organization and for reinforcing regulations and discipline so as to better utilize work time, with effectiveness, to use raw materials and other materials with a high sense of savings, and to produce only products of good quality; those are among the main factors for increasing labor productivity and for reducing production costs, as the basic ways leading to the improvement of economic effectiveness. We must never be satisfied with the global fulfillment of the plan; on the contrary, we must assure its fulfillment in harmony with all its quantitative and qualitative indicators, and with all branches and sectors of the economy, in all the enterprises and agricultural cooperatives.

It is worth noting that in the first six months of this year there were specific enterprises and cooperatives which created shortcomings in production and in financial and economic indicators. Thus, for example, along with the 460 enterprises which overfulfilled their accumulation tasks by 180,000,000 leks, there were 130 other enterprises which had 35,000,000 leks deficit because of their failure to fulfill the production and distribution tasks, the cost reduction tasks, and other tasks. Despite the results achieved, some enterprises, products, and specific activities still have losses mainly because of organizational and managerial shortcomings; in fact, when you analyze closely the activities of these enterprises, it appears that they are precisely the ones which exceed the norms for the comsumption of materials, which poorly handle the material and monetary values, and which do not fully utilize production capacities and, consequently, do not fulfill the tasks for improving the effectiveness of social production.

The new reduction of prices of retail sales of consumer goods is a new inspiration to work everywhere with intensity and with strict discipline so as to perfect the scientific organization of work and of production, to expand the technical and scientific revolution, to perfect the technology of production, to increase the production of social labor, and to reduce production expenditures so that manpower and concrete work be spared as much as possible and so that the effectiveness of the social production be improved.

In this framework, the workers of the planning and financial sectors, from the grassroots to the center, can and must play an important role; they must speak out better than they have until now both about drafting real, mobilizing, and fully coordinated plans and about fulfilling them in all indicators. Among other things, the unity between the material aspect and the financial aspect of production must be properly considered by them from the planning stage and, on this basis, efforts must be increased in order to absolutely assure the fulfillment of this unity.

To avert negative phenomena, the financial and bank organs can and must play a more active role in this field, both in the production sphere and in the sphere of circulation, using the levers of our economic mechanism and, among them, the lever of prices, in a more effective manner and on the correct Marxist-Leninist road. They have all the opportunities to announce on time that the economy is in a position to take this or that step for reducing expenditures, for increasing incomes, and for other things. However, so that they will carry out this in the best way possible, it is necessary for the workers of this sector to deal seriously with the drafting and execution of plans, considering it as an uninterrupted process, pursued on a continuing basis through analysis and studies. And, here, it is not a question of analyses and studies in general and no matter how, but one of analyses and studies which discover the manifestations of the phenomena and which show the way to solve them. If, for example, we analyze the cost, it is necessary to concretely analyze and discover the factors which have influenced its reduction and, on this basis, to make a generalization and to draw conclusions in order to discover the other reserves which exist and which our socialist economy is continually creating.

The new and numerous tasks, which must be solved for the complete building of the material and technical base of socialism and for the development of the economy and culture, require thorough and complex studies for the discovery and mobilization of all our domestic human, material, and monetary resources which promote the improvement of the effectiveness of production and of the economy.

The measures, which the party has taken and is executing for the assurance and gradual and positive improvement of the well-being of the working masses are serving to further increase the mobilization of the working class, of the cooperative peasantry, and of the people's intelligentsia for the fulfillment of the 1982 plan tasks and those of the entire five-year plan, for the strengthening and progress of our socialist fatherland, and for achieving all the objectives assigned by the Eighth Party Congress.

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NEED FOR IMPROVEMENT OF FOREIGN TRADE ACTIVITY

Tirana RRUGA E PARTISE in Albanian Aug 82 pp 33-43

[Article by Naqo Sinani: "On the Basis of Experience Acquired, Let Us Fulfill Better and Better the Tasks for the Development of Foreign Trade"]

[Text] During the past five-year plan, the workers of our country, led by the party, successfully fulfilled the tasks for the development of foreign trade. During this period, trade with various countries of the world was further expanded and the distribution of export-import goods in areas and countries was improved for the purpose of the better utilization of opportunities and traditions and for the purpose of not limiting trade only to some countries and forms, and the structure of export-import goods was further improved. New resources for the production of industrialized goods, which are in demand and which are sold on many international markets, were added to the list of exports while, the import sector increased the specific role of the means of production necessary for expanded socialist reproduction.

Today, our country trades with more than 50 countries in the various areas of the world and our trade relations are being expanded on the basis of reciprocal profit. The goods of our industry, agriculture, and crafts, and so forth are exported more and more to the various markets of the world and are admired for their quality and originality.

In the last five-year plan, the party slogan "without export there is no import" took on a new meaning of an imperative necessity. And, it was precisely the mass involvement of our workers, under the leadership of the party, that made it possible, among other things, to implement this slogan which made our economy capable of successfully overcoming both the serious difficulties and obstacles which the capitalist and revisionist encirclement and blockade are continually creating for us and those which were created by the now known hostile sabotaging, antisocialist, and antiAlbanian attitude and activity of the Chinese revisionist leadership against our people and country. In the last years of the Sixth Five-Year Plan, for the first time, our economy managed to balance its needed imports with its exports. This balancing, Comrade Enver Hoxha stressed at the Eighth Party Congress, was carried out without reducing the rates of development of the economy and without affecting the level of well-being of the people.

Balancing of exports with imports was a great test of historical importance for our country; it was successfully met. The foundations of the Seventh Five-Year Plan were laid on this basis.

In the directives of the Eighth Congress of the Albanian Workers Party for the Seventh Five-Year Plan, it is expected that the volume of the circulation of our foreign trade goods in 1985, compared to 1980, will be increased by 57-59 percent, giving priority to exports over imports, with the purpose of improving the active balance of exports-imports and of insuring the increase of the hard currency reserves of our country.

During this five-year plan, the structure of export goods will be further improved and their value will be further increased through processing and the improvement of quality. In 1985, processed goods will account for about 73 percent of the value of the goods for export; this indicator is very meaningful; it tells about the correctness of the policy pursued by the party for the social industrialization of the country and for the development of socialist agriculture and of other branches of the economy which, within some decades, has made Albania an exporting country, not simply an exporter of some raw materials, but an exporter of processed goods of very great value such as motor fuel, electric energy, ferrochrome, and many other goods produced by our multibranch economy.

The consistent implementation of the principle of our party that "without export there is no import" has been and will always remain the basis of the activity of our foreign policy without which the principle of relying on one's own forces--on our material and monetary resources--cannot be implemented.

The priority of exports over imports is linked with the priority of production over other moments of socialist reproduction. Without producing it is not possible to speak about utilization and consumption; and without producing goods for exports and without placing these goods on foreign markets with goods it is not possible to guarantee the necessary funds in hard currency in order to cover the import of goods needed for the development of the economy and for fulfilling the necessary needs of the population. This is one of the main requirements for an uninterrupted development, through our own forces, on the road to socialism, which has found, more than ever, a concrete expression in the directives of the Eighth Party Congress for the Seventh Five-Year Plan.

This is why the fulfillment of all the tasks in the field of foreign trade requires, first of all, that the Marxist-Leninist concept that exports and imports constitute one unit and that exports have priority in this unit be deeply instilled in the minds of all.

Thanks to the work done and being done by the party for the analysis and implementation of this guideline, results have been achieved in the fulfillment of the production tasks and in the increase of the volume of circulation of goods and the improvement of the effectiveness of foreign trade. During the first year of the Seventh Five-Year Plan and during the first semester of this year, foreign trade tasks were executed well, in general. The

export tasks were fulfilled for many items, such as, for example, electric energy, petroleum by-products, textiles, medicinal plants, canned fish, vegetables, brandy, copper wires, and so forth. It is important that many enterprises fulfilled their tasks in a regular manner. Thus, for example, in Korce District the articles for export, such as artistic articles, ready-made clothes, knitwear, and so forth were produced on a regular basis, according to planned assortments and quality.

However, without denying the results achieved, there are still disturbing problems, shortcomings, and weaknesses in this field in regard to implementation of the tasks for increasing and fulfilling exports; government and economic organs, both in the production and foreign trade sphers must demonstrate more serious concern in solving and eliminating them.

There are cases when some economic enterprises and agricultural cooperatives have created deficiencies in the fulfillment of export plans. Some others fulfill their tasks globally, but not according to assortments and quality and not on schedule. And, what is worse, in some cases, these weaknesses and nonfulfillments, instead of being analyzed with a critical eye, are justified by reasons of an "objective nature," such as, for example: "the agricultural sector did not provide us with raw materials," "there was lack of packaging or packaging was not provided in time," "contracts were not concluded on schedule," "the transport sector did not respond in time," and so forth.

Of course, problems of this nature exist, because, the production on schedule, the preparation, and the delivery of export goods do not always depend only on the producer's activity. However, if the issue is analyzed from the aspect of the totality of relationships and of reciprocal obligations, which the enterprises and the various organs of the economy have in regard to the fulfillment of the export tasks, it results that, in the final analysis, shortcomings are mainly of a subjective nature and they can be eliminated if the reciprocal fulfillment of the tasks is correctly understood, as one of the most basic conditions for the development of our great planned economy, where its various links are linked as a chain with each other and are dependent on each other.

Export and import also have similar reciprocal relationships and interdependence. Therefore, every failure to fulfill the export tasks creates a difficulty in securing the planned funds for covering the necessary imports. But, is the issue seen on this broad plane by all those who have tasks in regard to exports? Who conceives and values the issue in this way, and who acts with particular anxiety in regard to fulfilling his obligations? The opposite occurs with those who do not conceive and do no properly evaluate relationships between imports and exports in a correct and thorough manner and on a broad plane. And, they are precisely those people who in particular, try to justify the failure to fulfill their export obligations by "objective reasons."

The removal of the shortcomings which we mentioned is a great reserve for improving the effectiveness of our exports. For this reason, the party has stressed that the necessary measures should be taken so as to strengthen work to ensure the regular production of the planned products for export, within the set deadlines, to improve quality, to increase the assortment of goods, and to improve their packaging, labeling, and marketing.

The regular fulfillment of the plan for export goods is an important factor for the normal and highly effective circulation of goods for foreign trade. And, it is a fact that, in this field, results have been achieved, expecially, during these past years. However, there still are signs that the delivery of goods for export is executed mainly at the end of the month, of the quarter, or of the year. Thus, for example, the enterprises of the Ministry of Industry and Mines fulfilled 30 percent of the annual plan for exports in the fourth quarter of 1981; while, the enterprises of Light Industry and the Food Industry fulfilled 14 percent of the annual plan [for exports] in December. Such a practice places the foreign trade organs in difficult positions toward foreign firms in regard to the respect for contractual obligations and for banking of hard currency on schedule, in addition to the difficulties created for the storing, transportation, and the sale of goods with profit. Irregular fulfillments of the planned tasks have also been observed during this year, especially, because of weaknesses in the organizational and management work of government and economic organs.

Problems also exist in regard to the timely production of many goods for export by the agricultural sector. Our fresh vegetables and potatoes are preferred by many European countries because of their quality; this fact is seen in the increased demands for these products, especially, by free currency markets and by their sale in these markets at better prices in comparison with the products of other exporting countries. However, the level of incomes from vegetables and potatoes has depended and depends on the early delivery of products and on their quality. For example, tomatoes which are exported in May are sold at twice the price of those which are exported in June. And, reserves for accelerating early delivery are many. This fact is also proven by advanced experience. Thus, for example, the Koplik agricultural cooperative in Shkoder District, although it has less favorable climate conditions than some agricultural cooperatives in Sarande, Vlore, Fier, and Lushnje districts, because of implementing new agrotechnical norms, delivers its vegetables for export earlier than many agricultural units of these districts. The experience gained by this cooperative deserves particular attention on the part of the government and economic organs so that it may be generalized and spread to other agricultural cooperatives, on the basis of the concrete conditions prevailing in each of them.

The improvement of the quality of goods and of their packaging, labeling, and marketing is another reserve, one of the greatest ones, for increasing incomes from exports. Achievements in this field are linked with three great issues of an economic and political nature. First, with the stabilization of the sales markets and with the penetration of new markets with great economic profit. Second, with the increase of the selling prices which, in the international markets, differ greatly, in their quality and in their packaging and labeling. Third, with the propagandizing of our country, expressing, through these qualitative indicators, our culture in production and the tastes and demands of our people.

As also shown by practice, such understanding of the issue makes it possible to find the ways and to set the measures in order to make the shift which the party requires in the improvement of the quality of production and of

the quality of packaging, labeling, and marketing of exports goods. And, it is a fact that results in this field have been increased gradually. Consumers and the foreign press speak well about many of our export goods, for example, about bitumen, and gasoline, about some food articles, about our fresh vegetables, and so forth. As a result of efforts to implement the recommendations of the Eighth Party Congress, there were greater improvements in the quality of some export goods during the first six months of this year. This is also shown by the fact that complaints about poor quality have been reduced in a noticeable manner.

The strengthening of control over the execution of technical and technological processes is among the factors which have been the most influential in this direction, placing, in the role of controllers, not only specialized people and organs, but also, above all, the workers themselves. The meetings held between members of distinguished units and those of backward units, the enlisting of the skilled thoughts of workers and so forth have also been influential. This is the source of the improvements carried out in regard to the quality of production, the packaging of cognac for export, of dried vegetables, and so forth.

From the talks and face-to-face meetings organized between foreign trade organs and the producers' enterprises, it appears that good steps have been taken in regard to the improvement of the quality of production and of packaging by the workers of the knitwear combine, of the clothing enterprises, and of the enterprises for the production of artistic articles in Korce District. In these enterprises, a continuing control is exerted from the initial process to the moment when the goods are put in storerooms. The "Nako Spiru" wood combine in Elbasan not only regularly fulfills its export plans in quantity and assortments, but also carries out a careful work for improving the quality and for respecting the contractual conditions. Good work in the direction of improving the quality is also being done in the wire plant in Shkoder and many other enterprises.

However, the work for improving the quality of goods is not always and everywhere carried out properly; failing to see production as a unity of quality and quantity, there still are enterprises which excessively pursue global fulfillment of the plan. Thus, for example, the enterprise for the production of clothes in Fier has the same working conditions and same raw materials as its sister enterprises, let us say, in Korce, Sarande, and Kavaje; but, the quality of carpets produced by this enterprise leaves much to be desired; while,the enterprise makes excessive expenditures to reach the parameters of the quality stipulated in the contract with its foreign customers; this behavior increases production costs.

There also exist great possibilities for further improving the quality of the mineral ores, which we expect, by giving more attention to the organizational, managerial, and monitoring work, especially, in the field of the selection of mineral ores. We stress this fact, because, despite the observations which have been made, there have still been cases, for example, when chromium was produced, and even exported, with low content of chromium oxide and with high

content of stones and dust; this reduces incomes in hard currency, makes it more difficult to find markets, and increases expenditures for transportation, loading and unloading, and for additional selections at storage grounds.

Tobacco and cigarettes occupy an important place in our exports. However, their sale has become difficult because of the very great competition existing in the international markets. The improvement of the quality of tobacco and cigarettes is very profitable, because, their selling price on the international market increases one to eight times depending on the quality. The experience of some agricultural cooperatives in Shkoder, Elbasan, and Berat districts shows that great opportunities exist to improve tobacco quality. It shows, among other things, that the tobacco issue requires concern during all its stages, from the stage of production, drying, handling, and storing to the moment it goes to its destination. Particular attention should be given to the courageous introduction of the new kinds of oriental tobacco which yield high quality tobacco and which have given good results in Shkoder District and in some agricultural cooperatives in other districts which have started to experiment with this brand.

In practice, one also encounters the erroneous idea that the quality of goods is formed mainly through the monitoring process or during the analysis carried out to this effect. Such a view obstructs the coordination of a careful and skilled work in all processes and links of the formation of the quality of goods from the processes and links of production and of circulation until the goods reach their consumers. In the framework of work improvement in this field, the perfection of relationships of cooperation of all sectors and organisms, which influence the quality of goods, assumes a special importance. The activity of the experienced specialists of the central departments must also be evaluated in this light; they must not only observe, but also show the ways of solving the problems, being as near to production as possible and giving concrete aid for improving quality. Their role would be very great in solving the basic issues of quality if they would, on a timely basis, deal with the issues regarding the generalization of advanced experience and the organization of control over the implementation of this experience everywhere and with the issues concerning the insuring of suitable raw materials, the introduction of progressive technologies, the implementation of established standards, and the strengthening of quality control, struggling against liberal attitudes and reciprocal concessions, and so forth.

Many industrial and agricultural products are sold at differentiated prices in foreign markets, although they are produced with good quality, because, they do not have a lighter and more practical packaging: while, in some cases, difficulties are also created for the sale of products in the free currency markets, where great and increasing requirements exist in regard to proper, beautiful, light, and practical packaging of products. Possibilities have been created for better responding to the requirements of foreign markets for tin containers which are lighter, more resistant, and easier to handle than those of glass. The Ministry of Light Industry and Food Industry and the Ministry of Foreign Trade do not have any serious reason for delaying

the solution of this issue. Technical opportunities and the material base exist, but, organizational and managerial measures to solve this issue do not exist. Packaging containers in tin, according to the forms and sizes required by foreign markets, will make it possible for the largest part of the articles of our food industry, that is, those which are exported, to be sold exclusively, for free currency and more profitably. Cardboard packaging also has a positive influence on the preservation of goods during transportation, the mechanization of the process of marketing, the reduction of weight, and so forth. Noticeable improvements can and must be carried out, especially, in the packaging of artistic articles, particularly, in regard to the form, size, color, and direct marketing in the cardboard containers.

In Shkoder and Tirana districts, as a result of some technical and organizational measures, especially, in regard to the specification of norms for weight and for outside appearance, and by activating skilled workers, it was possible to provide packaging which foreign customers liked; this fact increased the value of the goods and the prestige of our country. However, this experience must be generalized and further expanded in accordance with the constantly increasing demands. The Ministry of Foreign Trade can give better aid than until now to our producers, especially, to provide the raw materials which serve to improve the packeting of goods.

There are many reserves and possibilities for increasing the number of goods for export, both through the better utilization of our natural resources, of agricultural and industrial products, and through improvement of the level of goods for export and the implementation of a strong system of savings in the use of such products as gasoline, gas oils, electric energy, cement, and so forth, which are much in demand in foreign markets.

In the past years, a great number of new articles, produced in good taste, within the required standards, were put on the list of our export goods. In the meantime, the export of processed goods has been increased. However, the possibilities for improving the level of processing of the most important goods for export are great. For this purpose, there are plans to build some important projects during this five-year plan, especially, for the enrichment of mineral ores, for the increase of the range of copper wires, and for the production of nickel-cobalt, of lubricant oils, and so forth. But, the possibilities also exist for the processing of some other articles which, although they do not have an important role in our exports, nevertheless, without making investments or with very small investments, are important in improving the effectiveness of our foreign trade. Thus, for example, much more can be done in regard to the processing of plasticized textiles, of wooden articles, and of medicinal and ether and oil plants, for the further processing of yard goods, and so forth.

At present, the opportunities exist to process a greater number of agricultural products in the country. The important point is that the food industry must respond to the great period of agricultural production with organizational measures and with the material base, so as to create the conditions for the extention of the cycle of processing and of preserving agrucultural products for export.

In agriculture, resources for products for export are numerous and inexhaustible. Every agricultural cooperative and enterprise can provide products for exports and insure good incomes from them. When we say this, we do not take into consideration only field crops, but also the development of auxiliary activities. For example, considerable incomes can be insured from frogs, snails, sage, medicinal plants, mushroons, and so forth.

However, the expansion of the range of export goods requires, among other things, that the government and economic organs in the districts and at the center correctly evaluate both the ensuring of mineral ores and of other materials which raise our exports considerably, and the increase and improvement of work in regard to other resources, such as the medicinal plants and, in general, the products from forests, artistic products, and many other articles which are greatly in demand in international markets, at higher and higher prices; and, we have all the possibilities for increasing their number. Thus, merely by adding to the number of existing willow roots, and by treating them scientifically, the export volume of baskets produced with willow sticks, could be doubled.

Many initiatives have been taken, especially, after the Eighth Party Congress, for increasing exports and also for reducing imports, on the basis of the production in the country of many machines, pieces of equipment, and raw materials and other materials which up to now, have been imported from abroad. They are the concrete form of the party policy for the construction and defense of socialism with our own forces; therefore, they are strongly supported by the party organizations which encourage and guide all these revolutionary initiatives. However, important tasks for supporting and driving these initiatives forward also devolve on the government and economic organs, who, by coordinating their activities much better with those of other government departments, must take the necessary measures to solve some issues, such as speeding up the delivery of some goods from abroad, such as some machines, pieces of equipment, and other materials without which some revolutionary initiatives cannot be executed.

During the Seventh Five-Year Plan, the party guideline--that the majority of our imports, about 93 percent, will be machines and some kinds of raw materials and other materials necessary for the expansion of production in the country, greatly increasing the specific proportion of machines and pieces of equipment necessary for the building of some great projects and for the reconstruction and modernization which will be carried out during this five-year plan--will be implemented at a higher level. The successful execution of this task requires the close cooperation and coordination of the activity of foreign trade organs and the organs who order the goods, for the purpose of taking all necessary preparatory measures, on the basis of the complete study of all technical, economic, and trade factors, so that the projects, machines, and pieces of equipment to be imported, will satisfy, in the best way possible, our requirements and needs. "In the field of imports," Comrade Enver Hoxha stressed at the Eighth Party Congress, "one of the greatest problems, and most responsible one, which requires more thorough knowledge and preparatory concrete measures and cooperation and

and coordination of work by all government departments, technologists, designers and executors of investments, as well as by the foreign trade sector, is the supplying of machines and pieces of equipment for the complete projects and for the reconstruction and modernization to be carried out during this five-year plan" (Enver Hoxha, "Report to the Eighth Congress of the Albanian Workers Party." p 48).

The fulfillment of the magnificent objectives of the Eighth Party Congres for the development of the economy also assigns great tasks to foreign trade workers so that they will respond better and better to the relatively high rates of the economic and social development of the country.

Practice shows that the development of industrial and agricultural production, the creativity of the working masses, and the satisfaction of some important needs of the working people in the sphere of consumer goods can be promoted or obstructed to a certain extent because of the good work or bad work of the foreign trade organisms. We stress this, because, these are cases where, because of a perfunctory work by some foreign trade organs and workers, the material and technical supply of the various sectors of the production and of services is carried out with delays, goods of poor quality are imported, the expenditures for the satisfaction of the urgent requirements of production are increased, or there is a slow circulation of goods for export in warehouses and ports, caused by the failure to insure, on schedule, the material and technical base; all this, in general, creates difficulties in the regular fulfillment of the tasks in production and in the regular supplying of the markets.

These shortcomings and weaknesses have their source, among other things, in the poor knowledge of and in the continual failure to know the needs of production by some workers of the import sector, as a result of the lack, in some cases, of close relationships in production, a result of being isolated in offices, and of insufficient work in regard to the training and specialization of the cadres.

The foreign trade workers are not simple executers of contracts. One of their main concerns must be the promotion of production and the satisfaction, on schedule and with good quality, according to plans, of its needs and requirements with a material and technical base and with raw materials. Seeing the problem from this vantage point, it is necessary for the foreign trade workers to maintain a living contact, as fruitful as possible, both with those who produce for export and with those who use materials from import, so as to acquaint themselves with their concerns, to satisfy their needs, and to help them fulfill their tasks. This contact must be systematical and uninterrupted and not only when deficits are created, when the deadlines are violated, when the quality is damaged, when difficulties are created in the material and technical supplying process, and so forth.

Of course, such an attitude must characterize the work method of the production cadres. The practice of some of those who go knocking on the doors of the foreign trade organs only when the latter are late in delivering raw materials and machines, while they show very little concern for the problems

linked with the improvement of quality and of assortments, with the improvement of the quality of the goods which they produce for export, and with the sale of these goods in the international markets; is a harmful one just as harmful is the tendency of some production workers to deliver, by all means, to the foreign trade enterprises, the goods they have produced, even when these goods do not respond to the set standards.

As a result of the measures which have been taken, cooperation and coordination of work between the production sector and foreign trade organs has been increased and improved. For example, Agroexport has organized its work so well that tomatoes, early potatoes, and other fresh vegetables are delivered as near as possible to the collecting centers. This fact has been one of the reasons why the vegetables export plan for the first semester of this year was overfulfilled. Now, the workers of the Albkontrol department are no longer in the position of simple certifiers of the quality of goods, when goods are ready for export; on the contrary, they are expanding their control better and better over all links of the process of production, thus, preventing, on time, the production or collection of goods of poor quality. The control over imported goods has also been improved. Good experience in work also exists in other foreign trade enterprises. It is essential to understand and correctly execute Comrade Enver Hoxha's recommendation at the Eighth Party Congress that "the noticeable increase of the volume of exports and imports, and the fulfillment of the great tasks in this sector, require that the activity of the foreign trade organs, their professional capacity, and their ability to orientate themselves in every situation be improved in a noticeable manner and increased to a higher level" (Enver Hoxha, "Report to the Eighth Congress of the Albanian Workers Party," p 49).

One of the main factors for further improving the method of management of foreign trade is the expansion of the study of the essential problems linked with the improvement of the effectiveness of trade. The time has come for a broader range of problems, which are linked with the further improvements of the effectiveness of our exports and imports, to become the object of complex studies, such as, for example, the study of the requirements of foreign trade for our export goods, now and in the future, and the study of our material and technical possibilities for producing them and for increasing and improving the structure of goods and their quality. Very valuable studies can also be undertaken to determine the most suitable time for putting our exports goods on the market, for concluding contracts for our imported goods, and for the better profitability and utilization of our sea and automobile transportation, and so forth. It is necessary that workers of other government departments, of the production enterprises, and finance also show their concern for the execution of these complex studies.

The present level of development of our foreign trade requires that a radical shift be carried out in the types and forms of our advertising. The foreign trade bulletin treats many actual problems; but, the bulletin can deal more with the organization of scientific discussions. It is necessary to increase and enrich special publications in foreign languages, booklets, catalogues, pamphlets, etc., in order to advertize the articles of our export and the success achieved by our foreign trade.

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RAW MATERIAL RECYCLING PROGRAM IN CSSR DISCUSSED

Prague PLANOVANE HOSPODARSTVI in Czech No 8, 1982 p 45-56

/Article by Eng Jaromir Lichnovsky, State Planning Commission: "Raw-material Policy of the CSSR and Secondary Raw Materials"/

/Text/ Significance of Recycling Programs

In every industrially advanced country the importance of secondary raw materials is constantly increasing and their monitoring is becoming an indispensable part of each country's raw material policy. .. the seventies, the entire world had to reassess its approach to this problem. The era of waste of raw materials is ending, particularly because of the energy crisis underlined by the so-called oil shocks of the years 1973/74 and 1979 when the prices for various types of energy increased sharply and grew at a somewhat slower rate in the case of other raw materials.

emphasis on improved utilization of secondary raw materials is an objective phenomenon and is due to:

--limited availability and depletion of accessible natural sources, including the possibility of exhaustion of some sources of primary raw materials and energy;

--growth of industrial production and the consequent increased demand for ... materials in both advanced and developing countries;

--higher economic effectiveness of utilizing secondary raw materials in comparison with substitutable primary raw materials;

--the technological necessity, in some cases, for using secondary raw materials in certain production processes;

--reducing the demand on foreign-exchange resources and, eventually, the need for credit in procurement of primary raw materials;

--efforts to reduce the consumption of energy in processing sectors, which is substantially lower with the use of secondary raw materials than with extraction and processing of primary raw materials;

--the ecological aspects of the problem of protection of the environment that in their essence constitute a threat to mankind itself.

The mentioned factors wield their effects in both industrially advanced socialist and nonsocialist countries.

No country in the world is rich enough to be able to afford not using secondary raw materials to the maximum extent. And that applies even more to countries that are poorer in natural sources of primary raw materials and depend on foreign sources of raw materials.

For example, an American study from 1980 ("Global Report On Year 2000"), compiled at the behest of the former U.S. President, J. Carter, shows the following dependence on importation of raw materials and the envisioned annual average increases in demand until the year 2000:

| Raw Material | Coverage of Consumption By Imports in 1976 (%) U.S. | EEC | Japan | USSR | 1985-2000 Percentage of Annual Increase in Worldwide Demand |
|---|---|---|---|---|---|
| Bauxite | 86 | 50 | 100 | 44 | 4.29 |
| Chromium | 90 | 95 | 95 | 0 | 3.27 |
| Copper | 16 | 99 | 93 | 4 | 2.94 |
| Iron ore | 35 | 85 | 99 | 0 | 2.95 |
| Lead | 12 | 85 | 78 | 24 | 3.14 |
| Manganese | 100 | 99 | 90 | 0 | 3.36 |
| Nickel | 61 | 90 | 95 | 0 | 2.94 |
| Tin | 75 | 90 | 90 | 22 | 2.05 |
| Zinc | 60 | 74 | 63 | 13 | 3.05 |

NOTE: The study envisions a 5 percent growth in prices of raw materials from 1980 (in fixed 1970 prices in dollars) till the year 2000.

With its advanced and widely developed industry, on the one hand, its uncomplicated raw-material base and not too rich natural sources of raw materials, on the other hand, the CSSR belongs among those countries which must import a considerable volume of raw materials, fuels and energy--in 1980 in a total amount of approximately Kcs 40 billion, all charges paid.

The CSSR extracts annually roughly 350 million tons of mineral raw materials, having a 0.5-0.6 percent share in worldwide extraction, occupying from 3rd to 18th place (according to various sources) in the production of mineral raw materials per square kilometer and 10th to 45th place in per capita value.

In the course of the economic renewal process and through the consumption cycle are generated considerable amounts of solid, liquid and gaseous wastes as is also the case in extraction (processing) of accompanying raw materials, which applies to all branches of the national economy. In their sum, they represent sources of secondary raw materials which even now account for a significant share of raw materials in the Czechoslovak national economy, an additional potential unused resource for improved utilization of resources toward increasing the overall economic effectiveness of our economy in the long-term outlook.

Transition of the Czechoslovak economy from extensive to intensive development has as its prerequisite reduction of the demand for materials and elimination of waste in the use of energy and raw materials. After all, the share of cost of materials alone in the overall costs in Czechoslovak industry in 1980 amounted to approximately 84 percent; in the USSR it represents 80-85 percent and in the GDR 76 percent. Since waste is an inseparable part of material costs, its economic utilization is an important task of the national economy.

However, from the economic viewpoint, in long-term outlook it is desirable to curb the amount of wastes to the limit of technological feasibility, or introduce technologies producing little or no waste.

Production of solid wastes in the CSSR is currently estimated at 75 million tons annually with the following breakdown: approximately 20 million tons are energy wastes (flue ashes, cinders, slag, etc.); 35 million tons are wastes from various industrial branches, to include wastes (not counting coal) in extraction and processing (scrap metal, slag, sludge, pollutants, etc.); 3-3.5 million tons are residential refuse (95 percent of which goes to disposal dumps); and 15-18 million tons accrue to agriculture and the food industry. In addition, there are approximately 350 million tons of wastes from mining and processing of coal.

The CSSR uses approximately 25 million tons of wastes of all kinds and their value can be estimated to amount to roughly Kcs 20-25 billion annually, all charges paid, of which metals alone represent Kcs 13 billion, all charges paid (in 1980 prices on the world market).

From the viewpoint of value, the most important item in secondary raw materials in the CSSR are metals which, moreover, lend themselves to complete recycling and are fully comparable to primary metals, which cannot be said of other secondary raw materials.

The significance of secondary raw materials for the Czechoslovak economy is documented by a more closely itemized table of CSSR sources for 1980 including selected items (value in all charges paid 1980 prices and energy potential):

| Wastes | Procurement and availability of secondary raw materials in 1,000 tons | Value in billions of Kcs, all charges paid | Energy consumption in kWh/t from primary raw material | from secondary raw material | savings per ton | Total saved % | Share of procurement in total consumption % |
|---|---|---|---|---|---|---|---|
| Scrap iron | 7,928 | 7,928 | 4,270 | 1,666 | 2,604 | 61 | 49 |
| Aluminum | 42.21 | 1,266.3 | 65,000 | 2,000 | 63,000 | 97 | 21 |
| Copper | 55.19 | 2,086.2 | 13,500 | 1,700 | 11,800 | 87 | 51 |
| Lead | 38.62 | 598.6 | 9,500 | 500 | 9,000 | 95 | 66 |
| Zinc | 11.29 | 158.1 | 10,000 | 500 | 9,500 | 95 | 16 |
| Tin (t) | 300 | 80 | | | | | 8 |
| Total metals | | 12,117.2 | | | | | |
| Paper | 410.83 | 506.6 | 5,712 | 4,198 | 1,514 | 27 | 34 |
| Textiles | 126.3 | 132.9 | | | | | |
| Broken glass | 90.0 | 81.0 | 5,060 | 2,868 | 2,192 | 43 | |
| Rubber | 90.0 | 118.4 | 13,310 | 2,770 | 10,540 | 79 | 35 |
| Plastics | 70.0 | 297.8 | 11,923 | 704 | 11,219 | 94 | 8 |
| Total nonmetals | | 1,136.7 | | | | | |
| Great total | | 13,253.9 | | | | | |

NOTE: Scrap iron share was computed from total production of steel and cast iron.

Evaluation of the demand on energy in production with the use of primary and secondary raw materials used data compiled from various sources that partially differ, among other things, in use of technology and specific raw materials included in the assessment. However, their order of difference is insignificant. In addition to these selected secondary raw materials, the CSSR processes a number of still other secondary sources and byproducts. For example, in production of pig iron during 1980, processing of ores was supplemented by approximately 600,000 tons of iron from slag, sludge, pollutants, scale, etc. A significant share in savings of foreign-exchange resources is constituted by the approximately 18 tons of silver and 74 kg of precious metals from collection.

Current State of Utilization of Secondary Raw Materials

Assessment of the current state in utilization of secondary raw materials must take into consideration that it involves three sources of a differing character--from the production process, processing and collection. The situation in using secondary raw materials originating as wastes from production processes is more favorable in view of their specifics (concentration in a certain place, clean state, regular quantities, etc.). Problems are encountered rather in their processing technology. Wastes from

processing originate almost in their entirety from organizations engaged in their collection, which were authorized to procure and collect secondary raw materials. They also procure consumer refuse generated through liquidation of basic assets, /left over/ materials from their repair and secondary raw materials from residential collections. It involves secondary resources which are considerably mixed and are difficult to process.

Most secondary raw materials are generated in production, due to technological or other reasons (rejects, etc.). Only scrap steel and cast iron--be it of production, processing or consumer origin--are accounted for on a nationwide bases. Records of other wastes are kept through collection agencies which collect primarily only raw materials originating in processing and liquidation of basic assets and objects of durable or short-term use.

To facilitate accurate processing and recovery of secondary raw materials, the CSSR Government through Resolution No 253/1980 ordered a nationwide statistical survey in 1982 of the amount, composition and utilization of solid wastes.

Recovery of secondary raw materials is based on the principles of monopolization, specialization and areal jurisdiction. The following enterprises have been authorized to conduct it:

--procurement of industrial scrap metals and preparation of industrial and nonindustrial scrap metals is provided by the Kovosrot national enterprise (a Scrap Metal Industry fiduciary association);

--procurement of industrial textile wastes is provided by the Retex national enterprise in Ivancice;

--procurement of all other (except liquid) secondary raw materials (i.e., including scrap precious metals, nonindustrial scrap metals and nonindustrial textile wastes) is provided by the Raw Material Collection national enterprise;

--used mineral oils suitable for recycling are supplied from all socialist organizations to Chemopetrol. Collection and procurement from the populace is minimal.

Up to 1960, the Raw Material Collection enterprise was controlled on a nationwide basis by the Ministry of Industry; as of 1961 its management was transferred to KNV /regional national committees/ and the control function was taken over by the national ministries of the interior's central organs of local economy. In 1966, the Fiduciary Association for Raw Materials Collection was established.

It follows from the above that since 1961 the problems of collection and utilization of secondary raw materials have not been under federal control (from one point), and that also does not provide for optimum development of this raw material area. Its organization and management in the CSSR basically differs from other socialist countries where management is centralized and under the jurisdiction of central authorities for the national industrial distribution system.

Thus, neither is the approach to utilization of secondary raw materials dealt with from the viewpoint of the national economy and there are indications of departmental and sectoral interests. In some cases, it is of more advantage to the producer to process primary raw materials (due to problems of a technological nature, etc.). It can also be assumed that for that reason some production organizations will keep showing no interest in utilization of secondary raw materials; that will have to be overcome by use of economic incentives or by promulgation of directives.

Recycling of Some Important Secondary Raw Materials

Secondary raw materials constitute a part of the domestic base of raw materials and are of constantly increasing importance during the current tense situation in meeting the demands of Czechoslovak industry for raw materials. Several industrial sectors are dependent on development of this branch, as secondary raw materials represent for them resources which, in comparison with primary raw materials, allow them to achieve socially beneficial savings in fuels and energy, in importation of primary raw materials, financial resources and maintenance of ecological balance in nature. The overall situation in the area of raw-materials management, be they imported or domestic, indicates that there is a need for paying maximum attention to these problems, not only from the viewpoint of their maximum utilization, but also that of utilization of secondary raw materials, to include those that have been overlooked or inadequately recovered up to now.

Ferrous Metals

In the Czechoslovak metallurgical industry the share of scrap iron in the charge for production of 15.225 million tons of steel in 1980 was over 40 percent; pig iron obtained from iron ore and from approximately 600,000 tons of secondary iron (from slag, sludge, scale, etc.) represents the rest. The foundry industry used iron as well as scrap iron (two-thirds of the total amount) for production of 1,169,000 tons of castings from grey, nodular and malleable cast iron in 1980.

Collection of scrap steel and cast iron in 1980:

| | | | | | | |
|---|---|---|---|---|---|---|
| Total | | 7.928 | million | tons | 100 | percent |
| of which from: | production | 4.336 | " | " | 55 | " |
| | processing | 1.492 | " | " | 19 | " |
| | consumption | 2.100 | " | " | 26 | " |

The level of our metals inventory, which in the same year amounted to approximately 100 million tons, which represents 6,420 kg per capita, makes us one of the leading countries in the world. However, the machinery life span is approximately 27 years, i.e., at least 10 years longer than in other industrially advanced countries. Its reduction would considerably contribute to availability of scrap iron in the CSSR and accelerate replacement of the machinery pool that became out of date through wear and tear as well as obsolescence.

Additional utilization of iron from slag, sludge, power plant flue ashes, etc., could on the long-run provide an additional 400,000 to 500,000 tons of iron per year, however, at considerable investment costs.

Nonferrous Metals

From the viewpoint of demand for primary nonferrous metals, we are almost entirely dependent on imports, as the domestic raw material base covers in five selected metals (without nickel, as its ores are not mined in the CSSR) only 5-18 percent of total consumption. Prices of nonferrous metal keep increasing and increases are occurring in the share of their procurement from nonsocialist countries. These circumstances provide a strong economic stimulus for recycling and reclaiming. Secondary raw materials of nonferrous metals are an important source for their production.

Only nonferrous scrap metals that have gone through a refining process are used in production of technically pure metals. Other scrap is used in production of castings and other alloys.

Technological scrap from production constitutes the major part in each country. However, data regarding scrap in the CSSR include only deliveries made through Kovosrot and its branches and involves primarily scrap from processing and from consumption. Scrap from production should increase the overall amount of collections and consumption of nonferrous metals. We are talking of an increase on the order of 10 to 20 percent, which will be probably clarified by the statistical survey of secondary sources in 1982 now in preparation.

Waste Paper

Production of paper, cardboard and paperboard in 1980 amounted to 1,189,500 tons which, taking into account imports and exports, amounts to approximately 78 kg per capita in the CSSR.

Waste paper constitutes an important raw material for the paper industry. The Sberne suroviny enterprise procured paper in the amount of 410,800 tons in 1980, 319,000 tons in the CSR and 91,800 tons in the SSR. Of the overall volume, collections from the populace amounted to 282,800 tons, i.e., 68.8 percent. Waste paper generated by the paper industry itself amounted to 59,700 tons.

The major part of waste paper is processed in the production of paperboard. In 1980, 235,000 tons of waste paper were processed in production of 296,000 tons of paperboard, involving primarily low-quality paper and cardboard. Only clean, unprinted and unmixed waste paper (mostly industrial waste) replaces primary fibers, i.e., mechanical wood pulp and chemical pulp.

Most deliveries of waste paper to paper mills contain so-called unsorted collections, which does not facilitate utilization of some of the better types of it containedin these deliveries. Other problems in processing of waste paper are encountered where paper and paperboard are combined with synthetic substances.

Due to a shortage of processing capacities in the CSSR, the Sberne suroviny enterprise in 1980 exported about 17,000 tons of waste paper, which represents only partial utilization of a secondary raw material. Processing of the still-exported waste paper would call for installing in the CSSR a board machine with a capacity of 100,000 tons of paperboard to include processing. That calls for very high investments--on the order of approximately Kcs 2 billion--and importation of machinery. That makes it necessary to carefully consider all potential overhauls of existing board machines with the objective of achieving higher production and utilizing all domestic waste paper.

Even though all waste paper is still not fully processed in the CSSR, efforts must be developed to that end with emphasis on improving the quality of collection. Sorting of waste paper at the source or during concentration in collecting points is one of the basic prerequisites for its improved utilization in the production of paper and paperboard.

We lose over 400,000 tons of waste paper in solid residential refuse (3-3.5 million tons annually in the CSSR), because approximately 95 percent of residential refuse is directly disposed of in dumps without any further use.

It is estimated that 1 ton of waste paper replaces 2.51 solid cubic meters of wood. Its heating value has been assessed to be 14-15 MJ/kg /megajoule per kg/. Thus, we lose both a valuable raw material and expensive energy.

Scrap Glass

Most scrap glass (broken glass) that is currently recycled originates from technological waste and broken glass generated by glassworks. The exact amount is unknown. In 1980, public collections procured 35,300 tons of broken glass with priority destination for production of container and packing glass. The glass industry is capable of processing a substantially higher amount--its annual demand is approximately 90,000 tons and can increase up to 124,000 tons by 1985. Broken glass is used as the initial material in production of glass.

It will be necessary to resolve the economic relations regarding the effectiveness of using broken glass in the glass industry, and do so not only from the viewpoint of the prices of the priority raw materials being replaced and energy savings.

Producing of 1 ton of vitrified substance by melting for the production of stained container and packing glass requires 483 kg of glass sand, 144 kg of calcinated soda, 50 kg of magnesian limestone, 67 kg of calcite, 40 kg of ground phonolite, 16 kg of Glauber salt, 5 kg of calcinated pyrites, 32 kg of chromium slag, 100 kg of broken white glass and 50 kg of broken stained glass. With a shortage of broken glass, the need for the remaining materials increases, some of them having to be imported, the service life of glass tanks is shortened, increasing in turn the consumption of materials for their construction. That would call for larger scale use of zirconium products, which represent a very expensive importedmaterial that is not easily available, as construction material. It is estimated that the service life

of glassmaking sets at a 25-percent charge of broken glass is 16 months, which is prolonged by 25 percent to 20 months with an optimum charge of 40 percent. Broken glass also saves 80 cubic meters of gas per ton.

Solid residential refuse in the CSSR contains approximately 10 percent of broken glass, which represents 300,000 to 350,000 tons. Shortage of collection containers contributes to the slow rate of collection and procurement of broken glass.

Plastics

There are two basic types of plastics. The first, so-called thermoplastics, can be plasticized and reshaped in the recycling process and represent the main part of consumption. The second group, so-called thermosetting plastics, can be irreversibly hardened by curing so that their potential for recycling is limited and can be used as fillers or as a source of energy through combustion (9-18 MJ/kg). Pyrolysis of plastics can be controlled so as to obtain products similar to those generated in crude-oil distillation, i.e., methane, ethane, ethylene, propylene, benzene, toluene and others.

In 1980, the CSSR produced 919,200 tons of plastics and synthetic resins. A considerable part of technological and industrial waste of the total volume of 70,000 tons is already being recycled, and the most suitable utilization is being sought for 40,000 tons. Procurement of plastics through collection agencies amounted in the same year to 77,000 tons from industrial organizations with a share of 4-5 percent accruing to household refuse. Their exports amounted to 5,500 tons, even though 1 ton saves 2.5 tons of petroleum. Thus, the current state of utilization of secondary thermoplastics and interest in them by processors causes considerable concern, as does the state of inadequate research into utilization of this secondary raw material.

Some positive trends are appearing in processing of plastic wastes at the Regena plant in Olomouc-Krelov in production of conveyer belts for mines, and at the Sberne suroviny enterprise in Bratislava (Recyplast) which turns out regranulated plastic in a total volume of 6,500 to 7,500 tons a year.

Waste Rubber

Products made of rubber accounted for 260,000 tons in 1980 and procurement through collection agencies amounted to 13,600 tons. A significant problem is posed by disposal of the annual proliferation of wornout tires in the CSSR estimated at 90,000 to 100,000 tons. Only about 15,000 tons of tires are reprocessed for use in rubber stock compounds. At the same time, production of 1 ton of tires calls for approximately 3.5 tons of petroleum.

Manufacture of rubber products requires an energy of 156 MJ/kg, but with the use of waste raw materials only 32 MJ/kg (1 TMP /ton of standard fuel/ = 29.3 GJ /gigaJoule/). Everything points toward using wornout tires unsuitable for further retreading for generation of raw materials or as a source of energy (burning of 1 ton of tires saves approximately 530 kg of heating oil). They can be used in production of thermal insulation substances in construction, for modification of asphalt, etc.

Secondary Raw Materials for Textiles

Data regarding textile wastes for 1980 (in 1,000 tons) are as follows:

| | | |
|---|---|---|
| Industrial collection | | 104.9 |
| Public collection | | 21.4 |
| Total | | 126.3 |
| Of which: | textile mill wastes | 69.9 |
| | scutching mills for flax/hemp | 56.4 |

Progressing chemization makes further increases in utilization of secondary raw materials for textiles more complicated than was the case in the past when primary raw materials were formed exclusively by natural fibers. The share of textiles made of a combination of natural and synthetic fibers is increasing. Textile waste containing primarily synthetic fibers can be used in the paper industry for new types of products, in production of insulation boards for construction, etc. By 1985, the incidence of secondary raw materials for textiles could increase to approximately 140,000 tons (i.e., 11 percent over 1980).

Flue Ashes from Power and Heating Plants

The overall amount of ashes generated by combustion of coal is very high in industrially advanced countries, as can be seen from the following outline based on the state in 1974:

| Country | Ashes in millions tons | Country | Ashes in millions of tons |
|---|---|---|---|
| USSR | approx. 70.00 | GDR | 13.34 |
| CSSR | 15.09 | Poland | 12.06 |
| USA | 53.98 | England | 11.80 |
| FRG | 13.60 | France | 4.61 |

If we compare the amount of ashes generated per capita and per territorial area, we are faced with the fact that in either case the CSSR is in first place. That distinct but undesirable prominence was achieved simply by the burning of poorer quality lignite. Mineralogically speaking it can be divided into three fractions--nonmagnetic share, magnetic share and intermediate product. Flue ashes can be assessed to represent unconventional secondary mineral raw materials. For example, the United States burns annually around 650-700 million tons of coal, generating 8-10 percent of ashes. The value of metals contained in ashes amounts to, according to American sources, $350 billion, under the assumption that all of the metals (about 12) could be fully recovered. In addition, ashes find use mainly in construction, road construction and in agriculture.

CSSR Government Resolution No 31/1977 was adopted for utilization of power plant ashes in construction, but its implementation made no significant advances. Current stockpiles of ashes in power plants in the CSSR amount to roughly 140 million tons, in metallurgical plants to over 121 million tons of cinders and other wastes in old dumps, in ore mining and the magnesite industry

over 181 million tons of solid wastes, etc. By the year 2000, their wieght will increase two-to threefold. From the ecological viewpoint it will be necessary to tackle this significant problem as soon as possible.

Solid Household Waste

Solid household waste represents an independent and very extensive problem area. In 1980, community refuse amounted to 3 to 3.5 million tons. Its disposal costs Kcs 1.5 to 2 billion annually. Approximately 95 percent is disposed in controlled or "illegal" dumps and only 5 percent are utilized.

The annual losses sustained by our society can be seen from the following comparison of the structure of solid household refuse (in percent):

| Material | Moscow | Paris | Budapest | FRG | USA | CSSR |
|---|---|---|---|---|---|---|
| Paper | 35.7 | 37.41 | 37.0 | 20.0 | 35.1 | 13.7 |
| Metal | 5.8 | 4.14 | 3.3 | 4.0 | 8.1 | 13.2 |
| Textile | 4.0 | 3.05 | 3.15 | 2.0 | 1.9 | 2.2 |
| Glass | 6.5 | 9.10 | 6.0 | 8.0 | 8.1 | 10.0-13.0 |
| Plastics | 1.3 | 3.13 | 5.5 | 2.0 | 1.1 | 4.0- 5.0 |

The cost for disposal of 1 ton of communal refuse represents approximately Kcs 500, further infringements on agricultural soil, communal refuse stored in dumps represents losses of secondary raw materials in the amount of about Kcs 0.8 billion and considerable deterioration of the environment.

Even though recycling of municipal refuse is fairly strongly promoted in technical literature, the fact is that its practical implementation in the world's industrially advanced countries and with long-term increases in the price of raw materials is limited. The reason for the relatively low rate of recycling is primarily high investment cost which is many times higher than for incinceration plants.

Selected Findings About Management of Secondary Raw Materials in the GDR and USSR

Party and governmental authorities in the GDR have been devoting extraordinary attention to maximum utilization of secondary raw materials. Their management comes under the jurisdiction of the ministry for material management headed by the government's deputy premier.

The GDR at the present accords more significance to secondary raw materials than to use of primary raw materials. Its entire economic policy and scientific research tasks are oriented toward that approach with full support by party organs at all levels. It is initiated and implemented by resolutions of the highest organs of the party and GDR Government and their implementation is systematically controlled. In addition to specification of the tasks in the state plan by directives, extensive use is made of pricing measures as economic tools for procurement and utilization of secondary raw materials. An important role is played by investment policy. Another administrative measure is control of demands by production enterprises for allocation of primary raw materials, primarily from imports. In this respect, economic propaganda carried by all communication media is very effective.

Generation of domestic secondary raw materials amounts to less than one-fourth of all costs for primary raw materials in the GDR. Of the 450 possible types of secondary raw material items, the state plan and its provisions monitor 73. Secondary raw materials cover 10 percent of the state plan balance of the total volume of required raw materials, which represents a value of 4.8 billion marks.

In the USSR, comprehensive utilization of secondary raw materials also receives a great amount of attention by the highest organs of the party and government. The USSR State Planning Council already has a department for utilization of secondary resources which jointly with the USSR State Council for the national distribution system will be responsible for their management.

In 1981, the state plans of Soviet ministries, authorities and individual regions listed a new section--"Uilitzation of Secondary Raw Materials." It stipulates the tasks for collection, procurement and processing of wastes from production and from other sources. Limits of means to be expended on construction and overhaul of procurement and processing plants are subject to approval.

The problems of secondary resources are also centrally administered in other CEMA countries with use of all the requisite economic tools and the state plan. These problems are dealt with in CEMA organs, but they should become an integral part of the agenda of all permanent sectorial committees.

Selected Problems in the CSSR

The legal modification of 1960 (basic regulation) regarding secondary raw materials was viable for its time and formed an effective basis for development and acquisition of secondary raw materials in the CSSR. However, it is starting to lag behind the dynamic development of consumption and the pressure on utilization of secondary sources of raw materials, losing effectiveness in the process.

The technological production base is not ready for increased utilization of secondary sources, which is reflected in the low technical level as well as inadequate capacity of collection, preparatory and processing branches.

The organizational structure is splintered and inadequate and has no analogy in CEMA countries. Management of secondary raw materials is not centralized and knowledge regarding their origin and utilization is unsatisfactory in almost all sectors.

There is a failure to apply a flexible price policy--prices of secondary raw materials have not changed for decades. Only lately have some visible advances been made in this area; however, the proposal for establishment of a centralized price-control fund and its utilization for operative changes in procurement prices in the coming years, etc., still has not been adopted.

There is a lack of a long-term concept for development and utilization of secondary raw materials in a systemic sense (economic renewal process, environment, social development, investments, etc.).

There still remains a long list of problems that will have to be dealt with in the immediate future as well as in the long-term outlook.

Secondary Raw Materials in the Seventh 5-Year Plan and in Long-Term Outlook

Continued development of the national economy will require that primary attention be concentrated on the problems pertaining to raw materials. This will involve not only making maximum use of raw materials, but, and primarily, identification of domestic sources of raw materials, to include secondary raw materials. However, the problem is whether it might not be advisable to deal with the problem of raw materials (domestic and imported) on an overall scale, both from the viewpoint of their utilization and their management.

Viewing the overall situation in providing raw materials, fuels, energy and metals for the needs of the national economy, secondary raw materials will be strongly increasing in importance in the Seventh and subsequent 5-year plans and with them also pressure on their acquisition (not just from the viewpoint of the volume of already known raw materials, but also from the viewpoint of identifying heretofore unused sources of raw materials). For that reason, already in finalizing the Seventh 5-Year Plan emphasis must be placed on seeking new, more effective forms and approaches to their identification and collection, as well as utilization of secondary raw materials.

At the same time, however, we must realize the fact that Czechoslovak industry is, for the most part, inadequately oriented toward their processing. Also the technically inadequate equipment of collection points of Kovosrot and other organizations, primarily for collection of broken glass, etc., (containers, means of transportation and loaders) does not create sufficient prerequisites for exploitation of sources. Technical development is imbalanced and does not meet the needs of a modern sector of raw materials, which is essentially constituted by organizations engaged in acquisition of secondary raw materials.

It must be kept in mind that the intensity and effectiveness of utilization of secondary raw materials in industrial processing sectors is affected by:

--the production capacities of processing sectors, eventually by changes in technological processes;

--the quality of some raw materials in connection with introduction of new products or technologies with adverse effects on potential reuse of waste as a raw material.

A significant economic contribution to dealing with raw material problems in the Seventh 5-Year Plan is represented by identification of secondary raw materials in inefficiently disposed of wastes, to include disposal dumps. They are used only to a small extent by picking out scrap iron or nonferrous metals. These are merely random cases depending on the willingness of individuals to add to their income by "extraction" of raw materials from these sources. This activity is not controlled and is essentially at variance with the provisions of the civil code regarding the legality of gaining possession of an "abandonned" thing.

The worldwide situation in fuel and energy sources as well as in raw materials is developing in such a manner that wastes could become the primary sources of raw materials in the future. According to estimates of trends in the economic development of advanced countries, this prediction might materialize before the end of the 20th century. According to a study sponsored by the United Nations, by then all possibilities for recycling substances, which could amount to approximately 55 percent of their original volume, will have been used to the utmost.

Continued increases in the price of energy and raw materials, together with fast deterioration of the environment, deepening ecological imbalance and the end of the era of "cheap raw materials and energy" could actually bring about a basic reversal in the approach to secondary raw materials. We must make preparations even now before we are confronted with the fact that in the future there will be but miniscule increases in primary mineral raw materials, to include fuels and energy, and that the key factor for effective development of the national economy and transition from extensive to intensive development will call for maximum utilization of all accessible secondary raw materials in the CSSR and economic management of fuels, energy, metals and other raw materials.

In the case of nonferrous metals, the processing cost in their production from scrap amounts to only 10-15 percent. It is estimated that investments for construction of facilities for processing of wastes amount to only 15-25 percent of investments required in construction of capacities for processing ores or concentrates. An analogous conclusion applies with a certain amount of modification to the remaining secondary raw materials.

Outline of Systemic Measures for Maximum Utilization of Secondary Raw Materials

Achieving of maximum utilization of sources of secondary raw materials in the CSSR calls for:

a. updating Government Directive No 68/1960 of the Codex and drafting a law regarding management of secondary raw materials that would regulate the following basic problems:

--recordkeeping and balancing of sources of secondary raw materials;

--obligations of organizations at all stages of recycling processes and the duties of citizens;

--incentives and sanctions designed to achieve maximum recovery and utilization of secondary raw materials;

--a control system;

--structure for management of secondary raw materials;

--relations between organizations, etc.;

b. expanding the network of collection points for secondary raw materials, particularly in areas and localities where their occurrence has not been adequately exploited;

c. providing machinery for handling of secondary raw materials, primarily for mechanical loading of heavy loads, innovation of handling equipment including means of transportation, compacting techniques, etc.;

d. involving economic and technological research institutes as well as institutions of higher learning in dealing with these problems, with the objective of thoroughly analyzing the field of secondary raw materials, pointing out additional possibilities for their comprehensive utilization, both from the viewpoint of those that are currently being collected, as well as from the viewpoint of collection and utilization of new raw materials, to include porcessing technologies;

e. creating the prerequisites for methodical, organizational and legal management of the sector of secondary raw materials at federal level.

From the state-of-the-art in this field it follows that the present situation in utilization of secondary raw materials does not make it possible to meet the needs of the national economy in the requisite amount and thus contribute to solving the problems in the area of raw materials. Only through implementation of organization, economic, technical and minimum investment measures is it possible to activate this vast domestic base of raw materials. Implementation of measures seeking to improve management of secondary raw materials should make use primarily of experience and findings made in the GDR and USSR.

The importance of secondary sources in the CSSR is fully substantiated by resolutions of the 16th CPCZ congress, wherein the document "Key Directions of Economic and Social Development of the CSSR for the Years 1981-1985" stipulates:

--increase use of secondary raw materials and more effectively manage their collection and utilization;

--orient research and development efforts primarily toward dealing with tasks designed to improve utilization of unconventional and secondary sources of energy.

Systematic implementation of resolutions of the Presidium of the CPCZ Central Committee and of the CSSR Government for improving the system of management of the national economy as well as gaining a thorough understanding and adoption the set of devised measures is an important path to improved utilization of secondary raw materials in the CSSR as well.

8204
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## INCREASED SOWING ACREAGE TO BOOST SLOVAK GRAIN PRODUCTION

Prague HOSPODARSKE NOVINY in Slovak 8 Oct 82 pp 1, 6

/Article by Jan Janovic, minister of agriculture and food of the SSR: "Accounts for Autumn and Prospects for 1983"/

/Text/ For agriculturists and food producers the autumn season has become in recent years even more demanding than the harvest of grain crops. This is most significant particularly for decisionmaking both in the ministry headquarters and in individual enterprises. In fact, autumn is the main season for sowing which is of decisive importance for balanced nutrition in the following year. It gives us some idea about the amount of raw materials for food produced on our land. Considerable amounts of fodder still remain in the fields and we can gain much by reducing its waste. Also, we may obtain better values from smaller volumes by good conservation methods. For that reason, we pay special attention to this season and regard every day wasted by our workers, machinery or managers as an antisocial act.

### Bottlenecks in Crop Production

The accounts concerning the densely sown summer grain crops, legumes and rape give us more specific information about their yields in the SSR. The unfavorable weather during the spring months and before the maturation of the crops caused yields of such crops to fall below our judicial estimates based on the crops that had survived the winter in good condition. We therefore appreciate the prompt decision of our federal government to make up for the shortfalls in grain and oleaginous crops in order to meet the livestock production stipulated in the plan for 1983. Our agriculturists will respond to this aid by more economical feeding, by rational replacement of grain by bulk fodders and by other measures in individual enterprises. The development in world grain markets has signaled further problems and tensions as concerns the supplies of grain and the production of fodder mixes. Under such circumstances, we shall be able to fulfill the task of self-sufficiency in grain production, stipulated by our party leadership only by cultivating more grain crops. Therefore, for 1983 we envisage even further increases in the acreage of grain crops harvested in the SSR, naturally, without tampering with the agrotechnical principles of crop rotation. This is the only way to produce more meat, milk and eggs in 1983 and in the following years.

Although the sunflower harvest appears excellent, we must compensate for a certain shortfall in the production of rape by additional imports. In the future, even under these circumstances we shall not enjoy the luxury of increasing the production of vegetable oils at the cost of higher imports because that would come back to our agriculture like a boomerang in the form of restrictions on foreign currency for imported fodder components, agrochemicals, machinery and other needs. If we wish to eliminate such an unfavorable "feedback" we must increase the production of oleaginous crops by at least one-third over the average in the next few years. Hybrids of winter rape with the lowest contents of erucic acid (under 2 percent) will be sown over its entire acreage. Qualitative changes in the hybrid structure of winter wheat will favor the most productive hybrids, such as Vala, Kosutka, and hybrids newly developed in Bucany and Solare.

A Turn in Milk Production and Consumption

In our domestic market, the importance of milk in livestock production has greatly increased, and for that reason we consider it our primary task to introduce a change in its production as soon as possible. Milk production must be more emphatically intensified because the extensive method is the least economically justifiable in this sector.

On all levels of management, we must now draw our decisions more consistently on the economic point of view, on the most efficient method to cover the nutritional needs of our population, and on the criteria of foreign markets, which follows from the fact that the key role of our national economy, including the agricultural-food-production complex, is to reduce the balance of our foreign trade with nonsocialist states.

The need to base our decisions on economic calculations and conversions of accounts is greater today than ever before. According to the Set of Measures, in agriculture our enterprises have acquired far greater latitude for their own decisionmaking about what they will produce, with what, and how they will cover the needs of our society. All our measures and decisions try to introduce the viewpoint of economic efficiency and to improve production and resolve technical problems by means of assessment of the cash value. In this effort, however, we have not found thus far appropriate understanding either on the level of enterprises or the middle link of management. Employees of administrative management who learned to think and estimate according to natural indicators were not overly concerned about costs and economic results. Our efforts to balance methods for eliminating problems in production and to make it more economical will call for much more work, and here we have much to learn.

For instance, in all probability most of our officials in enterprises and in middle sectors of management have first reacted to the demand for higher production of beef as follows: "We must expand the acreage for cultivation of fodder crops on arable lands, mainly to the detriment of grain crops." It may be true that preconditions for a faster growth of beef production could be achieved by expanding the acreage for cultivation of fodder crops, however, if we take that acreage away from grain crops, we shall reduce their production

and thus, also the production of pork, to such an extent that total meat production will drop. As it appears from more detailed calculations, such a change in the acreage would reduce pork production twice as much as it would raise beef production. Therefore, although at the first sight it may seem quite logical to demand that the task in beef production be resolved by expanding the acreage of fodder crops, more thorough calculations and economic analyses prove it to be disadvantageous in terms of total meat production.

Expanded cultivation of intermediate crops, summer and winter fodder mixes, better processing and conservation of hay, silage, and better utilization of straw, corn husks and other waste materials in crop production represent the unused main assets for higher production of beef and milk. Naturally, this is a difficult task, but in our situation it is the only possibility. Jointly with our economic scientific research centers we have prepared materials and methodical instructions for orientation in these new problems for the enterprises and middle sectors of the management.

Emphasis on Economic Considerations

We stipulated for our enterprises a maximum of five mandatory indicators. However, at the same time we want to stress that any relaxation in planning has a flip side--greater responsibility for production to cover social needs. Enterprises have more freedom in their selection of the method to meet social needs that they find most convenient. In no instance will anarchy be condoned. Our society does not profit too much if we far exceed the production of a certain kind of vegetables, let us say, green peppers, but if we fail to meet, for example, the production of garlic. Enterprises must bear economic consequences for failing to observe the structure of social needs. We must adapt our system of management to this new situation.

To illustrate the character of these measures, I should like to mention at least the method according to which we shall proceed in the case of grain crops. Those enterprises that show deficits in grain fodders due to lower acreages for grain crops than budgeted will on principle not receive the balance of grain fodder from the statewide fodder fund. And conversely, the task of procuring grain crops for the state fund will not be increased for enterprises that exceed their budgeted acreage.

Furthermore, we shall reserve certain foreign-exchange funds for enterprises that exceed their planned procurement of oleaginous crops or sugar. We realize, however, that if we want the enterprises to raise their production according to the needs of our society, we must create the required technical, material and economic preconditions for that purpose. Therefore, in the plan and in our management policies we have created preconditions for preferential economic, material-technical and investment considerations for those enterprises that will adopt difficult tasks in covering our social needs. Those who will try to "pick only the plums" in the plan may expect that our society will offer them fewer advantages.

Good Management With Corn

The second portion of plant production has been favorable for us. In general, the yield of autumn crops has been good and provided opportunities for eliminating, or as the case may be, reducing the shortfalls from the summer harvest, specifically, those in grain and bulk fodder. The main principle for autumn operations in management, which we have enforced, is that not a day, not even a single hour be wasted in any enterprise or workplace, that the harvest be organized with the least waste and that the harvested crops be used to the best possible advantage, not only in the fields and storage, but also in sugar plants, starch factories, distilleries and canning plants that process the harvested crops.

We have high expectations from corn for grain grown in the socialist sector in the SSR on 142,800 hectares, which is 9,300 hectares more than last year. The crops are good and full, however, the harvest of corn for grain will make considerable demands on the technology, organization and management and on the drying and storage capacities in our agricultural enterprises as well as in agricultural supply and procurement enterprises. We have relatively adequate harvesting technology, adapters for successful harvesting of corn and 44 sets of the new efficient Kherzonets (KSKU-6) model have been used in harvesting operations.

As for the shortfall in densely sown grain crops, we stipulated a nonnegotiable task: to increase the harvested acreages of corn for grain as much as possible, and that other available resources, including corn husks, be used as supplies of bulk fodder.

To alleviate the need to dry corn for grain, to step up harvest operations and to utilize the biomass of the plant more comprehensively, divided harvesting of corn has been introduced this year in the West Slovakia Kraj. This method will be used in harvesting grain crops over an acreage of about 30,000 hectares and in harvesting silage corn on an acreage of 12,000 hectares with a total production of over 300,000 tons of corn cobs in bulk. To achieve this goal, the kraj is producing and adapting all necessary technology and building silo troughs.

As one of our key tasks this autumn we regard harvesting, procurement and distribution of potatoes for consumption, industry and plants; they are harvested on 60,000 hectares, two-thirds of them in the socialist sector. This is 481 hectares more than last year. The crops are in better condition than in 1981 and we expect that we shall meet the procurement of potatoes and that the fodder fund will also improve and more raw material will be left for industrial processing. The process of harvesting potatoes with combines was successful mainly in the Spisska Nova Ves, Poprad, Liptovsky Mikulas, Senica and Prievidza Districts. Harvesting of 1 hectare of potatoes requires 600-800 hours of work by volunteer teams of harvesters or 50-80 hours of mechanized harvesting. Therefore, we use mostly combines for harvesting, although in case of unfavorable weather conditions we must be prepared to call on volunteers. For autumn operations in our agriculture we have

secured students as volunteer helpers -- 182,000 students will work 12 workdays. Because many volunteer workers will assist in autumn harvesting operations, we should like to underline for our agriculturists that the harvesting operations must be well organized, the volunteers must be properly housed and fed so that their assistance be as efficient as possible, and that they help us deal successfully with our demanding tasks.

Waste -- The Greatest Untapped Asset in the Autumn

In the same way, sugar beet crops are good and healthy, and the preconditions for meeting their procurement plan are favorable. We promptly adopted measures to speed up and complete weeding of sugar beet crops, to prepare for trouble-free mechanized harvesting, and to reduce waste. Losses of those crops in mechanized harvesting, which would be higher than 12 percent, cannot be reduced by adjustments of technology, but we secure through with harvesting operations according to traditional methods -- tractor harvesting and manual cleaning.

Every enterprise will organize postharvest gleaning of the roots and take steps to prevent waste during the transportation of the crops.

We also expect a good harvest of sunflowers, whose acreage has been expanded to 22,000 hectares. The sunflowers will make up to some extent for the poor yield of winter rape in the raw material fund of oleaginous crops.

The harvest of corn for silage on 150,000 hectares is nearing its end. We expect that the planned production will be met. We plan to increase substantially the share of good-quality silage in the total volume of conserved bulk fodders. It is also the target of a competition and material incentives for workers in charge of silage.

An important turn took place this year in the cultivation of intermediate summer crops whose acreage was exceeded by 25,000 hectares. In the future, they will provide a very important source of bulk fodder, particularly in irrigated areas. The harvest of alfalfa and red clover for seed is at its peak. To simulate the interest in, and the mandatory character of seed production, we have set aside for the Slovosivo VHJ /economic production unit/ the required amount of fodders from the central fodder fund for resale to all seed producers in return for their delivery of alfalfa seed at a 1:7 ratio and of red clover seed at a ratio of 1:5. This principle will apply in 1982 and in the following years of the Seventh 5-Year Plan. In addition, the Slovosivo VHJ announced goal-oriented bonuses for each 100 kg of alfalfa and clover seeds.

Let Us Take Advantage of Our Chance in Vegetable and Fruit Production

Harvesting techniques of individual kinds of fruits and vegetables differ considerably. We have an opportunity to meet our tasks in the production of stalk, fruit-bearing and especially root vegetables if we can gather their entire yield for consumption and processing. We realize that the whole yield

must be utilized in order to produce sufficient intermediate goods for nonalcoholic beverages as well as for the needs of our dairy, bakery, confectionary and candymaking industries. We shall use the good harvest of apples and plums in the production of alcoholic beverages and cider and thus, we shall save grain as raw material in the production of alcohol. After a number of years, an extraordinary good harvest of top-quality paprika for spice has been harvested; we intend to achieve self-sufficiency in its consumption.

As in the summer, in this autumn season our processing industry is again using all its capacities and thus, resolving considerable problems with the consumption of excess vegetables, particularly peppers, cabbage, squash, cucumbers and industrial tomatoes. In pricing procured vegetables and fruits, we followed more rigorous measures than in previous years, which helped improve the supplies and consumption of cultivated vegetables and fruits.

We expect that, as in the grain harvest, employees of machine and tractor stations will play a major role in this autumn's operations as well, repairing defective machinery directly in the fields, promptly delivering exchangeable spare parts and mobile service vehicles. In transportation, we plan to use to the full extent first of all transportation facilities of agricultural enterprises, including vehicles from associated production plants. We shall use outside means of transportation only according to economic contracts for sugar beet and potato harvesting.

A major task facing our agriculturists is to save fuels and motor oil, because the tasks in harvesting and transportation of autumn crops, in preparation of the soil and in sowing of winter crops this year are higher than in 1981. We shall direct the initiative of our working people mainly toward lower consumption of gasoline, less waste during the harvest, better use of harvesting machinery, transportation vehicles and postharvest processing lines, and toward prompt completion of soil preparation and sowing of winter crops in accordance with agrotechnical schedules.

Promptness and good quality of harvest operations depend to a large degree on properly prepared technology, its skillful operation and best possible utilization, even in inclement weather, as we have learned from our lesson in the autumn of 1981. The harvest this summer has shown that the weather this year is indiscriminate and that human know-how and experience must undo many of its effects.

9004
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## ENERGY OFFICIAL SEES SUFFICIENT ENERGY SUPPLIES FOR THE FUTURE

Leipzig LEIPZIGER VOLKSSTIMME in German 16-17 Oct 82 p 11

[Martin Schroeter interview with Horst Jungnickel, engineer, director, Central Office for Efficient Energy Use, Leipzig (date and place of interview not given): "Do We Have Enough Energy? Conversation With Horst Jungnickel"]

[Text] Biographic Data on Horst Jungnickel

Horst Jungnickel, engineer, economist, born in 1934, is the director of the Central Office for Efficient Energy Use in Leipzig. From 1954 to 1959 he studied with Professor Hildebrand at what was then the Dresden Technical College energy engineering and then entered the energy industry. First he worked at the VEB Energy Supply, Halle, as operational assistant and from 1961 to 1964 was deputy chief at the Halle Bezirk authority for economic energy use. He later transferred to the Central Office for Efficient Energy Use, Leipzig.

Since 1979 Horst Jungnickel has been the director of the Central Office for Efficient Energy Use, reorganized in 1976. He is married and has a grown daughter and a school-age son.

Energy, the lifeblood of the economy, in remote periods of human history as well as today one of the most important factors in production altogether. In the past, however, human and animal labor, and energy contained in water, wind and simple fuels were always available and usable--the extent of it, however, always depended on man's creativity.

Today the consumption of petroleum, coal, and natural gas has reached a scope worldwide that makes many people ask anxiously: do we have enough energy?

The GDR, as one knows, is poor in raw materials. Yet we have considerable soft coal deposits and a significant science potential through which the great resource of efficient energy use can be tapped.

[Question] Comrade Jungnickel: first simply let me ask you: do we have enough energy?

[Answer] As to our resources, you know we have so much domestic soft coal that we can supply our grandchildren still and probably later generations as well with energy. The problem is always to have the necessary energy sources available at any given time to be able to supply the population completely and the economy according to plan. Within the scope of our socialist planned economy, which especially with regard to the energy policy proves an inestimable advantage, we keep working on always being able to give a positive answer to that question.

But again: in principle, we shall always have enough energy available. Even when the coal supplies are exhausted. As you know, we are systematically developing our nuclear energy base so as to satisfy the GDR's energy needs this way as well. One reason why this is necessary is that soft coal is not a renewable energy source and--just like the petroleum--actually is too dear to burn since coal can still be refined through a materials economy use.

A Turn in Energy Economy

[Question] Far into the 1970's the thesis was accepted internationally that energy, especially electrical energy, allocation had to grow faster than industrial production to ensure economic requirements. For some years, however, we have had a respectable industrial growth in the GDR with the same or a reduced use of primary energy. Electrical energy consumption also rises more slowly than industrial production. Is that a change from the view referred to?

[Answer] At that time, the value of energy was very different internationally from what it is today. Petroleum and coal were cheap. Western countries, mainly, found it more profitable to allocate more energy for growing needs than to make efforts to reduce energy requirements. That only changed in the capitalist countries with the "oil-shock" of 1973/74.

But we in the GDR had always focused on a thrifty use of energy. We can demonstrate a continuity in efficient energy use, especially since the eighth party congress. Still in the 1970's, we became laughingstocks at international congresses as "energy have-nots," when we would be explaining our idea of efficient energy use and energy saving. Today that has completely changed.

Indeed, we have developed our ways and means to achieve a considerable economic growth while primary energy stays the same or drops. The turn came in 1980, the first time that energy consumption no longer increased but even slightly decreased.

[Question] That provokes the question whether we can in the long run manage to produce, with energy consumption dropping each year, especially since one must

assume that new industrial branches or technologies originate that might possibly be more energy-intensive. Some day, it seems, the possibilities for saving energy might also be exhausted.

[Answer] That only appears that way on the first glance. And such an idea may be reinforced by that in energy saving we have first of all exploited only open reserves. Through rationalization, by means of science and technology, we have already introduced and implemented more far-reaching and penetrating measures. We realize that even when we consider the fact that energy-intensive technologies may get started in the future it will in principle still be possible to reduce energy consumption year after year. New methods and working principles, and the use of microelectronics, will give us much greater chances for reducing energy consumption. That is an essential component of our economic strategy for the 1980's.

[Question] Is it not also part of efficient energy use to look at energy sources that cost us nothing, as it were? There is talk about hydropower and tidal power plants, wind generators, solar collectors, bioenergy and geothermal energy. To what extent are those sources going to be tapped?

[Answer] I must warn against excessive expectations that are sometimes being exaggerated. In the overall energy balance we are working on, the renewable energy sources at present come to circa one percent, and by 2000 they will at best come to two percent. It shows we certainly want to use these sources more, which are not always cheap, but they present no alternative at all. The energy problems of the future cannot be solved thereby. In contrast to other countries, we practically have no water power at all. The Baltic hardly has any tides, and the other sources are only of minor importance for our overall balance. Which does not mean that wind and solar power might not locally satisfy certain needs.

[Question] Especially since thereby environmental requirements also can be m in an ideal fashion. As we were talking about cheap energy sources, how expensive actually is efficient energy use?

The Rate of Return Is Two Years

[Answer] That is a cheap energy resources, if one compares it with the much more expensive energy production. Efficient energy use also makes for expenses, of course, but our experience has been that the rate of return for investments takes an average of 2 years. Every measure in efficient energy use also means efficient environmental protection because energy one need not resort to nee not be produced either and so puts no stress on the environment. Certainly, we hardly have any hydropower, but we have the necessary science potential to tapping energy reserves at considerable magnitudes. In the five-year plan period our energy savings are to come to an equivalent of 170 million tons of raw soft coal, which is roughly a semiannual output of the entire GDR soft coal industry. After the 10th party congress the quotas were increased.

[Question] What tasks in this is your institution handling? It alone cannot--figuratively speaking--dig up the whole mountain of 170 million tons of raw soft coal in the five-year plan period, can it?

[Answer] No, that is of course done in cooperation with other science institutions, with the industrial enterprises and all energy consumers. Our institution here also has a pace-setting function. We prepare the guidelines for efficient energy use and help enforce them. From the research to initiating new production procedures we bring an influence to bear on efficient energy use in all fields of the economy. The combines that are most important to us have the obligation to justify their energy requirements. We also work on applications for awarding distinctions "for exemplary energy economy work" and help the enterprises in various ways to meet those requirements.

[Question] If energy savings can be made in all fields, the question arises whether it would not be more beneficial to concentrate on certain areas or proceed down the line, as it were.

[Answer] We break our work down into certain complex fields, to be sure, but ignore nothing that is essential. Economic possibilities permit only a gradual approach, however. Much of the equivalent value of 170 million tons of raw soft coal to be saved between 1981 and 1985 goes to the energy conversion and distribution processes, that is mainly to the powerplant processes. But also in lighting, which does not make too much of a difference with respect to absolute energy consumption, we must insist on rational use. We also must do much more to improve indoor heating. We are using circa 35 percent of total energy consumption for it in the GDR. These are matters that are not consistently yet at scientific-technical top levels.

[Question] But the housing construction program probably gives us means here for making changes. What, incidentally, is the best form of indoor heating?

[Abswer] Remote-control heating is the most economical way, and that we are putting through, mainly with new housing construction. We still have trouble with the insufficient insulation of our buildings, not always up to standards, and with the chances for regular heat supplies that are not always under control. Official heat consumption standards are partly still much exceeded also because when the houses were put together, the impermeabilizing of joints and other quality parameters got inadequate attention.

Each Decides by Throwing the Switch

[Question] What do you think in this connection of the development of the energy awareness? Energy comes cheap, privately. Could that not give rise to poor habits as well?

[Answer] To prevent it and, on the contrary, develop sensible habits in dealing with energy is, after all, also a task our institution has.

A very good method for spreading energy awareness, it turned out, has beeen the struggle for official recognition "for exemplary energy economy work." Territories can also sponsor such contests for a title, as you know. Bezirk cities like Rostock and Cottbus have one already, and the northeast city district of Leipzig has started contesting for that distinction.

[Question] A final question: how much has the long and hot summer helped us actually save energy?

[Answer] Well, it has helped in our using up less energy than normally and made our getting set for the winter easier. The heating period started later, but all that can be cancelled out again by a long and harsh winter, unless we handle the available fuels most responsibly. That is what we have to adapt to.

5885
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## OUTLOOK FOR DEVELOPMENT OF CARBON CHEMISTRY PREVIEWED

East Berlin TG--TECHNISCHE GEMEINSCHAFT in German Vol 30 No 10, Oct 82 (signed to press 20 Aug 82) pp 7-8

[Article by Dr G. Klepel, engineer, director, Scientific-Technical Center for Carbon Chemistry MfC (expansion unknown) at VEB Otto Grotewohl in Boehlen: "Raw Materials: Perspectives of Carbon Chemistry"]

> [Text] Once again, carbon chemistry plays a special role in countries--like the GDR--that have adequate coal deposits at their disposal. Only they permit meaningful substitutes for petroleum, which has become extremely expensive.
>
> TG has carried several reports on trends in the use of the domestic raw material lignite (see TG 9/80 and 8/81). This, however, has by no means exhausted this topic. Now it is a matter of refining raw lignite through methods which are considerably more effective than those of the past. This article provides information on some such processes.

Consistent with the global trend to increase the utilization of the raw material coal as a material-economic [stoffwirtschaftlich] substance, the GDR has resumed research and development on coal gasification and liquefaction. Almost 100 years ago, rich lignite deposits in the territory of the GDR had already led to the development of domestic carbon chemistry. Today's research can build on the experiences of that period. This is done with a view toward conceptualizing refining methods that guarantee maximum output under optimal economic conditions and that, in addition, can be put into effect within a relatively short period of time.

Besides raw lignite itself, briquets, sifted coal, and last but not least lignite dust are important raw materials for the development of such substitution chains which reduce the demand for liquid energy resources.

Thus, research and development is being conducted in the following areas: generation of gas from coal, coal liquefaction, coke production, and production of electrical energy.

Starting Point Tars and Oils

Almost 40 percent of all raw lignite is made into briquets. Ten percent of the coal undergoes actual refinement processes, such as gasification, gasification under pressure, carbonization, and carbonization at low temperatures.

Carbonization involving gas recirculation and high-temperature carbonization produce tars and oils as byproducts. Unlike petroleum, they are of quantatively limited, but in terms of their specific product structure very significant economic importance for the energy and chemical industry of the GDR.

Starting with the economic need for hard paraffin and electrode coke--a product which demands a very high price in the world market--, two technologies for tar processing have evolved: thermally destructive tar processing of high-quality coke with installations for blow coking [Blasenverkokung] in Rositz and Webau, and the non-destructive hydrogenating tar processing method with a plant (TTH-Hydrierung) for the production of paraffin in Zeitz.

Plans call for the intensification and future increase in the output of the carbonization and coking plants and BHT [expansion unknown] coking plants through modernization and conversion of these plants as well as through modified processing technologies based on the latest scientific-technical findings. By making the greatest possible use of existing facilities, such measures will result not only in measurably higher output, but also in quality improvement.

Light crude oils are a byproduct of tar production and processing. To convert them into gasoline and diesel oil, respectively, requires hydrogenating processing. However, exclusive use of these light crudes for these purposes is unjustifiable since they contain numerous ingredients that are of interest to the chemical industry and to the domestic economy in general but must still be imported in part.

Of special importance in this respect is the dephenolization of light crudes. This produces a mixture of phenol, cresylic resins, zylenols, and higher-quality creosotes. Of these, the cresylic resins and xylenols [unlike phenol) cannot be produced at all on a petrochemical basis or only at unjustifiably high costs.

Other valuable ingredients of light crudes are the pyridine-bases which have been in production in Espenhain for years. Since the demand for pyridine-bases is growing in the world market and their price is escalating, adequate domestic production is an economic necessity to avoid costly imports. The same is also true for catechol, which has many useful applications, and also has to be imported in considerable quantities. It is not directly produced from light crude but is a residue of phenosolvan extraction. A technology developed in the GDR would not only permit the future substitution of these imports but would allow the manufacture of quantities large enough to permit exports.

## Direct Liquefaction of Coal

Fuels and organic chemicals can also be produced through direct liquefaction of coal. High output of good quality depends on appropriate processes specifically designed to liquefy lignite. One method is liquefaction based on the principle of catalytic high-pressure hydrogenation according to Bergius-Pier. Drawing on experiences, already gained before 1959 in a large technical installation of the Leuna Works, efforts are under way to optimize the catalytic high-pressure hydrogenization in a way that will increase output while lowering the energy input and cutting down on production time. This is, inter alia, accomplished by lowering the reaction pressure and by improved separation of solid materials and liquid substances. Residues are also re-processed.

This method of coal liquefaction--whose effective development is also being pursued intensively by other coal-processing countries such as the United States, the USSR, and the FRG--permits the production of both fuels and a large variety of vital chemicals, such as phenols, ketones, pyridin bases, and alcohols which, at the present time, must still be purchased for large amounts of foreign exchange. The process of catalytic high-pressure hydrogenation can also be integrated into the petroleum production process.

## Gas Production from Coal

The demand for synthetic gasoline is also rising steadily. By 1990, its annual production in the GDR is expected to be increased to about six billion cubic meters. This again calls for rationalized and economically efficient production methods that are geared to the specific characteristics of raw lignite.

A process developed in hhe GDR, which operates on the principle of coal dust gasification under pressure, will address this problem and form the future basis for a substantial increase of coal-based products for the intermediate materials [Wertstoff] and energy sectors.

This technology permits the utilization as fuels of both lignite dust or residues from petroleum production, including those which by other methods cannot be produced at all or only with considerable efforts from a material-economic point of view. Crude gas produced in this manner is processed for use in urban areas and as synthetic gas. Synthetic gas forms the basis for the production of large quantities of hydrogen, methanol, and other synthetic goods.

Increasingly, methanol is also attracting international interest since it can substitute for part of the conventional gasolines. An addition of about 15 percent methanol to conventional gasoline allows substitution on an annual basis of considerable quantities of gasoline without the need for large-scale modifications of motor vehicle engines.

Acetic acid, methyl chloride, and other materials are already being manufactured internationally on a large scale. Processes to produce acetic acid anhydride, ethylene glycol, vinyl acetate, and ethanol are being tested. However, methanol could also be envisioned for use in the production of olefines, paraffins, aromates, and possibly protein.

7821
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STATE SECRETARY DISCUSSES LONG-RANGE ENERGY POLICY

Budapest FIGYELO in Hungarian No 45, 11 Nov 82 pp 1, 4

[Interview with Dr Laszlo Kapolyi by Dr T. Katalin Forgacs: "Energy Policy Prospects"]

> [Text] One of the speakers at the scientific conference held in Csopak in September 1982, with the title "Resource Management," was Dr Laszlo Kapolyi, state secretary. who has published a number of scientific articles and books on this theme. Dr T. Katalin Forgacs, of our journal, talked with him.

[Question] Has the recent stagnation on the international oil market brought any change in calculations connected with Hungarian energy use and structure?

[Answer] The stagnation of the oil market means "only" that at present world market oil prices stand at the 12-14 times level which came about since 1973. Because of the CEMA sliding price principle the price of petroleum acquisitions in the ruble relationship continues to rise for the time being. So the goals of the government program for energy management continue to be correct--the coal program must be further accelerated, taking petroleum derivatives out of heat production, satisfying increasing needs for electric power with increased use of natural gas or on the basis of coal and nuclear power plants.

[Question] Even if we start by supposing that oil prices will not increase further?

[Answer] Yes, in this case also only following this combinative energy policy strategy seems to the point. In the first place, despite the stagnation you refer to we continue to predict a high level for world market prices. Since CEMA prices will continue to rise for the time being it continues to be our task to reduce petroleum use. We must find the economically most efficient use instead of burning petroleum. At the same time, in regard to domestic fuels, we have opportunities for expansion only in coal production and nuclear energy use.

Domestic petroleum production, now about 2 million tons, cannot be increased; indeed, it can be maintained only with successful prospecting and development

of extraction increasing procedures. In any case, energetics has contributed to a considerable degree to improving our foreign trade situation since we are now using roughly 2 million tons less oil than 4 years ago. Putting in each block of the Paks Power Plant for electric power production is equivalent to replacing 700,000 tons of hydrocarbons. At the same time, extraction of white products from crude could be increased by about 10 percent by building a cracking plant. In our coal production, on the other hand, an increase of 2-3 times may be realistic. In the course of long-range planning, however, we are now studying a more modest coal production, in the range of 29-41 million tons per year--representing a 10-15 percent increase.

[Question] As an alternative one could consider turning the sums needed to expand coal production to the development of branches producing export products, using these export products to pay for the import of energy sources. In other words: "Let us produce the counter for the fuel import in the Chinoin plant." This would not make any real change in our import dependence.

[Answer] When judging this frequently posed alternative one should not forget two circumstances. In the first place, the energy needs of our economy --like those of other economies--can be reduced to only a limited extent even with great expenditures; in the second place, we must try to satisfy these needs with the smallest economic sacrifices--in the interest of the developmental possibilities of the processing branches producing export products also.

According to calculations which have been checked and reviewed many times the expected energy needs of our economy can be satisfied more favorably with increased domestic use of our uranium ore and by developing our coal production than by increasing petroleum imports. So additional fuel imports, paid for with export products, instead of the development of domestic extraction which can be realized efficiently would mean that our economy would have fewer resources for the indispensable development of the exporting branches.

To a large extent contrasting the development of the extraction industry with export to cover the import of fuels is based on a false argument. We must develop that which is highly valued on the international market up to the limit where expenditures remain under the cost limit. This applies to both the processing branches and the extraction industry. In addition it must be remembered that import to replace fuels not produced at home is accompanied by a double risk, because in this case, in addition to changes in acquisition conditions beyond our control, we must reckon with changes in conditions for placing the countering export, changes in the tight world market competition, equally beyond our control.

Even the greatest development technically possible of our coal production and uranium ore use will be sufficient to cover from domestic resources only about 50 percent of our expected energy needs--even in the event of reduced growth. Providing cover for the other 50 percent will in itself place a great task on our exporting branches.

So the solution mentioned as an alternative would produce a situation where the Hungarian economy would be forced to export more and more to acquire the energy needed to run it, with less and less opportunity for development.

It is thus of crucial significance that the processing, exporting branches effectively reduce their specific needs for energy and raw material, within the framework of an improvement of international competitiveness. In this way the import of raw material and energy will not impose an increasing burden, because of the deterioration in terms of trade, on the receipts attainable by export.

One of the chief ways to reduce specific use--in addition to technological development and increasing use value--is to use raw materials and fuels which can be acquired under the most favorable conditions. So as long as the domestic extraction industry provides raw materials and fuels under conditions more favorable than the world market it is performing a "service" for the processing industry and is contributing substantially to the competitiveness of the latter.

Both the domestic extraction industry and the processing branches can be rated by their economicalness in accordance with international standards. And thus we find that, by international standards, the activity of the extraction industry has gone way up in value--as a result of that group of phenomena designated by the collective term "oil price explosion." The frequently mentioned change in terms of trade is the best expression of this revaluation on the international scale.

[Question] The revaluation also depends on how we evaluate the two basic elements in the economic classification of mineral wealth, the so-called "real production costs" and the so-called "cost limit."

[Answer] That is true. In the case of every deposit the Hungarian workability classification used for the economic evaluation calculates and compares two economic parameters--the cost limit and the real costs.

The production cost limit, namely the upper limit of costs at which it is worth while to extract any domestic mineral source, is equal to the real production cost of the least favorable source needed to satisfy demands existing in the period under study. Thus only those raw material deposits are "workable" for which the appropriately considered extraction costs are less than the cost limit.

[Question] In these calculations is the least favorable energy source still needed the imported petroleum indispensable for the satisfaction of needs?

[Answer] This was the basis for earlier calculations. Imported petroleum is the only fuel an additional amount of which can be acquired from abroad--if appropriate counter value is available--and it can be used broadly to satisfy needs. The real production cost of this is determined by the foreign exchange acquisition price, the production cost of the export products taken into consideration as a counter for the import and the world market sales price of these products.

So the cost limit of our domestic fuels depends, in addition to the world market price of petroleum, which develops independent of us, on the production

cost of the products of our exporting branches and on the prices at which they can sell them on the world market.

Because of the extraordinarily high level of world market petroleum prices this calculation has been modified in that we now establish the cost limit for our coal deposits by calculating back from the production cost of electric power which can be produced in nuclear power plants, because at present petroleum prices one can no longer consider use of fuel oil in new thermal power plants.

In addition, we take the average results of credit actions to stimulate various exports as the basis for determining the foreign exchange yield index of export products representing a potential counter value in these calculations. Let me note in passing that we thus give preference to barter-production raw material acquisition solutions because--according to many of us --one should reckon here not with average costs but rather with the marginal foreign exchange yield cost achieved for the "worst" export batches still necessary.

According to cost limit calculations based on petroleum imports--projected for the same use value--imported energy--the production cost of which is determined by the expenditures for the countering export--would be about twice the cost of domestic extraction. Indeed, even the specific cost of establishing capacity for barter-production to be exchanged for import exceeds the cost of establishing coal production capacity (projected to the same base).

About 35 percent of the coal deposits are competitive with a cost limit established on the basis of electric power produced in nuclear power plants and so are worth extracting. In the mid-1970's this ratio was around 25 percent. So the development of domestic coal production--like the production of power based on fissionable material--is unambiguously competitive with the import of hydrocarbons, within the limits set by the coal deposits.

[Question] But in the case of the expected costs of expanding coal production capacity did you calculate with the average price index or did you start from the price increase for investment goods? And how did you take into consideration the import fraction of the extracting industry? Surely this is not negligible!

[Answer] In calculating development costs connected with building up the coal base we naturally took as a base the price index for investment goods. As for the import fraction, this does not affect the significant construction expenditures but only the acquisition of machines. According to average data about half of the mining machines to be used are Hungarian, 25 percent are socialist imports and 25 percent are of capitalist origin. Let me note that modern, mechanized working methods compensate many times over for the extra costs arising due to the greater depth because the volume of production per unit time increases many times and because of the spatial concentration of production. As a result of tall this productivity is incomparably greater.

[Question] Did you not think that all machines arriving from import sources should be taken into consideration as if they were all of capitalist origin? This method of approach would be logical with the limit cost view. And did you take into consideration not only the direct but also the accumulated import content?

[Answer] These are ideas to be considered. But we must remember that with the development of socialist integration there will be an ever broader range of machines and equipment which can be acquired in the necessary quantity and quality from the socialist relationship and so taking these conditions into consideration does correspond to the marginal view. In regard to taking into consideration the accumulated import content, let me note that among the chief branches of industry mining has one of the smallest import contents for productive material use and taking the accumulated value into consideration does not change this. In any case, if we take the import content into consideration as it accumulates among the developmental and production expenditures of mining then we should do the same thing for the counter value for oil import constituting the basis for the cost limit calculation, or in the case of nuclear power plants also. Thus, taking into consideration the accumulated import content would not hurt the results of the calculations pertaining to increased use of our coal deposits.

In any case, it has been known for a long time that if we want to determine what combination of development of the extraction industry and of the processing, exporting branches will result in minimum expenditures at the level of the national economy it is not enough simply to calculate and compare the direct costs of the two solutions. As Novozhilov has pointed out, the production of each and every product is interdependent with a certain change in the expenditures for and necessary quantities of other products. So in studying any developmental variant we must take into consideration, in addition to direct expenditures, what supplementary expenditures will become necessary in other spheres of the economy, with the use of the production assets and developmental resources. Sometimes these so-called "reciprocal expenditures" may be so great as to completely negate the savings appearing in the direct expenditures. This might be the case if, instead of exploiting the coal deposits or developing nuclear energy, the development of the processing branches or of agriculture, in the interest of providing a counter for the import, were to make necessary great incidental imports and very expensive "background" investments due to world market competition.

[Question] This is not entirely convincing because the incidental expenditures also appear in the other direction. In the event of constant development indispensable extra expenditures may become necessary even for processing branches forced relatively into the background because of the extracting industry. In addition, unfortunately, a theory of the Novozhilov type is difficult to put into practice; all expenditures appearing at the level of the national economy cannot really be taken into consideration in the case of concrete developments.

[Answer] I would like to refer back to what I said earlier. The planned development of domestic coal production and nuclear energy will not withdraw

any possible resources from the processing branches. On the contrary, if we thus satisfy the indispensable energy needs--according to our calculations under conditions more favorable than any other possibility at our disposal--then there will be more resources remaining for the development of the processing branches than if we gave preference to fuel imports instead of the domestic developments which can be realized efficiently. In regard to the uncertainty of establishing expenditures at the level of the national economy I can only note that this pertains equally to every variant and every detail of every variant for satisfying the energy needs.

[Question] There is still one uncertainty factor we have not mentioned. How did you proceed when forecasting energy needs?

[Answer] All the way up to 1978 there was more than one unit of energy use for each unit of national income increase. Instead of this we now take an index of 015 in the long-range calculations. This may be too optimistic a ratio! Starting from this, we are predicting a substantially slower growth in our energy needs as compared to the use planned earlier. Indeed, there may sometimes be a decrease in total use has, for example, in 1981.

Naturally, energetics itself cannot fulfill this tight prescription. It will require that every sector of the economy, including communal consumption and consumption by the populace, treat a reduction in the energy demand of our development as a stressed task.

[Question] How do you intend to counter the increased environmental pollution of coal fired power plants, the "reciprocal expenditures" appearing in this way?

[Answer] In principle we can intervene in three "places," in treatment of the coal before burning, in the burning technology itself and, finally, in treatment of the stack gases released. We have studied a number of procedures in all three areas. As a promising trend I might mention conversion to the technology of so-called fluid firing boilers. To a considerable extent this technology binds the sulfur oxides arising as the coal is burned, preventing the production of flue dust. So in the long term a great reduction in environmental burdens can be attained with active environmental protection deriving from the development of technology. This applies to every branch of energetics and we will apply it to nuclear energetics also.

8984
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UNION CONFERENCE ON WORK PLACE DEMOCRACY

Budapest NEPSZAVA in Hungarian 22 Oct 82 p 7

[Article by Laszlo Deak: "Conference on Further Development of Democracy on the Job]

[Excerpt] The Trade Union's Outstanding Task and Obligation

A two-day scientific conference began Thursday in SZOT's [National Council of Trade Unions] headquarters on the main theoretical questions of further developing the workplace democracy. Secretary generals of industrial branch and subbranch trade unions, heads and secretaries of the SZMTs [Megye Trade Union Councils], economic and mass organization leaders of the enterprises, as well as representatives of the scientific live, economists and sociologists are debating the conditions of improving the workplace democracy and the tasks of the trade unions and of the economic management.

The first presentation was delivered by Marton Buza, director of SZEKT [Theoretical Research Institute for the Trade Unions], about the direction and conditions of workplace democracy. Then Istvan Bihari, the general manager of Chinoin, outlined the tasks of the enterprise managers and the just expectations from their behaviors in developing the workplace democracy.

The third report to the conference was made by Ferenc Sali, head of SZOT's department of organization and cadre, about the trade union's tasks related to improvement of the workplace democracy.

"For years we have been making conscious and constant efforts in this country to strengthen socialist democracy and within this, the democracy of the workplace, and to improve further its content and methods. We are doing this with the conviction that further improving the merits of democracy is at the same time the key question of our future and of our progress," Ferenc Sali said in introduction. He continued, "Workplace democracy is an indispensable tool of our political system, of the expansion and at the same time of the credibility of the power of the workers--tool that must never become a self-serving process or an effort for its own sake. The essence and content of democracy is social action and activity, ensuring the broad involvement and organized participation of the working people in exercising power and in

deciding and organizing the questions that affect the community. It is a tool for involving the working people in public life and for strengthening civic-mindedness.

"Our democracy is more than a simple tool for organizing the conflict of interests, and for expressing interests, or just some kind of a process for exercising one's rights," the speaker emphasized. "Workplace democracy is also a method for exercising power. One of its most important tasks is to promote the best possible and the most realistic decisions."

The trade unions have always been the initiators of reinforcing democracy, since we cannot implement even our noblest social goals without the understanding, support and cooperation of the workers. In this connection the speaker indicated that 1977 was a significant point in the process of strengthening the workplace democracy, when it became clear that some kind of a special organization is not necessary for implementing democratism and for involving the workers in leadership because this can be solved reliably through the trade unions--as this is a natural part of their work.

The practice that has developed and is constantly gaining strength has added further color and enriched our social life, strengthened society's activity, the communal life and sense of responsibility of the people.

The representative forums, trade union groups, stewards and steward organizations have entered the process of exercising and strengthening democracy as new irreplaceable powers. In 1980 the trade union movement agreed to transform the entire structural system of its basic organizations by building on this strength after an experience of only 2 to 3 years. By this measure --including the broad authorities of the stewards--the trade union movement made a timely move and conformed to needs. Ever since then, constant and deliberate reinforcement of democracy on the job has been one of the most important tasks and cherished obligation of the trade union movement.

Sali emphasized that the significance of the base organization's work had further increased recently in the trade union's work. The base organizations work is helped by strengthening the trade union's communal life, the system of group membership meetings, the increased role of the stewards and the increasing work of the steward's organizations.

Speaking about the developed system of implementing and further improving the work place democracy, the speaker emphasized the definitive role of the stewards.

"Most stewards are already respected people, real and definitive factors in their respective environments," he said. He spoke about how, based on the position taken by SZOT at its meeting last October, a plan was worked out with the approval of the Council of Ministers for further improving democracy on the job. The plan is characterized by the fact that it contains only the main principles and specifications. Detailed regulations are entrusted to the local organs. The goal reduces the central specifications and increases the independence and responsibility of the local collectives; it eliminates

the difference between the rights of producing and nonproducing work place units and communities; it organizes the functions of the forums by eliminating the parallels and overlapping areas; and it dissolves overregulation.

The plan, Sali said builds more vigorously on the individual working strata, mainly on youth; it increases the personal role and responsibility of the business leaders and trade union officials, and the responsibility of the state's directing organs; it intends to expand the right of the collectives to state their opinions about the work of their leaders.

The speaker related in closing that the trade unions are not impatient concerning the situation of workplace democracy but neither are they satisfied with it. They can also see the weaknesses of their own work. They do not reject justified criticism but they do reject the idea that doubts the suitability of the trade unions in practicing the democracy and in operating the forums. In recent years the movement has proved that it is capable of implementing this responsible task.

Wide-ranging debate developed after the reports. The conference will finish its work today.

8584
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## HAVASI'S ECONOMIC POLICY HIGHLIGHTED BY HIS COLLECTED WORKS

Budapest NEPSZABADSAG in Hungarian 6 Nov 82 p 5

[Review by Istvan Foldes of book "Uj fejlodesi palyan. Valogatott beszedek es cikkek, 1977-1982" [On the New Path of Development. Selected Speeches and Articles, 1977-1982] by Ferenc Havasi, Budapest, 1982, Kossuth Publishing House]

[Text] It is very edifying to reread publications that had attracted public attention already at the time of their appearance, even if the ideas in them were expressed and written fairly recently, over a period of not quite five years. This is especially true if we again read the articles and speeches of a period in which, at the end of its first year, the December 1978 session of the MSZMP Central Committee switched the Hungarian economy to its new path of development. In 1977, as deputy chairman of the Council of Ministers, Ferenc Havasi was chairman of the government's Economic Committee. In the spring of 1978, he became secretary of the MSZMP Central Committee. His speeches, articles and interviews are thus an authentic source providing insight into how the changeover to the new path of economic development came about in economic policy, and how the economic-policy directives and resolutions of the party and government are being implemented.

Rereading provides an insight also into the workshop of formulating economic policy, of its continuous development and, when necessary, its self-correction. Reflecting the party's work style, the material of this volume proves that the objectives of economic policy originate not from wishful thinking and pipe dreams, but from reality; that they respond sensitively to changing circumstances; and that we are not afraid of the new and boldly introduce changes when new forms and methods promise better results. But at the same time we are also mindful of the requirements of social stability.

### Stability and Flexibility

However, we regard the requirements of social stability not as absolute immutability and the conservation of obsolete structures, but as the need to ensure that society and the economy develop free of shocks. In today's rapidly changing world it is not always easy to resolve the contradiction between stability and flexible change, nor are we able to resolve it optimally in every case. If in this respect we sometimes misjudged the proportions, we had the courage to openly admit our mistake, and to make the corrections deemed necessary. Also as a persisting effect of years past, the desire for stability is very strong within our society: not only among individuals, but at the enterprise level as well. Pressure from this source was a contributing factor in that during the past period

our actions were sometimes late or did not go far enough; for example, in adapting to the changes in the external economy and in passing on their detrimental effects upon the country. The history of the 1978-1982 period clearly demonstrates how much faster and more consistent economic management's response has become, and how the inevitability and practice of flexible adjustment to changes have gained acceptance, albeit not general acceptance, also in the economy.

What Ferenc Havasi said on the 36th anniversary of our liberation remains valid and edifying even today:

"With hindsight, there are many things we would have done differently and better. We can justifiably say, however, that our results can be attributed to our willingness to boldy compare our policy with reality. In the course of our progress we are not avoiding or circumventing issues that have become ripe for solution, because we know that procrastination or the avoidance of issues would only aggravate our problems."

Modification of the Path of Economic Development

Modification of the path of economic development, decided at the December 1978 session of the MSZMP Central Committee, also occurred in this spirit of criticism and self-criticism. The contents of this volume comprehensively illuminate the antecedents of this change of path, and analyze both its causes and consequences, tracing the course of their realization. Regarding the antecedents:

"Planning and the system of regulation adjusted with delay and inadequately to the world economy's environment under the 5th Five-Year Plan, an environment that was even worse than had been anticipated. As a result, the normative requirements were relegated to second place, and the economic organs enjoyed more protection than what was warranted. In the division of income between the state and the enterprises, the state organs were unwarrantedly too accomodating at the expense of the state budget."

The author formulated the requirements of the new economic-policy path as follows:

"Our actions must center around the restoration of external economic equilibrium, and until we are able to match the present level of distribution with the necessary performance, we cannot pursue any other course than a policy of preserving the attained living standard and slightly improving the living conditions."

The nearly four years that have elapsed since the end of 1978 have proved that the change was necessary and the new direction is the right one, and that the modifications, although somewhat late, were still in time to prevent more true and greater shocks to the economy. For it is evident also from this volume that the world economy's unfavorable effects reaching us have not subsided; to the contrary, they have even intensified. Let us just recall the second oil shock at the start of this period, the deepening recession of the capitalist economy, or the policy of increasing discrimination against the socialist countries and the financial difficulties stemming from it. The fact that we nevertheless have been able to restore the equilibrium of our balance of trade and to basically maintain the living standard, the level of the population's supply, is inseparably linked to the changeover decided at the end of 1978 and to our economic policy since then.

Acceptance of Debate

It is not easy to gain acceptance for new ideas, and this is especially true of new policies and methods. We must fight for them, before scientific forums as well as in the various spheres of the economy, among managers and the workers who implement the plans. And if in addition to all this implementation has to be ensured under increasingly more difficult conditions, doubts will unavoidably arise, and even views challenging the soundness of the new direction.

Ferenc Havasi holds that it is the duty of the Communist politician and party worker to respond with convincing arguments to doubts stemming from a superficial or sketchy knowledge of the facts, as well as to withdrawing views that question the socialist nature of our measures or to outbidding views that are in conflict with the basic principles of the socialist economy. Debate, he believes, must not be avoided. Discussion of the problems and the dispelling of doubts are conducive to a peaceful domestic political environment, and not in conflict with it:

"Naturally, a peaceful and well-balanced domestic political life does not mean that society is at a standstill; it does not mean that we do not have any problems or that there are no society-wide debates. Such debate is motivated, basically and decisively, by a constructive desire to improve the situation. Thus even though we do not always agree with everyone on every issue, we welcome a dialogue because the correct standpoints and views become crystallized in debate and are able to further strengthen social cooperation and socialist national unity."

There was no paucity of such debates even during these years. To mention a few from this volume, we had debates on the rate of economic growth, the economy's openness, the role of foreign trade and its breakdown by principal provenances and destinations, the differentiation of enterprise and personal incomes, the production structure, and the new forms of entrepreneurship. I have mentioned only a few of the topics of debate from this volume, intentionally topics that leave much to be clarified and explained even today. Ferenc Havasi's thinking and reasoning also on these issues can be of considerable help in political work. The following are a few illustrative examples of his apt formulations.

On the growth rate: "The trouble, we firmly believe, is not so much that the growth rate of production has slowed down, but far more the fact that even so we are obliged to maintain enterprises and activities which, to put it mildly, are not contributing to national income."

On the economy's openness: "We are dependent on developing world-economic relations. The openness of our economy and its close ties primarily with the CEMA countries, but also with the other spheres of the world economy, follow from our country's situation and its natural conditions. We do not wish to alter this openness, nor would we be able to do so."

On the new forms of entrepreneurship: "In the course of the history of building our socialist society, people have guarded socialism many times from something or other . . .. At the time of the economic reform's introduction there were some who feared that economic competition and adjustment to the market would

eventually lead to unemployment and to the living standard's decline. Experience has not confirmed these fears. But there were also those who frequently referred to the false concept of refrigerator socialism and wanted to protect our socialist development from it. There was considerable opposition also at the time when we supported farming on household plots. Still others feared that letting sharecroppers cultivate the fields in Nadudvar would mean a return to capitalism. But they did not fear that the people's initiative, their desire to do something, would be lost if we did not provide the conditions that would enable them to develop their initiative."

Reform's Further Development

There has been debate in recent years, and there is one even now, on our system of economic management and particularly on its further development. The first article in the volume, written on the 10th anniversary of the economic reform's introduction, rightly emphasises the following:

"The quality and, one might say, the art of economic management lie in how it responds to the changing world's 'challenge,' how it is able to sense and transmit the international and domestic economic processes, and how well it can mobilize society for the tasks that from time to time must be solved under the changing conditions."

The reform of economic management created favorable conditions for the art of adjustment, but of course economic management itself had to change in order to be able to fulfill its role. And it is likewise natural that this, too, did not take place without debate, and there were even temporary standstills. In [year illegible]-1974, for example, political uncertainty hampered the necessary further development, writes the author. And he goes on to say:

"There were views to the effect that in the years following the economic reform's introduction the socialist features of our society had been weakened, and therefore these features had to be reinforced; among other things, the stability of the large plants had to be protected at all cost. It is understandable that in this atmosphere and situation it was fairly difficult to search for, elaborate and also introduce more radical solutions conforming to the spirit of our economic reform. The search for a way out was characterized by efforts to continue the economic reform, and also by views that regarded the new economic mechanism introduced in 1968 as one of the causes of the arising problems and saw their solution in reviving the methods and approaches already employed in the past."

In the subsequent years, specifically in the years covered in this volume, important measures were adopted in the spirit of the economic reform's basic principles, to develop our system of management further, in planning, regulation, and in the system of organization and institutions as well. Let us recall, for example, the introduction of producer prices geared to the world-market prices, the establishment of the Ministry of Industry, decentralization of certain enterprise organizations, etc. In the course of this, attention focused on many questions that now appeared in a different light. These included questions such as the relationship between central management and enterprise independence, the application and combination of the direct and indirect methods of management, the relationship and proportions of compulsion and stimulation, reconciliation of short-term and long-term interests, and the question of entrepreneurship and risk-taking. Concerning this last question, the author emphasized:

". . . managers at every level must assume the risk and responsibility in conjunction with their decisions. We must not exclude the possibility of failure. But only the managers whose activity is basically successful and whose possible risk-taking losses are amply covered by their successes can afford to accept failures, and we, so to speak, can forgive their failures."

Role of Human Factors

Ferenc Havasi discusses also elsewhere the increasing requirements that managers must meet. For example, he writes:

"Only those managers who are dedicated, know their profession well, are selfless and regard their managing and leading role as service to the people have been and will be able to make sound decisions."

But he emphasizes the important role of the human factors not only in conjunction with managers.

"Human factors--a uniform approach, initiative based on such an approach, creative activity, professional knowledge, a sense of responsibility, organization, order and discipline--play an important role in the realization of our objectives. It is in the interest of everyone--managers as well as subordinates--and their duty to reinforce the positive characteristics of human behavior and to develop a creative atmosphere. Good morale makes work more fruitful, increases the results, helps to overcome the problems and enhances progress."

From these ideas stems the importance of political work that gains acceptance for our objectives and mobilizes society for their realization. It is necessary to make people aware, he writes, that "only the development of society as a whole can be the basis of the permanent and continuous well-being of individuals and smaller collectives."

It is now almost four years that the Hungarian economy has been proceeding along its new path of development. This volume of Ferenc Havasi's speeches and articles gives us a good overview of these years. And it also convinces us that the essence of this new path is not a moderation of the growth rate, but the creation of the conditions of growth based on new structures and greater effectiveness. He writes:

"As the resolution of the party congress points out, we must do our work in such a way that will provide also the foundation of dynamic growth in the future."

The writings in this volume help to develop the approach essential to this work.

1014
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OUTLINE OF ECONOMIC ADMINISTRATIVE FUNCTIONS

Warsaw PRZEGLAD TECHNICZNY in Polish 17 Oct 82 pp 35-37

[Article by Janusz Goscinski: "Mechanisms And Processes in a Reformed Economy"]

[Text] The autonomy of enterprises is the condition of those basic changes in the functioning of the economic system, about which I wrote a week ago. It is, therefore, also the condition for self-financing the system's result. The cause (source) of the result is the principle of strict financial-budgeting limitations. The limitations are possible when the financial system is efficient, when it is based on a uniform value of the zloty as the only payment means in the customs area of the country, that is "difficult" to obtain for economic organizations. This also requires the state's financial policy based on adjusting economic plans to the state's financial capacity, instead of purely fiscal policy based on draining all organizational units and the market of all the money in order to implement the plan. Such behavior leads to hyperinflation. The future solution, recommended here, would, naturally, require the independence of the national issuance bank from the state administration, since only such independence will allow the statutory regulation of the principles and the size of money issuance and circulation.

Before presenting the proposals concerning separated autonomous regions, I want to discuss two categories that are often mistakenly used as synonyms: economic separation of the enterprise (the organizational unit), and the economic autonomy. R. Zielinski* explained the difference. According to him, the economic separation means:

a) separation of the goal function (income-profit type);

b) territorial separation of functioning;

c) separate methods and means of exploiting material resources;

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*R. Zielinski, "Determinanty kreacji systemu kierowania gospodarka socjologiczna" [The Determinants of Creating a System for Managing Sociological Economy"] (Ph.D. thesis), Lodz University, 1981.

e) separation concerning the arrangement of employees, means, methods, etc, and inter-relationships between these factors.

Thus, by the economic separation R. Zielinski understands the economic category that implies a specific content of economic relationships that take place within the economy. Therefore, the fact of separating a party earmarked for exploitation by a given economic organization from the whole of the financial and material resources does not denote the economic separation. Separation of resources does not take place because the central authority chose to do so, since economic activities cannot be conducted outside of separate economic organizations. The economic separation does not imply any decisionmaking rights. In an extreme case, the economic organization may be separated according to the four characteristics listed above. However, it may be at the same time, either completely or almost completely divested of free will in an extremely centralized system of economic management.

The economic autonomy pertains to decisionmaking rights. This means that it is an economic category belonging to the sphere of political and ownership relationships. Thus, the delegation of decisionmaking rights is based on the transfer of part or, in an extreme case, all of the rights to perform ownership functions. In other words, it means that there is a change in the distribution area in the power structure. The legal personality constitutes a formal confirmation of economic autonomy, which is expressed in the sphere of ownership relationships. Thus, contracting ownership obligations and the ability to contract credits are the characteristics of economic autonomy, rather than the separation of the economic unit.

Therefore, the notion of the autonomy is linked to such issues as:

1) the scope of the decisionmaking rights, including the autonomy of the economic planning;

2) the responsibility of the unit for contracted debts with its resources and income;

3) vertical and horizontal links.

Following R. Zielinski's suggestion, O. Lange and E. Lipinski formulated an approximate definition of the lower and the upper limit of the economic autonomy. The suggestion is worthy of further analysis and, perhaps, even conclusive results concerning this matter. This is how the limits are defined according to Zielinski:

--the lower limit of the economic autonomy is manifested in those activities of enterprises that cannot be centrally planned using detailed indicators given from the top (E. Lipinski, "Istota i granice decentralizacji" The Essence And Limits of Decentralization in "Teoria ekonomiki i aktualne zagadnienia gospodarcze" Theory of Economics And Current Economic Problems , 1964)

--the upper limit of the economic autonomy is manifested in such awarded scope, that its overstepping may become the premise for forming the anarchistic-syndicate type of ownership (O. Lange, "O socjalizmie i gospodarce socjalistycznej" [Socialism and Socialist Economy], 1968.

Putting aside for the time being, the question of correctness of the proposed autonomy limits, I simply want to emphasize that the notion of autonomy is linked to the management system. The management system includes, besides methods of managing groups of people and administration of the organization, the ownership, i.e., constitutional relationships (I wrote about it earlier in my book "Zars teorii sterowani ekonomicznego," PWN, 1976). I shall discuss the alternative to the management systems, i.e., the principles of economic reforms, in another publication. Here, I merely want to discuss the subject of economic autonomy. The autonomy should be studied by examining its eight aspects (see Table).

In theory, there are three variants of the national economic system. In the first variant, enterprises are separated, but they do not enjoy any degree of the economic autonomy (the state is the economic unit and enterprises are its dependent agencies). The second variant consists in partially autonomous enterprises. The third variant consists in the state functioning as the economic unit and autonomous enterprises as units functioning independently of each other. The two extreme variants do not interest me here for pragmatic reasons. Thus, we will deal with the case that can be defined as a choice among combinations of autonomy.

In this context, we should also examine the functions of the central authority (information, indirect parametric, indirect nonparametric, and direct) also associated with (partially) autonomous functions of economic organizations (marked in the table F1 to F6). I omitted the function of the state control since it is implied in every F.

Most of the blocks in the table, which are a result of crossing horizontal lines with columns, are filled with text. However, in a few cases there is no relationship between a given function of the central authority and the functioning of enterprises. The table does not attempt to exhaust the subject of relationships or procedures pertaining to the functioning (behavior) the central authority and economic organizations. It simply illustrates the way of reasoning, of defining the set of relationships for a given, assumed earlier, system of functioning of the economy. Every combination in which enterprises become autonomous and nearly strict financial-budgeting limitations are assumed as a premise for functioning, should have a table.

To illustrate this kind of reasoning, I will discuss two areas of activities: D3, concerning income and funds, and D6, concerning trade activities of enterprises. For both cases I assume that central plans (yearly, as well as those covering several years) do not have the directive-type character, according to the principles adopted in 1981 for the economic reform. At first, let us examine the first case, i.e., the income and the funds. The budgets are the instruments for central and field planning. They inform about the budget income, expenditures, etc. They inform enterprises about

Table. Functions of the Central Authority and Activities of Economic Organizations

| Functions of Central Authority | Areas of Activities: Planning D1 | Assets D2 | Incomes and Funds D3 | Projecting D4 |
|---|---|---|---|---|
| F1 Central Planning | Information Economic policy, state programs, parameter steering, forecasts, etc. | Plan of central investments leading to the growth of assets of economic organizations | Information State and local budget | Information Market, supply and demand |
| F2 Legislation | | Cession of state treasury assets on behalf of economic organizations entitles to exploitation and turnover | Regulations concerning the process and conditions of creating funds, mixed companies, etc. | Industrial, trade law, etc. |
| F3 Standards | | General standards of amortizing components of assets | | Polish standards, certificates, industrial safety and hygiene, state control |
| F4 Distribution-state control | Materials-energy balance, quotas and allotments | Allocation of machinery and centrally distributed equipment | Social subsidies and subsidies for research and development | State orders |
| F5 State contracts | State orders | | | State orders |

Table (continued)

| | | | |
|---|---|---|---|
| F6 Regulations and economic steering | Set of parameters pertaining to D2-D8 areas | Property tax | Income tax, size of reserve fund, interest on bank resources and bills, etc. |

| Economics and Finance D5 | Trade Activities D6 | Organization D7 | Management, Employment and Wages D8 |
|---|---|---|---|
| Information Budget, credit plan balance of the population's income and expenditures, etc. | Information Plan of market supplies, plan of CEMA turnovers | | Information Balance of manpower |
| Regulations concerning bankruptcies | Regulations concerning consumer protection, process and conditions of agreements (fees, securities, guarantees, etc) trade and civil codes, licensing economic activities | Antimonopoly regulations concerning associations, companies, etc. | Regulations concerning the right to employment, administration of commissions, annuities and pensions |
| Insurance rates, protection of environment standards | Principles of price calculations | | Allowances, social minimums, standards |
| Product subsidies | Quotas and allocation of raw and other materials, imports licenses | | |

Table (Continued)

| | | |
|---|---|---|
| Securities, fees, money advances, guarantees for securities and other guarantees | State contracts and orders, offer-auction system | Price lists and rates |
| Transport and Telecommunications rates, duties, trade margins, income tax, interest rates for inputs and credits, product subsidies (goods and services), conversion rate, etc. | Exports and imports customs, duties, trade margins, turnover tax, regulated and conventional prices, foreign exchange balance, foreign exchange rate | Labor costs, levelling tax and emoluments |

financial and budgeting policy conducted by the central authority and regional self-governments, i.e., about the factors that would influence incomes and allowances, i.e., funds of enterprises.

However, the state conducts specific regulatory activities characterized by general rules (e.g., economic law). In this framework, I assume that the regulation will be the process and the conditions for creating specific funds. Therefore, the autonomy of enterprises will be limited to eventual creation and distribution of income and for creation and appropriation of funds for joint enterprises, companies, and participation of foreign partners in the form of trade and capital companies. Such regulations are general in character, which means that they pertain namelessly to every enterprise (and, more generally, to every economic unit) functioning in the area covered by the regulation.

The standards function F3 does not pertain to D3. In the case of the function F4, I see two alternatives. The first alternative assumes preservation of the allowances for research and development goals wherever the central authority wants to increase the scope and the intensity of the projects that are especially important for the economy. Of course, instead of allowances, state agencies can contract out such projects. In that case specified funds would cease to obtain allowances (e.g., the development or the technological progress funds) and research and development would move to the F5-D6 block. It is also possible to have the most favorable, mixed system based on subsidizing expenditures for basic research and contracting for solutions ready for commercial use.

The regulatory function of the central authority pertaining to income and funds is based on taxing incomes according to the principles of the tax policy that requires making allowances of an appropriate part of the income to the reserve fund. It is also based on interest payments for resources accumulated in banks on behalf of various funds and policies that would encourage, by high interest, the accumulation rather than consumption of resources. Such policies would have to vary according to parts or sectors of the economy in order to encourage some and discourage others, depending on the state's social and economic policy.

Concerning trade, the plan also fulfills an information function, even including the obligatory state transactions in the CEMA framework, as well as the plan for market deliveries and the policy of balancing trade.

In the legislative sphere, the central authority would regulate indirectly, although nonparametrically, the trade activities of autonomous (industrial and trade) enterprises by defining the main principles for entering into agreements based on trade and civil codes, and by licensing specific activities. The activities include import licenses, purchase of trade or industrial cards, the opinion of the appropriate industrial-trade department, etc. Finally, the state would patronize, through legislation, the institutional forms of consumer protection.

Concerning standards, the central authority would only be involved in setting principles for calculating prices and contracts. The sphere of distribution involves more because import and sometimes export licenses have to be awarded, and because of the necessity to set quotas for some commodities belonging to the sphere of supplies, and for exports, in order to protect, for the time being, the domestic market.

State contracts and orders do not require any particular comment. They can be concluded on the basis of offers and as a result of limited or unlimited auctions that would include a system of appropriate securities in the auction stage and after completion of a part or all of the order, fees, and other forms of guarantees, e.g., guarantees concerning hidden defects, etc.

The system of indirect regulation includes an appropriate customs policy applied by the central authority to exports and imports. As a member of GATT we are required to apply the policy to enterprises and other units of socialized economy. The system of official prices or prices regulated by the central authority operating with profit margins and the rate of zloty or other currencies in commercial and noncommercial turnovers is another instrument.

The turnover tax may be used as an important indirect instrument, to collect excessive income resulting from applying free prices in the market by dominant manufacturers. The turnover tax may also be used to encourage production of goods preferred at the time; e.g., much lower rates or a periodic tax exemption may be applied for such goods as medications, insecticides, agricultural tools, shoes, children's clothing, etc.

9959
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FURTHER TRANSPORTATION PROBLEMS NOTED

Warsaw TRYBUNA LUDU in Polish 29 Oct 82 p 6

[Article by Andrzej Kozminski: "Alarm For Transportation"]

> [Text] ..."Since I exhausted all other means of intervention available to me, I now ask Mr Minister to intercede on our behalf with the subordinate services responsible for full coverage of railroad cars used for the export of sulphur. Last October delays in export of crushed sulphur for 10 days equalled 15,000 tons."
>
> Engineer J. Klimek, director
> "Siarkopol", Tarnobrzeg

> ..."On 8 October at 9:00 o'clock blast furnace 5 producing ferromanganese in the steel mill 'Pokoj' in Ruda Slaska stopped working (...) as a result of the lack of railroad cars needed to deliver fluxing agents and ores (...) Continued lack of deliveries will result in stoppage of the second blast furnace and, subsequently, the whole mill (...)"
>
> Bogumil Ferensztajn, economic secretary
> PZPR, Voivodship Committee in Katowice

Every day long reels of telex tape with such messages find their way to the desk of the minister of transportation, the vice ministers, and the director of the commercial transportation and exploitation of the Polish State Railroads (PKP).

The Winter has not yet begun, there has been no frost or snowstorms, but still the transportation department is not able to handle accumulating needs. Even for transportation of coal, which has been awarded the highest priority, there have not been enough railroad cars. Last August 860,000 tons and in September over 1.4 million tons less coal than planned was transported.

In October, a month which, according to the PKP annual scale of difficulties, was an average month, the railroads refused to transport 4 million tons of cargo. This equals 12 percent of the general needs of the economy.

Brakes on Rails

The transportation potential of our railroads decreased almost 90 million tons, i.e. 18 percent, as compared with 1978, when PKP transporting was largest. There are several causes of this.

First of all there is not enough equipment. Delivery of new railroad cars has decreased several times. Although the number of damaged cars decreased by 10,000, still 53,000 cars are waiting to be repaired. Also, over 1/3 of heavy diesel locomotives and 14 percent of electric locomotives are idle. This is caused by the lack of spare parts and insuficient capacity of the repair plants.

Slower trains and a decrease in transporting efficiency have been caused by bad rail conditions on almost 1/4 of the PKP rail network, and by limiting cargo transports by whole trains (without dividing it on the way).

There is a lack of over 30,000 employees. The causes of this include early retirement of many experienced employees.

The transporting capacity of the railroad has decreased as a result of a shorter week.

Even during the first months of this year rail and truck transporting capacity was larger than required, when requests are considered. Furthermore, during the first half of this year a sudden decrease of truck transportation was noted as a result of a fuel shortage that caused more cargo to be diverted to railroad ramps and sidings, since trains offer cheaper transportation, compared with trucks. In this situation truck transportation enterprises left the system and took apart much of the equpment, especially the type that used more fuel.

As a result, already this May--while the industrial production, and especially mining, increased--PKP reached the upper limit of its transporting capacity. If we do not count inland water transportation which offers minimal services and has decreased even more because of low water level, PKP has been left alone, faced with growing transportation tasks without any possibility of help from the truck transportation system.

Decisions not Implemented

This July the Economic Committee of the Council of Ministers adopted a resolution that formally concerns improvements in coal transportation in

the second half of this year. Practically speaking, the resolution contains decisions that should help the railroad in the following years. However, some decisions proved unrealistic. For example, the governor of Piotrkov voivodship could not transfer the metal manufacturing plant "Komety" to PKP because he transferred it to the installation works enterprise in Lodz on the basis of...an earlier resolution of the Council of Ministers. It is also impossible to reopen a large coal storage yard in the Flblag area because it was removed as a result of land reclamation.

Also, other decisions of the resolution are either not implemented at all or only partially implemented. For example, the shipbuilding industry makes the return of a former car barn in Godkow to PKP contingent upon construction of a new facility. Railway rolling stock industry refuses to repair railroad-car carriages, and the repairs are made on only a part of the locomotives, units of electric trains and locomotive engines, ordered for repair. Coal mining industry repairs only one fourth of the cars consigned to it for overhaul.

Thus, the currently adopted resolution concerning improvements in transportation is not fully implemented--just like the eight previous resolutions.

The transportation department does not receive all the materials it should according to the government resolution and the department's operational plan. For example, since the beginning of this year, the Polish Automobile Transportation (PKS) received only about 60 percent of the storage batteries and tires and a little over 70 percent of the spare parts that it was supposed to receive during the first 3 quarters of this year. For PKP the allotments of work clothing and warm clothing, and work shoes that are necessary in the winter, have not been fully implemented. In addition, the allotments have been lowered.

Are There any Reserves?

The winter is coming and the employees of the transportation system will have to overcome bad weather in order to keep the trains running and vehicular traffic on the roads. The state of the whole economy will depend on their functioning, during winter even more so than now. Thus, the fulfillment of all the needs of the transportation department and of its work forces, in the areas of materials, spare parts, storage batteries, tires as well as of protective clothing and shoes is necessary, even at the expense of other areas of the economy.

The last reserves should be used up to this end, if necessary.

It is necessary to insure that all transportation posts are filled. This should be guaranteed using all available means. Filling every transportation post is one area which would bring quick results, not for free, of course.

It is also necessary to create loading crews in enterprises working in shifts 7 days a week. This cannot be accomplished with a directive--economic pressure is needed, i.e. stiff penalties for holding railroad cars and trucks too long. It should not be possible to include the penalty in the price of the goods.

And lastly, raising the efficiency of the transport--by only transporting loads needed at the time by the buyer. Every train, truck or barge should carry only the necessary cargo. And there should be no sentiment about it--cost-effectiveness must be a rule.

9959
CSO: 2600/69

DELAYS IN FULFILLMENT OF HOUSING PLAN EXAMINED

Bucharest REVISTA ECONOMICA in Romanian No 40, 8 Oct 82 pp 6, 12

/Article by Dr I. Ciubotaru, Committee for Problems of the People's Councils: "How Is the Housing-Construction Plan Being Fulfilled?"; passages enclosed in slantlines printed in boldface/

/Text/ Along with the headlong economic and social development of the country, the modernization of the technical-material base of society at a rapid rate and the organization of new and modern industrial platforms, special attention has been and is being devoted to housing construction. /In the 1951-1980 period, 4.6 million dwellings were built/ from the funds of the state and the population, with approximately two-thirds of the population of the entire country receiving new dwellings. In the 1976-1980 5-year period alone, for example, from the state's funds, from the population's funds with the state's aid in loans and execution or from the population's own funds (done under state supervision), over 840,000 dwellings were built and put in the use of the working people in cities and villages (table).

Table: The Evolution of the Number of Apartments Built from the Funds of the State and Loans for the Population in the 1951-1980 Period

| Period | Number of Apartments | % |
|---|---|---|
| 1951-1955 | 46,355 | 100 |
| 1956-1960 | 103,812 | 224 |
| 1961-1965 | 220,118 | 475 |
| 1966-1970 | 333,177 | 765 |
| 1971-1975 | 512,507 | 1,106 |
| 1976-1980 | 753,343 | 1,629 |

The achievement of the new housing construction led to year-by-year improvement in the conditions of habitability, so that at the end of 1980 there were, on the average, nearly 10 square meters of dwelling space per capita. Meanwhile, the equipping of the dwellings, their degree of comfort and their functionality were improved, there increasing at the same time the percentage of apartments with three or more rooms. While the percentage of apartments built with three or more rooms represented 28.2 percent in 1965, it was 39.6 percent in 1980 (graph).

The new dwellings were equipped with the necessary sanitary facilities, kitchens and bathrooms with greater space, central heating, pantries and storage rooms, and

balconies or loggias. The housing conditions were improved in the sense that the new dwellings were achieved in groups or districts in which schools, kindergartens, nurseries, commercial and service spaces, cultural units, health units and so on were built. The housing construction and the facilities achieved led gradually to the modernization of the cities, to the restructuring of the central zones, to the erection of new residential groups and, in certain cases, to the creation of new urban settlements.

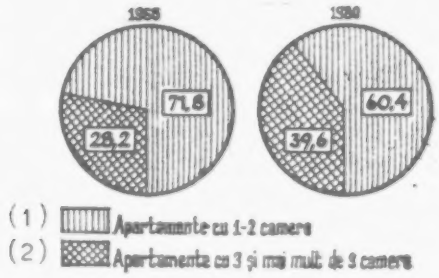


Graph: The Percentage of Apartments Put in Use According to the Number of Rooms (in Percent)

Key: 1. Apartments with one-two rooms 2. Apartments with three or more rooms

Thorough Preparation for the Work

In the current 5-year period, housing construction is continuing to develop at a rapid rate. Last year, for example, over 164,000 dwellings were put in operation from the state's funds and the population's funds. /In the first 9 months of 1982, 102,000 apartments were put in use/ from the state's funds and from the population's funds with the state's aid in loans and execution.

1. These achievements are due to the application of a broad program of measures that involved, first of all, /suitable preparation of the conditions for execution as far back as in 1981/. Thus, the location of each block of dwellings was finalized in advance, the working designs were drawn up and the locations were given free of any encumbrance to the builder, there being created conditions for starting the work as early as the summer of last year for over 40 percent of the dwellings stipulated in the 1982 plan.

2. Along with this, /the organization of the labor on the construction sites, especially the expansion of work/ under the overall contract system, permitted greater involvement of the construction workers in doing the work on time and with good quality. Thus, in the counties that overfulfilled the plan, the percentage of work under the overall contract system represented 80-90 percent, as is the case of the construction-assembly units of the people's councils in the counties of Neamt (90.9 percent), Cluj (89.2 percent), Botosani (86.7 percent), Vrancea (86.4 percent) and so on.

3. At the same time, the recruitment and training of the work force constituted another important factor in fulfilling the plan provisions. The concern for

/increasing the stability of the work force and selecting and training it/ permitted the counties of Constanta, Bacau, Neamt, Cluj, Arad, Alba, Vrancea and others to possess skilled artisans to a greater extent, which caused both the rate of work and the quality of it to be higher. Moreover, this concern caused some construction units in the counties of Arges, Bacau, Dolj, Neamt and Timis and the municipality of Bucharest to provide significant help in the achievement of investment objectives in other counties, such as Gorj and Calarasi.

4. The concern of the construction units in the counties that fulfilled the plan targets for /a good technical-material supply and for organization of their own production bases/ had a prominent role in maintaining a rapid rate of execution on the construction sites. In this regard, one should note the attention that is given in the construction units in the counties of Bacau, Cluj, Constanta, Neamt, Vrancea and others to contracting for construction materials at the level of the approved quotas, to pursuing the reception of them on the planned dates and in the necessary assortments, and to management in warehouses and on construction sites. This provided for the occurrence of the industrialized process of execution in a proper fashion and the use of prefabricated parts on the basis of standardization of constructions and construction materials.

Improvement of the Organization of the Activity

From the analysis of the stage of fulfillment of the construction plan in the first 8 months, it follows that there are still some counties with lags. Thus, 17 counties, including Arad, Brasov, Caras-Severin, Calarasi, Dimbovita, Giurgiu, Harghita, Ialomita, Satu Mare, Salaj, Suceava and Teleorman, did not manage to completely fulfill the housing plan.

In the case of these counties, the unsuitable organization of construction sites, the not always strict supervision and the poor discipline in work led directly to a drop in labor productivity and to significant shortfalls in relation to the plan targets. Thus, the unused time in the maximum available time supply of the worker personnel in the local construction-assembly units totaled 10,918,000 man-hours on the whole (9.[illegible] percent of the maximum available supply). Unexcused absences, leaves of absence and vacations without pay represented 34.1 percent of the unused time. An average index of use of the available time supply far below the national average was registered by 19 county construction-assembly units, including Ialomita (91.1 percent), Ca[illegible] (90.5 percent), Alba (91.8 percent), Maramures, Satu Mare and Sibiu (92.3 percent) and Salaj (92.4 percent).

On the other hand, serious lags were also due to /the failure to provide the [illegible] force at the level of the need/, especially some categories of skilled workers, [illegible] as bricklayers, carpenters and concrete ironworkers. This situation caused the [illegible] struction units in a number of counties (Brasov, Calarasi, Ialomita, Giurgiu, [illegible] and Mehedinti) to register results far below the possibilities that they possess. [illegible] these things is also added the fact that /the use of the overall contract system [illegible] not include many work formations/, with negative influences on the labor productivity, the production cost and the stimulation of the builders. Thus, in the Arad, Bistrita-Nasaud, Caras-Severin, Covasna, Dimbovita, Giurgiu, Prahova, Satu Mare, Sibiu, Tulcea and Vaslui construction-assembly units, less than 70 percent of the workers in the total work force were included in the overall contract system.

/The unsuitable achievement of the technical-material supply for the construction sites/ also goes among the causes that have generated and are still generating difficulties in fulfilling the housing-construction plan. The lack of concrete iron with small diameters, autoclaved cell concrete for insulation of big panels, ceramic blocks and bricks, big panels of reinforced concrete, pipe for construction and installation, fittings, and some quantities of" prenadez", "aracet", PVC /polyvinyl chloride/ mats, bitumen for hydroinsulation and so on, for which there are contracts with the suppliers, is being felt, due to the fact that /the producing units and ministries have not delivered the respective products at the level of the targets, allotments and contracts/. To these things is also added the fact that the characteristics of prefabricated parts or construction materials, such as big prefabricated panels of reinforced concrete, doors, windows and tar paper, that are received from the producing units of the Ministry of the Industrialization of Wood and Construction Materials, pipe for construction and installation from the units of the Ministry of the Metallurgical Industry or adhesives from the units of the Ministry of the Chemical Industry differ from those actually necessary in the construction process.

All these things have led to the curtailment of the plan fulfillment and the programs for housing construction and, at the same time, have also influenced unfavorably the economic and financial results of some construction-assembly units.

In order to make up the lags and reach the stipulated targets by the end of the year, technical and organizational steps for eliminating the shortcomings, better organizing the technical-material supply, using the equipment and installations at full capacity, increasing the quality of the work and so on have been taken on a central level, at the level of the executive committees of the county people's councils and in each construction-assembly unit. Among them, the following stand out in terms of importance:

/The improvement of the activity of design and execution of the work of housing construction/. To this end, the workers, the technicians and the specialists in design and construction must concern themselves more with the problems regarding the urban-architectural quality and functionality of each group or district of dwellings, of each particular construction. The technical means and the work force must be even better utilized to a greater extent in order to provide a scientific conception of systematization of each particular locality;

/The providing of the development of housing construction in each locality/. To this end, there must be greater attention on correlating the capacity for execution in some counties (such as Calarasi, Giurgiu, Gorj, Mehedinti and Hunedoara) with the real tasks that they have to fulfill. We stress, in particular, the necessity of organizing work formations for the small cities and in communes, which, due to the specific character of the dwellings that are built, would use local materials to a greater extent and would achieve dwellings with a low height limit and few apartments, heated with stoves;

/The training and stabilization of the skilled work force/, a matter of extreme importance in ensuring the execution of the entire volume of construction-assembly and of finishing under conditions of quality, at the level of the technical standards and the population's requirements. To this end, the construction-assembly units, with the help of the executive committees of the people's councils, have established programs of long-term measures concerning recruitment of the work force and training

through specialized vocational schools, the aim being to meet the need for skilled workers according to trades in relation to the necessities of each unit. In addition, it is also intended that multifaceted training be provided to the workers through schooling in order for them to be utilized in several trades;

For /further raising the quality of the housing-construction work/, it is mandatory that, through the technical personnel, the quality commissions, the construction-site chiefs and the foremen, the observance of the technological standards and the quality of the work be pursued more consistently, according to phases of work, so that, on completion of each particular facility, only work of good quality is accepted. In this regard, it is necessary to eliminate the practice of provisionally accepting the constructions, with the obligation that corrections be made later.

12105
CSO: 2700/25

NEW LAW TO OFFER GREATER PROTECTION FOR CROPS

Bucharest REVISTA ECONOMICA in Romanian No 40, 8 Oct 82 p 9

/Article by Dr Ion Popescu, Ministry of Agriculture and the Food Industry: "Measures of Extreme Importance for Growth in Vegetable Production"/

/Text/ In the process of intensification of vegetable agricultural production, based on the introduction of the newest methods and means of cultivation into practice, the measures for the protection of plants from pathogenic agents, pests and weeds have a greater and greater economic importance, since the effects of introducing the most productive varieties, of applying bigger doses of fertilizer, of irrigation, of mechanization and so on--which constitute basic measures for increasing the yield per hectare--are often limited and, in certain cases, negated as a result of strong attacks of diseases and pests or infestation of crops by weeds.

At present, it is estimated that about 2.4 billion inhabitants of earth are insufficiently or unsuitably nourished, with a large number of them being exposed to the ravages of starvation. And at the same time, the harvest losses caused in world agriculture by diseases, pests and weeds come to about 35 percent of the potential yield (which, expressed in terms of value, represents about $75.6 billion per year). The dimensions of these annual losses for the main crops are given in the table.

Here in our country too, despite the progress achieved in the field of plant protection, the losses produced by the above-mentioned causes are still quite high. It should be borne in mind that over 235 species of pathogenic agents, 210 species of pests and over 200 species of weeds, which decimate the harvests, have been noted in our agricultural crops.

A few examples are revealing in this regard. If we refer only to the barley crop, it can be noted that in 1980-1981 the losses resulting from just a single pathogenic agent--which produces loose smut--on certain areas in some counties (Ialomita, Ilfov, Dolj and Buzau) have been estimated at 35-45 percent of the potential harvest. Significant losses from attacks of diseases and pests are also noted for the corn crop. From the existing data on the appearance and evolution of the attack of loose smut, it follows that, for this reason, in 1976 and 1979, on some land in the counties of Iasi, Ilfov and Ialomita, the corn harvest was 45-50 percent below the potential harvest. In 1981-1982, on some land in the counties of Arad, Bihor, Caras-Severin, Timis and Satu Mare, a new disease was noted in the sunflower crop: /spotting and necrosis of the stems/ /in boldface/. In the affected crops, this disease (produced by a fungus in association with other pathogenic agents) caused losses that, here and there, exceeded 50 percent of the potential yield.

Table: Harvest Losses--on a World Level--Caused in Various Agricultural Crops by Pests, Diseases and Weeds*

| Crop | Yield (Millions of Tons) Achieved | Yield (Millions of Tons) Potential** | Losses (%) Caused by: Pests | Losses (%) Caused by: Diseases | Losses (%) Caused by: Weeds | Total Losses (% of Possible Harvest) |
|---|---|---|---|---|---|---|
| Wheat | 265.5 | 351.1 | 5.0 | 9.1 | 9.8 | 23.9 |
| Oats | 42.9 | 59.2 | 8.0 | 9.3 | 9.8 | 27.1 |
| Barley | 92.8 | 117.4 | 3.8 | 7.8 | 8.6 | 20.2 |
| Rye | 32.6 | 38.5 | 3.2 | 5.2 | 9.3 | 14.7 |
| Rice | 231.9 | 438.8 | 26.7 | 8.9 | 10.8 | 46.4 |
| Millet | 76.7 | 122.9 | 9.6 | 10.7 | 17.0 | 38.0 |
| Corn | 218.5 | 339.4 | 12.4 | 9.4 | 13.0 | 34.8 |
| Potatoes | 270.8 | 339.9 | 6.5 | 21.6 | 4.0 | 32.3 |
| Sugar beets | 211.2 | 280.2 | 8.3 | 10.4 | 5.8 | 24.5 |
| Sugarcane | 483.4 | 1,050.2 | 20.1 | 19.2 | 15.7 | 65.0 |
| Greens | 201.7 | 279.9 | 8.7 | 10.1 | 8.9 | 27.7 |
| Fruit | 66.6 | 88.0 | 7.8 | 12.6 | 3.0 | 23.4 |
| Citrus | 24.39 | 30.94 | 8.3 | 9.5 | 3.8 | 21.6 |
| Grapevines | 50.7 | 78.27 | 3.2 | 23.4 | 10.1 | 36.7 |
| Coffee | 3.16 | 5.72 | 12.8 | 16.6 | 15.0 | 44.4 |
| Cocoa | 1.53 | 2.82 | 13.2 | 20.8 | 11.9 | 45.9 |
| Tea | 1.12 | 1.65 | 7.9 | 15.4 | 8.9 | 32.2 |
| Tobacco | 4.27 | 6.22 | 10.4 | 12.3 | 8.1 | 30.8 |
| Hops | 0.093 | 0.119 | 7.7 | 8.0 | 5.9 | 21.6 |
| Olives | 5.18 | 8.14 | 19.1 | 8.7 | 10.0 | 37.1 |
| Palms | 1.07 | 1.49 | 11.6 | 7.4 | 9.6 | 28.6 |
| Soybeans | 31.98 | 45.05 | 4.5 | 11.0 | 13.5 | 29.1 |
| Peanuts | 16.68 | 28.03 | 17.1 | 11.5 | 11.8 | 40.4 |
| Seed cotton | 20.58 | 27.15 | 11.0 | 9.1 | 4.5 | 24.6 |
| Flaxseed | 3.398 | 4.219 | 3.7 | 7.8 | 8.7 | 20.2 |
| Rape | 4.48 | 6.52 | 13.0 | 6.9 | 11.3 | 31.2 |
| Sesame | 1.650 | 2.231 | 13.6 | 2.7 | 10.1 | 26.3 |
| Sunflowers | 6.34 | 8.24 | 10.0 | 3.0 | 10.0 | 23.0 |
| Copra | 3.32 | 5.902 | 14.7 | 19.3 | 10.0 | 44.0 |
| Cotton fiber | 11.06 | 16.75 | 16.1 | 12.0 | 5.8 | 33.9 |
| Other fibers | 4.91 | 6.386 | 4.9 | 8.0 | 11.1 | 24.0 |
| Natural rubber | 2.26 | 3.013 | 5.0 | 15.0 | 5.0 | 25.0 |

* The conclusions that are drawn from the table, and the order of size of the [illegible] given, remain valid, although it was drawn up in 1966.

**The potential yield represents the quantity of products that could be obtained [illegible] the intervention of pests, diseases and weeds is excluded.

All these things demonstrate fully /the necessity of taking every step to prevent damage caused to agricultural crops/ [in boldface] by various pathogenic agents, pests and weeds. In view of this necessity, the complexity of the plant-protection actions and the degree of training required for carrying them out, /the draft of the Law on the Protection of Cultivated Plants and of Forests and the System of Pesticides/ [in boldface] has been drawn up and published, for public discussion before its submission to the Grand National Assembly for adoption.

As is judged in this document, the protection of cultivated plants and forests from pests, diseases and weeds constitutes "a problem of national interest, an obligation

for the state bodies, the cooperative organizations and the other public organizations, for all citizens." The draft law stresses the duty that devolves upon the specialized bodies and all workers in the plant-protection field to promote and generalize the integrated system of prevention and control of diseases, pests and weeds, which consists of combining chemical means with biological ones, of using physical and mechanical methods and of applying the complex of agrophytotechnical measures.

Special varieties that entail the improvement of the technologies for production and utilization of biological preparations, the reduction of the number of chemical treatments, the utilization of pesticides with greater efficiency and lower consumptions of raw materials and energy and the expansion of the application of pesticides along with other agrotechnical work--sowing, administration of chemical fertilizer, irrigation and so on--are being provided in order to raise the economic efficiency of the actions for the protection of cul vated plants and forests.

With regard to the system of pesticides, considering their use a "necessary evil" without which modern agriculture cannot be imagined, the draft law stipulates that only the pesticides authorized by the bodies can be produced, delivered, marketed and used only under the conditions provided by law.

In view of the high toxicity of some pesticides for man and warmblooded animals, in order to avoid any risk of accident, poisoning or illness, the obligation of the pesticide-producing units to deliver these products in standardized packages is stipulated.

Special attention is devoted to the protection of the environment, the preservation of the quality of the soil, the providing of suitable quality in agricultural and food products and the prevention of poisoning or illness. The agricultural and silvicultural units and all other possessors of land and crops are obligated to respect strictly the technical standards on the handling, transportation, storage and use of pesticides.

Knowledge, understanding and assimilation of the provisions of the draft law and the technical standards on the protection of cultivated plants and forests by all technical personnel in the sectors involved and by all those who participate in the actions in this field or in the activities connected with the production, handling, transportation, storage and, in particular, use of pesticides will contribute to the growth of the vegetable production per hectare, under the conditions of obtaining products with high biological qualities.

12105
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NEW REGULATIONS TO IMPROVE DETERGENT PRODUCTION, MARKETING

Bucharest INFORMATIA BUCURESTIULUI in Romanian 22 Nov 82 p 6

[Article: "Measures to Increase the Production and Improve the Supplying of the Population with Soaps and Detergents"]

[Text] Analyzing the method of supplying the population with toilet soap, laundry soap and detergents, the Council of Ministers has set measures for improving the activity of producing and selling these products in order to provide the people, by means of the state trade units, with the necessary quantities and varieties of soaps and detergents.

In these measures, the Council of Ministers has made it obligatory for all production enterprises to turn out products in accordance with the tasks of the plan and to ensure their regular delivery.

Also, in light of the fact that the present prices do not cover production costs and the production units are suffering losses, proposals have been drawn up for new prices which will ensure that production costs will be covered, thus avoiding the present situation where the respective enterprises have no incentive to produce these consumer goods.

Updating and improving the correlation, on economic principles, of production and delivery prices for soaps and detergents will give the production enterprises the incentive to turn out good quality products and to use raw materials and other materials in the best possible manner.

On the basis of the proposals made, the Council of State has issued a decree on measures for increasing the production of soaps and detergents and improving the process of supplying them to the population.

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END

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# East Europe Report

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2348

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# EAST EUROPE REPORT

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2348

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NEW CSSR TRADE 'OFFENSIVE' OUTLINED

Prague ZAHRANICNI OBCHOD in Czech No 9, 1982 pp 6-7

[Article by Jana Sereghyova: "The Cultivation of Foreign Markets in Retrospect: New Approaches to the Development of Our Export Offensive"]

[Text] Among the fundamental tasks outlined by the 16th CPCZ Congress in the area of our foreign economic relations is the further development of our foreign trade with both socialist and nonsocialist states, and a radical increase in the efficiency of our foreign-trade relations in conjunction with an increase in their contributions to the integration of our economy into the international division of labor.

In this regard, the need has also been emphasized here for an improvement in the degree to which our economic organizations are informed concerned the developing situation on world markets, and for an acceleration of the reaction of our export production to these changes, as well as the need for improving both the structure of exports and the technical sophistication and quality of our exported products as well as the quality of the commercial work of foreign-trade organizations [OZO].

All this requires that we approach the intensification of our export offensive not only along well-worn paths, but that production and foreign-trade employees more frequently elect to follow new, nontraditional approaches which better correspond to the demanding conditions which we will continue to confront not only in the markets of the capitalist states, but also in those of the socialist states.

In an attempt to make our readers better informed concerning these nontraditional, highly effective approaches, as well as to lend support to the effective fulfillment of the above tasks outlined for our foreign-trade sector, we plan to publish two groups of articles in this magazine over the next 2 years.

The first group will concern itself with cultivating foreign markets, covering primarily the following problem areas:

--researching needs and marketing possibilities in CEMA member countries;
--sources of research information on markets in industrially developed capitalist countries and techniques for evaluating it;

--the importance of advertising for developing economic relations within the CEMA community;
--nontraditional advertising techniques used on capitalist markets;
--specifics on market cultivation in developing countries.

The following article constitutes an introduction to these issues.

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The second group of articles will be concerned with shifts in the material content of our export substrate and with those characteristics of our exportable goods which represent the best preconditions for the desired growth in the range and profitability of our foreign-trade relations, given the changing and highly demanding conditions with which we will continue have to come to grips in our trade with both capitilist and socialist countries.

During the first postwar decade, the old slogan, "every good can be sold at a certain price," was still fully applicable. Commercial work, therefore, centered on finding new exportable goods and locating foreign customers for them, as well as trade negotiations whose objective was to obtain the best possible price. Back in the fifties, however, and concurrent with the increased interest in building permanent trade ties which would provide a favorable field for the planned development of our export production, a recognition grew that only a very few goods sell themselves; that the stabilizaiion of marketing possibilities for our goods depends to no small extent on how advantageously they are presented on foreign markets; that much depends on the cultivation of foreign markets in a qualitative sense.

The fundamental component of cultivating foreign markets, namely market research, took place at the beginning mainly as an adjunct to the usual commercial activities of foreign-trade enterprise employees. Every trade contact in the area they were working would monitor price changes for the types of goods being exported, the preferences of his potential customers, as well as any other factors influencing their purchasing possibilities and interest in being customers for our products. The contacts would also follow the activities of other suppliers of the same type of products, both in terms of the extent and makeup of their delivery possibilities as well as the various measures they might take to strengthen their position in the market in question, ranging from changes in the properties of their products, to modifications in their delivery or service conditions. They would also monitor political influences on trade (and also conjunctural influences on capitalist markets) which would influence the overall development of the market situation of the territory in question. It soon became evident, however, that the impact of some of the above factors and influences crossed specific market boundaries, if only because they applied to all foreign trade in a specific type of good, or because they affected marketing possibilities for a product throughout entire regions. The monitoring especially of these general influences was undertaken in the first years of existence of our foreign-trade enterprises by independent divisions under their supervision.

At first, these divisions focused their attention primarily on conditions affecting the development of price levels and the growth of marketing

possibilities for specific products included in our mix of products suitable for export. Over time, however, it became clear that it was essential to devote increased attention to changes in the technicoeconomic parameters of products offered by other suppliers of specific types of goods, as well as changes in the needs and requirements of their consumers or users. From a strictly market orientation, then, the attention of the above divisions was shifted to include technological and technical considerations as well. Such considerations have assumed much greater significance for a correct estimate of the marketing possibilities for our export production (and thereby also for a realistic compilation of a foreign-trade plan), as well as for the advantageous selection of model variants of goods recently placed in the export category. These will influence not only the further development of our positions in specific export markets, but also the efficiency of the pertinent sectors of our export production.

The work of the above divisions has thus increased in national economic importance at the same time that the need has increased for closer cooperation between these divisions and the research components of the production sphere (sectors, AHJ [economic production units] and export enterprises). This is essential so that these sectors can regularly draw on the fund of information collected by the above research divisions of foreign-trade enterprises. It is also needed, however, to assist the employees of these divisions in mastering the exceptionally difficult task with which they have been confronted recently not only of mastering the smallest details of the technical and technological workings of the thousands of products in the inventory of the appropriate foreign-trade enterprise, but also of obtaining a competent overview of the existing alternative production possibilities of specific factories and of the modifications to their export product mix that can be carried out on their existing stock of machinery, or with only minor supplements to it.

It has been shown that in those cases where this cooperation has evolved in a workable manner the firm foundations had already been laid down in the sixties for the high-quality cultivation of foreign markets, as well as for the use of this information both in the optimization of the specific makeup of our basic export product mix and for the expansion of our foreign marketing possibilities.

The advertising of our products on foreign markets, which is a no less important aspect of their comprehensive cultivation, has undergone a similar evolution. In the initial years after the founding of foreign-trade enterprises this activity was taken care of mainly by their own advertising departments, with only exhibitions and trade fairs handled by a sectorially administered independent economic organization. It soon became clear, however, that it would also be more efficient to transfer other aspects of advertising activities to specialized organizations having at their disposal broad-based teams of creative artists and advertising specialists. In view of their huge economic potential, these specialized organizations succeeded both in carrying out specific projects more readily and with higher quality and in obtaining as a rule, more favorable conditions from foreign partners.

The advertising plan related to specific types of goods, however, has been and continues to be formulated at the appropriate foreign-trade enterprise where the form, dispersion and rhythm of each advertising project is determined in such a way as to best assist in the assurance of the marketing strategy and fulfillment of plan tasks.

During the sixties, when there was a worldwide increase in the importance of nontraditional forms of advertising, there also grew in the sector responsible for cultivating foreign markets the need for active export-product participation in the carrying out of specific advertising intentions and projects. This is primarily a question of projects which require direct contact between the product being offered and its potential customer. This heed is the more important because ready postsale service for goods which we export as well as the ready reaction on our part to the various suggestions of foreign customers are today among our most effective advertising resources.

Such an understanding of advertising activity has not yet fully sunk into the consciousness of our production sphere. This does not, however, alter the reality that it conditions in a significant way the effectiveness of this and of all other components of the cultivation of foreign markets, which constitutes the commercial preparation for trading operations.

Commercial preparation for trading operations once formed the center of commercial work. (This is clearly also the reason that these two concepts are often confused, or used interchangeably today). Along with the increased trade turnover generated by individual commercial employees and the magnitude of the administrative work involved in the implementation of trade operations, the amount of time that could be devoted to these kinds of preparations declined. In part, this shift was consistent with the size of the above-described inclusion of certain activities connected with the comprehensive cultivation of foreign markets into specialized divisions. However, in every instance of this shift account was not taken of the fact that over the entire preceeding decade the complexity of the market situation had increased, both in terms of international trade in raw materials and in industrial products. At the same time, conditions in specific market areas are differentiating to an ever greater extent and changing rapidly. This requires that commercial employees attentively monitor all the factors which will make them able to predict the evolution of the marketing possibilities for our products in a given territory and to support these marketing possibilities in all possible ways. This involves not only the identification of marketing obstacles, but also overcoming them in time and the fullest possible exploitation of the appearance of favorable marketing opportunities.

The above, however, is conditioned on the fulfillment of two preconditions:
--an expansion in the amount of time that trade contacts can devote to commercial preparation, i.e., to those aspects of foreign-market cultivation that are not and cannot be covered by special divisions, but which must be handled individually and in direct contact with a specific market area;

--secondly, the creation of a flexible operating area in our export production which would make it possible to react in a timely manner to new realities.

It has turned out that both in the area of the commercial preparation for trading operations and in the other sectors of foreign-market cultivation, substantial underutilized capacity continues to persist, making it possible not only to expand our trade turnover, but also to increase the economic efficiency of our foreign-trade relations. This is capacity that may be mobilized provided that we begin:

--to use new research techniques for foreign markets which have been adapted to the changed conditions which have developed here in the seventies, and which are based, among other things, on newly available data processing capabilities made accessible to us through the automatic computer;

--to broaden the application of new forms of advertising which have become standard in all capitalist markets over the past 10 years and which are now becoming even more effective in contact with partners from the socialist countries;

--to strengthen the relative importance of commercial preparation within the framework of trade operations as well as to deppen the cooperation between commercial employees and export production, which will make it possible for them to increase both the quality and the flexibility of the individual "steps" undertaken in the cultivation of foreign markets while at the same time making maximum use of their positive results.

The existence of the above-mentioned underutilized capacity may be deduced from current experiences which attest to the fact that the cultivation of markets carried out both by specialized divisions and commercial employees of foreign-trade enterprises has made a substantial contribution to the huge expansion of Czechoslovak foreign trade, which in the past 30 years has reached more than 16 times its initial level. It is impossible, however, not to notice that these successes have often led to an overestimation of the potential effects of foreign-market cultivation and especially of commercial work. Over the years, the old slogan mentioned early in this article has been modified. It has come to read, "All goods are saleable abroad, if the commercial work is good." This is clearly also the reason why the withering of demand for some of our industrial products which we have been witnessing recently in both capitalist and socialist markets has often been attributed solely to inadequate commercial work.

At the same time, consideration is often not given to the fact that in the past 10 years there have been fundamental changes in the world economy, as a result of which there are many goods in both of the above market groups whose marketing cannot be supported either by price concessions or by the best possible commercial work. This is primarily true of all machinery and equipment: 1) whose energy consumption exceeds the standards considered normal currently; 2) the operational costs of which are sufficiently higher than the operational costs of competing products so that the sum of the differences results, over the depreciation schedule of the product, in a significant percentage of the purchase price. This is also true, by the

way, of machinery and equipment displaying a high innovational level, but showing an increased tendency to break down (regardless of whether this is caused by an insignificantly small part), or which lacks ready service. This kind of product is not saleable at any price.

A similar situation applies to industrial materials (metallurgical and chemical) which display faults that unfavorably influence the quality of the products made from them. This also includes the relatively wide group of products designated for consumption whose marketing possibilities have been reduce during production--it is clear now that this is a permanent--as a result of structural changes that are taking place in the production processes of individual countries because of price increases in, or limited availability of, certain kinds of mineral products (raw materials and fuel). As a result of these changes, it is possible to notice a retreat from the construction of superheavy facilities and operations on a gigantic scale, meaning that equipment designed for such operations is much more difficult to sell, no matter how high its quality. The same is true of the shift to the use of microminiaturized components or of chemicals with prompt or multiplied effectiveness, etc., which act to an ever greater extent as an obstacle to the sale of traditional variants of the pertinent type of goods.

In consumer goods, unsaleable items appear more rarely. However, even here items appear for which an inadequate degree of innovation or the substitution for quality components of more readily available, but lesser quality components has led to a substantial limitation of the marketing possibilities for several products or product variants. Overcoming such limitations is more and more difficult despite the largest commercial efforts.

If we attribute such marketing failures to inadequate work in the foreign-market cultivation sector, we are holding back the discovery of the true causes, and thereby also the undertaking of corrective measures which may well have critical importance for the future success of our export efforts. This is also the reason that we consider it essential to call attention not only to the potential contributions that can come from the high-quality cultivation of foreign markets, but also to the limits of its effectiveness. It is necessary to base one's actions on the fact that only under certain conditions can good commercial work yield the desired outcomes. The next article in this series will be devoted to the elucidation of these conditions.

9276
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## LER INTERVIEWED ON SET OF MEASURES PROBLEMS

Bratislava PRAVDA in Slovak 17 Oct 82 p 3

[Interview with Leopold Ler, CSSR minister of finance, by Frantisek Zdobina: "To Implement the Set of Measures More Thoroughly"; date and place not given]

[Text] More than 18 months have passed since the decision by the Presidium of the CPCZ Central Committee and the Government of the CSSR on the Set of Measures for Improving the Planned Management System of National Economy became valid. That period makes it possible to assess the effect of the Set of Measures on improving the quality of planning, consolidating the khozrashchet system, accelerating scientific-technical progress and increasing the efficiency of foreign economic relations, upgrading the standard of managing work and expanding the working people's participation in management. The Presidium of the CPCZ Central Committee and the CSSR Government recently reviewed the efficiency of the Set of Measures from these points of view. Further reviews are taking place on the level of both national republics, krajs, ministries and economic production units [JVH].

The editorial board of PRAVDA took advantage of this special occasion and requested an interview with the minister of finance of the CSSR and chairman of the Government Council for Issues of Planned Management of National Economy, Leopold Ler.

[Question] Every novelty is welcome only until the moment when it begins affecting the accustomed way of life. I think that it was the same with the Set of Measures. All the people who, figuratively speaking, had been heartily welcomed the Set of Measures at its inception, but as soon as they were expected to work following its regulations, the enthusiasm of some of the managers cooled and in many instances the question raised in their ranks was "whether it was really unavoidable to change the method of management, since, after all, high dynamism of development and many successful accomplishments had been achieved in the past."

[Answer] There's truth in the saying that a habit is like a shirt of iron. To this proverb I would add that when it concerns management, it is a shirt that is very tight. We cannot, however, follow customs to the detriment of objectively occurring processes.

The entry into the 1980's is an entry into totally new conditions of development, which call for a new objective concept and strategy of economic policies and radical qualitative changes in the system of management. A radical change of the factors of economic growth demands that the methods of implementation of economic policies, the practice of planning and economic thinking itself, be thoroughly revised. It is, therefore, an essential change of the system of management which may occur naturally at a certain time. It is a process with an accent on general intensification of the national economy which must be goal-oriented, directed and constantly adapted to changing conditions. The Set of Measures, which stands at the beginning of this process, confirms that, despite many problems, its principles are beginning to influence positively the qualitative aspects of management, especially in areas favored at present by our economic policy, mainly savings in material consumption.

However, the Set of Measures makes substantially higher demands on the standard of work of managers on all levels than the previous system of management. It was by no accident that Comrade Strougal, the premier of the CSSR Government, stressed at the congress of the SZM [Union of Socialist Youth] in the CSR that the program of intensification is a program for achievers.

Thus, under the changed domestic and foreign conditions, there is a difference between past and future development. Here the yardstick for the changes and, at the same time, the main resource for the further development of our economy will be, first of all, our ability to intensify our domestic process of valorization and, secondly, how and with what result we shall find a place for our products in foreign trade. Therefore, at this time we must do all we can to teach primarily all managers to look at the situation with new eyes.

[Question] I should like to mention two extreme views. The proponents of the one expected the Set of Measures to cure all our troubles, while the proponents of the other are disappointed with the Set of Measures because they expected far more from it.

[Answer] First of all, I should like to emphasize that there are no miracles even in economy; all our positive achievements in the past and in the future stem from hard, conscientious work. By the same token, changes cannot be made in a single day. The national economy is a complex and sensitive organism. Every change in it and in its management must be well thought through, tested and gradually introduced. For that reason, we also planned the Set of Measures on the basis of experiments which we shall continue in the future.

Our party organs stressed, even during the process of approving the Set of Measures, that this was a first step to improve planned management, that we must focus our efforts continuously so that the system of management and the whole economic mechanism actively help resolve objective problems facing our economy. The principles of the Set of Measures cannot run the management all by themselves, but in the manager's hands they serve as a device that should help him in steering his managing work toward higher efficiency, quality, more profitability of production and higher efficiency of foreign trade.

Its results in the past period have already shown several outstanding examples of good management and energetic approaches to better methods of management, where managers had not only mastered the new regulations but translated them into reality with expert skill and moral and political responsibility. Naturally, this was also reflected in the accomplishments of their organizations. But, on the other hand, there are examples of serious lag in their implementation, intensification and improvement of the adopted measures. Here we must step up our efforts to increase the demands and economic pressures of the principles of management, so that this undesirable vacillation in managing work disappear as soon as possible. The CPCZ Central Committee has often sharply criticized such attitudes and furthermore, in many instances our party organs drew conclusions from them for the cadres.

[Question] Comrade minister, could you enumerate the main positive aspects of the first year of the implementation of the Set of Measures?

[Answer] Despite numerous problems, the Set of Measures has positively affected the qualitative aspects of our economy in 1981, particularly in our industry. The supporting aspects of the Set of Measures promote lower material requirements in production and demand better utilization of fuels, energy and raw materials, more efficient exploitation of capital assets and work forces, and better quality of production.

I shall mention several examples. In 1981 material costs were reduced 1.1 percent, which is higher than the level achieved in 1976-1980, with only 0.6 percent annual reduction. The fulfillment of the plan of adjusted value added (100.9 percent) was also successful and the achieved rate of its growth was 105.1 percent as compared with 1980 at a low rate of growth of output (101.2 percent). A very effective device was the linkage of the basic component of wages payable in adjusted value added and incentive wage factors with the profitability of operating assets or, as the case may be, profits or costs. This linkage has both a stimulating and penalizing effect because many branches and enterprises were short on wages payable if adjusted value added and profitability of operating funds had not been met; then the reduction of the incentive wage factor was very appreciable.

Nevertheless, the achievements cannot be overestimated because first of all the readily accessible unused assets and factors offering enterprises instant advantages have been used. It seems inevitable that the criteria for management, pay according merit, planned utilization of production, its technical standard and quality must be made more rigorous.

[Question] In their decision on the Set of Measures, the Presidium of the CPCZ Central Committee and the CSSR Government underlined that "it is of decisive importance for our scientific-technological development to become an organic part of the plan and the main content of all its parts, so that prompt implementation of the achievements of scientific-technological progress bring ample benefits to our national economy and that the qualitative indicators of the plan be upgraded." However, technological progress is translated into reality very slowly. It seems that precisely this area is the biggest Achilles' heel for the implementation of the Set of Measures.

[Answer] Indeed, in terms of scientific-technological progress, we are troubled above all by its slow advance. We included several new factors in the Set of Measures to stimulate technical progress; among them I should like to mention, for example, the indicators of profitability of production assets, the share of new, technically advanced goods, products of top quality, etc. However, it seems that face to face with reality this had not yet reached the substance and, so to say, we haven't yet hit the nail on the head.

No manager can remain indifferent to the factors that bring him economic results, whether the method is routine or new and advanced production. Every director of an organization depends on the method by which he puts new technology into operation. We must gradually work so as to reach a stage where production itself will require new technology and cannot operate without it. We cannot say that today there are no directors of our organizations who are diligently organizing work on new, technically perfect products for the needs of our national economy at the end of the Seventh and during the Eighth 5-Year Plan, and who are planning sophisticated production technology to save labor value added and embodied labor. I remember the words of a director of a large enterprise who proudly showed me new products technically prepared for production, as well as the operation of his departments for research and development preparing the "future" of the enterprise. That was an enterprise with a high share of products for export; the enterprise was familiar with the products of its competitors in European and world markets.

Thus, in his address to the Third SZM Congress the general secretary of the CPCZ Central Committee, Comrade Husak, stated so emphatically: "In order to accelerate our scientific-technological development, we are implementing now, and will enforce in the future, efficient measures throughout the entire system of planning organization and management, in the system of economic incentives and in investment policies. It should be stressed with great urgency that specific steps for more successful fulfillment of this truly pivotal role must be sought and introduced in every area."

New regulations according to which we plan as of next year to test measures for accelerating scientific-technological progress are now prepared and selected VHJ have already been acquainted with them. Their purpose is to intensify the effect of the economic mechanism so as to reflect scientific-technological progress in savings of materials and labor, in profits and in efficient foreign trade, in brief, to turn it into a decisive factor in the development of production and its efficiency.

[Question] In conjunction with this problem, it has been mentioned that a change could be made if the technicians were to receive better rewards than thus far.

[Answer] I'll be glad to reply to this suggestion because it confirms what I said in the beginning: that not every manager has adequately mastered the regulations of the Set of Measures and the subsequent norms required for their practical application. New and adapted norms already enable the really creative workers, such as designers, technologists and planners, whose work is manifest in the form of technically perfect goods and technology highly sought for in

foreign trade, to be rewarded according to merit, at a substantially higher rate than other, average workers. Nevertheless, the leveling trends prevail. This tendency must end once and for all. To help to this end, further measures, now in the planning stage, will increase even more the rewards to creative workers who are contributing significantly to our national economy, to offer them the best possible conditions for their work, and to free them from needless administrative work.

[Question] The technical standard--the quality of products and services--determines the acceptance of our goods in foreign markets. As a processor country, we have particular interest in proving our mettle in foreign markets. And yet it appears from the fulfillment of export tasks that many enterprises have failed to achieve this goal.

[Answer] In a situation where the growth of national income is, and will be, increasingly more dependent on foreign trade, its efficiency is one of the main sources for the growth of our national wealth. By the same token, management of production must not fail to affect the efficiency of foreign trade more directly, and the producers must know the situation of their competitors in foreign markets in order to better learn the conditions of pricing and exchange.

We must, therefore, make higher demands on producers, impose considerable economic pressures on them and judge their work according to the results achieved in foreign trade. In this sense, the principles of the Set of Measures were further specified and intensified; their effect will be tested in selected VHJ. Our concern is that the positive and negative effects of the achievements of foreign trade on the profitability of enterprises and VHJ increase the pressure on production and foreign trade, on more expeditious implementation of scientific and technological progress and on higher export efficiency of Czechoslovak economy.

[Question] The topic of our interview calls for special attention to the effect of the Set of Measures on wage differentiation and to the question about dealing with excessive administrative work. However, these and other questions may be combined in a single one: Isn't it true that if the principles of khozrashchet economy were having a greater impact, management would become more conscientious and more concerned about technological development, profits and success in foreign markets?

[Answer] As we have already shown, the khozrashchet principles in the Set of Measures are beginning to act in the right direction. Experimental introduction of the new, improved regulations in the areas of scientific-technological development and more efficient foreign economic relations is aimed at their further intensification, which will be of considerable importance. That is yet another step toward the goal we want to achieve, which the premier of the CSSR Government so aptly defined at the SZM Congress in the CSR: "Gradually we must create a situation where all persons involved in production and trade will be forced to earn their own way as well as providing the necessary resources for rewards, enterprise assets and investments."

The khozrashchet principle of authority and responsibility will be even more strengthened by the fact that the achievements of foreign trade in exports and imports, in terms of the foreign prices earned and the agreed-upon conditions of payment, in experimental organizations will be fully reflected in the management of the VHJ and enterprises, and that a united investment fund will be established from assets of the VHJ themselves and from bank credits for the purpose of underwriting the investment development of the VHJ.

In general, however, enterprises cannot relax in their efforts for unconditional implementation of the enterprise subdivision khozrashchet system. For the VHJ and ministries, it is far more necessary to organize an exchange of experience in this area, to make the improvement of the enterprise subdivision khozrashchet a part of comprehensive programs for the development of management in enterprises, and to link the development of khozrashchet with the forms of teamwork in the organization of labor and rewards.

[Question] From these problems, it is but a tiny step to the question of how the Set of Measures has affected the intensification of worker participation in management.

[Answer] The progress in this direction is indisputable. The creativity of our working people reflects more specifically the efforts to implement the khozrashchet principle and to demonstrate and introduce in practice good stewardship and efficiency. Furthermore, with their demanding character, the principles of the Set of Measures set preconditions for more critical reviews of the control by work teams. Individual and collective pledges of our working people are focused more on all kinds of conservation, quality of labor and deliveries of specific products.

All opportunities have not been exhausted even here. As for the participation of our working people, the counterplanning program should be developed on a substantially larger scale with the objective of developing more progressive annual planning by disclosing unused assets more promptly. The influence of our working people on the implementation of the policy of rewards according to merits must be expanded as soon as possible in order to "stop the gravy train" for parasites who are taking advantage of the diligent work performed by our able and efficient workers.

If we speak about the participation of our working people in the management, I cannot omit one piece of information which is not to the best credit of some persons in management. While we were discussing the comprehensive program for the development of management which had been submitted to us by the ministries, we discovered that their weakest point is the problem concerning the tasks and functions of the human factor. Most of the objectives and measures for the development of management are focused on formal logical and technical-organizational aspects to the detriment of the decisive sociopolitical and economic aspects. The solution of the problems related to the human factor in the programs is narrowed down mostly to the basic duties of the cadre and personnel formations and thus, it does not adequately reflect one of the axioms of managing work, namely, that "management is, and will be, a socioeconomic process in which man plays the decisive role."

[Question] Comrade minister, we should like to have now your brief conclusion about the efficiency of the Set of Measures. Could you tell us a few words about the procedures in the future?

[Answer] We have focused in our interview on reviewing the efficiency of some important principles of the Set of Measures. We underscored that the Set of Measures is a proper base for the further development and improvement of the planned management system. In addition to certain specific economic achievements, it helps to overcome the quantitative approach to management, to put more emphasis on intensifying growth factors and to implement them. Thus, it helps fulfill the decisions of the 16th CPCZ Congress on the unavoidable transition of our economy to the method of intensification.

However, by the same token, it appears that the conditions for the implementation of the Set of Measures--i.e., basic objective conditions--are more demanding than initially envisaged. It also appears that the Set of Measures has no appreciable effect in the area of the scientific-technological development, capital investment and foreign economic relations.

Even when approving the Set of Measures, our party organs stressed that it was an open system which would be improved according to new needs, information and experience.

In conjunction with the review of the Set of Measures, the Presidium of the CPCZ Central Committee also discussed the Program for Further Work on Improving the Planned Management System which envisages that in addition to gradual measures and changes during the Seventh 5-Year Plan, a more radical step to improve the management system in the Eighth 5-Year plan will be planned and put into a specific form.

[Question] May I thank you for the interview, comrade minister?

[Answer] And I wish to thank PRAVDA for its concern about the problems of management. In conclusion, I wish to underline that even if the Set of Measures were couched in the most perfect form imaginable, what matters most is the political attitude of managers and their interest in the application of the adopted principles. For that reason, what remains urgent is that part of the decision by the Presidium of the CPCZ Central Committee and the CSSR Government which mentions that "when explaining and planning the measures, considerable attention must be given to the interpretation of their Marxist-Leninist ideological foundations and of their correlations with the solution of objective problems and shortcomings in the development of the economy and of the changes stemming from the economic development in our country and especially abroad."

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## 'PASSIVITY' OF ENTERPRISE MANAGERS CRITICIZED

Prague ZEMEDELSKE NOVINY in Czech 19 Oct 82 p 1

[Editorial: "With Initiative and on Time"]

[Text] One economic year has not yet ended by any means, and once again we have to start making decisions about the tasks of the next one. In the forthcoming weeks, there are and will be first of all preparation, specification and adoption of production plans for 1983. Generally speaking, the problem is to harmonize the needs of society with production facilities. It is no secret that this has caused quite a bit of difficulties in the past. For many reasons, almost always allegedly "objective" ones, manufacturing enterprises quite often refused to accept the plan as proposed to them by the central planning organs on the basis of a purchase order on behalf of the entire society. Even last year, it was no exception to see cases when a manufacturing enterprise agreed to accept even slightly increased assignments providing that it would get considerable additional allocations of fuels, energy, material or manpower. As to the current year, the approach to the preparation of the plans for the forthcoming year seems to be generally more serious for the time being, but one cannot completely eliminate relapses into past practices.

It may occur to someone to ask how it is possible that such problems arise at all. Indeed, enterprises and establishments are not headed by any sort of people, but only by those who satisfy the strict criteria of personnel policy. These are people who are qualified both professionally and politically, and therefore people who understand that in contrast with capitalist managers they must organize production by taking into consideration not only the interests of the enterprise, but at the same time--and especially--the interests of the entire society. In spite of that, it appears precisely in the preparation of production assignments that some management workers take a long time to get from a verbal recognition of this principle to its practical expression.

Some leading economic workers are trying to avoid being management workers in the true sense of the word, namely as organizers. Perhaps under the impact of habits gained in the outdated past, they understand their responsibility above all as a duty to "carry out" mechanically assignments received from some higher official. Instead of taking the initiative and deciding by themselves within their jurisdiction as managers in their own sector what to manufacture and how, so that the result would serve the public and the rightful interests

of the working collective, they rather wait until someone "above" makes the decision for them. And so it happens that instead of making a decision about how to implement a plan proposed by the central office, everything is done to make sure that in the final analysis, perhaps because of the advanced season, the decision would have to be made again by the superior central organ.

Such allocation of assignments "from above" is the most convenient solution for management workers who are not too anxious to manage and organize production effectively. That leaves the back door open for them, through which they can skip out later on, if necessary. If the plan is demanding, it will not be their "fault" when people in their enterprise have to work better and harder. On the other hand, if it turns out that the enterprise gives society less than it could, there is a welcome opportunity to find excuses by saying that, after all, the assignments received were firmly determined.

However, the passivity of such "management" workers in the preparation of the plan also causes more damage. First of all, it suppresses the creative element in the planning process. Collective skills and knowledge can be awakened only by the leading economic worker who is able to face his collective courageously, to inform it truthfully about the future requirements, and to justify them. If he is also ready to explain to the people what he himself and the managing components of the enterprise have so far accomplished for the implementation of these tasks--namely, how they have provided for continuous deliveries of material and energy, how they will assign the people, how they will control them and remunerate them--then he can realistically count on the initiative of the collective. And the collective will usually know how to handle even the most difficult parts of the plan.

Such a truly managing worker will actually accomplish even more: he will awaken in the people a lasting need to work not only according to the given order, but, in addition, to give society creatively everything they know and are able to do.

If by chance these words sound lofty to someone, he can convert them into the quite realistic shape of implementation counterplanning. It is first of all up to the trade union organizations to show initiative in that respect--in the interest of the future living standard of all the working people--even before the final version of the plan for the forthcoming year goes into the safe of the director of the enterprise.

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BROAD REVIEW OF ECONOMIC PLANNING PUBLISHED

Factory View

Warsaw TRYBUNA LUDU in Polish 16-17 Oct 82 p 3

[Article by Krzysztof Krauss: "As Seen in the Factories. The Enterprises' First Opinions and Suggestions. 1983-1985: Timeframes"]

[Text] The opinions of 123 enterprises, who have for a long time now been consulted as to the principles of economic reform, were requested. This time they were asked to express themselves on the variants of the concept of the National Socioeconomic Plan for the 1980's. What did this survey bring?

These are the opinions of a small number of enterprises. But this is, after all, a kind of sampling as to what the preferences are for the variants presented in the plan's concept.

It is symptomatic that none of the enterprises consider variant III--the one which most of all envisages a relatively rapid rebuilding of production to the pre-crisis level. The most prevalent opinion is that a "golden mean" should be maintained--a moderate but even rate of recovery of economic balance.

This stems, it seems, not only from rather skeptical views of the possibility of a favorable development of international determinants of our economy, but also because several times already we have tried to move forward by "leaps", and generally this has ended unfortunately.

At this time too, many critical opinions were formulated on the subject of the construction of the variant proposals. The authors of the draft were accused of having clearly stated what the social consequences of the selection of particular developmental concepts would be. Another thought: the government, as a rule, is to take the "middle variant" as its position, which, in the opinion of the respondents makes the very logic of giving consideration to the choice of another variant questionable.

The enterprises have expressed themselves as being in favor of preferences for consumption at the cost of investment. This means, therefore, that when the national income is being divided, the return to a pre-crisis level of consumption be expedited as quickly as possible, even at the expense of further reductions of investment.

The suggestion was also made by some enterprises that the "dilemmas of choice" in the sphere of investment policy, be stated totally differently than is now being done. Namely, it is proposed that a threshold of outlays be defined, below which the depreciation of national assets would occur, and not until this kind of calculation is available should consideration be given to the size and structure of means for investment. It is the opinion of the authors of these suggestions that there is no reason to believe that an active investment policy can be conducted at this time and that, above all, the already existing production assets must be shielded against depreciation.

Investment preferences? The opinions of the enterprises consulted are very divided in this matter. The enterprises from the subsectors which during the preceding ten years benefited from the large "stream of means" for the development of production potential (metallurgy, construction), say that now social-type investments should be favored. Other, less generously endowed enterprises (e.g., enterprises of the agro-food industry), believe that the meager investment means should be directed first for the expansion and modernization of technological equipment.

The remaining factories give first priority to housing construction. In their opinion, the amount of the factory-attached construction should not be limited by the funds in the Factory Housing Funds, but the enterprises should be able to obtain bank credits for this purpose. Some of them are demanding that official prices be established on works connected with housing construction, as protection against price dictates on the part of the executing enterprises. Housing is regarded as a means of stabilizing the workforce and obtaining new workers.

Insofar as the consumption fund is concerned, most of the enterprises are in favor of increasing the share of consumption from personal incomes at the expense of reducing collective consumption. It is maintained that means for collective consumption are, in general, not being used effectively.

Within the framework of collective consumption, financed out of the State budget, only two fields should be distinctly favored: culture and health protection, and primarily health protection.

The proposals contained in the "variants of the concept", regarding temporary relinquishment of free [nonwork] Saturdays in order to accelerate the rebuilding of production, evoked a great deal of emotion. The idea of mandatory work on free Saturdays was firmly rejected. The representatives of the enterprises assert that decisions in these matters should be left to the factories themselves and their workforces, and that this work should be completely voluntary.

This work should also be specially rewarded, according to increased rates. Some of the factories also suggest that, just as is the case in mining, additional earnings for work on free Saturdays be tied to the ability to obtain scarce goods for this money. But doubt is sometimes expressed as to whether a possible temporary extension of working time will really make it possible to come out of the crisis faster, whether this makes economic sense.

Many critical opinions are evoked by that part of the "variants of concept" that pertains to the so-called "instrumentation" of the plan, e.g., the incentive systems.

The mechanisms of reform, the enterprises assert, are not functioning properly. The document submitted for discussion does not contain an assessment of the effectiveness of the influence of reform on an improvement in management efficiency.

In some enterprises it is believed that the document submitted for discussion should, as quickly as possible, be supplemented with assumptions pertaining to wage and income policy for 1983-1985 and beyond 1986. These assumptions should stand in distinct opposition to the arising tendency, in the opinion of the authors of these statements, to shift the effects of the crisis exclusively onto the workers in the socialized workplaces.

The presidium of the Planning Commission, as we have already reported, made a decision to conduct additional analyses relating to the comments and reservations submitted during the consultations thus far on the variants of the concept of the plan. We refer to problems on living costs, models of consumption, matters concerning housing construction, various aspects and various variants of possible additional work on free Saturdays, and plan instrumentation.

These analyses, which are not to impose any solutions from above and which are to be only a more detailed documentation of problems requiring joint consideration, will be made available to both the workplaces as well as to society as a whole. Only by a dialogue with society and with actions in front of "an open curtain" can a program be created which will meet its expectations. And only under these conditions will there be a chance to prepare a plan, the shortest and surest way leading to a revival of the economy, and the ability of that economy to develop.

## Question of Free Saturdays

Warsaw TRYBUNA LUDU in Polish 19 Oct 82 p 4

[Article by Krzysztof Krauss: "On the Three-Year Plan Assumptions. "Free-Saturday" Work: Yes? No?"]

[Text] Among the most controversial proposals contained in "Variants of the Concept of the National Socioeconomic Plan up to 1985 and Preliminary Assumptions for 1986-1990" is the suggestion that consideration be given to a temporary relinquishment of some of the so-called "free Saturdays".

Relinquishment only for a temporary period, to 1985, and only where real chances of ensuring a "work front" exist, is being suggested. Of course, in return for additional, increased, pay. The Planning Commission, which came forth with this proposal, believes that in this way the period of extrication from crisis can be shortened by one year.

The first reaction by a large number of enterprises is a negative attitude toward proposal. A considerable portion of the questionnaires and surveys conducted in various circles produced the same result. The enterprises consulted on economic reform, whose opinion was asked by the Planning Commission, treated this part of the "Variants of the Concept..." with reserve. Our editorial surveys on this subject also brought forth very divided opinions.

Can we conclude from this that the matter should be regarded as "null and void" and that this subject should be deleted from the still-continuing discussion? It seems to me that this would be premature. The issue here is too important. Should the idea of additional work on "free Saturdays" be rejected, the rebuilding of industrial production to the pre-crisis level would not take place, according to the most probable estimates, until the turn of 1985-1986, and the level of consumption in terms of one inhabitant, at the end of the 1980's.

A decision on this question cannot be based on emotions. I use the term "emotions" to describe the first reactions to this proposal deliberately, because it seems to me that not sober consideration, but feelings, often prevail during the preliminary phase of consultation. The emotions of the enterprises are quite understandable. The internal financial situation does not force them to work on Saturdays. For the first time in a long time, they do not suffer for lack of cash. Not for a long time have they achieved such large profits. The means for "self-financing" came to them somewhat themselves, without any great effort. Simply speaking, by taking advantage of the wide margin of "free prices" and "contract prices", and also the impreciseness of the regulations on "regulated" prices, they often demanded that they be paid more for lower production.

The State cannot be neutral to the tendency to exploit the crisis situation in order to attain improper profits and must finally take steps to ensure that profits result from good work and higher productivity, and not from an interplay of indicators. If "objectivization" of prices takes place, and it certainly must, the present system, which is conducive to "arrangements", will change radically. In order to achieve a profit, it will be necessary to produce better and cheaper. There will be no other way out.

The time of sober reflection on what will be and how it will be--and this time will come, let us hope as soon as possible--presumably will change the attitudes of the managements of the factories, the directorates of the enterprises, and the reviving self-governments, towards the various initiatives aimed at a real improvement in economic and production results. That is why I do not believe that it is time to end the discussion on "free Saturdays".

Emotions, in my opinion, are also conspicuous in the reaction of part of society to the proposal for a discussion on "free Saturdays". "Free Saturdays" are indisputably necessary. They make family life much easier, even though there are still the problems caused by the inefficient functioning of trade. This is true, but there is still a large percentage of society which is convinced that the crisis can be weathered with "dry feet". Unfortunately, reality is brutal, and illusions--there are fewer of them today than a year ago--gradually give way under the pressure of facts.

Furthermore, public opinion is still influenced by the fear that a temporary return to work on "free Saturdays" might mean a final parting with that great social achievement--a shorter workweek. I believe, therefore, that in this case also, these preliminary opinions should not be regarded as a final position. Society must still have time to consider.

However, there is not time enough to delay the broader and more detailed documentation of all of the "pros" and "cons" in this matter. Yet there is no doubt that statements contained in the present version of the "Variants of the Concept..." are insufficient for one to form an objective, fully developed position.

In the first place, in my opinion, a clearer position, supported by a higher authority, e.g., the Sejm, is necessary. We are concerned here only with a temporary measure, a temporary extension of the workweek. And not everywhere, but only where this is justified on a materials basis, and not "free" but for very specific, additional wages.

In the second place, we must make clearer than we have thus far, specify the fields in which, according the the planners' evaluations, additional work on "free Saturdays' will accelerate the end of the crisis. In particular, there must be unshakeable documentation depicting the real chances of ensuring a "work front" for the subsectors and factories which possibly would begin working on "free Saturdays"--and this front must be genuine.

In the third place, the results of the work performed by part of the workforces on "free Saturdays", as envisaged by the planners, must be more accurately and reliably documented. That is, what kind of additional production, at what cost, what would be the effect of this additional production, for example, on the gradual elimination of the ration-card system, on the availability of goods on the market, on easing inflation, on the country's import potential, etc.

In the fourth place, the "alternative" proposals put forth during the course of the consultation thus far, require suitable documentation. These proposals include the introduction of a 6-day "production week" in certain subsectors and factories, with a 5-day workweek for the workforces (additional shifts would be organized and started up, which would interchangeably begin work on particular days of the week, including Saturdays).

This is, I believe, essential, if the further discussion on "free Saturdays" is to be less emotional than has been the case thus far, and if prudent and considered decisions are to result from this discussion. The matter is open, and it must be so. The consultation on this question, as well as on all of the others pertaining to the assumptions of the plan, must be a true consultation. Without answers supplied from above, but also without any needless obstinacy.

## Three Plan Variants

Warsaw TRYBUNA LUDU in Polish 21 Oct 82 p 3

[Article by Krzysztof Krauss]

[Text] For the first time in our planning practice detailed work on the assumptions of the National Socioeconomic Plan are being preceded by a public discussion, the object of which is the concept itself of economic strategy for the immediate future, and strictly speaking, several variants of this strategy.

The report prepared by the Planning Commission employ, as we know, three so-called basic variants which envisage different rates by which the economy will rid itself of the crisis phenomena and recover balance.

In the first variant (worse than average conditions for the development of agricultural production, relative slow appearances of positive effects of economic reform,

continuation of the policy of economic sanctions by the Western countries), the Planning Commission anticipates that even in 1985 industrial production will be four points lower than in 1980, that total agricultural production will increase by only six percent, and the generated national income will still be approximately 10 percent lower than at the end of the 1970's.

Because of the need to pay off foreign obligations, which reduces the possibility of applying work results to domestic needs, the national income for division, according to the Planning Commission's estimate, will be modest, scarcely nine percent higher than at present, and approximately 16 percent lower than at the threshold of the present decade.

The second variant (a developmental growth rate close to that achieved by other countries), could, according to the Planning Commission's estimate, ensure almost total reconstruction of industrial production to the pre-crisis amounts as early as 1985.

The generated national income would, it is true, continue to be lower than in 1980 (by approximately seven percent), the income for division would be six percent lower, but it would already be relatively "decent" and would make it possible to fully make up the losses caused by the crisis, during the second half of the 1980's, and in certain areas, at the beginning of the next five-year plan.

The factors on which the realization of this variant depends are: fair, on the average, weather conditions for farm production; growing (although gradually and not by "leaps") production and economic results of economic reform; normalization of trade with capitalist countries; and agreement, on a reasonable basis, on the rescheduling of our foreign debt.

The third variant (relatively big increases in industrial production as early as the first three-year period, maintenance of a high growth rate in the years immediately following that, and a rather high growth rate in agricultural production).

According to this variant, as early as the beginning of the next five-year plan we could expect to attain the 1980 amounts of generated national income, and shortly therefore, also the national income for division. The conditions: above-average crop yields; very quick freeing, by economic reform, of production incentives, especially in the area of a "pro-export" disposition on the part of industry; a large growth, as a result of this, in foreign-exchange revenues from the second payments area [capitalist countries] even prior to 1985, should make it possible to gradually increase imports and make it easier to solve the payments problems.

The Extent of the Risk

The authors of the variants are concerned primarily about deciding, with the aware participation of society, what the nature of the plan should be--whether it should be a "safe" or "very safe" plan, or whether it should be loaded with a certain amount of risk.

A "safe" plan, that is, one constructed on the assumption that the factors beyond our control or controlled by us only very slightly, will turn out as bad as possible, ensures a large probability of achieving all of the goals which under these conditions

are achievable. Such a plan construction, however, carries the risk that should the factors not under our control, or only slightly under out control, turn out more favorably, then not all of the additional opportunities will be properly made use of, for the economy will not be prepared, in terms of planning, for such an eventuality. A plan constructed on the assumption that these factors will turn out favorably must certainly be different. It can, for example, provide for less means for agriculture itself, more for processing of crops, less for development of production replacing imports, more for those subsectors of industry that under Polish conditions show the highest economic efficiency, etc.

Understood thus, a question as to a position on the variants is a question as to the permissibility of an amount of risk.

However, the variants of the concept of the National Socioeconomic Plan (NPSG) presented for public discussion, also--and even primarily--contain a long list of difficult problems of a totally different type.

Dilemmas of Selection

The basic dilemma which must be solved regardless of how the factors now regarded as an "unknown" turn out, concerns the inclusion of extensive mechanisms for stimulating the economy. The future plan, of course, must appeal for an improvement in management efficiency as the basic element for bringing the economy out of stagnation. We know, for example, that there is no chance that the materials-supply situation will change radically in the next few years. Presumably, insofar as supplying industry with the 40 basic raw and other materials (from domestic production and imports) is concerned, deliveries of these will not increase by more than 19 percent by the end of the 1980's. With the indicators of production materials-intensiveness at their present level, this does not promise that even the most modest of the plan's variants will be fulfilled.

That is why in all variants basic progress is envisaged in economical management of raw materials and other materials, on a scale not previously equalled in our economy. In the so-called "middle" variant, it is anticipated that in 1990 the consumption of raw materials for the production of the equivalent of 1 million zlotys of industrial goods will be 14 percent lower than at present. There should be an annual reduction in materials consumption amounting to approximately 1.9 percent. The authors of the "NPSG concept variants" envisage that dire necessity, reinforced by new economic incentives ensuing from the principles of economic reform, will finally surmount the "impossibility barrier".

According to the Planning Commission's estimate, the process of rebuilding the economy could be accelerated by one year if, in addition to progress in management efficiency, which is indispensable in any circumstance, we would decide to temporarily, during the most difficult period of the next three years, give up the free Saturdays (there, naturally, where a possibility of ensuring a so-called work from exists).

Society, say the authors of "Variants of the NPSG concept", should give some thought to what is more profitable--to avail itself of the shortened workweek which is patterned after countries that are generally much wealthier than ours, or to extricate itself somewhat sooner from the crisis bottom, accelerate the reconstruction of the level of production, and after that, the level of consumption.

How is it to be Divided?

Another dilemma: how to use that portion of the national income which remains available for internal use after foreign obligations are repaid. We refer in this case to the proportion of the division of national income between consumption and investment. Theoretically, by restricting investments even more, we would have more for current consumption. And, if investments are not reduced, then should they be "frozen" at their present level, or, as the national income for division grows, should means for developmental purposes be increased in a commensurate proportion?

The next, rather large group of problems which must be settled yet during the preparation of the concept assumptions of the plan, concerns the division of means which will be available for our own needs in the coming years.

In that portion of the national income for division which will remain after the investment means deemed to be indispensable are allocated, i.e., the portion that will be used directly for consumption, many matters also require very careful consideration and fully developed, conscious settlement.

Consumption, as we know, can assume two forms: collective consumption (financed by the national budget, local authorities, enterprises, social organizations) and from personal incomes (means for consumption go directly into the pockets of the citizens in the form of wages, services, etc., and these then decide what they are to be used for). What, under the present circumstances, should be the correct ratio between the portion of the means for consumption organized and paid by the State or other institutions, and the remaining portion? Everyone knows that the more of these means that we allocate for collective consumption, the less remains for individual consumption.

There is just as much argument in favor of maintaining, or even increasing, the share of collective consumption (at present, this share amounts to approximately 11 percent), as against doing so, i.e., in favor of reducing collective consumption. The crisis favors the growth of social disproportions--collective consumption, ensuring all citizens equal access to basic goods and services, alleviates these disproportions. But extrication from the crisis requires that the incentives connected with individual input of labor must be strengthened, which, when means are reduced, is very difficult to achieve.

Neither, in turn, is the method of dividing the means for collective consumption an obvious matter. Should they be allocated for all of the fields that traditionally fit the concept of collective consumption, or only for certain of them? If certain fields are clearly indicated, than, naturally, all of the other fields will suffer. And if we decide to give priority to certain fields of collective consumption, then to which ones? Education? Health protection? Culture? Leisure?

The preliminary stage of consultation on the main conceptual assumptions of the plan for the immediate future and later, has not yet answered all of the questions. Many still remain, maybe even more now than it seemed a couple of months ago.

Further discussion on the "Assumptions" should bring answers to these questions.

## Discussion, Not Plebescite

Warsaw TRYBUNA LUDU in Polish 25 Oct 82 p 3

[Article by Ryszard Bilski]

[Text] The proposed plans for the next three years and for the 1986-1990 five-year plan, as presented to society, are being rather widely and sharply criticized. Both the way in which the plan is being created and its substance are being criticized. Accusations are being made, for example, that society has not received comprehensive, clear and understandable economic documentation and informative forecasts.

We have reported only some of the comments, those made most frequently. Some of them were also published in TRYBUNA LUDU.

This is one side of the coin. The other side must also be seen--the conditions under which the drafts of the plans arose: an economy tormented by a severe crisis, an increasing decline in production (not halted until the turn of August-September), strong social and political tensions, and the growing economic sanctions of the Western States.

On one side, uncertainty, great risks, lack of stabilization, and on the other side, strong social pressure and expectation of a perfect plan, one which would help us solve if not everything, at least the largest troubles. Meanwhile, there can be no ideal plan, for these very reasons.

The planning proposals submitted, let us remember, are a first, and whatever else may be said, a bold attempt to practically apply new planning principles. The process of shaping and developing the plan foresees a continuation of the discussion. Soon the draft will be discussed at the plenary meeting of the PZPR Central Committee. It will also be examined in detail by the Sejm commissions, and the Sejm will also look at it.

The plan and how it was created clearly confirms that the planning arrangement in effect thus far was disrupted: Planning Commission-ministries-associations-enterprises. The following arrangement arose: central plan-enterprise plans.

But then this arrangement, so long awaited, caught many enterprises by surprise. For many years they had been accustomed to having tasks assigned to them from "above" and they had been concerned only with obtaining the largest possible means in order to implement them. Only a few enterprises, in particular cases (international agreements, natural calamities, guarantees of the country's defense), could be assigned tasks from above.

Experience of the past few months confirms that plans are created by their implementers, that no one imposes anything on anyone. Neither have the enterprises received instructions, as they did formerly, to prepare a draft plan in several versions, but were asked to fill out a questionnaire which would show what their intentions are for the next three years and the period after that.

Production which is, or may turn out to be, necessary, will occur not by means of orders and instructions, but by means of economic instruments. In a reformed economy the producer is guided by economic parameters, and therefore, the conditions important to him are credit, demand, price, duty, tax.

In fulfilling a legal obligation, the central planner presented to society, in addition to a three-year plan directed mainly at pulling the country out of the crisis, a five-year plan. In addition to the vision for the next three years, there are also the prospects for the future. At the same time, the preparation and discussion of these two plans has a tremendous advantage. It guarantees that the situation of past years--"the five-year plan unto itself and the annual plans unto themselves", will not repeat itself. Now, without the agreement of the Sejm, the central five-year plans will not be able to be changed and subordinated, for example, to the annual plans.

A feature of the plan being discussed is its informational character. The enterprises expect comprehensive and reliable information from the central planner. They want to know how much energy and coal will be available, and they are looking for answers to questions such as: what materials will continue to be under state control, etc. Price forecasts are indispensable. On the basis of this information, enterprises will be able to make optimal decisions.

It will not be easy for the central planner, under present circumstances, to meet these expectations, but he should do this to the maximum degree possible.

I believe that the stimulus for further discussion on the three-year plan and the five-year plan may turn out to be an attempt to look at these documents through the eyes of specific enterprises. It appears advisable to seek an answer to the question: is this general plan helpful in constructing the enterprise plan, and how much. It would be a mistake, however, in my opinion, to arrange plebescites or voting: who is in favor of the first variant, who is in favor of the second, and who is for the third, or for work on free Saturdays.

The discussion on the assumptions of the plan should serve to increase knowledge about the mechanisms of management, about the state of the economy. It should lead to a comparison of the problems of the enterprise with the problems of the national economy, to mutual inspiration and harmony of interests and goals on the micro- and macro-scale.

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## SOCIOECONOMIC PLAN AND FUTURE VARIANTS PUBLISHED

Warsaw RZECZPOSPOLITA in Polish 16 Aug 82 pp 3-5

[Article: "Variant Conceptions of the National Socioeconomic Plan to the Year 1985 and Preliminary Targets for the Years 1986-1990"]

[Text] The law passed on 24 February 1982 on socioeconomic planning provides for the drafting of the socioeconomic plan in two stages, as follows:

1. The elaboration of variant conceptions of the plan, which are presented to the public for comment.

2. The elaboration of a plan draft which takes into account the details of opinions and recommendations of the Sejm, public comments, and adjustments and agreements concerning the coordination of the plans of the CEMA countries and other international agreements, and so on.

In keeping with the law's provisions, the Planning Commission of the Council of Ministers has drawn up a document entitled "Variant Targets of a Three-Year Plan to the Year 1985 and Preliminary Targets for the Years 1985-1990," and the Council of Ministers accepted the document at its meetings on this past 26 July and 12 August and decided to present it to the Sejm. It is proposed that the three-year plan for 1983-1985 be named "Three-Year Plan to Restore Economic Equilibrium," in order to emphasize in this way that it will be a continuation of the program to overcome the crisis and present as the major task the restoration of developmental trends in the economy and their being given a nature of permanence.

The Council of Ministers is directing the above-mentioned document to the Sejm of the Polish People's Republic, the Central Committee of the Polish United Workers Party, the Supreme Committee of the United Peasant Party, the Central Committee of the Democratic Party, to youth organizations: the Union of Socialist Polish Youth, the Union of Rural Youth, and the Socialist Union of Polish Students; to the Voivodship People's Councils, and also to the Polish Academy of Sciences, the Chief Technical Organization, the Polish Economic Society, the Consultational Economic Council, the State Mining Council, the State Council on Fuel and Energy Management, the State Environmental Protection Council, and State Regional Planning Council, as well as to the many enterprises.

In keeping with the socioeconomic planning law, below is a discussion of the variant conceptualizations for the three-year plan to 1985 and preliminary targets for 1986-1990 along with proposed directions for resolving basic socioeconomic problems during this period. It is the goal of this publication to acquaint broad groups of the society with the conception of the plan and to permit the expression of opinions and the presentation of proposals concerning both the selection of the various variants and subvariants and other problems of the plan.

In the presentation of the variant concept of the first national socioeconomic plan under the conditions of the economic reform and the invitation of public comment, one should note the role of this plan within the whole system of socioeconomic plans. As a basic instrument for guiding the development of the national economy, this plan is fundamental insofar as we are concerned with the part on the major central investment undertakings, scientific research programs, tasks implied by international understandings and agreements, and tasks related to the state's security and defense preparedness. In the other parts, the plan contains targets of socioeconomic policy, operating principles and economic instruments to insure economic balance and coordination of the plan, and also assessments, estimates, and forecasts of the development of the economy. This means that under the conditions of the economic reform, the sphere of binding provi-

sions of the central plan encompasses relatively few areas, and in a very broad area the development of the economy will depend on the independent decisions of the enterprises, other economic units, and local authorities, with the central authorities only having an indirect impact on these units' decisions through the use of economic means, rather than through directives.

The response from consulting the public about the targets of the plan and the ways the response will be taken into account will be presented in October to the Sejm, which, in keeping with the law, will select the variant, after which time the plan draft will be drawn up during the second stage of the planning work.

## I. Basic Assumptions and Targets of the Plan

### Conditions for the Development of the Economy in the Years 1983-1985

To a very great extent the economic targets of the three-year plan, especially the rate at which the crisis is overcome and progress is achieved in activating the economy, will depend on a whole number of internal and external factors.

Decisive in significance among the internal factors is the development of the socioeconomic situation in the country and the attitudes of the society. For this reason work on the conceptionalization of the plan includes the assumption that social attitudes and the socioeconomic situation will be favorable to normalization of the economic processes.

An important factor in accomplishing the plan targets will be the continuation of actions to favor national understanding and the integration of the society, the active involvement of creative groups and their expanded participation in the development of the economy, improved management effectiveness, the fullest implementation of the economic reform, and the gaining of ever broader public support for the government's policy.

The economic effect of these changes in the sociopolitical situation should be a decided improvement in labor productivity, which is an especially important condition for getting out of the crisis. The attainment of an increase in labor productivity depends on improved quality of work, on greater thrift and good management at each work station, and on people's attitudes during the work process.

Among the external factors, the further development and deepening of economic integration and cooperation with the Soviet Union and other CEMA countries will be of particular importance in activating the economy. Also of significance will be the situation in foreign trade and the structuring of the balance of payments with the socialist countries, because it is to a great extent on this that the economy's supply of raw materials from those countries depends, along with the related possibility of making fuller use of existing production capacity.

It is estimated that there are various ways the situation in this area may develop.

It is considered most likely that the conditions for the repayment of our debts will be negotiated in such a way as to make it possible to expand imports from the Western countries even in 1983-1985, but for this purpose it would also be necessary to obtain more favorable repayment conditions than we have enjoyed in the past and to spread the payments out over a longer period of time. In this case, by increasing imports from the capitalist countries in conjunction with intensive efforts to rationalize these imports, it would be possible to obtain gradual improvement in the supply of imported raw materials and therefore an increase in both production and exports, an improvement in the trade balance, and an increase in national income even by 1983. The rise in production and deliveries to the market would also help bring about a more rapid improvement in the market situation.

On the other hand, we cannot exclude the possibility of an adverse development of the situation either, along with the possibility of current restrictions in foreign trade continuing on the part of the creditor countries in 1983-1985 too. As a result it could be necessary to keep imports from the creditor countries at the present low level for 2-3 years. Under such conditions we cannot preclude a further decline in production and national income even in 1983. This in turn would mean a slower rate in building up production to the year 1985 and therefore further limitations on the possibility of repaying the interest on credit as the result of the low income from exports. This would also extend the duration of the transition to market equilibrium. We may judge this variant to be unlikely, but it must be taken into account in further work and be treated as an emergency variant.

Certain internal factors are also judged to have possible variants for the next few years. In particular, we cannot foresee just what the weather conditions will be or their impact on the agricultural production situation. At the moment it is also difficult to predict the scope and rate of obtaining production effects or improving economic results in the enterprises pursuant to the implementation of the economic reform.

Taking into account all these factors with which some uncertainty is associated, we have drawn up three variants of basic indicators of socioeconomic development (so-called economic macroratios), given in Table 1.

Table 1. Variant Macroratios in 1983-1985 and in 1986-1990

in 1982 prices

| | 1985 | | | 1990 | | |
|---|---|---|---|---|---|---|
| | a | r | i | a | n | t |
| | in billions of zlotys | | | | | |
| (a) Produkcja sprzedana przemysłu w mld zł | 7245 | 7440 | 7570 | 8620 | 9080 | 9690 |
| 1982 = 100 | 112 | 115 | 117 | 133 | 140 | 150 |
| 1980 = 100 | 96 | 99 | 110 | 114 | 120 | 129 |
| (b) Globalna produkcja rolnicza w cenach porównywalnych w mld zł | 625 | 680 | 660 | 705 | 730 | 750 |
| 1982 = 100 | 106 | 110 | 112 | 119 | 123 | 127 |
| 1980 = 100 | 109 | 113 | 115 | 123 | 127 | 131 |
| (c) Dochód narodowy wytworzony w mld zł | 4270 | 4440 | 4535 | 5060 | 5600 | 5925 |
| 1982 = 100 | 111 | 116 | 118 | 132 | 146 | 155 |
| 1980 = 100 | 90 | 93 | 95 | 106 | 118 | 124 |
| (d) Eksport w mld zł krajowych | 987 | 1050 | 1070 | 1316 | 1450 | 1545 |
| 1982 = 100 | 120 | 127 | 129 | 159 | 175 | 187 |
| (e) Import w mld zł krajowych | 883 | 930 | 935 | 955 | 1020 | 1030 |
| 1982 = 100 | 110 | 116 | 117 | 119 | 127 | 128 |
| (f) Dochód narodowy do podziału w mld zł | 4135 | 4285 | 4365 | 4660 | 5120 | 5360 |
| 1982 = 100 | 109 | 113 | 115 | 123 | 135 | 141 |
| 1980 = 100 | 84 | 87 | 88 | 94 | 104 | 109 |
| (g) Spożycie ogółem w mld zł | 3240 | 3390 | 3470 | 3750 | 4075 | 4260 |
| 1982 = 100 | 106 | 111 | 114 | 123 | 133 | 139 |

[Key]:

(a) Sold production of industry
(b) Gross agricultural production in comparable prices
(c) Created national income
(d) Exports in domestic zlotys
(e) Import in domestic zlotys
(f) National income for distribution
(g) Total consumption

Variant I is based on the assumption that both in 1983-1985 and during the following five-year period the conditions for the development of agricultural production will be worse than average, the effects of the economic reform will be gained slowly, and economic restrictions will still be applied in later years. Under these conditions the indicators for economic development would have to be the most modest, and it would be the most difficult to estimate the level that would be reached; it would depend on the force and accumulation of the difficulties.

Variant II exhibits moderate indicators of development and is based on the assumption that the conditions of agricultural production will be average, that the implementation of the economic reform will produce gradually increasing production and economic effects, and that the situation of foreign trade with the capitalist countries will become normalized, with simultaneous agreement on new principles concerning the financing of our indebtedness.

Variant III has the highest indicators and is based on the assumption of above-average crop harvests in agriculture and very rapid results from the reform, including a substantial activation of exports to the capitalist countries even before 1985 and still greater progress in later years, which would permit a gradual increase in both imports and the repayment of debts, and this would accelerate the process of achieving the balance of payments.

In presenting the economic consequences of each of these variants, we propose to accept Variant II as the basis for constructing a three-year plan.

In each of the variants described, the internal factor which can have a fundamental impact to bring us back more quickly to the precrisis level of production, and therefore consumption too (although the structure will be different) could be a return for a certain temporary period of time, for example, to the end of the three-year plan, to a 6-day work week in certain branches of industry which are not suffering from a shortage of raw and other materials, but there would have to be public acceptance of such a plan. Therefore, in the course of consultation, we expect, for example, answers to question concerning whether the public would prefer:

a) a more rapid reconstruction to the precrisis level of consumption at the cost of temporarily giving up the 5-day workweek in those branches of industry and areas of the economy whose development is not being limited by the supply of raw materials, or, on the other hand,

b) maintenance of the 5-day workweek, and therefore more free time, at the cost of extending the period it takes to reach the precrisis level of consumption.

Even now part of the plants included in the militarization program are working Saturdays too. Some others are suffering a shortage of supply of imported materials, and we can expect that in these it would not be to any purpose to work Saturdays, because no production effects would be gained. On the other hand, there are also many enterprises not operating on Saturdays, despite existing possibilities of doing so. It is initially estimated that the restoration of work on Saturdays in those enterprises not suffering major supply difficulties could result in the following:

a) increasing the level of industrial production in 1985 by 4-5 percent in relation to current targets,

b) increasing national income by 2-3 percent respectively,

c) exceeding the precrisis level of industrial production even in 1984, that is, a year earlier, and accelerating the attainment of the precrisis level of national income and consumption by at least half a year and perhaps even a whole year, because the first effects obtained can have an impact to improve the supply situation and accelerate production growth.

Therefore, one of the basic choices which should be made during the three-year period is the choice between reducing the time it takes to get out of the crisis at the price of bringing back work on Saturdays and keeping Saturdays free at the cost of extending time it takes to get back to the precrisis level of production and consumption.

Goals and Tasks of the Plan

On the basis of an assessment of the internal and external conditions and an analysis of social needs and their satisfaction, the goals of the plan were formulated.

It is a major economic problem and at the same time a strategic goal of the 1980's to overcome the crisis, to restore economic balance, and to create the foundations for a healthy economy in conjunction with full implementation of the economic reform.

Exceptionally forceful developmental restrictions during the next few years and the need for active efforts to mobilize and activate the economy make it necessary to reduce the scope of social goals in the plan for 1983-1985.

The three-year plan contains proposals to undertake the following three major social goals:

-- to insure the nutrition of the nation, while reducing as much as possible the dependence on imports of grain and foodstuffs,

-- to satisfy housing needs to the greatest extent possible in the anticipated economic situation along with the related needs for the development of the urban and neighborhood infrastructure,

-- to protect those strata and groups of the population in the worst material situation from the effects of the crisis, while the state takes active measures to reduce or eliminate areas of poverty,

-- to strive for noticeable improvement in the satisfaction of society as the consequence of better organization and operation of public life.

Alongside improving the market situation, very important to the attainment of the last goal is special concern for everything which can have an impact on upgrading the conditions of the society's daily life and on improving relations between the authorities and the citizenry. An attempt is projected for the improvement of the citizen's budget of time. This will require an organized effort to reduce time wasted as the result of standing in lines, irregularities in public transportation schedules, bad conditions for making purchases in shops, and delays in getting things taken care of in public agencies. There are plans to establish operating hours in establishments serving the population (shops, services, official agencies) in such a way as to insure the convenient handling of all affairs outside the clients' working hours.

As the situation improves and additional funds are gathered together, even during this decade there are plans gradually to undertake efforts (which then would be stepped up in the 1990's) in the following three areas:

first -- to slow the progressive deterioration in the natural environment and to reduce the threats occurring in this area, and in particular to gain improvement in water quality and reduce gas contamination of the air, especially in Silesia;

second -- gradually to overcome delays in structuring the living conditions of the population of large urban centers, especially heating and water supply, the equipping of new housing settlements with service installations, and the upgrading of public urban transportation;

third -- to accelerate the development of public health, culture, education, and science and information, and in these areas to reduce the gaps between the needs sensed by the society and the satisfaction of these needs. This is also important because of the role which these areas play in the development of man's personality.

Table 2 presents a possible scale for expanding budget-financed outlays for socio-cultural purposes along with variants for the structure of these outlays. In presenting the three variants for the distribution of budget-financed outlays for these purposes, we propose to assume that the development of public health and culture will be given priority.

Table 2. Variants for Budget Allocations for Social-Cultural Purposes

in current prices

| | 1982 | | 1985 (a) Wariant II | | | |
|---|---|---|---|---|---|---|
| | (b) w mld zł | (c) w % | (d) podwariant "a" - priorytet dla oświaty | (e) podwariant "b" - priorytet dla zdrowia i kultury | (f) podwariant "c" - zrównoważony wzrost wydatków na zdrowie, oświatę i kulturę | (g) 1990 wariant II, podw. "b" |
| **Wydatki budżetowe na cele socjalno-kulturalne** | | | | | | |
| **I. Wskaźnik w %** | | | | | | |
| **1982 = 100** | — | 100 | 127 | 127 | 127 | — |
| **z tego:** | | | | | | |
| **1. Oświata — razem** | — | 100 | 129 | 128 | 124 | — |
| **a) szkolnictwo ogólnokształcące i zawodowe** | — | 100 | 131 | 125 | 130 | — |
| **b) szkolnictwo wyższe** | — | 100 | 122 | 100 | 100 | — |
| **2. Kultura i sztuka** | — | 100 | 101 | 133 | 121 | — |
| **w tym:** | | | | | | |
| **Komitet ds. RITV** | — | 100 | 121 | 121 | 121 | — |
| **3. Ochrona zdrowia** | — | 100 | 130 | 133 | 131 | — |
| **4. Opieka społeczna** | — | 100 | 129 | 134 | 134 | — |
| **5. Kultura fizyczna i sport** | — | 100 | 118 | 131 | 125 | — |
| **6. Turystyka i wypoczynek** | — | 100 | 127 | 127 | 127 | — |
| **I. a. Nauka** | — | 100 | 111 | 110 | 109 | — |
| **II. Struktura w %** | 458,5 | 100,0 | 100,0 | 100,0 | 100,0 | 100,0 |
| **1. Oświata — razem** | 194,8 | 42,5 | 43,0 | 40,0 | 41,5 | 40,2 |
| **w tym:** | | | | | | |
| **a) szkolnictwo ogólnokształcące i zawodowe** | 154,1 | 33,6 | 34,5 | 33,0 | 34,5 | 32,7 |
| **b) szkolnictwo wyższe** | 40,7 | 8,9 | 8,5 | 7,0 | 7,0 | |
| **2. Kultura i sztuka** | 29,0 | 6,3 | 5,0 | 6,6 | 6,0 | 9'9 |
| **w tym:** | | | | | | 0'8 |
| **dotacja dla przedsiębiorstw** | 4,5 | 1,0 | 1,7 | 1,7 | 1,6 | 1,5 |
| **Komitet ds. RITV** | 5,8 | 1,3 | 1,2 | 1,2 | 1,2 | 1,4 |
| **3. Ochrona zdrowia** | 199,5 | 43,6 | 44,4 | 45,4 | 44,6 | 45,5 |
| **4. Opieka społeczna** | 24,0 | 5,2 | 5,3 | 5,5 | 5,5 | 5,7 |
| **5. Kultura fizyczna i sport** | 8,9 | 1,9 | 1,8 | 2,0 | 1,9 | 1,5 |
| **6. Turystyka i wypoczynek** | 2,3 | 0,5 | 0,5 | 0,5 | 0,5 | 0,5 |
| **II. a. Nauka** | 27,1 | 0,7a) | 0,7a) | 0,7a) | 0,7a) | 0,8 |

**a) w stosunku do dochodu narodowego do podziału tylko wydatki finansowe z budżetu, całość nakładów stanowiła w 1982 r. 1,8% dochodu do podziału.**

Budget-financed expenditures for social-cultural purposes 1982 = 100

I. Index (percentages)
breakdown:
1. Education -- total
a) General schools and vocational schools
b) Higher education
2. Culture and art
breakdown:
Radio & TV committee
3. Public health
4. Social welfare
5. Physical education, sport
6. Tourism and recreation
Ia. Science
II. Structure in percent
1. Education -- total
breakdown:
a) General schools and vocational schools
b) Higher education
2. Culture and art
breakdown:
Subsidy for enterprises
Radio & TV Committee
3. Public health
4. Social welfare
5. Physical education, sport
6. Tourism and recreation
II.a. Science

*in relation to national income for distribution on outlays financed out of the budget, total outlays in 1982 amounted to 1.8 percent of the income for distribution

[Key to titles of columns (a)-(g)]:
(a) Variant II (b) in billions of zlotys (c) in percent
(d) subvariant "a" -- priority for education
(e) subvariant "b" -- priority for health and culture
(f) subvariant "c" -- more equal increase in expenditures on health, culture, and education
(g) 1990 variant II, subvariant "b"

The implementation of the plan's strategic goal, the overcoming of the crisis and the restoration of balance, will depend on the slowing of declining trends in 1982. Generally speaking we anticipate that the reversal of previously adverse trends in production and the onset of a gradual increase in production can be obtained in variant II in industry in 1983, and in agriculture, depending on what the weather conditions are like, in fiscal 1983-1984 or the next year.

Special emphasis in the concept of the plan is placed on achieving market balance, owing to the fact that this is presently the most sensitive problem and directly affects every citizen. and also owing to the important role which the proper functioning of the market and trade have in providing the society with an incentive to work and increase its productivity.

It is estimated that in the event the targets of the three-year plan are met there is a chance of overall balance by 1985 between the cash income of the population and the supply of goods and services, provided that the population income growth remains in the proper proportion to the increase in labor productivity and the supply of goods and services.

On the other hand, by 1985 we will still not fully balance the population's demand for certain items, and the per capita level of consumption will be lower than before the crisis in 1980. Nevertheless we can expect noticeable improvement in normalizing the market situation, and the purchase of commodities will depend on the patron's buying power. This should create conditions for gradually getting away from rationing.

Thus, normalization of the market would be the main thing the citizen would notice as the result of the implementation of the three-year plan.

Noticeable improvement should also be obtained in the investment situation, provided that the investment front continues to be reorganized so that priority is given to the completion of investments in the advanced stages. This depends to a great extent on the enterprises: the investors and contractors. It is estimated that the level of involvement in unfinished investments, or the amount of outlays needed to complete investments which have been begun (after the suspended ones have been eliminated), would decline in 1985 to a level of 70-75 percent of the 1982 level and about 50-55 percent of the 1980 level. This commitment would decline in the middle of the next five-year period to the size of 150-200 percent of annual outlays, compared to the equivalent of more than 3 years of outlays in 1980.

On the other hand by 1985 we cannot resolve the balance-of-payments problems. The level of indebtedness in both the capitalist and socialist countries in 1985 will be higher than in 1982, and the scale of increase in indebtedness will depend on the foreign debt service concept negotiated. In the event that credit relations with creditor countries

are normalized as the result of appropriate negotiations and an increase in exports, there are opportunities for a gradual improvement in the balance and a reduction in the scale of the backlog from debts related to foreign debt service. This would mean some ease in the balance-of-payments situation, although it would still not spell its solution.

Overall, the concept of the three-year plan presently being given will create chances for the rebuilding of economic equilibrium by 1985 in basic sectors or at least the restriction of the action of the main causes of the imbalance. This should create conditions for a transition to balanced development in 1986-1990.

Alongside the gradual gaining of freedom of action throughout the next five-year period (1986-1990) the need to service the foreign debt will exert a strong impact on economic development. This need will cause a reduction in the national income for distribution in the country and therefore a restriction on the possibilities for development. The scale of this factor's impact will depend to a great extent on the increase in our export capabilities and on the expansion and deepening of cooperation and integration with CEMA countries.

Basic Indicators of the Development of the Economy

The targets of the plan assume a real possibility to expand industrial production in 1983-1985, and depending on the variant this growth ranges between 12 and 17 percent, that is, a mean rate of from 3.8 percent to 5.4 percent per year. This would make it possible in variant II to reach by 1985 basically the pre-crisis level of production.

Depending on the weather for agriculture, the increase in agricultural production in 1983-1985 is estimated at from 6 to 12 percent. Given average conditions and a total agricultural production growth over the 3 years of about 10 percent, by 1985 this production would basically reach the 1978 level, that is, the highest level achieved prior to the crisis.

As a result created national income could increase by 11-18 percent in 1983-1985, depending on the variant, which is an average of from 3.5 percent to 5.6 percent per year, depending on the variant. Unlike industrial and agricultural production, by 1985 it will not reach the highest precrisis level. It is estimated that depending on the variant national income can reach 82-87 percent of the highest previous level, which was reached in 1978. The lower rate of reaching the precrisis level of created national income will result especially from the lower level of production in the construction industry (related to investment restrictions) and the added costs related to underuse of existing production capacity, a factor which reduces the level of net production (and thereby also that of national income).

It is projected that beginning in 1982 there will be a turn-around in relation to the 1970's in the ratios between the increase in created national income and that remaining for distribution in the country. In connection with incurring foreign credit, the increase in income for distribution in the country greatly exceeded the increase in created income, but beginning in 1982 the increase in national income for distribution will be slower than the growth of created national income, owing to the fact that a larger share of this income will be allocated for foreign debt service. The balance of foreign trade turnovers in 1985 will reduce created national income by 3-4 percent, depending on the variant. In this connection the increase in income for distribution in 1983-1985 can amount to from 9 to 15 percent.

Total national income for distribution in 1985 would represent only from three-quarters to four-fifths of the highest precrisis level (1978). This will have a great impact on the distribution of national income in all the variants, as we have shown in Table 3.

Table 3. Variants for the Allocation of Income for Distribution for Consumption and Investments

| (a) | (b) | (c) | (d) | (e) | (f) |
|---|---|---|---|---|---|
| | 1985 | | | | |
| Wariant II | 1982 p.w. | Podwariant „a" „ochrony spożycia" | Podwariant „b" „ochrony inwestycji" | Podwariant „c" „maksymalizacji spożycia" | 1980 Podwariant „a" „ochrony spożycia" |
| I. Wskaźnik 1982=100 | | | | | |
| Dochód do podziału | 100 | 113 | 113 | 113 | 135 |
| w tym: | | | | | |
| spożycie ogółem | 100 | 111 | 106 | 115 | 133 |
| akumulacja | 100 | 122 | 140 | 105 | 142 |
| w tym: | | | | | |
| — inwestycje netto | 100 | 95 | 113 | 78 | 105 |
| Ia. Inwestycje brutto | 100 | 100 | 114 | 87 | 115 |
| II. Przyrost w mld zł w stosunku do 1982 r. | — | 496 | 496 | 496 | 1 332 |
| Dochód do podziału | X | 336 | 200 | 460 | 1 022 |
| w tym: | | | | | |
| Fundusz spożycia | X | 160 | 296 | 36 | 310 |
| Fundusz akumulacji | X | —40 | 96 | —164 | 40 |
| z tego: | | | | | |
| Inwestycje netto | | | | | |
| III. Struktura w %% | | | | | |
| Dochód do podziału | 100,0 | 100,0 | 100,0 | 100,0 | 100,0 |
| w tym: | 80,6 | 79,1 | 75,9 | 82,0 | 79,6 |
| Spożycie ogółem*) | 80,6 | 83,0 | 79,6 | 86,0 | 84,0 |
| Akumulacja | 19,4 | 20,9 | 24,1 | 18,0 | 20,4 |
| z tego: | | | | | |
| — inwestycje netto | 19,4 | 16,2 | 19,4 | 13,3 | 15,1 |
| IIIa. Udział inwestycji brutto w dochodzie brutto | 25,5 | 22,6 | 25,6 | 19,9 | 21,5 |

[Key to Table 3]

(a) Variant II
(b) 1982 subvariant
(c) Subvariant "a" -- "protection of consumption"
(d) Subvariant "b" -- "protection of investments"
(e) Subvariant "c" -- "maximization of consumption"
(f) 1990 subvariant -- "protection of consumption"

I. Index 1982 = 100
Income for distribution
   Total consumption
   Accumulations
      Net investments
Ia.   Gross investments
II. Billions of zlotys increase in relation to 1982
Income for distribution
   Consumption fund
   Accumulation fund
      Net investments
III. Structure in percentages
Income for distribution
   Total consumption*
   Accumulation
      Net investments
IIIa. Share of gross income devoted to gross investments

*In the numerator we have given the share of total income for distribution, and in the denominator the share of income computed without any increase in stocks, because the high growth rate of stocks and reserves in relation to the low level in 1982 would distort the structure of national income distribution.

If we select variant II as most likely as a basis, then we need to make a choice between:

a) maintaining until 1985 the level of investments reached in 1982 in such a way that the maximum share of the increase in income may be allocated to consumption, that is, the variant of protecting consumption ("a"), which would go along with a further decline in the share of national income devoted to investments,

b) maintaining until 1985 the share of national income going for investments at the level achieved in 1982, which would require increasing net investments by about 100 billion zlotys, or the subvariant of protecting investments ("b"),

c) increasing the share of the national income going for the consumption fund in relation to 1982 at the cost of a great reduction in both the absolute level of investments and their share, that is, the consumption maximization variant ("c").

In presenting the consequences of all the subvariants under review, we are proposing the adoption of the subvariant of protection of consumption ("a") as the basis in the three-year plan, along with a freeze on the overall investment size at the 1982 level until the year 1985.

This variant contains the opportunity to expand the overall sizes of the consumption find in 1985 by about 11 percent over the 1982 levels, while keeping investment outlays at the 1982 level until the end of the five-year period. At the same time this would mean in 1985 reaching about 94 percent of the highest level of consumption out of personal income, that is, that of 1980, and in connection with the rise in population, about 88 percent per capita.

On the other hand, in assessing these indicators we should keep two important factors in mind:

first, that the level of consumption in 1980 was reached partly at the cost of foreign debt,

second, that such a level of consumption was reached in 1980 with a six-day workweek. We can estimate that 4-5 percent of the consumption fund was based on consumer goods produced during Saturday working hours.

The next choice consists of the ratios for distributing total consumption for consumption out of personal income and collective consumption, or, what is called "other," consisting mainly of state budget financing of expenditures for social and cultural purposes. The choice in this area basically boils down to answering the question: How should the society's income be structure? Should we take the route of increasing personal income or that of collective consumption?

Hence, in this case we must choose between:

a) maximum possible increase in consumption out of personal income, even at the cost of collective consumption, or "priority for private individual consumption" ("a"),

b) maximum possible increase in collective consumption, even at the cost of individual consumption, or "priority for collective consumption" ("b"),

c) more equal rise in individual and collective consumption ("c").

In keeping with this choice, a larger share of resources would be directed to increase the population's personal income or to increase state budget-financed expenditures for collective consumption purposes, as Table 4 illustrates.

In presenting the consequences of all the subvariants under review, we are proposing the adoption of the subvariant of "more equal increase in the level of individual and collective consumption" ("c") as the basis of the three-year plan.

Table 4. Variants for Allocating Income for Distribution for Personal and Collective Consumption

| (a) Podział spożycia w wariancie II | (b) 1982 r. | 1990 (c) Podwariant preferencji spożycia indywidualnego | (d) Podwariant preferencji spożycia zbiorowego | (e) Podwariant z bardziej wyrównanym spożyciem indywid. i zbiorowym | (f) 1990 *) Podwariant "c" |
|---|---|---|---|---|---|
| I. Wskaźnik 1982 = 100 | | | | | |
| Spożycie ogółem | 100 | 111 | 111 | 111 | 133 |
| w tym: | | | | | |
| — z dochodów osobistych ogółem | 100 | 113 | 107 | 110 | 132 |
| — na 1 mieszkańca | 100 | 110 | 104 | 107 | 124 |
| — pozostałe | 100 | 100 | 136 | 115 | 142 |
| z tego: | | | | | |
| spożycie materialne na cele socjalno-kulturalne ogółem | 100 | 100 | 125 | 113 | 137 |
| na 1 mieszkańca | 100 | 97 | 122 | 110 | 128 |
| II. Przyrost w mld zł w stosunku do 1982 r. | | | | | |
| Spożycie ogółem w mld zł | — | 336 | 336 | 336 | 1022 |
| w tym: | | | | | |
| — z dochodów osobistych | — | 336 | 166 | 262 | 818 |
| — pozostałe | — | 0 | 170 | 74 | 204 |
| z tego: | | | | | |
| spożycie materialne na cele socjalno-kulturalne | — | 0 | 54 | 28 | 80 |
| III. Struktura w % | | | | | |
| Spożycie ogółem | 100,0 | 100,0 | 100,0 | 100,0 | 100,0 |
| w tym: | | | | | |
| — z dochodów osobistych | 84,1 | 85,7 | 80,6 | 83,5 | 83,1 |
| — pozostałe | 15,9 | 14,3 | 19,4 | 16,5 | 16,9 |
| z tego: | | | | | |
| spożycie materialne na cele socjalno-kulturalne | 7,1 | 6,4 | 8,0 | 7,3 | 7,3 |

*) przy przyjęciu poziomu spożycia ogółem z wariantu II podwariant „c" z tabl. 2

I. Index 1982 = 100
Total consumption
breakdown:
-- from personal income
-- total
-- per capita
-- other
of this:
material consumption for social-cultural purposes
total
per capita

II. Billions of zlotys increase in relation to 1982
Total consumption in billions of zlotys
breakdown:
-- from personal income
-- other
of this:
material consumption for social-cultural purposes
purposes

III. Structure in percentages
Total consumption
breakdown:
-- from personal income
-- other
of this:
material consumption for social and cultural purposes

* [see column f] assuming the total consumption level of variant II, subvariant "a" in Table 2.

[Key to headings of columns (a)-(f)]:

(a) Distribution of consumption in Variant II
(b) 1982 subvariant
(c) Subvariant "a" with priority for individual consumption
(d) Subvariant "b" with priority for collective consumption
(e) Subvariant "c" with a more even increase in individual and collective consumption
(f) 1990* Subvariant "c"

In these assumptions the rest of consumption would increase in 1983-1985 by about 9-19 percent, that is, on an average of from 3.2 percent to 3.9 percent per year, which means at a somewhat faster rate than consumption out of personal income.

Within the framework of this direct expenditures out of the budget made for social and cultural purposes would increase correspondingly by 13 percent during this period in terms of constant prices.

The share of net investments in variant II and "protection of consumption" subvariant in 1985 would amount to 16.2 percent of total income for distribution, and the share of gross investments would be about 23 percent. This would mean in 1983-1985 maintaining investment outlays at the level achieved in 1982, that is, at nearly a billion zlotys per year, calculated in terms of new prices.

The determination of macroratios for 1986-1990 is far more difficult than for 1983-1985. The risk of underestimating our economy's real capabilities in this period is far greater, because after 1985 the positive effects of the reform should become noticeable. On the other hand, there is no accurate way of now specifying accurately just what they will be. For this reason the targets currently being adopted for 1986-1990 should be treated merely as provisional sizes.

With these reservations there is the chance of increasing industrial production in 1986-1990 by 19-28 percent, that is, on an average of 3.5-5.1 percent per year (Table 1). This would make it possible in 1990 to exceed the highest precrisis level by about 20 percent (in variant II).

In agricultural production the projection for 1986-1990 is for an increase of from 8 to 15 percent (depending on the variant). If these targets are met, in 1990 agricultural production will exceed the level of the most favorable precrisis year (1978) by 8-15 percent.

On the other hand, it is estimated that created national income could increase in 1986-1990 by about 18-31 percent in relation to 1985, which is an average of from 3.4 to 3.6 percent per year, depending on the variant. Hence, the attainment of the precrisis national income level would be possible in 1986-1987 in the light of these assumptions.

It is also estimated that variant II would include the chance to increase total consumption in 1990 by 33 percent in relation to 1982. Taking into account the rise in the population, about the year 1989 it would be possible to reach the precrisis per capital level of consumption, and by 1990 it would be possible to exceed it slightly, but the structure of that consumption would be different.

In this case investment outlays in 1990 could be about 15 percent higher than in 1982, except that they would represent about 77 percent of the 1980 level of investment outlays and about 62 percent of the level of the peak year in this respect, 1978. The return to the 1978 investment

level by 1990 is not at all possible or desirable. The possible further expansion of investment outlays prior to 1990 could only occur at the cost of an extended limiting of per capita consumption out of personal income to a lower level in relation to 1980.

It is estimated that other consumption in 1986-1990 could increase by about 23 percent, that is, on an annual average of about 4.2 percent.

Improved Management Effectiveness the Main Way to Accomplish the Plan's Tasks and Social Targets

A basic condition to implementing the above-mentioned goals and tasks of the plan is the improvement of overall management effectiveness, particularly in the realm of material production as a basis for an increase in consumption and the social activity of the state.

This is particularly important in the present situation, because during the past 6-7 years there has been a general decline in effectiveness and a rise in production costs, which had a very adverse impact and made the crisis worse.

In order to achieve improved effectiveness, action is essential in two directions. First is the attempt to improve management effectiveness in the enterprises. The main plane for resolving this problem should be the utilization of those economic reform mechanisms contributing to greater management effectiveness. The second direction is action to utilize the possibilities for improved production effectiveness on a national scale through changes in the structure of production and the distribution of resources, particularly for the branches, sub-branches, plants, and goods with the highest degree of effective processing of raw materials and a great input of technical thought.

It is estimated that in the most realistic variant, variant II, given the projected mean annual national income growth rate in 1983-1990 of about 4 percent, at least one-quarter of this growth should be accomplished through improved effectiveness.

The main source of improved effectiveness should be a decline in unit consumption of energy, raw materials, fuels, and other materials. It is estimated that during the next 8 years, to the year 1990, it is possible to increase industrial production by about 40 percent, but the analyses being made show that during the same period the supply of 40 basic industrial raw materials (domestically produced and imported) can increase by about 19 percent. This means that a condition for reaching the projected rise in production is the attainment during that period of a unit decline in the consumption of these raw materials approximating 14 percent, or 1.9 percent per year on the average.

## II. Major Directions of Socioeconomic Policy

### Policy for Rebuilding the Structure of the Economy

An important direction in activating the economy and increasing national income should be the rebuilding of the structure of the economy in 1983-1990. The initiation of this reconstruction should be an important element of the three-year plan. Rebuilding the structure means gradually to shift resources to those branches and sub-branches whose development will insure that the targets of the plan are reached. Here it is a question, for example, of more rapid development of production based on available raw materials with the aid of technologies which will insure the effective utilization of energy and raw and other materials. Reduction of the energy- and material-intensiveness of production is one of the most urgent tasks related to rebuilding the structure of the economy.

Given the difficulties in balancing supply and demand of fuels and energy and the shortage of the fuels derived from imported petroleum and natural gas, the saving of fuel, coal, and electric power is a necessity. It is estimated that the rise in the production capacity in hard coal mining derived from new investments will merely balance the projected declines in production capacity associated with the exhaustion of deposits in certain mines.

A problem which will be especially difficult to resolve between now and 1990 will be the satisfaction of the economy's demand for high-methane gas and petroleum. It will be necessary to obtain additional deliveries of imported petroleum and high-methane gas, for example, in exchange for coal, coke, and other raw materials.

Until the gas shortage problem is resolved, we should see that gas deliveries to the population and for fertilizer production receives priority, even at the cost of restricting the consumption of gas in other areas.

The situation in the balance of solid fuels will be temporarily alleviated by the projected rise in the extraction of lignite, an increase from the 38 million tons in 1982 to 59 million tons in 1985 and 75 million tons in 1990.

Nonetheless, the fuel and energy situation will rise to the ranks of one of the major economic problems of the 1980's and will demand separate, in-depth attention.

It should be another important direction of efforts to increase the effectiveness of utilization of metallurgical items in industry and in construction. It is necessary at the same time to change the structure of metallurgical production so that a larger share of production consists of steel for implements and bearings and high-grade construction steels.

Another important direction of effort is the better utilization of domestic raw materials. This means giving priority to developing those industrial branches that are based on the processing of domestic raw materials and, where justified, the basing of production on domestic raw materials. This applies in particular to mineral raw materials. This should be accompanied by some qualitative improvement in the management of local, waste, and recycled raw materials. The share of total raw materials used that comes from recycled raw materials in the country should increase from about 10 percent at present to 15 percent in 1990.

It is very important to reduce delays in the development of the chemical industry. Here it is a question of replacing to the greatest possible extent imported raw materials and partly finished products from the capitalist countries with domestic raw materials and domestic products of synthesis along with raw materials imported from CEMA countries.

The problem of accelerating the development of the chemical industry will require additional attention and solutions in the three-year plan, because current analyses show that without special efforts, the production increase achieved during the next few years in the chemical industry will not be adequate to overcome the imbalances which appeared during the 1970's.

A strategic direction for rebuilding the structure of the economy should be to gear industry to exports on the basis of economically effective production specialization. The relatively low export level is presently one of the major imbalances in the structure of the Polish economy. Export growth in both the short-term and long-term future will be a factor hampering our import capabilities, with respect to both the capitalist and socialist countries.

The engineering industry, which is very important for Poland's specialization in CEMA should continue to play an important role in the development of our exports, especially to the socialist countries. The export of complete industrial installations should also play an important role.

Structural changes aimed at gearing the whole economy to better meet the production needs of agriculture are very important in improvements -in solving the problems of feeding the nation. It is estimated that production of the means of production for agriculture should increase by about 70 percent within 8 years.

The activation of crop production is one of the major problems in agriculture. It calls for decided improvement in the agrotechnical level, the expansion of application of fertilizer to 230 kilograms per hectare of cultivated land by 1990, priority treatment for the supply of pesticides, and flood control measures.

An important direction for structural changes in agriculture should be the expansion of domestic production of grain and fodder with the simultaneous reduction in losses during harvests, procurement, storage, and transportation.

In livestock production it is essential to adapt meat consumption and production to the possibilities resulting from our own fodder and livestock base. It is estimated that this will require a temporary limit on meat consumption, perhaps in 1985, to a level not higher than that of the early 1970's (54-55 kilograms per capita). Nonetheless, it is projected that this will accompany a rise in the consumption of milk and vegetables and of milk and vegetable products, and from the physiological and dietetic viewpoint, the mean structure of food consumption will insure that average-level food needs and energy demands will be met. The intensive expansion of milk processing is projected, particularly the production of cheese, which requires, among other things, solution of the problem of storing and transporting fresh milk, including its prompt refrigeration right after milking and its further transport and storage under refrigeration.

An important issue of the plan is the development of agriculture's service-trade structure, including both production service and the storage, processing, and upgrading of farm products.

To ease domestic market shortages structural changes are essential, aimed at increasing deliveries of raw materials for those industries producing market goods and aimed at increasing the total industrial production share devoted to market production in 1990.

The development of small-scale manufacturing and services and the creation of new plants in all forms of ownership should become a significant factor in the development of market and export production.

Consistent with the provisions of the PZPR Central Committee's Politburo and the Presidium of the Democratic Party's Central Committee, efforts will be made to insure an increase in the share of total production of socialized industry devoted to socialized small manufacturing. It is estimated that this share may increase from 5.7 percent in 1982 to at least 7-8 percent in 1990, and together with the crafts and trades, from 7.9 percent to 11-12 percent, respectively.

An important direction in building up the structure of the economy should be intensive development of services in conjunction with shifting labor resources to service activity and with giving priority in the supply of materials.

Given the restricted investment capabilities during the first half of the 1980's, structural shifts will have to come largely through smaller or larger adaptations undertaken in the various branches in cooperation with research and development assistance.

Changes in production structure should be accompanied by changes in the structure of foreign trade. The basic direction should be the deepening of economic cooperation and the further development of integration ties with CEMA countries and giving them new content.

The concept of Poland's share in the processes of socialist economic integration of the CEMA countries will be a component part of the plan to the year 1990. An especially important direction of development of cooperation with the CEMA countries should be industrial cooperation and production specialization.

The exploitation of other socialist countries' role in finishing suspended investments and mobilizing free production capacity in Polish industry is also projected. One of the targets in turnovers of Polish foreign trade is the expansion of the share of developing countries, particularly in those instances in which through exchange with these countries it is possible to obtain the necessary raw materials and partly-finished products where substitution is possible in a cost-effective manner or in cases where there is a possibility of obtaining foreign exchange currency by virtue of exports in excess of imports.

It is estimated that the developing countries' share in Poland's foreign trade turnovers can increase from about 12 percent in 1982 to 15-18 percent in 1990.

It is projected that the major direction of changes in the structure of imports will be an increase in the share of imports for the purposes of supplying industry (excluding fodder and grain) from about 70 percent in 1982 to 76 percent in 1990, while reducing the share of grain and fodder from 9 percent to about 5 percent.

Despite the reduced investment capacity, we plan to insure a proper rise in foreign turnovers and production, and an increase in carrying capacity in transportation, while giving priority to the development of the transport branches which have the lowest unit costs and thrifty energy consumption, which during the next few years may make it necessary to shift transport, where possible, from motor transport to railway transportation or inland navigation.

Priority is projected for 1983-1985 for the development of repairs of rolling stock and inquipment, along with the concentration of resources on capital repairs and ongoing maintenance of the transport infrastructure.

The creation of a modern, efficient organizational and economic system of transportation is a basic problem.

The expansion of the structure of the economy will require employment shifts. The essence of the problem boils down to making appropriate staff shifts from one plant to another, especially to the coal industry and other extractive industries, small manufacturing and services, collection and processing of secondary raw materials, forestry, and so on. It is also essential to increase employment in remodelling and repairs, an area which can employ a large number of people, partly because it is so labor intensive.

In agriculture it is projected that there will be a slowing of the employment migration to the cities, especially to the large urban-industrial complexes, in which the housing situation is the most difficult. It is estimated that employment in agriculture to the year 1985 will probably remain at the 1982 level, 4.9 million persons.

On the other hand, an increase in employment is projected in extractive industry.

In processing industry and construction an overall decline in employment is projected, except that there will be some increase in industrial and construction services and in the crafts and trades.

Except for administration, an increase in employment is projected for other largely service sectors of the economy. As a result, the share of total employment in the national economy involving services in the broad sense will increase from 35 percent in 1982 to 39-40 percent in 1990.

The development of services, especially services to the population, will be tied in with increasing employment in the nonagricultural non-socialized economy. It is projected that it can increase from 700,000 in 1982 to 1.1-1.2 million in 1990.

Policy of Market Equilibrium and Balancing the Budget

It is estimated that under the existing conditions of limits on raw materials and imports, deliveries of market goods for the population are to grow in 1983-1985 by about 16-18 percent in relation to 1982, calculated in constant prices. From the viewpoint of existing needs, this growth is inadequate, and for this reason the projection is to base market policy on the following principles:

a) determination of the population's minimum for supply of commodities which are of fundamental significance for everyday family life, and the assurance of corresponding market deliveries, and the prices on these commodities should be official and regulated in nature, and should be subject to control,

b) sales of other market goods should be a balance (conventional) prices without the population's being compensated in the event prices on these goods increase,

c) use of possibility of exporting more de luxe market goods and goods which meet needs of a higher order in order in exchange to import raw materials for the production of market goods satisfying basic needs.

It is estimated that to 1985 it will be necessary again to increase retail prices, except that its scale will decrease year by year. While in 1982 the mean increase in prices may approximate 100 percent, and in 1983 it will still be about 25 percent, it is estimated that by 1985 it

will be possible to reduce price increases to about 10 percent or even less. The anticipated relatively great price increase in 1983 (25 percent) is the result of price changes made in 1982 in the anticipated rise in the prices of public transportation rates and the need to increase certain official prices to partially eliminate budget subsidies. On the other hand it is assumed that control will be activated over increases in the prices of goods and services made in a decentralized manner. In connection with the price rise in 1983-1985 we anticipate the use of certain forms of recompensation to make up for the rise in the population's expenditures and the minimalization of the effects of inflation for those social groups and families economically most disadvantaged.

The attainment of overall balance by 1985 will still not mean full satisfaction of market needs. The most difficult situation will be found in the supply of meet, goods of light industry, especially clothing and footwear, and the upper-level item assortments of durable goods, that is, in relatively important market areas.

On the other hand, we can anticipate noticeable improvement in the supply of dairy items, fruits, and vegetables; insofar as industrial items are concerned, [there will be improvement] in standard durable items and also in the means of production for rural areas, laundry products and toiletries.

Assuming the realistic assumption that for the next few years the policy will continue to be waged under conditions of inflation, the development of state antiinflation action is also projected.

It is anticipated that the policy of savings in budget-financed expenditures, especially for administration, and the adaptation of state social policy to the realities stemming from the anticipated continuation for years of the national income for distribution overall at a level no higher than the 1980 level, will continue.

As a result, the growth rate of budget-financed expenditures for social-cultural facilities, except for the effects of decisions already made, must be moderate, but there is no possibility of these expenditures' increasing until we gain an increase in production and improvement in effectiveness in the material production sphere, because this would cause the acceleration of the inflationary processes.

The variants for allocating budget-financed resources for social and cultural purposes are presented in Table 2, which illustrates on the one hand the limited field for maneuvering and shows on the other hand the difficulties in making a choice in this area.

The State's Social Policy

Owing to the whole shaping of the country's economic situation in 1983-1985 it will be possible to allocate for social benefits only that amount of resources that is essential to insure social protection for those population

groups in difficult material circumstances, but for state financing of social and cultural services it will not be possible to allocate any greater share of total budget expenditures than previously.

At the same time we should take into consideration the fact that as the consequence of past and forecast demographic processes, there will be an approximate one-quarter increase in the burden actively employed persons bear in maintaining persons who are not employed (population said to be not of production age, that is, pensioners and retired persons, children and young people, mothers with maternity leave to raise children) to the year 1990.

In connection with the above, it is proposed that the state's social policy for 1983-1985 be based on the following major principles:

-- adaptation of the scope of state care-taking functions to the state's current financial and economic capabilities, especially the reduction in the state's caretaking functions to limit them to those population groups in the most difficult material situation, people living in poverty or running the risk of poverty, and people who are handicapped or unable to improve their situation through the effects of gainful employment,

-- state bolstering of action in the realm of social assistance conducted by social organizations, churches, places of employment, and regional self-government,

-- redistribution of part of the income of population groups obtaining large incomes to improve the situation in areas determining the society's living conditions (public health, education, culture, public transportation),

-- execution of major changes in the approach to the housing issue, that is, by gradually increasing the population's own contributions as a share of total costs of building and operating housing, and treating housing constructed through a large share of a citizen's own income as his personal property; the state, on the other hand, would provide appropriate credit assistance, would provide contracting potential and material supply for the construction, and would develop municipal construction for those population groups which are in exceptionally difficult material circumstances.

It would be the general trend in state policy to create an equal opportunity for citizens in all areas of life rather than an equalized income level. This level would largely depend on the individual's way of taking advantage of the opportunities provided.

Among the social goals, it is proposed that top priority be given to public health. In this year, three basic targets should be dealt with in this area to the year 1985: 1) meet in full the demand for medications, 2) insure noticeable progress in basic regional health care, 3) attain further progress in care of mothers and children.

It is projected that after 1985 there will be a further expansion of the funds allocated for public health, particularly for those purposes in the realm where, owing to economic reasons, it will not be possible to make satisfactory progress prior to that year.

In the area of culture, until 1985 it is proposed that priority be given to those goals related to the reading of books, that is, assuring a basic increase in printings of books, modernization of printing facilities, and completion of construction of the National Library.

It is projected that this will be accompanied by the development of all forms of cultural participation and action to eliminate imbalances in meeting cultural needs from one group or region to another, especially between the urban and rural areas.

In the area of education, it is proposed that top priority to 1990 be given to providing for preschool care. This will require in particular the making up of delays in building preschools in new housing developments. To the year 1990 the plan is to insure the attainment of the neighborhood urban planning norm, which means creating preschool places for at least 70 percent of the children residing in the development.

At the same time there are plans to draft a future concept of a modern system of education, assuming that a general reform in the national educational system is introduced in the years 1990-2000.

In higher education we project further improvement in the quality and effectiveness of education, upgrading of the model of higher education, moderniztion of programs of study, and adaptation of the scheme of the institutions of higher education to fit the needs and capabilities of the country.

The basic assumption of social policy is to insure the family its proper place, as the basic element of social policy. The state's care-taking functions will be accomplished to a broader extent in relation to those families in the gravest material situation.

In particular efforts are projected to better meet the needs of the young family during its most difficult period of existence, including, for example, expansion of production of food for children, insuring the proper quantity and quality of essential items and ready-to-wear for infant care as well as that of necessary products for older children, and the expansion of holidays for families with children and forms of active recreation for children and young people.

Among other things, the improvement of the family's living conditions will require implementation of the next stage of reform of family benefits and allowances, efforts to combat a decline in the real value of the cash benefits paid to families, and the expansion of aid to single-parent families out of the alimoney fund.

In state policy, in relation to certain population groups we project the consistent realization of the government program for improving the conditions for young people's start in life and on the job.

It is anticipated that we will inculcate the principle that young people entering vocational and family life will avail themselves of state aid in the form of a system of loans, credit, and subsidies later returned to society in the form of repayments, work contribution, or the younger generation's discharging its obligations in a manner which brings about general social benefits. This help, on the other hand, should not take the form of donations.

In order to create for the younger generation the conditions and opportunities to create its own fate independently, it is necessary to seek new, socially and economically attractive forms encouraging young people to take an active part in modernizing the country's social life and economy, with special attention to young people's assuming joint stewardship in the places of employment in the form of participation in cooperative and worker self-governments and in regional self-governments in the place of residence.

In relation to people of nonemployable age, the plan first of all is to resolve the problems of their material existence. This goal will be met through the gradual elimination of the old pension and retirement pay file, in the establishment of benefits greater consideration for retired persons with many years of service, introduction of a variable level of lowest retirement pay and pensions, reduction of imbalance occurring in the level of benefits, and more favorable principles for cancellation of pensions and retirement benefits in the event of gainful employment.

Efforts will be made to take greater advantage of the older generation's knowledge and experience in social life. There are plans to activate social welfare with regard to the elderly. To this end, for example, it is projected that local and institutional aid rendered by social organizations with state aid will be integrated, and particular consideration will be given to assistance in the retired person's place of residence.

In relation to the generations of working age, the major effort will be directed to improving occupational health and safety conditions and to stepping up the battle against civilized diseases. In particular conditions will be created to remove the most serious risks stemming from toxic agents, air and noise pollution, and vibration.

Investment Policy

Under the economic reform's conditions, an essential element of investment policy will be reduction of the state's direct influence on the investment activity for central investments and the investments of voivodship officials made from central subsidies. The size and allocation of investment outlays of state and cooperative enterprises and the population can be encompassed in the plan only in terms of estimates.

State influence on these investments will be exerted mainly by the banks and their credit activity. The targets of credit policy, with consideration for priorities in the three-year plan, and the policy for the structural reconstruction of the economy will set the directions for the banks' awarding credit to enterprises for investments.

The basic factor determining investment policy during the next few years is the fact that in the light of an analysis of the existing possibilities, the overall level of investment outlays in the national economy to the year 1985 either cannot be greater than in 1982 or will be only negligibly higher. Therefore, during that time the essence of the problem may be reduced to the most effective execution of investments already under way.

Investment policy after 1985, in turn, will be influenced by the fact that during the latter half of the decade there will be the "echo" of the increased investments of the 1970's in the form of greatly increasing reproduction needs. It is estimated that in 1986-1990 the reproduction needs will be more or less double those of 1981-1985. It is estimated that by 1990 the share of restitution and modernization investments in industry will increase to about 60-70 percent of total industrial investments, compared to about 25 percent in 1976-1980. In this connection the rank of remodelling will rise.

In connection with the limited investment capability and the reproduction needs to the year 1990, there will be no possibility of undertaking new capital-intensive investments or investments which a long construction cycle, because the limited possibilities for carrying out new undertakings must largely be used for investments in the urban infrastructure, without which future housing construction would be impossible.

It is anticipated that within the framework of the joint volume of outlays during this period, there will be a great increase in the investments which the enterprises finance out of their own development funds.

There will also be an increase in the share of investments which voivodship officials (including socialized housing construction) accomplish, at least from 28 percent in 1982 to 31 percent in 1990, because they will have the greatest impact on the population's standard of living.

Throughout the period to 1990 it is also assumed that priority will be given to investments of the population, especially in the realm of agriculture, housing construction, and services. It is estimated that the share of these investments may increase respectively from 18 percent to 24 percent.

As a consequence there will be a basic reduction in the share of investments which up until now have been carried out as central investments. It may be estimated that the share of these investments in the target model will decline from about 65 percent in 1976-1980 to 20-25 percent of the total investments in the country.

In the distribution of the total investment size by direction, the government will be guided by the decisions of the Ninth PZPR Extraordinary Congress and the resolutions of both the PZPR Central Committee Politbureau and the Presidium of the ZSL Supreme Committee concerning the development of agriculture and the food economy.

These provisions call for the following allocations in relation to total outlays in the national economy:

-- 30 percent for housing complex (including land development and the housing industry),

-- 30 percent for the food complex (including the food industry and industry manufacturing the means of production for agriculture).

In order to carry out the resolutions of the Ninth PZPR Extraordinary Congress, there are plans to activate a program of investments aimed at environmental protection.*

Owing to the emphasis on justified investment needs in other sectors of the national economy in the course of work up to the present it has been very difficult to develop a variant to insure allocations for the implementation of the two programs, housing and food, totalling 60 percent of all investment outlays in the country.

Table 5, which assumes plant variant II as a basis, presents the three various subvariants for distribution of investment outlays:

1) the subvariant conventionally called the "production subvariant," which gives priority to satisfying production needs; within this subvariant it would be possible to allocate 30 percent of all outlays to the food complex, but this would be at the cost of the housing complex,

2) the subvariant conventionally called the "social subvariant," which assigns the priority to the whole sphere of social consumption, especially the housing complex; in this subvariant it would be possible to allocate 30 percent of all outlays to the housing complex, but this would mean allocating 28 percent of total outlays for the food complex,

3) the subvariant conventionally called the "housing subvariant," which gives high priority to housing construction, in which 35 percent of all outlays would be allocated for that purpose to achieve during the next 3 years an increase in the scope of construction amounting to about 90,000 dwelling units, but at the cost of the other complexes.

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*In addition, in keeping with the decision made by the Council of Ministers, two long-range investment programs of general social importance have been drawn up: a fuel and energy program and a transport program.

Table 5. Variants for Designating Investment Outlays by Separate Complexes
(1978 prices)

| Variant II<br>Wariant II | (a)<br>1981—82<br>b.w. | 1983—1985 (b)<br>Podwariant „a" (produkcyjny) | (c)<br>Podwariant „b" (socjalny) | (d)<br>Podwariant „c" (mieszkaniowy) | (e)<br>1986—90<br>Podwariant „b" |
|---|---|---|---|---|---|
| Structure (%)<br>Struktura w %% | 100,0 | 100,0 | 100,0 | 100,0 | 100,0 |
| I. Food complex breakdown:<br>I. Kompleks żywnościowy | 27,12 | 30,00 | 28,00 | 24,00 | 28,00 |
| 1) Agriculture (socialized and nonsocialized)<br>w tym:<br>1) rolnictwo (uspołeczn. i nieuspołeczn.) | 19,51 | 20,00 | 20,00 | 16,00 | 21,00 |
| 2) Food and fodder industry<br>2) przemysł spożywczy i paszowy | 4,81 | 6,00 | 5,00 | 5,00 | 5,00 |
| 3) Industries producing means of production for agriculture (chemical industry, electric machine industry)<br>3) przemysły wytwarzające środki produkcji dla rolnictwa (elektromaszynowy, chemiczny) | 2,80 | 4,00 | 3,00 | 3,00 | 2,00 |
| II. Housing complex breakdown:<br>II. Kompleks mieszkaniowy | 28,16 | 25,00 | 30,00 | 35,00 | 30,00 |
| 1) Housing construction (socialized and nonsocialized)<br>w tym:<br>1) budownictwo mieszkaniowe (uspoł. i nieuspoł.) | 21,98 | 18,00 | 23,00 | 27,00 | 23,35 |
| 2) Building up the infrastructure (municipal economy)<br>2) zbrojenie terenów (z działu gospodarka komunalna) | 4,61 | 4,50 | 5,00 | 5,50 | 4,75 |
| 3) Housing industry<br>3) przemysł mieszkaniowy | 0,56 | 1,50 | 1,00 | 1,50 | 1,00 |
| 4) Heating<br>4) ciepłownictwo | 1,01 | 1,00 | 1,00 | 1,00 | 0,90 |
| III. Social Consumption Sphere (excluding housing construction, nurseries, preschools, and neighborhood schools) breakdown:<br>III. Sfera konsumpcji społecznej (bez bud. mieszkaniowego, żłobków, przedszkoli i szkół osiedlowych) | 6,00 | 5,00 | 6,50 | 6,50 | 7,00 |
| 1) Health<br>w tym:<br>1) zdrowie | 2,02 | 2,00 | 2,50 | 2,50 | 2,50 |
| 2) Education<br>2) oświata | 1,88 | 1,50 | 2,00 | 2,00 | 2,00 |
| 3) Higher education<br>3) szkolnictwo wyższe | 0,40 | 0,30 | 0,30 | 0,30 | 0,40 |
| 4) Culture and art<br>4) kultura i sztuka | 0,27 | 0,25 | 0,40 | 0,50 | 0,60 |
| IV. Fuel and Power Complex<br>IV. Kompleks paliwowo-energetyczny | 11,19 | 12,50 | 11,50 | 11,50 | 12,00 |
| V. Other<br>V. Pozostałe | 27,54 | 27,50 | 24,00 | 23,00 | 23,30 |
| 1) Industry (except industries included in complexes)<br>1) przemysł (poza przemysłami ujętymi w kompleksach) | 13,42 | 13,30 | 10,20 | 9,40 | 8,90 |
| 2) Transportation, communication including railroad transportation<br>2) transport i łączność<br>w tym transport kolejowy | 7,90 | 7,50 | 7,00 | 7,00 | 7,50 |
| 3) Forestry<br>3) leśnictwo | 2,80 | 3,00 | 3,00 | 3,00 | 3,30 |
| 4) Construction<br>4) budownictwo | 0,49 | 1,00 | 0,90 | 0,90 | 0,80 |
| 5) Trade<br>5) handel | 2,50 | 2,00 | 2,50 | 2,50 | 2,00 |
| 6) Rest of municipal economy including the Metro<br>6) pozostała gospodarka komunalna | 1,37 | 1,30 | 1,50 | 1,40 | 1,50 |
| w tym: „Metro" | 1,60 | 1,50 | 1,80 | 1,50 | 2,00 |
| VI. Of total number industry total<br>VI. Z liczby ogółem przemysł ogółem | —<br>33,53 | —<br>38,00 | 0,30<br>31,40 | —<br>31,10 | 0,[illegible]<br>29,5[illegible] |

[Key for titles of columns (a)-(e)]

(a) 1981-1982 subvariant
(b) Subvariant "a" -- production subvariant
(c) Subvariant "b" -- social subvariant
(d) Subvariant "c" -- housing subvariant
(e) Subvariant "b" 1986-1990

In presenting the consequences of each of these subvariants, there is the expectation that work will continue on the distribution of resources to best meet the needs of the two complexes with priority, the housing complex and the food complex. Here it should be noted that owing to the expanded sphere of independent decisionmaking concerning the investments of the economic units and local authorities, the central plan provisions concerning the allocation of resources are to a large extent estimates and approximations.

Regional and Voivodship Development Policy

The limited possibilities of making important changes in the regional structure of the economy through investments and the impending ecological dangers in certain regions will have an impact on state regional policy in the 1980's.

Under these conditions the main target of regional policy to the year 1990 and the supreme goal of regional planning of Poland to the year 1990 should be restricting and slowing the losses in the condition of the environment.

It is essential to organize the regional planning system and to ease the imbalances in it, and in particular to insure that priority is given to investments in the sphere of the technical infrastructure in towns and that essential financial and contracting resources are reserved for the work necessary to avoid deterioration of existing housing resources. As funds become available, we plan to try to reduce the imbalances in development from one voivodship to another and to activate the smaller town-parish centers.

In particular it is necessary to build up the functions of the small- and medium-sized towns with special emphasis on agricultural services, the activation of small-scale industry, and especially the processing of farm raw materials and the development of services.

On the other hand, in the great urban areas efforts are planned largely for improvements in the functioning of existing regional structures and facilities of the infrastructure and for measures to slow any decline in living conditions. The latter applies particularly to the southern and central areas.

It must be a general target of regional policy to organize the allocation of outlays for voivodship investments financed through central subsidies. Here a choice must be made among various variants which take into account the results of consultations concerning plan targets with the voivodship people's councils, and this will be particularly difficult, owing to the great needs.

In environmental protection policy it is considered useful to emphasize efforts to avoid spreading pollution to regions in which the standards in effect are not being violated yet, because this direction of effort is the most effective and efficient.

In efforts on behalf of environmental protection in the period to the year 1990 the proposal is to assign priority to Katowice Voivodship, especially the Upper Silesian Industrial Region, the voivodships along the seacoast, Krakow Voivodship, and in the realm of air pollution, additionally the Legnice-Glogow Copper Region and the towns of Plock and Walbrzych. Regional environmental protection programs forming an integral part of the plan to the year 1990 should be drawn up for the regions of Silesia and Wybrzeze.

In investment policy in the realm of environmental protection, subvariants were reviewed with the anticipation of giving priority to water pollution or a more equal distribution of outlays for various individual directions of environmental protection. The subvariant of moderate priority for water pollution is proposed for adoption over the next 3 years.

It is projected that state regional policy will be implemented with the aid of the following:

-- shift of authority from voivodship officials to the basic units, especially in the realm of the municipal and housing economy, and also environmental protection,

-- regional differentiation of compensatory budget subsidies for voivodship officials,

-- encouragement of economic activation for regions designated in the plan in keeping with their capabilities, utilizing economic instruments (credit preference, tax incentives, and the like),

-- organization of regional links in the economy, for example, through an appropriate system of rates, tariffs, and fees,

-- creation of conditions favorable to initiative on the part of local and regional citizens.

Policy of Foreign Trade and Cooperation With Foreign Countries

Key significance in the foreign trade policy of the 1980's will be attached to the fundamental expansion of Poland's share in the international division of labor and, in particular, to obtaining a significant rise in profitable exports while reducing as much as possible the increase in imports. This target is important particularly in turnovers with the capitalist countries owing to the necessity of having exports exceed imports in order to repay debts, but exports must also outpace imports in trade with the socialist countries, especially the USSR, owing to Poland's adverse balance of payments during the past few years, a trend which makes gradual repayment a necessity.

Therefore, export growth, which is a condition to an improvement in the balance of turnovers and therefore also to the possibility of undisputed repayment of debt, is a basic condition to balancing trade with the socialist countries and also to gaining payment credibility in the world. It is estimated that in the 1980's the assurance of a consistent increase in exports will be exceptionally dificult given the basic change after 1985 in the situation concerning raw materials exports, which up until now have been the major traditional source of our cash foreign exchange, because after 1985 it is expected that we will have exhausted the possibilities for increasing raw materials exports without new investments, and the possibilities of undertaking any such investments will be extremely difficult. For this reason it will be possible to export raw materials solely on the basis of the production capacity in plants which already exist or in those newly constructed ones which will begin production during that period.

As a result it is estimated that in 1990 the export of raw materials can be only 3 percent higher than in 1985. Nonetheless, owing to the need to maximize cash exports, coal exports should be maintained at a level of at least 30 million tons to the year 1990, along with copper at 200,000-210,000 tons and sulfur at about 3 million tons.

Hence, after 1985 the rise in exports will have to be achieved almost entirely through the development of products of processing industry. To this end there should be basic activation of exports of goods envisioned for export specialization and also of exports of construction services and technical know-how. Any broader approach by our processing industry onto the world markets will be hampered in the 1980's by the recession in world trade anticipated in most foreign trade development forecasts being developed in various international centers and countries.

Regardless of the increase in exports, because of growing needs to repay (service) foreign debts following the year 1985, work for a positive trade balance will require a far slower rise in imports.

The possibilities of increasing imports in constant prices between 1982 and 1990 are estimated at between 19 and 29 percent, which averages 2-3 percent per year. This means that the import growth rate should be one-third the export growth rate. Therefore we should count on very severe import restrictions throughout the decade. The import-intensiveness of our industrial production should hence decline by about 10 percent to the year 1990 compared to 1982.

In this situation there will be efforts to bring about radical changes in the structure of imports and above all to become free of burdensome grain imports, which can then be replaced by imports or raw and other materials for industry. It is desirable as quickly as possible -- no later than 1985 in any event -- to balance turnovers with capitalist countries with farm products and raw materials for their production.

In imports from the socialist countries we must count on a decline in domestic investments and therefore a lower demand for machinery imports, as well as difficulty in obtaining greater raw materials imports from these countries, a factor which will weaken the growth rate of imports. The development of mutual turnovers and the attainment of great benefits from an international division of labor will therefore require basic progress in industrial coproduction and production specialization among the CEMA countries.

The essential imports of machinery and equipment for investment needs from the socialist countries in 1990 is estimated at only about 10 percent higher than the 1982 level for total investment sizes and a futher approximate 10 percent for substitutions to replace machinery imports from the capitalist countries.

The foreign trade situation is complicated by the projected rise in world prices. We should count on worsening "terms of trade", the ratio of export and import prices, in turnovers with both the socialist and capitalist countries.

In this situation it will also be necessary to conduct a consistent policy of improving the standard and quality of the goods we export, and this means giving producers, the foreign trade apparatus, and research and development people concrete measurable targets in this area.

Scientific and Technical Policy

It is not possible to accomplish the plan's tasks in the 3-year period, let alone accelerate the activation of the economy, without decisive improvement in the work of scientific and technical support facilities, especially in the realm of inculcation of innovations and using science and technology as motivating forces for getting out of the crisis.

The most urgent questions and tasks which the economic staff is directing to the scientific-technical community simply come from goals with priority and directions included in the targets of the three-year plan. They pertain to the following problems:

1) How to provide for the nation to be fed, to obtain farm production growth to that level which will make the country independent of grain and fodder imports. In order to achieve this very difficult, strategically important goal, it is necessary to implement and broadly popularize completely new achievements in the agricultural sciences, which in many leading countries have led to tremendous progress in agriculture, particularly in the realm of stepping up crop production. One of the most urgent tasks of our scientific centers and agrotechnical services is the development and rapid spread of newly developed high-output varieties of grains, potatoes, sugar beets, and effective high-protein fodder crops. On the basis of the most modern achievements of science and technology we must provide solutions for the technical and organizational issues related

to the storage and transportation of farm products and find ways to minimize the losses incurred. The possibilities for improvement in this area are very broad, and the current storage and transport losses only make an already difficult food situation still worse. There is also an urgent need and real opportunity for a substantial increase in labor productivity in agriculture as the result of inculcations of innovations in the agrotechnical realm. The way to do this leads, among other things, to the utilization, popularization, and strict following of the scientifically-developed methods, instructions, and recommendations concerning the highly effective application of fertilizers, pesticides, and so on, to obtain the greatest increase in crops under concrete soil and weather conditions and to avoid or minimize the losses caused by plant pests and diseases.

This problem can only be resolved in close active cooperation between the farmers and the scientists and agronomists. There is also room for young agricultural innovators, both among the agronomists and among the farmers.

Scientific contributions should be the basis for rationalizing the operational processes in agriculture, with the aim of making better use of available machine and vehicle time and of eliminating large losses occurring in this area.

2. How to achieve the highest possible level of satisfaction of the society's housing needs.

About 30 percent of investment outlays (even 35 percent in one of the variants) will be allocated for housing construction. Given the established size of investment outlays, the largest humber of apartments will go to the society, because the cost of building an apartment will be greatly reduced. Because the first experience of this year shows that the cost of housing construction is increasing, the solution to the housing problem means it is extremely urgent that we find ways to reduce costs and thereby to turn over a larger number of completed apartments for use. This is a task which cannot be accomplished without the broad inculcation of technical and organizational progress in housing construction.

The housing problem is of such great social importance that we can expect exceptional activity and the focusing of efforts by scientific-technical support establishments in all essential, effective directions for modernizing housing construction, those leading to a decline in the material-, labor, and energy-intensiveness of housing construction, or the creation of new effective organizational structures and an effective self-financing system.

In order to obtain the needed decline in costs, scientists and engineers from construction institutes must develop and inculcate on a massive scale entirely new building materials which are cheaper to produce, transport, and use in construction, along with new housing construction methods too.

Both the scientific-technical and management innovations in the construction industry and new design, technological, and materials solutions introduced must take into account the differences in the conditions for carrying out the housing construction program in the large and small towns and in the rural areas, as well as the need to create a modern housing environment in urban and rural areas.

Out of this come tasks for both the scientific-technical communities in the construction industry and the architects, city planners, and regional planning specialists.

Very great possibilities for reducing housing construction costs may be gained through the attainment of rational use of machine, equipment, and vehicle time in construction by using scientific methods.

3. How to manage electric power and raw and other materials in order to reduce the existing shortages and achieve the greatest economic effects.

Because the plan's projected increase in industrial production may amount to about 40 percent in 1990 but anticipated deliveries of major raw and other materials can increase by only about 19 percent during this period, the severe shortage of fuels, electric power, and raw and other materials will force us to find thrifty methods and ways to utilize them so that by introducing progressive technologies and the adoption of nonmaterial-intensive and nonenergy-intensive technologies we can achieve the plan's projected production effect with far lower consumption of power and raw and other materials. The possibilities for thrift and the more effective utilization of the base of raw materials, fuels, other materials, and power exist in all areas and branches of the economy. Broad application of innovation in this realm is one of the most urgent tasks of the scientific-technical support facilities. For example, great potential possibilities of making thrifty use of fuels should result from the development and implementation of such undertakings as the construction of new, more efficient boilers adapted to domestic types of fuels, the development of new diesel engines for private automobiles with lower fuel consumption, the design and mobilization of production of high-compression engines for highway vehicles and working machinery, and so on. The design and introduction of a new generation of engines for electric traction will provide great energy savings.

The elaboration and introduction of technologies with little or no waste will lead to the complex management of raw materials and at the same time to protection of the natural environment. In a number of instances and in various branches of the economy, the use of domestic substitutes can provide an answer to difficulties in supplying production with imported raw materials.

4. How to modernize the organization of the transport system.

The plan's requirements in the realm of upgrading the effectiveness of economic processes and savings of fuels, power, and raw and other materials charge the transport system with the task of optimizing transport operations and of limiting them to economically justified sizes. Under the conditions of the implementation of plan tasks, given the reduced investment resources, the efforts of the transportation sector's scientific and technical support staff should aim at the achievement of additional effects in transport mainly through the inculcation of management innovations, especially the minimization of distances and costs of transport and decisive improvement in the utilization of operation time on fully effective vehicles, time which is presently being wasted owing to faulty organization.

Efforts in the sphere of scientific and technical policy should insure the utilization of scientific and technical ideas to rationalize economic activity and so guide the work of scientific and technical support staff that society will be able to notice an acceleration of the process whereby we are overcoming the country's current economic difficulties.

III. Mechanisms and Instruments of Implementation

The implementation of the concept presented for the development of the economy during the period of the three-year plan and throughout the decade of the 1980's will depend to a great extent on the selection and effective application of instruments guiding economic activity as introduced during the course of the economic reform.

The law on socioeconomic planning charges state administrative bodies with the obligation of using the resources provided by law to influence the enterprises and other economic units in order to insure the execution of tasks specified in the socioeconomic plans. This law at the same time states that the joint action of the economic units will be made to coincide with the goals specified in the central and regional plans by means of the following:

-- contracts which the state administrative bodies or organizational units designated by them make with elements of the socialized economy, as well as contracts made between enterprises and other economic units,

-- the use of economic instruments provided by law, as applied by bodies of the state administration and banks,

-- mutual exchange of information during the course of drafting the plans,

-- possibility of charging the state aenterprises with the obligation of discharging periodic tasks within the realm provided for by the law on state enterprises.

At the time work is begun on the socioeconomic plan for 1983-1985, there should be alongside it intensive preparations for applying the mechanisms provided by law for the implementation of that plan.

In the light of the assessment of the current socioeconomic plan, it is particularly important to mobilize the mechanisms which encourage the enterprises and their staff to utilize production capacity to the greatest extent possible under the existing conditions, to develop habits of effective management, and, especially, to utilize working time and raw and other materials effectively, to expand labor productivity, to step up the implementation of desirable structural changes, and, in particular, to activate export production. It is also necessary to encourage active introduction of technical innovation.

In keeping with the law on socioeconomic planning, the proposals concerning economic instruments applied in order to implement the targets of the plan are developed by the appropriate ministries in keeping with their scope of operation. Work on these proposals will soon begin, in the course of consultation on the targets of the plan, and will be completed during the fourth quarter of this year in the course of the formulation of the plan draft, and at this time the concrete sizes of economic parameters will be determined and provisions concerning tax relief, subsidies, import permits and prohibitions, and assumptions of credit policy and the other means helping in the implementation of the plan will be set.

> All opinions and conclusions concerning the assumptions and targets of the three-year plan may be directed to the press, radio, or television (which will hold discussions on this subject), as well as to the Planning Commission of the Council of Ministers (00-507 Warsaw 15), which has created a Coordination Group on Social Consultation.

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# East Europe Report

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2349

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AUSTRIAN JOURNAL TAKES DIM VIEW OF CSSR ECONOMY

Vienna WIENER TAGEBUCH in German Nov 82 pp 4-5

[Article by "L. G.:" "CSSR--Somber Economic Prognosis"]

[Text] Poland is but the grossest example of the failure of the "real socialist" economic system. It is the USSR that occupies second place, its rigorous blocking of news and measures to shut itself off from the outside world only serving to camouflage the degree of this failure concerning large areas of distress. For years there have been areas there where the population has no meat and dairy products and barely enough bread and other basic staples. Romania's economic misery is well known.

But in Czechoslovakia too the economic straits have been increasing to a point where the government is forced openly to admit the poor state of affairs. The previous glossing over and the vociferous assurances at the beginning of the recession in the capitalist world that the crisis in the West cannot affect the allegedly superior planned economy of "real socialism" have become meaningless. Since the time of the reintroduction of censorship after the Soviet invasion of 1968, CSSR media have never admitted the shortcomings and failures of the economic guidance measures as openly as now. As Premier Strougal puts it, it is a question of "unprecedented difficulties."

In the 1982 semiannual report on the state of the economy it was stated that machinebuilding, for instance, is so ineffective that it cannot adjust to the new situation on the world market. Today, per 100,000 dollars of exported products in this branch of industry in Czechoslovakia 19.4 persons are employed in the production process, compared with only 7.2 in Austria and as few as 4.4 in Sweden (VOLKSSTIMME 8 Aug 82). One may recall that this proportion was unfavorable as far as the CSSR was concerned as long as 14 years ago, but the disproportion was not this gross by any means. But the same regime which today admits such data "self-critically" in the course of smashing the Prague Spring canceled all the measures initiated at that time by the Dubcek regime for increasing the effectiveness of machinebuilding and reintroduced the old centralist bureaucratic economic guidance. "Revisionist" economist and experts were dismissed by the thousands at that time. What is happening now is the result of this return to the "real socialist principle."

The most recent plenum of the Central Committee of the CPCZ described the situation stating that "the present difficulties represent a serious challenge for every Czechoslovak." Growth of industrial production lags considerably behind the plan, in construction no fewer than 75 percent of all companies have failed to fulfill the plan, and agriculture this year is producing 1.6 million tons less grain than provided in the plan.

The CSSR, it happens, is facing two problems particularly characteristic of its economy. First, there are the astronomic deficits resulting in construction and from the growth of inventories of goods that it has become impossible to sell. Thus, in 1981 about 35,000 construction projects were in an incomplete state either because the money was lacking or because they had been discontinued to make way for projects of greater priority. The second cancer is the supplies and goods in warehouses of enterprises which can neither be exported nor sold domestically. There is talk of losses between 20 and 30 billion korunas; the actual total of the deficits, which are kept secret, is likely to be much higher. In light of such facts, the Belgrade KOMUNIST notes that there can be no question of the "breakthrough toward intensive production" predicted by Husak last year. For this reason Husak to a greater extent than before was insisting on curtaining investments and on Czechoslovakia importing from the West only what it needed most urgently.

Official data show that, if one compares CSSR plans and plan results, overall industrial production, instead of the planned 2.7 percent, was raised by only 2 percent, while productivity rose only by 1.6 percent instead of the planned 2.3 percent. At the same time productivity in construction (see uncompleted projects) dropped by as much as 1.3 percent. Agricultural production dropped 3.4 percent compared with 1980. While originally the current five-year plan (1980-1985) set a GNP growth of 14 to 16 percent, that planning figure was lowered to 10 to 14 percent. Official announcements (Central Federal Statistical Office in February 1982) state, however, that in 1981 national income dropped 1 to 2 percent, which means that the plans for 1982 are also to be amended accordingly. The drop in real income cannot be concealed any longer.

Proposals concerning modernization of the entire process of production made by advocates of "moderate reforms on the Hungarian pattern," such as Finance Minister Leopold Ler or planning chief Svatopluk Potac, could be realized only through large foreign credits, but in light of the deterrent Polish example Vasil Bilak dismissed this already at the Central Committee plenum of 1981, saying: Whoever becomes indebted to the West is like a Christian who sells his soul to the devil."

Self-criticism? Coming from those responsible for the current state of affairs it sounds implausible.

The only way out of the stagnation is reforms connected with dismantling the centralist bureaucratic system, with self-management of enterprises and industrial companies, as well as with freedom of thought and speech on the part of citizens, which is the only thing that could arouse their initiative again. But precisely that the regime cannot afford.

8790
CSO: 2300/52

## UTILIZATION PROBLEMS OF FOREIGN LICENSES CRITICIZED

Prague ZAHRANICNI OBCHOD in Slovak No 9, 1982 pp 8-9

[Article by Jan Kozehuba: "License Utilization in the Slovak Socialist Republic"]

[Text] During the Fifth 5-Year Plan (1971-1975), Czechoslovak organizations purchased 192 licenses, 59 of which were purchased by Slovakia. This ratio and dynamic was also maintained in the Sixth 5-Year Plan. From 1975-1980, 291 passive licensing agreements were signed, 65 of which were purchased for the SSR.

As of 31 December 1981, the Czechoslovak State Bank showed 108 valid passive licensing agreements on the territory of the SSR (including the licenses of firms based in the SSR but belonging to federally managed sectors). Sixty-three of these agreements, or 58.3 percent of the total, relate to licenses belonging to organizations in nationally managed sectors. A majority of the licenses (71.5 percent) were purchased from nonsocialist countries.

The following overview shows the distribution of licensing agreements in Slovakia by sector:

| Sector | Number of documented passive licensing agreements | Percentage of total in each sector |
|---|---|---|
| Federal Ministry of Metallurgy and Heavy Engineering | 23 | 21.3 |
| Federal Ministry of General Engineering | 12 | 11.1 |
| Federal Ministry of the Electro-technical Industry | 9 | 8.3 |
| SSR Ministry of Industry | 28 | 25.9 |
| SSR Ministry of Agriculture and Food | 12 | 11.1 |

| Sector (Cont) | Number of documented passive licensing agreements | Percentage of total in each sector |
|---|---|---|
| SSR Ministry of Construction | 11 | 10.2 |
| SSR Ministry of Health | 7 | 6.5 |
| Other | 6 | 5.6 |

The implementation of licensed production in Slovak enterprises has had a number of positive consequences and effects:

--The technical and technological sophistication of products has increased substantially. This may be seen, for instance, at the Bratislava Slovnaft enterprises, the Senica Slovak Silk Mills, the Zilina Wood Industry Plants, Bratislava Hydrostav, Hydrostav, etc. This accelerated mastery of findings and knowledge on the basis of purchased licenses also stimulates domestic development and our own mastery of new products. This has been the case in granulated fertilizer production, ski production by the cassette method, etc.;

--Unique technical solutions to construction problems have been based on licenses. The Slovak National Uprising Bridge as well as the construction of several water works are examples of this;

--The increased technical and technological sophistication of production, in the final analysis, also manifests itself in a substantial increase in production efficiency. For instance, the use of a license for PEINER supporting frameworks has reduced labor input, expressed in standard hours, by one-third in comparison with traditional wooden scaffolding frameworks, and reduced the direct cost per cubic meter of surrounded space from Kcs 22 to Kcs 13.43. The application of a license has not only increased the stability and useful life of mining works, but also accelerated the pace of operations by some 30 percent over conventional techniques. At the Topolcany Elektrokarbon enterprise, capacity for "battery" carbon combustion has been increased by 20 percent for a given furnace volume. The production of machines for the cold forging of ball bearings has saved roughly 28,500 standard hours, labor productivity has increased about 185 percent, and production costs have decreased Kcs 1.1 million annually. The expansion of aluminum oxide production at the Slovak National Uprising factory at Ziar nad Hronom represents a new production technology which is to reduce electrical energy consumption 70 percent in comparison with the current sintering method, and reduce the average consumption of initial raw materials 17 percent, while simultaneously yielding better quality aluminum oxide;

--The licensed products which have been introduced create favorable conditions for improving the quality of management. For example, the outcome of the licensed production of Processograf has been an efficient system which monitors production, lost time and material consumption. The licensed

production of air-conditioning equipment at the Nove Mesto nad Vahom Vzduchotechnika plant is supporting the development in our country of computer technology, etc.;

--New products are being manufactured which are enriching the domestic market through their use values. The implementation of licenses in the field of chemistry, for example, is creating favorable preconditions and the requisite base for the development of the textile industry. Cosmetic products are also being produced which are very much sought after domestically as well as for export. POCLAIN TC45.1 self-propelled excavators with 32 types of accessories were included this past year in the first-quality category. PIELSTICK PA-4 six-cylinder engines are being exported to France under a cooperative agreement, and six-and eight-cylinder engines are being exported to the Soviet Union where they are installed in BELAZ heavy-duty trucks, etc.;

--the implementation in production of licenses which have been purchased also raises foreign-currency contributions to defray the Czechoslovak balance of payments. One example is the license for the production of polypropylene I and polypropylene III at the Bratislava Slovnaft enterprise. This is also true of all three currently implemented licenses at the Humenne Chemlon enterprise. Construction of the Zahorie III Combine requires the construction of a galvanized steel silo according to documentation purchased as part of a licensing agreement with a firm from the FRG. A similarly significant project is the production of Kerkoterm insulating tiles at the Kosice Ceramic Factories under an Austrian license.

Cases in which the implementation of a given licensed production process has resulted in the overfulfillment of the originally projected economic parameters, such as exports to nonsocialist countries, profitability, return on investment, and the like, may also be considered as contributions. The most significant instances of such overfulfillment of licensed product targets for 1980, for example, were in the preshrinking of textiles at the Ruzomberok V.I. Lenin Cotton Factories and in the production of polyethylene III at Bratislava Slovnaft. In chemistry, for instance, a mere five firms working on the basis of seven licenses managed to exceed the projected export volume of the licensed production by Kcs 382 million. A significant contribution to state foreign-currency operations was also obtained from the implementation of 12 licneses in the chemicals and foodstuff industry.

Despite the foregoing contributions stemming from the introduction and implementation of licensed production, there also exist certain problems and shortcomings which may be concisely stated as follows:

--sectors and the organizations they manage are not generating sufficient activity in the obtaining of the necessary licenses;

--an adequate level of integration between the plan for licenses and other plan components is lacking;

--the motivation for license procurement is often concentrated on, and priority given to, short-term requirements (for instance, the rapid

elimination of production bottlenecks) instead of long-range requirements justified from the public viewpoint;

--activity in entering into licensing agreements by the nationally managed sectors of the SSR has been relatively low. In 1980, for instance, only nine licenses were purchased by these sectors;

--a significant percentage of licenses are being purchased from nonsocialist countries. At present, the purchase and utilization of licenses offered by socialist countries has been at a relatively low level;

--many of the licenses purchased, especially those from nonsocialist countries, are too demanding in terms of creating the essential preconditions for their implementation (they are highly investment- and import-intensive in terms of raw materials, components such as machinery and equipment purchased mainly in nonsocialist countries for freely convertible currencies, making these imports highly foreign-currency intensive as well). As much as Kcs 13 of investment costs are incurred per koruna of license royalties, of which approximately half (Kcs 7.12) goes for the importing of machinery from nonsocialist states. The nationwide intensiveness figure is only half of this;

--in the nationally managed sectors of the SSR, the licenses which have been purchased and the contributions realized from them have been concentrated in too few enterprises (only for chemical enterprises). At the same time, moreover, the percentage of export-oriented products based on these licenses has been relatively low;

--the effectiveness of utilized licenses overall is lower than originally projected in the approved proposal (the projection based on a technical-economic analysis). This is evident from the fact that license-related costs subsequently grow even though the intended contributions are not realized. For example, for licenses purchased in the SSR from nonsocialist states for enterprises in federally managed sectors, even though raw materials imports from the nonsocialist states in 1980 were 154.5 percent of projections, the licensed-production targets were met at a very unfavorable level of 72.5 percent. This failure to fulfill licensed-production targets was concentrated mainly in the production of fast-cutting automated machinery at the Kosice Heavy Engineering Factories as well as at the licensed enterprises Dubnica Heavy Engineering Factories, Pohorela Strojsmalt, Topolcany Elektrokarbon, etc.

There are several reasons for this failure to fulfill licensed-production targets and to realize projected economic contributions:

--Inadequate design and construction preparedness. When this is also combined with an underestimation of technical difficulty, large shortfalls in licensed production arise due to the delayed startup of production and breakdowns which disrupt the smooth flow of operations. The resultant situation is similar to that of the implemented licenses at the Novaky W. Piecka Chemical Factories;

--The delayed startup of investment projects and thereby production facilities as well. The ethylene II project at Bratislava Slovnaft was delayed 23 months, the polyethylene II project 10 months, and the production of vinyl chloride at the Novaky W. Piecka Chemical Factories was begun 30 months behind schedule;

--Shortfalls in licensed production have occurred in recent years due to the protracted startup of licensed production. The situation in the production of PIELSTICK motors was influenced primarily by slow progress in the development of subcomponents of Czechoslovak manufacture (fuel-injection pumps at Jicin Motorpal, platinized pistons, crankshafts) and reduced possibilities for importing these components from nonsocialist states. Significant implementational problems also led to limitations in the licensed production of POCAAIN self-propelled excavators from the Martin Heavy Engineering Factories to the Dubnica Heavy Engineering Factories. The latter enterprise was not technologically prepared to handle the production which had been undertaken. At the same time, problems arose in supplier-consumer relations stemming from the failure to meet deliveries of hydrounits and speed governors from France, and the delayed fulfillment of deliveries of modifications to the RABA model from the People's Republic of Hungary;

--For licensed production that is heavily dependent on imported raw materials and components, the increasing prices on world markets have made the foreign currency resources allotted by a VHJ [economic production unit] for the purchase of these raw materials or components, within the framework of foreign-currency regulations, the limiting factor in determining realized production volume;

--One of the most serious problems and shortcomings is the lack of assured markets for licensed products already being manufactured. Such a situation occurred, for example, in the production of biaxially oriented polypropylene foil produced by the Svit Chemosvit national enterprise, due to a shortage of automatic packing machinery at domestic customers. A similar situation occurred previously with the licensed production of an antierosion emulsion from the LURMAN Co of the FRG. Shortcomings can also occur in instances where a licensed product is produced on time, or even ahead of the anticipating schedule, as was the case with the textile fiber license at the Senica Slovak Silk Mills. In this case, no domestic market had been assured for this production because of incompatibility with the facilities of the textile-processing industry. As a last resort, this production was exported at production costs that were roughly doubled, at the prevailing exchange rates.

The existence of these problems and shortcomings has meant that the effectiveness of implemented licensed production has been substantially lower than the original intentions, which often greatly reduces the magnitude of the anticipated positive impact of license purchases. The accelerated solution of representative problems and shortcomings in the application of licenses to our production environment can effectively contribute to an accelerated adaptation by the Czechoslovak economy to new, more demanding conditions.

Several measures have been adopted at various levels to increase the role of science and technology, including the purchase and utilization of foreign licenses.

Measures in the area of license procurement and utilization are primarily intended to:

--focus proposals on innovative products and technologies stemming mainly from long-range comprehensive programs and state target programs;

--create greater lead time for assuring the necessary construction and assembly work;

--adhere consistently to the established volumes and specifications of licensed products. To this end, a system for the systematic control and evaluation of licenses will be introduced.

To assure that these measures are carried out, the pertinent central organs and general directorates have set a fixed time period for the evaluation of the results achieved in license implementation, as well as of the economic incentives for senior managerial employees for the quality and timely preparation of proposals for the procurement and planned utilization of licenses (for instance, at the Ministry of Industry of the SSR, this was a matter of integrating this economic incentive into the bonus indicators for general directors).

The situation requires an accelerated increase in the operational efficiency of our national economy, and above all a strengthening in the function of the plan by improving the quality of its content, integrating more deeply the plan for scientific and technical development with the other parts of the plan, improving projection activity and the selection of appropriate decision making criteria. Economic tools, especially finance, prices and wages, must at the same time sppropriately support the fulfillment of the plan established in this fashion. And within the above management mechanism, licenses which have been purchased must be shifted to occupy a position more at the center of attention. At the same time, it is essential that licenses become an integral component in research and development planning as well as a more effective instrument for the efficient implementation of production.

The Czechoslovak State Bank has called attention to the following needs:

--the seeking out and support of suggestions for the advantageous procurement of licenses;

--the support of investment-related imports which will foster the achievemet of maximum effectiveness primarily by intensifying forms of these credits which return the maximum of foreign currency in conjunction with license implementation and cooperative agreements;

--the exertion of influence on the assurance of licensed production volume in plans of VHJ and organizations, the coverage of the requirements

of domestic customers, and the achievement of the necessary contributions in terms of the balance of payments;

--the support of licenses for the accelerated introduction of new consumer goods through the broader utilization of passive licenses in our production;

--the support of licenses which are not very import-intensive and which can make use primarily of domestic raw materials;

--in credit agreements, to condition the granting of credits on the fulfillment of obligations under licensing agreements;

--to make the consequences of a failure to fulfill projected levels of economic contribution more severe. This should be achieved through the application of credit, interest-rate and foreign-currency penalties.

Within the framework of the proposed Program of the Czechoslovak State Bank for the Assurance of the Resolutions of the 16th CPCZ Congress it is suggested with reference to passive licenses that foreign-currency-repayable forms of their remittance be implemented, and that licensed production be linked to cooperative agreements as a way to stretch out the remittance of license royalties, and of assuring their implementation through the marketing of the licensed production. It is also necessary to assure that there is agreement with the capital-investment plan in relation to the actual implementation of licensed and cooperative production.

Only through consistent pressure for a further increase in the efficiency of licensed production, the search for new techniques, forms and actual content, i.e., subjects of purchased licensing agreements, is it possible to utilize advantageously such progressive mechanism as passive licenses within the framework of state technical policy. The effects generated by the application of these licenses are, and always will, in the final analysis, depend on the work of all the interested organs and organizations in this area.

9276
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## BASIC ASSETS MANAGEMENT PROBLEMS DISCUSSED

East Berlin PRESSE-INFORMATIONEN in German No 114, 28 Sep 82 pp 2-4, 8, 10

[Excerpts from a special report prepared by the Press Office, Chairman, GDR Council of Ministers, in cooperation with the State Planning Commission, various ministries, combines and institutes: "Answers to Questions on Basic Assets Management"]

[Excerpts] Why Do We Focus So Heavily on Better Utilization of Basic Assets?

A crucial task we must accomplish to increase our national income is to increase the average resources, continuously to improve the input-output ratio. As Erich Honecker emphasized at the fourth session of the SED Central Committee, this goes above all for the utilization of basic assets.

In the past few years, the material-technical foundation of our national economy has continuously been improved, consolidated and modernized--a process that is inseparably linked with the acceleration of scientific-technical progress. Regarding the national economy as a whole, we presently have at our disposal M 750 billion worth of basic assets. At the end of 1981, the basic assets in the industrial, construction and transportation sectors totaled M 413 billion.

One-third of the basic assets of the industrial sector is no older than 5 years, and over 50 percent, no older than 10 years. Consequently, many workers are presently operating highly productive machines and installations. Quite a few of these installations cost half a million marks and more and on average the industrial sector has M 100,000 worth of basic assets per worker.

In view of this great increase in basic assets over the last few years, everyone will realize that the key economic problems must be solved primarily through better utilization of the available resources rather than through further expansion based on new investments. After all, these tremendous assets are used for no more than 15.1 hours per calendar day; we aim to increase this utilization rate to 16-17 hours by 1985. If we were able to extend the use of our production facilities by just 10 minutes per day, we would increase the industrial commodity output by M 4.5 billion per year.

Thus the objective is to obtain a steadily increasing social product, while maintaining or actually reducing the input of basic assets. Karl Marx pointed out that through improved economy of the stock of basic assets simple reproduction can become a source of accumulation.

There is another consideration that is of great significance for the implementation of our proven policy aimed at securing the unity of economic policy and social policy. In the national economy, the stock of basic assets increased in 1981 by 4.9 percent, but labor productivity increased by a mere 4.4 percent. At the fourth session of the SED Central Committee, Erich Honecker stated that comparison of these two figures makes it "obvious that here the trend must be reversed. So the increase in labor productivity must exceed that of the stock of basic assets."

If we succeed in markedly reducing the great differences between the individual branches and the individual combines, the industrial sector will attain the correct developmental ratio between stock of basic assets and labor productivity. Erich Honecker emphasized that "in this way we could attain a higher rate of production with reduced investment." This includes painstaking service, systematic maintenance and reconstruction and modernization of the basic assets.

Full utilization of all available assets, including basic assets, is an important force for increasing the rate of production and at the same time it is the least costly source. By improving work organization and the rate of utilization--and this is of great importance for economic efficiency--we will be able by 1985 to produce with M 1,000 of basic assets M 368 worth of national income as against M 350 in 1980.

What Do We Mean By Intensively Expanded Reproduction of Our Basic Assets?

The term reproduction of basic assets denotes the creation, utilization, maintenance, modernization and elimination of basic assets. Intensive reproduction requires above all a more effective utilization of the available basic assets. In view of the level of basic assets attained in our country--the industrial sector has M 100,000 worth of basic assets per worker--this is the course to be pursued in the interest of a more favorable input-output ratio.

To this end, there are a number of different, interconnected approaches. A promising course is increased utilization of the basic assets, above all of highly productive machines and installations, through extended use, i.e. primarily through extension of the multishift system. At present, these machines are used for an average of 15.1 hours per calendar day, but there are great differences within and between the individual combines. One must also consider the extended availability resulting from systematic maintenance.

Full utilization of each machine and prevention of downtime caused by breakdowns and shortcomings in production organization--this enables us to extend the use of basic assets.

Besides, there are many ways of extending the service life of machines and equipment through good maintenance. One of the best ways of improving efficiency is the general overhaul. An example from the "Schwarze Pumpe" [Black Pump] Gas Combine VEB is a convincing illustration. This year, the combine is trying for the first time to rebuild within 8 months a battery of four generators by means of general overhaul; in this process, it is taking advantage of new scientific-technical findings. The rate of utilization will rise and the specific natural gas output will be increased. The recovery rate of the capital expended amounts to 2.4 years.

At the seminar the SED Central Committee held with the general directors of the Leipzig combines, Guenter Mittag stated: "Any effort that aims to raise the efficiency of the available basic assets through technical improvements and increased shift utilization is 10 times as effective as any expansion of the assets through investments. So we have good reason to do away with all residues of an ideology that assumes that every productivity increase requires new investments and at the same time elimination of so-called obsolete basic assets."

Thus, regarding the reproduction of basic assets, improvement of the efficiency of available basic assets is of great importance. Even automation does not call for complete replacement of the machinery at hand. As is shown by the installation of microelectronics, the combination with robots, etc., a proven method in this regard is the so-called supplementary automation of available machines and equipment.

We must increasingly make use of simple reproduction, i.e. renovation, modernization and reconstruction, as a source of expanded reproduction. Any complementation, any application of an innovation increases efficiency. The machine or installation thus becomes more productive and profitable.

Modernization of the Available Technology--A Promising Course Toward Automation of Production Processes and Toward Improvement of the Working and Living Conditions

Karl Marx in his time pointed out that in most machines "only very few parts are subject to such wear and tear that they must be replaced after 5 to 6 years." If "the basic principle of the machine has not been made obsolete by new inventions," the worn-out parts could be restored rather easily. This alone shows that careless elimination of basic assets cannot be justified economically or technically. So there is no valid justification for the still widespread view that increases in efficiency and productivity are attainable only through expansion of basic assets, i.e. that they require investment. For this reason, Willi Stoph emphasized at the 10th SED Congress: "The constant renovation, modernization and reconstruction of the basic assets must be given absolute priority in the allocation of investments."

Thus today automation does not mean total replacement of the available machinery. Increasingly, automation is accomplished through integration of old machines and equipment that are restored by means of general overhaul and at the same time modernized through installation of specific mechanization and automation modules. The modernization of the production equipment is inseparably linked with the most extensive employment of microelectronics and with the use of industrial robots: conventional machine tools are being equipped with digital control systems, loading and unloading devices, linear measuring systems and other modules. The objective is to insure--by equipping the machines and installations with tool and material storage units and linkage systems--that the modernized production equipment can be employed in integrated, specialized production lines, thus enabling us to automate entire production sectors.

The restoration and modernization of the machines must be accompanied by improvement of the workers' working and living conditions and by attainment of a higher level of utilization. The plan stipulates that by 1985 the highly productive technical equipment be operated for at least 17 hours per calendar day. By developing specialized techniques and by making available specific parts and units, the producer firms must support the type-specific modification of production equipment.

In the mechanization and automation of technological processes, conversion and breakup are key approaches. On the basis of analyses undertaken by the Zwickau Research Center for Conversion Processes, it is planned to increase the productivity of most of the GDR's 18,500 presses by means of auxiliary devices such as transfer units and gripper systems. The resultant continuous-production process will effect productivity increases of 300-500 percent and significant energy savings. The working conditions of the working people will be improved considerably and heavy manual labor will be eliminated.

Another example of the modernization of available production equipment is the supply robot for timed laundry installations that was developed by a youth collective of the Karl-Marx-Stadt "Textima" Combine. This robot can be used in all large-scale laundry installations. Under the three-shift system, the robot releases six workers and through automation eliminates the heavy physical labor involved in loading the washing machines.

In regard to the modernization of available production equipment, the combines' maintenance and rationalization equipment departments bear great responsibility. In this regard, it is necessary to take greater advantage of regional rationalization, above all through the labor-sharing production of construction units and through supra-plant maintenance collectives.

Why Does Our Investment Policy Focus Above All on Progressive, Highly Economical Technologies?

Attainment of a favorable input-output ratio depends above all on the technological level of production. In the 1980's, we must introduce new standards in our investment policy. Thus one of the most important tasks is through systematic allocation of the investment capital to modernize the available production capacities so as better to utilize the basic assets. In the report on the Directive of the 10th SED Congress, Willi Stoph stated that this will be feasible only if the investments "are concentrated on the comprehensive economical utilization of those research and development results that are of crucial significance for the development of a highly effective economic structure. To be able to tap efficiency reserves on the economically requisite scale, the investments must be based on the progressive technological solutions."

In the first 6 months of 1982, 15 percent of the industrial investment volume was allocated to fields such as microelectronics, robotics, and raw material refinement. This established the basis for raising the technical and technological level of production--above all through automation of entire production processes--and for improving the input-output ratio. The projects put in operation during this period included capacities for the refinement of energy sources and raw and secondary materials such as the Konti wire mill train in the Brandenburg Steel and Rolling Mill VEB; capacities for the refinement of synthetic fibers in the Pirna United Cellulose Works VEB and for the refinement of polyester silk granulate in the Guben "Herbert Warnke" Synthetic Fiber Works VEB; capacities for the production of microelectronics and electrical engineering products, and other capacities.

Once a progressive technology becomes part of the production process, it must enable the combines to produce--through their own scientific-technical advances--top-grade, internationally competitive products. In comparison with other

technologies, the progressive technology is characterized by the fact that the raw materials are highly refined and that the specific material input is significantly reduced. The progressive technology saves labor and releases workers for other activities. Ultimately, such technologies help to reduce investment and they further the intensively expanded reproduction.

The economically significant scientific-technical advances that were introduced into the production process in the first 6 months of this year include the process for crucible-free drawing of large-diameter silicon crystals, another process for reducing the fuel-heat consumption in the production of electric energy, and the energy- and water-saving refinement processes in the textile industry. New processes and a higher level of technology necessitate increased use of special equipment, industrial robots, and process engineering. In the Textima Combine VEB, the workers are aided above all by their own centralized department for rationalization equipment construction. This year, for example, a centralized, continuous-production plant for friction-welded parts was put in operation. This plant welds rotation-symmetrical parts of diverse diameters, maintaining a high level of productivity and material economy; the process effects savings of 150 tons of rolled steel and 8,000 hours of working time per year.

In the machine tool building industry, this is especially evident in the transition from the manually operated, digitally controlled machine to the production cell requiring little control or supervision. Here the development proceeded from the digitally controlled, automatic machine tool via the tool-changing machining center to the production cell, where other functions--e.g. measurement and modification of the machining figures--are automated. In comparison with manually operated, digitally controlled machines, the setting-up and operation costs are reduced to approximately 30 percent. An advantageous feature of this setup is that the day shift can be used for filling the storage units and resetting the production cell for new articles so that the night shift requires no supervision.

Robot Technology Improves Utilization of Basic Assets

Large-scale application of robotics represents one of the most effective ways of improving labor productivity and increasing the rate of utilization of basic assets. At present, as many as 16,500 robots are in operation in our national economy. Like the microelectronic control systems employed in the course of technological reorganization of production sectors and sections, they were one of the factors in the utilization of scientific-technical findings that helped effect in the first 6 months of 1982 savings of 235 million hours of working time in our national economy. This is the equivalent of the working capacity of over 250,000 workers in this period.

The industrial robots are economically most effective in those areas where their use is combined with technological reorganization and rationalization of entire production sectors. In this way, robot technology becomes an instrument of modernization. If the use of industrial robots is combined with technological and work organization-related rationalization measures and extensive use of the available equipment, it is possible to streamline the production process and at the same time improve the working conditions. A telling example in this regard is provided by the Berlin Heating Appliances and Apparatus Works VEB: By means of an assembly line installed by the firm, it was possible to automate the production of the

Gamat 461 gas heaters. For this process, the plant set up a heater welding line, which comprises 5 supply robots and 5 welding robots, thus releasing 30 workers and saving 55,000 hours of working time.

However, this approach is economically profitable only if such production sections and plants are utilized in at least three work shifts. This greatly helps to reduce the recovery rate of the investment capital expended. One of the premises underlying such a setup is that on average each robot must release at least 2.5 workers.

Robot technology paves the way for automated operation requiring little supervision: Robots, microelectronic modules, measuring, test and control devices relieve man of operating, measuring and supervisory functions. This low-supervision production process is accompanied by significant increases in labor productivity.

At the seminar the SED Central Committee held with the general directors of the combines, Guenter Mittag pointed out that robot technology is becoming the most effective way of automating entire technological processes "in that available installations are raised to a totally new productivity level, the production processes are made continuous and at the same time flexible and the continuous three-shift system becomes feasible and necessary."

How Can We Reduce Downtime?

Downtime is caused by a variety of factors. Since most of these factors can be changed, they must not simply be accepted. These factors include waiting time and production stoppage, unpaid leave granted to workers, absenteeism and sick leave. Reducing the incidence of these factors is equivalent to improving economic efficiency. Thus thorough analysis is of great significance in all enterprises. One thing is obvious: Full utilization of working time is to a large extent dependent on consistent, continuity-oriented management in the combine or enterprise.

A manager is good if he or she organizes the production process in such a way that orders are filled one after the other without any unnecessary breaks, i.e. if intra-plant cooperation functions well, materials are supplied on time and the machines are in good working order at all times. Under such conditions, the collective can productively utilize the working time available and this in turn has a great effect on work discipline.

However, the material-technical conditions and the work and production organization are by no means the only concern. The WAO [not further identified] studies have proved very helpful in this respect. The work requirements are another key factor. Analyses have shown: In those work collectives where the work is interesting, varied and intellectually demanding, absenteeism due to illness is lower than in the collectives with less exacting requirements.

We have not nearly tapped all reserves for reducing the losses resulting from this. Between comparable enterprises and combines, there are striking differences that cannot objectively be justified. At the fourth session of the SED Central Committee, Erich Honecker pointed out that the downtime share of the working time fund (8.1 percent in 1981) is too high. Whereas the downtime caused by illness dropped to the lowest level since 1974, there was an increase in waiting time, production

stoppages, and absenteeism. The 1981 losses equaled the annual working time of 15,000 production workers.

The progress made in reducing absenteeism due to illness is based above all on the closer cooperation between the enterprise managements and the health organizations, on the improvement of preventive health care, on the elimination of poor working conditions and on the improvement of work safety. It has again been shown that society benefits when we avail ourselves of the advantages of socialism.

In the Schwedt Petrochemical Combine VEB, the workers have to undergo fitness tests on a regular basis. Every 4 weeks, the social workers of the combine enterprises meet with representatives of the enterprise health care system; they also invite to these conferences the leaders of collectives showing a high incidence of illness. In close cooperation, these experts analyze the causes and initiate measures to eliminate them. In the combine, there are several collectives that have been working for a long time without any accidents; one of these collectives is the "8 May" Brigade that has not recorded a single work-related accident for 15 years.

Likewise, in the Neubrandenburg Food Production Equipment VEB the drop-in health care for shift workers, the protective vaccinations and similar measures are as much an everyday routine as the close cooperation between the technical director and the head of the enterprise health service. If a particular worker's state of health is not quite satisfactory, the physician, the state director and the safety inspector jointly arrange for a less stressful work place for the person concerned. The lectures on work safety are complemented by practical demonstrations; they are informative and that they are very effective is evident from the reduction in work-related accidents during the first 6 months of 1982.

Prudent management, order and discipline have proved effective instruments for improving the utilization of working time. Open and honest discussion of grievances and nontoleration of negligence are proven means of persuasion aimed at increasing output.

How Can the Agricultural Sector Improve the Utilization of Basic Assets?

In the last 10 years, the stock of basic assets in socialist agriculture increased by over 180 percent. At present, the stock of basic assets per cooperative farmer and worker equals the average for the national economy as a whole. Thus in agriculture, too, improved utilization of basic assets is one of the most important reserves and tasks in regard to further improvement of performance.

At the 12th GDR Farmers' Congress, it was emphasized that in agriculture, too, intensification of rationalization is one of the most effective measures toward more efficient use of basic assets, further reduction of production input and a larger contribution to the national income. To accomplish this, it is necessary to increase crop production, especially in regard to concentrate and protein feed crops, to reduce losses of all kinds and to insure a high level of livestock production by means of home-grown feedstuffs. To this end, we must better utilize all available resources--soil, all types of fertilizer, technology, soil improvement and construction installations and--last but not least, livestock.

The increasingly close cooperation between the LPG and the Crop and Livestock Production VEG is of special importance for an improved utilization of basic assets. The 1982 harvest operations have shown that significant progress has been made in this regard. A promising approach has been to increase the utility of the technical equipment by improving certain details in the course of repairs, i.e. gradually to introduce scientific-technical innovations, to use the equipment over several work shifts and to extend its service life. Use of equipment aggregates and full utilization of the engine power on all jobs to be done are likewise helpful in this respect.

In the interest of efficient use, service and maintenance of the equipment, more shelters and maintenance stations have been built and the production of rationalization equipment has rapidly been increased. This goes also for the production and employment of robots. Through the gradual introduction of microelectronics, robotics and electronic data processing, the agricultural sector opens up reserves for an improved utilization of basic assets.

After the 12th Farmers' Congress, the most efficient ways of rebuilding small and medium-sized stables have been published in a rationalization catalog. The catalog now is available to all LPG and VEG interested in a more efficient utilization of their assets.

On the basis of scientific-technological progress, all these methods of improving the rate of utilization of basic assets lead to increased production and efficiency. Most importantly, this also insures reproduction of the cooperatives' property.

Do Order, Safety and Discipline Contribute to Satisfactory Utilization of Basic Assets?

To increase the efficiency of the presently available machines, equipment and installations, it is necessary to insure safe production conditions and a high degree of technological discipline. In the past few years, the stock of basic assets in our national economy increased to M 750 billion. Approximately 50 percent of the machines installed between 1976 and 1981 are fully or partially automated and thus highly productive. Moreover, economic processes are becoming more and more closely interconnected. For these reasons, process disruptions, equipment damage and downtime have an increasingly negative effect on our national economy. Consequently, in each enterprise and each work collective, plan fulfillment through efficient utilization of basic assets must be combined with strict discipline, order and safety.

In the progressive combines and enterprises, this task is already being carried out. In Cottbus Bezirk [GDR administrative unit], for example, the workers in the open-pit mines, briquette works and power plants and in the chemical industry are competing to attain the "zero disruption rate." The objective is to reduce the disruption factors and thus to attain efficient use of working time and a higher rate of utilization of the basic assets.

Equally important in regard to improved performance, productivity and efficiency are the commitments of approximately 90 percent of all the collectives participating in the socialist competition. Here the objective is to fulfill and exceed the ambitious plan targets without accidents or breakdowns. What can be achieved in

this respect is shown by the fact that in 1981 the number of work-related accidents per 1,000 working people dropped to 28.5 as compared to 33.0 in 1975.

There are still too many breakdowns, fires and disruptions. They endanger lives, reduce the efficiency of the basic assets and inflict considerable losses on our national economy: several hundred million marks per year. Not infrequently, they are caused by poor management and seemingly insignificant violations of legal regulations:

In Dresden Bezirk, inattentiveness on the part of a superintendent of the German Railroad caused a collision between a freight train and a locomotive. Both engine drivers suffered considerable injuries. The damage to the locomotives and the freight cars totaled M 850,000. In Karl-Marx-Stadt Bezirk, a glass-producing plant was forced temporarily to shut down, because excavators had damaged a natural gas pipe. The accident occurred, because the construction supervisor had not thoroughly studied the layout of the utility lines.

Analyses have shown that many fires, breakdowns and disruptions are caused by human error. If supervisors neglect their duties, if the work requirements are not well defined and if the persons concerned do not know the pertinent legal regulations, there arises a work atmosphere that makes for breakdowns.

Thus order, safety and discipline are of great importance in regard to the utilization of basic assets. For this reason, all supervisors must assume full personal responsibility for these tasks and every collective taking part in the competition must strictly observe the health, work, fire safety and technical regulations and they must call to account those who tolerate shortcomings. In the event of breakdowns or disruptions, it is necessary to uncover the causes and to initiate measures precluding recurrence of the trouble.

8760
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## CONFERENCE ON CEMA COOPERATION PROMPTS EXAMINATION OF RECORD

Budapest FIGYELO in Hungarian 28 Oct 82 p 10

### Efficiency of Specialization Viewed

[Article by "mj": "Efficiency of International Production Specialization in CEMA"]

[Text] Thus far the relationship of those participating in international specialization and cooperation within the framework of CEMA has been regulated primarily at the macro-level--by central plan offices and branch organs. In the course of the production and commercial exchange of specialized products the enterprises have not really come into direct contact with one another. The direct cooperation of enterprises has been limited to at most small batches of export products or the manufacture of individual items.

Thus interstate links and links between enterprises, basically a process presuming mutual interdependence, have developed independently of one another, which did not aid an improvement in the technical and quality parameters of the specialized products or the efficiency of their manufacture. Consequently, this did not noticeably influence the acceleration of scientific-technical progress. The more developed the specialization or cooperation within a branch in one country the more favorable are the possibilities for increasing specialization at the international level and the better the conditions for an acceleration of scientific-technical progress.

The VOPROSI EKONOMIKI mentions the Hungarian factory industy as a good example where the necessary conditions have developed in a number of areas of actively linking into the international division of labor. Here the ratio of the export of specialized products within total machine industry export was 50.6 percent in 1978. This ratio was 65.3 percent in the manufacture of transportation equipment, 49.8 percent in tractor and agricultural machine manufacture and 11.7 percent in energetics and electrotechnical machine manufacture.

According to the calculations of S. Heyman labor productivity in specialized factories with specialized scientific research institutes the development offices is 20 percent higher and the return on investments is 25 percent faster. Thus the essence of manufacturing specialization lies in the development of a network of enterprises with narrow profiles specialized for the manufacture of a limited list of products and in the creation of optimal manufacturing series.

This is supported by the calculations of Czechoslovak economists according to whom material expenditures are reduced by 24 percent, wage expenditures are reduced by 91.5 percent, labor demand (in norm hours) is reduced by 89.5 percent and total production costs are reduced by 58.2 percent with parts and subassembly specialization and concentration in series manufacture.

The efficiency of specialization can be increased considerably by virtue of product and parts manufacturing specialization and technological specialization. One means for this is the so-called functionsl manufacturing specialization developed in recent years. Here one builds up a network of enterprises with narrow profiles which manufacture uniform functional subassemblies from which the chief enterprise make the most varied basic machines.

In the economies of a number of member countries one can still find the mistake of developing material-demanding production structures which cannot be satisfied from the natural resources of the country itself and of a forced expansion of the product structure. Experience shows that the economy of the CEMA countries can develop efficiently only if they can supplement one another in a many-sided way by making more profound their international production specialization and cooperation. This means that individual countries should reduce or completely eliminate the manufacture of certain products in order to concentrate manpower and investment assets on those areas where the natural and climate conditions and raw material supply are most favorable.

Certain steps in this direction have been taken already. Hungary and Bulgaria have stopped production of complete technological equipment for the manufacture of sulfuric, phosphoric and nitric acid, of drilling equipment and of paper and cardboard manufacturing equipment. In the past 5 year plan period Hungary ceased manufacture of about 27 products. Czechoslovakia wants to limit or eliminate production of petroleum and gas extraction equipment, grain combines, caterpillar tractors, bulldozers, metro cars and a few agricultural machines.

The production specialization activity of the countires will not in itself increase the concentration of production. This will be realized only if production is concentrated at concretely specialized enterprises.

When preparing concrete proposals for international specialization it is of great significance, in addition to a long-range developmental trends of the given branch of industry, to determine that sphere of industrial enterprises at which the manufacturing conditions for the specialized products are most favorable.

## CEMA Cooperation Among Enterprises

[Budapest FIGYELO in Hungarian 28 Oct 82 p 10]

[Article by Kalman Pecsi: "Cooperation of Enterprises"]

[Text] The question of developing contacts among enterprises is nothing new. It was first initiated by the 1962 conference of party and government leaders of CEMA countries and in 1971 the Complex Program prescribed the development of micro-level contacts.

But many questions are still unclear in regard to the development of direct contacts. The most important of these are:

--is the joint property of a national or international character;

--do national or, to a certian extent, international mechanism elements regulate contacts among enterprises;

--to what extent can the enterprises participaing in the contacts operate in an autonomous way;

--monetary-financial questions (establishing rates of exchange, use of convertible currencies, how profit is generated, internal and foreign price aspects, taxation and related property law problems, etc.);

--the institutaional forms for contacts and their relationship to functioning CEMA organs.

The things listed represent the conditions necessary for the development of contacts and for the functioning of international forms of undertakings.

The Theory is Lacking

An analysis of the economic environment shows that the internal national mechanisms regulating the functioning of enterprises plan export-import deals and the intermediate and final results of management activity in detail. It follows from this that within the national economies the enterprises meet the quantitative and efficiency requirements set for them, varying from country to country, in a situation free of risk and conflict.

According to the present international mechanism the regulation of economic contacts between countries takes place at the macro-level, and little opportunity remains for building up micro-level economic contacts. Due to the economic tensions now probable for the middle range it is to be feared that the several governments will not be able to make available the resources needed to develop contacts, because even in a favorable case these will result in the expected efficiency only in a middle or long range perspective.

The backwardness of theory is not helping common action. We lack a common debate about fundamental economic categories such as, for example, international socialist production relationships, the functioning of commodity and financial relationships on the regional CEMA market, macro- and micro-integration, the problem of international socialist property and the mutual link between property forms of countries with different social systems, etc. Clarifying these things would be timely because significant experience has been accumulated already in creating contacts between the enterprises of various countries.

The enterprises of the CEMA countries have established direct contacts most successfully in third countries, with local firms. By the beginning of the 1980's the number of these had reached about 600. This is followed by direct cooperation forms between enterprises organized by government committees for multilateral cooperation such as, for example, exchanges of experiences, study trips, exchange of experts, etc. Other forms of contacts established thus far have shown little success.

During the past 10 years the budgetary financing of international coordination and management organizations of CEMA has not been transformed successfully into self-accounting financing.

A New Approach

The most important lesson of the success of direct contacts and forms of undertakings on the markets of third countries, with the firms thereof, is that interest in forming them exists at both the macro- and micro-level; the efficiency of the joint activity can be measured unambiguously in convertible exchange. A deficit leads to ending the contacts; the economic environment prescribes an increase in competitiveness as a commanding necessity.

A new approach to the development of contacts between enterprises makes necessary a clear determination of the economic content of cooperation, a precise accounting of assets flow and of profit.

We should distinguish between two types of contacts among enterprises--straight and direct. Both come into being to achieve definite natural and economic goals. In addition to internal and external monetary and financial aspects the economic goals usually involve trade policy goals (increasing marketing security and competitiveness) for both the countries and the enterprises. To a significant extent these influence the achievement of natural goals as well as the domestic financial conditions (profit and premiums for leading workers) and the external exchange and financialconditions (export and import prices, credit or productive capital use).

By straight contacts we mean non-economic (exchange of experiences), economic and production contacts between enterprises organized at the level of macro-guidance and based on mutual interests appearing at this level. The most successful forms of this so far have been exchanges of experiences between countries and enterprises. Going beyond interest at the macro-level, the effectiveness of these also depends on enterprise interest, which is motivated primarily by the internal economic mechanism. According to the professional literature--and this is supported by practice also--the enterprises are not sufficiently interested in technical-scientific innovation, in improving quality or even in handing over or taking over outstanding production or economic methods, neither within a country or between countries.

By direct contacts we mean independently established economic activity based on mutual interest relationships which is based on combining various forms of resources and achieving quantitative and qualitative economic goals, within the frameworks of national management regulation.

Conditions

The interest of the enterprises and the forms for combining resources could be of various types. The economic goal would be efficiency appearing in various measures of profit. Achieving the goal has various uncertainty factors. For example, it will depend on what control the enterprise handing over resources has in regard to the efficiency of use. It depends on the economic policy

measures being implemented in the several countries and on the economic environment. The receiving country has control over the generation of profit with monetary and financial tools, by the possibilities for transferring profit, by distributing investments, by taxation measures, etc. So questions connected with the economic and political weight of the participants play an important role in direct contacts coming into being at the independent initiative of the enterprises. Because of all this, when establishing direct contacts between enterprises, one must always examine the movement of natural and financial resources as a function of controllability, efficiency and risk.

We have not created the economic and legal preconditions necessary for the normal functioning of straight or direct contacts; we have not carried out the prescriptions of the Complex Program pertaining to this. Taking this into consideration one can recommend the creation of new forms only with a high degree of caution and it will be useful to create only those forms for the functioning of which the preconditions already exist.

Every sign indicates that political and economic measures are needed. The political measures should encourage the creation of contacts primarily within the internal economy. The economic measures, on the other hand, should result in modifications of the national and international mechanisms which will ensure interest at the macro- and micro-level, the necessary efficiency of assets movement and the possibility of a precise and unambiguous accounting of results.

The most complex question is how to create the economic preconditions. At present one can develop these contacts only by taking into consideration certain limiting factors of a general character. Contacts also depend on the creation of economic and legal preconditions for planning.

## District Cooperation Among Consumers Encouraged

[Budapest FIGYELO in Hungarian 28 Oct 82 pp 10, 11]

[Article by Annamaria Inzelt: "CEMA, Institutional Forms for Direct Contacts, How the Experts See It"]

[Text] The World Economy Research and Economic Sciences Institute of the Hungarian Academy of Sciences and the CEMA International Institute for Economic and Guidance Problems of the socialist World System held a conference in Sopron on direct contacts between the enterprises, associations, authorities and ministries of CEMA countries and on the monetary-financial, foreign trade and legal conditions for the creation and development of them. The debate initiating address was given by Kalman Pecsi.

The integration process of the economies of the socialist countries has entered a new phase. The participants at the Sopron conference agreed that direct contacts between economic organizations and creating the necessary preconditions for them were extraordinarily important and timely tasks from the viewpoint of every member country and the community as a whole, tasks which must be solved within the framework of the CEMA Complex Program. It cannot be said, however, that they succeeded in coming to uniform conclusions in connection with the method of solution. According to the opinion of a number of participants it would be necessary to work out a common economic policy model in order to create the conditions for direct contacts. On the basis of this the national

mechanisms could come closer together and monetary and financial contacts serving this could come into being. The differing levels of economic development of the CEMA member countries make necessary step by step changes in the mechanisms of the several countries, changes which will ensure gradual integration.

A colleague from our journal put the same questions to three participants in the conference: Oleg Dimitriyevich Bakovetskiy, a chief scientific worker in the socialist world economy institute of the Academy of Science of the Soviet Union; Ladislav Rusmich, a leading researcher in the finance and financial systems scientific research institute working with the Czechoslovak Ministry of Finance; and Zoltan Gasztonyi, director of the AGROMAS International Association.

[Question] Do the present economic difficulties of the member countries increase or moderate interest in expanding and deepening integration?

O. B.: Basically the problem arising in the CEMA member countries are interdependent with conversion to the new economic development model, with the intensification of production processes. It is primarily a development of internal economic processes which can aid a solution, but the functioning of the economics can become more efficient only with the unfolding of the integration process. At present--unfortunately, or perhaps luckily--there are no possibilities for cooperation like those of the early 1970's when Soviet deliveries of raw materials and energy were expanding and the processing industry products of the CEMA member countries enjoyed an advantage. I believe we have reached a boundary, but one where we can forward by improving the efficiency of the production processes and by ever better exploitation of the machine industry cooperation possibilities. This is important, because every socialist country is struggling with a shortage of investment assets.

L. R.: The present economic circumstances increase the objective interest in creating socialist integration. A few new measures are needed for its realization. For example, as was noted a number of times in the debate at the conference, we need a currency which is freely convertible. The absence of this is one of the brakes on cooperation at present.

Z. G.: More efficient forms of cooperation again came on the agenda at the debates in connection with the functioning of AGROMAS. For example, how to increase the interest of the member countries and their enterprises so that they would be able to counterbalance the present economic problems with new possibiltie is not used thus far. One of the chief problems is that we are ordering fewer than necessary agricultural machines from one another. Within the Association, as at the present conference, one of the important proposals is to expand direct contractual contracts between enterprises.

[Question] In what direction do you think the CEMA mechanism can be developed?

O. B.: First, before all else, the CEMA member countries must agree in their economic policies on those elements connected with cooperation. Second, the development of direct contacts, with which the present conference dealt also. Third, expanding enterprise cooperation, creating new, efficient forms of cooperation. Realization of this process will require possibilties for more active use of commodity and financial relationships, rates of exchange and forms

of credit. Joint planning must serve this, but more active cooperation is needed in developing price formation, the transferable ruble and forms of multilateral cooperation. If we solve these things then we can talk about a new phase of integration. We need a real collective currency which will fill the function of money as described by Marx. Naturally, the development of CEMA production cooperation requires not only a more perfect money, it also requires a more active price formation policy for this could be a great stimulus to cooperation and specialization.

L. R.: I would start from a conception of the 26th congress of the CPSU pertaining to the development of socialism according to which we must exploit every economic law together and not let one law suppress another. I think that in the period before us the lack of influence of the law of value may lead to a rigidification of the old structure. In connection with the development of integration, we must solve economic problems in accordance with the economic laws, taking into consideration the mutual effect of every law. In this way we will find that what is advantageous to one state or to several enterprises will be advantageous at the same time to the other state or to the cooperating enterprises. This will require, in the process of integration, the coordination of economic interests, beginning with the enterprise, through the state, to the community of socialist countries. In my opinion we need to modernize and coordinate the national mechanisms. If the mechanisms do not change then they cannot be coordinated. This also is a precondition for the development of the international mechanism.

Z. G.: From the macro-economic viewpoint I consider the creation of a common currency to be the fundamental problem to be solved. This is the base to which are linked the modernization of the price system, the price level, putting the price formation mechanism on a realistic basis, etc. The present practice of trying to balance the bilateral balances, which I expereince in the course of my everyday work, causes great damage to cooperation. Because of this, the realization of the multilateral plans prepared at AGROMAS takes place, in the final analysis, in bilateral plans, and this narrows the marketing and/or acquisition possibilities. In the absence of a common currency we usually sell less or satisfy fewer needs than the supply or demand would permit.

[Question] In what areas do you consider joint planning important--this not being the same as the practice of plan harmonization?

L. R.: It is very important, as a goal, to supplement the integration of planning with the integration of economic policy. We must coordinate not only the plans, the quantitative and value prescriptions, but also those tools with which the state ensures the interest of the enterprises in the integration process. Plan harmonization takes place even at present, but real integration will appear in the coordination of economic policies and tools. This may help the individual countries to have a balanced balance of payments. Naturally this does not mean that one country should have a balanced balance of payments with another, but rather that each country, as a whole, should have a balanced balance of payments. We must coordinate the means to this end, for example, the real rates of exchange for the currencies of the countries, the operating conditions of the enterprises, conditions for access to the markets of other countries, etc.

Z. G.: At AGROMAS joint planning begins with working out long-range forecasts. We survey the capacity development ideas of the factories manufacturing agricultural machines and the expected changes in the needs of users. On the basis of this we prepare a plan conception for AGROMAS which, according to present practice, becomes an action program during the bilateral plan coordination of the countries.

[Question] Given the present financial and credit relationships of the CEMA countries, to what extent can direct contacts between branches of industry or between enterprises be created?

O.B.: Certainly one necessary international condition for the development of direct contacts is the perfection of the transferable ruble. One cannot imagine intensive development without direct contacts. Expanding the integration process may create direct contacts in the microsphere. This will require a change in the structure of the national and international mechanisms, primarily a modification of those elements which have an effect on integration. There is need, however, for the direct contacts to become general. This, however, is very difficult now because at present the Soviet, Hungarian, Bulgarian, GDR, etc. enterprises work according to different systems. At present in the Soviet Union, for example, there are no joint enterprises established with the enterprises of CEMA countries, but the Soviet Union has established joint enterprises with Mongolian enterprises in Mongolia, in the extraction industry and in rail transportation. Cooperative projects have been established with a number of enterprises, which have brought great achievements in joint development and in increasing series sizes. But improving the effectiveness of this awaits solution. For example, dividing up the profits of these enterprises, creating joint incentive funds, establishing a joint technical development fund, ensuring a common currency fund, etc. We have a lot to do to work out these things.

L. R.: At present only those direct contacts come into being which have been thought out by central organs and given to the enterprises as a task. And the enterprises "wait for" the tasks. The integration process of the intensive phase requires a creation of a possibility for establishing direct contacts which the enterprises can initiate too. In reality we will have economic integration only when cooperation with the enterprises of other countries is an indispensable necessity and is in the interest of the enterprises themselves. It is very important that integration come into being not only at the macrolevel but also at the microlevel, not only among the economic guidance organizations of the state but also directly between enterprises and various management organizations. When this developmental process is completed--the development of direct contacts between the management organizations of the countries--then we can talk about integration.

Z. G.: Not long ago, within the framework of AGROMAS, a cooperative project was started between Hungarian and Soviet enterprises for the manufacture of machines to harvest cucumbers and peas. The joint manufacture is only bilateral, but the agrotechnical requirements were coordinated jointly when deciding on machine types. So we expect the others to be customers also, because their needs were

taken into consideration. But it is not certain that they will place orders in accordnace with their reported needs. In my opinion we should make progress in this area also; there should be some way to make the reported needs, serving as a basis for development, a sanctioned obligation. It frequently happens that something is developed on the basis of the need of another country and when the machine appears, even though it meets the parameters undertaken, they do not buy it.

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FURTHER CRITICISM OF ECONOMIC PLANNING PUBLISHED

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[Article by Witold Ochremiak "The Record of Our Assets"]

> [Text] Our society is very concerned with the state of the implementation of the economic reform. A collision between hope for quick results and hard realities of everyday life has caused growing criticism, voicing of many reservations, and even calls for the revival of the compromised orders-distribution system. The growing unfavorable attitude threatens not only the implementation of particular objectives, but the very idea of the reform. This would be the worst thing that could happen to us.

There are several causes for the adverse social barrier and the growing wave of criticism. The first cause is the extremely difficult economic situation, further aggravated by restrictions that drastically limit supplies of raw and other materials. The second cause is the attitude of a great part of the management cadre that still cannot adjust to the needs and demands of the reform. The third cause can be found in incompletely worked out practical solutions and the conflict between the principles of the reform and the content of some executive acts. This is the backdrop for the flawed tax, price, wage, and organizational structures that make it difficult to create a consistent system of incentives for enterprises and work forces. However, the principal cause of the concern, the reservations, and even irritation is the lack of understanding of the essence of the reform on the part of many people, and the inability to use economic instruments.

The authorities carefully observe the implementations of the reform's first stage and they plan to draw conclusions from oversights and irregularities found in some legal acts (and especially in executive decisions). This is evidenced by statements in defense of the reform, principles contained in over a dozen resolutions and over 40 decrees, and promises of modifying some original principles.

No reasonable person could expect that the implementation of the reform will initiate a string of successes and changes freeing us from all economic concerns. On the contrary, we should have expected a difficult period of adaptation to new activities that were never before undertaken on such a scale.

This situation requires simultaneous solving of many problems pertaining to legal-constitutional, organizational-executive, and psychosocial spheres within both ruling organs and economic organizations.

In the legislative and ideological area the reform is implemented to a high degree. Practically nothing is lacking concerning basic legal regulations. Adoption of the resolution concerning cooperatives and their affiliates, and the finalizing of the work on resolutions (on national councils, regional self-government, and about improvements and bankruptcies of enterprises) will complete the whole of the legal-constitutional aspect of the reform.

Concerning the creation of lower level executive acts, i.e., decrees and dispositions containing interpretations of statutory decisions, we are still at the midpoint at best. Much has to be done to put the financial-economic system in order, to initiate actual structural changes either to fill gaps in some regulations or modify them. This was made clear already.

We are at the starting point concerning remodeling of the way of thinking and functioning on the part of managerial and executive bodies. Here the reform is met with the greatest resistance caused by insufficient knowledge, fixed routine, and misunderstanding of the idea and the goal of the reform.

Thus, we are progressing in the three directions at a different pace and with various levels of dedication. This should be noted when evaluating the reform.

The results of the implementation of the reform are generally looked at through the prism of the economic situation. However the situation is affected by many factors that have nothing in common with the reform. The daily decrease of about 40 percent in the import of supplies had to have a negative influence on the economy, its functioning, efficiency, and the production results, regardless of the reform. Our economy is also seriously affected--and will be for a long time to come--by structural imbalance and disproportions, as a result of the policy of the seventies. Time is needed to correct the problems. Since January of this year, we had to cope with a gradual decrease in production from about 14 percent to 10 percent in January, to 7 percent from February and March until August, when, for the first time in 26 months we achieved a slight increase in production. We should not be, however, simply satisfied with the improvement, and attribute it to the reform alone. It is apparent, though, that the process and the tendencies are becoming a constant, influenced by the reform. It is difficult not to recognize that projects undertaken in enterprises, that were initiated by the government and its bodies--are beginning to bear fruit. For example, there is progress in labor productivity. It is still low, as compared with the capabilities of the country production apparatus, but the fact that for the first time since May we have a steady increase in productivity is telling.

The unsatisfactory state of employment causes some doubts. However, it should be noted that we are faced with a sizable decrease in employment for the first time in many years. Employment decreased 5.5 percent, and even though it was mainly caused by the decision concerning early retirement, it should be seen

as the beginning of efficient employment. In some enterprises the sudden loss of workers and managers caused problems, and the authorities are fully aware that a mistake was made in the diagnosis. It is disturbing that the decline in employment is much larger in the group of employees working directly in production than in the group of employees working in administration. This is a result of such factors as the lack of connection between work and wages that is still felt. The enterprises themselves will have to assess their needs and advantages and solve the problems. They should not count on any administrative regulations to bail them out.

During the first 9 months of this year some progress was made concerning the frugal use of raw and other materials. It is estimated that for every half a year the decrease in the delivery of raw and other materials to industry equalled about 12-15 percent, with the decrease in production equalling only 6 percent. This is a tangible result. This trend should be felt even more in the reform mechanisms.

Last year the quality of production deteriorated further, and so far nothing has changed. This is shown in the increase of defects, as well as in the decrease of the number of produced goods with the high quality stamps. To a considerable degree, this is caused by gaps in supplying and by the necessity of using substitute materials and technology. Insufficient market pressure has additional negative impact, caused by the market that, starved by the lack of goods, tolerates departures from high quality. Economic mechanisms within enterprises should pay much more attention than they have had up to now to quality improvement. We do not have good traditions in this regard.

Among current results of implementation of the reform, significant are not only the indicators, but also the symptoms indicating changes in attitudes of enterprises. Investigations conducted in many enterprises confirm the observation that the reform had a positive impact on the concern of the directors in cost-effectiveness. This is especially valid concerning the change of attitudes in enterprises and the introduction of the principles of self-financing and autonomy. For years there have been calls and appeals to make cost-effectiveness a real category. Finally, it is happening.

It is also promising that enterprises are beginning to manage planning well. There is a growing conviction that it is possible to plan rationally and independently, without directives--guided by the opportunities presented by material-technological supply. There are signals that enterprises, guided by the principle of the cost-effectiveness, give up cooperation with costly and troublesome co-producers who ask high prices for semi-finished products. There are also negative signals. Some enterprises that find themselves in monopoly-like situation take advantage of it to dictate unjustified changes in cooperation conditions and to intercept profits. Antimonopoly measures are needed to stop the practices whenever thay are uncovered.

Reorientation of a part of enterprises to production linked to exports is also a hopeful indicator. After all, concerning supplies, foreign trade is a factor determining the future of production. Results accomplished in August and investigations have shown that enterprises are encouraged to take action by the system of foreign exchange allowances and recently introduced income tax

reductions for the export production, as well as by the opportunity to acquire a license or freely choose a foreign trade agency. However, there are also attempts to limit these activities and to make them difficult, and there are numerous cases of breaking the autonomy rule.

It is expected that the reform would engender many different reactions. It is a great undertaking that changes the position of enterprises, the relationships within enterprises, and between enterprises and the environment. The most violent criticism of actions undertaken in the framework of the reform comes from those who will not have a place in the new system, and from those who, when faced with problems, would like to return to the old system of guiding the activities of enterprises. This kind of criticism does not deserve any more attention.

However, there is also criticism that should be taken seriously because it concerns the functioning of the new system. It is quite obvious that some very violent criticism is generated by a part of the public opinion against justified price increases and against passing on to the society the results of bad management.

The reform was initiated as a result of the price revolution. Changes in the system of producer prices altered completely the geography of the effectiveness in the industry and in other areas of the economy. The changes in retail prices also had far-reaching results. The introduction of official, regulated, and contract prices was an undertaking that still shows important results, positive as well as negative.

In the society, there is a conviction that the official prices are widely used to gain unjustified profits. Investigations and the data for the first half of this year show that this is only partially true. Beginning with February the increase in arranged prices gradually levelled off. The prices grew in February 50 percent on the average, in March--30 to 40 percent, then there was a 5 percent increase, and in June there was only a 1 percent increase. A tendency to the decrease in prices was noted in the following months. However, this conclusion is based on the averaged equation. There are enterprises that often for no reason set prices that are considerably higher ( a few hundred percent higher) than would be suggested by cost accounting.

The income tax problem is a subject of sharp criticism. In some areas of the economy, the graduated tax and high profitability indicators have resulted in the growing popularity of the thesis that the present system does not motivate the production growth, economical use of materials, and an increase in management efficiency. Sometimes an attitude: "If I have to pay 90 percent income tax and profit only 10 percent, I would rather not profit at all," could be encountered. Fortunately, this attitude is not common. Concerning the tax rate the situation is varied. In the enterprises that have low processing costs the current tax system is much criticized. However, in the enterprises that have a high share of processing costs the system is not criticized quite so much. The problem requires closer analysis to correctly determine what improvements should be made.

For example, it has been proposed to introduce the profit rate instead of the profitability rate. It is something to consider for the next year. This year we are only beginning to reassess fixed assets.

Sharp words of criticism are directed to the industry concerning allowances for the vocational activization fund. The situation varies from one enterprise to another. Mostly, the current system allows for wage increases of 15 to 20 percent (including the workforce's participation in the profits).

It should be emphasized that there were plans to consider the matter of the market balance in addition to that of incentives during the implementation of the system. This made sense, since there cannot be a viable system of incentives if money has no value.

To sum up, the reform is implemented with great difficulties. Some positive results have been accomplished. But can it be said that there are no dangers now?

The public associates the considerable decline in the standard of living with the reform. In reality, this is a result of the crisis, and it would happen regardless of the reform. The inappropriate propaganda presenting the decline as an unavoidable cost of the first stage of the reform was an additional factor. This thesis is false and very dangerous.

The lack of many goods on the market is a cuase of a growing demand for a wider control system. However, the controls lead only to a growing deficit of goods and, unavoidably, force the introduction of elements of the orders-distribution system. We are facing the challenge to fulfilling the society's basic needs without resorting to administrative orders.

If we do not take the advantage of the opportunities presented by the growing public involvement, the reform will fail. That is why so much hope is linked to new functioning of self-governments. It is hoped that they will lead to integration of the society and work forces and to insuring greater work satisfaction. Without it there will be no expected results and little hope for improvement.

9959
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ROMANIA

TECHNICAL IMPROVEMENTS NECESSARY FOR AGRICULTURAL PROGRESS

Bucharest ERA SOCIALISTA in Romanian No 13, 5 Jul 82 pp 15-17

/Article by Dr Docent Dumitru Teaci, scientific secretary of the Academy of Agricultural and Forestry Sciences: "To Practice Agriculture Means To Operate Scientifically"/

/Text/ No modern, intensive and highly productive agriculture is conceivable without the all-around contribution of agricultural science and of advanced technologies. It is no news that the essential processes of agricultural production are the same as they were in the Sumerians' time, that is one plows, sows, weeds or cultivates, reaps, threshes and grinds the grain, just as one plants the vineyard, tends it, harvests the grapes, and makes wine. About 400 kg were harvested from 1 hectare of wheat in those times, while 8-10 tons are produced today. Similarly 2-3 tons were produced from 1 hectare of vines, while today 20-25 tons are obtained. The amount of live physical labor per unit of output is about 1,000 times less than in those days. These changes are chiefly due to technical progress, a complex process conducted over the millennia with perseverance and tenacity but which has shown an altogether impressive growth rate in this century, thanks particularly to the professional level of agriculture. As contrasted with other factors, technical progress alone can provide for exploitation of the earth's productive capacity at far higher quotas, which cannot be reached by agriculture based on ancestral-traditional systems of exploitation. We cannot overlook the fact that our whole agricultural output is raised on objectively limited areas of land and therefore we must obtain the maximum yield from every plot, and that is possible only through wide-scale introduction of technical progress. In stressing this major requirement in his speech at the Expanded Plenum of the RCP Central Committee in June 1982, Nicolae Ceausescu pointed out that "Agriculture requires very thorough knowledge of the biological and agricultural sciences and scientific understanding of what must be done to obtain the maximum from the land." This means it is necessary not only to improve scientific agricultural research but also to raise the technical and professional standards of the peasantry if we are to have a highly qualified agricultural worker able to apply scientific advances and modern technologies.

Transition to a new quality in agricultural production means, among other things, all-around integration of scientific research in the general effort to develop

agriculture so that the research results will be completely generalized in practice and become the common property of all agricultural units and all agricultural producers.

The increasingly consistent contribution of scientific research to all sectors of agricultural production is well known, which contribution demonstrates the capacity of Romanian agricultural science to solve the problems presented by creation of a modern, intensive and highly profitable agriculture. That capacity encourages a better performance, since the existing human and material scientific potential is capable of producing results in keeping with world standards.

The rates of production and introduction of technical progress have been unequal in both time and space. If we consider the two big sectors of agricultural production, crops and livestock, and analyze the way elements of progress are created and introduced, we find that the rate of production and introduction is very rapid in the crop sector while it proceeds much more slowly in the crop sector.

Hence we infer a certain "mobility" and a particular "resistance" to progress in the different sectors of production or in elements within them. For instance in the last 30-40 years all plant varieties and hybrids were replaced in Romanian agriculture and even 2-3 times in the case of some species, while the varieties of some plants like wheat for example were replaced at intervals of 5-7 years.

But the same thing is not true of zootechnical production, where the livestock breeds have been only partially replaced. On the other hand the technologies have been replaced to a greater extent, especially by introducing those of the industrial type (95 percent for poultry, about 80 percent for hogs, and 40-50 percent for cattle).

All this indicates the demands being made on scientific research concerning not only the quantity but especially the quality of the brood stock as well as intensified replacement of the less productive livestock breeds.

As we know, renovation of the production process to obtain higher yields per unit of area, per animal and per hour of live labor requires partial or complete replacement of the old and less productive brood stock with a newly created one, greater productive capacity of the soil, and mechanization and automation of the operations, all of which conform, as a matter of fact, to the main objectives of scientific research.

In the last 30 years improvement of the biologic stock has resulted in gains of 80-100 percent in crop production and of 30-50 percent in livestock production, but the results do not reach the higher quota of Romania's potentials. Some varieties are inadequately adapted to the natural climatic and soil conditions in various cultivated areas, nor do they meet the new technical requirements of Romanian agriculture. Other varieties lack the necessary resistance to diseases, pests, falling and shedding. Some varieties are not early enough to fully ripen in cool years.

Intensified scientific research is likely to provide the created or improved varieties and hybrids with such properties in this five-year plan as a greater capacity to absorb nutritive substances and to adjust to the variety of climatic

and soil conditions in Romanian agriculture, as well as resistance to diseases and pests. While imparting those properties, it is also intended to enhance the biologic potential of production by creating varieties of wheat yielding 8-12 tons per hectare, corn hybrids yielding 16-20 tons per hectare, and sunflower hybrids yielding 4.5-6 tons per hectare. Note that production of such varieties and hybrids requires development of types of plants different from the present ones, with rich and deep root systems, small sizes to permit greater densities, dark green leaves in a vertical position with much greater photosynthetic power, and higher productivity.

In agriculture the land, the main production means, cannot be reproduced at will. We can make lathes or dump trucks as we wish, but we cannot make one hectare more than those objectively existing in nature. The land is limited in area and cannot be manufactured in any way. Therefore technical progress in agricultural is primarily intended to increase the productive capacity of the land and to make intensive and rational use of the ecological resources.

Extensive land improvement projects (drainage, irrigation, erosion control, improvement of salinized and sandy soils, etc.) have been undertaken to maintain and enhance the productive capacity of the land. They have all resulted in a 30 percent gain in the productive capacity of the lands in the last few decades. Unfortunately there have also been some losses in the productive capacity of the soil at some points, due particularly to processes of erosion, landslides, salinization and swamping, which losses must be remedied as soon as possible.

No intensive, highly profitable agricultural production is conceivable without allowance for the actual productive capacity of the soils and their conservation and greater fertility. Transition to agriculture on the basis of an energy balance, which is based upon the overall geochemical composition and the amount of humus in the soil, provides for development of agricultural production in proportion to the potentials of the soil as a renewable energy resource and to the amounts of energy and matter that the soil receives and yields. The possibility of producing 6-8 tons of wheat per hectare or 16-20 tons of corn has become a certainty today. But it is equally certain that such yields are impossible without an accurate inventory of the soil resources or knowledge of the productive potentials of the soils, which are indispensable to realist scheduling of agricultural production based on increased fertility of the soils.

Soil science is expected to develop, more prudently and responsibly, methods for the most rational protection, improvement and management of the soil resources so that by means of those methods and the plants that are developed on soils by an intensive agriculture the destructive (entropic) processes will be curtailed and the bioaccumulation (antientropic) processes will be accelerated, in order to obtain high and effective yields. Exclusive use of chemical fertilizers must be attenuated, because (Why not say it?) they have become a myth to some. Sometimes the great, constantly valid truth is denied that we must first "feed" the soil which in turn feeds the plant, a truth known not only to agronomists but also to ploughmen. That explains why veritable mountains of manure pile up around the livestock complexes. The older attitude, obtaining in some areas of Romania, of not using horse manure, which was usually burned, is now "justified" by accrediting the idea of saving fuel by not transporting organic fertilizers. And so the old attitude in a new form is considerably paralyzing the use of a

valuable and irreplaceable fertilizer. In a way this situation is the price we are paying for abandoning cyclical agriculture (crop production-animal husbandry-natural fertilizers) and shifting to linear agriculture, which has partly divorced crop production from livestock production in the sense that many zootechnical complexes have been built in areas where not enough fodders are produced and they have to be transported. In such cases the managements of the zootechnical complexes have no interest whatever in shipping the manure back, and the producers of concentrated fodders invoke the high shipping costs.

Use of 85 percent of the total material photosynthesized on agricultural lands to fodder the livestock is one of the problems that are still misunderstood. It is a vast volume running into tens of millions of tons that is converted to several million tons of livestock products. Therefore it is vital for the fodders to be consumed "in place," where they were produced, for at best the livestock product is at least 4 times lighter than the fodder.

When agriculture becomes more or less industrial and increasingly specialized, it is absolutely necessary to take a series of measures to permit the soil to remain a support and reservoir of elements vital to plants as well as a renewable energy resource. The more humus there is in the soil, the more the plant receives, stores and provides the plant with the natural nutritive substances as well as a better use of the chemical fertilizers.

This leads to a very important conclusion that cannot be disregarded, namely that it is impossible for agriculture, no matter how modern and industrialized it may become, to replace crop rotations with fertilizing plants and organic fertilizers because the humus in the soil cannot be maintained or increased unless crop production is rotated in order to introduce the fertilizing plants in the rotation of crops and make combined use of the natural and chemical fertilizers. Shorter or longer crop rotations (3-4-6 years) include fertilizing plants (alfalfa, clover, sainfoin, peas etc.) that make an outstanding contribution to improvement of the chemical, physical and biological properties of the soil and save a great deal of the energy expended on production and application of nitrogenous fertilizers.

Rationalized energy and fuel consumption is one of the decisive factors for any modern, intensive and highly profitable agriculture of an industrial nature. The world energy crisis, which also affects Romania, makes this even more necessary and urgently demands reconsideration of energy consumption in the sense of shifting to technologies with the least possible energy and fuel consumption, application of the various alternative energy resources, raising the index of conversion of s olar energy to biochemical energy, etc. Current agricultural research and procedure must start developing systems of self-supply with fuel and energy by properly cultivating and processing the so-called "energy plants" that can produce the raw materials needed to obtain fuels or other energy resources.

Radical improvement of the technologies makes it possible to replace the present system of working the soil, which has become unsatisfactory in all respects. This is a major problem, because it is the only way to reduce the number of operations per hectare, which is extremely high now and causes settling of the soil with consequent gradual deterioration of the soil structure as well as high energy inputs and other material outlays on production.

If fall plowing is not done on time and put off until spring the yield is 30 percent less on the areas plowed in spring. What is more, plowing done outside the best period, which unfortunately has become a current practice in many agricultural units, gradually but surely impairs the structure of the soil and consequently its fertility.

Accelerating the rate of renovation of the products, an important indicator of technical progress, is an area wherein science should prove more effective.

It is an obvious truth that agricultural products are old as the world but the way of producing them is always new. Therefore we need to find indicators that will express the renovation process and refer to the productivity of the farmer or of all those who ultimately help the items reach our tables.

It is mistakenly claimed that in some developed countries apparently 3-4 percent of the active population works in agriculture or in the food-producing sector, overlooking those who work before and after the agricultural worker and who, together with him, amount to nothing less than 30-35 percent, provided of course that they actually supply the entire population and no food is imported.

In this case when we refer to technical progress in agriculture we must allow for the machine builders, the producers of chemical fertilizers and pesticides, the keepers and processors of the products, the manufacturers or processors of foodstuffs, the performers of all kinds of services for agriculture, etc.

Proper correlation of all those engaged in the process of producing, stockpiling and processing the agricultural products for nutrition and other human uses is a sine qua non for a correct evaluation of the sources and ways of introducing technical progress.

Complete exploitation of the results of scientific research through their effective generalization in agricultural production is essential to creation of a modern, highly productive and profitable agriculture. We can gather from that the importance of perfect operation of the mechanism for transferring technology and knowledge to production, a requirement that is particularly necessary now that only a part of the store of acquired knowledge is being effectively applied and the number of agricultural units making satisfactory use of the recommendations of scientific research is still limited. Quite a few agricultural units are not satisfactorily applying many of the essential elements of the technologies developed by scientific research such as crop rotation, performance of the basic operations, fertilizing, and controlling diseases, pests and weeds.

This situation is aggravated by insufficient involvement of scientific researchers and those in higher education in the mechanism for transmitting the biological creations and the technologies developed and helping to apply them to production. Of course the responsibility of the specialists in the agricultural units for applying the technologies recommended by scientific research cannot be overlooked either, because it is the mission of every specialist in production to organize the production processes on the basis of the modern technologies, while regularly checking the way those technologies are to be applied in accordance with the particular conditions.

As Nicolae Ceausescu pointed out in his speech at the Expanded Plenum of the RCP Central Committee in June 1982, agriculture had to suffer from long neglect of improvement "of the peasants' professional and technical standards in order to have a highly skilled agricultural worker whose training would be in no way inferior to that of the electrician or any other worker." Therefore it is the duty of the scientific researchers, personnel in higher education, and specialists in the agricultural units to militate firmly for generalization of the modern technologies in large-scale production by organizing model plots on large areas in the state agricultural enterprises and agricultural cooperatives. If the results of scientific research and technological development are to be received and mastered by those who actually apply them and who work "in the furrow" so to speak, the latter must be adequately qualified, make an effort to learn, and realize that modern agriculture is not any routine ancestral occupation.

Complete finalization of the research results in production can only be the result of all the specialists' efforts, regardless of whether they work in the research institute, experimental station, state administration or production unit. At whatever level and in whatever sector he works, it is every specialist's professional obligation to make a regular effort to raise the production results to the level of the research results.

This also includes improving the professional competence of the specialists in the central and county agricultural organs, whose functions include transmitting the recommendations of science to production. This requirement is especially urgent because today scientific activity is enlarging the area of improvement of the production technologies by developing new methods and procedures, new varieties and hybrids are appearing, and agricultural equipment is being modernized and diversified.

Knowledge of these results on the basis of constant contact with scientific research provides the favorable background that enables the specialists in the agricultural units to substantiate the decisions they make in order to improve and perfect the production processes. It is a particularly necessary requirement because there have been cases where technical actions have been taken that were not recommended by scientists or even opposed by them, due to insufficient collaboration. Moreover regular study of the research results is an inexhaustible source of creativeness, encouraging the search and struggle for the new. The deficiencies in this respect partly explain why the research cycle is still long, as well as the period of testing for approval, in the investigations to create new varieties and hybrids, which leads to impairment of their effectiveness. Sometimes modern methods of investigation have been neglected in agricultural research that permit results in a short time and ensure prompt and efficient application of the results to production. This explains to a great extent the slow rate at which advances in genetics, physiology and biochemistry have been and are applied in the effort to create new varieties and hybrids of plants as well as lines and hybrids of livestock breeds. Furthermore, despite the good results obtained in creating varieties and hybrids, large-scale production has not benefited enough by the researchers' support, because for a long time the mistaken idea has gained ground in research that the activity is finished once the varieties and technologies have been approved. As a result only a small part of the store of knowledge acquired from a prolonged research effort was applied to production, and the number of agricultural units making satisfactory use of the research

recommendations was quite limited. It is no accident that some agricultural units obtain large harvests every year while others show poor results although the climatic and soil conditions are comparable just as the potentials for applying the technologies are the same.

Just as all specialists' effective participation in generalizing the research results in production is unquestionably a necessity, organization of this activity on its various levels of authority and specification of the functions of each element in the research-education-production relationship are also decisive for efficient application of the scientists' recommendations. Therefore I consider it vital to organize a uniform system to introduce technical progress, with express specification of the tasks of those who produce the innovation and of those who are to apply it.

Improvement of the scientific activity requires improvement of the system of planning the time available by preparing uniform standards of activity for researchers and for teachers and establishing a rational ratio between the time allotted to research properly speaking and that allotted to application of the research results to production, which must be reinforced with modernization of the working methods, eliminating the empirical ones, methods that expedite the results and the solution of highly complex problems.

Promotion of the new quality in Romanian socialist agriculture requires full commitment of the human potential, mechanization specialists, cooperative members and specialists in production, scientific research and agricultural education, for radical improvement of the activity and for an agricultural output in keeping with the great tasks of agriculture in this five-year plan. Only the united and sustained efforts to promote the new and science can be converted with certainty into a quantitative and qualitative agricultural output meeting the current requirements.

5186
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COMMERCIAL ACTIVITY AT BUCHAREST INTERNATIONAL FAIR

Bucharest REVISTA ECONOMICA in Romanian No 42, 22 Oct 82 pp 13-14

[Article by Nicolae Suciu, director of the Enterprise for Fairs and Exhibitions]

[Text] The 8th edition of the Bucharest International Fair opened its doors on Thursday, October 14, recording a productive balance both with regard to its job of providing information as well as with regard to commercial activity.

The broad theme of the Bucharest International Fair, which starting last year became an annual exhibition, brought to a large extent both the number of Romanian firms and foreign participating firms as well as a variety and high level of their offerings, from the areas of machine construction, chemistry, metallurgy, wood processing, transportation, building materials,light and food industry, light industry and handicrafts.

A confirmation of the prestige which the international fair hosted by Romania's capital has gained through the years is the participation and exhibits of the 1,150 production and exporting firms from Romania and from another 36 countries in the 8th edition. participating in the current edition with official pavilions were 31 countries from all geographic zones: Austria, Bulgaria, Canada, Czechoslovakia, the People's Republic of China, the Korean Democratic People's Republic, Cuba, Switzerland, Egypt, France, GDR, Greece, India, Jordan, Israel, Italy, Yugoslavia, Japan, Libya, Pakistan, Poland, Portugal, Sri Lanka, the United States, Turkey, Hungary, the USSR, Venezuela, Zaire. Among these, Pakistan, Sri Lanka and Venezuela were participating for the first time. At the same time, also participating was the PLO. Of the total exhibit area of around 71,100 square meters, 23,720 were for the foreign exhibits.

The Romanian offering at the Bucharest International Fair for the most part consisted of new or improved products from all the branches included in the profile of the fair, a fact reflecting the dynamic process of modernization and promotion of what is new in Romanian industry. Situated along these lines, the offering of the Romanian production and export enterprises, numbering more than 650, is capable of arranging for the highest demands of the foreign partners.

As the organizers of this exhibition, we strove to use the excellent conditions offered by the modern Bucharest International Fair exhibit complex as efficiently as possible as well as the experience gained up until now in order to provide all the participants with a framework best suited to commercial activity and for carrying out productive contacts, exchanges of experience and ideas to conclude fruitful transactions throughout the eight days.

Together with the exclusively commercial activity, the Bucharest International Fair also offered broad opportunities to provide information for the foreign visitors about the most recent and most characteristic aspects of current and future development for the technical-economic sectors within the fair's profile through the organization of adjacent demonstrations such as specialized meetings, conferences, symposiums, film presentations, practical demonstrations and so forth.

A major coordinate of the recent exhibition, clear to all the Romanian participants, was the attention given the technical innovation, presentations along with the goods and a broad range of engineering services. ROMCONSULT, the Romanian Consulting Institute, specializing in consulting and engineering activity in the areas of machine construction, electric and electronic equipment, building materials and building industry, agricultural and rural development, ore extraction, chemistry, petrochemistry, energy, urban development, water and sewer supply, telecommunications, transportation, education, health protection, tourism and sports, presented Romanian inventions which recently have enjoyed special international evaluations, such as "The New Interior Body for the Ammonia Synthesis Reactor," distinguished with the gold medal at the International Salon for Inventions and New Technologies in Geneva(1981), "Methods for Nondestructive Control of Concrete in Reinforced Concrete Constructions" and "Continuous Current Motor With Rotor Disk and Axial Air Gaps" which received silver medals at the same international demonstration.

A direct illustration of the performances obtained in various branches of the economy, the exhibits in this area represented peak areas of Romanian technical creation, showing the high scientific potential of research in the most diverse branches. Among them, we mention the following:

"The process and installation for obtaining sulphuric acid through double catalytic conversion and intermediary absorbtion," "Single reactor with management of reaction medium to manufacture phosphoric acid," "Containerized aeropropulsion transportation system," "Complementary ion-protein complex in animal nutrition," "The procedure for obtaining lanoline from the water resulting from washing sheepskins with wool, with 85-90-percent output," "Automatic milling machine, CLEARSON tool shape," "Counter apparatus for axles, cars and trains," "Alarm system for cars," "Complex superficial treatment for building friction-resistant parts," "Technology for building the membranes for alignment of the loudspeaker coils," "ROBOPAS-001 experimental industrial robot activated step-by-step and commanded through optical fiber," "The procedure and synthesis combustion chamber with variable turbulence," (a procedure by which up to a 60 percent reduction is obtained in fuel consumption for motors), "The procedure of utilizing tires used by cars and tractors by recovery of the rubber and reusage for casting of rubber parts--tires, conveyor belts, trapezoidal belts" (by applying this procedure it is possible to replace 50 percent of the pure elastomer used in manufacturing tires and spare parts). New achievements from the area of industrial design also were presented in the ROMCONSULT pavilion.

Another area of interest in the Romanian offering of engineering services was the display by ROMPETROL, the enterprise for foreign economic cooperation. Romania, which has more than 120 years' experience in oil extraction and processing, currently is one of the world's main producers and exporters of oil equipment, with the F 400-3DH drilling installation even by 1978 having established the European record for depth--8,000 meters.

As proof of the quality of services offered by ROMPETROL, we should stress that the Romanian enterprise has done jobs in dozens of countries, among which we mention Afghanistan, Albania, Benin, Burmania, Bulgaria, Czechoslovakia, the People's Republic of China, the Ivory Coast, the KPDR, Cuba, Ecuador, Egypt, Ethiopia, the Philippines, GDR, Ghana, Greece, India, Indonesia, Iraq, Jordan, Yugoslavia, Libya, Malta, Morocco, Nepal, Nigeria, Pakistan, Syria, Sudan, Somalia, Tanzania, Turkey, Venezuela, Socialist Republic of Vietnam, Yemen Arab Republic, People's Democratic Republic of Yemen and so forth.

The important commercial transactions concluded for the 1982 Bucharest International Fair prove that the achievements in the area of science and technology favorably affect the competitiveness of Romanian products. Romanian foreign trade enterprises have signed export contracts for heat exchangers,relief pressure valves and gas tanks with the USSR; diesel motors, subassemblies for oil equipment and drilling installations and mining equipment with the USSR, Syria, India and Czechoslovakia; metallurgical equipment with Czechoslovakia; motor storage for France; machine tools and devices with Czechoslovakia, Hungary, Bulgaria, USSR, Poland, Colombia, Greece, Saudi Arabia, france, Sweden and the United States; Dacia cars with Czechoslovakia, GDR, Poland and Greece; compressors and portal cranes with Czechoslovakia; overhead cranes with GDR; excavators with Hungary; various parts for equipment with Yugoslavia. UNIVERSAL TRACTOR, the Romanian foreign trade enterprise, presented a complex range of tractors and agricultural machinery at the Bucharest International Fair, drawn and self-propelled, machinery among which, as innovations, are the 100- and 85-HP tractors supplied with simple and double traction, the motor cultivator for working on slopes, the C16U high-capacity combine with high output and lower fuel consumption, and these were of interest to the specialists and commercial agents, ensuring the concluding of export contracts whose value was 20 percent higher than that obtained at previous editions.

So the exhibits presented by UNIVERSAL TRACTOR were the subject of productive transactions concluded with partners from the Soviet Union, GDR, Iran, Saudi Arabia, Greece, Italy, Czechoslovakia, Algeria, Hungary, Portugal and so forth. Contracts also were improved for the exporting of agricultural machinery, sowers, self-propelled combines, threshers and spare parts, TIH-445 frontal loaders with the GDR; concrete mixers with Bulgaria; trucks with Cuba; equipment for various sector of light industry and subassemblies and spare parts with the GDR and Bul ria; various types and sizes of bearings with the GDR, Switzerland and Finland; and equipment for the wood industry with Czechoslovakia.

At the same time, contracts were concluded for the import of chemical and mining equipment and supports for magnets and parts for compressors from Czechoslovakia and the GDR; oxygen installations from the USSR andcold-box from France; various machine tools from Austria; metallurgical equipment from the GDR; crankshafts with Czechoslovakia; machine tools from Czechoslovakia; Skoda and Trabant cars from Czechoslovakia and the GDR, respectively; various parts for building equipment with the GDR and USSR; agricultural combines and headers with the GDR; and devices for the wood industry with the GDR.

In the area of electronics and electrotechnology, the Romanian enterprises concluded many export contracts, among which are automation facilities with the USSR, Bulgaria, Czechoslovakia and the GDR; televisions with Czechoslovakia; connectors and telephones with Hungary; low-tension apparatuses, electric motors, transformers and

trading sets with Czechoslovakia, GDR, USSR, France and Sudan. Import contracts were concluded for electronic components with Czechoslovakia, GDR, France, and GFR; computer technology with Poland; telescopic antennas with the PRC.

Metallurgical industry enterprises concluded contracts for exporting steel-concrete, whets ones, pipes with GDR, Israel and Iran; steel profiles with Libya; rolled steel with the USSR; import contracts were concluded for carbon steel, stainless steel and rolled steel with the GFR, Austria and Bulgaria.

Romanian chemistry enjoyed special interest, with the specialized firms concluding many contracts, among which we mention for export various basic chemical products, dyes and paints, cosmetics and drugs, materials and products from polyvinyl chloride, complex fertilizers, ammonium nitrate and nitrocalcite, rubber and rubber products with the United States, France, Ghana, Switzerland, USSR, GFR, Italy, the Netherlands, PRC, Turkey, India, Greece, Mongolia, GDR, Poland, Japan, Iran, Egypt, Sweden, Austria, England; and, for imports, acetic anhydride from Italy, iodine and from France; tartric acid from England, butylic acid from GFR, polyvinylchloride leaf with Austria; latex rubber from France and others.

Well known on the international market of furniture producers and exporters, the TEHNOFORESTEXPORT firm was presented at the fair with several of the latest creations built in the big wood-processing combines of Romania. The furniture presented at the fair this year--covering a broad range of products, of period furniture (with inlays and sculpture), up to modern , functional furniture made of resinous wood and, for the first time, metal furniture built in the combinations of chipboard and aluminum--was noted by the beauty of line, irreproachable execution and high-quality finish which fully show the excellent raw materials used. The visitors especially appreciated the "Canion" oak furniture for dining rooms and youth rooms built in Piatra Neamt, the "Imperial" bookcases produced in Radauti and "Anatolia" in Sighetul Marmatiei, both of oak, the "Roxana Lux" kitchens and SB 518(entering into the set are a complete buffet with table and corner grouping) made in Sibiu, molded living room (formed of sofas, armchairs and oval table) built in Rm. Vilcea. Particularly attractive are the resinous furniture pieces presented by the producers from Reghin and Piatra Neamt. Besides the furniture intended for various rooms, TEHNOFORESTEXPORT presented a number of small furniture pieces characterized both by the high quality of executionof the period furniture and by the functionality of the modern, and musical instruments and sports articles. The wood processing industry concluded contracts through the Romanian specialized forms for exporting furniture to Switzerland, Israel, Japan, Iraq, France, Austria and other countries.

The building materials industry aroused interest from firms in England, Saudi Arabia, Egypt, Libya, Czechoslovakia, the USSR and so forth, with which contracts were concluded, among other things, for the following: cement, pottery, sandstone plates, marble, health articles (both complete sets as well as separate parts), among which are colored bathroom fixtures of steel are being offered for the first time by VITROCIM.

An important branch of the Romanian economy, currently supplying around one-tenth of total exports, the light industry in the 1976-1981 interval launched more than 1,300 materials and new products. Their superior quality, the opinion they are enjoying on the international market are reflected in the growing number of countries to which they are being exported--around 110. In the area of light industry, we should mention, among other things, the contracts concluded for exporting clothing

to Austria, the United States, Canada, England, the Netherlands, Hungary, Jordan and Austria; wool and viscose material to the United States, GFR and Libya; polyesters and cotton material to Denmark, Switzerland, GFR, Cuba and the importing of raw leather and various accessories for shoes and leather goods from the United States. The products of the food industry and handicrafts industry were contracted for export with firms from Libya, Jordan, Czechoslovakia, Finland, Italy, the United States, USSR, Poland, Israel, GFR, Greece, France and other countries.

The remarkable variety of themes, the technical level, the level of varieties and qualities of the presentations, the entire recent economic-commercial competition in Bucharest, the productive results as well as climate favorable to the movement of ideas and experience among specialists permit us to say that the 8th edition of the Bucharest International Fair was a new and valuable contribution to the development of international economic collaboration.

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ROMANIA

SHOFTCOMINGS IN FIREFIGHTING ACTIVITY IN CHEMICAL INDUSTRY

Bucharest PAZA CONTRA INCENDIILOR in Romanian Aug 82 pp 9-10

[Article by Ionel Craciun and Amuliu Proca, engineers]

[Text] The place and importance of the chemical and petrochemical industry in the overall national economy are well known. We also know the degree of danger, loss and explosion and, implicitly, the diversity and complexity of problems for preventing and putting out fires raised by the production processes in the units of this industry. That is why, in conformity with the indications from the higher state and party leadership, the steadfast improvement in fire prevention activity in the chemical and petrochemical industry is a permanent concern and one of the main directions of the effort of the firemen's command. An expression of this concern is also the recent check on prevention as carried out by the firemen's command and subordinate units, together with specialists from the Ministry of the Chemical Industry and the industrial centrals in the combines and chemical and petrochemical enterprises. The check followed the way in which the provisions of Decrees Nos 232/1974, republished, 29/1977 and 400/1981 are being applied as well as the standards of the Ministry of the Chemical Industry and measures established by the minister of the chemical industry with order No 650/1982.

The findings of the checking collec tives brought out that in the first half of this year the concern of the collective leadership organs and unit leaders, of the technical commissions for preventing and putting out fires, of the specially employed technical cadres and civilian firefighting formations has increased for fulfilling the legal obligations and tasks belonging to them in insuring the safety of the chemical and petrochemical projects against fires. It was felt that a decisive role in this regard has been played by application of the provisions of Council of State Decree No 400/1981 on Establishing of Certain Rules for Operation and Maintenance of Installations, Equipment and Machinery, strengthening order and discipline in work in the units with continuous firing or those which have installations with a high degree of danger in operation as well as measures established for this purpose by Order No 650/1982 of the Ministry of the Chemical Industry. As a result, the organization of prevention activity on the job has improved, the level of training of the personnel employed in work in knowing and respecting rules and protective measures against fires has risen as well as the spirit of responsibility in supervising the installations and equipment with a high danger in operation; order and discipline during working hours have been strengthened and this has resulted in a considerable reduction in violations of the smoking restrictions, access to the enterprises while smoking, using matches and other materials or products which could cause fires or

explosions. Also, the responsible factors in certain chemical units have shown greater concern with solving certain problems which were affecting the safety of the installations and equipment against fires. So installations to detect dangerous concentrations, to signal and put out fires and to supply water have been repaired and put into operation (the chemical combines in Tirnaveni, Savinesti, the Tirgu Jiu enterprise for technical articles of rubber and devulcanized rubber, the Farmec and Napochim enterprises in Cluj-Napoca); vibrations in some equipment have been eliminated (the Pitesti petrochemical combine and Solventul in Timisoara); the bulkheads of the retention tanks from reservoirs have been repaired (the Tulcea Aluminum Enterprise, the Romanian Polyamid Fiber and Wire Enterprise); the bank of oil pipes from Constanta Chimpex has been strengthened; supply of the civilian firefighters' formations with firefighting techniques has been improved (the chemical fertilizer combines in Tirgu Mures and Piatra Neamt ) and so forth.

Despite the positive results obtained, activity for preventing and putting out fires in many units of the chemical and petrothemical industry still has not reached the level of current demands and does not insure eliminating of all shortcomings and a firm move to a new quality in this area, too. In certain technological installations of the chemical and petrochemical projects there continue to appear and remain causes which bring fires, explosions, damage or other events with serious consequences for human life and production processes. It has been found that certain irregularities have not been eliminated, ones which can cause fires or bring the danger of fires, causes which long have been signalled by the checking organs. For example , the $R_1B$ reactor at the Borzesti Petrochemical Combine has been operating with defects; checking of certain technological processes at the Sinteza Chemical Enterprise in Oradea has not been automated; measures have not been taken to repair or replace compressors at the Ocna Mures Combine for Soda Products, although there has been advanced usage; measures have not been taken to avoid land slides signaled at the PECO oil products warehouses in Sebes, Bircea and Cluj-Napoca. There still are frequent violations of standards on the loading-unloading ramps for oil and chemical products. Loading-unloading operations for combustible liquids still are being carried out without insuring against electrostatic discharges, work is done with metal devices which may produce sparks through impact, "stationary" leaks have occurred on the ramps, hoses are used which are too short to fill the vats and so forth. Such serious deviations from the standards have been found on ramps of the chemical and petrochemical combines in Borzesti, Brazi, Teleajen, Victoria and at the following chemical enterprises: in Turda, the Terapia in Cluj-Napoca, Carbosin in Copsa Mica and the aluminum enterprise in Tulcea and PECO warehouses in Huedin, Baneasa, Tulcea and others. In this regard disorders at the ramps for combustible fuels"set up" at the Cluj-Napoca railroad station for the Terapia enterprise are conclusive. Here the loading of vats is done without supervision and making the opening for unloading the vat car "watertight" is done empirically by bending the hose and wrapping it with wire.

Despite the fact that we know the role played by the electric cable managements in insuring full safety for the technological processes, in some chemical units (Valea Calugareasca, Giurgiu, Carbosin in Copsa Mica and so forth), there have been delays in designing and obtaining materials and building the installations and safety projects protecting against fires in these vital points. Also firm and efficient action has not been taken in some cases to prevent destruction of the electric cables due to the presence of aggressive substances in the sewers (Turda chemical enterprise).

In some units there still are cables running over or close to pipes and equipment at high temperatures, which favors the apperance and maintenance of possible causes of fire.

The leaders of projects and technical commissions for preventing and putting out fires in some chemical and petrochemical units have shown serious shortcomings in fulfilling the legal duties belonging to them with regard to carrying out and insuring the maintenance and operation of installations for detecting and signaling fires as well as those to put them out. At the Slatina aluminum enterprise, the Zalau tire enterprise and Danubiana in Bucharest, the enterprise for plastic processing in Nasaud and Sf. Gheorghe, Carbosin in Copsa Mica, Viscoza in Lupeni, the chemical enterprise in Marasesti and others installations have not been finished and put into operation for detecting, signaling and putting out fires. In some units not even the supply with water needed to intervene in case of fire has been provided. All these defects could have been eliminated if the particular units had enjoyed the natural help from the design organizations, industrial centrals and construction-assembly units and repair units, even those belonging to the Ministry of the Chemical Industry.

The safe operation of technological installations with high operating danger as well as the depots for reservoirs in the chemical and petrochemical units also is affected by the lack of certain materials, apparatuses and spare parts or, in some cases, by their inappropriate quality. On the list of these materials, apparatuses and parts are breather and relief pressure valves, level indicators, measurement and control apparatuses, apparatuses for automatic proportioning, gas detectors, devices, tools, gauges, valves, faucets, motors and electrical apparatuses specially built for work under conditions surrounding the chemical industry, rubber hoses for steam installations as well as certain chemical substances for putting out fires. We feel that an even greater contribution can be made by the production units under the Ministry of the Chemistry Industry as well as machine construction enterprises for the chemical and petrochemical industry to solving this problem of major interest in insuring safety against fires and explosions.

The storage of materials, substances or packaging utilized or resulting from production processes in the chemical industry in conformity with the standards for preventing and putting out fires has not been a permanent concern of the responsible factors in some units. As a result, in some cases high danger of a fire's breaking out remains. In this regard what is significant is the situation of the PVC packaging stocked for many years within the Sinteza chemical enterprise in Oradea. The enterprise leadership until today has not found a solution for reusing this immense quantity of packaging, but neither has it received help from the industrial central for drugs or from the central in the Ministry for Technical-Material Supply and Control of the Managment of Fixed Assets.

Other violations of the standards for preventing and putting out fires in the chemical industry have been found during the checks made. In many units firm measures have not been taken to efficiently eliminate leaks and escape of combustible products, to correct certain defects which appear in the electrical installations in the zones with danger of fire and explosion. Also, the necessary measures are not always taken for protection while repairs, checks and welding work are being done and,in conformity with Decree 400/1981, there is not permanent supervision of all installations and equipment with continuous burning or with a high degree of danger during operation,

methods for putting out fires are not kept in a perfect state of operation and the way of using them in case of fire is not known. There still are many shortcomings in the area of order and discipline on the job, too.

In majority of cases these shortcomings were eliminated during the checks. This precisely demonstrates the fact that such shortcomings could have been eliminated effectively by the responsible factors in the units (leaders of projects, technical commissions, civilian firemen's formations, specially employed technical cadres, heads of sections, workshops, installations, warehouses, work formations) if the prevention activity truly would have been one of their permanent concerns. But the existence and perpetuation of such deficiencies in prevention activity, on the contrary, show that the responsible factors listed are continuing to demonstrate superficiality and formalism in fulfilling their legal duties, starting with checking on knowledge and respect for the standards for preventing and putting out fires in all the technological installations and on all the jobs. Here we have the difficulty of discovering and effectively eliminating the shortcomings existing and, primarily, the potential causes of fires and explosions. Along this same idea, it is necessary for all leaders of projects to permanently, not sporadically, check on the way in which organs and persons appointed by written order are fulfilling their duties in carrying out activity to prevent and put out fires.

The check made in the chemical and petrochemical units once again has brought out the acute need to take firm and exacting action to insure full safety against fires in these important projects of our national economy, to establish and keep a special system for the use, checking and maintenance of all technological installations, to establish strict order and discipline in work with a view to preventing and eliminating any situations which could endanger the people's lives and health or could disturb the continuity of the production processes.

Editor's Note: On 26 July 1982 a meeting took place of the Executive Bureau of the Leadership Council of the Ministry of the Chemical Industry, during which analysis was made of the activity for preventing and putting out fires during the first half as well as conclusions from the recent joint check made in units of the chemical and petrochemical industry. At this time the Executive Bureau of the Leadership Council adopted measures which will provide for continued improvement in the activity of preventing and putting out fires in the units under the Ministry of the Chemical Industry, to know and have strict application of the provisions of Decree 400/1981 and order of the Ministry of the Chemical Industry No 650/1982 as well as to aid the units with a view to solving the problems for fire protection.

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# East Europe Report

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2350

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16 December 1982

# EAST EUROPE REPORT

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2350

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# WAGE POLICY AIMED AT LABOR SAVINGS VIEWED BY MINISTER

Prague PRACE A MZDA in Czech No 10, 1982 pp 1-5

[Interview with the CSR minister of labor and social affairs, Emilian Hamernik, by PRACE editorial board: "On Some Questions of Labor Economics"; date and place not given]

[Text] [Question] We have a lot of problems in labor economics. Many of them are not new, we are grappling with them continuously. Of course, we are dealing with them under entirely new circumstances. Comrade Minister, could you characterize them briefly for us?

[Answer] Let us start with the substantive aims of the current 5-year plan. They are to be reached in two stages. The first 2 years of the 5-year plan is a period of lower dynamics of economic growth. The national income of the CSR, for example, shows a very low increase, only 0.4 percent. And in the remaining years of the 5-year plan the dynamics of CSSR economic development is to be renewed. The national income is to grow 2.3 percent annually. An average annual rate of growth of 1.5 percent is to be reached for the entire 5-year plan period. That is a clear slowdown of the growth as compared to the last two 5-year plans, if we take in consideration the fact that the average annual increase at that time was 5 and 4 percent.

Additional basic indices are derived from the growth of the national income for reasons which are easy to understand. Rapid economic and social development cannot be expected when the rate of growth of the national income is low. In that case we would live beyond our income. All this must be understood and realized in each enterprise, in the entire society.

[Question] So the slower dynamics of economic growth should give the enterprises time and opportunities to deal with their problems. Nevertheless, it appears that they did not start the 5-year plan exactly too well. Many of them remained literally hung up at the start, others are waiting passively, some of them are temporizing, and many of them keep asking for something and stating conditions. Does it not seem that they are getting rather slowly and unwillingly out of their habits and extensive approach?

[Answer] We encounter all kinds of approaches and manifestations. For instance, we require that future production development be based on growth of labor productivity. That is nothing new. But the new requirement is that

production should keep growing while labor force is being reduced. To put it simply, the requirement is that we should make savings of live labor everywhere, both in the production and nonproduction sphere. The only trouble is that we keep encountering demands for additional manpower. There are tendencies to keep diluting the use of manpower. And that is clearly an extensive approach, a lag in the economic and political way of thinking. Under these conditions, one could hardly expect a more intensive utilization of manpower in enterprises, could hardly exact to add to the labor force of some branches of the economy and territorial areas, could hardly expect growth of efficiency, better utilization of work hours, an increase of labor discipline. It has been said many times that extensive approaches must end, and that instead we must promote everything which tends to intensify development. Nevertheless, it will be necessary to apply all economic instruments more rigidly, to enforce their application more consistently. A program of positive measures must be used in an organized way to counter pressures which are behind the times, and we must not yield to them.

[Question] We were talking here about demanding tasks, about how necessary it is to accelerate the process of intensification. And what about economic instruments in the area of labor economics? Have they been adjusted so that they would stimulate the given development?

[Answer] They were being adjusted and will continue to be adjusted, if necessary. All is based on gradual implementation of the Set of Measures and is in harmony with economic requirements. For example, starting this year an economic mechanism is in operation which favors enterprises carrying out their assignments with a smaller number of workers. For each percent of absolute savings, they can increase average earnings by the same percentage, both in the preparation of the plan as well as during its implementation. But if they plan and carry out their tasks while using a larger number of workers than specified in the assignment allocation of the superior organ, it will be to the detriment of the growth of average wages. And so it depends on the enterprises, on what employment policy and growth of labor productivity they select. The development of wages in the enterprise will then also depend on both approaches.

[Question] And what does the ministry recommend to the enterprises in that respect?

[Answer] For example, implementation counterplanning should be initiated everywhere in cooperation with the trade union organization, it should be well organized and prepared. In harmony with the principles of manpower and wage control, the enterprises, working collectives and individuals that will be better off are those making a greater contribution to the growth of labor productivity and savings of labor force. No longer does anything stand in the way of this development today. It is also useless to look for excuses by saying that someone does something administratively to reduce the growth of average wages. Even limits of the number of workers or unclear aspects of remuneration for savings are no longer an obstacle in this area. In spite of that, we encounter the customary and obsolete behavior of the economic sphere. The enterprises did very little this year to take advantage of the favorable changes in the economic mechanism to achieve manpower savings in a planned

manner and thereby also to accelerate the dynamics of the growth of average earnings. The process of more intensive use of manpower is thus not taken care of with an adequate amount of initiative, determination and awareness.

[Question] Some economic workers probably find it unusual to find a way to increase labor productivity and create larger wage funds through savings of live labor, and to gain such resources by using other official methods. It may be that aversion to such approaches also leads to some of the arguments. What do you say to those who claim that savings of manpower will lead to conflicts?

[Answer] It would be insincere to maintain that the process of intensification and structural changes does not also contain social aspects. But we live and work in a socialist society. And that society is able to deal with these problems. There will never be a lack of work in our country. But now it is necessary that people look for work in those areas where society needs it most. They may have to change their present jobs. It is necessary to explain that to them. They must also be told the truth about the fact that in our country nobody needs to worry about work if he does his job and fulfills his obligations. And if for objective reasons it happens that such people may have to go somewhere else to work or do some other type of work, enterprises acting jointly with national committees will make every effort to guarantee their constitutional rights. As I stated before, we are in a socialist society. Of course, on the other hand we must say also openly that notorious drifters, absentees and profiteers must expect that they will face more and more difficulties in finding employment unless they change their attitude to work. Their morale and lack of discipline at work are harmful to society. Honest workers rightfully point out the consequences of tolerance toward them.

[Question] Talking about those drifters, some economic workers propose that the fluctuation of workers in certain occupations should be prevented by administrative steps. What is your opinion about this?

[Answer] Some economic workers actually recommend that step as being almost the only remedy for this malady. It is true that some branches of the economy are struggling with this problem. There is a continuous shortage of workers in certain occupations, especially in construction. The only trouble is that these management workers contradict themselves in seeking a solution. They want to throw all administrative measures out of the door, but they would like to let them in again through the window. I say openly that this is not a solution. We have had bad experience with it. Furthermore, there are more people who claim that the movement of labor force should not be regulated administratively. We see the best solution in differentiated effects of economic instruments. We see it both in the limits of the available means as well as in differentiated care for the workers ranging through development plans of cadre, personnel and social activities. This is confirmed, for example, by experience gained in light industry. The Tenth All-Trade Union Congress also brought it up. Our joint task is also to carry out its conclusions.

[Question] Now I shall tap a different barrel. We are not the only ones who are grappling with serious economic problems. But in other parts of the world rationalization is helping a great deal in the process of intensification and economization. Does it not seem to you that we are greatly lagging behind in that sector?

[Answer] Well, I will start a little bit differently from the very beginning. Look at it this way: During the Seventh 5-Year Plan, the consumption of live labor should decrease by means of rationalization, and as a result labor productivity should be also increased on the average 1 percent annually. We have 5-year and annual rationalization plans. But their level and, above all, their effects are quite a bit different. The plans which come closest to that 1 percent target are the plans of the ministries of industry, forestry and water utilization, construction, of the branch of food processing, and of the sector of local economy, which is controlled by the Ministry of Interior. The plans of the other ministries are not up to par, they lack quantification of yields, the targets are broad in scope, they are not formulated specifically in the downward direction. The least satisfactory is the situation in departments dealing with matters other than production, and in the sphere managed by national committees.

What is the use, if rationalization measures cover roughly one-quarter of all workers, when even this quantity does not produce the desired effect. One can say that the more problems we have, the more the rationalization process stagnates. It is so because we deal only with sectional issues of the working process, there is no complex interrelation, there are no systemic methods used. Some yields are in turn depreciated by shortcomings in management, organization, and material technical supplies for the production process. All these facts indicate where we should concentrate our attention, what paths we should follow for rationalization to bring to us increasingly better results. In the current period, when growth dynamics are slow, when material and financial inputs in the reproduction process are being reduced, and when at the same time it is necessary to provide for maximum outputs, it is only the more necessary to make better and more consistent use of opportunities provided by rationalization of labor. In other words, noninvestment rationalization should be given a green light for full speed ahead everywhere, and should be given priority before the type of rationalization which requires investment outlays.

[Question] We were talking about employment policy, labor productivity, and manpower savings, about labor rationalization. Which means we talked about the fact that we have to make savings of live labor and keep increasing efficiency everywhere. We also looked at how the solution of these problems is related to the future development of wages which is economically justified. The only thing is that the development of wages in our country continues to be unfavorable....

[Answer] Even though it is not easy to say, it is true. Last year and this year we wanted to increase the regulatory and motivating function of the streamlining of wages in the entire society. Nevertheless, the development of wages in relation to the overall economic indices is not satisfactory. It is true that it is more economical as compared to previous years but, in spite of that, wages are growing in the CSR faster than the national income or collective labor productivity. Last year, for example, the national income increased 0.2 percent, collective productivity 0.3 percent, but wage funds increased 2.3 percent. Such a development cannot disturb only economists. Enterprises should examine it carefully. Indeed, it is not in the interest of the working people, if their income keeps increasing and at the same time there are fewer goods on the market, goods which are available in a limited assortment, are of inadequate quality, and if there is not enough goods of good quality even for export.

[Question] And what means do you want to use to counter this? Better to say, by what means do you want to reverse this development into a positive direction?

[Answer] We will have to act with greater determination and more harshly against those who exceed wage funds, who allocate the wage plan speculatively and unevenly, those who are postponing until the end of the year the solution of problems related to observation of obligatory limits of wage funds and application of sanctions for exceeding these limits. Serious cases will have to be dealt with by the ministers and kraj national committee chairmen themselves directly in the government. We have also decided to continue this year to stimulate the interest of enterprises in saving fuels, electric power and selected petroleum products by using a system of streamlining of wage funds. We will impose harsher penalties on enterprises which exceed the deliveries and use goods beyond the limits agreed to. We are seeking ways to put emphasis on economic incentives for results in exports, both in the positive and negative sense. We shall test experimentally ways of projecting the results of foreign-exchange business in the implementation of indices designed to streamline wage funds. We also want to make more effective the system of streamlining wage funds in services and in local production, depending on the share of labor for the benefit of the population.

The only thing is that all that I have mentioned does not represent the principal way of getting better results. Nor do we see the principal way in continuous adjustment of the system of streamlining wage funds. The salvation is not in simplifying the system, either, even though we must also simplify the system so that people would understand it and its motivating role would be increased.

The main thing is to make sure that management at all levels improves. It is necessary to overcome the established stereotypes faster and more consistently, to support every initiative contained in the conclusions of the 16th CPCZ Congress. It is necessary to appreciate everything that improves efficiency, quality, economy and savings of live labor. It is also necessary to apply more consistently the socialist principles of remuneration and do everything to make sure that opportunistic equalitarianism cease to prevail. And last but not lease, it is necessary to overcome fear and worries about conflict situations.

[Question] What do you say in this context about objections coming from some leading economic workers, who claim that nothing can be done with the present low growth of wages, let alone enforcing differentiation....

[Answer] These are allegations which are absolutely unjustified for several reasons. For example, the rate of growth of wates during the last two 5-year plans was much higher, 4.4 and 3.5 percent. In spite of that, there was no significant differentiation, even though there were actually branch programs set up for that purpose.

And now about the present. What stops enterprises from earning money for a higher growth of wages? Most of the enterprises do not show the same fast growth of production volume as in the past. If an enterprise accepts higher assignments and fulfills the given assignments with a smaller number of workers,

it profits from it. It can reduce the number of workers and exceed key indices. There are also preferential prices for technically progressive productions, for top quality, for fashion novelties. A considerable amount can be gained for savings of fuels, energy, materials, raw materials, petreleum products. Not to speak of benefits based on better exports. All this represents opportunities for obtaining wage funds. But that means to really do business and show initiative. The society paves the way for the enterprises to do that. And, as we can see, the way is also paved with appropriate remuneration.

About differentiation. Even when there is limited differentiation between individual branches, the enterprises have enough opportunities to be able to enforce differentiation between working collectives and individuals.

As I said before, funds for the growth of wages can be earned. Of course, that is more complicated and more difficult than to discuss difficulties and "objective" obstacles, than to lend hands to do the work. The only thing is that there is no time now for discussions, this is not the proper time for cunning and making opportunistic demands. The development of society needs deeds based on better results of work.

[Question] In conclusion, Comrade Minister, allow me to ask one more question. There is a lot of criticism of the volume, complexity and lack of clarity of wage regulations. Simplification of the wage system is demanded....

[Answer] This problem really exists today. But I do not see the main problem in the number of wage regulations which are registered in the Collection of Laws. Everybody will recognize that remuneration of miners, physicians, metal workers, salesmen, and others cannot be handled by one single regulation. Our wage system is really complex and administratively demanding. We have made it complicated by trying to be accurate, to achieve absolute justice, by making exceptions, supplements, and so on. For example, the system for technical and economic workers is very complicated. The growing number of additional payments and preferences for manual workers, which the departments keep asking for, makes the computation of wages more difficult. Sometimes the enterprises themselves make their job more difficult. For example, they could simplify the computation of wages by setting flat rates for some additional payments. The system of regulating the development of wages is also complicated. That is why studies designed to simplify the wage system are concentrating on the area of tariff wages, additional pay, wage forms, and on the system of wage regulation. This task is unquestionably very important. Nevertheless, I believe that it is even more important for us to bring about a reversal in the entire area of labor economics as soon as possible. We have talked about some of its problems in this discussion.

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RESULTS OF FINANCIAL MANAGEMENT REVIEWED

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[Article by Frantisek Pavelka, worker of the CPCZ Central Committee]

[Text] The results of financial management achieved so far in 1982 reflect all basic characteristics of the contemporary economic development. One can consider as the basic positive element the fact that even though the rate of growth of material and financial resources has slowed down to a certain extent, successful efforts have been made to consolidate the internal and external financial balance, reduce the dependence of the economy on foreign resources, and strengthen a number of qualitative aspects of financial management in the process of growing effectiveness of the formation of financial resources and their economical spending.

In the economic sphere, successful efforts have been made in particular to prolong and partly also to strengthen the positive trends of the first year of the Seventh 5-Year Plan in the process of reducing costs. This is also reflected in higher fulfillment of the planned tasks in the area of profit and adjusted values added as compared to the situation last year. The share of total costs in outputs was 0.13 point lower than determined in the annual plan. This includes the share of material costs without reductions in value and services, which increased 0.06 point, and the share of wage costs, which increased 0.04 point. The present development provides prerequisites for maintaining the annual planned share of total costs in outputs, and of the share of individual types of costs, except financial costs.

Thanks to a consistent application of the principle that imports can be arranged only at the level of implementation of export tasks, the planned assets of the commercial balance have been achieved and exceeded. That helped in its own way to strengthen the external economic balance and the capacity to make payments to foreign countries.

In spite of that, we cannot be satisfied with the results of financial management. Indeed, some long lasting negative trends continue. These trends partly reduce the value of the positive results achieved, and their consequences make it more difficult to create conditions for a faster transition of our economy to the intensive way of development. This applies particularly to structural deviations in the fulfillment of the plan, both in terms of formation as well as main trends of utilization of material and financial resources.

Even with the overall fulfillment of the tasks of industry, more than 27 percent of the enterprises are failing to fulfill the plans of production volume, and almost 18 percent of them are failing to fulfill the plans of adjusted values added. In the same way, efforts to increase the quality of the products and the share of products of a high technical level are probably failing to keep increasing fast enough the quality of the products and the share of products of a high technical level. This is also reflected, among other things, in a more difficult implementation of export assignments and of the effectiveness of exports, and also in the fact that inventories of finished products are increasing, but markets for them are uncertain. There is also growing pressure to make deliveries for investments and deliveries of producer goods.

The construction industry is not fulfilling its assignments, even though investment opportunities are limited. In particular, it does not manage to change the orientation of its production facilities and to concentrate on finishing construction work on time, or on putting constructions in operation on time. The volume of deliveries of agricultural products for marketing has also decreased.

Efforts are failing to carry out assignments in the area of greater utilization of inventories. In comparison with last year, inventories have increased, especially in the case of finished products, commodities, and unfinished production. Thus in the first half of the year the turnover of inventories in industry and construction slowed down by 2.1 days, while in the task of the state plan for the entire year the accelaration was assumed to be 0.8 day.

This development was reflected among other things in the fact that even though some elements of the overall financial balance were strengthened, there was an increase of strain between creation of social resources and demand for their usage, while the situation improved in the relationship between creation and usage of decentralized (enterprise) resources. This growing tension in the resources of the entire society was reflected both in the balance of state budgets and in the usage of credit resources.

The overall results of plan fulfillment of revenues and expenditures of the state budgets have somewhat deteriorated this year in comparison with 1981. From a rather long-term viewpoint, the lowest surplus of revenues over expenditures during the last 5 years was registered at the end of the first half of this year. This is because in spite of the good results achieved by economic organizations in creating profits and paying levies from profit, the overall revenues of state budgets are less favorable, while expenditures have retained the same dynamics.

The tasks of economic organizations were carried out better than in previous years in the area of levies paid from profit, and in contrast the results were less favorable in the area of revenues from the turnover tax and from differences of the domestic market. The nonfulfillment of the plan in the area of the turnover tax is related to the unfavorable development of deliveries of commodities to consumer-goods inventories both in terms of

volume and structure. Low fulfillment of the turnover tax plan is recorded particularly by organizations under federal management, especially organizations under the jurisdiction of the Ministry of General Engineering. Even though there exist problems in the manufacture and marketing of a number of products of the engineering industries, reduced sales of passenger cars have the greatest impact on the proceeds of the turnover tax. During the first half of the year, sales of passenger cars dropped 35 percent as compared to last year. Lower sales of gasoline also have a strong impact here, the savings of gasoline amounting to 68,000 tons.

State budget outlays for investments are retaining their relatively high dynamics for the time being. This applies particularly to outlays for investments of economic organizations. It is related to structural variations mentioned previously in the basic trends of the use of production, and also to the fact that during the first half of the year economic organizations as a rule do not use too much their investment credits or their own financial resources.

Outlays for social security are the most dynamic outlays of a noninvestment nature.

A tight situation arises also when credit funds are used. Slower growth of purchases by the population, in comparison with the growth anticipated in the plan, was reflected in a growth of amounts of ready cash and savings which exceeded the plan. On the one hand, this helped to compensate for the losses of credit received from foreign countries, but, on the other hand, it is more an expression of certain difficulties in marketing some types of products. But economic organizations used credits much faster, especially operational loans. Operational credits increased much faster during the first half of the year than was indicated in the annual task of the plan. And--what is particularly important--this rapid increase of the use of operational credits manifested itself particularly in branches of the economy producing goods which cannot be marketed adequately on the domestic market or in foreign countries, and as a result these goods remain stored in warehouses. The use of credits also increased rapidly in those branches of the economy which do not carry out their production tasks adequately and have difficultues in making payments.

That is why responsible organs have reached the conclusion that it will be necessary to apply stricter control in the credit policy.

One of the significant factors which affect the results of financial management this year is gradual implementation of the Economy Program for the Seventh 5-Year Plan. The program is designed in particular to reduce the number of workers in the sector of management and administration, to make the use of service vehicles more economical, to reduce nonproductive outlays, and to rationalize administrative operations. The number of workers in management and administration is to be reduced by 69,487 before the end of 1985, that is, 10 percent of the initial base.

The program of making the use of service vehicles more economical concentrates on additional reductions of the number of psssenger cars by 10 to 30 percent,

and especially on measures to switch from cars with big engines to those with small ones, on restrictions in issuing permits to use service vehicles for travel to work, and on increasing penalties for excessive consumption of gasoline.

Rationalization of administrative work is one of the significant tasks which must be solved if the economy program is to be effective over a longer period of time. It is a task which will test the abilities of the people at all management levels, because to a great extent it cannot be dictated from above.

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LABOR, PRODUCTIVITY, WAGES IN SEVENTH 5-YEAR PLAN VIEWED

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[Article by Eng Karol Ujhazy, deputy chairman, State Planning Commission: "Manpower, Productivity of Labor, Qualifications and Wages Under the Conditions of the Seventh 5-Year Plan"]

[Text] We have behind us more than 1-1/2 years of implementation of the Seventh 5-Year Plan, an approved directive for the year 1983 and specification of tasks of the Seventh 5-Year Plan for its last 2 years. The demands of the current economic development and the consequent challenging tasks apply to the entire economy at the present under some external as well as internal conditions. Among these internal conditions belongs also the situation in manpower. We want to point out in this article some specific conditions of development from the viewpoint of manpower. It involves primarily the fact that:

--in the years of the Seventh 5-Year Plan there will occur the lowest increment in the population of productive age for a 5-year period in our country ever;

--this extraordinarily low increment has a very imbalanced regional distribution (practically all of it applies to SSR territory);

--a lower dynamic of development of production while emphasizing its efficiency would also call for faster increases in the productivity of labor;

--a lower rate of growth of consumed national income--with respecting the existing principles of price policy--makes for an ever slower growth of average (nominal) wages;

--improvements in the qualification of cadres that were based on higher dynamism in the past years could cause certain partial difficulties in assignment of some graduates in the current years;

--preparation and implementation of plans in the years of the Seventh 5-Year Plan progressed on the basis of implementation of the principles in the Set of Measures that leave it up to enterprises to freely decide between a higher

growth rate in average wages and a lower number of workers, or a higher number of workers and a lower rate in growth of average wages.

These, as well as some other elements in the current development, also change conditions in the area of manpower and remuneration in comparison to preceding 5-year plans. However, not everything is reflected to the full extent in the new conditions. Many trends survive from the past and some new elements (such as the possibilities offered by the Set of Measures) become only slowly implemented in economic practice.

In the last years of the Seventh 5-Year Plan it will be advisable to closely watch the conditions under which the economy will be developing in the second half of the eighties. These years are distinctly different, e.g., from the viewpoint of an increase in population of productive age (much more favorable), than were the first years of the Seventh 5-Year Plan.

To show the specifics of current development in a clearer light, we deem it advisable to point out at least some basic elements of past development--results achieved in implementation of plans from the viewpoint of manpower and wages in the years of the Sixth 5-Year Plan.

Development in the Years of the Sixth 5-Year Plan

The plan for the Sixth 5-Year Plan foresaw on the basis of demographic development much lower increases in the sources of manpower--210,000 persons as compared to the 319,000 persons achieved in the preceding, i.e., the Fifth 5-Year Plan. However, the actual increase in employment was higher by more than one-third and amounted to 306,000. Yet such an increase in employment is 4 percent lower in comparison to the increase achieved in the Fifth 5-Year Plan.

Generation and utilization of resources for increases in employment showed considerable deviation from the goals based on the Sixth 5-Year Plan. On the side of resources it involved particularly the following deviations:

--increase in population of productive age was lower by 20 percent (by 46,000 persons) than envisioned by the plan. It ought to be pointed out that the reason for this deviation could be largely due to revision of the number of the populace of productive age in the final year, i.e., in 1980, on the basis of the census;

--on the basis of experience between 1960 and 1975, when the number of persons working in the postproductive age became reduced by 29,000, the Sixth 5-Year Plan assumed a further decrease in economic activity among the populace in the postproductive age by an absolute count of 11,000. However, reality reversed this development and there occurred an increase among such persons by 45,000;

--contrary to the planned intended stagnation of duplicity of jobs (the planned increase was only 6,000) there actually occurred an increase of 27,000;

--contrary to the plan, there was a marked increase in the number of women from households entering employment. While the plan envisioned an increase by 11,000 from this source, the actual increase was 137,000;

--the reduction in women on maternity leave (planned for 8,000) failed to materialize; in reality there occurred an increase of 5,000;

--in potential utilization of resources there occurred a very significant change in the number of populace of productive age preparing for employment, i.e., pupils, students and apprentices or trainees, where the plan assumed an increase by only 6,000; in reality there occurred an increase by 59,000.

It follows from the above that while resources increased one-third, from the qualitative viewpoint the considerable deviation from the plan was detrimental. While the overall increase in the plan was geared to an increase in populace of productive age, in implementation of the plan the increase in population of productive age, after subtracting the increase in students preparing for employment and mothers on maternity leave, represents only 40 percent of the overall increase in employment. The rest, i.e., 60 percent, represents sources of persons of productive age and entry of additional women from households into employment and in duplicit of jobs. However, such a qualitative change translates into a considerable decrease in mobility of manpower increases contrary to the original goals.

These changes deviating from the plan show great differences in distribution by the individual republics:

--the drop in increase in population of productive age (or the correction resulting from the census) is more pronounced in the CSR (minus 39 percent) than in the SSR (minus 6 percent);

--growth in employment of populace of postproductive age is higher in the CSR than in the SSR;

--the development of duplicity jobs showed an increase of 48,000 on CSR territory and a decrease of 23,000 on SSR territory;

--the number of women on maternity leave increased only in the SSR (by 14,000) while it decreased in the CSR (by 9,000);

--the number of persons preparing for employment increased 58,000 on CSR territory and 1,000 on SSR territory. At the same time, however, the deviation in absolute numbers against the planned goals is equal in both republics, i.e., on the order of 27,000-28,000.

Employment also increased faster in the years of the Sixth 5-Year Plan on SSR territory than in the CSR. However, in comparison with the preceding Fifth 5-Year Plan, the rate of growth in employment showed a mild slowdown on SSR territory while it showed a mild increase in the CSR. The share of the SSR in the nationwide increase in employment amounted to 52 percent. The

difference in economic activity in the SSR as compared to the CSR showed an overall decrease from 3.9 in 1975 to 3.1 in 1980, of which a decrease from 7.5 to 6.1 applied to women.

Deviations from the planned goal for the Sixth 5-Year Plan also occurred in increases in employment according to individual branches of the national economy. The manpower increase by 210,000 was in the original plan distributed so as to orient

| | |
|---|---|
| --into the productive sphere | 101,000 |
| --into nonproductive sphere | 66,000 |
| --in unassigned reserve [unemployed] | 43,000 |

While the plan in the productive sphere was on the whole met in both agriculture and industry, in the nonproductive sphere it was far exceeded. The latter sphere took up not only the entire reserves, but also the entire excess of resources.

The planned employment and its growth in industry within the productive sphere was essentially met. However, the increase in the construction industry was higher than envisioned by the plan, to include organizations not engaged in building. In construction supply organizations themselves, it was lower by approximately 20 percent. The reduction in employment in agriculture was lower than envisioned by the plan. The intended increase in employment in commerce was exceeded.

However, within industry there occurred a sharp differentiation between individual branches. On the one hand, the planned increase in employment within the Federal Ministry of Fuels and Energy was exceeded by approximately two-thirds, within the Federal Ministry of Metallurgy and Heavy Engineering by almost one-third and within the Federal Ministry of General Engineering by less than 10 percent, but, on the other hand, increases in employment in enterprises of the Federal Ministry of the Electrotechnical Industry and in enterprises of the ministries of industry controlled by national governments failed to be met.

The most highly exceeded planned increases in employment in the nonproductive sphere occurred in education, culture, medicine, social welfare, but also in the remaining part of the nonproductive sphere.

Overall differences in the development of employment according to sectors show varying results in regional distribution between the CSR and the SSR:

--in industry, as regards fuel and energy, the entire increase in employment occurred on CSR territory and, conversely, the total increases in three machining sectors occurred on SSR territory;

--in the ministries of industry controlled by national governments there occurred more than a twofold decrease in employment in the CSR in comparison to the plan while it was exceeded in industry on SSR territory;

--the planned increase in employment in the construction industry failed to be met on CSR territory while it was essentially met on SSR territory;

--growth of employment in transportation and communications was met in the CSR by less than one-half, on SSR territory less than 20 percent remained unmet;

--planned employment in the nonproductive sphere was exceeded more significantly in areas under the jurisdiction of KNV [Kraj national committees] on CSR territory, to a lesser extent in the SSR.

In addition to accelerated increases in employment, the pace of improved qualification of personnel also picked up in the course of the Sixth 5-Year Plan. Development in the structure of qualification of personnel in the national economy in the seventies is characterized by the following table:

| | In percent | | |
|---|---|---|---|
| Educational Level of Personnel | 1970 | 1973 | 1978 |
| Institutions of higher learning | 4.0 | 4.7 | 5.9 |
| High school | 15.3 | 16.5 | 18.9 |
| Other | 80.7 | 78.8 | 75.2 |
| Total | 100.0 | 100.0 | 100.0 |

Development in the seventies shows that the process of increased qualification of personnel educated in college and high school marked further acceleration in the course of the Sixth 5-Year Plan. However, accelerated improvements in the structure of qualification of personnel failed to become reflected in accelerated improvements in the productivity of labor or in innovative production processes.

A partial justification of this state can be provided by the fact that not all posts were occupied by personnel with commensurate education. A survey made in 1978 showed that only 58.8 percent of mental workers held posts for which they had the required education. However, 35.2 percent of jobs were held by workers with a lower education than called for by the post. Only 6 percent of personnel had a higher education than required for holding their given job. Higher levels of qualification of personnel must be evaluated positively at least as one of the prerequisites for future absorption of the scientific and technical revolution. At the same time, however, we must look for the causes of why higher level of qualification did not become more distinctly reflected in growth of productivity of labor through implementation of technological development and accelerated introduction of innovative processes into production. On the other hand, there may be some measure of justification for criticism which holds that such development was creating a certain amount of tension in the preceding 5-year plan through acquisition of personnel with lowest requirements on qualification. At the same time, in the final years of the Sixth 5-Year Plan there started to appear localized difficulties with placement of all graduates of some institutions of higher learning.

Reduction in the rate of growth of industrial production, agricultural production and construction projects in comparison with the original goals of the

Sixth 5-Year Plan and the resultant slower growth in national product and national income, on the one hand, and excessive growth of employment than called for by the plan, on the other hand, resulted in slower growth of social productivity of labor than was envisioned by the plan. The Sixth 5-Year Plan anticipated an average between-years increment in social productivity of labor to be 4.5 percent while it was in reality 3.2 percent. The growth rate of social productivity of labor slowed down mainly in the final years of the Sixth 5-Year Plan.

| Item | 1976 | 1977 | 1978 | 1979 | 1980 | Sixth FYP Average |
|---|---|---|---|---|---|---|
| Growth rate of social productivity of labor (national income: workers) | 4.2 | 3.9 | 3.5 | 2.5 | 2.4 | 3.3 |

In industrial production, the plan for growth in productivity of labor failed to be met by 5.5 points (approximately one-fifth), 7.3 points (about one-fourth) of it in industry controlled by federal authorities and by 3.4 points (approximately one-eighth) in industry controlled by national authorities. In agriculture, the growth of productivity of labor in gross agricultural production lagged behind by almost 6 points (plan 126.5, reality 120.7). The failure to meet the growth in productivity of labor was more due to a failure to meet production quotas (by almost 5 percent in 1980) rather than to development of employment. From the regional viewpoint, failures in meeting the planned growth in productivity of labor were worse in the SSR than in the CSR.

Even though in the years of the Sixth 5-Year Plan the real growth of employment approximately equated the planned growth of job opportunities, it could not improve the state from prior years (e.g., in the preceding Fifth 5-Year Plan the number of job opportunities in industry increased 150,000-160,000 with a mere 85,000 increment in employment).

The fact that conditions did not improve is also borne out by the development in use of shiftwork in industrial enterprises.

Use of Shiftwork in National Industrial Enterprises

| Item | 1975 | 1976 | 1977 | 1978 | 1979 | 1980 |
|---|---|---|---|---|---|---|
| Shift work coefficient | 1,325 | 1,323 | 1,329 | 1,319 | 1,323 | 1,324 |
| From total number of workdays workers worked in the (in percent) | | | | | | |
| 1st Shift | 75.5 | 75.6 | 75.7 | 75.8 | 75.6 | 75.5 |
| 2nd Shift | 18.7 | 18.5 | 18.4 | 18.3 | 18.4 | 18.6 |
| 3rd Shift | 5.8 | 5.9 | 5.9 | 5.9 | 6.0 | 5.9 |

The overall discord in replacement of fixed assets and manpower is under Czechoslovak conditions aggravated further by mutual territorial dissonance between distribution of capital construction, be it of new or expanded capacities, and between increments in available manpower in individual regions which

could be available for manning those capacities. We also failed to achieve a sufficient degree of effective modernization and overhaul of existing capacities, which by substituting technology for human labor would make manpower available for newly built or expanded capacities. Use of shift work in our country is estimated to represent approximately only 50 percent of the actual capacity of fixed assets. Use of shift work in industry in our country was one of the lowest compared to other socialist countries.

According to the Sixth 5-Year Plan were expected to increase in total volume by 21.1 percent (to include reserves for wage policy measures). This included an increment in higher employment as well as growth in average wages. The average wages of personnel in the national economy were to increase 13-15 percent, in keeping with the directive for economic and social development in the CSSR, depending on growth in the productivity of labor.

The planned growth in overall wages was essentially met (the real increase was 20.8 percent). However, such an increase in wages is not in harmony with the growth of national product and national income that were lower by 7.5 or 6.8 points respectively than was envisioned by the plan. The average monthly wages of employees in the socialist sector (without JRD [unified agricultural cooperatives]) increased from Kcs 2,304 in 1975 to Kcs 2,642 in 1980, i.e., by Kcs 338. Thus the growth in average wages came close to the upper limit anticipated by the plan (an increase of 14.7 percent). However, this translated into a deteriorated relation between growth of productivity of labor and growth of average wages.

Average wages increased faster in productive branches than in the nonproductive sphere. Such a development was aided by the following:

--implementation of efficiency measures in labor and in wage systems which created leeway for increases in wages tied to the economic results achieved by enterprises;

--utilization of wage-policy reserves primarily on behalf of promoting priority projects in economic development.

The growth of average wages in the nonproductive sphere was also affected to some degree by pay adjustments:

--in centrally controlled research institutes and institutions of higher learning;

--adjustments carried out in education and medicine in 1979 and 1980.

The fastest growth in average wages occurred in JRD (by one-fifth). The planned growth of average wages in the industry was exceeded by 2.2 points and amounted to a 16.5 percent increase (whereby, as we pointed out above, an increase in the productivity of labor failed to be met). A higher growth in average wages also occurred in transportation (by 17.5 percent); however, a part of the latter continues to accrue to overtime work.

On the other hand, lower growth in average wages occurred in the construction industry (by 13.3 percent). Even though this increase remained below the level of planned growth, due to gross failures in meeting production tasks and economy measures in construction, it is excessive and contrary to requirements on efficiency.

Average wages also registered a slower growth in commerce and medicine, 13.1 and 10.6 percent respectively. However, in these sectors the development of wages must be related to excessive numbers of employees.

Intersectorial relations in average wages remained essentially the same in the course of the Sixth 5-Year Plan. Among those that continued to lead were transportation, science and research, construction and, within the industry, fuels.

In the Sixth 5-Year Plan, just as in the preceding 5-year plan, the trend in narrowing down the margin in wage relations between the workers category and that of administrative personnel continued.

| | Wage Relation of Administrative Personnel (Average wage of workers = 100) in Years | |
|---|---|---|
| Sector | 1975 | 1980 |
| Industry | 117.9 | 116.6 |
| Construction | 116.6 | 115.3 |
| State owned properties | 124.3 | 119.1 |

There are no significant differences in wage development from the regional viewpoint. The average nominal monthly wages of personnel in the socialist sector increased in the CSR from Kcs 2,317 in 1975 to Kcs 2,656 in 1980, i.e., 14.6 percent, in the SSR from Kcs 2,271 to Kcs 2,611, i.e., 15 percent.

In concluding the assessment of wage development it should be pointed out that growth of production and growth of the national product became more wage-intensive in the course of the Sixth 5-Year Plan than called for by the plan.

The development from the viewpoint of wages would require a closer analysis. However, without going into the latter, it can be summarized as follows:

--increase in employment was higher than anticipated by the plan;

--wages payable increased essentially in keeping with the plan;

--however, production, output, national product and the generated national income increased at a slower rate than called for by the plan;

--that translates into a failure to meet the planned increases in social productivity of labor.

Such a conclusion is instructive for the future, even though it cannot produce complete satisfaction.

Principles for Concept of a Plan of Labor, Wage Development and Manpower Qualification for the Years of the Seventh 5-Year Plan

The basic directive for working out the Seventh 5-Year Plan in the area of labor planning were the Key Directions of Economic and Social Development of the CSSR for the Years 1981-1985, as approved by the 16th CPCZ Congress.

To achieve the objectives of economic and social policy, the Key Directions point out the indispensability of improved utilization of manpower and achieving development of production by attaining increases in production and output through increased productivity of labor. The directive calls on industrial processing sectors to achieve increases in production essentially without further increases in manpower. It calls on the construction industry to achieve, along with changes in the structure of projects, increases in the productivity of labor with a time lead before increasing the volume of construction projects.

The Key Directions further call for more economic and effective utilization of manpower resources as well as of unused potential for increasing the productivity of labor. Efforts should also be made to improve the structure of manpower qualification and make substantially better use of improved qualifications of workers than has been the case.

In the area of wages, the Key Directions call for seeking commensurate increases in average wages as a significant and effective work incentive for improving the productivity of labor. The Key Directions further call for systematic implementation of the principle of pay according to merit and improvements in economic effectiveness of wage systems, namely:

--tie generation of wage resources more closely to increases in the social productivity of labor;

--strengthen the impact of the technical level and quality of products and their effectiveness in exports on the overall level and distribution of wage funds;

--increase the responsibility of organizations and individuals for meeting societal needs and subordinating generation and distribution of wage funds to this principle.

The Key Directives (as well as the Set of Measures) call for paying increased attention to motivating personnel and work teams toward achieving savings in the area of human labor--with a possibility for commensurate wage increases for workers who volunteer to take over higher tasks, promoting the productivity of labor or absolute savings of manpower. The Key Directions also call for introducing on a wider scale task and piecework wages and variable wage components, orienting premiums and bonuses toward meeting of key tasks in

production and in exports, scientific and technical development, innovation of products and savings of direct labor input as well as of labor value added. They also remind us to require strict production and wage discipline.

The law regarding the Seventh 5-Year Plan enacted in December of last year stipulates in one of its basic paragraphs that increments in national income be covered by approximately 90-95 percent through increases in the social productivity of labor. To that end, it calls for implementing a continuous growth of the productivity of labor in industry, construction and agriculture, implementation of successively higher output norms and systematic improvements in performance in the nonproductive sphere; making substantially better use of existing manpower resources and improving the current structure of employment.

In the area of wage development, the law stipulates systematic implementation of the dependence of this development on the results of efforts developed by work teams as well as by individuals and their contribution to society; in all areas there must be an increased emphasis on motivation toward high productivity of social labor.

In connection with the above, development of employment must be oriented toward attaining further improvements in the effectiveness of direct labor input, primarily by creating a system of incentives and economic conditions for more economic management of manpower resources.

From the thus drawn up and approved directives, as well as from the results obtained in the first year of the Seventh 5-Year Plan and from the approved annual plan for the second year we deduced the concept for specification of tasks for the remaining years of the Seventh 5-Year Plan and their more detailed quantification for the year 1983 in the form of a guideline to the annual plan.

Planned Development of Employment

As we already indicated above, demographic development earmarked the years of the Seventh 5-Year Plan as years with the lowest increase in populace of productive age. This is brought about by the fact that the productive age is being entered by relatively low annual population increments due to the population attenuation which occurred in the latter half of the sixties and, on the other hand, by the relatively strong annual population increments that occurred after WWI leaving the productive age. The increment in population of productive age will decrease in the years 1981 through 1985 to a mere 75,000 persons (as compared to 180,000 in the previous 5-year plan). What is more, its regional distribution is absolutely imbalanced; all of it is expected to occur in the SSR. On the basis of requirements made by the 16th CPCZ Congress on growth of productivity of labor--through more effective utilization of direct labor input, on the one hand, and lower dynamics of economic development, on the other hand--we managed to make do in the plan for the remaining 3 years of the Seventh 5-Year Plan even with this lower increment in populace of productive age, to include an increase in the number of graduates from

schools and other educational facilities. This second resource, i.e., increase in graduates, was made in part possible in the course of the Seventh 5-Year Plan mainly by a reform in instruction at home high schools and institutions of higher learning, when in the years 1982-1983 two classes of graduates will enter into employment simultaneously due to a cutback in the duration of studies. From the viewpoint of manpower resources, the years 1983-1985 are characterized by the facts that:

--no increase is anticipated in personnel of postproductive age;

--no increases are envisioned in the economic activity of populace of productive age that still has not entered employment;

--only minimal corrections are expected in the number of women on maternity leave;

--the plan does not foresee further increases in duplicity of jobs;

--no increases are expected in employment of foreigners.

It must be admitted that the resources achieved in this manner deviate from their implementation in the past year, as well as from the goals of this year's plan, when there still were increases in employment from a further influx of persons of postproductive age, as well as of persons of productive age with no prior employment, primarily women. In the past as well as in the current year, there occurred increases in employment of foreign nationals.

From the regional viewpoint, the resources are distributed fairly evenly in the years of the Seventh 5-Year Plan as well as in the years 1983-1985, with 42 percent accruing to the CSR and 58 percent to the SSR (after reflecting migration of 13,000 persons from the SSR to the CSR).

Distribution of the planned increment in manpower resources into individual branches was based on the anticipated development of production, increased output, but also on some other specific tasks of individual branches in development of the national economy. Specific consideration was given to growth of productivity of labor in the productive sphere and the needs for development of the nonproductive sphere were also taken under advisement:

| | 1981-1985 | | | 1983-1985 | | |
|---|---|---|---|---|---|---|
| | CSSR | CSR | SSR | CSSR | CSR | SSR |
| Sector I | -2.2 | -0.4 | -1.8 | -1.2 | -0.2 | -1.0 |
| Agriculture | - | 0.2 | -0.2 | 0.2 | 0.2 | - |
| Sector II | 58.3 | 15.2 | 43.1 | 41.7 | 13.6 | 28.1 |
| Industry | 68.4 | 23.5 | 44.9 | 43.5 | 15.0 | 28.5 |
| Construction | -10.1 | -8.3 | -1.8 | -1.8 | -1.4 | -0.4 |
| Sector III | 100.9 | 50.4 | 50.5 | 51.3 | 25.3 | 26.0 |
| Transportation & Communications | 12.6 | 6.7 | 5.9 | 8.2 | 4.7 | 3.5 |
| Commerce & Public Food Supply | 18.9 | 7.6 | 11.3 | 10.4 | 4.8 | 5.6 |
| Science and Research | 4.3 | 1.5 | 2.8 | 2.5 | 0.8 | 1.7 |
| Education and Culture | 21.9 | 12.5 | 9.4 | 8.4 | 4.1 | 4.3 |
| Medicine and Social Security | 23.2 | 14.6 | 8.6 | 11.1 | 7.6 | 3.5 |
| Local Economy | 10.1 | 1.8 | 8.3 | 6.1 | 0.8 | 5.3 |
| National Economy as a Whole* | 157.0 | 65.2 | 91.8 | 91.8 | 38.7 | 53.1 |

*(Without JRD and individual farmers).

As the table shows, our plans for the years 1983-1985 for the first time practically do away with planned reductions in the number of personnel in agriculture (reductions are counted only to the extent implemented last year and planned for the current year). As regards distribution of manpower resources between industry and construction, on the one hand, and between the remaining branches of the national economy, on the other hand, the share of the thus conceived second sector (though in a somewhat narrowed down form) amounts to more than one-third of potential increase in resources, while almost two-thirds accrue to the third sector. Reductions of labor force in construction, due mainly to the first 2 years of the 5-year plan, accounted for the increase of personnel in industry.

However, in comparison with the development through the years of the Sixth 5-Year Plan, increases for industry have been reduced by almost one-half and for the third sector by more than one-third. Distribution of this lower increase in the third sector also follows in its individual branches trends analogous to those of the past 5-year plan. Thus, also in the years of the Seventh 5-Year Plan there are increases in the number of personnel in medicine and social welfare (particularly in those controlled by KNV), further in education and culture as well as in commerce and public mess facilities.

It ought to be pointed out that in the course of the Seventh 5-Year Plan we must make do with the lowest average between-years increase in employment that our economy has ever encountered. This average between-years increase is 31,000 persons, while in the past 5-year plan it amounted to 57,000.

From the viewpoint of regional distribution of resources into individual branches, the specific differences can be characterized as follows:

--employment increase in the second sector as a whole in absolute numbers of personnel represents in the SSR almost a threefold increase over that planned

for the CSR, and still amounting to a twofold increase in the years 1983 through 1985;

--planned increases for the 5-year plan in the third sector as a whole are absolutely even at 50,400 and 50,500 persons respectively for the 5-year plan as a whole and at 25,300 and 26,000 respectively for the years 1983 through 1985; the increase is relatively higher in the SSR.

Low increases in employment--even at certain differentiation into individual sectors--can only very slightly affect the structure of employment in individual sectors in the year 1985 as compared to 1980.

| | Share in percent | | | | | |
|---|---|---|---|---|---|---|
| | CSSR | | CSR | | SSR | |
| | 1980 | 1985 | 1980 | 1985 | 1980 | 1985 |
| Sector I | 14.0 | 13.7 | 12.4 | 12.3 | 17.6 | 16.8 |
| Agriculture | 12.8 | 12.5 | 11.4 | 11.3 | 15.8 | 15.2 |
| Sector II | 47.9 | 47.6 | 49.2 | 48.8 | 44.9 | 45.0 |
| Industry | 38.0 | 38.1 | 39.9 | 39.8 | 33.8 | 34.4 |
| Construction | 9.9 | 9.5 | 9.3 | 9.0 | 11.1 | 10.6 |
| Sector III | 38.1 | 38.7 | 38.4 | 38.9 | 37.5 | 38.2 |

Of the overall increase in personnel in industry, four-fifth accrue to branches controlled by federal authorities and only one-fifth to industrial branches (national industry, ministries of industry, food industry and production of construction materials) controlled by national authorities. Almost one-third (31.5 percent) of the overall increase in personnel in industry is planned and envisioned for the organizations of the Federal Ministry of Fuels and Energy. The second largest increase (26.3 percent) of the overall growth of employment in industry is planned for general machining enterprises.

From the viewpoint of regional distribution of industrial employment, only the Ministry of Fuels and Energy shows a significant increase on CSR territory (77 percent), while growth of employment in other industrial branches is much more pronounced on SSR territory.

With the thus planned overall increase in the number of personnel in the national economy in the years of the Seventh 5-Year Plan by 157,000 persons (71,000 of them in the productive sphere), social productivity of labor will increase by approximately 8 percent and will represent an 86-percent share in the growth of national income.

Productivity of labor in adjusted value added output is to increase 18.4 percent, of which 11 percent accrue to 1983-1985. At this rate of growth, coverage of the adjusted value added output by productivity of labor is to attain a level of 91 percent. Thus, growth of employment figures in the increase of adjusted value added output by approximately 9 percent, and growth of productivity of labor (including reduced share of cost of materials) by 91 percent. The impact of growth in employment is becoming reduced in comparison with previous development.

It will not always be easy to bring the planned increases in the number of personnel in individual branches to realization. While the planned numbers fully meet the needs in development of the fuel and energy base as well as transportation, and also of other branches, it will be necessary for organizations, primarily those within the jurisdiction of the Federal Ministry of Fuels and Energy and the Ministry of Transportation, to create conditions for improved stabilization of the already materialized and improved conditions for recruitment and achievement of new manpower increases. As such increases in both of these branches will involve primarily male personnel, it must also be envisioned that in the years of the Seventh 5-Year Plan male manpower could be drained from the remaining branches.

The average annual growth in the productivity of labor has been decreased for industry from 3.7 percent in the Sixth 5-Year Plan to 2.1 percent in the Seventh 5-Year Plan. At the same time, the rate of growth in equipping industry with basic machinery has been increased from the average between-years growth of 6.4 percent during the Sixth 5-Year Plan to 6.6 percent in the years of the Seventh 5-Year Plan (even at a stagnation or a much slower rate in the growth of investments into industrial branches, the higher percentage for increases in equipment is given by the ratio of new fixed assets to existing fixed assets, but also by the high ratio of unfinished units under construction to industrial construction of the preceding 5-year plan). The more than threefold lead in growth of equipping industry with basic machinery over the growth in productivity of labor stands witness to the extent to which there are available unused resources for accelerated growth in the productivity of labor. However, achieving such growth in the productivity of labor will call for creating the requisite conditions at the level of management, work incentives and motivation, but also achieving savings and improved utilization in the area of raw materials and energy.

In the construction industry, after a sharp decrease in employment between 1980 and 1982 (by 8,000-10,000 persons), there should occur a virtual stagnation in the number of personnel for the remaining years of the Seventh 5-Year Plan. The concept for development of employment in construction took into consideration the change in the structure of construction projects, particularly reinforcement of the more labor-intensive finishing cycle ahead of the cycle for startup of projects. The relation between the average annual increase in the productivity of labor and availability of basic machinery equipment in the construction industry also points out a very high lead in availability of resources over the growth in productivity of labor.

| Item | 1980/1975 | 1985/1980 |
|---|---|---|
| Ministries of construction of the CSR & SSR | | |
| Increases (in percent) | | |
| Available facilities and equipment | 8.1 | 7.2 |
| Productivity of labor | 4.3 | 0.1 |

Nevertheless, to the above should be added that the data for the 5-year plan as a whole are distorted by unfavorable development in the initial 2 years, when a decrease in productivity of labor occurred within both ministries of construction, while the average between-years increase planned for the years 1983-1985 for enterprises of the CSR Ministry of Construction is 3.5 percent and those of the SSR Ministry of Construction is 3.6 percent.

Developments in Wages

The overall distribution of consumed national income indicates a potential growth in earnings by the populace--the potential total volume of wages. Utilization of potential sources of manpower, primarily youth entering into employment for the first time and the total number of personnel, indicates a potential growth of average wages in the national economy. It need not be emphasized at this occasion that any increase in the volume of wages payable is impossible without:

--adequate increases in output;

--providing coverage for the thus-generated additional buying power by products in retail turnover.

Finalization and specification of the plan for the Seventh 5-Year Plan included additional projection into that plan of socioeconomic and wage measures approved by resolution of the Presidium of CSSR Government No 196/81 and 22/82 and Government Resolution No 26/82 (involving certain compensations in the area of wages in connection with adjustment of retail prices and some measures for improved stabilization of manpower in the North Bohemian Kraj). Some of these wage policy measures also affect the growth of wages in the year 1983 (by an average of 0.2 points for the national economy).

With the given generation and potential utilization of national income, as well as in the interest of maintaining a balanced relation between income and expenditures among the populace, it was impossible to include contingency funds for wage-policy measures into the plan of wage development. Such funds will have to be generated in the course of implementation of the plan. It follows from the above that the slightest deviation in the growth of wage development in the upward direction, i.e., exceeding the overall volume of wages (without commensurate growth in output) would, in the interest of maintaining internal balance, result in an impact on retail prices. Development of employment, wage funds and average wages can be characterized in tabular form showing their average growth between years (in percent):

| CSSR | 1980/1975 | 1982/1980 | 1985/1982 | 1985/1980 |
|---|---|---|---|---|
| Number of personnel | 0.9 | 1.0 | 0.2 | 0.5 |
| Wage funds including OOV (expansion unknown) | 3.8 | 2.3 | 1.0 | 1.5 |
| Average wages | 2.9 | 1.8 | 0.5 | 1.0 |

We know that a between-years increase in average wages of 0.5 percent is not enough to make wages a motivational factor. However, improved dynamism in the growth of average wages should and could be achieved in the course of implementation of the 5-year plan:

--either by savings in the number of personnel while maintaining the planned output;

--or by increasing the volume of output with the same number of personnel.

Both cases involve compliance with obligatory standards for regulation of wage development that will be mentioned later.

Overall, the average annual wage increase for the planned organizations is envisioned to be 1 percent, with 1.8 percent accrueing to the first 2 years, but only 0.5 percent to the remaining 3 years.

The potential for intersectorial differentiation in average wages at the severely limited dynamism of the overall growth in the volume of wages is minimal. Practically the only factors differentiating to a noticeable extent the development of average wages are the wage-policy measures adopted during adjustment of retail prices at the beginning of the current year. This also accounts for the fact that growth of average wages in 1985 in comparison with 1980 amounts in the case of personnel of the Federal Ministry of Fuels and Energy to 11.58 percent, while for all other organizations it ranges, for all practical purposes, from 2.5 to 6 percent. In 1983-1985, the range of intersectorial differentiation, again with the exception of the Ministry of Fuels and Energy (but already as of 1983) will be further narrowed down, so that growth of average wages will be differentiated at a between-years average of 0.2 to 0.6 percent. Search for a wider leeway in intersectorial differentiation of wages will also have to be undertaken during implementation of the plans. It need not be emphasized that it cannot be done by central wage-policy measures, but only by using the provisions contained in the Set of Measures.

Application of the Set of Measures to Planning of Employment and Wage Development and Implementation of Plans

In keeping with the Set of Measures we based our considerations in finalizing the Seventh 5-Year Plan and its specification for the years 1983-1985 systematically on the fact that:

--the number of personnel for all organizations is stipulated only as an informative guideline;

--this standard is stipulated as an obligatory indicator only for economic organizations in which wage development is regulated by the share of wages in adjusted output;

--for all other organizations, the limit is represented by total wage funds.

To facilitate orientation and from the viewpoint of expressing the extent of regulation in relation to increases in employment, we can draw up the following outline:

| Increase in number of personnel in 1981-1985 (in persons) | National economy as a whole | Of Which: Economic org. regulated by share | Other org. regulated by limit of wage funds |
|---|---|---|---|
| CSSR | 157,038 | 92,608 | 64,430 |
| CSR | 65,180 | 29,584 | 35,596 |
| SSR | 91,858 | 63,024 | 28,834 |

It follows from the above that approximately three-fifths of the growth of employment should be regulated by the share of wages in adjusted value added and two-fifths by the limit of wage funds. The share is regionally differentiated (in the CSR 45:55, in the SSR 69:31).

The share of wages payable in adjusted value added was determined as one of the significant indicators not only for regulation of wages or numbers of personnel, but also as an indicator of efficiency from the viewpoint of utilization of direct labor input.

| Jurisdiction | | 1980 Actual | 1985 7th FYP |
|---|---|---|---|
| Federal Ministry of | Fuels and Energy | 29.48 | 33.32 |
| | Metallurgy and Heavy Engineering | 40.90 | 36.32 |
| | General Engineering | 43.96 | 34.87 |
| | Electrotechnical Industry | 42.48 | 30.51 |
| | Transportation | 64.68 | 60.12 |
| | Communications | 32.61 | 29.85 |
| Economic organizations controlled by government: | | | |
| | CSR | 50.19 | 45.06 |
| | SSR | 52.17 | 46.84 |

In keeping with this requirement for improving efficiency, the values of standards have been decreased in most cases by approximately 10 percent; an exception in the direction of a higher decrease is constituted only by enterprises of the Ministry of General Engineering (an average 21 percent decrease) and the Ministry of Electrotechnical Industry (an average 28 percent decrease). Such demanding and challenging tasks could be assigned only with a view to a higher rate of increases in production in these branches. On the other hand, mainly from the viewpoint of the worsening conditions of extraction in underground mines, but also in some open-pit mines, this indicator had to be softened for enterprises of the Federal Ministry of Fuels and Energy by approximately 9 percent.

It must be admitted that the share of wages payable in adjusted value added represents a very sensitive indicator, not only from the economic viewpoint,

but also from the sociopolitical viewpoint. We used it in the 5-year plan for the first time, without prior experience or at least analyses of its effects in past years. The more attention should we pay to this indicator in its practical effects in analyzing the results it produced, and utilizing these results in finalizing annual implementation plans for the years 1983-1985. Thus, the directive for the year 1983 (and things will not change in subsequent years either) is fully based on the principles of the Set of Measures and allows economic organizations--in which development of employment and wages is regulated by the share of wages in adjusted value added--to freely decide between growth of employment, or development of employment and development of wages, or growth in average wages. Such a flexibility in substitution has been called for by economic practice (as well as by many theorists) for the past several years. However, experience with the working out of this year's plan, with the working out of the directive for the year 1983 and the remaining years of the Seventh 5-Year Plan, but mainly with implementation of this year's plan, shows a certain amount of restraint in applying all the measures that had been called for in the past several years. In some enterprises and VHJ [economic production units] the working out of the plan of operations still progressed in the current year, so that the number of personnel was regarded as an obligatory indicator (while it must be emphasized that it is only informative!). At the time of the writing of this article we did not have at our disposal closer analyses of the results for the first half of the year, but even a preliminary report of the Federal Bureau of Statistics indicates that the industry exceeded in the first half the number of personnel (the state plan envisioned a yearly increase of 0.3 percent, while the actual figure for January through June was 0.7 percent). Another part of the results for the first half of the year indicates that wage earnings of the populace were increasing only 2.4 percent, while the state plan anticipated 3.2 percent. Even though we know that it does not involve an identical set of data, we can deduce that with higher dynamism of industrial production than called for by the plan (plan 0.4 percent, actual figure for the first half 1.2 percent), with faster growth of adjusted value added in industry (103.9 percent for the first half of the year) there occurred within the standard an additional generation of resources used more toward expansion of employment than for growth of average wages.

In view of the fact that regulation of wage development and of employment according to the Set of Measures is one of the basic elements, or new factors, this indicator will have to receive an increased amount of attention in analysis of the implementation of the plan, as well as in drawing up plans and their specification for enterprises. It will be necessary to look for the causes of the continuing careful approach, whether it might not be due to, e.g.:

--inadequate familiarization of the planners themselves at lower levels of management with utilization of this indicator already in the plan;

—inadequate familiarization of the work team with the possibilities offered as part of the new system of planning employment and wage development;

--partially also to false "social" aspects or incorrectly interpreted group interests:

--overcautious conduct of some leading managerial personnel dictated, among other considerations, e.g., by a fear of having to further improve the indices in future annual plans.

Plan for Worker Qualification

The plan for worker qualification includes, on the one hand, the need for placement of graduates of schools and training facilities and, on the other hand, distribution of 14- and 15-year-olds into schools and training facilities, as well as determination of the numbers to be accepted by institutions of higher learning. From this viewpoint, the plan for worker qualification for the Seventh 5-Year Plan already creates to a considerable extent the prerequisites for worker qualification also in the Eighth 5-Year Plan. Working out this part of the plan was based on the implementation program for further development of the Czechoslovak instructional and educational system as it was approved by party and government authorities in 1976.

In keeping with this implementation program, the plan envisions that in the years of the Seventh 5-Year Plan 40 percent of each age year from among the 14- and 15-year-olds will be accepted by high schools and vocational schools and approximately 60 percent will come from sources for preparation of youth for worker occupations (some of them also with complete high school education). Also in regards to the number of students accepted by institutions of higher learning--for regular study--the Seventh 5-Year Plan follows the directive of the implementation program, i.e., to accept a minimum of 15 percent of a corresponding age group into the beginning classes of institutions of higher learning.

The thus-conceived distribution of youth does not essentially change in the plan the proportional distribution of youth for occupational preparation in comparison with the actual development encountered in the years of the Seventh 5-Year Plan. The only deviation from the preceding 5-year plan is an increase in the share of youth entering vocational training (by almost 6 points, from 55.8 percent to 59.7 percent). However, we are of the opinion that the latter represents a desirable change.

| Share from sources in percent | Sixth FYP | | | Seventh FYP | | |
|---|---|---|---|---|---|---|
| Acceptance of youth by: | CSSR | CSR | SSR | CSSR | CSR | SSR |
| High schools | 15.4 | 15.3 | 15.3 | 15.7 | 15.8 | 15.5 |
| Vocational schools | 23.0 | 22.9 | 23.2 | 22.8 | 22.7 | 22.9 |
| Vocational training | 55.8 | 56.2 | 55.0 | 59.7 | 59.8 | 59.3 |

Number of students admitted for initial study by institutions of higher learning:

| | 1976-1980 | | 1981-1985 | |
|---|---|---|---|---|
| Item | CSR | SSR | CSR | SSR |
| Thousands of persons | 103,388 | 62,997 | 109,800 | 62,500 |
| Percent of population group of 18-year olds | 16.0 | 15.1 | 15.7 | 15.9 |

As shown by experience over the past several years, high increases in the number of graduates from certain high schools and institutions of higher learning can lead in some areas, or in some professions, to certain difficulties with placement of all graduates, particularly from institutions of higher learning, in occupations commensurate to their educational background.

To assure implementation of the planned goals, the Seventh 5-Year Plan for the first time stipulated the obligatory numbers of students to be accepted into the beginning classes of vocational schools and institutions of higher learning, and, within them, the specific numbers of students for technically oriented studies. It is also herein further stipulated that if the number of students accepted for technically oriented studies is not met, no corresponding increases may be made in the number of students accepted for pursuing other disciplines. This is to provide only a partial reaction to the undesirable changes in the need for replenishment of school graduates and to orient the youth more toward technical disciplines.

Due to some partial conflicts, be it in acceptance of youth by high schools and institutions of higher learning, or in distribution of graduates, many proposals abound in this particular area. Some are good and justified, some are mistaken. Proposals for future measures, or for our future plans, should keep in mind that:

--socialist society cannot preclude youth, particularly if gifted and talented, from access to education, but it can make requirements and criteria for selection for study more stringent and can improve the process of instruction and make the requirements on study itself more stringent;

--channeling the preparation of youth for occupations in the desired direction must be accomplished not by a simple administrative form of limitations, but by thorough and convincing campaigning among the youth as well as their parents;

--we should know how to use higher levels of qualification for acceleration of scientific and technical development as it is done elsewhere in the world;

--requirements of scientific and technological development make high qualification of workers almost an imperative axiom in economic practice. For that reason, it is time to dispense with exceptions in manning posts with people who do not possess the required qualifications from the viewpoint of educational background, and undertake with discretion replacement of those who do not meet those prerequisites and, where it involves younger workers, who do not have the prerequisites for supplementing their educational background;

--we must provide for full employment of graduates of schools and training facilities. Our constitution does not guarantee the exact job that each citizen would like best and in a locality where he would best like to work. We also must know how to explain it to the youth patiently; this must be explained to the youth in time, in the family, in schools, or in training facilities;

--we must also keep in mind that in the future scientific and technical development will place increased demands on qualifications, but also the fact that preparation of personnel for occupations is relatively expensive (the higher the degree of education, the more expensive) and that these expenses are borne by the state and that it would be detrimental if these expenditures proved ineffective.

Preparation for Transition From the Seventh to the Eighth and Subsequent 5-Year Plans

In implementing the plans in all their components, meaning also in the area of development of employment, or that of wages or qualifications, we must keep in mind that transition from the Seventh to the Eighth 5-Year Plan and some other measures must be prepared and conceived so as to create conditions conducive to optimum employment also in the subsequent years, meaning the Ninth and Tenth 5-Year Plans. And in this area we must make preparations for possible variable solutions in regards to future development.

Already the initial studies regarding prognoses or the long-term outlook show that development after 1985 will not be any less demanding in complexity than the development in the course of the Seventh 5-Year Plan. Demands on improving economic effectiveness of development for maintaining balance in international trade relations and on the domestic market in the area of income and expenditures by the populace--while maintaining or improving the standard of living--will keep increasing. Thus, it is possible to anticipate that:

--there will be a continued need for savings of energy and of raw materials and their improved utilization;

--demands on compatibility of our producers on foreign markets with their products will not be decreasing, but rather will be going the opposite way;

--restoration or growth of dynamism in production and output will become more complex and demanding in the future than has been the case up to now.

At the same time, we know on the basis of demographic projection that the increase in population of productive age in the Eighth 5-Year Plan will be higher by more than fivefold than in the current 5-year plan and in the years 1990-1995 six times higher than it was in the course of the Seventh 5-Year Plan. From the viewpoint of potential development of employment, these figures can be corrected only to a very limited extent (shifted in time) by the numbers of youth undergoing preparation for employment, on the one hand, or by economic activity of persons in the postproductive age (development of the first 10-year age group of postproductive age), on the other hand.

Very roughly put, it means that in the decade 1985-1995 we will have to find employment for approximately a twofold increase in manpower over the employment growth in the preceding decade. At the same time we must keep in mind that:

--the requirement for higher effectiveness of economic development will also call for a higher rate of growth in social productivity of labor;

--in no case can social employment be considered;

--it will be specifically this requirement for efficiency that will make demands on utilization of unused resources in the currently sometimes excessive employment.

We know that all this involves extraordinarily sensitive sociopolitical problems and that we will have to start dealing with them expediently as part of studies regarding the long-term outlook.

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In conclusion we would like to emphasize that this article makes no claims to completeness, either in the part analyzing the results of the Sixth 5-Year Plan, or in the part characterizing the years of the Seventh 5-Year Plan. We know that it would be desirable to deal in closer detail with the problems of development in the growth of productivity of labor, problems of production demands on wages and their proper channeling, problems of wage differentiation and an improved motivational role of wages, as well as with problems of outstanding results being achieved by some work teams (socialist work brigades), on the one hand, and a decline in work morale in other work teams, on the other hand. We did not even touch upon the very different concepts regarding the problems of manpower mobility (running the gamut from extreme mobility, which exists under conditions prevalent in industrial capitalist countries employing foreign nationals, to the other extreme of almost absolute immobility and potential for development even where there are new sources of manpower).

We also did not even touch upon such problems as are, in our opinion, the extremely unsatisfactory level of controlling of implementation of the plan in this area, the not very accurate and rather lagging statistical documentation for more detailed analyses (e.g., at least semiannual) from which we could arrive at conclusions or measures for modifying implementation of the plan in the course of the year, or at least for preparation of implementation plans for the coming year. We are not adequately prepared (or sometimes do not know how to or do not even care) to discuss the motivational role of wages in relation to retail prices. Efforts expended on the Seventh 5-Year Plan and on some other partial problems in the past period show that we have extreme difficulty in arriving at a consensus in dealing with such problems as are further development of qualifications of personnel, or, e.g., problems of the potentially desirable and expedient economic activity of populace in the postproductive age. We lack a closer analysis of the reasons why the good provisions of the Set of Measures failed to exert the expected effects in this area and what to do to channel them in the desired direction.

We know that the response to many of the questions outlined in the body of the article as well as in its conclusion failed to be provided by us, the planners themselves.

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CSO: 2400/39

WORK PERFORMANCE STANDARDS MISUSE CRITICIZED

Bratislava SMENA in Slovak 8 Oct 82 pp 1, 4

[Interview with Eng Jan Dubis, division director of SSR Ministry of Labor and social Affairs by Oliver Brunkovsky: "The Norm; A Two-Edged Weapon"; Date and Place not Given]

> [Text] In the series of articles published in the past few days explaining the legality and objectives of the brigade form of work organization and compensation we have emphasized on numerous occasions that one of the critical preconditions for the implementation of this progressive form in production practice is the perfection of a standards base, and above all of labor-use standards. In order to elucidate this issue in more detail, we visited the director of the Division of Productivity, Work Rationalization and Working Conditions of the SSR Ministry of Labor and Social Affairs, Eng Jan Dubis.

[Question] Work rationalization has an increasingly significant role in assuring the growth of the social productivity of labor, the efficient use of the work force and its qualifications. The central task of work rationalization is to increase the quality of, and to expand, the standards base as one of the fundamental conditions for a thorough implementation of the merit principle in compensation and an increase in the motivational effect of wages. What are the program objectives for this 5-year plan to improve the standards base?

[Answer] The fundamental objective is to conduct a one-time objectivization of labor-consumption standards [NSP] in the 1981-1983 period and then to verify one-fifth of the standards in each additional year of the 5-year plan. We are planning to expand NSP so that by 1983 the number of workers who are not working according to the standards is reduced by 15 percent, and by an additional 10 percent in each subsequent year.

[Question] The improvement of standards is a component of the work-rationalization plans which should already have been worked out at every enterprise...

[Answer] The work-rationalization plans also include, in addition to the standards issue, the problem of increasing worktime utilization on each shift, the problem of improving work organization and techniques, of the more effective arrangement and organization of work processes, conditions, resources, as well as other areas, in other words, the entire range of work-rationalization questions. Another matter, however, is how enterprises have performed under these plans, and how they have been managed by their supervisory organs. A Ministry of Labor and Social Affairs inspection this year studied the approach of 17 enterprises under the jurisdiction of the SSR ministries of industry, construction, food and agriculture, and water and forest management. The supervisory organs of 11 of these enterprises agreed to this work-rationalization plan, and the enterprise directors of 11 of them also approved the plans; however, only at 5 enterprises had these 5-year plans for work rationalization been broken down for this year! In the past year, only the SSR Ministry of Industry assured the planned 1 percent increase in labor productivity through rationalization measures.

[Question] ...in a word, the process of improving and expanding NSP has not been successfully linked to active worker participation.

[Answer] It is not only a matter of normal employees not becoming involved! We have information which quite unambiquously indicates that neither senior managerial employees nor branch research institutes and workplaces are devoting the requisite attention to work rationalization.

[Question] What then is the situation regarding the application of NSP in the above sectors?

[Answer] On the one hand, we have succeeded in achieving something of a positive turnaround. Activity related to creating standards has, to be sure, intensified and there has been gradual success at expanding and introducing NSP in auxiliary and service activities, and an increase in the application of uniform standards and norms. On the other hand, however, in spite of the fact that about one-third of the standards have been objectivized, only a minimal turnaround has occurred in the fulfillment of performance standards and in increasing hourly labor productivity. In the SSR Ministry of Industry sector there has been a continuing increase in the number of employees who fulfill their norms at a 120 to 130 percent level. This has been true, for instance, at the Tatrasvit and Chemosvit plants in Svit, at Presov Surface Construction, at the East Slovak Bakery and Confectionery Plant in Kosice, at the West Slovak Meat Industry...

[Question] Solely as a point of interest, how many employees fulfill monthly norms at a more than 150 percent level?

[Answer] At the time of our inspection, an average of 11.4 percent in the SSR Ministry of Industry sector.

[Question] What does this imply for the objectivization process?

[Answer] That the sector was not chosen well, being one where the standards should be reviewed and where the objectivization itself was only performed formally.

[Question] It appears that we will have to explain the entire process of establishing NSP...

[Answer] We establish a standard on the basis of certain elements, which define time consumption for a specific task. As we have said today, standards should be technically , or better, scientifically justified, meaning that when establishing them we proceed from parameters related to techniques, technology, materials, work organization and the like. Today it is already true that every activity may be standardized.

[Question] Tell us again what purpose this serves.

[Answer] It enables us to measure correctly the work expended by every individual or collective.

[Question] We know, then, how to standardize every activity. But based on practical experience, this assertion seems quite unverifiable.

[Answer] There are many tens, perhaps many hundreds of techniques for establishing standards. The Czechoslovak Research Institute for Labor and Social Affairs has developed the requisite methodology. The question, then, is not whether there are standards, but rather whether there is an interest in having them, whether every employee has sufficient incentives either to conserve labor or to increase his productivity for the same amount of effort expended.

[Question] Does it matter?

[Answer] It is well known that worldwide, and I have in mind here the industrially developed countries, workers regularly achieve 30-40 percent higher productivity than in our country on comparable machines. In my opinion, this is the fault of inadequate work organization and incentives.

[Question] Let us simplify things a little. We have plants outfitted with machinery that is producing on only one shift. This machinery is part of an operation where the potential exists of transfering half the employees to a second shift. This would mean assigning two machines to each worker on each shift, because it is possible to apply what is known as reduced supervision to the operation of some machines. Productivity would immediately increase by, let us say, 80 percent. Do you think that the workers would go for this?

[Answer] Yes. We would, however, have to proceed properly, so that it would be attractive for the employee. Although labor productivity performance and standard fulfillment could increase by 80 percent, an employee would, for instance, certainly improve an upward adjustment of the standards for a 40 percent increase in earnings. For an 8 or 10 percent increase, however, he will vacillate, be reluctant, and try to show by all possible means that there is no way he can operate two machines.

[Question] Current practice, indeed, seems to indicate that we are dealing with 8 percent. It is as though enterprises were afraid that workers are making too much.

[Answer] We cannot, however, comprehend incentives in strictly the monetary sense. We cannot forget that we are managing people, not machines, An employee perceives his environment not only through his pay envelope. It is often sufficient to speak rationally with people and to explain intentions to them and much can change. A well known example: in generating a counterplan at MDZ no one knew how to move off dead center at the beginning. Some comrades came from the Slovak Planning Commission and learned that the people at the workshop level had no conception of counterplanning, the possibilities for its use and what it requires. They explained what it is all about, and interest in the counterplan increased substantially.

It must be stated that in certain VHJ, and throughout the entire sector of the SSR Ministry of Industry, some progress is already noticeable in integrating the results of objectivization into average standard fulfillment. The entire sector has witnessed a decline in the average fulfillment of performance standards, with the most significant declines registered at the Ogako VHJ, Slovak Printing and Slovakotex. By comparison, average performance standard fulfillment has been increasing gradually at the Woodworking and Furniture Industry VHJ and at Tatrasklo.

[Question] Let us return to the process of standard objectivization. We left off at incentives. However, the current conception of the "confirmation" of standards acts rather as a disincentive...

[Answer] I don't believe the fairy tales that portray man as somehow naturally lazy. I have yet to see masons at a tavern when they have their mortar prepared and necessary materials at hand... They go to the tavern when there is no work. Workers are resisting the objectivization of standards because they expect that these normalized standards will be based on the assumption of a constant work flow, for which their managers, however, will not be able to assure the necessary preconditions. They are, therefore, afraid that they will not earn as much under the new standards.

[Question] At the beginning, we were discussing the fact that a major shortcoming in rationalization efforts is the isolation of divisions of labor economics. Employees of the other sectors, from managers or technicians all the way to the workers themselves act as if they have never heard of the term work rationalization...

[Answer] You correctly point out that it is not sufficient to establish NSP, but that it is also necessary to improve comprehensively the management process. We, therefore, emphasize that it is above all necessary to devote attention to establishing standards for auxiliary and service activities, not to mention administrative work. So far this area has been, figuratively speaking, a game without rules. A standard, and therefore a law, is lacking which would establish the actual contribution of an employee.

[Question] Let us back up once again. I asked how many employees overfulfill their standards by a large amount by way of trying to ascertain whether these standards are objective. I now know that they are not...

[Answer] They probably are not, and I will tell you why. The basic law of a standard setter should be that he not adjust a standard so long as technology, inputs, raw materials do not change... If they do not change, but even so certain workers far exceed their standard, then this standard may be granted a 10 percent bonus, and when this is not adequate the basic wage scale can be raised, and then further bonuses awarded. The preconditions have been established for this in the wage regulations, and we are unanimous in wanting an increase in the quality of standards to become a basic tool for increasing worker earnings. In this way, we can assure that there will be increased production for enterprise funds to correspond to the money that is paid out. Historically, every 5-7 years the technology, machinery stock and material inputs change at every workplace. This is usually signalled by the consistent overfulfillment of performance standards, meaning that it is necessary to objectivize the standards. A nonobjective standard, you see, is a two-edged weapon; on the one hand, it does not properly evaluate actual added labor, and, on the other hand, it increases fluctuations. It results in jobs that are advantageous, overpaid, and in jobs that are disadvantageous, improperly (in comparison with the foregoing ones) valued.

[Question] You have said that the preconditions to eliminate these improprieties exist in the wage regulations. Why then has this approach to the establishment of standards not yet been successfully implemented?

[Answer] Enterprises have seen and continue to see the conservation of materials, raw materials, and energy as an "easier" source for increasing performance. We must, however, be aware that the consumption of these materials may be reduced only to a certain extent.

[Question] We should also say a few words about the standard setters.

[Answer] We have stated that there exist many techniques for setting standards for every human activity. But only an insignificant percentage of these techniques is worthy of attention... And we must admit that current standard setters are not always masters of the more complex techniques. At our office, we are currently evaluating the situation and drafting a proposal for the improvement of the preparation and training of these personnel. Attention should be concentrated, however, not only on the standard setters. Designers, technicians and all managers should also be aware of the principles of scientific work organization.

[Question] It is time to begin to draw some conclusions from our interview. Its objective has been to demonstrate to production workers and above all to young people that the establishment of standards is not a threat, but an opportunity. With the arrival of the brigade form of work organization and compensation at our worksites, the opportunity has increased for reorienting work organization to the most proper and logical indicators.

[Answer] In the process of objectivizing standards, we are aiming at the unification of an impossibly large number of various criteria which now govern the work of people in our material production. We want to gradually

merge and simplify standards and norms with the idea of providing equal compensation for equal work. In compensation policy, we want to move to a larger entity, compensation for job contracts for individual tasks. As the workers themselves increase their participation in work organization, this also forms the basis for their greater participation in distribution. The brigade form, provided that the workers themselves improve work organization, also creates a favorable climate for the introduction of progressive techniques and work forms.

Although we critizize shortcomings in certain enterprises, we also have economic organizations where management, based on the Set of Measures, poses questions in such a way that it increases both labor productivity and the earnings of the workers. At the same time, we know that much is still not clear either concerning standards or the brigade form of work organization. These, however, should be the subjects of production conferences and work meetings, in short, a part of daily active worker interests, so that they discuss these problems with their superiors, and so that they themselves make an effort to integrate them into economic life.

9276
CSO: 2400/54

## UNEMPLOYMENT, PROBLEMS OF COLLEGE GRADUATES DENIED

Prague TVORBA in Czech 27 Oct 82 pp 3-4

[Interview with Prof Eng Vaclav Cisar, ScC, first deputy minister of education of the CSSR by Milos Prosek of IVORBA: "Progress, Education and Reality"; date and place not given]

> [Text] More and more frequently we come to realize that in many areas of material production, as well as in other areas of social action, that what we learned yesterday will not suffice today and much less so in the future. On the other hand, reality revises old simplistic ideas that in fact, the man of the future will do nothing more in the process of production then "push buttons"; not even advancing scientific technological development can change anything regarding the fact that for a long time to come there will be occupations with a considerable share of manual work. However, we do know one thing for sure: on the whole, the demands on man's creative approach to work are increasing. At the same time, the importance of education is rising: intermediate and complete secondary education will gradually become a commonplace as basic education in the past. Progress cannot be stopped--today we are witnessing a development toward a greater number of professions which require college degrees.
>
> Of course, our reader may object: How can this be fact, if I hear that some college graduates have failed to find jobs appropriate to their qualification? We are aware of such doubts and for that reason we asked the first deputy minister of education of the CSR, Comrade Vaclav Cisar, for an interview on this topic. The theme of our conversation was focused on problems which are now frequently discussed in public: placement of college graduates, their job opportunities and their further growth in terms of ideology and expertise...

[Question] Comrade First Deputy, let us begin with the first moments when the central state institutions, among them in particular the department of planning,

determine with the Ministry of Education the number of students to be admitted to colleges. Is there any guarantee that the approved decision will conform with the objective needs of our society? What criteria in fact are applied at that moment?

[Answer] Your question in itself suggests that in a planned management system there can be no arbitrariness in admitting new students to colleges and secondary schools, However, if I would want to explain the whole methodology of our planning, based on the above-mentioned principle, one interview would not be enough. For the time being, let us stay on a more general level: in brief, at the time when the number of future college or secondary-school students is to be determined, we proceed from copious data expressing the estimated requirements of qualified cadres in individual areas of our country's life. At the same time, the potential of our socialist state and the conditions under which the Ministry of Education fulfills its mission are also considered. Here I mean, among other things, the material-technical equipment and the cadres in our schools, which is the foundation for a successful course of the educational and training process...

[Question] You mentioned data expressing the estimated need of highly qualified cadres. However, if we consider that this estimate concerns also a relatively distant future, one wonders how reliable it can be...

[Answer] You are right when you say that it is not easy to estimate the future needs of our society at a time marked by unprecedented complexity and numerous changes even from the international point of view. The development of sciences, the qualitative reversals in production, the search for nonconventional resources of raw materials and power, the introduction of automated control systems, the complex political situation in the world--all those factors are also reflected in the changing demands for the number and structure of highly competent work forces. We realize that the situation is even more complicated for those ministries which, as I have mentioned, have to submit the documentation of our planning authorities. Of course, nobody can relieve them of their appropriate share of responsibility -- here again we must eliminate, among other things, various expressions of bureaucratic approaches to the planning of the development of work forces, which unfortunately often focuses more on their numerical status or on additions to it and much less so on improving their quality.

[Question] You have pointed out many factors also reflected by the changing demands on work forces and their structure. What can you add to this question in terms of the tasks facing our colleges and of the profile of young specialists?

[Answer] A college graduate today can no longer expect that he will get by for the rest of his life with the knowledge he acquired during his studies--in many instances such a paralysis would mean a loss of expertise within a few years. Also, the time is past when narrowly specialized study used to predominate in our colleges. On the contrary, the increasing dynamism in every area of social practice compels every student to gain the most versatile expertise based on a thorough knowledge of theory and comprehension of objective laws, basic principles or precepts. The Presidium of the CPCZ Central Committee expressed precisely this very relevant idea in its document "On Further Development of Czechoslovak System of Education and Training."

From the very substance of current law on institutes of higher education and from resultant operational regulations issued subsequently, it follows that in the final analysis college study, with other requirements, is only the basis of advanced qualification which every graduate must acquire in his practical activity or by independent or postgraduate study.

It is no coincidence that I mention these principles in our interview today-- after all, we are convinced and social experience has also confirmed that only under such conditions will our graduates find the widest opportunities for themselves. They will not be surprised or "tricked" by their job; they will be more adaptable to the changes in the development of material production, sciences, culture and all social life.

[Question] So now we may deal with the methodology of placing college students in jobs. Approximately 18,500 students have graduated this year. What can be said in this context about the experience of the Ministry of Education?

[Answer] First of all, permit me to digress a little: once in a while we can still encounter the view that right after his admission to college the student should know where he will start working after his graduation. Of course, this is fallacy -- even at a later date nothing can be "preplanned" in every detail. Naturally, I should not like to leave an impression that the current system of placement of college students is absolutely perfect. We, therefore, appreciate every serious effort to improve it, and every recommendation by the teachers, students and our public.

[Question] It seems that there are voices clamoring, among other things, for the revival of the assignment system. How do you feel about that option?

[Answer] I have already mentioned that narrowly specialized college studies which were connected with the method of assigning jobs to students are, as you say, a thing of the past: in fact, at one time every student received an assignment card which corresponded with his qualification and which obligated him at the same time to accept a specifically designated job. I do not want to criticize that system because I know that its intention was to benefit our society -- among other things, it was supposed to place, for example, specialists where our society needed them: in frontier areas and in communities other than college centers. Even people who today see only the positive side of that method must certainly remember its weak points as well. A broader personal potential must correspond with a broader profile of the college graduate. For these reasons in particular I am convinced that we cannot go back to assignment cards -- on the contrary, we must concentrate more on better application of the current placement system and on the search for new opportunities. I repeat, we do appreciate every serious recommendation on this subject.

We may ask, for example, how to resolve more effeciently a problem that was evident even at the time of assignments to jobs: many graduates, among them even those from small communities, try after their graduation to stay in Prague, Brno or other large centers of higher education. it is not an exceptional case where a college student turns down several offers commensurate with the field of his study, because he would have to go, say, to the North or South Bohemia Kraj -- and he would rather accept even a less prestigious job in a more "attractive" location. I do not want to simplify the problem I just mentioned. I am quite aware that personal considerations may play some role in those cases --

but of course, the conduct of most of those graduates cannot be condoned because it denotes a frivolous attitude to the needs of our society and to the graduate's chosen profession...

[Question] Surely there must be some examples to the contrary...

[Answer] Of course, there are many! Many students by their own efforts can find a job in accordance with their qualification. For instance, they often start working in the same place where they had been training for their profession or where they had worked in volunteer work teams; they do not insist on jobs in the city at all costs. I am very much impressed by young people who are sure of their goals and enthusiastic about their profession -- they are the ones who will be our future socialist experts and who are now testing themselves in difficult work! No doubt they will find a better place in life than those who depend on someone to push them in the right direction and to care for them from the beginning to the end.

If I emphasize that a young man's independence must be encouraged, I do not mean that we should permit any arbitrariness in the placement of graduates. As I said--we welcome initiative but by the same token, we are trying to help students find suitable employment. More specifically, during the year offers of available jobs are coming to every college and to every department from the ministries, VHJ [economic production units], enterprises and other workplaces. Most students take advantage of this opportunity...

[Question] However, do the offers you mention conform with the structure of the fields of specialization and with the social need of the specialists in question?

[Answer] I cannot give a clear-cut answer to your question -- the balance between the information on available jobs, the structure of the fields of study, and social needs differs from one college to another and often even within them. If there is any disharmony, we examine whether the hitch occurred in the plan (and in the data on whose basis it has been drafted) or in the management of a workplace which failed to apply promptly to the college and offer available jobs. Our experience in this conjunction demonstrates that there still are extensive untapped resources, particularly in the level of information on jobs open to college students. Therefore, almost every ministry must initiate necessary steps in this direction. By the same token, we stress to college officials the fact that the closer the linkage of those institutes with the workplace, the better overview about employment opportunities for their students will they acquire.

So much about the problems concerning information about available jobs. Naturally, there are some other circumstances as well: I pointed out that some graduates preferred at any price to remain in the city after their graduation. Similar tendency is evident in cases where for personal reasons a college student is willing to work only in a very specific location, although there are no workplaces in that area where he could make good use of his qualification. It is

paradoxical if he then turns to various institutionswith his complaints. After all, it used to be the rule (applies to much more in case of highly educated individuals) that a person must go to his work and not expect his work to come to him! I can say with full responsibility that the graduates mindful of this principle find employment with no major difficulty.

[Question] What other factors affect the balance between the offer of available jobs, the structure of the fields of study, the needs of our society and also the graduate's personal interests?

[Answer] One of the most fundamental factors here is the effort of individual workplaces to attract highly educated cadres. The results of representative sociological research organized by the Ministry of Education demonstrated, among other things, that if there are certain problems with the placement of college graduates, then they are caused by considerable differences in the level to which the ministries and lower organizational units are interested in hiring the graduates. For example, it is a warning signal that some branches are showing relatively little interest in finding cadres for such developing sectors as automation, cybernetics, electronics and some other branches. Thus far there has been a lack of available jobs precisely in these sectors of technical study. Likewise, I could mention several sectors in the departments of mathematics and physics or natural sciences, although perhaps everone knows that the new directions of scientific-technological development are directly linked with practical application or mathematics, physics and biology. This is one of the most serious problems which must urge us to eliminate its causes.

Furthermore, it is generally known that many jobs requiring college education have been filled with employees lacking this important qualification. This, too, may be one of the factors complicating the placement of college students. Of course, and please understand me correctly, obviously, none of us would think that employees with lower education should immediately give up the positions they hold. The fact in many instances is that these employees are at least as efficient as persons with college diplomas. In the future, however, we can no longer continue making concessions when it concerns academic requirements. Naturally, the young college graduate must first undergo a period of training before he can be entrusted with responsibility for some formation. Of course, if he is a talented, active individual, he may be placed in a so-called assistant's position under the guidance of an experienced employee to prepare for his future work. In my opinion, the circle of enterprises using this option should be considerabley widened.

[Question] Let us now go back to specific experiences from the placement of college graduates this year. What problems have to be resolved and how is the present situation?

[Answer] According to our information, we may say that all students graduating this year from colleges in the CSR have been placed, with the exception of some unresolved individual cases mainly due to personal reasons of graduates whom I have mentioned before. At the same time, I cannot say at the same time

that all college graduates have been placed this year in jobs where they would be guaranteed that the education they had acquired would be fully used -- but we can return to this question in TVORBA at some future date.

You asked me what problems were in evidence. I will answer you quite frankly--they were plentiful. However, no employee of the Ministry of Education in the CSR and no college teacher stood by impassively--to make a long story short, we endeavored to resolve them in comradely cooperation. Whenever negative symptoms appeared, negotiations with ministries immediately followed, solutions were sought and matters were put to order...

[Question] Comrade First Deputy, you are well aware that particularly this year the question of college students' placement has often been the focus of widespread public interest. This is essentially a positive phenomenon, however, it is no secret that various -- to put it mildly -- sensationmongers obviously did not hestitate to exploit that interest. What can you say about that problem?

[Answer] We do appreciate the sincere interest of our public in the work of institues of higher education. We appreciate it doubly if it comes as a specific contribution to the solution of various problems. Of course, it is quite a different story of various rumors begin to circulate about alleged unemployment of young graduates and about their being on the dole. One wants to laugh at such silly stories! Nevertheless, we are aware, after all, from what direction "the wind blows" and therefore, I want to reject categorically any such rumors which were, and are, nothing but a figment of imagination and slander.

[Question] What practical problems have you actually encountered?

[Answer] Before I answer your question, I wish to add that we tried all we could to prevent as many problems as possible. For instance, as early as last year the minister of education in the CSR assigned to all chancellors of universities and deans of independent teachers' colleges the tasks of establishing an information system for placement of graduates and their employment. He decided that aktivs be organized in every college and individual institute to aid juniors and seniors. The purpose of these councils is comprehensive assistance in placing the graduates -- therefore, along with the officials of colleges, of the ROH [Revolutionary Trade Union Movement] and the SSM [Union of Socialist Youth], their members are representatives of the ministries and often also of sponsoring enterprises and national councils. We have favorable information about the performance of these aktivs -- and for that reason we want them to become a permanent form of work with the future graduates of colleges and departments.

And now something about actual problems: some of them had to be dealt with on the level of the central authorities. They had developed in placement of physicians and graduates of certain fields of natural sciences, especially biology. At first, there were shortages of graduates jobs in architecture, in departments of chemical technology and, in some cases, also in metallurgy. I mentioned before that the opportunities for practical employment of biologists had been somewhat incorrectly estimated -- however, it turned out that the cause of most of these problems was basically inadequate information concerning the

prospects for the placement of the graduates. Colleges of chemical technology, for example, were extremely apprehensive but in the end it so happened that precisely here not only scores, but often even hundreds of available jobs went begging. Problems occurred also in humanities and economics, but here in the end the number of job opportunities exceeded the total number of graduates in the most important fields with the highest number of students.

[Question] Comrade First Deputy, I have heard that the end of this academic year was quite unusual, particularly in terms of the number of students earning postgraduate degrees. This, too, could have affected the development of certain anxieties or problems...

[Answer] You are right -- exceptionally, two classes graduated in some institutes of technology because after the reconstruction of the cirricula of higher education, courses in certain field had been cut short -- thus, this year fifth and sixth year students were graduating at the same time in many institutes whose course already followed the new concept. This caused some confusion, for example, in the Institute of Chemical Technology. From that experience, we learned our lesson about the operation of the information system registering job opportunities-- after all, we do not want to repeat the same situation next year in the departments of machine engineering and of construction where again two classes will graduate at the same time.

[Question] Aren't the concerned ministries holding it against you?

[Answer] Reproaches cannot help -- after all, it did not come as a surprise! Our partners had been thoroughly informed about future developments as far back as 4 years ago. A proposal for the reconstruction of college studies had been submitted to the ministries for their criticism and we agreed with them on the profiles of the graduates, on the curricula for individual fields of study and on the schedule of the course. I am certain that nothing can be added to these facts...

[Question] But isn't it true that certain disproportions in personnel have occurred particularly in some fields. There may be shortages of college graduates in certain places and a "surplus" in others...

[Answer] Such imbalances do exist and we want to draw lessons from them: if the shortages of available jobs continue, we shall lower the nubmer of admissions of new students in particular fields. On the other hand, we shall raise it whenever demands for graduating specialists are not met. However, even here we relaize the necessity of a cautious, nonsimplistic process: after all, the current structure of job opportunities offered to students graduating from colleges does not always reflect the objective future needs of our society. Absolutization of the current situation would seriously hurt our national economy and other sectors of social activity in the future...

We have today auspicious conditons for resovling the problems I have just mentioned. It is encouraging, for example, to see the growing interest of young people in study in technological institutes, which is now growing faster

than other branches of study. No doubt the focus on polytechnical studies in secondary schools, which should become the main source of future students for colleges of technical orientation, is contributing to this trend which is a reliable "springboard" for the future, along with a higher level of the curriculum for secondary vocational schools, among, for instance, the so-called industrial schools.

[Question] Thus, we have come back to the ideas outlined in the introduction to our interview today. What would you like to add at its conclusion, Comrade First Deputy?

[Answer] The task of study in institutes of higher learning will continue growing in accordance with the development of our society and in proportion with the complexity of the production and nonproduction activities and with the demands on human intellect and responsibility. This basis cannot be upset even by some temporary fluctuations in the placement of graduates. The quality of education and training, however, also depends on the full responsibility with which every ministry approaches the drafting and fulfillment of the plans stipulating the requirements for college-trained cadres. Hasty conclusions about any alleged surplus of college students cannot be deduced from individual cases. After all, is it not a fact that we still have certain branches, for example, some technical and agricultural sectos, among others, where job offers exceed the number of graduates by a whopping one-third! Many jobs offered this year to college students went begging especially in the North Bohemia Kraj and in other highly industrial areas. Furthermore, I wish to stress that demands for employees with college degree will increase the faster the more flexibly we translate the achievements of science into social reality and the more we seek them. Thus, we do not doubt that wider horizons than ever before have opened to college study, which agrees with the needs of our country.

[Interviewer] Comrade First Deputy, thank you for your stimulating answers.

9004
CSO: 2400/46

## BRIEFS

CSSR-BULGARIA PROTOCOL--A protocol on the exchange of goods from home market stocks and on scientific and technical cooperation between the CSSR and the Bulgarian People's Republic for 1983, worth R10.5 million on each side, was signed in Bratislava today. We shall export industrial goods, cosmetic goods, shoes and food products to Bulgaria. We shall import, among other things, ceramic goods, toys, textiles and canned vegetables and fruit. Direct cooperation between selected department stores in both countries is an important item of the protocol. [Text] [Prague Domestic Television Service in Czech and Slovak 1830 GMT 3 Dec 82 LD]

CSO: 2400/77

## BRIEFS

RATIONAL ENERGY UTILIZATION--A central cabinet for the rational utilization of various energy sources was opened in Markkleeberg on 30 November. This office is to advise combines, enterprises and institutions. Solutions presented there have contributed to achieving a 4.2 percent increase in industrial goods production with a 6 percent decrease in energy and material input by the end of October. By using a microcomputer, complicated processes invllving powerplant turbines can be rationalized with the result that more than 1 million tons of brown coal will be saved. [Text] [DW010959 West Berlin Domestic Television Service in German 1830 GMT 30 Nov 82]

NEW FERRY PORT--Work on the new ferry port on the Island of Ruegen began today with work to remove gravel. This part of the construction work for the ferry line between the GDR and the Soviet Union has been turned over to the young sailors of the technical fleet as a youth project. They plan to extract about 30,000 cubic meters of gravel and other sediment from the Baltic Sea by the end of the year. [Text] [DW071205 East Berlin Domestic Service in German 1800 GMT 6 Dec 82]

CSO: 2300/76

HOPE FOR 1983 ECONOMIC IMPROVEMENT REPORTED

AU031528 Warsaw TRYBUNA LUDU in Polish 1 Dec 82 p 1

[Article by Krzysztof Krauss: "Forecasts and Facts"]

[Text] It was at the eighth PZPR Central Committee plenum almost 7 months ago that the party set the task of creating feasible conditions for liberating the country from the still-deepening economic crisis. This task covers three periods of time.

In 1982, the economic recession was to be definitely halted, progress was to be achieved in selected sectors and the poorest social groups were to be protected. From 1983 to 1985, disproportions are to be made minimal, the economic reform is to be fully implemented, and stabilization--including an improvement in working people's material situation--is to be achieved. From 1986 to 1990, debts to the capitalist countries are to be cleared and a universal and tangible improvement is to be made concerning, among other things, housing, health care, transportation, economic equilibrium and stabilization.

Although many of the goals for 1983-5 and for the second half of the eighties set at that time are already reflected in definite planning concepts, on which discussion is going on, they still often arouse disbelief: Are they feasible? Are they possible? After all, the situation is still so difficult.

Seven months ago when the party put forward this program, the fulfillment of the tasks covering this year also seemed unfeasible and fantastic.

Was it possible to halt any further recession in the course of several months? After all, our economy was deteriorating in practically all sectors in January, February, March right up to and including July. We were regressing and not approaching the state of production which existed a year before. Eminent and authoritative experts said in their forecasts that there was no chance of production dropping less than by 15 percent in 1982.

These were the forecasts because that is how reality seemed to be. Some 30 to 40 percent of production capability was idle because there was a

shortage of the most basic materials. In the light of the announced credit restrictions and blockade on Western markets, we had to reckon with a further drop in supplies from the so-called second area of payments by several dozen percent.

Because numerous sectors of the national production were so technically dependent on materials, assemblies and components imported from the West, it seemed that the loss of credits and markets would result in a catastrophe against which we would be incapable of protecting ourselves.

We took on the challenge, convinced that there were possibilities which had to be reached for. We quite simply put our trust in what were probably values difficult to comprehend in cold terms but which had proved themselves more than once in dramatic times in our history: Stubbornness, determination and the will of people not to give in.

Numerous political divisions exist. There is a very large amount of lack of confidence and a lot of justified bitterness. Regardless of what kind of views each one of us has or what one's personal stance toward this or that ideological issue is, most of us want the country to emerge from the crisis as quickly as possible. We also know that the road to this leads through work. Because millions of people have wanted to work better and because their will to do so is seen every day despite the burdens, imperfections and inconsistencies which still beset them, 1982 is no longer a year of further regression.

Right now, when only a matter of days separate us from winding-up our accounts and common efforts, there is no doubt that we have stopped regressing. Maybe we will not completely succeed in making good the deep production deficit which arose in the first months of this year. It is quite probable that the entire value of production this year will be 1-2 points less than in 1981. But this is no longer the 15 percent drop which was envisaged still in August. What is most important is that this is because production efficiency has been systematically and constantly improving for 4 months in a row, for we already know that production in November was also higher than it was a year ago.

Thus, just as it was planned at the eighth plenum, we have seized a bridgehead from which we can start to heave ourselves out of the crisis. We have seized this bridgehead, although the Western blockade is not only continuing but increasing, and although attempts are being made to direct sharp restrictions not only against us but against the socialist community which is jointly acting with us in a solidary manner in order to help Poland out of its economic depths.

It is these partners from the socialist community and above all the Soviet Union who have aided us with market goods and raw and other materials which the West has tried to deny us. Just because Poland has balanced its trade with all the CEMA countries except the Soviet Union is no reason for it to

be given special care. This is not how they have aided us. They have aided us by making it widely possible for us to buy what was essential in order to get the economy going and by buying up our export goods.

Right now, the fulfillment of the remaining points of the plan formed at the eighth plenum is only a question of consistent action. First, we must gradually restore a development potential to the economy within the next 3 years to be accompanied by modest improvements in the standard of living. Then, in the ensuing 5-year period, we must gain full stabilization and economic equilibrium and undertake constantly wider and steadfast activities for the sake of rebuilding Poland's position and also to make it possible to look to the future with hope.

Honest work and the seeking of support for honest work was the decisive factor in the success we achieved in the first, introductory stage of implementing the goals set by the plenum. The consistency we need applies, above all, to this honest work.

CSO: 2600/120

SPECIAL CURRENCY EXCHANGE RATE TABLE PUBLISHED

Warsaw TRYBUNA LUDU in Polish 1 Dec 82 p 7

[Text] Announcement of Exchange Rates Table No 50/82, effective 1 December 1982, by Jan Korczak, for the president, Polish National Bank, on 1 December 1982.

In purchases of travelers' checks for rubles, issued by the USSR Foreign Trade Bank and payable outside the USSR in the currency of the country where cashed, an exchange rate of 11,793.90 zlotys per 100 rubles is applied.

II. Foreign-Currency Exchange Rates in Zlotys for Countries of the Second Payments Area [Capitalist Countries]

Exchange Rate Table No 50/82

Foreign Currency Exchange Rate in Zlotys for Countries of the First Payments Area

Exchange Rate for Commercial Payments

| Country | Curr Symb | Currency | Foreign Exchange Purchase | Sale | Average |
|---|---|---|---|---|---|
| CEMA Countries | 101 | 1 transfer ruble | 67.66 | 68.34 | 68.00 |
| Albania | 315 | 1 clearing ruble | 67.66 | 68.34 | 68.00 |
| People's Republic of Korea | 319 | 1 clearing ruble | 67.66 | 68.34 | 68.00 |
| Laos | 322 | 1 clearing ruble | 67.66 | 68.34 | 68.00 |
| Vietnam | 320 | 1 clearing ruble | 67.66 | 68.34 | 68.00 |

Exchange Rate for Noncommercial Payments

| Country | Curr Symb | Currency | Foreign Exchange Purchase | Sale | Average |
|---|---|---|---|---|---|
| Albania | 215 | 100 lek | 513.42 | 518.58 | 516.00 |
| Bulgaria | 202 | 100 leva | 4,884.54 | 4,933.64 | 4,909.09 |
| Czechoslovakia | 203 | 100 koruna | 429.84 | 434.16 | 432.00 |
| People's Republic of Korea | 219 | 100 won | 1,243.75 | 1,256.25 | 1,250.00 |

[continued]

| | | | | | |
|---|---|---|---|---|---|
| Cuba | 208 | 100 peso | 3,227.02 | 3,259.46 | 3,243.24 |
| People's Republic of Mongolia | 204 | 100 tugriks | 856.93 | 865.55 | 861.24 |
| German Democratic Republic | 205 | 100 marks | 1,343.25 | 1,356.75 | 1,350.00 |
| Romania | 206 | 100 lei | 517.88 | 523.08 | 520.48 |
| Hungary | 206 | 100 forints | 291.42 | 294.34 | 292.88 |
| Vietnam | 210 | 100 dong | 375.08 | 378.84 | 376.96 |
| USSR | 201 | 100 rubles | 4,298.40 | 4,341.60 | 4,320.00 |

Foreign Currency Exchange Rates in Zlotys for Countries of the Second Payments Area (capitalist countries)

| Country | Curr Symb | Currency | Foreign Exchange Purchase | Foreign Exchange Sales | Money Purchase | Money Sales | Average |
|---|---|---|---|---|---|---|---|
| Saudi Arabia | 771 | 1 rial*** | 25.41 | 25.67 | -- | -- | 25.54 |
| Australia | 781 | 1 Austral. dollar | 82.79 | 83.63 | 81.55 | 84.87 | 83.21 |
| Austria | 786 | 100 schillings | 487.89 | 492.79 | 480.53 | 500.15 | 490.34 |
| Belgium | 791 | 100 francs | 176.04 | 177.80 | 173.38 | 186.46 | 176.92 |
| Denmark | 792 | 1 kroner | 9.80 | 9.90 | 9.65 | 10.05 | 9.85 |
| Finland | 780 | 1 markka | 15.80 | 15.96 | 15.56 | 16.20 | 15.88 |
| France | 793 | 1 franc | 12.12 | 12.24 | 11.94 | 12.42 | 12.18 |
| Greece | 724 | 100 drachmas | 120.18 | 121.38 | 104.16 | 123.20 | 120.78 |
| Spain | 785 | 100 pesetas | 73.04 | 73.78 | 71.94 | 74.88 | 73.41 |
| Holland | 794 | 1 florin | 31.31 | 31.63 | 30.84 | 32.10 | 31.47 |
| India | 543 | 100 rupees*** | 887.60 | 896.52 | -- | -- | 892.06 |
| Ireland | 782 | 1 pound*** | 115.99 | 117.15 | -- | -- | 116.57 |
| Japan | 784 | 100 yen | 33.96 | 34.30 | 33.45 | 34.81 | 34.13 |
| Yugoslavia | 718 | 100 dinars | 124.63 | 125.89 | 108.02 | 127.77 | 125.26 |
| Canada | 788 | 1 Canad. dollar | 71.31 | 72.03 | 70.24 | 73.10 | 71.67 |
| Kuwait | 770 | 1 dinar*** | 297.98 | 300.98 | -- | -- | 299.48 |
| Lebanon | 752 | 1 pound | 20.62 | 20.82 | 20.31 | 21.13 | 20.72 |
| Libya | 651 | 1 dinar*** | 295.27 | 298.23 | -- | -- | 296.75 |
| Luxembourg | 790 | 100 francs | 176.04 | 177.80 | 173.38 | 180.46 | 176.92 |
| Norway | 796 | 1 kroner | 12.07 | 12.19 | 11.89 | 12.37 | 12.13 |
| Portugal | 779 | 100 escudos | 95.55 | 96.51 | 82.82 | 97.95 | 96.03 |
| FRG | 795 | 1 mark | 34.28 | 34.62 | 33.76 | 35.14 | 34.45 |
| United States | 787 | 1 dollar* | 87.48 | 88.31 | 86.11 | 89.63 | 87.87 |
| Switzerland | 797 | 1 franc | 39.80 | 40.20 | 39.20 | 40.80 | 40.00 |
| Sweden | 798 | 1 kroner | 11.58 | 11.70 | 11.41 | 11.87 | 11.64 |
| Turkey | 627 | 100 pounds | 56.05 | 56.61 | 48.58 | 57.46 | 56.33 |
| Great Britain | 789 | 1 pound** | 139.17 | 140.57 | 137.07 | 142.67 | 139.87 |
| Italy | 799 | 100 lira | 5.95 | 6.01 | 5.16 | 6.10 | 5.98 |

* Valid also in clearing accounts with the following countries: Bangladesh, Brazil, Ecuador, Greece, Iceland, Kampuchea, Colombia, Lebanon, Pakistan, Peru and Turkey

** Valid also in clearing accounts with the following countries: Nepal and Pakistan

*** The Polish National Bank does not purchase money in these currencies.

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END

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20 December 1982

# East Europe Report

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2351

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# EAST EUROPE REPORT

## ECONOMIC AND INDUSTRIAL AFFAIRS

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# EUROPEAN CEMA COUNTRIES' ECONOMIC DEVELOPMENT AT BEGINNING OF 1980'S EXAMINED

Budapest KOZGAZDASAGI SZEMLE in Hungarian No 10, Oct 82 pp 1256-1265

[Article by Ervin Pocs]

[Text] During the 1970's, in the European CEMA countries the sources of economic growth were limited or depleted--in accordance with each country's degree of economic development and specific conditions--and their external conditions became more difficult. The task of these countries, to be performed simultaneously and within a relatively short time, can be summed up as follows: they must modify their path of economic development and allow its intensive characteristics to unfold, which will be of epochal significance; and they must also ward off or curb the hardships and threats of the intensifying protectionism that stems from the oil price shock, the recession in the capitalist countries and the fierce competition on commodity markets. All this requires the streamlining of manpower management and investment activity, the acceleration of technical development and of the rise of productivity, the modernization of the product structure and the reduction of inputs--in other words, an increase of the entire economy's effectiveness and of its ability to compete internationally. Successful transition to the new path of economic development that is based on qualitative factors necessitates changes in the entire system of the economy's management, in the price system and system of regulation as well as in the system of organization, and it also demands maximum utilization of the planned economy's entire arsenal of instruments.

Amidst the changed external and internal conditions, most of the European CEMA countries continued to rely on stepped-up investment activity and to press for relatively rapid economic growth. The population's income rose rapidly. The economy's export-orientation was maintained, and this was accompanied by a rapid expansion of import. In comparison with the rapid quantitative growth, however, the characteristics of intensive development did not evolve and spread fast and widely enough; the economic organizations did not feel sufficiently the effect of the worldwide changes in market conditions and in the conditions of economic activity, and therefore their adjustment to these changes proved slow. Because of the recession in the capitalist countries, not even the continuing stepped-up investment activity was able to increase national competitiveness fast enough to compensate for the expansion of import and the rapid rise of import prices. Several countries were forced to borrow heavily abroad. In the 1970's, amidst the more difficult conditions, the systematic and relatively rapid rise of personal incomes continued, while it was increasingly more difficult to ensure the consumer goods and services to offset the rise in personal incomes.

By the end of the decade, restoration of economic equilibrium, and of external economic equilibrium in particular, became the main concern of economic policy in more and more of the European CEMA countries, with emphasis on the qualitative factors of economic development (improvement of effectiveness, modernization of the production structure, and reduction of the material- and energy-intensity). Quantitative growth of the economies slowed down in comparison with the preceding period, and domestic spending (investment, inventory accumulation, and consumption) was better coordinated with the economies' potential. Emphasis shifted from the rate of economic growth to the substantive questions of economic development. In accordance with the objectives of economic policy, significant changes were made in the system of economic instruments, and especially in the system of management and system of economic incentives. These changes reflected national peculiarities, due to the differences in economic and political conditions and in economic geography.

Parallel with the significant successes in the realization of economic-policy objectives that in many respects were new ones, the changeover to the qualitative path of economic development raised a number of problems, and stresses accumulated in some of the countries. The problems were caused on the one hand by the worsening external economic conditions, and on the other by domestic conditions (earlier mistakes in economic policy, slow adjustment to the processes of the world economy, and slow and not sufficiently widespread evolution of the processes of intensive economic development).

Efforts to restore external economic equilibrium in 1979-1980 coincided with the second oil price shock. The socialist countries, with the exception of the Soviet Union, were affected unfavorably by the fact that the second oil price shock triggered a chain reaction of increases in the prices of energy sources, various raw materials and semifinished products on the capitalist world market. The external economic situation was rendered more difficult also by the worsening possibilities of selling on capitalist markets. The favorable effect that the reduction of the balance-of-trade deficit, achieved at considerable effort, had on the balance of payments was reduced to a minimum or wiped out by interest payments that rose in the meantime and represented an increasing burden.

The rise in the prices and costs of energy sources and raw materials, the expansion of production and the limited possibilities of procurement intensified the problems that stemmed from manufacturing's high energy and raw-material intensity and were closely related to the well-known difficulties of technical development, of increasing productivity and effectiveness, and of modernizing the production structure. The structural crisis in the developed capitalist countries and the emphasis on the qualitative factors of economic development prompted from the side of demand the production structure's modernization and a reduction of the inputs of materials and energy.

Thus the basic common source of the economic problems was twofold: on the one hand the unfolding qualitative, effectiveness-oriented development and the intensification of the processes enhancing a sustained improvement of external economic equilibrium did not always compensate for the slower rate of economic development; on the other hand the improving performance of the European CEMA countries's economies, even in combination with the cutbacks in domestic spending, was unable to keep pace with the unfavorable, resource-limiting effect of the rapidly deteriorating external conditions (more recently, with the curbing of credit).

For 1981, most European CEMA countries planned growth rates of 3 to 5 percent, lower than the growth rates in years past, but slightly higher than the actual rates of economic growth reported for 1980. However, the external and domestic economic conditions became worse than had been expected. The recession in the capitalist countries dragged on, the conditions of trading with and borrowing from the capitalist countries continued to worsen, and the protectionist tendencies intensified.

The socioeconomic problems in Poland not only led to domestic crisis but also affected CEMA and East-West cooperation. Unfavorable weather--particularly in the Soviet Union--again presented a severe test for the agricultural sector. Under the combined effect of all these factors, economic development differed fairly significantly by countries. The growth rate of national income was the highest (5 percent) in the GDR, attaining the planned growth rate and higher than the average for the preceding years. In Bulgaria, Romania, the Soviet Union and Hungary national income increased by 2 to 3 percent, a significant shortfall from the planned growth in the first two countries, but close to target in the last two. In Poland the economic situation deteriorated further: national income dropped by 13 percent, while the economy's external and domestic economic equilibrium was disrupted by the evens in conjunction with the sociopolitical crisis. (See Table 1.)

Table 1. Development of National Income (Year-on-Year Percentual Change)

| (1) Ország | 1976–1980 (2) átlaga (tény) | 1980 (3) tény) | 1981 (terv) | 1981 (tény) | 1982 (9) (terv) |
|---|---|---|---|---|---|
| Bulgária | 6,1 | 5,7 | 5,1 | 3,2 | 3,6 |
| (4) Csehszlovákia | 3,7 | 2,7 | 2,8 | 0,1 | 0,6 |
| (5) Lengyelország | 1,3 | −6,0 | .. | −13,0 | .. |
| (6) Magyarország | 3,2 | −0,8 | 2,0–2,5 | 2,0 | 1,0–1,5 |
| (7) NDK | 4,1 | 4,2 | 5,0 | 5,0 | 4,8 |
| Románia | 7,0 | 2,9 | 7,0 | 2,1 | 5,5 |
| (8) Szovjetunió | 4,4 | 3,5[a] | 3,4[a] | 3,2[a] | 3,0[a] |

a - Domestic spending.

Sources: Here and hereinafter, the statistical yearbooks, plans and plan-fulfillment reports of the individual countries.

Key:

1. Country
2. 1976-1980 average (report)
3. (Report)
4. Czechoslovakia
5. Poland
6. Hungary
7. GDR
8. Soviet Union
9. (Plan)

The reports on plan fulfillment generally speak of the growing role of the qualitative factors and effectiveness. Successful efforts were made to modernize the production structure, to improve quality, to reduce the energy and material intensity, to concentrate investment resources, and to reduce the volume of investment in progress. Improvement of equilibrium, particularly of external economic equilibrium, played a key role in the strategy of economic development. In several countries, however, economic management could not feel satisfied with the achieved results, with the elimination of the previous shortages and with

the rate of progress. In some places there were bottlenecks in supplying the population with commodities, in supplying production with raw materials and energy, in production relations and in transportation. Furthermore, the development of agriculture, the improvement of the effectiveness of investment activity, and the mechanism for protecting the domestic economy from the effects of recession in the capitalist countries were unsatisfactory.

For this year the European CEMA countries are expecting economic growth that remains differentiated. Most of the countries are planning the same rates of economic growth as last year, and only Romania is expecting a significant acceleration of development. In Poland, consolidation of the economic situation remains the primary goal. In accordance with the general direction of their economic policies, the European CEMA countries are striving for improving and restoring economic equilibrium, and for the development of qualitative characteristics that will enhance the maintenance of economic equilibrium. This year's experience to date indicates that fulfillment of the plan's principal objectives is a difficult task that will require continued great effort, because the external economic conditions remain unfavorable. The fact that certain capitalist countries have not renounced the instruments of economic pressure, and also the revival of the arms race are causing concern; recession in the capitalist countries is continuing, and the possibilities of exporting to them remain poor; what in practice amounts to a credit embargo is making it more difficult for some of the socialist countries to remain solvent and is hampering the development of East-West economic relations.

Production

The development of industrial production remains the decisive factor of economic growth. In most European CEMA countries, industrial production in 1981 rose at similar rates, by 2 to 3.5 percent. In Bulgarian and the GDR the expansion of industrial production was relatively dynamic and in accordance with the plan. In Poland, after the stagnation in 1980, industrial production dropped by 13 percent. (See Table 2.)

The success of industrial activity has depended in recent years, besides quantitative growth, increasingly on the improvement of quality and effectiveness, and on a reduction of inputs, particularly of the costs of energy and raw materials. Total employment in industry barely increased in most European CEMA countries (in Hungary it declined), and thus productivity and the factors influencing it are playing an ever greater role in the development of industrial production. The generally rapid increase of the stock of machinery per worker enhanced this process. The stock of fixed capital increased at a faster rate than the expansion of production, and therefore the efficiency of capital declined. Product quality generally improved; in some of the countries the proportion of goods bearing marks attesting to their high quality increased; and the circle of products that could be sold profitably on foreign markets became broader. However, several of the countries are dissatisfied with the rate of progress. Increasingly aware that the ensuring of the necessary sources of energy and raw materials was one of the prerequisites for industrial development, they devoted special attention to the expansion of their domestic energy-producing capacity and to investment projects whose purpose was to conserve energy. Several of the countries achieved the increase in their industrial output at unchanged or

Table 2. Development of Industrial Production (Year-on-Year Percentual Change)

| (1) Ország | 1976–1980 (2) átlaga (tény) | (3) 1980 (tény) | (4) 1981 (terv) | 1981 (tény) | 1982 (terv) |
|---|---|---|---|---|---|
| Bulgária | 6,2 | 4,2 | 5,6 | 5,6 | 4,5 |
| (5) Csehszlovákia | 4,8 | 3,5 | 2,7 | 2,0 | 0,6 |
| (6) Lengyelország | 4,4 | 0 | .. | −13,0 | .. |
| (7) Magyarország | 3,4 | −2,1 | 3,0–3,5 | 2,3 | 2,0–2,5 |
| (8) NDK | 5,1 | 4,7 | 5,0 | 5,0 | 4,6 |
| Románia | 9,5 | 6,1 | 7,0 | 2,6[a] | 4,7[a] |
| (9) Szovjetunió | 4,5 | 3,6 | 4,1 | 3,4 | 4,7 |

a - Commodity production.

Key:

1. Country
2. 1976-1980 average (report)
3. (Report)
4. (Plan)
5. Czechoslovakia
6. Poland
7. Hungary
8. GDR
9. Soviet Union

declining energy consumption. At the rising prices of energy and raw materials, the industrial enterprises have become more cost-sensitive, and wage incentives to economize on energy and raw materials also played an important role.

In most European CEMA countries the rate of increase in the output of engineering was higher than the average for industry: 8 percent in Bulgaria, 6 percent in Czechoslovakia and the Soviet Union, and 5 percent in Hungary. Engineering continues to be regarded as the symbol of production modernization, and as the basis of technological progress and of the rationalization programs. Even within engineering, growth was rapid in electronics, automatic control systems, robots, telecommunications equipment, instruments, and certain types of power industry equipment.

Development of the chemical industry was differentiated: in Bulgaria and the Soviet Union, the dynamic expansion of production continued; in the other European CEMA countries production slowed down, partially as a result of difficulties in the supply of raw materials, and partially as the chemical industry's respones to the recession in the capitalist countries. Pharmaceuticals, household chemicals and cosmetics--in other words, the so-called light chemical industry--became the vehicles of the chemical industry's development in several of the European CEMA countries.

Production in metallurgy generally increased at a moderate rate. Modernization of plant and equipment, and of the product structure, continued--among other things, to overcome the marketing difficulties that were experienced worldwide.

Despite the growing role of energy-related investments, the output of fuels and electric power increased only slightly, except in Bulgaria. In Romania especially the substitution of coal for the decline in the output and import of petroleum

is creating a problem. In Czechoslovakia and the German Democratic Republic the energy sector's development is based on coal and on the programs for the construction of nuclear power plants. However, the possibilities for increasing the coal output are limited. In the Soviet Union the fuel industry increased its output by 2 percent, despite the difficult conditions of extraction. Particularly the production of natural gas increased, reaching 465 billion cubic meters. The coal output was 704 million tons; the petroleum output, 609 million tons.

Within light industry, the output of textiles, textile clothing, and of the leather and fur industry continued at their relatively slow growth rates. Food processing depended on the results in farm production: in several countries the unfavorable development of crop production did not permit faster growth of food production.

This year the European CEMA countries--with the exception of the Soviet Union and Romania--are expecting their industrial production to grow more slowly or at the same rate as last year. Four countries (Bulgaria, the German Democratic Republic, Romania and the Soviet Union) are expecting industrial performance to increase by 4.5 to 4.7 percent. More modest progress is expected in Hungary (2 to 2.5 percent) and Czechoslovakia (0.6 percent). At the beginning of this year industrial production rose rapidly (by 4 to 6 percent) in the GDR and Bulgaria, more moderately in Hungary and the Soviet Union (by about 2 percent), but declined significantly in Poland.

In the European CEMA countries agriculture plays an especially important role in the population's food supply and in the development of economic equilibrium. In the second half of the 1970's farm production increased by 1 to 2 percent in most of the European CEMA countries, but declined in Poland. Capricious weather fluctuations in 1981 continued to influence significantly the development of farm production. The planned crop yields were achieved only in the GDR. The more significant increase in production (by 3.5 to 4 percent) in Bulgaria and Poland compensated only partially for the declines in the preceding years. The causes of agriculture's inadequate development, much criticized in several countries, are complex. Natural disasters (droughts and floods) in successive years caused large dropouts in crop production. Without belittling the role of these natural disasters and the achieved results, it can be established that agriculture's further development requires perfection of the system of economic instruments and of the system of regulation. The point is not only that the development of agriculture is very capital-intensive and agriculture requires more support, but also that the use of investment resources must be better coordinated to resolve the bottlenecks that are hampering development, and more incentives must be provided for full-time and part-time farmers alike.

Grain production in the European CEMA countries as a whole was lower than the previous year, with increases only in Bulgaria and Poland. The production dropout and the curtailment of grain import influenced the development and composition of livestock production, selection and modification of the methods of feeding. The food-supply problems in Poland were caused, in addition to grain production, also by the disruption of market relations. The potato crop developed favorably in every European CEMA country; oil seeds, in Bulgaria and Hungary; and sugar beets, in Poland, the German Democratic Republic and Hungary. The Soviet Union again harvested a bumper cotton crop. (See Table 3.)

Table 3. Development of Farm Production (Year-on-Year Percentual Change)

| (1) Ország | 1976–1980 (2) átlaga (tény) | 1980 (3) tény) | 1981 (terv) | 1981 (tény) | 1982 (4) (terv) |
|---|---|---|---|---|---|
| Bulgária | 1,0 | –4,5 | 4,7 | 3,6 | 2,2 |
| (5) Csehszlovákia | 2,0 | 6,1 | 2,6 | –3,4 | 3,2 |
| (6) Lengyelország | 1,4 | 9,7 | .. | 4,1 | .. |
| (7) Magyarország | 2,5 | 4,3 | 3,0 | 0 | 4,0–4,5 |
| (8) NDK | 1,6 | 0,2 | 0,8[a, b] | 1,8 | 0,2[a] |
| Románia | 4,0 | –4,3 | 9,0[b] | –0,9 | 6,0–7,9 |
| (9) Szovjetunió | 1,5 | –2,5 | 7,5 | –2,0 | .. |

a - Agriculture and food industry.
b - Net production.
[Key as in Table 2.]

The level of the supply of materials and machinery for crop production showed further improvement. Emphasis was on modernizing the stock of farm machinery, the widespread complete mechanization of the production of certain crops, improvement of the supply of spare parts and of the quality of the work performed with machinery, improvement of the quality and composition of manufactured fertilizers to better meet the existing soil conditions, and greater care in the transportation, storage and placement of manufactured fertilizers. More attention is being devoted to harvesting, storage and the reduction of losses.

The results in livestock production are generally more favorable than in crop production. In most of the countries the livestock population is at the same level as a year earlier, despite problems in feed and fodder supply and livestock culling in some areas. In several countries the problems stemming from the smaller grain harvest and the curtailment of grain imports are being resolved by limiting the keep of feed-intensive species (poultry, hogs).

More modern conditions of keep and the greater effectiveness of feed utilization increased the yields in livestock production, but it is still below the level in the most developed countries. There still are considerable reserves in this respect; at higher yields, the present livestock population would be sufficient for a high level of the population's supply with livestock products.

The more reliable and faster development of agriculture than up to now, based on intensive factors, has shifted to the forefront of attention in the European CEMA countries at the beginning of the 1980's. To this end investment in agriculture is being increased, its management is being modernized, and the development of processing, transportation, storage and supporting industries is being coordinated with the development of agriculture.

More and more European CEMA countries are treating household plots and subsidiary farms in accordance with their importance: the state organs and agricultural cooperatives are aiding the small farms with machinery, manufactured fertilizer, seed and veterinary services.

For this year the European CEMA countries are anticipating a relatively fast growth of farm production. Romania, for example, is planning a growth rate of at least 6 percent.

Investment

In the European CEMA countries, with the exception of Bulgaria, the growth of investment has slowed down at the beginning of the 1980's, due to the changes in the external and domestic conditions of economic development and in conjunction with the efforts to improve economic equilibrium. In comparison with the preceding years, in 1981 the number of countries increased where investment activity declined or did not achieve the planned level. (See Table 4.)

Table 4. Development of Investment Activity (Year-on-Year Percentual Change)

| (1) Ország | 1976—1980 (2) átlag (tény) | 1980 (3) (tény) | 1981 (terv) | 1981 (tény) | 1982 (4) terv) |
|---|---|---|---|---|---|
| Bulgária | 4,5 | 14,4 | 3,7 | 7,6 | .. |
| (5) Csehszlovákia | 4,1 | 1,6 | .. | —1,9 | —3,3 |
| (6) Lengyelország | —2,0 | —10,5 | .. | —27,0 | .. |
| (7) Magyarország | 2,7 | —6,7 | —5,8 | —6,6 | —6,0—7,0 |
| (8) NDK | 5,7 | 2,0 | 2,5 | 1,3 | .. |
| Románia | 9,8 | 3,2 | 4,4 | —6,7 | 5,0 |
| (9) Szovjetunió | 3,9 | 2,2 | 5,3 | 3,1 | 0,9 |

[Key as in Table 2.]

Amidst the slower growth and curtailment of investment, the requirements of the intensive phase of development are asserting themselves increasingly: in most of the countries preference is being given to investments for reconstruction, production rationalization, and the modernization of the technological processes. The proportion of investment in construction work is continuing to decline, while the proportion of investment in machinery is rising. The reports on plan fulfillment speak of improvements in the system of planning, approving, managing, preparing and carrying out investment projects, of a reduction of the volume of investment in progress, and of faster completion. Parallel with the results, there are also considerable shortcomings in preparing and carrying out the investment projects, and in supplying suitable equipment and materials on schedule. All this causes additional costs and schedule slippages, and the commissioned production capacities fail to attain the planned performances and profitability, or attain them only with considerable delay. In Poland, work on several unfinished investments has been halted.

Among the investment projects, emphasis is shifting increasingly to the ones that enhance the utilization of domestic energy and raw-material resources, reduce the specific consumption of energy and materials, increase the utilization of secondary raw materials, as well as to the ones that expand export allocations and improve international competitiveness.

The growth of investment will remain moderate also this year, and in Czechoslovakia and Hungary the volume of investment will be even lower than last year's

level (a drop, respectively, of 3 and 6-7 percent). At the beginning of the year, investment activity slowed down in every European CEMA country, with the exception of the Soviet Union.

Personal Incomes and Consumption

To improve their external economic equilibrium at the slower rates of economic growth, within domestic spending most European CEMA countries reduced primarily the growth or level of accumulation. Personal incomes and consumption are continuing to rise, despite the fact that the worsening economic conditions make such a rise more difficult. Improvement of the population's living standard and living conditions, consolidation of the achievements and preservation of the attained level remain important, one of the main objectives of economic policy. Realization of this objective necessitates a modification of the ratio of consumption to accumulation, in favor of the former. At the attained level of consumption and under moderate economic growth, on the other hand, emphasis shifts to the qualitative elements, to broadening the assortment of products of better quality, to narrowing the circle of shortage items and to improving the infrastructure, and at the same time it is necessary to cope with the problems stemming from the inadequate expansion of food production and from the inadequate importation of consumer goods.

The methods of maintaining a balance between the outflow of purchasing power and the available goods and services vary by countries. Therefore also the trends of personal nominal incomes and consumer prices, and in conjunction with them also the trends of the development of the supply of goods and services, differ considerably.

It is noteworthy that in 1981 per capita real income in the European CEMA countries, with the exception of Poland and Romania, increased by 2 to 4 percent, which was essentially in accordance with the plan. In harmony with the rates of economic growth, the rise in personal real incomes was the highest in the GDR and the Soviet Union. In Poland, however, the development of personal incomes was divorced from the available consumer goods and services; thus the 3-percent rise of real income does not express the development of the population's living standard, which declined noticeably in 1981. The incentive role of wages in conserving energy and raw materials, cutting costs, improving quality and accelerating the practical application of technical progress is continuing to intensify. As before, social grants and benefits continued to rise at a relatively faster rate than personal income as a whole. (See Table 5.)

In most of the European CEMA countries, with the exception of Poland, the retail turnover increased by 2.5 to 4 percent. In a few countries there were significant differences between the development of the retail turnover and that of personal incomes: in Bulgaria, Hungary, Romania and the Soviet Union the growth rate of the retail turnover was faster than that of real income, while in Czechoslovakia, Poland and the German Democratic Republic it was slower. In Poland, at a 3-percent rise of the level of real income, the volume of the retail turnover dropped 6 percent. Since it was difficult to spend personal income, this indicates the increasing role of the underground or illegal channels of trade.

Table 5. Development of Real Income and of the Retail Turnover (Year-on-Year Percentual Change)

| (1) Ország | (2) Az egy lakosra jutó reáljövedelem | | | | (3) A kiskereskedelmi forgalom volumene | | | |
|---|---|---|---|---|---|---|---|---|
| | 1976—80 átlaga (tény) (4) | 1981 (terv) (5) | 1981 (tény) (6) | 1982 (terv) | 1976—1980 átlaga (tény) | 1981 (terv) | 1981 (tény) | 1982 (terv) |
| Bulgária | 2,6 | 3,1 | 2,8 | 3,0 | 4,5 | 4,8 | 4,5 | 3,8 |
| (7) Csehszlovákia | 1,9 | .. | kb. 2,0 | .. | 2,7 | 2,3 | 1,2 | 2,8 |
| (8) Lengyelország | 2,9 | .. | 3,0 | .. | 3,3 | .. | —6,0 | .. |
| (9) Magyarország | 1,8 | 1,0 | 2,2 | 0,5 | 2,7 | 1,2 | 3,2 | 1,0 |
| (10) NDK | 4,3 | .. | 4,0 | kb. 4,0 | 4,1 | 4,0 | 2,5 | 4,0 |
| Románia | 5,0 | 4,4 | 2,2 | 2,7 | 7,9 | 6,0 | 4,3 | 4,6 |
| (11) Szovjetunió | 3,4 | 2,9 | 3,3 | 2,1 | 4,5 | 4,9 | 4,4 | 3,1 |

Key:

1. Country
2. Per capita real income
3. Volume of retail turnover
4. 1976-1980 average (report)
5. (Plan)
6. (Report)
7. Czechoslovakia
8. Poland
9. Hungary
10. GDR
11. Soviet Union

Development of the population's infrastructure, and thereby the improvement of living conditions, continued also in 1981. Housing construction and related investments were the centerpiece of the infrastructure's development. Health care, education and cultural services improved, again with the exception of Poland.

Personal incomes and consumption in most of the European CEMA countries showed a moderate increase this year, in accordance with the economic possibilities and with due consideration for the requirements of restoring external economic equilibrium.

International Economic Relations

The conditions for an expansion of the European CEMA countries' turnover of foreign trade have become more difficult in recent years. Recession in the capitalist world economy, declining demand for imports and intensification of protectionist tendencies restricted the European CEMA countries' export to capitalist countries. Under these conditions the improvement of external economic equilibrium and the balance-of-payments problems compelled most of the countries to adopt a cautious import policy. In mutual trade among the CEMA countries the former turnover-increasing role of energy and raw-material shipments ceased and, under the more restricted investment activity, also the once dynamic growth of machinery and equipment deliveries slowed down.

In the European CEMA countries, with the exception of Hungary, the trade turnover in value terms increased dynamically in 1980, by 17 percent in the Soviet Union and by 12 to 13 percent for the other countries jointly. Export and import prices rose rapidly, and thus the trade turnover's volume increased only by 4 percent. In 1981, the previously rapid expansion of the trade turnover slowed down. There was a significant rise (11 to 15 percent) in the exports of Bulgaria,

the German Democratic Republic, Romania and the Soviet Union. The exports of Czechoslovakia and Hungary rose at a slower rate and remained essentially at the 1980 level in terms of physical volume. Poland's export dropped by 15 percent. Export prices continued to rise. All this ment that the volume of export rose at a slower rate than its value. With due consideration for the requirements of improving external economic equilibrium and the financial possibilities, imports rose significantly in Bulgaria and the Soviet Union. In the other countries import showed a moderate rise in value terms, but its physical volume declined or remained unchanged. (See Table 6.)

Table 6. Development of the Foreign-Trade Turnover in Value Terms (Year-on-Year Percentual Change)

| (1) Ország | 1979 | | 1980 | | 1981 | |
|---|---|---|---|---|---|---|
| | export | import | export | import | export | import |
| Bulgária | 15,3 | 8,3 | 16,1 | 12,5 | 11 | 20 |
| (2) Csehszlovákia | 10,4 | 11,3 | 14,2 | 7,5 | 9 | 6 |
| (3) Lengyelország | 12,3 | 6,6 | 3,4 | 6,1 | —15 | —12 |
| (4) Magyarország | 17,2 | 2,6 | —0,4 | —2,9 | 7 | 5 |
| (5) NDK | 13,5 | 11,5 | 9,0 | 12,0 | 15 | 6 |
| Románia | 18,0 | 20,1 | 26,0 | 21,0 | 11 | a |
| (6) Szovjetunió | 18,9 | 9,6 | 17,2 | 17,4 | 15 | 18 |

a-Import declined significantly. The trade turnover as a whole rose 1.2 percent.

Key:

1. Country
2. Czechoslovakia
3. Poland
4. Hungary
5. GDR
6. Soviet Union

In 1981 and this year, the capitalist countries introduced credit restrictions, which further hampers the expansion of East-West economic relations and prompts more forceful and faster restoration of external economic equilibrium. In most countries the balance of foreign trade shows a surplus, or is close to one. The problems of financing, amidst the credit restrictions, are caused by the high interest rates on earlier loans and by the repayment of the installments due.

This year the European CEMA countries must fulfill the principal economic-policy objectives contained in their annual national economic plans amidst international political, economic and financial conditions less favorable than in the past. Fulfillment of these objectives and warding off the unfavorable external effects can be based on evolving the qualitative characteristics of economic development, more forceful technological development, faster modernization of the production structure, and reduction of production's energy and material intensity. All this demands and presupposes improvement of international competitiveness, even closer mutual economic cooperation, intensification of the processes of integration, and continuous perfection of the entire system of economic management and of the planned economy's arsenal of economic instruments, in accordance with the stricter requirements.

1014
CSO: 2500/41

COMMENT ON RECENT GOVERNMENT REGULATION ON PRICE FORMATION

Sofia RABOTNICHESKO DELO in Bulgarian 25 Oct 82 p 4

[Article by Dimitur Stanoev and Vasil Pekhlivanov: "The Active Role of Prices"]

[Text] The regulation on the economic mechanism made price setting entirely consistent with the requirements of the new economic approach. The principles, methods, forms and other basic problems of price setting were approved. The Council of Ministers recently approved a regulation on prices which provides an overall solution to all problems related to the price system. The state organs adopted a system of prices and their functions and compensations. The Council of Ministers will approve prices of basic food and durable population commodities and of most important fuels, raw materials, materials and energy which substantially affect the basic national economic ratios. This provides good guarantees for maintaining a substantiated level and stability of prices of such basic commodities which determine the living standard of the people and material production costs.

The Ministtry of Finance was entrusted with implementing the state policy in the field of prices and price setting. The Main Administration of Prices will approve the prices of commodities and services and the norms and conditions for price setting. It will provide methodical guidance in price setting. Extensive rights have been granted and the responsibility increased of ministries, departments and executive committees of okrug people's councils in the area of prices and price setting. They will organize the study of the influence of prices on sales, formulate proposals on encouraging their progress through prices, and so on. The executive committees of obshtina and rayon people's councils will be increased in controlling and setting prices of some commodities, services and types of work of local significance and in settling disagreements related to prices on their territory.

Price contracting for individual commodities and services among economic organizations will be based on conditions and norms stipulated by the state price authorities. Agreed upon prices will be mandatorily recorded by these authorities and will become effective following their registration. This will establish state control over contractual prices. Price suggestions submitted to state price authorities must be mandatorily coordinated in advance with the consuming economic organizations. The producing economic organizations must

prove through their price offers the efficiency of the goods they produce and substantiate their technical and economic indicators on the basis of which the consumers accept the prices.

The price regulation and its documents essentially create a system of supervision on the part of state price authorities on price-setting processes. Control on the part of such organs over price setting and economic activities is strengthened The regulation provides for an overall organization of price control and price setting. It entirely settles problems related to guaranteeing the rights of consumers, including the population, in order to prevent any type of speculative increase in prices of commodities and services and illegal income earned through higher prices. Current studies will be made of the results of the application of prices and measures will be earmarked to improve them. The Bulgarian trade unions and the Fatherland Front organizations have been granted extensive control rights in terms of the observance of approved prices.

This procedure of defining, approving, contracting for and controlling prices provides for a greater substantiation of the levels and ratios of prices in the country. Conditions have been created for the prompt noting and elimination of weaknesses in price setting. The price regulation is an important document in the management of the socialist economy under the new economic approach. The mastery of its stipulations and their proper practical application now becomes the task of all leading and executing cadres.

5003
CSO: 2200/20

## JUDICIAL ENFORCEMENT OF ECONOMIC RESPONSIBILITY DISCUSSED

Budapest MAGYAR HIRLAP in Hungarian 2 Oct 82 p 3

[Interview with Deputy Minister of Justice Dr Ferenc Petrik by Gyorgy Acs: "Who Is Responsible?" date and place not specified]

> [Text] In recent years the question posed in the title has been asked not only by lay people but by more and more professionals who are examining whether our system of responsibilities is suitable for today's needs. Our reporter Gyorgy Acs asked Deputy Minister Dr Ferenc Petrik about this.
>
> [Biography] Deputy Minister of Justice Dr Ferenc Petrik was born in 1933 and graduated in 1956 from ELTE's [Lorand Eotvos--University of Sciences] Department of State and Legal Sciences. He has been a lawyer candidate, a county clerk, and a judge. He has headed the Civil Law and Economic Codification Department in the Ministry of Justice. He was appointed deputy minister in 1978.

[Question] We often hear about modernizing the system of responsibilities. Why has this topic appeared on the agenda?

[Answer] We have often seen in recent years that people were not held responsible for negligence that caused demonstrably significant losses to the national economy or that the punishment was not in proportion with the damage to the national economy. These complaints refer especially to investments, but we have also seen similar problems in other areas of economic operation. It rightly bothers society's sense of justice to see that justice always catches up with the guilty parties in minor matters, but if someone causes a million forints of damage by his/her negligence--well, the apportionment of responsibility is not quite as consistent there. Increasingly difficult economic conditions also justify that holding one responsible should be consistent both for erroneous decisions and for failure to make decisions. In developing economic policy and the legal system, emphasis is now given primarily to developing a modern economic regulatory system and the organizational system of the enterprises and to developing the "economic environment" which helps develop the independence of enterprises in several directions.

Even though our economic policy emphasizes the inseparability of independence and responsibility in business, a deeper and more comprehensive interpretation of the problem of economic responsibility falls short of the requirements. This shortcoming must now be made up.

[Question] Under today's circumstances is it possible to determine at all who is responsible for a poor economic decision?

[Answer] Legal responsibility for an economic decision and sanctions can be implemented if failure to carry out one's obligations is involved. If we examine the question of establishing responsibility in this sense, I can say this much briefly: if the responsibilities of managers and subordinates are defined accurately and clearly, then the legal responsibilities of these persons can also be determined.

[Question] Doesn't combining the directing, supervisory, and decision-making departments of the ministries often hinder clarification of responsibility?

[Answer] Studies and analyses made so far prove that if too many "guiding effects" reach the economic operating organization and if these are not sufficiently coordinated or if they are contradictory, the economic operating organization or its manager "becomes confused". He then ranks for himself the economic directives and satisfies one directive at the expense of the other. This is why I consider it important to eliminate these overlapping areas.

[Question] It is also possible to implement the will of the directing entity through various informal channels and at such times it is virtually impossible to hold someone responsible. How can this be prevented?

[Answer] It does make it more difficult to establish responsibility for decisions if the economic directing activity and the decision-making authority of the enterprise are intertwined. The economic directing organs are also participating in shaping the decisions of the economic operating organizations—especially if organizations that are significant from the national economic viewpoint are involved. If this participation is done in an "informal" manner, that is, if they are not regulated legally, this hinders the clarification of the responsibility. Of course, it must also be taken into consideration that an "informal system of contacts" functions to some extent in all economies, and completely eliminating it is unrealistic. It is impossible to prevent the operation of such a system by statutes. But it would be a step forward if we separated the decision-making authorities more precisely and more clearly than is being done now, while conforming to the realities. In addition, we should implement the requirement that as long as the directing organs are participating in the enterprise's decisions, they must also accept some of the responsibility for these decisions.

[Question] If the decision-making areas of authority are practiced by bodies such as government committees, councils and managing councils, can we speak about collective or individual responsibility?

[Answer] We must not forget that collective decisions are preceded by wide-scale preparatory work. Thus the decision itself is only one "link in the chain," though a fundamental one in the decision-making process. Individual or personal responsibility is dominant in the proposals presented to these bodies. However, management by groups cannot dissolve and cannot wash away individual responsibility. Unfortunately, experience shows that the responsibility of the person presenting a proposal is not always examined and established for the contents of the proposal and for its "professional credibility." Further improvement of the practice, of affixing responsibility as well as adequate regulation are needed in this area. The job of regulation is to determine the extent of responsibility of the person presenting the proposal and how it can be separated from the responsibility of the group. An additional problem is the responsibility of the group itself, which makes the decision "relying" on the proposal or the presentation. The questions related to this problem are essentially undeveloped in the Hungarian legal system. Under the guidance of the Ministry of Justice, the theoretical and foundation-laying work that will make it possible to determine the responsibility of the group has begun. This work is even more important because it is a world-wide phenomenon that group decisions are increasing in popularity, not only in the lives of nations but also in the area of economic operation. But I would like to make this personal observation: I do not believe that it will be possible to develop as accurate a mechanism for determining group responsibility as it will be for the individual decisions. Overly complicated and overregulated group responsibility would make it difficult for the group to function and could lead to "responsibility-avoiding" behavior on the part of the group's members.

[Question] Even though it seems that the legal tools are satisfactory, why don't the penalties and economic fines have the appropriate effect?

[Answer] I agree that the legal tools are generally satisfactory. The Council of Ministers has recently increased the schedule of fines, and the modernization of the system of economic fines 3 years ago aas made this institution basically suitable to fulfill its economic policy purpose. A basic problem in connection with the fines is that the organs entitled to receive the fines are not implementing their claims. The reason for this is that in a number of areas a buyer's market prevails. The buyers--afraid that future cooperation and the partnership will suffer--are not implementing the claims they are entitled to for broken contracts. A number of economic operating organizations also are not fulfilling their statutory obligations to keep a record of the fines they are entitled to for broken contracts and to identify accurately the person who made the decision not to demand the fine for a violated contract. This statute must be consistently implemented. However, a fundamental change in the present situation may result if much stricter economic operating conditions than before would in a way "force" the buyers to implement their rightful financial demands. Signs of this change can already be seen in certain areas. The main problem with economic fines is that the organs authorized to initiate fines--especially the branch ministries--are using their initiating authority to a much smaller extent than justified.

[Question] What are the plans of the Ministry of Justice?

[Answer] The Ministry of Justice is examining and further developing the responsibility system on the basis of a work program. The studies and analyses began about a year and a half ago. During the course of the work it has become increasingly obvious that a preliminary condition for implementing the sanctions is to identify the behaviors that provide the foundation for holding someone responsible. Therefore we judge it necessary--in agreement with the interested functional and branch organs--to develop further some elements of the control system that serves to implement legal responsibility. This is a complex task. In connection with supervisory control, which expresses the state's role as owner, it is justified to regulate the legal status of the supervisory committees in a more modern manner. The interested organs are also working on modernizing the system of quality control standardizing the sanctions they can apply. Measures have also been created in the interest of improving the standards and efficiency of control by prosecuting attorneys and of popular control. And the most important thing is to simplify and shorten the path that leads from the discovery a violation of responsibility to the establishment of responsibility and the application of a sanctions. Today there are still too many unnecessary steps. We are also investigating what solutions could be achieced if the discovery of illegal behavior always led to legal sanctions. It has occurred in this area, for example, that in certain cases--upon recommendation by the supervisory organs--it should be mandatory to commence the procedure for holding a person responsible. By the way, this is not an entirely new idea, since this system has been working for a long time, and working well, in the case of popular control. And, finally, we are also working on further developing the system of sanctions. Among the measures being planned I would mention--only as examples--the following one: experience shows that in certain cases the statute of limitations concerning disciplinary procedures for responsibility are hindering sanctions against serious violations of responsibility. We are therefore examing the possibility of raising the time limit on the statute of limitations. We are also working on a review of the misdemeanor status, on the fact that the amount of on-the-spot fines are today too low, and on the fact that the statute of limitations for misdemeanor proceedings is not in harmong with the frequency of control audits.

8584
CSO: 2500/15

FAUVEGI ON ECONOMIC POLICY, PLANNING

Budapest FIGYELO in Hungarian 30 Sep 82 pp 1, 4

[Article: "Planning: In the Soil of Realities"]

[Text] The conference on economic planning (see Figyelo No 38, 1982 for an article prepared from an address by Gyorgy Lazar, premier of the Council of Ministers) conducted its work in four sections. The subjects of these sections (the problems of development planning under conditions of the 1980's; the planning of economic processes, living standards and living conditions; the system of economic regulation and economic planning; planning of the methodology of plan calculations) indicated those main lines which the planners, the researchers and the practical experts regard as the most important for the development of economic planning.

Lajos Faluvegi, chairman of the National Planning Office, gave the closing speech of the conference. (The lectures that were delivered will be published in the near future and forwarded to the participants, research work places and institutions of higher education.)

We must further develop the economic guidance system which is operating today in order that it should meet the requirements of the intensive development phase since today an elemental interest of economic organizations is innovation. There are many inhibiting factors to the social diffusion of entrepreneurships and to the mediations of market influences. This was the conclusion of one of the lectures at the conference which evoked great interest and which reviewed the operations presently being conducted in regard to the development of the economic guidance system. The goal is to prepare a comprehensive modernization program for the period of the Seventh Five-Year Plan.

The 1968 economic reform, which represented an enormous advance in social and economic life, left the right of exercising property basically unchanged. It is the sub-branch ministries which exercise property rights over state enterprises. We need a socialist property system which is variegated and embraces many variants. In the case of large state enterprises in the competitive sphere, the property right could be exercised by some kind of holding, consortium or board of directors. Medium-sized enterprises may make use of their own property license, although thought must be given to their

appropriate legal control. In the case of small enterprises--independently of whether these are state or cooperative property--one can conceive of a self-administrative form similar to the cooperative system.

Enterprise laws which may be modified some day must also make provisions for mixed property types (joint enterprise, association, and so forth).

In the future, too, the task of central guidance will be economic planning, the making of macro-level decisions, and the laying out of the growth track. It must define the system of rules for their realization (tax, price and capital-circulation, manpower management, and so forth.)

In capital allocation the withdrawal of capital from inefficient areas should be automatically assured.

Such a transformation of personal income regulation and the system of manpower management may improve the operational capability of the economy, which will create greater decision-making and management freedom at the enterprise level. To this end, it is necessary to have unified earnings taxation, manpower mediation extended as a state service, and the establishment of a financial system which stimulates efficient employment. It is the task of the state and of the enterprises to assure full employment. We shall not give up that basic social principle of socialism that unemployment must be avoided along with the accompanying personnel uncertainty. But we cannot allow the economic organizations to be compelled to employ superfluous manpower.

Economic Pitfalls

In regard to economic policy practice, one of the speakers drew attention to the risk of an economic policy that goes into a restrictive spiral. This warning is proper, even though the Hungarian economy is not in this condition. The foreign trade economic equilibrium which exists at present does not rest on secure fondations. We need to develop a price and financial regulation which will serve the attainment of a permanent equilibrium taking into account the external sources that may realistically be taken into account, and the accompanying charges.

The shaping of world economic conditions defines to a large extent the development of the Hungarian economy and the directions of its development. The speakers emphasized that in the 1980's we cannot count on a change favorable to Hungary to occur in world economic processes. For example, even according to optimistic forecasts the rate of world economic growth will be lower in the coming decade than it was in the third quarter of our century.

World economic changes will continue to be difficult to calculate, and in addition we must also reckon with political difficulties in the capitalist world which will have an effect on us. As a consequence, external uncertainty factors are growing in their importance to planning. All this is occurring in a situation so stringent in sources that it makes the economy

extremely sensitive to small errors and small changes deviating from the plan. It is therefore essential for planning to create an information base which will make it possible to recognize and analyze the changes in the main structures of the world economy. With this the uncertainty of planning may be somewhat reduced.

The warding off of unforeseeable but frequent cyclical fluctuations and political difficulties that cannot be planned for requires the formation of material reserves and the strengthening of the flexibility of planning. This is the condition for assuring, even under conditions that differ from what was expected, the planned regulation of economic processes.

Instead of Isolation

The speakers emphasized that in the case of foreign economic forecasts the plan must be based on realistic conditions and not on conditions regarded as the most favorable. In the past period the acuual foreign economy conditions developed more unfavorably than assumed during planning preparations, and this frequently required operational measures deviating from the plan.

In the development of CEMA cooperation it must be taken into account that a number of member countries are struggling with equilibrium problems and place their solution at the center of economic policy planning. Acquisition opportunities are developing slowly for Hungary, and terms of trade are developing unfavorably. Despite these conditions we must do everything possible to remove the obstacles in the way of a more rapid development of economic integration.

Despite the increasingly difficult foreign economic conditions it is not possible for the Hungarian economy to reduce its participation in international work distribution and choose an isolationist policy. The Hungarian economy can keep up with the rapidly changing world economic processes only if it increases its efficiency and competitiveness at a more rapid than general rate of development.

Foreign economic conditions in the 1980's will make possible only a moderate rate of economic growth, and at the same time an improvement in the foreign economic equilibrium will require significant resources. But in the opinion of some people a further reduction in domestic consumption may divert economic policy on a compulsory track. It is possible to reduce consumption by the population only to a certain point whereas a further reduction in accumulation may restrain the transformation of the production structure. Therefore, we need to modernize planning and economic management in such a way that it will result in an increase in the export capability of production and an improvement in competitiveness, and thereby in the development of a new growth track which will meet equilibrium requirements. To this end, we must move ahead in the planning and influencing of production.

A Stronger Differentiation

In structural change, the role of the microeconomic structural change increases, and this requires the development of market-oriented enterprise

organizations. Structural change also requires the modification of the present investment structure. Therefore an increase in competitiveness will make it necessary to have a more differentiated production and development policy and a regrouping of internal resources.

Primarily, this differentiation means selection on the basis of efficiency and profitability. Parallel with this, we also need in the framework of long-term planning to select those production areas which will in perspective increase the efficiency of the whole economy. (For example, microelectronics.) The activities that should be developed may be shaped by the combined use of these two kinds of selection.

A number of speakers emphasized that given the narrow economic possibilities a rapid rate of development in competitive and long-term areas can be realized only if the production and development possibilities in the low-efficiency areas are reduced. A stronger differentiation and selection may result in certain cases in the sharpening of economic-social conflicts. It is therefore necessary that planning should be capable of signaling the expected conflicts and coming up with alternatives that will make a solution possible.

Under present circumstances, the role and relationship of various long-term plans will be modified. Some have emphasized the importance of outlining the strategic direction of development. The future course must and can be indicated in long-term planning and an answer must be sought for the future development of social and economic processes. In this sense, long-term planning may also be the control over the effects of our present economic actions and can orient us as to the kind of action that is desirable today in the service of long-term goals. To this end, emphasis must be placed on the investigation of the relationships among different areas and not on an analysis of the individual areas themselves.

As a consequence of the present, changing world economic processes, the possibility of five-year horizontal planning is reduced and emphasis is placed on shorter planning periods of 2 to 3 years. At the same time, when the need increases for an outlook that extends over a number of years in short-term planning, the role of annual planning will also be increased. These plans form the basis of operational economic action.

The Function of Forecasts and Alternatives

The need for selective development of production, the uncertainty of foreign economic processes, and the varying effects exercised by the different decisions on the social processes justify an increase in the role of variants in the concept and plan-preparation phase.

They raised at the conference the point that under our present circumstances—particularly over the long term—we may also need to work out a number of planning alternatives.

The role of analyses and forecasts in planning has increased. The objectivity of analyses may be improved if a number of analyses are prepared in a parallel

manner for a given subject. They emphasized the importance for a more concrete analysis of international economic relations, the study of international political relations, the recognition of danger zones, and a more fundamental understanding of microeconomic processes.

The question was raised at the conference whether it is possible and advisable to plan nearly even growth. A number of speakers affirmed that in many areas of our economy in past decades there has been a phasing in and out, alternating peaks of growth and valleys. This was related to the phases of the great social transformation, in some cases with the phases of technical development, or with the sharpening of contradictions from time to time. They regarded it as conceivable or at least something to be investigated whether uneven growth in a given period results in more achievements than an even rate of growth.

Product Consumption and Infrastructure

A particular importance is given to the study of social processes and the planning of living standards and living conditions by the fact that while the rise in living standards after 1965 has been relatively even and at a high rage, and up to 1975 practically uninterrupted, in the Fifth Five-Year Plan--as compared to the average for the previous 10 years--the rate of growth in real income dropped to one-third and consumption to one-half.

In analyzing the situation, we must in one hand always reckon with the given economic circumstances, and in this connection with the economic policy at the center of which is the restoration of the external equilibrium. On the other hand, hoping that the maintenance of the living standards does not become a strategy over the long run--we must make the foreseeable problematic consequences a subject of study. This was undertaken by one of the speakers in the second section of the planning conference.

The first essential finding was that excessive limitation of the growth in earnings will hold down work place achievements because more and more workers will be forced to look for an income supplement (and from this point of view it can only have a positive effect that they can operate in the socially organized framework of small businesses.)

It is an open question how it might be possible to realize differentiated, material incentives given a stagnant real-wage level. It is hardly possible through the raising of nominal wages, and on the other hand effective incentives are possible only if we take from some in order to give more real earnings to others. This would actually correspond to the publicly announced position of the government that greater and better achievements are necessary in order to maintain the level of real earnings. But the stagnation of real earnings or incomes over the long run accompanied by possible shocks to the commodity supply raises questions about the incentive effect of earnings.

The declining trend in work incomes, within an income structure, is a different problem. This ratio declined from 68.5 percent to 66.4 percent because of the increase in the number of pensioners.

Moderation of the increase in social allowances paid in kind, however, has made more striking the differentiation which could not be ignored even before and which characterized, for example, the health, cultural and educational facilities of the village and city population, or the situation of pensioners, for example, as compared to the workers.

This is an increasingly serious problem although the Sixth Five-Year plan gives special attention to public health affairs; but the general development of the infrastructure has been forced into the background. Of course, this is again a condition that can be ascribed to the difficult economic situation, but independently of this it is becoming more and more urgent to make those studies which will analyze the system of relationships between lagging infrastructural developments and investments and long-term economic growth. All the more so because the role and effect of a developed infrastructure in the shaping of the equilibrium is a demonstrated fact.

The ratio of foods in the consumption structure--between 1979 and 1981--has declined not as a consequence of the relatively slower growth but as a consequence of an absolute decline. The same is true of luxury items. The ratio of clothing within the consumption structure shows a constantly declining trend. A different situation exists with durable consumer products: aside from a 0.6 percent decline in 1980, it has been increasing, but in 1981 it was a lower percentage than in 1978. A clear ratio increase is observable only in heating, household energy and services.

And at this point we must wind our way back to the infrastructure. It may at least be assumed that people will reconcile themselves more easily to a relatively slower growth, or stagnation, in product consumption, if they perceive a clearly perceptible improvement in the infrastructure. This is true not only for public health affairs, instruction and public education but also in the material sub-branches of the infrastructure: communications (telephones!), transportation, and so forth.

The new achievement in the methodology of economic plan calculation is that the "ready models" are always ready in case of a change in circumstances to figure out the necessary variants and to perform sensitivity studies. We can also observe the effect exercised on one another by the modificaitons in plans of various duration.

As Faluvegi emphasized in his concluding remarks, the conference contributed to improving economic planning, to the strengthening of its political-professional respect, and an important role was played in this by the critical comments that were offered as well as by the helpful suggestions. The mission of planning has always been to build a bridge between political ideals, economic conditions and social interests. Today it follows from this that planning must increasingly become a continuous activity which is not concluded with the casting into legal form of plans with differing perspectives.

Today our planning work must grasp and express the essence of economic policy, including the more major conditions of execution. On the basis of the

economic plan we must guide the activity of the economic units in such a way that by building primarily on their interests it should give incentive to the realization of our economic policy goals, and the plan should include limitations on us only to an inconditionally necessary extent.

Not a Picture of the Ideal

The plan must mobilize not only to economic but also to social action. This can be attained only if in the offices of planning work different occupational and social interests encounter one another and come in conflict. It is in this way that the plan and planning become the material driving force stirring to life the unity of society and an outstandingly important source of national identity consciousness.

We now perhaps have greater need for long-term planning than ever before. For in line with our characteristics we also must give a socialist answer to the vital questions of humanity. We must show our young people as well the path that leads into the future in order that they can trust in and identify in an active way with our socialist ideals. To this end, we must strive not for an ideal picture of long-term planning but for the sketch of a realistic and attractive picture of the future, working out the strategy of the new development track.

In this present changing world that has so many surprises we cannot dispute the necessity of annual planning. In the now greatly increased importance of annual plans, the main importance belongs to the external circumstances. With the practicality required by life we must adjust our actions to the changing conditions and possibilities. At the same time we must know how to resist the temptation for the managing organs to intervene in the work of enterprises and cooperatives. Therefore, planning must undertake to see that operational economic activity expresses its effect on a defined path and in a calculable manner.

In respect to the years remaining in the Sixth Five-Year Plan, the chairman of the planning office has drawn our attention to the fact that an accelerated growth rate can be well founded, permanent and successful if it is supported by a deep structural change and strict selection, and is accompanied by a general improvement in efficiency. For all these reasons it is necessary to work out in the next few years the ways in which the comprehensive modernization of the guidance system can be worked.

In speaking of the work and responsibility of the planners, Lajos Faluvegi emphasized that it is true every area of the world is struggling with economic and social problems and seeking for the possibilities of development. But by us the stakes are even higher. If ever, we must now demonstrate that the socialist society is capable of organizing and advancing the economy in national scope and with a consciousness based on forseeing the directions of social development.

The art of planning consists of our being able to sense when a scientifically based system of thought meets the possibility offered by reality, that is,

when it can become, and must become, its social and action program. It is the personal and human responsibility and mission of the planners to seek a way out. Therefore, they must also undertake risks, at times the risk of mistakes and being misunderstood, but they must never give up the requirement of renovation.

6691
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HOUSING PROBLEMS, PLANS OUTLINED

Warsaw TRYBUNA LUDU in Polish 22 Oct 82 p 4

[Article by Albin Siwak, member of the PZPR Central Committee Political Bureau: "How to Solve the Housing Problem in Poland? By Building More and Reacting More Flexibly"; passages enclosed in slantlines printed in boldface]

> [Text] /More than 2 million young people are waiting for housing [apartments]. The waiting period for cooperative housing has already stretched itself out to 15-20 years. The young have a chance to receive their own place, which constitutes the basic condition for family living, no sooner than at the end of the most productive period of their lives --at 35-40 years of age. The negative socioeconomic consequences which result from this do not require any comment. The attempts made until now to solve the problem have not been successful. Only radical changes in housing policy and in the method of implementing construction can create conditions which would assure an average working family the obtainment of their own housing in a matter of several years./

/Despite many pessimistic opinions, a solution to this difficult problem does exist. Such conclusions were also reached during the course of studies conducted by the building team which included scientists and sociopolitical activists./ Let some of the issues which I will cite from the comprehensive study (it will be published in full in issues No 7 and 8 of the builders sociotrade weekly KONSTRUKCJE) have a voice in the discussion which is underway in the country on the shape of housing construction.

To Look With Courage

/The scale of unfulfilled needs, the mistakes made in the past, the use of the country's economic potential as well as the initiative and commitment of young people indicate the need for radical changes in the existing housing policy./ Of primary importance in the immediate future should be the overcoming as rapidly as possible of the current crisis in housing and the creation of conditions in which the needs of the public will be properly fulfilled.

/With a goal thus formulated, the basic task of the state authorities will be to create new administrative-legal, economic and material-technical conditions within whose framework twice as many apartments will be constructed starting with 1986 as at the present time. Consequently, things should be handled in such a way so that by 1990 the waiting period for housing will not exceed several years./

The implementation of the above task requires the acceptance of two assumptions:

--First, the dimensions of building construction projected for the 1980's must take into account the existence of the present potential and the need for a radical change in the present technological and organizational forms of operation. It is necessary to totally cast aside the existing view that the scale of housing investments planned for the present 10-year period must be adapted to the capabilities and forms of current building construction.

--Second, general housing construction, primarily low-rise building development, should become a goal to which society would commit itself and consequently become an important factor in leading the country out of the economic and social crisis. A direct result of the acceptance of this assumption is the division of responsibility for housing construction between the state and that segment of society which needs new living quarters. The citizen must contribute to the building of his own housing not only in a financial sense but also in terms of organization and execution. The citizen will not shirk this responsibility if he is convinced that he will receive housing quickly and inexpensively. The way to this goal is, above all, through mass low-rise building construction; i.e., multifamily buildings--from one to at the most four stories as well as one-family homes in a dense building development.

How Many New Housing Units?

From assessments made by the Institute of Environmental Development, it follows that providing for all housing needs would require the construction of 4.5 million new living quarters up to 1990. Meanwhile, last year we built 183,000 housing units in the country and approximately 160,000 will be made ready for occupancy this year. If housing construction were to be continued at the present rate, then in the years 1980-1985, 1 million housing units at the very most will be ready for occupancy. This would indicate the further deepening of the housing crisis.

However, in order to provide for housing needs in their entirety, it would be necessary, beginning with the coming year, to make available to tenants an average of over 1 million housing units. Such a task cannot be implemented under conditions of the continuation of the present strategy in building construction. /In our opinion, however, it is possible to rapidly increase the amount of housing units being built to 500,000 by 1990./

On the basis of the existing technical potential, it is possible to achieve and maintain during the 1980's a production level of about 200,000 apartments

annually in multifamily buildings which are erected using industrialized methods. The building of single family homes intended for several generations [kilkupokoleniowych] and small, multifamily homes should be developed concurrently on a large scale. In 1985, it is possible and necessary to satisfy the housing needs of 150,000 to 200,000 families with so-called, low-rise-building construction and in 1990 to provide for the housing needs of no less than 300,000 families. The materials supply base for "low-rise" building construction will be composed of materials and raw materials that were conserved in house building factories as a result of the modernization of their production technology as well as materials produced from local raw and waste materials by the trade industry, by the cooperative movement and persons interested in building construction.

Only such a formulated program can lessen the housing shortage by the end of this decade and create realistic bases for a general solution to the housing problem during the final decade of this century.

Less Barriers

/In order to implement the proposed plan of housing construction, it is necessary to completely remove psychological, legal, organizational and technical barriers which had accumulated in the 1970's on the citizen's road toward an individually-owned apartment./

In the organization of building construction based on a "large panel" ["wielka plyta"], the candidate for an apartment has been exclusively sentenced to waiting. On the other hand, the possibility of living in a small house with a yard is something that most citizens will support with their own initiative and their own work in building the house.

The valid principle of protecting farmlands has taken on a degenerated form in our legislation. This is exemplified by attempts to drive housing developments solely onto waste and infertile land including that which is within the administrative city limits. These practices cause unsubstantiated increases in the building and exploitation of housing due to the need to extend the technical infrastructure and transportation network. According to analyses, the losses incurred as a result of occupying open spaces in cities are 14-20 times lower than the additional costs which would be necessary to incur if housing developments were to be "pushed" far away from city centers.

It is often maintained that high-rise building construction by comparison with low-rise construction assures the conservation of open farmlands. Credible evaluations and practice indicate that dense settlement in a well-planned compact low-rise development of single- or several-family homes is in effect very close to high-rise building development.

From a geometric point of view, the complex of houses in a dense building development is nothing more than a tall building placed on its broader side. The difference is that it can have a more varied facade and can assure natural living conditions which are more conducive to human psychological

wellbeing. In addition, experience is teaching us that the amount of agricultural produce obtained from small gardening plots on fertile soil situation in the vicinity of houses is no smaller than that obtained from farming on a comparable area of land and same type of soil; while on less fertile soil, the amount of produce obtained from these small gardening plots is several times higher than that produced on farms and on comparable land.

Under conditions of legislation currently in force concerning the protection of farmlands, mass development of low-rise building construction is impossible. The existing regulations affecting land management should be changed so that the acquiring of land for building development would be based on cost effectiveness, the procedure involving land acquisition would be simplified and potential speculation involving building lots counteracted.

Responsibilities of the State and Citizens

/The authorities alone cannot be burdened with the responsibility of solving the housing problem. The weak point and one of the crucial reasons for the collapse of past housing programs was the fact that the weight of responsibility for assuring building materials and the production of housing was borne mainly by the authorities./ Overcoming the housing crisis requires real cooperation between the authorities and those who are interested in improving their housing situation.

For this reason, the following should belong, among others, to the responsibilities of the authorities:

--the balancing of needs on a national scale and the elaboration of a state plan for building construction which would be accepted by the public,

--assuring optimally high funds in the budget for subsidizing and crediting of various forms of building construction,

--stimulating the activity of all social groups with an appropriate system of guarantees and a price and crediting policy,

--regulating legislation in the area of managing agricultural and building construction terrain so that the availability of building lots [dzialki budowlane] would be guaranteed and

--guaranteeing the production of basic materials and equipment.

As I have already mentioned, this activity must be accompanied by citizen interest. Mass interest in participating in the work involving building already exists; this is evidenced by the movement of the so-called small cooperatives which unite thousands of people. In order to enable the implementation of their plans, it is necessary to create proper financial and materials supply conditions and guarantee the equal rights of low-rise building construction in relation to multifamily building construction. The citizen will build his own housing while the authorities should fulfill the role of a wise, propitious and helpful patron. Only such activity can create realisitc foundations for a start in solving the housing problem in our country.

9853
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## PROBLEMS, PROSPECTS OF AGRICULTURE DISCUSSED

Warsaw PROBLEMY in Polish No 7, Oct 82 pp 15-20

[Article by: Ryszard Manteuffel, Dr Habilitatus PAN ordinary menber: "Polish Agriculture Today and Tomorrow"]

> [Text] The current situation in Polish agriculture is the result of political, economic and technological errors accumulated over the years. While reviewing the circuitous paths of Polish agrarian policies, Professor Manteuffel focuses on possibilities for emerging from the agricultural crisis. Such possibilities exist, and the process of error correction has already begun, but ultimate success depends on consistent implementation of many conditions.

At the present level of development in the national economy, farming no longer constitutes an autarkic entity but rather a sector of the economy as a whole, connected by strong ties with other sectors. It depends on the development of industrial divisions providing capital goods for agriculture and on the growth of other industrial divisions that produce consumer goods for individual consumption.

Thus a proper volume of industrial production is a precondition for realistic farm incomes and represents a major factor in motivating farmers to maximize their production.

Currently, these two conditions are found at highly unsatisfactory levels, contributing to the fact that agricultural potential and farming population manpower are not being fully utilized and the volume of agricultural production falls short of current capacities.

### Origin of Current Situation in Agriculture

In the period between 1948 and the Polish October of 1956, a policy of rapid collectivization and accelerated elimination of the private section was conducted in Polish agriculture.

The authorities' official policy was changed after 1956. It was recognized that the private section could exist until farmers would voluntarily give up on individual farming. However, no conditions were created to make the

development of private farming possible. At the same time, in point of fact, inherent in the implications of the laws pertaining to agriculture was discrimination against the private sector.

After 1974, there began a new wave of accelerated transfers of land to socialized sectors. In order to implement this policy, SKR's [Cooperatives of Agricultural Circles Cooperatives] and ZGR's [Combined State Farms] were created and assigned land transferred from the private sector to the State Land Fund (PFZ). The ZGR land holdings reached their peak in 1978 amounting to 460,000 hectares of agriculturally useful land. This form of land use, however, proved to be highly ineffective. Ultimately, farming declined in this sector so much that 1980 net production per hectare of arable land was [minus] 939 zlotys and net production was [minus] 12,107 zlotys.

Concurrent with the accelerated socialization of the private sector in farming, modifications affecting the socialized sector were instituted in the financial system and in economic policy. These changes were expected to contribute to growth in this sector and accelerate its productivity. In organizing socialized enterprises, a warped economic principle according to which increases in the scale of production cause reduction of cost was applied. This theory is correct within certain reasonable limits. If these are exceeded, the principle "maximum in optimum" is reached, which contradicts logic. That has led to a mania for bigness in expanding the size of enterprises and plants and stocks of cattle in so-called industrial livestock farms.

It was erroneously assumed that the socialized sector, tasked with "implementing progress" should also perform an interventionist role in the farm raw-materials market and should be managed centrally by means of a command-distribution system. It was also supposed to have in some vague way, by the nature of things, higher unit costs of production than these in the private sector. On this account, a principle under which enterprises in this sector were granted subsidies for production was introduced, which in recent times resulted in actual prices obtained in the socialized sector having been by 50 percent to 75 percent higher than those obtained in the private sector. This policy, intended to cause increases in final output per hectare and in labor productivity, has actually caused deterioration in all production indicators of the socialized sector in comparison with those in the private sector.

In turn, a dramatic decline of effectiveness in the socialized sector was brought about by a decision to accelerate this sector's quantitative growth after 1974, primarily through the establishment of new agricultural production cooperatives (RSP) by landless population on PFZ land. Final agricultural net production per hectare of usable agricultural land in this sector in 1975 surpassed the comparable production in the private sector by nearly 3 percent. In 1980, however, that production in the socialized sector was merely 61 percent of production achieved in the private sector.

What was known as industrial technology in the production of hogs and to some extent in the production of cattle, though not adjusted to the Polish conditions, began to receive support. Based exclusively or almost exclusively,

on grain, this policy pertained to the socialized sectors and to specialized farms in the private sector. As a consequence, there was a dramatic reduction in the sales of industrially manufactured feed to other farmers, causing considerable declines in slaughter livestock production on nonspecilized private farms and in peasant-worker and household-plot farms. This also contributed to rapid increases in grain imports. A mistake with disastrous results was committed at that point because, rather than (as intended) exporting slaughter livestock raised on imported fodder (approximately 9 million tons in 1980), that livestock remained for domestic consumption pushing average per capita meat consumption to 74 kg annually.

Erroneously understood effectiveness in increasing production scale along with support to the development of industrialized sectors resulted in gradual shrinking of the private sector and in destruction and ongoing elimination of small-scale industry, crafts and services in the nonsocialized sector.

The same premises have led to the dismantling and elimination of a number of facilities contributing to increased or improved utilization of agricultural produce (small mills, bakeries, butcher shops) or permitting additional inputs of deficit-plagued energy from so-called unconventional sources (wind, water and others). Among other things, weirs and other structures across secondary watercourses were eliminated, which intensified bottom erosion in the rivers and excessive drying of adjacent areas. This also increased the danger of flooding during peak runoff. Currently, however, references are made to the need for restoring small reservoirs for land reclamation purposes.

A ludicrous campaign to eliminate dunghills from the farms was conducted instead of taking care of their proper maintenance. The 'San-Epid' is on record for its infamous role in this respect. As a consequence, the country was virtually flooded with liquid manure and manure-polluted water, which contributed to the destruction of domestic resources of organic fertilizer, leading, in effect, to a disastrous decline in soil over large areas of our country.

Changes in Efficiency of Individual Socioeconomic Sectors in Polish Agriculture

| 1) Wskaźniki | 2) Lata | 3) Gospodarka uspołeczniona | 4) PGR-y Minist. Rolnictwa | 5) Spółdzielnie produkcyjne | 6) Zespoł. gospodarka kółek rolniczych | 7) Gospodarka nieuspołeczniona |
|---|---|---|---|---|---|---|
| 8) Produkcja końcowa netto | 1970 | 10 189 | 8 775 | 12 518 | 4 094 | 14 549 |
| | 1975 | 12 721 | 12 715 | 16 644 | — 372 | 16 175 |
| | 1980 | 10 588 | 11 279 | 9 813 | — 939 | 15 991 |
| 9) Produkcja czysta rolnicza netto | 1970 | 4 749 | 3 395 | 7 395 | 1 364 | 11 695 |
| | 1975 | 5 641 | 4 841 | 3 851 | — 9 688 | 11 695 |
| | 1980 | 1 176 | 1 206 | 2 544 | — 12 107 | 11 403 |

[Key on following page]

1) Indicators

2) Years

3) Socialized sector

4) Ministry of Agriculture farms

5) Production cooperatives

6) Joint agricultural circles

7) Nonsocialized sector

8) Final net production

9) Agricultural net production

Source: "Overall, final, commodity and net production in 1960-80," Main Statistical Office, "Information" No 198, 1981.

A detrimental campaign for destruction of roadside, property line and infield tree lines was conducted. This resulted in a weakening of biological resistance to plant pests due to a gradual extinction of wild birds.

A biodynamic concept of agriculture is beginning to be timidly voiced. The point is to have farming that does not endanger natural environment by applying chemicals to excess nor pollutes it with so-called wet method based on using liquid manure instead of barn dung. The biodynamic trend is already forcefully represented in the West. Its motto is: not less, but more food, without polluting natural environment.

To be ranked among major causes of an apparent shortage of meat are those that go beyond the farm sector. They have caused an abrupt increase in demand for meat in Poland. Those most important in my opinion are:

1. Propaganda activities, conducted by the political as well as other entities, in essence, advancing as one of society's goals the catching up with the most economically developed Western countries, the U.S. in particular, in per capita meat consumption. It was forgotten that a country's level of economic development is ultimately determined by the amount of national income, rather than by the number of kilograms of meat consumed per capita. The results were not long in coming.

2. A mistaken economic theory has claimed that prices are constant under socialism. Its erroneousness was demonstrated by life itself. The best example is provided by Hungary whose economy is the soundest among the countries of people's democracy while prices rise as needed to maintain the country's economic balance. In Poland, the fallacy of this theory came to light as early as 1970 when the government initiated the disastrous (2.5-fold) increase in sugar prices. That "on the whole" well-founded increase had not

been prepared for in the public opinion, fed for years with those mistaken theories, and the scale of that increase proved to be unacceptable to the nation. The government, fearing society's reaction, halted a comprehensive price increase, especially in food. That was the beginning of the pernicious, unreasonable freezing of prices.

3. Increases in personal incomes, unsupported by increments in national income together with the previous factor, had a cumulative effect along with excessive expansion in the currency...'empty' money coupled with simultaneous contraction in the volume of commodities in the consumer market. This produced increased income-related elasticity in the demand for food, mostly meat. That elasticity amounted to 0.6 in 1979, which means that per every zloty of wage increment 0.6 zloty was spent for food. Prior to the institution of food ration cards, due to continued restriction of industrial goods in the market, that indicator was already close to 1.0.

4. Growth in the percentage of nonagricultural population and decline in the percentage of agricultural population. This is connected with the higher meat content in the diet of nonagricultural population, along with the fact that fewer numbers of the agricultural population are producing food for the increasingly more numerous nonagricultural population. In the recent period, diet composition has slightly changed in rural areas because of the currency losing its real value.

Nutritionists and economists agree that the 80 kilograms of meat and even more in the next few years, per capita annual consumption that was stipulated until recently, is not dictated by the needs of the human body. It is worth it to remind ourselves that meat (variety meat included) consumption was 39.7 kg in 1955, and 49.1 kg in 1965 per capita. Yet during those periods we were not an undernourished nation in our own societal perception.

Agricultural Sector's Stipulation Have Formally Been Settled

The past two years brought tremendous changes in the agrarian policy and in economic policies affecting farmers. Many issues, accumulated over the years and seemingly insolvable, have been either formally solved or assurances that they will be handled have been obtained.

Providing a basis for concrete decisions and measures, on occasion still improper because of lack of experience and too formalistic adherence to the rule, is the assertion that "there is only one agriculture." Three sectors are maintained: private, state and cooperative, but all three are taking advantage (in theory, for the time being) of the same rights and have similar duties.

The stipulations that have been formally settled on are in the course of implementation are listed below. I will discuss them separately for each sector.

A. The Private Sector

- Recognizing the principle that the private sector constitutes a permanent component to the socioeconomic system under socialism. The Sejm (Parliament)

has introduced this principle into the Civil Code. However, farmers are demanding that this principle be inserted in the PRL constitution as well. The government has said that such language will be inserted in the constitution at a time when other amendments are being included in it.

- Rejecting the doctrine according to which a private farmer is an exploiter and his possession of capital goods creates preconditions for him to be so. That doctrine had made it difficult for farmers to offer their production services to other farmers, using their own equipment. Aside from political discrimination of farmers offering such services, this involved underutilization of farm equipment in the private sector.

- Revising the retirement law by deleting the requirement for a farmer's transfer of land to the state before retirement benefits are granted, along with a revision of the levels of pension and retirement benefits.

- Prioritizing the food sector in the use of state resources and assistance and assuring accelerated production of capital goods (especially machines and equipment) for agriculture.

- Raising prices of major farm products and assuring the application of the principle of advancing prices to keep pace with increases in the prices of capital goods, services and consumer goods. The authorities have pledged to maintain a parity of agricultural incomes with incomes of wage-earners not to drop below 100 percent.

- Assuring that farmer self-government is established on various levels. The matter of creating Agricultural Chambers is under discussion. The decision has been made to establish an experimental Agricultural Chamber.

- Substantially liberalizing the regulations on land transfers. Restoring the right to inherit land to all family members with no restricting clauses. Putting the teeth into the law on protection of usable agricultural Development Fund to the authority of rural assemblies.

- Accepting the principle that bank credit is always interest-charges and repayable.

- Creating the conditions for development of craft, production and service businesses to serve agriculture and agricultural population.

- Abolishing the dependence of private farming on arbitrary decisions of gmina chiefs.

B. The State Sector

- Instituting the new financial-economic system in keeping with the "three S" [self-government, self-dependence, self-financing] principle adopted in the economic reform currently implemented. The system finds its expression in the following changes over the past situation:

- Profitability is accepted as the only criterion of enterprise effectiveness. A system of bonuses for the workforce is related to profitability. Deficit enterprises to be maintained must achieve complete and lasting profitability in the course of three (five in exceptional cases) years. Those enterprises that fail to reach profitability will be reorganized or eliminated.

- Subsidies are abolished. Budget subsidies will be received by enterprises only on account of their carrying out specified tasks contracted for by the state provided those tasks are unprofitable for the enterprise.

- Employee self-government, elected under democratic principles (temporarily suspended), is to be instituted in enterprises.

- Write-offs of bank credits are abolished.

Bank credit is interest-charged and repayable. Individual directions in enterprise activity can be supported by differentiation in credit interest rates and in numbers of years of grace periods.

- Organization and structure of enterprises are left to the decisions of their management. They must favor complete profitability to be attained by the enterprise. In turn, it is recommended that reasonably large enterprises with a single physical plant be formed. In multiplant enterprises, component plants should operate under a self-financing system placing a priority on complete internal financial clearances. Regardless of the economic-financial system becoming effective, there has been a revision in the views on the correctness of developing industrial modes in livestock production, along with a critical assessment of excessive size of animal herds in industrial farms;

C. The Cooperative Sector

The most recent RSP delegate convention, held in November 1981, approved on adjustment in the economic-financial system to meet the requirements of the economic reform. That system approximates the one adopted by the state farms, while preserving cooperative specificity. Recognition was also granted to the principle of restoring genuine ideas of cooperative movement in the RSP. The following principles to be effective in the agricultural production cooperatives were enacted:

- The command-distribution management system by Voivodship Unions and Central RSP was abolished.

- The system of central subsidies was also abolished, especially in production. A production cooperative constitutes an autonomous self-financing enterprise.

- A principle of nonsupport to poor cooperatives by administrative methods was accepted. Only those enterprises will continue to exist which, while constituting independent enterprises, will be able to assure sufficiently high overall and subdivided income, to the satisfaction of their members and allocated PFZ land was abolished as well.

D. Joint Farms of Agricultural Circles' Cooperatives

Although there are no laws on this issue, there is a trend to eliminate this type of socialized farms completely. According to the latter of the economic reform, the principle of continued profitability is effective in this sector as well. In effect, many ZGR's have already disbanded, some joining the state sector, others transforming into ZGR's. It can be expected that an additional number of ZGR's will dissolve. Desirable, those farms having full potential for enduring and becoming fully profitable should transfer to either sector of socialized agriculture (state or cooperative). Agricultural cooperative circles as enterprises rendering production services to private farmers are still under discussion. The prevailing view is that institutions offering mechanical services in private farming are needed. Discussions cover the range of their activities, pointing out the need to handle in a palpable and effective manner, overhauls of farm machines and equipment now in private farms. Complete clarity on the organizational mode of those cooperatives is still lacking.

This ends my comment on what has been done or is being done as far as farmers' stipulations are concerned.

Prospects for the Nearest Years to Come

Basic to Polish agriculture and largely preconditioning the country's food supply is the private sector, working approximately 75 percent of Poland's agriculturally usable land and currently providing a higher final output per hectare than does the socialized sector. Thus, possibilities for growth in domestic food production largely depend on whether private farmers are interested in expanding production. This will be contingent on the purchasing poser of our currency, in other words, on the volume of personal consumer goods manufactured by industry and, to no lesser extent, on the volume and variety of agricultural capital goods available on the market. As this indicates, increases in agricultural production in our country are contingent on the capabilities of our industry.

An additional, no less important condition is a possibly normal course of weather conditions in the next few years, which would allow for maintaining the crops on current levels. Unfortunately, the current year 1982 has already aroused serious apprehension because of the springtime return of cold weather and the drought in certain regions.

A. People

Work conducted by professor A. Szemberg at the Agricultural Economics Institute indicates that aging and feminization of the farming population have been halted. It can be expected that there will follow instead some improvement in the demographic structure caused by (actually a rather restrained) increase in confidence in the lasting character of private farming, by reduction of employment in nonagricultural sectors, by difficulties in obtaining food in urban areas and possibly by the possible success of the government's private settlement program for undeveloped areas.

Still, a return to agriculture should be stipulated only with regard to those farms which lack manpower and not with regard to overmanned farms, as the latter would provoke major social complications like the emergence of a category of "unwanted" people competing for incomes derived from a farm. Above all, it is desirable that people return to farms where there are no heirs and that new farms are manned under the settlement program. There should be strong support for those who opt to return to the countryside to take nonagricultural occupations in small-scale industry, crafts and services.

Intense migration of young women from the countryside to towns is a serious problem. They leave in search of different types of work and lifestyles other than those in the country. In effect, there are a million more women than men in the towns. There is a balanced ratio in the countryside, but there are fewer young women, and young males frequently cannot find candidates for wife.

B. Capital Goods

In the next several years, farming will receive reduced quantities of certain basic capital goods, in particular, fertilizer, pesticides protein fodder and microelement-content fodder. This will involve the need of more even distribution of fertilizer, i.e. shifting a portion of fertilizer supply from the socialized sectors to the private sector along with more thoughtful management of fertilizer. Among the preconditions for effective utilization of fertilizer is lime treatment of soils to reduce their acidity. In an acid environment, fertilizer components are washed out of the soil.

A reduced supply of concentrated fodder will force farmers into rational utilization of their own basic and secondary feeds, including reen high-protein fodder, alfalfa, clover, serradella, defattened milk, whey and buttermilk, potato industry waste (mash, pulp), sugar beet pulp and, most important, fodder from the extensively utilized grasslands. Numerous microelements necessary in livestock feeding are found in industrial waste: their exploitation should be exacted.

Serious apprehension is raised among farmers by restrictions on energy inputs: liquid and solid fuels and gas and electric power. Although currently the government promises not to apply fuel restrictions in the food sector, the situation may deteriorate so that far-reaching economy measures may be necessary. In connection with this prospect, existing potential of draft horse power should be used in full. According to the concerted opinion of agricultural mechanizers, the horse currently reconstitutes the cheapest sources of traction in agriculture. We have 1,725,000 horses in Poland. Preparations should be underway so that in the near future full possibilities are provided for utilizing wind and water, and later, direct solar power. Currently, however, the State Forest sector should be taken up on its offer to sell large quantities of forest timber for power generation, heating and construction, provided the wood is prepared for haulage and hauled by the bidder. That wood can also be used in local furnaces to burn bricks and other ceramic products. Consideration should also be given to applications of wood gas to power internal combustion engines, successfully applied during World War II.

C. Production Processes in Agriculture

An issue of tremendous, perhaps larger than those discussed heretofore, significance is the necessary restoration of principles of rational agricultural engineering and animal husbandry. This can come about, almost automatically, by the state enterprises being forced to attain continued profitability and, on the part of farmers in the private and cooperative sectors, to attain satisfactory income levels. In crop production, a return should first be made to rational agricultural engineering and application of all available methods in biologically combatting the pests. Because of necessary protection of human environment from excessive chemical dissemination, I place special emphasis on more efficient utilization, rather than constant increase in the doses, of fertilizer. Steps should also be taken to assure proper handling and use of organic fertilizer especially that of animal origin. A shift to high-sugar beet varieties should be effected, along with a raise in sugar beet purchase prices. Potato industry should be developed, to produce potato meal and potato alcohol, among other things, for export purposes as well. In livestock production, hog production should be developed on the basis of domestic fodder: potatoes, high-protein green fodder (dried material), screenings and milk-processing waste. Cattle raising should be as the main line since it constitutes a basis for crop production via barn manure. Cows should be seen as factories of animal-protein which aside from other uses can be a fodder additive for nonruminant animals. In milk cattle breeding perennial grasslands should be utilized above all others. Particular attention should be paid to careful storage and maintenance of fodder. This is possible, given meticulous care on the part of the producers.

All available assets in agriculture that have been unexploited or wasted thus far, should be utilized.

Cautionary Conclusions

Farmers' collective memory has perpetuated the authorities' frequent failure to keep their promises. Hence, the present authorities are faced with the need to win farmers' confidence, which will be largely responsible for perpetuation of motivations stimulating productive labor. Danger lurks in nonfulfillment of obligations on those issued in which such obligations have been undertaken. The more important ones are listed:

- The promise to insert language referring to permanence of the private sector in Polish agriculture into the constitution.

- Maintaining farmers' income parity at a level at least as high as average incomes of wage-earners. The point here is to uphold the principle of advancing prices.

- Recognizing the necessity of establishing a private farmers union representing peasant interests, combined with a pledge on the part of the government to institute self-government in state farms.

- Unrestricted turnover of land for agricultural purposes within and between socioeconomic sectors.

- Withdrawal from effecting repeated changes in the area of trade in (and state purchasing of) agricultural produce.

The dangers listed above pertain to socio-psychological concerns that at this time largely determine farmers' motivation toward efficient production (in all the sectors).

To conclude, I emphasize several major points of danger in physical activities:

- A permanent power shortage in agriculture, which can possibly occur in the next decades.

- Depletion of natural resources, primarily rare elements. Even today, less material- and energy-absorptive technology should be preferred.

- Pollution of natural environment by uncontrolled poisoning of the atmosphere, soil and water by chemical components.

- Excessive increase in fungus diseases in cultivated crops, along with pests, primarily insects, owing to their new forms and varieties being developed, either immune to applied chemical agents, or due to the lack of indespensable chemical agents.

- The last two hazards are inversely proportioned. Improvement in one worsens the situation in the other: excess amounts of chemical agents cause environmental pollution.

12199
CSO: 2600/53

POLAND

## ECONOMISTS' CRITICISM OF PLANNING PUBLISHED

Warsaw ZYCIE GOSPODARCZE in Polish No 41, 31 Oct 82 p 9

[Text] The opinion of the Polish Economic Society's Main Board concerning "Variants of the Proposed National Socioeconomic Plan For the Period Ending in 1985 And Introductory Criteria For the Plan For the Years From 1986 to 1990." The opinion was also forwarded by the Main Board to the Planning Commission and to the Boards of the Society's departments.

This paper synthesizes and compiles the most important comments concerning the examined work. The comments were formulated during discussions conducted in the Society's forum and were contained in written opinions forwarded by the Society's organs and by individual members of the Society's management. The paper is based mainly on statements made during the working discussion on the paper, which took place at the Society's Main Board Plenary Meeting on 28 Sep 1982, on the minutes of the Society's meeting which took place 24 Sep 1982, and on the opinions forwarded by the Society's voivodship departments and by members of the Main Board.

### I. General Comments

1. First it should be emphasized that we are aware of the special problems that working out of the plan's criteria entails, in view of the lack of clear basic factors determining the future economic situation. However, the importance of the issue makes it necessary to formulate critical comments and doubts, beginning with more general questions, since the implementation of particular postulates depends on the ability to solve the general questions.

2. The economic objectives outlined in the paper discussed (i.e., the description of material conditions of the people) are, from the vantage point of the people, extremely modest, but at the same time it is unrealistic to expect their full implementation in light of the way the main interdependent factors determining the country's economic situation are shaping at present. The factors include the implementation of economic reform, the sociopolitical atmosphere, plus foreign debts and linked problems of imports needed to get the economy going. Thus, on one hand, the document discussed is not optimistic enough, while on the other hand, it is unrealistic.

Without a significant improvement concerning the three factors, the key criterion, which assumes a rapid improvement in the management efficiency and the resulting enlivening of production, has to be seen as unrealistic. The current tendencies do not point to the likelihood of such an improvement. Thus, the fulfillment of even the modest objectives put forward in the plan's second variant, seems unrealistic.

The rate of changes in the economic system is far from the one needed to achieve the qualitative breakthrough in the functioning of the economy. Furthermore, leaving almost all of the organizational-institutional structure of the command-distribution system intact is already a source of informal directive-type action on the part of managerial organs, and in the near future, we may fully return to that system as a result.

Also, there are no sufficiently convincing factors justifying the assumption that the sociopolitical atmosphere will improve. This improvement is necessary to put in motion noneconomic incentives and initiatives of employment. Of course, economic incentives alone, although necessary, are not enough because of the need to limit the increase in income caused by the need to bring back the market into balance. The possibility of hard financing needed to bring efficiency and change to the production structure seems uncertain in view of the lack of mechanisms for negotiating and defusing conflicts.

Of course, these comments should not be seen as a call to create an artificially optimistic version of the plan. We simply want to emphasize the necessity for changing the main factors determining implementation of socio-economic objectives.

3. Generally speaking, the criteria for the objectives are not too optimistic and, in the same time, not too realistic, and the document under consideration seems to lack in appreciation of the economic problems facing the country during the period from 1986 to 1990. This may be due to concentrating attention on the next three years and by difficulties in forecasting events in the following years.

However, it should be stated that a number of factors that were actually discussed in the document may cause the period from 1986 to 1900 to be at least as difficult as the forthcoming years. This is because the payment of foreign debts (this includes the Western countries as well as the USSR) that have been put off and will continue to be put off in the near future, will accumulate. The problem of depreciation will surface at that time in all its severity. The same holds true for the necessary rebuilding fixed assets for production. The energy shortage may surface again and limit production growth. Other problems, such as stagnation of the export of raw materials, are also possible. But in the same time, it is difficult to count on putting in motion sufficiently strong opposite incentives, if the current tendency in the area of the economic reform and other factors described in the item 2, continue.

4. Some important statements contained in the examined work are insufficiently documented and it is difficult, and sometimes even impossible, to develop a point of view on them. Mainly, it is unclear, how the three discussed variants were developed, since the criteria on which they are based are formulated too broadly. Because of this it is unclear which choices are available. For example, in the second variant it is unclear what "normalization" of the situation in trade with capitalist countries means. Also, it is not specified what growth factors are different in the emergency variant, as compared with the first variant. It is only known that both variants forecast continuation of current restrictions on the part of the capitalist countries--our creditors.

5. Despite emphasis in the document on the necessity of significant increase in the management effectiveness, the main factor of the increase--the economic reform--has received very broad treatment and has not been sufficiently linked to the rest of the work.

The proposal presented does not seem to come close to the kind of economy that would be in accord with the spirit of the reform. For example, it should have been specified where and when the elimination of differential treatment is projected, both in the spheres of production and consumption. In general, the "Variants" show a glaring discrepancey between verbal statements concerning the significance of the economic reform and the content of the second chapter ("The Main Directions of the Socioeconomic Policy") which, from the methodological point of view, received traditional treatment that assumes predominance of administrative means.

II. Detailed Comments.

1. The following, more specific postulates were formulated with the knowledge --and we want to emphasize it--that the possibility of implementing most of them depends to a considerable degree on satisfying more general conditions that were already discussed. Most of the postulates and comments, especially those formulated at the Society's Main Board meeting, are in accord with the views of the Consultative Economic Council. Special attention ought to be given to the following questions:

a) We believe that it is necessary to conduct a "tough financial policy" concerning enterprises and other units whose managing does not show that they can be self-financing and does not hold a promise of improving the results of their activities. It is also necessary to consistently uphold the principle of elimination of such units, including bankruptcy. Concerning wage policy, we support the emoluments variant in which the size of the employees' income depends on their individual efficiency and on the results of the functioning of the enterprise.

b) Social policy should be conducted externally, by the state, within the framework of the budgeting possibilities of the state. It should be linked to the tax rate, payment rate, and other charges included in the budget. This postulate is a result of a conviction that the most realistic and effective way of coming out of the crisis lies in restoring the proper meaning to labor productivity and in reflecting this in wages.

c) It is necessary to thoroughly work out instruments of the economic policy that would encourage enterprises to eliminate excessive employment. Changes should be made in the FAZ formula. Increases in the wage fund should be taxed, with the exception of the increases resulting from labor productivity which should be favored.

The "Variants" gave traditional treatment to the problem of field economy. Regional self-governments are almost not present there, except for verbal declarations. The plan is, as before, "divided" among voivodships, but it does not insure the increase in the autonomy of regional organs.

e) We consider intensification of free market machinery and equipment transactions as an important (but not mentioned in the document) instrument for restructuring production. According to the spirit of the reform the state should be viewed as an organizational unit in charge of ordering tools.

f) It is necessary to make radical changes in the investment system. This includes creating for enterprises investment opportunities within the framework of self-financing.

g) It is necessary to create more favorable conditions for the development of apartment construction, making more use of individual resources of the population and creating small decentralized apartment cooperatives and many small construction enterprises.

h) We are against statutory return to a 6-day week, since we see a possibility of a variant based on voluntary work on free Saturdays. The current rules concerning payment for work on free Saturdays should be preserved, and enterprises should be free to chose the way to organize their work.

2. We also find it necessary to remove the following gaps and doubts:

a) The employment policy and balance of manpower are treated superficially. This holds true especially for regional balances and for balances in more important branches.

b) The expected loss of 300,000 employees from construction industry is not explained. It is true that a significant part of the work force has to leave this industry in view of considerable limitations on investment activities. However, the structure of tasks is being changed (there is an increase in the rate of modernization, in renovating, and a decrease in the number of new constructions. There is also an increase in finishing work in halted investments). The changes cause us to look from a new vantage point at the question of work efficiency in this sector of the national economy. Also in other sectors there are significant changes in the structure of the range of products and in services that require a different approach to employment.

c) The balance of the country's foreign debts should be an integral part of the criteria. The balance includes the expected exports, imports, and

amounts of paid debts and the increase in interest on loans from capitalistic countries, as well as from CEMA.

d) The projected growth rate of agricultural production is much higher than the rate accomplished at any time in the history of PRL. This does not seem a realistic objective.

e) It is certain that the investment issues are insufficiently worked out; e.g., there is no list of investments that have not been completed and there is no plan for their implementation. Outlays for mechanical investments have been distributed among voivodships.

f) It is necessary to compile "an inventory" of our economic potential including bottlenecks and strict limitations.

III. Conclusion

We believe that it is necessary to prepare a new version of the variants of the National Socioeconomic Plan for the period up to 1985 and of the introductory criteria for the years 1986 to 1990. The new work should be ready to be forwarded to the Sejm after it is evaluated by experts. We also believe that independent (competing) teams of experts should work on each variant. Furthermore, we feel that an optimistic variant highlighting opportunities for faster reconstruction of the national economy should be prepared. We are for a 3-year and a subsequent 5-year plan, and the period covering the 3-year plan should give significance to each of the following 1-year plans.

9959
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## FULFILLMENT OF 1982 PLAN, PREPARATIONS FOR 1983 DISCUSSED

Bucharest REVISTA ECONOMICA in Romanian No 41 15 Oct 82 pp 6-7

[Article by Mircea Pirjol: "How We Are Working To Prepare To Achieve the 1983 Plan"]

[Text] The recent plenary session of the RCP Central Committee approved documents of special significance, with central focus going to the draft economic-social development plan for 1983.

The overall plan provisions for the coming year stress the qualitative facets of economic activities, more clearly denoting the fundamental characteristics of the five year plan of quality and efficiency in all fields, especially those with regards to the better use of raw materials, the more sustained reduction in the consumption of materials, fuels and energy, the production of high quality products that are competitive on foreign markets and the maximum use of the production potential in industry and the other branches with a high level of efficiency. Once the parameters of the plan have been established, the decisive steps now become the preparatory works of finishing all those elements that will influence its fulfillment. These are activities that must be carried out in parallel with the sustained efforts to achieve this year's plan and to recoup certain shortfalls in different areas of activity.

As the proceedings of the plenary session also showed, the indicators for the 1983 plan already have their material base assured under conditions of a more accentuated use of domestic resources and a strict limitation on imports, of each enterprise, central and ministry achieving its physical production tasks in the contracted amounts and types, of strictly staying within the planned consumption standards and of fully achieving the tasks for recovering and using all reuseable materials, secondary energy resources and reconditioning spare parts and subassemblies. This succinct list actually contains the principal directions that must receive the attention of the responsible authorities in the enterprises, central, ministries and central reporting organs for the purpose of ensuring all the conditions for a sustained effort to fulfill the plan provisions right from the first days of the new year.

### Contracting Actions - Finalized in the Most Effective Way Possible

Special measures are required with regards to the detailed preparations for delivery-supply relations between the economic units, within the framework of the approved plan balance and on the basis of concluding economic contracts

in the shortest possible time, Contracting actions for 1983 are underway and in a series of branches they have already concluded contracts to a significant degree. In the main branches of industry, contracts have already been concluded that represent approximately 50 percent of the volume of the planned goods production for 1983 for domestic consumption, compared to approximately 40 percent at the same time last year.

Despite all this, for some products we must work more energetically for the purpose of completing all the details that concern contracting, especially in the following areas:

- speeding the Ministry of the Metallurgical Industry's centralization of specifications for the sizes and types of non-ferrous metals and finalizing in the shortest possible time the production schedules, on the basis of which assignments will be issued keeping in mind the fact that for ferrous metallurical materials contracting practically has not even started;

- having the centrals within the Ministry of the Machine-Tool, Electrotechny and Electronics Industry, with the direct assistance of the ministry and the reporting organs, clarify the still unresolved problems for a series of electro-technical and electronic products so that they can quickly extend the contracting, which currently only accounts for approximately 30 percent of the goods production;

- finalizing the movement of resources to investment projects, especially with the users of construction materials, so as to be able the move to the use of computers in scheduling the optimum use of transportation, keeping in mind that for the Ministry of Wood Industrialization and Construction Materials overall contracts have been set for less than 43 percent of the production slated for domestic consumption;

- immediately concluding all the delivery contracts for coal and ores, where currently there are problems that have been identified regarding the levels of production and the destinations of these items, but these do not justify the delays in fully contracting for the production, of which only 50 percent has contracted sales;

- in the units of the Ministry of Light Industry, although contracts have been concluded for 50 percent of the goods production slated for domestic consumption, the situation is unsatisfactory, compared to last year when at the same time the level was 80 percent of production. This means that measures must be taken to finalize contracting with the trade units.

What must be stressed is the fact that the immediate conclusion of contracts is not a goal unto itself, but a primary condition so that the economic units, by knowing with certainty what they have to produce and deliver, will be able to define their own needs. In order to satisfy these needs, there must be a series of linked solutions with other partners who must deliver different materials and subassemblies.

Along this line of thinking, it is necessary for the industrial central and the ministries to work more effectively to finalize the international cooperation programs and, on this basis, to move to concluding firm contracts for this cooperation. It must be very well understood that, even if we are talking about enterprises in the same central, the delivery of semi-finished goods or products does not constitute an act of "understanding" or a contract, but, in the spirit and letter of the law, an unambiguous obligation that is subject to all the rigors stemming from economic contracts.

In this regard, we can note the great difficulties that have been caused this year by the failure to adhere to the cooperative deliveries for semi-finished goods between the units of the Ministry of the Metallurgical Industry - for electric motors, automation equipment and others in the area of machine building. We can also give numerous other examples and deficiencies that stress the objective need to have the timely and detailed solution to all these problems of cooperation between enterprises.

Increased Responsibilities for Providing the Energy and Raw Materials Base

Concluding economic contracts allows each enterprise, central and minstry to know in detail the objectives of its activities for the coming year. Without a doubt, a decisive role in preparing the plan belongs to, however, providing the material, technical and organization conditions, right from this year, in order to effectively achieve the established production. In this regard, there are special tasks in those sectors that provide the energy base and raw materials.

As was stressed numerous times by the secretary general of the party, comrade Nicolae Ceausescu, the measures established in the area of providing fuels and energy are vital for the scheduled development: the qualitative changes that will take place in the primary energy balance by increasing the production and consumption of coal and bituminous shale (which next year will total more than 54 million tons compared to 44 million tons in 1982), concomitantly with a limitation on the domestic consumption of crude oil and under conditions of strongly reducing the norms for energy consumption, rationalizing vehicle transportation and strictly economizing energy in all sectors of activity.

In order to provide electrical and thermal energy, the draft plan calls for the firm promotion of the orientations established by the 12th Party Congress regarding increasing the level of supply from domestic resources to meet the required amounts, which next year will represent over 90 percent of the economy's primary energy, compared with 84 percent in 1982. In this area, special attention must be given to investment projects and to building and starting up the production facilities that have been scheduled for coal, bituminous shale, crude oil and, especially, those for the recovery of secondary energy resources. We will especially have resolve this year the problems of supplying certain technological equipment for the mining industry, such as mechanized coalface equipment for thick layers of pitcoal, as well as delivering tubular materials and drilling gear needed by the petroleum industry.

The 1983 energy consumptions are rigorous sized on the basis of consumption standards and will have to be used with greater firmness in order to prevent the situation of this year when, for the first 8 months, the standards were exceeded by over 1.4 million tons of conventional coal, especially in the chemical and metallurgical industries and in the Ministry of Electrical Energy. Similarly, we should note the tasks to reduce the total amount of consumption of thermal energy by approximately nine percent compared to 1982, with the consumption of thermal energy produced by petroleum products being decreased by approximately 20 percent. All this means that in each unit they will have to take the necessary measures in the direction of increasing the efficiency of burning processes, modernizing or replacing certain installations having high levels of consumption, insulating pipes, eliminating losses of the thermal agent and adhering rigorously to the working temperatures in the technological processes and those where standards exist for heating so that even during November and December we will be working with the standards approved for 1983.

In the energy field, special stress will have to be placed on the achievement, beginning this year, of a transition from boilers in thermal power stations using liquid fuels to those using coal, keeping in mind that for next year the production of thermal energy using coal will increase by 73 percent, while liquid fuels were correspondingly reduced.

In 1983, the metallurgical industry has tasks of separate special significance with regards to the diversification and growth of the quantitative level of production. For the purpose of providing the varieties of metals needed in machine building and other branches, it is necessary to accelerate work to bring about start-ups, even during the fourth quarter of this year, of certain new production facilities used in the calculations for production in 1983 at the steel combines in Hunedoara, Galati and at other units. This must be done so as to ensure the slated production increases in pipes, stainless steel plate and sheet, drill pipe and metallic cords, where the plan tasks call for increases of 40-57 percent compared to this year. In addition to the quantitative tasks, metallurgy also has the requirement to start production on a substantially increased variety of items in the shortest possible time - which will mean a decrease in imports - and whose introduction into production will ensure a substantial increase in the level of the use of metals.

Problems of this nature are also facing the chemical industry, which must provide the light, mining, machine building and transportation industries with increased amounts of synthetic threads and fibers, dyes, detergents, rubber materials and other technical items made of rubber and plastic materials, tires and other items. That is why we must concentrate all efforts during this quarter and in the first quarter of next year in order to accelerate the start-up of facilities that are nearing completion and, at the same time, to work so that the facilities that had arrearages during previous years will operate at the project parameters.

In the center of concerns, it is necessary to place the intensification of activities to recover and use reuseable materials, which constitute a main,

sure and efficient source that will provide 30-60 percent of the necessary amounts for a series of basic raw materials. This is even more necessary since this year plan provisions were not attained in the recovery of copper materials, metallic lead, zinc, non-ferrous ash, paper-cardboard, polyethilene and others. Also, some facilities for the use of reuseable materials that were scheduled in the approved program were delayed or not even started, as was the case for recapped tires, lead oxide processing, oxalic and formic acids, plastics, non-woven textiles, phosphor-gypsum board and others.

An important cause for the failure to achieve the planned production this year is the failure to carry out quality and timely capital repairs on installations and equipment, which brought about accidental stoppages and extended shutdowns for repairs. In this context, it is necessary to have better preparations and organization in all those activities that involve the proper maintenance of fixed production assets and the achievement of all the conditions for good quality and timely overhauls and repairs.

In the first half of the year, the capital repair plan in industry was only 90 percent completed, with the more significant shortfalls occurring in machine building, mining and transportation. As a result of accidential stoppages, 120 million production hours were lost at basic installations and on basic equipment in the main production branches, which brought about the failure to produce certain resources. These situations are due to a great degree to the fact that a series of parts and subassemblies were not produced and that, in general, preparations for repairs were not appropriately made.

For some installations and equipment, they still have not identified and started production on all parts that wear out, which causes means facilities to operate at less than capacity. Greater efforts are made to obtain imports of parts than to start production of them, even though experience has shown that we can produce in Romania items of the greatest complexity. In this context, I feel it would be opportune to organize special sections or shops in the most representative units that would be involved in the start of production of parts that are imported, both for their own units and for the entire central, with the indicators and payments taking into account the equivalent amount of hard currency saved. Through such an organized activity, for which the economy has all the necessary equipment, we could contribute to a better operation and maintenance of fixed assets.

As has been shown, there still are a sufficient number of problems that need to be more effectively resolved in contracting for production, in organizing the supply system and in managing materials and stocks. Through energetic measures, it is necessary, now, to decisively work to eliminate immediately any delays and to thoroughly prepare for next year's plan.

8724
CSO: 2700

STATUS OF, PLANS FOR SMALL BUSINESS IN CROATIA

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 4 Nov 82 p 3

[Article by Jasen Grubic]

[Text] Why is there once again debate on the need for more rapid development of small business, when problems in connection with it in recent years have several times been on the agenda of the General Association and the League of Associations of Independent Businesses, agencies of the Croatian Economic Chamber and the city trade unions, the republic specialist committee, IVS [Executive Council of the Assembly] and the Croatian Assembly? In the meantime the republic Social Agreement on the Development of Small Business has been signed, on the basis of which broader activity should be instituted on the implementation of the developmental policies that have been accepted. Also under way is the coordination of the republic agreement with federal regulations.

In order to involve all signers of the agreement, particularly commercial banks, a significant number of opstina assemblies, associations of opstinas and republic interest communities of directed formation, the Croatian Economic Chamber believes that without delay the developmental policies for small businesses must be coordinated conceptually with the economic stabilization policy, and then a program be innovated of measures and activities for implementing the obligations accepted by the signers of the agreement.

Small business cannot remain only a (deficit) production branch of crafts and services. It must create twice the production capacity of present smaller industrial organizations of associated labor and private cooperatives. Only then can small business here in Yugoslavia earn its rightful place in the overall social division of labor and at the same time enable productive employment of a larger portion of the total growth in the active working population.

Structure

In associated labor, small business is made up of 689 economic entities, of which 560 are basic and other organizations of associated labor, 112 are craft cooperatives for private craftsmen, and 17, contract organizations of associated labor. This breakdown emerges from the document "The Conception of the Development of Small Business to the End of the Current Intermediate Plan Period," which was adopted at the suggestion of the General Association by the

Executive Council of the Croatian Economic Chamber. That part of Croatia's small business, organized into the General Association, with 45,000 employees, last year realized 35 billion dinars in total income, and more than 12.5 billion dinars of profit, while contributing about 2 billion dinars to various funds (with a loss of but 62 million).

In private labor, which is organized into 85 opstina associations of independent businessmen in the republic (with an association of those associations), there are 57,700 operators of production and service shops, trades, inns, transportation and commercial services. Since each of them can have up to 10 employees, that sector of small business employs about 35,000 workers (sic), which is unsatisfactory. Nevertheless, those four activities last year produced more than 7.5 billion dinars in income, and the craftsmen paid 2.1 billion dinars of taxes and contributions.

Two years ago the Croatian Organization of Small Businesses was formed, and now it has 160 members including basic and other organizations of associated labor, as well as private craft cooperatives. It sees to importing semimanufactured materials and equipment, acquires domestic goods and takes care of marketing goods and services as well as development in the broader sense. This commercial organization also operates a permanent exhibition of the products of small businesses at the Zagreb fairgrounds, which serves as a clearing house for supply and demand.

New Products

Development of ideas for acquiring spare parts for final products of large systems requires not only coordination of that task, but also a pooling of resources for financing until successful implementation is achieved. Those responsible for development in small business production must be exclusively such systems. In a situation which is not found in their development services, because of a lack of money, in which it would be possible to go beyond ideas, precisely the Croatian Small Business Organization would have to become the strong point in which the resources are gathered for financing the development of such ideas, finding investors and preparing investment projects. Resources would come from where they accumulate for such purposes, in the Republic Fund for Developing Economically Insufficiently Developed Regions, in economic chambers, general associations, self-management interest communities for employment and other entities that are concerned with more rapid development of small businesses.

Those involved in ideas for production of a number of deficit consumer products, from spare parts for durable goods to notions, should be consumer goods producers. The General Small Business Association of Croatia should be obliged, together with the commercial association, to organize and develop ideas on the production of deficit consumer products, to find confinancers for introducing their production, and to assure shop documentation for every new product.

Employment Criteria

Shops that employ up to 10 workers, but that cannot for whatever reason organize into current capacities of associated or private labor, should be offered to

investors in the area of private labor with resources in the ownership of citizens and among workers returning from temporary employment abroad. For production employing 10-30 workers, but that cannot for whatever reason be incorporated into plants of contract organizations or basic organizations of associated labor, investments should be sought in private resources owned by citizens and returnees from abroad and by establishing new contract organizations of associated labor, but also in cooperation with the local community and the opstina assembly.

Developmental Concept

The privately owned cooperative should also, by its own forces or as planners and organizers of the preparation of ideas (by others) for introducing new products, take on part of the load for development, especially where projects that can be implemented by its members are concerned. That should put craft cooperatives on the road to executing one of the chief tasks imposed on them by law.

At the time of the revision of Croatian development documents for the current intermediate plan period, it is essential to modify the goals that small business should achieve in the remaining 3 years. According to the concept adopted, they should contain a marked activation of the area of operations involved in direct foreign exchange income and particularly substitutes for imports, followed by enriching the market with products and services of small businesses to eliminate their financial losses.

Such a concept of development requires directing part of the resources of social reproduction and savings of citizens into small business, and assuring domestic and imported semimanufactured materials for the production and services of that sector of the economy. This obliges small business in the coming 5 years to double its number of production and service workers and with inspection services in the opstinas to "aid" in eliminating improper work.

The Executive Council of the Croatian Economic Chamber has also accepted an innovative proposal of measures and activities in the realm of small business which should contribute to the implementation of the objectives set for completion by 1985. Three groups have been made covering 46 tasks that cannot be postponed, with indications of their performers (which project that this program will be adopted by all general associations, the IVS, responsible republic committees and secretariats, opstina assemblies, trade unions, etc). Periods for completion are also specified. From federal agencies comes preparation of a proposal of changes and additions to the Customs Law to enable pooling of the labor and resources of workers returning from abroad and those of domestic organizations of associated labor, without regard to specialized training or other qualifications of the returnee joining the association. In this the items of the economic inventory imported by returnees and incorporated into the cooperative would be determined by the organization of associated labor, with the import quota being markedly higher than in the case of imports of those items for opening independent craft shops.

Also anticipated is the preparation of proposed changes and additions to the Law on Guaranteeing Payments between users of social resources, which should make it possible for those responsible for economic activities in private labor to satisfy consumption better in the same time period as associated labor.

Republic Responsibilities

Among 31 problems whose resolution is the responsibility of the republic, we will single out several without intending to underestimate the others. First, there is the question of preparing a draft of changes and additions to the Law on Taxes from the Income of Labor Organizations to establish a permanent source for financing new projects and introducing new products in small businesses. It is considered that for that purpose, the Republic could contribute 50 percent of the taxes it receives from income of small business organizations and contract organizations of associated labor.

Also connected to that is the formation (at the General Association) of a fund for financing development of ideas to introduce new products and investment projects. Sociopolitical forces should influence that formation to see that, when self-management agreements are being coordinated to direct resources of social reproduction, all noneconomic production be transferred to small business entities. The development services of those systems should also cooperate in implementing production of new articles in cooperation, as well as in opening new plants in small businesses for the production of consumer goods that are in short supply.

The proposed program insists in this that the private cooperatives and contract organizations of associated labor be equated with labor organizations under overall legal regulation, and that the opstinas strive for establishing more contract organizations, primarily by contributing resources from taxes on the income of such organizations of associated labor to opstina budgets.

12131
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# EVALUATION OF RELIABILITY OF 380-KV POWER NETWORK

Belgrade ELEKTROPRIVREDA in Serbo-Croatian No 7-8, Jul-Aug 82 pp 215-218

[Article by Dr Zoran Mlinarevic, M.A., electrical engineer, School of Electrical Engineering, Sarajevo]

[Text] The research described in this article was concentrated on evaluating the reliability of Yugoslavia's basic 380-kv network. After presentation of the reliability indices of certain centers of consumption, it indicates the most reliable centers of consumption and also examines the failures which have resulted and the unsatisfactory conditions of the network.

## Introduction

The principal role of electric power systems is to meet consumers' need for electric power as economically as possible at appropriate levels of continuity and quality of supply. Taking that as a point of departure, the role of analyses of reliability of electric power systems comes down to forecasting the system's probable behavior in the future on the basis of past experience. Reliability analyses, along with other analyses, are also very important both in the process of planning and also in the process of operating the system. The principal tasks which are set for analyses of this kind are the following:

a) in the process of planning electric power systems:

i. comparison of conceptual approaches to planning,

ii. comparison of alternative solutions,

iii. identification of undersized or oversized areas,

iv. assistance when various adjustments are made in the plan,

v. selection of optimum solutions.

b) in the process of operation of electric power systems:

i. indication of the place, method and time for expansion and improvement of the system,

ii. selection of states for bringing facilities on line,

iii. obtaining quantitative data for making load scheduling decisions,

iv. selection of procedures for reestablishment of operation after various failures and disconnections.

This article will be limited only to the presentation of certain results of analyzing the reliability of Yugoslavia's basic 380-kv network in order to indicate the importance of conducting such analyses.

The Premises Adopted

For the purpose of conducting with any accuracy analyses of the reliability of electric power systems one must respect various types of failures and disconnections which realistically do occur in such systems. On those grounds it is assumed that active, passive, transient and joint failures can occur.

Figure 1. Yugoslavia's basic 380-kv network.

Aside from that, forced, scheduled and transient disconnections are also respected. Since the probability of the occurrence of several simultaneous failures and disconnections of the same kind or different kinds is not negligible, simultaneous failures and disconnections of three components were assumed in this analysis for each center of consumption. Since the failure of protection can cause several sound components to be disconnected, respect was paid to the probability of the failure of protection, and in examination of active failures, consideration is given to the situation where protection does operate and isolate the component which has actively failed, and the situation in which sometimes it does not operate. Failures of elements comprising any electric power system are affected quite significantly by the states of the environment such as weather conditions, temperature, humidity, vibrations and the like, so that in the analysis being presented it was assumed that abnormal weather conditions last an average of 100 hours a year and that they affect the number of outages of transmission lines, since 50 percent of the failures occur in that time. The restoration and reestablishment of operation after various types of failures and disconnections occur must be based on real experience, so that the following actions were assumed to reestablish operation of satisfactory quality: work efforts (repairs, replacement and maintenance), relinkage (reestablishment of operation in the remaining portion of the system by closing normally open reserve feed routes, if they exist), reconnection (switching sound components back on line) and actions to reduce the load (reduction of a part or all the load in one or more centers of consumption in order to eliminate poorer quality service, consideration being paid to the significance of the centers of consumption).

Table 1. Peak Loads of the Centers of Consumption Analyzed

| Center of Consumption | Peak Load | |
|---|---|---|
| | Active (MW) | Reactive (MWAr) |
| Ljubljana | 250 | 50 |
| Zagreb | 350 | 100 |
| Ernestinovo | 250 | 50 |
| Belgrade | 400 | 150 |
| Nis | 350 | 100 |
| Skopje | 400 | 100 |
| Titograd | 250 | 100 |
| Kragujevac | 200 | 50 |
| Banja Luka | 200 | 100 |
| Sarajevo | 250 | 100 |

Yugoslavia's basic 380-kv network (Figure 1) was analyzed, respecting its interconnection with neighboring countries. The calculation was made for 10 centers of consumption, and the peak loads and time curve of load duration were assumed as shown in Tables 1 and 2. Since the economic losses resulting from unreliability are suffered both by distributors and consumers of electric power, those losses had to be computed both for each center of consumption and also for the entire system. That is, electric power distributors are exposed to economic losses of income and possibly penalties for undelivered power, while consumers are exposed to more serious economic consequences such as the

interruption or reduction of production, output of poorer quality, breakdowns, etc. It was assumed in the analysis that the distributor loses 2.0 dinars per kilowatt and 2.5 dinars per kilowatt-hour undelivered, and the figures on economic losses of consumers are shown in Table 3. The figures adopted on reliability of components are shown in Table 4.

Table 2. Time Curve of the Duration of the Load

| Specified Level of Power (% of maximum power) | Probability of Occurrence | Average Duration of Higher Load (hrs/hr) |
|---|---|---|
| 0 | 1.0000 | 8,760.00 |
| 10 | 0.9999 | 4,379.00 |
| 20 | 0.9693 | 169.82 |
| 30 | 0.8555 | 35.67 |
| 40 | 0.6710 | 21.45 |
| 50 | 0.4971 | 10.49 |
| 60 | 0.3358 | 7.21 |
| 70 | 0.2035 | 6.78 |
| 80 | 0.1168 | 3.91 |
| 90 | 0.0227 | 1.34 |
| 100 | 0.0000 | 0.00 |

Table 3. Figures on Economic Losses to Consumers

| Indicator | Center of Consumption | | | | |
|---|---|---|---|---|---|
| | Ljubljana | Zagreb | Ernestinovo | Belgrade | Nis |
| Critical outage time when economic losses become high (seconds) | 0 | 0 | 90 | 0 | 30 |
| Average economic losses to consumers per kilowatt not delivered when the duration of the outage is less than critical (dinars/kwh) | 0 | 0 | 100 | 0 | 50 |
| Average economic losses to consumers per kilowatt not delivered when the length of the outage is greater than or equal to the critical time (dinars/kw) | 400 | 500 | 200 | 600 | 300 |
| Average economic losses to consumers per kilowatt-hour not delivered when the length of the outage is greater than or equal to the critical time (dinars/kwh) | 300 | 300 | 300 | 300 | 300 |

Table 3 (continued)

| Indicator | Center of Consumption | | | | |
|---|---|---|---|---|---|
| | Skopje | Titograd | Kragujevac | Banja Luka | Sarajevo |
| Critical outage time when economic losses become high (seconds) | 0 | 0 | 60 | 120 | 0 |
| Average economic losses to consumers per kilowatt not delivered when the duration of the outage is less than critical (dinars/kwh) | 0 | 0 | 200 | 150 | 0 |
| Average economic losses to consumers per kilowatt not delivered when the length of the outage is greater than or equal to the critical time (dinars/kw) | 400 | 300 | 200 | 300 | 400 |
| Average economic losses to consumers per kilowatt-hour not delivered when the length of the outage is greater than or equal to the critical time (dinars/kwh) | 300 | 300 | 300 | 300 | 300 |

Table 4. Figures on Reliability of Components

| Indicators | Buses | Circuit Breakers | Long-Distance Transmission Lines | |
|---|---|---|---|---|
| | | | Normal Weather Conditions | Abnormal Weather Conditions |
| Total number of failures (failures per year) | 0.05 | 0.010 | 0.203 | 16.200 |
| Number of active failures (failures per year) | 0.03 | 0.060 | 0.177 | 14.175 |
| Number of transient failures (failures per year) | 0.10 | 0.500 | 0.500 | 40.500 |
| Amount of maintenance (disconnections per year) | 0.25 | 0.250 | 0.25 | |
| Average length of maintenance operation (hours) | 8 | 8 | 12 | |
| Repair time (hours): | | | | |
| Minimum | 12 | 12 | 36 | |
| Average | 24 | 24 | 72 | |
| Maximum | 36 | 36 | 96 | |

Table 4 (continued)

| Indicators | Buses | Circuit Breakers | Long-Distance Transmission Lines: Normal Weather Conditions | Long-Distance Transmission Lines: Abnormal Weather Conditions |
|---|---|---|---|---|
| Relinkage time (hours) | 0.02 | 0.020 | 0.08 | |
| Reconnection time (hours) | 0.04 | 0.040 | 0.10 | |
| Probability of failure | 0 | 0.001 | 0 | |

Table 5. Computed Reliability Indices of Centers of Consumption

| Center of Consumption | Anticipated Number of Outages (outages/yr) | Average Duration of Individual Disconnection (hrs) | Expected Annual Outage Time (hrs/yr) | Average Undelivered Load in Individual Outage (MW) |
|---|---|---|---|---|
| Ljubljana | 1.301842 | 0.584720 | 0.761213 | 116.790000 |
| Zagreb | 1.330127 | 0.658383 | 0.875733 | 163.506000 |
| Ernestinovo | 1.835711 | 0.363917 | 0.668046 | 116.590000 |
| Belgrade | 1.302093 | 0.584611 | 0.761218 | 186.864000 |
| Nis | 3.127962 | 3.242316 | 10.141842 | 56.158397 |
| Skopje | 4.020032 | 4.529319 | 18.208006 | 185.864000 |
| Titograd | 1.302343 | 0.584502 | 0.761223 | 116.790000 |
| Kragujevac | 1.302343 | 0.584502 | 0.761223 | 93.432000 |
| Banja Luka | 4.020032 | 4.529319 | 18.208006 | 93.432000 |
| Sarajevo | 1.835117 | 0.363917 | 0.668046 | 116.790000 |

Table 6. Computed Anticipated Annual Nondelivery of Power to Centers of Consumption Because of Unreliability

| Center of Consumption | Anticipated Annual Nondelivery of Power Because of Unreliability (MWh/yr) | Share in Total Annual Nondelivery of Power Because of Unreliability, % |
|---|---|---|
| Ljubljana | 89.902014 | 1.40 |
| Zagreb | 143.187594 | 2.25 |
| Ernestinovo | 78.021058 | 1.23 |
| Belgrade | 142.244156 | 2.24 |
| Nis | 569.549600 | 8.98 |
| Skopje | 3,402.420870 | 53.47 |
| Titograd | 85.903182 | 1.35 |
| Kragujevac | 71.122546 | 1.12 |
| Banja Luka | 1,701.210435 | 26.73 |
| Sarajevo | 78.021058 | 1.23 |
| Total | 6,363.582513 | 100.00 |

Table 7. Computed Anticipated Economic Losses of Centers of Consumption Resulting From Unreliability

| Center of Consumption | Anticipated Annual Economic Losses Resulting From Unreliability (dinars/yr) | Share in Total Annual Economic Losses Resulting from Unreliability, % |
|---|---|---|
| Ljubljana | 87,487,457.15 | 3.03 |
| Zagreb | 151,698,182.77 | 5.27 |
| Ernestinovo | 64,676,908.04 | 2.24 |
| Belgrade | 188,661,788.96 | 6.55 |
| Nis | 223,124,125.23 | 7.74 |
| Skopje | 1,321,205,958.42 | 45.83 |
| Titograd | 72,301,153.55 | 2.51 |
| Kragujevac | 45,064,467.13 | 1.56 |
| Banja Luka | 619,287,020.82 | 21.48 |
| Sarajevo | 109,163,388.93 | 3.79 |
| Total | 2,882,670,451.00 | 100.00 |

Results

The following reliability indices were computed for all the centers of consumption analyzed.

a) Anticipated number of outages (anticipated average number of outages for the center of consumption over the period of 1 year).

b) Average duration of each disconnection (average length of the individual disconnection of the center of consumption).

c) Anticipated annual volume of disconnection (anticipated time the center of consumption is disconnected for the period of 1 year).

d) Average undelivered load related to each disconnection (average undelivered power at the center of consumption for each outage).

e) Anticipated annual nondelivery of power resulting from unreliability (average power not delivered at the center of consumption over the period of 1 year).

f) Anticipated annual economic losses resulting from unreliability (sum total of anticipated economic losses of distributors and consumers in the center of consumption over the period of 1 year).

The computation was made on a digital computer, and the results of the computation are shown in Tables 5, 6 and 7.

Although the results speak for themselves, we need to emphasize that the most unreliable of the centers of consumption analyzed are the centers of

consumption Skopje, Banja Luka and Nis. That is, if the anticipated annual undelivered power of the centers of consumption analyzed is taken as 100 percent, the Skopje center of consumption would account for 53.47 percent, the Banja Luka center of consumption 26.73 percent, and the Nis center of consumption 8.98 percent. Similarly, if the anticipated annual economic losses resulting from unreliability of the centers of consumption analyzed are taken as 100 percent, the centers of consumption exposed to the greatest risk are Skopje with 45.83 percent, Banja Luka with 21.48 percent, and Nis with 7.74 percent.

Aside from the analysis made of reliability, a check was run on the ability of the system to maintain its integrity (its ability not to break down) when single and simultaneous double failures occur. This analysis showed that the following failures bring about distintegration of the system:

1. Failure of the Djerdap HE [Hydroplant].

2. Failure of the Obrenovac TE [Thermal Plant].

3. Failure of the Ernestinovo RP [disconnection junction].

4. Failure of the Djerdap--Bor--Nis line.

5. Failure of the Obrenovac--Ernestinovo--Zagreb line.

6. Simultaneous failure of the Tuzla TE and Podlog RP.

7. Simultaneous failure of the Tuzla--Ugljevik--Ernestinovo line and the Podlog RP.

8. Simultaneous failure of the Podlog--Maribor--Krsko--Zagreb line and the Tuzla TE.

9. Simultaneous failure of the Podlog--Maribor--Krsko--Zagreb and Tuzla--Ugljevik--Ernestinovo lines.

10. Simultaneous failure of the Tuzla TE and the Piva HE.

11. Simultaneous failure of the Piva HE and the Mostar RP.

12. Simultaneous failure of the Piva--Sarajevo line and the Mostar RP.

13. Simultaneous failure of the Mostar--Sarajevo line and the Piva HE.

14. Simultaneous failure of the Tuzla--Sarajevo line and the Piva HE.

## Conclusions

This paper has presented only some of the results of a far more extensive analysis, which makes it possible to offer answers to all the problems that are posed for reliability analyses, as was emphasized under a and b in the Introduction. One of the most important conclusions would be that analyses of

this kind make it possible to obtain quantitative indicators which are very important to the making of decisions in both the process of planning and also in the process of operating electric power systems. It is certain that the results of the analysis depend on the figures adopted, and so the value of the results is directly dependent upon the value of the data. Reliability indices were computed from the data adopted for 10 centers of consumption, those which are most unreliable were indicated, and the critical failures which cause the system to break down are emphasized. On the basis of the analysis made one can conclude that the unreliability of Yugoslavia's electric power system results in large part from the absence of reserve generating capacity and the system's insufficient redundancy. In conclusion we might put the question of the economic justifiability of exposure to such a risk of economic losses resulting from unreliability.

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7045
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OIL, GAS EXPLORATION, PRODUCTION, 1980-1981

Zagreb NAFTA in Serbo-Croatian No 9, Sep 82 pp 483-492

[Article by Ifet Ibrahimpasic, Vlastimir Nedeljkovic and Damir Rajkovic]

[Excerpts] In spite of the economic difficulties against which the Yugoslav economy struggled in 1981 and which did not bypass our petroleum and gas production, good results were nevertheless recorded in the production of petroleum and gas.

Petroleum production increased 3.4 percent (or, rounded off, 3 percent), and gas production all of 19 percent between 1980 and 1981.

Thus in 1980 production was $4,390 \cdot 10^3$ tons of petroleum and 2.2 billion cubic meters of natural gas. At the same time 330,346 meters of deep drilling was done. This is a 1-percent increase over 1980.

Problems in purchasing imported supplies, equipment and tools had an adverse effect on overall activity not only in drilling, but also in other activities and indeed even on the level of petroleum and gas production achieved.

The shortage of foreign exchange will also have an adverse effect on the plans outlined for development of petroleum and gas up to the year 1985 and indeed even beyond.

1. Activity of INA--Naftaplin in 1981

In spite of the very problematical operating conditions which were characteristic of the 1981 business year, exceptional results were achieved in it. Petroleum and gas production was up over 1980. A higher figure was also achieved in drilling.

The fundamental difficulties in the activity of INA--Naftaplin are related to the shortage of technical equipment, spare parts and production supplies which are imported. This has often caused interruptions in the operation of the most effective drilling rigs, special apparatus for taking measurements in wells, as well as apparatus for conducting technological procedures without which wells cannot be cased. For those same reasons there was also a cutback on well repair in 1981.

The results achieved in the activity of INA--Naftaplin in 1981 should be attributed to a number of factors, among which the following especially stand out:

i. operational effectiveness in linking together technological components in INA--Naftaplin in mastering technical problems in the overall process of operation,

ii. introduction of our own technical solutions in all fields of technology,

iii. reduction of unproductive time through effective preparation of operations in the OOUR's [basic organization of associated labor] involved in extraction, and so on.

A complete survey of the activity of INA--Naftaplin in 1981, with all details for the various fields of operation, i.e., from planning to sales, is covered in the internal documents of the various OOUR's, of which INA--Naftaplin had six in 1981: the GIR (Geological Explorations and Field Development), Drilling, Repair, Production, Specialized Field Operations, and Commerce. Alongside these activities there was also the activity of the work community of Joint Staff Services, which were classified by purpose as follows: Accounting and Finance, Development, Personnel Affairs, Legal and General Affairs, Planning, EOP [Electronic Data Processing], and Technical Protection.

Exploration and Field Development

In spite of numerous objective difficulties within the field of activity of the OOUR GIR, successful business results were achieved in 1981.

Because of the energy crisis priority has been given to exploration in the Pannonian Basin. The Adriatic Sea bed was of interest for stepping up intensity of operations in order to determine gas deposits in clastic and carbonate rocks. The Dinarid region was a concern mainly in the form of study related to further processing of the geological data and completion of the Poljica-1 well.

Pannonian Basin

The following localities were discovered by exploration of hydrocarbon deposits in the Pannonian Basin:

Kalinovac, Stari Gradec, Dugo Selo east, Krivaj and Velika Plana.

Tests are still under way at these localities.

In the Drava depression exploration covered seven localities. The wells Kal-5 alpha, Kal-4 and Let-5 revealed rocks saturated with hydrocarbons, while the anticipated results were not achieved in drilling the Kal-west-1 and Camagajevci-1 wells.

The Sava depression was characterized in 1981 by the highest intensity of operations. The following localities were represented:

Vrbak, Lipovljani, Dugo Selo east, Velika Plana, Laktec, Precko, Krivaj and Osekovo east.

In the Mura depression the well Str-1 (Strunkovac) was used to explore rock strata belonging to the Tertiary and its substratum.

The Slavonian-Srem depression was characterized by an interesting saturation with hydrocarbons of quartzitic and schistous breccias discovered at the locality Ilaca.

Geophysical Operations

Geophysical readings taken in 1981 at certain localities to prepare for the drilling of prospect holes were detailed. In addition, regional profiles were also run in certain depressions. In all, 1,320 km of seismic profiles were run in the field, Vibroseis accounting for 174 km of this. The height of propagation of elastic waves was measured in eight deep exploratory wells, and detailed gravimetric measurements were made in the region of Bilogora (3,700 detailed gravimetric points).

The large scope of exploratory operations in the Pannonian Basin at a large number of geological localities required the scientific and professional involvement of a large number of specialists. The following were prepared: a study evaluating the promise of the Slavonian-Srem depression and the project plan for exploration in the Pannonian Basin. Petroleum-geological-tectonic relations in the Bjelovar syncline were reinterpreted, and exploration programs were adopted for the coming period.

The Adriatic Sea Bed

In 1981 the Adriatic area was characterized by intensive exploration, as follows: geological, geophysical and exploratory drilling.

Eight wells were drilled, and drilling began at the location Istra More 1 [Istria Offshore 1].

Marine seismic recording was done over 2,419 km of profiles, and measurements were made of seismic velocities in three wells and seismic tests were run on the seabed at six locations.

Dinarids

The activity of exploring hydrocarbon deposits in the Dinarids is exceptionally complicated not only because of the depth of the wells, but also because of the need for quite thorough and lasting scientific and professional involvement of geologists, geophysicists, geochemists and other scientific-technical specialists. The specific activity of exploring deposits in the Dinarids during 1981 had to do with drilling the Poljica-1 deep well.

In view of what we have learned so far about the conditions of stratification of the Dinarid rocks, appropriate exploratory activity will be devoted to this region in the future.

In view of the complexity of the areas of exploration, manifested in the essentially differing conditions under which the deposits occur in the Pannonian, the Dinarids and the offshore Adriatic, a conclusion can be drawn concerning the difficulties along the way to obtaining effective results.

Drilling

Results of OOUR's Achieved in 1981

Table 1 shows the results of drilling in 1981; they exceeded those for 1980. Development drilling had a larger share than exploratory drilling. The greatest difficulty in these operations had to do with production supplies. The shortage of bits of appropriate diameters, certain types of casing and drilling mud, tended to increase the nonproductive time of drilling rigs. The breakdowns that occurred at certain wells (Poljica-1, Krivaj-1, Kal-4, Kal-5, VR-1, Di-1) were worked out on an ad hoc basis with more or less success. In spite of these difficulties, an output of 80,676 meters of exploratory drilling is a very great success in operation in view of the shortage of appropriate production supplies.

The figure for development drilling was 120,997 meters, which was mostly done with worn-out drilling rigs. In large part this success was achieved by adopting equipment manufactured in Yugoslavia. Thanks to superb maintenance of installations, improved organization of work, reduction of "idling" to the minimum and improved coordination of the five other OOUR's which participate in drilling wells, the expected, i.e., satisfactory, output was achieved, even though imported production supplies were lacking for development drilling, inappropriate bits, drilling cables, drilling mud materials and so on were used.

In 1981 the OOUR "Drilling" carried out operations to explore for geothermal water (a total of 6,069 meters). One deep well (Petisovci), the Globoki-6, was sunk for the work organization INA--Nafta Lendava. The technology and operations in drilling that well attained a substantial technical level.

Aside from the drilling work surveyed in Table 1, the OOUR "Drilling" of INA--Naftaplin did 7,019 meters of drilling in Iraq during 1981. And then 3,176 meters were drilled from its platform "Zagreb" in the Mediterranean for Libya.

Of total exploratory drilling done in 1981 (80,676 meters), the Pannonian Basin accounts for 64,837 meters, the Dinarids 3,628 meters, and the offshore Adriatic from the platform "Panon" 12,211 meters.

The average depth achieved in 1981 was 2,656 meters for exploratory wells and 1,881 meters for production wells.

Taking into account the more difficult natural conditions for operation because of overcoming the problems related to reaching greater depths in the

Pannonian Basin (high temperatures and pressures, cases of loss of recycling of mud, the opening up of rocks containing carbon dioxide, hydrogen sulfide and other mineral substances), and the shortage of production supplies, it can be said that the OOUR "Drilling" recorded worthwhile performance in its operation in 1981.

Table 1. Results of Drilling for INA--Naftaplin in 1981

| Description | 1980 | 1981 |
|---|---|---|
| 1. Total drilling in meters: | 196,152.80 | 201,673.00 |
| a. Exploratory drilling for petroleum and gas | 60,378.50 | 80,676.00 |
| b. Development drilling for petroleum and gas | 135,774.30 | 120,997.00 |
| 2. Number of wells drilled: | 111 | 122 |
| a. Exploratory for petroleum and gas | 34 | 45 |
| b. Development for petroleum and gas | 77 | 77 |
| 3. Drilling success: | | |
| a. Total wells cased | 111 | 122 |
| b. Positive for petroleum and gas | 53 | 59 |
| c. Dry (negative) wells | 33 | 28 |
| d. Wells being tested and also new sites | 25 | 25 |
| 4. Number of drilling rigs in operation | 15.71 | 16.49 |
| 5. Meters drilled per rig | 12,486 | 12,230 |

Production

Results of OOUR's Achieved in 1981

Table 2 shows the results achieved in petroleum and gas production in 1981. These results are higher than those in the previous year. Of the total of 23 petroleum deposits, production in 1981 should be attributed to the following deposits when the comparison is made to production in 1980: Benicanci, Struzec, Klostar, Ivanic Grad, Sandrovac, Zutica, Jamarica, Lipovljani, Bilogora and Stevkovica, as well as to those low-output deposits which contributed to what amounted even to overfulfillment of the target for total production.

Table 2. Petroleum and Gas Production in INA--Naftaplin in 1981

| Description | 1980 Result | 1981 Result |
|---|---|---|
| Petroleum in tons | 3,056,388 | 3,140,777 |
| Gas in thousands of cubic meters: | | |
| a) Natural gas | 707,022 | 784,061 |
| b) Casinghead gas | 276,219 | 384,867 |
| Total | 983,241 | 1,168,928 |
| Liquefied gas in "t" | 53,405 | 81,111 |

Foreign Operations

Within the OOUR GIR of INA--Naftaplin the Foreign Operations Service was quite active during 1981. Continuity of operations was maintained in countries where

INA--Naftaplin previously had work sites. In addition, activity was expanded in seeking out opportunities for marketing knowledge, equipment and technology abroad in the field of petroleum mining, whose scope has already been confirmed in the world. Here is a short survey of INA--Naftaplin's activity in foreign countries during 1981.

Iraq

The drilling of the fourth well in Iraq under contract with INOC was completed, and the contract was extended to drilling two more wells, the fifth of which is now being tested. On the basis of a contract between INOC and Naftaplin one drilling crew from INA--Naftaplin is now training Iraqi workers in that country to work independently on their Emsco-1500 drilling rig. Talks are now being conducted concerning the possibility of including one of our repair installations in the work in Iraq, and there are also talks on continuation of drilling.

Angola

Naftaplin has a share of 5 percent in the offshore exploration (Block 3). The operator is the French firm Elf Aquitaine. The Palanca-1 well was drilled; from two intervals the rock has a total petroleum yield of over 900 cubic meters per day. The density of the petroleum is 0.83 kg per cubic decimeter. Work has been going on to drill the well Pacassa-1 at another structure. A decision was made to drill a second well, Palanca-2, in Block 3, which was done.

Naftagas and INA--Naftaplin submitted a bid for exploring the area indicated as Block 1. The Angolan company Sonangol has offered Naftaplin a share of 7.5 percent. The operator chosen was the Italian AGIP. Naftaplin submitted a bid to Sonangol for exploring deposits in Block 8 in which INA--Naftaplin would be the operator.

Indonesia

Seismic shooting in the offshore area of North Sakala, in the eastern portion of the Java Sea, has been completed, and 6,523 km of profiles were recorded. In these operations the operator was the Italian AGIP, while Naftaplin was involved with a share of 20 percent. After processing of the data from the seismic shooting, it is probable that an exploratory well will be located; drilling of that well could begin during 1982.

China

In an area around the island Hainan in the south of China seismic shooting was done in which Naftaplin participated with a large number of world companies. The American Amoco was the operator in these operations. Since the interpretations of the seismic shots have been completed, offers of further work in this area are expected. An offer is also expected from the Chinese side for exploration in the region of the Yellow Sea, where the French Elf would be the operator, and Naftaplin would participate in the work.

Vietnam

The following participated in work for the company Petrolvietnam in the South China Sea: the Italian AGIP as operator, and INA--Naftaplin and the Spanish Hispanoil as participants. Since AGIP was unable to reduce its share of 80 percent, after obligations under the contract were performed for the full 3 years, the contract with Petrolvietnam was terminated.

North Korea

In 1981 a geological study of an exploratory area of the Korean Gulf was made on the basis of geophysical data. Korea kept for itself Block C, and TOTAL and Deminex withdrew from this project. INA--Naftaplin and Naftagas then informed KITC that they were canceling the contract after completion of the first phase. Later Korea offered Block C, but it did not manage to find a partner. Thus seismic work has been completed for Korea in Block C, and our specialists also made the interpretation. The work site has still been retained in Korea because of the circumstances set forth.

Gabon

In its work in Gabon INA--Naftaplin is still maintaining its 20-percent share, while the other partners have given up their share to the French Elf. The location of the next well has been determined. Commencement of operations has been dependent upon purchasing a drilling platform.

The Offshore Adriatic (Foreign Partners)

Three new Adriatic OOUR's have been organized within INA--Naftaplin in order to explore offshore Adriatic deposits with foreign partners: Jabuka, Mljet and Palagruza. The necessary preparatory steps with respect to legal procedure have been taken for this transaction within INA--Naftaplin so that this activity can be carried out in our country.

In 1981 INA--Naftaplin completed the purchase of the semisubmersible platform "Gulnare" from a Norwegian owner, and at the end of June it was taken over in Palermo. The platform was renamed the "Zagreb I."

That platform was put to work for the Italian firm AGIP, and the leasing contract on the platform will expire in early 1982. After that the "Zagreb I" platform will be put to purposive use in conformity with the activity of INA--Naftaplin in exploring hydrocarbon deposits beneath the seabed of the Adriatic, where the depths are greater than those for which the platform "Panon," supported by legs, is intended.

2. Exploration and Production of Petroleum and Gas Within the Work Organization Naftagas

Last year the business was operated under complicated economic conditions, which was manifested in the difficulties of purchasing imported equipment. The outdated drilling rigs and the lack of spare parts and supplies

necessitated a particular effort in meeting planning targets. Capital investment projects were carried out with great difficulties because of the lack of imported equipment.

In spite of all the problems which accompanied operations last year, the anticipated rate of operations was maintained, the planning targets were by and large fulfilled, and to some extent even exceeded, so that it can be said that the business year ended with success.

Activities were carried on mainly in SAP [Socialist Autonomous Province] Vojvodina. Operations to explore for petroleum abroad were continued, and one drilling rig was employed in exploratory drilling for Jordan.

Various activities and efforts were undertaken to preserve normal business operation in the context of the shortage of foreign exchange and the campaign to stabilize the economy.

The results achieved in exploration and production can be seen in Tables 3 and 4. Those same tables also show the results achieved in 1980.

Table 3. Drilling Results in Naftagas in 1981

| Description | 1980 | 1981 |
|---|---|---|
| 1. Total drilling in meters: | 132,422 | 128,673.0 |
| a. Exploratory drilling for petroleum and gas | 70,855 | 56,571.0 |
| b. Development drilling for petroleum and gas | 61,537 | 72,102.0 |
| 2. Number of wells drilled: | 75 | 74 |
| a. Exploratory for petroleum and gas | 33 | 25 |
| b. Development for petroleum and gas | 42 | 49 |
| 3. Drilling success: | | |
| a. Wells positive for petroleum and gas | 45 | 49 |
| b. Negative wells | 8 | 5 |
| c. Wells being tested | 17 | 20 |
| 4. Number of drilling rigs in operation | 10 | 9.2 |
| 5. Meters drilled per rig | 13,242 | 13,986 |

Table 4. Petroleum and Gas Production in Naftagas in 1981

| Description | 1980 Result | 1981 Result |
|---|---|---|
| Petroleum in tons | 1,183,293 | 1,244,459 |
| Gas in thousands of cubic meters: | 875,696 | 1,061,220 |
| a) Natural gas | 728,523 | 867,894 |
| b) Casinghead gas | 147,173 | 193,326 |

More detailed information on activities and problems will be given in the survey by the work organization's various technological activities.

Geological and Geophysical Operations

These operations are carried on by the Sector for Exploration, which has a staff of 89, among them 54 with higher specialized training.

Aside from processing geological data and completing supplemental regional explorations in SAP Vojvodina, there was no major activity in geological operations.

As for geophysical tests, the reflection technique of seismic shooting was done by the method of multiple overlapping. The new 3-D seismis method (three-dimensional seismic profiling) was used for the first time. The operations plan was fulfilled at a level of 96.5 percent. The goal of seismic work was to define in more detail the existing structural forms, to initiate new ones, and to prepare for exploratory drilling.

The purpose of exploratory drilling was to discover new petroleum and gas deposits and to contour deposits already discovered. The greatest intensity of operations was in the area of northern and central Banat. As Table 3 shows, 25 exploratory and step-out wells were drilled. The plan was fulfilled at a level of 96.0 percent.

A great deal of time was spent and work done on assimilations (osvajanja), testing interesting intervals in exploratory wells and processing the data. Poor reservoir rock conditions and extremely low permeability necessitated the use of stimulative methods. It is evident from Table 3 that 20 of the 25 wells drilled are in the testing phase, which means that there will be a great deal more work to do in the coming period.

The Sector for Exploration is also involved in exploring four and using thermo-mineral waters, and evident results have been achieved in this field as well. We will not speak specifically about this in the present report.

The following should be mentioned in the domain of foreign exploration for petroleum and gas:

i. In Algeria, on the parcel Garet Tasselit, interpretation of seismic measurements was completed, and two wells were located. At one location 314 meters were drilled. Drilling is under way. The work is being done by Naftagas--Algerie.

ii. In an exploratory area in Angola Naftagas and Naftaplin are participating in exploring for petroleum with three other foreign partners. The operator is Elf Aquitaine Angola. The well Pal-1 was drilled and yielded commercial quantities of petroleum in testing. Two wells are in the drilling phase.

iii. In an area in Tunisia 777 km of seismic profiles were done and preparations conducted for drilling a second well. Naftagas' partners in financing are AGIP and Petroswed. The operator is AGIP.

iv. In Gabon, in the area Cama Marin, Naftagas has a share of 10 percent in exploration costs. The operator is Naftaplin. Preparations are being made for drilling one well.

v. In China explorations have been completed as called for by obligations under the contract, and in Korea further explorations have been broken off.

Aside from what we have said, work was done in the Sector for Exploration on the study processing of data, preparation of analyses, detailed reports, programs, etc.

Field Development

The work of drafting the plan for production, well stimulation, physicochemical analysis and hydrodynamic measurement is regarded as current and operational work in the domain of field development. The sector for field development is responsible for drilling development wells. As is evident in Table 3, during last year 49 development (production) wells were drilled. The annual plan was fulfilled at a level of 113 percent. The plan for intensification of production of certain fields was carried out by drilling certain production wells.

As for the use of supplemental methods of petroleum production, work was done in drafting a detailed report for use of a pilot test in the fields Jermenovci and Velebit. A contract with the Hungarian firm Tesco has been prepared for test injection of air into a well in the Jermenovci field, the purpose of which would be to test the process of underground petroleum combustion. The Dutch firm Servo completed laboratory tests with a view to injecting surface-active agents and polymers into the Velebit deposit. A detailed report is also being written for the pilot test in connection with this question.

Aside from what we have said, as part of field development detailed reports are being written on petroleum and gas reserves, mathematical simulation, the principal petroleum engineering projects, etc.

Drilling

Drilling was done mainly by nine drilling rigs, i.e., with one less than in 1980 because one rig was sent to Jordan to do exploratory drilling in that country. Nevertheless, the drilling plan was fulfilled at a level of 100.52 percent. The average drilling depth was 1,760 meters. In Jordan one well was drilled to more than 3,000 meters.

There was unproductive drilling time because of interruptions in transportation and waiting for service: logging, cementing, etc.

Problems have been arising because the drilling rigs are old and because of the lack of spare parts, tools and production supplies.

Petroleum and Gas Production

Petroleum and gas production is shown in Table 4. The plan for petroleum production was fulfilled at a level of 101.6 percent, and that of casinghead gas production at a level of 103.9 percent, while natural gas production fell short, i.e., the plan was fulfilled at a level of 95.5 percent, which was the result of unrealistic planning of consumption.

Aside from current business, the Production Sector was involved in preparing petroleum engineering projects, capital investment documentation, and programs, studies and analyses.

The need for the large amount of repairs caused considerable difficulties in fulfilling the production plan; 62 out of the 497 wells planned were not in operation.

Mobile rigs for petroleum production were used on the new and smaller fields, which helped to fulfill the production plan.

The difficulties were similar to those in other activities.

Glance at Activities in 1982

The plans for 1982 call for drilling 127,450 meters and producing 1,300,500 tons of petroleum and 1,080,802,500 cubic meters of gas. It is expected that this year, just like last year, exceptional efforts will be required to fulfill the anticipated volume of drilling and production. Operations will be accompanied by difficulties similar to those in 1981. Far greater efforts will be needed to manufacture domestic equipment. It is expected that the problems of producing gas containing carbon dioxide will be worked out in the coming year.

3. Drilling Results in Yugoslavia in 1981

Although the drilling volume of 330,346 meters represents an increase of only 1 percent over the previous year, which is the basic feature of drilling in 1981, we certainly should add to this the problems in purchasing supplies, equipment and tools, which makes the results achieved still more worthwhile. The emphasis is still on exploratory drilling, which increased 5 percent over 1980 (Table 5), which is altogether in line with the needs of development and discovery of new reserves of petroleum and gas. The volume of exploratory drilling increased especially in INA--Naftaplin, where the increase was all of 34 percent over 1980; the growth in Naftagas was less. The bulk of the drilling is still taking place in the Pannonian Basin, where the level of exploration is very high because work has been under way for many years. That is why the average drilling depth is rising steadily, the natural conditions for operation are becoming more and more difficult, and there is an ever greater risk in the sense of the percentage of negative (dry) wells.

Yet the figures for 1981 show that the share of negative wells in the total number of wells drilled is nevertheless considerably lower than in the previous

year and amounts to 35.2 percent. This is indicative of good prior preparation of every location, for which credit is due to activities involved in the process of drilling the wells, and it also indicates an enviable level of organization of work. When we add to this the increase, though slight, in the output per rig in spite of the use of inappropriate tools and other production supplies, the drilling results in 1981 can be looked upon as very good.

Table 5. Drilling Results in Yugoslavia in 1981

| Drilling Results | 1980 | 1981 | Index 81/80 |
|---|---|---|---|
| **INA--Naftaplin** | | | |
| 1. Total drilling done in meters: | 196,153 | 201,673 | 103 |
| a. Exploratory drilling | 60,379 | 80,676 | 134 |
| b. Production drilling | 135,774 | 120,997 | 89 |
| 2. Number of wells drilled: | 111 | 122 | 110 |
| a. Exploratory | 34 | 45 | 132 |
| b. Production | 77 | 77 | 100 |
| 3. Drilling success: | | | |
| a. Positive wells | 58 | 64 | 110 |
| b. Negative wells | 53 | 48 | 91 |
| c. Share of negative wells in total wells drilled, % | 47.70 | 39.30 | -- |
| 4. Number of rigs in operation | 15.71 | 16.49 | 105 |
| 5. Number of meters drilled per rig | 12,486 | 12,230 | 98 |
| **Naftagas** | | | |
| 1. Total drilling done in meters: | 132,422 | 128,673 | 97 |
| a. Exploratory drilling | 70,855 | 56,571 | 80 |
| b. Production drilling | 61,537 | 72,102 | 117 |
| 2. Number of wells drilled: | 75 | 74 | 99 |
| a. Exploratory | 33 | 25 | 76 |
| b. Production | 42 | 49 | 117 |
| 3. Drilling success: | | | |
| a. Positive wells | 51 | 53 | 104 |
| b. Negative wells | 24 | 21 | 88 |
| c. Share of negative wells in total wells drilled, % | 32.00 | 28.40 | -- |
| 4. Number of rigs in operation | 10.00 | 9.20 | 92 |
| 5. Number of meters drilled per rig | 13,242 | 13,986 | 106 |
| **Total** | | | |
| 1. Total drilling done in meters: | 328,575 | 330,346 | 101 |
| a. Exploratory drilling | 131,264 | 137,247 | 105 |
| b. Production drilling | 197,311 | 143,099 | 98 |

Table 5 (continued)

| Drilling Results | 1980 | 1981 | Index 81/80 |
|---|---|---|---|
| 2. Number of wells drilled: | 186 | 196 | 105 |
| a. Exploratory | 67 | 70 | 104 |
| b. Production | 119 | 126 | 106 |
| 3. Drilling success: | | | |
| a. Positive wells | 109 | 117 | 107 |
| b. Negative wells | 77 | 69 | 90 |
| c. Share of negative wells in total wells drilled, % | 41.00 | 35.20 | -- |
| 4. Number of rigs in operation | 25.71 | 25.69 | 100 |
| 5. Number of meters drilled per rig | 12,780 | 12,859 | 101 |

4. Petroleum and Gas Production

In 1981 total petroleum and gas production showed continued growth over 1980, which is very significant in the context of the general aspiration to meet as much of Yugoslavia's energy needs as possible from domestic sources. The total growth of petroleum production was 146,000 tons, which is 3 percent more than in the previous year. Overall production was achieved from existing petroleum reservoirs through better use of reservoir conditions and drilling bit time. It should also be borne in mind that most of the reservoirs are near the end of the process of primary production, which necessitates considerably larger investments of work and resources, which makes the significance of increasing output still greater.

This means that a whole series of technical problems had to be conquered, mainly problems related to the inadequate capacity of repair rigs, lateness and inadequate delivery of subsurface pumps and other equipment related to the mechanized method of production, etc.

We should also mention that steps are being taken so that as many reservoirs as possible with unfavorable conditions of dissolved gas and gas cap are brought into a more favorable relationship of marginal water by artificial water injection. It can be said that even today almost 80 percent of the reservoirs have that favorable set of conditions which has the best impact on extraction from the reservoir.

Gas production was also increased, and that a total of all of 19 percent over the previous year, which represents a considerable increase. The two work organizations had an almost equal share in this, thanks above all to construction of a certain number of gas pipelines, reconstruction of certain pumping stations, the work done on the dynamic behavior of demand and consumption, and the initial operation of our largest gas field, Molve.

Table 6. Oil and Gas Production in Yugoslavia

| Petroleum Production ($10^3$ tons) | 1980 | 1981 | Index 81/80 |
|---|---|---|---|
| INA--Naftaplin | 3,056 | 3,141 | 103 |
| Naftagas | 1,183 | 1,244 | 105 |
| INA--Nafta Lendava | 5 | 5 | 100 |
| Total | 4,244 | 4,390 | 103 |
| **Natural Gas Production (millions of cubic meters)** | | | |
| INA--Naftaplin | 983 | 1,169 | 119 |
| Naftagas | 876 | 1,061 | 121 |
| INA--Nafta Lendava | -- | -- | -- |
| Total | 1,859 | 2,230 | 119 |

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21 December 1982

# East Europe Report

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2352

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21 December 1982

# EAST EUROPE REPORT

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2352

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# REGULATION DETERMINING PRICE SETTING FOR GOODS, SERVICES

Sofia DURZHAVEN VESTNIK in Bulgarian 2 Nov 82 pp 1046-1043

[Ministry of Finance Regulation No 6 on the Procedure and Documents for Price Setting or Approval]

[Text] Section I

General Stipulations

Article 1. (1) The present regulation establishes the procedure and the documents required for setting, approving and registering prices of goods, work and services and price markups or discounts.

(2) The present regulation is binding on all organs and organizations which submit proposals for prices and which set, approve or register prices of goods, work and services.

Section II

Proposals for Price Setting or Registering

Article 2. Price proposals must be drafted and substantiated in accordance with the stipulations of the Regulation on Prices (DV, No 72, 1982) and the specific norms and conditions governing price setting included in the same regulation, based on Article 4, paragraph 2, point 2.

Article 3. (1) Proposals related to the approval of prices of goods and services shall be submitted by economic or public organizations to the respective state price organs.

(2) Proposals on prices of goods and services as per lists Nos 1 and 2 of the Regulation on Prices will be submitted by the economic organizations through the ministries and other departments to the Main Administration for Prices.

(3) Price-setting proposals for study and design projects and cost norms and prices of construction and installation projects shall be based on Regulation No 8 Governing Price Setting for Research, Design and Construction Output (DV, No 69, 1980; supplemented, No 93, 1981, amended and supplemented, No 61, 1982).

(4) Proposals related to prices of goods and services as per list No 3 of the Regulation on Prices shall be submitted by the economic organizations and their branches to the executive committees of okrug people's councils (Sofia People's Council).

(5) Economic organizations within the local and cooperative industry and the agroindustrial complexes (for secondary activities) shall submit their price proposals to the executive committees of the okrug people's councils (Sofia People's Council).

(6) The public organizations, the Union of the Blind and the Union of the Deaf in Bulgaria shall submit proposals for prices to the Main Administration for Prices for goods and services as per lists Nos 1 and 2 of the Regulation on Prices, produced and provided by the enterprises. Proposals regarding prices of goods and services as per list No 3 of the Regulation on Prices may be submitted to the executive committees of okrug people's councils (Sofia People's Council) also by the enterprises belonging to these organizations and unions.

(7) Proposals regarding prices of imported goods (with the exception of imported goods [sic]) (Appendix No 1) must be submitted to the Main Administration for Prices by the foreign trade organizations; in the case of consumer goods for the commodity stock, by ministries and other departments on whose account the goods are imported.

(8) Proposals for price ceilings on imported consumer goods must be submitted by the foreign trade organizations to the Main Administration for Prices. Proposals are submitted prior to signing the contract with the foreign partner.

(9) Proposals for prices of special goods must be submitted in accordance with the procedure stipulated in separate instructions.

Article 4. Ministries and other departments and executive committees of okrug people's councils (Sofia People's Council) must mandatorily analyze proposals for price approvals or written considerations related to them, and substantiate and propose price markups in cases stipulated in the Regulation on Prices.

Article 5. (1) No price proposals are submitted for goods produced exclusively for export. The prices of such commodities are in leva equivalents of actual foreign trade prices minus outlays incurred up to the border point of export and the commission paid to foreign trade organizations.

(2) With a view to encouraging the production of commodities for export, on an exceptional basis the Main Administration for Prices may approve prices for such commodities.

Section III

Stipulations Related to Price-Setting Proposals

Article 6. (1) The price-setting proposals must indicate the precise name of the commodity or service as per standardization documents and their code number

as per the uniform classification of commodities and services. The following documents must be added to the price-setting proposals:

1, Estimate of production cost and cost estimates of outlays for materials and labor for the commodities and services, as per the stipulations of Regulation No 1 On Computing Outlays for Industrial Commodities (DV, No 21, 1976); Regulation No 2 On Computing Expenditures for Commodity Turnover (DV, No 22, 1976); regulation No 6 On Computing the Cost of Agricultural Commodities (DV, No 12, 1977); Regulation On Drafting, Approving, Applying and Amending Norms and Standards Governing Labor Outlays (DV, No 65, 1982) and the approved sectorial instructions issued by the individual departments. In the case of imported commodities a computation chart must be drafted (Appendix No 2) and for services and types of work--a computation chart (Appendix No 3). The document in which the price has been recorded must be indicated in the case of items produced on a cooperative bases;

2. Reference on determining and basic technical-economic quality indicators, data on outlays and prices per unit indicator, including design data (Appendix No 4);

3. Information on current purchase or sale foreign trade price in the corresponding currency in stipulating contractual conditions for sales (packaging, set completion), based on destination. In the case of barter deals as per Article 51 of the Regulation on Prices a financial account for each operation must be submitted;

4. Standardization documents: Bulgarian state standards (BDS), sectorial norms (ON), plant norms (ZN), or technical characteristics, prescriptions, samples, models and, in some cases, scale sketches, photographs, drawings, descriptions and other documents. In the case of BDS the name and number of the standard must be indicated;

5. Permit for the production of the items and transcript of the protocol of the art expert council;

6. Written opinion on the price, signed by the head of the organization which is the main consumer and, in the case of commodities for commodity fund, by the head of the commercial organization;

7. Analytical note containing the following information:

a) Comparison between the new item and similar and interchangeable items, indicating the effect of the commodity;

b) Quantities to be produced during the current and subsequent year;

c) Specific production conditions;

d) Complementing items included in the price (attachments, spare parts, instruments, and others), with their precise name, number, prices and standardization documents related to them;

e) Delivery stipulations;

f) Type of packaging and share of the packaging included in the price;

g) Type and duration of the effect of the price as per Article 27 of the Regulation on Prices;

h) Suggestion related to basic indicators on price discounts or markups (bonus) or price reductions (refaction);

i) Substantiation in support of proposed markups, supplements or discounts as per Article 22, paragraph 1, point 2 and paragraph 3, Article 27, paragraph 1, point 6, and paragraph 3, Article 30, paragraph 1 and Article 32 of the Regulation on Prices;

j) Opinion on the viewpoint of the main consumer should the latter disagree with the proposed price;

k) Maximal price of the commodity approved at the sample series stage by the respective state price authority, and others.

(2) The following specific requirements must be met in terms of certain commodities:

1. For the production of foodstuffs, children's shoes and baby slippers and the production or import of medical drugs--Ministry of Public Health permit;

2. For the production and import of children's toys and goods for polytechnical education--permit issued by the Ministry of Public Education with the agreement of the Ministry of Public Health;

3. For the production of reinforced concrete elements for construction--approved list by the Ministry of Construction and Architecture.

(3) For new consumer goods in "experimental production" and "test series," the price-setting proposals must include documents stipulated in paragraph 1, points 1, 2, 4, 6 and 7, letters a, b, c, d, e, f, and j, and paragraph 2, as follows:

1. Technical stipulations approved by the head of the economic organization or the branch, should a base standard be available, must be submitted instead of the standardization document stipulated in paragraph 1, point 4;

2. Temporary prices for a specific period of time or specific shipment will be set for commodities as per this paragraph;

3. Following the approval of the standardization documents or technical characteristics, the economic organizations shall submit proposals for the approval of prices for serially produced items no later than 1 month prior to the deadline stipulated in point 2, adding the documents stipulated in Article 6.

Article 7. (1) In connection with the application of Article 6, paragraph 1, point 6, the economic organization which has ordered the goods or services for its own production-exploitation requirements or for sale to the population shall be considered the main consumer. Should an item or service go to several consumers, the organization with the largest purchase or consumption shall be considered the main consumer.

(2) The economic organizations-main consumers shall issue a written opinion on the planned price on the basis of the information submitted to them by the economic organization-producer, as follows:

1. Standardization documents (Article 6, paragraph 1, point 4);

2. Economic effect of the new item (Article 6, paragraph 1, point 7, letter "a");

3. Technical-economic parameters of the item (Article 6, paragraph 1, point 2);

4. Volume of delivery (Article 6, paragraph 1, point 7, letter "b").

(3) The economic organizations-main consumers must present their viewpoint on the suggested price within 10 working days from receipt of the communication. Should they fail to do so the suggested price shall be considered accepted.

(4) In the case of disagreement among the economic organizations, the proposal for a price approval shall be submitted to the competent state price-setting organ together with the view of the economic organization-main consumer.

Article 8. In formulating the price proposal in the cases stipulated in the Regulation on Prices and in the present regulation, the profit norm shall be added to the processing cost.

Article 9. Economic organizations, other departments and executive committees of okrug people's councils (Sofia People's Council) may assign the formulation of price proposals (computations, studies and other materials) to the respective scientific research institutes, scientific-production and design organizations, engineering bureaus, bases, collectives or individual units.

Article 10. (1) The price proposals must be signed by the head of the economic organization. Proposals for prices submitted by ministries, other departments and executive committees of okrug people's councils (Sofia People's Council) shall be signed by their head or authorized deputy. The forms must be signed also by the individuals in charge of formulating the prices.

(2) Proposals for prices which are not set in accordance with the stipulations of the present regulation shall be returned to the proposing authorities with instructions requesting additional information or a new draft.

Section IV

Deadlines for Price Setting and Recording

Article 11. Price setting or recording shall be the duty of the state price organs within periods which begin the moment the proposal has been received by the respective state price setting organ, as follows:

1. For prices of new goods and services in terms of type and variety, locally produced or imported--no more than 10 working days;

2. For ceiling prices of collections--consumer goods on the basis of which contracts are concluded between production and trade organizations--no more than 15 working days;

3. For ceiling prices of imported consumer goods--no more than 10 working days.

Section V

Price Registration

Article 12. Prices of goods, work and services based on contracting among economic organizations must be mandatorily recorded by the respective state price-setting organs within the deadlines stipulated in Article 11, as follows:

1. By ministries and other departments--prices of cooperatively produced goods and services, either produced or performed within sectors and realms of activity under their supervision;

2. By executive committees of okrug people's councils (Sofia People's Council)--prices of commodities and services of the local and cooperative industries, the agroindustrial complexes, the Union of the Blind, the Union of the Deaf, schools, and public and other organizations and related production facilities;

3. By the Main Administration for Prices--prices of finished goods and services not indicated in lists Nos 1, 2 and 3 of the Regulation on Prices.

Article 13. The registration of prices must be accompanied by documents as per Article 6, paragraph 1, points 1, 4, 5, 6 and 7, letters "b,"d," and "e," and paragraph 2.

Article 14. (1) In registering prices, the state price organs shall supervise the observance of the stipulations of the Regulation on Prices and the approved specific price-setting norms and conditions.

(2) Every quarter ministries, other departments and executive committees of okrug people's councils (Sofia People's Council) shall submit a list to the Main Administration for Prices of the prices they have recorded for cooperated

items and services as per Appendix No 5. The executive committees of the okrug people's councils (Sofia People's Council) shall submit a list only for cooperated items which are invested in the production of goods included in lists Nos 1 and 2 of the Regulation on Prices.

(3) The list for prices of spare parts shall be submitted by the ministries, departments and executive committees of okrug people's councils (Sofia People's Council) to the Main Administration for Prices on an annual basis no later than 30 November of the current year.

Article 15. All documents and materials related to defining and recording prices shall be graded, numbered and filed by the economic organizations or their branches separately in accordance with the procedure for the safekeeping of accountability documents and a form as per Appendix No 7.

Section VI

Prices of Goods and Services of Cooperated Supplies and Spare Parts

Article 16. (1) The following shall be classified as cooperated supplies in price setting:

1. Parts used in the production of assemblies and units;

2. Parts, assemblies and units used in the production of finished goods;

3. Raw materials, materials and semifinished goods requiring special processing or machining, for specialized purposes in the production of specific parts, assemblies and finished goods, including fashion, luxury and delicatessen items;

4. Services related to the technological sequence of specific production processes--finishing of parts, assemblies, units, semifinished goods and materials for the production of finished goods.

(2) The items and services listed in paragraph 1 must be the object of deliveries among economic organizations or their branches based on long-term, annual or one-time contract orders.

(3) Should the items and services involved in cooperated supplies be part of a one-time supply contract, their prices shall be set in accordance with the procedure and conditions for price setting of cooperated goods and services.

Article 17. Spare parts for purposes of price setting shall be the parts and assemblies used for maintenance and repairs by replacing existing types of worn out or damaged parts and assemblies of operating machinery, apparatus and equipment. The items listed in Appendix No 6 shall not be classified as spare parts.

Article 18. (1) If sections of the parts, assemblies and units produced as cooperated supplies are marketed as spare parts for maintenance and repair

purposes, their prices shall be based on the procedure stipulated in the setting of spare part prices.

(2) The prices of spare parts produced on the basis of one-time orders shall be based on the procedure governing one-time orders and services (Section 7) with a profitability norm set for spare parts as per Decree No 6 of 3 February 1977, On Further Improvements in Planning, Incentive, Expanding the Production and Rhythmical Supplying of the National Economy with Spare Parts (DV, No 15, 1977).

Section VII

Prices of Goods and Services Produced (Performed) on the Basis of One-Time Orders

Article 19. Goods and services produced (performed) on the basis of one-time orders, depending on their purpose, shall be classified as follows:

1. One-time orders for industrial or exploitation use;

2. One-time orders produced to meet the needs of the population and for equipping state and public organizations and enterprises.

Article 20. (1) One-time orders for industrial-exploitation purposes shall include the following:

1. Goods manufactured on a one-time basis as a single item or as a batch of identical commodities based on individual blueprints and specific requirements (prescriptions, structure, model, prototype, and so on) submitted by the client;

2. Specific materials invested in the production of fashion, luxury and delicatessen goods;

3. Items used as exhibits in international or domestic fairs, exhibitions, etc.;

4. Instrument equipment with no price set by a state price setting organ.

(2) One-time services for industrial-exploitation purposes shall be considered as individual technological operations related to the finishing of parts, assemblies and units.

Article 21. The following shall not be considered one-time orders in terms of price setting:

1. Goods and services for which standardized documents have been established but which are subject to changes in complementing items by request of the customer;

2. Goods and services for which prices or standards have been approved in terms of price setting;

3. Items to be exhibited at fairs and exhibitions for which prices for series production have been set;

4. New goods and services manufactured or performed for the first time in the country with a view to organizing their series production;

5. Capital repairs of machines, buildings and installations.

Article 22. Prices of goods and services for industrial-exploitation purposes, produced and performed on the basis of one-time orders shall be based on contracts between producers and consumers.

Article 23. (1) One-time orders for goods and services for the population and for equipping state and public organs and organizations shall include those with no approved single prices or based on a standardization document, carried out in accordance with the specific requirements of the customers in terms of dimensions, form, type of material, means of manufacturing, and others.

(2) The prices of goods and services as per paragraph 1 shall be determined by a contract between producers and consumers on the basis of the unit value of the item or service not to exceed 200 leva, including the cost of materials, which shall be paid separately from the manufacturing price.

(3) In the manufacturing of goods and services for the population and for the equipping (with the exception of repair-construction operations) of state, cooperative and public buildings, the cost of the materials shall be computed and paid for according to population prices; should no such prices be set, they shall be based on prices determined on the basis of a coefficient approved by the Main Administration for Prices.

Article 24. (1) The prices of one-time orders and services shall be stipulated in the contract or in a specific letter requesting the service.

(2) In the absence of a contract or letter, the price shall be considered agreed upon if the consumer has paid for the item or the service according to the suggested price or has made a deposit on the price known to him in advance.

Article 25. The product (commodity or service) shall no longer be considered a one-time order if it is requested repeatedly by the same or different consumers and is performed by a single economic organization.

Section VIII

Nonstandardized Equipment Prices

Article 26. Nonstandardized equipment shall include machines and installations included in capital construction plans (new projects, updating, reconstruction and expansion of existing projects), manufactured on a one-time basis in accordance with individual blueprints, whose production is not preceded by the elaboration of a prototype or sample series, and for which no ratification of standardization documents is required.

Article 27. (1) The prices of nonstandardized equipment shall be set on the basis of maximal prices for nonstandardized equipment agreed upon by the Main Administration for Prices and included in the respective price list manual.

(2) In the case of nonstandardized equipment for which similar items exist with set prices in the respective price manual for maximal prices, the prices shall be set and approved on the basis of the approved maximal prices of similar goods, taking into consideration differences in their technical and economic indicators, without allowing price increases per unit of basic parameter (lifting and transport capacity, productivity, loadcapacity, weight, and others) or a higher norm of profitability, compared with the average profitability for the machine-building and metal-processing sector.

Article 28. In the case of nonstandardized equipment for which a similar standardized equipment exists with set prices, the price setting shall be based on a basic indicator unit for the standardized equipment, without allowing any increase in the price per unit basic parameter of the equipment or higher profitability than the average for the machine-building and metal-processing sector.

Article 29. In the case of nonstandardized equipment which duplicates imported equipment or is similar to the imported equipment, prices shall be set on the basis of kilogram prices forimported equipment, taking into consideration technical and economic indicators and not allowing the setting of a higher price per unit of basic parameter or higher profitability than average for the machine-building and metal-processing sector.

Article 30. In the case of nonstandardized equipment for which no similar standardized equipment exists with uniform prices, prices of similar imported equipment or maximal price listed in the price manual, the price setting shall be based on the normative production costs for the current planning year and the profitability norm equaling the average profitability in the machine-building and metal-processing sector, ratified annually by the Main Administration for Prices.

Article 31. Prices of nonstandard equipment worth more than 25,000 leva must be mandatorily cleared with the Main Administration for Prices. For items worth under 25,000 leva, prices must be coordinated with the Main Administration for Prices only in the case of a justified objection submitted by one of the parties to the contract.

Article 32. (1) The Main Administration for Prices shall approve a markup not to exceed 20 percent of the cost of processing in cases in which nonstandard equipment substantially exceeds the technical and economic parameters of similar standardized equipment produced by the country, or replaces equipment imported from capitalist countries.

(2) In the case of nonstandard equipment items worth under 25,000 leva, markups as per paragraph 1 may be agreed upon between economic organizations under the conditions stipulated in the same paragraph.

Article 33. Should branches of economic organizations (combines) produce themselves produce some of the necessary machines and equipment considered nonstandard equipment, the prices of such machines and equipment may be determined on the basis of reported production costs excluding profits.

Section IX

Prices of Population Services

Article 34. (1) Prices charged for services to the population shall be based on the normative outlays for their performance excluding the cost of materials, raw materials and spare parts, which shall be charged separately from the price of the service.

(2) The state price organs may define the types of services whose prices may include the cost of materials, such as services provided by barber shops, public laundries, dry cleaning, fabric dyeing, shoe repair and other establishments, as per Instruction No 5 On Prices of Materials for Services and Repairs (DV, No 26, 1976).

(3) Labor costs shall include the basic and additional wages paid to production workers, based on the Regulation on Drafting, Approving, Applying and Amending Norms and Standards Related to Labor Outlays.

(4) Indirect costs shall be computed in accordance with the stipulations of Regulation No 1 On Computing Outlays for Industrial Output and shall be determined by the following:

1. Economic organizations--for their branches;

2. Executive committees of okrug people's councils (Sofia People's Council)--for economic organizations and branches of the local and cooperative industries and agroindustrial complexes (for secondary activities) and consumer services.

(5) The profit based on the norm stipulated by the Main Administration for Prices shall be considered in setting the prices of population services.

(6) Service prices shall include the turnover tax as per rates "B" and "C" of the Law on the Turnover Tax.

Article 35. (1) The price of the service shall be based on the nature and time of the service, as follows:

1. Based on the nature, place and method of performance of the service:

a) In specialized service workshops;

b) At the home of the customer;

c) By subscription;

d) Through comprehensive reception centers;

e) Through mobile service workshops;

f) In specialized self-service workshops;

2. According to the time taken for the service:

) Standard;

b) Fast;

c) Express.

(2) The prices of services provided at home shall consist of the sum total of approved prices for the respective type and time of service (standard, fast or express--according to the wish of the client), to which will be added:

1. Outlays for transportation and hauling of the necessary materials and instruments, computed in accordance with current hauling rates based on average distances, as determined by the executive committees of okrug people's councils (Sofia People's Council);

2. The cost of the workers' travel to and from the house of the client--based on the average stipulated nonproduction time, as determined by the state price organs in accordance with their range of competence.

(3) Prices of subscription services shall be based, in addition to the stipulations listed in paragraph 1, also on expenditures for the mandatory number of periodical preventive examinations, maintenance of a turnover fund of equipment and apparatus, and other expenditures related to this service method.

(4) In order to encourage the use of the subscription method, various subscription incentives may be applied, such as providing a number of free or specifically priced services, providing services by each branch (shop, workshop) or by specialists preferred by the client, the right to take a waiting number by telephone, and so on.

(5) Whenever reception centers are opened in a settlement in which a shop (workshop) is located, the stipulated prices for services shall apply. The expenditures for the transportation of the objects of the service shall be borne by the economic organization which has opened the reception centers.

(6) In servicing clients in remote settlements through mobile service workshops or reception centers, the approved prices set for services at the location of the shop (workshop) for services, increased by the average price for transportation and other additional expenditures approved by the executive committees of okrug people's councils (Sofia People's Council), shall apply.

Should a single client request a service in a remote settlement, the client shall pay for all expenses related to the transportation and assignment of specialists.

(7) The prices of services for work by the hour, kilogram, unit or any other measurement done in self-service workshops, shall be based on expenses for consultation and assistance, equipment and maintenance of the workshop and normed profitability. By permission of the state price organs, the prices of services for work by the hour, kilogram, piece, and others may be set for other forms of services as well as those stipulated in paragraph 1. The duration of the service, paid in accordance with hourly prices, shall cover the time from the arrival of the worker at the project to his release by the customer, as confirmed by the customer's signature (marking the hour of arrival and departure of the worker) on the service payment document. The cost of the time for any interruptions of the work due to the fault of the workers or the service organization shall not be paid by the customer. Hourly prices may be applied in the case of services for which established norms for labor outlays and time for technological operations have been approved.

(8) When, at the request of the customer, the service enterprise organizes the transportation and hauling of objects and materials owned by the customer to and from the workshop, the cost of the extra service shall be paid in addition to the regular price charged for services.

(9) In the case that the service cannot be provided through the fault of the customer or by virtue of objective reasons such as lack of electric power, the conditions governing the detection or elimination of the damage or the performance of the service, the client will pay only the price of the two-way trip to and from the customer's home, as stipulated by the competent state organ.

Article 36. Services shall be paid for after they have been performed. The Main Administration for Prices shall determine the types of services for which full or partial prepayment is allowed.

Article 37. The price of the service shall be related to the time of its performance in accordance with the proper technologies through a markup on the price of a standard service. The state price authorities which have the right to set the prices of services shall determine the amount of the markeup for fast and express services and the discounts, should the deadlines be violated.

Article 38. (1) The prices of services provided by licensed craftsmen, including individuals working on the basis of civil contracts with service enterprises during their leisure time, cannot be higher than the prices of the respective services as approved by the state price setting organs.

(2) Whenever individual types of services are provided exclusively by licensed private craftsmen, the prices shall include indirect costs, not to exceed 30 percent of the basic and additional wages and profitability, and not to exceed 20 percent of production costs, excluding the cost of basic raw and other materials.

Article 39. Approved prices for services to the population shall also apply to the services provided by departments and organizations.

Section X

Price-Setting or Approving Laws

Article 40. The Main Administration for Prices, the ministries, other departments and executive committees of okrug and obshtina people's councils (Sofia People's Council) set or approve prices of goods and services on the basis of orders or price lists signed by their chiefs or, as the case may be, chairmen. Orders governing commodity and service prices in a given economic area shall be systematized in the respective price lists.

xArticle 41. The authorities stipulated in Article 40 may amend or delete prices of goods and services on the basis of total or partial amendments to the respective orders or price lists.

Provisional and Concluding Stipulations

§1. The present regulation is issued on the basis of Article 24 of the Regulation on Prices (DV, No 72, 1982) in coordination with the State Committee for Planning.

§2. The following instructions issued by the former Committee on Prices are hereby annulled:

1. Instruction No 1 On Internal Accounting Prices (DV, No 13, 1976);

2. Instruction No 2 On Prices of Cooperated Supplies, Spare Parts and One-Time Orders (DV, No 13, 1976; supplemented, No 42, 1976; amended, No 17, 1977);

3. Instruction No 3 On Price-Setting Proposals (DV, No 17, 1976);

4. Instruction No 4 Setting Retail Prices of Commodities and Services (DV, No 29, 1976; amended, No 39, 1976; supplemented, No 40, 1976; amended and supplemented, No 25, 1977; corrected, No 30, 1977; amended and supplemented, No 20, 1979).

§3. The prices of commodities and services shall be recorded by ministries, other departments and executive committees of okrug people's councils (Sofia People's Council) as of 1 January 1983.

§4. The implementation of this regulation is assigned to the head of the Main administration for Prices, which will issue the necessary instructions on resolving problems which arise in the course of its application.

Minister: B. Belchev

Appendix No 1 to Article 3, Paragraph 7

List of Imported Goods for Industrial-Operational Requirements, Repair and Maintenance (Excluding the Commodity Stock) Sold at Cost Record Prices

1. Electric power.

2. Imported nuclear fuel.

3. Raw materials, materials, complements of all kinds needed for laboratory and experimental purposes and for the production of sample series.

4. Rolled precious and nonferrous metals (excluding silver-palladium wire).

5. Resistance wires made of nonferrous metal alloys.

6. Nonmineral deposits (graphite, pegmatite, talcum, gypsum, mica and mica items, asbestos-cement items, special cements and industrial asbestos items).

7. Metal structures.

8. Carbon and graphite electrodes and goods.

9. Resistors, condensors, semiconductor instruments, integral circuits, radio tubes and other electronic elements.

10. Raw materials for the perfume-cosmetics industry.

11. Medical raw materials.

12. Explosives excluding TNT.

13. Lacquer-house painting materials.

14. Printer's inks.

15. Aniline dyes and pigments.

16. Textile and leather auxiliary materials.

17. Paints and pigments.

18. Oils and other petroleum products purchased at prices higher than charged domestically.

19. Automobile tires for trucks of all kinds and for passenger cars of special budget-supported departments.

20. All minor rubber items.

21. All minor plastic items.

22. Glass mat.

23. Plexiglass.

24. Kautazis and paranit.

25. Dunaprene.

26. Artificial leather for industrial purposes, all kinds.

27. Rubber hose for industrial purposes.

28. Other plastic and rubber items excluding those sold to the population.

29. Rubber-asbestos goods of all kinds.

30. High and low tension equipment.

31. Electric motors.

32. Machines, equipment and apparatus.

33. Cables and conductors.

34. Filtering, design, duplicating and tabulating paper.

35. Corrugated paper packaging, imported for goods manufactured for export.

36. Decorative paper.

37. All types of items made of paper and cardboard, transportation and consumer packaging made of paper and cardboard, paper items and office materials imported from capitalist countries.

38. Luxury containers for perfume-cosmetic items and consumer goods.

39. Chemicals for plant protection, antiparasite and disinfection preparations for external application in animal husbandry.

40. Ampules, jars, bottles and various glass containers.

41. Auxiliary materials for the textile and clothing industry (notions, zippers, lining materials, etc.).

42. Sieves and nets.

43. Special electrodes for welding and powders, pastes and soldering materials.

44. Cast iron pipe links.

45. Steel sand.

46. Leaded strip iron.

47. Cutoff walls.

48. Steel gas pipes.

49. Brass electrodes for plastic welding.

50. Brass electrodes with and without a cutting edge.

51. Etched aluminum foil.

52. Casings.

53. Metal boxes.

54. Metal mine props.

55. Iron trimetal plates.

56. Castings.

57. Steel ribbons, cold rolled, silicium and electrical engineering.

58. Narrow and wide-gauge tracks.

59. Chains.

60. Sets for motor vehicles, buses, internal combustion engines, trailers, tractors, agricultural machinery, hoists, semitrailers, containers and bicycles.

61. Tungsten glass, telephone lenses, flasks for light bulbs, lead-glass pipes, Thuringian glass, (telerno) and pump glass, glass pipes, cylinders for syringes, and glass rings.

62. Electric bulbs.

63. Sets for the electronic communications and electrical engineering industries.

64. Computing equipment and apparatus.

65. Medical instruments, apparatus and instruments.

66. Ceramic glazing, gold-lacquering, enamels, frit, liquid gold, inorganic pigments and other items for the manufacturing of porcelain and ceramic and glassware items.

67. Oil paints and ship paints.

68. Glues.

69. Photographic chemicals, motion picture and photographic materials, photographic paper and X-ray materials.

70. Reagents, indicators and indication papers, raising environments and materials for laboratory diagnosis.

71. Isotopes.

72. Gases excluding freon.

73. (Masterbani).

74. Celluloids.

75. Aculons, nilafils and plaxy rubbers.

76. Exotic resins.

77. Plastic ampules and flasks.

78. Mine rescue equipment.

79. All types of spices, root bases, concentrates and others for nonalcoholic beverages, industrial oils, tea, cod-liver oil, agar-agar, essences for Shweppes and other nonalcoholic beverages, and cocoa liqueur.

80. Training-technical facilities and items for school furnishings.

81. Serums, vaccines, and other bioproducts for similar purposes for humane objectives, supplied directly to health institutions.

82. Serums, vaccines and other bioproducts for similar purposes for livestock and animals bred in game farms, including vaccines against rabies, excluding serums and vaccines for dogs and cats.

83. Medical drugs supplied for the "State Medical Reserve" directorate.

84. Materials for dental treatment.

Appendix No 2 to Article 6, Paragraph 1, Point 1

Importer (Foreign Trade Directorate, Foreign Trade Trust, Foreign Trade Enterprise)

Address.....
Cost of prices of imported items
for (name of item), cipher....., code number.....
for.....
(physical units)
from.....
(exporter)

| Number | Item | In Foreign Currency: Payment Currency[1] | In Foreign Currency: Rubles or Dollars[2] | Leva |
|---|---|---|---|---|
| 1 | Foreign trade price | | | |
| 2 | Transportation costs to the Bulgarian border | | | |
| 3 | Transportation insurance to Bulgarian border | | | |
| 4 | . . . . . | | | |
| 5 | Delivery price at Bulgarian border (items 1 through 4) | | | |
| 6 | Expenditures at border point | x | x | |
| 7 | Commission paid to the foreign trade trust in percent of line 5 | x | x | |
| 8 | Cost price to the foreign trade trust (point 5 + point 6 + point 7) | x | x | |
| 9 | Customs fee in percent of line 5 | x | x | |
| 10 | Planned price of imported commodity | x | x | |
| 11 | Ceiling price | x | x | |
| 12 | Offered price | x | x | |

Remarks:

1. The conversion of the payment currency into rubles or dollars is based on the exchange rate of the Bulgarian National Bank on the day of payment to the foreign purchaser.

2. Rubles and dollars are converted into leva in accordance with the foreign exchange coefficient applicable to price setting.

Office No.....

Drafted by: Specialist: General Director:

Appendix No 3 to Article 6, Paragraph 1, Point 1

Ministry (Department).....
Okrug People's Council (Economic Company, Economic Trust).....
Address.....

Cost computation for services.....
(Name of service)
Code by EKU

| Number | Item of Calculation | Leva |
|---|---|---|
| 1 | [Illegible] allowed to be included in the price of the service) | |
| 2 | Wages to production workers | |
| 3 | Indirect expenditures | |
| 4 | Production cost | |
| 5 | Including cost of processing | |
| 6 | Profit added to cost of processing | |
| 7 | Turnover tax (for services subject to such tax) | |
| 8 | Price of service | |
| 9 | Materials and spare parts not included in the price | |

Compiled by specialist: General Director:

Appendix No 4 to Article 6, Paragraph 1, Point 2

Ministry (Department).....
Okrug People's Council (Economic Directorate, Economic Trust).....
Enterprise.....
Importer (Foreign Trade Directorate, Foreign Trade Trust, Foreign Trade Enterprise).....

Reference on Technical-Economic Indicators of Basic (Similar) and New Items, Locally Produced or Imported

| Basic (Similar) Item, Name | | | | | | New Item, Name | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Number | Indicator name | Measurement unit | Indicator value | Price or Production cost of item | Price or Production cost per unit 5:4 | Number | New item name | Measurement unit | Indicator value | Price or Production cost of item | Price or Production cost per unit 11:10 |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 |

| Decisive technical-economic indicators | Decisive technical-economic indicators |
|---|---|
| 1. | 1. |
| 2. | 2. |
| 3. | 3. |
| **Basic technical-economic indicators** | **Basic technical-economic indicators** |
| 1. | 1. |
| 2. | 2. |
| 3. | 3. |
| **Additional indicators** | |
| 1. Design and other data | 1. Design and other data |
| 2. | 2. |
| 3. | 3. |

In charge: Manager

Appendix No 5 to Article 14, Paragraph 2

Ministry.....
Executive Committee of Okrug People's Council
(Sofia People's Council).....

List of Registered Prices of Cooperated Goods and Services for the Quarter of 198___ and Stipulated Prices of Newly Mastered Spare Parts by 30 November

| Number | Name of item | Measure | Catalog number or drawing | Total Cost | Processing Cost | Price, leva | Profitability | Number of letter in which price is registered |
|---|---|---|---|---|---|---|---|---|
| 1 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |

I. Cooperated goods in price list No

1. Item A
2. Item B
3. .....
4. .....

II. Spare parts in price list No

1. Item
2. Item
3. .....
4. .....

Director (chief of administration):

Appendix No 6 to Article 17

List of Parts, Assemblies and Units for Which No Prices Are Set as Spare Parts by Ministries, Departments and Executive Committees of Okrug People's Councils (Sofia People's Council), but Which Are Subject to the Prices Set by the Main Administration for Prices

1. Internal combustion engines.

2. Truck bodies (flat beds, chassis, trailers, bottle carriers, attachments for same, and others).

3. Cabins, carts, buckets and track roads for machines and equipment for earth removal and reclamation work, road construction and the construction machinery industry.

4. Booths and carts for cranes.

5. Reduction gears and mortar reduction gears.

6. Boilers.

7. Steam boilers and water pipes.

8. Bearings.

9. Hydraulic and compressed air items.

10. Pumps.

11. Batteries and traction batteries.

12. Replacement attachments for hoists.

13. Carts.

14. Ferrous and nonferrous metal castings.

15. Inner and outer tires for transport vehicles.

16. Electric motors and brushes.

17. Nonferrous and ferrous metal armature.

18. Fans.

19. Simmering-type compactors.

20. Heat radiators.

21. Fittings.

22. Covers

23. Completing attachments--grease pumps, jacks, pipes and watering cans, tire pumps, pressure gauges, instruments and other complementing attachments.

24. Instruments.

Appendix No 7 to Article 15

Register and Record of Price Lists and Other Documents Related to Price Setting and Amending Received by.....
(organization, okrug people's council and others)

| Number | Number of price lists and other documents for specific commodities | Date Received | Effective as of | Quantity | Full name of individual to whom assigned | Signature | Delivered to (full name) | Remarks |
|---|---|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |

5003
CSO: 2200/23

POTAC LOOKS AT 1982; PRESENTS ECONOMIC PLAN FOR 1983

AU031230 Prague RUDE PRAVO in Czech 26 Nov 82 pp 2, 3, 4

[Text of the report on the 1983 state plan of economic and social development, delivered by Svatopluk Potac, CSSR deputy premier and chairman of the State Planning Commission, at the Seventh Session of the CPCZ Central Committee in Prague on 24 November]

[Text] More than a year and half has elapsed since the 16th Party Congress, which in the main directions determined that the general line of the construction of an advanced socialist society was to be the foundation of the CPCZ's economic and political program in the Seventh 5-Year Plan. The congress determined that the "fundamental objective of party policy in the Seventh 5-Year Plan, even in the considerably more difficult external and internal conditions, was to maintain and improve the population's high standard of living and its social security in accordance with the results which will be achieved in the development of the national economy."

At the same time, the congress emphasized that, in order to fulfill all the goals and objectives determined, there must be a consistent assertion of marked growth in the intensification of the economy, an increase in the effectiveness and quality of all work, effective structural changes, above all on the basis of speeding up and maximally utilizing the results of scientific-technical development, a deepening of the CSSR's participation in international socialist division of labor, especially with the USSR, and an improvement in the system of planned management of the national economy, while fully utilizing the commitment, initiative and activity of our working people."

The congress drew the attention of the party, the state economic bodies, our working people and the entire society to the fact that the realization of the determined objectives and main tasks will be extraordinarily demanding in view of the continuing significant changes and new realities in the economic conditions in our country and in the world. The congress' assessment for the eighties is being fully affirmed.

In the first 2 years of the Seventh 5-Year Plan, the economic and social development, and especially the work connected with the preparations for the 1983 plan, have proved not only the correctness and the necessity of a consistent realization of the line determined by the congress for the further economic and social development, but also the importance of the demand to achieve a better standard of political, management and organizational work at all levels.

## The Fulfillment of the Main Tasks of the 1982 Plan

The state plan of the economic and social development for 1982 was worked out in full harmony with the demands of the 16th Congress. The intentions and the main tasks of the plan proceeded from a realistic assessment of the consequences of the new conditions, from new economic realities and from the changes in practical prerequisites for the further development of the national economy and the standard of living, which had shown themselves to be more serious than anticipated when preparing the congress. These new and more difficult conditions are not of a short-term nature, but are asserting themselves as an objective long-term trend. We must therefore take them into consideration in all our long-term deliberations.

In parallel, at the same time, the plan resolved economic tasks and problems that were extraordinarily complex in extent and depth. Above all, it oriented the national economy more consistently toward accelerating intensification and toward the process of adopting the economy to the quite new situation that had arisen for our further development. At the same time it strove to overcome the strain in some spheres of the economy, especially in connection with the one-time reduction of the resources of high-grade fuels and energy, lower resources of metals, raw and other materials, particularly imported ones. The plan also resolved the consequences of last year's poor harvest and took the first steps to eliminate the long-standing disproportion between the plant and animal production while reducing the grain imports when compared with the Sixth 5-Year Plan. The plan's central task was a consistent course toward restoring the equilibrium in external economic relations, especially in the sphere of freely convertible currencies.

We adapted the dynamism of the economic growth to the solution of all these important tasks and problems with the aim of ensuring a smooth development of the economy and strengthening its internal and external balance even in this situation. In this we counted with resources acquired through intensificiation and through greater efficiency and savings. The solution thus was not to the detriment of the nonproduction consumption, but we reduced stocks and especially the volume of investments.

This demanding concept of this year's plan is being fulfilled on the whole. Intensive directions of development are gradually asserting themselves and the economic effectiveness of enterprises and organizations is improving. However, certain problems indicate that demands as regards the standard of management and the flexibility of decision-making are considerably greater when the dynamism of development decreases. Any deviation from the plan shows now more clearly and has more serious consequences as far as the economy and satisfying the needs of the population and society are concerned.

This year's economic development is taking place in considerably more difficult internal and external conditions than the plan anticipates. Problems in the fuel-energy balance sheet have deepened, especially as regards the extraction of browl coal. The North Bohemian Brown Coal Basin in most is not fulfilling

its plan, although it has been reducing the extraction shortfall in the past few months and the rest of the basins are exceeding their plans. Small-scale consumers have increased their electricity consumption. The weather conditions have influenced the standard of the production of grain, oil-yielding crops and potatoes, where the plan will not be fulfilled. As regards animal production, the production and milk procurement will not be fulfilled.

The situation on the domestic market was influenced by the great changes in the structure of public demand, by some problems in the plan fulfillment, by the limited possibilities of imports and unusual extraordinary purchases which concentrated on a narrow range, of products, especially on foodstuffs. Inflexibility and shortcomings in the work of production and trade have caused certain problems on the domestic market.

The most serious changes, compared with the planned expectations, have occurred in economic relations with the capitalist countries. As a consequence of the crisis development in these countries the competition has increased, the conditions for exports, and of our engineering products in particular, have become more difficult as the result of the reduced investment activity in the world. This also applies to exports of consumer goods in connection with the real drop in private consumption as a result of the high inflation, increased cost of living, high unemployment and social insecurity in the capitalist states. Our production and foreign trade are not adapting to this situation quickly enough. The nonfulfillment of the export plan has reduced our sources of foreign currency for imports--especially for industry, agriculture and the domestic market--and is causing difficulty in ensuring raw and other materials, spare parts and machinery for the production sphere and satisfying the public demand.

Moreover, there is the tough and discriminatory economic, financial and credit policy conducted vis-a-vis the socialist states by a number of advanced capitalist states under the U.S. pressure. Our view is that those capitalist states that exercise discrimination cannot profit from it because in so doing they are depriving themselves of the opportunity to increase production and employment and revive economic development. We have always been for mutually advantageous cooperation and trade with any country on the basis of equal and mutually advantageous conditions. The U.S. policy, which is pursuing the economic exhaustion of the socialist countries, is not realistic and has no chance of halting our economic and social development.

The only correct conclusion--and the party leadership has drawn it from these serious facts--is the even more consistent fulfillment of the tasks determined by the 16th Congress and further concretized at the last three Central Committee sessions. The current development affirms that one has to totally ensure the demand for substantially increasing pressure for effectiveness and the technical-economic standard of production. This is the decisive manner in which to succeed in the sharp competition on the world markets.

The close cooperation with the CEMA countries, and especially with the Soviet Union, has been helping us to solve difficulties and overcome obstacles. In order to be able to face discrimination more effectively it is necessary to draw the necessary conclusions for an even closer economic integration of the CEMA countries, to pool common resources and potential and comprehensively expand mutual cooperation.

The Central Committee and its Presidium, the Federal Assembly and the federal government and the governments of the two republics devoted constant attention to the development of the national economy this year, and have ensured timely solutions for problems as they arose in the fulfillment of the state plan. A number of important measures were adopted, aimed at ensuring the goals and main tasks of the plan. Thanks to this attention, thanks to the everyday efforts of work collectives and the initiative of people, we are succeeding in realizing the fundamental objectives of economic policy and the goals of the plan. But we do not ignore the shortcomings in the plan fulfillment, in management and as regards the solution of problems.

The main positive feature is the maintenance of the smoothness and the slight increase in the dynamism of industrial production. The planned pace will be exceeded, especially in the sectors of engineering and power engineering and in some other processing branches, where we expect the main contribution to come from the efforts for a better valorization of material imput, which are to be the decisive carriers of intensification and structure changes. In agriculture, the level of plant production will rise by about 2.5 percent compared with the most favorable years of 1978 and 1980.

The consequences of the considerable reduction of the resources of high-grade fuels and the lower resources of a number of raw and other materials have been mastered. Compared with last year, the consumption of diesel oil, heating oils and gasoline will decrease by almost 10 percent. This development proves the capability of the economy to cope--even though sometimes with difficulty--with the new situation in the fuel and raw material base and to realize a more cost-efficient structure of the economy.

We are succeeding in fulfilling the strategic goal of restoring the balance of external economic relations in freely convertible currencies. Regardless of the course of the capitalist states, indebtedness will be reduced.

The plan for exports to the socialist countries will be exceeded. The payment relations with the USSR will be balanced and with some CEMA countries a plus will be achieved, which we will utilize next year.

Cost-efficiency and effectiveness, expressed in sum by a reduction in material and overall costs and by profits, is improving. Good results are being achieved in many other sectors of the national economy. The capital construction plan will be fulfilled on the whole, the number of unfinished projects will be reduced and construction deadlines will be shortened. The housing construction plan will be fulfilled everywhere but in Prague and the North Bohemian Region. The growth of material social consumption has contributed even in the more difficult conditions to a further strengthening of social security. The monetary income of the population will rise by 3.7 percent, of which social income by 8.5 percent. The price, wage and social measures adopted at the end of 1981 and at the beginning of this year have in principle fulfilled their purpose. The political preparations and support connected with this necessary measure have contributed to that.

However, some negative trends and problems persist in the fulfillment of the plan, and they are weakening the overall results of our common work. In all sectors there still are enough economic production units and enterprises that do not fulfill their tasks. There are still a number of shortcomings, the structure of production is not always in harmony with demand, inventories are increasing and there are delays in putting some important capacities on stream. The technical standards and the quality of production are not being increased to the desired degree even though the planned slowdown of dynamism has created favorable prerequisites for it. The worsening of relations between the agricultural-food complex and foreign trade has an unfavorable effect.

These shortcomings and deviations in the fulfillment of the plan are upsetting some fundamental proportions of the economy. They are manifested in a failure to achieve the necessary effectiveness and cost-efficiency, and in growing unwanted stocks and they are retarding the process of intensification in general. The fact that the planned increase in social productivity will not be achieved we regard as an especially serious matter. One will have to draw the necessary conclusions from it when breaking down the state plan into the next year's economic plans.

On the whole, from the economic and social development to date one can conclude that, in principle, we have succeeded in overcoming objective difficulties. However, results could be better if there were not a number of subjective shortcomings.

The 1981-82 period is a period of increased pressure for transforming the economy to intensive development. Experience shows that although this path is difficult, it is feasible. There are still a few weeks left to the end of the year. In these weeks one has to step up efforts aimed at fulfilling the plan and then take another decisive step in 1983.

The Intentions and Objectives of the 1983 Plan

The 1983 plan proceeds, above all, from the positive results of the fulfillment so far of the Seventh 5-Year Plan and from a realistic assessment of internal and external factors, which will influence the further economic and social development. The plan is consistently oriented toward the fulfillment of the basic trends of the economic and social development, which were approved by the party's 16th congress to implement the law on the Seventh 5-Year Plan.

The goals of the plan rest on the further consolidation of a balanced economy and on a drive for a greater dynamism of economic development and greater growth of the effectiveness in the production sector. The way to ensure that is to deepen the intensification of the reproduction process, which depends in the first place on a more marked application of scientific-technical progress, to achieve the planned savings of fuels, energy and raw materials, a more streamlined and socially useful production structure and a more effective participation in the international socialist labor division, particularly in the process of the international socialist economic integration.

The main feature of the plan is an increase in the general rate of economic growth. We count on the favorable trend in achieving relative savings of fuels, energy, metals, raw and other materials continuing as the result of the overall freeze on imput and even if it should increase slightly in some cases. By realizing the development plans in individual branches, the created volume of social product will increase 1.8 percent (in 1977 constant prices) and national income will rise 2 percent.

The increase in the rate of economic growth is based, above all, on qualitative aspects of development, on valorization of resources and an efficient planned utilization of production, not on quantitative development.

In harmony with these intentions, it is envisaged that production in the main sectors be expanded somewhat faster than the gross social product and national income. The gross industrial production will increase 2.4 percent, construction 2 percent and agricultural production 2.7 percent. The share of the two main production sectors--industry and agriculture--in the creation of the national income's resources will increase.

Structural changes continue--although still slowly--in industry, particularly in sectors and branches that are fuel-energy-intensive and that consume some imported raw materials. This applies to the sectors of fuels, energy, metallurgy, construction materials and to some other branches. In contrast, a more rapid development is envisaged in engineering, particularly in the electrotechnical industry, and in those branches whose products' sales are ensured and which at the same time make the most of consumed energy, raw and other materials.

The intensification of agricultural production continues. It must make possible a further step forward toward eliminating the disproportions in the plant production and toward gradually achieving self-sufficiency in foodstuffs.

In construction, capacities are being concentrated for a faster completion of projects, for a reduction in the number of projects under construction, for a shortening of construction deadlines and for a more consistent harmonization of the structure of construction production with the volume and orientation of capital construction.

The planned economic growth will make it possible for a higher level of social labor productivity to be achieved compared with this year, although it is still insufficient. We expect that a more effective utilization of the instruments of the perfected system of planned management will bring about more effective valorization processes, influence the development of employment in economic organizations and thus cause a higher growth of labor productivity.

In drafting next year's plan, neither the economic production units nor sectors made use of the possibilities arising from the principles of the set of measures and they expect their tasks to be ensured by an increase in the number of employees.

When they work out their plans the economic managements will have to adopt specific measures with the active participation of the working people for the further growth of labor productivity and mobilize untapped potential.

Increased exports create prerequisites for ensuring in principle balanced payments with the socialist countries in 1983. The economic development envisages a further expansion and deepening of our participation in the process of socialist economic integration, especially through a further growth of the share of direct production cooperation and specialization, above all with the Soviet Union. The positive trade balance with the nonsocialist countries will make it possible to continue to reduce our indebtedness [oddluzovani] and to mitigate the effects of the capitalist states' financial and credit discrimination.

We are preferentially employing the increment in national income to strengthen the external economic balance. In line with the 16th Congress directive, the resources allocated to cover the domestic needs of the national economy are ensuring the growth of the population's personal income by 1.3 percent as well as social consumption while further reducing stocks. That fully corresponds to the policy of reducing the volume of investments that is connected with the effort to make capital instruction more effective, to accelerate the turnover of reserves and to reduce their share in the increment of the national income.

The level of needs for maintaining the desired level of the country's defense-capability and security is being ensured.

These are the fundamental national-economic goals of the 1983 plan of economic and social development.

We are setting ourselves demanding tasks the realization of which will require us to overcome difficulties and possible risks in all sectors. We have chosen this path because it is the only one possible, and we are convinced that it is also feasible. No sector, economic production unit or enterprise can have easy tasks when the national economy must resolve difficult and demanding tasks. Therefore, the stages of breaking down the state plan to plans for sectors, economic production units and organizations must be fully utilized to ensure the objectives and tasks of the state plan and the adoption of all necessary measures in order to reduce risks to the minimum and contribute to eliminating the plan's weak spots.

Industry's Decisive Role

Industry creates more than two-thirds of the social product and national income and plays the key role as regards the fulfillment of the plan's basic goals. In 1982 we have adjusted the dynamism of industrial production to actual resources of primary energy, raw and other materials. In the 1983 plan we have increased the dynamism of industrial production to 102.4 percent with essentially identical quantities of these resources.

In accordance with the goals of the Seventh 5-Year Plan, the share of energy, intensive branches, such as the metallurgical, chemical and construction materials industries, will be reduced in the overall volume of industrial production. Production incorporated in the state goal-oriented programs will increase more than 14 percent. Also the production based on licenses will increase. Compared with 1982, the volume of deliveries of machinery and equipment for capital construction and, in keeping with increased personal consumption, also for the domestic market, will increase hand in hand with the continuing deliveries for export.

The planned expansion of industrial production depends to a considerable extent on ensuring its fuel-energy resources, a matter that remains one of the most demanding tasks. We are concentrating into this sphere an increasing volume of production instruments, and manpower and money for wages are also being increased. In 1981-83 the share of fuels and energy in industrial investment will amount to almost 36 percent and in newly started projects to more than 47 percent. Such a level of investments cannot remain without consequences for investment in other spheres of the national economy and in the nonproduction sphere. The most resources possible are being allocated for comprehensive housing construction and the infrastructure in the key coal extraction centers--the North Bohemian Region and the Ostrava area.

The fuel-energy resources for domestic consumption remain in essence at the 1980 level, a matter which in view of the need to accelerate economic development creates a new situation compared with the Sixth 5-Year Plan, when the resources used to be increased by about 2 million tons of standard fuel annually. The primary energy resources continue to be imported to a considerable extend, particularly from the USSR. However, for economic reasons we cannot keep on increasing imports and must therefore utilize our own resources to the maximum. The most important of these is coal, extraction of which is to amount to 124.5 million tons, of which 97 million tons will be brown coal and lignite.

The North Bohemian brown coal basin will be of decisive importance for the fulfillment of the tasks in the extraction of brown coal. It should extract more coal than this year, when it is assumed that the plan will not be fulfilled. The fact that the other basins accepted greater tasks must be appreciated. This will reduce the coal production shortfall to 1.4 million tons compared with the Seventh 5-Year Plan.

The appropriate ministries and economic production units must adopt measures enabling the consistent fulfillment of tasks imposed by the party Central Committee Presidium and the CSSR Government, aimed at a gradual elimination of shortcomings in the quality and utilization of new mining and excavative machinery.

Achieving the planned coal extraction is an important prerequisite for ensuring the development of the national economy in 1983 and in the following years. We are convinced that, with effective help from other sectors, our miners will not only fulfill the planned tasks, but will strive to exceed them.

The fuel resources enable the production of 75 billion kwh of electricity; this is an increase of less than 1 percent.

This year ends the historical era of the construction of steam powerplants. For this reason we expect that as of the next year the overwhelming portion of the increment in electricity production will be achieved in nuclear power plants. Putting new blocks in nuclear power plants on stream requires that we concentrate potential and means, improve the organizational work in constructing them and maximally strive to the utmost to minimize the delays in their construction. The enterprises of the Ministry of Metallurgy and Heavy Engineering, of the electrotechnical industry, fuels and energy and construction must concentrate their production and construction and assembly capacities in such a way as to bring on stream the first block in the V-2 powerplant in Jaslovske Bohunice by the end of 1983 at the latest and the first block in Dukovany in the middle of 1984.

The further expansion of the economy and its effectiveness depend to a decisive extend on achieving a higher level of rationalization in the consumption of fuels, energy and motor fuels. This is one of the key political tasks. We assume that the annual task of the Seventh 5-Year Plan to save 2.5 million tons of standard fuel will be fulfilled. At the same time we expect that the development of the working people's initiative aimed at ensuring the resolutions of the 10th All-Union Congress will contribute to achieving savings amounting to 0.5 percent of their overall consumption.

With the aim of focusing attention on the conservation of fuels, energy and motor fuels, the Central Committee Presidium decided to carry out a social review of the way fuels, energy and motor fuels are being handled. Under the political leadership of the party bodies and organizations and with the broad participation of trade union and youth bodies and organizations, branches of the Czechoslovak Scientific and Technological Society and other social organizations, local and enterprise commissions of people's control, the ranking economic personnel--who must create all the necessary conditions and prerequisites for its successful course--are responsible for carrying it out.

The results to date of the realization of the state goal-oriented program of the rationalization and conservation of the consumption of fuels and energy show that the measures aimed at economizing and the investment actions of this program are not being consistently prepared and implemented. Therefore the Central Committee Presidium ordered work to be completed on a state goal-oriented program, especially from the viewpoint of ensuring its realization in 1983 and the following years of the Seventh 5-Year Plan. It also ordered proposals to be made for comprehensive measures in the system of management and planning, organization, in economic instruments and material-technical prerequisites which will ensure a more consistent procedure in this sphere.

In the steel industry we are continuing our efforts for the transition from quantitative to qualitative development, efforts that are aimed at curtailing the increase in the use in production of energy, fuel and some imported raw materials. We regard this to be a long-term trend.

In this respect new modern aggregates must play an increasingly greater role, aggregates such as the oxygen steelmaking plant in Trinec, the Oxyvit convertor and the new electric arc furnace in the Vitkovice Klement Gottwald Ironworks, the continuous steel casting in the East Slovak Ironworks in Kosice, the medium-light section mill [stredojemna valcovna] in the Klement Gottwald Metallurgical Works and the tube drawing mill in Podbrezova. Should there be surplus rolling mill capacity, production will be cut in the less efficient mills. The situation in capacities makes it possible already now to supply the national economy with the necessary range of steel products. In realizing the conceptual goal of gradually reducing the total volume of steel exports, one will have to ensure that their value is balanced [hodnotove vyrovnani] by their better quality and by a better structure, and by increasing exports of machinery.

The main task of engineering, also next year, will remain the orientation toward strengthening the external economic balance. It is expected that production will increase by 4.8 percent and exports by 8.4 percent. At the same time we place more emphasis on ensuring the modernization of the production base and on the priority needs of capital construction, of which the most important is the program for the development of the nuclear energy complex. Engineering will also participate next year in increased deliveries for the domestic market and must satisfy public demand better in respect of choice.

Extensive and expensive structural changes are ensuring the gradual realization of the expansion of production in nuclear energy, aviation, electronics, trucks, color television sets and so forth. The Presidium of the party Central Committee assessed the concept of the expansion of automobile production in the automobile works in Mlada Boleslav and the new production program of the Bratislava Automobile Works, based on the production of trucks and on cooperation for the automobile industry. This is in response to the changed conditions in the sphere of international cooperation and on the automobile market.

The accelerated innovation process in engineering and electrical engineering in the world forces us to step up substantially the pace of changes in the structure of the engineering and electrical engineering production. Flexibility in adapting oneself to the demand, and the production of machinery of a high technological standard and quality with a low consumption of material and energy, and good service are all connected with this. These are important conditions whose fulfillment will make it possible to increase the export-capability of our engineering and improve the technological standard of our production base.

As the production of heavy engineering goods is to increase by 3.4 percent, the sector and the economic production units must master structural changes which are characterized by a disproportionate growth of final assembly branches and products that promise better possibilities of sales, such as machinery for the energy sector, turbocompressors, transmission equipment, locomotives and other products. The deliveries for capital construction, especially for nuclear powerplants, which are of vital importance for the development of the economy, also will greatly increase.

In general engineering, which is to increase production by 4.4 percent, the main conceptual goals in the production of machinery for the processing industry, agriculture and transportation are being implemented. Also the production of final assembly branches, especially of hydraulic elements, will be marked by a disproportionate growth. A rapid growth of robots and handling equipment is planned. The production of a new model of the Tatra-815 truck will begin next year, and modernization of tractors is planned. In accordance with the demand, we are ensuring greater deliveries to the domestic market, especially of deep-freezers, bicycles, mopeds and other things.

In accordance with the development concept, the production of the electrotechnical industry will increase disproportionately in 1983--by 7.4 percent, particularly of products with high technical-economic standards. The technical development is mainly oriented toward the production of parts, toward new regulatory and measuring technology products ensuring lower consumption of electricity, toward the development of computers and information media. The deliveries to the domestic market will increase by almost 11 percent; the demand for certain goods, especially for color television sets, tape recorders, record-players and so forth, will be better satisfied.

During the realization of the plan the engineering enterprises must ensure, above all, the planned directions of the production's utilization and make the maximum use of material resources for the production of those products and spare parts, and ensure assembly capacities, where needs are not being satisfied. It is necessary to the progress of work on the application of electrotechnical elements, which has been unsatisfactory up to now, must be distinctly improved.

The production in industrial organizations managed by the national republics is determined by the possibilities of coverage with raw and other materials, by imports from the nonsocialist states, by structural changes in the demand on the domestic market and on foreign markets.

As regards the chemical industry, a slight increase in production is expected, especially in connection with the smaller volume of processed crude oil, the existing possibilities of deliveries of fuels and energy and imported raw materials. Therefore, we must count with the further reduction of the consumption of oil-derived products, especially of heating oils and diesel oil. This means that the necessary measures for even more marked savings must be adopted and ensured.

We have achieved a considerable growth in the production and consumption of plastic materials and can, therefore, slow down the pace of the growth and more effectively resolve--also within the CEMA framework--changes in variety [zamena]. The current prices of raw materials on world markets should lead all consumers of plastic materials to consistently monitor the purposeful use of them in production as well as for packaging. With a lower rate of expansion, the chemical industry must utilize its modern capacities for a better valorization of material inputs and continue to develop the production of sophisticated [kvalifikovana] chemistry in accordance with the tasks of the state goal-oriented program.

In the timber-processing industry, which is based on the domestic raw material base, the plan imposes almost a two-fold growth compared with the average rate of industrial production. Its production could be even higher if the new capacities built in recent years were better utilized and the deadlines for bringing new capacities on stream and the planned parameters were more closely adhered to. The effectiveness of the timber industry is being reduced by the failure to observe the projected level of the utilization of secondary raw materials and of low-grade wood mass. The practice of purchasing enterprises pressing for normal and quality wood materials instead of handling them more efficiently, can no longer be tolerated.

In light industry we are placing emphasis on quality, technical standards, innovation of the range, enrichment of the consumer market with novelties, on increased deliveries of those types of products that have not been on the market in sufficient quantity for quite some time and on high-quality goods. With production growing by 1.4 percent, the volume of deliveries to the domestic market will increase by 2.3 percent. Exports to the socialist countries will continue in accordance with the existing long-term agreements.

The economic crisis in thecapitalist states affects the extent of our exports in some sectors of light industry. We demand that production and foreign trade create qualitative and trade-political prerequisites for an effective assertion of the products of the light industry on foreign markets.

The measures aimed at better ensuring deliveries for the domestic market have yielded only partial results thus far. Manufacturers must adapt themselves better than heretofore to the consumer demand, to new trends in the development of the individual aspects of the standard of living and thus improve conditions for a smooth realization of the population's monetary income.

The fundamental prerequisite for realizing the plan tasks in the sphere of transportation is the application of intensification factors, two of them being the continued reduction of demands on the transportation sector and the reduction of the transportation's energy-intensiveness. Carriers will have to make their contribution by making the transport of freight more regular.

In harmony with this, the overall volume of the transport of goods is being reduced by 1.8 percent while fully covering needs. At the same time the share of the river and railroad transportation, which are less energy-intensive, is being increased. Also the share of the CSAD [Czechoslovak State Automobile Transportation] will increase in road transportation while that of enterprises will be reduced. As regards ensuring these goals, there still remains quite a lot to be done. The desired shift of freight transportation from automobile to the railroad is lagging behind plan.

The efforts to reduce the demands of transport and raise the performance of more efficient transportation systems must be increased through organizational and system-related measures.

The task of communications is to continue to improve the standard and the quality of services, modernize the technical base and improve maintenance.

Tasks in Ensuring People's Nutrition

The 16th Party Congress has set the task of gradually achieving self-sufficiency in grain production and further increasing the overall self-sufficiency in food production while preferentially ensuring the growth of plant production before the animal production.

It is expected that gross agricultural production will increase by 2.7 percent, and of this the plant production will increase by 5.6 percent with the production of 11 million tons of cereals, almost 15 million tons of fodder, 7.8 million tons of sugar beers and 3.8 million tons of potatoes. In order to be able to fulfill the planned production in cereals one has to create the necessary conditions, above all by fully utilizing all available intensification factors, ensuring corresponding harvest areas and reducing losses.

With rational handling, the sources of fodder make it possible to count on a slight expansion of animal production, with a gradual increase in the utility value and a halt in the drop in the weight of cattle for slaughter. In order to improve the supply of the domestic market with dairy products, one must increase milk procurement by 2.5 percent at least.

To resolve the consequences of the nonfulfillment of the planned grain production and of the production of oil-yielding crops this year, which were affected by unfavorable weather in some regions, the federal government adopted measures for importing the necessary resources to ensure the planned level of the consumption of foodstuffs. This has further burdened the balance of payments in a situation when the possibilities of the national economy to cover needs by exports are limited.

In harmony with the envisaged resources of raw materials, it is being counted with such growth of the foodstuff industry's production as will ensure increasing [the deliveries of] foodstuffs for the domestic market by 3 percent. This will require increasing the standard of the valorization of raw materials, improving the choice and ensuring better the needs of the food industry with packaging materials.

Measures adopted by the federal government aimed at supporting the activity of hobby gardeners, small-time breeders and small plot owners and at transferring land unsuitable for socialist agricultural large-scale production, are yielding first results. The consumption of agricultural products as well as contractual fattening [smluvni vykrm] are increasing. We must consistently continue to ensure all these measures. This meritorious work brings benefits to breeders and growers as well as to society.

The material prerequisites for ensuring the tasks of agriculture and nutrition are created within the framework of the national economy's potential. In harmony with the conclusions which were adopted on the development of branches ensuring

the nutrition of the people for the Seventh 5-Year Plan, the volume of investments is being slightly increased. However, the supply sectors, together with the Ministry of Agriculture and Food, must more efficiently solve the problem of the range of deliveries, the comprehensiveness of lines and improve their quality and technical standard.

One of the intensification factors of increasing the plant production is expanding and utilizing irrigation. The task of the Seventh 5-Year Plan--to build additional irrigation on 100,000 hectares--is not being satisfactorily fulfilled. The appropriate bodies, especially investors and suppliers, must draw the necessary conclusions from this and adopt effective measures to achieve a turn for the better.

The deliveries of industrial fertilizers, fuels, energy, motor fuels, metals and other materials are adequate--when rationally and efficiently handled, they will enable the tasks of agriculture and nutrition to be fulfilled. Our chemical industry must search for ways to increase the production of agrochemicals and thus contribute to a more marked reduction of losses of agricultural production.

The problems of the development of agriculture and food production were discussed comprehensively and in detail at the fourth session of our Central Committee. A consistent fulfillment of the session's conclusions in the current, markedly more demanding, conditions is acquiring importance and is the primary political-economic line for the party and economic agencies of the agroindustrial complex. Therefore, it is necessary to constantly return to the conclusions of the fourth session.

At all levels of the management of agriculture one has to continue to develop the principles of the perfected system of planned management, particularly as regards the influence of khozraschet [cost accounting system] in unified farmers cooperatives, state farms and other agricultural enterprises, and thus increase the responsibility and material interest of persons employed in agriculture for the growth of effectiveness and mobilization of untapped potential, of which we still have more than enough.

We expect that by further developing initiative and activity and improving the standard of the management and organizational work, the intentions of the plan will be consistently fulfilled in all sectors of agriculture and food production in the spirit of the conclusions of the 16th Congress.

Emphasis on Results of Scientific-Technical Development

Great attention is constantly being devoted to the implementation of scientific-technical development in all sectors of the national economy. Even with limited possibilities, the biggest possible scope is being created for research, development and the implementation of their results. The overall volume of noninvestment means for ensuring the tasks of science and technology amounts to almost Kcs18 billion, of which, about 60 percent come from the resources of the economic production units and enterprises. The number of personnel in the scientific research base is being increased, the volume of investments is growing as well as the extent of foreign currency allocated above all for imports of instruments and measuring technology and for the purchase of licenses.

These resources are being concentrated on vital tasks. Approximately one-half of the new tasks concerns engineering sectors and almost one-third of resources is allocated for tasks connected with the realization of the state goal-oriented programs.

The production arising from the realization of the concluded tasks of technical development signals an improvement in the hitherto tendencies. It is approximately 7 percent higher than this year and constitutes more than Kcs12 billion. Also this year's international engineering fair revealed certain innovation improvements on the part of our manufacturers. It is necessary that innovation in research and development should have a permanently rising trend and that the introduction into production be maximally accelerated.

The shortening of the time it takes to resolve tasks is to be assessed positively. With the newly proposed tasks the reduction has been to 3.7 years thus far, compared with 4.1 years with tasks put forward [zarazene] this year. However, despite this improvement the time it takes to solve things is still too long. It corresponds neither to the world average nor to the goal of achieving in respect of newly proposed tasks of a production nature solution times of a maximum of 3 years. Also the number of tasks which have to be finished in 1983--about 10 percent of the overall number--does not correspond to the expended resources.

The Central Committee Presidium, when discussing the 1983 draft plan, thoroughly assessed the contributions of the scientific-technical development. Despite certain positive elements, we still cannot be satisfied with the results achieved in this sphere.

The scientific-technical development is the key factor in the process of the intensification of the economy. It must be its organic part and the foundation of the planning and management activity at all levels. This is not yet always so in practice. We must implement far more quickly in production what is already known and what has acquitted itself in our country and in the world. A considerably greater extent of medium and small production innovations must in the coming years decide a marked increase in the standard and effectiveness of the entire economy and about better satisfying the population's needs. In this respect there is still much untapped potential in the inflexible and hesitant approach to the realization of new products, advanced technologies, in pushing through proposals for improvements and inventions. What is involved is the decisive front of the further development of the economy, the realization of the party's strategic economic line. We must approach the implementation of scientific-technical progress from such positions.

Consistently Improving Effectiveness and Financial Economy

Intensification and the increase of effectiveness are the two decisive factors in the growth of national economy resources. That is why next year's plan endeavors to further strengthen this line by exerting greater pressure on the

economies of enterprises and economic production units. In a number of spheres we count on more progressive tasks than those defined by the Seventh 5-Year Plan. This is expressed concisely particularly in the further reduction of the share of the cost of materials in production. This improvement represents Kcs3 billion, and it represents almost Kcs1.0 billion in the increase of profit. The significance of tightening the qualitative indexes also lies in the fact that it places development and achieve results in close interdependence. Despite a certain progress, we are still a long way from meeting the demands set for this sphere by the 16th Congress. We must purposefully strive to make effectiveness, quality and cost-efficiency the everyday concern of leading workers, of party and trade union organizations and bodies, of all working people.

We must also pay very close attention to the development of reserves and their utilization, which are lastingly unsatisfactory. Considerable assets are frozen and bound up in reserves, assets in which wages--and also fuels, energy and raw materials, acquired at high cost--have been invested. The federal government has discussed the situation in the development of reserves and adopted measures to ensure they are better utilized and that the Seventh 5-Year Plan tasks are adhered to. These measures are reflected in next year's plan. The ensurance of these measures and the enforcement of the planned development of reserves will require far more specific management, particularly in the sphere of production and economy of production, and of material-technical supplies. It will also require more effective work by financial and banking bodies, work connected with the greater pressure of financial, credit and wages tools.

The results of efforts for achieving a higher share of intensification, effectiveness and quality in the creation of resources represent the material base of the state's financial balance. We cannot distribute any more financial resources than we acquire by producing and by thrift. In the interests of stability and of strengthening the financial balance, the state budget ensures an equilibrium between incomes and expenditures. Compared with 1982, the incomes and expenditures of the state budget should increase 2.6 percent, and amount to more than Kcs309 billion.

The source of the decisive revenues of our state budget lies in the socialist economy. The overwhelming part of expenditures fall in the nonproduction sphere, in which the state ensures our social security, living standard and growth of social consumption. These expenditures will amount to almost Kcs230 billion

The balanced incomes and expenditures of the state budget throughout the Seventh 5-Year Plan are one of the main tasks and an important prerequisite for the overall equilibrium in the proportions and financial relations of the national economy. The fulfillment of tasks in raising effectiveness and in consolidating thrift throughout our national economy is decisive for realizing this goal.

The currency and loan policy set by the CSSR's currency plan supports the basic goals and tasks of the state plan.

The state plan, state budget and currency plan all envisage the achievement of needed financial resources by means of intensification, the enforcement of effectiveness and quality, and strict economy in all spheres of economic and social life. The thrift program adopted in 1981 has already yielded results. We continue realizing it, and for the years 1983-85 we are preparing certain further measures, aimed at achieving a more expedient and economical use of material and of financial resources.

In realizing all our intentions for next year we must strive to make terms like intensification, economy, effectiveness and quality become not only part of our economic vocabulary, but also the main criterion of economic activity and behavior, a criterion for assessing economic results.

Priority of External Economic Relations

In view of the fact that our economy is very much open to abroad, external economic relations determine the plan's basic national-economy proportions and above all, the creation and use of the national revenue. That is why we give priority to fulfilling the plan tasks in the sphere of external economic relations.

The plan's concept actually ensures the equilibrium of our balance of payments vis-a-vis the socialist countries and consistently continues along the path embarked upon for gradually restoring the equilibrium in the sphere of freely convertible currencies.

The socialist countries' share in the overall foreign turnover will amount to roughly two-thirds. This orientation of foreign trade is the foundation of stability and certainty for developing our economy. That is also why the further expansion of economic relations with the CEMA countries, and the Soviet Union in particular, is the main feature of the foreign trade plan for next year too. The turnover with the socialist states will increase more than 8 percent in terms of current prices. We also envisage continued exacting changes in the export structure, where the share of engineering will increase.

The plan strengthens the importance of cooperation and specialization with the CEMA countries. There are more than 300 agreements now in force; approximately one-fifth of them are multilateral agreements. The realization of the bilateral program of cooperation and specialization with the Soviet Union in the sphere of engineering--in which the share of specialized production in the overall mutual deliveries of machinery and equipment amounts to 40 percent--is of the greatest significance for us.

Certain bilateral amendments, particularly those following from changes in the capital construction plans, have been reflected in the plan of foreign trade with the CEMA states. It is imperative to expect a more demanding attitude toward quality, range of products and the improvement of deliveries of spare parts; and to flexibly react to the needs of our partners. We must proceed in a similar way also in ensuring our import needs.

Economic cooperation with the Soviet Union is and will be decisive for our external economic relations. Currently, on the basis of the results of accords concluded between the party and state delegations this May, we are working out, together with the Soviet comrades, further measures for deepening and expanding this cooperation to other sectors. The issue will be, above all, to develop specialization and cooperation and to implement new, modern forms of cooperation--both with regard to expanding direct relations between production branches and organizations, and with regard to establishing conditions for setting up joint enterprises.

A further deepening of socialist economic integration with the CEMA states makes it imperative to start coordinating, multilaterally and bilaterally, the economic, scientific-technical and investment policy up to the level of branches and enterprises.

In harmony with the conclusions of the 36th CEMA session, work is also underway on the preparation of plan coordination for the period after 1985, both with the Soviet Union and with other countries.

An example of extremely significant cooperation with the Soviet Union is the construction of the gas pipelines that go over our territory. This is not only a highly effective project, but it represents an important connecting line in peaceful cooperation on all-European scale. Next year we will start building what is already the fourth branch of the gas pipeline over our territory in succession. This is an extremely exacting project technically and technologically, which will test the abilities of our workers, technicians and organizers. A pipeline measuring 1,420 millimeters in diameter will be laid in our country for the first time ever, and the production of 25-mw electric/compressors in the CKD plant in Prague will represent a striking scientific-technical progress which will rank us among the world's leading producers. The transit dues in the form of natural gas will contribute to our fuel-energy balance.

The 60th anniversary of the establishment of USSR, which will be celebrated by the entire progressive world next month, is an opportunity for us to recall again that the Soviet Union has been our main support in the decisive phases of our building the socialist fatherland, and that the firm friendship, alliance and close fraternal cooperation with the Soviet Union are guarantees of our fatherland's comprehensive advance.

As regards our relations with nonsocialist countries, we expect the difficult and complicated conditions here to continue next year. The plan proceeds from these facts and counts on a lower rate of the growth of turnover. In this sphere, too, we continue to change the structure of exports. We reckon with a fall in exports of fuels, energy and steel products and an increase in exports of the products of our engineering and timber-processing industries. The exports of products of our light industry, above all of textiles, footwear, glass and costume jewelry, are adjusting to the situation on foreign markets.

In order to ensure the exacting tasks in exports it will be necessary from the very beginning of the year to exert the maximum effort in the organizations of foreign trade and in production, by particularly enhancing the initiative in

searching for new markets, in the sphere of innovations and design, and in raising the technical-economic parameters and verifying the advantages of branch and product cooperation. We must make better use of trade-political links--we will buy primarily from places where scope will be created for our exports.

We expect to achieve a substantially higher valorization of exports in terms of foreign currency, above all from production innovations and higher quality. Every exporter must carry out export price calculations, compare the result achieved with his competitors, and draw the necessary conclusions. We must know how price is affected by the inflation movement in the world, and how it is affected by his own share in enhancing the technical-economic parameters of the product.

In view of the rapidly changing world conditions, the economic production units that produce for export must react more flexibly in their plans for the technical advance of key export sectors and must update their concepts of speeding up innovation processes. Balanced production must better correspond to the demands of foreign markets, both in the range and in the quality of products, by speeding up the delivery deadlines by providing prompt post-sales services and deliveries of spare parts, and so forth. We must make more intensive use of opportunities for stimulating the employees in preproduction phases and in production to enhance the technical-economic and utility parameters of exported products in close connection with the export effects.

The extent of our exports is governed by the resources we acquire for providing our exports. The level of exports we realize will create the maximum possible level of imports for ensuring our economy. This demands that we consistently realize the savings program in imports. We still have considerable reserves in this sphere.

In order to enhance the effectiveness of work in foreign trade and in production, the party's Central Committee Presidium and the federal government Presidium discussed and adopted the main directions for perfecting the activities in this sphere. New experimental forms have been worked out; they aim at forging closer economic links between production and the results achieved by foreign trade and at achieving greater flexibility in ensuring the exports plan.

A More Demanding Realization of the Investment Policy

In harmony with the tasks of the Seventh 5-Year Plan and with the resources set down for the use of the national income the extent of investments and their share in the national income created are oriented at ensuring decisive structural plans, above all in the fuel and energy branches, at realizing the state goal-oriented programs, at the agricultural complex and at strengthening our export ability.

The plans ensure a course of construction which will make it possible to start operations in the facilities of decisive construction projects within the set deadlines. Very close attention will have to be paid to the 105 facilities of

binding construction projects that are decisive for the further development of our national economy. These include, above all, the construction of the first block of the V-2 nuclear power station in Jaslovske Bohunice, and we attach the same importance to the first block in Dukovany. This further applies to facilities which ensure increased extraction of bituminous and brown coal; to the first facilities of the cellulose plant in Paskov; to the coke production in Kosice; and to the production of acrylic acid in Sokolov, of agricultural chemicals in Duslo Sala, of paper tissues in Zilina, and of mechanical rubber [technicka pryz] in Hnusta.

In agriculture the accent is primarily on projects aimed at minimizing losses of produce, at irrigation, at new stabling facilities and at six facilities of the food industry. In railroad transport it is on completing the electrification of 65 km of tracks and on equipping 29 km of tracks with an automatic electric block system. Further superhighway sections will be opened to traffic; and 70,000 new telephone connections, almost 400 km of long-distance cables, and 2 television transmission stations for the second program will be set up.

The newly started construction projects are aimed at certain structural changes which are part of the process of intensifying our national economy. We will continue to insist that only such investment projects may start that are properly prepared, which fulfill the demanding criteria of effectiveness and are aimed at strengthening our export capacity, at achieving expedient import savings and at modernizing and ensuring the program of saving fuel, energy and raw materials. The investment programs of economic production units and enterprises require a critical assessment and evaluation from these viewpoints in particular.

Conditions are being established, above all for industrial enterprises, to enable them to improve the technical level of their production base by producing single-purpose machinery, equipment and rationalization means themselves.

The efficacy of the more exacting investment policy embarked upon is still being weakened by the continuing shortcomings in its preparation and realization. It still happens that investors exert pressure on getting construction projects included in the plan which have not been prepared neither in time, nor in terms of blueprints and delivery contracts. So far we have found no effective way to prevent the frequent and high overstepping of budgeted costs; this results in a deterioration of effectiveness and leads to the limiting of other necessary investments. The consistent policy of regulating the extent of beginning new construction projects, which we will continue next year, leads to certain positive results in the reduction of an excessive number of uncompleted projects and of construction deadlines. This is manifested by the fact that, during the first 3 years of the Seventh 5-Year Plan, the balance of budgeted costs will be diminished by Kcs50 billion, that is, it will be reduced by almost 30 percent; the time of construction will be cut by more than 1 year. We must consistently continue here on the path we have embarked upon.

The next year's investment plan represents an exacting program for all participants in the investment process, but above all for the investors, designers and suppliers--for builders and machine builders.

The Central Committee Presidium, the federal government and the national governments have discussed the "standpoint on the situation in the building industry and on its immediate tasks in fulfilling the Seventh 5-Year Plan." The measures adopted have dealt with the balancing out of the nonfulfillment of this year's plan, with enhancing effectiveness in the building industry during the summer months, with ensuring work for the development of the fuel and power base, and particularly with reorganizing the structure of construction facilities in keeping with the needs of the Seventh 5-Year Plan. In the second half of this year the task fulfillment has gradually begun to improve; this is a sign of the fulfillment of conclusions set in the standpoint. Prerequisites are being established in the plan for ensuring this next year, too.

The stricter course implemented in investment policy with regard to all participants in capital construction corresponds to our orientation toward intensifying the economy. We must continue on this path, even though this sometimes evokes misunderstandings or even conflicts with those whose demands or ideas cannot be satisfied.

The Growth of Personal and Social Consumption

Even despite the more complicated internal and external conditions, the sphere of living standards proceeds from the directives of the 16th Congress and ensures a 1.3-percent growth of personal consumption. The population's monetary incomes are being raised 2 percent, which included a 3.7-percent increase of social revenues. As part of our orientation, we envisage in the nation economy that the average monthly wages could amount to Kcs2,820. Their further growth will depend on how the enterprises and organizations improve their output and labor productivity.

Leading employees, together with the party and the trade union organization, must therefore strive to ensure, by better economic results on the basis of a higher labor productivity, the achievement of better earnings side by side with a more consistent differentiation of remunerations according to merit. The experience acquired by enterprises which differentiate remunerations according to the results of work, which introduce progressive forms of remuneration and a more progressive system of norms, which introduce premiums for quality and thrift, and which are overcoming the long-established leveling of remunerations--this experience must be spread to other organizations.

Next year we will continue strictly regulating the development of wages payable according to the economic results achieved. This is one of the important conditions for a balanced situation on the domestic market.

In keeping with the planned development of the population's monetary incomes, we envisage a Kcs5.3-billion increase of retail turnover. We count on a speedier growth of the deliveries and sales of industrial goods, as compared with foodstuffs.

Compared with 1981, the deliveries to the domestic market will be significantly increased in industrial goods, particularly in refrigerators (by 12.5 percent), kitchenware (29 percent), tape recorders (34 percent), batteries (17 percent), bedclothes (17 percent), bicycle tubes and tires (more than 30 percent),

rolled material (31 percent), and so forth. The domestic market will receive more than 111 million units of knitted underwear and clothing; 27.6 million outer garments; more than 66 million pairs of footwear; at least 85,000 passenger cars; 345,000 refrigerators; 240,000 television sets (80,000 of them color television sets); more than 0.5 million radios; and other goods.

The basic task in foodstuff deliveries is to ensure a more regular satisfaction of the demand in basic foodstuffs, above all in dairy produce, fats and beverages. The plan shows slight increases for meat consumption. Despite the more extensive purchases this year, a further increase in deliveries of butter, lard, beer and other food products is being ensured. Deliveries of syrups will increase significantly.

An active cooperation of production and trade organizations and a greater flexibility in distributing goods in the network of shops, as well as prompt reaction to changes in the population's demands must all contribute toward improving the situation on the domestic market.

It is the concern of production enterprises to ensure, better than to date, a structure of deliveries which would substantially improve the range of products offered particularly for normal everyday consumption, where the population reacts most sensitively to any shortages. At the same time we must raise the offers of products with high utility and esthetic qualities.

The federal government has recently dealt with the situation on the domestic market and with the range of products in which the population's demands have not been satisfied for quite some time; the government has charged the appropriate ministers, among other things, with systematically ensuring the production of the kinds of goods that are in demand, and with a more rapid introduction of new products. This duty also applies to organizations which have so far not been producing consumer goods.

In harmony with the conclusions adopted by the Sixth Central Committee session, we also expect the production cooperatives and local economy enterprises to expand their offer of goods for the domestic market. The dynamics of services paid for by the population must be influenced by the active implementation of measures adopted for improving the quality of services and for making them more flexible.

We also envisage a further increase of means set aside for the population's social consumption, which is one of the merits of the socialist society. Next year these means will amount to more than Kcs10,300 per citizen. This will further strengthen the population's social certainties.

The level of satisfying the needs of education, medical service, culture and other spheres will be further raised; they represent the broad gamut of services for the population which are distributed free of charge, and with high subsidies from social resources.

In education we will ensure yet another phase of reorganization of the educational and upbringing system and of its more effective adjustment to the more long term needs of our economy and scientific-technical advance. We must devote increased attention to concluding building the material and cadre network of secondary and specialized schools. Society's care for pre-school and after-school care for children is being substantially expanded; it includes catering in school cafeterias, cantines and the needs of school day care centers and of kindergartens, which will care for more than 90 percent of all children in the 3-5 age group.

The expenditures for medical care are being lastingly increased. In 1983 we will achieve better relations both in the number of slots for physicians and in the number of hospital beds than those envisaged by the Seventh 5-Year Plan. During the 3 years of the Seventh 5-Year Plan, numerous facilities of medical care have been, or will be, commissioned for use, such as the Malesice Polyclinic in Prague, and the hospital blocks in Brno, Jihlava, Kosice, Nove Zamky, and so forth.

The conditions for enhancing care for our old or disabled fellow-citizens will also be improved, both by expanding facilities of the institutes of social care, and by expanding the social services granted within the jurisdiction of national committees.

The present economic situation demands with greater urgency that in particular the national committees, which have the appropriate facilities under their administration, as well as the executive workers in education, medical care and culture, handle the means allotted them by the plan more efficiently and prudently.

Our society is granting the necessary means also for a further development of culture. Next year we will conclude the reconstruction and modernization of our historic cultural tabernacle--the National Theater in Prague--in time for the 100th anniversary of its opening. More than Kcs1.2 billion will have been spent for the maintenance and restoration of historic monuments. This is an expression of our society's positive attitude toward the historic heritage of our nations.

The plan also ensures the means for building and modernizing the housing fund; for improving the absolutely necessary [nezbytna] civic facilities in housing developments, where the tasks are so far not being satisfactorily fulfilled; and for repairs of the housing fund under the administration of national committee organizations. More than 300,000 citizens will move into almost 100,000 new or modernized apartments. The state's financial and technical assistance to the construction of 32,000 family homes and 45,000 cooperative apartments will be continued. Apart from that, next year the state will spend roughly Kcs5 billion on subsidies for the enterprises of housing economy, for covering the expenditures connected with the maintenance, repairs and administration of the housing fund.

The planned growth of personal and social consumption shows that, even under more difficult conditions, we are establishing prerequisites in the utilization of our national income for maintaining and further improving the quality of the general living standards.

## The Development of National Republics

In the development of national republics we foresee a trend which will most effectively contribute toward resolving the urgent and complicated tasks of the united Czechoslovak economy. In keeping with the economic conditions and realistic possibilities, we also expect a more rapid growth of the social product and of industrial production in the Slovak Socialist Republic [SSR] by 3.5 percent, as compared with 2 percent in the Czech Socialist Republic [CSR]. This will increase the SSR's share in the all-national industrial production. Engineering production, which will grow by 8.2 percent, is a dynamic branch in the SSR.

In harmony with the economic possibilities, conditions are being established for realizing the tasks set for the development of the North Bohemian Region, particularly Prague and Bratislava, as well as the Ostrava area. Both federal and national bodies must devote increased attention to task fulfillment in these areas, particularly in the sectors where the tasks are not yet being fully ensured. In the first place this concerns capital construction and comprehensive housing construction in the capital, Prague, and in the North Bohemian Region.

Next year we will start realizing further measures for strengthening the national committees' activities and position in the management of the comprehensive economic and social advance of territorial zones [uzemni obvody]. First of all, this concerns their enhanced contribution to intensively developing our economy, their more expedient utilization of manpower, a higher effectiveness of capital construction, and greater thrift in spending social means so as to better satisfy the citizens' justified demands and needs.

A number of measures have already been carried out: further measures are prepared for next year, in keeping with the conclusions of the Sixth Central Committee session.

In this connection one should appreciate the initiative shown by national committees in winning over the citizens for work on embellishing and improving the living environments in communities and cities. We are counting on this socially beneficial activity also in the future. Like last year, we also expect to spend about Kcs3.2 billion investment means for ensuring this activity within the framework of the "Z" community embellishment campaign.

However, the possibilities of our national economy require us to carefully verify the expediency of every action. The means at our disposal can be used primarily for developing the activities of national committees in the sphere of services, for improving the living environments and for actions which will benefit the broadest possible circle of citizens in the shortest possible time.

## To Make More Efficient Use of the Set of Measures and To Improve the Standards of Management

The fulfillment of the exacting goals and tasks of the 1983 plan under substantially more difficult and complicated conditions requires us to improve more than ever the quality of planning and management activities on all levels.

All leading workers, regardless of where they work, are fully responsible for consistently working out the tasks of the state plan, of the state budget and of the currency plan, and also the plan of the supervising bodies for implementing the tasks in the specific plans of economic production units, national committees, enterprises, plants and organizations.

We must ensure these plans and we must creatively carry out the conclusions of the 16th Congress and the resolutions of our Central Committee's economic sessions according to the conditions of the organization in question; we must pass them down to all enterprise formations, to the working places and to every worker. The economic management, the party and trade union bodies must establish an atmosphere of exactingness, of high working activity and of the consolidation of working discipline.

For a leading worker we cannot have any other criteria for urging the efficiency and quality of his management work than the results achieved in plan fulfillment, than the standards of effectiveness, utilization of scientific-technical progress and the high quality of work. It is only with this in mind that we can evaluate these workers, remunerate them and morally assess them.

Many leading employees are fulfilling these requirements and actively approaching the elaboration and realization of the plan, the solution of problems and the elimination of shortcomings; they undertake risks, look for new methods of work and push through all-social interests in the spirit of conclusions adopted by the 16th Congress.

Experience shows that we still have quite a few leading employees who stick to the routine, who are inconsistent and unexacting, scarcely enterprising, and insufficiently responsible. These leading employees give preference to enterprise and local interests, and prefer comfortable and conflictless working methods. We have more than enough examples of this. Certain draft plans submitted by economic production units and ministerial branches for the next year deviated from the set goals of the Seventh 5-Year Plan and from the demands of the 16th Congress, above all in the insufficient creation of resources, in effectiveness and intensification, in applying only small contributions of scientific-technical progress and in the nonfulfillment of tasks in export and in deliveries for the domestic market. The endeavor to implement unrealistic demands on imports, investments, manpower and wages means was very apparent.

Likewise, the practices of past years continue in the mass submission of requirements for changes in state and economic plans. The motive of demands for cutting down tasks and scaling down plans--here, the nonfulfillment of the plan by some enterprises is sometimes resolved by changing the plan at the cost of the results achieved by good enterprises--are financial and wage advantages and bonuses. These practices are harmful and must be resolutely fought against. The party Presidium and the government have rejected these practices and adopted measures for a stricter course in plan adjustment both this year and in the following years.

That is why the working out of the 1983 plan must reflect a new quality; it must express the efforts and results of the people's initiative in participating in the plan and in counterplanning. A plan of good quality, its consistent organizational and political ensurance, and passing it down to every intra-enterprise body and every employee--this is the guarantee that it will be successfully realized.

The complicated and complex conditions of economic and social development expected by us next year require us to enhance the standards and quality of direct management, particularly in the areas which cannot be replaced by economic methods; they also require us to be more flexible and prompt in resolving the problems which crop up, and to enhance responsibility for realizing the party's economic policy and for fulfilling the party and government decisions. We must implement more fully and effectively the economic management system according to the set of measures, and we must further develop and intensify it.

The Central Committee Presidium discussed the results and the course of realizing the set of measures for improving the planned management system of national economy. It expressed appreciation for the great works carried out in political training and economic propaganda, in amending the rules and regulations and in changing the style and methods of management.

The almost 2 years' validity of the economic management system of the set of measures justify us in appraising the achieved results on the whole positively, above all in those areas which have been given priority in the present phase of economic policy by the 16th Congress. The economic pressure on effectiveness, quality, thrift and mobilization of reserves is increasing; this is manifested in the systematic decrease of material requirements in production, in a higher valorization of fuels, energy and raw materials, in a more efficient utilization of production factors and in a better quality of production.

However, we cannot and must not overrate these results. The enterprises and economic production units have been making use of the obvious and easily mobilized reserves and resources, and of those elements of the economic mechanism which brought the organizations immediate advantages. This process, too, is objectively necessary and useful. Without this phase we would also not have the process of economic pressure to gradually make material processes more effective through intensification, structural changes, a broader involvement in the international division of labor and the socialist economic integration, cooperation and specialization, on the implementation of scientific-technical advance, on speeding up innovations and enhancing the utility qualities of products, and on a higher valorization and utilization of production means and work.

A fuller implementation of the system according to the set of measures represents a large reserve for ensuring the goals and main tasks of the 1983 plan of economic and social development. It is primarily based on the imperative need to speedily finish working out the rules of the set of measures in all economic production units and enterprises, in the intrasector and intraenterprise bodies, and to make sure that all working collectives and individuals are fully informed. About them the fact that in many places the implementation of the rules of the set of measures is primarily the concern of economic bodies, and that the technical and production bodies in many instances stand apart--all this we regard as a serious cause of the unsatisfactorily slow progress in deepening enterprise and intraenterprise cost-accounting and in creating the needed standard base.

The economic management system must be further deepened and developed in a way that would enable it to effectively contribute to supporting the goals and aims of economic policy and plan fulfillment next year. Laws have been prepared on

payments to the state budget and on the income tax; they should lead to strengthening the cost-accounting system in financing the needs of enterprises and to enhancing monetary incentives. Measures have been adopted in the currency sphere which make the economic relations with abroad yet more realistic and help enhance the role of bank loans in the plan fulfillment and in pushing through higher effectiveness in the economies of enterprises and organizations.

In harmony with the long-established line of economic strategy, our selected branches and economic production units will experiment with a process of speeding up scientific-technical progress and with measures for enhancing the export efficiency of the economy. A further program is being prepared for work on perfecting the system of planned management so that it would become part of preparing the economic and social development plan for the Eighth 5-Year Plan.

The Party's Role in Ensuring the Tasks of the State Plan of Economic and Social Development

The overall positive results achieved by us in the first 2 years of the Seventh 5-Year Plan in fulfilling the resolutions of the 16th Congress are unthinkable without the devoted work and mass initiative of our working people, without the great organizational work of the CPCZ.

The past period was filled with the exacting and fruitful work of the entire party and all its bodies in realizing the conclusions adopted by the 16th Congress and the resolutions adopted by our Central Committee. Territorial and other party bodies and all party organizations in enterprises and plants, in industry, the construction industry, agriculture and other national economy sectors, have considerably contributed toward ensuring the 16th Congress resolutions and the political-organizational course set by the party Presidium for the Seventh 5-Year Plan and for the directive for preparing the 1983 plan.

The intentions, goals and tasks of the next year's plan must hold a significant place in the agenda of the annual member meetings of basic organizations, of all-plenary meetings and party conferences; and, in the spirit of the resolutions adopted by our Central Committee Presidium, they must concentrate on ensuring the material and specific tasks and on resolving those problems and issues which exist within the sphere of activity of a party body and organization. It is necessary to appraise the share and results of every party body and organization and of every communist in the implementation and realization of conclusions adopted by the 16th Party Congress, and also to determine the tasks and further course.

Recently Comrade Husak again reminded us at the working meeting with the leading officials of the West Slovak Regional Party Organization: "All links of economy, and particularly the leading workers, must enforce in practice the demands of the 16th Party Congress for a higher efficiency and quality of all work, and do this with a substantially greater responsibility and emphasis. The more exacting conditions require us to speed up the rate of the national economy's transition to the track of intensive development."

The widest possible circle of communists must take part in preparing the annual meetings and conferences, in order that we can make use of every experience, suggestion and idea in determining the conclusions for party work in the coming period.

In order to ensure the resolutions of annual meetings and conferences it will be necessary to unify, under the leadership of party bodies and organizations, the efforts of economic workers, of trade union and youth union organizations and other national front organizations, and of all working collectives.

The communists must head the further advance of socialist competition, the movement of socialist labor brigades and the activities of innovators, improvers and other forms of the working people's participation in management and in the development of working initiative in honor of the 35th anniversary of Victorious February [1948].

The party organizations must take an active part in the social check on the handling of motor and other fuels and of energy, and also in pushing through the economical use of metals, raw and other materials, particularly those from imports. They must be more resolute in promoting the more effective implementation of the set of measures for improving the planned management system, and particularly its implementation in the activities of intraenterprise bodies, so that all working collectives would act and work in keeping with its principles.

In the Seventh 5-Year Plan we began making use of the methods of counterplanning, which enable the working collectives to apply their initiative, activities, suggestions and reminders. Thus they can specifically express their participation in management and make use of internal reserves and of all accessible resources; and on this basis they can specifically adopt the more progressive tasks of the plan. Experience shows that this is the right way and that it fully corresponds to the interests of the society. That is why we must not permit counterplanning to become a matter of administration.

The fulfillment of exacting tasks of the 1983 plan will be more difficult than this year because we have set ourselves more demanding tasks and much higher goals. This requires a further improvement of the quality of political-organizational and educational work of party bodies and basic organizations, a strengthening of their leading and control role, an improvement of the standards of cadre work, greater control of the fulfillment of party resolutions, and a deeper party-mindedness in management. It is necessary to demand from the communists in leading positions full responsibility for a concrete working out of the plan down to the workshops, plants and every employee, and an engaged effort to make sure the plan is consistently implemented. We must link party work more closely to the fulfillment of working tasks in all working places.

The communications media, and particularly the communists working in them, must play a significant role in explaining the intentions and goals of the state plan of economic and social development for the next year and in developing the working people's initiative and activity. They must correctly explain our tasks

and the solution of economic problems; they must promptly react to the measures that are being adopted, explain connections, underscore positive examples, and use suitable methods for promoting the overcoming of obstacles and shortcomings which hamper our planned advance.

The results achieved by us in the fulfillment of this year's plan even under far more difficult conditions than we had envisaged confirms us in our conviction that we will be able to cope with the more exacting intentions, goals and tasks of next year, when we will be speeding up economic growth, ensuring the upsurge of personal and social consumption and further consolidating the social certainties of our people.

We must make use of all the possibilities provided by our production potential, by our scientific-research and technical base, by the deepening and expanding cooperation with the CEMA countries--above all the Soviet Union--and by the activity, engagement and devotion of our working people. Herein lies the certainty that the fulfillment of the 1982 plan of economic and social development will become yet another step toward a successful fulfillment of conclusions adopted by the 16th Party Congress.

CSO: 2400/79

## NEW GOVERNMENT-TRADE UNION INITIATIVE IN PLAN FULFILLMENT

Bratislava PRAVDA in Slovak 18 Oct 82 p 1

[Editorial: "[We Must]Roll Up Our Sleeves"]

[Text] Our revolutionary trade unions are a loyal and inseparable part of the system of a socialist party. They participate in the management and administration of state and community affairs, in the creation and control of state policies, the development and fulfillment of national economic plans, and the management of the activity of enterprises and plants.

We could continue in this vein, but the facts and data are so well known that there is no need to repeat them.

The 16th Party Congress appraised the activity of the trade unions and their contributions. At the same time it warned that "in the future years the trade unions, too, will be faced with no small tasks..." (we are citing from the address presented by Comrade Gustav Husak), "we expect that their enterprising role and responsibility in joint decisionmaking and ensuring the socioeconomic growth of [our] society will continue to grow..."

The Revolutionary Trade Union Movement [ROH], as a significant factor in enforcing the interests of our entire society, and the rights and duties of workers, has adopted this guideline for its own, and developed it and projected it, besides other things into the know-how, according to which, with new roles, "the relations between trade unions and the socialist state are coming ever more into the forefront."

Whereas in regions where exploitation prevails the relation between the trade unions and the capitalist state is a subject for strife and remains so whoever the union leaders serve (because it is based on a fundamental antagonism between labor and capital), the relation between the revolutionary trade unions and the socialist state is developing under the banner of cooperation. Bourgeois propaganda is constantly attacking and shooting at this principle of our life with ammunition of every caliber, but in vain. Because this relation is not the creation of an agreement or desire. It has come about logically and legitimately. It is based on common interests, class equality, and shared principle goals, deriving from the politics of the Marxist-Leninst party.

The 10th All Trade Union Congress expressed a desire that cooperation between the trade unions and the socialist state might be further intensified, develop new forms, and find greater expression primarily in the cooperation of union and state authorities. This is recommended above all by the experience from the course and results of regular joint negotiations of the secretariat of the URO [Central Council of Trade Unions] and the Presidium of the Government of the CSSR. They have given rise to many successful measures which would hardly have seen the light of day if the trade union organizations had had as a partner -- which has happened in the past -- a representative without authority and often even without any opinion.

Cooperation between the state and the trade unions became particularly marked when the URO presidium and the federal government evaluated the participation of chairmen of central committees of [local] trade unions in the plan for 1983-1985. Representatives of the trade unions at the same time informed the government of the comments and suggestions of delegates of the 10th All Trade Union Congress. One of the most important of these is the warning that it is no longer acceptable for fulfillment of the plan to be implemented by extensive measures.

Some of the trade union's previous and new suggestions could be relatively quickly put into practice by the state organs, while others are being negotiated. Living expenses and separation pay have been increased to the extent proposed by the URO, an experiment has begun with the institution of regular production conferences, and measures have been put into effect which should contribute to increasing the quality of personal protective devices for workers, etc.

Joint negotiations of state economic and trade union authorities have proved their worth and will continue in the future. The rights of the trade unions will be realized as fully as possible, along the whole axis of management. In what sense of the word can be seen clearly from the negotiation of the Second URO Plenum. In the coming period the Czech and Slovak Central Committees must be much more active, putting greater pressure on the responsible branch authorities, so that such negotiations are held not only regularly, but held at the level of the VHJ [Economic Production Unit], in enterprises and plants, that they are always regularly prepared, with a definite program, and finally, that they adopt conclusions..."

The closer to production, the more specific negotiations should be. But a few economic workers at present view cooperation as attending the meeting of a trade union committee as witnesses or informants. And trade union officials whom the managements invite to join committees frequently do the same. On one side is the organization, on the other, the individual. An unequal partnership, and of little benefit!

There are, to be sure, places where cooperation between trade unions and the management in traditional forms is at a high level. Problems arise as a rule where there is no clear understanding of the basis of cooperation, that the position of the trade unions and the state organ in the political system is of course different, that this difference is expressed in the division of labor

and responsibility, but that both have the same goals and must, therefore, in their own interest, in the interest of the other side, and that of the entire society, hang by the same rope. It is a pity, and who knows how much richer we would be if this relation were always on an even keel. We know one thing for sure: We would undoubtedly be a bit farther along and the load of cares under which we are still bent would be lighter.

Although in the preceding paragraphs we have concentrated primarily on a method for joint decisionmaking and on certain forms of cooperation between state and trade union organizations, it is now time to consider the content of these negotiations and what ought to be on their program. The situation is different in every enterprise, but the direction forward is always the same. "To ensure the intensive growth of the economy, to increase efficiency and prevent waste--this is the most pressing, vitally important task, which every worker, every union member, must bear in mind," the 10th All Trade Union Congress stressed.

The Second URO Plenum came out with this directive when it was working out the tasks for the trade unions through the end of this year and for next year. It stated what was most urgent to stress: that the development of the economy, despite complex external and internal conditions and limited sources of energy, raw materials and financing, shows, especially in industry, a greater growth rate than was anticipated by the plan. We are far from being satisfied, though. Certain negative tendencies whose solution would have long-term, far-reaching import, are still apparent.

There are less than 3 months left to the end of the year. This is not a great deal. We must roll up our sleeves, concentrate all our efforts on fulfilling the plan for 1982, and create the optimal preconditions for a successful start of 1983--to summarize in a few words the viewpoint of the Second URO Plenum in the current situation.

In order that we might succeed in concentrating all our forces effectively, the Presidium of the Government of the CSSR and the URO Presidium adopted a unified approach several days ago. Mobilization of forces in the spirit of its principles must occur as soon as possible at every level of management. The presidiums of the central committees of local trade unions and the managements of ministries are coming together at special meetings and offering help, primarily to those enterprises and plants with serious problems in fulfilling the plan. Other participants at these special meetings are managers of decisive VHJs or of the enterprises concerned. Every innovative movement will receive new stimuli, every form of mass initiative is being considered, with worker participation in solving problems.

Decisions on fulfillment of the plan are being made directly at the level of enterprises and plants, and thus the URO has given the tasks of the basic organizations of the ROH a military aspect. Plant committees of the ROH, together with economic management, are calling special meetings in the workplace, production get-togethers, talks with innovators and other progressive workers. At these assemblies the managers and other leading economic workers are to acquaint the workers with the tasks and problems, to consult with them, and to make use of their experience in such a way that the close of the year might be as successful as possible.

Party organizations are supporting the trade unions and economic managments, and communists will be in the first ranks of those who are raising a new wave of initiative.

The development of principles of unified action must, as a guideline for enterprises and plants, be increasingly more specific, let us repeat this again and with still greater emphasis than in the preceding paragraphs, since the people must know specifically what must be done, where to add, where to direct attention; vague, unspecified appeals can accomplish nothing.

The labor unions are thus mobilizing the forces of the whole movement and directing them where they are decisive for society and every member of it, where that phrase, today already proverbial, holds, that "if we work, then we will live." Just so the government and its subordinate organs. We should know the results by the end of the month. This will be a test of words and deeds. Of every organ, every chief and head worker, every trade union member.

9832
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## POSITIVE VIEW OF SET OF MEASURES

Prague RUDE PRAVO in Czech 2 Nov 82 p 1

[Editorial: "There Is Always Something To Improve"]

[Text] The Set of Measures for Improving the System of Planned Management, having been established at the beginning of last year, is gradually striking ever stronger roots in industrial enterprises. New indices by which the fulfillment of the plan is being evaluated, at first underestimated and in some places even doubted, are starting to be taken seriously, justifiably drawing the attention of leading economists. Involved are generally stricter criteria for the quality and effectiveness of work, thriftiness in all sections, pressing stimuli for a more intensive development of capabilities.

It is understandable that not everywhere is the application of the new principles for managing the national economy a smooth process in all its aspects: in some directions it is speedier, in others so far the effort has been insufficient. it can be said that in a vast scale those measures which could be implemented without lengthy preparations have already been applied. This, e.g., holds for reducing losses caused by shoddy production. There is a principle stating that all losses of this kind are now deducted from the amount of attained profit, ergo that they influence negatively the generation of profit and the consequent filling of different funds, especially the wage fund. This principle has led to a stricter judgment of delivered work. In comparison with previous years, last year the losses due to inferior production were reduced, also continuing to drop this year compared to last year. For example, in the January to August period they were 8.5 percent lower than in the corresponding period of 1981.

Another positive response to managing according to the new principles can be traced in reduction of the consumption of both material and energy. There is a decrease in the following: specific consumption of fuel in steam electric power plants per kilowatt-hour of electric energy; specific consumption of electric energy and fuel for the production of 1 ton of rolled material in metallurgical works; consumption of fuel per ton-kilometer in highway transportation, etc.

Similarly, some other kinds of expenses can be mentioned which are reduced with success in comparison with the previous period. There is evidence that the requirement of intensifying thriftiness finds practical application both in productive and nonproductive activities. At the same time it is apparent that not all the short-term measures have been implemented yet, and the long-term measures have not begun to be applied at all. It can be deduced from this that in the process of intensifying thriftiness there are still left many other possibilities which, when utilized, will positively affect the fulfilling of the plan in coming periods.

However, the mentioned examples cannot be considered a proof of an easy implementation of the requirements of the Set of Measures for Improving the System of Planned Management of National Economy. They only illustrate the endeavor in newly established directions and its initial positive steps. To manage all the new indices still remains a hard nut to crack for many enterprises [illegible word], forcing them to mobilize more of their strength and abilities in the future. This especially concerns the aspect of the tasks of increasing export efficiency and foreign exchange, but also the aspect of the domestic market.

The fulfillment of deliveries to socialist countries is developing quite well, there is even a slight advance in relation to the deadlines of the annual plan. Also the rate of deliveries for investment actions is higher than assumed. However, so far the level of delivery quotas for internal trade is insufficient--there being a slight delay--and especially the deliveries to non-socialist countries. A negative factor affecting the last-mentioned category is that of both recession and discrimination influences of the Western market -- nevertheless, this cannot be an excuse for everything.

The lower share of Czechoslovak products on the capitalist market is caused to a certain degree by the failure so far of some of our enterprises to overcome inertia in an unsatisfactory innovative policy. The portion of new products in the total value of manufactured goods grows very slowly -- e.g., last year it amounted to 13 percent which is 2.7 percent more than in 1980, but only 2.2 percent more than in 1979. Products of high technoeconomic level have an even lower share in the overall production of merchandise. And these are products exported for good prices even this year, but unfortunately in a limited quantity.

Some of our enterprises understand that neither their production nor export schedules guarantee the achievement of needed economic results. In other words, they begin to better comprehend that part of the Set of Measures which from the very beginning of their application was supposed to stimulate higher innovative activity, a growth of the share of new products, and, last but not least, a high technoeconomic level. In the period of getting acquainted with the new rules of management and with their application, there did not fail to occur some voices which discredited the foresight of economic development contained in the Set of Measures -- it was said to be an Upset of Measures. However, the same people now recognize that it was an inadvertence on their part when they did not react in time to the altered conditions.

Influenced by opinions corroborated in the previous stage of management of the national economy, they considered to be decisive such questions where to obtain the necessary material and labor. This was due to a deep-rooted conviction that there is a listing lack of manpower, and that production is cramped by limited sources of energy and raw materials. However, it turns out that there is no lack of either manpower or raw materials and energy, that the decisive question nowadays is for whom to produce. In other words -- if the exerted effort is to be effective, it requires a swift and nonconditional adjustment to the demands of the foreign market as regards the quality, technical and economic level of the tendered export merchandise, as well as promptness in dealing.

Economic managers in both departmental and enterprise spheres are in charge of finding solutions to the mentioned problems. In a number of enterprises, there are already obvious changes in production schedules, the assortment of products is being adjusted to the requirements and demands of customers, delivery time is being shortened. Stricter claims are being laid to the activity of the research and development base, in many places improvers and investors are in higher esteem, people are hungrier for information on how things are done elsewhere. No doubt all the above are positive features, although they should have become noticeable as early as last year. However, the situation can be remedied if the mentioned development is accelerated and freed also from such backward thinking as e.g., the conviction of some economic managers that changes in production schedules and in the assortment of export goods cannot be achieved without costly investment. Of course there are cases like this, but it is wrong to generalize them, which is what quite often happens.

This is due also to the fact that some enterprises have lost their enterprising ability under the influence of previous indices. Their managers persist in the conviction that material conditions are of importance of the first order. However, this is in contrast with succinct statistical data giving evidence that the effectiveness of basic means has been decreasing for a number of years. Consequently, the problem does not lie in the material base, but in its more accomplished utilization; in the ability to have production well organized, especially utilizing everything available to increase its effectiveness.

From the very beginning of acquainting people with the principles of the Set of Measures, it has been purposefully emphasized that the main and decisive factor is not the change of indices, but a change in the way of thinking, in approaches to the solutions of present problems. This is the most difficult requirement brought in by the improved system of management, and also the one which takes most time. The transition to a new way of thinking, of judging problems and handling them in a new way is a complex process, and, in addition, it is being implemented on the march -- figuratively speaking. In this, just as in every school, someone progresses better, learns faster, while somebody else learns slower, and some even fail. Economic results are report cards written by life.

Basic economic problems are centered around failing to adhere to the planned structure of industrial production and sale of products. The solution has to be sought in every single enterprise, in its faster adjustment to new ever-changing conditions. The material and technical base, raw materials, energy,

manpower -- all these are given, and there is hardly anything which could be changed. Further development is directly contingent on the utilization of capabilities, knowledge, skill and foresight. Therefore the fulfillment of planned assignments depends on the intensity of utilization of the non-investment developmental factors--on people. There are basically inexhaustible resources, being also a starting point of the further development of society.

9910
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## ROSTOCK OVERSEAS PORT'S 25-YEAR DEVELOPMENT REVIEWED

East Berlin VOLKSARMEE in German No 43, 1982 (signed to press 18 Oct 82) p 11

[Article by Ingbert Schreiber: "Rostock Quays: Largest GDR Overseas Port 25 Years After Ground Breaking--Course on Increasing Freight Turnover." For related information see translations of two articles from an East Berlin maritime journal, published under quoted headings in the following JPRS issues of this series: "Rostock Harbor Development for 1980's Outlined" (by I Schreiber), 81872, 28 Sep 82, No 2320, pp 27-29; and "Statistics on 1981 Ship Construction Published," 80619, 21 Apr 82, No 2261, pp 51-64]

[Text] Service for 25 Lines

Under the flag of the GDR, more than 200 ships of all sizes the types, having a total capacity of approximately 2 million tons, travel the seas of the world. The merchant fleet has, among other things, 106 piece good freighters, 21 large cargo freighters, 5 Ro/Ro and 10 refrigeration ships as well as 10 tankers. The VEB Deutfracht/Seereederei (DSR) maintains at present 25 lines: to the Far East, the East Coast of South America, the Soviet Union, Finland, or Great Britain. More than 5,000 ships from approximately 60 countries anchor annually in GDR harbors.

The Sirens Hooted at 1400 Hours

Saturday, 26 October 1957. Petersdorf near Rostock. At exactly 1400 hours, the sirens of all ships in Warnemuende Harbor hooted. They announced the hour of ground breaking for the overseas port.

The first sod was turned symbolically with a shovel. Then hundreds of Rostock citizens, mostly youths, took shovels and spades in hand. They worked the first shift. The following months and years showed that this enthusiasm was not exactly like a brushfire: 500,000 working hours and more than 4 million marks were spent; 60,000 tons of rocks were gathered all over the GDR and brought to Rostock.

Swampy terrain, clay hard as rock at the bottom of the Breitling, and countless other difficulties required of the workers on the project every day new ideas and technologies, above average will power, a readiness to take risks and to work hard. After 30 months of building it was completed. Under a brilliant blue sky, on 30 April 1960, under the applause of 20,000 spectators, the 10,000 ton piece goods freighter Schwerin anchored at the first berth.

Petersdorf has long since become Rostock-Overseas Port. More than 51,000 ships from 69 countries have anchored here since 1960, and approximately 228 million tons of goods have been unloaded and loaded. 1981 has so far been the most successful year in the port's history, with a turnover of 15.5 milllion tons of liquid, bulk and piece goods.

But the export firms of our Republic are already planning an annual turnover of more than 23 million tons for 1985, in accordance with the resolutions of the Tenth SED Congress. It would have been nice to achieve such an increase merely through better utilization of presently existing installations. But the only solution for meeting these demands was an expansion and the building of completely new installations. Twelve new berths and accompanying loading installations were built recently or are going to be completed in the next few years. In 1985, Rostock's harbor will have 45 berths. Since approximately 95 percent of a-l goods turned over in Rostock harbor are transported to there or from there by rail, this increase in capacity of course also requires improved rail connections to the inland. This will be achieved through the electrical rail line Berlin-Rostock to be completed by 1985.

I viewed the Rostock overseas port both on water and on land. What I saw and heard, I wrote down for VOLKSARMEE readers. Coming from Warnemuende, we drove through the canal and turned East. In the outermost edge of the Breitling, a form of inlandsea droop of the bulge of the Warnow River before reaching the Baltic, a new harbor basin is coming into existance. Here, a special berth for a fuel tanker is being built. It will bring ammonia and other chemicals from the Litau part of the Soviet Republic. They will be transported from the port to the future fertilizer plant in Rostock by way of a pipeline.

New Roundabout

Our next station is the oil port close by. Reconstructed a few years ago, its technology represents a high level of achievement. Two tankers with a 50,000 ton capacity each, plus one smaller one, can be accommodated here. The large ships have a turnover capacity--depending on their own pump capacity--of 72,000 tons per day. A pipeline to the petrochemical combine in Schwedt assures trouble-free and quick import and export. Storage tankers holding several hundred thousand cubic meters are available for interim storage. A new harbor basin has been built in recent years between the oil harbor and the merchant harbor. This year, three berths, 12 to 13 m deep, can accommodate ships of up to 60,000 tons. Also new is a bulk storage area. Ships of up to 65,000 tons can use it for a turnover of up to 2 million tons annually. This results in the stable and continuing supply of our industry, as well as that of Czechoslovakia, because since the mid-1960's, the Rostock bulk pier has also been a transit turnover site for the mining industry of our neighboring country.

Crane with Quality

The three other bulk storage sites are equipped with bunkerbridge cranes. Since 1960, the recipients have collected from countless numbers of Soviet ships primarily coal and Soviet apatite concentrate for our chemical industry.

Our boat makes a loop to the opposite pier. Here is Pier 31, where the port was christened in 1960. A forest of rotating cranes, rising and descending, is before our eyes. It speaks for the quality of crane builders from Eberswalde as well as for the work of the Rostock crane operators and the mechanics, that all 80 cranes which have been built in the port since 1960 still function as reliably today as they did then.

Past the Northern-most point of the harbor, we reach Harbor Basin "A". Our boat anchors directly next to a green-blue crane swimming on a pontoon in the harbor basin. It bears the name of "Goliath" not only because it is more than 50 m tall, but also because it is a giant among cranes with its 100 ton capacity. As amphibious, self-powered crane, it can be used anywhere in the harbor, in neighboring shipyards and the entire coastal area. Pages could be written merely about what its two crews have accomplished since the crane's beginnings 15 years ago.

Everyone Does His Best

But that would be an injustice to the thousands of skilled workers, dry dock drivers, warehouse foremen, craftsmen, mechanics, technicians, controllers, harbor masters, tugboat crews and mooring liners, ship brokers, forwarding agents, cooks, bus drivers, day care center operators, doctors and nurses. Not all of them can show spectacular results like the "Goliath" crew. But for 20 years they have assured that the port functions around the clock, day after day, that every wagon, every ship, every truck is dispatched well and rapidly, that our national economy can pursue its seaport import and export business reliably. The piece-goods area employs the majority of the 5,500 harbor workers. Thousands of coop workers also see to its smooth operation.

It is impossible ever to begin to enumerate what all is being loaded and unloaded in Harbor Basin "A". In 20 berths, goods ranging from cans to parts weighing more than 300 tons are transported. Sacks, crates, bales, bundles, barrels, tubes are transported with more than 250 electrical and diesel fork-lifts having a capacity of 1.0 to 28.4 Mp from pier to storage, from storage to wagon, from wagon to storage, from and to the trucks. Lift devices as tall as houses, which stock three containers, one on top of the other, transport freight from many countries from storage area to ship and vice versa. More than 30 container trains travel every week between Rostock and the Bezirk towns of the Republic. Container ships travel on a regular basis to the Soviet Union, Finland, Cuba and Great Britain.

Room for Ro/Ro

In 1981, more than 400,000 piece goods were loaded over Rostock's only Ro/Ro storage area. This is ten times more than in 1974. This shows why a generous expansion of the Ro/Ro and container turnover complex has for years been one of the most important harbor projects. On a 280,000 m $^2$ area, installations are built with their own highway and rail connection, a large storage hall, open storage areas and special loading technology.

Only a few hundred meters from the present Ro/Ro site, the harbor has changed completely into a building site. Here, at the Northern-most tip of Warnow Pier, three new piece good storage sites are taking shape. Two of them are equipped exclusively for the importation of Soviet metals. After reaching full capacity, both "metal" sites are to reach a capacity of more than 3 million tons annualy. In 1984, a third site will be built opposite.

At the end of our journey, we must state: although the port is again a building site, as it was 25 years ago, business continues as usual, and this year an additional 1 million tons of goods are to be imported and exported by way of Rostock. There is no doubt that Rostock's harbor collective and its cooperation partners want to prove this year again that their word can be depended on, and that they will, as always, be a reliable partner for our people's economy in the history of its young harbor.

9328
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ENTERPRISES VIEW 1982 PERFORMANCE, PROSPECTS FOR 1983

Budapest NEPSZABADSAG in Hungarian 17 Nov 82 p 10

[Article by Dr Marton Peto, a main department chief in the Economic Research Institute: "Industrial Enterprise Prognoses for 1982-1983"]

[Text] An important tool for studying enterprise behavior is to know the opinion of the enterprises concerning their expected development. The traditional August opinion survey of the Economic Research Institute was participated in by 650 enterprises and cooperatives accounting for about 80 percent of the production of socialist industry. The opinion of the enterprises understandably changes as a result of constantly changing circumstances, as is shown by the results of a new survey made at the beginning of October--among enterprises representing more than half of industry. When evaluating the data it is useful to remember that they reflect intentions following from the situation and interests of the enterprises and that foreseeing external conditions and even internal economic processes is substantially more difficult than earlier, so the margin of error of the forecasts is increasing.

Production and Marketing

According to the opinion of the industrial enterprises and cooperatives the volume of production in 1982 will increase by about 2 percent as compared to the preceding year. Production of the machine industry enterprises will increase more than average, that of chemical industry enterprises will be around the average, production of metallurgy will stagnate and that of the construction materials industry and of light industry will decrease slightly. The enterprises predict an expansion of production of around 2-3 percent for 1982. (In August they still indicated an increase of around 4 percent).

In earlier years the enterprises in general significantly overestimated the possibility of increasing production; the enterprise production forecasts exceeded the actual figure by 2-3 percentage points. This overestimation has moderated in recent years--obviously as a result of increasingly difficult marketing conditions--but it continued to exist. The production growth forecasts of the enterprises for 1983 seem a little exaggerated--according to experiences thus far but also as approached from the side of realistic marketing and other possibilities.

According to the enterprises the volume of domestic sales will increase in 1982 by about 1-2 percent. The chemical industry and construction materials industry enterprises will increase their sales in domestic trade more than the average. The light industry enterprises reckon with a stagnation of domestic sales and the machine industry enterprises count on a slight increase. The chemical industry enterprises continue to predict a growth above the average in 1983 while the machine industry and light industry enterprises indicate only a more moderate increase.

According to the machine industry enterprises the volume of sales for investment purposes will stagnate in 1982 as compared to the preceding year but they indicate an expansion of sales for investment purposes of about 7-9 percent for 1983. The investment intentions of industrial enterprises, however, do not support the latter prediction. According to them domestic machine and equipment investment will decrease in 1983 as compared to the preceding year.

According to the enterprises the volume of sales for further processing and other purposes will increase by about 2 percent in 1982. (They will increase above the average in light industry and metallurgy, will increase around the average in the machine industry and will decrease in the chemical industry.) In every branch the enterprises hope for an upswing in industrial production for 1983 and thus they hope for the possibility of increasing sales for further processing and other purposes by around 4 percent.

Export in the Foreground

According to the enterprise prognoses the volume of ruble accounting export will increase in 1982 by 4-5 percent. The machine industry and chemical industry enterprises indicate a growth above the average while the metallurgical enterprises are reckoning with a significant decline. For 1982 the enterprises expect an increase exceeding that for 1982 (about 5-6 percent). The chemical industry enterprises, especially, want to increase their export to a degree greater than the average; the light industry enterprises indicate a stagnation of export.

According to the October opinion of the enterprises the non-ruble accounting export volume in 1982 will increase a good bit more moderately than the August forecasts, by about 3-4 percent; they predict an expansion of export around 4-5 percent for 1983 (in August they were still saying 10 percent).

In the second half or the year, but especially in the fourth quarter, a dynamic increase in non-ruble accounting export was indicated in part by the relatively strong incentive and in part by the larger number of orders (July figures) compared to the preceding year--primarily in certain branches of the chemical industry, machine industry and light industry. At the same time, a number of factors limit the expansion of non-ruble accounting export; 45 percent of the enterprises regard the unfavorable world market situation as the obstacle to increasing export; 13 percent cite unsatisfactory profitability and 10 percent cite the supply of non-ruble accounting import materials as the obstacle.

The enterprises hope to base the predicted 2-3 percent production increase for 1983 on a simultaneous expansion of domestic and export sales. Their intention to increase domestic sales for investment and further processing purposes suggests that they have not yet taken sufficiently into account the effect, limiting production, of the moderation in domestic use necessary in the interest of improving the balance situation.

The expansion of non-ruble accounting export predicted for both 1982 and 1983 almost certainly reflects a faith in the favorable development of ad hoc factors rather than a fulfillment which can be realistically expected.

According to the enterprise prognoses total acquisition for production purposes (materials, parts and subassemblies) will increase in 1982 by about 3-4 percent at current prices as compared to the preceding year. In 1983 (according to the August prognoses) the enterprises intend to increase their acquistions for production purposes by about 7 percent--increasing non-ruble accounting import even more.

The enterprise prognoses--in accordance with the experiences of past years--show an increase in acquisition in this instance also which is not proportional with production. It is probable that with the 1982 decline the desire to greatly increase production contributes to the prediction of a large scale increase in non-ruble accounting import in 1983. It appears that some of the enterprises still do not reckon, or do not reckon adequately, with the import restrictions absolutely necessary as a result of the balance situation of the national economy, but in the absence of a tardy recognition of realities and an accomodation to them this could cause no small tension in enterprise management sooner or later.

According to the opinion of the enterprises the number of employees will decrease by about 1.5 percent in 1983, by 2 percent in the machine industry and light industry and by about 1 percent in the chemical industry. The enterprises--as always--now also judge personnel more favorably for the coming year; they reckon with a decrease in personnel of only 1 percent for 1983. It is worthy of note that the small and large enterprises have somewhat different opinions about the development of personnel. The small enterprises predict a considerable change in personnel--either an increase or a decrease--while the large enterprises indicate a decrease around 1-2 percent.

Concerning Investment

According to the October opinion of the enterprises the value of investments in 1982 will be about 2 percent more than in the preceding year (in August this figure was still 11 percent). As a result of limits on resource generation and use the enterprises are reckoning with a decrease in the value of investments of around 10 percent for 1983 as compared to the preceding year. The decline is greatest in metallurgy and light industry and is around 7 percent in the machine industry.

According to enterprise forecasts the developmental fund in both 1982 and 1983 will provide cover in general, though in a differentiated way, for meeting repayment obligations and, in part, for filling up the circulating fund. Meeting repayment obligations will cause problems in 1983 for 5-6 percent of the enterprises, primarily in the machine industry and light industry.

As a result of central measures serving to limit investments the ratio of enterprises with the developmental funds necessary to realize their investment goals is decreasing. Because of the gradually narrowing resources the enterprises are reducing primarily the maintenance of level investments, or are slowing down realization of developmental investments. But in addition few enterprises are counting on starting new developmental investments--primarily in connection with a central program.

According to experience the enterprises tend to make their developmental possibilities look less favorable than they really are. (This is made probable, for example, by the inadequate harmony between forecasts pertaining to 1982 investment intentions and developmental resources also.) But the decline in investments indicated for 1983 and the considerable reduction in developmental funds also increasingly reflect the effect of central measures passed to limit enterprise resources. The industrial enterprises are reckoning with a stagnation of profit in 1982, or with a slight decrease.

It also appears from the opinion of the enterprises that optimal enterprise behavior must be developed at the price of balancing, to the burden of one or another, factors which often have opposing effects (for example, increasing non-ruble accounting export under more difficult foreign market conditions, with possibly decreasing profitablity and less use of import materials), with less freedom of movement and under possibly changing conditions for judging their activity. All this also indicates the difficulty and complexity of developing enterprise plans for 1983.

At the same time, the enterprises increasingly recognize that creating and consolidating the foreign economic balance is not a temporary but rather a long lasting task to which they must subordinate enterprise management, improving the efficiency of production by greatly reducing specific expenditures and increasing non-ruble accouting export while using less import. They are also experiencing to an increasing degree that amidst the increasingly difficult circumstances it is absolutely necessary to adapt to the harder conditions more quickly.

8984
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## CSIKOS-NAGY COMMENTS ON SOCIALIST PRICE THEORY

Budapest FIGYELO in Hungarian 11 Nov 82 p 3

[Excerpt from Academy inaugural address of Bela Csikos-Nagy: "Supply, Demand, Price Mechanism"]

> [Text] On 8 November Bela Csikos-Nagy, corresponding member of the Academy, gave an inaugural address titled "The Role of the Law of Value in the Socialist Economy." The speaker started from the fact that intensive economic development is a complex task; it involves the liquidation of all those negative aspects accompanying the extensive developmental mode realized in socialist countries. Development in an intensive direction means taking into consideration economic efficiency. But simply stating this does not mean that the problem is solved. He called attention to the fact that a satisfactory solution of the price mechanism is an important condition for optimal functioning of the socialist economy. The talk provided a review of the role of the law of value in socialism and of the Soviet economic debates concerning its interpretation. In the course of the debates in the 1920's it was already possible to ask why it was necessary to equate organization and direct control, why all that which state economic policy felt to be realizable with indirect tools should be classified as the blind law of the market. In the meantime it has been accepted that the socialist economy is a commodity producing economy; but this was not followed by a re-examination of the old conception of the law of supply and demand. The speaker, after reviewing aspects characteristic of the structure policy of the plan directive system, analyzed the link between the law of supply and demand and the price mechanism. We publish in full this part of the talk by Bela Csikos-Nagy.

The socialist countries can deal with the new tasks appearing in the national economies primarily by relying on the price mechanism. A satisfactory

solution of this problem makes necessary a clarification of the link between the law of value and the price mechanism, between the law of work expended and the law of supply and demand. Examining in general the link between value and price, it appears that nothing more is involved than the relationship between trend-like and cyclic movement, between the average and the spread. But going deeper into things it becomes obvious that value cannot be recognized in isolation from the price mechanism, because the trend has its effect in the cyclic price changes. Rational behavior has two indispensable elements. One is the work expended and the return on it. The other is the satisfaction of needs.

It is an essential principle for the operation of the market mechanism and a condition for its ability to function that production receive information about the relative shortage of products and changes therein via price changes, via changes in relative prices. It is only by virtue of this that one can make, in production, the constant correction which is realized by investment and product programming. So the functioning of the price mechanism is an indispensable condition for the functioning of the law of value. For this reason alone it is impossible to separate the law of supply and demand from the law of value. The link may seem natural if we think of the following: The price is the money name for value. The law of value is a generalized expression of the price mechanism. Thus the price mechanism is a manifestational form of the law of supply and demand.

Looked at in this way, from the aspect of economic efficiency, commodity production and the price mechanism are categories which organically determine one another. It must be presumed here, therefore, that the price is economically determined and is suitable for orientation in rational decision making. But it is a condition for this that the state:

--realize planned guidance in a regulatory system within which the enterprises can make decisions directly, taking into consideration profit interest, within the framework of a strategy defined by economic policy and fixed in the national economic plan; and

--develop a financial and price system where the relative scarcity of products can set the prices and where profit maximization is based on the principle of the limit cost.

The value judgment of the market creates and maintains the link between price and relative scarcity. It is on this basis that the so-called "invisible hand" creates a balance between supply and demand. Marx hypothesized that state planning would be a better regulator than the price mechanism. But experience can persuade us that eliminating the balancing function of price causes functional confusion in the socialist economy. This role of the price does not mean simply that there is always a commodity behind the price but also that supply, following technical development and changes in fashion, should fully provide in accordance with the socially achievable level of modernity and reigning fashion. Here, naturally, full provision is to be interpreted in relationship to solvent

demand. But what is essential is that price, as an expression of relative scarcity, should put the innovation chain into operation in the economy or, to put it more precisely, should introduce a time factor into the economy as the test of every innovation process.

This is the point where, perhaps, the role of the autarkic, production cost price system, conserving the economic-technical level and incorrectly indicating developmental possibilities, becomes most obvious. In this case the price system "isolates" the economy from the international circulatory system. On the one hand it justifies expenditures no longer acceptable to the value judgment of the international market. On the other hand it makes it appear that every innovation introduced internationally can be adopted, because even amidst the conditions of mass production it may regard the initial price as definitive. For this reason, among others, there is no incentive for the swift introduction of new technology and in many cases the felt utility of development proves unrealistic.

The link between price and relative scarcity can be created only with a profound price reform. The chief elements of this are the following:

--The authoritative type price system must be transformed in the direction of a market type price system. In close harmony with this:

--The rate of exchange must be put into operation as a regulator of the product price; and

--By selecting price forms well we must create a flexible price mechanism with which the price can provide orientation, in accordance with the relative scarcity at all times, on the side of supply and demand alike.

The limit cost creates and maintains the link between price and value. The producer--if he does not receive outside support--cannot produce at a loss and--if his decisions are controlled by profit interest--he will maximize production at that point where the price coincides with the limit cost. He will not produce more than this even if there is a demand, because the surplus will decrease the total profit already realized. This is the source of the difference between the physically maximal and the economically optimal capacity utilization. Nor will he produce less--if there is still demand--because the extra amount will increase the total profit realizable from the capital tied up in production. Thus the limit cost is the economic threshold which--in the event of rational behavior--ensures that the production structure, even at the macro-level, corresponds to economic efficiency. The relationship between price and limit cost provides an orientation in developmental policy also.

But such supply behavior presumes a radical transformation of the economic calculation--and thus financial--system. When calculations are made in the interest of providing a foundation for central planning and not in the interest of rational enterprise decision-making the attributes of the calculations change. Normative cost calculation and the gross system of budgetary accounting linked thereto make possible a self-accounting price.

Two peculiarities of the normative cost calculation used in socialist countries must be mentioned. One is that one must reckon as the production cost for a product costs which do not appear in reality, or which do not appear in the prescribed amount. These include certain fractions which are withdrawn from the enterprise by the state for the purpose of central financing, as is characteristic, for example, of amortization costs. In addition there are costs which must (or can be) accounted as overhead, even if the level of general costs is lower than this. The other peculiarity is the principle of adjustment to average costs. Formulated more precisely, in price formation the cost plus profit formula is based on the principle of average costs, the cost norms are regulated according to average conditions. This system of cost calculation virtually requires a gross system of budgetary accounting. Because an enterprise can fall in the deficit zone even when the price exceeds the limit cost; as a result the state budget shows an enterprise subsidy even in those cases where receipts exceeding this amount are withdrawn from the enterprise.

In the wake of the world market price principle introduced in 1958 for keeping accounts on foreign trade commodity deals within CEMA it would have been possible to presume that this was being done in the interest of activating the price function. In reality, however, the function of the foreign trade price was limited to distributing, or redistributing, national incomes among the CEMA countries. In regard to essentials the situation did not change even after the CEMA integration resolution passed in 1971. But this demanded a general review of traditional structure policy.

Among the CEMA countries it is perhaps Hungary that has done the most for a deliberate exploitation of the price mechanisms, although the tasks still awaiting solution are significant also. But it can be unambiguously established already that the law of supply and demand can be made to function even within the frameworks of the plan. It is perhaps just to presume that in response to the challenge of the 1980's definite steps will be taken within a foreseeable time to create harmony between the system of economic guidance and the conditions being posed for economic growth.

8984
CSO: 2500/43

SPECIAL CURRENCY EXCHANGE RATES PUBLISHED

Warsaw TRYBUNA LUDU in Polish 6 Dec 82 p 7

[Text] Announcement of Exchange Rates Table No 51/82, effective 6 December 1982, by Stanislaw Majewski, president, Polish National Bank, on 6 December 1982.

I. Foreign-currency exchange rates in zlotys for countries of the first payments area [socialist countries] for commercial and noncommercial payments remain unchanged.

In purchases of travelers' checks for rubles, issued by the USSR Foreign Trade Bank and pay ble outside the USSR in the currency of the country where cashed, an exchange rate of 11,799.18 zlotys per 100 rubles is applied.

II. Foreign-Currency Exchange Rates in Zlotys for Countries of the Second Payments Area [Capitalist Countries].

[Table on following page]

Exchange Rates Table No 51/82

| Country | Curr Symb | Currency | Foreign Exchange Purchase 4 | Foreign Exchange Sales 5 | Money Purchase 1 | Money Sales 2 | Average 6 |
|---|---|---|---|---|---|---|---|
| Saudi Arabia | 771 | 1 rial*** | 24.96 | 25.22 | -- | -- | 25.09 |
| Australia | 781 | 1 Aust. dollar | 82.50 | 83.32 | 81.25 | 84.57 | 82.91 |
| Austria | 786 | 100 schillings | 498.17 | 503.17 | 490.66 | 510.68 | 500.67 |
| Belgium | 791 | 100 francs | 178.43 | 180.23 | 175.74 | 182.92 | 179.33 |
| Denmark | 792 | 1 kroner | 9.96 | 10.06 | 9.81 | 10.21 | 10.01 |
| Finland | 780 | 1 markka | 15.96 | 16.12 | 15.72 | 16.36 | 16.04 |
| France | 793 | 1 franc | 12.39 | 12.51 | 12.20 | 12.70 | 12.45 |
| Greece | 724 | 100 drachmas | 121.55 | 122.77 | 105.35 | 124.60 | 122.16 |
| Spain | 785 | 100 pesetas | 73.29 | 74.03 | 72.19 | 75.13 | 73.66 |
| Holland | 794 | 1 florin | 31.78 | 32.10 | 31.30 | 32.58 | 31.94 |
| India | 543 | 100 rupees*** | 890.51 | 899.45 | -- | -- | 894.98 |
| Ireland | 782 | 1 pound*** | 117.73 | 118.91 | -- | -- | 118.32 |
| Japan | 784 | 100 yen | 34.66 | 35.00 | 34.13 | 35.53 | 34.83 |
| Yugoslavia | 718 | 100 dinars | 118.94 | 120.14 | 103.09 | 121.93 | 119.54 |
| Canada | 788 | 1 Can. dollar | 89.58 | 70.28 | 68.53 | 71.33 | 69.93 |
| Kuwait | 770 | 1 dinar*** | 294.60 | 297.56 | -- | -- | 296.08 |
| Lebanon | 752 | 1 pound | 21.43 | 21.65 | 21.11 | 21.97 | 21.54 |
| Libya | 651 | 1 dinar*** | 290.22 | 293.14 | -- | -- | 291.68 |
| Luxembourg | 790 | 100 francs | 178.43 | 180.23 | 175.74 | 182.92 | 179.33 |
| Norway | 796 | 1 kroner | 12.28 | 12.40 | 12.09 | 12.59 | 12.34 |
| Portugal | 779 | 100 escudos | 93.51 | 94.45 | 81.05 | 95.86 | 93.98 |
| FRG | 795 | 1 mark | 35.03 | 35.39 | 34.51 | 35.91 | 35.21 |
| United States | 787 | 1 dollar* | 85.94 | 86.80 | 84.64 | 88.10 | 86.37 |
| Switzerland | 797 | 1 franc | 40.79 | 41.19 | 40.17 | 41.81 | 40.99 |
| Sweden | 798 | 1 kroner | 11.69 | 11.81 | 11.51 | 11.99 | 11.75 |
| Turkey | 627 | 100 pounds | 53.71 | 54.25 | 46.55 | 55.06 | 53.98 |
| Gr. Britain | 789 | 1 pound** | 140.41 | 141.83 | 138.30 | 143.94 | 141.12 |
| Italy | 799 | 100 lira | 6.04 | 6.10 | 5.24 | 6.19 | 6.07 |

* Valid also in clearing accounts with the following countries: Bangladesh, Brazil, Ecuador, Greece, Iceland, Kampuchea, Colombia, Lebanon, Pakistan, Peru and Turkey.

** Valid also in clearing accounts with the following countries: Nepal and Pakistan.

*** The Polish National Bank does not purchase money in these currencies.

CSO: 2600/130

## COAL MINING DEVELOPMENT, PRODUCTION OUTLINED

### Mining Minister Speech

LD040024 Warsaw Domestic Service in Polish 1557 GMT 3 Dec 82

[Speech given by Minister of Mining and Power Industry Czeslaw Piotrkowski opening a miners' day celebration in Jastrzebie in Katowice--live]

[Excerpts] Esteemed guests, dear brothers, miners! We are celebrating the traditional feast of the people who extract the natural resources hidden in the soil from the depth of the earth. Our feast which ends the year of hard work for the Polish mining industry is a suitable occasion for various reflections. We all remember the Barborka [miners' festival] of the last year and the moods which prevailed then, when every day brought reports of strikes or of readiness to strike; those reports came from mining enterprises too. A ruthless struggle for coal was going on. The Polish public entered 1982 with feelings of insecurity and fear. Solidarity extremist forces were our enemy in this struggle along with hostile foreign centers. The enemy directed its main attack against mining and this was not a coincidence. Through attacking mining our enemies wanted to destroy the Polish economy as a whole and to overthrow the state. Resolution No 199 became an additional pretext which was adopted by the government in order to halt a decrease in extraction. This resolution, which was attacked by the enemies of socialism and pseudo-friends of the Polish mining industry, defended itself. It showed justification for its incentive strength and brought about additional millions of tons of coal during the most difficult period for the economy and the country.

Then came the day of 13 December. Adventurous antisocialist forces pushed for fraternal blood-shedding and desired to make the collieries into bastions of opposition of the people's power. Unfortunately there were fatalities in mining which were painful to us. However, the stop which was put to the growing spiral of chaos and destruction turned out to be an effective one. In a land which is recovering from bad memories, calm has returned to the mines. Today when we look at the past year from the perspective of time we can state that despite numerous difficulties which had to be overcome by the Polish mining industry in daily work it was a successful year, both for mining as a whole and for all branches of the economy for which coal is the basis for functioning. How different it was last year!

The balance sheet of the extraction of various raw materials in collieries which I presented in my Barborka report last year appears before my eyes. There was not a single optimistic figure in it! Coal export dropped to the level of 15 million tons for the year, that is by more than twice in comparison with preceding years. A similar situation arose in the extraction of ores of copper, zinc, sulfur and other minerals.

After the introduction of martial law, in the most militarized extraction industry, with a development of some material motivation stimuli, a quick and tangible improvement in the situation occurred. Traditional miners' work discipline returned to the mines, and it was this which allowed us to live through last winter in flats with heat and light. Throughout the year the hard coal industry worked without interruptions, at a level normal for it, which corresponded to the extracting capabilities of the mines. It can be expected that in the current year the extraction of hard coal will approach 190 million tons, and will be greater than the level achieved last year by about 26 million tons.

The hard coal industry has shown once more that it correctly bears the name of the national industry. Mining crews, with their work and its effects, confirmed that (?today) we can always count on their understanding, commitment, and self-sacrificing work; in particular, during periods critical for the country. These achievements have permitted complete fulfillment of the country's coal needs and the restoration of recipients' stocks of it to a level previously not met in the country. At present they amount to over (?13 million) tons in industry, and about 5 million tons in the power industry alone. In spite of that we cannot speak about any excess of coal. All the coal extracted in Poland has its addressees and recipients in the country and in the states to which we export it. It is a fact that difficulties in shipping the extracted coal from Silesia are appearing, caused by an unfavorable situation in rail transport. However, we believe that it will be possible to find a solution to this problem too.

For municipal needs and individual recipients this year almost 35 million tons, that is, about 5 million tons more than last year, will be delivered. Approximately 29 million tons is envisaged to be directed for export, that is (?14 million) tons more than in the whole of last year. A significant growth in the profitable export of coal means that in spite of last year's difficulties we are slowly regaining lost markets.

Other branches of Polish mining can also be proud of favorable results. In the current year lignite miners will extract over 37 million tons of coal, that is almost 2 million tons more than last year. The copper ore mining industry, in comparison with last year, will increase its production by 4.2 million tons, achieving the level of 27 million tons of ore. The zinc and lead ore mining industries will provide the country with 5.7 million tons of ore, which in comparison to last year means an increase of almost 200,000 tons. In the current year we will extract 4.8 million tons of sulfur, that is 2 percent more than a year ago. By the end of the year the quarrying industry will extract approximately 225 million tons of raw materials thus securing the needs of the construction materials, sugar [word indistinct] and metallurgical industries.

Favorable results are also noted by oil, gas, and remaining chemical raw material and other useful minerals extraction industries. Despite a number of disadvantageous conditioning factors and difficulties arising from them, Polish mining in the current year is contributing in an essential way to lifting the country from the economic crisis.

Contemporary Polish hard-coal mining is not just mines with people and machines working underground. It is the whole system of closely connected and cooperating branches which are specialized in many areas and which employ many hundred thousand people. The work of this whole system yields successes in the extraction and ultimate result of the work of the mines. The producers of machinery and equipment for the mining industry are co-authors of that success. The production of that branch is higher than last year by almost 4 percent. Despite great problems in supplies and a decrease in imported resources the engineering industry satisfied the mines' needs as regards basic equipment and spare parts and started an anti-import production and export production. This year the first Polish heavy industrial combines to drill Galleries--K 160 combines--were produced. The mining construction branch supported the mining industry well. It is thanks to it that there was considerable progress in the work of the mining investments which covered 9 projects which are being newly built and 14 which are being developed in the hard-coal mines.

Several days ago in the Bogdanka mine in the Lublin Mining District the first mechanized extractive wall started its work, which means the beginning of the exploitative life of the mine. It is a fact of great significance for the future of Polish mining. The construction of the lignite mine and powerplant in Belchatow is being carried out successfully. As early as this year this mine will extract 2 million tons of lignite. It aims to extract more than 38 million tons annually, that is more than is extracted today by all national lignite mines. This will enable the Belchatow powerplant to produce in the future 4,320 megawatts of electricity.

Dear miners: The fulfillment of social and living condition requirements of mining work forces and the improvement of their living and working conditions are a concern of the highest political and administrative authorities of the country, and a great concern of the Ministry of Mining and Power Industry. Undertakings made in this direction are received by the work forces with recognition and satisfaction. Decisions made by the government in the current year concerning the miner's charter and miners' pensions have met with particular agreement.

As of 1 December of the current year new principles for remuneration in the coal industry have been introduced. The miners treat this decision as evidence of recognition for their difficult and sacrificial work for the country.

Among matters which concern the living needs of miners and their families, the matters of housing construction, which is an important factor which stimulates effective work of mining work forces, of securing the necessary level of employment, of stabilization of work forces, and of improving the living conditions of miners and their families, still dominate.

Efforts made in this direction do have effect, but the housing requirements of the mining industry continue to be enormous. At present, in the hard-coal mining industry alone nearly 100,000 miners are waiting for apartments. Many miners continue to spend a significant part of their lives in workers' hostels and young miners' homes. Hence, there is the general expectation in the mines that organizations responsible for the development of construction will intensify their activity in order to increase the range of housing construction for mining work forces. Several initiatives in this direction have recently been undertaken, which are supported by our ministry, which develop cooperative and individual forms of construction, and which should bring an improvement in the next few years.

Miners: Our country is rich in mineral resources, and in particular we have rich resources of hard coal, of which there should be enough for many generations, with rational management. We recently formulated a comprehensive program for the development of mining until the year 2000, with an outline for the following years. The whole country counts on the Polish black gold extracted by you. In a few days we will be entering 1983 in a situation incomparably better than a year ago. But many of the difficulties which we are overcoming today will remain. Also it will not be possible to resolve all the problems which have been growing for years.

The main task, which is to fulfill the needs of the national economy for coal, is not easy. We look upon it with a feeling of great responsibility. We rectify it and search for the best methods to fulfill it. A special effort must be directed to full utilization of the production capabilities of mines, by making effective techno-organizational undertakings in all sectors, which lead to an increase in extraction. And currently these capabilities can be assessed at 630,000-640,000 tons daily. However, this growth cannot be achieved at the cost of work safety and coal quality.

Dear brother miners: I would like to thank you for the all-year-round toil and effort, for the achieved results, in the nicest way I can. I bow to your toil which means so much for the present and future of our homeland. Permit me on the day of your mining holiday, on your behalf, to submit cordial thanks to Comrade Gen Wojciech Jaruzelski, first secretary of the PZPR Central Committee and premier, to our highest state and party authorities for the continuous care which they show for the mining industry, for the concern which they show for the affairs of miners and their families.

## Coal Production Data

LD020200 Warsaw Domestic Service in Polish 1900 GMT 1 Dec 82 LD

[Text] Over the 11 months of this year the miners have extracted 173.8 million tons of coal. This is 23 million tons more than in the same period last year. The organizational and technical exploitation conditions exist for the overall extraction this year of close to 190 million tons. The regular work by the miners made it possible to sell over 26 million tons of coal abroad up to the end of November. This is over 11 million tons more than during the same period last year.

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END

JPRS 82532

27 December 1982

# East Europe Report

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2353

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27 December 1982

# EAST EUROPE REPORT

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2353

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# DEVELOPMENT OF PRODUCTION COOPERATION WITH NONSOCIALIST COUNTRIES VIEWED

Prague ZAHRANICNI OBCHOD in Czech No 9, 1982 pp 2-5

[Article by Juraj Terek and Vratislav Kroc: "Development of Cooperation in Production with Companies of Nonsocialist Countries"]

[Text] In the key directions of economic and social development of the CSSR for the years 1981 through 1985 the 16th CPCZ Congress stipulated for the area of external economic relations: "In the spirit of principles for peaceful coexistence of countries with differing social orders, develop scientific, technical and economic cooperation with nonsocialist countries. Its formulation should be based on mutual advantage and long-term goals derived from the needs of the CSSR and of the socialist community. Create prerequisites for improving the efficiency of exported production. Employ higher forms of cooperation, cooperation in production, science and technology, promote the long-term nature of such relations."

Consequently, over the past several years, leading party and economic organizations in our country developed considerable effort toward activation of cooperation in production between Czechoslovakia economic organizations and companies from capitalist countries. The objective was, on the one hand, to create within the framework of the established system of management and planning of the national economy the necessary planning, economic and other prerequisites for developing effective cooperative relations and, on the other hand, to find a viable solution to problems relevant to the concept for development of a number of industrial sectors on the basis of cooperation in production.

It stands to reason that cooperation in relation to foreign countries can take place and develop in close connection with other forms of economic activities involving foreign countries. However, in comparison with conventional trade relations, there appear to be some significant differences. It involves long-term relations of cooperation in production between direct producers who can, or could, enter the markets as competitors. Their relations become considerably modified on the basis of cooperation. They jointly utilize a combination of their production, research and technological capacities, formulate a joint marketing strategy and jointly use their sales and service organizations and facilities. A very important part of most cases of cooperation is mutual exchange of technical and technological findings and their joint utilization. Last but not least, it also involves exchanges of technology by a factor which facilitates introduction of cooperative production, or increases its productivity.

Czechoslovak authorities view cooperation in production as one of the potential, expedient and effective, but also demanding, means for dealing with existing production, technical and technological problems in close connection with their commercial exploitation. Cooperative relations must be established primarily in those cases when they make it possible to react expediently to changes in domestic needs or conditions on foreign markets. Another objective of cooperative agreements is expedient gaining of proficiency in production under license on the basis of a purchased license.

Current regulation of cooperation relations with companies in capitalist countries is based on provisions of Law No 42/1980 of the Codex, regarding economic relations with abroad, and on CSSR Government Resolution No 284/1980 (Principles for more effective utilization of cooperation in production with nonsocialist countries and with the SERY [Socialist Federative Republic of Yugoslavia]). Depending on the object of cooperative production and manner of long-term distribution of the process of production of the final product, cooperation in production assumes mainly one of the following typical forms:

a) production in which each of the partners produces parts belonging to the final product, whereby the technology, or production equipment and technical assistance, is provided by one of the partners;

b) production in which each partner produces parts or the final product using his own technology;

c) production in which each partner produces components of the final product with the use of technology which is the result of joint research and development;

d) production of intermediate products, materials and final products on the basis of a long-term division of production programs with the use of technology, production equipment and technical assistance provided by one of the partners.

Even though cooperation in production in the abovementioned concept is one of the new forms of cooperation in external economic relations, it is gradually emerging throughout the entire sphere of material production and its importance is increasing. It spread out most widely in individual sectors of general engineering productions which, as of 1 January 1982, had 24 contracts of the total number of 61 cooperative agreements, representing a 66 percent share in total Czechoslovak cooperative exports; 10 contracts were concluded in sectors of heavy machinery production which represent a 10 percent share in overall cooperative exports, while the electrotechnical industry sectors negotiated 6 agreements with a 5.6 percent share in our total cooperative exports. The remaining 21 contracts, which were concluded in production sectors of the chemical industry, light industry, agriculture, food industry and some other sectors, form a 10.4 percent share of our overall cooperative exports.

Czechoslovak production enterprises cooperate with companies of 14 European nonsocialist countries, Canada and India. The highest number of contracts (25) was concluded with FRG companies that figure in our cooperative exports with a 57.8 percentage share, in second place is France with 9.8 percent and third place is held by Italy with 7.8 percent. The remaining 24.6 percent is with

other countries. However, the total cooperative turnover as of 1 January 1982 did not exceed 1 percent of the total CSSR turnover with nonsocialist countries.

Our production enterprises that are the key carriers of cooperation in production must develop a more determined initiative in this direction in cooperation with the corresponding foreign-trade enterprises. At the same time, the trend toward gradual expansion of cooperative relations should be pointed out, indicated also by the fact that 9 additional contracts were signed by 15 June 1982, increasing their total number to 70. This expansion in cooperative relations is occurring in spite of the fact that economic conditions in Western countries are worsening. Contributing to further development of cooperative production agreements will also be the considerable number of currently negotiated and new proposals from individual sectors of material production, a number of which are at a considerably advanced stage of completion.

Realization of the cooperative contracts concluded so far facilitates differentiation between their various characteristic features given by their orientation and the variety of forms of their implementation. In connection with the Czechoslovak concept of cooperative production and with experience gained from its implementation, it involves essentially cooperative production between the respective producers and, in many cases, also sale of licenses, joint research and development, and deliveries of technological equipment for cooperative production. However, the predominant objective of cooperation is joint production of parts, components, assemblies and final products as well as, in followup to this cooperative production, parallel finishing or final assembly by the cooperating partners. Such joint production often develops on the basis of a bilateral contractually backed license and on the principle of equity and long-term duration. The multifaceted nature of the subject of cooperative production can be characterized by the following examples:

Contract Regarding Cooperation in Production of TND 630 Lathe (Concluded in 1981)

The object of cooperation is joint production of a CNC [computerized numerical control] controlled lathe with a turning diameter of 630 mm. The design of its mechanical part is the result of cooperation by both partners, the TX 7 control systems are supplied by the partner company. The Czechoslovak manufacturer produces and supplies the mechanical part of the TND 630 lathe and the partner company abroad supplies control systems, drives and certain other components to introduce complete production, including assemlby, in the CSSR. The overall contribution of cooperation is constituted by acceleration of technical development, improved technological level of machinery and acquisition of top CNC systems for final assembly of lathes from our own production.

This cooperative agreement is characterized by elements of joint development, specialization in production of components and assemblies with subsequent production of finished lathes by both partners.

Contract regarding cooperation in production of spherical roller bearings (concluded in 1970). Its object is mutual exchange of corresponding dimensional types of spherical roller bearings. The Czechoslovak party imports 10 dimensional types, 9 of which cannot be produced in the CSSR as yet, and exports 54 dimensional types.

The cooperative relation based on this contract can be classified as specialization of production according to the applicable dimensional type of bearings.

Contract regarding cooperation in production of hydrostatic transfer pumps (concluded in 1969). It is an extension of a licensing contract and its object is introducing production of axial hydrostatic transfer pumps in the CSSR on the basis of agreed-upon specialization of production of individual components. The Czechoslovak partner produces gear-wheel pumps, servovalves and valve membranes to meet his own needs and those of its foreign partner, and imports rotor parts (in kit form), selected sealing elements, springs and other parts.

This involves an example of introducing production under license with effective use of cooperation in production of components.

Contract regarding cooperation in production of rotary harvesting machines (concluded in 1978). Closely tied to a purchased license. The object of the contract is specialized production and delivery of assemblies for subsequent finishing of this machinery by both cooperating partners.

Contract regarding cooperation in production of grinding wheels (concluded in 1970). Its object is processing of abrasive grain for production of grinding instruments and mutual exchange of peripheral sizes of abrasive grains. The Czechoslovak party imports special grinding instruments and grain to meet the demand of our consumers for special purpose abrasives. This involves a case of technological specialization.

Contract regarding cooperation in development of automated feed system for spindleless spinning machines and cooperation in research, development and exchange of fully automated spindleless spinning machines with high rates of revolutions of the BDA type (concluded in 1981). Part of the contract is also the obligation of the foreign partner to import spinning installations from the CSSR. Greatest emphasis in the first stage is placed on scientific and technical cooperation.

This contract is a specific example of cooperation in a closed cycle: research, development, production and utilization.

Contract regarding cooperation in production of mobile heating plants (concluded in 1977). The object of cooperation is joint production of mobile heating plants of various types. The Czechoslovak enterprise supplies BK and OKP boilers, components for heat regenerators, large-capacity containers and, in part, also assembly operations. The partner company supplies selected finishing components (valves, automatic control elements) and complete heating plants.

On the basis of this cooperative agreement, it became possible to be awarded a subcontract for delivery of equipment destined for an important investment unit built in the CSSR by companies from abroad. Negotiations are now underway for potential deliveries to additional territories.

The contract is an example of development of conventional cooperative exchange with finishing by one partner, up to joint delivery of parts of turnkey plants.

Contract regarding cooperation in the manufacture of lines for the production of incandescent lamps (concluded in 1982 simultaneously with a license agreement). The Czechoslovak party supplies parts for production lines (operating posts, mechanisms for individual operations, etc.), the partner company supplies special components for automatic control of lines (blocking system, sensors and detectors, electronic control components, special motors, etc.). This cooperative contract connected with a license makes it possible to produce in the CSSR lines for normal light bulbs, which will increase productivity by two to three times in comparison with its current state.

This involves a case of gradual introduction of production under license agreement.

Contract regarding cooperation in production of seating furniture (concluded in 1980). It consists of three key parts: research and development of selected types of seats, office chairs and upholstered chairs, production and mutual deliveries, cooperation on third markets. The partner company engages in research and development of a system of metal bases and a number of seats and chairs. The Czechoslovak party engages in analogous research and development of a number of executive and office chairs based on wood. It produces and supplies to its partner upholstered shells for executive-type chairs made of compresses polystyrene, upholstered seats, back and side rests on the basis of molded plywoods of a uniform configuration and finishes executive-type chairs, plain chairs and seats. It imports the system of metal bases.

This involves a case of cooperation in research and development connected with cooperative exchange of components.

Contract regarding cooperation in production of antibiotic preparations (concluded in 1979). The foreign company made available, free of charge, its production equipment and prescriptions, and supplies selected preparations, also guaranteeing free service and delivery of spare parts. The Czechoslovak party provided, in keeping with the contract, production shops including auxiliary equipment and made available production and technical personnel. It works for the most part with domestic supplies and delivers to the partner company the finished product.

This involves a case of introducing production in the CSSR with the use of loaned production equipment and with cooperative importation of selected raw materials compensated for by deliveries of the final product.

Contract regarding cooperation in production of heat-radiating stoves using scrap lumber (concluded in 1982). The object of cooperation is a unique product which effectively consumes scrap material. The partner company turned over technical documentation with the proviso that the Czechoslovak enterprise gradually implement production of these stoves. Cooperative importation of certain components and raw materials will keep decreasing. The entire cooperative relation is based on providing an active foreign-exchange balance. Imports amount to approximately 30 percent of exports.

This involves a case of introducing production under license with a decreasing share of cooperative importation of components.

Contract regarding cooperation in raising utility and breeding stock of horned cattle and hogs (concluded in 1982). The cooperation aims at deliveries of utility calves-bullocks and purchase of breeding stock for raising horned cattle and boars for breeding. It also involves sharing of findings, study materials and reports, documentation from the area of breeding and reproduction of horned cattle and hogs, as well as use of biotechnical methods in control of reproduction. This is followed up by examinations of breeding stock animals and their testing. As part of this cooperation, the Czechoslovak party also purchases laboratory instrumentation and equipment for modernization and improvement of breeding.

This involves a case of division of labor in animal reproduction with emphasis on cooperation in breeding.

It is understandable that as there are various types of cooperation in various production sectors, there are also various types of coresponding contractual documentation, i.e., texts of contracts regarding cooperation in production. Yet it is possible to typify certain provisions that are typical of most contracts.

The introductory part of a contract lists the contractual partners to the cooperative contract (on the Czechoslovak part it is a VHJ [economic production unit] or an enterprise and the corresponding OZO [foreign-trade organization]). The preamble of the contract then states the overall intent of cooperation and the basic relations between individual contractual partners. The next part states the object of the contract (specification of the cooperative product or series, to include basic specifications of production and deliveries by both partners to the contract, a detailed breakdown of such deliveries to include technical specifications that usually take the form of an appendix to the contract; in addition to deliveries of components it can also stipulate the machinery and equipment required for cooperative production which are to be supplied as part of the cooperative relation). Further, there usually follows a clause regarding technical cooperation (exchange of technical documentation, obligation to protect its secrecy, type of technical assistance, changes in technical documentation, patents and industrial rights). Provisions regarding delivery of cooperative products specify, e.g., the manner of and procedure in closing individual contracts, deadlines in which notification and specification must be made of mutual deliveries and conditions for cooperation in exports to third markets. Further provisions of the contract relate to prices and conditions for payment (an annex usually states the prices for the first year of deliveries and this part often contains provisions that prices will be agreed upon in individual contracts and what they include, it also states the procedure or reasons for adjusting the price of cooperative deliveries, the currency, method of payment and the documentation it is to be based on, banks keeping the accounts of the enterprises and companies involved). Provisions regarding delivery conditions, technical control and acceptance of products stipulate the point where deliveries are to take place, type of packaging and preservation, and the manner of acceptance of deliveries. The contract further contains provision regarding guarantees and filing of complaints (how the guarantee is to be rendered, who pays and how the costs involved, manner of elimination of defects, procedures for filing of complaints). Individual provisions are made

for sanctions, vis major, court of arbitration and the law governing the contract. Also stated is the term for which the contract is valid and the manner of its extension or termination. Concluding provisions stipulate the procedures for changing or amending the contract, legal succession, the language of the contract and an outline of appendices.

Every type of cooperation represents in its own way a considerable impact on the existing organization of production in a production enterprise. There occurs formation of entirely different relations. Binding obligations are incurred in regard to delivery of the cooperative products in prescribed terms, quality and workmanship. This establishes a direct production dependence for the subjects of cooperation in countries with differing social systems.

Past experience shows that there is a certain amount of correlation between the quality that went into preparation of a cooperative contract and its later successful execution. At the same time, fulfillment of obligations progresses more easily between enterprises and companies which have maintained mutual trade relations for an extended period of time rather than between brand new and formerly unknown partners.

In carrying out a cooperative contract, the Czechoslovak partners can be faced with a situation where they will fail to manage to handle cooperative production in the terms of quality stipulated by the contract, or there occur discrepancies in domestic supply-and-demand relations which will have detrimental effects on the Czechslovak cooperative partner, or an incorrect estimate is made of the demand of the domestic market for the cooperative product.

On the part of foreign partners cannot be excluded the possibility for occurrence of a complicated situation due to marketing difficulties (particularly in the case of smaller companies) and the resultant inability to meet the accepted contractual purchase obligations, or there may appear an attempt to modify the long-term contractual obligations and, if the company ceases to exist or is merged with another company, there is not always a guarantee of willingness to continue the existing contractual relations.

The reason we mention these possibilities is in every case of establishing cooperative relations to have our side give consideration to, and to the appropriate extent reflect in the text of the cooperative contract, precise delineation of mutual obligations. This will put the cooperation on a realistic and solid footing from the very start.

The current state of development of cooperation in production between Czechoslovak organizations and companies from nonsocialist countries as well as the gained experience and findings make it possible to formulate some more general conclusions:

Cooperation in production is gradually emerging and expanding in spite of the worsening economic conditions in nonsocialist countries. It is becoming an effective tool for diversification and of overall economic relations and contributes also to the development of foreign trade. As one of the forms of cooperation manifested in external relations with capitalist countries, it

cannot effectively cope with fluctuations that occur or can occur in foreign trade with these countries.

Cooperation in production is an integral part of the production process itself and can be instrumental in dealing with problems in production between the cooperating enterprises and companies that can apply to lacking or inadequately used production capacity, acceleration of innovative processes, improving the technical level of products and, thus, their marketability, providing for importation of equipment needed to complete production facilities by utilizing foreign-exchange resources generated through cooperative exports and, last but not least, meeting overall exports to capitalist countries.

Every type of cooperation in production essentially represents a certain type of division of labor between the cooperating partners. These partners pursue the same objective--increasing the productivity of labor, reducing costs per unit of production and improving the effectiveness of the economic renewal process.

An important prerequisite for developing cooperation in production with companies from capitalist countries is a high measure of mutual trust, thorough preparation and unambiguous meaning of all provisions of cooperative contracts, as well as systematic meeting of obligations in the prescribed terms, quantity and quality.

It turns out that the requirement for an equal technical level between the cooperating partners need not be a limiting factor to negotiation of cooperative relations.

Research and development plays an important role in development of cooperation. Granting of licenses, providing of know-how, scientific and technological findings, if accompanied by an agreement regarding cooperation in production, serves to accelerate development of cooperation.

A certain role in seeking out partners and negotiating cooperation is also played by the size of the companies. It is a fact that interest in cooperation with Czecoslovak producers is expressed for the most part rather by smaller and medium companies from capitalist countries. However, company size is not obstacle to development of cooperation and our enterprises conclude contracts with companies of varying sizes, provided they show evidence of pursuing technical progress and offer an assurance of long-term stability in production and mutual deliveries.

The risks attendant to cooperative contracts, such as are, e.g., lagging behind in the technical level of products in connection with long-term validity of contracts, or an inflation in prices or costs, can be eliminated by suitable provisions in the text of cooperative contracts.

Specific economic motivation for establishing cooperation may vary, but in essence it always involves several variants for dealing with technical production problems. The prevalent motivation in the case of our producers is a need for acquiring production capacities of which there is a shortage without demands on additional investments, or improved utilization of existing capacities and

an endeavor to acquire advanced technology, machinery and equipment, new scientific and technological findings and a license, as well as increasing the technical level of products and some components and materials that are in short supply. The decisive motivation for cooperation by companies in capitalist countries tends to be an effort to penetrate the Czechoslovak market, or expansion and consolidation of their position on the market, also in relation to other CEMA countries, an effort to acquire components and materials that are demanding on materials and energy, a need for improved utilization of existing production capacities, an effort to cash in on the results of technical development in the form of selling licenses and an increased relative dependence on foreign trade.

Experience after expansion of the concept, introducing the possibility for importation of technology, procurement of documentation and updating of financial, economic and planning regulations in 1980, shows that over the past 2 years there has occurred a revival in cooperative activity among Czechoslovak enterprises. On the one hand, increasing numbers of managerial personnel are becoming aware of the advantages and possibilities offered by cooperation in production and attempt to conceptually deal with problems of technological development and, on the other hand, there appears a limitation of means for other noninvestment imports. Both of these tendencies lead to the need for finding an appropriate partner and to cooperate. It can be stated that the regulations currently in force provide sufficient leeway and, with development of systematic efforts, make effective cooperation possible.

The point is to use cooperation in production as one of the tools used as a perfectly normal method for dealing with certain problems, where consideration must be given to whether it would be more effective to organize production by one's own resources, engage in specialization within CEMA countries, or count only on imports or, eventually, trade tie-ins. It has turned out that cooperation can be used to deal with problems relevant both to improving the technological level and to acquisition of additional production capacities without additional need for investments; at the same time, it becomes easier and more expedient to adjust production to the needs of foreign markets and, in doing so, also boost direct exports.

It is imperative to look for additional forms and methods of close cooperation between VHJ, production enterprises and OZO. This cooperation must, therefore, be required as early as during determination of the concept for development of individual production sectors; that is a responsibility of advisory boards of VHJ for cooperation with capitalist countries, in which are represented responsible administrators of the technical and production sectors as well as representatives of business groups of the corresponding OZO.

As far as OZO are concerned, they all have special units which in the area of business policy and integration engage in organizing all OZO activities in the preparatory phase of negotiating and concluding contracts. Some OZO (Strojexport, Martimex, Omnia) have business groups which comprehensively implement goods-oriented cooperation from the viewpoint of exports and imports. Other OZO have departments for developing goods-oriented cooperation. The fact remains that not always is implementation of cases of cooperation accompanied by optimum coordination between export and import business groups. It seems,

therefore, in order to call to mind CSSR Government Resolution No 284/1980 which calls for gradual establishment in OZO of comprehensive units for implementation of cooperative cases on the import/export principle. In addition, Transakta OZO is authorized to offer professional consultation services in establishment of cooperative relations, their negotiation and assessment. In a number of selected cases this organization also can engage in foreign trade activities resulting from the cooperative contract, particularly if the cooperational exchange involves more than two goods-oriented OZO, or the foreign partner is a Czechoslovak affiliation, or if it involves enterprises of certain selected sectors. In every case is promoted the principle that each cooperative contract be implemented by a single OZO, where it would be possible to implement in a very simple manner any changes in the merchandise assortment from the viewpoint of the needs of cooperation. That, of course, does not absolve these OZO of the responsibility to consult on prices with the relevant OZO.

In contemplation of and then in introductory negotiations regarding potential cooperation with foreign partners the Czechoslovak party must proceed most responsibly. It will no longer be possible to open up a number of negotiations which offer only general promises, and then, after many negotiations abroad, cancel further negotiations without any explanation.

The appropriate authorities are again dealing this year with problems of improving regulatory and overall conditions for development of cooperation in production with nonsocialist countries. It was stated that the regulatory framework for cooperation is satisfactory and needs only some partial modifications or amendments in the following areas:

--specify more precisely the concept of cooperation in production in keeping with the provisions of Law No 42/1980 and CSSR Government Resolution No 284/1980;

--delineate the extent of application of the "Uniform Principles for Assessment of Economic Effectiveness of Contracts Regarding International Specialization and Cooperation in Production" to the specific problems relevant to cooperation in production with nonsocialist countries and with the SFRY;

--assessment of the impact of cooperation in production on financial indicators of production enterprises from the viewpoint of the "Set of Measures";

--the problem of using cooperative accounts (introduction of foreign-exchange accounts);

--providing of foreign-exchange resources for official trips abroad required for negotiating cooperation in production;

--stepping up the management and control tasks of ministerial departments in acquisition and implementation of cooperative proposals, to include improved flow of information between production enterprises, VHJ, OZO, and Czechoslovak trade sections abroad;

--update the text of reports regarding the state and orientation of cooperation in production with nonsocialist countries and the SFRY.

These measures are based on long-term practical experience and findings. However, the decisive factor in this direction is the conceptual approach and thorough examination of cooperative goals. Conceptual goals must be a specific reflection of long- and medium-range plans for development at all levels of planning and management of the national economy. Thus, determination of specific proposals for cooperation is an integral part of compilation of the plan for the development of the national economy, individual production sectors, branches and productions. It involves organic interlinkage of concepts for overall development of sectors and productions with proposals for cooperation. The specific carriers of cooperative relations are production enterprises, VHJ and OZO and their initiative in formulation of cooperative goals and their implementation is essentially irreplaceable.

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CZECHOSLOVAKIA

## CONDITIONS FOR DEVELOPING WORK-TEAM FORMS DISCUSSED

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[Article by Andrej Koftuk, Czechoslovak Research Institute for Labor and Social Affairs, Bratislava: "Prerequisites for Development of Work-Team Forms of Labor Organization in an Industrial Enterprise"; passages in slantlines printed in boldface]

> [Text] Our daily press very often writes about the essence of work-team forms of organizations of labor and remuneration (further only work-team forms). On the other hand, opinions and explanations of individual terms are not uniform. For example, work-team forms are often equated with khozraschet [cost-accounting system]. However, it is clear at first sight that a work-team is a form of organization, while khozraschet is a form of management. Almost nothing is said about the prerequisites that must be created in an enterprise to spare the work-team forms from the fate of some short-lived drives about the conditions under which work-team forms flourish and constitute an economic and social contribution.

It was not by mere chance that at the 17th Congress of Soviet trade unionists in March of the current year Comrade Brezhnev devoted a substantial part of his address to work-team forms and the tasks of those who are to create the prerequisites for development of work-team forms in an enterprise. They represent a key to the problem of development of work-team forms at the present, when teams in production and plant management show interest in their expansion, but development of work teams in plants stagnates or collapse due to unfavorable conditions. Comrade Brezhnev in his address unequivocally and precisely put his finger on the key reason of this phenomenon: "When work teams are formed, the best workers express their desire and willingness to accept responsibility for expedient and quality meeting of work tasks to their full extent and comprehensively. However, it is to be regretted that not all managerial personnel develop an effort to create for a work team the requisite working conditions and accept their part of responsibility. There is also evidence of shortcomings in organization and conservatism in thought. All that undermines the very essence of the methods of teamwork forms, their Khozraschet basis." (Citation from address by L. I. Brezhnev, Bratislava, PRAVDA, 17 March 1982)

We want to point out that these conditions and prerequisites are and how they must be shaped to make development of work teams in an enterprise economically and socially effective.

In creasing these prerequisites, consideration must be given to the basic principle of making work-team forms effective--the principle of comprehensiveness. Experience shows that the more comprehensively a specific brigade and enterprise makes use of findings applying to the work-team form of organization* the higher is its effectiveness. The set of prerequisites for development of work-team forms in an enterprise worked out below confirm the inevitability of applying this principle.

Political and Economic Prerequisites

Development of work-team forms viewed and influenced from any level of management calls for concentrated, systematic and coordinated efforts. However, it calls primarily for a consensus among party, economic and trade union leadership, the importance of which becomes best manifested under the conditions of a specific enterprise. Such a consensus and the political level of members of the mentioned organizational components is a specific manifestation of favorable political conditions in the enterprise.

Whether the economic conditions in an enterprise are suitable or not requies an assessment from the viewpoint of the intended purpose of work-team forms. In no case is it a form that one can introduce anywhere and start reaping its benefits. Success of work-team forms (i.e., socioeconomic effectiveness) depends primarily on the quality of preparatory efforts, because it involves a certain amount of interferences with the routines engrained in the enterprise. Conditions are definitely better in an enterprise that is stabilized and wants to use work-team forms to enhance its continued economic and social development.

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* When a work team makes use of some viable elements or organization of labor (e.g., rotation of personnel) and collective remuneration, that still does not justify a claim to having a work team, even though effectiveness of labor may have increased. However, the latter could be even higher if they applied additional elements, if tasks were planned and assigned to a work team as a whole in keeping with the principles for work-team forms, if the team worked according to khozraschet principles within the system of the plant's khozraschet relations, if plant units were to provide quality service to work teams, etc. This requirement for comprehensiveness that has been verified in practical applications is stressed in a number of articles in Soviet technical periodicals.

## Technological and Organizational Prerequisites

Technological development and the requirements for organization of labor that it determines are objective factors. Failure to adjust the forms of organization of labor to the technological level can lead to problems such as inadequate use of manpower in the course of a shift (idle time due to shortage of work, excesses in the so-called machine time), bottlenecks in the technological cycle (again idle time of workers), absenteeism, excessive times for preparation and finishing of work on a complicated system, etc.

/These problems are dealt with through work-team type organization of labor, among other things, by

/--intra- and inter-team cooperation (use of interchangeability, multiple qualifications within teams and other viable elements of organization of labor);

/--inclusion of auxiliary and service personnel into work teams, forming so-called expeditor teams based not only on production workers;

/--turning over equipment "under operation" between work teams, or as part of the so-called continuous (multishift) work team, etc./

From what has been said it is clear that technological development creates the prerequisites for changes in organization of labor. In connection with work teams the point is to determine by analysis whether the work-team form is economically feasible for the given level and type of technology, or even possible.

Organizational prerequisites involve two aspects:

a) establishment in the enterprise of a structure that would promote development of work-team forms and help to effectively manage such development or control of work teams in production operations;

b) changes in the organization of workplaces for effective organization (introduction, establishment) of work teams

/From the requirement of comprehensiveness, as well as from the subsequently characterized prerequisites, it follows that introduction of work-team forms has an impact on all units of an enterprise. In plants of the USSR, where work-team forms have been most worked out and developed, is applied the principle of clearly specifying the place and the role of each service unit in the process of introduction and the mechanism of functioning of work-team forms in the plant. Therefore, in Soviet practice, sets of methodical and control documentation are worked out for both the needs of plant units and work teams. These include, e.g.,

/-- methodical recommendations regarding organization of production work teams in accordance with local conditions,

/-- delineation of the legal position of the work team and of its leader in the system of intraplant relations,

--type rules for the manner of establishing and organizing work teams,

/--type rules for distribution of earnings depending on the type of work team,

/--recommendations for computation of coefficients of work participation, etc./

Materials of this type form a part of projects for development of work-team forms in enterprises. All the rules of the system for introduction of work teams specify the functions of units at various levels of management or social organization. Thus, it follows that introduction of work-team forms is not only a matter of economic management.

For example, the /unit for organization of labor/ (improving the efficiency of labor, comprehensive socialist economy drive, etc) is to

--coordinate the activities of all units in development of work-team forms, provide for their methodical control,

--plan the development of work-team forms during the years of the 5-year plan and in the current period,

--work out the organizational arrangement (e.g., in the form of a flow chart of organization of labor) of the workplace of each specific work team in the plant,

--publish and disseminate helpful experience made in the process,

--keep work-team records and accounting,

--provide work places and work teams with methodical materials,

--work out programs for seminars and courses relevant to work-team form training etc.

The Labor Economy Unit

--is response for organizing remuneration for work in production work teams according to the final results of the work team's efforts,

--plans quotas for increasing the productivity of labor in the current year and in the 5-year plan,

--determines the standards for the numbers and services for auxiliary personnel in formation of expeditor work teams, etc.

The Technological Unit

--determines technologically justified standards for remuneration of work teams according to the achieved results,

--computes the labor-intensivity of tasks assigned to work teams with a view to combining qualifications, expanding zones of servicing, etc.

--helps work teams become proficient in new technological processes, etc.

Analogously, rules specify the duties of other functional services (units) in the process of development of work-team forms in the plant, such as preparation of production, planning, training, cadre and personnel work, etc.

As long as conditions are not created in the plant for units to meet these tasks on behalf of work teams, the development of work-team forms stagnates and collapses. Then it is up to the plant's management to control (and, mainly, motivate) the plant units so as to provide the maximum possible support for the development of work-team forms.

Management and Informational Prerequisites

Introduction of work teams in an enterprise on a larger scale represents a form of interference with its accustomed management structure. This applies mainly to changes at lower level of management. A delineation is made of the rights and obligations of members and the head of the work team and of the course of the work team's activities. A well-functioning intraplant khozraschet is a favorable prerequisite for effective management of work teams.

/Significant changes occur in the internal managmeent of work teams. The specifics of work teams change the routine relations between team and leader as well as the mutual relations between work-team members. The practice up to now ranged between two extremes: formally determined work teams and informal groups. The closer the proximity between the two, the more effective the work team. The work team forms of implementing the principle of voluntary participation in work-team membership and in electing its leader bring those two points considerably closer together. Therefore, the problem of work-team formation (in connection with creation of cadre and personnel prerequisites) must receive particular attention./

A reliably functioning intraplant system of management calls for an equally reliably functioning informational system. Under conditions of the work-team form particularly under work-team khozraschet, there occur changes in the information that the production team needs for carrying out its tasks and the information that it must provide to the intraplant management. This includes, e.g., information from the area of remuneration, operational control of production depending on the type of production, etc.

Cadre and Personnel Prerequisites

The most important factor in this area is preparation and selection of work-team leaders of their posts. In Soviet plants the economic management recommends a worker for the post of work-team leader after thorough deliberation (however, the work team need not accept the management's proposal), or the leadership nominates a work-team leader on the basis of an analysis of informal groups. The first method is simpler and more widely used, the second is more effective. The second method is used, e.g., in the turbine production plant in Kaluga. At any rate, however, one or the other method must be incorporated into the plant's rules.

/Of importance is also training of personnel for development of work-team forms. Each group of the plant's personnel affects this development in its own way. individual categories of personnel must be familiarized with the advantages offered by work-team forms, as well as with the mechanism of work-team functioning and the conditions which this form of organization of labor requires. From this viewpoint we talk of training

/--plant specialists who provide functional services for work teams (involving units under prerequisites in point B),

/--managerial personnel who make decisions about development of work-team forms, who control it and have the greatest opportunity to influence the development of conditions conductive to development of work teams,

/--rank-and-file personnel, future work-team members, who must be convinced of the advantages offered by the new organizational form and to whom must be explained what could be the specific contributions for individuals./

In relation to organizational prerequisites (point B), the training of plant specialists is of particular importance. Without effective training (as confirmed by experience in our plants) it is impossible to instill in them the correct attitude toward work-team forms and, consequently, provide for rendering of quality services by plant units to work teams. That is not even mentioning the lagging adequacy of dealing with additional problems regarding motivation of this category of personnel in the area of work-team forms. Thus, it occurs that these personnel regard work-team forms as a burden and fail to realize (not being familiar with the mechanism of work-team functioning) that work teams take over many operations that previously had to be performed by other plant units on their behalf.

Various forms of plant seminars have been successfully used in the USSR in the practical training of plant specialists, managerial personnel and future work-team members. The thematic contents of a seminar, adjusted to our conditions, could be as follows:

1. The first topic explains the essence of work-team type organization of labor and remuneration, types of work teams, organizational, technical and technological prerequisites for formation of work teams, economic effects of work teams, such as productivity, economy, utilization of capacities, as well as social effects (responsibility, teamwork, discipline, initiative).

2. The second topic is oriented toward establishing the stages of organizational preparations for introduction of work teams, or methodical documentation (handbooks) for workers, managerial personnel and specialists, which explain the roles of these categories of personnel.

3. The third topic is the most inclusive and is oriented toward the technological prerequisites in a specific plant, the problems of remuneration, composition of work teams, leadership and functioning of work teams, control of work-team performance, i.e., additional economic, organizational and technical prerequisites for formation and functioning of work teams.

4. The fourth topic concentrates on explaining work-team khozraschet, the system of planning, assignment and acceptance of tasks, control of the quality and quantity of the work team's performance.

5. The fifth topic is devoted to problems of standardizing the consumption of labor in a work team, together with establishment of comprehensive norms and determination of the numbers of work-team members.

6. The sixth topic analyzes in detail the individual systems of remuneration, to include bonuses, generation of work-team funds, etc.

7. The seventh topic supplements the sixth and is devoted exclusively to the distribution of the team earnings by means of labor-participation coefficients. The criteria for assignment of coefficients to work-team members are discussed at the same time in closer detail.

8. The eighth topic is oreinted toward legal aspects: rights and obligations of work-team members, of the work-team leader, reinforcement of work discipline, controls pertaining to labor performed by women, youths, etc. It can be combined with the problems of the social climate in the work team.

9. The ninth topic explains the problems of selection, election of the leader in the work team, relations of the leader and the foreman, work-team leader and the branch secretary of the RDH [Revolutionary Trade Union Movement].

10. The tenth topic deals with problems of increasing the creative contents of labor in a work team, can present selected methods and shifts (rotation of workers, multiple qualifications, expansion of service zones, etc.). Problems pertaining to upgrading the qualifications of personnel, or brigade members, are explained.

11. The eleventh topic is important for managerial personnel and work-team leaders--the system of personnel management in a work team. This topic can be omitted in the training of plant specialists.

12. The twelfth topic is oriented toward the problems of forms of socialist competition in work teams, competition between work teams, systems for assessment of the competition, etc.

13. The thirteenth topic is the culmination of the seminar. It is of particular importance to managerial personnel, but also to plant specialists. It is oriented toward innovative changes and directions in plant management due to introduction of the work-team forms of organization and remuneration. Thus, it is of a conceptual and developmental character.

Methodological Prerequisites

General methodological guidelines issued by central control authorities are not sufficient for successful development of work-team forms. These must be further worked out to fit the conditions of the sector (particularly in orientation on the khozraschet) and specified in maximum detail in regards to plant conditions.

Enterprise guidelines should provide detailed information to production teams (work teams) in regards to problems of organization and management of work teams, rights and obligations, concluding of contracts with the management (when the enterprise decides to implement this form), procedures for computation of bonuses, etc., but must also instruct all managerial personnel and, particularly, plant units about their respective roles in the process of developing work-team forms. All plants in the USSR that attained outstanding accomplishments in this area (e.g., the automobile plant in Togliatti, the Kaluga plant, many plants in Leningrad and Novosibirsk) proceeded in the outlined direction. The level of detailing of some plant methodologies is truly remarkable.

Material and Financial Prerequisites

Every organizational change and, consequently, also work-team forms in an enterprise translate into more or less extensive material or financial expenditures. Introduction of a work team in a specific workplace can (but need not) require, e.g., rearrangement of technological equipment, supplementary equipment, supplementary investments, changes in the structure of skills, etc.

Material and financial resources must be provided for the outlined purposes. Generation of sources for these resources and drawing upon them must be in harmony with the long-term plan for systematic development of teamwork forms in the plant as well as with the system of plant plans.

Legal Prerequisites

The specifics of work-team forms call for reassessment of legislative provisions, whether they promote or limit their development. It inovlves a wide scope of legal problems and an unequivocal answer must be provided to the question of to what extent the system of plant norms represents a supportive and to what extent a limiting factor of this development. The new organizational forms, new structures and relations must be reflected and codified in the system of the plant's norms.

The fact is that legal prerequisites, be it at the plant or other management level, are important for the development of work-team forms and their role must unequivocally be interpreted in a positive sense.

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Success of the development of the work-team form of organization of labor and remuneration depends primarily on

--comprehensive implementation of elements characterizing these forms,

--comprehensive implementation of this process in the system of intraplant management;

--systematic control of the development of this important orientation through creation of favorable conditons on a society wide level.

Accordingly, continued promotion of teamwork forms calls under practical conditions for explaining the internal mechanism of work-team functioning, explaining the importance of creating favorable prerequisites at plant and supraplant level, dissemination and promotion of positive experiences made by specific plants with the outlined form.

In all three orientations, it is imperative to stress the roles of the individual actors in this developmental process, in plants particularly the role of specialized units and of managerial personnel.

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## INDICATORS OF WORKSHIFT RATIO EVALUATED

Prague HOSPODARSKE NOVINY in Czech 8 Oct 82 p 7

[Article by Eng Stanislav Ptacek, CSci, Research Institue of Ferrous Metallurgy, Dobra, Ostrava Branch: "Results Obtained in Monitoring of Shift Work"]

> [Text] The workshift ratio of in key area of activity, defined as the ratio of the total number of days worked (shifts) for a given period to the number of days worked (shifts) by the shift with the highest manpower, has been monitored for a number of years. This indicator is assumed to be of great importance as, according to generally accepted opinion, it is alleged to represent the degree of utilization of work centers and production facilities.

Some plant personnel noticed the serious weak points of the existing workshift coefficient. On behalf of ferrous metallurgy, I should like to present selected findings made by plants in the field. Some of them obviously have a more general application, some become manifested more clearly in sectors using continuous production processes, of which ferrous metallurgy is one.

The workshift ratio expresses merely the relative uniformity of distribution of the total number of days worked among the first, second and third shifts. It tells nothing about use of labor and production facilities.

We cannot exclude the possibility that labor utilization in a plant with a higher workshift ratio can be worse than in a plant which, conversely, shows a lower workshift ratio. It is equally possible that a decline in the workshift ratio can be accompanied by an increase in utilization of production capacities in both time and output.

### Labor Allocation

Attempts to increase the workshift ratio at any price can prove countereffective and lead to higher costs. A typical example of this can be formal increases in the workshift ratio by a more uniform distribution of days worked into the first, second and third shifts, without any changes occurring in the total number of days worked, labor utilization and the amount of produced output.

Changes in the workshift ratio are the result of many circumstances which affect assignment of manpower to shifts. These effects, whether enhancing or detrimentally affecting the use of shift work, are not routinely recorded and, for that reason, with a lapse of time it becomes practically impossible to explain the changes in workshift ratio and analyze their causes. Moreover, it is difficult to assess whether distirbution of manpower into shifts was carried out efficiently and effectively.

Workshift ratio is not subject to planning, so all that can be done is to compare its actual value with the actual state in past periods.

With a certian available number of personnel, each plant, enterprise and operation has a certain most favorable (optimum) way of utilizing shiftwork which allows the production process to progress efficiently and economically. This optimum use of workshift was not subjected to determination in the past and, consequently, the actual workshift ratio cannot be compared to it.

The workshift ratio differs considerably in individual metallurgical enterprises. This is obviously connected with their differing structure of production and, consequently, with differently applied production and operational processes and organization. To this is tied a differing share of work positions that call for continuous assignment of manpower. All this makes comparisions of use of workshift among plants impossible and renders such comparisons worthless, as long as they are undertaken for an enterprise as a whole.

By failing to reflect the volume of production, the workshift ratio fails to characterize its efficiency and effectiveness. Changes in the workshift ratio do not automatically translate into changes in the volume of production or productivity of labor.

The Hidden Potentials of Methodology

Certain inaccuracies are lodged in the very methodology of computing the workshift ratio, if it fails to reflect hours worked in overtime. The latter invariably involves hours worked in the second and third shifts and, consequently, any changes in overtime work affect the value of the workshift ratio. Employment of seasonal workers also distorts (usually reduces) use of workshift.

The workshift ratio is monitored only in the case of workers engaged in the key activity, i.e., approximately 70-75 percent of total personnel. Administrative personnel and personnel engaged in other activities remain unnoticed. At the same time, some groups of administrative personnel also work in shifts where operation of expensive equipment is involved (computer centers, laboratories, automated systems of management, etc.). Their share is increasing in direct proportion to technological development of production.

The workshift ratio does not reflect the actual utilization of working time in the course of a shift, nor does it reflect labor utilization. A protracted and deepening manpower shortage with an excess of employment opportunities necessarily leads to a decrease in the workshift ratio, as there is a tendency to provide full manpower for morning shifts, while manpower for afternoon and night shifts is provided only according to availability.

If we exclude the undesirable formal distortion, then during a shortage of manpower the workshift ratio cannot, for all practical purposes, be influenced one way or the other and, as such, it should not be the determining or conditional indicator for granting bonuses to managerial personnel.

The workshift ratio is subject to seasonal fluctuations in the course of a year. In metallurgical plants it is at its highest in the first and fourth quarters and at its lowest in the third quarter of the year.

An analysis of the productivity of labor in metallurgical plants, conducted by means of breakingdown the individual influencing factors, showed that increases in production and growth in the productivity of labor occur primarily due to expansion of the industrial base, whereby its technological development fails to be sufficiently effective, because it provides little savings in direct labor input. Progress in the replacement of labor capital is slow. Under such a situation, any efforts at increasing the workshift ratio are thwarted by manpower shortages. With adequate manpower it would then translate into an overall increase in consumption of direct labor input and, consequently, again slow growth of productivity. For that reason, a development that can be considered to be viable is one where tehcnological development is accompanied by increased volume of production, decreased use of labor and full utilization of all production facilities in all shifts.

Full utilization of basic technological systems in metallurgical plants does not require that all work slots in all shifts be fully manned, because a number of auxiliary and servicing work slots can provide for continuous operation of main production by operating in just one or two shifts. With optimum utilization of the basic production facilities, no change in the workshift ratio appears desirable, as the requirement on increased workshifts ratios without simultaneous reductions in the number of work positions would in this case mean higher consumption of direct labor input and reduced labor productivity.

For each enterprise, there is a certain optimum workshift ratio level and exceeding it is undesirable, because it would lead to excessive consumption of direct labor input.

A Proposal Entailing Advantages and Shortcomings

The current level of recordkeeping and accounting, which we principally refrain from expanding, offer certain, even though limited opportunities for a more accurate monitoring of shiftwork utilization. I shall concentrate primarily on the shiftwork of workers manning machines (SPM), as they are of decisive importance to the results of production.

Rather than the officially monitored workshift ratio at SPM, defined by the share of days worked by workers at SPM overall in the days worked by workers at SPM in the first shift, we recommend the following indicators:

1. percentage of utilization of SPM workers overall = days worked by workers at SPM overall x 100 / number of SPM x 365 x 3, of which

2. percentage of utilization of SPM workers on the first shift = days worked by workers at SPM in the first shift x 100 / number of SPM x 365.

3. The workshift ratio at SPM at full manning of work positions = percentage of utilization of SPM workers overall x 3 / 100.

These indicators have been computed in tabular form for 11 metallurgical enterprises of the Ferrous Metallurgy VHJ [economic productionunit] for the year 1981. The last column under 4 shows the officially monitored workshift ratio at SPM for comparison. Under indciator 1 appears utilization of SPM computed to its theoretical maximum (i.e., continuous operation throughout the calendar year), because only such an indicator warrants comparison between plants. All indicators could provide interesting, provided there is reliable recordkeeping of days worked at SPM as well as a correct determination of the number of SPM. Either of the two indicators cannot be made reliable in the foreseeable future. Even if we had reliable documentation (correctly and methodically determined with uniformity), all we would gain is merely orientative indicators, because the number of shifts worked--without taking into consideration of actual utilization of working time in the course of the shift--will always provide only a rough measure of utilization of working places.

INDICATORS OF SHIFT WORK UTILIZTION ACCORDING TO THE PROPOSED METHODOLOGY

| Enterprise | Indicator | | | |
|---|---|---|---|---|
| | 1 | 2 | 3 | 4 |
| 1 | 61.08 | 92,13 | 1,832 | 1,988 |
| 2 | 40,96 | 63,20 | 1,229 | 1,944 |
| 3 | 51,60 | 86,01 | 1,548 | 1,780 |
| 4 | 43,79 | 74,11 | 1,314 | 1,772 |
| 5 | 39,01 | 64,96 | 1,170 | 1,802 |
| 6 | 52,38 | 74,89 | 1,571 | 2,104 |
| 7 | 44,20 | 56,88 | 1,326 | 2,339 |
| 8 | 48,26 | 63,80 | 1,448 | 2,266 |
| 9 | 57,45 | 73,46 | 1,724 | 2,348 |
| 10 | 27,23 | 31,41 | 0,817 | 2,601 |
| 11 | 43.53 | 54,85 | 1,306 | 2,390 |

The computed overall utilization of SPM at the same time reaffirms the lack of suitability of the workshift ratio used which can provide entirely misleading results. The currently used coefficient merely expresses the uniformity of distribution of the number of days worked into the first through third shifts and fails to give any consideration to utilization of work slots. That is shown by the proposed workshift ratio at SPM with full utilization of work slots. It reflects the actual use of shiftwork as opposed to the maximum possible (theoretical) use of shiftwork equal to 3. The difference between the two coefficients of utilization shiftwork (proposed and officially monitored) are considerable and the relative positional sequence of plants computed according to them is entirely different.

The mentioned analytical indicators must in no case be overestimated. They offer a relatively rough outline of labor utilization and work positions. Their greatest shortcomings is that they do not combine the utilization of personnel with production results and that their precision is rather poor, because they do not take into consideration actual utilization of workers in the course of a shift.

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## BETTER COST ANALYSES SEEN NECESSARY TO REDUCE EXPENDITURES

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[Article by Prof Dr Helmut Koziolek, economist, member, SED Central Committee; director, Central Institute for Socialist Economic Management; SED CC; chairman, Council for Economic Research; member, GDR Academy of Sciences; member. EINHEIT editorial board: "Expenditures and Results"]

[Text] Why is a favorable cost/benefit ratio such an urgent economic need? The answer contains not only some essential reasons and the results achieved thus far, but furthermore the sets of instruments are shown by which in the enterprises and combines and also in the other sectors of the social reproduction process that ratio can be decisively improved. A special point is made in this context of the role of cost analysis.

A decisive change in the cost/benefit ratio is the basic economic requirement for the present and the coming years. By the economic strategy our party issued at the 10th party congress it has created a clear conception for achieving an unprecedented performance improvement. That goal has to be reached by means of, in substance, the same or smaller volumes of energy sources, raw materials and working material, which means nothing else but decisively reducing production consumption, clearly improving the cost/benefit ratio. Production growth thus must largely come from efficiency improvement--the output must grow faster than the expenditures for live and embodied labor. Greater efficiency thus becomes the major source for present and future economic growth.

Why is a more favorable cost/benefit ratio such an urgent economic need in all sectors of our society, and especially of course in the economy? The SED Central Committee has supplied a clear answer to that. A higher output through lower costs "simply is a basic requirement at a time when, due to scientific-technical progress, a higher labor productivity is more than ever decisive."[1]

Proceeding from this answer of substance there are three essential reasons why the improvement of the cost/benefit ratio is of such decisive importance:

First, the further shaping of the developed socialist society and the satisfaction of men's changing and expanding needs require a high rate of economic growth intensive in kind. The way to it can lie only in decisively improving the efficiency of all labor where the output must rise faster than the expenditures for embodied and live labor. Karl Marx already said that it was by no means the same "to create the same product with half as much live and embodied labor as before or, by the same labor, double the previous product. In the first instance labor--in live or embodied form--is released and can be used elsewhere; the power of disposition over labor and capital grows."[2] Of course, for performance improvements in our society both ways are significant because, no doubt, what matters is to produce more, much more in fact; yet the first approach also has an especially high place value as it saves labor and basic assets. This Marxist approach to efficiency expresses the meaning of the economizing and intensification process as a social developmental factor.

Second, the development of the world economy also proves it is ever more important, and possible, to produce more through reduced expenditures.

In talking about changed conditions today that includes the revolutionary process in the development of the productive forces, ongoing worldwide. That is expressed in such developments as the production and application of microelectronics and robot technology. New and higher intrinsic values in consumer goods and investment goods are produced through greatly reduced expenditures. It provides wider leeways for the use of material and intellectual potentials and expands the accumulation capacity.

Especially in connection with the exacerbation of the international situation by the most aggressive imperialist circles, their policy that is threatening the peace and the economic warfare unleashed by the United States--particularly by its trade, credit and interest policy--against the socialist countries, we must, on behalf of strengthening socialism, greatly accelerate our scientific-technical progress. Gaining further ground in the class conflict calls for economic growth through efficiency and labor productivity improvements.

And then there is a third reason that compels us to improve the cost/benefit ratio--the enormous rise in raw material prices. To counter that, we must improve our efficiency, and this mainly by means of intensification, i.e., we must reach our results by using fewer resources, not by increasing our costs. That is more economical than a primarily extensive development. Analyses confirm that--apart from ecological aspects, from our responsibility to future generations--energy saving measures require only half the expenditures that would be needed to expand the requisite energy capacities. In metallurgy, an extra production of one kilogram of rolled steel costs circa M 10, but the expense for material saved in optimizing material savings costs per kilogram only between 3 and 5 pfennige. Furthermore, expanding the extractive industry again is extremely cost and energy-intensive, i.e. relatively higher investments and much larger volumes of energy are consumed there than in the branches of the processing industry. The key to meeting the demands in energy and raw materials therefore lies in their ever more rational use and in the need to get ultimately more products high in intrinsic values through enhanced refinement of initial raw materials and semifabricates.

Nor shall we in the future renounce expanding our own raw material base; in confronting the price explosion on the world markets since the 1970's, we have to attribute a high place value to our own resources and extract them with increasing effectiveness.

Some remarkable results were already achieved in our improving the cost/benefit ratio. In our produced national income we accomplished a 25-percent increase in the 1976-1980 period over the 1971-1985 period, in industrial commodity production, one of 32 percent; specific energy and raw material use, on the other hand, was reduced by an annual average of 3.9 percent. Especially last year, noteworthy advances were made: the produced national income was developed dynamically by 5 percent, and this--which is of extraordinary importance--without increasing primary energy consumption and while reducing the specific consumption of economically significant energy sources, raw materials and material by 5 percent. Comrade Erich Honecker, secretary general of the SED Central Committee, proceeding from a thorough analysis, emphasized at his concluding speech at the fourth plenum that, gaged against the tasks before us, more acceleration however is necessary in our performance and efficiency development as scheduled by the five-year plan.

The cost/benefit ratio expresses the efficiency, the degree of effectiveness or intrinsic effect of labor.

Efficiency is gaged against the drop in the expenditure of live and embodied labor and the increasing yield. The latter includes producing the national income in the intrinsic value structure socially required. This is particularly important as the key to eocnomic growth, ever better provisions, and higher exports bringing in hard currency. Yet higher economic efficiency is not only the concern of production but also of distribution and consumption, of the non-producing sectors and the services sector and public health and education.

To get an increasingly better cost ratio from basic assets, raw and working materials, live labor and products, and our national income makes entirely new demands on us. While in the past the improvement of our effectiveness mainly came through increasing allocations and resources, so that production would grow, now the task is to ensure a high rate of production growth through the same and partly even fewer resources. Greater labor efficiency means economically more end products in combination with a perceptible reduction in production consumption and in the material expenditures in all public sectors. An ever larger part of the growth in our national income must come from the reduction of production consumption.

In his report to the 10th party congress, Comrade Erich Honecker commented: "A cutback in working time must not come at the expense of greater investment expenditures, economic material management, not at the expense of quality. It is not enough to do the one or the other. Saving live labor and material, better using available basic assets and investments--only when both go together will we get the results we need."[3]

## Higher Effectiveness of Live Labor

Already Karl Marx pointed out that the advances in science and their technological applicability had to crystallize particularly in an increased labor productivity. It is important to achieve a much higher level of labor productivity at a broad range and to approximate the speed in increasing labor productivity to that in the development of our scientific-technical potential, so that we can make a still greater contribution to boosting the national income. To ensure a proportionate and effective development of the GDR economy according to plan, an increasing number of combines and enterprises have to increase their labor productivity faster than their output. Combines should consider still more rigorously that more of a cutback in working time and jobs is bound to release manpower at new magnitudes. Therefore it is an important task to organize relevant projects, under political party organization leadership, by following the model of the Schwedt initiative. The Schwedt slogan, "fewer produce more," is not just one method among many; it is the basic way of cutting back jobs while production volumes and qualities increase and releasing manpower for other important jobs. More manpower, after all, is urgently needed for multishift capacity work in highly productive installations, for the construction of means of rationalization and for the consumer goods departments in the enterprises and combines that produce the means of production. Science and technology is the major factor, but also the use made of the qualification level and further training of specialists and their correct employment are important reserves for it.

Live human labor, however, is not only a cost element. It always has been and will remain the source of all social movement. It is--to quote Karl Marx--the "life-giving fire of production" and so becomes the point of departure for all considerations regarding the use of the efficiency factors. The ability to produce scientific-technical innovations and to apply them, and the capability of doing skilled work, will grow to the extent that they are made use of. Therefore the key issue is to assign the available great intellectual potential always in a targeted manner so that it is embodied in qualitative changes in technology, product quality and production structure. Thereby live labor crucially controls the scope and quality of products.

## Level and Scope of Basic Assets Affect Efficiency

"A key problem for our overall economic efficiency, in view of the enormous assets of our economy, is the modernization of available basic assets. Notions that want to purchase every percentage of increased labor productivity by an equally fast or still faster growing investment expenditure defy economic efficiency."[4]

The 10th party congress assigned the task to make a capacity use of production funds for 16 or 17 hours per calendar day. Here we must mainly eliminate the level differences in operational time frames--sometimes amounting to several hours--among the combines in one and the same industrial sector by leading the ones that fell behind closer to the level of the more advanced ones. Resolute struggle also against unanticipated downtime must lead to a noticeable improvement of the basic assets quota, mainly by a rigorous implementation of preventive repair measures. Most important is reducing equipment failures through breakdown and other technical interference.

It also is a matter of pushing modernization ahead more on the basis of the amortization quota. The modernization of the material-technical base largely must come from an economically sensible replacement of used-up basic assets, that is to say, replacement should come in more and more in terms of a value-equivalent reproduction of basic assets only. As to their intrinsic values, the capacity of the replaced basic assets, it is however more and more a matter of expanded reproduction. The modernization of extant equipment and installations is gaining more and more importance. Internationally, there are indications that conversions or installations in the equipment we have, through modern control and propulsion devices and so forth in part are much more efficient than the scrapping of old and the use of entirely new equipment. And then also, the basic assets themselves exercise a great effect on the outcome. It means concentrating investments on rapidly introducing the latest scientific-technical data, strengthening by means of investments the range of scientific-technical progress, and pushing ahead economic innovation processes with highest economic efficiency. The enterprises and combines in the metalworking industry in 1981, e.g., managed to cut back more jobs than create new ones through investments. And that indeed is the goal of all industry in the GDR this year. The efforts toward improving the basic assets economy and efficient investment policy belong together there, indissolubly.

Reducing Energy and Material Consumption

The targets set down for it in the five-year plan most clearly mark the fundamental qualitative change of the current five-year plan compared with previous plans. The planned reduction of specific energy consumption up to 1985 alone comes to an equivalent of 70 million tons of raw brown coal. That is part of the purpose of the economic strategy of the GDR, directing us to make a still much more economic use of energy sources and raw materials and crucially improve energy and materials management in all sectors.

For any given total product, the size and the reduction in the energy and material consumption greatly control the size of the national income and, thus, the leeway for the development of consumption and accumulation. Reducing production consumption is of special importance in this because it embodies the largest share of expenditures, in abolute terms, in the social reproduction process as well as in the combines and enterprises.

Five-year plan goals envisage a reduction of production consumption in relation to the total social product. How great and complicated those tasks are becomes apparent if one considers that the reduction of the specific consumption of economically important energy sources, raw materials and material up to 1985 is set at a minimum goal of an average 6.1 percent annually, though average annual reduction rates in the previous five-year plans came only to 2.8 or 3.9 percent. That such a requirement in the current five-year plan is realistic can be seen by the fact that, for all that, the first year of the five-year plan did come up with a 5-percent reduction rate. These reduction rates in energy and materials consumption are due to penetrating material processes in all economic sectors. A concrete expression of the reduction in energy and material consumption also lies in the return of funds so they could be used for other economic ends while they also facilitated in absolute terms a reduction of raw material and energy production in our economy as such.

As in other cost elements--live labor and the basic assets--the effect of energy and materials management on efficiency does not only come from cost reduction. It also affects the outcome. Therein lies the starting point for refining. To make more of and improve the available in that on every production level and in every branch materials supplied are refined more highly is a priority task. In the final analysis it is a matter of gaining from original energy sources and raw materials in the economy a maximum of high-grade end products for the economy, proper as to demands. This need attaches to every raw material we use, to every step and branch of manufacture, to basic research and technology and methods development, construction and design.

A Growing Social Net Income

Efficiency also depends on the scope and structure of the outcome. Here the national income or net product do not yet adequately express the economic cost/benefit ratio. Improving the cost/benefit ratio at the economic range must express itself mainly in the constant rise of the social net income.

As a financial manifestation of the surplus product, the social net product is a substantial component of the national income, gained out of the profits made by the combines and enterprises, which has the inevitable tendency steadily to increase its relative share in the national income. This inevitable connection is due to the fact that when labor productivity increases, it is that part of the social productive labor capacity that has to be used for the production of goods and services which relatively, i.e. in relation to all available productive live labor, diminishes. So there is a relative growth in extra labor, which in socialism assumes the form of labor for society.

Relying on a growing social net income, socialist society creates the means to expand the material-technical base, secure and gradually elevate social progress, and ensure national defense. As the decisive source for strengthening the material-technical base, it also is the basis for a continuing steady increase of labor productivity. The development of the social net income thereby becomes both the outcome and the source of labor productivity development. The social net income furthermore furnished the growing "social funds from state resources" by which essential redistribution processes are carried out. That pertains, e.g., to the price supports for the products of everyday need for the population in accordance with our sociopolitical program. It is a mobilizing factor in political mass activity and in conducting socialist competition.

The size and developmental tempo of the social net income therefore reflect the essential basic relations needed for the fulfilment of the main task "of raising the people's material and cultural standard of living on the basis of a high developmental tempo in socialist production, greater efficiency, scientific-technical progress and growth in labor productivity."[5] That requires producing products and performing services that meet the needs of the population, the economic requirements and the foreign market conditions in volumes, qualities, assortments and costs.

Material Structure of Total Product and National Income

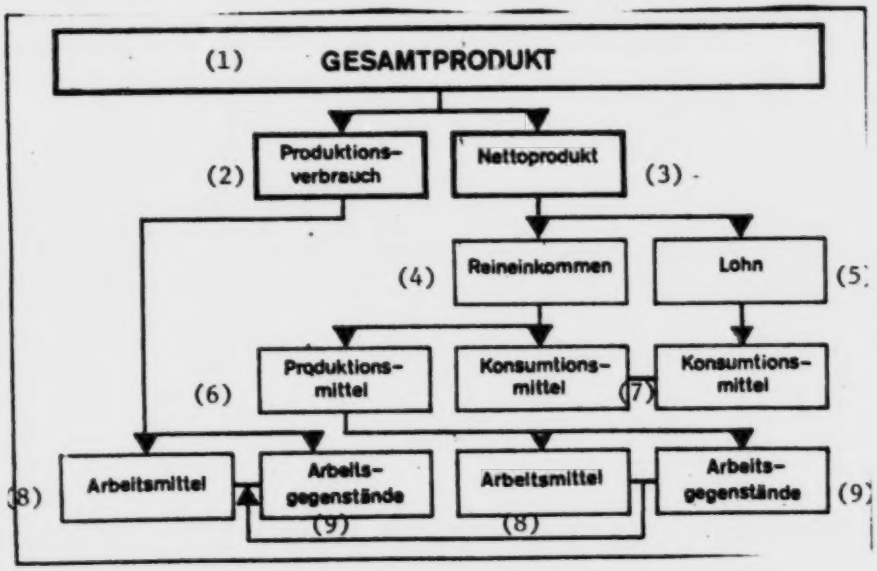


Key:

1. Total Product
2. Production Consumption
3. Net Product
4. Net Income
5. Wages
6. Means of Production
7. Means of Consumption
8. Tools of Labor
9. Labor Objects

The lower the prime costs per product or per M 100 each in commodity production, the greater is the profit of the enterprises and their contribution to the net income of society, the greater is the benefit for society. Prime costs and their development thus become an important yardstick for the economic activity of a combine or an enterprise. That is the centerpiece of economic cost analysis for the improvement of which on the basis of the plan the SED Central Committee Politburo on 3 November 1981 adopted important resolutions.[6] The Law on the Development of the GDR's Economy Between 1981 and 1985 set down for this period in the industrial sector an average annual reduction of prime costs at 3 percent.[7] That is necessary to ensure the growth of the produced national income. It also includes the necessary reduction of energy and material consumption. Compared with previous cost savings, this is a high objective. In 1981, total prime costs for realized commodity production were dropped by 1.5 percent compared with 1980. That involume w s the largest cost reduction ever achieved within one year. Yet our economic strategy calls for still more consistent efforts in cost reduction so we can fulfil our ambitious goals.

Costs Control Efficiency

If one quantifies the factors that controlled the 1981 cost reductions in industrial combines, one must first mention the economic effect that scientific-technical progress has had on improving the energy and materials management.

A high energy and materials economy alsothis year forms the potential source for attaining the planned cost reduction. Every mark saved is an absolute growth in national income; conversely, material expenditures causing economically undesirable inventories, incomplete production, unwanted finished products or botchwork mean a diminished national income. To prevent such losses, one must struggle everywhere with the greatest determination for improving the cost/benefit ratio. Only the reduction of prime costs in their entirety can increase the net income. The struggle for at least a 3-percent reduction in prime costs annually challenges the economic effectiveness of science, technology, socialist rationalization and investments. A consequence for the management and planning of scientific-technical progress therefore is to decide on the cost reductions for coming years even while economic requirements are assigned for R&D projects--concretely, when official duty records are confirmed--and for rationalization projects and investments. Thorough economic accounting begins in that reproduction phase. It has to be seen to it in management activity that the economic goals of science and technology govern the economy of the combine throughout its entire intensively expanded reproduction cycle and make a real difference in it.

The cost conceptions worked out in all combines in the five-year plan till 1985 have to be active management tools. Together with the scientific-technical development conceptions (e.g. for refining, product development, rationalization or the application of microelectronics and robot technology), cost conceptions should look ahead in the demands they make on the economic effectiveness of scientific-technical work. The economic categories of costs and prices are important focal points for scientific-technical work in our economic reality of the 1980's.

In our high degree of foreign economy interlinkage and integration relations within CEMA, the surveyor's rod for the scientific-technical level of products and for the cost volume is furnished by international standards. In straightforward economic terms that means that a product or commodity may cost only as much as will in the finaly analysis make it saleable with profit on the international market.

No one can evade this unequivocal attitude toward costs. Karl Marx taught us "that what determines the value is not the time during which something was produced but the minimum of time in which it can be produced, and that minimum is ascertained by the competition."[8]

Ultimately then, the effectiveness of our export and import relations depends on the level of productivity and effectiveness of our own work. The crucial question here is: How much labor is contained in the goods we export? Costs must be brought down. To the extent that we achieve it, the imports themselves become "cheaper"; because we receive them for the labor put into our exports. We have to compensate for raw material price hikes on the world markets by enhanced refining, by improving the scientific-technical level of our export products, and ultimately by increasing the productivity and effectiveness of our production altogether.

When one wants to reduce costs, one must first of all know exactly what they are. That is true for large and small dimensions, especially for the conscious and creative participation by the work collectives in the combines and enterprises. Planning and accounting for costs down to the jobs themselves is indispensable for it as a method of socialist industrial management. That also is an important condition for competition and budget accounting and for material and moral incentives. Of equal importance is providing precise norms for production consumption and all types of expenditures, including the managerial and administrative ones. Expenditure and consumption norms constitute the social measure for admissible costs; remaining below their limits, especially, is in the interest of the economy, of each enterprise, of all working people. Tried and tested methods of socialist industrial management also include the intrinsic value versus cost analysis, cost reports, topical cost accounting and performance rating.

Economic cost analysis must be used still more effectively for that purpose. The indispensable basis for accurate cost planning and for the supervision over abiding by planned costs is a detailed cost accounting in terms of types of costs, cost liabilities and cost centers. Costs must constantly be measured, compared, controlled and analyzed so one can incessantly trace economic reserves in the production process for improving the cost/benefit ratio. Cost accounting and analysis are also a good basis for the political mass activity and the socialist competition conducted by party and trade union organizations. Costs must never follow actions randomly; they are to determine the actions. On the basis of the state plan, therefore, the economic interests and initiatives of the work collectives are to be directed still more definitively and effectively at resolutely cutting costs and be tied up with material incentives.

FOOTNOTES

1. Comrade Erich Honecker, "Aus dem Bericht des Politbueros an die 3. Tagung des ZK der SED" (Excerpts from the Politburo Report to the Third SED Central Committee Plenum), Dietz publishing house, Berlin, 1981, p 27.

2. Karl Marx, "Das Kapital," Vol III, Marx/Engels, "Werke" (Works), Vol 25, Dietz publishing house, Berlin, 1964, p 702.

3. Comrade Erich Honecker, "Bericht des Zentralkomitees der Sozialistischen Einheitspartei Deutschlands an den X. Parteitag der SED" (SED Central Committee Report to the 10th SED Congress), Dietz publishing house, Berlin, 1981, p 55.

4. Guenter Mittag, "Full Speed Ahead Toward the 10th Party Congress," NEUES DEUTSCHLAND, 4 December 1981, p 6.

5. Comrade Erich Honecker, "Bericht . . .," op. cit., p 48.

6. Cf. also "Decree on Further Perfecting Economic Cost Accounting on the Basis of the Plan," GBL, Part I, No 3, 1982.

7. "Law on the Five-Year Plan for the Development of the GDR Economy 1981-1985," GBL, Part I, No 35, 1981, p 408.

8. Karl Marx, "The Misery of Philosophy," Marx/Engels, "Werke," Vol 4, Dietz publishing house, Berlin, 1959, p 95.

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## INTENSIFICATION PROCESS REQUIRES BETTER QUALITY MANAGEMENT

East Berlin EINHEIT in German Vol 37 No 10, Oct 82 (signed to press 18 Sep 82) pp 1034-1040

[Article by Prof Dr Harry Nick, economist, research program director, Institute for Political Economy of Socialism, Academy of Social Sciences, SED Central Committee: "Economic and Ideological Requirements for More Effective Reproduction of Basic Assets"]

> [Text] The implementation of the party's economic strategy requires imperiously that full use be made of the possibilities growing through our scientific-technical progress in including its results in a new way in the reproduction of the extant material-technical base. To what extent do the relations change then between simple reproduction and accumulation? Which modes of thinking and habits have to be broken and which prerequisites have to be laid to turn modernization into the most important form of reproduction?

A successful implementation of our party's economic strategy for the 1980's sets new measures for the effective use of all our economic resources, i.e. the social labor capacity, the energy and material resources, the basic assets and investments. To conform to all that means still more rigorously helping qualitatively new tendencies in effectiveness development to prevail.

In using our social labor capacity, e.g., this involves a higher rate of speed in increasing our social labor productivity and reversing the ratio between jobs to be cut back and to be newly created, with the emphasis placed on the cutbacks. In using energy and material resources we have to come up with rates in economizing that will at least equal the growth rates in our economy or even exceed them. In recent years our national income grew strongly and relatively steadily, yet because of a faster increase of production consumption the national income share in the total social product slighty declined at times. Based on already achieved positive results in recent years, we must now reverse that tendency by resolutely cutting production consumption. "While the national income climbed above that of 1980 by 4.8 percent, production consumption rose by 3.7 percent. That reinforced a tendency which first began to show in 1979. If we

succeed in altering that interaction further toward the positive, we shall, through cutting production consumption, tap an ever more important source for the growth of our national income."*

As to the use of the basic assets and investments, we must achieve an alteration in the development ratios between labor productivity, basic assets allocations and basic assets quotient (commodity production per 1,000 marks in basic assets). In the 1980's labor productivity must grow faster than labor's assets allocations so that the production per 1,000 marks in basic assets rises and the increasing basic assets quotient becomes a factor in labor productivity increases. If one compares the rise in basic assets allocations in the economy in 1981, as of 4.9 percent, "with the increase in labor productivity, of 4.4 percent, it becomes apparent that the trend has to be reversed there still."**

As effectiveness criteria apply to the use of all basic economic resources, considerations about ways and means of advancing effectiveness must not pertain to but one type of resources or another. Necessary is, rather, that a more rational use of our capital goes hand in hand with energy and material saving, cutbacks in live labor (and jobs) and quality improvements.

The resolve of our party to carry on with determination the proven course of the main task in its unity of economic and social policy even under more complicated conditions is based on the fact that--as revealed by the economic strategy for the 1980's which the 10th party congress issued--we have what it takes to speed up noticeably the advances in effectiveness. This also implies a deeper sense for the nature of the changes that have to be made in our economic activity. It lies in a resolute transition to the intensive type of reproduction, to the type of reproduction that accords with the developed socialist society or, to put it more precisely, a transition to a type of reproduction that at one and the same time economizes on labor, energy and material resources, and funds.

To pursue the basic lines of our economic strategy with the greatest rigor becomes all the more necessary in view of the considerable changes of the external conditions for our economic development. There is no denying that factors like the policy threatening humanity, especially by the most aggressive forces of U.S. imperialism, the economic crisis in the capitalist countries, the embargo and high interest policy of the U.S. government and the economic warfare it has unleashed affect the conditions of our economic management, that we have to face continuing changes in world market prices, and that the dialectical interactions between external and internal conditions have become sharper altogether. All these changed conditions compel us to enforce today the basic lines of our party's economic strategy all the more stubbornly and faster.

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*"Aus dem Schlusswort des Genossen Erich Honecker, 4. Tagung des ZK der SED" (From the Concluding Speech by Comrade Erich Honecker, Fourth SED Central Committee Plenum), Dietz publishing house, Berlin, 1982, p 93.
**Ibid., p 94.

## Improving the Effectiveness of the Available Potential

The objective chances that are favorable to advances in effectiveness, especially those through which scientific-technical progress affects economic growth, have perceptibly become greater in recent times. That is with which the needed changes in basic assets reproduction are mainly tied up.

Our basic assets are a type of resource of the highest dynamism. They are going to grow in the future too, qualitatively above all, as well as quantitatively. Their growth will depend far more than in the past on a higher tempo in the modernization of the available potential, which goes together with a gradual elimination of capital assets. That development is causally connected with the fact that the scientific-technical revolution both makes possible and requires for the data of scientific-technical progress to be applied in a new way in the reproduction of the material-technical base, so that greater weight attaches to investment-saving forms of reproduction. In view of the sharp limits to investments, the full account of that fact, the use of the qualitative factors in the reproduction of our capital assets, is of greater importance than ever. Notions such as that through the scientific-technical revolution the contradiction would grow between the latest science achievements and the technical-economic level of the extant material-technical base, or that the inertia of the extant potential would be the most serious obstacle to making economic use of scientific-technical progress because two different types of technology would collide, are denied by reality.

The revolutionizing technical achievements that hold the center of our economic strategy, like microelectronics, robot technology, data processing and electronic controls, radiate into the general technical-economic level of production and the technical base of the non-producing sectors more than has probably ever been the case in the history of technology. They are in essence a technology of intensification, of rationalization, and they take effect out of their essential core, through qualitative changes in the extant material-technical base. Their economic effects can mainly be garnered by way of an all-inclusive socialist rationalization. Under such conditions it becomes not only a matter of utility but a matter of necessity dictated by the economic specifics in modern technical development to view scientific-technical progress above all from the vantage point of the requirements and conditions for the modernization of the extant material-technical base and of the reproduction process as it functions, and to have it operate that way. This way then there come to the fore the questions about the dissemination speed for technical innovations, their highly effective combination with the extant material-technical base, the absorption capacity the existing economic organism has for technical innovations, and its ability to transform technical innovations into economic results. Accelerating the scientific-technical progress, especially a more expedient introduction of the new technologies that are needed for improving the effectiveness of the reproduction process, calls for a thorough analysis of all the factors and conditions that determine the absorption capacity the material-technical base has for qualitative changes.

Practical experience proves that opening up fields of application for these new techniques and technologies gives rise to extremely ambitious tasks, all the way from R&D to investment measures.

Sometimes one hears the derogatory remark that the application of microelectronics today is comparable to the first automobiles which initially had been nothing but "coaches with power motors"--a new technology "grafted" upon an inadequate technical base with economic potentials which could not be fully exhausted that way. Here one must point out that it is altogether in line with objective logic in the development of the material-technical base initially to combine revolutionary technical transformations with the available technical potential and to keep, to a large extent, producing by means of that potential. The development of the material-technical base shows a much greater continuity than the products and procedures produced by science; it cannot be exchanged at the same extent and rate as found in the replacement of generations of products and procedures. And finally: the "coach with a power motor" plainly was not in part a coach but truly an automobile, a vehicle moving under its own power.

What matters mainly is to change, through appropriate modifications in technology and organization, the environment of the new technology in such a way and adapt it to the requirements and conditions, e.g., of microelectronics and robot technology, so that, however complicated it is and however much time is needed for it, the highest possible economic performance is achieved as rapidly as possible and the revolutionary technical transformations are implemented in a manner of saving as much investment as possible. And the condition for that is that the use of microelectronics and robot technology is conceived not only in terms of those techniques but mainly with an eye to improving the effectiveness of the extant material-technical base, the reproduction process as it functions.

All this leads to the following: What decides the success in the use of microelectronics and industrial robots is how it gets correlated with the intensification and rationalization conceptions for improving the material-technical base and is aimed at the effectiveness of the entire reproduction process. So this is by no means a matter of expensive investments for completely replacing the capital assets; on the contrary, what matters is to make extensive use of the objectively extant material potential and place investments in such a way that the potentials for effectiveness that are inherent in the extant capital assets are released at an optimum. Essential is that the resources necessary for the qualitative improvement of the material-technical base must be produced through intensification itself. Only through effectiveness development and through reducing extensive investments can the resources be gained that are necessary for the modernization of the extant material-technical base.

Greater Demands on Management and Planning

The intensification of basic assets reproduction makes high demands on the quality of management and planning; it requires doing away with certain thought habits that were part and parcel of the strong extensive reproduction in previous years and requires a continuing purposeful formation of the material prerequisites for intensification. "Rigorous intensively expanded reproduction calls for a different approach both to the basic assets economy and the material and energy economy."*

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*Guenter Mittag, "High Performance Growth for Further Strengthening Our Republic," EINHEIT, No 5, 1982, p 473.

Practical experience shows that rationalization, modernization and reconstruction and entering investments into the ongoing production process--all this while production increases--in many ways make much higher demands on the quality of management and planning than extensive investments.

If in an enterprise the capacity is extensively expanded or a new production complex is set up, the general rule is that a general consignee is charged with placing the investments who assumes the sole responsibility, as it were, from location testing via construction and equipment assembly until the project is completed and handed over for operations. The management of the enterprise in which investments are placed holds the position of the consignor, the control agency, but must not itself manage those processes.

It is entirely different in rationalization investments. A reconstruction project has to be managed by the enterprise management itself. That requires a special construction staff and considerable capacities of the enterprise itself for project planning, the construction of means of rationalization, and building. At the same time, high and complicated demands arise for organizing and managing the ongoing production. A special labor regimen is generally needed throughout the entire reconstruction period. To the extent that one resorts to services from outside, more is demanded of the consignee as well. "Remote" project planning is impossible; the project planner must spend relatively more so as to adapt the changes necessary to what there is already. When structural changes are needed, large-scale technology suitable in new construction can be used only to a limited extent; the statistically recorded "labor productivity" is lower for reconstruction measures, which are in general economically much more effective, than in new construction. A certain tendency toward extensive reproduction in the past is attributable to that in this regard the interests of the investors and consignees met.

Scarcer resources and changes in performance ratings have now made a difference which we must stick to as best we can. The tough struggle for a more favorable cost/benefit ratio in our economy imperiously demands steering at intensification in one's own sector, without reservation, even in view of the fact that it might be extremely difficult and strenuous.

A consistent intensification of the economic reproduction process implies that all investments are placed more effectively and that the concentration of investment activity is heightened. Beyond and above the economic effects the investment process is meant to achieve directly, it is extremely important that the concentration of economically significant projects contributes to an expedient implementation of structural changes needed in our economy. It would, however, be extremely detrimental for rigorous intensification if this necessary preference for economically significant projects were to mislead us to slight or even neglect such smaller projects as modernization and rationalization investments often are. Those who run larger projects should be fully aware of their responsibility for a thrifty handling of investment funds also because they especially, through greater thrift, can enlarge, not insignificantly, the proportion of useable resources needed for the modernization of the extant material-technical base.

## The Growing Weight of Simple Reproduction

One of the most important questions in intensive basic assets reproduction is about the role of simple reproduction, and about the change of relations between simple reproduction and accumulation. "There still is the notion expanded reproduction simply requires an expansion in value terms of the available basic assets, which should then automatically attract more investments. But as one knows, Marx already pointed out that through a higher economy of constant capital simple reproduction by itself could become an accumulation source."* Decisive there is that increasingly, through the processes of simple reproduction, the data of scientific-technical progress are drawn into the reproduction of the extant material-technical base, whereby real accumulation effects are achieved. From this results the great importance of combining everything newly produced by science and technology with the objectively extant material reproduction conditions, so that our capital assets at the "moment of being renewed in head and limbs is reborn in a perfected technical mold."**

Under the conditions of the scientific-technical revolution it becomes economically ever more important, on the one hand, to pay much greater attention to the entire process of the qualitative renewal and more rational use of the growing material and embodied potential and to bring the data of scientific-technical progress more and more to bear by means of the change in this potential. On the other hand, basic innovations likewise become ever more important for our total progress and must be combined more compellingly and faster with the "normal" technical progress and lead to changes in the "average" general technical level.

Among the most important prerequisites for a higher speed in the qualitative renewal of the material-technical base and for a higher speed in spreading scientific-technical innovations throughout the extant economic organism, along with an improved balancing among economic processes, are more "elastic" techniques, more of a modernization suitability for production equipment, and greater variability for the use made of structures. The thesis that the discrepancy between the physical wear and tear of an installation and its moral wear and tear had constantly increased along with scientific-technical progress, being used indiscriminately, had turned into the economic dogma, as it were, that installations should have to be superseded long before their "physical longevity" was exhausted and be replaced by new and more effective models. All in all, the effectiveness gain achieved thereby would be greater than the loss incurred by any premature replacement, and furthermore--so it was claimed--no highly modern equipment could be produced by obsolete equipment. Amortization schedules should thus be guided by moral, and not physical, wear and tear, and this kind of approach was also demanded for the targets in various forms of basic assets reproduction and, in fact, partly realized. The basic form of reproduction, by which the data of scientific-technical progress flow into the extant material-technical base, so far was mostly the replacing of obsolete equipment. Current maintenance was aimed at functional upkeep of the installations, and the goal of rather expensive general repairs was essentially to recover the installations' original parameters. Yet this kind of reproduction of our capital assets does not satisfy the requirements of intensification.

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*Ibid.

**Karl Marx, "Das Kapital," Vol I, Marx/Engels, "Werke" (Works), Vol 23, Dietz publishing house, Berlin, 1962, p 657.

## Modernization Calls for "Elastic" Techniques and Complex Solutions

It would be economically absurd to replace all equipment completely every 4 to 6 years--that roughly is the working life of a generation of working tools--and would exceed the capacity of any economy. Rather, under the conditions of intensification such solutions are gaining importance which counteract the moral wear and tear of working tools while improving their modernization capability. Through increasing effective solutions, drawing on the latest scientific-technical data, a positive alternative for replacement has to be created, which will diminish the moral wear and tear and turn the modernization of installations into the most important form of reproduction. So it becomes necessary that even the design of working tools sees to it that they do not need much maintenance and that installations can be modernized while in operation. As clearly as a new generation of machinery must differ in its performance parameters from the one before, equally much one should always see to it that in the technical setup of the installations the differences between machinery generations do not become unnecessarily "hard."

Standardization, which provides uniformity mainly for the component and component groups, plays an outstanding role in this process, but so does the enforcing of effective labor part relations and an active cooperation between the producers and the users of the new technology. These are extremely important aspects in using the advantages of the socialist planned economy on behalf of purposeful intensification in the 1980's. By means of the assembly of prefabricated machine parts, e.g., considerable savings and time reductions can be achieved in the production preparation phases. Other important possibilities for more rational upkeep result from it--by exchanging certain components and component groups, which may cut down the downtime because of needed repairs--as does more modernization by way of general repairs.

Mainly the most recent practical experiences demonstrate that through the exchange of particular component groups and the addition of new ones considerable economic effects are obtainable. In one metallurgical enterprise, for instance, instead of the originally intended replacement of a press at a clip of M 14 million, a target-directed modernization was carried out that only cost M 4 million in investments. The effect was this: mainly by installing electronic controls, higher speeds and greater precision were achieved, so that the performance parameters rose by circa 30 percent. Even if such results are not everywhere achievable, it is essential for us to use all such modernization possibilities systematically.

To make sure that the replacement processes in the material-technical base strongly support the intensification of social production it is not only necessary that the projects built in the outcome of investment activity greatly show an above-average effectiveness over the basic assets functioning before but that they also, and primarily, release the efficiency potentials contained in the extant material-technical base. That is possible only through complex solutions for rationalization which combine equipment modernization with the introduction of effective technologies and forms of production and labor organization and in certain cases also the replacement of obsolete equipment. Greater importance attaches to the systematic rationalization of complex processes, of

entire enterprises and enterprise departments, the conversion and renovation of interconnected technological processes, and the gradual introduction of complex automation solutions shown to be capable of further extensions even in the project planning phase. Point-for-point renovations, technical and technological modifications--this is emphatically demonstrated by the experiences in the use of microelectronics and robot technology--do not allow us completely to exhaust the economic potentials of these technical transformations. So it is all the more necessary to install them carefully in the ongoing reproduction process so they boost the productivity of the efficiency potentials already inherent in the ongoing reproduction process. This, for example, is always done when certain bottlenecks, weak points in the reproduction process, are surmounted. But above all complex rationalization means that the interconnected processes are rationalized throughout.

Scientific-technical progress compels increasingly complex technical solutions. It causes a trend change in the character of working tools: Complex machine systems, complete installations more and more replace single machines. This trend is shown most clearly in the automation process. The strongly promoted trend of flexible automation--applicable also in the sector of medium-size and small series--causes an increasing complexity of technical solutions, i.e., the transition from single automated machines to automated production cells, integrated automated production sectors and so forth.

The most important way to improve efficiency lies in complex rationalization under all conditions--even on the lower technological levels of production. By using the procedures established for many years of complex analyses of the reproduction process, it is a matter of systematically illuminating that process and purposefully rationalizing it. Still greater advances in effectiveness can be attained, mainly, by bringing about a consistent intensification of basic assets reproduction, based primarily on including the data of scientific-technical progress in the process of renewing our material-technical base in a way that saves as many investments as possible.

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## ANALYSIS FINDS ECONOMIC LEADERS UNDERQUALIFIED, FACING DILEMMAS

Budapest VALOSAG in Hungarian No 10, Oct 82 pp 29-39

/Article by Zoltan Tompe, marketing engineer: "The Leader's Interest"/

/Text/ Stalin said in 1933: "There is only one more thing needed for kolhoz members to become well-to-do: and that is, to do honest work in the kolhoz."[1] Today we can also meet the continuation of this idea. "Our only job is to work honestly." "This is not where we would be if everyone did his work honestly." "The problem is that we are slipshod, lazy, selfish, materialistic, etc." The constantly returning point of comedians' jokes in various forms indicates that Hungarians are not working. The common mistake of these ideas is that they attribute primary significance to conscious factors.

In the last few decades, we expected a high level of socialist consciousness from economic leaders, often in contrast with their direct economic interests. The ideology and standards of economic leadership did not change to the desired extent with the reforms and regulators. The foundations have not been laid down from the viewpoint of managerial interest relationships for the principles defined in the reforms and economic programs. The economic environment makes managerial practice contrary to the announced principles possible, and in some cases practically mandatory. I will attempt to examine the interest relationships of economic leadership from eight viewpoints.

1. Higher Education=Leadership Training?

From the viewpoint of education, Hungary's population in 1980 was:[2]

| | |
|---|---|
| under 15 years of age | 2,325,000 |
| less than eighth grade | 3,839,000 |
| highest education is eighth grade | 1,746,000 |
| skilled workman certificate | 959,000 |
| secondary school graduate | 1,361,000 |
| higher education graduate | 485,000 |
| total: | 10,715,000 |

According to the data, nearly 9 million people or 82.8 percent of Hungary's population has elementary or lower education. Of those over 15 years of age, 78 percent have lower education. Of the 3,367,000 active wage earner physical workers 60 percent, or over 2 million have no skills.[3]

Let's examine now those only with higher education. According to the KSH /Central Statistical Office/ data, there were 485,000 of them in 1980. Of these, 319,500 persons are active wage earners. Are these nearly 320,000 persons too many or too few? It depends. If we compare them to the 4,852,000 active wage earners, then too few. In reality, however, from a certain viewpoint there is an overproduction of diplomas in Hungary. I will attempt to prove this in the following.

Expectation of assignment to leadership position

| | |
|---|---|
| Economics University | 70.7 percent |
| Humanities universities | 66.6 percent |
| Technical universities | 37.9 percent |
| Colleges | 44.4 percent |
| People holding two diplomas | 45.2 percent |

( a) Diploma and Leadership. The above comparison comapres the career expectations of new graduates.[4] The ratio of those who expect leadership positions varies greatly with the type of university.

According to a study prepared for the MSZMP KB /Central Committee/, 55 percent of the higher economic leaders, 67 percent of the technical middle management, and 72.7 percent of the economic middle management have no diplomas.[5] Of the 155,000 economic leaders, at best 50,000 have diplomas. (Detailed calculation in the Appendix/Bibliography.)[6] Thus, of the 320,000 active diploma holders only 50,000 or 15.6 percent are in leadership positions. If we compare this 15.6 percent with the 40 to 70 percent leadership career expectation, we can see that diploma and leadership today are not yet synonymous concepts.

(b) Diploma Inflation. In the present salary structure, diploma holders in nonleadership positions can catch up to their skilled worker contemporaries by about age 40 to 45. In both the absolute and relative sense, the young diploma holder is the cheapest manpower.

For many people, the concept of intelligentsia is synonymous with the elegant, white-collar boss who works little and earns much. This picture is completely false. There are several reasons why the intelligentsia can be underpaid and why only 15.6 percent of the diploma holders are in leadership jobs. Of these, I consider the following problems important:

A significant portion of today's diploma holders obtained their diplomas mainly in the 1950's with short study and little knowledge, as a result of a political campaign. People graduating prior to 1980 at the Evening University of Marxism-Leninism can consider themselves to have higher education and are included among the 485,000 diploma holders. Students were enrolled

in the mass courses with practically a symbolic entrance exam. Each year, one subject was taught in a small number of hours during the course of the 3-year basic curriculum. Of the new diploma holders, 40-42 percent graduate from evening or correspondence courses. It is undoubtedly an advantage if the student has direct practical experience. According to most teachers, the evening student is more industrious, more persistent, more interested, and has a greater sense of responsibility and love of the profession. In spite of all these, due to the much lower number of hours, the much shorter time and less energy, and to the lower efficiency of studying in the evenings, an evening diploma is not "exchangeable" with those of the daytime students. The correspondence students, who make up 25-26 percent of all new diplomas, do not approach the average knowledge even of the evening students.

The general problems of education let their effects be felt even more in higher education, and with this they hinder the very development of the currently most important leadership intelligentsia. The problems I consider most important and will list below, greatly limit that goal of higher education of training intelligentsia from the best suited who love and understand their profession, suitable to lead the economy and society.

1. The average level of university education is lower than needed. The type of truly great professors, to whose lectures people come from other graduating classes, departments, or even from other universities, is dying out. There are many uninterested, burned-out teachers. There are many university notes assembled without conscienciousness, neglectfully, with scissors.

2. The material taught in higher education is too diversified. Practically, there are hardly any optional subjects. Most of the information is worth forgetting the day after the test.

3. On the average, the financial situation, equipment supply, condition of buildings, and level of culture of the schools is poor, in some cases (Economics University) catastrophic.

4. The social practice of endeavoring to level out the outstanding talents, also prevails in higher education. Most people understand and accept only a small amount of different thinking. A large amount of different thinking is not understandable, unnerving, and even a little scary, and therefore to be persecuted.

5. In spite of all efforts, the system of testing even now rewards quantitative and itemized knowledge rather than creative application. The most successful student strategy is to accept uncritically and reproduce mechanically the material taught. Questioning, efforts at independent thought and attempts to find intellectual individuality are not expeditious. The most successful student tactic in tests is to recite as accurately as possible the stereotypes the textbook considers most important.

6. The present system of university and college admittance favors gray mediocrity. The new measures expanding the high school graduation and /college/ admittance subjects only reinforce the tendency of favoring mediocrity, so-called multitalentedness, in contrast with the outstanding, so-called one-sidedness. We do not admit the eagle because he cannot run; we do not admit the rabbit because he cannot fly; but we do admit the chicken which can fly a little and also run a little. After this, we want chickens to fly a kilometer high, and run like lightning.

7. The inequality of the starting situation in university and college admissions is a bone that has been chewed dry, but yet it cannot be left out of this list.

Thus it is not true that Hungary's 485,000 diploma holders are the most talented, most creative members of society, and some kind of intellectual and professional elite.

I speak of overproduction of diplomas, but I do not feel that 485,000 diploma holders are too many; this number is too low. Considering the relative number of students in higher education, we are not even in the middle of the field in Europe.[7] We have too many diploma holders of the present quality and structure. Shortage means that we have too many of what we do not need.

A significant portion of society's talented and creative members with excellent abilities have no diplomas. And many talented and creative diploma holders with excellent abilities are unable to let their abilities develop partly because of the leveling tendency and diploma inflation. The group of diploma holders is not the same as the group of the best suited people, and the professional knowledge of the diploma holders does not cover the necessary and useful volume of information, thus together with the decrease of the value of diplomas, the lack of diploma holders is increasing.

Diploma inflation levels out incomes and promotional opportunities. It makes it more difficult for really creative intellectuals to develop. It promotes the dominance of subjective factors in selecting leaders. It makes it possible to underpay intellectuals as a group. Thus it hinders our economic, social and political plans.

2. The Selection of Leaders

Issue No 2, 1974 of SZOCIOLOGIA contains the results of the study investigating the most important factors in pay raises and promotion. (The attached poll result contains separately the opinions of leaders and subordinates.)[8]

For leaders as well as for subordinates, the superior's opinion is in first place as the most important factor. Constructivity and creativity are among the last, in 11th and 12th places, respectively. The most expeditious strategy for getting promoted becomes outlined from the poll. Let us know our job well, let us work much and possibly at the same enterprise, let us be trustworthy and faithful, and, of course, we should also insure ourselves

from the political angle, but first of all, we should have a good relationship with our superiors. Initiative ability and creativity are rather a disadvantage. The fact that the superior's opinion is the most important viewpoint in selecting leaders is actually the legalization of counterselection. Except for the honorable exceptions, even the good leader will instinctively choose people worth lesser abilities than his own when he selects his own immediate coworkers, in order to preserve his leadership authority. The process of counterselection thus begun is accompanied by the gradual deterioration of leadership ability.

In certain people over a certain age, the receptivity for new things decreases, conservativism gains control, the main goal of which is "to preserve the results we have already achieved"; it is characterized by looking back proudly at the road traveled, and taking a hard stand in the interest of maintaining the status quo at all costs. Experience quickly becomes obsolete in a dynamic economy. The value of many years of experience decreases, and indeed the rigid attachment to old habits is very harmful. Of course, higher age does not necessarily mean conservativeness, but in my opinion it is a mistake to make experience and length of service one of the preconditions of selecting leaders.

The sociological poll analyzed next gathered information from workers of various cooperatives, small and large enterprises regarding advancement opportunities.[9]

The two most important conclusions that can be drawn from the numbers, are:
1. According to the general opinion of the workers (73 to 89 percent), the opportunities are limited for getting placed into a leadership position.

| | Cooperative | Small enterprise | Large enterprise |
|---|---|---|---|
| No, or little opportunity (in percent) | 34 | 40 | 46 |
| Mediocre opportunity | 39 | 45 | 43 |
| Much opportunity | 27 | 15 | 11 |

2. Advancement opportunity is significantly higher in the cooperatives than in the state enterprises, but at all three enterprise types a relatively limited group feels that the opportunity is open for being placed into a leadership position or for advancement.

The average age of subordinates is 34 years, and of the leaders, 47 years. This latter is rather high, but the main problem is rather that the scatter around the 47 years of age is small. By 1986, 20 percent of the enterprise leaders, or every fifth one of them, will retire.[10] The ratio of economic leaders under 40 years of age is only 10 percent. From this follows that 70 percent of the leaders are between 40 and 50 years of age. Most of the top enterprise leaders have been in their positions for 25-30 years, since their twenties. Thus, a generation logjam has developed at the lower leadership levels. Automatic solution of the leadership problems cannot be expected with the retirement of the older leaders. Replacement of the

top-level leadership is represented by the present middle-level leadership stratum of generation logjam and counterselection. The problem of leadership is not a generation problem or diploma problem, but a problem of interest relationships, training and selection.

3. Triple Requirement

(a) Professional Training. I have already earlier referred to the study made by the MSZMP Central Committee Social Science Institute requested by the MSZMP Central Committee's Canvassing and Propaganda Committee, about the class and strata structure of today's Hungarian society. I am quoting from this:[11] "...the members of this body are selected for the pinnacles of power...primarily not according to professional, but rather by political principles and criteria." And later: "Violating the principle of professional knowledge may cause functional problems." The low ratio of diploma-holding leaders also proves the violation of the principle of professional knowledge.

(b) Leadership Ability, and Human Factors. Leadership ability, suitability, and human factors cannot be proven by papers, in contrast with political and professional training. Even though there are now excellent test assignments and situation exercises, nevertheless their results do not count as official evaluation. Evaluation of leadership ability, born talent and human suitability depend on the immediate superior.

(c) Political Suitability. At first glance, we could say that this requirement is completely fulfilled. The leadership positions are assigned with the concurrence of the appropriate party organization, often on the party organization's recommendation. The parameters of selecting leaders, which can be measured precisely, are a politically active past, party membership, party functions, party assignments, other political work, and participation in some type of organized political training. But, in my opinion, these are not the only indicators of political suitability. To put it better, these are not the primary ones.

Complete political loyalty voiced in broad circles often covers up for practice contrary to national economic interests. Political demagogery is a frequent way of justifying an erroneous decision. The "politician"-type leader bases his decisions not on the logic of the job, not on professional viewpoints, but "measures with a political measure," and gives political color to his often capricious, voluntaristic ideas. He works not with a task-oriented, but rather with a person-oriented method. This means that instead of evaluating the suggestion, he evaluates the person making it. The "politician"-type leader always has broad connections.

If a leader does not meet the first two requirements, then he is also unsuitable to lead from the political viewpoint even if he meets the political criteria listed earlier. The content of political suitability has changed. The question of power has been decided. Forcing class aliens out of power is no longer on today's agenda. In the extensive stage of economic growth, the most important political task is high quality, creative and successful leadership activity handled on the basis of professional knowledge and leadership suitability. Errors committed even by the most loyal leader cause political damage.

## 4. Complex Leadership Evaluation

Measuring individual performances in leadership assignments is a very difficult thing to do. The superior makes his decisions on the basis of several viewpoints and guide principles, but in the final analysis completely subjectively; this is what we call complex leadership evaluation.

The leader's direct existential interest is to preserve his status or possibly to move into a higher position. If someone loses his leadership assignment, he is a fallen man, his standard of living and social rank plummet significantly, therefore the preservation of status is practically an interest of existence.

For the leader, the most important thing is the evaluation by the higher leadership level, or by the top authority. Even total failure of the given economic unit, or its losses do not mean replacement of the leader, if the higher level's opinion is favorable. The reverse is also true: even if the economic unit prospers it does not guarantee that the leader will keep his position if his contacts with the top authority are poor.

The most expeditious strategy for the leader is to secure the satisfaction of the higher levels. From this it follows that the direct goal of heading an enterprise is not achieving the optimum economic result but maintaining and increasing the level of the top authority's satisfaction. Undoubtedly there is a correlation between these two factors, that is, evaluation of the leaders of a prospering enterprise is generally favorable, but this correlation is not +1, that is, the relationship is not necessarily linear in all cases.

The top authority obviously prefers a leader who precisely follows his directions and guide principles. A leader with such an attitude also requires his subordinates to follow directives exactly. Thus, the following characterize the various levels of leadership:

Decisions are made only at the higher leadership levels. Middle managers expect the higher level's decision even in the most minor issues. And the highest level at the enterprise expects approval from the top authority for all of the more significant decisions. The main viewpoint of evaluation in making a decision is, what will be the opinion of the main authority.

Performance beyond fulfilling the plan cannot be expected from the leader, since he alone bears all the responsibility associated with it. This risk is completely senseless to him, he can only lose by it. Status cannot be jeopardized by precisely carrying out directives, by fulfilling the plan.

The fear of independent decisionmaking and its responsibility leads to a compulsion for constant documentation. The leader who is a mechanical executor of higher directives often does not see clearly the sense and consequences of his actions. But, on the basis of being on the safe side, he puts all the directives, requests and information he receives into storage. He requests that information received over the telephone or verbally, be verified in writing. No one has ever suffered any ill effects

from excessive writtenness, or from the avalanche of documents nobody ever reads. The need to document everything involves an overestimation of one's own work. The bureaucrat-type leader considers his work, his position very important. Thus the many documents are a manifestation of fear of responsibility and of the obsession of importance.

More and more management levels and management positions are created within the enterprise. The increase in the number of leadership positions is not in any kind of relationship with the needs created by economic activity, only the following two subjective factors affect it. One: the size of the leader's income, his social status, the personal weight and power he wields, are influenced primarily by the number of subordinates he has and only secondarily by the success of the economic operation. The leader's respect, power and even salary increase. The greater number of managerial levels, even if unnecessary, is not accompanied by any kind of demonstrable disadvantage from the enterprise leader's point of view. The other subjective factor which increases the number of leadership levels is satisfaction of promotional needs. A frequent tool of satisfying proven, faithful subordinates is to appoint them into nominal leadership positions.

Since the decisions are usually made two or three levels higher than necessary, the leadership levels in between are actually executing levels deprived of their decisionmaking functions; that is, links in the chain between the decision and the action. The main function of these leadership levels is simply to forward information from the top downward, and in the original sense of the word no leading of any kind is being done here.

The individual leadership positions are precisely defined. Status, authority, sub- and superordination, sanctions, salary, and bonuses are all completely fixed. The hierarchic system is built up with absolute precision and logic from within, and is completely understandable. The whole is perfect just the way it exists. The outside world, the market, production, the environment, are all but disturbing factors which endanger the harmonic order of this hierarchy.

The job of middle leaders is forwarding information, and this does not require professional knowledge. The authority ensures continuous forwarding of information from the top downward. The weight of a person's opinion is determined by the place he occupies in the organization and not by his professional knowledge. Professional knowledge as a decisionmaking factor would introduce decisionmaking elements into the system which are foreign and outsiders to the inner, self-governing laws of the hierarchis system, and this would undermine the structure based on authority and respect.

In the interest of preserving his position, the leader filters the information that moves upward. He holds back or applies cosmetics to any information he considers potentially dangerous. Thus, the higher the position a leader occupies, the more favorable the picture he sees.

5. Financial Interest

The leader's primary interest is to preserve his status, therefore the most important thing to him is the complex leadership evaluation. Financial interest follows immediately after this; let us see what kind of interest relationships this creates.

Do leaders earn much in Hungary? Whether we answer yes or no to this question, we open the gate to a flood of opposing justification. Both statements can be contradicted. Let's also look at a sociological poll on this topic.

The question of how much they would pay to workers in various assignments and with various performances, was answered by 715 workers of nine machine industry enterprises.[12] Due to the change in the forint's value, the percentage comparison says more than the specific sum. Therefore I have converted the original sums to percentages.

Earnings ratios workers in intellectual jobs consider fair, in terms of percentage of the average journeyman's pay:

| | in percent |
|---|---|
| Average journeyman | 100 |
| Journeyman with above-average performance | 140 |
| Middle level leader without initiative | 135 |
| Successful middle level leader | 227 |
| Development engineer without initiative | 180 |
| Successful development engineer | 272 |
| Director without initiative | 326 |
| Enterprise director who has achieved serious results | 500 |

These same data, based on the opinion of physical workers:

| | in percent |
|---|---|
| Average journeyman | 100 |
| Journeyman with above average performance | 126 |
| Middle level leader without initiative | 137 |
| Successful middle level leader | 162 |
| Development engineer without initiative | 167 |
| Successful development engineer | 231 |
| Director without initiative | 224 |
| Enterprise director who has achieved serious results | 291 |

Even the way the question is posed, reflects a poor approach. Nowadays, answers given to the question of "How much would you pay to a director, development engineer, or middle level leader who have no initiatives?" suggest performance differentiation which is in style today. But this does not represent a solution to the problem of poor leadership performance. The poor leader should not be paid less, but rather he should be prevented from filling a leadership position. In spite of this, the poll contains some

interesting information. Let us compare the sense of fairness of the workers with reality. According to the 1980 data of the KSH the leaders receive 170 to 230 percent of the average pay of subordinates.[13] There is a big difference compared to the 291-500 percent considered fair. Thus the successful and creative top level leader is underpaid according to society's sense of fairness.

The main viewpoint for differentiating among enterprises is the size of the enterprise. In Hungary, size of enterprise means number of employees. We say that this enterprise employs 20,000 people, and that one only 2,000. We consider the first one 10 times bigger, even though we know nothing yet about their profiles, production values, sales, or equipment inventories.

Leadership differentiation within the enterprises is also small. Its main viewpoints are the following: 1) place occupied in the hierarchy-pyramid; 2) age; 3) continuous length of service at the given place of work. These are the parameters that can be measured with the highest accuracy. It is a very rate case for significant differentiation to occur beyond these.

The income differences between leaders and workers are significant not primarily in the area of fixed monthly incomes. With respect to bonuses and awards, the differences of 2 or 3 times the average monthly pay may run up to 8 to 20 times that for an enterprise which fulfills the plan.

From the viewpoint of income, the lower leadership assignments pay the most. At the lower leadership levels the need to make decisions and accept responsibility are small. Merely because of his status, the bureaucrat-type leader who mechanically forwards information and executes, automatically enjoys a standard of living several times exceeding the average. The leader who accepts the decisionmaking, the risk, and the responsibility, can at best earn 20-50 percent more. Obviously, for this amount of extra money it is not worth it.

The excessive burden on leaders, and their endangered health are often mentioned reasons. Some people even go as far as calling heart attack a management disease. In Great Brittain, 35,000 workers of the British electrical industry were subjected to systematic monitoring tests for 3 years.[14] The average age of the workers was 35 years; one-third of them, or more than 10,000 people, were found to be in danger. This ratio for leaders of the same average age is 16 percent. Nearly 30 percent of the leaders, but only 20 percent of the workers, are in the "low risk" category.

| | Level of endangerment (percentage) | | |
|---|---|---|---|
| | low | medium | high |
| workers | 20 | 47 | 33 |
| leaders | 30 | 54 | 16 |

I know of no similar study in Hungary. Various circulatory problems amounted to 48.5 percent of the reasons for death in this country in 1980.[15] This means that the death of nearly every second person was caused by heart attack, stroke, high blood pressure, or other circulatory irregularity. Thus what is involved here is an illness of the masses, rather than endangerment of leaders.

After all this background, we can attempt to answer the question of whether leaders earn much in Hungary. If I look at the average income and average performance of all economic leaders, I will say very much. Looking at the income of truly creative leaders, then it is very little.

## 6. Economic Regulation[16]

In examining the interest relationships of economic leadership, we have arrived at one of the most important factors. Even if the selection of leaders, the triple requirement, complex leadership evaluation, and the financial interests function without a flaw, inadequate leadership practice may develop if the interest relationships created by economic regulation promote it.

Symptomatic treatment of problems taken by themselves is characteristic for our entire economic management. We are defending against manpower shortage by manpower management, against overheated investments with limiting investments, against the foreign-trade deficit by limiting imports, etc. I will examine here the practice and interest relationships of enterprise management only from two viewpoints, in the reflection of economic regulation.

(a) Planning Activity. The current practice of preparing plans is as follows: Conform to the expectations. The basis of plan preparation is not the actual possibility but the expectations of higher levels. Thus, the basis of information for preparing the plans is also primarily the intentions and ideas of the top authority.

Plan bargaining. The plan is a subject of bargaining. The plan's preparer prognosticates the expectations of the top levels, and correspondingly leaves a certain bargaining reserve in his plan proposal. Based on several decades of experience, the top authority expects this bargaining reserve and tries to hike the plan numbers by a few percentage points. The enterprise produces an artificial show of desperation, tries to prove the unreality of the expectation and, in exchange for modifying the plan, it asks for various types of assistance and favored treatment. Thus, the enterprise does not know its own possibilities.

Modern planning methods. There is an ever-increasing volume of literature on various plan preparation methods. The practice of plan preparation by the enterprises rarely uses these methods. Indeed, the individual workers in leadership assignments charged with plan preparation are not familiar with even the most fundamental optimizing calculation methods and have not even heard of the most modern supplementary techniques.

Plan variables. Theory considers decision preparation with several variables to be the best. But in reality the enterprises are not preparing several plan variations. It is not in their interest to prepare several variations. They consider the plan to be an unpleasant task to be sent in to the top authority, and thus they accept the first plan proposal that meets certain minimum conditions.

Basic principle, interest in an increase. An attitude aimed at the past rather than at the future prevails in planning and in the evaluation of plans. In planning, the goal is not optimum utilization of resources and maximizing results, but to achieve a certain percentage improvement over the previous time period, to improve the result.

Underplanning. During the first years of the 5-year plan period, the enterprise is interested in reserving ample capacities and performance reserves, thus a tendency of improvement can be ensured well in advance.

(b) The New Producer Price System of 1980. I will attempt to evaluate the new regulators here now only from the viewpoint of the interest relationships of the leaders. In my opinion, the new producer price system caused no changes from my topic's viewpoint. The interest relationships of economic leaders continue to differ from central goals and from declared principles.

Regulators and the market. The regulators did not create a real market. Merely a market simulation is involved. The regulators try to create a situation for the enterprises to feel as if they were operating on a really open market. Our current prices are not competitive prices but administrative or monopoly prices that simulate competitive prices. The enterprises are also merely simulating competitive production on the simulated markets. The situation can be characterized with the following.

Before a military exercise the general has a sign affixed to a bridge: "This bridge has been blown up!" it reads. During the exercise they are dumbfounded to see that a platoon of soldiers are happily walking across the bridge, paying no attention to the sign. But when they take a closer look at the solders with binoculars they see that one of them is carrying a large sign which reads: "We are swimming."

The system of reporting. The system of reporting and holding one accountable has been preserved. The effects of force are felt not from the market's direction but from the direction of the regulators. One must conform not to the market but to the regulators, to the central decisions. Sometimes, in a fortunate case, the two may coincide, but are not necessarily the same. Our domestic market continues to remain a sellers' market, and our economy continues to be an absorbing economy described by Janos Kornai.[17] Central reporting inherently presumes an economy of suction.

Economic clearsightedness. In the present pricing system the calculation of enterprises are completely separated from their expenditures. A favorable forint/dollar yield must at all costs be shown for products to be exported. Due to the need to cloud and manipulate things, even the enterprise itself no longer knows accurately its realistic costs.

Prices based on information. World market price is one of the key factors of the new producer price system. We say that due to our economic openness we must increasingly conform to the world market price ratios--but we add that the world market price must be cleansed of the business cycle's upswing effects resulting from the anarchy of the capitalist world's economy and from monopolistic manipulations. Thus the world market price for us is an

informative factor, we determine it on the basis of our information. There are at least four or five possible interpretations of the general concept of world market price. And the explanation possibilities in the various speciality areas are practically limitless. A practiced expert can take the top authority into the "deep woods" with ease. He would be acting against the interests of his own pocket if he did not do so.

Structure modification. Even the new producer price system does not create a sufficiently strong force to change the structure, modernize the product structure, or to raise the technological standards. The main path for increasing the enterprise's income is smooth growth year after year. Thorough reorganization and change of structure would necessarily cause a temporary decline of results, and this is immediately followed by a decline in spendable wages and derogatory evaluation. All this makes real and thorough changes too risky.

Monopolistic situation, market competition. In spite of all well-intentioned efforts to make enterprises compete, the monopoly situation of enterprises continues to remain. The monopoly situation of a socialist enterprise derives from decisions outside the economy, not from the market conditions. Therefore in this country it is not possible to eliminate a monopoly situation by merely causing competition on the market. The monopoly situation of the overwhelming majority of enterprises is firm and will remain so.

There are two main reasons for this:

1. The ratio of Hungarian enterprises employing over 1,000 persons is unjustifiably high (73 percent). Concentration is higher than this only in Rumania (80 percent) and in Czechoslovakia (90 percent). It is 17-41 percent in the most developed capitalist countries. These large enterprises can influence not only the market but also the authorities and the regulatory system in their own favor.

2. In Hungary, 70-75 percent of society's net income is spent on centralization. Most of the noncentralized portion of the net income can also be spent on centrally determined goals. Thus the effect of the merchandise and monetary conditions in the Hungarian economy is strongly limited. It is obvious that the effectiveness of regulations aimed in the direction of merchandise and monetary conditions can only be strongly limited, too.

Regulator modifications. The last decade's frequent regulator modifications represented a significant uncertainty factor in the domestic and foreign relationships of enterprises. All this favored managerial careful passivity. Leaders who have seen many regulators are right in saying that they see the secret of long managerial life in careful passivity. Reacting too quickly to the new regulations is not worth it. Well, the 1980 regulators already have a 1981 modification, too.

The listed contradictions of the regulatory system value too highly the leaders who have old experience, mechanical knowledge and old habits. Thus, the relationship between the regulatory system and the interest conditions of the leaders consists of reinforcing poorly interpreted practical know-how, experience and certain forms of leadership practices that are contrary to the national economic interest.

7. Leadership Styles.

The above-outlined interest relationships favor the four leadership styles listed below. In what follows, it is not my desire to characterize today's Hungarian leaders; what I am undertaking is merely to list the most important negative style characteristics deriving from the interest relationships, following the example of the demonstrative "sick horse" of veterinarians.

Execution-centered leadership style. Creativity and decisionmaking ability are suppressed. Considers execution of the higher level's directives his basic duty. Looks warily at the creativity of his subordinates and at initiatives coming from below. Lacks independence and tolerates no independence from his subordinates, either.

Pragmatism. His main goal is self-preservation, survival. Characterized by superficial, outwardly and smooth conformance to the new situation. Has no concepts. Changes his opinion, friends and allies to suit the situation.

Conservativism. In professional debates also, he refers to his past, his experience and his achievements. Derives his leadership activity not from opportunities but from results achieved in the past. Insists on his own "well-proven" methods. His main goal is to preserve the results achieved in the past.

Excessive centralism. Tries to concentrate all threads in one hand. Does not build an effective professional directing apparatus. Keeps the decisionmaking opportunities of middle level leaders at a low level, thus the indecisive cadres, unable to make decisions in the second line of leadership, represent no competition for him. He alone makes decisions on all important questions. He sees the reason for errors resulting from excessive centralization in insufficient centralization, and further strengthens centralization.

8. In Conclusion

The general level of satisfaction, sense of well-being, and mood of the leaders is worth examining. The study of Elemer Hankiss made in 1978 examined the system of values of a few strata of industrial workers.[18] Most of the subjective indices the industrial technical leadership stratum formed about itself is more positive than that of the other strata. Let us compare the average levels of satisfaction of leaders and of journeymen on a scale of five.

| | technical leaders | journeymen |
|---|---|---|
| financial level | 3.9 | 3.3 |
| mobility | 3.9 | 3.2 |
| career development | 4.4 | 3.6 |
| future | 3.8 | 3.0 |
| level of success | 4.1 | 3.3 |
| freedom from conflicts | 4.1 | 3.0 |
| freedom from injury | 3.9 | 2.5 |
| sense of security | 4.1 | 3.2 |

Thus, industrial technical leaders are much more satisfied, more optimistic, and their conflicts and injuries are much smaller. The average number of points given by leaders is lower in only two areas. One: the sense of fairness, sensitivity to unfairness (leaders: 2.3, journeymen: 2.8). The other: their need for personal integrity and autonomy (leaders: 2.2, journeymen: 3.1). The sense of fairness and need for independence of the leaders participating in the study is weaker than those of the workers. The above numbers are for industrial technical leaders, but my practical experience convinces me that they are also characteristic of other strata of leaders.

Someone might say that the analysis developed above is too pessimistic, and that reality is not quite so gloomy. We do have several excellent top-level enterprise leaders who creatively apply the new methods and who hold up well in any kind of international comparison. But their selection and their activity are not well founded from the interest viewpoint. They often act contrary to their own interests, their main guide being their conscience. They are those certain exceptions who prove the rule. The very fact that we can specifically identify them, that we can say that X, Y, and Z are creative leaders, and the very fact that they tower above the others as exceptions, is the very proof of how strong the rule (the contrast between economic goals and the interest relationships of the leaders) is.

Janos Kornai writes the following, analyzing the shortage, the stubborn phenomenon which follows the socialist economy: "...certain social conditions and given institutional circumstances give birth to certain forms of behavior, economic rules, and standards. These cannot be ruled out of effect by the state's decisions. It was not a governmental decision or national plan that decreed that there should be tension in investments, a chronic manpower shortage, a tendency which drives prices upward, and so on--and no government decision or national plan can eliminate these as long as those circumstances which constantly regenerate these phenomena continue to exist."[19]

The incantation-like desire that the economic leader should have greater conscience is not enough. Fulfillment of the economic, political and moral requirements placed on the leaders is prevented by the "certain social conditions and given institutional circumstances." Unfortunately, to "do honest work in the kolhoz" is not enough for "kolhoz members to become well-to-do."

## FOOTNOTES

1. I. V. Stalin: Questions on Leninism. Foreign Language Literary Publishers, Moscow, 1945, p 435.

2. Assemblage based on the STATISZTIKAI EVKONYV /Statistical Year Book/ 1980.

3. I calculated this on the basis of the STATISZTIKAI EVKONYV 1980.

4. Sociological study of the circumstances and efficiency of creative work. KGM MTTI /Ministry of Metallurgical and Machine Industries, Technological Scientific Information Institute/, 1971.

5. The May 1980 issue of TARSADALMI SZEMLE publishes excerpts from the study prepared under the coordination of the MSZMP Central Committee's Social Sciences Institute on the request of the MSZMP Central Committee's Canvassing and Propaganda Committee, entitled: "The Class and Strata Structure of Today's Hungarian Society."

6. According to the data in the KSH publication entitled ELETSZINVONAL /Standard of Living/ 1976-1980, the number of nonphysical workers in Hungary is 1,488,000. The ratio of leaders from this is: category A leader, 1.9%; category B leader, 2.8%; category C leader, 5.7%.

   From this and from the material of the MSZMP Central Committee's investigation in the previous point, I calculated the data for the following table:

| | | |
|---|---|---|
| Category A leaders | 28,300 persons, | of this 12,700 top level; |
| Category B leaders | 41,700 persons, | of this 13,800 top level; |
| Category C leaders | 84,800 persons, | of this 23,100 top level; |
| Total leaders | 154,800 persons, | of this 49,600 top level. |

7. The ELETSZINVONAL 1976-1980 provides a comparison for Europe on what percentage of the 20-24 age group is studying in institutions of higher learning.

| | | percentage | | | percentage |
|---|---|---|---|---|---|
| 1. | Denmark | 30 | 11. | Austria | 21 |
| 2. | Sweden | 30 | 12. | Bulgaria | 21 |
| 3. | Netherlands | 29 | 13. | Yugoslavia | 21 |
| 4. | GDR | 29 | 14. | Soviet Union | 21 |
| 5. | Italy | 28 | 15. | Finland | 20 |
| 6. | FRG | 25 | 16. | Great Britain | 19 |
| 7. | France | 24 | 17. | Greece | 18 |
| 8. | Norway | 24 | 18. | Poland | 18 |
| 9. | Belgium | 23 | 19. | Czechoslovakia | 15 |
| 10. | Spain | 22 | 20. | Portugal | 14 |
| | | | 21. | Hungary | 12 |

8. SZOCIOLOGIA No 2, 1974 pp 169-191. The factors of pay raise and promotion are:

In the opinion of leaders:
1. The superior's opinion
2. Good knowledge of the profession
3. Reliability
4. Quality of work
5. Quantity of work
6. Faithfulness
7. Initiative
8. Political recommendation
9. The way of treating people
10. Time in service at the enterprise
11. Creativity
12. Friendship connections
13. Belonging to an influential group
14. Elbowing

In the opinion of subordinates:
1. The superior's opinion
2. Good knowledge of the profession
3. Quantity of work
4. Time in service at the enterprise
5. Reliability
6. Political recommendation
7. Faithfulness
8. Quality of work
9. Friendship connections
10. Initiative
11. The way of treating people
12. Creativity
13. Belonging to an influential group
14. Elbowing

9. Sociological problems of Leadership at the Place of Work. Kossuth /Publishers/, 1977 p 85.

10. HETI VILAGGAZDASAG 4 Apr 1981.

11. The Class and Strata Structure of Today's Hungarian Society. TARSADALMI SZEMLE, May 1980.

12. Sociological study of the circumstances and efficiency of creative work. KGM MTTI, 1971. / see 4. above/.

13. ELETSZINVONAL 1976-1980, KSH.

| | | percentage |
|---|---|---|
| Average earnings: | leader A 8,832 Ft., | 229.3 |
| | leader B 7,965 Ft., | 206.8 |
| | leader C 6,482 Ft., | 168.3 |

Average income of subordinates = 100 percent

14. "Healthier Than They Think," FINANCIAL TIMES 9 Jun 1980.

15. STATISZTIKAI EVKONYV 1980. KSH

16. To write the entire point 6, I used the GAZDASAGI SZABALYOZOK /Economic Regulators/ 1980., KJK /Publishers of Economic and Legal Literature/, Budapest, 1980.

17. Janos Kornai: "The Shortage." KJK, 1980.

18. Elemer Hankiss: "Experiment in the Sociology of Value." Office of Popular Educational Propaganda, 1978.

1 9. Janos Kornai: "The Shortage." KJK, 1980 p 583.

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ROBERT HOCH'S POSITION ON REFORM'S FUTURE

Budapest HETI VILAGGAZDASAG in Hungarian 9 Oct 82 pp 26-27

[Article by Robert Hoch, member of the MSZMP Central Committee's Economic Work-in Group, in the "Debate on the Economy" column: "Protection of Our Achievements or Further Development?"]

[Text] I basically agree with the concept that Marton Tardos expounded in his article "What Should We Do to Protect Our Achievements?" in last weeek's issue of HETI VILAGGAZDASAG. In other words, I too profess: that comprehensive changes are necessary in our system of economic management and economic activity; that a key element of these changes must be the conceptual further development of our system of enterprise management; that we must proceed along the path that the Central Committee blazed in its 1966 resolution; that one of the main causes of our present problems is that we have come to a standstill along this path and in many respects have even turned back; and that without definite further progress we would be unable to protect even our achievements to date.

Although Tardos, with an author's obligatory sense of responsibility, emphasizes that he is presenting his personal views, we may nevertheless risk the conclusion that the overwhelming majority of economists, at least the ones who present their views in more or less systematized form, are essentially in agreement with the above line of reasoning. However, there is debate on very important partial questions and on emphasis. I myself do not wish to dispute Tardos, merely to round out some of his ideas. But these are specifically the interrelations about which we cannot contend by any means that there is complete consensus on them among economists.

I will begin by saying that even the continuation of the 1968 reform is not something self-evident, although we do claim that it is necessary. It is obvious that we cannot continue where we left off, say, in 1972. Conditions have changed since the reform's elaboration, particularly the conditions of the world economy and of world politics. The saying that one cannot step twice into the very same stream applies also here. Specifically the unfavorable changes in the world can serve, and are serving, as the basis of arguments that we must recentralize under the changed conditions, as well as of arguments that the 1968 concept satisfied the requirement of gradual structural change but is unsuitable to serve as the basis of a mechanism that ensures rapid structural changes. Space limitations do not permit me to refute these arguments. But

the fact remains that steps toward a command-directed economy have not improved our economic situation. It is of course indisputable that the changed conditions and circumstances must be taken extensively into consideration in the course of the economic reform's further development.

Another reason why we must not continue the economic reform in its original form is that a number of theoretical questions closely related to the economic reform's concept were not clarified then and have not been clarified since: we either did not even raise these questions or we have answered them incorrectly. This lack of clarification is the source of exceptionally serious confusion and discredits the reform itself. We will mention only a few of these theoretical questions.

We did not think through--and there were of course reasons for not doing so--what system of institutions was required for the changed methods of economic management and economic activity. Yet an unchanged system of institutions could in itself make the reformed economic mechanism ineffective. A system of institutions for our economy is now a research topic of special importance.

A key to this topic is the definition of an enterprise, especially of a state enterprise. First of all I would like to emphasize the extreme importance of a problem that Marton Tardos mentions only briefly in his article: the manner of managing state-owned property and of exercising the state's rights as owner, the possible separation of the functions of ownership from the functions of state administration (from the functions of state power and of managing the economy, I might add). Very probably this will be the decisive link in the further development of enterprise management. In view of this, I find it very disturbing that we have barely reached the point of raising this question.

A subquestion of defining the enterprise is the definition of profit. This is again a question we have not answered so far. What exists today is a hybrid of gross incentive (total personal earnings of an enterprise's collective plus development fund) and net profit (profit-sharing fund plus development fund). This is not necessarily bad and can even be a virtue. But let us not pretend that incentive is one or the other, and especially not that both are incentives, as if simultaneously. The lack of clarification is again a source of confusion, especially in view of the fact that the profit incentive is regarded, almost axiomatically, as the main criterion of an enterprise's operation. Tardos, correctly, speaks of a long-term profit incentive. To this day we are employing an annual profit incentive and, moreover, it is combined with the base-period approach. It should have been clear at the very beginning that an annual profit incentive would encourage wasteful management of resources, for short-term results. But what is long-term profit? The sum of the profits over a period of several years? Hardly that. We would not be making much progress if we were to replace the annual profit incentive with, say, the total profit over a period of five years (or with the annual average profit).

Long-term profit cannot be expressed exclusively, or even primarily, in market categories. With some simplification, long-term profit is essentially successful enterprise strategy. This should be the basis of the enterprise's incentive, and especially of the incentive of its managers. Managers must be held responsible for their enterprise strategy, and it must be made the criterion for rating managers.

Furthermore, the objective of establishing the optimal division of labor between economic policy and economic planning on the one hand, and a controlled market on the other, was perhaps the cornerstone of the 1968 economic reform. We cannot claim to have clarified the problems involved. (And we are even less able to claim that we have approximated this optimum.) When we say, with reason, that the enterprise sphere, its independence, "nature," incentives, etc. must be changed significantly, then we are also saying that we wish to change significantly the state's economy-organizing and managing role. But this answer cannot consist of "let the state withdraw from the economy" or "let the state show self-restraint." The question that we actually must answer in practice within a short time is this: with what should the state concern itself in the economy, and in what it should not be involved.

This practical answer must be very specific, not only in telling the central agencies to cease their detailed day-to-day management of the economy, but also in ensuring that, for example, on the basis of long-range planning there will be a realistic economic strategy to ensure society's progress, together with a system of suitable objectives and instruments, including a long-range concept of the economic mechanism's development. We wish to make economic management and the planned economy more effective. A necessary but not a sufficient condition for this is that the state concern itself with fewer things. And it is even more important that the state concern itself with things that in many respects are other than what the state has been concerned with up to now, and that it devote more attention to things that it has been neglecting up to now.

We seem to have forgotten the very important basic principle of the 1968 economic reform that decisions must be made at the level that offers the best overview of the given problem. It is noteworthy that long-range economic planning started and flourished in the offensive phase of the economic mechanism's reform, but it too slumped during the preceding defensive phase. It is encouraging that long-range planning has again become "fashionable" in recent years, simultaneously with the realization that economic reform must continue.

Speaking more generally, it would be naive to assume that we could achieve significant results solely by perfecting the market mechanism, no matter how radically. Or that the market mechanism could be perfected at all, without meaningful progress in economic policy and national economic planning. Economic policy, planning, the economic mechanism, regulation, and the system of institutions constitute an integral whole, and none of its elements can be developed significantly without developing the others as well. During the years after 1968, economic policy and the economic mechanism changed in the same direction in many respects, although in principle they were not coordinated. Tardos justifiably points out the important role that the economic reform has played in the rapid rise of the population's living standard. But at that time we were implementing a very purposeful policy on the living standard. Without this policy, the economic mechanism's reform would not have achieved these results in raising the living standard and in altering its structure. And conversely, of course, the economic reform was one of the basic conditions and instruments for the realization of the policy on the standard of living. And to the extent that economic policy remained essentially unchanged (for example, the cyclical nature of investment policy), it was an obstacle to the unfolding of the economic mechanism's reform.

These interrelations of economic policy and of the economic mechanism are valid also today. Should economic policy fail to determine within a relatively short

time and on the basis of long-range planning, for example, the priorities for the development of extractive industry, manufacturing, agriculture and the infrastructure, the available limited resources could be tied down in extractive industry, in which case--due to the absence of resources--no economic mechanism could function effectively in manufacturing and agriculture. Moreover, the infrastructure likewise could not be developed, although its development is one of the basic conditions for intensive economic development. And yet the economic mechanism's reform was intended from the very beginning to enhance intensive economic development. And if extractive industry's top priority were the basis of our economic strategy, we would need a substantially different economic mechanism than the one the 1968 reform aimed for.

Since the mentioned five elements are different aspects of the system of economic management, they really are inseparable. For example, the economic mechanism and the system of regulation, which specifies the former, depend to a large extent on the concept of external economic policy. If we advocate export-oriented production (Tardos, too, advocates that the economy concentrate on export, respectively on import substitution), if we foster the illusion that our industry can be made capable within a relatively short time (or at all) to launch an export offensive along its entire front on the nonruble-denominated markets, then this has serious implications for our concept of the economic mechanism.

If the essence of our concept of the economic mechanism is not orientation on the market and sales--in other words, if we do not create conditions that make it essential for the economic units to obtain the customer's money, regardless of whether he is paying in forints or in dollars or rubles, and the system of regulation "merely" steers toward the nonruble-denominated markets, by providing more incentive-- then we will be trying to create some sort of distorted dual economic system. But such efforts are doomed to fail from the very outset, and it is of course impossible to achieve even correctly interpreted export-orientation.

And last but not least, in the title of his article as well as in its text Marton Tardos speaks of what we must do to protect our achievements. It is entirely justifiable to raise this question for the short term. Because--and I repeat my concurrence--within a short period of time we must introduce substantial changes if we do not want to fall from the level we have already attained. Tardos, however, outlines a long-term program that must be started without delay.

It is likewise indisputable that changes cannot produce spectacular results within a short time, and they might even require sacrifices. But we may recommend only a strategy that will ensure, or at least holds promise of ensuring, our further progress, a further rise of the living standard, if not immediately then at least in the foreseeable future. The necessary changes, some aspects of which Tardos outlines (and which I have attempted to round out), make it probable, but only probable, that we not only can preserve what we have already achieved--this cannot be regarded a sufficient long-term objective--but can also continue our development, which has been arrested.

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STATE FARMS TO BE PERMITTED WIDER RANGE OF ACTIVITY

Budapest FIGYELO in Hungarian 25 Nov 82 p 11

[Article by staff reporter Peter Bonyhadi in the "State Farms" column: "New Role With Old Actors"]

[Text] The improvement of effectiveness does not depend on the large-scale farms alone. The prices and availability of industrial materials, machinery and equipment also influence international competitiveness. But the managers of large-scale farms also want to know how to interpret international competitiveness and what yardstick to use for measuring it.

Peculiar Situation

Production on state farms differs from the national proportions. These farms keep much more livestock than the national livestock density, and also the proportion of their large-scale vineyards and orchards is higher than the national average or the average for the cooperative farms. But the proportion of crop production on state farms is lower even if we add to it their other principal activity, also known as ancillary farming activity, which includes a part of crop production. (If we take the structure of farm production in a narrower sense, we find that the state farms show a certain similarity with the production structure of the small-scale farms, rather than of the cooperative farms.)

Today one-half of the state farms are specializing in livestock production. The livestock population per state farm is so large and ties down so much capital that it is hardly possible to alter the livestock population and hence to significantly change the production structure. And the processing industry developed on the basis of the large-scale plantations is such that the proportion of these plantations must be maintained.

Since the state farms are unable to significantly alter the structure of their farm production, they have been expanding instead the range of their activity. In 1970 the proportion of ancillary industrial activity within the state farms' total activity was only 18 percent, as compared with 24 percent on cooperative farms. But ten years later this proportion rose to 28 percent, the same as in the cooperative sector. During the same period the proportion of other principal activity, which includes a part of crop production, rose from 2 to 15 percent, while in the agricultural cooperatives it dropped from 3 to 6.3 percent [sic].

Another difference lies in that the food industry accounts for a decisive (more than 50-percent) share of the state farms' activity other than their principal activity--there is no better expression for it--and also the rest of this other activity is mostly related in some way to farm production (the manufacturing of barn equipment, farm machinery, parts, etc.).

The well-known economic objective in conjunction with the production structure is that agriculture should produce everything that can be produced domestically. And it should do so while keeping its production profitable, effective and economical.

Not All Farm Work Can Be Mechanized

Due to the present level of mechanization and technology, to the characteristics of some plant varieties, and to the absence of suitable implements and to the manpower shortage, not all crops can be grown on large-scale farms, or at least not economically. Nor is it possible to devise a system of regulation that could ensure commensurate profitability in every branch of farm production under all kinds of weather and at the differences in capital- and labor-intensity. Thus there is a significant contradiction between the requirement to grow everything, and the requirement to do so effectively and economically.

To resolve this contradiction, a number of new possibilities and methods have been introduced in statutory provisions whose purpose is to make the entrepeneurial and maneuvering opportunities of the large-scale farms more flexible. For example: large-scale farms are able to employ their own workers also in second jobs on a part time basis; there are wider possibilities for sharecropping; as household plots the state farms are now able to allot to their workers also vineyards and orchards, not only plowland; the state farms are now able to directly establish specialized cooperative groups, small companies and subsidiaries, etc. The new possibilities can resolve, partially or completely, the problems of many branches of farming where the manpower requirement is above average and where human labor and skills cannot be replaced with machinery.

Through the more efficient organization of these relations and possibilities, the large-scale farms will be able to reduce their demand for casual labor during harvesting, and also to broaden their otherwise limited investment opportunities. But most important of all, through the special cooperative groups it will be possible to include in large-scale production also the capital of small-scale farmers.

By taking advantage of these possibilities, the large-scale farms will be able to solve by other than large-scale methods and means, partially or entirely, those branches of their production that are not sufficiently profitable. Thereby also the set of instruments within the system of regulation will become wider, alleviating the contradiction between the evolved production structure and the requirements of effectiveness.

Large-Scale Farms Have More Say

International competitiveness also demands that the large-scale farms be more involved in foreign-trade activity and that they be exposed more directly to the effects of foreign markets. For the time being, admittedly, organizational

solutions under which the right to make decisions is exercised not by the director of the foreign-trade enterprise, but by a board on which the large-scale farms are represented, have been adopted only for farm products of smaller volume (seeds, wine, nonalcoholic beverages, fish, cane, slaughter sheep, and winter apples).

Already about 30 state farms are now watching closely the foreign-exchange rates. It is not indifferent to them whether the foreign-trade bureau concludes a contract in dollars or deutschmarks, whether it takes out insurance against exchange-rate fluctuations, and whether 16 or 17 metric tons can be loaded on a truck, since the trucking costs must be borne by the seller. Once they have gained the necessary knowledge and experience, these associations could eventually gain also the right to engage directly in foreign trade.

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## MODIFIED AGRICULTURAL REGULATORS REVEAL MOUNTING COSTS

Budapest NEPSZABADSAG in Hungarian 1 Dec 82 p 10

[Article by Miklos Villanyi, state secretary of the Ministry of Agriculture and Food: "Modification of the Regulators in Agriculture"]

[Text] Fulfillment of agriculture's 1983 tasks--to maintain and improve the level of domestic food supply and to further expand export--requires also modernization of production's system of economic conditions. The results last year and this year show that the regulators to date have suitably stimulated the development of production; therefore a radical change of the regulators is not warranted, but minor modifications in them are nevertheless timely.

The most immediate causes that warrant modifications are as follows: improvement of the effect that agriculture and the food industry have on external economic equilibrium; a further rise in the prices of industrial capital goods and materials; adjustments in the cost-to-income ratios of certain branches and products; and incorporation of several state subsidies into the prices.

### Changes in the Prices of Capital Goods

The domestic producer or import prices of most materials, equipment and sources of energy used in agriculture are rising continuously. At the same time, the amounts of state aid for their procurement are declining.

Thus farmers next year will be paying 18 percent more on average for plant protectants and herbicides, and about 6 percent more for mixed feeds. Important from the viewpoint of restoring soil fertility is the fact that the prices of manufactured fertilizers will not change in 1983.

The prices of farm machinery will increase on average by 18 to 20 percent, primarily as a result of phasing out the state aid provided for such purchases up to now, and due to a lesser extent to rising producer and import prices. Within this average, the prices of certain types of farm machinery will increase by 10 to 70 percent. The rate of increase will be relatively smaller for tractors and transportation equipment, but above average for special machinery used only in a branch of farm production.

Because of the differentiated income situation of the large-scale farms, such large price increases from one year to the next cannot be absorbed without jeopardizing the production objectives. Therefore we are enabling the large-scale

farms, and also the wineries and canneries to which the agricultural regulators apply, to cover in 1983 from their reserve funds the equivalent of the present state aid for the procurement of machinery. The large-scale farms that are operating under unfavorable natural conditions and lack sufficient developmental resources of their own will receive state development aid for the procurement of essential machinery.

The rising prices of capital goods and sources of energy, the higher charges for individual services and the curtailment of state aid have necessitated also small increases in the government procurement prices of farm products. Some of the price changes will be introduced in the form of central measures, while the others will be determined by mutual agreements between the sellers and buyers, in accordance with the production results and the market conditions.

Thus we expect the 1983 level of the prices applicable to government bulk purchasing to rise by an average of 3.7 percent, which will amount to 5.7 billion forints. The price rises will differ by farm products. Thus the bulk-purchase price of durum wheat will increase by 60 forints per metric ton, and the prices of other cereals will increase commensurately. The price of corn will be higher by 150 forints per ton; that of sugar beets, by 16 forints.

The price increases in the case of corn, rice, tobacco, peas, wool and cow's milk will be higher than their cost increases, hence their profitability will improve. The price increases for cereals, fiber crops, slaughter cattle and slaughter hogs, fruits and vegetables will compensate for the ripple effect of higher costs. The profitability of potatoes, wine grapes, slaughter poultry and slaughter sheep will decline slightly. The bulk-purchases prices of oil seeds and spice peppers will not rise.

In the interest of expanding export, the premium for growing more wheat will be retained also in 1983. In view of the low world-market price of sugar, however, retention of the premium for growing more sugar beets is not warranted any longer.

In the system of state aid there will be only minor changes, in addition to the ones already mentioned. To offset the rising costs in recent years, state aid for planting vineyards and certain types of orchards will increase. But at the same time, state aid for planting apple and morello-cherry orchards will decline.

Most of the additional costs not offset by the higher bulk-purchase prices will be recovered through basic-price subsidies in the case of farms operating under unfavorable natural conditions, and through higher special price subsidies on sales of cereals and slaughter cattle.

We will continue to provide incentives for the development of farming on household plots and subsidiary farms. The higher prices for capital goods and the higher basic bulk-purchase prices apply also to small farms. But the essential difference is that here we will retain without change the present government aid and benefits, including aid for purchasing small machinery.

Because of the higher bulk-purchase prices and other significant cost increases, the producer prices of the food industry will likewise increase, within the

circle of products and to the extent that are warranted. In accord with our policy on the standard of living, in the case of food-industry products with officially fixed or ceiling prices the higher producer prices will not affect the retail prices; instead, they will reduce the amount of turnover tax on these products or increase the amount of price subsidy on them.

Income Regulation, Taxes

A significant change had to be implemented in the system of income regulation. Although the present statutory provisions regulated adequately the outflow of purchasing power, on some farms they hampered remuneration for additional performance. With due consideration for the differences in the individual farms' levels of development and in their production structures, therefore, it has been decided to allow different forms of income regulation in agriculture in the future.

One form of income regulation, also employed at present, is the system of wage regulation. The change in this system will be that the possibility of increasing the wage level without a tax penalty will be reduced slightly. To encourage more efficient manpower utilization, 30 percent of the wages saved through reductions of personnel may be used for wage increases, without a tax penalty. The tax impact on wage increases will rise, and the circle of benefits will be narrowed.

As the second form of income regulation, regulation based on the level of gross income per worker will be introduced. Here the rate of annual wage increase that can be granted without a tax penalty ranges from 0.5 to 4 percent, depending on the amount of gross income per worker. The benefit of using the wages saved through personnel reductions for increasing wages without a tax penalty may be claimed also here.

The farms are free to choose either one of the above systems of income regulation. In addition, two more variants of income regulation may be employed by specified types of farms, on the basis of public competition. The first of these variants is actually wage fund regulation, where the condition for a wage increase without a tax penalty is the maintenance of the proportions of consumption and accumulation. A rise in the proportion of consumption over the average for the past three years is subject to progressive taxation.

Under the other variant, the farm pays a tax from its profit on the basis of the individual earnings of its workers.

The common feature of the experimental forms of income regulation is that they eliminate the side effects of the regulation of average wages and provide wider possibilities for incentives geared more closely to performance. From their introduction we hope to gain further experience for perfecting our system of income regulation.

Besides the changes mentioned above, there will be only minor modifications in our system of taxation. To counter the manpower-diverting effect of the rapidly expanding industrial, construction- and service-industry activities of large farms in and around Budapest, their tax rebates on individual activites will be reduced to one-half.

The state farms too will pay into the state budget--the cooperatives, into their reserve account--7 percent of the combined total of their development fund formed from their 1982 profit, and of their 1983 depreciation. Farms classified as farming under unfavorable natural conditions will be exempt from this measure; and farms receiving aid for other reasons will transfer only 4 percent.

As of the beginning of next year, the rates of depreciation for buildings and structures will be reduced by 30 percent. Simultaneously, however, also the large-scale farms will change over to calculating the depreciation of their buildings and structures on the basis of the value not reduced by the amount of state aid, except in the case of buildings for fattening hogs and sheltering dairy cows.

The circle of investments exempt from construction tax will be narrowed. In the interest of encouraging investment necessary for the expansion of export, however, the construction of buildings to shelter cattle, hogs and sheep, and of storage facilities, will remain tax-exempt.

Several new measures will aid in the future the regrouping of development funds between farms, and the investment of such funds in a manner that offers a higher return. For example, the conditions for the temporary or permanent transfer of development funds will become more flexible and more advantageous for both parties, and it will be possible to issue and purchase bonds to aid the realization of investments.

For specified purposes, developmental resources may be supplemented with resources also from the farms' existing reserve fund. In addition to the already mentioned procurement of machinery, the reserve fund may be used also for building temporary storage facilities to store apples, to create jobs for the physically handicapped, and on farms operating under unfavorable natural conditions also to replenish the working capital in conjunction with increasing the cattle and sheep herds.

Other Measures

Similarly as in the other branches of the economy, also in agriculture the social security contribution payable by agricultural enterprises and cooperatives will increase by 3 percent.

There will be basically no change in the system of agricultural credit. Investments with a short payoff period that help to expand export will continue to enjoy preferences. In addition, investments for energy conservation and the utilization of wastes will likewise receive preferential treatment. As of 1983, mandatory formation of a technical development fund will be abolished also in agriculture. In the future the farms will be free to decide whether they wish to form a technical development fund, the allotments to which may be charged to other expenses. However, the large-scale farms will have to pay a technical development contribution on their industrial and construction activity, and in pricing this contribution may be regarded as a cost factor.

Our objective is to let the prices and financial regulators exert more pressure on the large-scale farms, compelling them to adjust to the new conditions, to manage costs prudently, and to improve the quality and competitiveness of their products.

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## TARDOS OPENS DEBATE ON REFORM'S FUTURE

Budapest HETI VILAGGAZDASAG in Hungarian No 20, 2 Oct 82 pp 26-28

[Article by Marton Tardos, economist: "What Should We Do To Defend Our Results?"]

> [Text] Is the slowdown in Hungary's economic development sufficient cause for us to renounce the further development of economic management? Can we rest satisfied with the treatment of symptoms, and shall we not once again lose valuable time by pointing to the severe situation of the world economy and the untimely nature of a reform's reform? These are the questions, among others, raised by economist Marton Tardos, whose article we present below. We intend this to be the opening of a debate, and we await comments and views, which we will publish--observing the unwritten rules of democratic debate--even if we do not unconditionally agree with what is said.

The broad subclasses of our society can sense from the press, radio, and television that our political and economic leaders are concerned and are urging the country to exert more intensive efforts under "the conversion to a new growth track" proclaimed by the MSZMP Central Committee in December 1978. I am of the opinion that public opinion does not clearly understand the references to the altered situation by our economic leader. It is not always clear to the population, or even to those who know the economic situation,

--how we have come into danger,
--what we need to fear, and
--what we can do to avert the danger.

It is well known that the 1968 reform in the economic mechanism resulted in a rise in living standards and an improvement in supplies and thereby evoked the satisfaction of the population. But at the end of 1972 the development, which had lasted for several years, was interrupted. Emphasis again was placed on strengthening ministry guidance, and economic regulation was adjusted to the conditions of certain enterprises. Enterprises were again amalgamated. Attempts were made to cut back the activity of small agricultural, industrial and private operations.

Following the recentralization of economic guidance, foreign economic conditions began to deteriorate rapidly at the end of 1973. This situation would have called particularly for enterprise adaptability and a purposeful, central economic policy capable of adjusting to the new conditions. But at this point--according to academician Jozsef Bognar--a standstill in activity occurred: investments continued to increase and the stock of unfinished investments rose to record levels, while the increase in consumption was moderated.

The directions that developed between 1973 and 1978 resulted in some change by 1979. Accumulation declined between 1979 and 1981. Real wages were reduced by 2.8 percent between 1979 and 1980; after a temporary rise they will return to the 1980 level. But most of the population are aware of difficulties in the Hungarian economy only through price increases and are only now becoming aware that living standards and the quality of commodity supply are in danger.

Because of pressure to take the obvious steps in management, the slogans of enterprise independence and making financial regulation uniformly effective for all enterprises have again come to the forefront. The price system has been investigated and a competitive price system announced. The transformation of subbranch management has begun, and the Ministry of Industry has been established. Several large enterprises and trusts have been dissolved.

However, the new principles of regulation and even the decline in internal demand have not put an end to the long-existing practices of enterprise management. An enterprise leadership strongly dependent on central organs is trying for the most part to create appropriate conditions for negotiating with the managing organs. It is doing this in part to adjust to central expectations. Thus it will not be constrained to seek the conditions of survival in its own resources and to undertake market risks with its production-marketing activity. Pointing to the difficult situation, the central organs are managing by means of detailed and informal intervention while proclaiming the principle of enterprise independence.

A late and insufficient adjustment to external conditions did not contribute to the stabilization of the successful achievements of the Hungarian economy. The keen rivalry, which grew out of the prolongation of the depression in the capitalist world, the problems with CEMA deliveries, and the general narrowing of credits by the capitalist countries--including their discriminatory credit policy toward socialist countries, a policy that has also been strengthened because of unfavorable experiences with the payment reliability of several socialist countries--presented Hungary with a difficult situation by 1981. We are not only speaking here of the fact that it was possible to restrain somewhat the deterioration of the external equilibrium by holding back imports and by not increasing exports or that dollar marketing was not increased in trade with the developed capitalist countries. We are also speaking of the fact that everything we have done thus far against the deteriorating economic conditions has proved too little for a true solution to the tensions.

In the present situation, efforts at maintaining living standards have been endangered. Not only has the danger of a decline in living standards become a reality but market shortages have reappeared. Therefore, our achievements can be protected only if we succeed in making an important turn in our management.

A frank disclosure of the danger is, I believe, an important point of departure. Without this we cannot create the prerequisites for national unity, which can lead to success even in a difficult situation and after delays. The stake for which we must struggle is the protection of living standards and the assurance that every citizen can decide how he will use the income gained through honorable work and that he will not be exposed to the exigencies of shortages. The stake is big: it is necessary and worthwhile to make sacrifices to protect the results that have been achieved.

It is possible to get the support of broad subclasses of society on behalf of reform because society is aware of the achievements and because foreign experiences warn against the disintegration of the normal process of economic life.

The problems over the country's ability to pay raises the possibility that following a reduction in investments we shall try to solve the problems by restraining living standards and strengthening enterprise administration. It appears clear, however, that we cannot choose this path because it would mean a retreat toward lower living standards and create acute shortages, which not only evoke social and political problems but would also fail to represent a long-term solution. Social unrest would not represent the best appropriate conditions for starting on a new path of growth.

From the viewpoint of our society as a whole, an acceptable solution would be promised only if we continue on the path of the New Economic Mechanism. But this is not simple to do for three reasons:

--The attraction of the New Economic Mechanism has substantially declined because of the many feelings of mistrust;

--Given the present external stress, economic reform proposals cannot be realized without unfavorable side effects;

--The preparation of measures necessary for establishing the foundations of reform and the development of the positive effects that might be expected from them would require a considerable amount of time, and we need rapid results.

It is essential to adjust economic management to already approved goals and slogans in order to change management conditions. With purposeful steps we must break out of the devil's circle in which the enterprises do not react to market phenomena. We can point out with some justification that the expectations of the central organs do not make market-oriented behavior possible. For the sake of change it is necessary to rely on those who are ready for market management, on more independent leadership of enterprise units, and on expansive export growth and import substitute activity so that their revenues will rise as a function of their achievements.

The difficulty in the next phase of economic reform is that it will be necessary to implement income differentiation in the given situation. Over the short run the general standard of living cannot be raised, but we must still give material incentives to those who are cooperating successfully in solving

the bottleneck of management, namely, the tension in the capitalist balance of payment. This means--and this must be openly avowed--that in the interest of a long-term growth in living standards, the living conditions of certain subclasses will deteriorate at least temporarily. It cannot be set as a goal that everyone's living standards should be stabilized. We cannot strive even to minimize differentiation because only by avoiding this effort can we honor those from whom we may expect a solution to the serious problems that weigh on the economy. The deterioration in the situation of the groups that are affected will still be less than the decline that would be required by the strategy of retreat. Naturally we must prepare with great care and deliberation to see that the changes hurt the poorest subclasses of society as little as possible.

We must also reckon with the fact that among the foreign economic conditions that squeeze the economy the necessary transformation of the Hungarian production structure reduces the security of workplaces, and we must also reckon that we will not always succeed in maintaining central control of the change in prices. Still, I believe it will be necessary to undertake this in order to avoid great harm.

We must also speak of the therapy, of the measures that I believe are necessary and that directly affect management. In my opinion we need primarily to develop further the 1968 system of combining market elements and planned central intervention. The problem requires the answer to five closely interrelated questions:

--The harmonization of plan and market, which in turn entrusts to the market, and the harmonization of supply and demand, in a significant range of products.

--The establishment of an institutional basis for the legal independence of enterprises, which means the separation of state administrative and property functions, and of a means of property holding in the areas of competition that is in harmony with competition and the separation of enterprises.

--The placing of financial regulation on a uniform foundation, the growth of the role of free prices, and, in harmony with this, the termination of the MNB's [Hungarian National Bank's] monopoly and the founding of business-type banks.

--The establishment of multichannel domestic and foreign trade for consumer items and producer means.

--Finally, the reorganization of income regulations for enterprises and individuals. (I have addressed all these questions in detail in KOZGAZDASAGI SZEMLE, No 6, 1982.)

The common characteristic of the above-listed measures, however, is that their introduction and the development of their positive effect will in varying degrees take a long period. Therefore, we also need a short-term program which in its directions is in harmony with the outlined goals but may bring significant results within a short time.

Drafting a program like this demanded less effort than did outlining the aforementioned medium-term program.

My proposal for a short-term program will require much more work, detail, and control. Still, I undertake the risk of outlining its main features in an unfinished form.

It is by economic means that we must have management concentrate on exports and on import substitution. A turn is necessary: we must create the conditions whereby we can increase our share of the capitalist markets--primarily of the market for processed goods--despite the keen competition. We must not create these conditions at any cost but we must create them effectively.

A similar change is unavoidable in import substitution. We must substantially reduce import demand without causing shortages. We must replace imports in such a way that the replacement will not represent a loss for the consumer if he uses domestic products. To be sure, neither persuasion of the leaders nor administrative means cannot dissolve tensions.

We need resources, which were not used intensively enough in the past, primarily for mobilizing manpower and capital. The possibilities are further increased by the fact that since 1979 domestic consumption has been reduced while (at 1981 prices) more than 500 billion forints' worth of investments were put into operation. In order for us to use these capacities for the new task, we must realize wealth-creating long-term profit incentive in the present system of enterprise supervision. We should regard profit gained over the long term as an indication of success, and we should have the supervisory organs judge the operation of enterprises primarily from this point of view. Under these circumstances the prestige of enterprise leaders and of the collective may increase even if a part of the revenues is later centralized for some reason.

We should reduce the scope of emergency budgetary support for enterprises. To this end, we should implement the idea, which was approved already in 1980, that amortization may be used for renovation and investment if the revenues of the enterprise make this possible. If revenues do not cover costs, it is true that investments and renovation will fail to be realized and thus the real value of operational capital will surely decline. But the enterprise will remain operational even without budgetary support.

We should substantially increase the freedom of state and cooperative enterprises in the area of wage management in order that they should be able to mobilize the workers and the lines of production for efficient exports and for import substitution. In this connection we also ought to increase to a significant extent the independence of factories and production lines that are successfully replacing imports.

The establishment of small state and cooperative enterprises has been announced, and although still progressing with difficulty, they may be an important source of success primarily in manufacturing and the construction industry. In order to realize this possibility we should use a part of the free, or not efficiently

used, means for establishing new enterprises, frequently subsidiary enterprises. With the help of capital allowance [tokejovairas], rental [berleti dij], or interest annuity [kamatjaradek] we should effectively interest enterprises in such activity as have the free capacity to transmit the means to new enterprises. At the same time we should see to it that the charge for capital that is left unused or are operated at a loss should depend to a great extent on enterprise results.

In outline, I have described my own proposals. But we need the proposals of many people, for the situation is difficult and the task to be solved is very great.

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## BASIC ASSUMPTIONS OF ECONOMIC PLANNING REVIEWED

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[Article by Eugeniusz Gorzelak: "The National Socioeconomic Plan to the Year 1985 and Initial Assumptions for 1986-1990; Most Important Determining Factors: Labor, Wages, Prices"]

[Text] The government has made a proposal to the society to discuss the document "Variant Concepts of the National Socioeconomic Plan to the Year 1985 and Preliminary Targets for 1986-1990" and to express its will by adopting the appropriate variant and solutions therein contained.

The proposal expressed at the beginning, that of a change in formulating the implementation of social goals of development during this very difficult period in which it is necessary to restore economic, social, and political equilibrium is important. The proposal calls for a departure from the traditional formula of "the state provides" in favor of the formulas: "the state facilitates," "the state will create conditions," thereby opening up opportunities for the utilization of the society's initiative, activity, and energies. This coincides with the spirit of the economic reform which we are introducing to get out of the crisis. The formula change may be most clearly illustrated, for example, in housing construction, because at the present time housing policy emphasizes private construction using the cheapest technologies, and through personal commitment it should reduce unit costs, which, given the estimate of the overall size of investments, would make it possible to build a larger number of apartments. On the other hand assistance must be given to small housing cooperatives and small private construction and remodelling firms to create the appropriate infrastructure in the form of all sorts of municipal systems (roads, water, electricity, sewers, and so on), to say nothing of building designs, access to building materials, and so on. The state therefore will not provide apartments, but the state will "create the conditions" for the expansion of the housing construction program, and a substantial proportion of citizens will build their own housing, taking advantage of these conditions.

In the developmental plans which the government presents to the society for consideration we can distinguish among four stages:

Stage I -- the period to the end of 1982. The main problem during this stage is to slow the recession trends in the economy.

Stage II -- this is the period of the three-year plan for 1983-1985. The main problem of this plan should be to overcome the crisis and restore economic balance on the domestic market and in the state budget and investment activity, that is, internal balance, a return to a normal, well-ordered economy, in conjunction with the completion of the introduction of the basic targets of profound economic reform. This would mean at the same time the attainment of freedom of operations aimed at the initiation of reconstruction of the structure of the national economy necessary to improve the economic effects achieved and raise the extent to which the needs of the society are met.

Stage III -- the years 1986-1990. The main problem of this period should be a transition based on putting the economy in order, transition to its moderate but differentiated development. Particular attention should be given to an orientation towards export, in order to gain equilibrium in the balance-of-payments situation in foreign trade, that is, the gradual gaining of external equilibrium.

Stage IV -- the years 1991-1995. The main problem of this period should be the transition to a more rapid simultaneously high-quality development of our economy. To do this we need organic work on creating, in this decade, the foundations for more balanced, successful development of the economy after the year 1990.

Today our attention is largely focused on the years 1983-1985. Therefore the question arises as to what sort of targets should be placed before Polish society during this period.

The three-year plan proposes the following four major social goals:

-- assurance of the proper level and structure of national nutrition, reducing insofar as possible the dependence on grain and food imports,

-- meeting the housing needs and developing the community and urban infrastructure in this connection to the greatest extent possible in the anticipated economic situation,

-- protection for those population groups and strata which materially are at the greatest disadvantage from the effects of the crisis, with active state action aimed at reducing or eliminating poverty zones,

-- attempt at noticeable improvement in the society's level of satisfaction through improved organization and functioning of social life.

The possibility of accomplishing each of these goals nonetheless depends on the rate of growth of the national economy. As everyone knows, this year we shall not achieve any increase in national income. On the contrary, we are counting on a decline of about 7 percent. This will have an adverse impact on the rate of growth in the next few years, which in turn will bring about a decline in the possibility of full realization of the goals projected. We must also keep in mind that the plan was set down under conditions of uncertainty. Where does this uncertainty appear?

First, in the development of the sociopolitical situation within the country, in the attitudes of the society, in the difficulties in attaining social agreement and integration of the nation, the active commitment of creative groups, and so on. These elements of our nation's life have a tremendous impact on the development of the economy, the upgrading of the activity and effectiveness of management, and on the full implementation of the economic reform. The plan assumed social stability and anticipated that social attitudes and the general sociopolitical situation would favor normalization of the economic processes.

Second, in the development of external conditions. The development and deepening of cooperation and economic integration with the Soviet Union and other socialist countries are expected to play an exceptionally positive role as projected in the plan to activate the economy, but in relations with the capitalist countries, the matter is not so clear, and to a great extent it is upon this factor that we will depend for the economy's supply of raw materials and its capability to repay the debts with their considerable burden of interest.

The most probable assumption seems to be that conditions will be negotiated for us to repay our debts in a manner which will make it possible for us to increase imports from the Western countries even in 1983-1985. To this end it would also be necessary to obtain more favorable conditions for the repayment of obligations and to extend them over a longer period. In this case the expansion of imports from the capitalist countries along with intensive action to rationalize these imports would make it possible to gain gradual improvement in the supply of raw materials imports and, as a consequence, to increase production and exports, to improve the trade balance, and to increase national income even beginning in 1983. The growth of production and market deliveries would help accelerate improvement in the market situation.

On the other hand, we cannot rule out the possibility of adverse development of the situation, including the possibility that the current foreign trade restrictions imposed by the creditor countries will continue through 1983-1985. The consequence of this could be the need to keep imports from creditor countries at their current low level for 2-3 years. Under these conditions we cannot rule out a further decline in production and national income on into 1983. This would bring about a slower rate in the restoration of production up to the year 1985 and as a consequence further limitations on the possibility for repayment of credit, owing to

lower income from exports. This would also extend the transition to market equilibrium. We can estimate that this variant is rather unlikely, but it must be considered in further work and be treated as an emergency variant.

Third, in the difficulty of precisely anticipating production effects and of improving the economic results of factories and service enterprises as the result of the economic reform. After 1975 effectiveness generally declined. This fact was expressed in the phenomenon of costs increasing at a rapid rate and in deterioration of the ratio between gross production (in industry, sold production) and net production, or national income. These ratios must be improved, and this is undoubtedly difficult, because it depends on economical management in many enterprises.

The plan calls for such improvement, but the scale is unknown. But the issue is not an unimportant one, inasmuch as it involved 25-40 percent of the total projected increase in national income. We must reduce the consumption of energy, raw materials, fuels, and other materials. This also applies to agriculture, in which the level of application of chemical fertilizers, the major crop-producing element, is by no means low, being greater than that of many European countries (Sweden, Italy, Austria, Bulgaria, Yugoslavia, and others), but yields from cultivated crops still remain at a low level, and they are even declining.

Fourth, in the impossibility of foreseeing what the weather will be like, and weather has an impact on the crop levels of our fields, gardens, orchards, meadows, and pasturelands. In 1976-1982 crop levels were poor. What will it be like in the future?

With consideration for all the factors with which an element of uncertainty is associated, three variants of basic indices for socioeconomic development were adopted.

Variant I is based on the assumption that both in 1983-1985 and during the following five-year period the conditions for the development of farm production will be worse than average, that the effects of the economic reform will come slowly, and that economic restrictions will continue in coming years. Under these conditions the indices for economic development are bound to be the most modest, and it is the most difficult to predict the attainable level, which will depend on the force and cumulative effect of the difficulties.

Variant II features moderate developmental indices and is based on the assumption that the farm production conditions will be average, that the implementation of the economic reform will produce gradually rising economic and production effects, and that the situation in trade with the capitalist countries will undergo normalization, while the new principles for refinancing the debt will be easier at the same time.

Variant III, which has the highest indices, is based on the assumption of above-average crop yields in agriculture and very rapid reform results, including substantial activation of exports to capitalist countries even before 1985 and even more so in later years, which would permit both the gradual expansion of imports and the repayment of our debt, and would also step up the process of our gaining equilibrium in our balance-of-payments situation. After a presentation of the economic consequences of each of these variants, the most likely variant, Variant II, was adopted as the basis for constructing the three-year plan.

We must also keep in mind the impact of working hours. If for a certain transition period, for example, to the end of the three-year plan being reviewed here, we were to return to a 6-day workweek in those plants which are not suffering from a shortage of raw and other materials (which of course would require that the workforce of these plants agree to do so), then the following could be brought about:

-- an increase of 4-5 percent in industrial production in 1985 in relation to current targets,

-- an industrial production level above that reached prior to the crisis even by 1984, that is, a year earlier, and acceleration of the attainment of the precrisis level of national income and consumption by at least 6 months and perhaps even a year, because the first effects achieved may have an impact to improve the supply situation and accelerate production growth.

Planned Macroratios

Four factors have been adopted in the plan as the major driving force for rebuilding and developing the economy:

-- economic reform and through its help the activation of a process of constant improvement in effectiveness,

-- restructuring of the economy, for example, to put the food economy in a better situation,

-- reorientation of foreign trade in terms of tightening the bonds of cooperation with the CEMA countries,

-- activation of research and development facilities.

If significant progress can be achieved in these areas, the following economic picture can emerge in 1985:

-- Industrial production expansion of 12-17 percent, depending on the variant, from 1983 to 1985, that is, at a mean annual rate of from 3.8 percent to 5.4 percent; this would make it possible in 1985 to achieve in Variant II the highest production level prior to the crisis (99 percent) basically;

-- Agricultural production growth in 1983-1985, given average weather conditions for agriculture, identical in all variants, that is, about 10 percent altogether over the 3 years; with these targets agricultural production in 1985 would basically be at the 1978 level, that is, the highest level achieved prior to the crisis (99.5 percent);

-- As a result generated national income could growth by from 11 to 18 percent in 1983-1985, depending on the variant, which means an average rate of 3.5 percent to 5.6 percent per year, depending on the variant. Nevertheless, in contrast to industrial and agricultural production, by 1985 it will not reach the level equivalent to the highest level prior to the crisis.

Depending on the variant, this income would reach a level of from 82 to 87 percent of the highest previous level, which was achieved in 1978.

We must note that beginning in 1982 there will be a change in the ratio of the increase in generated national income to that of the income for distribution in the country, that is, a return to the ratios of the 1970's. This exerts a basic impact on the macroratios to the end of the decade. In the 1970's, in connection with using foreign credit, the rise in income for distribution within the country greatly outpaced the rise in generated income, but beginning in 1982 the increase in national income for distribution will be slower than the increase in generated national income. This will be determined by the need to allocate an increasing share of it for service of the foreign debt. The balance of foreign trade turnovers in 1985 will reduce generated national income by from 3 to 4 percent, depending on the variant. In this connection the growth rate of income for distribution may range from 9 to 15 percent in 1983-1985.

Total national income for distribution in relation to the highest pre-crisis level (1978) would come to only 76-80 percent of that level by 1985. Thus, from now until 1985 it would be possible to make up only about a third of the decline in income which occurred between 1978 and 1982. This fact is of great importance to the distribution of national income in all variants.

The most probably variant, Variant II, was used as a basis in further deliberations, because it was difficult to apply further variant solutions to all three basic variants.

These are the variant solutions:

-- either to maintain to the year 1985 the investment level attained in 1982 so that a maximum share of the increase in income may be allocated to consumption, that is, the proposal to protect consumption ("a"), which would mean a further decline in the net investment share,

-- or to maintain the net investment share to the year 1985 at the level achieved in 1982, that is, the proposal to protect investments ("b"),

-- or to increase the share of the consumption fund in relation to 1982 at the cost of reducing the absolute level of investments, that is, the proposal to maximize consumption ("c").

In presenting these proposals and their consequences, the government is taking a stand to adopt the variant to protect consumption ("a") as the basis in the three-year plan, stabilizing to the year 1985 the total size of gross investments and freezing them at a level not lower than the 1982 level.

Even in this case, however, the share of income for distribution devoted to consumption in 1985 will drop below 1982. This is determined by the need to build up stocks, whose growth in 1985 is projected at 200 billion zlotys, as opposed to the zero growth of 1982.

In this variant there is the opportunity to increase the overall dimensions of the consumption fund in 1985 by about 11 percent in relation to 1982 with only a 5-percent lower net investment level in 1985 than in 1982. In conjunction with the more rapid rise in depreciation, however, this would mean freezing gross investments at the 1982 level to the end of the decade. At the same time this would mean in 1985 achieving about 94 percent of the highest level of consumption out of personal income before the crisis, that is, the 1980 level, and in per capita terms this would come to about 88 percent.

Nonetheless, in assessing these indices we must remember two important circumstances: first, the fact that the 1980 consumption level was accomplished partly at the cost of foreign indebtedness -- by estimate about 4 percent of this came from the margin by which imports exceeded exports -- and second, the fact that the 1980 consumption level was achieved on a 6-day workweek, and it may be estimated as a result that 4-5 percent of the consumption fund was based on the consumer goods produced during working time on Saturdays.

The next choice in economic policy to be considered by the society concerns the ratios for distributing total consumption for consumption out of personal income versus consumption which is termed "other," that is, mainly collective consumption. The choice basically boils down to answering the question of how to structure society's income, of whether to take the route of increasing personal income or that of increasing collective income (we use the term "collective consumption" to specify the value of products and services which the population receives at no charge out of the fund of benefits for the population. This category of consumption includes the value of the services of education and upbringing, culture and art, public health and social welfare, sports, tourism and recreation, and also subsidies for pharmaceutical products bought at a discount or received free of charge and subsidies for the housing economy).

In this instance, then, a choice must be made between the following:

-- greatest possible increase in consumption out of personal income, even at the cost of collective consumption, that is, "priority of private consumption" ("a"),

-- greatest possible increase in collective consumption, even at the cost of private (individual) consumption, that is, "priority of collective consumption" ("b"),

-- more equal increase in private (individual) and collective consumption ("c").

According to the choice made, a greater share of resources would be funneled to increase the population's personal income or to increase state budget-financed expenditures for collective consumption purposes. In presenting the appropriate figures and consequences of all the variants under review, the government is proposing that the three-year plan be based on the variant of "more even growth of the level of private and collective consumption" ("c"), taking into account the fact that budget expenditures help meet important general social needs and are relatively inflexible. With these assumptions, other consumption would increase in 1983-1985 by about 9-19 percent, that is, at an average rate of from 3.2 to 3.9 percent per year, which is a somewhat lower rate than that for consumption out of personal income. Within this framework, material budget-financed resources for sociocultural purposes would increase during that period by 13 percent accordingly, in constant prices.

The share of net investments in Variant II and the "protection of consumption" subvariant in 1985 would amount to 16.2 percent of the total income for distribution, and the share of gross investments would approximate 23 percent. This would mean freezing gross investments in 1983-1985 at the 1982 level, at about 995 billion zlotys per year, calculated in new 1982 prices.

I will pass on to a discussion of the major directions of socioeconomic policy, among which are the following: balancing the market and the budget, state social policy, investments, regional policy and the policy of voivodship development, foreign trade, and scientific-technical policy.

Balancing the Market and the Budget

The plan proposes the assignment of domestic market priorities for the next few years. Given the existing import and raw materials restrictions, total market deliveries in constant prices could increase by about 18-20 percent in 1983-1985 in comparison to 1982. Considering the need to set aside part of these deliveries to supply units of the socialized economy and the need to rebuild the stock in trade so greatly reduced in the years 1980-1982, the supply of market commodities to the population can increase by about 16-18 percent in constant prices. This growth is inadequate from the viewpoint of existing needs, and for this reason it is necessary to exploit all possibilities for additional supplies of goods and services.

Under these conditions we can expect market policy to be based on the following principles:

-- determination of minimum supply to the population of commodities of basic importance to the everyday life of the working family and assurance of adequate deliveries of these commodities to the market, and the prices on these commodities should have the nature of official and regulated prices and be subject to control,

-- exploitation of the possibility of exporting market goods, luxury goods, and goods meeting needs of a higher order, in order to make it possible to import raw materials for the production of market goods which satisfy basic needs,

-- sales of other market goods at equilibrium (conventional) prices without compensation to the population in the event of price increases with regard to these commodities.

In order to combat market imbalance and disintegration of the market, economic policy should avail itself, among other things, of the mechanism of having the state regulate inflation on a moderate scale as well. Thus, during the next few years the state should conduct a policy of moderate, controlled inflation, because during this period it will not be possible to avoid price increases. It will take many years to balance the current large-scale shortage of market goods. Under the existing conditions, the new principles for the structuring of prices, which are an integral component of the reform, are a factor which exerts an impact in the direction of price increases. For these reasons, we should count on relatively substantial increases in prices to the year 1985. On the other hand there should be an effort to gradually reduce the scale of price increases from one stage of increase to another and to gain control over the processes of inflation as soon as possible. For this reason a diminishing growth rate of prices is projected. The increase is currently estimated at about 25 percent in 1983, about 15 percent in 1984, and about 10-15 percent in 1985.

The relative great price increase forecast for 1983 (25 percent) is the consequence of the results of the price changes made in 1982, the anticipated hike in the price of fares on public transportation, and the need to increase official prices to partially eliminate budget-financed subsidies, including those on the means of production for agriculture. On the other hand, it is anticipated that there will be a decline in the extent of the spontaneity of price increases for goods and services through appropriate action on the part of the price bodies. In this connection we anticipate in 1983-1985, alongside variable prices, the paying of compensation, the use of wage adjustments, the introduction of a variable interest rate on credit, a policy of adapting credit interest rates, and a policy of adopting an interest rate on savings deposits that will encourage increased savings.

Overall it is estimated that the supply of goods, in current prices, over the 3 years would increase by about 75-80 percent, but its growth would exceed the projected rise in population income in current prices, amounting to about 65 percent. This would be by 1985 overall balance in the population's income and the supply of goods and services. This should be expressed in a level of commodities exceeding current income of the population in 1985 and in the building up of stock in trade to a level of about 480 billion zlotys in 1985.

State Social Policy

Giving attention to the mutual relationships between social and economic policy in 1983-1985, it will be possible to allocate to the social benefits fund only that amount of resources which is needed for the social protection of those population groups in a difficult life situation, but in the realm of social and cultural services the funds will make it possible basically to maintain the past ratios in terms of total budget outlays.

At the same time we should note that as the consequence of past and forecast demographic processes to the year 1990, there will be an increase of about 25 percent in the burden which employed persons bear in supporting people who are not employed (this includes people not of working age, children and youth, mothers on maternity leave to raise children). In this connection there is a proposal to base state social policy in 1983-1985 on the following principles:

-- adapt the scope of state care-taking functions to the situation stemming from the economic crisis, that is, to the current level of the state's financial and economic capabilities, especially by reducing the state's care-taking functions to those population groups in the most difficult situation, people living in poverty or threatened with poverty, the handicapped, and those unable to improve their situation through the effects of gainful employment,

-- establish areas which should be financed out of the social consumption fund,

-- state build-up of social assistance conducted by social organizations, churches, workplaces, and regional self-government,

-- accomplish the redistribution of income of strata earning high incomes to improve the situation in areas determining the society's living conditions (public health, education, culture, public transportation).

Investment Policy

Investment policy will be implemented under the new conditions resulting from the economic reform. In this connection direct state influence on investment activity will be reduced to central investments and the invest-

ments of voivodship officials using central subsidies. Only an estimate of the sizes and allocations of investment outlays of the enterprises and the population is possible. State influence on these investments will perate largely through the banks' credit activity.

The basic element determining investment policy during the next few years is the fact that in the light of an analysis of the existing possibilities, the general level of investment outlays in the national economy to the year 1985 will not be able to be higher than in 1982. Up to that time the essence of the problem boils down then not to the formulation of new investment programs but to the determination of the most effective possible scope of implementation of programs already begun.

In this connection, it will be impossible, not only to 1985 but also up to the year 1990, to undertake new capital-intensive investments or those with a long completion cycle, because the reduced capabilities in this area must be devoted mainly to investments in the urban infrastructure without which future housing construction would be impossible.

Within the framework of the overall volume of outlays, it is predicted that during this period there will be a great increase in the enterprise investments accomplished using their own development fund. Independent enterprises will assume total amortization and therefore the investment directions too. The main burden of restoration and modernization investments will shift to the enterprises.

It will also be essential to increase the share of investments handled by the voivodship officials (including socialized housing construction) at least from the 28 percent of 1982 to about 31 percent in 1990, because they have the greatest impact on the population's living conditions.

Throughout the period to the year 1990 priority should also be given in investment to the population, particularly in the realm of agriculture, housing construction, and services, and their share should increase appropriately from 18 percent to 24 percent. As a consequence this is bound to mean a basic reduction in the share of investments which have previously been carried out as central investments. We estimate that the share of these investments in the ultimate model will decline from about 65 percent in 1976-1980 to 20-25 percent of total investments in the country.

Under these conditions we can expect investments suspended in 1981 and 1982 to be restored no sooner than 1986. At the same time it will be necessary to make a further reduction in the number of investments being worked on and to hold up those among them which cannot be completed in the next few years. On the other hand, work should be all the more intensive on finishing up those investments which can provide a rapid rise in export or market production, those which can reduce our dependence on imports from the capitalist countries, and those related to environmental production. Under the present circumstances, this does not make it possible for the Sejm or the government to undertake decisions for new investment

programs, because the consequence would be bound to be a reduction in the outlays designated for the food and housing construction program, which would not be wise in view of their social significance.

In the distribution of total investments, the government will choose the directions in keeping with the provisions of the Ninth Extraordinary PZPR Congress and the resolutions of the Politburo and Supreme Committee of the ZSL relating to the development of agriculture. These points concern allocations concerning total outlays in the national economy: 30 percent for the housing complex (including land development and the housing industry) and 30 percent for the food complex (including the food industry and the industry producing the means of production for agriculture).

The allocation of 60 percent of total national economy outlays for these two directions means that the possibilities for shifts in allocating investment outlays for other sectors and subsectors in the economy are reduced to a minimum.

In addition, according to the resolution of the Ninth Extraordinary PZPR Congress, the mobilization of a program of investments aimed at environmental protection is also envisaged.

Thus, between 1983 and 1990 three investment programs of key social importance would be carried out: 1) a food program, 2) a housing construction program, and 3) an environmental protection program.

At the same time, under the auspices of separate programs at the government-echelon level, investments should be carried out that provide the material and technical bases for carrying out social programs, that is, the fuel and energy program and the program of rail transport and the accompanying infrastructure, because the proponderance of such investments are executed as central investments. These programs should represent an integral part of the plan to the year 1990.

It is absolutely certain that the investment sums available for distribution out of national income are far from adequate to meet real social needs. Therefore, a choice must be made among three variants proposed in the plan, variants designated conventionally as follows:

-- the "production variant," which gives the priority to meeting production needs; within the framework of this variant it would be possible to allocate 30 percent of total outlays for the food complex, but this would be at the cost of the housing complex,

-- the "social variant," which gives priority to the whole sphere of social consumption, mainly the housing complex; in this variant it would be possible to allocate to the housing complex 30 percent of total outlays, but this would mean 28 percent of total outlays would go to the food complex,

-- the "housing variant," which gives priority substantially to housing construction; in this variant 35 percent of total outlays could be allocated for this purpose, but at the cost of the other complexes.

In presenting the consequences of each of these variants, the government proposes that the three-year plan be based on the variant called the "social variant," which gives priority to the consumption sphere, especially housing construction, because this variant harmonizes most equally the needs of the two priority complexes, food and housing. In this variant it would be possible to allocate in 1983-1990 20 percent of all outlays to the food complex, including industry working for agriculture, but the resolution of the Politburo of the PZPR Central Committee and the Supreme Committee of the ZSL calls for a 30-percent share.

Regional and Voivodship Development Policy

Owing to the limited field of maneuver, it will not be possible to make substantial changes in the regional structure. The main task of necessity must be to restrict and slow the decline in the condition of the environment, to put regional planning systems in order, to ease the imbalances in voivodship development, and to activate the smaller town and gmina [parish] centers. It is also essential to build up the functions of the small and medium-sized towns and accentuate service to agriculture, activation of small-scale manufacturing, especially food and services, and the like.

Among the several variants, the government proposes that selective priority be given to certain urban centers and voivodships. The following 13 voivodships and four urban centers are proposed for priority in the distribution of subsidies for the investments of voivodship offices: the voivodships of Radom, Ostoleka, Jelenia Gora, Lomze, Walbrzych, Tarnow, Tarnobrzeg, Czestochowa, Przemysl, Bielsk Podlaski, Siedlce, Sieradz, and Suwalki and the urban centers of Katowice, Krakow, Lodz, and Gdansk.

Foreign Trade and Cooperation

There is need for far-reaching differentiation of foreign trade development policy and strategy with socialist countries, capitalist countries are highly advanced, and developing countries.

In turnovers with the highly advanced capitalist countries, the concept of the policy of servicing our foreign debt is of key importance. The scale of our indebtedness, which was 25.5 billion dollars at the end of 1981, means its repayment must be spread over a long period. To this end it is necessary to negotiate more favorable repayment conditions as soon as possible by agreement, closely adapting the size of the payments to the payment situation.

In order to gain payment credibility in the world, we should work systematically to improve the balance of commodity turnovers with the capitalist

countries. Substantial improvement in this balance will create the source for undisputed repayment of debts and will lead to the beginning of the process of getting out of debt still in this decade.

The government will submit three variants of foreign trade turnovers for discussion.

In Variant I it is proposed that the greatest possible shift in foreign turnovers be made to the socialist countries, which means a far greater increase in exports to the socialist countries than to the capitalist ones. It is assumed that the volume of exports to the socialist countries within 8 years (1983-1990) should increase by about 65 percent, while those to the capitalist countries should increase by about 50 percent, but because there is no complete substitution between imports from the socialist countries and those from the capitalist countries, this would be accompanied by a relatively slower rate of development for the economy.

Variant II calls for more equal growth of exports to the countries of the two payments areas, with only a somewhat faster rate in turnovers with the capitalist countries (growth of 77 percent) than to the socialist countries (73 percent).

Variant III proposes the acceleration of export growth, with the fastest increase being in exports to the capitalist countries. In constant prices these exports should more than double between 1983 and 1990 in this variant, that is, to about 11 billion dollars, with exports to socialist countries increasing by 78 percent.

Regardless of the variant chosen, there will be great import restrictions. This will require a drastic change in the structure of imports, and above all becoming free of the burdensome grain imports in favor of imports of raw and other materials for industry. This means as soon as possible, by 1985 at the latest, we must balance turnovers with capitalist countries with farm items and raw materials to produce them.

Foreign trade turnovers with agricultural items should decline from 129 billion domestic zlotys in 1981 basically to zero in 1985 (-2 billion zlotys) and will remain at that level in 1990. This will be determined by the decline in grain imports, which in 1985 should not exceed 1.5 million tons and in 1990, 1.0 million tons (mainly high-gluten wheat for the needs of the baking industry), while we maintain essential imports of high-protein fodder (1.5 million tons). In the event the balance of payments results improve, grain imports in 1990 should be increased to a level of 1.5 million tons, that is, to the level anticipated in "The Program for the Development of Agriculture and the Food Economy to the Year 1990."

Scientific-Technical Policy

Four main problems should determine the directions of scientific activity:

-- efforts of science and technology on behalf of meeting the most urgent socioeconomic needs,

-- the need for the strategic orientation of research and development over the next 10-15 years, so that it can support the structural social and economic transitions,

-- assurance of the development of scientific research that will inspire future technology and engineering and pave the way for it; despite the apparent immediate effects, unjustified thriftiness in this area could lead to instances of neglect leading to future damage,

-- reorientation of bilateral cooperation programs with socialist countries aimed at fuller coordination of research and development goals, coproduction in research, and the assurance of a real division of labor. An important element of this reorientation should be the association of cooperation programs with the need to solve the most urgent problems in the country.

Implementation Instruments and Mechanisms

In order to resolve the problems facing our country to the year 1990, it is necessary for the society to step up its activity considerably, to develop initiative, and to undertake new, difficult tasks. In this situation, the problem of motivating people and groups to such action takes on key importance. The basic factor from this point of view should be the consistent implementation of the economic reform, which will confirm the credibility of the government's intention to make basic changes in the system of management and economic mechanisms. The implementation of the reform should also be used to create new forms of socialist social relations and to take into account in them the new aspects implied by the development of social life.

In order to gain support for the government's economic policy, it is necessary to increase social participation in forming and implementing the goals of this policy. The plane for such participation should be the expansion of self-government, according to the assumptions of the reform. This means the consistent restoration and creation of self-government groups. This should be accompanied by expanded participation at the national level to create the conditions for real social arbitration in conflicts.

A reformed wage system should be the main plane for incentives. The general direction for rebuilding this system should be a stronger relationship between wages and the effects of work, and hence the consistent execution of the socialist principles of paying according to the amount and quality of work. This is tied in with the need to combat trends toward primitive egalitarianism, which undermines the incentive system. Changes in the principles of remuneration for work should tend to uplift the presently degraded role of the basic wage as a share of the total remuneration for work. On the other hand, with regard to the agricultural

population, the proposal is to introduce a policy which will make any further increase in income solely the result of an increase in market-oriented production. Here the principle of equalizing the level of income of the farm population and the nonagricultural population by the year 1985 is maintained.

The economic instruments contained in the "variants" must be consistent with the spirit of the reform and are subject to constant evolution. Among them are the following:

-- bank extension of priority credit to enterprises at a reduce interest rate or with a longer repayment period,

-- the granting of budget-backed guarantees for credit which banks extend to the enterprises,

-- reduce tax rate on profits,

-- the granting of tax relief or the right to subtract certain outlays from taxes; this will be of great significance in agriculture,

-- the granting of budget subsidies in a rational sphere,

-- the development of differentiated principles for turning depreciation over to the central budget,

-- customs fees reductions,

-- awarding the right to foreign-exchange allowances to enterprises carrying on export, and so on.

The accomplishment of the goals targeted in the plan will depend on the effectiveness of operation of the group of mechanisms and instruments.

10790
CSO: 2600/81

## ADDITIONAL INFORMATION ON 3-YEAR PLAN PUBLISHED

### Aims of Plan

Warsaw ZYCIE WARSZAWY in Polish 25 Oct 82 p 7

[Article by Andrzej Wroblewski]

[Text] The document "Concept Variants of the Socioeconomic Plan up to 1985 and Initial Assumptions for 1986-1990" gives rise to several basic reservations.

First of all, it is difficult to accept that the document contains variant proposals. The difference between the three presented variants boils down to a prognosis of chance phenomena. This is particularly true in relation to weather conditions in agriculture and developments in the international situation to which the matter of economic restrictions in regard to Poland is connected. An attempt at making a choice between the three proposed variants, i.e., the variant of unfavorable conditions, the middle variant and the variant of "good luck" would indicate rather unwise thinking. Only the second variant which deals with intermediate conditions can be taken into consideration. On the other hand, the first and third variants should be presented rather in the form of a scenario for the course of action to be taken should the variants of chance stray considerably from the accepted assumptions.

Secondly, the assumption was accepted in the document that the effects of the economic reform constitute external determinants in relation to the socioeconomic plan. Hence, such an approach by the planner toward reform should be considered strange, at the very least. Reform is not some sort of an external, independent subject; it is a collection of principles and instruments for the use of the economic center.

Effects will depend mainly on the aim and methods with which the economic center (including the central planner) employs the principles and instruments specified within the framework of the reform. These instruments should be one of the most integral elements of the plan's concept as well as one of the criteria for variations on this concept. However, the approach presented in the document gives the impression that the plan should limit itself solely to

specifying socioeconomic aims while the methods of their implementation should be outside the plan and outside the economy.

Third, we find ourselves in an unusual situation which requires that we depart from the existing ways of treating the plan's aims. The extent of the current crisis dictates that the sole aim of the economy must be to overcome the crisis and to create conditions for stable growth.

It is stated in the document that the major problem of the economic policy of the 1980's is to get the economy out of the current crisis and to help it onto the road of growth. In addition, it is necessary to carry out such changes in the structure of the economy which would exclude the possibility of a return to the situation prior to August 1980. The above statement may be considered as the designation of purpose for the 1980's. However, our social aims extend somewhat further in time. These aims include the following:

--to assure food for the nation while reducing as much as possible our dependence on the importing of grain and food,

--to provide for housing needs to the fullest extent possible under the foreseeable economic circumstances and to develop the infrastructure that is connected to this,

--to protect from the effects of the crisis those classes and groups of people who find themselves in the most difficult financial situation by means of the state's energetic activity aimed at limiting or eliminating poverty areas,

--to strive for a perceptible increase of public satisfaction as a result of improving the organization and functioning of social life.

Without negating the importance of the presented social aims, it should be stated that their arrangement places them in competition with the above-presented principal aim. Moreover, the vagueness of these aims--for what does the statement "to the fullest extent possible under the foreseeable economic circumstances" signify?--causes the attention of discussants and concerned social groups to be concentrated on defining the particular aims while overlooking the problem of overcoming the crisis. The confirmation of this assertion may be found in the course of current discussions in which various groups propose increasing the quota of the food or housing complex as well as that of the social means of subsistence. Consequently, discussion is being centered around the division of the national income while the problem of generating it and its proper structure are pushed into the background.

Under current conditions, the social aims presented in the document limit the field of action in the selection of methods for attaining the main goal. These aims should rather be established as a certain minimum below which we cannot fall. This is, perhaps, an unpopular approach. However, it is the only one if we want to plan and manage the economy rationally.

I repeat: defining the main goal of the economy, i.e. coming out of the crisis and the creation of conditions for stable growth, has a fundamental significance for the entire concept of the socioeconomic plan. Such a precise definition is lacking in the presented document. If on the basis of the text, it can be accepted that breaking the crisis means the attainment of the 1978 level of national income and consumption, then the criteria are lacking for a definition of the "methods of economic growth and structure which exclude the possibility of a return to the situation prior to August 1980" [as published].

In some sense, the model of economic functioning which is supposed to assure stable growth conditions is described in the "Directions of Economic Reform." The implementation of socioeconomic policy which has a common bond with the assumptions of the reform is discussed in the document. However, that which is specifically presented there deviates from that assertion.

Another matter which is extremely important for the implementation of the principal aim is defining the economic growth factors. Hence, contrary to prevailing slogans about labor productivity and management efficiency as growth factors, an argument can be made that from a planner's point of view these are effects and not determinants since labor productivity and growth efficiency depend on many factors whose recognition and activation belong to the task of the planner.

In conjunction with this, it is necessary to single out those factors which limit the economy's growth process. Besides social conditions, these include factors which were discussed earlier as well as the importing of supplies, raw materials and fuel, the existing subsector structure of the economy and the low mobility of the "labor force." If the first two factors are being widely discussed, the last two are treated marginally. The subsector structure of the economy has been assessed in the "Report on the State of the National Economy" as inefficient. However, the proposal to restructure the economy on the basis of this conclusion does not seem to be very reasonable. A change in structure requires time and that which is most important in our situation--extensive funds which we do not have.

That is why the creation of new subsectors, as was attempted in the 1970's, is impossible. This would cause the already existing subsectors to become completely stripped of growth funds which in turn would mean that in the very near future we would have to deal with the direct quantitative [ilosciowym] growth of production which would aggravate problems involving raw material and fuel supplies. With such a variant, it is easy to visualize ourselves in 2-3 years faced with the problem of a large-scale expansion of the raw material base.

The way in which the restructuring of the economy is treated is worthy of attention, especially the development of the food complex where, practically speaking, the problem has been reduced to the simple increasing of the material means [srodki rzeczowe]. However, such a key issue as changing the ways in which the economy functions and is managed was overlooked. It appears

that with today's archaic agrarian structure of farming, not only a country such as Poland but also a more affluent nation would be incapable of providing agriculture with the means of production. Attempts to do this may lead to the maintenance of a low level of land management efficiency which in turn leads to the raising of food prices and insufficient supplies [of food]. This is a separate problem and interesting in that it is readily avoided in all public discussions.

The problem of housing construction requires a different view as well. Experience teaches us that simply increasing the material means for building construction does not solve the problem but does affect budget policy. Therefore, the problem lies not only in the means but also in the method and the plan concept must propose some sort of method.

The employment situation is similar. The infrastructure and social habits alike are causing a waning of the tendency to change one's place and type of work. Social and occupational mobility indicators of recent years have been "set" by a relatively small segment of society. Underestimation of this phenomenon had an effect on the discrepancy between predictions and the actual situation on the job market. In addition, relatively limited changes in the level and structure of employment may be expected in the immediate future in enterprises regardless of the incentive-type solutions. The problem should rather be examined from the point of view of a declining need for increasing employment--this would already be a great accomplishment.

## Production Variant Proposed

Warsaw ZYCIE WARSZAWY in Polish 26 Oct 82 p 3

[Article by Andrzej Wroblewski, consultant to the state minister plenipotentiary for economic reform: "I Propose the Variant of Production"]

[Text] The basic task of the 3-year plan should be the activation of growth processes in enterprises. In conjunction with this and aside from increased production, changes must occur in the technological processes, construction [konstrukcjach] and organization of production. These changes should also create foundations for the gradual reconstruction of the subsector structure of the economy.

This gives rise to the question: Under what kinds of conditions can such a process occur? First of all, the capacity to modernize enterprises must be assured. At the same time, it is worth noting two problems: the depreciation of fixed assets which was also discussed in the "Report on the State of the National Economy" and the incomplete utilization of production capabilities. The depreciation of assets [...] places the entire economy before the problem of accelerating the process of rebuilding production capacities. On the other hand, the incomplete utilization of production capacities creates the opportunity to take on the modernization of technological processes without limiting the already existing level of production and this is very important.

The problem of planning the level at which production capacities in the economy will be utilized should also be examined within this context. The obsession to fully utilize these capacities not only leads to the halting of modernizing processes but is also one of the stabilizing factors [czynnik utrwalania] for the manufacturer's market. Since, to a certain degree, it follows from the doctrine of planning that the level of production capacities should not exceed the demand, a more rapid growth of demand than of production capabilities results in a constant state of imbalance.

Modernization is also a condition for increased labor productivity. We have come to a point where before improving the "industriousness" of workers, we must first improve its effectiveness and this requires organizational as well as technological changes. The concept of more muscle power will not guarantee conditions for stable growth. Production may be increased in this way for a short period of time but under the threat of repeating the situation prior to 1980. That is why in the distribution of the national income it should be anticipated in advance that enterprises will retain appropriate funds. This is one of the determinants for the distribution of the national income.

By taking into account the extent of the economy's fixed assets and especially the amount of machinery and equipment, it is possible to assess the indispensable level of gross capital expenditures which should be implemented by enterprises. The value of machinery and equipment as well as of transportation means may be assessed at approximately 2,500 billion zlotys according to old prices; in other words, their renovation value [wartosc odtworzeniowa] would come to approximately 7,000 billion zlotys. For this reason, the structure of investment outlays proposed in the draft plan for 1983 as well as in the "Concept Variants of the Socioeconomic Plan up to 1985," which anticipates that enterprise investments will amount to approximately 340-350 billion zlotys, is unacceptable. Moreover, this structure is unrealistic from the point of view of the system of enterprise economics because the gross profit will be 3-4 times greater. The limiting of outlays could mean that the undesirable structure of production would be maintained, that the raw material and import barrier would grow and that it would be impossible to make changes in the subsector structure of the economy.

The issue of overseeing the processes of modernization and of changes in the structure of production is often brought up. A thesis is being formulated which suggests that managing these changes by means of the credit system is the most rational solution. Such a thesis is also contained, though not directly, in the document under discussion. However, it appears that the thesis is wrong. With the present scope of the economy, the amount of subjectivity and the degree of complexity of interrelationships, it is impossible to manage the modernization of enterprises directly from the outside. The credit system can and must maintain a decided influence over the reconstruction of the subsector structure. However, in the case of modernization, it [credit system] may function effectively only on a small scale; for example, in limiting the energy intensiveness of production.

On the other hand, the basic range of decisions must belong to enterprises. The state should exert its influence through the creation of norms, systems of attestation [atestacji] and by introducing tax allowances.

There still remains the problem of "enterprises wanting to grow." In practice, an enterprise will "want to" when this will mean a way for the enterprise to improve its economic situation including that of the work force.

This is where we ought to leave the realm of figures and indexes and pass on to the area of psychology. An improvement in the economic situation is not so much an improvement in relation to the preceding period but an improvement in relation to the environment. Wage increases will become devalued by even as much as several dozen percent in the eyes of work forces if in the neighboring "firm" the increases will be five points higher or will be achieved by way of a simple regulation. For this reason, the problem of understanding "equality" should be solved first and then we can start considering how to motivate growth. Unfortunately, it appears that the concept of "equal stomachs" continues to be in the forefront and not the concept of equal opportunity. This must lead to the leveling of wage differences which come about as a result of differences in work effectiveness. At the same time, effectiveness should be understood as the final economic effect of enterprise activity and not the physical effort exerted.

In order to avoid public frustration, conditions ought to be created for the attainment of large wage increases in those groups of enterprises that show growth. This must entail a change in the structure of the distribution of the national income which will be to the disadvantage of that part of the production sphere which achieves lower results and also to the disadvantage of the nonproduction sector including social services.

All of these considerations will have sense if the economy will be stabilized. Otherwise, the proposed solutions may only unwind the inflationary spiral. In taking into account the already activated mechanisms of wage and service increases as well as the recent price shock, the necessity of high wage increases should be anticipated. In turn, higher wage increases require appropriate price increases. The disparity between the level of production and the degree of demand continues to be so great that there is no real possibility of reaching an equilibrium in the near future other than through increased production. At the same time, it is possible to observe a trend toward stabilizing price levels. This requires a new look at price policy. High price increases are always poorly accepted by society even when they are accompanied by significant wage increases. Thus, in order to curb rising prices which is indispensable for economic stability, the limiting of the income level of the nonproduction sector should be taken into consideration.

The above-presented general assumptions of economic policy for the upcoming years have not exhausted all the important problems. I have selected those elements which must indicate the choices to be made under conditions of coming out of the crisis. Of course, this is only the presentation of a certain course of action. Now, the next step should be to provide parameters for

this course of action and to work out the variants of economic policy. The basic variant should be the so-called production variant which would incorporate all decisions for coming out of the crisis as quickly as possible. This variant would have to contain a basic description of the structure of production and consumption which would create a condition for stable growth. It should also evaluate the economic consequences for the particular areas of social and economic life in the acceptance of the policy of intensive growth.

The second variant should be the variant of preserving the current trends of "equalizing living conditions" under the slogans of "bearing the cost of the crisis equally" with a show of incentive for growth activity.

The third variant should be the variant of protecting the social minimum. In this variant, the point of departure would be the assumption that the state would assure everyone's subsistence at a criticial social minimum level. Everything above that level would be the result of individual enterprise activity.

The presentation of such variants in the next phase of work on the 3-year plan would create conditions for making rational choices. The variant currently under discussion in which, for example, differences in the directions of assigning investments (for production, social purposes, etc.) do not have an effect on the level of the national income or consumption, can only lead to the submitting of proposals in regard to improvements of social and housing conditions and to the creation of new social illusions.

## Education, Culture, Health

Warsaw TRYBUNA LUDU in Polish 20 Sep 82 p 3

[Article by A.L.; passages enclosed in slantlines printed in boldface]

[Text] Education, culture, health. It is difficult to decide which of these areas should be given priority during the 1980's in the form of higher financial means. All of them are important and of great social significance. However, meager funds and a small increase in the national income for distribution make it impossible to satisfy every need. What then should we choose?

Before acquainting ourselves with the solution variants proposed in the draft of the National Socioeconomic Plan up to 1985 as well as in the assumptions for 1986-1990, let us take a look at the way the distribution of funds for sociocultural purposes is arranged in the chart below:

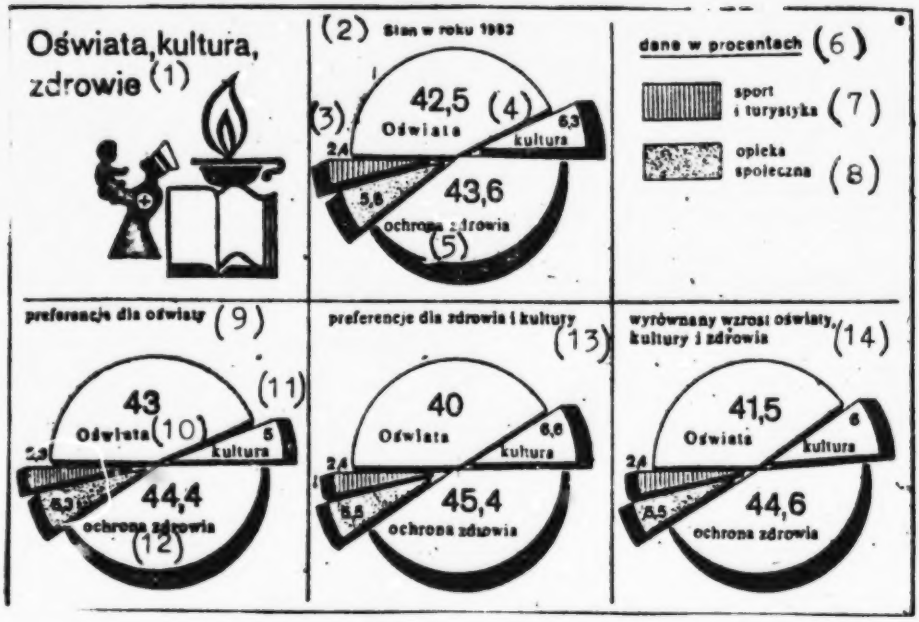


Key:

1. Education, culture, health
2. Distribution of funds in 1982
3. Education
4. Culture
5. Health protection
6. Data given in percentages
7. Sports and tourism
8. Social welfare
9. Priority given to education
10. Education
11. Culture
12. Health protection
13. Priority given to health and culture
14. Equal increases of funds for education, culture and health

What changes can take place during the 1980's and to what degree? To put it somewhat differently: to what extent should these proportions be changed?

Three variants have been proposed in the draft plan for the 1980's.

/The first variant gives priority to education (29 percent increase of funds) at the expense of culture (1 percent increase)./

/The second variant gives priority to health and culture (health--30 percent increase of funds; culture--33 percent increase) at the expense of education (funds increased 20 percent)./

/The third variant assumes a more even increase of outlays for education (24 percent), health (31 percent) and culture (21 percent)./

Now, let us look at the consecutive graphs. They give us an idea of how each of the variants will affect the shape of the general structure of outlays for the particular sociocultural causes.

The editorial staff is waiting for comments, opinions and suggestions from its readers.

Let us give it some thought.

9853
CSO: 2600/80

DEVELOPMENT OF MINERAL, RAW-MATERIAL SOURCES OUTLINED

Mineral, Raw-Materials Problems

Warsaw, PRZEGLAD TECHNICZNY in Polish, 26 Sep 82 pp 8-12

/Article by Zdzislaw Dembowski/

/Text/ In a crisis situation the problem of raw materials acquires particular importance. Both domestic industry and foreign contractors are waiting for raw materials. Coal, copper, sulfur unfortunately constitute the main guarantee of our foreign loans and the main source of the foreign-exchange earnings necessary to meet our current economic needs. Our hopes of breaking out of the impasse in which the Polish economy finds itself are based on raw materials. Our extractive industry continues to be one of the pillars of the national economy. To a large extent, its efficient functioning depends, however, on the effectiveness with which geology can participate in the reproduction of resources depleted through exploitation. For many years Poland's economic development took place under the conviction that the possession of an abundant raw-materials base constituted a sufficient guarantee of unlimited development. In many subsectors of industry this led to an investment policy, mistaken in the long term, based on production technologies which were easier or cheaper to introduce but which were extremely raw-material- or energy-intensive. Such an atmosphere was not conducive to the economical utilization of raw materials and led to the frequently excessive exploitation of deposits and the wastage of minerals. This problem arouses justifiable social concern and demands that effective steps be taken to avoid a further worsening of this negative phenomenon.

Geologists have frequently attempted to introduce rational management of deposits. These have embraced the legal, economic, and technical-organizational spheres. As a result of these actions, a coherent system was created which embraced the cycle, from the surveying and management of deposits, through the phase of their optimal utilization during exploitation, to their exhaustion and the recultivation of the land previously exploited. In practice, however, it turned out that, despite theoretically correct regulations and although there was a certain improvement, the effective protection of deposits and the widespread introduction of rational management of resources had not yet reached a satisfactory level.

In Poland, the management of mineral deposits is regulated by two basic legal documents, namely: the law dealing with geology, and the law on mining. The element which links these two documents is the Resolution of the Council of Ministers No. 94/74, issued in 1974, which establishes the competence of the supervising organs and the obligation of the units that exploit deposits to conserve and rationally manage resources. Supervision of the management of the most important mineral deposits (coal, natural gas, iron ore, salt, and the more important raw materials used in construction) is assigned to the Central Mining Board. The Central Geological Board and the Voivodship State-Administrative Offices supervise the remaining minerals--mainly rock raw materials used in the production of building materials and in road construction.

Out of about 1500 documented deposits which are being exploited in Poland, 380 are subordinate to the Mining Boards; the remaining 1100, together with approximately 1500 so-called "points of exploitation," are supervised by voivodship bodies.

The regulations in force have equipped the supervisory organs to a varying degree with the capacity to enforce these regulations in cases where the principles of rational management of deposits are infringed. Only the mining boards possess real sanctions. In practice, organs concerned with geology can only resort to the tedious path of indirect intervention or administrative action. The primacy of the mining plan and the constantly increasing consumption of raw materials are not conducive to the rational management of deposits. Shortages of technical mining equipment and personnel, together with the inefficient utilization of minerals and, above all, the lack of appropriate economic ratios between costs of extraction and the sale price of raw materials, have had a negative effect on the management of mineral resources, leading to excessive losses of resources and wastage of minerals which have been mined.

Beginning in 1974, the Central Geological Board, within the framework of its competence, took up the problem of rational management of deposits on a broader scale than hitherto. In a relatively short time regulations concerning the specific course of action in relation to conservation of deposits were drawn up and implemented. Although the effects in this area cannot yet be considered satisfactory, certain progress can, nevertheless, be noted, particularly in regulating the management of deposits of rock raw materials whose exploitation had previously not been subject to any substantive or legal supervision. Despite a certain inertia and objective difficulties encountered by units exploiting raw materials, over 330 proposals for the development of deposits were drawn up and approved. This significantly facilitated the current exploitation and the appropriate utilization of resources. Also, in an area of the extractive industry which is sensitive for our economy--coal mining--new regulations established industrial resources for 40 percent of exploited deposits, taking into account the demands for an economic management of deposits. The introduction of regulations governing the economical use of raw materials led to the inclusion, to a greater extent than hitherto, of deposits of 1.0-1.5 meters in thickness among the group of deposits proposed for exploitation. As a result, this brought a considerable improvement—from 42 to 63 percent--in the average percentage utilization of deposits.

The strengthening of the positive effects of the actions so far taken in relation to the appropriate management of resources demands time and consistency in enforcing the principles adopted. The intensification of practical activity and the increase in effectiveness in relation to the conservation of resources ought, above all, to lead to the restoration of correct economic relations in the mining industry. Given the high costs on the world raw-materials market, the limit of profitability in the extraction of minerals has shifted in the direction of poorer deposits—obviously on the condition that the technology of processing advances, so that high standard raw-material concentrates can be profitably obtained from these poorer deposits. Parallel to the process of making production in the extractive industry more economic, in order to expand effective supervision over the management of resources and the implementation of the state's raw-materials policy, a new legal document should be drawn up. This would have the status of a law which would in conformity with the currently changed economic conditions, embrace in a comprehensive manner the problems of resource management, and link this problem more closely with environmental conservation. As far as its detailed provisions are concerned, this document should allow for the establishment of inspection organs whose task would be the effective overseeing of resource management and the extent of resource utilization. These inspection organs should also be equipped with sanctions which would allow the enforcement in practice of such methods of exploitation of deposits and processing of minerals as to minimize the loss of deposit substances. This is a demand which, considering the significance of the problem and society's expectations, should be implemented in the shortest time possible. It should be treated all the more seriously given that the mechanisms which guide the functioning of the economic reform in mining enterprises will not in the least encourage the economical management of deposits. They will be oriented towards maximum efficiency which, in many cases, will conflict with the principle of full utilization of resources—above all, of those with less attractive mining and geological parameters.

There thus emerges the problem of stimulating the mines' economic interest in extracting all resources considered to be of use to industry, and of setting in motion the appropriate economic intensives in order to counteract the exclusion of some resources from exploitation.

To refer to the existing administrative regulations in this area carries little conviction since the effectivneess of these regulations has proved to be very little. It diminishes even further when they clash with economic incentives operating in the opposite direction.

We do not possess a ready-made solution concerning the formation of a mechanism which would create conditions for the fullest possible utilization of resources by the mining plant. This is a task for economists. Nevertheless, it seems that the key to its solution is to be found in taking account of mining profits. The country has a resource base consisting of 3400 documented deposits, nearly 60 different kinds of minerals with total resources in excess of 170 billion tons. Total mineral extraction from approximately 3000 exploited deposits and "points of exploitation" amounts to around 540 million tons of soil minerals and crude oil, and about 6 billion cubic meters of natural gas.

The loss of resources resulting from such a high level of extraction exceeds by several times the above figures. Thanks to intensive geological surveys, these losses have so far been offset by the increase in resources in newly documented deposits, which amount on average to approximately 7 billion tons a year. With the passage of time, the reproduction of the resource base becomes increasingly difficult as a result of the contraction in the number of potential sites of deposits. This means a future rise in financial outlays for each ton extracted and the need to employ increasingly more advanced technology. We must now look for deposits located at greater depths and in more complicated geological conditions. On the whole, there are less rich deposits, with a lower concentration of useful component than those deposits which are currently being exploited. The changes which are being introduced in the management of the national economy resulting from the new status of the enterprise, and the general economic reform which recognizes the criterion of profit as the main motive of activity, together with attempts to establish domestic price ratios for raw materials that are closer to world prices, will certainly play an important role in rationalizing raw-materials policy.

The principle of self-financing in the mining industry will undoubtedly stimulate an increase in extraction. However, only to a lesser extent will it create a stimulus to "invest" in the search for reserve deposits which ensure extraction in a longer time frame. So far, the conservation of raw-material reserves was financed from the budget. Now, with economic justification, it is being suggested that the mining enterprise should participate in financing the reproduction of the raw-materials base, in proportion to the amount which it extracts, sales prices of minerals, and the cost of geological research. The direct consequence of putting production on economic lines is the principle that the price of a raw material should fully reflect the real costs incurred in connection with its production.

Initial calculations have shown that the costs of the whole cycle of geological surveys necessary to recreate the raw-material base amount annually to 1.5-2.0 percent of the value of the minerals obtained, calculated in sales prices. The mining industry should allocate this amount to a fund for geological surveys, receiving in exchange the deposits surveyed and the resources needed for its proper functioning.

Legal, organizational, and economic-financial problems do not, obviously, exhaust the problem of improving the management of resources. The environmental factor also plays a significant role, bearing directly on the mining industry's access to deposits. As a result of mining activity, approximately 47 thousand hectares of land have been taken out of agricultural and forestry use in Poland. In 1980 alone nearly 1000 hectares were taken over for this purpose, while only about 260 hectares were recultivated. Approximately 7 percent of total mineral extraction takes place in strip mines. Over the country thereare more than 30 thousand strip mines with an area of more than 0.2 hectares each. Obviously, most of these only function for a short time, but the impact of their exploitation on the environment continues to increase. Land conservation considerations lead, in turn, to the imprisonment of a substantial amount of resources and large numbers of documented deposits in

protected areas. In many cases these blocked resources constitute a substantial proportion of certain raw materials; for example, 25-30 percent of the known deposits of natural aggregate or road metal. In this situation the problem of managing deposits depends on the search for a reasonable compromise between the needs of the economy and the conservation of deposits and land. We are trying to resolve this dilemma, allocating to use those deposits which are located in areas not subject to conservation. It should, however, be realized that there is successively less freedom of decision as a result of the diminishing possibilities, for natural reasons, of discovering new deposits of favorable qualitative and mining parameters and which are conveniently located from the point of view of transport.

A broad field of activity which constituted the key to the utilization of the reserves in our raw-materials base is the extent to which minerals which have been mined are utilized comprehensively, as well as the use of substitutes for some minerals, which can be obtained through the processing or refining of poor domestic raw materials. The technological level of domestic mineral processing falls short of the needs of the economy. While it is estimated that currently only approximately 18 percent of all minerals mined have been utilized without prior processing, this can hardly be considered satisfactory if it is simultaneously estimated that by 1990 at least 90 percent of raw materials should be subject to processing. Alongside quantitative tasks, a specific role in this field should, though, be played by qualitative tasks, consisting of the preparation and introduction of advanced technologies in order to make it possible to broaden the scope of application of many minerals and the production from them of raw materials of standardized quality commensurate with the demands of the world raw-materials market and the needs of modern industry. This chiefly concerns glass-ceramic raw materials, filler, sorbents, mineral dust, and so on, used in the production of building and electronic materials, paper, chemicals used in food processing, cosmetics, and in agriculture and elsewhere.

We possess appropriate mineral deposits, we are familiar with the technology of processing, we have the capacity to construct the equipment needed to undertake this necessary production which is largely of an import-substitute nature. It should be emphasized that in this field also we cannot count on noninvestment increases in production. There are, however, certain possibilities of identifying raw materials whose utilization demands relatively small outlays and simple technology, and which simultaneously bring a relatively quickly-perceived improvement on the raw-materials market. Although their share of total imports of raw materials does not exceed 3.5 percent, this nevertheless burdens our account to the tune of 500 million foreign-exchange zloties. The search for interim solutions which are important from the point of view of overcoming the crisis should not obscure the main problems which are to be found in the optimal utilization of our raw-materials base of basic minerals (coal, ferrous metals, sulfur) which are, after all, decisive for our balance of raw materials and which will be a significant export commodity.

## Potential, Recoverable Reserves

Warsaw PRZEGLAD TECHNICZNY in Polish 26 Sep 82 pp 8-12

/Text/ Hard Coal

Our per capita production of hard coal, and until 1980 also its export, were among the highest in the world. Only Australia was ahead of us.

Geological recoverable reserves of hard coal amount to over 61 billion tons, and nearly half of them are already being mined. Only a small proportion of them have been surveyed into categories A, B, C—no more than 35 percent--and this does not guarantee the appropriate planning and exploitation. More than 70 percent of documented reserves consist of stoker coals, the remainder of coking and special coals. Reserves of the highest quality coking coal constitute less than 13 percent of documented reserves. Reserves are documented essentially to the depth of 1000 meters. However, at the moment already about 5 percent of recoverable reserves are to be found at a level of 1000-1500 meters. These are largely reserves of high quality coking coal.

In areas designated for future exploitation recoverable deposits up to a depth of 1500 meters have been initially estimated at approximately 100 billion tons. Most of these are located at a depth of 1200-1500 meters, and it can be assumed that current mining technology does not ensure their safe and economical exploitation.

As a result of more than 300 years of industrial exploitation of deposits in the Upper and Lower Silesian Basins, high quality coal reserves in the most convenient geological-mining conditions have, to a large extent, already been exploited or are currently being intensively mined.

In mines which are active or which are currently being constructed, more than 50 percent of recoverable reserves are to be found in thin seams with a thickness ranging from 0.7 to 1.5 meters. Only about 15 percent of our entire production is obtained from these enormous reserves. This is related to, among other things, the extremely difficult technical conditions of exploitation. A substantial portion--60 percent—of hard coal mined originates in medium seams (up to 3 meters in thickness). Such a concentration of mining in these seams causes very rapid exhaustion of the deposits in seams which are most convenient from the point of view of working conditions.

At the same time, reserves in thin seams are frequently underpinned and destroyed as a result of the exploitation of neighboring seams in which conditions are more favorable to exploitation. This causes irretrievable losses of reserves and a shortening of the mines' lifespan. From this arises the need to prepare technical conditions during the next few years which will allow an increase in the mining of hard coal from seams with a thickness of no more than 1.5 meters, as well as the preparation of new technologies on an industrial scale in order to utilize them—e.g., the underground gasification of coal. This is all the more urgent and necessary because more than 70 percent of deposits of undeveloped recoverable reserves and areas designated for

future exploitation, including the Lublin Coal Basin, are to be found in seams of less than 1.5 meters thickness.

During the planning of exploitation, it is currently assumed that approximately 65 percent of recoverable reserves will be utilized. During exploitation, after taking account of related conditions, the index of utilization of documented recoverable reserves becomes 40-45 percent and in extreme cases falls to approximately 30 percent. At the current index of utilization of recoverable reserves during exploitation, the number of deposits developed makes it possible to obtain approximately 200 million tons of coal a year from a period of 60 years. However, deposits of stoker coal, which constitutes more than 80 percent of our entire production, will last for only 40 years.

Because of the rapid exhaustion of reserves of stoker coal in seams more than 1.5 meters thick, which will already have a considerable impact on the concentration and the decline in its production by the years 1985-1990, it is necessary to draw up a construction program for new mines producing this kind of coal.

The appropriate utilization of coal of various kinds and types constitutes a separate problem.

Brown Coal

Brown coal is the source of 23 percent of the energy produced by the country's public-utility power industry, and after construction of the Belchatow and Lubstow mines has been completed and they have reached their ultimate output capacity (in 1990) this share will double. This fuel will thus constitute an essential supplement to the basic source of energy--hard coal--although even the attainment of full output will still not ensure that the country's fuel-energy needs will be fully met.

Geological reserves of brown coal to a depth of 300 meters are estimated at roughly 30-35 billion tons, of which 11 billion tons have so far been documented. The remaining reserves have been poorly surveyed and comprehensive geological work is needed to document them into industrial categories. Documented recoverable reserves of undeveloped deposits have not been fully surveyed (70 percent of them have been subject to a preliminary survey).

The recoverable reserves of functioning mines and those which are under construction constitute only about 20 percent of documented reserves, and the index of their utilization during exploitation is high--an average of more than 75 percent. The loss of reserves directly resulting from exploitation does not exceed a few percent.

Because, however, of insufficient reserves of deposits in the region of Konin and Adamow, it is necessary to take technical steps to make it possible to extract a portion of the deposits which have so far remained untouched.

The full utilization of reserve developed deposits, as well as further investment in brown-coal projects, depends, however, above all on the development of the country's production of mining equipment.

The geological-mining conditions of deposits that are currently being exploited are relatively convenient, although exploitation of the deposits at Turow takes place at a depth of more than 200 meters. On the other hand, the extraction of brown coal in new deposits and in the mine which is under construction at Belchatow will be more difficult than hitherto because of the generally deeper location of the deposits, their complicated construction, and the strong flooding of deposits. Although the calorific value of the coal in most of the deposits is high, nevertheless, because of the large amount of sulfur and alkalines which it contains, its burning will have a negative impact on the natural environment. For this reason it is necessary to work out new technologies for the processing of brown coal, which will increase its energy efficiency and limit environmental pollution.

It is also necessary to consider the possibility of drawing up and implementing a program for the utilization of brown coal, particularly from small deposits, to be used in the heating of small-scale industry and in homes, along with the expansion of existing briquette plants and the construction of new ones, the hardening of brown coal, and so on. Such a program would seem all the more worthy of consideration in that deposits of brown coal are to be found over nearly half the country's area. Its implementation would make it possible to satisfy partially the fuel demands of those regions far from traditional sources of supply.

Copper

Polish copper mining has developed on the basis of rich deposits which have been adequately surveyed. Seventy percent of documented reserves are being mined, i.e., they are located in areas of mines which are either functioning or under construction. The decisive majority of reserve deposits (approximately 80 percent) hitherto undeveloped take the form of ore series, located at depths of more than 1200 meters, currently considered the technical limit for exploitation. Similarly, reserves to be developed in the future are located at depths of over 1200 meters and, in addition, are characterized by poorer mineralization and thinner core series.

The reserve situation in relation to copper ore dictates an economical development of exploited deposits. Losses in industrial deposits during exploitation amount, in the case of ore, to between 20 percent for "free" deposits and 30 percent for deposits extracted from safety pillars. In the case of metal, these losses amount to between 28 percent and 36 percent respectively. We are still losing too much. The varied geological formation of the deposits presents mining with many considerable difficulties in the exploitation of seams of less than 3 meters thickness and those over 8 meters thick. An essential goal of copper mining is the optimal utilization, with the simultaneous guarantee of the appropriate conservation of the land, of reserves in safety pillars whose share of all developed reserves amounts to approximately 25 percent. Alongside difficulties in choosing the most

effective systems for exploiting deposits, the most important problem is the lack of special machinery and equipment adapted to the needs and specificity of this branch of mining. In this area of production there needs to be an improvement in the technology of retrieving valuable elements which appear in the ore alongside copper as: lead, silver, nickel, gold, cobalt, molybdenum, vanadium, rhenium, and selenium. Our efforts must be accompanied by awareness that this branch of mining possesses a base of reserves which, at the current level of extraction (approximately 23 million tons of ore in 1980) and the currently achieved index of utilization of deposits (fluctuating around 60 percent), and taking account of deposits to a depth of 1200 meters, can ensure continuous production for the next 50 years. The development of reserves located below this limiting level can prolong the life span of our mines by a further 15 years.

Zinc and Lead

In the mining of zinc and lead ores, the rational utilization of resources encounters problems similar to those described above in relation to copper ore deposits. Natural factors and the mining conditions in the exploitation of these deposits are, though, even more complicated. Deposits of zinc and lead ore display a nest-like structure with varying degrees of fragmentation, variations on the type of ore (exide and sulfide), and considerable flooding which reaches several cubic meters of water for each ton of ore mined.

Documented reserves of these ores amount to several hundred million tons, of which approximately 46 percent are to be found in active mining areas. Most of the reserve deposits are concentrated in newly-discovered deposits in the Zawiercianski region which have been subject to a preliminary survey. About 20 percent of the deposits are imprisoned in safety pillars.

The share of sulfur-type ore in the total reserves which have been surveyed amounts to approximately 70 percent, which is advantageous to the extent that losses of metal in the exploitation of this type of ore, are lower because of the greater possibilities for retrieval during the refining process. The general index of resource utilization in the exploitation of zinc-lead ores is 60 percent. Thus, given an annual extraction of 5 million tons of ore (in 1980), documented reserves can ensure extraction for roughly 40 years—on condition that the Zawiercianski deposits are developed. While assessment of unsurveyed areas indicates certain possibilities of increasing resources by several further million tons, these are deposits of lower quality and of worse geological-mining parameters.

Taking into account the demands of long-term raw-materials policy, it is necessary to increase our efforts to improve ways of exploiting reserves located in safety pillars as well as the adaptation of machinery and equipment in order to mine deposits of less than 2 meters thickness, and also to introduce enriching technologies to make possible the better retrieval of other elements contained in the ore, and in particular, silver, cadmium, and thallium. Current trends to increase mechanization of extraction and raising productivity in this branch of mining tend rather towards raising recoverability critera. The criteria introduced in 1975 raised requirements of the so-called minimal

thickness of deposits from 1.5 to 2.0 meters, which resulted in a decline in recoverable reserves. A further negative phenomenon accompanying increased mechanization is the so-called depletion of deposits which manifests itself in a declining metal content of mined ore.

Sulfur

In Poland more than one mbillion tons of native sulfur have been documented, of which 55 million tons have so far been mined. More than 88 percent of this has been exploited. These uniquely rich deposits of native sulfur, together with the ever-increasing possiblities of mining them, have meant that during the last decade we have found ourselves the world's leading producer and exporter of native sulfur. Forecasts regarding the development of sulfur mining assessed on the basis of the size of the documented resource base have indicated the possibility of a further strengthening of our position in the world.

In 1980 energy difficulties forced us to introduce new critiera which considerably increased the demands made on recoverable deposits in relation to the minimal thickness of the deposit, the sulfur content, and abundance. Because the new criteria eliminated a portion of the deposits of lower content that are situated in more difficult geological-mining conditions, we expected a high retrieval of geological deposits in excess of that already achieved, i.e., approximately 50 percent.

At the same time, according to the most recent estimates, the index of resource utilization has not improved, despite the fact that the richest deposits are involved. If these procedures for exploitation are maintained, only 25 percent of the documented resource base will be utilized and the remainder will be lost. The eventual exploitation of the remaining deposits depends, then, in the case of drilling exploitation, on repeated heating of deposits, the considerably more difficult smelting of congealed sulfur, and above all on the enormous costs arising from the energy-intensiveness of this method of exploitation.

According to initial calculations by the ZKS Chem [expansion unknown], the resources which can be exploited do not permit us to plan the development of sulfur mining and, moreover, create a real threat that in about 30 years Poland may change from being an important exporter of sulfur to being an importer of this raw material.

The documented resource base of native sulfur, together with the very limited possibilities for increasing it further, shows the necessity to undertake effective action in order to ensure the rational management of deposits and the optimal utilization of their resources. There is an urgent need to improve the technology of smelting in order to reevaluate the profitability of constructing new drilling mines, given the currently accepted consumption of energy for one ton of smelted sulfur and given the simultaneous nonutilization of deposits in the Piaseczno and Tarnobrzeg regions, located at a depth which permits strip mining.

## Rock Raw Materials

Mining of rock raw materials is a significant branch of the extraction industry because of the number of exploited deposits and the scale of extraction. Among more than 50 types of documented and exploited rock raw materials in Poland, two occupy a dominant position. These are limestone for the building-materials industry (cement, lime) and aggregate. The extraction of these minerals exceeds by 30 percent the total tonnage of all raw materials mined in Poland.

The documented limestone resource base of hard building materials exceeds 16 billion tons, of which 5.8 billion tons are exploited deposits. The extraction of limestone for the cement, lime, iron and steel, chemical, and food industries amounts to more than 55 million tons. The reserve resources for the further development of processing industries constitute 85 percent of undeveloped deposits with resources in the range of 10 billion tons.

These are mainly deposits which have only been subject to a preliminary survey and which need detailed investigation. It should be emphasized that in recent years new extractive and processing technologies have been introduced into the cement-lime industry, which has resulted in smaller losses of deposit substances. The output is utilized in a comprehensive manner, as the minute grains produced in the course of mechanical processing--formerly "waste"--are now used in the production of building aggregate, lime fertilizers, and cement clinker.

Losses during exploitation are small--from 5 to 30 percent in the cement industry and 10-15 percent in the lime industry. In the latter, the slightly higher losses result from the higher requirements concerning the chemical properties and granulation of the raw materials used in the production of lime.

A related, but particularly topical problem because of its import-substitute value, is the inadequate utilization of so-called writing chalk as well as certain varieties of pure limestone for the production of technical chalk. Despite the elaboration of domestic technologies, so far the investment necessary to set in motion the production of different kinds of technical, cosmetic, and artists' chalk on an industrial scale in quantitites sufficient to meet domestic demand has not been undertaken.

Unfortunately, because of its high energy-intensiveness, the cement-lime industry must now considerably limit its production, despite the possession of an abundant resource base and extensive production potential.

In the currently dominant construction technologies concrete continues to constitute a basic material. The complementary component to cement in concrete is aggregate, which makes up 70-80 percent of the mass.

Reserves and the location of the aggregate deposits and the raw materials used in the production of artificial aggregate have a fundamental influence on the possibility of developing construction in this country.

The exploitation of natural aggregate deposits leads to extensive devastation of the land. Therefore, in order to observe the demands of environmental protection, the documented general reserves of this raw material, amounting to 6.9 billion tons, have to be reduced by 2.5 billion, i.e., by those deposits whose exploitation cannot be developed. Reserves of undeveloped deposits, forming an eventual reserve for the increase of output, amounts to 2.6 billion tons and are to be found in nearly 500 deposits. Deposits of aggregate are located unevenly over the country. The deposits in the southern and northern regions of the country are of particular economic value because of the high yield and quality. In the southern region alone more than 50 percent (3.8 billion tons) of the country's natural aggregate resources base is concentrated. Most poorly endowed is the central region, in which there are no large deposits of aggregate and where industrial demand must be met by supplies from far-off plants in southern or northern Poland. Research so far does not offer much hope of documenting qualitatively superior deposits of natural aggregate conveniently located in relation to centers of demand. A certain mitigation of the deficit, particularly in the central region, could be achieved by making greater use than hitherto of small deposits with reserves in the region of 30-50 thousand tons, which are unprofitable for key industry but sufficient for local needs.

A base for the production of broken aggregate is provided by reserves of pure rock to be found mainly in south-western, southern, and central Poland, documented at more than 6.6 billion tons.

Reserves of 185 developed deposits amount together to 2.7 billion tons; a further 3.7 billion tons of reserves are to be found in 133 reserve deposits. The possibility of substituting broken for natural aggregate will help considerably to solve the raw-materials problems of the construction industry. The production of both types of aggregate in Poland amounts to approximately 140 million tons, of which 80 percent is natural aggregate and 20 percent broken aggregate. Unfortunately, this production does not fully meet the needs of construction, railway construction, and road building, and a shortage of this raw material is a permanent phenomenon.

It is estimated that, at the current level of extraction and utilization of reserves, the documented resource base can guarantee the production of natural aggregate for about 35 years and for about 70 years in the case of broken aggregate. It should be noted, though, that these global assessments will only be correct if the problems of mining and transport equipment, refining machinery, energy, and also changes in construction technology are resolved. The share of broken aggregate in the production of aggregate should be increased because, in comparison with natural aggregate, the exploitation of solid rock in order to produce broken aggregate is more favorable from the point of view of environmental protection and the extent to which the deposits are utilized.

From one surface unit (1 $m^2$) of solid rock an average of 40 tons of aggregate is obtained. On the other hand, only 4 tons of natural aggregate is obtained from the same area. If geological research is maintained at the current level,

we shall be able to make good the loss of resources caused by exploitation only during the next few years. The economical development of reserve deposits currently exploited is thus a necessity, particularly in the country's current situation.

This review of only some of the most important problems has revealed how complex is the notion of rational management of mineral resources and how a variety of activity in different areas of technology, economics, organization, and law are necessary in order for reserves to be utilized in the national economy.

## Discovery of Precious Metals Deposits

Warsaw EXPRESS WIERCZORNY in Polish 23 Sep 82 pp 1, 2

> /Text/ The metallurgy ministry alone could save 575,000 dollars if it ceased importing just one element--ilmenite. It could, they say, if only this element were to be found in Poland....

And in Poland, in the coastal Baltic region in the Odra estuary near Slupsk, scientists from Wroclaw Polytechnic's Institute of Inorganic Chemistry have discovered two unusual sandbanks. The sand contains not only ilmenite but also zitcon and monazite.

Initial, unavoidably superficial, estimates suggest that the Odra sandbank, which stretches over 450 square kilometers, contains approximately 6 million tons of ilmenite and 820 thousand tons of zitcon. This would supply domestic industry with rare-earth metals for decades to come. The metallurgy ministry's demand for ilmenite and zitcon amount to several thousand tons a year. This would also open up the possibility of exporting valuable minerals. Have we, then, found a gold vein?

The deputy director of the Department for the Rationalization of Imports at the Ministry of Metallurgy and Engineering Industry, Roman Krzeszowski, is exceptionally cautious in his statements on the subject. Of course, the Slupsk and Odra sandbanks have been researched in previous years, mainly to see if their deposits could be used for construction needs. Are they, though, as rich in rare-earth metals as the Wroclaw researchers claim?

Two institutions which, by virtue of their work, are familiar with the country's natural riches—the Geological Institute and the Central Geological Board--consider the abundance of the deposits to be highly problematic. Nevertheless, the Sopot section of the Institute, which deals with maritime geology, has already made contact with the Wroclaw scientists.

Are there, then, grounds for optimism? Nearly every branch of industry has need of rare-earth metals. They are vital to metallurgy, particularly to the smelting of high grade steel, they are needed in chemistry, electronics, and in ceramics. Nuclear technology makes use of them; the most advanced space technology cannot do without them.

Such rare elements as cerium, erbium, and gadolinium can be retrieved from the monazite sands. Gadolinium costs five times more than gold! Even if, then, the deposits turned out to be smaller than the initial estimates suggest, it seems that the game is worth the candle.

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CURRENT INVESTMENT SITUATION REVIEWED

Warsaw INWESTYCJE I BUDOWNICTWO in Polish No 7-8, Jul-Aug 82 pp 3-5

[Article: "Description of the Investment Situation"]

[Excerpt] The current investment situation in the country is characterized by:

--the low level and a continued decrease in the size of investments in the economy and their share in the national product;

--a very wide front of investments initiated in previous years and subsequently halted without any chance of rapid completion;

--linked with the above, a very high level of freezing outlays for investments that were initiated but not completed and also a high level of committed investments, i.e., the outlays that should be earmarked for the completion of the initiated investments;

--a virtual halt on the initiation of new investments, other than apartment construction and small, quick-return investments in industry and agriculture;

--a considerable value of unutilized machinery and investment equipment, either manufactured in the country or imported;

--a decrease in both the efficiency of the processes and the effectiveness of investment outlays manifested in significantly longer cycles of implementation of investments and in the delays in commissioning the facilities for exploitation, as well as in the lower utilization of the production capacity of the invested fixed means in the economy;

--a growing, urgent need for investments, especially in such areas as the construction of apartments, hospitals, and health facilities; in agriculture, the food sector, the mining industry, the raw materials and chemical industries, and in the area of protecting from depreciation the natural environment, as well as industrial and housing resources that cannot be quickly implemented.

Since 1978, the decrease rate of the general level of the investment outlays is as follows (in percents, up to the last year):

in 1979--8.7 percent
in 1980--12.6 percent
in 1981--26.7 percent
in 1982--about 10 percent (in accord with the principles of the plan).

The investment outlays in the economy that equaled 720 billion zlotys in 1978, dropped down to 470 billion zlotys in 1981 and down to 423 billion zlotys in 1982 (in accord with the principles of the plan).

In 1981 the size of investment outlays decreased to the level achieved in 1973, and the number of apartments commissioned for the exploitation, was equal to the 1967 level (the 1964 level per capita).

During the period from 1971 to 1981, the basic production of the construction-assembly enterprises decreased to 32 percent, while the employment in the enterprises decreased only 10 percent and the labor productivity--only 24 percent.

The excessively broad investment front is manifested in the fact that at the beginning of 1981 the investments of the cost-estimate value equaling 2,090 billion zlotys were in the process of implementation.

This value was almost twice as high as the 1975 value. The growth of the generated national income equaled only 47 percent at that time. There was also a significant increase in frozen outlays in the investments that were not completed. At the beginning of 1981 those investments equaled about 770 billion zlotys. The commitment of investments equaled 1,292 billion zlotys. Considering the existing (at the time) investment and implementation capacities of the economy, the completion of the initiated investments would take over 5 years.

In this situation, the central authority undertook action to limit the size of investments and of the investment front. At the end of 1980 and in 1981, the implementation of about 1,500 investments equaling 430 billion zlotys of the cost-estimate value was halted. This decision met with a strong resistance from the economic administration, the regional authorities, and the enterprises and their work forces. However, the economic situation further deteriorated and those numbers proved insufficient. That is why, since 1 September 1981, there was a ban on undertaking the investment tasks pertaining to construction, and in the fourth quarter of 1981, a review of continuing investments was again conducted. As a result, an additional list was compiled, pertaining to the investments halted in 1982. The cost-estimate value of these investments equaled 250 billion zlotys. However, according to the evaluation conducted by the Council of Ministers' Planning Commission, the current limitations are insufficient. Up to now about one third of all the unfinished investments has been halted, while one half of the investments should have been halted (this is when not counting the cost-estimate value).

In 1981 a further increase in freezing investments took place. It equaled about 80 billion zlotys (10 percent), as compared with 1980. At the same time, as a result of significant limitations on the initiation of new investments, the investment commitment fell from 1,292 to about 1.2 trillion zlotys (including about 900 billion zlotys for the investments that were in the process of active implementation). This is about four times as much as the value of the outlays for the investment construction adopted for the 1982 plan.

The structure of the undertaken investments is also unfavorable. Most of them are characterized by high capital-intensiveness indicators and long implementation cycles and time lapses before the return on outlays can be expected. On the other hand, the share of the investments designed to lower the consumption of raw materials and energy used in production is very low, as is the share of investments needed to improve the market production and increase exports.

The currently halted investments are divided into three groups:

--the investments that are planned to be reactivated in the near future without any major changes in their content,

--the investments that will be used for different objectives,

--the investments that will not be implemented.

So far it has been established that a part of the halted investments, equaling about 130 billion zlotys, will not be continued. The value of the temporarily halted investments that will be reactivated depending on the financing capacity of enterprises and their ability to obtain credits, equals about 210 billion zlotys. The value of the investments projected for the implementation after the change in the objectives equals about 37 billion zlotys. The decisions concerning the appropriation and implementation of the halted investments for new objectives will be made by the interested enterprises based on mutual agreements, including bidding, that should be reached by the end of this year.

The fully halted investments will be under the control of the regional state administration bodies (if the investor does not take action to utilize them) that will implement the investments according to their needs and the needs of both small industry and handicrafts.

A considerable drop in the investment outlays, from 720 billion zlotys in 1978 to 470 billion zlotys in 1981 and between 423 and 430 billion zlotys in 1982, resulted in strict limitations on investments in both the material production and the public consumption spheres, including apartment construction.

The current investment situation in the country is a result of:

--the economic policy (including the investment policy) conducted in previous years, and especially in the first half of the seventies;

--an excessively centralized and ineffective system of managing the economy, including the investment system of the previous years that did not curb the tendency to excessive investments and deconcentration of the investment front;

--very difficult current economic situation in the country caused by the deep crisis that has led to the limitations on the investment outlays and to deranged investment processes;

--the purposeful action of the central economic authority designed to limit the size of investments and the investment front in order to improve the market situation and come out of the crisis.

We cannot yet assess the impact of the economic reform on the investment situation in the country, since, in this area, the reform is just being implemented. Furthermore, its results can only be manifested in the future in view of the particular characteristics of the investment process.

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30 December 1982

# East Europe Report

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2354

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30 December 1982

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No. 2354

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## PETROLEUM INDUSTRY DEVELOPMENTS OUTLINED

### Joint Baltic Oil Exploration

Warsaw CZASOPISMO GEOGRAFICZNE in Polish No 1, Jan-Mar 82 pp 79-82

/Article by Anna Sobczak, Gdansk: "State of Crude Oil Exploration in Pomerania and the Polish Zone of the Baltic"/

/Text/ The discovery of petroleum deposits underneath the bottom of the Baltic was accomplished by geologists from the German Federal Republic in the early 1960s. But the petroleum then sold on the world markets had been too cheap to warrant investing capital in the exploration of insufficiently surveyed Baltic deposits. Once the oil crisis increased, however, the FRG began to exploit the crude petroleum deposits in the Bay of Lubeck. The Germans were followed by the Danes, who commenced exploiting the deposits of crude petroleum and natural gas in the Strait of Denmark and in the region of Bornholm.

The discovery in the Baltic served as an inspiration to the Geological Institute in Warsaw, which commissioned Soviet experts to perform surveys. Accordingly, Soviet teams of geologists conducted seismic surveys in the area of northern Poland and in the Baltic during the years 1964-1965 and in 1967.

As the next stage of geophysical surveys, a methodological seismic-magnetic profile was charted from Rugen to Klaipeda (Memel) in 1975 under the "Intermorgeo" program signed jointly with the USSR and the GDR. These surveys were conducted by the Soviet research ship Novator with partial cooperation of the Polish vessel Kopernik which was adapted to seismic research. On the basis of the conducted geophysical studies, deep drillings performed in northern Poland, and analyses of bottom sediments and Polish and foreign literature, the hypothetical geological structure of the Baltic sea-bottom was determined, which made it possible to infer conclusions on the possible occurrence of certain fuel-energy raw materials. In the littoral zone (near Koszalin) certain bore-holes were found to contain thin strata of hard coal. In view of their deep occurrence (about 3,000 m below the surface), the development of these strata is technically not possible at present; as for the technology of underground gasification, it has not been adequately mastered in Poland. Pockets of occurrence of limited deposits of brown coal also were identified in the area between Koszalin and Gdansk. These deposits are not, however, of commercial importance.

Studies conducted in the last 16 years served to establish that the bottom of the southern Baltic lacks a uniform structure. The geologic structures present west of the meridian of Koszalin differ from those present east of that line. In the eastern zone the Middle Cambrian sandstones were found to contain minor deposits of crude petroleum on the Latvian and Lithuanian coasts, in the region of Kalinin, in Gotland, and also near Zarnowiec and Dabki in the Gdansk Voivodship (the bore-holes in Zarnowiec and Dabki yield some 2 tons of crude petroleum daily).

The most promising are the deposits of crude petroleum in the region of Kaliningrad. There, oil-bearing deposits occur at depths of from 1.9 to 2.3 km. In the neighborhood of Klaipeda the yields of the crude extracted from bore-holes reach 50-60 tons daily and not infrequently as much as 150 tons. The yields of the Latvian deposits are close to those of the Polish ones. On the basis of the available geologic surveys it can be concluded that several horizons of sandstones with properties of the Kaliningrad type, that is, with similar potential yields of crude, may be present in the northeastern part of the Polish Baltic Zone at a depth of about 2 km. That region of the Polish Baltic has been intensively explored since the second quarter of 1980 by the "Petrobaltic" International Baltic Exploration Enterprise.*

"Petrobaltic" operates a prototype drilling platform (30 m high, adapted for drilling to depths reaching nearly 7,000 m), purchased in the Netherlands in 1979. So far it has been possible to perform three deep drillings reaching 6,700 m north of Rozewie at distances of 33.7 and, more recently, 90 km from the shore. Brief press communiques have reported that the first two drillings revealed the presence of traces of crude petroleum at depths of 2,700-2,800 m. At the third and so far last location, the drill reached a stratum of Cambrian sandstone, and natural gas appeared in the drilling equipment. The size and extent of the discovered gas deposit have not so far been thoroughly surveyed, as this still requires many studies and expertises.

The geological structure of the western zone of the Polish Baltic is less known. Even so, geological surveys so far point to the existence there of crude petroleum deposits of unknown size. In Miedzyzdroje 10 years ago the first small deposit in that part of Poland had been identified, and it has yielded one ton of crude daily. On the whole, however, the Miedzyzdroje bore-hole has yielded 36,000 tons of crude. Somewhat later a new crude petroleum deposit had been discovered in Kamien Pomorski at a depth of 2,300 m. In terms of the Polish classification, it is considered a medium-sized deposit. Its reserves are estimated at 2 million tons, and so far 1.5 million tons of crude has been extracted from it. Its daily yield reaches 300 tons of crude and 60 cu m of natural gas (Grabow Well). The crude extracted there is of the high-sulfur type.

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*This is a consortium of three countries: Poland, the GDR and the USSR. "Petrobaltic" is a joint stock company operating since 1976. Each member of the consortium contributes one-third of the available capital. The board of this enterprise is located in Gdansk.

Smaller deposits of crude petroleum have been re-discovered in the environs of Miedzystroje as well as Wysoka Kamienska and Blotno. They are led in size by the deposit in Wysoka Kamienna where crude petroleum is extracted at a depth of 3 km under high pressures. That crude, unlike the crude from Kamien, contains no sulfur.

In January 1981 the Blotno deposit in the neighborhood of Nowogrod was discovered. It is to be developed for about 3 months, that being the period for which a permit was granted. This restriction is due to the threat of environmental pollution by the attendant high-sulfur gases.

The extraction of crude petroleum from the bore-holes in Rakow, Wapnica and Petrykozy near Miedzystroje has been resumed, because every ton of crude is of value under Polish conditions and pays off even if additional outlays, such as forcing water into the wells, have to be made. Altogether, about 130,000-137,000 tons of crude petroleum annually (130,000 tons in 1970 and 137,000 tons in 1980) are being extracted in Western Pomerania.

Prospecting for crude petroleum in Central Pomerania was the slowest to begin. Seismic surveys in that region were conducted during 1980-1981 by the Marine and Land Geophysics Enterprise, whose seat is in Torun. These surveys resulted in drafting a plan for further research by the "Geonafta" Plant, comprising a number of deep drillings in the region of Bialogard-Karlino-Biesiekierz and other smaller localities in the Koszalin Voivodship. It is worth noting that already 6 years earlier a bore-hore drilled in the region of Karlin passed through strata of dolomite showing no traces of crude petroleum. Drillings conducted in the region of Biesiekierz in the same period revealed only traces of crude and gas. The resumption of surveys during the years 1980-1981 resulted in identifying an area of about 6-8 sq km running from Bialogard northwestward as promising for drilling. Two deep drillings, "Daszewo 1" and "Bialogard 1," were planned for that area. The operations were commenced from Daszewo owing to its better siting. Daszewo is located on the eastern margin of a ancient marine basin at whose shores should exist, according to geologists, a vast Devonian and Permian coral reef zone overlying an accumulation of crude petroleum. Thus drillings in that area to a depth of 4,100 m were decided upon. The purpose of the drillings was to investigate the gas-bearing capacity of the horizon in the Carbonian and red sandstone formations as well as, at the same time, the thickness of the main dolomite stratum occurring there at a depth of about 2,850 m. However, owing to relative heights above sea level reaching 150 m, the main dolomite strata at the site of the "Daszewo 1" bore-hole were located 71 m higher, i.e. at a depth of 2,779 m. That bore-hole happened to lie in the zone of rifts and crevices in an impermeable dolomite, or it may have been in the area of a so-called barrier reef which, as noted above, may have developed around an ancient sea. The specific geologic structure of that region tends, moreover, to high pressures. At the moment the drill penetrated the gas- and oil-bearing stratum, a violent explosion of gas and crude took place. The explosion may have happened owing to instances of neglect by workers, as manifested in failure to observe safety rules (probably owing to a lighted cigarette).

The nature of the eruption and the course of the fire confirmed the earlier view that the crude and gas reservoir reached at the "Daszewo 1" well must be porous and permeable, because of the attentant intense influx characteristic of main dolomite.

It is difficult to estimate the resources in the region of Daszewo near Koszalin, but this is probably a small deposit, one of the several discovered in recent years in Pomerania.

In the region of Karlin at present only one bore-hole, R-1 K, located about 300 m from "Daszewo 1," is in operation. It yields 120-150 tons of crude daily, which means that its potential annual yield may be about 46,000 tons.

In the first half of July 1981 the Wielkopolska Petroleum and Gas Industry Works took over the bore-hole "Daszewo 1," which is being readied for exploitation, because the principles of economical management necessitate saving the deposit's gas which, through its natural pressure, causes the crude to flow. The extraction of crude at present from "Daszewo 1" would, in the opinion of Engineer Jerzy Szajna, an expert at the Wielkopolska Petroleum and Gas Industry Works, reduce yield to 30 percent. Moreover, according to the same expert, there is a chance that the deposit destroyed during the eruption would regenerate itself autonomously. Extraction from the "Daszewo 1" well will be commenced in 1982.

The oil well in Karlin was recently expanded by drilling a third bore-hole, the E-2K, in which a so-called oil-bearing horizon was discovered. After all three oil wells in the Karlin Deposit begin to be extracted, it is expected to supply the country with about 300,000 tons of crude petroleum annually; this is an amount equal to present-day extraction in Poland. The drilling of the bore-holes R-3K and R-4K in the region of Karlin is being continued; in these bore-holes no crude was found to occur at the planned depth and hence drilling operations are being continued at depths of below 3,000 m with the object of thoroughly surveying the geologic strata underlying the Karlin Deposit. Perhaps one of these drillings will penetrate below the entire deposit and reach the promising level of 4,100 m. Until this is accomplished there is no reason to claim that "big oil" is supposedly a mere pipe-dream.

## Synthetic Crude Oil Development

Gdansk DZIENNIK BALTYCKI in Polish 19 Oct 82 p 3

/Article by Vyacheslav Batrakov; "How Will We Replace Crude Petroleum?"; passages enclosed in slantlines printed in boldface in source/

> /Text/ /Soviet scientists are working energetically on industrial methods for the rarefaction of liquid and solid fossil fuels—bitumens, coal, shale. The first pilot industrial facilities for the production of synthetic crude oil have already arisen./

Such synthetic oil should last mankind many years after the last ton of crude oil is extracted from the Earth's bowels. The reserves of bitumen are fivefold as high as those of crude petroleum, while the reserves of coal and shale are greater by a factor of 100 and 1,000,000 times, respectively.

The problems entailed in the utilization of bitumens ensue from their extremely high viscosity and the fact that they do not occur in pure form but saturate sandstones occurring deep beneath the Earth's surface.

/So now a simple solution has been found: part of the bitumens would be burned under the Earth's surface with the aid of pumped-in compressed air. The heat then released will warm the stratum to the needed temperature and the combustion products will generate an excess pressure expelling the rarefied bitumens onto the surface through operating shafts./

This extraction method subjects the bitumen while still underground to deep chemical changes which as a result enrich it with light hydrocarbons, including benzene. Following fairly simple processing, heavy fuel oil, oils, asphalt and flammable gas can also be extracted from the bitumen. A pilot-industrial facility based on this method is already operating in the region of the Merdovo-Karmal bitumen deposit.

The deposits of shale can be considered inexhaustible, properly speaking. But their utilization, and especially their chemical processing, entails considerable difficulties. Even the best shales (such as those occurring, e.g. in the Estonian SSR) contain at most 10-30 percent of useful components. This means that their combustion results in great quantities of ash that is environmentally noxious.

/But the ash too can be treated as a valuable raw material. It is suitable for, e.g. liming acid soils and can also be processed into building materials./

Although shale is the principal reserve of fossil fuels, for the near future it will not be the principal source of energy and synthetic crude. All hopes at present are placed in the utilization of coal, whose resources should last mankind for hundreds if not thousands of years.

How does, properly speaking, coal differ from crude petroleum? Primarily because it contains little hydrogen but includes admixtures of nitrogen compounds, oxygen and sulfur, as well as mineral substances. Thus if coal is saturated with hydrogen, its chemical composition will be close to that of crude petroleum, while at the same time all unnecessary admixtures can be eliminated.

The technological application of this process is not easy. Even now that the prices of crude petroleum have soared and the technology of obtaining it from coal has been streamlined, synthetic crude is still more expensive than natural. But in the near future the production of synthetic crude will become more advantageous than its extraction from the diminishing deposits. Therefore, scientists in technologically developed countries, even those with considerable resources of the "black gold," are working to further refine the technology of the rarefaction of coal.

At the moment, experimental apparatus for processing coal into crude is being operated at the Institute of Fossil Fuels and a small facility is being built at the Belkovskaya Mine near Moscow along with the largest facility of its kind at the Krasnoyarsk Hydroelectric Power Plant.

The best prospects so far as the production of synthetic crude is concerned face the brown coal of the Kansk-Achinsk Basin. Mined there by the open-strip method, that coal will be very cheap, costing only one-tenth as much as Donbas coal. That is, the production of synthetic crude from that brown coal will also become much cheaper.

The staff of the Krzyzanowski Energy Institute have developed an original facility for processing Kansk-Achinsk brown coal. The crushed coal is heated in a fluidized-bed furnace and turned into gas and tar which last can be then processed into liquid fuel and a valuable raw material for organic synthesis.

## Oil-Field Transformer Stations

Wroclaw GAZETA ROBOTNICZA in Polish 10 Mar 82 p 4

/Article by (A. Kil.): "From Wroclaw to the Oilfields of the USSR: Half a Thousand Transformer Stations"/

/Text/ (Own information.) The personnel of the Wroclaw "Elektromontaz" Enterprise, which specializes in the manufacture of transformer stations, are winning increasing recognition on foreign markets. This is demonstrated by the increasing number of new contracts. This year, customers in the Soviet Union will be provided with 500 complete stations for powering auxiliary stations on oilfields. The assembling of the first 70 stations has just been completed and part of them has already been shipped to the USSR.

"Elektromontaz" will sell to the same customers 30 complete pumps as well as various transformer-station equipment along with switching systems that will be operated in industrial plants, especially chemical ones. The value of exports to the Soviet Union will exceed US$200 million this year.

A total of 34 stations will be supplied to the GDR this year. "Elektromontaz" will also build six stations with switching systems which the Wroclaw ELWRO Plant will install in lime plants in Iraq. Other stations will be shipped to Yugoslavia and Czechoslovakia.

Director Eugeniusz Kowalik said: "We also are short of materials, chiefly of lacquers from the Cieszyn Factory, which demands that we reimburse it for its foreign-exchange input in dollars. Other co-producers, too, are beginning to respond in this manner. Hence we requested the minister of foreign trade for permission to receive foreign-exchange allowances. After all, the exports to Iraq alone will earn us about US$800,000."

1386
CSO: 2600/103

## GROWING CEMA DEBTS SEEN AFFECTING CREDIT RATING

Zuerich NEUE ZUERCHER ZEITUNG in German 23 Nov 82 p 15

[Analysis signed by 'oo': "Precarious Financial Situation in CEMA: Growing Mountains of Debts--Shaken Credit Rating"]

[Text] The countries of CEMA are currently experiencing their worst economic and fiscal crisis. It is no wonder that the confidence of Western banks in the credit standing of the "red economic community" has been badly shaken: Poland and Romania are no longer able to make their payments and other East bloc counties are rumored to be candidates for debt conversion. The scale of CEMA area indebtedness continues to mount steadily--from a 1970 level of a net 6 billion dollars, it rose by 1976 to 39 billion with Western experts estimating the total of CEMA debt to have reached almost 80 billion dollars by the end of 1981. In addition, Yugoslavia must also be counted, which, though only an associate member of CEMA, had run up Western debts to the tune of 18 billion dollars by the end of 1981. The present level of Western indebtedness incurred by European communist countries can be estimated to have exceeded 100 billion dollars.

The other three CEMA members--Mongolia, Cuba and Vietnam--are also heavily in debt. Castro's sugar island has already had to take steps to renegotiate its outstanding loans. The first communist country forced to renegotiate its debt burden was North Korea, as early as the beginning of the 1970's. Though North Korea is not a member of CEMA, it has been successful in playing a see-saw game, oscillating between Moscow and Peking. Its debt renegotiation appears to have done it little good, however, since Pyongyang has so far not even been able to meet its current interest payments. Nonetheless, North Korea continues to buy from the West on cash terms.

The highly respected Wharton Econometric Forecasting Associates organization estimates the indebtedness of the seven European CEMA countries to have reached 123 to 140 billion dollars in 1981, with Yugoslavia's Western debts estimated at 25 to 28 billion dollars, bringing the total indebtedness of the European communist countries--excluding Albania, whose constitution prohibits foreign borrowing--to between 148 and 168 billion dollars. This figure has been disputed by some Western experts since it is already becoming more difficult for CEMA countries to negotiate credits in the West. For example, in 1979 CEMA countries borrowed some 3.7 billion dollars on the European money market while in 1981, according to the findings of the OECD, only 1.5 billion dollars were borrowed, with a scant 150 million dollars being raised in the fourth quarter of that year. According to the most recent report of the Bank for International

Settlements, Western banks had reduced their scale of lending to the East by 2.6 billion dollars in the first quarter of 1982, dropping it further in the second quarter by an additional 700 million dollars.

Many bankers are of the opinion that in the future CEMA countries will be hard-pressed to find non-earmarked financing credit. Loans earmarked for specific projects, on the other hand, may become more significant, with the possibility of several such projects being packaged in one loan.

The most important "finance reform" of the East bloc will continue to be compensation or swap transactions. There are estimates which claim that as much as 40 to 45 percent of East bloc imports (including Yugoslavia's) from the West are already being financed by compulsory compensation exports to the countries of the OECD. This figure naturally includes such major compensation deals as natural gas in return for pipeline equipment. While such transactions do not increase the debt level, they do require intermediate financing to span the time gap between imports and exports. In a number of instances it has even been possible to shift the intermediate financing to the shoulders of the Western firm. Since it is hardly to be assumed that the CEMA countries can do without imports from the West, they will look to press for more such swap transactions, especially so since their own exports cannot be made competitive on world markets.

Table 1: CEMA Net Indebtedness as a Percentage of Annual Exports

| | Indebtedness at end of 1981 (in billions of dollars) (a) | Exports to the West, 1981 (in billions of dollars) (b) | a:b in % |
|---|---|---|---|
| Bulgaria | 2.8 | 1.9 | 147 |
| Czechoslovakia | 3.5 | 2.9 | 121 |
| GDR | 13.0 | 4.8 | 271 |
| Poland | 22.0 | 4.3 | 511 |
| Romania | 10.8 | 4.7 | 229 |
| Hungary | 7.7 | 2.7 | 285 |
| Smaller CEMA countries | 59.6 | 21.3 | 280 |
| USSR | 15.5 | 24.3 | 63 |
| CEMA banks | 3.9 | - | - |
| CEMA (Europe) | 79.0 | 45.6 | 173 |
| Yugoslavia | 18.0 | 2.8 | 643 |
| CEMA (Europe) and Yugoslavia | 97.0 | | |

Source: Wharton Econometric Forecasting Associates (indebtedness); Vienna Institute for International Economic Comparisons (foreign trade statistics).

It appears that even last year foreign trade between the "communists" and the "capitalists" had dropped only slightly in real terms, although the "red" fiscal crisis had already become manifest. Thus, CEMA country exports to the West rose a nominal 4 percent to 45.8 billion dollars, while imports rose by 4.3 percent to 49.7 billion dollars. The deficit in the CEMA balance of trade with the West stood, in 1981, at 3.9 billion dollars, compared with 3 billion in 1980, 6.5 billion in 1979 and 9.9 billion dollars in 1978. These figures are based upon data of the Vienna Institute for International Economic Comparisons, which uses Eastern bloc statistics. When computations are undertaken using Western statistics, quite different results are obtained.

As seen from Table 1, Poland, Hungary, the GDR, Yugoslavia and Rumania all have an above average indebtedness since they had to expend between 2.29 and 6.43 billion dollars for the repayment of their total debt. On the other hand, the USSR, Czechoslovakia and Bulgaria all indicate a good position. What is also interesting is the relationship of debt service to annual returns from exports. In international terms, a level of up to 25 percent is regarded as acceptable. As seen from Table 2, only the USSR and Bulgaria have managed to stay below this magic threshold.

Table 2: CEMA Debt Service 1981[1]

| | |
|---|---|
| Bulgaria | 20% |
| Czechoslovakia | 25% |
| GDR | 40% |
| Poland | 91% |
| Romania | 38% |
| USSR | 7% |
| Hungary | 46% |
| Yugoslavia | 24% |

[1]Relationship of repayments to proceeds from exports of goods and services.
Source: Wharton Econometric Forecasting Associates.

A list of country ratings published in the U.S. periodical INSTITUTIONAL INVESTOR, based on an evaluation by 100 major banks, indicates that the credit ratings of East bloc countries have deteriorated. The USSR, with 66.5 points out of a maximum of 100, is in 26th place internationally. Hungary ranks 42nd, ahead of the GDR's ranking of 45th, Czechoslovakia with 46, Bulgaria 58th, Yugoslavia 51st, Romania 73rd and Poland in 93rd place. North Korea places last, in 105th place. The weak positions held by Czechoslovakia and Bulgaria indicate that the extent of indebtedness is not critical in the determination of their credit ratings.

In this connection the intra-CEMA trade and the mutual indebtedness of the CEMA countries also plays an important role. As a result of sharply increased energy costs, the USSR has achieved large trade balance surpluses with its "little brothers" (with the exception of Romania, which has bought only small amounts of oil and natural gas from the Soviet Union). Over the past 3 years (until the end of 1981), Moscow's foreign trade surplus had reached an estimated 10.9 billion dollars. Of this amount, some 4.3 billion can be attributed to Poland, 3.5 billion to the GDR, 1.7 to Bulgaria, 1 billion to Czechoslovakia and 976 million dollars to Hungary. Romania alone achieved its own surplus of 688 million dollars. Moscow was obliged to cover its trade surplus with CEMA members by the extension of credits. The USSR has also been able to achieve a high trade balance surplus

through its dealings with developing countries which frequently have to be covered in hard currency, a fact which has in turn definitely been a boost to Moscow's creditworthiness.

There are variations among several of the CEMA countries' capacity for payment. Hungary, which had found itself in a difficult economic squeeze, may now be over the hump, having received a loan from the Bank for International Settlements and the promise of help from the International Monetary Fund. The GDR, on the other hand, presents a real puzzle. The country's credit rating has been badly shaken. To help it get back on its feet, long-term supplier credits have been asked for, with which its heavily reduced imports can be financed. Export revenues can then be employed for debt servicing. A number of CEMA countries have also been late in meeting debt payments, such as Romania and, in some instances, Bulgaria. Whether Yugoslavia will succeed in mastering its payment crisis without rolling over its debts has become increasingly doubtful following the resistance on the part of Western banks to the granting of a new 500 million dollar credit.

The CEMA member countries have fallen into debt on this scale because of their hopes in past years of being able to modernize their economies with Western aid, though without having to institute overdue economic reforms. This hope has now been proven a failure. For one, the necessity of such reforms has become more and more apparent because only by this means can the efficiency of their economies be improved. At the same time, they have not succeeded in expanding their export capabilities to the degree that they had anticipated nor found themselves able to market high quality products in the West, the sale of which would enable them to cover their debt service charges. The recession and high interest rates in the West have contributed further to shrinking their export opportunities still further. And finally, the umbrella theory, i.e. the hope that Moscow, in the event of other CEMA countries' experiencing payment difficulties, would backstop their overdue loans and interest payments, has turned out to have been little more than wishful thinking. In Moscow's eyes, each country is responsible for its own credits.

9878
CSO: 2300/73

## BRIEFS

YUGOSLAV EXPORTS TO ALBANIA--Representatives of the Skopje organization Interimpeks-Promet and Makinaimport from Tirana have signed a contract for the export to Albania of Yugoslav sanitary equipment worth more than 1.3 million dollars. The agreement was signed recently in Tirana and will be implemented next year. The Pobeda organization from Novi Sad and the Istra organization from Kule will export their products (amounting to 500,000 dollars) to Albania and the Sarajevo firm, Energoinvest, will export about 860,000 dollars worth of its products to Albania. [Text] [Ljubljana DELO in Slovenian 2 Dec 82 p 2]

CSO: 2800/85

## GERLE ADDRESSES ASSEMBLY CHAMBER ON ENERGY

AU251433 Prague RUDE PRAVO in Czech 21 Oct 82 pp 1, 2

["From the speech by CSSR Deputy Premier Ladislav Gerle" at the second meeting of the CSSR Federal Assembly's Chamber of People' held in Prague on 20 October]

[Text] The safeguarding of primary energy resources essential for the development of our socialist society is becoming one of the most complicated tasks. For this reason, we regard a more economical use of fuels and power as one of the most important tasks facing our economy.

Czechoslovakia has a very unfavorable structure of fuel and energy resources, marked by a high proportion of solid fuels, which account for almost two-thirds of total consumption. These are made up, above all, of domestic coal resources. Roughly 40 percent of the primary resources are covered by imports, especially of crude oil, natural gas as well as electricity, which are clean [uslechtile] forms of energy.

In the eighties and nineties, the domestic extraction of solid fuels will remain the basic primary energy resource. At all levels, including the government, a number of measures have been adopted to ensure the planned coal production, especially in the North Bohemia brown coal basin. They concern deliveries of new complete investment units, raising the reliability of the mining and transport equipment and ensuring the needed numbers of qualified manpower. Last year alone, the number of employees in the North Bohemia brown coal basin increased by 1,300, of whom 1,160 qualified people work directly in the collieries. The growing tendency of delays in capital investment construction and general overhauls and reconstructions of the giant machinery has also been stopped. Additional means, exceeding the original plan, have been earmarked this year to obtain auxiliary mechanisms such as bulldizers, loading machines and so forth.

In spite of these measures, the shortfall of the North Bohemia brown coal basin amounts to 1.5 million tons since the beginning of the year, and the basin will not even reach the extraction level of 1981.

The progress in removing the overburden is not in keeping with the progress in extraction. Despite the greater number of giant machinery available, this year we are achieving only the level of the first years of the Sixth 5-Year Plan as regards removing the overburden. The recoverable coal reserves are thus declining.

In view of the situation in coal mining, throughout this year it has been necessary to apply operative measures in coal distribution. Priority in the deliveries of coal for power generation has been given to electric powerplants, and graded brown coal, in harmony with the plan, has been used primarily for supplying the domestic market.

The operative method of distributing brown coal will have to be maintained throughout the 1982-83 winter period. Its objective is to create by the end of the year reserves of 2.5 million tons of brown and bituminous coal at the dumps of electric powerplants run by the Ministry of Fuels and Power.

Notwithstanding all the aforementioned difficulties, the planned annual deliveries of brown coal of the domestic market will be fully ensured. However, in this connection it is necessary to point out that it is not possible any longer to meet demands for this fuel exceeding, as is sometimes the case, 1.2 tons per housing unit.

As regards the supplies of bituminous coal, there are no serious shortcomings. The deliveries of bituminous coal from Poland and the Soviet Union for power generation will be overfulfilled. Moreover, from Poland we will import roughly 30,000 tons of graded coal exclusive for the needs of the population. A certain portion of the coke production, the production plan for which will be overfulfilled, is also destined for the population.

The supply of heating gasses has been free of troubles throughout the year. This was, above all, due to the regular deliveries of Soviet natural gas and the good technical preparedness of our own extraction, production and conveyance facilities.

The underground reservoirs contain reserves of 2 billion cubic meters of natural gas for the forthcoming winter period.

In keeping with the government's measures of last November, there has been a substantial reduction in the consumption of liquid fuels and propellants. Following the price increase for heating oil, this year -- compared with the same period last year -- the population's consumption has dropped 16 percent. The population's consumption of gasoline has dropped about 12 percent.

The available crude oil must be used, primarily, to develop our chemical industry and to expediently motorize the national economy.

The creation of the necessary fuel stocks in the electric powerplants by the end of this year will be decisive for troublefree electricity supplies in the first quarter of 1983. We consider it, therefore, essential to take certain measures before the end of the year toward reducing electricity consumption by 1 to 2.5 percent, depending on the assessment of the plan fulfillment.

Despite the fact that the increase in the domestic consumption of primary energy resources will be substantially lower than in past decades, we must maintain the planned speed as regards the development of electricity production. The solution lies in the construction of nuclear powerplants.

Last winter (1981-82) the V1 nuclear powerplant at Jaslovske Bohunice was the absolutely most reliable source of electricity. Two additional 440 megawatt units are fully under construction at Jaslovske Bohunice and four at Dukovany. The construction of four units at Mochovce has also started. Everything is ready to begin the construction of the Temelin nuclear powerplant, which will have 1,000 megawatt units.

To launch six 440 megawatt units by 1985 and ensure by that time the production of 15 billion kilowatt hours in nuclear powerplants, many complicated tasks still remain to be finally resolved.

The construction preparedness at the site of the first units of the V2 nuclear powerplant at Jaslovske Bohunice and at Dukovany is between 6 months and 1 year behind schedule. The suppliers of the equipment have not made use of this delay to prepare in good time the delivery of auxiliary and supplementary materials. They also have not prepared enough manpower for the impending concurrently running assembly work. At both construction sites there is a total of about 10,000 builders and 4,000-5,000 machinists and electricians. However, on Saturdays and Sundays hardly a few hundred people work, and justified doubts can be expressed as to the utilization of the Monday and Friday shifts. The annual production of an electric powerplant with four 440 megawatt units is about 10 billion kilowatt hours, which is equivalent to the import of 3 million tons of crude oil or the extraction of 10 million tons of coal for power generation. In the North Bohemia brown coal basin, about which I have spoken critically, some 5,000 workers are employed on Saturdays and Sundays throughout the year to ensure at least the absolutely essential needs of the economy.

In the past 10 years, the demands that the creation of the national income places on energy consumption have declined up to 18 percent. Some easy-to-tap resources and potentials as well as some one-time, nonrecurring streamlining measures have been used to bring this about. However, at the same time there has been a substantial increase in the consumption of nonproduction purposes.

As regards general relative fuel and power savings, in the last 10 years we have registered a favorable development standing comparison with advanced countries. Yet this concerns just the relative development because, in absolute terms, the creation of our national income still places higher demands on energy consumption than in advanced industrial countries.

By 1985, compared with 1980, savings of primary resources ensured by means of technical and organizational measures should amount to 12.2 tons of standard fuel. Aside from this, we will bring about some structural changes in the production sphere which will produce final savings of an additional 2.35 million tons of standard fuel.

The first subprogram [dilci program] — accountable for its fulfillment is the Ministry of Fuels and Power -- concerns the reduction of losses in refining, transforming and conveying fuels and power. By the end of the Seventh 5-Year Plan, savings in this area should amount to 2.4 million tons of standard fuel.

The key projects include switching designated condensing [kondenzacni] powerplants into thermal plants supplying the industry and the population with heat. Heat generation is currently among the bottlenecks of the Seventh 5-Year Plan.

Some 10,000 boilers are installed in Czechoslovakia, almost one-third of which are more than 30 years old. These often technically obsolete boilers with low effectiveness have in the past 10 years been replaced mostly by appliances burning heating oil or natural gas. In view of our fuel-energy balance, this path is no longer feasible. The only fuel available for new boilers is brown coal with a heat value of around 2,400 kilocalories (10,000 joules) per kilogram, with a high proportion of ashes and coal dust.

The CSSR Government's Commission for Fuel and Power Supplies has taken steps to speed up the development of small grate boilers for such fuel. In connection with modernizing the boiler inventory, we are intensively dealing with the development of boilers with a fluid furnace [fluidni ohniste].

The second subprogram concerns the reduction of energy intensiveness in metallurgy and is aimed at achieving savings of 2.7 million tons [of standard fuel].

The energy intensiveness of steel production -- metallurgical production consumes about 20 percent of our primary energy resources -- has declined about 30 percent in the past 15 years. The share of steel production in oxygen convertors and the share of continuous casting, technologies which are advantageous from the viewpoint of energy consumption, is still low.

The Sixth 5-Year Plan included a greater number of such effective projects (continuous casting in VSZ [East Slovak iron works in Kosice], SONP [United Steelworks National Enterprise in Kladno] and SZ [Sverma iron works in Podbrezova] as well as a converter steel plant in Trinec) than is the case in the plan for the seventh 5-year period. This is caused not only by the limit proposed on investments but also by lack of technical clarity and lack of preparedness of the part of the steel mills.

The better utilization of scrap metal and the introduction of organizational measures aimed at lowering energy losses in the technological flow of metallurgical production represent a quickly accessible source of energy savings that places a low demand on resources (the savings is 88 percent with regard to copper, 95 percent with aluminum and 55 percent with iron). Increasing the quality of metallurgical products, which leads to decreasing their consumption, is of fundamental importance.

The third subprogram covers reduction of the energy-intensiveness of engineering production and of the electrotechnical industry. In these branches savings are to reach a total of 1.3 million tons of standard fuel.

The extraordinary importance of the aforementioned sectors as regards the streamlining of the consumption of fuels and energy lies in the manufacture of machinery and equipment for consumer sectors and the nonproduction sphere, machinery and equipment consisting of engineering and electrotechnical products and energy-efficient appliances, such as boilers, ovens, transformers, electric motors, ventilators, blowers, pumps and so forth, as well as household appliances, including first class lighting fixtures. Into this sphere also falls the production of equipment that utilizes nontraditional sources of energy, such as recuperators, exchangers, solar energy collectors, thermal pumps, equipment for producing biogas and similar products. The production of modern equipment to utilize the energy potential of small streams is also of great importance.

An irreplaceable role in streamlining the consumption of fuels and energy is played by the electronics industry, which must supply efficient semiconductor technology for traction motors as well as for stationary motors. It must also develop the production and utilization of the measuring and regulatory technology and microelectronics.

The fourth subprogram is oriented toward the streamlining of consumption in the chemical and consumer industries, by the end of the Seventh 5-Year Plan an annual saving of about 3 million tons of standard fuel is to be achieved in this sphere.

The basis of the fifth subprogram is to achieve a savings in the production of building materials and in the building industry in 1985 of fuels and energy equivalent to 750,000 tons of standard fuel.

The actions, which will conserve fuels and energy if realized, are oriented towards modernizing and intensifying technology with a lower energy consumption, toward reconstructing furnaces, drying facilities and boilers, and toward utilizing waste heat.

In addition to conservation in one's own sectors, there will also be actions which will ensure reductions in the consumption of fuels and energy in other sectors, totaling almost 1 million tons of standard fuel annually.

The sixth subprogram covers the sphere of agriculture and the food industry. In 1985, 880,000 tons of standard fuel are to be saved in this sector.

The most important streamlining measures are oriented toward utilizing waste heat from the compressor stations of the transit gas pipeline for agricultural-food complexes, for bringing about innovations in hot-air drying facilities and for utilizing secondary sources of energy, for example solar energy.

The elaboration of the 1983 draft plan has been negatively affected by inadequately ensured deliveries of machinery on the part of suppliers. The question of the economic effectiveness of the installation of solar energy collectors must also be resolved.

The seventh subprogram covers the reduction of the transportation sector's demands for fuel and energy. By the end of the Seventh 5-Year Plan, 420,000 tons of standard fuel should be saved in this sphere annually. From this volume the transportation sector will save about 230,000 tons; the rest will be saved by rerouting the road freight transport to the less energy-intensive railroad and to river transport, by cutting down enterprise transportation and by savings in public transport.

Raising the effectiveness of how the primary sources of energy in the nonproduction sphere are utilized makes up the eighth state subprogram which stipulates 1985 savings amounting to 1.8 million tons of standard fuel.

Owing to the delays in putting on stream the production and utilization of measuring and regulatory technology and advanced light sources low in energy consumption, the originally determined task has been lowered to 1.4 million tons.

The most decisive measure for achieving the objectives of this subprogram is, above all, to reduce the heat consumption per average apartment. What is involved here is improving the thermal-insulatory properties as well as regulating and measuring energy consumption.

Our households consume a considerable quantity of fuels and energy in various forms. For example, an automobile driven 10,000 km annually consumes about 1 ton of standard fuel in the form of gasoline. Therefore, the new mandatory limit for the consumption of the new type of Skoda automobiles to be manufactured after 1985 has been set at 5.5 liters per 100 km at 90 km per hour.

Systematically innovating electrical appliances while at the same time raising their utility value is another way of saving electricity in our households. In this sense, price-setting authorities have carried out the differentiation of prices of electrical applicances with respect to their varying energy-intensiveness.

The population's consumption of fuels and energy has been subsidized by the state this year to the tune of about Kcs3.5 billion, and in 1985 it will be Kcs 5 billion. Price measures also are being employed to stimulate metals and raw and other materials. When a manufacturer develops a product which saves fuels and energy in the hands of a consumer, the wholesale price of such a product could be raised 20 percent over the previously manufactured product having a higher energy consumption.

The fundamental prerequisite for prices to have an effective impact on thriftiness in the consumption of fuels and raw and other materials is for them to correctly reflect procurement costs. Therefore, the wholesale prices of fuel-energy sources and basic raw materials are being adapted to the developments in costs connected with their import and the domestic production costs.

Despite the fact that we achieved better results in the past period as regards energy-efficiency when creating our national income, expenditures have increased as a consequence of higher energy costs. From this point of view, the economic demands on the creation of the national income have been increasing on an average by 5.4 percent annually over the past decade.

Last year, the individual sectors and regional national committees implemented streamlining actions which saved almost 2.5 million tons of standards fuel in the course of the year, thus fulfilling the prescribed task.

Considerably more complex was the situation as regards the preparation of the executive state plan for 1982. Despite the fact that the overall task to ensure about 2.4 million tons of standard fuel was broken down, the streamlining actions in the first half-year were implemented to the extent that the annual plan was fulfilled by 44 percent. However, specifically controlled actions have only a share of 275,000 tons of standard fuel in overall saving, which in this category constitutes less than 28 percent of the annual plan.

We have also come across a similar situation within the framework of preparing the 1983 executive plan. Although the overall tasks aimed at ensuring savings of 2.44 million tons of standard fuel set by a directive are being ensured, the structure of the streamlining measures markedly differs from the original plans. The share of specific investment actions has substantially shrunk, mainly because if was not ensured on the part of suppliers.

The characteristic feature of our practices in streamlining the handling of fuels and energy is, to a certain extent, the fact that trifling measures predominate and some fundamental plans are being shelved because of a lack of investment means or because they are not ensured on the part of suppliers. A government decree has decided to peg investments to how economically metals, fuels and energy are handled.

Also convincing is the economic effectiveness, for example, of the streamlining program in metallurgy, where the costs of saving 1 ton of standard fuel (about Kcs 3,600) are 50 percent or more lower than the procurement price of coke or heating oils. It is evidently cheaper to invest in streamlining measures to save fuels and energy than to increase the extraction of fuels. A streamlining program must become the starting point for the creation of a plan, but it also must be ensured by the plan. However, we continue coming across the view that someone — the center, the planning commission, the government — must ensure the energy production. The basic intentions must certainly be centrally directed. In the Seventh 5-year Plan almost 40 percent of the overall investments are destined for industrial sectors to develop the fuel-energy base.

To fulfill the tasks determined by the Seventh 5-Year Plan and directly linked to the state goal-oriented program — to streamline the consumption of fuels and energy — one must demand consistent and systematic care from the ranking personnel of all levels of management. In this sense, however, one has to organize the creative activity of the working in the scientific-technical sphere in order to ensure and exceed the tasks aimed at conserving fuels and energy.

An important impetus in this respect is also the resolution of the 10th All-Trade Union Congress. Exceeding the conservation of fuels and energy by 0.5 percent above the task determined by the state goal-oriented program No 2 means the realization in the national economy during the remaining years of the Seventh 5-Year Plan of further streamlining actions representing a final saving of 2 million tons of standard fuel. This means that in individual years one will have to exceed the fulfillment of the tasks of the goal-oriented program by about a half-million tons of standard fuel annually. What is involved is an extraordinarily demanding task, the ensuring of which should become the business of all of us.

CSO: 2400/94

BANK REPORTS ON SLACKENING INVESTMENT ACTIVITY

Budapest FIGYELO in Hungarian No 46, 18 Nov 82 p 20

[State Development Bank report; "Slowly Moderating Investment Activity"]

[Text] In the interest of a further reduction of accumulation, the national economic plan prescribed 178-180 billion forints for investment in 1982. By the end of September the managing organs had spent 106 billion forints of this. This sum is the same as 1 year earlier--instead of the 2-3 percent moderation taken into account in the plan.

Large Investments

Large state investments moderated more than planned; in the enterprise sphere, although the dynamic of payments decreased in the latter quarter, investment expenditures in the three quarters as a whole were still larger than in the same period of the preceding year instead of being reduced as prescribed. The reduction which took place in the third quarter was connected primarily with a gradual moderation of investment expenditures being realized purely from the enterprises' own resources. Preliminary investment data for October indicate a further moderation of investment activity.

The 13.2 billion forints paid out by the end of September for large investments was less than 1 year ago by 14 percent (by 2.2 billion forints). In October, however, one could experience a significant upswing. Even so the shortfall which could be experienced exceeds by a good bit the 1 percent moderation calculated in the annual national economic plan in comparison to actual 1981 expenditures. Of determining significance in this regard is the delay at the Paks nuclear power plant, although a shortfall could be experienced at a number of the large investments under way.

The number of large investments under way decreased from 23 at the beginning of the year to 19--as a result of the completion in the first half of the year of the Szekszard Meat Combine, the Budapest Trash Burning Works, the Budapest Sport Hall and the maintenance of level investment at the Csepel Pipe Factory. On the basis of their present status one can expect completion of two more investments by the end of the year--the Bito II and Halimba III bauxite mines--and of the investments planned for completion this year only the finishing work at the Szekesfehervar Light Metal Works, the semi-finished goods development, will go over to the end of 1983.

Of the large investments under way in the third quarter the 920,000 ton capacity of the combined steel works at the Lenin Metallurgical Works was completed, 3 months ahead of schedule. As a result of outstanding organization the widening of the Arpad Bridge and the reconstruction of Florian Square are progressing very well; the tasks scheduled for this year are being carried out perfectly. The new southern bridge deck was opened to traffic at the end of September, 2 weeks ahead of schedule, and the Florian Square highway overpass was handed over in October. There is a realistic possibility that the large investment will be completed within the approved guidelines and before the prescribed time limit.

Targeted Programs

The 16.0 billion forints paid out for targeted program investments exceeds the base time fulfillment by 5 percent. The national economic plan reckoned with a similar growth this year and this was approached for the first time this year at the end of the third quarter--as a result of constantly increased payments.

Central housing construction expenditures make up more than 40 percent of the targeted program investment expenditures. The 6.7 billion forints paid out by the end of September for housing construction are less than last year by 5 percent. The number of state housing units under construction increased, but this meant that there were more housing starts than last year while the rate of completion decreased.

More than last year, by nearly 30 percent, was turned to development of hydrocarbon prospecting, storage and distribution--in harmony with high level decisions taken to improve the situation of our energy management. A number of significant investments were started in this target group this year. Of the developments under way, exploitation of the Battonya oil field and the development in the interest of maintaining the level of Algyo oil production are progressing well.

Development of the grain storage network, being realized in the competition system, is progressing well; more than 2.5 times as much as last year has been turned to this. The investments begun in earlier years have been realized on schedule and the railroads and farms have begun storage construction well, using their own resources. The guiding and financial organs (Ministry of Agriculture and Food, National Planning Office, Ministry of Finance and State Development Bank) jointly approved competitions exceeding the number planned, which made possible an input of resources from the developers themselves totaling more than prescribed. It is foreseeable that this year the farms and grain trading enterprises will make use of 241,000 tons of storage capacity.

The ministries, chief authorities and councils used 13.3 billion forints, 60 percent of the plan prescription, for other state investments. The rate of expenditure increased month by month, and by the end of the third quarter expenditures exceeded those of the same period last year by 1 percent, instead of the planned decrease.

The councils spent 6.6 billion forints, 2 percent more than last year, on other state investments under their jurisdiction--primarily on educational and

cultural installations, water management and public utilities development, installations connected with housing and for development of transportation.

In the Enterprise Sphere

In the first three quarters the managing organs turned 63.3 billion forints to enterprise investments. Payments exceeded those of the previous year by 3 percent, instead of the planned 3-5 percent decrease, which was made possible by extra resources coming from use of reserve funds and from profits available, greater than planned.

Investment activity in the enterprise sphere was more lively than last year and more lively than planned, but a marked moderation could be experienced in recent months as compared to the 8 percent growth of the first half of the year. This shows the effect of a series of measures to reduce purchasing power and reduce nonruble accounting imports. The slowing was stronger in the sphere of state enterprises and weaker among cooperatives. In addition to the measures intended to hold back the upswing in investment activity a braking effect was played also by the exhaustion of credit and by extending and broadening the ban on support decisions. More than half of the authorized credits serve preferred goals; the share of credits aiding energy rationalization, proportional development of industry and production of products which can be sold economically on every market are the more significant ones.

This year there have been 635 requests for relief from the ban on support decisions, for purposes of energy rationalization, and a decision was made on 306 investments. The increased possibility for the year, 2.2 billion forints, was used up by September.

The contracts for construction and assembly work of an investment character of the contracting construction industry to be carried out in 1982 decreased by 1.2 billion forints as compared to a year ago (decreased to 74 billion forints). But the contracts for work of a maintenance character, and their ratio among all contracts, increased. The total of rejected construction demand can be put at approximately 4 billion forints, which represents the value of 15 days construction, and reflects an essentially balanced condition.

The 21.6 billion forints turned to domestic machine acquisition indicates a 4 percent increase in demand. The 12.4 billion forints turned to machine acquisition in the ruble relationship is a moderation of 15 percent as compared to the same period last year--in contrast to the expectations of the plan. By the end of September investors had turned 12.8 billion forints to investment machine import from the nonruble relationship. Instead of the reduction in expenditures calculated in the plan there was an increase of 3 percent, but the climb experienced in the first half of the year was brought to a halt by the measures taken for this purpose.

8984
CSO: 2500/54

## PROSPECTS OF BAUXITE MINING WEIGHED

Budapest MAGYARORSZAG in Hungarian 14 Nov 82 p 25

[Article by Sandor Arvay: "Searching for Bauxite"]

[Excerpt] Bauxite was first found in our country in Gant in the Vertes Mountains (in 1920), and production began a few years later. Mining, which relied mostly on open pit excavation, requested the opinion of experts for mapping various areas, and even though a nationally coordinated bauxite exploration plan did not yet exist at that time, this era was still significant from the future's point of view. Two famous geologists, Karoly Telegdi-Roth and Elemer Vadasz established an actual bauxite geology school which operated at worldwide standards. This provided the appropriate foundation for the organized exploratory activity which started after World War II. (By the way, Vadasz is also credited with discovering and establishing the extent of Greece's bauxite fields in the 1930's.)

Locating the rock is no easy matter—especially not in this country. That is, while the so-called laterite-bauxite is found in many countries and is associated with characteristic surface formations, primarily karst bauxite is found in Hungary; this fills up the limestone and dolomite depressions, and in addition it is covered with a surface cover layer.

So where should the mines be located? It was soon discovered that the central mountains of Transdanubia were rich in bauxite. The best known site locations are Gant, Iszkaszentgyorgy, Halimba, Szoc, Iharkut, Fenyofo, Nagyegyhaza and Nyirad. In Hungary, the job of the Bauxite Exploration Enterprise (headquartered in Balatonalmadi) under the direction of the Aluminum Industry Trust is the mapping, while Fejer Megye and the Bakony Bauxite Mines are handling actual production. These enterprises employ more than 4,300 people in exploration and in mining.

Long exploratory work precedes the establishment of each mine, during which the experts try to find answers to three questions: what is the shape of the bauxite deposit underground; how deep does it run; and what is its composition? The Hungarian-Soviet Bauxite Aluminum Corporation established in 1950 (MASZOBAL) operated a bauxite exploration expedition, then since 1954 the Bauxite Exploration Enterprise has been performing this work. In 32 years they have drilled more than 2 million meters of exploratory drilling, and spent 1.5 billion forints on the search.

The size of the exploratory work is illustrated by the fact that an additional 4 million meters of drilling is needed to fully establish the size of the Hungarian bauxite inventory. Is this much or little? It is very much at today's prices: it will cost nearly 8 billion forints. But this is an acceptable sum when we also consider the value of the bauxite brought to the surface: more than another 100 billion forints' worth of this treasure is still concealed underground. According to the calculations, the explorations will still provide geologists with work after the turn of the millennium. At the present rate of mining, the Hungarian bauxite stock will predictably last until the first half of the next century.

The bulk of the currently known reserves is located under a cover layer of less than 200 meters in thickness (the limit of open pit mining is 50 meters), and only in the vicinity of Many is the bauxite known to be under more than 400 meters of cover. With respect to quality, the Hungarian "red dirt" is mediocre: its aluminum content is adequate but it contains more than the average amount of silicic acid. While the bauxites of Guinea, Australia, Jamaica and Brazil have moduluses mostly over 10 (the number indicates the ratio of aluminum oxide and silicic acid found in the ore, or the impurities), the Hungarian ore's modulus averages 6-7; but in some countries they even produce bauxite with a modulus of 3-5. Domestic consumption has gradually decreased from the original modulus of 15-17 to half of that today (the expected reserves also promise this same quality), while the bauxite we export has an average quality modulus of 5.5.

Nyirad and Heviz

The present technology of alumina factories is gradually establishing a limit for a further decrease of the modulus. Selling the mediocre-quality Hungarian bauxite and exchanging it for imports with good averages would not be profitable for two reasons. That is, there is more profit in processing bauxite than in exporting it, and also (due mainly to the extraordinary transportation costs) we could only obtain imports for two or three times the price of the domestic bauxite. Because of the lower processing costs, it is to the national economy's advantage to mine the better quality portion of the ores now, but we must expect that around the turn of the millennium the lower quality bauxite will also be sent to the alumina plants; we must, therefore, continue to improve the technology and equipment to process such bauxite.

Technological improvement is the key question anyway in the Hungarian bauxite-alumina-aluminum production chain, and within this it is also the basis for bauxite exploration. Efficiency can be improved with the aid of the allied sciences. Even though the instruments of the Lorand Eotvos Institute of Geophysics do not directly identify bauxite, they do indicate if there is a dolomite or limestone layer in a given depth and if it has a certain size depression in it. The detailed ancient geographic and geomorphological maps also supply much help, as do aerial observations, primarily in recognizing the shallow, small-depth bauxite fields. The mapping work of the Hungarian State Geologic Institute is such a preliminary exploration for the bauxite people.

Hungary's bauxite mining supplies 3 percent of world production. In international respects, we are among the top 10 producers (the order is Australia, Guinea, Jamaica, Soviet Union, Surinam, Brazil, Greece, Yugoslavia, Guyana and Hungary); the annual average of 3 million tons of bauxite brought to the surface is completely sufficient for the aluminum industry—as long as the technology of alumina production appropriately adjusts to the way the quality of domestic production changes. Of the present mines (based on estimates of their reserves), only the one in Halimba and Bito II will see the 1990's, therefore it is necessary to replace the others with new ones. The Nyirad region and the three large finds in the Northern Bakony Mountains (Iharkut, Fenyofo, and Bakonyoszlop) have high promise. The Nagyegyhaza plant (near Tatabanya), which will start up in a few years, and which is being built within the framework of the investment started by the Hungarian Coal Mining Trust, promises large reserves.

The matter of mining's side effects cannot be ignored. In the consideration of the harm done to the environment (protecting the ancient pine forests at Fenyofo, recultivation and operation of abandoned mines), nowadays the focus is on the Nyirad-Heviz debate. Bauxite mining in this region is applying the method of active water conservation: water is being pumped from the dolomite cavities to the surface through 30 shafts, thus lowering the ground water level, opening the way for mining deeper and deeper. Dolomite water obtained in this manner supplies the residents of vacation homes along the Western part of Lake Balaton, [the cities of] Ajka and Papa receive their drinking water from here, and the quantity pumped into Tapolca Bay significantly improves the lake's water composition. But, according to the studies, the water lift's effect is also felt in the water supply of Lake Heviz 40 kilometers away.

Thus the interests are conflicting with each other, since bauxite production yields important foreign currency income; so does the medicinal effect of Heviz, and protection of its health care and the value of foreign tourism.

The rate of production at the present time is far from ideal with the restricted water lift (a maximum of 350 cubic meters per minute). A faster mining rate seems practical and advantageous to the national economy. But it is absolutely necessary to make a move: maintaining the present situation is perhaps the worst thing since this way both parties are being harmed, and by postponing the decision time and time again, a decision is actually still being made...

Scientific Work

After the 1920's when the Hungarian bauxite geologists were carefully feeling their way around and set up a school, they learned the methods of industrial bauxite exploration with Soviet help. They are standing on their own feet by now and are considered to be even internationally recognized experts. The International Bauxite, Alumina and Aluminum Scientific Association has a Hungarian vice president, and the Hungarian experts are

also doing significant work in the scientific program of the International Geological Union dealing with lateritization. The rest of the world is studying Hungary's example in the areas of bauxite genetical explorations, chemical and petrographic material studies, as well as practical exploration and how to organize it, active defense against water and how to deepen the water removal shafts by drilling.

Mining-exploration geology is actually an empirical science, projecting facts learned in reality to areas that have not yet been mapped, and using its own experiences derived from general rules, as well as the help of associated sciences, it tries to reason out the location of areas suitable for mining. A science conforming to the needs of production must know in which regions and with what methods it is worth exploring.

8584
CSO: 2500/48

## OFFICIAL TELLS OF AGRICULTURAL ACHIEVEMENTS, NEEDED REFORMS

Budapest OTLET in Hungarian 28 Oct 82 p 4

[Text] Miklos Villanyi, State Secretary of the Ministry of Agriculture and Food, was a recent guest speaker at the lecture series on reform sponsored by the Kossuth Club. In response to the question as to whether or not there had actually been some reform in agriculture and whether additional measures were necessary, he responded with a decisive, "Yes." The economic crisis of the 80s requires adjustments in agriculture. "If we act as quickly as possible, today's tensions can be resolved." The uniqueness of the agricultural reform, he feels, is that it need not hinge on reforms in other industries. It can act before other measures are implemented. Here, too, we must continuously meet international standards which are very high. Sometime we can surpass them; at others, our efforts are in vain. We can take pride in the fact that production value per hectare amounts to $600, equalling that of Italy and France; that per capita value of production is better still, second only to Holland; that per capita export of foodstuffs matches statistics for the U.S.A. We invariably do very well in production of meat, corn and wheat.

Although we play no decisive role in world agricultural commerce, Hungary ranks as a great power on world markets for poultry, eggs, apples and sunflower. Where we fail to measure up is in horticultural production. Insofar as potatoes and sugar beet production are concerned, the supply of resources and material lags behind that of the Common Market countries and even that of some of the CEMA countries.

Of what concern is the fate of potatoes, rabbits and snails to us? In a sense it affects us all directly, because agriculture accounts for 20-25 percent of total Hungarian exports. In absolute figures this amounts to one billion dollars. Although this figure is too low to justify the conviction held by some that agriculture is the salvation of the Hungarian economy, it is nonetheless an impressive figure, one that increases annually with sufficient reliability to warrant our basing our hopes on it. Indeed, agriculture can be one of the roads in this period of seeking paths to the nation's future. However, agriculture cannot proceed alone.

Is a reformulation of agricultural policy necessary? No, according to Villanyi, but we must be aware of the fact that the road we have followed successfully so far is no longer smooth, that there are obstacles which need removing to clear the way for some new approaches.

Agriculture will gladly risk, in fact desires to risk removal of the double barrier which blocks it from foreign markets. One such barrier is the foreign trade enterprise which is often an oppressive obstacle between agricultural producers and the world market. The second is the processing industry the role of which is detrimental when it holds a monopoly over the producer. Of course, both barriers provide protection. Without them, the producer would often be defenseless. But agriculture no longer needs to be sheltered in a hothouse.

Surprisingly, Villanyi said that the domestic food market was saturated, that domestic demand can be met in full. Intermittent shortcomings in quality, selection or goods are due to faulty organization and can be remedied.

In fact, massive surpluses are sometimes produced as was the case with apples this year. We have yet to learn to cope with overproduction. In this, we lack practice. Agricultural production will probably increase by about 2 percent in the coming years. It could achieve this more rapidly and actually does when the market permits sales at realistic rather than dumping prices. However, even this must be accepted at times because every cent counts.

Hungarian agriculture is flexing its muscles and asks for greater latitude. In return, it will be more productive. It needs only to realize in the near future that what is truly modern is also less expensive.

CSO: 2500/73

## PROSPECTS OF POLISH-AUSTRALIAN ECONOMIC TIES ASSESSED

Warsaw SPRAWY MIEDZYNARODOWE in Polish No 5, May 82 pp 67-80 [signed to press July 1982]

[Article by Waldemar Niemotko, legal advisor: "Australia as an Economic Partner of Poland"]

[Text] It is not an easy task to find the optimal criteria for shaping the economic relations between Poland and Australia. The cosmopolitan and psychological differences, the different cultural traditions and significant distance, require constant searching for ways toward developing bilateral relations which would take into account the regional and global political-economic considerations.

Economic exchange between Poland and Australia is conducted according to the traditional principles that were characteristic of 19th century trade. It is a simple exchange of goods based on the natural complementarity of the economies of the two countries. The exchange does not reflect many of the existing technical-organizational solutions leading toward the development of agreements between both countries. The proposal to introduce changes in that area is supported by the tendency, common in the world, to enliven economic exchange between states by replacing the natural labor division with a mutually agreed upon international division of industrial production, based on considerations of the principles creating new economic order in the world.

### Characteristics of the Economy

The Australian Commonwealth is a highly developed industrial-agricultural country that benefits from both the production and export of agricultural products, as well as mining (1/3 each in the volume of total exports).[1]

Australia is the largest wool producer in the world.[2] (90 percent of production is exported; wool fleece constitutes 4/5 of the total wool export). Wheat occupies the leading place in crop production (in fertile years, most of the production goes for export), then barley, oats, sorghum, sugar cane, fodder crops, and fruits. Numerous herds make possible the export of a significant part of the beef, calf, and lamb produced.[3] The country is also known in the world market for its production of sugar, dairy products and processed foods and fruits.

Among rich deposits of mineral resources, the following are being mentioned: coal (second place on the list of world exporters),[4] iron ore (first place in world exports, in spite of entering the foreign market as late as 1965), uranium (about 16 percent of the deposits feasible for exploitation in all capitalist countries), metallurgic sands (the largest world exporter of the basic raw products for producing zircon, tuthenium, ilmenite, and monasite), oil and natural gas (65 percent of domestic needs), nickel (third on the list of exporters), lead (third among the exporters), zinc (second largest exporter), copper, tin, manganese, tungsten, silver, gold (the first discovery of deposits by Pawel Edmund Strzelecki in 1839), antimony, salt, phosphorite, etc.[5]

A mention should be made of the significant financial outlays for exploitation of undersea deposits of hydrocarbons (especially in the area of the Bass Strait, with a particularly involved participation of the Esso and Broken Hill Proprietary Companies) and the participation in an international consortium working on the improvement of methods for extracting manganese nodules from the bottom of the Pacific Ocean (Broken Hill Proprietary Company).[6] Australia is also actively participating in efforts to establish international rules for future exploitation of the mineral deposits of the Antarctic.[7]

Taking under consideration that the Australian continent is located away from the world markets, it is difficult not to take notice of the important role of maritime transport in serving the foreign trade needs of that country, especially since most of the exports involve bulk shipments. The role of coastal navigation is equally important.

Economic Policy

The fact that the structure of the Australian economy does not foster emergence of giant industrial-trade firms should be positively evaluated. On the list of the 500 largest world corporations (with the exclusion of the U.S.A.) only four are Australian firms. (Table 1)

The firms are relatively small in comparison to the world's largest American oil concern, Exxon, whose sales in 1979 amounted to 79,106 million dollars, assets reached 49,490 million dollars, and the net profit was expressed as 4,295 million dollars.[8]

The economic development of Australia demanded large capital investments from abroad at its very beginnings. Nowadays, this matter becomes important because Australia is attempting to increase the exploitation of her natural resources, which is difficult, considering an insufficient understanding of the deposits and the relatively low degree of extraction. There are systematic efforts aiming at attracting foreign capital, especially in the area of geologic and geographic exploration and the extraction of resources. Foreign investment of capital exceeded 15 billion dollars, with American investment constituting the largest group (5,064 billion on 30 June 1979).[9]

The process of buying out Australian property by foreign capital[10] and the resulting control over numerous, vital sectors of the economy of the country[11]

creates understandable concern. In the manufacturing industry, 40 percent of the profits earned by the 200 largest enterprises come from enterprises controlled by foreigners; in the mining industry the percentage exceeds 50.[12] It should be taken into consideration that about 800 American and over 80 West German,[13] plus many Japanese, British and other Western European companies have their branches or representatives in Australia.

The tendency toward "Australianization" of industry, a natural self-defense reaction in this situation, has been displayed, for example, in the exemption from obtaining approval for new investments in case of those foreign companies which currently have a 25 percent Australian ownership and a commitment to increase that share to 51 percent. Another indication of such tendencies would be to guarantee a wider participation of Australians on the boards of foreign corporations and imposition of the duty to publicly disclose the effects of activities in Australia (as Australian companies are required to do).[14]

The liberal-agrarian coalition led by Premier J. Malcolm Fraser since the end of 1975 is continuing many points of foreign policy from the era of the Labor Party government under Premier E. Gough Whitlam (1972-1975).[15] The policies of the successive cabinets sometimes displayed outright paradoxic examples.[16] Being a member of the ANZUS Treaty--and until 1973, in the SEATO Pact--and extending to the U.S. the right to maintain military bases on its territory,[17] Australia took a negative position toward some of the aspects of the Vietnam War[18] and sharply protested the French thermonuclear experiments, especially those that were conducted during 1973-1974 in the southern Pacific.[19] In spite of benefitting over many years from the economic activities of hundreds of American corporations on its territory,[20] Australia expressed an official objection[21] to the announcement by the Virginia-based Deepsea Ventures, Inc. of a claim to exclusive exploitation of the manganese nodules deposits in a selected area in the northern Pacific.[22] In her drive toward maximal geographic diversification of trade and economic cooperation, which accelerated when the United Kingdom joined the European Common Market in 1973, Australia has, for several years, been substantially developing trade exchange with Japan,[23] the only country that ever threatened her independence. Nonetheless, in political, military, and economic-investment matters, the U.S.A. and Great Britain continue to occupy a major place. While politically and economically Australia belongs to the countries of the rich North, her geographic location places her in the zone of the poor South states. Although having a solid structure of a free market economy and maintaining trade exchange with the developing countries (especially the ASEAN group).[25] The export of Australian goods to countries with a planned economy system (especially the PRC) has begun relatively recently.[26] To the credit of the lasting Laborite government belongs the "opening" of Australia at that time to the world at large, including the socialist countries.

Population and Its Professional Characteristics

Australia has a population of 15 million, a huge territory of 7,682,000 square kilometers, and a density of population of two persons per square kilometer. The respective figures for Poland are 35,578,000 population, 313,000 $km^2$ of area, and a population density of 114 inhabitants per square kilometer.[27] In the 70's, 86 percent of the population in Australia lived in cities (58 percent for Poland).[28]

The problem of qualified cadres--besides the menace of a lack of water in significant parts of the country--can be considered the main subject of preoccupation in implementing all developmental programs in Australia. Shifting whole branches of manufacturing and services to the demands of the global scientific-technological revolution is unthinkable without appropriately prepared cadres. A special report by the committee of experts led by Rupert Myers that was submitted to the federal government in 1978 contained a statement that only the better educated workers and those distinguished by their mobility, ability to adapt to new conditions and capability of receiving additional vocational retraining, could benefit from technological progress.[29] In the interim, the narrow demographic basis demands continued reaching for immigration reserves and specialized contract employees from across the ocean (e.g. the 1975 engagement of British lawyer, Elihu Lauterpacht, for the purpose of competent representation of Australian interests in the General Assembly of the U.N. and in the Conference on the Law of the Sea[30]), not to mention the traditional education of a significant part of the intelligentsia and leading political cadres[31] at British universities or the use of a British model in some of the important fields of the economic life (e.g., legal system, banking, insurance, maritime industry). Australian immigration policy for years has been based on the principle of seeking a qualified, cheap labor force. This area is reflected in Australia's ethnic policy, based on multicultural principles, i.e., with a respect for cultural, scientific, and civilization achievements of individual ethnic groups. There is a belief that these achievements should not be restrained in order to maintain the growing national cultural wealth of Australia. Undoubtedly influenced by the observation of the negative phenomena in the social life of U.S. and Great Britain, a view has been formulated that each ethnic group living permanently in Australia ought to have its own intellectual elite in order to prevent germination of attitudes of frustration, and consequently, the tensions created by feelings of racial or ethnic discrimination.[32]

Statistics for patent applications show that of the total of 15,936 applications submitted in Australia in 1980, only 6,582 (41 percent) were authored by the local inventors.[33] Foreign royalties show a negative balance that amounted to 62 million Australian dollars in the 1972-1973 fiscal year and increased to 78 million in 1978-1979 fiscal year.[34]

Problems exist in the area of labor unions organization. Their influence on the conduct of public affairs is analogous to the role of the labor unions lobby in the functioning of the U.S. Congress.[35] The recollection of resistance by miners from gold mines around the hotel Eureka in Ballarat in 1854, against the authocratic forms of the colonial authorities, which became the foundation of the contemporary egalitarianism in the Australian society, is deeply engraved in the minds of the Australians.[36] "Whitlam leads the country toward a leftist republic governed by labor unions"--these words, spoken by a leader of one of the opposing parties, are characteristic of criticism of the then premier of the Laborite government.[37] Today, 55 percent of the total employed (2.9 million persons) belong to 315 labor unions that vary in character.[38]

## Legal-Political Framework

As in all countries of the Commonwealth, the legal system of Australia is based on British law. The functioning of the legislature on a written constitution and the division of functions between federal and state authorities (with significant diversification among different states, especially in the area of civil law) resembles the political institutions of the U.S.

The primary source of law is precedent from Australian court decisions, fashioned under great influence from British jurisprudence, encompassing among others, a broad area of civil-legal relations, trade included. Nonetheless, there is a trend toward the growth of legislative law. While during the decade ending in 1969 there were 6928 legislative acts (federal and state) the following decade closed with 9703, a 40 percent increase. Is should be noted that the rate of increase in federal legislation was relatively lower than that produced by state legislatures or the countless executory decrees.[39] The areas legislated by the federal government include among others the following fields of law: banking, bankruptcy, domestic relations, criminal law, patents and the related fields of trademarks and copyrights, and a wide area addressed to administrative matters. Australia, during the postwar period, surpassed its own previous record for the number of international legal acts incorporated into its municipal legal system (during the years 1901-1978, Great Britain incorporated a total of 264 international agreements, Australia--281).[40]

From the point of view of the current trade turnover with Poland, it should be noted that Polish goods are subject to general tariffs which are 10 percent to over 20 percent higher than the preferential tariffs applied to goods from Great Britain, Ireland, Canada, and Papua New Guinea. The preferential tariffs have separate application to goods produced in New Zeland and the developing countries. Besides the tariff, the Australian duty system provides several kinds of other payments, for example, the additional fee, special duty, sales tax, and excise tax. Polish textiles and leather footwear, to which apply world quotas, are free from discriminatory trade barriers. Among the most often utilized nontariff barriers should be mentioned volume quotas, licensing of imports, mandatory attestations and quality regulations. In addition, it should be noted that the successfully developing export of Polish electric motors was halted by the imposition of an antidumping duty (with doubtful justification in the factual situation--according to the Polish exporter).

## Trade in Goods and Services

The current frameworks of Polish-Australian trade turnover are contained in the trade agreement concluded by both countries on 20 June 1966, in Warsaw. The agreement contains provision for treatment of bilateral trade on the principle of the Most Favored Nation Clause within the framework of the General Agreement on Tariffs and Trade (GATT). The agreement, originally signed for a 4-year period, is equipped with a clause providing for automatic renewal for successive one-year periods.

Complementing the trade agreement is the agreement on trade exchange and industrial and technical cooperation concluded 16 August 1978, in Canberra, for a period of 5 years, with provision for continuing, if it is not abrogated at the end of the term. The parties to the agreement committed themselves to support constant development in bilateral trade exchange and to undertaking appropriate steps toward its facilitation. Also in the agreement, there is a stipulation favoring facilitation of industrial and technical cooperation within the framework of multiyear trade contracts that would include, among others, patents, licenses, services, and industrial and technological expertise. The possibility of joint work in the field of exploration of natural resources and cooperation in the planning, deliveries, and installation of complete industrial plants and their furnishing has been taken under consideration. The agreement contains a recommendation that the arising disputes be decided through arbitration, in accordance with the arbitration principles of the UNCITRAL [United Nations Commission on International Trade Law].

On the basis of the above agreement a mixed commission has been established with the assignment, among other things, of seeking ways for further development in trade exchange and industrial and technological cooperation between both countries. The inaugural session of the mixed commission took place in Warsaw, 21-25 May 1979. It was agreed that the next session would be convened in Canberra in three years.

In bilateral trade turnover Polish import decidedly was higher than export.

A significant acceleration in mutual trade turnover took place during 1970-1981, however, the dynamic of our import from Australia was seriously ahead of the dynamic of Polish export increase to the Australian market. During the entire past decade imports from Australia had been covered by our export from that country on a very low level showing a small improvement only during the past two years.

Textiles, glass and crystal, footwear and leather goods, chemical industry products, lathes and tools, and household and sport articles play a main role in Polish export to Australia.

Wool and raw leather constitute 95 percent of the Polish import from Australia. In addition, we are importing raw materials needed for our steel industry, namely bauxite, lead, and concentrates of titanium and zircon.

A successful example of cooperation is the implementation of leather deliveries after initial processing (so called wet-blue) and production of [? skor salankowych], based on a 5 year agreement signed in February 1978 by Foreign Trade Enterprise Skorimpex and the Centralcure company in Gunnedah. Foreign Trade Enterprise Textilimpex in July 1975 established trade partnership Textilimpex Australia for purchasing Australian wool and selling Polish textile goods (with initial participation of the local company Gollin Holdings). Also active, from June 1979, is Glasspol Pty Ltd. in which participates Foreign Trade Enterprise MINEX. Foreign Trade Enterprise Metalexport has its own agency in Sydney that handles the matters of trade

and technology. The sales of other items take place through the network of agents and distributors, and is conducted also directly with the buyers.[41] The indication of our economic presence in Australia is also shown through presence of the Polfracht A/Asia partnership, with headquarters in Sydney, agencies of Polish Oceanic Lines in Sydney and Melbourne, and an agency of Polish Airlines LOT in Sydney.

Australian businessman Donald J. G. Strang[42] gathered support from other businessmen, when during a visit to Poland in 1966, he proposed establishing an Australian-Polish Chanber of Commerce.[43] The Chamber was created on 25 February 1976, with the purpose of searching for ways for developing a mutual trade exchange and industrial ties, to provide reliable information from the area of trade and industry, to study legislative changes, and even to amicably resolve arising trade disagreements.[44] The new organization has established cooperation with the Polish Chamber of Foreign Trade [PIZH] in Warsaw, and assured itself affiliation with the Chambers of Commerce in Melbourne, Sydney, and Brisbane, i.e., those operating in the most economically active, the southeast part of Australia. The Australian Section at the Polish Chamber of Foreign Trade, created in June 1978, is an organizational equivalent for our land. The useful role being played by the World Chamber in Gdynia, already existing for several years, deserves mention. Australian exhibitors have participated more than ten times in the post war period in the International Poznan Trade Fair, and the Poles have become interested in the exhibition shows in the country of that partner, especially in the Australian International Engineering Exhibition [AIEE] that takes place annually, alternately in Sydney and Melbourne.

Developmental Directions for Economic Cooperation

The analogy appearing between Poland and Australia in domination of agricultural-foods and mined products in the export of each country could suggest that there is an opportunity for industrial cooperative development. Without disregard of prospective possibilities, realistically it should be stated that the significant distance and the current economic situation of our country demand concentrating our attention on the fields that are determined by the complementary criteria of Polish and Australian economies.

Wool, raw hides and other raw materials will be continuously dominant in the import from Australia. Undoubtedly, a stabilizing factor for continuation of our import from that market was the extending to Poland in April 1981 of 40 millions worth of credit with interest, in Australian dollars, based on the guarantee by the Export Finance and Insurance Corporation, a government institution. The very fact of extending such a guarantee to a socialist state is a precedent in itself. In consideration also could be taken purchases of wheat, oats, and sorghum only, however, if further credits can be obtained.

In the Polish import to Australia the main role will be continually played by light industry goods, and here a larger differentiation of products should be provided. We can still offer sport-recreational equipment and household goods. Some hopes may be offered by our obtaining of deliveries for light

airplanes, for instance, for fire observation and bush fire fighting (taking under consideration the possibility of relying on Canadian certification for one type of our airplanes). On the proposal list may be included: airplane and helicopter engines, small passenger cars, certain types of specialized freight and fishing ships, yachts and navigational equipment and instruments. It is worthwhile as well to aim at an increase in deliveries of tractors, and also to initiate export of other agricultural equipment, road machinery,[45] mining equipment (taking under consideration the demands dictated by local geological conditions) and the equipment and fittings for the needs of the energy and railroad industries. Electronic components, cable wire, musical instruments, and home refrigerators and freezers can be also considered attractive export items.

A suggestion of increasing our share of investment equipment and the machine industry goods export is linked with the necessity for finding enterprising agents or setting up expensive service centers with spare parts warehouses in Australia (unless export were to be based on licence sale). For that reason all forms of "invisible export" that assure almost automatic profitability of an enterprise and contribute to growth of the prestige of a partner capable of delivery of such a contribution deserve closer attention. Some results in getting the Australian side interested in obtaining Polish technological thought came with the visit to our country, in 6-9 October 1975, of Sir Davis Hughes, the official representative of the government of New South Wales to Europe. Six years later, the Australian minister of Foreign Affairs, Anthony Austin Street, during the first such high level visit to Poland said: "It can be stated without exaggeration that perhaps the strongest ties between Australia and Poland are the contacts between the people."[46]

Nonetheless, this does not change the existence of arduous methods for accepting candidates for work in Australia. It is required to receive approval from the appropriate branch of labor unions and to prove, through the interested company, that a given expert is not available in Australia. Such an interested company usually demands a direct interview with the candidate for employment, and the fundamental obstacle for us is in the significant distance. In addition, the procedure for conducting the entry formalities oftentimes is time consuming. In an overview, it should be stated that the absorbtive Australian work market deserves an in-depth appraisal from the point of complementarity of the current interests of both countries. Particularly interesting seems to be the feasibility of providing consulting and performing technological-planning services in the field of mining, taking under consideration the potential participation by Polish engineers in the exploitation of soft coal deposits for the purposes of its gasification and utilization. A need for acquiring experts is also felt in metallurgy. especially in the area of nonferrous metals. Participation of Polish experts in gas pipeline construction can also be viewed as attractive.

The increase in the regularity and frequency of our maritime ties between the ports of both countries and modernization of shipping technology (anticipated is introduction to service of container ships of ro-ro type), enhances the improvement of favorable climate for development of economic relations between Poland and Australia,[47] Australian fishing grounds could become an interesting area for potential activity by the Polish fishing flotilla,

providing the local [Australian] administrative restrictions become simplified. Also recommended, would be pursuing to a conclusion the offer to export planning, analytical, and repair services in the fishing and port branches.

It is worthwhile to coordinate our undertakings in trade with Australia with an expansion of our export to such neighboring countries as New Zealand and Papua New Guinea, which is especially strongly linked with Australia. Deserving consideration would be joint Polish-Australian manufacture-trade ventures,[48] in various developing countries of the South Pacific, especially those belonging to ASEAN. Polish multiyear experience of operating in the Chinese market can become useful for Australian businessmen who generally lack familiarity with planned economic systems. Conversely, even single Australian economic initiatives in Poland could contribute to revitalization of our economic life in the conditions of the initiated reforms.

The Polonia in Australia continuously strengthens its place in the local society.[49] Nonetheless, it is not yet economically robust enough for us to be able to count on its investing activities in Poland in the immediate future.[50] New development in that field might bring in the newest wave of Polish emigration but its status has not been so far regulated. Undoubtedly, a consular agreement would facilitate the situation. Moreover, concluding an agreement on cultural-scientific cooperation would be salutary for widening of mutual relationships in the area of industrial-technological cooperation which has been up to now based on the 1978 agreement on trade exchange.

Prospects of Self-Determination

The Australian Commonwealth belongs to the category of the smaller developed states.[51] Incessantly it continues working toward achieving its original identity, as well as the ambition of arriving at the position of regional superpower. Contributing to it are the anticipations that the upcoming century will become the "era of the Pacific," similar to that which from antiquity was characteristic of the Mediterranean, and which for decades now has been enjoyed by the Atlantic.[52] However, the large dependency on foreign capital and imported technology and consequently, on economic disposition centers located in three different parts of the globe, may interfere in the realization of these intentions. In addition, the Australian nation is facing a lot of effort before it produces its own native scientific and intellectual cadre thinking in terms of national patriotism.

The trend of Australia toward assuring larger geographic diversification in its economic ties with foreign countries offers Poland an opportunity to expand the relations of partnership, among others, through prospective departure beyond the framework of natural complementarity of economies in both countries. Our reform program may encourage some of the domestic enterprises (especially light industry) to become interested in production that would find demand in the Australian market. The Polish export of technical services would have an especially significant role. The large dosage of deliberation characteristic of both partners in their approaches to various issues ascertains them of a possibility of working out original forms of cooperation in the future. Undoubtedly, one day there will appear in our country a new scientific-research discipline: australistics.

TABLE 1

Australian industrial corporations on the world list in 1979[a]

| CORPORATIONS | WORLD RANK (by sales volume) | BRANCHES | SALES VOLUME (in millions of dollars) | ASSETS (in millions of dollars) | NET (in millions of dollars) | EMPLOYEES (in thous.) |
|---|---|---|---|---|---|---|
| Broken Hill Prop. | 115 | metallurgy | 3,206 | 4,470 | 203 | 61 |
| Colonial Sugar Refining | 205 | sugar refining, mining, constr. materials, chemicals | 1,919 | 1,409 | 70 | 11 |
| Australian Consolidated Industrial | 397 | glass, packing materials, constr. materials | 930 | 846 | 34 | 22 |
| Dunlop Australia | 489 | rubber, textiles | 724 | 415 | 25 | 19 |

[a]U.S.A. excluded.

Source: Fortune magazine: 11 August 1980. pp. 190-204

TABLE 2

Polish-Australian trade turnover during 1928-1938
(in millions of zlotys)

| YEAR | EXPORT | IMPORT | TURNOVER | BALANCE OF TRADE |
|---|---|---|---|---|
| 1928 | .1 | 22.8 | 22.9 | -22.7 |
| 1930 | .2 | 42.7 | 42.9 | -45.5 |
| 1932 | .2 | 16.5 | 16.7 | -16.3 |
| 1936 | .4 | 38.2 | 38.6 | -37.8 |
| 1938 | .6 | 27.8 | 28.4 | -27.2 |

Source: Concise Statistical Yearbook, 1939. GUS. Warsaw. pp. 166-167
Computations of turnover and balance of trade values by author.

TABLE 3

Polish-Australian trade turnover during 1950-1981 based on F.O.B.
(in millions of foreign exchange zlotys)

| YEAR | EXPORT | IMPORT | TURNOVER | BALANCE OF TRADE |
|---|---|---|---|---|
| 1950 | 1.7 | .001 | 1.7 | + 1.7 |
| 1955 | .8 | .0 | .8 | + .8 |
| 1960 | 2.4 | 1.1 | 3.5 | - 1.3 |
| 1961 | 2.7 | 55.6 | 58.3 | - 52.9 |
| 1965 | 8.9 | 59.6 | 68.5 | - 50.7 |
| 1970 | 11.7 | 62.0 | 73.7 | - 40.3 |
| 1975 | 24.3 | 174.0 | 198.3 | -149.7 |
| 1979 | 35.8 | 381.3 | 417.1 | -345.5 |
| 1980 | 51.2 | 316.5 | 367.7 | -265.3 |
| 1981 | 52.7 | 292.4 | 345.1 | -239.7 |

Source: For 1950-1969 data: 1970 Foreign Trade Statistical Yearbook. GUS Warsaw, pp. 28-29, 32-33; for 1970-1980 data: GUS Statistical Yearbooks; for 1981: Concise Statistical Yearbook 1982. GUS. pp. 198, 200. Computations of the totals for turnover and balance of trade by author.

TABLE 4

Some of the more important groups of goods in 1975-1980 Polish export to Australia (in percentages)

| ITEMIZATION | 1975 | 1979 | 1980 |
|---|---|---|---|
| Products of industries: | | | |
| --light | 44.7 | 43.8 | 45.3 |
| --electromachinery | 12.9 | 14.5 | 18.3 |
| --chemical | 17.3 | 21.7 | 14.4 |
| --minerals | 13.9 | 13.0 | 13.7 |
| --foods | 10.0 | 5.1 | 4.6 |
| --wood-paper | .1 | .3 | 1.8 |
| Remaining groups of goods | 1.1 | 1.6 | 1.9 |
| | 100.0 | 100.0 | 100.0 |

Source: Author's computations based on Foreign Trade Statistical Yearbook 1981. GUS. Warsaw. p. 155

TABLE 5

Some of the more important groups of goods in 1975-1980 Polish imports from Australia (in percentages)

| ITEMIZATION | 1975 | 1979 | 1980 |
|---|---|---|---|
| Agricultural products | 72.9 | 52.0 | 65.1 |
| Products of industries: | | | |
| --food | 22.5 | 38.7 | 31.4 |
| --metallurgy | 2.6 | 7.9 | .3 |
| --chemical | 0.0 | 1.4 | .8 |
| Remaining groups of goods | 2.0 | 0.0 | 2.4 |
| | 100.0 | 100.0 | 100.0 |

Source: As in Table 4

## FOOTNOTES

1. In 1981, Australian exports amounted to 22.9 billion dollars, while imports stayed at 23.0 billion dollars. This indicates a negative balance of trade in the amount of .1 billion dollars. "Maly rocznik statystycsny" [Concise Statistical Yearbook] 1982. GUS [Main Statistical Office. Warsaw, p 367. Detailed numerical data on trade turnover abroad are given in QUARTERLY ECONOMIC REVIEW OF AUSTRALIA, Papua New Guinea, Annual Supplement 1981. London, 1981. Revised comparative computations are contained in OECD ECONOMIC SURVEYS: AUSTRALIA, June 1980.

2. See, T. Olszewski: "Geogratia ekonomiczna Australii i Oceanii" [Economic Geography of Australia and Oceania]. Warsaw, 1975. p 85.

3. See, statistical data in: "Australia, an Outline." Canberra, 1980. p 13.

4. For prognosis of the export of Australian coal, see: THE AUSTRALIAN FINANCIAL REVIEW, 30 July, 1981 p 21. Deposits of hard coal in Australia are evaluated at 50.4 billion tons. WEEKLY NEWSLETTER, from February 1982 p 4.

5. "Australia World Trader." Canberra, 1980 pp 19-22.

6. "Ocean Manganese Nodules, 95th Congress, 1st Session" (June 1975) Washington, D.C., 1975 p 36.

7. See, J. Machowski, "Funkcjonowanie ukladu w sprawie Antarktyki." SPRAWY MIEDZYNARODOWE. ["The functioning of the agreement on the Antarctic." INTERNATIONAL AFFAIRS 1980, No 2 pp 155-157.

8. FORTUNE, 11 August 1980. pp 276-277.

9. "Australia and the United States--A Close and Enduring Relationship," AUTRALIAN FOREIGN AFFAIRS RECORD, 1981, No 5, p 229. Compare: different values in: "Boom w Australii trwa." RYNKI ZAGRANICZNE. ["The boom in Australia continues." FOREIGN MARKETS] 4 July 1981.

10. B. Piaszczynski. "Polityka zagraniczna Australii." SPRAWY MIEDZYNARODOWE ["Australian Foreign Policy," INTERNATIONAL AFFAIRS] 1980, No 2 p 105.

11. Foreign centers control, among others, the motorization, chemical and petrochemical, and mining industries. "Marketing Capital Equipment." Canberra, 1981, p 10.

12. "Australia, an Outline." ibid. p 7.

13. "Australian Foreign Affairs Record," 1981, No 7, p 39.

14. "Investing, Licensing and Trading Conditions Abroad," New York, 1981, p 3.

15. B. Piaszczynski. op. cit., p 105.

16. Various inconsequences described by Bruce McFarlane in: E. Utrecht, "Transnational Corporations in the Developing World," Sydney, 1976. p 89.

17. B. Wizimirska: "Ocean Indyjski w problematyce bezpieczenstwa," SPRAWY MIEDZYNARODOWE ["Indian Ocean in the problems of security," INTERNATIONAL AFFAIRS], 1977, No 6, pp 42-43.

18. B. Piaszcynski. op. cit., p 103.

19. "The Australian Year Book of International Law," Canberra, 1978, Vol 6. pp 361-366.

20. B. Jasinski. "Rola miedzynarodowych przedsiebiorstw w gospodarce swiatowej," SPRAWY MIEDZYNARODOWE ["The role of international corporations in world economy," INTERNATIONAL AFFAIRS], 1976. No 10, p 62.

21. Letter from Australian Embassy in Washington from 21 May 1975, marked 221/3/1/16/1/1, sent to the author of the article. "The Australian Year Book," pp 282-283.

22. "International Legal Materials," 1975, No 1, pp 51-66.

23. Comp. M. Dobroczynski, "Swiatowa ekspansja gospodarki japonskiej," [World Expansion of Japanese Economy"], Warsaw, 1975, pp 58, 70, 152-153.

24. Australian export is directed 58 percent to OECD countries.

25. "Australic-ASEAN Relations. Australian Information Service Reference Paper," Canberra, 1981. The statistics of trade exchange are quoted by B. Piazcrynski: op. cit., p 108.

26. Comp.: "China pays hard case for Australian wheat crop." THE AUSTRALIAN FINANCIAL REVIEW, 4 Aug, 1981. p 15.

27. "Rocznik Statystycsny 1981," ["1981 Statistical Yearbook"]. GUS, Warsaw, pp 630, 634.

28. Ibid. p 629.

29. "Australia Current Report," Canberra, 1980.

30. "Who's Who 1978," London, p 1414.

31. Comp. E. Dynia: "Czlonkostwo Brytyjskiej Wspolnoty Narodo'w," SPRAWY MIEDZNARODOWE ["Membership in the British Commonwealth," INTERNATIONAL AFFAIRS], 1978, No 5, p 138.

32. "Immigration Policies and Australia's Population: A Green Paper," Canberra, 1977, p 91.

33. "Industrial Property Statistics 1980," Geneva, 1982, p 8. For current working of Australian Patent Office see: "Industrial Property," 1981, No 12 pp 338-342.

34. "Investing, Licensing and Trading," ibid., p 10.

35. C. Gromadzki. "Miedzynarodowe aspekty dzialalnosci amerykanskich zwiazkow zawodowych," KAPITALIZM, ["International aspects of American labor unions activities," CAPITALISM], 1978, No 2, pp 77-78.

36. "The Far East and Australasia 1980-1981," London, 1979, p 173.

37. B. Piaszczynski, op. cit., p 104.

38. "Australia: Current Report, Technological Change," Canberra, 1980.

39. "Government Regulation in Australia, Paper 1, Introduction: the Federal government," Canberra, 1980, p 40.

40. J. Crawford. "The International Law Standard in the Statutes of Australia and the United Kingdom," AMERICAN JOURNAL OF INTERNATIONAL LAW, 1979, No 4, p 630.

41. AUSTRALIAN POLISH CHAMBER OF COMMERCE NEWSLETTER. 1976, No 1, p 16-18.

42. The owner of the Tradex transport company serving also trade exchange, headquartered in Melbourne, with an office in Sydney.

43. Actually it amounted to reactivation of an analogous institution established in 1930 by Polish consul, Wladyslaw Noskowski. See: L. Paszkowski, "Polacy w Australii i Oceanii, 1790-1940" ["Poles in Australia and Oceania, 1790-1940"], London, 1962, p 228.

44. Australian Polish Chamber, ibid., p 5.

45. The significant demand for road machinery may be the result of the anticipated implementation of a nationwide network of roads protected from floods, by the year 1988, i.e. on the 200th anniversary of the first permanent settlement of the European type, today's Sydney. WEEKLY NEWSLETTER, 30 October 1981, p 12.

46. TRYBUNA LUDU, 26 Nov 1981.

47. The inauguration of regular freight sailing on the Australian line was initiated when "Stefan Okrzeja," a ship of Polish Oceanic Lines, arrived in Melbourne on 12 Dec 1959. Comp.: "Polskie Linie Oceaniczne w latach 1951-1978 ["Polish Oceanic Lines in the years 1951-1978"], Gdansk, 1980, p 172.

48. Inspiration is supplied by works conducted under the auspices of the U.N., e.g. "Small Industry Bulletin for Asia and Pacific," New York, 1979, p 161.

49. J. Zubrzycki. "Polish Emigration to British Commonwealth Countries," INTERNATIONAL MIGRATION REVIEW, Winter 1979, pp 655-658.

50. W. Helman, "Polonia w Australii" ["The Polonia in Australia"], Lublin, 1975, p 85; comp. E. Zawadzki. "Investycje Kapitalu polonijnego w Polsci Polsci," SPRAWY MIEDZYNARODOWE ["Investment of Polish emigrant capital in Poland," INTERNATIONAL AFFAIRS] 1980, No 2, p 111.

51. J. Stefanowicz, "Pozycja miedzynarodowa a polityka zagraniczna," SPRAWY MIEDZYANARODOWE, ["International position and foreign policy," INTERNATIONAL AFFAIRS], 1981, No 9, p 20.

52. J. M. Hay, in: O.W. Freeman, "Geography of the Pacific," New York, 1951, p VII.

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## OFFICIAL REPORT ON IMPLEMENTATION OF ECONOMIC REFORM PUBLISHED

Warsaw RZECZPOSPOLITA [SUPPLEMENT] in Polish 26 Oct 82 pp 1, 4

[Text] Report of the Government Plenipotentiary on the Initiation of Economic Reform During the First Half of 1982 (abridged version)

### I. A Progress Report on the Initiation of Reform and its Effects

1. In accordance with assumptions resolved by the Ninth Congress and approved by the PRL [Polish People's Republic] Sejm, on 1 January 1982 a comprehensive economic reform went into effect in Poland. The restructuring of the way the economy functions began under extremely difficult conditions. However, the reform could not wait. Comprehensive changes in the system became an urgent socioeconomic necessity of vital significance to the nation and the State.

The severe economic crisis, expressed as a marked decline in production and in real income, deep economic instability and in particular the progressive collapse of economic ties, and a sharp cutback on imports as a result of the breakdown in the balance of trade, made more intense by U.S. restrictions and sanctions, as well as those of other capitalist countries--all of these factors complicate tremendously the implementation of the reform. Normal principles of buying and selling and economic mechanisms cannot be used in some economic sectors. We must resort to the distribution of raw and other materials, the rationing of market goods, "tied-in" sale in rural areas and the isolation of special markets ("miners," "newlyweds" and the like). It was necessary to use these methods, and it is still necessary, although they are inconsistent with the ultimate reform assumptions.

We must emphasize however, that the need to make use of distribution during the transitional period was projected in the reform guidelines (thesis 111) and in the laws initiating economic reform. It was assumed that the problems of shortages would be resolved in a manner that would help to eliminate them and would create conditions for the operation of economic mechanisms. This would enable the utilization of all possibilities for limiting the scope of distribution and would prevent the temporary measure of rationing from becoming a permanent fixture of the traditional directive-distributive system. The future of the reform depends on this to a significant degree.

Previous attempts to change the economic system of operation (particularly those made after 1956 and in the first half of the 1970's) demonstrate conclusively that economic instability and distribution were the critical factors that caused the abandonment of reform plans and the return to the directive-distributive system. The history of the Polish economy exhibits its own cycle of system changes in six phases, as shown in the following outline.

Phase I - Economic difficulties associated with reduced social productivity, emanating from the deepening inefficiency of the directive-distributive system and the voluntarism of economic policy. Sociopolitical tensions. A growing sense of the need for economic reform.

Phase II - The initiation of economic reform based on the decentralized operation of the economy and the use of economic mechanisms to spur efficiency and strengthen economic stability; the democratization of social life.

Phase III - The manifestation of conflicts emanating from economic instability and the shortage of production elements and consumer goods. Difficulties with setting in motion trends toward stability. A growing social opposition to the operation of "stability" mechanisms and increasing egalitarian tendencies.

Phase IV - The introduction of rationing and distribution on a broader and broader scale. Growing resistance to decisions that are unpopular with society, but necessary for economic recovery. The gradual cutrailment of reform assumptions and the introduction of directive-distributive methods.

Phase V - The taking hold and universalization of the directive-distributive system. The restriction of the share of workforces in management. A reduction in the effectiveness of the economy and, in turn, in its ability to meet society's needs.

Phase VI - A return to a characteristic phase I situation. The beginning of a new cycle of system changes.

Now, 9 months after the reform was initiated, we still find ourselves in crisis conditions, in a special situation that combines some features of phases II and III. The battle--now bolstered by a strong political will that either did not exist or was inconsistent during former periods--is being waged to prevent our entrance into the fourth, fifth and sixth phases, with all of their negative consequences. Breaking the cycle depends upon several factors: first, the extent to which the support of employee workforces and the majority of society is gained for the reform program, i.e., the degree to which they are convinced and believe that the reform lies in the interest of the working class and all working people; second, it depends on economic policy, particularly on the way in which conflicts are resolved; third, on the effectiveness of reform mechanisms, on the skill and flexibility with which they are adapted to conditions and to accumulated experiences; fourth, it depends on the attitude of the management cadre at all levels, on the criteria used to select and evaluate them.

2. The economic reform is being initiated in an unusually bad economic situation that is characterized by a deep decline in the living standard of society. As the report for the first quarter* stated, this fact leads society to think that the decline in the standard of living is the price of the reform; meanwhile, it is the price of the crisis. This false notion of the causes of the decline in the standard of living continues to grow. Some people express the opinion that the reform has taken away society's wealth and social gains in the name of unclear and far-off goals and is thus directed against working people. Society is inclined to assess the economic reform over a short time horizon, mainly on the basis of changes in the consumer goods market. This method of presenting the economic reform is widely used by foreign centers of ideological diversion and falls upon relatively fertile soil, especially since it corresponds directly with the demagogic picture of reform that "will immediately improve the daily life of the people," that arose last year and was propagated by some Solidarity circles.

The view is becoming more and more prevalent that the effects of the crisis are not distributed equally among all social groups. This leads them to conclude that the economic reform that exposes these effects is directed against the working class and other workers' groups. Another factor contributing to this view is the weak policy on the private sector. This makes it very difficult to drum up support for handiwork and small-scale industry and to prevent some social circles from attaining wealth too easily, as well as to check the development of speculation and parasitism. It is tremendously important that these matters be set straight. On the other hand, the activism of the propaganda front should be directed more strongly toward reaching society with the truth about the causes of the lowered living standard and about the various consequences of this crisis, and toward convincing them of the role of reform in overcoming the crisis and in strengthening the idea of social justice. To this end the right language and form of exerting influence must be developed.

Society's understanding the essence and objectives of the reform has a great impact upon socioeconomic policy--it has a direct impact on the way the economy works. This is particularly important during the present stage of implementation of the reform, when there is sharp conflict that emanates from two opposing tendencies. On the one hand, there is the need to quickly put into effect the new mechanism of the operation of the economy, with the resultant need to enforce management discipline with the aid of economic instruments. The restoration of equilibrium, profitable production and export and a general improvement in management efficiency depend on this. On the other hand, social considerations and societal pressures dictate the need to protect society from being exposed too suddenly to the consequences of the crisis by the new mechanism, thus impeding reform processes and extending the period of the restoration of equilibrium. This conflict is reflected in many spheres affected by economic reform, and above all in the system of incentives, in the approach to employment issues, price formation and the like. However, it can and should be resolved by interweaving social and economic policy closely on the basis of reform principles.

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3. On the eve of 1982, the reform issue became the subject of a fierce political battle. This affected the attitude of some public opinion factions to the work in progress of restructuring the way the economy functions. The imposition of martial law, restoring order and elementary discipline to society, created the conditions that were indispensable for beginning the reform. On the other hand, the rigors of martial law, and particularly the militarization of a part of the economy, as well as the suspension of the workers' self-governing bodies, delayed the coming into being of the workers' self-government and, in a certain area, of the autonomy of enterprises (depending upon the economic subsector). Martial law also helped to delay the rebuilding of the organizational structure of management (ministerial plenipotentiaries), often reinforcing the dependence of the enterprise directors on founding organs. These obstacles are being reduced and eliminated gradually and consistently.

All spheres of economic activity were included in the implementation of the new systemic solutions of the economic reform, including the sphere of social services, to a considerable degree. This lends full credibility to the declaration of the Military Council of National Salvation that the purpose of martial law was to create conditions and circumstances for the consistent implementation of a program of far-reaching sociopolitical and economic reforms, not to stymie them.

The comprehensive reform of our economic system that began on 1 January 1981 [sic] was preceded by the 1 July 1981 imposition of new principles for the operation of small-scale production and state farms as well as the first stage of reorganization of sector ministries.

In terms of goods and services, the new systemic solutions in the particular spheres of the economy (put into effect on 1 January, but in reality implemented beginning 2 months or more later) included:

--the transformation of state enterprises into autonomous organizational units, the elimination of the former intermediate level of management (unions [zjednoczenia]), the creation of a new organizational structure of the economy (associations [zrzeszenia]),

--the reform of producer and retail prices, as well as of the principles of price formation,

--the restructuring of the financial system of enterprises,

--the reform of planning, statistics and banking,

--the reform of the tax system,

--the reform of the organization and principles of foreign trade,

--changes in the system of materials-equipment supply,

--changes in the principles of remuneration.

An analysis of the changes already in effect leads us to conclude that in general the rate and scope of implementation in particular fields and divisions of the national economy are in line with the reform calendar presented in the reform guidelines. This is noteworthy, particularly in light of the extremely difficult conditions as reform began. In practice changes were made in all fields of the economy.

However, if we use other criteria as a basis of our evaluation of the progress of the reform, the results vary. For example, in terms of basic legal regulations, the implementation of the reform has made the greatest progress; according to the criterion of the definition of executory regulations, parameters and other guidelines indispensable to the autonomous operation of enterprises, and their application to the appropriate economic elements, we have reached the halfway mark; and in terms of the change effected in the way enterprises, state administrative organs and groups of people act in accordance with reform goals, we are only in the initial stages.

A vital element designating the scope of the process of implementing economic reform is the completeness and cohesiveness of the related legal order. Despite a significant effort (17 laws, over 40 resolutions and decrees of the Council of Ministers), there are still several important matters that have not been regulated legally in accordance with reform principles. This refers in particular to the new structure and function of people's councils and the local self-government, and the law on the recovery and bankruptcy of enterprises. These important legal documents are in the advanced stages of preparation; the Sejm should pass them this year.

The linking up of employee earnings with their input and with the results achieved by the enterprise, as well as an understanding of the essence and objectives of the reform in terms of one's own plant are of vital importance in bringing reform mechanisms into everyday life. In many ways, neither of the above courses of action were developed during the past half-year on a universal scale. However, one cannot help noting that the group of enterprises is growing in which these problems are coming to light and are being resolved properly. The movement in this direction has become more intense during the second half-year. Now that the principles of remuneration for 1982 have been outlined and a draft of general wage reform has been published, interest in reform principles and the adaptation of procedures to the new mechanisms in plants are becoming more and more universal.

4. Now that 9 months has passed since the reform was initiated, the question of whether it will yield the expected results is being asked more and more frequently. This is by all means understandable, both from the viewpoint of the hopes of society associated with the reform and from the viewpoint of its unprecedented scope and depth. Our answer to this question must be qualified by several factors.

First, the actual time of operation of the reform is shorter than the "nominal" time (for example, new credit principles were put into effect beginning 1 April 1982, and new principles in building construction took effect during the second half of this year).

Second, one must differentiate the period of introduction from the period during which the reform produces results. Even under the most favorable circumstances, the attainment of basic economic goals of the new economic mechanism, i.e., an increase in labor productivity, the rationalization of employment, the rationalization of the use of production assets, lowered energy- and materials-intensiveness, an increase in quality, stepping up the export rate and its increase and the rationalization of import all take time. The more difficult and complex the internal and external conditions when reform is introduced, the more prolonged the process of attaining these goals. We must take this into consideration when we assess the effect of the reform through the use of statistical data.

Third, many other factors have had an impact upon the national economic situation besides the economic reform. These include: the many years of neglect and structural disproportion that are having a very strong impact on the economy and will continue to do so; the effects of the severe crisis, exacerbated by economic restrictions and sanctions imposed by the major capitalist states; the inertia of economic processes caused by the now apparent consequences of decisions that were enacted several months ago or more (for example, the possibility of early retirement); the impact of the rigors and restrictions of martial law.

There is no method of analysis that isolates the impact of such diverse factors upon real economic processes. That is why after such a short time, we cannot yet ascribe either positive or negative trends or phenomena arising in the economy to the reform. It is indispensable, however, to be aware of the impact of various factors when we assess economic processes and phenomena. This enables a more thorough and accurate interpretation of what is happening in the economy and produces a more accurate hypothesis resulting from an assessment of the impact of the new mechanisms upon real economic processes.

5. Are the reform mechanisms fostering an increase in production and labor productivity? The data for 9 months of 1982 follows. Sold industrial production decreased 5 percent by comparison with a similar period last year, employment declined by 5.4 percent and labor productivity increased by 1 percent. In the processing industry, sold production declined by 6 percent, while in the mining industry it increased by 10.9. The increase in coal mining by 17.1 percent was of special importance to the economy.

The shortage of basic raw and other materials, primarily those imported from the II payments area, has had a crucial impact upon industrial production. During the first half-year, supply import was down 21 percent, declining by 43 percent from the 2nd payments area. Deliveries of imported and domestic raw and other materials generally were 15 percent lower than in the first half of 1981.

Given such a significant decline in raw materials procurement, the 6 percent production decline in the processing industry over 9 months indicates that the mechanisms of the improved utilization of raw and other materials are being set in motion. If they were not in operation, a production decline in the

range of 10 to 12 percent would be expected. There is no doubt that the reform principles have fostered these positive processes.

By comparison with the results in industry in general, the situation shapes up favorably in the poultry industry, where reform principles were applied the earliest (beginning 1 July 1981). For an 8-month period this year, the value of production in this industry increased by 1.6 percent, and labor productivity rose by 7.7 percent. This was the only field of the economy that also showed an increase in production in 1981. Once again, during this period gross industrial production declined approximately 11 percent, and production in the mining industry fell approximately 13 percent.

Between January and September 1982, the rate of production decline systematically fell from -13.8 percent in January to -3.6 percent in July to an increase of 1 percent in August and 4 percent in September. Labor productivity over the 9-month period was 1 percent higher than for a similar period last year, increasing by 7 percent in September 1982 by comparison with the rate in September 1981 (see Table 1).

Table 1. The Decline (Increase) By Comparison with the Same Month in 1981 (In percentages)

| | Month | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Jan | Feb | Mar | Apr | May | June | July | Aug | Sept |
| Industrial production* | -13.8 | -10.7 | -6.4 | -6.3 | -2.7 | -2.8 | -3.6 | +1.0 | +4.0 |
| Employment | - 4.6 | - 4.8 | -5.0 | -5.7 | -5.6 | -5.8 | -5.9 | -5.5 | -5.5 |
| Labor productivity | - 9.6 | - 6.2 | -1.5 | -0.7 | +3.1 | +3.2 | +2.4 | +7.1 | +10.0 |

*In constant prices.

The increase in labor productivity did not occur only in the mining industry, but in the processing industry as well. In May the increase was 2.3 percent, in June it was 2.6 percent, in July--1.7 percent and in August and September it was approximately 7 percent.

The above pattern does not yet warrant the categorical statement that in August and September 1982 the trend was overturned irreversibly. These results will have to be confirmed over time. In spite of these reservations, however, one cannot help noting that in August 1982 for the first time in 25 months (since July 1980) a production increase was attained.

Polls conducted simultaneously by the Council of Ministers Planning Commission, GUS [The Central Office of Statistics] and the Office of the Government Plenipotentiary for Economic Reform show that the majority of enterprises anticipate continued improvement in production results during the final months of 1982.

6. Is the utilization of raw and other materials becoming more efficient? Both the statistical data and sector reports indicate that in many enterprises a real reduction in the materials-intensiveness of production has occurred. Lowered materials costs (in constant prices) are normally related to a change in the production structure (from more to less materials-intensive), with the use of substitute raw and other materials or with their more efficient utilization. The route toward the reduction of the materials-intensiveness of production was clearly aided by the reform mechanisms, both by virtue of the application of new principles of cost-effectiveness and thanks to the creation of conditions spurring initiatives taken by enterprises to solve their own procurement-production problems.

7. Have reform mechanisms helped to improve production quality? In the first half of 1982, the new mechanisms were not yet able to check the worsening of the quality of manufactured goods that has occurred for some time. On the contrary, this negative trend increased. The severe shortage of materials and component parts with the necessary qualitative parameters had a crucial impact upon product quality, since it meant that producers had to substitute other materials and elements. Reduced consumer demands related to the considerable surplus of demand over supply on the market led to worsened quality of workmanship. In the final analysis this was expressed as an increase in product defects and in a significant reduction in the number of products designated by the qualitative marks "0" and "1" (from 29,700 in the first half of 1981 to 22,600 in the first half of 1982). Thus it may be concluded that when there is a severe shortage of goods, a shortage of reserves, a lack of procurement continuity, poor quality of [text missing from original source] components and the like, the mechanisms are not powerful enough to help improve production quality. This problem must be given serious consideration when the principles of operation of the economy are prepared in 1983.

8. What trends have become evident in the field of employment? Does the system favor its rationalization?

Employment in four major sectors of the material production sphere for an 8-month period this year was 5.1 percent lower (418,000 persons) than during the same period in 1981. Employment declined in industry by 255,000 persons; in construction by 87,000 persons; in transport by 49,000 persons and in domestic trade by 25,000 persons. It should be emphasized that although there was a sudden drop in production in 1981 (by 11 percent), this did not reduce employment significantly (a decline of 0.5 percent); meanwhile, in 1982 the level of employment has dropped by 5.4 percent while labor productivity has increased since the second quarter.

Despite reduced employment, however, the ratio of those employed to the volume of production shows that the employment surplus is still being maintained. There is a trend in enterprises to keep employment steady instead of making changes, even rational ones. In the first place, this is the result of a well-known sociological truth that plants are unwilling to reduce employment, even if this will obviously benefit the other employees. The factor of employee solidarity is operative here. Secondly, in the first half of 1982 there were

many unknowns with regard to the prospects of production development, raw and other materials procurements and the like. This intensified the tendency toward maintaining the employment surplus in anticipation of conditions enabling the full utilization of production potential and the practical use of employment.

Finally, we must acknowledge the weakness of the incentives included in the systemic mechanisms for rationalizing employment that were applied in 1982 under conditions that were totally different from those anticipated. According to forecasts, unemployment was to be one of the major dangers in 1982. In order to safeguard against the consequences of unemployment, the 1982 strategy contained only mild incentives for rationalizing employment in enterprises. Meanwhile, in the first half-year it became evident that:

—despite the decline in real earnings there was an absolute decline in workforce supply, due especially to early retirement and women leaving the labor force (upbringing benefits),

—this decline affected in particular those who do strenuous work, creating severe shortages in nearly all industrial enterprises,

—there was also a switch (or a potential desire to switch) to better paying jobs such as mining and private sector jobs. This had a tremendous impact upon the construction industry in large urban centers,

—given this situation, the incentives for rationalizing employment (a reduction of up to 5 percent of the financial burden imposed by the average wage increase earmarked for the FAZ [Occupational Activation Fund]) were too weak to overcome enterprise fears that they would lose more of their workforce (many enterprises did not take advantage of the possibility of increasing wages in this manner).

Given the growing disharmony between workforce supply and demand in particular locations, the economic system for 1983 must include stronger mechanisms for encouraging enterprises to adapt employment to production and to rationalize the employment structure.

9. Has there been progress in the field of foreign trade? The results achieved in foreign trade during the past 8 months of 1982, although falling far short of the economic need for foreign exchange, indicate the commencement of favorable trends. If maintained and strengthened in the future, these trends will have a marked impact on the speed with which we emerge from the crisis. The end of the declining trend in export is noteworthy. This is primarily the result of an increase in mining and the export of coal and other raw materials. Over a 9-month period this year, export increased by 5.5 percent by comparison with a similar period last year. An increase in exports to countries of the 1st payments area (by 13 percent) was a major factor here. On the other hand, there was a decline in exports to the II payments area by 0.7 percent, and a decline in imports from this area by 28.2 percent. However, the export rate to the 2nd payments area is improving systematically. In the first half of 1982,

it declined by 7.5 percent, while in the third quarter it increased by 14.5 percent (including 14.8 percent in August and 25.7 percent in September).

During the 9-month period, exports exceeded imports by more than 56.3 billion zlotys (export--654.9 billion zlotys, and imports--598.6 billion zlotys). The change in the proportions of turnovers with the 2nd payments area is especially significant: export amounted to 337 billion zlotys and imports amounted to 249 billion zlotys (for a positive balance of 88 billion zlotys).

To a significant degree, the excess of export over import was determined by external factors, particularly the credit restrictions and limitations of capitalist states. However, the share of export in industrial production is clearly on the rise. This was especially noted in August and September. These trends should be strengthened in conjunction with the August 1982 introduction of additional incentives stimulating export production.

10. The favorable impact of the new reform mechanisms is observable in the PGR [State Farms], where they were first introduced (beginning 1 July 1981), PGR autonomy in developing production plans and the introduction of cost effectiveness and incentives for making progress were to have been used to improve the structure of activity of these farms to make them more efficient. Favorable changes have been noted in the production structure, particularly the adaptation of the type of sowing to soil-climatic conditions, an increase in the share of grain in sowings in general, the adaptation of the number of head of livestock in particular enterprises to their fodder potential, and the use of cost effectiveness in organizational-economic decisionmaking.

This is all the more noteworthy in that despite attempts, these processes were not implemented under the former system of management.

11. There are serious problems in ensuring the effective operation of reform mechanisms in construction. This is the most ailing economic sector, where the crisis is especially severe. What is all the more disturbing is the fact that the process of adapting construction to reform principles and conditions is occurring very late. This is due to the lack of effective and mutually integrated actions taken by state (central and local) administrative organs and the enterprises themselves to overcome numerous structural, organizational-legal and economic barriers. This is particularly evident in the lack of flexibility for adapting the organization of the production of enterprises to the volume and structure of tasks. This affects economic results of enterprises, mainly of general construction, and puts them on the defensive (requesting subsidies), in which they are bolstered by some founding organs. There have been serious delays in the conclusion and renegotiation of contracts between investors and construction enterprises, partly because the question of construction prices was settled too late.

In accordance with Council of Ministers Economic Committee decision No 17, credit was denied to 30 construction enterprises that lacked creditworthiness. This was done to force the appropriate administrative and enterprise organs to take decisive steps to improve organization, eliminate waste and increase

efficiency. Unfortunately, in many instances, the initiatives of founding organs and enterprises run in the direction of "haggling" over favorable conditions (price increases and subsidies) and not toward making indispensable changes in enterprises to improve economic results. At the same time, there is the danger of the demagogic proclamations that "the refusal to grant credit is being imposed in accordance with reform principles but runs counter to the interests of those who are waiting for housing." This is fundamentally a falst view. The use of the reform principles to compel greater efficiency does lie in the interest of those who are waiting for housing, since it ultimately means that more and cheaper housing will be built.

12. The experiences of the first half of 1982 lead to the assertion that the effectiveness of the new mechanisms is largely dependent on the proper adaptation of a pricing-profits policy to crisis conditions.

In the first half of 1982, there was a broad reform of producer and retail prices, the purpose of which was to attain the following objectives:

--the creation of the foundations of genuine cost effectiveness at the level of the enterprise and the entire national economy, by tying-in the purchase price of basic raw and other materials with the level and ratios of these prices on the worldwide market;

--the restoration of trends toward attaining market stability both in the area of consumer articles and supply goods;

--the creation of conditions for dispensing with production subsidies.

As a result of the reform in producer prices, there has been a radical increase in the price of basic raw materials, particularly fuels and energy. This has led to the profitability of production in the raw materials industry, with the exception of the coal industry, while restricting excessive profits in the processing industries.

However, the primary goal of the producer price reform has not been implemented fully--i.e., the creation of conditions for genuine cost effectiveness at the enterprise level by tying in the price of basic raw and other materials with their free foreign exchange prices. The reason for this was the disparity between the currency exchange rate used to designate new producer prices and the rate put into effect on 1 January 1982 for clearing of accounts in foreign trade. This had the consequence of creating another disparity between the level of domestic producer raw and other materials prices and their actual transaction prices.

At the same time, a retail price reform was carried out, whose basic objective was to create conditions for attaining market stability and a fundamental improvement in the ratio of food prices to the prices of manufactured goods. The change in retail prices included an increase in official prices of food, fuel, energy and stimulant beverages, as well as an increase in contract and regulated prices resulting from the increase in production costs that followed the change in producer prices.

The change in retail food prices yielded:

--a significant improvement in the ratio of prices to costs and the ratio of retail food prices to the procurement prices of farm products,

--a relative increase in the price of basic food items,

--a restoration of market stability; the elimination of shortages; the elimination of shortening of lines,

--a significant reduction in the absolute volume of subsidies to food production and a reduction of their ratio to the value of food sold.

The retail price reform created conditions for restoring general market stability and reducing the inflationary gap significantly. The increase in contract and regulated prices of manufactured goods and the uncompensated increases in official prices were of vital significance in absorbing excess purchasing power.

The reform in producer and retail prices eliminated to a considerable degree the irregularities of the former pricing structure. However, it did not solve all problems.

The fundamental irregularities of the present pricing system, whose gradual elimination is to be the primary objective of pricing policy up to 1985, include:

--the disproportion between the purchase prices of basic raw and other materials, and their transaction prices, destroying cost effectiveness at the enterprise level,

--the disproportion between the prices of most food items, agricultural means of production, some construction materials and human services and their production costs, making necessary the use of significant budgetary subsidies.

The operation of contract prices is a problem of special importance for the implementation of new systemic solutions. Goods and services covered by contract prices represent the bulk of all turnover in the means of production and consumption (see Table 2). These prices were to be set on the basis of market conditions, in line with supply and demand ratios. In reality, they approach regulated prices to a considerable degree; market ratios generally are not considered when these prices are set. They are based on producer costs and desired profit, in which profit is calculated to be enough to pay the earnings tax and to cover envisaged enterprise needs (salary increases, repayment of credit, investments and the like).

Table 2. A Comparison of Official, Regulated and Contract Prices (In percentages)

| Prices | Retail Market | Producer Market | Farm Product Procurement |
|---|---|---|---|
| Official | 37 | 19 | 72 |
| Regulated | 15 | 5 | -- |
| Contract | 48 | 76 | 28 |

In the social sense, the price increase that took place in the first half of 1982 is associated with enterprise pricing "license" in general. Meanwhile, the primary cause of this phenomenon was the change in the official prices of the basic means of production, while the increase in contract prices was a secondary process that adjusted the value of the production flow to the new value of material input.

This view is substantiated in the results of an analysis of the movement of prices during the months that followed the initiation of the reform. There was an especially sharp increase in prices in February and March, when they were adjusted by producers to the new higher producer prices. Since April, however, the pricing market has stabilized. This is illustrated by the data in Table 3.

Table 3. Price Increases (The previous month = 100)

| Item | Month | | | | | |
|---|---|---|---|---|---|---|
| | Jan | Feb | Mar | Apr | May | Jun |
| Total price of goods and services purchased by consumers | 115.7 | 140.9 | 106.5 | 103.2 | 102.3 | 99.9 |
| Including: | | | | | | |
| Food | 111.7 | 192.6 | 103.6 | 103.0 | 104.2 | 98.1 |
| Non-food items | 107.8 | 129.7 | 116.1 | 104.2 | 101.0 | 100.6 |
| Including: | | | | | | |
| Clothing | 101.2 | 115.7 | 125.3 | 105.2 | 103.4 | 101.1 |
| Household items | 132.6 | 151.9 | 119.7 | 106.8 | 101.5 | 101.9 |
| Services | 112.7 | 121.1 | 101.9 | 106.0 | 102.2 | 104.9 |

Despite the higher price increase during the half-year, market stability was attained only in a few fields. This is due to two factors: the crucial sharp decline in the production and delivery of many non-food consumer items; and the price-setting policy of enterprises. Clearly, the supply-demand ratio was

not an important factor in the setting of contract prices; the determining factors were producer costs and projected profit for the enterprise.

First, enterprises making a large profit were not interested in increasing it because of the sharp climb of profits taxes at the upper reaches.

Second, the pressure of public opinion, the authorities and party organizations as well as price controls held back the trend toward asking higher prices, despite the fact that market considerations made this possible.

In spite of some improvement, the situation at mid-1982 is marked by a continuing severe market and financial instability. Since March 1982, the consumer monetary outlays have exceeded earnings. This gradually restores the balance between individual earnings and market deliveries. During the second half of 1981, for every zloty of individual income there was 0.67 zlotys of goods delivered to the market; during the first quarter of 1982, this index reached 0.80 zlotys, and during the second quarter, it reached 0.89 zlotys. During the second half of 1982, however, these indexes may decline if stepped-up production activity and an increase in market deliveries do not keep pace with increased earnings (due to wage increases in the budgetary sphere, an increase in social services and the introduction of new principles of remuneration in enterprises). Every decline in this field will hamper severely the continued effectiveness of the reform.

The continuing high surplus of consumer purchasing power over the available supply of goods is a basic problem. This is exacerbated by large shortages of goods and a very low level of reserves.

At the end of the first half of 1982, the ratio of reserves in the socialized market to the financial resources of consumers was 23 percent compared with 25 percent in 1981. It is impossible to meet the current market demand for goods and services even with the large increase in prices. The potential for increasing supply remains severely limited both in material and foreign exchange terms.

This situation is aggravated by the deep deficit in the state financial system, and especially its budgetary outlays, which are now a major cause of inflation.

In light of existing social pressures, what are the real possibilities for implementing the policy of reducing budgetary outlays?

There is no real answer to this question. Nonetheless, we do know that the financial gap is too large, and the accumulated disproportions are too great for us to expect the economy to attain rapid stability through budget cuts. In any case, cost-cutting is an important direction toward which economic policy should be directed. However, it alone will not solve the problem.

The following are indispensable for the attainment of financial-market stability:

--the consistent implementation of a policy of structural changes in production prepared within the reform framework through the unhesitating bankrupting of those enterprises that are inefficient and do not fit into domestic procurement potential;

--the recognition of the need to conduct a policy of a further phased-in increase in prices, i.e., moderate price inflation; this will ultimately eliminate subsidies enabling the use of incentive mechanisms;

--the strict verification of costs and of the amount needed from the budget whenever a subsidy is requested;

--the reinforcement of the mechanisms for stepping up production by eliminating existing gaps in the legal regulations that cover the operational principles of enterprises, in particular the principles of taxation, price creation and remuneration. This should help to tie in enterprise income and employee earnings more closely with the real increase in the volume of goods and in worker input.

The market situation is not determined merely by the supply-demand ratio, but also by the operation of trade, which can ameliorate or increase market difficulties. According to estimates made by the Ministry of Domestic Trade and Services, the distribution and rationing system covers approximately 50 percent of the total value of deliveries, including about 75 percent of food item deliveries and about 30 percent of manufactured goods deliveries. To a great extent, the scope of distribution is so vast because of the shortage of goods. It is also partly due, however, to the schematic approach to the rationing question and to the slowness at finding new forms and methods for resolving market problems.

Not only does the administrative steering of the market stymie the restructuring of domestic trade and its demonopolization, it also increases the shortage of goods.

This is an extremely dangerous tendency that is not declining despite the efforts of the trade ministry to counteract it.

During the first half of 1982, the rebuilding of the organization of domestic trade was begun. Decisions were made concerning the elimination of subbranch and territorial divisions of the operational zones of the various trade organizations. This is being implemented with much resistance and difficulty.

13. The role of the credit system under economic reform conditions is growing considerably. Its basic function is to force and enforce the principles of enterprise self-financing. Under the new conditions, bank credit is used to supplement an enterprise's own funds for running activity and for development in accordance with economic plans.

In the first quarter of 1982, the basic economic-organizational conditions enabling the introduction of new principles of credit were not fulfilled. These

include: the price reform that is being implemented, the re-assessment of reserves and the delays in establishing the area and scope of budgetary subsidies. As a result, enterprises could not prepare reliable plans and programs of action, costs and financial results based on real premises; thus, they were unable to specify how much credit they needed to supplement their own funds. As a result, in the first quarter, financing was done out of enterprise funds and emergency credit. The principle of repayment ability was not applied, since the bases did not exist. The new credit principles based on the ability of enterprises to be self-financing could then be initiated in the second quarter, and in construction in the second half of 1982.

The guarantee of repayment became a major factor in the granting of credit. Beginning with the second quarter, banks started to examine credit requests made by enterprises for 1982 from this viewpoint and then entered into negotiations with them. The minimal criterion of credit worthiness became the profitability of current activity in 1982; whether procurement and purchasing plans were realistic was also considered. An analysis of more than 23,000 credit requests showed that the financial and economic situation of the vast majority of enterprises and the forecast through 1982 enable them to be granted normal turnover credit.

Given the uncertainties regarding procurement in the second half of 1982, and the lack of an accurate summary of enterprise production costs for the first half of 1982, and especially for the first quarter, a number of enterprises obtained credit for periods shorter than the entire year, with the stipulation that future credit would be contingent upon the credibility of financial results and a conformation of procurement potential.

The major reasons for denial of credit by banks were:

--the failure to achieve financial results in the first half of 1982 that guaranteed the self-financing of further activity,

--the failure to make use of production capabilities, and difficulties in purchasing manufactured goods,

--the unfeasibility of plans of economic and financial activity for 1982 submitted to banks.

Most of the enterprises that were "in trouble" (550) were guaranteed future credit either by submitting programs of economic recovery that were approved by the banks (200 enterprises) or through the guarantee of the founding organ.

Banks denied future credit to 103 enterprises (including 25 industrial and 31 construction enterprises) whose economic recovery programs did not guarantee that they would regain their creditworthiness, or who did not prepare such programs and did not obtain relief or subsidies in some other way. These enterprises employ 69,500 persons, and their production in the first half of 1982 amounted to 25.3 billion zlotys. These matters are being analyzed and negotiated further.

A negative assessment of the creditworthiness of enterprises made by banks was looked upon by many enterprises as a violation of the principle of autonomy. This was promoted by the position taken by some founding organs who tried to put off the operational strictures of the banking system to a later date and exerted pressure on them to make credit decisions that were contrary to the accepted principles.

Thus, it is indispensable that bank credit be used only as a source to aid profitable and effective economic activity. The financing of activity that is being propped up for reasons that are other than economic should be based on some other principle. While this is true in theory, it is not observed enough in practice at all levels, particularly in the face of the difficult economic and budgetary situation. Such valid credit preferences as a lower rate of interest or priority access to credit should be outlined generally in the form of guidelines of monetary-credit policy of banks that are then confirmed by the Council of Ministers and the PRL [Polish People's Republic] Sejm.

The mechanism of budgetary subsidies should become tied in directly with specific products; in other words, goods and services rather than the plant and equipment should be the consideration.

Beginning in 1983, our notion of credit worthiness must be expanded to include not only current profitability but also the financial prospects of enterprise activity over longer periods in association with long-term plans.

This idea is related to the use of a higher interest rate (12 percent higher, for example) wherever credit recipients attain favorable financial results not through an increase in production, a reduction in production costs and greater efficiency, but by raising prices. Such enterprises ought to be treated as credit risks that do not guarantee effective operation in the future and thus may not be able to repay credit. In time such enterprises may be granted credit at a higher interest rate based on the greater risk.

In order to regulate the legal bases of enterprise recovery process and enterprise bankruptcy rulings, it is necessary that work on the draft of a pertinent law should be stepped up and that the draft should be submitted to the Sejm in time for it to take effect not later than 1 January 1983.

14. The impact of new systemic solutions on enterprises has become evident in particular in the sphere of operational planning, in the use of cost effectiveness in the shaping of internal organizational structures and in the approach to relations with the "community."*

During the past 9 months, in most cases enterprise plans were prepared independently. The methods of preparing operational-economic plans were changed.

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*The description of enterprise attitudes is based upon several polls conducted by the Office of the Government Plenipotentiary for Economic Reform and the Institute of Management Organization and the Improvement of Managerial Cadres.

As assessment of enterprise procurement and purchasing possibilities was used as the point of departure. In order to guarantee the feasibility of their plans, enterprises generally prepared many variants. The share of internal organizational units (plants and divisions) in developing enterprise plans also increased. The polls conducted in enterprises indicate that changes in enterprise planning procedures increased their feasibility and stability considerably. Only a few enterprises made changes in the plans during this period in spite of major uncertainties concerning management conditions. In the planning process, enterprises also became more cognizant of the indirect impact (as they termed it) of the Ministry of Finance, banks, the Ministry of Labor, Wages and Social Affairs and the Office for Price Affairs. On the other hand, the impact of the sector-subsector ministries, organs of authority and the local administration and local political echelons decreased. There are signs of fear and mistrust in enterprises regarding the stability of the parameters and instruments used by the central economic office and the "heading off" of this phenomenon by setting up reserves in the plan in the event that the cost effectiveness parameters of the enterprise become worsened.

In spite of the great uncertainty regarding the ultimate form of systemic solutions within the organizational structure of enterprises, tendencies have begun to arise toward increasing the economic autonomy of organizational units and attempts have been made to use internal cost effectiveness and to relate the pay scale to the economic results of particular organizational units. At the same time, actions are underway to simplify organizational structures, and to adapt internal economic systems and incentives to new needs. This process was stepped up following the introduction of Council of Ministers resolution No 135/82 concerning the adjustment of certain principles of state enterprise employee remuneration to economic reform principles.

In the sphere of outside relations, enterprises are aiming to rationalize both the scope and the conditions of cooperation from the viewpoint of costs and results. They are withdrawing from ineffective co-production, they are looking for lower-cost suppliers (i.e., those having a lower selling price and lower transport costs), they are making direct contact with suppliers and they are trying to be competitive wherever possible (for example, changing foreign trade enterprises to reduce the profit margin and the like). One observes tendencies in enterprise activity toward a reduction in their own production costs.

The degree of change in the operation of enterprises varies. It is possible to distinguish two basic types of enterprises. The first type includes those enterprises who had a good economic situation and solid management at the outset. These are characterized by a faster rate of change and a great deal of readiness to accept and adjust to the new principles of operation. The second type includes those enterprises who have economic difficulties and are adapting considerably more slowly as a result. These have not been totally consistent in observing the basic principles of reform--enterprise self-financing and autonomy. In difficult situations, enterprises in some economic sectors tend to resort to administrative intervention to solve their problems, even though they admit that this was not effective in the past. Sometimes their actions take a revindicatory turn, involving general or (most often) individual changes in economic parameters and systemic solutions.

In the sphere of rebuilding the organizational structure, enterprises continue to be the most passive. As a rule, such new organizational structures as unions [zrzeszenia] arise out of the initiative of founding organs. As many enterprises point out, their passivity in this sphere emanates from the fear of consequences, primarily in the field of the procurement of distributed means of production. It is also rare for an enterprise to enter into a legal battle in quarrels with state administrative organs who, in the opinion of enterprises, are violating the rights and autonomy of enterprises.

In the economic policy of enterprises, the role of cost effectiveness has come to the fore, becoming evident in the changed planning procedure and methods as well. Thereby, enterprises are responding considerably more strongly than in the past to solutions in the economic system; they are also responding to the parameters of this system over the short term. In this way, two parallel goals emerge in enterprise cost effectiveness: the maximization of workforce earnings and the development of the enterprise. This is an especially important feature, particularly when one is confronted with the view that autonomous enterprises will not worry about the future.

The approach of some enterprises to the use of certain systemic principles (their inconsistent observance of self-financing requirements and the broad scope of budget subsidies) engenders their complacency while being detrimental to the rate and effectiveness of development.

The scale of progression of the earnings tax and the system of deductions for the FAZ are widely criticized by enterprises. In this context it should be emphasized that when the parameters of the economic system and particularly of FAZ deductions were established, one of the objectives was to equalize the opportunity of enterprises as they embark on economic reform. Thus the reason for the sharp progression in the earnings tax. This was dictated by the large-scale transformations made in the economy in 1982, and particularly by the price reform (both the increase and the change in the principles of price-setting). Changes in the structure of economic values in the first half of 1982 led to great differences in the economic situation of enterprises. The implementation of a budgetary law for 1982 in the area of the earnings tax showed how difficult it was to evaluate the financial situation of the national economy definitively. The annual payment of the earnings tax planned in June 1982 in the budgetary law was implemented in August with a surplus of 24 billion zlotys, or 106 percent; thus it had been grossly underestimated in the budget. This comes as no surprise during such a period of sudden and deep change, when all forecasting methods are frustrated. Nonetheless, after the first half of 1982, the economic situation both of the economy and enterprises did not become more stable. This enables us to look at those changes in the parameters of the economic system that would foster an increase in the dynamism of enterprises and their developmental expansion for next year. A modification of parameters and systemic solutions in this direction is indicated for 1983.

In particular, the principle and scale of the financial burden of wage increases should be modified to exert pressure toward rationalizing employment and to create conditions for attaining greater increases in average salaries, but only

by increasing production or improving management efficiency. In order to counteract the accumulation of excessive profits by enterprises due to price increases and to check such increases, it is necessary to create a system whereby the budget absorbs the unwarranted results of price increases. The possibility should be considered of initiating an anti-inflation tax that would direct into the budget all amounts that result from price increases and cannot be justified by an increase in the cost of materials. This would simplify the earnings tax and would do away with the steep progression in this field.

To generate strong pressure toward improving production quality and the better management of means, a category of unjustifiable costs and losses, increasing the earnings tax base, should be introduced into economic practice. This category of costs and losses should include all fines paid by the enterprise, particularly fines for poor quality, environmental pollution, failure to observe BHP [industrial safety and hygiene] conditions and the like, as well as losses due to the waste of utility refuse and raw and other materials, and the cost of compensating for external shortages. The matter of the depreciation of machinery and equipment that are out of order also must be resolved.

In order to stimulate enterprise development, it is necessary to introduce a broad range of relief measures in the earnings tax. Such reduction should encompass the following areas in particular:

--export production at the enterprise's own expense,

--an increase in production quality,

--the production of standard products covered by official or regulated prices,

--solving engineering problems by using domestic technological progress,

--the management of local raw materials and wastes,

--fuel and energy conservation,

--environmental protection,

--educational and cultural activity conducted by the enterprise,

--special undertakings specified in the NSPG [National Socioeconomic Plan].

These reductions should be automatic, i.e., the enterprises themselves ought to be able to make the deductions.

It is indispensable that work to reassess fixed assets be completed in order to make cost effectiveness more realistic at the enterprise level and to ensure conditions for the proper management of the production apparatus. This work should be completed during the first half of 1983.

On the basis of regulations contained in Council of Ministers Resolution No 243, a system of foreign exchange credits was initiated as a general source of

increasing enterprise free foreign exchange funds. While this system has been successful, it needed some revision. This was done within the framework of Council of Ministers Resolution No 134, concerning state enterprise use of part of their foreign exchange income from the exportation of goods and services.

According to statistical data, by the end of September 1982, 1,178 enterprises were participating in the foreign exchange credit system, and 362 accounts had been opened for them, as well as 24 accounts for co-producers.

The law concerning the right to carry on foreign trade made it possible for producers to gain concessions and to act on their own behalf on the foreign market. Thus far 74 concessions have been granted.

15. A vital element of economic reform is the rebuilding of the organizational structures of the national economy, which includes adapting the organizational structure of the state administration to new functions that emanate from the change in the status and nature of managing organizational units.

This aspect of the national economic reform process, which is tied in very closely with the creation of a new structure of economic policy jurisdiction, is developing relatively slowly and has encountered many obstacles and delays.

At the central management level, structural changes have been made thus far in the so-called sector-subsector ministries. The first phase of the process of changes in the organizational structure of central economic management indicated in proposition 27 of the reform guidelines took place in July 1981 and led to the partial rebuilding of this structure.

These ministries are gradually adapting the principles of their operation to the new conditions created by the economic reform laws. In the opinion of enterprises, they are not doing it fast enough. The lack of harmony between the current interventionary functions of the ministries and their strategic functions that emanate from the reform principles has created a basic barrier in this regard that is not likely to be eliminated under present conditions.

The lack of clarity concerning the principles of cooperation of sector-subsector ministries with the official ministries also keeps them from performing their new functions effectively. Now that they have gained some experience, however, it will be possible to prepare a basic "catalog" of the functions and instruments of operation of this group of ministries.

The new functions, tasks and powers of chief state administrative organs of an official nature (the Council of Ministers Planning Commission, the Ministry of Finance, the Ministry of Labor, Wages and Social Affairs) as well as the Council of Ministers, the Government Presidium and the committees of the Council of Ministers must also be defined in terms of the conditions of the new system. Work on the institutional adaptation of the status of these organs to the new conditions is in various stages of completion.

During this last period, employment in the central administration was cut by about 6 percent. Employment within the group of so-called sector-subsector

ministries showed a much greater decline (about 35 percent). However, state administrative organs are calling for an increase in employment more and more frequently. The solution of this problem must be comprehensive and it must observe current regulations consistently. Otherwise, the old administrative structure will be resurrected and the workforce in the central administration will grow.

16. The thoroughgoing decentralization of economic management in the territorial structure was executed during the past half-year. The powers and responsibilities of local organs of the state administration [TOAP] fundamentally were broadened to include local economic activity. As decentralization proceeds, conditions are being created that foster the process of more democratic management, primarily by increasing the role of representative organs in initiating and directing socioeconomic development in the given locale. Economic reform is also changing the status of enterprises with regard to local organs of the local administration.

As yet, the principles of organizational-systemic cooperation between economic organizational units and local organs of authority and the state administration have not been prepared. This refers in particular to the methods of having an impact upon enterprises and economic units (both those that are supervised by TOAP and those that are not under its supervision, but operate within the particular locale). The operation of the decentralization process is making it urgently necessary that the entire local structure fall under a regulatory system. The basis of such a system will be the law on people's councils and the territorial self-government, which sets up the legal-institutional base for future structural-organizational and economic-financial transformations. The lack of a law has hampered the definition of the methods and tools to be used by the local manager both in fulfilling his own tasks and those coordinated by TOAP; it has also impeded the division of powers and responsibilities among organs of the territorial self-government and local organs of the state administration.

In spite of the existing barriers, the process of TOAP's taking on the function of founding organ at the voivodship level for construction, agricultural, municipal management and housing enterprises has been completed. However, the tendency continues for units at the voivodship level to concentrate their powers within the sphere of economic activity at the expense of restricting the role of the basic elements of authority and the state administration.

The assumption by voivodship organs of the state administration of a broad area of management powers and responsibilities has made it necessary for the organization and operation of voivodship and basic level offices to be adapted to the new tasks. This has taken place mainly by the appointment of boards as organs assisting the voivodship governor or by reinforcing the appropriate departments within the framework of voivodship offices. In some regions, one sees a tendency for boards to take on the functions of liquidated unions [zjednoczenia] and the tendency to make use of the identical methods and forms of acting upon enterprises that operate according to general principles to serve the public. Proposals have been made to grant construction enterprises

the general status of public service enterprises in order to protect them from the strictures of self-financing. The premises underlying such proposals are understandable, particularly in view of the urgent need to keep construction going, but in the long run this would have a negative impact upon the process of straightening out construction and improving its efficiency, and thereby upon the economy's ability to meet housing needs.

A task of extreme urgency is the preparation of instruments and methods in accordance with reform principles to enable local organs of the state administration to perform their local management role effectively with regard to state enterprises, cooperative enterprises and other units.

17. The process of liquidating unions [zjednoczenia] is in the final stages. The liquidation of militarized unions is also proceeding in phases. By the end of 1982, the institution of the so-called plenipotentiaries of the ministers for affairs of separate production structures will disappear.

The creation of enterprises associations [zrzeszenia] is of crucial significance to the process of rebuilding the organizational structure of the economy. In general this process has been taking place under the resistance of the economic situation, and the difficulty of procurement shortages in particular. These factors have had a vital impact on the nature of the newly appointed associations. Most enterprise associations appointed thus far are by nature sub-branch associations, encompassing the former union structure in scope and creating organizations that are monopolistic in intent. One of the exceptions here is in the search for contractual coproduction partners. Both a large number of enterprises as well as the sector-subsector ministries are interested in the sub-branch association system. The sector-subsector ministries are inclined to treat associations as the intermediate management level.

Society seems to be disturbed by those tendencies it sees as a threatening to the resurrecting of the hierarchical management structures. This shows that the reform guidelines have undervalued the strength and resistance of bureaucratic structures. In reality, the present formal-legal system of reform does not include enough safeguards in this area. An antimonopoly law is needed. The move toward sub-branch associations, and particularly toward the creation of centralized settling of profitability accounts (at the association level) has the purpose of sheltering enterprises against the consequences of their own uneconomical management, and of shifting the costs of their failure to adapt to social conditions and needs to their weaker partners (consumers). In this regard, a proposal is being made to adopt the principle of covering association dues out of profits, and not adding them on to the cost burden. Another proposal states that associations should be denied registration in the courts without getting the opinion of specialized organs of authority or the state administration concerning the advisability of setting up the given association.

Obligatory associations have the purpose of grouping together, in accordance with the law, enterprises dutybound to safeguard specific economic functions desired by the state.

There is a great deal of evidence that the tendency to preserve the middle management level encumbers the forms of enterprise grouping and cooperation within the association framework. This is expressed in the tendency of some ministries to create the greatest possible number of obligatory associations and to force the rights of these associations that are very similar to the rights of the liquidated unions.

Our experiences thus far have shown that the laws regulating the organizational structures of management did not take all issues into consideration. A weakness of the legal regulation on associations, for example, is that it covers only state enterprise associations. The problem of the actual participation in association activity of organizational units that are not state enterprises (for example, scientific-research institutes) can be solved by not registering agreements. Nonetheless, the lack of legal regulation is a serious limitation of this form of integrating organizational units.

18. Ultimately, the deciding factors in the restructuring of the way the economy functions and in socioeconomic progress are workforce attitudes and management cadre attitudes. To a great extent, the workforce feels intuitively that the reform is something good, bringing progress and hope for improvement. The reduction of the living standard and the burdens of daily life, the lack of prospects for radical and rapid improvement, supply problems and the difficulty of maintaining the production rhythm all have a destructive effect.

In order to counteract these tendencies, enterprises themselves must take resolute action to:

—"translate" reform principles into specific endeavors for making enterprise activity more efficient;

--initiate plant remuneration systems that are closely tied in with labor productivity;

--resume the activity of employee self-governing bodies.

The situation in each of the above cases is very different. The most important factor molding workers' views of the reform is practice, the endeavors of the management cadre in plants. One observes positive trends in this area. These are attributable above all to the 1 July initiation of new principles of remuneration and also to the gathering momentum of the process of renewed worker self-government activity.

The following data characterizes the process of the resumption of self-governments: on 1 July, the number of motions made to repeal the suspension of self-government activity was 147, and the number of decisions to resume activity was 16; by 20 August, the number of motions was 560 and the number of decisions to resume activity was 175; meanwhile, representatives of more than 300 Workers' Councils participated in the 15 September meeting of the Sejm Commission for Self-Government Affairs.

When the process of reactivating the workers' self-government is conducted by TOAP, it takes place much more rapidly than in "key" enterprises. This is due to the fact that the local authorities are more familiar with the economic and sociopolitical situation in the enterprises under their supervision.

The resumption of self-government activity is gaining ground with every passing day. The real obstacle here is not the particular procedure that is used for removing the suspension of operation of a given self-government: the tempo and scope of this process are determined on the one hand by the readiness of the workforce to resume the activity of self-governing organs and on the other by the awareness of the enterprise managerial cadre, the state administration and party elements that the workforce self-government is a vital opportunity for breaking down social passivity and stagnation. The accepted principle that the removal of the suspension of self-government organs while martial law is still in effect will fulfill all functions and possess all legal rights except for the right of appointing and removing the director increases the credibility of the authorities.

Throughout 1982, the management cadre increasingly showed an active interest in the solutions, the problems and the opportunities of economic reform. Most of them saw in the new solutions the opportunity of becoming more active themselves, as well as of their own self-realization. This makes the cadre well-disposed to the reform. It has been generally discovered, however, that the processes of finding new solutions adapting general reform principles to the specifics and individual attributes of enterprises are usually the result of the work of relatively small management groups. These processes have little penetrative force due to a lack of initiative and caution and because of the stagnation of the rest of the cadre. The implementation of the principles of enterprise autonomy and the related idea of responsibility encounters barriers that are difficult to surmount among that part of the cadre that grew up under the conditions of the previous system and the values that shaped it. This group also suffers the consequences of the political and social frustration that occurred during the post-August period. In many cases this group is not sure of its authority among workforces; it has basic problems with the aktiv and with the competent implementation of new tasks. It also possesses relatively little familiarity with the new potential and principles of enterprise operation. Too little attention has been given thus far to ensuring that the middle management level understands the new operational principles of enterprises and to involving it in its implementation. This has a tremendous impact upon how thoroughly the reform penetrates the plant and upon the attitude of the workers to the reform. At the present stage, the plant should become the main center of the struggle for better work organization and greater work productivity, and for the consistent inculcation of the reform into daily practice.

19. The preservation of law and order in the national economy is of crucial significance to the process of implementing economic reform. The new structure of legal sources in the national economy is an expression of the implementation of this principle, including the adoption of the absolute principle that reform ventures are to be based on legal regulations. It should also be pointed out

that law and order in the economy means not only a structure based on the law of the system of economic relations, but also the observance of mandatory law by the organizational units entering into these relations.

As a result of the verification that began a year ago, whose purpose was to adjust legal regulations to the new conditions, 753 documents of the Council of Ministers and the Government Presidium were repealed during the first stage. Most of the repealed documents concerned the organization and operational principles of state enterprises, economic planning, prices, the financial management of units of the socialized economy, their taxation system and the like.

Our experiences have shown that shaping a new role for the law in the national economy meets with many obstacles. These emanate primarily from the failure of organizational units to adapt to the changing character of legal instruments and their new role. As a result of longstanding practice, there is frequently a tendency in organs of the state administration to regulate by law as broad an area as possible of activity of economic organizational units. These in turn lack faith in the broad scope of their own rights and demand that the legal regulation framework be replaced by detailed or casuistic solutions.

There is a general tendency in the work of administrative organs to freely interpret the regulations of the law toward a specific end. This leads to a situation in which the purpose of laws becomes distorted, for example, in the appointing of directors(of the more than 600 enterprise directors appointed this year, only 40 were appointed competitively), the formulation of proposals, association agreements and statutes and the arbitrariness of setting up enterprise divisions.

A weakness of the mandatory system of law in the national economy is the still existing broad area of ministerial legal regulations. In spite of the campaign conducted to verify ministerial legal regulations, which pared them down considerably (by 31 July 1982, 4,863 ministerial documents were repealed), in many instances the documents that remain in force still do not meet the needs of the reformed system, nor do they fit into the new system of legal sources, due to the lack of a legal foundation. This situation must be changed; moreover, the work being done on the executory documents of the laws should be an opportunity for continuing work on straightening out ministerial legal documents. The dualism of legal regulation still exists during the transitional period based on the binding force of both new documents and some old documents. This should be replaced as soon as possible by a comprehensive new legal regulation that encompasses all economic organizational unit spheres of activity of those that are in need of regulation. In spite of the broad scope of the new legal documents, there are still many gaps in the law. The needs in the field of economic legislation are still considerable--their implementation is a necessary condition of the cohesive, proper operation of the new economic system.

## II. Guiding Recommendations

An analysis and assessment of the first stage of implementation of the new principles of economic operation shows that in some spheres the system is not "airtight," that some problems have not yet been resolved in their entirety and that new problems have arisen. An analysis of specific mechanisms, on the other hand, shows that they need to be revised to adapt them to the changed economic situation and the forecasted situation.

The main activities in this area should encompass three basic groups of problems:

--solutions within the system and specific economic mechanisms,

--the legal system and the organizational structures of the national economy,

--the societal conditions and the awareness of the economic reform.

### A. Operations in the Economic Sphere

1. The producer price reform made national prices of raw and other materials significantly more realistic, bringing them more into line with world prices. The reform gave rise to a process of restoring the proper relationship between outlays and effects in management. However, a wide divergence appeared between official selling prices of raw and other materials and their transactional prices as a result of the adoption of a steeper exchange rate than had been assumed initially. We ought to move toward a phased and systematic elimination of this price deviation by making appropriate changes in official selling prices in order to create bases for making full use of credible cost effectiveness methods in our economy. Our rate of exchange and pricing policy must be subordinated strictly to the implementation of that objective.

2. In the context of new price-setting formulas, the reform of retail prices set the stage for restoring general market stability and impacted on improving the price ratio between food and manufactured goods. Nonetheless, especially with reference to food, disparities between retail prices and production costs continued or began to emerge in many instances. These had to be subsidized from the budget to a large extent. Subsidies have an antimotivational effect on improving economic management and making consumption more realistic, and the granting of subsidies redistributes the national income in ways that are often without social justification. This being the case, we must develop and adopt a long-range government program that limits retail price subsidies to cases that can be justified by higher social interests.

3. The pricing formula we have adopted does not encourage effective management. In many instances, its scope or use have no justification. Watching the way that these categories of regulated prices work, we can see what is needed: broadening their scope for the more important materials and semifinished products and changing pricing formulas to tie prices to transactional prices wherever possible.

4. The way that contract price categories work is especially important in the scheme of the new systemic formulations. They take in the greater part of goods turnover. The continuing imbalance between supply and demand in certain areas especially poses a threat. Some enterprises can take advantage of the situation to post economic gains not justified by the labor invested or economies made. The tax barriers introduced to prevent such occurrences have not always proved to be effective, especially regarding the variation of cost structures in the various subsectors.

In order to counteract this threat, it is indispensable that an even stronger anti-inflationary mechanism be introduced into the financial system of these enterprises in the form of an anti-inflation tax. This mechanism would discourage enterprises from exceeding contract prices, and in the event of their increase, it would correct the financial gain, bringing it down to the level of real effectiveness of the operation. The introduction of such a mechanism would be tied to moderation in the progression of the earnings tax.

5. An analysis of the economic effects of the earnings tax, the fundamental financial regulator, indicates that in practice its fiscal function has overshadowed its motivational function. We ought to change that ratio in favor of markedly increasing the motivational function of the tax. With that in mind, we must do one of two things:

—maintain the progressive character of the tax, while flattening out the scale of progression and moving towards the elimination of manufacturing costs as the basis for determining profitability, or

—replace the progressive tax with a flat-rate tax.

These guidelines for reshaping the earnings tax formula are now undergoing statistical analysis with a view to determining economic and financial effects on the national economy.

6. Especially in light of the changed employment situation, people are variously critical (and justifiably so) of the principle of charging the FAZ against average wage increase. They single out the antimotivational effect that this practice has on reorganizing our way of making use of labor resources.

This practice must be changed with a view to tying it in with enterprise production results and effective management. At the same time, we must assure that in so doing we adhere strictly to accepted norms in the whole area of employment policy.

7. A system of income tax relief is an important means for influencing the economic decisions of enterprises. It accords with the postulates of our economic reform. Currently such relief is given only in the area of export production. Considering the importance of tax relief as a tool, we ought to speed up work on the more comprehensive regulation of this question. Tax relief ought to be used to encourage the attainment of goals set for the economy as a whole, and simultaneously, in a way that prevents its being abused for particularistic gain.

8. Perfecting a financial system demands the definition of categories of losses and unjustified costs. Such a definition permits calculation of income tax on a correct basis and furnishes us with a simple way of getting a handle on costs for less than full use of production assets and other outlays resulting from poor management in an enterprise.

9. The operation of the credit system in conjunction with the principle of self-financing forced the vast majority of enterprises and the national economy as a whole to accept the notion of profitability. However, it must be noted that in many areas, self-financing is not applied to the fullest extent. This is a substantive departure from reform guidelines. Hence, we must strive to limit significantly the area not covered by self-financing.

We must also look at credit capabilities from a wider perspective that includes not only current profitability but also long-term financial prospects of enterprises.

10. Examination reveals that motivational systems for workforces in enterprises are not producing results. Incentive systems are weak mainly because the wage system is not adjusted according to the fundamental principles of the reform. Binding provisions of the labor law and, particularly, requirements that enterprises abide by the labor code and laws governing collective labor hinder seriously the formulation of an incentive system.

Granting enterprises wide freedom for individual wage differentiation is an indispensable condition for the introduction of factory wage systems likely to foster increased productivity. This means updating provisions of the labor law and fundamentally limiting interference from central planning in the wage systems of enterprises.

11. Practically speaking, glaring discrepancies mark the ground rules in operational programs. Why? Because these programs are both too numerous and too broad. Thus, no central direction is possible as far as implementation is concerned. Further, the possibility for verifying the correctness of the allocation and use of resources is limited. In this connection, we must be able to maintain a check and to set serious limits on the number and scope of operational programs. We must assure that the production they envisage is coordinated systematically with materials procurement organization.

12. In the foreign trade area, we have introduced systemic solutions designed to make effective export economically attractive for enterprises. Included are foreign currency access, tax relief, customs rebates and concessions for making contracts directly with foreign partners. Fine tuning is required to make the system more effective in increasing exports and rationalizing imports.

We ought to increase gradually the level of foreign exchange credit, linking it to export effectiveness, in order to make the role of such credit more stimulating. At the same time, we must aim for a reduction of central control in purchasing and foreign exchange allocation. We must put into effect a policy for credits that yield a quick return and for credits needed for import

purposes in conjunction with specific export contacts. Funding for such a policy would come from economies realized in the foreign currency accounts of the various enterprises. These enterprises will tend to use the foreign exchange available to them conservatively. Interest charged for the use of foreign exchange will strengthen this tendency. On the other hand, enterprises not meeting export and production goals outlined in operational programs would obtain foreign exchange at a special rate determined by competitive bidding. The Bank of Commerce would sell foreign exchange set aside for this purpose from earnings. Gradually, self-financing of exports would be introduced for these enterprises in this way. At the same time, we should move toward a situation where producers in the processing area would use transactional prices as the basis for setting contract prices.

13. The exceptional economic conditions resulting from the crisis necessitated provisional solutions, a turning aside from the normal order. This is especially the case as far as central direction of goods turnover is concerned. For retail trade, central control includes rationing, distribution, and directed selling. For procurement, it includes distribution and obligatory brokerage. These approaches, which were forced upon us by our practical situation, tend to create irrational consumption and artificial demand. Therefore, we must devise and implement a plan for getting away from the administrative direction of goods turnover, and especially, from retail rationing. A starting point for devising such a plan ought to be an in-depth analysis of the relationship between supply and demand according to the objective way that this relationship functions in the marketplace with respect to consumer goods and supplies. Certain market areas are rather well supplied at present. This allows us to move away gradually from restrictions in the area of goods turnover.

14. The area of social benefits, which by the 1970's had increased without respect to our ability to pay for them and which increased again because of the pressure of the past 2 years, seriously limits us in carrying out principles of rational management in enterprises. We must reorient state social policy, subordinating it strictly to state financial capabilities and, therefore, departing from the notion of formulating social policy according to the norms of equity exclusively.

We must also tie the level and scope of providing for social needs in the enterprise to the achievement of production results.

15. The solutions for economic reform are premised on the assumption that the five-year plans are the basis for the direction of the national economy by central authority. Suitable economic instruments, chiefly of an indirect type, ought to be used in verifying that independent enterprises are moving toward goals set forth in the plans. Practically speaking, however, in the current year, short-term plans designed chiefly to accomplish specific, matter-of-fact tasks are the basis for managing the economy. Experience shows that these plans are not very effective. Hence we must greatly step up our efforts toward establishing a system for indirect action focused on the current and long-range production and development of decisions of enterprises. For this purpose, we must use financial and economic instruments.

B. Operations in the Legal and Organizational Sphere

1. The initial phase in the introduction of economic reform closed with the passage of a packet of laws by the PRL Sejm on 26 February 1982. These laws constitute a basic, legal foundation for the new, working principles of the national economy.

However, many areas of socioeconomic life have still not been regulated by law to bring them into line with basic economic reform assumptions. The introduction of systemic solutions of the reform revealed new problem areas requiring careful, legal regulation; for example, enterprise bankruptcies or counteracting monopolies. With that in mind, we must intensify legislative processes in order to attain once and for all an airtight legal system for our economic reform.

2. The ongoing review of legal provisions directed toward adapting the law to the new system should be continued. Irrespective of the work done thus far, which has led to the abrogation of a large number of laws that had lost their material bases for imposing obligations or did not fit in the new hierarchy of legal sources, we must exercise strict supervision of mandatory law to make certain that it is both comprehensive and in accord with the newly-created system of laws.

We should likewise increase control over so-called ministerial lawmaking. An increase in the power of registering ministerial regulations with the minister of justice is indicated here. These regulations would become binding when entered into the registry.

3. In the actions of the central and local administration, there are many transgressions against the "new" mandatory law that defines the rights of founding organs and the admissible legal means of acting upon economic organizational units. In addition to the training campaign that is being conducted for the purpose of counteracting this situation, the authorized organs of control ought to step up their control of the legality of state administrative actions against economic organizational units.

4. The process adapting the structure and functions of chief and central organs of the state administration to the requirements of economic reform, beginning with the reorganization of sector-subsector ministries, has been stymied. This refers in particular to the rebuilding of the functional ministries and the Planning Commission. If this situation continues, it will have a negative impact upon the creation of a new system of national economic management at the central level. Thus it is indispensable that the process of rebuilding the central level of management be restructured by defining a new role and scope of action for the functional ministries and the Planning Commission; it is also imperative that the principles and tools of operation of the sector-subsector ministries be worked out in detail.

5. The change in the structure management of the national economy based upon the elimination of the intermediate level has essentially been implemented.

At the same time, the process of creating new organizational structures has been initiated. A preliminary assessment of this process demonstrates the unfavorable trends that developed during the process of the creation and operation of associations. In line with this, principles of operation should be prepared to counteract monopolistic practices and tendencies to divide domestic purchasing markets, pricing agreements and mediocrity where efficiency is concerned. The adoption of anti-monopolistic legislation should serve this purpose, as should the inclusion of the workforce self-government of enterprises into the process of developing new structures. Decisions concerning the entrance of enterprises into voluntary associations should be verified by the self-government organs resuming their activity.

6. The provisions of the law on state enterprises unequivocally defined the principles of selection of the management cadre of enterprises and associations. They are based on the principles of competition. During the first stage of the reform, this formula was used very little in the process of nominating candidates for the position of director. This contradicts the mandatory legislation and undermines the credibility of reform activities. For this reason, the principle of competitive managerial cadre selection should be strictly observed.

7. New organizational-legal forms should be developed to serve as a basis for activating production throughout society. The economic activity of youth organizations must be encouraged; they must be authorized to create and take part in trade-production companies. The legal bases must be created for developing "small forms" of production activity of employee teams "after work hours," based upon the use of the machinery and equipments of their own plants.

C. Operations in the Social Sphere

1. The principle of self-government is one of the basic tenets of the economic reform. The martial law restrictions suspended the process of the development of the workforce self-government. This seriously limited the introduction of the economic reform, since self-government organs are also enterprise organs that, in accordance with the assumptions, fulfill many important functions under the new system of operation of the national economy.

Decisions to resume workforce self-government activity in enterprises help to broaden the social reform base. In recent weeks, the process of reviving the work of self-governing bodies has been stepped up significantly. Nonetheless, the number of enterprises with currently operative self-governments is still small by comparison with the total number of state enterprises. Thus, intensive administrative and political efforts must be directed toward making it possible for the implementation of enterprise self-governing bodies to be accelerated.

2. Self-government organs have broad powers of joint decisionmaking on matters of enterprise and workforce issues. Polls reveal that the level of familiarity with legal-economic questions indispensable to joint enterprise management is not always satisfactory. For this reason, a comprehensive training program for self-government operatives must be prepared and put into practice.

3. The effectiveness and the rate of implementation of the new systemic principles depend in great part upon the attitude and activism of enterprise managerial cadres.

Polls show that the level of familiarity of enterprise managerial cadres with the assumptions and mechanism of economic reform is widely divergent. While there are many examples of the exemplary adaptation of the managerial cadre to the new principles and conditions of management, there are also negative phenomena in this regard. These emanate primarily from the lack of skill in learning and practically applying the reform principles, problems "getting one's bearings" in the new situation and even unwillingness with regard to the reform itself.

Keeping this in mind, we must facilitate the development of the independence and activism of the managerial cadre. This should be achieved through the improvement of the cadre training system, particularly in the area of management skills within the operation of new enterprise organs. We should also aim to curb the officiousness of the economic administration when intervening in enterprise affairs and to popularize positive examples of an active position among representatives of the managerial cadre. The introduction of systematic tests of familiarity with reform principles among the managerial cadre should be an important element of this process.

4. The success of the economic reform rests upon society's acceptance of the systemic solutions that are put into practice. In recent months the reports of society's attitude to the reform have been unfavorable. This is due to the fact that the reform has been implemented under conditions of a very great decline in the living standard of society. This leads society to conclude that the decline in the living standard was the result of the reform while in fact it is a consequence of the crisis. Hence, in order to reach society with an objective assessment of the systemic solutions that have been adopted, we must disseminate honest, well-documented information on the subject of the reform.

5. The economic reform, its purposes and principles demand radical transformations in the awareness of social groups and individuals. This is especially true with reference to the attitude to the state's role in the system of economic management, the attitude to work, the place of work, questions of social protection and the notion of social justice. It is urgently necessary that we develop a system of influencing society and individuals that aspires toward the development of new, more active and enterprising attitudes. Held in common, such attitudes will help greatly to speed up the rebuilding of the operation of the state, society and the economy.

8536
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POLAND

PROBLEMS IN AIR TRANSPORT INDUSTRY AIRED

Warsaw TECHNIKA LOTNICZA I ASTRONAUTYCZNA in Polish No 6, 1982 pp 2,3

/Article by Andrzej Glass: "Situation and Problems of Polish Air Transport"/

/Text/ The 1971-1980 Decade and LOT Polish Airline

The years 1971-1980 were a period of rapid growth of LOT:

—the length of regular lines doubled from 41,000 to 93,000 km;

—the number of airports served by LOT increased to 12 from 10 in this country and to 44 from 30 abroad;

—annual passenger volume increased 25 percent on domestic lines (to 791,000 from 643,000) and by a factor of 3 on foreign lines (to 1,037,000 from 325,000);

—average annual growth rate of traffic was 17 percent;

—passenger traffic was 65.7 percent of capacity compared with worldwide average of 63 percent;

—Poland's share in international air transport increased from 0.22 to 0.36 percent;

—LOT's profits in 197 were 300 million zlotys whereas in 1981 they reached 2.7 billion zlotys, that is, increased by a factor of 9;

— during the years 1971-1980 3 billion zlotys was invested in LOT, 4.4 billion was invested in airport and traffic infrastructure, and 4.4 billion in airport repairs. During that period the surplus of income over expenditures (including investments) amounted to 5.6 billion zlotys in civil aviation.

This was a period of rapid growth of the activities of LOT Polish Airlines.

Years 1980 and 1981

The years 1980 and 198 were unfavorable to international air transport. World air traffic in 1980 increased only 3 percent (compared with a 13 percent increase in 1979) and in 1981 0.5 percent, while passenger traffic declined from 748 to 728

million. In Poland the difficult economic situation caused a decline in both domestic and foreign traffic. In 1980 compared with 1979 the number of passengers carried by LOT decreased to 791,000 from 862,000 (by 71,000 or 8.2 percent) on domestic lines and to 1,037,000 from 1,131,000 (by 94,000 or 8.3 percent) on foreign lines, or altogether from 1,993,000 to 1,828,000 million (by 165,000 or 8.2 percent). At the same time, air cargo volume increased to 17,235 from 16,930 tons while the number of ton-kilometers decreased slightly to 257 from 263 million ton-kilometers, that is, only 2.3 percent. Fleet utilization increaed to 1,670 from 1,648 hours per aircraft annualy, but labor productivity dropped to 43,800 from 47,000 ton-kilometers per employee.

In 1981, owing to the attendant decline in domestic production and hence also a slowdown of economic life, traffic further declined. The suspension of air traffic duirng the last three weeks of December of last year had moreover reduced traffic volume by an additional 4 percent, more or less. The results in 1981 compared with 1980 were as follows: the number of passengers carried dropped to 1,711,000 from 1,828,000 (6.6 percent), of which to 998,000 from 1,037,000 on foreign lines and to 713,000 from 791,000 (11 percent) on domestic lines. Cargo volume dropped 32 percent on foreign flights (to 8,641 from 10,813 tons) and 45 percent on domestic flights (to 3,062 from 6,422 tons). As a result, the number of ton-kilometers for LOT decreased to 236 million from 257 million ton-kilometers, i.e. 8.2 percent, of which 7.6 percent for foreign flights and 14 percent for domestic flights. Fleet utilization decreased to 1,353 from 1,670 hours per aircraft and labor productivity to 39,400 from 43,800 ton-kilometers per employee, owing to the decline in traffic and increase in employment. At the same time, seat capacity utilization increased to 78 percent. During 1981 flights to Baghdad, Benghazi, Leningrad, Kiev and Bydgoszcz were suspended. In 1981 gross income was 16 billion zlotys and net income, 2.7 billion, that is the annual balance was positive: 30 percent of the passengers paid with foreign exchange for their tickets and 70 percent with zlotys.

Situation in 1982 or a Survival Program

The situation of Polish air transport in 1982 is fundamentally different from that in the previous years. We will attempt to assess the principal factors in that situation.

The suspension of LOT's traffic activities as well as of the flights of foreign airlines to Poland on December 13 of last year necessitated renegotiating in January and February of this year aviation agreements with other countries, since, as a rule, air transport operates on the principle of reciprocity. During the first half of this year flights to 27 airports were resumed (in 1981 there had been flights to 45 airports). Certain lines will not be restored owing to unprofitability (e.g. the Far Eastern route). Of the domestic airports, eight were reopened.

The traffic demand has dropped drastically. In the first 4 months of this year it amounted to 40 percent of the traffic volume in a like period last year. This is best illustrated by the figures on passenger traffic:

| Month | January | February | March | April |
|---|---|---|---|---|
| Number of passengers: | | | | |
| --Foreign traffic | 10,545 | 15,168 | 19,858 | 25,487 |
| --Domestic traffic | 6,987 | 9,718 | 15,855 | 29,738 |
| Total | 17,532 | 24,886 | 35,713 | 55,225 |

The anticipated traffic volume for 1982 as a whole is 50 percent of last year's volume, that is, approximately 700,000 to 750,000 passengers. The structure of passenger traffic, too, has changed. The number of private passengers carried is expected to lie at 15 percent of last year's level, owing to passport restrictions. The number of official passengers carried is expected to lie at 50 percent of last year's level. The restrictions placed on the conveyance of Polish passengers resulted in an increase in foreign-exchange passengers to nearly 50 percent of the total. Owing to the decline in passenger traffic the anticipated gross income (not net income) should amount to 6 billion zlotys.

The decline in traffic volume has resulted in that LOT now has a surplus of aircraft and skilled personnel which are not being fully utilized.

The new situation has posed to LOT Polish Airlines as the paramount task the problem of surviving, that is, of maintaining its transport potential, i.e. equipment, expert personnel and facilities while at the same time meeting the economic requirements ensuing from the country's situation and the goal of self-financing. Balancing all of these factors requires a well-planned program and various actions.

Retention of Skilled Personnel

In view of the crisis situation in worldwide transport,it has not been found possible, despite the attempts made, to obtain any major orders for lease of LOT aircraft together with their crews to perform tasks outside the country's boundaries. (For 1.5 months one An-24 used to fly in France for Air Inter, earning US$1.5 million.) This is also due to the relatively uneconomical equipment (with a high fuel consumption), which cannot withstand competition in face of offers by carriers operating more modern aircraft.

There also exist no chances for focusing on the transportation of cargo from Poland, since the demand for Polish goods has dropped and the cargo routes are extremely dispersed and, what is more, the import and export directions differ.

The growth of traffic on foreign routes is subject to certain limitations, given the present demand. There is a chance for reopening routes to at least five countries. Only tourist charter flights to Bulgaria and Romania as well as transport of sailors are anticipated. Unless there is a rise in tourism (both from abroad and from Poland) and exports, the transport demand will not increase.

The growth of domestic air transport will undoubtedly hinge on its competitiveness with rail transport. The average rate of growth in rail rates may result in a higher demand for air transport provided that air rates will not increase or will increase at a slower pace than rail rates.

LOT Polish Airlines has already cut in half the personnel of many of its foreign offices. But shifts in the deployment of experts also are needed in order not to lose individuals whose training lasted years and cost hundreds of thousands of zlotys.

During the first half of this year LOT reduced its personnel by 10 percent (it had 6,000 employees) by discharging unskilled employees.

## The Problem of Equipment

LOT's equipment still lags behind by one generation of aircraft compared with its competitors. Discussions conducted last year on the question of what aircraft are to be acquired for LOT are no longer topical for various reasons. First, at present LOT has more aircraft than it actually needs. Secondly, in the current international situation, while Poland is unable to avail itself of Western credit, economic interest in American aircraft is unrealistic. Even if such an acquisition were to be made, it does not appear that such aircraft could at present earn the foreign exchange needed to repay such credit. What is more, difficulties in acquiring spare parts and repair could immobilize such aircraft. Thus, last year's discussion is no longer pertinent.

The actual situation necessitated attempts to solve the problem of surplus aircraft. The mothballing of unused aicraft also is quite expensive. Hence, LOT Polish Airlines has undertaken attempts to sell its oldest and least economical aircraft. Aid came from the Soviet Union which, understanding our economic situation, accepted a proposal advantageous chiefly to us and bought back in May of this year four (that is, all) Tu-134 aircraft (we have kept only the Tu-134A) as well as two Il-62's. Attempts are under way to sell an additional four Il-62's. LOT would then retain only the more economical Il-62M's, which burn 1 ton of fuel less per hour. In this way the crisis is indirectly contributing to a modernization of LOT's equipment. The fleet of LOT has thus decreased to 41 from 47 aircraft. In addition to the aircraft types named above, LOT operates An-24 and Il-18 aircraft. The funds derived from the sales are to be reserved for the acquisition of new aircraft, probably the Yak--42 in the modification having a longer cruising radius. Given the current decline in traffic volume the issue of acquiring Il-86 350-seat aircraft is rather to be postponed. Most probably, the modification with longer cruising radius will be in the greatest demand.

The discussions held about equipment in the last few years also touched upon the problem of acquiring cargo aircraft. However, the small scale of cargo traffic and other aforementioned problems as well as the current decline in that traffic (much deeper than in passenger traffic) do not justify the acquisition of these aircraft. In the most favorable situation just one cargo aircraft could be usefully employed, but considerations of maintenance and repair, etc. make it difficult to open routes served by fewer than two cargo aircraft. Hence, in the immediate future such an acquisition would be unprofitable. LOT is using Il-18 aircraft to transport cargo and it has converted two Il-62's to the passengers-plus-cargo modification.

## Facility Utilization

One possibility of maintaining full-capacity facilities (including repair facilities) lies in procuring outside orders (i.e. not only for LOT's own needs). The advantages are threefold: profits for the enterprise as a whole, the retention of skilled personnel, and the retention of the full capacity of the facilities. The recent organization of the repair of An-24 aircraft by LOT cannot serve this purpose, because foreign demand does not exceed two such aircraft annually. However, LOT has received orders for repairs of An-2 aircraft and their engines. LOT repaired these engines, because it operated Li-2 aircraft and the repair of the An-2 is easier than that of the Li-2, of which 100 repairs have been performed by LOT. In addition, LOT will

paint aircraft for foreign enterprises (Malev, Balkan). Many orders cannot be filled owing to lack of materials. LOT could have accepted an order for painting busses but it lacks paints. Orders for large quantities of high-pressure conduits exist.

* * *

The growth of the national economy will require both foreign and domestic air transport. The restoration of that transport will be not only difficult but time-consuming and costly unless the skilled personnel and equipment are retained. Such a valuable asset should not be dissipated. Hence, survival is the fundamental goal of LOT.

1386
2600/102

RESOURCE ECONOMY NECESSARY TO LOWER PRODUCTION COSTS

Bucharest REVISTA ECONOMICA in Romanian No 42, 22 Oct 82 pp 7-8

[Article by G. Obreja]

[Text] Concern for better mobilization and utilization of all the productive potential of the economy and, specifically, for best possible management of the country's material resources has been and continues to be an essential component of our party and state policy of more rapidly increasing the national income. At the recent plenary session of the CC of the RCP it was assessed that in the first 2 years of this five-year plan major achievements were obtained in terms of greater development of the domestic base of raw materials and energy, higher level of utilization of material resources, greater reduction of fuel and energy consumption rates, intensification of the activity of product standardization, with each of these factors providing a decisive input into the smooth unfolding of production activity, into the rise of profitability and accumulations. Moreover, heavy emphasis was placed on recovery and reuse of raw materials and supplies, reconditioning of some spare parts and subassemblies, by and large on increasing output and improving the indices of utilization of all raw materials and supplies.

Economic practice shows that a more rapid increase in the national income is directly tied also to the overall saving of material resources, to lowering of production costs. At the level of the Romanian economy the significance of reducing production expenditure of materials is reflected in a few statistical data:

While at the level of the year 1981 the reduction by one percent in the volume of materials expenditure in the social product accounted for about 14 billion lei, in the year 1982 this reduction accounts for a national income additional rise of more than 15 billion lei, and in 1983, 16 billion lei.

Identification and utilization of every resource of economy in material production costs continues to be one of the secure avenues that can lead to significant savings in every economic unit, that can help more to maximize profits and profitability, to form local resources and constitute monetary funds, to increase the national income. Completion of the tasks relating to resource economy by each enterprise, central, ministry and people's council predominantly mandates strict sizing, as planned, of total and materials production costs. It is anticipated that next year these production costs will be reduced in industry 12.5% versus the 1982 level for each 1000 lei marketable output, in agriculture by 5 lei for each 1000 lei marketable

output, in construction-assembly (contracting) by 7.8 lei for each 1000 lei production, and in transportation by 8.7 lei for each 1000 lei incomes. The interest of the national economy, of each individual unit require that every effort be made to attain and exceed these reduction levels in the third year of the five-year plan. Such an objective is attainable and exceedable if we take into consideration the fact that the economic units still have reserves that can and must be utilized to permit the reduction, over and above plan provisions, of production costs, specifically of materials costs.

Material Balance of the Plan

Before surveying some of the chief guidelines directly tied to lowering production costs we must even briefly review a few matters pertaining to the context in which the ensuring of the material balance is conceived in the setup of the 1983 plan. It must be stated that in this regard provisions have been made for radical steps to tap and make best use, on an overall scale, of all the material resources of the economy, to lower consumption rates for materials and energy, to do away with any sources of loss and waste.

Proceeding from the detailed examination of the stage reached in this area, the estimation of some deficiencies that are still found in the mobilization and utilization of material resources, attention is paid to enhancing concern for strict economy of every unit of material or fuel, of each kilowatt-hour of electric energy, concomitantly with discovery and utilization of new material resources. Consequently, one of the basic principles of ensuring the material base of the plan for the next year involves drawing into the economic circuit new resources of raw materials and fuel, including those with poorer contents, so that we may assure a greater involvement of the soil and subsoil riches in meeting the economy's needs for raw materials and supplies. Complete inventory of mineral resources and also of fuel and energy resources, use of new mining and processing techniques, materialization of the programs worked out in these fields of endeavor have been and continue to be principal paths for ensuring material resources, resources that are of outstanding importance in maintaining the planned growth rates.

In the procees for ensuring the material resources, energy resources are prominent and play a decisive role. Consequently, projections involve the greater development of energy resources in this country, so that more than 90% of the needs for fuel and energy may be met from domestic resources. This requires firm and prompt implementation of all the measures regarding the completion of the program developed in this area, simultaneously with the lowering of all consumption rates for fuel and energy, the elimination of any loss in the process of production and distribution of energy.

Moreover, the plan provides for heavy emphasis on superior utilization of material resources in the production process, on management and saving of these resources, on obtaining, for each unit of raw material, of the greatest possible newly created production and value.

That is why at the plenary session of the CC of the RCP held at the beginning of last October, the party secretary general dwellt on ensuring and utilizing the economy's material resources and pointed out that it is necessary to understand

that the matter of assuring supplies of materials for the development of socioeconomic activity must be handled by placing special emphasis on domestic sources, on economy, on reuse of materials. Hence, it is necessary to daily monitor the implementation of objectives pertaining to ensure fuel, energy and raw materials, fulfilment of measures to lower consumption levels, to continuously upgrade consumption standards.

Upgrading Consumption Standards

Extending the scientific standardization of consumption rates for raw materials and supplies and supervising the observance of these rates have been and continue to be paramount factors that directly impact on the level of materials expenditure of production. Recently special attention has been paid to expanding the sphere of covering consumption by physical standards. Conditions have been created for sound substantiation of plan provisions by proceeding from the physical structure of production and consumption rates per product and consumption rates were itemized not only at plant level but also individually, at section, shop and job levels.

Nevertheless, in the area of meeting planned consumption levels some shortcomings are still found in economic units, that have resulted in extra consumption levels for some basic raw materials and supplies. The analysis of the causes that generated these extra consumption levels indicated that there is insufficient concern in some enterprises, centrals and ministries for resolving the complex problems which underlie the lowering of these consumption rates: structural and technological modernization of products, rigid observance of technical discipline, improvement of product quality and elimination of wastes, expanded use of substitutes and the like.

The requirements stemming from the need to lower production costs involve following of and strict integration into the planned consumption rates. Consequently, it is necessary to step up not only the efforts to establish technically and economically substantiated consumption rates but also the efforts to reinforce supervision over the way in which standards are observed. Hence, it is imperative that the debating and decision-making bodies, the committees and councils of working people systematically examine the way in which these standards are met and prevent any exceeding. Because, with good reason, one may ask: last year and during this year was it not possible to more significantly lower production costs had it not been for some extra consumption levels, above plan provisions, for many basic products? Proceeding from the interests of the overall economy, of each economic unit individually, such a situation must not reoccur in the next year, because all economic units must strictly follow the consumption standards planned.

Greater attention must also be paid to close examination of the current levels of some relative consumption rates, for the purpose of finding new ways to further lower them per product unit. The fact that now in our industry's production costs the volume of raw materials, supplies, fuel and energy continues to account for about 75% requires the enterprises, centrals and ministries to broaden the sphere of their investigations in order to identify new means for lowering current consumption rates.

Innovation, Modernization of Production and Technologies

In the complex process that focuses on better utilization of material resources, a factor with an efficient input into lowering production costs involves greater

modernization of products, introduction of new production techniques. That is why the 1983 plan provisions incorporate tasks that finalize in production many research objectives focusing on arrangements for the production of new materials and items to provide a greater input into saving material resources and specifically fuel and energy, into meeting the needs for various raw materials in short supply, and also into reducing some imports.

An important role in completing these tasks can be played by research and design institutes which have great possibilities for formulating adequate proposals designed to lower relative consumption rates, diminish the weight of products and structures, and so forth. In this context it is necessary to monitor the full implementation of product innovation and modernization plans. Moreover, it is necessary to eliminate the situations where excessive amounts of raw materials and supplies are used for turning out some products, because the production process still contains some procedures that prove to be obsolete and outdated. The reason for this is that some direct leaders of work teams still show less receptivity in terms of promotion of new technical approaches and procedures, and also, that often the organization of production flows and some points of production is not in tune with the requirements of promoting new developments.

In creating the best possible conditions for implementation of programs for innovation of products and technologies with lower materials consumption rates and costs, in addition to eliminating the shortcomings pointed out, efforts must also be focused on upgrading technicomaterial supplies, on on-schedule completion of the investment projects designed to accelerate the innovation of production. It is a matter of achieving smooth supplies with contracted for materials, but also of greater creativity so that the domestically available raw materials may yield new products with highly competitive performance.

In 1983 the level of utilization of raw materials, supplies, fuel and energy is expected to increase, versus 1982, 7.4% -- calculated on the basis of marketable output, and 10.3% -- calculated on the basis of net output, increases that are far higher than the average for the overall industry being anticipated in the chemical, machine building and metallurgical industries.

Because it has been found that in a number of cases planned indices for superior utilization of raw materials and supplies are not attained, firmer efforts are needed in this area, since any lag in terms of arrangement for the production of new materials and products and better utilization adversely impacts the foreign payment balance, also requiring extra foreign currency resources. Therefore, special attention must be paid to fulfillment and overfulfillment of the planned tasks in this area, as a basic condition for obtaining the highest possible value from each ton of raw material processed.

Important reserves for lowering production costs involve recovery, reconditioning and reuse of some raw materials and supplies from the production and consumption processes. Consequently, it is expected that next year this will provide another 5-8% of the necessary amount of raw materials and supplies. That is why all economic units must intensify their efforts to maximize the recovery and utilization of any raw materials and supplies which can be reused, thus meeting some needs for supplies and lowering production costs.

In order for this need to be met, the available potential in enterprises, centrals, ministries, and research and design institutes needs to be more broadly mobilized for the development of effective procedures of recycling the recovered resources, for accelerated connection to the productive circuit of the new investment facilities destined for reconditioning and reuse of materials, of used subassemblies and parts, and also for the promotion of organizational approaches designed to materialize this circuit. By promoting such projects it will be possible to discover and utilize new reserves in the area of lowering relative consumption rates, concomitantly with obtaining extra outputs and profits.

On the fulfillment and overfulfillment of the tasks in the area of lowering production costs largely depends the attainment of the 5% rise in the national income for the next year, respectively of the source for maintaining the economic growth, for ensuring the resources for the planned improvement in the standard of living of the population.

11710
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## SHORTCOMINGS OF NET PRODUCTION INDICATOR POINTED OUT

Bucharest REVISTA ECONOMICA in Romanian No 42, 22 Oct 82 p 11

[Article by Laurentiu Astefanei, inspector at the Iasi County Branch of the National Bank]

[Text] The practice of the implementation of the new economic-financial mechanism, surveyed in light of the central indicator -- net production -- has proved the advantages of this indicator versus overall production. However, if we plan to analyze the manner of utilizing net production in sizing the fund for remuneration of work we note that it does not provide adequate ingredients for correct sizing -- at least in some branches -- of this fund.

In the first place we focus on the fact that, although net production far more faithfully reflects the effort of the enterprise, however, because of the method of calculation, as difference between the overall production and materials expenditure, the result not always is very close to reality. For instance, in the machine building industry, the overall production for the calculation of net production also incorporates the unfinished production as a component. In calculating the relating net production, being applied -- to the entire volume of overall production -- is the same volume of materials expenditure, even though the unfinished production at a given point in time, let us say on the 30th of the month, also incorporates the materials included in production in the last decade, that have a low processing level and, consequently, for these the proportion of materials expenditure is far higher than that of the planned amount, applied for the total. Hence, by application of the planned volume, there is an artificial assessment of net production by the part of expenditure of unperformed live labor and the nonrealized accumulations relating to the materials with a low processing level from the unfinished production.

Another matter involves the fact that net production does not mobilize to the operative conclusion of the supply-production-marketing cycle, because there are cases when, although net production is realized and the funds for remuneration are assured, production lies in the warehouse, sometimes even for a long period of time. Moreover, net production can be realized and exceeded without having a measurable correspondent in physical production and, consequently, even though (net) production is exceeded, it cannot become merchandise, it does not participate in exchange, it does not satisfy individual consumption needs, on a productive or investment basis, it does

not verify its economic usefulness for which it was created (for example, in industrial construction the same net production can be obtained by construction and provision with equipment of a shop that is to produce immediately and also by partial construction of two or more shops but which do not produce).

For the purpose of meeting current requirements of consumption (of all kinds) net production must be obtained in strict correlation with physical production, with concomitant ensuring of marketing under contracts and also actual delivery in the context of quality. We consider that the indicator sold and paid-for marketable output would satisfy all these requirements, because it represents the final expression of acknowledgement of materialized labor performed in all the above economic processes. This does not mean renouncing net production as an indicator that expresses the individual effort of economic units in creating the national income.

According to the views of some experts the utilization of the indicator sold and paid-for marketable output in the recalculation of the fund for remuneration of work could not be applied permanently because of the lack of rhythmicity in collections sometimes generated by objective causes for the collector (arrear payments at the user of deliveries, lack of financing at the users of investments, improper organization and unfolding of clearings in some enterprises, and so on). We believe that the above-mentioned argument loses its value in the context of resort, as a possibility in objective cases, to utilization of the system employed in the situation of improper exceedings. For instance, we even have in mind the possibility of enhancement of the powers of ministries and centrals in approval of improper exceedings (at present they are 2% and respectively 1% of the quarterly planned fund for remuneration). This makes it possible to resolve the difficulties that crop up because of lack of rhythmicity in collections.

Assignment of the central role to the indicator sold and paid-for marketable output in recalculation of the fund for remuneration of work would, in our view, enhance the concerns of enterprise managerial bodies in realization of marketable output and in this manner increase the possibilities for ensuring payment capacity; chain blocking and arrear payments would involve the tendency of decline and the interest paid by units and the penalties stipulated by law -- both for incapacity of payment -- would diminish in favor of accumulations, of formation of planned funds from profits.

Another benefit of this indicator is its stability as plan indicator versus net production. If the newly created value can be modified as plan in execution whenever there is a matter of a change in the volume of production, redirection of contracts, resizing of overall production for calculation of net production, change in the variation of reserves for unfinished production from one period to another (difficult to quantify and involving great approximations), and the like, in the case of sold and paid-for marketable output the oscillations are limited to change in the plan of marketable output for which there is the need for precise motivations and analysis of reserves of products at the beginning and end of the period.

If we closely examine the behavior of the indicator on collections, in practice, however, we can show that there is the possibility for units to use some inadvisable procedures for artificial raising of collections, namely, they could perform selling-buying operations for some subassemblies made on the basis of cooperation and this

would permit easy attainment of this indicator. But their level could be limited and monitored so that it can be restricted by law and eliminated. Even in the context of the drawback mentioned above, we assess that the indicator sold and paid-for marketable output in practice presents a number of advantages; under the conditions of its application as basic indicator work would be remunerated only on the basis of verification of social demand of production, and its level would express in terms of value the usefulness of the makers' activity.

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DRAFT LAW ON WORKER PARTICIPATION IN DEVELOPMENT FUND

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[Article by Dr. Gheorghe Raboaca and Dr. Ioan Bratu]

[Tetx] Proceeding from the truth that socialist ownership is a durable basis for continuous improvement of the material and spiritual well-being of the people, our party and state pay special attention to the development of socialist property, by and large, of productive forces, to the utilization of all the national potential at the highest possible level of profitability and efficiency. Prominent among the many measures taken in recent years to achieve these major objectives is the use on an overall scale of the new economic-financial mechanism, introduction of worker participation in profits. Part of the same context is the Draft Law on participation of working people with social shares in the formation of the economic development fund, submitted to public debate.

We believe that two of the multitude of reasons that underlie the introduction of worker participation with social shares in the formation of the economic development fund are prominent because of their dimensions and profound ramifications. On the one hand, we have in mind the fact that this process reflects the direct conditioning between the multilateral and rapid progress of the national wealth, of socialist property and improvement in the people's well-being; in the attainment of such a major objective of decisive importance is the intensive activity of all the people, devoted work, attributes generated by the new status of owner, maker and user which man has acquired in our socialist society. On the other hand, worker participation with social shares in the formation of the economic development fund represents a new, superior form of material incentive which organically blends into the concept of the new economic-financial mechanism for the purpose of promoting in the mass of makers and owners of the means of production a greater interest in the most efficient management of the entire part of socialist property involved in each state economic unit.

Let us dwell at length on these matters. For the purpose of socioeconomic development of this country, the party and state each year appropriate from the national income large amounts of accumulation for the expansion and modernization of the technical-material base in all branches and sectors of activity. Moreover, because of the relatively limited nature of the resources destined for the growth of productive forces and also taking into consideration the significant rise in the incomes of working people in recent years, the need for further maintaining a rapid

rate of development of the Romanian economy, the draft Law offers the possibility of worker participation with social shares in the economic development fund. This is based on free consent. The above-mentioned participation may not exceed, on the whole, 30% of the value of fixed assets of the unit, and the social share owned by each working person may not be greater than 50,000 lei and smaller than 10,000 lei for his or her entire period of activity. The deposits of each working person for the formation of the social share shall be determined in light of the incomes of the depositor and the volume of deposits approved by the general assembly for the plan year. The formation of the social share may proceed in equal or differential installments, monthly or at other intervals, or integrally, depending on the depositor's choice.

Moreover, the new regulatory act provides the opportunity also for executives, workers in the state apparatus, political and mass organizations, in educational and sociocultural institutions to deposit amounts of money as social shares, in an economic unit, receiving, in light of the value of the social share, extra incomes, under the same conditions as the working people in the economic unit involved.

Worker input into the economic development fund has, as the major decisive objective, the increase in the working people's level of active and creative participation in socioeconomic activity. Greater efficiency involves stimulation and broader and intensive utilization of individual initiative. Working people must actively and multilaterally contribute toward maintaining a rapid rate of development of the Romanian economy, turn out a higher and better output, of a better quality, at the lowest possible cost.

In the context of the measures envisioned, working people are urged to take on directly and at a higher degree their responsibilities, to make better use of their capacity as owners of the part of the national wealth entrusted to them for management and development. In this manner, working people in each enterprise will better understand the fact that they are the owners of that enterprise, that they directly bear the responsibility for the maintenance and protection of the socialist property, for its development, that their duty is to obtain, with the means available, the continuous rise in efficiency, in this way ensuring the funds needed for remuneration and profit sharing and also for the development of the technical-material base, for the satisfaction of overall needs of the state.

Worker participation with social shares in the economic development fund -- a new manifestation of worker democracy -- is designed to help to upgrade worker self-management. The resolution of the problems with which economic units are confronted involves not only the existence of an adequate organizational framework but also the improvement in the activity of working people's councils and general assemblies. The enrichment of the contents of these forms of management -- realized also by the provisions of the recent draft law -- is meant to stimulate the creative capacity of working people at the level of the status of socialist owner, of maker and user. Furthermore, worker participation with social shares in the formation of the economic development fund will ensure an even closer tie of each working person with the unit where he or she works by the greater material incentives for the personnel of each unit in obtaining better economic results. In this regard, it is stipulated that working people will receive, at the end of each year, for the sums deposited

as social share, an income determined in light of the total size of the deposit and the way of realization and exceeding of planned profits. Hence, the major, final meaning of participation in the development fund involves the fact that the opportunity is offered for obtaining an extra income in light of the input into the formation of the development fund. For the sums deposited as social shares working people collect at the end of each year an income connected with the profits of the unit. The annual income due to the working people is 6% in the case of the units having achieved the profits planned and up to 8% in the case of having exceeded them, in light of the volume of profits and the profitability obtained, according to the decision of the general assembly of working people. Working people's income is guaranteed at the level of 5% of the amounts deposited as social share also in the case of nonrealization of the profit planned for the unit. The incomes due to working people are ensured from the profits obtained, before any other assignments provided for by law. These incomes are not taxable and are not included in the calculation of earnings of working people in light of which are determined, according to the law, their rights and duties. Moreover, the full return of deposits for the formation of the social share is guaranteed. All this points out the importance of providing quality and efficient work at all levels, that makes it possible for the sums deposited for development to acquire the status of most productive investments.

On the whole, we may state that participation with social shares is another manifestation of working people's capacity as owners, makers and users. It provides them with greater responsibility for the development of the technical-material base, proper organization of production and work, and the right to fully enjoy the results of their activity.

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